# Applying Financial Expertise to Design the Future

Annual Report & CSR Report

2011

Development Bank of Japan Inc.

# Profile (As of September 1, 2011)

| | |
|---|---|
| Established: | October 1, 2008<br>(The Japan Development Bank [1951] and the Hokkaido-Tohoku Development Finance Public Corporation [1956] were merged to form the Development Bank of Japan in 1999) |
| Legal basis: | The Development Bank of Japan Inc. Act (Act No. 85 of 2007) |
| President: | Toru Hashimoto |
| Number of employees: | 1,102 (As of March 31, 2011) |
| Capital: | ¥1,181,194 million (100% owned by the Japanese government) |
| Address: | 9-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004, Japan |
| URL: | http://www.dbj.jp/en |
| Number of offices: | Branch offices, 10; representative offices, 8; overseas representative office, 1; and overseas subsidiaries, 2 |
| Subsidiaries and affiliated companies: | Consolidated subsidiaries, 16; non-consolidated subsidiaries, 15; and affiliated companies, 14 |
| Main business: | The provision of long-term funding (investment and loans) |
| Purpose: | To conduct business activities utilizing the methods of combining investments and financing and other sophisticated financial methodologies, thereby contributing to the smooth supply of funds to those who need long-term business funds, as well as to the sophistication of financial functions. |
| Scope of business operations: | • As well as such basic businesses as investment, lending and guarantee of obligations, DBJ carries out businesses in which it develops new financial techniques.<br>• DBJ raises funds in a stable manner by borrowing from the government's Fiscal Investment and Loan Program (FILP) and by issuing government-guaranteed bonds, as well as corporate bonds (without government guarantees), and by taking out long-term loans from the private sector. |
| Total assets: | ¥14,830.9 billion (As of March 31, 2011) |
| Loans: | ¥13,067.9 billion (As of March 31, 2011) |
| Capital adequacy ratio: | 20.39% (As of March 31, 2011) |
| Issuer ratings: | Aa3 (Moody's Investors Service, Inc.), A+ (Standard & Poor's Corp.),<br>AA (Rating and Investment Information, Inc.),<br>AAA (Japan Credit Rating Agency, Ltd.) |

Note: Information above is on a non-consolidated basis.


**Forward-Looking Statements**

This Annual Report & CSR Report contains statements concerning management policies and future operating results. Such statements are not guarantees. Please be aware that future performance is subject to various changes in conditions in the operating environment.

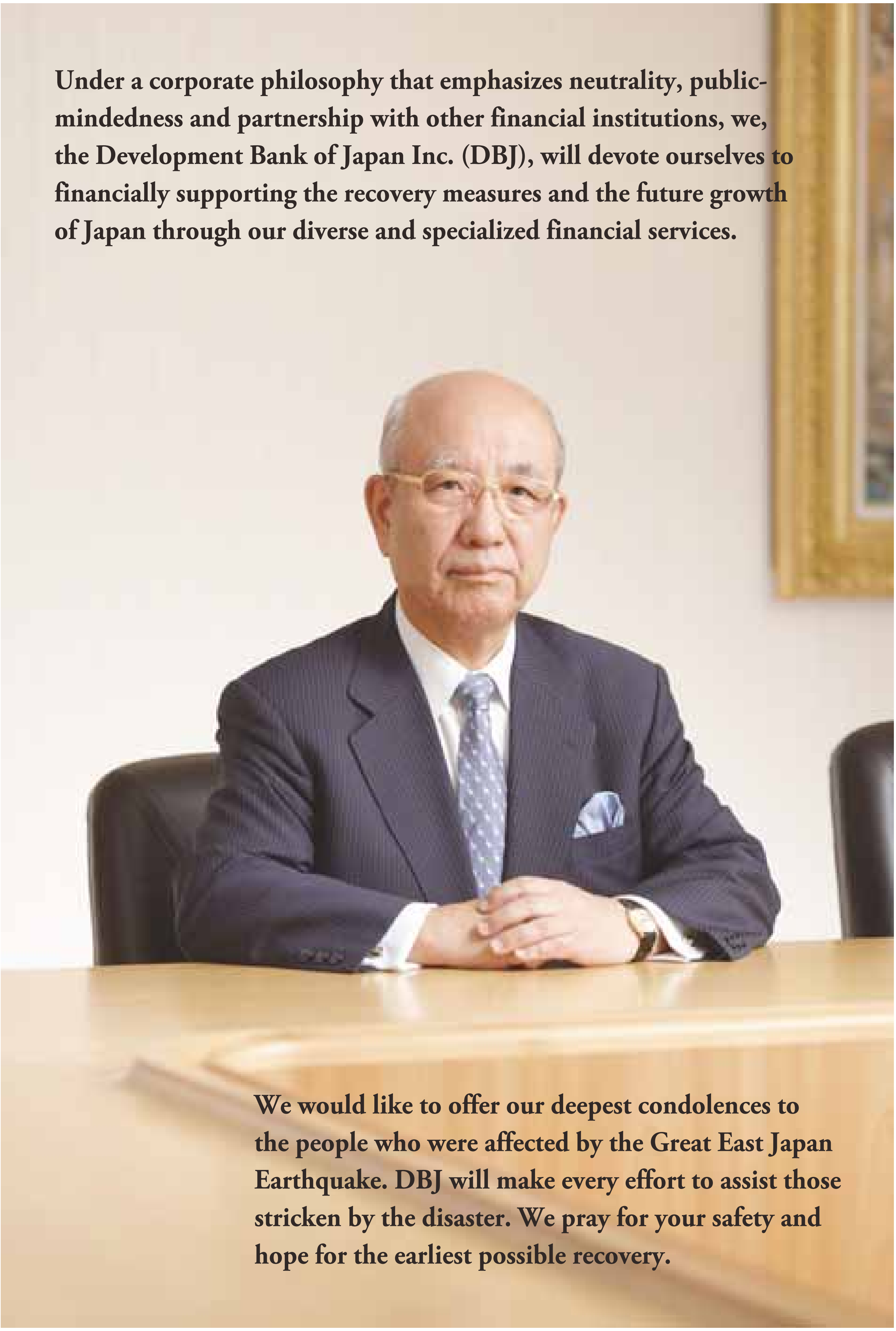
# Contents



Note:
Figures contained herein are rounded down. Accordingly, the total of each column of figures may not equal the total of the individual figures.
In this report, a "0" indicates figures of less than the indicated unit.
A "—" indicates the absence of an amount.

# Message from the President

**Under a corporate philosophy that emphasizes neutrality, public-mindedness and partnership with other financial institutions, we, the Development Bank of Japan Inc. (DBJ), will devote ourselves to financially supporting the recovery measures and the future growth of Japan through our diverse and specialized financial services.**



**We would like to offer our deepest condolences to the people who were affected by the Great East Japan Earthquake. DBJ will make every effort to assist those stricken by the disaster. We pray for your safety and hope for the earliest possible recovery.**

## Our Four Roles, and Operating Autonomously

DBJ has continued to offer distinctive financial services through its integrated investments and loans, and will fulfill four key roles in financial and capital markets as it addresses the changes that are expected to take place in the socioeconomic environment.

The first function is **the enhancement of Japan's financial market**. We will work toward this objective through the adequate provision of necessary risk capital to the market by leveraging the uniqueness of our financing—long terms, large in scale, an approach that combines debt and equity financing, and neutrality.

The second and third roles focus on specific fields: **the reconstruction of the Japanese industrial structure** and **supporting growth industries**. We will extend our distinctive financial support to these two areas to prevent the hollowing out of Japanese industry and to work to expand Japan's economic frontiers.

Our fourth role is to function as **a safety net for the Japanese financial market**. We will move swiftly and proactively in times of crisis, such as financial crises and in the face of disasters such as the recent massive earthquake.

While offering these services, as a joint stock company we manage DBJ as an autonomous entity, introducing initiatives that are designed to boost our profits.

## Responses to the Great East Japan Earthquake

The Great East Japan Earthquake resulted in an unprecedented level of complex catastrophe. It is essential that the disaster recovery measures be: (1) implemented on a step-by-step basis according to each stage towards recovery, and (2) tailored to meet specific needs of varying regions and different disaster categories.

As referred to earlier, one of DBJ's primary objectives is to provide a safety net for financial markets in times of crisis. As we position crisis response as one of our major roles, we are committed to expending every effort to support restoration and reconstruction from the devastating damage caused to our economy and society. To this end, we will leverage our wealth of financial experience in regional, industrial, energy and infrastructure development projects accumulated through our unique financial capabilities in providing long-term debt and equity capital.

## Medium-Term Management Plan

To clarify the roles and objectives outlined above, during fiscal 2011 we formulated a second medium-term management plan, "Endeavor 2013," which spells out our actions for the next three years. In addition to disaster response, this plan defines our goals as (1) taking advantage of our strengths to truly achieve medium returns for medium risks, (2) reinforcing our conventional strengths in areas of client concentration: energy, transportation, and urban development, (3) supporting industries with growth potential : environment and healthcare, (4) determining pan-industry needs for restructuring and revitalization over the medium to long term and (5) continuing to provide infrastructure-related and regional economic solutions. We intend to increase the diversity of the financial services that support these objectives and will concentrate on reinforcing our human resources and strengthening our business infrastructure to support these endeavors.

## Meeting Our Corporate Social Responsibilities

We believe that a company's corporate social responsibilities center on a commitment to creating social value through its operations. We meet this responsibility through business activities that address a host of societal needs and issues, and via our financial services. Accordingly, our business endeavors themselves form the base of our CSR activities. We plan to continue increasing our CSR efforts by increasing our sensitivity to societal needs and raising the level of the solutions that we provide.

July 2011

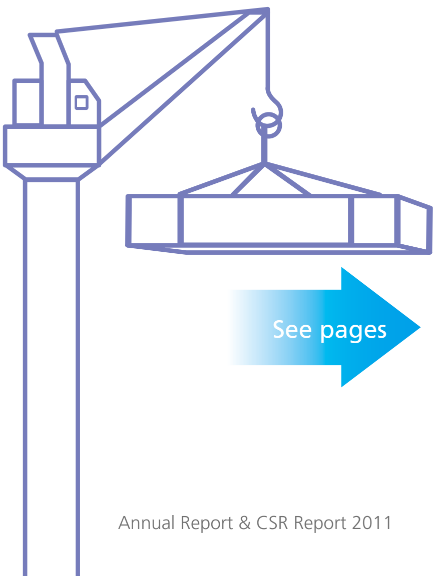
Toru Hashimoto
President & CEO
Development Bank of Japan Inc.

## Initiatives Targeting Crisis Response Operations

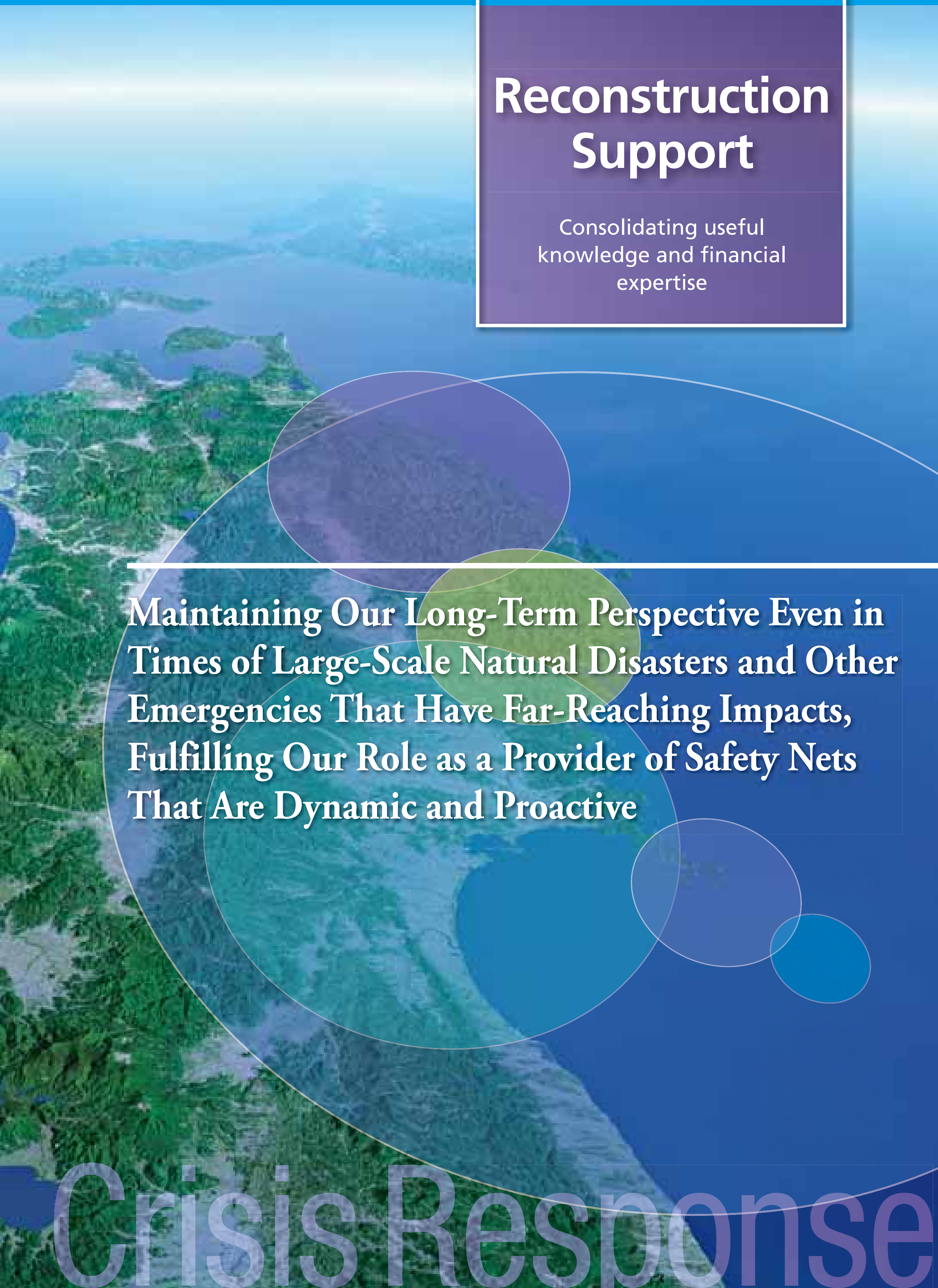
DBJ began crisis response operations as a designated financial institution on October 1, 2008.

Since March 2011, when the Great East Japan Earthquake struck, we have poured all our energy into initiatives to support the restoration and reconstruction of the disaster-stricken region. In addition to implementing crisis responses targeting clients affected directly and indirectly by the disaster, DBJ is making a proactive effort to support increases in the production of materials needed for restoration and reconstruction.





See pages 55–61



# Reconstruction Support

Consolidating useful knowledge and financial expertise

## Maintaining Our Long-Term Perspective Even in Times of Large-Scale Natural Disasters and Other Emergencies That Have Far-Reaching Impacts, Fulfilling Our Role as a Provider of Safety Nets That Are Dynamic and Proactive

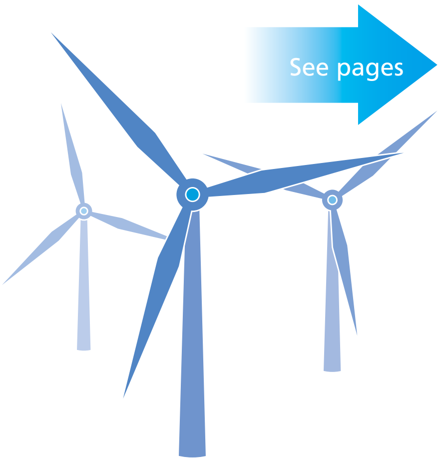
Crisis Response

## Initiatives in the Energy Sector

DBJ supports the growth of Japanese industry through its investments and loans for resource development, oil storage and other initiatives. Against the backdrop of global warming, we also support clients' efforts to encourage and promote renewable energy from solar power, wind, biomass and other sources.

As of March 31, 2011, our balance of loans in the electric power, gas, heat and water sector totaled ¥1,775.2 billion, accounting for 13.6% of total loans, by industry.

See pages 75–76



¥1.7 trillion

Balance of loans in the electric power, gas, heat and water sector
(As of March 31, 2011)

# Providing Investments and Loans to Ensure a Stable, Long-Term Supply of Energy to Core Industries

Energy

## Initiatives in the Transportation Sector

DBJ is involved in a wide range of initiatives in the development and improvement of transportation infrastructure (including railroads, airports, airlines, buses and roads). We also take part in the formation of a wide range of projects from a long-term perspective, to support collaboration among multiple companies from a position of neutrality.

As of March 31, 2011, our balance of loans in the transportation infrastructure sector (to transportation providers) totaled ¥3,238.1 billion, accounting for 24.8% of total loans, by industry.

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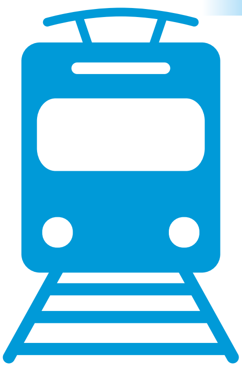
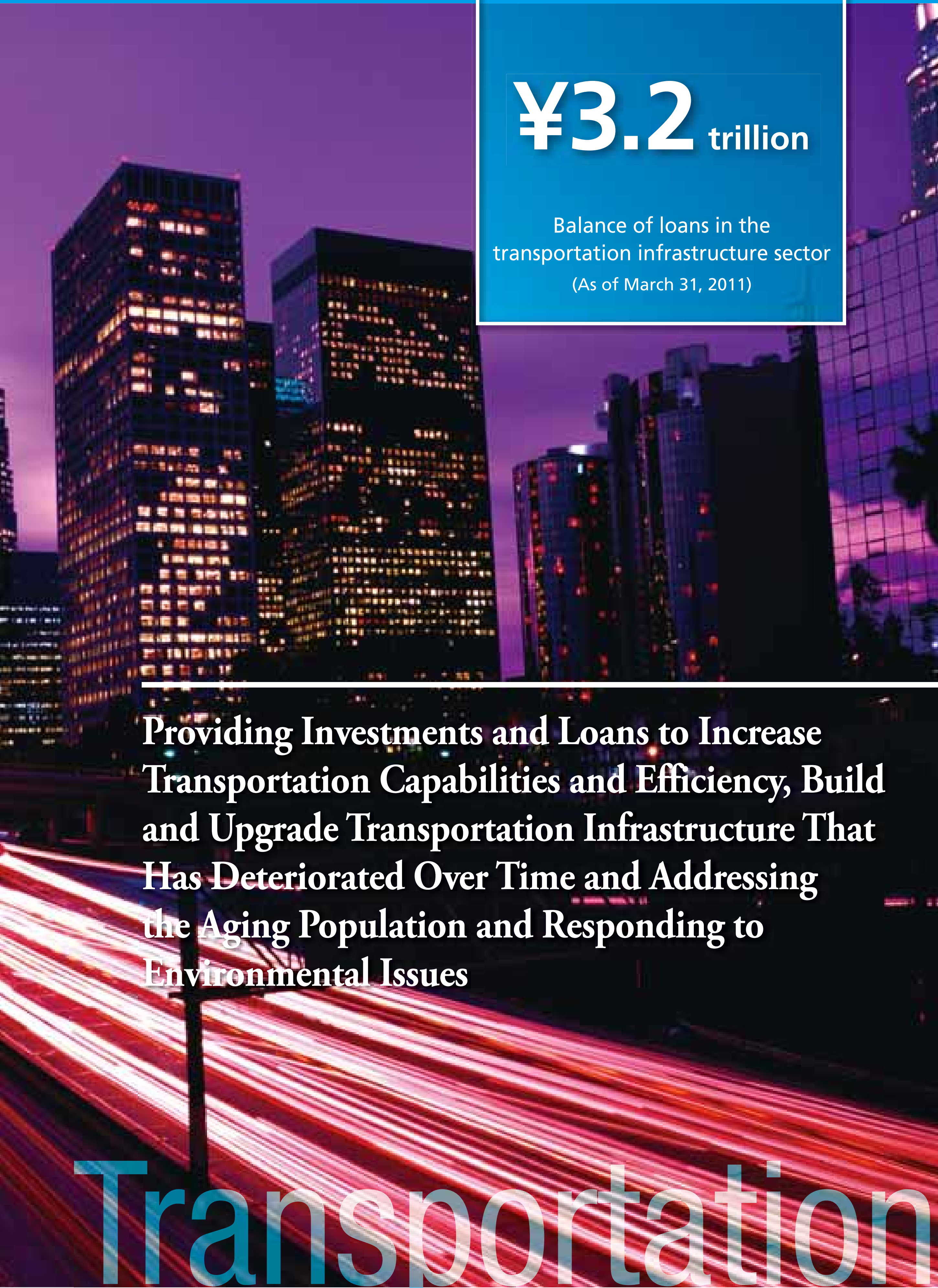




# ¥3.2 trillion

Balance of loans in the transportation infrastructure sector
(As of March 31, 2011)

## Providing Investments and Loans to Increase Transportation Capabilities and Efficiency, Build and Upgrade Transportation Infrastructure That Has Deteriorated Over Time and Addressing the Aging Population and Responding to Environmental Issues

# Transportation

## Initiatives in the Urban Development (Real Estate) Sector

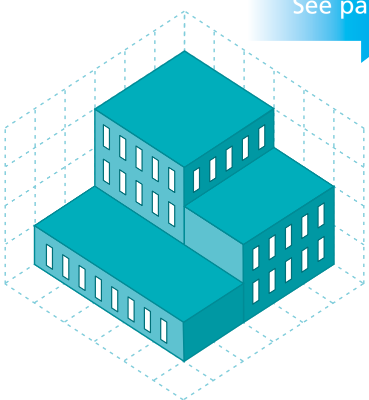
DBJ's long-term financing of real estate projects began in the 1960s. We have participated in Japan's real estate securitization market from its early beginnings and continue striving to invigorate this market by leveraging our accumulated expertise and networks.

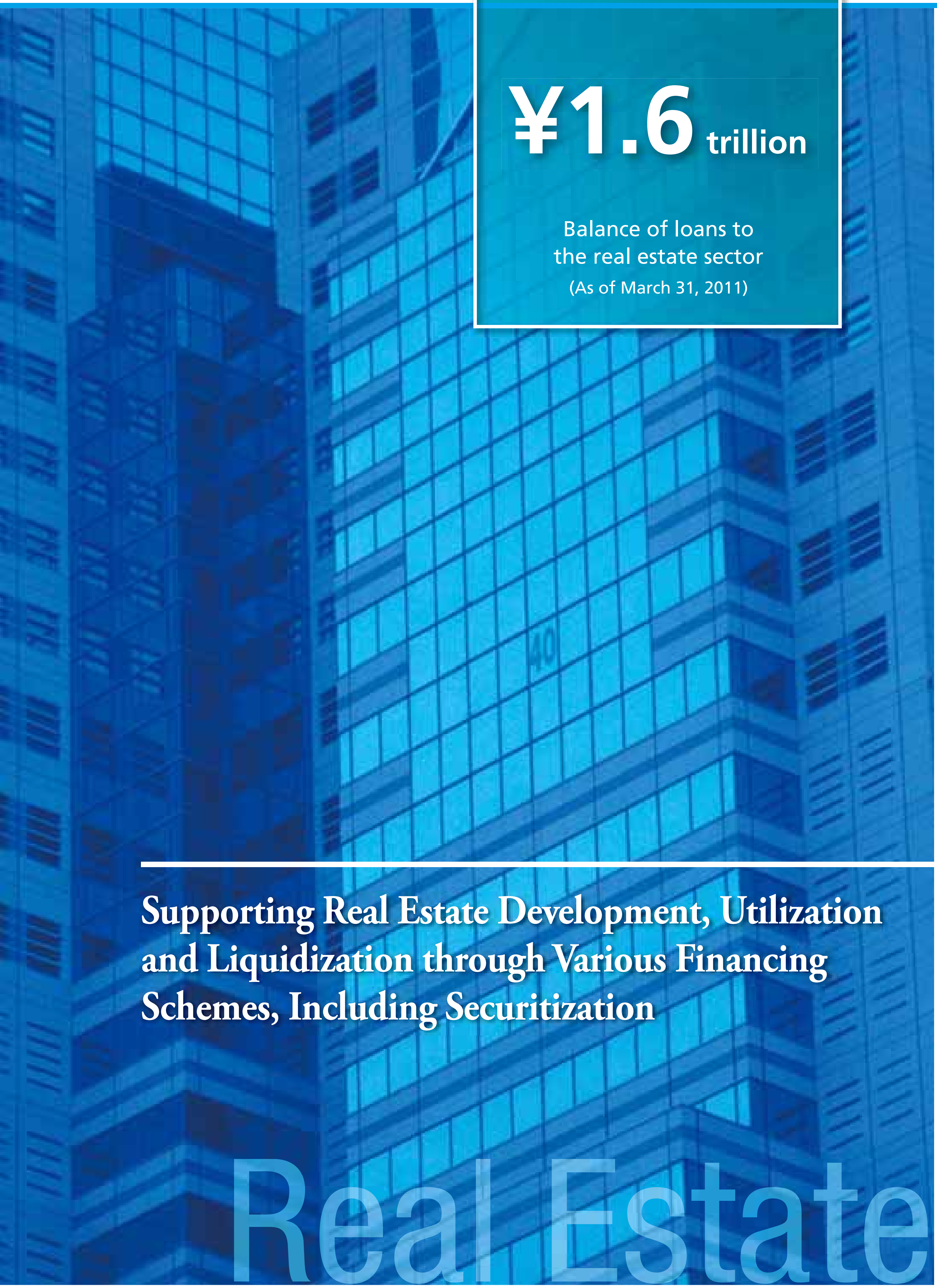
In fiscal 2011, we introduced the DBJ Green Building Certification program, which is designed to provide financial support for environmental and socially considerate initiatives.

As of March 31, 2011, our balance of loans in the real estate sector totaled ¥1,637.4 billion, accounting for 12.5% of total loans, by industry.



See pages 78–79





# ¥1.6 trillion

Balance of loans to
the real estate sector
(As of March 31, 2011)

## Supporting Real Estate Development, Utilization and Liquidization through Various Financing Schemes, Including Securitization

Real Estate

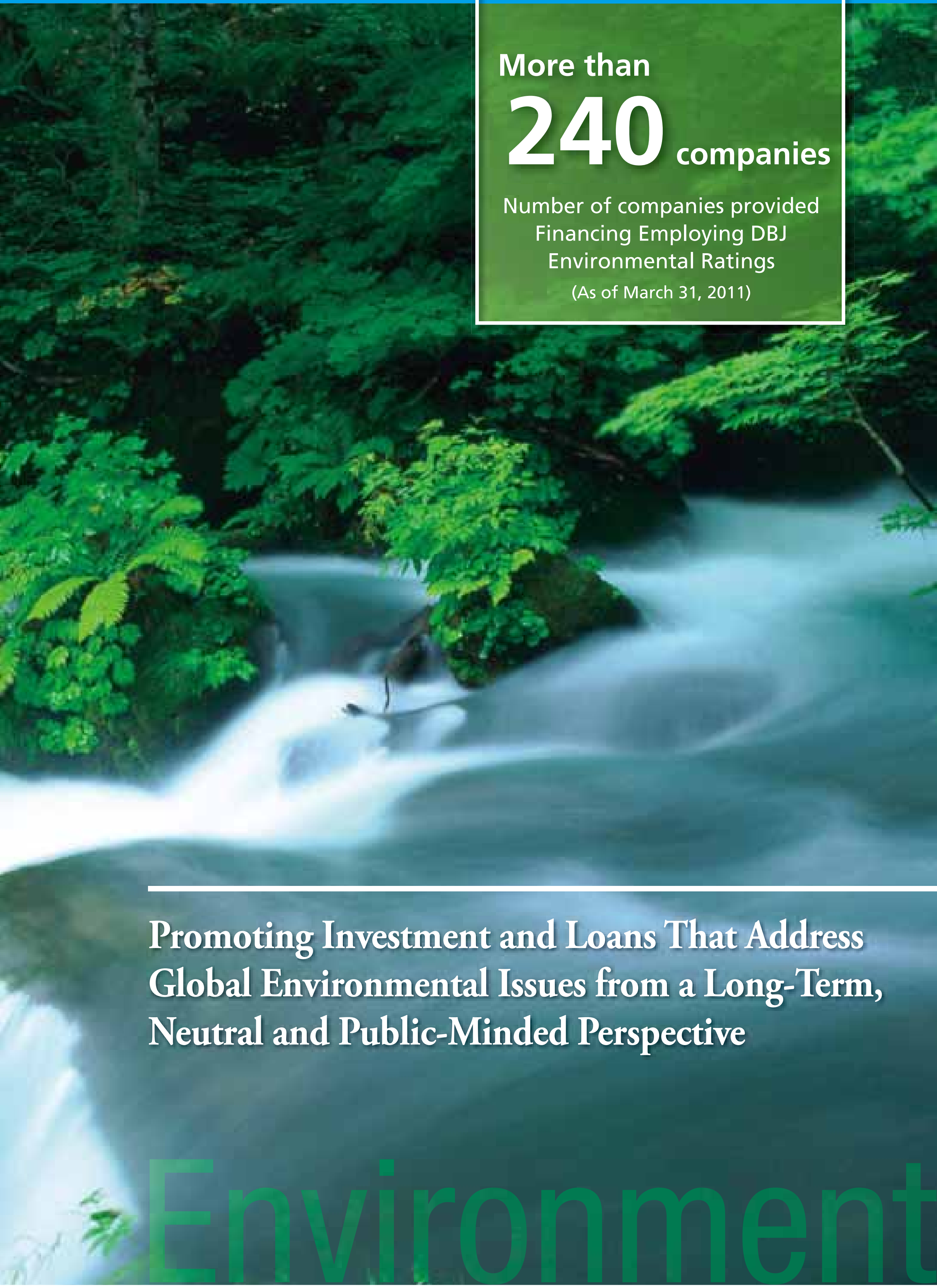
## Initiatives in the Environmental Business Sector

Beginning with antipollution measures implemented in the late 1960s and early 1970s, DBJ has provided more than ¥3 trillion in investments and loans for environmental projects over the past 40 years.

In fiscal 2004, DBJ began employing environmental ratings in its financing based on knowledge we have cultivated for over four decades.

As of March 31, 2011, we had provided such financing to more than 240 companies, with the cumulative total amounting to ¥361.4 billion.

See pages 80–82, 94–97



More than **240** companies

Number of companies provided Financing Employing DBJ Environmental Ratings

(As of March 31, 2011)

# Promoting Investment and Loans That Address Global Environmental Issues from a Long-Term, Neutral and Public-Minded Perspective

Environment

## Initiatives in the Healthcare and Welfare Sectors

DBJ is engaged in maintaining and improving the quality including access, cost and technological standards of each area of healthcare in Japan through finance, consulting and the dissemination of information. As well as providing consulting services that include the development of business plans to support improvements in hospital management, DBJ studies and conducts research into a variety of medical issues.

As of March 31, 2011, our balance of loans in the healthcare sector stood at ¥44.9 billion, up 22.4% from the preceding fiscal year.



See pages 83–84

Up **22.4**%

Year-on-year increase in loans in the healthcare sector

(As of March 31, 2011)

# Supporting Initiatives That Maintain or Improve the Quality of Healthcare and Welfare in Japan through Finance, Consulting and Provision of Information

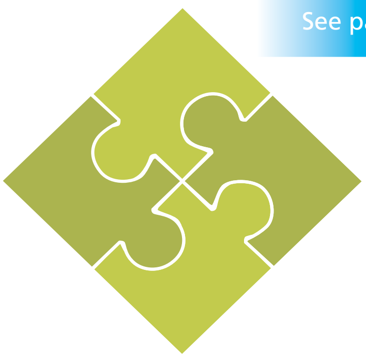
Healthcare

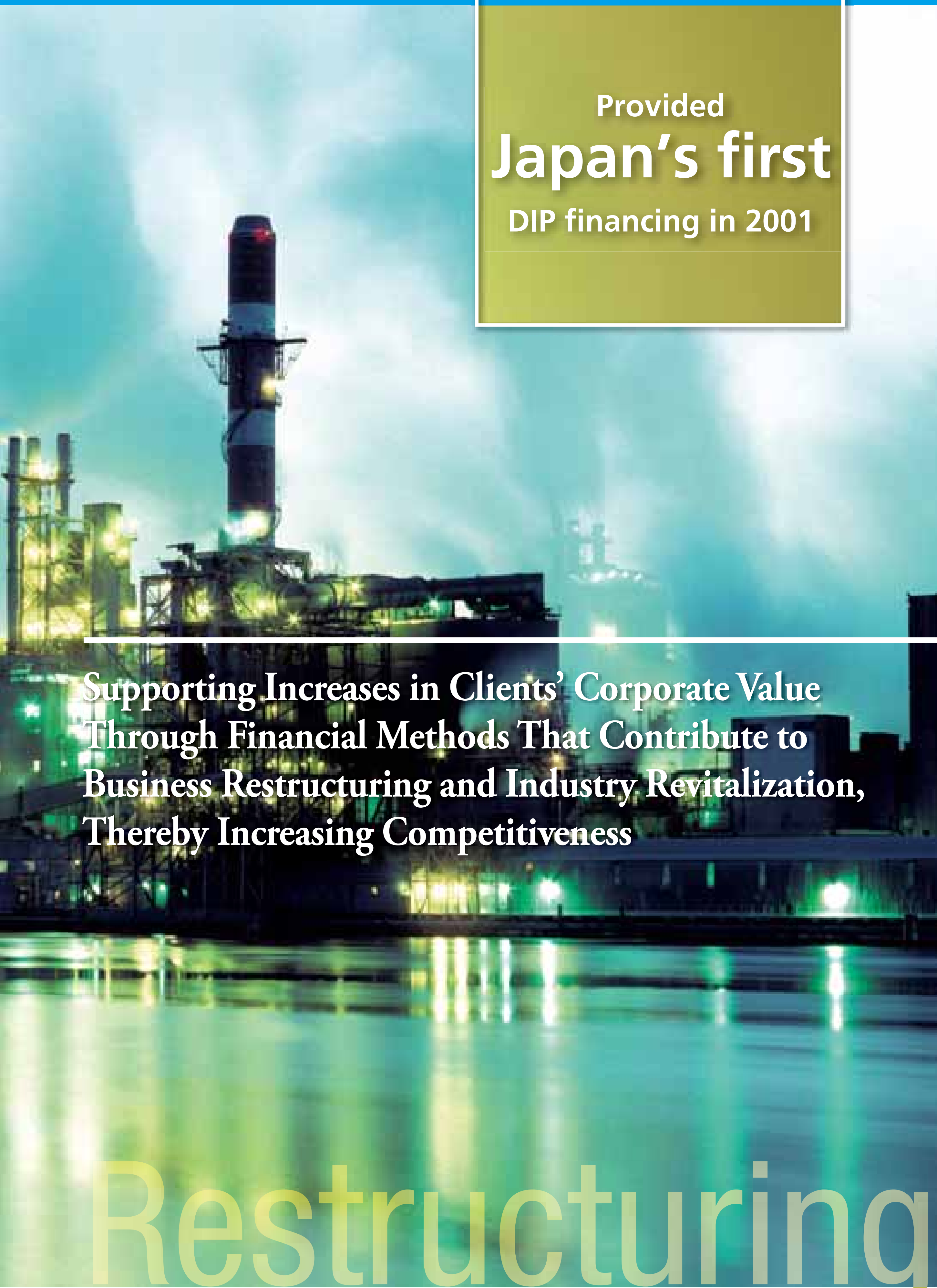
## Restructuring and Revitalization Initiatives

In an environment marked by sluggish domestic demand and shifts in the demand structure, increasingly stringent competition and accelerating change in the corporate business climate, needs are growing for business and industry restructuring and corporate revitalization that enhances corporate value by bolstering competitiveness.

Through debtor-in-possession financing, DBJ helps supply the short-term cash flow that is essential to revitalization. We also provide buy-out financing and mezzanine financing to assist corporate acquisitions and capital restructuring. Through total solutions such as these, DBJ supports business restructuring and revitalization.

See pages 85–86





## Provided Japan's first DIP financing in 2001

# Supporting Increases in Clients' Corporate Value Through Financial Methods That Contribute to Business Restructuring and Industry Revitalization, Thereby Increasing Competitiveness

Restructuring

## Social Infrastructure Initiatives

Since the era of reconstruction following World War II, DBJ has supported the development and advancement of Japanese economy and society. For the development and further sophistication of Japan's economy and improvements to quality of life, DBJ applies its experience and expertise to support the efforts of its clients to build and improve the social infrastructure.

As of March 31, 2011, DBJ's balance of loans for social infrastructure (electric power, gas, heating, water, telecommunications, transport and real estate) totaled ¥7,288.8 billion.

See pages 87–88

# ¥7.2 trillion

Balance of loans for social infrastructure
(As of March 31, 2011)

## Leveraging Experience and Expertise Gained during Our Time as a Policy-Based Financial Institution to Provide Appropriate Solutions and Investments and Loans to Help Build and Enhance Social Infrastructure

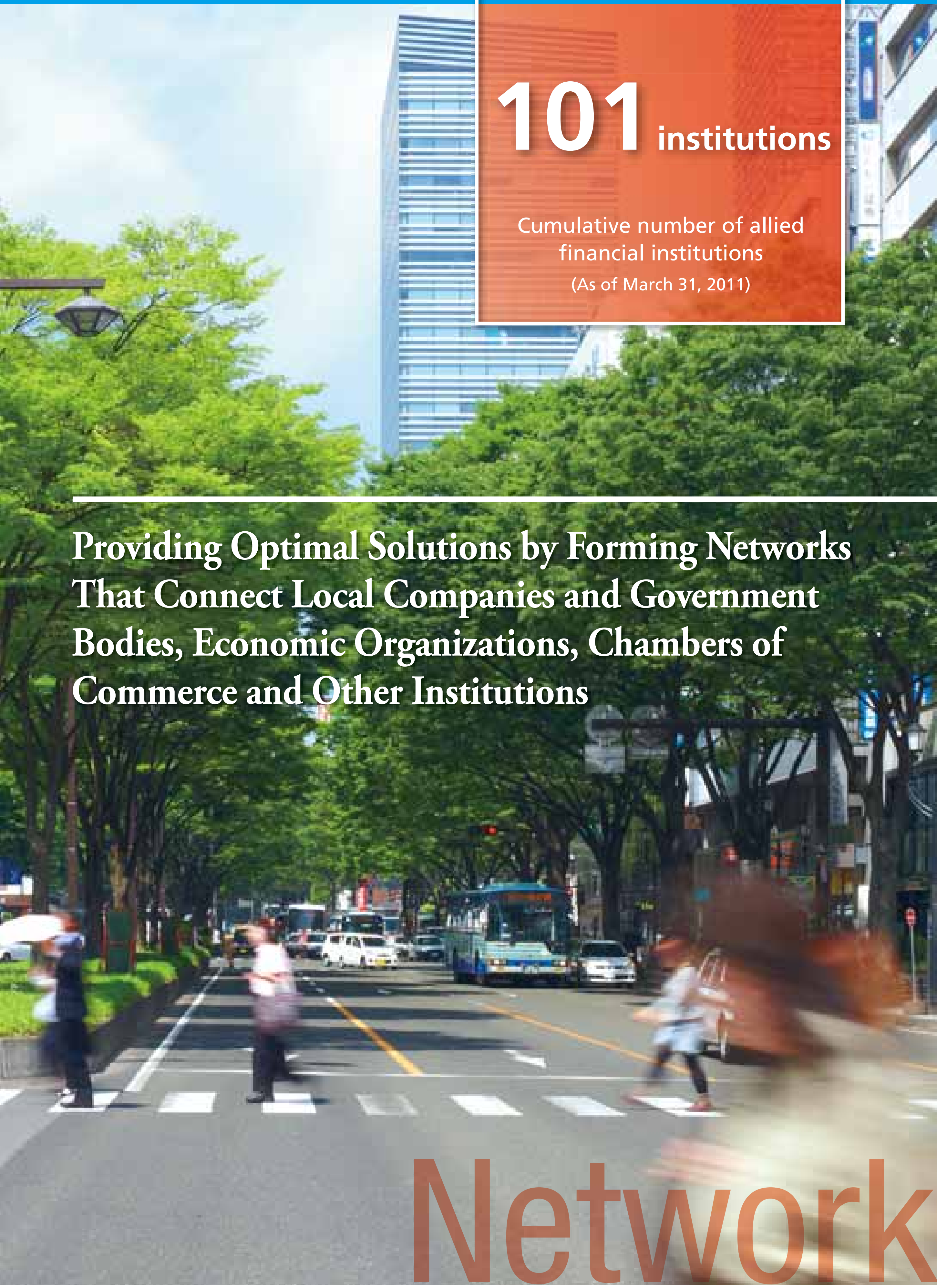
Infrastructure

# Community Revitalization Initiatives

DBJ provides optimal solutions from a long-term perspective that are designed to realize a prosperous lifestyle. To this end, we stimulate regional economies, build local infrastructures and construct wide-ranging networks as we strive to tackle the variety of issues facing the regions. Furthermore, DBJ maintains close relationships with regional financial institutions, which have excellent insights into the companies that operate in their regions. We have created a regional banking M&A network that links regional financial institutions with information on corporate M&A activities, thereby enhancing trust-based relationships and helping to achieve community revitalization.

As of March 31, 2011, a cumulative total of 101 financial institutions had entered into business alliances with DBJ.

See pages 89–92



# 101 institutions

Cumulative number of allied financial institutions
(As of March 31, 2011)

## Providing Optimal Solutions by Forming Networks That Connect Local Companies and Government Bodies, Economic Organizations, Chambers of Commerce and Other Institutions

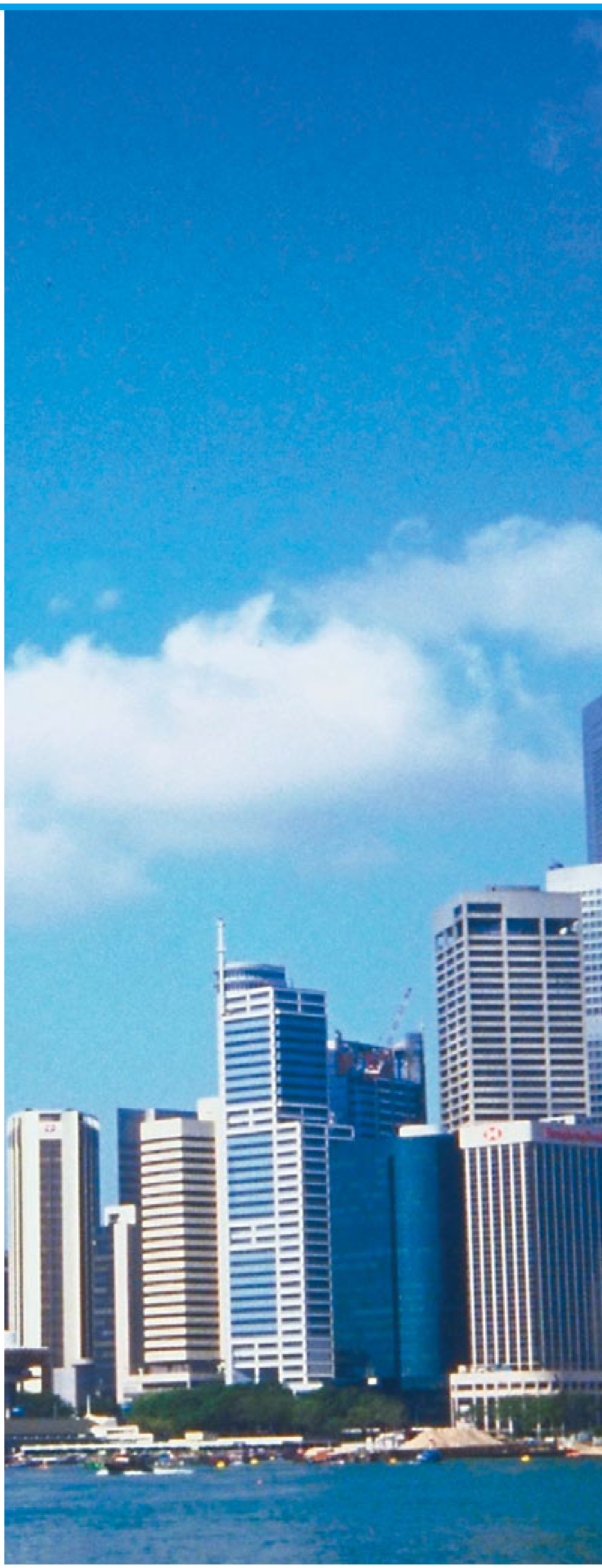
Network

## Overseas Business Initiatives

Since its conversion to a joint-stock company in October 2008, DBJ has enthusiastically embraced international business.

We are building an overseas risk management structure, preparing operating bases, training personnel and moving forward with core infrastructure. At the same time, we are working to expand our network with trustworthy partners and domestic and overseas financial institutions.

As of March 31, 2011, more than 30 countries were targeted for investments and loans.



See pages 36 and 93

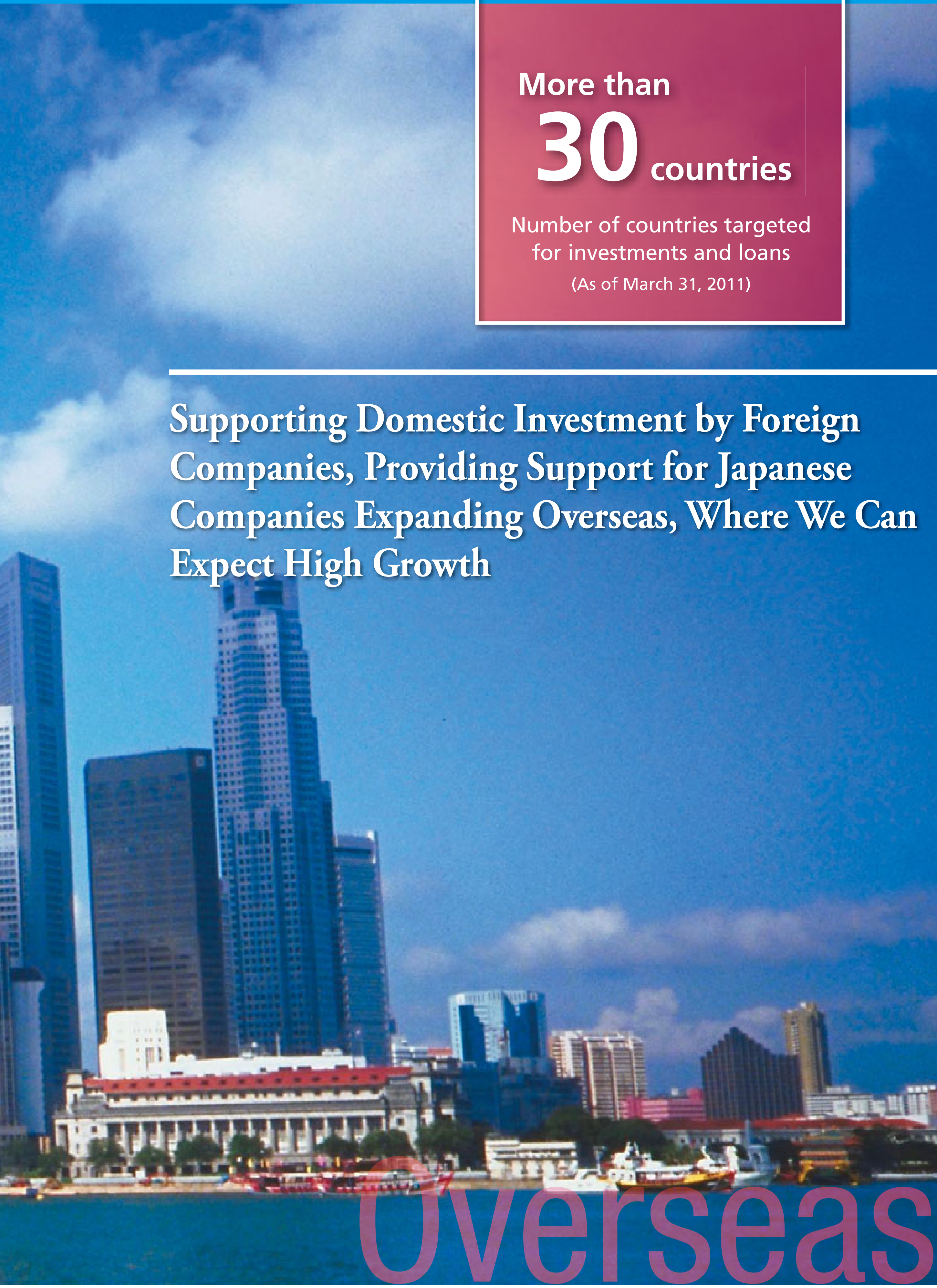
More than

# 30 countries

Number of countries targeted for investments and loans

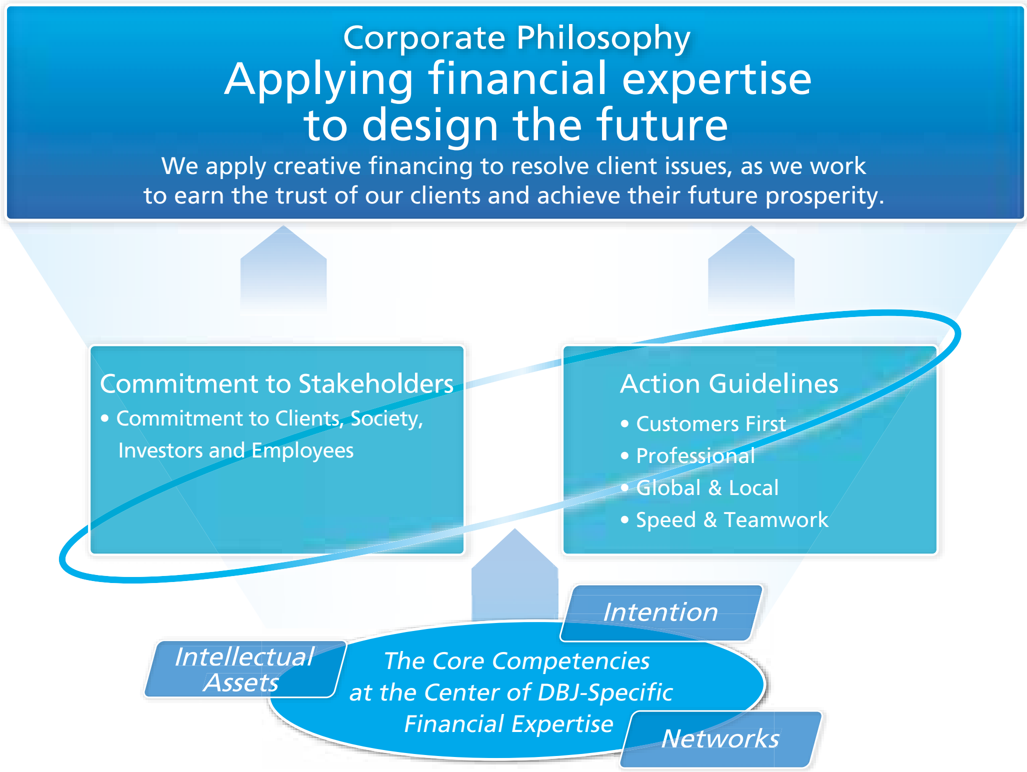
(As of March 31, 2011)

# Supporting Domestic Investment by Foreign Companies, Providing Support for Japanese Companies Expanding Overseas, Where We Can Expect High Growth



Overseas

## Corporate Philosophy




## Logo and Corporate Color

Our "Earth" logo consists of four colors that represent four themes and embodies our corporate philosophy of working with clients to realize their goals.

**Each Color Represents Two Aspects of DBJ**

**Corporate Values:**
- Long-Term Perspective
- Neutrality
- Public-Mindedness
- Reliability

**Action Guidelines:**
- Customers First
- Professional
- Global & Local
- Speed & Teamwork

## Commitment to Stakeholders, Action Guidelines and Core Competencies

### Commitment to Stakeholders

- **Commitment to Clients**
  Using creative finance, DBJ will resolve its clients' challenges and help them enhance their economic and social value.
- **Commitment to Society**
  All business will be based on harmony among the three factors of society, the environment and the economy in order to contribute to a sustainable, affluent society.
- **Commitment to Investors**
  DBJ will maintain transparency while raising corporate value over the long term.
- **Commitment to Employees**
  Seeking out and training employees who share its corporate philosophy and possess high ethical standards, DBJ will strive to create an open and creative work environment.

### Action Guidelines

- **Customers First**
  DBJ will operate from our clients' viewpoints, addressing their challenges and sharing pleasure in their success.
- **Professional**
  With discernment and creative skill, DBJ will be a unique financial platform providing integrated investment and loans both in Japan and abroad.
- **Global & Local**
  DBJ will maintain a long-term viewpoint, considering the needs of the times, the world and the region.
- **Speed & Teamwork**
  Relying on skilled teamwork, DBJ will act rapidly and in good faith, building strong foundations for clients' trust.

### Core Competencies

| | |
|---|---|
| Intention | The fundamental stance at the core of our corporate values: long-term perspective, neutrality, public-mindedness and reliability. |
| Intellectual Assets | Expertise in fields including industry research, credit analysis, financial technology and R&D, based on skills gathered over many years of experience. |
| Networks | Networks created with clients, local governments and other financial institutions. |

DBJ

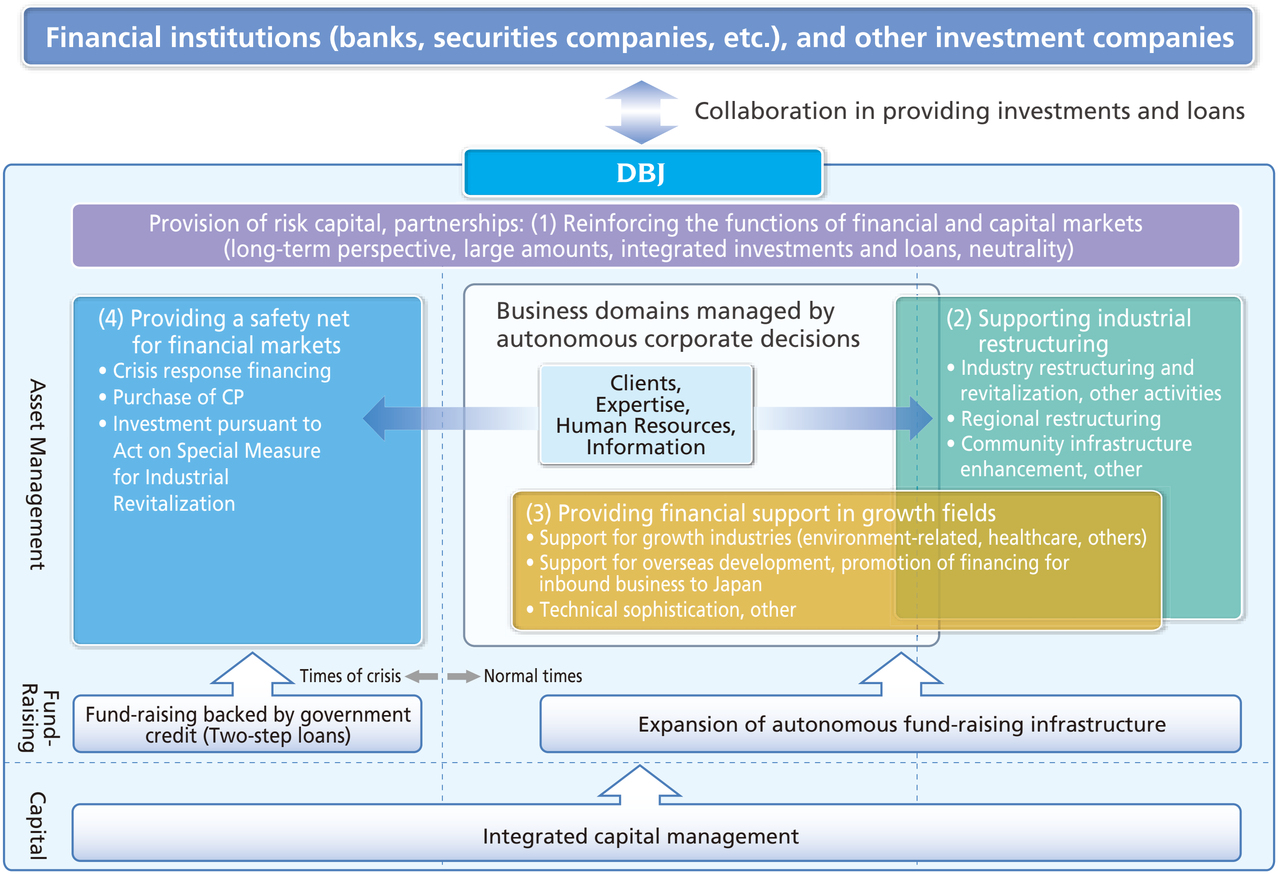
The shade of blue in “DBJ” represents a prosperous future, youthfulness and growth potential.

# DBJ's Target Business Model

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


# DBJ's Roles

**DBJ has continued to offer distinctive financial services through its integrated investments and loans, and will fulfill four key roles in financial and capital markets as it addresses the changes that are expected to take place in the socioeconomic environment.**



# Overview of DBJ's Second Medium-term Management Plan (Announced May 25, 2011)

After embarking on a new stage as Development Bank of Japan Inc. on October 1, 2008, throughout our First Medium-term Management Plan, "Challenge 2010," which covered two and a half years to the fiscal year ended March 31, 2011, we focused on establishing integrated investment and loan services and building a foundation of core strengths with the aim to further solidify our business base.

Based on the achievements made and the challenges confronted under our First Medium-term Management Plan, and in light of the unprecedented economical and social restoration and reconstruction challenges caused by the Great East Japan Earthquake, we have launched our Second Medium-term Management Plan "Endeavor 2013" to cover the next three fiscal years through March 31, 2014.

## Basic Policies of Endeavor 2013, the Second Medium-term Management Plan
### (Fiscal Years from April 1, 2011, to March 31, 2014)

1. The Great East Japan Earthquake resulted in an unprecedented level of complex catastrophe. It is essential that disaster recovery measures be: (1) implemented on a step-by-step basis according to each stage towards recovery, and (2) tailored to meet specific needs of varying regions and different disaster categories.
   As we position crisis response as one of our major roles, we are committed to expending every effort to support restoration and reconstruction from the devastating damage caused to our economy and society.
   To this end, we will leverage our rich financial experience in regional, industrial, energy and infrastructure development projects accumulated through our unique financial capabilities in providing long-term debt and equity capital.
2. In addition to responding to the disaster, we are committed to building a solid foundation on which to grow by steadily implementing the growth strategy set forth in "Endeavor 2013": namely, (1) to focus on strategic priorities among existing business, (2) to further diversify our financial service, and (3) to enhance investment in human capital.

## Key Measures under Endeavor 2013, the Second Medium-term Management Plan

◆**Implementing integrated investment and loan services**
- Provide optimal financing products and services that best suit customer needs
- Primary focus on medium risk investments and loans

◆**Focusing on strategic priority industries and segments**
- Concentrate on restoration and reconstruction efforts in response to the Great East Japan Earthquake in the near term
- Focus on following areas to promote Japan's long-term growth
  - Strengthening existing business: energy, logistics and transportation, urban development
  - Supporting industries with growth potential: environment, healthcare
  - Industry reorganization and revival
  - Infrastructure, regional development

◆**Accelerating expansion in global markets**
- Facilitate our customers' growth strategies in overseas markets
- Focus primarily on Asia, strengthen structured finance

◆**Diversifying sources of funds**
- Strengthen capabilities to raise funds relying on its own credit standing
- Utilize securitization etc.

