DBJ Development Bank of Japan

Integrated Report

2019

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.

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Editorial Policy The DBJ Group published its first report for increasing communication with stakeholders in fiscal 2003, *Environmental Report for a Sustainable Society*. *Integrated Report 2019* is intended to provide financial and non-financial information to explain the DBJ Group's business activities and initiatives in sustainable value creation to its broad spectrum of stakeholders. The content is decided by the Executive Committee.

Period Covered and Scope

Period: Fiscal 2018 (April 1, 2018–March 31, 2019)
(Some information from outside this period is also included.)
Scope: In principle, the report covers DBJ and its 12 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: October 2019

Disclaimer

Integrated Report 2019 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.

The DBJ Group's Corporate Philosophy

Design the Future with Financial Expertise

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

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

The DBJ Group's unique strengths assist with strategy execution

Core corporate values a long-term perspective, impartiality, public-mindedness, and reliability

Our guidelines for taking specific actions that express 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 unequalled 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

Japan Development Bank (JDB) and 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.

The DBJ Group has contributed to the sustainable development of society, always pursuing a balance between economic and social value, through the provision of solutions in tune with the needs of changing society, while considering the perspectives of Dr. Osamu Shimomura and Professor Hirofumi Uzawa, who delved into the intricacies of a sustainable economy and society from an academic standpoint.

Inherited Perspectives

Dr. Shimomura, one of the leading economists in postwar Japan, assisted Prime Minister Hayato Ikeda and contributed significantly toward the framing of the "Income-Doubling Plan," which successfully led to Japan's advanced stage of economic growth that began in the 1960s. Later, following the first oil crisis, he dramatically changed his vision of the Japanese economy, and promoted the "Zero-Growth Theory" as an approach to maintaining a sustainable economy under resource constraints, and emphasized that discipline on the part of the major economic players was critically important. Dr. Shimomura's unique vision was ultimately a calling for sustainability—a stable equilibrium in Japan's economy over the long term—with a hands-on approach and nimble sensitivity to changes in the Japanese economy.

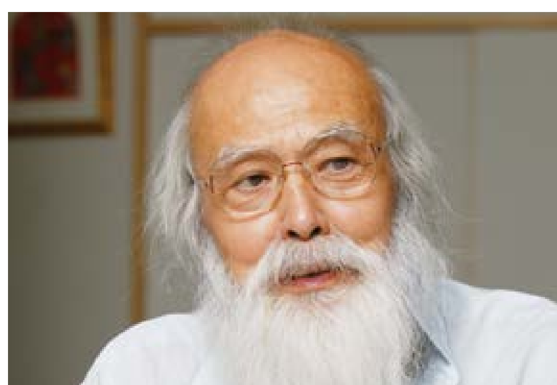
Professor Uzawa advocated for "Social Common Capital" as a theoretical framework for confronting environmental issues, a social mechanism for sustainably and stably maintaining a society that is humanely attractive with a vibrant and abundant economy and an excellent culture. This concept encompasses the natural environment, such as air and water; social infrastructure, such as roads and cultural facilities; and institutional capital, such as medical and educational institutions. "Social Common Capital" can be thought of as having a relationship to the Sustainable Development Goals (SDGs) within the context of aiming to create a sustainable and inclusive society.

Dr. Shimomura, as a senior executive director of JDB and the first executive officer of the Research Institute of Capital Formation (RICF), and Professor Uzawa, as a research advisor of the RICF, have both contributed significantly to furthering the activities of the DBJ Group. Their visions live on in the DBJ Group's mission to, in accordance with guidelines to operate from the customer's point of view, realize the sustainable development of Japan and the world, forming a cornerstone of sustainability management that aims to balance economic value with social value.

Osamu Shimomura (1910–1989)

Dr. Osamu Shimomura was a well-known and an eminent economist in postwar Japan. He joined the Ministry of Finance (MOF) in 1934. He served as a member of the Policy Board of the Bank of Japan. After retiring from the MOF, Dr. Shimomura was appointed as a senior executive director of JDB and the first executive officer of the RICF, while constantly maintaining a high public profile as an economist.

While in the MOF, Dr. Shimomura had advocated the theory that Japan in the 1960s was poised to enter an advanced economic stage of growth and played a central role in structuring the Hayato Ikeda Cabinet's "Income-Doubling Plan." Later, after the first oil crisis, he dramatically changed his vision of the Japanese economy and advocated the "Zero-Growth Theory" as an approach to maintaining a sustainable economy under resource constraints.



Hirofumi Uzawa (1928–2014)

Professor Hirofumi Uzawa was a world-famous theoretical economist. In 1956, he went to the U.S. as a research assistant to Nobel laureate Professor Kenneth J. Arrow, conducting research at Stanford University and the University of California, Berkeley, and then became a professor in the University of Chicago's Department of Economics in 1964.

Professor Uzawa over the years held numerous key positions, such as the president or honorary fellow of major professional associations in Japan and the U.S. In light of his accomplishments, in Japan, Professor Uzawa was designated a Person of Cultural Merit in 1983 and conferred the Order of Cultural Merit in 1997. Beyond accomplishing internationally outstanding research regarding theoretical economics, he has greatly impacted Japanese society through his numerous journal articles and economics-based proposals for environmental issues. He devoted himself to theoretical research into the sustainability and advocated the concept of Social Common Capital, encompassing the natural environment, social infrastructure, and institutional capital such as financial services, healthcare, and education etc.

After returning to Japan, he served as a research advisor of RICF for nearly 50 years.

Roles played by DBJ

The DBJ Group has provided solutions in tune with the times and, while changing itself, has stayed true to its values—initiative and integrity—amid dramatic changes in the economy, the fabric of society, and social issues.

Developing high-growth infrastructure

Strengthening international competitiveness

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, Japan Development Bank (JDB) was established and commenced accommodation loans to facilitate the development of the nation's power supply, which forms the basis of its economy and industry, and the rationalization, modernization, and cultivation of 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, Hokkaido Development Finance Public Corporation was restructured in 1957 to form Hokkaido-Tohoku Development Finance Public Corporation (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.

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

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 in order 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, on environmental and other measures, and on support for venture businesses. In addition, functioning as a safety net, it swiftly implemented reconstruction loans in the wake of the Great Hanshin-Awaji Earthquake and loans to stabilize the financial system.

Hankyu Corporation: Earthquake reconstruction work (Hyogo Prefecture)
Recovery work on traffic infrastructure destroyed by earthquakes

Post-bubble economy | **Structural reform** | **The 2008 global financial crisis**

2007
Enactment of 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 with 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.

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

The Great East Japan Earthquake

Realizing a sustainable society

2015
Amendments to the Development Bank of Japan Inc. Act

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.

Stronger response to innovation

For new businesses, future pillars of Japan, to reach commercialization and become a part of society, the DBJ Group engages in collaboration with diverse players while shaping projects from a long-term perspective.

Japan H_2 Mobility, LLC (JHyM): Financial support for realization of a hydrogen-based society
Photo provided by JXTG Nippon Oil & Energy Corporation

Space One Co., Ltd.: Support for development of the domestic space industry by commercializing a new generation of small rockets

Vision 2030

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.

Future Changes in the External Environment

We have identified changes in the external environment that could have a major impact on the 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

Our Three Priority Areas

The 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 of energy systems, more advanced of transportation networks, creation of attractive communities	Rebuild energy and transportation infrastructure, upgrade public infrastructure Promote urban growth
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
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

Mission

Vision 2030

Our Three Priority Areas

Rebuilding and Reinforcement of Infrastructure

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

Creation, Conversion, and Growth in Industry

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

Self-Reliance and Revitalization of Local Economies

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

Sustainability Management

The DBJ Group's Management Capital Communication

- Financial Capital
- Human Capital
- Intellectual Capital
- Relationship and Social Capital

Outcome of business activities

Economic Value Creation × Social Value Creation

Increase and conversion of capital value

Business activities in tune with risk appetite

Sustainability Management for Both Economic and Social Value

Investment of management resources

Integrated Investment and Loan Services That Contribute to Resolving Social and Client Issues

- Risk Capital Finance
- Creation of Diverse Financial Deal Opportunities
- Provision of Our Knowledge
- Crisis Response Operations

- Financing
- Investment
- Consulting and advisory
- Asset management
- Special Investment Operations
- Crisis Response Operations

Corporate Governance and Risk Management

Long-running, continuous collaboration and dialogue

Advisory Board
Monitoring Board

Communication with Stakeholders

Customers | Communities | Employees | Financial institutions | Investors | Shareholders etc.

As a leader in sustainability management, the DBJ Group seeks to promote sustainable development in Japan and worldwide by offering solutions to issues facing clients and society as a whole.

The sustainability management targeted by the DBJ Group consists of a business model that leverages Group capabilities in fields including integrated investment and loans and consulting and advisory services. Our business model is designed to raise economic and social value simultaneously in pursuing a sustainable society. We work constantly to improve our value creation process through collaboration and dialogue with stakeholders, seeking to refine our sustainability management and enhance the value we create.

Solving Challenges in Priority Areas through Sustainability Management

For customers in priority areas—infrastructure, industry, and the regions, which were decided in view of DBJ's functions to date and opinions received from stakeholders—the DBJ Group provides integrated investment and loans commensurate with risk appetite along with consulting and advisory services. For our investor clients, we offer syndication and asset management services. As financial professionals offering creative solutions for the different issues faced by its customers, DBJ contributes to the creation of a sustainable society aligned with the SDGs.

Balancing Economic and Social Value

The DBJ Group works to promote industries and initiatives with the potential to serve as pillars for Japan's economy and society. We offer up solutions for current issues affecting industries and our customers, as well as examining hypothetical and envisioned changes to both groups amid the rapid changes occurring in our society.

As mandated under the DBJ Act, we also undertake Crisis Response Operations as required by events such as major natural disasters and financial market instability. We contribute to the sustained growth of society through Group measures to promote new industries and initiatives while responding to crisis events, always taking the needs of our customers and the community into consideration. Implementing the DBJ Group's business model requires unique resources. While sound 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, and relationship and social capital that impact on our financial value creation in the long term.

Building a Foundation for Sustainability Management through Communication with Stakeholders

Communication with our stakeholders helps us continuously improve our sustainability management, our unique value creation process. As part of this process, the Advisory Board, an advisory body to the Board of Directors, and the Special Investment Operations Monitoring Board, receive third-party advice from outside experts and outside members of the Board of Directors. Through communication in its daily operations with stakeholders, including customers, regions, financial institutions, investors, and shareholders, the DBJ Group reaffirms its functions and examines how those functions should evolve in the years to come.

Message from the President

Hajime Watanabe
President and CEO
Development Bank of Japan Inc.

In tune with the changing needs of society and our customers, the DBJ Group helps realize a sustainable society by promoting sustainability management while balancing economic and social value.

Environment Affecting the DBJ Group

The economic and social landscape is changing swiftly and significantly. Political instability is increasing against a global backdrop of emerging protectionism and growing geopolitical risk. The environment surrounding financial institutions is also changing quickly amid tightened financial regulations across the globe, a digital revolution involving 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 led to a global call for action for sustainable finance, in areas including environmental, social, and governance (ESG) investment. Companies have quickly got on board with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), formed under the auspices of the Financial Stability Board (FSB) to facilitate the disclosure of information related to risks and opportunities presented by climate change. In Japan, government initiatives aimed at achieving the United Nations Sustainable Development Goals (SDGs) have been a powerful motivating force. Along with the ESG investment initiatives of the Government Pension Investment Fund (GPIF), they have spurred considerable progress in the industrial and financial dialogue on sustainability. A movement is gaining momentum for companies to develop solutions to social issues as an integral part of their business.

The Role of the DBJ Group and Our Achievements to Date

Since the days of its predecessors, Japan Development Bank and Hokkaido-Tohoku Development Finance Public Corporation, the DBJ Group has worked to promote Japan's sustainable development. We have achieved this by responding flexibly to the issues of the day, through the periods of postwar reconstruction and high, stable growth, the bubble economy and its collapse, globalization, the declining birth rate 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. Against this backdrop, the DBJ Group has developed new initiatives to address social issues with an eye on the future.

Amid ongoing change in the economy and society, the DBJ Group strives to strike a balance between economic value and social value by grasping the latest social issues and offering ideas for solving them from a financial perspective, all while collaborating with other financial institutions. Our unwavering core values of "initiative" and "integrity" have supported this flexible approach to solving problems. It would be a disservice to not mention two of our predecessors who had a major impact on shaping our core values: Dr. Osamu Shimomura, a former senior executive director of Japan Development Bank and the first executive officer of the Research Institute of Capital Formation (RICF) of DBJ, and Professor Hirofumi Uzawa, a former research advisor for the RICF. With a hands-on approach to policymaking, Dr. Shimomura played an instrumental role in shaping "Income-Doubling Plan." Professor Uzawa developed the theory of "Social Common Capital" as a sustainable foundation for a society that is attractive on a human level. These two predecessors, who had a major impact on the direction of the DBJ Group, shared common characteristics—namely, warm hearts and cool heads—that facilitated their keen perception of changes over time. Our core employee values today are the culmination of their intentions, which live on as a cornerstone of sustainability management at the DBJ Group.

More than a decade has passed since October 2008, when DBJ became as a joint-stock company. Society has changed

We will fulfill our unique role in the economy and society through 2030, enhancing the added value we provide to our customers as financial professionals, through contributions in priority domains while taking into consideration dialogue with stakeholders.

significantly over these 10 years, with the collapse of Lehman Brothers and the ensuing financial crisis, the Great East Japan Earthquake, large-scale monetary easing, and Industry 4.0 brought on by digital transformation.

The DBJ Group has changed just as significantly as we have responded to these changes in society. Specifically, there has been strong growth in the Group's unique, integrated investment and loan-based business model through the development of Crisis Response Operations to cope with unprecedented events such as earthquakes and global financial crises, and via measures to enhance the supply of risk capital for subsequent growth.

The future is sure to present further changes and challenges. In keeping with our unwavering mission, the DBJ Group will take a flexible approach to issues faced by regions and our customers as a whole, staying true to our core values and being mindful of our action guidelines.

Our Mission: Designing the future with financial expertise

Our Action Guidelines:

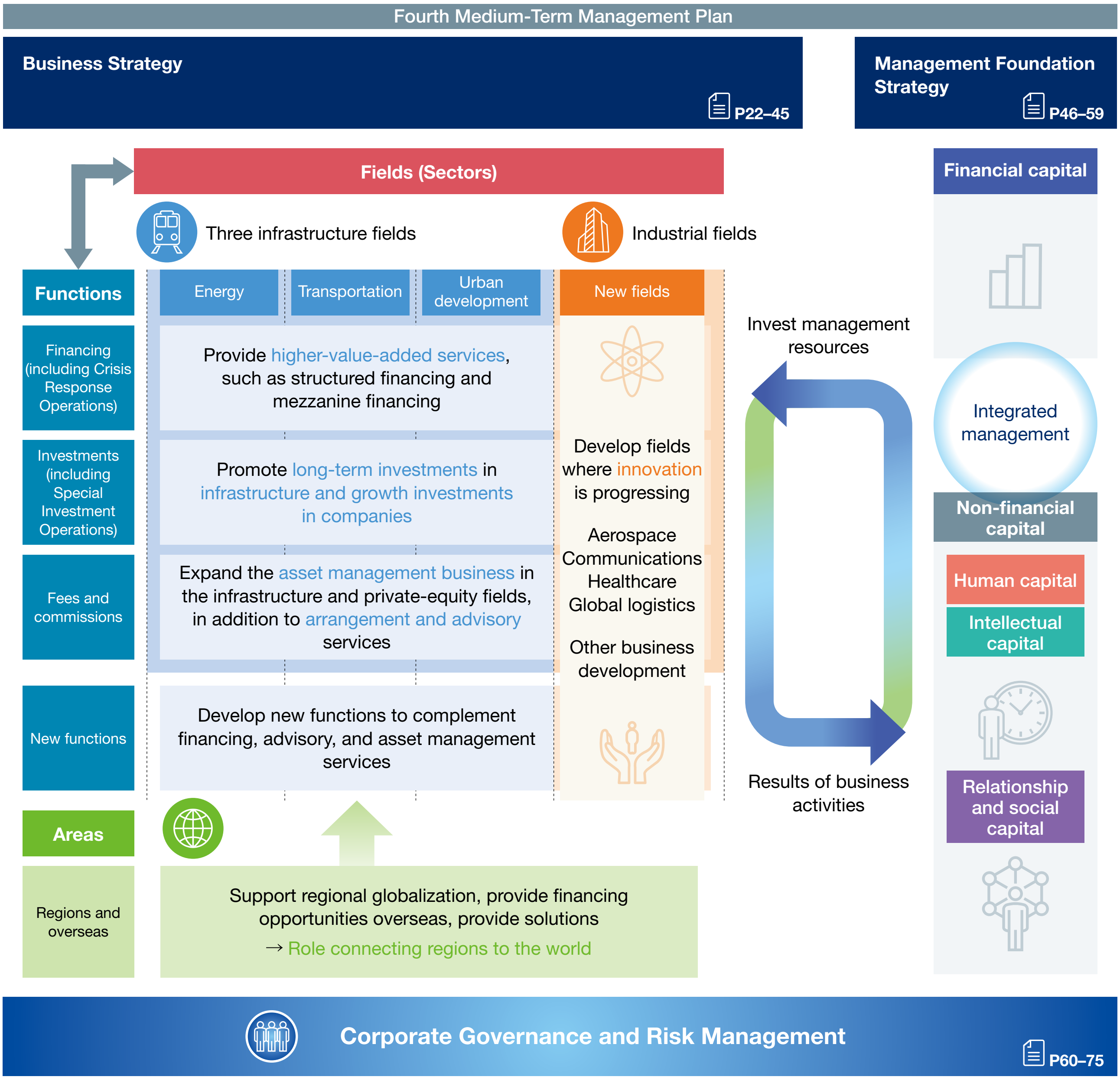
- Responsibility to future generations
- The customer's perspective
- Outstanding service
- Commitment and cooperation

Our Values: Initiative and Integrity

Vision 2030 and Priority Areas

In 2015, with the aim of shaping our business vision around a longer-term outlook, we gave fresh thought to the role of DBJ in the years leading up to 2030. In the course of our debate, we identified a number of changes in the external environment with a significant impact on our stakeholders: Japan's declining population and its climate and energy issues in the context of the global effort to build a sustainable society; intensifying global competition; and innovations in digital technology such as AI and fintech. Since our founding during the postwar reconstruction period, DBJ has dealt with issues ranging from urbanization and pollution control 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 we have undertaken and the value we have realized over this time, we identified issues to be tackled in the future and examined the best areas in which to use our strengths over the longer term in the interests of a sustainable society. Vision 2030 was the result. Drawn up in 2017, this long-term vision sets infrastructure, industry, and regional economies as the three priority areas (materialities) for the DBJ Group initiatives. 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.

To fulfill our mission, we will work as financial professionals to enhance the added value provided to regional communities and our customers in industry and infrastructure, steadily implementing each initiative while respecting the views of stakeholders. We will take the lead in business and market creation by leveraging our ability to properly evaluate and address a broad range of risks. At the same time, as we look forward to 2030, we will fulfill our unique role in the economy and society by taking action during times of crisis and otherwise responding to social demand.



Financial Targets of the Fourth Medium-Term Management Plan

(Consolidated)		Fourth Medium-Term Management Plan Actual (Fiscal 2018)	Fourth Medium-Term Management Plan Actual (Average for fiscal 2017–fiscal 2018)	Fourth Medium-Term Management Plan Target (Fiscal 2019)
Profitability	Gross ordinary income*1	¥187.7 billion	¥181.0 billion	¥190 billion
	Net income attributable to owners of the parent	¥91.9 billion	¥91.9 billion	¥80 billion
	Expense ratio*2	35%	34%	About 35%
	Total assets	¥17.0 trillion	—	¥16 trillion
	ROA*2	1.1%	1.1%	About 1%
	ROE*2	2.9%	3.0%	About 3%
Soundness	Capital adequacy ratio*3	16.6%	—	At least 14%

*1 Before credit cost deductions
*2 Expense ratio and ROA versus gross ordinary income, ROE versus net income
*3 Common equity Tier 1 risk-weighted capital ratio

Sustainability Management at the DBJ Group

The DBJ Group practices sustainability management as a means of creating value with a focus on the three priority areas. By sustainability management, we mean working to create economic and social value by providing the solutions needed to create new industries and initiatives, by responding during times of crisis, and by making other contributions towards the building of a sustainable society, all while being guided by the needs of our customers and society as a whole.

To this end, we must accurately understand the current issues affecting industries and our customers, in addition to longer-term trends and issues in society and the impact they may have on our customers and specific sectors. Leveraging our knowledge to produce future visions through trial and error, and sharing these visions with customers and regional communities while offering financial solutions such as risk capital to deal with related issues, the DBJ Group will take the lead in creating industries and initiatives that can serve as pillars of Japan's economy and society in the years to come. Crisis Response Operations will be an important function, undertaken with flexibility and precision as required by events such as major disasters and instability in the financial markets.

As we move ahead with these services, we are also honing our strengths in relationship capital, as exemplified by robust networks in industry, government, and academia, sound financial capital, and human capital sharing a common set of core values. We believe in the importance of constantly improving our sustainability management processes through dialogue with external stakeholders, centering on the Advisory Board and the Special Investment Operations Monitoring Board of DBJ.

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—Vision 2030. The Fourth Medium-Term Management Plan features a business strategy, consisting of sector, function, and area strategies, for realizing the long-term vision as well as a management foundation strategy encompassing financial capital and non-financial capital.

Under the current plan, our business strategy is to expand integrated investment and loan services for customers in three infrastructure fields (energy, transportation, and urban development) and industrial fields, including new fields. In our loan business, we will provide high-value-added services in structured and mezzanine finance, and in investments we will promote long-term investments in the three infrastructure fields and growth investments in industrial fields. Advisory business, meanwhile, will benefit from expanded asset management in infrastructure and private equity. The DBJ Group will also play a role in connecting Japan's regions to overseas markets by developing these activities both regionally and overseas.

Under our management foundation strategy, DBJ categorizes our management resources into financial capital, human capital, intellectual capital, and relationship and social capital. We will promote the growth and transformation of these forms of capital by investing in our management resources and improving our business activities to realize better results. Specifically, we aim to diversify funding methods, including SRI bonds, and develop our risk management. In the area of non-financial capital, we will develop human resources in line with our business strategy, speed up decision-making, and collaborate with other companies, including private-sector financial institutions.

Under the Fourth Medium-Term Management Plan, we will make every effort to strengthen our management capital while expanding integrated investment and loan services for clients in industry and three fields of infrastructure.

Business Profit and Loss (Consolidated)

(¥ billion)	Fiscal 2017	Fiscal 2018	YoY change
Gross ordinary income	174.3	187.7	13.3
Loans	84.8	80.9	(3.8)
Investment	65.8	81.5	15.6
Fee and commission income	23.6	25.2	1.5
Operating expenses	(59.1)	(64.8)	(5.7)
Net ordinary income	115.1	122.8	7.6
Other extraordinary items	2.2	(1.3)	(3.6)
Gains on reversal of reserves and collection of written-off claims	11.9	5.3	(6.6)
Loans	12.4	6.8	(5.5)
Investment	(0.4)	(1.5)	(1.1)
Income before income taxes and minority interests	129.4	126.7	(2.6)
Total income taxes	(35.0)	(33.5)	1.5
Current net income	94.3	93.2	(1.1)
Net income attributable to non-controlling interests	2.4	1.2	(1.1)
Net income attributable to owners of the parent	91.9	91.9	(0)

Note: Business categories are those used in business management.

Fiscal 2018, the second year of the Fourth Medium-Term Management Plan, saw progress in our initiatives to supply risk capital. This included the development of a stable investment portfolio in the infrastructure field and the creation of distinctive special investment projects, including assistance for Japanese companies participating in advanced overseas cases, in the renewable energy field. We established the Regional Reconstruction Headquarters and launched the Regional Emergency Response Program to provide rapid reconstruction support after heavy rainfall damaged Western Japan in July 2018 and the Eastern Iburi Earthquake struck Hokkaido two months later. The program facilitated reconstruction efforts while strengthening regional vitality.

On the finance side, efforts focused on the supply of risk capital have resulted in a higher ratio of investments in business profit and loss, bringing it to a level on a par with loans. Profits on loans decreased, owing in part to a decline in the average loan balance. The lending yield has come under downward pressure amid the ultra-low interest rates prevailing recently, as DBJ gradually reshuffles our assets in light of our relatively high ratio of long-term loans. We intend to strengthen our profits on loans, however, by focusing on relatively high-value-added projects such as structured financing and mezzanine financing. Profits on investments amounted to ¥81.5 billion, reflecting the booking of gains on the divesture of investment projects thanks to favorable macroeconomic conditions, in addition to earnings

As a front runner in sustainability management, we will engage in dialogue with stakeholders and take initiatives to realize a sustainable society.

from investment portfolios producing relatively stable returns, such as investments in infrastructure-related energy and urban development projects. Fee and commission income totaled ¥25.2 billion, including commissions for arranging investments and loans, and fees for assets under management by Group company DBJ Asset Management Co., Ltd. As a result, gross ordinary income came to ¥187.7 billion and net income attributable to owners of the parent was ¥91.9 billion.

