DBJ

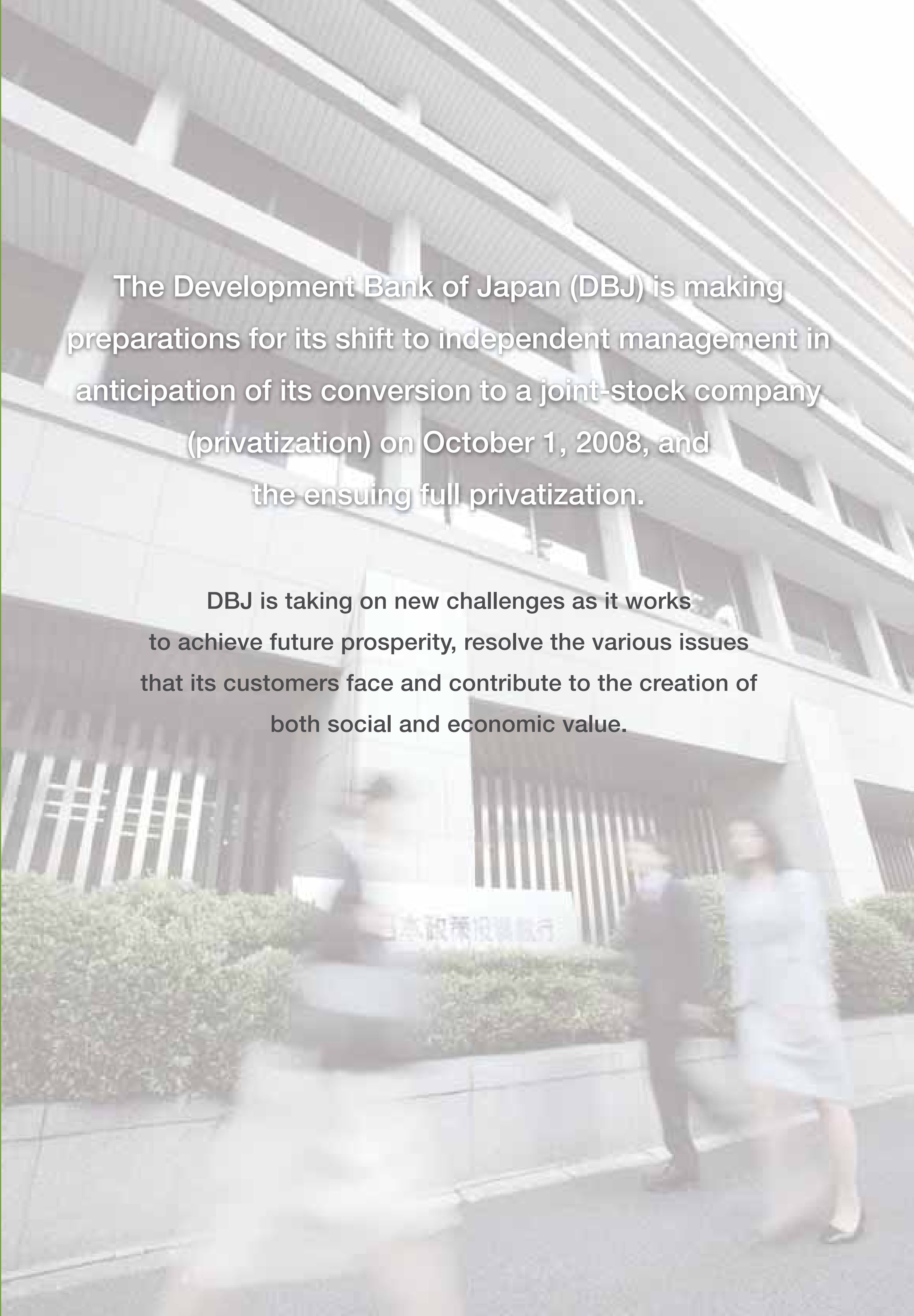
2008

Annual Report & CSR Report

Development Bank of Japan

The Development Bank of Japan (DBJ) is making preparations for its shift to independent management in anticipation of its conversion to a joint-stock company (privatization) on October 1, 2008, and the ensuing full privatization.

DBJ is taking on new challenges as it works to achieve future prosperity, resolve the various issues that its customers face and contribute to the creation of both social and economic value.



Contents

Profile (As of March 31, 2008)

Established:	October 1, 1999 (Former Japan Development Bank: 1951, Former Hokkaido-Tohoku Development Finance Public Corporation: 1956)
Governor:	Minoru Murofushi
Number of employees:	1,347 (Fiscal 2009)
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, 5
Total assets:	¥12,524.8 billion
Loans:	¥11,512.9 billion
Net earnings:	¥53.9 billion
Capital adequacy ratio:	20.71%
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.)

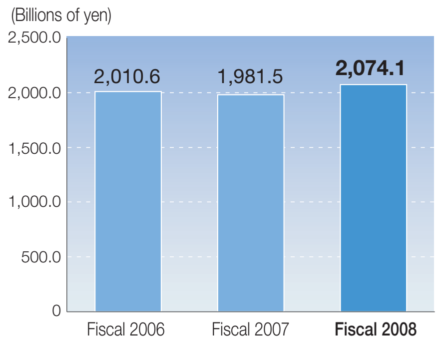
Note: Total assets, loans, net earnings and the capital adequacy ratio are calculated on a non-consolidated basis.

Financial Highlights (Non-consolidated)

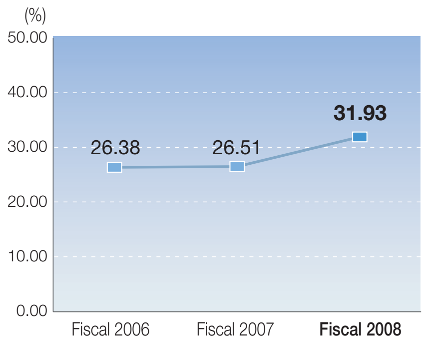
For the years ended March 31 or as of March 31	FY 2008 (Billions of yen)	FY 2007 (Billions of yen)	FY 2006 (Billions of yen)	FY 2008 (Millions of U.S. dollars)
Total income	**374.8**	398.9	411.6	**3,741.0**
Net income	**53.9**	75.1	92.6	**538.1**
Capital	**1,272.2**	1,272.2	1,272.2	**12,698.7**
Total equity	**2,074.1**	1,981.5	2,010.6	**20,702.4**
Total assets	**12,524.8**	13,073.9	13,682.1	**125,011.2**
Loans	**11,512.9**	12,146.4	12,873.2	**114,910.7**
Securities	**532.1**	366.4	429.5	**5,311.2**
Capital adequacy ratio (BIS standard) (%)	**20.71**	19.19	16.07	
Ratio of risk monitored loan (Banking Law base) (%)	**1.0**	1.2	1.6	
Return on equity (%)	**2.66**	3.90	4.77	
Return on assets (%)	**0.42**	0.57	0.67	
Overhead ratio (%)	**31.93**	26.53	26.38	
Number of employees	**1,347**	1,352	1,357	

Notes: 1. The "Total equity" figure for FY 2006 was previously referred to as "total net assets".
2. The capital adequacy ratios given for March 31, 2006 is calculated according to former BIS standards; the March 31, 2007 and 2008, figures are 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 ¥100.19=$1.00, the effective exchange rate prevailing as of March 31, 2008, has been used in the conversion.

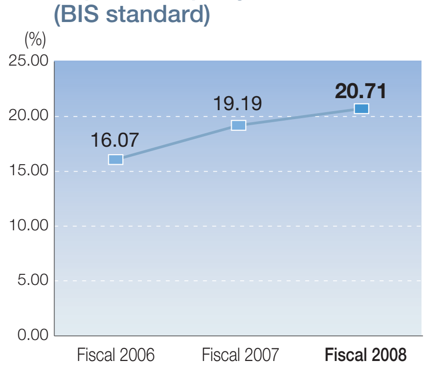
Total Equity



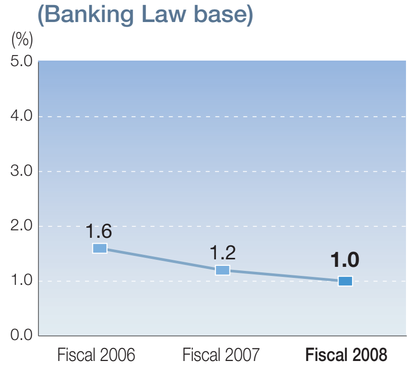
Overhead Ratio



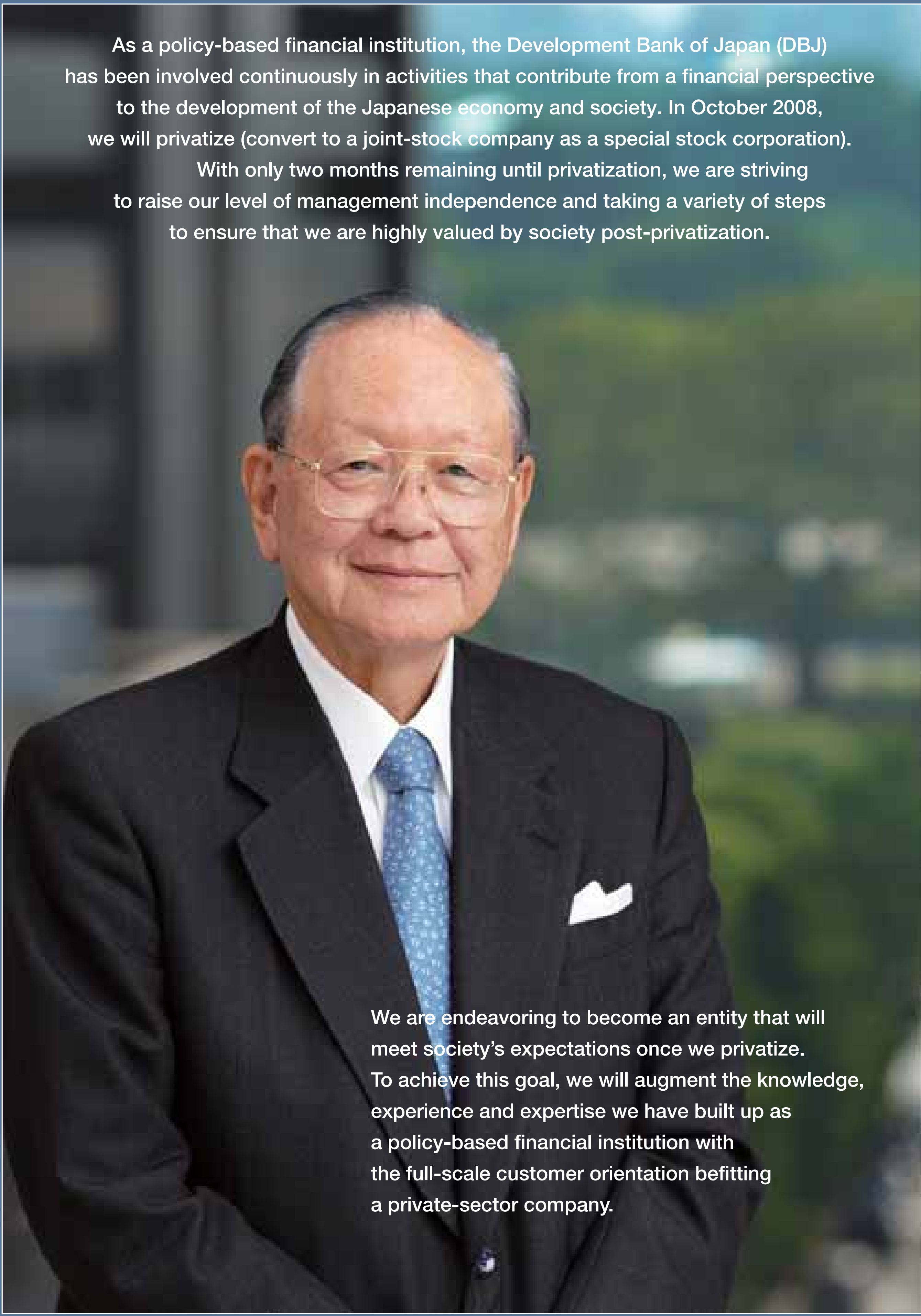
Capital Adequacy Ratio (BIS standard)



Ratio of Risk Monitored Loan (Banking Law base)



Message from the Governor



As a policy-based financial institution, the Development Bank of Japan (DBJ) has been involved continuously in activities that contribute from a financial perspective to the development of the Japanese economy and society. In October 2008, we will privatize (convert to a joint-stock company as a special stock corporation).

With only two months remaining until privatization, we are striving to raise our level of management independence and taking a variety of steps to ensure that we are highly valued by society post-privatization.

We are endeavoring to become an entity that will meet society's expectations once we privatize. To achieve this goal, we will augment the knowledge, experience and expertise we have built up as a policy-based financial institution with the full-scale customer orientation befitting a private-sector company.

Our Aims

As we move toward privatization, DBJ aspires to live up to the objectives of its corporate philosophy: “Applying financial expertise to design the future.” In our view, creative financing is the key to solving problems, building the trust of our clients and achieving future prosperity. Our corporate philosophy addresses this resolve.

Following on from this corporate philosophy, we have coined the “Three Ws” to express DBJ-specific characteristics.

The first “W,” for “Will,” expresses our ongoing dedication to a long-term perspective, neutrality, public-mindedness and reliability. The second “W” is for “Wisdom,” which refers to our intellectual assets—the experience and know-how we have developed to date, our forward-thinking capacity and judiciousness, and our involvement in financial technologies. The third “W,” for “With,” indicates the relationships of trust that we have with our customers, regional government bodies, cooperating companies and financial institutions. Each of our executives and regular employees will apply these “Three Ws” in concert to deliver our issue-resolution capabilities and financial expertise to our customers.

As in the past, rather than concentrating solely on short-term profit we remain dedicated to helping our customers shape the future through our long-term and neutral perspective.

Our Corporate Ethics

As a member of society, DBJ recognizes that it has social responsibilities, and that alongside its efforts to raise corporate value each and every action the Bank takes must be appropriate. This recognition forms the basis for our corporate social responsibility (CSR) outlook, as we seek to realize a sustainable society.

As its business activities have direct social, environmental and economic implications, DBJ believes it fulfills its corporate social responsibility by conducting its core businesses. For this reason, in our *Annual Report & CSR Report 2008* we have adopted “disclosure from a CSR perspective” as a core concept, a springboard from which to introduce our activities.

Becoming a Unique Financial Institution

Through privatization, we aim to establish ourselves with the business model of a highly specialized financial institution that provides integrated investment and loan services.

In the past, DBJ’s operations have centered on long-term senior loans. To meet a more diverse range of customer needs, in recent years we have begun applying our expertise in screening long-term projects and increasing our percentage involvement in structured financing and fund investment.

After privatization, we will enhance our investment and financing functions, providing a wide range of services that contain facets of both. In addition to providing M&A advisory services, consulting and other information services, we intend to mold ourselves into a financial institution that is unique both in Japan and overseas for conducting integrated investment and loan activities.

Our primary aim is to be the financial institution of choice for our customers, as well as one they find useful. To achieve this standing, we will redouble our efforts to address thoroughly the broad range of issues our clients face. We want our customers to be pleased that we have privatized. Accordingly, each of the Bank’s executives and regular employees is taking upon themselves the challenge of transforming DBJ.

I ask for the continued support of our stakeholders as we move along this new path.

July 2008

Minoru Murofushi
Governor
Development Bank of Japan

Leveraging its greater degree of freedom to conduct leading-edge financial activities, DBJ will endeavor to resolve the issues its clients face, build their trust and work to achieve their future prosperity.

Applying finan
to design

The new DBJ corporate philosophy is “Applying financial expertise to design the future.” The word “design” is deliberate, evincing our willingness to work in tandem with clients to help them reach their goals. DBJ is taking privatization as an opportunity to inculcate in its executives and regular employees an even more thorough “client-first” orientation. We will work assiduously to make the most of our newfound freedom to apply leading-edge initiatives to the resolution of client issues.

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.)

■**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.

■**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.

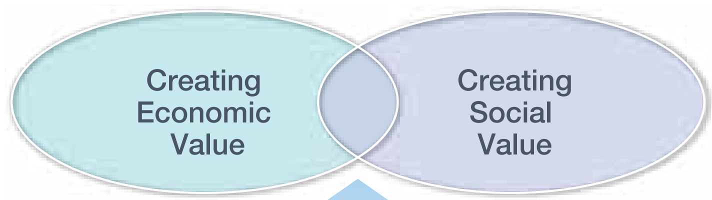
Note: Please refer to page 151 for details of the New DBJ Law.

The Privatization Process

	FY2006–FY2007	FY2008–FY2015	FY2016
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.

Management Philosophy



Building on the base of the “Three Ws” that we have cultivated as a government-affiliated financial institution, we apply financial technologies suffused with our creative financing to resolve client issues and raise economic and social value.

Corporate Philosophy

Applying financial expertise to design the future

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

The “Three Ws” and Four Corporate Values at the Core of DBJ’s Financial Expertise

The “Three Ws” Cultivated through Policy-Based Financing

Will
- The core of the four corporate values DBJ developed as a government-affiliated financial institution

Wisdom
- Stems from the industry research, screening capabilities and other know-how we have developed
- Applied financial technologies

With
- Networks we have built with companies, public institutions, financial institutions and other entities

DBJ’s Four Corporate Values (Values DBJ Shares with Its Clients)

1. A long-term perspective Using our capital effectively, we work to earn the trust of customers in Japan and overseas by accepting risk and contributing to their long-term development. Our focus is on the long-term growth of entities to which we provide investment and financing.

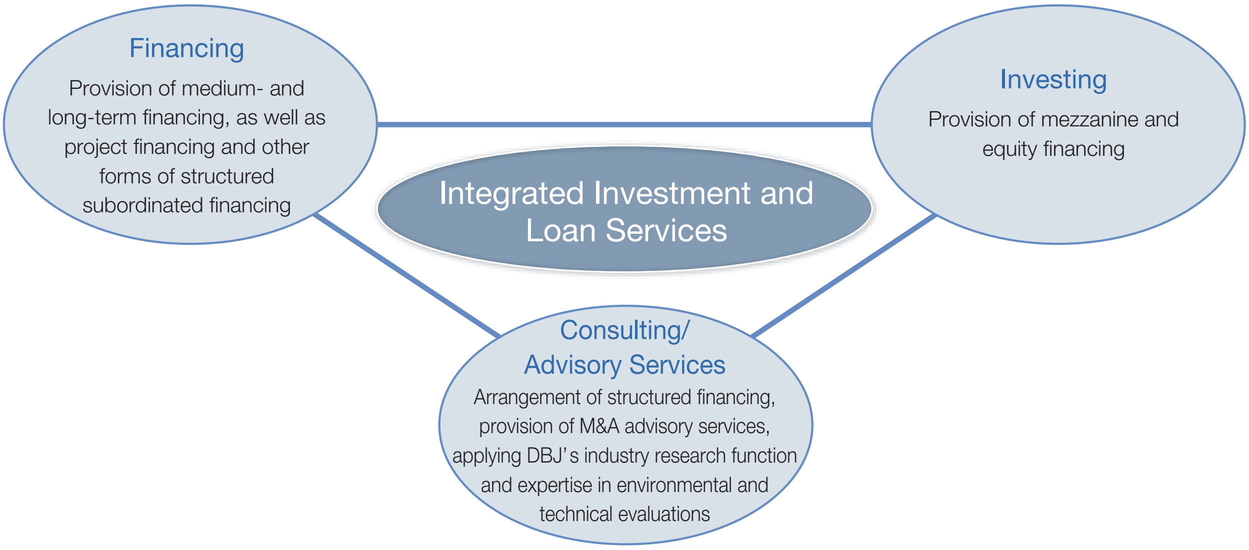
2. Neutrality We adopt a neutral stance and are not beholden to any specific corporate group.

3. Public-mindedness Applying the policy-oriented expertise that we have accumulated as a public institution, we maintain a focus on public-sector and environmentally oriented initiatives.

4. Reliability We consider reliability important, based on the three corporate values indicated above.

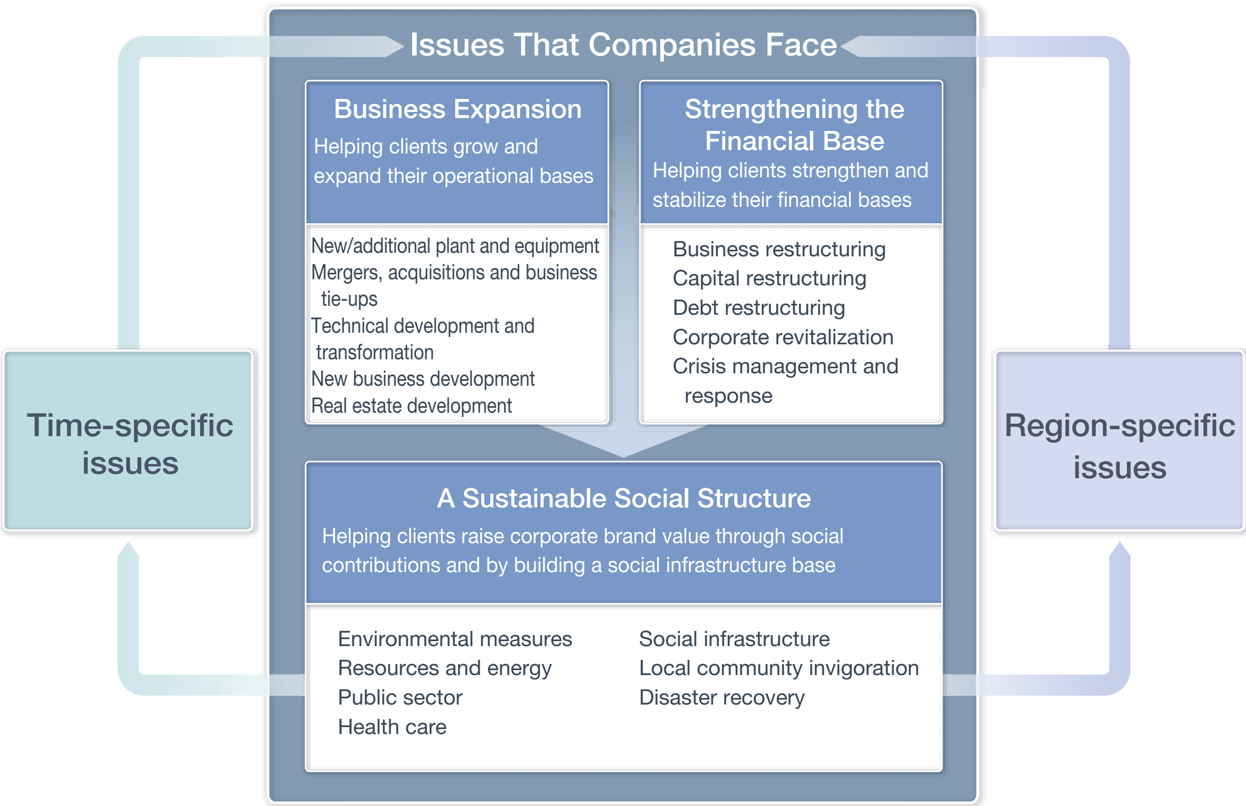
Business Model of the New DBJ

We will work to resolve the issues customers face by providing specialized financial services involving integrated investment and loans.



Resolving Client Issues through DBJ's Financial Expertise

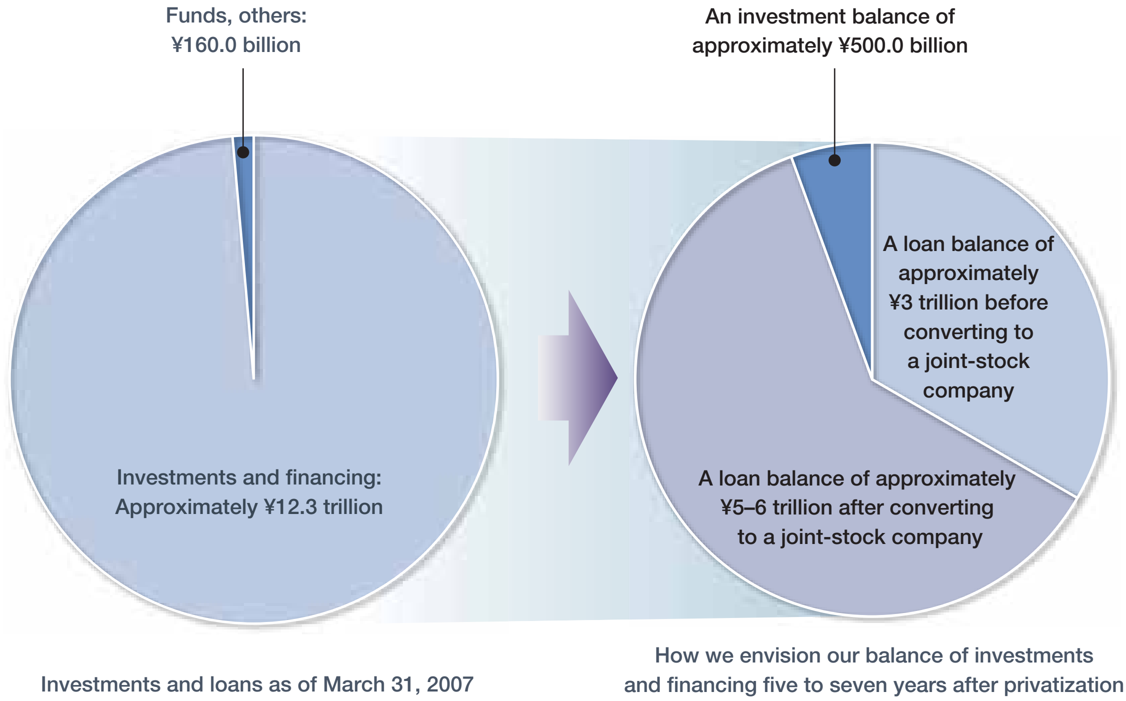
By remaining closely in tune with the changing times, we aim to apply financial expertise to resolve the issues faced by our clients (private companies, public entities and financial institutions), create new economic and social value and contribute to future prosperity.



Our Asset Model as We Move toward Privatization

Through the seamless development of investment and financing, we will endeavor to shift from an asset structure that centers on loans to one that emphasizes investment, aiming to raise profitability.

Raising Profitability While Sustaining Management Soundness



Organization Structure to Create Our Business Model

(Transition period)

We are considering the governance structure outlined below as one that is appropriate for a joint-stock company.

Build a structure that will ensure compliance with financial regulations, such as the Companies Act and the Financial Instruments and Exchange Law, and avoid potential conflicts of interest.	Create a structure that strikes a balance between the profit-generation and monitoring functions.	Put in place a risk management system commensurate with the risk profile we adopt.

(After full privatization)

After full privatization, we will strengthen our integrated investment and loan business in line with creating our new business model. We will select a form of organization that fits these functions.

In line with existing financial regulations, we will strive to become an integrated financial group that conducts business in the banking, investment and securities arenas.