◆**Strengthening non-asset business**
- Diversify fee-based revenue streams

## Human Resources and Business Process

◆**Strengthening investment in human resources**
- Strategic allocation of human resources (strategic priorities and new business development)
- Training professionals equipped with skills required in strategic business
- Fostering young professionals

◆**Business process management and risk management**
- Enhancing business process and risk management system that properly helps drive strategic business decisions

# History of DBJ

## Here, we introduce DBJ's history of supporting the reconstruction of post-war Japan

### Reconstruction and independence of the economy

In 1951, the Japan Development Bank was established and commenced accommodation loans to facilitate the development of the power supply, which forms the basis of the economy and industry, and the rationalization, modernization and cultivation of coal, steel, marine transportation and other major industries.

### High-growth infrastructure development

To expand and reinforce the energy and transportation activities that underpin the industrial infrastructure, the Japan Development Bank served as the driving force that powered new economic expansion. In addition, it provided loans for local development to correct regional disparities.

Established in 1956, the Hokkaido Development Finance Public Corporation was restructured in 1957 to form the Hokkaido-Tohoku Development Finance Public Corporation and began providing investments and loans to promote industry in these two regions of northern Japan.

### Development of international competitiveness and social development loans

Aiming to hone international competitiveness in accordance with the transition to an open economic system, the Japan Development Bank focused on support for industrial system improvements and independent technological development.

It also emphasized social development through regional development, urban redevelopment, logistics modernization, pollution prevention and other measures in a bid to relieve the problems of high-level growth.

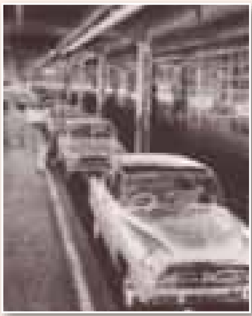
### Improvements to quality of life and stable supply of energy

As corrections to the imbalance of economic growth and standards of living, the Japan Development Bank began to focus on antipollution measures, regional and urban development and other social elements in addition to industrial development. Against the backdrop of the first oil crisis, it provided investment and loans for energy alternatives to fossil fuels, as well as efforts to conserve energy, to ensure stable energy supplies. It also supported efforts to develop land into large-scale commercial sites.

| Economic recovery | Rapid growth | | Stable growth |
|---|---|---|---|
| 1951–1955 | 1956–1965 | 1966–1971 | 1972–1984 |

Kawasaki Steel Corporation: Construction of Chiba Steelworks (Chiba Prefecture) (currently JFE Steel Corporation)

Modernization of steelmaking through construction of the first postwar blast furnace



Toyota Motor Corporation: Modernization of facilities through procurement of imported machinery (Aichi Prefecture)

Modernization of the domestic automobile industry through refurbishment of production facilities

Asahi Chemical Industry Co., Ltd. (currently Asahi Kasei Corporation): Construction of the Fuji Plant for production of Cashmilon acrylic staple fiber (Shizuoka Prefecture)

Promotion of the synthetic fiber industry

Kawasaki Kisen Kaisha, Ltd.: The *Tonegawa Maru* tanker

Built tanker that was indispensable for the import of energy and raw materials

Sony Corporation: Trinitron color television factory

Promotion of home-grown technologies through commercial application of new technologies

Shinjuku new urban center: Shinjuku Mitsui Building and others (Tokyo)

New urban center formation through redevelopment of purification plant site

Source: DBJ website: http://www.dbj.jp/en, etc.

### Development of lifestyle and social infrastructure and a smooth industrial transformation

Pressing needs arose for increased domestic demand and an industrial structural shift, against a background of aggravating trade friction with other countries. The Japan Development Bank focused on support for social capital improvement, creative technological development, an industrial transformation and other issues. In the 1990s, it stressed environmental and energy measures and regional economic stimulation with the aim of making Japan a lifestyle superpower.

### Creation of a vibrant and affluent society and stable economy

The Japan Development Bank focused on such important areas as ongoing improvements to social capital, environmental and other measures, and support for venture businesses. In addition, it swiftly implemented reconstruction loans in the wake of the Great Hanshin-Awaji Earthquake and loans in response to the financial environment to stabilize the financial system by functioning as a safety net.

### Financial solutions that support communities, the environment and technology

In 1999, the Japan Development Bank and the Hokkaido-Tohoku Development Finance Public Corporation were dissolved and the Development Bank of Japan (DBJ) was established. DBJ focuses its operations in three areas: community development, environmental conservation and sustainable societies and the creation of new technologies and industries. In these ways, DBJ contributes to the sustainable development of Japan's economy.

### Providing integrated investment and loan services and conducting crisis response operations

Development Bank of Japan Inc. was established on October 1, 2008, as a special stock company through conversion to a joint-stock company. By applying its distinctive financial services through integrated investments and loans, DBJ addresses the various issues that clients face. At the same time, we fulfill our unique role by serving as a designated financial institution for crisis response operations, responding to financial crises and helping to meet the restoration and reconstruction challenges presented by the Great East Japan Earthquake.

Economic bubble
**1985–1995**

Post-bubble
**1996–2000**

Structural reform
**From 2001**

**October 1, 2008: Development Bank of Japan Inc. established**

**Yamagata JR Chokko Tokkyu Holdings: Yamagata Shinkansen**

Improvements to regional railway infrastructure

**Pacific Convention Plaza Yokohama: Pacifico Yokohama (Kanagawa Prefecture)**

Construction and maintenance of hotels, international conference facilities, etc., in the Minato Mirai 21 area of Yokohama

**Nakayama Joint Power Generation Co., Ltd.: Independent power producer (IPP) power generation operations (Osaka Prefecture)**

In step with relaxation of regulations, project finance support for Japan's first steelmaker to enter the power generation business

**Hankyu Corporation: Earthquake reconstruction work (Hyogo Prefecture)**

Recovery work on traffic infrastructure destroyed by earthquakes

**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.

**Toyo Tires Turnpike (formerly the Hakone Turnpike)**

DBJ established Japan's first infrastructure fund in collaboration with Australian investment bank Macquarie Bank, involving equity investment to facilitate business transfer transactions for the former Hakone Turnpike.

**V-Lease Corporation**

By applying the expertise it has cultivated to date, DBJ entered the business of operating leases for aircraft engines, of which core parts are produced by Japanese companies involved in heavy industry. Through this business, we aim to promote the further development of the Japanese airline industry.

## Development Bank of Japan Inc. Established as a Joint-stock Company (Privatized) on October 1, 2008

Development Bank of Japan Inc. was established on October 1, 2008, under the terms of the Development Bank of Japan Inc. Act (Act No. 85, 2007; the "New DBJ Act") approved by the Japanese Diet on June 6, 2007, as part of the Act on Promotion of Administrative Reform for Realization of Small and Efficient Government (Act No. 47, 2006; the "Administrative Reform Promotion Act") approved by the Japanese Diet in May 2006, and the fundamental reform of policy-based finance. DBJ, upon its establishment, took over all assets of the Development Bank of Japan (the "predecessor") as investment in kind, with the exception of assets transferred to the government under the provisions of Article 15, Paragraph 2, of the Appendix to the New DBJ Act. Under Article 15, Paragraph 1, of the same act, DBJ also assumed all rights and obligations of the predecessor, with the exception of assets transferred to the government under Article 15, Paragraph 2, of the Appendix to the New DBJ Act.

### Highlights of the New DBJ Act

#### Provision of Credit

The object of the New DBJ Act is to maintain the foundations of the investment and financing functions of long-term business funds as the Development Bank of Japan Inc. by conducting business activities utilizing the methods of combining investments and financing and other sophisticated financial methodologies with the goal of realizing full-scale privatization.

#### Fund-raising

In addition to borrowing and bond issuance, as a complementary measure, DBJ is now able to accept negotiable deposits and issue bank debentures for institutional investors.

#### Transitional Measures

In terms of fund-raising, DBJ depends largely on borrowing from the government and government-guaranteed bonds. To facilitate a smooth transition toward independent fund-raising following full privatization, measures have been enacted to allow DBJ to issue government-guaranteed bonds and borrow from the Fiscal Loan Fund. Upon the establishment of the new DBJ, the act provided for long-term borrowing from the private sector.

| | Predecessor | New DBJ |
|---|---|---|
| Loans | Yes | Yes |
| Equity investments | Yes | Yes |
| Debt guarantees | Yes | Yes |
| Foreign exchange; money exchange | No | No |
| Bond issuance | Yes | Yes (including bank debenture bonds) |
| Borrowings | Fiscal Loan Fund | Fiscal Loan Fund bonds + private-sector borrowings |
| Deposits | No | Yes Checkable deposits and small-lot deposits that are covered by deposit insurance for the safe custody of deposits are not accepted. |

## Revision to the New DBJ Act (June 2009)

Since its establishment, DBJ has been engaged in crisis response operations as a designated financial institution. However, to reinforce DBJ's financial structure through government capital contribution and enable DBJ to introduce more broad-ranging initiatives in response to the global financial and economic crisis that commenced in autumn of 2008, the Act for Partial Amendment of the Development Bank of Japan Inc. Act ("revision to the New DBJ Act") was passed into law by the Japanese Diet on June 26, 2009, and the act was promulgated and went into effect on July 3, 2009.

Under the New DBJ Act, DBJ was to have achieved full privatization within five to seven years after its establishment. With the act's revision, the target date has been extended to five to seven years after March 31, 2012. DBJ is to become fully privatized within approximately five to seven years of April 1, 2012. At the end of fiscal 2011, the government plans a review of DBJ's organization which will include the future of government-held shares. The government will continue to hold its shares until then.

Note: Please refer to pages 128–134 for details off the New DBJ Act, the revision to the New DBJ Act and the Act for Extraordinary Expenditure and Assistance to Cope with the Great East Japan Earthquake.

## Act for Extraordinary Expenditure and Assistance to Cope with the Great East Japan Earthquake (May 2011)

On May 2, 2011, in response to the damage caused by the Great East Japan Earthquake, the Act for Extraordinary Expenditure and Assistance to Cope with Great East Japan Earthquake (Act No. 40 of 2011; the Act for Extraordinary Expenditure), which included the partial revision to the New DBJ Act, was passed into law by the Japanese Diet.

The revision to the New DBJ Act in Accordance with the Act for Extraordinary Expenditure extended by three years (to March 31, 2015) the period for government capital contribution in order to facilitate DBJ's implementation of crisis response operations. Furthermore, the target date has been extended to five to seven years from April 1, 2015. At the end of fiscal 2014, the government plans a review of DBJ's organization, which will include the future of government-held shares. The government will continue to hold its shares until then.

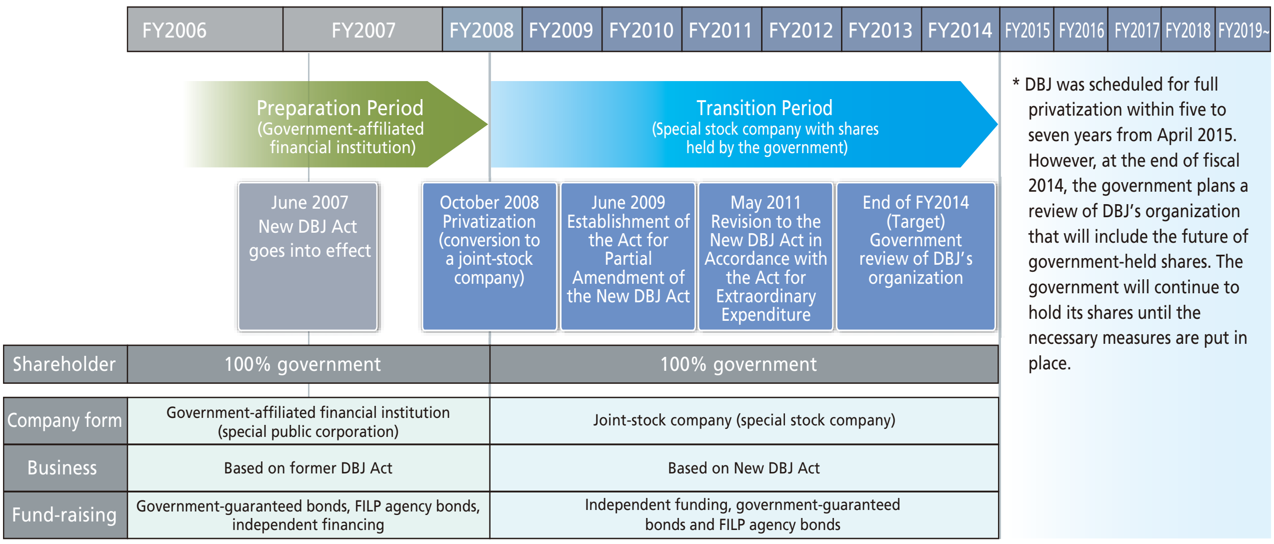
### Revision to the New DBJ Act in Accordance with the Act for Extraordinary Expenditure

The Amendment of the Development Bank of Japan Inc. Act (based on establishment of Act for Extraordinary Expenditure and Assistance to Cope with the Great East Japan Earthquake was passed at an Upper House plenary session of the ongoing 177th ordinary session of the Diet.

The act was revised to facilitate implementation of DBJ's crisis response operations with regard to the damage resulting from the Great East Japan Earthquake. The main thrust of the revisions is as follows.

- ◆To strengthen DBJ's financial base in order to facilitate a smooth response to crisis response operations, the period during which the government may make additional capital contributions to DBJ has been extended by three years, until March 31, 2015. Furthermore, the period for requiring the redemption of delivery bonds has similarly been extended by three years, to June 30, 2015.
- ◆In addition to extending the period for repayment of capital contribution and redemption of delivery bonds, the act extends the disposition period for government-held shares in DBJ. Whereas existing provisions stipulated a target of "approximately five to seven years after April 1, 2012," the revised act states that the government must dispose of all of its shares in DBJ by "approximately five to seven years after April 2015."
- ◆In view of the certain level of government involvement in DBJ, such as the government holding in excess of one-third of its outstanding shares at any given point, to ensure the proper implementation of crisis response operations, its organizational structure, including crisis response operations and the future of government-owned shares, are to be reviewed and necessary measures are to be taken. The target deadline for such activities is revised to the end of fiscal 2014.

● **The Privatization Process**



## Operating Results

### Financial-Economic Environment

During the fiscal year ended March 31, 2011, the Greek debt crisis sparked concerns about sovereign debt in a number of European nations, accelerating financial austerity trends in a number of countries. Furthermore, political instability mounted, centering on the Middle East and Northern Africa, as antigovernment protests that broke out in Tunisia and Egypt spread, arousing conflict in Libya. The U.S. economy decelerated temporarily, owing to a contraction in support for monetary and fiscal policies, but a second round of quantitative easing in November 2010 encouraged a gradual recovery, centered on personal consumption. Against this backdrop, the Japanese economy experienced a slight recovery overall, supported by policy effects and Asia-bound exports. However, the Great East Japan Earthquake, which struck on March 11, 2011, disrupted production activities by interrupting supply chains and resulted in power outages. Intermittent aftershocks and the accident at the Fukushima Daiichi Nuclear Power Plant caused uncertainty to reign and consumer confidence to wither, causing a massive stagnation in economic activity.

In the corporate sector, a rebound in manufacturing activity was underpinned by exports to China and other Asian countries and supported by Japanese government efforts to stimulate purchasing activity, such as tax exemptions on environment-friendly cars and home electronics. On the other hand, such factors as ongoing yen appreciation caused companies to remain cautious on capital investment. As a result, such investment continued to fall below manufacturers' depreciation and amortization levels. For households, although wages, bonuses and other components of income improved somewhat, the employment environment remained problematic, as employment levels failed to expand appreciably. Government efforts to stimulate household purchases did encourage a rise in the acquisition of certain durable goods, such as flat-screen televisions and automobiles, but consumption recovered only weakly and the number of new housing starts was sluggish. Furthermore, initial calculations by the Cabinet Office of Japan estimate that the Great East Japan Earthquake destroyed ¥9.16 trillion worth of private-sector corporate facilities, sharply reining in corporate supply capacity.

On the financial front, the European Commission and the International Monetary Fund put in place support packages in response to financial deterioration among countries in the euro zone. Although the worst of the European sovereign debt crisis appeared to be over following the Greek crisis, concerns about the contagion spreading to neighboring countries persist. In Japan, the corporate fund-raising environment improved as the Bank of Japan pursued accommodative monetary policies. However, this situation worsened sharply in the aftermath of the Great East Japan Earthquake, centered on disaster-stricken companies.

Long-term interest rates (yields on 10-year Japanese government bonds) rose, with investors fleeing to the relative safety of Japanese government bonds as European sovereign risks mounted. This demand rise pushed up interest rates below 1% for the first time in seven years, but by March 31, 2011, long-term interest rates had risen to around 1.2%.

Sharp ongoing appreciation of the yen against other currencies prompted intervention by the Bank of Japan, which sold yen in September 2010 and March 2011. Nevertheless, the yen continued to appreciate over the course of the fiscal year, rising to around ¥83 to the U.S. dollar as of March 31, 2011. The yen also rose against the euro, climbing at one point into the neighborhood of ¥106, but anticipation of higher euro-zone interest rates prompted a downward adjustment, to around ¥117 to the euro as of March 31, 2011.

The Nikkei stock average, in the ¥11,000 range on March 31, 2010, plummeted into the low ¥8,000 range at one point due to uncertainties stemming from the Great East Japan Earthquake and the above-mentioned nuclear accident. As of March 31, 2011, however, the Nikkei had recovered to upwards of ¥9,500.

Demand shortfalls put downward pressure on prices. This factor, plus the effect of special measures to waive high school tuition fees caused consumer prices (excluding perishable goods) to continue falling year on year.

### Progress and Results of DBJ Group Operations

**Review of the Year Ended March 31, 2011**

Since its establishment on October 1, 2008, the core of DBJ's business has remained the same as that conducted by its predecessor. As a highly specialized financial institution, we sought to resolve clients' issues by providing integrated investment and loan services.

Below is an overview of these activities during the fiscal year ended March 31, 2011. The figures provided for the loans, investment and consulting/advisory services described below are on a non-consolidated basis.

**Loans**

We provided senior loans through traditional corporate loans, nonrecourse loans and other types of structured financing as well as a variety of other loans that employ advanced financial methods. During the year ended March

31, 2011, we provided ¥2,034.4 billion in loans, including loans for crisis response operations.

For details regarding business loans in response to the financial crisis, please refer to the section on page 56 entitled "Results of Crisis Response Operations."

**Investment**

We work to resolve client issues involving business expansion and support strategies and the formation of financial infrastructures. We achieve these activities by supporting the creation of funds, as well as mezzanine, equity and other financing methods, providing appropriate financing based on a long-term perspective. During the year, ¥82.2 billion was allocated to investing activities.

**Consulting/Advisory Services**

Consulting and advisory services utilize the networks created by DBJ's predecessor. Through these services, we help clients of all sizes grow more competitive in a host of industries. We provide consulting on projects that help invigorate regional communities and assign advisors to support these activities. During the year, investment and loan commissions and fees from M&A and other advisory services amounted to ¥7.2 billion.

**Subsidiaries**

In June 2010, DBJ integrated New Business Investment Co., Ltd., a consolidated subsidiary that provides small-scale investment funding, including to venture companies, and Intellectual Properties Development & Investment, Inc, a non-consolidated subsidiary, into DBJ Capital Co., Ltd., as a fund management company specializing mainly in small-scale investment.

Through close collaboration with DBJ, DBJ Capital will carry out investment activities by assessing the right timing and carefully selecting appropriate deals.



## Loans and Investments and Fund-Raising Conditions (Flow)

(Billions of yen)

| | For the Year Ended March 31, 2010 | For the Year Ended March 31, 2011 |
|---|---|---|
| Loan and investment balance | 3,793.1 | **2,116.6** |
| Loans*1 | 3,682.0 | **2,034.4** |
| Investment*2 | 111.1 | **82.2** |
| Funds raised | 3,793.1 | **2,116.6** |
| Fiscal Investment and Loans | 482.0 | **503.6** |
| Of which, FILP agency bonds*3 | 300.0 | **300.0** |
| Of which, government-guaranteed bonds (domestic) | 149.5 | **79.5** |
| Of which, government-guaranteed bonds (overseas) | 32.5 | **124.0** |
| Corporate bonds (FILP bonds) | 168.3 | **80.0** |
| Long-term debt*4 | 2,301.6 | **320.1** |
| Recovery, etc. | 840.9 | **1,212.8** |

Notes: 1. Figures, including those for corporate bonds, are on a management accounting basis.
2. Figures, including those for securities, money held in trust and other assets (funds), are on a management accounting basis.
3. Includes industrial investment and borrowings.
4. Long-term debt borrowed from Japan Finance Corporation in conjunction with crisis response operations during the fiscal year ended March 31, 2010, amounted to ¥2,139.4 billion and during the fiscal year ended March 31, 2011, amounted to ¥138.7 billion.

## Overview of Consolidated Operating Performance

### Consolidated Financial Highlights

(Billions of yen)

| | For the Year Ended March 31, 2010 | **For the Year Ended March 31, 2011** |
|---|---|---|
| Total income | 353.7 | **363.8** |
| Net income | 39.8 | **101.5** |
| Total assets | 15,595.7 | **14,845.2** |
| Loans | 13,514.6 | **13,031.4** |
| Securities | 1,289.4 | **1,165.5** |
| Total liabilities | 13,268.2 | **12,435.2** |
| Borrowed money | 9,082.4 | **8,576.4** |
| Debentures and corporate bonds | 3,746.3 | **3,629.3** |
| Total equity | 2,327.5 | **2,409.9** |
| Common stock | 1,181.1 | **1,181.1** |
| Capital adequacy ratio (BIS standard) | 19.13% | **20.50%** |
| Ratio of risk-monitored loans (Banking Act base) | 5.07% | **1.28%** |
| Return on equity | 1.82% | **4.31%** |
| Return on assets | 0.27% | **0.67%** |
| Number of employees | 1,181 | **1,203** |

Consolidated operating performance during the year under review is described below.

### Consolidated Income and Expenses

During the period, DBJ posted total income of ¥363.8 billion, up ¥10.1 billion from the previous fiscal year. Of this amount, interest income generated ¥298.9 billion, down ¥2.5 billion, and fees and commissions fell ¥5.6 billion, to ¥9.9 billion. Other operating income dropped ¥7.2 billion, to ¥12.6 million, while other income expanded ¥25.6 billion, to ¥42.2 billion.

Total expenses were ¥259.4 billion, falling ¥43.1 billion. This amount included interest expenses of ¥172.2 billion, down ¥7.8 billion, expenses on fees and commissions of ¥0.6 billion, falling ¥0.4 billion, other operating expenses of ¥12.0 billion, dropping ¥22.0 billion, and general and administrative expenses of ¥36.7 billion, which rose ¥1.6 billion, as well as other expenses of ¥37.9 billion, which decreased ¥14.4 billion.

The impact of the Great East Japan Earthquake has been reflected appropriately in DBJ's financial results.

Net interest income rose ¥5.3 billion, to ¥126.6 billion, whereas net fees and commissions dropped ¥5.2 billion, to ¥9.3 billion, but net other operating income was positive, rising ¥14.8 billion, to ¥0.6 billion. However, DBJ recorded net other losses of ¥4.3 billion, improving ¥31.3 billion, owing mainly to net losses related to stocks.

DBJ posted extraordinary income of ¥9.3 billion, up ¥10.1 billion, for the year stemming from the addition to reversal gains and income on recovery of bad debts. Consequently, income before income taxes and minority interests came to ¥104.3 billion, up ¥53.2 billion from the previous fiscal year.

After posting current income taxes of ¥0.3 billion, ¥25.0 billion less than in the preceding fiscal year, deferred income taxes amounted to ¥0.9 billion, up ¥15.5 billion, and minority interests in net income rose ¥1.0 billion, to ¥1.4 billion. As a result, consolidated net income came to ¥101.5 billion, ¥61.6 billion higher than in the previous term.

## Consolidated Assets, Liabilities and Equity

As of March 31, 2011, total assets amounted to ¥14,845.2 billion, down ¥750.5 billion from one year earlier. Of that amount, loans were ¥13,031.4 billion, falling ¥483.1 billion, and securities fell ¥123.9 billion, to ¥1,165.5 billion. These amounts included new investment and loans in response to the financial crisis, but these amounts were down year on year, as this business has essentially run its course.

Call loans and bills bought amounted to ¥61.8 billion at the end of the term, a decrease of ¥63.1 billion, and reverse repurchase agreements fell from ¥179.9 billion to zero. These assets represent a substantial decline in the investment of excess cash on hand compared with the level as of March 31, 2010.

Total liabilities as of March 31, 2011, stood at ¥12,435.2 billion, ¥832.9 billion less than a year earlier. Of this amount, debentures and corporate bonds came to ¥3,629.3 billion, a decrease of ¥117.0 billion, and borrowed money was ¥8,576.4 billion, falling ¥505.9 billion.

The principal reason for this decline was lower debentures, corporate bonds and borrowed money, owing to a decrease in loans related to crisis response operations, which had largely run their course.

Also, acceptances and guarantees came to ¥145.0 billion, down ¥47.1 billion.

Total equity at the end of the period was ¥2,409.9 billion, up ¥82.4 billion from one year earlier. The primary reason for this rise was higher net income. Also, in June 2011, at DBJ's first General Shareholders' Meeting since becoming a joint-stock company, a resolution was passed to award dividends on common stock. This dividend had a record date of March 31, 2011, and a total amount of ¥10.0 billion, for dividends per share of ¥230, resulting in a payout ratio of 23.73%.

DBJ's unrealized gain on available-for-sale securities came to ¥13.1 billion, up ¥2.0 billion compared with the preceding term. This amount includes valuation gains on shares in listed companies.

## Status of Risk-Monitored Loans

DBJ is not subject to the provisions of the Banking Act or the Act on Emergency Measures for the Revitalization of the Financial Functions (Act No. 132 of 1998), but it carries out independent assessments of liability classes and asset categories based on the Financial Services Agency's Financial Inspection Manual. According to these results, on a consolidated basis, DBJ's holdings of risk-monitored loans as prescribed by the Banking Act total ¥167.2 billion, accounting for 1.28% of total loans.

## Overseas Business

Since its conversion to a joint-stock company in October 2008, DBJ has made a full-fledged entry into international business, creating an overseas risk management structure, preparing operating bases, training personnel and moving forward with core infrastructure. At the same time, we are working to expand our network with trustworthy partners. Through these efforts we are promoting domestic and overseas financial institutions.

With regard to subsidiaries, DBJ established DBJ Singapore Limited as a wholly owned subsidiary in December 2008 and another wholly owned subsidiary, DBJ Europe Limited, commenced operations in November 2009.

By maintaining intensive collaboration with its overseas offices, DBJ is able to provide global financial services that meet broad-ranging client needs, as well as support for clients' overseas operations.

### Operations at Overseas Locations

**New York Representative Office**

Covering the Americas, the New York Representative Office monitors financial, industrial and economic trends as well as economic policies and urban and infrastructure development and other trends. The office provides information to Japanese companies and other entities that are planning to commence operations in North America and South America, as well as overseas companies that are considering entry into the Japanese market.

**DBJ Singapore Limited**

| | |
|---|---|
| Established: | December 16, 2008 |
| Capital: | S$1,000,000 |
| Business: | Investments and loan support and M&A advisory services |
| Address: | 9 Raffles Place, #30-03 Republic Plaza, Singapore 048619 |
| CEO & Managing Director: | Taku Sugiyama |

**DBJ Europe Limited**

| | |
|---|---|
| Established: | November 10, 2009 |
| Capital: | €7,500,000 |
| Business: | Investments and loan support and M&A advisory services |
| Address: | Level 20, 125 Old Broad Street, London EC2N 1AR, U.K. |
| CEO & Managing Director: | Takeshi Kiriyama |

### Business Tie-Ups with Overseas Institutions

To enhance its financial services, DBJ leverages its business alliances with the following overseas institutions.

**International Finance Corporation (IFC)**

A member of the World Bank Group and the largest international financial institution, conducting investments and loan operations primarily in developing countries

**China Development Bank**

Policy-based financial institution (converted to joint-stock company in 2008) handling financing for infrastructure and core industries in China

**China International Investment Company (the CITIC Group)**

Corporate group with a wide-ranging financial service network throughout Asia, including China

**IE Singapore**

Government institution that supports internationalization and provides overseas investment for Singaporean companies

### DBJ Asia Financial Support Center Opens

In June 2011, DBJ opened the DBJ Asia Financial Support Center to provide local information and offer consulting services to regional banks supporting efforts by medium-sized companies and other entities in their regions to promote business in other parts of Asia.

The center's roles are to liaise with regional banks throughout Japan and help meet the various needs of local medium-sized companies and other entities to develop their operations in Asia. We achieve this by leveraging the DBJ Group's information network, which includes public financial institutions in Asian countries.

With regard to its services, the center has entered into a comprehensive agreement on collaboration with Hitotsubashi University. Based on this accord, the two entities will work to strengthen the transmission of information related to Asia through collaboration in a host of areas, including Asia-related joint research and personnel exchanges.

Monthly magazine *DBJ Asia Business Information*

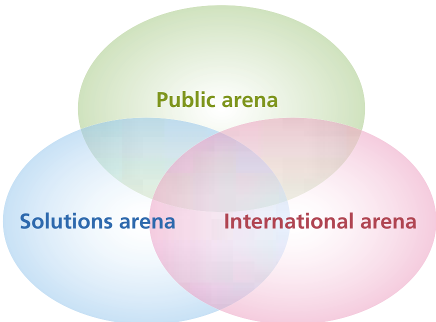
## Group Companies

The DBJ Group, comprising DBJ and its subsidiaries and affiliates, provides a variety of services to meet its clients' needs.

### Japan Economic Research Institute Inc.

Japan Economic Research Institute, which is wholly capitalized by DBJ, is a research institution that primarily conducts surveys and provides consulting services. In April 2009, the institute reorganized, taking over the research and related activities conducted by its predecessor.

Operating with a long-term perspective and from a standpoint of fairness and neutrality, the institute generates synergies from its three fields of research—the public, solutions and international arenas—and targets the public and private sectors. The company meets clients' research and consulting needs from a comprehensive viewpoint.




Outline of Japan Economic Research Institute Inc.

| | |
|---|---|
| Established: | December 1989 |
| Capital: | ¥480 million |
| Business: | Research, consulting and advisory services |
| Address: | 3-4, Kanda-surugadai 3-chome, Chiyoda-ku, Tokyo 101-0062, Japan |
| President: | Takashi Ando |

### DBJ Capital Co., Ltd.

In June 2010, DBJ integrated the businesses of its two venture capital subsidiaries, New Business Investment Co., Ltd., and Intellectual Properties Development & Investment, Inc., into a new investment capital company, DBJ Capital Co., Ltd.

This new company aims to contribute to the growth and development of firms requiring capital by leveraging the two former subsidiaries' expertise in evaluating technology and businesses and their experience investing in venture businesses.

Outline of DBJ Capital Co., Ltd.

| | |
|---|---|
| Established: | October 2005 (Commenced operations on June 30, 2010) |
| Capital: | ¥99 million |
| Business: | Investment in venture companies |
| Address: | Nippon Building 12F, 2-6-2, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan |
| President & CEO: | Akira Ogasawara |

### DBJ Investment Advisory Co., Ltd. (DBJ IA)

DBJ IA was established in December 2009 to promote growth strategies from a medium- to long-term standpoint emphasizing relationships of mutual trust with entities receiving investment funds and based on the concept of assisting companies through value-added equity investment.

DBJ IA aims to contribute to such entities' growth and development by helping them achieve their growth targets in terms of M&A, capital and domestic and overseas strategies by providing funds and utilizing DBJ's international and domestic networks as well as assigning human resources.

Outline of DBJ Investment Advisory Co., Ltd.

| | |
|---|---|
| Established: | December 2009 |
| Capital: | ¥68 million |
| Business: | Operations related to DBJ's value-added equity investment |
| Address: | 1-9-1, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan |
| President & CEO: | Hiroshi Murakami |

# Topics

## 2010

**April**

- DBJ's Head of the Research Institute of Capital Formation, Masaharu Hanazaki, won the 50th Economist Prize for his latest publication, *Corporate Governance and Corporate Finance: An Informational and Institutional Approach* – see page 63

**May**

- Establishment of a regional growth strategy support program, the Regional Area's *Genki* Program – see page 49

**June**

- Began collaboration with intellectual property commercialization project in Asia with Singapore's 360ip Pte. Ltd.
- Wholly owned subsidiaries New Business Investment Co., Ltd., and Intellectual Properties Development & Investment, Inc., merged to form DBJ Capital Co., Ltd. – see page 37

**July**

- DBJ Development Support Program (*Nihon Genki* Program) established as one aspect of the Bank of Japan's efforts to support funding for the enhancement of growth infrastructure – see page 49

**August**

- Announcement of Capital Investment Planning Survey (Nationwide and by Region) survey results – see page 63

**September**

- Concluded memorandum of understanding with the China Development Bank regarding mutual business cooperation between Japan and China

**December**

- Exhibited and conducted presentation at Japan's largest environmental exhibition, Eco-Products 2010 (10th consecutive year) – see page 72
- Settling of investment and loan plans for the fiscal year ending March 31, 2012

The result of the draft budget compiled for the fiscal year ending March 31, 2012 (Cabinet decision on December 24, 2010) was for aggregate investment and financing of ¥1.6 trillion, comprising ¥650 billion in fiscal investments and loans and ¥950 billion to be funded independently by DBJ.

## 2011

**January**

- Contributed to an endowment lecture series by the University of Tokyo, "Sustainable Global Energy System Centered on Solar Power"

Reports entitled *Status of Damage from the Great East Japan Earthquake and Reconstruction Issues* – see page 61

**March**

- Opened special desk for consultation related to the Great East Japan Earthquake

**April**

- Established the DBJ Green Building Certification program targeting environmentally and societally friendly real estate – see pages 50 and 79
- Established the Tohoku Revival Reinforcement Office as an initiative to support the restoration and reconstruction of the Tohoku region, which was devastated by the Great East Japan Earthquake – see page 58

**May**

- Amendment of the Development Bank of Japan Inc. Act (based on establishment of the Act for Extraordinary Expenditure and Assistance to Cope with the Great East Japan Earthquake passed into law – see pages 31 and 133
- Passing of supplementary budget for fiscal 2011

In the fiscal 2011 supplementary budget (passed on May 2, 2011), ¥2.5 trillion was earmarked for Japan Finance Corporation crisis response operations targeting medium-sized and large companies.

- Formulation of Endeavor 2013, the second medium-term management plan – see page 27
- Implemented organizational restructuring in line with the second medium-term management plan – see page 124

**June**

- Opening of the DBJ Asia Financial Support Center – see pages 36 and 54
- Formation with the Japan Auto Parts Industries Association of the Supply Chain Support Limited Partnership – see page 60

# DBJ's Businesses

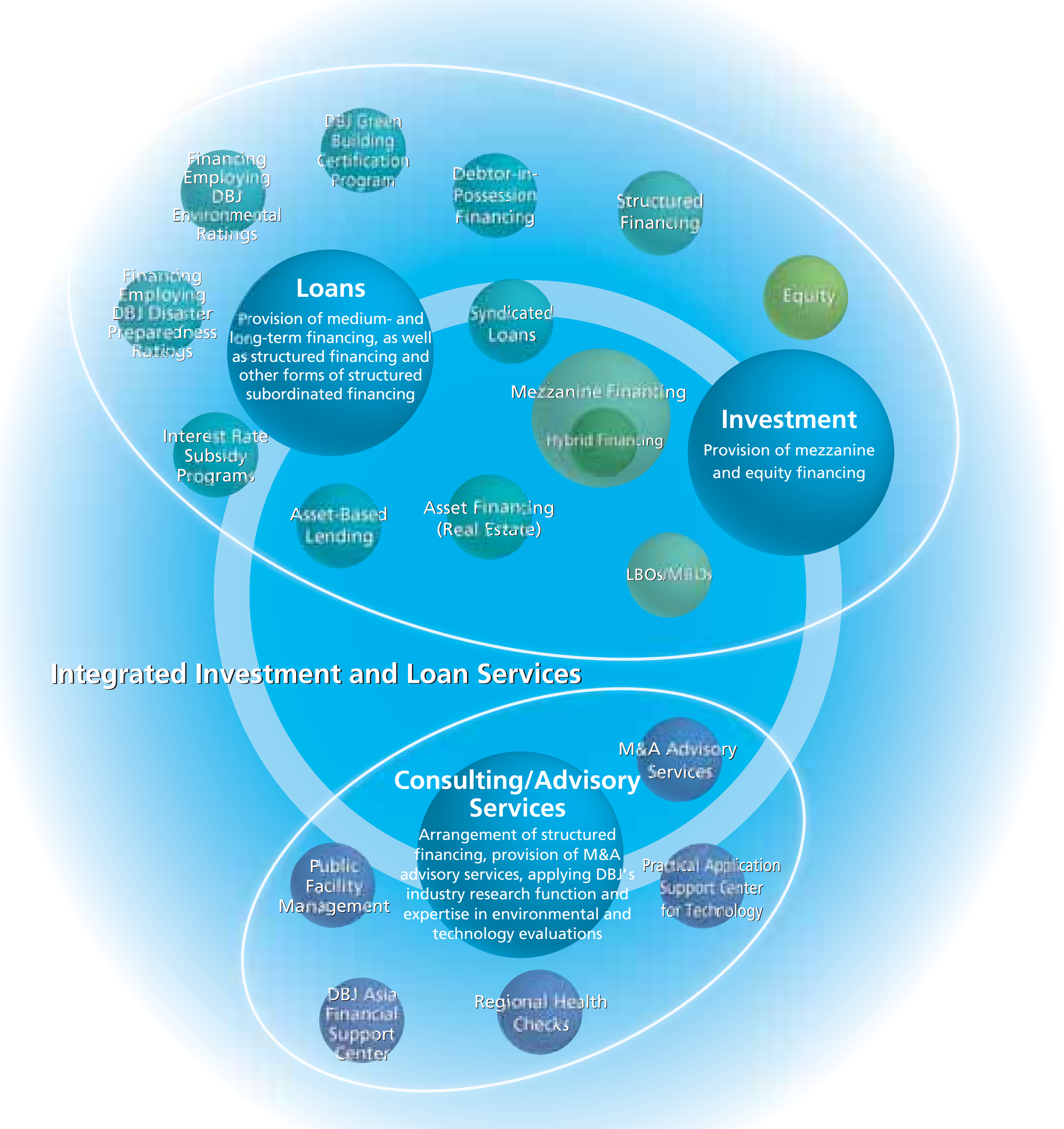
To resolve the various issues that society faces and become its clients' most supportive financial institution, DBJ supplies long-term funds, supports the formation of business and takes a host of other approaches to ensure that useful projects operate smoothly. We are committed to creating financial 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.




# Integrated Investment and Loan Services

**DBJ provides seamlessly integrated investment and loan services. We assist clients with their financing needs by taking a position of neutrality and a long-term perspective that extends over all their activities, and by employing leading-edge financial methods.**

- We offer integrated investment and loan solutions that range from senior loans to mezzanine and equity financing.
- DBJ also provides a host of services (e.g., M&A advisory and CSR support services) that help raise corporate value.
- In collaboration with its Group companies, DBJ provides finely tuned services to meet individual clients' needs.



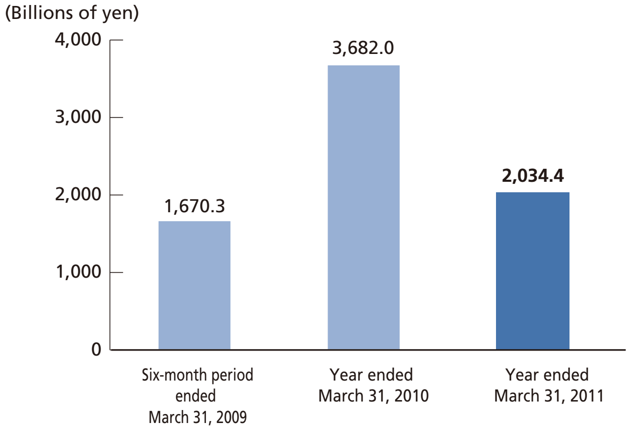

Note: DBJ-designated analysis is required for investment and loan services.

## Loans

**DBJ provides financing to meet the diverse needs of its clients.**

- Provides medium- and long-term loans
- Offers unique high-value-added financial services (environmentally and socially responsible investment, disaster countermeasures and safety measures and rating-linked financing for technology commercialization)
- Responds to diverse needs by offering nonrecourse loans and develops and provides financing offering collateral and structural flexibility (debtor-in-possession financing, inventory collateral, intellectual property rights as collateral, etc.)

**● Loan Amounts Provided** (Non-consolidated)



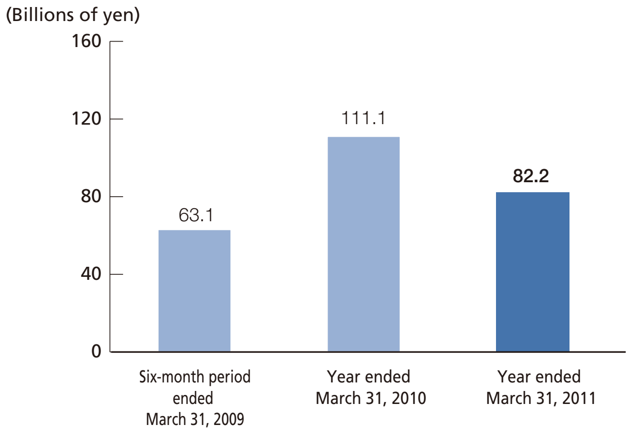

Note: Figures, including those for corporate bonds, are on a management accounting basis.

## Investment

**DBJ provides investment funding, based on a long-term perspective, to meet specific needs and address a host of issues that clients face.**

- We provide investment to assist businesses in terms of their revitalization, restructuring, growth strategies, international competitiveness and infrastructure operations. We provide such funding through mezzanine financing, as well as through equity and other funding.

**● Investment Amount Provided** (Non-consolidated)



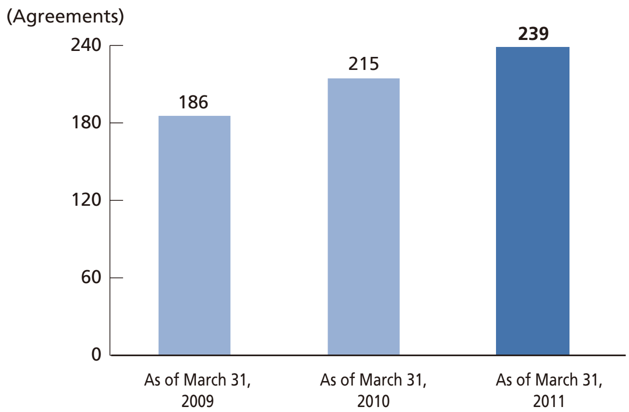

Note: Figures, including those for securities, money held in trust and other assets (funds), are on a management accounting basis.

## Consulting/Advisory Services

**Through its advisory support services, DBJ helps clients become more competitive and invigorate regional economies.**

- Provides M&A advisory services
- Makes proposals that apply its expertise in industry research and ability to develop new financial technologies
- Arranges structured and other types of financing

**● M&A Advisory and Consulting Agreements** (Cumulative)



# Investments and Loans

**DBJ provides medium- and long-term loans, meeting a range of funding requirements. In addition to senior financing through traditional corporate loans, we offer project financing, nonrecourse loans and other types of structured financing, as well as a variety of other loans that employ advanced financial methods.**

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

**The case study section on pages 74 through 93 introduces DBJ's "CSR through Investment, Loan and Other Businesses."**

## Loan Procedures

DBJ is ready at all times to discuss with its clients optimal financial solutions, as well as the specific terms and conditions DBJ can offer, including interest rates and loan maturities.

Financing terms are discussed after DBJ has conducted comprehensive due diligence of the businesses of its client companies, including assessment of their present business status, project plans and profitabilities.

### Financing Conditions

- **Loan Amounts**
  Loan amounts are determined through consultation based on client financing plans.
- **Loan Terms**
  Appropriate loan maturities are set in consultation with our client companies according to factors such as repayment plans, business profitability and the expected life of equipment or facilities.
- **Interest Rates**
  DBJ sets interest rates in line with loan periods and risk. Fixed- and floating-rate loans are both available. DBJ also considers the application of various interest rate subsidy programs.
- **Collateral/Guarantees**
  Loans may require collateral and guarantees, depending on due diligence results.

Note: Please be aware that, based on due diligence results, DBJ may not be able to provide the loans that prospective borrowers anticipate.

## Medium- to Long-Term Loans

By leveraging the long-term financing expertise it cultivated as a policy-based financial institution, DBJ provides loans to clients to match their medium- to long-term financing needs. When providing funds, clients first look at the profitability of the business that requires funding, and then proposes a medium- to long-term repayment plan. As part of our effort to meet varied needs, a grace period may be implemented.

**We provide a broad range of information to our clients.**

Through our long history of operations, we have accumulated substantial expertise and experience that we apply when offering advice to address the issues our clients face.

DBJ puts its wide-ranging networks to use to help clients expand their operations.

We provide information generated through our various studies and research activities, as well as reports, publications and other information from overseas.

## Mezzanine Financing

Mezzanine financing is an intermediate financing method that is between typical senior bank loans and equity finance in terms of risk.

Although mezzanine financing is riskier because its payment is subordinated to senior loans, it plays an important role in markets such as the United States, which have a broad range of investors with diverse investment appetites. Mezzanine financing helps to secure the economics of the investment by setting adequate interest rate and dividend levels to correspond to the intermediate risk. Depending on clients' financing plans and capital policies, flexible mezzanine financing can be set. In recent years, demand for mezzanine financing has grown in association with business acquisitions, spinoffs of subsidiaries and business units, business succession and listed companies that are delisting.

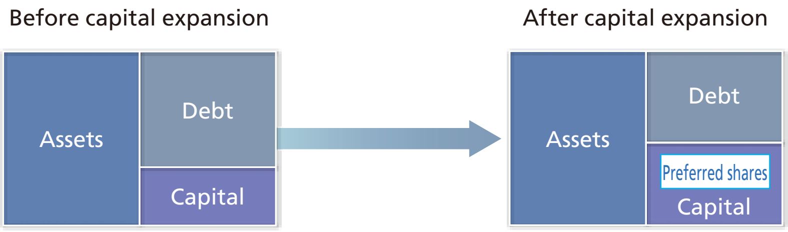
Mezzanine financing has the benefit of providing risk capital that may be difficult to obtain through senior loans. Such financing also prevents dilution of the voting rights of existing shareholders. Redemption and exit methods can be set to be flexible.

From a long-term perspective, DBJ helps clients resolve their balance sheets issues through total financing solutions that range from structuring and arrangement to providing risk capital.

**Types of mezzanine financing**
- Subordinated loans, subordinate bonds
- Preferred shares, classified shares
- Hybrid securities, hybrid loans, etc.

### ● Case Studies: Mezzanine Financing

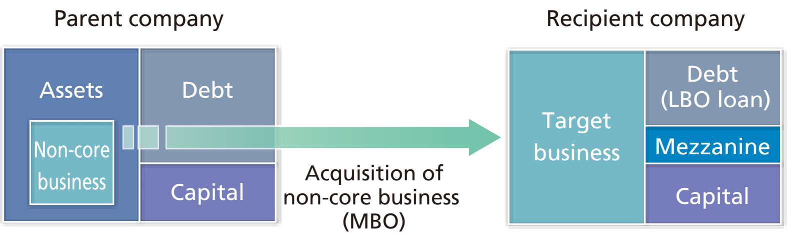
#### Case 1: Resolving an Undercapitalization Issue




**Objective**

Conventional restructuring methods involve posting extraordinary losses, which is problematic for companies that are undercapitalized. This issue was resolved by raising capital through the issuance of preferred stock.

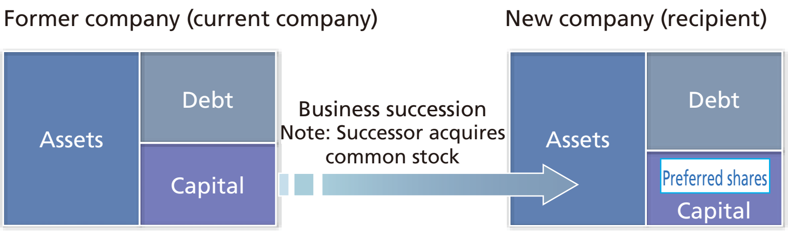
#### Case 2: Supplementary Method of Financing a Business Acquisition




**Objective**

Provide supplementary financing to overcome a shortfall between the purchase price and the amount available through equity funding and loans

#### Case 3: Avoiding Dilution of Voting Rights during Business Succession




**Objective**

Prevent the dilution of successor's voting rights when financing is provided for business succession

## Equity

In an environment characterized by growing needs for the operational selection and focus of group businesses, the formulation of growth strategies and the heightening of corporate governance, equity has become more important than ever before.

Through equity investment, DBJ helps clients address the issues they face and supports their long-term development. After making equity investments, DBJ provides total solutions involving its networks and strengths in information, industry research and financing technologies, helping clients maximize their long-term corporate value. In fiscal 2010, DBJ enhanced its “added-value creative equity financing to support corporate growth strategies.” In addition to funding, this approach aims to achieve corporate growth strategies, (1) combining M&A strategies, (2) capital strategies and (3) overseas strategies. This initiative aims to support corporate value enhancement over the medium to long term.

**Client Needs**

- Growing needs for operational selection and focus
- Formulation of growth strategies for globalization
- Growth strategies making use of the capital markets (M&A, initial public offerings, etc.)

**DBJ's Solutions**

- Inject growth capital
  Capital injections into individual companies, SPCs, various funds, etc.
- Globalization measures
  Encourage companies from overseas to take part in the Japanese market, support Japanese companies' efforts to expand overseas
- Provide solutions after making investment
  Provide total solutions involving DBJ's networks and strengths in information, industry research and financing technologies

**Results**

- Resolve clients' issues
- Help clients grow over the long term and maximize corporate value

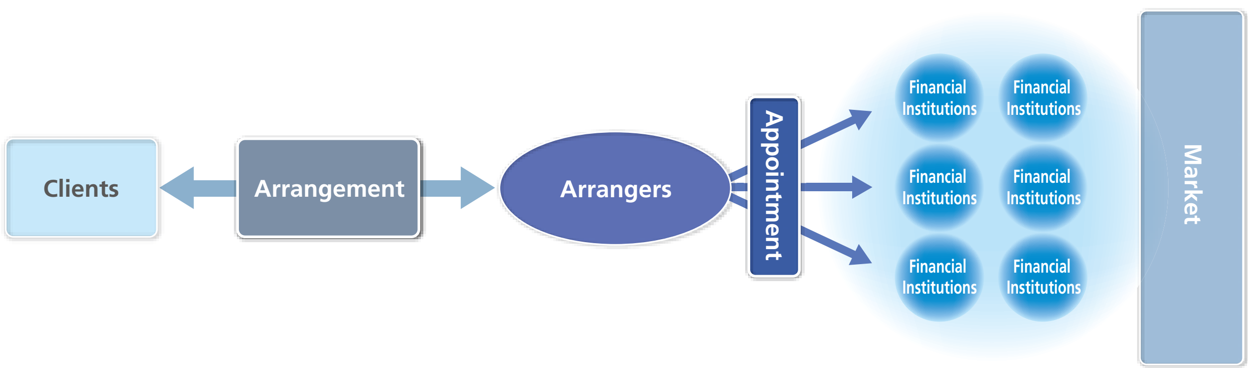
# Structured Financing, Financial Technologies

## Syndicated Loans

This type of loan involves multiple arrangers that are combined into a syndicate. The agreement with the client is based on a single contractual document, and financing is provided cooperatively according to a single set of terms.

Having a single arranger in the point negotiating position reduces the administrative burden. Conducting settlement operations through an agent reduces the administrative burden. Large amounts can be raised expeditiously. Appointing an arranger allows the number of financial institutions involved in the transaction to be increased, and clarity of borrowing terms is ensured.

As part of its services, DBJ actively structures loans, centering on term loans. DBJ invites a wide range of financial institutions to participate, making use of its neutral standpoint. Structuring loans to include some items from its own lending menu, such as Financing Employing DBJ Environmental Ratings, helps raise the value-added level of services it provides.



## Structured Financing

In 1998, DBJ pioneered project financing in Japan. From these beginnings, our accumulated expertise in this area, centering on energy and infrastructure projects, has propelled us to our current position as one of Japan's leaders in project financing, including private finance initiatives (PFIs).

Since its privatization (conversion to a joint-stock company) in 2008, DBJ has maximized its unique characteristics to meet Japanese companies' increasingly diverse and global needs. We provide all-around support by offering clients in Japan and overseas with project finance, PFIs, object finance, securitization and various other financial products and optimal financing methods (senior loans, mezzanine loans, equity, etc.).

### ● Project Financing

We have a wealth of expertise in helping companies in the energy and infrastructure sectors—primarily with regard to large-scale projects—find project financing that they can repay through project cash flow, without relying on specific corporate creditworthiness or collateral value. Such finance solutions we provide help them raise funds and support their efforts to control risks.

### ● Object Financing

DBJ helps clients determine optimal financing methods that take advantage of the cashflow-generating characteristics of assets with special features, such as ships, airplanes and railcars, as well as supporting their efforts to control risks.

### ● Securitization

Through finance methods such as liquidation and securitization of receivables focusing on their future cash flows, and through whole business securitization in which debts are repaid through future cash flows generated by a particular business, DBJ supports its clients' finance strategies and helps optimize their funding. A method known as whole business securitization enables certain businesses to securitize their entire operations, backed by future cash flows. We help clients raise funds in optimal ways that match their financing strategies.

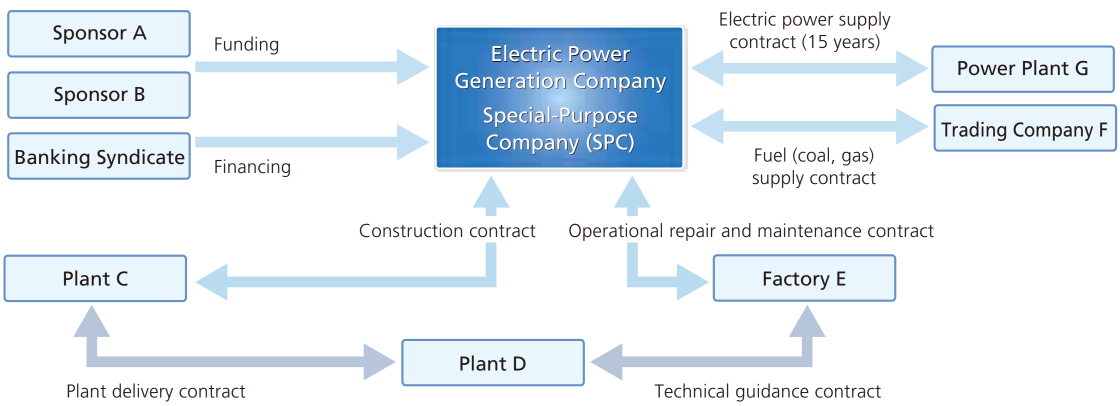
### ● PFIs and PPPs

Since the facilitation of the PFI Act* in 1999, DBJ has accumulated expertise by taking advantage of its strong relations with public-sector entities. The support we have provided to numerous clients in this category has turned us into an industry leader in PFIs. Taking advantage of this store of knowledge, we provide numerous types of support to help clients who are considering PFI/PPP initiatives in Japan and overseas to resolve the issues they face.

* Act on Promotion of Private Finance Initiative



### ● Project Financing Example: Electric Power Generation Project



## Asset Financing (Real Estate)

DBJ's involvement in the long-term financing of real estate operations began in the 1960s. We have participated in Japan's real estate securitization market from its early beginnings and continue striving to invigorate this market. Our track record, expertise and networks in this arena enable us to provide nonrecourse loans and a host of other solutions.

**Liquidization Financing**

Example 1: Sell rental real estate that a client owns to a special-purpose company, raising capital efficiency

Example 2: After selling owned real estate that a client is using to a special-purpose company, conclude new rental agreements and continue using the property in this manner

1. Allows diversification of financing methods
   - Enables funds to be raised based on the property's capacity to generate revenue and cash flow
   - Preserves the credit availability of the originator (the original owner of the asset)
2. Moves property off the balance sheet for better financial efficiency
   - Improves ROA
   - Allows planned recognition of unrealized gains or losses
   - Improves financial picture by reducing interest-bearing debt
   - Eliminates risk of variations in real estate values

**Development Financing**

Example: Use investor financing to develop idle owned real estate into income property

1. Realizes profits from development
   - Enables funds to be raised for real estate development, which might be difficult for the company to do on its own
   - By securing required additional funding, helps in terms of diversity and the control of the risk of construction delays and cost overruns
2. Controls risk by moving property off the balance sheet
   - Maintains the company's financial soundness
   - Eliminates risk of fluctuations in real estate values

**DBJ's Distinguishing Features in Asset Financing**

- Has extensive arrangement expertise on numerous projects, as well as a strong performance record in investment and loans
- Retains a network of leading investors and financial institutions in Japan and overseas to help realize projects and arrange financing
- Creates project-tailored solutions to meet clients' needs, such as providing senior, mezzanine and equity financing
- Maintains a neutral standpoint, enabling projects to progress smoothly by appropriately diversifying risk and helping involved parties realize profits

## LBOs/MBOs

Leveraged buyouts (LBOs) are acquisitions of companies or businesses using borrowed money. If the company or business that is being acquired generates fixed cash flows, the acquirer (typically, the sponsor providing equity) can purchase the business or company for relatively little cash. For this reason, the borrowed funds are considered the "lever" that multiplies the return on the purchaser's funds, which are constrained.

Management buyouts (MBOs) involve the acquisition by the existing corporate management of a company's shares or operations. As the existing management team typically has a limited amount of cash available, MBOs generally require that funds be raised to acquire an operation. For this reason, an MBO may take the form of an LBO. In the event that borrowed funds alone are insufficient, the management team may offer equity to a collaborative sponsor, such as a buyout fund or partner. In recent years, MBOs have been used more frequently by listed companies that are delisting and by owner-operated companies.

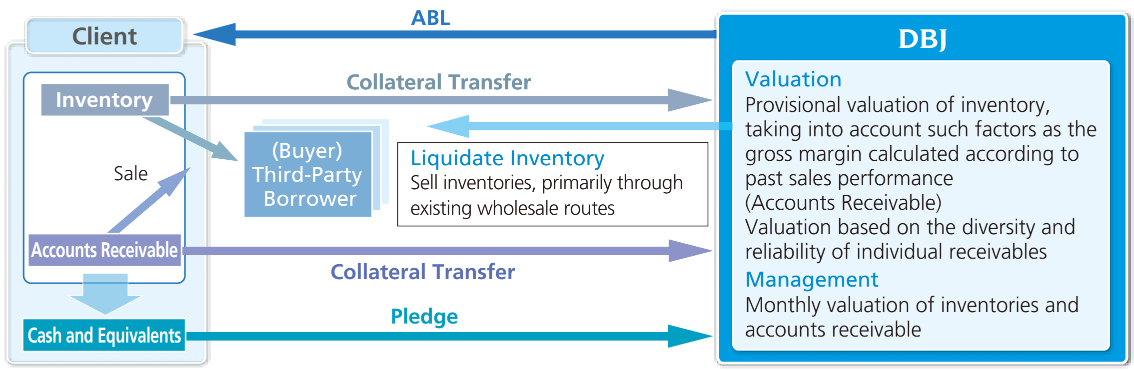
As a financial advisor, DBJ ties together all MBO-related details, arranges investment and mezzanine financing, and works out joint equity financing with sponsors. The ability to handle this range of activities allows DBJ to offer LBO/MBO solutions.

## Asset-Based Lending

Asset-based lending (ABL) is a method of financing that uses as collateral a company's liquid assets, such as aggregate movable property, inventory collateral and receivables.

As financing methods become more diverse, expeditious fund-raising, debt restructuring and the sale of surplus inventories also enhance the robustness of internal control systems.

As a front-runner in corporate revitalization financing, DBJ has gained abundant experience in the area of developing ABL schemes to support companies, while at the same time securing their debt. Going forward, we plan to apply this expertise to develop ABL schemes that provide companies with growth capital.

