DBJ Development Bank of Japan

Integrated Report

2018

— Mission —

Design the Future with Financial Expertise

Continue to expand financial frontiers;
Provide the best solutions for customers and society;
Pursue sustainable development for Japan and the world.

Editorial Policy

DBJ Group published its first report for increasing communication with stakeholders in fiscal 2003, *Environmental Report for a Sustainable Society*. This integrated report is intended to provide financial and non-financial information to explain DBJ Group's business activities and initiatives in sustainable value creation to our broad spectrum of stakeholders. The content is decided by the Management Committee.

Period Covered and Scope

Period: Fiscal 2017 (April 1, 2017–March 31, 2018)
(Some information from outside this period is also included.)

Scope: In principle, the report covers DBJ and its 11 main subsidiaries.

Guidelines and Entities Referenced

International Integrated Reporting Council (IIRC)
International Integrated Reporting Framework
Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation

Environment
Social
Governance
Guidance for Collaborative Value Creation

Date of Publication

September 2018

Disclaimer

Integrated Report 2018 contains forward-looking statements. Forward-looking statements are based on information available at the time of writing and hypotheses or judgments regarding uncertain factors. Accordingly, actual results may differ materially if conditions change.

https://www.dbj.jp/en/

Latest news, financial services, case studies for investment, loans, various reports, information for investors, and details about CSR initiatives

Note: Detailed information in the main part can also be found on the DBJ corporate website.

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As a top runner in sustainability management, we promote a sustainable society driven by both economic and social value.

Hajime Watanabe

President and CEO
Development Bank of Japan Inc.

1. Foreword

Political instability is increasing today against a global backdrop of emerging protectionism and growing geopolitical risk. The environment surrounding financial institutions is also changing rapidly amid tightened financial regulations across the globe, rapid innovation in fintech, and negative interest rates in Japan.

In a world of rising uncertainty, a heightened awareness of the role of finance in building a sustainable society has produced marked change in the environmental, social, and governance (ESG) movement. In June 2017 the Task Force on Climate-related Financial Disclosures, formed under the auspices of the Financial Stability Board (FSB), published its final recommendations. In Japan, corporate leadership in working towards the United Nations' Sustainable Development Goals (SDGs) has been a powerful motivating force, along with the ESG investment initiatives of the Government Pension Investment Fund (GPIF).

As countries across the world set forth shared goals for sustainable development and the world looks to private companies for solutions to social issues, increasing numbers of companies are making such initiatives an integral part of their business.

2. The Role of DBJ Group

Since the days of its predecessors, the Japan Development Bank and the Hokkaido-Tohoku Development Finance Public Corporation, DBJ Group has contributed to Japan's sustainable development. It has achieved this by responding flexibly to the issues of the day, through the periods of postwar reconstruction and high and stable growth, the bubble economy and its collapse, globalization, declining birth rates and aging population, and growing environmental and disaster awareness. The past decade alone has seen dramatic change in the wake of the global financial crisis and such major events as the Great East Japan Earthquake. DBJ Group has developed new initiatives with an eye on the future, made possible by steady dialogue with our clients and other stakeholders. This dialogue we regard as a precious asset.

In October 2018, DBJ Group will mark its 10th anniversary as a joint-stock company. Going forward, we will continue to focus on flexibly responding to the changing needs of our clients and society as a whole, in keeping with our mission of "designing the future with financial expertise" while maintaining the core values of initiative and integrity.

3. The Long-Term Vision 2030 and Priority Areas

In 2015, we gave fresh thought to the role DBJ should play leading up to 2030. In the course of our debate, we identified a number of changes in the external environment which have a significant impact on DBJ Group stakeholders: Japan's declining population and its climate and energy issues; intensifying global competition; and technological innovations such as AI and fintech. Since its founding during the postwar reconstruction period, DBJ Group has dealt with issues ranging from urbanization and pollution control, up through the period of high economic growth, to the challenges of crisis management and competitiveness building we are working on today. Based on the roles the Group has undertaken and the value it has realized over this time, we tried to identify the best areas in which to use our strengths over the longer term in the interests of a sustainable society.

The result was Vision 2030. Drawn up in 2017, it establishes infrastructure, industry, and regional economies as the three priority areas (materiality items) for DBJ Group initiatives (see page 10). Our contributions in these areas will be consistent with the Group's course so far, and we believe they will be in line with what society and stakeholders expect from us in the future. The Group will do its utmost to promote sustainable development in these fields.

We will approach the creation of value centered on these three areas through sustainability management. By this we mean the creation of both economic and social value through our business activities with the aim of realizing a sustainable society. Based on its unique business model, DBJ Group will work to enhance both its financial and non-financial value, pursuing dialogue with our stakeholders so as to improve the value creation process.

4. Initiatives under the Fourth Medium-Term Management Plan (Fiscal 2017–Fiscal 2019)

The Fourth Medium-Term Management Plan: Initiate Change, Create the Future was drawn up in 2017 by backcasting from the Group's long-term vision. It focuses on contributing to Japan's growth by supplying risk capital to new growth sectors and regions, particularly in the vision's three priority areas, and on creating diverse financing and investment opportunities by linking up and collaborating with other financial institutions.

In fiscal 2017, the first year of the plan, progress was made in investment in infrastructure. Industry initiatives were put forth in aerospace, telecommunications, and healthcare, which we see as sources of next-generation growth. Special Investment Operations (see page 34) allowed us to exercise creativity and originality in drawing up region-specific projects such as alliances between regional and overseas companies. I believe the Group's efforts to work as one in pursuing these initiatives also marked a significant advance.

5. Our Company Going Forward

Fiscal 2018 marks the halfway point in the Fourth Medium-Term Management Plan. In Future Investment Strategy 2018, published in July 2018, the Japanese government presents the concept of Society 5.0, which centers on a connected society based on digital technology. The challenge for our clients today is to move into new areas that transcend traditional established industries. In fiscal 2018 DBJ Group introduced initiatives in the innovative logistics sector to augment its activities in aerospace, telecommunications, and healthcare. In addition to supplying risk capital, we see our role as taking on challenges in new sectors and functioning as a financial hub for a diverse range of businesses.

Other areas in which we will provide support include renewable energy and urban transportation and distribution infrastructure, essential to the creation of strong and flexible communities which draw on next-generation technologies to promote environmental friendliness and disaster resilience. Key measures include expanding the flow of funds through instruments such as real estate investment trusts (REITs) designed to satisfy demand for real estate renewal, and public–private partnerships (PPPs) and private finance initiatives (PFIs) for infrastructure projects dealing with tightening fiscal constraints.

When addressing local issues as part of these forward-looking initiatives, we will need to keep regional characteristics in mind. Ties and collaboration with local financial institutions and other entities will be increasingly important. And with the rise in the ESG movement, we will be actively promoting our DBJ certification programs (see page 51).

6. A Top Runner in Sustainability Management

Sustainability management is the key to our value creation process, and human resources are its most important foundation. DBJ's officers and employees draw on our corporate DNA to pursue a balance of economic and social value. They have inherited the DBJ DNA of long-term perspective, impartiality, public-mindedness, and reliability which have evolved over the years in the course of our business. Bolstered by this DNA, the Group has always risen to meet the challenges of the times. We are constantly striving to enhance our skills in corporate and project assessment. Our expertise in long-term screening and assessment, based on a comprehensive view of regional or current issues, is equal to network building as a central Group asset.

The employees who embody the Group's core values should be able to pursue their activities in full health, and for this purpose we are promoting workstyle reform. In fiscal 2018 we introduced telecommuting to bring more flexibility to working patterns. Employees dealing with client and community issues need to have a good grasp of global trends, and to enhance their global perspective we offer an expanding range of multilevel training programs including courses at universities overseas.

Dialogue with stakeholders is essential to fulfilling our mission as a top runner in sustainability management. I hope that this integrated report will serve to deepen communication among our employees, customers, and the broader community.

August 2018

Hajime Watanabe

President and CEO
Development Bank of Japan Inc.

DBJ Group's Corporate Philosophy

Design the Future with Financial Expertise

DBJ Group updated its corporate philosophy to coincide with the unveiling of its Fourth Medium-Term Management Plan.

With due consideration paid to progress it has made thus far, projected changes in the business environment, and outstanding social issues, DBJ Group has formulated a mission to relentlessly pursue, core values to share, and its Vision 2030 to follow as a guide into the future.

In connection with these elements of its corporate philosophy, DBJ Group has identified four core corporate values—long-term perspective, impartiality, public-mindedness, and reliability— that also embody its strengths and areas of differentiation.

Sharing Our Corporate Philosophy

Further propagating and applying our corporate philosophy will improve awareness of our social responsibility, enhance the sense of unity in DBJ Group, lower communication costs, and motivate our employees to grow with intention and a sense of mission.

Our unwavering purpose and our incessant determination to shape the future	**Design the Future with Financial Expertise** Continue to expand financial frontiers; Provide the best solutions for customers and society; Pursue sustainable development for Japan and the world.
Our vision for 2030, embodied in our mission and strategies	As industry and infrastructure professionals skilled in handling all types of risk, we will play a unique role in the economy and society of 2030—leading new business and market creation while responding to crises and other social needs.

Our strategy to reach our vision for 2030
Fourth Medium-Term Management Plan

DBJ's unique strengths assist with strategy execution

Our DNA a long-term perspective, impartiality, public-mindedness and reliability

Our guidelines for taking specific actions that expresses our values	Responsibility to future generations	We fulfill our responsibility to the future by pursuing both economic and social value.
	The customer's perspective	We devote unequaled thought to each possibility—from the customer's point of view.
	Outstanding service	We review and enhance our services while improving productivity.
	Commitment and cooperation	We work tirelessly to broaden frontiers and achieve best results. We respect diversity and work together for greater shared value.
Our unwavering values shared by management and employees (base component)	Initiative Integrity	

Our History

The Japan Development Bank (JDB) and the Hokkaido-Tohoku Development Finance Public Corporation (HTDFP), the predecessors of DBJ, were established with the objective of reviving Japan's economy and society after the end of World War II.

These companies contributed to the sustained development of society by providing solutions in tune with the times, changing themselves while staying true to their core values of taking on challenges with integrity amid significant changes in the economic and social landscape.

Economic recovery | **Rapid growth** | **Stable growth** | **Economic bubble**

1951 The Japan Development Bank Law enacted

1951–1955

Reconstruction and self-reliance of the economy

In 1951, JDB 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)
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 industrial infrastructure, JDB served to power new economic expansion. It also provided loans for local development to correct regional disparities.

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

Nippon Yusen Kabushiki Kaisha: Liner Sanuki Maru
Rebuilding Japan's merchant shipping fleet with finance under the government's shipbuilding program

1966–1971

Strengthening of international competitiveness and creation of social development loans

Aiming to enhance international competitiveness in accordance with the transition to an open economic system, JDB 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 problems accompanying high-level growth.

Nissan Motor Co., Ltd.: Auto production facility (Kanagawa Prefecture)
Strengthening of the Japanese automobile industry for capital liberalization

1972–1984

Improvements to quality of life and stable energy supply

JDB began antipollution measures, regional and urban development, other social initiatives, and industrial development. During 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 development of large-scale industrial sites.

New Town Center Development Co., Ltd. (Now Sunshine City Corporation): Sunshine City construction (Central Tokyo) Ikebukuro redevelopment for new urban configuration

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. JDB focused on support for social capital improvement, creative technological development, and industrial transformation and other issues.

In the 1990s, it targeted environmental and energy measures and regional economic stimulation with the aim of making Japan a lifestyle superpower.

Kansai International Airport Company, Ltd.: Kansai International Airport
Construction of a large international hub airport

1996–2000

Creation of a vibrant and affluent society and stable economy

JDB 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 to stabilize the financial system by functioning as a safety net.

Nakayama Joint Power Generation Co., Ltd.: Independent power producer (Osaka)
JDB offered project finance for Japan's first steelmaker to enter the power generation business triggered by deregulation.

The Development Bank of Japan (DBJ) was established in 1999. After becoming a joint-stock company in 2008, DBJ steadfastly engaged in major Crisis Response Operations in the wake of the global financial crisis and the Great East Japan Earthquake. Every day, DBJ strives to contribute to the sustained growth of the nation by addressing diverse social needs with financial solutions such as loans, investments, advisory services, and asset management.

Post-bubble economy | **Structural reform** | **The 2008 financial crisis / The Great East Japan Earthquake**

2007 Enactment of the Development Bank of Japan Inc. Act

2015 Amendments to the Development Bank of Japan Inc. Act

2001–2007

Financial solutions that support communities, the environment, and technology

In 1999, JDB and HTDFP were dissolved and the Development Bank of Japan was established. It focused its operations in three areas: community development, environmental conservation and sustainable societies, and the creation of new technologies and industries. In these ways, it contributed to the sustainable development of Japan's economy.

PASMO Co., Ltd.: Development of the PASMO IC card that transformed public transport convenience
Note: PASMO is a registered trademark of PASMO Co., Ltd.

Development of innovative financial products focused on sources of corporate value

Drawing on the knowledge gained from extending more than ¥3 trillion of investments and loans for environmental conservation projects over more than 40 years, in 2004 DBJ launched the Environmentally Rated Loan Program, which uses its proprietary screening system to evaluate firms' non-financial information and determine loan terms and conditions for selected firms with high scores. Using the same method, DBJ followed up with a disaster preparedness loan program in 2006, which was renamed the BCM Rated Loan Program in 2011, and the Employees' Health Management Rated Loan Program in 2012.

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 an impartial provider of industrial finance, long-term funds, and risk capital provided through integrated investment and loan services, DBJ addresses the various issues that clients face.

V-Lease Corporation
DBJ entered the business of operating leases for aircraft engines, of which core parts are produced by Japanese heavy industry companies. Through this business, we aim to promote the further development of the Japanese airline industry.

Dexerials Corporation
DBJ supported the expansion of operations by providing management resources, including human resources, along with risk capital to Dexerials, which has world-leading technologies in the functional materials field.

Overseas business development

DBJ began to develop a foundation for providing investment and loans overseas with the intention of returning knowledge to Japan.

Senoko Power Ltd. (Singapore)
DBJ provided subordinated financing to Senoko Power, the largest electric power company in Singapore.

Global financial crisis precipitated by the 2008 financial crisis

The financial crisis in the autumn of 2008 precipitated a global financial crisis. As this situation impaired the functioning of the bond markets, corporate cash flows worsened. DBJ responded promptly with financial Crisis Response Operations. Beginning in January 2009, these operations started to include purchases of commercial paper in response to falling functionality in that market.

Great East Japan Earthquake disaster and crisis response

Responding to the March 11, 2011, Great East Japan Earthquake disaster and crisis, 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 continues to provide risk capital through such methods as subordinated loans and preferred shares.

Joban Kosan Co., Ltd.: Spa Resort Hawaiians (Fukushima Prefecture)
Support for a theme park that became a symbol of reconstruction after the Great East Japan Earthquake

Reinforcement of 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.

Three Priority Areas for Realizing a Sustainable Society

Our Aspirations for the Future (Vision 2030)

With its values of initiative and integrity, DBJ Group has consistently responded to changes in the economic environment and social issues by providing solutions to fit the times and contribute to sustainable social development. This has been accompanied by changes to DBJ Group itself. In 2017, the Group formulated Vision 2030, which takes into account changes in the external environment that have a significant impact on stakeholders, in the pursuit of a sustainable society. In seeking to realize Vision 2030, the Group is building on its roles and dialogue with stakeholders thus far with a focus on the three priority areas of infrastructure, industry, and the regions.

Roles Undertaken

Providing solutions that meet the needs of the times amid major changes in the economic environment and social issues

Developing high-growth infrastructure	Strengthening international competitiveness
Smoothening industrial transformation	Creating an affluent society
Regional revitalization	Regenerating business
Financial crisis response, post-earthquake reconstruction	Supplying risk capital

Long-running, continuous collaboration and dialogue

Advisory Board
Monitoring Board

Stakeholders

Customers	Communities	Employees
Financial institutions	Investors	Shareholders

Future Changes in the External Environment

In drawing up Vision 2030, we identified changes in the external environment that could have a major impact on DBJ Group stakeholders in the future. These sync with the United Nations Sustainable Development Goals (SDGs) and we aim to contribute to realizing those goals.

- Population problems
- Climate change, natural resources, and energy
- Globalization
- AI, fintech, and other technological innovations
- Government budgets, finances, and regulations

SUSTAINABLE DEVELOPMENT GOALS

Realizing a sustainable society

Vision 2030

As professionals in the industrial and infrastructure fields, leveraging our ability to address diverse risks, taking the lead in creating businesses and markets, and precisely responding to such social demand as crisis response, we aim to play a unique role in the economy and society in 2030.

Our Three Priority Areas

DBJ Group has established infrastructure, industry, and the regions as its three priority areas based on the roles it has played and the functions it has undertaken to date, the social value it has realized, and future changes in the external environment. Leveraging its professional strengths, the Group is assessing long-term changes in the external environment to provide creative solutions to issues confronting clients in infrastructure, industry, and the regions and thereby play a part in creating a sustainable society.

Rebuilding and Reinforcement of Infrastructure

Rebuilding of energy systems, more advanced transportation networks, creation of attractive communities

- Rebuild energy and transportation infrastructure, upgrade public infrastructure
- Promote urban growth

Creation, Conversion, and Growth in Industry

Commercialization of new technologies, business restructuring to improve productivity and hone competitiveness, business development in global markets

- New technologies and businesses (promote innovation)
- Reorganization
- Overseas expansion

Self-Reliance and Revitalization of Local Economies

Industrial revitalization based on regional characteristics, overseas business development, response to inbound tourism, business succession

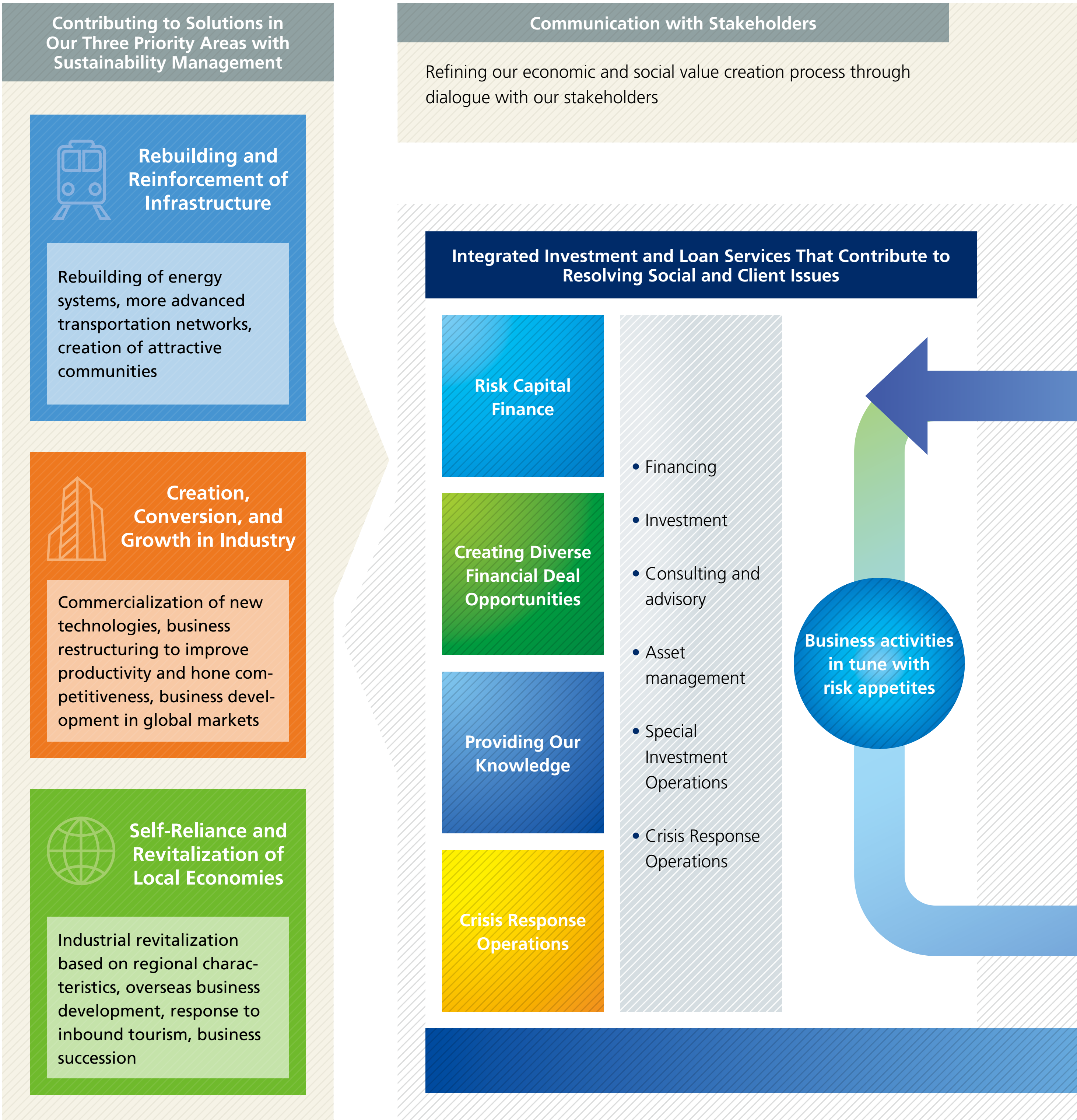
- Solve issues specific to each region
- Play a role connecting regions to Tokyo, regions to regions, and regions to the world

Sustainability Management

Value Creation Process

As a top runner in sustainability management, DBJ Group seeks to promote sustainable development in Japan and worldwide with solutions to issues facing clients and society.

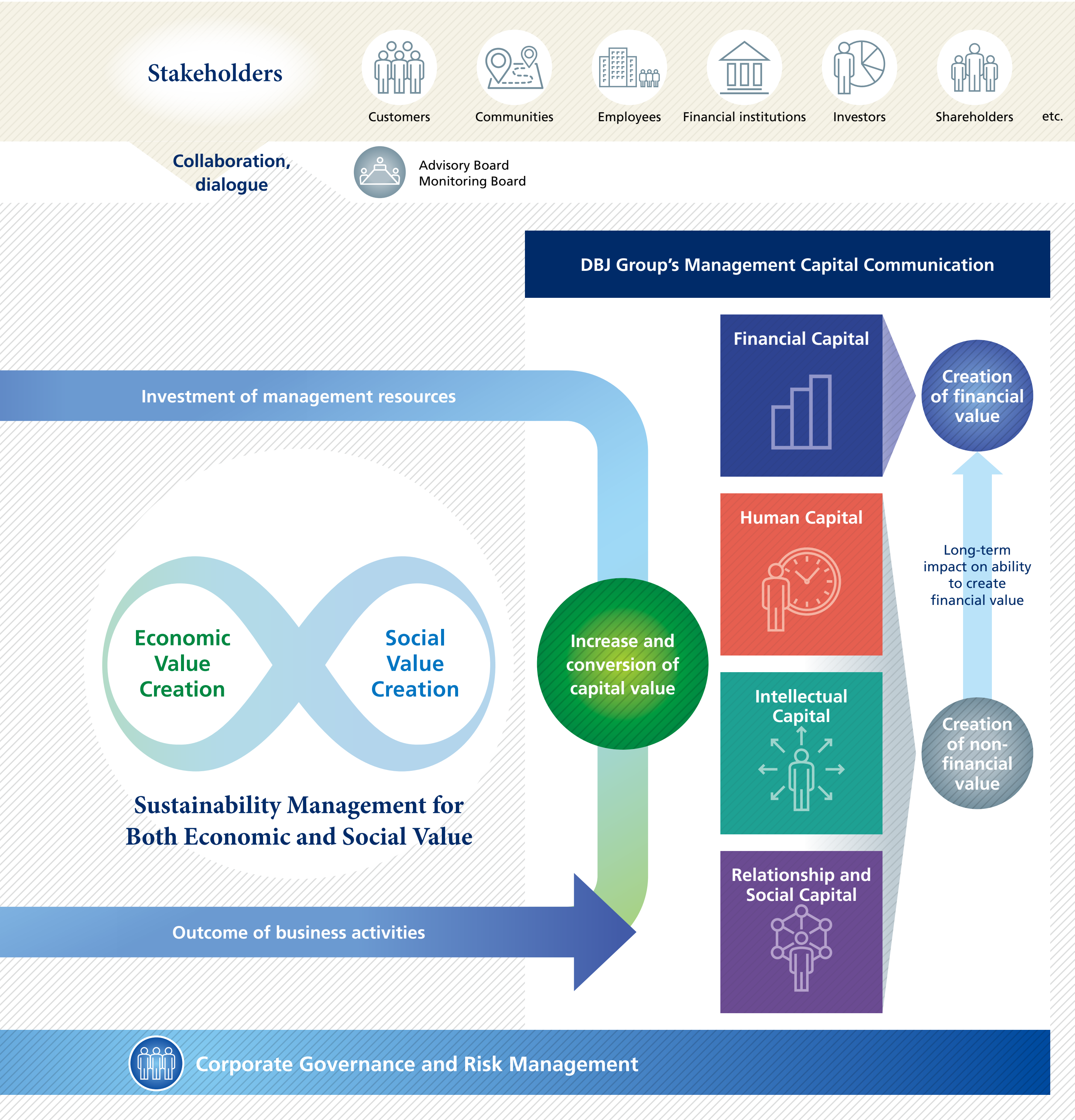
The sustainability management targeted by DBJ Group consists of business activities based on a business model that leverages Group capabilities in fields such as integrated investment and loan services and consulting and advisory services. The business model is designed to simultaneously raise economic value and social value in pursuit of a sustainable society. We are working constantly on improving our value creation process through collaboration and dialogue with stakeholders, seeking refinements in our sustainability management to elevate the value we create.



For our clients in industry and infrastructure, we provide integrated investment and loan services commensurate with their risk appetite along with consulting and advisory services. Additionally, for our investor clients we offer syndication and asset management services. These business activities extend to regions throughout Japan and overseas.

We also undertake Crisis Response Operations as required by events such as major disasters or financial market instability as mandated under the DBJ Act.

Implementation of DBJ Group's business model requires special resources. While healthy financial capital is a vital support, we also strive for the integrated expansion of financial and non-financial capital, using clear definitions for the human capital, intellectual capital, relationship capital, and social capital that impact on our financial value creation in the long term.



Fourth Medium-Term Management Plan

Initiate Change, Create the Future

Specific strategies for the three priority areas in realizing DBJ Group's long-term vision were incorporated into the Fourth Medium-Term Management Plan for fiscal 2017–fiscal 2019.

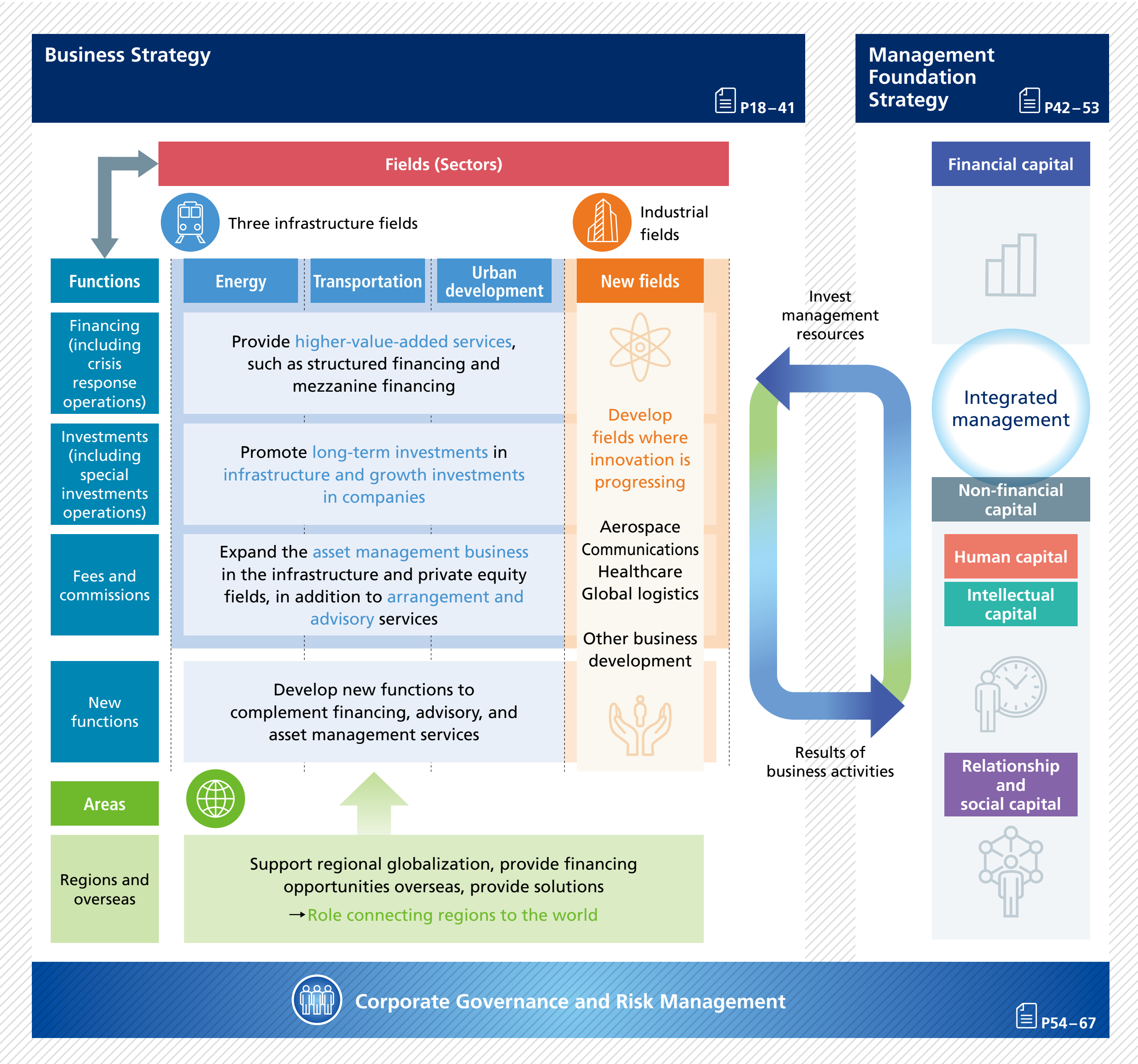
In formulating this plan, we undertook an in-depth analysis of our vision and considered business strategies centered on sectors, geographical areas, and functions as well as management foundation strategies for financial and non-financial capital.

With regard to our business strategy, we are expanding our integrated investment and loan services for clients in three infrastructure fields and in industries including new sectors, and we will be extending these initiatives to regions across Japan and overseas.

As for our management foundation strategy, we have divided DBJ Group management resources into the categories of financial, human, intellectual, and relationship and social capital. We will promote the growth and transformation of these capitals by investing in our management resources and improve our business activities to realize better results.

Amid heightened uncertainty in the external environment, DBJ Group will continue to work as one in line with its values of initiative and integrity to promote sustainable growth through the Fourth Medium-Term Management Plan.

The slogan of the plan—Initiate Change, Create the Future—designates our intention to spend the next three years creating a future foundation for DBJ Group that will allow it to respond flexibly to changes in the external environment and take on the challenge of changing itself for the better.



Financial Targets of the Fourth Medium-Term Management Plan

Over the time frame of the Fourth Medium-Term Management Plan, DBJ Group will increase the supply of risk capital, including Special Investment Operations, work diligently to secure a stable earnings base for the long term, and strengthen overseas projects, such as infrastructure projects. The Fourth Medium-Term Management Plan targets gross ordinary income of ¥190 billion and net income of ¥80 billion, increases of ¥30 billion and ¥10 billion, respectively, from the targets of the Third Medium-Term Management Plan.

DBJ aims to maintain robust levels of shareholders' equity and profitability in order to continue conducting Special Investment Operations, financial Crisis Response Operations, and the supply of other risk capital.
(In the Third Medium-Term Management Plan, our target for net income was ¥70 billion in the final fiscal year.)

(Consolidated)		Third Medium-Term Management Plan: Actual (Average for fiscal 2014–2016)	Third Medium-Term Management Plan: Actual (Fiscal 2016)	Fourth Medium-Term Management Plan: Actual (Fiscal 2017)	Fourth Medium-Term Management Plan: Target (Fiscal 2019)
Profitability	Gross ordinary income*1	¥182.6 billion	¥171.1 billion	¥174.3 billion	¥190 billion
	Current net income	¥103 billion	¥87.6 billion	¥91.9 billion	¥80 billion
	Of which, credit costs (negative = cost)*2	¥19.2 billion	¥4.5 billion	¥12.6 billion	—
	Expense ratio*3	26%	30%	34%	About 35%
	Total assets	—	¥16.5 trillion	¥16.9 trillion	¥16 trillion
	ROA*3 *4	1.1%	1.1%	1.0%	About 1%
	ROE*3 *4	3.7%	3.0%	3.1%	About 3%
Soundness	Capital adequacy ratio*5	—	17.2%	16.8%	At least 14%

*1 Includes stock-related gains/losses, before credit costs and expense deductions
*2 Credit costs (negative = cost) = reversal of allowance for loan losses (negative = provision) + reversal of reserve for contingent losses (negative = provision) + loan write-offs (negative) + collection of written-off claims + gain on sale of claims (negative = loss)
*3 Expense ratio and ROA versus gross operating profit, ROE versus net income
*4 Average for fiscal 2014–2016 uses simple average of ROA and ROE for each fiscal year
*5 Common equity Tier 1 risk-weighted capital ratio

Review of the Fourth Medium-Term Management Plan's First Year

Business Profit and Loss (Consolidated)

(¥billion)	Fiscal 2016	Fiscal 2017
Loans	86.0	84.8
Investment	63.2	65.8
Fee and commission income	21.8	23.6
Gross ordinary income	171.1	174.3
Operating expenses	(51.1)	(59.1)
Net business profits	120.0	115.1
Other extraordinary items	(0)	2.2
Gains on reversal of reserves and collection of written-off claims	2.4	11.9
Loans	4.4	12.4
Investment	(2.0)	(0.4)
Pretax profit	124.4	129.4

Note: Business categories are those used in business management.

In investment and loan operations, lending yields were depressed by low interest rates. However, margins improved, albeit slightly, as DBJ focused on high-margin structured products, while the interest rate on external debt declined due to the maturity of debt carrying high interest rates. However, profits edged down due to interest payments on an increased debt balance.

High profits were maintained in investment operations thanks to factors such as exits. A certain degree of progress was made in constructing a stable investment portfolio.

In loan operations, fee and commission income from financing declined, but earnings exceeded those in the previous fiscal year due to factors such as DBJ Asset Management's contribution to profits.

Business Strategy

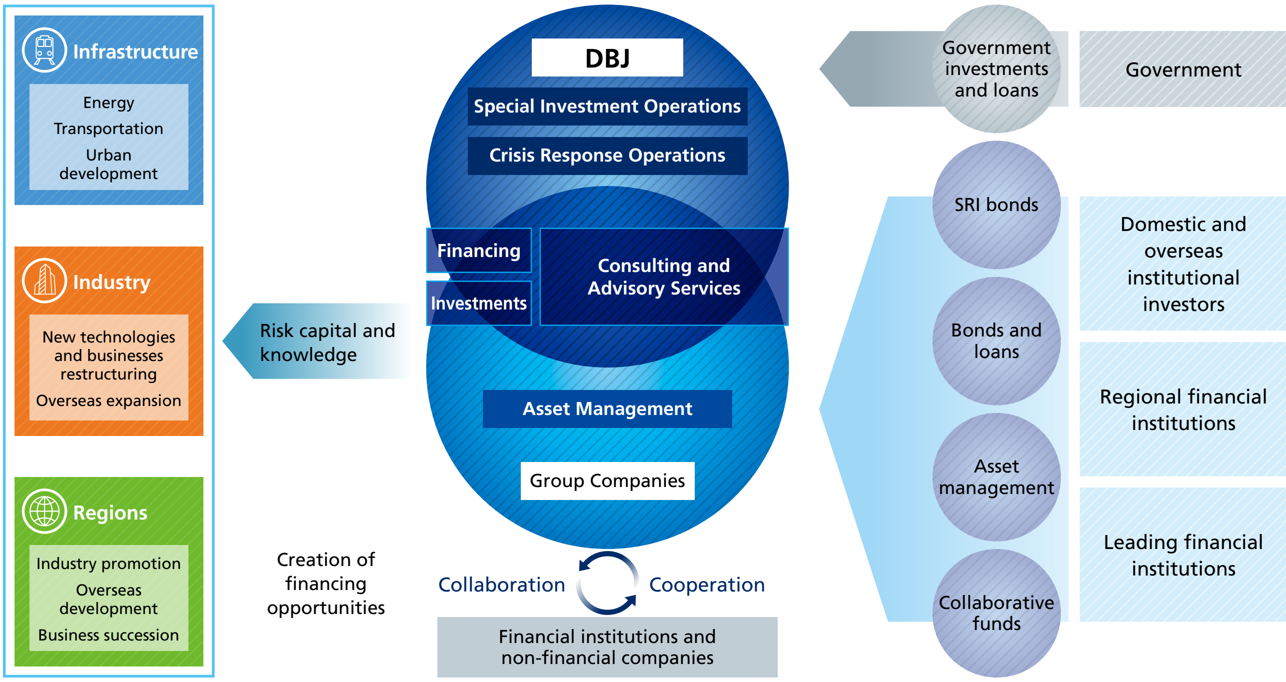
DBJ Group made progress in constructing a stable infrastructure investment portfolio; using Special Investment Operations to support the overseas business development of regional infrastructure companies; promoting initiatives in new sectors, particularly special investment in aerospace through a cooperation agreement with Japan Aerospace Exploration Agency (JAXA); advancing tie-ups and collaboration with regional financial institutions, including setting up a cooperation fund; and expanding the asset management business.