FAQs on DBJ's Privatization

Question **What is New DBJ's corporate philosophy?**

Answer Occasioned by privatization, DBJ has created the new corporate philosophy of "Applying financial expertise to design the future" and established new goals. This philosophy expresses our conviction that creative financing is the key to solving problems, building the trust of our clients and achieving future prosperity.

While retaining the identity that DBJ has built for itself, this corporate philosophy clearly outlines the qualities that we will develop as a private-sector company. Our enthusiasm for the new vistas that will open to us as a private-sector company is inherent in the phrase "design the future."

Question **Can you be more specific about DBJ's business model?**

Answer Upon privatization, DBJ aims to operate on the business model of a highly specialized financial institution that provides integrated investment and loan services.

In the past, long-term lending operations have been the core of DBJ's business. In response to the increasingly diverse customer needs that have arisen in recent years, we plan to increase our involvement in business that takes advantage of our screening expertise on long-term projects, as well as structured financing and fund investment. After privatization, we will enhance our investment and financing functions, providing a wide range of services that contain facets of both.

In addition to providing new M&A advisory services, consulting and other information services, we intend to mold ourselves into a financial institution that provides specific value to its customers.

Question **Tell us about your community initiatives.**

Answer Along with the environment and technology, DBJ positions community initiatives as one of its three pillars of business. After privatization as well, we will respond to the business succession needs of medium-sized local companies, conduct M&A activities employing our networks that cover a broad range of key industries, and respond to customer needs through business revitalization initiatives that leverage our relationships with local financial institutions.

Question **Will the new DBJ conduct business overseas?**

Answer Given that many of our customers have global operations, we believe that taking a multifaceted approach to their needs will make overseas business an inevitable development for us. As we are not legally restricted from conducting business overseas, we consider international business within our scope.

Question **As a designated financial institution, what will become of your crisis response (safety net) business?**

Answer Under the Japan Public Finance Corporation Law, certain financial institutions are designated to provide credit in the event of natural disaster and other crises, and DBJ is so designated. Such institutions receive credit from the Japan Public Finance Corporation, which they employ to provide loans. As a designated financial institution, we plan to continue providing such loans as we apply our expertise in this area to crisis response operations.

Question **How do you expect government-owned shares in DBJ will be sold?**

Answer The process for selling government-owned shares is stipulated in the Administrative Reform Promotion Law. Article 2 of the Supplementary Provisions to the New DBJ Law states that "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." Basically, the government will determine the specific method and schedule for the disposal of shares, as well as the parties to which they will be sold.

Question **Please describe your future fund-raising efforts.**

Answer We will develop a medium- to long-term fund-raising platform concentrating on corporate bonds. We will round out these efforts with diverse methods to raise funds in a stable and efficient manner, such as by borrowing from other financial institutions.

Question **What will be your business categories?**

Answer In the immediate future, we will operate as a special stock corporation under the New DBJ Law. In the interval until we are fully privatized, we will study ways to meet customers' needs. Ultimately, we and other DBJ Group companies will determine our business categories on this basis.

Applying the financial strength stemming from the capabilities and expertise it has accumulated over the years, DBJ maintains unwavering “client-first” orientation as it addresses the issues clients face and provides them with distinctive services.

Core Competencies (the “Three Ws”)

P.16

Three specific characteristics that form the foundation of DBJ’s strength—financial expertise

Problem-Solving Support

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Contributing to the future prosperity of Japanese society by creating economic and social value stemming from contemporary and community characteristics

Financial Services

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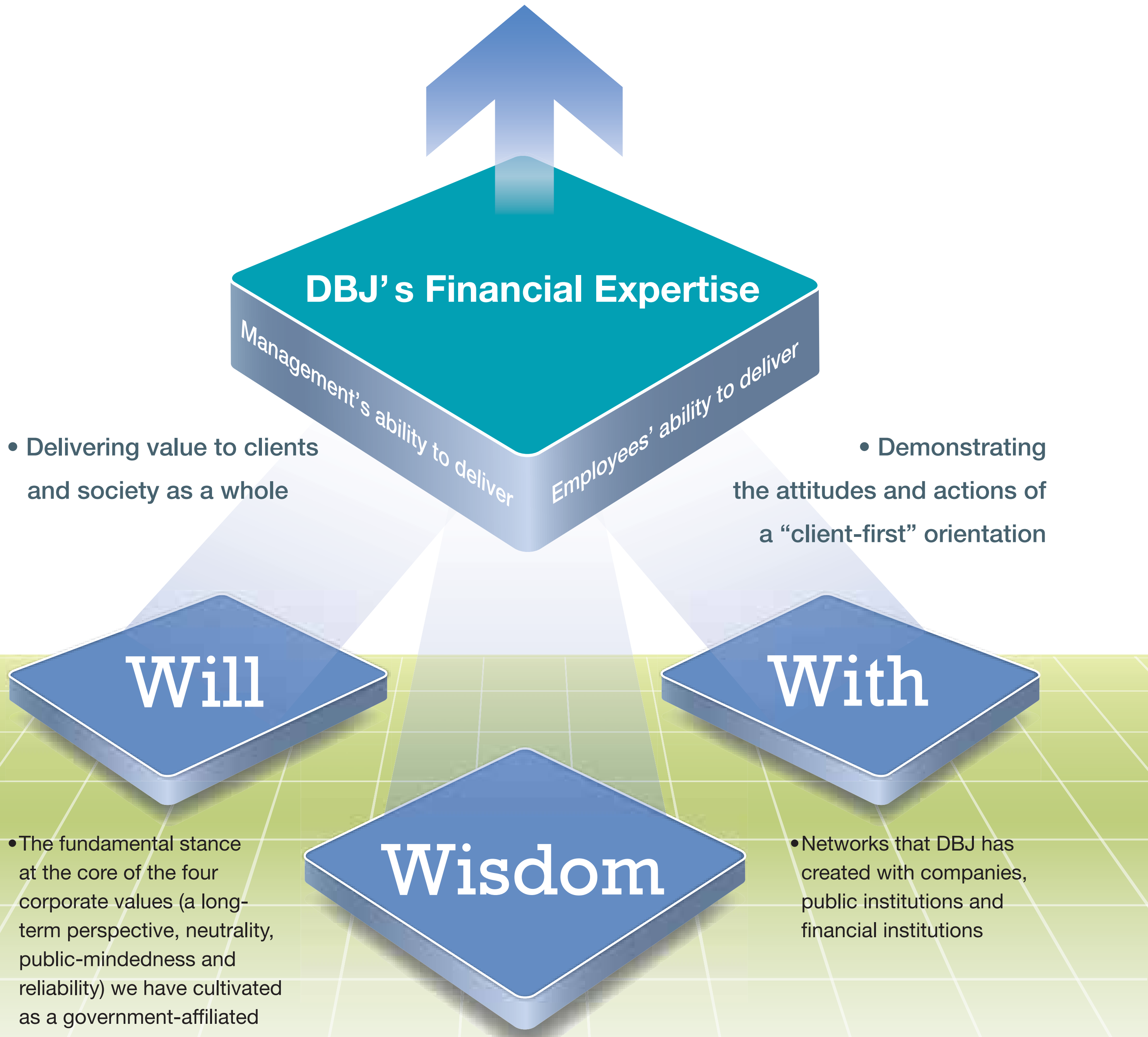
Resolving client issues through distinctive financial services—integrated investments and loans

The Characteristic “Three Ws” at the Core of DBJ-Specific Financial Expertise

- Intangible assets we have nurtured/values to pass on (the “Three Ws” and the “Four corporate values”)
- The wherewithal to solve clients’ problems by applying strong financial technologies and information capabilities plus robust provisioning for capital investment



- Delivering value to clients and society as a whole

- Demonstrating the attitudes and actions of a “client-first” orientation

Will

- The fundamental stance at the core of the four corporate values (a long-term perspective, neutrality, public-mindedness and reliability) we have cultivated as a government-affiliated financial institution

Wisdom

- Expertise that DBJ has fostered through its industry research and screening capabilities
- Applied financial technologies

With

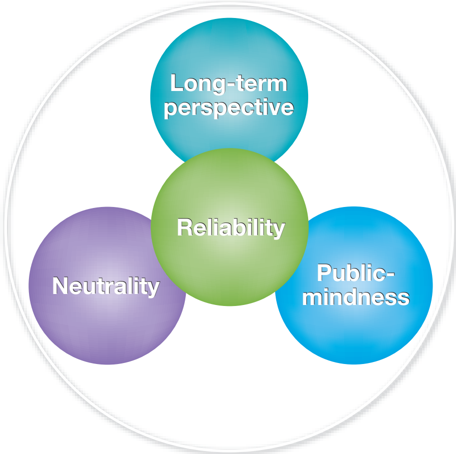
- Networks that DBJ has created with companies, public institutions and financial institutions

Will

DBJ's fundamental stance is based on sharing with its clients a long-term perspective, neutrality, public-mindedness and reliability.

- We have built our financial expertise by providing social value, thereby earning the trust of our clients and society as a whole. Rather than being constrained by an over-emphasis on short-term profit, all DBJ executives and regular employees work to maintain a long-term and neutral perspective, approaching new business with a spirit of innovation and challenge.

DBJ's Four Corporate Values

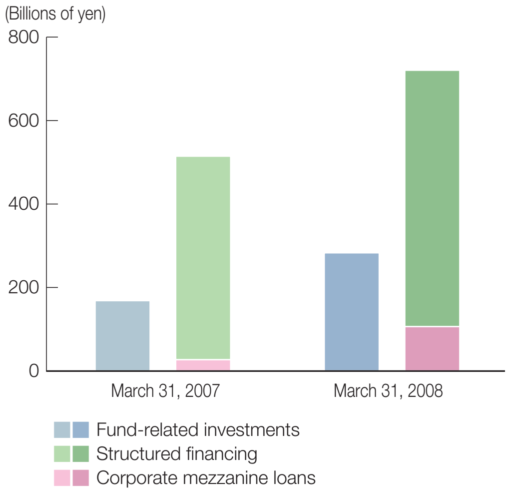


Wisdom

Wisdom is a catch-all that refers to the intellectual assets—the ability to think ahead, make discerning judgments and introduce new financial technologies—that we have built through our experience in applying our industry research and screening expertise.

- "Financial expertise" is a broad-ranging phrase that includes DBJ's screening expertise, stemming from its highly valued research capabilities and predilection toward thinking ahead. In addition to advanced financial methods, the integration of investing and financing enables DBJ to offer a host of services to meet diverse client needs.

Investment and Loans Employing New Financial Methods

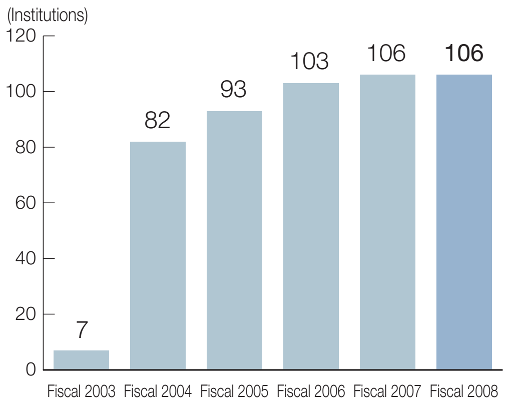


With

DBJ enjoys trust-based relationships with clients, as well as partners among public-sector and financial institutions.

- DBJ's strength derives from its liaisons with the industrial sector, government bodies and financial institutions. These relationships define the "With," the third of the "Three Ws," and support the other two—"Will" and "Wisdom." Our broad-ranging activities are designed to ensure the functioning of our financial platforms.

Total Operating Agreements with Financial Institutions



Providing the solutions that serve as the backbone for sustained social growth

Resolving Client Issues

Corporate Issues

- Business and industry revitalization
- Business restructuring
- Smooth business succession (making successors aware of problems and passing on technical expertise)
- Creating new industries (Converting innovation and technology into businesses)
- Formulating capital policies and building a sound financial base
- Strengthening CSR and governance
- Others

Contemporary Issues

- Environmental measures
- Environmentally responsible energy investment
- Global warming countermeasures
- Measures to ensure safety, security and disaster preparedness
- Responding to globalization
- Introducing information technology and other responses to sudden market changes
- Others

Community Challenges

- Creating regional infrastructures for the railway business and safety measures
- Building vigorous communities (Such as providing infrastructure equipment for areas in need of urgent urban renewal)
- Creating employment in the community
- Building attractive tourist destinations
- Formulating measures for medical care, social welfare and measures befitting an aging society
- Others

Resolving Client Issues

Resolving Contemporary Issues

Throughout its history, DBJ has played a variety of roles to meet the needs of the times. Making the most our expertise and abilities, we provide financing services that suit changing social and economic conditions.

Effectiveness of Investments and Loans
(Fiscal 2008)

- Construction of waste-processing facilities in terms of annual waste-processing capacity: 724,000 tons
- Reduction in greenhouse gas emissions: 35,000 tons

Resolving Community Challenges

In the interest of creating prosperous lifestyles, we take a long-term perspective in providing appropriate solutions to the challenges communities face, such as stimulating regional economies, building local infrastructure and building wide-ranging networks.

Effectiveness of Investments and Loans
(Fiscal 2008)

- Area served by newly introduced district heating and cooling systems: 375,000 m^2
- Number of locations where railway crossings eliminated: 355

Resolving Corporate Issues

DBJ takes a multifaceted approach to resolving corporate issues. We aim to help clients become more competitive, grow further, expand their operational bases, strengthen and stabilize their financial bases and raise brand value by supporting social sustainability.

Effectiveness of Investments and Loans
(Fiscal 2008)

- Patents received by venture companies: 55
- Annual revenues of companies undergoing reconstruction or recovery: ¥2.6 trillion

Resolving client issues through integrated investment and loan services

Financing

- Medium- and long-term investments and loans, project financing and other types of structured financing, subordinated financing

Resolving Client Issues

Investment

- Mezzanine finance, equity and other financing

Consulting and Advisory Services

- Arrangement of structured financing, M&A advisory services, provision of expertise on industry research and other environmental and technical evaluations

Loans

DBJ provides medium- and long-term loans that meet the needs of the times, as well as clients' requirements, meeting a range of funding needs. In addition to senior financing through traditional corporate loans, we offer project financing, non-recourse loans and other types of structured financing as well as a variety of other loans that employ advanced financial methods.

- Provide medium- and long-term loans
- Offer unique high-value-added financial services (environmentally and socially responsible investment, disaster countermeasures and safety measures, rating-linked financing for technology commercialization)
- Respond to diverse needs by offering non-recourse loans; develop and provide financing offering collateral and structural flexibility (debtor-in-possession financing, inventory collateral, intellectual property rights as collateral, etc.)

Investment

We provide investment funding to meet specific needs, based on a long-term perspective, to resolve the host of issues that clients face. For example, DBJ provides investment to help clients expand their bases of operations, meet long-term growth strategies and shore up their financial bases. We offer funding support, mezzanine financing and financing that employs equity and other methods.

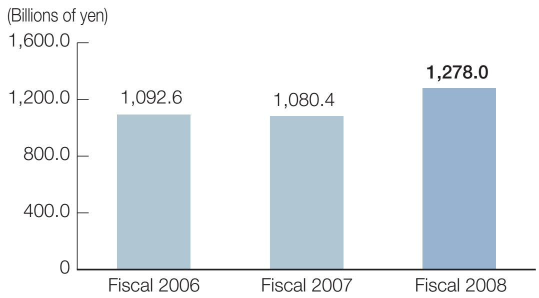
- We provide investment to assist with business revitalization, restructuring, growth strategies, raising international competitiveness and infrastructure operations. We provide such funding through mezzanine financing, as well as through equity and other funding.

Consulting and Advisory Services

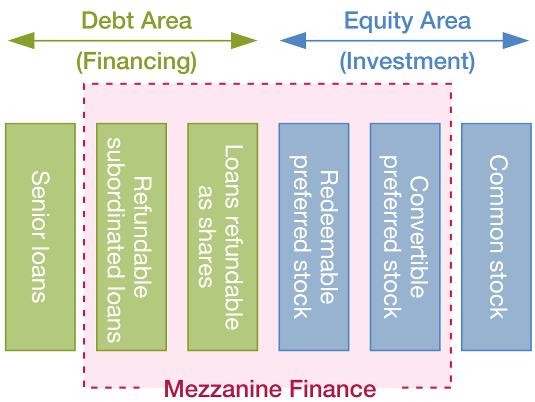
We also offer consulting and advisory services and make use of networks with allied financial institutions. Though our consulting and advisory support services, we help clients become more competitive and contribute to the vigor of regional economies.

- Make proposals that apply our expertise in industry research and ability to develop new financial technologies
- Arrange structured and other types of financing

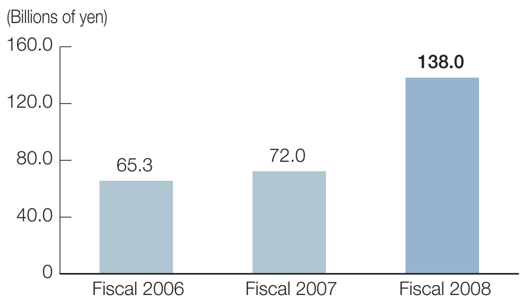
Loan Amounts Provided (Non-consolidated)



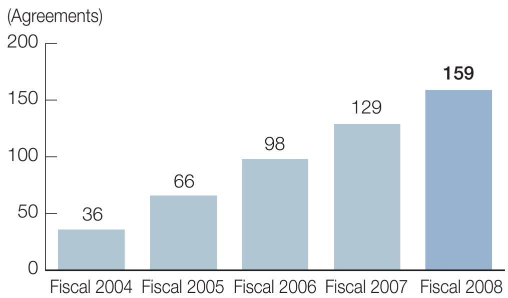
Overview of Mezzanine Financing

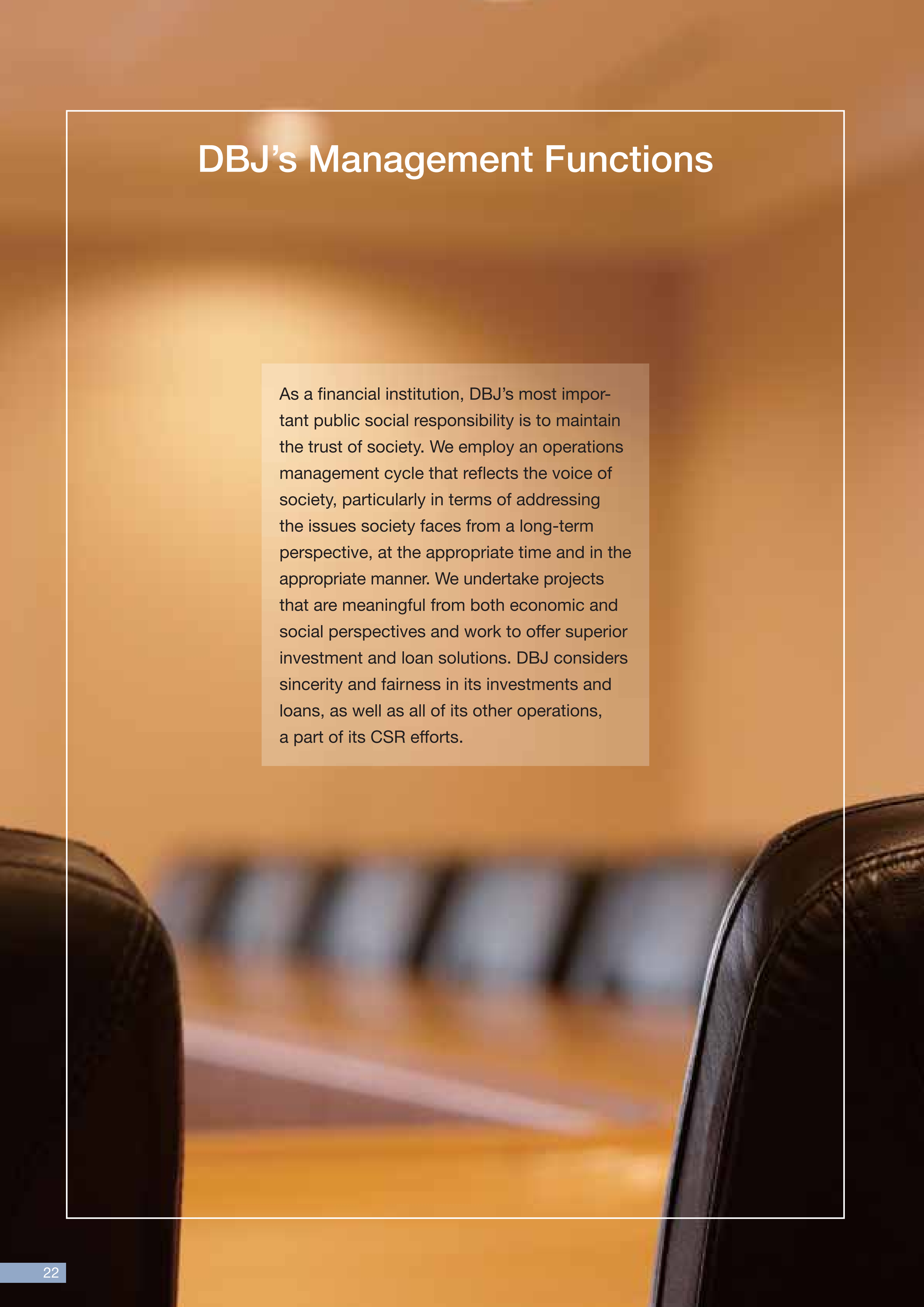


Investment Amount Provided (Non-consolidated)



M&A Advisory and Consulting Agreements (Cumulative)





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.

Management Councilors
(As of March 31, 2008)

Yoichi Kaya
Director General, Research Institute of Innovative Technology for the Earth (RITE)

Satoru Kishi
Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Yoshio Matsui
Chairman, The Yomiuri Shimbun

Shigeru Morichi
Professor, National Graduate Institute for Policy Studies

Yasuko Niimura
Advisor, Niimura Law Office

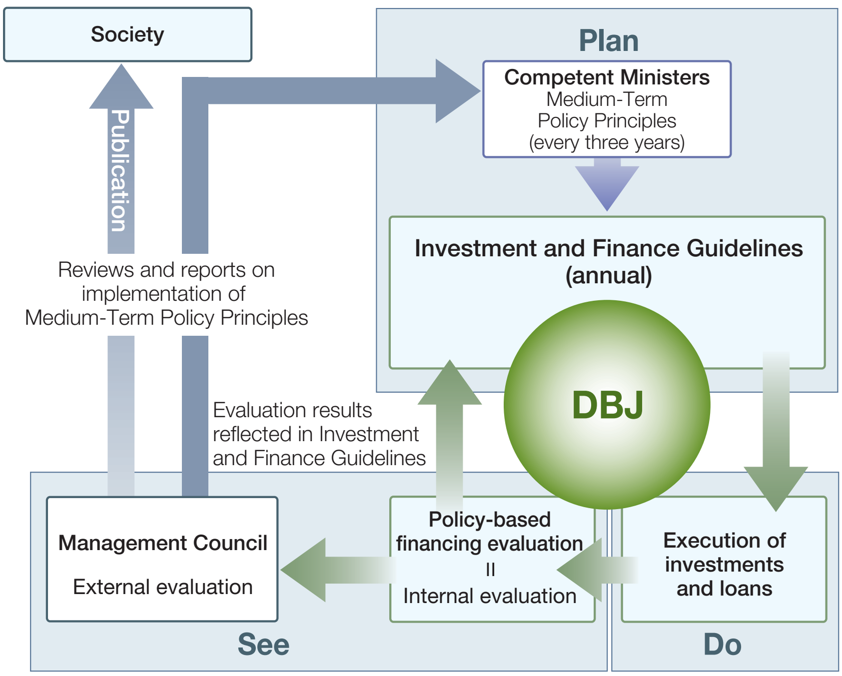
Shinobu Shimizu
Chairman of the Board and Representative Director, Tokyu Corp.
Former Chairman, The Association of Japanese Private Railways

Yasuo Shingu
Honorary Chairman, Sumitomo Metal Industries, Ltd.
Former Chairman of the Board of Directors, Kansai Economic Federation

Shoichiro Toyoda*
Honorary Chairman and Director, Toyota Motor Corp.
Honorary Chairman, Nippon Keidanren

*Indicates the chairman.

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.

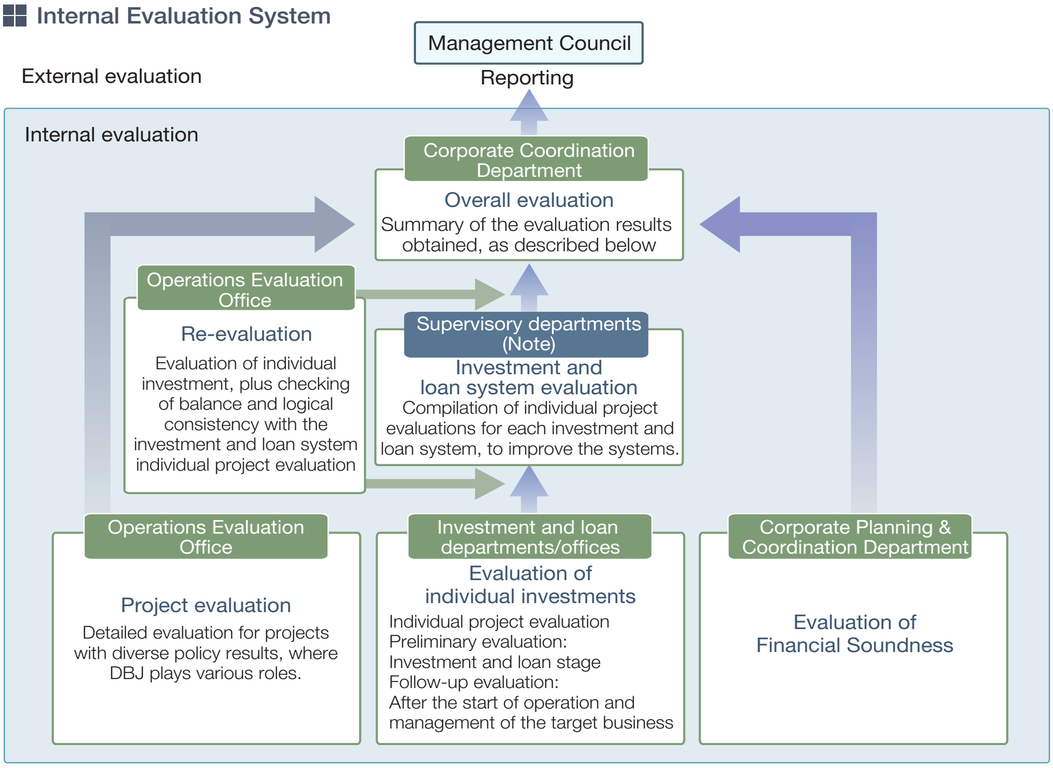
To protect its internal evaluation results from arbitrariness, DBJ has established the Operations Evaluation Office. This office conducts special sessions on in-house evaluations and confirms that evaluation systems are employed properly. The office has also formed a committee of academic experts with 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 155).

