Applying Financial Expertise to Design the Future

Annual Report & CSR Report

2016

Development Bank of Japan Inc.

Profile (As of July 1, 2016)

Established:	October 1, 2008 (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:	Masanori Yanagi
Number of employees:	1,187 (As of March 31, 2016)
Capital:	¥1,000,424 million (100% owned by the Japanese government)
Address:	South Tower, Otemachi Financial City, 9-6, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8178, Japan
URL:	http://www.dbj.jp/en
Number of offices:	Branch offices, 10; representative offices, 8; overseas representative office, 1; and overseas subsidiaries, 3
Subsidiaries and affiliated companies:	Consolidated subsidiaries, 25; non-consolidated subsidiaries, 33; and affiliated companies, 25 (As of March 31, 2016)
Main business:	The provision of long-term funding (investment and loans)
Purpose:	To conduct business activities utilizing the methods of integrated investment and loan services 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. • 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:	¥15,808.9 billion (As of March 31, 2016)
Loans:	¥13,119.3 billion (As of March 31, 2016)
Capital adequacy ratio:	16.85% (Basel 3, BIS standard) (As of March 31, 2016)
Issuer ratings:	A1 (Moody's Investors Service, Inc.), A (Standard & Poor's Corp.), AA (Rating and Investment Information, Inc.), 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.

Issues Japan Faces and DBJ's Role in Resolving Them

The Japanese economy continued to benefit from a tone of gradual recovery in business conditions, as higher corporate earnings in fiscal 2015 offset signs that the purchasing mood of consumers had stalled. However, a number of challenges remain. The country continues to face increasingly intense global competition and must deal with issues related to the renewal of aging domestic public infrastructure and to energy, regional revitalization, a shortage of risk capital and fund management opportunities, and other concerns. Against this backdrop, the Act for Partial Amendment of the Development Bank of Japan Inc. Act came into force last year. We maintained our direction toward full-scale privatization under the amended act, while firmly cementing Crisis Response Operations to deal with any large-scale disaster or economic crisis that occurs and directing efforts toward new Special Investment Operations, which provide intensive growth capital designed to revitalize regional economies and increase corporate competitiveness.

Accordingly, while our three-year Third Medium-term Management Plan—which moves into its final year in fiscal 2016—is fundamental to the role we must fulfill, we will consistently engage with diverse financial players to create a smoothly functioning market as a provider of both risk capital anchored in the real economy (capital funding such as mezzanine financing and investment, long-term funding for infrastructure and other projects, and the stable provision of funds that will drive the growth of Japanese enterprises) and original knowledge (knowledge services that leverage experiential knowledge), and strive to resolve the issues facing Japan from a long-term perspective, in line with the intent of the act and other requirements.

Specific DBJ Initiatives

In our Third Medium-term Management Plan, we identified four primary areas requiring particular attention: growth support, infrastructure and energy, regional revitalization tailored to regional needs, and strengthening the safety net.

To start, in the area of growth support, we are offering even greater assistance to promote initiatives that help companies hone a sharper competitive edge by providing risk capital through Special Investment Operations, for which we made investment and loans decisions valued at approximately ¥100 billion in fiscal 2015. In the infrastructure and energy area, we are supplying funds for the reconstruction of the energy supply system to better address the energy issues that have emerged since the Great East Japan Earthquake. Regarding regional revitalization tailored to regional needs, we are taking a fine-tuned approach geared to each region, including the establishment of funds with regional financial institutions and other investors to support tourism and local business growth. In the area of strengthening the safety net, crisis countermeasure loans reached an aggregate level of about ¥5,600 billion, as of March 31, 2016, and, in collaboration with regional financial institutions, we also launched a successor fund to the Great East Japan Reconstruction Fund that provides risk capital to fuel reconstruction and growth in the region affected by the Great East Japan Earthquake and its associated disasters. In addition, in the wake of the Kumamoto earthquakes in April 2016, we responded with all our effort, quickly setting up the Kumamoto Recovery Office inside the Kyushu Branch and also working with local financial institutions, establishing a restoration and reconstruction fund and pursuing other avenues of support to stimulate restoration and reconstruction in areas that sustained damage.

The Third Medium-term Management Plan also lays out three functions—risk-sharing with banks and other organizations, the provision of opportunities for fund management by investors, and extension of knowledge beyond the financial sphere—that DBJ must demonstrate through initiatives in the four operation-oriented primary areas of the plan.

In risk-sharing with banks and other organizations, we seek to execute suitable distribution of risk among ourselves and other financial institutions, businesses and investors and respond both to the diverse capital needs of enterprises and to other market demands through access to equity, mezzanine and long-term loans and other high-risk capital. In the provision of opportunities for fund management by investors, we are keen to contribute to a more robust financial market environment by providing regional financial institutions, pension funds and other investors with quality fund management opportunities, such as co-investment in syndicated loans and overseas private equity funds. In extension of knowledge beyond the financial sphere, we draw on a non-aligned network and industry survey capabilities to provide reports on specific regions, industry sectors and business circles, and other subjects as well as quality knowledge from a long-term perspective, including advice, to support clients in their efforts to pinpoint and resolve pressing issues.

Meeting Our Corporate Social Responsibilities

We will embark on our Fourth Medium-term Management Plan next fiscal year. Under the new plan, we will naturally work to reinforce the initiatives pursued during the Third Medium-term Management Plan and build on the cooperative relationships we have with private financial institutions and other organizations. At the same time, we will strive to further develop human resources with an enhanced ability to provide sophisticated financial services and, as a cohesive corporate group, always listen carefully to our clients and understand their needs.

As these activities unfold, we remain committed to our trifecta of financial products and services—loans, investments and advisory services—and will leverage our expertise to achieve both economic value and social value as well as contribute to sustained growth in Japan.

July 2016

M. Yanagi

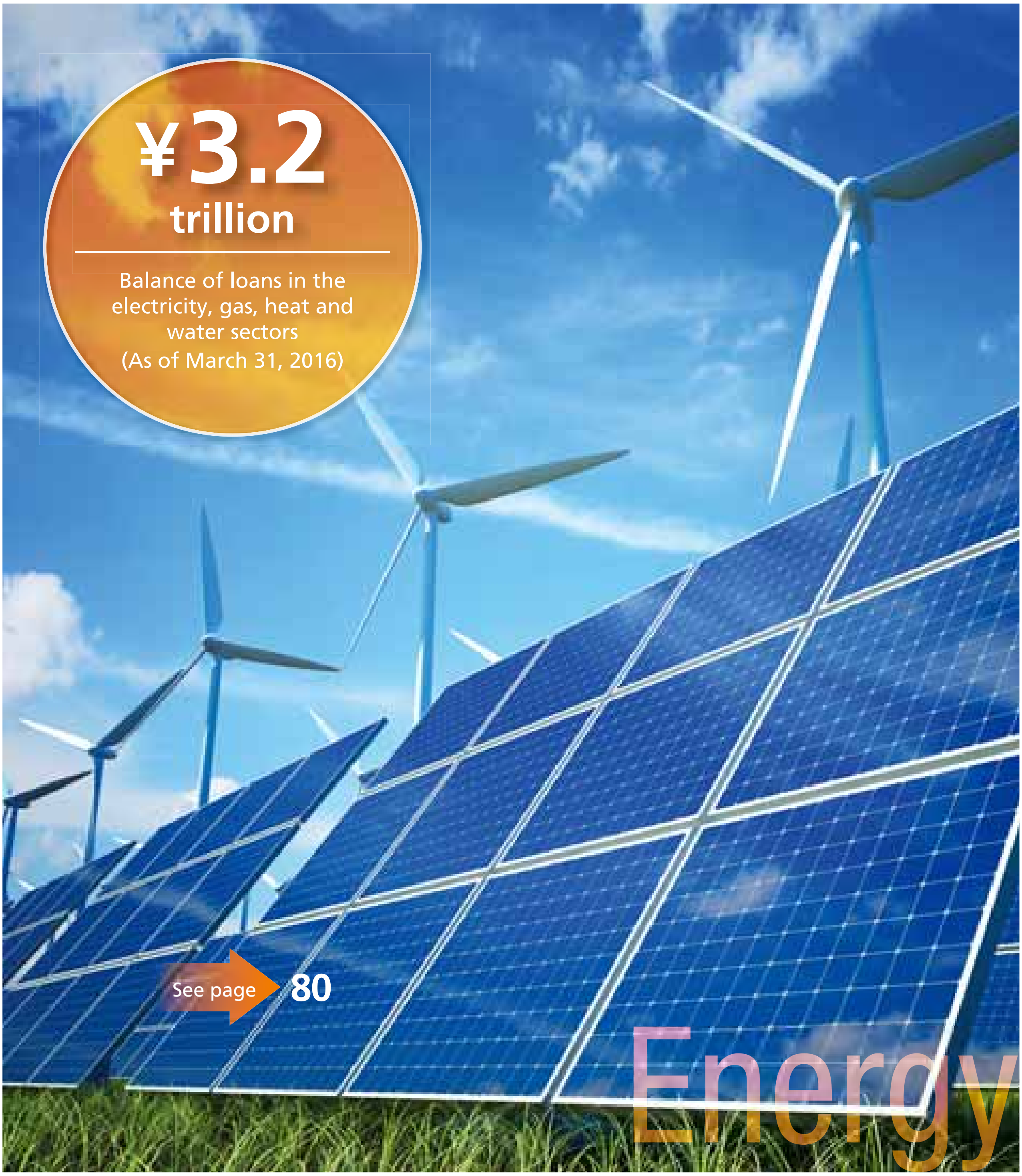
Masanori Yanagi
President and CEO
Development Bank of Japan Inc.

Our Initiatives to Address the Issues Our Clients Face

Initiatives in the Energy Sector

Going forward, the energy sector is sure to require large-scale funding to replace aging thermal power plants and construct new facilities, among other applications. Meanwhile, the electric power system reform is providing opportunities for the retail sale of electric power and allowing new entrants into the field of electric power generation, calling for finance to play an increasingly diverse role. DBJ will continue providing optimal financial solutions to meet these needs.

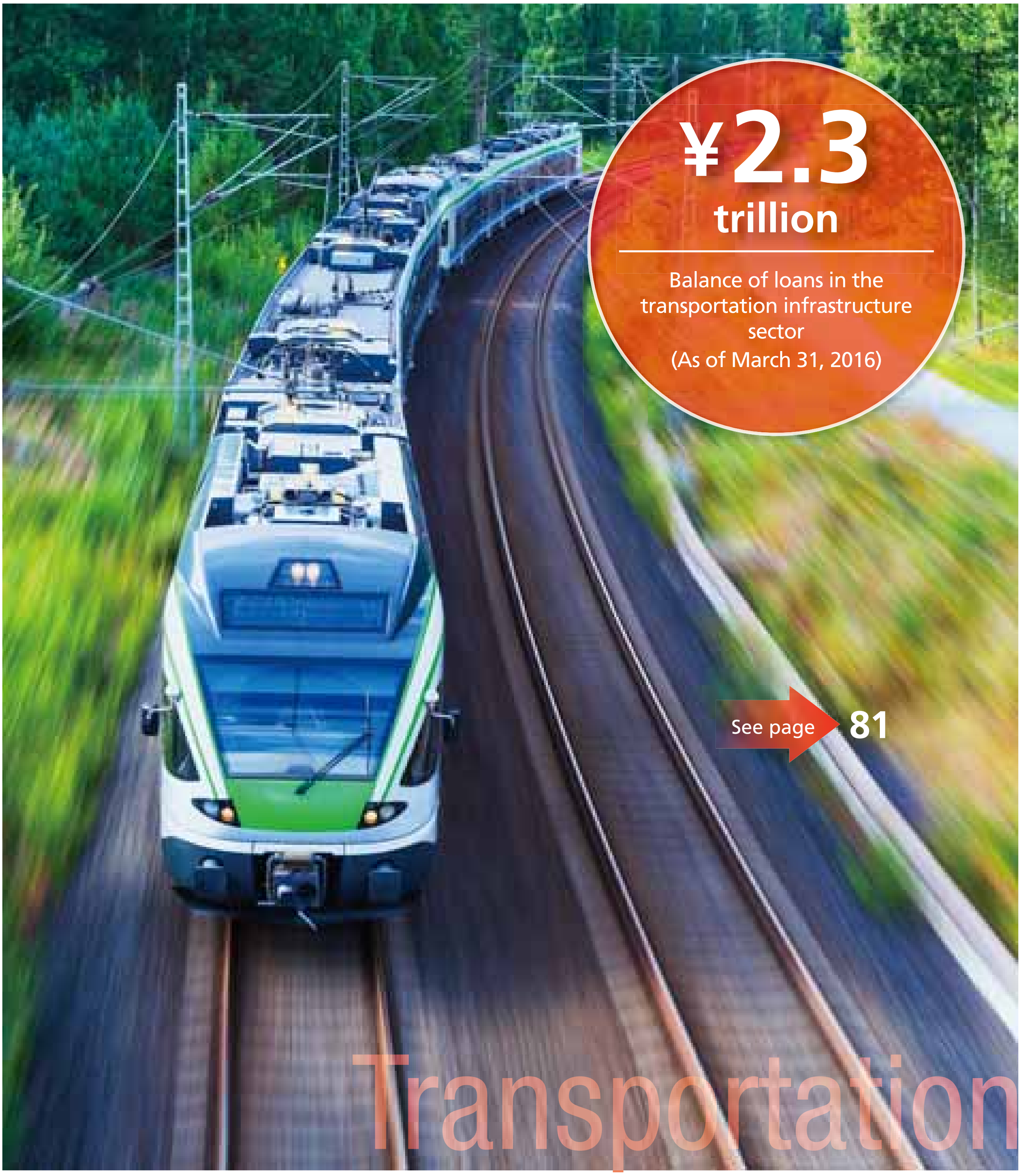
As of March 31, 2016, our balance of loans in the electricity, gas, heat and water totaled ¥3,256.6 billion, accounting for 25.1% of total loans, by industry.



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 enterprises from a position of neutrality.

As of March 31, 2016, our balance of loans in the transportation infrastructure sector (to transportation providers) totaled ¥2,334.2 billion, accounting for 18.0% of total loans, by industry.



See page 81

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, which is designed to provide financial support for environmental and socially considerate initiatives.

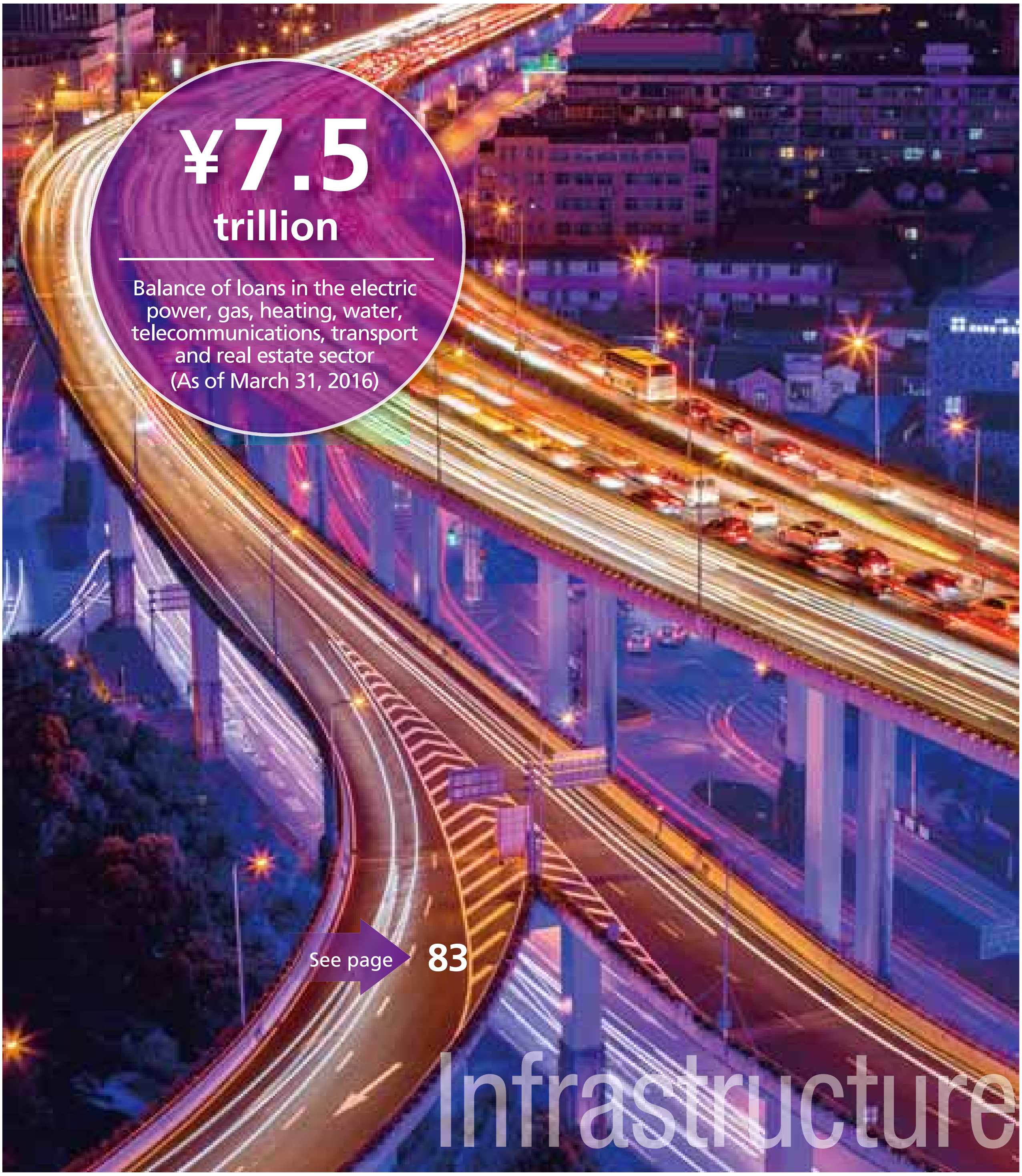
As of March 31, 2016, our balance of loans in the real estate sector totaled ¥1,573.9 billion, accounting for 12.2% of total loans, by industry.

See pages 38, 43, 82

Initiatives in the Social Infrastructure Sector

Since the era of reconstruction following World War II, DBJ has supported the development and advancement of Japan's economy as well as improved quality of life for the people. We apply our experience and expertise to support our clients in their efforts to build and reinforce the social infrastructure.

As of March 31, 2016, our balance of loans in the social infrastructure sector (electric power, gas, heating, water, telecommunications, transport and real estate) totaled ¥7,546.0 billion.



See page 83

Initiatives in Crisis Response Operations

As a designated Crisis Response Operations financial institution, DBJ began such operations 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. DBJ smoothly implements Crisis Response Operations to assist people who were affected directly and indirectly by the disaster.

As of March 31, 2016, our cumulative amount of loans as crisis countermeasures related to the Great East Japan Earthquake was ¥2,210.0 billion.

Initiatives to Promote Competitiveness

DBJ seeks to promote the competitiveness of Japanese enterprises and encourage regional revitalization. With this in mind, in May 2015 we established the Growth Co-creation Facility, an independent initiative, to complement statutory activities under Special Investment Operations—an intensive but temporary scheme to supply growth capital—and we have since provided growth capital for activities that will lead to future growth investment.

As of March 31, 2016, the cumulative amount of investment and lending determined by Special Investment Operations amounted to ¥103.9 billion.

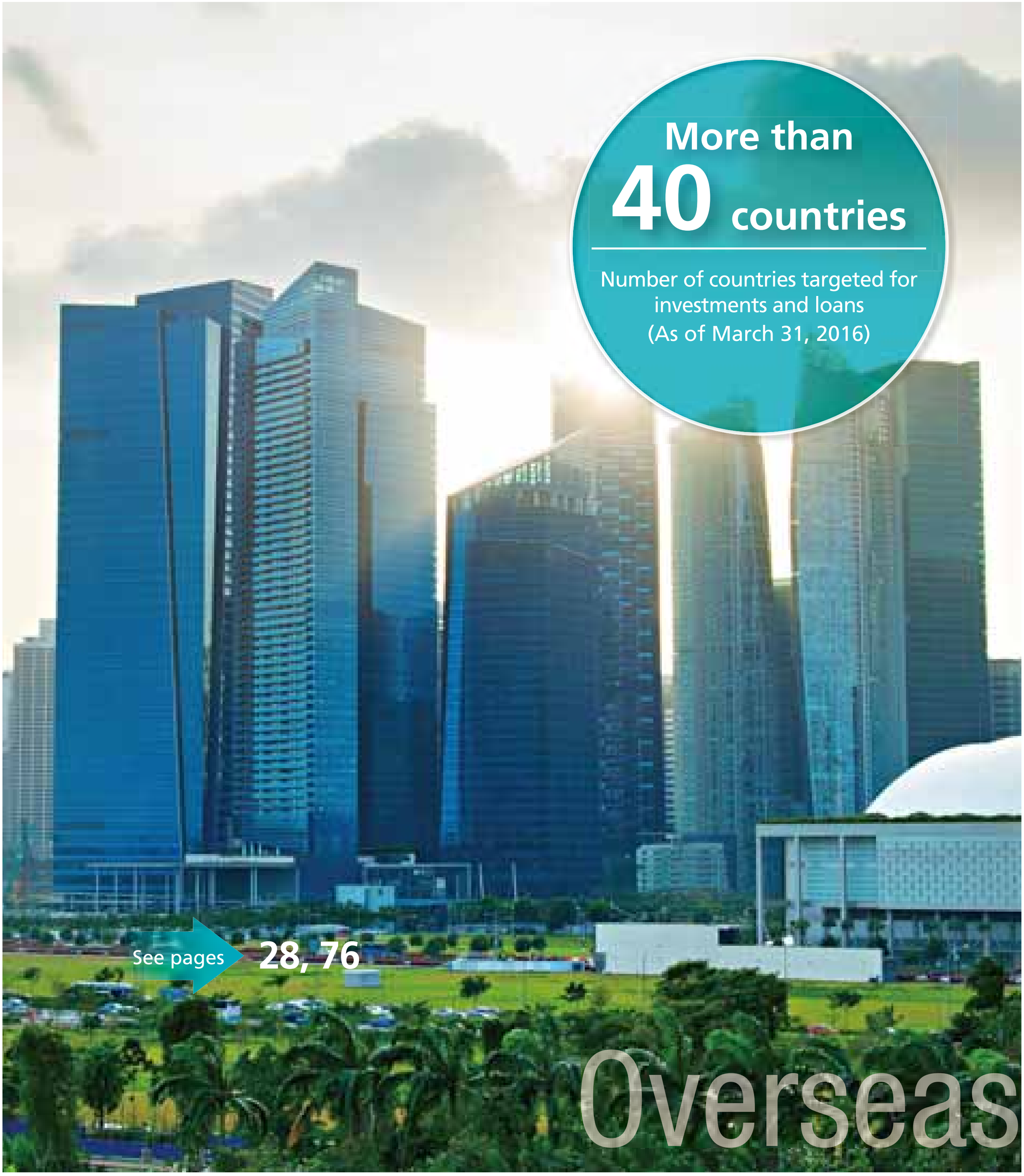
See pages 36, 50-51, 73, 74, 80, 88

Initiatives in Overseas Business

Since its privatization (conversion to a joint-stock company) in October 2008, DBJ has pursued overseas operations, paralleling greater globalization of corporate Japan and the nation's economy.

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

As of March 31, 2016, investments and loans were directed toward initiatives in more than 40 countries.



See pages 28, 76

Initiatives in the Healthcare and Welfare Sectors

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

As of March 31, 2016, our balance of loans in the healthcare and welfare sector stood at ¥62.8 billion.

See pages 42, 77, 79

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.

Based on accumulated knowledge, in fiscal 2004 DBJ began employing a system of environmental ratings in its financing. This system, developed using our own unique methodology, is the world's first such financing menu.

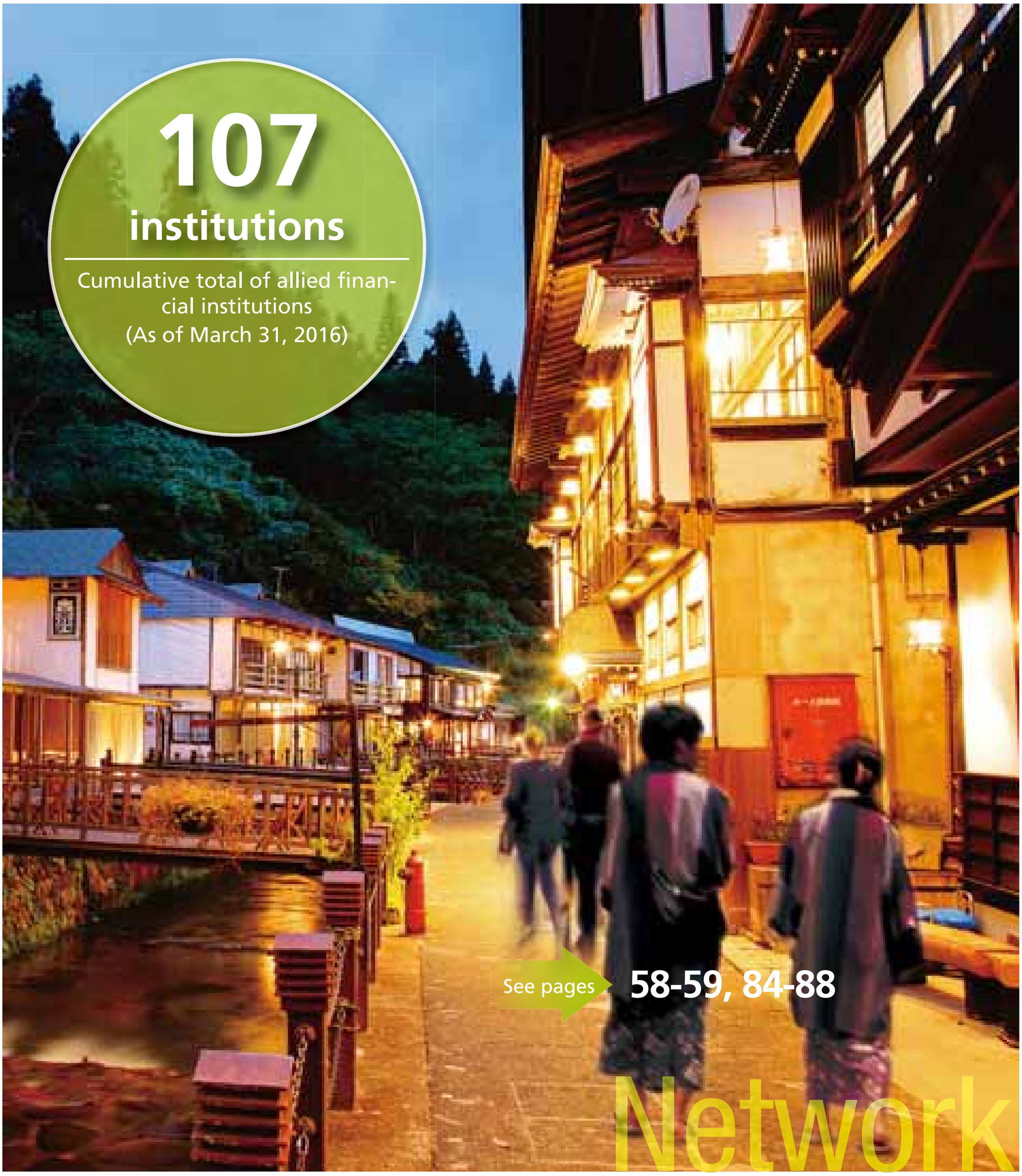
We are also promoting initiatives from a fund-raising perspective, exemplified by the issue of an inaugural DBJ sustainability bond in October 2015 that targets DBJ Environmentally Rated Loan Program loans and other asset classes.

As of March 31, 2016, we had provided financing under the DBJ Environmentally Rated Loan Program to 525 enterprises, reaching an aggregate amount of ¥954.0 billion.

Initiatives in Regional Revitalization

Stepping up its independent initiatives to address the variety of issues faced by regional communities, DBJ provides risk capital and pursues other activities through support to formulate comprehensive regional strategies and through co-investment with regional banks and other capital-ready participants.

As of March 31, 2016, a total of 107 financial institutions had entered into business alliances with DBJ.

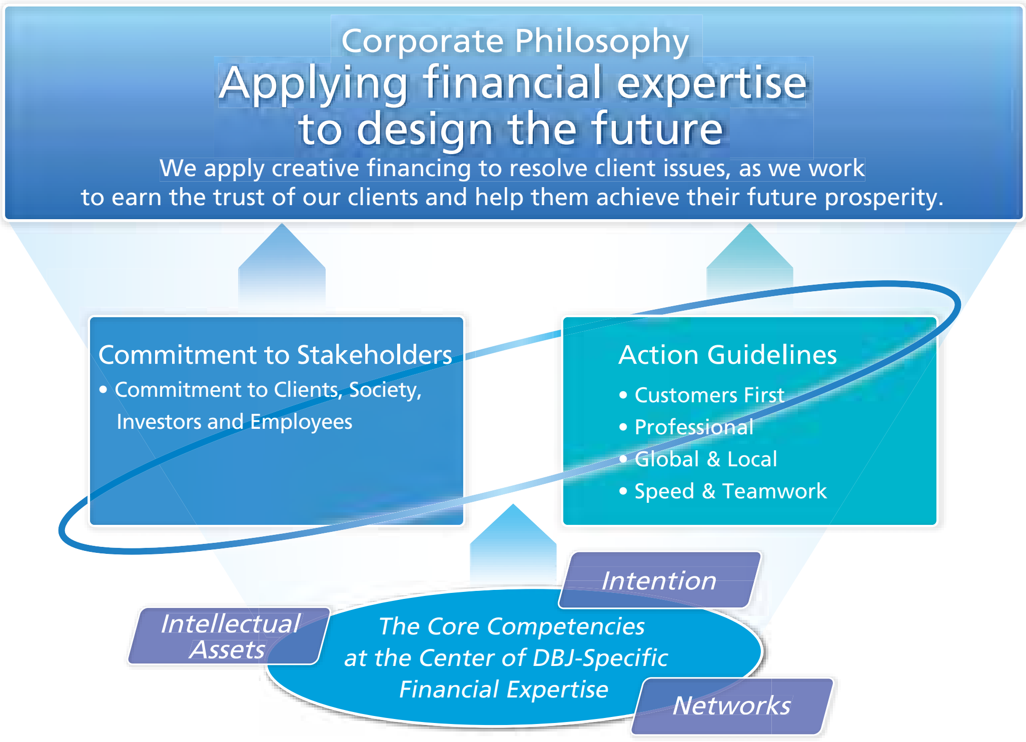


Initiatives for Invigorating the Japanese Financial and Capital Markets

DBJ arranges quality opportunities to apply available funds, including provision of risk capital, and, through syndicated loans and asset management, offers fund management opportunities to regional financial institutions, domestic and overseas pension funds and other organizations. We invigorate markets by creating new money flows. We also participate as a principal investor in the TOKYO PRO-BOND Market, stimulating it as part of our efforts to develop Japan's financial and capital markets.

See pages 39, 76

Corporate Philosophy



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, regional municipal bodies and other financial institutions.

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:	Action Guidelines:
• Long-Term Perspective	• Customers First
• Neutrality	• Professional
• Public-Mindedness	• Global & Local
• Reliability	• Speed & Teamwork

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 loan services.

Overview of DBJ's Third Medium-term Management Plan (Announced May 16, 2014)

DBJ has formulated the Third Medium-term Management Plan for the fiscal years from April 1, 2014, to March 31, 2017. We believe that many of the issues facing the Japanese economy need to be addressed from a medium- to long-term perspective, and initiatives put in place to resolve them. The Third Medium-term Management Plan represents a first step in this direction, charting DBJ's course for the next three years.

Challenges for the Japanese economy

Issues in the macroeconomy
- Contracting, aging population; falling birthrate
- Declining global competitiveness
- Decline in economic growth rate
- Globalization of the economy
- Aging infrastructure
- Energy problems arising from the Great East Japan Earthquake
- Decline in regional vitality
- Earthquake reconstruction; response to natural disasters
- Global spread of crises

Issues for financial and capital markets
- Short supply of risk capital
- Shortage of fund management opportunities

Issues for firms ("semi-macroeconomic")
- Elimination of excessive competition in similar goods and services
- Creation of strategic markets
- Innovation and technological development
- Fostering crisis-resistance in industry, the government, and the population

Others

DBJ actions

Identification of issues
(Survey of Capital Investment, etc.)

Role of DBJ

A neutral source of industrial finance

Growth support
- Promotion of competitiveness
- Support for growing fields such as the environment, healthcare, women's participation in the workplace
- Response to globalization

Infrastructure & energy
- Renewal & strengthening of infrastructure
- Stronger, more disaster-resilient transportation networks and other infrastructure
- Reconstruction of the energy supply system

Regional revitalization tailored to regional needs
- Growth support (promotion of innovation; discovery of corporate value in the value chain)
- Infrastructure-building through PPP/PFI
- Support for community development initiatives

Strengthening the safety net
- Provision of necessary funds for crises (natural disaster or financial markets disruption, etc.)
- Use of analytical skills developed during normal times
- Coordination with the Japanese government

DBJ

Providing risk capital and knowledge (intellectual services) from a long-term perspective

- Specialized financial functions: Long-term perspective, large accounts, integrated investments and loans
- Catalytic function: Platform for new value creation based on neutrality

- Customer base • Wealth of experience • Capital
- Integrated application of managerial resources (neutrality, analytical and research capacity, R&D skills, networks)

Risk-sharing with banks and other organizations
- Risk-sharing finance

→ Effective use of stagnant funds

Opportunities for fund management by investors
- Market-stimulating finance

→ Creation of new money flow

Knowledge extending beyond the financial sphere
- Knowledge bank

→ New value creation

DBJ has defined three functions for fulfilling its roles. By pursuing proactive initiatives in four primary areas in line with these functions, DBJ will work toward enhancing Japan's sustainable growth.

Three Functions to Leverage

(1) Risk-sharing finance

- DBJ will promote the appropriate sharing of risk through many of the approaches it has pursued in the past, by supplying high-risk capital through long-term, large-volume, mezzanine financing and in collaboration with general financial institutions, enterprises and other entities, as well as through other forms of cofinancing and coinvestment.

(2) Market-stimulating finance

- DBJ arranges excellent opportunities for managing this capital through means including syndicated loans and asset management. Working with regional banks, pension funds and other entities, DBJ shares fund management opportunities with them and helps stimulate the financial market.

(3) Knowledge bank

- Utilizing not only high-quality knowledge* provided from a long-term perspective but also its neutral networks and industrial research skills, DBJ will work on creating new business concepts.

*Knowledge services that leverage structured "experiential knowledge"

Four Primary Areas

(1) Growth support

- To strengthen Japan's competitiveness in the global market, DBJ will provide support for the effective use of exploitable operating resources, business creation, corporate restructuring, mergers and acquisitions or the challenges of globalization.
- DBJ will also support growth fields that will play key roles in Japan's development as a sustainable society, such as environmental business, healthcare and opportunities for women.

<Case Studies> See pages 73-79.

(2) Infrastructure & energy

- In addition to the safety of the nation's transportation networks and community development, initiatives will concentrate on the renewal of aging public infrastructure.
- The Great East Japan Earthquake left Japan with serious energy issues. DBJ will address this problem by providing comprehensive support for the restructuring of the energy system.

<Case Studies> See pages 80–83.

(3) Regional revitalization tailored to regional needs

- Regional firms make up approximately half of DBJ's clients. To ensure that regional revitalization is both sustainable and suited to regional conditions, DBJ works with regional clients and banks in supporting innovative business development, community building, infrastructure renewal and other initiatives by which firms create vigorous and healthy communities.

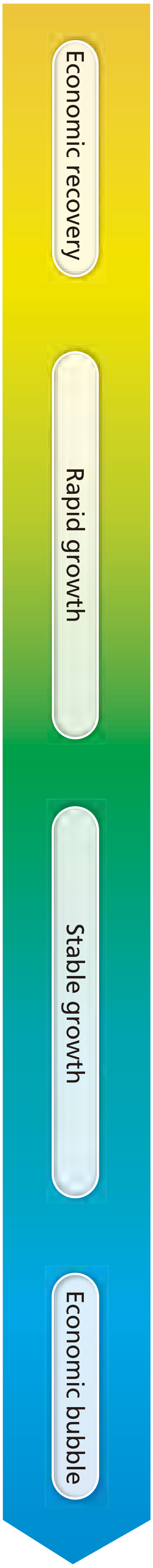
<Case Studies> See pages 84–88.

(4) Strengthening the safety net

- DBJ will respond quickly and effectively to crises, whether natural or financial. It will conduct both Japanese government-mandated Crisis Response Operations and its independent initiatives based on information, expertise and evaluation skills developed through day-to-day business.

<Case Studies> See pages 89–91.

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



1951–1955

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.

Kawasaki Steel Corporation (currently JFE Steel Corporation): Construction of Chiba Steelworks (Chiba Prefecture) Modernization of steelmaking through construction of the first postwar blast furnace

1956–1965

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.

Kawasaki Kisen Kaisha, Ltd.:
The *Tonegawa Maru* tanker
Built tanker that was indispensable for the import of energy and raw materials

1966–1971

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.

Sony Corporation: Trinitron color television factory
Promotion of home-grown technologies through commercial application of new technologies

1972–1984

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.

Shinjuku new urban center: Shinjuku Mitsui Building and others (Tokyo)
New urban center formation through redevelopment of purification plant site

1985–1995

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.

Yamagata JR Chokko Tokkyu Holdings:
Yamagata Shinkansen
Improvements to regional railway infrastructure

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

Post-bubble

Structural reform

The Lehman shock / The Great East Japan Earthquake

1996–2000

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.

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

2001–2007

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.

The Former Niigata Tekkosho Co., Ltd.
Through such methods as DIP financing, mergers and acquisitions, and business revitalization funds, DBJ supports local enterprises, helping communities maintain excellent supplies of technical expertise and employment opportunities.

2008 onward

Development Bank of Japan Inc. established

Development Bank of Japan Inc. was established on October 1, 2008, as a special stock company by means of conversion to a joint-stock company. As a neutral source of industrial finance, long-term funds and risk capital provided through integrated investments and loans, DBJ addresses the various issues that clients face.

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.

Global financial crisis precipitated by the Lehman shock

The Lehman shock in the autumn of 2008 precipitated a global financial crisis. As this situation impaired the functioning of the bond markets, corporate cashflow worsened. DBJ responded promptly with Financial Crisis Response Operations. Furthermore, in response to falling functionality in the market for commercial paper DBJ commenced purchases of commercial paper in January 2009 as part of its Financial Crisis Response Operations.

Disaster and crisis response to the Great East Japan Earthquake

As a disaster and crisis response to the Great East Japan Earthquake, which struck on March 11, 2011, DBJ worked with other financial institutions to provide appropriate financing, particularly to electric power companies. Through the Great East Japan Earthquake Reconstruction Fund, established jointly with financial institutions in the disaster-stricken region, DBJ is providing risk capital through such methods as subordinated loans and preferred shares.

Reinforcing the function of supplying growth capital

The Act for Partial Amendment of the Development Bank of Japan Inc. Act, which was enacted on May 20, 2015, created Special Investment Operations. This new investment scheme, a portion of the funding for which is provided by the Japanese government, is a temporary measure to intensively provide the growth capital needed to promote the competitiveness of Japanese enterprises and regional revitalization.

The 2016 Kumamoto Earthquakes

In response to the 2016 Kumamoto earthquakes, DBJ, as a designated financial institution for Crisis Response Operations, opened the Kumamoto Recovery Office inside the Kyushu Branch on April 28, 2016. In addition, we established the Kumamoto Reconstruction Support Fund in cooperation with financial institutions in the affected area.

Background for Revisions to the DBJ Act

DBJ's Activities Since Its Privatization (Conversion to a Joint-Stock Company)

On October 1, 2008, DBJ transitioned from a special public corporation to a joint-stock company. In preparation for full-scale privatization following the disposal of all Japanese government-owned shares, DBJ has continued working to enhance its corporate value through integrated investment and loan services. These activities include providing long-term loans; equity, mezzanine financing and other types of risk capital; and M&A advisory services.

On the other hand, shortly after DBJ's conversion to a joint-stock company, the Lehman Shock and the Great East Japan Earthquake occurred. The Japanese government called on DBJ to steadily mount large-scale Crisis Response Operations. Due to these crises, the Development Bank of Japan Inc. Act (Act No. 85 of 2007: "DBJ Act") was revised twice, with DBJ accepting an additional increase in Japanese government capital. Also, by the end of fiscal 2014 the Japanese government was to review DBJ's organization, including its shareholdings as stipulated by the revision.

As part of this structural revision, deliberations at the Japanese government's Study Panel Concerning the Promotion of Expanding Growth Funding covered such topics as DBJ's proper implementation of Crisis Response Operations, the importance of initiatives for providing growth capital (equity and mezzanine financing) to address shortages in Japanese financial and capital markets, and an evaluation of DBJ's initiatives following its conversion to a joint-stock company. The revised content of the act reflects these evaluations.

About the 2015 Revisions to the DBJ Act

Based on the deliberations of the Japanese government's Study Panel Concerning the Promotion of Expanding Growth Funding, the Act for Partial Amendment of the Development Bank of Japan Inc. Act, which was enacted on May 20, 2015, maintains the direction toward full-scale privatization. At the same time, in order to fully ensure the provision of funding in response to large-scale disasters and economic crises, the revised act makes DBJ's Crisis Response Operations obligatory for an indefinite period. From the perspective of promoting the provision of growth capital to revitalize regional economies and increase the competitiveness of enterprises, the revised act calls for DBJ to accept a certain amount of capital from the Japanese government (industrial investment). This investment is to be used for a new scheme, Special Investment Operations, to strengthen and develop the Fund for Japanese Industrial Competitiveness. In addition, with regard to the application of DBJ's investment and loan functions toward crisis response and the provision of growth capital, measures were introduced obliging the Japanese government to hold at least a certain percentage of DBJ's shares.

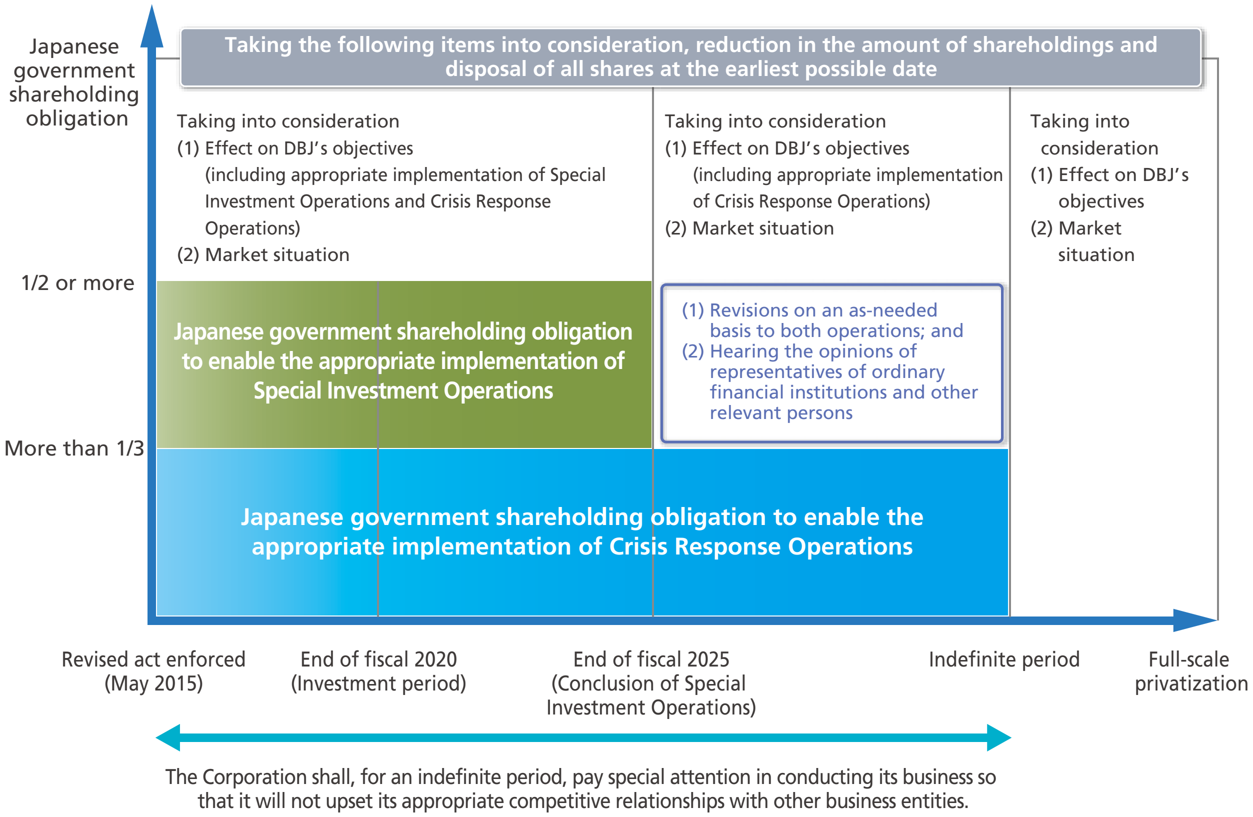
● **Highlights of 2015 Revisions to the DBJ Act**

Before revision	After revision
1. Maintaining direction toward full-scale privatization	
Full-scale privatization and disposal of all Japanese government-held shares, targeting around five to seven years from April 1, 2015	• No changes in the main provisions, including Article 1 which stipulates DBJ's objectives • Disposal of shares as soon as practicable (considering its effect on achieving DBJ's objectives, as well as market situation)
2. Measures to ensure appropriate implementation of the Crisis Response Operations	
• Conducting Crisis Response Operations as a designated financial institution • Enabling Japanese government recapitalization in crisis response by March 31, 2015	• Assuming responsibility for Crisis Response Operations for an indefinite period (at the same time reflecting this obligation in the Articles of Incorporation) • Extending for an indefinite period the scope of Japanese government recapitalization securing DBJ's financial structure, with the Japanese government having such obligations as holding more than one-third of DBJ's shares
3. Establishment of a new Special Investment Operations scheme to provide growth capital in concentrated manner as temporary measure	
Provision of risk capital through the Fund for Japanese Industrial Competitiveness	• Reinforcement of the Fund for Japanese Industrial Competitiveness (a portion of the financial resources for which are provided through measures for industrial investment); implementation of Special Investment Operations as a measure for a limited period of time, through fiscal 2025 (at the same time reflecting this obligation in the Articles of Incorporation, complementing and encouraging private-sector enterprises, etc.) • Obligation that the Japanese government shall hold one-half or more of shares until the conclusion of the Special Investment Operations
4. Provisions referencing consideration for private financial institutions through ongoing Japanese government involvement	
As stated in the Third Medium-term Management Plan, sustain close communications, maintaining a focus on operations in collaboration with other financial institutions	• The Corporation shall, for an indefinite period, pay special attention in conducting its business so that it will not upset its appropriate competitive relationships with other business entities • The Japanese government shall hear the opinions of representatives of ordinary financial institutions and other relevant persons, concerning Japanese government revisions on an as-needed basis to Crisis Response Operations and Special Investment Operations

Note: Please refer to pages 128–146 for sections of the DBJ Act.

● Shares Held by the Japanese Government

(It is assumed in the chart below that the obligation to conduct Crisis Response Operations will continue beyond fiscal 2025.)



Overview of Operations in Fiscal 2015

Operating Results

Financial and Economic Environment

During fiscal 2015, the global economy grew at a slower pace than in the previous fiscal year. In the United States, consumer spending was up and business conditions continued to improve, and Europe, as well, enjoyed a gradual recovery in business conditions. But in China, which is moving forward on a structural correction, the pace of growth was sluggish, and with falling prices for natural resources exacerbating the situation, the economies of Asia's newly emerging markets and resource-producing nations decelerated.

Against this backdrop, Japan's economy seemed to pause in gradual recovery mode. For households, the income and employment environment was better, but consumer sentiment was weak, which caused consumer spending to stall. For the corporate sector, capital investment gradually increased, thanks to higher earnings. Exports see-sawed but imports trended downward when the price of oil dropped, reversing the trade deficit in the second half of fiscal 2015.

On the financial front, concerns over the slowing Chinese economy, falling crude oil prices and other factors rattled global financial markets in the summer and at New Year. Long-term interest rates rose through June 2015, hovering around the 0.55% mark on expectations of an interest rate increase in the United States, but given market turmoil, the Bank of Japan decided in January 2016 to introduce a negative interest rate policy, and at the end of March 2016, the rate fell to around -0.05%. In currency exchange, the yen appreciated against the U.S. dollar, moving into the ¥112 range by the end of March 2016, owing to a trend toward risk aversion caused by chaotic market conditions as well as the realization that U.S. interest rates were not going to rise as initially anticipated. The Nikkei stock average retreated into the ¥16,700 range as of March 31, 2016, amid major downward stock price movement worldwide.

Looking at commodity prices, the impact of low oil prices exerted steady downward pressure on energy prices. Given this situation, consumer prices (excluding perishable goods) remained more or less on par with the previous year.

Progress and Results of DBJ Group Operations

Review of the Year Ended March 31, 2016

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 have 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, 2016. The figures provided for the loans, investment and consulting/advisory services described below are on a non-consolidated basis.

Loans

In addition to senior loans through traditional corporate loans, we have offered loans that employ advanced financial methods, such as non-recourse loans and other types of structured financing, meeting increasingly varying needs for funding. During the year ended March 31, 2016, we provided ¥2,861.3 billion in loans, including loans for Crisis Response Operations.

For details regarding loans in Crisis Response Operations, please refer to the section on page 53 entitled "Results of Crisis Response Operations."

Investment

In investment operations, we took a long-term perspective in forming suitable responses to client issues involving business expansion, the formation of growth strategies and financial infrastructure, and various other matters. In addition, in line with legislative revisions promulgated and implemented on May 20, 2015, DBJ took over the Fund for Japanese Industrial Competitiveness, which was established in March 2015 as an intensive but temporary scheme to supply growth capital (capital funding, mezzanine financing and other equity and debt sources) from the perspective of sharpening the competitive edge of Japanese companies and spurring regional revitalization. This kicked off Special Investment Operations. With the inclusion of these activities, we allocated ¥166.3 billion to investing activities during the year.

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 revitalize 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 ¥10.1 billion.

Subsidiaries

DBJ Business Investment Co., Ltd., is no longer a consolidated subsidiary, following liquidation of the company in September 2015.

Loans and Investments and Fund-Raising Conditions (Flow) (Non-Consolidated)

(Billions of yen)

	For the Year Ended March 31, 2012	For the Year Ended March 31, 2013	For the Year Ended March 31, 2014	For the Year Ended March 31, 2015	**For the Year Ended March 31, 2016**
Loan and investment balance	2,927.0	2,652.4	2,943.3	2,544.2	**3,027.7**
Loans[1]	2,849.0	2,524.5	2,805.1	2,262.7	**2,861.3**
Investment[2]	78.0	127.8	138.2	281.4	**166.3**

Funds raised	2,927.0	2,652.4	2,943.3	2,544.2	**3,027.7**
Fiscal Investment and Loans	801.4	895.1	510.7	661.6	**634.4**
Of which, borrowings of FILP	500.0	600.0	300.0	300.0	**300.0**
Of which, government-guaranteed bonds (domestic)	179.0	160.0	110.0	200.0	**200.0**
Of which, government-guaranteed bonds (overseas)[3]	122.4	135.1	100.7	161.6	**134.3**
Corporate bonds (FILP bonds)[3, 4]	263.1	386.6	372.0	374.8	**395.3**
Long-term debt[5]	1,170.7	868.3	753.1	377.7	**358.2**
Recovery, etc.	691.7	502.2	1,307.5	1,129.9	**1,639.7**

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. Of government-guaranteed bonds and corporate bonds denominated in foreign currencies, appropriated government-guaranteed bonds and corporate bonds are converted to yen at market rates at the time conditions are determined.

4. The figure does not include short-term corporate bonds.

5. Long-term debt borrowed from Japan Finance Corporation in conjunction with Crisis Response Operations amounted to ¥959.7 billion in fiscal 2011, ¥590.7 billion in fiscal 2012, ¥500.0 billion in fiscal 2013, ¥113.0 billion in fiscal 2014 and ¥101.2 billion in fiscal 2015.

Overview of Consolidated Operating Performance

Consolidated Financial Highlights

(Billions of yen)

	For the Year Ended March 31, 2012	For the Year Ended March 31, 2013	For the Year Ended March 31, 2014	For the Year Ended March 31, 2015	**For the Year Ended March 31, 2016**
Total income	330.2	341.1	362.1	339.9	**362.6**
Net income attributable to owners of the parent	77.3	71.3	124.3	92.7	**128.9**

Total assets	15,579.8	16,248.7	16,310.7	16,360.6	**15,907.1**
Loans	13,645.4	13,918.2	13,838.4	13,261.3	**12,952.5**
Securities	1,176.6	1,357.0	1,637.5	1,887.9	**1,803.0**
Total liabilities	13,118.8	13,710.1	13,682.9	13,613.3	**13,022.9**
Borrowed money	9,170.5	9,448.3	9,182.6	8,598.2	**7,892.1**
Debentures and corporate bonds	3,671.8	3,924.5	4,237.4	4,569.3	**4,727.9**
Total equity	2,461.0	2,538.5	2,627.7	2,747.2	**2,884.2**
Common stock	1,187.7	1,206.9	1,206.9	1,206.9	**1,000.4**
Total capital ratio (Basel 2, BIS standard)	18.56%	—	—	—	**—**
Total capital ratio (Basel 3, BIS standard)	—	15.52%	15.83%	16.80%	**17.87%**
Ratio of risk-monitored loans (Banking Act base)	1.47%	1.23%	0.99%	0.77%	**0.64%**
Return on equity	3.18%	2.86%	4.83%	3.47%	**4.60%**
Return on assets	0.51%	0.45%	0.76%	0.57%	**0.80%**
Number of employees	1,270	1,315	1,391	1,407	**1,435**

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

Consolidated Income and Expenses

In fiscal 2015, DBJ posted total income of ¥358.6 billion, up ¥19.5 billion from the previous fiscal year. Of this amount, interest income was ¥215.3 billion, down ¥20.3 billion, and fees and commissions rose ¥2.6 billion, to ¥11.3 billion. Other operating income fell ¥3.5 billion, to ¥9.5 billion, while other income increased ¥40.8 billion, to ¥122.4 billion.

Total expenses were ¥173.4 billion, down ¥12.5 billion. This amount included interest expenses of ¥106.9 billion, down ¥10.9 billion, expenses on fees and commissions of ¥0.7 billion, increasing ¥85 million, other operating expenses of ¥7.4 billion, dropping ¥3.2 billion, and general and administrative expenses of ¥46.0 billion, rising ¥2.4 billion, as well as other expenses of ¥12.1 billion, decreasing ¥0.9 billion.

Net interest income fell ¥9.4 billion, to ¥108.3 billion, whereas net fees and commissions increased ¥2.5 billion, to ¥10.5 billion. We posted net other operating income of ¥2.0 billion, down ¥0.2 billion from the preceding fiscal year. Net other income soared ¥41.7 billion, to ¥110.2 billion, largely owing to higher proceeds from sale of securities paralleling exits on several investments.

Consequently, income before income taxes and minority interests came to ¥186.7 billion, up ¥33.0 billion from the previous fiscal year.

After posting current income taxes of ¥51.7 billion, ¥0.2 billion more than in the previous fiscal year, deferred income taxes amounted to ¥5.8 billion, down ¥1.5 billion, and net income attributable to non-controlling interests decreased ¥1.8 billion, to ¥0.1 billion. As a result, consolidated net income attributable to owners of the parent came to ¥128.9 billion, ¥36.1 billion more than in the previous fiscal year.

Consolidated Assets, Liabilities and Equity

As of March 31, 2016, total assets amounted to ¥15,907.1 billion, down ¥453.4 billion from one year earlier. Of that amount, loans were ¥12,952.5 billion, down ¥308.7 billion. The main reason for the decrease in loans was the collection of crisis countermeasure loans that DBJ had extended in the past.

Total liabilities as of March 31, 2016, stood at ¥13,022.9 billion, ¥590.3 billion less than a year earlier. Of this amount, debentures and corporate bonds came to ¥4,727.9 billion, an increase of ¥158.6 billion, and borrowed money was ¥7,892.1 billion, down ¥706.0 billion. The decrease in borrowed money mainly reflects the decline in loans, including the collection of crisis countermeasure loans and, accordingly, lower borrowings (two-step loans) from Japan Finance Corporation.

Also, acceptances and guarantees came to ¥180.1 billion, up ¥12.6 billion.

Total equity at the end of the period was ¥2,884.2 billion, up ¥136.9 billion from one year earlier. The primary reason for this rise was higher net income attributable to owners of the parent.

Also, at DBJ's General Meeting of Shareholders in June 2015, a resolution was passed to distribute dividends on common stock. This dividend had a record date of March 31, 2015, and a total amount of ¥22.5 billion, for a dividend per share of ¥516, resulting in a payout ratio of 24.99%.

The unrealized gain on available-for-sale and other securities that DBJ holds independently, as well as shares in listed companies that DBJ owns through funds, came to ¥55.0 billion, down ¥30.7 billion compared with the previous fiscal year. 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 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 disclosed debt (risk-monitored loans) as stipulated by the Banking Act totaled ¥82.4 billion (down ¥19.8 billion from one year earlier), accounting for 0.64% of total loans, 0.13 percentage point less than at the end of the previous fiscal year.

Profit and Loss for Past Five Years (Consolidated)

(Billions of yen)

	For the Year Ended March 31, 2012	For the Year Ended March 31, 2013	For the Year Ended March 31, 2014	For the Year Ended March 31, 2015	**For the Year Ended March 31, 2016**
Gross operating profit	133.6	128.5	145.3	128.1	**120.9**
Net operating profit (after addition to the general provision for loan losses)	95.7	74.7	97.8	84.5	**74.9**
Income before income taxes and minority interests	110.2	116.2	166.0	153.6	**186.7**
Total income taxes	(31.9)	(44.5)	(40.8)	(58.9)	**(57.6)**
Net income attributable to owners of the parent	77.3	71.3	124.3	92.7	**128.9**
Total dividend amount*	37.3	35.2	30.8	22.5	**29.2**

*Record dates correspond to the total amounts of dividends for those respective fiscal years.

Overseas Business

Since its privatization (conversion to a joint-stock company) in October 2008, DBJ has worked to make entry into international business, creating an overseas risk management structure for investment and loans, preparing operating bases, training personnel and moving forward with core infrastructure. At the same time, it is working to expand its network with trustworthy partners. Through these efforts DBJ is promoting domestic and overseas financial institutions.

As one aspect of its efforts to build bases overseas, DBJ established DBJ Singapore Limited in December 2008, and DBJ Europe Limited commenced operations in November 2009. Furthermore, DBJ converted DBJ Investment Consulting (Beijing) Co., Ltd. (formerly DBJ-JAIC Investment Consulting (Beijing) Co., Ltd.) to a wholly owned subsidiary in June 2014.

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 enterprises and other entities that are planning to commence operations in North America and South America, as well as overseas enterprises that are considering entry into the Japanese market.

DBJ Singapore Limited

Established:	December 2008
Capital:	S$1,000,000
Business:	Investment and loan support and advisory services
Address:	138 Market Street, #15-02 CapitaGreen, Singapore 048946
Chairman:	Kazunari Sasaki
CEO & Managing Director:	Katsushi Kitajo

DBJ Europe Limited

Established:	November 2009
Capital:	€7,500,000
Business:	Investment and loan support and advisory services
Address:	Level 20, 125 Old Broad Street, London EC2N 1AR, U.K.
Executive Chairman:	Haruhisa Kawashita
CEO:	Mitsutaka Ozaki

DBJ Investment Consulting (Beijing) Co., Ltd.

Established:	September 2011
Capital:	¥60 million
Business:	Investment and loan support and advisory services
Address:	Beijing Fortune Building, Suite 814-815, No. 5, Dong San Huan Bei Lu, Chaoyang District, Beijing, 100004, P.R.C
Chairman & General Manager:	Yoshihisa Tsuruoka

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 an international financial institution, conducting investment 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 enterprises

Bangkok Bank

A major Thai bank that works with Japanese regional banks to provide lending denominated in local currency to small and medium-sized regional Japanese enterprises

Initiatives toward the Establishment of International Long-term Financial Markets

In line with the increased globalization of economies and finance, DBJ considers the establishment of efficient and stable international long-term financial markets to be important. Based on this conviction, DBJ joined the Long-Term Investors Club (LTIC), an international platform for financial institutions that conduct long-term financing in various countries, and the Long-Term Infrastructure Investors Association (LTIIA).

Established in 2009, LTIC is a global platform for cooperation among financial institutions in charge of long-term investment in various countries, reflecting change in the financial environment after the Global Financial Crisis. The LTIC promotes functions such as information sharing in long-term financing, academic study and research, and co-investment. Since 2014, DBJ has actively supported joint projects between the LTIC and the Organisation for Economic Co-operation and Development.

The LTIIA is a platform established in 2014 as an institution for offering recommendations on practical issues in relation to promoting infrastructure investment. DBJ participates in this organization as a founding member. A number of globally noteworthy infrastructure investors are also taking part, thereby encouraging practical measures for the promotion of infrastructure investment.

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.

The Japan Economic Research Institute primarily conducts surveys and provides consulting services.

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 both the public sectors and the private enterprises. 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:	Chiyoda-ku, Tokyo
President:	Tsuyoshi Inoue

DBJ Capital Co., Ltd.

DBJ Capital Co., Ltd. has invested in venture enterprises that can be expected to achieve high rates of growth, in an effort to support corporate growth and the creation of new industries in Japan. In addition to investing, DBJ Capital employs DBJ's and various other networks to provide support on the financing front and arrange solutions to meet the needs of investee enterprises.

Outline of DBJ Capital Co., Ltd.

Established:	October 2005 (Commenced operations on June 30, 2010)
Capital:	¥99.24 million
Business:	Investment in venture enterprises
Address:	Chiyoda-ku, Tokyo
President & CEO:	Fumiyuki Kashima

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

DBJ-IA was established to promote added-value creative equity financing (the "Value for Growth" Investment Program) to support growth strategies from a medium- to long-term standpoint emphasizing relationships of mutual trust with entities receiving investment funds.

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 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:	Chiyoda-ku, Tokyo
President & CEO:	Hiroshi Murakami

DBJ Securities Co., Ltd.

DBJ converted Hitachi Capital Securities Co., Ltd., to a subsidiary in August 2011 in a move to augment the financing methods available to it to meet increasingly diverse client needs. Given DBJ's increasing involvement with the company, in October 2011 the company's name was changed to DBJ Securities Co., Ltd and conversion to a wholly owned subsidiary in September 2014.

DBJ Securities provides a securities function to complement the DBJ Group's investment and loan functions, thereby increasing the number of financial solutions that the Group can offer its clients.

Outline of DBJ Securities Co., Ltd.

Established:	October 1998
Capital:	¥500 million
Business:	Securities business
Address:	Chiyoda-ku, Tokyo
President & CEO:	Hiroshi Sakamaki

DBJ Asset Management Co., Ltd.

DBJ Asset Management Co., Ltd., a wholly owned asset management subsidiary of DBJ, undertakes discretionary investment management services and advisory services for real estate fund investments, private equity fund investments and other alternative investments. The company draws on the comprehensive financial expertise and public-mindedness of the DBJ Group to provide excellent fund management opportunities to investors and also strives to meet the diverse needs of clients for asset management and thereby contribute to sustained growth of the Japanese economy and a stronger platform for such growth. Note that in August 2014, DBJ Asset Management stated its acceptance of Principles for Responsible Institutional Investors (Japan's version of the Stewardship Code).

Outline of DBJ Asset Management Co., Ltd.

Established:	November 2006
Capital:	¥100 million
Business:	Management of real estate fund, private equity fund and other fund investments
Address:	Chiyoda-ku, Tokyo
President & CEO:	Hiroshi Hori

Value Management Institute, Inc.

In April 2013, DBJ converted Value Management Institute, Inc., to a wholly owned subsidiary. This company plays research and consulting roles that target both the private and public sectors in the DBJ Group. The company provides the solutions to resolve the problems clients face through independent knowledge concerning specialization and competitiveness.

Outline of Value Management Institute, Inc.

Established:	June 1993
Capital:	¥75 million
Business:	Research, consulting and advisory services
Address:	Chiyoda-ku, Tokyo
President:	Tsuyoshi Inoue

Topics

2015

May

- Enactment of the Act for Partial Amendment of the Development Bank of Japan Inc. Act (See pages 22-23.)
- Establishment of the Social Value and Capital Formation M&A Awards
- Receipt of one of the ADFIAP Awards 2015, for DBJ Green Bonds at the ADFIAP annual meeting

Jun.

- Holding of the fourth DBJ Women Entrepreneurs New Business Plan Competition award ceremony
- Establishment of position of Chief Investment Officer
- Establishment of Growth Co-creation Facility (See pages 36 and 74.)
- Start of Special Investment Operations (See pages 22-23, 36, 50-51, 73, 74, 80 and 88.)

Aug.

- Announcement of Capital Investment Planning Survey (nationwide and by region) results (See page 61.)

Oct.

- Issuance of DBJ sustainability bonds (See pages 41 and 95.)

Dec.

- Announcement of Fiscal 2015 Capital Investment Planning Survey follow-up: "Future Investment Proposals: Shared Goals of Government and Private Sector"
- Participation in and presentation at Japan's largest environmental exhibition, Eco-Products 2015 (15th consecutive year) (See page 70.)

2016

Mar.

- Start of handling Beta Version Support Program

Apr.

- Jointly opened "Regional Revitalization and Finance Course," a master's program in public policy, with National Graduate Institute for Policy Studies (GRIPS) (See page 59.)
- Establishment of Kumamoto Recovery Office within Kyushu Branch as step toward restoration and reconstruction in the areas affected by the Kumamoto earthquakes in April 2016 (See pages 21, 53 and 124.)

May

- Toru Hashimoto, former president (now advisor), received the ADFIAP Distinguished Person Award in the individual category at ADFIAP Awards 2016, which took place at the annual meeting of the Association of Development Financing Institution in Asia and the Pacific (See page 71.)
- Holding of ceremony to open the Second Social Value and Capital Formation M&A Awards

Jun.

- Holding of the fifth DBJ Women Entrepreneurs New Business Plan Competition award ceremony (See page 48.)