Management Foundation Strategy

DBJ Group issued its largest Sustainability Bond ($1 billion) to date; made progress in workstyle reform and business efficiency; initiated an employee engagement survey; promoted cross-department knowledge sharing; and participated in such external initiatives as Principles for Responsible Investment (PRI).

Financial Market Activation and Stabilization Resulting from Cooperation and Collaboration under the Fourth Medium-Term Management Plan

Under the Fourth Medium-Term Management Plan, DBJ Group will provide unique solutions through optimal partnerships with an emphasis on cooperation and collaboration with other financial institutions and non-financial companies.



Procurement and Management of Funds

DBJ receives funding in various formats, including the procurement and management of funds from institutional investors and financial institutions in Japan and abroad, and supplies risk capital to customers in the domestic and overseas industrial and infrastructure fields.

Provision of Knowledge

DBJ Group creates added value through the provision of knowledge in such forms as surveys and analyses backed by its experience in industrial and infrastructure fields and in risk analysis and structuring.

Crisis Response Operations and Special Investment Operations

These operations are mandated by the DBJ Act and will be properly undertaken as operations backed by the unique strengths of DBJ Group.

Achievements through Financial Market Tie-Ups and Collaboration

Tie-Ups and Collaboration with Regional Financial Institutions P29

DBJ Group started borrowing from regional financial institutions in fiscal 2007 as part of its fund-raising activities and has since developed relationships through investment products such as syndicated loans and the establishment of joint funds (there were 30 at the end of March 2018), promoting regional risk capital supply.

Continuing Issuance of Socially Responsible Investment (SRI) Bonds P43

(As of March 31, 2018)

2017	$1 billion
2016	$500 million
2015	€300 million
2014	€250 million

DBJ Asset Management Co., Ltd. Initiatives P40

In its efforts to seek out and provide investment opportunities, DBJ Asset Management Co., Ltd. has set up seven co-investment programs targeted at seven regional financial institutions and foreign private equity funds as of July 2018.

In April 2018, Japan's Government Pension Investment Fund (GPIF) appointed DBJAM as an investment manager focusing mainly on Japanese infrastructure.

DBJ Securities Co., Ltd. Initiatives

In addition to products that leverage DBJ Group strengths, such as green bonds and bonds with business continuity management ratings, DBJ Securities is addressing diverse investor needs by introducing investors to instruments such as Tokyo Pro-Bonds and private equity funds while also seeking to stimulate financial market activity.

DBJ Group's Strategy

DBJ Group

Working in unison, DBJ Group provides diverse, high-value-added solutions for solving various issues faced by its customers and for solving issues throughout society.

Overseas locations	• DBJ Singapore Limited • DBJ Europe Limited • DBJ Investment Consulting (Beijing) Co., Ltd.
Investments and loans, Asset management	• DBJ Capital Co., Ltd. • DBJ Investment Advisory Co., Ltd. • DBJ Securities Co., Ltd. • DBJ Asset Management Co., Ltd.
Research, Consulting	• Japan Economic Research Institute Inc. • Value Management Institute, Inc.
Real estate management / IT services	• DBJ Real Estate Co., Ltd. • Consist, Inc.

Business Strategy

Sector Strategy

Area Strategy

Function Strategy

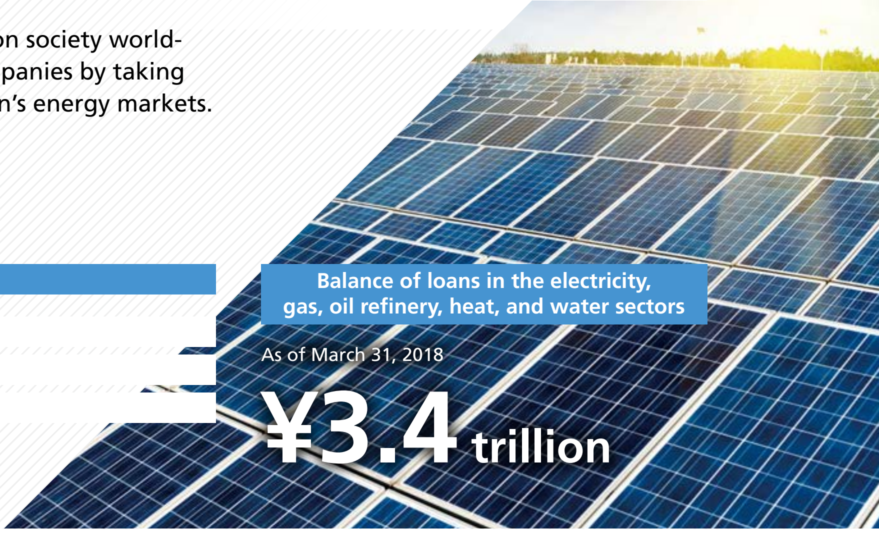
Management Foundation Strategy

Priority Areas | **Rebuilding and Reinforcement of Infrastructure**

Rebuilding of energy systems, more advanced transportation networks, creation of attractive communities

Energy Sector

DBJ will contribute to the realization of a low-carbon society worldwide and the globalization of Japanese energy companies by taking a leadership role in the financing of change in Japan's energy markets.



Main Business Fields

Financing and advisory services are provided to companies and projects in the following sectors:

- Electricity
- Gas
- Oil

Balance of loans in the electricity, gas, oil refinery, heat, and water sectors

As of March 31, 2018

¥3.4 trillion

Longer-Term External Environment and Social Issues

Japan's energy industry is at a major crossroads. With changes in the macroeconomic structure, including the population decline, and advances in energy conservation, DBJ must promote the reduction of CO_2 emissions while dealing with deregulation in the electric power and gas markets at the same time.

Under these conditions, issues related to financial support for the energy industry entail the supply of capital funding to spur the spread of renewable energy and other new technologies and to address growing risks. Moreover, risks in project financing need to be clarified more clearly, and efforts should be undertaken to allow market participation by a broader range of companies.

Strategy

While maintaining strong relationships with customers, DBJ will focus on providing capital funding (risk money) and advisory services to facilitate industry restructuring. Furthermore, DBJ will focus on the smooth supply of capital by collaborating with a broad range of financial institutions to meet demand for investments in the deregulated electric power market in Japan, in addition to strengthening initiatives in project financing with clarified risk allocation.

DBJ Group will reinforce its asset management operations in the energy field with the aim of nurturing markets able to recycle capital, thereby allowing more financial institutions to participate in the domestic energy infrastructure market.

Overseas, DBJ aims to become more involved in markets that have taken the lead in fostering deregulation, and then return any knowledge gained to the domestic market to advance its development, while proactively supporting Japanese companies in their efforts to develop business overseas. Through these and other efforts, we aim to contribute to the realization of a low-carbon society on a global basis.

Accomplishments and Initiatives to Date

In recent years, DBJ has assisted with business restructuring and overseas business development in the electricity, gas, and oil sectors against a backdrop of structural reforms in the domestic energy industry. DBJ has provided optimal financial solutions in tune with the needs of the times, concentrating on the replacement of aging thermal power plants and the construction of new renewable energy power plants.

Initiatives in fiscal 2017 included the raising of funds for domestic solar power generation projects and a joint investment with Tokyo Gas Co., Ltd. in a gas distributor in Indonesia. While helping Japanese energy firms strengthen their overseas operations, DBJ has participated in projects in the U.S. market, which is a pioneer in deregulating the electric power market. For the purpose of gaining insight for the domestic market, DBJ also participated in a natural gas power generation project in Pennsylvania, U.S.A.

Case Studies

SDT Solar Power / Green Power Tsugaru

SDT Solar Power

DBJ, Solar Frontier K.K., and Taiyo Oil Co., Ltd. established SDT Solar Power K.K. to develop and operate a 17.3 MW-scale power generation project that uses solar panels made by Solar Frontier K.K. at a solar and oil business site in Yamaguchi Prefecture. Construction on the power plant began in summer 2016, and the facility commenced commercial operations in November 2017 as a reliable source of clean energy. DBJ not only helped with financing, but was also the financial advisor for the company, assisting with the formulation of a business plan. DBJ also coordinated with a group of banks to raise project financing during the construction phase, with The Yamaguchi Bank, Ltd. as the arranger and a proactive supporter of projects that help revitalize the region and expand the use of renewable energy.

Green Power Tsugaru

DBJ, together with megabanks, helped raise project financing for Green Power Investment Corporation, a renewable energy developer in which DBJ has invested, to construct Wind Farm Tsugaru (121.6 MW), the largest wind power generation project in Japan, in Tsugaru City, Aomori Prefecture. Although some of its construction began in 2017, Wind Farm Tsugaru truly began to take form once the project financing was raised. The project contractor, Kajima Corporation, plans to install 38 wind turbines made by General Electric with 3.2 MW of output. When this project finishes construction in April 2020, it will be able to supply electricity equivalent to the annual energy consumption of 90,000 households.

Rendering of completed wind farm

Message from Employees

Trying a New Type of Renewable Energy Financing

With decarbonization trending around the world, renewable energy has increasingly drawn attention. Aiming to help the government reach its target for a renewable energy ratio of 22–24% by 2030, DBJ will support the financing of renewable energy projects while focusing on the characteristics of each type of energy source, such as solar, wind, biomass or hydro power. Thanks to the feed-in tariff system that was introduced in 2012, it has become possible to expect stable revenues from each renewable energy power plant. As a result, project financing has been on the rise as a means of procuring funds for renewable energy plants. Although it takes time to put financing together, including negotiating contracts and creating revenue models, upon visiting the completed power plant, I came away with a profound sense of satisfaction with the meaningful work that was done. Lately, financing for renewable energy power plants has been on the rise, and from the standpoint of a sponsor, it has been a learning experience for me every day, participating in the operation of the power plant, drawing up annual budgets, and fixing broken equipment.

Efforts to Combat Climate Change in the Energy Field

Sustainability management means balancing economic value with social value. Based on this fundamental principle, the DBJ Group has worked for many years to ensure a reliable supply of energy while reducing environmental impacts.

In the renewable energy field in particular, DBJ supplies diverse risk capital, including project financing, mezzanine loans and equity financing, to wind and solar power generation projects in Japan from their initial stages. DBJ also finances offshore wind power projects in Europe, with the aim of learning from cutting-edge initiatives overseas and applying those lessons in Japan.

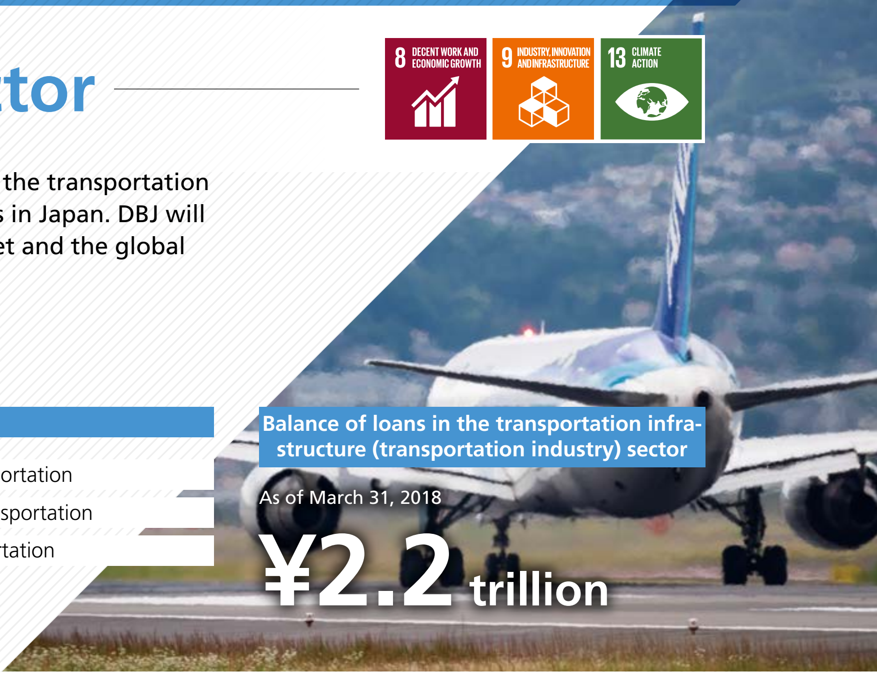
In view of the global debate about climate change and the OECD's Arrangement on Officially Supported Export Credits, as well as Japan's energy policy based on the 3E+S* strategic plan, DBJ works to ensure reliable supply while combating climate change. In renewable and alternative energy, we plan to increase the supply of risk capital for wind and solar power, new power grids, and hydrogen projects in order to encourage their introduction. For new projects involving coal-fired power plants, which emit large amounts of greenhouse gases, DBJ takes a more cautious approach. In the process for finance decisions, we evaluate each project from environmental perspectives, such as whether generation efficiency is at or above the ultra-super-critical level, in order to reduce environmental burdens as much as possible.

* Energy security, Economic efficiency, Environment, and Safety, as stated in Japan's Basic Energy Plan.

Priority Areas | **Rebuilding and Reinforcement of Infrastructure** | Rebuilding of energy systems, more advanced transportation networks, creation of attractive communities

Transportation Sector

DBJ aims to lead in a financial aspect the growth of the transportation sector and advancement of transportation networks in Japan. DBJ will also act as a bridge between Japan's financial market and the global transportation finance market.



Main Business Fields

Provision of financing to companies and for projects in the transportation sector

- Land transportation
- Marine transportation
- Air transportation

Balance of loans in the transportation infrastructure (transportation industry) sector

As of March 31, 2018

¥2.2 trillion

Longer-Term External Environment and Social Issues

Around the world, growing populations will lead to the greater movement of people and goods and spur growth in the transportation sector. In Japan, a country reliant on trade, it is imperative to maintain the reliable transportation of goods and address issues, such as the declining and aging population, as well as the influx of overseas visitors. Accordingly, various issues are waiting for solutions for sustaining growth in the transportation sector and increasing the sophistication of transportation networks. Keen to help its customers solve these issues, DBJ Group will provide financial solutions tailored to diverse needs while acting as a bridge between financial markets in Japan and the global transportation finance market.

Strategy

While maintaining relations with customers in the transportation sector, we will refine our ability to respond flexibly to changes in the external environment and society. More specifically, DBJ will further strengthen its optimal financial solutions for quality projects and assets in the land, marine, and air transportation fields, as well as supply risk capital to Japanese companies for sharpening their international competitiveness. Additionally, DBJ will provide financing opportunities to Japanese regional banks and other financial institutions and investors in the global transportation finance market through improved syndicated loans and various investment and loan products that utilize investment and securities functions.

Accomplishments and Initiatives to Date

In recent years, DBJ has provided financial solutions optimized to satisfy modern needs, including debtor-in-possession financing for a Japanese start-up airline, participation in airport concessions, aircraft financing with a focus on material value, and ship financing to support industrial value chains.

Initiatives in fiscal 2017 included collaboration with private financial institutions in syndicated loans for Solaseed Air Inc. to acquire aircraft, project financing for the expansion of operations at the international passenger terminal building at Haneda Airport, and project financing for LNG carriers in response to the increasing attention on clean energy. Moreover, DBJ collaborated with Sumitomo Mitsui Banking Corporation to create the world's first aircraft financing scheme with insurance features. DBJ China and DBJ Securities worked together on the issuance of bonds for China Eastern Airlines on the TOKYO PRO-BOND Market.

Case Study

Re-Expansion Project of Haneda Airport International Terminal

Tokyo International Air Terminal Corporation (TIAT), which operates the international passenger terminal building at Haneda Airport, is undertaking a project to expand the terminal in preparation for a planned increase in international take-off and landing slots at Haneda Airport in 2020. For this project, DBJ raised a total of ¥145 billion (including about ¥95 billion in preexisting investments and loans) in project financing as the lead arranger.

Based on the Asian Gateway Initiative, TIAT was established in 2006 as a special-purpose company (SPC) to implement a completely financially independent private finance initiative (PFI) project to internationalize Haneda Airport, which had primarily served domestic routes back then. When TIAT was established, DBJ was deeply involved in the project as the lead arranger for putting together syndicated loans with other financial institutions, and was also an investor in its preferred shares. DBJ helped with raising additional funds for the 2014 expansion and the most recent expansion of the airport.

The internationalization of Haneda Airport strengthened the appeal of the Tokyo metropolitan area with 24-hour operations and convenient access to the city center. Amid a sharp increase in the number of foreign tourists visiting Japan, the greater passenger capacity at Haneda Airport will likely contribute significantly to the region as a transfer point between domestic and international routes. The project to expand the international passenger terminal will play an essential role in welcoming a greater number of foreign tourists as a result of public–private initiatives to promote Japan as a tourism destination and in hosting the Tokyo 2020 Olympic and Paralympic Games. DBJ will continue to contribute to the healthy development of the Japanese economy and promote the movement of people by increasing the sophistication of transportation networks while reinforcing Japan's mainstay transportation infrastructure, beginning with airports.

Rendering of completed Haneda Airport International Terminal

Message from Employees

Helping to Open Skies as a Gateway to Japan

This expansion project not only expanded buildings for the international passenger terminal, but also ventured in new directions, including the sharing of domestic and international routes at the No. 2 domestic terminal, a rarity in Japan, and an examination of possible flight routes over the Tokyo metropolitan area. In light of the steady flow of passengers, there was no doubting the overall potential of Haneda Airport with its prime location and brisk demand. Nevertheless, each issue was carefully addressed while all the details were worked out. The airport management business entails various risks with elements of commerce and real estate mixed in. DBJ brought its project experience and expertise to bear on the analysis and decision-making for whether project financing would be a framework that could absorb all these risks. For an island nation like Japan, airports are a special place because they serve as the gateway for both people coming to Japan and those leaving on a trip. The expansion of international capacity at Haneda Airport, which is a special venue for business travelers and tourists thanks to its close proximity to the Tokyo metropolitan area, will further open the nation to the rest of the world. Despite my limited contribution, We are proud to have played a role in this expansion project.

Priority Areas

Rebuilding and Reinforcement of Infrastructure

Rebuilding of energy systems, more advanced transportation networks, creation of attractive communities

Urban Development Sector

Our vision is to grow alongside cities by helping with the maintenance, renewal, and expansion of urban functions. We also aim to grow with the real estate financing market as a market-stabilizing mechanism.

Main Business Fields

Loans and investments in urban development projects undertaken by developers, special-purpose companies for owning real estate, loans and investments for real estate investment trusts (REITs), and management of DBJ Green Building Certification with the Japan Real Estate Institute

- Urban development business
- Real estate financing
- Green Building Certification

Balance of loans in the real estate sector

As of March 31, 2018

¥1.8 trillion

Longer-Term External Environment and Social Issues

Increasing the international competitiveness of cities in Japan is key to enhancing the country's overall competitiveness. Urban infrastructure, built up since 1945, is coming due for an upgrade. Seamlessly upgrading urban infrastructure without interruption is important from the standpoint of creating communities that take into account the environment and society.

The real estate finance market, an essential part of creating communities, is prone to instability due to international exposure. The securitization market in particular was greatly affected by the global financial crisis, while the real estate finance market was thrown into disarray. In spite of such conditions, it is necessary to ensure a reliable supply of capital, spur growth in the real estate finance market, and promote urban development.

Strategy

DBJ will facilitate urban development through the supply of risk capital, including financing for developers and individual development projects. We also support the growth of REITs, which have become increasingly important entities for the stable management of properties.

DBJ will provide opportunities to invest in quality assets for institutional investors around the world as well as regional financial institutions. By engaging in collaborative financing through proper risk-sharing agreements, we will create stable cash flows in the real estate finance market.

DBJ Green Building

DBJ Green Building Certification was created in fiscal 2011 as a system for evaluating and certifying real estate from an environmental and social perspective. DBJ continues to operate this system along with the Japan Real Estate Institute, while endeavoring to improve the evaluation of environmental and social aspects of real estate.

Accomplishments and Initiatives to Date

In recent years, DBJ has concentrated efforts on loans and investments in urban development projects undertaken by developers, special-purpose companies for owning real estate, and loans and investments for REITs.

As for special projects undertaken in fiscal 2017, DBJ arranged subordinated loans under its Special Investment Operations for Hulic Co., Ltd., as well as mezzanine loans for an SPC that acquires and manages housing that promotes employment.

As of March 31, 2018, a total of 539 properties have been recognized with DBJ Green Building Certification.

Case Study

Helping Nippon Steel Kowa Real Estate in the Development of AKASAKA INTERCITY AIR

Located in Akasaka 1-chome, AKASAKA INTERCITY AIR is a large-scale, mixed-use 38-story, 205-meter tall building with high-spec offices, conference rooms, retail stores, medical offices, and housing with direct access to a Tokyo Metro train station. The Akasaka 1-chome district is a rare part of central Tokyo that consists of a mix of office and residential areas and an international atmosphere represented by the many embassies and foreign companies present there.


External view of AKASAKA INTERCITY AIR

The property has over 5,000 square meters of greenery that cover over half the site, giving office workers, residents, passersby, and other members of the community a place to rest and relax. Situated along the Roppongi thoroughfare, the property creates a green oasis in the center of the grounds.

In addition, with about 200 meters of trees lining the boulevard on the west side, the project was designed to complete a network of green pathways for pedestrians that connect to Toranomon, based on the Akasaka–Toranomon Green Road Concept of about 850 meters of tree-lined roads that start at Circular Route #2.

The development project received DBJ Green Building Certification (plan certification) as a building incorporating outstanding environmental and social considerations in Japan, in recognition of its consideration for the environment, amenities that satisfy the diverse needs of tenants, and excellent BCP performance.

Small and medium-sized office buildings in the 23 wards of Tokyo are advancing in age, and many were built under older earthquake resistance standards. Ever since the Great East Japan Earthquake, companies have put more emphasis on the earthquake-resistance, disaster preparedness, and BCP of office buildings when they move locations.

In light of the current conditions, Nippon Steel Kowa Real Estate Co., Ltd. is working on the development of the BIZCORE series of high-grade, medium-sized office buildings, leveraging its know-how accumulated in the development, management, and operation of more than 90 office buildings in the city center.

DBJ, along with private financial institutions, supports development by providing business funds to Nippon Steel Kowa Real Estate for the upgrading and maintenance of the urban foundation.

Message from Employees

Ongoing Support for Urban Redevelopment

Tokyo and other major cities in Japan are among the first in the world to have reached a mature stage. Reinforcing and renewing urban functions has become an issue within the context of strengthening international competitiveness, improving disaster preparedness, fostering tourist destinations, creating green spaces, reinforcing the earthquake resistance of aging small and medium-sized office buildings, and adapting to diverse work styles. The construction of AKASAKA INTERCITY AIR, which opened its doors in September 2017, and the development of the BIZCORE series are a part of efforts to help solve these issues faced by cities. Real estate development requires large sums of funds, and it takes a long time to recover investments. For these reasons, it is often the case that deep risk-taking is necessary with stable, long-term financing and mezzanine loans. We aim to back such efforts to create communities through the ongoing provision of business funds and assistance with financial technologies, such as asset financing.

Priority Areas

Creation, Conversion, and Growth In Industry

Commercialization of new technologies, business restructuring to improve productivity and hone competitiveness, and business development in global markets

Industrial Sectors

In industrial fields seeing changes brought about by technological innovation, the creation of new businesses, and restructuring, DBJ Group will take a direct approach to solving issues faced by customers and society while searching for growth opportunities for itself. As an incubator that creates new businesses and markets, DBJ aims to play an essential role in strengthening the competitiveness of industries in Japan.

Main Business Fields

Provision of financing and advisory services for companies and projects in the industrial sector

- Manufacturing
- Communications, broadcasting, media
- Retail and foods
- Healthcare
- Hotels, Japanese-style inns, tourism, etc.

Longer-Term External Environment and Social Issues

Amid changes in the external environment, including population problems, globalization, and such technological innovations as AI, customers are dealing with a variety of issues that include the commercialization of new technologies and other innovations, business restructuring to enhance productivity and competitiveness, and overseas business development with an eye on new growth opportunities. Meanwhile, the financial environment is likely to include diversification in capital providers, considering the ongoing surplus capital conditions and advances in fintech and other technologies. As it becomes easier to access capital, providing unique added value will become essential to helping customers solve their problems on the financial front.

Strategy

DBJ will offer solutions to the issues faced by customers—centered on the fields of business portfolio optimization, new business creation, overseas business development, financial strategy, and capital policy—by mobilizing its financing functions, knowledge, and unique networks while leveraging its insight and expert knowledge of each industry. DBJ has created teams of specialists for establishing a solid business foundation in the aerospace, communications, and healthcare fields since 2017, and in the logistics field since May 2018. While being deeply involved in each industry, DBJ keeps an eye on socioeconomic megatrends and changes in the landscape to facilitate innovation on various fronts of business development across industries (such as moving toward a hydrogen-based society) without being beholden to traditional frameworks.

Accomplishments and Initiatives to Date

In the 1990s, DBJ was involved from an early stage in financing new businesses, utilizing its ability to survey industries and analyze corporations derived from its track record of providing long-term capital for capital investments. From the early 2000s, when business and industry restructuring came to the forefront, DBJ ramped up debtor-in-possession financing, private equity investments, and M&A advisory services. Since becoming a joint-stock company in 2008, DBJ has leveraged its knowledge and experience in these fields to further improve its ability to survey industries. At the same time, DBJ has helped companies enhance their competitiveness and clients solve various problems through advisory services backed by loans and investments to create new businesses and rebuild finances while entering overseas markets and spinning off non-core businesses.

Initiatives in fiscal 2017 included the provision of DBJ rated loans (see page 51) for the materials industry amid growing interest in environmental, social, and governance (ESG) issues. These also included helping Fujitsu Ltd. and Lenovo Group Limited establish their joint venture in the PC business, in addition to efforts in new business fields.

Aerospace

DBJ has been assisting the aircraft field for 30 years or so, ever since the Japan Development Bank era, through lending facilities based on the Aircraft Industry Promotion Act for Japan's first international joint development project for jet engines. In April 2017, DBJ established the Aerospace Office with the aim of developing the outer space field, which is expected to grow as a new industry, in addition to the aircraft field, leveraging the abundant knowledge and networks it has accumulated.

In fiscal 2017, initiatives in the aircraft field included the provision of risk capital through Special Investment Operations to support expansion in the civilian helicopter business of Kawasaki Heavy Industries, Ltd. and the aircraft engine businesses of Uemura K.K. and AeroEdge Co., Ltd.

In the outer space field, DBJ signed a collaborative agreement with Japan Aerospace Exploration Agency (JAXA) in May 2017, under which it published a report titled "Strengthening the Competitiveness of Japan's Space Industry." DBJ also invested in Global Positioning Augmentation Service Corporation, a company planning a satellite positioning service accurate to the centimeter level using Japan's version of GPS; New Generation Small Rocket Development Planning Co., Ltd., a company developing small rockets; and ispace, inc., a company working to commercialize resource development on the moon's surface.

Communications

Communications networks are responsible for handling ever-increasing volumes of data and communications traffic, and their importance is only growing. Along with the arrival of a society where everything is connected together over networks, as key social infrastructure, communications networks will have to become more resilient and sophisticated.

Our initiatives in fiscal 2017 included providing financing for core communications assets, such as communications towers and data centers, as well as purchasing shares, along with JTOWER Inc. and RISA Partners, Inc., in an operating company in Vietnam with the largest In-Building Solution (IBS)—that is, mobile communications infrastructure sharing inside buildings. In these and other ways, DBJ is proactively supporting the overseas business development of Japanese growth companies that have advanced technologies.

Healthcare

In the healthcare field, DBJ Group has focused on medicine and nursing care, and has launched new initiatives in the life sciences field.

As for initiatives in fiscal 2017, DBJ cooperated with the Ministry of Economy, Trade and Industry on the dissemination of knowledge related to medical equipment innovation. DBJ also provided growth opportunities and supported overseas business development by matching Japanese companies with foreign firms through financing for medical equipment venture funds in North America.

Logistics

In May 2018, DBJ newly established the Global Logistics Office in its Corporate Finance Department, Division 3, in order to sharpen its focus on the logistics field in light of sweeping changes in the logistics industry being ushered in by technological innovations including AI and IoT.

In terms of financial support, the Global Logistics Office supports improvements in competitiveness and productivity in the logistics field through assistance for creating new industries with the latest technologies, the supply of risk capital to companies innovating on the technological front, and investments and loans for the latest, high-function logistics facilities.

In terms of information support, DBJ holds Logistics Innovation Workshops for industrial, government, and academic entities to discuss issues and approaches related to technological innovation in the logistics industry.

Responding to Innovation

Over the past few years, there has been a sudden rise in technologies and innovations, such as in IT, new materials, new energy, bioscience, and robotics, with the potential to substantially change the existing fabric of industry and society. For these new technologies to help society and lead to the creation of new businesses, it is important to spread new value systems and lay down rules for collaboration across industries and between the public and private sectors.

DBJ Group created the Innovation Promotion Office under the Business Planning & Coordination Department in April 2017 to facilitate collaboration among these diverse players and take the long view for moving projects forward.

As for initiatives in fiscal 2017, DBJ, along with 10 other companies including automakers and infrastructure developers, established Japan H2 Mobility, LLC (JHyM) for the purpose of building out a network of hydrogen refueling stations for fuel-cell vehicles.

Case Study

Establishment of Joint Venture for Building Out Network of Hydrogen Refueling Stations

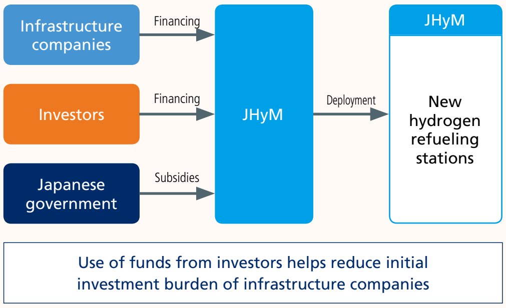
In February 2018, Japan H2 Mobility, LLC (JHyM) was established through joint investments by a total of 11 companies including DBJ for the purpose of building out a network of hydrogen refueling stations for fuel-cell vehicles (FCVs).

The newly established JHyM aims to bring Japan one step closer to a hydrogen-based society by facilitating the proliferation of FCVs and a self-sustaining hydrogen station business based on its plans to create and fine-tune a network of optimally located hydrogen refueling stations across Japan.

Under the guidance of the Ministry of Economy, Trade and Industry, the Strategic Roadmap for Hydrogen and Fuel Cells was drawn up in March 2016 to define public–private targets for the proliferation of hydrogen refueling stations for FCVs toward the realization of a hydrogen-based society in the future. JHyM was established after it became apparent that a new framework is needed for collaboration among the Japanese government, automakers, and hydrogen station network operators.

DBJ has cooperated with the parties involved in this project from the initial stages, working toward its realization, and helped bring the project to fruition as the chief advocate for establishing the new company.

Press conference on establishment of JHyM



This initiative was highly significant for DBJ, bringing with it a recognition of its role in improving social value by helping move Japan toward a hydrogen-based society, as DBJ promoted this joint project while enlisting the cooperation of key domestic players in the automobile and energy sectors. Other parties involved in this project stand to benefit as well, as it lessens initial risks related to the hydrogen refueling stations for infrastructure developers and spurs sales of FCVs for automakers. The project also contributes to Japan's energy policy, which seeks to expand the use of hydrogen energy from the perspectives of energy security, energy conservation, and lessening environmental load.

Message from Employees

DBJ's Financial Capabilities Help Make Hydrogen-Based Society a Reality

For this project, DBJ was asked to play a specific role in navigating conflicts of interest among the involved parties, creating business models, and formulating revenue targets. Navigating the conflicts of interest was rather difficult in this case, owing to the many parties involved having different points of view. DBJ designed a framework to minimize risks and found the common ground where all the involved parties are satisfied. All of this led to the establishment of JHyM.

Creating the business model was also quite difficult due to the considerable uncertainties about the future, the rarity of such projects in terms of the diverse parties involved from across various industries, and because it took so long to get through the examination phase. The project was also unique in that it was an all-Japan initiative, making it necessary to clear regulatory hurdles under the Anti-Monopoly Act.

Regardless, DBJ's involvement in this paradigm shift in the automobile industry, a core industry in Japan, carries with it great meaning. Whether or not the automobile industry continues to drive growth in the Japanese economy depends on the ability of each domestic player to address environmental issues. Japan has the best hydrogen-related technologies in the world, and for Japan to lead the world, we believe DBJ will need to play a major role through JHyM.

Case Study

Development of the Domestic Space Industry by Commercializing a New Generation of Small Rockets

In August 2017, DBJ, along with Canon Electronics Inc., IHI AEROSPACE Co., Ltd., and Shimizu Corporation, established New Generation Small Rocket Development Planning Co., Ltd. for the planning and examination of the small rocket launch business, with the aim of tapping into demand for launching small satellites into outer space, a potential growth field around the world.

In July 2018, New Generation Small Rocket Development Planning and the aforementioned four companies decided to proceed to the business development stage after examining the feasibility of the business. After an additional round of investment from the four companies, New Generation Small Rocket Development Planning was renamed Space One Co., Ltd. and turned into an operating company. As major players in their own fields, the four companies' collaboration on the project has given it more credibility. With a corporate vision of providing the most frequent launches in the world for highly convenient access to outer space, the new company plans to accelerate efforts toward the commercialization of launch services during fiscal 2021.

As each company commits their expertise to the project, such as Canon Electronics' know-how in reducing mass production costs for consumer electronics, IHI AEROSPACE's advanced technologies in rocket development, and Shimizu's resources in infrastructure development, DBJ's role will be to act as a neutral facilitator of their alliance while examining the feasibility of the business by leveraging its know-how accumulated in advancing and supporting the development of the aircraft industry.

The establishment of infrastructure for frequently launching satellites on small rockets in Japan will create greater opportunities for domestic aerospace companies, which have had to rely on overseas rockets to get their satellites into space. As conditions come into place for creating businesses while technologies are verified, we anticipate the smooth development of technologies and businesses in the outer space field. Accordingly, this project is highly significant for the development of Japan's space industry. DBJ is fully committed to this project in its aim of helping strengthen the competitiveness of Japan's space industry through new business development via collaboration across different sectors.

Rocket launch at Japan Aerospace Exploration Agency (JAXA)
Photo courtesy of JAXA

Message from Employees

Corporate Collaboration across Industries and New Business Creation

Canon Electronics is a leading mass-producer of electronics in the Canon Group. IHI AEROSPACE has engineered and developed rocket launches for national projects while collaborating with other manufacturers. Shimizu has always been on the front lines of infrastructure development in Japan. Although each company shares the same goal of creating a rocket business by marshaling the necessary technologies and resources, they are all pieces in a great puzzle with different corporate cultures and major gaps in the languages used to describe technological development. To steer the project toward commercialization, it was necessary to have someone put these pieces of the puzzle together. DBJ has functioned well as a mediator for aligning opinions and forming business plans, because as a bank, DBJ has developed contacts across various industries, and it has many years of experience working with the IHI Group, which is assuming the main role in rocket development for this project, through its aircraft engine business.

In particular, while each company struggled to set clear targets for this project as a new business, DBJ has provided key support for defining and setting targets from the standpoint of creating a space industry through this project and aiming to establish profitable businesses for the participants. There is a risk that unforeseen troubles or problems will arise, but we will do our best to support the creation of new businesses and industries in Japan while making adjustments from a broad top-down view of the project.

Priority Areas **Self-Reliance and Revitalization of Local Economies**

Industrial revitalization based on regional characteristics, overseas business development, response to inbound tourism, business succession

Regions

DBJ Group provides solutions for regional issues, connecting regions throughout Japan to Tokyo, domestic regions to those overseas, and regions the world over to each other.