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.

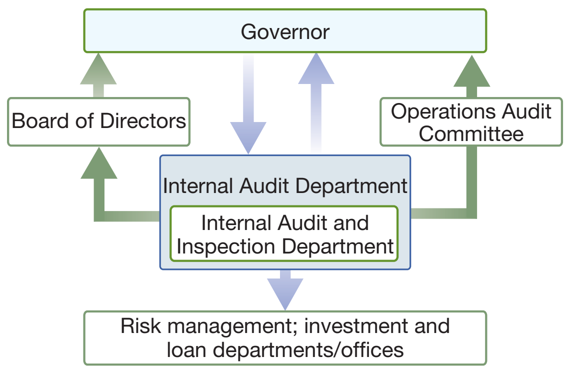
DBJ must fulfill its mission as a policy-based financial institution of the Japanese government, while maintaining its fiscal soundness. Therefore, internal audits are essential if the Bank is to secure proper internal management and deal with the increasing diversity and sophistication of its operations.

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 publicsector 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 obtain 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 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

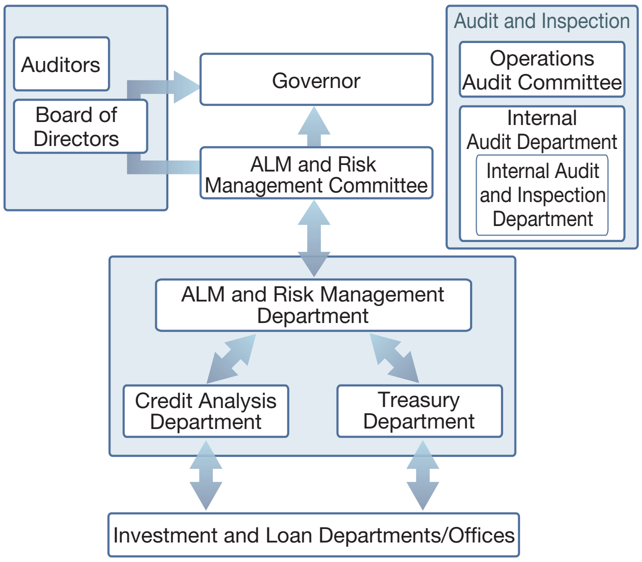
Continuing financial liberalization and advances in computer technology drive the computerization of finance, and innovation in financial technologies creates an increasingly diverse and complex risk environment for financial institutions. Therefore, we expect risk management to become an increasingly 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 ALM and Risk Management Department oversees comprehensive asset/liability and risk management activities. The ALM and Risk Management 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 and Risk Management 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 and Risk Management Committee deliberates DBJ's market risk and liquidity risk.

Operational Risk Management

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

The General Risk Management Committee has been established to deliberate topics concerning operational risk management. Within operational risk management, DBJ conducts operational risk management and systems risk management as described below.

(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

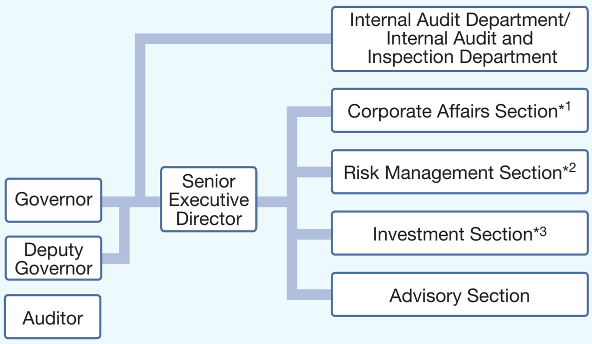
Systems risk refers to the risk of loss due to a breakdown or malfunction of computer systems, system defects, or improper computer usage. To properly manage systems risk, DBJ has implemented the following internal processes to optimize systems risk management.

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.

Risk Management System in Preparation for Privatization

The risks that financial institutions face are growing more diverse and increasingly complex owing to such factors as financial deregulation, the mechanization of finance through the ongoing advancement of computer technology, and innovation in financial technologies. As DBJ's operations are not immune to such risks, we will continue to emphasize the increasing role of risk management in our operations. To ensure management stability and soundness while raising corporate value, we endeavor to manage risks appropriately to our businesses and their inherent risk characteristics. We recognize the control of these risks as a top management priority, and accordingly are introducing a risk management system.



*1 The ALM and Risk Management Department was established, and the Investment and Product Screening Team was established with the Credit Analysis Department.
*2 This department has been restructured, and its name has changed.
*3 Additional functions were added to the Department for Investment Strategy, and the former Office for Investment Strategy was elevated to a managerial division.

Disclosure

Disclosure System

DBJ has prepared a system for the appropriate disclosure information based on the Law Concerning the Disclosure of Information Held by Independent Administrative Institutions. DBJ indicates clearly the roles of each department in disclosing information to specific audiences. In principle, the Treasury Department coordinates the disclosure of information targeting investors and the Corporate Planning & Coordination Department, Office for Public Relations, discloses news information to the media, including mass media. We also disclose 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.

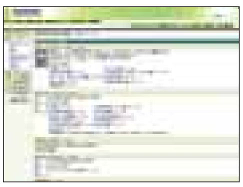
(1) Materials legally required for disclosure
- Operation report
- Financial statements
- Administrative cost report

(2) Voluntarily disclosed information
- Annual Report & CSR Report
- Financial Report, in accordance with the Securities and Exchange Law of Japan

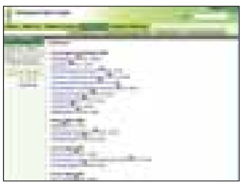
(3) Others
- DBJournal (newsletter)
- Website: **http://www.dbj.go.jp/english/**

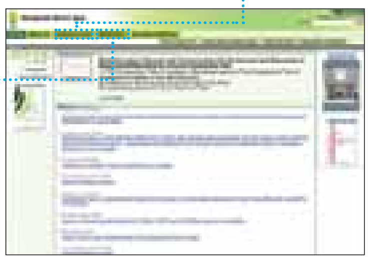
DBJ's *Annual Report & CSR Report 2007* won the Best Annual Report Award from the Association of Development Financing Institutions in Asia and the Pacific.

Download Center (Japanese only)
Various information for downloading



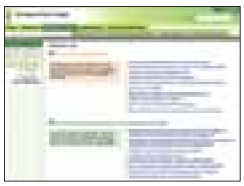
Publications
Various information for downloading





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

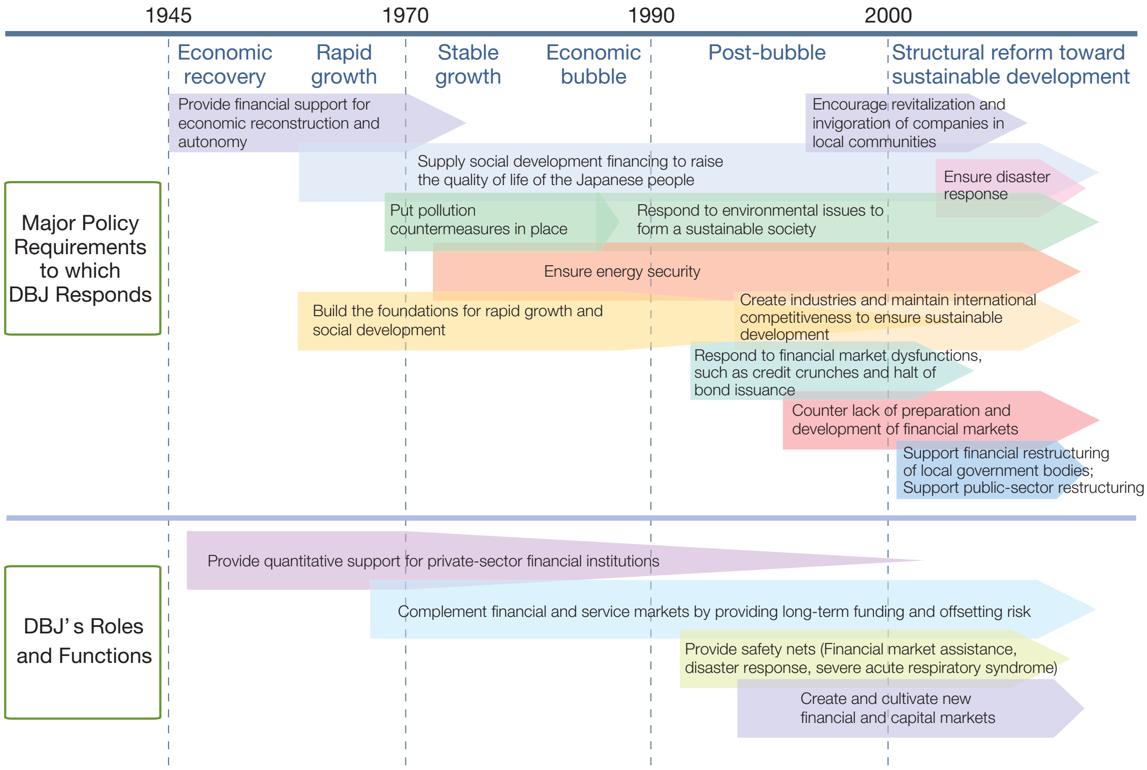
As an integrated policy-based financial institution, DBJ supports projects that are desirable from the standpoint of Japan's economic and social policies through the following functions:

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 2009 1st half 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

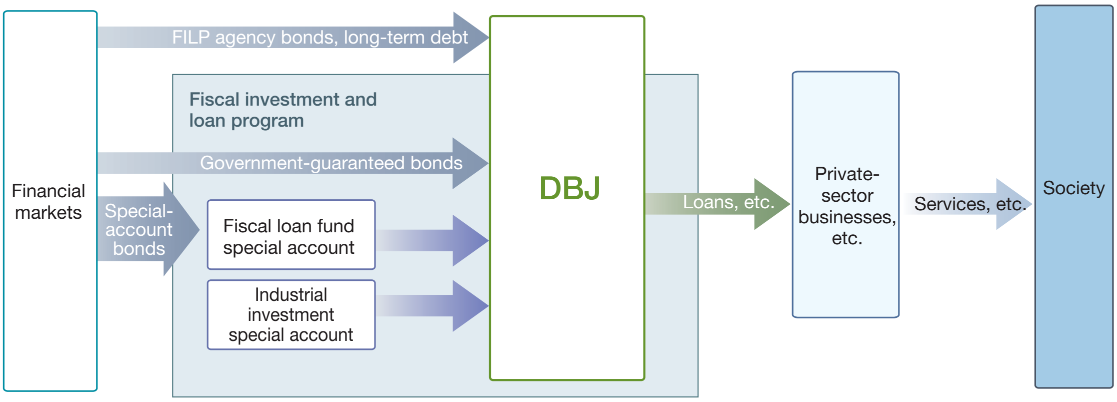
Promote environmentally friendly management, recycling and the realization of a safe society by supporting environmental measures; energy security measures; measures addressing social welfare and the aging of society; and measures to create traffic, distribution and communication networks.

(3) Form Autonomous Local Communities

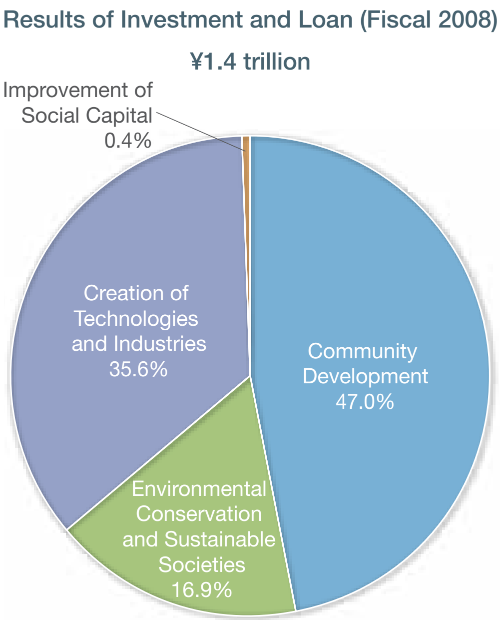
In local communities, help build social infrastructure, support the development of dynamism, collaboration and self-reliance by emphasizing local communities' distinctive characteristics, encouraging local community reinvigoration and urban renaissance programs, creating social capital and employment 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.

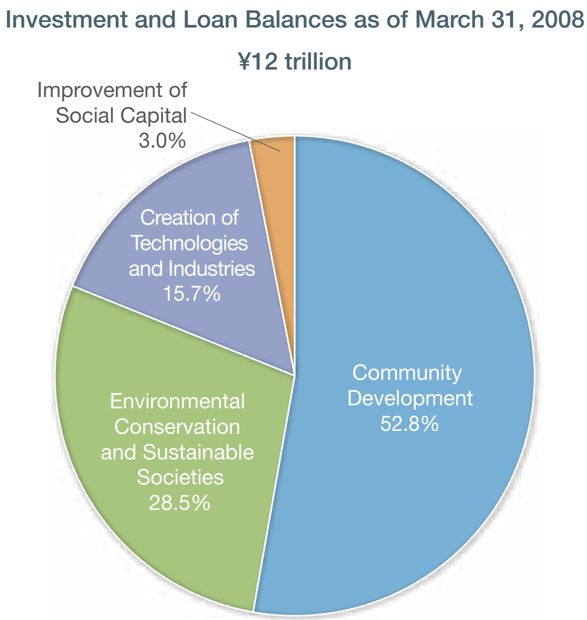
DBJ also responds appropriately and effectively to fill the gaps that form when financial and capital markets fail to function adequately, as in times of natural disaster or when policy requirements result from domestic or overseas economic or social emergencies.

Fund-Raising Structure



Results of Investment and Loan (Fiscal 2008)





◆Fiscal 2009 Investment and Loan Plans

Major Characteristics of Fiscal 2009 Investment and Loan Plans

In line with policy finance reforms, in fiscal 2009 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.

Characteristics of the Fiscal 2009 Loan Plan

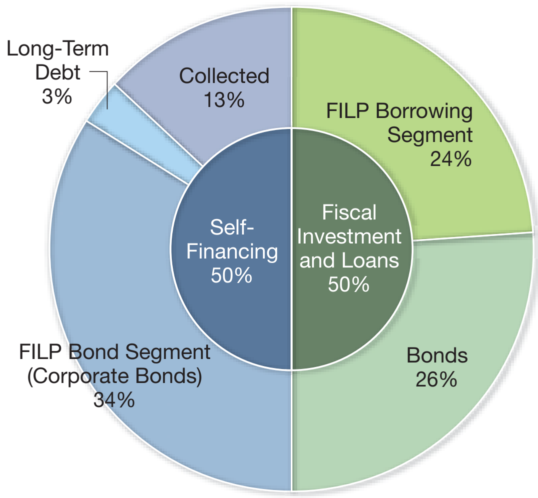
To promote the smooth transition to a new postprivatization fund-raising structure, in addition to issuing government-guaranteed and FILP agency bonds, DBJ will make anticipatory moves to borrow funds from other private-sector financial institutions and work to diversify its fund-raising methods. The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

Fiscal 2009 Investment and Loan Plans

¥735.0 billion

Fiscal 2009 Fund-Raising Plans

¥735.0 billion



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.

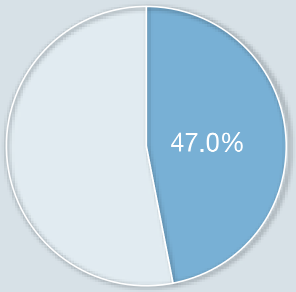
DBJ's Three Priority Areas for Investments and Loans

In its three key investment and loan areas—as Community development, Environmental conservation and sustainable societies, and Creation of new technologies and industries, DBJ provides long-term funding that supports the creation of new industries, abundant lifestyles and autonomous local communities. DBJ fulfills its corporate social responsibility by conducting its core business.

Community development (Society)

- 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

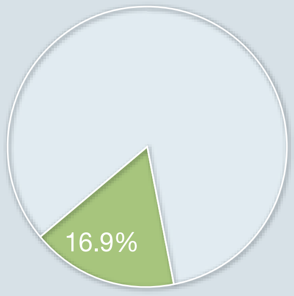
■ Percentage of Loans for Community Development (Fiscal 2008)



Environmental conservation and sustainable societies (Environment)

- 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

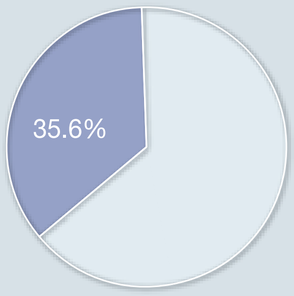
■ Percentage of Loans for Environmental Conservation and Sustainable Societies (Fiscal 2008)



Creation of new technologies and industries (Economy)

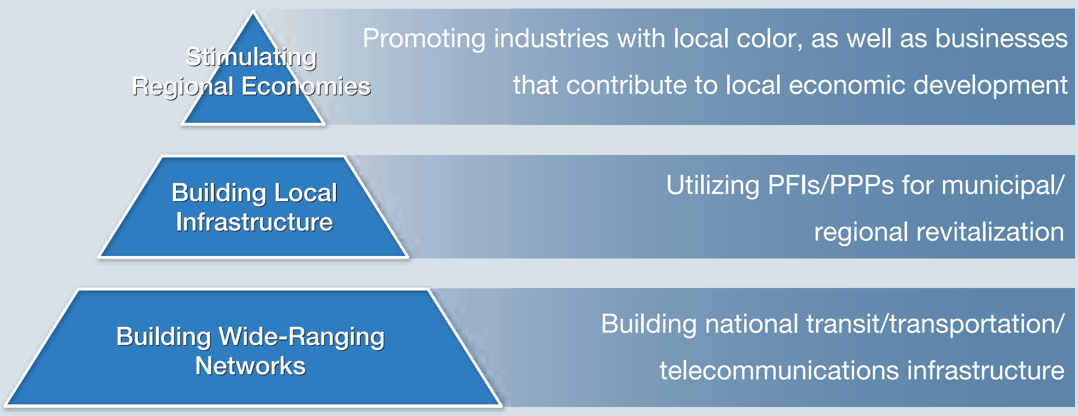
- Assistance for stimulation of industry through such measures as creation of new industries and developing new technologies:
- Enhancing indirect market financing functions aimed at fostering economic growth
- Assistance for plans to use IT and other high technology to make life easier and safer

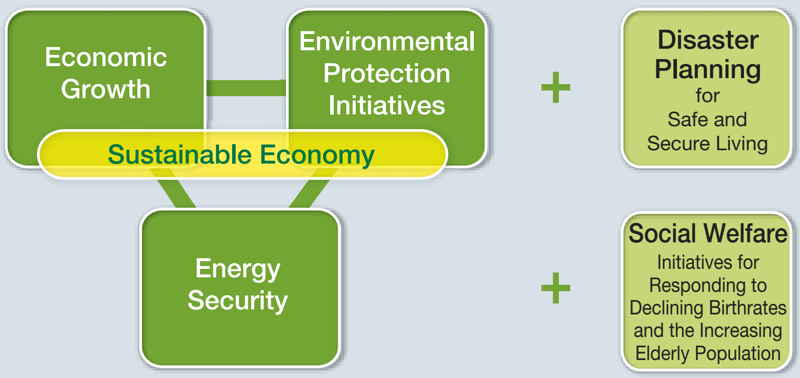
■ Percentage of Loans for the Creation of New Technologies and Industries (Fiscal 2008)



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

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.





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.

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.

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

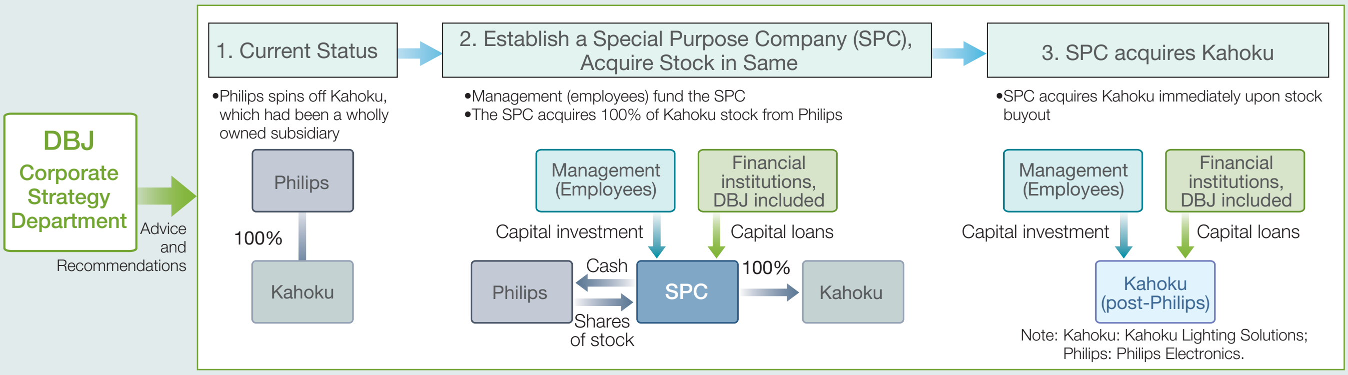
Societal Concerns

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.

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

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

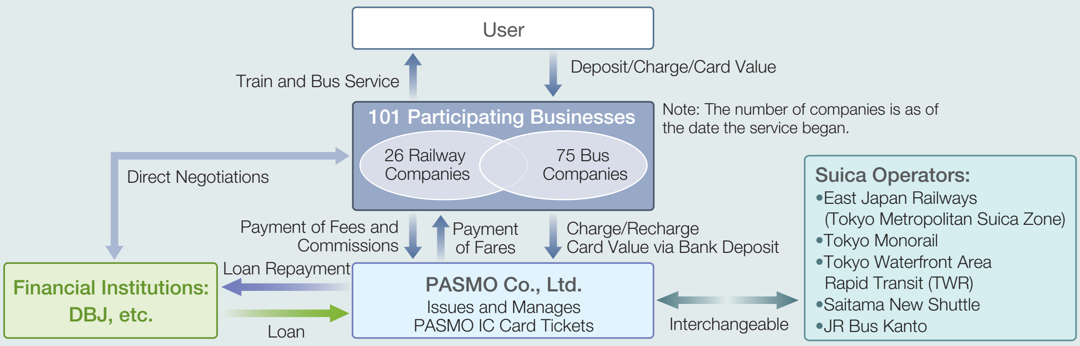
Societal Concerns

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, interoperable program, with its primary task being to provide a centralized processing system for computing fares among participating vendors, as well as to develop an IC card that can be used on both the Suica and the PASMO platforms. 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

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

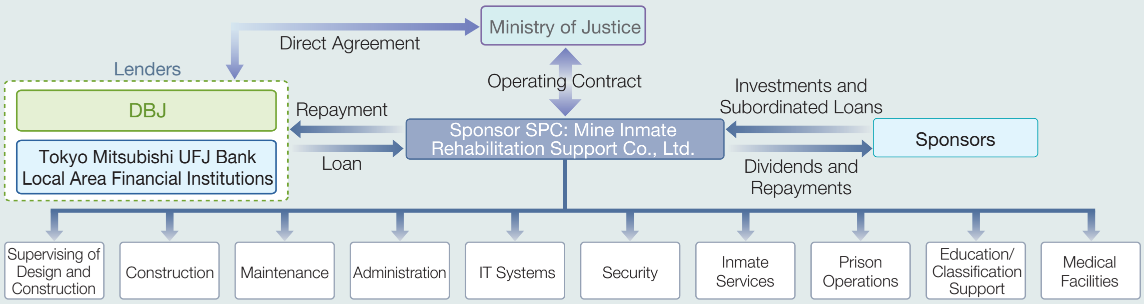
Private finance initiatives (PFIs) draw on private-sector capital and managerial competence, as well as technology, to build, operate and maintain infrastructure that has traditionally been the province of municipal and regional public-sector administrative bodies. First introduced in the United Kingdom, 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 receive 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 newly renovating re-education programs and introducing inmate conditions that feel less confining, 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

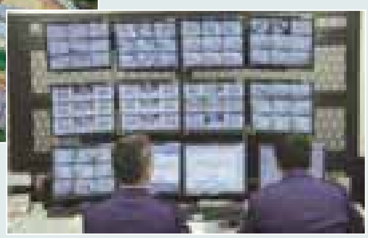


The DBJ Initiative

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 Social Rehabilitation Support Mine Co., Ltd., in association with the Bank of Tokyo–Mitsubishi UFJ, Ltd., 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, 2008, the center had authorized 999 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.

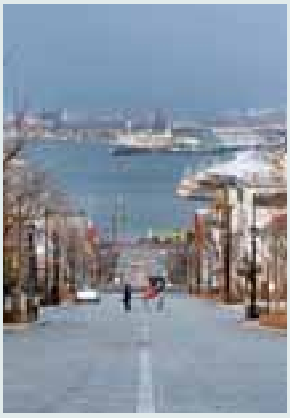
The DBJ Initiative

Investments and Loans Made Under the Auspices of Regional Reconstruction Plans:	37	Amount Loaned to Businesses in Accordance with Reconstruction Plans as of March 31, 2008:	¥14.9 billion

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.

Aerial view of Hakodate and Goryokaku Tower



Using Asset Liquidation Methods to Rebuild Hospitals

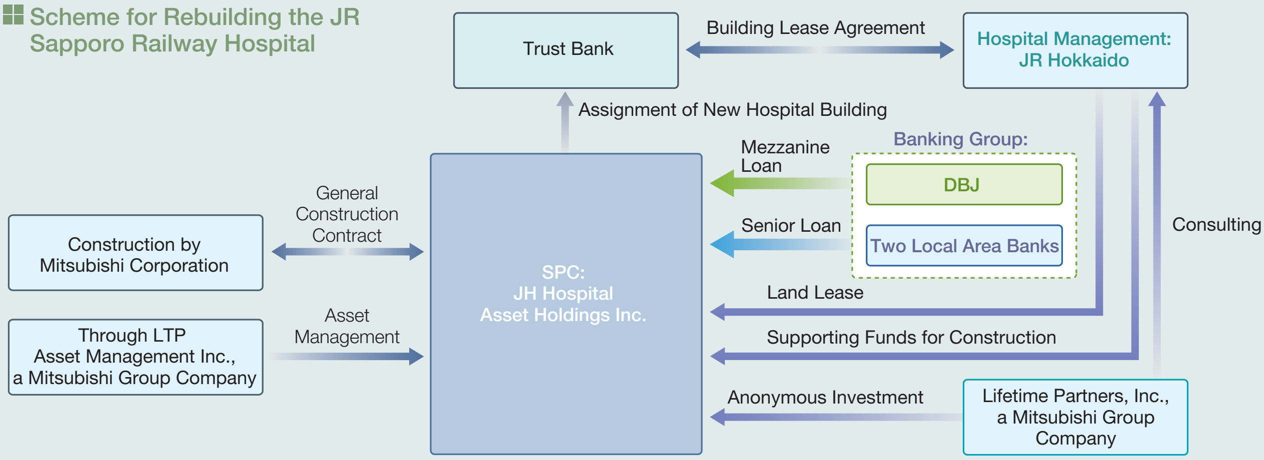
Societal Concerns

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 coarranger, DBJ executed a mezzanine loan and with local area financial institutions established senior loans for a combined total of ¥4 billion.