Special Investment Operations

The DBJ Group's Special Investment Operations are conducted as mandated in revisions made in 2015 to the Development Bank of Japan Inc. Act. Utilizing our experience in supplying risk capital, we decided to provide investments and loans totaling ¥104.8 billion in fiscal 2018 for 19 projects that contribute to regional revitalization and the strengthening of Japanese corporate competitiveness. Since launching these operations, DBJ has used them to extend ¥363.9 billion in investments and loans to a total of 81 projects. A total of ¥1,390.9 billion in private-sector investments and loans have been triggered by DBJ's investments and loans worth ¥324.6 billion. The DBJ Group will continue to supply growth capital in collaboration with private financial institutions. The Group also has an extensive track record in regional revitalization projects, and is keen to engage in future initiatives with local financial institutions willing to help create distinctive regional communities. These initiatives are objectively evaluated by the Special Investment Operations Monitoring Board, which meets twice a year to see that stakeholder opinions are reflected in the Group's businesses.

Future Business Operations

Fiscal 2019 is the final year of the Fourth Medium-Term Management Plan and the year that we begin formulating the Fifth Medium-Term Management Plan. We will carry on with initiatives underway in new fields, in order to reflect social shifts including changes in the aerospace, telecommunications, healthcare, and logistics fields. We will also strengthen our base for supplying risk capital to include more sophisticated investment risk management in tandem with growth in our investment business. Work on developing the Fifth Medium-Term Management Plan, which is slated to begin in fiscal 2020, should involve some lively debate. We will endeavor to meet our stakeholders' expectations, backcasting from our vision of how society will evolve over the next 10 years and debating our response to those changes. In executing measures in the future, the DBJ Group will deepen cooperation with private financial institutions, including regional banks, as we seek out the best measures to resolve the issues faced by our customers and society at large.

Development of Human Resources for Better Sustainability Management

Sustainability management, a key to the DBJ Group's value creation process, relies above all on workers who share the core values of initiative and integrity and who display the four elements of our core corporate values in pursuing balancing economic and social value. Officers and employees of the DBJ Group have inherited the core corporate values of long-term perspective, impartiality, public mindedness, and reliability, which have evolved over the years in the course of our business. Bolstered by these

corporate values, the Group has consistently risen to meet the challenges of the times. We always strive to enhance our skills in corporate and project assessment. Our expertise in long-term screening and assessment, based on a comprehensive view of regional and current issues, is equal to knowledge, capability, and network building as a DBJ Group asset.

The employees embodying the Group's values should be able to pursue their activities creatively and in good health, and we are promoting workstyle reform for this purpose. To bring more flexibility to working patterns, we have introduced telecommuting and a flex-time work system, and we aim to enhance work and paid leave programs for child-rearing and caregiving.

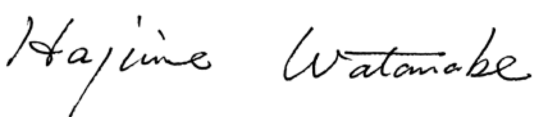
We also believe that improving the skills of our officers and employees is a vital issue as our business becomes more complex and sophisticated to deal with the increasingly diverse issues faced by society and our customers. In fiscal 2018, DBJ initiated a program to develop global human resources with the cooperation of the University of Oxford—the Global Strategic Alignment Leadership Program. I actually paid a visit to the university and spoke with young employees participating in the program. The program gave them an opportunity to think about future global changes and the roles the DBJ Group should fulfill. Through this learning experience, we hope that our young employees will absorb the varied expertise and insight of the outstanding instructors at the University of Oxford and develop into leaders capable of guiding the DBJ Group forward into the future. In addition to the University of Oxford, DBJ has partnered with the International Institute for Management Development (IMD) business school in Switzerland to launch a new program in fiscal 2019, and we also plan to augment training for managers in the future. DBJ will continue to develop our multi-faceted training and human resource development system in a bid to nurture personnel who can create new value by connecting customers and industries through the wide-ranging networks and knowledge of the DBJ Group.

Collaboration on a Broader Scale

The environment surrounding Japan is one of great and constant change. Over the next decade, Japan is likely to see a number of megatrends gain momentum. These include an aging and declining population, digital transformation affecting all aspects of industry, and intensifying global competition. In the industrial field, we anticipate new forms of cross-sector collaboration, an evolution in business models, and the emergence of new ecosystems. The DBJ Group will continue to supply risk capital through integrated investment and loan services for new initiatives being undertaken by our customers, in an effort to lead the development of a more sustainable society.

Building a sustainable society is a global agenda, and it is important that we work to make that happen. The public and private sectors have joined forces in a growing movement to contribute toward the SDG global agenda for 2030. In financial markets, interest in sustainable finance has increased. The DBJ Group has made strides toward the realization of a sustainable society by evaluating intangible assets through dialogue with customers in the course of our business, and especially through the DBJ Certification Programs. Engaging in dialogue with stakeholders will remain a crucial endeavor as we continue to fulfill our mission as a front runner in sustainability management. It is our sincere hope that this integrated report will lead to greater dialogue with all of our stakeholders.

August 2019

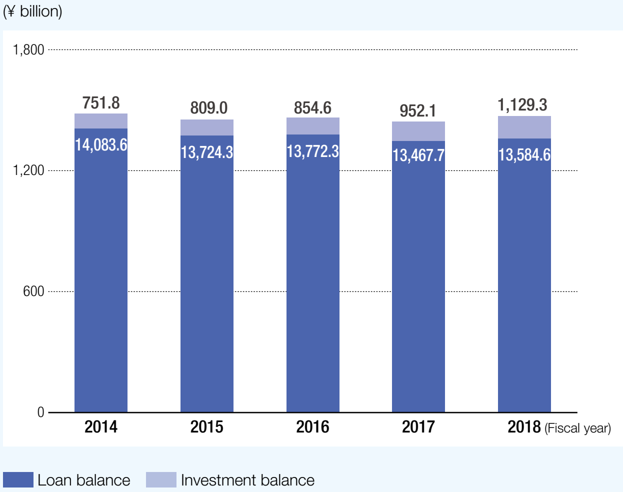


President and CEO

Financial and Non-Financial Highlights

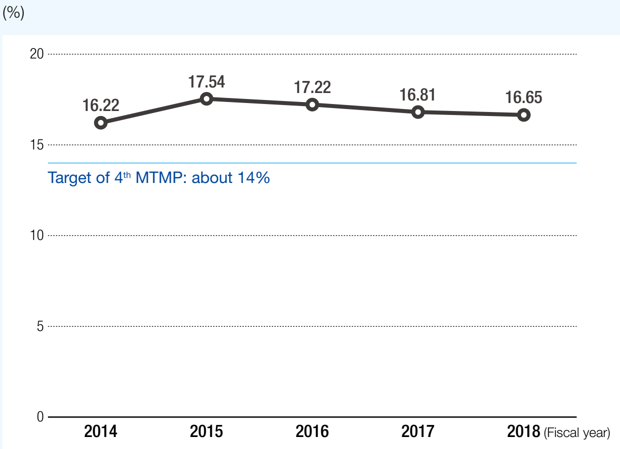
Financial Highlights

Balance of Investments and Loans (Non-Consolidated)



The balance of investments and loans (non-consolidated) was approximately ¥14.7 trillion as of the end of fiscal 2018 and has continued to hold steady at this level. The loan balance has decreased since the end of fiscal 2014 from ¥14.1 trillion to around ¥13.6 trillion as of the end of fiscal 2018, mainly reflecting the scheduled repayment of loans for Crisis Response Operations. As a result of focusing on investments, however, the investment balance has increased by about ¥400.0 billion over these five fiscal years, reaching ¥1.1 trillion as of the end of fiscal 2018.

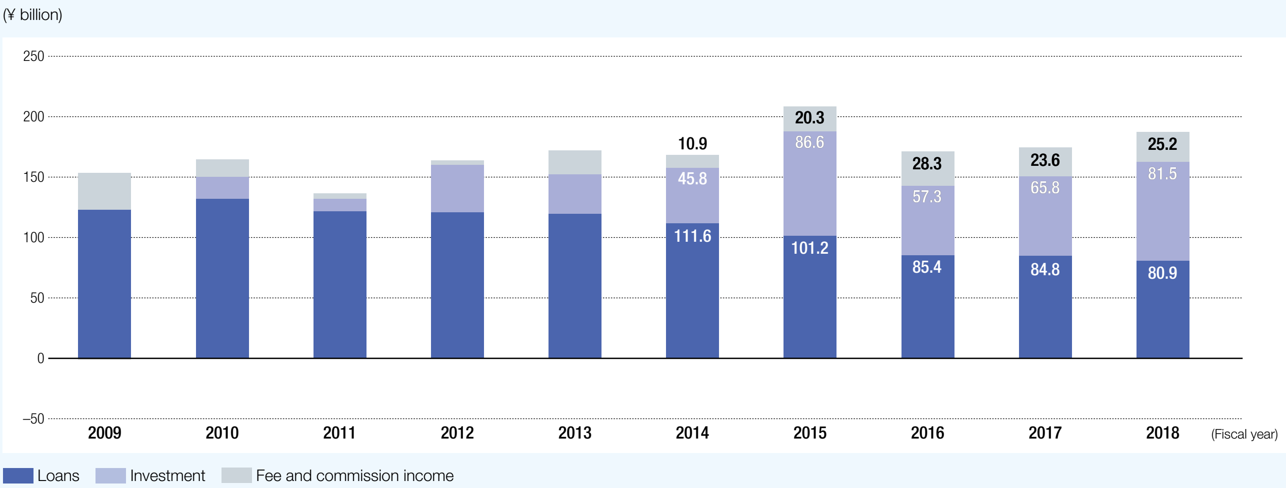
Capital Adequacy Ratio* (Consolidated)



* Common equity Tier 1 risk-weighted capital ratio

Capital increased with profit accumulation and also as a result of receiving industrial investment for Special Investment Operations. The capital adequacy ratio (consolidated) was 16.65% as of the end of fiscal 2018. The DBJ Group assumes this ratio will decrease by a certain degree as we supply risk capital for purposes including strengthening our investment operations. Nonetheless, we will maintain a sound capital adequacy ratio of a minimum of 14.0% based on the target set down in the Fourth Medium-Term Management Plan.

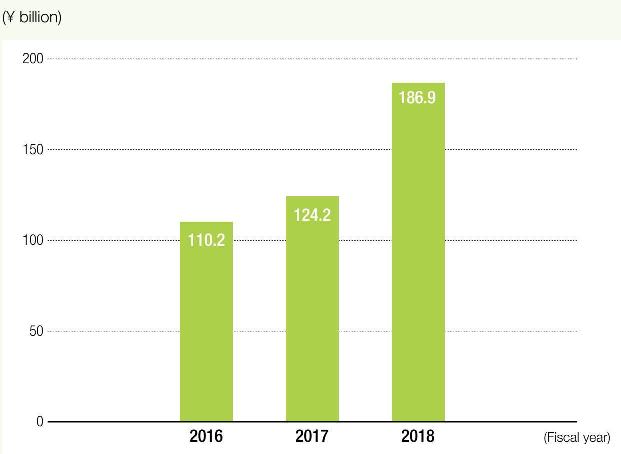
Gross Ordinary Income (Consolidated)



In fiscal 2018, lending yields in loan operations came under downward pressure in the ultra-low interest rate environment. Thanks to a focus on high-value-added loans, however, the yield was basically unchanged. Loan profits did decrease, reflecting a decline in the average loan balance. In investment operations, DBJ worked to build an investment portfolio that generates stable earnings on investments in infrastructure and other areas. Increased profits in investment operations were a result of capital gains upon exiting investments. For the first time in a fiscal year, profits from investments exceeded those from loans. Accordingly, gross ordinary income increased to ¥187.7 billion.

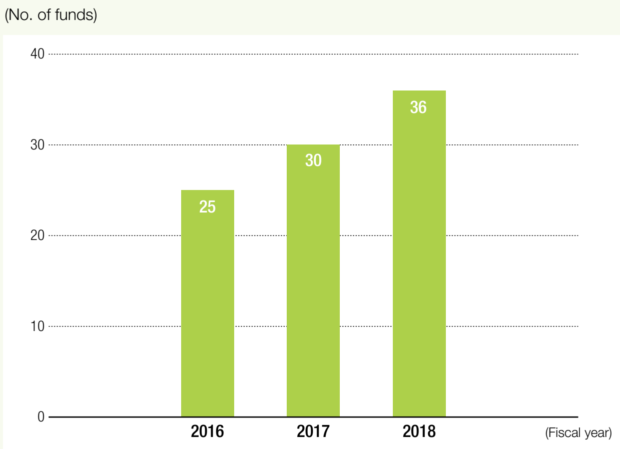
Non-Financial Highlights

Balance of Investments and Loans in Renewable Energy



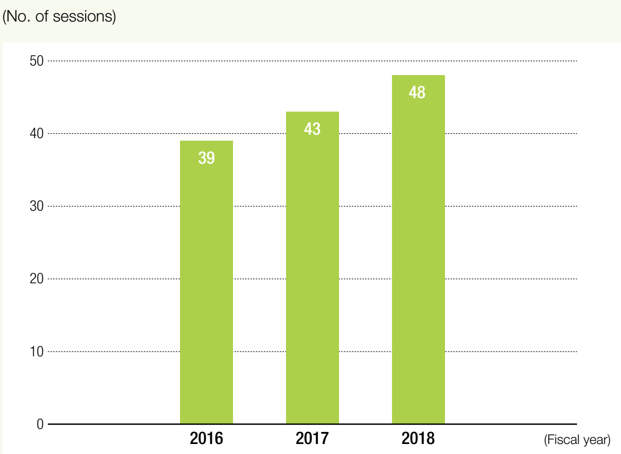
The balance of investments and loans in renewable energy stood at ¥186.9 billion as of the end of fiscal 2018. With renewable energy drawing more attention as the world moves away from carbon-based energy sources, the DBJ Group will provide financial support to ventures in solar power, onshore and offshore wind power, biomass, and hydropower based on the advantages of each type of energy source, with a view toward achieving the Japanese government's goal of a 22%–24% ratio of renewable energy by 2030.

Collaboration and Cooperation with Regional Financial Institutions (No. of Collaborative Funds with Regional Financial Institutions)



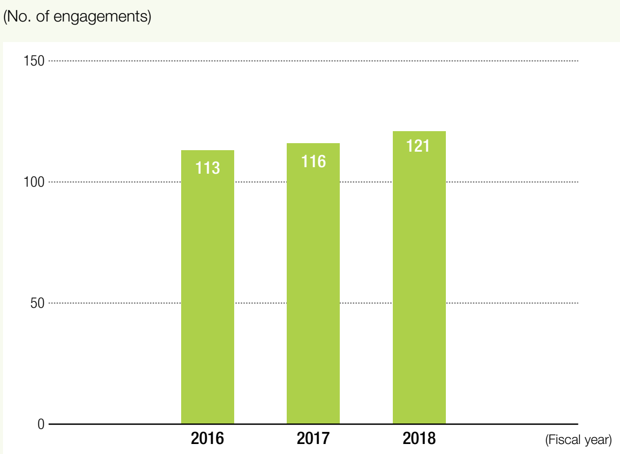
As of the end of fiscal 2018, the DBJ Group had created 36 collaborative funds with regional financial institutions. The DBJ Group and regional financial institutions, each with its local customer base, supply risk capital to local companies. We draw on the respective strengths of each financial institutions with the aim of spurring initiatives to address regional issues.

Human Resource Development (No. of In-House Training Sessions)



The DBJ Group provides abundant opportunities for training through combinations of rank-based and business-related training programs. We have recently augmented training for management and established a curriculum for developing staff who can perform skillfully on the global stage. Increasing the value of human capital is something we see as an issue of the highest importance in implementing the unique business model of the DBJ Group. We will continue to train our staff through in-house training sessions and assistance programs for self-study.

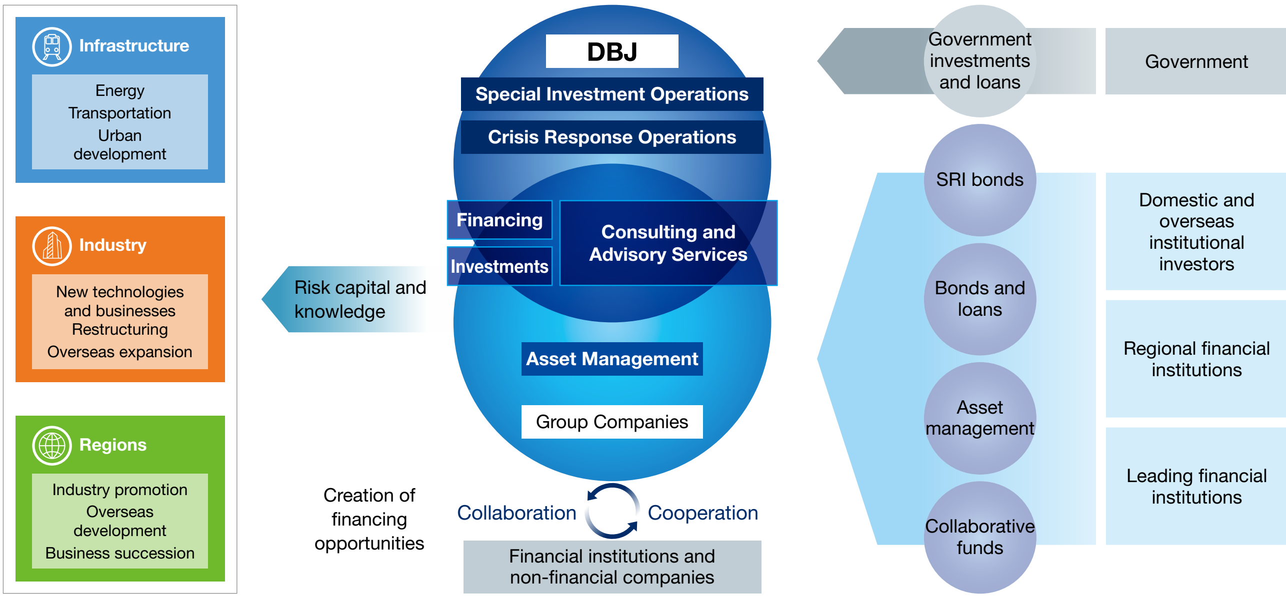
No. of Engagements with Customers for DBJ Certification Programs



At the request of our customers, the DBJ Group helps customers participating in DBJ Certification Programs (see page 59) identify the issues they need to address and develop more sophisticated management by providing objective, face-to-face feedback regarding their assessment results. Through dialogue with customers on more than 100 occasions in a typical year, we help our customers make further strides in the practice of sustainability management.

Invigoration and Stabilization of Financial Markets through Partnerships and Collaboration under the Fourth Medium-Term Management Plan

Under the Fourth Medium-Term Management Plan, the DBJ Group provides unique solutions through optimal partnerships, emphasizing 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. We use these funds to supply risk capital to domestic and overseas customers in the industrial and infrastructure fields.

Provision of Knowledge

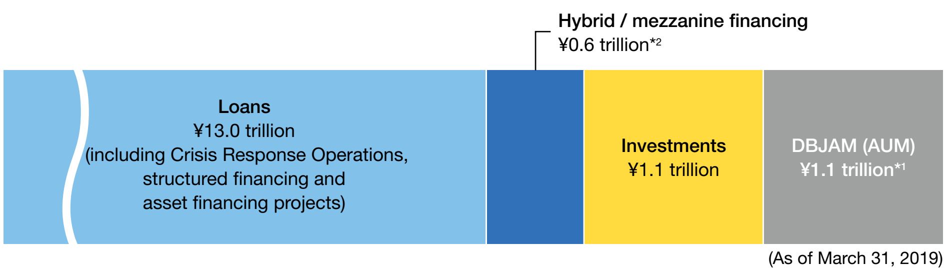
Backed by its experience in industrial and infrastructure fields as well as in risk analysis and structuring, the DBJ Group creates added value through the provision of knowledge in forms including surveys and analyses.

Crisis Response Operations and Special Investment Operations

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

Supply of Risk Capital by the DBJ Group

DBJ's financing operations address diverse risks. These operations include investments (balance of ¥1.1 trillion) and loans (balance of approximately ¥13.6 trillion), ranging from crisis response loans for emergencies and risk-tailored project financing to hybrid and mezzanine financing. DBJ Asset Management Co., Ltd. (DBJAM) has ¥1.1 trillion in capital entrusted by investors, regional financial institutions, and other customers desiring expert fund management. In its work in asset management, DBJAM focuses on assets that allow the DBJ Group to best apply its strengths. We will continue to enhance the supply of risk capital in order to better meet the diverse needs of our customers.



*1 Portions entrusted by DBJ are eliminated from DBJAM's assets under management (AUM).
*2 Overlapping portions for structured financing and asset financing are eliminated from hybrid and mezzanine financing.

The DBJ Group's Strategy

Contents

The DBJ Group

Working in unison, the 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.
- DBJ Americas Inc.

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.

Sector Strategy

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

Energy Sector

The DBJ Group 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, 2019

¥3.6 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.

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.

The 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

Aoyama-Kogen Wind Farm Corporation

Green Energy Tsu Corporation

SDT Solar Power Co., Ltd.

Fukushima Gas Power Co., Ltd.

–Third Medium-Term Management Plan (through Fiscal 2016) → Fourth Medium-Term Management Plan (Fiscal 2017–Fiscal 2019)

https://www.dbj.jp/case/energy/ To see examples and case studies (Japanese only) in the energy sector, please go to DBJ's website.

PROJECT SPOTLIGHT

Preferred Equity Financing for Participating in J-POWER's Triton Knoll Offshore Wind Power Project

DBJ made a preferred equity investment in an acquisition vehicle established by Electric Power Development Co., Ltd. (J-POWER) to acquire a 25% stake in a U.K.-based offshore wind power project from the Innogy Group, a German company engaged in the renewable energy business.

Through this acquisition, J-POWER, along with the Innogy Group and Kansai Electric Power Co., Inc. (which also acquired a 16% stake in the same U.K.-based offshore wind power project at the same time as J-POWER), will construct, maintain, and operate Triton Knoll, an offshore wind power farm located in the North Sea region in the east of England. Plans call for the wind power farm to have 90 wind turbines with a rated output of 9,500 kW each, for a total project power generation capacity of 860,000 kW. Construction started in summer 2018, and operations are slated to commence in October 2021.

Provided by MHI Vestas Offshore Wind A/S

Leveraging its experience investing in offshore wind power projects in the U.K., DBJ will supply risk capital and contribute to the development of new renewable energy business overseas for J-POWER and other Japanese energy companies.

MESSAGE FROM EMPLOYEES

Support for New Renewable Energy Business Development Overseas at Domestic Energy Companies

Offshore wind power generation projects have rapidly grown with a tailwind from government measures to promote wind power in Europe, especially in England. In Japan as well, wind power is expected to expand as a core source of power in the future.

J-POWER engages in the development, construction, operation, and maintenance of onshore wind power farms in Japan, and is examining the feasibility of entering into the offshore wind power business with other partners in the Hibiki-nada Sea area of Kitakyushu City in Fukuoka Prefecture.

As one of a few Japanese companies with experience in wind power generation, J-POWER will acquire know-how in the offshore wind power business by participating in this project, thereby contributing significantly to the development of the renewable energy market in Japan. DBJ will provide financial support for Japanese companies willing to take on the challenge of creating new technologies and markets.

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 impact.

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 energy 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 grid, 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, the Environment, and Safety, as stated in Japan's Basic Energy Plan.

Sector Strategy

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

Transportation Sector

The DBJ Group 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 financing 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, 2019

¥2.3 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, address issues such as the declining and aging population, and facilitate the influx of overseas visitors. Various issues await solutions for sustaining growth in the transportation sector and increasing the sophistication of transportation networks. Keen to help its customers solve these issues, the DBJ Group will provide financial solutions tailored to diverse needs while acting as a bridge between financial markets in Japan and the global transportation financing market.

Strategy

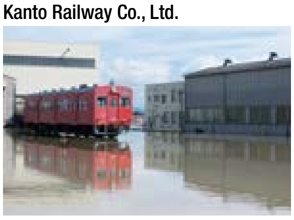
While maintaining relations with customers in the transportation sector, we will refine our ability to respond flexibly to changes in the external environment and society. More specifically, DBJ will further strengthen its optimal financial solutions for quality projects and assets in the land, marine, 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 financing market through improved syndicated loans and various investment and loan products that utilize investment and securities functions.

Accomplishments and Initiatives to Date

Solaseed Air Inc.

Kawasaki Kisen Kaisha, Ltd.

Kanto Railway Co., Ltd.



Tokyo International Air Terminal Corporation

–Third Medium-Term Management Plan (through Fiscal 2016) → Fourth Medium-Term Management Plan (Fiscal 2017–Fiscal 2019)

https://www.dbj.jp/case/transport/

To see examples and case studies (Japanese only) in the transportation sector, please go to DBJ's website.

PROJECT SPOTLIGHT

Contribution to Fukuoka Airport Concession Operation

In October 2018, DBJ arranged a total of ¥170.0 billion in project financing for Fukuoka International Airport Co., Ltd. (FIAC), the main entity involved in the concession in Fukuoka Airport, one of the largest airport concessions in Japan. DBJ and Mizuho Bank, Ltd. are the mandated lead arrangers, and 12 other financial institutions, including such regional financial institutions as The Nishi-Nippon City Bank, Ltd. and The Bank of Fukuoka, Ltd., are lead arrangers of the project financing.

Regarding the Fukuoka Airport concession, following a bidding process with a number of corporate groups participating, a consortium comprising Fukuoka Airport Holdings Co., Ltd., (financed by local firms, etc.) as the representative, as well as Nishi-Nippon Railroad Co., Ltd., Mitsubishi Corporation, Changi Airports International Pte. Ltd., and Kyushu Electric Power Co., Inc., obtained preferential negotiation rights in May 2018. Established as the operator in this consortium, FIAC began operating the airport in April 2019.