Outline

DBJ Group provides services tailored to the characteristics of each region in Japan from 10 branches and eight representative offices across the country.

- Investments and loans
- Consulting services
- Planning and research services

Total number of business alliances with financial institutions

March 31, 2018

107

Longer-Term External Environment and Social Issues

The regional economic outlook is severe with declining household spending and weaker demand for loans alongside a long-term downtrend in regional populations. As regional economies contract, regional enterprises need growth strategies that include overseas business development, measures to improve corporate value through business restructuring and succession, and ascertainment of good opportunities in asset management.

Strategy

DBJ will provide services with two objectives in mind—namely, to create value by connecting regions throughout Japan to Tokyo, domestic regions to those overseas, and regions the world over to each other, and to solve problems through risk capital and consulting. More specifically, while taking into account regional characteristics, the themes of key objectives entail improving the productivity and growth strategies of regional companies through business restructuring and overseas business development, respectively, and cooperating with regional financial institutions to create opportunities in asset management. As a part of these initiatives, DBJ created the Regional Investment Promotion Office in the Strategic Finance Department under the chief investment officer on April 1, 2017, for the purpose of facilitating the supply of risk capital to regional mid-tier companies and small and medium-sized enterprises.

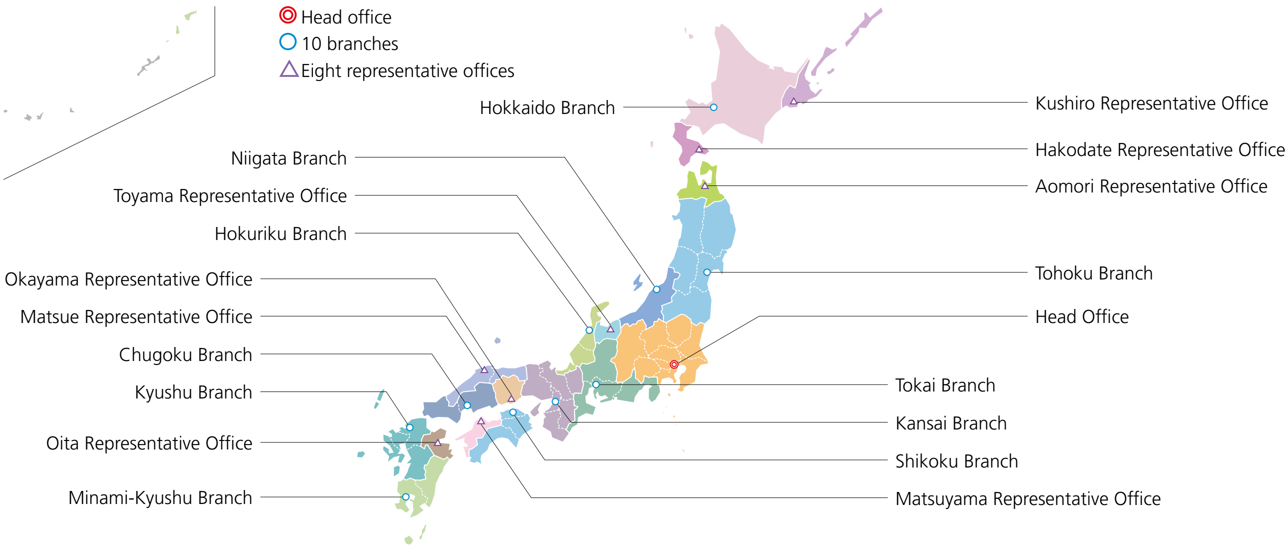
By providing detailed solutions to regional problems, DBJ Group strives to increase the value of its human capital (e.g., the skills and experience of its managers and employees), and relationship capital (e.g., networks).

Accomplishments and Initiatives to Date

In recent years, DBJ has provided financing tailored to the characteristics of each region through its Regional Areas *Genki* Program (see page 29), risk capital through joint funds with regional financial institutions, and knowledge to local governments. Through Crisis Response Operations, DBJ has also provided assistance for reconstruction in the wake of natural disasters in various regions, including the Great East Japan Earthquake and the Kumamoto earthquakes.

Initiatives in fiscal 2017 included Special Investment Operations providing support for the overseas business development of local companies, as well as assistance for domestic hotel operators through a joint fund with Hoshino Resorts Inc. Additionally, DBJ formed funds with The Hokuriku Bank, Ltd. and The Shizuoka Bank, Ltd., and it also jointly developed loans with special provisions to waive the original principal in the event of an earthquake with The Hiroshima Bank, Ltd. DBJ also supplied risk capital to regions through collaboration with regional financial institutions, including assistance for evaluating the feasibility of businesses for regional financial institutions. As of March 31, 2018, DBJ has entered into business alliances with a total of 107 financial institutions.

Moreover, DBJ engaged in a variety of other activities, as it distributed knowledge through the publication of reports about solving regional issues, provided advice and suggestions for advancing PPP/PFI and rebuilding public infrastructure, supported the management of public assets, and offered advisory services to local public organizations related to comprehensive government policies.



Collaboration and Cooperation with Regional Financial Institutions

Collaborative Funds with Regional Financial Institutions

DBJ collaborates with regional financial institutions with customer bases in their own regions to take advantage of their networks and knowledge in order to advance the supply of risk capital, including through preferred shares and subordinated loans, to local companies. Through these activities, DBJ aims to address diverse regional issues, such as business succession, moving into growth fields, and the revitalization of local economies, while responding to emerging social needs against a backdrop of changing demographics.

In fiscal 2017, DBJ created new funds with The Hokuriku Bank, Ltd. and The Shizuoka Bank, Ltd. As of March 31, 2018, DBJ has created 30 collaborative funds with regional financial institutions.

Assisting Regional Financial Institutions with Business Feasibility Studies

Working with regional financial institutions, DBJ provides support to the clients of regional financial institutions for assessing the feasibility of businesses that propose solutions for solving management issues. Based on an analysis of macroeconomic conditions and individual companies, DBJ engages in fact-finding to identify management issues at clients, and then presents its findings in an easy-to-understand format. DBJ subsequently comes up with various financial solutions to solve the identified issues to help its clients formulate their own growth strategies and drum up business. Employees dispatched from regional financial institutions are given opportunities to gain knowledge through on-the-job training while performing business feasibility studies of the clients of their own bank. In 2017, DBJ provided support to 21 companies and held study groups to help regional financial institutions gain a better understanding of business feasibility assessments.

Collaboration for M&A of Local Companies and Overseas Information Dissemination

DBJ helps local companies address various management issues, such as business restructuring and succession as well as expansion of business domains, including overseas expansion. As part of efforts to revitalize regions through collaboration with regional financial institutions, DBJ creates M&A opportunities for local companies through its network of regional banks (75 regional banks as of March 31, 2018). DBJ also provides information to regional financial institutions helping local companies get a toehold in Asian markets through its Asia Financial Support Center (67 regional banks as of March 31, 2018).

Regional Areas *Genki* Program

Facing the challenges of population constraints, severe financial conditions, 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 fiscal 2010, DBJ arranged a unique initiative, the Regional Areas *Genki* 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 focuses on its region's distinctive fields and businesses, based on its industrial structure, and partners with regional financial institutions to offer financial support.

Please click on the link to DBJ's website for information about support coverage in the areas of each branch (Japanese only).
https://www.dbj.jp/service/finance/area/

Provision of Knowledge about Local Issues

Green Infrastructure

DBJ has published a research report entitled "DBJ Workshop on Green Infrastructure for Rebuilding Urban Frameworks Report: Proposal for Sustained Urban Renewal with Green Infrastructure."

Green infrastructure is designed to increase greenery in urban areas and replace certain functional aspects of conventional infrastructure in terms of disaster preparedness and the environment. Attracting attention in recent years, green infrastructure enhances the appeal of cities and increases sustainability. It is expected to help alleviate financial burdens while updating infrastructure.

DBJ created the DBJ Workshop on Green Infrastructure for Rebuilding Urban Frameworks, chaired by Associate Professor Takanori Fukuoka from the Tokyo University of Agriculture, and invited President Takashi Onishi of the Toyohashi University of Technology as an advisor as well as Distinguished Professor Shiro Wakui from Tokyo City University and others as leading experts to the workshop. Discussions covered several topics related to facilitating green infrastructure in society. The work group's report outlines the discussions undertaken by the experts and suggests ways to implement green infrastructure in society based on their discussions.

Smart Venues and Estimations of Economic Scale of Sports Industry

In conjunction with the Smart Venue Workgroup (Chair: Professor Yoshiyuki Mano from Waseda University Faculty of Sport Sciences), DBJ published a research report titled "Creation of Sports-Oriented Communities with Smart Venues®—Multi-Function Facilities as Venues for Community Exchange." A smart venue is defined as a sustainable facility for exchange that includes multiple functions, including management of neighboring areas. The report estimates that more than ¥2 trillion will be spent over the next 20 years on modernizing and building new stadiums and sports arenas, and recommends turning them into smart venues that also function as spaces for exchange.

In the joint research paper "Estimation of Economic Scale of Japan's Sports Industry" with Doshisha University, DBJ estimates the economic scale of the sports industry was ¥6.6 trillion in 2011. In "the Future Investment Strategy 2018," it is written that, with the cooperation of DBJ, the government will examine methods to estimate the size of the sports market on an ongoing basis in a format that facilitates international comparisons. DBJ will continue to research and study the sports industry, which is likely to grow in the future.

Please click on the link below to see the Regional, Industry and Economic Report on DBJ's website (Japanese only).
https://www.dbj.jp/investigate/etc/index.html

Collaboration with Local Governments

Initiatives in PPP/PFI and Public Asset Management via Collaboration with Local Governments and Regional Financial Institutions

Local governments are directly dealing with issues, such as aging, related to public assets under their management. Public asset management refers comprehensively to the planning, management, utilization, and disposal of assets from a management perspective. DBJ assists numerous local governments in this regard, helping them create plans and draw up individual projects with Group think tanks.

In June 2013, DBJ set up PPP/PFI Promotion Centers to facilitate collaboration with local governments and regional financial institutions. While planning and holding seminars at the PPP/PFI Academy, DBJ offers regional platforms for cooperating at the national level. In these and other ways, DBJ has made a concerted effort to expand the use of PPP/PFI, putting into place a structure for promoting their use. In particular, the PPP/PFI Academy encourages roundtable discussions and the sharing of case studies through a teleconference system that connects all of DBJ's bases. In its seventh year, the PPP/PFI Academy has welcomed a cumulative total of 6,000 people as participants.

DBJ is keen to supply risk capital and support the formation of pioneering businesses through research and advisory services for properly advancing various PPP/PFI projects tailored to regional issues and situations, based on collaboration with the national government, local governments, private companies, and regional financial institutions.

Advisory Services on Comprehensive Government Policies for Matsudo City

DBJ received a request from Matsudo City for help creating a collaborative framework with a broad range of experts in measuring investment effectiveness from the business planning and proposal stages, evaluating effective and efficient operating methods, and providing insight into the management of private companies. In July 2017, DBJ signed a comprehensive partnership agreement and advisory service contract for consultations on the collaborative framework.

The main advisory services provided by DBJ entailed advice, research, and analysis of the impact on city finances from the implementation of various projects, including calculating the effectiveness of investments in projects to create communities, as well as the viability and the optimal approach for executing individual projects.

With this advisory agreement, DBJ will help Matsudo City achieve its aim to develop community management models from a private-sector perspective by leveraging its knowledge and network accumulated in PPP/PFI and public asset management, as well as various solutions including project financing.

Case Study

Business Rehabilitation at Miyazaki Car Ferry

Miyazaki Car Ferry Co., Ltd. operates a long-distance ferry service on routes between Miyazaki and Kobe. The company also transports trucks that deliver agricultural products from around Miyazaki Prefecture to the Kansai, Chukyo, and Tokyo regions. Agricultural produce must be reliably delivered by the next day to Tokyo and other regions. The company has key transportation infrastructure for meeting tourist demand from the Kansai region.

However, the company's two ferries have been in service for over 20 years and need replacing. Although the company has reliably generated a certain level of profit, Miyazaki Car Ferry has large amounts of debt inherited from its predecessor, making it a challenge to raise funds.

In light of these circumstances, DBJ, along with local companies, financial institutions, and local governments in Miyazaki Prefecture, in addition to the Regional Economy Vitalization Corporation of Japan, provided the financing needed to rehabilitate Miyazaki Car Ferry and restart operations as a new company.

The rehabilitation of Miyazaki Car Ferry will not only keep people employed at the company but also keep in service its ferry routes that are a lifeline for the economy of Miyazaki Prefecture, enabling the reliable shipment of regional products. After restarting as a new company, Miyazaki Car Ferry is now working to improve earnings and its governance structure while drawing up specific plans to introduce new ferries, satisfying its initial objective. DBJ has dispatched a manager to serve as an outside director at the company to keep their dialogue going. Leveraging its networks and research and analysis capabilities, DBJ is providing the company with a complete solution to its problems while helping it improve management and draw up plans for the future.

Message from Employees

Supporting All of Miyazaki with Ferry Services Essential to the Regional Economy

The business rehabilitation of Miyazaki Car Ferry was unique in that it involved a support structure for all of Miyazaki with the establishment of Miyazaki Car Ferry as a new company by a diverse range of stakeholders, including users of the ferry service, local governments, and financial institutions.

This unique structure underscores the broad base of support Miyazaki Car Ferry has gained from numerous stakeholders, reflecting the essential nature of its ferry services for the regional economy. However, the diverse range of stakeholders has meant that it is necessary to find common ground while engaging with the many people involved.

Looking ahead, these diverse stakeholders will need to get behind the company as it addresses issues, including business improvements and plans to introduce new ferries, and by marshaling the advantages offered by each stakeholder, the company will be able to take on future challenges. DBJ intends to support business improvements and help the company manage its stakeholders.

Publication of DBJ BOOKs

Working as a unified group, DBJ has published the results of its surveys and research activities in a variety of fields through various report brochures and professional journals. DBJ recently published DBJ BOOKs with the aim of deepening the understanding of the latest topics and specialized fields among its broad readership.

In fiscal 2017, DBJ published its first round of two books, titled "Reforming Management of Waterworks—Advanced Shape of Wide Area and Public–Private Partnerships (PPP/PFI)" and "Highlights of Tourism DMO Design and Operation—Genuine Tourism Stimulus with DMO and Regional Revitalization." DBJ plans to turn them into a series.

Priority Areas | **Self-Reliance and Revitalization of Local Economies**

Industrial revitalization based on regional characteristics, overseas business development, response to inbound tourism, business succession

Overseas

Positioning overseas operations within its sector strategies and function strategies, DBJ Group engages in global operations in sectors providing high added value.

Outline

DBJ engages in overseas operations in line with its sector strategies and function strategies. To coordinate these operations, it has subsidiaries in London, Singapore, and Beijing (including a branch office in Shanghai), as well as a representative office in New York.

Longer-Term External Environment and Social Issues

Based on projections for continued growth in the world economy, DBJ Group is likely to see continued demand for global business development from its core customers in domestic industries. At the same time, demand for capital should increase strongly from the infrastructure and transportation sectors against a backdrop of population growth and the increasing volumes of movement in people and physical goods. It is imperative that Japan's economy and industry sustain growth by effectively tapping into these overseas growth opportunities.

Strategy

DBJ will continue to engage in overseas operations in line with its sector strategies and function strategies.

1) In infrastructure fields such as energy and transportation, DBJ will provide investments and loans for the overseas development of Japanese industry and for projects that bring overseas knowledge to domestic markets.
2) DBJ will provide investment and advisory services to support the overseas industrial expansion needs of its customers, including customers headquartered regionally in Japan.
3) Group companies will manage investments in infrastructure assets and corporate assets for the purpose of providing Japanese investors with investment opportunities overseas.

Accomplishments and Initiatives to Date

When it first became a joint-stock company, DBJ began to extend corporate loans in developed countries where it could apply its knowledge of industries in Japan. DBJ then gradually diversified into project finance, asset finance, and investment operations as business foundations were laid overseas in accordance with DBJ Group's sector strategies and function strategies.

In Singapore and China, DBJ set up an M&A advisory team to coordinate with the head office's Business Development Department in meeting the M&A needs of customers in the Asian region.

Initiatives in fiscal 2017 included participation in syndicated loans for an airport in the United Kingdom, investment in a PPP project for a toll expressway in the United States, participation in syndicated loans for the leading Singaporean company in the LPG carrier industry, the acquisition of bonds issued by a Chinese airline company on the TOKYO PRO-BOND Market, and participation in an oil and gas floating production, storage, and offloading (FPSO) project at a Japanese company that is destined for gas fields off the shores of Ghana. Using a variety of financing methods, DBJ promoted projects in a broad range of sectors, countries, and regions.

Case Study

Participation in Natural Gas Power Plant Project (Hickory Run Project) in Pennsylvania, U.S.A.

DBJ was the coordinating lead arranger for project financing totaling U.S.$53 billion for the Hickory Run Power Plant that is to be constructed in Pennsylvania in the United States.

The power plant, located near Pittsburgh, Pennsylvania, is a nominal 1,000 megawatt (MW) natural gas-fired combined cycle power plant with a planned commercial operation date of April 2020. When completed, the electricity will be sold on the PJM Energy Market, the largest wholesale power market in North America. In the U.S., the shale gas revolution has spurred the construction of new natural gas-fired power plants and the discontinuation of older coal-fired power plants. When completed, the power plant is expected to greatly contribute to the area by providing efficient, clean, and reliable power.

Tyr Energy, Inc., a U.S. subsidiary wholly owned by ITOCHU, is the largest investor in the project, and has driven it forward while leveraging its operational know-how in the development and construction of the power plant. Kansai Electric Power Co., Inc. is also participating as a major investor. Through its involvement in power generation projects in the U.S., which leads in deregulation of the electric power sector, DBJ is able to acquire knowledge related to finance in deregulated markets that is useful in the overseas business development of Japanese companies. DBJ aims to use this knowledge for the benefit of Japan's rapidly deregulating electric power market.

Planned construction site

Power plant under construction

Tapping into Growth in Southeast Asia for Japan —Initiatives at DBJ Singapore Limited

Since becoming a joint-stock company in 2008, DBJ Group has engaged in overseas operations in order to help Japanese companies develop business overseas and stimulate capital markets in Japan. In December 2008, DBJ Singapore Limited was established as its first overseas subsidiary and its main base of operations for emerging markets in the Asia-Pacific region. DBJ Singapore works closely with DBJ Group companies in Japan to provide investments, loans, and M&A advisory services in this region.

In the wake of the global financial crisis triggered by the collapse of Lehman Brothers, emerging countries in Asia have continued to grow strongly, and Japanese companies have been expanding investments in the promising markets of this region. DBJ Singapore helps Japanese companies enter these markets and provides investments and loans in Asian countries to meet funding demand in the energy, transportation, communications, and other fields.

In its 10th year since being established, DBJ Singapore will continue to work with members and help customers develop businesses while meeting diverse needs in Asian countries that are key to the future growth of Japan.

Special Investment Operations / Crisis Response Operations

DBJ will provide optimal financing solutions tailored to customer needs, from loans to mezzanine financing and investments, while reinforcing its ability to adequately evaluate various risks.

Outline

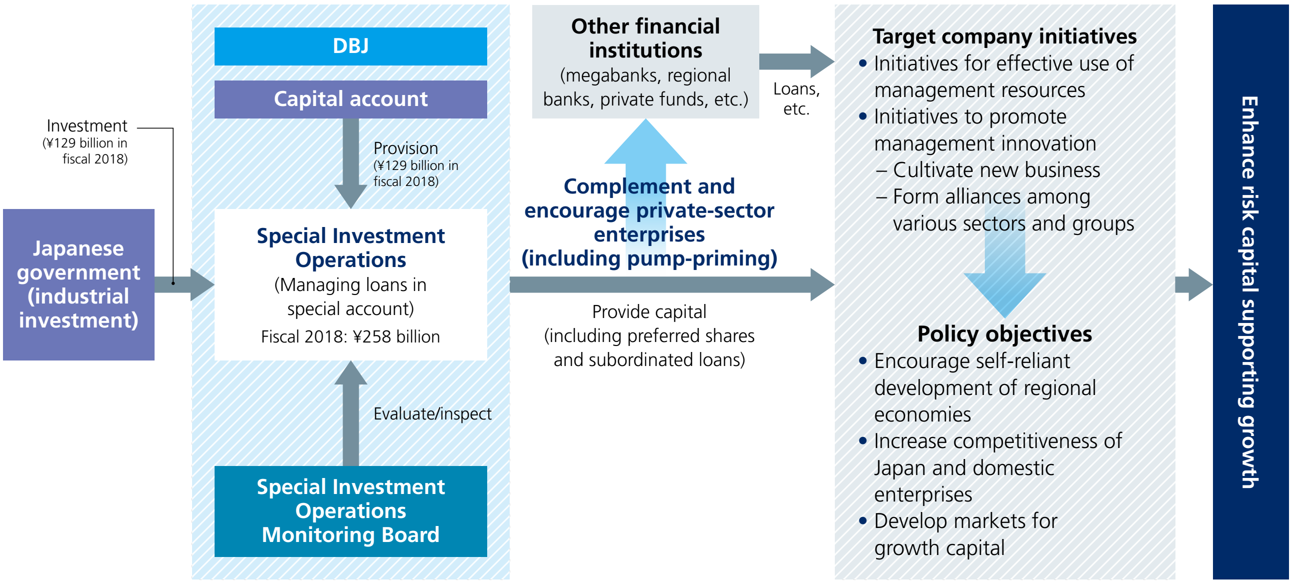
DBJ provides loans and investments after analyzing business prospects, evaluating risks, and creating financing schemes. Taking into consideration the traits of each project and the intentions of participants, DBJ specializes in an integrated investment and loan model that flexibly deploys loans, mezzanine financing, and investments.

DBJ's Initiatives to Supply Risk Capital

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, enough 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 business of Shizuoka Gas Company, Ltd. As of March 31, 2018, a total of ¥260.0 billion in investments and loans had been extended to 62 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, and other professional groups (see page 58).

* 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, thereby fostering the development of an investment cycle led by the private sector.

Case Study

Acquisition of Shares in National Car Parks Group, the United Kingdom, through Joint Investment with Park24

DBJ acquired shares in National Car Parks Group, the United Kingdom's largest private parking lot operator, as part of a joint investment with Park24 Co., Ltd., the world's largest parking lot operator (by number of sites) as well as the operator of Japan's largest car-sharing service.

The acquisition provided Park24 with solid business foundations in the United Kingdom that will enhance its position as a global player. Because the deal also helped increase Japan's international competitiveness in the parking lot business, DBJ was able to utilize its Special Investment Operations to acquire shares in National Car Parks Group.

NCP parking lot, U.K.

Operating under the slogan "People, Cars, and Communities," Park24 is contributing to the development of travel infrastructure services in Japan through its efforts to create a comfortable automobile society. The company accelerated its overseas development in January 2017 with the acquisition of Secure Parking Group, a parking lot operator focused on Asia and Oceania. In addition to providing assistance in financing as a joint investor, DBJ is supplying Park24 with complementary resources accumulated in travel infrastructure financing in Japan and overseas and making investments in individual companies. DBJ hopes that the active support from these resources, which include expertise, personnel, and information networks, will help maintain and extend National Car Parks Group's competitive edge and thus increase Park24's corporate value.

Case Study

Joint Investment in Singaporean Company with Chudenko

When Chudenko Corporation acquired shares in Singaporean electrical engineering contractor RYB Engineering Pte. Ltd., DBJ Group made a joint investment by acquiring shares issued by the acquisition SPC.

Chudenko is a comprehensive facility engineering firm supporting the stable supply of electric power in the Chugoku region. In its medium- to long-term vision, which outlines what Chudenko hopes to achieve as an organization by the time it celebrates its 80th anniversary in 2024, the company is aiming to actively expand its group presence beyond the Chugoku region into other regions of Japan and overseas. Chudenko is seeking to grow its business domain with a view to raising corporate value.

RYB Engineering has built up its business with a focus on design and installation for data centers with demand for high technology, gaining a strong reputation in Singapore. The owner was looking for participation from a sponsor with growth capabilities as it sought to expand its business.

Chudenko's first overseas acquisition gives it a base for business in Southeast Asia, a market notable for its pace of growth, and is a spur for overseas development and company growth.

DBJ Singapore Limited was responsible for establishing connections between Chudenko and RYB Engineering. DBJ Group provided support for Chudenko in the form of financial advisory services from its Business Development Department, while its Chugoku Branch supplied risk capital through Special Investment Operations, thus assisting in raising the international competitiveness of Chudenko and Japanese industry.

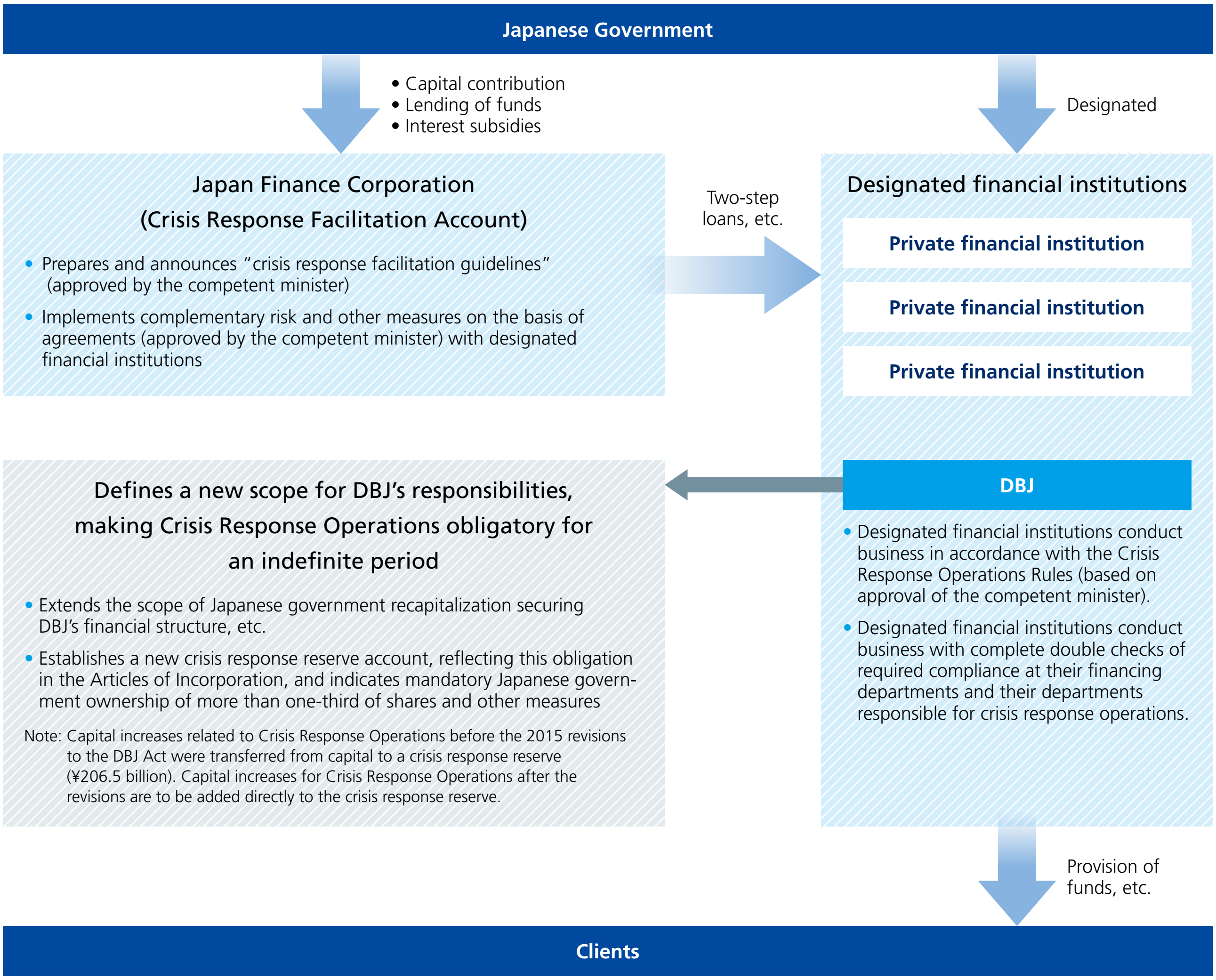
More information about Special Investment Operations, including our initiatives, is on the DBJ website (https://www.dbj.jp/service/invest/special/index.html).

Crisis Response Operations

DBJ's Crisis Response Operations function as a stabilizing force during periods of instability in the economy, society, and markets.

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 a complementary risk measure, among other measures, to government-designated financial institutions (designated financial institutions) that supply necessary funds to address crisis damage.

Crisis Response Operations Scheme



Accomplishments and Initiatives to Date

2008/10	2008/12	2011/3	2018/3
Commenced Crisis Response Operations as a designated financial institution	Financial Crisis Response Operations and Earthquake Disaster Crisis Response Operations (through March 31, 2011)	Earthquake Disaster Crisis Response Operations	

Main events that were designated a crisis:

- Turmoil in international financial markets (Global financial crisis)
- Great East Japan Earthquake
- Damage from heavy rainfall during typhoon #18 in 2015
- Kumamoto earthquakes in 2016

Total funds raised by the government in Crisis Response Operations (as of March 31, 2018)

¥206,529 million

Total crisis countermeasure loans, loans with loss guarantee agreements, and commercial paper purchases as of March 31, 2018:

- Loans: ¥6,216.1 billion (1,149 projects)
- Loans executed with loss guarantee agreements: ¥268.3 billion (47 projects, including those slated for application to Japan Finance Corporation)
- Commercial paper acquisitions: ¥361.0 billion (68 projects)

Case Studies

Great East Japan Earthquake of 2011

In the fiscal 2011 supplementary budget passed in the wake of the Great East Japan Earthquake, ¥2.5 trillion was earmarked for Japan Finance Corporation for Crisis Response Operations targeting medium- and large-sized enterprises. DBJ proactively provided assistance for clients affected both directly and indirectly by the disaster.

Along with designated financial institutions in the disaster area, DBJ arranged the Great East Japan Earthquake Reconstruction Fund, which has financed 56 reconstruction projects to date.

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 reinforces functions (the "reconstruction and growth stage"), we have established a new reconstruction and growth support fund in collaboration with the Regional Economy Vitalization Corporation of Japan. The new fund is 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.

Kumamoto earthquakes in 2016

In 2016, DBJ established the Kumamoto Recovery Office within the Kyushu Branch to better provide useful knowledge and financial expertise for the restoration and reconstruction of regions affected by the Kumamoto earthquakes.

In July 2016, DBJ formed the Kumamoto Reconstruction Support Fund jointly with the Higo Bank, Ltd. and the Kagoshima Bank, Ltd., financial institutions in the disaster-stricken area. The fund supplies risk capital, through such schemes as senior loans (repayment in full on maturity, uncollateralized, non-guaranteed loans) and subordinated loans, to businesses affected by the disaster.

Additionally, DBJ provided beneficial information about restoration and reconstruction through a cross-departmental system, and offered survey and planning services in conjunction with related local governments, national institutions, and economic groups, as well as local financial institutions.

Kumamoto Castle, damaged by the earthquakes
(photo from the Ninomaru Parking Lot)

Syndication, Advisory, Consulting Services

DBJ mobilizes tie-ups and collaboration to provide syndicated loans and support for M&A designed to promote Japanese companies' growth strategies and strengthen their international competitiveness, and offers impartial consulting with a long-term perspective. Along with related services, this helps clients solve the problems they face and stimulates activity in financial markets.

Outline

Syndication

DBJ utilizes its impartial standpoint to call on a wide range of financial institutions in providing high-value-added syndicated loans that draw on such original DBJ financing products as DBJ Green Building Certification and the Regional Areas *Genki* Program.

Advisory Services

DBJ offers expert advice related to corporate M&A—ranging from the formulation of strategies, screening of acquisition candidates, and assessment of corporate value to negotiations, structure policy, and post-merger integration assistance—for a variety of situations, including industry restructuring, overseas business development, business domain expansion, business succession, and fund investments and exits.

Research & Consulting

Utilizing its extensive network of connections to universities, research institutions, experts, national governments, and local governments, DBJ provides support through surveys and problem-solving ideas related to business strategies and policy formation for urban development, regional development, social capital maintenance, energy, the economy, and industry.

Strategy and Initiatives to Date

Syndication

Activities have included leveraging DBJ's strengths in syndicated loans in the energy sector and reinforcing ties and partnerships with regional financial institutions through such means as business cooperation agreements for syndicated loans. In this way, DBJ is contributing to corporate fund-raising while also providing financing opportunities for financial institutions.

In fiscal 2017, DBJ and The Hiroshima Bank, Ltd. created a loan with a special provision that all or a portion of the principal amount borrowed would be waived in the event of a major earthquake that met pre-determined conditions. Both parties provided a syndicated loan using this instrument.

Advisory Services

As a result of its impartiality, DBJ has a wide network to mobilize in its advisory services, including not only Japanese firms but also foreign companies and private equity funds. In September 2017, when DBJ entered into an overseas M&A advisory business cooperation agreement with BDA Partners (headquartered in New York)—which needed to develop business in Asia and other parts of the world—the synergies generated between BDA's overseas network and DBJ Group's M&A advisory organization and domestic and overseas networks produced a more effective and efficient overseas M&A advisory service for the client.

Research & Consulting

Japan Economic Research Institute, Inc. is a comprehensive think tank that conducts research in the public, solutions, and international fields. In the public–private partnership and project finance initiative fields, it has a top-class track record in Japan backed by unparalleled experience and know-how.

Value Management Institute, Inc. is also a comprehensive think tank that excels in analysis using proprietary economic models and insight into cutting-edge technologies. Its highly specialized knowledge encompasses a broad range of policy fields, including the formulation of integrated strategies for local governments across Japan.

Case Study

Proposal of ¥2 Billion Syndicated Loan for Tisco Logistics Corporation to Build Distribution Warehouse with Head Office Functions

Tisco Logistics Corporation is a road haulage operator headquartered in Yamagata Prefecture. Its main area of operation outside of Yamagata Prefecture extends from Tohoku to Kanto. Tisco Logistics has moved into third-party logistics (3PL), taking over functions such as storage and inventory management from shippers due to the trend in the logistics industry toward small lots and high-frequency deliveries fueled by the growth of the e-commerce market and increasing sophistication in inventory management. As a result of regional growth in demand for 3PL, Tisco Logistics wanted to build a distribution warehouse with head office functions.


Rendering of the completed warehouse scheduled for construction

To this end, the Kirayaka Bank, Ltd., which is Tisco Logistics' main bank and has a business cooperation agreement regarding syndicated loans with DBJ, consulted with DBJ. To finance the warehouse Tisco Logistics wanted to build, DBJ and Kirayaka Bank proposed a ¥2 billion syndicated loan and a ¥200 million preferred stock placement for strengthening the company's balance sheet. In addition to joint arrangers Kirayaka Bank and DBJ, eight companies participated in the loan, the majority of which were regional financial institutions in Yamagata and Miyagi prefectures. They included Shoko Chukin Bank, The Yamagata Bank, Ltd., Yamagata Shinkin Bank, The 77 Bank Ltd., The Shonai Bank, Ltd., and The Sendai Bank, Ltd.

The ¥200 million of preferred stock issued by Tisco Logistics was taken up by the Jimoto Fund (a core business assistance fund investment limited partnership), created by DBJ together with Kirayaka Bank and Sendai Bank, which are subsidiaries of Jimoto Holdings, Inc.

DBJ aims to assist in upgrading the functionality of regional logistics infrastructure through integrated investments and loans for local growth companies that support regional logistics.