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.

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:	120	Total Loans as of March 31, 2008:	Approximately ¥157.3 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.

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.

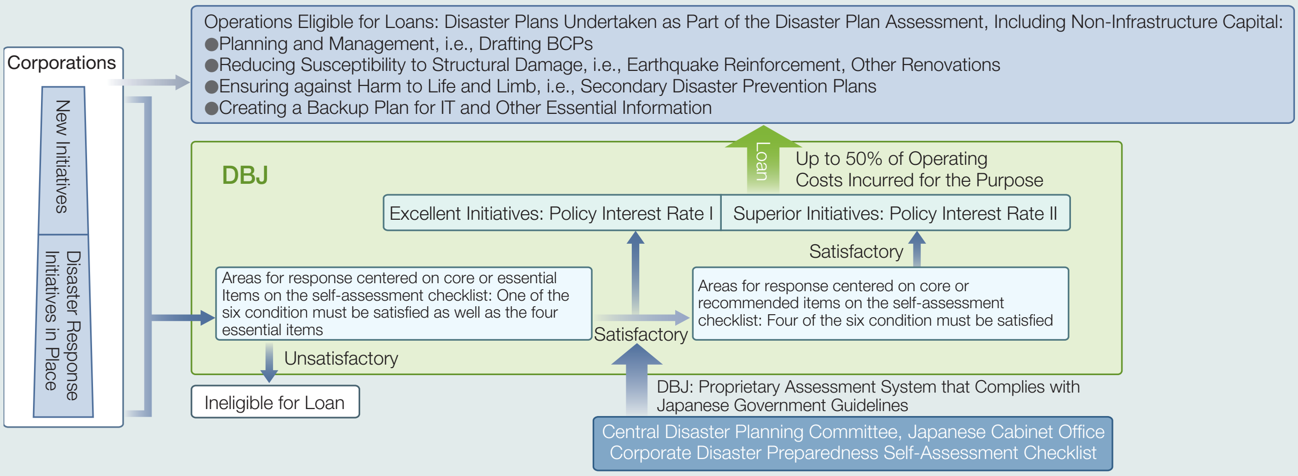
Based in Wakayama City, Okuwa develops supermarkets and shopping centers in the Kinki Region of Japan. Given that its business is to offer essential products to people living in the region, the company treats contributing to the region as part of its mission and is thus heavily involved in disaster planning. 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.

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.

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. International 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 2006, however, actually exceeded the 1990 baseline by some 6.2%. Excluding the effects of the Japanese government's purchase of emissions credits and the measures to offset emissions through afforestation, Japan must reduce greenhouse gas emissions by an annual average of approximately 4.6%.

Industry accounts for one-third of Japan's total carbon dioxide emissions. Tireless efforts during the year managed to move this level down around 6.8% against the fiscal 2006 baseline. However, as the Japanese industry is already among the world's most energy-efficient, there is little room to reduce emissions further.

The Kyoto Mechanisms, as Defined by the Kyoto Protocol

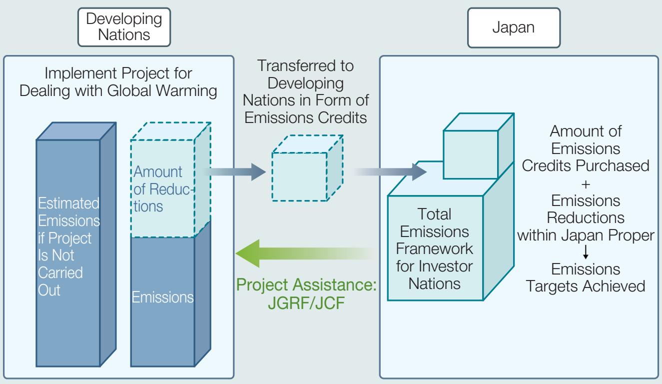
The Kyoto mechanisms—the clean development mechanism (CDM) and joint implementation (JI)—are supplementary means by which countries can meet their targets under the Kyoto Protocol. The core CDM/JI mechanisms allow developed nations to use technology support or loans to reduce greenhouse gas emissions and count the amount of such reductions as credits toward meeting their reduction goals. Given the circumstances mentioned above, the Kyoto mechanisms are increasingly seen as highly cost-effective means for developed countries to meet their goals, while contributing to sustained growth by developing countries. For all of its advantages in meeting greenhouse gas emissions, the CDM/JI business is still new, and all of the uncertainties about the potential risks of doing business in the developing world (e.g., sovereign risk and construction risk) are likely to apply. 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.

In the three years 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. In August 2007, JGRF acquired its first emissions credits on the order of 100,000 tons through the Antonio Moran wind-power generation project in Argentina.

Emissions Credit Transfer Scheme



Antonio Moran Wind Power Plant Project in Argentina

Hydro Power Project Kanfeng in China

Providing Diverse Financial Services to Support Sustainable Energy

Societal Concerns

International interest in wind power as a sustainable alternative to carbon-based generation is mounting amid ongoing concerns about global warming and sharply higher oil prices. However, Japan has lagged Europe and the United States in aggressively developing wind-power generation, ranking only 13th in the world in terms of domestic generation capacity (1,490,000 kW as of December 31, 2006). A steady stream of funding is needed to accelerate wind-power generation initiatives, help developers accumulate technical expertise and meet the needs of projects of different scales and at varying stages of development.

Case History: Japan Wind Development Co., Ltd.

Japan Wind Development, with its headquarters in Minato-ku, Tokyo, is an active developer of wind-power generation facilities, primarily in Japan. In Rokkasho, Aomori Prefecture, the company has been applying its expertise to construct a wind-power generation plant using a system of sulfur-sodium storage batteries to store electricity. This project was the first in the world to combine wind-power generation with a storage battery system on such a large scale.

Battery storage system for wind-power generation plant

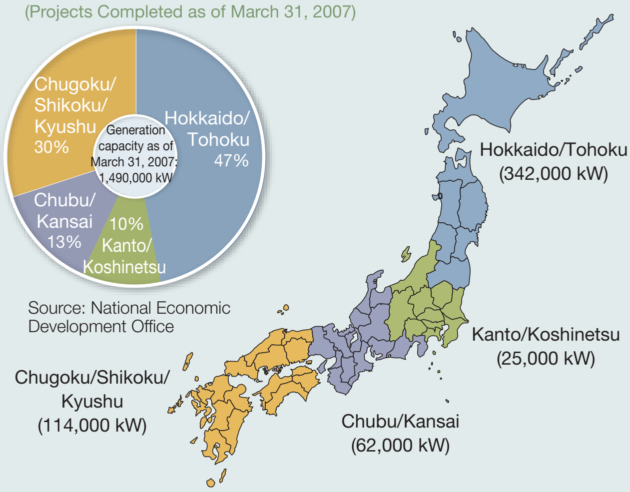
Wind farm

The DBJ Initiative

In 1999, DBJ became the first entity in Japan to create a project financing scheme for extending funds for a wind-power generation plant. Active in financing wind-power generation facilities since that time, we now provide financing for some 36% of Japan's wind-power generation, in terms of generation output.

In recent years, we have helped Japan Wind Development secure long-term stable financing for its wind-power generation facilities through private-placement bonds. Another method we use is to help operators expand their scale of operations by raising capital through third-party allocations. DBJ meets the fund-raising needs of power generation plant developers in a variety of ways, helping them secure long-term stable funding according to their scales of operations.

Loans Provided by DBJ for Wind-Power Generation Plants
(Projects Completed as of March 31, 2007)



Source: National Economic Development Office

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 helps 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.

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.

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 fiscal 2008 (from April 1, 2007, to March 31, 2008) numbered 14,091, up 6.4% from the same period of fiscal 2007. Total indebtedness of these companies fell 4.1%, to ¥5,727.9 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.

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 economic 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, as well as investment for regular maintenance. Forecasting the ability of a theme park to attract customers over the medium to long term and introducing measures to counter slumps in business are typically difficult.

Case History: USJ Co., Ltd.

The motion picture theme park Universal Studios Japan™, located in Konohana-ku, Osaka, faced a mismatch between its cash flow and the scheduling of its loan repayments. To lessen USJ's dependence on the support of its major shareholders at that time, the city of Osaka and Universal Studios of the United States, DBJ and Goldman Sachs helped USJ shore up its financing through the issuance of preferred stock and refinance its loans. The company successfully listed its shares in March 2007. Using proceeds generated from its listing, USJ invested in additional theme park attractions. Seven years have elapsed since the park opened, and the number of visitors has stabilized at between 8.5 million and 9.0 million per year. In addition to the high praise it has earned as a local community revitalization project, the park has heightened public awareness of Universal Studios both in Japan and overseas.

The DBJ Initiative

In this case, DBJ teamed up with Goldman Sachs Group, Inc. In addition to strengthening the company's finances through a preferred stock issue, we proposed a refinancing solution that was instrumental in enabling USJ to list its shares. The outcome was positive for the company, park visitors and shareholders, as well as the myriad people who are associated with the park's operation.

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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

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.

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 279 stores in 36 countries (as of July 2008). 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 mid-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 in April 2006, 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 once pulled its operations out of Japan became an issue when IKEA sought to raise funds from Japanese financial institutions.

IKEA's Funabashi store

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 contributes to the internationalization of local communities through seminars that provide advice on investment plans and other consulting services to foreign companies and utilization of 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 is a catalyst to enable smooth fund-raising.

◆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 75).

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 40 through 56 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 ryokan. 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.

◆**Newly Constructed Plant to Recycle Gold, Silver, Copper and Rare Metals**
DOWA Group
DBJ provided funding to DOWA Group company Kosaka Smelting & Refining Co., Ltd., for the construction of a new smelting furnace. The new furnace employs advanced smelting technologies that enable the smelting of gold, silver, copper and rare metals, thereby supporting recycling-based business.

◆**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 publicsector 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.

◆**Supporting the Transfer of Advanced Production Technology through a Management Buyout**
YOCASOL, Inc.
By providing loans to fund a management buyout at this company, which specializes in photovoltaic panels, we supported the succession of advanced manufacturing technologies and the company's existing facilities.

◆**Supporting Pharmaceutical Development**
NobelPharma Co., Ltd.
DBJ helped this company diversify its funding through a third-party offering of preferred shares to raise capital that will be used to develop pharmaceuticals to combat rare diseases.

◆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

• Housing Market Trends

DBJ Monthly Overview, No. 120, April 3, 2008

This survey examines the Japanese housing market, which is on an ongoing downward trend, from the standpoints of change in household composition and number of homes sold, as well as by region. The report also includes a forecast of future housing demand.

• Recent Trends in Solar Power Generation

DBJ Monthly Overview, No. 122, May 22, 2008

Against the background of global warming and sharply rising oil prices, this report covers such topics as the amount of solar power generation capacity being introduced on a worldwide basis, production volume trends, solar cell material supply and demand trends, the state of technical development and various countries' initiatives in an effort to define the current state of solar power generation and determine future trends.

●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 communityspecific 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 2007 Survey of Capital Investment Plans for Fiscal Years 2006, 2007 and 2008," *Surveys,* No. 92, September 2007

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.

• Characteristics of Companies That Are Selected for Merger or Acquisition

DBJ Monthly Overview, No. 118, March 5, 2008

This overview reports on the state of M&A activity in Japan and the rest of the world, describes the test results of empirical models, and looks from a financial standpoint at performance and the level of future activity by sector.

●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 four 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, 2008, the Bank had collaboration agreements in place with such institutions as 37 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 Medical University, five other research institutions and five financial institutions	May 2004 (Contract renewed in August 2007)
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
Nagoya University	June 2007

Liaison with the China International Investment Company (CITIC Group)

In line with ongoing growth in multilateral trade and investment in recent years, China has become an increasing focus of attention as an Asian economic bellwether. To encourage more active economic cooperation between Japan and China, on April 15, 2008, DBJ signed a memorandum of understanding (MOU) to enter a tie-up with China's CITIC Group.

Under this MOU, DBJ will enter a tie-up with group company CITIC Securities Co., Ltd., in providing overseas M&A advisory services. This cooperation paves the way for more wide-ranging cooperation and allows the two companies to begin building a relationship of trust.

The CITIC Group operates a broad-ranging financial services network in China and other parts of Asia. This tie-up between DBJ and the CITIC Group should help provide Japanese companies access to the Chinese market.

China International Investment Company (the CITIC Group)
CITIC is a joint-stock company established by the government of China in 1979. Centered on financial services, CITIC Group companies conduct business in such fields as commercial banking, securities, insurance, asset management, investment trusts and leasing. CITIC is chaired by Kong Dan and headquartered in Beijing.

Signing ceremony

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.

DBJ has exhibited at the Eco-Products exhibit every year since fiscal 2001. Through descriptive panels we introduce various DBJ activities, such as the Program for Promoting Environmentally Responsible Management, our tie-up with the UNEP Finance Initiative (see page 68) and emissions credit trading. At our booth, we distribute reports that promote an understanding of our activities. We also hold quizzes that tie in with our display panels to help elementary, junior high and high school students understand the role that financing plays in resolving environmental problems.

We also took part in the June 2008 Integrated Exhibition of the Environment in celebration of the G8 Hokkaido Toyako Summit. As at the Eco-Products exhibit, we introduced DBJ's initiatives and communicated with many exhibit-goers to promote deeper understanding of the interplay between the environment and financing.

DBJ also cooperates with related institutions on seminars and symposiums that communicate the role of companies in environmental issues. We have held special seminars with the Carbon Disclosure Project (CDP) and the UNEP Finance Initiative, as well as a joint symposium, "Principles for Responsible Investment: Toward a Sustainable Society," held with Social Investment Forum Japan (SIF-Japan), a non-profit organization. Through such efforts, we strive to promote environmentally responsible management.

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 cooperation with Japan Economic Research Institute, DBJ shares its experience in applying policy-based financing to support the industrial economy of post-war Japan with developing countries, primarily in Asia. We also offer the expertise we have accumulated in recent policy issues, such as environmental measures and private infrastructure. For example, since 1967 DBJ has held its annual Developmental Finance Course for development finance institutions. Since its beginning, 346 people from more than 30 countries have participated in this course, which we held for the 40th time in fiscal 2008.

Examples of our activities for individual development finance institutions include our cooperation with Japanese and other institutions to provide technical assistance to the China Development Bank and the Development and the Infrastructure Bank of Malaysia. In 2007, we entered into an agreement with the Vietnam Development Bank on operational cooperation, for which we have already begun exchanging opinions. In these ways, DBJ is using the experience and expertise it has gained over the years to offer intellectual support to development finance institutions overseas. At the same time, DBJ is strengthening its channels of communication with these institutions.

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*.

In 2007, DBJ 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.

Marunouchi shuttle bus

◆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 Resource 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 goalsetting, DBJ emphasizes enhancing medium- and longterm 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

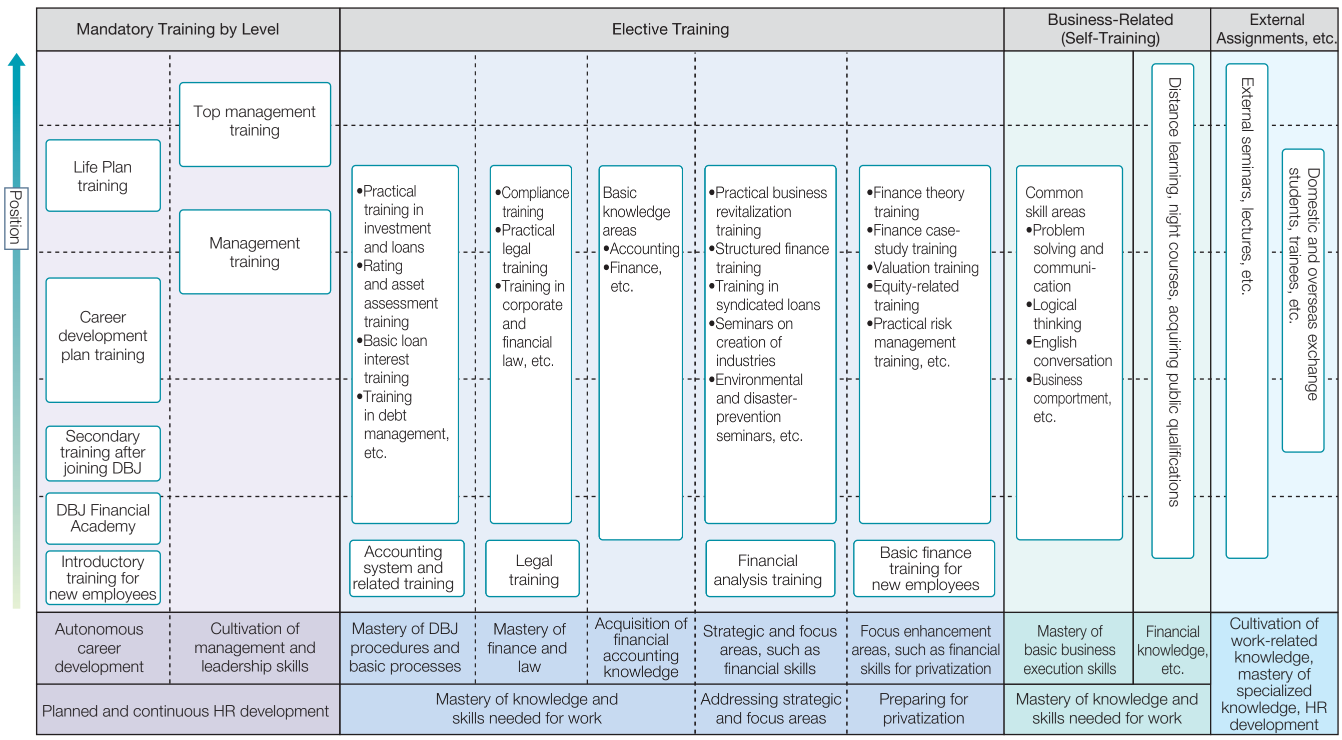
DBJ's financial professionals are supported by a well developed education and training system. The Bank's combination of mandatory training by level and elective self-training according to skills and interests enables each employee to plan his or her career.

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 2008, we established the DBJ Financial Academy, which meets weekly throughout the year and is designed to help employees acquire and maintain basic competencies and deepen their understanding of finance, assuming they will become involved in advanced financial operations.

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.

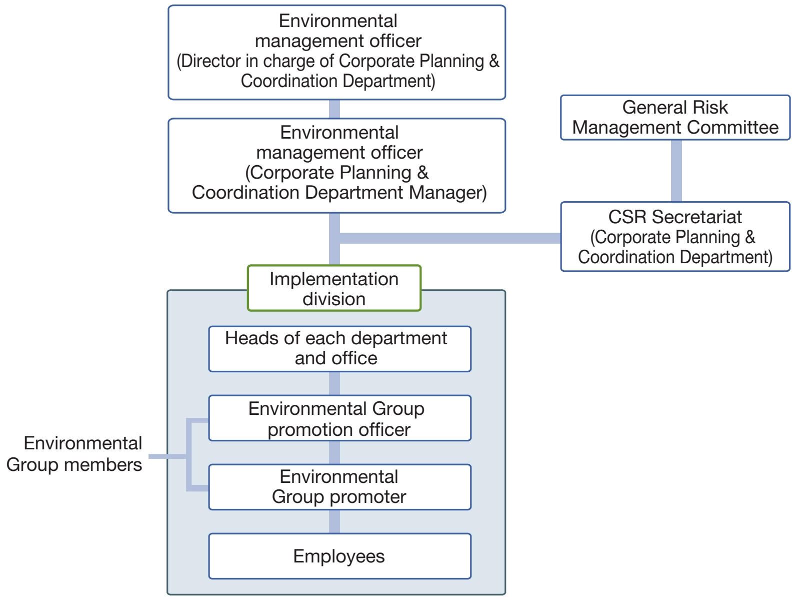
◆DBJ's Environmental Management

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 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. 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 Structure



The Basic Environmental Policy

DBJ established an environmental policy in July 2002. Based on our expanded involvement in this area, in April 2008 we introduced the more extensive DBJ Basic Environmental Policy. In addition to specifying environmental activities within our offices, such as reducing the use of paper and electricity, and the amount of trash we generate, the new policy clearly spells out our promotional activities. Categories include investment and loan activities, information transmission and environmental activities in local communities. The Program for Promoting Environmentally Responsible Management (see page 77) is one activity based on this environmental policy.

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 2008 Procurement Achievements	Fiscal 2009 Procurement Targets
Paper	Copy paper, etc.	99.2~100%	100%
Stationery	Files, office envelopes, notebooks, etc.	73.1~100%	100%
Equipment	Chairs, desks, shelves, whiteboards, etc.	98.3~100%	100%
Office equipment	Copiers, printers, fax machines, etc.	96.2~100%	100%
Lighting	Fluorescent lighting, etc.	100%	100%
Interior items	Tile carpeting, etc.	100%	100%

Resource- and Energy-Saving Efforts

	Fiscal 2008		Fiscal 2009 Target
	Target	Result	
Copy paper usage	2.5% savings	4.8%	1% savings
Printing paper usage	5% savings	23.4% savings	1% savings
Waste emissions	10% savings	24.5% savings	1% savings
Energy consumption	0% decrease	4.0%	1% decrease

Note: Fiscal 2007 figures are in comparison with fiscal 2004. Targets for fiscal 2008 are in comparison with fiscal 2007.

ISO 14001 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.
April	2008:	Revises the environmental policy to create the Basic Environmental Policy.

Development Bank of Japan Environmental Policy

Environmental Mission

With a more prosperous sustainable society as our goal, we recognize solving environmental problems as a topmost imperative. We comply with environmental laws and regulations and support the UNEP Statement by Financial Institutions on the Environment and Sustainable Development. By conducting our business in accordance with the environmental principles outlined below, we contribute to the creation of an environmentally responsible society.

Environmental Principles

Promotion of environmental measures through our investment and lending operations

DBJ supports projects beneficial to the environment in light of Japan’s environmental policies.

- Provision of funds for projects that do not contribute to global warming but promote the creation of a recycling-oriented society
- Ongoing improvement and quality enhancement of investment and lending operations addressing environmental measures
- Evaluation of risk from an environmental perspective in our investment and lending operations

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

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

Promotion of environmental awareness activities in communities

DBJ endeavors to promote environmental awareness activities in individual communities.

- Cooperation with environmental activities in local communities
- Support for environmental improvement initiatives

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.

Intellectual Asset Management

◆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

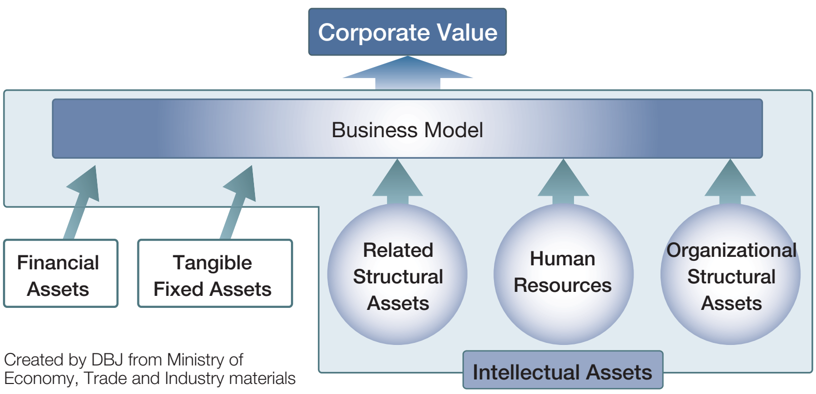
Dating back to the time of our predecessor institutions, we have considered maintaining the trust of our clients and society at large to be our most important objective. From this standpoint, we have created a wide variety of networks spanning both the public and private sectors.

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

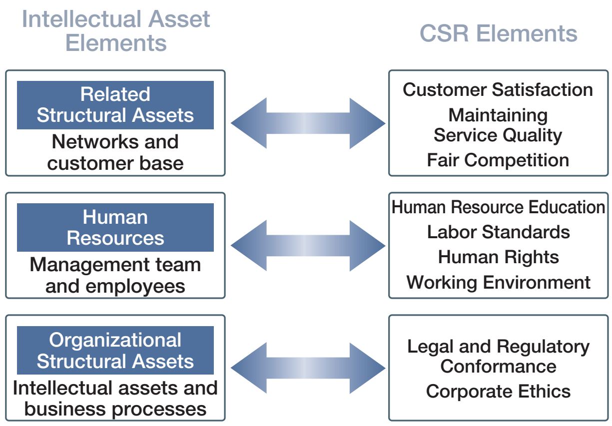
The figure at the lower right-hand corner contrasts intellectual assets as viewed by DBJ and DBJ's role as seen by society. Evaluated in this sense, intellectual assets and CSR are two sides of the same coin.

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.

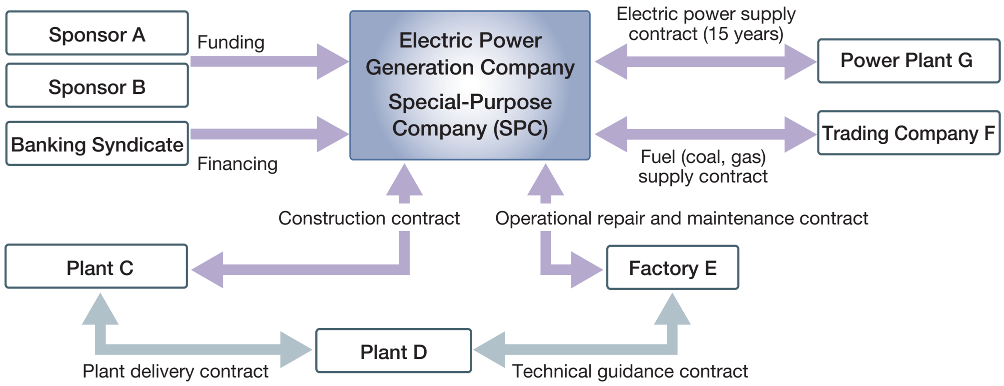
◆Activities Involving Financial Platforms

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 liquiditization.

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



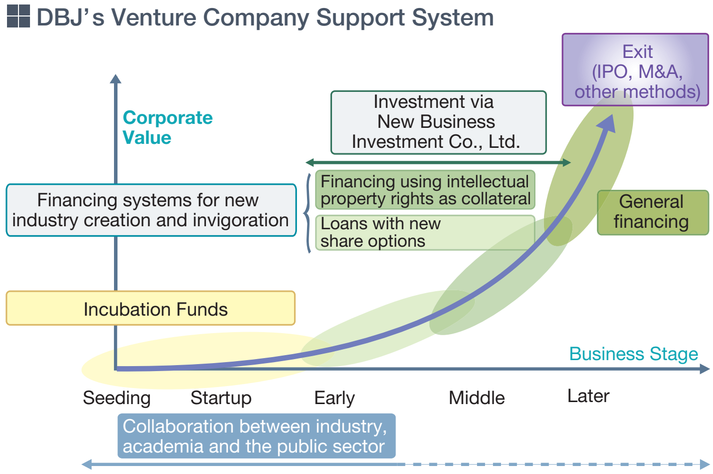
Example 2: Venture Company Support

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.