DBJ, Mizuho Bank, The Nishi-Nippon City Bank, and The Bank of Fukuoka provided support to the consortium during the bidding process and played an instrumental role in obtaining preferential negotiating rights. The four banks also made concerted efforts to arrange financing for the project. The project financing for this concession to take over management of government-operated airports was very complicated due to its scale, one of the largest in Japan. DBJ took advantage of its accumulated know-how to create a flexible and sophisticated financing scheme that matched the feasibility of the project, helping raise a large sum of capital.

Provided by Fukuoka International Airport Co., Ltd.

Fukuoka Airport will be operated using the combined knowledge and networks of the companies (leading firms in Kyushu and Asia) participating in the concession, raising expectations that Fukuoka Airport will grow into a top-class international airport serving East Asia. DBJ contributes to the healthy development of Japan's economy by strengthening and maintaining core transportation infrastructure such as airports, which creates more sophisticated transportation networks and increases population movement.

MESSAGE FROM EMPLOYEES

Support for Growth into Top-Class International Airport in East Asia

Fukuoka Airport serves as a gateway to Western Japan, and has extremely strong potential given the size of the population and economy in a 5,000 km radius. The consortium that acquired the rights to operate Fukuoka Airport will maximize this potential by fully leveraging the knowledge and networks of its non-local sponsors in airport operations inside and outside Japan, in addition to the strong passion of local firms.

By coalescing the combined capabilities of local, domestic, and overseas partners, the consortium aims to turn Fukuoka Airport into a top-class international airport serving East Asia. In order to arrange a financing scheme for the local, domestic, and overseas sponsors, we at DBJ focused our efforts on an arrangement that can support the stable operations of the airport after they commence, designing a scheme that financial institutions can easily participate in while helping the consortium secure preferential negotiating rights as a financial institution that agrees with the ambitions of the consortium. A cross-functional team was created within DBJ to focus the accumulated expertise of DBJ on fine-tuning this scheme to win the approval of sponsors inside and outside Japan. With the cooperation of regional financial institutions, DBJ was able to smoothly work out issues with local firms as well. There has been an outpouring of support from the region for growing Fukuoka Airport into a top-class international airport in East Asia, and being a part of this endeavor has been quite rewarding.

Sector Strategy

Priority Areas | Rebuilding and Reinforcement of Infrastructure

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

Urban Development Sector

The DBJ Group's vision is to grow alongside cities by helping with the maintenance, renewal, and expansion of urban functions. The DBJ Group also aims 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 • DBJ Green Building Certification

Balance of loans in the real estate sector

As of March 31, 2019

¥1.9 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 financing 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 financing market was thrown into disarray. In the face of such conditions, it is necessary to ensure a reliable supply of capital, spur growth in the real estate financing 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 for 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 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.

DBJ Green Building

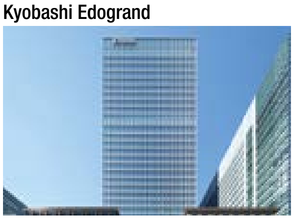
Accomplishments and Initiatives to Date

TOKYO SKYTREE®

©TOKYO-SKYTREE

Shin-Daibiru Building

Kyobashi Edogrand



Akasaka Intercity AIR

–Third Medium-Term Management Plan (through Fiscal 2016) → Fourth Medium-Term Management Plan (Fiscal 2017–Fiscal 2019)

https://www.dbj.jp/case/development/

To see examples and case studies (Japanese only) in the urban development sector, please go to DBJ's website.

PROJECT SPOTLIGHT

Acquisition of Hybrid Corporate Bonds (Green Bonds) Issued by Tokyo Tatemono Co., Ltd.

DBJ acquired hybrid corporate bonds issued by Tokyo Tatemono Co., Ltd. in March 2019.

Tokyo Tatemono is involved in several large-scale redevelopment projects, including Hareza Ikebukuro and the Type-1 Urban Redevelopment Project for Yaesu 1-Chome East Area in Front of Tokyo Station. As a designated project that is part of the government's National Strategic Special Zone, Hareza Ikebukuro entails plans to develop a high-rise, multipurpose building on the former site of the Toshima Ward Office in the Ikebukuro area to create a venue for disseminating international culture with eight theaters, in addition to functions as one of the largest business exchange centers in the area. Tokyo Tatemono issued hybrid corporate bonds to raise funds in order to maintain its financial soundness and increase capital efficiency for its various initiatives to enhance urban functions, like these projects.

These bonds were issued as green bonds. The procured funds will be allocated for acquiring and constructing Hareza Ikebukuro, as well as for acquiring and constructing Nakano Central Park South. These two buildings have received or plan to obtain five-star ratings as certified DBJ Green Building Certification with exceptional considerations made for the environment and society, among the best in their class in Japan.

External view of Hareza Ikebukuro

This public issuance of hybrid corporate bonds as green bonds is a first in Japan, and also the largest amount issued for a green bond in Japan. DBJ participates as an anchor investor in these bonds and is supporting Tokyo Tatemono by inviting other investors, including private financing institutions, to buy the bonds. By supporting these initiatives by Tokyo Tatemono, DBJ aims to facilitate the growth of the green financing market while strengthening the international competitiveness of Japanese cities.

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, invigorating regional economies, and creating tourist destinations that spur tourism, in addition to rebuilding aging office buildings

to address inadequate earthquake resistance. Moreover, we have entered an era in which cities need to accommodate diverse workstyles as companies increasingly promote workstyle reforms.

Hareza Ikebukuro and other redevelopment projects are initiatives to help solve the abovementioned 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 attractive communities through the ongoing provision of business funds and assistance with financial technologies, such as asset financing.

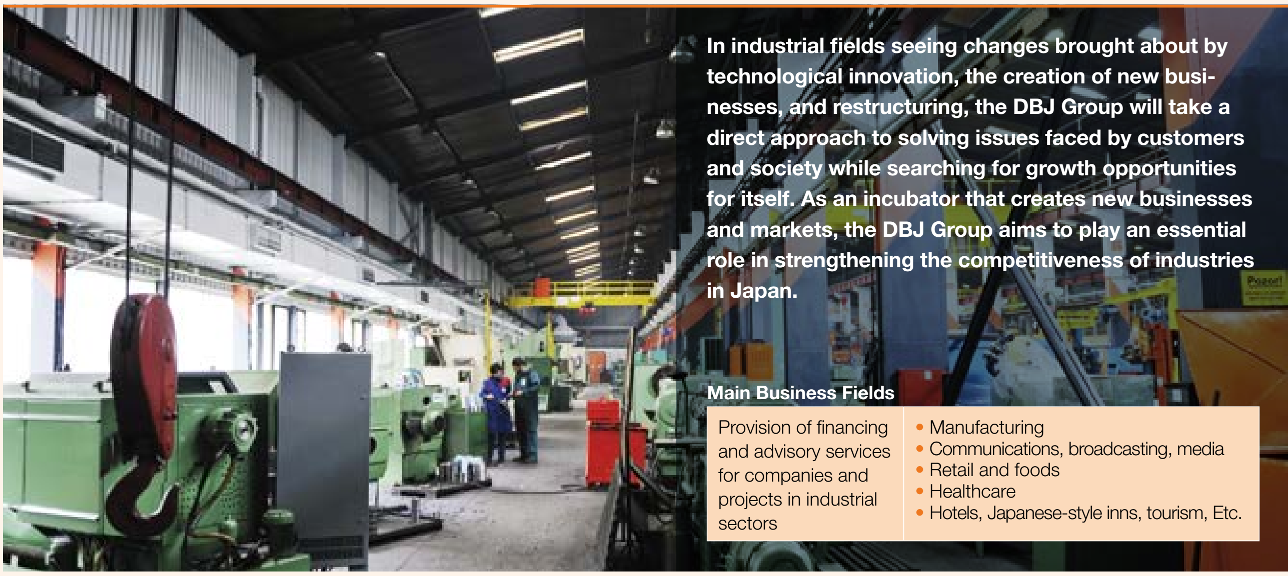
Sector Strategy

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

8 DECENT WORK AND ECONOMIC GROWTH · 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE · 11 SUSTAINABLE CITIES AND COMMUNITIES · 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Industrial Sectors



In industrial fields seeing changes brought about by technological innovation, the creation of new businesses, and restructuring, the 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, the DBJ Group 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 industrial sectors	• 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

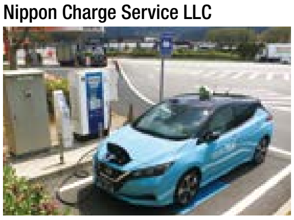
DBJ will offer solutions to the issues faced by customers—centered on the fields of business portfolio optimization, new business creation, overseas business development, financial strategy, and capital policy—by mobilizing its financing functions, knowledge, and unique network while leveraging its insight 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

Dexerials Corporation

Mitsubishi Heavy Industries Aero Engines Ltd.

Nippon Charge Service LLC



DMG MORI CO., LTD.

–Third Medium-Term Management Plan (through Fiscal 2016)

https://www.dbj.jp/case/industry/ To see examples and case studies (Japanese only) in industrial sectors, please go to DBJ's website.

Aerospace

DBJ has been assisting the aviation field for about three decades, ever since the Japan Development Bank era. 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 2018, initiatives in the aviation field included support for new technologies and ideas that would enhance Japan's competitiveness in the aircraft industry, having signed a collaborative agreement with Japan Aerospace Exploration Agency (JAXA) to help with the JAXA Aircraft Technology Innovation Challenge 2018 Powered by DBJ. In the outer space field, DBJ has endeavored to strengthen the competitiveness of Japan's aerospace industry, raising funds for New Generation Small Rocket Development Planning Co., Ltd., which was renamed Space One Co., Ltd. when it became an operating company.

Telecommunications

With 5G mobile communications systems poised to take off, 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 digital society where everything is connected together over networks, as key social infrastructure, communications networks will have to become more resilient and sophisticated. In fiscal 2018, DBJ advanced financing for core communications assets, such as communications towers and data centers. Looking ahead, DBJ will use the knowledge it acquired via financing activities to collaborate with Japanese firms and aggressively advance initiatives for the benefit of Japan.

Healthcare

In the healthcare field, the DBJ Group has focused on medicine and nursing care, launching new initiatives in the life sciences field. In fiscal 2018, DBJ invested in Newton Biocapital I Pricaf Privee SA, a Japanese–European venture capital fund focusing on early stage pharmaceutical companies. Through this fund and past investments in other venture capital funds, DBJ provides companies with growth opportunities by helping Japanese companies build networks with companies in Europe and the U.S.

Logistics

In May 2018, DBJ newly established the Global Logistics Office 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 the IoT. In terms of financial support, the Global Logistics Office facilitates improvements in competitiveness and productivity in the logistics field through assistance for creating new industries with the latest technologies, in the supply of risk capital to companies innovating on the technological front, and in investments and loans for the latest, high-function logistics facilities. With regard to information support, DBJ holds Logistics Innovation Workshops. In May 2019, these workshops produced reports about measures for spurring innovation, the state of collaboration and cooperation among companies and industries, and the roles that financial institutions should play.

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.

The 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 since fiscal 2017, DBJ, along with 10 other companies including automakers and infrastructure developers, has established Japan H_2 Mobility, LLC (JHyM), for the purpose of building out a network of hydrogen refueling stations for fuel-cell vehicles.

Yanmar Co., Ltd.

Cellnex Telecom, S.A.

Space One Co., Ltd.

Japan H_2 Mobility, LLC

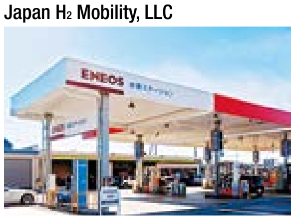


Photo provided by JXTG Nippon Oil & Energy Corporation

Fourth Medium-Term Management Plan (Fiscal 2017–Fiscal 2019)

PROJECT SPOTLIGHT

Underwriting of Third-Party Capital Increase by CMIC CMO Co., Ltd.

DBJ has signed a capital and business tie-up agreement with CMIC HOLDINGS Co., Ltd. in the contract development and manufacturing organization (CDMO) business. In July 2018, CMIC CMO Co., Ltd. (CCJ), its wholly owned subsidiary integrating group CDMO operations, issued shares to DBJ through a third-party allotment to raise funds and create a joint management framework with CCJ as the joint venture.

In recent years, the healthcare industry has witnessed an unprecedented increase in expectations for solutions to unmet medical needs, as therapies have yet to be established for many kinds of diseases, while government finances around the world are coming under pressure from the rising costs of healthcare. Meanwhile, the operating environment for the domestic pharmaceutical industry has become increasingly challenging with more frequent revisions to official drug prices, making it imperative that the entire industry improve productivity and efficiency.

The CMIC Group initially launched a contract research organization (CRO) business in Japan, and now has operations that comprehensively support the value chains of pharmaceutical companies, ranging from development to production, marketing, and sales. As a cornerstone of its operations, the CDMO business addresses needs for not only commercial production but also more advanced drug development technologies and changes in formulations, thus the company has been strengthening pharmaceutical development. By expanding the CDMO business, the company aims to more aggressively meet growing needs around the world and help improve productivity in the pharmaceutical industry as a platform for drug manufacturing.

DBJ supports not only the CMIC Group's growth strategy for its CDMO business with financing for growth investments but also the growth of its existing core businesses through initiatives that fully leverage the networks and information possessed by DBJ, to enable a broader push on its strategy, including inorganic growth through M&A and alliances.

New production line for injectable drugs

MESSAGE FROM EMPLOYEES

Support for Strengthening Global Competitiveness of Domestic Healthcare Industry

DBJ has assisted the CMIC Group by contributing to the medium- and long-term improvement in its corporate value through support on multiple fronts, including personnel, networks, and know-how, in addition to financing, with the aim of helping the CMIC Group achieve its growth strategy for the CDMO business.

For this project, DBJ established a joint management framework with CMIC HOLDINGS, had countless discussions for aligning management's sights on the realization of its growth strategy, and advised on revisions to its business plan for the CMIC Group's CDMO business. After the investment, in light of changes to the business plan, we set in motion several key measures to address issues that came to light and needed to be solved in the CMIC Group's CDMO business, and helped management carry out these measures.

By helping the CMIC Group's CDMO business grow and become a globally competitive business entity, DBJ amplifies the company's business functions as a manufacturing and development platform that hones the competitiveness of global pharmaceutical makers and Japanese pharmaceutical companies, encouraging a shift in resources toward a bolder horizontal division across the pharmaceutical industry. In this way, we are proud to be actively involved in helping Japanese pharmaceutical companies improve their global competitiveness.

PROJECT SPOTLIGHT

Support for Growth Strategies through Joint Investment

In a joint investment with Maxell Holdings, Ltd., DBJ acquired shares in Izumi Products Company (now Maxell Izumi Co., Ltd.) in October 2018.

In its Maxell Growth (MG) 20 medium-term management plan, Maxell Holdings has a growth strategy centered on creating new businesses and expanding business domains in the three growth fields of automobiles, housing infrastructure, and wellness & beauty care devices, with the Maxell Business Platform (MBP) designed to facilitate group growth through "co-creation and co-prosperity." Maxell Izumi has extensive business experience in the manufacture and sale of electrical construction equipment, in which it has a top share of the domestic market for electrical engineering work, and of electrical devices for home beauty care. Maxell Holdings' acquisition of shares in Maxell Izumi has drawn attention as a move to use MBP to expand the scope of business with both companies' management resources and to create high-margin businesses with high market shares.

DBJ initiated a joint investment with Maxell Holdings by underwriting the shares issued by an intermediary holding company when Maxell Holdings acquired all of the shares in then Izumi Products Company. After performing this transaction, DBJ supported initiatives from a neutral standpoint as both companies coordinated on initiatives to generate group synergies by expanding their lineup of electrical products for beauty care while enhancing the efficiency of their production systems, increasing the voltage of batteries used in electrical construction equipment with the battery technologies of Maxell Holdings, and improving IoT features. DBJ played a significant equity investment role in this transaction, supporting efforts that improved the industrial competitiveness of Japanese companies through collaboration.

Electric shavers made by Maxell Izumi Co., Ltd.

MESSAGE FROM EMPLOYEES

DBJ's Financial Capabilities Support Vision for "Co-Creation & Co-Prosperity" of Both Companies

DBJ has made joint investments in operating companies over the past few years. When examining an investment, DBJ focuses on the visions of the joint investment partner and the company to receive the investment. For this transaction, DBJ visited several production sites and engaged in multifaceted discussions with management at both companies to determine whether their respective visions for "co-creation & co-prosperity" aligned. During these examinations, DBJ considered both companies' pride in their respective technologies, the potential for new developments from the combination of their technologies, and the passion of their employees in various situations. After taking all this into account, DBJ decided to carry out the transaction. The two companies are now working to generate group synergies and realize the vision they drew up prior to the transaction. We are looking forward to helping with this process in anticipation of a positive impact on society. From a longer-term perspective, DBJ aims to help industry improve competitiveness with its financial capabilities from an impartial standpoint.

Area Strategy

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

The 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

The DBJ Group provides services tailored to the characteristics of the respective regions 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

As of March 31, 2019

106

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

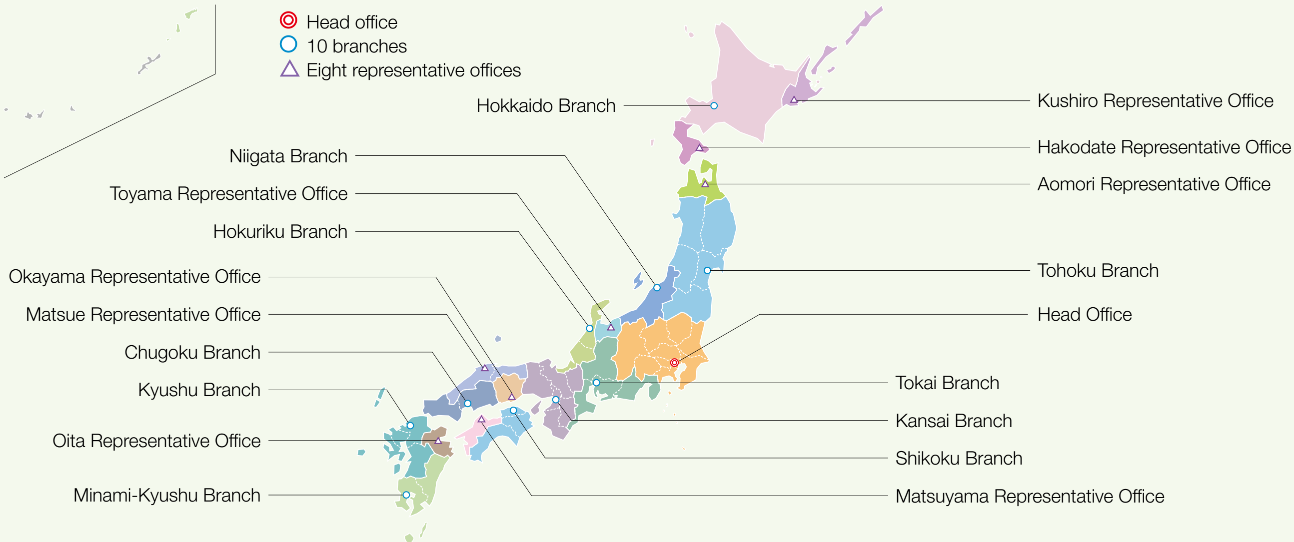
DBJ will provide services with two objectives in mind—namely, to create value by connecting regions throughout Japan to Tokyo, domestic regions to those overseas, and regions the world over to each other, and to solve problems through risk capital and consulting services.

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- to medium-sized enterprises.

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

Accomplishments and Initiatives to Date

	Fiscal 2017	Fiscal 2018
Special Investment Operations	• Assisted domestic hotel operators through a joint fund with Hoshino Resorts Inc. • Contributed to the development of regional public infrastructure through the supply of growth capital for rehabilitating Miyazaki Car Ferry Co., Ltd.	• Invigorated tourism resources in the Akan region through financing for Akan Adventure Tourism Corp. (Hokkaido) • Contributed to measures to stimulate regional industry through financing for Niigata Aerospace Corporation • Invigorated agriculture and rejuvenated deserted arable land through joint investment with ISHIDA Corporation (Tottori)
Supply of risk capital through collaboration and cooperation with regional financial institutions	• Formed funds with The Hokuriku Bank, Ltd., The Shizuoka Bank, Ltd., and The 77 Bank, Ltd. • With The Hiroshima Bank, Ltd., created loans with special provisions to waive the original principal in the event of an earthquake	• Formed funds with North Pacific Bank, Ltd., and The Hokkaido Bank, Ltd., in response to the Hokkaido Eastern Iburi Earthquake • Created funds with The Bank of Iwate, Ltd., and The Toho Bank, Ltd., to help with reconstruction in regions affected by disasters in the Tohoku region • Arranged a syndicated loan with The Hyakujushi Bank, Ltd. and reinforced the financial positions of local infrastructure companies through Special Investment Operations
Others	• Issued reports about solving regional issues • Promoted PPP/PFI projects and made proposals for rebuilding public infrastructure • Offered advisory services to local public organizations related to comprehensive government policies • Provided knowledge to local governments, including assistance for managing public assets	



Collaboration and Cooperation with Regional Financial Institutions

Assisting Regional Financial Institutions with Business Feasibility Studies

Working with regional financial institutions, DBJ provides to the clients of regional financial institutions support for assessing the feasibility of businesses that propose solutions to 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 the identified issues to help its clients formulate their own growth strategies and drum up business. Employees dispatched to DBJ 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. DBJ holds study groups to help regional financial institutions gain a better understanding of business feasibility assessments.

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

Public asset management refers comprehensively to the reassessment of assets held by local governments 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.

DBJ set up PPP/PFI Promotion Centers in June 2013. While planning and holding its PPP/PFI Academy seminars, 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 advanced case studies through a teleconference system that connects all of DBJ's bases. In its ninth year, the PPP/PFI Academy has welcomed a cumulative total of about 7,000 people as participants.

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 (74 banks as of March 31, 2019). 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, 2019).

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 in terms of 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/index.html

Provision of Knowledge about Local Issues

Green Infrastructure

As a noteworthy event in fiscal 2018, DBJ published a research report entitled “DBJ Workshop on Green Infrastructure for Rebuilding Urban Frameworks: Proposal for Sustainable Urban Redevelopment 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.” With this publication, DBJ began to focus on responding to requests for advice from local governments and business entities considering upgrades to stadiums and sports arenas across the country. In October 2018, DBJ began working with Cerezo Osaka Sports Club on its business model, the first time DBJ has collaborated with a local professional sports company.

In the joint research paper “Estimations of Economic Scale of Japan’s Sports Industry” published by Doshisha University in March 2018, DBJ estimates the economic scale of the sports industry was ¥6.6 trillion in 2011. In light of this estimate, 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.

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

Regional Revitalization with Traditional Japanese-Style Homes

DBJ provides information and advice about creating economic value with traditional Japanese-style homes with the aim of using such homes to stimulate regions. In recent years, DBJ has published research reports, including one titled “Regional Revitalization Using Traditional Japanese-style Homes to Create Economic Value,” which discusses the potential market for repairing and remodeling traditional Japanese-style homes and the economic boost from overseas tourists staying at these homes, as well as “Key Points for Businesses Using Traditional Japanese-style Homes,” which introduces example business models for using such homes and reference benchmarks for business revenue.

Exterior of Sasayama Castle Town Hotel NIPPONIA

Research into Reviving Traditional Manufacturing Industries

DBJ has published a research report titled “Research into Reviving Traditional Local Manufacturing Industries.”

As everything becomes more rationally and efficiently homogenous, alongside the ultimate development of an industrial society with artificial intelligence and the maturation of globalism, the unique characteristics of countries and regions, rooted in their respective cultures, histories, nature, and geographies, are likely to become more important factors behind differentiation. Among the regional revitalization initiatives it has taken since 2014, DBJ also aims to revitalize industry that uses local resources. In this report, published in 2018, DBJ describes issues and the development potential of traditional regional manufacturing, using the “traditional manufacturing industry” as a case study.

People practicing traditional manufacturing methods

PROJECT SPOTLIGHT

Signing of Financial Agreement to Strengthen Vitality of Hokkaido

In response to the Hokkaido Eastern Iburi Earthquake that struck in September 2018, DBJ signed a financial agreement to strengthen the vitality of Hokkaido with North Pacific Bank, Ltd. and The Hokkaido Bank, Ltd. in October of the same year. This agreement brings together the know-how and networks of the three banks to support initiatives to strengthen the vitality of Hokkaido through recovery and restoration work after the earthquake.

Soon after signing this agreement, as the first round of cooperation, the three banks established the Hokkaido Vitalization Fund to provide risk capital in the form of loans (repayment in full on maturity) and other means. This fund has already provided investments and loans for multiple projects. In April 2019, as the second round of cooperation, North Pacific Bank and The Hokkaido Bank, with DBJ as a facilitator, set up loans with a special provision that all or a portion of the principal amount borrowed would be waived in the event of a major earthquake. Through these efforts, we are helping Hokkaido become more resilient while revitalizing the region.

Financing for Akan Adventure Tourism Corp.

Akan Adventure Tourism Corp. is a destination management company established for the purpose of creating new businesses and promoting tourism for Akanko Onsen and neighboring areas.

Akanko Onsen is in an area of Japan blessed with an exceptional abundance of natural hot springs. The number of guests staying here has been on the decline for a while, owing in part to a series of natural disasters. Akan Adventure Tourism Corp. is keen to expand into attractions that draw visitors for longer periods of stay and tap into rising demand from overseas tourists.

From the planning stage, DBJ is participating in an initiative to solve these issues, providing advice on creating business plans based on its accumulated knowledge of tourism. With assistance from Special Investment Operations at DBJ, Akan Adventure Tourism Corp. was established with financing provided by local tourism businesses, North Pacific Bank, The Hokkaido Bank, and other financial institutions, in addition to JTB Corporation and Japan Airlines Co., Ltd. We are helping with the development of specific businesses, such as adventure tours and Kamuy Lumina, a night walk event that launched in July 2019.