Message from Employees

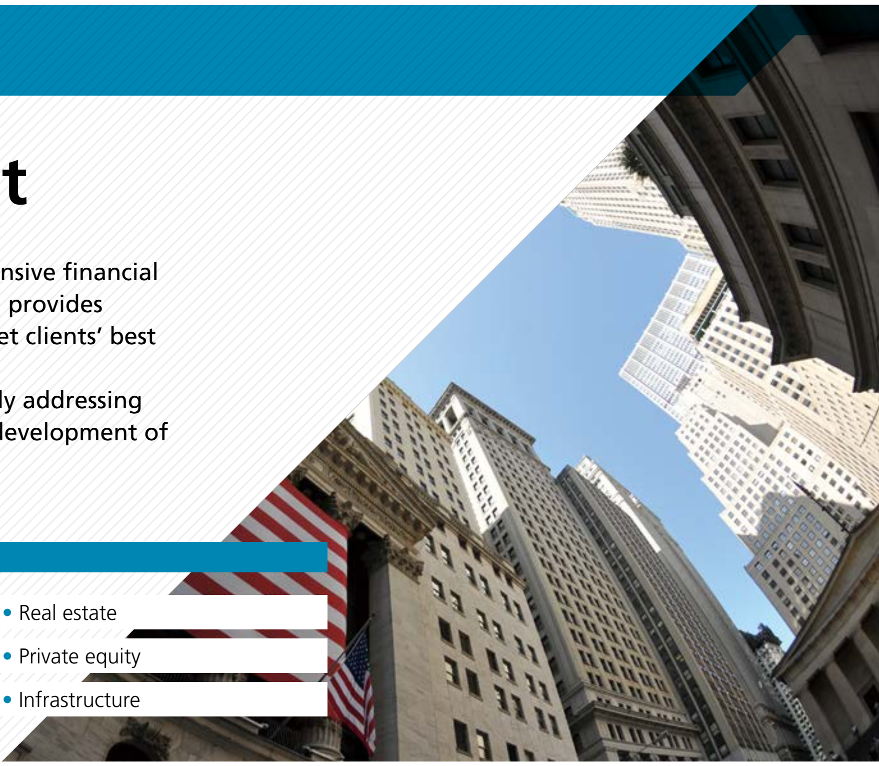
Regional Financial Institutions Cooperating to Support a Local Growth Company

DBJ became involved after it was approached for consultation by Tisco Logistics' main bank, Kirayaka Bank. Fund-raising was an issue to begin with, in part because a large-scale investment of more than ¥2 billion was required. However, DBJ and Kirayaka Bank wanted to support the company's president in his desire to develop a logistics business that plays a part in regional economic stimulation and held many discussions on how to proceed.

DBJ and Kirayaka Bank conducted a joint assessment of Tisco Logistics' business potential and arranged for an injection of ¥200 million from the Jimoto Fund to put the balance sheet on a firm footing for large-scale investment. Given that Tisco Logistics was a local growth company supporting regional logistics, we also thought it would be ideal to have regional financial institutions unite to provide assistance; therefore, we embarked on our first jointly arranged syndicated loan. Due to the many financial institutions and experts such as lawyers and accountants involved, it took time to construct the plan and reconcile the various interests, but all went well.

We are confident that the funding plan based on DBJ's integrated investment and loan approach provided a local growth company with funds that will contribute to boosting the company's competitiveness and enhancing the functionality of regional logistics infrastructure.

Asset Management



Backed by the DBJ Group philosophy and comprehensive financial expertise, DBJ Asset Management Co., Ltd. (DBJAM) provides investment and asset management services that meet clients’ best interests.

By stimulating the flow of funds and appropriately addressing diverse investment needs, DBJAM aims to spur the development of capital markets in Japan.

Outline

DBJAM is an asset management company that specializes in investments in the real estate, private equity, and infrastructure fields.

- Real estate
- Private equity
- Infrastructure

Longer-Term External Environment and Social Issues

Japan is a nation with considerable assets, including over ¥1,700 trillion in household financial assets and ¥200 trillion in pension assets. With the Japanese economy confronted by a declining population and an aging society, it is imperative that this wealth (financial assets) is steadily expanded.

In realizing sustainable asset formation for the nation, it is an extremely important policy issue for Japan to have a healthy and efficient capital market. Financial institutions, pension funds, and other institutional investors must also advance their investment capabilities in order to maintain a vibrant capital market.

DBJAM acknowledges the importance of such policy objectives and believes that its services are well aligned with the public interest.

Strategy

DBJAM, as a fiduciary investment manager, works in the best interest of its institutional investor clients with the aim of achieving longer-term growth in returns on each investment, being aware of the profits flowing to the ultimate beneficiaries. DBJAM also works to help its clients increase their asset management capabilities.

To achieve these aims, DBJAM develops deep understanding of the financial standings, investment policies, and risk/return preferences of its clients through active, thorough, and faithful engagement.

DBJAM believes that such an attitude allows it to provide investment and asset management services that are truly optimized for the client.

Through these services and operations, DBJAM contributes to the development of financial markets in Japan by energizing new money flows, as well as the conversion of fund flows into reliable asset formation for the nation’s citizens.

Accomplishments and Initiatives to Date

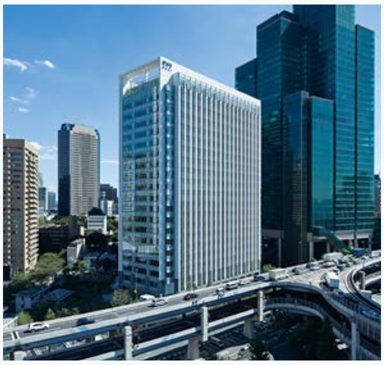
DBJAM was established in November 2006 for the purpose of energizing the real estate finance market in Japan. Since then, DBJAM has provided domestic real estate fund management and asset management services. In 2016, it formed and began asset management in DBJ Private REIT Inc., an unlisted private real estate investment trust. In addition, since 2013, DBJAM has begun to providing discretionary investment services and investment advisory services related to alternative investments in overseas/domestic private equity and infrastructure and overseas real estate.

In its efforts to seek out and provide investment opportunities, DBJAM has set up seven co-investment programs targeted at regional financial institutions and foreign private equity funds as of July 2018. In 2018, Japan’s Government Pension Investment Fund appointed DBJAM as an investment manager focusing mainly on Japanese infrastructure.

As a result of these activities, DBJAM had ¥1,155 billion in assets under management as of March 31, 2018.

Case Study

New Stimulation for the Real Estate Finance Market with Private REIT



DBJAM established DBJ Private REIT Inc. in August 2016 to cater to diverse investment needs by providing high-quality investment opportunities to entities such as regional financial institutions and pension funds from an impartial and long-term standpoint. One objective of the establishment of DBJ Private REIT was to energize the real estate finance market.

DBJ Private REIT takes full advantage of DBJ Group's extensive experience in urban and regional development and its wealth of expertise in real estate securitization, including REITs, in aiming for stable longer-term earnings and steady growth in assets under management.

DBJ Private REIT is distinguished by a basic policy of investment in properties with DBJ Green Building Certification or other environmental certifications to promote sustainable real estate. In 2017, DBJ Private REIT led the way in the private REIT sector thanks to its being awarded a Green Star (highest designation) in the Global Real Estate Sustainability Benchmark (GRESB) assessment.* Investment in sustainable real estate and property management guided by sustainability fit with current investor interest in environmental, social, and governance (ESG) issues while also leading to the maintenance and enhancement of asset value in the longer term.

* GRESB, established in 2009 by leading European pension fund groups, undertakes annual assessments that take into account real estate sector ESG performance.

Message from Employees

Harnessing the Overall Power of DBJ Group in Private REIT Management

DBJ Private REIT currently has the funds of more than 70 investors, including financial institutions and pension funds, under management. We believe private REITs are suited to long-term investors due to their ability to potentially generate longer-term, stable income gains commensurate with fundamental real estate value by virtue of their non-listed, indefinite-period, open-ended structure. Private REITs are entrusted with the funds of professional investors (institutional investors) and are required to perform to a high standard in real estate acquisition and management and in fund-raising. Furthermore, as private REITs are predicated on being going concerns for indefinite periods, it is particularly important that they earn the unwavering trust of investors over the long term.

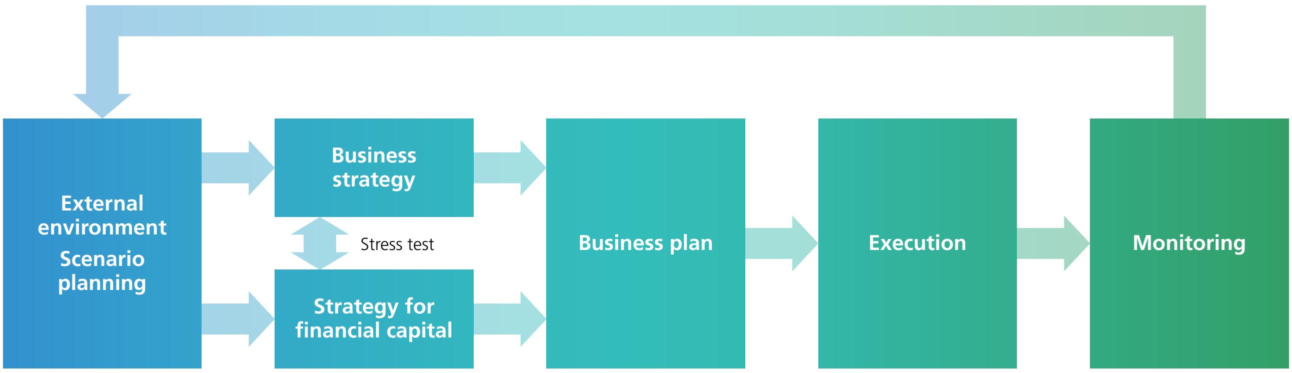
Our employees, with distinct responsibilities in property acquisition, fund-raising, property management, and DBJ Private REIT management, will continue working together to build a track record of stable management and stable dividends. And equipped with investment opportunities and services that draw on DBJ Group's long-term perspective and impartiality, they will engage in close communication with investors and participate in DBJ initiatives regarding ESG and sustainability to maintain a customer-first approach in stable investment.

Financial Capital

We target sustainable growth by constructing an optimal risk–return portfolio while maintaining and strengthening a robust financial base that supports our unique business activities, including integrated investment and loan services.

Basic Policy

Financial capital is a vital element of our business foundation implementing advanced business strategies centered on our sector strategy (see page 18) and function strategy (see page 34) under the Fourth Medium-Term Management Plan. A robust financial foundation of funds and capital is necessary for DBJ Group to execute its sector strategy, supply risk capital, and engage in Crisis Response Operations. We aim to maintain and strengthen our financial capital by managing it within the context of a risk appetite framework based on sophisticated analysis of risks and returns with due consideration paid to regulatory capital (management focused on shareholders' equity ratios) and economic capital (management of capital using stress tests).



Financial Soundness Indicators

Issuer ratings	A1 (Moody's), A (S&P), AA (R&I), AAA (JCR)	(As of March 31, 2018)
Common equity Tier 1 risk-weighted capital ratio	16.8%	(As of March 31, 2018)

Specific Initiatives to Improve the Value of Financial Capital

A pillar of DBJ Group's business strategy is to provide long-term financing for infrastructure projects. To do so, DBJ Group procures long-term funds through corporate bonds and the Fiscal Investment and Loan Program (FILP). In recent years, DBJ has stably procured funds through FILP as well as by issuing corporate bonds, thereby augmenting its fund procurement activities with diversified maturities and methods. DBJ has been issuing green bonds and sustainability bonds since fiscal 2014. The issuance of these bonds has not only diversified our fund procurement base but also invigorated the socially responsible investment (SRI) bond market.

DBJ Socially Responsible Investment Bond (SRI Bond)

In 2014, DBJ became the first issuer in Japan to issue a green bond. Also, DBJ has issued a DBJ Sustainability Bond each year since 2015; DBJ's $1,000 million issuance in fiscal 2017 was the largest sustainability bond ever issued by a Japanese issuer. The raised funds are allocated toward the creation of a sustainable society through DBJ Green Building Certification and the Environmentally Rated Loan Program. Information on the management and allocation of funds is evaluated by third parties to increase transparency.

In January 2017, DBJ became an issuer member, the first Japanese firm with an issuer status, of the Green Bond Principles* and in March 2017 participated on a committee created by the Ministry of the Environment to draw up the Green Bond Guidelines, 2017. DBJ will continue to support the sustainable growth of this market by continuing to issue SRI bonds as well as proactively engaging in international and domestic initiatives.

The Green Bond Principles

Issuance of SRI bonds
(As of March 31, 2018)

$1 billion in 2017
$500 million in 2016
€300 million in 2015
€250 million in 2014

* The Green Bond Principles (GBP): GBP are complied by the International Capital Market Association (ICMA), investors, issuers, and securities companies. These parties are responsible for updating annually the Green Bond Principles, which are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market by clarifying the approach for issuance of a green bond. These parties also create a platform to share the latest information about green bonds and send relevant information to society.

Capital Procurement (Non-Consolidated)

(¥100 million)

	Fiscal 2015	Fiscal 2016	Fiscal 2017
Funds raised (flow)	3,027.7	4,012.6	3,153.4
Fiscal Investment and Loan Program	634.4	1,127.7	922.7
Of which, borrowings from FILP*	300.0	800.0	580.0
Of which, government-guaranteed bonds (domestic)	200.0	150.4	150.2
Of which, government-guaranteed bonds (overseas)	134.3	177.3	192.5
Corporate bonds (FILP bonds)	395.3	497.1	535.8
Long-term debt	358.2	861.5	589.5
Of which, recovered, etc.	1,639.7	1,526.1	1,005.0

* Borrowings from FILP in fiscal 2016 included ¥500 billion in the supplementary budget for "economic stimulus measures for investments in the future."

Message from Employees

Spreading Understanding of DBJ's Principles and Work through IR Activities

In addition to procuring funds through the Fiscal Investment and Loan Program (FILP) and government-guaranteed bonds, DBJ conducts its own credit-raising activities, such as issuing corporate bonds (FILP bonds) and borrowing money from regional financial institutions. When conducting its own credit-raising activities, DBJ places emphasis on having investors understand and support its principles and work and, to facilitate that, dispatches representatives to conduct proactive IR activities in all regions of Japan and overseas.

Amid rising global interest in environmental, social, and governance (ESG) investment, DBJ aims to broaden the investor base for sustainability bonds—one of its distinctive fund procurement methods—by introducing the unique activities of the Environmentally Rated Loan Program and DBJ Green Building Certification and spreading understanding of the sustainability management activities of DBJ Group as a whole.

Reference (Long-Term Profits / Losses, Financial Conditions)

	2008 Became a joint-stock company	2008–2010 First Medium-Term Management Plan: CHALLENGE 2010	
Consolidated	Fiscal 2008 (October 1, 2008 to March 31, 2009) (Six-month fiscal period)	Fiscal 2009 (April 1, 2009 to March 31, 2010)	Fiscal 2010 (April 1, 2010 to March 31, 2011)
Total income	151.2	347.9	345.1
Income before income taxes	(121.6)	51.9	95.0
Of which, equity and fund-related gains/losses	N/A	(26.7)	(2.9)
Extraordinary profit/loss	3.5	(0.8)	9.3
Income before income taxes and minority interests	(118.1)	51.1	104.3
Total income taxes	(13.5)	(10.8)	(1.3)
Net income attributable to owners of the parent	(128.3)	39.8	101.5
Total dividend amount	—	10.0	50.0
Total assets	14,028.0	15,595.7	14,845.2
Loans	12,008.8	13,514.6	13,031.4
Securities	1,246.5	1,289.4	1,165.5
Total liabilities	11,941.6	13,268.2	12,435.2
Borrowed money	8,067.8	9,082.4	8,576.4
Debentures and corporate bonds	3,513.0	3,746.3	3,629.3
Total equity	2,086.4	2,327.5	2,409.9
Common stock	1,000.0	1,181.1	1,181.1
Total capital ratio (Basel II, BIS standard)	18.87%	19.13%	20.50%
Total capital ratio (Basel III, BIS standard)	—	—	—
Ratio of risk-monitored loans (Banking Act basis)	1.60%	5.07%	1.28%
Return on assets (ROA)	(0.92)%	0.27%	0.67%
Return on equity (ROE)	(6.06)%	1.82%	4.31%
Number of employees	1,096	1,181	1,203

Investment and fundraising flow (non-consolidated)			
Loans and investments (flow)	1,733.4	3,793.1	2,116.6
Loans	1,670.3	3,682.0	2,034.4
Investments	63.1	111.1	82.2
Funds raised (flow)	1,733.4	3,793.1	2,116.6
Of which, recovery, etc.	184.3	840.9	1,212.8

(¥100 million)

2011–2013 Second Medium-Term Management Plan: Endeavor 2013			2014–2016 Third Medium-Term Management Plan: Supporting Japan's Sustained Growth as a Global Innovator			2017–2019 Fourth Mid-Term Management Plan
Fiscal 2011 (April 1, 2011 to March 31, 2012)	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)	Fiscal 2014 (April 1, 2014 to March 31, 2015)	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)	Fiscal 2017 (April 1, 2017 to March 31, 2018)
318.7	340.0	361.6	339.0	358.6	285.4	291.7
99.2	115.6	165.7	153.0	185.1	122.5	127.1
(1.3)	30.0	30.3	32.1	70.8	41.1	39.7
10.9	0.6	0.2	0.6	1.5	(0.0)	2.2
110.2	116.2	166.0	153.6	186.7	122.4	129.4
(31.9)	(44.5)	(40.8)	(58.9)	(57.6)	(34.6)	(35.0)
77.3	71.3	124.3	92.7	128.9	87.6	91.9
37.3	35.2	30.8	22.5	29.2	19.7	22.1
15,579.8	16,248.7	16,310.7	16,360.6	15,907.1	16,570.4	16,952.2
13,645.4	13,918.2	13,838.4	13,261.3	12,952.5	13,039.5	12,725.2
1,176.6	1,357.0	1,637.5	1,887.9	1,803.0	1,750.3	1,866.4
13,118.8	13,710.1	13,682.9	13,613.3	13,022.9	13,584.2	13,842.1
9,170.5	9,448.3	9,182.6	8,598.2	7,892.1	8,472.3	8,574.1
3,671.8	3,924.5	4,237.4	4,569.3	4,727.9	4,711.8	4,932.9
2,461.0	2,538.5	2,627.7	2,747.2	2,884.2	2,986.2	3,110.1
1,187.7	1,206.9	1,206.9	1,206.9	1,000.4	1,000.4	1,000.4
18.56%	—	—	—	—	—	—
—	15.52%	15.83%	16.80%	17.87%	17.47%	16.94%
1.47%	1.23%	0.99%	0.77%	0.64%	0.54%	0.47%
0.51%	0.45%	0.76%	0.57%	0.80%	0.54%	0.55%
3.18%	2.86%	4.83%	3.47%	4.60%	2.99%	3.03%
1,270	1,315	1,391	1,407	1,435	1,546	1,631
2,927.0	2,652.4	2,943.3	2,544.2	3,027.7	4,012.6	3,153.4
2,849.0	2,524.5	2,805.1	2,262.7	2,861.3	3,805.8	2,973.6
78.0	127.8	138.2	281.4	166.3	206.7	179.7
2,927.0	2,652.4	2,943.3	2,544.2	3,027.7	4,012.6	3,153.4
691.7	502.2	1,307.5	1,129.9	1,639.7	1,526.1	1,005.0

Human Capital

We aim to become a "human resource development bank" with diverse human resources, and help employees develop skills while raising their motivation.

As of March 31, 2018

Number of employees (consolidated)	Number of employees (non-consolidated)	Average length of service (non-consolidated)
1,631	1,182	14.4 years

Basic Policy

To steadily implement DBJ Group's value creation process, which aims to create both economic and social value, and to realize Vision 2030, our vision for our future, it is imperative for us to nurture excellent employees who can implement the distinctive business models of DBJ Group, including its integrated investment and loan services.

Furthermore, we think it is important to create structures in which employees will be highly motivated. Improving the value of human capital is identified as one of the most important themes under the Fourth Medium-Term Management Plan and DBJ is taking concrete steps to achieve this goal.

Human Resource Development Vision

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

To develop its all-important human resource assets, DBJ encourages autonomous and pioneering behavior in its employees as financial professionals in keeping with the vision of "generalists who can be specialists in many fields." While it is important to acquire specialist knowledge, responding to society's constantly changing demands also requires broad experience, deep knowledge, and the ability to see the big picture. We continue to build a wide variety of systems based on this philosophy.

Career Development

Vision for Human Resources

Human resources who realized the integrated investment and loan services business model

"Generalists who can be specialists in many fields."

(Employees with specialized knowledge in a wide range of fields)

Human Resource Development System

On-the-job training and training in accounting and financial analysis

Inheriting the DNA that DBJ has developed over many years

Promoting a deep understanding of our vision and the sharing of our values

Strategic personnel rotation

Financial solutions

Skills development programs

Cultivating the ability to provide high-level solutions, responding to the needs of new business domains, and fostering industry professionals

Overseas study, seconding, and dispatch
(to DBJ Group companies, government agencies, etc.)

Gaining a broad perspective and range of knowledge

Strengthening our network of human resources

"Human Resource Development Bank"

Message from the Head of the Human Resources Management Department

All-Important Human Resources

All work comes down to a test of human capacity. That is why DBJ focuses on fostering human capacity more than on developing financial skills to be utilized in individual jobs. To foster this human capacity, we rotate our employees, especially those aged in their 20s, roughly every two years so that the experience they gain in multiple jobs in different departments and workplaces allows them to develop a broad base of specialist knowledge in the field of finance. At DBJ, our policy is not to rush in creating this knowledge base but instead to build it steadily and carefully.

Recently, the number of overseas investment projects involving Japanese and foreign companies has increased, and accordingly DBJ is focusing on developing its global human resources. In addition to sending young employees to study as trainees or overseas students, DBJ has worked with overseas business schools to establish its own educational programs. In the future, we hope to allow an increasing number of young employees opportunities to benefit from the experience of overseas study programs.

DBJ has made a commitment as an organization to take a long-term view in the development of human resources who realized DBJ's integrated investment and loan services business model by offering employees various work and overseas experience as well as a wide range of training opportunities.

Tsutomu Murakami
Executive Officer,
Head of Human Resources Management Department

Specific Initiatives to Increase the Value of Human Capital

(1) Intensification of the Hiring and Exchange of Human Resources across DBJ Group

DBJ will strengthen its hiring processes and practices and secure the personnel necessary across the entire Group to implement its sector strategy, function strategy, and area strategy.

DBJ will also work to further disseminate the DBJ Group Vision 2030 and its value creation process by strengthening the exchange of human resources across DBJ Group.

(2) Skills Development

DBJ conducts human resource development across the Group by providing employees with practical on-the-job training and ample other training opportunities.

- Strategically rotate employees so they steadily develop highly specialized skills by gaining practical experience in multiple departments
- In offering practical experience, dispatch employees to central government agencies, Group companies in Japan and overseas, and companies in which DBJ has invested
- When hiring new graduates, provide extensive, year-long training through new employee training programs, including DBJ's accounting and financial analysis training, which is roughly three months

2017 Training Program Schedule for New Employees (Regular Employees)

April	May	June	July	August	September	October	November
Early April to mid-April Introductory training (business etiquette, communication, and PC and other training) Mid-April to mid-June Accounting and financial analysis training			Early July Business knowledge training Mid-July Legal training			Early October Finance training October and November English-language training	

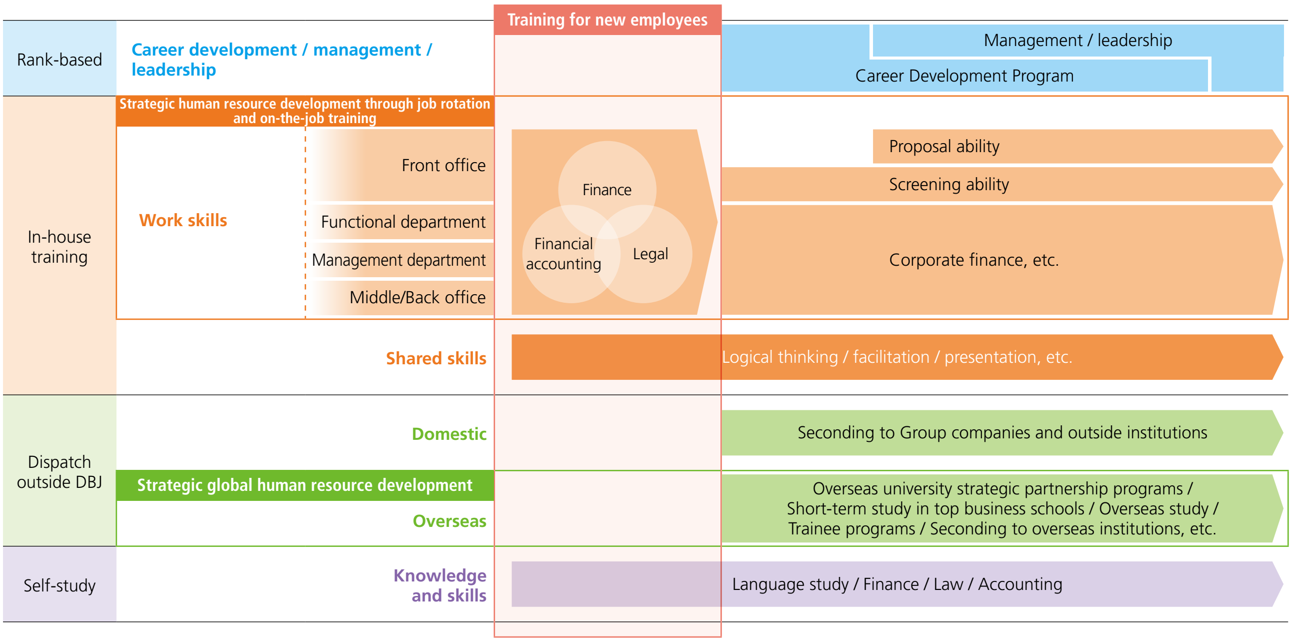
- DBJ provides abundant opportunities for training through combinations of rank-based, business-related, and self-improvement training.

  Established the Minami Aoyama Training Center and other facilities to provide concrete support for human resource development as well as qualitative and quantitative strengthening of intangibles in the areas of career development, management ability, and global awareness.


New employee training


Minami Aoyama Training Center

Human Resource Training Program



- In order to develop global human resources, DBJ has created a robust system that allows employees to study overseas at graduate schools and as trainees. Through a strategic partnership with the University of Oxford, DBJ has also created its own leadership program, conducted completely in English, for young employees.

Partnership Program with the University of Oxford

- A three-month leadership program (completely in English) independently created by DBJ based on a strategic partnership with the University of Oxford
- Program conducted by Jonathan Trevor based on the unique theory of Strategic Alignment
- Approach to the strategic partnership with the University of Oxford in addition to this leadership program

(3) Motivation and Health Management

- Increase motivation by conducting employee engagement surveys, considering survey results, developing action plans in each department, and implementing improvement measures
- In addition to periodic health checkups, introduce counseling services staffed by external professionals as a part of management that cares for the physical and mental well-being of employees

Diversity Management and Workstyle Reforms

Employees come together to work tirelessly to promote workstyle reforms based on new ways of thinking, improve productivity by reevaluating work processes, create systems that take into account work-life balance, and create organizational structures wherein a diverse range of people can thrive.

- Training aimed at into the reduction of overtime work: Throughout the year, DBJ promotes improvement in work efficiency by selecting model departments, holding workshops, implementing concrete measures to reduce workloads, and spreading know-how gained from these measures across DBJ.
- In addition to enhancing work and leave systems for child-rearing and elderly care, DBJ holds "iku-boss" seminars for management to support employees using these systems and seminars to assist in finding childcare facilities with enrollment capacity. DBJ also conducts career training and implements training and other measures aimed at creating an environment that is supportive of these initiatives.
- Set targets for empowering women, specifically for hiring women and promoting them to management positions
- Proactively hire people with disabilities, maintain work environments for diverse human resources

Employees' Use of Childbirth and Child-Rearing Support Systems

- In addition to maintaining systems to enable female employees to work actively in a variety of departments over a long period of time even as they navigate important life events such as marriage and childbirth, DBJ conducts a variety of different types of training and implements various support measures to create a workplace environment wherein use and understanding of these systems are promoted.

Ratio of employees returning to work after taking childcare leave (Number of employees having completed childcare leave in fiscal 2017)	91%
Rehiring system (Number of registrants as of the end of fiscal 2017)	27

- As a result of these efforts, DBJ not only achieved a high ratio of employees returning to work after taking childcare leave, but all employees not returning to work after taking childcare leave cited a spouse's job transfer as the reason for not returning and are registered in the rehiring system. Therefore, in effect, all employees taking childcare leave expressed the desire to return to work, if possible.
- A total of nearly 100 employees have taken advantage of programs allowing reduced work hours after returning from childcare leave or the flextime system, and DBJ encourages employees to make use of systems that suit their needs.

Training and Measures to Support Child-Rearing Systems

"Iku-Boss" Training

DBJ has been conducting "iku-boss" training since 2014. The aims of this initiative are to deepen understanding of DBJ's robust systems to support childbirth and child-rearing and to promote understanding by managers of subordinates making use of the childcare leave and reduced work hours systems through case studies as well as seminars presented by outside experts. As of March 31, 2018, a total of 200 employees have participated in this training. In fiscal 2018, "iku-boss" training was designated a mandatory program for young management candidates.

Seminars on Finding Childcare Facilities

Since 2017, DBJ has been hosting seminars to assist in finding childcare facilities with enrollment capacity. In response to the situation of children who have been put on waiting lists for childcare facilities, which has become a serious issue in many of the cities in Japan where our employees work, and to support employees returning to work after taking childcare leave, we provide information on career development to employees who are considering having children and to assist DBJ employees and their spouses in finding childcare. We host lectures by outside experts and share the experiences of people who have faced such issues. These informational programs are aimed not only at employees and their spouses who are searching for childcare facilities but also at managers with subordinates in this situation. As of 2018, a total of nearly 100 employees have attended these lectures.

Employee Interviews

Female Employee: I am currently raising two children and taking advantage of the reduced work hours after returning from childcare leave. Just after 8:00 a.m., I take my children to childcare on my bicycle and arrive at the office at 9:25 a.m. I finish work at 4:40 p.m., shop at the supermarket, and then pick up my children from childcare. Because my time at work is limited, I try to focus and work efficiently and I receive support from my team, with whom I share work responsibilities. Thanks to this arrangement, I am able to lead a fulfilling life. Also, when one of my children suddenly becomes ill, I can make full use of the child sick leave program and the policy allowing annual paid leave to be taken in hourly units. I think employees rearing children truly appreciate having these various systems in place.

Male Employee: I took a month's childcare leave after the birth of my second child. The fact that I was able to focus on housekeeping and child-rearing during the very difficult time immediately after the birth was not only important to my family but also a valuable experience that broadened my perspective. I was busier than expected during this time and, on many days, before I knew it, it was time to pick up my children at childcare. After going through this valuable, albeit hectic, experience, I hope more men decide to take childcare leave so that they can have a similar experience. Even after returning from leave, I was able to drop off and pick up my children from childcare and help out when they suddenly became ill by taking my annual paid leave in hourly units and working from home. I am very thankful for this fulfilling working environment.

Intellectual Capital

DBJ aims to build on strengths in knowledge, the wellspring for value-added operations such as research, analyses, and risk management, as well as strengths in frameworks, including processes, information and communication technology (ICT) systems, and organizations.

Basic Policy

(1) Knowledge

We strive to improve skills as a core element of operations necessary to differentiate our business model through surveys, research, analyses, and risk management centered on industry.

(2) Processes

We will improve operations, including via investments in ICT, by clarifying and simplifying business processes from the customer's standpoint in order to rapidly and properly address customer needs.

Specific Initiatives to Improve the Value of Intellectual Capital

Knowledge

Improving Screening Capabilities and Proposal Abilities

In order to continue carrying out its mission while engaging in high-risk operations such as integrated investment and loan services and crisis response, DBJ Group must maintain excellence in not only industry analysis but also its capabilities to evaluate corporations and businesses. To increase the corporate value of DBJ's customers, we also strive to propose improved solutions that leverage DBJ's capabilities and unique characteristics.

Industry Analysis

The role of the Economic & Industrial Research Department is to analyze and disseminate information on economic and industrial trends in Japan and overseas, including macroeconomic trends and trends in key industries, and to support investment activity. DBJ proactively works to accumulate and use intellectual capital, including information on recent trends in such areas as big data, AI, computer-assisted software engineering (CASE), virtual/augmented reality, and fintech.

In April 2017, DBJ established the post chief research officer and placed under it the Economic & Industrial Research Department and the Sustainability Planning & Support Department. We provide knowledge-based solutions to customers in various industries, including solutions from the perspectives of environmental, social, and governance issues and the Sustainable Development Goals (SDGs), based on our wide-ranging knowledge of industry.

For details, please follow the link below to the DBJ website.
https://www.dbj.jp/en/investigate/

Capital Investment Planning Survey

With a history of more than 60 years (since 1956), DBJ's Capital Investment Planning Survey looks at trends in corporate capital investment in Japan as well as corporate activities based on the "broad definition of investment," including capital investment overseas, and spending on R&D, M&A, and human resources. The results of the survey are used for many purposes, such as furthering education at universities and research at R&D organizations, in addition to serving as a reference for national economic policy and corporate planning.

Cross-Sector Conference

Cross-sector innovation is accelerating and the number of themes that must be analyzed by industrial surveys is increasing. Against this background, to pursue deep industry knowledge while maintaining a cross-sector perspective, DBJ Group set up the Cross-Sector Conference in fiscal 2017 as a platform for sharing information among the Economic & Industrial Research Department, business offices, and Group companies. To discover and share cross-sector knowledge, we convened the Cross-Sector Conference nine times in fiscal 2017 with such themes as CASE, logistics, and healthcare.

Research Institute of Capital Formation

The Research Institute of Capital Formation (RICF) was established in 1964 with Dr. Osamu Shimomura, who advocated for the principles behind Japan's post-1940s, high economic growth, as its first executive director. The institute serves as a venue for creating intellectual capital through cooperation and collaboration between DBJ and external experts at universities and other organizations. Its research includes a focus on the formation of a sustainable economy and society from an academic and liberal standpoint. In recent years, the institute has expanded the means for creating intellectual capital by establishing new committees for researching sustainability, publishing research papers through Springer, an international academic publishing company, and holding international academic conferences in conjunction with foreign academic journals and think tanks.

Processes

Work Reform Project

DBJ established the Work Reform Project in fiscal 2016 under the leadership of a deputy president and with members from a range of departments to devise measures to raise added value for customers, including streamlining investment and loan processes, increasing productivity, vitalizing organizations, streamlining how meetings are conducted, reviewing decision-making processes, setting up a mobile work environment, introducing a video-conference system, and streamlining settlement procedures.

DBJ Certification Programs

Using its independently developed screening system, DBJ certification programs set terms and conditions of loans based on corporations' non-financial information. Evaluations of the sustainability of corporations' activities contribute to practical implementation of the Plan-Do-Check-Act (PDCA) cycle. Also, by factoring non-financial information into the assessment of corporate value, DBJ aims to create an environment wherein companies with medium- to long-term growth potential can be evaluated by financial markets and stakeholders.

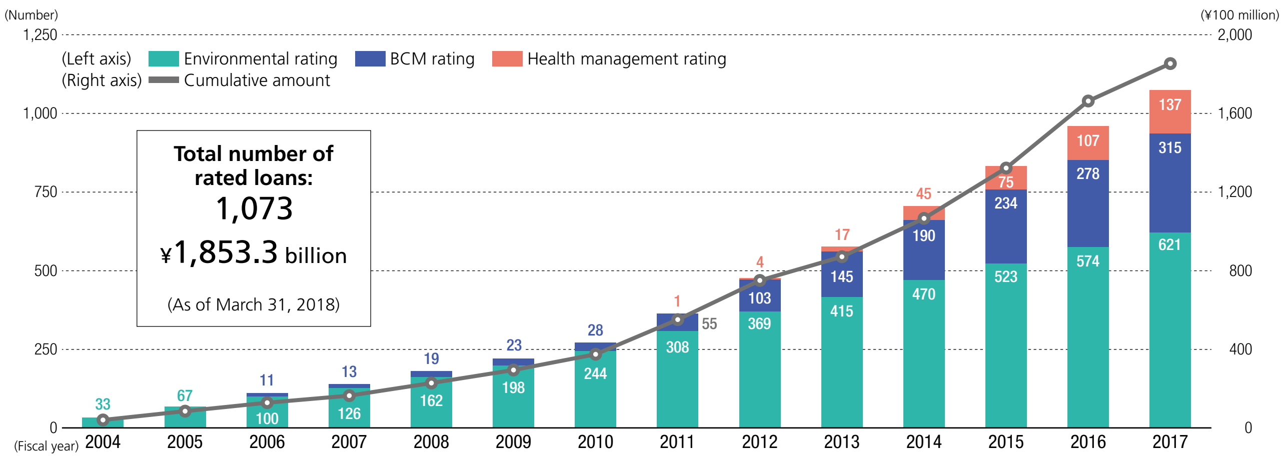
DBJ launched the Environmentally Rated Loan Program in 2004, the first such program in the world. In 2006, DBJ launched the BCM Rated Loan Program to evaluate disaster preparedness and measures to ensure business continuation. Furthermore, in 2012 DBJ began to offer the Employees' Health Management Rated Loan Program, which assesses a company's efforts at health management to improve the productivity of its employees through work-style reforms and measures to raise employee awareness of health issues. To date, we have provided more than 900 rated loans to customers while engaging in dialogue with them to support their initiatives. Our screening sheet for rating loans is revised every year by a panel of advisors consisting of external experts with due attention paid to the latest issues and trends around the world.