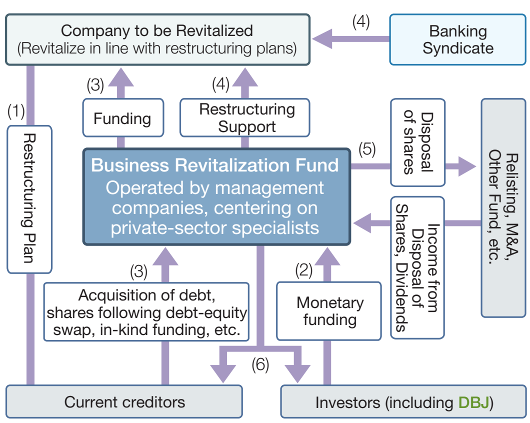
DBJ's Venture Company Support System



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

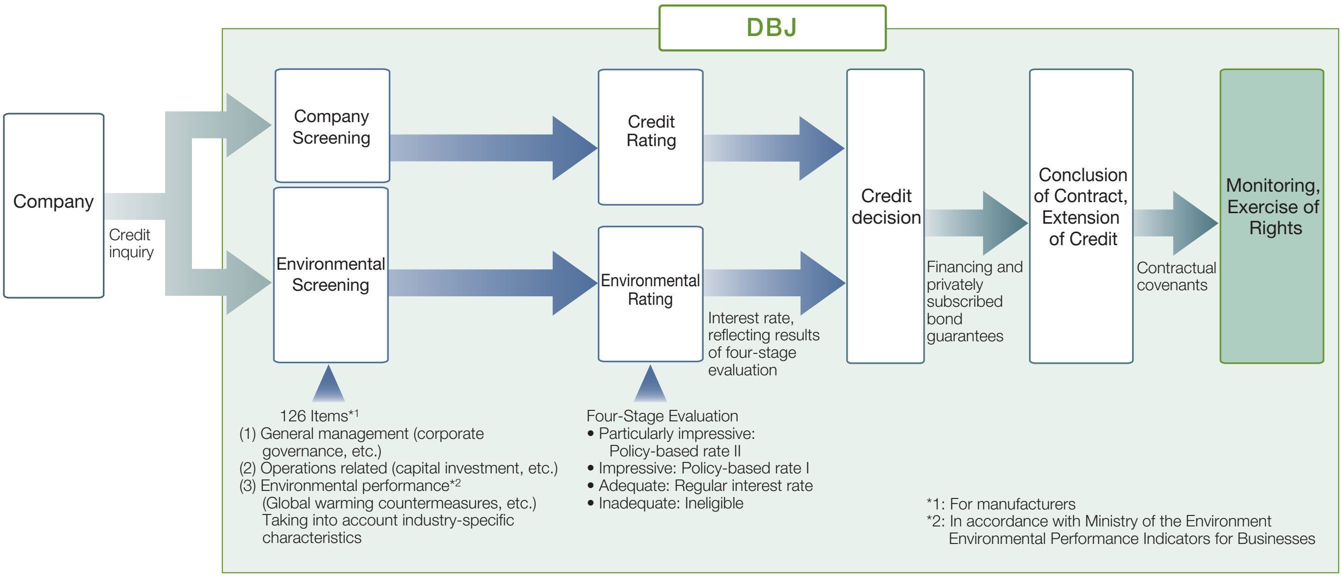


(1) Formulate economically rational restructuring plan
(←Guidelines on legal or private liquidation)
(2) Investors providing monetary funding
(3) Debt reduction through financial restructuring and funding
Example: Sale of shares (or use of in-kind funding) following debt-equity swap
(←Due diligence on 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.

Overview of Program for Promoting Environmentally Responsible Business Management



Example 5: EQ-LINE

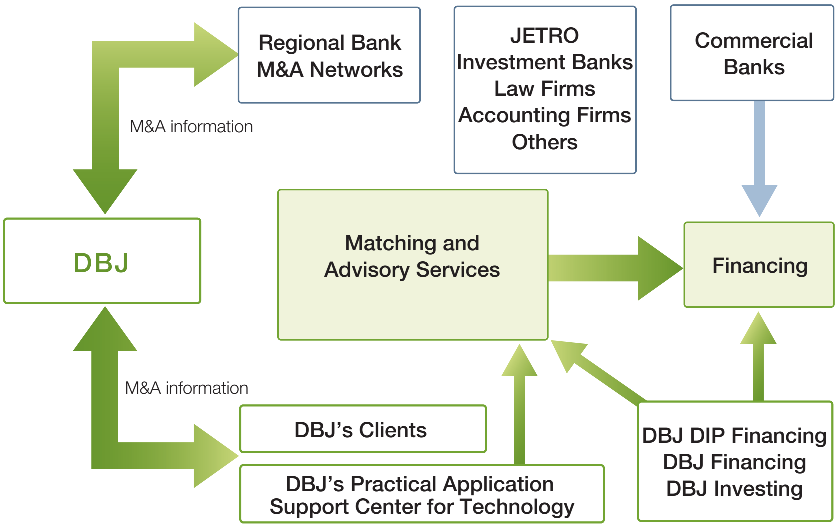
As awareness of the need for disaster preparedness grows among Japan's leading corporations, an increasing number of companies are creating business continuity plans. In the past, companies had few options in preparing for the financial impact of earthquakes other than to take out earthquake insurance. 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.

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.

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	2004	Rebuilding after the Niigata Chuetsu Earthquake
1997	Response to credit crunch	2005	Rebuilding after Fukuoka Seiho Oki Earthquake
2000	Rebuilding following Mt. Usu eruption	2006	Asbestos-related measures
	Recovery support following flooding in Tokai region		Measures to counter sharp rise in crude oil prices
2001	Response to effects of terrorist attacks on United States	2007	Rebuilding after Noto Peninsula Earthquake
	Responses to effects of SARS and BSE outbreaks		Rebuilding after the Niigataken Chuetsu-oki Earthquake
		2008	Rebuilding after the Iwate-Miyagi Nairiku Earthquake

Financial Condition

• Compliance with Corporate Accounting Standards

The consolidated financial statements of the preceding consolidated accounting period (April 1, 2006, to March 31, 2007) have been audited and certified by Misuzu Audit Corporation, and those for the current consolidated accounting period (April 1, 2007, to March 31, 2008) have been audited and certified by Deloitte Touche Tohmatsu. The non-consolidated financial statements of the preceding accounting period (April 1, 2006, to March 31, 2007) have been audited and certified by Misuzu Audit Corporation, and those for the current accounting period (April 1, 2007, to March 31, 2008) have been audited and certified by Deloitte Touche Tohmatsu.

Accounts Based on Corporate Accounting Standards

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Governor of
Development Bank of Japan:

We have audited the accompanying consolidated balance sheet of Development Bank of Japan (the "Bank") and consolidated subsidiaries as of March 31, 2008, and the related consolidated statements of income, changes in equity, and cash flows for the year 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 audit. The consolidated financial statements of the Bank and consolidated subsidiaries for the year ended March 31, 2007, which were included in the accompanying Bank's consolidated financial statements, were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated June 26, 2007.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2008 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Development Bank of Japan and consolidated subsidiaries as of March 31, 2008, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 25, 2008

Member of
Deloitte Touche Tohmatsu

Consolidated Balance Sheets

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Assets			
Cash and Due from banks (Note 2(b) and 25(f))	¥ 182,916	¥ 40,264	$ 1,825,701
Reverse Repurchase Agreements (Note 3(3))	136,925	223,829	1,366,662
Money Held in Trust (Note 25)	74,469	90,805	743,278
Securities (Notes 3, 12 and 25)	549,117	420,860	5,480,763
Loans (Note 4)	11,470,456	12,089,812	114,487,043
Other Assets (Note 5 and 22)	64,054	53,262	639,331
Tangible Fixed Assets (Note 6)	35,723	35,778	356,561
Intangible Fixed Assets	1,429	1	14,266
Customers' Liabilities for Acceptances and Guarantees	126,833	273,965	1,265,935
Allowance for Loan Losses (Note 7)	(111,828)	(146,626)	(1,116,168)
Allowance for Investment Losses	(3,121)	(3,093)	(31,153)
Total Assets	**¥12,526,978**	**¥13,078,861**	**$125,032,220**

	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Liabilities and Equity			
Liabilities			
Bonds and Notes (Note 8)	¥ 3,157,163	¥ 2,671,644	$ 31,511,761
Borrowings (Note 9)	6,978,546	7,923,935	69,653,126
Other Liabilities (Notes 10 and 22)	156,880	194,093	1,565,829
Reserve for Employee Retirement Benefits (Note 20)	31,432	29,558	313,729
Acceptances and Guarantees (Note 11)	126,833	273,965	1,265,935
Total Liabilities	**¥10,450,856**	**¥11,093,197**	**$104,310,380**
Equity			
Capital	¥ 1,272,286	¥ 1,272,286	$ 12,698,732
Retained Earnings (Note 13)	860,006	809,898	8,583,760
Net Unrealized Gain on Available-for-sale Securities, Net of Taxes (Note 25(3))	12,300	21,539	122,774
Net Deferred Hedge Losses, Net of Taxes	(72,039)	(122,294)	(719,033)
Total	**2,072,553**	**1,981,429**	**20,686,233**
Minority Interests	3,567	4,234	35,607
Total Equity	**¥ 2,076,121**	**¥ 1,985,663**	**$ 20,721,840**
Total Liabilities and Equity	**¥12,526,978**	**¥13,078,861**	**$125,032,220**

Accompanying notes are an integral part of these financial statements.

Consolidated Statements of Income

For the Fiscal Years ended March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Income			
Interest Income	¥313,618	¥329,480	$3,130,238
Interest on Loans	306,462	325,844	3,058,816
Interest and Dividends on Securities	4,578	2,450	45,699
Interest on Reverse Repurchase Agreements	1,577	707	15,749
Interest on Due from banks	995	92	9,934
Other Interest Income	3	385	39
Fees and Commissions (Note 14)	4,995	4,051	49,859
Other Operating Income (Note 15)	534		5,330
Other Ordinary Income (Note 16)	53,505	62,325	534,038
Collection of Written-off Claims	1,982	5,875	19,791
Gains on Sales of Fixed Assets	68	0	687
Total Income	**¥374,705**	**¥401,732**	**$3,739,945**
Expenses			
Interest Expense	¥209,382	¥236,812	$2,089,853
Interest on Bonds and Notes	45,130	33,973	450,454
Interest on Borrowings	148,962	179,674	1,486,800
Other Interest Expense	15,288	23,164	152,600
Fees and Commissions (Note 17)	29	65	292
Other Operating Expenses (Note 18)	21,721	2,038	216,807
General and Administrative Expenses	29,909	25,354	298,526
Other Ordinary Expenses (Note 19)	61,813	61,445	616,959
Losses on Sales of Fixed Assets	13	56	136
Total Expenses	**¥322,869**	**¥325,772**	**$3,222,572**
Income before Income Taxes and Minority Interests	**¥ 51,835**	**¥ 75,960**	**$ 517,373**
Income Taxes (Note 2(o))	**¥ 0**	**¥ 672**	**$ (1)**
Current	13	661	132
Deferred	(13)	10	(133)
Minority Interests in Net Income	**(773)**	**27**	**(7,717)**
Net Income	**¥ 52,608**	**¥ 75,260**	**$ 525,090**

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 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Cash Flows from Operating Activities			
Income before Income Taxes and Minority Interests	¥ 51,835	¥ 75,960	$ 517,373
Depreciation	763	779	7,624
Amortization of Goodwill	91	(20)	916
Equity in gains (losses) of affiliates	15,045		150,167
Increase (Decrease) in Allowance for Loan Losses	(34,797)	(47,168)	(347,312)
Increase (Decrease) in Allowance for Investment Losses	27	(44)	277
Increase (Decrease) in Reserve for Employee Retirement Benefits	1,874	(1,329)	18,709
Interest Income-Accrual Basis	(313,618)	(329,480)	(3,130,238)
Interest Expense-Accrual Basis	209,382	236,713	2,089,853
Losses (Gains) on Securities	(416)	47,077	(4,157)
Losses (Gains) on Money Held in Trust	15,656	(1,349)	156,270
Foreign Exchanges Losses (Gains)	(0)	(0)	(2)
Losses (Gains) on Sale of Fixed Assets	(55)	56	(554)
Compensation for Advance Redemption	(12,648)		(126,246)
Net Decrease (Increase) in Loans	619,356	773,633	6,181,816
Net Increase (Decrease) in Bonds and Notes	485,518	410,555	4,845,978
Net Increase (Decrease) in Borrowings	(945,389)	(1,080,539)	(9,435,963)
Net Decrease (Increase) in Due from banks	(147,600)		(1,473,201)
Net Decrease (Increase) in Reverse Repurchase Agreements	86,903	(73,825)	867,390
Net Decrease (Increase) in Corporate bonds, Equities and Other securities	(129,498)		(1,292,526)
Interest Income—Cash Basis	316,487	334,315	3,158,869
Interest Expense—Cash Basis	(209,417)	(236,130)	(2,090,204)
Other—net	12,276	(80,619)	122,531
Sub-total	21,778	28,583	217,369
Refund of (Payments for) Income Taxes	(1,241)	294	(12,391)
Net Cash provided by (used in) Operating Activities	**20,536**	**28,877**	**204,978**
Cash Flows from Investing Activities			
Payments for Purchases of Securities	(100,577)	(314,948)	(1,003,865)
Proceeds from Sale of Securities	60,901		607,856
Proceeds from Redemption of Securities	20,000	357,050	199,621
Payments for Increase Money Held in Trust	(8,781)	(64,674)	(87,649)
Proceeds from Decrease Money Held in Trust	6,324	3,609	63,121
Payments for Purchases of Tangible Fixed Assets	(773)	(445)	(7,723)
Proceeds from Sale of Tangible Fixed Assets	120	2	1,200
Payments for Purchases of Intangible Fixed Assets	(1,373)		(13,709)
Payments for Purchases of Subsidiaries (affecting the scope of consolidation)		90	
Net Cash (used in) provided by Investing Activities	**(24,160)**	**(19,317)**	**(241,147)**
Cash Flows from Financing Activities			
Payment to National Treasury	(1,320)	(1,179)	(13,181)
Net Cash provided by Financing Activities	**(1,320)**	**(1,179)**	**(13,181)**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	**0**	**0**	**2**
Net Increase (Decrease) in Cash and Cash Equivalents	**(4,944)**	**8,381**	**(49,349)**
Cash and Cash Equivalents at the Beginning of the Fiscal Year	**36,250**	**27,869**	**361,818**
Cash and Cash Equivalents at the End of the Fiscal Year (Note 2(b))	**¥ 31,306**	**¥ 36,250**	**$ 312,470**

Accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Equity

For the Fiscal Year ended March 31, 2007	Capital	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-sale Securities, Net of Taxes	Net Deferred Hedge Losses, Net of Taxes	Total	Minority Interests	Total Equity
	Millions of yen						
Balance at March 31, 2006	**¥1,272,286**	**¥734,637**	**¥3,415**	**¥**	**¥2,010,339**	**¥4,111**	**¥2,014,450**
Net Income		75,260			75,260		75,260
Net Changes in the year			18,124	(122,294)	(104,170)	122	(104,047)
Balance at March 31, 2007	**¥1,272,286**	**¥809,898**	**¥21,539**	**¥(122,294)**	**¥1,981,429**	**¥4,234**	**¥1,985,663**

For the Fiscal Year ended March 31, 2008	Capital	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-sale Securities, Net of Taxes	Net Deferred Hedge Losses, Net of Taxes	Total	Minority Interests	Total Equity
	Millions of yen						
Balance at March 31, 2007	**¥1,272,286**	**¥809,898**	**¥21,539**	**¥(122,294)**	**¥1,981,429**	**¥4,234**	**¥1,985,663**
Payment to National Treasury		(2,499)			(2,499)		(2,499)
Net Income		52,608			52,608		52,608
Net Changes in the year			(9,239)	50,254	41,015	(667)	40,348
Balance at March 31, 2008	**¥1,272,286**	**¥860,006**	**¥12,300**	**¥(72,039)**	**¥2,072,553**	**¥3,567**	**¥2,076,121**

For the Fiscal Year ended March 31, 2008	Capital	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-sale Securities, Net of Taxes	Net Deferred Hedge Losses, Net of Taxes	Total	Minority Interests	Total Equity
	Thousands of U.S. dollars						
Balance at March 31, 2007	**$12,698,732**	**$8,083,622**	**$214,990**	**$(1,220,629)**	**$19,776,715**	**$42,267**	**$19,818,982**
Payment to National Treasury		(24,952)			(24,952)		(24,952)
Net Income		525,090			525,090		525,090
Net Changes in the year			(92,215)	501,596	409,381	(6,660)	402,720
Balance at March 31, 2008	**$12,698,732**	**$8,583,760**	**$122,774**	**$(719,033)**	**$20,686,233**	**$35,607**	**$20,721,840**

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"), its consolidated subsidiaries and an affiliate accounted for by the equity method in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2007 financial statements to conform to the classifications used in 2008.

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 ¥100.19=$1.00, the effective exchange rate prevailing as of March 31, 2008, 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 Accounting Significant Policies

(a) Principles of Consolidation

(1) Scope of Consolidation

Under the control or influence concept, companies in which DBJ, directly or indirectly, is able to exercise control over operations are fully consolidated. On September 8, 2006, the Accounting Standards Board of Japan issued Practical Issues Task Force No.20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" which was effective for fiscal years ending on or after September 8, 2006. The practical solution clarifies how the control and influence concept should be practically applied to the consolidation scope of collective investment vehicles, such as limited partnerships, Tokumei Kumiai and other entities with similar characteristics. DBJ applied this task force and consolidated 6 such collective investment vehicles in 2008 (5 in 2007).

(i) consolidated subsidiaries

The number of consolidated subsidiaries as of March 31, 2008 and 2007 is 10 and 9, respectively. The Consolidated subsidiaries as of March 31, 2008 are as follows:

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.
New Business Investment No.1 Investment Limited Liability Partnership (*)
Financial Frontier Fund

* tentative name (no official English name is available)

In the fiscal year ended March 31, 2008, Financial Frontier Fund was newly consolidated due to its foundation.

(ii) non-consolidated subsidiaries

The number of non-consolidated subsidiaries as of March 31, 2008 and 2007 is 21 and 8, respectively. Such subsidiaries as of March 31, 2008 are mainly as follows:

Asuka DBJ Investment LPS
GAD financial Service Limited
CITIC Japan Growth Partners, L.P.
Bridgehead Co., Ltd.
Tomatoh, Inc.

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

(iii) entities not considered to be subsidiaries where DBJ has more than a 50% ownership interest

The number of entities not considered to be subsidiaries where DBJ has more than a 50% ownership interest as of March 31, 2008 and 2007 is 6 and 5, respectively. Such entities as of March 31, 2008 are mainly as follows:

ADS Global Partners Ltd.
Wise Partners Co., Ltd.

These Entities are excluded from the scope of consolidation since DBJ's intent is to nurture the venture business and not to exercise control over their operating and financing policies.

(2) Application of the Equity Method

Under the control or influence concept, non-consolidated subsidiaries and affiliates over which DBJ has the ability to exercise significant influence are accounted for by the equity method.

(i) non-consolidated subsidiaries accounted for by the equity method

There are no non-consolidated subsidiaries accounted for by the equity method as of March 31, 2008 and 2007, respectively.

(ii) affiliates accounted for by the equity method

The number of affiliates accounted for by the equity method as of March 31, 2008 and 2007 is 1 and 0, respectively. The affiliate accounted for by the equity method as of March 31, 2008 is as follows:

eBANK Corporation

In the fiscal year ended March 31, 2008, eBANK Corporation first became an affiliated company accounted for by the equity method due to the acquisition of its shares.

(iii) non-consolidated subsidiaries not accounted for by the equity method

The number of non-consolidated subsidiaries not accounted for by the equity method as of March 31, 2008 and 2007 is 21 and 8, respectively. Such subsidiaries as of March 31, 2008 are mainly as follows:

Asuka DBJ Investment LPS
GAD financial Service Limited
CITIC Japan Growth Partners, L.P.
Bridgehead Co., Ltd.
Tomatoh, Inc.

(iv) affiliates not accounted for by the equity method

The number of affiliates not accounted for by the equity method as of March 31, 2008 and 2007 is 100 and 15, respectively. Such affiliates as of March 31, 2008 are mainly as follows:

Technology Alliance Investment, Ltd.
Asuka DBJ Partners Co., Ltd.
Intellectual Properties Development & Investment

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

(v) entities not considered to be affiliates where DBJ has greater than 20% but less than a majority of voting stock

The number of entities not considered to be affiliates where DBJ has greater than 20% but less than a majority of voting stock as of March 31, 2008 and 2007 is 10 and 37, respectively. Such entities as of March 31, 2008 are mainly as follows:

Global Insurance Corporation
Gordon Brothers Japan Co., Ltd.
Green Power Investment Corporation

These entities are not accounted for by the equity method because DBJ's intent is to nurture the venture business and not to exercise significant influence on their operating and financing policies.

(3) Balance sheet Dates of Consolidated Subsidiaries

Balance sheet dates of consolidated subsidiaries are as follows;

December 31	1 subsidiary
March 31	9 subsidiaries

Consolidated subsidiaries are consolidated based on the financial statements that are prepared as of their balance sheet dates.

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

In this fiscal year, DBJ Corporate mezzanine partners Co., Ltd. changed their balance sheet date from March 31 to December 31.

(4) Valuation of Consolidated Subsidiaries' Assets and Liabilities

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

(5) Elimination of Intercompany Balances and Transactions

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

(6) Amortization of Goodwill

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

(b) 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" in the consolidated balance sheet is as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Cash and Due from Banks	¥ 182,916	¥40,264	$ 1,825,701
Time Deposits with Banks	(151,600)	(4,000)	(1,513,125)
Trust Money to Financial Agencies	(10)	(14)	(106)
Cash and Cash Equivalents	**¥ 31,306**	**¥36,250**	**$ 312,470**

(c) Securities

Held-to-maturity debt securities are stated at amortized cost with amortization computed on a straight-line basis, using the weighted average method. Available-for-sale securities with readily available market quotations are stated at market value (cost is calculated principally using the weighted average method). 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 their original cost plus DBJ's interest in earnings since acquisition and less any dividends received, based on their most recent financial statements.

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

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

(d) Valuation Method for Derivative Financial Instruments

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

(e) 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 not translated at market values but at contractual rates, as the foreign currency swap contracts meet the hedging criteria under the Accounting Standards for Financial Instruments.

(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 rates 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 existing foreign currency assets or liabilities, a) the difference, if any, between the Japanese yen amount of the hedged foreign currency asset or liability translated using the spot rate at the inception date of the contract and the book value of the asset or liability is recognized in the statement of income in the period which includes the inception date, and b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
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.

(f) 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.

(g) Long-lived Assets

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

(h) Bonds and Notes Issuance Costs

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

(i) Foreign Currency Translation and Revaluation Method

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

(j) 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 recovered through disposal of collateral or execution of guarantees.

The allowance for claims on debtors who are not legally bankrupt at the moment, but are likely to become bankrupt, and for which future cash flows cannot reasonably be estimated, is provided for at the amount considered to be necessary based on an overall solvency assessment performed on the claims, net of amounts expected to be recovered through disposal of collateral or execution of guarantees.

With respect to the claims on debtors who are likely to become bankrupt or to be closely monitored, and for which future cash flows can reasonably be estimated, the allowance is provided for as the difference between the present value of expected future cash flows discounted at the contracted interest rate and the carrying value of the claims.

The allowance for claims on debtors other than those described above is provided based on the historical default rate, which is calculated based on the actual defaults over a certain historical period (the average financing period for DBJ).

All claims are assessed initially by the investment and lending departments and then by the Credit Analysis Department, which is independent of the investment and lending departments based on internal policies for self-assessment of credit quality. The allowance is provided 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 ¥52,170 million ($520,715 thousand) and ¥56,267 million for the years ended March 31, 2008 and 2007, respectively.

(k) Allowance for Investment Losses

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

(l) Reserve for Employee Retirement Benefits

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

The "Reserve 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.

(m) Lease Transactions

Finance leases of DBJ and consolidated subsidiaries that do not involve transfer of ownership to lessees are accounted for as operating leases.

(n) Consumption taxes

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

(o) 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.

3. Securities

Securities as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Japanese Government Bonds	¥143,530	¥120,705	$1,432,583
Corporate Bonds	102,856	96,374	1,026,619
Equities	183,394	114,865	1,830,469
Other securities	119,335	88,914	1,191,092
	¥549,117	**¥420,860**	**$5,480,763**

Notes: 1. Investments in unconsolidated subsidiaries and affiliates included in "Equities" as of March 31, 2008 and 2007 are ¥17,594 million ($175,611 thousand) and ¥468 million, respectively. And investments in unconsolidated subsidiaries and affiliates included in "Other securities" as of March 31, 2008 and 2007 are ¥40,912 million ($408,345 thousand) and ¥13,498 million, respectively.

2. DBJ has contingent liabilities for guarantees of corporate bonds among Securities which were issued by private placement (Article 2 Paragraph 3 of Financial Instruments and Exchange Law) and amount to ¥3,280 million ($32,738 thousand) and ¥130 million as of March 31, 2008 and 2007 respectively.

3. There are no securities repledged as of March 31, 2008 and 2007 respectively, although securities accepted under repurchase agreements, can be sold or repledged. Securities neither sold nor repledged are ¥136,925 million ($1,366,662 thousand) and ¥223,829 million, respectively.

4. Other securities with market value are considered impaired if there is a considerable decline in the market value below the acquisition cost and such decline is not believed to be recoverable. The difference between the acquisition cost and the market value is the loss for the fiscal year.
The criterion for determining "Considerable decline in market value" is as follows.
Market value is 50% and more lower than acquisition cost
Market value is 30% and more lower than acquisition cost, and such decline is not considered as recoverable

4. Non-performing Loans

The amounts of Non-Performing Loans included in "Loans" on the consolidated balance sheets as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Loans to Bankrupt Debtors	¥ 1,329	¥ 7,562	$ 13,273
Delinquent Loans	57,429	64,065	573,209
Loans Past Due Three Months or More	26	28	262
Restructured Loans	60,988	73,624	608,728
	¥119,774	**¥145,280**	**$1,195,472**

Notes: 1. The amounts of Loans indicated above are stated at gross amounts, before reduction of the allowance for loan losses.

2. "Loans to Bankrupt Debtors" represent non-accrual loans to debtors who are legally bankrupt as defined in Article 96-1-3 and 4 of the Japanese Tax Law Enforcement Regulation.

3. "Delinquent Loans" represent non-accrual loans other than (i) Loans to Bankrupt Debtors and (ii) Loans whose interest payments are deferred in order to assist or facilitate the restructuring efforts of borrowers in financial difficulty.