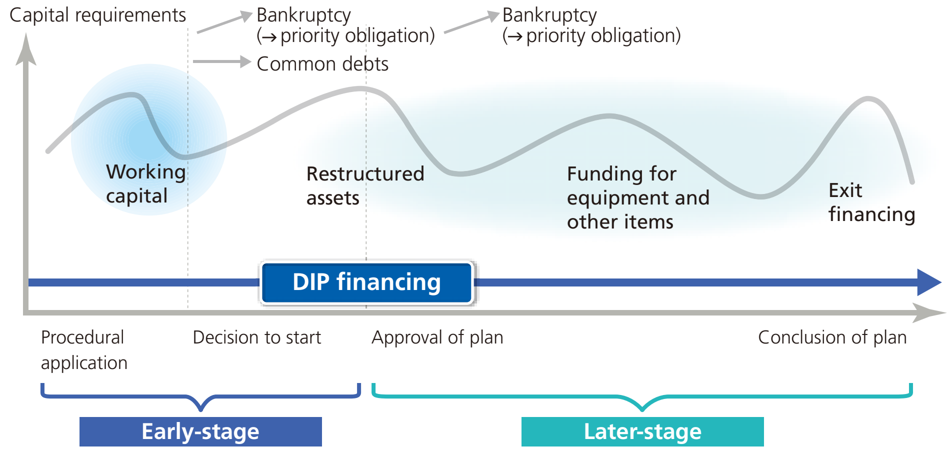



## Debtor-in-Possession Financing

Nonperforming loans emerged as a major problem beleaguering the Japanese financial system in the late 1990s. Against this backdrop, DBJ has developed a host of tools to help underperforming companies sustain or develop profitable areas of operation. One method of which DBJ is a proponent is early debtor-in-possession (DIP) financing. This temporary financing method provides working capital that allows a company in bankruptcy to continue operations during the period between a request for the application of the Civil Rehabilitation Act and the approval of rehabilitation plans, thereby sustaining the valuable parts of its operations.

Later-stage DIP financing provides the funding that is needed to implement restructuring plans. By providing medium- to long-term financing to fund capital investment under different conditions than those for revitalization plans that are being implemented, an organization that is under rehabilitation can refinance its debt, providing exit financing more quickly than is possible via the legal liquidation process.

In 2001, DBJ provided the first DIP financing in Japan. Since that time, DBJ has worked to broaden the range of entities eligible for this financing and the methods of employing it in response to varied needs.



## ▶▶ Certification and Unique Programs

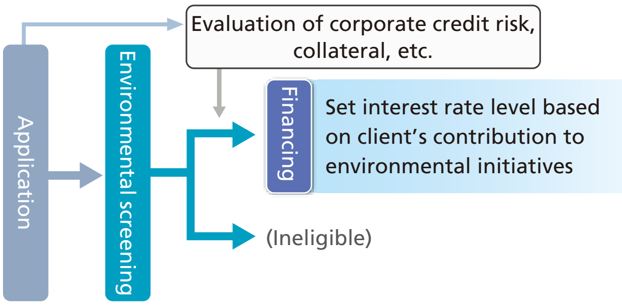
### Financing Employing DBJ Environmental Ratings

Beginning with the antipollution measures implemented in the late 1960s and early 1970s, DBJ has provided more than ¥3 trillion in investments and loans for environmental measures over the past 40 years.

In fiscal 2004, DBJ began Financing Employing DBJ Environmental Ratings based on knowledge cultivated for over five decades. DBJ developed a screening (rating) system that scores companies on the level of their environmental management and then applies one of three different interest rates reflecting that effort. This was the world's first incorporation of environmental ratings in financing menus. In fiscal 2007, we launched an interest rate subsidy program based on environmental ratings to advance global warming countermeasures.

Based on the experience gained from the Financing Employing DBJ Environmental Ratings that we introduced in fiscal 2010, we began offering a support service to develop evaluation tools for regional banks to use in performing their own environmental ratings. Through such initiatives, we aim to encourage the proliferation of and augment environmental financing in Japan.

**● Overview of Financing Employing DBJ Environmental Ratings**




**Features**

- Varying interest rate levels based on environmental ratings
- Screening sheet contains approximately 120 questions derived from the United Nations Environment Programme Finance Initiative (UNEP FI) evaluation of fair and neutral global environmental trends and an exchange of information with the Ministry of the Environment
- Ratings determined through interviews with clients
- Corresponds to a wide range of clients, from manufacturers to such nonmanufacturers as retailers, railway operators and leasing companies

### Financing Employing DBJ Disaster Preparedness Ratings

In addition to helping businesses create countermeasures to hedge against disasters and provide contingency financing to help recover their operations in the event that they are affected by disaster, DBJ assists companies from a continuing business standpoint. We help with a full range of disaster preparedness, from the formulation of business continuity plans to the earthquake-proofing of facilities and preparation of IT backup systems. At the same time, DBJ provides new financing methods to assist the recovery of disaster-struck businesses.

In fiscal 2006, we introduced Financing Employing DBJ Disaster Preparedness Ratings, which evaluate and select companies engaged in high-level initiatives and provides them with preferential interest rate financing as a reward for their excellent disaster preparedness measures. In this manner, we introduced the world's first disaster preparedness-based financing method.

We revised our financing menus substantially in 2011 as a result of the Great East Japan Earthquake. We will promote corporate earthquake-proofing initiatives through Financing Employing DBJ Preparedness Ratings.

**● Major Revisions to Financing Employing DBJ Disaster Preparedness Ratings**

| | Before revision | After revision |
|---|---|---|
| Evaluation points | Disaster prevision (human safety, asset protection) | (Assuming countermeasures to hedge against disaster are in place) Continue core businesses/achieve early restoration |
| Scope of evaluation | Headquarters, factories and other facilities | The entire business flow, from upstream to downstream |
| Important evaluation points | • Countermeasures to hedge against disaster | • Management system development<br>• Content of BCP measures (extent, scope) |
| Levels | Three levels (including ineligible for rating) | Five levels (including special acknowledgement and fail) |

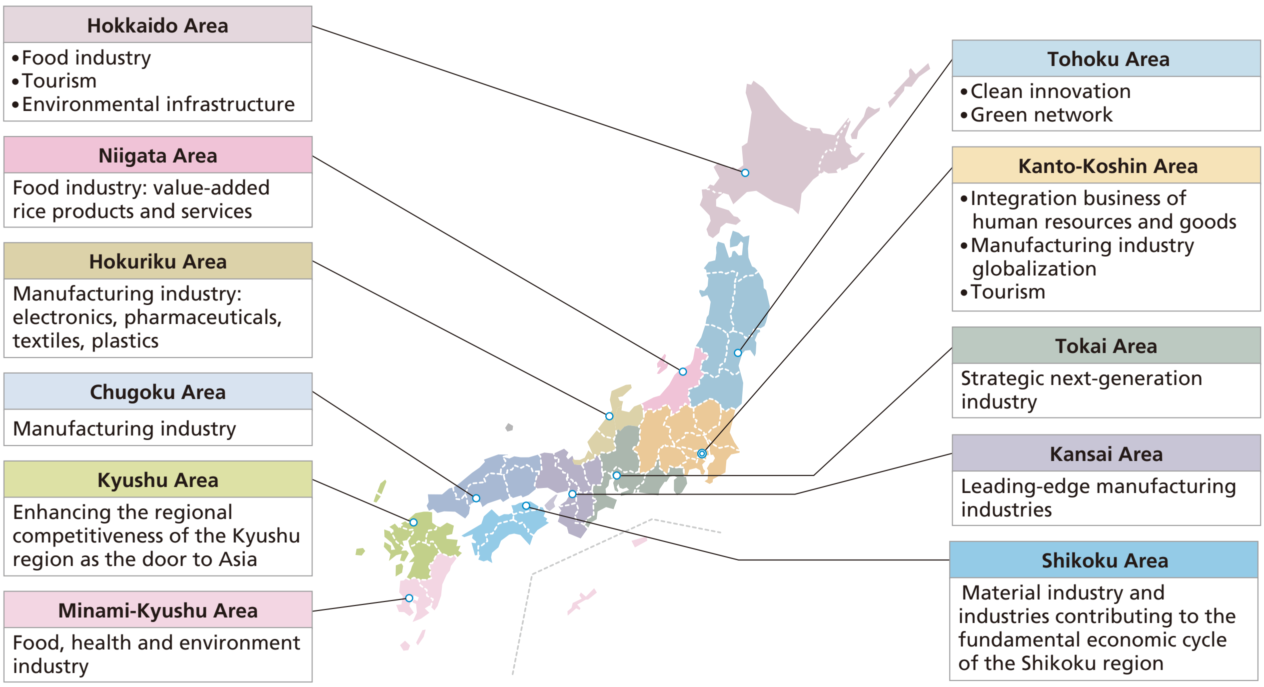
## Regional Areas' *Genki* Program

Currently, facing the challenges of population constraints, financial limitations, environmental restrictions and global competition, Japan's regions must coordinate with one another and implement diverse regional development schemes that capitalize on their respective strengths, competitive advantages and latent potential.

DBJ has arranged a unique initiative, the Regional Areas' *Genki** Program, to support regional growth that capitalizes on each region's respective strengths and information and funding potential. Specifically, we have enhanced our information support service through advice and suggestions to regions. In addition, each DBJ branch focuses on its region's distinctive fields and businesses based on its industrial structure and partners with regional financial institutions to offer financial support, including the execution of loans with more attractive interest rates than usual.

*The Japanese word *genki* implies a positive spirit and good health.

● Regional Areas' *Genki* Program




## DBJ Development Support Program (*Nihon Genki* Program)

To encourage the steady growth of the Japanese economy by providing stronger support from a funding standpoint, DBJ has secured total funding of ¥400 billion targeting five sectors: region and lifestyle, environment, manufacturing, infrastructure (social infrastructure), and overseas business and restructuring (M&A, etc.). We are working with regional financial institutions as we reinforce our support structure to contribute to employment in these sectors.

## DBJ Green Building Certification Program

Applying the expertise and networks accumulated over many years of real estate financing, Financing Employing DBJ Environmental Ratings and expertise in other environment-related areas, DBJ inaugurated the DBJ Green Building Certification program in fiscal 2011.

In addition to providing support through investments and loans to meet financial needs for real estate development, refurbishment and other activity to clients who own or manage real estate that is environmentally and societally considerate (green buildings), through this certification program, an advanced and unique initiative from a financial institution. DBJ also supports environmentally and societally considerate real estate operation among its clients and provides support from such aspects as PR, IR and CSR.

### ● Overview of the DBJ Green Building Certification Program

**Evaluation Items** For environmentally and societally considerate real estate, evaluation items include the three characteristics indicated below.

| Ecology | | Amenity & Risk Management | | Community & Partnership |
|---|---|---|---|---|
| Reducing the burden buildings place on the environment<br>• Building's environmental performance<br>• Energy savings, conservation of resources, renewable energy | + | Comfort, safety and security<br>• Safety and security of people who use buildings<br>• Comfort and convenience for people who use buildings | + | Consideration for and communication with stakeholders<br>• Relationships with the surrounding environment and region<br>• Communications between owners and stakeholders |

**Certification Results** Clients scoring above a certain level are certified in one of four categories, depending on the status of their initiatives.

| DBJ Green Building Platinum ★★★★ | DBJ Green Building Gold ★★★ | DBJ Green Building Silver ★★ | DBJ Green Building Bronze ★ |
|---|---|---|---|
| Buildings that are top class in Japan for their consideration for the environment and society | Buildings that are extremely superior in their consideration for the environment and society | Buildings that are very superior in their consideration for the environment and society | Buildings that are superior in their consideration for the environment and society |

## Safety Nets and Public Programs

### Interest Rate Subsidy Programs

Interest rate subsidy programs are schemes whereby financial institutions provide financing for specific businesses to promote specific industries. Alternatively, they may target operators of specific businesses. Under these programs, the Japanese government or other organizations provide subsidies corresponding to all or part of the interest payments, thereby reducing the interest burden on the borrower.

**Interest Rate Subsidy Program Menu**

- **Interest rate subsidy programs that support the revitalization of regional communities**
  These interest rate subsidy programs can be used by clients whose businesses are in line with the regional revitalization plans of regional municipal bodies certified by the government.
- **Interest rate subsidy programs for the development of regional telecommunications and broadcasting businesses**
  These interest rate subsidy programs can be used by clients pursuing regional telecommunications or broadcasting businesses in accordance with legally prescribed guidelines.
- **Interest rate subsidy programs for crisis response operations**
  These interest rate subsidy programs can be used by clients who have sustained damage during a crisis certified as such by the government and who meet program requirements. At present, such subsidies are being provided to clients affected by the Great East Japan Earthquake.
- **Interest rate subsidy programs for the promotion of environmentally conscious management (interest rate 1% subsidy)**
  These interest rate subsidies are for fixed investment and the promotion of research and development to prevent global warming, and target clients involved in businesses working toward the reduction of energy-derived $CO_2$ emissions, that qualify for DBJ environmental rating financing, and that have pledged to improve unit $CO_2$ emissions or reduce overall $CO_2$ emissions by more than 5% within five years.
- **Interest rate subsidy programs for the promotion of environmentally conscious fixed investment (interest rate 2% subsidy)**
  These interest rate subsidies are for the promotion of fixed investment toward the prevention of global warming and target clients that are small and medium-sized companies involved in business promoting the reduction of energy-derived $CO_2$ emissions, that qualify for DBJ environmental rating financing, and that have pledged to improve unit $CO_2$ emissions or reduce overall $CO_2$ emissions by more than 6% within three years.
- **Interest rate subsidy programs to fund domestic oil and natural gas development (continental shelf interest rate subsidy)**
  These interest rate subsidy programs can be used by clients involved in oil or natural gas development businesses in Japan.
- **Interest rate subsidy programs to fund fixed investment for using natural gas and other resources (natural gas and other resources interest rate subsidy)**
  These interest rate subsidy programs can be used by clients that are making fixed investment involving the use of natural gas and other resources.
- **Interest rate subsidy programs to fund specific and other facilities related to the rationalization of energy use (energy conservation interest rate subsidy)**
  These interest rate subsidy programs can be used by clients who are promoting the conservation of energy.
- **Interest rate subsidy programs to fund effective resource use and other activities**
  These interest rate subsidy programs can be used by clients who are using resources effectively.

### Crisis Response Operations

Crisis response operations, on the basis of the Japan Finance Corporation Act (Act No. 57 of 2007, later updated) consist of the provision of necessary funds during such crises as disruptions in domestic or overseas financial markets or large-scale natural disasters. The Japan Finance Corporation (JFC) provides risk and other support from the Japanese government via designated financial institutions as funds for responding to crisis-related damage.

At the time of its establishment, DBJ was designated as such a financial institution, as was Shoko Chukin Bank Limited. In accordance with this designation, DBJ commenced its crisis response operations in October 2008.

In the fiscal 2011 supplementary budget (passed on May 2, 2011), ¥2.5 trillion was earmarked for JFC Great East Japan Earthquake crisis response operations targeting medium-sized and large companies.

This supplementary budget having been passed, as a designated financial institution for the crisis response operations DBJ set up a full-fledged structure to facilitate implementation of crisis response operations for clients affected both directly and indirectly by the disaster. In addition, DBJ is making a proactive effort to support increases in the production of materials needed for restoration and reconstruction in the aftermath of the recent disaster.

See pages 55–61.

# Consulting/Advisory Services

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

**Our consulting and advisory services are backed by the know-how we have built up through our structured and other types of financing, our M&A advisory services and our provision of expertise on industry research and environmental and technical evaluations. We apply this accumulated expertise to help clients resolve the issues they face.**

**The advisory services case studies on page 86 introduce DBJ's "CSR through Investment, Loan and Other Businesses" approach.**

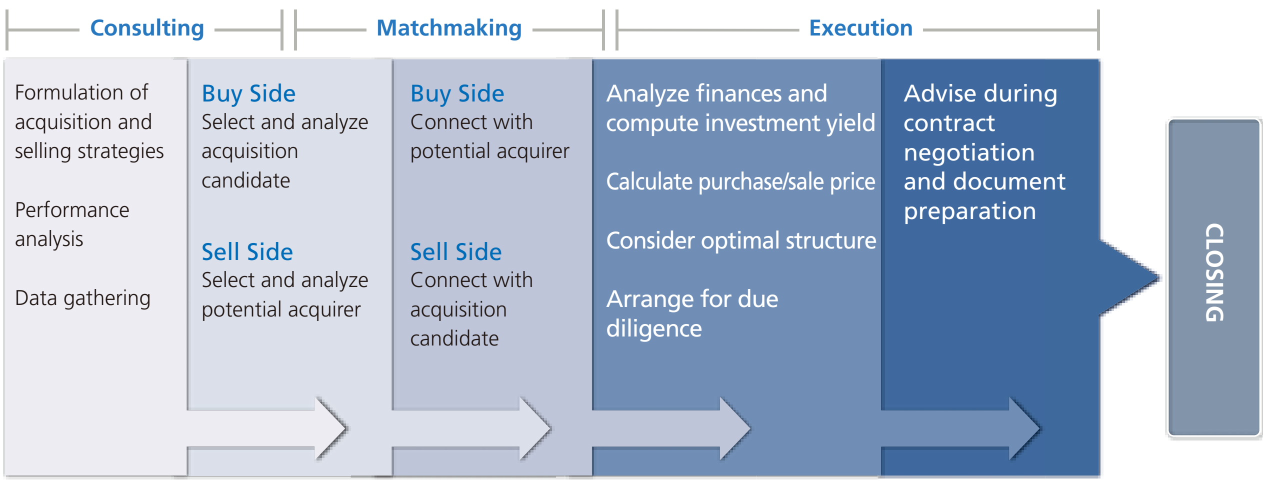
## M&A Advisory Services

As corporate development options diversify, M&A activity is growing more prevalent amid the expansion business overseas—centered on Asia, both for businesses restructuring operationally and for industry restructuring overall. Mergers and acquisitions can be a method for achieving higher business efficiency, better employment stability and a stronger competitive position. Amid growing interest in M&A activities in Japan and overseas, DBJ provides advisory services through its own networks. We offer comprehensive M&A solutions that match clients' varied needs and management strategies.

### Strategic Consulting

- **Comprehensive Business Strategies**
  We create operating and management strategies that draw on the experience we have gained through many years of providing loan and project support from a neutral, medium- to long-term perspective.
- **Information on a Wide Range of Business Partners**
  DBJ is involved in business entities in a broad range of industries, and its business partners in Japan number more than 3,500. Since 1984, we have provided loans for more than 700 foreign-capitalized companies, enabling us to also provide a wide variety of information on overseas companies as well.
- **Cohesive Domestic and Overseas Information Network**
  DBJ maintains close relationships with regional financial institutions, which have excellent insights into the companies that operate in their regions, as well as with Japanese and overseas financial institutions and accounting and legal firms. Such relationships enable us to build information networks to accumulate accurate information. We have created a banking M&A network that links information on financial institutions throughout Japan (regional banks and trust banks) with information on corporate M&A activities.
- **M&A Activities**
  DBJ provides fundamental advisory services at every stage of a merger or acquisition, from planning through to implementation.

● M&A Advisory Services

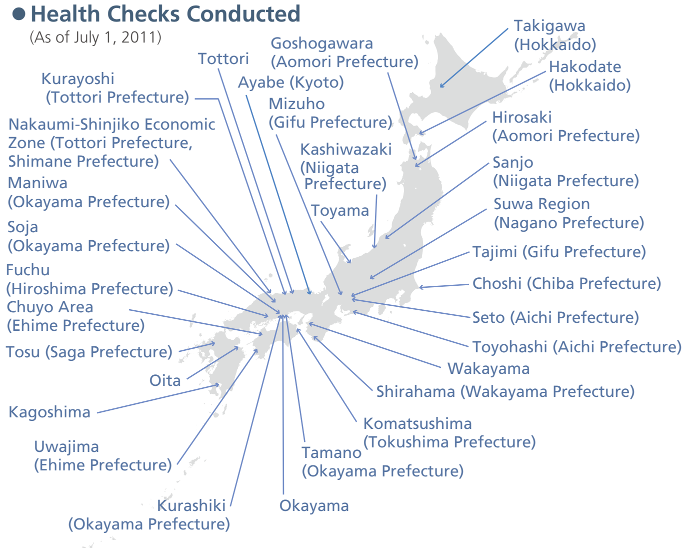


## Regional Health Checks

When diagnosing the health of local community-building activities, DBJ begins by analyzing communities based on publicly available data. We augment this trove of information by conducting on-site surveys and local interviews, and then we make an independent diagnosis of the region's health. We discuss our findings (issues and possibilities) with the region's constituents, including the issues that we have uncovered through our interaction with members of their community.

Mutual awareness of regional issues and possibilities provides an opportunity for taking action, such as by formulating a project. We have taken part in 32 such projects to date.

● **Health Checks Conducted**
(As of July 1, 2011)




## Public Facility Management

Public facility management describes the method of looking at the public facilities owned by government bodies from a management perspective for the purposes of overall planning, control, use and disposal.

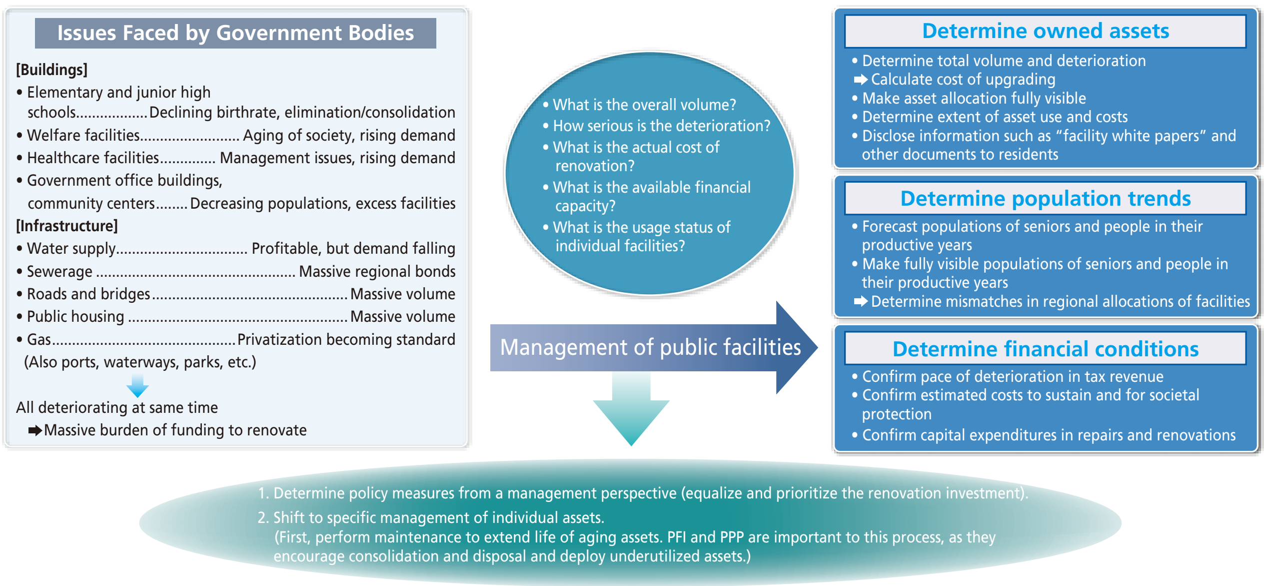
The public facilities owned by government bodies are large and varied. They include buildings, such as schools, public offices and community centers, as well as waterworks, sewerages, roads and other infrastructure. Two major issues have come to the fore in this category in recent years.

The first is that facilities that were built in a concentrated period during Japan's era of high economic growth are now deteriorating rapidly. Because many public facilities were built at around the same time, their deterioration is also simultaneous. The second issue is a mismatch between the population—which is shrinking and changing in its makeup—and the supply of facilities needed to serve the needs of residents. Going forward, as the overall population shrinks and the average age rises, government bodies will face major changes in the amount and types of public facilities that are necessary.

However, long-term economic malaise and a decrease in the percentage of the population in their productive years means that tax revenues are down and welfare budgets are increasing. Owing to factors such as these, it is difficult to secure the budgets necessary to renovate or reallocate public facilities that have deteriorated.

For this reason, government bodies must quickly embark on the management of public facilities and conduct sustainable urban management.

DBJ is working with the Japan Economic Research Institute Inc. to determine the status of owned assets and calculate their future cost, among other activities. Public facility management advisory services are just one of the initiatives we offer.



## DBJ Asia Financial Support Center

DBJ opened the DBJ Asia Financial Support Center in June 2011 to provide local information and consulting services to regional banks supporting efforts by medium-sized companies and other entities in their regions to promote business in other parts of Asia.

The center's roles are to liaise with regional banks throughout Japan and help meet the various needs of local medium-sized companies and other entities to develop their operations in Asia. Specifically, when local medium-sized companies seek to expand their operations in Asia, we provide their regional banks with necessary investment information and current information, including industry trends. In addition, to meet the various information needs of companies recommended to us by regional banks we provide individual consulting services by leveraging the DBJ Group's information network, which includes development banks and other public financial institutions in Asian countries. We provide this information to the companies via their regional banks.

With regard to its services, in June 2011 the center entered into a comprehensive agreement on collaboration with Hitotsubashi University. Based on this accord, the two entities will work to strengthen the transmission of information related to Asia through collaboration in a host of areas, including Asia-related joint research and personnel exchanges.

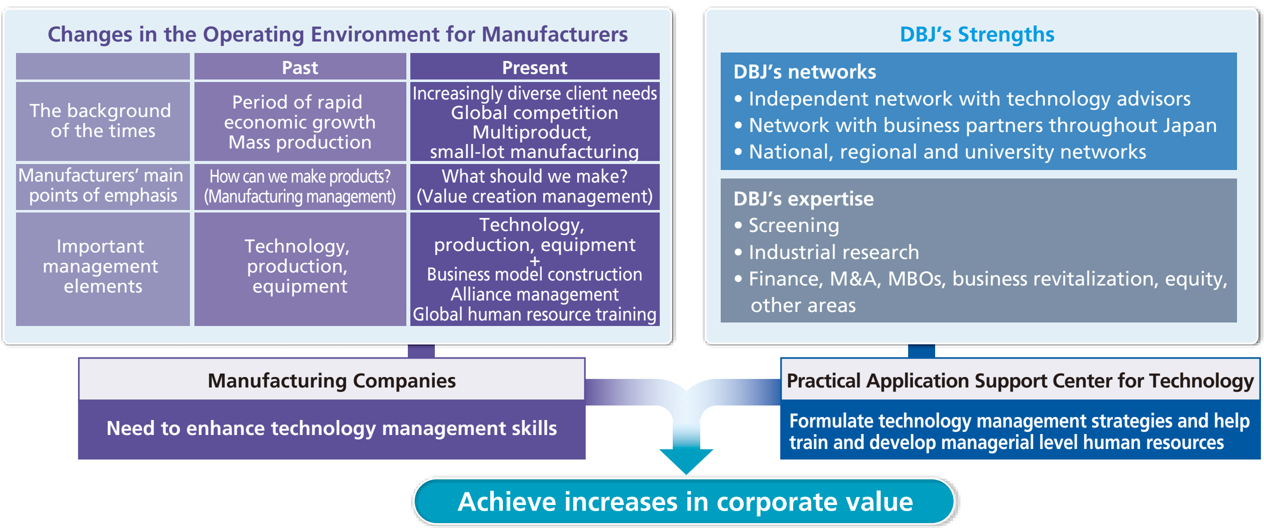
By opening this center, DBJ intends to reinforce its provision of information that will enable regional banks to enhance their efforts to help their business partners advance into Asia by procuring information from DBJ's propriety and other networks. For DBJ, meanwhile, the center will accelerate the support it provides local companies for their advances into Asia, thereby accelerating and diversifying its international business overall. By supporting regional banks and the Asian development activities of their business partners, DBJ will assist the internationalization of regional economies.

## Practical Application Support Center for Technology

DBJ established the Practical Application Support Center for Technology in February 2004 to help manufacturers realize their potential for the commercialization of successfully developed technologies. The role of this center is to diagnose whether companies have the management strength (technology management expertise) to turn their technologies into customer value. Through evaluation, analysis and the proposal of business models from the perspective of technology management, recommendations and technology management training, we support companies in the manufacturing sector in the development of new value. DBJ works with regional financial institutions, local government bodies, universities, economic organizations and industrial support bodies to aggressively promote the expertise offered by the Practical Application Support Center for Technology, helping to raise regional industrial competitiveness.

For clients and other companies across a broad spectrum in the manufacturing sector, we study their future business models and consider technology management strategies to achieve "management that creates value." We provide additional evaluations based on our expertise in operational screening and, through consultation on financial strategies, help clients consider optimal long-term strategies and business plans.

From a neutral and specialized standpoint, DBJ serves as a consultation partner to management, leveraging its overall base of knowledge related to manufacturing management to help clients enhance their corporate value and contribute to the development of Japanese manufacturing.



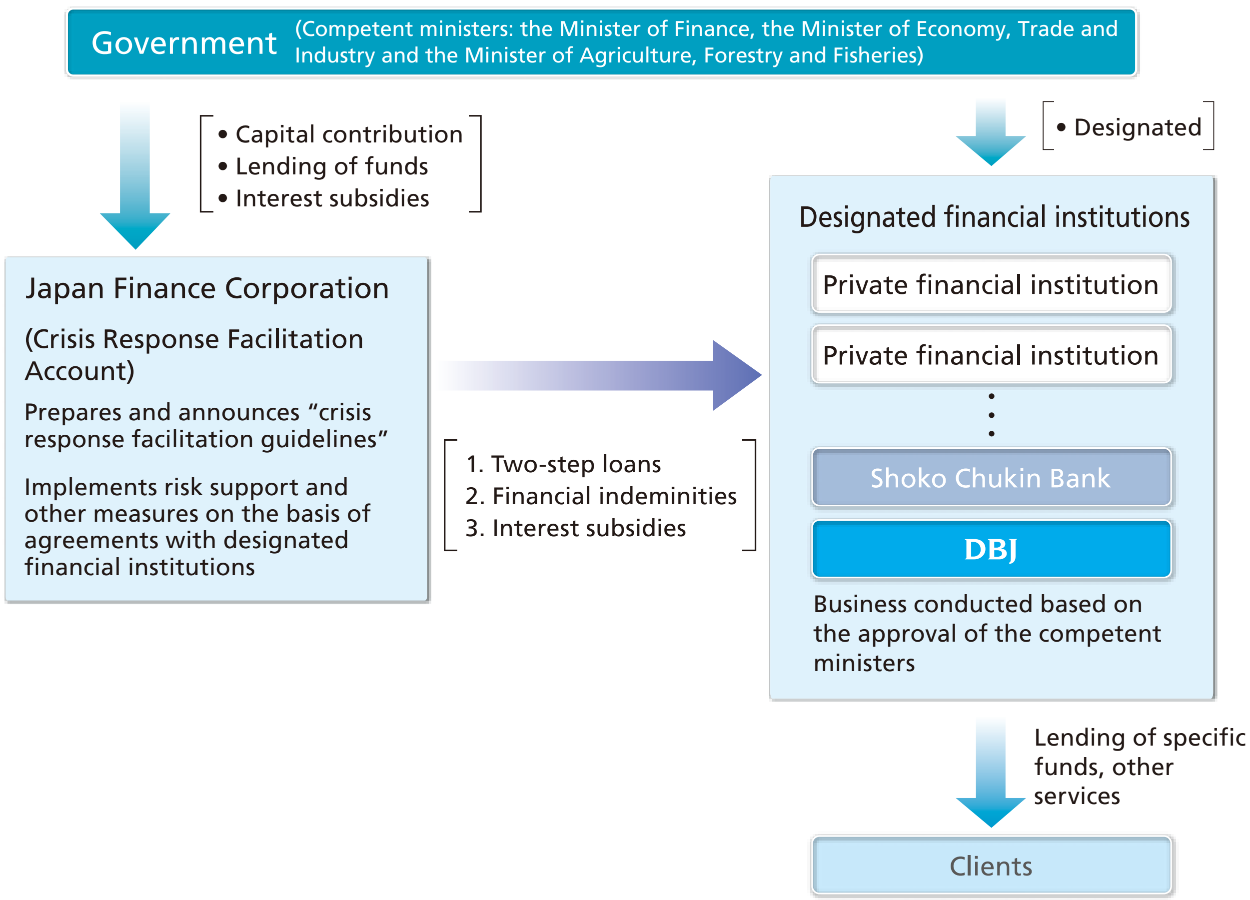
## Crisis Response Operations

Crisis response operations, on the basis of the Japan Finance Corporation Act (Act No. 57 of 2007, later updated) consist of the provision of necessary funds during such crises as disruptions in domestic or overseas financial markets or large-scale disasters. The Japan Finance Corporation (JFC) provides risk and other support from the Japanese government via designated financial institutions as funds for responding to crisis-related damage.

These funds are earmarked for use in the event of such crises as disruptions in the domestic or overseas financial markets, large-scale disasters, terrorism and epidemics of communicable diseases. Upon the receipt of such credit (e.g., for two-step loans, financial indemnity or interest subsidies), institutions designated to provide such funds do so quickly and flexibly.

At the time of its establishment, DBJ was designated as such a financial institution, as was Shoko Chukin Bank Limited. In accordance with this designation, DBJ commenced its crisis response operations in October 2008.

● **Crisis Response Operations Scheme**




## The Great East Japan Earthquake

In response to the Great East Japan Earthquake, which occurred on March 11, 2011, as a designated financial institution for crisis response operations DBJ set up a full-fledged structure to facilitate the all-around operation of crisis response operations for clients affected both directly and indirectly by the disaster.

Please see pages 58–61 for "DBJ's Initiatives Related to the Great East Japan Earthquake."

## Results of Crisis Response Operations

On October 30, 2008, Shoko Chukin and DBJ established "lifestyle measures" in response to the worsening corporate cashflow conditions resulting from the global financial and economic crisis that commenced in the autumn of 2008. On December 11, these measures were granted crisis designation under the category of "incidents related to confusion in the international financial order." On December 19, these measures were augmented by economic measures, or "emergency lifestyle defense measures," funded through an expanded budget and the commencement of the commercial paper acquisition business, and labeled Cashflow Countermeasures for Medium-Sized and Large Companies Employing the Crisis Response Operations of the Japan Finance Corporation. On January 27, 2009, government regulations were amended, incorporating these items into the second supplementary budget for fiscal 2008, augmented with funds generated by DBJ's commercial paper acquisition business on January 30.

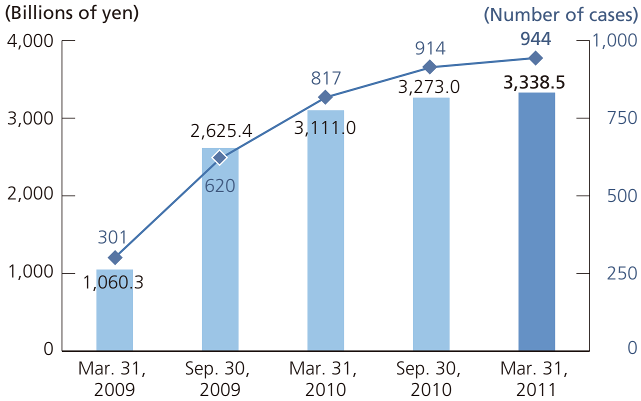
Additional economic crisis countermeasures were announced on April 10, 2009, outlining specific measures for large-scale crisis response operations and earmarking a total of ¥15 trillion for crisis response for medium-sized and large companies. In line with these measures, authorization of a supplementary budget for fiscal 2009 was announced on May 29, 2009. This budget received Diet authorization on June 26, and the Revision to the New DBJ Act went into force and was promulgated on July 3, 2009. These measures paved the way to reinforce DBJ's financial structure and facilitate crisis response operations.

For cases following the Great East Japan Earthquake, which occurred on March 11, 2011, the Japanese government began conducting crisis certifications on March 12, 2011. Upon notification of such certifications, the implementation period for crisis response operations was re-extended. (Meanwhile, the implementation period for certain projects, such as those involving "incidents related to confusion in the international financial order" concluded on March 31, 2011.)

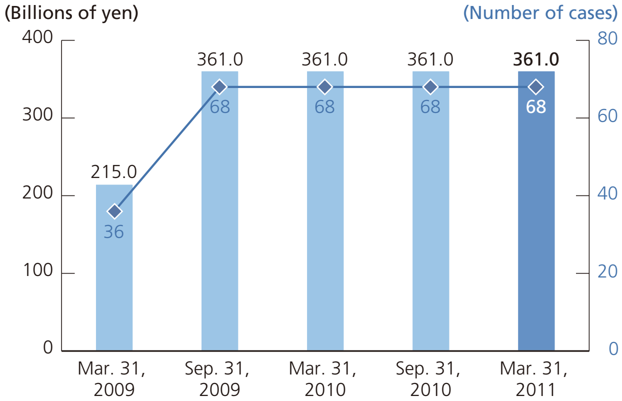
As of March 31, 2011, DBJ's loan performance and commercial paper acquisitions of crisis countermeasure loans were as follows.

- Cumulative loans: ¥3,338.5 billion (944 cases)
- Cumulative loans executed with loss guarantee agreements: ¥236.3 billion (39 cases, including those slated for application to JFC)
- Cumulative commercial paper acquisitions: ¥361.0 billion (68 cases)

● **Loans as Crisis Countermeasures (Cumulative, at Month-End)**




● **Commercial Paper Acquisition as Crisis Countermeasures (Cumulative, at Month-End)**



## 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.

## Disaster Recovery

### Societal Concerns

Required responses to a 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.

### DBJ Initiatives

DBJ has provided assistance in response to such disasters as the Great Hanshin-Awaji Earthquake in January 1995 and the Chuetsu Offshore Earthquake in October 2004. In addition to the electricity, gas, rail, communications, broadcasting, urban development and other infrastructure industries, DBJ assisted providers of everyday necessities such as foodstuffs and other retail items. These efforts played a major role in revitalizing the employment and economic situations of local communities, prompting a revival in many fields.

Note: DBJ's cumulative financing for recovery from two earthquakes
Great Hanshin-Awaji Earthquake: ¥184.8 billion
(Year ended March 31, 1995, to year ended March 31, 2003)
Chuetsu Offshore Earthquake: ¥20.3 billion
(Year ended March 31, 2005, to year ended March 31, 2007)

## 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.

### DBJ Initiatives

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 affected by a downturn in business following the September 11, 2001, terrorist attacks on the United States and the SARS outbreak.

Note: DBJ's cumulative emergency financing provided following the terrorist attacks and the SARS outbreak: ¥437.0 billion
(Year ended March 31, 2002, to year ended March 31, 2005)

## Successful Safety Net Initiatives

| | |
|---|---|
| 1995 | Reconstruction following the Great Hanshin-Awaji Earthquake |
| 1997 | Financial climate response (credit crunch) |
| 2000 | Reconstruction following Mt. Usu eruption<br>Restoration support following torrential rains in the Tokai Region |
| 2001 | Terrorist attacks on the United States<br>SARS countermeasures, BSE countermeasures |
| 2004 | Reconstruction following the Chuetsu Offshore Earthquake |
| 2005 | Reconstruction following the Fukuoka Prefecture Western Offshore Earthquakes |
| 2006 | Asbestos countermeasures<br>Response to major rise in crude oil prices |
| 2007 | Reconstruction following the Noto Peninsula Earthquake<br>Reconstruction following the Mid Niigata Prefecture Earthquake |
| 2008 | Reconstruction following the Iwate-Miyagi Nairiku Earthquake<br>Financial crisis response |
| 2010 | Yen appreciation and other countermeasures |
| 2011 | Reconstruction following the Great East Japan Earthquake |

## Crisis Response Operations

In the fiscal 2011 supplementary budget (passed on May 2, 2011), ¥2.5 trillion was earmarked for the Japan Finance Corporation (JFC) for Great East Japan Earthquake crisis response operations targeting medium-sized and large companies.

This supplementary budget having been passed, as a designated financial institution for the crisis response operations DBJ set up a full-fledged structure to facilitate implementation of crisis response operations for clients affected both directly and indirectly by the disaster. In addition, DBJ is making a proactive effort to support increases in the production of materials needed for restoration and reconstruction in the aftermath of the recent disaster.

## Responding to Electrical Power Supply Problems

In addition to damage to power generation facilities as a result of the Great East Japan Earthquake, as problems at the Fukushima Daiichi Nuclear Power Plant grew more severe, startups were delayed at nuclear power plants that had been shut for periodic maintenance, and operations were halted at the Hamaoka Nuclear Power Plant. Such developments seriously limited electric power supplies. DBJ introduced the following initiatives in relation to the electrical power supply problem.

Tohoku Electric Power: Taking into consideration the extensive damage it sustained, in March 2011 promptly after the disaster struck we extended loans to Tohoku Electric Power that should meet its immediate funding needs, thereby supporting the company's efforts to supply power to the Tohoku region.

The Tokyo Electric Power Company: To support the company's restoration following the disaster, in April 2011 we extended loans to help cover its fixed investment, as well as fuel expenses and other long-term working capital. We worked with private financial institutions on initiatives to ensure that the supply of electric power to the Tokyo metropolitan area would not be disrupted.

Chubu Electric Power: Anticipating that fuel costs would rise following the complete halt of operations at the Hamaoka Nuclear Power Plant, in June 2011 we extended loans to support Chubu Electric Power's fund-raising efforts. At the same time, private financial institutions extended loans.

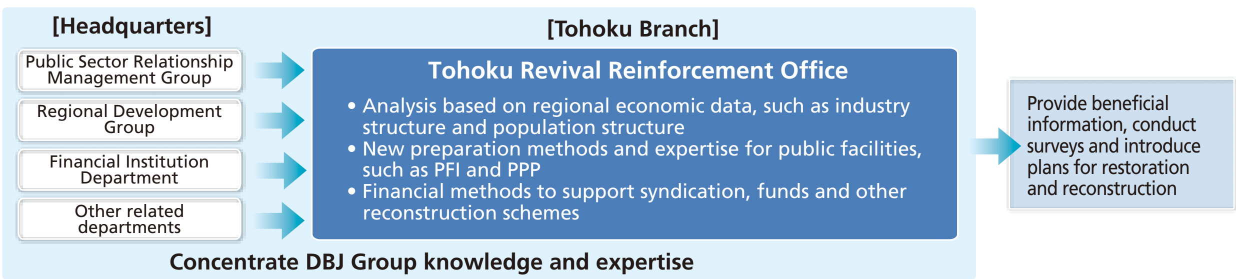
Given the public nature of the electric power business, in the future we will continue to support fund-raising efforts in order to ensure a stable supply of electric power.

## Tohoku Revival Reinforcement Office

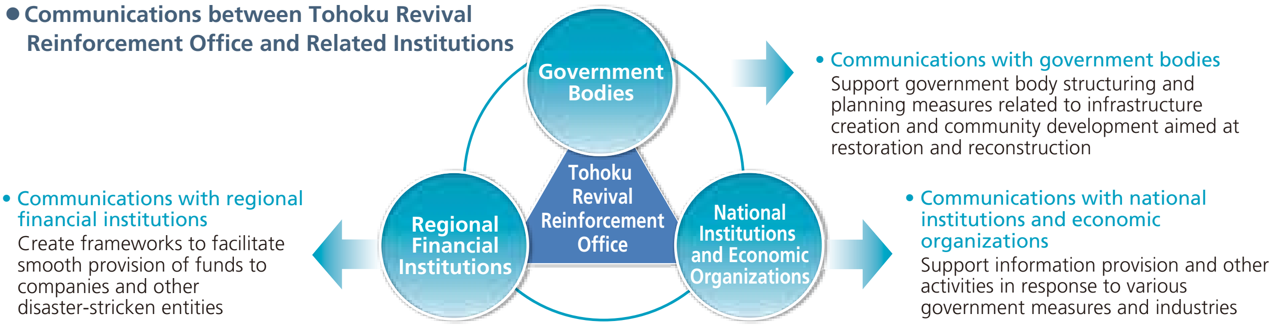
On April 21, 2011, DBJ established the Tohoku Revival Reinforcement Office within the Tohoku Branch to consolidate and better provide companywide knowledge and financial expertise toward the restoration and reconstruction of the Tohoku region, which was affected by the Great East Japan Earthquake that struck on March 11, 2011.

The Tohoku Revival Reinforcement Office has a structure that spans all departments and branches, comprising the Public Sector Relationship Management Group, Regional Development Group and Financial Institution Department. The office provides beneficial information related to restoration and reconstruction and communicate with government bodies, national institutions, economic organizations and regional financial and other institutions to conduct surveys and introduce plans.

● **M&A Advisory Services**



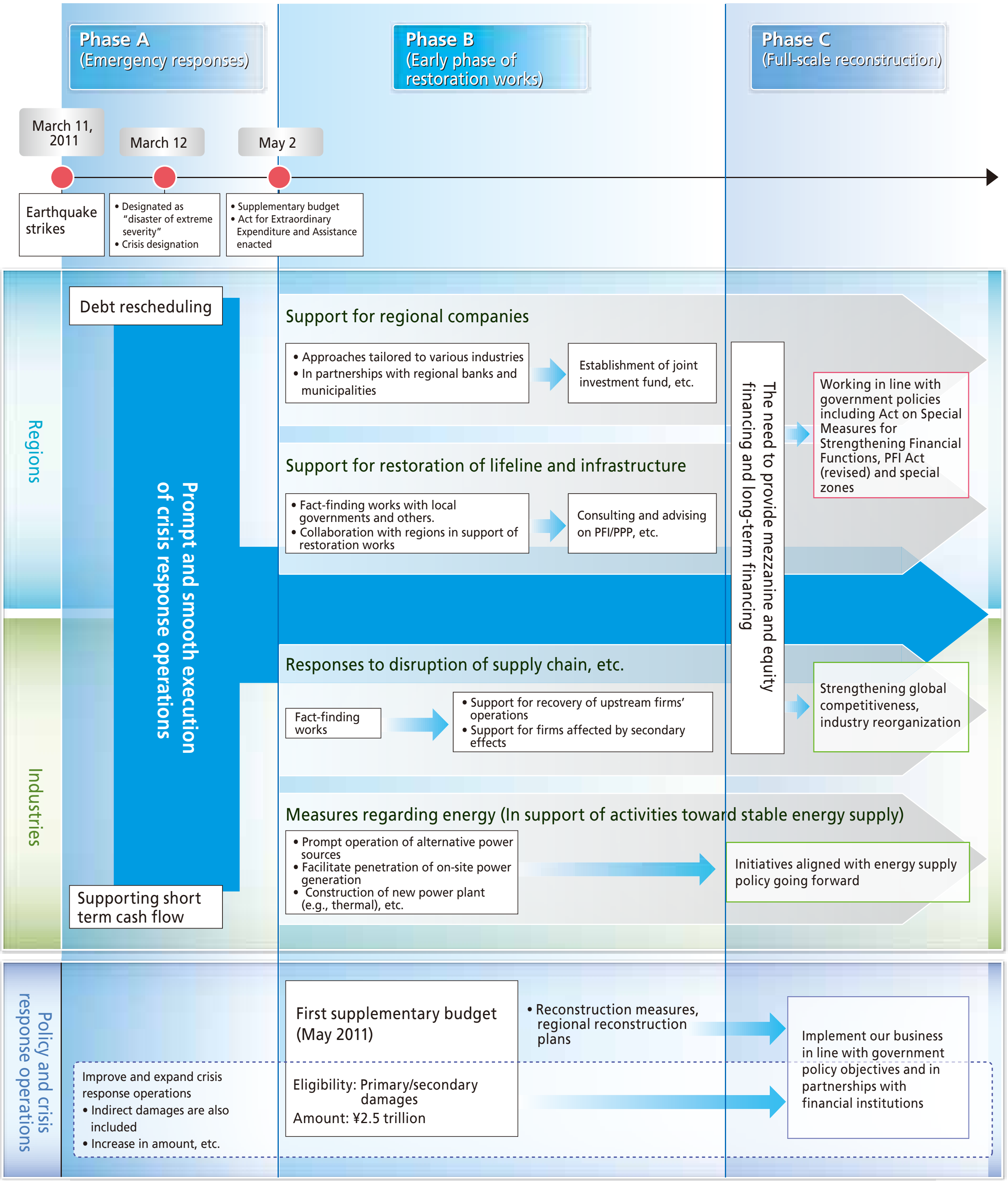

● **Communications between Tohoku Revival Reinforcement Office and Related Institutions**



## Restoration and Reconstruction Issues and Responses

The Great East Japan Earthquake was a complex major disaster, an infrequent type even on a global scale. We believe that restoration and reconstruction measures must be implemented on a step-by-step basis, in chronological order. Also, given the broad expanse of the damaged region, restoration and reconstruction measures must take into careful consideration the regions where they are being introduced and the type of damage they are targeting.

● **Challenges and Responses to Restoration and Reconstruction**



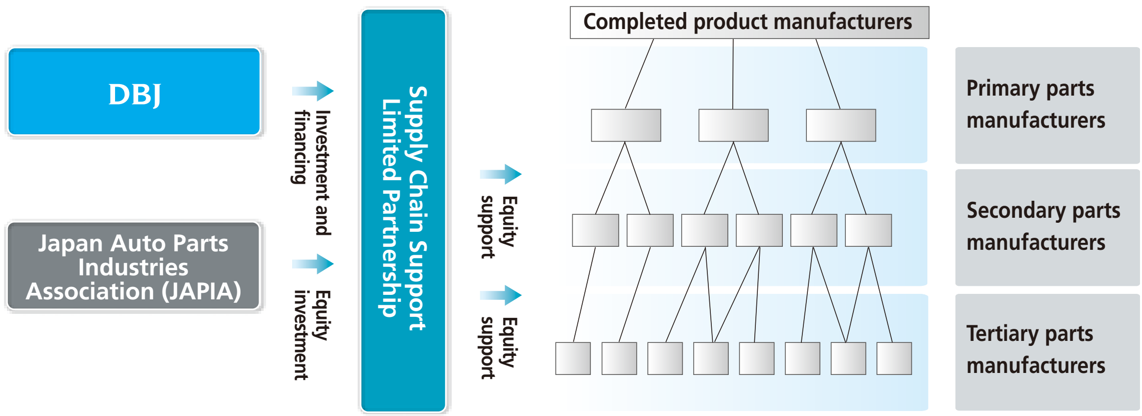
## Supply Chain Support Fund

In June 2011, DBJ joined the Japan Auto Parts Industries Association (JAPIA) to form the Supply Chain Support Limited Partnership. The partnership was formed to support the reconstruction of automotive supply chains (parts procurement networks) that were affected by the Great East Japan Earthquake.

The Great East Japan Earthquake disrupted the automotive industry's supply chains. This fact, compounded by electric power supply problems created uncertainties about when the automotive industry production would resume.

Through the establishment of this fund, DBJ aimed to provide long-term stable funding through equity-type funds for companies supporting the supply chains employed by Japan's automotive industry. By assisting the industry in such aspects as reconstruction following the earthquake, and supporting business and industry restructuring, we aim to recover the confidence in the industry as a responsible global supplier and toughen the supply chain. As a result, we aim to respond to the mandate of helping to rebuild one of Japan's backbone industries and contribute to its redevelopment and management stability.

### ● Structure of the Supply Chain Support Fund




## Financing Employing DBJ Disaster Preparedness Ratings

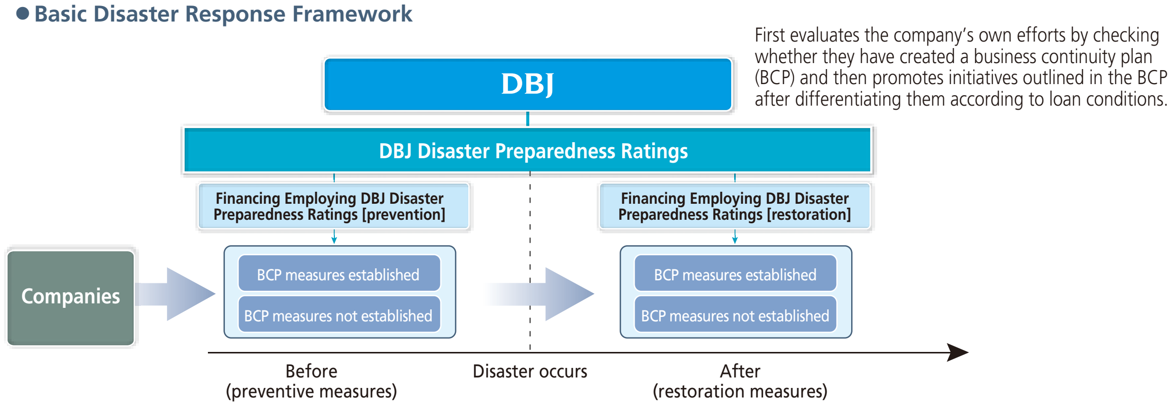
Based on its experience to date with Financing Employing DBJ Disaster Preparedness Ratings and the experience of the Great East Japan Earthquake, DBJ has introduced major revisions to its ratings.

Formerly, evaluations of disaster ratings were based on the content of self-assessment checklists following the Corporate Initiatives for Disaster Preparedness announced by the Cabinet Office of Japan. We augmented these categories by emphasizing rapid restoration from the perspective of business continuity in the face of disaster, thereby revising the content of our structure for evaluating corporate initiatives.

We reflect five levels of evaluation results in financing by creating three levels of interest rate incentives. As a result, the evaluations can be used to respond to companies' disaster preparedness funding needs for preventive measures (before) and restoration measures (after) a disaster occurs.

Specifically, we have developed a menu assuming two types of financing: (1) Financing Employing DBJ Disaster Preparedness Ratings [prevention] (loans to companies for fixed investment in disaster prevention during normal times) and (2) Financing Employing DBJ Disaster Preparedness Ratings [restoration] (loans to companies for fixed investment for emergency relief following a disaster, to achieve full-fledged restoration).

### ● Basic Disaster Response Framework



## Providing Information

### Effective Policies for a "5+1" Massive Complex Disaster

The Great East Japan Earthquake was not simply a (1) seismic event. Rather, it was a massive complex disaster that also involved (2) water damage (tsunami), (3) a nuclear accident, (4) unseen fears (reputational damage), (5) electric power supply damage and (6) large-scale supply chain interruption. World experience with components (1) through (5) give us a body of effective policy experience from which to draw, but item (6), large-scale supply chain interruption, is beyond the scope of global experience, so we had to study the situation and formulate policies after careful consideration. Here we outline what DBJ believes are effective policies for dealing with this massive "5+1" massive complex disaster.

### Estimated Damage to Capital Stock Resulting from the Great East Japan Earthquake

In April 2011, soon after the Great East Japan Earthquake struck, we issued a report estimating damage by region (segmented by the hardest-hit prefectures—Iwate, Miyagi, Fukushima and Ibaraki—and by damage inland and on the coast). In this report, we estimate the damage at ¥16.4 trillion. The damage was substantially worse on the coast than in inland regions, indicating that the tsunami was a major cause. Social capital stock, including ports, roads and bridges, and even some hospitals and schools suffered major damage. Significant damage to private-sector capital stock included oil refineries and every type of factory—steel, cement, food products and paper and pulp among them. Because of the huge scale of this disaster, the state of damage differed significantly by economic structure and region. We consider future reconstruction plans, therefore, rather than plans that are uniform across the board. For example, we believe it is important to consider the situation carefully by region, such as in the coastal region north of the city of Ishinomaki, the plains south of the city of Higashi Matsushima and the coastal and inland areas of Fukushima Prefecture.

In May, we estimated the damage, conducted local surveys and other activities that we summarized in the "Status of Damage from the Great East Japan Earthquake and Reconstruction Issues—An Analysis by Field and Region." This material examines the state of damage by area in six categories—lifestyle/social infrastructure, housing, medical/welfare, manufacturing, non-manufacturing and agriculture/forestry/fisheries—serving as a key document for ordering the approach to reconstruction-related issues.

### Compilation of Recommendations for Reconstruction in the Aftermath of the Great East Japan Earthquake

DBJ has compiled a set of urgent recommendations for reconstruction in the aftermath of the Great East Japan Earthquake (see page 63).

This compilation describes the damage that the Great East Japan Earthquake inflicted on regions directly, but also covers the overall Japanese economy, industry, finance, society and the lives of the country's citizens, looking deeply at the challenges and difficulties of the situation from numerous angles. We involved outside experts in the Research Institute of Capital Formation's network, asking these people who are involved in research on a daily basis to provide suggestions and opinions from an independent perspective, which we integrated with viewpoints of DBJ researchers. The topics raised in this compilation are wide-ranging, many themes are controversial, and in some cases the suggested approaches differ. This reflects the academic and liberal traditions that the Research Institute of Capital Information has upheld since its establishment, and in general the discussions arising from different viewpoints are included as is.

The compilation reflects communications between industry–government–academia and government bodies in the stricken regions, and strives to uphold the views of the people affected by the disaster and the people of Japan as a whole. We hope that this compilation, which includes considerations from numerous angles, will be of assistance in initiatives targeting reconstruction of the affected region, as well as the socioeconomic rebuilding of Japan.

## Study Group on Regional Reconstruction

To encourage the "creative reconstruction" of the Tohoku region and throughout the afflicted area, which was stricken by the Great East Japan Earthquake, DBJ established the Study Group on Regional Reconstruction (chaired by Takashi Onishi, Professor, the University of Tokyo), comprising experts in such fields as community development, disaster preparedness and regional public finance.

The Great East Japan Earthquake, which combined an earthquake, tsunami and nuclear accidents, caused damage on a massive scale. This unprecedented disaster will have serious repercussions for Japanese economy, industry and society.

To foster "creative reconstruction" in the Tohoku region and throughout the afflicted area, the group is expected to consider specific measures, including a strategic project aiming for a "Calamity-Proof Nation (Strong in the Face of Major Disaster)," from three perspectives: (1) safety and security, (2) regional entities and (3) looking to the future.

The study group met for the first time on May 18, 2011, and plans to convene approximately six more times before March 2012. In addition to Tokyo, the group expects to hold meetings in Sendai and other locations in the Tohoku region.

# Making Use of Information Functions

**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.**

## Economic and Industrial 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. DBJ 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

***DBJ Monthly Overview***

This report provides a brief commentary on domestic and overseas economic and industrial trends and monthly business indicators.

The report explains domestic and overseas economic trends through an analysis of economic and financial indices published each month. In recent years, the global economic and financial markets have grown more closely linked. With regard to these global markets, the report aims to further that integration by introducing overseas fiscal and monetary policy and commenting on current topics.

In addition, the report addresses topics that are timely from the perspective of industrial trends.

**"Power Generation in the United States Using Renewable Energy—Political, Technological and Finance Trends, and Suggestions for Japan"**
(*Surveys*, No. 102, June 2011)
In Japan, solar power and other renewable energy is being introduced to reduce carbon emissions from electrical power generation systems and to bolster the country's industrial competitiveness. The Great East Japan Earthquake has prompted a renewal of interest in generation using renewable energy. The United States is the most prominent generator of power using renewable energy (with the exception of hydro power) in terms of output. Federal government tax incentives, as well as financing and other schemes that take advantage of such incentives, have contributed to the introduction and expansion of generation using renewable energy. This report touches on trends in generation using renewable energy in the United States, and considers these in relation to Japan's policies and industry value chain.

**"Recent Trends in the U.S. Green Building Market and Suggestions for the Japanese Market"**
(*DBJ Monthly Overview*, No. 153, November 2010)
The scale of the U.S. green building market had expanded to a value of $49.0 billion by 2009, and the market appears likely to continue growing. Based on the concept of "environmental consciousness," the green building market generates a value chain that spans a range of considerations, from architectural design to equipment, construction materials, construction and maintenance/management. This report explains recent trends in the U.S. green building market and describes in easy-to-understand terms what will be needed in the Japanese market and what policy directions are required.

***DBJ Long-Term Interest Rate Weekly Outlook***

DBJ provides its clients with weekly long-term interest rate movement information on the first business day of each week. Focused on Japan and the United States, we offer a brief summary of market trends during the previous week and introduce key economic indicators, treasury auctions and other events scheduled in the current week. DBJ economists comment on the effects of important economic indicators and monetary policy announced during the week, providing an outlook for market trends based on the analysis of economic fundamentals.