In February 2018, DBJ received a commendation from the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) in recognition of its efforts through the Employees' Health Management Rated Loan Program. DBJ certification programs provide broad support for the efforts of its customers while contributing to the creation of a sustainable society.

BCM Rating (Business continuation risk)	Environmental Rating (Environmental risk)	Health Management Rating (Human productivity risk)
DBJ BCM格付	DBJ 環境格付	DBJ健康格付

For details on DBJ certification programs, please follow the link below to the DBJ website (Japanese only).
https://www.dbj-sustainability-rating.jp/

DBJ Rated Loans



Relationship and Social Capital

DBJ Group aims to create value by cooperating with other parties to enhance the value of its network and brand.

Its also aims to achieve sustainable growth in business and corporate value while developing social capital for society as a whole.

Basic Policy

Relationship Capital

DBJ Group has built diverse networks with customers, financial institutions, investors, and national and local government agencies for the purpose of exchanging information and avoiding conflicts of interest. DBJ Group utilizes its unique networks to identify issues affecting the economy and society and to conduct investment and loan operations. We aim to maintain our reputation and improve our brand value through the services we provide to customers.

Social Capital

DBJ Group defines social capital as a resource shared across society that underpins the foundations of market economics. Increasing the value of social capital is a basic tenet for realizing a sustainable society. DBJ specifically engages in unique initiatives within the context of (1) the natural environment, (2) social infrastructure, and (3) system capital.

Social capital	Details	Example of initiatives
(1) Natural environment	Forests, mountains, rivers, lakes, soil, air	Environmentally Rated Loan Program DBJ Green Building Certification
(2) Social infrastructure	Energy, transportation, urban infrastructure, industrial value chains	Loans and investments for infrastructure and industrial projects BCM Rated Loan Program
(3) System capital	Stabilization and stimulation of the financial system, development and invigoration of financial markets	Crisis Response Operations Supply of risk capital Socially responsible investing bond issuance

Concrete Measures to Increase the Value of Relationship Capital and Social Capital

Universities and Research Institutions

DBJ uses its network of roughly 450 scholars at 116 universities in Japan and abroad to promote research activities and human resource development, mainly in the social science fields. From early on, we have worked to make this network a global one, launching a system to support overseas researchers in 1991 which now includes 38 overseas researchers from 14 countries including the US, Canada, the UK, Germany, France, Singapore, China, South Korea, and Australia.

In fiscal 2017, we hosted the DBJ Sustainability Conference with the theme of CSR, the Economy and Financial Markets. Through this and other international academic conferences, we deepen discussions between global researchers and businesses such as DBJ and these conferences have been well received as an opportunity for exchanges that take place in an environment different from universities.

The DBJ Academy provides training to DBJ employees and students from outside DBJ as part of our efforts to foster human resources capable of conducting high-level financial operations. In fiscal 2017, with the help of 18 outside instructors in various fields from 11 universities, we were able to provide instruction to a total of 481 students.

Comprehensive Partnership Agreement with AIST

In September 2017, DBJ and the National Institute of Advanced Industrial Science and Technology (AIST) signed a partnership agreement with the purpose of pursuing open innovation to contribute to the construction of next-generation social and industrial infrastructure.

Through this partnership, private-sector companies are given access to technologies developed by AIST so that they can be commercialized. This arrangement assists corporations working with DBJ Group in solving problems by using leading-edge technologies and encourages the launch of joint development projects. Under the agreement, DBJ and AIST plan to exchange information and hold discussions aimed at strengthening communication with private-sector companies and identifying good matches for collaborative projects.

iHub4.0 (innovation Hub4.0)

Along with Japan Economic Research Institute, DBJ engages in the management of technology training and innovation iHub4.0 activities. By using its impartial position and broad network, DBJ aims to resolve social issues through logical and innovative business solutions.

For more information, please follow the link below (Japanese only).
https://www.jeri.or.jp/sctm/about/ihub.php

DBJ Women Entrepreneurs Center (DBJ-WEC)

DBJ provides comprehensive support, including entrepreneurial know-how and networking opportunities, to nurture growth businesses led by women from new vantage points that could change society and the economy for the better. As a part of these efforts, DBJ holds a business plan competition every year for women entrepreneurs. New business ideas that evince excellent business potential and innovativeness are awarded business grants of up to ¥10 million. After the competition finishes, the winners are connected with outside experts and venture capitalists who help them turn their business plans into reality by supporting the growth and development of their business ideas.

In addition to the DBJ Women Entrepreneurs Prize, the DBJ Women Entrepreneurs Prize for Excellence and the DBJ Women Entrepreneurs Prize for Business Promotion, in 2017 DBJ created the DBJ Women Entrepreneurs Prize for Social Design. DBJ presents these awards for high-utility sustainable plans that make strong contributions to society and contribute to the solution of regional issues while taking into consideration the Sustainable Development Goals (SDGs).

More than 2,100 business plans have been submitted over the past six competitions, expanding the scope of opportunity for women entrepreneurs.

For more information, please follow the link below (Japanese only).
https://www.jeri.or.jp/wec/

DBJ Connect

Beginning in June 2017, at the suggestion of our young employees, we launched DBJ Connect, a service promoting open innovation collaboration between start-ups and established companies, in collaboration with Creww, a company that operates the largest start-up community in Japan. The programs that DBJ Connect operates allow start-ups to leverage the management resources of established companies to accelerate the growth of their businesses and offer established businesses a foothold into emerging new businesses.

DBJ Connect's first program was Kyoto Open Accelerator, wherein four established companies based in Kyoto collaborated with six start-ups.

For more information, please follow the link below to the DBJ website (Japanese only).
https://www.dbj-i.net/jp

Participation in Outside Initiatives

DBJ actively participates in and contributes to outside initiatives aimed at promoting sustainability management. For example, in December 2016, DBJ and DBJ Asset Management Co., Ltd. became signatories of the United Nations-supported Principles for Responsible Investment (PRI) and, since February 2018, have served as members of the PRI Infrastructure Advisory Committee. Also, DBJ invited Richard Howitt, chief executive officer of the International Integrated Reporting Council (IIRC), to take part in an exchange of views among businesspeople involved in integrated reporting. Further, DBJ joined the Global Real Estate Sustainability Benchmark as an investor member and participates in study groups hosted by the Japanese Ministry of Economy, Trade and Industry on long-term investment in sustainable growth (ESG and investment in intangible assets) and round table conferences held by the Japanese Ministry of the Environment on ESG financing.

Approval of TCFD

In June 2018, DBJ expressed its approval of the final report on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Going forward, DBJ will respond appropriately through scenario analysis based on recognition of the risks and opportunities related to climate change.

Message from the Chairman

With ongoing efforts to strengthen governance, we contribute to sustainable growth through an innovative value creation process.

1. Toward the Creation of a Unique Business Model

In accordance with the Development Bank of Japan Inc. Act, DBJ Group promotes sustainability management that balances economic value with social value, with the aim of realizing a sustainable society. Under the current Fourth Medium-Term Management Plan, DBJ supports forward-looking initiatives by supplying risk capital through Special Investment Operations. These initiatives aim to stimulate new flows of risk capital in Japan by collaborating and cooperating with private financial institutions. Through investments and loans in new fields, DBJ contributes to the strengthening of Japan's international competitiveness. DBJ also supplies risk capital for addressing local issues through joint funds created with regional financial institutions.

Furthermore, DBJ plays the role of rapidly supplying capital during responses to such crises as natural disasters. During turmoil in international financial markets, the Great East Japan Earthquake, the Kumamoto earthquakes, and other events that required fresh capital, DBJ has been there to rapidly provide relief.

2. Governance Suitable for Our Business Model, and Dialogue with Stakeholders

In order to continue playing this unique role, it is essential that DBJ has robust corporate governance, ensures transparency in management, and takes into consideration the opinions of external experts. For these reasons, DBJ has set up the Operations Audit Committee, Compensation Committee, and Personnel Evaluation Committee as advisory bodies to the Board of Directors. Based on this framework, aiming to increase the effectiveness of the Board of Directors, we believe it is also imperative to listen to the opinions of our stakeholders.

In a reasonably competitive environment, it is very important for DBJ to collaborate and cooperate with private financial institutions, thus DBJ periodically creates events, usually twice a year, for exchanging opinions with representatives of such institutions. In addition, with regard to Special Investment Operations, DBJ has set up the Special Investment Operations Monitoring Board (see page 58) as an advisory body to the Board of Directors that meets twice a year in order to deliberate and evaluate projects, as well as embolden private-sector enterprises and complement their operations while maintaining appropriate competitive relations.

The opinions elicited from the periodic social events with private financial institutions and the outcomes of deliberations by the Special Investment Operations Monitoring Board are reported to the Advisory Board and debated. As an advisory body to the Board of Directors, the Advisory Board (see page 57) is made up

of outside experts and directors in fields including manufacturing, infrastructure, regional communities, and finance. The Advisory Board provides valuable opinions about matters concerning the safeguarding of appropriate competitive relations with private financial institutions and DBJ Group's management plans. I believe a unique aspect of DBJ Group's corporate governance is the continuous reassessment of its novel value creation process while engaging in dialogue with stakeholders.

Moreover, to advance initiatives one step ahead of the times, it is important for DBJ to ensure the appropriateness of its operations based on the Companies Act. For this purpose, the Board of Directors formulated the Internal Control System Basic Policy, which positions legal compliance, risk management, and internal audits as important issues for management.

3. Realizing a Value Creation Process That Balances Economic Value with Social Value

In 2017, DBJ Group created the Policy on Sustainability and the Sustainability Committee in light of the increasing need to review corporate management from the standpoint of sustainability, given recent developments including the adoption of the Sustainability Development Goals (SDGs) and the Paris Agreement. The Sustainability Committee has discussed matters that are important for management, such as constantly changing social issues for the realization of a sustainable society, and in 2018, directors enthusiastically exchanged opinions about initiatives related to energy, climate change, and the SDGs.

DBJ Group aims to realize a sustainable society while balancing economic value and social value by offering solutions to issues faced by society and the Group's customers. DBJ will create innovative business models for advancing sustainability management and maintaining a balanced value creation process. Moreover, we will continue making every effort to ensure robust and effective corporate governance based on the notion that nothing is more important than the trust placed in us by our customers and society.

August 2018

Yasushi Kinoshita

Yasushi Kinoshita
Chairman

Basic Position on Corporate Governance

DBJ is governed by the Development Bank of Japan Inc. Act (the DBJ Act) in accordance with the following objective.

Article 1

Development Bank of Japan Inc. (hereinafter referred to as the "Corporation") shall be a joint-stock company (*kabushiki-kaisha*) whose objective is to contribute to the smooth supply of funds to those needing long-term business funds, as well as to the sophistication of financial functions.

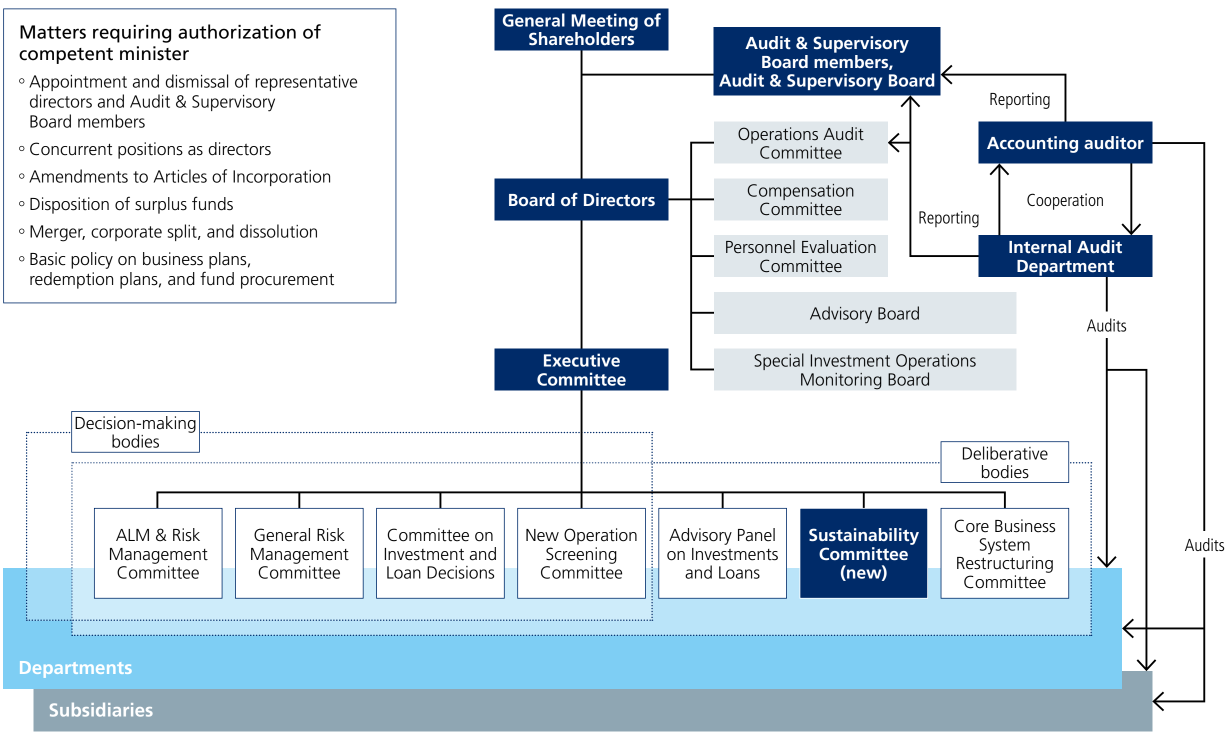
DBJ is working to enhance its unique governance system in addition to usual management supervision as a company with a board of directors and company auditors (Audit & Supervisory Board) through a business model built upon features such as integrated investments and loans and proper execution of the preceding objective in order to raise the value of tangible and intangible management resources to be invested and to realize sustainable management that aims for both economic and social value.

Specifically, the 2015 revisions to the DBJ Act established the creation of Special Investment Operations and obligatory measures to be considered, requiring that DBJ conduct its operations in a manner that does not obstruct appropriate competitive relations with other entities, in particular, applying these requirements to the Advisory Board, made up of outside experts and directors, and the Special Investment Operations Monitoring Board, composed of outside experts, which function as advisory bodies to the Board of Directors. These bodies provide advice on DBJ's overall management and deliberate and evaluate business results, including consistency with the policy objectives of Special Investment Operations, ensuring that appropriate competitive relations are maintained with private financial institutions.

DBJ's Corporate Governance System

Institutional design configuration	A company with a board of directors and company auditors (Audit & Supervisory Board)
Number of directors	10
Of whom are outside directors	2
Number of Board of Directors' meetings this fiscal year	13
Number of Audit & Supervisory Board members	5
Of whom are outside Audit & Supervisory Board members	3
Number of Audit & Supervisory Board meetings this fiscal year	14
Adoption of executive officer system	Yes
Accounting auditor	Deloitte Touche Tohmatsu Limited

Overview of DBJ's Corporate Governance System



Audit & Supervisory Board Members, Audit & Supervisory Board

The Audit & Supervisory Board comprises five members. 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 board members, including outside members, in performing their duties. The Audit & Supervisory Board and Audit & Supervisory Board members audit the execution of duties by directors, based on their audit policy and audit plans.

Audit & Supervisory Board members attend Board of Directors' and other important meetings and may query the execution of business by directors, peruse documents, and conduct branch audits.

Advisory Bodies to the Board of Directors

In pursuit of sustainability management and DBJ's corporate objectives, the following committees have been established as advisory bodies to the Board of Directors for the purpose of maintaining transparency in management and to reflect the knowledge of outside experts.

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, 2018.

Compensation Committee

The Compensation Committee, whose members include outside directors, considers the type of executive compensation structure that befits DBJ from the standpoint of ensuring transparency and objectivity regarding compensation.

Personnel Evaluation Committee

The Personnel Evaluation Committee, composed of outside directors and other outside experts, evaluates personnel proposals on the selection of directors and Audit & Supervisory Board members.

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 overall management. Revisions in 2015 to the DBJ Act stipulate for an indefinite period obligatory measures to be considered, in particular, requiring that DBJ conduct its operations in a manner that would not obstruct appropriate competitive relations with other entities. 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 that appropriate competitive relations are maintained with private financial institutions.

This board convened twice during the fiscal year ended March 31, 2018. This board is composed of the following outside directors and experts in fields including manufacturing, infrastructure, regional communities, and finance.

Outside Experts

Reiko Akiike	Senior Partner and Managing Director, The Boston Consulting Group
Masayuki Oku	Honorary Advisor of Sumitomo Mitsui Financial Group, Inc.
Kazuaki Kama	Executive Corporate Advisor, IHI Corporation
Katsunori Nakanishi	Chairman and CEO, The Shizuoka Bank, Ltd.
Yoshizumi Nezu	President, Tobu Railway Co., Ltd.

Outside Directors

Akio Mimura	Honorary Chairman of Nippon Steel & Sumitomo Metal Corporation
Kazuo Ueda	Professor and Head of Office for New Department Planning, Kyoritsu Women's University, Faculty of International Studies

Special Investment Operations Monitoring Board

One of the measures of the 2015 revisions to the DBJ Act 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, whose members include outside experts in fields such as manufacturing, infrastructure, regional communities, and finance, convened twice during the fiscal year ended March 31, 2018.

In order to examine whether appropriate competitive relations with other entities are being maintained, round-table discussions are held regularly with the Japanese Bankers Association, the Regional Banks Association of Japan, and the Second Association of Regional Banks, including these entities' private financial institution members. Each group met twice in fiscal 2017, for a total of six meetings. Disputes and opinions raised in these meetings are reported to and deliberated by the Advisory Board and the Special Investment Operations Monitoring Board.

Outside Experts

Hideharu Iwamoto	Vice Chairman & Senior Executive Director of Japanese Bankers Association
Masayuki Oku	Honorary Advisor of Sumitomo Mitsui Financial Group, Inc.
Katsunori Nakanishi	Chairman and CEO, 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 JXTG Holdings, Inc.

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 38 times during the fiscal year ended March 31, 2018.

Committees under the Executive Committee

Name	Role
ALM & Risk Management Committee	This committee deliberates and makes decisions pertaining to portfolio risk management and asset–liability management.
General Risk Management Committee	This committee deliberates and makes decisions on important items related to operational risk management, system risk management, legal compliance, responses to antisocial forces, 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, overseas business strategy, and operations and management conditions.
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 as well as deliberations on overseas business strategy and operations and management conditions.
Sustainability Committee	**This committee deliberates on items related to both economic and social value as well as dialogue with stakeholders.**
Core Business System Restructuring Committee	This committee deliberates items related to policies for restructuring core business systems.

DBJ established the Sustainability Committee, which has operated since fiscal 2017 onward, as part of efforts to contribute to a sustainable society, in accordance with DBJ Group's Policy on Sustainability (please refer to page 61). This committee approaches important social issues from an ESG perspective and incorporates this attitude into business activities, including investments and loans as well as asset management.

The committee met twice during the fiscal year ended March 31, 2018.

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
- Amendments to Articles of Incorporation
- Disposition of surplus funds; Merger, corporate split, and dissolution; Basic policy on business plans, redemption plans, and fund procurement

Messages from Outside Directors

Corporate Governance Helps Us Solve Social Issues

Akio Mimura
Outside Director

I have served as an outside director since 2008 when DBJ became a joint-stock company, and I am currently a member of the Advisory Board, a body that facilitates corporate governance by incorporating the opinions of outside experts into the management of DBJ. The Advisory Board is positioned as an advisory body to the Board of Directors in accordance with the revisions of the DBJ Act of 2015. The role of the Advisory Board is not only advising DBJ management for balancing economic value and social value, but also deliberating for DBJ to ensure appropriate competitive relations with private financial institutions. I also believe that the Advisory Board has fulfilled its responsibilities for performing checks from a third-party perspective on the proper execution of legally mandated Special Investment Operations, Crisis Response Operations, collaboration with private financial institutions, and DBJ Group management.

Amid rapid change in the economy, international politics, technology, demographics, and other aspects of society, DBJ aims to contribute to the resolution of various social issues while moving to achieve the objectives of the Fourth Medium-Term Management Plan that has been underway since fiscal 2017. To this end, it is essential that DBJ constantly engages in dialogue and cooperates with its stakeholders. As an outside director, I will continue to carry out my duties and facilitate contributions to society from a governance standpoint.

April	1963:	Joined Fuji Iron & Steel Co., Ltd.
April	2000:	Representative Director and Executive Vice President of Nippon Steel Corporation
April	2003:	Representative Director and President of Nippon Steel Corporation
April	2008:	Representative Director and Chairman of Nippon Steel Corporation
October	2008:	Director at DBJ (current position)
October	2012:	Director, Member of the Board and Senior Advisor of Nippon Steel & Sumitomo Metal Corporation
June	2013:	Senior Advisor of Nippon Steel & Sumitomo Metal Corporation
November	2013:	Chairman of the Tokyo Chamber of Commerce & Industry (current position) Chairman of the Japan Chamber of Commerce & Industry (current position)
June	2018:	Honorary Chairman of Nippon Steel & Sumitomo Metal Corporation (current position)

Strengthening Corporate Governance to Promote Sustainability Management

Kazuo Ueda
Outside Director

Over the past few years, interest in social sustainability, expressed in terms including ESG and the SDGs, has risen sharply. To date, DBJ has fulfilled various roles in accordance with the needs of society, constantly undertaking new initiatives for realizing a sustainable society, such as developing DBJ certification programs and supplying risk capital through joint investments with private non-financial companies and financial institutions.

I believe DBJ's initiatives draw on the long evolution of its corporate DNA to date, and proper governance is needed for DBJ to contribute to the medium- and long-term development of society and the economy, as well as to the realization of a sustainable society. This unique business model is supported by the Advisory Board and the Special Investment Operations Monitoring Board. As a member of the Advisory Board, I work closely with outside experts to advise DBJ on overall management. I will do my part in pursuit of sustainable social development and the sustainability management that DBJ strives for.

July	1980:	Assistant professor at the University of British Columbia, School of Economics
April	1982:	Assistant professor at Osaka University, School of Economics
April	1989:	Assistant professor at Tokyo University, School of Economics
March	1993:	Professor at Tokyo University, School of Economics
April	1998:	Deliberative member of the Bank of Japan's Policy Board
April	2005:	Professor at Tokyo University, School of Economics
October	2008:	Outside director at DBJ (current position)
April	2017:	Professor and Head of Office for New Department Planning, Kyoritsu Women's University, Faculty of International Studies (current position)Director of Tokyo University's Center for Advanced Research in Finance (current position)

Internal Control System Basic Policy

DBJ has established the following internal controls to ensure operational soundness, with the Board of Audit, Ministry of Finance, Financial Services Agency, and other institutions also conducting examinations of overall management.

Status of Internal Control System

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 importance to management. The internal control system is designed to confirm applicable regulations and the status of their implementation in various departments.

The full text of the Internal Control System Basic Policy is also available on the DBJ website (Japanese only).
https://www.dbj.jp/co/info/governance_policy.html

Internal Audits

DBJ has established the Internal Audit Department under the direct supervision of the president of DBJ and independent of other operating departments. The department conducts inspections to ensure the appropriateness and effectiveness of internal controls, including 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 the end of June 2018, 22 people belonged to the Internal Audit Department.

Accounting Audits

DBJ has in place an agreement whereby Deloitte Touche Tohmatsu LLC conducts accounting audits as its accounting auditor.

Three-Pronged Auditing Approach

DBJ's Audit & Supervisory Board members, the Internal Audit Department, and the accounting auditor periodically and as necessary exchange opinions and information, and communicate in an effort to ensure effective and appropriate audits.

Compliance

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 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. One specific initiative is the establishment of a compliance hotline.

The objective of this internal reporting system is to swiftly identify and resolve any legal violations. DBJ is also preparing Conflicts of Interest Management Regulations as a basic policy in addition to systems to manage conflicts of interest.

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

The establishment and maintenance of systems for client protection management and the protection of personal information are vital because doing so protects the people who use the financial institution's systems and raises their level of convenience. DBJ recognizes the extreme importance of such systems from the standpoint of operational soundness and appropriateness. DBJ has formulated a Client Protection Management Basic 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. We have incorporated a declaration on our policies 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 a policy introduced for the management of conflicts of interest and provides an overview of the publicly announced policy.

The Client Protection Management Basic Policy, Declaration on Personal Information Protection, and Policy for Managing Conflicts of Interest can also be found on the DBJ website (Japanese only).
https://www.dbj.jp/co/info/compliance.html

Policy on Sustainability

DBJ Group formulated the Policy on Sustainability in 2017 in order to facilitate the creation of both economic value and social value while engaging in dialogue with stakeholders and effecting continuous improvement in the value creation process.

The full text of the Policy on Sustainability is available on the DBJ website.
https://www.dbj.jp/en/co/csr/regular/index.html

Responses 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 refer 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 environments.

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 our networks and strengths in information, industry research, and financing technologies to provide total financing solutions that address the issues they face. Through dialogue 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.

The full text, including the May 2017 revisions to the code, is available on the DBJ website (Japanese only).
https://www.dbj.jp/co/info/stewardship.html

Directors, Audit & Supervisory Board Members, and Executive Officers

(as of the end of July 2018)

Directors

Chairman

Yasushi Kinoshita

1979: Joined the Ministry of Finance
2013: Administrative vice minister
2015: Deputy President of DBJ
2018: Chairman of DBJ

President and CEO

Hajime Watanabe

1981: Joined The Japan Development Bank
2008: General Manager, Head of Urban Development Department
2009: Executive Officer, Head of Corporate Planning & Coordination Department
2011: Director and Managing Executive Officer of DBJ
2015: Deputy President of DBJ
2018: President and CEO of DBJ

Deputy President

Shin Kikuchi

1984: Joined The Japan Development Bank
2011: Executive Officer, Head of Growth & Cross Border Investment Group
2011: Executive Officer, Head of Corporate Planning & Coordination Department
2013: Managing Executive Officer of DBJ
2015: Director and Managing Executive Officer of DBJ
2018: Deputy President of DBJ

Director and Managing Executive Officer

Satoshi Tomii

In charge of Strategic Finance Department, Growth & Cross Border Investment Department

1985: Joined The Japan Development Bank
2012: Executive Officer, Head of Growth & Cross Border Investment Group
2014: Managing Executive Officer, Head of Growth & Cross Border Investment Department
2015: Director and Managing Executive Officer of DBJ

Director and Managing Executive Officer

Kenkichi Fukuda

In charge of Corporate Planning & Coordination Department, Information Resources Department, General Affairs Department

1983: Joined The Japan Development Bank
2009: General Manager, Head of Chugoku Branch
2012: Executive Officer, Head of Human Resources Management Department
2014: Managing Executive Officer, Head of Kansai Branch
2016: Director and Managing Executive Officer of DBJ

Director and Managing Executive Officer

Koji Narita

In charge of Treasury Department, Syndication & Credit Trading Department, Sustainability Planning and Support Department

1987: Joined the Ministry of Finance
2016: Director-General of the Chugoku Local Finance Bureaus
2017: Director and Managing Executive Officer of DBJ

Director and Managing Executive Officer

Makoto Anayama

In charge of Accounting Department, Credit Analysis Department, Risk Management Department, Legal Affairs & Compliance Department, Research Institute of Capital Formation

1986: Joined The Japan Development Bank
2011: Head of Economic & Industrial Research Department
2013: Executive Officer, Head of Business Planning & Coordination Department
2015: Managing Executive Officer of DBJ
2018: Director and Managing Executive Officer of DBJ

Director and Managing Executive Officer

Seiji Jige

In charge of Business Planning & Coordination Department, International Strategy & Coordination Department, Economic & Industrial Research Department

1986: Joined The Japan Development Bank
2012: Executive Officer in Charge of Special Missions
2013: Executive Officer, Head of Corporate Planning & Coordination Department
2015: Managing Executive Officer of DBJ
2018: Director and Managing Executive Officer of DBJ

Outside Director

Akio Mimura

Honorary Chairman of Nippon Steel & Sumitomo Metal Corporation; Chairman of Tokyo Chamber of Commerce and Industry; Chairman of Japan Chamber of Commerce and Industry

2008: Director at DBJ

Outside Director

Kazuo Ueda

Professor and Head of Office for New Department Planning, Kyoritsu Women's University, Faculty of International Studies; Director of Tokyo University's Center for Advanced Research in Finance

2008: Director at DBJ

Audit & Supervisory Board Members

Audit & Supervisory Board Member

Atsushi Kurashige

1986: Joined The Japan Development Bank
2010: General Manager, Credit Analysis Department
2011: General Manager, Secretariat Office
2013: General Manager, Head of Urban Development Department
2017: Audit & Supervisory Board Member at DBJ

Audit & Supervisory Board Member

Mitsue Kurihara

1987: Joined The Japan Development Bank
2011: Senior Vice President of Healthcare & Hospitality Industry Office, Corporate Finance Department, Division 4
2013: General Manager, Head of Corporate Finance Department, Division 6
2015: Audit & Supervisory Board Member at DBJ

Outside Audit & Supervisory Board Member

Toshio Yamasaki

1982: Joined The Sumitomo Trust and Banking Co., Ltd.
2017: President of Sumitomo Mitsui Trust General Service Co., Ltd.
2018: Advisor of Sumitomo Mitsui Trust General Service Co., Ltd.
2018: Audit & Supervisory Board Member at DBJ

Outside Audit & Supervisory Board Member

Makoto Ito

Advisor at Nagashima Ohno & Tsunematsu; Visiting Professor, Nihon University Law School

2008: Audit & Supervisory Board Member at DBJ

Outside Audit & Supervisory Board Member

Shinji Hatta

Professor, OHARA Graduate School of Accounting; Professor Emeritus, Aoyama Gakuin University

2008: Audit & Supervisory Board Member at DBJ

Executive Officers (excluding those who are concurrently directors)

Managing Executive Officer

Hisanobu Sekine

In charge of Structured Finance Department, Hokkaido Branch, Tohoku Branch, Niigata Branch

Managing Executive Officer

Takao Kaizu

In charge of Financial Institutions Department, Corporate Finance Department, Division 6

Managing Executive Officer

Yoshinao Ikeda

In charge of Corporate Finance Department, Division 1 and 2

Managing Executive Officer

Masayuki Tsuda

In charge of Urban Development Department, Real Estate Finance Department, Corporate Finance Department, Division 3

Managing Executive Officer

Norifumi Sugimoto

In charge of Regional Planning Department, Hokuriku Branch, Tokai Branch, Kyushu Branch, Minami-Kyushu Branch

Managing Executive Officer (Head of Kansai Branch)

Hiroshi Shimizu

In charge of Kansai Branch, Chugoku Branch, Shikoku Branch

Managing Executive Officer

Yasushi Babasaki

In charge of Corporate Finance Department, Division 4

Managing Executive Officer

Michihiro Kishimoto

In charge of Corporate Finance Department, Division 5

Executive Officer

Ryusei Segawa

In charge of Internal Audit

Executive Officer

Tsutomu Murakami

Head of Human Resources Management Department

Executive Officer

Keisuke Takegahara

Deputy Chief Research Officer, Chief Manager of Sustainability Management Office, Corporate Planning & Coordination Department

Executive Officer

Shigeru Tamagoshi

Head of Business Planning & Coordination Department

Executive Officer

Toshiyasu Takazawa

Head of Corporate Planning & Coordination Department

Executive Officer

Shoichiro Kubota

Head of Growth & Cross Border Investment Department

Notes: Of the 15 directors and Audit & Supervisory Board members, 14 are male and one is female, leaving the female to male ratio at 6.7%.

Standards and policies related to independence in the selection of outside directors and outside Audit & Supervisory Board members are not applicable.

Akio Mimura, Honorary Chairman of Nippon Steel & Sumitomo Metal Corporation, is an outside director of DBJ. DBJ has no special 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.

Risk Management

Risk Management System

DBJ conducts risk management from the perspective of ensuring management soundness. To ensure appropriate management of individual risk categories, DBJ has developed a vital risk management system that specifies and evaluates manageable risks and clarifies which department is responsible for each type of risk. The Risk Management Department oversees comprehensive risk management activities.

The ALM & Risk Management Committee and the General Risk Management Committee deliberate on important matters concerning risks and conduct 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

Comprehensive Risk Management

The Risk Management Department assesses both comprehensive and individual risks. Based on risk guidelines that weigh Executive Committee business plans and the results of stress tests, the Risk Management Department controls the amount of comprehensive risk and that of individual risk categories at a determined level. Furthermore, the Corporate Planning & Coordination Department has begun efforts to measure risk–return by such means as risk-adjusted return on capital.

1. Credit Risk

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. DBJ provides corporate loans and non-recourse loans, making credit risk acquisition a source for profits. As such, it represents a significant risk category, with DBJ conducting credit management of individual projects as well as bank-wide portfolio management, accordingly.

i. 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 impartial 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 management. Credit risk and amounts are monitored to confirm that 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 projects, 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 projects.

These mutual checking functions serve to ensure the appropriateness of the finance operation and management system.

Borrower Rating System

DBJ's borrower rating system measures creditworthiness by combining an evaluation point rating and a borrower category rating with the results quantifying a potential client's credit circumstances.

The evaluation point rating selects indicator and 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.

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.

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 debt of these borrowers requiring caution is 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.	

ii. 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 the consideration of countermeasures, DBJ is committed to controlling risk and devising effective measures to improve risk–return.

2. Investment Risk

Investment risk refers to the risk of sustaining losses resulting from a decline in or loss of the economic value of assets due to worsening financial conditions for entities receiving funds and to changing market environments. DBJ's investments include the provision of mezzanine and equity financing, particularly to unlisted entities, such as corporations, funds, infrastructure, and real estate. As a source of profits, investments represent one of DBJ's most significant risk categories. DBJ makes investment decisions and manages individual investments as well as its bank-wide portfolio accordingly.

In addition to investment analysis and management in line with credit risk management, investment decisions based on target returns in accordance with investment category and regular monitoring are utilized to manage individual investments. In terms of portfolio management, we conduct risk measurement that applies credit and market risk assessment methods, with a focus on differences between investment categories and recovery methods.

3. Market Risk

The primary focuses in terms of market risk management are interest rate risk and exchange risk. DBJ classifies market risk as passive risk pertaining to investment and loan activities and implements management in the manner detailed below. DBJ does not have any trading-related risk because it does not engage in trading (specified transactions).

i. 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.

Based on monitoring through multifaceted indices, such as value at risk (VaR) and interest rate sensitivity analyses (basis point value), as well as ALM policies established by the Executive Committee, DBJ conducts comprehensive management of current assets and liabilities to optimize net interest expenses and economic value by adequately controlling interest rate risk and financial liquidity risk. In regard to controlling interest risk, a portion of the interest rate risk is covered through interest rate swaps.

ii. Exchange Risk

Exchange risk is the risk of loss due to volatility in exchange rates, and this risk affects entities holding a net excess of assets or liabilities denominated in foreign currencies. DBJ's exchange risk derives from financing in foreign currencies and issuing foreign currency bonds. However, DBJ uses exchange swaps and other instruments to limit this risk in terms of assets and liabilities denominated in foreign currencies at a net-base position.

DBJ uses swap transactions to manage counterparty risk by continuously monitoring the creditworthiness of all parties and by setting a limit to financing for each counterparty. DBJ also conducts risk management through margin transfers by means of a centralized exchange and mutual credit support annex.

4. Liquidity Risk

Liquidity risk is the risk of a mismatch occurring in the periods when funds are used and raised or of an unexpected outflow of funds, 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 system, whereby settlement is made instantly for each transaction. Every effort is made to ensure that settlement conditions are managed appropriately.

In addition to credit, investment, and market risk, the ALM & Risk Management Committee deliberates DBJ's liquidity risk.

5. Operational Risk

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 system risk management as described below.

i. 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.

ii. System Risk Management

System risk refers to the risk of loss due to a computer system breakdown or malfunction, system defects, or improper computer use. DBJ has implemented the following internal processes to optimize system risk management and properly manage risk with regard to system risk. The System Risk Management Division is responsible for managing DBJ's system risk centrally, based on its system risk management regulations. By determining security standards from a variety of viewpoints—from information system planning and development to operation and use—the department extends the risk management system bank-wide and addresses appropriate system risk management operations.

Business Continuity Initiatives

DBJ prepares a business continuity plan (BCP) to protect the interests of its stakeholders, including its clients, its shareholder, and its executives and 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.