MESSAGE FROM EMPLOYEES

Multifaceted Response in Hokkaido Region

In addition to directly damaging buildings and facilities, the recent earthquake indirectly damaged Hokkaido's important tourism industry, as shown by hotel reservation cancellations, for example. Assistance was urgently needed from financial institutions. Within two months of the earthquake, DBJ moved quickly to sign agreements and set up a fund with the two regional banks, relying on relationships of trust that have been built up in various collaborative efforts.

This was the first time we created a fund with two regional banks in the same area as the central framework of an agreement. Using the deeper relationships forged from this endeavor, we aim to help strengthen the vitality of Hokkaido.

Akan Adventure Tourism Corp.'s operations aim to create new tourism assets and have helped improve the appeal of tourist attractions in Hokkaido while revitalizing the area around Akanko Onsen.

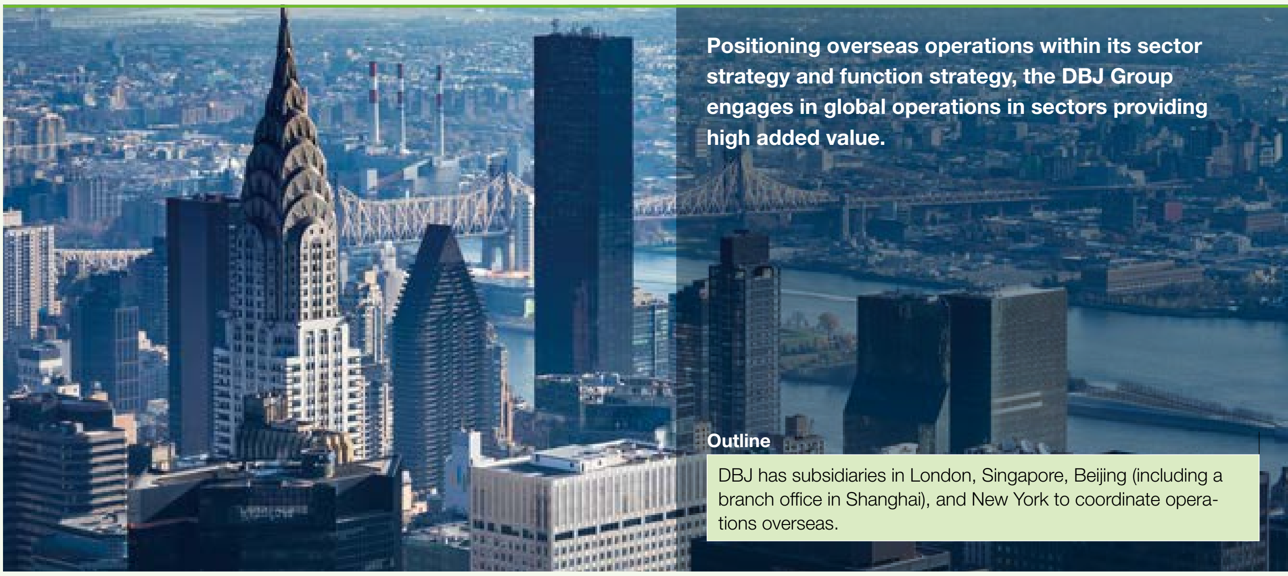
DBJ has not only provided this company with financing but also made a strong commitment to help it formulate business plans, to support its establishment, and to adjust terms and conditions with other financial institutions. While working out these details, we were able to build a relationship based on trust with the participants.

We look forward to supporting the company's future endeavors, as well as to contributing to additional regional revitalization by duplicating this initiative in other regions.

Area Strategy

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 strategy and function strategy, the DBJ Group engages in global operations in sectors providing high added value.

Outline

DBJ has subsidiaries in London, Singapore, Beijing (including a branch office in Shanghai), and New York to coordinate operations overseas.

Longer-Term External Environment and Social Issues

Based on projections for continued growth in the world economy, the 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 strategy and function strategy.

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

	Fiscal 2017	Fiscal 2018
Collaboration with other financial institutions	• Participated in syndicated loans for U.K. airports • Participated in syndicated loans for a leading firm in the LPG carrier industry in Singapore	• Launched a joint investment program with The Bank of Kyoto, Ltd. for overseas private equity funds
Investment operations	• Invested in a PPP project for a toll freeway in the U.S. • Acquired bonds issued by a Chinese airline company on the TOKYO PRO-BOND Market	• Made a preferred equity investment related to J-POWER's participation in the Triton Knoll offshore wind power project in the U.K. • Signed a financing contract for a venture capital fund that invests in early-stage pharmaceutical companies in Japan and Europe • Established a fund with Sumitomo Corporation that invests in overseas offshore wind power projects
Project financing	• Participated in a project with Japanese companies for oil and gas floating production, storage, and offloading (FPSO) in gas fields offshore Ghana	• Participated in a natural gas power plant project in the U.S.
Other	• Responded to customer needs for M&A and overseas business expansion in Asia	

PROJECT SPOTLIGHT

Investment in the Largest European Rail Wagon Leasing Company

Through a partnership with Morgan Stanley Infrastructure Partners ("MSIP"), a leading global infrastructure investment platform, DBJ has made a co-investment, through an intermediary investment vehicle, in VTG Aktiengesellschaft ("VTG").

Operating globally with a focus on Europe, VTG is a market leader in private rail freight wagon leasingin Europe. By providing leasing and maintenance services to a diversified customer base of over 1,000 customers from a variety of industries, VTG provides essential transport infrastructure to the European industrial base. As it promotes a shift to rail transportation, the company also plays a key role in reducing CO_2 emissions in freight traffic, therefore creating positive environmental impacts. With the manufacturing and maintenance capability to meet each customer's specific needs, as well as its long-standing relationships with such customers – VTG possesses significant differentiating factors that position it as a leader in the industry.

Investment in infrastructure is used as effective asset management measure for overseas pension funds and other institutional investors, and Japanese investors are also showing growing interest in this asset class. Taking advantage of DBJ's expertise in investment, lending and risk assessment in the infrastructure field, DBJ will continue investing and financing in advanced infrastructure companies and projects overseas, while addressing asset management needs of pension funds, institutional investors and other investment partners in Japan by sharing such prime investment opportunities with them.

Provided by VTG

New Base for Addressing Needs of Customers in North and South America —DBJ Americas Inc. Open for Business—

DBJ incorporated its representative office in New York as a wholly owned subsidiary called DBJ Americas Inc., with the objective of strengthening its operating base for investments and loans in the Americas. On October 1, 2018, DBJ Americas Inc. started business.

The DBJ Group has responded to the various needs of its customers through initiatives in overseas operations involving DBJ Singapore Limited, DBJ Europe Limited, and DBJ Investment Consulting (Beijing) Co., Ltd., with the aim of supporting the overseas development of Japanese companies and invigorating Japanese financial and capital markets. Through these three overseas subsidiaries in Asia and Europe, along with its new presence in New York, the economic and financial center of the world, the DBJ Group supports investment and loan operations across the Americas, from North America to South America.

At DBJ Americas, we aim to enhance the corporate value of our customers by addressing their needs for business development in the Americas, by meeting a wide range of needs for sophisticated and diverse asset management for investors with close ties to the DBJ Group, through the provision of such financial services as due diligence support and joint proposals for products, and by building relationships with recipients of investments and loans in the Americas.

Special Investment Operations and Crisis Response Operations

The DBJ Group 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 integrated investment and loan services that flexibly deploy loans, mezzanine financing, and investments.

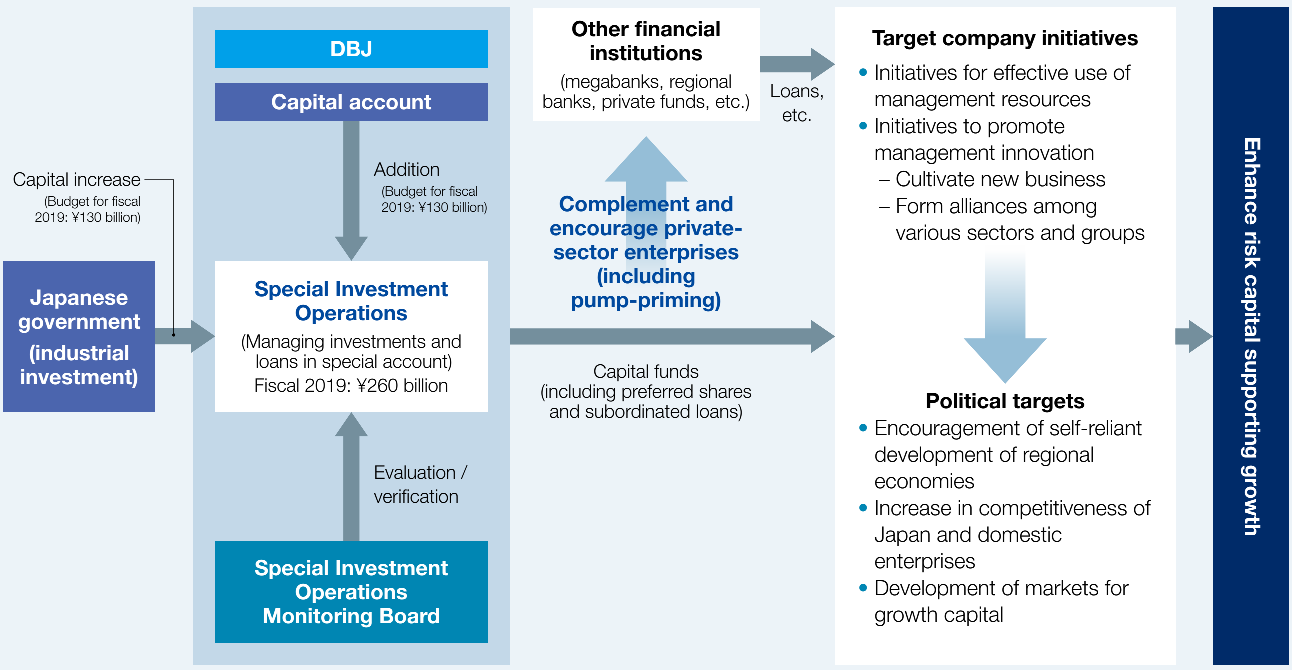
DBJ's Initiatives to Supply Risk Capital

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, draw only a portion of the investment (industrial investment) from the Japanese government, enough to encourage the private sector to supply growth capital. Since launching the aforementioned operations in June 2015, DBJ has (as of March 31, 2019) made ¥363.9 billion in investments and loans (81 total projects), the first ¥324.6 billion of which has spurred ¥1,390.9 billion in private-sector investments and loans.

Special Investment Operations follow 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 63).

* 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.



PROJECT SPOTLIGHT

Establishment of Joint Fund with Nihon M&A Center Inc. to Create Star Companies Locally

Japan Investment Fund Inc. (J-FUN), which was jointly established by DBJ and Nihon M&A Center Inc., created its first Japan investment fund, a limited partnership for investment (hereinafter, the "Fund"), in February 2018. The Fund will play a role in social infrastructure that builds a foundation fostering mid-tier firms and small- to medium-sized enterprises (SMEs) across the nation. The Fund will also support the growth of companies in which it has invested so they can become star performers in their respective regions. In this way, Special Investment Operations are being utilized to invigorate regional economies and strengthen the competitiveness of local companies.

The Fund has invested in Fujibambi Co., Ltd., a confectionery maker founded 71 years ago in Kumamoto Prefecture. Fujibambi is a venerable company cherished by local residents, and its main product, "Raw Cane Sugar Donut Sticks," is famous within Kumamoto Prefecture. However, the management team has reached an advanced age while facing the challenge of expanding sales nationwide. Starting with an introduction to Fujibambi by its main bank, the Fund advised the company about business succession and a future growth strategy, which led to the signing of a capital and a business arrangement. After the Fund invested in Fujibambi, a new president was appointed, and DBJ, the Fund, and its main bank have worked together to develop new sales channels, create new products, and strengthen the management structure.

"Raw Cane Sugar Donut Sticks," the main product made by Fujibambi Co., Ltd.

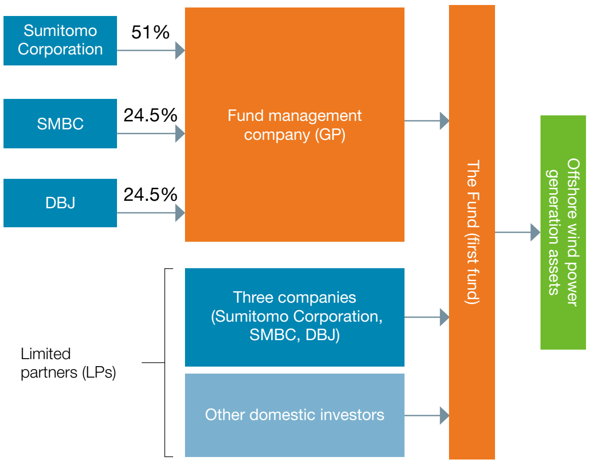
DBJ, leveraging its extensive experience in fund operations and regional revitalization, as well as its influence in regional networks, is cooperating with experts from Nihon M&A Center to help Japanese mid-tier firms and SMEs expand their business.

PROJECT SPOTLIGHT

Setting-Up of Overseas Renewable Energy Fund with Sumitomo Corporation and Sumitomo Mitsui Banking Corporation

DBJ, Sumitomo Corporation, and Sumitomo Mitsui Banking Corporation (SMBC) jointly established fund management company Spring Infrastructure Capital Co., Ltd. to administer the Spring Infrastructure I Investment Limited Partnership (hereinafter, "the Fund").

The Fund raises money from Japanese investors and finances and invests in offshore wind power projects overseas. The Fund has already acquired and begun managing wind power facilities in the U.K. as seed assets from Sumitomo Corporation. In Europe, offshore wind power has rapidly proliferated, helping with the move toward a low-carbon society, while also providing excellent investment opportunities to investors. In Japan, a number of new offshore wind power projects are in the planning stages, underscoring the potential for growth in this market. Against this backdrop, DBJ provided financing through Special Investment Operations for the Fund, in recognition of its highly significant role in providing opportunities for domestic investors to invest in the renewable energy field, and helping accelerate business development therein at Sumitomo Corporation.



Overview of the Fund

DBJ is using the knowledge it has gained from investing extensively in renewable energy to provide the fund management company with know-how and personnel, thereby facilitating smooth fund operations. DBJ contributes to the global low-carbon movement by financially encouraging the spread of renewable energy across the world.

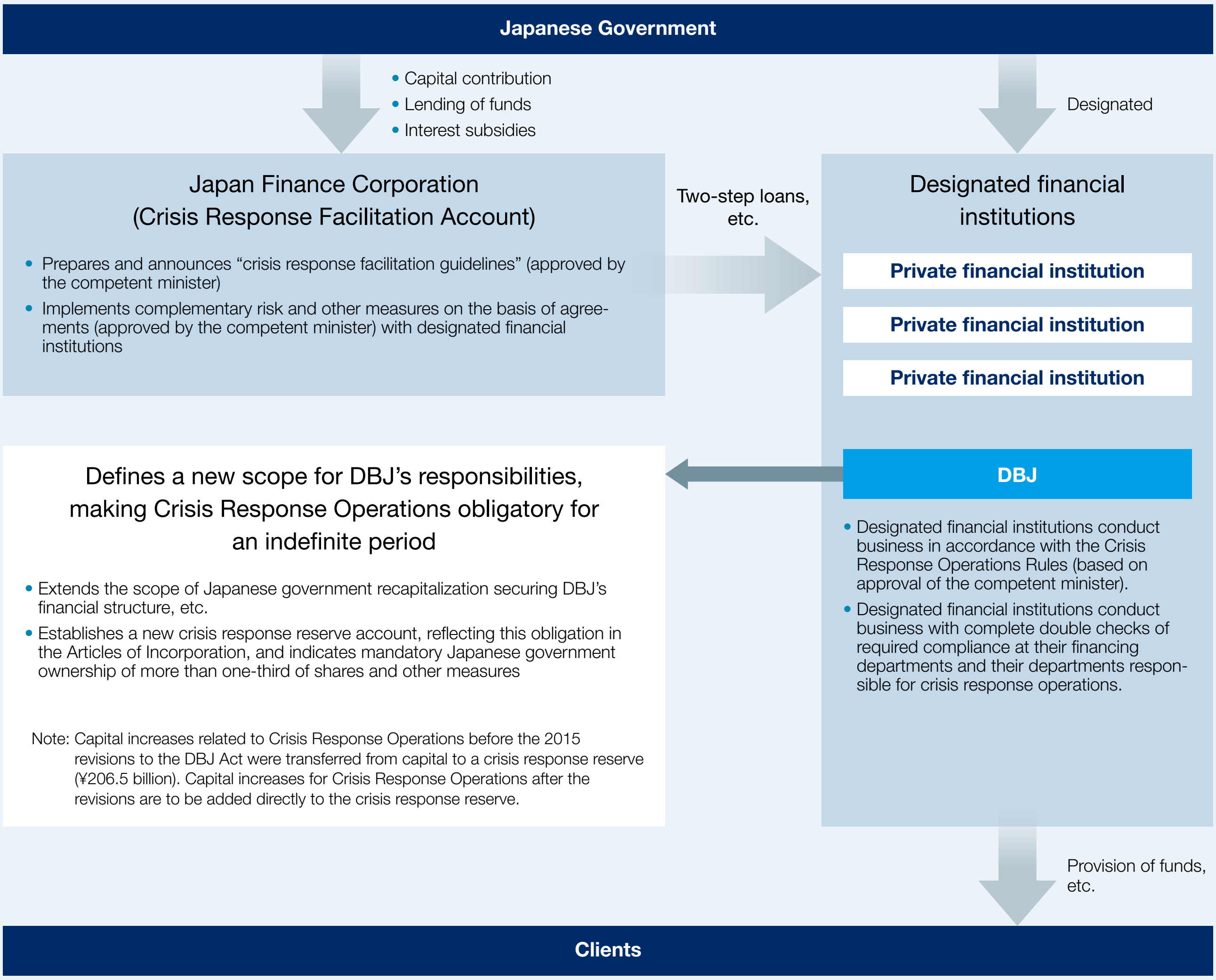
More information about Special Investment Operations, including our initiatives, is on the DBJ website (Japanese only).
https://www.dbj.jp/service/invest/special/index.html

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 that supply necessary funds to address crisis-related damage.

Crisis Response Operations Scheme



Accomplishments and Initiatives to Date

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, 2019)

¥206,529 million

Total loans for Crisis Response Operations, loans with loss guarantee agreements, and commercial paper purchases as of March 31, 2019:

- 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)

PROJECT SPOTLIGHT

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 67 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 established a reconstruction and growth support fund in collaboration with the Regional Economy Vitalization Corporation of Japan.

In 2019, with demand for reconstruction seeming to settle, we established a new fund for medium- to long-term capital funds and other forms of money with shared risk, aimed at supporting the economic development of the affected areas.

Going forward, we will continue to work with local financial institutions while promoting efforts to help stricken areas according to their particular stage of recovery.

Kumamoto Earthquakes in 2016

In 2016, DBJ established the Kumamoto Recovery Office within its 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 has provided beneficial information about restoration and reconstruction through a cross-departmental system, and has 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, and Consulting Services

The DBJ Group 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 services 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 2018, DBJ provided information to other regional financial institutions about a measure it jointly developed with The Hiroshima Bank, Ltd. in fiscal 2017 to provide loans with special provisions that waive the original principal in the event of an earthquake. Moreover, DBJ put together special deals, including a large syndicated loan for the Fukuoka Airport concession project.

Advisory Services

As a result of its impartiality, DBJ has a wide network it can mobilize in providing its advisory services, including not only Japanese firms but also overseas companies and private equity funds.

In fiscal 2017, 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 the 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 financing 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.

PROJECT SPOTLIGHT

Formation of Syndicated Loan Worth ¥6.2 Billion for Takamatsu-Kotohira Electric Railroad Co., Ltd.

Takamatsu-Kotohira Electric Railroad Co., Ltd., a regional railway operator affectionately known as "Kotoden" by locals, operates three railway lines around Takamatsu City, Kagawa Prefecture. The railroad company provides critical public transportation services around Takamatsu City. Based on the city's urban plan, Takamatsu-Kotohira Electric Railroad aims to build two new train stations in areas of the city where the population is growing, and construct double train tracks over the course of its next medium-term business plan. Takamatsu City intends for the new stations to be transportation hubs for trains and buses and is rebuilding the public transportation network inside the city in a bid to improve convenience in areas connected by the train lines, increase the flow of people from outside the region, and enhance the sustainability of public transportation services. The railroad company needs to make capital investments in the new train stations and other facilities and also urgently needs to invest in modernizing its existing train station buildings (Kawaracho Building, situated by Takamatsu City's largest transportation node) and aging fleet of rolling stock. Even though the railroad company has generated a certain level of profitability, it needs to raise fresh financing due to its filing for civil rehabilitation proceedings in the past.

Provided by Takamatsu-Kotohira Electric Railroad Co., Ltd.

In light of Takamatsu City's urban plans and the railroad company's new medium-term business plan, DBJ worked with its main bank, The Hyakujushi Bank, Ltd., coordinated with parties involved in the project (participating financial institutions, for example), and offered advice to the railroad company about its fund-raising and business plans, in order to arrange a syndicated loan for supplying growth capital that included subordinated capital loans.

DBJ's supply of growth capital to Takamatsu-Kotohira Electric Railroad not only benefits the railroad company but also improves the sustainability of critical local transportation services for the public.

MESSAGE FROM EMPLOYEES

Collaboration with Regional Financial Institutions to Support Essential Regional Public Transportation Infrastructure

Due to its past filing for civil rehabilitation proceedings, efforts regarding the framework for this syndicated loan, including adjustments for conflicts of interest, for Takamatsu-Kotohira Electric Railroad required long hours and much labor to find an

agreeable solution within DBJ and among the participating financial institutions, attorneys and other experts, and the many other interested parties in the project, such as the Ministry of Land, Infrastructure, Transport and Tourism. The Hyakujushi Bank, the railroad company's main local bank, and DBJ worked closely together in their respective fields of expertise, with The Hyakujushi Bank providing local information and insight about past circumstances and DBJ providing knowledge about the screening process, industry conditions, and financial structuring. Following arduous discussions and engagements, the involved parties were able to reach an agreement on arranging the syndicated loan for the railroad company.

DBJ continues to work closely with regional financial institutions, drawing out each other's strengths and deploying DBJ's advantages in networks, screening, and analysis to provide comprehensive solutions for the railroad company's problems, with the aim of helping both the company and the region to grow.

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 investment management company that primarily handles investments (alternative investments) in the fields of real estate, private equity, and infrastructure.	• 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 interests 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 a deep understanding of the financial standings, investment policies, and risk and 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 the reliable formation of assets for the nation's citizens.

Accomplishments and Initiatives to Date

DBJAM was established in November 2006 for the purpose of energizing the real estate financing 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 been providing discretionary investment services and investment advisory services related to alternative investments in overseas and 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 2019. 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 ¥1,470 billion in assets under management as of March 31, 2019.

PROJECT SPOTLIGHT

New Stimulation for the Real Estate Financing 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 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 financing market.

DBJ Private REIT takes full advantage of the 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 medium- to long-term earnings and steady growth in assets under management.

The company 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.* In 2019, the company published its environmental, social, and governance report summarizing all of its ESG-related initiatives. It invests in sustainable real estate and practices management guided by sustainability aligned with current investor interest in ESG issues while also maintaining and enhancing asset value in the medium to long 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 the DBJ Group in Private REIT Management

DBJ Private REIT currently has the funds of more than 80 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.

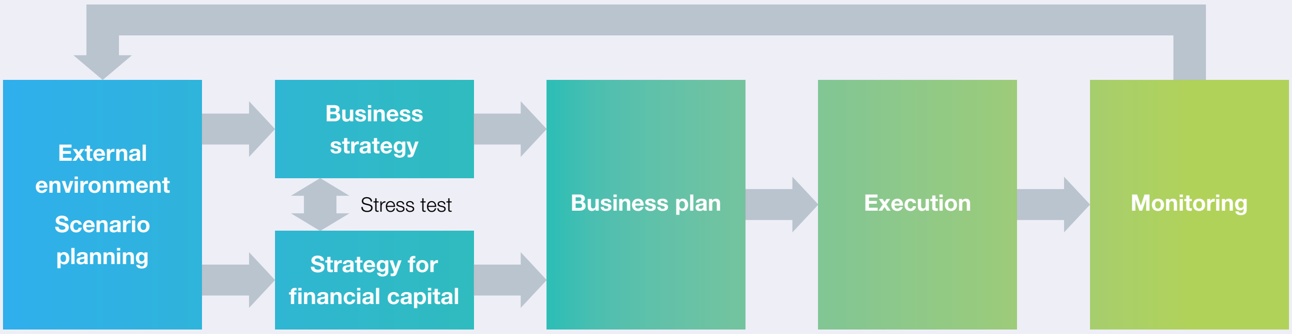
Our employees, with distinct responsibilities in property acquisition, fund-raising, and property management, and DBJ Private REIT management will continue working together to build a track record of stable management and stable dividends. And equipped with investment opportunities and services that draw on the 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 22) and function strategy (see page 38) under the Fourth Medium-Term Management Plan. A robust financial foundation of funds and capital is necessary for the 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, 2019)
Common equity Tier 1 risk-weighted capital ratio	16.65%	(As of March 31, 2019)

Specific Initiatives to Improve the Value of Financial Capital

A pillar of the DBJ Group's business strategy is to provide long-term financing for infrastructure projects. To do so, the 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 Bonds

In 2014, DBJ became the first bond issuer in Japan to issue a green bond. Furthermore, DBJ has issued a DBJ Sustainability Bond each year since 2015. DBJ's €700 million issuance in fiscal 2018 was the largest sustainability bond denominated in the euro 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.