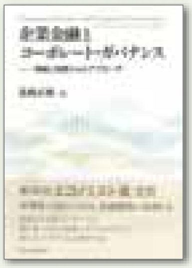
**"Determining Factors of Environmental Activities and Corporate Value—Analysis Based on Case Studies of Financing Employing Environmental Ratings"**
(*Economics Today*, Vol. 31, No. 1, April 2010)
Assuming that the market values corporate environmental consciousness activities, which thereby affects corporate value, we have conducted an empirical analysis of the relationship between environmental activities and corporate value and individual corporate data based on newspaper reports related to Financing Employing DBJ Environmental Ratings. The results of this analysis suggest that environmental consciousness activities and taking advantage of Financing Employing Environmental Ratings boost companies' corporate value and profitability. The result also indicates that shareholder composition and fund-raising capabilities are determining factors in corporate decision-making on whether to employ such financing.

**"The Great East Japan Earthquake—Recommendations for Reconstruction for the Formulation of a Sustainable Society"**
(Shigeru Ito, Masahiro Okuno, Takashi Onishi and Masaharu Hanazaki [ed.], University of Tokyo Press, July 2011)
The Great East Japan Earthquake highlighted that the Japanese economy and society is built on an extremely fragile base. With the earthquake having shaken some very fundamental values, this report examines initiatives suitable for reconstructing the disaster-stricken region and rebuilding the Japanese economy and society.

This report summarizes disaster reconstruction recommendations by 50 academics who are at the forefront of such fields as economics, urban theory and industry theory. The report is divided into three sections, Part I: Regional Revitalization; Part II: Challenges for the Japanese Economy; and Part III: Reconstruction and Japanese Society.


***Corporate Governance and Corporate Finance: An Informational and Institutional Approach***
(DBJ's Head of the Research Institute of Capital Formation, Masaharu Hanazaki, University of Tokyo Press, November 2008)
The Mainichi Newspapers Co., Ltd.'s *Economist* Magazine Award Selection Committee selection was the winner of the 50th (Fiscal 2009) *Economist* Prize.

This book, based on practical and academic economics, gives a unique perspective and shines light on the future of the inextricable links between corporate finance and corporate governance, elucidates application theory and the reality thereof verified by informational and systemic aspects, and explores "the essence of a corporation."

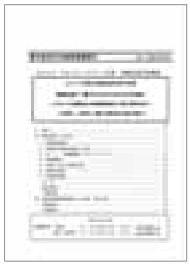


## Capital Investment Planning Survey

One of DBJ's main businesses is the provision of funds for long-term capital investment. With a history of more than 50 years (from 1956), the questionnaire-based Capital Investment Planning Survey looks at community-specific investing trends and provides analyses of raw corporate information. This information is tapped for many purposes, including investigation of, and policy formation for, the Japanese economy, planning by corporate management and research and training activities at institutions and universities.

Survey Example

**"Report on June 2010 Survey of Capital Investment Plans for Years to March 31, 2010, 2011 and 2012,"**
(*Surveys*, No. 101, September 2010)
After completing our questionnaire-based survey on corporate capital investment activity, the Survey of Capital Investment Plans, we publicized the results, as well as our analysis.



## Combining Surveys, Research and Investment and Loan Activities

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

### Environmental

DBJ 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 the year ended March 31, 2005, these activities culminated in the introduction of Financing Employing DBJ Environmental Ratings, which are used to determine preferential financing for environment-friendly projects and are used by many companies.

### Disaster Response

Being prepared to respond to an earthquake or other natural disaster and continue operations is an issue for every company. DBJ conducts surveys covering the corporate business continuity plans companies have established. In the year ended March 31, 2008, we incorporated survey results to form the basis for Financing Employing DBJ Disaster Preparedness Ratings, which we use in our financing considerations.

### Technology

DBJ's activities in technology-related fields include conducting trend surveys (for example, on bioethanol). 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

### 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 crises. Addressing these issues requires a greater degree of expertise and more ingenuity than ever. DBJ assists by analyzing the information it accumulates through its network of offices (19 domestic locations—headquarters, branches and representative offices—and three overseas locations—subsidiaries and a representative office), economic agencies of regional governments and local communities, and companies in Japan and abroad. DBJ disseminates this information through reports, publications, lectures and other formats to encourage public/private partnerships, promote tourism, build up local communities, and contribute to local government financing.

### Building Local Communities

One way DBJ puts its expertise to work in building up local communities is by conducting "local community-building diagnostics." 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 them an opportunity to consider future directions. (See page 53.)

*Fiscal 2011 Regional Handbook: Regional Data and Policy Information*

This handbook is a collection of data that include fundamental economic, industrial, lifestyle and policy indicators for regional blocks, administrative regions and principal cities, as well as a compilation of individual regional policies and projects to facilitate an overall understanding of regional policies, economies and societies and the current status of regional projects. In the Topics section, Yuji Nemoto, Professor, Faculty of Economics, Toyo University, and members of such offices as the Cabinet Office of Japan's PFI Promotion Office contributed a special section entitled "A New Public Consciousness and PPP."

*Practice! Management Strategy for Regional Revitalization* (revised edition): *36 National Management Case Studies*
(Published by Kinzai Institute for Financial Affairs, Inc.)

The greatest feature of this book is that it points the way toward the development of self-reliant regions, and, based on a thorough analysis of 36 successful regional development projects across Japan, it probes the reasons for their success and offers a deeper analysis of the elements common to a variety of flourishing projects.

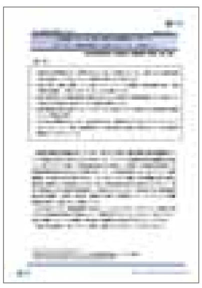
*Memorandum on the Issue of the Invigoration of Regional Economies—Concepts, Negotiations and Main Initiatives for Invigorating Regional Economies Case Study* (*Regional Survey Research*, Vol. 4, January 2009)

This publication organizes material for debating how best to invigorate regional economies and provides examples of specific initiatives.

## Branch Reports

### Hokkaido Branch

**"Toward Higher Value Added 'Food' in Hokkaido—From the Perspective of 'Unfinished' Initiatives Required in Food Cluster Activities"** (*Mini Report*, October 2010)



Hokkaido is blessed with an abundance of food resources but is not known for its processing and other initiatives that might add greater value to its agricultural and fisheries products. This report summarizes expectations of an important growth strategy for the prefecture, "food cluster activities," the building of a "comprehensive food industry of the sort only possible in Hokkaido" through the creation of high-value-added products and logistics. This report examines "food cluster activities" from various perspectives and makes suggestions on the promoting them in Hokkaido.

### Tohoku Branch

**"Tohoku Companies' Activities in New Growth Fields—Their Initiatives and Challenges"** (*Survey Report*, September 2010)

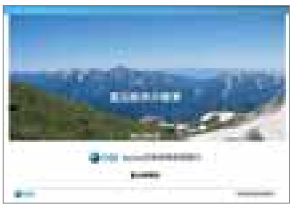
Based on the Survey of Capital Investment Plans and the Corporate Behavior Awareness Survey conducted in June 2010, this report summarizes the status of initiatives and issues faced by companies (large companies capitalized at ¥1.0 billion or more with headquarters in the Tohoku region) in new growth fields, such as electric vehicles, solar power generation, the smart grid, healthcare and welfare, and emerging market demand. The report relies mainly on graphs and is presented in an easy-to-visualize, compact format.

## Niigata Branch

**"Niigata Prefecture and Information Strategies, 1st Installment"** (*Region Report*, June 2011)
Known throughout Japan as a staple food producing area that tops the nation in rice production, the Niigata region lags in efforts to leverage the information tools of an industrial modern-day society. This report considers Niigata Prefecture's information-related status and the issues it faces. In addition to furthering its promotion of strategies to add value to food, which the Niigata Branch supports, this report looks at Niigata Prefecture's information strategies and considers how to promote initiatives to fulfill them.

## Hokuriku Branch

**"Overview of the Toyama Economy"** (Irregular Update)
In this report, the Toyama Representative Office describes its survey of the economy in Toyama and introduces its research findings. After presenting the basics of Toyama Prefecture's history, topography and climate, the report looks at major economic indicators and the current status of the amalgamation of towns, cities and villages in the prefecture. The report incorporates unique viewpoints surrounding the prefecture: its slightly unusual companies, topics of conversation in the region, development stemming from the Hokuriku Shinkansen and the economic effects of a popular year-long historical fiction TV series.

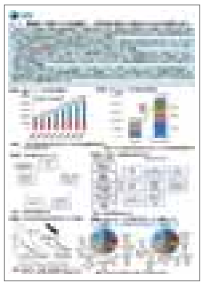


## Tokai Branch

**"Biotechnology in Our Lives—Safe and Secure Biotechnology," a Symposium Held in Collaboration with Nagoya City University** (Public symposium, December 2010)
The 21st century has been heralded as the "age of biotechnology," and biotechnology has become an essential part of our everyday lives, from lifestyle products and food to healthcare, the environment and energy. Working together to contribute to regional society, DBJ and Nagoya City University concluded a collaboration agreement in April 2006. This public symposium, themed "Biotechnology in Our Lives—Safe and Secure Biotechnology," looked at the role that biotechnology plays in the everyday lives of citizens. It sought to deepen participants' understanding of our inextricable bond with biotechnology and encourage an awareness of how biotechnology contributes to our prosperity.

## Kansai Branch

**"Western Japan Driving Japan's Leadership in LEDs"** (*Region Report*, July 2011)
Worldwide forecasts anticipate major expansion in the LED market and, around the globe, countries are introducing strategic measures to support this development. Meanwhile, private-sector competition is heating up as companies vie to benefit from this new market's potential.



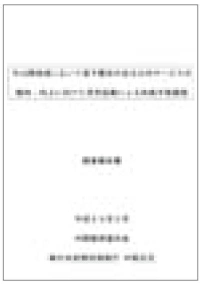
This report analyzes recent industry trends and the strengths of Japan's LED companies, particularly in the Western Japan/Kansai region where they are concentrated. The report also considers initiatives that companies, universities and government institutions should pursue to expand the applications for LEDs and create added value to boost international competitiveness and invigorate regional industry.

The report also touches on the potential for taking further advantage of LEDs, given an enhanced awareness of energy savings in the aftermath of the Great East Japan Earthquake.

## Chugoku Branch

**"Survey on Initiatives and Measures Involving Collaboration between the Government and Private Sector to Maintain and Improve Public Services, the Weakening of Which Is a Concern in the Chusankan Region"** (*Survey Report*, March 2011)
The Chugoku region contains a large percentage of mountain dwellers. Revitalizing this area is important and essential to the development of the Chugoku region, and its revitalization requires efforts to stem the outflow of the population from this mountainous region by promoting U/I turns*. However, some evidence suggests that the "Heisei merger" trend toward consolidation has resulted in a decline in the public services that serve as crucial infrastructure for residences. Based on surveys of the situation, this report summarizes case studies and suggestions for maintaining public services and encouraging new public service providers.

* A growing number of people are leaving the cities in search of a better life in the country. The mini migration, which has gathered force over the past few years, has been named "I-turn" to contrast with an earlier phenomenon called "U-turn." The difference is that the current flow does not represent a backtrack to hometowns, as was the case with the U-turn, but a single-directional push out of urban areas.



## Shikoku Branch

**Seminar on "Exploring New Trends in Manufacturing: The Possibilities of Electric Vehicles, Lithium-Ion Batteries and Solar Cells"** (Seminar, December 2010)

This seminar, designed as part of an effort to disseminate information within the Shikoku region, was held as a lecture offered by DBJ analysts in this field. The seminar consisted of two parts, the first focusing on "The Emergence of Electric Vehicles Offering the Potential to Alter the Value Chain." The lecture covered the industry of electric vehicles, which are heralded as next-generation eco-cars, and covered changes in the value chain forecast for the materials, components and service industries. The second part concentrated on "Battery Cluster Development from Kansai to Chugoku/Shikoku." This part of the seminar looked at how the concentration of industry involved in lithium-ion batteries and photovoltaic cells is expanding from Kansai to the Chushikoku and Tokai regions, and considers future developments.

## Kyushu Branch

**"The City of Fukuoka's Population, Seen through a Comparison of the Population of Young Men and Women—Population Structure and Issues in the City of Fukuoka, Seen through the Percentage of Unmarried People"** (*Survey Report*, February 2011)

The city of Fukuoka is working to boost its urban attractiveness through the vigor of its tertiary industry, particularly in service industries that tend to be a draw for young women. Such initiatives include the opening of the Kyushu Shinkansen Kagoshima Route trunk line and *JR HAKATA CITY*, the largest station building in Japan. Through these moves, the city seeks to address one point of concern, namely, the skewed male/female ratio among its youth population.

This report compares the ratio of men to women and the percentage of unmarried people against other cities. The report then surveys some of the upcoming issues the city faces, given its population balance.

## Minami-Kyushu Branch

**"Kagoshima Metropolitan Area: Regional Health Check"** (*Mini Report*, January 2010)

We conducted a Regional Health Check of the Kagoshima metropolitan area to determine the region's issues and potential. After analyzing the area's population dynamics and comparing the age composition of the Kagoshima metropolitan area's working population against national and Fukuoka metropolitan area figures, the report explores issues the metropolitan area faces—structural issues in a society marked by a shrinking population—and strategies for leveraging the opening of the Kyushu Shinkansen Kagoshima Route trunk line to promote tourism and attract customers, and offers recommendations for improving the region's retention of its youth and uncovering its potential as a lifestyle, business and tourism hub.


## The Japan Economic Research Institute

The Japan Economic Research Institute (JERI) is a foundation established for the purpose of contributing to the improvement of welfare and further development of the Japanese economy through investigative research into important economic problems in Japan as well as overseas and funding the promotion of scholarship. JERI's investigation into issues that impact the Japanese economic structure in the areas of urban and regional development, social capital infrastructure, energy, economy and industry are supported by a broad network that includes DBJ's investigative research department, universities, research institutions and other experts, as well as national and regional government bodies and the patronage of approximately 500 companies. DBJ works in conjunction with JERI to disseminate the results of its research.

# CSR Report

DBJ provides integrated investment and loan services to resolve the issues its clients face and continues to support the ongoing growth of society from a financial perspective.

At DBJ, corporate social responsibility involves not only contributing to society through investment, loan and other business, but also seriously taking into account societal needs and living up to responsibilities as a member of society. This requires all DBJ executives and regular employees to conduct their daily activities with constant consideration 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.

## Editorial Policy

To expand communication with all stakeholders, in 2003, DBJ first issued *Environmental Report 2003 for a Sustainable Society*. This was followed by annual sustainability reports in 2004 and 2005. In 2006, DBJ published the *CSR Report*. Since the fiscal year ended March 31, 2007, DBJ has combined its annual report and CSR report under the concept of "disclosure from a CSR perspective." DBJ will continue publishing CSR information introducing its initiatives to help realize a sustainable society.

As in previous years, this report explains how DBJ came into being, as well as the services DBJ provides. The report aims to show that DBJ fulfills its corporate social responsibility through the careful attention it accords to each of its activities, incorporating this discussion of the status of its recent activities. Furthermore, we have employed the following guidelines in our effort to enhance the report's readability.

- We explain DBJ's stance on CSR as a way of addressing the problems society faces.
- To give the reader a clear sense of how DBJ's services relate to society, the report provides case studies of DBJ's ongoing emphasis on CSR through investment, loan and other businesses it conducts.

DBJ considers this report an important tool for communicating with all manner of stakeholders and hopes to continue improving it. Accordingly, we welcome your comments and suggestions.

## Scope of Report

| | |
|---|---|
| Organizations covered: | All DBJ branches, including overseas representative offices and subsidiaries, except where noted.<br>Japan: Head office, 10 branch offices and eight representative offices<br>Overseas: One overseas representative office |
| Period covered: | The fiscal year from April 1, 2010, to March 31, 2011<br>As this report is designed to illustrate ongoing initiatives, some of the case studies for investment, loan and other business contained herein are the same as in past issues. Furthermore, some of the information indicated herein will have been updated by the time this report is published. |

## Publishing Details

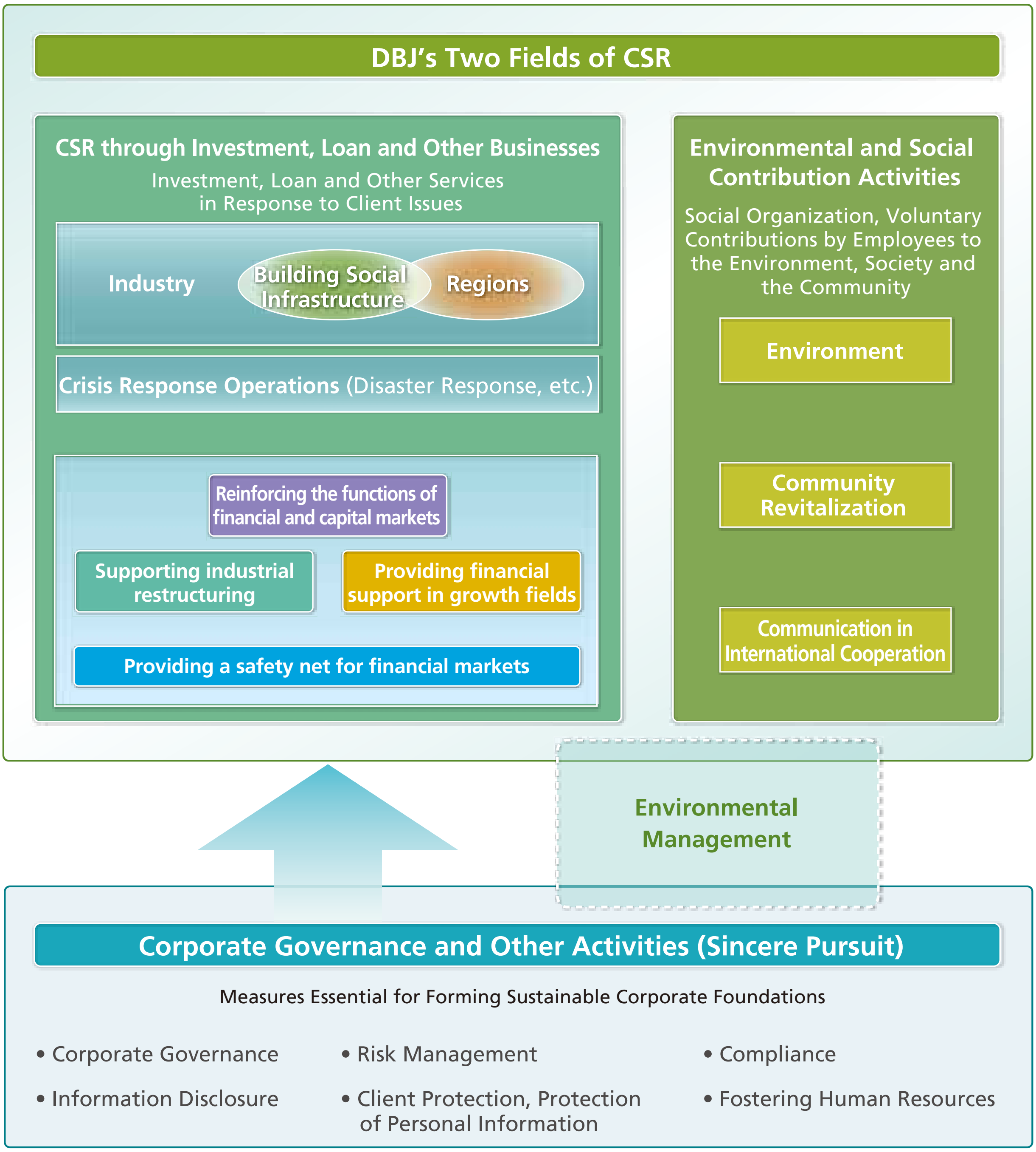
| | |
|---|---|
| Published: | September 2011 |
| Next publication: | September 2012 (previous publication: September 2010; frequency: annual) |

## Reference Guidelines

*Sustainability Reporting Guidelines 2006*, issued by the Global Reporting Initiative (GRI), and the *Financial Services Sector Supplement* were used as reference guidelines.

With corporate governance as its cornerstone, DBJ separates into two fields the scope of the CSR activities through which it addresses the problems society faces: (1) CSR through investment, loan and other businesses and (2) the environmental and social contribution activities it undertakes. The combination of the two fields enhances corporate value.

## Fields of CSR Implementation at DBJ

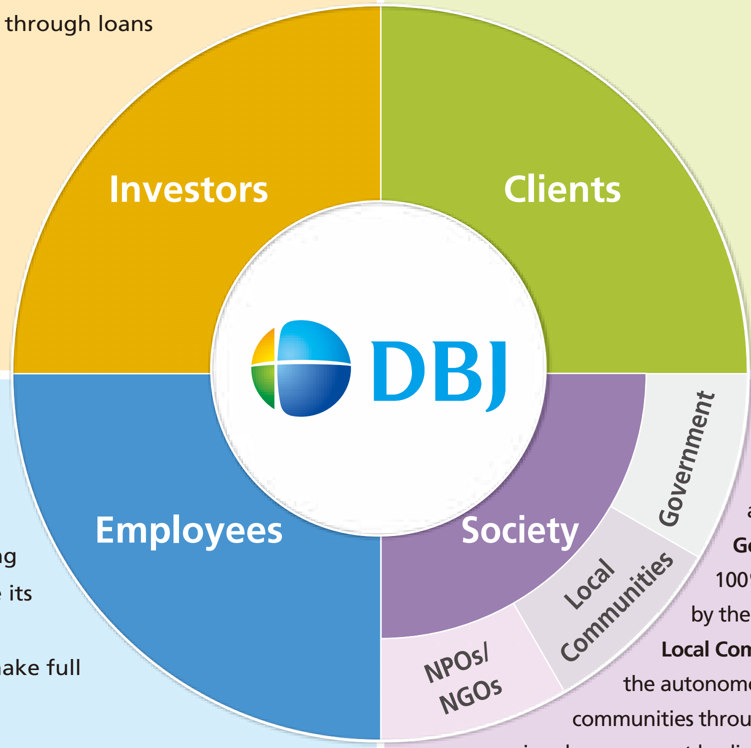


## Fields of CSR Implementation at DBJ

DBJ comes into contact with a wide variety of organizations, companies and people in the course of its operations. DBJ strives to increase its dialogue with stakeholders in its effort to realize a sustainable society.

DBJ secures financing through the issuance of Fiscal Investment and Loan Program (FILP) agency bonds and government-guaranteed bonds, through direct financing from the financial markets by issuing corporate bonds and through loans from private-sector banks.

DBJ's investment and loan services involve clients in numerous regions and across a variety of industries. Furthermore, we provide information and expertise through overseas networks.



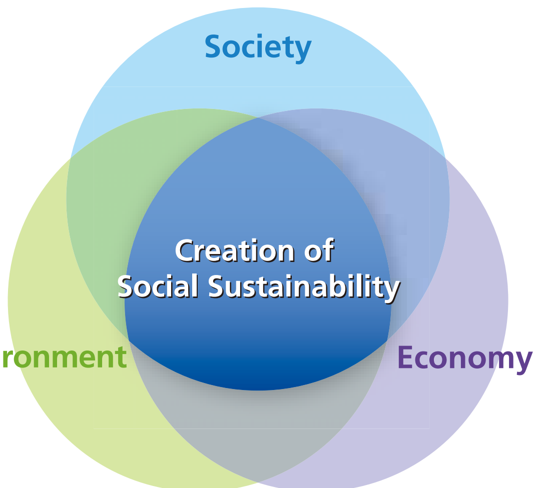

As of March 31, 2011, DBJ's employees numbered 1,102. DBJ employee training is designed to enable its employees to act autonomously and make full use of their abilities.

DBJ seeks to contribute to the realization of an increasingly prosperous and sustainable society.
**Government:** Currently, 100% of DBJ's shares are held by the Japanese government.
**Local Communities:** DBJ supports the autonomous development of local communities through its affiliations with regional government bodies and regional financial institutions that are deeply rooted in the local communities.
**NPOs/NGOs:** DBJ maintains alliances with these organizations as a part of its environmental preservation efforts, to realize a sustainable society.

## Triple Bottom Line

"Triple bottom line" refers to evaluating corporate activity from the three vital perspectives of the society, environment and the economy. It is not simply evaluating a company's financial performance, but rather assessing sustainable development by incorporating environmental, social and economic aspects.

Economic issues are tied to DBJ's investments and loans, and its considerations include region-specific and environmentally time-specific concerns, in addition to the economic issues that a company faces, thus spanning the three elements that make up triple bottom line evaluation. Accordingly, in "CSR through Investment, Loan and Other Businesses," DBJ carries out activities based on triple bottom line evaluations to help build a sustainable society.



## Social Effectiveness

During its time as a comprehensive policy-based financial institution, evaluations of DBJ's annual operations raised DBJ's business effectiveness and results, thereby improving its responses to socioeconomic changes facing Japan. These responses were a way to evaluate CSR through Investment, Loan and Other Businesses.

Even after privatization, DBJ aims to continue contributing to building an affluent future by solving problems through creative financial activities. We determine from our own perspective those businesses that are truly useful to society and work to promote the realization of a sustainable society.

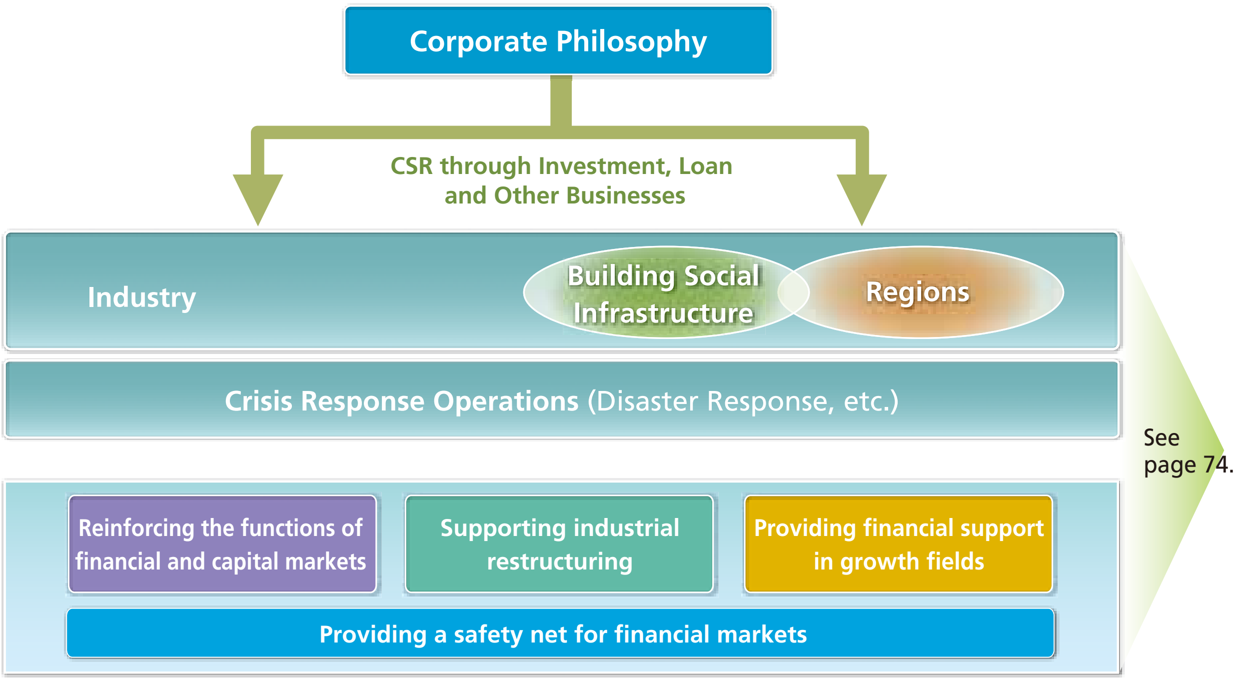
## CSR through Investment, Loan and Other Businesses

Due consideration of compliance issues is a prerequisite for the sustainable development of enterprises. Accordingly, it is important that a corporation's business activity brings new value to, contributes to problem-solving in, and gains the trust of society.

Financial institutions can play a specific role in building a harmonious society over the long term by identifying truly meaningful projects for the economy and society and providing quality financing and other financial solutions.

We believe that DBJ can gain the trust of society with CSR through investment, loan and other businesses, such as the provision of services that lead to client satisfaction, increases in corporate value, coexistence with regional societies and the creation of employee-friendly workplaces. Accordingly, DBJ considers the application of its intellectual assets and service platforms for investments and loans to be of vital importance.

Specifically, DBJ will apply the distinctive features and financial services that it has realized in the past to provide various solutions to clients that cover expected changes and other issues that are forecast for the economic and social environments. In this way, DBJ will fulfill its four roles: reinforcing the functions of financial and capital markets, supporting industrial restructuring, providing financial support in growth fields and providing a safety net for financial markets.



## Environmental and Social Contribution Activities

DBJ recognizes that today's social and environmental problems can best be resolved by communication and the exchange of opinions. Accordingly, DBJ strives to communicate with as many people as possible through seminars, symposiums, lectures and the Internet.

### Communication Focused on the Environment

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

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

DBJ has had a booth at the Eco-Products Exhibition every year since fiscal 2001. Through display panels, we introduce various DBJ activities, such as Financing Employing DBJ Environmental Ratings and our tie-up with the UNEP Finance Initiative. In fiscal 2010, we delivered a lecture on the theme of "New Trends in Environmental Financing," attracting numerous visitors to our booth.

"Eco Presentation Stage"
(Eco-Products 2010)

Since fiscal 2009, DBJ has been a participating sponsor of the eco japan cup*, Japan's largest environment-related contest. We are active on the organization's executive and judging committees.

*The "eco japan cup" is sponsored by public and private entities, including Japan's Ministry of the Environment, Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Internal Affairs and Communications, Sumitomo Mitsui Banking Corporation and DBJ. The contest describes itself as a "contest for unearthing and growing seeds of green business." This program is a continuation of the 2005 "Environmental Dynamite!" event. Renamed the "eco japan cup" in 2006, this event is held on an annual basis.

### Communication to Community Revitalization

DBJ considers working with local citizens to build communities that suit their unique environments an important part of supporting independent community development. To this end, DBJ sponsors such events as seminars and symposiums in collaboration with local authorities and regional branches of the Japan Chambers of Commerce and Industry and other economic organizations.

In our Regional Health Checks, we discuss objective indicators and original analytical methods 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. (See page 53.)

### Hokkaido Branch

**Environmental Exhibition on Building Hokkaido's Future**

The 2010 Environmental Exhibition on Building Hokkaido's Future, a collaborative government–private sector event, was held with the aim of "creating a sustainable society suited to Hokkaido that features virtuous environmental and economic cycles" and themed on "fostering a new green industry revolution." At this exhibition we introduced Financing Employing DBJ Environmental Ratings, the Hokkaido Branch's Regional Areas' *Genki* Program, as well as DBJ's other environment-related initiatives.

### Tokai Branch

**Messe Nagoya**

Messe Nagoya 2010 was held to carry forth the philosophies of the 2005 World Exposition, Aichi, Japan (the environment, science and technology, and international cooperation).

This year's themes centered on energy and the environment, in keeping with The 10th Conference of the Parties to the Convention on Biological Diversity, also known as COP 10, held in Nagoya.

## Communication in International Cooperation

In cooperation with Japan Economic Research Institute Inc., DBJ holds seminars for developing countries' governmental and developmental financial institutions, primarily in Asia, describing the Bank's experience in applying policy-based financing to support the industrial economy of postwar Japan. We also offer the expertise we have accumulated in recent policy issues, such as energy conservation, environmental measures and private infrastructure. The Development Finance Course, for example, is a seminar that has attracted 346 people from more than 30 countries since it was inaugurated by DBJ in 1967.

For individual development banks, DBJ cooperated with the World Bank and the Japan International Cooperation Agency to provide comprehensive technical cooperation to the China Development Bank and the Infrastructure Development Bank of Malaysia. We also concluded a business cooperation agreement with the Vietnam Development Bank in 2007. In addition, in fiscal 2009, we cooperated in holding training sessions and workshops in Tokyo and at overseas locations for participants from the China Development Bank, the Vietnam Development Bank and the Small Industries Development Bank of India, as well as Mongolian government decision-makers and mid-tier officials.


Training at Vietnam Development Bank

## Other Communication Efforts

### Providing Information

**Video Introduction to CSR Initiatives**

To make DBJ's CSR activities more easily understandable, on our website we have included video content entitled "DBJ's CSR: Strengthening Society through Financial Expertise." We also showed this video at the Eco-Products 2010 exhibition.
http://www.dbj.jp/co/csr/index.html (Japanese only)


**Issuing CSR Reports**

To expand communication with all stakeholders, in 2003, DBJ issued *Environmental Report 2003 for a Sustainable Society*. This was followed by similar reports in 2004 and 2005. In 2006, DBJ published the *CSR Report*.

DBJ has combined its annual report and CSR report under the concept of "disclosure from a CSR perspective." DBJ will continue publishing CSR information introducing DBJ's initiatives to help realize a sustainable society.

## Participating in Activities That Contribute to Society

**TABLE FOR TWO**

DBJ began participating in the TABLE FOR TWO* program on March 29, 2010. Under this program, one of the meals in our company cafeteria each day is designated as a "healthy menu" option. Through proactive employee participation in this program, as of the end of May 2011, DBJ's contributions totaled ¥427,680—enough to provide 21,384 meals.

*TABLE FOR TWO is a program run by the nonprofit organization TABLE FOR TWO International. Under this program, each time a specific food item is purchased, a ¥20 donation (enough money to purchase one school lunch in a developing country) is donated to purchase a school lunch for one child.


A healthy menu


Campaign

## Participating in Local Community Activities

**Support for the Operation of the Environmentally Friendly Marunouchi Shuttle Bus**

Since the year ended March 31, 2004, 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 also they are barrier-free with a low-floor design, ensuring easy access for disabled users.


Marunouchi shuttle bus

**DBJ promotes CSR through investment, loan and other businesses to solve social problems.**

**Specifically, DBJ will apply the distinctive features and financial services that it has realized in the past to provide various solutions to clients that cover expected changes and other issues that are forecast for the economic and social environments. In this way, DBJ will fulfill its four roles: reinforcing the functions of financial and capital markets, supporting industrial restructuring, providing financial support in growth fields and providing a safety net for financial markets.**

## CSR through Investment, Loan and Other Businesses

Industry | Building Social Infrastructure | Regions

Crisis Response Operations (Disaster Response, etc.)

### Reinforcing the functions of financial and capital markets

DBJ bolsters its partnership with other financial institutions and helps to reinforce the functions of Japan's financial and capital markets and through the appropriate provision of risk capital to the market by leveraging the uniqueness of our financing—long terms, large scale, an approach that integrates investment and loans, and neutrality.

### Supporting industrial restructuring

We provide financial support for the reconstruction of the Japanese industrial structure that supports social and economic activities.

### Providing financial support in growth fields

DBJ provides financial support to help achieve Japan's long-term strategies.

### Providing a safety net for financial markets

We respond swiftly in times of market dysfunction and other crises.

### Case Studies

## Energy

**International interest in using solar power, wind power, biomass and other renewable energy is mounting amid ongoing concerns about global warming. Utilization of renewable energy is essential for curbing greenhouse gas emissions and realizing a low-carbon society.**

### Case Study: Showa Shell Sekiyu

Showa Shell Sekiyu K.K., headquartered in Minato-ku, Tokyo, is a Japanese oil refiner and distributor. While maintaining a strong foundation in the oil business, the company is enterprisingly developing a next-generation CIS photovoltaic cell* project via wholly owned subsidiary Solar Frontier K.K., aiming to turn it into an energy business to help realize a low-carbon society. In February 2011, the company's No. 3 photovoltaic cell plant—one of the world's largest—commenced operations in Miyazaki Prefecture. Together with plants No. 1 and No. 2, which are already in operation, it aims to expand annual production to approximately one gigawatt and to acquire 10% of the global market.

The new plant satisfies the requirements of a designated business under Paragraph 4, Article 2, of the Bill on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products. Accordingly, on March 22, 2011, the plant received the first certification under the Specified Business Plan of the Ministry of Economy, Trade and Industry (METI).

Given this certification, DBJ financed Showa Shell Sekiyu as a designated financial institution defined in Article 8 of the same legislation.

* Thin-film photovoltaic cell made primarily from copper, indium and selenium (CIS)

Solar Frontier's Miyazaki Plant

### Case Study: Japan Bio Energy

With the aim of forming a business to generate electricity through biomass employing wood and other materials produced during construction, Japan Bio Energy Co., Ltd., headquartered in the city of Kawasaki, Kanagawa Prefecture, was established to provide wood chips.
The company was formed through joint investment by Sumitomo Joint Electric Power Co., Ltd., Sumitomo Forestry Co., Ltd. and Fuluhashi EPO Corporation. The wood chips that the new company produces are supplied to the adjoining Kawasaki Biomass Power Plant (operator: Kawasaki Biomass Electric Power Corporation; generation capacity: 33,000 kW). Using wood chips to fuel power generation, the plant expects to reduce $CO_2$ emissions by approximately 120,000 tons per year.

DBJ approved and provided financing to Japan Bio Energy under the DBJ Development Support Program (*Nihon Genki* Program), recognizing the company as a contributor to global warming prevention through the efficient reuse and recycling of forest resources and the provision of fuel to a $CO_2$-free power generator.

Biomass-fired facility

# Energy

## Case Study: Kankyo Recycle Energy

Kankyo Recycle Energy K.K., headquartered in the city of Sasebo, Nagasaki Prefecture, was established in July 2007 by local operators of general and industrial waste-processing businesses.

The city's Sasebo Biomass Town concept to invigorate private sector companies and other entities explores the possibilities of biomass and creates new industries through technological and other types of innovation. Biomass-fired and other electric power generation facilities as well as biomass fuel production facilities that are to be built and operated by Kankyo Recycle Energy are considered core projects under the city's concept.

Biomass-related businesses are expected to contribute to global warming prevention and the creation of a recycling-oriented society, and to help reduce illegal dumping.

DBJ, in collaboration with The Eighteenth Bank, Ltd., arranged a syndicated loan for Kankyo Recycle Energy.

Rendering of biomass-fired and other power generation facility

## Case Study: Wind Power Ibaraki

Wind Power Ibaraki, Ltd., headquartered in the city of Mito, Ibaraki Prefecture, operates Japan's first full-fledged wind power generation facility, Wind Power Kamisu. This facility, located offshore from the city of Kamisu, benefits from more stable ocean breezes, and surrounding noise and oscillation are reduced.

As the importance of renewable energy has grown in the aftermath of the Great East Japan Earthquake, Wind Power Kamisu in particular is attracting a great deal of attention for the earthquake and tsunami resistance of its wind turbines, which were fully operational and continued to provide electricity 24 hours a day immediately after the earthquake hit.

DBJ has provided financing to Wind Power Ibaraki under the DBJ Development Support Program (*Nihon Genki* Program).

Wind Power Kamisu, Japan's first full-fledged offshore wind power generation facility

## Transportation

**Transportation infrastructure supports economic activity and is the foundation of a rich and abundant lifestyle. The promotion of investment is necessary for the maintenance and renovation of transportation infrastructure in accordance with degradation due to aging and the requirements of increased transport capacity and efficiency, as well as in response to an aging population and environmental issues. As transportation infrastructure involves large investment amounts and long investment periods, the procurement of long-term funding is increasingly important.**

### Case Study: Tokyo International Air Terminal

Tokyo International Air Terminal Corporation, headquartered in Ota-ku, Tokyo, was established to take charge of an SPC to maintain and manage the international terminal buildings of Tokyo International Airport, whose largest shareholder is Japan Airport Terminal Co., Ltd.

This is the first case of national core transportation infrastructure being handled as a PFI.

DBJ, Mizuho Corporate Bank, Ltd., and The Bank of Tokyo-Mitsubishi UFJ, Ltd., co-arranged and extended loans in the form of project finance. By constructing a finance scheme that is flexible to changes in aviation and commercial market demand and other trends, DBJ is supporting the implementation of the project up to a period of 30 years from its operational start-up.

©Tokyo International Air Terminal Corporation

Tokyo International Air Terminal, which began operations in October 2010

### Case Study: V-Lease

V-Lease Corporation, headquartered in Chiyoda-ku, Tokyo, was established to conduct the business of acquiring and leasing back spare engines owned by Zurich-based International Aero Engines AG (IAE). DBJ's investment accounted for 100% of the new company's capital.

Established as a joint venture by several companies, including Rolls Royce Group plc and Japanese Aero Engines Corporation, IAE manufactures and sells the V2500 engines that power the Airbus A320 family of aircraft. IAE has long-term maintenance agreements in place with various airlines through which the company provides short-term leases of spare engines to the airlines during maintenance intervals.

V-Lease and IAE concluded an agreement in which V-lease purchases IAE's spare engines, thereby moving the spare engine assets from IAE off the balance sheet.

By applying the expertise it has cultivated to date, DBJ entered the business of operating leases for aircraft engines, core parts for Japanese companies involved in heavy industry. Through this business, we aim to promote the further development of the Japanese airline industry.

V2500 engine

# Urban Development

**Efforts to develop and upgrade urban infrastructure and functions and the creation of urban culture and a comfortable environment for the lifestyles of working people through urban development are the driving forces behind the revitalization of economies and communities at the regional and national levels.**

## Case Study: Tobu Railway

Tobu Railway Co., Ltd., with its headquarters in Sumida-ku, Tokyo, is a major railway operator that operates two trunk lines, the Tobu Isesaki Line (between Asakusa and Isesaki stations) and the Tobu Tojo Line (between Ikebukuro and Yorii stations). Including Tokyo Sky Tree, the world's tallest free-standing broadcasting tower, this is a large-scale urban redevelopment project in the Narihirabashi/Oshiage area. Located in the area connecting Narihirabashi and Oshiage stations, Tokyo Sky Tree is the key property in a development slated to include commercial facilities, an aquarium, a domed theater and other structures, and is expected to revitalize the area.

DBJ, together with Mizuho Corporate Bank, Ltd., arranged and provided financing for this project, including Tokyo Sky Tree. DBJ has also invested in the tower's operator, Tobu Tower Sky Tree Co., Ltd., and has provided funding to Tobu Energy Management Co., Ltd. This company, a wholly owned subsidiary of Tobu Railway, will introduce and operate a heat supply system in Tokyo Sky Tree's vicinity.

Rendering of Tokyo Sky Tree, which is under construction and scheduled to begin operations in May 2012

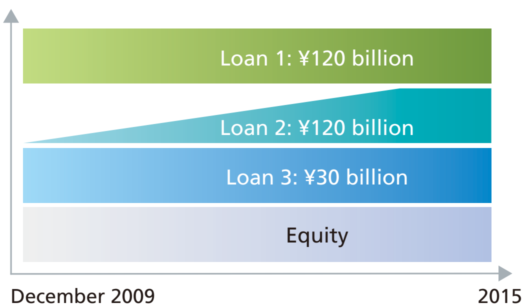
## Case Study: Tokyo Prime Stage

Tokyo Prime Stage Co., Ltd., is an SPC established jointly by Tokyo Tatemono Co., Ltd., and Taisei Corporation for the purpose of developing a prime site located in Chiyoda-ku, Tokyo, that is currently occupied by Mizuho Bank's Otemachi head office building and the Otemachi Financial Center building into a large-scale multipurpose building, tentatively named the Otemachi 1-6 Plan.

The current plan is for a standard floor area of approximately 2,970 square meters. The high-rise building will house state-of-the-art office space and a luxury hotel, with the premises providing around 3,600 square meters of green space. Construction is slated for completion in spring 2014.

With DBJ as the lead arranger, 26 financial institutions are participating in the ¥270 billion syndicated loan—one of the largest ever arranged in Japan.

● **Structure of the Syndicated Loan**



## DBJ Green Building Certification Program

**Demand is increasing for urban development and revitalization that take environmental conservation and disaster prevention into account in an attempt to realize a sustainable society. Recent years have seen forward-looking initiatives among real estate providers to offer their stakeholders property that is not only economical, but also incorporates consideration for the environment and society.**

### Case Study: Mitsubishi Estate

Mitsubishi Estate Co., Ltd., headquartered in Chiyoda-ku, Tokyo, is a comprehensive real estate developer that is currently involved in the sequential redevelopment of property in Tokyo's Marunouchi district. This project commenced with the Marunouchi Building, which was completed in August 2002.

The Mitsubishi Estate-owned Marunouchi Park Building (located in 6-1, Marunouchi 2-Chome, Chiyoda-ku, Tokyo) was completed in April 2009. This state-of-the-art office building, which rises 34 stories above ground, includes in its first basement through fourth floors Marunouchi BRICK SQUARE, a shopping zone that buzzes with activity during the day. The Mitsubishi Ichigokan Museum, located on the premises, features bricks restored from the first office building in the Marunouchi area.

For the reasons described below, DBJ ranks this structure highly as "a Japanese building that serves as an excellent example of environmental and societal consideration." Accordingly, DBJ awarded the Marunouchi Park Building its top "platinum" ranking in the DBJ Green Building Certification program, because it:

(1) Boasts superior environmental performance by making use of leading-edge technologies,

(2) Delivers value beyond the simple function as an office building through the inclusion of plazas, museums and the like, thereby going beyond its business application to provide space that promotes leisure and culture,

(3) In addition to being well equipped on the disaster- and crime-prevention fronts, includes a commercial zone with fitness club and other facilities that enhance the building's convenience and make it an extremely amenable offering for residents and others in its vicinity, and

(4) Displays an extremely high degree of environmental preservation awareness activities for tenants, and the owner cooperates with ongoing tenant initiatives.

As its first project to qualify under the DBJ Green Building Certification program, DBJ provided financing to Mitsubishi Estate, owner of the Marunouchi Park Building.

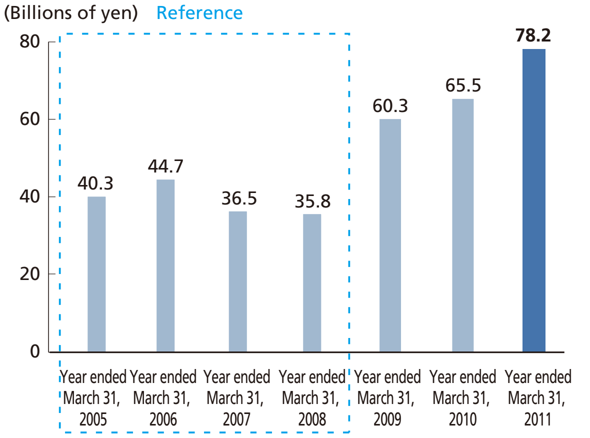
Marunouchi Park Building

## Financing Employing DBJ Environmental Ratings

**The environment is a matter of global concern, and corporations are responsible for conducting business in an environmentally responsible manner. Financial institutions are no exception, being tasked with the mission of contributing to a sustainable society.**

The graph below shows the amount of Financing Employing DBJ Environmental Ratings for the past seven years. Financing in the year ended March 31, 2011, amounted to ¥78.2 billion, an increase of approximately 19% year on year. The total for the seven years to March 31, 2011, stands at ¥361.4 billion.

### ● Track Record of Financing Employing DBJ Environmental Ratings




Notes: 1. Figures for years ended March 31, 2005 to 2008, are for DBJ's predecessor.
2. Figures for the year ended March 31, 2009, include those for DBJ's predecessor (from April 1 to September 30, 2008).

The DBJ Environmental Ratings Advisory Committee meets to receive outside expert advice and make adjustments to the DBJ Environmental Ratings system in line with past scoring and results as well as with trends in environmental policy. Revised DBJ rating sheet for Fiscal 2011, will incorporate elements related to ISO 26000, which went into effect in 2010, and enhancements related to corporate social responsibility (CSR). DBJ has also made adjustments to place an increased focus on the relationship between a company's core business and biodiversity, reflecting The 10th Conference of the Parties to the Convention on Biological Diversity, also known as COP 10, which took place in Nagoya in 2010.

DBJ 環境格付

DBJ environmental logo

## Case Study: Kanagawa Chuo Kotsu

Kanagawa Chuo Kotsu Co., Ltd., headquartered in the city of Hiratsuka, Kanagawa Prefecture, chiefly operates buses in Kanagawa Prefecture, but is also involved in real estate, hotels and other businesses. The company has undertaken a number of forward-looking initiatives to enhance its level of service, such as being the first operator in Japan to introduce steplifts on its buses, thereby helping to raise the service level of bus transportation throughout Japan.

The operator was evaluated highly for its cooperation in constructing the Public Transportation Priority System (PTRS)*, its position as the first operator in Japan to introduce a non-step bus—the Twin Liner—in response to Japan's Transportation Accessibility Improvement Law and its contribution to society as a whole by raising the efficiency of transport systems. Another factor behind its high rating was Kanagawa Chuo Kotsu's effort to encourage a shift from private vehicles to the use of public transportation through the introduction of an environmental commuter pass and the industry-leading implementation of the Green Ecopass, a commuter pass that incorporates carbon offsets.

The current environmental rating-based financing was provided to reinforce Kanagawa Chuo Kotsu's environmentally conscious initiatives by providing funds to introduce low-emission buses. Going forward, DBJ expects the company to provide an important role in the region's transportation infrastructure.

* Designed to give priority to public-transport vehicles, this advanced traffic light control system recognizes individual buses.

Twin Liner

## Financing Employing DBJ Environmental Ratings

### Case Study: FP Corporation

FP Corporation, headquartered in the city of Fukuyama, Hiroshima Prefecture, leads the industry in the manufacture and sale of trays used for food products. The company has set up a voluntary system to collect used trays, recycle them and convert them again into products. Recognizing early on that international society was sharpening its focus on the growing responsibility of manufacturers, FP Corporation introduced the first system in Japan to conduct ongoing recycling awareness activities targeting packaging wholesalers, retailers and consumers.

DBJ gave the company high marks for (1) the FP *Tray-to-Tray**1 environmental recycling system for lowering its environmental impact and (2) voluntary technical developments to make food trays more lightweight.

After FP Corporation received its environmental rating, DBJ arranged the Environmental Club Syndicated Loan *ECONOWA**2, through which a total of ¥3.0 billion was provided via 14 regional financial institutions. At the ADFIAP*3 annual meeting in April 2011, the *ECONOWA* loan to FP Corporation received the Local Economic Development Division Special Award in the ADFIAP Awards.

*1 A recycling system in which post-use trays are voluntarily recovered and converted to Eco Tray products.

*2 Under this system, financial institutions having a high level of environmental awareness provide syndicated loans that go toward companies' environmental expenses and investments. The name derives from the English word "ecology" and the Japanese word "*wa*," which connotes harmony, cycles and rings.

*3 Acronym for the Association of Development Financing Institutions in Asia and the Pacific.


*Tray-to-Tray* recycling system

### Case Study: Valor

Valor Co., Ltd., headquartered in the city of Ena, Gifu Prefecture, an operator of supermarkets in Japan's Chubu region, is pursuing environmentally conscious management via thoroughgoing cost management and the rollout of low-carbon stores.

DBJ provided financing to the company based on its high environmental rating. Earning this rating were (1) its initiatives to improve its environmental burden through certification of the energy efficiency of various facilities, (2) in existing stores, its cogeneration*1 and desiccant air conditioning systems*2, as well as its steady installation of other energy-saving equipment, and (3) the introduction in its Kusatsu Store in Shiga Prefecture of photovoltaic generation and geothermal temperature regulation and other systems. Through its verification project, the company has succeeded in reducing $CO_2$ emissions by more than one-third compared with existing stores.

Valor plans to sustain its environmentally considerate management approach from two angles—hardware and operational. By promoting initiatives in these areas, the company expects to reduce its environmental impact even further.

*1 Efficient energy management systems that use waste heat emitted from power generation to meet other demands for heat, such as in air conditioning and hot water supply systems.

*2 Energy-efficient air conditioning systems that use desiccants for dehumidification.

Cogeneration system and solar panels at the Valor Hikone Store

## Environmental Technology

**To solve global warming, energy problems and a whole range of environmental issues, and to promote the creation of a recycling-oriented society, it is important to support businesses financially so that they can undertake the development of the required technologies. To achieve these objectives, companies must obtain and accumulate more advanced technical expertise, and a steady stream of funding is necessary to accommodate projects of different scales at varying stages of development.**

### Case Study: DB Masdar Clean Tech Fund

DB Masdar Clean Tech Fund, L. P., is a clean technology*1 fund managed by Abu Dhabi Future Energy Company (Masdar; head office: Emirate of Abu Dhabi), which is a conglomerate owned by the Emirate of Abu Dhabi*2 that advances environment-related business activities, and DB Climate Change Advisors (DBCCA; head office: New York State, United States), which is a unit of Deutsche Bank's asset management business.

Numerous companies worldwide are engaged in R&D in the clean technology field as they work to commercialize promising environmental technologies.

To bring Japan's environmental technologies to the world and sharpen the country's international competitive edge through the environmental industry, DBJ provided funding to the DB Masdar Clean Tech Fund, which has a broad-based network and a large technology team, with the view that support is required for investment funds that have global networks and technical evaluation capabilities.

*1 Refers to a range of technologies, products, services and processes that utilize renewable resources to lessen the consumption of natural resources, curtail the emission of greenhouse gasses into the atmosphere and reduces waste. The wide array of clean technologies, which incorporate advanced energy efficiency and a lower environmental impact than existing technologies, includes solar power, wind power, fuel cell and other alternative energy technologies; water, air and soil decontamination technologies; technologies related to new materials; and automotive and other transportation-related technologies.

*2 One of the emirates constituting the United Arab Emirates (U.A.E.)

Conceptual rendering of Masdar City, which will run entirely on renewable energy

### Case Study: Kanmon Kowan Construction

Kanmon Kowan Construction Co., Ltd., headquartered in the city of Shimonoseki, Yamaguchi Prefecture, is a marine construction contractor involved primarily in dredging*1 and filling. Leveraging the advanced dredging technology it cultivated on the Kanmon Waterway, involving swift currents, rock plates and hard ground, Kanmon Kowan Construction participates actively in overseas projects, such as the Railway Bosphorus Tube Crossing, Tunnels and Stations in the Republic of Turkey.

DBJ provided Kanmon Kowan Construction with financing to build *OCEAN No. 5*, a backhoe reclaimer work vessel*2.

The *OCEAN No. 5* contains equipment for transporting dredged soil to the reclamation location without dirtying the sea, a seawater desalination unit, oily water separation equipment, and sewage treatment facilities. Furthermore, the vessel has adopted rooftop gardening technology. Its diesel engines satisfy International Maritime Organization Tier II emission requirements and were introduced in advance of their implementation. This combination of features makes the *OCEAN No. 5* a reclaimer work vessel that incorporates global warming countermeasures and other environmental considerations on an unprecedented scale.

*1 Deepening waterways through the removal of underwater dirt and sand.

*2 This type of working vessel, also known as a pump dredger, uses a barge-mounted earth-moving shovel to place earth onto a conveyer, which is used to transport the material to a landfill location.

New *OCEAN No. 5* backhoe reclaimer work vessel

## Healthcare and Welfare

**Society faces a wide range of issues on the healthcare front, including an increasingly elderly population, advances in medical procedures, mergers and acquisitions by medical corporations and a need to rebuild aging facilities. Offering uninterrupted medical services involves solving fiscal and administrative problems and improving the skills of medical and other personnel and the quality of related facilities and medical equipment.**

### Case Study: JR Sapporo Hospital

JR Sapporo Hospital, located in Chuo-ku, Sapporo, is a 312-bed medical institution that plays a central role in the region and is owned and operated by the Hokkaido Railway Company.

In coordination with other organizations, DBJ supplied project financing for the reconstruction of JR Sapporo Hospital's dilapidated medical facilities. An SPC was established to enable funding procurement that would take advantage of the earning power of the new facility and to successfully separate the ownership of the hospital from its operations.

This project financing scheme was built on a stable foundation, with Lifetime Partners, Inc., of the Mitsubishi Group, as the arranger and DBJ as the coarranger, along with senior loans provided by regional financial institutions and a mezzanine loan extended by DBJ.

DBJ strengthened ties with regional financial institutions in Hokkaido through a business cooperation agreement it concluded in September 2005. DBJ expects that this financing scheme, which supports the enhancement of local healthcare and the assignment of regional healthcare functions to facilities with advanced medical capabilities, can be applied to many hospitals.

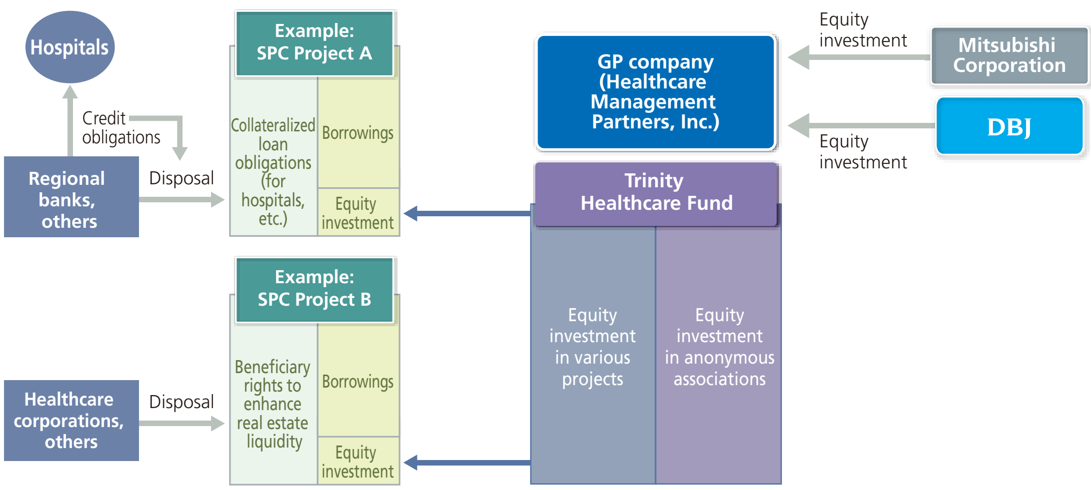
JR Sapporo Hospital after reconstruction

### Case Study: Trinity Healthcare Fund

In cooperation with Mitsubishi Corporation, DBJ established the Trinity Healthcare Fund to provide equity to support business revitalization/restructuring for healthcare operators.

Health Management Partners, Inc., was established to operate the fund created by the two companies through this joint investment. The fund buys loans issued by financial institutions throughout Japan to medical institutions and nursing facilities that require management support. The fund then formulates management improvement plans and cooperates with the management of firms requiring support to strengthen their financial and management structures. The fund also proposes fund procurement methods that employ the securitization of real estate and provide financing in response to regional medical needs.

● **Overview of the Trinity Healthcare Fund**



## Healthcare and Welfare

### Case Study: Mitsui Memorial Hospital

Mitsui Memorial Hospital, located in Chiyoda-ku, Tokyo, handles emergency and advanced medical care, and is one of the metropolitan area's leading general hospitals for acute treatment. Since its establishment in 1906, the hospital has maintained a spirit of social welfare, catering to the needy by at times waiving or reducing medical fees. Mitsui Memorial Hospital also maintains ties with nearby university hospitals, regional medical societies and private hospitals, playing an important role as a core regional hospital.

The hospital had resolved to undergo a complete reconstruction to replace aging facilities and address the issue of insufficient earthquake protection, as well as in the future to build a new hospital wing to provide advanced acute treatment*. DBJ met the hospital's financing needs for constructing a new wing—taking a proactive approach toward project risk by concluding a financing agreement prior to the start of construction.

* Difficult treatments, such as cardiovascular and cancer treatments, that require a high degree of expertise and that must be performed urgently

Mitsui Memorial Hospital, as its reconstruction plan nears completion

### Case Study: Takeda General Hospital

With principal facilities in Aizu-Wakamatsu, Fukushima Prefecture, Takeda General Hospital is one of Japan's largest private hospitals. As a medical center serving the Aizu and southern Aizu areas of Fukushima Prefecture, Takeda General Hospital plays a highly important role in regional healthcare and is designated as a regional medical support hospital, regional perinatal mother-and-child medical center and regional affiliated base hospital for cancer diagnosis.