The BCP describes in an easy-to-understand format the role of the Disaster Response Committee, work priorities, and specific actions and procedures to be taken in the event of a disaster. When drawing up policies for business continuity and restoration, the Company envisions specific incidents, such as an earthquake underneath the Tokyo metropolis, and methodically decides how to respond to anticipated damage in each disaster scenario.

Measures to Ensure Business Continuity

We have prepared a variety of measures to ensure business continuity.

Enhanced System Robustness

We 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.

Multilayered Communication Procedures

We introduced a safety confirmation system to quickly determine the whereabouts and status of executives and employees even at night and on holidays. In addition, we distributed satellite telephones to key locations and personnel to ensure multilayered communication procedures.

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.

Clarification of Initial Response and Procedures for Continuing or Recovering Core Operations

For individual business units, we have established in advance the procedures for the initial response and the continuation or recovery of core operations so that relevant divisions can respond quickly and with certainty on core operations even when in a state of confusion.

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, employing a Plan-Do-Check-Act cycle, we revise the BCP to reflect training results and recent information, and the Executive Committee reviews it regularly and amends it as necessary.

Timeline

The Japan Development Bank, the Hokkaido-Tohoku Development Finance Public Corporation, and the Development Bank of Japan

Year	Month	Event
1951	April	The 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	The Hokkaido Development Finance Public Corporation established
1957	April	The 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	The Japan Development Bank Law revised 1) Investment function (pertaining to business in such areas as research and development, urban development, and energy use stipulated by government ordinance) added 2) R&D fund investment function added
1987	September	Low interest rate loan system funded partially by sale of NTT shares created by JDB and HTDFP
1989		JDB representative offices opened in Oita, Matsuyama, Okayama, and Toyama HTDFP representative offices opened in Hakodate and Aomori
1995	February	JDB loans to assist disaster recovery commenced
1997	September	Bill entitled "Pertaining to Consolidation and Rationalization of Special-Purpose Companies, etc." approved by the Cabinet (decision dissolving JDB and HTDFP and consolidating them as a new bank approved)
1998	December	JDB and HTDFP loans in response to changes in the financial environment commenced (March 31, 2001, sunset clause introduced)
1999	June	The Development Bank of Japan Law (Law No. 73 of 1999) approved
	October	All rights and responsibilities of JDB and HTDFP and all financing operations of Japan Regional Development Corporation and Japan Environment Corporation transferred to the Development Bank of Japan DBJ representative offices opened in Kushiro and Singapore
2002	May	The Development Bank of Japan Law revised (additional spot inspections by the Financial Services Agency introduced)
2005	December	Important Policy of Administrative Reform approved by the Cabinet
2006	May	The Act on Promotion of Administrative Reform for Realization of Small and Efficient Government (Act No. 47 of 2006) approved
	June	Policy-Based Financing Reform Plan decided upon by DBJ head office 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.

Year	Month	Event
2008	October	Development Bank of Japan Inc. (DBJ) established (Capital: ¥1 trillion)
		Crisis Response Operations begun by DBJ as a designated financial institution
	December	DBJ Singapore Limited launched
2009	June	Act for Partial Amendment of the Development Bank of Japan Inc. Act (Act No. 67 of 2009) approved
	September	Capital increased to ¥1,103,232 million
	November	DBJ Europe Limited launched
2010	March	Capital increased to ¥1,181,194 million
2011	May	The Development Bank of Japan Inc. Act partially amended based on establishment of the Act for Extraordinary Expenditure and Assistance to Cope with the Great East Japan Earthquake (Act No. 40 of 2011)
	December	Capital increased to ¥1,187,364 million
2012	March	Capital increased to ¥1,187,788 million
	June	Capital increased to ¥1,198,316 million
	December	Capital increased 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) approved Special Investment Operations started Advisory Board positioned as an advisory body to the Board of Directors Special Investment Operations Monitoring Board established
	August	Capital reduced by ¥206,529 million, and crisis response reserve increased by the same amount

Shareholder

As of March 31, 2018

Name	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

Summary of Changes to the DBJ Act after 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 global financial crisis 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 amended 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.

Based on the deliberations by 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 amending 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 amending 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.

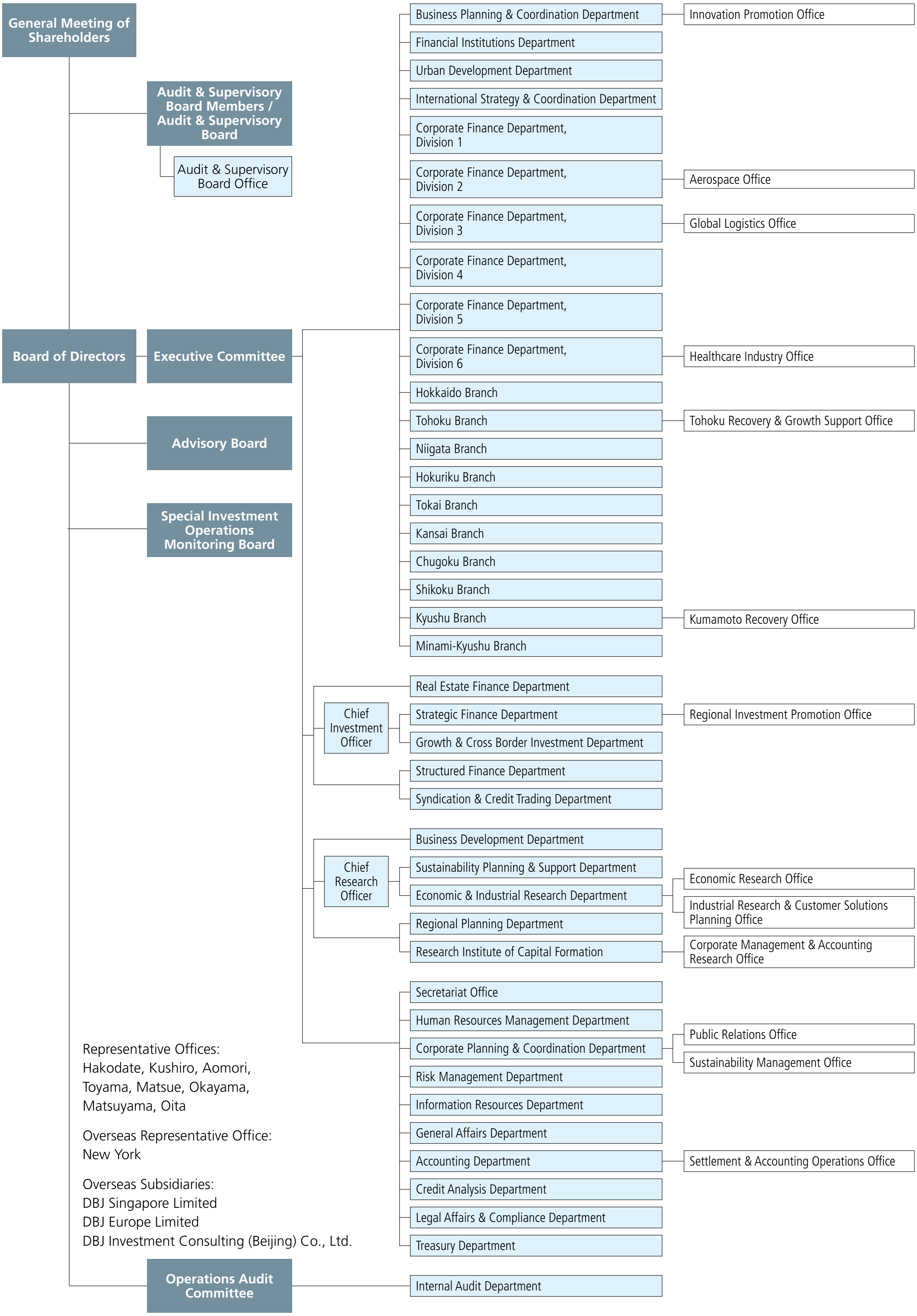
As part of this structural revision, deliberations by the Japanese government's Study Panel Concerning the Promotion of Expanding Growth Funding covered such topics as DBJ's proper implementation of Crisis Response Operations, the importance of initiatives for providing growth capital (equity and mezzanine 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.

Note: For the full text of the DBJ Act, please refer to the Data section.

Highlights of 2015 Revisions to the DBJ Act

1. Measures maintaining direction toward full-scale privatization			
Before revision	Full-scale privatization and disposal of all Japanese government-held shares, targeting around five to seven years from April 1, 2015	After revision	• 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 on the market situation)
2. Measures ensuring appropriate implementation of Crisis Response Operations			
Before revision	• Conducting Crisis Response Operations as a designated financial institution • Enabling Japanese government recapitalization in crisis response by March 31, 2015	After revision	• 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 the Japanese government's recapitalization securing DBJ's financial structure, with the Japanese government having such obligations as holding more than one-third of DBJ's shares
3. Measures establishing new Special Investment Operations scheme to temporarily provide growth capital in a concentrated manner			
Before revision	Provision of risk capital through the Fund for Japanese Industrial Competitiveness	After revision	• 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 Special Investment Operations
4. Provisions referencing consideration for private financial institutions through ongoing Japanese government involvement			
Before revision	As per the Third Medium-Term Management Plan, sustainment of close communications, maintaining a focus on operations in collaboration with other financial institutions	After revision	• The Corporation shall, for an indefinite period, pay special attention in conducting its business so that it will not affect 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 regarding Crisis Response Operations and Special Investment Operations

Organizational Structure (as of August 1, 2018)



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.

Data Section

The Development Bank of Japan Inc. Act

(Act No. 85 of 2007)

Promulgated : June 13, 2007 by Act No. 85 of 2007
Enforced : April 1, 2017
Last Amended : June 3, 2016 by Act No. 62 of 2016

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 Concerning the Central Depositary System of Corporate Debentures, Shares, Etc. (Act No. 75 of 2001);
   (2) Short-term investment corporation notes set forth in Article 139-12, Paragraph 1 of the Act Concerning 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 concerning Liquidation 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 Concerning the Central Depository System of Corporate Debentures, 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 concerning Liquidation 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 Concerning the Central Depository System of Corporate Debentures, 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 (other than Paragraph 3), 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 Concerning the Central Depositary System of Corporate Debentures, 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 funds (other than disposition of losses) such as distribution, merger, corporate split, and dissolution shall not become effective without authorization of the Minister of Finance.
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 (Extract)

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 business 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 business"), 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 business (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 Business

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 business, 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 Business

With a view to ensure proper conduct of crisis response business 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 Business

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 business by the Corporation.

Article 2-10 Implementation of Crisis Response Business

1. The Corporation shall conduct crisis response business 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 business at the designated office, except in cases where crisis response business 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 Business

1. The Corporation shall include an implementation policy for its crisis response business 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 business, 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 business 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 Funds

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 funds 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 funds 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 funds 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 funds as of the date provided for under Item (2) of the said Paragraph.
7. The Corporation shall establish the special investment surplus funds 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 funds 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 Funds, Etc.

1. For the purpose of calculation of surplus funds, the Corporation shall include the aggregate amount of the crisis response reserve, the special investment reserve and the special investment surplus funds 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 funds, 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 funds has been reduced after the last day of the most recent fiscal year (excluding the amount of the special investment surplus funds 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 funds 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 funds (limited, as regards the amount of the special investment surplus funds, 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 funds 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 funds 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 funds 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 funds, 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 funds 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 funds 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 funds 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 funds 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 funds 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 funds 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 business 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 funds exceeds zero, it is deemed unnecessary to maintain the current level of the special investment surplus funds 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 funds 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 funds 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 funds 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 funds 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 funds 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 funds 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 funds 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 funds 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 funds (special investment surplus funds 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 funds 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 funds"; 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 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 funds 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 funds 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 funds 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 funds"; references to "Paid-In Capital, Etc." in Paragraph 2, Item (1) of the said Article shall be changed to read "special investment surplus funds"; 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 funds"; references to "paid-in capital" in Paragraph 6, Item (1) of the said Article shall be changed to read "special investment surplus funds 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 funds 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 funds"; and references to "paid-in capital" in Paragraph 2, Item (5) of the said Article shall be changed to read "special investment surplus funds 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 business 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 funds 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 Concerning Facilitation of the Improvement, Etc. of Public Facilities, Etc. by Private Fund (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 Concerning Collaterals for Borrowings of Electricity Companies from The Development Bank of Japan (Act No. 145 of 1950), the Act Concerning the Securement of Oil Reserves, Etc. (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 Concerning Facilitation of the Improvement, Etc. of Public Facilities, Etc. by Private Fund, Etc. (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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
As of March 31,	2018	2017	2018
Assets			
Cash and due from banks (Notes 2(c),11, 14 and 28)	¥ 1,033,907	¥ 1,044,104	$ 9,731,806
Call loans and bills bought (Note 28)	463,179	—	4,359,744
Money held in trust (Notes 28 and 30)	11,266	15,599	106,052
Securities (Notes 3, 14, 28 and 30)	1,866,401	1,750,342	17,567,787
Loans (Notes 4, 5, 14 and 28)	12,725,235	13,039,526	119,778,192
Other assets (Notes 6, 11 and 14)	215,517	178,490	2,028,590
Tangible fixed assets (Notes 7, 11 and 14)	432,344	396,982	4,069,508
Intangible fixed assets (Notes 11 and 14)	37,162	18,717	349,796
Asset for retirement benefits (Note 23)	2,590	1,989	24,380
Deferred tax assets (Note 24)	7,751	362	72,959
Customers' liabilities for acceptances and guarantees (Note 13)	201,796	181,010	1,899,437
Allowance for loan losses (Notes 8 and 28)	(44,745)	(56,213)	(421,173)
Allowance for investment losses	(176)	(414)	(1,657)
Total assets	**¥16,952,230**	**¥16,570,496**	**$159,565,421**
Liabilities and equity			
Liabilities:			
Debentures (Notes 9, 14 and 28)	¥ 3,086,650	¥ 3,016,714	$ 29,053,567
Call money and bills sold (Note 28)	—	13,000	—
Payables under repurchase agreements (Notes 14 and 28)	—	55,142	—
Borrowed money (Notes 10, 11, 14, 28 and 31)	8,574,170	8,472,367	80,705,673
Corporate bonds (Notes 9, 11,14 and 28)	1,846,332	1,695,141	17,378,887
Other liabilities (Notes 12 and 31)	97,951	112,156	921,979
Accrued bonuses to employees	4,931	5,077	46,421
Accrued bonuses to directors	13	11	127
Liability for retirement benefits (Note 23)	8,057	7,973	75,845
Reserve for directors' retirement benefits	100	82	944
Reserve for contingent losses	—	40	—
Deferred tax liabilities (Note 24)	22,104	25,492	208,066
Acceptances and guarantees (Note 13)	201,796	181,010	1,899,437
Total liabilities	**13,842,110**	**13,584,211**	**130,290,947**
Equity:			
Common stock authorized, 160,000 thousand shares in 2018 and 2017; issued, 43,632 thousand shares in 2018 and 2017 (Note 15)	1,000,424	1,000,424	9,416,642
Crisis response reserve (Note 16)	206,529	206,529	1,943,985
Special investment reserve (Note 17)	330,000	230,000	3,106,175
Special investment surplus (Note 17)	3,099	1,813	29,173
Capital surplus (Note 15)	895,466	945,466	8,428,712
Retained earnings (Note 15)	584,689	513,758	5,503,478
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 30)	50,520	45,017	475,531
Deferred gain on derivatives under hedge accounting	27,955	33,680	263,139
Foreign currency translation adjustments	(1,285)	(1,271)	(12,096)
Accumulated adjustments for retirement benefits (Note 23)	(29)	(484)	(278)
Total	3,097,369	2,974,932	29,154,460
Non-controlling interests	12,750	11,352	120,015
Total equity	**3,110,120**	**2,986,284**	**29,274,475**
Total liabilities and equity	**¥16,952,230**	**¥16,570,496**	**$159,565,421**

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		Thousands of U.S. Dollars (Note 1)
		2017	2018
Income			
Interest income:	¥185,653	¥190,060	$1,747,494
Interest on loans	153,698	162,606	1,446,707
Interest and dividends on securities	23,223	19,138	218,590
Interest on call loans and bills bought	153	—	1,448
Interest on due from banks	29	15	278
Interest on swaps	8,553	8,164	80,515
Other interest income	(4)	136	(45)
Fees and commissions	14,517	13,605	136,644
Other operating income (Note 19)	6,198	6,327	58,341
Other income (Note 20)	87,757	75,669	826,034
Total income	294,126	285,662	2,768,513
Expenses			
Interest expense:	90,248	98,073	849,473
Interest on debentures	33,198	34,831	312,490
Interest on call money and bills sold	(27)	(11)	(259)
Interest on payables under repurchase agreements	(46)	(5)	(441)
Interest on borrowed money (Note 31)	51,894	58,089	488,463
Interest on short-term corporate bonds	755	764	7,110
Interest on corporate bonds	4,482	4,409	42,194
Other interest expense	(8)	(3)	(84)
Fees and commissions	1,304	567	12,277
Other operating expenses (Note 21)	3,273	3,358	30,810
General and administrative expenses	59,175	51,133	556,998
Other expenses (Note 22)	10,700	10,091	100,721
Total expenses	164,701	163,224	1,550,279
Income before income taxes	129,425	122,437	1,218,233
Income taxes (Note 24):			
Current	38,070	31,576	358,343
Deferred	(3,006)	3,100	(28,300)
Total income taxes	35,063	34,677	330,042
Net income	94,361	87,760	888,191
Net income attributable to non-controlling interests	2,422	121	22,805
Net income attributable to owners of the parent	¥ 91,938	¥ 87,639	$ 865,386

	Yen		U.S. Dollars (Note 1)
Per share of common stock (Note 18)			
Basic net income	¥2,092.38	¥1,994.88	$ 19.69
Cash dividend applicable to the year	507	452	4.77

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		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Net income	**¥94,361**	**¥ 87,760**	**$888,191**
Other comprehensive Income (loss) (Note 26):			
Unrealized gain (loss) on available-for-sale securities	2,600	(10,580)	24,476
Deferred loss on derivatives under hedge accounting	(5,935)	(1,467)	(55,869)
Foreign currency translation adjustments	(74)	(486)	(698)
Adjustments for retirement benefits	463	(400)	4,363
Share of other comprehensive income (loss) in affiliates accounted for by the equity method	3,174	(104)	29,881
Total other comprehensive income (loss)	**228**	**(13,039)**	**2,153**
Comprehensive income	**¥94,590**	**¥ 74,721**	**$890,344**
Total comprehensive income attributable to:			
Owners of the parent	¥92,159	¥ 74,598	$867,462
Non-controlling interests	2,430	123	22,882

See notes to consolidated financial statements.

Consolidated Statement of Change in Equity

Development Bank of Japan Inc. and Consolidated Subsidiaries

For the year ended March 31, 2018	Millions of Yen					
	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus	Retained earnings
Balance at beginning of year	¥1,000,424	¥206,529	¥230,000	¥1,813	¥945,466	¥513,758
Investment from government			50,000			
Transfer from capital surplus to special investment reserve			50,000		(50,000)	
Cash dividends						(19,721)
Net income attributable to owners of the parent						91,938
Transfer from retained earnings to special investment surplus				1,285		(1,285)
Change in scope of consolidation						0
Net change during the year						
Balance at end of year	¥1,000,424	¥206,529	¥330,000	¥3,099	¥895,466	¥584,689

For the year ended March 31, 2018	Millions of Yen						
	Accumulated other comprehensive income						
	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	¥45,017	¥33,680	¥(1,271)	¥(484)	¥2,974,932	¥11,352	¥2,986,284
Investment from government					50,000		50,000
Transfer from capital surplus to special investment reserve							—
Cash dividends					(19,721)		(19,721)
Net income attributable to owners of the parent					91,938		91,938
Transfer from retained earnings to special investment surplus							—
Change in scope of consolidation					0		0
Net change during the year	5,503	(5,724)	(13)	455	220	1,398	1,618
Balance at end of year	¥50,520	¥27,955	¥(1,285)	¥ (29)	¥3,097,369	¥12,750	¥3,110,120

For the year ended March 31, 2017	Millions of Yen					
	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus	Retained earnings
Balance at beginning of year	¥1,000,424	¥206,529	¥130,000	¥ 618	¥995,466	¥456,591
Investment from government			50,000			
Transfer from capital surplus to special investment reserve			50,000		(50,000)	
Cash dividends						(29,277)
Net income attributable to owners of the parent						87,639
Transfer from retained earnings to special investment surplus				1,194		(1,194)
Net change during the year						
Balance at end of year	¥1,000,424	¥206,529	¥230,000	¥1,813	¥945,466	¥513,758

For the year ended March 31, 2017	Millions of Yen						
	Accumulated other comprehensive income						
	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	¥55,074	¥34,561	¥ 429	¥ (83)	¥2,879,611	¥ 4,588	¥2,884,200
Investment from government					50,000		50,000
Transfer from capital surplus to special investment reserve							—
Cash dividends					(29,277)		(29,277)
Net income attributable to owners of the parent					87,639		87,639
Transfer from retained earnings to special investment surplus							—
Net change during the year	(10,057)	(880)	(1,701)	(401)	(13,041)	6,763	(6,277)
Balance at end of year	¥45,017	¥33,680	¥(1,271)	¥(484)	¥2,974,932	¥11,352	¥2,986,284

For the year ended March 31, 2018	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus	Retained earnings
	Thousands of U.S. Dollars (Note 1)					
Balance at beginning of year	$9,416,642	$1,943,985	$2,164,910	$17,072	$8,899,344	$4,835,827
Investment from government			470,633			
Transfer from capital surplus to special investment reserve			470,633		(470,633)	
Cash dividends						(185,635)
Net income attributable to owners of the parent						865,386
Transfer from retained earnings to special investment surplus				12,101		(12,101)
Change in scope of consolidation						0
Net change during the year						
Balance at end of year	$9,416,642	$1,943,985	$3,106,175	$29,173	$8,428,712	$5,503,478

For the year ended March 31, 2018	Accumulated other comprehensive income: 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
	Thousands of U.S. Dollars (Note 1)						
Balance at beginning of year	$423,731	$317,025	$(11,971)	$(4,565)	$28,002,000	$106,855	$28,108,855
Investment from government					470,633		470,633
Transfer from capital surplus to special investment reserve							—
Cash dividends					(185,635)		(185,635)
Net income attributable to owners of the parent					865,386		865,386
Transfer from retained earnings to special investment surplus							—
Change in scope of consolidation					0		0
Net change during the year	51,800	(53,887)	(124)	4,287	2,076	13,160	15,235
Balance at end of year	$475,531	$263,139	$(12,096)	$ (278)	$29,154,460	$120,015	$29,274,475

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,	2018	2017	2018
Cash flows from operating activities:			
Income before income taxes	¥ 129,425	¥ 122,437	$ 1,218,233
Adjustments for:			
Depreciation	10,023	6,761	94,343
Amortization of goodwill	1,666	442	15,684
Gain on bargain purchase	—	(9)	—
Losses on impairment of long-lived assets	31	11	293
Equity in earnings of affiliates	(4,193)	(4,061)	(39,468)
Gain on change in equity	(729)	—	(6,867)
Interest income	(185,653)	(190,060)	(1,747,494)
Interest expense	90,248	98,073	849,473
Gain on securities—net	(39,305)	(42,447)	(369,972)
Gain on money held in trust—net	(722)	(385)	(6,797)
Foreign exchange losses	1,244	10,569	11,710
(Gain) loss on sales of fixed assets—net	(1,570)	91	(14,778)
Changes in operating assets and liabilities:			
Allowance for loan losses	(11,468)	(5,315)	(107,948)
Allowance for investment losses	(238)	(179)	(2,249)
Accrued bonuses to employees	(146)	312	(1,376)
Accrued bonuses to directors	1	—	16
Asset for retirement benefits	(600)	468	(5,653)
Liability for retirement benefits	84	(50)	796
Reserve for contingent losses	(40)	24	(385)
Loans	314,290	(86,852)	2,958,311
Debentures	69,936	(205,156)	658,288
Borrowed money	101,803	570,274	958,239
Corporate bonds	151,191	189,103	1,423,109
Due from banks (excluding cash equivalents)	15,500	(16,100)	145,896
Call loans and bills bought	(463,179)	—	(4,359,744)
Call money and bills sold	(13,000)	13,000	(122,364)
Payables under repurchase agreements	(55,142)	55,142	(519,041)
Interest received	180,705	196,692	1,700,922
Interest paid	(91,092)	(98,528)	(857,418)
Other—net	(66,531)	(57,596)	(626,239)
Sub-total	132,536	556,662	1,247,522
Payments for income taxes	(21,696)	(53,338)	(204,225)
Net cash provided by operating activities	**110,839**	**503,323**	**1,043,297**
Cash flows from investing activities:			
Payments for purchases of securities	(338,751)	(323,917)	(3,188,545)
Proceeds from sales of securities	49,427	121,329	465,243
Proceeds from redemption of securities	220,110	271,044	2,071,821
Payments for increase of money held in trust	(3,401)	(6,210)	(32,021)
Proceeds from decrease of money held in trust	8,651	8,560	81,433
Payments for purchases of tangible fixed assets	(45,445)	(22,781)	(427,767)
Proceeds from sales of tangible fixed assets, etc.	20,402	14,614	192,045
Payments for purchases of intangible fixed assets	(5,920)	(5,011)	(55,731)
Proceeds from sales of intangible fixed assets	—	1	—
Payments for merger of subsidiaries	—	(21,253)	—
Proceeds from purchases of stocks of subsidiaries resulting in change in scope of consolidation	—	39	—
Payments for acquisition of business	(39,346)	—	(370,353)
Net cash (used in) provided by investing activities	**(134,274)**	**36,416**	**(1,263,877)**
Cash flows from financing activities:			
Proceeds from investment from government	50,000	50,000	470,633
Payments for cash dividends	(19,721)	(29,277)	(185,635)
Proceeds from issuance of securities to non-controlling shareholders of subsidiaries	15	6,810	150
Dividends paid to non-controlling shareholders of subsidiaries	(1,051)	(416)	(9,896)
Net cash provided by financing activities	**29,242**	**27,116**	**275,251**
Foreign currency translation adjustments on cash and cash equivalents	**(505)**	**(164)**	**(4,757)**
Net change in cash and cash equivalents	**5,302**	**566,691**	**49,915**
Cash and cash equivalents at beginning of year	**989,724**	**423,032**	**9,315,928**
Cash and cash equivalents at end of year (Note 2(c))	**¥ 995,027**	**¥ 989,724**	**$ 9,365,842**

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 2017 consolidated financial statements to conform to the classifications used in 2018.

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 ¥106.24=$1.00, the effective exchange rate prevailing as of March 31, 2018, 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 (silent partnership) and other entities with similar characteristics.

(i) Consolidated Subsidiaries

The number of consolidated subsidiaries as of March 31, 2018 is 30. The major consolidated subsidiaries as of March 31, 2018 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.
Consist Inc.

In the year ended March 31, 2018, Tokumei Kumiai with the proprietor of Asset Investment LLC-IV and another company and GRAPE, LLC and another company were newly consolidated due to capital investment and new incorporation, respectively. Tokumei Kumiai with the proprietor of Asset Investment LLC-III was excluded from the scope of consolidation due to termination of the partnership agreement in the year ended March 31, 2018.

(ii) Unconsolidated Subsidiaries

The number of unconsolidated subsidiaries as of March 31, 2018 is 55. The major unconsolidated subsidiary as of March 31, 2018 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.

(iii) Companies not classified as subsidiaries where DBJ Inc. holds the majority of voting rights

Kinugawa Rubber Industrial Co., Ltd.
ADVANIDE HOLDINGS PTE. LTD.
ABLIC Inc.
Value Planning co., ltd.

These companies were not treated as subsidiaries because the capital contributions were made for the purpose of incubating these companies, and not for the purpose of owning these investees under its control through operational, personnel, capital or other form of transactions.

(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, 2018 was 55. 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, 2018 was 26. One of the major affiliates accounted for by the equity method as of March 31, 2018 was AIRDO Co., Ltd.

Changes in the scope of affiliates accounted for by the equity method:
Yokkaichi Kasumi Power Co., Ltd. was newly accounted for by the equity method due to an increase in its materiality from the year ended March 31, 2018. Asuka DBJ Investment LPS was excluded from the scope of equity method accounting due to decrease in its materiality from the year ended March 31, 2018.

(iii) Affiliates not accounted for by the equity method

The number of affiliates not accounted for by the equity method as of March 31, 2018 was 110. One of the major affiliates as of March 31, 2018 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, because the capital contributions were made for the purpose of incubating these companies, and not for the purpose of owning these investees under its control through operational, personnel, capital or other form of transactions.

As of March 31, 2018

Shinwa Seiko Corporation
Socionext Inc.
KANTO-UNYU Co., Ltd.
Daisho-gun Co., Ltd.
PT. PETROTEKNO
C&A Tool Engineering, Inc.
NATIONAL CAR PARKS LIMITED
VIETNAM DATA AND AERIAL SYSTEM COMPANY LIMITED

(3) Balance Sheet Dates of Consolidated Subsidiaries

Balance sheet dates of consolidated subsidiaries are as follows:

	Number of subsidiaries
	2018
December 31	22
February 28 or 29	1
March 31	7

Consolidated subsidiaries are consolidated based on the financial statements that are prepared as of their year-end balance sheet date.

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

(4) 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 (bargain purchase) is recognized as income immediately as incurred.

(b) Business Combinations

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. 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. 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. 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 non-controlling interests is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the non-controlling interests are adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(c) Cash and Cash Equivalents

"Cash and Cash Equivalents" in the consolidated statement of cash flows are included in cash 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
	2018	2017	2018
Cash and due from banks	¥1,033,907	¥1,044,104	$9,731,806
Time deposits with banks	(38,880)	(54,380)	(365,964)
Cash and cash equivalents	¥ 995,027	¥ 989,724	$9,365,842

(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 are carried at fair value with the corresponding unrealized gains and losses, net of applicable taxes, recorded directly in a separate component of equity, after deducting the amount charged to profit or losses by applying fair value hedge accounting. The cost of these securities upon sale 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.

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 portfolio hedges to hedge foreign currency fluctuations associated with equity investments in overseas subsidiaries and affiliates and foreign currency denominated available-for-sale securities (other than bonds). The translation differences on hedging instruments are included in foreign currency translation adjustments in the case of equity investments in overseas subsidiaries and affiliates; fair value hedges are applied to foreign currency denominated available-for-sale securities (other than 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 Debentures, Borrowed money, Corporate bonds, Securities and Loans
- Hedging Instruments : Forward liability denominated in foreign currency
  Hedged Items : Foreign currency denominated equity investments in overseas subsidiaries and affiliates and foreign currency denominated available-for-sale securities (other than 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 group 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 equity investments in overseas subsidiaries and affiliates and foreign currency denominated available-for-sale securities (other than 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) and installed facilities and structures acquired on or after April 1, 2016 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 over 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) Debentures and Corporate Bonds Issuance Costs

"Debentures and Corporate Bonds 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. Income 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 ¥15,600 million ($146,842 thousand) and ¥22,138 million for the years ended March 31, 2018 and 2017, 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, 2018 and 2017.

(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. Actuarial gains and losses and service costs that are yet to be recognized in profit or loss are recognized with in equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over ten years no longer than the expected average remaining service period of the employees.

(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) Lease Transactions

Finance Lease transactions are capitalized by recognizing lease assets and lease obligations in the consolidated balance sheet.

(r) Consumption Taxes

Income and expenses subject to consumption taxes are presented net of related consumption taxes paid or received.

(s) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated 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 rates to the temporary differences.

(t) Capitalization of Interest Costs on Real Estate Development Business

Interest costs arising in the normal course of development related to the real estate development business of certain domestic consolidated subsidiaries are capitalized and included in the acquisition cost of assets.

(u) 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, 2018 and 2017 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.

3. Securities

Securities as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Japanese government bonds*3	¥ 145,512	¥ 193,190	$ 1,369,658
Corporate bonds*2	734,391	648,077	6,912,568
Equities	406,229	381,715	3,823,693
Other securities	580,268	527,359	5,461,868
Total	¥1,866,401	¥1,750,342	$17,567,787

*1. Investments in unconsolidated subsidiaries and affiliates included in "Equities" as of March 31, 2018 and 2017, are ¥41,691 million ($392,423 thousand) and ¥37,716 million, respectively. Investments in unconsolidated subsidiaries and affiliates included in "Other securities" as of March 31, 2018 and 2017, are ¥163,194 million ($1,536,088 thousand) and ¥105,525 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 ¥6,438 million ($60,599 thousand) and ¥6,982 million as of March 31, 2018 and 2017, respectively.

*3. Japanese government bonds include securities lent in accordance with the unsecured securities lending agreement in the amount of ¥28,480 million ($268,075 thousand) and ¥25,000 million as of March 31, 2018 and 2017, respectively.

*4. Securities available-for-sale (excluding those securities those fair value cannot be reliably determined), whose fair value significantly declined compared with the acquisition cost, and is considered to be other than recoverable decline, were written down to the respective fair value which is recorded as the carrying amount on the consolidated balance sheets.
The criterion for determining whether the fair value is "significantly declined" are as follows:
Fair value declined by 50% or more of the acquisition cost.
Fair value declined by 30% or more of the acquisition cost, and such decline is not considered as recoverable.

Impairment losses for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Equities	¥ —	¥—	$ —
Bonds	135	65	1,271
Other	—	—	—
Total	¥135	¥65	$1,271

4. Non-Performing Loans

The amounts of non-performing loans included in "Loans" as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Loans to bankrupt debtors*2	¥ —	¥ —	$ —
Delinquent loans*3	43,750	46,035	411,808
Loans past due three months or more*4	—	—	—
Restructured loans*5	16,634	24,860	156,576
Total	¥60,385	¥70,896	$568,384

*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, 2018 and 2017, the amounts of unused commitments are ¥755,609 million ($7,112,291 thousand) and ¥662,751 million, respectively. As of March 31, 2018 and 2017, the amounts of unused commitments with remaining contract term within one year are ¥416,683 million ($3,922,092 thousand) and ¥385,266 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 liens on customers' 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, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Prepaid expenses	¥ 3,846	¥ 3,771	$ 36,206
Accrued income	26,548	26,967	249,894
Derivatives	54,337	55,077	511,464
Cash collateral paid for financial instruments	59,262	25,197	557,819
Margin deposits with the central clearing house	31,140	28,502	293,117
Other	40,380	38,973	380,089
Total	¥215,517	¥178,490	$2,028,590

7. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Buildings	¥ 18,682	¥ 18,513	$ 175,850
Land	91,214	91,252	858,573
Leased assets	325	188	3,062
Construction in progress	250	5,094	2,362
Other	321,871	281,933	3,029,661
Total	¥432,344	¥396,982	$4,069,508

Note: Accumulated depreciation of tangible fixed assets as of March 31, 2018 and 2017, is ¥24,495 million ($230,571 thousand) and ¥17,455 million, respectively.