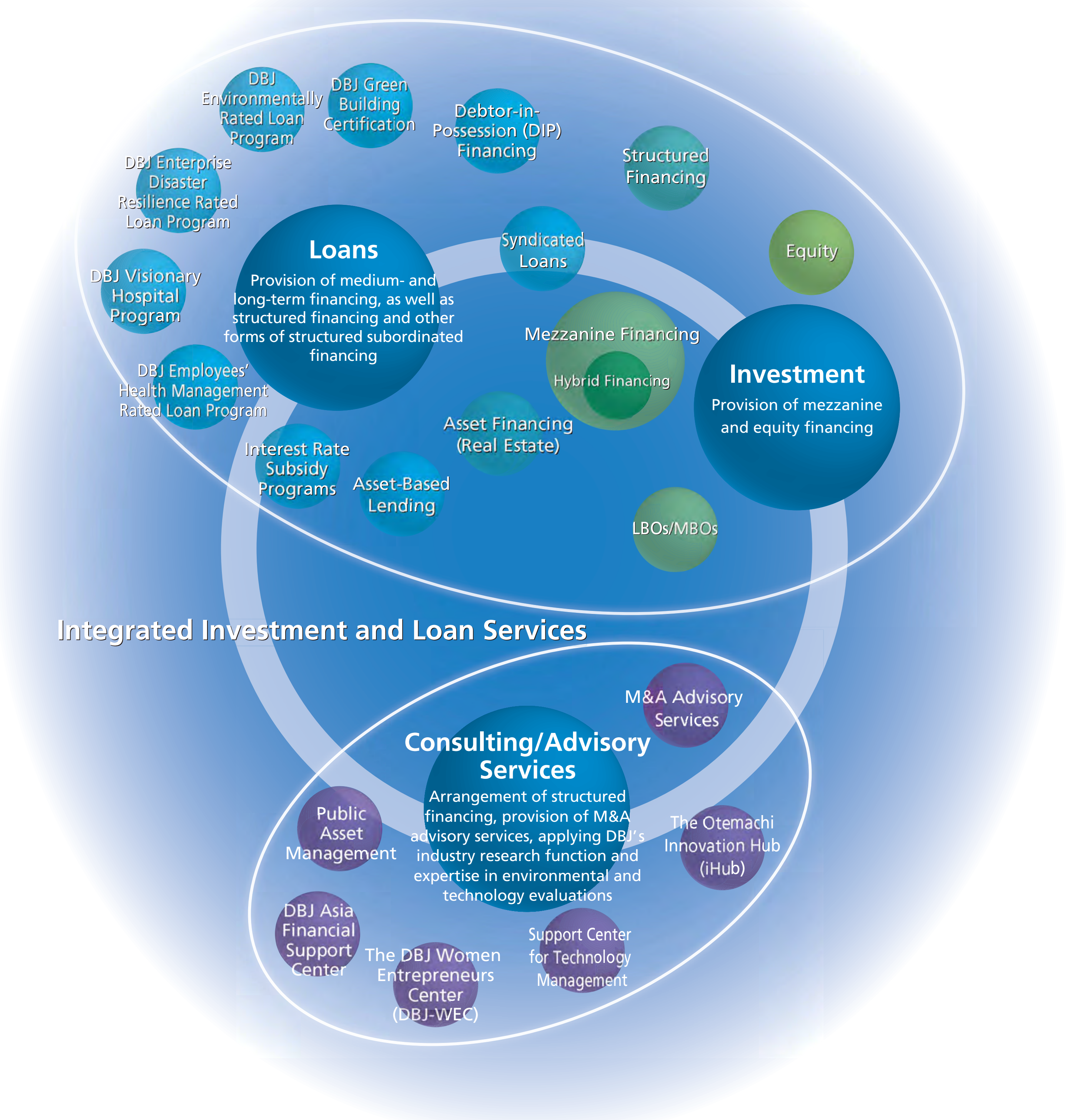
DBJ's Businesses

To resolve the various issues that the economy and society face and become its clients' most supportive financial institution, DBJ supplies long-term funds and provides risk capital, supports the formation of business and provision of information and takes a host of other approaches to ensure the smooth operation of businesses and projects serving a constructive purpose. In recent years, collaborating with other financial institutions, businesses and investors, we have worked diligently to develop financial and capital markets that allow funds to be raised more efficiently by applying our function as a financial institution with a trifecta of financial products and services—loans, investments and advisory services.

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 (DBJ Environmentally Rated Loan Program and other loans based on evaluations and certifications)
- Responds to diverse needs by offering non-recourse loans and develops and provides financing offering collateral and structural flexibility (debtor-in-possession financing, inventory collateral, intellectual property rights as collateral, etc.)

Investment

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

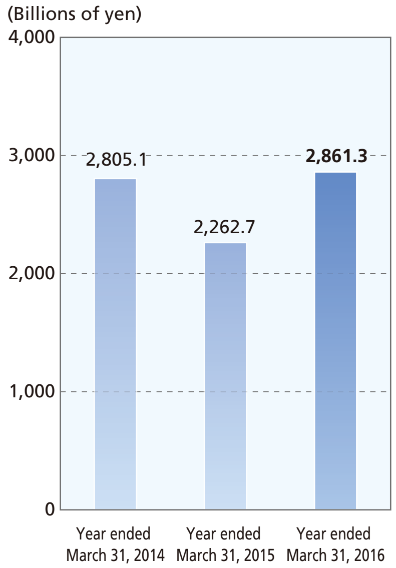
- We provide investment to assist businesses in terms of growth strategies, business restructuring, international competitiveness and infrastructure operations. We provide such funding through mezzanine financing, as well as through equity and other funding.

Consulting/ Advisory Services

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

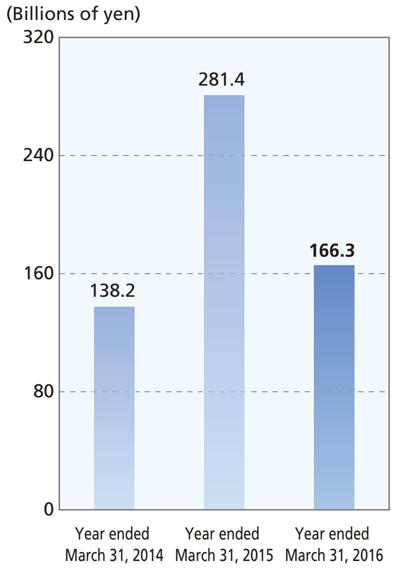
- Provides M&A advisory services
- Makes proposals that apply its expertise in industry research and ability to develop new financial technologies
- Arranges structured and other types of financing

● Loan Amounts Provided (Non-consolidated) (Flow base)



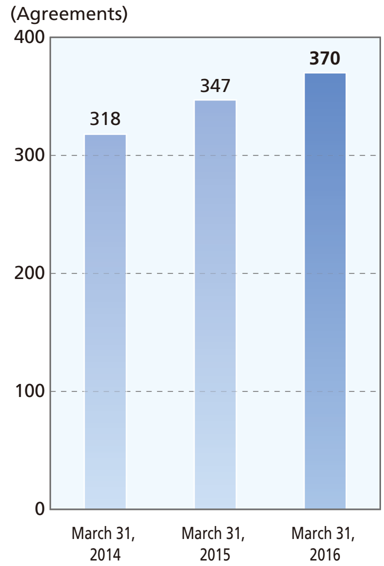
Note: Figures, including those for corporate bonds, are on a management accounting basis.

● Investment Amounts Provided (Non-consolidated) (Flow base)



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

● M&A Advisory and Consulting Agreements (Non-consolidated) (Cumulative)



DBJ's Businesses

Investments and Loans

DBJ provides medium- and long-term loans, meeting a host of client needs. In addition to senior loans—traditional corporate loans—we offer a range of other loans that employ advanced financial methods, such as project financing, non-recourse loans and other types of structured financing, meeting diversified needs for funding.

We also work to resolve client issues involving business expansion and support strategies and the formation of financial infrastructure. We achieve these goals by supporting the creation of funds, as well as mezzanine, equity and other financing methods, providing appropriate risk capital based on a long-term perspective.

The case study section on pages 72 through 91 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 enterprises, 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 terms are set in consultation with our client enterprises according to factors such as repayment plans, business profitability and the expected life of equipment and/or facilities. Grace periods may be applied as needed.
- **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/or 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. Medium- to long-term repayment may be proposed based on the profitability of the business that requires funding. DBJ also works to meet the varied needs of our clients, such as by introducing grace periods.

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 businesses.

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

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 comparatively risky 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. One of a diverse range of funding methods, mezzanine financing helps to ensure economic rationality by setting adequate interest rate and dividend levels to correspond to the investment 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.

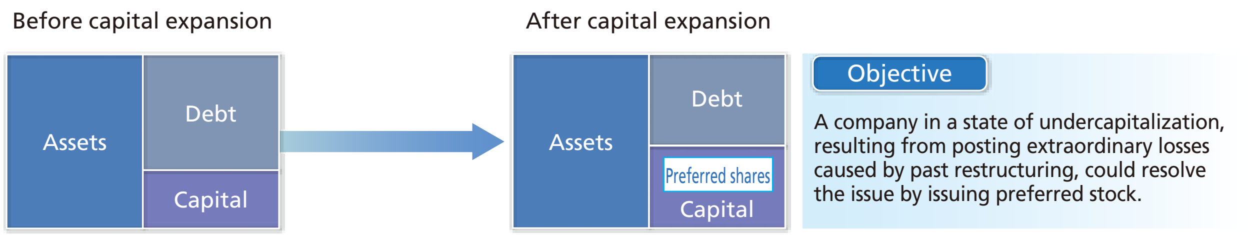
From a long-term perspective, DBJ helps clients resolve their balance sheets issues through total financing solutions that range from structuring and arrangement to providing risk capital.

Types of Mezzanine Financing

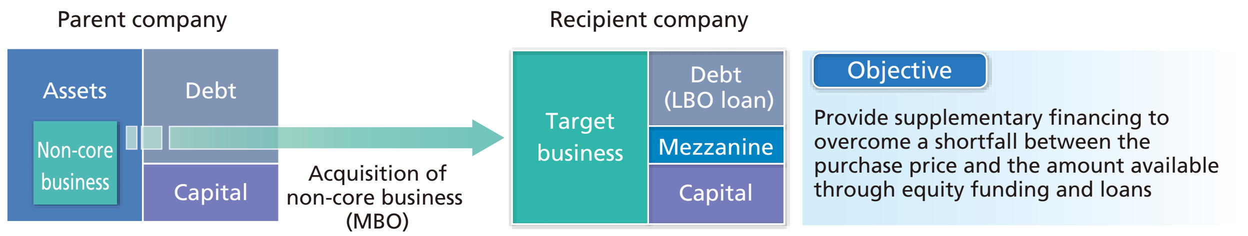
- Subordinated loans, subordinated bonds
- Preferred shares, classified shares
- Hybrid financing, etc.

● **Case Studies: Mezzanine Financing**

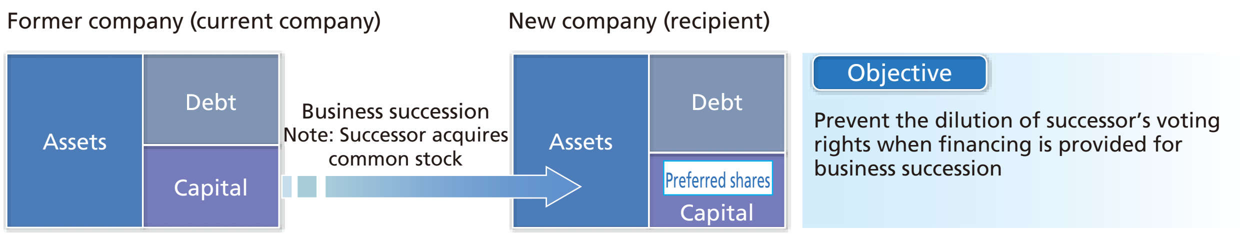
Case 1: Resolving an Undercapitalization Issue



Case 2: Supplementary Method of Financing a Business Acquisition



Case 3: Avoiding Dilution of Voting Rights during Business Succession



Equity

Along with heightened need for growth through such initiatives as new business creation, business restructuring, M&A activity and responses to globalization comes demand for stronger corporate governance. Consequently, equity has become increasingly important to corporate management.

Through equity investment, DBJ helps clients address the issues they face and supports their long-term development. After making equity investments, DBJ draws upon its networks and strengths in information, industry research and financing technologies to provide total solutions fine-tuned to clients' issues, helping them maximize their long-term corporate value. In fiscal 2010, DBJ initiated the Value for Growth Investment Program to enhance added-value creative equity investment supporting the growth strategies of enterprises in its client portfolio. This program aims to realize the corporate growth strategies (M&A, capital and overseas) of the Japanese enterprises receiving equity investment and thereby supports improvement in corporate value over the medium to long term.

Through equity investment, DBJ shares in its clients' growth and successes and contributes to a more prosperous future.

Client Needs

- Initiatives targeting new business creation, business restructuring and M&A activity
- Response to globalization
- Meeting corporate governance requests

DBJ's Solutions

- Injection of growth capital
  Inject capital into individual enterprises, special-purpose companies, various funds, etc.
- Globalization measures
  Support Japanese enterprises' efforts to expand overseas; help non-Japanese enterprises to expand in Japan's markets
- Post-investment provision of solutions
  Provide total solutions involving DBJ's networks and strengths in information, industry research and financing technologies

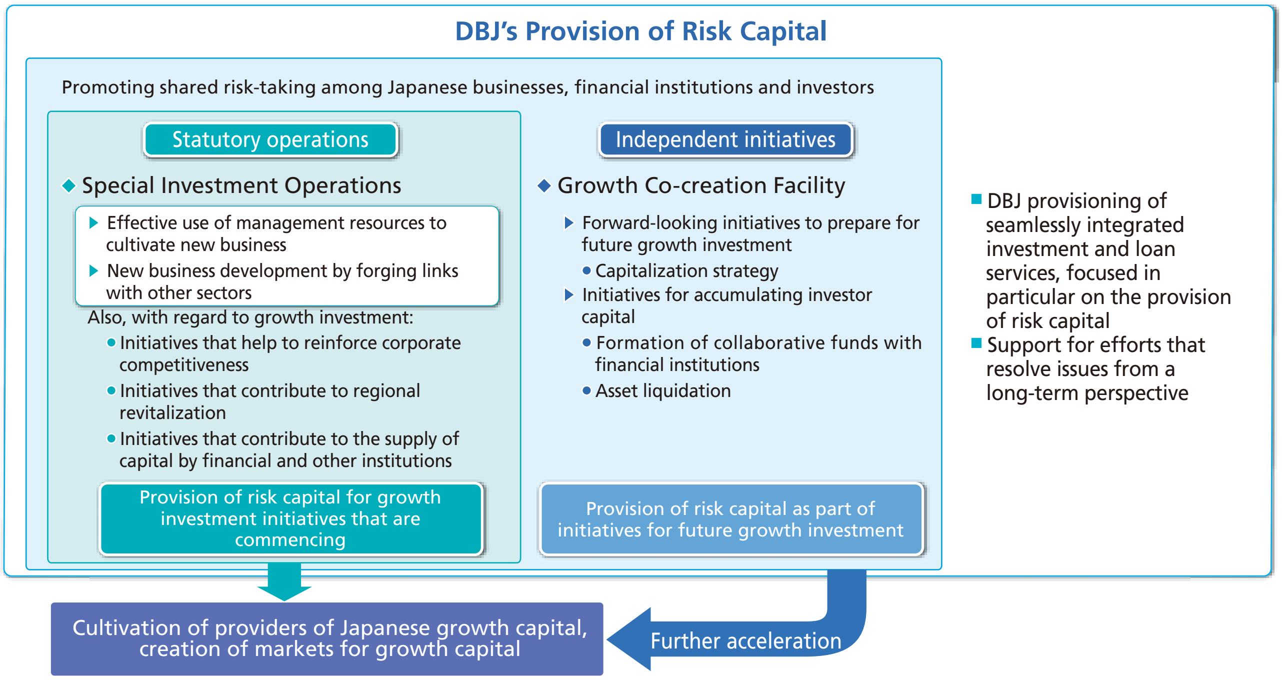
Results

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

Providing Growth Capital

As DBJ is expected to cultivate providers of growth capital for Japan and accelerate the creation of markets for growth capital*, in addition to focusing on such statutory operations as Special Investment Operations, we have taken the independent initiative of establishing the Growth Co-creation Facility. This facility promotes shared risk-taking in a wide range of growth investments among Japanese businesses, financial institutions and investors.

*According to the Japanese government's Study Panel Concerning the Promotion of Expanding Growth Funding, for the foreseeable future DBJ is expected to serve a pump-priming function to attract private-sector investment by cultivating new capital providers, markets and investors, fostering the development of an investment cycle led by the private sector.



Structured Financing, Financial Technologies

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 October 2008, DBJ has maximized its unique characteristics to meet Japanese enterprises' increasingly diverse and global needs. We provide all-around support by offering project finance, PFIs, object finance, securitization and various other financial products and optimal financing methods (senior loans, mezzanine loans, equity, etc.) to our clients both in Japan and overseas.

● Project Financing

We have a wealth of expertise in helping enterprises in the energy and infrastructure sectors find project financing—primarily with regard to large-scale projects—that they can repay through project cash flow, without relying on specific corporate creditworthiness or collateral value. The finance solutions we provide underpin these enterprises' efforts to raise funds and control risks. In recent years, in addition to project financing arrangements and financing services related to domestic renewable energy power generating facilities and new power generating facilities set up by independent power producers paralleling deregulation of the electric power business, DBJ has been proactive in its financing of energy and infrastructure projects overseas.

● Object Financing

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

● Securitization

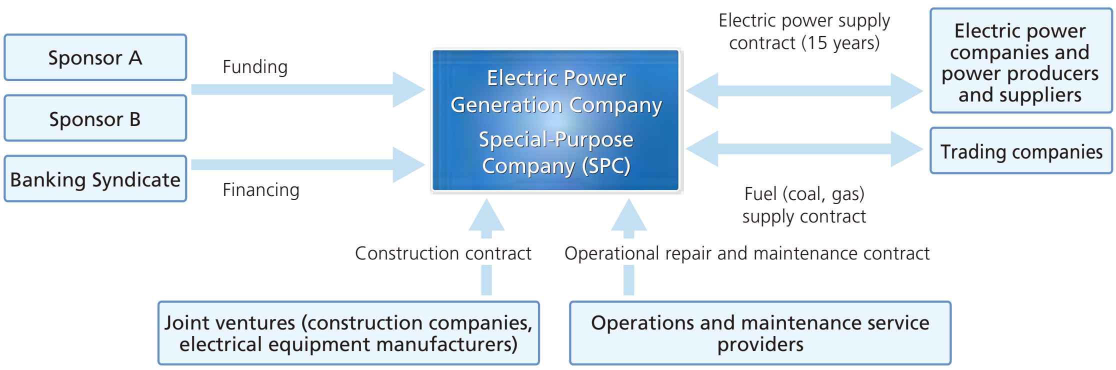
Through finance methods such as liquidation and securitization of receivables focusing on their future cash flows, and through whole business securitization in which debts are repaid through future cash flows generated by a particular business, DBJ supports its clients' finance strategies and helps optimize their funding.

● PPPs and PFIs

Since the Japanese government's enactment of the PFI Act* in 1999, DBJ has taken advantage of its strong relations with public-sector entities to accumulate expertise and become an industry leader in such schemes, providing PFI support to numerous clients. Expectations for PFIs are growing, and amendment to the PFI Act in recent years marked the introduction of concession-type PFIs. In this environment, we provide numerous types of support to help clients in Japan and overseas to resolve the issues they face.

*Act on Promotion of Private Finance Initiative

● Project Financing Example: Electric Power Generation Project



DBJ's Businesses

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 non-recourse 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 condition by reducing interest-bearing debt
   - Eliminates risk of fluctuations 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 investments 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 enterprises or businesses using borrowed money. If the enterprise or business that is being acquired generates fixed cash flows, the acquirer (typically, the sponsor providing equity) can purchase the business or enterprise for relatively little cash. For this reason, the borrowed funds are considered the "lever" that multiplies the return on the purchaser's funds. As LBOs typically involve large amounts of borrowings, the underlying business needs to generate steady cash flows.

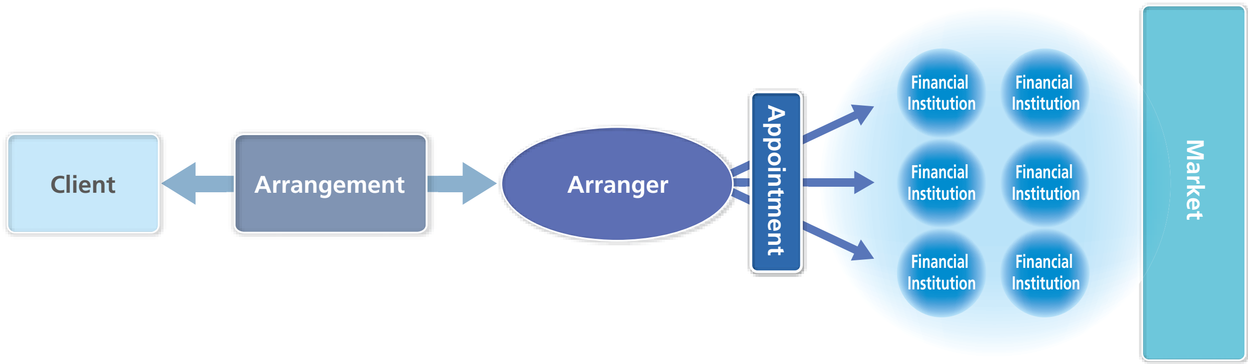
Management buyouts (MBOs) involve the acquisition by the existing corporate management of a company's shares or operations. As the existing management team typically has a limited amount of cash available, MBOs generally require that funds be raised to acquire an operation. For this reason, an MBO may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

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.

Syndicated Loans

This type of loan involves multiple financial institutions that are combined into a syndicate under a lead-managing financial institution (an arranger). The agreement with the client is based on a single contractual document, and financing is provided cooperatively according to a single set of terms. There are a number of clear advantages on the client side in this type of loan. Having a single arranger in the point negotiating position with financial institutions reduces the burden for client, as does conducting settlement operations through that agent. Large amounts can be raised expeditiously. The number of financial institutions involved in the transaction can be increased by the arranger's appointment, and clarity of borrowing terms is ensured.

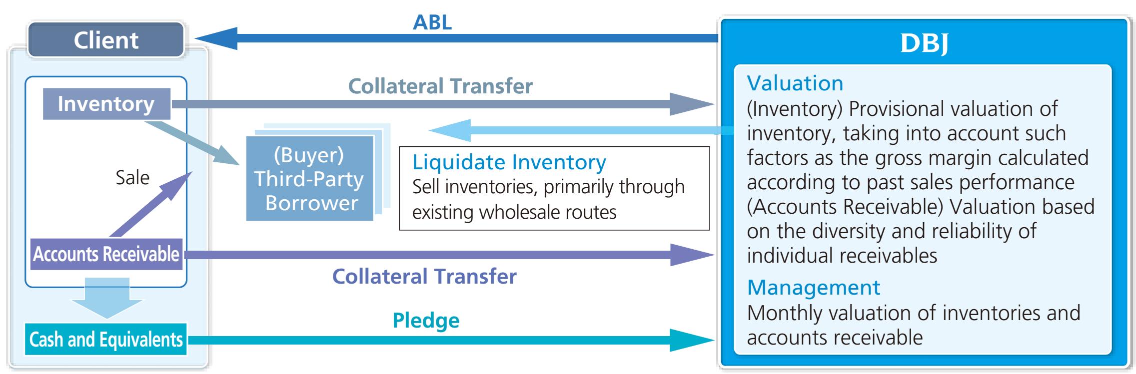
As part of its services, DBJ actively structures loans, centering on term loans. DBJ invites a wide range of financial institutions to participate, making use of its neutral standpoint. Structuring loans to include some items from its own lending menu, such as the DBJ Environmentally Rated Loan Program,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



Asset-Based Lending

Asset-based lending (ABL) is a method of financing that uses as collateral an enterprise's liquid assets, such as aggregate movable property, inventory collateral and accounts receivable. Clients can take advantage of this method to diversify financing methods and carry out expeditious fund-raising, debt restructuring and the sale of surplus inventories, as well as to enhance the robustness of internal control systems.

As a front-runner, DBJ has gained abundant experience in corporate revitalization financing. In order to both achieve the goals of supporting enterprises and secure lender's claims, DBJ has developed and put into use ABL schemes. Going forward, we plan to apply this expertise to develop ABL schemes that provide enterprises with growth capital.

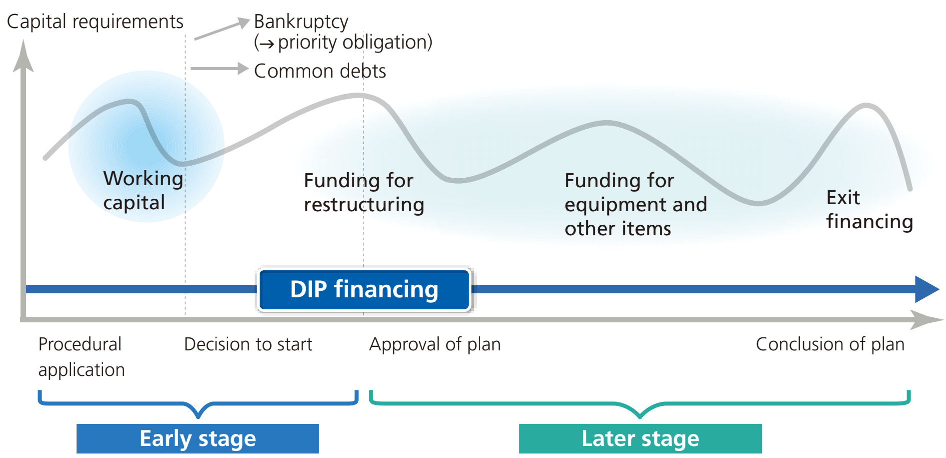


Debtor-in-Possession Financing

Non-performing 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 enterprises sustain or develop profitable areas of operations. One method of which DBJ is a proponent is early-stage 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

DBJ Environmentally Rated Loan Program

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 its DBJ Environmentally Rated Loan Program based on knowledge cultivated for nearly four decades. DBJ developed a screening (rating) system that scores enterprises on the level of their environmental management and then sets financial conditions based on these evaluations. This was the world's first incorporation of environmental ratings in financing menus. In fiscal 2014, we substantially revised the evaluation items based on our 10-year track record in these evaluations and a growing interest in incorporating non-financial information as elements of corporate value.

Also, employing the experience we gained through the DBJ Environmentally Rated Loan Program, in fiscal 2009 we began offering a service to help regional banks develop evaluation tools to use in performing their own environmental ratings. Through such initiatives, we aim to augment environmental financing and encourage its proliferation in Japan.

In October 2015, DBJ issued Japan's first sustainability bond, with funds raised through the bond to be applied to the DBJ Environmentally Rated Loan Program and other lending initiatives.

Program logo

Features

- Varying interest rate levels based on environmental ratings
- Fair and neutral evaluation based on global environmental trends
  Based on information exchanges with the United Nations Environment Programme Finance Initiative (UNEP FI) and the Ministry of the Environment, DBJ developed a screening sheet containing approximately 120 questions.
  DBJ convenes an Environmental Ratings Advisory Committee after seeking advice from outside experts; screening questions are renewed annually.
- Ratings determined through interviews with clients
- Applicability to a wide range of clients

DBJ Enterprise Disaster Resilience Rated Loan Program

DBJ's financing track record includes schemes supporting disaster-resilient city planning and the recovery of disaster-stricken areas through anti-disaster measures and financing related to disaster recovery. In addition, from the standpoint of business continuity management (BCM) DBJ assists clients' total enterprise risk management efforts, including the formulation of business continuity plans, the earthquake-proofing of facilities and the preparation of IT backup systems. At the same time, DBJ offers financing methods to provide restoration funds needed in time of disaster. DBJ Enterprise Disaster Resilience Rated Loan Program is employed in evaluations to identify enterprises engaged in high-level initiatives and anti-disaster and business continuity measures and provide them with preferential interest rate financing as a reward for their excellent disaster preparedness. Financing conditions are set on the basis of the evaluations. In this manner, we introduced the world's first BCM-based financing method.

We revised our evaluation contents substantially in fiscal 2011 as a result of the Great East Japan Earthquake. Enterprise business continuity activities are assessed comprehensively, including in terms of strategies for resiliency and systems for recovering in the event a crisis materializes.

The DBJ Disaster Preparedness Ratings since fiscal 2006 both (1) are expressions of evaluation results and (2) promote broad awareness of the concept of BCM. Aiming to realize the goal of a "resilient Japanese society through BCM ratings," in fiscal 2012 we changed the name of these ratings to the "DBJ Enterprise Disaster Resilience Rated Loan Program."

We will continue to promote enterprise risk management and business continuity through the DBJ Enterprise Disaster Resilience Rated Loan Program.

Program logo

Features

- Varying interest rate levels based on BCM ratings
- Fair and neutral evaluation based on global crisis management trends
  Based on information exchanges with the Japanese government's Cabinet Office, the World Economic Forum, the UN World Conference on Disaster Risk Reduction, NPOs and other experts, DBJ developed a screening sheet containing approximately 100 questions.
  DBJ convenes a BCM Rating Advisory Committee after seeking advice from outside experts; screening questions are renewed annually.
- Ratings determined through interviews with clients
- Applicability to a wide range of clients

DBJ Employees' Health Management Rated Loan Program

In April 2008, the Ministry of Health, Labour and Welfare introduced a special health checkup system, and in December 2015 it will become obligatory for businesses to evaluate employee stress levels. This is one example of the growing importance being placed on maintaining the health of corporate employees. As Japan's working population is expected to shrink, achieving higher levels of human productivity has become an issue of growing importance. With these social conditions as a backdrop, the DBJ Employees' Health Management Rated Loan Program aims to popularize and promote the concept of health management. DBJ has applied to take on Ministry of Economy, Trade and Industry (METI) survey operations. As part of this effort, we use an evaluation system that we have developed to assess enterprises and select those that are superior in terms of their consideration for employee health and offer them financing terms in line with their assessment levels. DBJ is the first institution in the world to offer a financing menu incorporating employee health management ratings.

DBJ健康格付
2016

Program logo

Features

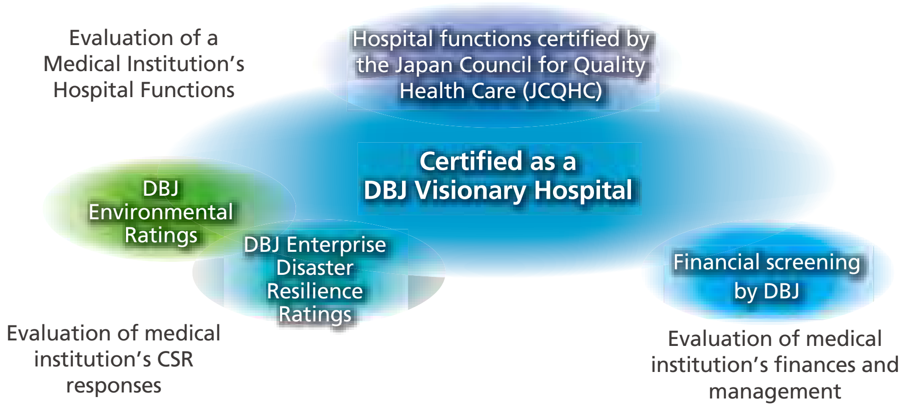
- Varying interest rate levels based on Employee Health Management Ratings
- Formation of the Health Management Consortium, consisting of institutions focused on preventive healthcare and development of screening sheets to promote the Health Management Project as an ancillary activity for METI
- Ratings determined through interviews with clients
- Applicability to a wide range of clients

DBJ Visionary Hospital Program

In recent years, hospitals have been the source of increasing attention for the role they play as bases for safety and security in regional societies. In May 2012, we introduced the DBJ Visionary Hospital Program to support the advancement of medical functions, as well as to encourage proactive environmental consciousness, disaster prevention and business continuity measures. For institutions that have had their hospital functions certified by the Japan Council for Quality Health Care, DBJ uses the environmental assessment and BCM evaluation system it developed to certify hospitals as DBJ Visionary Hospitals (namely, those that have in place superior environmental consciousness, disaster prevention and business continuity measures), offering them a financing menu with financing terms set according to their assessments. Through this measure, DBJ supports hospitals' efforts to continue providing good healthcare in regional societies.

Features

- Interest rate levels that vary based on the DBJ Environmentally Rated Loan Program and DBJ Enterprise Disaster Resilience Rated Loan Program
- Certified hospital's environmentally conscious initiatives and disaster-preparedness measures that are expected to create broad appeal for regional societies



DBJ Green Building Certification

Applying the expertise and networks accumulated over many years of real estate financing, DBJ inaugurated DBJ Green Building Certification in fiscal 2011. This certification program provides investment and loan support for real estate development, refurbishment and other activities of clients that own or manage real estate that evinces environmental and societal considerations (green buildings). Through this program for evaluating and certifying the sustainability of real estate, we contribute to the broad-ranging IR, PR and CSR aspects of our clients' real estate businesses.

In March 2013, we commenced the joint operation of this certification system with Japan Real Estate Institute (JREI). In addition to existing editions for office buildings and logistics, in November 2014 we added an edition for commercial facilities, followed by the January 2015 addition of a residence edition. These changes increased to four the type of properties eligible for certification. Going forward, we aim to foster a correlation between a building's certification ratings and its economic value, creating a market in which green buildings are valued appropriately.

Features

- Takes into account initiatives requested by a variety of stakeholders in addition to environmental performance
- Provides five levels of certification based on scoring results
- Allows a lineup based on facility upgrades, operational improvements and various other proactive client measures

● Overview of the DBJ Green Building Certification

Evaluation Items

Real estate evincing environmental and societal considerations, evaluated in terms of the following three characteristics

Ecology

Reducing the burden buildings place on the environment
- Building's energy-saving performance initiatives toward the conservation of resources
- Production and use of renewable energy, etc.

+

Amenity, Diversity & Risk Management

Diversity in supply of comfort/Safety and security
- Comfortable facility specifications; equipment that is convenient for people who use the building
- Building disaster performance, security, etc.

+

Community & Partnership

Relationships with stakeholders and surrounding community
- Relationships with the surrounding environment and region
- Communication between owners, stakeholders, etc.

Certification Results

Clients' scoring above a certain level are certified in one of five categories, depending on the status of their initiatives.

Properties with the highest level environmental & social awareness	Properties with exceptionally high environmental & social awareness	Properties with excellent environmental & social awareness	Properties with high environmental & social awareness	Properties with sufficient environmental & social awareness
DBJ Green Building 2016 ○○○○○	DBJ Green Building 2016 ○○○○	DBJ Green Building 2016 ○○○	DBJ Green Building 2016 ○○	DBJ Green Building 2016 ○

Regional Areas *Genki* Program

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.

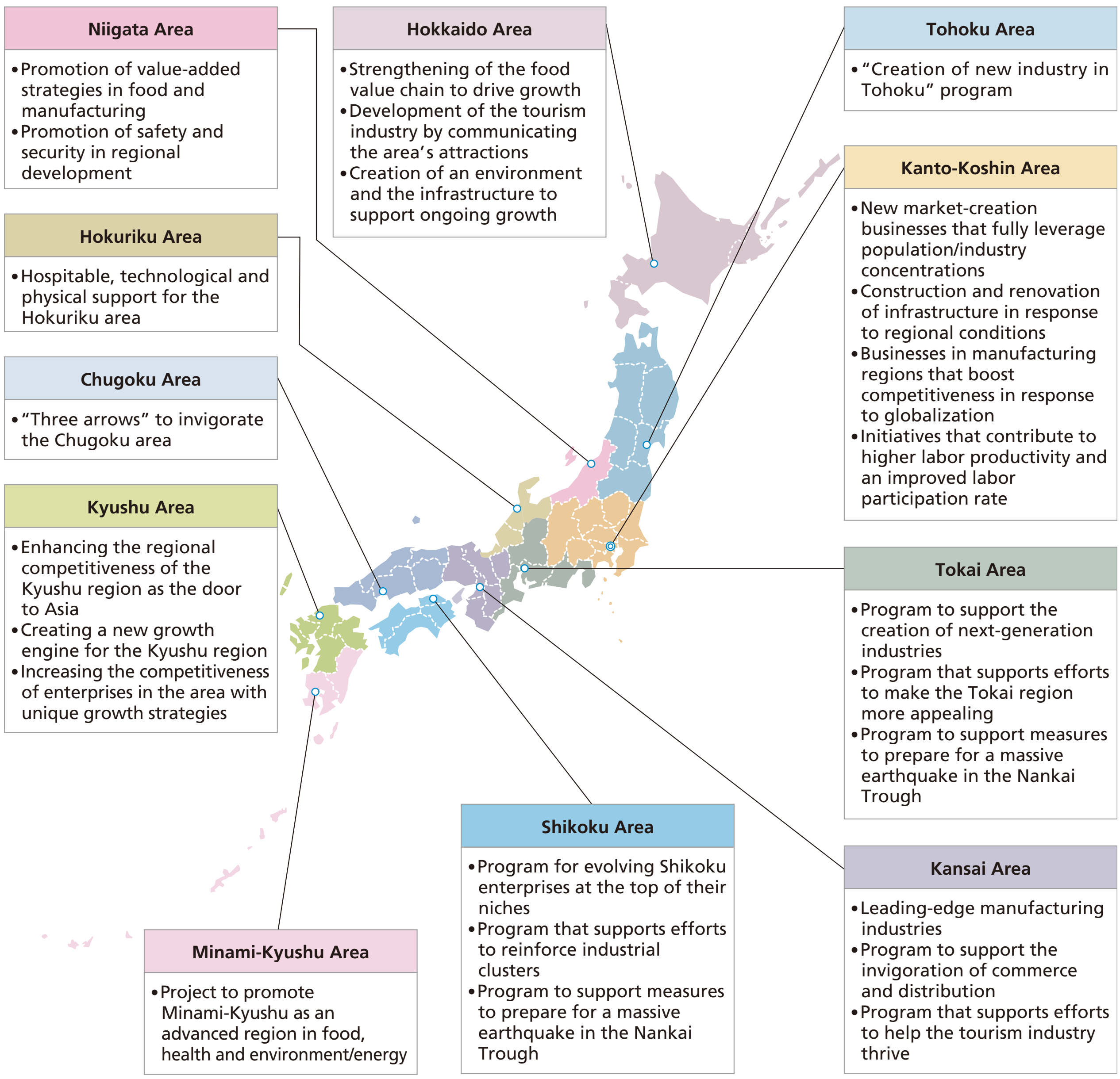
In 2010, DBJ arranged a unique initiative, the Regional Areas *Genki**1 Program, to support regional growth that capitalizes on each region's respective strengths and potential from information and funding aspects. In addition, each DBJ branch office focuses on its region's distinctive fields and businesses, based on its industrial structure, and partners with regional financial institutions to offer financial support.

To further promote these initiatives, DBJ has partially revised the content of programs set by each of its branch offices and has adopted as a nationwide theme the concept of "enterprises that contribute to the region."*2 By further bolstering activities on the financial and information fronts for enterprises that contribute to their regions, DBJ is helping to foster a virtuous circle of *genki* between regions and enterprises.

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

*2 Enterprises that contribute to the region: Enterprises that create employment opportunities and utilize the region's personnel and resources, effectively employing people, physical goods and money for the good of the region, including increasing its productivity.

● **Regional Areas *Genki* Program**



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 are provided to businesses endorsed by the Japanese government in line with the regional revitalization plans of regional municipal bodies certified by the Japanese government.
- **Interest rate subsidy system for internationally strategic comprehensive special zones; interest rate subsidy system for comprehensive special zones targeting regional revitalization**
  These interest subsidy systems target operations endorsed by the Japanese government in line with plans for comprehensive special zones of regional municipal bodies certified by the Japanese government.
- **Interest rate subsidy system for special zones for reconstruction**
  This interest rate subsidy system targets operations endorsed by the Japanese government in accordance with the reconstruction plans of regional municipal bodies certified by the Japanese government in the areas identified in the Law for Special Zones for Reconstruction (227 towns and cities).
- **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 Japanese 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 ratings**
  These interest rate subsidies are for fixed investment and the promotion of research and development to prevent global warming, and target enterprises involved in businesses working toward the reduction of energy-derived CO_2 emissions, thus qualifying for the DBJ Environmentally Rated Loan Program, and that have pledged to improve unit CO_2 emissions or reduce overall CO_2 emissions within a certain period of time.
- **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 enterprises 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 enterprises 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 and to promote the introduction of special equipment (energy conservation interest rate subsidy)**
  These interest rate subsidy programs can be used by enterprises that are promoting the conservation of energy by a certain amount.
- **Interest rate subsidy programs to fund effective resource use and other activities**
  These interest rate subsidy programs can be used by enterprises that are using resources at highly effective levels.

Crisis Response Operations

Crisis Response Operations, on the basis of the Japan Finance Corporation Act (Act No. 57 of 2007, including later revisions) consist of the provision of necessary funds during such crises as disruptions in domestic or overseas financial markets or large-scale disasters. In response to crisis-related damage, Japan Finance Corporation provides two-step loans as complementary risk and other measures to government-designated financial institutions (designated financial institutions) that supply necessary funds to address crisis damage.

At the time of its establishment, DBJ was designated as such a financial institution, as was Shoko Chukin Bank Ltd. In accordance with this designation, DBJ commenced its Crisis Response Operations in October 2008.

Thereafter, the Lehman Shock and the Great East Japan Earthquake occurred, and the Japanese government called on DBJ to steadily mount large-scale Crisis Response Operations. Due to these crises, the DBJ Act was revised twice. By accepting an additional capital increase from the Japanese government, DBJ was able to create sufficient preparations and smoothly conduct Crisis Response Operations.

The 2015 revisions to the DBJ Act evaluated the role DBJ has played through its Crisis Response Operations and absence of private-sector financial institutions following the Lehman Shock and the Great East Japan Earthquake. DBJ became obliged to implement Crisis Response Operations for an indefinite period. (See also pages 52–57.)

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 in various industries and of various sizes 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 75 introduce DBJ's "CSR through Investment, Loan and Other Businesses" approach.

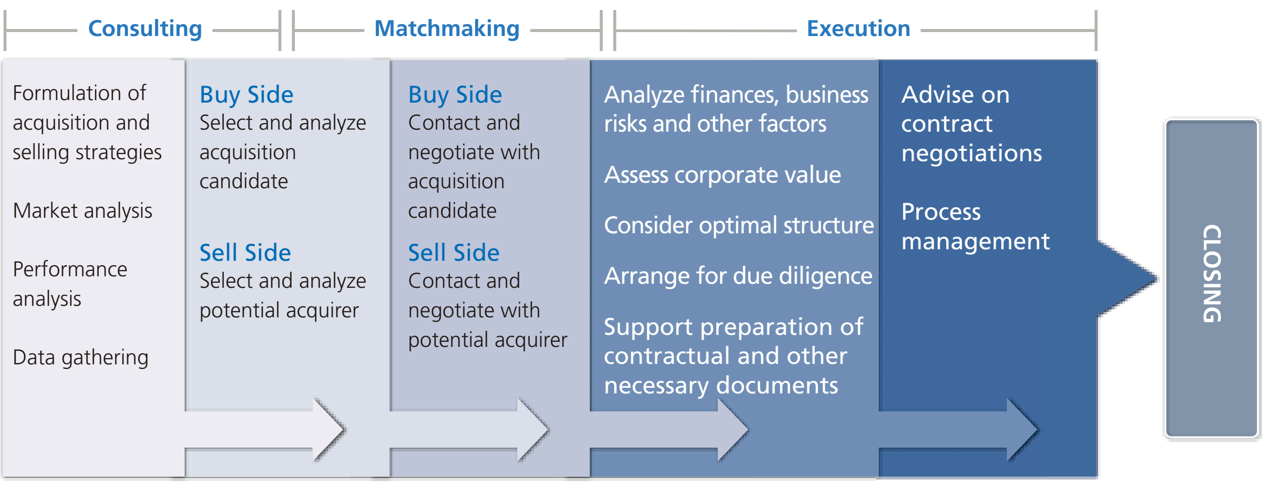
M&A Advisory Services

As corporate development options diversify, M&A activity is growing more prevalent amid the expansion of business overseas, 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.

M&A Advisory Service Characteristics

- **Partners**
  DBJ is thoroughly client-focused and takes a long-term perspective, working with clients to help them realize the visions they have set for themselves.
- **Brand**
  DBJ is a unique and trusted financial institution that has built up its brand over many years of financing and experience in providing project support and maintaining relations over the long term.
- **Knowledge**
  DBJ has developed deep insights into a broad range of industries by virtue of its provision of financing over many years, as well as analytical capabilities and the ability to maintain strategy that is unaffected by short-term movements.
- **Network**
  DBJ maintains close relationships with overseas financial institutions, domestic regional financial institutions, accounting and legal firms, and government institutions both in Japan and overseas. Such relationships enable us to build networks to accumulate accurate information.

● M&A Advisory Services



The Otemachi Innovation Hub (iHub), Beta Version Support Program

In April 2013, we opened the Otemachi Innovation Hub (iHub) within our headquarters building, as a new opportunity for value creation, with an eye toward finding solutions to social issues through business that leverages DBJ's neutrality and extensive network and combines these features with dormant corporate expertise. In addition, to contribute to the regional revitalization espoused by the Japanese government, we have promoted the regional development of iHub matched to the challenges and problems specific to each region.

In fiscal 2015, we shone a bright spotlight on joint creation between enterprises and regions, and with local enterprises in Sapporo (Hokkaido), Himi (Toyama Prefecture) and Setouchi (Okayama Prefecture) and enterprises in Tokyo and other places outside these three cities, as well as local governments, financial institutions and other participants, we tackled the design of sustainable business models based on underlying issues specific to the regions surrounding Sapporo, Himi and Setouchi.

DBJ also launched a new initiative—the Beta Version Support Program—in December 2015 to assist in raising some of the funds needed by enterprises to verify business models at the development stage of the business they are pursuing and to encourage progress toward viable operations. This program is expected to contribute nicely to the formation of solutions to social issues and to regional revitalization through technological innovation, market creation and other positive developments. Moreover, it targets business development projects in which DBJ is proactively involved from a knowledge perspective, including the iHub connection. For the first project under this program, we have chosen to support a demonstration project for new preventative services to be offered by Hankyu Hanshin Holdings, Inc.

● **Typical Examples of iHub Regional Development (Last Two Years)**

Region	Date	Theme
Sapporo	January-March 2016	Addressing issues in Sapporo, world city
Hokuriku	From December 2013	Participation in the Hokuriku regional alliances platform
Toyama	November 2014, May 2015	Workshop entitled "Eliciting Dormant Expertise in Toyama"
Himi	July-December 2015	Creating solutions to issues in Himi
Tokai	June–October 2015	Opportunity for new value creation by Tokai B2B enterprises
Kansai	From December 2013	Healthcare
Setouchi	From October 2015	Initiatives to establish a Setouchi brand
Fukuyama	July-December 2015	Innovation seminars
Hiroshima	June–October 2014, June–September 2015, June 2016	Opportunity to jointly consider new business ideas
Kochi	May–September 2015	Opportunity to create new businesses by leveraging regional resources
Kyushu	From December 2013	Participation in "Future of Kyushu 2030"

Support Center for Technology Management

The Support Center for Technology Management plans and operates iHub and also undertakes surveys and provides advice on future business models linked to new value creation from the perspective of technology management—that is, the ability of management to derive value from technology in manufacturing—and conducts seminars and other activities related to technology management.

We consider optimal growth strategies and business plans along with our clients, a process that includes second opinions based on our expertise in business screening and advice on business and financial strategies.

● **Changes in the Manufacturing Business Environment**

	Past	Future
Ways to create value	Values of products themselves	Technical expertise to take a global lead Combination of diverse elements, including products and services
Desired capabilities	Increasing performance and functionality Raising efficiency, lowering costs	Expertise on value designing and ability to communicate with society Overwhelming expertise in manufacturing technologies and quality management capabilities
The background of the times	Mass production Catching up with Europe and the United States	Increasing uncertainty due to more-global and flatter markets Advances by companies from emerging markets Dramatic advancement in ICT

The DBJ Women Entrepreneurs Center

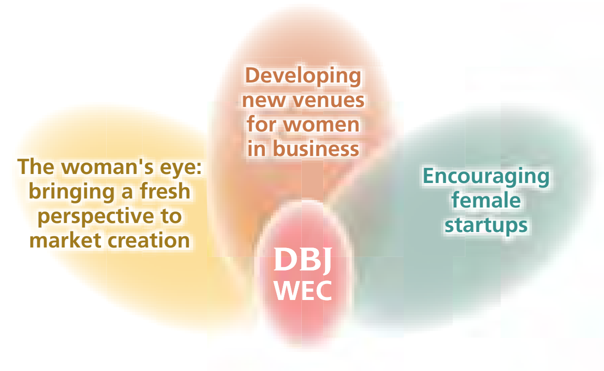
Since the end of 2012, the Japanese government has prioritized "strengthening the utilization of human resources" as a key growth strategy to lead the Japanese economy, which had shifted into gradual recovery, toward sustained growth. With women increasingly expected to contribute to the realization of this goal, businesses created from a new, female perspective are the required element that will drive the creation of new markets and transform society.

In response to such expectations, the DBJ Women Entrepreneurs Center (DBJ-WEC) provides comprehensive support, including funding and business startup expertise, that underpins new business growth by women.

As part of its initiative to cultivate and foster new businesses, DBJ-WEC holds an annual business plan competition for female entrepreneurs. The winner of the competition (i.e., a business plan presenting excellent potential and innovative qualities) is awarded an incentive payment of up to ¥10 million. Additionally, DBJ-WEC offers a variety of support to achieve business plans, including cooperation with outside experienced entrepreneurs and experts in various fields, access to startup expertise and advice and network introductions after the competition. In the Fifth DBJ Women Entrepreneurs New Business Plan Competition, we established the Business Encouragement Award for businesses that have the potential to expand with subsequent support or other forms of assistance.

The business plan competition has received more than 1,800 ideas in total over the past five events, a testament to the expanding involvement of women keen to run their own business.

Going forward, the center will continue to work with regions and specialists to help female entrepreneurs develop new ideas into viable businesses.



The DBJ Women Entrepreneurs Center

Award ceremony of the Fifth DBJ Women Entrepreneurs New Business Plan Competition

Grand prize winner at the fifth annual competition: Junko Kemi (kay me Ltd.)

DBJ Asia Financial Support Center

DBJ opened the DBJ Asia Financial Support Center in June 2011 to reinforce its function as a provider of local information and consulting services to regional banks supporting the efforts of small and medium-sized enterprises and other entities in their regions to promote business in other parts of Asia.

The center's role is as a liaison to help small and medium-sized enterprises with their various needs in developing business operations in Asia from an information perspective in cooperation with regional banks throughout Japan. In addition to leveraging DBJ Group resources, such as its overseas representative office and subsidiaries and its subsidiary Japan Economic Research Institute Inc., this center provides consulting services that take advantage of a comprehensive agreement on collaboration with Hitotsubashi University (entered into in June 2011) as well as networks of overseas development finance organizations, private financial institutions and other sources of financial insight.

As of May 31, 2016, the center has a membership of 67 regional banks and has fielded a total of 1,754 inquiries. Breaking down inquiries by country, the majority pertained to China, Thailand, Vietnam or Indonesia, and the content dealt mainly with market research and business matching. In 2014, we began playing a part in the "fast-pass" system (currently, the new exporting superpower consortium) to provide consistent support for overseas development, in keeping with the Japanese government's growth strategy. DBJ will continue augmenting its ability to disseminate information related to Asia.

Public Asset Management

Public asset management is a method of looking at all of the public assets owned by local governments from a management perspective for the purposes of overall planning, control, use and disposal.

The public assets owned by local governments are considerable and varied. They include buildings, such as schools, public offices and community centers, as well as waterworks, sewer systems, roads and other infrastructure. Two major issues have come to the fore in this category in recent years.

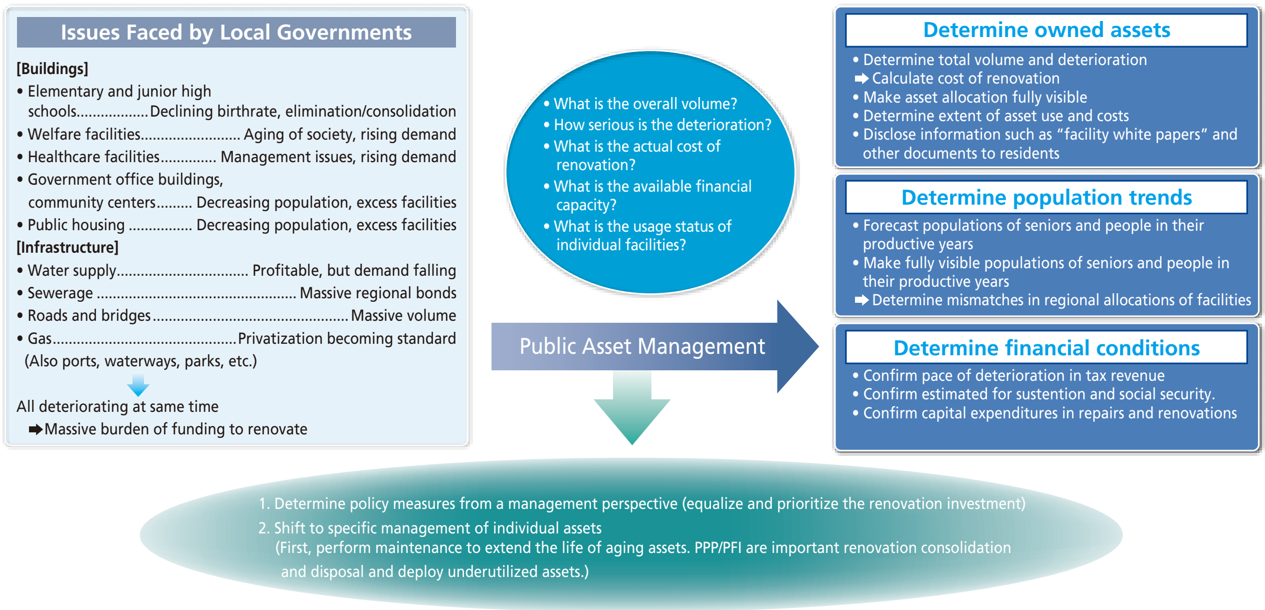
The first is that public assets built at an intensive pace in Japan's era of high economic growth are now rapidly deteriorating. Because public assets were constructed on a massive scale around the same time, they are aging concurrently as well. The second issue is a mismatch between the population—which is shrinking and changing in composition—and the supply of facilities and functions needed to serve the needs of residents. Going forward, as the overall population shrinks and the average age rises, local governments will face major changes in the amount and type of public assets that are necessary.

Additionally, a decrease in the percentage of the population in their productive years is likely to cause tax revenues to fall and welfare budgets to increase. Owing to factors such as these, it may become difficult to secure the budgets necessary to renovate or reallocate public assets that have deteriorated.

Given these circumstances, in April 2014, the national government requested all local governments to map out a comprehensive plan to manage public facilities and other aging infrastructure. A comprehensive plan of this nature requires each local government to conduct full and regular maintenance and management of all public facilities and other infrastructure in its possession, matched to actual conditions in the region of jurisdiction.

This request from the national government is a catalyst for action, and local governments must quickly embark on the management of public assets and conduct sustainable urban management.

DBJ is working with Japan Economic Research Institute in this regard. We help in identifying the status of facilities, through the preparation of white papers on public facilities and so forth. We also assist in optimizing initiatives by drawing up a comprehensive plan to manage public facilities and other infrastructure and encouraging the introduction of PPP/PFI for individual model businesses.



Special Investment Operations

Special Investment Operations

Special Investment Operations, established as an intensive but temporary scheme to supply growth capital* from the perspective of promoting the competitiveness of Japanese enterprises along with regional revitalization, draws only a portion of the investment (industrial investment) from the Japanese government to encourage the private sector to supply growth capital.

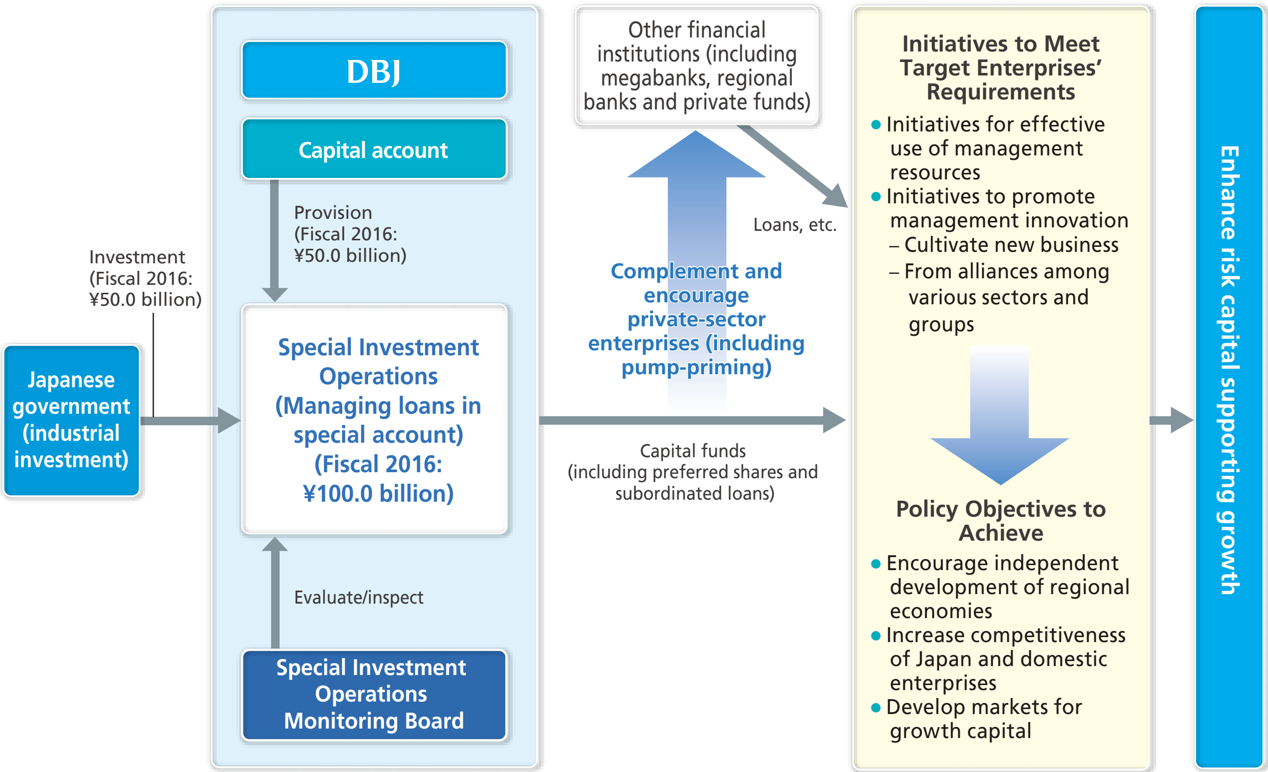
In June 2015, DBJ kicked off Special Investment Operations with risk capital for the overseas independent power producer (IPP) business of Shizuoka Gas Company, Ltd., and by the end of fiscal 2015, a total of ¥103.9 billion in investments and loans had been extended to 19 projects.

Special Investment Operations follows policy objectives, in accordance with the law, complementing and encouraging private-sector enterprises and ensuring appropriate competitive relationships. To improve the structure of Special Investment Operations and thereby maintain objective evaluation and supervision of activities, an advisory body to the Board of Directors was established—the Special Investment Operations Monitoring Board—with participation from outside experts in financial and capital markets, industry circles and other professional groups.

DBJ will continue to support initiatives to effectively utilize management resources and corporate activities to cultivate new businesses and promote fresh alliances among different sectors and other groups, and will contribute to the independent development of regional economies, sharper competitiveness for Japan and enterprises, and development of markets for growth capital.

*According to the Japanese government's Study Panel Concerning the Promotion of Expanding Growth Funding, certain financial institutions, including DBJ, are expected to serve in a pump-priming capacity for the foreseeable future to attract private-sector investment by cultivating new capital providers, markets and investors, and thereby foster the development of an investment cycle led by the private sector.

● **Special Investment Operations Scheme**



● Results of Special Investment Operations (Fiscal 2015)

Loan and investment recipients (Co-entities)	Overview of the project
SG•Bang Bo Power Holding Co., Ltd. (Shizuoka Gas Company, Ltd.)	Risk capital provided through investment in preferred shares when Shizuoka Gas got involved in gas-fired thermal power IPP business in Thailand.
Omori Investment K.K. (Omori Machinery Co., Ltd.)	Additional shares in Indian packaging machinery manufacturer acquired through special purpose acquisition company in collaboration with Omori Machinery.
SII Semiconductor Corporation (Seiko Instruments Inc.)	Semiconductor business of Seiko Instruments transferred to new company through joint investment with DBJ.
Mitsubishi Heavy Industries, Ltd.	Mitsubishi Heavy Industries' own growth capital complemented to expand facilities for manufacturing fuselage components for Boeing's next-generation passenger aircraft, 777X.
Blue Partners 1 Investment L.P.	Joint fund with Mizuho Bank formed to provide risk capital that addresses growth capital needs of enterprises.
Tokai Region Core Industry Support Investment L.P.	Joint fund with The Juroku Bank formed to provide growth capital directed specifically toward aircraft and automobile component industries and other regional core industry sectors in the Tokai region.
Mirai Regional Vitalization Investment L.P.	Joint fund with The Bank of Yokohama and Higashi-Nippon Bank formed to provide risk capital to support growth of regional enterprises and, by extension, revitalize the region itself.
Iyo Growth Support Inv. L.P.	Joint fund with The Iyo Bank formed to provide risk capital for increasing competitiveness of leading regional enterprises and promote regional revitalization.
Mitsubishi Estate Co., Ltd.	Several redevelopment projects in the Marunouchi and Otemachi districts of central Tokyo supported through the purchase of subordinated corporate debentures.
Mitsui Sumitomo Insurance Company, Limited	Initiatives to reinforce growth segments aimed at achieving status as the world's top insurance and finance group supported through the purchase of subordinated corporate debentures.
Jimoto Revitalization Core Business Support Fund Investment L.P.	Joint fund with Jimoto Holdings, Inc. (Kirayaka Bank, The Sendai Bank) formed to provide risk capital for strengthening the competitiveness of leading regional enterprises.
SDT Solar Power K.K. (Taiyo Oil Company, Limited, Solar Frontier K.K.)	Three-company collaboration with Taiyo Oil and Solar Frontier formed to invest in large-scale solar power generation project.
Yokkaichi Kasumi Power Co., Ltd. (Cosmo Oil Co., Ltd.)	Joint company with Cosmo Oil, incorporating Cosmo Oil's IPP business, established to contribute to efficient energy supply.
Be Smile Project (Kamichiku Group)	With A-FIVE (Agriculture, forestry and fisheries Fund corporation for Innovation, Value-chain and Expansion Japan) and other participants, including food-related companies, jointly invested in new company established under the umbrella of Kamichiku, a livestock operator in Kagoshima Prefecture, to achieve sixth-order industrialization of livestock farming.
Kawasaki Heavy Industries, Ltd.	Growth capital provided by Kawasaki Heavy Industries complemented for investment related to an international joint development project on a commercial aircraft engine.
Setouchi Tourism Revitalization Investment L.P.	Joint fund with seven regional banks in the Setouchi region formed to provide growth capital for revitalizing tourism in seven prefectures of Setouchi.
Setouchi Brand Corporation	Joint effort with financial institutions and other companies in the Setouchi region organized to establish a company to provide management and funding support to energize tourism-related businesses and expand business activities.
BIC Co., Ltd. (TOKYO FM Broadcasting Co., Ltd.)	Investment in BIC, establishment of which was spearheaded by TOKYO FM Broadcasting, provided for the development of new businesses utilizing frequency bands made available for use through digitization of terrestrial television broadcasts.
Idemitsu Kosan Co., Ltd.	With several financial institutions and others, jointly arranged subordinated loans in connection with realignment of oil industry.
AeroEdge Co., Ltd.* (Kikuchi Gear Co., Ltd.)	Preferred shares in company established by Kikuchi Gear to apply high technological capabilities and pursue supply of parts to major aircraft engine makers overseas subscribed.

*AeroEdge Co., Ltd. (Kikuchi Gear Co., Ltd.) is on record under results for fiscal 2016 (as of April 30, 2016).

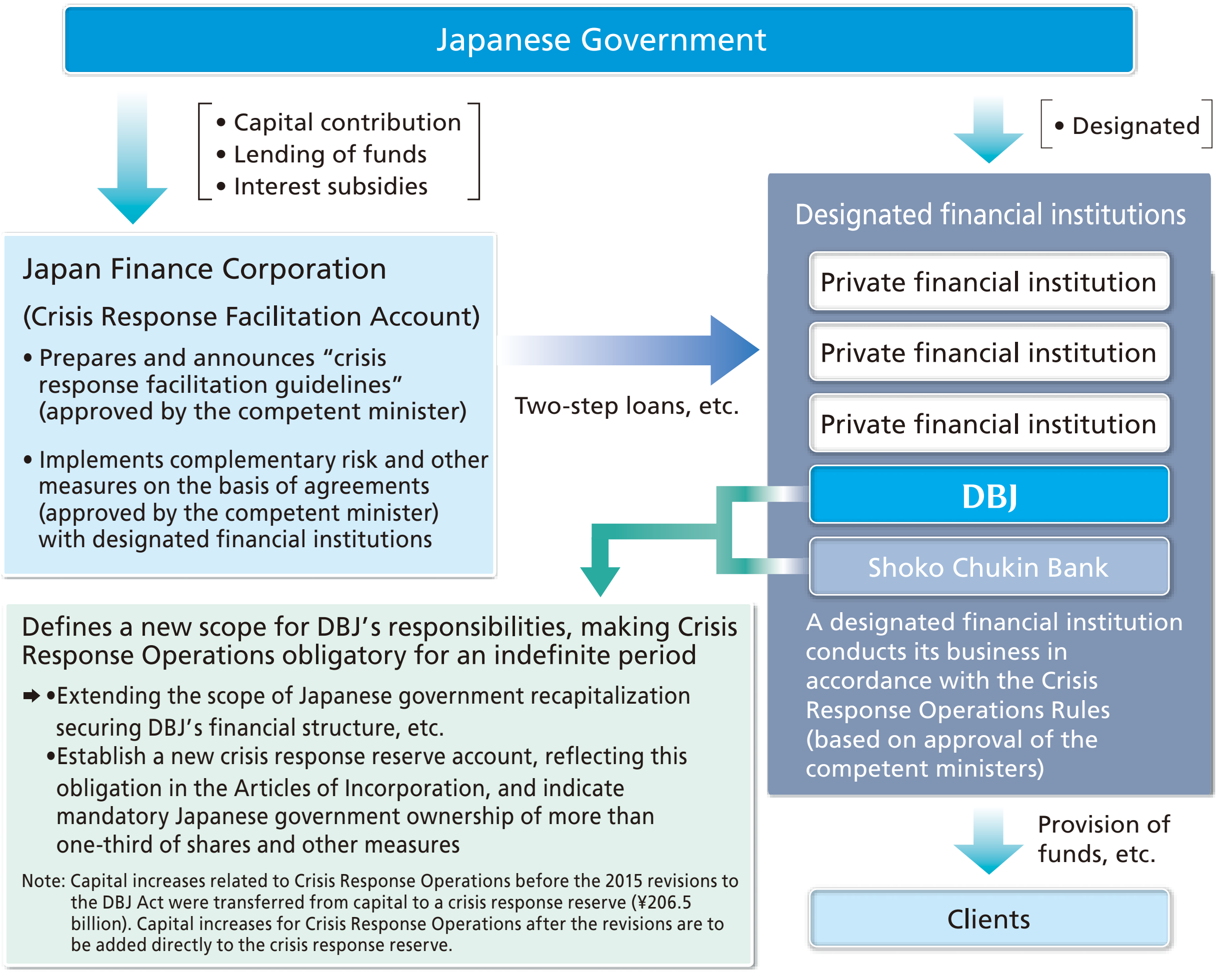
Crisis Response Operations

Crisis Response Operations

Crisis Response Operations, on the basis of the Japan Finance Corporation Act (Act No. 57 of 2007, including later revisions) consist of the provision of necessary funds during such crises as disruptions in domestic or overseas financial markets or large-scale disasters. In response to crisis-related damage, Japan Finance Corporation provides two-step loans as complementary risk and other measures to government-designated financial institutions (designated financial institutions) that supply necessary funds to address crisis damage.