DBJ partnered with The Toho Bank, Ltd., to assemble a syndicated loan, enlisting the full cooperation of major regional financial institutions in the Tohoku region and arranging large-scale, long-term financing in line with the business and construction plans for Takeda General Hospital's new building.

Rendering of the new hospital building

### *Medical Management Database 2011*

Edited by DBJ and Japan Economic Research Institute, Inc., and published in July 2011, this handbook focuses on supporting hospital management reform. The handbook provides a compact and comprehensive overview of essential information, including updates to basic information such as that indicated below.

- Environment surrounding the healthcare sector (such as trends involving hospital facilities and management)
- Analysis of the current status of hospital management (running costs, facility investment and trends involving securing physicians and nurses)
- Topics related to hospital management (such as examples of hospital management improvements and cooperation among community healthcare facilities)

## Restructuring and Revitalization

**Since the emergence of nonperforming loans as a major problem in Japan in the late 1990s, corporate and business revitalization has become an important issue. In recent years, international financial disorder and the tide of economic globalization have fomented swift change in the corporate business environment. Smooth revitalization is an important issue for not only the distressed companies that are viable businesses themselves but also the financial institutions and other entities supporting their revitalization.**

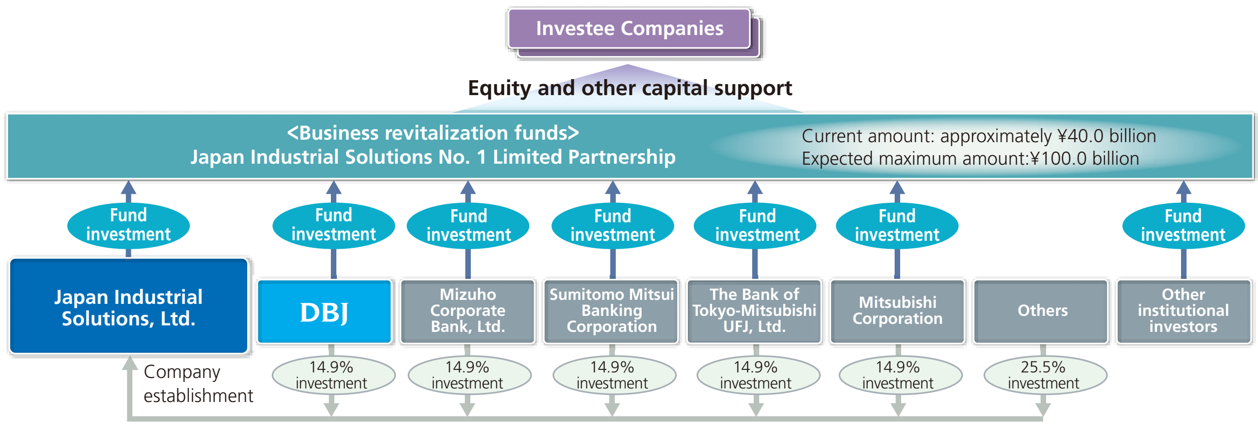
### Case Study: Japan Industrial Solutions

Japan Industrial Solutions, Ltd., headquartered in Chiyoda-ku, Tokyo, was established to manage business revitalization funds. The company was formed through joint investment by a number of companies, including DBJ, Mizuho Corporate Bank, Ltd., Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mitsubishi Corporation, and other companies.

By forming business revitalization funds, Japan Industrial Solutions will provide equity and other capital support to respond to companies' needs for cash and capital reinforcement depending on the extent of business restructuring and other requirements. At the same time, Japan Industrial Solutions plans to collaborate with the investee companies' management teams as well as their main banks to achieve its investees' business revitalization.

Working in concert with other financial institutions, DBJ aims to introduce a broad range of measures to enhance corporate value, including through industry restructuring. In this manner, we will support Japan Industrial Solutions in its endeavor to contribute to the efforts of Japanese industry to face increasingly stringent global competition and the structural issues underlying sluggish domestic demand.

● Fund schemes

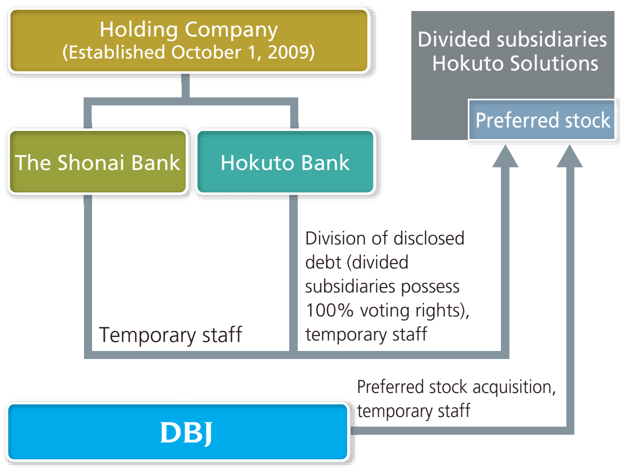



### Case Study: Hokuto Solutions

Hokuto Solutions, Ltd., a wholly owned subsidiary of Hokuto Bank Ltd., both headquartered in the city of Akita, was established in an attempt to improve its parent's financial health by reducing nonperforming loans and providing management support to trading partners. DBJ concluded a business alliance with Hokuto Bank and The Shonai Bank, Ltd., which has headquarters in the city of Tsuruoka, Yamagata Prefecture.

Hokuto Solutions inherited ¥16.2 billion in nonperforming loans from Hokuto Bank and is engaged in debt management and the support of business revitalization activities for Hokuto Bank.

DBJ provided temporary staff to Hokuto Solutions and invested approximately ¥1 billion in the form of nonvoting preferred stock.



## M&A and Business Alliances

**Mergers and acquisitions (M&A) have entered the spotlight with their increasing prevalence, owing to such factors as more diverse forms of business development, Asia-centered overseas expansion, and growing activities in business and industry restructuring. M&As are considered effective and essential for aggressive business restructuring and to overhaul and revitalize underperforming businesses.**

### Case Study: Toppan Printing

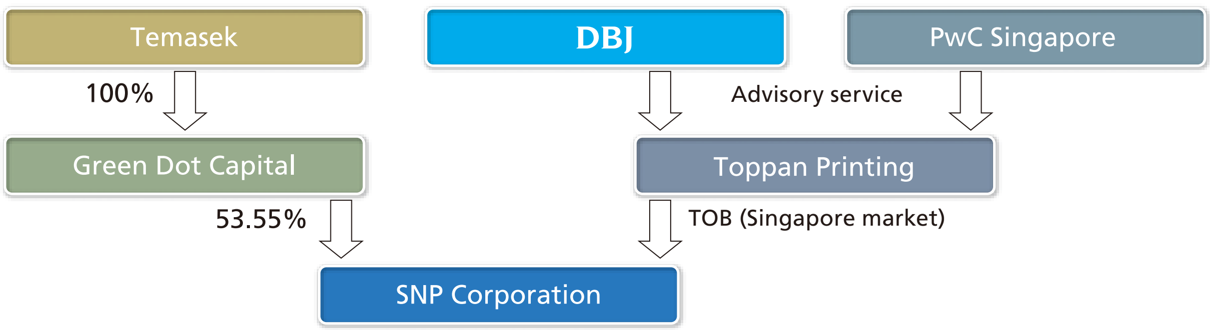
Toppan Printing Co., Ltd., which has its headquarters in Chiyoda-ku, Tokyo, is involved in developing business in a broad range of areas that include information and networks and are focused on the printing industry.

Through its extensive information network, DBJ learned that investment company Temasek, owned by the Singapore government, intended to offer for sale SNP Corporation (currently Toppan Leefung Pte. Ltd.), a Singapore-based printing company. Starting out as Singapore National Printers Pte Ltd., a government printing office, SNP is now a major player in the printing industry, operating domestically and in China, Hong Kong, Southeast Asia and the U.S. and European markets.

After careful analysis of SNP's corporate value and overseas business development, DBJ proposed the acquisition of SNP to Toppan, and as a result DBJ and PricewaterhouseCoopers Singapore* supported Toppan's purchase of SNP as joint M&A advisors. The combination of Toppan's advanced technology and SNP's production and sales network promises to enhance Toppan's business in overseas markets.

*PwC Singapore is a member of New York–based PricewaterhouseCoopers, the world's largest professional services firm.

● **SNP Acquisition Scheme**




### Case Study: Toko Electric

Toko Electric Corporation, headquartered in Chiyoda-ku, Tokyo, manufactures power distribution equipment and operates a power meter repair business.

Toko Electric integrated its meter business with that of Toshiba Corporation to establish Toshiba Toko Meters Systems Co., Ltd., with the aims of (1) developing, manufacturing and selling advanced electronic power meters (smart meters*), (2) strengthening its gas, water and commercial measuring gauge business, and (3) advancing into overseas markets where the smart grid approach is gaining currency.

DBJ served as Toko Electric's financial advisor during this business integration and provided the long-term loans required for the establishment of the combined entity.

*A smart meter is a new type of power meter that measures power consumption at households and businesses, then uses an onboard communication function to send the data to the power company automatically at regular intervals. Smart meters also aid in electricity supply planning by power companies through constant monitoring of the amount of power used.

Electronic power meter
(with communication function)

## Private Finance Initiatives

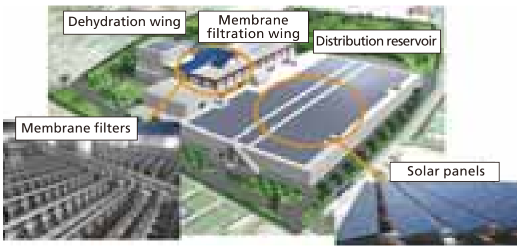
**Private finance initiatives (PFIs) draw on private-sector capital and management expertise, as well as technology, to build, operate and maintain social infrastructure that has traditionally been the province of national and local governments. Advantages of the PFI method include reduced operating costs on the part of national and 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 allocating responsibility and accountability across multiple vendors. Numerous financing problems can arise as well, making the ability to negotiate with, and manage, the various participants very important, as well as operating the business.**

### Case Study: Water Next Yokohama

Water Next Yokohama Co., Ltd., headquartered in Yokohama, Kanagawa Prefecture, is an SPC set up to renovate the Kawai Water Purification Plant in the city of Yokohama. The SPC is backed by Metawater Co., Ltd.; Metawater Service Co., Ltd.; Mitsubishi UFJ Lease & Finance Co., Ltd.; Tsukishima Kikai Co., Ltd.; Toden Kogyo Co., Ltd.; Tokyo Electric Power Environmental Engineering Co., Inc.; and Tokyo Electric Power Company.

This is Japan's first example of a PFI project responsible for the overall renewal and management of a water treatment plant, and the facility will be the country's largest membrane filtration water treatment facility. The adoption of a high-capacity membrane filtration system enables efficient operation and maintenance, and taking advantage of the drop in elevation from the water sources to the treatment plant helps conserve energy.

In concluding a financing agreement with other financial institutions as arranger, DBJ has helped supply project finance totaling around ¥14 billion.



Overview of the planned facilities

### Case Study: Mine Inmate Rehabilitation Support

Mine Inmate Rehabilitation Support Co., Ltd., headquartered in Shibuya-ku, Tokyo, was established as the first organization in Japan to build and operate a new prison, the Mine Rehabilitation Program Center, under the PFI method. Secom Co., Ltd., was among the companies financing the establishment of the special-purpose company (SPC) to operate this prison, located in the city of Mine, Yamaguchi Prefecture.

In June 2006, DBJ and the Bank of Tokyo-Mitsubishi UFJ, Ltd., arranged a project finance package to provide collaborative financing to promote Mine Inmate Rehabilitation Support at each stage.

The Mine Rehabilitation Program Center has operated smoothly since it opened in 2007, and in October 2010 the operator decided to add a wing to house an additional 300 female inmates. To meet the PFI's additional objectives of expanding and upgrading the existing prison facility, as well as operating, maintaining and managing the new wing, DBJ again collaborated with the Bank of Tokyo-Mitsubishi UFJ to develop a collaborative project finance scheme with regional financial institutions.


Rendering of the renovated and expanded Mine Rehabilitation Program Center

## Financing Employing DBJ Disaster Preparedness Ratings

**Such recent disasters as the Great Hanshin-Awaji Earthquake, the Chuetsu Offshore Earthquake, the Iwate-Miyagi Inland Earthquake and the recent Great East Japan Earthquake caused tremendous damage to the economy, with many organizations forced to suspend operations for extended periods. In addition to measures for protecting personnel and property, companies face the need to draft business continuity plans (BCPs) to hedge themselves against lost revenue and retain their clients in the event of disaster.**

### Case Study: Suminoe Textile

Suminoe Textile Co., Ltd., headquartered in Chuo-ku, Osaka, is a leading company in the interior industry, with business comprising automobile and other vehicle interiors.

Based on its evaluation of Suminoe Textile's disaster-preparedness initiatives, DBJ provided the company with Financing Employing DBJ Disaster Preparedness Ratings.

To achieve its objectives, Suminoe Textile set up a risk management committee as an organization spanning the entire company. Centering on this committee, the company created an earthquake preparedness manual, clearly defined organizations and functional responsibilities in the event that disaster struck, and defined specific initial disaster responses.

In addition to this internal preparedness, DBJ rated the company highly on its proactive disaster preparedness efforts, including (1) its initiatives to promote business continuity by enrolling in earthquake insurance and business interruption insurance to shore up the company's finances in the event of disaster, and (2) providing its own water resources through an internal storage lagoon, as one aspect of cooperation with the regional community as demonstrated by its opening of an evacuation area on its own grounds to the neighboring community.


SUMITRON recycled fiber,
produced by Suminoe Textile

### Case Study: Nippon Kodoshi

Nippon Kodoshi Corporation, headquartered in the city of Kochi, Kochi Prefecture, was established in 1941 to employ the technology used in making Tosa paper to manufacture viscose-impregnated paper. The company soon embarked on the manufacture of separators for aluminum electrolytic capacitors, an area in which it is currently the leading manufacturer, with a global market share of 70%. In recent years, Nippon Kodoshi has also undertaken the mass production of separators used in lithium-ion batteries. These batteries are a target of growing focus for their use in eco-cars, which feature reduced environmental impact.

After giving high marks to Nippon Kodoshi's disaster response initiatives, we offered Financing Employing DBJ Disaster Preparedness Ratings. We rated highly the company's efforts to ensure a stable supply of products to its customers in Japan and overseas. These included (1) the creation of a disaster response management procedure based on such groups as the damage countermeasures department management organization, while ensuring management's concentration on business continuity and (2) building a new factory to decentralize its operations to mitigate the risk of potential Nankai megathrust earthquakes while maintaining its locus of production activities in Kochi Prefecture.

Rendering of Yonago plant in Tottori Prefecture

## Community Revitalization

**In recent years, the economic disparity between major urban areas and regional areas in Japan has expanded as people and businesses continue to concentrate in cities. Moreover, disparities even among regions are becoming more stratified and complex, with increasing gaps between hub cities and other areas.**

**For local economies to sustainably exist, development having a broad view (involving other regions in Japan and overseas markets) is important.**

### Case Study: Amino Up Chemical

Amino Up Chemical Co., Ltd., headquartered in the city of Sapporo, is a pioneering Hokkaido-based bioventure that develops highly functional health foods from commonly available foodstuffs, such as mushrooms and soybeans. Promoting joint research in collaboration with a number of other institutions, the products created through the company's sophisticated biotechnologies* are rated highly by specialists in Japan and overseas for their scientific basis and are used at many medical institutions.

DBJ's Hokkaido Branch has certified Amino Up Chemical under its Regional Areas' *Genki* Program (Food Industry) for the company's success in promoting cooperation among Hokkaido companies and other organizations to contribute to higher-value-added foods. Accordingly, DBJ provided financing to be used in the construction of a new factory and an eco-house wing (a new office wing housing an exhibit space).

The eco-house wing will be an energy-saving facility, employing natural energy sources such as geothermal heating and snow and ice for cooling.

* Products include active hexose correlated compound (AHCC), a mushroom-derived mycelia extract employed in cancer health supplements, and oligonol, a lychee-derived, low-molecular compound polyphenol with excellent antioxidant properties.

New plant and eco-house wing

### Case Study: NEC TOKIN

NEC TOKIN Corporation, headquartered in the city of Sendai, Miyagi Prefecture, holds an industry-leading share of the market for tantalum capacitors. As the core company of the NEC Group's electronic component business, NEC TOKIN also manufactures and sells globally a host of other compact, high-capacity and high-performance electronic components that are used in advanced mobile phones, personal computers, automobiles and other items.

The NEC Group currently is working to expand its environmental and energy-related business. Accordingly, the company is taking advantage of its highly advanced environmental technologies to promote energy savings in notebook PCs, flat-screen televisions and other digital home electronics. NEC TOKIN is also stepping up its development and making an aggressive effort to expand its offerings of environmentally conscious automotive electronic components.

DBJ provided funding to NEC TOKIN on the basis of the Tohoku Branch's certification of the company under the Regional Areas' *Genki* Program (Clean Innovation).

Automobile transformer for eco-car

Metal components and inductors that contribute to energy savings on notebook PCs

## Community Revitalization

### Case Study: Kosoku

Kosoku Co., Ltd., headquartered in the city of Sendai, Miyagi Prefecture, is a trading company that specializes in the sale of packaging materials, chiefly in the Tohoku and Tokyo metropolitan regions. In response to mounting concern about environmental problems in recent years, Kosoku is increasing the volume of biodegradable materials* and other environmentally conscious products it handles.

Kosoku has relocated its Yamagata sales office to Arcadia Soft Park Yamagata, where many of the prefecture's research and support institutions are gathered, and has also expanded this facility. This new sales office will also house a packaging material research laboratory, enhancing the company's ability to perform research into environmentally friendly packaging materials for the produce and processed foods handled by local supermarkets.

DBJ provided funding to Kosoku on the basis of the Tohoku Branch's certification of the company under the Regional Areas' *Genki* Program (Clean Innovation).

* Materials that can be broken down by microorganisms. Biodegradable materials have less of an impact on the natural environment than conventional materials.

Yamagata sales office

### Case Study: AOKISHUZO The Sake Brewery

AOKISHUZO The Sake Brewery Co., Ltd, headquartered in the city of Minamiuonuma, Niigata Prefecture, is a sake brewer that was founded in 1717.

Typical of AOKISHUZO's offerings is *Kakurei*, which is brewed in a special way to retain the fundamental deliciousness of sake but without the sharp, dry finish that is common among Niigata sake varieties.

AOKISHUZO aims to expand its brewing facilities in response to heightened demand, as well as open a restaurant making use of its sake cellar to promote local tourism.

DBJ provided funding to AOKISHUZO on the basis of the Niigata Branch's certification of the company under the Regional Areas' *Genki* Program (Food Industry: Value-Added Rice Products and Services).

Brewery founded in 1717

### Case Study: Kobayashi Kako

Kobayashi Kako Co., Ltd., headquartered in the city of Awara, Fukui Prefecture, is a pharmaceutical manufacturer that primarily handles generic drugs. Against a backdrop of current Japanese government policies promoting the use of generic drugs, Kobayashi Kako has developed pharmaceuticals to meet the needs of medical practitioners. The company has received plaudits for its development of products that are easy for medical facilities to handle and simple for patients to take. Accordingly, the company's products have earned broad-based acceptance in the medical community.

To enable the company to meet growing demand and commence full-fledged production of value-added medical formulations, DBJ provided Kobayashi Kako with financing to construct a new factory on the basis of the Hokuriku Branch's certification of the company under the Regional Areas' *Genki* Program (Manufacturing Industry: Electronics, Pharmaceuticals, Textiles, Plastics).

Rendering of new plant

## Community Revitalization

### Case Study: Lithium Energy Japan

Lithium Energy Japan, headquartered in the city of Kyoto, was established in December 2007 to develop, manufacture and sell large lithium-ion batteries, such as those used in electric vehicles. The company is jointly financed by GS Yuasa International Ltd., Mitsubishi Corporation and Mitsubishi Motors Corporation.

Demand for lithium-ion batteries is increasing to meet growing demand for their use in electric vehicles, which contribute to reduced $CO_2$ emissions. DBJ provided financing for Lithium Energy Japan to construct a new facility, the Ritto plant, to expand its lithium-ion battery production capacity, following certification under the DBJ Development Support Program (*Nihon Genki* Program).

Rendering of Ritto plant

### Case Study: Nichia

Nichia Corporation is a leading manufacturer of luminescent materials with headquarters in the city of Anan, Tokushima Prefecture. Recently, propelled by its successful development of the high-brightness blue light-emitting diode (LED), Nichia has garnered a major share of the global market for LEDs. The company is also a global leader in the manufacture and sale of cathode materials for lithium-ion batteries. Recently, demand for these materials has grown, owing to electricity-saving measures introduced in the aftermath of the Great East Japan Earthquake.

As a long-life, energy-efficient, mercury-free lighting technology, the LED is a promising, environmentally friendly light source. Advancements in brightness and color rendering performance are building momentum for the use of LEDs in backlights for notebook PCs and LCD televisions, with utilization in general lighting and vehicle lighting well under way.

DBJ has extended loans to Nichia to provide financial support for its activities in the manufacturing field that leverage its robust technical capabilities.

LEDs

### Case Study: Kyuden Ecosol

Kyuden Ecosol Co., Ltd., headquartered in the city of Fukuoka, is a wholly owned subsidiary of Kyushu Electric Power Co., Inc. The company consistently designs and constructs total solar power solutions for industrial and public-sector customers in the Kyushu region, including post-installation management services.

Kyuden Ecosol's integrated services involve providing its customers with power generation equipment that is erected within their own facilities, and then providing them with maintenance and operations management services. This approach reduces customers' initial investment and gives them access to solar power without concern for operations management. Going forward, demand is expected to grow, as solar power attracts increasing attention as a major source of renewable energy.

DBJ provided a financing program for Kyushu Ecosol through the collaboration of 11 Kyushu-based regional financial institutions. Employing this program gives Kyuden Ecosol access to expeditious funding under favorable conditions. Also, for financial institutions, the program secures a common ground for the parties, which reduces the administrative burden for both the borrower and the lenders.

Environmentally conscious shopping mall that uses Kyuden Ecosol's services

## Community Revitalization

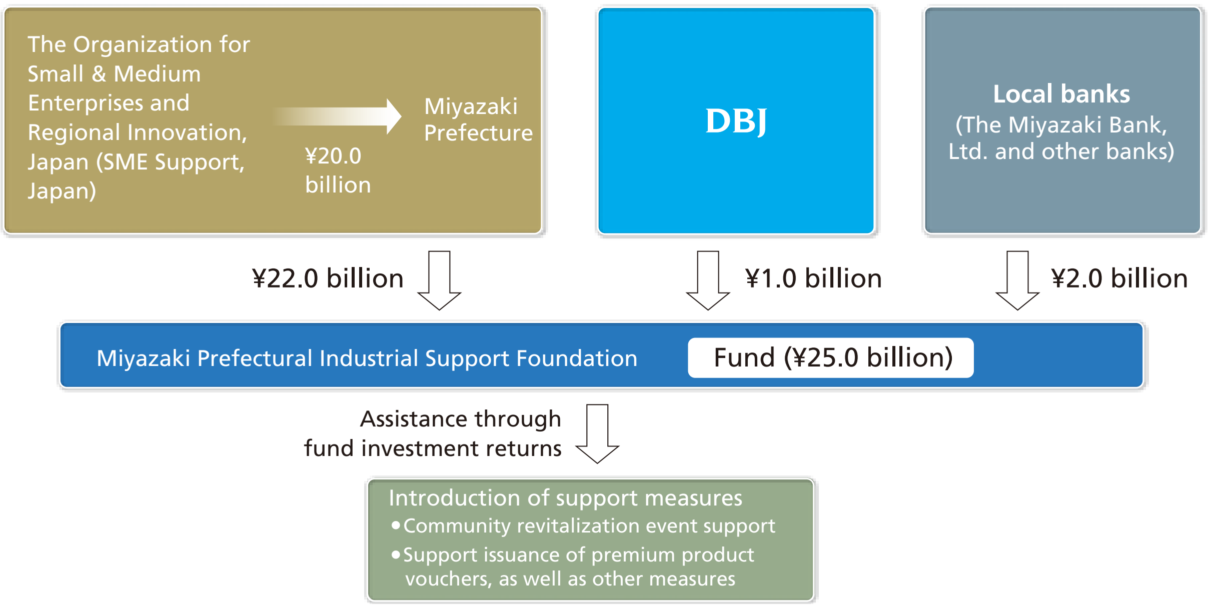
### Case Study: Fund to Support the Recovery of Small and Medium-Sized Enterprises from the Impact of Infection by Foot-and-Mouth Disease

In addition to livestock-related industries, foot-and-mouth disease has a wide-ranging impact on a variety of industries, including tourism. A recent infection by this disease has battered the overall economy of Miyazaki Prefecture.

The Fund to Support the Recovery of Small and Medium-Sized Enterprises from the Impact of Infection by Foot-and-Mouth Disease helps to support recovery from the damage resulting from foot-and-mouth disease by using fund investment returns to invigorate the community and assist businesses to attract visitors from outside the prefecture.

DBJ financed this fund via the Minami-Kyushu Branch, based on the Regional Areas' *Genki* Program (Food, Health and Environment Industry).

**● Overview of the Fund to Support the Recovery of Small and Medium-Sized Enterprises from the Impact of Infection by Foot-and-Mouth Disease**




### Case Study: LEC

LEC, Inc., headquartered in Chuo-ku, Tokyo, manufactures and sells everyday and sundry items such as interior, sanitary and kitchen goods, to general merchandise stores and ¥100 shops.

On the strength of the manufacturing and quality control technologies it has accumulated over the years, the company has brought its production of principal products in-house, thereby reducing costs and ensuring a stable supply of products to consumers. This approach has earned the company a strong reputation in the market and from its business partners.

We provided financing to LEC—which in addition to its Shizuoka and Shikoku plants has operations in other parts of Japan and overseas and contributes to regional employment—through the DBJ Development Support Program (*Nihon Genki* Program).

*Gekiochi-Kun*, which removes stains with only water—no detergent required—and other popular products

## Overseas

**Efforts at expansion overseas have become an important factor in Japan's continued growth.**

**The rapid economic development of Asia in particular, with its notable growth in middle income groups, represents a major business opportunity for Japan, because the region is running up against environmental issues, urbanization-related difficulties and other developmental constraints and growth challenges that Japan has already faced and overcome.**

**In order for Asia's growth to translate into definite gains for Japan, the country must underpin Asia's rise by sharing with each country the wealth of experience it has gleaned from its own process of economic development. Japan must also mobilize its unique profile of strengths in the fields of the environment and infrastructure to deploy business operations in the rest of Asia in a comprehensive and strategic fashion.**

### Case Study: Senoko Power (now Senoko Energy)

Senoko Power Ltd. (hereinafter, "SP"; currently Senoko Energy Pte Ltd.) is Singapore's largest power company.

Amid the promotion of deregulation of the electric power industry by Singapore's Energy Market Authority (EMA) and rising concerns about global warming issues, investment to raise efficiency within the approved energy output (repowering) is being recognized as an important management challenge for SP. Given these circumstances, DBJ provided subordinated financing for SP in November 2009, aiming to support the company's projects in light of credit market conditions.

This loan also funded the deployment of a new overseas power business, including retail power sales, undertaken by SP sponsors Kansai Electric Power Co., Inc. (KEPCO) and Kyushu Electric Power Co., Inc., with their energy efficiency technologies, and Marubeni Corporation, with its expertise in overseas power plant operations.

Senoko Energy power plant

### Case Study: Saigon Paper

Saigon Paper Corporation, headquartered in Ho Chi Minh City, Vietnam, is a leading manufacturer of paper, including household paper and paperboard. Saigon Paper, which plays a role in a core industry in Vietnam, was preparing to commence operations of a major plant and looking overseas for capital and business alliance partners.

Through its investment activities, DBJ aims to help Japanese companies that intend to expand their operations overseas with an opportunity for growth in Vietnam, while at the same time supporting business expansion and cultivating industry in Vietnam.

Leveraging the experience and networks it has cultivated in Vietnam, DBJ introduced Daio Paper Corporation as a potential capital and business alliance partner, provided advisory services and extended joint financing to Saigon Paper.


Saigon Paper products

DBJ aims to realize a more prosperous sustainable society by achieving harmony through the triple bottom line of society, the environment and the economy. We recognize the resolution of environmental problems as an issue that is common to all humankind. For this reason, DBJ has contributed to the formation of an environmentally friendly economic society.

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. In addition, in November 2002, we acquired ISO 14001 certification. Such efforts indicate our organizational commitment to environmental preservation and the realization of a sustainable society.

At present, we are pursuing independent initiatives and promoting environmental efforts in the communities where our branches and offices are located.

**DBJ's Basic Environmental Policy**

Promulgated and Put into Effect October 1, 2008

*Purpose*

Article 1. DBJ aims to realize a more prosperous sustainable society by achieving harmony through the triple bottom line of society, the environment and the economy. We recognize the resolution of environmental problems as an issue that is common to all humankind. For this reason, DBJ has established a policy that aims to contribute to the formation of an environmentally friendly economic society.

*Promotion of Environmental Measures through Loan and Investment Activities*

Article 2.

1. Through its investment and loan activities, DBJ supports global warming prevention measures and the promotion of a recycling-oriented society. In addition, by supporting environmentally sustainable corporate management by its clients, DBJ contributes to their creation of environmental measures and to the realization of a sustainable society.
2. DBJ contributes to clients' environmental measures through the risk evaluations of investment and loan activities from an environmental perspective.

*Promotion of Environmental Awareness through Environmental Communication*

Article 3.

1. Through continuing research and advisory activities relating to environmental issues, DBJ seeks to help resolve environmental issues through enhanced awareness, thereby contributing to the realization of a sustainable society.
2. DBJ seeks to promote environmental awareness through international cooperation, including the distribution of information about environmental initiatives by Japan.
3. DBJ endeavors to improve its initiatives by sharing information on its environmental activities and through communication with society.

*Promotion of Environmental Awareness Activities in Offices*

Article 4. DBJ complies with environmental laws and regulations, and promotes activities to reduce the environmental impact of its operations. To these ends, DBJ seeks to contribute to the creation of environmentally friendly office environments through the activities indicated below.

(1) Promotion of resource and energy conservation and recycling activities

(2) Promotion of environmentally friendly sourcing of supplies

(3) Prevention of environmental pollution

*Promotion of Environmental Awareness Activities in Communities*

Article 5. By cooperating with community environmental improvement initiatives, such as measures to prevent heat islands, DBJ works to contribute to the creation of environmentally friendly regional societies.

## Putting into Practice DBJ's Basic Environmental Policy

### Promotion of Environmental Measures through Our Investment and Loan Services

DBJ's investment and loan activities support projects designed to prevent global warming and create a recycling-based society. Furthermore, we promote clients' efforts toward environmentally conscious management. By contributing to clients' environmental measures, we help to achieve a sustainable society.

- Financing Employing DBJ Environmental Ratings – See pages 48, 80-81.
- DBJ Green Building Certification Program – See pages 50 and 79.

### Promotion of Environmental Awareness through Environmental Communication

DBJ addresses environmental problems by conducting ongoing environmental studies and proposals. These efforts help to enhance environmental awareness, support involvement in environmental issues and contribute to the realization of a sustainable society.

- Communication Focused on the Environment – See page 72.
- Communication to Community Revitalization – See page 72.
- Communication in International Cooperation – See page 73.

## Promotion of Environmental Awareness Activities in Offices

DBJ works to reduce the environmental impact of its operations beyond what is required by environmental regulations. As such, we promote the measures described below in an effort to make our offices environment-friendly.

• Promotion of recycling and resource and energy conservation

### ● Resource- and Energy-Saving Efforts

| | Year Ended March 31, 2009 | Year Ended March 31, 2010 | Year Ended March 31, 2011 |
|---|---|---|---|
| Copy and printing paper usage (kg) | 101,269 | 95,992 | **93,189** |
| Waste emissions (kg) | 85,860 | 76,030 | **61,610** |
| Energy consumption (kWh) | 4.94 million | 4.82 million | **4.50 million** |
| Water usage ($m^3$) | 25,257 | 24,856 | **25,411** |

Note: Head office building only

• Promotion of environment-friendly sourcing of supplies

DBJ joined the Green Purchasing Network in December 2000, and following the Act on Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities (Green Purchasing Act), which went into effect in April 2001, DBJ made efforts to purchase products and services with a lower environmental impact. We have continued to practice green purchasing following our privatization.

### ● Achievements of the Green Procurement Program for Typical Items

| | Year Ended March 31, 2011 |
|---|---|
| Paper | 99.3% |
| Stationery | 93.3% |
| Equipment | 100.0% |
| Office equipment | 95.7% |
| Lighting | 70.3% |
| Interior items | 100.0% |

Note: Excludes printing paper, media cases, labels, and other items that were purchased on the market that do not comply with the prescriptions of the Law Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities but that were purchased nevertheless on the basis of certain characteristics or functional requirements.

• Prevention of environmental pollution

DBJ complies with environmental laws and regulations.

## Promotion of Environmental Awareness Activities in Communities

By cooperating in community environmental improvement initiatives, such as measures to prevent heat islands, DBJ works to contribute to the creation of environment-friendly regional societies.

### • Head Office

#### Uchimizu Project 2010

DBJ participates in the Uchimizu Project 2009, a campaign hosted by the Otemachi, Marunouchi and Yurakucho (OMY) Uchimizu Project District Executive Committee (Otemachi-Marunouchi-Yurakucho District Redevelopment Project Council/Cooperative for the Promotion of the OMY Area Management Association), Ministry of the Environment, Tokyo Metropolitan Government and Chiyoda-ku. DBJ is continuing with its participation in the Uchimizu Project 2010.

#### Volunteers planting seedlings and flower bulbs

Volunteers planting seedlings and flower bulbs Regional entities, companies and other organizations form agreements concerning certain public facilities, such as the roads, parks and other facilities managed by national and other government bodies. Under these agreements, organizations adopt public property, which they take responsibility for managing and cleaning. DBJ participates on an ongoing basis in such a program in Tokyo's Chiyoda-ku, the CAPPS in Tokiwabashi Park.

### • Tokai Branch

#### Flower Hospitality Exercise

The branch has participated in the Flower Hospitality Exercise, sponsored by the Chubu Association of Corporate Executives, since its initiation in 2005. In fiscal 2010, the Tokai Branch continued its efforts toward building a beautiful town, through such activities as watering flower beds in the Sakura-dori Otsu area of Nagoya.

## • Kansai Branch

### Kansai Eco Office Declaration

Registered since 2008, the "Eco Office Declaration" calls for (1) a summer "eco style," (2) enforcing energy saving, (3) promoting green purchasing, (4) curbing automobile use and (5) engaging in waste recycling.

## • Shikoku Branch

### Forest-thinning activities

We continue to participate in forest-thinning activities conducted in collaboration with the town of Inomachi, Kochi Prefecture, and Mitsui & Co., Ltd.

### Earth-Friendly Office

In fiscal 2009, we registered with the "Earth-Friendly Office" program created by the city of Takamatsu's environmental department. We continued these activities in fiscal 2010, and are making efforts to (1) curb paper consumption, (2) promote the use of recycled products, (3) raise employee awareness of resources and waste reduction, (4) save energy and water and (5) regulate office air at an appropriate temperature.

## • Kyushu Branch

### Cleanup/beautification activity—Tenjin Clean Day

We participated in the Tenjin Clean Day activity sponsored by the We Love Tenjin conference and helped to clean up the area.

## • Minami-Kyushu Branch

### Sakurajima cleanup project

We continue to participate in the cleanup of the recreation area on Sakurajima's coastline.

### Other efforts

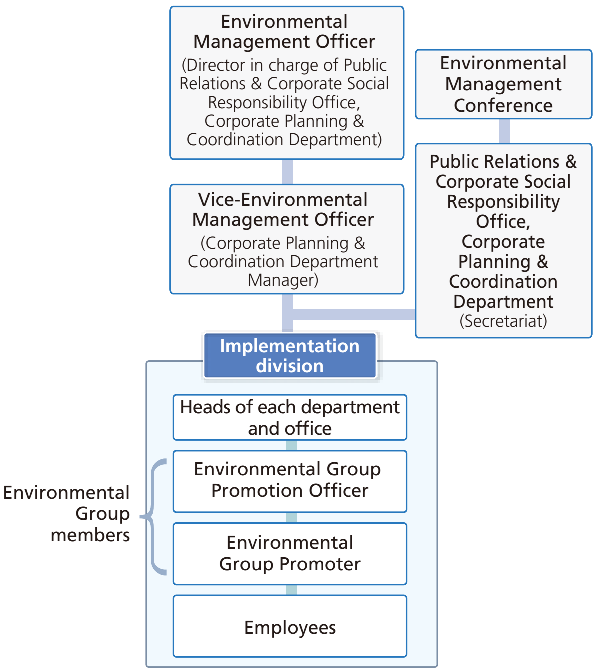
We continue to participate in "Candle-Night" (using candles rather than electric lights) at the waterfront commercial facilities and *uchimizu* (sprinkling water to reduce heat) at environmental learning facilities.

## • Other Branches

We implement initiatives such as collecting used postage stamps and PET bottle caps for donation. We also have employees bring their own chopsticks and cups to work to reduce waste.

## Environmental Management Conference

### ● Environmental Management Structure




DBJ has set up the Public Relations & Corporate Social Responsibility Office within the Corporate Planning & Coordination Department. This office spearheads environmental management activities attended by all executives and employees.

### Environmental Management Officer

The Environmental Management Officer is assigned to the Public Relations & Corporate Social Responsibility Office in DBJ's Corporate Planning & Coordination Department. The officer confirms environmental education and training and authorizes annual environmental targets.

### Environmental Management Conference

The Environmental Management Conference deliberates annual environmental targets and environmental management reviews.

### Public Relations & Corporate Social Responsibility Office, Corporate Planning & Coordination Department

In charge of DBJ's environmental management activities is the Public Relations & Corporate Social Responsibility Office, Corporate Planning & Coordination Department. In addition to setting environmental targets for each fiscal year and confirming the degree to which established targets have been achieved, this office manages compliance with relevant laws and regulations.

### Environmental Group Promotion Officer

To promote environmental management activities, the Environmental Group Promotion Officer and Environmental Group Promoter designate a member in each branch and department to be in charge of environmental promotion and manage the level of achievement of annual environmental targets.

### Employees

Employees are responsible for putting environmental management activities into action.

## DBJ's Primary Achievements in the Environmental Sector since Its Establishment

| | | |
|---|---|---|
| 1999 | October | Designation of sustainable development as an objective by the Development Bank of Japan Act (Act No. 73 of 1999) |
| 2001 | April | Start of green procurement and environmental training |
| | June | First Japanese bank to sign the UNEP Statement by Financial Institutions on the Environment and Sustainable Development |
| | October | Establishment of Social Environment Committee and Social Environment Group; hosting of discussions between UNEP and Wa no Kuni Financial Institutions on Environmental Considerations for Financial Institutions |
| 2002 | March | UNEP FI 2002 Global Roundtable in Rio de Janeiro, Brazil |
| | July | Launch of the Development Bank of Japan Environmental Policy |
| | November | ISO 14001 certification |
| 2003 | October | Publishing of *Environmental Report 2003 for a Sustainable Society* (first annual edition) |
| | October | Joint sponsorship of UNEP FI 2003 Global Roundtable in Tokyo, an international conference on finance and the environment |
| 2004 | April | Start of Financing Employing DBJ Environmental Ratings |
| | September | Second annual *Sustainability Report* |
| | November | Japan Carbon Finance, Ltd. (JCF) established |
| | December | Japan Greenhouse Gas Reduction Fund (JGRF) established |
| 2005 | January | Assumption of chair of the UNEP FI Asia Pacific Task Force |
| | September | Third annual *Sustainability Report* |
| | October | UNEP FI 2003 Global Roundtable |
| | November | Renewal of ISO 14001 certification |
| 2006 | May | Press conference to announce DBJ status as a signatory institution to the Principles for Responsible Investment |
| | August | *CSR Report 2006* (fourth annual *Sustainability Report*) |
| 2007 | July | *Annual Report & CSR Report* (integrated annual report and CSR report) |
| 2008 | October | First Board of Directors and Management Committee meetings of Development Bank of Japan Inc.; formulation of Basic Environmental Policy and Environmental Management Regulations |
| 2009 | March | First Environmental Club Syndicated Loan *ECONOWA* |
| | April | Commendation for Financing Employing Environmental Ratings system: Environmental Development Award |
| | September | Start of cooperation with regional financial institutions to prepare a system to implement Financing Employing Environmental Ratings |
| 2010 | January | Basic cooperative agreement with the International Finance Corporation (World Bank Group financial institution conducting the world's largest international investment and loan activities for developing countries) |
| | April | Business cooperation agreement to promote environmental measures with a non-life insurance company |
| | December | Selected as a designated financial institution under the Bill on the Promotion of Businesses to Develop and Manufacture Energy and Environmentally Friendly Products ("Low Carbon Investment Promotion Act") |
| 2011 | April | Established the DBJ Green Building Certification program |

# Fostering Human Resources and Creating a Comfortable Work Environment

DBJ considers its human resources to be its most valuable assets and thus endeavors to develop its employees' capabilities. DBJ actively works to build a systematic human resource development system and a comfortable work environment to bring out the best in every employee. The superior employee performance resulting from such efforts is what drives DBJ ahead on a daily basis and keeps it an innovator, blazing the trails that Japan needs to follow.

## Human Resource Development Vision

DBJ has evolved significantly and developed its independence and creativity in line with the needs of the times in order to maintain its leadership position.

To develop its human resources, DBJ promotes autonomous and pioneering behavior in its employees as financial professionals through the vision of generalists who can be specialists in many fields. Responding to society's constantly changing demands requires broad experience, deep knowledge and the ability to see the big picture, as well as gaining specialist knowledge. DBJ has therefore created a human resource development system that incorporates job rotation, performance evaluation, formal education and training.

## Deploying the Target Management System

DBJ has introduced a Target Management System to encourage employees to work autonomously and proactively to develop their abilities and accurately evaluate such initiatives. DBJ 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 through its encouragement of goal-setting, DBJ emphasizes enhancing medium- and long-term value both internally and externally. DBJ also motivates employees by offering bonuses and other benefits based on operating 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 policy to prevent sexual and power harassment and has set up a hotline to deal with such issues. Furthermore, to support mental and physical health, DBJ provides its employees and their families with regular medical examinations and care options. These systems include treatment by external specialists and access to counselors.

DBJ has also instituted childbirth, childcare and nursing care leave programs to give motivated employees better opportunities for long-term employment, as well as a system for continued employment options after retiring from full-time work.

On October 18, 2010, the Tokyo Labour Bureau recognized DBJ as having achieved the objectives of its general business operator action plan (from April 1, 2005, to March 31, 2010), based on the Act on Advancement of Measures to Support Raising Next-Generation Children as a company that provides child-rearing support. Specific grounds for this approval included (1) the promotion of spousal support for childbearing through special leave and childcare leave, (2) measures to ensure time for child-rearing and (3) measures to promote the taking of annual paid vacation.

子育てサポートしています
2010年認定事業主

DBJ has received next-generation *Kurumin* certification for its efforts to counter the falling birthrate, including recognition as a company that provides active support for child-rearing.

## A Solid Human Resource Development System

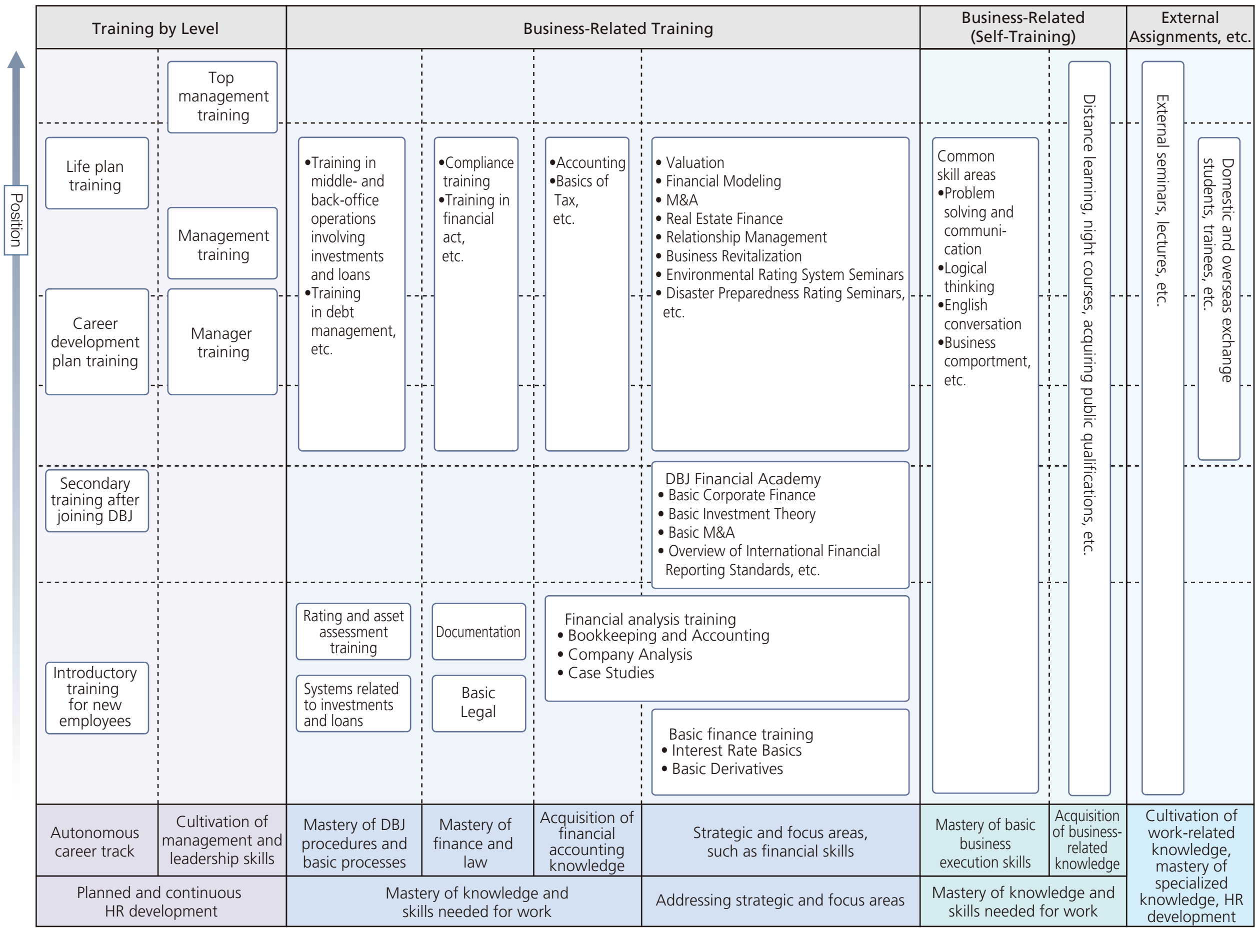
DBJ's financial professionals are supported by a well developed education and training system. A combination of mandatory training by level and elective self-training according to skills and interests enables each employee to plan his or her career and support DBJ's initiatives in innovative finance.

In fiscal 2008, we established the DBJ Financial Academy, which 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. We are expanding the academy, focusing on courses such as Corporate Finance, Investment Theory and M&A.

Regardless of age, employees undergo on-the-job training, which provides hands-on exposure to work that bears responsibility. In addition, after experiencing employment in multiple departments employees are trained for highly specialized positions, according to their skills and backgrounds. This system of strategic job rotation enables employees to not only gain broad-based practical experience that gives clarity to their medium- to long-term career goals but also provides an environment for quickly and firmly acquiring and improving their highly specialized skills.

In step with globalization, DBJ cultivates employees able to perform in domestic and international settings. To achieve this, DBJ actively assigns employees to a wide variety of external organizations, including overseas graduate schools (program currently being expanded), domestic and overseas research institutes, international institutions, related government agencies and corporations, thereby supporting skill development and network extension.

● 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 DBJ transforms into a private-sector financial institution that still 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 desired that its employee training address issues of human rights in addition to ensuring legal compliance, promoting eco-friendly conduct (through environmental management training) and maintaining information security (through training to prevent fraudulent access and information leaks). DBJ will henceforth devote even more resources toward such efforts.

## DBJ Financial Academy

Since May 2008, the DBJ Financial Academy typically has held weekly courses with the objective of raising the level of financial expertise of second-year employees throughout the organization by strengthening the knowledge and understanding that is essential to the advanced corporate financial business to realize DBJ's business model. During fiscal 2010, courses covered Basic Financial Theory, Corporate Finance, the Financial Instruments and Exchange Act and Real Estate Finance.

Through the DBJ Financial Academy, each employee can seek to elevate his or her abilities in finance, whether aiming to acquire basic knowledge or to further deepen understanding. Students from outside DBJ, such as employees of regional financial institutions, may also participate. We look forward to expanding the fields in which DBJ's financial expertise is shared.

**• DBJ Financial Academy Curriculum**

2010 Courses (May 2010 through January 2011)

Core courses
- Basic Financial Theory
- Overview of International Financial Reporting Standards
- Corporate Finance I
- Investments (Investment Theory)
- M&A
- Special Lecture: "Financial Policy"
- Japan Economic Research Institute (JERI) and University of Tokyo Joint Symposium
- International Finance
- Financial System Theory

Elective courses
- Financial Instruments and Exchange Act
- Basic Statistics Course
- Real Estate Finance
- Corporate Finance II

2011 Courses (Expected to run from May 2011 through January 2012)

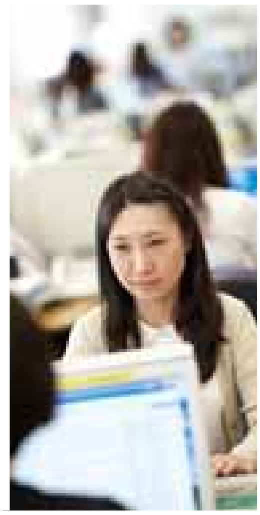
Core courses
- Introduction to Modern Finance
- International Finance
- Special Lecture: "Financial Policy"
- Basic Corporate Finance
- Basic Investment
- M&A

Elective courses
- Business Statistics
- Financial Instruments and Exchange Act
- Real Estate Finance
- IFRS Accounting: Foundations and Practice
- Insolvency and Corporate Reorganization
- Corporate Finance Practice

# Intellectual Asset Report

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



## Corporate Value and Intellectual Asset Management

### Intellectual Assets

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

### Intellectual Asset Management Essential to Enhancing Corporate Value

Although intellectual assets are intangible in the sense that they are not recorded on a company's financial statements, they are a core component of corporate value. Managing intellectual assets effectively promotes clarity in terms of the corporation's key competencies and creates opportunities to increase 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 nonfinancial information has grown into a global trend, beginning in Europe.

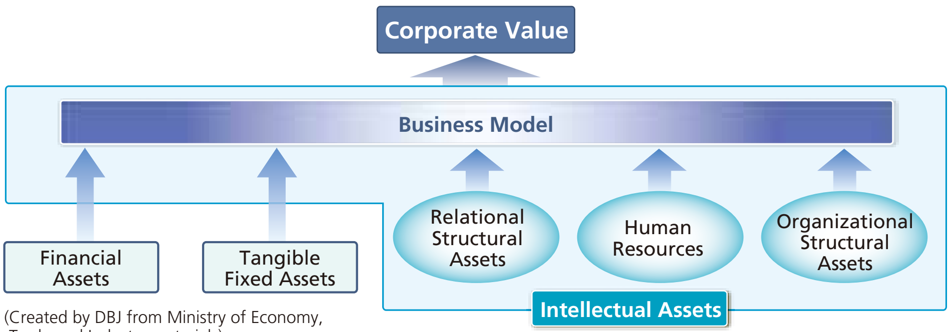
## DBJ's View on Intellectual Assets

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

Based on our core values, our executives and regular employees have continued working to enhance their ability to evaluate companies and projects. We have accumulated a wealth of expertise in the screening and evaluation of long-term projects and a keen ability to identify and address issues that are unique in terms of the times or the local communities that face them. In the process, we have become a repository of intellectual assets, which when combined represent an extraordinary DBJ asset: our expertise in resolving issues through the application of new financial methods, the widespread use of our financial platform and our economic and social contributions. This asset has led to our development of the financial methods described below. It enables us to respond quickly to changing policy requirements and plays a major role in our ability to continue adding economic and social value.

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

● **Relationships among Intellectual Assets, Business Models and Corporate Value**




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

## DBJ's Utilization of Intellectual Assets

One school of thought defines intellectual assets as the understanding of and reporting on an entity's networks and client bases (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.

### DBJ's Utilization of Intellectual Assets

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

### 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 standpoint. In an era characterized by increasingly complex economic and social issues and more sophisticated business skills, this long-term 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—as they consider such issues. All DBJ executives and regular employees work to maintain a long-term and neutral perspective, approaching new business with a spirit of innovation and challenge.

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

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

### Organizational Structural Assets

Unlike manufacturing companies, DBJ has no explicit intellectual assets, such as patent rights. However, our introduction of new financial methods to Japan, our work with other financial institutions to create financial platforms and our many other contributions to the Japanese economy and society rely on our organizational adeptness, that is, our ability to quickly ascertain emerging issues and deploy appropriate personnel. This ability, combined with the long-term financial data we have accumulated over 50 years of investment and loan operations and a corporate culture of always considering projects in an economically rational manner, as well as in terms of their broader economic and social significance, constitute DBJ's organizational structural assets, as does the smooth and rapid communication process resulting from the common knowledge 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 to Japan. Our pioneering efforts come from maximization of our intellectual assets, cooperation with local communities and extensive cultivation of in-house human resources and expertise. Operating within complex financial markets, DBJ 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 such expertise, DBJ has participated in numerous PFI projects in Japan. By shifting to the private sector the responsibility for constructing, maintaining and operating public facilities, the country benefits from private-sector management expertise and technical capabilities. By appropriately allocating risks among the private and public sectors, PFI is an efficient and effective way to provide public services. With PFI, project financing is the method generally used to raise funds, as project roles are allocated appropriately and long-term business is assured.

DBJ provides a full range of financing options in the area of business revitalization. After filing applications according to Civil Rehabilitation Act or Corporate Reorganization Act procedures, 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, DBJ creates business revitalization funds to help companies normalize their operations, through a process of operational selection and focus, and reduce their debt levels.

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

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

## Relationship between Intellectual Assets and CSR at DBJ

The figure 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.

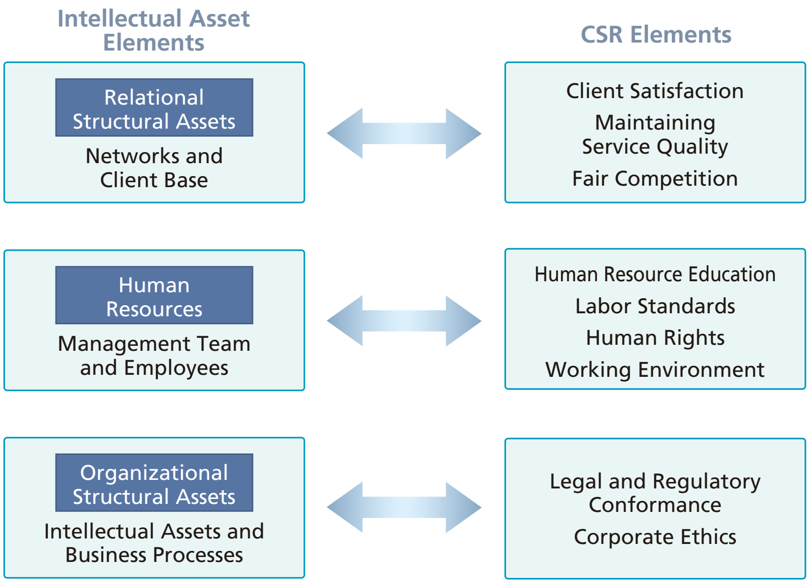
For example, Financing Employing DBJ Environmental Ratings, Financing Employing DBJ Disaster Preparedness Ratings and the DBJ Green Building Certification program—fully mobilized through intellectual asset networks with central government bodies and regional government bodies, experts and clients—our human resources comprising executives and regular employees, and our accumulation of experience and expertise serve a vital CSR role. At the same time, these loan systems provide a strong backup to the CSR activities of our business partners.

Companies that access our loans based on Financing Employing DBJ Environmental Ratings, Financing Employing DBJ Disaster Preparedness Ratings or the DBJ Green Building Certification program have cause to reconsider their conformance with various laws and regulations, ensure safe and secure workplace and surrounding environments and provide quality products and services through fair competition. These activities reinforce a company's client base and raise corporate value by fulfilling social responsibilities.

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

As can be seen on pages 40 to 55 "Integrated Investment and Loan Services," and on pages 74 to 93 "CSR through Investment, Loan and Other Businesses," DBJ is taking advantage of its various accumulated intellectual assets.

**● Relationship between Intellectual Assets and CSR**




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

## Defining "Financial Platform"

In DBJ's definition, "financial platform" refers to the amount and quality of funds to which corporate and other clients have access, the systematic formulation of bases that affect the diversity of fund-raising methods, financial expertise and practices, market transparency and the degree of market participation.

The more complete the financial platforms, which are indispensable to financial system soundness and 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 (transaction cases, precedents and the like). Furthermore, as financial platforms function inadequately if they are used by only a minority of participants, a catalyst is needed to encourage participation from a broad range of players. Owing to our neutral position and advanced-player status, we are perfectly suited to serve as the catalyst for developing and maintaining financial platforms in cooperation with other financial institutions.

## Activities Involving Financial Platforms

DBJ promotes and helps develop financial platforms for structured financing, venture company support, business restructuring support, financing related to environmental and disaster policies, M&A advisory services, safety nets and other functions.

As can be seen on pages 40 to 54 "Integrated Investment and Loan Services," and on pages 74 to 93 "CSR through Investment, Loan and Other Businesses," DBJ introduces its activities involving financial platforms.

# Management Structure

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




## Basic Position on Corporate Governance

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

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

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

### Core Competencies

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

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

**Intellectual Assets**
Expertise in fields including industry research, credit analysis, financial technology and R&D, based on skills gathered over many years of experience.

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

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

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

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

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

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

## Corporate Governance Measures and Their Implementation Status

### Internal Organizations

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

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

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

### Board of Directors

The Board of Directors comprises nine members. To ensure management transparency, two Board members are outside directors. During the fiscal year ended March 31, 2011, the Board of Directors met 16 times.

The following two members are outside directors:
Akio Mimura, Chairman, Nippon Steel Corporation and
Kazuo Ueda, Professor, Faculty of Economics, the University of Tokyo.

### Corporate Auditors, Auditing Committee

The Auditing Committee comprises five auditors. This committee convened 16 times during the fiscal year ended March 31, 2011.

As prescribed by the Companies Act, a majority of the five Auditing Committee members are outside corporate auditors. DBJ has three full-time corporate auditors, one of whom is an outside corporate auditor. The Office of Corporate Auditors has been created to assist corporate auditors (including outside auditors) in performing their duties. Specialized staff members are assigned to the Office of Corporate Auditors, which is directed by the Auditing Committee.

The three outside corporate auditors are as follows:
Kazuyoshi Arakawa, former Managing Director, Sumishin Panasonic Financial Services Co., Ltd. (Full-Time Corporate Auditor [Outside]);
Makoto Ito, Attorney and Visiting Legal Research Professor, Graduate School of Waseda University;
Shinji Hatta, Professor of Graduate School of Professional Accountancy, Aoyama Gakuin University.

## Operations Audit Committee

The Board of Directors has established the Operations Audit Committee, delegating to this body the authority to deliberate important matters related to internal audits. This committee met twice during the fiscal year ended March 31, 2011.

## Compensation Committee

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

## Personnel Evaluation Committee

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

## Management Committee

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

Accordingly, the Management Committee makes important management decisions. The committee met 33 times during the fiscal year ended March 31, 2011.