8. Allowance for Loan Losses

Allowance for loan losses as of March 31, 2018 and 2017 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
General allowance for loan losses	¥21,782	¥36,657	$205,030
Specific allowance for loan losses	22,963	19,556	216,143
Total	¥44,745	¥56,213	$421,173

9. Debentures and Corporate Bonds

Debentures and corporate bonds as of March 31, 2018 and 2017 are as follows:

	Issue date	Interest rate (%)	Maturity date	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars 2018
(Issuer: DBJ Inc.)						
Debentures						
Japanese government-guaranteed bonds 12,14,15,17-23*1,7	Jun. 2006– Aug. 2008	1.6– 2.2	Aug. 2017– Jun. 2023	¥ 260,005 [49,994]	¥ 359,988	$ 2,447,339 [470,578]
Japanese government-guaranteed bonds 1-7,9-47	Nov. 2008– Mar. 2018	0.001– 2.1	Jun. 2017– Mar. 2028	1,490,269 [159,980]	1,319,698	14,027,389 [1,505,836]
Japanese government-guaranteed foreign bond 67*2,7	Sep. 1998	1.81	Sep. 2028	25,042	25,046	235,716
Japanese government-guaranteed foreign bonds 5-7,10,11,14*1,7	Dec. 2002– Nov. 2007	1.05– 4.75	Sep. 2022– Nov. 2027	369,019	369,020	3,473,449
Japanese government-guaranteed Euro MTN bonds 6-16*3	Sep. 2012– Sep. 2017	1.0– 2.875	Jan. 2018– Sep. 2027	795,349 [102,575]	716,004	7,486,351 [965,506]
FILP agency domestic bonds 11,20,30,31,34-36,39, 41,42,44,46,49,51*4,7	Dec. 2003– Jul. 2008	1.63– 2.74	Sep. 2017– Mar. 2047	144,964 [49,999]	224,956	1,364,498 [470,629]
Euro MTN FILP agency bond 2*4,5,7	Sep. 2008	2.032	Sep. 2023	2,000	2,000	18,825
Corporate bonds						
Corporate bonds through public placement 5,17,23,25,26, 28,30,31,33,35,37,39,40,42-89	Apr. 2009– Jan. 2018	0– 1.745	Jun. 2017– Jun. 2047	1,148,800 [255,600]	1,144,400	10,813,257 [2,405,873]
Corporate bonds through private placement 3-25,27-37,39-71	Feb. 2015– Jan. 2018	0– 0.843	May 2019– Sep. 2042	304,000	207,000	2,861,447
Corporate bonds Euro MTN 29-32,34,36,37,39,40, 42,43,45-49,51-71*6	Jul. 2011– Feb. 2018	0– 3.64	Apr. 2017– Feb. 2028	388,782 [32,266]	338,991	3,659,473 [303,712]
(Issuer: Green Asset Investment TMK)						
Specified corporate bond 1*8	Dec. 2012	5.53	May 2018	4,500 [4,500]	4,500	42,357 [42,357]
(Issuer: Hiratsuka Holding TMK)						
Specified corporate bond 4*8	Sep. 2014	0.13727	Sep. 2019	250	250	2,353
Total				¥4,932,983	¥4,711,856	$46,432,454

*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. This bond is a FILP bond 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. These bonds are non-recourse debts.
*9. 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, 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Debentures/ corporate bonds	Non-recourse corporate bonds	Debentures/ corporate bonds	Non-recourse corporate bonds
The fiscal year ending March 31, 2019	¥650,415	¥4,500	$6,122,134	$42,357
2020	613,180	250	5,771,655	2,353
2021	557,737	—	5,249,787	—
2022	538,114	—	5,065,088	—
2023	743,294	—	6,996,375	—

10. Borrowed Money

Borrowed money as of March 31, 2018 and 2017 is as follows:

			Millions of Yen		Thousands of U.S. Dollars
	Average interest rate (%)	Due date of repayment	2018	2017	2018
Borrowings	0.58	May 2018–Feb. 2038	¥8,432,199	¥8,383,916	$79,369,346
Non-recourse borrowings	0.65	May 2018–Feb. 2033	141,971	88,451	1,336,327
Total	0.58		¥8,574,170	¥8,472,367	$80,705,673

Scheduled repayments of above borrowings and non-recourse borrowings for the following 5 years subsequent to March 31, 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Borrowings	Non-recourse borrowings	Borrowings	Non-recourse borrowings
The fiscal year ending March 31, 2019	¥1,252,934	¥65,352	$11,793,434	$615,137
2020	964,622	16,547	9,079,653	155,753
2021	961,085	4,581	9,046,366	43,126
2022	1,298,047	4,635	12,218,069	43,630
2023	825,891	4,663	7,773,827	43,899

11. Non-Recourse Debts

Non-recourse debts in consolidated special purpose companies as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Non-recourse debts:			
Borrowed money	¥141,971	¥ 88,451	$1,336,327
Corporate bonds	4,750	4,750	44,710
Assets corresponding to non-recourse debts:			
Cash and due from banks	9,016	3,851	84,869
Other assets	1,859	682	17,499
Tangible fixed assets	151,021	115,813	1,421,517
Intangible fixed assets	88	97	831

12. Other Liabilities

Other liabilities as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Accrued expenses	¥20,734	¥ 21,675	$195,166
Unearned income	1,249	1,143	11,757
Accrued income taxes	18,707	5,490	176,089
Derivatives	20,728	23,555	195,110
Lease obligations	196	37	1,846
Asset retirement obligations	3,567	2,630	33,579
Other	32,767	57,623	308,432
Total	¥97,951	¥112,156	$921,979

13. Acceptances and Guarantees

Acceptances and guarantees as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Guarantees	¥201,796	¥181,010	$1,899,437

14. Assets Pledged as Collateral

Cash and due from banks of ¥9,016 million ($84,869 thousand), other assets of ¥1,859 million ($17,499 thousand), tangible fixed assets of ¥151,021 million ($1,421,517 thousand) and intangible fixed assets of ¥88 million ($831 thousand) are pledged as collateral for borrowed money of ¥141,971 million ($1,336,327 thousand) and corporate bonds of ¥4,750 million ($44,710 thousand) as of March 31, 2018.

Cash and due from banks of ¥3,851 million, securities of ¥54,573 million, other assets of ¥682 million, tangible fixed assets of ¥115,813 million intangible fixed assets of ¥97 million are pledged as collateral for payables under repurchase agreements of ¥55,142 million, borrowed money of ¥88,451 million and corporate bonds of ¥4,750 million as of March 31, 2017.

Securities and loans pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥200,470 million ($1,886,957 thousand) and ¥969,934 million ($9,129,654 thousand), respectively, as of March 31, 2018, which are deposited as collateral for transactions, including exchange settlements as of March 31, 2018. On behalf of the investees who borrow from third parties, ¥27,030 million ($254,424 thousand) of securities are deposited as security as of March 31, 2018. Additionally, ¥59,262 million ($557,819 thousand) of cash collateral paid for financial instruments, etc. and ¥31,140 million ($293,117 thousand) of margin deposits with the central clearing house are included in other assets as of March 31, 2018. 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 ¥801,289 million ($7,542,253 thousand) as of March 31, 2018.

Securities and loans pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥80,529 million and ¥342,883 million, respectively, as of March 31, 2017, 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, 2017. On behalf of the investees who borrow from third parties, ¥34,425 million of securities are deposited as security as of March 31, 2017. Additionally, ¥937 million of margin deposits for futures transactions, ¥25,197 million of cash collateral paid for financial instruments, etc. and ¥28,502 million of margin deposits with the central clearing house are included in other assets as of March 31, 2017. 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 ¥981,289 million as of March 31, 2017.

15. Equity

Japanese companies including DBJ Inc. are regulated by the Companies Act. In addition, DBJ Inc. is regulated by the DBJ Inc. Act. The significant provisions in the Companies Act and the DBJ Inc. Act that affect financial and accounting matters are summarized as follows:

(a) Dividends

Under the Companies Act, companies can distribute dividends at any time during the fiscal year, in addition to the year-end dividend, upon resolution at the shareholders meeting. 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.

16. 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 DBJ Inc. determined that a 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.

17. 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.

18. Per Share Information

Basic net income per common share ("EPS") for the years ended March 31, 2018 and 2017 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31, 2018	Net income attributable to owners of the parent	Weighted average shares	EPS	EPS
Basic EPS				
Net income attributable to owners of the parent	¥ 91,938			
Net income not attributable to common shareholders (Amount attributable to the National Treasury related to special investment operations)	642			
Net income attributable to owners of the parent relating to common stock	¥ 91,295	43,632	¥2,092.38	$19.69
Year ended March 31, 2017				
Basic EPS				
Net income attributable to owners of the parent	¥ 87,639			
Net income not attributable to common shareholders (Amount attributable to the National Treasury related to special investment operations)	597			
Net income attributable to owners of the parent relating to common stock	¥ 87,041	43,632	¥1,994.88	

Note: Diluted net income per share for the years ended March 31, 2018 and 2017 is not disclosed because there are no dilutive securities.

19. Other Operating Income

Other operating income for the years ended March 31, 2018 and 2017 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Foreign exchange gains	¥ —	¥5,236	$ —
Gains on sales of bonds	286	257	2,695
Gains on derivatives	4,980	—	46,879
Other	931	833	8,767
Total	¥6,198	¥6,327	$58,341

20. Other Income

Other income for the years ended March 31, 2018 and 2017 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Reversal of allowance for loan losses	¥ 8,897	¥ 2,904	$ 83,754
Gains on sales of equities and other securities	7,136	25,656	67,175
Reversal of reserve for contingent losses	40	—	385
Equity in earnings of affiliates	4,193	4,061	39,468
Gains on sales of fixed assets	1,604	176	15,106
Collection of written-off claims	3,670	1,743	34,545
Gains on investments in limited partnerships and other similar partnerships	36,185	21,410	340,604
Gain on bargain purchase	—	9	—
Rental income on land and buildings	9,953	8,793	93,690
Sales of electric power	8,508	2,219	80,088
Gain on change in equity	729	—	6,867
Other	6,836	8,694	64,352
Total	¥87,757	¥75,669	$826,034

21. Other Operating Expenses

Other operating expenses for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Losses on sales of bonds	¥ 1	¥ —	$ 15
Foreign exchange losses	1,180	—	11,111
Write-off of bonds	135	65	1,271
Debenture issuance costs	870	709	8,195
Corporate bonds issuance costs	1,079	935	10,162
Losses on derivatives	—	1,639	—
Other	6	9	57
Total	¥3,273	¥3,358	$30,810

22. Other Expenses

Other expenses for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Losses on sales of fixed assets	¥ 34	¥ 268	$ 328
Impairment losses	31	11	293
Losses on investments in limited partnerships and other similar partnerships	3,786	4,153	35,645
Depreciation	6,005	3,023	56,528
Provision of allowance for investment losses	8	—	79
Other	833	2,634	7,849
Total	¥10,700	¥10,091	$100,721

23. Employees' Retirement Benefits

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

(a) Defined Benefit Pension Plan

(1) The changes in retirement benefit obligation for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥34,111	¥33,413	$321,081
Service cost	1,555	1,576	14,644
Interest cost	372	364	3,502
Actuarial losses	57	568	543
Benefits paid	(1,620)	(1,811)	(15,251)
Balance at end of year	¥34,476	¥34,111	$324,519

(2) The changes in plan assets for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥28,128	¥27,874	$264,759
Expected return on plan assets	140	139	1,324
Actuarial gains (losses)	532	(130)	5,011
Contributions from the employer	1,019	1,026	9,593
Benefits paid	(810)	(781)	(7,634)
Balance at end of year	¥29,009	¥28,128	$273,054

(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, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Funded retirement benefit obligations	¥ 26,419	¥ 26,138	$ 248,674
Plan assets	(29,009)	(28,128)	(273,054)
	(2,590)	(1,989)	(24,380)
Unfunded retirement benefit obligations	8,057	7,973	75,845
Net liability for retirement benefits recorded in the consolidated balance sheet	¥ 5,467	¥ 5,983	$ 51,465
Liability for retirement benefits	¥ 8,057	¥ 7,973	$ 75,845
Asset for retirement benefits	(2,590)	(1,989)	(24,380)
Net liability for retirement benefits recorded in the consolidated balance sheet	¥ 5,467	¥ 5,983	$ 51,465

(4) The components of net periodic retirement benefit costs for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Service cost	¥1,555	¥1,576	$14,644
Interest cost	372	364	3,502
Expected return on plan assets	(140)	(139)	(1,324)
Amortization of net actuarial losses	180	110	1,701
Amortization of prior service cost	12	12	119
Net periodic retirement benefit costs	¥1,980	¥1,925	$18,642

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of adjustments for retirement benefit for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Prior service cost	¥ 12	¥ 12	$ 119
Actuarial gains (losses)	655	(588)	6,169
Total	¥668	¥(575)	$6,288

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of adjustment for accumulated retirement benefit as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrecognized prior service cost	¥(31)	¥ (44)	$(299)
Unrecognized actuarial gains (losses)	9	(646)	86
Total	¥(22)	¥(690)	$(213)

(7) Plan assets

(i) Components of plan assets

Plan assets as of March 31, 2018 and 2017 consisted of the following:

	2018	2017
Debentures	89%	86%
Equity	10%	12%
Others	1%	2%
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 years ended March 31, 2018 and 2017 were set forth as follows:

	2018	2017
Discount rate	1.1%	1.1%
Expected salary increase rate	1.7%–5.3%	1.7%–5.3%
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, 2018 and 2017 are ¥231 million ($2,176 thousand) and ¥220 million, respectively.

24. Income Taxes

DBJ Inc. and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.86% for the years ended March 31, 2018 and 2017.

A reconciliation of the normal effective statutory tax rate with the actual effective tax rate for the years ended March 31, 2018 and 2017 is as follows:

	2018	2017
Normal effective statutory tax rate	30.86%	30.86%
Increase (decrease) in taxes resulting from:		
Change in valuation allowance	(3.11)%	(1.87)%
Equity in earnings of affiliates	(1.00)%	(1.02)%
Other	0.34%	0.35%
Actual effective tax rate	27.09%	28.32%

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Deferred tax assets:			
Allowance for loan losses	¥ 17,137	¥ 21,300	$ 161,307
Losses from revaluation of securities	11,516	11,845	108,404
Excess of fair value over assets of consolidated subsidiaries	4,538	4,538	42,720
Liability for retirement benefits	2,010	1,985	18,925
Tax goodwill	8,160	—	76,812
Tax loss carryforwards	5,121	5,037	48,211
Other	13,558	9,381	127,621
Sub-total	62,044	54,088	584,000
Less-valuation allowance	(40,763)	(44,798)	(383,695)
Total	21,280	9,289	200,306
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(19,767)	(17,491)	(186,060)
Deferred gain on derivatives under hedge accounting	(12,500)	(14,783)	(117,665)
Other	(3,366)	(2,143)	(31,687)
Total	(35,634)	(34,418)	(335,413)
Net deferred tax assets (liabilities)	¥(14,353)	¥(25,129)	$(135,107)

25. Lease Transactions

(a) Finance Leases

Information about finance leases is omitted since there is no materiality.

(b) Operating Leases

(As lessee)

The minimum lease commitments under non-cancelable operating leases as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Due within 1 year	¥1,521	¥1,472	$14,321
Due after 1 year	4,615	3,959	43,446
Total	¥6,137	¥5,432	$57,767

(As lessor)

The minimum lease commitments under non-cancelable operating leases as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Due within 1 year	¥ 5,972	¥ 3,394	$ 56,213
Due after 1 year	27,050	7,375	254,620
Total	¥33,022	¥10,769	$310,833

26. Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrealized gain (loss) on available-for-sale securities:			
Gain (loss) arising during the year	¥13,053	¥ (3,890)	$122,866
Reclassification adjustments to profit or loss	(9,248)	(11,177)	(87,057)
Amount before income tax effect	3,804	(15,067)	35,809
Income tax effect	(1,204)	4,486	(11,333)
Total	2,600	(10,580)	24,476
Deferred loss on derivatives under hedge accounting:			
Gain arising during the year	236	6,465	2,231
Reclassification adjustments to profit or loss	(8,871)	(8,755)	(83,505)
Amount before income tax effect	(8,634)	(2,290)	(81,275)
Income tax effect	2,699	822	25,406
Total	(5,935)	(1,467)	(55,869)
Foreign currency translation adjustments:			
Adjustments arising during the year	(74)	(486)	(698)
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	(74)	(486)	(698)
Income tax effect	—	—	—
Total	(74)	(486)	(698)
Adjustments for retirement benefits:			
Adjustments arising during the year	474	(699)	4,468
Reclassification adjustments to profit or loss	193	123	1,820
Amount before income tax effect	668	(575)	6,288
Income tax effect	(204)	175	(1,925)
Total	463	(400)	4,363
Share of other comprehensive income (loss) in affiliates accounted for by the equity method:			
Gain (loss) arising during the year	3,261	(341)	30,700
Reclassification adjustments to profit or loss	(87)	237	(820)
Amount before income tax effect	3,174	(104)	29,881
Income tax effect	—	—	—
Total	3,174	(104)	29,881
Total other comprehensive income (loss)	¥ 228	¥(13,039)	$ 2,153

27. 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, 2018 and 2017 is following:

	Millions of Yen			
Year ended March 31, 2018	Loan business	Securities investment	Other	Total
Ordinary income from external customers	¥166,266	¥66,919	¥58,606	¥291,792

	Millions of Yen			
Year ended March 31, 2017	Loan business	Securities investment	Other	Total
Ordinary income from external customers	¥167,254	¥68,077	¥50,144	¥285,476

	Thousands of U.S. Dollars			
Year ended March 31, 2018	Loan business	Securities investment	Other	Total
Ordinary income from external customers	$1,565,006	$629,888	$551,646	$2,746,540

28. 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 the 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 a 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, real estate, rental and leasing, manufacturing and others as of March 31, 2018. 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 setting a limit after continually monitoring the cost of restructuring its transactions and the creditworthiness of each counterparty and also manages risk by utilizing central clearance organization and through receipt/payment of margin money based on Credit Support Annex (CSA) between counterparties.

(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 part of asset/liability management, interest-rate swaps are used to avoid or 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 for the purposes other than trading.

Market risk exposure (estimated loss) is based on VaR (holding period of 1 year, observation period of 5 years or more, 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, 2018 and 2017 was ¥43,107 million ($405,755 thousand) and ¥17,511 million, respectively. Effective from the year ended March 31, 2018, the measurement method of VaR has been changed from the historical simulation method to the variance-covariance method. Such measurements are conducted by the risk management department on a regular basis and reported to the ALM & Risk Management Committee to utilize for establishing ALM operating policies.

VaR measures the market risk volume under a definite probability of incidence calculated statistically based on the historical market movements and therefore, it may fail to capture risks which arise under exceptional market conditions affected by drastic change.

DBJ Inc. recognizes that rigid risk management is being conducted as risks that cannot be captured by VaR alone are identified in detail by conducting backtesting to compare the VaR calculated by the model with hypothetical performances calculated based on the actual market movements as well as performing measurement using other risk indices and stress tests.

(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 quoted market prices. If a quoted price is not available, DBJ Inc. measures fair value based on a reasonably assessed price. Because an 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, 2018 and 2017. Unlisted equities and others, whose fair value cannot be reliably determined, are excluded from the table below (see (2)).

	Millions of Yen		
	2018		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥1,033,907	¥1,033,907	¥ —
Call loans and bills bought	463,179	463,179	—
Money held in trust	9,411	10,166	755
Securities			
Held-to-maturity debt securities	629,541	641,881	12,339
Available-for-sale securities	525,697	525,697	—
Investments in affiliates	2,077	4,645	2,568
Loans	12,725,235		
Allowance for loan losses*1	(41,526)		
	12,683,708	13,199,192	515,484
Total assets	¥15,347,522	¥15,878,669	¥531,146
Debentures	3,086,650	3,196,425	109,774
Call money and bills sold	—	—	—
Payables under repurchase agreements	—	—	—
Borrowed money	8,495,170	8,551,765	56,594
Corporate bonds	1,846,332	1,849,307	2,974
Total liabilities	¥13,428,154	¥13,597,497	¥169,343
Derivative transactions*2			
Derivative transactions not qualifying for hedge accounting	31,548	31,548	—
Derivative transactions qualifying for hedge accounting	2,048	2,048	—
Total derivative transactions	¥ 33,596	¥ 33,596	¥ —

	Millions of Yen		
	2017		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 1,044,104	¥ 1,044,104	¥ —
Call loans and bills bought	—	—	—
Money held in trust	—	—	—
Securities			
Held-to-maturity debt securities	694,354	708,226	13,871
Available-for-sale securities	460,222	460,222	—
Investments in affiliates	1,055	6,778	5,723
Loans	13,039,526		
Allowance for loan losses*1	(53,451)		
	12,986,074	13,522,246	536,172
Total assets	¥15,185,811	¥15,741,578	¥555,767
Debentures	3,016,714	3,143,805	127,090
Call money and bills sold	13,000	13,000	—
Payables under repurchase agreements	55,142	55,142	—
Borrowed money	8,393,367	8,484,914	91,546
Corporate bonds	1,695,141	1,697,995	2,853
Total liabilities	¥13,173,366	¥13,394,858	¥221,491
Derivative transactions*2			
Derivative transactions not qualifying for hedge accounting	32,475	32,475	—
Derivative transactions qualifying for hedge accounting	(953)	(953)	—
Total derivative transactions	¥ 31,521	¥ 31,521	¥ —

	Thousands of U.S. Dollars		
	2018		
	Carrying amount	Fair value	Difference
Cash and due from banks	$ 9,731,806	$ 9,731,806	$ —
Call loans and bills bought	4,359,744	4,359,744	—
Money held in trust	88,583	95,690	7,107
Securities			
Held-to-maturity debt securities	5,925,657	6,041,803	116,146
Available-for-sale securities	4,948,208	4,948,208	—
Investments in affiliates	19,551	43,724	24,173
Loans	119,778,192		
Allowance for loan losses*1	(390,874)		
	119,387,318	124,239,390	4,852,072
Total assets	$144,460,868	$149,460,365	$4,999,498
Debentures	29,053,567	30,086,832	1,033,265
Call money and bills sold	—	—	—
Payables under repurchase agreements	—	—	—
Borrowed money	79,962,074	80,494,779	532,705
Corporate bonds	17,378,887	17,406,886	27,999
Total liabilities	$126,394,528	$127,988,497	$1,593,969
Derivative transactions*2			
Derivative transactions not qualifying for hedge accounting	296,952	296,952	—
Derivative transactions qualifying for hedge accounting	19,279	19,279	—
Total derivative transactions	$ 316,231	$ 316,231	$ —

*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 such carrying amount approximates the fair value. For deposits with maturity, the carrying amount is presented as the fair value, as such carrying amount approximates the fair value because the remaining maturity period of the majority of such deposits is short (maturity within 1 year).

(ii) Call loans and bills bought

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 such carrying amount approximates the fair value.

(iii) Money held in trust

The fair value of financial assets that are the components of money held in trust is measured in the same manner as (v) "Loans."

Notes on money held in trust by holding purpose are described in Note 30.

(iv) 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.

Notes on securities by holding purpose are described in Note 30.

(v) 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 such carrying amount approximates the fair value. 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 a reasonable estimate of the fair value of those loans.

Liabilities

(i) Debentures

For floating rate debentures issued by DBJ Inc., the carrying amount is presented as the fair value, as such carrying amount approximates the fair value. 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) Call money and bills sold and (iii) Payables under 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 such carrying amount approximates the fair value.

(iv) Borrowed money

For floating rate borrowed money, the carrying amount is presented as the fair value, as such carrying amount approximates the fair value. 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.

(v) Corporate bonds

For floating rate corporate bonds issued by DBJ Inc. and its consolidated subsidiaries, the carrying amount is presented as the fair value, as such carrying amount approximates the fair value. 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. or its consolidated subsidiaries 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. or its consolidated subsidiaries. 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, 2018 and 2017:
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
	2018	2017	2018
Money held in trust*1	¥ 1,855	¥ 15,599	$ 17,467
Unlisted equities*2,3	318,670	298,396	2,999,533
Investments in limited partnerships and other similar partnerships*1	247,593	218,510	2,330,512
Unlisted other securities*2,3	175,373	111,325	1,650,726
Industrial investment borrowed money (Special Account for FILP)*4	79,000	79,000	743,599
Total	¥822,492	¥722,832	$7,741,837

*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, 2018 and 2017 was ¥466 million ($4,395 thousand) and ¥2,080 million, respectively, which consist of unlisted equities of ¥236 million ($2,222 thousand) and ¥808 million and unlisted other securities of ¥230 million ($2,172 thousand) and ¥1,272 million for the years ended March 31, 2018 and 2017, 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, 2018 and 2017 are as follows:

	Millions of Yen					
	2018					
	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	¥1,033,900	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	463,179	—	—	—	—	—
Securities						
Held-to-maturity debt securities with market values	112,302	246,272	155,462	22,529	81,540	11,434
Japanese government bonds	20,031	20,035	15,162	10,089	15,099	10,034
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	61,475	130,390	99,978	5,914	56,000	1,400
Other	30,794	95,846	40,322	6,526	10,441	—
Available-for-sale securities with contractual maturities	19,130	91,010	95,035	55,887	68,199	108,484
Japanese government bonds	—	5,211	26,057	18,626	5,165	—
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	19,130	85,798	68,978	33,806	63,034	108,484
Other	—	—	—	3,454	—	—
Loans*1	2,369,399	3,360,099	2,655,908	1,719,584	1,901,780	674,712
Total	¥3,997,911	¥3,697,381	¥2,906,407	¥1,798,001	¥2,051,520	¥794,630

	Millions of Yen					
	2017					
	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	¥1,044,098	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	—	—	—	—	—	—
Securities						
Held-to-maturity debt securities with market values	125,071	243,240	170,635	63,804	74,859	16,742
Japanese government bonds	45,101	40,153	10,209	10,034	15,170	15,042
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	26,906	117,095	104,671	29,474	53,700	1,700
Other	53,064	85,991	55,755	24,295	5,989	—
Available-for-sale securities with contractual maturities	10,660	69,508	107,127	41,858	54,896	91,402
Japanese government bonds	—	—	31,668	5,230	18,589	1,991
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	10,660	69,508	75,459	36,627	32,862	89,410
Other	—	—	—	—	3,445	—
Loans*2	2,366,164	3,536,702	2,864,175	1,643,378	1,822,873	760,196
Total	¥3,545,995	¥3,849,451	¥3,141,938	¥1,749,040	¥1,952,630	¥868,341

	Thousands of U.S. Dollars					
	2018					
	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	$ 9,731,744	$ —	$ —	$ —	$ —	$ —
Call loans and bills bought	4,359,744	—	—	—	—	—
Securities						
Held-to-maturity debt securities with market values	1,057,061	2,318,073	1,463,318	212,063	767,513	107,629
Japanese government bonds	188,549	188,585	142,718	94,966	142,122	94,451
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	578,651	1,227,321	941,062	55,671	527,108	13,178
Other	289,861	902,167	379,538	61,427	98,283	—
Available-for-sale securities with contractual maturities	180,067	856,646	894,540	526,048	641,937	1,021,123
Japanese government bonds	—	49,054	245,270	175,327	48,616	—
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	180,067	807,592	649,270	318,205	593,321	1,021,123
Other	—	—	—	32,516	—	—
Loans*1	22,302,328	31,627,443	24,999,143	16,185,845	17,900,794	6,350,831
Total	$37,630,944	$34,802,162	$27,357,001	$16,923,956	$19,310,244	$7,479,582

*1. Obligations to "Legally Bankrupt," "Effectively Bankrupt" and "Possibly Bankrupt" amounting to ¥43,750 million ($411,808 thousand) are not included as of March 31, 2018.
*2. Obligations to "Legally Bankrupt," "Effectively Bankrupt" and "Possibly Bankrupt" amounting to ¥46,035 million are not included as of March 31, 2017.

(4) Maturity analysis for Debentures, Borrowed money and Other Interest-Bearing Liability as of March 31, 2018 and 2017 are as follows:

	Millions of Yen					
	2018					
	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
Call money and bills sold	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Borrowed money	1,318,286	1,946,837	2,133,238	957,463	976,477	1,241,868
Debentures and Corporate bonds	654,915	1,171,168	1,281,409	585,776	1,077,900	161,813
Total	¥1,973,202	¥3,118,005	¥3,414,647	¥1,543,240	¥2,054,377	¥1,403,681

	Millions of Yen					
	2017					
	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
Call money and bills sold	¥ 13,000	¥ —	¥ —	¥ —	¥ —	¥ —
Borrowed money	1,291,705	2,124,948	1,967,458	1,010,326	962,438	1,115,489
Debentures and Corporate bonds	729,155	1,269,981	872,867	674,010	908,545	257,296
Total	¥2,033,861	¥3,394,929	¥2,840,325	¥1,684,337	¥1,870,983	¥1,372,785

	Thousands of U.S. Dollars					
	2018					
	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
Call money and bills sold	$ —	$ —	$ —	$ —	$ —	$ —
Borrowed money	12,408,571	18,324,899	20,079,425	9,012,267	9,191,240	11,689,271
Debentures and Corporate bonds	6,164,491	11,023,795	12,061,463	5,513,713	10,145,902	1,523,091
Total	$18,573,062	$29,348,694	$32,140,887	$14,525,980	$19,337,142	$13,212,362

29. Derivative Transactions

(a) Derivative Transactions to which Hedge Accounting is not applied

(1) Interest rate-related transactions

	Millions of Yen			
	2018			
	Contract amount			
	Total	Due after 1 year	Fair value	Unrealized gains (losses)
Over-the-counter				
Swaps				
Receive fixed/ Pay float	¥951,878	¥850,297	¥ 47,842	¥ 47,842
Receive float/ Pay fixed	938,817	841,032	(16,894)	(16,894)
Total	—	—	¥ 30,948	¥ 30,948

	Millions of Yen			
	2017			
	Contract amount			
	Total	Due after 1 year	Fair value	Unrealized gains (losses)
Over-the-counter				
Swaps				
Receive fixed/ Pay float	¥1,013,253	¥856,257	¥ 52,075	¥ 52,075
Receive float/ Pay fixed	995,749	839,565	(19,689)	(19,689)
Total	—	—	¥ 32,385	¥ 32,385

	Thousands of U.S. Dollars			
	2018			
	Contract amount			
	Total	Due after 1 year	Fair value	Unrealized gains (losses)
Over-the-counter				
Swaps				
Receive fixed/ Pay float	$8,959,701	$8,003,549	$ 450,326	$ 450,326
Receive float/ Pay fixed	8,836,764	7,916,346	(159,019)	(159,019)
Total	—	—	$ 291,307	$ 291,307

*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			
	2018			
	Contract amount			
	Total	Due after 1 year	Fair value	Unrealized gains (losses)
Over-the-counter				
Swaps	¥ 4,924	¥4,924	¥ 73	¥ 73
Forwards				
Sold	121,307	—	2,120	2,120
Bought	41,993	—	(1,639)	(1,639)
Total	—	—	¥ 554	¥ 554

	Millions of Yen			
	2017			
	Contract amount			
	Total	Due after 1 year	Fair value	Unrealized gains (losses)
Over-the-counter				
Swaps	¥ —	¥ —	¥ —	¥ —
Forwards				
Sold	136,290	—	1,518	1,518
Bought	108,747	—	(1,469)	(1,469)
Total	—	—	¥ 48	¥ 48

	Thousands of U.S. Dollars			
	2018			
	Contract amount			
	Total	Due after 1 year	Fair value	Unrealized gains (losses)
Over-the-counter				
Swaps	$ 46,354	$46,354	$ 694	$ 694
Forwards				
Sold	1,141,825	—	19,955	19,955
Bought	395,271	—	(15,433)	(15,433)
Total	—	—	$ 5,216	$ 5,216

*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			
	2018			
	Contract amount			
	Total	Due after 1 year	Fair value	Unrealized gains (losses)
Over-the-counter				
Credit default options				
Sold	¥7,500	¥7,500	¥ 147	¥ 147
Bought	7,500	4,500	(102)	(102)
Total	—	—	¥ 45	¥ 45

	Millions of Yen			
	2017			
	Contract amount			
	Total	Due after 1 year	Fair value	Unrealized gains (losses)
Over-the-counter				
Credit default options				
Sold	¥7,500	¥7,500	¥ 202	¥ 202
Bought	7,500	7,500	(161)	(161)
Total	—	—	¥ 40	¥ 40

	Thousands of U.S. Dollars			
	2018			
	Contract amount			
	Total	Due after 1 year	Fair value	Unrealized gains (losses)
Over-the-counter				
Credit default options				
Sold	$70,595	$70,595	$1,389	$1,389
Bought	70,595	42,357	(961)	(961)
Total	—	—	$ 428	$ 428

*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

		Millions of Yen		
		2018		
		Contract amount		
	Hedged item	Total	Due after 1 year	Fair value
Deferral method	Borrowed money and Loans			
Swaps				
Receive float/ Pay fixed		¥ 61,663	¥ 21,502	¥(35)
Accrual method	Debentures, Borrowed money, Corporate bonds and Loans			
Swaps				
Receive fixed/ Pay float		1,582,096	1,464,188	*3
Receive float/ Pay fixed		40,860	38,868	
Total		—	—	¥(35)

		Millions of Yen		
		2017		
		Contract amount		
	Hedged item	Total	Due after 1 year	Fair value
Deferral method				
Swaps	Borrowed money and Loans			
Receive float/ Pay fixed		¥ 98,700	¥ 53,892	¥(707)
Accrual method	Debentures, Borrowed money, Corporate bonds, Securities and Loans			
Swaps				
Receive fixed/ Pay float		897,401	825,638	*3
Receive float/ Pay fixed		10,525	8,948	
Total		—	—	¥(707)

		Thousands of U.S. Dollars		
		2018		
		Contract amount		
	Hedged item	Total	Due after 1 year	Fair value
Deferral method	Borrowed money and Loans			
Swaps				
Receive float/ Pay fixed		$ 580,421	$ 202,398	$(338)
Accrual method	Debentures, Borrowed money, Corporate bonds and Loans			
Swaps				
Receive fixed/ Pay float		14,891,719	13,781,892	*3
Receive float/ Pay fixed		384,605	365,860	
Total		—	—	$(338)

*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 28 "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

	Hedged item	Millions of Yen 2018 Contract amount Total	Due after 1 year	Fair value
Translated at contractual rates Swaps	Foreign-currency debentures, Borrowed money, and Corporate bonds	¥296,126	¥296,126	*2
Forwards	Foreign-currency available-for-sale securities	65,307	—	¥2,084
Total		—	—	¥2,084

	Hedged item	Millions of Yen 2017 Contract amount Total	Due after 1 year	Fair value
Translated at contractual rates Swaps	Foreign-currency debentures, Borrowed money, and Corporate bonds	¥392,596	¥281,012	*2
Forwards	Foreign-currency available-for-sale securities	32,096	—	¥(245)
Total		—	—	¥(245)

	Hedged item	Thousands of U.S. Dollars 2018 Contract amount Total	Due after 1 year	Fair value
Translated at contractual rates Swaps	Foreign-currency debentures, Borrowed money, and Corporate bonds	$2,787,334	$2,787,334	*2
Forwards	Foreign-currency available-for-sale securities	614,716	—	$19,618
Total		—	—	$19,618

*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 28 "Financial Instruments and Related Disclosures" is included in that of hedged items such as foreign-currency debentures, borrowed money and corporate bonds.

(3) Equity-related transactions

Not applicable.

(4) Bond-related transactions

Not applicable.

30. Fair Value of Securities and Money Held in Trust

Fair value of securities, money held in trust and negotiable certificate of deposit classified as "Cash and due from banks" as of March 31, 2018 and 2017 is summarized below.

(a) Securities

(1) Held-to-Maturity Debt Securities as of March 31, 2018 and 2017 are as follows:

		Millions of Yen		
		2018		
		Carrying amount	Fair value	Difference
Fair value exceeds carrying amount	Japanese government bonds	¥ 90,451	¥ 98,063	¥ 7,611
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	251,591	254,494	2,903
	Other	152,230	154,454	2,224
Sub-total		494,274	507,013	12,738
Fair value does not exceed carrying amount	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	103,567	103,214	(353)
	Other	31,700	31,653	(46)
Sub-total		135,267	134,867	(399)
Total		¥629,541	¥641,881	¥12,339

		Millions of Yen		
		2017		
		Carrying amount	Fair value	Difference
Fair value exceeds carrying amount	Japanese government bonds	¥135,711	¥144,901	¥ 9,190
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	181,112	184,569	3,457
	Other	167,165	169,497	2,332
Sub-total		483,988	498,968	14,979
Fair value does not exceed carrying amount	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	152,435	151,399	(1,035)
	Other	57,930	57,857	(72)
Sub-total		210,366	209,257	(1,108)
Total		¥694,354	¥708,226	¥13,871

		Thousands of U.S. Dollars		
		2018		
		Carrying amount	Fair value	Difference
Fair value exceeds carrying amount	Japanese government bonds	$ 851,391	$ 923,037	$ 71,647
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	2,368,146	2,395,471	27,325
	Other	1,432,895	1,453,830	20,935
Sub-total		4,652,431	4,772,338	119,907
Fair value does not exceed carrying amount	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	974,845	971,521	(3,324)
	Other	298,381	297,943	(438)
Sub-total		1,273,226	1,269,465	(3,761)
Total		$5,925,657	$6,041,803	$116,146

Note: Fair value is based on the closing price at the consolidated balance sheet date.