During the Lehman Shock and the Great East Japan Earthquake, DBJ was involved in large-scale Crisis Response Operations. The 2015 revisions to the DBJ Act evaluated the role DBJ has played through its Crisis Response Operations and absence of private-sector financial institutions. DBJ became obliged to implement Crisis Response Operations for an indefinite period.

● Crisis Response Operations Scheme



The Great East Japan Earthquake

In response to the March 11, 2011, Great East Japan Earthquake, DBJ, as a designated financial institution for Crisis Response Operations, 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.

Given the shift from the "restoration stage" to the "reconstruction and growth stage," we are working with regional financial institutions and others to provide risk capital

Please see pages 55–57 for "Initiatives Related to the Great East Japan Earthquake."

The 2016 Kumamoto Earthquakes

In response to the 2016 Kumamoto earthquakes, DBJ, as a designated financial institution for Crisis Response Operations, set up a full-fledged structure for anyone affected directly or indirectly by the disaster.

On April 28, 2016, DBJ established the Kumamoto Recovery Office within Kyushu Branch to better provide useful companywide knowledge and financial expertise toward the restoration and reconstruction of disaster-stricken regions. The Kumamoto Recovery Office has a cross-departmental structure that spans the Regional Planning Department, Financial Institution Department, and other departments and branches. The office provides useful information related to restoration and reconstruction and, in cooperation with local governments, national institutions, economic organizations and regional financial and other institutions, undertakes surveys and planning services.

Working with regional financial institutions in the area affected by the 2016 Kumamoto earthquakes, DBJ formed the Kumamoto Reconstruction Support Fund not only to supply risk capital through such schemes as lump-sum loans for repayment and subordinated loans to businesses involved in disaster restoration and reconstruction efforts but also to quickly support such efforts.

Results of Crisis Response Operations

On October 30, 2008, the Japanese government established "lifestyle measures," providing financing to set Crisis Response Operations by Shoko Chukin Bank and DBJ in motion in response to the worsening corporate cash flow conditions resulting from the global financial and economic crisis that began 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 budget expansion and the commencement of acquisition of commercial paper, and labeled Cash flow Countermeasures for Medium-Sized and Large Enterprises Employing the Crisis Response Operations of the Japan Finance Corporation. On January 27, 2009, the Japanese government regulations were amended, and other measures were taken, 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 enterprises. 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 amendment 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 enable the smooth implementation of Crisis Response Operations.

On March 12, 2011, the Japanese Government decided to implement Crisis Response Operations related to the Great East Japan Earthquake one day earlier. 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.)

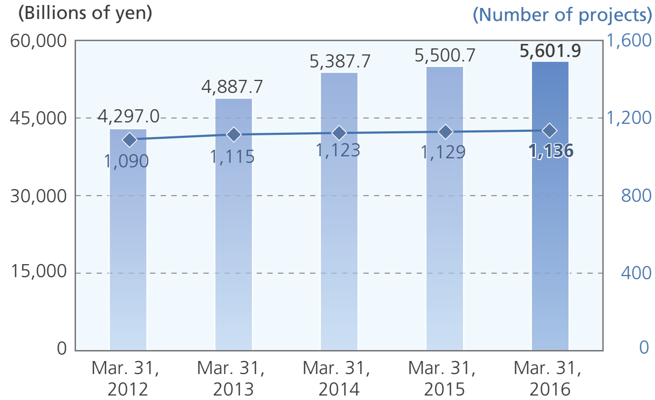
As of March 31, 2016, DBJ's cumulative loan performance and commercial paper acquisitions of crisis countermeasure loans were as follows.

- Loans: ¥5,601.9 billion (1,136 projects)
- Loans executed with loss guarantee agreements: ¥268.3 billion (47 projects, including those slated for application to JFC)
- Commercial paper acquisitions: ¥361.0 billion (68 projects)

Notes: 1. Of the ¥67.0 billion in loans executed with loss guarantee agreements to Japan Airlines in relation to Crisis Response Operations, ¥47.0 billion (amount confirmed in April 2011 owing to DBJ's completion of corporate rehabilitation procedures) in compensation was ultimately provided by Japan Finance Corporation on the basis of the agreements.

2. A portion of the loans provided by DBJ to Micron Memory Japan Inc. (formerly Elpida Memory Inc.), was covered by a Japan Finance Corporation guarantee on losses. DBJ requested, and has already received, a total of ¥27.7 billion in loss guarantee compensation on the loans. In the event that in the future DBJ is able to collect on the principal of the loans for which it has received compensatory payment, DBJ will return to Japan Finance Corporation a portion of the compensation received that corresponds to the percentage of the loans recovered.

● **Loans as Crisis Countermeasures** (Cumulative)



Providing a Safety Net

DBJ acts as a social safety net by providing investments and loans to support the restoration and rebuilding of areas affected by earthquakes, typhoons or other large-scale natural disasters and to address 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 conventional financial platforms fail to function.

Disaster Recovery Responses

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 the Great Hanshin-Awaji Earthquake in January 1995 and the Chuetsu Offshore Earthquake in October 2004 as well as typhoons and other natural disasters. We have responded to restoration projects in various sectors, from electricity, gas, rail, telecommunications, broadcasting, urban development and other infrastructure industries to providers of everyday necessities, such as foodstuffs and other retail items, as well as to manufacturers who fulfill a major role in revitalizing the employment and economic situations of local communities.

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 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 (to maintain transportation and logistics systems), which had been immediately affected by downturns in business following both the September 11, 2001, terrorist attacks on the United States and the outbreak of SARS.

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
Restoration support following torrential rains in the Tokai Region
2001 Terrorist attacks on the United States
SARS countermeasures, BSE countermeasures
2004 Reconstruction following the Mid Niigata Prefecture Earthquake
2005 Reconstruction following the Fukuoka Prefecture Western Offshore Earthquakes
2006 Asbestos countermeasures
Response to major rise in crude oil prices
2007 Reconstruction following the Noto Peninsula Earthquake
Reconstruction following the Chuetsu Offshore Earthquake
2008 Reconstruction following the Iwate-Miyagi Earthquake
Financial crisis response
2010 Yen appreciation and other countermeasures
2011 Reconstruction following the Great East Japan Earthquake
2015 Damage related to torrential rains, mainly associated with tropical storm Etau
2016 Reconstruction following the Kumamoto earthquakes

Initiatives Related to 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 Japan Finance Corporation (JFC) for Great East Japan Earthquake Crisis Response Operations targeting medium-sized and large enterprises.

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. The 2015 revisions to the DBJ Act evaluated the role DBJ has played through its Crisis Response Operations and absence of private-sector financial institutions following the Lehman Shock and the Great East Japan Earthquake. DBJ became obliged to implement Crisis Response Operations for an indefinite period. Accordingly, DBJ will continue with its earthquake reconstruction initiatives.

Response to Electrical Power Supply Problems

Since the Great East Japan Earthquake, the stable supply of electricity has become an important issue from the standpoint of maintaining and strengthening Japan's economic and industrial competitiveness. Going forward, the energy sector will need large-scale financing to cover capital expenditures, including thermal power plants to replace or upgrade aging facilities. In addition, the energy supply structure is changing, as electric power system reform prompts the entry of new participants into electricity retailing and power generation. In response, DBJ continues to work with private financial institutions to ensure access to the necessary capital.

As of March 31, 2016, DBJ's balance of loans to the energy sector (electricity, gas, heat and water providers) totaled ¥3.2 trillion.

Tohoku Reconstruction and Growth Support Office

On April 21, 2011, DBJ established the Tohoku Revival Reinforcement Office within the Tohoku Branch to consolidate and better provide useful knowledge and financial expertise toward the restoration and reconstruction of the Tohoku region and other disaster-stricken areas. But after roughly five years in a revival stage, the Tohoku region is now transitioning to a stage of reconstruction and new growth. Therefore, on April 1, 2016, the Tohoku Revival Reinforcement Office was renamed the Tohoku Reconstruction and Growth Support Office.

The Tohoku Reconstruction and Growth Support Office has a cross-departmental structure that includes the Regional Planning Department and Financial Institution Department at DBJ headquarters as well as other departments and branches. The office provides information related to estimating damage amounts in stricken areas and cooperates with local governments, national institutions, economic organizations and regional financial institutions and other enterprises to conduct surveys and planning services that support creative construction.

Going forward, we will apply know-how and structures already in place to increase our level of support for growth-promoting projects undertaken by national and local governments and the business community.

Funding to Support Reconstruction and Growth Following the Great East Japan Earthquake

DBJ and financial institutions in areas affected by the earthquake formed the Great East Japan Earthquake Reconstruction Fund to support the restoration and reconstruction of enterprises that sustained damage in the earthquake. So far, we have provided investment and loans on 46 projects.

In December 2014, in response to the shift of the stage of earthquake reconstruction from the restoration of production facilities (the "restoration stage") to efforts to open up a new enterprise-based market that resumes production, collaborates among multiple enterprises to boost industry competitiveness, builds infrastructure and reinforce functions (the "reconstruction and growth stage"), we have established a new reconstruction and support growth fund in collaboration with the Regional Economy Vitalization Corporation of Japan (REVIC).

The new funds are aimed at providing subordinated loans and preferred shares to enterprises whose businesses are contributing to the reconstruction and growth of the disaster-stricken region. We are promoting forward-looking initiatives with a nationwide business model, aiming to support regional growth and revitalization.

Note: See page 89 for details.

Five Years after the Great East Japan Earthquake—Applying the Lessons Learned from the Great Hanshin-Awaji Earthquake to Realize New Growth

In February 2016, DBJ published a report entitled "Five Years after the Great East Japan Earthquake—Applying the Lessons Learned from the Great Hanshin-Awaji Earthquake to Realize New Growth."

This report, released just prior to the fifth anniversary of the devastating earthquake and tsunami, compares and confirms the impact that the Great Hanshin-Awaji Earthquake and the Great East Japan Earthquake had on their respective regional economies and other facets of merit. The report also looks at initiatives that fueled reconstruction in Kobe and potential growth industries in Tohoku, and considers new approaches to growth in Tohoku.

Research Papers Invited for Tohoku Data Index Project

The Sanaburi Foundation—chaired by Seiichi Ohtaki, professor, Graduate School of Economics and Management, Tohoku University—is a public charity institution that was set up to create a new channel of funding for community development initiatives. It offers assistance, underpinned through donations, in support of projects in the areas devastated by the Great East Japan Earthquake and also provides statistics and a variety of information on approaches to reconstruction following the disaster. In April 2016, the foundation began accepting research papers focusing primarily on issues in the three prefectures—Iwate, Miyagi and Fukushima—where the consequences of the huge earthquake, tsunami and nuclear accident were most serious, and held an awards ceremony and commemorative forum.

By printing and publicly announcing the papers selected under this project, the foundation seeks to expand awareness and promote shared understanding of the issues that each area needs to address by the 10th anniversary of the Great East Japan Earthquake.

DBJ is part of the screening committee and also gave out an award—the DBJ Award—for the best paper in the economy and industry category.

Tohoku Future Creation Initiative

The Tohoku Future Creation Initiative (founders: Seiichi Ohtaki, professor, Graduate School of Economics and Management, Tohoku University; and Kentaro Ohyama, Representative Director, Iris Ohyama, Inc.) commenced in April 2012. Centering on private-sector volunteers, the initiative aims to support the affected region's efforts toward reconstruction, autonomy and future value creation. The initiative operates a center for personnel training and cultivates managers and entrepreneurs. To promote urban development and industry creation, the initiative dispatches volunteers from among local chief executives to private-sector support teams. These teams work with regional municipal bodies to put reconstruction plans into action and in other ways help to lay the foundations for autonomous development in the affected region. At the center for personnel training, DBJ takes charge of a session themed on "management and finance," providing instructors, conducting training programs and cooperating with the project in other ways.

Collaboration Agreement with Fukushima Prefecture on Industrial Reconstruction

In March 2013, DBJ signed a collaboration agreement with Fukushima Prefecture on industrial reconstruction. The purpose of this agreement is both to gather information and strategically review it and to develop the skills of human resources and pursue other measures under a comprehensive approach to promote local industry and tourism and communicate the appealing features of the region, which will ultimately invigorate the local economy in Fukushima Prefecture.

- Study Council on the Fukushima Medical-Related Industrial Cluster

In June 2013, the Study Council on the Fukushima Medical-Related Industrial Cluster, chaired by Makoto Kikuchi, president of the Japan Association for the Advancement of Medical Equipment, was set up with DBJ and the DBJ Group's Value Management Institute serving as the secretariat. The council offered advice to Fukushima Prefecture and provided support on collaboration between the prefecture and enterprises, seeking to achieve a Fukushima-driven Japanese model that functions as a domestic hub for creating new medical instruments.

Since fiscal 2014, the Value Management Institute has conducted studies on business models for medical equipment used in emergency and disaster responses, under a project—Utsukushima Next-Generation Medical Industry Cluster and Upcoming Leading Projects—spearheaded by Fukushima Prefecture, and has worked with DBJ to present possible business models.

The New Tohoku Partnership Promotion Committee

The Reconstruction Agency is working toward the Creation of a "New Tohoku." To further promote initiatives by diverse bodies that are active in the stricken region, including enterprises, universities and NPOs, in December 2013 the agency established the New Tohoku Partnership Promotion Committee to conduct ongoing activities in Tohoku. Being in agreement with the tenor of these activities, DBJ served as a founding member of the committee and serves as its deputy chair.

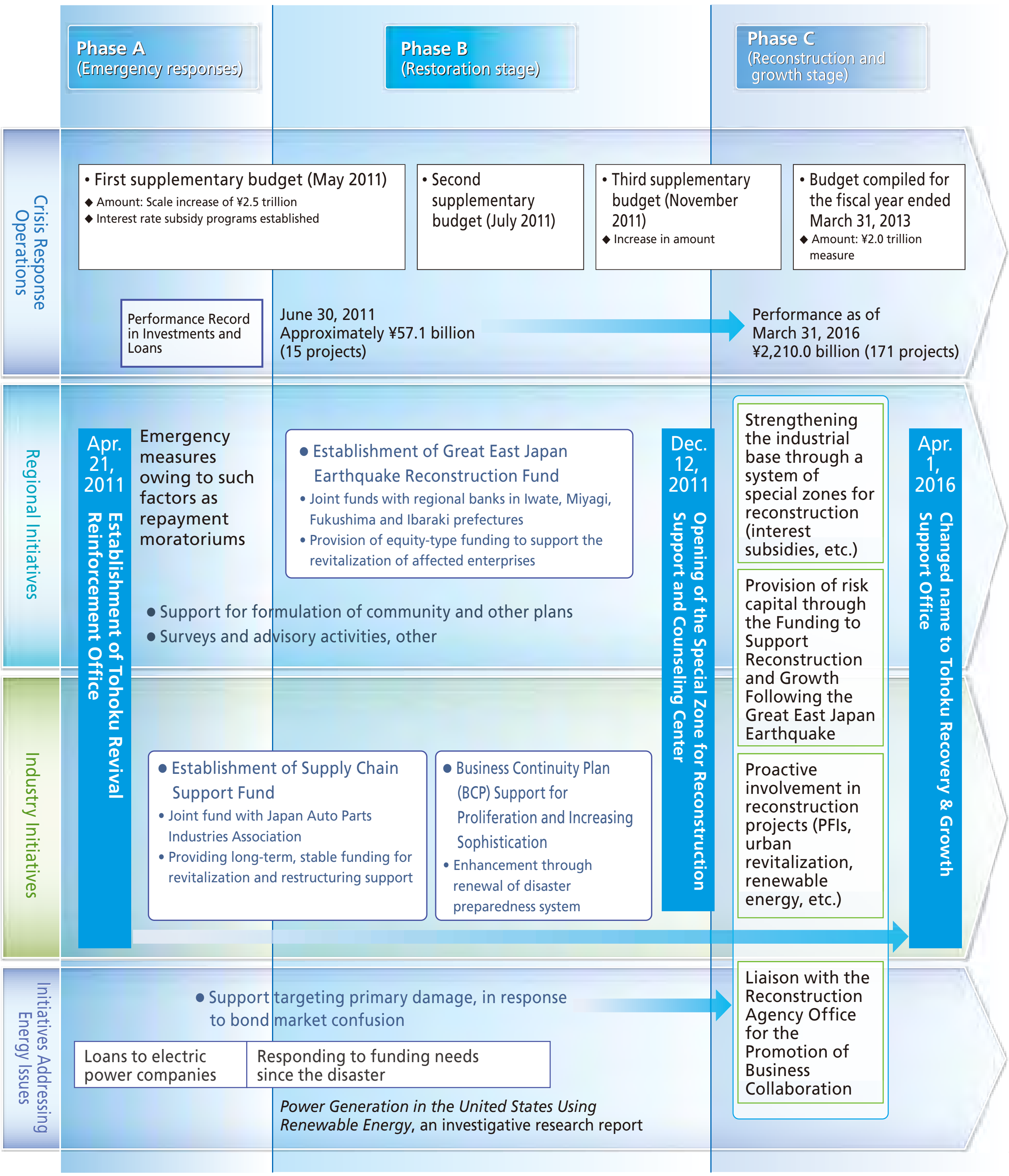
The UN World Conference on Disaster Risk Reduction Public Forum

The UN World Conference on Disaster Risk Reduction is a conference sponsored by the United Nations that formulates international strategies on disaster risk mitigation. March 2015 marked the third meeting of this conference, which adopted the "Sendai Framework for Disaster Risk Reduction" as its new international disaster risk reduction roadmap for the next 15 years. Side events included more than 350 symposiums, seminars and exhibits related to restoration and reconstruction, disaster response, and disaster risk prevention and reduction. DBJ held two symposiums, entitled "Financial Initiatives for Building the Resilient Society: Financial Sector's Roles for Pre- and Post-Disaster Response and Revival of Tohoku" and "Building Disaster Resilience through Alliances and Mutual Cooperation of Multi-stakeholders in Tohoku and Beyond: Region-wide Initiatives by the Tohoku Alliance." Through these symposiums, we sent information about our experience and the lessons learned from the Great East Japan Earthquake to the world.

Restoration, Reconstruction and Growth 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, reconstruction and growth measures must be implemented on a step-by-step basis, in chronological order. Also, given the broad expanse of the damaged region, restoration, reconstruction and growth measures must take into careful consideration the regions where they are being introduced and the type of damage they are targeting.

● **Restoration, Reconstruction and Growth Support through Investment and Loan Activities**



Regional Revitalization Initiatives

DBJ's Third Medium-term Management Plan prioritizes operations through which it contributes to revitalization in each region as a partner. To further encourage autonomous initiatives by regions to address the various issues they face, in September 2014 we established the Initiative for Creating Regional Futures. In addition, we launched the Regional Revitalization Program to support regional initiatives and offer solutions to their problems. In October 2014, we elicited input from managers of more than 170 medium-sized regional enterprises. Based on this input, we announced our Recommendations on Regional Revitalization, which summarizes measures necessary for regional revitalization and the role that financial institutions are called upon to perform.

Regional Revitalization Program

As a specific Regional Revitalization Program initiative, we deployed the Innovation Hub across regions to support the launch of cross-industrial creative businesses. Through working to expand PPP/PFI activities centered on the Private Finance Initiative Promotion Corporation of Japan (PFIPCJ), DBJ also has begun offering programs to members of regional municipal bodies and regional financial institutions through its PPP/PFI Academy. In addition, we are pursuing initiatives such as providing DBJ's expertise and networks with regard to human resources to play a large role as part of the region. Furthermore, we set up the Regional Contribution M&A Program to support M&A projects that contribute to regional growth, such as to strengthen regional enterprises' management foundations.

Providing Regions with Risk Capital

To support regional revitalization via the tourism industry, in April 2014 DBJ formed the Mother Fund Corporate Mezzanine Limited Partnership for Tourism Vitalization in collaboration with the Regional Economy Vitalization Corporation of Japan (REVIC) and RISA Partners, Inc. (RISA) and has provided risk capital. Also, in September 2014 we set up the *Musubu* Setouchi Business Succession Fund with The Hiroshima Bank, Ltd., and two other regional financial institutions to facilitate the smooth business succession of regional enterprises. In addition, with The Tokyo Tomin Bank, Limited and RISA, we formed the Tokyo Revitalization Fund Limited Investment Partnership and have provided risk capital. This partnership aims to supply funds to small and medium-sized enterprises that can help revitalize the economy of the Tokyo metropolitan area, supporting them in efforts ranging from improving and strengthening business foundations to achieving expansion and growth.

Setouchi Brand Promotion Initiatives

Along with seven Setouchi-area regional banks (The Chugoku Bank, The Hiroshima Bank, The Yamaguchi Bank, The Awa Bank, 114Bank, The Iyo Bank and The Minato Bank), DBJ contributed capital toward the April 2016 establishment of Setouchi Brand Corporation ("SBC") and formed the Setouchi Kanko Kasseika Fund ("the Fund"). SBC will liaise with the Inland Sea, Setouchi Tourism Authority*[1] to create the Setouchi Brand Promotion Organization*[2].

SBC will strive to maximize the value of the Setouchi region by extending management and funding support to tourism-related businesses and develop a DMS*[3].

As for the Fund, it carries a growth capital function, hinging on capital funding, and will provide tourism-related businesses the financial support they need.

*[1] The Inland Sea, Setouchi Tourism Authority: A general incorporated institution tasked with establishing the Setouchi Brand. Its representative is a private citizen, and its directors are from the seven prefectures bordering the Inland Sea (Hyogo, Okayama, Hiroshima, Yamaguchi, Tokushima, Kagawa and Ehime).

[2] Setouchi Brand Promotion Organization: An organization that links The Inland Sea, Setouchi Tourism Authority, tourism-related enterprises and SBC to improve the value of the Setouchi region. It is an example of a Japanese-style DMO[4].

*[3] DMS: Destination Management System. A framework that supports DMO activities by integrating various channels and platforms and delivering a comprehensive array of tourist-oriented content—that is, services, and other information.

*[4] DMO: Destination Management Organization. Primarily seen in the United States and Europe. Takes integrated approach, including strategy formation, surveys, marketing, product creation and promotion, and other activities aimed at attracting tourists.

Initiatives for Regional Revitalization Drawing on the Power of Sports

Seeing the potential of sports as a catalyst for community-building and regional revitalization, DBJ has announced the results of sports sector surveys, including "Using 'Smart Venues' as Core Urban Sporting Locations" (August 2013), "Developing Sports Tourism" (February 2015) and "2020 Presents Development Potential for Domestic Sports Industry and Corporate Support for Sports" (May 2015).

In addition, twice in 2016—in January and March—DBJ participated as co-organizer, along with the main organizer, the Research Institute for Sport Business at Waseda University, and sponsors Sasakawa Sports Foundation and the Japan Sports Agency in holding a symposium on regional revitalization utilizing sports. This symposium featured speeches and panel discussions involving people in different positions and with different perspectives, including Daichi Suzuki, commissioner of the Japan Sports Agency, and Takeshi Okada, former head coach of the Japanese national football team and currently the owner of FC Imabari and vice-president of the Japan Football Association. These presentations provided motivation to spur regional revitalization through sporting events that combine the capabilities of industry, academia, government and the private sector.

Symposium scene

"Regional Revitalization and Finance Course" with GRIPS

In April 2016, DBJ joined the National Graduate Institute for Policy Studies (GRIPS) in opening a master's course—"Regional Revitalization and Finance Course"—in the public policy program. The institute specializes in policy studies.

Given the importance of cooperative efforts between local government and regional financial institutions in realizing regional growth strategies, this course is intended to provide an overview of theory, knowledge and specific techniques related to concepts in regional promotion, analysis of regional economies, regional project financing, processes for extending the reach of regional industries overseas, particularly in Asia, and other topics with a regional focus. Specifically, for local government employees, the course will improve policy-making capabilities from the perspective of business and finance, and for employees of regional financial institutions, the course will help cultivate the ability to judge circumstances and to enhance risk-taking capabilities to reinforce the competitiveness of regional industries and enterprises and will address other issues. Ultimately, the goal is to produce human resources who can plan and propose projects and support schemes to spur regional economic revitalization that is made more effective through the solidarity of government and the private sector.

DBJ actively supports regional revitalization by sending teams of lecturers drawn from within the entire DBJ Group to speak at events and by providing various knowledge related to the provision of risk capital.

Opening the Regional Revitalization and Finance Course

DBJ's Businesses

Making Use of Information Functions

Through its varied activities, centered on investments and loans, DBJ comes into contact with many aspects of society. In addition to enterprises, DBJ's information channels and human networks include the Japanese and overseas governments, governmental institutions, international institutions, regional municipal bodies and universities. Through these contacts, DBJ extracts a variety of information on economic and societal issues, boosting its ability to supply neutral information of high quality.

Economic and Industrial Research

In addition to analysis of macroeconomic and financial trends in Japan and overseas, DBJ undertakes various surveys and research, including industry-related surveys utilizing an extensive network of connections to the business community, to track not only trends at home and abroad but also technology developments, international competition and other industry-related topics, and for 60 years has been conducting planned capital investment surveys. DBJ provides reports based on these surveys and research activities to both clients and non-clients.

Survey Examples

DBJ Monthly Overview

This report, a key portal to our survey results, is provided on a monthly basis and is made widely available through our website.

The *DBJ Monthly Overview* features a brief commentary on domestic and overseas economic and industrial trends, with a core assessment of actual business conditions based on the latest indicators and monetary and fiscal policies in play in each country. In recent years, we have worked to enrich content related to Asia's emerging nations and financial markets within this region.

We have addressed the following topics, timely from the perspective of industry trends and macroeconomics, particularly conditions overseas, and presented detailed surveys and analysis.

"Industrie 4.0 Initiative in Germany to Promote Revolution in Manufacturing Through IoT"
(*DBJ Monthly Overview*, No. 238, August 2015)
The Internet of Things (IoT) is a network of physical things embedded with sensing devices that facilitates connection to the Internet. Household appliances as well as automobiles, factory manufacturing equipment and other things that previously lacked Internet connectivity can now be interfaced online or through machine-to-machine (M2M) communication, which heralds the creation of new products and services leveraging big data.

In Germany, labor inputs continue to fall because of a shrinking population and shorter working hours, and expectations are high that embracing the IoT revolution will boost productivity in the manufacturing sector.

Issue No. 238 describes initiatives under Germany's "Industrie 4.0" and delves into the potential of the IoT to revolutionize the manufacturing floor, as well as into the status of IoT implementation in Japan and issues that need to be addressed for the IoT to be successful here.

"COP21 and Movement Toward Low-Carbon Future"
(*DBJ Monthly Overview*, No. 244, November 2015)
The 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC) took place in Paris, France, at the end of 2015. The parties—that is, countries—ratified the UNFCCC in 1992 at the Earth Summit in Rio de Janeiro, and the signatories to the convention have met every year since 1995 to discuss climate change and measures to limit global warming.

Issue No. 244 preceded COP21 and took a multifaceted look at the establishment of the international framework and emission trends in key signatory countries, the outlook for COP21, Intended Nationally Determined Contributions (INDCs) in key signatory countries and major initiatives in these countries, a framework that extends beyond UNFCCC, investments to realize a low-carbon future after COP21, and other related topics.

DBJ Long-Term Interest Rate Weekly Outlook

This concise, two-page summary on long-term interest rates is put together for our clients and released on the first business day of each week. It offers commentary by our own economists on long-term interest rates, with a brief review of market trends from the previous week, particularly in Japan and the United States, and touches on key economic indicators, financial policy, treasury auctions and other announcements scheduled for the current week. The outlook also features "This Week's Topics," with fine-tuned observations on economic conditions at home and abroad, as well as interest rate projections looking six months ahead.

Interest Rate Forecast, Foreign Exchange Rate Forecast

We provide materials in presentation format that clients can use as long-term interest rate and foreign exchange rate information tools. The information is updated on a monthly basis. Forecasts consider trends in interest rates and foreign exchange rates, based on rate-specific deciding factors, and commentary covers interest rate and foreign exchange rate predictions through to the end of the fiscal year as well as upside and downside risks, points from a longer term perspective and other relevant issues.

"Japan's Economic Renewal and Business Chances in 'The Asian Century'"
(*Economics Today*, Vol. 36 No. 5, March 2016)
On November 13, 2015, Hitotsubashi University (Center for International Joint Research Policies for East Asia) and DBJ (Research Institute of Capital Formation) held their first jointly sponsored symposium. The purpose of this symposium was to make the results of joint research on the economic and financial situation in Asia widely available to the public, based on a comprehensive partnership agreement between the two parties. The event included keynote lectures by Eiji Ogawa, a professor at Hitotsubashi University Graduate School of Commerce and Management, and Makoto Kigawa, representative director and chairman at Yamato Holdings Co., Ltd., as well as a panel discussion with experts, and attracted participation from about 180 people involved in corporate activities.

"International Infrastructure Seminar (Minutes)"
(*Economics Today*, Vol. 36 No. 8, March 2016)
On December 2, 2015, in cooperation with the Long-Term Infrastructure Investors Association, DBJ participated in the International Infrastructure Seminar, an event highlighting investment in infrastructure. The main themes of the seminar were benchmarks and environment, social and governance (ESG) issues, and Yasutoshi Nishimura, former Senior Vice-Minister of the Cabinet Office, Thierry Déau, CEO of Meridiam SAS, Paul Druckman, CEO of the International Integrated Reporting Council, and other opinion leaders spoke on benchmarks in facilitating investment in infrastructure, the importance of initiatives related to ESG issues, integrated reports prepared in conjunction with ESG-related information disclosure, and other topics. These speeches provided an outlook on future investment in infrastructure in Japan. The seminar was an excellent opportunity to get this information out to the world.

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 2015 Survey of Capital Investment Plans for Years to March 31, 2015, 2016 and 2017"
(*Surveys*, No. 108, September 2015)
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 presents its results at speaking engagements and seminars. We even go further by applying these results to our investment and loan functions to provide clients with fresh financial solutions to support corporate social responsibility activities and commercial technologies.

(1) Environment

DBJ divisions in Japan and overseas conduct surveys and prepare reports on such themes as global warming prevention measures, recycling-oriented society promotion, and sustainable corporate management. DBJ is also engaged in complementary information activities under several formats, including speaking engagements and contributions to specialty journals, newspapers and magazines. The results of these various activities culminated in the introduction of the DBJ Environmentally Rated Loan Program in the fiscal year ended March 31, 2005. The program has since benefited many enterprises.

(2) Disaster Response and Business Continuity Management

Companies are required to protect the lives of their employees in the event of a crisis, such as a natural disaster, and have measures in place to prevent disasters and ensure business continuity so that operations and services are not disrupted in emergency situations. In fiscal 2006, DBJ introduced Financing Employing DBJ Disaster Preparedness Ratings. This program's name was changed in 2012 to the DBJ Enterprise Disaster Resilience Rated Loan Program, and the evaluation criteria dramatically revised, given evolving trends at home and abroad in disaster response, business continuity and disaster resilience as well as lessons learned from the Great East Japan Earthquake and floods that hit Thailand, both 2011 disasters, and other destructive events.

Going forward, DBJ will continue to promote surveys and research on such topics as disaster prevention strategies put forth by the Cabinet Office, in cooperation with the Japanese government, the Science Council of Japan and other academic societies, the World Economic Forum, the United Nations Office for Disaster Risk Reduction and other organizations.

(3) Technology

In technology-related fields, DBJ's Support Center for Technology Management conducts research into approaches to enhance competitiveness and also gets involved in technology management training operations and supports companies in their efforts to turn technology into viable businesses.

Providing Information to Regional Communities

Supplying Information to Help Regional Community Development

Local communities face increasingly difficult circumstances, such as shrinking populations, the graying of society, a reduced workforce for production activities, dwindling local demand and other issues of concern that weaken the vitality of local industry. These times call for a greater degree of expertise and more ingenuity than ever. In response, DBJ applies an analysis of information collected through a network comprising its own offices (19 domestic locations [head office, branches and representative offices] and four overseas locations [three subsidiaries and a representative office] as of July 1, 2016), economic agencies of local governments and regional communities, and enterprises in Japan and abroad. The scope of this analysis is extensive, ranging from public–private partnerships to tourism promotion, regional and community development and local government finance. DBJ distributes this information through reports, publications, article contributions, lectures and other formats.

"Fiscal 2016 Regional Handbook: Regional Data and Policy Information"

This handbook is a collection of data that includes 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, Yoshitsugu Hayashi, a professor at Kwansei Gakuin University, contributed a special section entitled "Challenges in Regional Revitalization."

"Compact City Study Group Report"

This report presents content from the Compact City Study Group, which was established to discuss such aspects as the meaning of "compact city" and the path jointly taken by public and private sectors toward realization of such a concept in city planning.

The content of the report shines a spotlight on compact cities—an idea attracting greater interest as a new direction in urban contexts—to promote awareness of initiatives and facilitate a deeper understanding of approaches for application while providing suggestions on the formation of growth-oriented compact cities that link compact city initiatives to local characteristics and prosperity.

"2020 Presents Development Potential for Domestic Sports Industry and Corporate Support for Sports: Opportunity for Economic and Regional Revitalization in Japan Through Sports"

In this report, DBJ estimates the size of the domestic sports industry, including government-controlled competitive sports, at about ¥11.4 trillion in 2012, and also looks at the economic ripple effect on other industries as well as the size of the sports industry by region, concluding that "the sports industry has the power to contribute to regional economic revitalization." In addition, the report introduces progressive examples of companies that have positioned ownership of a sports team as a corporate activity, including business development focused on sports, as well as local governments that get involved in sports as a community revitalization strategy.

"Regional Revitalization Brought About by Economic Value Creation Associated with the Use of Old Japanese-Style Houses"

As a follow-up to the interim report "Regional Revitalization Using Old Japanese-Style Houses to Attract Visitors and Create a Dynamic Atmosphere," which was released in October 2014, this report offers a collection of suggestions on regionally coordinated activities by local governments, real estate agents, non-profit organizations and other participants to utilize traditional old houses and other structures built in a typical Japanese style to create economic value that translates into regional revitalization. In addition, the report looks into the size of the latent market for skilled trades, such as repair and renovation, to maintain traditional old houses, as well as the economic benefit gained by the region when travelers from abroad stay overnight at a traditional old house.

Branch Reports and Seminars

Hokkaido Branch

"Survey by DBJ/JTBF on Inbound Travel Trends in Eight Asian Nations and Regions—Opinions on Sightseeing in Hokkaido (2015 edition)"

(*Report*, October 2015)

DBJ has consistently conducted an online survey of overseas travelers to Japan from eight Asian nations and regions (South Korea, China, Taiwan, Hong Kong, Thailand, Singapore, Malaysia and Indonesia) since 2012. The October 2015 survey was a joint effort with Japan Travel Bureau Foundation.

The Hokkaido Branch sifted through the results of the survey and created a mini report on inbound travelers' perceptions about Hokkaido, including location awareness as well as the desire to visit, expectations and other topics related to sightseeing in Hokkaido. The branch found that Hokkaido continues to enjoy high brand value—a top destination—among past and potential visitors to Japan.

Tohoku Branch

"Five Years Since the Great East Japan Earthquake—Applying the Lessons Learned from the Great Hanshin-Awaji Earthquake to Realize New Growth" (*Report*, February 2016)

On March 11, 2016, Japan marked the fifth anniversary of the Great East Japan Earthquake. Despite steady progress in restoration and reconstruction, operating budgets for reconstruction, which have underpinned the regional economy since disaster struck, are expected to shrink significantly, which raises concerns for the future.

The first chapter of this report delves into the impacts that the Great Hanshin-Awaji Earthquake and the Great East Japan Earthquake had on their respective regional economies, and considers the issue of transition from reconstruction to growth and other matters of concern to the communities affected by the Great East Japan Earthquake. The second chapter looks at the Kobe Biomedical Innovation Cluster, an industry development strategy representative of the initiatives that fueled reconstruction activity in Hyogo Prefecture, and the third chapter examines four growth industries in the Tohoku region. Based on the resulting analyses, the report considered new approaches to growth in Tohoku over the next five years.

Niigata Branch

"Promoting Inbound Tourism in Niigata (July 2015 survey)" (*Report*, March 2016)

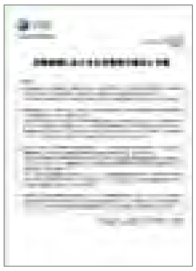
DBJ has conducted this online survey of overseas travelers to Japan from eight Asian nations and regions (South Korea, China, Taiwan, Hong Kong, Thailand, Singapore, Malaysia and Indonesia) since fiscal 2012. The March 2016 survey was a joint effort with Japan Travel Bureau Foundation.

In this report, in addition to a cross-tabulation of the results generated through the above survey, the Niigata Branch sorts out information on the travel objectives of inbound travelers who visited the Niigata area and also touches on issues that need to be addressed to successfully attract visitors to Niigata and approaches to resolve such issues going forward.

Hokuriku Branch

"Women in Management Positions in the Hokuriku Region: Present and Future" (*Report*, May 2015)

The government of Japan has set a goal to raise the percentage of women in management positions to 30% by 2020, which requires companies and other organizations where women might have roles of responsibility to implement concrete initiatives to promote women to management positions. However, the percentage of women in positions of section manager or higher currently sits below 1%, making the road toward the government's goal a very long one indeed.



This report considers points and possible methods for promoting women to management positions in the Hokuriku region in the future, based on the current status of women in management positions in Japan as well as unique local factors and examples of initiatives taken by companies in this region.

Tokai Branch

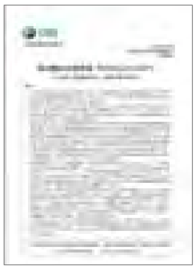
"Survey on Medical Equipment Industry in the Tokai Region" (*Report*, October 2015)

Demographically, Japan is characterized by fewer children and more seniors. In this environment, the market for medical equipment is expanding, and the medical equipment industry is viewed as a sector with future growth potential. After the chaos caused by the 2008 Lehman bankruptcy, more companies are keen to get into the medical equipment business, with automobile parts manufacturers in particular the leading the way.

This survey pulls together results collected from companies in the Tokai region that plan to enter—or already have entered—the medical equipment business, and selects key points of interest and provides suggestions for companies in pursuing market entry.

Kansai Branch

"Reinforcing the Image of Kansai as a Tourist Destination—Overcoming the Crisis of a Population Decrease by Increasing the Nonresident Population" (*Report*, July 2015)



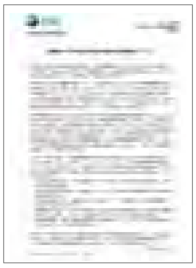
The "Tourism Report Series," released by the Kansai Branch since May 2010, whenever the situation warrants an update, stresses the importance of drawing the attention of tourists on circuit tours that take them through not only one city and prefecture but also the mega-region extending beyond Kansai and also the importance of distributing appealing information that raises recognition of Kansai as an area brand and thereby brings inbound visitors back again on another trip.

This report takes the view that the Kansai region, which is more likely than the Tokyo metropolitan area or the Tokai region to experience a severe population decrease, could offset the drop in permanent residents by welcoming more temporary residents. The report highlights the need to raise the standard of each sightseeing destination and accelerate initiatives in the wider Kansai region to address the needs of foreign visitors and also estimates future conditions for tourism in Kansai based on tight accommodation capacity caused essentially by a sudden increase in the number of inbound tourists.

Chugoku Branch

"Inbound Tourist Trends in Hiroshima Prefecture"

(*Report*, September 2015)



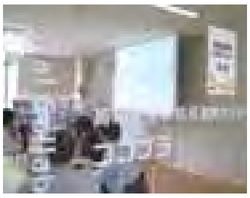
In recent years, the rising number of inbound tourists to Hiroshima Prefecture has mirrored the trend seen nationwide. In 2014, the number of travelers to Japan reached 13.41 million, of which about 80% came from Asia and just under 20% came from the West, namely, North America and Europe, and other regions, including Oceania. In the same year, Hiroshima Prefecture welcomed 1.04 million inbound tourists, of which about 60% came from the West and other regions, while about 30% came from Asia. This is opposite to the national trend.

In this report, the Chugoku Branch builds on the prefecture's inbound tourist statistics in breaking down the movement of visitors to Japan, from not only Asia but also the West, Oceania and other regions, and organizing the information in line with its importance to the inbound tourist industry.

Shikoku Branch

Opened Kochi Innovation Hub (iHub)

(Seminar, May-September 2015)



DBJ holds iHub* events in all regions. In cooperation with Kochi Prefecture and through our Shikoku Branch, we opened the Kochi Innovation Hub a total of five times between May and September 2015, drawing more than 30 participants from industry, academia, government and the private sector.

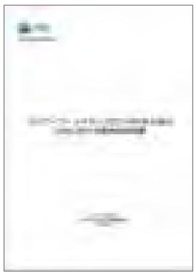
Except for the first seminar, the theme was "addressing issues for women raising children," and participants explored solution techniques through interviews and group work. One participant commented, "I'd like to apply the group work technique to product development at my company and integrate my own business into the network I've formed through participation in this seminar." Other participants shared similar impressions.

*Please refer to page 47.

Kyushu Branch

"Estimated Economic Effect in Kyushu from Rugby World Cup Japan 2019 Games"

(*Report*, March 2015)



Of the 12 host cities for the Rugby World Cup scheduled to take place in Japan in 2019, three—Fukuoka, Oita and Kumamoto—are in Kyushu. In this report, the Kyushu Branch endeavored to define the economic ripple effect of the Rugby World Cup on the Kyushu region. The results indicated a value of ¥35 billion.

The report references the importance of preparing for a potential influx of inbound tourists, particularly from Europe and Oceania, which is sure to accompany the hosting of the Rugby World Cup games in Kyushu.

Minami-Kyushu Branch

"Survey Report on Livestock Industry—Minami-Kyushu Growth Strategy II: 'Livestock Kingdom'"

(*Report*, May 2015)

Minami-Kyushu is a major center of production in Japan's livestock industry. However, the industry is likely to be exposed to huge changes in the business environment, notably, a shrinking domestic market paralleling a shift in the nation's demographic structure and heightened competition from overseas producers due to the impact of the Trans-Pacific Partnership and other international developments.

For this report, the Minami-Kyushu Branch followed up a 2014 survey on *wagyu* (Japanese beef) with a survey on pork and chicken. The branch picked out information about the current status of the livestock industry in Minami-Kyushu and then proceeded to analyze the competitive environment that domestic producers face and pinpoint issues that farmers must address to hone a sharper competitive edge in this environment. The branch also presented possible growth strategies for pork and chicken farmers.

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 effect 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 municipal bodies and the patronage of approximately 500 enterprises. 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, 2008, 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 the 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.
Japan: Head office, 10 branch offices and eight representative offices
Overseas: One overseas representative office

Period covered: The fiscal year from April 1, 2015, to March 31, 2016
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 2016
Next publication: September 2017 (previous publication: September 2015; frequency: annual)

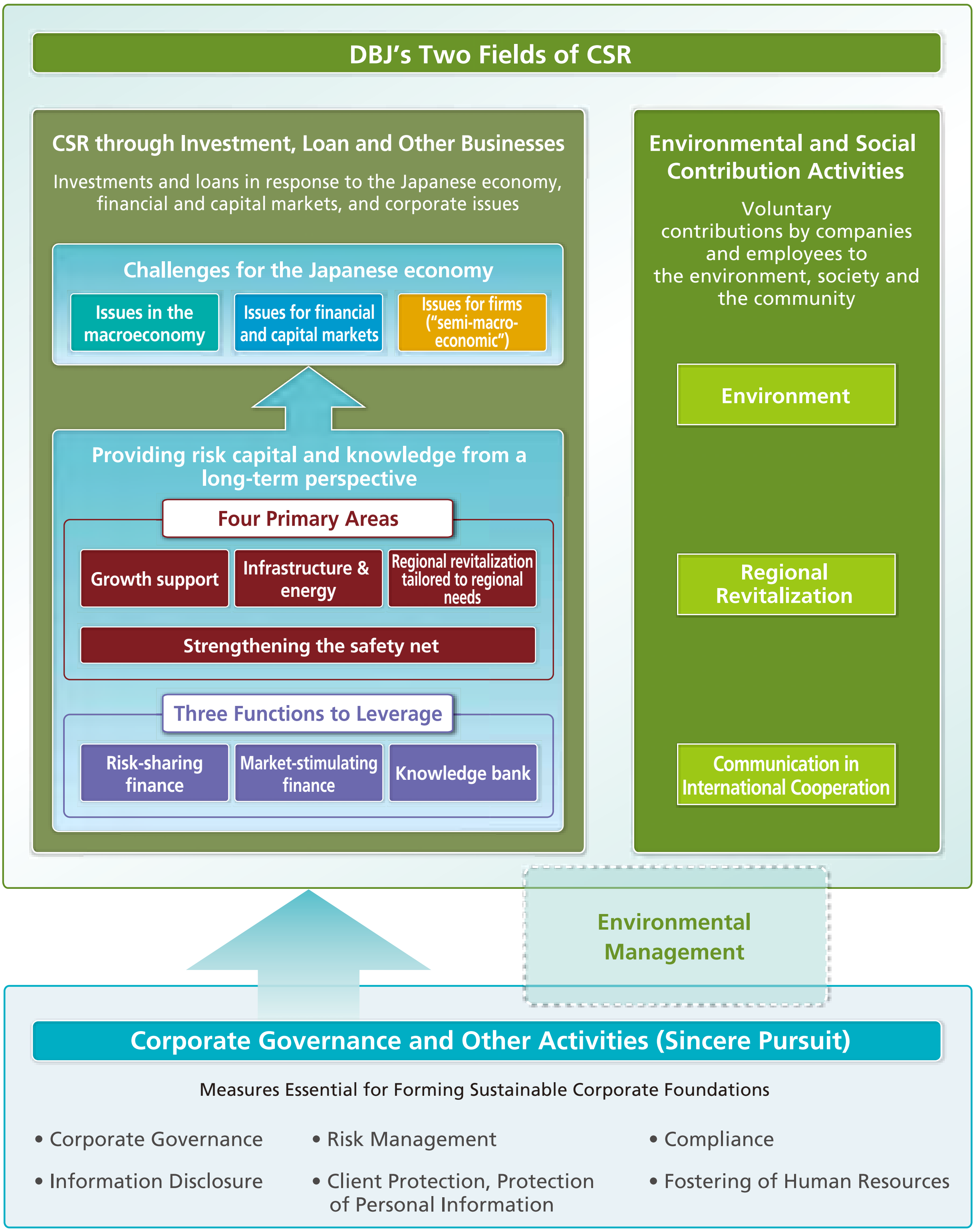
Reference Guidelines

The Sustainability Reporting Guidelines (Fourth Edition), issued by the Global Reporting Initiative (GRI), were used as reference guidelines.

Implementing CSR Management

With corporate governance as its cornerstone, DBJ separates into two fields the scope of the CSR activities through which it addresses the problems economy and society face: (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

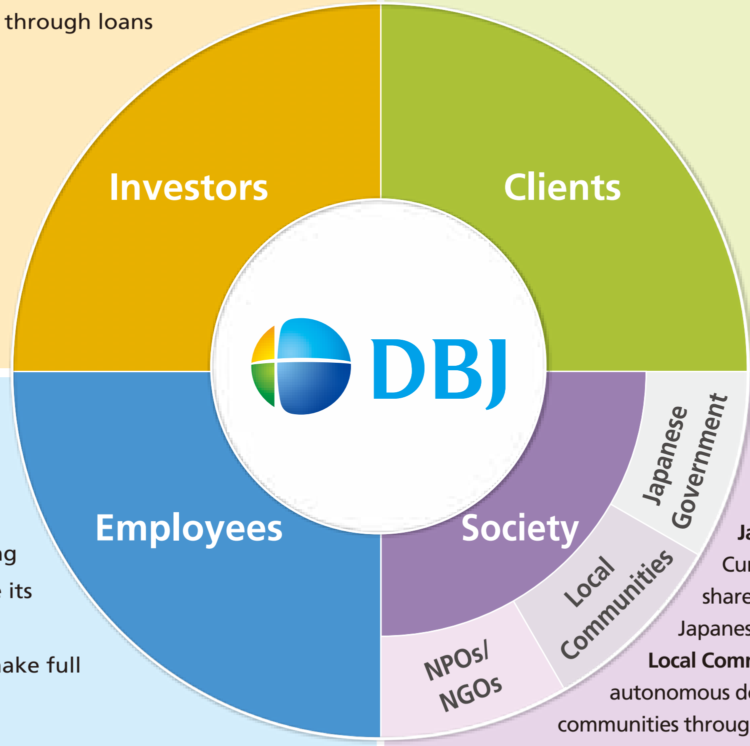


DBJ and Its Stakeholders

DBJ comes into contact with a wide variety of organizations, enterprises 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 financial institutions.

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



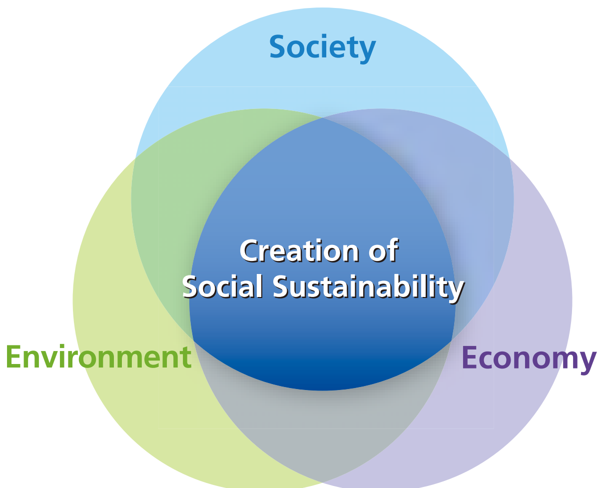
As of March 31, 2016, DBJ's employees numbered 1,187. DBJ employee training is designed to enable its employees to act autonomously and make full use of their abilities.

DBJ seeks to contribute to the realization of an increasingly prosperous and sustainable society.
Japanese 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 municipal 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 community and 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 society, the 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 and policy issues facing Japan. These measures were a way to evaluate CSR through Investment, Loan and Other Businesses.

Even after privatization (conversion to a joint-stock company), 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

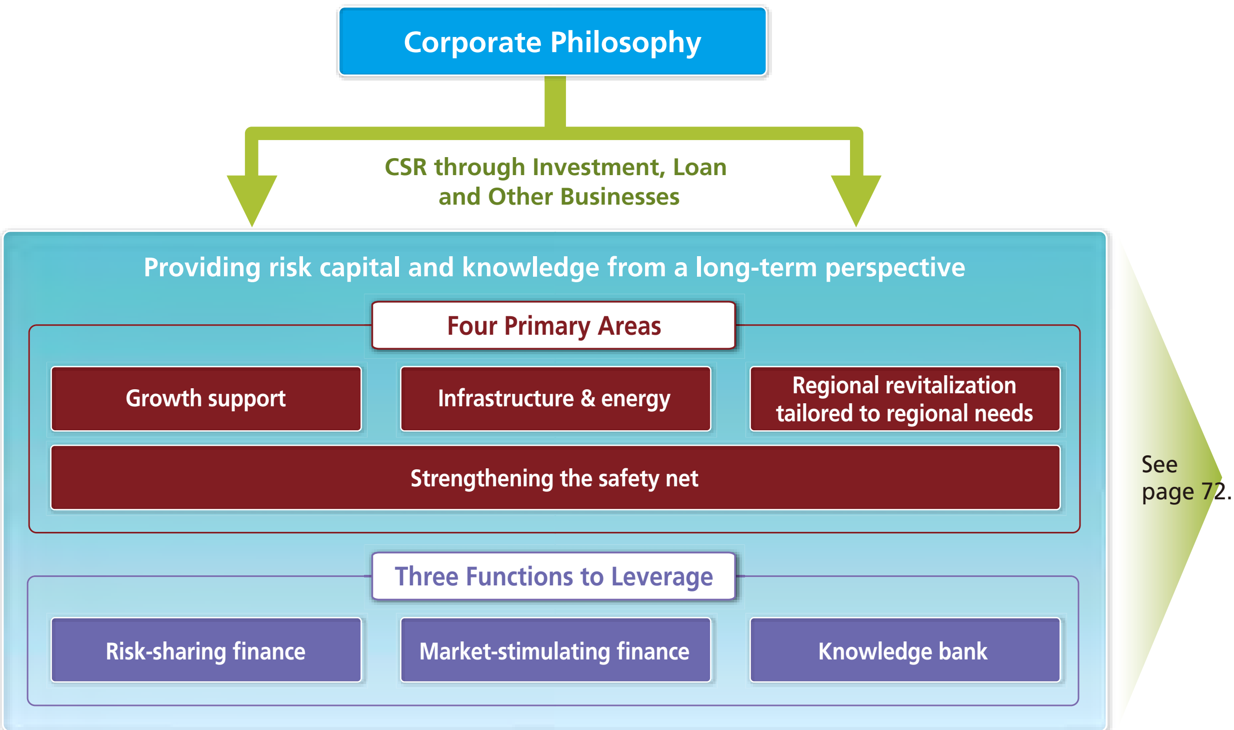
Due consideration of compliance issues is a prerequisite for the sustainable development of enterprises. Accordingly, it is important that a corporation's business activity brings new value to, contributes to problem-solving in, and gains the trust of society.

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, conducting appropriate risk assessment 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 and increases in corporate value.

Accordingly, DBJ considers the application of its intellectual assets and service platforms for investments and loans to be of vital importance, as well as its business of working with clients in a variety of fields.

Specifically, DBJ will apply the distinctive features and financial services that it has realized in the past to provide to clients various solutions that address expected changes and other issues that are forecast for the economic and social environments. In this way, DBJ will proactively leverage its three functions—risk-sharing finance, market-stimulating finance and knowledge bank—to take part in four primary areas: growth support, infrastructure & energy, regional revitalization tailored to regional needs, and strengthening the safety net.



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 across industries. Accordingly, DBJ strives to communicate with as many people as possible through seminars, symposiums and lectures.

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 the DBJ Environmentally Rated Loan Program, the DBJ Enterprise Disaster Resilience Rated Loan Program, the DBJ Employees' Health Management Rated Loan Program and DBJ sustainability bonds.

Eco-Products 2015 booth

Eco-Products 2015 booth

Communication on Regional Revitalization

DBJ considers it important to work with local citizens in building communities matched to the characteristics of the region to support independent regional development. To this end, DBJ holds and sponsors such events as seminars and symposiums in collaboration with local authorities, regional financial institutions, regional branches of the Japan Chambers of Commerce and Industry, and other economic organizations.

- Held seminars on theme of women entrepreneurs, in collaboration with local government

Hiroshima Women Entrepreneurship Seminar

- Held symposiums in collaboration with regional financial institutions

Forestry and wood materials symposium in Tohoku

- Held economic lectures in collaboration with regional chambers of commerce

16th Economic Lecture Forum "Kumamoto Mirai Society"

Communication Through International Cooperation

In cooperation with Japan Economic Research Institute Inc., its Group think tank, DBJ offers its experience in applying policy-based financing to support the reconstruction and growth of the industrial economy of postwar Japan and its accumulated expertise in recent policy issues, such as energy conservation, environmental measures and private infrastructure development, to governmental and development financing institutions in developing countries, primarily in Asia.

The Development Finance Course has been held 39 times and has attracted 346 people from more than 30 countries, tracking back to the first training session at the DBJ headquarters in 1967. In recent years, we have responded to requests from the government of Japan and from other participating countries to engage in specific projects, including assistance to a state-run financial institution in the Philippines on a survey related to improved disaster resiliency, support for credit risk management at Vietnam Development Bank, and a development bank support project in southern Africa.

DBJ is a member of the Association of Development Financing Institutions in Asia and the Pacific. Since 1976, we have been networking with development financing institutions in China, South Korea, ASEAN member countries, India and other areas. At the annual meeting held in Samoa in 2016, on the theme of climate change and disasters, Toru Hashimoto, former DBJ president (now advisor), received the ADFIAP Distinguished Person Award. Mr. Hashimoto oversaw the privatization of DBJ but still fervently promoted support for reconstruction in the wake of the Great East Japan Earthquake. The ADFIAP award recognizes his national and international achievements in economic development, especially the area of development finance.


ADFIAP annual meeting in Samoa

Other Communication Efforts

• Providing Information

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 *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 2016, DBJ’s contributions totaled ¥2,154,860—enough to provide 107,743 meals.

*TABLE FOR TWO is a program run by the non-profit 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 fiscal 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 effect and noise but also they are barrier-free with a low-floor design, ensuring easy access for disabled users.

Marunouchi shuttle bus

CSR Report

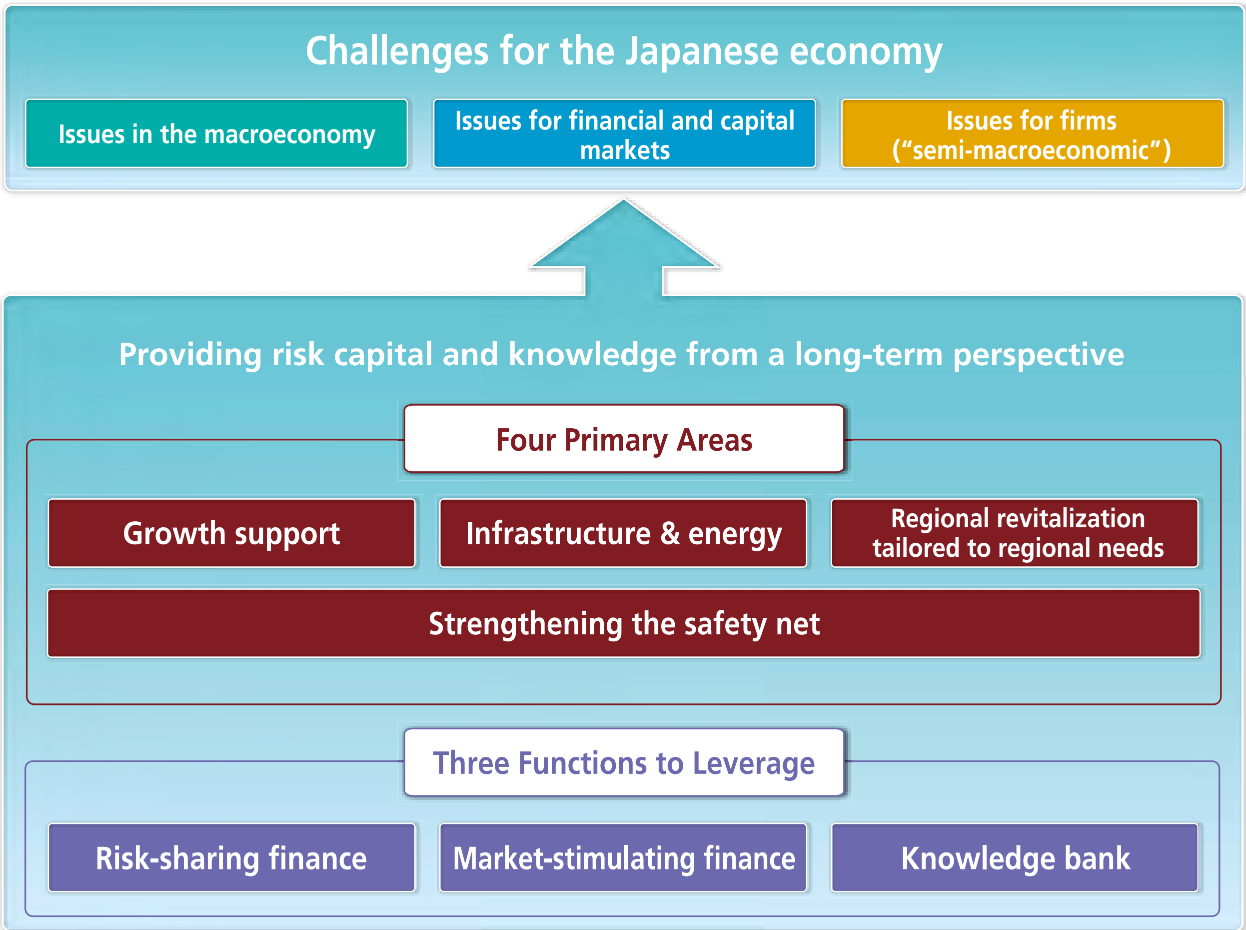
CSR through Investment, Loan and Other Businesses

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 to clients various solutions that address expected changes and other issues that are forecast for the economic and social environments. In this way, DBJ will proactively leverage its three functions—risk-sharing finance, market-stimulating finance and knowledge bank—to take part in four primary areas: growth support, infrastructure & energy, regional revitalization tailored to regional needs, and strengthening the safety net.

CSR through Investment, Loan and Other Businesses

Investments and loans in response to the Japanese economy, financial and capital markets, and corporate issues



Case Studies

Growth Support

Promotion of Competitiveness

To grow, the domestic economy requires an improvement in the competitiveness of industries overall. Particularly important are efforts to maintain core competitiveness by securing human resources, supply chains, R&D site functions and other domestic production and development platforms, as well as appropriately updating capital stock, and efforts to strategically enhance competitiveness by creating new value through links between different industry sectors and promoting initiatives that span the value chain—from the upstream to the downstream ends. Access to risk capital is essential to foster such progress.

Case Study Dexerials

Dexerials Corporation, headquartered in Shinagawa-ku, Tokyo, was known previously by the name Sony Chemical & Information Device Corporation. The company is active in Japan and overseas, manufacturing and selling bonding materials and optics materials for use in displays mounted into smartphones and other consumer electronics. The company also has world-caliber technological capabilities in functional materials, and is keen to expand its business activities and pursue its independence.

With the underlying intention to help Dexerials fully demonstrate its excellent capabilities in development and technology and improve corporate value, DBJ decided to support the company's efforts to realize sustainable growth and independence and acquired a stake (investment ratio of 60%) in 2012, with an initial public offering in mind. In addition, DBJ provided management resources, including human resources, to help establish an organizational structure for independent operations and to restructure the portfolio, as well as support the expansion of operations. This culminated in Dexerials' listing on the First Section of the Tokyo Stock Exchange in July 2015.

Functional materials product group

Case Study Kawasaki Heavy Industries

Kawasaki Heavy Industries, Ltd., headquartered in the city of Kobe, Hyogo Prefecture, is a prominent general engineering company with operations in seven business segments: Ship & Offshore Structure, Rolling Stock, Aerospace, Gas Turbine & Machinery, Plant & Infrastructure, Motorcycle & Engine, and Precision Machinery.

In its pursuits, the company is involved in the development and production of engines for commercial aircraft, a market with considerable growth potential in the future. While manufacturers from several countries typically get together on these kinds of international joint development projects in the interest of sharing technologies and reducing the burden of massive development costs, Kawasaki Heavy Industries' components for commercial aircraft are mainly produced in-house or at the domestic facilities of the company's business associates.

DBJ deems that Kawasaki Heavy Industries' involvement in a project related to an international joint development of a commercial aircraft engine not only sharpens the company's international competitiveness but also energizes regional economies, and therefore applies its Special Investment Operations* to support activities connected to the company's participation.

*Special Investment Operations: These operations are part of an effort to concentrate on supplying growth capital to contribute to regional economic vitalization and corporate competitiveness based on the Partial Amendment of the Development Bank of Japan Inc. Act, which was promulgated and went into effect on May 20, 2015. (See pages 50-51 for details.)

Case Study AeroEdge

Since its establishment in 1940, Kikuchi Gear Co., Ltd., headquartered in Ashikaga, Tochigi Prefecture, has focused mainly on precision gears for automotive, construction equipment and hydraulic machinery applications. The company marked a huge milestone in 2015 when its turbine blades, made from a difficult-to-machine titanium-aluminide alloy utilizing precision fabrication technology, were selected for use in a new type of commercial aircraft engine built by an overseas manufacturer. This led to a long-term supply agreement. Following full entry into the aerospace business, Kikuchi Gear transferred its aircraft engine components business to wholly owned subsidiary AeroEdge Co., Ltd., also headquartered in Ashikaga, Tochigi Prefecture. DBJ invested in AeroEdge through its Special Investment Operations* and seeks to promote the development of this business as a collaborative effort among the three companies.

In addition to providing risk capital, DBJ will offer advice based on insights accumulated through ongoing support for Japan's aircraft industry, and thereby contribute to the formation of an operating structure primed for the further growth of this business.

*See page 73.

AeroEdge head office plant

Case Study Jointly Operated Fund with Hoshino Resorts

Hoshino Resorts Inc., headquartered in the town of Karuizawa, Nagano Prefecture, operates 34 facilities, as of April 2016, mainly *onsen ryokan* (Japanese-style inns at a hot spring) and resort hotels, in Japan and overseas, and conveys the appeal of Japan's omotenashi—a level of customer-oriented politeness and genuine warmth that makes customers feel welcome, valued and respected—under its "Hospitality Innovator" vision. Hoshino Resorts has supported the restructuring of struggling accommodations, including ryokan, by leveraging its expertise in the operation, branding and marketing of ryokan, resort hotels and other lodging facilities. To reinforce the support structure, DBJ and Hoshino Resorts formed a jointly operated fund—Hoshino Resorts Ryokan and Hotel Operations Support Fund Limited Investment Partnership, nicknamed "Hotel and Ryokan Renewal Fund"—for lodging facility operators in Japan.

DBJ will draw on its accumulated financial know-how and expertise in industry research to underpin solutions that address the challenges faced by lodging facility operators in Japan and thereby contribute to regional revitalization by increasing the nonresident—that is, tourist or temporary visitor—population.

DBJ supplied funds to this project under its Growth Co-creation Facility*, an independent initiative to accelerate the creation and expansion of markets for growth capital.

*Growth Co-creation Facility: An approach to supply funds for initiatives that will translate into future creation and expansion of markets for growth capital, including forward-looking capital policy that business operators apply to prepare for future growth investment, as well as the formation of collaborative funds wherein interested parties, mainly financial institutions and investors, team up in advance to provide funds for future growth investment.

Hoshino Resorts' KAI Izumo

M&A

Amid increasing globalization of the economy, a trend is rolling briskly toward heightened international competitiveness through overseas expansion, business restructuring, industry restructuring and other approaches. The number of mergers and acquisitions are rising as well.

M&As are considered effective and essential for proactive business restructuring and for overhauling and revitalizing underperforming businesses.

Case Study NYK LINE

Nippon Yusen Kabushiki Kaisha (NYK LINE), headquartered in Chiyoda-ku, Tokyo, is one of the largest shipping companies in the industry and is primarily involved in the global logistics business as a provider of integrated logistics services. DBJ provided comprehensive advisory services to NYK LINE when the company was preparing to acquire shares in Namyong Terminal Public Company Limited (NYT), which had a terminal operation concession agreement with Laem Chabang Port in central Thailand.

Terminal operator NYT exports Thailand's largest number of automobiles. Revenue at Laem Chabang Port is charting a stable upward path, thanks to growth in the local automobile manufacturing value chain.

Laem Chabang Port

Case Study IZUMI

IZUMI Co., Ltd., headquartered in the city of Hiroshima, Hiroshima Prefecture, has since its establishment in 1961 promoted the development of shopping centers and supermarkets, including the operation of "You Me Town" mall-type large-format shopping centers, primarily in the Chugoku, Kyushu and Shikoku regions. DBJ provided IZUMI with comprehensive advisory services related to share acquisition, leading to the October 2015 acquisition of shares in Yours Co., Ltd., headquartered in the district of Aki, Hiroshima Prefecture, and a buildup of IZUMI's presence, mainly through the opening of supermarkets in the same area. IZUMI then turned Yours into a consolidated subsidiary.

Both companies are involved in the supermarket business, but IZUMI directs its attention toward mall-type, large-format shopping centers while Yours focuses on stores for smaller market areas. The compound effect, therefore, should lead to streamlined operations through the integration of information systems as well as synergies for both IZUMI and Yours in their respective market areas.