## Committees under the Management Committee

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

**ALM & Risk Management Committee**

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

**General Risk Management Committee**

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

**Committee on Investment and Loan Decisions**

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

**New Operation Screening Committee**

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

**Advisory Panel on Investments and Loans**

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

**Committee on International Operations**

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

## Advisory Board (As of July 1, 2011)

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

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

**Outside Experts**

Kiyofumi Kamijo, Director and Executive Corporate Advisor, Tokyu Corporation

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

Fujio Cho, Chairman of Toyota Motor Corporation

**Outside Directors**

Akio Mimura, Chairman, Nippon Steel Corporation

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

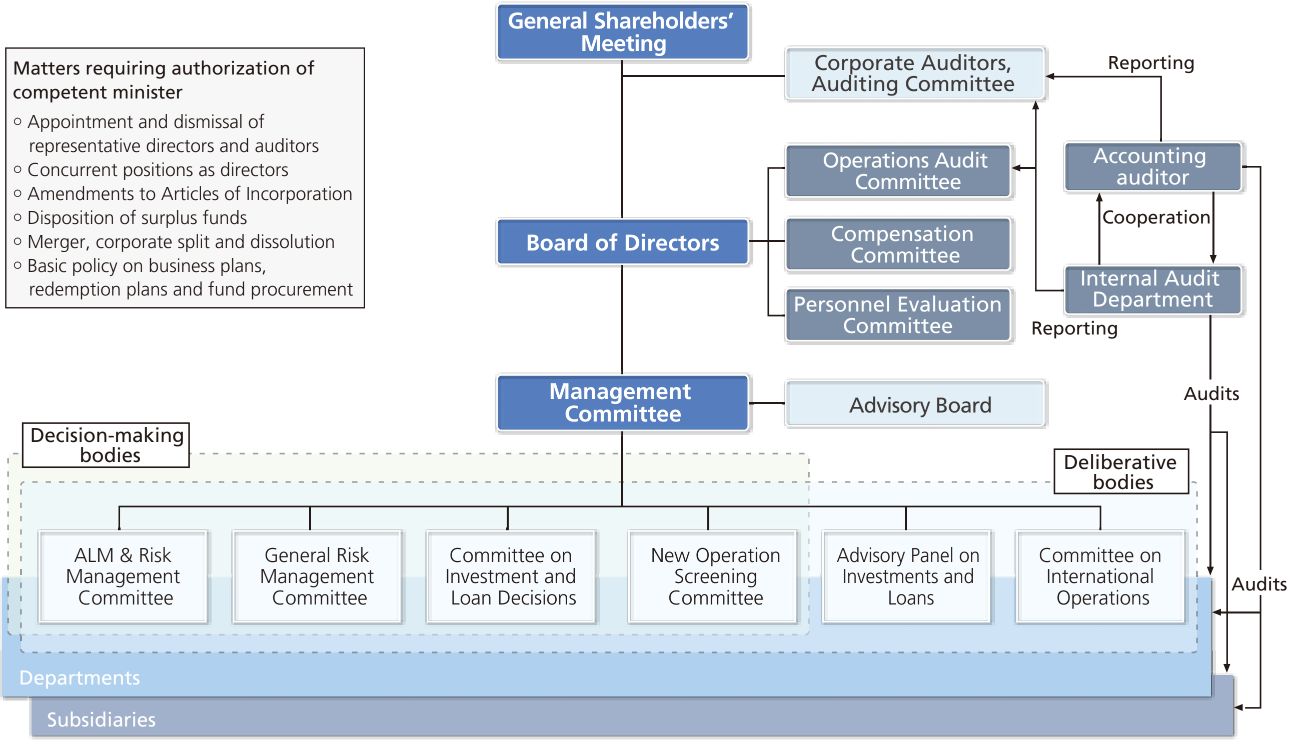
## Matters Requiring Approval of Competent Minister

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

- Appointment and dismissal of representative directors and auditors
- Concurrent positions as directors
- Amendments to Articles of Incorporation
- Disposition of surplus funds
- Merger, corporate split and dissolution
- Basic policy on business plans, redemption plans and fund procurement

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

### ● Operating and Supervisory Structure




## Executive Officer System

DBJ has an executive officer system to clarify responsibility for the execution of duties and accelerate decision-making. The Board of Directors has designated 11 managing executive officers, excluding officers who are concurrently directors, and six executive officers.

## Status of Internal Control System

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

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

## Internal Control System Basic Policy

**Purpose**

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

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

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

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

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

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

**Regulations and Other Systems Related to Managing the Risk of Loss**

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

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

**Systems to Ensure the Efficient Execution of Duties by Directors**

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

2. The Board of Directors shall establish a Management Committee and delegate decision-making on specific items to this council. In addition to making decisions on the items with which it has been entrusted, to contribute to expeditious decision-making the Management Committee shall deliberate in advance matters for resolution by the Board of Directors. Furthermore, the Management Committee shall establish various committees as advisory institutions or as bodies to which to delegate decision-making on specific items.
3. To ensure the efficient execution of business based on decisions made by the Board of Directors, regulations shall be established regarding the organizational structure and the execution of tasks shall be allocated appropriately.
4. To enable swift decision-making, an executive officer system shall be established. Executive Officer Regulations shall be formulated to define executive officers' roles and responsibilities.

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

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

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

**System Related to Employees Assisting the Auditors in Their Duties**

Article 7. As a specialized organization to assist auditors with their duties, if so requested by the auditors, an Office of Corporate Auditors shall be established under the direction of the Auditing Committee.

**Matters Concerning Employees Supporting the Auditors in Their Duties and the Independence of Such Personnel from Directors**

Article 8. Personnel issues related to the employees supporting the duties of auditors and matters related to the independence of such personnel shall be left in the control of the Auditing Committee.

**System for Reporting by Directors and Employees to Auditors and Other Systems for Reporting to Auditors**

Article 9. Directors and employees shall report to auditors on the status of execution of DBJ's business and other necessary information.

2. If directors or employees become aware of any major potential damage to DBJ's credibility or operating performance, they shall immediately report such information to the auditors.
3. If auditors find that they require certain information to perform their duties, they may request reports from directors and employees as needed, and the party to whom the request is addressed shall report appropriately.

**Other Systems to Ensure Effective Audits by the Auditors**

Article 10. In addition to attending meetings of the Board of Directors, auditors may attend meetings of the Management Committee and other important meetings and offer their opinions as necessary.

2. The Representative Director shall exchange opinions with the auditors regularly, or at the auditors' request. The Representative Director shall also cooperate in the preparation of a reporting environment.
3. The Internal Audit Department works with the auditor to establish internal audit plans. The department reports the results of internal audits and exchanges opinions and liaises with the auditors when requested to do so.
4. Directors and employees shall cooperate with the auditors in their audit activities and shall respect the Audit Committee Regulations, auditors' audit standards and other regulations.
5. To ensure the adequacy and reliability of accounting audits, directors and employees shall cooperate in creating a system to ensure the independence of the accounting auditors.

## Status of Internal Audits and Audits by Auditors

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

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

As of June 24, 2011, 22 people belonged to the Audit Department.

The Auditing Committee and the auditors audit the execution of duties by directors, based on their audit policy and audit plans.

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

## Status of Accounting Audits

DBJ has in place an agreement with Deloitte Touche Tohmatsu LLC to conduct accounting audits as its accounting auditor. During the fiscal year ended March 31, 2011, these operations were conducted by designated certified public accountants (designated limited liability partners) Yukio Ono (continuous audit period* of three years), Tomomitsu Umezu (same, three years) and Hayato Yoshida (same, three years).

* In accordance with the Companies Act, the number of years of continuous audit must be stated. The number of continuing years of performing audits conducted in accordance with the Financial Instruments and Exchange Act was three years for Yukio Ono, three years for Tomomitsu Umezu and three years for Hayato Yoshida. The number of business periods during which an audit was performed is the standard used to indicate the number of years. Assisting in this audit were 22 people, including a specialist in determining fair value, a systems specialist and a specialist in pension mathematics.

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

## Overview of Personal, Equity, Transactional or Other Special-Interest Relationships with Outside Directors and Outside Corporate Auditors

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

DBJ has no special-interest relationship with any other of its outside directors or outside corporate auditors.

DBJ has signed liability limitation agreements with its outside directors and outside corporate auditors, based on Paragraph 1, Article 427, of the Companies Act.

## Overview of Agreements with Outside Directors and Outside Corporate Auditors under Paragraph 1, Article 427, of the Companies Act (Liability Limitation Agreements)

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

## Number of Directors

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

## Requirements for Determination of Director Appointments

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

### Limiting the Responsibility of Directors and Auditors

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

### Requirements for Special Resolutions at the General Meeting of Shareholders

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

## Compliance

Specific compliance initiatives are as follows.

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

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

### Compliance Principles

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

1) DBJ's executives and employees are keenly aware of DBJ's social mission and responsibilities as a public-sector bank and recognize that illegal acts or improper business operations harm the reputation of DBJ and interfere significantly with DBJ's ability to fulfill its objectives under the New DBJ Act. We also realize DBJ's need to always conduct activities appropriately and in compliance with the law.
2) DBJ's executives and employees are well aware that DBJ must conduct its businesses legally and appropriately and be responsible for explaining its actions to the general public.

### Compliance System

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

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

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

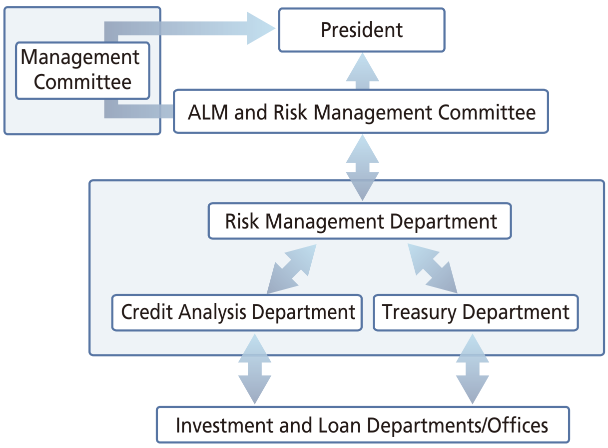
To ensure management soundness and safety, as well as raise corporate value, DBJ works to manage risk appropriately in line with specific business and risk characteristics. Controlling risk is an issue of utmost importance, and therefore we have established risk management processes and methods.

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

## Risk Management System

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

● **Asset/Liability and Risk Management System Overview**




## Credit Risk Management

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

### Credit Administration of Individual Loans

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

The sales and credit analysis departments hold separate roles in the screening and administering of credit for individual loans and each department keeps the operations of the other in check. The Committee on Investment and Loan Decisions meets as needed to deliberate important issues concerning the management and governance of individual loans. These mutual checking functions serve to ensure the appropriateness of the lending operation and management environment.

**Borrower Rating System**

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

● **Borrower Rating Classifications**

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

**Asset Self-Assessment System**

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

### Portfolio Management

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

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

## Market and Liquidity Risk Management

### Market Risk

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

**Interest Rate Risk**

Interest rate fluctuations can create mismatches on rates of interest on assets and liabilities or on interest periods, creating the risk of reduced profits or the risk of losses. Interest rate risk can reduce the economic value of DBJ's assets or interest income.

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

**Exchange Risk**

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

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

### Liquidity Risk

Liquidity risk is the risk of a mismatch occurring in the periods when funds are used and raised, causing unexpected differences in the flow of funds (cash liquidity risk). This situation makes securing funds difficult and creates situations in which interest rates on borrowed funds are substantially higher than usual rates. At such times, because of market complexities, entities in these circumstances may become unable to participate in market transactions, compelling them to conduct transactions under substantially less favorable terms than otherwise would be the case. The risk of losses for these reasons is known as market liquidity risk.

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

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

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

## Operational Risk Management

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

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

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

### Operational Risk Management

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

### System Risk Management

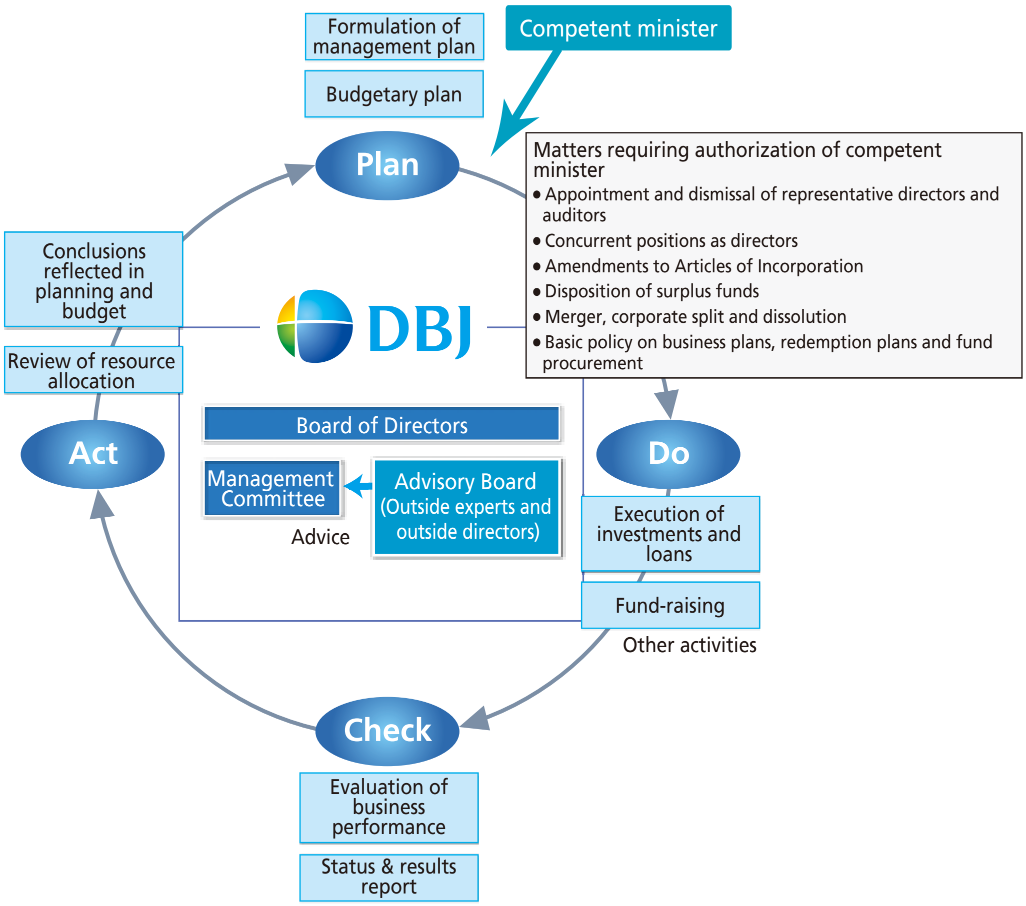
System risk refers to the risk of loss due to a computer system breakdown or malfunction, system defects, or improper computer usage. To properly manage systems risk, DBJ has implemented the following internal processes to optimize system risk management. The Information Resources Department is responsible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

## Building a PDCA Cycle

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

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

● DBJ's PDCA Cycle



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

The establishment and maintenance of a client protection management system is vital because it protects the people who use the financial institution's systems and raises their level of convenience. DBJ recognizes the extreme importance of such a system from the standpoint of operational soundness and appropriateness.

## Client Protection Management Policy and Declaration on Personal Information Protection

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

Our Client Protection Management Policy is outlined below:

1) When transacting with clients, we endeavor to provide and explain information that is accurate and appropriate in line with laws and regulations.
2) When we receive requests for consultation, other requests or complaints, we strive to see the issue from the client's point of view, listen sincerely and respond in an operationally appropriate manner.
3) We acquire information about clients through legal and appropriate means and manage such information safely. In transactions with clients, in the event that DBJ outsources operations, it ensures appropriate information management and client response.

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

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



### Declaration on Personal Information Protection

**1. Policy**

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

**2. Appropriate Obtainment of Personal Information**

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

**3. Purpose of Using Personal Information**

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

**4. Providing Personal Information to Third Parties**

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

**5. Provisions for Safe Management of Personal Information**

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

**6. Continuous Improvements in Handling Personal Information**

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

**7. Procedures for Requesting Personal Information**

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

**8. Inquiries**

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

## Overview of Policy for Managing Conflicts of Interest

**1. Purpose**

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

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

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

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

(1) Subject Transaction

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

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

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

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

(2) Types of Subject Transaction

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

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

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

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

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

As of August 3, 2011, DBJ's subsidiary institutions, etc., were as follows.

DBJ Nomura Investment Co., Ltd.
Sun Arrows Investment Co., Ltd.
Healthcare Management Partners, Inc.
Milestone Turnaround Management Co., Ltd.
DBJ Europe Limited
DBJ Investment Advisory Co., Ltd.
Asuka DBJ Investment LPS
Hitachi Capital Securities Co., Ltd.

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

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

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

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

**5. Management of Conflicts of Interest—Organization**

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

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

# Disclosure

DBJ believes that public relations and investor relations have the important function of bringing management and stakeholders together. In addition, these activities help stakeholders gain an accurate understanding of DBJ's status and operating policies, which are an essential part of being trusted in a wide range of markets and societies. Accordingly, we seek to disclose information through our public relations and investor relations activities.

## Basic PR/IR Philosophy

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

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

## PR/IR Structure

The Corporate Planning & Coordination Department takes overall charge of PR and IR activities and plays a central role in the flow of information within and outside DBJ. Through printed materials and over the Internet, the department uses numerous communication tools to disclose information.

## Information Disclosure Materials

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

**(1) Materials legally required for disclosure**

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

**(2) Voluntarily disclosed information**

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

**(3) Others**

*DBJ Quarterly Journal* (newsletter)
The *DBJ Quarterly Journal* is also available in iPhone and iPad formats.
**http://itunes.apple.com/jp/app/id389307222** (Japanese)
*DBJ News Digest* (mail magazine; Japanese)

Website: **http://www.dbj.jp/en**

# Corporate Data

# Timeline

## The Japan Development Bank, the Hokkaido-Tohoku Development Finance Public Corporation and the Development Bank of Japan

| | | |
|---|---|---|
| 1951 | April | Japan Development Bank (JDB) established |
| 1952 | | JDB branches opened in Osaka (now the Kansai Branch), Sapporo (now the Hokkaido Branch), Nagoya (now the Tokai Branch) and Fukuoka (now the Kyushu Branch) |
| 1956 | June | Hokkaido Development Finance Public Corporation established |
| 1957 | April | Hokkaido Development Finance Public Corporation reorganized as the Hokkaido-Tohoku Development Finance Public Corporation (HTDFP) branches opened in Sapporo (now the Hokkaido Branch) and Sendai (now the Tohoku Branch) |
| 1960 | | JDB branch opened in Takamatsu (now the Shikoku Branch) |
| 1961 | | JDB branches opened in Hiroshima (now the Chugoku Branch) and Kanazawa (now the Hokuriku Branch) |
| 1962 | April | JDB representative office opened in New York |
| 1963 | | JDB representative offices opened in Kagoshima (renamed Minami-Kyushu Branch in October 1999) and Matsue |
| 1964 | July | JDB representative office opened in London |
| 1972 | January | HTDFP representative office opened in Niigata (renamed Niigata Branch in July 1989) |
| 1985 | June | Japan Development Bank Law revised<br>1) Addition of investment function (pertaining to business in such areas as research and development, urban development and energy use stipulated by government ordinance)<br>2) Addition of R&D fund investment function |
| 1987 | September | JDB and HTDFP creation of low interest rate loan system funded partially by sale of NTT shares |
| 1989 | | JDB representative offices opened in Oita, Matsuyama, Okayama and Toyama<br>HTDFP representative offices opened in Hakodate and Aomori |
| 1995 | February | JDB commenced loans to assist disaster recovery |
| 1997 | September | Cabinet approval of bill entitled "Pertaining to Consolidation and Rationalization of Special-Purpose Companies, etc." (decision to dissolve JDB and HTDFP and consolidate them as a new bank) |
| 1997 | December | JDB and HTDFP commenced loans in response to the financial environment (introduction of March 31, 2001, sunset clause) |
| 1999 | June | The Development Bank of Japan Law (Law No. 73 of 1999) approved |
| 1999 | October | Transfer of approval of all rights and responsibilities of JDB and HTDFP to the Development Bank of Japan (DBJ)<br>Transfer of financing operations from Japan Regional Development Corporation and Japan Environment Corporation<br>DBJ representative offices opened in Kushiro and Singapore |
| 2002 | May | The Development Bank of Japan Law revised (introduction of additional spot inspections by the Financial Services Agency) |
| 2005 | December | Cabinet approval of the Important Policy of Administrative Reform |
| 2006 | May | The Act on Promotion of Administrative Reform for Realization of Small and Efficient Government (Act No. 47 of 2006) approved |
| 2006 | June | Policy-Based Financing Reform Plan decided upon by the Headquarters for the Implementation of Policy Finance Reform |
| 2007 | June | The Development Bank of Japan Inc. Act (Act No. 85 of 2007) approved |

## Development Bank of Japan Inc.

| | | |
|---|---|---|
| 2008 | October | Development Bank of Japan Inc. established (Capital: ¥1 trillion) |
| 2008 | December | DBJ Singapore Limited launched |
| 2009 | June | Act for Partial Amendment of the Development Bank of Japan Inc. Act (New DBJ Act) (Act No. 67 of 2009) |
| 2009 | September | Increase of capital to ¥1,103,232 million |
| 2009 | November | DBJ Europe Limited launched |
| 2010 | March | Increase of capital to ¥1,181,194 million |
| 2011 | May | Partial amendment of the Development Bank of Japan Inc. Act (based on establishment of Act for Extraordinary Expenditure and Assistance to Cope with the Great East Japan Earthquake (Act No. 40 of 2011)) |

# Board of Directors, Corporate Auditors and Executive Officers (As of July 1, 2011)

Toru Hashimoto
President & CEO

Hideto Fujii
Deputy President

Masanori Yanagi
Deputy President

Yo Takeuchi
Director and Managing Executive Officer
In charge of Corporate Planning & Coordination Department (Public Relations & Corporate Social Responsibility Office), Treasury Department, Financial Institution Department, International Strategy & Coordination Department

Mitsuhiro Usui
Director and Managing Executive Officer
In charge of Information Resources Department, Business Development Department, Economic & Industrial Research Department, Research Institute of Capital Formation

Tetsuhiko Shindo
Director and Managing Executive Officer
In charge of Accounting Department, Credit Analysis Department

Hajime Watanabe
Director and Managing Executive Officer
In charge of Corporate Planning & Coordination Department (excluding the Public Relations & Corporate Social Responsibility Office), General Affairs Department

Akio Mimura
Director (Outside)

Kazuo Ueda
Director (Outside)

Takeshi Kobayashi
Full-Time Corporate Auditor

Yasuhito Mitani
Full-Time Corporate Auditor

Kazuyoshi Arakawa
Full-Time Corporate Auditor (Outside)

Makoto Ito
Corporate Auditor (Outside)

Shinji Hatta
Corporate Auditor (Outside)

Notes: 1. Akio Mimura and Kazuo Ueda are outside directors under Article 15 of Section 2 of the Companies Act.
2. Kazuyoshi Arakawa, Makoto Ito and Shinji Hatta are outside corporate auditors under Article 16 of Section 2 of the Companies Act.

Nozomu Kano
Managing Executive Officer
In charge of Special Missions

Yoichiro Yokoyama
Managing Executive Officer
In charge of Risk Management Department, Legal Affairs & Compliance Department

Masaaki Komiya
Managing Executive Officer
In charge of Business Planning & Coordination Department

Susumu Kusano
Managing Executive Officer
In charge of Urban Development Department, Corporate Finance Department [Division 3], Asset Finance Group

Naoto Yamamoto
Managing Executive Officer
In charge of Corporate Finance Department [Division 1 and 2], Kyushu Branch, Minami-Kyushu Branch

Kenichiro Hirata
Managing Executive Officer
In charge of Corporate Finance Department [Division 4]

Hisato Nagao
Managing Executive Officer
In charge of Corporate Finance Department [Division 5]

Tetsumi Hashimoto
Managing Executive Officer
In charge of Corporate Finance Group, Mid-Size & Growth, Environmental Initiative & Corporate Social Responsibility-Support Department, Hokuriku Branch, Tokai Branch

Satoshi Tomii
Managing Executive Officer
In charge of Portfolio Investment Group, Strategic Finance Group, Growth & Cross Border Investment Group, Structured Finance Group, Syndication Group

Ryo Ishimori
Managing Executive Officer
In charge of Regional Planning Department (Public Sector Relationship Management Group, Regional Development Group), Hokkaido Branch, Tohoku Branch, Niigata Branch

Masanao Maeda
Managing Executive Officer, Head of Kansai Branch
In charge of Kansai Branch, Chugoku Branch, Shikoku Branch

Naoyuki Nakamura
Executive Officer, Head of Internal Audit

Masafumi Aizawa
Executive Officer, Head of Financial Institution

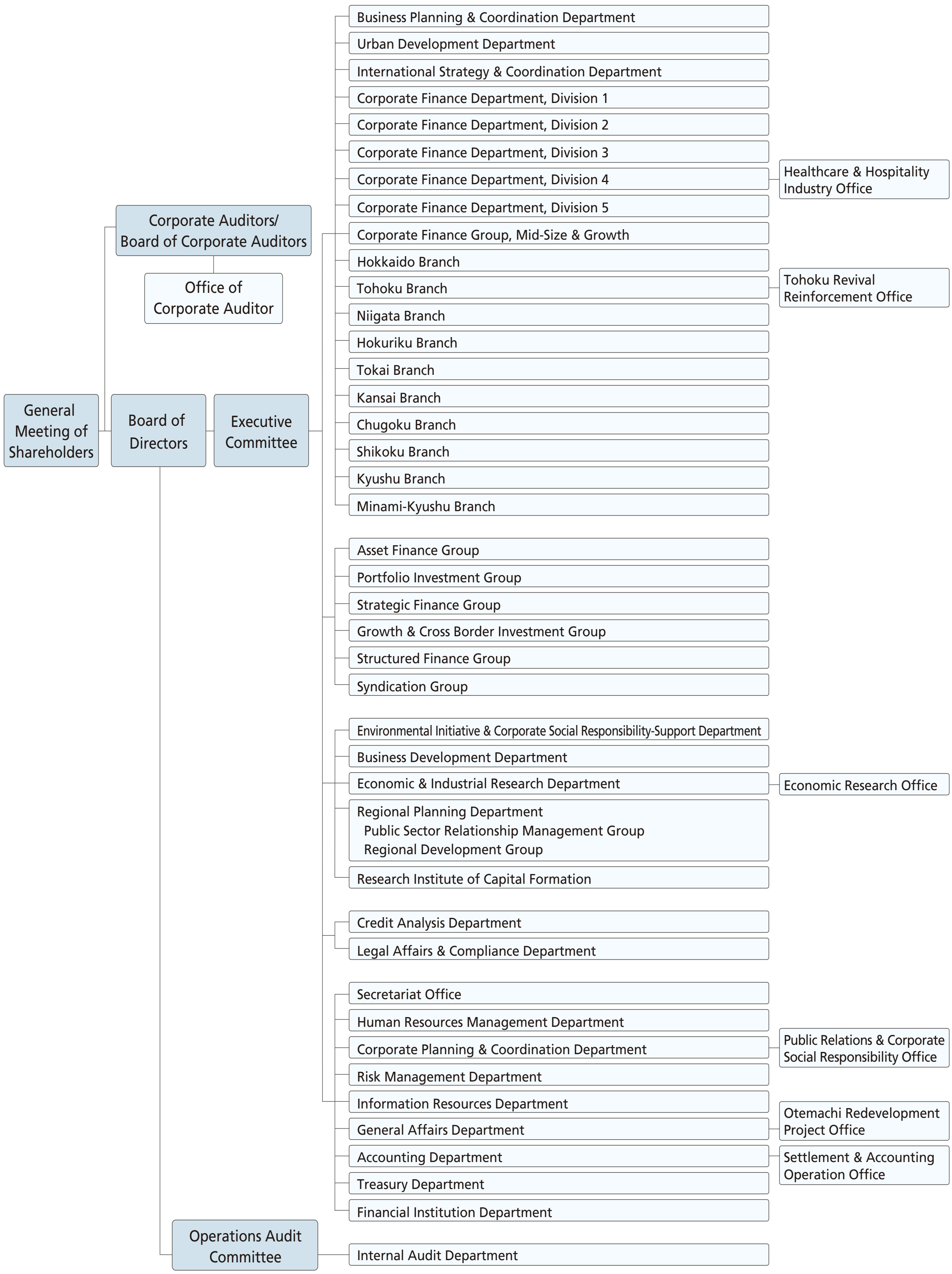
Kazuhiro Takahashi
Executive Officer, Head of Human Resources Management Department

Shin Kikuchi
Executive Officer, Head of Corporate Planning & Coordination Department

Haruhisa Kawashita
Executive Officer, Head of International Strategy & Coordination Department

Osamu Koyanagi
Executive Officer, Head of Corporate Finance Department [Division 5]

# Organization Chart (As of July 1, 2011)



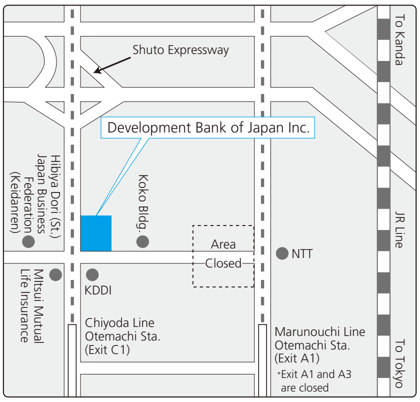

Representative Offices: Hakodate, Kushiro, Aomori, Toyama, Matsue, Okayama, Matsuyama, Oita

Overseas Representative Office: New York    Overseas Subsidiaries: DBJ Singapore Limited, DBJ Europe Limited

# Locations and Directory (As of July 1, 2011)

## Head Office

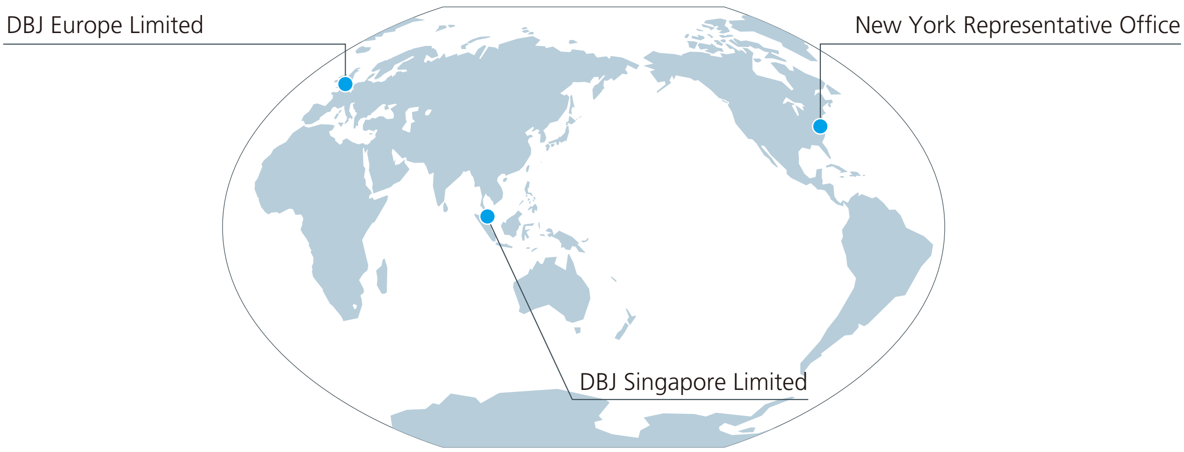
9-1, Otemachi 1-chome,
Chiyoda-ku,
Tokyo 100-0004, Japan
Tel: +81-3-3270-3211
http://www.dbj.jp/en




## 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 Office and Subsidiaries




### New York Representative Office

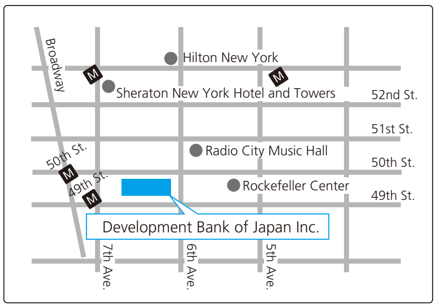
1251 Avenue of the Americas, Suite 830,
New York, NY 10020, U.S.A.
Tel: +1-212-221-0708

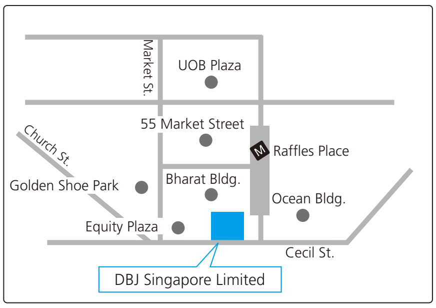
### DBJ Singapore Limited

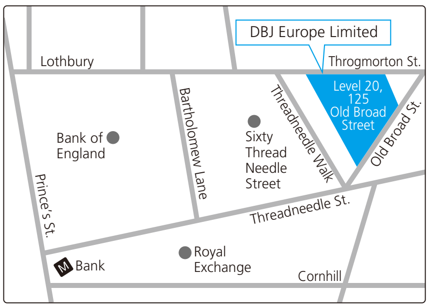
9 Raffles Place, #30-03 Republic Plaza,
Singapore 048619
Tel: +65-6221-1779

### DBJ Europe Limited

Level 20, 125 Old Broad Street,
London EC2N 1AR, U.K.
Tel: +44-20-7507-6070



## Consolidated Subsidiaries

| Company | Address | Principal Businesses | Established | Capital (Millions of Yen) | Percentage of Total Voting Rights (%) |
|---|---|---|---|---|---|
| DBJ Business Investment Co., Ltd. | Chiyoda-ku, Tokyo | Investment consulting | March 10, 2003 | 40 | 100.00 |
| New Business Investment Co., Ltd. | Chiyoda-ku, Tokyo | Investment in new business startups | June 1, 1990 | 99 | 100.00 |
| DBJ Credit Line, Ltd. | Chiyoda-ku, Tokyo | Acquisition of beneficiary rights, consigned trusts operation and guidance | April 3, 2006 | 50 | 100.00 |
| Japan Economic Research Institute Inc. | Chiyoda-ku, Tokyo | Research, consulting and advisory services | December 13, 1989 | 479 | 100.00 |
| DBJ Singapore Limited | Republic of Singapore | Investment and loan support and advisory services | December 16, 2008 | S$1 million | 100.00 |
| DBJ Europe Limited | London, United Kingdom | Investment and loan support and advisory services | June 5, 2009 | €7 million | 100.00 |
| DBJ Real Estate Co., Ltd. | Chiyoda-ku, Tokyo | Real estate leasing | February 1, 2010 | 80 | 100.00 |
| DBJ Investment Advisory Co., Ltd. | Chiyoda-ku, Tokyo | Investment advisory and agency services | December 1, 2009 | 68 | 50.58 |
| DBJ Corporate Mezzanine Partners Co., Ltd. | Chiyoda-ku, Tokyo | Management of investment associations | June 6, 2003 | 3 | 100.00 |
| UDS Corporate Mezzanine Limited Partnership | Chiyoda-ku, Tokyo | Investment associations | January 18, 2006 | 29,586 | 50.00 (0.00) |
| UDS III Corporate Mezzanine Limited Partnership | Chiyoda-ku, Tokyo | Investment associations | February 15, 2008 | 33,619 | 50.00 (0.00) |
| Asuka DBJ Investment LPS | Chiyoda-ku, Tokyo | Investment associations | October 28, 2005 | 6,680 | 49.40 |
| DBL Capital Co., Ltd. | Chiyoda-ku, Tokyo | Management of investment associations | October 14, 2005 | 99 | 100.00 |
| DBJ Capital Investment Fund No. 1 | Chiyoda-ku, Tokyo | Investment associations | July 9, 2010 | 977 | 100.00 (0.01) |
| DBJ New Business Investment Fund | Chuo-ku, Tokyo | Investment associations | July 9, 2010 | 1,781 | 99.99 |
| DBJ Capital Investment Fund No. 2 | Chiyoda-ku, Tokyo | Investment associations | October 1, 2010 | 600 | 100.00 (0.01) |

Notes:
1. Amounts of less than ¥1 million have been omitted in the figures stated above.
2. DBJ's percentage of total voting rights in subsidiaries is shown to three decimal places. Percentages less than that amount have been omitted.
3. Figures indicated within parentheses ( ) in the column showing DBJ's percentage of total voting rights in subsidiaries indicate indirect holdings. Further, for UDS Corporate Mezzanine Limited Partnership, UDS III Corporate Mezzanine Limited Partnership and Asuka DBJ Investment LPS, the percentage of financing is stated.
4. The date of establishment shown for DBJ Singapore Limited indicates the date the company was incorporated.
5. DBJ's equity ownership in Asuka DBJ Investment LPS is less than 50%, but as DBJ effectively controls the company, it is treated as a subsidiary.
6. DBJ Capital Co., Ltd., was newly consolidated due to increased materiality. The company's name changed from Intellectual Properties Development & Investment, Inc., effective June 2010.
7. DBJ Capital Investment Fund No. 1, DBJ New Business Investment Fund and DBJ Capital Investment Fund No. 2 were newly consolidated upon their formation this consolidated fiscal year.
8. There are 16 consolidated subsidiaries and 14 affiliated companies.

## Number of Shares Issued and Paid-in Capital

| | Changes in number of shares issued (Thousands of shares) | Number of shares issued (Thousands of shares) | Changes in paid-in capital (Millions of yen) | Paid-in capital (Millions of yen) | Changes in capital surplus (Millions of yen) | Capital surplus (Millions of yen) |
|---|---|---|---|---|---|---|
| October 1, 2008 | 40,000 | 40,000 | 1,000,000 | 1,000,000 | Note 2 | Note 2 |
| June 26, 2009 | — | 40,000 | — | 1,000,000 | (97,248) Note 3 | 1,060,466 Note 3 |
| September 24, 2009 Note 4 | 2,064 | 42,064 | 103,232 | 1,103,232 | — | 1,060,466 |
| March 23, 2010 Note 4 | 1,559 | 43,623 | 77,962 | 1,181,194 | — | 1,060,466 |

Notes:

1. All shares issued on October 1, 2008, were to raise capital corresponding to incorporation.
   In accordance with Article 9 of the Supplementary Provisions to the New DBJ Act, on October 1, 2008, all assets of the predecessor were transferred to the new DBJ as an in-kind contribution (except those prescribed for ongoing use by the Japanese government under Paragraph 2, Article 15, of the Supplementary Provisions to the Act), and these shares were transferred to the Japanese government, the capital investor in the predecessor, through a gratuitous conveyance.
2. As of October 1, 2008, according to the provisions of Article 2 of the Supplementary Provisions to DBJ's Articles of Incorporation, the value of the capital reserve was calculated by evaluation officers as stipulated in Paragraph 1, Article 16, of the Supplementary Provisions to the New DBJ Act to be the value of assets less the value of liabilities less the ¥1 trillion in capital.
   At the third meeting of the Development Bank of Japan, Inc., Asset Evaluation Committee on January 28, 2009, the committee determined the value of assets (as of October 1, 2008) for transfer authorization. The value of these assets less the value of liabilities less ¥1 trillion in capital amounted to ¥1,157,715 million.
3. By resolution of the General Meeting of Shareholders on June 26, 2009, and provisions of the Companies Act (Article No. 448, Paragraph 1, and Article 452), the deficit was covered by transfer from capital reserve to other capital surplus and transfer from other capital surplus to retained earnings.
4. By way of a rights offering, all shares of common stock were assigned to the Minister of Finance (for consideration). The issue price (amount paid) is ¥50,000 per share; paid-in capital is ¥50,000 per share.

## Shareholder

| | Address | Number of shares held (Thousands of shares) | Percentage of total equity (%) |
|---|---|---|---|
| Finance Minister | 1-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo | 43,623 | 100.00 |
| Total | — | 43,623 | 100.00 |

# Excerpt from the Development Bank of Japan Inc. Act (Act No. 85 of 2007)

(Unofficial translation)

**Article 1**
*Purpose*
The Development Bank of Japan Inc. (hereinafter referred to as the "Corporation") shall be a joint stock company (kabushikikaisha) 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 Act (Act 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 Ordinance (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 (Act 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 Act (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 Act;
   (13) To do the activities referred to in Article 2, Paragraph 8, Item (9) of the Financial Instruments and Exchange Act (limited, in the case of the handling of primary offering or secondary distribution, to those to be conducted upon entrustment by financial instruments business operators engaged in the type I financial instruments trading business set forth in Article 28, Paragraph 1 of the Financial Instruments and Exchange Act (the financial instruments dealers set forth in Article 2, Paragraph 9 of the Financial Instruments and Exchange Act; hereinafter the same), and for such financial instruments business operators);
   (14) To do the activities referred to in Article 2, Paragraph 8, Item (11) of the Financial Instruments and Exchange Act;
   (15) To do the activities referred to in Article 2, Paragraph 8, Item (13) of the Financial Instruments and Exchange Act;
   (16) To do the activities referred to in Article 2, Paragraph 8, Item (15) of the Financial Instruments and Exchange Act;
   (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 Act, 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 (Act 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 Act Concerning the Central Depositary System of Corporate Debentures (Act 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 Act (Act 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 Act);
   (4) Money lenders (the money lenders set forth in Article 2, Paragraph 2 of the Money Lending Business Act (Act 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 Act (Act No. 154 of 2004, as amended));
   (6) Insurance companies (the insurance companies set forth in Article 2, Paragraph 2 of the Insurance Business Act (Act 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 Act (Act 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 Act; 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 Act, 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 Act on Restrictions on Financial Assistance by the Government to Corporations (Act 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 Act 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 the Government-Owned Shares*
1. Pursuant to Article 6, Paragraph 2 of the Act on Promotion of Administrative Reform for Realization of Small and Efficient Government (Act No. 47 of 2006), the Government shall intend to reduce the number of the shares held by it of 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 act 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 Act and Other Measures*
If the Government disposes of all of the Government-Owned Shares, the Government shall immediately take measures to abolish this act, 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 Act (Act No. 73 of 1999, as amended; hereinafter, except for Article 26 of the Supplementary Provisions, referred to as the "DBJ Act"), during the Preparatory Period (the period from the date on which this act 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**
*Review*
On or prior to the date set forth in Article 1, Item (3) of the Supplementary Provisions, the Government shall review 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 acts (including ordinances under those acts), such as the Act on Security for Loans from the Development Bank of Japan to Electric Utility Corporations (Act No. 145 of 1950, as amended), the Oil Stockpiling Act (Act No. 96 of 1975, as amended), the Act on the Promotion of Development and Introduction of Alternative Energy (Act No. 71 of 1980, as amended), the Act on Special Measures Concerning the Promotion of Urban Development by Private Sectors (Act No. 62 of 1987, as amended), the Act on Temporary Measures to Promote Business Activities for the Rational use of Energy and the Utilization of Recycled Resources (Act No. 18 of 1993, as amended) and the Act on Promotion of Private Finance Initiative (Act 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 review.

**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.

# Act for Partial Amendment of the Development Bank of Japan Inc. Act

**(Act No. 67 of 2009)** (Unofficial translation)

The Development Bank of Japan Inc. Act (Act No. 85 of 2007) shall be partially amended as described below.

In Article 2, Paragraph 1 of the Supplementary Provisions, "the following Article" shall be amended to read "Article 3 of the Supplementary Provisions" and "the day stipulated in Item 3 of the preceding Article" to read "April 1, 2012". The following five articles shall be added after Article 2.

*Capital Contribution by the Government*
**Article 2-2**
The Government may make capital contributions to the Corporation, to the extent of the amount approved by the budget, whenever the Government deems necessary, until March 31, 2012.

*Delivery of the Government Bonds*
**Article 2-3**
1 The Government, in implementing the crisis response operations in Article 2, Item 5 of the Japan Finance Corporation Act (Act No. 57 of 2007; hereinafter referred to as "Crisis Response Operations") may issue the government bonds in order to use for securement of the capital required to ensure the financial strength of the Corporation, until March 31, 2012.
2 The Government, pursuant to the provisions of the preceding paragraph, to the extent of the amount approved by the budget, shall issue the government bonds and deliver them to the Corporation.
3 Government bonds issued under the provisions of Paragraph 1 shall be noninterest-bearing.
4 Government bonds issued under the provisions of Paragraph 1 may not be transferred, attached as security rights, or otherwise disposed of.
5 Necessary matters concerning government bonds issued under the provisions of Paragraph 1, other than that provided in Paragraph 3, shall be determined by Ministry of Finance Ordinance.

*Redemption of the Government Bonds*
**Article 2-4**
1 The Corporation, may request the redemption of the government bonds delivered as set forth in the provisions of Paragraph 2 of the preceding Article, only within the amount of capital calculated by the Ministry of Finance Ordinance as the necessary amount of capital in response to the increase of assets related to its Crisis Response Operations (limited to those conducted by March 31, 2012).
2 The Government, when requested by the Corporation to redeem all or a part of the government bonds delivered under the provisions of Paragraph 2 of the preceding Article, must comply without delay.
3 When redemption has been made under the provisions of the preceding paragraph, the amount of the Corporation's capital shall be the sum of its capital immediately prior to the redemption and the amount of the money redeemed.
4 When the provisions of Article 445, Paragraph 1 are applied in applying the provisions of the preceding paragraph, the term "case" shall be deemed to be replaced with "case, or in cases where Article 2-4, Paragraph 3 of the Supplementary Provisions to the Development Bank of Japan Inc. Act (Act No. 85 of 2007) is applied."
5 Other than the matters stipulated in each of the preceding paragraphs, necessary matters concerning the redemption of government bonds delivered by the Government under the provisions of Paragraph 2 of the preceding Article shall be determined by Finance Ministry ordinance.

*Return of the Government Bonds*
**Article 2-5**
1 In the event that as of July 1, 2012, any government bonds delivered under the provisions of Article 2-3, Paragraph 2 of the Supplementary Provisions remain unredeemed, the Corporation must return such unredeemed bonds to the Government.
2 The Government must immediately retire any government bonds returned to it under the provisions of the preceding paragraph.
3 Other than the matters stipulated in the preceding two paragraphs, necessary matters concerning the return and retirement of government bonds delivered by the Government under the provisions of Article 2-3, Paragraph 2 shall be determined by Ministry of Finance Ordinance.

*Exception to Imposition of Registration and License Tax*
**Article 2-6**
When capital contributions are made under the provisions of Article 2-2 of the Supplementary Provisions or redemptions made under the provisions of Article 2-4, Paragraph 2 of the Supplementary Provisions, a Registration and License Tax shall not be imposed on the increase in capital received by the Corporation, provided that registration is obtained as specified by Ministry of Finance Ordinance.

## Supplementary Provisions

*Enforcement Date*
**Article 1**
This act shall take effect on the date of its promulgation.

*Review, Etc.*
**Article 2**
1 By the end of fiscal year 2011, the Government shall review what the appropriate implementation of the Crisis Response Operations (referring to the Crisis Response Operations prescribed under the provisions of Article 2, Item 5 of the Japan Finance Corporation Act (Act No. 57 of 2007); same hereinafter) implemented by the Development Bank of Japan Inc. (hereinafter" the Corporation") and the appropriate organization of the Corporation based on that including the way of holding its shares by the Government should be, and shall take necessary measures based on these reviews, taking into account the status of the capital contributions by the Government to the Corporation under the provisions of Article 2-2 of the Development Bank of Japan Inc. Act as amended by this Act; the redemption of the Government bonds under the Article 2-4, Paragraph 2 of the supplementary provisions of the Development Bank of Japan Inc. Act as amended by this Act; the implementation of the Crisis Response Operations by the Corporation; and the changes in socioeconomic and other circumstances from a point of view of maintaining the involvements with the Corporation by the State such as letting the Government consistently hold its shares exceeding one-third of the Corporation's issued shares in the aim of ensuring the appropriate implementation of the Crisis Response Operations by the Corporation.
2 Notwithstanding the provisions of Article 6, Paragraph 2 of the Act on Promotion of Administrative Reform for Realization of

Small and Efficient Government (Act No. 47 of 2006) as amended pursuant to the provisions of the following Article and the provisions of Article 2, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act as amended pursuant to this Act, the Government shall not dispose of its holding shares of the Corporation prior to the measures described in the preceding paragraph shall be taken.

*Partial Amendment of the Act on Promotion of Administrative Reform for Realization of Small and Efficient Government*
**Article 3**
The Act on Promotion of Administrative Reform for Realization of Small and Efficient Government shall be partially amended as follows.
"In the measures described in the preceding paragraph" in Article 6, Paragraph 2 shall be revised to "from April 1, 2012."

*Adjusted Provisions*
**Article 4**
1 If this Act come into effect prior to the date of enforcement of the Act for Partial Amendment of the Shoko Chukin Bank Limited Act and Other Act to Facilitate the Supply of Funds to Small and Medium-sized Enterprises (Act No. 54 of 2009; mentioned in the following paragraph as the "Shoko Chukin Amendment Act"), in regard to the application of the provisions of Article 6, Paragraph 2 of the Act on Promotion of Administrative Reform for Realization of Small and Efficient Government as amended under the provisions of the preceding Article up to the day before the said date, "and" shall be deemed to be replaced with "taking into account the market situation, and shall dispose of all such capital contributions in approximately five to seven years after implementation of the measures mentioned in the preceding paragraph, and the Government shall make capital contributions in."
2 If this Act come into effect after the date of enforcement of the Shoko Chukin Amendment Act, the provisions of the preceding Article shall not apply. In this case, "the following Article" in Article 2, Paragraph 2 of the Supplementary Provisions shall be deemed to be replaced with "Article 4 of the Supplementary Provisions to the Act for Partial Amendment of the Shoko Chukin Bank Limited Act and Other Act to Facilitate the Supply of Funds to Small and Medium-sized Enterprises (Act No. 54 of 2009)."

*Delegation to Government Ordinance*
**Article 5**
Transitional measures required for the enforcement of this Act shall be determined by government ordinance.

(Unofficial translation)

## Supplementary Resolutions on the Bill for Partial Amendment of the Development Bank of Japan Inc. Act

House of Councilors Committee on Financial Affairs
June 25, 2009

The following matters should receive the Government's careful consideration.

- In implementing Crisis Response Operations based on the recent measures for additional capital contribution, Development Bank of Japan Inc. shall ensure the measures result in a smooth supply of funds on the basis of appropriate analysis by drawing upon its accumulated knowledge and skills.

- With the global monetary crisis having serious economic and financial impacts, and the balance of loans to small and medium enterprises falling steadily, efforts must be made to further facilitate loans by the Japan Finance Corporation to small and medium-sized businesses. In implementing Crisis Response Operations for large and midscale enterprises, Development Bank of Japan Inc. must be certain to expedite loans to associated small and medium enterprises as well.

- The Government should review its holding of shares in Development Bank of Japan Inc. and take necessary measures based on its findings. Any such reviews should take into account the need to ensure that the Corporation acts for the good of the community, that it has a stable source of the funds required to fulfill its functions as a provider of long-term investment and loans, and that it has systems in place to secure competitive officers and employees. The Government should take appropriate measures to prevent any damage to the Corporation's long-term value.

- The Government should reassess the future provision of policy-based finance by Development Bank of Japan Inc. and the Japan Finance Corporation, reaffirming the importance of their roles and functions and paying attention to their relationships not only with private financial institutions but also with the Japanese financial sector as a whole, including affiliated organizations and the Japan Post Bank.

Resolutions passed.

*Special Rules for the Development Bank of Japan Inc. Act*
**Article 36**
With regard to the capital contribution and the issuance or redemption of Government bonds to facilitate implementation of the crisis response operations (operations specified in Article 2, Item (5) of the Japan Finance Corporation Act (Act No. 57 of 2007), as well as in Article 133) by the Development Bank of Japan Inc. to cope with the Great East Japan Earthquake, within Article 2-2 of the Supplementary Provisions to the Development Bank of Japan Inc. Act (Act No. 85 of 2007), "March 31, 2012" shall be deemed to be replaced with "March 31, 2015," and "as it deems necessary" shall be deemed to be replaced with "as it deems necessary to facilitate implementation of the crisis response operations," and within Article 2-3, Paragraph 1 and Article 2-4, Paragraph 1 of the same supplementary provisions, "March 31, 2012," shall be deemed to be replaced with "March 31, 2015," and within Article 2-5, Paragraph 1 of the same supplementary provisions, "July 1, 2012" shall be deemed to be replaced with "July 1, 2015."

## Supplementary Provisions

*Partial Amendment of the Act on Promotion of Administrative Reform for Realization of Small and Efficient Government*
**Article 7**
The Act on Promotion of Administrative Reform for Realization of Small and Efficient Government (Act No. 47 of 2006) shall be partially amended as follows.
"from April 1, 2012." in Article 6, Paragraph 2 shall be revised to "from April 1, 2015."

*Partial Amendment of the Development Bank of Japan Inc. Act*
**Article 9**
The Development Bank of Japan Inc. Act shall be partially amended as follows.
"April 1, 2012" in Article 2, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act shall be revised to "April 1, 2015".

*Partial Amendment of the Act for Partial Amendment of the Development Bank of Japan Inc. Act*
**Article 11**
The Act for Partial Amendment of the Development Bank of Japan Inc. Act (Act No. 67 of 2009) shall be partially amended as follows.
Within Article 2, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act, "the end of fiscal year 2011" shall be revised to "the end of fiscal year 2014," and "(including the cases where it shall be applied by replacing the term and phrase pursuant to the provisions of Article 36 of the Act for Extraordinary Expenditure and Assistance to Cope with the Great East Japan Earthquake (Act No. 40 of 2011))" shall be added next to "Article 2, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act", and "Article 2-4, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act" shall be revised to "Article 2-4, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act after the amendment pursuant to this Act."

*(Reference 1) The Supplementary Provisions of the Development Bank of Japan Inc. Act (After the amendment pursuant to the Act for Partial Amendment of the Development Bank of Japan Inc. Act and the Amendment and Replacement reading pursuant to the Act for Extraordinary Expenditure and Assistance to Cope with the Great East Japan Earthquake (hereinafter, referred to as the "Act for Extraordinary Expenditure".))*

*Disposition of the Government-Owned Shares*
**Article 2**
Pursuant to Article 6, Paragraph 2 of the Act on Promotion of Administrative Reform for Realization of Small and Efficient Government (Act No. 47 of 2006), the Government shall intend to reduce the number of the shares held by it of the Corporation (hereinafter in the following Paragraph and Article 3 of the Supplementary Provisions, 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 April 1, 2015.

*Capital Contribution by the Government*
**Article 2-2**
The Government may make capital contributions to the Corporation, to the extent of the amount approved by the budget, whenever the Government deems necessary to facilitate implementation of the crisis response operations, until March 31, 2015.

*Delivery of the Government Bonds*
**Article 2-3**
1 The Government, in implementing the crisis response operations (hereinafter referred to as the "Crisis Response Operations") prescribed in Article 2, Item 5 of the Japan Finance Corporation Act (Act No. 57 of 2007) may issue the government bonds in order to use for securement of the capital required to ensure the financial strength of the Corporation, until March 31, 2015.
2 The Government, pursuant to the provisions of the preceding paragraph, to the extent of the amount approved by the budget, shall issue the government bonds and deliver them to the Corporation.

*Redemption of the Government Bonds*
**Article 2-4**
The Corporation may request the redemption of the government bonds delivered as set forth in the provisions of Paragraph 2 of the preceding Article, only within the amount of capital calculated by the Ministry of Finance Ordinance as the necessary amount of capital in response to the increase of assets related to its Crisis Response Operations (limited to those conducted by March 31, 2015).

*(Reference 2) The Supplementary Provisions of the Act for Partial Amendment of the Development Bank of Japan Inc. Act (After the amendment pursuant to the Act for Extraordinary Expenditure)*

*Review, Etc.*

**Article 2**

1 By the end of fiscal year 2014, the Government shall review what the appropriate implementation of the Crisis Response Operations (referring to the Crisis Response Operations prescribed under the provisions of Article 2, Item 5 of the Japan Finance Corporation Act (Act No. 57 of 2007); same hereinafter) implemented by the Development Bank of Japan Inc. (hereinafter "the Corporation") and the appropriate organization of the Corporation based on that including the way of holding its shares by the Government should be, and shall take necessary measures based on these reviews, taking into account the status of the capital contributions by the Government to the Corporation under the provisions of Article 2-2 of the Supplementary Provisions (including the replacement readings pursuant to the Act for Extraordinary Expenditure and Assistance to Cope with Great East Japan Earthquake (Act No. 40 of 2011) Article 36) of the Development Bank of Japan Inc. Act as amended by this Act; the redemption of the Government bonds under the Article 2-4, Paragraph 2 of the supplementary provisions of the Development Bank of Japan Inc. Act as amended by this Act; the implementation of the Crisis Response Operations by the Corporation; and the changes in socioeconomic and other circumstances, from a point of view of maintaining the involvements with the Corporation by the State such as letting the Government consistently hold its shares exceeding one-third of the Corporation's issued shares in the aim of ensuring the appropriate implementation of the Crisis Response Operations by the Corporation.

2 Notwithstanding the provisions of Article 6, Paragraph 2 of the Act on Promotion of Administrative Reform for Realization of Small and Efficient Government (Act No. 47 of 2006) as amended pursuant to the provisions of the following Article and the provisions of Article 2, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act as amended pursuant to this Act, the Government shall not dispose of its holding shares of the Corporation prior to the measures described in the preceding paragraph shall be taken.

# Financial Condition

# Consolidated Balance Sheets

Development Bank of Japan Inc. and Consolidated Subsidiaries
As of March 31, 2011 and 2010

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| **Assets** | | | |
| Cash and due from banks (Note 28) | ¥ 233,297 | ¥ 168,696 | $ 2,805,741 |
| Call loans and bills bought (Note 28) | 61,852 | 125,000 | 743,860 |
| Reverse repurchase agreements (Note 3) | — | 179,991 | — |
| Money held in trust (Notes 28 and 30) | 24,819 | 30,740 | 298,492 |
| Securities (Notes 3, 14, 28 and 30) | 1,165,580 | 1,289,495 | 14,017,804 |
| Loans (Notes 4, 5, 14 and 28) | 13,031,480 | 13,514,661 | 156,722,553 |
| Other assets (Notes 6 and 14) | 122,296 | 89,701 | 1,470,790 |
| Tangible fixed assets (Note 7) | 181,486 | 162,227 | 2,182,643 |
| Intangible fixed assets | 5,960 | 5,098 | 71,686 |
| Deferred tax assets (Note 24) | 36,137 | 44,383 | 434,602 |
| Customers' liabilities for acceptances and guarantees (Note 13) | 145,068 | 192,172 | 1,744,661 |
| Allowance for loan losses (Notes 8 and 28) | (161,607) | (203,422) | (1,943,564) |
| Allowance for investment losses | (1,158) | (3,004) | (13,932) |
| **Total assets** | **¥14,845,213** | **¥15,595,740** | **$178,535,338** |
| **Liabilities and equity** | | | |
| **Liabilities:** | | | |
| Debentures (Notes 9, 14 and 28) | ¥ 3,312,713 | ¥ 3,504,212 | $ 39,840,209 |
| Call money and bills sold (Note 28) | — | 153,000 | — |
| Borrowed money (Notes 10 and 28) | 8,576,482 | 9,082,479 | 103,144,706 |
| Corporate bonds (Notes 9 and 28) | 316,675 | 242,181 | 3,808,488 |
| Other liabilities (Notes 11 and 12) | 52,981 | 49,780 | 637,174 |
| Accrued bonuses to employees | 4,581 | 2,238 | 55,096 |
| Accrued bonuses to directors and corporate auditors | 17 | 22 | 209 |
| Reserve for employees' retirement benefits (Note 23) | 25,885 | 32,613 | 311,317 |
| Reserve for directors' and corporate auditors' retirement benefits | 52 | 34 | 629 |
| Reserve for contingent losses | 711 | 2,815 | 8,554 |
| Reserve for losses on headquarter relocation | — | 6,536 | — |
| Deferred tax liabilities (Note 24) | 48 | 114 | 589 |
| Acceptances and guarantees (Note 13) | 145,068 | 192,172 | 1,744,661 |
| **Total liabilities** | **12,435,218** | **13,268,201** | **149,551,631** |
| **Equity:** | | | |
| Common stock authorized, 160,000 thousand shares in 2011 and 2010; issued, 43,623 thousand shares in 2011 and 2010 (Note 15) | 1,181,194 | 1,181,194 | 14,205,580 |
| Capital surplus (Note 15) | 1,060,466 | 1,060,466 | 12,753,654 |
| Retained earnings (Note 15) | 132,329 | 40,779 | 1,591,458 |
| Accumulated other comprehensive income: | | | |
| Unrealized gain on available-for-sale securities (Note 30) | 13,169 | 11,091 | 158,382 |
| Deferred gain on derivatives under hedge accounting | 17,406 | 11,154 | 209,343 |
| Foreign currency translation adjustments | (101) | (54) | (1,223) |
| Total | 2,404,464 | 2,304,630 | 28,917,195 |
| Minority interests | 5,530 | 22,908 | 66,511 |
| **Total equity** | **2,409,995** | **2,327,538** | **28,983,706** |
| **Total liabilities and equity** | **¥14,845,213** | **¥15,595,740** | **$178,535,338** |

See notes to consolidated financial statements.