DBJ, in January 2017, became an issuer member of the Green Bond Principles,* the first Japanese firm to attain such a status, 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 and proactively engaging in international and domestic initiatives.

* The Green Bond Principles are compiled 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 disclose relevant information to society.

The Green Bond Principles

Issuance of SRI bonds
(As of March 31, 2019)

€700 million in 2018
$1 billion in 2017
$500 million in 2016
€300 million in 2015
€250 million in 2014

Capital Procurement (Non-Consolidated)

(¥ billion)

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Funds raised (flow)	3,027.7	4,012.6	3,153.4	3,790.8
Fiscal Investment and Loan Program	634.4	1,127.7	922.7	643.3
Of which, borrowings from FILP*	300.0	800.0	580.0	300.0
Of which, government-guaranteed bonds (domestic)	200.0	150.4	150.2	150.2
Of which, government-guaranteed bonds (overseas)	134.3	177.3	192.5	193.0
Government-guaranteed bonds with maturity of less than five years (domestic)	—	—	100.2	100.3
Corporate bonds (FILP bonds)	395.3	497.1	535.8	549.4
Long-term debt	358.2	861.5	589.5	446.3
Of which, recovered, etc.	1,639.7	1,526.1	1,005.0	2,051.4

* 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 government credit through the Fiscal Investment and Loan Program (FILP) and the issuance of government-guaranteed bonds, DBJ conducts its own credit-raising activities, such as issuing corporate bonds (FILP bonds) to domestic and overseas investors and borrowing money from insurance companies and financial institutions, primarily regional banks. When conducting its own credit-raising activities, DBJ places emphasis on having investors understand and support its principles and work and, to that end, dispatches representatives to conduct proactive investor relations through face-to-face meetings in all regions of Japan and overseas.

Particularly when raising funds through loans, DBJ takes care to further a deeper understanding of its work by giving examples of investments and loans it has extended inside and outside Japan as well as within domestic regions. DBJ also takes care to gain a deeper appreciation of the issues faced by the borrowing customer, viewing the interaction as an opportunity for further collaboration on investments and loans, in addition to borrowings.

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

	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)	Fiscal 2011 (April 1, 2011 to March 31, 2012)
Total income	151.2	347.9	345.1	318.7
Income before income taxes	(121.6)	51.9	95.0	99.2
Of which, equity and fund-related gains / losses	N/A	(26.7)	(2.9)	(1.3)
Extraordinary profit / loss	3.5	(0.8)	9.3	10.9
Income before income taxes and minority interests	(118.1)	51.1	104.3	110.2
Total income taxes	(13.5)	(10.8)	(1.3)	(31.9)
Net income attributable to owners of the parent	(128.3)	39.8	101.5	77.3
Total dividend amount	—	10.0	50.0	37.3
Total assets	14,028.0	15,595.7	14,845.2	15,579.8
Loans	12,008.8	13,514.6	13,031.4	13,645.4
Securities	1,246.5	1,289.4	1,165.5	1,176.6
Total liabilities	11,941.6	13,268.2	12,435.2	13,118.8
Borrowed money	8,067.8	9,082.4	8,576.4	9,170.5
Debentures and corporate bonds	3,513.0	3,746.3	3,629.3	3,671.8
Total equity	2,086.4	2,327.5	2,409.9	2,461.0
Common stock	1,000.0	1,181.1	1,181.1	1,187.7
Total capital ratio (Basel II, BIS standard)	18.87%	19.13%	20.50%	18.56%
Total capital ratio (Basel III, BIS standard)	—	—	—	—
Ratio of risk-monitored loans (Banking Act basis)	1.60%	5.07%	1.28%	1.47%
Return on assets (ROA)	(0.92)%	0.27%	0.67%	0.51%
Return on equity (ROE)	(6.06)%	1.82%	4.31%	3.18%
Number of employees	1,096	1,181	1,203	1,270

Investment and fund-raising flow (non-consolidated)

Loans and investments (flow)	1,733.4	3,793.1	2,116.6	2,927.0
Loans	1,670.3	3,682.0	2,034.4	2,849.0
Investments	63.1	111.1	82.2	78.0
Funds raised (flow)	1,733.4	3,793.1	2,116.6	2,927.0
Of which, recovered, etc.	184.3	840.9	1,212.8	691.7

(¥ billion)

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 Medium-Term Management Plan	
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)	Fiscal 2018 (April 1, 2018 to March 31, 2019)
340.0	361.6	339.0	358.6	285.4	291.7	301.2
115.6	165.7	153.0	185.1	122.5	127.1	128.1
30.0	30.3	32.1	70.8	41.1	39.7	40.5
0.6	0.2	0.6	1.5	(0.0)	2.2	(1.3)
116.2	166.0	153.6	186.7	122.4	129.4	126.7
(44.5)	(40.8)	(58.9)	(57.6)	(34.6)	(35.0)	(33.5)
71.3	124.3	92.7	128.9	87.6	91.9	91.9
35.2	30.8	22.5	29.2	19.7	22.1	21.0
16,248.7	16,310.7	16,360.6	15,907.1	16,570.4	16,952.2	17,079.5
13,918.2	13,838.4	13,261.3	12,952.5	13,039.5	12,725.2	12,923.9
1,357.0	1,637.5	1,887.9	1,803.0	1,750.3	1,866.4	1,961.0
13,710.1	13,682.9	13,613.3	13,022.9	13,584.2	13,842.1	13,783.2
9,448.3	9,182.6	8,598.2	7,892.1	8,472.3	8,574.1	7,987.8
3,924.5	4,237.4	4,569.3	4,727.9	4,711.8	4,932.9	5,296.9
2,538.5	2,627.7	2,747.2	2,884.2	2,986.2	3,110.1	3,296.3
1,206.9	1,206.9	1,206.9	1,000.4	1,000.4	1,000.4	1,000.4
—	—	—	—	—	—	—
15.52%	15.83%	16.80%	17.87%	17.47%	16.94%	16.74%
1.23%	0.99%	0.77%	0.64%	0.54%	0.47%	0.40%
0.45%	0.76%	0.57%	0.80%	0.54%	0.55%	0.54%
2.86%	4.83%	3.47%	4.60%	2.99%	3.03%	2.88%
1,315	1,391	1,407	1,435	1,546	1,631	1,650
2,652.4	2,943.3	2,544.2	3,027.7	4,012.6	3,153.4	3,790.8
2,524.5	2,805.1	2,262.7	2,861.3	3,805.8	2,973.6	3,490.4
127.8	138.2	281.4	166.3	206.7	179.7	300.4
2,652.4	2,943.3	2,544.2	3,027.7	4,012.6	3,153.4	3,790.8
502.2	1,307.5	1,129.9	1,639.7	1,526.1	1,005.0	2,051.4

Human Resource Development

We aim to be an organization with diverse human resources who helps employees develop skills while raising their motivation.

Number of employees (consolidated)	As of March 31, 2019
	1,650
Number of employees (non-consolidated)	As of March 31, 2019
	1,186
Average length of service (non-consolidated)	As of March 31, 2019
	13.9 years

Basic Policy

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

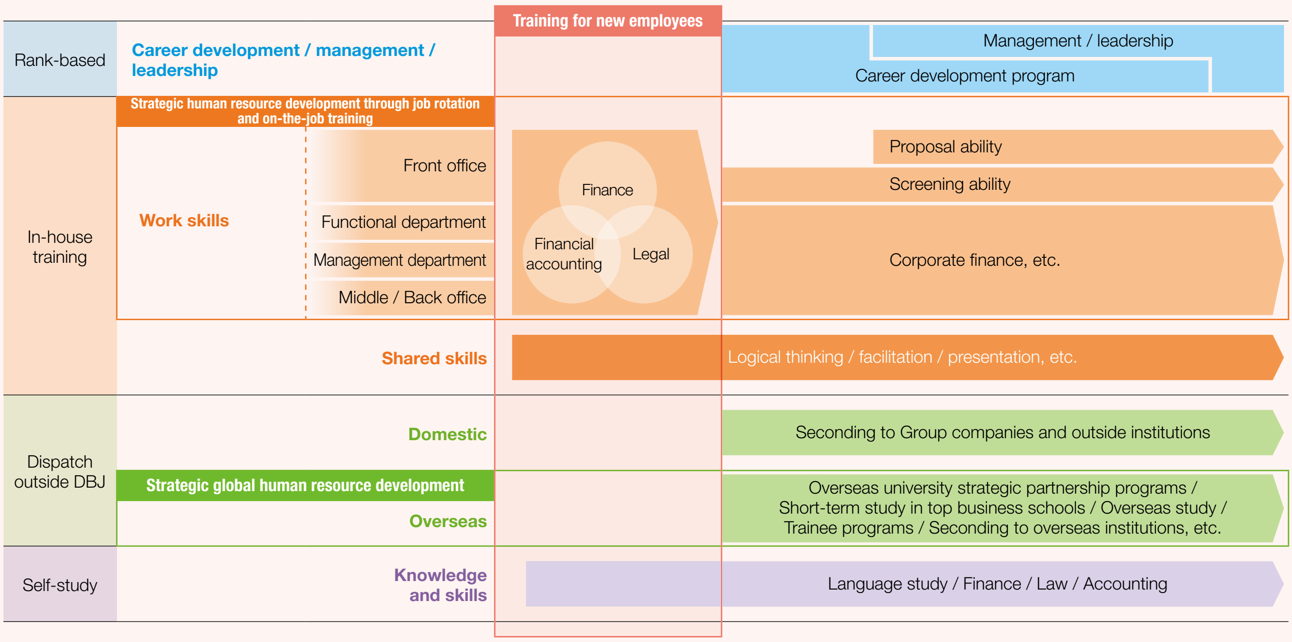
To this end, we think it is important to create structures in which employees will be highly motivated. Improving the value of human capital is one of our most important priorities, and DBJ is taking concrete steps to achieve this goal.

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 needs 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



Specific Initiatives to Increase the Value of Human Capital

Intensification of the Hiring and Exchange of Human Resources across the 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.

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

Skills Development

The DBJ Group develops human resources through practical on-the-job training and extensive training opportunities.

- Employees are strategically rotated so that they steadily develop highly specialized skills by gaining practical and diverse experience and broad perspectives in multiple departments and outside institutions.*

* Dispatch employees to national government agencies, Group companies around the world, and companies that have received investments

- New college hires receive thorough growth assistance with approximately three months of DBJ's own accounting and financial analysis courses, and a full year of new employee training programs.
- An extensive skills development program, in terms of both quality and quantity, is available for employees that provides rank-based training for required subjects whenever necessary, along with supplementary programs for self-improvement in addition to work-related training.
- Opportunities to study abroad at overseas universities and training systems are made available for developing global human resources. DBJ also operates its own leadership training program (entirely in English) in collaboration with top overseas universities for young employees and management-level employees.
- DBJ supports human resource development with physical facilities: for example, the newly constructed Minami Aoyama Training Center.

Internal training

Diversity Management and Productivity Improvements

To promote workplaces where diverse human resources can work together, DBJ encourages mutual understanding and takes steps to improve the productivity of each employee.

- DBJ aims to enhance its work and leave systems for child-rearing and elderly care, such as telecommuting, reduced work hours, and flex time, in addition to holding seminars guided by experts for finding and enrolling in facilities for childcare and elderly care.
- DBJ creates and distributes a guide to balancing work with child-rearing and elderly care, and holds "iku-boss" seminars for members of management to enable them to support employees using these systems while improving team productivity. DBJ also holds seminars for furthering understanding of people with disabilities and promotes the building of cooperative relationships among staff, including employees who use these systems.
- DBJ set up the Work Shift Promotion Headquarters with the intention of increasing work efficiency from a work shift standpoint and promoted awareness reforms and related initiatives across the Group.
- DBJ supports the physical and mental well-being of its officers and employees with courses about coping with stress and managing sleep, as well as by offering a counseling system staffed by outside professionals, in addition to periodic health checkups.

Motivation and Engagement

We constantly ask ourselves if we have laid the proper foundation for genuinely motivating officers and employees to take the initiative in accordance with the DBJ Group's corporate philosophy.

- DBJ conducts engagement surveys for employees, evaluates the results of these surveys, and creates action plans that enable each department to increase motivation through improvement activities.
- In training about career formation, DBJ creates opportunities for furthering understanding of its corporate philosophy and constructive dialogue about improvements and practical approaches.

Employees' Use of Childbirth and Child-Rearing Support Systems, Number of Employees in Training Courses

Ratio of employees returning to work after taking childcare leave (number of employees having completed childcare leave in fiscal 2018)	22/24 (92%)
Rehiring system (number of registrants as of March 31, 2019)	32
Reduced work hours and flex time for employees raising children	120
"Iku-boss" training participants (cumulative total)	About 200
Seminars for finding childcare facilities (cumulative total)	About 150

SPECIAL FEATURE

Initiatives to Train "Generalists Who Can Be Specialists in Many Fields"

DBJ– Oxford Global Strategic Alignment Leadership Programme

DBJ trains employees in line with its vision of "generalists who can be specialists in many fields" in the development of human resources, its greatest resource. Below, we introduce the Global Strategic Alignment Leadership Programme (GSALP), a unique leadership program that DBJ has developed in a strategic alliance with the University of Oxford in the United Kingdom for the development of global human resources.

Katsushi Kitajo

Executive Officer
Head of Human Resources Management Department

Development of Unique DBJ Program for Training Human Resources, Our Greatest Management Resource

People are our greatest resource. DBJ has developed human resources through various training venues and practical on-the-job training. In recent years, an increase in overseas investment and loan projects has raised the importance of training human resources able to work from a broader, more global perspective. In fiscal 2018, DBJ partnered with the Saïd Business School at the University of Oxford in the United Kingdom to launch the Global Strategic Alignment Leadership Programme (GSALP), a unique curriculum for young DBJ employees.

Of note, GSALP accepted about 20 young employees, mainly in their late 20s, instead of mid-career employees and managers who already have considerable work experience. The participants spent a total of four months, including one week at the University of Oxford, pondering topics such as "the future vision for DBJ" and "how the organization should change to achieve its goals" in two-way discussions and group projects involving instructors and students. As the culmination of the program, the participants gave a final presentation to DBJ President Hajime Watanabe. Through this process, the participants broadened their perspectives by tapping into the advanced and wide-ranging knowledge available at the University of Oxford, and the DBJ Group as a whole had an opportunity to view from a higher vantage point its raison d'être and business aims.

To ensure that human resource development remains one of the highest priorities at DBJ, management and relevant departments are committed to creating multiple venues for young employees to engage in mutual dialogue. Following their presentation to President Watanabe, GSALP participants engaged in frank and spirited exchanges of opinion, generating fresh and bold ideas. Some of these ideas ended up in reference materials for debates about future management policy.

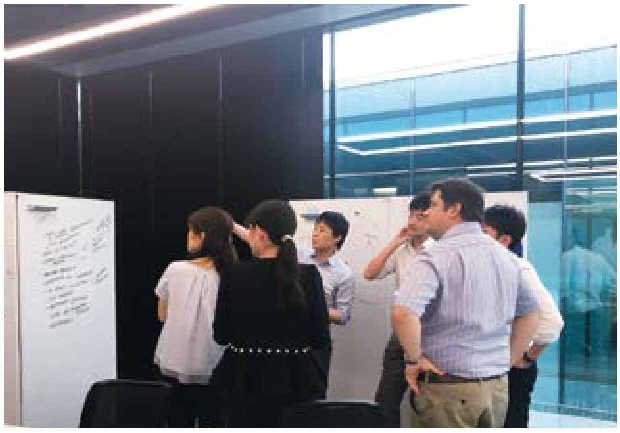
Starting in fiscal 2019, in addition to GSALP, DBJ is expanding educational programs for young employees through a new partnership with the International Institute for Management Development (IMD) business school in Switzerland. Furthermore, DBJ has created an innovative program for managers in collaboration with Columbia University in the U.S. Through various initiatives such as these programs and study-abroad opportunities, we aim to develop a greater number of human resources globally for the benefit of our customers and stakeholders.

Description of GSALP

GSALP is a fully customized educational program conducted entirely in English for young employees of DBJ created in partnership with the University of Oxford, with the aim of developing global human resources.

The curriculum is divided into three sessions (Tokyo, online, and Oxford sessions) over a span of four months, based on the objective of deepening organizational understanding and rethinking one's own career path while obtaining a broader and more global perspective. The participants work on group projects and learn about the concept of strategic alignment from Professor Jonathan Trevor, an expert in business administration and organizational theory.

In fiscal 2018, the participants spent two days at the Tokyo session held at the Minami Aoyama Training Center to deepen their understanding of DBJ and the fundamentals of organizational theory. They then received instruction from Professor Trevor in the online session and began to draft their group presentations. During the five-day session at the University of Oxford, the participants met with Professor Trevor and received lectures from Oxford instructors on various subjects, including the latest trends in the global economy and leadership. The participants then gave a presentation about the outcomes of their projects based on this instruction. After returning to Japan, the program wrapped up with a presentation in front of DBJ President Watanabe, followed by an exchange of opinions.



Group photo at the Oxford session (top)
Training during the Tokyo session (bottom)

Comment from the Professor

Jonathan Trevor

Associate Professor of Management Practice
Saïd Business School University of Oxford

Last year saw the successful launch of the Global Strategic Alignment Leadership Programme (GSALP), a brand-new executive education programme, with the Development Bank of Japan (DBJ). The aim of our joint programme was to provide 20 of the bank's future leaders with a key understanding of "Strategic Alignment" and business critical leadership skills, and create global leaders who could transform the organisation in line with the long-term vision, Vision 2030, which promotes sustainability management in pursuit of both economic and social value.

My recent research highlights that the best companies are those that are the best aligned. Indeed, strategic alignment means that all the elements of a business, including its market strategy and the way the company is organised, are arranged in such a way that best supports the fulfilment of its long-term purpose. With this in mind, the programme helped DBJ develop future leaders to be able to systematically choose best-fit organisational strategies, capabilities, resources, and systems to fulfil its purpose, and deliver the best chance of success in the 21st century global business environment.

On the programme, I was joined by several of my colleagues from within the Oxford Saïd faculty, and we worked alongside guest speakers and DBJ's senior executives to deliver the programme over two modules of class-based tuition in Tokyo and Oxford. Participants learnt through a variety of methods including lectures and workshops, whilst working on business impact projects and group assignments through the school's virtual classroom, the HIVE.

Such was the success of evaluation scores of the first cohort of the programme, I am delighted to confirm the launch of the 2019 GSALP, starting in August, with preparations now well under way.

Long-Term Perspective and Deep Insight Gained from GSALP Translate into Better Proposals for Customers

Kansai Branch
(at time of enrollment)
Joined DBJ in 2011

Current Job

I work at the Kansai Branch in investment and loan services for customers in the energy and non-manufacturing fields in the Kansai region. The Kansai economy has been robust lately with planning for many major events, such as the World Expo. On the other hand, structural problems have become entrenched, with an increasing elderly population and a declining working-age population. As environmental, social, and governance and other trends become embedded in global markets, management teams at local companies are expected to solve increasingly complex problems and devise long-term visions. At DBJ as well, management teams must rise to meet expectations for helping local industry survive and grow further. We work diligently every day to come up with optimal solutions to these problems.

Impressions and Benefits of GSALP Participation

It is not easy to view issues from a long-term time frame of several decades. Discussions with my peers at GSALP gave us an opportunity to think more deeply about what must be done in the future to address these structural issues in Japanese society within the context of population projections for Japan. We also examined organizational strategies for domains where DBJ should take the initiative in the future, and how to realize progress. In our discussions, I realized that unprecedented issues can be analyzed based on a long-term vision and that various initiatives around the world today can provide hints. The long-term perspective and deep insight gained from GSALP has led to better proposals and debates for addressing issues faced by our customers.

Engaging in Daily Work with DBJ's Long-Term Vision Always in Mind

Financial Institutions
Department
(at time of enrollment)
Joined DBJ in 2011

Current Job

I belong to the department responsible for financial institutions, including regional ones. Every day, we talk about how to create initiatives for collaborating with them. We introduce the DBJ Group's know-how and functions not only to these financial institutions but also to their customers, with the aim of helping solve their management issues. Specifically, we hold study sessions about mezzanine financing and other topics; conduct joint surveys of industries, such as traditional local industry; offer consulting services; and propose ideas for improving work efficiency. Through these efforts, we advance the creation of projects for collaborative financing and risk sharing.

Impressions and Benefits of GSALP Participation

Before participating in GSALP, I had long thought that DBJ and regional financial institutions could pool together their individual strengths and knowledge to help not just our customers (regional financial institutions) but also their local communities and operating companies grow. My participation in GSALP was very meaningful from the standpoint of the genuine discussions I had with other participants about the strengths, issues, and future direction of DBJ. I come to work every day thinking about what DBJ can and should do in light of customer opinions, changes in the external environment, and the needs of society.

A Call for Action for DBJ as an Organization, and Idea Proposals for Customers

Corporate Finance Department, Division 2
(at time of enrollment)
Joined DBJ in 2014

Current Job

I belong to the automobile team, which is in charge of coming up with ideas for investment and loan services in tune with the fund procurement needs of a broad range of customers in the automobile industry around the world, including domestic automobile manufacturers and parts suppliers as well as overseas firms and leasing companies. The automobile sector is approaching a major industrial transition: the connected, autonomous, shared, and electric (CASE) trend. For this reason, our team's discussions have recently centered on sharing the latest CASE-related information and its potential impact on our customers.

Impressions and Benefits of GSALP Participation

At GSALP, I was able to learn case studies about a variety of successful companies that changed their strategies to adapt to changes in market conditions. It was a rather stimulating experience for me, because I previously had focused solely on the automobile industry. Since participating in the program, I have been able to present case studies in other industries during conversations with our customers and to engage in dialogue with a better appreciation of not only our customers' visions and management strategies but also the external environment. Moreover, I now think more about how I can change things for the better through my own work at DBJ, and rethink the importance of my own work here.

Helping Expand DBJ's Fund Procurement Base through Discussions with Peers about DBJ's "Now" and "Future"

Treasury Department
(at time of enrollment)
Joined DBJ in 2015

Current Job

I am involved in fund procurement operations, such as borrowing from private financial institutions, and in the creation of disclosure documents such as securities filings in the Treasury Department. In fund procurement operations, I work diligently to ensure DBJ is able to optimally and reliably procure funds. I accomplish this by studying the needs of investors and paying attention to changes in the external environment, such as changes in interest rates. Through investor relations activities that include holding results briefings and events for directly engaging with stakeholders in areas across the country, I explain DBJ's principles and work to investors.

Impressions and Benefits of GSALP Participation

Leveraging the knowledge about organizational theory I gained through GSALP lectures, I met with instructors and fellow participants to frankly discuss the changes I think are needed at DBJ to realize its "future," while better understanding DBJ as it stands "now." In addition to my regular work experience, I now have a broader, fresh perspective with which to view DBJ's principles, work, and culture, and this has given me more confidence when interacting with investors at investor relations venues. I aim to contribute to the expansion of DBJ's fund procurement base through proactive investor relations activities, while furthering the understanding of investors about DBJ's "now" and "future."

Knowledge and Collaboration

To improve intellectual capital and relationship and social capital, the management resources of the DBJ Group, we are accumulating knowledge while advancing collaboration with various stakeholders.

Basic Policy

Intellectual Capital

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.

Processes

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

Relationship Capital

Collaboration

The 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. The 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

The 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

Specific Initiatives to Improve the Value of Intellectual Capital

Knowledge

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 and augmented reality, and fintech.

In April 2017, DBJ established the post of chief research officer and placed under it the Economic & Industrial Research Department and the Sustainability Planning & Intellectual Capital Support Department. We provide knowledge-based solutions to customers in various industries, including solutions from the perspectives of environmental, social, and governance (ESG) 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, the 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 2018 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 officer. 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.

Concrete Measures to Increase the Value of Relationship and Social Capital

Collaboration and Dialogue with Stakeholders

Customers	• Provided certification programs • Held a business plan competition for women • Provided platforms via DBJ Connect • Supported innovation with iHub
Financial institutions	• Collaborated with LTIC
Government	• Participated in high-level panel about ESG finance • Participated in TCFD scenario analysis support project
Research institutions	• Held DBJ Academy at RICF
Participation and assessment of outside initiatives	PRI Principles for Responsible Investment UNEP FINANCE INITIATIVE CDP DISCLOSURE INSIGHT ACTION GRESB PFA21 Principles for Financial Action for the 21st Century ADFIAP financing sustainable development

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.

More than 2,300 business plans have been submitted over the past seven competitions, expanding the scope of opportunity for women entrepreneurs, and some of the winners' and finalists' competition plans have gone on to play a role in expanding operations.

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

DBJ iHub 4.0 (DBJ innovation Hub 4.0)

Along with Japan Economic Research Institute, Inc., DBJ seeks to spur innovation through iHub 4.0 and "value training" 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 Connect

Beginning in June 2017, at the suggestion of our young employees, we launched DBJ Connect, a service promoting new business development among 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 in emerging new businesses.

In fiscal 2018, our Tokai Open Accelerator program helped four established companies based in the Tokai region collaborate with six start-ups.