Signing ceremony for basic agreement on capital and business alliance

Overseas

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

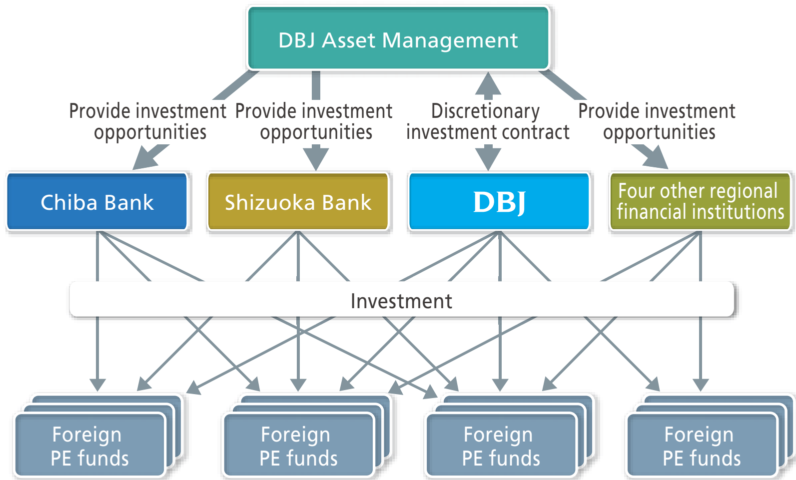
Emerging markets in particular, with their notable growth in middle income groups, represent a major business opportunity for Japan, because the region is running up against environmental issues, urbanization-related difficulties and other developmental constraints and growth challenges that Japan has already faced and overcome.

Case Study Foreign Private Equity Fund Co-investment Program

Private equity funds (PE funds) invest in the stock of unlisted companies, seeking exit returns through initial public offerings or sale to other companies after the enterprise value of the target company has been enhanced by helping it grow or restructure, and thereby achieving revenue. PE funds represent a field of investment attracting greater notice from regional financial institutions in recent years as a means of diversifying their asset portfolios and delivering effective solutions to their clients. Such solutions include alliances between clients and investee companies and support for clients' overseas expansion efforts.

Within the DBJ Group, investment in domestic and foreign PE funds has been an ongoing pursuit since 2002, and starting in 2015, DBJ Asset Management Co., Ltd., has drawn on accumulated investment expertise and a solid network established over many years to present excellent fund management opportunities to investors in Japan. Beginning in 2016, DBJ will embark on a co-investment program with regional financial institutions, targeting foreign PE funds. Under a new framework, forged in cooperation with The Chiba Bank, Ltd., The Shizuoka Bank, Ltd. and four other regional financial institutions, DBJ hopes to cultivate business opportunities for members of this sector of the banking industry and, by extension, underpin the sustainability of local economies and communities.

● **Foreign PE Fund Scheme**



Case Study Turkish Airlines

Turkish Airlines, headquartered in Istanbul, is the national flag carrier of the Republic of Turkey and boasts the world's largest network. Paralleling aviation demand, which is growing worldwide, the airline made plans to purchase additional airframes and diversify its associated fund-procurement methods.

In arranging the Enhanced Equipment Trust Certificate* for Turkish Airlines, DBJ enhanced liquidity as a liquidity provider and also provided asset-based lending. This was the world's first-ever yen-denominated EETC issued in Japan's capital market and was sold to domestic investors through Mizuho Securities, Co., Ltd., headquartered in Chiyoda-ku, Tokyo, and DBJ Securities Co., Ltd. Turkish Airlines earmarked the proceeds from the EETC deal for purchasing three Airbus A321-200 aircraft, which were delivered between September and November 2015.

*Enhanced Equipment Trust Certificate: A securitized product typically issued in the U.S. capital market to raise funds for airlines to purchase airframes. An EETC allows an airline to raise funds from a wide spectrum of investors because flexible, innovative structuring, such as liquidity enhancement and multiple tranches, creates beneficiary certificates with a higher rating than the corporate rating of the airline itself.

Airbus A321-200 aircraft

Healthcare and Welfare

Various issues characterize healthcare, including an increasing elderly population, medical system reforms, and a need to rebuild aging facilities. Offering uninterrupted healthcare services involves solving the fiscal and administrative problems that burden medical corporations, as well as improving the skills of physicians and other medical personnel and the quality of related facilities and medical equipment.

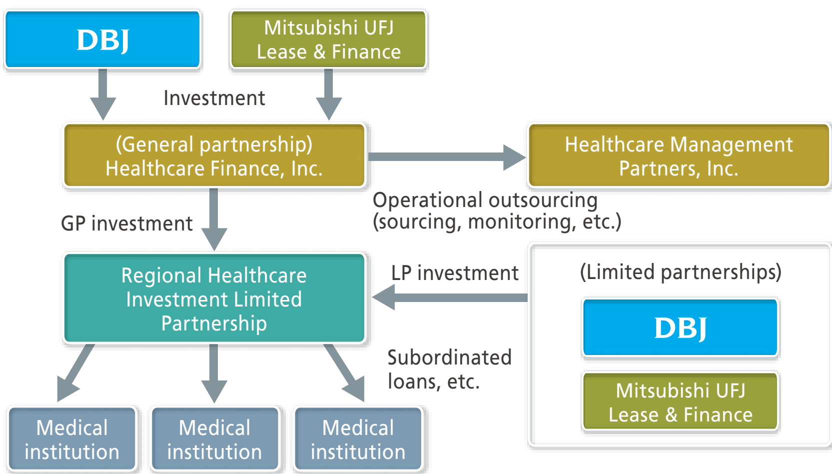
Case Study Regional Healthcare Fund

As Japan transitions fully toward a "super-aged" society, cultivation of the healthcare and medical industries is taking on a growing importance, as is the cultivation of business foundations in these fields. In relation to this, the Japanese government is promoting a "Japan Revitalization Strategy." As medical facilities are core components of the healthcare and medical sectors, the country faces a growing need to rebuild dilapidated hospitals and upgrade medical equipment in order to augment medical functionality. Japan will also need to undertake initiatives to build healthcare systems suited to regional environments.

Against this backdrop, DBJ and the Mitsubishi UFJ Lease & Finance Company, Ltd., headquartered in Chiyoda-ku, Tokyo, formed the Regional Healthcare Investment Limited Partnership (Regional Healthcare Fund), with a total investment of ¥10.0 billion, to invest in medical institutions' subordinated loans and loan claims.

Through this cooperation with Mitsubishi UFJ Lease & Finance, DBJ aims to promote initiatives by medical institutions and encourage collaboration with regional financial institutions. By leveraging its financial solutions and wealth of knowledge, through the Regional Healthcare Fund, DBJ is providing risk capital for subordinated loans and other investments.

● Regional Healthcare Fund Scheme



Case Study Musashinosha (Ageo Medical Group)

Musashinosha K.K., headquartered in Ageo, Saitama Prefecture, and a member of the Ageo Medical Group (AMG), owns and rents hospital real estate and operates as a medical products wholesaler. AMG, with the Ageo Central General Hospital at its core, operates 27 hospitals and 21 nursing home and senior care facilities in seven prefectures—Saitama, Tokyo, Chiba, Kanagawa, Ibaraki, Yamanashi and Gunma. AMG seeks to provide community-based, high-level total care—that is, health maintenance, medical care and welfare—under a groupwide philosophy emphasizing hospitals/facilities that evince care about people and are, in return, appreciated by patients/residents and their families for the high-level medical care offered.

In July 2015, DBJ provided Musashinosha with financing for a new building in the city of Saitama, Saitama Prefecture, where the former Higashi Omiya General Hospital, one of the medical facilities under the AMG umbrella, was relocated and renamed Sainokuni Higashiomiya Medical Center. With 337 beds, this facility seeks to provide excellent medical care services as a core hospital in Saitama, fulfilling two functions—emergency medical care and regional medical care—under a basic concept highlighting extended capabilities, a richer learning environment and a higher level of emergency medical care capabilities as a designated cancer care hospital.


Sainokuni Higashiomiya Medical Center

DBJ Environmentally Rated Loan Program

Environmental issues are a perpetual matter of concern for the whole world, and enterprises are required now more than ever before to conduct business in an environmentally responsible manner. Financial institutions are no exception, being tasked with the mission of contributing to a sustainable society by encouraging enterprises to embrace initiatives through environmentally considerate investment and financing activities.

Case Study Daiwa House Industry

As a general homebuilder, Daiwa House Industry Co., Ltd., headquartered in the city of Osaka, seeks to contribute to the realization of a society where people live with a sense of enrichment in harmony with their environment. The company works toward this end by promoting environmental management from several approaches, including "ECO Process," which targets reduced environmental impact through efficient business processes, and "ECO Products," which emphasize the development and widespread acceptance of homes and buildings with environment-conscious features.

DBJ has given Daiwa House Industry its highest rating under the DBJ Environmentally Rated Loan Program, and provided financing to the company based on this rating program.

In the evaluation process, Daiwa House Industry was awarded high marks for (1) formulating an environmental action plan that meshes with business strategies, based on the 2020 Medium- to Long-Term Environmental Vision, while also promoting the realization of systems to create, save and store energy and encouraging widespread use of "Smart & Eco Products" as part of energy-management system installations, to bring the environmental impact generated through the lifecycle of homes and buildings down to zero; (2) working to expand the stock-type home business, which includes activities to lengthen the useful life of buildings and to resell pre-owned homes, as well as businesses that contribute to a better environment, such as greening activities that consider biodiversity in urban landscapes; (3) drafting comprehensive CSR procurement guidelines along with the establishment of independent guidelines on wood procurement and the control of chemical substances and executing subsequent assessments, and endeavoring to build a supply chain that takes the environment and CSR into account; and (4) identifying key issues in 2011 from a spectrum of CSR issues at shareholder meetings and reviewing self-assessed CSR indicators, along with continuous disclosure of targets and results according to established KPIs (eight themes/18 issues/40 indicators).

DREAM Solar, in Wakayama

Case Study Aleph

Aleph Inc., headquartered in the city of Sapporo, Hokkaido, was established in 1976. The company operates a growing network of restaurants throughout Japan, including the Bikkuri Donkey hamburger steak restaurant chain. Guided by a corporate mission highlighting three goals—"Develop a business that preserves and creates health and safety"; "Create a business that improves the welfare of the people"; and "Develop a business that cares for nature"—the company seeks to deliver high added value through its business activities and contribute to the realization of a sustainable society.

DBJ provided financing to Aleph under the DBJ Environmentally Rated Loan Program. In the evaluation process, Aleph received high marks for (1) setting in-house standards that exceed legal requirements through such approaches as restricting the use of agrochemicals, and conducting ecosystem surveys, which not only ensure the safety and quality of ingredients but also underpin procurement of ingredients with due consideration to the environment and biodiversity; (2) achieving a high recycling rate through, for example, the formation of a food recycling loop that starts with the installation of Zero Wonder—a processing machine that pulverizes and dries food waste, to promote composting of leftover food at each restaurant—and circles around to the delivery of agricultural products, which have been grown with fertilizer made from this compost, to restaurants for use in the preparation of restaurant dishes; and (3) actively engaging in consumer environmental awareness campaigns on the reapplication of used cooking oil collected from households as a resource for fuel and environment-themed educational programs such as special learning opportunities for children at Ecorin Village, which highlights environmental issues and food safety.

Reduced-agrochemical rice supplied to all Bikkuri Donkey restaurants

DBJ Employees' Health Management Rated Loan Program

The promotion of employees' health management is linked to improved employee satisfaction and corporate productivity, the retention of talented human resources and the financial betterment of health insurance organizations. As the critical issue of a declining population of future workers becomes a more critical problem, the strategic implementation of employee's health management from a managerial perspective is an important issue for the realization of a sustainable society.

Case Study Morinaga Milk Industry

To shape a corporate culture in which employees approach work with energy and vitality, Morinaga Milk Industry Co., Ltd., headquartered in Minato-ku, Tokyo, looks first to the health of employees, in line with a corporate philosophy "to create a new food culture based on the excellent power of milk, making a difference in people's health and society in general" as a maker of milk and dairy products. The company is engaged in various efforts to achieve this goal, including the establishment of in-house structures.

DBJ provided financing to Morinaga Milk Industry under the DBJ Employees' Health Management Rated Loan Program and also accorded the company the highest ranking in this program.

In the evaluation process, we gave the company high marks for (1) the Morinaga Milk Industry Health Declaration, hammered out by the president himself, as basic policy for health management, and diligent efforts to achieve the medium- to long-term objectives of Health Morinaga 21 and a data health plan* through a PDCA cycle, guided by the Health Promotion Committee, which hinges on Morinaga Milk Industry and the corporate health insurance society; (2) the pursuit of multifaceted analysis (not only entailing the scope of medical costs from several perspectives but also engaging industry peers in the discussion to pinpoint health topics of concern); and (3) the introduction of quite a number of original initiatives, such as promoting choices for better lifestyles and taking mental health and hours worked into account at regularly held meetings, as concrete measures to resolve issues, and also the company's farsightedness with regard to a good work/life balance for employees through such opportunities as childcare support programs utilizing accumulated annual leave.

*Data health plan: Business plan to maintain and improve the health of corporate health insurance society members, based on an analysis of data, such as health insurance claims.

Certification presentation ceremony

Case Study EBARA

EBARA CORPORATION, headquartered in Ota-ku, Tokyo, is a global manufacturer of industrial machinery involved in the production of fluid machinery and systems such as pumps and compressors, the construction and operation of solid waste incineration facilities, and the production of semiconductor manufacturing equipment. The company's CSR policy emphasizes the commitment "We sustain a safe workplace and strive for a stimulating work environment," and the company maintains a corporate health management system that hinges on its Central Safety and Health Committee.

DBJ provided financing to EBARA based on the DBJ Employees' Health Management Rated Loan Program.

EBARA received a high rating for three reasons: (1) The company has positioned its Central Safety and Health Committee as a lateral structure cutting across the organization and, through its sophisticated Occupational Health and Safety Management System, which includes regular and continuous risk assessment, strives to stop accidents and disasters from happening and endeavors to prevent reoccurrence should such situations arise; (2) The company conducts multifaceted analysis of not only medical check data but also the results of stress checks and employee satisfaction surveys to ascertain in-house health issues; and (3) The company recognizes, through this analysis, that lifestyle-related diseases are serious health issues and has implemented health directives and lifestyle improvement programs run by industrial physicians and industrial healthcare staff and has also introduced various measures in cooperation with its health insurance society to encourage employees to take better care of themselves.

Certification presentation ceremony

Infrastructure & Energy

Energy

Varied energy usage is essential to ensure the long-term, stable supply of energy. Also, global interest in using solar power, wind power, biomass and other forms of 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 Aoyama-kogen Wind Farm

Aoyama-kogen Wind Farm Co., Ltd, headquartered in Tsu, Mie Prefecture, is a third-sector company jointly funded by the cities of Tsu and Iga and C-TECH CORPORATION, a subsidiary of Chubu Electric Power Co., Inc. The company is engaged in the wind power generation business and supplies electricity in the Aoyama Plateau, a highland area that stretches from the western quarter of Tsu to the eastern quarter of Iga. DBJ arranged syndicated loans totaling ¥18.0 billion, in collaboration with five regional financial institutions, for a project to expand wind power generation facilities operated by Aoyama-kogen Wind Farm.

The project plans to construct 40 wind power generators, each boasting 2,000kW output, for maximum output of 80,000kW, and associated facilities. In combination with the 20 existing generators, delivering maximum output of 15,000kW, the project is poised to become the largest wind farm in Japan. As of March 2016, the company had already put 18 of the 40 new generators into operation.

This project is expected to contribute to efforts aimed at preventing global warming through wider access to renewable energy, and will also present employment opportunities in the community for construction, maintenance and management and revitalize the regional economy, including local tourism, through an increase in visitors.

Wind power generation facility expansion project

Case Study Yokkaichi Kasumi Power

Yokkaichi Kasumi Power Co., Ltd., headquartered in Minato-ku, Tokyo, is a power generation company jointly established by Cosmo Energy Holdings Co., Ltd., headquartered in Minato-ku, Tokyo, and DBJ. By taking over the Yokkaichi Kasumi Power Plant from Cosmo Oil Co., Ltd. and modifying and operating it, Yokkaichi Kasumi Power will ensure greater stability and efficiency in the supply of energy, making use of both power generation know-how acquired by the Cosmo Energy Group in independent power producer business and in-house resources, such as petroleum coke produced at Cosmo Oil's Sakai Refinery.

DBJ will draw on insights accumulated through financing power generation businesses, including support for project finance origination, to contribute to the creation of new financing opportunities. The investment in Yokkaichi Kasumi Power makes use of Special Investment Operations*.

*See page 73.

Yokkaichi Kasumi Power Plant

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 Tobu Railway

Tobu Railway Co., Ltd., headquartered in Sumida-ku, Tokyo, operates the Tobu Isesaki Line (between Asakusa and Isesaki stations), the Tobu Tojo Line (between Ikebukuro and Yorii stations) and other lines, particularly across the company's established territory—the Kanto region. These lines form part of the largest rail network of any private railway operator. Tobu Railway is involved in real estate leasing and housing subdivision development as well as hotel and leisure businesses, especially in areas along its railway lines. The company is also engaged in the Tokyo Skytree Town® project, which opened in May 2012.

Against this backdrop, Tobu Railway was impacted by the torrential rains that hit the Kanto and Tohoku areas in September 2015, as water washed out embankments, brought down power lines and utility poles and swept away bridge girders, among other damage. The company was, however, quick to rebuild damaged installations and get trains rolling again.

When a large-scale disaster occurs, and normal financing platforms will not work, DBJ actively extends emergency financing. As a designated financial institution for Crisis Response Operations*, DBJ provided Tobu Railway with restoration funds, which were applied primarily toward repairing damaged railway bridge girders, performing ground fortification and reinstalling downed power lines.

*See page 52.

SPACIA for Nikko Moude (SPACIA for Pilgrimage to Nikko) and Tokyo Skytree®

Case Study Kanto Railway

Kanto Railway Co., Ltd., headquartered in Tsuchiura, Ibaraki Prefecture, is a private railway operator providing bus and real estate services along with the running of two train lines—the Joso Line (between Toride and Shimodate stations) and the Ryugasaki Line (between Sanuki and Ryugasaki stations)—covering the area from central Ibaraki Prefecture through the southwestern section of the prefecture.

Events, notably, Tropical Storm Etau, which caused the Kinu River to burst its embankments in September 2015, damaged the company's civil engineering equipment and facilities and the electric power transmission system for trains. But the company was quick to get operations quite literally back on track, guided by a business philosophy of "contributing to the region through safe transportation and high-quality services."

DBJ actively supported affected enterprises' efforts to get operations rolling again following damage from Tropical Storm Etau and associated events as part of its Crisis Response Operations* and extended funds to Kanto Railway to rebuild its electric power transmission system.

*See page 52.

Railway damaged by Tropical Storm Etau (2015) and associated events

Urban Development

Efforts to develop and upgrade urban infrastructure and functions and the creation of new 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. In addition, the development and reemergence of cities conscious of environmental issues and prepared for possible disasters is essential to the realization of a sustainable society. Recent years have seen progress in the initiatives of real estate providers to highlight to stakeholders surrounding the real estate industry, properties imbued with a sense of the environment and society.

Case Study Tachihi Holdings

Tachihi Holdings Co., Ltd., headquartered in the city of Tachikawa, Tokyo, owns Mitsui Shopping Park LaLaPort Tachikawa Tachihi, a multi-purpose shopping complex jointly developed with Mitsui Fudosan Co., Ltd., headquartered in Chuo-ku, Tokyo, as part of a development plan using company-owned property in the vicinity of Tachihi Station on the Tama Monorail, which runs north-to-south and connects at Tachikawa with the JR Chuo Line, which runs east-to-west through Tokyo.

DBJ has conferred its DBJ Green Building Certification to Mitsui Shopping Park LaLaPort Tachikawa Tachihi under the category of best-in-class domestic properties for environmental and social awareness. Top marks were given for (1) provision of various places to gain first-hand experience through the establishment both of hands-on cultural facilities and of an excellent perspective on diversity, including toilets designed for specific users, such as children and the disabled; (2) excellent community considerations, such as a spacious, open-type garden with a huge, glass-walled terrarium built around a symbolic tree; and (3) robust efforts to reduce environmental impact through such approaches as the installation of LED lighting in designated areas.

Mitsui Shopping Park LaLaPort Tachikawa Tachihi

Case Study Hankyu Corporation/Hankyu REIT

Hankyu Corporation, headquartered in Osaka, is a core company under the Hankyu Hanshin Holdings Group umbrella and is engaged in urban transportation, real estate, and entertainment and communication businesses. The company pursues real estate development, mainly along its railway tracks in Osaka, Kobe, Takarazuka and Kyoto. The company jointly owns HANKYU NISHINOMIYA GARDENS, a commercial facility near the Hankyu Nishinomiya-Kitaguchi Station, with Hankyu REIT, Inc., also headquartered in Osaka. This facility contributes to revitalization of the area along the tracks.

DBJ awarded DBJ Green Building Certification to HANKYU NISHINOMIYA GARDENS, given to best-in-class properties for environmental and social awareness. High marks were given for (1) environmental consciousness exemplified through energy-saving initiatives put into place throughout the facility, such as the installation of LED lighting in common areas, and also for taking a robust approach toward the creation of energy utilizing photovoltaic and wind-generated power; (2) establishment of a rooftop garden—Sky Garden—and engagement in large-scale greening activities with the surrounding ecosystem in mind to create spaces for recreation and relaxation where events such as fruit harvests and concerts can be held, which contribute to the community; and (3) utilization of the Hankyu Nishinomiya Gallery to highlight local history and culture by providing information on the Hankyu Nishinomiya Stadium, which once stood on this site, and the installation of a diorama model of the stadium and the station area along with a home plate monument.

HANKYU NISHINOMIYA GARDENS (Sky Garden)

Public–Private Partnerships/Private Finance Initiatives

Public–private partnerships (PPPs) describe a variety of schemes for the provision of public services through partnerships between government and private-sector companies. They involve harnessing private capital and expertise for use in the delivery of public facilities traditionally provided by the Japanese government or regional municipal bodies, with private finance initiatives (PFIs) being representative of such schemes for the provision or management, supervision and support of public facilities. At a time when Japanese government and regional municipal bodies are in difficult financial straits, the use of PPPs, and particularly PFIs, in restoring aging public infrastructure and similar projects represents a promising field.

Case Study Kansai Airports

Kansai Airports, headquartered in the city of Osaka, was established in December 2015 by a consortium of 32 companies, including ORIX Corporation, France's VINCI Airports S.A.S., and prominent businesses in the Kansai region. Currently, the company operates Japan's largest airport concession project—"Qualified Project Etc. for Airport Operation of Kansai International Airport and Osaka International Airport" (integrated operation of both airports)—based on an agreement with New Kansai International Airport Company, Ltd., that grants it the right to operate public facilities.

DBJ saw this project as setting a precedent for the anticipated increase in airport privatization initiatives and felt the project would refresh and enhance the function of these airports as international hubs in the Kansai region and, by extension, contribute to revitalization of the Kansai economy.

Therefore, DBJ worked alongside 12 other financial institutions to arrange syndicated loans for this project. This arrangement marked a first, as project financing for a concession in Japan, and also broke previous records in terms of amount, as the highest ever executed in Japan.

Kansai International Airport Photo courtesy of Kansai Airports

Case Study Various Initiatives to Encourage Greater Utilization of PPP/PFI

In June 2013, DBJ set up PPP/PFI Promotion Centers in the Regional Planning Department of its head office, branches and offices to implement broad-ranging initiatives from the upstream stages. We aim to resolve such issues as rebuilding public infrastructure under the current environment of fiscal constraints and a dwindling population and to encourage greater PPP/PFI utilization.

A fine example of our PPP/PFI efforts is our PPP/PFI Promotion Seminar, which in collaboration with regional financial institutions, the Japanese Cabinet Office and the Private Finance Initiative Promotion Corporation of Japan (PFIPCJ) and other bodies, has been held 51 times, as of the end of fiscal 2015, in various areas, and we are working to organize a regional platform for PPP/PFI appropriate to each region. Also, since October 2014, we have created opportunities for PPP/PFI Academy, which utilizes the videoconferencing and other systems at our head office to facilitate participation. PPP/PFI Academy is aimed primarily at members of regional municipal bodies and regional financial institutions. The program is available across the country and has attracted participation from a total of about 900 people.

Going forward, DBJ will continue to promote studies and access to information and advice as well as efforts to cultivate and support the formation of diverse PPP/PFI projects, provide risk capital and actively engage in regional revitalization through greater PPP/PFI utilization on our good relations with the Japanese government, PFIPCJ, local governments, enterprises, regional financial institutions and other organizations.

PPP/PFI Academy in progress

Regional Revitalization Tailored to Regional Needs

Regional Revitalization

Problems associated with a shrinking labor force and the graying of society are starting to appear in regional areas of Japan, and a pressing question is how to deal with this situation. Regional revitalization initiatives are beginning to appear, through efforts not only in manufacturing sectors but also in non-manufacturing sectors to improve productivity and by turning destinations into appealing brands through efforts to revitalize tourism, drawing inbound visitors and otherwise strengthening tourist-oriented services. This movement requires a more extensive approach—horizontally and vertically—in collaborative efforts among industry, government, academia and financial institutions.

Case Study Initiatives Coinciding with Opening of Hokkaido Shinkansen Route: South Hokkaido Railway/Noguchi Kanko/Tsuruga Kanko Kaihatsu (Tsuruga Group)

Various initiatives are being undertaken in Hokkaido to revitalize the regional economy, taking advantage of the opportunities afforded by the March 2016 opening of a *shinkansen* (bullet train) route to Hokkaido, Japan's northern island.

Coinciding with the opening of the Hokkaido Shinkansen route, South Hokkaido Railway Company, headquartered in the city of Hakodate, Hokkaido, took over the JR Esashi Line, an existing parallel railway, and commenced operations.

High-quality accommodations are opening, as well.

In April 2016, Noguchi Kanko Co., Ltd., headquartered in the city of Noboribetsu, Hokkaido, renovated the east annex of the Yumoto Takubokutei hotel at Yunokawa Onsen, Hakodate, and reopened the facility under the name Hakodate Umi no Kaze.

And Tsuruga Kanko Kaihatsu Co., Ltd., headquartered in the city of Kushiro, Hokkaido, has an early August 2016 opening of the Onuma Tsuruga Auberge EPUY hotel in front of JR Onuma Koen Station on its calendar.

DBJ sees these initiatives enhancing the quality of the sightseeing experience in Hokkaido, and has provided financing to the respective companies for their projects.

South Hokkaido Railway Nagamare, presenting locally inspired design and services

Hakodate Umi no Kaze exterior

Conceptual drawing of Onuma Tsuruga Auberge EPUY hotel

Case Study Niigata Airport Building

Niigata Airport Building Corporation, headquartered in the city of Niigata, Niigata Prefecture, is a prefecture-driven, third-sector company operating and managing the terminal building at Niigata Airport, a regional hub airport on the Sea of Japan coast. This terminal building opened 20 years ago, and upgrades to facilities and equipment as well as the raising the necessary capital to fund this work were pressing issues for the company.

Regular domestic flights operate between Niigata and six cities with seven airports. International charter flights and regular flights connect Niigata to five cities. It is a key infrastructure facility with annual capacity for a million travelers. DBJ was keen to help Niigata Airport Building strengthen its financial base and worked closely with regional financial institutions to arrange syndicated loans.

Niigata Airport Terminal Building exterior

Regional Revitalization

Case Study Shelter

Shelter Co., Ltd., headquartered in the city of Yamagata, Yamagata Prefecture, fabricates and sells wooden structural materials and also designs and constructs medium- and large-scale wooden buildings and custom-built houses. The company has earned high marks for earthquake-resistance and fireproof features developed first in Japan, including the KES® System, a joint system for wooden structures using metal connectors, and COOL WOOD®, wood materials that can withstand fire for two hours. Such cutting-edge wooden structure technologies present new possibilities for construction of large-scale facilities and high-rise buildings made of wood rather than steel-reinforced concrete. Shelter also utilizes knowledge and technologies integrating various aspects of its building expertise, from material development to design and construction, and contributes to regional revitalization, notably the use of locally sourced materials and support for sixth-sector industrialization of forestry in collaboration with forestry-related business operators.

DBJ has provided financing via the Regional Areas *Genki* Program for initiatives undertaken by Shelter that contribute to the region through the utilization of human resources and natural resources based on high technological capabilities in wooden buildings and a distinctive network.

Nanyo City Cultural Hall (certified by Guinness World Records as world's largest wooden concert hall)

Case Study Nakabayashi

Nakabayashi Co., Ltd., headquartered in Osaka, was established in 1923 as a bookbinding business and has since become a major manufacturer with a leading share of the domestic stationery market, underpinned by hit products such as refillable albums, as well as notebooks and journals. Not limiting itself to paper products, the company has expanded its lineup to include security-related items such as shredders and key cabinets.

Management formulated a medium-term business plan carrying the catchphrase "Always onto the next thing" in 2015 and has been working to provide products and services geared to the changing times and market needs. The company seeks to create jobs and contribute to local industry through new business pursuits, including cultivation of vegetables at its factory sites and power generation using woody biomass, and is vigorously addressing social issues, such as concerns about energy and food supply.

DBJ ascertained that Nakabayashi qualifies under its support program for leading-edge manufacturing industries and extended loans through its Regional Areas *Genki* Program.

Product lineup

Case Study CTB Media

CTB Media Inc., headquartered in the city of Beppu, Oita Prefecture, is a community-focused cable TV provider offering triple-play services—TV, broadband Internet and landline phone—over a service area covering the city of Beppu and the town of Hiji, also in Oita Prefecture. The company maintains a high share of the market in its coverage area, thanks to the success of a marketing strategy firmly rooted in the community. This includes programs highlighting local content that the company produces on its own for broadcast as well as fine-tuned follow-up services.

To enable CTB Media to procure funds for a fiber-to-the-home (FTTH) project requiring a considerable investment, DBJ arranged a syndicated loan in collaboration with regional financial institutions. The FTTH infrastructure will enable CTB Media to provide high-level services, such as high-speed Internet access and 4K/8K broadcasts to customers in its service area.

Exterior view of head office

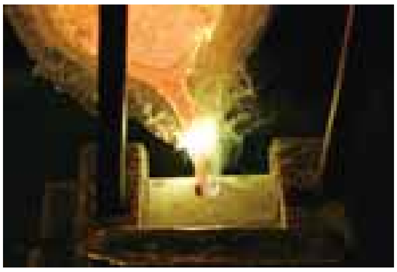
CSR Report

Regional Revitalization

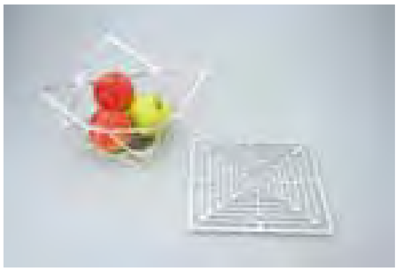
Case Study NOUSAKU

NOUSAKU CORPORATION headquartered in the city of Takaoka, Toyama Prefecture, is a metal casting manufacturer, which is well known for its copperware. Making the best use of techniques and materials (e.g., pure tin, which is malleable and bendable), NOUSAKU makes and sells stylishly designed items, combining a traditional casting technique passed down in this area for hundreds of years with an innovative technique, developed in collaboration with a government-sponsored industrial support organization, which enables the production of items with intricate designs and detail. The company simultaneously collaborates with designers in product planning and development and with local foundries and studios to jointly meet growing demand, and this has made NOUSAKU representative of the Takaoka copperware industry. NOUSAKU is using its advanced techniques to enter fields such as the medical industry and create new markets and has been making great efforts in industrial tourism. In 2016, as it marks its 100th anniversary, the company is planning a future relocation to a newly built head office and foundry that will not only increase its production capacity but will also enable it to fulfill a role in industrial tourism: offering foundry tours and workshops to visitors.

DBJ provided financing to NOUSAKU under its Regional Areas *Genki* Program, reflecting the fact the company's business, which lends a quality of vitality to area-based industry through cast-metal production and development, showcases *monozukuri* (craftsmanship) manufacturing techniques, and the company's approaches—for example, establishing a venue that functions both as a tourist information center/community space where local citizens and members of traditional trades can gather and as a key site taking on a hub role for industrial tourism—epitomize *omotenashi* (hospitality).



Green-sand casting



The *KAGO* unique bendable series

Case Study Juntendo

Juntendo Co., Ltd., headquartered in Masuda, Shimane Prefecture, was established in 1894 as a pharmaceuticals sales business. Today, the company develops chain stores in four business formats: drugstores, stores catering to car drivers, book centers and home centers—the core business—in the Chugoku and Kinki regions. The company is guided in these activities by a management philosophy "to be a part of an infrastructure indispensable to rural cities and mountain areas as well as remote islands" and adheres to a concept that sees home centers as stores specializing in agricultural-use products, gardening items, building materials, home hardware, tools and workwear. In addition, Juntendo contributes to local communities from an emergency perspective by signing emergency agreements with local governments in areas where it operates stores and providing support, such as supplying goods, in the event of a disaster, and extends necessary services, such as the sale of infrastructure materials and emergency supplies.

DBJ sees the services that Juntendo provides and its connection to local government as contributing to the region and by extension to stronger emergency capabilities for the entire Chugoku area, and therefore provided financing to Juntendo through its Regional Areas *Genki* Program primarily to finance construction of the Juntendo Oba Store, which opened in July 2015 in Matsue, Shimane Prefecture.

Juntendo Oba Store

Regional Revitalization

Case Study Shikoku Kakoki

Shikoku Kakoki Co., Ltd., headquartered in the district of Itano, Tokushima Prefecture, was established in 1961 as a manufacturer of tanks for the chemical and food industries, but transitioned into a manufacturer of filling equipment for liquid food products in 1967. Currently, the company is a top local niche business with system management demonstrating synergies derived through the integration of three businesses—filling equipment and related machines for liquid food products, such as milk; packaging materials for food products; and processed soybean products, such as tofu and *aburaage* (deep-fried tofu).

DBJ provided financing to Shikoku Kakoki under the DBJ Employees' Health Management Rated Loan Program. In the evaluation process, top marks were given for (1) promoting high-level health and safety management and ensuring thorough labor management, including efforts to strictly regulate overtime and requiring anyone who works excessive hours to undergo a medical check; (2) conducting stress checks on all employees and analyzing mental health status in each division based on the results, and also promoting measures to support employee mental health from a prevention standpoint while inviting external specialists to run regular seminars on such topics as care overseen by line managers and self-care programs; and (3) breaking health check data down according to division and career position to pinpoint health status and emerging health trends among employees. Shikoku Kakoki holds the domestic market's top share in filling equipment for liquid food products, and DBJ also provided financing to the company through its Regional Areas *Genki* Program to help the company maintain and further reinforce its corporate foundation.

Product lineup

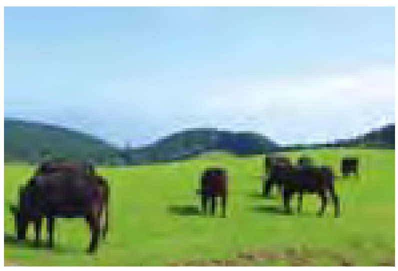
Case Study Be Smile Project

Be Smile Project (BSP), headquartered in Kagoshima, Kagoshima Prefecture, was recently established by Kinkoh Farm Co., Ltd., a company under the group umbrella of KAMICHIKU Co., Ltd., headquartered in the city of Minamisatsuma, also in Kagoshima Prefecture. DBJ, along with Kinkoh Farm and other operating companies, including Agriculture, forestry and fisheries Fund corporation for Innovation, Value-chain and Expansion Japan (A-FIVE), headquartered in Chiyoda-ku, Tokyo; Itochu Feed Mills Co., Ltd., headquartered in Koto-ku, Tokyo; and Kanematsu Corporation, headquartered in Minato-ku, Tokyo, as well as with four other financial institutions, provided funding to BSP.

BSP will pursue a range of businesses, including the restaurant business, to provide *kuroge wagyu* (Japanese-black category of beef) through an integrated structure that starts with feed production and runs to breeding and raising, and will strive to improve the value-added quality of local products in Minami-Kyushu while promoting enhanced competitiveness in the livestock industry.

To support revitalization of the livestock industry through restaurant and other BSP operations that highlight local products, DBJ joined others, notably, A-FIVE, a feedstock producer; food-related companies, including a trading company; and regional financial institutions, and provided risk capital under its Special Investment Operations*. Going forward, DBJ will utilize its network and strengths in information-gathering to support the initiatives of BSP on the underlying theme of sixth-order industrialization of the livestock industry in Minami-Kyushu.

*See page 73.


Grazing cattle

Strengthening the Safety Net

Reconstruction Response

Earthquake, tsunami, nuclear power plant crisis—the Great East Japan Earthquake unleashed unprecedented damage, a major compound disaster the likes of which the world had never seen and one that seriously impacted the economy of Japan. Five years has passed since that massive earthquake quite literally rocked the nation. As disaster recovery shifts from the restoration stage to the reconstruction and growth stage, a different set of issues has beset each area devastated by destruction, and it is against this backdrop that fine-tuned responses are needed to address the situation in each area.

And then, in April 2016, Kumamoto was hit by several large-magnitude quakes, causing major damage to the manufacturing supply chain, to tourism and to many businesses and industries. Here, too, a quick response to restoration and reconstruction is needed.

Case Study Funding to Support Reconstruction and Growth Following the Great East Japan Earthquake

Since the Great East Japan Earthquake, DBJ has supported the restoration and reconstruction of enterprises affected by the disaster by providing risk capital through collaboration with The Bank of Iwate, Ltd., The 77 Bank, Ltd., and The Toho Bank, Ltd., to structure each of the Great East Japan Earthquake Reconstruction Funds. As of December 2014, the region was moving from the restoration stage of disaster recovery—recovering production facilities—to the reconstruction and growth stage. This stage is where enterprises that have restarted their production cultivate sales routes, collaborate with other enterprises to reinforce industrial competitiveness, build infrastructure and reinforce their functions. In response to this situation, DBJ, the three above-mentioned banks and the Regional Economy Vitalization Corporation of Japan (REVIC), set up new reconstruction and growth support funds. Initially, the total value of the three new funds was set at ¥15.0 billion. However, as investment and loan activities progress, this amount may be increased to as much as ¥30.0 billion.

The new funds target enterprises conducting business that contributes to the reconstruction and growth of the affected region (including enterprises entering the area from other regions and newly established enterprises). The fund supplies risk capital using such measures as subordinated loans and preferred shares, advancing a nationwide model that supports regional growth and invigoration.

● **Overview of the Funding to Support Reconstruction and Growth Following the Great East Japan Earthquake**

Name	Iwate Reconstruction Growth Support Investment L.P.	Miyagi Reconstruction Regional Vitalization Support Investment L.P.	Fukushima Reconstruction Growth Support Fund Investment L.P.
Established	December 8, 2014		
Scale of fund	Each fund has ¥5.0 billion (which can be increased to ¥10.0 billion with agreement by the fund's members).		
General partnership (GP)	Tohoku Fukko Partners Co., Ltd.		
Limited partnerships (LPs)	DBJ, The Bank of Iwate and REVIC	DBJ ,The 77 Bank and REVIC	DBJ, The Toho Bank and REVIC
Period	Investment period of five years, duration of seven years and four months (If necessary, however, it is possible to extend the investment period by up to two years and the duration by up to one year.)		

Case Study Kumamoto Reconstruction Support Fund

Working with The Higo Bank, Ltd., and The Kagoshima Bank, Ltd., DBJ arranged the Kumamoto Reconstruction Support Fund to supply risk capital through such schemes as lump-sum loans for repayment and subordinated loans to businesses involved in disaster restoration and reconstruction efforts following the 2016 Kumamoto earthquakes and to support quick restoration, reconstruction and revitalization in the affected area. DBJ, which provides integrated investments and loans, is working alongside regional financial institutions which have extensive networks and customer bases in the disaster-stricken area and are well-acquainted with the local state of affairs to execute viable and effective support measures. The scale of this fund started out at ¥10 billion.

● **Overview of the Kumamoto Reconstruction Support Fund**

Name	Kumamoto Reconstruction Support Investment L.P.
Scale of fund	¥10.0 billion
General partnership (GP)	HSK&D Partners Co., Ltd., Higin Capital Co., Ltd.
Limited partnerships (LPs)	DBJ, The Higo Bank, The Kagoshima Bank
Period	Investment period of three years, duration of 10 years

Reconstruction Response

Case Study Micro Top

Micro Top Co., Ltd., headquartered in the city of Hachimantai, Iwate Prefecture, was established in 1993 as a manufacturer of precision molds, with those for mobile phones, digital cameras and hard disk drives being the company's mainstay products. Micro Top's highly accurate fabrication technology has earned the company a stellar reputation from business partners not only at home but also abroad, and the company has reinforced its overseas presence, mainly through the opening of local representative offices in the Philippines and Thailand. In addition, the company is working to expand its fields of business and reinforce its revenue base in the rapidly changing electronic component industry by utilizing mold fabrication technology and resin molding technology to manufacture and sell products other than molds, such as parts for information equipment-related manufacturing equipment and resin components, in Japan and overseas.

Iwate Reconstruction Growth Support Investment L.P., a fund jointly capitalized by DBJ, The Bank of Iwate, Ltd., and the Regional Economy Vitalization Corporation of Japan (REVIC) to support reconstruction and growth following the Great East Japan Earthquake, provided financing to Micro Top because the company will be better able to contribute to regional development with support to promote new business growth and enhanced operating profitability.

Precision mold components

Case Study Ishinomaki Foods

Ishinomaki Foods Co., Ltd., headquartered in the city of Ishinomaki, Miyagi Prefecture, was established in July 2012. As a wholly owned subsidiary of CELUX Holdings, Inc., headquartered in Minato-ku, Tokyo, which is building a business group comprising several restaurant chains, including Red Lobster and Kurayamizaka Miyashita, mainly in the Kanto region but complemented by a presence in Okinawa; Kyushu; the Kansai region, which centers on Osaka; and the Chubu region, which centers on Nagoya, Ishinomaki Foods commenced joint acquisition of restaurants. In December 2015, Ishinomaki Foods welcomed the completion of a food processing plant in Ishinomaki and began producing Sanriku Fresh Fried Oysters. In this and other pursuits, the company makes the most of the network and product development capabilities of parent company CELUX Holdings while striving to process, manufacture and sell seafood caught off the Sanriku coast.

Recently, the Miyagi Reconstruction Regional Vitalization Support Investment L.P., a fund jointly capitalized by DBJ, The 77 Bank, Ltd. and the Regional Economy Vitalization Corporation of Japan (REVIC) to support reconstruction and growth following the Great East Japan Earthquake, provided financing to Ishinomaki Foods to support the company's efforts to set up a new plant that would factor into reconstruction and revitalization in the affected area through local job creation, first and foremost, but also through the processing and sale of seafood caught off the Sanriku coast. This was the first instance of financing being provided to a company whose out-of-area parent had purposely entered the disaster-stricken region.

External view of head office factory

Case Study Ouchi Shinko Chemical Industrial

Since initiating domestic production of rubber additives back in 1931, Ouchi Shinko Chemical Industrial Co., Ltd., headquartered in Chuo-ku, Tokyo, has secured a top position in Japan as a pioneer in the field of organic rubber chemicals. The company pursues activities in a wide range of business fields, including organic sulfur chemicals, pharmaceutical chemicals and environmental chemicals, based on technological expertise accumulated during 85 years of corporate activity.

Although the company sustained major damage at two plants—the Sukagawa Plant and the Haramachi Plant, in Sukagawa and Minamisoma, respectively—in Fukushima Prefecture due to the devastation that unfolded with the Great East Japan Earthquake, both plants quickly resumed operations, and the company has worked to coexist with the region while emphasizing *monozukuri* (craftsmanship) manufacturing with value.

DBJ provided financing to Ouchi Shinko Chemical Industrial under the Interest Rate Subsidy System for Special Zones for Reconstruction* to expand production facilities for pharmaceutical chemicals at the Sukagawa Plant.

The medical-related industry has been tapped as a key strategic sector in Fukushima Prefecture, and this project has been certified as "a business related to improvement of technological standards for medical care and provision of high-level medical care, such as R&D on new approaches to treat disease and disability and the evolution of successful results into viable companies."

*Interest Rate Subsidy System for Special Zones for Reconstruction: Under the business facilitation and support system, the Japanese government provides an interest rate subsidy on financing required by businesses central to the advancement of reconstruction promotion plans created by regional municipal bodies and certified by the Japanese government to reconstruct the areas affected by the Great East Japan Earthquake.

External view of new annex at Sukagawa Plant

DBJ Enterprise Disaster Resilience Rated Loan Program

Such recent disasters as the Great Hanshin-Awaji Earthquake, the Chuetsu Offshore Earthquake, the Iwate-Miyagi Inland Earthquake and the 2011 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, enterprises face the need to draft business continuity plans to protect themselves against lost revenue and retain their clients in the event of disaster, thereby reinforcing their managerial foundation.

Case Study Micronics Japan

Since its establishment in 1970, Micronics Japan Co., Ltd., headquartered in the city of Musashino, Tokyo, has developed and provided equipment, machines and systems that support the quality, performance and reliability of ever-evolving IT devices, such as semiconductor testing units and semiconductor/LCD testing systems. Of note, the company has captured the top share worldwide for probe cards, which are used to check the electrical properties of wafers during the mass production of semiconductors.

DBJ provided financing to Micronics Japan under the DBJ Enterprise Disaster Resilience Rated Loan Program (DBJ BCM Ratings). In the evaluation process, the company earned high marks for (1) establishing an enhanced disaster prevention system through regular disaster drills and safety confirmation drills; (2) forming a corporate risk management committee under a matrix structure comprising business divisions and working groups, and vigorously implementing measures to address various business risks; and (3) evaluating upstream providers in the supply chain from multiple perspectives, including possible substitutes, and drafting risk-reducing measures, such as decentralization of suppliers.

External view of the Aomori Plant

Case Study Japan Motor Terminal

Japan Motor Terminal Co, Ltd., headquartered in Chiyoda-ku, Tokyo, constructed and operates public truck terminals in four locations adjacent to expressway networks in the Tokyo metropolitan area. These terminals help to streamline logistics and improve urban functions as bases of transport between cities and freight collection and delivery inside Tokyo, and also as transit points for national logistics activity.

DBJ, based on its business continuity management ratings (DBJ BCM Ratings), provided financing to Japan Motor Terminal under the DBJ Enterprise Disaster Resilience Rated Loan Program. In the evaluation process, the company earned high marks for (1) introducing an earthquake early warning system at each terminal as part of a facility preparedness initiative, thereby enabling swifter initial responses by users, and reinforcing overall facility safety through such approaches as the construction of integrated logistics facilities with seismically isolated structures and the installation of emergency-use, in-house generators; (2) considering the recovery priority of operations in an emergency situation and the number of employees needed to execute these recovery works based on the targeted recovery schedule, and conducting assembly drills for employees as well as terminal recovery drills in cooperation with associated facility providers to verify the effectiveness of recovery plans; and (3) establishing a chain of mutual command with the Bureau of Social Welfare and Public Health and the Tokyo Route Truck Conference Association, which are members of a disaster response team for regional transport bases set up in the event of an emergency, and predetermining the division of roles among the parties, as well as associated administrative duties, and also constantly conducting drills on emergency supply transport operations.

Keihin Truck Terminal

Environmental Management

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, and in November 2011, we signed the Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century). Such efforts indicate our organizational commitment to environmental preservation and the realization of a sustainable society.

In line with the Basic Environmental Policy formulated in October 2008, DBJ is promoting efforts in the regions where its 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 Investment and Loan 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 effect 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 Investment and Loan Activities

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.

- DBJ Environmentally Rated Loan Program (See pages 41 and 78.)
- DBJ Green Building Certification (See pages 43 and 82.)

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 70.)
- Communication on Regional Revitalization (See page 70.)
- Communication Through International Cooperation (See page 71.)

Promotion of Environmental Awareness Activities in Offices

DBJ works to reduce the environmental effect 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, 2014	Year Ended March 31, 2015	Year Ended March 31, 2016
Copy and printing paper usage (kg)	60,139	60,393	**59,286**
Waste emissions (kg)	33,976	33,366	**31,735**
Energy consumption (kWh)	4.05 million	4.02 million	**4.02 million**
Water usage (m^3)	10,083	9,633	**10,094**

Note: Head office building only

- Promotion of environmentally friendly sourcing of supplies

In line with the Law Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities (Law on Promoting Green Purchasing), which went into effect in April 2001, DBJ implemented initiatives to purchase products and services with lower environmental effects. We have continued to practice green purchasing following our privatization.

● Achievements of the Green Procurement Program for Typical Items

	Year Ended March 31, 2016
Paper	100%
Stationery	100%
Equipment	100%
Office equipment	100%
Lighting	100%

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 2015

DBJ participated in the Uchimizu Project 2015, a campaign hosted by the Uchimizu Project District Executive Committee (the Council for Area Development and Management of Otemachi, Marunouchi, Yurakucho/the Ecozzeria Association/the OMY Area Management Association/Yuraku-cho Shuhen Machizukuri Kyo-gikai, Ministry of the Environment, Tokyo Metropolitan Government and Chiyoda City). DBJ has been participating in the Uchimizu Project since 2008.

• Hokuriku Branch

Kanazawa Eco Suishin Jigyousya Network

Since fiscal 2004, the branch has participated in the Kanazawa Eco Suishin Jigyousya Network, undertaking initiatives to (1) reduce waste, (2) conserve energy and (3) promote green purchasing.

• 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.

CSR Report

• **Shikoku Branch**

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 2015, and made efforts to (1) curb paper consumption, (2) promote the use of recycled products, (3) raise employee awareness of waste reduction and recycling activities, (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.

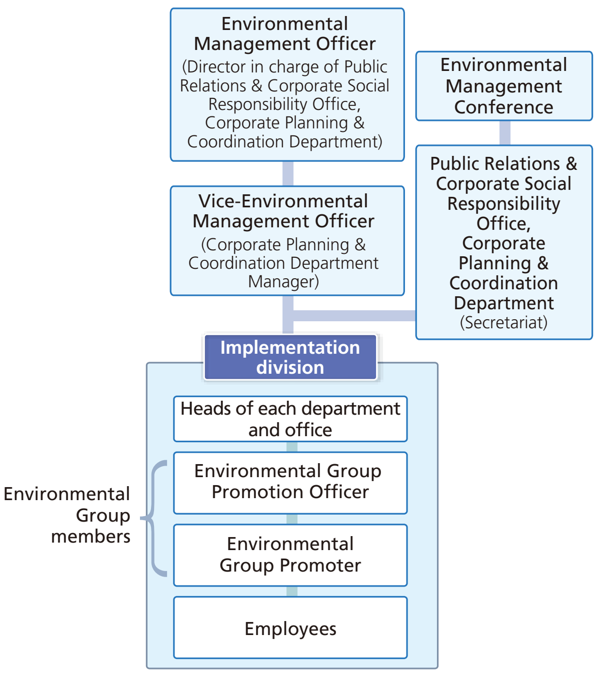
• **Other Branches**

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

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 Structure**



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, an Environmental Group Promotion Officer and Environmental Group Promoter are designated in each branch and department. The Environmental Group Promotion Officer appoints an Environmental Group Promoter and manages 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	Hosting of discussions between UNEP and Wa no Kuni Financial Institutions on Environmental Considerations for Financial Institutions
2002	March	UNEP 2002 Global Roundtable in Rio de Janeiro, Brazil: keynote speech
	July	Launch of the Development Bank of Japan Environmental Policy (partially modified in April 2005)
	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 DBJ Environmentally Rated Loan Program
	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 Executive 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 DBJ Environmentally Rated Loan Program: Environmental Development Award by ADFIAP
	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
	November	Signed the Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century)
2013	October	"Environment/Reconstruction Support Syndicated Loans" win the Grand Prize and Minister of the Environment Prize in the Green Purchasing Awards
2015	May	Commendation for DBJ Green Bond: ADFIAP Awards 2015
	October	Issuance of DBJ sustainability bonds

Business Continuity Plan (BCP)

DBJ is preparing a business continuity plan (BCP) to protect the interests of its stakeholders, including its clients, its shareholder, and its executives and regular employees, as well as to fulfill its social mission. The BCP aims to ensure the continuity and rapid recovery of core operations in the event of emergencies, such as natural disasters (in particular, large-scale earthquakes), influenza and other pandemics, system failures and power outages.

In addition to addressing the continuity of core operations and maintaining a plan to recover from disaster, the BCP specifies the initial actions that executives and regular employees should take in emergencies. The plan spells out necessary disaster responses in an easy-to-understand manner.

When formulating policies to ensure the continuity and recovery of core operations, we took the approach of considering responses to cases in which important management resources were damaged due to a large-scale disaster, affecting head office (1) buildings and facilities, (2) executives and regular employees, and (3) systems, instead of considering responses to individual events such as earthquakes and fires.

An overview of DBJ's BCP is provided below.

1. Principles of Action for Executives and Regular Employees

The BCP defines three key goals regarding the fundamental stance that executives and regular employees are to take in the event of a large-scale disaster or other emergency. They are to (1) ensure personal safety, (2) grasp the situation accurately and (3) remain calm and collected. Specifically, they must give first priority to the lives and safety of our clients and our executives and regular employees, paying attention to television and radio broadcasts, evacuating calmly (without panic) and determining the safety of others.

2. Core DBJ Operations

In the event of a large-scale disaster, DBJ has identified the following six items as essential to the continuity of its core operations from the standpoint of (1) items that are fundamental and prerequisite to business continuity (such as facilities, personnel and systems), (2) DBJ's social mission and the public nature of its financing (such as investment and loan activity) and (3) responsibility to financial markets (continuity of market settlements).

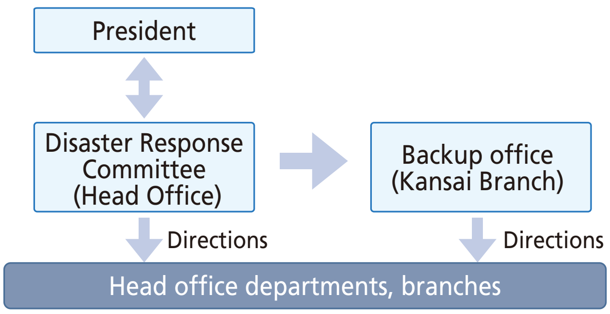
1) Confirmation and assurance of the safety of executives, regular employees and visitors
2) Uninterrupted continuation of settlement-related business
3) Reliable formation of the Disaster Response Committee
4) Restoration and maintenance of IT systems
5) Confirmation of the status of clients in afflicted areas
6) Rapid commencement of Crisis Response Operations

DBJ has formulated a BCP that prioritizes continuity of the core operations described above.

3. BCP Operational Structure

When responding to an emergency situation, such as in the event of a large-scale disaster, in principle, the Disaster Response Committee will be established at head office and chaired by the head of the Corporate Planning & Coordination Department, who reports to the president. This committee gives directions to DBJ's head office and branches regarding the continuation of core operations. If maintaining operations at head office proves problematic, the Kansai Branch shall serve as the alternative location.

● **BCP Operational Structure Outline**



4. Measures to Ensure Business Continuity

We have prepared a variety of measures to ensure business continuity. The primary measures are introduced below.

(1) Enhanced System Robustness
Ensured advanced security levels at the main center, and created a backup center to operate in the event that the main center ceases to operate.

(2) Multilayered Communication Procedures
Introduced a safety-confirmation system to quickly determine the whereabouts and status of executives and regular employees even at night and on holidays. In addition, distributed satellite telephones to key locations and personnel to ensure multilayered communication procedures.

(3) Chain of Command and Delegation of Authority
To assure that decision-making concerning the continuity of core operations is prompt and certain, in the event that the Disaster Response Committee is established, we have put in place a chain of command and an alternative hierarchy by which authority can be delegated.

(4) Clarification of Initial Response and Procedures for Continuing or Restoring Core Operations
For individual business units, we have established in advance the procedures for the initial response and the continuation or restoration of core operations so that relevant divisions can respond quickly and with certainty on core operations even when in a state of confusion.

5. Initiatives to Maintain or Improve BCP Viability

DBJ conducts various types of instruction and training of executives and regular employees to maintain or improve the viability of its BCP.

Furthermore, the BCP is revised to reflect training results and recent information, and is reviewed by the Executive Committee regularly and additionally as necessary, employing a Plan-Do-Check-Act (PDCA) cycle.

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 regarding goal-setting, DBJ encourages its employees to work hard. DBJ does so by offering bonuses and other benefits based on operating performance, with an emphasis on each of them enhancing their medium- and long-term value both inside and outside the company.

Creating a Comfortable Work Environment and Promoting Opportunities for Women

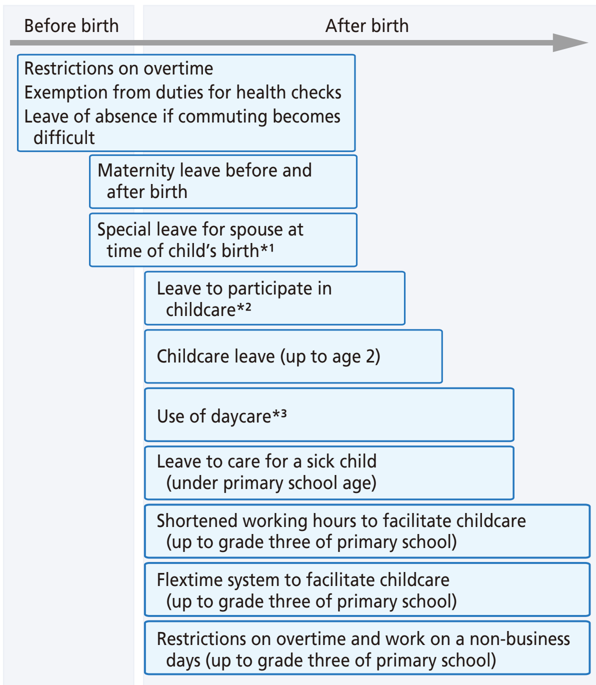
DBJ actively strives to cultivate a comfortable work environment.

To maintain an environment in which all employees can feel secure, DBJ has made all employees aware 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 also has in place leave programs to give motivated employees better opportunities for long-term employment. We have enhanced our working and leave systems related to childcare and nursing care, through the introduction of flextime and a system of leave for participating in childcare, as well as a program under which employees who have left DBJ are eligible for re-employment and a system for continued employment options after retiring from full-time work.

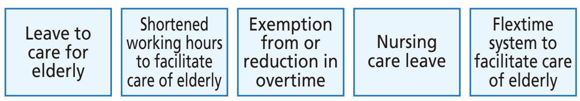
Also, in our general business owner action plan, based on the Act to Advance Women's Success in Their Working Life, we set a target to increase the percentage of female manager by around 50% by the end of fiscal 2018, compared with the level at the start of fiscal 2014. We aim to achieve this goal by running career training sessions designed to develop managers and management training sessions especially for women in management positions and by taking steps to deepen awareness of the work-life balance support system.

● Summary of Key Childbirth and Childcare Systems



*1 Spouse may take two days of leave just before or just after the birth of a child.
*2 Employee whose wife has given birth may take up to five days of leave, when necessary, to care for a child under one year of age.
*3 A daycare facility is available nearby in the Yomiuri Shimbun Building.

● Nursing Care Systems



A Solid Human Resource Development System

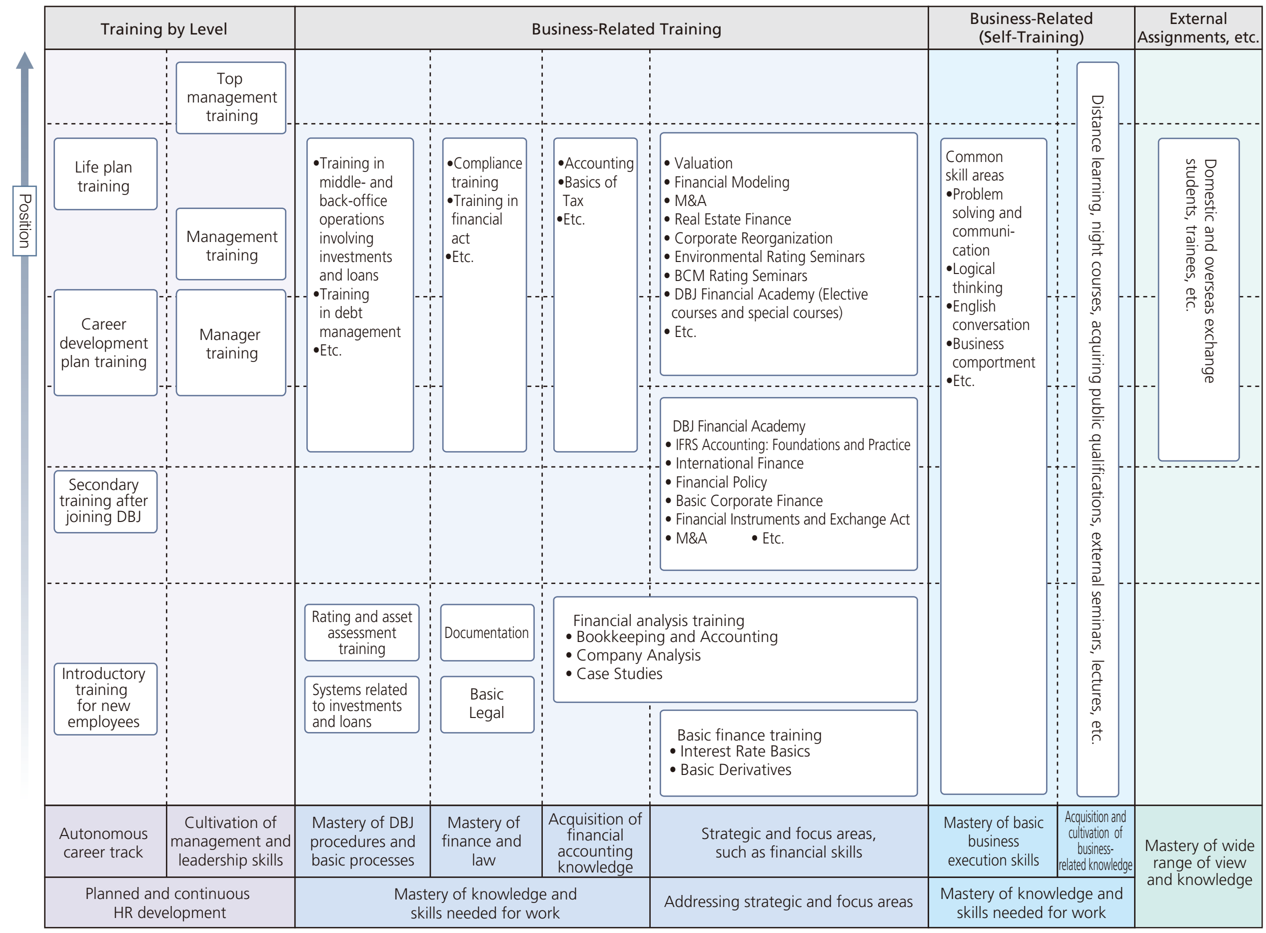
DBJ's financial professionals are supported by a well-developed education and training system. Mandatory training by level, combined with a host of elective training courses according to skills and needs and designed to respond to financial innovations and advancement, enables each employee to plan his or her career.

For young employees, 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, the Financial Instruments and Exchange Act, and M&A.

Regardless of age, employees undergo on-the-job training that provides hands-on exposure to work involving various levels of responsibility. After experiencing employment in multiple departments, employees are strategically assigned to a certain department to acquire highly specialized abilities according to their skills and backgrounds. This system of strategic job rotation not only enables employees to 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 its employees able to perform in a variety of fields in domestic and overseas. To achieve this, DBJ enhances its studying-abroad program to overseas graduate schools, as well as actively assigns employees to domestic and overseas Group companies and related government agencies, 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 comprehensive 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 required its employee to take training courses that address issues of human rights in addition to ensuring legal compliance 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 several courses that meet two or three times a week with the medium- to long-term objective of raising the level of financial expertise of primarily young second-year employees throughout the organization by strengthening their knowledge and understanding of advanced corporate financial business essential to DBJ's business model. During fiscal 2015, courses numbered 24 and covered Introduction to Modern Finance, Corporate Finance, the Financial Instruments and Exchange Act, and IFRS Accounting: Foundations and Practice.

Through the DBJ Financial Academy, each employee can seek to elevate his or her abilities in finance. In addition to basic knowledge, such as fundamental corporate finance topics and corporate valuation methods that can be applied, the academy provides a broad range of core training on finance from an academic and scientific perspective. Students from outside DBJ, such as employees of regional financial institutions, regional municipal bodies and business partners, have also participated. Through these courses, we look forward to opportunities for mutual exchange and the creation of networks.

• DBJ Financial Academy Curriculum

2015 Courses (run from May 2015 through March 2016)

Core courses (I)
- Introduction to Modern Finance
- Financial Instruments and Exchange Act
- Business Statistics
- Basic Corporate Finance
- M&A
- Corporate Finance Practice

Core courses (II)
- Insolvency and Corporate Reorganization
- IFRS Accounting: Foundations and Practice
- Financial System Theory
- Financial Policy
- Financial Expertise Follow-up Practice
- International Finance

Elective courses
- Behavioral Finance
- Real Estate Finance
- Macroeconomics and the Modern Japanese Economy
- Real Options
- Introduction to Integrated Reporting
- Investment
- Risk Management
- Issues and Expectations for Japanese Public Finance

Special courses
- Securitization
- Hedge Fund Industry and Financial Regulation
- Family Business
- Special Program for Regional Financial Institutions

Intellectual Asset Report

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

Intellectual Asset Management

Corporate Value and Intellectual Asset Management

Intellectual Assets

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

Intellectual Asset Management Essential to Enhancing Corporate Value

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

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

DBJ's View on Intellectual Assets

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

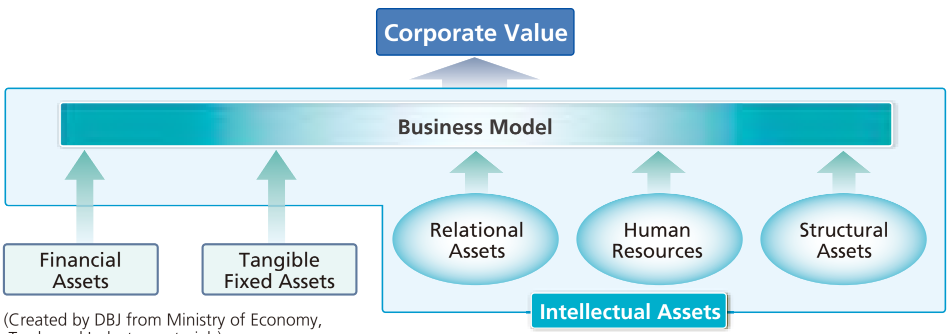
Based on our core values, our executives and regular employees have continued working to enhance their ability to evaluate enterprises and projects.

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

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

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

● Relationships among Intellectual Assets, Business Model and Corporate Value



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

Relational Assets

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

Human Resources

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

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

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

Structural Assets

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

Initiatives Involving New Financial Methods That Utilize Intellectual Assets

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

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

In the area of business revitalization, DBJ provides various financing options. These include debtor-in-possession financing for enterprises that, after filing applications according to Civil Rehabilitation Act or Corporate Reorganization Act procedures may be unable to procure working capital or face other challenges as they wait for the viability of their plans to be reviewed but still require funds for working capital and other applications to continue operations and maintain value in such operations. We also create business revitalization funds to help enterprises normalize their operations through a process of business selection and concentration and to totally address issues, such as debt reduction, as necessary.