4. "Loans Past Due Three Months or More" are loans whose principal or interest payment is three months or more past due and do not fall under the category of "Loans to Bankrupt Debtors" or "Delinquent Loans".

5. "Restructured loans" are loans whose repayment terms have been modified to the advantage of debtors through means such as a reduction or exemption of interest rates, postponement of principal and interest payments, and forgiveness of loans to support or restructure the debtors' businesses, and do not fall under the category of "Loans to Bankrupt Debtors", "Delinquent Loans", or "Loans Past Due Three Months or More".

DBJ provides commitment lines under which it lends, upon the borrowers' request, funds up to a 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, 2008 and 2007 are ¥327,665 million ($3,270,442 thousand), including ¥153,869 million ($1,535,779 thousand) being financed within one year and ¥331,130 million, including ¥97,695 million being financed within one year, respectively.

5. Other Assets

Other Assets as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Prepaid Expenses	¥ 145	¥ 99	$ 1,451
Accrued Income	41,157	48,068	410,794
Derivatives	20,585	3,316	205,461
Guarantee Deposits	484	426	4,840
Other	1,681	1,350	16,785
	¥64,054	**¥53,262**	**$639,331**

6. Tangible Fixed Assets

Tangible Fixed Assets as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Tangible Fixed Assets			
Land	¥20,340	¥20,386	$203,020
Buildings	15,082	15,095	150,543
Equipment	300	296	2,998
Total	**¥35,723**	**¥35,778**	**$356,561**

Notes: Accumulated Depreciation of Tangible Fixed Assets as of March 31, 2008 and 2007 is ¥ 20,858 million ($208,191 thousand) and ¥20,355 million, respectively.

7. Allowance for Loan Losses

Allowance for Loan Losses as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
General Allowance for Loan Losses	¥ 86,560	¥ 96,933	$ 863,962
Specific Allowance for Loan Losses	25,268	49,692	252,205
	¥111,828	**¥146,626**	**$1,116,168**

8. Bonds and Notes

Bonds and Notes as of March 31, 2008 and 2007 are as follows:

At March 31 Description of Bonds and Notes	Issue date	Interest rate (%)	Maturity date	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Japanese Government-guaranteed Bonds 1-21	August 2000–February 2008	0.80~2.10	August 2010–December 2022	¥ 802,282	¥ 612,132	$ 8,007,614
Japanese Government-guaranteed Foreign Bond 67*1	September 1998	1.81	September 2028	25,083	25,087	250,358
Japanese Government-guaranteed Foreign Bonds 1-14	November1999–November 2007	1.05~6.875	June 2010–November 2027	1,035,616 ($2,350,000 thousand) (EUR1,450,000 thousand)	846,906 ($2,350,000 thousand) (EUR750,000 thousand)	10,336,524
Japanese Government-underwritten Bonds 196-211*2	May1997–December 1998	1.10~2.60	May 2007–December 2008	39,550 [39,550]	72,766 [33,250]	394,758 [394,758]
FILP Agency Bonds 3-44, 1*3	April 2002–February 2008	0.40~2.74	June 2007–March 2047	1,254,630 [129,997]	1,114,753 [150,000]	12,522,508 [1,297,504]
				¥3,157,163	**¥2,671,644**	**$31,511,761**

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

Scheduled redemptions of Bonds and Notes for each of the next five years as of March 31, 2008 are as follows:

Fiscal year ending March 31, 2009	¥169,547 million	$1,692,264 thousand
2010	109,986	1,097,775
2011	369,842	3,691,407
2012	463,348	4,624,697
2013	344,798	3,441,443

9. Borrowings

Borrowings as of March 31, 2008 and 2007 are as follows:

At March 31	Average interest rate (%)	Due date of repayment	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Borrowings					
Long-term Borrowings	1.78	May 2008– November 2027	¥6,978,546	¥7,923,935	$69,653,126
			¥6,978,546	**¥7,923,935**	**$69,653,126**

Borrowings with maturities for each of the next five years as of March 31, 2008 are as follows:

Fiscal year ending March 31, 2009	¥1,108,400 million	$11,062,988 thousand
2010	947,704	9,459,069
2011	840,448	8,388,548
2012	786,430	7,849,388
2013	827,824	8,262,542

10. Other Liabilities

Other Liabilities as of March 31, 2008 and 2007 are as follows:

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Accrued Expenses	¥ 33,365	¥ 34,031	$ 333,023
Unearned Income	997	17,913	9,955
Deposits from Employees	199	153	1,993
Derivatives	115,499	133,847	1,152,805
Reserve for Bonus Payments	1,653	1,617	16,502
Other	5,164	6,529	51,552
	¥156,880	**¥194,093**	**$1,565,829**

11. Acceptances and Guarantees

Acceptances and Guarantees as of March 31, 2008 and 2007 are as follows:

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Guarantees	¥126,833	¥273,965	$1,265,935
	¥126,833	**¥273,965**	**$1,265,935**

Notes: In the year ended March 31, 2008, Credit Derivatives Transaction measured at fair value is reclassified from “Guarantees” to “Derivatives”, as its rational market value has been confirmed.

12. Assets Pledged as Collateral

Securities Pledged as Collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥123,155 million ($1,229,219 thousand) as of March 31, 2008, and ¥120,705 million as of March 31, 2007.

13. Retained Earnings

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

On May 31, 2007, DBJ paid ¥2,499 million ($24,952 thousand), attributable to the year ended March 31, 2007, to the National Treasury.

14. Fees and Commissions (Income)

Fees and Commissions (Income) for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2008	2007	2008
Commissions	¥4,995	¥4,051	$49,859
	¥4,995	**¥4,051**	**$49,859**

15. Other Operating Income

Other Operating Income for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2008	2007	2008
Foreign Exchange Gains	¥110	¥	$1,105
Other	423		4,225
	¥534	**¥**	**$5,330**

16. Other Ordinary Income

Other Ordinary Income for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2008	2007	2008
Reversal of allowance for Loan Losses	¥24,307	¥47,133	$242,614
Compensation for Advance Redemption	12,648		126,246
Gains on Sales of Equities and Other Securities	88	1,508	886
Gains on Money Held in Trust	1,281	1,350	12,790
Other	15,178	12,333	151,502
	¥53,505	**¥62,325**	**$534,038**

Notes: 1. In the year ended March 31, 2008, Compensation for Advance Redemption, which was classified in "Unearned Income" and amortized over the term of the loans, is recognized in full as Income.

2. "Other" includes profit of collective investment vehicles, such as limited partnerships, Tokumei Kumiai and other entities with similar characteristics, attributable to DBJ and its subsidiaries as the equity participants, ¥13,569 million ($135,435 thousand) for the fiscal year ended March 31, 2008.

17. Fees and Commissions (Expenses)

Fees and Commissions (Expenses) for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2008	2007	2008
Wire Transfer Service Charges	¥ 6	¥ 5	$ 62
Commissions	23	59	230
	¥29	**¥65**	**$292**

18. Other Operating Expenses

Other Operating Expenses for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2008	2007	2008
Foreign Exchange Losses	¥	¥ 129	$
Bonds and Notes Issuance Costs	1,827	1,521	18,239
Losses on Derivative Instruments	14,167	30	141,411
Other	5,726	356	57,157
	¥21,721	**¥2,038**	**$216,807**

19. Other Ordinary Expenses

Other Ordinary Expenses for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2008	2007	2008
Provision for Investment Losses	¥ 1,392	¥ 112	$ 13,903
Write-off of Loans	7,913	2,982	78,988
Losses on Sales of Equities and Other Securities	706	1	7,053
Write-off of Equities	723	47,713	7,225
Losses on Money Held in Trust	16,938	0	169,060
Other	34,137	10,635	340,730
	¥61,813	**¥61,445**	**$616,959**

Notes: Losses on sale of loans included in “Other” are ¥198 million ($1,978 thousand) and ¥890 million for the fiscal years ended March 31, 2008 and 2007, respectively. Investment Losses on Affiliates accounted by the equity method and Costs on Derivative transactions included in “Other” are ¥15,045 million ($150,167 thousand) and ¥8,602 million ($85,856 thousand) for the fiscal years ended March 31, 2008, respectively

20. Employee Retirement Benefits

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

Reserve for Employee Retirement Benefits as of March 31, 2008 and 2007 consisted of the following.

(a) The Funded Status of the Pension Plans

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Projected Benefit Obligation	¥(45,019)	¥(44,460)	$(449,337)
Fair Value of Plan Assets	13,586	14,902	135,608
Unfunded Pension Obligation	(31,432)	(29,558)	(313,729)
Net Amount Recognized on the Balance Sheet	(31,432)	(29,558)	(313,729)
Reserve for Employee Retirement Benefits	**¥(31,432)**	**¥(29,558)**	**$(313,729)**

Notes: 1. The above Projected Benefit Obligations include a portion in which the pension fund manages on behalf of the Japanese Government welfare program.
2. Reserve for Employee Retirement Benefits includes the one for executive directors.

(b) Components of Pension Cost

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Service Cost	¥1,389	¥1,400	$13,866
Interest Cost	887	897	8,858
Expected Return on Plan Assets	(74)	(493)	(744)
Amortization of Prior Service Cost			
Amortization of Net Actuarial Gains/Losses	1,841	(861)	18,379
Net Pension Cost	**¥4,043**	**¥ 942**	**$40,360**

(c) Principal Assumptions Used

At March 31	2008	2007
Discount Rate	2.0%	2.0%
Expected Rate of Return on Plan Assets	0.5%	3.5%
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

21. Lease Transactions

(a) Finance Lease Transactions

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

	Millions of yen					
	2008			2007		
At March 31	Equipment	Others	Total	Equipment	Others	Total
Acquisition Cost Equivalents	¥1,111	¥ 484	¥1,596	¥ 724	¥ 277	¥1,002
Less- Accumulated Depreciation Equivalents	(479)	(181)	(661)	(430)	(151)	(582)
Book Value Equivalents	**¥ 631**	**¥ 302**	**¥ 934**	**¥ 294**	**¥ 125**	**¥ 419**

	Thousands of U.S. dollars		
	2008		
At March 31	Equipment	Others	Total
Acquisition Cost Equivalents	$11,097	$ 4,834	$15,930
Less- Accumulated Depreciation Equivalents	(4,791)	(1,815)	(6,606)
Book Value Equivalents	**$ 6,306**	**$ 3,019**	**$ 9,325**

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

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Due in One Year or Less	¥304	¥215	$3,043
Due after One Year	634	210	6,337
	¥939	**¥426**	**$9,380**

Lease expense, depreciation equivalents and interest expense equivalents relating to finance leases for the fiscal year ended March 31, 2008 amount to ¥292 million ($2,921 thousand), ¥282 million ($2,817 thousand) and ¥9 million ($96 thousand), respectively. The corresponding amounts for the fiscal year ended March 31, 2007 are ¥246 million, ¥237 million and ¥8 million, respectively.

Notes: 1. Depreciation equivalents are calculated using the straight-line method, assuming that useful life is equal to the lease term and that the residual value at the end of the lease term is zero.
2. Interest expense equivalents are defined as the difference between total lease payments and acquisition equivalents, and 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, 2008 and 2007.

22. Deferred Tax Assets and Liabilities

Consolidated domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.6% for the years ended March 31, 2008 and 2007, respectively.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Deferred Tax Assets:			
Net Losses Carryforwards	¥ 541	¥	$ 5,407
Enterprise Tax Payable	0	57	0
Allowance for Investment Losses	270	259	2,705
Losses on Available-for-sale Securities	604	406	6,031
Other	3	51	36
Sub Total	1,420	774	14,179
Less—Valuation Allowance	(1,420)	(767)	(14,174)
Total Deferred Tax Assets	¥ 0	¥ 7	$ 5
Deferred Tax Liabilities:			
Net Unrealized Gain on Available-for-sale Securities	(105)	(66)	(1,050)
Other	(17)	0	(176)
Total Deferred Tax Liabilities	(122)	(66)	(1,225)
Net Deferred Tax Assets (Liabilities)	**¥ (122)**	**¥ (59)**	**$ (1,220)**

Notes: A reconciliation between the normal effective statutory tax rates for the years ended March 31, 2008 and 2007 and the actual effective tax rates reflected in the accompanying consolidated statement of income is not required under Japanese accounting standards due to such differences being immaterial.

23. 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.

24. 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 contract and credit default swaps.

(b) Policy for Derivative Transactions

DBJ utilizes interest rate swaps, currency swaps and forward foreign exchange contract to reduce its exposure to market risks from fluctuations in interest rates and foreign currency exchange rates, and to respond to the customers' financial needs. DBJ 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) 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 the contract governing the transaction 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.

(d) Risk Management Policies for Derivatives

The Treasury Department enters into and the ALM and Risk Management Department 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.

(e) 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 as of March 31, 2008 and 2007 are as follows:

(a) Interest Rate-related Transactions

	Millions of yen			
	2008			
	Contract Value			Unrealized Gain
At March 31	Total	Over one year	Market Value	(Loss)
Over-the-Counter				
Swaps				
Receive Fixed/ Pay Float	¥2,285,344	¥2,155,344	¥ 36,658	¥ 36,658
Receive Float/ Pay Fixed	2,285,303	2,155,303	(36,755)	(36,755)
			¥ (96)	**¥ (96)**

	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)**

	Thousands of U.S. dollars			
	2008			
	Contract Value			Unrealized Gain
At March 31	Total	Over one year	Market Value	(Loss)
Over-the-Counter				
Swaps				
Receive Fixed/ Pay Float	$22,810,101	$21,512,566	$ 365,890	$ 365,890
Receive Float/ Pay Fixed	22,809,700	21,512,165	(366,854)	(366,854)
			$ (964)	**$ (964)**

Notes: 1. The above transactions are marked to market and changes in unrealized gain (loss) are included in the Consolidated Statements of Income. 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			
	2008			
	Contract Value			
	Total	Over one year	Market Value	Unrealized Gain (Loss)
Over-the-Counter				
Swaps	¥	¥	¥	¥
Forwards				
Sold	¥15,337	¥	¥402	¥402
Bought	100		(0)	(0)
			¥402	**¥402**

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	Thousands of U.S. dollars			
	2008			
	Contract Value			
	Total	Over one year	Market Value	Unrealized Gain (Loss)
Over-the-Counter				
Swaps	$	$	$	$
Forwards				
Sold	$153,089	$	$4,021	$4,021
Bought	1,004		(0)	(0)
			$4,021	**$4,021**

Notes: 1. The above transactions are marked to market and changes in unrealized gain (loss) are included in the Consolidated Statement of Income. 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.

(c) Equity-related Transactions

Not applicable

(d) Bond-related Transactions

Not applicable

(e) Commodity-related Transactions

Not applicable

(f) Credit Derivatives Transactions

	Millions of yen			
	2008			
	Contract Value			
At March 31	Total	Over one year	Market Value	Unrealized Gain (Loss)
Over-the-Counter				
Credit Default Swap				
Sold	¥1,107,506	¥1,107,506	¥(15,705)	¥(15,705)
Bought	602,416	602,416	868	868
			¥(14,836)	**¥(14,836)**

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

	Thousands of U.S. dollars			
	2008			
	Contract Value			
At March 31	Total	Over one year	Market Value	Unrealized Gain (Loss)
Over-the-Counter				
Credit Default Swap				
Sold	$11,054,066	$11,054,066	$(156,754)	$(156,754)
Bought	6,012,744	6,012,744	8,668	8,668
			$(148,086)	**$(148,086)**

Notes: 1. The above transactions are marked to market and changes in unrealized gain (loss) are included in the Consolidated Statement of Income.
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.

25. Market Value of Securities and Money Held in Trust

Market value of Securities, Money held in Trust and Negotiable Certificate of Deposit classified as "Cash and Due from banks" as of March 31, 2008 and 2007 are summarized below. The information about investments in subsidiaries and affiliates with market value is reported in the notes to the non-consolidated financial statements.

1. Securities

(a) Trading Securities

Not applicable

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

	Millions of yen				
	2008				
			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	46,501	46,663	162	522	(360)
Other					
	¥46,501	**¥46,663**	**¥162**	**¥522**	**¥(360)**

	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)**

	Thousands of U.S. dollars				
	2008				
			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	464,136	465,754	1,618	5,214	(3,597)
Other					
	$464,136	**$465,754**	**$1,618**	**$5,214**	**$(3,597)**

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

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

	Millions of yen				
	2008				
			Unrealized Gain (Loss)		
At March 31	Acquisition Cost	Market/Book Value	Net	Gain	(Loss)
Equities	¥ 34,617	¥ 41,355	¥6,738	¥13,412	¥(6,674)
Bonds	162,181	164,639	2,457	2,881	(423)
Japanese Government Bonds	140,661	143,530	2,869	2,881	(11)
Japanese Local Government Bonds					
Short-term Corporate Bonds	16,000	15,834	(165)		(165)
Corporate Bonds	5,520	5,274	(245)		(245)
Other	5,852	5,943	91	191	(100)
	¥202,651	**¥211,938**	**¥9,287**	**¥16,485**	**¥(7,197)**

	Millions of yen				
	2007				
			Unrealized Gain (Loss)		
At March 31	Acquisition Cost	Market/Book Value	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)**

	Thousands of U.S. dollars				
	2008				
			Unrealized Gain (Loss)		
At March 31	Acquisition Cost	Market/Book Value	Net	Gain	(Loss)
Equities	$ 345,519	$ 412,774	$67,255	$133,875	$(66,619)
Bonds	1,618,738	1,643,269	24,531	28,756	(4,226)
Japanese Government Bonds	1,403,946	1,432,583	28,637	28,756	(119)
Japanese Local Government Bonds					
Short-term Corporate Bonds	159,697	158,043	(1,654)		(1,654)
Corporate Bonds	55,095	52,643	(2,452)		(2,452)
Other	58,413	59,321	908	1,906	(998)
	$2,022,670	**$2,115,364**	**$92,694**	**$164,537**	**$(71,843)**

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

(d) Held-to-maturity Debt Securities sold

Not applicable

(e) Available-for-sale Securities sold

For the Fiscal Year ended March 31	Millions of yen 2008 Proceeds from Sales	Total amount of Gain on Sales	Total amount of Loss of Sales
Available-for-sale Securities	¥307	¥105	¥3,049
	¥307	**¥105**	**¥3,049**

For the Fiscal Year ended March 31	Millions of yen 2007 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**

For the Fiscal Year ended March 31	Thousands of U.S. dollars 2008 Proceeds from Sales	Total amount of Gain on Sales	Total amount of Loss of Sales
Available-for-sale Securities	$3,070	$1,052	$30,440
	$3,070	**$1,052**	**$30,440**

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

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Held-to-maturity Debt Securities			
Unlisted Corporate Bonds	¥ 35,246	¥ 15,620	$ 351,797
Available-for-sale Securities			
Unlisted Equities	142,038	91,430	1,417,694
Unlisted Corporate Bonds	0	21,496	1
Negotiable Certificate of Deposit	149,000		1,487,174
Other	113,392	98,344	1,131,771
	¥439,677	**¥226,890**	**$4,388,437**

(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			
	2008			
	Maturity			
At March 31	Within 1 year	1 to 5 years	5 to 10 years	More than 10 years
Bonds	¥ 36,240	¥129,873	¥76,519	¥3,754
Japanese Government Bonds	20,089	71,182	52,259	
Japanese Local Government Bonds				
Short-term Corporate Bonds	15,834			
Corporate Bonds	317	58,691	24,260	3,754
Other	149,000		125	
	¥185,240	**¥129,873**	**¥76,645**	**¥3,754**

	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**

	Thousands of U.S. dollars			
	2008			
	Maturity			
At March 31	Within 1 year	1 to 5 years	5 to 10 years	More than 10 years
Bonds	$ 361,718	$1,296,268	$763,745	$37,472
Japanese Government Bonds	200,509	710,470	521,604	
Japanese Local Government Bonds				
Short-term Corporate Bonds	158,043			
Corporate Bonds	3,166	585,798	242,141	37,472
Other	1,487,174		1,255	
	$1,848,892	**$1,296,268**	**$764,999**	**$37,472**

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				
	2008				
			Unrealized Gain (Loss)		
At March 31	Acquisition Cost	Market/Book Value	Net	Gain	(Loss)
Other Money Held in Trust	¥74,417	¥74,454	¥410	¥674	¥(263)

	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)

	Thousands of U.S. dollars				
	2008				
			Unrealized Gain (Loss)		
At March 31	Acquisition Cost	Market/Book Value	Net	Gain	(Loss)
Other Money Held in Trust	$742,767	$743,129	$4,099	$6,732	$(2,633)

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	2008	2007	2008
Net Unrealized Gain			
Available-for-sale Securities	¥13,095	¥21,696	$130,704
Other Money Held in Trust	(263)	(62)	(2,633)
Add: Deferred Tax Assets			
(Less: Deferred Tax Liabilities)	(105)	(66)	(1,050)
	¥12,726	¥21,566	$127,021
Amount corresponding to Minority Interests	11	(26)	110
DBJ's interest in net unrealized gain on available-for-sale securities held by affiliates accounted for by the equity method	¥ (436)	¥	$ (4,356)
Net Unrealized Gain on Available-for-sale Securities, Net of Taxes	**¥12,300**	**¥21,539**	**$122,774**

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

26. Subsequent Event

On May 14, 2008, the board meeting resolved to pay out of retained earnings ¥1,026 million ($10,246 thousand), attributable to the year ended March 31, 2008, to the National Treasury and DBJ paid it on May 30, 2008.

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INDEPENDENT AUDITORS' REPORT

To the Governor of
Development Bank of Japan:

We have audited the accompanying non-consolidated balance sheet of Development Bank of Japan (the "Bank") as of March 31, 2008, and the related non-consolidated statements of income and changes in equity for the year 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 audit. The non-consolidated financial statements of the Bank for the year ended March 31, 2007, which were included in the accompanying Bank's non-consolidated financial statements, were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated June 26, 2007.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2008 non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Development Bank of Japan as of March 31, 2008, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 25, 2008

Member of
Deloitte Touche Tohmatsu

Non-Consolidated Balance Sheets

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Assets			
Cash and Due from banks	¥ 161,741	¥ 34,110	$ 1,614,346
Reverse Repurchase Agreements (Note 3(3))	136,925	223,829	1,366,662
Money Held in Trust	25,720	27,836	256,715
Securities (Notes 3 and 10)	532,137	366,469	5,311,281
Loans (Note 4)	11,512,906	12,146,462	114,910,738
Other Assets (Note 5)	64,894	53,740	647,709
Tangible Fixed Assets (Note 6)	35,709	35,763	356,420
Intangible Fixed Assets	1,371	0	13,692
Customers' Liabilities for Acceptances and Guarantees	172,833	334,965	1,725,062
Allowance for Loan Losses (Note 7)	(112,030)	(146,742)	(1,118,182)
Allowance for Investment Losses	(7,329)	(2,456)	(73,159)
Total Assets	**¥12,524,880**	**¥13,073,980**	**$125,011,284**

	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Liabilities and Equity			
Liabilities			
Bonds and Notes	¥ 3,157,163	¥ 2,671,644	$ 31,511,761
Borrowings	6,932,546	7,862,935	69,193,998
Other Liabilities (Note 8)	156,728	193,300	1,564,318
Reserve for Employee Retirement Benefits	31,432	29,558	313,729
Acceptances and Guarantees (Note 9)	172,833	334,965	1,725,062
Total Liabilities	**¥10,450,705**	**¥11,092,404**	**$104,308,868**
Equity			
Capital	¥ 1,272,286	¥ 1,272,286	$ 12,698,732
Retained Earnings (Note 11)	861,584	810,163	8,599,509
Other Retained Earnings	861,584	810,163	8,599,509
Statutory Reserve	1,113,186	1,076,594	11,110,756
Accumulated Deficit	(251,601)	(266,430)	(2,511,246)
Net Unrealized Gain on Available-for-sale Securities	13,084	21,493	130,601
Net Deferred Hedge Losses	(72,780)	(122,367)	(726,427)
Total Equity	**¥ 2,074,175**	**¥ 1,981,575**	**$ 20,702,416**
Total Liabilities and Equity	**¥12,524,880**	**¥13,073,980**	**$125,011,284**

Accompanying notes are an integral part of these financial statements.

Non-Consolidated Statements of Income

For the Fiscal Years ended March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Income			
Interest Income	¥314,084	¥329,710	$3,134,885
Interest on Loans	307,725	326,472	3,071,420
Interest and Dividends on Securities	3,815	2,449	38,080
Interest on Reverse Repurchase Agreements	1,577	707	15,749
Interest on Due from banks	961	80	9,597
Other Interest Income	3	0	39
Fees and Commissions (Note 12)	4,836	3,405	48,274
Other Operating Income (Note 13)	589		5,883
Other Ordinary Income (Note 14)	53,251	59,989	531,505
Collection of Written-off Claims	1,982	5,875	19,791
Gains on Sales of Fixed Assets	68	0	688
Total Income	**¥374,813**	**¥398,982**	**$3,741,027**
Expenses			
Interest Expense	¥208,866	¥236,720	$2,084,703
Interest on Bonds and Notes	45,130	33,973	450,454
Interest on Borrowings	148,446	179,674	1,481,650
Interest on Swaps (net)	15,273	23,067	152,443
Other Interest Expense	15	4	155
Fees and Commissions (Note 15)	23	65	234
Other Operating Expenses (Note 16)	18,811	2,025	187,754
General and Administrative Expenses	29,316	25,015	292,608
Other Ordinary Expenses (Note 17)	63,861	59,933	637,401
Losses on Sales of Fixed Assets	13	56	135
Total Expenses	**¥320,891**	**¥323,815**	**$3,202,834**
Net Income	**¥ 53,921**	**¥ 75,166**	**$ 538,193**

Accompanying notes are an integral part of these financial statements.