(2) Available-for-sale Securities as of March 31, 2018 and 2017 are as follows:

		Millions of Yen		
		2018		
		Carrying amount (Fair value)	Acquisition cost	Difference
Carrying amount exceeds cost	Equities	¥ 76,839	¥ 28,686	¥48,153
	Bonds	357,783	352,775	5,007
	Japanese government bonds	55,060	53,658	1,402
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	302,722	299,116	3,605
	Other	5,923	3,611	2,311
Sub-total		440,546	385,073	55,472
Carrying amount does not exceed cost	Equities	8,641	9,499	(857)
	Bonds	76,509	76,761	(251)
	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	76,509	76,761	(251)
	Other	35,000	35,000	—
Sub-total		120,151	121,260	(1,109)
Total		¥560,697	¥506,334	¥54,363

		Millions of Yen		
		2017		
		Carrying amount (Fair value)	Acquisition cost	Difference
Carrying amount exceeds cost	Equities	¥ 74,336	¥ 30,436	¥43,900
	Bonds	288,652	284,154	4,498
	Japanese government bonds	57,479	55,846	1,632
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	231,173	228,307	2,865
	Other	5,950	3,581	2,369
Sub-total		368,939	318,171	50,768
Carrying amount does not exceed cost	Equities	7,926	8,394	(468)
	Bonds	83,356	84,205	(848)
	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	83,356	84,205	(848)
	Other	50,000	50,000	—
Sub-total		141,282	142,599	(1,317)
Total		¥510,222	¥460,771	¥49,451

		Thousands of U.S. Dollars		
		2018		
		Carrying amount (Fair value)	Acquisition cost	Difference
Carrying amount exceeds cost	Equities	$ 723,268	$ 270,020	$453,248
	Bonds	3,367,687	3,320,549	47,138
	Japanese government bonds	518,267	505,069	13,198
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	2,849,420	2,815,480	33,940
	Other	55,754	33,996	21,759
Sub-total		4,146,709	3,624,564	522,144
Carrying amount does not exceed cost	Equities	81,342	89,414	(8,072)
	Bonds	720,158	722,526	(2,368)
	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	720,158	722,526	(2,368)
	Other	329,443	329,443	—
Sub-total		1,130,943	1,141,383	(10,440)
Total		$5,277,651	$4,765,947	$511,704

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, 2018 and 2017 are as follows:

	Millions of Yen		
	2018		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equities	¥12,184	¥6,962	¥—
Bonds	32,169	286	1
Japanese government bonds	—	—	—
Japanese local government bonds	—	—	—
Short-term corporate bonds	—	—	—
Corporate bonds	32,169	286	1
Other	5,172	174	—
Total	¥49,527	¥7,422	¥ 1

	Millions of Yen		
	2017		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equities	¥ 86,415	¥22,147	¥ 5
Bonds	23,861	257	—
Japanese government bonds	—	—	—
Japanese local government bonds	—	—	—
Short-term corporate bonds	—	—	—
Corporate bonds	23,861	257	—
Other	22,143	3,509	117
Total	¥132,420	¥25,914	¥122

	Thousands of U.S. Dollars		
	2018		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equities	$114,692	$65,535	$—
Bonds	302,801	2,695	15
Japanese government bonds	—	—	—
Japanese local government bonds	—	—	—
Short-term corporate bonds	—	—	—
Corporate bonds	302,801	2,695	15
Other	48,691	1,641	—
Total	$466,184	$69,870	$15

(b) Money Held in Trust

(1) Money Held in Trust for the Purpose of Investment and Held to Maturity

Not applicable.

(2) Other (other than for the purpose of investment and held to maturity)

	Millions of Yen				
	2018				
			Unrealized gains (losses)		
	Carrying amount	Acquisition cost	Net	Carrying amount exceeds cost	(Carrying amount does not exceed cost)
Other money held in trust	¥11,266	¥10,433	¥833	¥878	¥44

	Millions of Yen				
	2017				
			Unrealized gains (losses)		
	Carrying amount	Acquisition cost	Net	Carrying amount exceeds cost	(Carrying amount does not exceed cost)
Other money held in trust	¥15,599	¥14,908	¥690	¥690	¥—

	Thousands of U.S. Dollars				
	2018				
			Unrealized gains (losses)		
	Carrying amount	Acquisition cost	Net	Carrying amount exceeds cost	(Carrying amount does not exceed cost)
Other money held in trust	$106,052	$98,204	$7,848	$8,266	$418

(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
	2018	2017	2018
Unrealized gain on			
Available-for-sale securities	¥ 58,372	¥ 54,756	$ 549,445
Other money held in trust	878	690	8,266
Deferred tax liabilities	(17,113)	(15,909)	(161,080)
Unrealized gain on available-for-sale securities before interest adjustments	42,138	39,537	396,631
Amount corresponding to non-controlling interests	—	—	—
DBJ Inc.'s interest in net unrealized gain on available-for-sale securities held by affiliates accounted for by the equity method	8,382	5,479	78,900
Unrealized gain on available-for-sale securities, net of taxes	¥ 50,520	¥ 45,017	$ 475,531

*1. The loss of ¥2,250 million ($21,182 thousand) and the profit of ¥2,350 million recognized by applying the fair value hedge accounting, which were reflected in profit or loss, are deducted from the above unrealized gains and losses, net of taxes, as of March 31, 2018 and 2017, respectively.
*2. Unrealized gain includes foreign currency translation adjustments on available-for-sale securities and other money held in trust denominated in foreign currency whose fair value cannot be reliably determined as of March 31, 2018 and 2017.

31. Related Party Transactions

Related party transactions for the years ended March 31, 2018 and 2017 are as follows:

				2018			
				Transaction Amount		Balance at March 31, 2018	
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	—	¥ 50,000	$ 470,633	—	—
		Borrowings*2	Borrowed money	580,000	5,459,337	¥4,524,459	$42,587,159
		Repayments		380,492	3,581,447		
		Payment for interest	Accrued expenses	31,779	299,131	11,243	105,834
		Guarantees*3	—	2,949,210	27,759,888	—	—

According to Article 2, item 5 of the Japan Finance Corporation Act, DBJ Inc. has borrowed ¥2,303,344 million ($21,680,572 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 February 20, 2038 without posting collateral.
*3. The guarantees are for debentures issued by DBJ Inc. free of guarantee charge.

				2017	
				Transaction Amount	Balance at March 31, 2017
Related party	Category	Description	Account item	Millions of Yen	Millions of Yen
Finance Minister	Shareholder	Receipt of contribution*1	—	¥ 50,000	—
		Borrowings*2	Borrowed money	800,000	¥4,324,952
		Repayments		404,138	
		Payment for interest	Accrued expenses	36,438	12,587
		Guarantees*3	—	2,799,265	—

According to Article 2, item 5 of the Japan Finance Corporation Act, DBJ Inc. has borrowed ¥2,672,621 million 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 February 20, 2037 without posting collateral.
*3. The guarantees are for debentures issued by DBJ Inc. free of guarantee charge.

32. Subsequent Event

On June 28, 2018, the shareholders approved the following appropriations of retained earnings. On the same day, the Finance Minister authorized becoming effective of the timing and amounts for dividends as of June 29, 2018:

Appropriations of Retained earnings as of March 31, 2018

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends-Common stock (¥507-$4.77 per share)	¥22,121	$208,223

Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
2-15-3 Konan
Minato-ku, Tokyo 108-6221
Japan

Tel: +81 (3) 6720 8200
Fax: +81 (3) 6720 8205
www.deloitte.com/jp/en

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, 2018, 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, 2018, 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 15, 2018
(June 28, 2018 as to Note 32)

Member of
Deloitte Touche Tohmatsu Limited

Non-Consolidated Balance Sheet (Unaudited)

Development Bank of Japan Inc.

As of March 31,	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note) 2018
Assets			
Cash and due from banks	¥ 996,990	¥ 987,258	$ 9,384,326
Call loans	463,179	—	4,359,744
Money held in trust	9,411	14,037	88,585
Securities	1,905,546	1,789,322	17,936,246
Loans	12,874,274	13,210,171	121,181,044
Other assets	208,284	174,607	1,960,513
Tangible fixed assets	111,698	111,916	1,051,382
Intangible fixed assets	13,369	9,831	125,844
Prepaid pension costs	1,210	1,268	11,392
Customers' liabilities for acceptances and guarantees	201,796	181,010	1,899,437
Allowance for loan losses	(44,895)	(56,441)	(422,587)
Allowance for investment losses	(176)	(414)	(1,657)
Total assets	¥16,740,690	¥16,422,568	$157,574,269
Liabilities and equity			
Liabilities:			
Debentures	¥ 3,086,650	¥ 3,016,714	$ 29,053,567
Call money	—	13,000	—
Payables under repurchase agreements	—	55,142	—
Borrowed money	8,429,149	8,383,916	79,340,637
Corporate bonds	1,841,582	1,690,391	17,334,177
Other liabilities	88,586	106,304	833,836
Accrued bonuses to employees	4,592	4,789	43,231
Accrued bonuses to directors	13	11	127
Reserve for employees' retirement benefits	6,470	6,389	60,908
Reserve for directors' retirement benefits	87	71	827
Reserve for contingent losses	—	40	—
Deferred tax liabilities	22,077	25,444	207,807
Acceptances and guarantees	201,796	181,010	1,899,437
Total liabilities	13,681,008	13,483,227	128,774,554
Equity:			
Common stock authorized, 160,000 thousand shares in 2018 and 2017; issued, 43,632 thousand shares in 2018 and 2017	1,000,424	1,000,424	9,416,642
Crisis response reserve	206,529	206,529	1,943,985
Special investment reserve	330,000	230,000	3,106,175
Special investment surplus	3,099	1,813	29,173
Capital surplus	895,466	945,466	8,428,712
Retained earnings	548,371	479,443	5,161,629
Unrealized gain on available-for-sale securities	47,773	42,233	449,671
Deferred gain on derivatives under hedge accounting	28,018	33,430	263,730
Total equity	3,059,681	2,939,340	28,799,716
Total liabilities and equity	¥16,740,690	¥16,422,568	$157,574,269

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥106.24=$1.00, the effective exchange rate prevailing as of March 31, 2018, 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 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note) 2018
Income			
Interest income:	¥189,537	¥193,678	$1,784,050
Interest on loans	156,192	165,276	1,470,181
Interest and dividends on securities	24,620	20,089	231,743
Interest on call loans	153	—	1,448
Interest on due from banks	22	11	207
Interest on swaps	8,553	8,164	80,515
Other interest income	(4)	136	(45)
Fees and commissions	11,684	12,682	109,983
Other operating income	6,259	5,896	58,917
Other income	59,577	57,598	560,783
Total income	**267,058**	**269,856**	**2,513,732**
Expenses			
Interest expense:	89,303	98,097	840,582
Interest on debentures	33,198	34,831	312,490
Interest on call money	(27)	(11)	(259)
Interest on payables under repurchase agreements	(46)	(5)	(441)
Interest on borrowed money	51,097	58,113	480,966
Interest on short-term corporate bonds	755	764	7,110
Interest on corporate bonds	4,335	4,408	40,811
Other interest expense	(10)	(3)	(94)
Fees and commissions	245	183	2,311
Other operating expenses	3,515	3,357	33,088
General and administrative expenses	48,007	45,207	451,874
Other expenses	5,699	9,310	53,650
Total expenses	**146,771**	**156,156**	**1,381,505**
Income before income taxes	**120,287**	**113,699**	**1,132,228**
Income taxes:			
Current	33,596	30,703	316,233
Deferred	(3,244)	2,832	(30,540)
Total income taxes	**30,352**	**33,535**	**285,693**
Net income	**¥ 89,935**	**¥ 80,163**	**$ 846,534**

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥106.24=$1.00, the effective exchange rate prevailing as of March 31, 2018, 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, 2018	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus
Balance at beginning of year	¥1,000,424	¥206,529	¥230,000	¥1,813	¥945,466
Investment from government			50,000		
Transfer from capital surplus to special investment reserve			50,000		(50,000)
Cash dividends					
Net income					
Transfer from retained earnings to special investment surplus				1,285	
Net change during the year					
Balance at end of year	¥1,000,424	¥206,529	¥330,000	¥3,099	¥895,466

	Millions of Yen			
For the year ended March 31, 2018	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Total equity
Balance at beginning of year	¥479,443	¥42,233	¥33,430	¥2,939,340
Investment from government				50,000
Transfer from capital surplus to special investment reserve				—
Cash dividends	(19,721)			(19,721)
Net income	89,935			89,935
Transfer from retained earnings to special investment surplus	(1,285)			—
Net change during the year		5,539	(5,411)	127
Balance at end of year	¥548,371	¥47,773	¥28,018	¥3,059,681

	Millions of Yen				
For the year ended March 31, 2017	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus
Balance at beginning of year	¥1,000,424	¥206,529	¥130,000	¥ 618	¥995,466
Investment from government			50,000		
Transfer from capital surplus to special investment reserve			50,000		(50,000)
Cash dividends					
Net income					
Transfer from retained earnings to special investment surplus				1,194	
Net change during the year					
Balance at end of year	¥1,000,424	¥206,529	¥230,000	¥1,813	¥945,466

	Millions of Yen			
For the year ended March 31, 2017	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Total equity
Balance at beginning of year	¥429,751	¥52,206	¥35,045	¥2,850,042
Investment from government				50,000
Transfer from capital surplus to special investment reserve				—
Cash dividends	(29,277)			(29,277)
Net income	80,163			80,163
Transfer from retained earnings to special investment surplus	(1,194)			—
Net change during the year		(9,972)	(1,615)	(11,587)
Balance at end of year	¥479,443	¥42,233	¥33,430	¥2,939,340

For the year ended March 31, 2018	Thousands of U.S. Dollars (Note) Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus
Balance at beginning of year	$9,416,642	$1,943,985	$2,164,910	$17,072	$8,899,344
Investment from government			470,633		
Transfer from capital surplus to special investment reserve			470,633		(470,633)
Cash dividends					
Net income					
Transfer from retained earnings to special investment surplus				12,101	
Net change during the year					
Balance at end of year	$9,416,642	$1,943,985	$3,106,175	$29,173	$8,428,712

For the year ended March 31, 2018	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	$4,512,830	$397,534	$314,668	$27,666,985
Investment from government				470,633
Transfer from capital surplus to special investment reserve				—
Cash dividends	(185,635)			(185,635)
Net income	846,534			846,534
Transfer from retained earnings to special investment surplus	(12,101)			—
Net change during the year		52,137	(50,938)	1,199
Balance at end of year	$5,161,629	$449,671	$263,730	$28,799,716

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥106.24=$1.00, the effective exchange rate prevailing as of March 31, 2018, has been used in the conversion.

Capital Adequacy Ratio

Although DBJ is not subject to Article 14-2 of the Banking Act of Japan, capital adequacy ratios have been calculated in accordance with "Standards for Bank to Examine the Adequacy of Its Capital Based on Assets, 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 the operational risk equivalent amount 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)

(Unit: Millions of yen, %)

Items	March 31, 2017	March 31, 2018	Basel III Template No.
Common Equity Tier 1 capital: instruments and reserves (1)			
Directly issued qualifying common share capital plus related capital surplus and retained earnings	2,439,927	2,458,458	1a+2–1c–26
of which: common stock and capital surplus	1,945,890	1,895,890	1a
of which: retained earnings	513,758	584,689	2
of which: treasury stock	—	—	1c
of which: planned distribution of income	19,721	22,121	26
of which: other than the above	—	—	
Rights to acquire new common shares	—	—	1b
Accumulated other comprehensive income and other disclosed reserves	499,895	616,789	3
Adjusted non-controlling interests, etc. (amount allowed to be included in group Common Equity Tier 1)	—	—	5
Common Equity Tier 1 capital: instruments and reserves (A)	2,941,661	3,075,247	6
Common Equity Tier 1 capital: regulatory adjustments (2)			
Total intangible assets (excluding those relating to mortgage servicing rights)	12,545	32,977	8+9
of which: goodwill (including those equivalent)	6,969	23,611	8
of which: other intangible assets other than goodwill and mortgage servicing rights	5,575	9,366	9
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	144	—	10
Deferred gains or losses on derivatives under hedge accounting	26,944	27,955	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	1,102	1,797	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 (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

(Unit: Millions of yen, %)

Items		March 31, 2017	March 31, 2018	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		593	—	27	
Common Equity Tier 1 capital: regulatory adjustments	(B)	41,330	62,730	28	
Common Equity Tier 1 capital (CET1)					
Common Equity Tier 1 capital (CET1) ((A)-(B))	(C)	2,900,330	3,012,516	29	
Additional Tier 1 capital: instruments (3)					
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	
Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards		—	—	32	
Qualifying Additional Tier 1 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 Additional Tier 1)		1,356	1,552	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	
Additional Tier 1 capital: instruments	(D)	1,198	1,552	36	
Additional Tier 1 capital: regulatory adjustments					
Investments in own Additional Tier 1 instruments		—	—	37	
Reciprocal cross-holdings in Additional Tier 1instruments		—	—	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)		49	63	40	
Additional Tier 1 capital: regulatory adjustments	(E)	1,792	63	43	
Additional Tier 1 capital (AT1)					
Additional Tier 1 capital ((D)-(E))	**(F)**	—	1,489	44	
Tier 1 capital (T1 = CET1 + AT1)					
Tier 1 capital (T1 = CET1 + AT1) ((C)+(F))	(G)	2,900,330	3,014,005	45	
Tier 2 capital: instruments and reserves (4)					
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)		318	365	48–49	

(Unit: Millions of yen, %)

Items		March 31, 2017	March 31, 2018	Basel III Template No.
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		36,657	21,782	50
of which: general allowance for loan losses		36,657	21,782	50a
of which: eligible reserves		—	—	50b
Tier 2 capital: instruments and reserves	(H)	42,459	22,147	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
Tier 2 capital: regulatory adjustments	(I)	—	—	57
Tier 2 capital (T2)				
Tier 2 capital (T2) ((H)-(I))	(J)	42,459	22,147	58
Total capital (TC = T1 + T2)				
Total capital (TC = T1 + T2) ((G) + (J))	(K)	2,942,790	3,036,152	59
Risk weighted assets (5)				
Risk weighted assets	(L)	16,840,640	17,916,072	60
Capital ratio (consolidated)				
Common Equity Tier 1 risk-weighted capital ratio (consolidated) ((C)/(L))		17.22%	16.81%	61
Tier 1 risk-weighted capital ratio (consolidated) ((G)/(L))		17.22%	16.82%	62
Total risk-weighted capital ratio (consolidated) ((K)/(L))		17.47%	16.94%	63
Regulatory adjustments (6)				
Non-significant Investments in the capital of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)		72,820	109,974	72
Significant investments in the common stock of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)		5,635	2,943	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)		3,217	11,935	75
Reserves included in Tier 2 capital: instruments and reserves (7)				
General allowance for loan losses		36,657	21,782	76
Cap on inclusion of general allowance for loan losses		207,729	221,279	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 (8)				
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, 2018 is 30. Please refer to page 165, "Group Companies" in "Corporate Information" section for major consolidated subsidiaries. (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	Please refer to page 64, "Comprehensive Risk Management" in "Risk Management."
3. Overview of Risk Characteristics and Risk Management Policies, Procedures and Structure of the Consolidated Group	Please refer to pages 64 to 67, "Risk Management."
4. Credit Risk	**(a) Overview of Risk Management Policies and Procedure** Please refer to pages 64, "Comprehensive Risk Management: 1. Credit Risk" in "Risk Management." **(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).
5. 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 principle, 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.

6. Overview of Risk Management Policies and Procedures Related to Risk Involving Counterparties 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.
7. 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) Name of Special Purpose Entity and its securitization exposure status in case DBJ securitizes third party's assets through Special Purpose Entity and, of subsidiaries and affiliated companies of the Consolidated Group, name of those which hold securitization exposure implemented by the Consolidated Group and whose management are involved or advised by the Consolidated Group. Not applicable. (d) Name of Special Purpose Entity providing credit enhancement other than an agreement, and effect of the credit enhancement other than the agreement on Capital Adequacy by Special Purpose Entity Not applicable. (e) 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." (f) 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).
8. Market Risk	DBJ includes in its calculation method no market risk equivalent amount.
9. Operational Risk	(a) Overview of Risk Management Policies and Procedures Please refer to pages 69, "Comprehensive Risk Management: 5. Operational Risk" in "Risk Management." (b) Method Used to Calculate Operational Risk Equivalent Amount DBJ uses the basic indicator approach to calculate this risk.

10. Overview of Risk Management Policies and Procedures Regarding Exposure to Shares and Other Equity Investments and Capital Injections	Please refer to page 65, "Comprehensive Risk: 2. Investment Risk Management" in "Risk Management."
11. Interest Rate Risk	**(a) Overview of Risk Management Policies and Procedures** Please refer to page 66, "Comprehensive Risk Management: 3. Market Risk, i. Interest Rate Risk" in "Risk Management." **(b) Overview of Methods for Calculating Interest Rate Risk** The quantitative disclosure items, ΔEVE (changes in Economic Value of Equity) and ΔNII (changes in Net Interest Income), are calculated as stated below. First, as stipulated in the FSA Notification No. 7 in 2014, the changes in economic value of equity and annual net interest income caused by the interest rate shocks are measured for each currency. Then, ΔEVE and ΔNII are calculated by adding up the amounts of such changes only if the changes for the currency result in loss. In addition, DBJ measures interest rate risks using the following methods. (1) VaR: Holding period- one year, Observation period- 10 years, Confidence interval-99.9%, using Delta method, (2) 100BPV: changes in economic value when interest rates are shifted by 1% (parallel up)

[3] Quantitative Disclosure

Quantitative Disclosure (Consolidated)

1. Overview of Risk Weighted Assets

(Unit: Millions of yen)

	Risk Weighted Assets		Capital Requirement	
	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018
Credit Risk	/	10,654,594	/	852,367
Of which, exposure to which standardized approach applied	/	10,147,427	/	811,794
Other	/	507,167	/	40,573
Counterparty Credit Risk	/	90,542	/	7,242
Of which, exposure to which current exposure method applied	/	22,190	/	1,775
Of which, CVA risk	/	68,174	/	5,453
Of which, exposure for central counterparty clearing house	/	178	/	14
Other	/	—	/	—
Exposure of assets with underlying multiple assets and transactions	/	3,828,275	/	306,262
Unsettled transactions	/	—	/	—
Securitization exposure subject to calculation of credit risk assets	/	3,091,764	/	247,340
Of which, exposure to which standardized approach applied	/	971,578	/	77,726
Of which, exposure with a risk weight of 1,250%	/	2,120,186	/	169,614
Operational risk	/	213,700	/	17,096
Of which, exposure to which basic indicator approach applied	/	213,700	/	17,096
Exposure with related to specified items not included in adjustments	/	37,197	/	2,975
Amount of items included in risk weighted assets subject to transitional arrangements	/	—	/	—
Total	/	17,916,072	/	1,433,282

2. Items Related to Credit Risk

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

(1) By region

(Unit: Millions of yen)

	March 31, 2018
Domestic	16,059,101
Overseas	19,487
Total	16,078,588

Note: "Overseas" refers to overseas consolidated subsidiaries. DBJ has no overseas branches.

(2) By industry and transaction counterparty

(Unit: Millions of yen)

	March 31, 2018
Manufacturing	2,944,784
Agriculture and forestry	400
Fisheries	65
Mining, quarrying and gravel extraction	72,918
Construction	68,479
Electrical, gas, heat supply and water	3,451,728
Information and communications	384,286
Transportation and postal	2,336,980
Wholesale and retail	911,790
Finance and insurance	2,352,862
Real estate and leasing of goods	2,413,770
Services	302,237
Municipal government	15,521
Other	822,768
Total	16,078,588

(3) By period to maturity

(Unit: Millions of yen)

	March 31, 2018
Five years or less	8,263,024
More than five years, up to 10	4,562,862
More than 10 years, up to 15	1,261,755
More than 15 years	876,913
No maturity date	1,114,034
Total	16,078,588

(b) Credit Risk Mitigation Techniques

(Unit: Millions of yen)

	March 31, 2018				
	Exposure not secured	Exposure secured	Exposure secured by collateral	Exposure secured by guarantee	Exposure secured by credit derivatives
Loans	11,003,007	980,708	—	840,515	—
Securities (debt securities)	880,065	29,324	—	29,324	—
Other on-balance sheet assets (debt instruments)	463,322	—	—	—	—
Total	12,346,394	1,010,032	—	869,839	—
Of which, default items	55	—	—	—	—

(c) Standardized Approach - Credit risk exposure by asset class and risk weight (Unit: Millions of yen)

	March 31, 2018								
	Amounts of credit risk exposure (after applying CCF and credit risk mitigation techniques)								
Asset Class / Risk Weight	0%	10%	20%	50%	100%	150%	250%	1250%	Total
Cash	5	—	—	—	—	—	—	—	5
Japanese government and Bank of Japan	942,819	—	—	—	—	—	—	—	942,819
Foreign central governments and central banks	—	—	—	—	—	—	—	—	—
Bank for International Settlements and other	—	—	—	—	—	—	—	—	—
Municipal governments in Japan	18,235	—	—	—	—	—	—	—	18,235
Foreign public bodies other than central banks	—	—	500	—	—	—	—	—	500
Multilateral Development Bank	—	—	—	—	—	—	—	—	—
Japan Finance Organization for Municipalities	—	—	—	—	—	—	—	—	—
Japanese government agencies	—	—	—	—	—	—	—	—	—
Three local public corporations	—	—	100	—	—	—	—	—	100
Financial institutions and Type I Financial Instruments Business Operators	—	—	743,980	66,590	31,369	—	—	—	841,939
Corporations	41,811	209	682,534	6,362,882	5,222,027	43,615	—	—	12,353,078
Small and medium-sized enterprises and individuals	—	—	—	—	—	—	—	—	—
Mortgage loans (loans secured by residential properties)	—	—	—	—	—	—	—	—	—
Real estate investment business	—	—	—	—	780,117	—	—	—	780,117
Delinquent for 3 months or more (excluding mortgage loans)	—	—	—	55	—	—	—	—	55
Mortgage loans that are delinquent for 3 months or more	—	—	—	—	—	—	—	—	—
Bills and checks in process of collection	—	—	—	—	—	—	—	—	—
Guaranteed by Credit Guarantee Association and other	—	—	—	—	—	—	—	—	—
Guaranteed by Regional Economy Vitalization Corporation of Japan and other	—	—	—	—	—	—	—	—	—
Investments (excluding significant investments)	—	—	—	—	548,281	—	—	—	548,281
Total	1,002,870	209	1,427,114	6,429,527	6,581,794	43,615	—	—	15,485,129

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

(a) Counterparty credit risk

(1) Counterparty credit risk exposure by technique

(Unit: Millions of yen)

	March 31, 2018	
	Exposure after applying a credit risk mitigation technique	Amount of risk weighted assets
Current exposure method	64,468	22,190

(2) Counterparty credit risk exposure by industry and risk weight

(Unit: Millions of yen)

	March 31, 2018								
	Credit equivalent amount (after taking credit risk mitigations into account)								
	0%	10%	20%	50%	75%	100%	150%	Other	Total
Japanese government and Bank of Japan	—	—	—	—	—	—	—	—	—
Foreign central governments and central banks	—	—	—	—	—	—	—	—	—
Bank for International Settlements and others	—	—	—	—	—	—	—	—	—
Municipal governments in Japan	117	—	—	—	—	—	—	—	117
Foreign public bodies other than central banks	—	—	—	—	—	—	—	—	—
Multilateral Development Bank	—	—	—	—	—	—	—	—	—
Japan Finance Organization for Municipalities	—	—	—	—	—	—	—	—	—
Japanese government agencies	—	—	—	—	—	—	—	—	—
Three local public corporations	—	—	—	—	—	—	—	—	—
Financial institutions and Type I Financial Instruments Business Operators	—	—	48,085	—	—	—	—	—	48,085
Corporations	—	—	1,397	5,153	—	9,585	—	—	16,135
Small and medium-sized enterprises and individuals	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	131	—	—	131
Total	117	—	49,482	5,153	—	9,716	—	—	64,468

(b) Capital Requirement for CVA Risk

(Unit: Millions of yen)

	March 31, 2018	
	Exposure after applying a credit risk mitigation technique	Amount of risk weighted assets (Amount calculated by dividing CVA risk equivalent by 8%)
Total portfolio subject to the standardized risk measurement approach	66,210	68,174

(c) Exposure for Credit Derivative Transactions

(Unit: Millions of yen)

	March 31, 2018	
	Protection purchased	Protection provided
Notional amount		
Single-name credit default swaps	7,500	6,000
Index credit default swaps	—	1,500
Total return swaps	—	—
Credit options	—	—
Other credit derivatives	100	66,150
Total notional amount	7,600	73,650
Fair value		
Positive fair value (Assets)	—	147
Negative fair value (Liabilities)	102	—

(d) Exposure for Central Counterparty Clearing House

(Unit: Millions of yen)

	March 31, 2018	
	Exposure for central clearing house (after applying a credit risk mitigation technique)	Amount of risk weighted assets
Exposure for Qualified Central Counterparty Clearing House (Total)	/	178
Trade exposure for Qualified Central Counterparty Clearing House (excluding initial margin)	8,910	178
(i) Derivative product transactions (other than listed transactions)	8,910	178
(ii) Derivative product transactions (listed transactions)	—	—
(iii) Repurchase/ reverse repurchase transactions	—	—
(iv) Netting set in case where cross-product netting is approved	—	—
Initial margin maintained in segregated accounts	40,000	/
Initial margin not maintained in segregated accounts	—	—
Pre-contributed Clearing Fund	—	—
Uncontributed Clearing Fund	—	—

4. Securitization Exposure

(1) Securitization Exposure by Underlying Asset Type (limited to the securitization exposure subject to calculation of credit risk assets)

(Unit: Millions of yen)

	March 31, 2018				
	DBJ as the originator	DBJ as the sponsor	DBJ as an investor		
			Traditional securitization	Synthetic securitization	Subtotal
Retail (Total)	—	—	—	—	—
Wholesale (Total)	—	—	1,246,772	—	1,246,772
Structured Finance	—	—	1,246,772	—	1,246,772
Other	—	—	—	—	—
Resecuritization	—	—	—	—	—

(2) Securitization exposure subject to calculation of credit risk assets and required capital amounts

(Unit: Millions of yen)

	March 31, 2018
Amount of exposure (by risk weight)	
Securitization exposure by risk weight of 20% or less	82,714
Securitization exposure by risk weight of over 20% and 50% or less	58,889
Securitization exposure by risk weight of over 50% and 100% or less	935,555
Securitization exposure by risk weight of over 100% and below 1,250%	—
Securitization exposure by risk weight of 1,250%	169,614
Required capital amounts (by calculation method)	
Required capital amounts for securitization exposure to which the standardized approach is applied	77,726
Required capital amounts for securitization exposure to which 1250% risk weight is applied in accordance with Article 247, Paragraph 1 of the Capital Adequacy Ratio Notification or Article 225, Paragraph 1 of the Holding Company Capital Adequacy Ratio Notification	169,614

5. Interest Rate Risk (Non-consolidated)

(Unit: Hundred Millions of yen)

	March 31, 2018	
	ΔEVE	ΔNII
Parallel up	477	25
Parallel down	9	0
Steepener	311	/
Flattener	1	/
Short rate up	91	/
Short rate down	16	/
Maximum	477	25
Tier 1 capital		29,993

Composition of Leverage Ratio Disclosure (Consolidated)

(Unit: Millions of yen)

Item		March 31, 2017	March 31, 2018	Corresponding Line No. on Basel III Disclosure Template Table 2		Table 1
On-balance sheet exposures (1)						
On-balance sheet exposures before deducting adjustments items		16,308,273	16,636,833	1		
Total assets reported in the consolidated balance sheet		16,570,496	16,952,230		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) (–)		262,223	315,396		1d	3
The amount of adjustment items pertaining to Tier1 capital (–)		15,584	34,838	2		7
Total on-balance sheet exposures	(a)	16,292,688	16,601,994	3		
Exposures related to derivatives transactions (2)						
Replacement cost associated with derivatives transactions, etc.		66,763	41,580	4		
Add-on amount associated with derivatives transactions, etc.		39,795	46,989	5		
The amount of receivables arising from providing cash margin in relation to derivatives transactions, etc.		26,135	59,262			
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		7,500	7,500	9		
The amount of deductions from effective notional amount of written credit derivatives (–)		—	—	10		
Total exposures related to derivative transactions	(b)	140,194	155,332	11		4
Exposures related to repo transactions (3)						
The amount of assets related to repo transactions, etc.		—	—	12		
The amount of deductions from the assets above (line 12) (–)		—	—	13		
The exposures for counterparty credit risk for repo transactions, etc.		—	—	14		
The exposures for agent repo transactions		—	—	15		
Total exposures related to repo transactions, etc.	(c)	—	—	16		5
Exposures related to off-balance sheet transactions (4)						
Notional amount of off-balance sheet transactions		1,223,575	1,441,872	17		
The amount of adjustments for conversion in relation to off-balance sheet transactions (–)		297,157	399,916	18		
Total exposures related to off-balance sheet transactions	(d)	926,418	1,041,956	19		6
Leverage ratio on a consolidated basis (5)						
The amount of capital (Tier1 capital)	(e)	2,900,330	3,014,005	20		
Total exposures ((a)+(b)+(c)+(d))	(f)	17,359,301	17,799,283	21		8
Leverage ratio on a consolidated basis ((e)/(f))		16.70%	16.93%	22		

Key Indicators (Consolidated)

(Unit: Millions of yen, %)

	March 31, 2017	September 30, 2017	March 31, 2018
Capital			
Common Equity Tier 1 capital	2,900,330	2,940,979	3,012,516
Tier 1 capital	2,900,330	2,940,979	3,014,005
Total capital	2,942,790	2,973,785	3,036,152
Risk weighted assets			
Risk weighted assets	16,840,640	17,822,338	17,916,072
Capital ratio			
Common Equity Tier 1 risk-weighted capital ratio (consolidated)	17.22%	16.50%	16.81%
Tier 1 risk-weighted capital ratio (consolidated)	17.22%	16.50%	16.82%
Total risk-weighted capital ratio (consolidated)	17.47%	16.68%	16.94%
Leverage ratio (consolidated)			
Total exposures	17,359,301	17,707,410	17,799,283
Leverage ratio (consolidated)	16.70%	16.60%	16.93%

Corporate Information

Name	Development Bank of Japan Inc.
Established	October 1, 2008
Head office	Otemachi Financial City South Tower, 9-6, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8178, Japan Tel: +81-3-3270-3211
Capital	¥1,000,424 million (All capital is funded by the government of Japan)
Number of employees	1,631 (non-consolidated 1,182)

(As of March 31, 2018)

Group Companies

The DBJ Group provides diverse services that satisfy the needs of its customers.

Overseas locations

DBJ Singapore Limited

DBJ Singapore Limited is a Singapore-based subsidiary established in December 2008. It mainly provides support for investments and loans as well as advisory services in the Asia-Pacific region, and also collects and disseminates information locally.

DBJ Europe Limited

DBJ Europe Limited is a London-based subsidiary established in November 2009. It mainly provides support for investment and loan services in Europe, and also collects and disseminates information locally.

DBJ Investment Consulting (Beijing) Co., Ltd.

DBJ Investment Consulting (Beijing) Co., Ltd. became a wholly owned subsidiary in June 2014 and is based in Beijing and Shanghai. It mainly offers support for investment and loan services in China, and also collects and disseminates information locally.

Investments and loans, Asset management

DBJ Capital Co., Ltd.

DBJキャピタル株式会社

DBJ Capital Co., Ltd. is the venture capital arm of DBJ Group. It mainly makes early-stage equity investments in venture firms, and supports their growth through hands-on management.

DBJ Securities Co., Ltd.

DBJ証券株式会社

DBJ Securities Co., Ltd. is a securities subsidiary that assists DBJ Group with investment and loan services.

It supports optimal capital procurement, provides asset management opportunities, and flexibly fulfills diverse needs.

DBJ Investment Advisory Co., Ltd.

DBJ Investment Advisory Co., Ltd. provides advice related to DBJ's VG (Value for Growth) Investment Program*.

* Value-added equity investment that supports growth strategies

DBJ Asset Management Co., Ltd.

DBJ Asset Management Co., Ltd. is an asset management company focused on real estate, private equity, and infrastructure investments. It provides quality investment opportunities to investors with the comprehensive financial backing of DBJ Group.

Research, Consulting

Japan Economic Research Institute, Inc.

Japan Economic Research Institute, Inc. is a comprehensive think tank that primarily conducts surveys and consulting. It meets customer needs from a comprehensive viewpoint, leveraging synergies in its three survey fields: public, solutions, and international.

Value Management Institute, Inc.

Value Management Institute, Inc. is a comprehensive think tank with strengths derived from its insight into advanced technologies and analysis using proprietary economic models. It provides tailor-made solutions to a broad range of government policy issues.

Real estate management / IT services

DBJ Real Estate Co., Ltd.

DBJ リアルエステート
DBJ Real Estate Co.,Ltd.

DBJ Real Estate Co., Ltd. handles administrative functions for DBJ Group for office building leasing, rental conference rooms, and business libraries.

Consist, Inc.

Consist, Inc. provides one-stop consulting services for developing, maintaining, and operating IT, using technology to help solve social issues.

DBJ Development Bank of Japan

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