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

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

Relationship between Intellectual Assets and CSR at DBJ

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

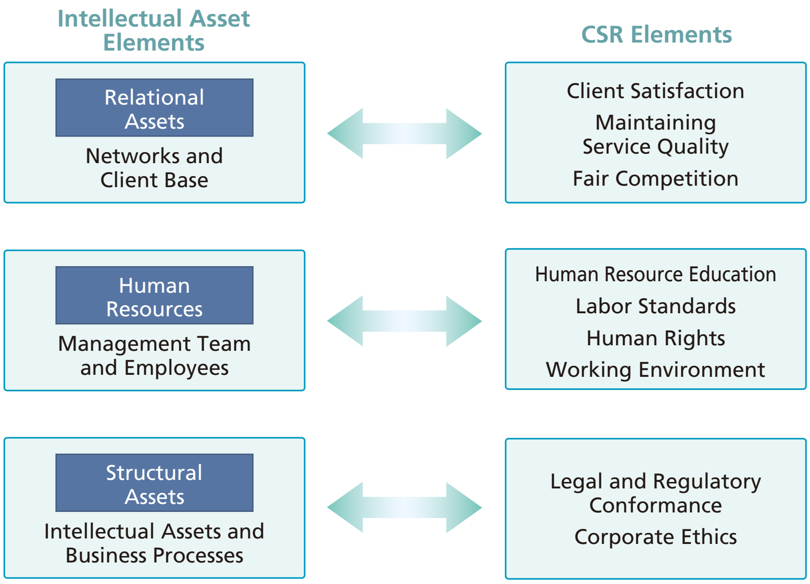
For example, the DBJ Environmentally Rated Loan Program, the DBJ Enterprise Disaster Resilience Rated Loan Program, DBJ Employees' Health Management Rated Loan Program and DBJ Green Building Certification—fully mobilized through intellectual asset networks with central government bodies, regional municipal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

At the same time, these same loan programs strongly support the CSR activities of our business partners: these enterprises have cause to reconsider their conformance with various laws and regulations, ensure safe and secure workplace and surrounding environments and provide quality products and services through fair competition. These activities reinforce a company's client base and raise corporate value by fulfilling social responsibilities.

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

As can be seen on pages 32 to 49, "Integrated Investment and Loan Services," and on pages 73 to 91, "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)

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

Defining “Financial Platform”

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

Financial platforms are not formed overnight. For new financial schemes to be effective as frameworks and systems that support corporate economic activities, it is essential that the financial institutions and providers offering such schemes have experience and practical know-how and a proven track record of transactions, precedents and other case examples to draw upon for future reference. For instance, approaches highlighting such financial schemes as PPP/PFI and syndicated loans are quite common these days, but when first introduced, these financial schemes required specialized know-how and skills in arrangement, coordination and other facets of financing, with a limited number of economic agents participating.

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

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

Activities Involving Financial Platforms

DBJ fulfills a broad range of information functions. In addition to corporate monitoring, DBJ exchanges information with government agencies, regional municipal bodies and private financial institutions and coordinates their interests. In the investment and loan department, DBJ promotes and helps develop financial platforms for structured financing, business restructuring support, financing related to environmental and disaster policies, M&A advisory services, safety nets and other functions. In the research department, DBJ established the Research Institute of Capital Formation in July 1964, with Dr. Osamu Shimomura as its first executive director. This institute creates the foundation for creating intellectual assets through collaboration with outside experts, centered on university instructors. Taking an academic and liberal perspective, the institute promotes research activities targeting a sustainable socioeconomic structure. (For details, please refer to the Research Institute of Capital Formation website, at http://www.dbj.jp/ricf/en/.)

On pages 32 to 49, “Integrated Investment and Loan Services,” and pages 73 to 91, “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 not only profitable but truly meaningful from both economic and social perspectives, conduct appropriate risk evaluation and work to offer superior investment and financial solutions.

Corporate Governance

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 help them 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, regional municipal bodies 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 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 resignations, dismissals and term expiries of directors and Audit & Supervisory Board members.

In addition, the following committees have been established.

Board of Directors

The Board of Directors comprises 10 members. To ensure management transparency, two Board members are outside directors. During the fiscal year ended March 31, 2016, the Board of Directors met 13 times.

The following two members are outside directors:

Akio Mimura, Senior Advisor, Honorary Chairman of Nippon Steel & Sumitomo Metal Corporation and

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

Audit & Supervisory Board Members, Audit & Supervisory Board

The Audit & Supervisory Board comprises five members. This board convened 14 times during the fiscal year ended March 31, 2016.

The Companies Act prescribes that a majority of Audit & Supervisory Board members be outside members (in DBJ's case, three of the five). DBJ offices contribute three members (two members proper to DBJ and one an outside member). Also, DBJ has created the Audit & Supervisory Board Office, which under the Board's direction, assists the Board members, including outside members, in performing their duties.

The three outside Audit & Supervisory Board members are as follows:

Tatsuya Tsuboi, former President, Sumitomo Mitsui Trust Research Institute Co., Ltd.

Makoto Ito, Attorney and Visiting Professor, Nihon University Law School

Shinji Hatta, Professor of Graduate School of Professional Accountancy, Aoyama Gakuin University

Content of Standards and Policies Related to Independence in the Selection of Outside Directors and Outside Audit & Supervisory Board Members

Not applicable.

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 two times during the fiscal year ended March 31, 2016.

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 regarding compensation. 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 of directors and Audit & Supervisory Board members.

Executive Committee

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

Accordingly, the Executive Committee makes important management decisions. The committee met 33 times during the fiscal year ended March 31, 2016.

Committees under the Executive Committee

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

ALM & Risk Management Committee

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

General Risk Management Committee

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

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.

Core Business System Restructuring Committee

This committee deliberates items related to policies for restructuring core business systems.

Advisory Board

Since DBJ's establishment as a joint-stock company in October 2008, the Advisory Board has been in place as an advisory body to advise the Executive Committee, providing advice on DBJ's overall management. However, the 2015 revisions to the DBJ Act that went into effect on May 20, 2015, stipulated for an indefinite period obligatory measures to be considered requiring that DBJ conduct its operations in a manner that would not obstruct appropriate competitive relations with other entities in particular. Accordingly, this board is positioned anew as an advisory body to the Board of Directors. As one of its roles, even more than before the Advisory Board is tasked with deliberating and evaluating important affairs related to ensuring appropriate competitive relations are maintained with private financial institutions. This board convened twice (once after the reorganization) during the fiscal year ended March 31, 2016. This board is composed of the following outside experts and outside directors.

Outside Experts

Masayuki Oku, Chairman of the Board, Sumitomo Mitsui Financial Group, Inc.

Kazuaki Kama, Executive Corporate Advisor, IHI Corporation

Sakie Fukushima-Tachibana, President of G&S Global Advisors Inc.

Katsunori Nakanishi, President & CEO, The Shizuoka Bank Ltd.

Yoshizumi Nezu, President, Tobu Railway Co., Ltd.

Note: Kiyofumi Kamijo (executive corporate advisor of Tokyu Corporation) and Fujio Cho (honorary chairman of Toyota Motor Corporation) retired from the Advisory Board, effective June 29, 2016, and on the same day, Yoshizumi Nezu (president of Tobu Railway Co., Ltd.) and Kazuaki Kama (executive corporate advisor of IHI Corporation) were appointed to the Advisory Board.

Outside Directors

Akio Mimura, Senior Advisor, Honorary Chairman of Nippon Steel & Sumitomo Metal Corporation

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

Special Investment Operations Monitoring Board

One of the measures of the 2015 revisions to the DBJ Act that went into effect on May 20, 2015, was in regard to Special Investment Operations. The act stipulates the establishment of a

Special Investment Operations Monitoring Board as an advisory body to the Board of Directors. This monitoring board is tasked with deliberating projects and evaluating their performance in terms of appropriateness against policy objectives and with emboldening private-sector enterprises and complementing their operations while maintaining appropriate competitive relations. This board convened once during the fiscal year ended March 31, 2016. This board is composed of the following outside experts.

Outside Experts

Masayuki Oku, Chairman of the Board, Sumitomo Mitsui Financial Group Inc.
Shin Takagi, Vice Chairman & Senior Executive Director of Japanese Bankers Association
Katsunori Nakanishi, President & Chief Executive Officer, The Shizuoka Bank, Ltd.
Takashi Yamanouchi, Advisor, Mazda Motor Corporation
Keisuke Yokoo, Vice Chairman & President of Japan Association of Corporate Executives
Fumiaki Watari, Honorary Executive Consultant of JX Holdings, Inc.

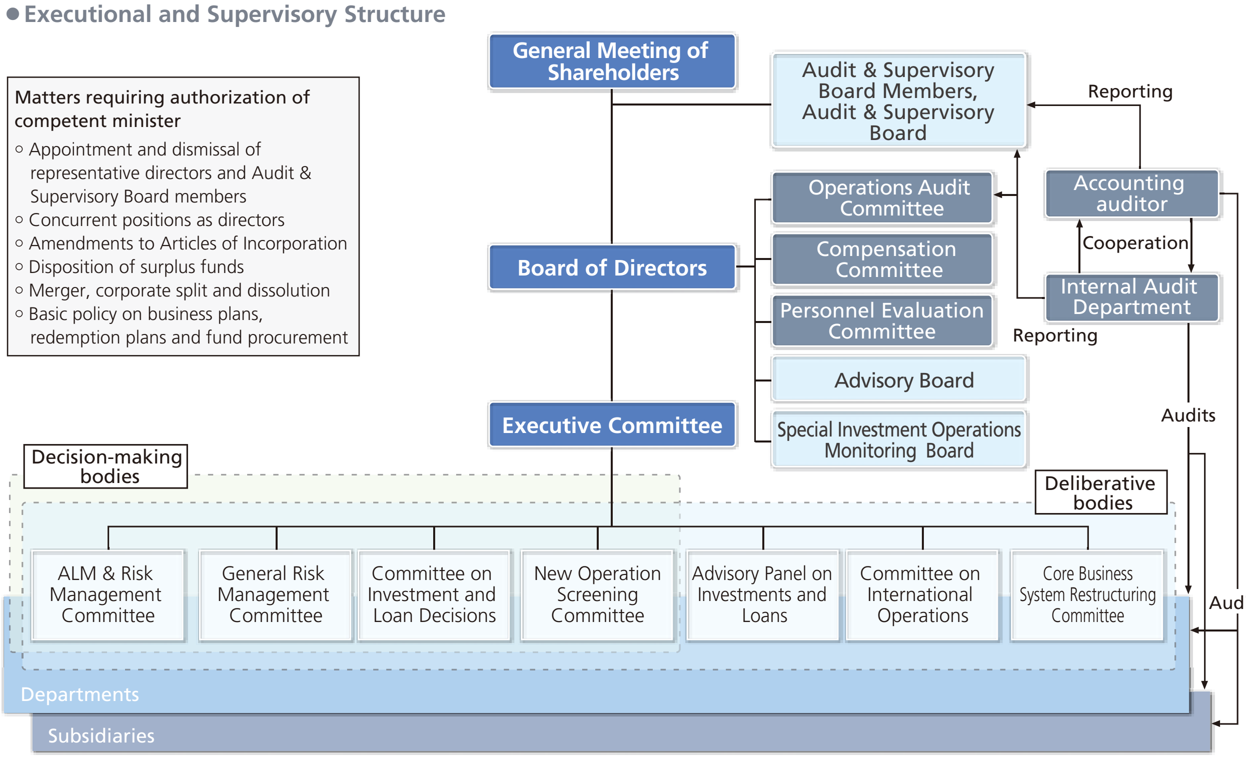
Matters Requiring Authorization of Competent Minister

The DBJ Act prescribes matters for which Minister of Finance authorization is required. Major items requiring such authorization are as follows:

- Appointment and dismissal of representative directors and Audit & Supervisory Board members
- 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.

● Executional 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 eight managing executive officers, excluding officers who are concurrently directors, and seven executive officers.

Status of Internal Control System

To ensure DBJ's 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 managerial importance. The internal control system is designed to confirm applicable 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 Paragraphs 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"), and the corporate group comprising DBJ and its subsidiaries (hereinafter, the "DBJ Group" or the "Group"), 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 the DBJ Group's most important management issues. Accordingly, DBJ has formulated a basic policy to ensure that the execution of duties by directors and employees (for companies that are not joint-stock companies, people in equivalent positions, with the same applying below) 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 the swift detection of acts that contravene laws and regulations and acts of potential concern from the perspective of legal compliance. In the event the department in charge of this system receives an internal report, a report containing the content of the notification shall be sent to an Audit & Supervisory Board member. Furthermore, assurance shall be provided that the person making an internal report shall not experience any disadvantage by having made such a report.
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 DBJ Group's 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 that business shall be put in place.

2. Management systems for integrated risk management shall be created. Also, a committee for risk management shall be formed, 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 for the DBJ Group and perform appropriate Group management control.

2. The Board of Directors shall establish an Executive 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 Executive Committee shall deliberate in advance matters for resolution by the Board of Directors. Furthermore, the Executive 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 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 management systems for advance consultation, reporting requests, guidance and other activities related to operations management between DBJ and its subsidiaries and affiliated companies.
4. In addition to Paragraph 3 above, the Board of Directors shall establish the following systems as appropriate and introduce necessary measures with regard to subsidiaries whose operations require particular management based on the scale and characteristics of their activities (hereinafter, "Important Subsidiaries").
(1) Systems for reporting to DBJ items related to the execution of operations by directors and other executives of Important Subsidiaries
(2) Regulations and other systems related to managing the risk of loss of Important Subsidiaries
(3) Systems for ensuring the efficiency of operations executed by directors and other executives of Important Subsidiaries
(4) Systems for ensuring that the execution of operations by directors, other executives and employees of Important Subsidiaries and other entities are in accordance with the Act and the Articles of Incorporation
5. 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 Audit & Supervisory Board Members in Their Duties

Article 7. As a specialized organization to assist Audit & Supervisory Board members with their duties, if so requested by the members, an Audit & Supervisory Board Office shall be established under the direction of the Audit & Supervisory Board.

Matters Concerning Employees Supporting the Audit & Supervisory Board Members in Their Duties and the Independence of Such Personnel from Directors and Ensuring Effective Instruction of Those Employees

Article 8. Employees supporting the duties of Audit & Supervisory Board members shall perform their duties by working full-time and in accordance with not only the directions and commands of the Audit & Supervisory Board members but also personnel issues related to the employees and matters related to the independence of such employees. Ensuring the effectiveness of directions to such employees shall be left in the control of the Audit & Supervisory Board.

System for Reporting by DBJ Group Directors and Employees to DBJ's Audit & Supervisory Board Members and Other Systems for Reporting to Them

Article 9. DBJ Group directors and employees shall report either directly or indirectly to Audit & Supervisory Board members on the status of execution of DBJ's business and other necessary information.

2. If DBJ Group directors and employees become aware of any major potential damage to the DBJ Group's credibility or operating performance, they shall immediately report such information, either directly or indirectly, to the Audit & Supervisory Board members.
3. If DBJ's Audit & Supervisory Board members find that they require certain information to perform their duties, they may request reports from DBJ Group directors and employees as needed, and the party to whom the request is addressed shall report appropriately.
4. Parties reporting to DBJ's Audit & Supervisory Board members in accordance with Paragraph 3 above shall be ensured against facing any disadvantage as a result of such reporting.

Other Systems to Ensure Effective Audits by the Audit & Supervisory Board Members

Article 10. In addition to attending meetings of the Board of Directors, Audit & Supervisory Board members may attend meetings of the Executive Committee and other important meetings and offer their opinions as necessary.

2. The Representative Director shall exchange opinions with the Audit & Supervisory Board members regularly, or at their request. The Representative Director shall also cooperate in the preparation of a reporting environment.
3. The Internal Audit Department works with the Audit & Supervisory Board members to establish internal audit plans. The department reports the results of internal audits and exchanges opinions and liaises with the Audit & Supervisory Board members when requested to do so.
4. Directors and employees shall cooperate with the Audit & Supervisory Board members in their audit activities and shall respect the Audit & Supervisory Board Regulations, Audit & Supervisory Board members' 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.
6. In the event of a request by Audit & Supervisory Board members for expenses to execute their duties, these requests shall be handled in a smooth manner.

Status of Internal Audits and Audits by Audit & Supervisory Board Members

DBJ has established the Internal 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 29, 2016, 20 people belonged to the Internal Audit Department.

The Audit & Supervisory Board and the Audit & Supervisory Board members audit the execution of duties by directors, based on their audit policy and audit plans.

The Audit & Supervisory Board members 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 whereby Deloitte Touche Tohmatsu LLC conducts accounting audits as its accounting auditor. During the fiscal year ended March 31, 2016, these operations were conducted by designated certified public accountants (designated limited liability partners) Tomomitsu Umezu (continuous audit period* of three years), Hayato Yoshida (same, two years) and Takeshi Ishisaka (same, one year).

*The number of years of continuous audit as designated limited liability partners is stated in accordance with the Companies Act. As designated limited liability partners, the number of continuing years of audits conducted in accordance with the Financial Instruments and Exchange Act was three years for Tomomitsu Umezu, two years for Hayato Yoshida and one year for Takeshi Ishisaka. 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 73 people, including a systems specialist, a licensed tax accountant, a specialist in determining fair value, a specialist in pension mathematics and a real estate appraiser.

DBJ's Audit & Supervisory Board members, Internal 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 Audit & Supervisory Board Members

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

DBJ has no special-interest relationship with any other of its outside directors or outside Audit & Supervisory Board members.

DBJ has signed liability limitation agreements with its outside directors and outside Audit & Supervisory Board members, based on Paragraph 1, Article 427, of the Companies Act.

Overview of Agreements with Outside Directors and Outside Audit & Supervisory Board Members 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 Audit & Supervisory Board members, limiting their responsibility for damages under Paragraph 1, Article 423, 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 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 Audit & Supervisory Board Members

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 Audit & Supervisory Board members (and former members) for their negligence of tasks may be reduced within 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 and regular employees complies with laws and regulations and the Articles of Incorporation, we have formulated a corporate philosophy, a Basic Compliance Policy and other compliance-related regulations.

In addition to its basic regulations on compliance, DBJ has created and provided thorough notice throughout the organization of a Compliance Manual and a compliance program. 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.
3) DBJ refuses all advances from anti-social forces and cooperates with police and other related institutions to prevent any sort of relationship with such elements.

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 deliberate on improvements to DBJ's internal system.

DBJ also has established 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 is preparing a system to manage conflicts of interest.

Responding to Japan's Stewardship Code

In August 2014, DBJ stated its acceptance of the "Principles for Responsible Institutional Investors (Japan's Stewardship Code)" (the "Code").

Under the Code, stewardship responsibilities refers to the responsibilities to enhance the medium- to long-term investment return for clients and beneficiaries by improving and fostering investee enterprises' corporate value and sustainable growth through constructive "purposeful dialogue" (engagement), based on an in-depth understanding of the investee enterprises and their business environment.

DBJ recognizes that, in addition to operational selection and focus and the realization of growth strategies, calls for corporate governance are growing. Recognizing the importance of the meaning of equity, in our equity investments we support the long-term advancement of the investee enterprises that are our clients, taking particular note of their social responsibilities. When making investments, we endeavor to gain an in-depth understanding of investee enterprises, their business environments and their management teams' intention and to share with investee enterprises in their long-term strategies. After investing, we leverage DBJ's networks and strengths in information, industry research and financing technologies to provide total financing solutions that address the issues they face. Through dialog with investee enterprises, we work to realize their long-term development and maximize their corporate value over the long term.

DBJ believes that its investment operations have been conducted in close affinity with the spirit of the Code. In providing risk capital and knowledge, we consider the appropriate fulfillment of stewardship responsibilities by institutional investors to be of service from the perspective of working with diverse financial players to ensure the smooth formulation of financial and capital markets. Accordingly, we are in agreement with the meaning of the principles provided in the Code.

Risk Management

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.

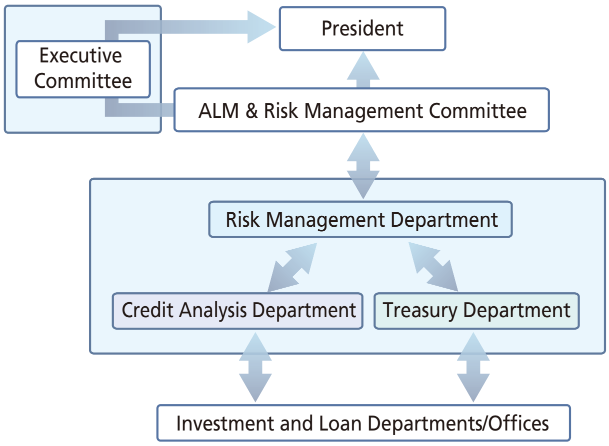
From the standpoint of comprehensive risk management, DBJ has established a Risk Management Department, which is overseen by a director in an official capacity. DBJ seeks to control its total risk within a specified target range. In addition, we have set risk guidelines for each risk category to help manage total risk.

Risk Management System

DBJ conducts risk management from the perspectives of ensuring management soundness. 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 risk management activities.

The ALM & Risk Management Committee 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 or loss of 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. 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 operation 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, generating 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, 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 need to be managed with caution.	
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 plans 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 minus the EL. The EL and UL calculations are reported to the ALM & Risk Management Committee.

Through such monitoring and considering countermeasures, DBJ is committed to controlling risk and devising 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) or the risk of loss of revenues generated from assets or liabilities, owing to changes in interest rates, exchange rates, stock markets and various other risk factors in the 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. DBJ's exchange risk derives from foreign currency investment and financing and issuing foreign currency bonds. DBJ uses exchange swaps and other instruments to hedge this risk.

DBJ uses swap transactions to manage counterparty risk, the risk that the counterparty in the swap transaction will be unable to fulfill its obligations, by continually monitoring the creditworthiness of all parties, and by setting a limit to financing for each counterparty.

Liquidity Risk

Liquidity risk is the risk of a mismatch occurring in the periods when funds are used and raised or an unexpected outflow of funds occurs, causing differences in the flow of funds (cash liquidity risk). Such situations make securing funds difficult and create situations in which interest rates on borrowed funds are substantially higher than usual rates. At other 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 Japanese government's Fiscal Investment and Loan Program and government-guaranteed bonds rather than on short-term funds such as deposits. Contingency plans are established as appropriate to meet unexpected short-term funding requirements and cash flow shortfalls.

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 non-functioning, or from external events. DBJ works to establish a risk management system to minimize risk and prevent potential risks from materializing.

The General Risk Management Committee has been established to deliberate topics concerning operational risk management.

Within operational risk management, DBJ conducts administrative risk management and systems risk management as described below.

Administrative Risk Management

Administrative 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 administrative 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

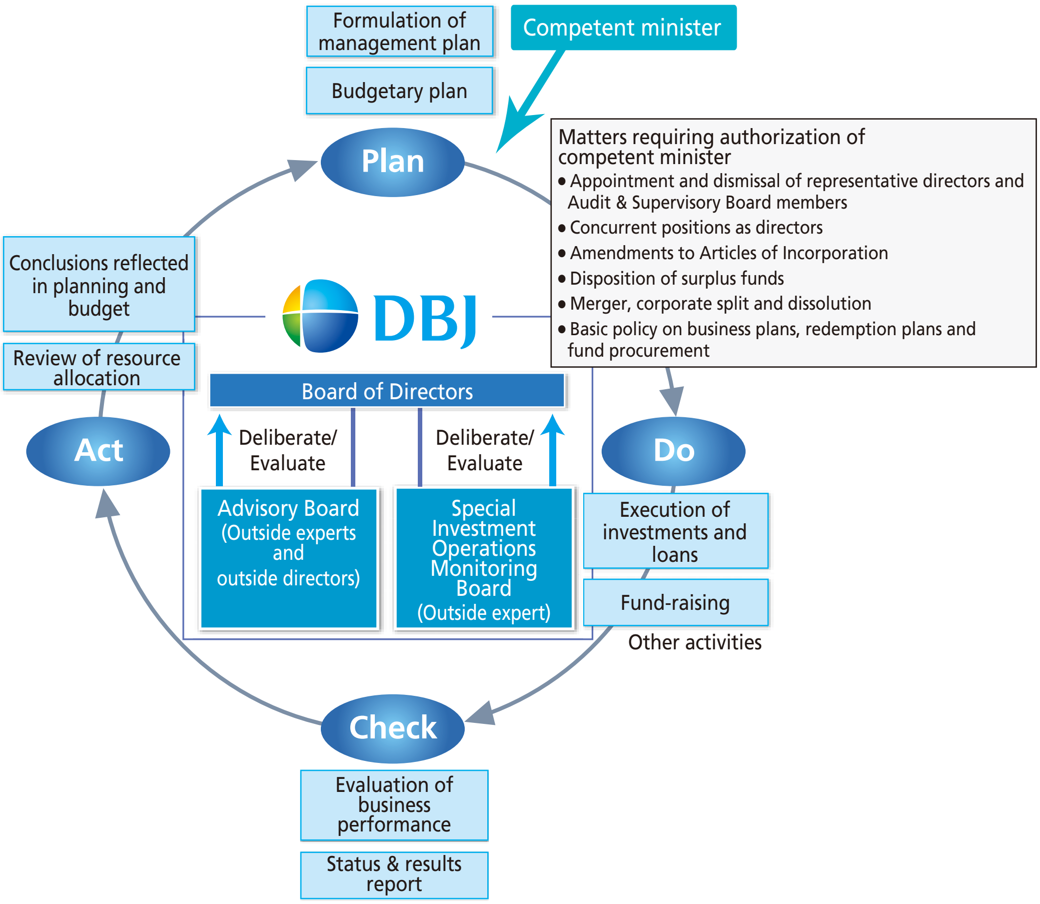
System risk refers to the risk of loss due to a computer system breakdown or malfunction, system defects, or improper computer usage. DBJ has implemented the following internal processes to optimize systems risk management and properly manage systems risk. The Systems Risk Management Division is responsible for managing DBJ's systems risk centrally, based on its systems 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 systems 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



Advisory Board: The Advisory Board is positioned as an advisory body to the Board of Directors. Its role is to deliberate and evaluate important matters to ensure even more than in the past that appropriate competitive relations are maintained with private financial institutions.

Special Investment Operations Monitoring Board: The Special Investment Operations Monitoring Board deliberates and evaluates the status of Special Investment Operations to ensure that each project and its results are in accordance with policy objectives and to ensure that these operations embolden private-sector enterprises, complement their operations and foster appropriate competitive relations.

Client Protection Management Basic Policy/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 Basic Policy, Declaration on Personal Information Protection and Policy for Managing Conflicts of Interest

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.

Key content of our Client Protection Management Basic 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. In accordance with this act and the Cabinet Office Ordinance on Financial Instruments Business, etc., DBJ has drawn up the following policies introduced for the management of conflicts of interest 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 Ordinance on Financial Instruments Business, etc. 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 (3) 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.

DBJ's principal subsidiary financial institutions, etc., are as follows.

DBJ Asset Management Co., Ltd.
DBJ Europe Limited
DBJ Investment Advisory Co., Ltd.
DBJ Securities Co., Ltd.
DBJ Capital 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
- Amending 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:

- **Materials legally required for disclosure**
  Securities Report (Japanese)
  Stock Exchange Report (Japanese)
  Business Report (Japanese)

- **Voluntarily disclosed information**
  Annual Report & CSR Report
  End-of-Period Financial Reports

- **Others**
  DBJ Quarterly Journal (newsletter)
  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 1) Addition of investment function (pertaining to business in such areas as research and development, urban development and energy use stipulated by government ordinance) 2) Addition of R&D fund investment function
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 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) Transfer of financing operations from Japan Regional Development Corporation and Japan Environment Corporation 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 (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))
2011	December	Increase of capital to ¥1,187,364 million
2012	March	Increase of capital to ¥1,187,788 million
2012	June	Increase of capital to ¥1,198,316 million
2012	December	Increase of capital to ¥1,206,953 million
2014	June	DBJ Investment Consulting (Beijing) Co., Ltd. (formerly Japan Asia Investment Consulting (Beijing) Co., Ltd.) converted to wholly owned subsidiary
2015	May	Act for Partial Amendment of the Development Bank of Japan Inc. Act (Act No. 23 of 2015)
2015	August	Capital was reduced by ¥206,529 million, with the crisis response reserve increased by this entire amount

Board of Directors, Audit & Supervisory Board Members and Executive Officers (As of July 1, 2016)

Masanori Yanagi
President & CEO

Yasushi Kinoshita
Deputy President

Hajime Watanabe
Deputy President

Shin Kikuchi
Director and Managing Executive Officer
In charge of Corporate Planning & Coordination Department, Information Resources Department, General Affairs Department

Hideo Oishi
Director and Managing Executive Officer
In charge of Business Planning & Coordination Department, Financial Institutions Department, International Strategy & Coordination Department, Research Institute of Capital Formation

Naoki Enomoto
Director and Managing Executive Officer
In charge of Treasury Department, Syndication & Credit Trading Department, Environmental Initiative & Corporate Social Responsibility-Support Department

Satoshi Tomii
Director and Managing Executive Officer
In charge of Strategic Finance Department, Growth & Cross Border Investment Department

Kenkichi Fukuda
Director and Managing Executive Officer
In charge of Credit Analysis Department, Accounting Department, Economic & Industrial Research Department (excluding Customer Solution Planning Office)

Akio Mimura
Director (Outside)

Kazuo Ueda
Director (Outside)

Osamu Koyanagi
Audit & Supervisory Board Member

Mitsue Kurihara
Audit & Supervisory Board Member

Tatsuya Tsuboi
Audit & Supervisory Board Member (Outside)

Makoto Ito
Audit & Supervisory Board Member (Outside)

Shinji Hatta
Audit & Supervisory Board Member (Outside)

Ikuro Hirozane
Managing Executive Officer
In charge of Corporate Finance Department [Division 5]

Kosuke Takahashi
Managing Executive Officer
In charge of Urban Development Department, Real Estate Finance Department, Corporate Finance Department [Division 3]

Hisanobu Sekine
Managing Executive Officer
In charge of Corporate Finance Department [Division 6], Hokkaido Branch, Tohoku Branch, Niigata Branch

Takao Kaizu
Managing Executive Officer
In charge of Risk Management Department, Legal Affairs & Compliance Department

Makoto Anayama
Managing Executive Officer
In charge of Corporate Finance Department [Division 1 and 2], Economic & Industrial Research Department (Economic Research Office)

Seiji Jige
Managing Executive Officer
In charge of Regional Planning Department, Structured Finance Department, Hokuriku Branch, Tokai Branch, Kyushu Branch, Minami-Kyushu Branch, Special Missions (e.g. Capitalization Strategy)

Taketsugu Shinobe
Managing Executive Officer
In charge of Corporate Finance Department [Division 4]

Yoshinao Ikeda
Managing Executive Officer, Head of Kansai Branch
In charge of Kansai Branch, Chugoku Branch, Shikoku Branch

Masafumi Aizawa
Executive Officer (in charge of Financial Institution)

Takayuki Yamamoto
Executive Officer, Head of Business Development Department

Masayuki Tsuda
Executive Officer, Head of Human Resources Management Department

Takeshi Kiriyama
Executive Officer, Head of Growth & Cross Border Investment Department

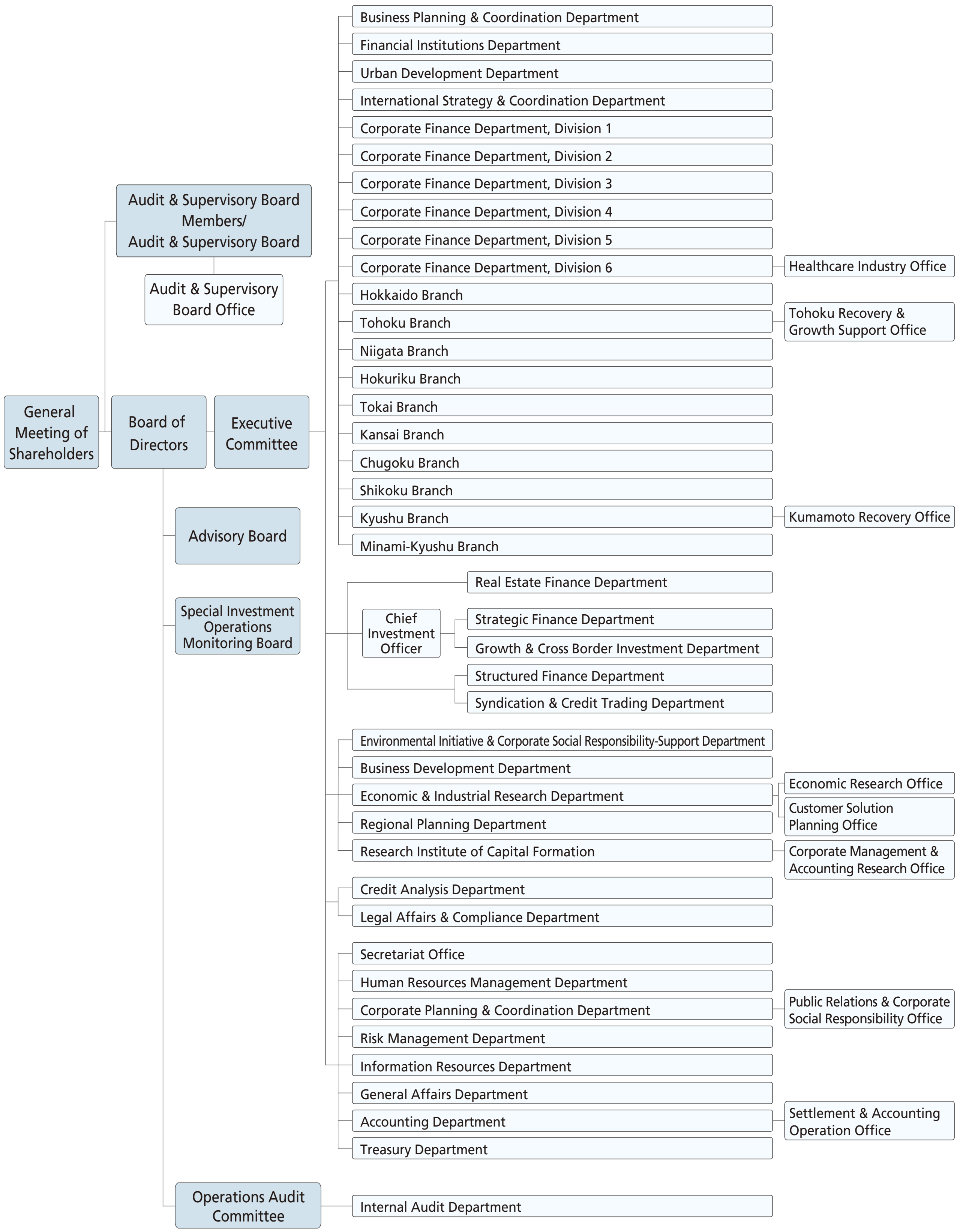
Kazushi Minakawa
Executive Officer (in charge of Internal Audit)

Norifumi Sugimoto
Executive Officer, Head of Corporate Planning & Coordination Department

Hiroshi Shimizu
Executive Officer, Head of Business Planning & Coordination Department

Notes: 1. Akio Mimura and Kazuo Ueda are outside directors under Article 15 of Section 2 of the Companies Act.
2. Tatsuya Tsuboi, Makoto Ito and Shinji Hatta are outside Audit & Supervisory Board members under Article 16 of Section 2 of the Companies Act.

Organization Chart (As of July 1, 2016)

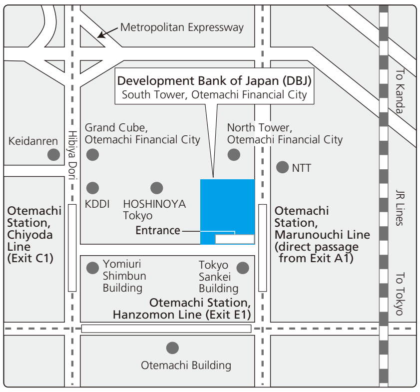


Representative Offices: Hakodate, Kushiro, Aomori, Toyama, Matsue, Okayama, Matsuyama, Oita
Overseas Representative Office: New York
Overseas Subsidiaries: DBJ Singapore Limited, DBJ Europe Limited, DBJ Investment Consulting (Beijing) Co., Ltd.

Locations and Directory (As of July 1, 2016)

Head Office

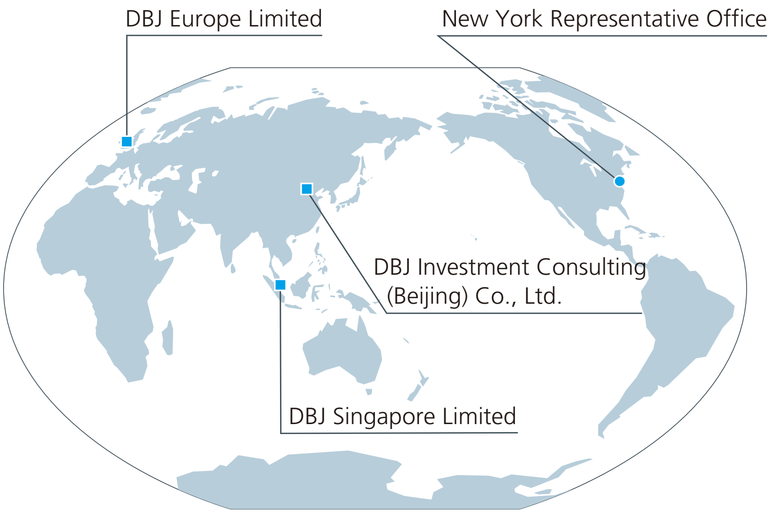
South Tower, Otemachi Financial City,
9-6, Otemachi 1-chome,
Chiyoda-ku, Tokyo
100-8178, Japan
Tel: +81-3-3270-3211
http://www.dbj.jp/en



Domestic Branch Offices, Representative Offices

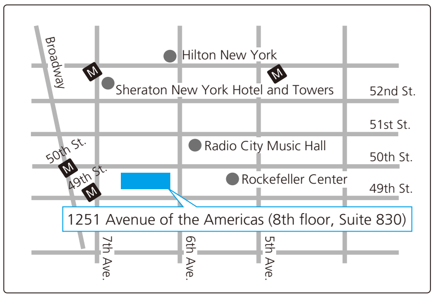
Branch Offices:	Representative Offices:
Hokkaido	Hakodate
Tohoku	Kushiro
Niigata	Aomori
Hokuriku	Toyama
Tokai	Matsue
Kansai	Okayama
Chugoku	Matsuyama
Shikoku	Oita
Kyushu	
Minami-Kyushu	

Overseas Representative Office and Subsidiaries



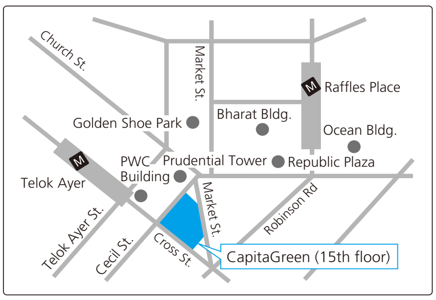
New York Representative Office

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



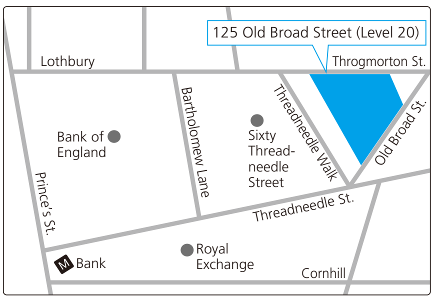
DBJ Singapore Limited

138 Market Street, #15-02 CapitaGreen,
Singapore 048946
Tel: +65-6221-1779



DBJ Europe Limited

Level 20, 125 Old Broad Street,
London EC2N 1AR, U.K.
Tel: +44-20-7507-6070



DBJ Investment Consulting (Beijing) Co., Ltd.

Beijing Fortune Building, Suite 814-815, No. 5,
Dong San Huan Bei Lu, Chaoyang District,
Beijing, 100004, P.R.C
Tel: +86-10-6590-9770

Subsidiaries (As of March 31, 2016)

Company	Address	Principal Businesses	Established	Capital (Millions of Yen)	Percentage of Total Voting Rights (%)
Consolidated Subsidiaries					
Japan Economic Research Institute Inc.	Chiyoda-ku, Tokyo	Research, consulting and advisory services	December 13, 1989	479	100.0
Value Management Institute, Inc.	Chiyoda-ku, Tokyo	Research, consulting and advisory services	June 25, 1993	75	100.0 (8.0)
DBJ Securities Co., Ltd.	Chiyoda-ku, Tokyo	Securities business	October 22, 1998	500	100.0
DBJ Capital Co., Ltd.	Chiyoda-ku, Tokyo	Management of investment associations	October 14, 2005	99	100.0
DBJ Asset Management Co., Ltd.	Chiyoda-ku, Tokyo	Investment management, investment advisory and agency services	November 22, 2006	100	100.0
DBJ Singapore Limited	Republic of Singapore	Investment and loan support and advisory services	September 15, 2008	S$1 million	100.0
DBJ Europe Limited	London, United Kingdom	Investment and loan support and advisory services	June 5, 2009	€7 million	100.0
DBJ Investment Advisory Co., Ltd.	Chiyoda-ku, Tokyo	Investment advisory and agency services	December 1, 2009	68	50.6
DBJ Real Estate Co., Ltd.	Chiyoda-ku, Tokyo	Real estate leasing	February 1, 2010	80	100.0
DBJ Investment Consulting (Beijing) Co., Ltd.	Beijing, People's Republic of China	Investment and loan support and advisory services	September 30, 2011	CNY 4 million	100.0
15 other companies (Note 1)	—	—	—	—	—
Affiliated Companies					
25 other companies (Notes 1, 5)	—	—	—	—	—

Notes:

1. Only principal consolidated subsidiaries and affiliated companies are listed in order of their date of establishment; only the numbers of other consolidated subsidiaries and affiliated companies are indicated.
2. Amounts of less than ¥1 million have been omitted in the figures stated above.
3. DBJ's percentage of total voting rights in subsidiaries is shown rounded to one decimal place.
4. In the column showing DBJ's percentage of total voting rights in subsidiaries, figures within parentheses indicate indirect holdings.
5. Affiliated companies include AIRDO Co., Ltd., Skymark Airlines Inc. and Solaseed Air Inc., which submit *yukashoken hokokusho* (annual securities reports).
6. DBJ Business Investment Co., Ltd., a previous consolidated subsidiary, has been excluded from the scope of consolidation, reflecting its liquidation in September 2015.

Stock Information (As of March 31, 2016)

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
December 7, 2011 (Note 5)	—	43,623	6,170	1,187,364	—	1,060,466
March 23, 2012 (Note 4)	8	43,632	424	1,187,788	—	1,060,466
June 6, 2012 (Note 6)	—	43,632	10,528	1,198,316	—	1,060,466
December 6, 2012 (Note 7)	—	43,632	8,637	1,206,953	—	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.
5. To secure a financial base for Crisis Response Operations, of the ¥1,350 billion in delivery bonds issued under the Act for the Partial Amendment of the Development Bank of Japan Inc. Act and the supplementary budget for fiscal 2009, in accordance with the provisions of Article 2-4, Paragraph 1, of the Appendix to the DBJ Act, an amount equivalent to ¥6,170 million was required for redemption on November 24, 2011.
   Based on this requirement, these delivery bonds were redeemed effective December 7, 2011. The face value of delivery bonds decreased by this amount, and at the same time DBJ's common stock increased by the equivalent of the required redemption amount. The number of shares was not affected by procedures for this increase in common stock.
6. As is stated above, as of May 18, 2012, delivery bonds in the amount of ¥10,528 million required redemption. Based on this requirement, the delivery bonds were redeemed on June 6, 2012. The face value of delivery bonds decreased by this amount, and at the same time DBJ's common stock increased by the equivalent of the required redemption amount. The number of shares was not affected by procedures for this increase in common stock.
7. As is stated above, as of November 20, 2012, delivery bonds in the amount of ¥8,637 million required redemption. Based on this requirement, the delivery bonds were redeemed on December 6, 2012. The face value of delivery bonds decreased by this amount, and at the same time DBJ's common stock increased by the equivalent of the required redemption amount. (The amount of delivery bonds that remained unredeemed following this redemption was ¥1,324,665 million.) The number of shares was not affected by procedures for this increase in common stock.

Shareholder

	Address	Number of shares held (Thousands of shares)	Percentage of total equity (%)
Finance Minister	1-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo	43,632	100.00
Total	—	43,632	100.00

Development Bank of Japan Inc. Act (Act No. 85 of 2007)

(Translation)

Promulgated: June 13, 2007 by Act No. 85 of 2007
Enforced: September 1, 2015
Last Amended: September 12, 2012 by Act No. 86 of 2012

Chapter I
General Provisions

Article 1 Purpose

Development Bank of Japan Inc. (hereinafter referred to as the "Corporation") shall be a joint stock company (*kabushiki-kaisha*) whose object is to maintain the foundations of investment and financing functions of long-term business funds as the Development Bank of Japan by conducting business activities utilizing the methods of combining investments and financing and other sophisticated financial methodologies, while maintaining the autonomy of management with the goal of realizing full-scale privatization, thereby contributing to smooth supply of funds to those who need long-term business funds, as well as to the sophistication of financial functions.

Article 2 Restriction on Use of Trade Name

1. Any entity other than the Corporation shall not use the characters of Development Bank of Japan Inc. (*Kabushiki Kaisha Nippon Seisaku Toshi Ginko*), in its trade name.
2. The provision of Article 6, Paragraph 2 of the Banking Act (Act No. 59 of 1981) shall not apply to the Corporation.

Chapter II
Business Operations

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 (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); 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 Bonds 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 Bonds or Preferred Investment Securities as set forth in the Asset Liquidation Plans, and except for, in case of Specified Bonds, Specified Short-term Notes), and other similar securities stipulated in the Ministry of Finance Ordinance (hereinafter in this Item referred to as the "Specified Bonds") (except in cases where it is intended for secondary distribution (*uridashi*)), or to handle primary offering (*boshu*) of the Specified Bonds 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); 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 firms 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 firms set forth in Article 2, Paragraph 9 of the Financial Instruments and Exchange Act; hereinafter the same), and for such financial instruments firms);
   (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 the 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.

2. In addition to the business operations of the preceding Paragraph, the Corporation may engage in such business activities as necessary to attain its object, subject to authorization of the Minister of Finance.

3. "Securities" in Items (5) and (6) of Paragraph 1 and Paragraph 5 mean the securities set forth in Article 2, Paragraph 1 of the Financial Instruments and Exchange Act, and the rights which are deemed as securities as set forth in Article 2, Paragraph 2 of the Financial Instruments and Exchange Act.
4. "Short-term Notes, Etc." in Items (5) and (9) of Paragraph 1, and the next following Paragraph mean:
   (1) Short-term notes Etc. set forth in Article 66, Item (1) of the Act on Book-Entry Transfer of Company Bonds, Shares, etc. (Act No. 75 of 2001);
   (2) Short-term investment corporation notes set forth in Article 139-12, Paragraph 1 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951);
   (3) Specified short-term notes set forth in Article 2, Paragraph 8 of the Act on Securitization of Assets (Act No. 105 of 1998);
   (4) Rights to be indicated on debt securities (other than those having the nature of corporate debentures with stock acquisition rights (*shinkabu-yoyaku-ken-tsuki shasai*)) to be issued by foreign corporations, the ownership rights of which shall be determined based on the entries or recordings in the central depositary account register as prescribed by the Act on Book-Entry Transfer of Company Bonds, Shares, etc., which satisfy all of the following requirements:
      a. The amount of each right is not less than JPY100 million;
      b. It is stipulated that the principal amount of such debt securities shall be redeemed on a definitely specified date which occurs a year after the date on which the aggregate amount of such rights is paid, and further that no payment shall be made in installments; and
      c. It is stipulated that interest shall become due and payable on the same date as the maturity date of the principal amount in Sub-item b.
5. The business operations referred to in Paragraph 1, Item (7) (in the case of monetary claims represented by the certificates set forth in the said Item which fall within Securities) and the business operations referred to in Paragraph 1, Item (9) (in the case of Short-term Notes, Etc.) shall include the business operations to do the activities referred to in Article 2, Paragraph 8, Items (1) through (6), and (8) through (10) of the Financial Instruments and Exchange Act.
6. The terms "Specified Purpose Company," "Asset Liquidation Plan," "Specified Bonds," "Specified Short-term Notes" or "Preferred Investment Securities" referred to in Paragraph 1, Item (8) mean the specified purpose company, asset liquidation plan, specified bonds, specified short-term debentures or preferred investment securities set forth in Article 2, Paragraphs 3, 4 or 7 through 9 of the Act on Securitization of Assets, respectively.
7. If the Corporation engages in the business activity referred to Paragraph 1, Item (10), the provision of Article 52-36, Paragraph 1 of the Banking Act and other provisions equivalent to that provision of the said Paragraph which apply to those who engage in the financial business stipulated in the Cabinet Order set forth in Paragraph 1, Item (10) and are prescribed in the Cabinet Order, shall not apply.

Article 4 Application by Changing the Provisions of the Financial Instruments and Exchange Act to Read

1. For the purpose of application of the provisions of the Financial Instruments and Exchange Act to the Corporation, the words and phrases indicated in the center columns of the table below in the provisions of that Act in the left columns shall be changed to read the words and phrases indicated in the right column, respectively:

Article 2, Paragraph 8	(referred to as the "Cooperative Financial Institutions")	(referred to as the "Cooperative Financial Institutions"), Development Bank of Japan Inc.
Article 2, Paragraph 11; Article 27-28, Paragraph 3; Article 28, Paragraph 4; Article 33, Paragraph 1; Article 33-5, Paragraph 2; Article 33-7; Article 58; Article 60-14, Paragraph 1; Article 66, and Article 202, Paragraph 2, Items (1) and (2)	Cooperative Financial Institutions	Cooperative Financial Institutions, Development Bank of Japan Inc.
Article 33-8, Paragraph 1	are the financial institutions	are the financial institutions, or if Development Bank of Japan Inc. conducts the business activity referred to in Article 3, Paragraph 1, Item (16) of The Development Bank of Japan Inc. Act (Act No. 85 of 2007)

2. Any directors, accounting counsel (*kaikei sanyo*) (including, if an accounting counsel is a firm, its members who should perform the duties as such; hereinafter in this Paragraph the same), statutory auditors, executive officers (*shikkoyaku*) or employees shall notify the Minister of Finance without delay as set forth in the Minister of Finance Ordinance if they take up a position of director, accounting counsel, statutory auditor or executive officer of a Financial Instruments Firm (limited to the firms that engages in the securities-related business set forth in Article 28, Paragraph 8 of the Financial Instruments and Exchange Act; hereinafter in this Paragraph the same) (including the cases where a director, accounting counsel, statutory auditor or executive officer of a Financial Instruments Firm come to concurrently hold a position of director, accounting counsel, statutory auditor or executive officer of the Corporation), or they resign a director, accounting counsel, statutory auditor or executive officer of a Financial Instruments Firm.

Article 5 Issue of the Development Bank of Japan Bonds

1. The Corporation may issue the Development Bank of Japan Bonds.
2. The provision of Article 702 of the Companies Act (Act No. 86 of 2005) shall not apply where the Corporation issues the Development Bank of Japan Bonds.
3. Only with respect to the Development Bank of Japan Bonds issued outside of Japan, the Corporation may issue certificates representing the Development Bank of Japan Bonds (including interest coupons appertaining thereto; hereinafter in this Paragraph, and Article 13, Paragraphs 3 and 4, Item (1), the same), as prescribed in the Cabinet Order, in the event that it is necessary to deliver replacement certificates to anyone who has lost those certificates.

Article 6 Method of Issue of the Development Bank of Japan Bonds

1. If the Corporation issues certificates representing the Development Bank of Japan Bonds, such certificates shall be in bearer form; provided, however, that the Corporation may issue those certificates in registered form upon request of a subscriber or owner of the Bonds.
2. If the Corporation issues the Development Bank of Japan Bonds, the Corporation shall not enter into a custody agreement with a subscriber of the Bonds in which matters set forth in the Ministry of Finance Ordinance and the Cabinet Office Ordinance are contained.
3. The Corporation may issue certificates representing the Development Bank of Japan Bonds by way of a secondary distribution (*uridashi*). In that case, the Corporation shall determine the distribution period.

4. If the Corporation issues certificates representing the Development Bank of Japan Bonds, the Corporation shall indicate the following matters on the face of those certificates:
   (1) Trade name of the Corporation;
   (2) Amount of the Bonds represented by the certificate;
   (3) Interest rates on the Development Bank of Japan Bonds represented by the certificate;
   (4) Method of redemption and maturity date of the Development Bank of Japan Bonds represented by the certificate; and
   (5) Numbers of the certificate.
5. If the Corporation intends to issue the Development Bank of Japan Bonds by way of a secondary distribution, the Corporation shall give public notice of the following matters:
   (1) Distribution period;
   (2) Aggregate amount of the Development Bank of Japan Bonds;
   (3) If payment for the Development Bank of Japan Bonds is made in more than one installment, the amount of, and time schedule for, such payments;
   (4) Issue price or minimum price of the Development Bank of Japan Bonds;
   (5) If the Corporation intends to issue the Development Bank of Japan Bonds, the ownership rights of which shall be determined based on the entries or recordings in the central depositary account register as prescribed by the Act on Book-Entry Transfer of Company Bonds, Shares, etc., description to the effect that the Development Bank of Japan Bonds are subject to the said Act; and
   (6) Matters referred to in Items (1) through (4) of the immediately preceding Paragraph.
6. The Corporation may issue the Development Bank of Japan Bonds at a discount.

Article 7 Extinctive Prescription of the Development Bank of Japan Bonds

The extinctive prescription periods of the principal of, and interest on, the Development Bank of Japan Bonds to be issued by the Corporation shall be fifteen (15) years and five (5) years, respectively.

Article 8 *Mutatis Mutandis* Application of the Currency and Securities Counterfeiting Control Act

The Currency and Securities Counterfeiting Control Act (Act No. 28 of 1895) shall be applied *mutatis mutandis* to the counterfeiting of certificates representing the Development Bank of Japan to be issued by the Corporation.

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.
3. The Prime Minister may request the Minister of Finance to provide the Prime Minister with the required materials and explanations, whenever the Prime Minister deems necessary after the discussion referred to in the immediately preceding Paragraph.
4. The Prime Minister may request the Corporation to cooperate with the Prime Minister such as providing materials and explanations, to the required extent, whenever the Prime Minister deems especially necessary after the discussion referred to in Paragraph 2.
5. The provisions of Article 4, Paragraph 1 of the Banking Act and Article 4, Paragraph 1 of the Long Term Credit Bank Act (Act No. 187 of 1952) shall not apply to the business operations to be conducted by the Corporation in the case that the Corporation obtains the approval referred to in Paragraph 1.

Article 10 *Mutatis Mutandis* Application of the Banking Act

1. The provisions of Articles 12-2, 13, 13-2, 13-4, 14, 14-2, 20, 21, 23 and 57-4 (limited to the portions relating to Item (1)) of the Banking Act shall apply *mutatis mutandis* to the Corporation when the Corporation obtains the approval referred to in Paragraph 1 of the immediately preceding Article. For this purpose, references to the "Prime Minister" and "Cabinet Office Ordinance" in these provisions (other than the second sentence of Article 13-4 and Article 20, Paragraph 7 of the Banking Act) shall be changed to read the "Minister of Finance and the Prime Minister" and the "Ministry of Finance Ordinance and the Cabinet Office Ordinance," respectively, and reference to "Article 38, Items (1) and (2), and Article 38-2" in Article 13-4 of the Banking Act shall be changed to read "Article 38-2," and other necessary technical changes to read shall be prescribed in the Cabinet Order.
2. For the purpose of application of the provisions of the Financial Instruments and Exchange Act which shall be applied *mutatis mutandis* after changing to read in Article 13-4 of the Banking Act which is applied *mutatis mutandis* after changing to read in the preceding Paragraph, reference to the "Cabinet Office Ordinance" in those provisions shall be changed to read the "Ministry of Finance Ordinance and Cabinet Office Ordinance."
3. If the Government stipulates an ordinance pursuant to the provisions of the Banking Act which shall be applied *mutatis mutandis* after changing to read in Paragraph 1, the Government shall pay attention so that interests of users of business operations of the Corporation such as money lending, when it gives the approval referred to in Paragraph 1 of the immediately preceding Article may not be unreasonably infringed.

Article 11 Fiscal Year

The fiscal year of the Corporation shall commence on April 1 of each year and end on March 31 of the following year.

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) (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.
2. Without delay after the delivery of shares upon exercise of stock acquisition rights, the Corporation shall submit a report thereon to 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 on Book-Entry Transfer of Company Bonds, Shares, etc. (Act No. 75 of 2001) 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.

2. If the Corporation issues the Corporate Debentures or the Development Bank of Japan Bonds, or borrows money, the Corporation shall submit a report thereon to the Minister of Finance without delay, as stipulated in the Minister of Finance Ordinance.
3. Only with respect to the Corporate Debentures issued outside of Japan, the Corporation may issue certificates representing the Corporate Debentures, as prescribed in the Cabinet Order, in the event that it is necessary to deliver replacement certificates to anyone who has lost those certificates.
4. The provisions of the second sentence of Paragraph 1, and Paragraph 2 shall not apply to the following cases:
   (1) When the Corporation issues certificates representing the Corporate Debentures or the Development Bank of Japan Bonds (hereinafter in the following Item and Article 25, Paragraph 2 referred to as the "Bond Certificates, Etc.") upon request for reissue which will be made after a decision of nullification set forth in Article 699, Paragraph 2 of the Companies Act; and
   (2) When the Corporation issues the Bond Certificates Etc. as set forth in Article 5, Paragraph 3 or the immediately preceding Paragraph.

Article 14 Limits on Borrowing and Limitation on Extension of Credit

1. The aggregate amount of the items identified below shall not exceed the amount equal to fourteen (14) times the total amount of paid-in capital and reserves (capital reserve and earned surplus reserve; hereinafter in this Article the same); provided, however, that if it is necessary, to refinance the issued old bank debentures (the bank debentures set forth in Article 43, Paragraph 1 of the Development Bank of Japan Act (Act No. 73 of 1999; hereinafter referred to as the "Old DBJ Act") before abolishment as set forth in Article 26 of the Supplementary Provisions which were issued pursuant to the provision of Article 43, Paragraph 1 or Paragraph 4 of the Old DBJ Act, the "Old Bank Debentures"; hereinafter the same), the Corporate Debentures or the Development of Bank of Japan Bonds, the Corporation may issue the Corporate Debentures and the Development Bank of Japan Bonds, in excess of such amount only within the period of time required for such refinancing:
   (1) Outstanding amount of deposits;
   (2) Outstanding amount of borrowings;
   (3) Outstanding amount of funds deposited pursuant to the provision of Article 42, Paragraph 5 of the Old DBJ Act;
   (4) Outstanding amount of the obligations representing the principals of the Old Bank Debentures;
   (5) Outstanding amount of the obligations representing the principals of the Corporate Debentures and the Development Bank of Japan Bonds issued; and
   (6) Outstanding amount of those items which have the same economic nature as those referred to in each of the foregoing, howsoever described.
2. The aggregate amount of the items identified below shall not exceed the sum of: (i) the amount of paid-in capital and reserves and (ii) the upper limit set forth in the main sentence of the preceding Paragraph:
   (1) Outstanding amount of the amounts of loans made and claims acquired (other than those relating to Securities set forth in Item (3));
   (2) Outstanding amount of obligations of guarantee;
   (3) Outstanding amount of Securities acquired (the Securities set forth in Article 3, Paragraph 3 and exclude the Securities referred to in Article 2, Paragraph 1, Items (1) and (2) of the Financial Instruments and Exchange Act (including the rights to be represented on such securities when such Securities are not issued), and those relating to capital contributions under the next following Item); and
   (4) Outstanding amount of capital contributions.

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. 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));
   (3) Financial Instruments Firms (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), 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));
   (6) Insurance companies (the insurance companies set forth in Article 2, Paragraph 2 of the Insurance Business Act (Act No. 105 of 1995)); 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 (other than disposition of losses) such as distribution, merger, corporate split, and dissolution shall not become effective without authorization of the Minister of Finance.
2. If the Minister of Finance intends to grant the authorization referred to in the preceding Paragraph (limited to resolutions for merger, corporate split and dissolution), the Minister of Finance shall have a discussion with the Minister of Land, Infrastructure and Transport.

Article 21 Submission of Balance Sheet and Other financial Statements

For each fiscal year, the Corporation shall submit to the Minister of Finance, as stipulated in the Ministry of Finance Ordinance, its balance sheet, profit and loss statement and business report for the interim fiscal year (the period from April 1 to September 30 of the current fiscal year) of the current fiscal year, and its balance sheet, profit and loss statement and business report for the current fiscal year.

Article 22 Special Exemptions from Management of Fiscal Loan Funds

Notwithstanding the provision of Article 10, Paragraph 1 of the Fiscal Loan Funds Act (Act No. 100 of 1951), the fiscal loan funds (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.
2. If the fiscal loan fund is invested in the Debentures, Etc. or the Old Bank Debentures, the fiscal loan fund shall not be used to underwrite, subscribe for or purchase (limited, in the case of the Old Bank Debentures, to purchase; hereinafter in this Paragraph referred to as the "Subscribe") the Debentures, Etc. or the Old Bank Debentures in excess of five-tenths (5/10) of the outstanding amount of the Debentures, Etc. and the Old Bank Debentures or six-tenths (6/10) of the total amount of the Debentures, Etc. to be issued by the Corporation at a time. In this case, the Debentures, Etc. or the Old Bank Debentures to be Subscribed with the fiscal loan funds shall be the same as those otherwise Subscribed for with respect to the terms such as interest rate, collateral, method of redemption and maturity.

Article 24

For the purpose of application of the provisions of the Act Concerning Special Measures for Long-term Management of Fiscal Loan Funds (Act No. 7 of 1973) to the fiscal loan funds to be invested in making loans as set forth in Article 22 or the fiscal loan funds to be invested in the Debentures, Etc. as set forth in Paragraph 1 of the immediately preceding Article, the Corporation shall be deemed as the corporation set forth in Article 10, Paragraph 1, Item (7) of the Fiscal Loan Funds Act.

Article 25 Guarantee of Obligations

1. Notwithstanding the provision of Article 3 of the Act Concerning Restrictions on Fiscal Assistance by the Government to Corporations (Act No. 24 of 1946), 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.
2. In addition to the provision of the preceding Paragraph, the Government may enter into a guarantee agreement for the obligations relating to the Bond Certificates, Etc. to be issued by the Corporation upon request for reissue to be made after a decision of nullification set forth in Article 699, Paragraph 2 of the Companies Act, for delivery to those who have lost the Bond Certificates, Etc., or for the obligations relating to the Bond Certificates, Etc. to be issued by the Corporation as set forth in Article 5, Paragraph 3 or Article 13, Paragraph 3.

Chapter III
Miscellaneous Provisions

Article 26 Supervisory Measures

1. The competent minister shall oversee and supervise the Corporation in accordance with the provisions of this Act.
2. Whenever the competent minister deems necessary to secure sound and proper management of the Corporation in light of the condition of the business operations or properties of the Corporation, or the properties of the Corporation and its subsidiaries (which are limited to those subsidiaries set forth in Article 2, Item (3) of the Companies Act, which fall within the Subsidiaries Subject to Authorization; hereinafter in Paragraphs 2 and 5 of the immediately following Article, and Article 33, Paragraph 2, the same) or to otherwise effectuate this Act, the competent minister may request the Corporation to submit an improvement plan to secure its sound management by indicating those matters for which the Corporation should take measures and the deadline for submission or direct the Corporation to revise the improvement plan once submitted, or direct, to the extent necessary, the Corporation to suspend its business operations in whole or in part during the designated period of time or to deposit its properties to the competent deposit office, or give other orders concerning business necessary for supervision.

Article 27 Reports and Inspections

1. If the competent minister deems necessary to secure sound and proper management of the Corporation and otherwise deems necessary to effectuate this Act, the competent minister may cause the Corporation to make a report, or have any of officials of the competent ministry enter into premises of the Corporation such as its office to inspect the condition of business or books, documents and other properties required.
2. If the competent minister deems especially necessary to secure sound and proper management of the Corporation and otherwise deems especially necessary to effectuate this Act, the competent minister may, to the extent necessary, cause any of the subsidiaries or entities engaged by the Corporation for any services of the Corporation (hereinafter in this Paragraph, Paragraph 5 and Article 33, Paragraph 2 referred to as the "Contractors") to make reports relevant to the condition of business of the Corporation or have any officials of the competent ministry enter into offices or other premises of the subsidiaries or the Contactors of the Corporation to inspect the condition of business or books, documents and other properties required which may serve as reference relating to the condition of business of the Corporation.
3. When the officials conduct on-site inspection pursuant to the provisions of the preceding two Paragraphs, those officials shall carry a certificate showing their identities and present it to the parties concerned.
4. The authority of the officials to conduct on-site inspections pursuant to the provisions of Paragraphs 1 and 2 shall not be interpreted as that for a criminal investigation.
5. The subsidiaries and the Contractors of the Corporation may reject the report or on-site inspection pursuant to the provision of Paragraph 2, if there is any reasonable cause.

Article 28 Delegation of Authority

1. The Minister of Finance may delegate a part of the authority to conduct on-site inspections pursuant to the provision of Paragraphs 1 or 2 of the immediately preceding Article to the Prime Minister, as stipulated in the Cabinet Order.
2. If the Prime Minister has had the on-site inspections conducted pursuant to the provision of Paragraphs 1 or 2 of the immediately preceding Article based on the delegation of the authority under the preceding Paragraph, the Prime Minister shall promptly report the Minister of Finance on results of such inspections.
3. The Prime Minister shall delegate the authority delegated pursuant to the provision of Paragraph 1 and the authority pursuant to the provision of the immediately preceding Paragraph to the Commissioner of the Financial Services Agency.
4. The Commissioner of the Financial Services Agency may delegate all or a part of the authority delegated pursuant to the provision of the immediately preceding Paragraph to the director of the competent local financial bureau or local finance branch bureau, as stipulated in the Cabinet Order.
5. If the Corporation obtains the approval referred to in Article 9, Paragraph 1, each provision of the preceding Paragraphs shall not apply.