Non-Consolidated Statements of Changes in Equity

	Millions of yen					
		Retained Earnings		Net Unrealized Gain (Loss) on		
For the Fiscal Year ended March 31, 2007	Capital	Statutory Reserve	Accumulated Deficit	Available-for-sale Securities	Net Deferred Hedge Losses	Total Equity
Balance at March 31, 2006	**¥1,272,286**	**¥1,068,918**	**¥(333,921)**	**¥ 3,401**	**¥**	**¥2,010,684**
Transfer from net income accounted under						
the DBJ Law to Statutory Reserve (Note 11)		7,675	(7,675)			
Net Income			75,166			75,166
Net Changes in the year				18,092	(122,367)	(104,274)
Balance at March 31, 2007	**¥1,272,286**	**¥1,076,594**	**¥(266,430)**	**¥21,493**	**¥(122,367)**	**¥1,981,575**

	Millions of yen					
		Retained Earnings		Net Unrealized Gain (Loss) on		
For the Fiscal Year ended March 31, 2008	Capital	Statutory Reserve	Accumulated Deficit	Available-for-sale Securities	Net Deferred Hedge Losses	Total Equity
Balance at March 31, 2007	**¥1,272,286**	**¥1,076,594**	**¥(266,430)**	**¥21,493**	**¥(122,367)**	**¥1,981,575**
Transfer from net income accounted under						
the DBJ Law to Statutory Reserve (Note 11)		36,592	(36,592)			
Payment to National Treasury			(2,499)			(2,499)
Net Income			53,921			53,921
Net Changes in the year				(8,408)	49,586	41,177
Balance at March 31, 2008	**¥1,272,286**	**¥1,113,186**	**¥(251,601)**	**¥13,084**	**¥(72,780)**	**¥2,074,175**

	Thousands of U.S. dollars					
		Retained Earnings		Net Unrealized Gain (Loss) on		
For the Fiscal Year ended March 31, 2008	Capital	Statutory Reserve	Accumulated Deficit	Available-for-sale Securities	Net Deferred Hedge Losses	Total Equity
Balance at March 31, 2007	**$12,698,732**	**$10,745,526**	**$(2,659,257)**	**$214,529**	**$(1,221,350)**	**$19,778,180**
Transfer from net income accounted under						
the DBJ Law to Statutory Reserve (Note 11)		365,229	(365,229)			
Payment to National Treasury			(24,952)			(24,952)
Net Income			538,193			538,193
Net Changes in the year				(83,927)	494,923	410,996
Balance at March 31, 2008	**$12,698,732**	**$11,110,756**	**$(2,511,246)**	**$130,601**	**$(726,427)**	**$20,702,416**

Accompanying notes are an integral part of these financial statements.

Notes to Non-Consolidated Financial Statements

1. Basis of Presentation

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

As consolidated statements of cash flows and certain disclosures are presented in the consolidated financial statements of DBJ, non-consolidated statements of cash flows and certain disclosures are not presented herein in accordance with accounting principles generally accepted in Japan.

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to DBJ's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2007 financial statements to conform to the classifications used in 2008.

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 ¥100.19=$1.00, the effective exchange rate prevailing as of March 31, 2008, 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 with amortization computed, on a straight-line basis, using the weighted average method. Investments in subsidiaries and affiliates 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). 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 their original cost plus DBJ's interest in earnings since acquisition and less any dividends received, based on their most recent financial statements. However, regarding certain investments in limited partnerships, assets and liabilities are recorded in proportion to DBJ's underlying interests based on their most recent financial statements.

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

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

(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, gains or losses on derivative transactions are recognized in the statements of income.

(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 not translated at market values but at contractual rates, as the foreign currency swap contracts meet the hedging criteria under the Accounting Standards for Financial Instruments.

(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 rates 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 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 existing foreign currency assets or liabilities, a) the difference, if any, between the Japanese yen amount of the hedged foreign currency asset or liability translated using the spot rate at the inception date of the contract and the book value of the asset or liability is recognized in the statement of income in the period which includes the inception date, and b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
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.

(e) Long-lived assets

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

(f) Bonds and Notes Issuance Costs

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

(g) Foreign currency translation and revaluation method

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the 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 recovered through disposal of collateral or execution of guarantees.

The allowance for claims on debtors who are not legally bankrupt at the moment, but are likely to become bankrupt 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 recovered through disposal of collateral or execution of guarantees.

With respect to the claims on debtors who are likely to become bankrupt or to be closely monitored, and for which future cash flows can reasonably be estimated, the allowance is provided for as the difference between the present value of expected future cash flows discounted at the contracted interest rate and the carrying value of the claims.

The allowance for claims on debtors other than those described above is provided based on the historical default rate, which is calculated based on the actual defaults over a certain historical period (the average financing period for DBJ).

All claims are assessed initially by the investment and lending departments and then by the Credit Analysis Department, which is independent of the investment and lending departments based on internal policies for self-assessment of credit quality. The allowance is provided 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 ¥52,170 million ($520,715 thousand) and ¥56,267 million for the years ended March 31, 2008 and 2007, respectively.

(i) Allowance for Investment Losses

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

(j) Reserve for Employee Retirement Benefits

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

The "Reserve 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) Lease Transactions

Finance leases that do not involve transfer of ownership to lessees are accounted for as operating leases.

(l) Consumption taxes

Income and expenses subject to consumption taxes 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.

3. Securities

Securities as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Japanese Government Bonds	¥143,530	¥120,705	$1,432,583
Corporate Bonds	87,022	61,753	868,576
Equities	185,767	97,804	1,854,148
Other securities	115,816	86,206	1,155,974
	¥532,137	**¥366,469**	**$5,311,281**

Notes: 1. Investments in subsidiaries and affiliates included in "Equities" as of March 31, 2008 and 2007 are ¥86,808 million ($866,436 thousand) and ¥23,809 million, respectively.

2. DBJ has contingent liabilities for guarantees of corporate bonds among Securities which were issued by private placement (Article 2 Paragraph 3 of the Financial Instruments and Exchange Law) and amount to ¥3,280 million ($32,738 thousand) and ¥130 million as of March 31, 2008 and 2007 respectively.

3. There are no securities repledged as of March 31, 2008 and 2007 respectively, although securities accepted under repurchase agreements can be sold or repledged, securities neither sold nor repledged are ¥136,925 million ($1,366,662 thousand) and ¥223,829 million, respectively.

4. Other securities with market value are considered impaired if there is a considerable decline in the market value below the acquisition cost and such decline is not believed to be recoverable. The difference between the acquisition cost and the market value is the loss for the fiscal year.
   The criterion for determining "Considerable decline in market value" is as follows.
   Market value is 50% and more lower than acquisition cost
   Market value is 30% and more lower than acquisition cost, and such decline is not considered as recoverable

4. Non-performing Loans

The amounts of Non-Performing Loans included in "Loans" on the non-consolidated balance sheets as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Loans to Bankrupt Debtors	¥ 1,329	¥ 7,562	$ 13,273
Delinquent Loans	57,429	64,065	573,209
Loans Past Due Three Months or More	26	28	262
Restructured Loans	60,988	73,624	608,728
	¥119,774	**¥145,280**	**$1,195,472**

Notes: 1. The amounts of Loans indicated above are stated at gross amounts, before reduction of the allowance for loan losses.

2. "Loans to Bankrupt Debtors" represent non-accrual loans to debtors who are legally bankrupt as defined in Article 96-1-3 and 4 of the Japanese Tax Law Enforcement Regulation.

3. "Delinquent Loans" represent non-accrual loans other than (i) Loans to Bankrupt Debtors and (ii) loans whose interest payments are deferred in order to assist or facilitate the restructuring efforts of borrowers in financial difficulty.

4. "Loans Past Due Three Months or More" are loans whose principal or interest payment is three months or more past due, and do not fall under the category of "Loans to Bankrupt Debtors" or "Delinquent Loans".

5. "Restructured loans" are loans whose repayment terms have been modified to the advantage of debtors through means such as a reduction or exemption of interest rates, postponement of principal and interest payments, and forgiveness of loans to support or restructure the debtors' businesses, and do not fall under the category of "Loans to Bankrupt Debtors", "Delinquent Loans", or "Loans Past Due Three Months or More".

DBJ provides commitment lines under which it lends, upon the borrowers' request, funds up to a 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, 2008 and 2007 are ¥268,665 million ($2,681,561 thousand), including ¥153,869 million ($1,535,779 thousand) being financed within one year and ¥331,113 million, including ¥97,695 million being financed within one year, respectively.

5. Other Assets

Other Assets as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Prepaid Expenses	¥ 135	¥ 92	$ 1,356
Accrued Income	42,766	48,610	426,853
Derivatives	20,510	3,316	204,716
Guarantee Deposits	441	382	4,403
Other	1,040	1,338	10,382
	¥64,894	**¥53,740**	**¥647,709**

6. Tangible Fixed Assets

Tangible Fixed Assets as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Tangible Fixed Assets			
Land	¥20,340	¥20,386	$203,020
Buildings	15,075	15,089	150,471
Equipment	293	287	2,929
Total	**¥35,709**	**¥35,763**	**$356,420**

Notes: The Accumulated Depreciation of Tangible Fixed Assets as of March 2008 and 2007 is ¥20,845 million ($208,056 thousand) and ¥20,347 million, respectively.

7. Allowance for Loan Losses

Allowance for Loan Losses as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
General Allowance for Loan Losses	¥ 86,762	¥ 97,049	$ 865,977
Specific Allowance for Loan Losses	25,268	49,692	252,205
	¥112,030	**¥146,742**	**$1,118,182**

8. Other Liabilities

Other Liabilities as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Accrued Expenses	¥ 33,346	¥ 33,346	$ 332,835
Unearned Income	997	17,913	9,955
Deposits from Employees	199	153	1,993
Derivatives	115,499	133,847	1,152,805
Reserve for Bonus Payments	1,653	1,617	16,502
Other	5,032	6,421	50,227
	¥156,728	**¥193,300**	**$1,564,318**

9. Acceptances and Guarantees

Acceptances and Guarantees as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Guarantees	¥172,833	¥334,965	$1,725,062
	¥172,833	**¥334,965**	**$1,725,062**

Notes: In the year ended March 31, 2008, Credit Derivatives Transaction measured at fair value is reclassified from “Guarantees” to “Derivatives”, as its rational market value has been confirmed.

10. Assets Pledged as Collateral

Securities pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥123,155 million ($1,229,219 thousand) as of March 31, 2008 and ¥120,705 million as of March 31, 2007, respectively.

11. Retained Earnings

A portion of net income which has been calculated pursuant to Article 4 of the Development Bank of Japan Law (“DBJ Law”) was appropriated to a provision of Statutory Reserve and for payment to the National Treasury as stipulated by Article 41 of the DBJ Law.

On May 31, 2007, DBJ paid ¥2,499 million ($24,952 thousand), attributable to the year ended March 31, 2007, to the National Treasury.

12. Fees and Commissions (Income)

Fees and Commissions (Income) for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2008	2007	2008
Commissions	¥4,836	¥3,405	$48,274
	¥4,836	**¥3,405**	**$48,274**

13. Other Operating Income

Other Operating Income for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2008	2007	2008
Foreign Exchange Gains	¥166	¥	$1,665
Other	422		4,217
	¥589	**¥**	**$5,883**

14. Other Ordinary Income

Other Ordinary Income for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2008	2007	2008
Reversal of Allowance for Loan Losses	¥24,221	¥47,017	$241,757
Reversal of Allowance for Investment Losses		330	
Compensation for Advance Redemption	12,648		126,246
Gains on Sales of Equities and Other Securities	66	776	666
Gains on Money Held in Trust	1,281	1,350	12,790
Other	15,033	10,515	150,045
	¥53,251	**¥59,989**	**$531,505**

Notes: 1. In the year ended March 31, 2008, Compensation for Advance Redemption, which was classified in "Unearned Income" and amortized over the term of the loans, is recognized in full as Income.
2. "Other" includes profit of collective investment vehicles, such as limited partnerships, Tokumei Kumiai and other entities with similar characteristics, attributable to DBJ and its subsidiaries as the equity participants, ¥13,427 million ($134,016 thousand) for the fiscal year ended March 31, 2008.

15. Fees and Commissions (Expenses)

Fees and Commissions (Expenses) for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2008	2007	2008
Wire Transfer Service Charges	¥ 6	¥ 5	$ 62
Commissions	17	59	172
	¥23	**¥65**	**$234**

16. Other Operating Expenses

Other Operating Expenses for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2008	2007	2008
Foreign Exchange Losses	¥	¥ 116	$
Bonds and Notes Issuance Costs	1,827	1,521	18,239
Losses on derivative instruments	14,167	30	141,411
Other	2,815	356	28,104
	¥18,811	**¥2,025**	**$187,754**

17. Other Ordinary Expenses

Other Ordinary Expenses for the fiscal years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
For the fiscal years ended March 31	2008	2007	2008
Provision for Investment Losses	¥ 5,820	¥	$ 58,090
Write-off of Loans	7,913	2,982	78,988
Losses on Sales of Equities and Other Securities	85	1	857
Write-off of Equities	31,200	47,713	311,418
Losses on Money Held in Trust	383	0	3,831
Other	18,456	9,235	184,216
	¥63,861	**¥59,933**	**$637,401**

Notes: The cost on Derivative transactions included in "Other" are ¥8,602 million ($85,859 thousand) for the fiscal years ended March 31, 2008

18. Lease Transactions

(a) Finance Lease Transactions

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

	Millions of yen					
	2008			2007		
At March 31	Equipment	Others	Total	Equipment	Others	Total
Acquisition Cost Equivalents	¥1,098	¥ 480	¥1,579	¥ 716	¥ 273	¥ 990
Less—Accumulated						
Depreciation Equivalents	(474)	(179)	(654)	(427)	(149)	(576)
Book Value Equivalents	**¥ 623**	**¥ 301**	**¥ 925**	**¥ 289**	**¥ 124**	**¥ 413**

	Thousands of U.S. dollars		
	2008		
At March 31	Equipment	Others	Total
Acquisition Cost Equivalents	$10,965	$ 4,798	$15,763
Less—Accumulated			
Depreciation Equivalents	(4,741)	(1,787)	(6,528)
Book Value Equivalents	**$ 6,224**	**$ 3,010**	**$ 9,235**

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	2008	2007	2008
Due in One Year or Less	¥301	¥212	$3,006
Due after One Year	629	206	6,283
	¥930	**¥419**	**$9,289**

Lease expense, depreciation equivalents and interest expense equivalents relating to finance leases for the fiscal year ended March 31, 2008 amount to ¥289 million ($2,893 thousand), ¥279 million ($2,790 thousand) and ¥9 million ($95 thousand), respectively. The corresponding amounts for the fiscal year ended March 31, 2007 are ¥243 million, ¥235 million and ¥8 million, respectively.

Notes: 1. Depreciation equivalents are calculated using the straight-line method, assuming that useful life is equal to the lease term and that the residual value at the end of the lease term is zero.
2. Interest expenses equivalents are defined as the difference between total lease payments and acquisition equivalents, and 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, 2008 and 2007.

19. Market Value of Securities

Market value of Securities, excluding investments in subsidiaries and affiliates, are reported in the notes to consolidated financial statements. DBJ holds no investments in subsidiaries with market value as of March 31, 2008 and 2007.

20. Subsequent Event

On May 14, 2008, the board meeting resolved to pay out of retained earnings ¥1,026 million ($10,246 thousand), attributable to the year ended March 31, 2008, to the National Treasury and DBJ paid it on May 30, 2008.

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 9th 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 99.9% confidence level

(ii) Measure interest rate fluctuations in the 1st percentile and 99th percentile, using a one-year holding period and a five-year time horizon

(iii) 200bpValue: Use a 2% parallel shift in a standardized interest rate shock to measure the change in economic value

((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, 2008	March 31, 2007
Minority interests	3,563	4,208
Capital	1,272,286	1,272,286
Retained earnings	860,006	809,898
Other	(1,026)	(2,563)
Total Tier I capital	2,134,829	2,083,829
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	92,152	106,668
Total of deductions from capital stipulated in Article 8 and Article 30 of the Capital Adequacy Ratio Notification	133,012	18,897

3. Items Related to Capital Adequacy Level

(Millions of yen)

		March 31, 2008	March 31, 2007
(a) Capital requirement to total credit risk		797,007	904,459
(1) Exposure by portfolio to which standardized approach applied		753,718	859,455
(i) Japanese government and regional municipal entities		0	0
(ii) Exposure to financial institutions		7,120	11,872
(iii) Exposure to corporations		602,231	712,046
(iv) Equity exposure		141,195	130,619
(v) Other exposure		3,170	4,917
(2) Securitization risk exposure		43,288	45,003
(b) Capital requirement to market risk		—	—
(c) Capital requirement to operational risk		14,228	14,975
(d) Consolidated total capital requirement ((a) + (b) + (c))		811,235	919,434
(e) Consolidated capital ratio and consolidated Tier I ratio	Capital ratio	20.65%	18.90%
	Tier I ratio	21.05%	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, 2008	March 31, 2007
Loans	11,180,486	11,884,802
Equities	348,996	238,364
Commitments and customers' liabilities for acceptances and guarantees	347,057	560,065
Bonds (JGBs and publicly offered bonds)	261,233	225,676
Other	480,828	417,196
Total	12,618,602	13,326,104

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

(1) By region

(Millions of yen)

	March 31, 2008	March 31, 2007
Domestic total	12,618,602	13,326,104
Overseas total	—	—

Note: The DBJ Group has no overseas sales locations or overseas consolidated subsidiaries.

(2) Breakdown by industry and transaction counterparty

(Millions of yen)

	March 31, 2008	March 31, 2007
Manufacturing	2,306,846	2,430,120
Forestry and fisheries	1,210	1,570
Mining	24,593	29,079
Construction	15,437	18,672
Wholesale and retail	580,550	614,060
Finance and insurance	942,904	753,473
Real estate	1,072,486	1,084,019
Transportation and communications	4,184,234	4,544,855
Electrical, gas and water	2,212,515	2,515,177
Services	923,857	1,009,150
Other	353,966	325,924

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

	March 31, 2008	March 31, 2007
Five years or less	3,275,639	2,913,063
More than five years, up to 10	4,725,787	4,962,861
More than 10 years, up to 15	3,195,201	3,431,991
More than 15 years	1,124,221	1,395,425
No maturity date	297,752	622,763

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

	March 31, 2008	March 31, 2007
Risk weight 0%	146,290	122,473
Risk weight 20%	3,368,620	3,062,781
Risk weight 50%	1,717,763	1,966,766
Risk weight 100%	6,552,762	7,255,393
Risk weight 150%	307,837	503,809
Risk weight, other	525,328	418,879
Capital deductions	133,012	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, 2008	March 31, 2007
Eligible financial collaterals	136,924	218,389
Guarantees or credit derivatives	2,096,290	1,908,266

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

(Millions of yen)

	March 31, 2008	March 31, 2007
Equivalent credit calculation method	Current exposure method	Current exposure method
Gross restructuring cost	115,103	85,697
Reducing credit equivalent amounts through netting	51,428	28,435
Net restructuring cost	63,674	57,262
Gross add-on, by transaction type	49,163	40,275
Interest rate transactions	29,683	23,006
Foreign exchange transactions	19,480	17,269
Net equivalent credit	112,838	97,537
Amounts of hypothetical holdings of credit derivatives for calculated credit equivalent amount by type of credit derivative, by protection purchase or provision		
Credit default swaps	941,810	697,777
Hypothetical holdings of credit derivatives taking into account credit risk mitigations	702,606	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, 2008	March 31, 2007
Project finance	127,008	114,568
Loans for commercial real estate	132,577	164,092
Other (loans, etc.)	932,160	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, 2008	March 31, 2007
Risk weight 20% or less	Balance	916,006	706,777
	Capital requirement	14,657	11,308
Risk weight 20% up to 100%	Balance	252,211	268,510
	Capital requirement	19,735	20,531
Risk weight of more than 100%	Balance	23,528	30,975
	Capital requirement	8,896	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, 2008	March 31, 2007
Project finance	6,471	4,770
Loans for commercial real estate	108,188	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, 2008	March 31, 2007
Credit risks and assets	66,756	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, 2008	March 31, 2007
(a) Market value of below-listed items as included within categories in the consolidated balance sheets.		
(1) Exposure to listed shares	43,661	28,670
Exposure to other equity investments and capital injections	344,146	317,486
(2) Shares in subsidiaries and affiliated companies, and other marketable securities	136,929	89,383
(b) Gains or losses on the sale of equity investments or shares	(617)	1,509
Gain or loss on amortization of exposure on equity investments or shares	723	47,713
(c) Gains or losses from valuation recognized on the consolidated balance sheets but not recognized on the consolidated statements of income statements	12,300	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, 2008	March 31, 2007
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 ¥49.6 billion	Decrease in economic value resulting from an interest rate shock measuring interest rate fluctuations in the 1st percentile and 99th percentile, using a one-year holding period and a five-year time horizon ¥89.4 billion

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

Settlement of the non-consolidated accounts for the 9th 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 99.9% confidence level (ii) Measure interest rate fluctuations in the 1st percentile and 99th percentile, using a one-year holding period and a five-year time horizon (iii) 200bpValue: Use a 2% parallel shift in a standardized interest rate shock to measure the change in economic value ((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, 2008	March 31, 2007
Capital	1,272,286	1,272,286
Other retained earnings	861,584	810,163
Other	(1,026)	(2,563)
Total Tier I capital	2,132,844	2,079,886
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	92,650	106,721
Total of deduction from capital stipulated in Article 20 and Article 43 of the Capital Adequacy Ratio Notification	133,012	18,897

2. Items Related to Capital Adequacy Level

(Millions of yen)

	March 31, 2008	March 31, 2007
(a) Capital requirement to total credit risk	794,005	888,847
(1) Exposure by portfolio to which standardized method applied	754,940	851,004
(i) Japanese government and regional municipal bodies	0	0
(ii) Exposure to financial institutions	5,248	10,866
(iii) Exposure to corporations	603,096	724,898
(iv) Equity exposure	143,498	110,728
(v) Other exposure	3,097	4,510
(2) Securitization risk exposure	39,065	37,843
(b) Capital requirement to market risk	—	—
(c) Capital requirement to operational risk	14,268	14,970
(d) Non-consolidated total capital requirement ((a) + (b) + (c))	808,273	903,817
(e) Non-consolidated capital ratio and non-consolidated Tier I ratio		
Capital ratio	20.71%	19.19%
Tier I ratio	21.11%	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, 2008	March 31, 2007
Loans	11,224,105	11,927,864
Equities	347,197	215,591
Commitments and customers' liabilities for acceptances and guarantees	334,826	573,002
Bonds (JGBs and publicly offered bonds)	202,184	176,676
Other	465,828	392,896
Total	12,574,143	13,286,031

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

(1) By region

(Millions of yen)

	March 31, 2008	March 31, 2007
Domestic total	12,574,143	13,286,031
Overseas total	—	—

Note: DBJ has no overseas sales locations.

(2) Breakdown by industry and transaction counterparty

(Millions of yen)

	March 31, 2008	March 31, 2007
Manufacturing	2,306,846	2,430,120
Forestry and fisheries	1,210	1,570
Mining	24,593	29,079
Construction	15,437	18,672
Wholesale and retail	580,550	614,060
Finance and insurance	972,697	791,993
Real estate	1,072,486	1,084,019
Transportation and communications	4,184,234	4,544,855
Electrical, gas and water	2,212,515	2,515,177
Services	923,857	1,009,150
Other	279,713	247,330

(3) Breakdown by period to maturity

(Millions of yen)

	March 31, 2008	March 31, 2007
Five years or less	3,306,258	2,928,063
More than five years, up to 10	4,740,893	4,969,460
More than 10 years, up to 15	3,197,762	3,443,391
More than 15 years	1,124,221	1,395,425
No maturity date	205,006	549,690

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

(Millions of yen)

	March 31, 2008	March 31, 2007
Risk weight 0%	146,290	122,473
Risk weight 20%	3,297,974	3,062,781
Risk weight 50%	1,717,763	1,966,766
Risk weight 100%	6,552,762	7,281,455
Risk weight 150%	307,837	503,809
Risk weight, other	551,514	348,743
Capital deductions	133,012	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, 2008	March 31, 2007
Eligible financial collaterals	136,924	218,389
Guarantees or credit derivatives	2,096,290	1,908,266

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

	March 31, 2008	March 31, 2007
Equivalent credit calculation method	Current exposure method	Current exposure method
Gross restructuring cost	115,103	85,697
Reducing credit equivalent amounts through netting	51,428	28,435
Net restructuring cost	63,674	57,262
Gross add-on, by transaction type	49,163	40,275
Interest rate transactions	29,683	23,006
Foreign exchange transactions	19,480	17,269
Net equivalent credit	112,838	97,537
Amounts of hypothetical holdings of credit derivatives for calculated credit equivalent amount by type of credit derivative, by protection purchase or provision		
Credit default swaps	941,810	697,777
Hypothetical holdings of credit derivatives taking into account credit risk mitigations	702,606	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, 2008	March 31, 2007
Project finance	127,008	114,568
Loans for commercial real estate	132,577	164,092
Other (loans, etc.)	916,006	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, 2008	March 31, 2007
Risk weight 20% or less	Balance	916,006	706,777
	Capital requirement	14,657	11,308
Risk weight 20% up to 100%	Balance	239,713	244,900
	Capital requirement	19,167	19,587
Risk weight of more than 100%	Balance	19,872	24,759
	Capital requirement	5,240	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, 2008	March 31, 2007
Project finance	6,471	4,770
Loans for commercial real estate	108,188	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, 2008	March 31, 2007
Credit risks and assets	66,756	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, 2008	March 31, 2007
(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	43,558	28,670
(2) Shares in subsidiaries and affiliated companies, and other marketable securities	369,838	293,654
(b) Gains or losses on the sale of equity investments or shares	(19)	777
Gain or loss on amortization of exposure on equity investments or shares	31,200	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	13,084	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, 2008	March 31, 2007
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 ¥49.6 billion	Decrease in economic value resulting from an interest rate shock measuring interest rate fluctuations in the 1st percentile and 99th percentile, using a one-year holding period and a five-year time horizon ¥89.4 billion

Accounts Based on Accounting Standards for Special Agencies, etc.

REPORT OF AUDITORS

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

We have audited the balance sheets of the Development Bank of Japan ("DBJ") as of March 31, 2007 and 2008 and the related statements of income for the two fiscal years ended March 31, 2008. 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 income 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, 2007 and 2008 and statements of income for the two fiscal years ended March 31, 2008 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, 2007 and 2008 and the results of its operations for the two fiscal years ended March 31, 2008.

Tsuyoshi Inoue

Tsuyoshi Inoue
Auditor
Development Bank of Japan

Ryo Ishimori

Ryo Ishimori
Auditor
Development Bank of Japan

Tokyo, June 25, 2008

Non-Consolidated Balance Sheets

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Assets			
Cash and Due from banks (Note 3)	¥ 159,906	¥ 33,979	$ 1,596,028
Securities (Note 4)	367,346	406,533	3,666,496
Loans (Note 5)	11,576,662	12,197,441	115,547,085
Less—Allowance for Loan Losses	(34,729)	(36,592)	(346,641)
	11,541,932	12,160,849	115,200,444
Equity Investments	415,653	291,470	4,148,652
Premises and Equipment (Note 6)	56,830	56,357	567,226
Less—Accumulated depreciation	(20,936)	(20,436)	(208,965)
	35,894	35,920	358,261
Accrued Income Receivable (Note 7)	43,468	49,162	433,861
Other Assets (Note 8)	1,511	1,679	15,086
Discounts on Bonds and Notes	4,582	3,951	45,734
Customers' Liabilities for Acceptances and Guarantees	173,456	334,993	1,731,276
Total Assets	**¥12,743,750**	**¥13,318,541**	**$127,195,838**

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Liabilities, Capital and Statutory Reserve			
Liabilities			
Bonds and Notes	¥ 3,160,003	¥ 2,673,964	$ 31,540,106
Long-term Borrowings (Note 9)	6,932,546	7,862,935	69,193,998
Accrued Expenses Payable (Note 10)	36,247	37,456	361,784
Other Liabilities (Note 11)	20,268	21,219	202,299
Acceptances and Guarantees	173,456	334,993	1,731,276
Total Liabilities	**10,322,521**	**10,930,569**	**103,029,463**
Capital and Statutory Reserve			
Capital (Note 12)	1,272,286	1,272,286	12,698,732
Statutory Reserve (Note 2 (j))	1,148,943	1,115,686	11,467,643
Total Capital and Statutory Reserve	**2,421,229**	**2,387,972**	**24,166,375**
Total Liabilities, Capital and Statutory Reserve	**¥12,743,750**	**¥13,318,541**	**$127,195,838**

Accompanying notes are an integral part of these financial statements.