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

Participation in and Evaluation of Outside Initiatives

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. DBJ is also a member of Long-Term Investors Club (LTIC), an international group of investors that emphasizes investment activities with long-term time horizons. In May 2019, with the Japan Bank for International Co-operation, DBJ held an annual meeting and sponsored events to exchange opinions with financial institutions from G20 countries. Furthermore, DBJ proactively participates in and contributes to outside initiatives that promote sustainability management, as an investor member of the Global Real Estate Sustainability Benchmark, a participant in high-level panels on ESG finance at the Ministry of the Environment, as well as a signatory to the Principles for Financial Action for the 21st Century and chair of its Working Group on Savings, Lending, and Leasing Operations.

In recognition of its participation in outside initiatives, in February 2019 DBJ received an award from the Association of Development Financing Institutions in Asia and the Pacific for its efforts in health management in February 2018 and its initiatives to address natural disasters and climate change.

DBJ Certification Programs

Using its independently developed screening system, DBJ certification programs set the terms and conditions of loans based on corporations' non-financial information.

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 evaluates measures in health management. A major defining characteristic of DBJ certification programs is the assessment process that emphasizes face-to-face discussions, during which we directly inquire about clients' initiatives that are not evident in their publicly disclosed information. Our screening sheet is reviewed every year in deliberations by the Advisory Committee composed of outside experts, who also take into consideration the latest issues and trends around the world.

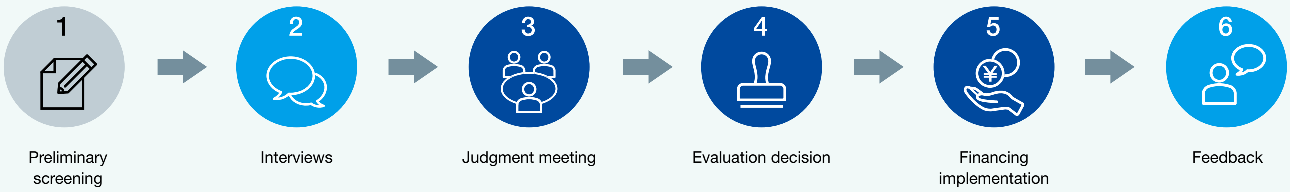
As follow-up services, we create venues in the form of post-assessment award ceremonies at which companies' top management can exchange their opinions with each other. In addition to feedback and details about the assessment results, we directly convey information about anticipated matters and examples of outstanding efforts at other companies, with the view of supporting more sophisticated initiatives in the future.

For customers using the BCM Rated Loan Program, we hold an annual event called the BCM Rated Loan Club as a venue for crisis managers to exchange opinions and information. Through its certification programs, DBJ broadly supports the initiatives of its customers while contributing to the formation of a sustainable society.

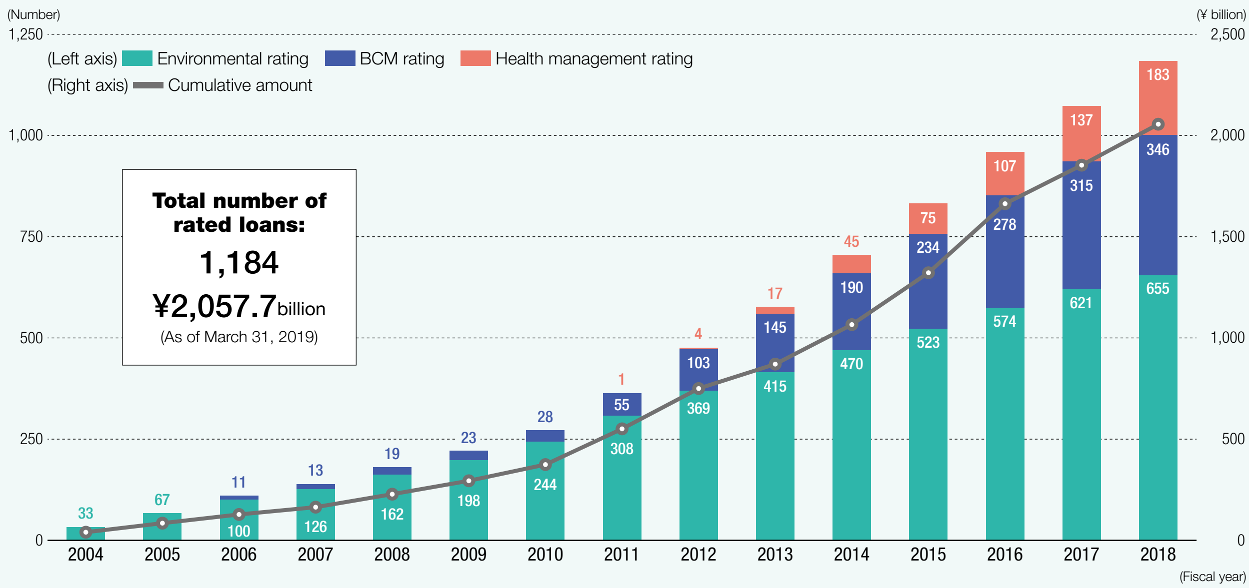
BCM Rating (Business continuation risk)	Environmental Rating (Environmental risk)	Health Management Rating (Human productivity risk)
DBJ BCM格付	DBJ 環境格付	DBJ健康格付

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

Assessment Flow of DBJ Certification Programs



DBJ Rated Loans



Corporate Governance

Message from the Chairman

With ongoing efforts to strengthen governance, DBJ contributes to sustainable growth through an innovative process of value creation.

Creation of a Unique Business Model

In accordance with the Development Bank of Japan Inc. Act, the DBJ Group practices sustainability management that balances economic and social value with the aim of building a sustainable society. Under the current Fourth Medium-Term Management Plan, we supply risk capital to forward-looking initiatives through our Special Investment Operations program. Collaboration and cooperation with private financial institutions stimulate new flows of risk capital in Japan. DBJ's investments and loans in new fields help to strengthen Japan's economic competitiveness. We also address local issues through risk capital supplied through joint funds created with regional financial institutions.

Furthermore, DBJ functions as an emergency supplier of capital for responses to natural disasters and other crises. In times of international financial turmoil, and following the Great East Japan Earthquake, the Kumamoto earthquakes, and other events calling for rapid influxes of capital, DBJ has been there to provide relief.

In the wake of heavy rains in Western Japan in July 2018 and the Hokkaido Eastern Iburi Earthquake in September of the same year, we established our own Regional Reconstruction Headquarters and Regional Emergency Response Program. We are working to strengthen our system for responding flexibly and quickly to demand for recovery and reconstruction funds.

Governance Suited to Our Business Model and Dialogue with Stakeholders

In order to continue playing this unique role, DBJ must have robust corporate governance, ensure transparency in management, and consider the opinions of outside experts. To promote this aim, we have created the Operations Audit Committee, the Compensation Committee, and the Personnel Evaluation Committee as advisory bodies to the Board of Directors. Listening to the views of our stakeholders is imperative to strengthening this framework.

In an environment of fair competition, it is essential that DBJ collaborate and cooperate with private financial institutions. We hold regular events for this purpose, usually twice a year, for discussions with representatives of such institutions. And in regard to Special Investment Operations, DBJ has created the Special Investment Operations Monitoring Board (see page 63) as an advisory body to the Board of Directors. It meets twice a year in order to discuss and evaluate projects as well as encourage private-sector enterprises and complement their operations while maintaining appropriate competitive relations.

The opinions we obtain through social events with private financial institutions and the outcomes of deliberations by the Special Investment Operations Monitoring Board are debated by the Advisory Board. As an advisory body to the Board of Directors, the Advisory Board (see page 63) is made up of

outside experts and directors in fields including manufacturing, infrastructure, regional communities, and finance. The Advisory Board provides valuable ideas on matters concerning the safeguarding of proper competition with private financial institutions and the DBJ Group's management plans. In my view, a distinct aspect of corporate governance at the DBJ Group is its continuous reassessment of its unique value creation process while engaging in dialogue with stakeholders.

We want to keep our initiatives one step ahead of the times, especially in regard to the supply of risk capital, and this means ensuring that we operate in conformity with the Companies Act. For this purpose, the Board of Directors formulated the Basic Policy for Internal Control, which positions legal compliance, risk management, and internal audits as important issues for management.

Realization of a Value Creation Process That Balances Economic and Social Value

The DBJ Group established the Sustainability Committee as a means of dealing with the growing need to review corporate management from the standpoint of sustainability given the adoption of the Sustainability Development Goals (SDGs), the Paris Agreement, and other recent developments. The Sustainability Committee discusses changing social issues and other matters important for management. In fiscal 2018, directors engaged in lively debate on initiatives related to energy, climate change, and the SDGs.

To realize a sustainable society while balancing economic and social value, the DBJ Group offers solutions to issues faced by society and the Group's customers. The Group will continue to create innovative business models, centered on the supply of risk capital, in an effort to advance sustainability management and maintain 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 embodying best practices that will continue to earn us the trust of our customers and society.

August 2019

Yasushi Kinoshita

Yasushi Kinoshita
Chairman

Corporate Governance

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 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 outside members of the Board of 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.

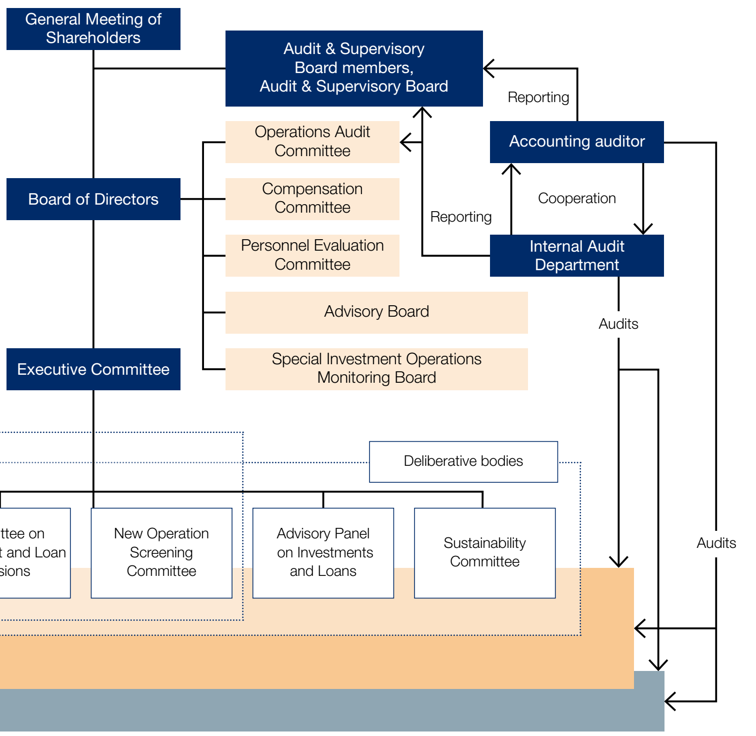
DBJ's Corporate Governance System

Institutional design configuration	A company with a board of directors and company auditors (Audit & Supervisory Board)
Number of members of the Board of Directors	10
Of whom are outside members of the Board of Directors	2
Number of Board of Directors' meetings in fiscal 2018	13
Number of Audit & Supervisory Board members	5
Of whom are outside Audit & Supervisory Board members	3
Number of Audit & Supervisory Board meetings in fiscal 2018	16
Adoption of executive officer system	Yes
Accounting auditor	Deloitte Touche Tohmatsu LLC

Overview of DBJ's Corporate Governance System

Matters requiring authorization of competent minister

- Appointment and dismissal of representative members of the Board of Directors and Audit & Supervisory Board members
- Concurrent positions as members of the Board of Directors
- Amendments to Articles of Incorporation
- Disposition of surplus funds
- Mergers, corporate splits, and dissolutions
- Basic policy on business plans, redemption plans, and fund procurement



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 members of the Board of 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 members of the Board of 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 four times during the fiscal year ended March 31, 2019.

Compensation Committee

The Compensation Committee, the majority of which consists of outside executives, 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 members of the Board of Directors and other outside experts, evaluates personnel proposals on the selection of members of the Board 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, 2019. This board is composed of the following outside members of the Board of Directors and outside 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 Members of the Board of Directors

Akio Mimura	Honorary Chairman of Nippon Steel Corporation
Kazuo Ueda	Professor, Faculty of Business Studies, Kyoritsu Women's University

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, 2019.

Moreover, in order to examine whether appropriate competitive relations with other entities are being maintained, roundtable 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 2019, 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	Director, IDI Infrastructures Inc.
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 27 times during the fiscal year ended March 31, 2019.

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.**

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 the DBJ Group's Policy on Sustainability (please refer to page 65). 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 three times during the fiscal year ended March 31, 2019.

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 members of the Board of Directors and Audit & Supervisory Board members
- Amendments to Articles of Incorporation
- Disposition of surplus funds; Mergers, corporate splits, and dissolutions; Basic policy on business plans, redemption plans, and fund procurement

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 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 June 27, 2019, 20 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 executives 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 antisocial 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 Affairs & 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 has also prepared 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 be found on the DBJ website (Japanese only).
https://www.dbj.jp/co/info/compliance.html

Policy on Sustainability

The 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 returns 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

Executive Compensation

DBJ's Compensation Committee is an advisory body to the Board of Directors. It deliberates on the compensation structure for members of the Board of Directors and evaluates the propriety of the compensation structure for the company. The majority of its members are outside executives.

DBJ takes the following basic approach to executive compensation.

- Compensation should reflect social trends in regard to executive pay.
- Compensation should provide motivation for initiatives aimed at realizing economic and social value during each fiscal year and in the medium to long term.

In accordance with this approach, DBJ provides compensation to its executives in four forms: basic compensation, allowances, executive bonuses, and executive retirement benefits.

(1) Basic compensation is paid monthly in an amount based on the executive's position.

(2) Allowances are paid monthly in an amount commensurate with the executive's position.

(3) Executive bonuses are distributed after taking into consideration the performance of each member of the Board of Directors in carrying out their duties during the fiscal year. Bonuses comprise a standard amount based on the position of the member of the Board of Directors plus an amount that reflects progress toward fiscal year targets set by DBJ.

(4) Executive retirement benefits are paid out upon retirement in an amount reflecting successful service over the longer term.

Below is a description of the compensation structure for members of the Board of Directors.

Compensation for full-time members of the Board of Directors consists of basic compensation, allowances, executive bonuses, and executive retirement benefits. To maintain their independence, part-time members of the Board of Directors receive basic compensation alone.

Compensation for full-time Audit & Supervisory Board members comprises basic compensation, allowances, and executive retirement benefits. Compensation for part-time Audit & Supervisory Board members consists solely of basic compensation.

The amount of compensation paid to members of the Board of Directors is determined after deliberation by the Board of Directors, within the maximum amount approved at the General Meeting of Shareholders following discussions by the Compensation Committee. Compensation amounts are based on the position and responsibilities of each member of the Board of Directors, with due consideration given to social trends, DBJ's financial performance, and other standards balanced against employee salaries. The amount of compensation paid to Audit & Supervisory Board members is also determined after deliberation by the Audit & Supervisory Board members within the scope of the maximum amount approved at the General Meeting of Shareholders.

The Compensation Committee was established in 2008 to ensure transparency and objectivity in the process for determining compensation, and a majority of members of the Compensation Committee comprises outside executives. This composition allows independent outside executives to be involved and give relevant advice.

Meetings of the Compensation Committee in fiscal 2018

	Number of meetings held in fiscal 2018
Compensation Committee	2

Members of the Compensation Committee

Chairman	Yasushi Kinoshita (head of the committee)
President	Hajime Watanabe
Outside member of the Board of Directors	Akio Mimura
Outside member of the Board of Directors	Kazuo Ueda
Outside Audit & Supervisory Board member	Toshio Yamazaki

Compensation paid to DBJ's members of the Board of Directors and Audit & Supervisory Board members in fiscal 2018

(¥ million)

Category	Number of people	Compensation, etc.
Members of the Board of Directors	12	264 (of which, 24 to outside members of the Board of Directors)
Audit & Supervisory Board members	6	78
Total	18	342

Notes:
1. Compensation amounts include executive bonuses paid to members of the Board of Directors (¥25 million, including ¥— million for outside members of the Board of Directors).
2. Compensation amounts include provisions to reserves for executive retirement benefits for members of the Board of Directors and Audit & Supervisory Board members, as well as retirement benefits of the members of the Board of Directors (¥48 million for members of the Board of Directors, including ¥— million for outside members of the Board of Directors, and ¥4 million for Audit & Supervisory Board members).
3. Numbers of persons to be paid and compensation amounts include two members of the Board of Directors and one Audit & Supervisory Board member who retired during fiscal 2018.

Messages from Outside Members of the Board of Directors

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: Outside Member of the Board of Directors 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 (now Nippon Steel Corporation) (current position)

Leveraging Corporate Governance to Help Solve Social Issues

Akio Mimura

Outside Member of the Board of Directors

I have served as an outside member of the Board of Director, since DBJ became a joint-stock company in 2008.
I am currently a member of the Advisory Board, an independent body that facilitates corporate governance by incorporating the opinions of outside experts into the management of DBJ. In accordance with the amendment of the DBJ Act in 2015, the Advisory Board is positioned as an advisory body to the Board of Directors. The role of the Advisory Board is not only to advise DBJ's management on balancing economic and social value, but also to deliberate on the important matter of ensuring suitable competitive relations with private financial institutions. The Board must also perform 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 sustainability management by DBJ. I believe that the Board fulfills its responsibilities in this respect.

Dialogue and cooperation with stakeholders is essential for DBJ to be able to achieve the targets in its Fourth Medium-Term Management Plan while helping solve the many issues that arise in our rapidly changing society. I will continue to carry out my corporate governance responsibilities by advising and facilitating such dialogue.

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: Member of the Bank of Japan's Policy Board
April 2005: Professor at Tokyo University, School of Economics
October 2008: Outside Member of the Board of Directors at DBJ (current position)
April 2017: Professor, Faculty of Business Studies, Kyoritsu Women's University (current position)
Director of Tokyo University's Center for Advanced Research in Finance (current position)

Strengthening Corporate Governance for the Advancement of Sustainability Management

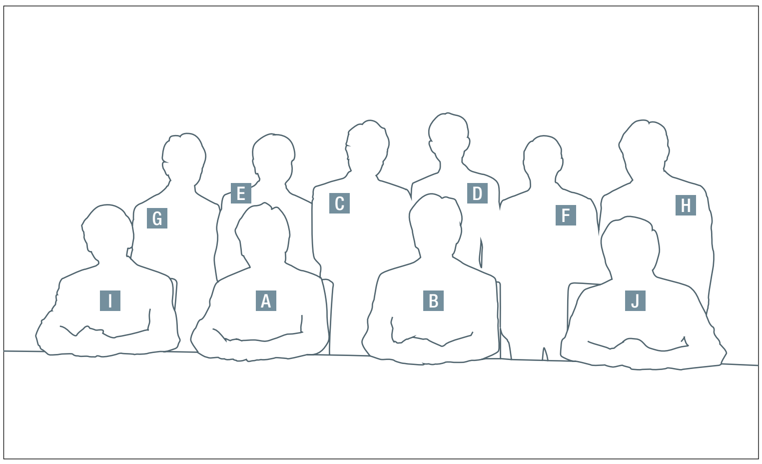
Kazuo Ueda

Outside Member of the Board of Directors

International interest in sustainability, as seen in measures such as ESG initiatives and the Sustainable Development Goals, has grown rapidly since the adoption of the Paris Agreement. DBJ's solutions have been in step with the times and changing social issues. These solutions have included developing evaluation-based lending programs and providing risk capital through joint investment with private companies and financial institutions. I want to see DBJ expand yet further its initiatives to balance economic and social value while keeping aware of the international mood.

DBJ's medium- to-long term goals for facilitating social and economic development and achieving a sustainable society require that it continues to implement these initiatives. Proper governance is therefore essential. The DBJ Group's Advisory and Monitoring boards support the attainment of these goals and underpin DBJ's unique business model. As a member of the Advisory Board—in addition to my duties as an outside member of the Board of Directors—I work closely with outside experts to advise on overall management. I will do my part in pursuing the sustainable social development and sustainability management that is the goal of all of us at DBJ.

Members of the Board of Directors, Audit & Supervisory Board Members, and Executive Officers (as of the end of July 2019)



A Yasushi Kinoshita
B Hajime Watanabe
C Shin Kikuchi
D Satoshi Tomii
E Kenkichi Fukuda
F Makoto Anayama
G Seiji Jige
H Eiichiro Yamane
I Akio Mimura
J Kazuo Ueda

Members of the Board of 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

Member of the Board of Directors, 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: Member of the Board of Directors, Managing Executive Officer of DBJ

Member of the Board of Directors, 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: Member of the Board of Directors, Managing Executive Officer of DBJ

Member of the Board of Directors, 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: Member of the Board of Directors, Managing Executive Officer of DBJ

Member of the Board of Directors, 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: Member of the Board of Directors, Managing Executive Officer of DBJ

Member of the Board of Directors, Managing Executive Officer

Eiichiro Yamane

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

1988: Joined Ministry of the Treasury
2017: Councillor, Secretariat of the Headquarters for Administrative Reform, Cabinet Secretariat
2019: Member of the Board of Directors, Managing Executive Officer of DBJ

Outside Member of the Board of Directors

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: Outside Member of the Board of Directors at DBJ

Outside Member of the Board of Directors

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: Outside Member of the Board of Directors at DBJ

Notes: Of the 15 members of the Board of 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 members of the Board of Directors and outside Audit & Supervisory Board members are not applicable.
Akio Mimura, Honorary Chairman of Nippon Steel Corporation, is an outside member of the Board of Directors of DBJ. DBJ has no special relationship with Mr. Mimura, and its business with Nippon Steel Corporation is conducted normally.
DBJ has no special-interest relationship with any other of its outside members of the Board of Directors or outside Audit & Supervisory Board members.
DBJ has signed liability limitation agreements with its outside members of the Board of Directors and outside Audit & Supervisory Board members, based on Paragraph 1, Article 427, of the Companies Act.

Audit & Supervisory Board Members

Audit & Supervisory Board Member

A 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

B 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

C 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

D 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

E 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 members of the Board of Directors)

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

Norifumi Sugimoto

In charge of Regional Planning Department, Tohoku Branch, Hokuriku 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

Managing Executive Officer

Ryusei Segawa

In charge of Hokkaido Branch, Niigata Branch, Tokai Branch

Managing Executive Officer

Tsutomu Murakami

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

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

Executive Officer

Kazufusa Matsushima

In charge of Internal Audit

Executive Officer

Katsushi Kitajo

Head of Human Resources Management Department

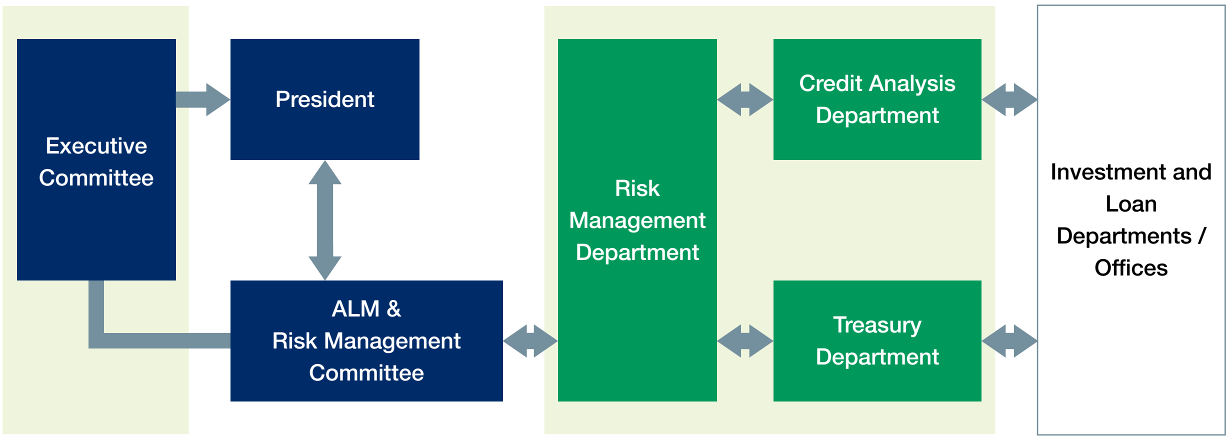
Risk Management

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 their respective levels. Furthermore, the Corporate Planning & Coordination Department has begun efforts to measure risk–return by such means as risk-adjusted return on capital.

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 of 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.

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.	

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.

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.

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).

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 (duration and 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.

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.

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.

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.

Administrative Risk Management

Administrative risk refers to the risk of sustaining losses resulting from employees neglecting to perform their duties correctly or from accidents, fraud, and the like. To reduce or prevent administrative risk, DBJ prepares manuals, performs checks on administrative procedures, provides education and training, and uses systems to reduce the burden of administrative duties.

System Risk Management

System risk refers to the risk of loss due to a computer system breakdown or malfunction, system defects, or improper computer 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 has prepared 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 have 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 have 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 have 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 it becomes necessary to execute the plans of the Disaster Response Committee, 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.

Climate Change Initiatives

Since the adoption of the Paris Agreement in 2015, addressing climate change has been a key priority for Japan and other countries around the world.

To a large extent, DBJ has done this through dialogue with customers made possible by the Environmentally Rated Loan Program (see page 59) and DBJ Green Building Certification (see page 26). In June 2018, we announced our agreement with the underlying principles of the Task Force on Climate-related Financial Disclosures (TCFD) created by the Financial Stability Board (FSB). DBJ identifies the unique risks and opportunities presented by climate change and discloses relevant information after proper examination.

DBJ is also a participant in the TCFD Consortium, which was established in May 2019 as a forum for discussion among the companies and financial institutions that agree with the TCFD declaration. Through this consortium, DBJ joins other participating companies in proactively discussing how to use and assess information disclosed under TCFD guidelines.

Corporate Governance

DBJ has based its business activities on the Policy on Sustainability, which it drew up in May 2017 with the aim of contributing to a sustainable society.