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:
   (1) Matters regarding the provisions of the Banking Act which are applied *mutatis mutandis* after changing to read in Article 10;
   (2) Matters regarding the directions and orders under Article 26, Paragraph 2 (limited to those to be given when it is deemed necessary to secure sound and proper management of the Corporation set forth in the said Paragraph);
   (3) Matters regarding the direction for report and on-site inspections under Article 27, Paragraph 1 (limited to those to be made and conducted when it is deemed necessary to secure sound and proper management of the Corporation set forth in the said Paragraph); and
   (4) Matters regarding the direction for report and on-site inspections under Article 27, Paragraph 2 (limited to those to be made and conducted when it is deemed especially necessary to secure sound and proper management of the Corporation set forth in the said Paragraph).
2. The Minister of Finance or the Prime Minister shall not be precluded from individually exercising the authority relating to the matters referred to in Item (3) or (4) of the preceding Paragraph as set forth in the proviso of the preceding Paragraph.
3. If each minister referred to in each of the following Items exercises his/her authority pursuant to the provision of the immediately preceding Paragraph, he/she shall promptly inform the results thereof to the minister set forth opposite to him/her in each of the following Items:
   (1) Minister of Finance: Prime Minister
   (2) Prime Minister: Minister of Finance
4. In the cases stipulated in the proviso of Paragraph 1, reference to the "Minister of Finance" in Article 3, Paragraph 2 shall be changed to read the "Minister of Finance and the Prime Minister"; reference to the "Minister of Finance" in Article 13, Paragraph 2 shall be changed to read the "Minister of Finance (or, in relation to issue of the Development Bank of Japan Bonds, the Minister of Finance and the Prime Minister)"; reference to the "Minister of Land, Infrastructure and Transport" in Article 20, Paragraph 2 shall be changed to read the "Minister of Land, Infrastructure and Transport and the Prime Minister"; reference to the ", as stipulated in the Ministry of Finance Ordinance, its balance sheet, profit and loss statement and business report for interim fiscal year (the period from April 1 to September 30 of the current fiscal year) of the current fiscal year" in Article 21 shall be changed to read the ", as stipulated in the Ministry of Finance Ordinance (or, in relation to the fiscal year and interim fiscal year (the period from April 1 to September 30 of the current fiscal year; hereinafter in this Article the same) in and after the fiscal year in which the date on which the approval referred to in Article 9, Paragraph 1 is obtained is included, the Minister of Finance Ordinance and the Cabinet Officer Ordinance), its balance sheet, profit and loss statement and business report for interim fiscal year of the current fiscal year", and reference to the "Minister of Finance" in Article 21 shall be changed to read the "Minister of Finance (or, in relation to the fiscal year and interim fiscal year in after the fiscal year in which the date on which the approval referred to in the said Paragraph is obtained is included, the Minister of Finance and the Prime Minister)."
5. In the case of the proviso of Paragraph 1, if the Minister of Finance intends to amend the Minister of Finance Ordinance referred to in Article 3, Paragraph 1, Item (7) or (8) he/she shall obtain the prior consent of the Prime Minister.
6. The Prime Minister shall delegate the authorities under this Act (other than those authorities pursuant to the provisions of Paragraphs 1 through 3 of the immediately preceding Article, and other authorities set forth in the Cabinet Order) to the Commissioner of the Financial Services Agency.
7. The Commissioner of the Financial Services Agency may delegate a part of the authorities delegated to him/her pursuant to the provision of the immediately preceding Paragraph to the director of local finance bureau or local finance branch bureau.

Chapter IV
Penal Provisions

Article 30

1. If any directors, executive officers (*shikkoyaku*), accounting counsel (*kaikei sanyo*) (if an accounting counsel is a firm, its members who should perform the duties as such), statutory auditors, or employees accept, solicit or promise to accept a bribe in connection with their duties, they shall be punished by imprisonment with work for not exceeding three (3) years. If they conduct improper activities or fail to conduct proper activities with the bribe, they shall be punished by imprisonment with work for not exceeding five (5) years.
2. In the case of the immediately preceding Paragraph, the bribe accepted by the criminal person shall be confiscated. If the bribe in whole or in part cannot be confiscated, such amount shall be collected.

Article 31

1. Any person who gives, offers or promises to give a bribe referred to in Paragraph 1 of the immediately preceding Article shall be punished with imprisonment for not exceeding three (3) years or a fine not exceeding 1,000,000 yen.
2. If the person who committed the crime referred to in the immediately preceding Paragraph surrendered to justice, his/her penalty may be reduced or he/she may be exempted from the punishment.

Article 32

1. The crime referred to in Article 30, Paragraph 1 shall comply with Article 4 of the Criminal Code (Act No. 45 of 1907).
2. The crime referred to in Paragraph 1 of the immediately preceding Article shall comply with Article 2 of the Criminal Code.

Article 33

1. Any directors, executive officers (*shikkoyaku*), accounting counsel (*kaikei sanyo*) (if an accounting counsel is a firm, its members who should perform the duties as such), statutory auditors, or employees of the Corporation who fail to make

reports, or make false reports on matters to be reported in accordance with the provision of Article 27, Paragraph 1, or refuse, interrupt or avoid inspection in accordance with the same paragraph, shall be punished with a fine not exceeding 300,000 yen.

2. Any directors, executive officers (*shikkoyaku*), accounting counsel (*kaikei sanyo*) (if an accounting counsel is a firm, its members who should perform the duties as such), statutory auditors, or employees of the subsidiaries of the Corporation or the Contactors who fail to make reports, or make false reports on matters to be reported in accordance with the provision of Article 27, Paragraph 2, or refuse, interrupt or avoid inspection in accordance with the same paragraph, shall be punished with a fine not exceeding 300,000 yen.

Article 34

In any of the following cases, any directors, executive officers (*shikkoyaku*), accounting counsel (*kaikei sanyo*) or its members who should perform the duties as such, or statutory auditors of the Corporation shall be punished with a non-penal fine not exceeding 1,000,000 yen:

(1) When he/she has conducted business activities in violation of the provision of Article 3, Paragraph 2;
(2) When he/she has not notified of his/her concurrent position in violation of the provision of Article 4, Paragraph 2;
(3) When he/she has started acceptance of deposits or issue of the Development Bank of Japan Bonds in violation of the provision of Article 9, Paragraph 1;
(4) When he/she has solicited those who will subscribe for Shares Offered for Sale or Stock Acquisition Rights Offered, or delivered shares or stock acquisition rights in connection with a share-for-share exchange in violation of the provision of Article 12, Paragraph 1;
(5) When he/she has not submitted a report on the delivery of shares in violation of the provision of Article 12, Paragraph 2;
(6) When he/she has not obtained authorization for its basic policy in violation of the provision of Article 13, Paragraph 1;
(7) When he/she has not submitted a report on issue of the Corporate Debentures or the Development Bank of Japan Bonds, or borrowing money in violation of the provision of Article 13, Paragraph 2;
(8) When he/she has exceeded the limit or the total referred to in Article 14, Paragraph 1 or Paragraph 2 in violation of the provision thereof;
(9) When he/she has not obtained authorization for his/her concurrent position in violation of the provision of Article 16, Paragraph 1;
(10) When he/she has not obtained authorization for its business plan in violation of the provision of Article 17;
(11) When he/she has not obtained authorization for its redemption plans in violation of the provision of Article 18;
(12) When he/she has made Subsidiaries Subject to Authorization its subsidiary in violation of the provision of Article 19;
(13) When he/she has not submitted its balance sheet, profit and loss statement or business report, or has submitted the one which includes false statements or records in violation of the provision of Article 21;
(14) When he/she has violated the orders referred to in Article 26, Paragraph 2.

Article 35

Any person who violates the provision of Article 2, Paragraph 1 shall be punished with a non-penal fine not exceeding 100,000 yen.

Supplementary Provisions

Article 1 Enforcement Date

This Act shall come into force from the date of promulgation; provided, however, that the provisions set forth in the following Items shall take effect from the date set forth in each Item:

(1) The provisions of Paragraph 1, Items (5), and (11) through (17), Paragraph 3, Paragraph 4, Item (2), Paragraph 5 of Article 3, Article 4, Article 10, Article 14, Paragraph 2, Item (3), Article 19, Item (3), and Article 21 of the Supplementary Provisions: Date on which the Act Concerning Amendment to Parts of the Securities and Exchange Act (Act No. 65 of 2006) comes into force or the date on which this Act comes into force, whichever is later.
(2) Provision of Article 19, Item (4): Date on which the Act Concerning Amendment to Parts of the Act Concerning the Regulations on the Money Lending Business (Act No. 115 of 2006) comes into force or the date on which this Act comes into force, whichever is later.
(3) Provisions of Articles 26 through 60 and 62 through 65 of the Supplementary Provisions: October 1, 2008.

Article 2 Disposition of Government-Owned Shares

1. Pursuant to the provision of Article 6, Paragraph 2 of the Act Concerning Promotion of Administrative Reform for Realizing the Simple and Effective Government (Act No. 47 of 2006), the Government shall make efforts to reduce the number of shares held by it in the Corporation (hereinafter in the following Paragraph and the Article 3 of the Supplementary Provisions referred to as “Government-Owned Shares”), taking into account the effect on the attainment of the objectives of the Corporation, as well as the market situation, and shall dispose all of them as soon as practicable.
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 2-2 Capital Contribution by the Government

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.

Article 2-3 Issue of the Government Bonds

1. The Government may issue the government bonds to use for securement of capital that become necessary to secure soundness of financial conditions of the Corporation in performing crisis response operations set forth in Article 2, Item (5) of the Japan Finance Corporation Act (Act No. 57 of 2007) (hereinafter referred to as the “crisis response operations”), until March 31, 2012.
2. The Government, as set forth in the immediately preceding Paragraph, shall issue the government bonds and deliver them to the Corporation, to the extent of the amount approved by the budget.
3. The government bonds to be issued as set forth in Paragraph 1 shall be non interest-bearing.
4. The government bonds to be issued as set forth in Paragraph 1 may not be transferred, pledged as security, or otherwise disposed.
5. In addition to those set forth in the preceding three Paragraphs, other matters necessary for the government bonds to be issued as set forth in Paragraph 1 shall be stipulated by the Ministry of Finance Ordinance.

Article 2-4 Redemption of the Government Bonds

1. The Corporation may request the redemption of the government bonds delivered as set forth in Paragraph 2 of the immediately preceding Article, only within the amount calculated as stipulated by the Ministry of Finance Ordinance that become necessary as the amount of the capital in response to the increase of assets related to its crisis response operations (limited to those conducted by March 31, 2012).
2. If the Government is requested by the Corporation to redeem all or a part of the government bonds delivered pursuant to the provision of Paragraph 2 of the immediately preceding Article, the Government shall promptly redeem them.
3. When the redemption has been made pursuant to the provision of the immediately preceding Paragraph, the amount of the capital of the Corporation shall be the aggregate sum of the amount of the capital immediately preceding such redemption and the amount of such redemption.
4. As for application of the provision of Article 445, Paragraph 1 of the Companies Act in the case where the provision of the immediately preceding Paragraph applies, "Unless it is otherwise provided for in this Act" therein shall be deemed to be changed to read "Unless it is otherwise provided for in this Act and in cases where the provision of Article 2-4, Paragraph 3 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007) applies."
5. In addition to those set forth in each of the preceding Paragraphs, other matters required for the redemption of the government bonds delivered by the Government as set forth in Paragraph 2 of the immediately preceding Article, shall be stipulated in the Ministry of Finance Ordinance.

Article 2-5 Return of the Government Bonds

1. If there are any government bonds delivered as set forth in Article 2-3, Paragraph 2 of the Supplementary Provisions, those which are not redeemed as of July 1, 2012, the Corporation shall return the unredeemed government bonds to the Government.
2. The Government shall immediately cancel the government bonds when the government bonds are returned as set forth in the immediately preceding Paragraph.
3. In addition to those set forth in the preceding two Paragraphs, other matters required for the return and the cancellation of the government bonds delivered by the Government as set forth in Article 2-3, Paragraph 2 of the Supplementary Provisions, shall be stipulated in the Ministry of Finance Ordinance.

Article 2-6 Special Rules for Taxation of the Registration License Tax

In case of the investment as set forth in Article 2-2 of the Supplementary Provisions, or the redemption as set forth in Article 2-4, Paragraph 2 of the Supplementary Provisions, no registration license tax shall be assessed on registration of the increase in the amount of the capital of the Corporation, limited to only those registered as set forth in the Minister of Finance Ordinance.

Article 2-7 Corporation's Obligation to Conduct Crisis Response Operations

The Corporation shall, in order to attain its objectives, in accordance with the provisions set forth in Articles 2-10, 2-11, 2-22 and Articles 2-24 to 2-30 of the Supplementary Provisions, be obligated to conduct crisis response operations, for an indefinite period, to secure a smooth supply of funds to those who need funds to address the damages set forth in Article 2, Item (4) of the Japan Finance Corporation Act.

Article 2-8 Government's Holding of Shares with Regard to Crisis Response Operations

With a view to ensure proper conduct of crisis response operations by the Corporation, the Government shall, for an indefinite period, hold more than one-third of the total number of issued shares of the Corporation (excluding shares in respect of which voting rights may not be exercised for all matters that may be resolved at a general meeting of shareholders; the same shall apply in Article 2-13 of the Supplementary Provisions).

Article 2-9 Capital Contribution by the Government with Regard to Crisis Response Operations

The Government may, for an indefinite period, make capital contributions to the Corporation, to the extent of the amount approved by the budget, whenever the Government deems necessary for proper implementation of crisis response operations by the Corporation.

Article 2-10 Implementation of Crisis Response Operations

1. The Corporation shall conduct crisis response operations at the head office or any other office designated by the Minister of Finance (hereinafter in the following Paragraph and Article 2-31, Paragraph 1, Item (1) of the Supplementary Provisions referred to as the "designated office").
2. The Corporation shall neither suspend nor cease to conduct crisis response operations at the designated office, except in cases where crisis response operations is temporarily suspended, in whole or in part, at the designated office due to Acts of God or other reasons beyond control, as stipulated in the Ministry of Finance Ordinance.

Article 2-11 Special Provisions, Etc. on Business Plan with Regard to Crisis Response Operations

1. The Corporation shall include an implementation policy for its crisis response operations in its business plan provided for in Article 17, as stipulated in the Ministry of Finance Ordinance.
2. The Corporation shall include the implementation status of its crisis response operations, based on the implementation policy set forth in the immediately preceding Paragraph, in its business report provided for in Article 21, as stipulated in the Ministry of Finance Ordinance.
3. In addition to matters set forth in each of the Items of Article 27 of the Companies Act, matters regarding proper implementation of crisis response operations shall be included or recorded in the Articles of Incorporation of the Corporation.

Article 2-12 Special Investment Operations

1. The Corporation shall, in order to attain its objectives, conduct special investment operations, in accordance with the provisions set forth in this Article, Articles 2-15 to 2-20, and Articles 2-23 to 2-30 of the Supplementary Provisions.
2. In this Article and up to Article 2-20 of the Supplementary Provisions, as well as in Articles 2-23, 2-25, 2-27 and 2-31 of the Supplementary Provisions, "special investment operations" means, among the investment businesses in special business activities, those that are deemed to particularly contribute to the facilitation of supply of funds by financial institutions and others, for the revitalization of business activities taking advantage of regional characteristics that contribute to autonomous development of local economies, or for the enhancement of competitiveness of Japanese companies that contribute to the improvement of socioeconomic vitality and sustainable development of Japan, as well as for special business activities, and those of which the business entities that will receive funds from the said investment business and the particulars of such supply are decided during the period from the date on which the authorization specified in Article 2-17, Paragraph 1 of the Supplementary Provisions is obtained through March 31, 2021, and any other businesses incidental thereto (including those conducted on and after April 1, 2021).
3. "Special business activities" set forth in the immediately preceding Paragraph means the following business activities:
   (1) Business activities conducted by Japanese business entities with the aim of improving productivity and profitability

by cultivating new business through effective use of insufficiently its management resources not sufficiently used, or by promoting management innovation mainly through co-ordinated alignment with business entities in different fields and effective combination of management resources; and

(2) Business activities that provide funds to the business activities set forth in the preceding Item.

4. “Investment business” set forth in Paragraph 2 means the following businesses concerning supply of funds:

(1) To lend money through subordinated loans (which means loans made under loan agreements with special clause of subordinated contents with regard to the payment of principal and interest, and stipulated in the Ministry of Finance Ordinance);

(2) To make capital contributions;

(3) To acquire subordinated corporate debentures (which means corporate debentures with special clause of subordinated contents with regard to the payment of principal and interest, and stipulated in the Ministry of Finance Ordinance); and

(4) In addition to those set forth in the preceding three Items, to provide funds in the manner approved in advance by the Minister of Finance.

Article 2-13 Government’s Holding of Shares with Regard to Special Investment Operations

With a view to ensure proper implementation of special investment operations by the Corporation, the Government shall hold one-half or more of the total number of issued shares of the Corporation, until the Corporation completes the special investment operations.

Article 2-14 Capital Contribution, Etc. by the Government with Regard to Special Investment Operations

1. The Government may make capital contributions to the Corporation, to the extent of the amount approved by the budget, whenever the Government deems necessary for proper implementation of special investment operations by the Corporation, until March 31, 2021.
2. The Corporation shall not appropriate money provided through capital contributions provided for in the preceding Paragraph to any funds other than funds for special investment operations.

Article 2-15 Supplement or Encouragement of Financing Conducted by Financial Institutions, Etc. in Special Investment Operations

The purpose of the Corporation in conducting special investment operations shall be to supplement or encourage financing conducted by financial institutions and investment conducted by private sector.

Article 2-16 Special Investment Guidelines

1. Guidelines to be followed by the Corporation in conducting special investment operations (in the following Paragraph and Paragraph 1 of the immediately following Article referred to as the “special investment guidelines”) shall be established and issued by the Minister of Finance.
2. The special investment guidelines shall provide for the following matters:

(1) Standards to be followed in deciding the business entities that will receive funds from the special investment operations and the particulars of such supply of funds;

(2) Matters regarding appropriate financial management of the special investment operations;

(3) Matters regarding securing of appropriate competitive relationships between the Corporation and other business entities;

(4) Matters regarding the system to be established to evaluate and supervise the implementation status of special investment operations;

(5) Matters regarding reporting to the Minister of Finance on the implementation status of special investment operations; and

(6) Any other matters necessary to ensure proper implementation of special investment operations.

Article 2-17 Special Investment Operations Rules

1. The Corporation shall set rules regarding special investment operations (in the following Paragraph referred to as the “special investment operations rules”) in line with the special investment guidelines, with respect to matters concerning implementation of special investment operations stipulated in the Ministry of Finance Ordinance, and shall obtain authorization therefor from the Minister of Finance. If the Corporation intends to revise such rules, the same shall apply.
2. The Minister of Finance may order the Corporation to revise the special investment operations rules authorized pursuant to the provision of the preceding Paragraph, if he/she deems that such rules have become inappropriate for the proper implementation of special investment operations by the Corporation.

Article 2-18 Special Provisions, Etc. on Business Plan with Regard to Special Investment Operations

1. The Corporation shall include the implementation policy for the special investment operations in its business plans provided for under Article 17, as stipulated in the Ministry of Finance Ordinance, until the completion of the special investment operations.
2. The Corporation shall include the implementation status of the special investment operations based on the implementation policy provided for under the immediately preceding Paragraph, in its business reports provided for under Article 21 for each fiscal year up to the fiscal year including the date of completion of the special investment operations, as stipulated in the Ministry of Finance Ordinance.
3. In addition to matters set forth in each of the Items of Article 27 of the Companies Act, matters regarding proper implementation of special investment operations shall be included or recorded in the Articles of Incorporation of the Corporation, until the completion of the special investment operations.

Article 2-19 Status of Income and Expenditure with Regard to Special Investment Operations, Etc.

For each fiscal year, the Corporation shall, as stipulated in the Ministry of Finance Ordinance, submit to the Minister of Finance and publish documents stating the status of income and expenditure of the following businesses by category for each fiscal year up to the fiscal year including the date of completion of the special investment operations:

(1) Special investment operations; and

(2) Businesses other than those listed in the preceding Item.

Article 2-20 Completion of Special Investment Operations

1. The Corporation shall, taking into account economic conditions, the state of business of the business entities that will receive funds from special investment operations, and other circumstances, transfer or otherwise dispose of all of the securities (which means the securities listed in Article 2, Paragraph 1 of the Financial Instruments and Exchange Act, and the rights which are deemed as securities pursuant to the provision of Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) and receivables held by it in the special investment operations, and seek to complete the special investment operations, by March 31, 2026.
2. When the special investment operations are completed, the Corporation shall promptly notify the Minister of Finance to that effect.
3. The Minister of Finance shall, when notified pursuant to the

provision of the immediately preceding Paragraph, give public notice to that effect.

Article 2-21 Securing of Appropriate Competitive Relationships

1. The Corporation shall, for an indefinite period, pay special attention in conducting its business so that it will not upset its appropriate competitive relationships with other business entities.
2. The Corporation shall, for an indefinite period, include, in its business plans provided for under Article 17, a policy concerning securing of appropriate competitive relationships with other business entities as stipulated in the Ministry of Finance Ordinance.
3. The Corporation shall, for an indefinite period, describe, in its business reports provided for under Article 21, the state of implementation of its business based on the policy mentioned in the immediately preceding Paragraph as stipulated in the Ministry of Finance Ordinance.

Article 2-22 Crisis Response Reserve

1. The Corporation shall establish a crisis response reserve and appropriate to such reserve the amount contributed by the Government pursuant to the provision of Article 2-9 of the Supplementary Provisions.
2. When the capital contributions have been made by the Government pursuant to the provision of Article 2-9 of the Supplementary Provisions, the Corporation shall, notwithstanding the provisions of Article 445, Paragraph 2 of the Companies Act, record the whole of the amount contributed pursuant to the provision of Article 2-9 of the Supplementary Provisions as the amount of the crisis response reserve. For this purpose, reference to "this Act" in Article 445, Paragraph 1 of the said Act shall be changed to read "this Act or the Development Bank of Japan Inc. Act (Act No. 85 of 2007)."

Article 2-23 Special Investment Reserve and Special Investment Surplus

1. The Corporation shall establish a special investment reserve and appropriate to such reserve an amount equal to the total of the amount contributed by the Government pursuant to the provision of Article 2-14, Paragraph 1 of the Supplementary Provisions, the amount by which the amount of paid-in capital or reserves is reduced pursuant to the provision of Paragraph 3 of this Article and the amount reduced from the amount of surplus pursuant to the provision of Paragraph 4 of this Article.
2. When the capital contributions have been made pursuant to the provision of Article 2-14, Paragraph 1 of the Supplementary Provisions, the Corporation shall, notwithstanding the provision of Article 445, Paragraph 2 of the Companies Act, record the whole of the amount contributed pursuant to the provision of Article 2-14, Paragraph 1 of the Supplementary Provisions as the amount of the special investment reserve. For this purpose, reference to "this Act" in Article 445, Paragraph 1 of the said Act shall be changed to read "this Act or the Development Bank of Japan Inc. Act (Act No. 85 of 2007)."
3. The Corporation may reduce the amount of its paid-in capital or reserves and increase the amount of its special investment reserve, whenever the Corporation deems necessary in order to implement the special investment operations properly. For the purpose of application of the provisions of Article 447 through Article 449 of the Companies Act in this case, reference to "is to be appropriated to reserves" in Article 447, Paragraph 1, Item (2) of the said Act shall be changed to read "is to be appropriated to reserves or to special investment reserve under Article 2-23, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007) (hereinafter referred to as the "special investment reserve" in this Item, Paragraph 1, Item (2) of the following Article and Article 449, Paragraph 1)," reference to "the amount to be appropriated to reserves" in the same Item shall be changed to read "the amount to be appropriated to reserves or special investment reserve," reference to "the paid-in capital" in Article 448, Paragraph 1, Item (2) of the said Act shall be changed to read "the paid-in capital or special investment reserve," and reference to "is appropriated to paid-in capital" in Article 449, Paragraph 1 of the said Act shall be changed to read "is appropriated to paid-in capital or special investment reserve."
4. The Corporation may reduce the amount of surplus and increase the amount of its special investment reserve, whenever the Corporation deems this necessary in order to implement the special investment operations properly. For this purpose, the following matters shall be determined:
   (1) The amount by which the amount of surplus will be reduced; and
   (2) The date on which the increase in the amount of the special investment reserve will become effective.
5. The determination of the matters referred to in each Item of the immediately preceding Paragraph shall be made by resolution of a shareholders' meeting.
6. The amount provided for under Paragraph 4, Item (1) of this Article may not exceed the amount of surplus as of the date provided for under Item (2) of the said Paragraph.
7. The Corporation shall establish the special investment surplus and record the amount of profit or loss resulting from the calculation of profits and losses pertaining to the special investment operations for each fiscal year as stipulated in the Ministry of Finance Ordinance.

Article 2-24 Special Provisions on Limits on Borrowing and Limitation on Extension of Credit

For the purpose of application of the provision of Article 14, when the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus is recorded, the total of the amounts so recorded shall be included in the amount of paid-in capital and reserves.

Article 2-25 Amount of Surplus, Etc.

1. For the purpose of calculation of surplus, the Corporation shall include the aggregate amount of the crisis response reserve, the special investment reserve and the special investment surplus as of the last day of the most recent fiscal year (the most recent fiscal year set forth in Article 2, Item (24) of the Companies Act; the same in the following Paragraph) in the total amount of paid-in capital and reserves.
2. For the purpose of calculation of surplus, the Corporation shall include the aggregate amount of the amounts set forth in Items (1) though (3) and the aggregate amount of the amounts set forth in Items (4) through (6), in the aggregate amount of the amounts set forth in Article 446, Items (1) through (4) of the Companies Act and the aggregate amount of the amounts set forth in Items (5) through (7) of the said Article, respectively:
   (1) The amount by which the amount of the crisis response reserve has been reduced after the last day of the most recent fiscal year (excluding the amount of the crisis response reserve provided for under Article 2-27, Paragraph 4, Item (1) of the Supplementary Provisions), if any;
   (2) The amount by which the amount of the special investment reserve has been reduced after the last day of the most recent fiscal year (excluding the amount of the special investment reserve provided for under Article 2-27, Paragraph 4, Item (1) of the Supplementary Provisions which has been paid to the national treasury), if any;
   (3) The amount by which the amount of the special investment surplus has been reduced after the last day of the most recent fiscal year (excluding the amount of the special investment surplus provided for under Article 2-27, Paragraph 4, Item (1) of the Supplementary Provisions that have been paid to the national treasury), if any;

(4) The amount by which the amount of paid-in capital or reserves has been reduced after the last day of the most recent fiscal year to increase the amount of the special investment reserve, if any;
(5) The amount by which the amount of surplus has been reduced after the last day of the most recent fiscal year to increase the amount of the special investment reserve, if any; and
(6) In addition to those listed in the preceding two Items, the total amount of the amounts recorded to each account as prescribed in the Ministry of Finance Ordinance.

3. If the Corporation calculates the distributable amount under Article 461, Paragraph 2 of the Companies Act (which shall, in Article 2-27, Paragraph 6 of the Supplementary Provisions, be referred to as the "Distributable Amount"), the Corporation shall deduct, from the total of the amounts set forth in Article 461, Paragraph 2, Items (1) and (2) of the said Act, the total of the amounts recorded to each account as the amount of profit pertaining to the special investment operations for the period set forth in Article 441, Paragraph 1, Item (2) of the Companies Act in the case where the Corporation obtains the approval referred to in Paragraph 4 of the said Article (or, in cases set forth in the proviso to the said Paragraph, the approval under Paragraph 3 of the said Article) of the temporary financial statements referred to in Paragraph 1 of the said Article and any other amounts recorded to each account as prescribed in the Ministry of Finance Ordinance.

Article 2-26 Reduction in Amount of Crisis Response Reserve, Etc. When Deficit is Covered

1. If the amount of capital reserve and the amount of earned surplus reserve have become zero, the Corporation may reduce the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus (limited, as regards the amount of the special investment surplus, to the case where such amount exceeds zero). For this purpose, the following matters shall be determined by resolution of a shareholders' meeting:
   (1) The amount by which the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus will be reduced; and
   (2) The date on which the reduction of the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus will become effective.
2. The resolution provided for under the preceding Paragraph shall not become effective without authorization of the Minister of Finance.
3. The amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus under Paragraph 1, Item (1) of this Article may not exceed the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus, respectively, as of the date set forth in Item (2) of the said Paragraph.
4. The aggregate of the amount of the crisis response reserve, the amount of the special investment reserve and the amount of the special investment surplus as referred to in Paragraph 1, Item (1) of this Article may not exceed the amount calculated by the method prescribed by the Ministry of Finance Ordinance as the amount of deficit as of the date of the shareholders' meeting referred to in the said Paragraph.
5. If the amount of the special investment surplus is not exceeding zero, the amount of the special investment reserve as referred to in Paragraph 1, Item (1) of this Article may not exceed the amount calculated by the method prescribed by the Ministry of Finance Ordinance as the amount by which the amount of the special investment reserve may be reduced.
6. If the amount of surplus of the Corporation exceeds zero after a reduction of the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus pursuant to the provision of Paragraph 1 of this Article, the Corporation shall increase, in an amount equivalent to such excess, the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus until the time when the cumulative amount of the amounts of the increases in the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus pursuant to the provision of this Paragraph equals the cumulative amount of amounts of reductions, as prescribed by the Minister of Finance Ordinance.

Article 2-27 Payment to National Treasury

1. If it is deemed that the financial basis necessary for proper implementation of the crisis response operations has been sufficiently secured, the Corporation shall pay to the national treasury an amount equivalent to all or a part of the amount of the crisis response reserve. In that case, the Corporation shall reduce the crisis response reserve by the amount equivalent to such amount to be paid to the national treasury.
2. If it is deemed unnecessary to maintain the current level of the special investment reserve for the proper implementation of the special investment operations taking into account the state of implementation and the financial condition of the special investment operations, the Corporation may reduce the amount of the special investment reserve in whole or in part. In that case, the Corporation shall pay to the national treasury an amount calculated as prescribed by the Ministry of Finance Ordinance as the amount, out of the amount of such reduction, that should belong to the national treasury on the basis of the proportion of the amount of the capital contributions made by the Government pursuant to the provision of Article 2-14, Paragraph 1 of the Supplementary Provisions to the amount of the special investment reserve.
3. If, in cases where the amount of the special investment surplus exceeds zero, it is deemed unnecessary to maintain the current level of the special investment surplus for the proper implementation of the special investment operations taking into account the state of implementation and the financial condition of the special investment operations, the Corporation may reduce the amount of the special investment surplus in whole or in part. In that case, the Corporation shall pay to the national treasury an amount calculated as prescribed by the Ministry of Finance Ordinance as the amount, out of the amount of such reduction, that should belong to the national treasury on the basis of the proportion of the amount of the capital contributions made by the Government pursuant to the provision of Article 2-14, Paragraph 1 of the Supplementary Provisions to the amount of the special investment reserve.
4. In the case of the preceding three Paragraphs, the following matters shall be determined by resolution of a shareholders' meeting:
   (1) The amount by which the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus is reduced; and
   (2) The date on which the reduction of the amount of the crisis response reserve, the amount of the special investment reserve or the amount of the special investment surplus becomes effective.
5. The resolution provided for under the preceding Paragraph shall not become effective without authorization of the Minister of Finance.
6. The aggregate of the amounts to be paid pursuant to the provision of Paragraphs 1 through 3 of this Article may not exceed the Distributable Amount as of the date provided for under Paragraph 4, Item (2) of this Article.

Article 2-28

1. If the Corporation goes into liquidation and there still remains any residual property after performance of its obligations, the Corporation shall pay to the national treasury an amount equivalent to the total amount (if the amount of such residual property is less than the aggregate of the amount of the crisis response reserve and the amount calculated as described below, an amount of such residual property) calculated as prescribed by the Ministry of Finance Ordinance as the amount, out of the aggregate of the amount of the crisis response reserve as of the date of such liquidation (if, after reductions of the amount of the crisis response reserve pursuant to the provision of Article 2-26, Paragraph 1 of the Supplementary Provisions, the cumulative amount of the amounts of increases in the amount of the crisis response reserve pursuant to the provision of Paragraph 6 of the said Article is less than the cumulative amount of the amounts of such reductions, an amount after adding the shortfall) and the amount of the special investment reserve and the special investment surplus as of the same date (if, after reductions of the amount of the special investment reserve pursuant to the provision of Paragraph 1 of the said Article, the cumulative amount of the amounts of increases in the amount of the special investment reserve pursuant to the provision of Paragraph 6 of the said Article is less than the cumulative amount of such amounts of reductions, or if, after reductions of the amount of the special investment surplus pursuant to the provision of Paragraph 1 of the said Article, the cumulative amount of the amounts of increases in the amount of the special investment surplus pursuant to the provision of Paragraph 6 of the said Article is less than the cumulative amount of such amounts of reductions, an amount after adding the respective shortfalls), that should belong to the national treasury on the basis of the proportion of the amount of the capital contributions made by the Government pursuant to the provision of Article 2-14, Paragraph 1 of the Supplementary Provisions to the amount of the special investment reserve.
2. The payment under the preceding Paragraph shall be made in advance of the distribution of the residual property to shareholders.
3. The payment procedures or any other matters necessary in connection with the payments to be made pursuant to the provisions of Paragraphs 1 through 3 of the immediately preceding Article and Paragraph 1 of this Article shall be prescribed in the Cabinet Order.

Article 2-29 Special Rules of the Act Concerning Restrictions on Fiscal Assistance by the Government to Corporations

Notwithstanding the provision of Article 1 of the Act Concerning Restrictions on Fiscal Assistance by the Government to Corporations, the Corporation shall comply with the preceding two Articles with respect to the dividend or distribution of profit or surplus to the capital contributions under Article 2-9 of the Supplementary Provisions or the capital contributions under Article 2-14, Paragraph 1 of the Supplementary Provisions.

Article 2-30 *Mutatis Mutandis* Application of the Companies Act

1. The provisions of Article 449, Paragraph 6 (limited to the portions relating to Item (1)) and Paragraph 7, and Article 828 (limited to the portions relating to Paragraph 1, Item (5) and Paragraph 2, Item (5)) of the Companies Act shall apply *mutatis mutandis* to cases where the amount of crisis response reserve, the amount of special investment reserve or the amount of special investment surplus is reduced as set forth in Article 2-26, Paragraph 1 of the Supplementary Provisions. For this purpose, references to "paid-in capital" in Article 449, Paragraph 6, Item (1) of the said Act shall be changed to read the amount of crisis response reserve set forth in Article 2-26, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007) (crisis response reserve set forth in Article 2-22, Paragraph 1 of the Supplementary Provisions of the said Act; hereinafter in Article 828, Paragraph 1, Item (5) the same), the amount of special investment reserve (special investment reserve set forth in Article 2-23, Paragraph 1 of the Supplementary Provisions of the said Act; hereinafter in this Item the same), or special investment surplus (special investment surplus set forth in Article 2-23, Paragraph 7 of the Supplementary Provisions of the said Act; hereinafter in this Item the same); "Article 447, Paragraph 1, Item (3)" shall be changed to read "Article 2-26, Paragraph 1, Item (2) of the Supplementary Provisions of the said Act"; references to "paid-in capital of" in Article 828, Paragraph 1, Item (5) of the said Act shall be changed to read "the amount of crisis response reserve, the amount of special investment reserve, or special investment surplus set forth in Article 2-26, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act concerning"; "on which the reduction in the amount of paid-in capital" shall be changed to read "on which the reduction in the amount of the said crisis response reserve, the amount of special investment reserve, or the amount of special investment surplus"; and references to ", the trustee in bankruptcy or a creditor, who did not give approval to the reduction in the amount of paid-in capital" in Paragraph 2, Item (5) of the said Article shall be changed to read "or the trustee in bankruptcy."
2. The provisions of Article 449 (other than the proviso of Paragraph 1 and Paragraph 6, Item (2)) and Article 828 (limited to the portions relating to Paragraph 1, Item (5) and Paragraph 2, Item (5)) of the Companies Act shall apply *mutatis mutandis* to cases where the amount of crisis response reserve is reduced as set forth in Article 2-27, Paragraph 1 of the Supplementary Provisions. For this purpose, references to "paid-in capital or reserves (hereinafter in this Article referred to as "Paid-In Capital, Etc.")" in the main clause of Article 449, Paragraph 1 of the said Act shall be changed to read "crisis response reserve as set forth in Article 2-27, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007) (crisis response reserve set forth in Article 2-22, Paragraph 1 of the Supplementary Provisions of the said Act; hereinafter in this Article and Article 828, Paragraph 1, Item (5) and Paragraph 2, Item (5) the same)"; "In cases where... (excluding cases where the whole of the amount by which the reserves are reduced is appropriated to the paid-in capital)" shall be changed to read "In cases where…"; "of Paid-In Capital, Etc." shall be changed to read "of crisis response reserve"; references to "Paid-In Capital, Etc." in Paragraph 2, Item (1) of the said Article shall be changed to read "crisis response reserve"; references to "Ordinance of the Ministry of Justice" in Item (2) of the said Paragraph shall be changed to read the "Ministry of Finance Ordinance"; references to "Paid-In Capital, Etc." in Paragraph 4 and the proviso of Paragraph 5 of the said Article shall be changed to read "crisis response reserve"; references to "paid-in capital" in Paragraph 6, Item (1) of the said Article shall be changed to read "crisis response reserve set forth in Article 2-27, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act"; "Article 447, Paragraph 1, Item (3)" shall be changed to read "Paragraph 4, Item (2) of the said Article"; references to "paid-in capital of" in Article 828, Paragraph 1, Item (5) of the said Act shall be changed to read "crisis response reserve set forth in Article 2-27, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act concerning"; "on which the reduction in the amount of paid-in capital" shall be changed to read "on which the reduction in the amount of the said crisis response reserve"; and references to "paid-in capital" in Paragraph 2, Item (5) of the said Article shall be changed to read "crisis response reserve set forth in Article 2-27, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act."
3. The provisions of Article 449 (other than the proviso of

Paragraph 1 and Paragraph 6, Item (2)) and Article 828 (limited to the portions relating to Paragraph 1, Item (5) and Paragraph 2, Item (5)) of the Companies Act shall apply *mutatis mutandis* to cases where the amount of special investment reserve is reduced as set forth in Article 2-27, Paragraph 2 of the Supplementary Provisions. For this purpose, references to "paid-in capital or reserves (hereinafter in this Article referred to as "Paid-In Capital, Etc.")" in the main clause of Article 449, Paragraph 1 of the said Act shall be changed to read "special investment reserve as set forth in Article 2-27, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007) (special investment reserve set forth in Article 2-23, Paragraph 1 of the Supplementary Provisions of the said Act; hereinafter in this Article and Article 828, Paragraph 1, Item (5) and Paragraph 2, Item (5) the same)"; "In cases where... (excluding cases where the whole of the amount by which the reserves are reduced is appropriated to the paid-in capital)" shall be changed to read "In cases where…"; "of Paid-In Capital, Etc." shall be changed to read "of special investment reserve"; references to "Paid-In Capital, Etc." in Paragraph 2, Item (1) of the said Article shall be changed to read "special investment reserve"; references to "Ordinance of the Ministry of Justice" in Item (2) of the said Paragraph shall be changed to read the "Ministry of Finance Ordinance"; references to "Paid-In Capital, Etc." in Paragraph 4 and the proviso of Paragraph 5 of the said Article shall be changed to read "special investment reserve"; references to "paid-in capital" in Paragraph 6, Item (1) of the said Article shall be changed to read "special investment reserve set forth in Article 2-27, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act"; "Article 447, Paragraph 1, Item (3)" shall be changed to read "Paragraph 4, Item (2) of the said Article"; references to "paid-in capital of" in Article 828, Paragraph 1, Item (5) of the said Act shall be changed to read "special investment reserve set forth in Article 2-27, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act concerning"; "on which the reduction in the amount of paid-in capital" shall be changed to read "on which the reduction in the amount of the said special investment reserve"; and references to "paid-in capital" in Paragraph 2, Item (5) of the said Article shall be changed to read "special investment reserve set forth in Article 2-27, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act."

4. The provisions of Article 449 (other than the proviso of Paragraph 1 and Paragraph 6, Item (2)) and Article 828 (limited to the portions relating to Paragraph 1, Item (5) and Paragraph 2, Item (5)) of the Companies Act shall apply *mutatis mutandis* to cases where the amount of special investment surplus is reduced as set forth in Article 2-27, Paragraph 3 of the Supplementary Provisions. For this purpose, references to "paid-in capital or reserves (hereinafter in this Article referred to as "Paid-In Capital, Etc.")" in the main clause of Article 449, Paragraph 1 of the said Act shall be changed to read "special investment surplus as set forth in Article 2-27, Paragraph 3 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007) (special investment surplus set forth in Article 2-23, Paragraph 7 of the Supplementary Provisions of the said Act; hereinafter in this Article and Article 828, Paragraph 1, Item (5) and Paragraph 2, Item (5) the same)"; "In cases where... (excluding cases where the whole of the amount by which the reserves are reduced is appropriated to the paid-in capital)" shall be changed to read "In cases where…"; "of Paid-In Capital, Etc." shall be changed to read "of special investment surplus"; references to "Paid-In Capital, Etc." in Paragraph 2, Item (1) of the said Article shall be changed to read "special investment surplus"; references to "Ordinance of the Ministry of Justice" in Item (2) of the said Paragraph shall be changed to read the "Ministry of Finance Ordinance"; references to "Paid-In Capital, Etc." in Paragraph 4 and the proviso of Paragraph 5 of the said Article shall be changed to read "special investment surplus"; references to "paid-in capital" in Paragraph 6, Item (1) of the said Article shall be changed to read "special investment surplus set forth in Article 2-27, Paragraph 3 of the Supplementary Provisions of the Development Bank of Japan Inc. Act"; "Article 447, Paragraph 1, Item (3)" shall be changed to read "Paragraph 4, Item (2) of the said Article"; references to "paid-in capital of" in Article 828, Paragraph 1, Item (5) of the said Act shall be changed to read "special investment surplus set forth in Article 2-27, Paragraph 3 of the Supplementary Provisions of the Development Bank of Japan Inc. Act concerning"; "on which the reduction in the amount of paid-in capital" shall be changed to read "on which the reduction in the amount of the said special investment surplus"; and references to "paid-in capital" in Paragraph 2, Item (5) of the said Article shall be changed to read "special investment surplus set forth in Article 2-27, Paragraph 3 of the Supplementary Provisions of the Development Bank of Japan Inc. Act."

Article 2-31 Penal Provisions

1. In any of the following cases, any directors, executive officers (*shikkoyaku*), accounting counsel (*kaikei sanyo*) or its members who should perform duties as such, or statutory auditors of the Corporation shall be punished with a non-penal fine not exceeding 1,000,000 yen:
   (1) When he/she has suspended or abolished crisis response operations at the designated office in violation of the provision of Article 2-10, Paragraph 2 of the Supplementary Provisions;
   (2) When he/she has appropriated money provided through capital contributions as set forth in Article 2-14, Paragraph 1 to any fund other than the fund for special investment operations, in violation of the provision of Article 2-14, Paragraph 2 of the Supplementary Provisions;
   (3) When he/she has violated the order referred to in Article 2-17, Paragraph 2 of the Supplementary Provisions;
   (4) When he/she has not submitted or published documents stating the status of income and expenditures for each category of business operations in each Item of Article 2-19 of the Supplementary Provisions, or has submitted or published such documents containing false statements, in violation of the provision of Article 2-19 of the Supplementary Provisions;
   (5) When he/she has not submitted a report on the completion of special investment operations in violation of the provision of Article 2-20, Paragraph 2 of the Supplementary Provisions.
2. With regard to the application of the provision of Article 34, Item (8) in the case where the provision of Article 2-24 of the Supplementary Provisions applies, references to "limit" in the said Item shall be changed to read "limit calculated by including the aggregate amount of crisis response reserve, special investment reserve and special investment surplus in the amount of paid-in capital and reserves as set forth in the provisions of Article 2-24 of the Supplementary Provisions."
3. With regard to the application of the provision of Article 34, Item (10) in the case where the provision of Article 2-11, Paragraph 1, Article 2-18, Paragraph 1 or Article 2-21, Paragraph 2 of the Supplementary Provisions applies, references to "Article 17" in the said Item shall be changed to read "Article 17, or Article 2-11, Paragraph 1, Article 2-18, Paragraph 1 or Article 2-21, Paragraph 2 of the Supplementary Provisions."
4. With regard to the application of the provision of Article 34, Item (13) in the case where the provision of Article 2-11, Paragraph 2, Article 2-18, Paragraph 2 or Article 2-21, Paragraph 3 of the Supplementary Provisions applies, references to "Article 21" in the said Item shall be changed to read "Article 21, or Article 2-11, Paragraph 2, Article 2-18, Paragraph 2 or Article 2-21, Paragraph 3 of the Supplementary Provisions."

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; 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).
2. DBJ shall prepare its basic policy regarding the borrowing of Long-term Loans to be made pursuant to the provision of the preceding Paragraph which provides for the matters relating to the borrowing of the Long-term Loans such as the amounts of borrowing and currency in which the Long-term Loans are denominated, and obtain authorization of the Minister of Finance, without delay after the date on which this Act comes into force in the case of the fiscal year during which such date is included, or prior to April 1, 2008 in the case of the fiscal year beginning on April 1, 2008. If the Corporation intends to revise it, the same shall apply.
3. If DBJ borrows a Long-term Loan as set forth in Paragraph 1, DBJ shall notify the Minister of Finance thereof without delay as set forth in the Minister of Finance Ordinance.
4. The Long-term Loans as set forth in Paragraph 1 shall be deemed as the borrowed money under Article 42, Paragraph 1 of the DBJ Act and the provisions of Article 44 of the DBJ Act shall apply the said Long-term Loans.
5. If DBJ borrows a short-term borrowing during the Preparatory Period as set forth in Article 42, Paragraph 2 of the DBJ Act, reference to "within the current fiscal year" in Paragraph 3 of the said Article shall be changed to read "within one year."
6. If DBJ borrows a Long-term Loans as set forth in Paragraph 1, reference to "this Act, in Article 13, Paragraph 2, Item (1) of the DBJ Act shall be changed to read "this Act or the Development Bank of Japan Inc. Act (Act No. 85 of 2007) or order under these Acts", and reference to "this Act and the Cabinet Order under this Act" in Article 48 of the DBJ Act shall be changed to read "this Act and the Development Bank of Japan Inc. Act, and the Cabinet Orders under these Acts." Reference to "this Act" in Article 49, Article 50, Paragraph 1, and Article 52 of the DBJ Act shall be changed to read "this Act and the Development Bank of Japan Inc. Act," and reference to "this Act" in Article 54, Items (1) and (2) of the DBJ Act shall be changed to read "this Act or the Development Bank of Japan Inc. Act."
7. "Long-term Loans" set forth in Paragraphs 1 through 4 and the immediately preceding Paragraph mean the loans from financial institutions such as banks, other than the short-term borrowings set forth in Article 42, Paragraph 3 of the DBJ Act which is applied after changing to read as set forth in Paragraph 5.
8. For the purpose of application of the provision of Article 22, Paragraph 1 of the DBJ Act to the mid-term government policy principles set forth in the said Paragraph for the period commencing on April 1, 2008, reference to the "three-year mid-term government policy principles" shall be changed to read the "government policy principles for the term beginning on April 1, 2005."

Article 5 Founding Members

The Minister of Finance shall appoint the founding members to serve as promoters for incorporation of the Corporation.

Article 6 Articles of Incorporation

The founding members shall prepare the Articles of Incorporation and have them authorized by the Minister of Finance.

Article 7 Shares to Be Issued upon the Incorporation of the Corporation

1. The following matters regarding the shares to be issued upon the incorporation of the Corporation, and total number of shares which the Corporation can issue shall be determined in the Articles of Incorporation:
   (1) Number of shares (or, if the Corporation is to be organized as a company issuing class shares, classes of those shares and number of each class of shares);
   (2) Amount to be paid for shares (the amount of cash to be paid or amount of non-cash property to be contributed in exchange for each share); and
   (3) Matters relating to the amounts of paid-in capital and capital reserves.
2. Notwithstanding the provision of Article 445, Paragraph 2 of the Companies Act, with respect to the shares to be issued by the Corporation upon its incorporation, the Corporation may elect not to account for the amount in excess of (, as well as the amount not exceeding,) a half of the amounts of properties contributed by DBJ upon the incorporation of the Corporation as paid-in capital. For this purpose, reference to "this Act" in Article 445, Paragraph 1 of the Companies Act shall be changed to read "this Act or the Development Bank of Japan Inc. Act (Act No. 85 of 2007)."

Article 8 Subscription for Shares

1. DBJ shall subscribe for all shares to be issued by the Corporation upon its incorporation, and the founding members shall allocate them to DBJ.
2. The right as the subscriber for shares allocated pursuant to the provision of the preceding Paragraph in connection with the incorporation of the Corporation shall be exercised by the Government.

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 the provision of Article 15, Paragraph 2 of the Supplementary Provisions, to the Corporation.

Article 10 Organizational Meeting

For the purpose of application of the provision of Article 65, Paragraph 1 of the Companies Act concerning the incorporation of the Corporation, reference to the "on and after either the date under Article 58, Paragraph 1, Item (3) or the last day of the period under such item, whichever comes later," shall be changed to read "after allotment of shares set forth in Article 8, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007)."

Article 11 Establishment of the Corporation

Contributions to be made by DBJ pursuant to the provision of Article 9 of the Supplementary Provisions shall be made when the provision of Article 26 of the Supplementary Provisions becomes effective, and the Corporation shall be established, notwithstanding the provision of Article 49 of the Companies Act.

Article 12 Registration of Incorporation

Notwithstanding the provision of Article 911, Paragraph 1 of the Companies Act, the Corporation shall register its incorporation without delay after the establishment of the Corporation.

Article 13 Transfer to the Government without Consideration

The shares to be acquired by DBJ through its capital contribution shall be transferred to the Government without consideration at the time of establishment of the Corporation.

Article 14 Exception from Application of the Companies Act

The provisions of Article 30 and Part II, Chapter 1, Section 3 of the Companies Act shall not apply to the incorporation of 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.
3. The scope of assets to be assumed by Japan pursuant to the provision of the immediately preceding Paragraph, and other matters required for transfer of those assets to Japan shall be prescribed in the Cabinet Order.
4. The fiscal year of DBJ commencing on April 1, 2008 shall end on the day immediately preceding the date of dissolution of DBJ.
5. Settlement of accounts, and preparations, Etc. of list of properties, balance sheets, and profits and loss statements of DBJ for the fiscal year commencing on April 1, 2008 shall be conducted by the Corporation as previously conducted, except for the portions relating to Article 38, Paragraph 1 (limited to the portions relating to the Auditor's opinions) and Article 40, Paragraph 1 (limited to the portions relating to the Auditor's opinions) of the Old DBJ Act. For this purpose, the reference to "for each half-year from April to September and from October to March of the following year" and "for each half-year and for each fiscal year" in Article 38, Paragraph 1 of the Old DBJ Act shall be deleted, and references to "within two months after the end of the relevant half-year or three months after the end of the fiscal year" in the said Paragraph shall be changed to read "on or prior to December 31, 2008." Reference to "the settlement of accounts for each fiscal year not later than May 31 of the following fiscal year" in Article 39 of the Old DBJ Act shall be changed to read "the settlement of accounts for the fiscal year commencing on April 1, 2008 not later than November 30, 2008." Reference to "November 30 of the following fiscal year" in Article 4, Paragraph 3 of the Old DBJ Act shall be changed to read "November 30, 2009."
6. Disposition of profits and payment into the national treasury by DBJ under Article 41 of the Old DBJ Act for the fiscal year commencing on April 1, 2008 shall be conducted by the Corporation as previously conducted. For this purpose, references to "each fiscal year" and "May 31 of the following fiscal year" in Article 41, Paragraph 3 of the Old DBJ Act shall be changed to read "the fiscal year commencing on April 1, 2008" and "November 30, 2008," respectively.
7. The matters regarding the registration of the dissolution in the case that DBJ is dissolved pursuant to the provision of Paragraph 1, shall be prescribed in the Cabinet Order.

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*).
2. If evaluation officers intend to make evaluations as set forth in the preceding Paragraph, their evaluations shall be made based on the market prices of the Assumed Properties as of the date on which the Corporation is established; provided, however, that if it is deemed inappropriate to use the market prices taking into account the matters of the Assumed Properties such as the kinds and purpose of use, their evaluations may be made not based on the market prices of the Assumed Properties.
3. In addition to those set forth in the preceding two Paragraphs, evaluation officers and other matters necessary for evaluations shall be prescribed in the Cabinet Order.

Article 17 Transitional Measures in Connection with Assumption of Rights and Obligations

1. With respect to the Old Bank Debentures and interest coupons concerning the obligations to be assumed by the Corporation pursuant to the provision of Article 15, Paragraph 1 of the Supplementary Provisions, the provisions of Article 43, Paragraphs 5 and 6 of the Old DBJ Act shall remain effective and in force even after the provision of Article 26 of the Supplementary Provisions becomes effective.
2. With respect to the old Hokuto bonds (the Hokkaido-Tohoku Development Finance Corporation Bonds issued pursuant to the provision of Article 27, Paragraph 1 of the Hokkaido-Tohoku Development Finance Corporation Act (Act No. 97 of 1956; hereinafter in this Paragraph referred to as the "Old HTDFC Act") before abolishment under Article 17, Item (2) of the Supplementary Provisions of the Old DBJ Act) and interest coupons to be assumed by the Corporation pursuant to the provision of Article 15, Paragraph 1 of the Supplementary Provisions, the provisions of Article 27, Paragraphs 3 and 4 of the Old HTDFC Act shall remain effective and in force even after the provision of Article 26 of the Supplementary Provisions becomes effective.
3. The guarantee agreements executed by the Government pursuant to the provision of Article 45, Paragraph 1 or 3 of the Old DBJ Act with respect to the obligations concerning the Old Bank Debentures to be assumed by the Corporation pursuant to the provision of Article 15, Paragraph 1 of the Supplementary Provisions shall continue to be effective upon the previous terms and conditions with respect to such obligations concerning the Old Bank Debentures even after the assumption thereof by the Corporation.
4. The guarantee agreements executed by the Government pursuant to the provision of Article 37-3, Paragraph 1 or 2 of the old Japan Development Bank Act (Act No. 108 of 1951; hereinafter in this Paragraph referred to as the "Old JDB Act") before abolishment under Article 17, Item (1) of the Supplementary Provisions of the Old DBJ Act with respect to the obligations concerning the foreign currency-denominated bonds set forth in Article 37-2, Paragraph 1 of the Old JDB Act issued pursuant to the provision of Article 37-2, Paragraph 1 or 2 of the Old JDB Act to be assumed by the Corporation pursuant to the provision of Article 15, Paragraph 1 of the Supplementary Provisions shall continue to be effective upon the previous terms and conditions with respect to such obligations concerning the foreign currency-denominated bonds even after the assumption thereof by the Corporation.
5. The guarantee agreements executed by the Government pursuant to the provision of Article 2, Paragraph 2 or 3 of the Act Concerning Special Measures for Acceptance of Foreign Capitals from the International Bank for Reconstruction and Development and Other Organizations (Act No. 51 of 1953) with respect to the obligations concerning the Old Bank Debentures to be assumed by the Corporation pursuant to the provision of Article 15, Paragraph 1 of the Supplementary Provisions shall continue to be effective upon the previous terms and conditions with respect to such obligations constituting the Old Bank Debentures even after the assumption thereof by the Corporation, and the public imposts such as taxes on interests on and profits from redemption of the Old Bank Debentures concerning those guarantee agreements shall be the same as in effect under the previous arrangements.

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 the provision of Article 15, Paragraph 1 of the Supplementary Provisions (hereinafter in this Article referred to as the "Assumed Assets") shall, notwithstanding the provision 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 (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 19 Transitional Measures for the Fiscal Year

Notwithstanding the provision of Article 11, the first fiscal year of the Corporation shall commence on the date on which of the Corporation is established and end on March 31, 2009.

Article 20 Transitional Measures for the Basic Policy

1. For the purposes of the basic policy, business plans and redemption plans for the first fiscal year of the Corporation, reference to "prior to the beginning of each fiscal year" in Article 13, Paragraph 1, Article 17 and Article 18 shall be changed to read "without delay after the incorporation of the Corporation."
2. For the purposes of the balance sheet, profit and loss statement and business report for the first fiscal year of the Corporation, references to "For each fiscal year" and "the interim business period (the period from April 1 to September 30 of the current year) of the current fiscal year, and its balance sheet, profit and loss statement and business report for the current fiscal year" in Article 21 shall be changed to read "For the fiscal year in which the date on which the Corporation is established is included" and "the current fiscal year," respectively.
3. For the purpose of application of the provision of the preceding Paragraph when the Corporation obtains the approval under Article 9, Paragraph 1, the "Ministry of Finance Ordinance" and "Minister of Finance" in Article 21 which are applied *mutatis mutandis* after changing to read in the said Paragraph shall be changed to read the "Ministry of Finance Ordinance and the Cabinet Office Ordinance" and the "Minister of Finance and the Prime Minister," respectively.

Article 21 Special Rules for Operations of Registered Financial Institution

1. Within three (3) months of the date set forth in Article 1, Item (3) of the Supplementary Provisions (or, if the registration under Article 33-5, Paragraph 1 of the Financial Instruments and Exchange Act is rejected during such period or if abolition of the operations of the registered financial institution (the operations of registered financial institution set forth in Article 33-5, Paragraph 1, Item (3) of the Financial Instruments and Exchange Act, including the operations referred to in Article 3, Paragraph 1, Item (16) to be conducted pursuant to the provision of Article 33-8, Paragraph 1 of the same Act which is applied after changing to read as set forth in Article 4, Paragraph 1; the same in this Article) is ordered pursuant to the provision of Article 52-2, Paragraph 1 of the Financial Instruments and Exchange Act which is applied after the changing to read as set forth in the immediately following Paragraph, the period up to the date of such rejection or the date of order of such abolition), the Corporation may, notwithstanding the provision of Article 33-2 of the Financial Instruments and Exchange Act which is applied after changing to read as set forth in Article 4, Paragraph 1, conduct the operations of the registered financial institutions. If the Corporation applies for registration under the said Article during such period, the same shall apply until the date of receipt of notice of registration or the date of receipt of notice of no registration after the elapse of such period.
2. If the Corporation conducts the operations of registered financial institution pursuant to the provision of the preceding Paragraph, the provisions of the Financial Instruments and Exchange Act (except for Article 33-6; Article 37, Paragraph 1, Item (2); Article 37-3, Paragraph 1, Item (2); Article 50-2, Paragraph 2; Article 52-2, Paragraph 1, Item (2) and Paragraph 3; Article 54; and Article 64, Paragraph 2) shall apply by deeming the Corporation as the registered financial institution (the Registered Financial Institution set forth in Article 2, Paragraph 11 of the Financial Instruments and Exchange Act). For this purpose, reference to "rescind the registration under Article 33-2" in Article 52-2, Paragraph 1 (except for Item (2)) of the Financial Instruments and Exchange Act shall be changed to read "order the abolition of operations of registered financial institution," reference to "rescind the registration under Article 29 or 33-2 or the authorization under Article 30, Paragraph 1 pursuant to the provision of Article 52, Paragraph 1 or Article 52-2, Paragraph 1" in Article 54-2, Item (1) of the same Act shall be changed to read "order the abolition of operations of the registered financial institution pursuant to the provision of Article 52-2, Paragraph 1 which is applied after changing to read as set forth in Article 21, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007)," reference to "registration under Article 29 or 33-2 is rescinded pursuant to the provision of Article 52, Paragraph 1, Article 52-2, Paragraph 1, Article 53, Paragraph 3 or Article 54" in Article 56, Paragraph 1 of the same Act shall be changed to read the "abolition of operations of the registered financial institution is ordered pursuant to the provision of Article 52-2, Paragraph 1 which is applied after changing to read as set forth in Article 21, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act," and reference to "rescission of registration under Article 33-2 as set forth in Article 52-2, Paragraph 1" in Article 194-3, Item (3) of the same Act and reference to "rescission of registration under Article 33-2 as set forth in Article 52-2, Paragraph 1 or 3 or Article 54" in Article 194-4, Paragraph 1, Item (5) of the same Act shall be changed to read "order of abolition of operations of the registered financial institution pursuant to the provision of Article 52-2, Paragraph 1 which is applied after changing to read as set forth in Article 21, Paragraph 2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act" and other required technical changes to read shall be prescribed in the Cabinet Order.
3. For the purpose of application of the provision of Article 33-5, Paragraph 1, Item (1) of the Financial Instruments and Exchange Act in the event that the Corporation is ordered to abolish the operations of the registered financial institution pursuant to the provision of Article 52-2, Paragraph 1 of the same Act which is applied after changing to read as set forth in the immediately preceding Paragraph, the Corporation shall be deemed as the entity whose registration under Article 33-2 of the same Act is rescinded pursuant to the provision of Article 52-2, Paragraph 1 of the same Act, and the date on which such abolition is ordered shall be deemed as the date of rescission of registration under the said Article 33-2 pursuant to the provision of Article 52-2, Paragraph 1 of the same Act.
4. For one year of the date set forth in Article 1, Item (3) of the Supplementary Provisions, the Corporation may, notwithstanding the provision of Article 64, Paragraph 2 of the Financial Instruments and Exchange Act, cause any persons other than those who are registered pursuant to the provision of Paragraph 1 of the said Article to conduct the duties of sales representatives (*gaimu-in*). If the Corporation applies for registration under the said Paragraph during such period, the same shall apply until the date of receipt of notice

of registration with respect to such application or the date of receipt of notice of no registration after the elapse of such period with respect to such application.

Article 22 Special Rules for Taxation of the Registration License Tax

1. No registration license tax shall be assessed on registration of the incorporation of the Corporation pursuant to the provision of Article 12 of the Supplementary Provisions, and registration or recordation of the Corporation in connection with provisions of properties upon the capital contribution by DBJ pursuant to the provision of Article 9 of the Supplementary Provisions.
2. With respect to the registration license tax for registration or recordation of origination (*hozen*), creation (*settei) or transfer* (*iten*) of lien (*sakidori token*), pledge (*shichiken*) or mortgage (*teitoken*) to secure the claims concerning business operations set forth in Article 20, Paragraph 1, Item (1) of the Old DBJ Act which shall be assumed by the Corporation from DBJ pursuant to the provision of Article 15, Paragraph 1 of the Supplementary Provisions, , or registration of transfer of movable properties or transfer of claims, based on the agreements executed by DBJ before the provision of Article 48 of the Supplementary Provisions comes into force, the provision of Schedule III-22 of the Registration Tax Act (Act No. 35 of 1967) before amendment under Article 48 of the Supplementary Provisions shall still remain effective and in force.

Article 23 Special Rules for Taxation of the Corporation Tax

1. Capital investment in the Corporation to be made by DBJ pursuant to the provision of Article 9 of the Supplementary Provisions (hereinafter in this Article referred to as the "Specified In-kind Contribution") shall be deemed as qualified in-kind contribution set forth in Article 2, Item (12-14) of the Corporation Tax Act (Act No. 34 of 1965), and the Corporation Tax Act and other laws and ordinances relating to the corporation tax shall be applied on such basis.
2. With respect to assets and liabilities of DBJ to be transferred by the Specified In-kind Contribution which shall be subject to the Corporation Tax Act and other laws and ordinances relating to the corporation tax pursuant to the provision of the immediately preceding Paragraph, the value evaluated by evaluation officers pursuant to the provision of Article 16, Paragraph 1 of the Supplementary Provisions shall be deemed as the book value; provided, however, that with respect to allowance for loan losses, the amount purported to be assumed by the Corporation pursuant to the provision of the immediately following Paragraph shall be deemed as the book value, and the book values of the amounts of allowances prescribed by the Cabinet Order such as allowance for retirement payments shall be nil.
3. If it is determined to apply the provisions of Article 52 of the Corporation Tax Act in the fiscal year in which the day prior to the date of the Specified In-kind Contribution of the DBJ is included (in the immediately following Paragraph referred to the "Final Fiscal Year"), the amount up to the upper limit of individual allowance for loan losses set forth in Article 52, Paragraph 1 as calculated in the said Paragraph or the amount up to the amount calculated as prescribed by the Cabinet Order as set forth in Paragraph 2 of the said Article shall, notwithstanding the provisions of Paragraph 7 of the said Article, be assumed by the Corporation. For this purpose with respect to calculation of the amount of income for the fiscal year in which the date of the Specified In-kind Contribution of the Corporation is included, the amount assumed by the Corporation shall be included in the amount of profits.
4. The Corporation shall submit the financial statements of DBJ for the Final Fiscal Year set forth in Article 38, Paragraph 1 of the Old DBJ Act to the director of competent district tax office within three (3) months of the date of the Specified In-kind Contribution.

Article 24 Special Rules for Taxation of Local Taxes

No real estate acquisition tax or vehicle acquisition tax can be imposed on acquisition of real estate or vehicle in connection with capital investment to be made by DBJ pursuant to the provision of Article 9 of the Supplementary Provisions.

Article 25 Delegation to the Cabinet Order

In addition to those set forth in Articles 2 to 24 of the Supplementary Provisions, matters necessary for incorporation of the Corporation and dissolution of DBJ, as well as other matters necessary for effectuation of these provisions shall be stipulated in the Cabinet Order.

Article 26 Abolition of the Development Bank of Japan Act

The Development Bank of Japan Act shall be abolished.

Article 27 Transitional Measures for Abolition of the Development Bank of Japan Act

1. Actions such as dispositions and procedures made, taken or done pursuant to the provisions of the Old DBJ Act (except Article 10 thereof) before the provision of the immediately preceding Article becomes effective shall be considered the actions such dispositions and procedures made, taken, or done pursuant to the corresponding provisions of this Act.
2. The provisions of Article 16, Paragraphs 5 and 6 of the Supplementary Provisions of the Old DBJ Act shall still remain effective even after the provisions of the immediately preceding Article takes effect, with respect to the lending of funds by the Corporation to the designated entities under Article 2, Paragraph 5 of the Act on Promotion of Private Finance Initiative (Act No. 117 of 1999). For this purpose, reference to the "Bank" and reference to ", in accordance with the provision of Item (1), Paragraph 1, Article 20 hereof, to provide funds required for businesses deemed under Article 13 of the said Act" in Article 16, Paragraph 5 of the Old DBJ Act shall be changed to read "Development Bank of Japan Inc." and "to provide funds required for business deemed under Article 13 of the said Act", respectively. References to "the interest-free loans made by the Bank in accordance with the provisions of the preceding paragraph (excluding interest-free loans using money deposited by the Private Urban Development Promotion Organization provided in Article 3 of the Special Measure Act concerning Promotion of Private Urban Development (Act No. 62 of 1987)" and "to the Bank" in Article 16, Paragraph 6 of the Old DBJ Act shall be changed to read "the interest-free loans made by Development Bank of Japan Inc. in accordance with the provisions of the preceding paragraph" and "to Development Bank of Japan Inc.," respectively.
3. In addition to those set forth in the preceding two Paragraphs, transitional measures necessary for the abolition of the DBJ Act shall be prescribed by the Cabinet Order.

Article 28 Transitional Measures for Application of Penal Provisions

Penal provisions which were applicable to acts conducted prior to the implementation of the provision of Article 26 of the Supplementary Provisions or acts conducted after the implementation of the provision of the said Article as to which the provisions then in force remain applicable pursuant to the provisions of this Act shall remain applicable even after the implementation of this Act.

Article 66 Examinations

On or prior to the date set forth in Article 1, Item (3) of the Supplementary Provisions, the Government shall examine measures to secure the equal competitive conditions with other business entities, with respect to the systems for which the investment and financing functions of DBJ are utilized pursuant to the provisions of relevant laws (including ordinances under those laws), such as the Act on Security for Loans from the Development Bank of Japan to Electric Utility Corporations (Act No. 145 of 1950), the Oil Stockpiling Act (Act No. 96 of 1975), the Act Concerning Promotion of Development and Promotion of Introduction of Alternative Energy to Oil (Act No. 71 of 1980), the Special Measures Act Concerning Promotion of Private Urban Development (Act No. 62 of 1987), the Extraordinary Measures Act Concerning Promotion of Business Activities for Rationalization of Usage of Energy and Effective Use of Resources (Act No. 18 of 1993) and the Act on Promotion of Private Finance Initiative (Act No. 117 of 1999), while considering the convenience of users of those systems, and take the required measures based on the results of such examination.

Article 67 Utilization of the Corporation's Investment and Financing Functions for Long-term Business Funds

If the Government utilizes the Corporation's investment and financing functions for long-term business funds on or after the date set forth in Article 1, Item (3) of the Supplementary Provisions, the Government shall take measures necessary to secure the equal competition conditions, as well as other measures necessary for utilization of such investment and financing functions, paying attention to the Corporation's appropriate competitive relationships with other business entities.

Act for Partial Amendment of the Development Bank of Japan Inc. Act (Act No. 23 of May 20, 2015)

Supplementary Provisions

Article 1 Enforcement Date

This Act shall come into force as from the date of promulgation.