Non-Consolidated Statements of Income

For the Fiscal Years ended March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Interest Income			
Interest on Loans	¥304,101	¥327,345	$3,035,250
Interest on Securities	4,597	2,752	45,888
Other Interest Income	1,276	335	12,738
	309,975	330,434	3,093,876
Interest Expenses			
Interest on Bonds and Notes	54,999	43,441	548,951
Interest on Borrowings	162,662	192,697	1,623,540
	217,661	236,138	2,172,491
Net Interest Income	**92,313**	**94,295**	**921,385**
Other Income			
Fees and Commissions (Note 13)	4,997	3,526	49,882
Other (Note 14)	18,211	15,692	181,765
	23,208	19,218	231,647
Administrative and Other Expenses			
Salaries and related expenses	16,681	16,351	166,504
Other administrative expenses	12,057	9,789	120,347
Depreciation	773	789	7,719
Fees and Commissions (Note 15)	6	14	63
Write-off of Claims (Note 16)	35,481	45,543	354,137
Other (Note 17)	16,627	4,245	165,963
	81,628	76,733	814,733
Income before Allowance for Loan Losses	33,894	36,780	338,299
Reversal of Allowance for Loan Losses	1,862	2,311	18,588
Net Income (Note 2(i))	**¥ 35,756**	**¥ 39,092**	**$ 356,887**
Appropriation of Net Income (Note 2(j))			
Statutory reserve	34,729	36,592	346,641
Payment to National Treasury	1,026	2,499	10,246
Total Appropriation of Net Income	**¥ 35,756**	**¥ 39,092**	**$ 356,887**

Accompanying notes are an integral part of these financial statements.

Non-Consolidated List of Assets

March 31, 2008	Millions of yen	Thousands of U.S. dollars	Remarks (Millions of yen/ Thousands of U.S. dollars)
Cash and Due from banks	**¥ 159,906**	**$ 1,596,028**	
Cash	1	16	
Due from banks	159,904	1,596,012	Current deposits: 24 banks, including Bank of Japan ¥8,904 $88,875 Ordinary deposits: 2 banks, including Sumitomo Mitsui Banking Corporation ¥11,000 $109,792 Certificate of Deposit: 4 banks, including Aozora Bank, Ltd. ¥140,000 $1,397,345
Securities	**367,346**	**3,666,496**	
Japanese Government Bonds	277,587	2,770,608	Issues / Face value / Book value Financing bills: 2 holdings ¥137,100 ¥136,925; $1,368,400 $1,366,662 Coupon-bearing government bonds (2,5,10 years): 28 holdings ¥140,000 ¥140,661; $1,397,345 $1,403,946
Corporate Bonds	81,748	815,933	42 holdings
Other securities	8,010	79,955	Book value Secured debt obligations: 2 holdings ¥8,000 $79,848 Equity acquired by excising of warrants, etc.: 2 holdings ¥10 $107
Loans	**11,576,662**	**115,547,085**	13,236 holdings
Yen loans	11,517,183	114,953,426	13,194 holdings
Direct loans	11,516,398	114,945,586	13,189 holdings
Agency loans	785	7,840	5 holdings
Foreign currency loans	59,478	593,659	42 holdings
Allowance for Loan Losses	**(34,729)**	**(346,641)**	
Equity Investments	**415,653**	**4,148,652**	1,069 holdings
Premises and Equipment	**35,894**	**358,261**	
Premises and Equipment for Business	35,894	358,261	Book value (1) Land: 87 properties/ 65% of 44,098m², and 128,282m² ¥20,368 $203,299 (2) Buildings: 204 buildings/ 95% of 2,242m², 65% of 846m², and 105,735m² (Gross floor area) 15,218 151,893 (3) Equipment: 1,891 items 303 3,024 (4) Petty sum depreciable assets: 149 items (depreciated over three years as prescribed by tax code) 4 41 (5) Key money and other: 1 holding 0 4 * Accumulated depreciation amounted to ¥20,936 million ($208,965 thousand).
Accrued Income Receivable	**43,468**	**433,861**	
Accrued Interest on Loans	42,663	425,822	Interest accrued on loans but not yet received at the end of the fiscal year
Accrued Interest on Securities	703	7,017	Interest accrued on securities but not yet received at the end of the fiscal year
Accrued Guarantee Fees	102	1,022	Fees accrued on guarantees but not yet received at the end of the fiscal year
Other Assets	**1,511**	**15,086**	
Suspense payments	1,033	10,317	23 holdings
Guarantee deposits	441	4,403	73 holdings Deposits and guarantees relating to land and buildings leased for business use
Estimated prepayments	0	0	Estimated payment to the National Treasury
Other	36	366	94 holdings
Discounts on Bonds and Notes	**4,582**	**45,734**	Difference between face value and proceeds from bonds
Customers' Liabilities for Acceptances and Guarantees	**173,456**	**1,731,276**	63 cases
Total Assets	**¥12,743,750**	**$127,195,838**	

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥100.19=$1.00, the effective exchange rate prevailing as of March 31, 2008, 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 ¥100.19=$1.00, the effective exchange rate prevailing as of March 31, 2008, 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 income 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 income 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 Income

In accordance with provisions of the DBJ Law and a related law, DBJ is required to set aside out of net income as a statutory reserve, the larger of (i) an amount equivalent to 20% of net income 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 income for the year, then the amount of such net income). The reserve provided may only be used to cover net losses. The balance of net income 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, 2008, the payment to the National Treasury was made, because the amount of net income 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, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Cash	¥ 1	¥ 3	$ 16
Due from banks	159,904	33,975	1,596,012
	¥159,906	**¥33,979**	**$1,596,028**

4. Securities

Securities as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Japanese Government Bonds	¥277,587	¥344,731	$2,770,608
Corporate Bonds	81,748	53,776	815,933
Other Securities	8,010	8,025	79,955
	¥367,346	**¥406,533**	**$3,666,496**

5. Loans

Loans as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Yen loans	¥11,517,183	¥12,130,302	$114,953,426
Direct loans	11,516,398	12,129,386	114,945,586
Agency loans	785	915	7,840
Foreign currency loans	59,478	67,138	593,659
	¥11,576,662	**¥12,197,441**	**$115,547,085**

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, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Loan past-due for six months or more as to principal payments	¥6,590	¥17,841	$65,781
	¥6,590	**¥17,841**	**$65,781**

6. Premises and Equipment

Premises and Equipment as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Premises and Equipment for Business	¥ 56,830	¥ 56,357	$ 567,226
	¥ 56,830	¥ 56,357	$ 567,226
Less—Accumulated Depreciation	(20,936)	(20,436)	(208,965)
Net Book Value	**¥ 35,894**	**¥ 35,920**	**$ 358,261**

7. Accrued Income Receivable

Accrued Income Receivable as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Accrued Interest on Loans	¥42,663	¥48,569	$425,822
Accrued Interest on Securities	703	517	7,017
Accrued Guarantee Fees	102	75	1,022
	¥43,468	**¥49,162**	**$433,861**

8. Other Assets

Other Assets as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	2008	2007	2008
Suspense payments	¥1,033	¥ 100	$10,317
Guarantee deposits	441	382	4,403
Estimated Payments		1,179	
Other	36	17	366
	¥1,511	**¥1,679**	**$15,086**

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, 2008 and 2007 are as follows:

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Fiscal Loan Fund	¥6,559,584	¥7,519,403	$65,471,450
Reserve Funds of the Postal Life Insurance Special Account	29,792	58,900	297,355
Industrial Investment Special Account	231,067	269,342	2,306,295
Borrowings from private financial institutions	100,000		998,104
Funds entrusted	12,102	15,289	120,794
	¥6,932,546	**¥7,862,935**	**$69,193,998**

10. Accrued Expenses Payable

Accrued Expenses Payable as of March 31, 2008 and 2007 are as follows:

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Accrued interest on Bonds and Notes	¥ 7,930	¥ 6,456	$ 79,150
Accrued interest on Long-term Borrowings	28,315	30,997	282,619
Other accrued expenses	1	1	15
	¥36,247	**¥37,456**	**$361,784**

11. Other Liabilities

Other Liabilities as of March 31, 2008 and 2007 are as follows:

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Loan Redemption	¥ 434	¥ 517	$ 4,334
Suspense receipts	492	1,118	4,916
Unearned income	19,220	19,546	191,838
Other	121	37	1,211
	¥20,268	**¥21,219**	**$202,299**

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, 2008 and 2007 are as follows:

For the fiscal year ended March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Commissions received	¥4,322	¥2,713	$43,148
Guarantee Fees	674	812	6,734
	¥4,997	**¥3,526**	**$49,882**

14. Other (Income)

Other (Income) for the fiscal years ended March 31, 2008 and 2007 are as follows:

For the fiscal year ended March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Miscellaneous Interest received	¥ 1,548	¥ 484	$ 15,460
Collection of written-off claims	17	62	170
Income from Equity Investments	12		127
Other	16,632	15,145	166,008
	¥18,211	**¥15,692**	**$181,765**

* "Other" in above table includes profit of collective investment vehicles, such as limited partnerships, Tokumei Kumiai and other entities with similar characteristic, which amounts to ¥15,414 million ($153,852 thousand) and ¥14,662 million for the fiscal year ended March 31, 2008 and 2007, respectively.

15. Fees and Commissions (Expenses)

Fees and Commissions (Expenses) for the fiscal years ended March 31, 2008 and 2007 are as follows:

For the fiscal year ended March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Commissions paid	¥6	¥14	$63
	¥6	**¥14**	**$63**

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, 2008 and 2007 are as follows:

For the fiscal year ended March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Securities written off	¥ 6	¥	$ 61
Loans written off	19,814	43,331	197,766
Equity Investments written off	15,660	2,212	156,310
	¥35,481	**¥45,543**	**$354,137**

17. Other (Expenses)

Other (Expenses) for the fiscal years ended March 31, 2008 and 2007 are as follows:

For the fiscal year ended March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Miscellaneous Interest paid	¥ 509	¥ 279	$ 5,089
Amortization of Discount on Bonds and Notes	586	456	5,851
Bonds and Notes issuance cost	1,827	1,521	18,239
Other	13,704	1,987	136,784
	¥16,627	**¥4,245**	**$165,963**

* "Miscellaneous Interest paid" is mainly composed of payment 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, 2008 and 2007 are as follows:

At March 31	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Sold	¥1,107,506	¥697,877	$11,054,066
Bought	602,416	614,827	6,012,744

Appendices

Outline of Fiscal 2008 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 2008 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

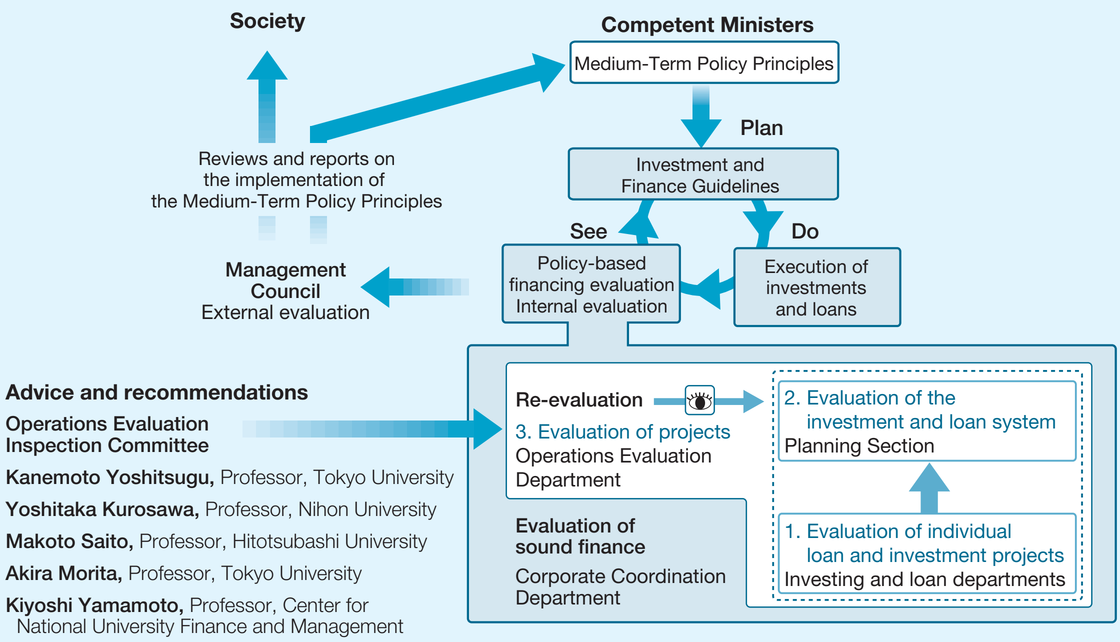
Investing and loan departments perform two evaluations of individual loan and investment projects: a preliminary evaluation and follow-up evaluation. The Operations Evaluation Department conducts re-evaluations.

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 2008 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 2007 loan and investment projects at the time each loan or investment was made.
  Projects: 1,007; Loan and investment amount: ¥1,300.0 billion; Overall project spending: ¥10,900.0 billion
- Projects included in the fiscal 2007 preliminary evaluation suggested a broad range of potential results.

Increase in revenues	**¥2,000.0 billion** The projects in which the Bank is involved were expected to result in revenue increases amounting to approximately ¥2,000.0 billion.	**Employment created**	**107,000 jobs** The projects in which the Bank invested provided employment opportunities for 107,000 people.
Promotion of waste processing	**724,000 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 724,000 tons of waste per year.	**Railway crossing removal**	**355 locations** DBJ supported the removal of railway crossings at 355 additional locations. These efforts are expected to ease traffic congestion and improve safety.

- 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 2007 preliminary evaluations were performed. Some projects are included in more than one assistance category.)

Complementary function		Percentage		Role in Project Guidance or Promotion
		Fiscal 2001	→ Fiscal 2007	
Financial market complementary functions Direct assumption of risk	Providing loans with longer durations	67%	46%	Support projects that require a long period of time to recover initial investment or entail refinancing or interest rate risk
	Taking on business risks	11%	35%	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	36%	33%	Support projects that involve long construction periods and require a stable supply of funds
	Responding in times of emergency	14%	2%	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	14%	12%	Smooth business operators' ability to raise funds by using DBJ's assessment functions to assess credit risk
	Use of advanced financial methods	3%	14%	Use DBJ's accumulated expertise in new and advanced financing methods to promote efficient project operation while appropriately controlling risk
	Supporting business formation	3%	7%	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 2007 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: 792; Loan and investment amount: ¥1,200.0 billion; Overall project spending: ¥5,700.0 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 (792 projects)	5%	90%	6%	5%	92%	3%
Of which, community development	3%	94%	3%	1%	97%	2%
Of which, environmental conservation and sustainable societies	2%	94%	4%	6%	94%	0%
Of which, creation of new technologies and industries	14%	70%	17%	15%	74%	11%

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 2007 evaluation of the investment and loan system, "some questions about improvements" were raised for 23 systems, and nine systems were indicated as requiring some degree of reconsideration. As a result, budget requests for one operation were discontinued or consolidated.
- In the fiscal 2008 evaluation of the investment and loan system, one operation were specified as requiring "consideration of improvements and enhancement," and six systems were indicated as requiring some degree of reconsideration.

Discontinued or consolidated: 1 operation

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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Results of Fiscal 2008 Evaluation of Investment and Loan System

Consideration of improvements and enhancement required	1 operation
Should be continued	81
Some questions about improvements	15
Major reconsideration required	2
Thorough reconsideration required	4
Total	103

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Reflection

Fiscal 2009 budget requests

New additions: 2 operations

3. Evaluation of Projects (Detailed Evaluations of Specific Projects, Operating Areas and Themes)

Fiscal 2007 was our seventh year since introducing a system to evaluate individual loan and investment projects and the fifth for us to systematically evaluate our overall investment and loan system. As the structures and content of our systems have matured, we have become able to review our accumulated evaluation results through a medium- to long-term perspective, confirming the effectiveness of our operational evaluations.

Our years of experience in conducting preliminary evaluations on individual investment projects have confirmed our shifting investment and financing role in line with changing economic and financial conditions. Our number of projects per year has fallen by around 30% since the 145 we undertook in fiscal 2002, and we have made 39 investment and loan system improvements in operating design and operation. These results confirm that our evaluation system is functioning effectively.

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.

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.

Board of Directors and Auditors (As of July 1, 2008)

Deputy Governor	Governor	Deputy Governor
Hideto Fujii	Minoru Murofushi	Mikio Araki

Governor
Minoru Murofushi

Deputy Governor
Hideto Fujii

Deputy Governor
Mikio Araki

Senior Executive Director
Keiji Taga

Senior Executive Director
Yo Takeuchi

Senior Executive Director
Tetsuhiko Shindo

Senior Executive Director
Kenichiro Hirata

Senior Executive Director
Kan Ishii

Senior Executive Director
Hisato Nagaoka

Senior Executive Director
Masanori Yanagi

Senior Executive Director
Hiroshi Takahashi

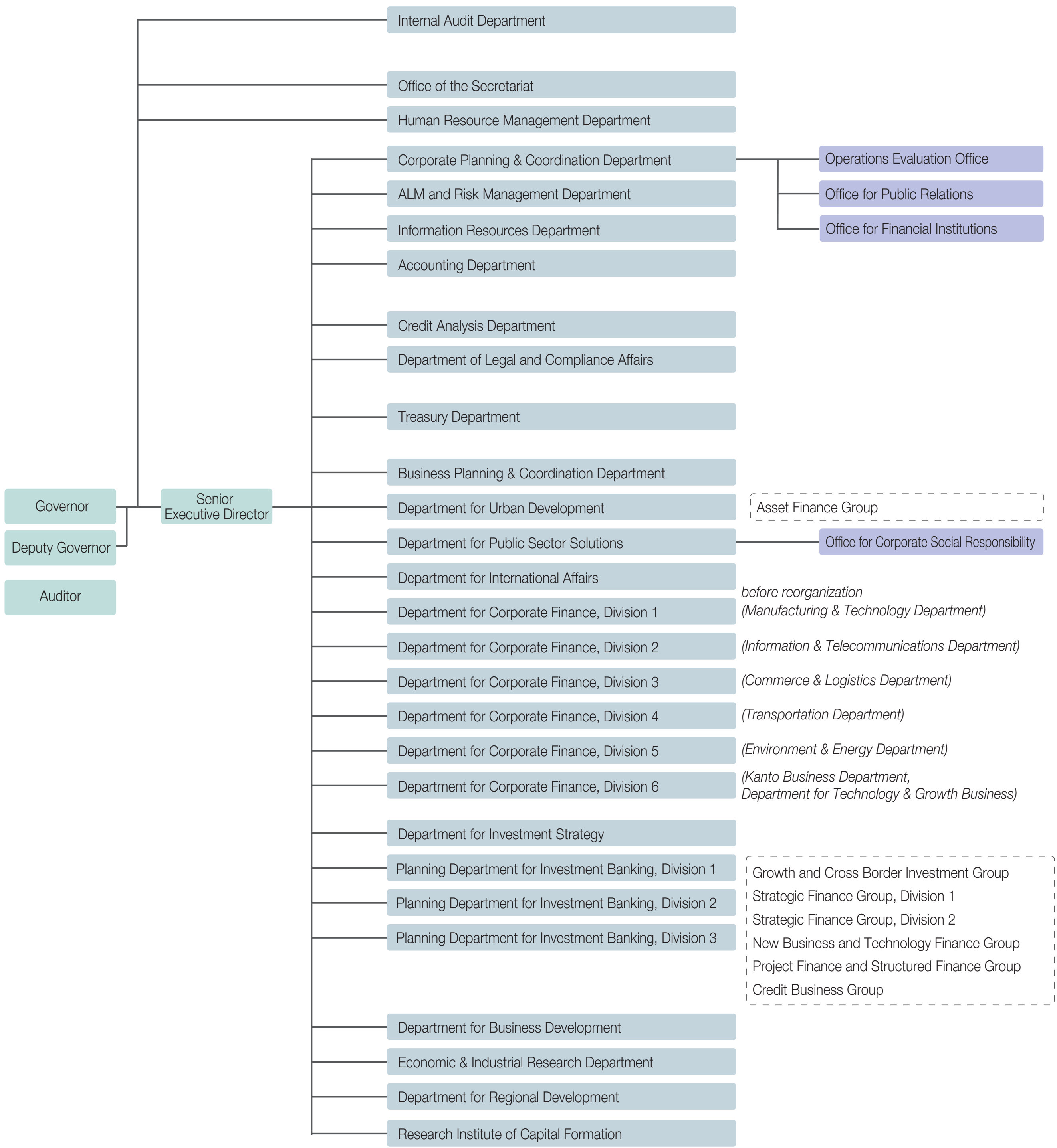
Senior Executive Director
Yasutoshi Kojima

Senior Executive Director
Akiyoshi Horiuchi

Auditor
Tsuyoshi Inoue

Auditor
Ryo Ishimori

Organization Chart (As of April 1, 2008)



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

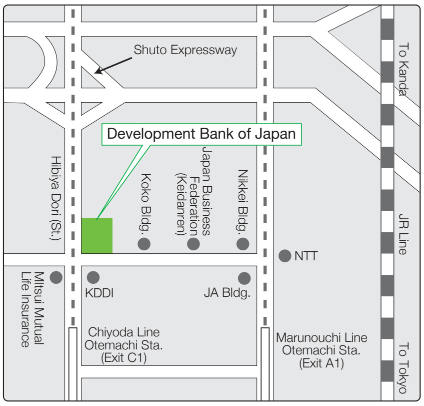
New York, Los Angeles, London, Frankfurt, Singapore

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)
2008 October	Expected establishment of Development Bank of Japan Inc.

Locations and Directory (As of July 1, 2008)

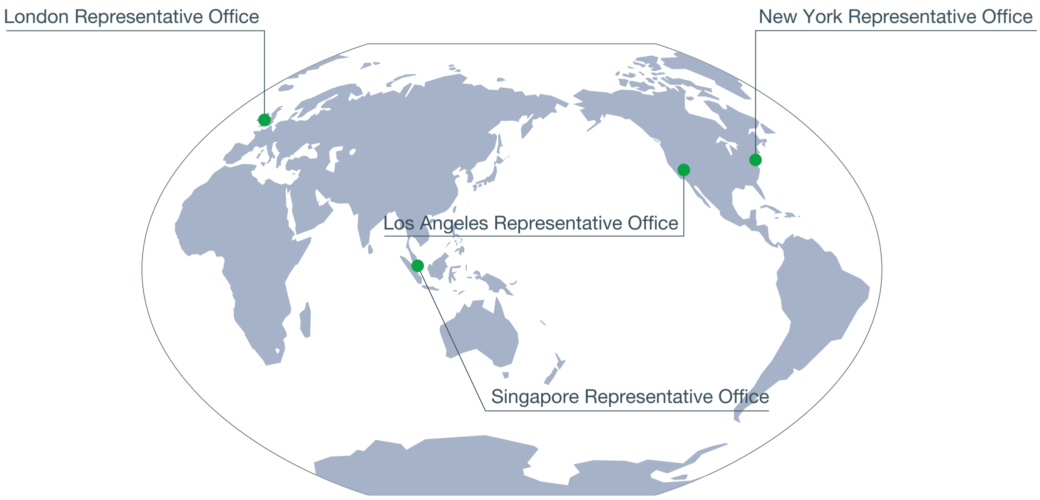
Head Office
9-1, Otemachi 1-chome, Chiyoda-ku,
Tokyo 100-0004, Japan
Tel: +81-3-3270-3211
http://www.dbj.go.jp/english/index.html



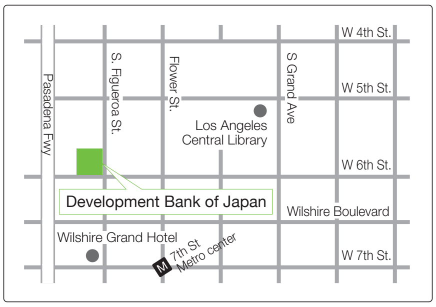
Domestic Branch Offices, Representative Offices

Branch Offices:	Representative Offices:
Hokkaido	Hakodate
Tohoku	Kushiro
Niigata	Aomori
Hokuriku	Toyama
Tokai	Matsue
Kansai	Okayama
Chugoku	Matsuyama
Shikoku	Oita
Kyushu	
Minami-kyushu	

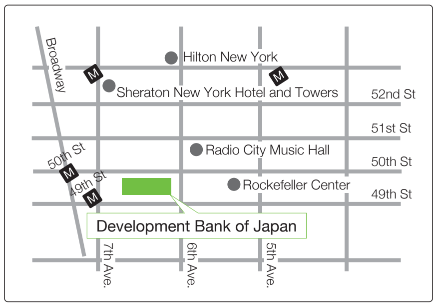
Overseas Representative Offices



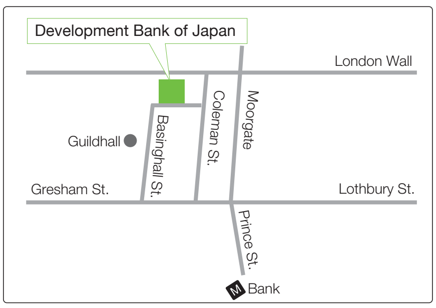
Los Angeles Representative Office
601 South Figueroa Street, Suite 2190,
Los Angeles, CA 90017-5748, U.S.A.
Tel: +1-213-362-2980



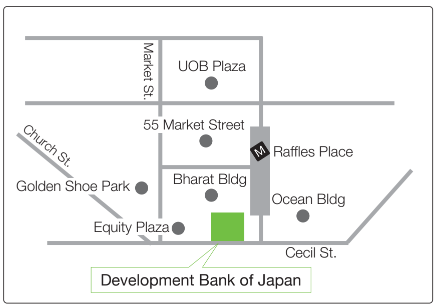
New York Representative Office
1251 Avenue of the Americas, Suite 830,
New York, N.Y. 10020, U.S.A.
Tel: +1-212-221-0708



London Representative Office
Level 12 City Tower, 40 Basinghall Street,
London, EC2V 5DE, United Kingdom
Tel:+44-20-7638-6210



Singapore Representative Office
9 Raffles Place, #30-03 Republic Plaza,
Singapore 048619
Tel: +65-6221-1779



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/

DBJ chose environmentally friendly paper and printing methods for the production of this report. This report is printed on paper certified by the Forest Stewardship Council (FSC) as being made from sustainably managed forests.

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