# Consolidated Statements of Income

Development Bank of Japan Inc. and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| **Income** | | | |
| Interest income: | ¥298,929 | ¥301,482 | $3,595,066 |
| Interest on loans | 271,860 | 278,176 | 3,269,513 |
| Interest and dividends on securities | 19,268 | 15,793 | 231,734 |
| Interest on call loans and bills bought | 165 | 55 | 1,989 |
| Interest on reverse repurchase agreements | 149 | 322 | 1,802 |
| Interest on due from banks | 171 | 116 | 2,067 |
| Interest on swaps | 7,238 | 6,996 | 87,059 |
| Other interest income | 75 | 22 | 902 |
| Fees and commissions (Note 17) | 9,998 | 15,683 | 120,251 |
| Other operating income (Note 18) | 12,642 | 19,880 | 152,043 |
| Other income (Note 19) | 42,275 | 16,661 | 508,423 |
| **Total income** | **363,846** | **353,707** | **4,375,784** |
| **Expenses** | | | |
| Interest expense: | 172,231 | 180,111 | 2,071,337 |
| Interest on debentures | 52,920 | 55,409 | 636,451 |
| Interest on call money and bills sold | 149 | 64 | 1,796 |
| Interest on borrowed money | 116,646 | 122,527 | 1,402,848 |
| Interest on short-term corporate bonds | 10 | — | 127 |
| Interest on corporate bonds | 2,500 | 2,105 | 30,072 |
| Other interest expense | 3 | 4 | 43 |
| Fees and commissions (Note 20) | 607 | 1,043 | 7,311 |
| Other operating expenses (Note 21) | 12,012 | 34,072 | 144,473 |
| General and administrative expenses | 36,708 | 35,037 | 441,476 |
| Other expenses (Note 22) | 37,903 | 52,336 | 455,847 |
| **Total expenses** | **259,464** | **302,602** | **3,120,444** |
| **Income before income taxes and minority interests** | **104,381** | **51,105** | **1,255,339** |
| Income taxes (Note 24): | | | |
| Current | 371 | 25,382 | 4,470 |
| Deferred | 944 | (14,558) | 11,356 |
| **Total income taxes** | **1,315** | **10,824** | **15,826** |
| **Net income before minority interests** | **103,065** | | **1,239,513** |
| **Minority interests in net income** | **1,481** | **387** | **17,818** |
| **Net income** | **¥101,583** | **¥ 39,893** | **$1,221,695** |

| | Yen | | U.S. Dollars (Note 1) |
|---|---|---|---|
| **Per share of common stock (Note 16)** | | | |
| Basic net income | ¥2,328.63 | ¥970.47 | $28.01 |
| Cash dividend applicable to the year | 1,147 | 230 | 13.79 |

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

Development Bank of Japan Inc. and Consolidated Subsidiaries
For the year ended March 31, 2011

| | Millions of Yen | Thousands of U.S. Dollars (Note 1) |
|---|---|---|
| | 2011 | 2011 |
| **Net income before minority interests** | **¥103,065** | **$1,239,513** |
| **Other comprehensive income (Note 26)** | | |
| Unrealized gain on available-for-sale securities | 2,073 | 24,939 |
| Deferred gain on derivatives under hedge accounting | 6,273 | 75,445 |
| Foreign currency translation adjustments | (46) | (563) |
| Share of other comprehensive income in affiliates accounted for by the equity method | (22) | (268) |
| **Total other comprehensive income** | **8,277** | **99,553** |
| **Comprehensive income (Note 26)** | **¥111,343** | **$1,339,066** |
| **Total comprehensive income attributable to (Note 26)** | | |
| Owners of the parent | ¥109,867 | $1,321,322 |
| Minority interests | 1,475 | 17,745 |

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Equity

Development Bank of Japan Inc. and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| **Common stock:** | | | |
| Balance at beginning of year | ¥1,181,194 | ¥1,000,000 | $14,205,580 |
| Issuance of new shares of common stock | — | 181,194 | — |
| Balance at end of year | 1,181,194 | 1,181,194 | 14,205,580 |
| **Capital surplus:** | | | |
| Balance at beginning of year | 1,060,466 | 1,157,715 | 12,753,654 |
| Transfer from capital surplus to retained earnings | — | (97,248) | — |
| Balance at end of year | 1,060,466 | 1,060,466 | 12,753,654 |
| **Retained earnings:** | | | |
| Balance at beginning of year | 40,779 | (96,363) | 490,430 |
| Cash dividends | (10,033) | — | (120,667) |
| Transfer from capital surplus to retained earnings | — | 97,248 | — |
| Net income | 101,583 | 39,893 | 1,221,695 |
| Balance at end of year | 132,329 | 40,779 | 1,591,458 |
| **Accumulated other comprehensive income:** | | | |
| **Unrealized gain on available-for-sale securities:** | | | |
| Balance at beginning of year | 11,091 | (1,667) | 133,390 |
| Net change during the year | 2,078 | 12,759 | 24,993 |
| Balance at end of year | 13,169 | 11,091 | 158,382 |
| **Deferred gain on derivatives under hedge accounting:** | | | |
| Balance at beginning of year | 11,154 | 17,182 | 134,147 |
| Net change during the year | 6,252 | (6,028) | 75,197 |
| Balance at end of year | 17,406 | 11,154 | 209,343 |
| **Foreign currency translation adjustments:** | | | |
| Balance at beginning of year | (54) | 3 | (660) |
| Net change during the year | (46) | (58) | (563) |
| Balance at end of year | (101) | (54) | (1,223) |
| **Minority interests:** | | | |
| Balance at beginning of year | 22,908 | 9,586 | 275,509 |
| Net change during the year | (17,378) | 13,322 | (208,998) |
| Balance at end of year | 5,530 | 22,908 | 66,511 |
| **Total equity:** | | | |
| Balance at beginning of year | 2,327,538 | 2,086,456 | 27,992,050 |
| Issuance of new shares of common stock | — | 181,194 | — |
| Cash dividends | (10,033) | — | (120,667) |
| Net income | 101,583 | 39,893 | 1,221,695 |
| Net change during the year | (9,094) | 19,994 | (109,371) |
| Balance at end of year | ¥2,409,995 | ¥2,327,538 | $28,983,706 |

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Development Bank of Japan Inc. and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| **Cash flows from operating activities:** | | | |
| Income before income taxes and minority interests | ¥ 104,381 | ¥ 51,105 | $ 1,255,339 |
| Adjustments for: | | | |
| Depreciation | 1,984 | 1,948 | 23,864 |
| Amortization of goodwill | — | 1,858 | — |
| Losses on impairment of long-lived assets | 21 | 0 | 262 |
| Equity in gains of affiliates | (1,837) | (958) | (22,100) |
| Decrease in allowance for loan losses | (41,815) | (73,267) | (502,891) |
| Decrease in allowance for investment losses | (1,845) | (1,289) | (22,200) |
| Increase in accrued bonuses to employees | 2,342 | 14 | 28,169 |
| (Decrease) increase in accrued bonuses to directors and corporate auditors | (4) | 1 | (57) |
| (Decrease) increase in reserve for employees' retirement benefits | (6,727) | 562 | (80,904) |
| (Decrease) increase in reserve for contingent losses | (2,104) | 2,815 | (25,304) |
| Increase in reserve for losses on headquarter relocation | — | 6,536 | — |
| Interest income | (298,929) | (301,482) | (3,595,066) |
| Interest expense | 172,231 | 180,111 | 2,071,337 |
| Loss on securities—net | 7,923 | 58,006 | 95,293 |
| Gain on money held in trust—net | (623) | (1,478) | (7,495) |
| Foreign exchanges losses | 15,330 | 4,291 | 184,367 |
| (Gain) loss on sales of fixed assets—net | (3) | 40 | (45) |
| Net decrease (increase) in loans | 483,181 | (1,505,805) | 5,810,961 |
| Net (decrease) increase in debentures | (191,498) | 72,615 | (2,303,054) |
| Net (decrease) increase in borrowed money | (505,997) | 1,014,586 | (6,085,358) |
| Net increase in corporate bonds | 74,494 | 160,758 | 895,906 |
| Net increase in due from banks | (9,665) | (5,181) | (116,245) |
| Net decrease in call loans and bills bought | 63,148 | 20,000 | 759,447 |
| Net decrease in reverse repurchase agreements | 179,991 | 195,975 | 2,164,655 |
| Net (decrease) increase in call money and bills sold | (153,000) | 153,000 | (1,840,048) |
| Interest received | 303,109 | 282,534 | 3,645,328 |
| Interest paid | (175,029) | (181,437) | (2,104,987) |
| Other—net | (2,107) | (93,583) | (25,347) |
| Sub-total | 16,948 | 42,279 | 203,828 |
| Payments for income taxes | (15,157) | (42,293) | (182,295) |
| **Net cash provided by (used in) operating activities** | **1,790** | **(14)** | **21,532** |
| **Cash flows from investing activities:** | | | |
| Payments for purchases of securities | (1,727,311) | (2,195,175) | (20,773,434) |
| Proceeds from sales of securities | 362,248 | 15,859 | 4,356,566 |
| Proceeds from redemption of securities | 1,469,407 | 2,087,747 | 17,671,774 |
| Payments for increase of money held in trust | (1,215) | (3,418) | (14,612) |
| Proceeds from decrease of money held in trust | 8,111 | 1,608 | 97,550 |
| Payments for purchases of tangible fixed assets | (26,021) | (934) | (312,946) |
| Proceeds from sales of tangible fixed assets | 17 | 23 | 205 |
| Payments for purchases of intangible fixed assets | (2,020) | (1,504) | (24,304) |
| Proceeds from sales of intangible fixed assets | 0 | — | 8 |
| Payments for purchases of stocks of subsidiaries | — | (4,339) | — |
| **Net cash provided by (used in) investing activities** | **83,217** | **(100,135)** | **1,000,808** |
| **Cash flows from financing activities:** | | | |
| Payments for cash dividends | (10,033) | — | (120,667) |
| Proceeds from issuance of stock | — | 181,194 | — |
| Proceeds from issuance of securities to minority shareholders of subsidiaries | 2,848 | 16,600 | 34,252 |
| Dividends paid to minority shareholders of subsidiaries | (22,439) | (1,313) | (269,868) |
| **Net cash (used in) provided by financing activities** | **(29,624)** | **196,481** | **(356,284)** |
| **Foreign currency translation adjustments on cash and cash equivalents** | **(553)** | **(346)** | **(6,660)** |
| **Net increase in cash and cash equivalents** | **54,828** | **95,984** | **659,397** |
| **Cash and cash equivalents of newly consolidated subsidiaries** | **106** | **7** | **1,284** |
| **Cash and cash equivalents at beginning of year** | **144,756** | **48,763** | **1,740,908** |
| **Cash and cash equivalents at end of year** | **¥ 199,692** | **¥ 144,756** | **$ 2,401,588** |

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Development Bank of Japan Inc. and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

## 1. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and Ministerial Ordinance for Accounting of the Development Bank of Japan Inc. ("DBJ Inc.") and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheets and the consolidated statements of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 26. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

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 2010 financial statements to conform to the classifications used in 2011.

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 ¥83.15=$1.00, the effective exchange rate prevailing as of March 31, 2011, 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) Principles of Consolidation

#### (1) Scope of Consolidation

Under the control concept, companies in which DBJ Inc., directly or indirectly, is able to exercise control over operations are fully consolidated. On September 8, 2006, the Accounting Standards Board of Japan ("ASBJ") issued Practical Issues Task Force No. 20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" which was effective for the period and the 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.

(i) Consolidated Subsidiaries

The number of consolidated subsidiaries as of March 31, 2011 and 2010 is 16 and 13, respectively. The consolidated subsidiaries as of March 31, 2011 are as follows:

DBJ Business Investment Co., Ltd.
DBJ Corporate Mezzanine Partners Co., Ltd.
UDS Corporate Mezzanine Limited Partnership
UDS Corporate Mezzanine No. 3 Limited Partnership
DBJ Credit Line, Ltd.
New Business Investment Co., Ltd.
DBJ Singapore Limited
Japan Economic Research Institute Inc.
Asuka DBJ Investment LPS
DBJ Europe Limited
DBJ Real Estate Co., Ltd.
DBJ Investment Advisory Co., Ltd.
DBL Capital Co., Ltd.
DBJ Capital Investment Fund No. 1
DBJ New Business Investment Fund
DBJ Capital Investment Fund No. 2

In the year ended March 31, 2011, DBJ Capital Co., Ltd. was newly consolidated due to increased materiality, and DBJ Capital Investment Fund No. 1, DBJ New Business Investment Fund and DBJ Capital Investment Fund No. 2 were newly consolidated upon their formation. New Business Investment No. 1 Investment Limited Liability Partnership, which was a consolidated subsidiary, was deconsolidated due to liquidation.

In the year ended March 31, 2010, UDS Corporate Mezzanine No. 3 Limited Partnership was newly consolidated due to growing importance, and DBJ Europe Limited, DBJ Real Estate Co., Ltd. and DBJ Investment Advisory Co., Ltd. were newly consolidated upon their formation.

(ii) Unconsolidated Subsidiaries

The numbers of unconsolidated subsidiaries as of March 31, 2011 and 2010 are 15 and 14, respectively. The major unconsolidated subsidiary as of March 31, 2011 and 2010 was UDS II Corporate Mezzanine Limited Partnership. Unconsolidated 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, income, net income, retained earnings and deferred hedge gains and losses.

(iii) Entities not recognized as subsidiaries where DBJ Inc. owns the voting rights over 50%

The following companies of which DBJ Inc. owns the voting rights over 50% were not recognized as subsidiaries, since DBJ Inc.'s intent is to nurture the venture business and not to exercise control over their operating and financing policies:

As of March 31, 2011

Hydro-Device Company, Limited

As of March 31, 2010

Dyflex Holdings Co.

Hydro-Device Company, Limited

**(2) Application of the Equity Method**

Under the influence concept, unconsolidated subsidiaries and affiliates over which DBJ Inc. has the ability to exercise significant influence are accounted for by the equity method.

(i) Unconsolidated subsidiaries not accounted for by the equity method

The number of unconsolidated subsidiaries not accounted for by the equity method as of March 31, 2011 and 2010 was 15 and 14, respectively. The major unconsolidated subsidiary not accounted for by the equity method was UDS II Corporate Mezzanine Limited Partnership.

(ii) Affiliates accounted for by the equity method

The number of affiliates accounted for by the equity method as of March 31, 2011 and 2010 was 14. The major affiliates accounted for by the equity method as of March 31, 2011 and 2010 were as follows:

Makuhari Messe, Inc.

Hokkaido International Airlines Co., Ltd.

Urban Redevelopment Private Fund

(iii) Affiliates not accounted for by the equity method

The number of affiliates not accounted for by the equity method as of March 31, 2011 and 2010 was 88 and 91, respectively. One of the major affiliates as of March 31, 2011 and 2010 was:

New Perspective One LLC

Unconsolidated 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 Inc.

(iv) Entities not recognized as affiliates where DBJ Inc. owns the voting rights between 20% and 50%

The following companies of which DBJ Inc. owns the voting rights between 20% and 50% were not recognized as affiliates accounted for by the equity method, since DBJ Inc.'s intent is to nurture the venture business and not to exercise significant influence on their operating and financing policies:

As of March 31, 2011

Siti, Inc.
Gordon Brothers Japan Co., Ltd.
Narumi Corporation
Shinwa Seiko Corporation
Mediclude Co., Ltd.
Green Power Investment Corporation
Advangen, Inc.
Vaxiva Biosciences
Asahi Fiber Glass Company, Limited
Takumi Technology Corp.
Nihon Shoryoku Kikai Co., Ltd.
PRISM BioLab Corporation
Izumi Products Company

As of March 31, 2010

Sunsay International Technology, Inc.
Gordon Brothers Japan Co., Ltd.
Narumi Corporation
Shinwa Seiko Corporation
Mediclude Co., Ltd.
Green Power Investment Corporation
Advangen, Inc.
Vaxiva Biosciences
Asahi Fiber Glass Company, Limited
Takumi Technology Corp.
Nihon Shoryoku Kikai Co., Ltd.
PRISM BioLab Corporation

### (3) Balance Sheet Dates of Consolidated Subsidiaries

Balance sheet dates of consolidated subsidiaries are as follows:

| | Number of subsidiaries | |
|---|---|---|
| | 2011 | 2010 |
| December 31 | 7 | 6 |
| March 31 | 9 | 7 |

Consolidated subsidiaries are consolidated based on the financial statements that are prepared as of their year-end balance sheet date.

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

### (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 Inc. 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.

The excess of the fair value over the cost of acquired subsidiaries, which had been amortized over not exceeding 20 years in prior years, is recognized as income immediately on and after April 1, 2011 due to the revision of the accounting standard for business combination effective April 1, 2010.

(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 |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Cash and due from banks | ¥233,297 | ¥168,696 | $2,805,741 |
| Time deposits with banks | (33,605) | (23,939) | (404,153) |
| Cash and cash equivalents | ¥199,692 | ¥144,756 | $2,401,588 |

(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). Financial instruments whose fair value cannot be reliably determined are stated at cost using the weighted average method.

Investments in limited partnerships and other similar partnerships are accounted for at their original cost plus DBJ Inc.'s interest in earnings since acquisition and less any dividends received, based on their most recent financial statements.

Unrealized gains and losses 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 statement of income.

(e) Hedge Accounting

(1) Hedge Accounting

DBJ Inc. applies the deferral method of hedge accounting or the accrual method (*1). The portfolio hedge is accounted for by the method stipulated in "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry," issued by the Japanese Institute of Certified Public Accountants (the "JICPA Industry Audit Committee Report No. 24"). In addition, 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.

(2) Hedging Instruments and Hedged Items

- Hedging Instruments : Interest rate swaps
  Hedged Items : Debentures, Borrowed money, Corporate bonds, Securities and Loans
- Hedging Instruments : Foreign currency swaps
  Hedged Items : Foreign currency denominated loans, Debentures and Corporate bonds

(3) Hedging Policy

DBJ Inc. utilizes hedging instruments to hedge interest rates and foreign currency fluctuations on its assets and liabilities. Individual contracts or every constant group are drawn for each hedged item.

(4) Evaluation of Hedge Effectiveness

According to the risk management policy, DBJ Inc. evaluates the effectiveness of the hedges by testing whether the derivatives are effective in reducing the risks associated with the hedged items.

In addition, as for portfolio hedging activities to fix the cash flows, the effectiveness is assessed based on the correlation between the base interest rate index of the hedged cash flow and the hedging instrument.

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

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

(i) 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.

(ii) 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 foreign exchange forward contract are recognized.

### (f) Fixed Assets

#### (1) Depreciation of Tangible Fixed Assets

Tangible Fixed Assets are stated at cost less accumulated depreciation. Tangible Fixed Assets of DBJ Inc. are depreciated using the declining-balance method, except for buildings (excluding installed facilities) that are depreciated on a straight-line basis, and depreciation of consolidated subsidiaries is computed principally using the straight-line method based on the estimate durability of assets.

The estimated useful lives are principally as follows:

| | |
|---|---|
| Buildings | : 3 years to 50 years |
| Others | : 4 years to 20 years |

#### (2) Amortization of Intangible Fixed Assets

Intangible Fixed Assets are amortized using the straight-line method. Capitalized software for internal use is amortized using the straight-line method based on the estimated useful lives (mainly from 3 to 5 years).

#### (3) Lease Assets

Depreciation for lease assets is computed by the straight-line method with zero residual value over the lease term.

### (g) Long-lived Assets

DBJ Inc. 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. Impairment losses are 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 losses 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) Debentures and Corporate Bonds Issuance Costs

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

### (i) Foreign Currency Translation and Revaluation Method

Assets and liabilities denominated in foreign currencies held by DBJ Inc. have been translated at the exchange rates prevailing as of the balance sheet date. Foreign currency accounts held by consolidated foreign subsidiaries are translated into the currency of the subsidiaries at the respective year-end exchange rates. The foreign exchange gains and losses from transactions are recognized in the statement of income to the extent that they are not hedged by forward exchange contracts. The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign Currency Transaction Adjustments" in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the exchange rate prevailing as of the balance sheet date.

(j) Allowance for Loan Losses

DBJ Inc. 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 (possibly bankrupt), 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. 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 for 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 were written-off, and totaled ¥45,551 million ($547,827 thousand) and ¥115,954 million for the years ended March 31, 2011 and 2010, respectively. The consolidated subsidiaries calculate the general reserve for "normal" categories based on the specific actual historical loss ratio, and the specific reserve for the "possibly bankrupt," "effectively bankrupt" and "legally bankrupt" categories based on estimated losses, considering the recoverable value.

(k) Allowance for Investment Losses

"Allowance for Investment Losses" is provided for based on the estimated losses on certain investments based on an assessment of the issuers' financial condition.

(l) Accrued Bonuses to Employees, Directors and Corporate Auditors

"Accrued Bonuses to Employees, Directors and Corporate Auditors" are provided for in the amount of the estimated bonuses which are attributable to the years ended March 31, 2011 and 2010.

(m) Reserve for Employees' Retirement Benefits

DBJ Inc. has defined benefit pension plans, which consist of a welfare pension fund plan and a lump-sum severance indemnity plan. "Reserve for Employees' Retirement Benefits" represents future payments for pension and retirement benefits to employees. It is accrued based on the projected benefit obligations and estimated pension plan assets at each fiscal year end. Prior service cost is amortized using the straight-line method over the period of ten years within the employees' average remaining service period at incurrence. Net actuarial gains and losses is amortized using the straight-line method over the period of ten years within the employees' average remaining service period commencing from the next fiscal year after incurrence.

On July 1, 2010, DBJ Inc. obtained an approval from the Minister of Health, Labour and Welfare regarding exemption of future payment duties for a substitute portion of welfare pension fund, following the enforcement of the Act of Corporate Defined Benefit Pension. The amount corresponding to the refund (minimum policy reserve) measured as of March 31, 2011 was ¥7,503 million ($90,235 thousand) and the expected gain, if the paragraph 44-2 of "Practical Guidance concerning Accounting Standard for Retirement Benefits (Interim Report)" (the Japanese Institute of Certified Public Accountants (JICPA), Accounting System Committee Report No. 13) were applied assuming that such amount had been paid at March 31, 2011, would be ¥11,130 million ($133,864 thousand).

(n) Reserve for Directors' and Corporate Auditors' Retirement Benefits

"Reserve for Directors' and Corporate Auditors' Retirement Benefits" is accrued based on the amount that would be required if all directors and corporate auditors retired at balance sheet date.

(o) Reserve for Contingent Losses

"Reserve for Contingent Losses" is provided for possible contingent losses on loan commitment limits based on individually estimated expected losses.

### (p) Reserve for losses on Headquarter Relocation

"Reserve for losses on Headquarter Relocation" is provided for the reasonably estimated relocation costs at the head office of DBJ Inc.

### (q) Lease Transactions

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

DBJ Inc. applied the revised accounting standard on October 1, 2008. In addition, DBJ Inc. continues to account for leases which existed at March 31, 2008 and were transferred to DBJ Inc. on October 1, 2008, and does not transfer ownership of the leased property to the lessee as operating lease transactions.

### (r) Consumption Taxes

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

### (s) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

### (t) Per Share Information

Basic net income per share is computed by dividing net income available to common stockholders by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits. Diluted net income per share for the years ended March 31, 2011 and 2010 is not disclosed because there are no dilutive securities.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the year including dividends to be paid after the end of the year.

### (u) Asset Retirement Obligations

In March 2008, the ASBJ issued the accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations".

Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability.

The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

This standard was effective for fiscal years beginning on or after April 1, 2010.

DBJ Inc. applied this accounting standard effective April 1, 2010. The effect of this change was to decrease income before income taxes and minority interests for the year ended March 31, 2011 by ¥401 million ($4,824 thousand).

## 3. Securities

Securities as of March 31, 2011 and 2010 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Japanese government bonds | ¥ 418,710 | ¥ 608,089 | $ 5,035,603 |
| Corporate bonds | 282,139 | 184,884 | 3,393,134 |
| Equities | 164,136 | 203,555 | 1,973,975 |
| Other securities | 300,594 | 292,966 | 3,615,092 |
| Total | ¥1,165,580 | ¥1,289,495 | $14,017,804 |

*1. Investments in unconsolidated subsidiaries and affiliates included in "Equities" as of March 31, 2011 and 2010, are ¥24,293 million ($292,167 thousand) and ¥15,428 million. Investments in unconsolidated subsidiaries and affiliates included in "Other securities" as of March 31, 2011 and 2010, are ¥42,919 million ($516,167 thousand) and ¥38,922 million.

*2. DBJ Inc. 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 Act) and amount to ¥697 million ($8,387 thousand) and ¥3,070 million, as of March 31, 2011 and 2010.

*3. There are no securities repledged as of March 31, 2011 and 2010. Securities accepted under repurchase agreements can be sold or repledged. Securities neither sold nor repledged are ¥179,991 million as of March 31, 2010.

*4. Marketable securities available-for-sale 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 impairment loss for the fiscal year.
The criterion for determining "Considerable decline in market value" is as follows:
Market value declined by 50% or more of the acquisition cost.
Market value declined by 30% or more of the acquisition cost, and such decline is not considered as recoverable.

Impairment losses on marketable securities available-for-sale for the years ended March 31, 2011 and 2010 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Equities | ¥ 8 | ¥ 38 | $ 107 |
| Bonds | 4,104 | 28,897 | 49,358 |
| Other | 6 | 259 | 79 |
| Total | ¥4,119 | ¥29,195 | $49,544 |

## 4. Non-Performing Loans

The amounts of non-performing loans included in "Loans" on the consolidated balance sheets as of March 31, 2011 and 2010 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Loans to bankrupt debtors | ¥ 6,811 | ¥497,652 | $ 81,913 |
| Delinquent loans | 111,000 | 143,789 | 1,334,941 |
| Loans past due three months or more | 259 | 23 | 3,124 |
| Restructured loans | 49,210 | 43,726 | 591,827 |
| Total | ¥167,281 | ¥685,192 | $2,011,805 |

*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."

### 5. Commitments

Loan commitment limits are contracts under which DBJ Inc. lends to customers up to the prescribed limits in response to customers' application for loans as long as there is no violation of any condition in the contracts. As of March 31, 2011 and 2010, the amounts of unused commitments are ¥245,482 million ($2,952,291 thousand) and ¥341,159 million. As of March 31, 2011 and 2010, the amounts of unused commitments whose remaining contract term are within one year are ¥132,978 million ($1,599,266 thousand) and ¥127,260 million.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions whereby DBJ Inc. and its subsidiaries can refuse customers' applications for loans or decrease the contract limits for proper reason (e.g., changes in financial situation, deterioration in customers' credit worthiness). At the inception of contracts, DBJ Inc. and its subsidiaries obtain real estate, securities or other assets as collateral if considered necessary. Subsequently, DBJ Inc. and its subsidiaries perform periodic reviews of the customers' business results based on internal rules, and take necessary measures to reconsider conditions in contracts and/or require additional collateral and guarantees.

### 6. Other Assets

Other assets as of March 31, 2011 and 2010 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Prepaid expenses | ¥ 11,895 | ¥15,239 | $ 143,065 |
| Accrued income | 40,250 | 42,293 | 484,076 |
| Derivatives | 49,509 | 23,715 | 595,421 |
| Other | 20,640 | 8,452 | 248,228 |
| Total | ¥122,296 | ¥89,701 | $1,470,790 |

### 7. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2011 and 2010 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Buildings | ¥ 9,191 | ¥ 13,976 | $ 110,545 |
| Land | 47,808 | 147,396 | 574,962 |
| Leased assets | 74 | 121 | 891 |
| Construction in progress | 123,589 | 126 | 1,486,349 |
| Other | 822 | 606 | 9,896 |
| Total | ¥181,486 | ¥162,227 | $2,182,643 |

Note: Accumulated depreciation of tangible fixed assets as of March 31, 2011 and 2010, is ¥1,837 million ($22,094 thousand) and ¥1,423 million.

### 8. Allowance for Loan Losses

An allowance for loan losses as of March 31, 2011 and 2010 is as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| General allowance for loan losses | ¥ 88,187 | ¥ 66,416 | $1,060,580 |
| Specific allowance for loan losses | 73,420 | 137,005 | 882,984 |
| Total | ¥161,607 | ¥203,422 | $1,943,564 |

## 9. Debentures and Corporate Bonds

Debentures and corporate bonds as of March 31, 2011 and 2010 are as follows:

| | Issue date | Interest rate (%) | Maturity date | Millions of Yen 2011 | Millions of Yen 2010 | Thousands of U.S. Dollars 2011 |
|---|---|---|---|---|---|---|
| Debentures | | | | | | |
| Japanese government-guaranteed bonds 1-23*1, 5, 6 | Aug. 2000–<br>Aug. 2008 | 0.8–<br>2.2 | Aug. 2010–<br>Jun. 2023 | ¥ 682,486<br>[49,991] | ¥ 882,338 | $ 8,207,895<br>[601,223] |
| Japanese government-guaranteed bonds 1-9 | Nov. 2008–<br>Sep. 2010 | 0.4–<br>2.1 | Jul. 2016–<br>Feb. 2024 | 348,923 | 269,233 | 4,196,320 |
| Japanese government-guaranteed foreign bond 67*2, 5 | Sep. 1998 | 1.81 | Sep. 2028 | 25,070 | 25,075 | 301,515 |
| Japanese government-guaranteed foreign bonds 1-14*1, 5, 6 | Nov. 1999–<br>Nov. 2007 | 1.05–<br>6.875 | Jun. 2010–<br>Nov. 2027 | 936,344<br>[158,598] | 1,036,122 | 11,260,907<br>[1,907,380] |
| Japanese government-guaranteed Euro MTN bonds 1-3*4 | Dec. 2009–<br>Mar. 2011 | 0.5405–<br>2.875 | Dec. 2014–<br>Mar. 2016 | 163,092 | 32,564 | 1,961,425 |
| FILP agency domestic bonds 5, 7, 9-11, 13, 16, 17, 19-22, 24-52*3, 5, 6 | Oct. 2002–<br>Aug. 2008 | 0.57–<br>2.74 | Aug. 2010–<br>Mar. 2047 | 1,104,812<br>[274,992] | 1,204,758 | 13,286,980<br>[3,307,188] |
| FILP agency foreign bond 1*3, 5 | Jun. 2007 | 1.65 | Jun. 2012 | 49,982 | 49,967 | 601,114 |
| Euro MTN bonds 1-2*3, 4, 5 | Sep. 2008 | 2.032–<br>3.142 | Sep. 2010–<br>Sep. 2023 | 2,000 | 4,153 | 24,053 |
| Corporate bonds | | | | | | |
| Corporate bonds through public placement 1-11*6 | Dec. 2008–<br>Oct. 2010 | 0.247–<br>1.745 | Dec. 2011–<br>Mar. 2019 | 267,000<br>[33,000] | 187,000 | 3,211,064<br>[396,873] |
| Corporate bonds through private placement 1 | Aug. 2009 | 0.847 | Sep. 2014 | 10,000 | 10,000 | 120,265 |
| Corporate bonds Euro MTN 1, 2, 6-15, 17-22*4, 6 | Dec. 2008–<br>Feb. 2010 | 0.49625–<br>1.3095 | Dec. 2010–<br>Feb. 2015 | 39,675<br>[5,157] | 45,181 | 477,159<br>[62,026] |
| Total | | | | ¥3,629,389 | ¥3,746,393 | $43,648,696 |

*1. These bonds are government-guaranteed bonds issued by the Development Bank of Japan.
*2. This bond is a government-guaranteed bond issued by the Japan Development Bank.
*3. Fiscal Investment and Loan Program (FILP) agency bonds issued are not government-guaranteed. These bonds are issued by the Development Bank of Japan.
*4. These bonds are non-guaranteed bonds established by MTN program.
*5. Under the Development Bank of Japan Inc. Act (“DBJ Inc. Act”) (Act No. 17 and 26), the Development Bank of Japan Act (“DBJ Act”) (Act No. 43), obligations created by the bonds issued by DBJ Inc. are secured by a statutory preferential right over the property of DBJ Inc.
*6. Figures indicated in brackets [ ] indicate the amounts to be redeemed within one year.

Scheduled redemptions of debentures and corporate bonds which have been assumed and repaid by DBJ Inc. for subsequent years as of March 31, 2011 are as follows:

| | | |
|---|---|---|
| The fiscal year ending March 31, 2012 | ¥521,740 million | $6,274,690 thousand |
| 2013 | 464,082 | 5,581,265 |
| 2014 | 276,414 | 3,324,290 |
| 2015 | 346,770 | 4,170,425 |
| 2016 | 332,610 | 4,000,124 |

## 10. Borrowed Money

Borrowed money as of March 31, 2011 and 2010 is as follows:

| | | | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|---|---|
| | Average interest rate (%) | Due date of repayment | 2011 | 2010 | 2011 |
| Borrowings | 1.26 | Apr. 2011–Nov. 2030 | ¥8,576,482 | ¥9,082,479 | $103,144,706 |

Scheduled redemptions of borrowings for subsequent years as of March 31, 2011 are as follows:

| | | |
|---|---|---|
| The fiscal year ending March 31, 2012 | ¥1,168,010 million | $14,047,028 thousand |
| 2013 | 1,224,228 | 14,723,136 |
| 2014 | 1,120,761 | 13,478,797 |
| 2015 | 1,033,414 | 12,428,319 |
| 2016 | 942,138 | 11,330,593 |

## 11. Other Liabilities

Other liabilities as of March 31, 2011 and 2010 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Accrued expenses | ¥30,908 | ¥32,808 | $371,715 |
| Unearned income | 739 | 1,109 | 8,890 |
| Accrued income taxes | 76 | 3,368 | 923 |
| Derivatives | 8,805 | 6,663 | 105,899 |
| Lease obligations | 132 | 213 | 1,593 |
| Asset retirement obligations (Note 12) | 1,046 | — | 12,581 |
| Other | 11,272 | 5,617 | 135,573 |
| Total | ¥52,981 | ¥49,780 | $637,174 |

## 12. Asset Retirement Obligations

As discussed in Note 2 (u), DBJ Inc. applied ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations' effective April 1, 2010.

DBJ Inc. recognizes asset retirement obligations associated with the recovery obligations provided by the real estate rental agreements. In addition, asset retirement obligations related to the obligations of pulling down the previous head office buildings and removing the toxic substances were recognized in connection with the head office relocation due to Otemachi redevelopment project.

The asset retirement obligation is calculated based on the sum of the discounted cash flows using discount rates from 0.4% to 2.2% with the estimated useful lives of 4 to 8 years.

The changes in asset retirement obligations for the year ended March 31, 2011 are as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| | 2011 | 2011 |
| Balance at beginning of year | ¥1,043 | $12,547 |
| Reconciliation associated with passage of time | 1 | 14 |
| Other | 1 | 20 |
| Balance at end of year | ¥1,046 | $12,581 |

## 13. Acceptances and Guarantees

Acceptances and guarantees as of March 31, 2011 and 2010 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Guarantees | ¥145,068 | ¥192,172 | $1,744,661 |

## 14. Assets Pledged as Collateral

Loans and securities pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥700,942 million ($8,429,862 thousand) and ¥235,556 million ($2,832,914 thousand) as of March 31, 2011. In addition, they are deposited as replacement of margin money for future trading and collateral for transactions, including exchange settlements as of March 31, 2011. ¥1,575 million ($18,942 thousand) of securities are pledged as collateral for loans of companies which are investees of DBJ Inc. as of March 31, 2011. Also, in other assets, ¥937 million ($11,276 thousand) of margin deposits for futures transactions is included and ¥41 million ($504 thousand) of guarantee deposits are included as of March 31, 2011. Under the DBJ Inc. Act (Act No. 17 and 26), the DBJ Act (Act No. 43), obligations created by the bonds issued by DBJ Inc. are secured by a statutory preferential right over the property of DBJ Inc. Denomination value of these debentures amounts to ¥2,802,443 million ($33,703,466 thousand) as of March 31, 2011.

Loans and securities pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥626,670 million and ¥411,869 million as of March 31, 2010. In addition, they are deposited as replacement of margin money for future trading and collateral for transactions, including exchange settlements as of March 31, 2010. ¥2,291 million of securities are pledged as collateral for loans of companies which are investees of DBJ Inc. as of March 31, 2010. Also, in other assets, ¥1,000 million of margin deposits for futures transactions is included and ¥35 million of guarantee deposits are included as of March 31, 2010. Under the DBJ Inc. Act (Act No. 17 and 26), the DBJ Act (Act No. 43), obligations created by the bonds issued by DBJ Inc. are secured by a statutory preferential right over the property of DBJ Inc. Denomination value of these debentures amounts to ¥3,204,596 million as of March 31, 2010.

## 15. Equity

Japanese companies including DBJ Inc. are regulated by the Companies Act. In addition, DBJ Inc. is regulated by the DBJ Inc. Act. The significant provisions in the Companies Act and the DBJ Inc. Act that affect financial and accounting matters are summarized as follows:

### (a) Dividends

Under the Companies Act, companies can distribute dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term in its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year, prescribed that the Board of Directors can declare dividends in its articles of incorporation. DBJ Inc., however, shall not distribute such dividends based on resolution of the Board of Directors, since its article of incorporation is not prescribed that the Board of Directors can do such an action. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The Article 20 of the DBJ Inc. Act provides that the timing and amounts for dividends shall be authorized by the Finance Minister.

### (b) Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be set aside as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the dividends until the total aggregate amount of legal reserve and additional paid-in capital equal 25% of Common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be reclassified among the accounts under certain conditions upon resolution by the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of the treasury stock based on resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the distributable amount to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. The treasury stock acquisition rights are presented as a separate component of equity or deduction of stock acquisition rights.

(d) Solicitation and Delivery of Shares or Stock Acquisition Rights

The Article 12 of the DBJ Inc. Act regulates that, if DBJ Inc. intends to solicit those who will subscribe for shares or stock acquisition rights offered, or to deliver shares or stock acquisition rights in connection with a share-for-share exchange, DBJ Inc. shall obtain an authorization from the Finance Minister.

(e) Common Stock Issued during the year ended March 31, 2010

On September 24, 2009, DBJ Inc. issued 2,064,000 new shares of common stock by way of allocation of new stocks to the Finance Minister at ¥50,000 per share for ¥103,232 million. And on March 23, 2010, DBJ Inc. issued 1,559,000 new shares of common stock by way of allocation of new stocks to the Finance Minister at ¥50,000 per share for ¥77,962 million. As a result, ¥181,194 million was included in Capital stock.

## 16. Per Share Information

Basic net income per common share ("EPS") for the year ended March 31, 2011 and 2010 is as follows:

| | Millions of Yen | Thousands of Shares | Yen | U.S. Dollars |
|---|---|---|---|---|
| Year ended March 31, 2011 | Net income | Weighted average shares | EPS | EPS |
| Basic EPS | | | | |
| Net income available to common shareholders | ¥101,583 | 43,623 | ¥2,328.63 | $28.01 |
| Year ended March 31, 2010 | | | | |
| Basic EPS | | | | |
| Net income available to common shareholders | ¥ 39,893 | 41,107 | ¥ 970.47 | |

Note: Diluted net income per share for the years ended March 31, 2011 and 2010 is not disclosed because there are no dilutive securities.

## 17. Fees and Commissions (Income)

Fees and commissions (income) for the years ended March 31, 2011 and 2010 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Commissions | ¥9,998 | ¥15,683 | $120,251 |

## 18. Other Operating Income

Other operating income for the years ended March 31, 2011 and 2010 is as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Gains on sales of bonds | ¥ 121 | ¥ 151 | $ 1,464 |
| Gains on redemption of bonds | 77 | 350 | 928 |
| Gains on derivative instruments | 12,301 | 19,019 | 147,945 |
| Other | 141 | 358 | 1,707 |
| Total | ¥12,642 | ¥19,880 | $152,043 |

## 19. Other Income

Other income for the years ended March 31, 2011 and 2010 is as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Reversal of allowance for investment losses | ¥ 445 | ¥ 1,183 | $ 5,360 |
| Reversal of allowance for loan losses | 8,095 | — | 97,359 |
| Reversal of reserve for contingent losses | 2,104 | — | 25,304 |
| Gains on sales of equities and other securities | 12,471 | 1,278 | 149,986 |
| Gains on money held in trust | 1,194 | 1,502 | 14,368 |
| Equity in net income of affiliates | 1,837 | 958 | 22,100 |
| Gains on sales of fixed assets | 7 | 8 | 91 |
| Collection of written-off claims | 8,002 | 4,594 | 96,238 |
| Other | 8,116 | 7,135 | 97,617 |
| Total | ¥42,275 | ¥16,661 | $508,423 |

## 20. Fees and Commissions (Expenses)

Fees and commissions (expenses) for the years ended March 31, 2011 and 2010 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Commissions | ¥607 | ¥1,043 | $7,311 |

## 21. Other Operating Expenses

Other operating expenses for the years ended March 31, 2011 and 2010 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Foreign exchange losses | ¥ 6,939 | ¥ 4,314 | $ 83,457 |
| Debentures issuance costs | 434 | 537 | 5,230 |
| Corporate bonds issuance costs | 184 | 299 | 2,219 |
| Write-off of bonds | 4,104 | 28,897 | 49,358 |
| Other | 350 | 24 | 4,209 |
| Total | ¥12,012 | ¥34,072 | $144,473 |

## 22. Other Expenses

Other expenses for the years ended March 31, 2011 and 2010 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Provision for allowance for loan losses | ¥ — | ¥ 3,563 | $ — |
| Write-off of loans | 3,104 | 2,413 | 37,335 |
| Losses on sales of equities and other securities | 1,311 | 2,478 | 15,777 |
| Write-off of equities | 15,188 | 22,334 | 182,667 |
| Losses on money held in trust | 571 | 24 | 6,873 |
| Losses on sales of fixed assets | 3 | 49 | 46 |
| Impairment loss | 21 | 0 | 262 |
| Provision for reserve for losses on headquarter relocation | — | 6,536 | — |
| Early redemption charges | 8,881 | — | 106,815 |
| Other | 8,819 | 14,936 | 106,072 |
| Total | ¥37,903 | ¥52,336 | $455,847 |

## 23. Employees' Retirement Benefits

Employees whose service with DBJ Inc. 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, 2011 and 2010 consisted of the following:

### (a) The Funded Status of the Pension Plans

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Projected benefit obligation | ¥(47,110) | ¥(46,812) | $(566,569) |
| Fair value of plan assets | 19,316 | 12,634 | 232,310 |
| Unfunded pension obligation | (27,793) | (34,178) | (334,259) |
| Unrecognized net actuarial losses | 2,370 | 1,519 | 28,510 |
| Unrecognized prior service cost | (462) | 45 | (5,568) |
| Reserve for employees' retirement benefits | ¥(25,885) | ¥(32,613) | $(311,317) |

*1. The above projected benefit obligations include a portion in which the pension fund manages on behalf of the Japanese government welfare program.
*2. Certain subsidiaries apply the simplified method for the calculation of liability for employees' retirement benefits.

### (b) Components of Pension Cost

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Service cost | ¥1,167 | ¥1,397 | $14,045 |
| Interest cost | 923 | 909 | 11,109 |
| Expected return on plan assets | (63) | (57) | (760) |
| Amortization of prior service cost | (35) | 5 | (430) |
| Amortization of net actuarial losses | 171 | 199 | 2,067 |
| Other | 1 | — | 18 |
| Net pension cost | ¥2,166 | ¥2,454 | $26,050 |

*1. All retirement benefit costs are classified as service cost for the subsidiaries applying the simplified method.
*2. Contribution of pension premiums to the defined contribution pension plans of certain consolidated overseas subsidiaries is included in "Other".

### (c) Principal Assumptions Used

| | 2011 | 2010 |
|---|---|---|
| Discount rate | 2.0% | 2.0% |
| Expected rate of return on plan assets | 0.5% | 0.5% |
| Amortization period of prior service cost | 10 Years | 10 Years |
| Amortization period of actuarial gains/losses | 10 Years | 10 Years |

## 24. Income Taxes

DBJ Inc. and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.69% for the years ended March 31, 2011 and 2010.

A reconciliation of the actual effective tax rate with the normal effective statutory tax rate for the years ended March 31, 2011 and 2010 is as follows:

| | 2011 | 2010 |
|---|---|---|
| Normal effective statutory tax rate | 40.69% | 40.69% |
| Increase (decrease) in taxes resulting from: | | |
| Change in valuation allowance | (37.59) | (17.89) |
| Amortization of goodwill | — | 1.48 |
| Minority interests in net income of subsidiaries | (0.71) | (0.76) |
| Other | (1.13) | (2.34) |
| Actual effective tax rate | 1.26% | 21.18% |

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2011 and 2010 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Deferred tax assets: | | | |
| Allowance for loan losses | ¥71,580 | ¥114,083 | $860,865 |
| Losses from revaluation of securities | 37,916 | 37,470 | 456,006 |
| Reserve for retirement benefits | 10,499 | 13,237 | 126,278 |
| Allowance for investment losses | — | 1,085 | — |
| Tax loss carryforwards | 12,789 | 5,117 | 153,813 |
| Other | 5,374 | 6,581 | 64,642 |
| Sub-total | 138,162 | 177,574 | 1,661,604 |
| Less—valuation allowance | (85,281) | (124,532) | (1,025,639) |
| Total | 52,880 | 53,042 | 635,965 |
| Deferred tax liabilities: | | | |
| Deferred gains or losses on hedges | (11,873) | (7,569) | (142,791) |
| Unrealized gain on available-for-sale securities | (4,136) | (1,204) | (49,750) |
| Other | (782) | — | (9,412) |
| Total | (16,792) | (8,773) | (201,952) |
| Net deferred tax assets | ¥36,088 | ¥ 44,268 | $434,013 |

## 25. Lease Transactions

DBJ Inc. and its domestic consolidated subsidiaries lease certain equipment and others. Lease payments under finance leases for the year ended March 31, 2011 and 2010 amounted to ¥208 million ($2,508 thousand) and ¥247 million.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense for finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2011 and 2010 is as follows:

| | Millions of Yen | | |
|---|---|---|---|
| | 2011 | | |
| | Tangible fixed assets | Intangible fixed assets | Total |
| Acquisition cost | ¥448 | ¥224 | ¥673 |
| Accumulated depreciation | (328) | (144) | (473) |
| Accumulated impairment losses | (3) | — | (3) |
| Net leased property | ¥115 | ¥ 80 | ¥195 |

| | Millions of Yen | | |
|---|---|---|---|
| | 2010 | | |
| | Tangible fixed assets | Intangible fixed assets | Total |
| Acquisition cost | ¥470 | ¥251 | ¥721 |
| Accumulated depreciation | (213) | (108) | (321) |
| Accumulated impairment losses | (5) | — | (5) |
| Net leased property | ¥251 | ¥143 | ¥394 |

| | Thousands of U.S. Dollars | | |
|---|---|---|---|
| | 2011 | | |
| | Tangible fixed assets | Intangible fixed assets | Total |
| Acquisition cost | $5,396 | $2,704 | $8,099 |
| Accumulated depreciation | (3,956) | (1,741) | (5,697) |
| Accumulated impairment losses | (46) | — | (46) |
| Net leased property | $1,394 | $ 962 | $2,357 |

Pro forma amounts of obligations under finance leases as of March 31, 2011 and 2010 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Due within 1 year | ¥149 | ¥202 | $1,797 |
| Due after 1 year | 53 | 204 | 649 |
| Total | ¥203 | ¥406 | $2,446 |

Pro forma amounts of depreciation expense and interest expense under finance leases for the years ended March 31, 2011 and 2010 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Depreciation expense | ¥200 | ¥236 | $2,411 |
| Interest expense | 5 | 9 | 71 |
| Total | ¥206 | ¥246 | $2,482 |

*1. Depreciation expense is 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. The difference between total lease payments and the assumed acquisition cost of leased assets is charged to assumed interest expense and is allocated to each fiscal year using the interest method.

The minimum rental commitments under non-cancelable operating leases as of March 31, 2011 and 2010 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Due within 1 year | ¥218 | ¥178 | $2,624 |
| Due after 1 year | 148 | 215 | 1,788 |
| Total | ¥366 | ¥394 | $4,412 |

## 26. Comprehensive Income

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

| | Millions of Yen |
|---|---|
| | 2010 |
| Other comprehensive income: | |
| Unrealized gain on available-for-sale securities | ¥12,881 |
| Deferred loss on derivatives under hedge accounting | (6,232) |
| Foreign currency translation adjustments | (58) |
| Share of the other comprehensive income of affiliates accounted for by the equity method | 203 |
| Total other comprehensive income | ¥ 6,793 |

Total comprehensive income for the year ended March 31, 2010 was the following:

| | Millions of Yen |
|---|---|
| | 2010 |
| Total comprehensive income attributable to: | |
| Owners of the parent | ¥46,566 |
| Minority interests | 508 |
| Total comprehensive income | ¥47,074 |

## 27. Segment Information

### For the year ended March 31, 2011

In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures". Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. The accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

DBJ Inc. consists of only one business segment of long-term financing and accordingly, the disclosure of the reportable segment information is omitted.

### Related information:

Segment information by service for the year ended March 31, 2011 is following:

| | Millions of Yen | | | |
|---|---|---|---|---|
| Year ended March 31, 2011 | Loan business | Securities investment | Other | Total |
| Ordinary income from external customers | ¥271,860 | ¥37,716 | ¥35,612 | ¥345,189 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| Year ended March 31, 2011 | Loan business | Securities investment | Other | Total |
| Ordinary income from external customers | $3,269,513 | $453,591 | $428,298 | $4,151,402 |

For the year ended March 31, 2010

(a) Segment Information by Type of Business

DBJ Inc. 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 or 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 ten percent of the consolidated ordinary income.

## 28. Financial Instruments and Related Disclosures

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 “Accounting Standard for Financial Instruments” and issued ASBJ Guidance No. 19 “Guidance on Accounting Standard for Financial Instruments and Related Disclosures.” This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. DBJ Inc. applied the revised accounting standard and the new guidance effective March 31, 2010.

(a) The Situation of Financial Instruments

(1) Policy for Financial Instruments

DBJ Inc. provides investment and loan services that are aimed to provide long-term stable funding. As main methods of acquiring funds, in addition to issuing corporate bonds and long-term borrowings, DBJ Inc. relies on the stable procurement of long-term funds from the government’s Fiscal Investment and Loan Program (FILP). Since long-term, fixed-rate makes up the majority of its assets, DBJ Inc. raises its funds mainly with long-term, fixed rate liabilities.

From both funding and investment aspects, DBJ Inc. implements comprehensive asset/liability management in order to mitigate the risk of capital shortfall and losses from fluctuations of interest rate and exchange rate. DBJ Inc. utilizes derivative financial instruments in order to hedge or control the risks related to interest and currency.

(2) Nature and Extent of Risks Arising from Financial Instruments

The financial assets in DBJ Inc. are mainly investments and loans in domestic clients, which are exposed to credit risk that stems from customers’ default of contracts and decline of their creditworthiness. Main categories of industries of debtors are transport and postal activities, manufacturing and others as of March 31, 2010. The changes of economic circumstances surrounding these industries may cause influence on fulfillment of their obligations. DBJ Inc. holds securities such as bonds, equities and investments in limited partnerships and other similar partnerships, which are exposed to issuer’s credit risk, interest rate risk, price volatility risk and other risks. DBJ Inc. does not have any trading-related risk because it does not engage in trading (specified transactions).

Although corporate bonds and borrowings are exposed to cash liquidity risk and interest rate risk, these risks are hedged or controlled by matching of financing and investing, interest-rate swap agreements and other transactions.

Foreign currency denominated loans, debentures and corporate bonds are exposed to exchange rate risk. DBJ Inc. mitigates this risk by matching foreign currency investments and loans with foreign currency corporate bonds and currency-related transactions.

DBJ Inc. utilizes derivative financial transactions such as interest-rate swap agreement and currency swap agreement in order to hedge or control the risks related to interest and currency. As for hedge accounting, DBJ Inc. applies the deferral hedge method or the accrual method to interest-rate swaps, and the assignment method to foreign currency swaps. Hedged items of interest-rate swaps are loans, securities, borrowings, debentures and corporate bonds. Hedged items of foreign currency swaps are foreign-currency denominated loans, debentures and corporate bonds. According to the risk management policy, DBJ Inc. evaluates the effectiveness of the hedges by testing whether the derivatives are effective in reducing the risks associated with the hedged items.

## (3) Risk Management for Financial Instruments

(i) Credit Risk Management

In accordance with the internal guidelines, DBJ Inc. utilizes credit exposure management and portfolio management for investment and loan. When making an investment or loan, DBJ Inc. examines the entity's project viability and the project's profitability. After that, DBJ Inc. sets ratings along with internal borrower rating system, grants credit amount, sets collateral and guarantee. The sales and credit analysis departments hold separate roles in the screening and administering of credit for individual loans and each department keeps the operations of the other in check. The Committee on Investment and Loan Decisions meets as needed to deliberate important issue concerning the management and governance of individual loans. DBJ Inc. performs a comprehensive analysis of data based on borrower ratings, and calculates the loan portfolio's overall exposure to credit risk, which is measured regularly to ensure that such risk remains within specified range of capital.

The credit risk of securities is managed in the same way as that of loans. In addition, DBJ Inc. regularly examines total risk which takes into account the market value of the securities. As for counterparty risk arising from derivative transactions, DBJ Inc. manages derivative transactions by continually monitoring the cost of restructuring its transactions and creditworthiness of each counterparty. Additionally, DBJ Inc. diversifies transactions among several counterparties to manage counterparty risk.

(ii) Market Risk Management

1) Interest Rate Risk Management

DBJ Inc. manages interest rate risk by asset/liability management. Details of risk management methods and procedures are determined on internal regulations, and ALM & Risk Management Committee has discussion about determination of policies on asset/liability management, monitoring of implementation and future plans. In addition, risk management department monitors interest and term of financial assets/debts overall. ALM & Risk Management Committee conducts regular monitoring with cash flow ladder analyses (gap analysis), value at risk (VaR), interest rate sensitivity analyses (basis point value), and other methods. As a part of asset/liability management, interest-rate swaps are conducted hedging interest rate risk.

2) Foreign Exchange Risk Management

Foreign currency receivable and bonds are exposed to the exchange rate risk, therefore those risks are hedged or controlled not only by setting off some foreign currency denominated investment and loan as foreign currency denominated corporate bond and debenture but also by making currency-related transactions.

3) Price Volatility Risk Management

When DBJ Inc. acquires financial assets entailing price volatility risk such as securities with market value, it follows in-house regulations and policies which have been developed taking into account market fluctuation risks, and risk management department involves in the decisions as necessary. Through regular monitoring, price volatility risks are reviewed on a timely basis and reported to ALM & Risk Management Committee periodically.

4) Derivative Transactions

About derivative transactions, the front office, the back office and the risk management department are separated from each other, and each department keeps the operations of the other in check based on in-house regulations.

5) Quantitative Information about Market Risk

DBJ Inc. has not been engaged in trading activities, and all the assets and liabilities are financial instruments other than for trading purposes.

Market risk volume (estimated loss) is based on VaR using historical simulation method (holding period of 1 year, observation period of 5 years, and confidence interval of 99.9%). The amount of market risk (risks pertaining to the changes in interest rates, foreign exchanges and market prices) as of March 31, 2011 is ¥73,672 million ($886,017 thousand). Such measurements are conducted by the risk management department on a regular basis and reported to ALM & Risk Management Committee to utilize for establishing ALM operating policies.

DBJ Inc. conducts backtesting to compare the VaR calculated by the model with hypothetical performances calculated based on the actual market movements and confirms that the measurement models in use capture the market risk on a sufficient accuracy. VaR measures the market risk volume under a definite probability of incidence calculated statistically based on the historical market movements and accordingly, and therefore there may be cases where market risk cannot be captured in such situations as when market conditions are changing dramatically beyond what was experienced historically.

(iii) Liquidity Risk Management on Financing

Risk management department monitors possession level of cash liquidity and report it to the ALM & Risk Management Committee periodically in line with in-house regulations of liquidity risk management on financing. The ALM & Risk Management Committee manages the liquidity risk by appropriate operations of financing and investing depending on the situations of risks.

### (4) Supplementary Explanation on Fair Value of Financial Instruments

The fair value of financial instruments is measured at the quoted market price. If quoted price is not available, DBJ Inc. measures reasonably assessed price. Because assessed price is computed under certain conditions, it could differ in price according to the different conditions.

## (b) Fair Values Information of Financial Instruments

The following are the carrying amount, fair value and differences between them as of March 31, 2011 and 2010. Unlisted equities and others, whose fair value cannot be reliably determined, are excluded from the table below (see (2)).

| | Millions of Yen | | |
|---|---|---|---|
| | 2011 | | |
| | Carrying amount | Fair value | Difference |
| Cash and due from banks | ¥ 233,297 | ¥ 233,297 | ¥ — |
| Call loans and bills bought | 61,852 | 61,852 | — |
| Securities*1 | | | |
| Held-to-maturity debt securities | 526,637 | 548,939 | 22,301 |
| Available-for-sale securities | 360,318 | 360,318 | — |
| Loans | 13,031,480 | | |
| Allowance for loan losses*1 | (160,292) | | |
| | 12,871,187 | 13,449,875 | 578,687 |
| Total assets | ¥14,053,292 | ¥14,654,282 | ¥600,989 |
| Debentures*2 | 3,312,713 | 3,410,637 | 97,924 |
| Borrowed money | 8,576,482 | 8,692,747 | 116,264 |
| Corporate bonds | 316,675 | 318,865 | 2,190 |
| Total liabilities | ¥12,205,871 | ¥12,422,250 | ¥216,379 |
| Derivative transactions | | | |
| Derivative transactions not qualifying for hedge accounting | 13,262 | 13,262 | — |
| Derivative transactions qualifying for hedge accounting | 27,441 | 27,441 | — |
| Total derivative transactions | ¥ 40,703 | ¥ 40,703 | ¥ — |

| | Millions of Yen | | |
|---|---|---|---|
| | 2010 | | |
| | Carrying amount | Fair value | Difference |
| Cash and due from banks | ¥ 168,696 | ¥ 168,696 | ¥ — |
| Call loans and bills bought | 125,000 | 125,000 | — |
| Reverse repurchase agreements | 179,991 | 179,991 | — |
| Securities*1 | | | |
| Held-to-maturity debt securities | 438,009 | 453,073 | 15,063 |
| Available-for-sale securities | 516,442 | 516,442 | — |
| Loans | 13,514,661 | | |
| Allowance for loan losses*1 | (201,403) | | |
| | 13,313,257 | 13,867,796 | 554,538 |
| Total assets | ¥14,741,396 | ¥15,310,998 | ¥569,602 |
| Debentures*2 | 3,504,212 | 3,590,746 | 86,534 |
| Call money and bills sold | 153,000 | 153,000 | — |
| Borrowed money | 9,082,479 | 9,177,854 | 95,374 |
| Corporate bonds | 242,181 | 245,181 | 3,000 |
| Total liabilities | ¥12,981,873 | ¥13,166,782 | ¥184,908 |
| Derivative transactions | | | |
| Derivative transactions not qualifying for hedge accounting | 877 | 877 | — |
| Derivative transactions qualifying for hedge accounting | 16,174 | 16,174 | — |
| Total derivative transactions | ¥ 17,051 | ¥ 17,051 | ¥ — |

| | Thousands of U.S. Dollars | | |
|---|---|---|---|
| | 2011 | | |
| | Carrying amount | Fair value | Difference |
| Cash and due from banks | $ 2,805,741 | $ 2,805,741 | $ — |
| Call loans and bills bought | 743,860 | 743,860 | — |
| Securities*1 | | | |
| Held-to-maturity debt securities | 6,333,583 | 6,601,793 | 268,210 |
| Available-for-sale securities | 4,333,354 | 4,333,354 | — |
| Loans | 156,722,553 | | |
| Allowance for loan losses*1 | (1,927,753) | | |
| | 154,794,799 | 161,754,363 | 6,959,563 |
| Total assets | $169,011,337 | $176,239,111 | $7,227,774 |
| Debentures*2 | 39,840,209 | 41,017,889 | 1,177,680 |
| Borrowed money | 103,144,706 | 104,542,959 | 1,398,254 |
| Corporate bonds | 3,808,488 | 3,834,828 | 26,340 |
| Total liabilities | $146,793,402 | $149,395,676 | $2,602,274 |
| Derivative transactions | | | |
| Derivative transactions not qualifying for hedge accounting | 159,498 | 159,498 | — |
| Derivative transactions qualifying for hedge accounting | 330,024 | 330,024 | — |
| Total derivative transactions | $ 489,522 | $ 489,522 | $ — |

*1. General and specific allowances for loan losses are deducted. Allowance for loan losses is set off against the carrying amount directly due to immateriality.
*2. Assets and liabilities arising from derivative transactions are presented on a net basis.