Article 2 Transitional Measures for Crisis Response Reserve

1. Development Bank of Japan Inc. (hereinafter referred to as the "Corporation") shall, without delay after this Act takes effect, reduce the amount of paid-in capital by the aggregate amount of the following amounts and record such reduced amount as the amount of a crisis response reserve (the crisis response reserve set forth in Article 2-22, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act after amendment under this Act (hereinafter referred to as the "New Act")); the same shall apply in Article 4, Paragraph 2 of these Supplementary Provisions). For the purpose of application of the provision of Article 2-22, Paragraph 1 of the Supplementary Provisions of the New Act in this case, reference to "the amount" in the said Paragraph shall be changed to read "the amount and the amount by which the amount of paid-in capital has been reduced pursuant to the provision of Article 2, Paragraph 1 of the Act for Partial Amendment of the Development Bank of Japan Inc. Act (Act No. 23 of 2015)":
   (1) the aggregate amount contributed to the Corporation by the Government with a view to ensuring a proper conduct of Corporation's crisis response operations (the crisis response operations set forth in Article 2, Item (5) of the Japan Finance Corporation Act (Act No. 57 of 2007); the same shall apply in Article 4, Paragraph 1 and Article 9, Paragraphs 1 and 3 of these Supplementary Provisions) pursuant to the provision of Article 2-2 of the Supplementary Provisions of the Development Bank of Japan Inc. Act before amendment under this Act (hereinafter referred to as the "Former Act") (including the application thereof under Article 36 of the Act for Extraordinary Expenditure and Assistance to Cope with the Great East Japan Earthquake (Act No. 40 of 2011)); and
   (2) the aggregate amount of the government bonds which had been redeemed by the Government pursuant to the provision of Article 2-4, Paragraph 2 of the Supplementary Provisions of the Former Act up to the previous day of the implementation date of this Act (hereinafter referred to as the "Implementation Date").
2. For the purpose of application of the provision of Article 447 of the Companies Act (Act No. 86 of 2005) with regard to the reduction in the amount of paid-in capital pursuant to the provision of the preceding Paragraph, reference to "is to be appropriated to reserves" in the said Article, Paragraph 1, Item (2) shall be changed to read "is to be appropriated to reserves or to crisis response reserve under Article 2-22, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act (Act No. 85 of 2007) (hereinafter referred to as the "crisis response reserve" in this Item)," and reference to "the amount to be appropriated to reserves" in the same Item shall be changed to read "the amount to be appropriated to reserves or crisis response reserve,".

Article 3 Transitional Measures for Return of Government Bonds

Notwithstanding the provision of Article 2-5, Paragraph 1 of the Supplementary Provisions of the New Act applied under the provision of Article 36 of the Act for Extraordinary Expenditure and Assistance to Cope with the Great East Japan Earthquake, the return of government bonds delivered in accordance with the provision of Article 2-3, Paragraph 2 of the Supplementary Provisions of the Former Act shall be set forth separately in another law.

Article 4 Transitional Measures for Redemption of Government Bonds and others

1. Notwithstanding the provision of Article 2-4, Paragraph 1 of the Supplementary Provisions of the New Act (including the application thereof under Article 36 of the Act for Extraordinary Expenditure and Assistance to Cope with the Great East Japan Earthquake), the Corporation may demand, for an indefinite period, the redemption of government bonds delivered in accordance with the provision of Article 2-3, Paragraph 2 of the Supplementary Provisions of the Former Act up to the amount calculated pursuant to the provisions prescribed by the Minister of Finance Ordinance as the necessary capital according to the increase in the asset pertaining to the crisis response operations (in case of business whose implementation date is on or after April 1, 2015, including the business implemented from April 1, 2015 up to the previous day of such an implementation date).
2. Notwithstanding the provision of Article 2-4, Paragraph 3 of the Supplementary Provisions of the New Act, the Corporation shall record the value redeemed in accordance with the provision of Article 2-4, Paragraph 2 thereof on or after the above implementation date as the amount of the crisis response reserve. In this case, for the application of the provisions of Article 2-22, Paragraph 1 and Article 2-29 of the Supplementary Provisions of the New Act, "Article 2-9 of the Supplementary Provisions" in the above Paragraph shall be interpreted as "the value redeemed in accordance with the provisions of Article 2-4, Paragraph 2 of the Supplementary Provisions, and Article 2-9 of the Supplementary Provisions", and "Article 2-9 of the Supplementary Provisions" in the above Article as "the capital contribution by the redemption of the government bonds in accordance with the provisions of Article 2-4, Paragraph 2 of the Supplementary Provisions, and Article 2-9 of the Supplementary Provisions".

3. For the application of the provision of Article 2-4, Paragraph 5 of the Supplementary Provisions of the New Act when the provision of the preceding paragraph is applied, "each preceding Paragraph" in the Paragraph 5 shall be interpreted as "Paragraph 2 and Article 4, Paragraphs 1 and 2 of the Act for Partial Amendment of the Development Bank of Japan Inc. Act (Act No. 23 of 2015)".

Article 5 Transitional Measures for Rules Regarding Special Investment Operations and others

1. The Corporation shall, without delay after this Act takes effect, set rules regarding special investment operations provided in Article 2-17, Paragraph 1 of the Supplementary Provisions of the New Act, and obtain authorization from the Minister of Finance.
2. The Corporation shall, without delay after this Act takes effect, revise the business plan provided in Article 17 of the New Act to comply with the provisions of Article 2-11, Paragraph 1, Article 2-18, Paragraph 1 and Article 2-21, Paragraph 2 of the Supplementary Provisions of the New Act, and obtain authorization from the Minister of Finance.
3. The Corporation shall, without delay after this Act takes effect, revise the Articles of Incorporation thereof to comply with the provisions of Article 2-11, Paragraph 3 and Article 2-18, Paragraph 3 of the Supplementary Provisions of the New Act, and obtain authorization from the Minister of Finance.

Article 6 Delegation to Cabinet Order

In addition to the provisions of Article 2 through Article 5 of these Supplementary Provisions, transitional measures necessary for the implementation of this Act shall be set forth in the Cabinet Order.

Article 7 Revision of part of the Act Concerning Promotion of Administrative Reform for Realizing the Simplified and Effective Government

The Act Concerning Promotion of Administrative Reform for Realizing the Simplified and Effective Government (Act No. 47 of 2006) shall be partly amended as follows.

In Article 6, Paragraph 2, "the impact in achieving purposes of the agencies which will take over the business of such institutions and" shall be added after "With respect to capital contributions to The Shoko Chukin Bank, Ltd. and Development Bank of Japan Inc. by the Government, taking into consideration", and "for five (5) to seven (7) years commencing from April 1, 2015," shall be changed to read "as promptly as possible".

Article 8 Adjustment Provisions

1. If the Implementation Date is on or prior to the implementation date of the Act for Partial Revision of the Shoko Chukin Bank Limited Act and the Act for Partial Revision of the Small and Medium-sized Enterprise Credit Insurance Act (Act No. 29 of 2015, referred to as the "Partial Revision Act" in the following Paragraph), for the purpose of application of the provision of Article 6, Paragraph 2 of the Act Concerning Promotion of Administrative Reform for Realizing the Simplified and Effective Government after amendment under the immediately preceding Article up to the previous day of the Implementation Date, reference to "The Shoko Chukin Bank, Ltd. and" in the said Paragraph shall be changed to read "With respect to capital contributions to The Shoko Chukin Bank, Ltd. by the Government, the Government shall make efforts to reduce the number of shares held by it in The Shoko Chukin Bank, Ltd., taking into consideration the market situation, and shall dispose all of them for five (5) to seven (7) years commencing from April 1, 2015," and "such institutions" shall be changed to read "such institution".
2. If the Implementation Date is after the implementation date of the Partial Revision Act, the provision of the immediately preceding Article shall not apply.

Article 9 Examination of Crisis Response Operations

1. The Government shall, at the appropriate time after this Act takes effect, examine the Corporation's crisis response operations and the Government's involvement in the Corporation based thereon, taking into consideration the implementation of systems pertaining to the designated financial institution (designated financial institution as provided in Article 11, Paragraph 2 of the Japan Finance Corporation Act), the Corporation's implementation of crisis response operations, the change of social and economic affairs and others, and in the prospective of a smooth financial supply to those who need capital to respond to such related damage stipulated in Article 2, Item (4) of the Japan Finance Corporation Act, and whenever the Government deems necessary, the Government shall take the required measures based on the results of such examination.
2. For the examination referenced in the preceding Paragraph, the Government shall listen to the opinions of representatives of ordinary financial institutions and other relevant persons.
3. When, as a result of the examination referenced in the above Paragraph 1, the Government concludes that it does not need to continue measures related to the Government's obligations to hold shares of the Corporation nor to take other measures necessary to ensure appropriate implementation of crisis response operations of the Corporation, the Government shall promptly take the required measures.

Article 10 Examination of Special Investment Operations

1. The Government shall, at the appropriate time after this Act takes effect, examine the Corporation's special investment operations and the Government's involvement in the Corporation based thereon, taking into consideration the investment in financial and private sectors by ordinary financial institutions, the Corporation's implementation of special investment operations (special investment operations as provided in Article 2-12, Paragraph 2 of the Supplementary Provisions of the New Act, hereinafter in this Paragraph the same), the change of social and economic affairs and others, and in the perspective of further promoting the long-term and other financial supply for the sustainable growth of the Japanese economy, and whenever the Government deems necessary, the Government shall take required measures based on the results of such examination.
2. For the examination referenced in the preceding Paragraph, the Government shall listen to the opinions of representatives of ordinary financial institutions and other relevant persons.

Financial Condition

Consolidated Balance Sheet

Development Bank of Japan Inc. and Consolidated Subsidiaries

As of March 31,	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
Assets			
Cash and due from banks (Notes 11, 15 and 29)	¥ 461,312	¥ 317,772	$ 4,094,005
Call loans and bills bought (Note 29)	—	335,000	—
Reverse repurchase agreements (Notes 3 and 29)	—	5,299	—
Money held in trust (Notes 29 and 31)	17,786	54,853	157,846
Securities (Notes 3, 15, 29 and 31)	1,803,087	1,887,906	16,001,842
Loans (Notes 4, 5, 15 and 29)	12,952,567	13,261,343	114,950,016
Other assets (Notes 6 and 15)	175,076	140,943	1,553,753
Tangible fixed assets (Notes 7, 11 and 15)	368,846	266,196	3,273,402
Intangible fixed assets	7,668	6,180	68,054
Asset for retirement benefits (Note 24)	2,458	2,508	21,817
Deferred tax assets (Note 25)	374	363	3,327
Customers' liabilities for acceptances and guarantees (Note 14)	180,124	167,482	1,598,553
Allowance for loan losses (Notes 8 and 29)	(61,529)	(84,717)	(546,052)
Allowance for investment losses	(594)	(525)	(5,279)
Total assets	¥15,907,180	¥16,360,608	$141,171,283
Liabilities and equity			
Liabilities:			
Debentures (Notes 9, 15 and 29)	¥ 3,221,870	¥ 3,220,206	$ 28,593,101
Borrowed money (Notes 10, 11, 15 and 29)	7,892,171	8,598,219	70,040,569
Corporate bonds (Notes 9, 11 and 29)	1,506,038	1,349,102	13,365,621
Other liabilities (Notes 12 and 13)	181,043	225,816	1,606,706
Accrued bonuses to employees	4,731	4,658	41,995
Accrued bonuses to directors	11	11	105
Liability for retirement benefits (Note 24)	7,997	7,959	70,971
Reserve for directors' retirement benefits	63	72	563
Reserve for contingent losses	16	12	143
Deferred tax liabilities (Note 25)	28,910	39,793	256,576
Acceptances and guarantees (Note 14)	180,124	167,482	1,598,553
Total liabilities	13,022,979	13,613,334	115,574,902
Equity:			
Common stock authorized, 160,000 thousand shares in 2016 and 2015; issued, 43,632 thousand shares in 2016 and 2015 (Note 16)	1,000,424	1,206,953	8,878,452
Crisis response reserve (Note 17)	206,529	—	1,832,881
Special investment reserve (Note 18)	130,000	—	1,153,710
Special investment surplus (Note 18)	618	—	5,491
Capital surplus (Note 16)	995,466	1,060,466	8,834,455
Retained earnings (Note 16)	456,591	344,728	4,052,106
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 31)	55,074	85,865	488,771
Deferred gain on derivatives under hedge accounting	34,561	33,311	306,721
Foreign currency translation adjustments	429	1,617	3,812
Accumulated adjustments for retirement benefits (Note 24)	(83)	(12)	(740)
Total	2,879,611	2,732,929	25,555,659
Non-controlling interests	4,588	14,344	40,722
Total equity	2,884,200	2,747,274	25,596,381
Total liabilities and equity	¥15,907,180	¥16,360,608	$141,171,283

See notes to consolidated financial statements.

Consolidated Statement of Income

Development Bank of Japan Inc. and Consolidated Subsidiaries

For the year ended March 31,	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
Income			
Interest income:	¥215,315	¥235,689	$1,910,855
Interest on loans	185,136	204,905	1,643,033
Interest and dividends on securities	22,123	22,463	196,337
Interest on call loans and bills bought	82	149	735
Interest on reverse repurchase agreements	226	231	2,008
Interest on due from banks	54	51	486
Interest on swaps	7,549	7,720	66,997
Other interest income	141	167	1,259
Fees and commissions	11,326	8,696	100,518
Other operating income (Note 20)	9,526	13,084	84,545
Other income (Note 21)	126,509	82,445	1,122,732
Total income	**362,677**	**339,915**	**3,218,650**
Expenses			
Interest expense:	106,932	117,849	948,992
Interest on debentures	35,056	36,488	311,119
Interest on call money and bills sold	0	0	1
Interest on borrowed money	66,981	76,788	594,437
Interest on short-term corporate bonds	202	12	1,799
Interest on corporate bonds	4,623	4,497	41,030
Other interest expense	68	62	606
Fees and commissions	798	713	7,089
Other operating expenses (Note 22)	7,479	10,751	66,378
General and administrative expenses	46,041	43,562	408,602
Other expenses (Note 23)	14,692	13,376	130,390
Total expenses	**175,944**	**186,252**	**1,561,450**
Income before income taxes	**186,733**	**153,662**	**1,657,199**
Income taxes (Note 25):			
Current	51,795	51,593	459,671
Deferred	5,867	7,381	52,071
Total income taxes	**57,663**	**58,974**	**511,743**
Net income	**129,070**	**94,687**	**1,145,457**
Net income attributable to non-controlling interests	**117**	**1,928**	**1,045**
Net income attributable to owners of the parent	**¥128,952**	**¥ 92,758**	**$1,144,412**

	Yen		U.S. Dollars (Note 1)
Per share of common stock (Note 19)			
Basic net income	¥2,948.33	¥2,125.91	$ 26.17
Cash dividend applicable to the year	671	516	5.95

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,	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
Net income	**¥129,070**	**¥ 94,687**	**$1,145,457**
Other comprehensive (loss) income (Note 27):			
Unrealized (loss) gain on available-for-sale securities	(35,774)	51,094	(317,492)
Deferred gain on derivatives under hedge accounting	1,533	3,538	13,605
Foreign currency translation adjustments	(592)	692	(5,257)
Adjustments for retirement benefits	(62)	922	(559)
Share of other comprehensive income (loss) in affiliates accounted for by the equity method	4,086	(93)	36,267
Total other comprehensive (loss) income	**(30,810)**	**56,155**	**(273,436)**
Comprehensive income	**¥ 98,259**	**¥150,843**	**$ 872,021**
Total comprehensive income attributable to:			
Owners of the parent	¥ 98,152	¥146,002	$ 871,070
Non-controlling interests	107	4,841	951

See notes to consolidated financial statements.

Consolidated Statement of Change in Equity

Development Bank of Japan Inc. and Consolidated Subsidiaries

	Millions of Yen					
For the year ended March 31, 2016	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus	Retained earnings
Balance at beginning of year	¥1,206,953	¥ —	¥ —	¥ —	¥1,060,466	¥344,728
Investment from government			65,000			
Transfer from common stock to crisis response reserve	(206,529)	206,529				
Transfer from capital surplus to special investment reserve			65,000		(65,000)	
Cash dividends						(22,514)
Net income attributable to owners of the parent						128,952
Transfer from retained earnings to special investment surplus				618		(618)
Change in scope of equity method investments						6,043
Net change during the year						
Balance at end of year	¥1,000,424	¥206,529	¥130,000	¥618	¥ 995,466	¥456,591

	Millions of Yen						
	Accumulated other comprehensive income						
For the year ended March 31, 2016	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total	Non-controlling interests	Total equity
Balance at beginning of year	¥ 85,865	¥33,311	¥ 1,617	¥(12)	¥2,732,929	¥14,344	¥2,747,274
Investment from government					65,000		65,000
Transfer from common stock to crisis response reserve							
Transfer from capital surplus to special investment reserve							
Cash dividends					(22,514)		(22,514)
Net income attributable to owners of the parent					128,952		128,952
Transfer from retained earnings to special investment surplus							
Change in scope of equity method investments					6,043		6,043
Net change during the year	(30,790)	1,249	(1,188)	(70)	(30,799)	(9,755)	(40,555)
Balance at end of year	¥ 55,074	¥34,561	¥ 429	¥(83)	¥2,879,611	¥ 4,588	¥2,884,200

	Millions of Yen					
For the year ended March 31, 2015	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus	Retained earnings
Balance at beginning of year	¥1,206,953	¥—	¥—	¥—	¥1,060,466	¥282,733
Cumulative effects of changes in accounting policies						41
Restated balance	1,206,953	—	—	—	1,060,466	282,774
Cash dividends						(30,804)
Net income attributable to owners of the parent						92,758
Net change during the year						
Balance at end of year	¥1,206,953	¥—	¥—	¥—	¥1,060,466	¥344,728

	Millions of Yen						
	Accumulated other comprehensive income						
For the year ended March 31, 2015	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total	Non-controlling interests	Total equity
Balance at beginning of year	¥37,767	¥30,006	¥ 709	¥(944)	¥2,617,691	¥10,022	¥2,627,714
Cumulative effects of changes in accounting policies					41		41
Restated balance	37,767	30,006	709	(944)	2,617,732	10,022	2,627,755
Cash dividends					(30,804)		(30,804)
Net income attributable to owners of the parent					92,758		92,758
Net change during the year	48,098	3,305	907	932	53,243	4,321	57,564
Balance at end of year	¥85,865	¥33,311	¥1,617	¥ (12)	¥2,732,929	¥14,344	¥2,747,274

For the year ended March 31, 2016	Thousands of U.S. Dollars (Note 1) Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus	Retained earnings
Balance at beginning of year	$10,711,333	$ —	$ —	$ —	$9,411,310	$3,059,359
Investment from government			576,855			
Transfer from common stock to crisis response reserve	(1,832,881)	1,832,881				
Transfer from capital surplus to special investment reserve			576,855		(576,855)	
Cash dividends						(199,807)
Net income attributable to owners of the parent						1,144,412
Transfer from retained earnings to special investment surplus				5,491		(5,491)
Change in scope of equity method investments						53,634
Net change during the year						
Balance at end of year	$ 8,878,452	$1,832,881	$1,153,710	$5,491	$8,834,455	$4,052,106

	Thousands of U.S. Dollars (Note 1)						
	Accumulated other comprehensive income						
For the year ended March 31, 2016	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total	Non-controlling interests	Total equity
Balance at beginning of year	$ 762,029	$295,631	$ 14,356	$(114)	$24,253,904	$127,303	$24,381,207
Investment from government					576,855		576,855
Transfer from common stock to crisis response reserve							
Transfer from capital surplus to special investment reserve							
Cash dividends					(199,807)		(199,807)
Net income attributable to owners of the parent					1,144,412		1,144,412
Transfer from retained earnings to special investment surplus							
Change in scope of equity method investments					53,634		53,634
Net change during the year	(273,258)	11,090	(10,544)	(626)	(273,338)	(86,581)	(359,919)
Balance at end of year	$ 488,771	$306,721	$ 3,812	$(740)	$25,555,659	$ 40,722	$25,596,381

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Development Bank of Japan Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
For the year ended March 31,	2016	2015	2016
Cash flows from operating activities:			
Income before income taxes	¥ 186,733	¥ 153,662	$ 1,657,199
Adjustments for:			
Depreciation	5,245	5,012	46,553
Amortization of goodwill	107	111	955
Gain on bargain purchase	(4,000)	(223)	(35,500)
Loss on step acquisitions	2,047	—	18,171
Losses on impairment of long-lived assets	347	120	3,081
Equity in gains of affiliates	(6,140)	(2,299)	(54,496)
Interest income	(215,315)	(235,689)	(1,910,855)
Interest expense	106,932	117,849	948,992
Gain on securities—net	(72,107)	(37,324)	(639,927)
Gain on money held in trust—net	(251)	(36)	(2,230)
Foreign exchange losses (gains)	41,524	(21,006)	368,521
Loss (Gain) on sales of fixed assets—net	28	(519)	256
Changes in operating assets and liabilities:			
Allowance for loan losses	(23,188)	(28,279)	(205,788)
Allowance for investment losses	69	65	619
Accrued bonuses to employees	74	(23)	659
Accrued bonuses to directors	0	(0)	2
Asset for retirement benefits	50	(2,808)	444
Liability for retirement benefits	37	(426)	335
Reserve for contingent losses	3	5	33
Loans	308,775	577,066	2,740,290
Debentures	1,664	134,532	14,771
Borrowed money	(718,579)	(584,383)	(6,377,173)
Corporate bonds	156,686	197,355	1,390,540
Due from banks	40,100	(38,120)	355,875
Call loans and bills bought	335,000	(248,000)	2,973,021
Reverse repurchase agreements	5,299	(5,299)	47,035
Interest received	233,286	247,410	2,070,348
Interest paid	(108,335)	(118,959)	(961,447)
Other—net	(73,119)	35,399	(648,911)
Sub-total	202,978	145,191	1,801,371
Payments for income taxes	(63,023)	(23,112)	(559,316)
Net cash provided by operating activities	**139,954**	**122,078**	**1,242,055**
Cash flows from investing activities:			
Payments for purchases of securities	(458,912)	(755,432)	(4,072,705)
Proceeds from sales of securities	183,113	64,716	1,625,072
Proceeds from redemption of securities	328,233	575,039	2,912,970
Payments for increase of money held in trust	(85,110)	(1)	(755,325)
Proceeds from decrease of money held in trust	123,065	79,580	1,092,167
Payments for purchases of tangible fixed assets	(87,124)	(33,682)	(773,201)
Proceeds from sales of tangible fixed assets, etc.	945	1,793	8,390
Payments for purchases of intangible fixed assets	(3,805)	(1,715)	(33,772)
Proceeds from purchases of stocks of subsidiaries resulting in change in scope of consolidation	1,660	23	14,733
Net cash provided by (used in) investing activities	**2,065**	**(69,676)**	**18,329**
Cash flows from financing activities:			
Proceeds from investment from government	65,000	—	576,855
Payments for cash dividends	(22,514)	(30,804)	(199,807)
Proceeds from issuance of securities to non-controlling shareholders of subsidiaries	296	1,034	2,636
Dividends paid to non-controlling shareholders of subsidiaries	(216)	(3,632)	(1,925)
Net cash provided by (used in) financing activities	**42,565**	**(33,402)**	**377,758**
Foreign currency translation adjustments on cash and cash equivalents	**(316)**	**467**	**(2,807)**
Net change in cash and cash equivalents	**184,269**	**19,466**	**1,635,336**
Cash and cash equivalents at beginning of year	**239,272**	**219,805**	**2,123,465**
Decrease in cash and cash equivalents due to exclusion from consolidation	**(509)**	**—**	**(4,520)**
Cash and cash equivalents at end of year	**¥ 423,032**	**¥ 239,272**	**$ 3,754,281**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Development Bank of Japan Inc. and Consolidated Subsidiaries

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.

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 2015 consolidated financial statements to conform to the classifications used in 2016.

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 ¥112.68=$1.00, the effective exchange rate prevailing as of March 31, 2016, 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, those 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, 2016 is 25. The major consolidated subsidiaries as of March 31, 2016 are as follows:

DBJ Singapore Limited
Japan Economic Research Institute Inc.
DBJ Europe Limited
DBJ Real Estate Co., Ltd.
DBJ Investment Advisory Co., Ltd.
DBJ Capital Co., Ltd.
DBJ Securities Co., Ltd.
DBJ Asset Management Co., Ltd.
Value Management Institute, Inc.
DBJ Investment Consulting (Beijing) Co., Ltd.

In the year ended March 31, 2016, Hiratsuka Holding TMK and Core Investment Japan TMK were newly consolidated due to acquisition of control and new establishment, respectively. DBJ Business Investment Co., Ltd. and Asuka DBJ Investment LPS were excluded from the scope of consolidation due to liquidation and a substantial loss of control, respectively.

(ii) Unconsolidated Subsidiaries

The number of unconsolidated subsidiaries as of March 31, 2016 is 33. The major unconsolidated subsidiary as of March 31, 2016 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 accumulated other comprehensive income.

(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, 2016 was 33. 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, 2016 was 25. One of the major affiliates accounted for by the equity method as of March 31, 2016 was AIRDO Co., Ltd.

Changes in the scope of affiliates accounted for by the equity method:
Solaseed Air Inc. (former Skynet Asia Airways Co., Ltd.) and three companies including Skymark Airlines Inc. were newly accounted for by the equity method due to an increase in its materiality and new investment, respectively, from the year ended March 31, 2016. Asuka DBJ Investment LPS was excluded from the scope of consolidation due to a substantial loss of control and newly accounted for by the equity method from the year ended March 31, 2016.

Hiratsuka Holding TMK was newly accounted for by the equity method due to an increase in its materiality in the year ended March 31, 2016, but ceased to be accounted for by the equity method as of March 31, 2016 due to acquisition of control.

(iii) Affiliates not accounted for by the equity method

The number of affiliates not accounted for by the equity method as of March 31, 2016 was 94. One of the major affiliates as of March 31, 2016 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 accumulated other comprehensive income has no material impact on the consolidated financial statements of DBJ Inc.

(iv) Entities not classified as affiliates where DBJ Inc. holds voting rights of between 20% and 50%

The following companies of which DBJ Inc. holding voting rights of between 20% and 50% are not affiliates accounted for by the equity method, since DBJ Inc.'s intent is to develop the venture business and not to exercise significant influence on their operating and financing policies:

As of March 31, 2016

Shinwa Seiko Corporation
Nihon Shoryoku Kikai Co., Ltd.
PRISM Pharma Corporation
Izumi Products Company
TES HOLDINGS LIMITED
Grace A Co., Ltd.
Socionext Inc.
Sartorius Mechatronics T&H GmbH
KANTO-UNYU Co., Ltd.
SII Semiconductor Corporation
Daisho-gun Co., Ltd.

(3) Balance Sheet Dates of Consolidated Subsidiaries

Balance sheet dates of consolidated subsidiaries are as follows:

	Number of subsidiaries
	2016
December 31	17
February 28 or 29	1
March 31	7

Financial Condition

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) Elimination of Intercompany Balances and Transactions

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

(5) Amortization of Goodwill

The difference between the fair value of net assets and the cost of the acquired subsidiary is amortized on a straight-line basis over the estimated useful lives not exceeding 20 years. Minor differences are charged to expense in the year of acquisition. The excess of the fair value over the cost of acquired subsidiaries (negative goodwill) is recognized as income immediately as incurred.

(b) Business Combinations

In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (i) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (ii) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(1) Transactions with noncontrolling interests—A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interests is adjusted to reflect the change in the parent's ownership interests in its subsidiary while the parent retains its controlling interests in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interests is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(2) Presentation of the consolidated balance sheet—In the consolidated balance sheet, "minority interests" under the previous accounting standard is changed to "non-controlling interests" under the revised accounting standard.

(3) Presentation of the consolidated statement of income—In the consolidated statement of income, "income before minority interests" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

(4) Provisional accounting treatments for a business combination—If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the effect of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(5) Acquisition-related costs—Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (1) transactions with noncontrolling interests, (2) presentation of the consolidated balance sheet, (3) presentation of the consolidated statement of income, and (5) acquisition-related costs are effective for the beginning of fiscal years beginning on or after April 1, 2015. Earlier application is permitted from the beginning of fiscal years beginning on or after April 1, 2014, except for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (1) transactions with noncontrolling interests and (5) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (1) transactions with noncontrolling interests and (5) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (4) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of fiscal years beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of fiscal years beginning on or after April 1, 2014.

DBJ Inc. applied the revised accounting standards and guidance for (1), (2), (3) and (5) above, from April 1, 2015, and (4) above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (1) and (5) were applied retrospectively for all applicable transactions which occurred in the past.

(c) Cash and Cash Equivalents

"Cash and Cash Equivalents" in the consolidated statement 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
	2016	2015	2016
Cash and due from banks	¥461,312	¥317,772	$4,094,005
Time deposits with banks	(38,280)	(78,500)	(339,723)
Cash and cash equivalents	¥423,032	¥239,272	$3,754,281

(d) 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 the investees' most recent financial statements.

Unrealized gains and losses on available-for-sale securities are included in equity, net of income taxes, except for the amounts reflected in profit or loss by application of fair value hedge accounting.

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

(e) 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.

(f) 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" February 13, 2002). In addition, foreign currency swaps which are used to hedge foreign currency fluctuations are not stated at market values but at contractual rates, as the foreign currency swap contracts meet the hedging criteria under the Accounting Standards for Financial Instruments.

In addition, DBJ Inc. applies deferral hedge accounting and fair value hedge accounting as portfolio hedges of the foreign currency fluctuations associated with foreign currency denominated investments in subsidiaries and affiliates and foreign currency denominated available-for-sale securities (other than foreign currency denominated bonds).

(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, Securities, Debentures, Borrowed money and Corporate bonds
- Hedging Instruments : Forward liability denominated in foreign currency
  Hedged Items : Foreign currency denominated investments in subsidiaries and affiliates and foreign currency denominated available-or-sale securities (other than foreign currency denominated bonds)

(3) Hedging Policy

DBJ Inc. utilizes hedging instruments to hedge interest rates and foreign currency fluctuations on its assets and liabilities. Individual or certain groups contracts 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, with respect to portfolio hedging activities, for interest rate swaps used to hedge market interest rate fluctuations, hedge effectiveness is assessed on a specifically identifiable group of hedged items and a corresponding group of hedging instruments, and for interest rate swaps used to hedge variability in cash flows, hedge effectiveness is assessed based on the correlation between the base interest rate index of the hedged cash flows and the hedging instrument.

With respect to hedging activities against foreign exchange risk of foreign currency denominated investments in subsidiaries and affiliates and foreign currency denominated available-for-sale securities (other than foreign currency denominated bonds), the effectiveness is assessed by confirming that the total foreign currency position of the hedged items is equal to or larger than that of hedging instruments.

With respect to an individual hedge, for 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), 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 since inception, 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 is recorded using the contracted forward rate, and no gains or losses on the foreign exchange forward contract are recognized.

(g) 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 tangible fixed assets of consolidated subsidiaries is computed principally using the straight-line method, based on the estimated useful lives of the 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 5 years).

(3) Lease Assets

Depreciation for lease assets is computed by the straight-line method with zero residual value over the lease term.

(h) 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.

(i) Debenture and Corporate Bond Issuance Costs

“Debenture and Corporate Bond Issuance Costs” are charged to expense as incurred.

(j) 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 are 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.

(k) 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, 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 ¥22,791 million ($202,271 thousand) and ¥34,371 million for the years ended March 31, 2016 and 2015, 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.

(l) 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.

(m) Accrued Bonuses to Employees and Directors

"Accrued Bonuses to Employees and Directors" are provided for in the amount of the estimated bonuses which are attributable to the years ended March 31, 2016 and 2015.

(n) Employees' Retirement Benefits

DBJ Inc. has defined benefit pension plans, which consist of a defined benefit corporate pension plan and a lump-sum severance indemnity plan, as well as a defined contribution pension plan. Some domestic consolidated subsidiaries have a lump-sum severance indemnity plan and defined contribution plans, and some overseas consolidated subsidiaries have retirement benefit plans which are typically defined contribution plans. The projected benefit obligations are attributed to periods on a straight-line basis. Net actuarial gains and losses are amortized using the straight-line method over the period of ten years within the employees' average remaining service period commencing from the following fiscal year after incurrence. 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.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(1) Under the revised accounting standard, actuarial gains and losses and prior service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(2) The revised accounting standard does not change how to recognize actuarial gains and losses and prior service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and prior service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and prior service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period, are treated as reclassification adjustments (see Note 27).

(3) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, the discount rate, and expected future salary increases.

This accounting standard and the guidance for (1) and (2) above are effective for the end of fiscal years beginning on or after April 1, 2013, and for (3) above are effective for the beginning of fiscal years beginning on or after April 1, 2014, or for the beginning of fiscal years beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of fiscal years beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

DBJ Inc. applied the revised accounting standard and guidance for retirement benefits for (1) and (2) above, effective March 31, 2014, and for (3) above, effective April 1, 2014.

With respect to (3) above, DBJ Inc. changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (3) above as of April 1, 2014, in retained earnings. As a result, liability for retirement benefits decreased by ¥41 million and retained earnings increased by ¥41 million at the beginning of the year ended March 31, 2015. In addition, income before income taxes decreased by ¥27 million.

(o) Reserve for Directors' Retirement Benefits

"Reserve for Directors' Retirement Benefits" is accrued based on the amount that would be required if all directors retired at the balance sheet date.

(p) Reserve for Contingent Losses

Reserve for contingent losses is provided for possible contingent losses on loan commitment limits based on individually estimated losses.

(q) Asset Retirement Obligations

In March 2008, the ASBJ published 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 charged 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.

(r) 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.

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 notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

DBJ Inc. applied the revised accounting standard on October 1, 2008.

(s) Consumption Taxes

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

(t) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement 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.

(u) Capitalization of Interest Costs on Real Estate Development Business

Interest costs arising in the normal course of development related to real estate development business of certain domestic consolidated subsidiaries are capitalized and included in the acquisition cost of assets.

(v) Per Share Information

Basic net income per share is computed by dividing net income available to owners of the parent related to common stock 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, 2016 and 2015 is not disclosed because there are no dilutive securities.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the year including dividends to be paid after the end of the year.

(w) New Accounting Pronouncement

On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

DBJ Inc. expects to apply the new guidance on recoverability of deferred tax assets effective April 1, 2016, and is in the process of measuring the effects of applying the new guidance in future applicable periods.

(x) Additional Information

Special investment operations are statutory operations newly introduced to strengthen the supply of growth capital by DBJ Inc. pursuant to the Act for partial amendment of the DBJ Inc. Act which was promulgated and enforced on May 20, 2015.

The operation is a new investment scheme utilizing the industrial investment special account of the government and DBJ Inc. discloses the related accounts separately from common stock and capital surplus within equity on the consolidated balance sheet. The details are stated in Notes 17 and 18.

3. Securities

Securities as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Japanese government bonds	¥ 227,655	¥ 253,498	$ 2,020,373
Corporate bonds	639,421	592,797	5,674,664
Equities	412,370	436,112	3,659,665
Other securities	523,639	605,496	4,647,140
Total	¥1,803,087	¥1,887,906	$16,001,842

*1. Investments in unconsolidated subsidiaries and affiliates included in "Equities" as of March 31, 2016 and 2015, are ¥33,638 million ($298,535 thousand) and ¥30,307 million, respectively. Investments in unconsolidated subsidiaries and affiliates included in "Other securities" as of March 31, 2016 and 2015, are ¥80,835 million ($717,388 thousand) and ¥44,846 million, respectively.

*2. DBJ Inc. has contingent liabilities for guarantees of corporate bonds among securities which were issued by private placement (Article 2, Paragraph 3 of Financial Instruments and Exchange Act), which amount to ¥3,032 million ($26,908 thousand) and ¥2,616 million as of March 31, 2016 and 2015, respectively.

*3. There are no securities repledged as of March 31, 2016 and 2015. Securities accepted under repurchase agreements can be sold or repledged. Securities neither sold nor repledged are nil and ¥5,299 as of March 31, 2016 and 2015, respectively.

*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, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Equities	¥—	¥ —	$ —
Bonds	—	—	—
Other	14	108	132
Total	¥14	¥108	$132

4. Non-Performing Loans

The amounts of non-performing loans included in "Loans" as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Loans to bankrupt debtors	¥ 786	¥ —	$ 6,982
Delinquent loans	53,893	80,537	478,287
Loans past due three months or more	—	—	—
Restructured loans	27,792	21,741	246,652
Total	¥82,472	¥102,278	$731,921

*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' applications for loans as long as there is no violation of any terms and conditions in the contracts. As of March 31, 2016 and 2015, the amounts of unused commitments are ¥841,229 million ($7,465,647 thousand) and ¥598,519 million, respectively. As of March 31, 2016 and 2015, the amounts of unused commitments with remaining contract term within one year are ¥394,333 million ($3,499,588 thousand) and ¥157,423 million, respectively.

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 terms and conditions whereby DBJ Inc. and its subsidiaries can reject customers' applications for loans or decrease the contract limits with proper reason (e.g., changes in financial situation, deterioration in customers' credit worthiness). At the inception of contracts, DBJ Inc. and its consolidated subsidiaries obtain real estate, securities or other assets as collateral as deemed necessary. Subsequently, DBJ Inc. and its consolidated subsidiaries perform periodic reviews of the customers' business results based on internal rules, and take necessary measures to reconsider the terms and conditions of contracts and/or require additional collateral and guarantees.

6. Other Assets

Other assets as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Prepaid expenses	¥ 3,986	¥ 4,199	$ 35,382
Accrued income	29,925	31,647	265,576
Derivatives	67,987	60,840	603,369
Other	73,177	44,257	649,426
Total	¥175,076	¥140,943	$1,553,753

7. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Buildings	¥ 19,221	¥ 20,362	$ 170,583
Land	91,578	91,788	812,730
Leased assets	4	9	42
Construction in progress	4,491	2,353	39,863
Other	253,550	151,681	2,250,184
Total	¥368,846	¥266,196	$3,273,402

Note: Accumulated depreciation of tangible fixed assets as of March 31, 2016 and 2015, is ¥13,406 million ($118,983 thousand) and ¥10,513 million, respectively.

8. Allowance for Loan Losses

Allowance for loan losses as of March 31, 2016 and 2015 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
General allowance for loan losses	¥38,493	¥46,580	$341,616
Specific allowance for loan losses	23,035	38,137	204,436
Total	¥61,529	¥84,717	$546,052

9. Debentures and Corporate Bonds

Debentures and corporate bonds as of March 31, 2016 and 2015 are as follows:

	Issue date	Interest rate (%)	Maturity date	Millions of Yen		Thousands of U.S. Dollars
				2016	2015	2016
(Issuer: DBJ Inc.)						
Debentures						
Japanese government-guaranteed bonds 10-23*1, 7	Aug. 2005– Aug. 2008	1.4– 2.2	Aug. 2015– Jun. 2023	¥ 459,953 [99,987]	¥ 502,901	$ 4,081,944 [887,354]
Japanese government-guaranteed bonds 1-33	Nov. 2008– Mar. 2016	0.001– 2.1	Jul. 2016– Mar. 2026	1,199,121 [29,997]	998,847	10,641,832 [266,214]
Japanese government-guaranteed foreign bond 67*2, 7	Sep. 1998	1.81	Sep. 2028	25,050	25,054	222,316
Japanese government-guaranteed foreign bonds 5-7, 9-14*1, 7	Dec. 2002– Nov. 2007	1.05– 5.125	Jun. 2015– Nov. 2027	552,700 [183,679]	628,362	4,905,047 [1,630,098]
Japanese government-guaranteed Euro MTN bonds 2-12*3	Apr. 2010– Sep. 2015	0.8611– 2.875	Apr. 2015– Sep. 2025	693,100 [153,268]	733,109	6,151,049 [1,360,214]
FILP agency domestic bonds 11, 20, 24, 27, 29-31, 33-36, 39, 41, 42, 44, 46, 49, 51*4, 7	Dec. 2003– Jul. 2008	1.63– 2.74	Sep. 2015– Mar. 2047	289,944 [64,997]	329,929	2,573,164 [576,828]
Euro MTN FILP agency bonds 2*4, 5, 7	Sep. 2008	2.032	Sep. 2023	2,000	2,000	17,749
Corporate bonds						
Corporate bonds through public placement 5, 9, 11, 13, 16, 17, 19, 21, 23-63	Apr. 2009– Feb. 2016	0.04543– 1.745	Jun. 2015– Jan. 2031	1,165,000 [280,600]	1,095,000	10,339,013 [2,490,238]
Corporate bonds through private placement 2-15	May 2011– Mar. 2016	0.02343– 0.481	Jun. 2015– Mar. 2031	61,000	25,000	541,356
Corporate bonds Euro MTN 24-43, 45-59*6	May 2011– Feb. 2016	0.014– 2.868	Apr. 2015– Nov. 2025	275,288 [25,164]	221,602	2,443,097 [223,330]
(Issuer: Green Asset Investment TMK)						
Specified corporate bonds 1	Dec. 2012	5.53	Nov. 2017	4,500	7,500	39,936
(Issuer: Hiratsuka Holding TMK)						
Specified corporate bonds 4	Sep. 2014	0.24091	Sep. 2019	250	—	2,219
Total				¥4,727,908	¥4,569,308	$41,958,722

*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. These bonds are unsecured guaranteed bonds issued based on Medium Term Note program ("MTN program").
*4. Fiscal Investment and Loan Program (FILP) agency bonds ("FILP bonds") are not government-guaranteed. These bonds are issued by the Development Bank of Japan.
*5. These bonds are FILP bonds issued based on MTN program.
*6. These bonds are unsecured corporate bonds issued based on MTN program.
*7 General mortgage under the DBJ Inc. Act (17 of the Supplementary Provisions) and the DBJ Act (Article 43)
*8 Figures indicated in brackets [ ] indicate the amounts to be redeemed within one year.

Scheduled redemptions of above debentures and corporate bonds for the following 5 years subsequent to March 31, 2016 are as follows:

The fiscal year ending March 31, 2017	¥837,694 million	$7,434,277 thousand
2018	734,325	6,516,906
2019	654,752	5,810,722
2020	500,311	4,440,109
2021	308,438	2,737,295

10. Borrowed Money

Borrowed money as of March 31, 2016 and 2015 is as follows:

			Millions of Yen		Thousands of U.S. Dollars
	Average interest rate (%)	Due date of repayment	2016	2015	2016
Borrowings	0.78	Apr. 2015–Oct. 2035	¥7,892,171	¥8,598,219	$70,040,569

Scheduled repayments of borrowings for the following 5 years subsequent to March 31, 2016 are as follows:

The fiscal year ending March 31, 2017	¥1,242,393 million	$11,025,856 thousand
2018	1,073,980	9,531,247
2019	1,078,599	9,572,240
2020	863,182	7,660,480
2021	775,369	6,881,168

11. Non-Recourse Debts

Non-recourse debts in consolidated special purpose companies as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Non-recourse debts:			
Borrowed money	¥51,451	¥32,000	$456,614
Corporate bonds	4,750	7,500	42,155
Assets corresponding to non-recourse debts:			
Cash and due from banks	4,689	6,586	41,622
Tangible fixed assets	73,518	48,640	652,452

12. Other Liabilities

Other liabilities as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Accrued expenses	¥ 21,914	¥ 24,164	$ 194,487
Unearned income	1,036	635	9,199
Accrued income taxes	27,496	39,444	244,020
Derivatives	44,799	31,939	397,582
Lease obligations	5	11	48
Asset retirement obligations (Note 13)	1,469	1,470	13,038
Other	84,322	128,150	748,332
Total	¥181,043	¥225,816	$1,606,706

13. Asset Retirement Obligations

DBJ Inc. recognizes asset retirement obligations associated with the recovery obligations provided in the real estate rental agreements. In addition, asset retirement obligations related to the obligations of demolishing the previous head office buildings and removing the toxic substances were recognized in connection with the head office relocation due to the Otemachi redevelopment project.

The asset retirement obligation is calculated based on the sum of the discounted cash flows using discount rates from 0.1% to 1.1% with the estimated useful lives of 4 to 8 years.

The changes in asset retirement obligations for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥1,470	¥1,722	$13,051
Increase due to acquisition of tangible fixed assets	22	1	202
Reconciliation associated with passage of time	0	0	8
Decrease due to settlement of asset retirement obligations	(56)	(347)	(499)
Increase due to a change in estimates	30	94	269
Other	0	(0)	7
Balance at end of year	¥1,469	¥1,470	$13,038

14. Acceptances and Guarantees

Acceptances and guarantees as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Guarantees	¥180,124	¥167,482	$1,598,553

15. Assets Pledged as Collateral

Cash and due from banks of ¥4,689 million ($41,622 thousand) and ¥3,110 million and tangible fixed assets of ¥73,518 million ($652,452 thousand) and ¥48,640 million are pledged as collateral for borrowed money of ¥51,451 million ($456,614 thousand) and ¥32,000 million as of March 31, 2016 and 2015, respectively.

Loans and securities pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥461,856 million ($4,098,836 thousand) and ¥115,563 million ($1,025,588 thousand), respectively, as of March 31, 2016, which are deposited as replacement of margin money for future trading, cash collateral paid for financial instruments, etc. and collateral for transactions, including exchange settlements as of March 31, 2016. On behalf of the investees who borrow from third parties, ¥7,400 million ($65,673 thousand) of securities are deposited as security as of March 31, 2016. Additionally, ¥937 million ($8,321 thousand) of margin deposits for futures transactions, ¥12,936 million ($114,804 thousand) of cash collateral paid for financial instruments, etc., ¥21,662 million ($192,246 thousand) of margin deposits with the central clearing house and ¥73 million ($653 thousand) of guarantee deposits are included in other assets as of March 31, 2016. Under the DBJ Inc. Act (Article 17 of the Supplementary Provisions) and the DBJ Act (Article 43), obligations created by the bonds issued by DBJ are secured by a statutory preferential right over the property of DBJ Inc. The face value of these debentures amounts to ¥1,330,054 million ($11,803,816 thousand) as of March 31, 2016.

Loans and securities pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥562,189 million and ¥113,580 million, respectively, as of March 31, 2015, which are deposited as replacement of margin money for future trading and collateral for transactions, including exchange settlements as of March 31, 2015. Additionally, ¥937 million of margin deposits for futures transactions, ¥10,255 million of margin deposits with the central clearing house and ¥63 million of guarantee deposits are included in other assets as of March 31, 2015. Under the DBJ Inc. Act (Article 17 of the Supplementary Provisions) and the DBJ Act (Article 43), obligations created by the bonds issued by DBJ Inc. are secured by a statutory preferential right over the property of DBJ Inc. The face value of these debentures amounts to ¥1,488,822 million as of March 31, 2015.

16. 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. Additionally, for companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having a 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. With respect to the third condition above, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year, if the Board of Directors can declare dividends as prescribed in the company's articles of incorporation. DBJ Inc., however, shall not distribute such dividends based on resolution of the Board of Directors, since its articles of incorporation do not prescribe that the Board of Directors can take such action. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. 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 for 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 and 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

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.

17. Crisis Response Reserve

DBJ Inc. recorded the accumulated amounts of the government's contribution to implement the crisis response operations in accordance with the provision of Article 2-22 of the supplementary provision of the DBJ Inc. Act (hereinafter the "Act") as "Crisis response reserve."

The reserve is characterized as follows:

(a) For the purpose of calculating the amount of surplus, the amount of crisis response reserve is included in the total amount of common stock and capital surplus based on the provision of Article 2-25 of the supplementary provision of the Act.

(b) In case of compensation for deficit, the amount of crisis response reserve may be decreased when the capital surplus and legal retained earnings become nil based on the provision of Article 2-26 of the supplementary provision of the Act. When the surplus becomes positive after the decrease in the amount of crisis response reserve, the amount of crisis response reserve shall be increased based on the provision of Article 2-26 of the supplementary provision of the Act.

(c) In case that DBJ Inc. determined that sufficient financial base required for the proper implementation of crisis response operations has been secured, DBJ Inc. shall pay the full or partial amount of crisis response reserve to the National Treasury according to the resolution of the shareholders meeting and authorization of the Minister of Finance, in accordance with the provision of Article 2-27 of the supplementary provision of the Act.

(d) If DBJ Inc. were to be liquidated, DBJ Inc. shall pay the amount of crisis response reserve to the National Treasury based on the provision of Article 2-28 of the supplementary provision of the Act when residual assets exist after discharging debts.

18. Special Investment Reserve and Special Investment Surplus

DBJ Inc. recorded the amounts transferred from the government's investment and capital surplus to implement the special investment operations in accordance with the provision of Article 2-23 of the supplementary provision of the Act as "Special investment reserve." In addition, profit or loss arising from special investment operations is transferred from retained earnings to "Special investment surplus."

Special Investment Reserve and Special Investment Surplus are characterized as follows:

(a) For the purpose of calculating the amount of surplus, the amounts of special investment reserve and special investment surplus are included in the total amount of common stock and capital surplus based on the provision of Article 2-25 of the supplementary provision of the Act.

(b) In case of compensation for deficit, the amounts of special investment reserve or special investment surplus may be decreased when the capital surplus and legal retained earnings become nil based on the provision of Article 2-26 of the supplementary provision of the Act. When the surplus becomes positive after the decrease in the amounts of special investment reserve or special investment surplus, the amounts of special investment reserve or special investment surplus shall be increased based on the provision of Article 2-26 of the supplementary provision of the Act.

(c) In case that DBJ Inc. determined that these amounts became unnecessary to implement special investment operations properly, DBJ Inc. may pay the full or partial amount of special investment reserve or special investment surplus to the National Treasury according to the resolution of the shareholders meeting and authorization of the Minister of Finance, in accordance with the provision of Article 2-27 of the supplementary provision of the Act.

(d) If DBJ Inc. were to be liquidated, DBJ Inc. shall pay the amounts of special investment reserve and special investment surplus corresponding to the amount attributable to the National Treasury to the National Treasury based on the provision of Article 2-28 of the supplementary provision of the Act when residual assets exist after discharging debts.

19. Per Share Information

Basic net income per common share ("EPS") for the years ended March 31, 2016 and 2015 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31, 2016	Net income attributable to owners of the parent	Weighted average shares	EPS	EPS
Basic EPS				
Net income attributable to owners of the parent	¥128,952			
Net income not attributable to common shareholders (Amount attributable to the National Treasury related to special investment operations)	309			
Net income attributable to owners of the parent relating to common stock	¥128,642	43,632	¥2,948.33	$26.17
Year ended March 31, 2015				
Basic EPS				
Net income attributable to owners of the parent relating to common stock	¥ 92,758	43,632	¥2,125.91	

Note: Diluted net income per share for the years ended March 31, 2016 and 2015 is not disclosed because there are no dilutive securities.

As noted in Note 2 (b), DBJ Inc. applied the Accounting Standard for Business Combinations, etc. and followed the transitional treatment set forth in Paragraph 58-2 (4) of the Business Combination Accounting Standard, Paragraph 44-5 (4) of the Consolidation Accounting Standard and Paragraph 57-4 (4) of the Business Divestiture Accounting Standard. As a result, there was no effect on net income per share for the year ended March 31, 2016.

20. Other Operating Income

Other operating income for the years ended March 31, 2016 and 2015 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Foreign exchange gains	¥ —	¥ 6,930	$ —
Gains on sales of bonds	3,519	94	31,232
Gains on redemption of bonds	—	5,047	—
Gains on derivatives	5,107	—	45,331
Other	899	1,011	7,982
Total	¥9,526	¥13,084	$84,545

21. Other Income

Other income for the years ended March 31, 2016 and 2015 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Reversal of allowance for loan losses	¥ 17,488	¥25,601	$ 155,202
Gains on sales of equities and other securities	46,163	21,189	409,685
Gains on money held in trust	261	36	2,324
Equity in net income of affiliates	6,140	2,299	54,496
Gains on sales of fixed assets	70	649	630
Collection of written-off claims	8,274	3,009	73,429
Gains on investments in limited partnerships and other similar partnerships	34,057	22,301	302,247
Gain on bargain purchase	4,000	223	35,500
Rental income on land and buildings	5,126	3,468	45,492
Other	4,926	3,668	43,725
Total	¥126,509	¥82,445	$1,122,732

22. Other Operating Expenses

Other operating expenses for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Losses on sales of bonds	¥2,616	¥ 1	$23,222
Foreign exchange losses	3,219	—	28,576
Debenture issuance costs	867	708	7,697
Corporate bond issuance costs	769	758	6,831
Losses on derivatives	—	9,280	—
Other	5	1	52
Total	¥7,479	¥10,751	$66,378

23. Other Expenses

Other expenses for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Write-off of loans	¥ 1,198	¥ 327	$ 10,639
Losses on sales of equities and other securities	1	1	17
Write-off of equities	1,925	4,871	17,087
Losses on money held in trust	10	—	95
Losses on sales of fixed assets	99	130	886
Impairment losses	347	120	3,081
Losses on investments in limited partnerships and other similar partnerships	7,588	6,432	67,341
Losses on step acquisitions	2,047	—	18,171
Other	1,473	1,492	13,073
Total	¥14,692	¥13,376	$130,390

24. 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.

(a) Defined Benefit Pension Plan

(1) The changes in retirement benefit obligation for the years ended March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥32,243	¥31,888	$286,151
Cumulative effects of changes in accounting policies	—	(41)	—
Restated balance	—	31,847	—
Service cost	1,518	1,524	13,480
Interest cost	351	347	3,122
Actuarial losses	873	282	7,754
Benefits paid	(1,574)	(1,759)	(13,973)
Balance at end of year	¥33,413	¥32,243	$296,534

(2) The changes in plan assets for the years ended March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥26,792	¥23,161	$237,776
Expected return on plan assets	133	115	1,189
Actuarial gains	679	1,493	6,030
Contributions from the employer	961	2,795	8,530
Benefits paid	(692)	(773)	(6,146)
Balance at end of year	¥27,874	¥26,792	$247,379

(3) Reconciliation between the liability for retirement benefits recorded in the consolidated balance sheet and the balances of retirement benefit obligations and plan assets for the years ended March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Funded retirement benefit obligations	¥ 25,416	¥ 24,284	$ 225,563
Plan assets	(27,874)	(26,792)	(247,379)
	(2,458)	(2,508)	(21,817)
Unfunded retirement benefit obligations	7,997	7,959	70,971
Net liability for retirement benefits recorded in the consolidated balance sheet	¥ 5,538	¥ 5,450	$ 49,154
Liability for retirement benefits	¥ 7,997	¥ 7,959	$ 70,971
Asset for retirement benefits	(2,458)	(2,508)	(21,817)
Net liability for retirement benefits recorded in the consolidated balance sheet	¥ 5,538	¥ 5,450	$ 49,154

(4) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥1,518	¥1,524	$13,480
Interest cost	351	347	3,122
Expected return on plan assets	(133)	(115)	(1,189)
Amortization of net actuarial losses	91	212	811
Amortization of prior service cost	12	12	112
Net periodic benefit costs	¥1,840	¥1,981	$16,336

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of adjustments for retirement benefit for the years ended March 31, 2016 and 2015, are as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Prior service cost	¥ 12	¥ 12	$ 112
Actuarial gains (losses)	(102)	1,422	(913)
Total	¥ (90)	¥1,435	$(800)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of adjustment for accumulated retirement benefit as of March 31, 2016 and 2015, are as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized prior service cost	¥ (57)	¥(69)	$ (507)
Unrecognized actuarial gains (losses)	(57)	45	(512)
Total	¥(114)	¥(24)	$(1,018)

(7) Plan assets

(i) Components of plan assets

Plan assets as of March 31, 2016 and 2015, consisted of the following:

	2016	2015
Debentures	86%	85%
Equity	11%	12%
Others	3%	3%
Total	100%	100%

(ii) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the year ended March 31, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	1.1%	1.1%
Expected salary increase rate	1.8%-5.3%	2.0%-5.5%
Expected rate of return on plan assets	0.5%	0.5%

(b) Defined Contribution Plans

The amounts of the required contribution to the defined contribution plans of DBJ Inc. and its consolidated subsidiaries for the years ended March 31, 2016 and 2015 are ¥218 million ($1,936 thousand) and ¥206 million, respectively.

25. 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 32.34% and 35.64% for the years ended March 31, 2016 and 2015, respectively.

A reconciliation of the normal effective statutory tax rate with the actual effective tax rate for the year ended March 31, 2016 is omitted since the difference is less than 5% of the statutory tax rate.

A reconciliation of the normal effective statutory tax rate with the actual effective tax rate for the year ended March 31, 2015 is as follows:

	2015
Normal effective statutory tax rate	35.64 %
Increase (decrease) in taxes resulting from:	
Change in valuation allowance	4.09 %
Other	(1.35)%
Actual effective tax rate	38.38 %

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets:			
Allowance for loan losses	¥ 22,190	¥ 35,282	$ 196,938
Losses from revaluation of securities	12,504	14,511	110,971
Excess of fair value over assets of consolidated subsidiaries	5,439	4,200	48,276
Liability for retirement benefits	2,034	2,166	18,053
Tax loss carryforwards	4,967	1,367	44,086
Other	11,527	9,055	102,304
Sub-total	58,664	66,584	520,627
Less-valuation allowance	(47,050)	(46,834)	(417,562)
Total	11,613	19,749	103,066
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(21,767)	(39,093)	(193,184)
Deferred gain on derivatives under hedge accounting	(15,519)	(16,068)	(137,732)
Other	(2,861)	(4,018)	(25,398)
Total	(40,149)	(59,179)	(356,314)
Net deferred tax assets (liabilities)	¥(28,536)	¥(39,430)	$(253,248)

New tax reform laws enacted in 2016 in Japan changed the income tax rate for the fiscal year beginning on or after April 1, 2016. Due to this change, the normal effective statutory tax rate to be used to calculate deferred tax assets and deferred tax liabilities has been changed from 32.34% to 30.86% for the temporary differences expected to be settled in the fiscal years beginning on April 1, 2016 and 2017, and to 30.62% for the temporary differences expected to be settled in the fiscal years beginning on and after April 1, 2018. The effect of this change was to decrease deferred tax assets and deferred tax liabilities in the consolidated balance sheet as of March 31, 2016 by ¥5 million ($45 thousand) and ¥1,513 million ($13,431 thousand), respectively, and to increase unrealized gain on available-for-sale securities, deferred gain on derivatives under hedge accounting, accumulated adjustments for retirement benefits and deferred income taxes by ¥1,170 million ($10,384 thousand), ¥818 million ($7,260 thousand), ¥0 million ($4 thousand) and ¥477 million ($4,241 thousand), respectively.

In addition, as the tax loss carryforwards which are available to be offset against taxable income will be limited to 60% of the taxable income before deducting tax losses from the fiscal year beginning on or after April 1, 2016 and 55% of the taxable income before deducting tax losses from the fiscal years beginning on or after April 1, 2017, deferred tax assets decreased by ¥14 million ($126 thousand) and deferred income taxes increased by ¥14 million ($126 thousand) compared to March 31, 2015.

26. Lease Transactions

(a) Finance leases

DBJ Inc. and its domestic consolidated subsidiaries lease certain equipment and other fixed tangible assets.

(b) Operating leases

(As lessee)

The minimum lease commitments under non-cancelable operating leases as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Due within 1 year	¥ 421	¥365	$3,741
Due after 1 year	581	176	5,160
Total	¥1,003	¥542	$8,902

(As lessor)

The minimum lease commitments under non-cancelable operating leases as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Due within 1 year	¥ 5,213	¥ 3,811	$ 46,266
Due after 1 year	11,097	13,169	98,487
Total	¥16,310	¥16,980	$144,753

27. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized (loss) gain on available-for-sale securities:			
Gains arising during the year	¥ 363	¥ 90,884	$ 3,229
Reclassification adjustments to profit or loss	(54,885)	(18,751)	(487,090)
Amount before income tax effect	(54,521)	72,133	(483,860)
Income tax effect	18,746	(21,038)	166,369
Total	(35,774)	51,094	(317,492)
Deferred gain on derivatives under hedge accounting:			
Gains arising during the year	7,618	11,336	67,608
Reclassification adjustments to profit or loss	(6,184)	(8,291)	(54,883)
Amount before income tax effect	1,433	3,044	12,725
Income tax effect	99	494	881
Total	1,533	3,538	13,605
Foreign currency translation adjustments:			
Adjustments arising during the year	(592)	692	(5,257)
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	(592)	692	(5,257)
Income tax effect	—	—	—
Total	(592)	692	(5,257)
Adjustments for retirement benefits			
Adjustments arising during the year	(194)	1,210	(1,723)
Reclassification adjustments to profit or loss	104	225	923
Amount before income tax effect	(90)	1,435	(800)
Income tax effect	27	(512)	241
Total	(62)	922	(559)
Share of other comprehensive (loss) income in affiliates:			
Gains (losses) arising during the year	3,760	(146)	33,375
Reclassification adjustments to profit or loss	325	53	2,892
Amount before income tax effect	4,086	(93)	36,267
Income tax effect	—	—	—
Total	4,086	(93)	36,267
Total other comprehensive (loss) income	¥(30,810)	¥ 56,155	$(273,436)

28. Segment Information

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 years ended March 31, 2016 and 2015 is following:

	Millions of Yen			
Year ended March 31, 2016	Loan business	Securities investment	Other	Total
Ordinary income from external customers	¥210,899	¥106,362	¥41,344	¥358,606

	Millions of Yen			
Year ended March 31, 2015	Loan business	Securities investment	Other	Total
Ordinary income from external customers	¥233,516	¥71,095	¥34,430	¥339,043

	Thousands of U.S. Dollars			
Year ended March 31, 2016	Loan business	Securities investment	Other	Total
Ordinary income from external customers	$1,871,664	$943,932	$366,924	$3,182,520

29. Financial Instruments and Related Disclosures

(a) 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 the majority of its assets are long-term with fixed rate, 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 manage the risks related to interest and currency.

(2) Nature and Extent of Risks Arising from Financial Instruments

The financial assets of DBJ Inc. are mainly investments and loans in domestic customers, which are exposed to credit risk that stems from customers' default of contracts or decline of their creditworthiness. Main categories of industries of debtors are electricity, gas, thermal supply, water supply, manufacturing and others as of March 31, 2016. The changes of economic circumstances surrounding these industries may influence the 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 activities, 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 agreements and currency swap agreements in order to hedge or manage the risks related to interest and currency. DBJ Inc. applies hedge accounting as necessary. Details for hedging instruments, hedged items, hedging policy and assessment of effectiveness of the hedges are described in Note 2 (f) "Hedge Accounting."

(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 investments and loans. When making an investment or loan, DBJ Inc. examines the entity's viability and the entity's project's profitability. After that, DBJ Inc. sets ratings along with an internal 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 issues 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 the 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 rules, and Management Committee and ALM & Risk Management Committee determine policies related to asset/liability management, monitoring of implementation and future plans. In addition, the risk management department monitors the interest rate and term of financial assets/liabilities 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 executed to hedge interest rate risk.

2) Foreign Exchange Risk Management

Foreign currency investments, loans and bonds are exposed to exchange rate risk, therefore those risks are hedged or managed not only by offsetting some foreign currency denominated investments and loans with foreign currency denominated corporate bonds and debentures but also by making currency-related hedging transactions.

3) Price Volatility Risk Management

When DBJ Inc. acquires financial assets entailing price volatility risk such as securities with readily available market quotations, it follows in-house regulations and policies which have been developed taking into account market fluctuation risks, and the risk management department is involved in decision-making, 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

In conducting derivative transactions, segregation of duties is maintained in the front office, the back office and the risk management department 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 exposure (estimated loss) is based on VaR using the 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, 2016 and 2015 was ¥26,360 million ($233,945 thousand) and ¥25,415 million, respectively. 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 with 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

The risk management department monitors the possession level of cash liquidity and reports 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 liquidity risk by appropriate operations of financing and investing activities based on the risk situation.

(4) Supplementary Explanation on Fair Value of Financial Instruments

The fair value of financial instruments is measured at the quoted market price. If the quoted price is not available, DBJ Inc. measures reasonably assessed price. Because assessed price is computed using certain assumptions, price could differ if different assumptions are used.

(b) Fair Values Information of Financial Instruments

The following are the carrying amount, fair value and differences between them as of March 31, 2016 and 2015. Unlisted equities and others, whose fair value cannot be reliably determined, are excluded from the table below (see (2)).

	Millions of Yen		
	2016		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 461,312	¥ 461,314	¥ 2
Call loans and bills bought	—	—	—
Reverse repurchase agreements	—	—	—
Securities			
Held-to-maturity debt securities	804,050	821,180	17,130
Available-for-sale securities	419,648	419,648	—
Loans	12,952,567		
Allowance for loan losses*1	(60,935)		
	12,891,632	13,544,524	652,892
Total assets	¥14,576,643	¥15,246,667	¥670,024
Debentures	3,221,870	3,377,600	155,729
Borrowed money	7,813,171	8,001,512	188,341
Corporate bonds	1,506,038	1,514,237	8,199
Total liabilities	¥12,541,080	¥12,893,351	¥352,271
Derivative transactions*2			
Derivative transactions not qualifying for hedge accounting	24,919	24,919	—
Derivative transactions qualifying for hedge accounting	(1,731)	(1,731)	—
Total derivative transactions	¥ 23,188	¥ 23,188	¥ —

	Millions of Yen		
	2015		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 317,772	¥ 317,776	¥ 3
Call loans and bills bought	335,000	335,000	—
Reverse repurchase agreements	5,299	5,299	—
Securities			
Held-to-maturity debt securities	915,689	937,274	21,584
Available-for-sale securities	418,171	418,171	—
Loans	13,261,343		
Allowance for loan losses*1	(83,765)		
	13,177,578	13,743,661	566,083
Total assets	¥15,169,511	¥15,757,183	¥587,671
Debentures	3,220,206	3,358,048	137,841
Borrowed money	8,498,219	8,606,481	108,261
Corporate bonds	1,349,102	1,353,954	4,852
Total liabilities	¥13,067,528	¥13,318,484	¥250,956
Derivative transactions*2			
Derivative transactions not qualifying for hedge accounting	(10,929)	(10,929)	—
Derivative transactions qualifying for hedge accounting	39,830	39,830	—
Total derivative transactions	¥ 28,900	¥ 28,900	¥ —

	Thousands of U.S. Dollars		
	2016		
	Carrying amount	Fair value	Difference
Cash and due from banks	$ 4,094,005	$ 4,094,024	$ 19
Call loans and bills bought	—	—	—
Reverse repurchase agreements	—	—	—
Securities			
Held-to-maturity debt securities	7,135,696	7,287,721	152,025
Available-for-sale securities	3,724,249	3,724,249	—
Loans	114,950,016		
Allowance for loan losses*1	(540,785)		
	114,409,231	120,203,448	5,794,217
Total assets	$129,363,180	$135,309,442	$5,946,262
Debentures	28,593,101	29,975,156	1,382,055
Borrowed money	69,339,469	71,010,939	1,671,471
Corporate bonds	13,365,621	13,438,392	72,771
Total liabilities	$111,298,190	$114,424,487	$3,126,296
Derivative transactions*2			
Derivative transactions not qualifying for hedge accounting	221,152	221,152	—
Derivative transactions qualifying for hedge accounting	(15,365)	(15,365)	—
Total derivative transactions	$ 205,787	$ 205,787	$ —

*1. General and specific allowances for loan losses are deducted.
*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 have 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 the market price. The fair value of bonds is measured at the market price or the 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 based on types of securities, internal ratings and tenor.

(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 tenor. Foreign currency swap contracts which meet the hedging requirements of the assignment method is limited to loans for which the contractual cash flows are matched with 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 who are "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. Certain foreign currency denominated debentures are translated using the forward contract rates and the present value of the contractual cash flows is computed regarding them as Japanese yen denominated debentures.