At meetings of the Sustainability Committee (see page 64), which reports to the Executive Committee, members of the Board of Directors lead discussions on climate change and other important social issues, their risks and opportunities, and DBJ's initiatives in this context. The outcomes of these discussions are reflected in business strategies and decision-making for investments and loans. In fiscal 2018, the Sustainability Committee discussed future goals and the fine-tuning of initiatives taken to date for the disclosure of information based on TCFD guidelines, as well as trends in energy around the world and the policies of DBJ.

Discussions at the Sustainability Committee

Strategy

When formulating Vision 2030 (see page 2), DBJ identified climate change, natural resources, and energy as changes in the external environment that can significantly impact the stakeholders of the DBJ Group. DBJ is responding to climate change by providing customers with solutions in the three critical fields of infrastructure, industry, and regional development.

DBJ holds seminars featuring outside experts in scenario analysis in order to gather information and build networks in the field. With the aim of serving as a leading example for domestic financial institutions, we plan to move ahead with the scenario analysis of climate risks and opportunities with the support programs of the Ministry of the Environment.

Risk Management

DBJ identifies, evaluates, monitors, and controls various risks associated with climate change.

In April 2019, in recognition of the need to consciously evaluate and monitor environmental and social risks related to specific projects targeted for financing, DBJ created the Environmental & Social Assessment Office within the Structured Finance Department.

DBJ's Environmentally Rated Loan Program and DBJ Green Building Certification provide important ways of engaging customers in discussions on how to build sustainable businesses that contribute to a sustainable society.

Measurement Standards and Targets

DBJ gauges the progress of its environmental initiatives related to Scope 1 (direct) and Scope 2 (indirect), which concern the amount of greenhouse gas (GHG) emissions associated with corporate activities. Specific targets are set for DBJ and for each department in regard to the environmental aspects of investment and loan operations and environmental protection initiatives such as educational programs that encourage dialogue on relevant issues. These are all ways in which DBJ works systematically and consistently to help preserve the environment.

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
2018	October	DBJ Americas Inc. launched

Shareholder Information

As of March 31, 2019

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 amended 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 amended 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.

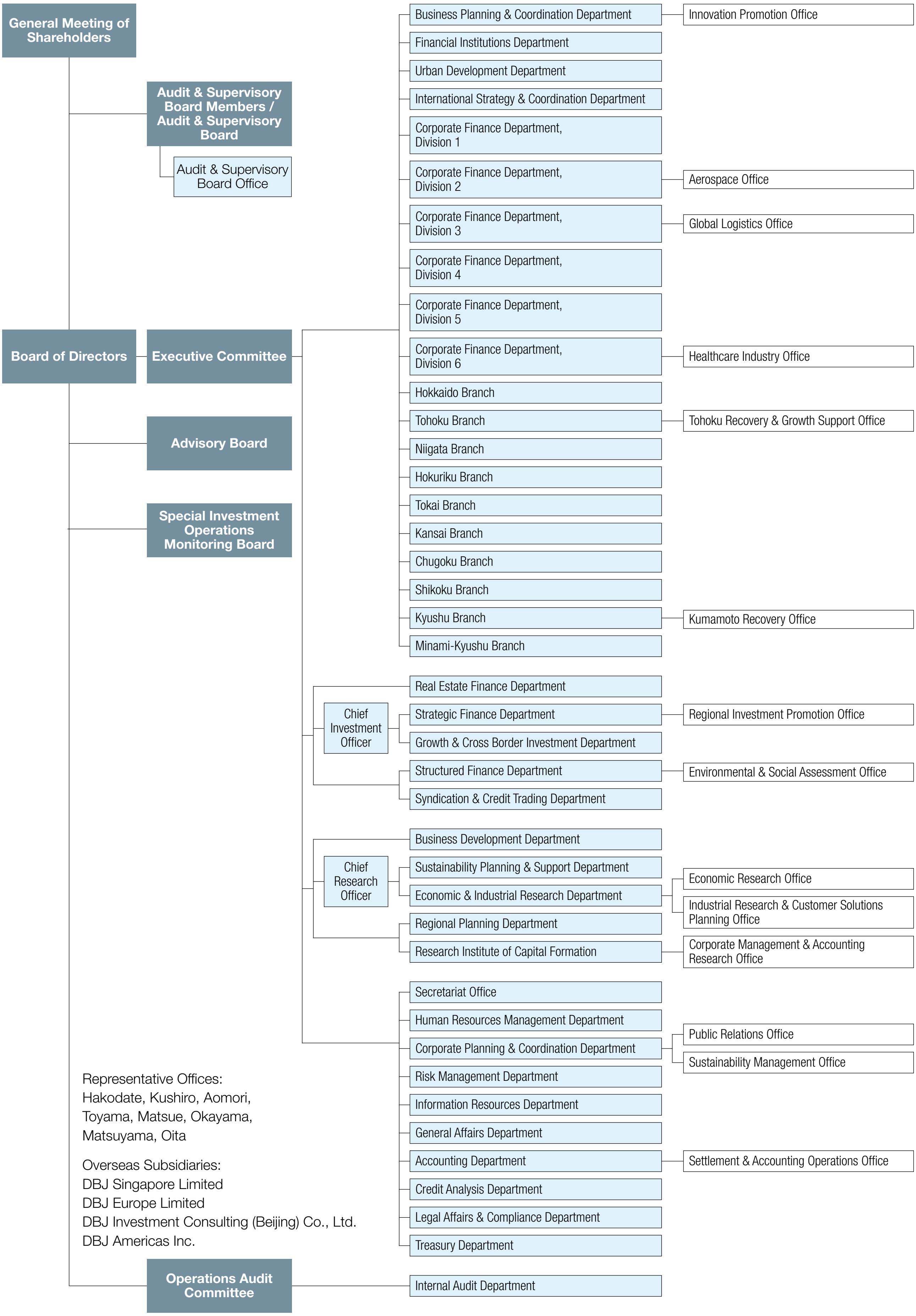
As part of this structural revision, deliberations by the Japanese government's Study Panel Concerning the Promotion of Expanding Growth Funding covered such topics as DBJ's proper implementation of Crisis Response Operations, the importance of initiatives for providing growth capital (equity and mezzanine 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, 2019)



Representative Offices:
Hakodate, Kushiro, Aomori,
Toyama, Matsue, Okayama,
Matsuyama, Oita

Overseas Subsidiaries:
DBJ Singapore Limited
DBJ Europe Limited
DBJ Investment Consulting (Beijing) Co., Ltd.
DBJ Americas Inc.

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, 2018
Last Amended : May 24, 2017 by Act No. 37 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), (2), (7)" in Article 13-4 of the Banking Act shall be changed to read "Article 38, Item (7)," 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 Contractors 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 Contractors 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 are reduced is appropriated to the paid-in capital)" shall be changed to read "In cases where…"; "of Paid-In Capital, Etc." shall be changed to read "of crisis response reserve"; references to "Paid-In Capital, Etc." in Paragraph 2, Item (1) of the said Article shall be changed to read "crisis response reserve"; references to "Ordinance of the Ministry of Justice" in Item (2) of the said Paragraph shall be changed to read the "Ministry of Finance Ordinance"; references to "Paid-In Capital, Etc." in Paragraph 4 and the proviso of Paragraph 5 of the said Article shall be changed to read "crisis response reserve"; references to "paid-in capital" in Paragraph 6, Item (1) of the said Article shall be changed to read "crisis response reserve set forth in Article 2-27, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act"; "Article 447, Paragraph 1, Item (3)" shall be changed to read "Paragraph 4, Item (2) of the said Article"; references to "paid-in capital of" in Article 828, Paragraph 1, Item (5) of the said Act shall be changed to read "crisis response reserve set forth in Article 2-27, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act concerning"; "on which the reduction in the amount of paid-in capital" shall be changed to read "on which the reduction in the amount of the said crisis response reserve"; and references to "paid-in capital" in Paragraph 2, Item (5) of the said Article shall be changed to read "crisis response reserve set forth in Article 2-27, Paragraph 1 of the Supplementary Provisions of the Development Bank of Japan Inc. Act."
3. The provisions of Article 449 (other than the proviso of Paragraph 1 and Paragraph 6, Item (2)) and Article 828 (limited to the portions relating to Paragraph 1, Item (5) and Paragraph 2, Item (5)) of the Companies Act shall apply *mutatis mutandis* to cases where the amount of special investment reserve is reduced as set forth in

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

4. The provisions of Article 449 (other than the proviso of Paragraph 1 and Paragraph 6, Item (2)) and Article 828 (limited to the portions relating to Paragraph 1, Item (5) and Paragraph 2, Item (5)) of the Companies Act shall apply *mutatis mutandis* to cases where the amount of special investment surplus 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

As of March 31,	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
Assets			
Cash and due from banks (Notes 2(c), 11, 14 and 28)	¥ 966,903	¥ 1,033,907	$ 8,711,629
Call loans and bills bought (Note 28)	260,000	463,179	2,342,553
Money held in trust (Notes 28 and 30)	20,182	11,266	181,840
Securities (Notes 3, 14, 28 and 30)	1,961,054	1,866,401	17,668,751
Loans (Notes 4, 5, 14 and 28)	12,923,938	12,725,235	116,442,372
Other assets (Notes 6, 11 and 14)	191,317	215,517	1,723,732
Tangible fixed assets (Notes 7, 11 and 14)	469,559	432,344	4,230,644
Intangible fixed assets (Notes 11 and 14)	45,311	37,162	408,248
Asset for retirement benefits (Note 23)	2,238	2,590	20,170
Deferred tax assets (Note 24)	1,217	7,751	10,971
Customers' liabilities for acceptances and guarantees (Note 13)	273,239	201,796	2,461,842
Allowance for loan losses (Notes 8 and 28)	(35,336)	(44,745)	(318,378)
Allowance for investment losses	(46)	(176)	(419)
Total assets	**¥17,079,580**	**¥16,952,230**	**$153,883,955**
Liabilities and equity			
Liabilities:			
Debentures (Notes 9, 14 and 28)	¥ 3,190,536	¥ 3,086,650	$ 28,746,163
Payables under repurchase agreements (Notes 14 and 28)	93,761	—	844,777
Borrowed money (Notes 10, 11, 14, 28 and 31)	7,987,860	8,574,170	71,969,190
Corporate bonds (Notes 9, 11, 14 and 28)	2,106,463	1,846,332	18,978,854
Other liabilities (Notes 12 and 31)	101,869	97,951	917,829
Accrued bonuses to employees	5,066	4,931	45,649
Accrued bonuses to directors	15	13	136
Liability for retirement benefits (Note 23)	7,969	8,057	71,806
Reserve for directors' retirement benefits	122	100	1,108
Deferred tax liabilities (Note 24)	16,328	22,104	147,119
Acceptances and guarantees (Note 13)	273,239	201,796	2,461,842
Total liabilities	**13,783,234**	**13,842,110**	**124,184,473**
Equity:			
Common stock authorized, 160,000 thousand shares in 2019 and 2018; issued, 43,632 thousand shares in 2019 and 2018 (Note 15)	1,000,424	1,000,424	9,013,641
Crisis response reserve (Note 16)	206,529	206,529	1,860,789
Special investment reserve (Note 17)	588,000	330,000	5,297,775
Special investment surplus (Note 17)	5,412	3,099	48,765
Capital surplus (Note 15)	766,466	895,466	6,905,724
Retained earnings (Note 15)	651,887	584,689	5,873,390
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 30)	44,652	50,520	402,314
Deferred gain on derivatives under hedge accounting	23,766	27,955	214,129
Foreign currency translation adjustments	(1,202)	(1,285)	(10,834)
Accumulated adjustments for retirement benefits (Note 23)	(272)	(29)	(2,459)
Total	3,285,663	3,097,369	29,603,235
Non-controlling interests	10,682	12,750	96,247
Total equity	**3,296,345**	**3,110,120**	**29,699,482**
Total liabilities and equity	**¥17,079,580**	**¥16,952,230**	**$153,883,955**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Development Bank of Japan Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
For the year ended March 31,	2019	2018	2019
Income			
Interest income:	¥182,377	¥185,653	$1,643,189
Interest on loans	151,006	153,698	1,360,542
Interest and dividends on securities	23,994	23,223	216,186
Interest on call loans and bills bought	100	153	909
Interest on due from banks	28	29	255
Interest on swaps	7,263	8,553	65,444
Other interest income	(16)	(4)	(145)
Fees and commissions	16,280	14,517	146,680
Other operating income (Note 19)	6,987	6,198	62,954
Other income (Note 20)	95,561	87,757	860,990
Total income	**301,206**	**294,126**	**2,713,814**
Expenses			
Interest expense:	89,504	90,248	806,422
Interest on debentures	37,676	33,198	339,458
Interest on call money and bills sold	(52)	(27)	(469)
Interest on payables under repurchase agreements	(62)	(46)	(559)
Interest on borrowed money (Note 31)	46,693	51,894	420,697
Interest on short-term corporate bonds	317	755	2,863
Interest on corporate bonds	4,822	4,482	43,446
Other interest expense	109	(8)	987
Fees and commissions	1,354	1,304	12,205
Other operating expenses (Note 21)	3,532	3,273	31,823
General and administrative expenses	64,889	59,175	584,646
Other expenses (Note 22)	15,187	10,700	136,839
Total expenses	**174,469**	**164,701**	**1,571,936**
Income before income taxes	**126,737**	**129,425**	**1,141,878**
Income taxes (Note 24):			
Current	34,953	38,070	314,924
Deferred	(1,443)	(3,006)	(13,005)
Total income taxes	**33,509**	**35,063**	**301,919**
Net income	**93,227**	**94,361**	**839,959**
Net income attributable to non-controlling interests	**1,290**	**2,422**	**11,627**
Net income attributable to owners of the parent	**¥ 91,936**	**¥ 91,938**	**$ 828,332**

	Yen		U.S. Dollars (Note 1)
Per share of common stock (Note 18)			
Basic net income	¥2,080.56	¥2,092.38	$ 18.75
Cash dividend applicable to the year	482	507	4.34

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 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
Net income	¥ 93,227	¥94,361	$839,959
Other comprehensive (loss) income (Note 26):			
Unrealized (loss) gain on available-for-sale securities	(1,834)	2,600	(16,530)
Deferred loss on derivatives under hedge accounting	(4,359)	(5,935)	(39,281)
Foreign currency translation adjustments	113	(74)	1,026
Adjustments for retirement benefits	(249)	463	(2,251)
Share of other comprehensive (loss) income in affiliates accounted for by the equity method	(3,929)	3,174	(35,407)
Total other comprehensive (loss) income	(10,260)	228	(92,443)
Comprehensive income	¥ 82,966	¥94,590	$747,516
Total comprehensive income attributable to:			
Owners of the parent	¥ 81,718	¥92,159	$736,270
Non-controlling interests	1,248	2,430	11,247

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Development Bank of Japan Inc. and Consolidated Subsidiaries

	Millions of Yen					
For the year ended March 31, 2019	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	¥330,000	¥3,099	¥895,466	¥584,689
Investment from government			129,000			
Transfer from capital surplus to special investment reserve			129,000		(129,000)	
Cash dividends						(22,121)
Net income attributable to owners of the parent						91,936
Transfer from retained earnings to special investment surplus				2,313		(2,313)
Change in scope of consolidation						(303)
Net change during the year						
Balance at end of year	¥1,000,424	¥206,529	¥588,000	¥5,412	¥766,466	¥651,887

	Millions of Yen						
	Accumulated other comprehensive income						
For the year ended March 31, 2019	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	¥50,520	¥27,955	¥(1,285)	¥ (29)	¥3,097,369	¥12,750	¥3,110,120
Investment from government					129,000		129,000
Transfer from capital surplus to special investment reserve							—
Cash dividends					(22,121)		(22,121)
Net income attributable to owners of the parent					91,936		91,936
Transfer from retained earnings to special investment surplus							—
Change in scope of consolidation					(303)		(303)
Net change during the year	(5,867)	(4,189)	82	(243)	(10,218)	(2,067)	(12,285)
Balance at end of year	¥44,652	¥23,766	¥(1,202)	¥(272)	¥3,285,663	¥10,682	¥3,296,345

	Millions of Yen					
For the year ended March 31, 2018	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

	Millions of Yen						
	Accumulated other comprehensive income						
For the year ended March 31, 2018	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, 2019	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	$9,013,641	$1,860,789	$2,973,241	$27,924	$8,067,991	$5,267,948
Investment from government			1,162,267			
Transfer from capital surplus to special investment reserve			1,162,267		(1,162,267)	
Cash dividends						(199,312)
Net income attributable to owners of the parent						828,332
Transfer from retained earnings to special investment surplus				20,841		(20,841)
Change in scope of consolidation						(2,737)
Net change during the year						
Balance at end of year	$9,013,641	$1,860,789	$5,297,775	$48,765	$6,905,724	$5,873,390

For the year ended March 31, 2019	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	$455,180	$251,877	$(11,578)	$ (267)	$27,906,747	$114,878	$28,021,625
Investment from government					1,162,267		1,162,267
Transfer from capital surplus to special investment reserve							—
Cash dividends					(199,312)		(199,312)
Net income attributable to owners of the parent					828,332		828,332
Transfer from retained earnings to special investment surplus							—
Change in scope of consolidation					(2,737)		(2,737)
Net change during the year	(52,866)	(37,748)	744	(2,193)	(92,063)	(18,631)	(110,694)
Balance at end of year	$402,314	$214,129	$(10,834)	$(2,459)	$29,603,235	$ 96,247	$29,699,482

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,	2019	2018	2019
Cash flows from operating activities:			
Income before income taxes	¥ 126,737	¥ 129,425	$ 1,141,878
Adjustments for:			
Depreciation	12,668	10,023	114,141
Amortization of goodwill	2,253	1,666	20,306
Losses on impairment of long-lived assets	—	31	—
Equity in earnings of affiliates	(9,758)	(4,193)	(87,923)
Gain on change in equity	—	(729)	—
Interest income	(182,377)	(185,653)	(1,643,189)
Interest expense	89,504	90,248	806,422
Gain on securities – net	(40,606)	(39,305)	(365,859)
Gain on money held in trust – net	(805)	(722)	(7,260)
Foreign exchange (gains) losses	(1,080)	1,244	(9,735)
Loss (gain) on sales of fixed assets – net	1,396	(1,570)	12,580
Changes in operating assets and liabilities:			
Allowance for loan losses	(9,408)	(11,468)	(84,770)
Allowance for investment losses	(129)	(238)	(1,167)
Accrued bonuses to employees	135	(146)	1,218
Accrued bonuses to directors	1	1	14
Asset for retirement benefits	351	(600)	3,167
Liability for retirement benefits	(87)	84	(793)
Reserve for contingent losses	—	(40)	—
Loans	(198,703)	314,290	(1,790,285)
Debentures	103,885	69,936	935,991
Borrowed money	(556,389)	101,803	(5,012,969)
Corporate bonds	260,130	151,191	2,343,725
Due from banks (excluding cash equivalents)	(24,206)	15,500	(218,093)
Call loans and bills bought	203,179	(463,179)	1,830,608
Call money and bills sold	—	(13,000)	—
Payables under repurchase agreements	93,761	(55,142)	844,777
Interest received	180,167	180,705	1,623,278
Interest paid	(91,044)	(91,092)	(820,291)
Other – net	18,532	(66,531)	166,976
Sub-total	(21,893)	132,536	(197,254)
Payments for income taxes	(36,784)	(21,696)	(331,423)
Net cash (used in) provided by operating activities	**(58,677)**	**110,839**	**(528,677)**
Cash flows from investing activities:			
Payments for purchases of securities	(488,408)	(338,751)	(4,400,475)
Proceeds from sales of securities	116,121	49,427	1,046,236
Proceeds from redemption of securities	324,288	220,110	2,921,777
Payments for increase of money held in trust	(9,090)	(3,401)	(81,907)
Proceeds from decrease of money held in trust	814	8,651	7,342
Payments for purchases of tangible fixed assets	(9,739)	(45,445)	(87,752)
Proceeds from sales of tangible fixed assets	322	20,402	2,906
Payments for purchases of intangible fixed assets	(3,122)	(5,920)	(28,137)
Payments for purchases of stocks of subsidiaries resulting in change in scope of consolidation	(69,758)	—	(628,512)
Proceeds from sales of stocks of subsidiaries resulting in change in scope of consolidation	2,284	—	20,581
Payments for acquisition of business	—	(39,346)	—
Net cash used in investing activities	**(136,289)**	**(134,274)**	**(1,227,941)**
Cash flows from financing activities:			
Proceeds from investment from government	129,000	50,000	1,162,267
Payments for cash dividends	(22,121)	(19,721)	(199,312)
Proceeds from issuance of securities to non-controlling shareholders of subsidiaries	7	15	63
Dividends paid to non-controlling shareholders of subsidiaries	(3,322)	(1,051)	(29,939)
Net cash provided by financing activities	**103,562**	**29,242**	**933,080**
Foreign currency translation adjustments on cash and cash equivalents	**194**	**(505)**	**1,757**
Net change in cash and cash equivalents	**(91,209)**	**5,302**	**(821,782)**
Cash and cash equivalents at beginning of year	**995,027**	**989,724**	**8,965,016**
Cash and cash equivalents at end of year (Note 2(c))	**¥ 903,817**	**¥ 995,027**	**$ 8,143,234**

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 2018 consolidated financial statements to conform to the classifications used in 2019.

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 ¥110.99=$1.00, the effective exchange rate prevailing as of March 31, 2019, 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, 2019 is 30. The major consolidated subsidiaries as of March 31, 2019 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.
DBJ Americas Inc.

In the year ended March 31, 2019, DBJ Americas Inc. was newly consolidated due to new incorporation. Oita Mega Solar was excluded from the scope of consolidation due to partial sales of investment in equity interest.

(ii) Unconsolidated subsidiaries

The number of unconsolidated subsidiaries as of March 31, 2019 is 53. The major unconsolidated subsidiary as of March 31, 2019 was DBJ Regional Investment Co., Ltd.

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.
ORENO Corporation

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, 2019 was 53. The major unconsolidated subsidiary not accounted for by the equity method was DBJ Regional Investment Co., Ltd.

(ii) Affiliates accounted for by the equity method

The number of affiliates accounted for by the equity method as of March 31, 2019 was 28. One of the major affiliates accounted for by the equity method as of March 31, 2019 was AIRDO Co., Ltd.

Changes in the scope of affiliates accounted for by the equity method:

SPACE ONE CO., LTD., RS Global Capital Investment LLC and Perennial Lordstown, LLC were newly accounted for by the equity method due to new investments, new incorporation and acquisition of equity interests, respectively, in the year ended March 31, 2019.

En-CP Growth Investment L.P. was excluded from the scope of the equity method accounting due to liquidation in the year ended March 31, 2019.

(iii) Affiliates not accounted for by the equity method

The number of affiliates not accounted for by the equity method as of March 31, 2019 was 117. One of the major affiliates as of March 31, 2019 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, 2019

Socionext Inc.
KANTO-UNYU Co., Ltd.
Daisho-gun Co., Ltd.
PT. PETROTEKNO
C&A Tool Engineering, Inc.
Medical Care Service Company Inc.
CMIC CMO Co., Ltd.
NATIONAL CAR PARKS LIMITED
Megabass inc.
IZUMI PRODUCTS COMPANY
TAKUMIYA HOLDINGS Co., Ltd.
FUJIBAMBI HOLDINGS Co., Ltd.
INVOICE INC.
NIHON CM HOLDINGS Co., Ltd.
Nippon Heater Kiki Co., LTD.
HIROFU CO., LTD.

(3) Balance Sheet Dates of Consolidated Subsidiaries

Balance sheet dates of consolidated subsidiaries are as follows:

	Number of subsidiaries
	2019
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
	2019	2018	2019
Cash and due from banks	¥966,903	¥1,033,907	$8,711,629
Time deposits with banks	(63,086)	(38,880)	(568,394)
Cash and cash equivalents	¥903,817	¥ 995,027	$8,143,234

(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 consolidated 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. The portfolio hedge is accounted for by the deferral method provided in "Accounting and Auditing Treatments on Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002).

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. For currency swaps used to hedge foreign exchange risks of foreign currency denominated financial assets and liabilities, the effectiveness is assessed by confirming that the total foreign currency denominated financial assets and liabilities of the hedged items are equal to or larger than that of hedging instruments.

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., except for shares of subsidiaries and affiliates translated at historical rates, 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 ¥17,332 million ($156,167 thousand) and ¥15,600 million for the years ended March 31, 2019 and 2018, 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, 2019 and 2018.

(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) Lease Transactions

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

(q) Consumption Taxes

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

(r) 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.

(s) 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.

(t) 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, 2019 and 2018 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, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Japanese government bonds*3	¥ 125,132	¥ 145,512	$ 1,127,418
Corporate bonds*2	713,426	734,391	6,427,849
Equities*1	423,008	406,229	3,811,234
Other securities*1	699,486	580,268	6,302,250
Total	¥1,961,054	¥1,866,401	$17,668,751

*1. Investments in unconsolidated subsidiaries and affiliates included in "Equities" as of March 31, 2019 and 2018, are ¥60,473 million ($544,854 thousand) and ¥41,691 million, respectively. Investments in unconsolidated subsidiaries and affiliates included in "Other securities" as of March 31, 2019 and 2018, are ¥189,520 million ($1,707,546 thousand) and ¥163,194 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 ¥5,700 million ($51,361 thousand) and ¥6,438 million as of March 31, 2019 and 2018, respectively.
*3. Japanese government bonds include securities lent in accordance with the unsecured securities lending agreement in the amount of ¥37,400 million ($336,974 thousand) and ¥28,480 million as of March 31, 2019 and 2018, 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.