(1) Following are the methods used to calculate the fair values of financial instruments:

Assets

(i) Cash and due from banks

For deposits without maturity, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount. For deposits with maturity, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount because the remaining maturity period of the majority of such deposits is short (maturity within 1 year).

(ii) Call loans and bills bought and Reverse repurchase agreements

For each of these items, the majority of transactions are short contract terms (1 year or less). Thus, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount.

(iii) Securities

The fair value of marketable equity securities is measured at market price. The fair value of bonds is measured at market price or quoted price from third party. For bonds without such price, the fair value is determined by discounting contractual cash flows at the rates that consist of the risk free rate and the credit risk premium that is based on types of securities, internal ratings and maturity length.

(iv) Loans

The fair value of loans is determined by discounting contractual cash flows at the rates that consist of the risk free rate and the credit risk premium that is based on types of loans, internal ratings and maturity length. Foreign currency swap contracts which meet the hedging requirements of the assignment method is qualified to loans, the contractual cash flows are based on the interest rate swap and foreign currency swap. For loans which are short contract terms (1 year or less), the carrying amount is presented as the fair value, as the fair value approximates such carrying amount. 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 fair values are determined by discounting expected cash flows that reflect expected loss at the risk free rate. For loans to obligors "legally bankrupt," "effectively bankrupt" and "possibly bankrupt," the reserve is provided based on the discounted cash flow method, or based on amounts expected to be collected through the disposal of collateral or execution of guarantees, carrying value net of the reserve as of the consolidated balance sheet date is the reasonable estimate of the fair values of those loans.

Liabilities

(i) Debentures

For floating rate debentures issued by DBJ Inc., the carrying amount is presented as the fair value, as the fair value approximates such carrying amount. This is on the basis that the market interest rate is reflected in the fair value of such debentures because the terms of these were set within a short time period and that there has been no significant change in the creditworthiness of DBJ Inc. before and after the issuance. For fixed rate debentures with market prices, the fair value is determined based on their market price. For fixed rate debentures without market prices, the fair value is determined by discounting contractual cash flows based on types of maturity lengths (when interest rate swap contracts which meet the hedging requirements of the accrual method is qualified to debentures, the contractual cash flows are based on the interest rate swap) at the rates that consist of the risk free rate and the rate of certain costs applicable to DBJ Inc. Foreign currency swap contracts which meet the hedging requirements of the assignment method is qualified to debentures, the contractual cash flows are based on the interest rate and foreign currency swap.

(ii) Call money and bills sold

The carrying amount is presented as the fair value, as the fair value approximates such carrying amount because the majority of them are short contract terms (1 year or less).

(iii) Borrowed money

For floating rate borrowed money, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount. This is on the basis that the market interest rate is reflected in the fair value of such borrowed money because the terms of these were set within a short time period for such variable rate borrowings and that there has been no significant change in the creditworthiness of DBJ Inc. nor consolidated subsidiaries before and after such borrowings were made. For fixed rate borrowed money, the fair values are determined by discounting contractual cash flows based on types of maturity lengths (when interest rate swap contracts which meet the hedging requirements of the accrual method is qualified to borrowings, the contractual cash flows are based on the interest rate swap) at the rates that consist of the risk free rate and the rate of certain costs applicable to DBJ Inc. or consolidated subsidiaries.

(iv) Corporate bonds

For floating rate corporate bonds issued by DBJ Inc., the carrying amount is presented as the fair value, as the fair value approximates such carrying amount. This is on the basis that the market interest rate is reflected in the interest rate set within a short time period and that there has been no significant change in the creditworthiness of us before and after the issuance. For fixed rate corporate bonds with market prices, the fair value is determined based on their market price. For fixed rate corporate bonds without market prices, the fair value is determined by discounting contractual cash flows based on types of maturity lengths (when interest rate swap contracts which meet the hedging requirements of the accrual method is qualified to corporate bonds, the contractual cash flows are based on the interest rate swap) at the rates that consist of the risk free rate and the rate of certain costs applicable to DBJ Inc.

Derivatives

The information of the fair values for derivatives is included in Note 29.

**(2) Following are the financial instruments whose fair value cannot be reliably determined as of March 31, 2011 and 2010:**

**These securities are not included in the amount in the table summarizing fair values of financial Instruments.**

| | Carrying amount | | |
|---|---|---|---|
| | Millions of Yen | | Thousands of U.S. Dollars |
| | 2011 | 2010 | 2011 |
| Money held in trust*1 | ¥ 24,819 | ¥ 30,740 | $ 298,492 |
| Unlisted corporate bonds*2 | — | 1,000 | — |
| Unlisted equities*2, 3 | 133,860 | 182,031 | 1,609,869 |
| Investments in limited partnerships and other similar partnerships*1, 3 | 117,040 | 100,244 | 1,407,578 |
| Unlisted other securities*2, 3 | 27,723 | 51,762 | 333,420 |
| Total | ¥303,444 | ¥365,778 | $3,649,359 |

*1. Assets in trust and partnership assets which consist of financial instruments, whose fair value cannot be reliably determined, such as unlisted equities and other securities, are not subject to disclosing of fair values.

*2. Financial instruments for which quoted price is not available and fair value cannot be reliably determined, are not subject to disclosing of fair values.

*3. Impairment loss on financial instruments whose fair value cannot be reliably determined for the year ended March 31, 2011 and 2010 was ¥15,173 million ($182,481 thousand) and ¥22,036 million, respectively. The breakdown is; unlisted equities ¥13,548 million ($162,944 thousand) and ¥22,025 million, unlisted other securities ¥1,592 million ($19,148 thousand) and ¥10 million and investments in limited partnerships ¥32 million ($389 thousand) and ¥0 million for the years ended March 31, 2011 and 2010, respectively.

(3) Following are the maturity analysis for financial assets and securities with contractual maturities as of March 31, 2011:

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | | | |
| | Due in 1 year or less | Due after 1 year through 3 years | Due after 3 years through 5 years | Due after 5 years through 7 years | Due after 7 years through 10 years | Due after 10 years |
| Due from banks | ¥233,292 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Call loans and bills bought | 61,852 | — | — | — | — | — |
| Securities | | | | | | |
| Held-to-maturity debt securities with market values | 26,423 | 60,580 | 205,595 | 110,172 | 60,480 | 63,385 |
| Japanese government bonds | — | — | — | 83,672 | 40,676 | 50,885 |
| Japanese local government bonds | — | — | — | — | — | — |
| Short-term corporate bonds | — | — | — | — | — | — |
| Corporate bonds | 26,423 | 60,580 | 89,185 | 16,900 | 1,800 | 12,500 |
| Other | — | — | 116,410 | 9,600 | 18,004 | — |
| Available-for-sale securities with contractual maturities* | 150,903 | 48,438 | 81,115 | 11,071 | 30,328 | 2,895 |
| Japanese government bonds | 150,401 | 45,450 | 40,264 | 5,308 | 2,051 | — |
| Japanese local government bonds | — | — | — | — | — | — |
| Short-term corporate bonds | — | — | — | — | — | — |
| Corporate bonds | 502 | 611 | 38,964 | 5,474 | 28,277 | — |
| Other | — | 2,376 | 1,886 | 288 | — | 2,895 |
| Loans* | 1,709,267 | 3,582,936 | 3,116,738 | 1,816,658 | 1,952,092 | 735,975 |
| Total | ¥2,181,738 | ¥3,691,955 | ¥3,403,449 | ¥1,937,902 | ¥2,042,902 | ¥802,256 |

| | Thousands of U.S. Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | | | |
| | Due in 1 year or less | Due after 1 year through 3 years | Due after 3 years through 5 years | Due after 5 years through 7 years | Due after 7 years through 10 years | Due after 10 years |
| Due from banks | $ 2,805,683 | $ — | $ — | $ — | $ — | $ — |
| Call loans and bills bought | 743,860 | — | — | — | — | — |
| Securities | | | | | | |
| Held-to-maturity debt securities with market values | 317,778 | 728,569 | 2,472,583 | 1,324,983 | 727,368 | 762,302 |
| Japanese government bonds | — | — | — | 1,006,282 | 489,193 | 611,971 |
| Japanese local government bonds | — | — | — | — | — | — |
| Short-term corporate bonds | — | — | — | — | — | — |
| Corporate bonds | 317,778 | 728,569 | 1,072,583 | 203,247 | 21,648 | 150,331 |
| Other | — | — | 1,400,000 | 115,454 | 216,528 | — |
| Available-for-sale securities with contractual maturities* | 1,814,838 | 582,538 | 975,529 | 133,154 | 364,750 | 34,827 |
| Japanese government bonds | 1,808,797 | 546,609 | 484,233 | 63,842 | 24,676 | — |
| Japanese local government bonds | — | — | — | — | — | — |
| Short-term corporate bonds | — | — | — | — | — | — |
| Corporate bonds | 6,041 | 7,349 | 468,606 | 65,841 | 340,074 | — |
| Other | — | 28,581 | 22,689 | 3,471 | — | 34,827 |
| Loans* | 20,556,430 | 43,090,042 | 37,483,326 | 21,847,966 | 23,476,761 | 8,851,174 |
| Total | $26,238,590 | $44,401,149 | $40,931,438 | $23,306,103 | $24,568,879 | $9,648,303 |

Note: Obligations to "Legally Bankrupt," "Effectively Bankrupt" and "Possibly Bankrupt" amount to ¥118,731 million ($1,427,921 thousand) are not included as of March 31, 2011. The breakdown is; available-for-sale securities with contractual maturities ¥920 million ($11,068 thousand) and loans ¥117,811 million ($1,416,853 thousand).

(4) Maturity analysis for Debentures, Borrowed money and Other Liability with Interest as of March 31, 2011 are as follows:

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | | | |
| | Due in 1 year or less | Due after 1 year through 3 years | Due after 3 years through 5 years | Due after 5 years through 7 years | Due after 7 years through 10 years | Due after 10 years |
| Borrowed money | ¥1,168,010 | ¥2,344,990 | ¥1,975,553 | ¥1,042,799 | ¥1,020,035 | ¥1,025,092 |
| Debentures and corporate bonds | 521,740 | 740,496 | 679,381 | 557,847 | 388,856 | 741,066 |
| Total | ¥1,689,750 | ¥3,085,487 | ¥2,654,934 | ¥1,600,647 | ¥1,408,891 | ¥1,766,158 |

| | Thousands of U.S. Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | | | |
| | Due in 1 year or less | Due after 1 year through 3 years | Due after 3 years through 5 years | Due after 5 years through 7 years | Due after 7 years through 10 years | Due after 10 years |
| Borrowed money | $14,047,028 | $28,201,933 | $23,758,912 | $12,541,190 | $12,267,414 | $12,328,230 |
| Debentures and corporate bonds | 6,274,690 | 8,905,555 | 8,170,549 | 6,708,935 | 4,676,562 | 8,912,405 |
| Total | $20,321,718 | $37,107,487 | $31,929,461 | $19,250,125 | $16,943,975 | $21,240,635 |

## 29. Derivative Transactions

As noted in Note 26, DBJ Inc. applied ASBJ Statement No. 10 “Accounting Standard for Financial Instruments” and ASBJ Guidance No. 19 “Guidance on Accounting Standard for Financial Instruments and Related Disclosures effective March 31, 2010.” The accounting standard and the guidance are applicable to financial instruments and related disclosures for fiscal years ending on or after March 31, 2010.

### (a) Derivative Transactions to which Hedge Accounting is not applied

#### (1) Interest Rate-related Transactions

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2011 | | | |
| | Contract amount | | | |
| | Total | Due after 1 year | Fair value | Unrealized gains (losses) |
| Over-the-counter | | | | |
| Swaps | | | | |
| Receive fixed/ Pay float | ¥603,529 | ¥532,868 | ¥15,372 | ¥15,372 |
| Receive float/ Pay fixed | 602,607 | 532,028 | (11,479) | (11,479) |
| Total | — | — | ¥ 3,892 | ¥ 3,892 |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2010 | | | |
| | Contract amount | | | |
| | Total | Due after 1 year | Fair value | Unrealized gains (losses) |
| Over-the-counter | | | | |
| Swaps | | | | |
| Receive fixed/ Pay float | ¥594,493 | ¥591,975 | ¥11,424 | ¥11,424 |
| Receive float/ Pay fixed | 593,104 | 590,892 | (6,874) | (6,874) |
| Total | — | — | ¥ 4,550 | ¥ 4,550 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | 2011 | | | |
| | Contract amount | | | |
| | Total | Due after 1 year | Fair value | Unrealized gains (losses) |
| Over-the-counter | | | | |
| Swaps | | | | |
| Receive fixed/ Pay float | $7,258,316 | $6,408,517 | $184,874 | $184,874 |
| Receive float/ Pay fixed | 7,247,228 | 6,398,413 | (138,056) | (138,056) |
| Total | — | — | $ 46,817 | $ 46,817 |

*1. The above transactions are marked to market and changes in unrealized gains (losses) are included in the consolidated statements of income.
*2. Fair values for the over-the-counter transactions are based primarily on discounted present values.

### (2) Currency-related Transactions

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2011 | | | |
| | Contract amount | | | |
| | Total | Due after 1 year | Fair value | Unrealized gains (losses) |
| Over-the-counter | | | | |
| Swaps | ¥ 97,497 | ¥97,497 | ¥12,779 | ¥12,779 |
| Forwards | | | | |
| Sold | 158,859 | — | (1,620) | (1,620) |
| Bought | 38,139 | — | (76) | (76) |
| Total | — | — | ¥11,082 | ¥11,082 |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2010 | | | |
| | Contract amount | | | |
| | Total | Due after 1 year | Fair value | Unrealized gains (losses) |
| Over-the-counter | | | | |
| Swaps | ¥97,497 | ¥97,497 | ¥ 329 | ¥ 329 |
| Forwards | | | | |
| Sold | 57,541 | — | (890) | (890) |
| Bought | 540 | — | 0 | 0 |
| Total | — | — | ¥(560) | ¥(560) |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | 2011 | | | |
| | Contract amount | | | |
| | Total | Due after 1 year | Fair value | Unrealized gains (losses) |
| Over-the-counter | | | | |
| Swaps | $1,172,550 | $1,172,550 | $ 153,694 | $ 153,694 |
| Forwards | | | | |
| Sold | 1,910,520 | — | (19,492) | (19,492) |
| Bought | 458,687 | — | (922) | (922) |
| Total | — | — | $(133,281) | $(133,281) |

*1. The above transactions are marked to market and changes in unrealized gains (losses) are included in the consolidated statements of income.
*2. Fair values are based primarily on discounted present values.

### (3) Equity-related Transactions

Not applicable.

### (4) Bond-related Transactions

There was no bond-related derivative at Mach 31, 2011.

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2010 | | | |
| | Contract amount | | | |
| | Total | Due after 1 year | Fair value | Unrealized gains (losses) |
| Listed | | | | |
| Futures | | | | |
| Sold | ¥100 | ¥— | ¥ 0 | ¥ 0 |
| Bought | — | — | — | — |
| Total | — | — | ¥ 0 | ¥ 0 |

*1. The above transactions are marked to market and changes in unrealized gains (losses) are included in the consolidated statements of income.
*2. Fair values of listed transactions represent the closing price on the Tokyo Stock Exchange and other exchanges at the consolidated balance sheet date.

### (5) Commodity-related Transactions

Not applicable.

### (6) Credit Derivatives Transactions

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2011 | | | |
| | Contract amount | | | |
| | Total | Due after 1 year | Fair value | Unrealized gains (losses) |
| Over-the-counter | | | | |
| Credit default options | | | | |
| Sold | ¥178,660 | ¥95,110 | ¥(1,272) | ¥(1,272) |
| Bought | 36,000 | 11,000 | (439) | (439) |
| Total | — | — | ¥(1,712) | ¥(1,712) |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2010 | | | |
| | Contract amount | | | |
| | Total | Due after 1 year | Fair value | Unrealized gains (losses) |
| Over-the-counter | | | | |
| Credit default options | | | | |
| Sold | ¥390,449 | ¥190,449 | ¥(2,434) | ¥(2,434) |
| Bought | 56,000 | 36,000 | (677) | (677) |
| Total | — | — | ¥(3,112) | ¥(3,112) |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | 2011 | | | |
| | Contract amount | | | |
| | Total | Due after 1 year | Fair value | Unrealized gains (losses) |
| Over-the-counter | | | | |
| Credit default options | | | | |
| Sold | $2,148,657 | $1,143,846 | $(15,308) | $(15,308) |
| Bought | 432,952 | 132,291 | (5,291) | (5,291) |
| Total | — | — | $(20,600) | $(20,600) |

*1. The above transactions are marked to market and changes in unrealized gains (losses) are included in the consolidated statements of income.
*2. Fair values are based on discounted present values or the counterparties' tendered price.
*3. 'Sold' means the underwriting of credit risk and 'Bought' means the transferring of credit risk.

(b) Derivative Transactions to which Hedge Accounting is applied

(1) Interest Rate-related Transactions

| | Hedged item | Millions of Yen 2011 Contract amount Total | Due after 1 year | Fair value |
|---|---|---|---|---|
| Deferral method | Debentures, | | | |
| Swaps | Borrowed money, | | | |
| Receive fixed/ Pay float | Corporate bonds, Securities | ¥585,389 | ¥577,498 | ¥29,925 |
| Receive float/ Pay fixed | and Loans | 50,231 | 45,129 | (2,484) |
| Accrual method | Debentures, | | | |
| Swaps | Borrowed money, | | | |
| Receive fixed/ Pay float | Corporate bonds and | 405,804 | 394,040 | *3 |
| Receive float/ Pay fixed | Loans | 563 | 444 | |
| Total | | — | — | ¥27,441 |

| | Hedged item | Millions of Yen 2010 Contract amount Total | Due after 1 year | Fair value |
|---|---|---|---|---|
| Deferral method | Debentures, | | | |
| Swaps | Borrowed money, | | | |
| Receive fixed/ Pay float | Corporate bonds and | ¥588,542 | ¥585,389 | ¥18,516 |
| Receive float/ Pay fixed | Loans | 52,903 | 48,231 | (2,342) |
| Accrual method | Debentures, | | | |
| Swaps | Borrowed money, | | | |
| Receive fixed/ Pay float | Corporate bonds and | 278,808 | 271,199 | *3 |
| Receive float/ Pay fixed | Loans | 681 | 563 | |
| Total | | — | — | ¥16,174 |

| | Hedged item | Thousands of U.S. Dollars 2011 Contract amount Total | Due after 1 year | Fair value |
|---|---|---|---|---|
| Deferral method | Debentures, | | | |
| Swaps | Borrowed money, | | | |
| Receive fixed/ Pay float | Corporate bonds, Securities | $7,040,156 | $6,945,260 | $359,901 |
| Receive float/ Pay fixed | and Loans | 604,109 | 542,753 | (29,877) |
| Accrual method | Debentures, | | | |
| Swaps | Borrowed money, | | | |
| Receive fixed/ Pay float | Corporate bonds and | 4,880,388 | 4,738,917 | *3 |
| Receive float/ Pay fixed | Loans | 6,771 | 5,346 | |
| Total | | — | — | $330,024 |

*1. DBJ Inc. applies the deferral method of hedge accounting primarily stipulated in "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in Banking Industry"(JICPA Industry Audit Committee Report No. 24).

*2. Fair values for the over-the-counter transactions are based primarily on discounted present values.

*3. The above interest rate swap contracts which qualify for the hedging requirements of the accrual method are not remeasured at fair value but the differential paid or received under the swap agreements are recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 28 "Financial Instruments and Related Disclosures" is included in that of hedged items such as debentures, borrowed money, corporate bonds and loans.

### (2) Currency-related Transactions

| | Hedged item | Millions of Yen | | |
|---|---|---|---|---|
| | | 2011 | | |
| | | Contract amount | | |
| | | Total | Due after 1 year | Fair value |
| Translated at contractual rates | Foreign-currency debentures and loans | | | |
| Swaps | | ¥164,228 | ¥5,427 | * |
| Total | | — | — | — |

| | Hedged item | Millions of Yen | | |
|---|---|---|---|---|
| | | 2010 | | |
| | | Contract amount | | |
| | | Total | Due after 1 year | Fair value |
| Translated at contractual rates | Foreign-currency debentures and loans | | | |
| Swaps | | ¥164,998 | ¥164,228 | * |
| Total | | — | — | — |

| | Hedged item | Thousands of U.S. Dollars | | |
|---|---|---|---|---|
| | | 2011 | | |
| | | Contract amount | | |
| | | Total | Due after 1 year | Fair value |
| Translated at contractual rates | Foreign-currency debentures and loans | | | |
| Swaps | | $1,975,090 | $65,274 | * |
| Total | | — | — | — |

Note: The above foreign currency swap contracts which qualify for the hedging requirements of assignment method are not subject to the disclosure of fair value information. In addition, the fair value of such foreign currency swaps in Note 28 “Financial Instruments and Related Disclosures” is included in that of hedged items such as foreign-currency debentures and loans.

### (3) Equity-related Transactions

Not applicable.

### (4) Bond-related Transactions

Not applicable.

## 30. Fair Value of Securities and Money Held in Trust

Fair value of securities, money held in trust and negotiable certificate of deposit classified as “Cash and due from banks” as of March 31, 2011 and 2010 are summarized below.

(a) Securities

(1) Held-to-maturity Debt Securities as of March 31, 2011

| | | Millions of Yen | | |
|---|---|---|---|---|
| | | 2011 | | |
| | | Carrying amount | Fair value | Difference |
| Fair value exceeds carrying amount | Japanese government bonds | ¥175,234 | ¥178,884 | ¥ 3,650 |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 107,993 | 114,241 | 6,248 |
| | Other | 109,469 | 123,851 | 14,382 |
| Sub-total | | 392,696 | 416,977 | 24,281 |
| Fair value does not exceed carrying amount | Japanese government bonds | — | — | — |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 99,396 | 98,633 | (762) |
| | Other | 34,545 | 33,328 | (1,216) |
| Sub-total | | 133,941 | 131,961 | (1,979) |
| Total | | ¥526,637 | ¥548,939 | ¥22,301 |

| | | Thousands of U.S. Dollars | | |
|---|---|---|---|---|
| | | 2011 | | |
| | | Carrying amount | Fair value | Difference |
| Fair value exceeds carrying amount | Japanese government bonds | $2,107,445 | $2,151,347 | $ 43,902 |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 1,298,773 | 1,373,924 | 75,150 |
| | Other | 1,316,528 | 1,489,497 | 172,969 |
| Sub-total | | 4,722,747 | 5,014,768 | 292,021 |
| Fair value does not exceed carrying amount | Japanese government bonds | — | — | — |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 1,195,382 | 1,186,207 | (9,175) |
| | Other | 415,454 | 400,819 | (14,635) |
| Sub-total | | 1,610,836 | 1,587,026 | (23,810) |
| Total | | $6,333,583 | $6,601,793 | $268,210 |

(2) Held-to-maturity Debt Securities as of March 31, 2010

| | | Millions of Yen | | |
|---|---|---|---|---|
| | | 2010 | | |
| | | Carrying amount | Fair value | Difference |
| Fair value exceeds carrying amount | Japanese government bonds | ¥ 77,187 | ¥ 77,530 | ¥ 342 |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 73,571 | 79,075 | 5,504 |
| | Other | 113,185 | 124,508 | 11,322 |
| Sub-total | | 263,944 | 281,114 | 17,169 |
| Fair value does not exceed carrying amount | Japanese government bonds | 98,816 | 98,555 | (260) |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 56,645 | 54,914 | (1,731) |
| | Other | 18,608 | 18,489 | (118) |
| Sub-total | | 174,070 | 171,959 | (2,110) |
| Total | | ¥438,015 | ¥453,073 | ¥15,058 |

Note: Fair value is based on the closing price at the consolidated balance sheet date.

## (3) Available-for-sale Securities as of March 31, 2011

| | | Millions of Yen | | |
|---|---|---|---|---|
| | | 2011 | | |
| | | Carrying amount (Fair value) | Acquisition cost | Difference |
| Carrying amount exceeds cost | Equities | ¥ 22,824 | ¥ 15,762 | ¥ 7,062 |
| | Bonds | 317,387 | 311,496 | 5,891 |
| | Japanese government bonds | 243,476 | 242,898 | 577 |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 73,911 | 68,597 | 5,313 |
| | Other | 13,876 | 6,779 | 7,097 |
| Sub-total | | 354,089 | 334,037 | 20,051 |
| Carrying amount does not exceed cost | Equities | 7,450 | 10,296 | (2,846) |
| | Bonds | 838 | 859 | (20) |
| | Japanese government bonds | — | — | — |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 838 | 859 | (20) |
| | Other | 30,014 | 30,014 | — |
| Sub-total | | 38,303 | 41,170 | (2,866) |
| Total | | ¥392,392 | ¥375,207 | ¥17,185 |

| | | Thousands of U.S. Dollars | | |
|---|---|---|---|---|
| | | 2011 | | |
| | | Carrying amount (Fair value) | Acquisition cost | Difference |
| Carrying amount exceeds cost | Equities | $ 274,504 | $ 189,563 | $ 84,941 |
| | Bonds | 3,817,047 | 3,746,195 | 70,851 |
| | Japanese government bonds | 2,928,158 | 2,921,207 | 6,950 |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 888,889 | 824,988 | 63,901 |
| | Other | 166,890 | 81,531 | 85,359 |
| Sub-total | | 4,258,440 | 4,017,289 | 241,151 |
| Carrying amount does not exceed cost | Equities | 89,603 | 123,830 | (34,227) |
| | Bonds | 10,089 | 10,336 | (247) |
| | Japanese government bonds | — | — | — |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 10,089 | 10,336 | (247) |
| | Other | 360,964 | 360,964 | — |
| Sub-total | | 460,657 | 495,131 | (34,474) |
| Total | | $4,719,097 | $4,512,420 | $206,677 |

## (4) Available-for-sale Securities as of March 31, 2010

| | | Millions of Yen | | |
|---|---|---|---|---|
| | | 2010 | | |
| | | Carrying amount (Fair value) | Acquisition cost | Difference |
| Carrying amount exceeds cost | Equities | ¥ 14,588 | ¥ 9,072 | ¥ 5,516 |
| | Bonds | 198,919 | 197,116 | 1,803 |
| | Japanese government bonds | 152,001 | 151,118 | 882 |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 46,918 | 45,997 | 920 |
| | Other | 7,459 | 3,339 | 4,119 |
| Sub-total | | 220,967 | 209,527 | 11,439 |
| Carrying amount does not exceed cost | Equities | 6,935 | 7,644 | (709) |
| | Bonds | 286,833 | 286,932 | (99) |
| | Japanese government bonds | 280,083 | 280,144 | (60) |
| | Japanese local government bonds | — | — | — |
| | Short-term corporate bonds | — | — | — |
| | Corporate bonds | 6,749 | 6,788 | (38) |
| | Other | 21,706 | 21,756 | (50) |
| Sub-total | | 315,474 | 316,333 | (858) |
| Total | | ¥536,442 | ¥525,861 | ¥10,580 |

Note: Carrying amount above represents the fair values determined based on the closing price at the fiscal year-end.

## (5) Available-for-sale Securities sold during the year ended March 31, 2011 and 2010

| | Millions of Yen | | |
|---|---|---|---|
| | 2011 | | |
| | Proceeds from sales | Total amount of gains on sales | Total amount of losses on sales |
| Equities | ¥ 39,944 | ¥11,244 | ¥1,225 |
| Bonds | 265,768 | 121 | 7 |
| Japanese government bonds | 265,768 | 121 | 7 |
| Japanese local government bonds | — | — | — |
| Short-term corporate bonds | — | — | — |
| Corporate bonds | — | — | — |
| Other | 36,547 | 1,205 | 86 |
| Total | ¥342,260 | ¥12,571 | ¥1,319 |

| | Millions of Yen | | |
|---|---|---|---|
| | 2010 | | |
| | Proceeds from sales | Total amount of gains on sales | Total amount of losses on sales |
| Equities | ¥ 16,143 | ¥1,116 | ¥2,369 |
| Bonds | 250,453 | 151 | 19 |
| Japanese government bonds | 249,971 | 151 | — |
| Japanese local government bonds | — | — | — |
| Short-term corporate bonds | — | — | — |
| Corporate bonds | 481 | — | 19 |
| Other | 343 | 111 | 126 |
| Total | ¥266,940 | ¥1,380 | ¥2,515 |

| | Thousands of U.S. Dollars | | |
|---|---|---|---|
| | 2011 | | |
| | Proceeds from sales | Total amount of gains on sales | Total amount of losses on sales |
| Equities | $ 480,389 | $135,227 | $14,736 |
| Bonds | 3,196,258 | 1,464 | 90 |
| Japanese government bonds | 3,196,258 | 1,464 | 90 |
| Japanese local government bonds | — | — | — |
| Short-term corporate bonds | — | — | — |
| Corporate bonds | — | — | — |
| Other | 439,539 | 14,497 | 1,042 |
| Total | $4,116,186 | $151,187 | $15,868 |

(6) Change in Classification of Securities

Reclassification from held-to-maturity debt securities to available-for-sale securities due to deterioration of issuers' creditworthiness amounted to ¥2,460 million ($29,585 thousand) and ¥28,926 million for the years ended March 31, 2011 and 2010, respectively.

(b) Money Held in Trust

(1) Money Held in Trust for the Purpose of Investment

| | Millions of Yen | |
|---|---|---|
| | 2011 | |
| | Carrying amount | Net unrealized loss on the consolidated statements of income |
| Money held in trust for the purpose of investment | ¥38 | ¥(1) |

| | Millions of Yen | |
|---|---|---|
| | 2010 | |
| | Carrying amount | Net unrealized loss on the consolidated statements of income |
| Money held in trust for the purpose of investment | ¥25 | ¥(2) |

| | Thousands of U.S. Dollars | |
|---|---|---|
| | 2011 | |
| | Carrying amount | Net unrealized loss on the consolidated statements of income |
| Money held in trust for the purpose of investment | $464 | $(19) |

(2) Other (other than for the purpose of investment and held to maturity)

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | 2011 | | | | |
| | | | Unrealized gains (losses) | | |
| | Carrying amount | Acquisition cost | Net | Carrying amount exceeds cost | (Carrying amount does not exceed cost) |
| Other money held in trust | ¥24,781 | ¥21,834 | ¥2,946 | ¥2,968 | ¥(21) |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | 2010 | | | | |
| | | | Unrealized gains (losses) | | |
| | Carrying amount | Acquisition cost | Net | Carrying amount exceeds cost | (Carrying amount does not exceed cost) |
| Other money held in trust | ¥30,715 | ¥28,115 | ¥2,599 | ¥2,618 | ¥(18) |

| | Thousands of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| | 2011 | | | | |
| | | | Unrealized gains (losses) | | |
| | Carrying amount | Acquisition cost | Net | Carrying amount exceeds cost | (Carrying amount does not exceed cost) |
| Other money held in trust | $298,028 | $262,594 | $35,435 | $35,695 | $(261) |

### (c) Unrealized Gain on Available-for-sale Securities

The breakdown of unrealized gain on available-for-sale securities is as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Unrealized gain on | | | |
| available-for-sale securities | ¥14,352 | ¥ 9,819 | $172,606 |
| Other money held in trust | 2,946 | 2,599 | 35,435 |
| Deferred tax liabilities | (4,136) | (1,204) | (49,750) |
| Unrealized gain on available-for-sale securities before interest adjustments | 13,161 | 11,214 | 158,291 |
| Amount corresponding to minority interests | 14 | (117) | 173 |
| DBJ Inc.'s interest in net unrealized gain on available-for-sale securities held by affiliates accounted for by the equity method | (6) | (5) | (81) |
| Unrealized gain on available-for-sale securities, net of taxes | ¥13,169 | ¥11,091 | $158,382 |

Note: Unrealized gain includes foreign currency translation adjustments on non-marketable securities denominated in foreign currency.

## 31. Related Party Transactions

Related party transactions for the years ended March 31, 2011 and 2010 are as follows:

| | | | | Amounts of the transactions | | Balance at March 31, 2011 | |
|---|---|---|---|---|---|---|---|
| Related party | Category | Description | Account item | Millions of Yen | Thousands of U.S. Dollars | Millions of Yen | Thousands of U.S. Dollars |
| Finance Minister | Shareholder | Borrowings *1 | Borrowed money | ¥ 300,000 | $ 3,607,937 | ¥4,866,584 | $58,527,777 |
| | | Repayments | | 836,315 | 10,057,919 | | |
| | | Payment for interest | Accrued expenses | 78,916 | 949,082 | 18,434 | 221,705 |
| | | Guarantees *2 | — | 2,164,887 | 26,035,925 | — | — |

*1. DBJ Inc. has borrowed from the fiscal investment and loan program funds, and applied interest rates for fiscal investment and loan. The last redemption period is November 20, 2030 without putting up collateral.
*2. The Guarantees are for debentures issued by DBJ Inc. free of guarantee charge.
*3. According to Article 2, item 5 of the Japan Finance Corporation Act, DBJ Inc. has borrowed ¥3,035,757 million ($36,509,405 thousand) from Japan Finance Corporation relating to the crisis response business. In the year ended March 31, 2011, DBJ Inc. implemented early redemption in an amount of ¥307,520 million ($3,698,376 thousand) to Japan Finance Corporation and recognized early redemption charges in an amount of ¥8,881 million ($106,815 thousand) in the consolidated statements of income for the year ended March 31, 2011.

| Related party | Category | Description | Account item | Amounts of the transactions Millions of Yen | Balance at March 31, 2010 Millions of Yen |
|---|---|---|---|---|---|
| Finance Minister | Shareholder | Underwritten additional share *1 | — | ¥ 181,194 | ¥ — |
| | | Borrowings *2 | Borrowed money | 300,000 | 5,402,900 |
| | | Repayments | | 934,240 | |
| | | Payment for interest | Accrued expenses | 93,596 | 19,909 |
| | | Guarantees *3 | — | 2,255,851 | — |

*1. DBJ Inc. has allocated new shares issued at ¥50,000 per share to a third party.
*2. DBJ Inc. has borrowed from the fiscal investment and loan program funds, and applied interest rates for fiscal investment and loan. The last redemption period is November 20, 2029 without putting up collateral.
*3. The Guarantees are for debentures issued by DBJ Inc. free of guarantee charge.
*4. According to Article 2, item 5 of the Japan Finance Corporation Act, DBJ Inc. has borrowed ¥3,199,746 million from Japan Finance Corporation relating to the crisis response business.

## 32. Subsequent Event

On June 23, 2011, the shareholders meeting resolved the following appropriations of retained earnings. After that, the timing and amounts for dividends were authorized by the Finance Minister on the same day:

Appropriations of Retained earnings as of March 31, 2011

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Year-end cash dividends-Common stock (¥1,147-$13.79 per share) | ¥50,036 | $601,763 |

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# INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Development Bank of Japan Inc.:

We have audited the accompanying consolidated balance sheets of Development Bank of Japan Inc. and consolidated subsidiaries (the "Bank") as of March 31, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Development Bank of Japan Inc. and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits 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 LLC

June 20, 2011
(June 23, 2011 as to Note 32)

Member of
Deloitte Touche Tohmatsu Limited

# Non-Consolidated Balance Sheets (Unaudited)

Development Bank of Japan Inc.
As of March 31, 2011 and 2010

| | Millions of Yen | | Thousands of U.S. Dollars (Note) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| **Assets** | | | |
| Cash and due from banks | ¥ 220,743 | ¥ 128,309 | $ 2,654,762 |
| Call loans | 61,852 | 125,000 | 743,860 |
| Reverse repurchase agreements | — | 179,991 | — |
| Money held in trust | 20,903 | 27,193 | 251,397 |
| Securities | 1,150,145 | 1,281,454 | 13,832,171 |
| Loans | 13,067,978 | 13,538,070 | 157,161,491 |
| Other assets | 123,178 | 89,057 | 1,481,401 |
| Tangible fixed assets | 156,032 | 162,105 | 1,876,520 |
| Intangible fixed assets | 5,937 | 5,072 | 71,408 |
| Deferred tax assets | 36,083 | 44,326 | 433,953 |
| Customers' liabilities for acceptances and guarantees | 148,068 | 195,172 | 1,780,741 |
| Allowance for loan losses | (158,806) | (200,587) | (1,909,883) |
| Allowance for investment losses | (1,158) | (7,919) | (13,932) |
| Total assets | ¥14,830,957 | ¥15,567,245 | $178,363,891 |
| **Liabilities and equity** | | | |
| **Liabilities:** | | | |
| Debentures | ¥ 3,312,713 | ¥ 3,504,212 | $ 39,840,209 |
| Call money | — | 153,000 | — |
| Borrowed money | 8,573,482 | 9,079,459 | 103,108,626 |
| Corporate bonds | 316,675 | 242,181 | 3,808,488 |
| Other liabilities | 52,882 | 49,594 | 635,992 |
| Accrued bonuses to employees | 4,500 | 2,150 | 54,119 |
| Accrued bonuses to directors and corporate auditors | 17 | 22 | 209 |
| Reserve for employees' retirement benefits | 25,748 | 32,495 | 309,669 |
| Reserve for directors' and corporate auditors' retirement benefits | 52 | 34 | 629 |
| Reserve for contingent losses | 711 | 2,815 | 8,554 |
| Reserve for losses on headquarter relocation | — | 6,536 | — |
| Acceptances and guarantees | 148,068 | 195,172 | 1,780,741 |
| Total liabilities | 12,434,852 | 13,267,674 | 149,547,236 |
| **Equity:** | | | |
| Common stock authorized, 160,000 thousand shares in 2011 and 2010; issued, 43,623 thousand shares in 2011 and 2010 | 1,181,194 | 1,181,194 | 14,205,580 |
| Capital surplus | 1,060,466 | 1,060,466 | 12,753,654 |
| Retained earnings | 129,855 | 39,834 | 1,561,708 |
| Unrealized gain on available-for-sale securities | 7,350 | 7,092 | 88,397 |
| Deferred gain on derivatives under hedge accounting | 17,238 | 10,982 | 207,317 |
| Total equity | 2,396,104 | 2,299,751 | 28,816,656 |
| Total liabilities and equity | ¥14,830,957 | ¥15,567,245 | $178,363,891 |

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥83.15=$1.00, the effective exchange rate prevailing as of March 31, 2011, has been used in the conversion.

# Non-Consolidated Statements of Income (Unaudited)

Development Bank of Japan Inc.
For the years ended March 31, 2011 and 2010

| | Millions of Yen | | Thousands of U.S. Dollars (Note) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| **Income** | | | |
| Interest income: | ¥295,863 | ¥299,429 | $3,558,192 |
| Interest on loans | 272,466 | 278,493 | 3,276,807 |
| Interest and dividends on securities | 15,603 | 13,438 | 187,654 |
| Interest on call loans | 165 | 55 | 1,989 |
| Interest on reverse repurchase agreements | 149 | 322 | 1,802 |
| Interest on due from banks | 164 | 100 | 1,978 |
| Interest on swaps (net) | 7,238 | 6,996 | 87,059 |
| Other interest income | 75 | 22 | 902 |
| Fees and commissions | 10,033 | 15,768 | 120,669 |
| Other operating income | 12,642 | 19,880 | 152,043 |
| Other income | 38,895 | 14,073 | 467,770 |
| **Total income** | **357,434** | **349,151** | **4,298,674** |
| **Expenses** | | | |
| Interest expense: | 172,186 | 180,058 | 2,070,788 |
| Interest on debentures | 52,920 | 55,409 | 636,451 |
| Interest on call money and bills sold | 149 | 64 | 1,796 |
| Interest on borrowed money | 116,601 | 122,474 | 1,402,299 |
| Interest on short-term corporate bonds | 10 | — | 127 |
| Interest on corporate bonds | 2,500 | 2,105 | 30,072 |
| Other interest expense | 3 | 4 | 43 |
| Fees and commissions | 611 | 1,028 | 7,359 |
| Other operating expenses | 11,917 | 34,059 | 143,331 |
| General and administrative expenses | 35,307 | 31,722 | 424,626 |
| Other expenses | 36,358 | 51,655 | 437,262 |
| **Total expenses** | **256,381** | **298,524** | **3,083,366** |
| **Income before income taxes** | **101,052** | **50,626** | **1,215,308** |
| Income taxes: | | | |
| Current | 56 | 25,308 | 683 |
| Deferred | 941 | (14,516) | 11,323 |
| **Total income taxes** | **998** | **10,792** | **12,006** |
| **Net income** | **¥100,054** | **¥ 39,834** | **$1,203,302** |

| | Yen | | U.S. Dollars (Note) |
|---|---|---|---|
| **Per share of common stock** | | | |
| Basic net income | ¥2,293.57 | ¥969.04 | $27.58 |

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥83.15=$1.00, the effective exchange rate prevailing as of March 31, 2011, has been used in the conversion.

# Non-Consolidated Statements of Changes in Equity (Unaudited)

Development Bank of Japan Inc.
For the years ended March 31, 2011 and 2010

| | Millions of Yen | | Thousands of U.S. Dollars (Note) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| **Common stock:** | | | |
| Balance at beginning of year | ¥1,181,194 | ¥1,000,000 | $14,205,580 |
| Issuance of new shares of common stock | — | 181,194 | — |
| Balance at end of year | 1,181,194 | 1,181,194 | 14,205,580 |
| **Capital surplus:** | | | |
| Balance at beginning of year | 1,060,466 | 1,157,715 | 12,753,654 |
| Transfer from capital surplus to retained earnings | — | (97,248) | — |
| Balance at end of year | 1,060,466 | 1,060,466 | 12,753,654 |
| **Retained earnings:** | | | |
| Balance at beginning of year | 39,834 | (97,248) | 479,073 |
| Transfer from capital surplus to retained earnings | — | 97,248 | — |
| Cash dividends | (10,033) | — | (120,667) |
| Net income | 100,054 | 39,834 | 1,203,302 |
| Balance at end of year | 129,855 | 39,834 | 1,561,708 |
| **Unrealized gain on available-for-sale securities:** | | | |
| Balance at beginning of year | 7,092 | (2,425) | 85,303 |
| Net change during the year | 257 | 9,518 | 3,094 |
| Balance at end of year | 7,350 | 7,092 | 88,397 |
| **Deferred gain on derivatives under hedge accounting:** | | | |
| Balance at beginning of year | 10,982 | 17,808 | 132,086 |
| Net change during the year | 6,255 | (6,825) | 75,231 |
| Balance at end of year | 17,238 | 10,982 | 207,317 |
| **Total equity:** | | | |
| Balance at beginning of year | 2,299,571 | 2,075,849 | 27,655,696 |
| Issuance of new shares of common stock | — | 181,194 | — |
| Cash dividends | (10,033) | — | (120,667) |
| Net income | 100,054 | 39,834 | 1,203,302 |
| Net change during the year | 6,512 | 2,693 | 78,325 |
| Balance at end of year | ¥2,396,104 | ¥2,299,571 | $28,816,656 |

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥83.15=$1.00, the effective exchange rate prevailing as of March 31, 2011, has been used in the conversion.

# Capital Adequacy Status

Capital adequacy ratios were calculated in accordance with the guidelines stipulated by Article 14-2 of the Banking Act 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 2011), DBJ has not yet applied Article 14-2 of the Banking Act 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 DBJ 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)

### Quantitative Disclosure

1. 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, 2011 | March 31, 2010 |
|---|---|---|
| Loans | ¥12,483,080 | ¥12,970,521 |
| Equities, funds | 242,864 | 255,014 |
| Commitments and customers' liabilities for acceptances and guarantees | 295,370 | 396,136 |
| Bonds (JGBs and corporate bonds, etc.) | 827,885 | 916,690 |
| Repurchase agreement/call loan | 61,866 | 304,998 |
| Other | 605,151 | 496,229 |
| Total | ¥14,516,218 | ¥15,339,590 |

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

(1) By region

(Millions of yen)

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Domestic total | ¥14,515,336 | ¥15,338,656 |
| Overseas total | 882 | 934 |

Note: "Overseas" refers to overseas consolidated subsidiaries. DBJ has no overseas branches.

(2) Breakdown by industry and transaction counterparty

(Millions of yen)

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Manufacturing | ¥3,494,246 | ¥3,514,512 |
| Forestry and fisheries | 922 | 1,063 |
| Mining | 45,348 | 36,243 |
| Construction | 40,325 | 25,622 |
| Wholesale and retail | 1,156,814 | 1,130,017 |
| Finance and insurance | 1,082,887 | 1,134,074 |
| Real estate | 1,383,031 | 1,439,661 |
| Transportation and communications | 3,735,347 | 4,275,122 |
| Electrical, gas and water | 1,818,276 | 1,879,565 |
| Services | 1,012,804 | 965,183 |
| Other | 746,214 | 938,522 |

(3) Breakdown by period to maturity

(Millions of yen)

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Five years or less | ¥5,767,717 | ¥5,884,768 |
| More than five years, up to 10 | 5,412,965 | 5,715,819 |
| More than 10 years, up to 15 | 1,988,982 | 2,336,480 |
| More than 15 years | 824,102 | 913,910 |
| No maturity date | 522,451 | 488,611 |

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

(Millions of yen)

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Risk weight 0% | ¥ 550,730 | ¥ 895,996 |
| Risk weight 10% | 98,610 | 175,621 |
| Risk weight 20% | 3,817,147 | 4,074,386 |
| Risk weight 50% | 4,244,213 | 3,932,772 |
| Risk weight 100% | 5,613,238 | 6,021,593 |
| Risk weight 150% | 32,081 | 20,732 |

## 2. 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, 2011 | March 31, 2010 |
|---|---|---|
| Structured finance | ¥690,796 | ¥723,423 |
| Credit derivatives | 120,510 | 290,299 |
| Funds* | 175,106 | 189,701 |

* Assets held by funds including the commitment to funds (calculated on "look-through" approach basis).

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

| | | | March 31, 2011 | March 31, 2010 |
|---|---|---|---|---|
| Risk weight | 20% | Balance | ¥213,080 | ¥380,274 |
| | | Capital requirement | 3,409 | 6,084 |
| Risk weight | 50% | Balance | 13,867 | 31,334 |
| | | Capital requirement | 554 | 1,253 |
| Risk weight | 100% | Balance | 304,261 | 311,581 |
| | | Capital requirement | 24,340 | 24,926 |
| Risk weight | 350% | Balance | 954 | 36,440 |
| | | Capital requirement | 267 | 10,203 |
| Risk weight | Capital deductions | Balance | 444,358 | 429,016 |
| | | Capital requirement | — | — |
| Risk weight | Other* | Balance | 9,891 | 14,776 |
| | | Capital requirement | 1,697 | 2,594 |

* Applying to exposure the transitional measures indicated in Article 15 of the Supplementary Provisions to the Capital Adequacy Ratio Notification.

(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, 2011 | March 31, 2010 |
|---|---|---|
| Structured finance | ¥269,252 | ¥239,982 |
| Funds* | 175,106 | 189,701 |

* Assets held by funds including the commitment to funds (calculated on "look-through" approach basis).

(4) Amount of credit risk assets calculated with application of Article 15 of the Supplementary Provisions to the Capital Adequacy Ratio Notification (Millions of yen)

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Credit risk assets | ¥21,220 | ¥32,361 |

### 3. Interest Rate Risk in the Banking Book

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| 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: ¥56.4 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: ¥8.3 billion |

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

### Qualitative Disclosure

| | |
|---|---|
| 1. Overview of Fund-Raising Methods | All capital contributions are from the government of Japan. |
| 2. Overview of Methods for Evaluating the Degree of Capital Adequacy of the Bank | Regarding the degree of capital adequacy, DBJ 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 DBJ 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<br>Credit risk refers to the risk of loss to DBJ 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 (EL), 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. DBJ periodically compares UL and capital to measure the amount of capital in surplus.<br>(b) Rating Agencies Eligible to Weight Risks<br>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 type of exposure.<br>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 | DBJ obtains collateral or guarantees as necessary based on changes in the borrower's creditworthiness. If required, the effectiveness of collateral is determined from the perspective of the amount that could be reasonably expected to resolve the situation through liquidation or the creditworthiness of the guarantor, respectively.<br>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 DBJ 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 | DBJ 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<br>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. DBJ conducts risk management in line with changes in rating level. In addition to rating its exposure when making new acquisitions, DBJ reviews these ratings periodically.<br>DBJ'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.<br>(b) Methods Used to Calculate Credit Risk Asset Amount of Securitization Exposure<br>DBJ employs the standardized approach for these calculations.<br>(c) Method of Accounting for Securitized Transactions<br>DBJ's involvement in securitized transactions is that of an investor. DBJ accounts for these transactions in accordance with the "Accounting Standard for Financial Instruments."<br>(d) Rating Agencies Eligible to Weight Risks by Type of Securitization Exposure<br>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 type of securitization exposure.<br>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 | Based on Article 16 of the Capital Adequacy Ratio Notification, DBJ includes in its calculation method no market risk equivalent amount. |
| 8. Operational risk | (a) Overview of Risk Management Policies and Procedures<br>DBJ defines operational risk as the risk of loss arising from internal processes, the activities of officers and employees or systems that are inappropriate or non-functioning, or from extrinsic events.<br>DBJ 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, tangible asset risk and reputational risk.<br>DBJ 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.<br>In line with the increasing level of sophistication and complexity of the financial business, DBJ addresses various operational risks by establishing or reinforcing management methods and preparations to appropriately identify, evaluate, measure, monitor and control these risks.<br>(b) Method Used to Calculate Operational Risk Equivalent Amount<br>DBJ 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 | DBJ defines investment risk as its risk of sustaining a partial or total loss on the economic value of assets (including off-balance-sheet assets), owing to such factors as the worsening of an investee's 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, DBJ regularly conducts performance evaluations on its exposure. |
| 10. Interest Rate Risk on the Banking Book | (a) Overview of Risk Management Policies and Procedures<br>Long-term, fixed-rate loans make up the majority of the DBJ's lending, and DBJ seeks to reduce its interest rate risk by raising funds featuring similarly long-term, fixed rates. 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.<br>We regularly compare VaR and 200bpValue against capital to ensure that interest rate risk remains within a specified range of capital.<br>* Measurement methods are described in (ii) and (iii) of (b).<br>(b) Overview of Methods for Calculating Interest Rate Risk Used by the Bank for Internal Control of the Banking Book<br>DBJ calculates interest rate risk based on the following method.<br>(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<br>(ii) Measure interest rate fluctuations in the 1st percentile and 99th percentile, using a one-year holding period and a five-year time horizon<br>(iii) 200bpValue: Use a 2% parallel shift in a standardized interest rate shock to measure the change in economic value<br>((ii) and (iii) are methods for measuring the standardized interest rate shock under Basel II.) |

## Quantitative Disclosure

### 1. Items Related to Capital Adequacy Level

(Millions of yen)

| | | March 31, 2011 | March 31, 2010 |
|---|---|---|---|
| (a) Capital requirement to total credit risk | | ¥714,187 | ¥753,259 |
| (1) Exposure by portfolio to which standardized method applied | | 684,046 | 708,297 |
| (i) Japanese government and regional municipal bodies | | — | — |
| (ii) Exposure to financial institutions | | 7,527 | 5,858 |
| (iii) Exposure to corporations | | 639,510 | 667,640 |
| (iv) Equity exposure | | 18,711 | 17,038 |
| (v) Other exposure | | 18,295 | 17,759 |
| (2) Securitization risk exposure | | 30,141 | 44,961 |
| (b) Capital requirement to market risk | | — | — |
| (c) Capital requirement to operational risk | | 19,194 | 16,971 |
| (d) Non-consolidated total capital requirement ((a) + (b) + (c)) | | 733,382 | 770,231 |
| (e) Non-consolidated capital ratio and non-consolidated Tier I ratio | Capital ratio | 20.39% | 18.79% |
| | Tier I ratio | 25.32% | 23.59% |

### 2. 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, 2011 | March 31, 2010 |
|---|---|---|
| Loans | ¥12,483,395 | ¥12,967,415 |
| Equities, funds | 267,120 | 277,622 |
| Commitments and customers' liabilities for acceptances and guarantees | 295,370 | 396,136 |
| Bonds (JGBs and corporate bonds, etc.) | 827,885 | 916,690 |
| Repurchase agreement/call loan | 61,866 | 304,998 |
| Other | 564,120 | 452,133 |
| Total | ¥14,499,758 | ¥15,314,996 |

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

(1) By region

(Millions of yen)

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Domestic total | ¥14,499,758 | ¥15,314,996 |
| Overseas total | — | — |

Note: DBJ has no overseas sales locations.

(2) Breakdown by industry and transaction counterparty

(Millions of yen)

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Manufacturing | ¥3,494,246 | ¥3,514,512 |
| Forestry and fisheries | 922 | 1,063 |
| Mining | 45,348 | 36,243 |
| Construction | 40,325 | 25,622 |
| Wholesale and retail | 1,156,814 | 1,130,017 |
| Finance and insurance | 1,099,731 | 1,181,018 |
| Real estate | 1,411,058 | 1,467,664 |
| Transportation and communications | 3,735,347 | 4,275,122 |
| Electrical, gas and water | 1,818,276 | 1,879,565 |
| Services | 1,013,870 | 966,249 |
| Other | 683,817 | 837,916 |

(3) Breakdown by period to maturity

(Millions of yen)

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Five years or less | ¥5,767,717 | ¥5,884,768 |
| More than five years, up to 10 | 5,412,965 | 5,715,819 |
| More than 10 years, up to 15 | 1,988,982 | 2,336,480 |
| More than 15 years | 824,102 | 913,910 |
| No maturity date | 505,991 | 464,017 |

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

(Millions of yen)

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Risk weight 0% | ¥ 550,730 | ¥ 895,996 |
| Risk weight 10% | 98,610 | 175,621 |
| Risk weight 20% | 3,808,137 | 4,037,850 |
| Risk weight 50% | 4,244,213 | 3,932,772 |
| Risk weight 100% | 5,608,858 | 6,031,105 |
| Risk weight 150% | 32,081 | 20,732 |

## 3. 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, 2011 | March 31, 2010 |
|---|---|---|
| Eligible financial collaterals | ¥ — | ¥ 179,985 |
| Guarantees or credit derivatives | 1,426,488 | 1,619,222 |

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

(Millions of yen)

| | | March 31, 2011 | March 31, 2010 |
|---|---|---|---|
| Equivalent credit calculation method | | Current exposure method | Current exposure method |
| Gross restructuring cost | | ¥133,529 | ¥116,247 |
| Gross add-on, by transaction type | | 98,100 | 110,838 |
| | Interest rate transactions | 59,554 | 68,724 |
| | Foreign exchange transactions | 36,745 | 39,314 |
| | Credit derivative transactions | 1,800 | 2,800 |
| Reducing credit equivalent amounts through netting | | 142,371 | 124,489 |
| Net equivalent credit | | 89,258 | 102,596 |
| | Net restructuring cost | 39,180 | 43,590 |
| Notional amounts of credit derivatives for calculated credit equivalent amount by type of credit derivative, by protection purchase or provision | Credit default swaps provision | 178,660 | 390,449 |
| | Credit default swaps purchase | 36,000 | 56,000 |
| Notional amounts of credit derivatives taking into account credit risk mitigations | | — | — |

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 and what are known as single-name CDS offerings include the measurement of acceptances and guarantees as consisting of the legal and other exposure of the company in question.

### 5. Securitization Exposure

(a) Securitization exposure in which DBJ is the originator

Not applicable.

(b) Securitization exposure in which DBJ is an investor

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

(Millions of yen)

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Structured finance | ¥657,037 | ¥692,668 |
| Credit derivatives | 120,510 | 290,299 |
| Funds* | 210,271 | 227,244 |

* Assets held by funds including the commitment to funds (calculated on "look-through" approach basis).

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

(Millions of yen)

| | | | March 31, 2011 | March 31, 2010 |
|---|---|---|---|---|
| Risk weight | 20% | Balance | ¥213,080 | ¥380,274 |
| | | Capital requirement | 3,409 | 6,084 |
| Risk weight | 50% | Balance | 13,867 | 31,334 |
| | | Capital requirement | 554 | 1,253 |
| Risk weight | 100% | Balance | 304,009 | 311,581 |
| | | Capital requirement | 24,320 | 24,926 |
| Risk weight | 350% | Balance | 569 | 36,083 |
| | | Capital requirement | 159 | 10,103 |
| Risk weight | Capital deductions | Balance | 446,402 | 436,162 |
| | | Capital requirement | — | — |
| Risk weight | Other* | Balance | 9,891 | 14,776 |
| | | Capital requirement | 1,697 | 2,594 |

* Applying to exposure the transitional measures indicated in Article 15 of the Supplementary Provision to the Capital Adequacy Ratio Notification.

(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, 2011 | March 31, 2010 |
|---|---|---|
| Structured finance | ¥237,072 | ¥210,668 |
| Funds* | 209,329 | 226,160 |

* Assets held by funds including the commitment to funds (calculated on "look-through" approach basis).

(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, 2011 | March 31, 2010 |
|---|---|---|
| Credit risk assets | ¥21,220 | ¥32,361 |

## 6. Items Related to Market Risk

DBJ falls into the category indicated in Article 16 of the Capital Adequacy Ratio Notification. Consequently, calculation of the market risk equivalent amount was not performed.

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

(Millions of yen)

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| (a) Market value of below-listed items as included within categories in the non-consolidated balance sheets | | |
| Exposure to listed shares | ¥ 34,209 | ¥ 24,806 |
| Exposure to other equity investments and capital injections | 221,289 | 218,228 |
| (b) Gains or losses on the sale of equity investments or shares | 10,034 | (1,804) |
| Gain or loss on write-off of equity exposure | 14,199 | 21,358 |
| (c) Gains or losses from valuation recognized on the non-consolidated balance sheets but not recognized on the non-consolidated statements of income | 7,350 | 7,092 |
| (d) Included amount stipulated in Article 18, Paragraph 1, Item 1 of the Capital Adequacy Ratio Notification | 5,168 | 3,697 |

Notes: 1. The Group has no gains or losses from valuation recognized on the non-consolidated balance sheets or the non-consolidated statements of income.
2. The Group has no exposure to shares to which Article 13 of the Supplementary Provisions to the Capital Adequacy Ratio Notification applies.

## 8. Exposure Applied for the Deemed Calculation of Credit Risk Assets

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

## 9. Interest Rate Risk in the Banking Book

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| 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: ¥56.4 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: ¥8.3 billion |

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