(ii) 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. Certain foreign currency denominated borrowed money is translated using the forward contract rates and the present value of the contractual cash flows is computed regarding them as Japanese yen denominated borrowed money.

(iii) 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 DBJ Inc. 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. Certain foreign currency denominated corporate bonds are translated using the forward contract rates and the present value of the contractual cash flows is computed regarding them as Japanese yen denominated corporate bonds.

Derivatives

Derivatives consist of interest rate related derivatives (interest rate swaps), currency related derivatives (currency swaps, forward foreign exchange contracts) and credit derivatives. Fair value of these derivatives is determined based on the discounted present value, quoted prices presented by the financial institutions, etc.

(2) Following are the financial instruments whose fair value cannot be reliably determined as of March 31, 2016 and 2015:
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
	2016	2015	2016
Money held in trust*1	¥ 17,786	¥ 54,853	$ 157,846
Unlisted equities*2, 3	330,616	326,875	2,934,116
Investments in limited partnerships and other similar partnerships*1	190,641	169,296	1,691,880
Unlisted other securities*2, 3	90,821	57,873	806,011
Industrial investment borrowed money (Special Account for FILP)*4	79,000	100,000	701,100
Total	¥708,864	¥708,899	$6,290,953

*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 fair value disclosures.
*2. Financial instruments for which the quoted price is not available and fair value cannot be reliably determined, are not subject to fair value disclosures.
*3. Impairment loss on financial instruments whose fair value cannot be reliably determined for the year ended March 31, 2016 and 2015 was ¥1,910 million ($16,955 thousand) and ¥4,763 million, respectively, which consist of unlisted equities of ¥561 million ($4,985 thousand) and ¥984 million and unlisted other securities of ¥1,348 million ($11,970 thousand) and ¥3,778 million for the years ended March 31, 2016 and 2015, respectively.
*4. For the industrial investment borrowed money (Special Account for FILP), the interest rate is not determined at the time of borrowing, but total amount of interest expense will be determined at the time of final repayment. Accordingly, since the future cash flows cannot be reasonably estimated and the fair value is extremely difficult to determine, it is not subject to the fair value disclosure requirement.

(3) Maturity analysis for financial assets and securities with contractual maturities as of March 31, 2016 and 2015 are as follows:

	Millions of Yen					
	2016					
	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	¥ 461,305	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	—	—	—	—	—	—
Securities						
Held-to-maturity debt securities with market values	187,914	230,709	215,835	81,226	56,535	31,829
Japanese government bonds	35,193	65,568	20,090	15,247	15,150	20,129
Japanese local government bonds	—	—	—	—	—	—
Corporate bonds	93,682	88,571	99,619	35,300	35,000	11,700
Other	59,038	76,569	96,125	30,678	6,385	—
Available-for-sale securities with contractual maturities	24,358	36,589	113,368	78,171	38,702	44,088
Japanese government bonds	—	—	5,372	26,784	24,119	—
Japanese local government bonds	—	—	—	—	—	—
Corporate bonds	24,358	36,589	107,996	51,387	11,128	44,088
Other	—	—	—	—	3,454	—
Loans*1	2,525,049	3,401,265	3,055,686	1,622,470	1,564,807	728,609
Total	¥3,198,627	¥3,668,563	¥3,384,889	¥1,781,867	¥1,660,046	¥804,527

	Millions of Yen					
	2015					
	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	¥ 317,765	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	335,000	—	—	—	—	—
Securities						
Held-to-maturity debt securities with market values	276,551	276,137	224,772	66,324	36,724	35,179
Japanese government bonds	—	81,224	40,328	10,295	15,124	25,179
Japanese local government bonds	—	—	—	—	—	—
Corporate bonds	106,934	119,189	100,205	23,796	11,600	10,000
Other	169,617	75,723	84,239	32,232	10,000	—
Available-for-sale securities with contractual maturities	6,477	67,641	93,412	90,135	39,991	8,116
Japanese government bonds	—	—	—	42,488	30,743	8,116
Japanese local government bonds	—	—	—	—	—	—
Corporate bonds	6,477	67,641	93,412	47,647	5,894	—
Other	—	—	—	—	3,354	—
Loans*2	2,132,424	4,076,764	3,010,127	1,840,382	1,419,033	702,074
Total	¥3,068,218	¥4,420,542	¥3,328,312	¥1,996,842	¥1,495,749	¥745,369

	Thousands of U.S. Dollars					
	2016					
	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	$ 4,093,943	$ —	$ —	$ —	$ —	$ —
Call loans and bills bought	—	—	—	—	—	—
Securities						
Held-to-maturity debt securities with market values	1,667,680	2,047,472	1,915,471	720,857	501,738	282,478
Japanese government bonds	312,328	581,898	178,298	135,316	134,459	178,644
Japanese local government bonds	—	—	—	—	—	—
Corporate bonds	831,403	786,044	884,088	313,277	310,614	103,834
Other	523,949	679,530	853,086	272,265	56,665	—
Available-for-sale securities with contractual maturities	216,172	324,719	1,006,111	693,746	343,475	391,269
Japanese government bonds	—	—	47,675	237,700	214,056	—
Japanese local government bonds	—	—	—	—	—	—
Corporate bonds	216,172	324,719	958,436	456,046	98,762	391,269
Other	—	—	—	—	30,658	—
Loans*1	22,409,027	30,185,171	27,118,265	14,398,921	13,887,182	6,466,181
Total	$28,386,823	$32,557,362	$30,039,847	$15,813,524	$14,732,395	$7,139,928

*1. Obligations to "Legally Bankrupt," "Effectively Bankrupt" and "Possibly Bankrupt" amounting to ¥54,680 million ($485,269 thousand) are not included as of March 31, 2016.

*2. Obligations to "Legally Bankrupt," "Effectively Bankrupt" and "Possibly Bankrupt" amounting to ¥80,537 million are not included as of March 31, 2015.

(4) Maturity analysis for Debentures, Borrowed money and Other Interest-Bearing Liability as of March 31, 2016 and 2015 are as follows:

	Millions of Yen					
	2016					
	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	¥1,242,393	¥2,152,580	¥1,638,552	¥ 968,592	¥1,028,287	¥ 861,763
Debentures and Corporate bonds	837,694	1,389,077	808,749	589,822	849,704	252,860
Total	¥2,080,087	¥3,541,657	¥2,447,302	¥1,558,414	¥1,877,992	¥1,114,624

	Millions of Yen					
	2015					
	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	¥1,412,658	¥2,296,269	¥1,811,920	¥1,042,815	¥1,110,694	¥ 923,862
Debentures and Corporate bonds	540,420	1,563,394	1,018,110	428,803	719,934	298,645
Total	¥1,953,079	¥3,859,663	¥2,830,030	¥1,471,619	¥1,830,628	¥1,222,507

	Thousands of U.S. Dollars					
	2016					
	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	$11,025,856	$19,103,486	$14,541,647	$ 8,595,960	$ 9,125,733	$7,647,887
Debentures and Corporate bonds	7,434,277	12,327,628	7,177,404	5,234,489	7,540,866	2,244,057
Total	$18,460,133	$31,431,114	$21,719,052	$13,830,448	$16,666,599	$9,891,944

30. Derivative Transactions

(a) Derivative Transactions to which Hedge Accounting is not applied

(1) Interest rate-related transactions

	Millions of Yen			
	2016			
	Contract amount			
	Total	Due after 1 year	Fair value	Unrealized gains (losses)
Over-the-counter				
Swaps				
Receive fixed/ Pay float	¥1,024,150	¥940,143	¥ 64,971	¥ 64,971
Receive float/ Pay fixed	1,008,768	925,900	(29,922)	(29,922)
Receive float/ Pay float	44,367	—	10	10
Total	—	—	¥ 35,058	¥ 35,058

	Millions of Yen			
	2015			
	Contract amount			
	Total	Due after 1 year	Fair value	Unrealized gains (losses)
Over-the-counter				
Swaps				
Receive fixed/ Pay float	¥852,007	¥787,406	¥ 22,068	¥ 22,068
Receive float/ Pay fixed	845,243	782,892	(16,259)	(16,259)
Total	—	—	¥ 5,808	¥ 5,808

	Thousands of U.S. Dollars			
	2016			
	Contract amount			
	Total	Due after 1 year	Fair value	Unrealized gains (losses)
Over-the-counter				
Swaps				
Receive fixed/ Pay float	$9,089,022	$8,343,485	$ 576,599	$ 576,599
Receive float/ Pay fixed	8,952,507	8,217,077	(265,556)	(265,556)
Receive float/ Pay float	393,748	—	89	89
Total	—	—	$ 311,133	$ 311,133

*1. The above transactions are marked to market and changes in unrealized gains (losses) are included in the consolidated statement 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			
	2016			
	Contract amount			
	Total	Due after 1 year	Fair value	Unrealized gains (losses)
Over-the-counter				
Swaps	¥ 73,147	¥—	¥(11,572)	¥(11,572)
Forwards				
Sold	195,698	—	2,722	2,722
Bought	151,731	—	(1,203)	(1,203)
Total	—	—	¥(10,053)	¥(10,053)

	Millions of Yen			
	2015			
	Contract amount			
	Total	Due after 1 year	Fair value	Unrealized gains (losses)
Over-the-counter				
Swaps	¥ 73,147	¥73,147	¥(17,921)	¥(17,921)
Forwards				
Sold	256,929	—	1,297	1,297
Bought	1,256	—	(1)	(1)
Total	—	—	¥(16,626)	¥(16,626)

	Thousands of U.S. Dollars			
	2016			
	Contract amount			Unrealized gains (losses)
	Total	Due after 1 year	Fair value	
Over-the-counter				
Swaps	$ 649,161	$—	$(102,701)	$(102,701)
Forwards				
Sold	1,736,765	—	24,164	24,164
Bought	1,346,569	—	(10,682)	(10,682)
Total	—	—	$ (89,219)	$ (89,219)

*1. The above transactions are marked to market and changes in unrealized gains (losses) are included in the consolidated statement of income.
*2. Fair values are based primarily on discounted present values.

(3) Equity-related transactions

Not applicable.

(4) Bond-related transactions

Not applicable.

(5) Commodity-related transactions

Not applicable.

(6) Credit Derivative Transactions

	Millions of Yen			
	2016			
	Contract amount			Unrealized gains (losses)
	Total	Due after 1 year	Fair value	
Over-the-counter				
Credit default options				
Sold	¥13,828	¥13,828	¥ 59	¥ 59
Bought	6,500	6,500	(145)	(145)
Total	—	—	¥ (85)	¥ (85)

	Millions of Yen			
	2015			
	Contract amount			Unrealized gains (losses)
	Total	Due after 1 year	Fair value	
Over-the-counter				
Credit default options				
Sold	¥20,404	¥20,404	¥ 0	¥ 0
Bought	3,500	3,500	(113)	(113)
Total	—	—	¥(112)	¥(112)

	Thousands of U.S. Dollars			
	2016			
	Contract amount			Unrealized gains (losses)
	Total	Due after 1 year	Fair value	
Over-the-counter				
Credit default options				
Sold	$122,726	$122,726	$ 530	$ 530
Bought	57,685	57,685	(1,291)	(1,291)
Total	—	—	$ (761)	$ (761)

*1. The above transactions are marked to market and changes in unrealized gains (losses) are included in the consolidated statement 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		
		2016		
		Contract amount		
		Total	Due after 1 year	Fair value
Deferral method				
Swaps	Borrowed money,			
Receive fixed/ Pay float	Securities and Loans	¥ —	¥ —	¥ —
Receive float/ Pay fixed		95,267	87,556	(1,581)
Accrual method	Debentures,			
Swaps	Borrowed money,			
Receive fixed/ Pay float	Corporate bonds,	1,030,643	862,005	*3
Receive float/ Pay fixed	Securities and Loans	1,933	1,933	
Total		—	—	¥(1,581)

	Hedged item	Millions of Yen		
		2015		
		Contract amount		
		Total	Due after 1 year	Fair value
Deferral method				
Swaps	Debentures,			
Receive fixed/ Pay float	Borrowed money,	¥ 309,247	¥308,664	¥39,603
Receive float/ Pay fixed	Securities and Loans	35,195	30,347	(1,560)
Accrual method	Debentures,			
Swaps	Borrowed money,			
Receive fixed/ Pay float	Corporate bonds and	1,011,685	843,262	*3
Receive float/ Pay fixed	Loans	57,311	32,355	
Total		—	—	¥38,043

	Hedged item	Thousands of U.S. Dollars		
		2016		
		Contract amount		
		Total	Due after 1 year	Fair value
Deferral method				
Swaps	Borrowed money,			
Receive fixed/ Pay float	Securities and Loans	$ —	$ —	$ —
Receive float/ Pay fixed		845,467	777,035	(14,038)
Accrual method	Debentures,			
Swaps	Borrowed money,			
Receive fixed/ Pay float	Corporate bonds,	9,146,643	7,650,033	*3
Receive float/ Pay fixed	Securities and Loans	17,155	17,155	
Total		—	—	$(14,038)

*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, February 13, 2002).

*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 29 “Financial Instruments and Related Disclosures” is included in that of hedged items such as debentures, borrowed money, corporate bonds, securities and loans.

(2) Currency-related transactions

		Millions of Yen		
		2016		
		Contract amount		
	Hedged item	Total	Due after 1 year	Fair value
Translated at contractual rates Currency swaps	Foreign-currency debentures, Corporate bonds and Borrowed money	¥282,773	¥282,773	*2
Forward foreign exchange contracts	Available-for-sale securities			
Sold		45,239	—	¥(149)
Bought		—	—	—
Total		—	—	¥(149)

		Millions of Yen		
		2015		
		Contract amount		
	Hedged item	Total	Due after 1 year	Fair value
Translated at contractual rates Currency swaps	Foreign-currency debentures and Corporate bonds	¥155,782	¥151,855	*2
Forward foreign exchange contracts	Available-for-sale securities			
Sold		51,065	—	¥1,787
Bought		—	—	—
Total		—	—	¥1,787

		Thousands of U.S. Dollars		
		2016		
		Contract amount		
	Hedged item	Total	Due after 1 year	Fair value
Translated at contractual rates Currency swaps	Foreign-currency debentures, Corporate bonds and Borrowed money	$2,509,531	$2,509,531	*2
Forward foreign exchange contracts	Available-for-sale securities			
Sold		401,485	—	$(1,327)
Bought		—	—	—
Total		—	—	$(1,327)

*1. Fair values are based primarily on discounted present values.
*2. The above currency swaps 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 29 "Financial Instruments and Related Disclosures" is included in that of hedged items such as foreign-currency debentures, corporate bonds and borrowed money.

(3) Equity-related transactions

Not applicable.

(4) Bond-related transactions

Not applicable.

31. 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, 2016 and 2015 is summarized below.

(a) Securities

(1) Held-to-Maturity Debt Securities as of March 31, 2016 and 2015, are as follows:

		Millions of Yen		
		2016		
		Carrying amount	Fair value	Difference
Fair value exceeds carrying amount	Japanese government bonds	¥171,379	¥183,334	¥11,954
	Japanese local government bonds	—	—	—
	Corporate bonds	269,860	274,714	4,853
	Other	177,552	180,258	2,706
Sub-total		618,793	638,307	19,514
Fair value does not exceed carrying amount	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Corporate bonds	94,012	93,265	(746)
	Other	91,245	89,607	(1,637)
Sub-total		185,257	182,873	(2,383)
Total		¥804,050	¥821,180	¥17,130

		Millions of Yen		
		2015		
		Carrying amount	Fair value	Difference
Fair value exceeds carrying amount	Japanese government bonds	¥172,151	¥182,880	¥10,728
	Japanese local government bonds	—	—	—
	Corporate bonds	308,070	313,567	5,496
	Other	306,557	312,569	6,012
Sub-total		786,779	809,017	22,237
Fair value does not exceed carrying amount	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Corporate bonds	63,654	63,350	(303)
	Other	65,255	64,906	(349)
Sub-total		128,909	128,256	(652)
Total		¥915,689	¥937,274	¥21,584

		Thousands of U.S. Dollars		
		2016		
		Carrying amount	Fair value	Difference
Fair value exceeds carrying amount	Japanese government bonds	$1,520,943	$1,627,037	$106,094
	Japanese local government bonds	—	—	—
	Corporate bonds	2,394,932	2,438,003	43,072
	Other	1,575,722	1,599,737	24,015
Sub-total		5,491,596	5,664,777	173,181
Fair value does not exceed carrying amount	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Corporate bonds	834,327	827,702	(6,625)
	Other	809,773	795,242	(14,531)
Sub-total		1,644,100	1,622,944	(21,156)
Total		$7,135,696	$7,287,721	$152,025

Note: Fair value is based on the closing price at the consolidated balance sheet date.

(2) Available-for-sale Securities as of March 31, 2016 and 2015, are as follows:

		Millions of Yen		
		2016		
		Carrying amount (Fair value)	Acquisition cost	Difference
Carrying amount exceeds cost	Equities	¥ 68,361	¥ 24,571	¥43,790
	Bonds	323,242	307,426	15,816
	Japanese government bonds	56,275	54,070	2,205
	Japanese local government bonds	—	—	—
	Corporate bonds	266,967	253,356	13,610
	Other	6,069	3,587	2,482
Sub-total		397,674	335,585	62,089
Carrying amount does not exceed cost	Equities	13,393	14,668	(1,275)
	Bonds	8,581	8,712	(131)
	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Corporate bonds	8,581	8,712	(131)
	Other	35,000	35,000	—
Sub-total		56,974	58,381	(1,407)
Total		¥454,648	¥393,966	¥60,681

		Millions of Yen		
		2015		
		Carrying amount (Fair value)	Acquisition cost	Difference
Carrying amount exceeds cost	Equities	¥106,846	¥ 33,475	¥ 73,371
	Bonds	271,942	238,259	33,682
	Japanese government bonds	81,347	80,160	1,186
	Japanese local government bonds	—	—	—
	Corporate bonds	190,595	158,099	32,496
	Other	6,485	3,810	2,674
Sub-total		385,273	275,545	109,728
Carrying amount does not exceed cost	Equities	2,390	2,419	(29)
	Bonds	30,477	30,755	(278)
	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Corporate bonds	30,477	30,755	(278)
	Other	72,028	72,028	—
Sub-total		104,897	105,204	(307)
Total		¥490,171	¥380,750	¥109,421

		Thousands of U.S. Dollars		
		2016		
		Carrying amount (Fair value)	Acquisition cost	Difference
Carrying amount exceeds cost	Equities	$ 606,690	$ 218,061	$388,628
	Bonds	2,868,681	2,728,318	140,363
	Japanese government bonds	499,430	479,857	19,573
	Japanese local government bonds	—	—	—
	Corporate bonds	2,369,250	2,248,461	120,789
	Other	53,865	31,834	22,031
Sub-total		3,529,235	2,978,213	551,022
Carrying amount does not exceed cost	Equities	118,859	130,183	(11,324)
	Bonds	76,155	77,321	(1,166)
	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Corporate bonds	76,155	77,321	(1,166)
	Other	310,614	310,614	—
Sub-total		505,628	518,118	(12,490)
Total		$4,034,863	$3,496,331	$538,532

Note: Carrying amount above represents the fair values determined based on the closing price at the fiscal year-end.

(3) Available-for-sale Securities sold during the year ended March 31, 2016 and 2015, are as follows:

	Millions of Yen		
	2016		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equities	¥ 67,916	¥45,705	¥ 1
Bonds	106,641	3,332	376
Japanese government bonds	82,364	2,957	57
Japanese local government bonds	—	—	—
Corporate bonds	24,277	375	319
Other	3,518	376	0
Total	¥178,075	¥49,414	¥378

	Millions of Yen		
	2015		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equities	¥36,599	¥18,226	¥ 1
Bonds	20,203	94	1
Japanese government bonds	—	—	—
Japanese local government bonds	—	—	—
Corporate bonds	20,203	94	1
Other	2,579	1,354	—
Total	¥59,382	¥19,675	¥ 2

	Thousands of U.S. Dollars		
	2016		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equities	$ 602,737	$405,620	$ 17
Bonds	946,409	29,576	3,345
Japanese government bonds	730,955	26,243	509
Japanese local government bonds	—	—	—
Corporate bonds	215,454	3,333	2,835
Other	31,221	3,346	0
Total	$1,580,368	$438,542	$3,361

(b) Money Held in Trust

(1) Money Held in Trust for the Purpose of Investment

Not applicable.

(2) Other (other than for the purpose of investment and held to maturity)

	Millions of Yen				
	2016				
			Unrealized gains (losses)		
	Carrying amount	Acquisition cost	Net	Carrying amount exceeds cost	(Carrying amount does not exceed cost)
Other money held in trust	¥17,786	¥16,821	¥964	¥964	¥—

	Millions of Yen				
	2015				
			Unrealized gains (losses)		
	Carrying amount	Acquisition cost	Net	Carrying amount exceeds cost	(Carrying amount does not exceed cost)
Other money held in trust	¥54,853	¥54,451	¥401	¥401	¥—

	Thousands of U.S. Dollars				
	2016				
			Unrealized gains (losses)		
	Carrying amount	Acquisition cost	Net	Carrying amount exceeds cost	(Carrying amount does not exceed cost)
Other money held in trust	$157,846	$149,290	$8,556	$8,556	$—

(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
	2016	2015	2016
Unrealized gain on			
Available-for-sale securities	¥ 69,550	¥132,657	$ 617,238
Other money held in trust	964	401	8,556
Deferred tax liabilities	(20,395)	(39,142)	(181,008)
Unrealized gain on available-for-sale securities before interest adjustments	50,118	93,917	444,787
Amount corresponding to non-controlling interests	—	(8,023)	—
DBJ Inc.'s interest in net unrealized gain on available-for-sale securities held by affiliates accounted for by the equity method	4,956	(28)	43,984
Unrealized gain on available-for-sale securities, net of taxes	¥ 55,074	¥ 85,865	$ 488,771

*1. The loss of ¥4,010 million ($35,588 thousand) and the profit of ¥5,170 million recognized by applying the fair value hedge accounting, which was reflected in profit or loss, is deducted from above unrealized gain on available-for-sale securities, net of taxes, as of March 31, 2016 and 2015, respectively.
*2. Unrealized gain includes foreign currency translation adjustments on available-for-sale securities denominated in foreign currency whose fair value cannot be reliably determined as of March 31, 2016 and 2015.

32. Related Party Transactions

Related party transactions for the years ended March 31, 2016 and 2015 are as follows:

				2016			
				Transaction Amount		Balance at March 31, 2016	
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	Receipt of contribution*1	—	¥ 65,000	$ 576,855	—	—
		Borrowings*2	Borrowed money	300,000	2,662,407	¥3,929,091	$34,869,464
		Repayments		437,328	3,881,152		
		Payment for interest	Accrued expenses	39,961	354,643	12,688	112,606
		Guarantees*3	—	2,937,092	26,065,782	—	—

According to Article 2, item 5 of the Japan Finance Corporation Act, DBJ Inc. has borrowed ¥2,723,044 million ($24,166,170 thousand) from Japan Finance Corporation relating to the crisis response operations.
*1. Receipt of contribution is related to the special investment operations.
*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 October 20, 2035 without posting collateral.
*3. The guarantees are for debentures issued by DBJ Inc. free of guarantee charge.

				2015	
				Transaction Amount	Balance at March 31, 2015
Related party	Category	Description	Account item	Millions of Yen	Millions of Yen
Finance Minister	Shareholder	Borrowings*1	Borrowed money	¥ 300,000	¥4,066,419
		Repayments		447,275	
		Payment for interest	Accrued expenses	44,822	13,687
		Guarantees*2	—	2,895,482	—

According to Article 2, item 5 of the Japan Finance Corporation Act, DBJ Inc. has borrowed ¥3,286,500 million from Japan Finance Corporation relating to the crisis response operations.
*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 October 20, 2034 without posting collateral.
*2. The guarantees are for debentures issued by DBJ Inc. free of guarantee charge.

33. Subsequent Event

On June 29, 2016, the shareholders approved the following appropriations of retained earnings. Subsequently, the timing and amounts for dividends were authorized by the Finance Minister on June 30, 2016:

Appropriations of Retained earnings as of March 31, 2016

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends-Common stock (¥671-$5.95 per share)	¥29,277	$259,827

Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Development Bank of Japan Inc.:

We have audited the accompanying consolidated balance sheet of Development Bank of Japan Inc. and its consolidated subsidiaries as of March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its consolidated subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 17, 2016
(June 29, 2016 as to Note 33)

Member of
Deloitte Touche Tohmatsu Limited

Non-Consolidated Balance Sheet (Unaudited)

Development Bank of Japan Inc.

As of March 31,	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note) 2016
Assets			
Cash and due from banks	¥ 433,496	¥ 287,698	$ 3,847,145
Call loans	—	335,000	—
Reverse repurchase agreements	—	5,299	—
Money held in trust	16,032	53,742	142,286
Securities	1,828,773	1,848,890	16,229,798
Loans	13,119,393	13,409,078	116,430,540
Other assets	172,215	138,722	1,528,358
Tangible fixed assets	113,291	114,863	1,005,425
Intangible fixed assets	6,883	5,279	61,089
Prepaid pension costs	1,290	1,326	11,449
Customers' liabilities for acceptances and guarantees	180,124	167,482	1,598,553
Allowance for loan losses	(61,907)	(83,460)	(549,407)
Allowance for investment losses	(594)	(525)	(5,279)
Total assets	**¥15,808,999**	**¥16,283,399**	**$140,299,958**
Liabilities and equity			
Liabilities:			
Debentures	¥ 3,221,870	¥ 3,220,206	$ 28,593,101
Borrowed money	7,840,720	8,566,219	69,583,955
Corporate bonds	1,501,288	1,341,602	13,323,466
Other liabilities	176,320	218,200	1,564,792
Accrued bonuses to employees	4,400	4,415	39,049
Accrued bonuses to directors	11	11	105
Reserve for employees' retirement benefits	6,544	6,601	58,080
Reserve for directors' retirement benefits	56	66	504
Reserve for contingent losses	16	12	143
Deferred tax liabilities	27,603	39,175	244,970
Acceptances and guarantees	180,124	167,482	1,598,553
Total liabilities	**12,958,957**	**13,563,994**	**115,006,719**
Equity:			
Common stock authorized, 160,000 thousand shares in 2016 and 2015; issued, 43,632 thousand shares in 2016 and 2015	1,000,424	1,206,953	8,878,452
Crisis response reserve	206,529	—	1,832,881
Special investment reserve	130,000	—	1,153,710
Special investment surplus	618	—	5,491
Capital surplus	995,466	1,060,466	8,834,455
Retained earnings	429,751	335,018	3,813,914
Unrealized gain on available-for-sale securities	52,206	84,749	463,319
Deferred gain on derivatives under hedge accounting	35,045	32,217	311,018
Total equity	**2,850,042**	**2,719,404**	**25,293,239**
Total liabilities and equity	**¥15,808,999**	**¥16,283,399**	**$140,299,958**

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥112.68=$1.00, the effective exchange rate prevailing as of March 31, 2016, has been used in the conversion.

Non-Consolidated Statement of Income (Unaudited)

Development Bank of Japan Inc.

For the year ended March 31,	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note) 2016
Income			
Interest income:	¥216,972	¥236,107	$1,925,566
Interest on loans	187,526	207,042	1,664,243
Interest and dividends on securities	21,402	20,748	189,937
Interest on call loans	82	149	735
Interest on reverse repurchase agreements	226	231	2,008
Interest on due from banks	43	46	387
Interest on swaps	7,549	7,720	66,997
Other interest income	141	167	1,259
Fees and commissions	10,333	8,091	91,707
Other operating income	9,526	14,015	84,545
Other income	108,148	70,575	959,783
Total income	**344,981**	**328,790**	**3,061,601**
Expenses			
Interest expense:	106,933	117,846	949,001
Interest on debentures	35,056	36,488	311,119
Interest on call money and bills sold	0	0	1
Interest on borrowed money	66,982	76,785	594,447
Interest on short-term corporate bonds	202	12	1,799
Interest on corporate bonds	4,623	4,497	41,030
Other interest expense	68	62	606
Fees and commissions	391	662	3,474
Other operating expenses	8,296	10,751	73,628
General and administrative expenses	42,401	40,352	376,298
Other expenses	12,660	10,974	112,359
Total expenses	**170,683**	**180,588**	**1,514,760**
Income before income taxes	**174,298**	**148,202**	**1,546,841**
Income taxes:			
Current	50,844	50,322	451,233
Deferred	5,587	7,798	49,585
Total income taxes	**56,432**	**58,121**	**500,817**
Net income	**¥117,865**	**¥ 90,080**	**$1,046,024**

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥112.68=$1.00, the effective exchange rate prevailing as of March 31, 2016, has been used in the conversion.

Non-Consolidated Statement of Changes in Equity (Unaudited)

Development Bank of Japan Inc.

	Millions of Yen				
For the year ended March 31, 2016	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus
Balance at beginning of year	¥1,206,953	¥ —	¥ —	¥ —	¥1,060,466
Investment from government			65,000		
Transfer from common stock to crisis response reserve	(206,529)	206,529			
Transfer account from capital surplus to special investment reserve			65,000		(65,000)
Cash dividends					
Net income					
Transfer from retained earnings to special investment surplus				618	
Net change during the year					
Balance at end of year	¥1,000,424	¥206,529	¥130,000	¥618	¥ 995,466

	Millions of Yen			
For the year ended March 31, 2016	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Total equity
Balance at beginning of year	¥335,018	¥ 84,749	¥32,217	¥2,719,404
Investment from government				65,000
Transfer from common stock to crisis response reserve				
Transfer account from capital surplus to special investment reserve				
Cash dividends	(22,514)			(22,514)
Net income	117,865			117,865
Transfer from retained earnings to special investment surplus	(618)			
Net change during the year		(32,542)	2,828	(29,714)
Balance at end of year	¥429,751	¥ 52,206	¥35,045	¥2,850,042

	Millions of Yen				
For the year ended March 31, 2015	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus
Balance at beginning of year	¥1,206,953	¥—	¥—	¥—	¥1,060,466
Cumulative effects of changes in accounting policies					
Restated balance	1,206,953	—	—	—	1,060,466
Cash dividends					
Net income					
Net change during the year					
Balance at end of year	¥1,206,953	¥—	¥—	¥—	¥1,060,466

	Millions of Yen			
For the year ended March 31, 2015	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Total equity
Balance at beginning of year	¥275,716	¥37,703	¥29,243	¥2,610,081
Cumulative effects of changes in accounting policies	26			26
Restated balance	275,742	37,703	29,243	2,610,108
Cash dividends	(30,804)			(30,804)
Net income	90,080			90,080
Net change during the year		47,046	2,973	50,020
Balance at end of year	¥335,018	¥84,749	¥32,217	¥2,719,404

For the year ended March 31, 2016	Thousands of U.S. Dollars (Note) Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus
Balance at beginning of year	$10,711,333	$ —	$ —	$ —	$9,411,310
Investment from government			576,855		
Transfer from common stock to crisis response reserve	(1,832,881)	1,832,881			
Transfer account from capital surplus to special investment reserve			576,855		(576,855)
Cash dividends					
Net income					
Transfer from retained earnings to special investment surplus				5,491	
Net change during the year					
Balance at end of year	$ 8,878,452	$1,832,881	$1,153,710	$5,491	$8,834,455

For the year ended March 31, 2016	Thousands of U.S. Dollars (Note) Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Total equity
Balance at beginning of year	$2,973,188	$ 752,126	$285,917	$24,133,874
Investment from government				576,855
Transfer from common stock to crisis response reserve				
Transfer account from capital surplus to special investment reserve				
Cash dividends	(199,807)			(199,807)
Net income	1,046,024			1,046,024
Transfer from retained earnings to special investment surplus	(5,491)			
Net change during the year		(288,807)	25,101	(263,706)
Balance at end of year	$3,813,914	$ 463,319	$311,018	$25,293,239

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥112.68=$1.00, the effective exchange rate prevailing as of March 31, 2016, has been used in the conversion.

Capital Adequacy Ratio

Although DBJ is not yet subject to Article 14-2 of the Banking Act of Japan, capital adequacy ratios have been calculated in accordance with "Criteria for Judging Whether a Financial Institution's Own Capital Is Sufficient in Light of the Assets Held, etc. under the Provision of Article 14-2 of the Banking Act" (2006, Financial Services Agency Notification No. 19, hereinafter, the "Capital Adequacy Ratio Notification"), and therefore effectively conform to this act.
(Reference)
In addition to the application of uniform international standards, credit risk assets were calculated using the standardized approach, and equivalent operational risk was calculated using the basic indicator approach. The DBJ Group has not introduced procedures in line with market risk regulations.

[1] Capital Structure Information

Capital Structure Information (Consolidated)

(Millions of yen)

Items	March 31, 2016		March 31, 2015		Basel III Template No.
		Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements	
Common Equity Tier 1 capital: instruments and reserves					
Directly issued qualifying common share capital plus related capital surplus and retained earnings	2,423,204		2,589,627		1a+2-1c-26
of which: common stock and capital surplus	1,995,890		2,267,419		1a
of which: retained earnings	456,591		344,728		2
of which: treasury stock	—		—		1c
of which: planned distribution of income	29,277		22,520		26
of which: other than the above	—		—		
Rights to acquire new common shares	—		—		1b
Accumulated other comprehensive income and other disclosed reserves	391,137	35,992	48,312	72,469	3
Adjusted non-controlling interests, etc. (amount allowed to be included in group Common Equity Tier 1)	24		24		5
Total of items included in Common Equity Tier 1 capital: instruments and reserves subject to transitional arrangements	1,316		1,838		
of which: items included in non-controlling interests, etc. subject to transitional arrangements	1,316		1,838		
Common Equity Tier 1 capital: instruments and reserves (A)	2,815,681		2,639,803		6
Common Equity Tier 1 capital: regulatory adjustments					
Total intangible assets (excluding those relating to mortgage servicing rights)	3,315	2,210	1,781	2,671	8+9
of which: goodwill (including those equivalent)	436	290	333	500	8
of which: other intangible assets other than goodwill and mortgage servicing rights	2,879	1,919	1,447	2,171	9
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	110	73	80	120	10
Deferred gains or losses on derivatives under hedge accounting	20,736	13,824	13,324	19,987	11
Shortfall of eligible reserves to expected losses	—	—	—	—	12
Capital increase due to securitization transactions	—	—	—	—	13
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—	—	—	14
Assets for retirement benefits	1,009	672	676	1,014	15
Investments in own shares (excluding those reported in the Equity section)	—	—	—	—	16
Reciprocal cross-holdings in common equity	—	—	—	—	17

(Millions of yen)

Items	March 31, 2016	March 31, 2016: Amounts excluded under transitional arrangements	March 31, 2015	March 31, 2015: Amounts excluded under transitional arrangements	Basel III Template No.
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—	—	—	—	18
Amount exceeding the 10% threshold on specified items	—	—	—	—	19+20+21
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—	—	—	19
of which: mortgage servicing rights	—	—	—	—	20
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—	—	—	21
Amount exceeding the 15% threshold on specified items	—	—	—	—	22
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—	—	—	23
of which: mortgage servicing rights	—	—	—	—	24
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—	—	—	25
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	—		—		27
Common Equity Tier 1 capital: regulatory adjustments (B)	25,172		15,862		28
Common Equity Tier 1 capital (CET1)					
Common Equity Tier 1 capital (CET1) ((A)-(B)) (C)	2,790,509		2,623,941		29
Additional Tier 1 capital: instruments					
Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and the breakdown	—		—		31a (30)
Rights to acquire new shares in relation to Additional Tier 1 instruments	—		—		31b (30)
Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	—		—		32 (30)
Qualifying Additional Tier 1 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—		—		(30)
Adjusted non-controlling interests, etc. (amount allowed to be included in group Additional Tier 1)	597		10,599		34-35
Eligible Tier 1 capital instruments subject to transitional arrangements included in Additional Tier 1 capital: instruments	—		—		33+35
of which: instruments issued by banks and their special purpose vehicles	—		—		33
of which: instruments issued by subsidiaries (excluding banks' special purpose vehicles)	—		—		35

Financial Condition

(Millions of yen)

Items	March 31, 2016	March 31, 2016 Amounts excluded under transitional arrangements	March 31, 2015	March 31, 2015 Amounts excluded under transitional arrangements	Basel III Template No.
Total of items included in Additional Tier 1 capital: items subject to transitional arrangements	384		1,269		
of which: foreign currency translation adjustments	171		970		
of which: items included in non-controlling interests, etc. subject to transitional arrangements	213		299		
Additional Tier 1 capital: instruments (D)	982		11,869		36
Additional Tier 1 capital: regulatory adjustments					
Investments in own Additional Tier 1 instruments	—	—	—	—	37
Reciprocal cross-holdings in Additional Tier 1 instruments	—	—	—	—	38
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	—	—	—	—	39
Significant investments in the Additional Tier 1 capital of Other Financial Institutions (net of eligible short positions)	4	3	24	37	40
Total of items included in Additional Tier 1 capital: regulatory adjustments subject to transitional arrangements	200		500		
of which: goodwill	200		500		
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	—		—		42
Additional Tier 1 capital: regulatory adjustments (E)	295		525		43
Additional Tier 1 capital (AT1)					
Additional Tier 1 capital ((D)-(E)) (F)	686		11,343		44
Tier 1 capital (T1 = CET1 + AT1)					
Tier 1 capital (T1 = CET1 + AT1) ((C)+(F)) (G)	2,791,197		2,635,285		45
Tier 2 capital: instruments and reserves					
Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and its breakdown	—		—		46
Rights to acquire new shares in relation to Tier 2 instruments	—		—		
Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	—		—		
Tier 2 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—		—		
Adjusted non-controlling interests, etc. (amount allowed to be included in group Tier 2)	141		157		48-49
Eligible Tier 2 capital instruments subject to transitional arrangements included in Tier 2: instruments and reserves	—		—		47+49
of which: instruments issued by banks and their special purpose vehicles	—		—		47
of which: instruments issued by subsidiaries (excluding banks' special purpose vehicles)	—		—		49
Total of general allowance for loan losses and eligible reserves included in Tier 2	38,493		46,580		50
of which: general allowance for loan losses	38,493		46,580		50a
of which: eligible reserves	—		—		50b

(Millions of yen)

Items	March 31, 2016	Amounts excluded under transitional arrangements	March 31, 2015	Amounts excluded under transitional arrangements	Basel III Template No.
Total of items included in Tier 2 capital: instruments and reserves subject to transitional arrangements	13,575		35,905		
of which: items included in accumulated other comprehensive income, etc. subject to transitional arrangements	13,575		35,905		
Tier 2 capital: instruments and reserves (H)	52,210		82,642		51
Tier 2 capital: regulatory adjustments					
Investments in own Tier 2 instruments	—	—	—	—	52
Reciprocal cross-holdings in Tier 2 instruments	—	—	—	—	53
Non-significant Investments in the Tier 2 capital of Other Financial Institutions, net of eligible short positions (amount above the 10% threshold)	—	—	—	—	54
Significant investments in the Tier 2 capital of Other Financial Institutions (net of eligible short positions)	—	—	—	—	55
Total of items included in Tier 2 capital: regulatory adjustments subject to transitional arrangements	—		—		
Tier 2 capital: regulatory adjustments (I)	—		—		57
Tier 2 capital (T2)					
Tier 2 capital (T2) ((H)-(I)) (J)	52,210		82,642		58
Total capital (TC = T1 + T2)					
Total capital (TC = T1 + T2) ((G) + (J)) (K)	2,843,407		2,717,927		59
Risk weighted assets					
Total of items included in risk weighted assets subject to transitional arrangements	2,669		3,343		
of which: other intangible fixed assets other than goodwill and mortgage servicing rights	1,919		2,171		
of which, significant investments in the Additional Tier 1 capital of Other Financial Institutions (net of eligible short positions)	3		37		
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	73		120		
of which: net defined benefit assets	672		1,014		
Risk weighted assets (L)	15,908,614		16,173,097		60
Capital ratio (consolidated)					
Common Equity Tier 1 risk-weighted capital ratio (consolidated) ((C)/(L))	17.54%		16.22%		61
Tier 1 risk-weighted capital ratio (consolidated) ((G)/(L))	17.54%		16.29%		62
Total risk-weighted capital ratio (consolidated) ((K)/(L))	17.87%		16.80%		63
Regulatory adjustments					
Non-significant Investments in the capital of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	72,291		82,005		72
Significant investments in the common stock of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	1,221		966		73
Mortgage servicing rights that are below the thresholds for deduction (before risk weighting)	—		—		74
Deferred tax assets arising from temporary differences that are below the thresholds for deduction (before risk weighting)	2,332		1,890		75

(Millions of yen)

Items	March 31, 2016	Amounts excluded under transitional arrangements	March 31, 2015	Amounts excluded under transitional arrangements	Basel III Template No.
Reserves included in Tier 2 capital: instruments and reserves					
General allowance for loan losses	38,493		46,580		76
Cap on inclusion of general allowance for loan losses	195,844		199,133		77
Eligible reserves for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	—		—		78
Cap for inclusion of reserves in Tier 2 under internal ratings-based approach	—		—		79
Capital instruments subject to transitional arrangements					
Current cap on Additional Tier 1 instruments subject to transitional arrangements	—		—		82
Amount excluded from Additional Tier 1 due to cap (excess over cap after redemptions and maturities)	—		—		83
Current cap on Tier 2 instruments subject to transitional arrangements	—		—		84
Amount excluded from Tier 2 due to cap (excess over cap after redemptions and maturities)	—		—		85

Capital Structure Information (Non-Consolidated)

(Millions of yen)

Items	March 31, 2016	March 31, 2016: Amounts excluded under transitional arrangements	March 31, 2015	March 31, 2015: Amounts excluded under transitional arrangements	Basel III Template No.
Common Equity Tier 1 capital: instruments and reserves					
Directly issued qualifying common share capital plus related capital surplus and retained earnings	2,396,364		2,579,918		1a+2-1c-26
of which: common stock and capital surplus	1,995,890		2,267,419		1a
of which: retained earnings	429,751		335,018		2
of which: treasury stock	—		—		1c
of which: planned distribution of income	29,277		22,520		26
of which: other than the above	—		—		
Rights to acquire new common shares	—		—		1b
Valuation and translation adjustment and other disclosed reserves	389,499	34,900	46,786	70,179	3
Total of items included in Common Equity Tier 1 capital: instruments and reserves subject to transitional arrangements	—		—		
Common Equity Tier 1 capital: instruments and reserves (A)	2,785,863		2,626,704		6
Common Equity Tier 1 capital: regulatory adjustments					
Total intangible assets (excluding those relating to mortgage servicing rights)	2,855	1,903	1,428	2,143	8+9
of which: goodwill (including those equivalent)	—	—	—	—	8
of which: other intangible assets other than goodwill and mortgage servicing rights	2,855	1,903	1,428	2,143	9
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	—	—	—	10
Deferred gains or losses on derivatives under hedge accounting	21,027	14,018	12,886	19,330	11
Shortfall of eligible reserves to expected losses	—	—	—	—	12
Capital increase due to securitization transactions	—	—	—	—	13
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—	—	—	14
Prepaid pension cost	535	356	356	534	15
Investments in own shares (excluding those reported in the Equity section)	—	—	—	—	16
Reciprocal cross-holdings in common equity	—	—	—	—	17
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital ("Non-significant Investment") (amount above the 10% threshold)	—	—	—	—	18
Amount exceeding the 10% threshold on specified items	—	—	—	—	19+20+21
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—	—	—	19
of which: mortgage servicing rights	—	—	—	—	20
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—	—	—	21

(Millions of yen)

Items	March 31, 2016	March 31, 2016: Amounts excluded under transitional arrangements	March 31, 2015	March 31, 2015: Amounts excluded under transitional arrangements	Basel III Template No.
Amount exceeding the 15% threshold on specified items	—	—	—	—	22
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—	—	—	23
of which: mortgage servicing rights	—	—	—	—	24
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—	—	—	25
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	4		24		27
Common Equity Tier 1 capital: regulatory adjustments (B)	24,422		14,697		28
Common Equity Tier 1 capital (CET1)					
Common Equity Tier 1 capital (CET1) ((A)-(B)) (C)	2,761,441		2,612,007		29
Additional Tier 1 capital: instruments					
Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and the breakdown	—		—		31a (30)
Rights to acquire new shares in relation to Additional Tier 1 instruments	—		—		31b (30)
Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	—		—		32 (30)
Qualifying Additional Tier 1 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—		—		(30)
Eligible Tier 1 capital instruments subject to transitional arrangements included in Additional Tier 1 capital: instruments	—		—		33+35
Total of items included in Additional Tier 1 capital: items subject to transitional arrangements	—		—		
Additional Tier 1 capital: instruments (D)	—		—		36
Additional Tier 1 capital: regulatory adjustments					
Investments in own Additional Tier 1 instruments	—		—		37
Reciprocal cross-holdings in Additional Tier 1 instruments	—		—		38
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	—		—		39
Significant investments in the Additional Tier 1 capital of Other Financial Institutions (net of eligible short positions)	4	3	24	37	40
Total of items included in Additional Tier 1 capital: regulatory adjustments subject to transitional arrangements	—		—		
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	—		—		42
Additional Tier 1 capital: regulatory adjustments (E)	4		24		43

(Millions of yen)

Items	March 31, 2016	Amounts excluded under transitional arrangements	March 31, 2015	Amounts excluded under transitional arrangements	Basel III Template No.
Additional Tier 1 capital (AT1)					
Additional Tier 1 capital ((D)-(E)) (F)	—		—		44
Tier 1 capital (T1 = CET1 + AT1)					
Tier 1 capital (T1 = CET1 + AT1) ((C)+(F)) (G)	2,761,441		2,612,007		45
Tier 2 capital: instruments and reserves					
Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and its breakdown	—		—		46
Rights to acquire new shares in relation to Tier 2 instruments	—		—		
Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	—		—		
Tier 2 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—		—		
Eligible Tier 2 capital instruments subject to transitional arrangements included in Tier 2: instruments and reserves	—		—		47+49
Total of general allowance for loan losses and eligible reserves included in Tier 2	38,871		46,923		50
of which: general allowance for loan losses	38,871		46,923		50a
of which: eligible reserves	—		—		50b
Total of items included in Tier 2 capital: instruments and reserves subject to transitional arrangements	13,227		33,271		
of which: items included valuation and translation adjustments, etc. subject to transitional arrangements	13,227		33,271		
Tier 2 capital: instruments and reserves (H)	52,098		80,194		51
Tier 2 capital: regulatory adjustments					
Investments in own Tier 2 instruments	—	—	—	—	52
Reciprocal cross-holdings in Tier 2 instruments	—	—	—	—	53
Non-significant Investments in the Tier 2 capital of Other Financial Institutions, net of eligible short positions (amount above the 10% threshold)	—	—	—	—	54
Significant investments in the Tier 2 capital of Other Financial Institutions (net of eligible short positions)	—	—	—	—	55
Total of items included in Tier 2 capital: regulatory adjustments subject to transitional arrangements	—		—		
Tier 2 capital: regulatory adjustments (I)	—		—		57
Tier 2 capital (T2)					
Tier 2 capital (T2) ((H)-(I)) (J)	52,098		80,194		58
Total capital (TC = T1 + T2)					
Total capital (TC = T1 + T2) ((G) + (J)) (K)	2,813,539		2,692,202		59

(Millions of yen)

Items	March 31, 2016	Amounts excluded under transitional arrangements	March 31, 2015	Amounts excluded under transitional arrangements	Basel III Template No.
Risk weighted assets					
Total of items included in risk weighted assets subject to transitional arrangements	2,263		2,715		
of which: other intangible fixed assets other than goodwill and mortgage servicing rights	1,903		2,143		
of which: significant investments in the Additional Tier 1 capital of Other Financial Institutions (net of eligible short positions)	3		37		
of which: prepaid pension cost	356		534		
Risk weighted assets (L)	16,695,289		16,431,381		60
Capital ratio (non-consolidated)					
Common Equity Tier 1 risk-weighted capital ratio (consolidated) ((C)/(L))	16.54%		15.89%		61
Tier 1 risk-weighted capital ratio (non-consolidated) ((G)/(L))	16.54%		15.89%		62
Total risk-weighted capital ratio (non-consolidated) ((K)/(L))	16.85%		16.38%		63
Regulatory adjustments					
Non-significant Investments in the capital of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	72,321		79,434		72
Significant investments in the common stock of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	394		348		73
Mortgage servicing rights that are below the thresholds for deduction (before risk weighting)	—		—		74
Deferred tax assets arising from temporary differences that are below the thresholds for deduction (before risk weighting)	2,124		1,707		75
Reserves included in Tier 2 capital: instruments and reserves					
General allowance for loan losses	38,871		46,923		76
Cap on inclusion of general allowance for loan losses	205,678		202,355		77
Eligible reserves for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	—		—		78
Cap for inclusion of reserves in Tier 2 under internal ratings-based approach	—		—		79
Capital instruments subject to transitional arrangements					
Current cap on Additional Tier 1 instruments subject to transitional arrangements	—		—		82
Amount excluded from Additional Tier 1 due to cap (excess over cap after redemptions and maturities)	—		—		83
Current cap on Tier 2 instruments subject to transitional arrangements	—		—		84
Amount excluded from Tier 2 due to cap (excess over cap after redemptions and maturities)	—		—		85

[2] Qualitative Disclosure

1. Scope of Consolidation

(1) Differences and the reasons for those differences at companies included in the scope of consolidation based on the regulation (Ministry of Finance Regulation No. 28, 1976) related to the companies belonging to the group of companies included in the scope of calculation of the consolidated capital adequacy ratio as provided in Article 3 of the Notification (hereinafter, the "Consolidated Group"), and the language, format and preparation method of their consolidated financial statements (hereinafter, the "Scope of Accounting Consolidation")
No differences.

(2) Within the Consolidated Group, the number of consolidated subsidiaries and the names and main businesses of principal consolidated subsidiaries.
The number of consolidated subsidiaries as of March 31, 2016 is 25.
Principal consolidated subsidiaries

Company	Principal Businesses
Japan Economic Research Institute Inc.	Research, consulting and advisory services
Value Management Institute, Inc.	Research, consulting and advisory services
DBJ Securities Co., Ltd.	Securities business
DBJ Capital Co., Ltd.	Management of investment associations
DBJ Asset Management Co., Ltd.	Investment management, investment advisory and agency services
DBJ Singapore Limited	Investment and loan support and advisory services
DBJ Europe Limited	Investment and loan support and advisory services
DBJ Investment Advisory Co., Ltd.	Investment advisory and agency services
DBJ Real Estate Co., Ltd.	Real estate leasing
DBJ Investment Consulting (Beijing) Co., Ltd.	Investment and loan support and advisory services

(3) Number of affiliated companies that conduct financial business to which Article 9 of the Notification applies, the names of affiliated companies conducting such related financial business and their primary businesses
Not applicable.

(4) Companies that belong to the Consolidated Group but are not included in the Scope of Accounting Consolidation and companies that do not belong to the Consolidated Group but are included in the Scope of Accounting Consolidation, as well as the amount of total assets and net assets on their balance sheets, and their primary businesses
Not applicable.

(5) Overview of limitations related to the transfer of funds or capital within the Consolidated Group
Not applicable.

2. Overview of Methods for Evaluating the Degree of Capital Adequacy

Regarding the degree of capital adequacy, DBJ quantifies credit risk, investment 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

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.

(b) Rating Agencies Eligible to Weight Risks

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.

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 certain to be recovered based on a reasonable evaluation of the collateral. 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 Risk Characteristics** 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. DBJ's involvement in securitized and resecuritized transactions is typically that of an investor, and in principle the exposure acquired through such transactions continues until the instrument's maturity. **(b) Overview of status of implementation and operation of systems stipulated in Article 249, Paragraph 4, Items 3-6, of the Capital Adequacy Ratio Notification (including application with modifications in Capital Adequacy Ratio Notification Article 254, Paragraph 2, and Article 302-4, Item 1)** DBJ has created the systems necessary for operating within its credit risk management framework. Specifically, as one aspect of our credit risk management, our sales department endeavors to appropriately collect information related to comprehensive risk characteristics and performance, and DBJ monitors conditions to determine any changes in the borrower's creditworthiness. Related information is also provided to the credit analysis department, which may revise borrower ratings or make other adjustments on the basis of this related information as necessary. **(c) Methods Used to Calculate Credit Risk Asset Amount of Securitization Exposure** DBJ employs the standardized approach for these calculations. **(d) Method of Accounting for Securitized Transactions** DBJ's involvement in securitized transactions is that of an investor. DBJ adequately accounts for these transactions in accordance with the "Accounting Standard for Financial Instruments." **(e) Rating Agencies Eligible to Weight Risks by Type of Securitization Exposure** 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. 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	DBJ includes in its calculation method no market risk equivalent amount.
8. Operational risk	**(a) Overview of Risk Management Policies and Procedures** 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. 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. DBJ designates operational risk officers at each of its offices. These personnel are charged with establishing data collection procedures, understanding risks and creating risk databases. In line with the increasing advancement and diversity of the financial business, DBJ addresses various operational risks by establishing or improving management methods and preparations to appropriately identify, evaluate, measure, monitor and control these risks. **(b) Method Used to Calculate Operational Risk Equivalent Amount** DBJ uses the basic indicator approach to calculate this risk.
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** 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. DBJ also employs the value at risk (VaR) and Basis Point Value (BPV) to compute various risks from the standpoint of their economic value. DBJ regularly compares VaR and 200 BPV against capital to ensure that interest rate risk remains within a specified range of capital. **(b) Overview of Methods for Calculating Interest Rate Risk Used by the Bank for Internal Control of the Banking Book** DBJ calculates interest rate risk based on the following method. (i) VaR: Use a historical method of measurement with a one-year holding period, a five-year time horizon and a 99.9% confidence level (ii) Measure interest rate fluctuations in the 1st percentile and 99th percentile, using a one-year holding period and a five-year time horizon (iii) 200 BPV: Use a 2% parallel shift in a standardized interest rate shock to measure the change in economic value

[3] Quantitative Disclosure

Quantitative Disclosure (Consolidated)

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, 2016	March 31, 2015
Loans	¥12,439,266	¥12,513,935
Equities, funds	599,297	584,878
Central counterparty clearing house	15,712	12,808
Commitments and customers' liabilities for acceptances and guarantees	450,976	518,192
Bonds (JGBs and corporate bonds, etc.)	850,148	1,071,870
Reverse repurchase agreement/call loan	7,962	394,043
Other	1,122,837	935,649
Total	¥15,486,201	¥16,031,378

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

(1) By region

(Millions of yen)

	March 31, 2016	March 31, 2015
Domestic total	¥15,476,856	¥16,024,252
Overseas total	9,345	7,126

Note: "Overseas" refers to overseas consolidated subsidiaries. DBJ has no overseas branches.

(2) Breakdown by industry and transaction counterparty

(Millions of yen)

	March 31, 2016	March 31, 2015
Manufacturing	¥ 3,184,409	¥ 3,414,170
Agriculture and forestry	184	1,014
Fisheries	350	500
Mining, quarrying and gravel extraction	79,711	68,710
Construction	54,949	60,527
Electrical, gas, heat supply and water	3,586,791	3,507,215
Information and communications	427,900	468,917
Transportation and postal	2,418,207	2,589,470
Wholesale and retail	988,276	1,048,632
Finance and insurance	1,608,972	2,024,675
Real estate and leasing of goods	2,098,076	1,892,500
Services	320,266	322,315
Municipal government	16,645	16,405
Other	701,458	616,320
Total	¥15,486,201	¥16,031,378

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

	March 31, 2016	March 31, 2015
Five years or less	¥7,504,681	¥7,972,828
More than five years, up to 10	4,619,964	4,536,950
More than 10 years, up to 15	1,703,740	1,751,721
More than 15 years	630,494	855,797
No maturity date	1,027,321	914,080

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

	March 31, 2016	March 31, 2015
Risk weight 0%	¥ 564,565	¥ 532,466
Risk weight 10%	6,185	11,411
Risk weight 20%	1,265,891	1,845,956
Risk weight 50%	6,424,898	6,569,284
Risk weight 100%	7,065,556	6,946,420
Risk weight 150%	40,439	13,836
Risk weight 250%	6,490	6,439
Risk weight 1,250%	2,242	1,888
Other	79,448	68,294

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, 2016	March 31, 2015
Structured finance	¥1,007,271	¥957,747
Of which, resecuritization exposure	—	—
Credit derivatives	7,328	16,904
Of which, resecuritization exposure	5,454	10,514
Funds*	211,724	223,706
Of which, resecuritization exposure	—	—

* 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, 2016	March 31, 2015
Risk weight	0%	Balance	¥ 76,766	¥ 70,576
		Capital requirement	0	0
Risk weight	20%	Balance	74,905	69,875
		Capital requirement	1,198	1,118
Risk weight	50%	Balance	44,945	29,243
		Capital requirement	1,797	1,169
Risk weight	100%	Balance	681,563	670,599
		Capital requirement	54,525	53,647
Risk weight	1,250%	Balance	322,615	347,169
		Capital requirement	322,615	347,169
Risk weight	Other*	Balance	20,073	378
		Capital requirement	6,334	63

* Applying to exposure the transitional arrangements indicated in Article 15 of the Supplementary Provisions to the Capital Adequacy Ratio Notification.

Resecuritization exposure (Millions of yen)

			March 31, 2016	March 31, 2015
Risk weight	40%	Balance	¥5,454	¥10,514
		Capital requirement	174	336

(3) A 1,250% risk weight is applied to the breakdown of securitization exposure amounts in accordance with Article 247 of the Capital Adequacy Ratio Notification (Millions of yen)

	March 31, 2016	March 31, 2015
Structured finance	¥111,401	¥123,850
Funds*	211,214	223,328

* Assets held by funds including the commitment to funds (calculated on "look-through" approach basis).

(4) Breakdown of retained resecuritization exposure by application of techniques to mitigate credit risks and guarantors, or by risk weighting applied to guarantors.

Not applicable.

(5) 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, 2016	March 31, 2015
Credit risk assets	¥—	¥—

3. Interest Rate Risk in the Banking Book

	March 31, 2016	March 31, 2015
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: ¥10.1 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: ¥13.9 billion

Composition of Leverage Ratio Disclosure (Consolidated)

(Millions of yen)

Item		March 31, 2016	March 31, 2015	Corresponding Line No. on Basel III Disclosure Template Table 2	Corresponding Line No. on Basel III Disclosure Template Table 1
On-balance sheet exposures (1)					
On-balance sheet exposures before deducting adjustments items		15,645,193	16,126,048	1	
Total assets reported in the consolidated balance sheet		15,907,180	16,360,608	1a	1
The amount of assets of subsidiaries that are not included in the scope of the leverage ratio on a consolidated basis (-)		—	—	1b	2
The amount of assets of subsidiaries that are included in the scope of the leverage ratio on a consolidated basis (except those included in the total assets reported in the consolidated balance sheet)		—	—	1c	7
The amount of assets that are deducted from the total assets reported in the consolidated balance sheet (except adjustment items) (-)		261,986	234,560	1d	3
The amount of adjustment items pertaining to Tier1 capital (-)		4,731	3,063	2	7
Total on-balance sheet exposures	(a)	15,640,462	16,122,985	3	
Exposures related to derivatives transactions (2)					
Replacement cost associated with derivatives transactions, etc.		118,524	181,079	4	
Add-on amount associated with derivatives transactions, etc.		49,676	60,645	5	
The amount of receivables arising from providing cash margin in relation to derivatives transactions, etc.		13,873	937		
The amount of receivables arising from providing cash margin, provided where deducted from the consolidated balance sheet pursuant to the operative accounting framework		—	—	6	
The amount of deductions of receivables (out of those arising from providing cash variation margin) (-)		—	—	7	
The amount of client-cleared trade exposures for which a bank or bank holding company acting as clearing member is not obliged to make any indemnification (-)		—	—	8	
Adjusted effective notional amount of written credit derivatives		13,828	20,404	9	
The amount of deductions from effective notional amount of written credit derivatives (-)		—	—	10	
Total exposures related to derivative transactions	(b)	195,903	263,067	11	4
Exposures related to repo transactions (3)					
The amount of assets related to repo transactions, etc.		—	5,299	12	
The amount of deductions from the assets above (line 12) (-)		—	—	13	
The exposures for counterparty credit risk for repo transactions, etc.		—	0	14	
The exposures for agent repo transactions		—	—	15	
Total exposures related to repo transactions, etc.	(c)	—	5,300	16	5
Exposures related to off-balance sheet transactions (4)					
Notional amount of off-balance sheet transactions		1,163,033	1,041,229	17	
The amount of adjustments for conversion in relation to off-balance sheet transactions (-)		332,330	290,874	18	
Total exposures related to off-balance sheet transactions	(d)	830,702	750,354	19	6
Leverage ratio on a consolidated basis (5)					
The amount of capital (Tier1 capital)	(e)	2,791,197	2,635,285	20	
Total exposures ((a)+(b)+(c)+(d))	(f)	16,667,068	17,141,706	21	8
Leverage ratio on a consolidated basis ((e)/(f))		16.74%	15.37%	22	

Quantitative Disclosure (Non-Consolidated)

1. Items Related to Capital Adequacy Level

(Millions of yen)

	March 31, 2016	March 31, 2015
(a) Capital requirement to total credit risk	¥1,316,522	¥1,295,076
(1) Exposure by portfolio to which standardized method applied	859,308	868,388
(i) Japanese government and regional municipal bodies	—	—
(ii) Exposure to financial institutions	14,534	21,198
(iii) Exposure to corporations	775,437	778,030
(iv) Equity exposure	57,615	57,445
(v) Other exposure	11,721	11,713
(2) Securitization risk exposure	448,372	416,047
(3) Central counterparty clearing house	25	20
(4) Capital requirement to credit valuation adjustment (CVA) risk	8,817	10,620
(b) Capital requirement to market risk	—	—
(c) Capital requirement to operational risk	19,100	19,434
(d) Non-consolidated total capital requirement ((a) + (b) + (c))	1,335,622	1,314,510

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, 2016	March 31, 2015
Loans	¥12,662,784	¥12,715,642
Equities, funds	657,256	654,084
Central counterparty clearing house	15,712	12,808
Commitments and customers' liabilities for acceptances and guarantees	453,128	521,833
Bonds (JGBs and corporate bonds, etc.)	850,148	1,071,828
Reverse repurchase agreement/call loan	7,962	394,043
Other	831,624	747,151
Total	¥15,478,616	¥16,117,392

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

(1) By region

(Millions of yen)

	March 31, 2016	March 31, 2015
Domestic total	¥15,478,616	¥16,117,392
Overseas total	—	—

Note: DBJ has no overseas branches.

(2) Breakdown by industry and transaction counterparty

(Millions of yen)

	March 31, 2016	March 31, 2015
Manufacturing	¥ 3,184,409	¥ 3,414,170
Agriculture and forestry	184	1,014
Fisheries	350	500
Mining, quarrying and gravel extraction	79,711	68,710
Construction	54,949	60,527
Electrical, gas, heat supply and water	3,586,791	3,507,215
Information and communications	427,900	468,917
Transportation and postal	2,418,207	2,589,470
Wholesale and retail	988,276	1,048,632
Finance and insurance	1,834,706	2,242,843
Real estate and leasing of goods	2,174,852	1,969,613
Services	321,379	323,428
Municipal government	16,645	16,405
Other	390,250	405,940
Total	¥15,478,616	¥16,117,392

(3) Breakdown by period to maturity

(Millions of yen)

	March 31, 2016	March 31, 2015
Five years or less	¥7,646,767	¥8,066,411
More than five years, up to 10	4,674,053	4,614,243
More than 10 years, up to 15	1,703,740	1,751,721
More than 15 years	635,901	864,197
No maturity date	818,154	820,817

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

(Millions of yen)

	March 31, 2016	March 31, 2015
Risk weight 0%	¥ 564,565	¥ 532,466
Risk weight 10%	6,185	11,411
Risk weight 20%	1,237,802	1,815,834
Risk weight 50%	6,424,898	6,569,284
Risk weight 100%	7,078,666	7,051,069
Risk weight 150%	40,439	13,836
Risk weight 250%	5,455	5,638
Risk weight 1,250%	2,242	1,888
Other	89,609	69,429

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, 2016	March 31, 2015
Eligible financial collaterals	¥ —	¥ 5,299
Guarantees or credit derivatives	1,002,656	1,016,328

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

(Millions of yen)

		March 31, 2016	March 31, 2015
Equivalent credit calculation method		Current exposure method	Current exposure method
Gross restructuring cost		¥175,991	¥246,921
Gross add-on, by transaction type		59,799	72,790
	Interest rate transactions	28,496	35,496
	Foreign exchange transactions	30,954	37,071
	Credit derivative transactions	325	175
	Other commodity transactions	24	48
Reducing credit equivalent amounts through netting		73,028	80,322
Net equivalent credit		162,762	239,389
	Net restructuring cost	118,206	180,678
Notional amounts of credit derivatives for calculated credit equivalent amount by type of credit derivative, by protection purchase or provision	Credit default swaps provision	13,829	20,404
	Credit default swaps purchase	6,500	3,500
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 customers' liabilities for 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, 2016	March 31, 2015
Structured finance	¥1,139,376	¥1,011,991
Of which, resecuritization exposure	—	—
Credit derivatives	7,328	16,904
Of which, resecuritization exposure	5,454	10,514
Funds*	211,454	201,028
Of which, resecuritization exposure	—	—

* 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, 2016	March 31, 2015
Risk weight	0%	Balance	¥ 76,766	¥ 70,576
		Capital requirement	—	—
Risk weight	20%	Balance	74,905	69,875
		Capital requirement	1,198	1,118
Risk weight	50%	Balance	44,945	29,243
		Capital requirement	1,797	1,169
Risk weight	100%	Balance	757,074	694,066
		Capital requirement	60,565	55,525
Risk weight	1,250%	Balance	369,500	341,992
		Capital requirement	369,500	341,992
Risk weight	Other*	Balance	29,512	13,654
		Capital requirement	15,135	15,905

* Applying to exposure the transitional measures indicated in Article 15 of the Supplementary Provision to the Capital Adequacy Ratio Notification.

Resecuritization exposure

(Millions of yen)

			March 31, 2016	March 31, 2015
Risk weight	40%	Balance	¥5,454	¥10,514
		Capital requirement	174	336

(3) A 1,250% risk weight is applied to the breakdown of securitization exposure amounts in accordance with Article 247 of the Capital Adequacy Ratio Notification

(Millions of yen)

	March 31, 2016	March 31, 2015
Structured finance	¥167,995	¥154,641
Funds*	201,505	187,373

* Assets held by funds including the commitment to funds (calculated on "look-through" approach basis).

(4) Breakdown of retained resecuritization exposure by application of techniques to mitigate credit risks and guarantors, or by risk weighting applied to guarantors.

Not applicable.

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, 2016	March 31, 2015
(a) Market value of below-listed items as included within categories in the non-consolidated balance sheets		
Exposure to listed shares	¥ 84,369	¥109,519
Exposure to other equity investments and capital injections	575,946	547,155
(b) Gains or losses on the sale of equity investments or shares	45,787	12,353
Gain or loss on write-off of equity exposure	1,797	4,776
(c) Gains or losses from valuation recognized on the non-consolidated balance sheets but not recognized on the non-consolidated statement of income	52,206	84,749

Notes: 1. DBJ has no gains or losses from valuation unrecognized on the non-consolidated balance sheets or the non-consolidated statement of income.
2. DBJ 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

Not applicable.

9. Interest Rate Risk in the Banking Book

	March 31, 2016	March 31, 2015
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: ¥10.1 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: ¥13.9 billion

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