No impairment losses on securities were recognized for the year ended March 31, 2019.
Impairment losses were recognized on bonds in an amount of ¥135 million for the year ended March 31, 2018.

4. NON-PERFORMING LOANS

The amounts of non-performing loans included in "Loans" as of March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Loans to bankrupt debtors*2	¥ 0	¥ —	$ 2
Delinquent loans*3	30,184	43,750	271,952
Loans past due three months or more*4	—	—	—
Restructured loans*5	21,315	16,634	192,048
Total	¥51,499	¥60,385	$464,003

*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, 2019 and 2018, the amounts of unused commitments are ¥1,107,549 million ($9,978,823 thousand) and ¥755,609 million, respectively. As of March 31, 2019 and 2018, the amounts of unused commitments with remaining contract term within one year are ¥774,442 million ($6,977,591 thousand) and ¥416,683 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, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Prepaid expenses	¥ 4,041	¥ 3,846	$ 36,417
Accrued income	28,166	26,548	253,773
Derivatives	57,475	54,337	517,847
Cash collateral paid for financial instruments	23,118	59,262	208,293
Margin deposits with the central clearing house	34,284	31,140	308,899
Other	44,229	40,380	398,504
Total	¥191,317	¥215,517	$1,723,732

7. TANGIBLE FIXED ASSETS

Tangible fixed assets as of March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Buildings	¥ 18,306	¥ 18,682	$ 164,936
Land	91,214	91,214	821,829
Leased assets	284	325	2,566
Construction in progress	20	250	181
Other	359,733	321,871	3,241,133
Total	¥469,559	¥432,344	$4,230,644

Note: Accumulated depreciation of tangible fixed assets as of March 31, 2019 and 2018, is ¥31,741 million ($285,984 thousand) and ¥24,495 million, respectively.

8. ALLOWANCE FOR LOAN LOSSES

Allowance for loan losses as of March 31, 2019 and 2018 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
General allowance for loan losses	¥13,759	¥21,782	$123,967
Specific allowance for loan losses	21,577	22,963	194,411
Total	¥35,336	¥44,745	$318,378

9. DEBENTURES AND CORPORATE BONDS

Debentures and corporate bonds as of March 31, 2019 and 2018 are as follows:

	Issue date	Interest rate (%)	Maturity date	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars 2019
(Issuer: DBJ Inc.)						
Debentures						
Japanese government-guaranteed bonds 12,14,15,17,19,20,22,23*1,7	Jun. 2006– Aug. 2008	1.6– 2.2	Aug. 2018– Jun. 2023	¥ 210,008	¥ 260,005	$ 1,892,136
Japanese government-guaranteed bonds 1-7,9,11,14-55	Nov. 2008– Mar. 2019	0.001– 2.1	Jun. 2018– Mar. 2029	1,580,828 [199,978]	1,490,269	14,242,982 [1,801,769]
Japanese government-guaranteed foreign bond 67*2,7	Sep. 1998	1.81	Sep. 2028	25,038	25,042	225,591
Japanese government-guaranteed foreign bonds 5-7,10,11,14*1,7	Dec. 2002– Nov. 2007	1.05– 4.75	Sep. 2022– Nov. 2027	369,018	369,019	3,324,788
Japanese government-guaranteed Euro MTN bonds 6,8-18*3	Sep. 2012– Sep. 2018	1.625– 3.25	Oct. 2018– Sep. 2028	908,675 [108,956]	795,349	8,187,005 [981,676]
FILP agency domestic bonds 11,20,30,31,34-36,42,49,51*4,7	Dec. 2003– Jul. 2008	1.7– 2.74	Jun. 2018– Mar. 2047	94,967	144,964	855,642
Euro MTN FILP agency bond 2*4,5,7	Sep. 2008	2.032	Sep. 2023	2,000	2,000	18,020
Corporate bonds						
Corporate bonds through public placement 5,17,23,26,31,35,37,39,40,42, 44,46,47,49,50,52-104	Apr. 2009– Jan. 2019	0– 1.745	Jun. 2018– Mar. 2058	1,213,200 [225,600]	1,148,800	10,930,720 [2,032,616]
Corporate bonds through private placement 3-25,27-37,39-94	Feb. 2015– Feb. 2019	0– 1.16	May 2019– Mar. 2058	402,000 [27,000]	304,000	3,621,949 [243,265]
Corporate bonds Euro MTN 29-32,34,36,42,43,45-49,51, 52,54-57,60-76*6	Jul. 2011– Dec. 2018	0– 3.749	May 2018– Dec. 2048	491,012 [54,408]	388,782	4,423,933 [490,208]
(Issuer: Green Asset Investment TMK)						
Specified corporate bond 1*8	Dec. 2012	5.53	May 2018	—	4,500	—
(Issuer: Hiratsuka Holding TMK)						
Specified corporate bond 4*8	Sep. 2014	0.13909	Sep. 2019	250 [250]	250	2,252 [2,252]
Total				¥5,296,999	¥4,932,983	$47,725,017

*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, 2019 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, 2020	¥615,942	¥250	$5,549,534	$2,252
2021	557,695	—	5,024,737	—
2022	739,767	—	6,665,168	—
2023	750,655	—	6,763,271	—
2024	639,717	—	5,763,736	—

10. BORROWED MONEY

Borrowed money as of March 31, 2019 and 2018 is as follows:

			Millions of Yen		Thousands of U.S. Dollars
	Average interest rate (%)	Due date of repayment	2019	2018	2019
Borrowings	0.54	May 2019–Feb. 2039	¥7,808,016	¥8,432,199	$70,348,832
Non-recourse borrowings	0.76	Sep. 2019–Dec. 2036	179,843	141,971	1,620,358
Total	0.55		¥7,987,860	¥8,574,170	$71,969,190

Scheduled repayments of above borrowings and non-recourse borrowings for the following 5 years subsequent to March 31, 2019 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, 2020	¥1,155,656	¥17,915	$10,412,256	$161,414
2021	952,554	6,729	8,582,348	60,630
2022	1,278,704	6,781	11,520,903	61,102
2023	846,562	6,838	7,627,373	61,611
2024	699,608	6,918	6,303,346	62,338

11. NON-RECOURSE DEBTS

Non-recourse debts in consolidated special purpose companies as of March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Non-recourse debts:			
Borrowed money	¥179,843	¥141,971	$1,620,358
Corporate bonds	250	4,750	2,252
Assets corresponding to non-recourse debts:			
Cash and due from banks	12,871	9,016	115,973
Other assets	4,400	1,859	39,645
Tangible fixed assets	188,151	151,021	1,695,211
Intangible fixed assets	5,414	88	48,781

12. OTHER LIABILITIES

Other liabilities as of March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Accrued expenses	¥ 18,143	¥20,734	$163,472
Unearned income	1,055	1,249	9,508
Accrued income taxes	13,620	18,707	122,720
Derivatives	30,469	20,728	274,529
Lease obligations	161	196	1,456
Asset retirement obligations	5,700	3,567	51,360
Other	32,718	32,767	294,784
Total	¥101,869	¥97,951	$917,829

13. ACCEPTANCES AND GUARANTEES

Acceptances and guarantees as of March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Guarantees	¥273,239	¥201,796	$2,461,842

14. ASSETS PLEDGED AS COLLATERAL

Cash and due from banks of ¥12,871 million ($115,973 thousand), securities of ¥87,731 million ($790,444 thousand), other assets of ¥4,400 million ($39,645 thousand), tangible fixed assets of ¥188,151 million ($1,695,211 thousand) and intangible fixed assets of ¥5,414 million ($48,781 thousand) are pledged as collateral for payables under repurchase agreements of ¥93,761 million ($844,777 thousand), borrowed money of ¥179,843 million ($1,620,358 thousand) and corporate bonds of ¥250 million ($2,252 thousand) as of March 31, 2019.

Cash and due from banks of ¥9,016 million, other assets of ¥1,859 million, tangible fixed assets of ¥151,021 million and intangible fixed assets of ¥88 million are pledged as collateral for borrowed money of ¥141,971 million and corporate bonds of ¥4,750 million 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 ¥129,452 million ($1,166,341 thousand) and ¥1,147,624 million ($10,339,893 thousand), respectively, as of March 31, 2019, which are deposited as collateral for transactions, including exchange settlements as of March 31, 2019. On behalf of the investees who borrow from third parties, ¥27,030 million ($243,536 thousand) of securities are deposited as security as of March 31, 2019. Additionally, ¥23,118 million ($208,293 thousand) of cash collateral paid for financial instruments, etc. and ¥34,284 million ($308,899 thousand) of margin deposits with the central clearing house are included in other assets as of March 31, 2019. 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 ¥701,289 million ($6,318,488 thousand) as of March 31, 2019.

Securities and loans pledged as collateral in Real Time Gross Settlement for bank deposits at the Bank of Japan are ¥200,470 million and ¥969,934 million, 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 of securities are deposited as security as of March 31, 2018. Additionally, ¥59,262 million of cash collateral paid for financial instruments, etc. and ¥31,140 million 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 Inc. are secured by a statutory preferential right over the property of DBJ Inc. The face value of these debentures amounts to ¥801,289 million as of March 31, 2018.

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, 2019 and 2018 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31, 2019	Net income attributable to owners of the parent	Weighted average shares	EPS	EPS
Basic EPS				
Net income attributable to owners of the parent	¥91,936			
Net income not attributable to common shareholders (Amount attributable to the National Treasury related to special investment operations)	1,156			
Net income attributable to owners of the parent relating to common stock	¥90,780	43,632	¥2,080.56	$18.75
Year ended March 31, 2018				
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	

Note: Diluted net income per share for the years ended March 31, 2019 and 2018 is not disclosed because there are no dilutive securities.

19. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2019 and 2018 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Foreign exchange gains	¥6,094	¥ —	$54,914
Gains on sales of bonds	283	286	2,552
Gains on derivatives	—	4,980	—
Other	609	931	5,488
Total	¥6,987	¥6,198	$62,954

20. OTHER INCOME

Other income for the years ended March 31, 2019 and 2018 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Reversal of allowance for loan losses	¥ 4,915	¥ 8,897	$ 44,286
Gains on sales of equities and other securities	17,324	7,136	156,095
Reversal of reserve for contingent losses	—	40	—
Equity in earnings of affiliates	9,758	4,193	87,923
Gains on sales of fixed assets	1	1,604	16
Collection of written-off claims	1,994	3,670	17,971
Gains on investments in limited partnerships and other similar partnerships	27,070	36,185	243,904
Rental income on land and buildings	13,224	9,953	119,154
Sales of electric power	12,240	8,508	110,281
Gain on change in equity	—	729	—
Other	9,030	6,836	81,359
Total	¥95,561	¥87,757	$860,990

21. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Losses on sales of bonds	¥ 16	¥ 1	$ 150
Foreign exchange losses	—	1,180	—
Write-off of bonds	—	135	—
Debenture issuance costs	861	870	7,759
Corporate bonds issuance costs	1,271	1,079	11,452
Losses on derivatives	1,381	—	12,451
Other	1	6	11
Total	¥3,532	¥3,273	$31,823

22. OTHER EXPENSES

Other expenses for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Losses on sales of fixed assets	¥ 1,397	¥ 34	$ 12,595
Impairment losses	—	31	—
Losses on investments in limited partnerships and other similar partnerships	2,979	3,786	26,849
Depreciation	8,539	6,005	76,943
Provision of allowance for investment losses	6	8	57
Other	2,263	833	20,396
Total	¥15,187	¥10,700	$136,839

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, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥34,476	¥34,111	$310,631
Service cost	1,560	1,555	14,061
Interest cost	376	372	3,390
Actuarial losses	892	57	8,040
Benefits paid	(1,933)	(1,620)	(17,424)
Balance at end of year	¥35,372	¥34,476	$318,699

(2) The changes in plan assets for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥29,009	¥28,128	$261,368
Expected return on plan assets	145	140	1,307
Actuarial gains	384	532	3,461
Contributions from the employer	1,018	1,019	9,181
Benefits paid	(916)	(810)	(8,254)
Balance at end of year	¥29,641	¥29,009	$267,062

(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, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Funded retirement benefit obligations	¥ 27,402	¥ 26,419	$ 246,893
Plan assets	(29,641)	(29,009)	(267,062)
	(2,238)	(2,590)	(20,170)
Unfunded retirement benefit obligations	7,969	8,057	71,806
Net liability for retirement benefits recorded in the consolidated balance sheet	¥ 5,731	¥ 5,467	$ 51,637
Liability for retirement benefits	¥ 7,969	¥ 8,057	$ 71,806
Asset for retirement benefits	(2,238)	(2,590)	(20,170)
Net liability for retirement benefits recorded in the consolidated balance sheet	¥ 5,731	¥ 5,467	$ 51,637

(4) The components of net periodic retirement benefit costs for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Service cost	¥1,560	¥1,555	$14,061
Interest cost	376	372	3,390
Expected return on plan assets	(145)	(140)	(1,307)
Amortization of net actuarial losses	136	180	1,225
Amortization of prior service cost	12	12	110
Net periodic retirement benefit costs	¥1,940	¥1,980	$17,480

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of adjustments for retirement benefit for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Prior service cost	¥ 12	¥ 12	$ 110
Actuarial (losses) gains	(372)	655	(3,354)
Total	¥(360)	¥668	$(3,244)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of adjustment for accumulated retirement benefit as of March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrecognized prior service cost	¥ (19)	¥(31)	$ (176)
Unrecognized actuarial (losses) gains	(363)	9	(3,272)
Total	¥(382)	¥(22)	$(3,449)

(7) Plan assets

(i) Components of plan assets

Plan assets as of March 31, 2019 and 2018 consisted of the following:

	2019	2018
Debentures	89%	89%
Equity	10%	10%
Others	1%	1%
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, 2019 and 2018 were set forth as follows:

	2019	2018
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, 2019 and 2018 are ¥237 million ($2,136 thousand) and ¥231 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 30.62% and 30.86% for the years ended March 31, 2019 and 2018, respectively.

A reconciliation of the normal effective statutory tax rate with the actual effective tax rate for the years ended March 31, 2019 and 2018 is as follows:

	2019	2018
Normal effective statutory tax rate	30.62%	30.86%
Increase (decrease) in taxes resulting from:		
Change in valuation allowance	(1.83)%	(3.11)%
Equity in earnings of affiliates	(2.36)%	(1.00)%
Other	0.01%	0.34%
Actual effective tax rate	26.44%	27.09%

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Deferred tax assets:			
Allowance for loan losses	¥ 14,478	¥ 17,137	$ 130,453
Losses from revaluation of securities	11,955	11,516	107,719
Excess of fair value over assets of consolidated subsidiaries	3,426	4,538	30,876
Liability for retirement benefits	1,986	2,010	17,896
Tax goodwill	1,416	8,160	12,761
Tax loss carryforwards	6,289	5,121	56,670
Other	16,583	13,558	149,413
Sub-total	56,137	62,044	505,787
Less-valuation allowance on total of temporary differences deductible in future periods	(38,765)	—	(349,269)
Sub-total	(38,765)	(40,763)	(349,269)
Total	17,371	21,280	156,518
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(17,085)	(19,767)	(153,934)
Deferred gain on derivatives under hedge accounting	(10,696)	(12,500)	(96,372)
Other	(4,701)	(3,366)	(42,362)
Total	(32,483)	(35,634)	(292,668)
Net deferred tax assets (liabilities)	¥(15,111)	¥(14,353)	$(136,149)

(Change in presentation method)
DBJ Inc. has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018, hereinafter the "Partial Amendments") from the year ended March 31, 2019, and accordingly, changed the presentation of these notes on INCOME TAXES.

The disclosure requirements described in the interpretation (Note 8) (1) (excluding total of valuation allowance) of the "Accounting Standard for Tax Effect Accounting" as provided in paragraph 4 of the Partial Amendments were added to these notes on INCOME TAXES. However, information for the previous fiscal year is omitted pursuant to the transitional treatment provided in paragraph 7 of the Partial Amendments.

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, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due within 1 year	¥1,700	¥1,521	$15,323
Due after 1 year	3,824	4,615	34,459
Total	¥5,525	¥6,137	$49,782

(As lessor)

The minimum lease commitments under non-cancelable operating leases as of March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due within 1 year	¥ 5,941	¥ 5,972	$ 53,533
Due after 1 year	22,717	27,050	204,683
Total	¥28,659	¥33,022	$258,216

26. OTHER COMPREHENSIVE (LOSS) INCOME

The components of other comprehensive (loss) income for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrealized (loss) gain on available-for-sale securities:			
Gain arising during the year	¥ 14,139	¥13,053	$ 127,390
Reclassification adjustments to profit or loss	(15,836)	(9,248)	(142,681)
Amount before income tax effect	(1,697)	3,804	(15,291)
Income tax effect	(137)	(1,204)	(1,239)
Total	(1,834)	2,600	(16,530)
Deferred loss on derivatives under hedge accounting:			
Gain arising during the year	1,233	236	11,117
Reclassification adjustments to profit or loss	(7,520)	(8,871)	(67,761)
Amount before income tax effect	(6,286)	(8,634)	(56,644)
Income tax effect	1,927	2,699	17,364
Total	(4,359)	(5,935)	(39,281)
Foreign currency translation adjustments:			
Adjustments arising during the year	113	(74)	1,026
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	113	(74)	1,026
Income tax effect	—	—	—
Total	113	(74)	1,026
Adjustments for retirement benefits:			
Adjustments arising during the year	(508)	474	(4,580)
Reclassification adjustments to profit or loss	148	193	1,336
Amount before income tax effect	(360)	668	(3,244)
Income tax effect	110	(204)	993
Total	(249)	463	(2,251)
Share of other comprehensive (loss) income in affiliates accounted for by the equity method:			
(Loss) gain arising during the year	(30)	3,261	(274)
Reclassification adjustments to profit or loss	(3,899)	(87)	(35,133)
Amount before income tax effect	(3,929)	3,174	(35,407)
Income tax effect	—	—	—
Total	(3,929)	3,174	(35,407)
Total other comprehensive (loss) income	¥(10,260)	¥ 228	$ (92,443)

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, 2019 and 2018 is following:

	Millions of Yen			
Year ended March 31, 2019	Loan business	Securities investment	Other	Total
Ordinary income from external customers	¥157,916	¥69,255	¥74,032	¥301,204

	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

	Thousands of U.S. Dollars			
Year ended March 31, 2019	Loan business	Securities investment	Other	Total
Ordinary income from external customers	$1,422,798	$623,979	$667,021	$2,713,798

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, 2019. 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 investments, loans and others are exposed to exchange rate risk. DBJ Inc. mitigates this risk by matching foreign currency investments, loans and others with foreign currency corporate bonds as corresponding foreign currency denominated liabilities and by using exchange swaps and currency swaps.

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 monitors changes in the market value of securities with market value. 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 interest rate sensitivity analyses (duration, basis point value (BPV)), value at risk (VaR), 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 others are exposed to exchange rate risk, therefore those risks are hedged or managed not only by offsetting some foreign currency denominated investments, loans and others with foreign currency denominated corporate bonds and debentures but also by using exchange swaps and currency swaps.

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 methods through interest rate sensitivity analyses (100 BPV) and variance-covariance method (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, 2019 and 2018 was ¥63,410 million ($571,315 thousand) and ¥43,107 million, respectively. 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 or 100 BPV measures the market risk volume under a definite probability of incidence calculated 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 the model alone are identified in detail by conducting backtesting to compare the risk volume 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 amount of cash liquidity and the cash flow ladder 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, 2019 and 2018.
Unlisted equities and others, whose fair value cannot be reliably determined, are excluded from the table below (see (2)).

	Millions of Yen		
	2019		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 966,903	¥ 966,903	¥ —
Call loans and bills bought	260,000	260,000	—
Money held in trust	18,305	20,052	1,747
Securities			
Held-to-maturity debt securities	534,041	544,776	10,734
Available-for-sale securities	559,404	559,404	—
Investments in affiliates	2,334	2,822	488
Loans	12,923,938		
Allowance for loan losses*1	(34,285)		
	12,889,653	13,452,296	562,642
Total assets	¥15,230,642	¥15,806,256	¥575,613
Debentures	3,190,536	3,295,915	105,379
Payables under repurchase agreements	93,761	93,761	—
Borrowed money	7,987,860	8,086,527	98,667
Corporate bonds	2,106,463	2,118,548	12,085
Total liabilities	¥13,378,621	¥13,594,754	¥216,132
Derivative transactions*2			
Derivative transactions not qualifying for hedge accounting	30,160	30,160	—
Derivative transactions qualifying for hedge accounting	(3,162)	(3,162)	—
Total derivative transactions	¥ 26,998	¥ 26,998	¥ —

	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
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	¥ —

	Thousands of U.S. Dollars		
	2019		
	Carrying amount	Fair value	Difference
Cash and due from banks	$ 8,711,629	$ 8,711,629	$ —
Call loans and bills bought	2,342,553	2,342,553	—
Money held in trust	164,926	180,673	15,747
Securities			
Held-to-maturity debt securities	4,811,616	4,908,336	96,720
Available-for-sale securities	5,040,137	5,040,137	—
Investments in affiliates	21,030	25,429	4,399
Loans	116,442,372		
Allowance for loan losses*1	(308,902)		
	116,133,470	121,202,778	5,069,309
Total assets	$137,225,361	$142,411,536	$5,186,175
Debentures	28,746,163	29,695,610	949,447
Payables under repurchase agreements	844,777	844,777	—
Borrowed money	71,969,190	72,858,166	888,976
Corporate bonds	18,978,854	19,087,743	108,889
Total liabilities	$120,538,984	$122,486,297	$1,947,313
Derivative transactions*2			
Derivative transactions not qualifying for hedge accounting	271,740	271,740	—
Derivative transactions qualifying for hedge accounting	(28,490)	(28,490)	—
Total derivative transactions	$ 243,250	$ 243,250	$ —

*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) Payables under repurchase agreements

For payables under repurchase agreements, 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) 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.

(iv) 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, 2019 and 2018:
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
	2019	2018	2019
Money held in trust*1	¥ 1,877	¥ 1,855	$ 16,914
Unlisted equities*2,3	340,182	318,670	3,064,982
Investments in limited partnerships and other similar partnerships*1	303,185	247,593	2,731,651
Unlisted other securities*2,3	253,570	175,373	2,284,629
Industrial investment borrowed money (Special Account for FILP)*4	—	79,000	—
Total	¥898,816	¥822,492	$8,098,175

*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 years ended March 31, 2019 and 2018 was ¥1,577 million ($14,212 thousand) and ¥466 million, respectively, which consist of unlisted equities of ¥496 million ($4,474 thousand) and ¥236 million and unlisted other securities of ¥1,080 million ($9,739 thousand) and ¥230 million for the years ended March 31, 2019 and 2018, 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, 2019 and 2018 are as follows:

	Millions of Yen					
	2019					
	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	¥ 966,897	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	260,000	—	—	—	—	—
Securities						
Held-to-maturity debt securities with market values	128,787	170,576	114,088	61,848	50,717	8,022
Japanese government bonds	20,007	10,122	10,024	10,071	15,071	5,022
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	54,688	104,007	73,538	34,321	25,680	3,000
Other	54,092	56,446	30,525	17,456	9,964	—
Available-for-sale securities with contractual maturities	32,021	98,848	61,450	59,235	86,403	138,479
Japanese government bonds	—	30,943	5,201	18,666	—	—
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	32,021	67,904	56,249	37,133	86,403	138,479
Other	—	—	—	3,436	—	—
Loans*1	2,893,034	3,274,683	2,355,054	1,778,849	1,911,117	681,015
Total	¥4,280,741	¥3,544,107	¥2,530,592	¥1,899,934	¥2,048,237	¥827,517

	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*2	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

	Thousands of U.S. Dollars					
	2019					
	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	$ 8,711,576	$ —	$ —	$ —	$ —	$ —
Call loans and bills bought	2,342,553	—	—	—	—	—
Securities						
Held-to-maturity debt securities with market values	1,160,355	1,536,863	1,027,913	557,248	456,955	72,282
Japanese government bonds	180,265	91,203	90,322	90,743	135,796	45,252
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	492,731	937,088	662,566	309,229	231,379	27,029
Other	487,359	508,572	275,026	157,275	89,781	—
Available-for-sale securities with contractual maturities	288,504	890,604	553,656	533,705	778,478	1,247,678
Japanese government bonds	—	278,795	46,860	168,182	—	—
Japanese local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	288,504	611,809	506,796	334,563	778,478	1,247,678
Other	—	—	—	30,960	—	—
Loans*1	26,065,726	29,504,309	21,218,618	16,027,118	17,218,822	6,135,824
Total	$38,568,715	$31,931,776	$22,800,186	$17,118,071	$18,454,255	$7,455,784

*1. Obligations to “Legally Bankrupt,” “Effectively Bankrupt” and “Possibly Bankrupt” amounting to ¥30,184 million ($271,954 thousand) are not included as of March 31, 2019.
*2. Obligations to “Legally Bankrupt,” “Effectively Bankrupt” and “Possibly Bankrupt” amounting to ¥43,750 million are not included as of March 31, 2018.

(4) Maturity analysis for debentures, borrowed money and other interest-bearing liability as of March 31, 2019 and 2018 are as follows:

	Millions of Yen					
	2019					
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Borrowed money	¥1,173,571	¥2,244,770	¥1,559,927	¥ 911,998	¥ 909,583	¥1,188,007
Debentures and Corporate bonds	616,192	1,297,462	1,390,372	783,657	1,004,043	205,270
Total	¥1,789,764	¥3,542,233	¥2,950,300	¥1,695,655	¥1,913,627	¥1,393,278

	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
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

	Thousands of U.S. Dollars					
	2019					
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Borrowed money	$10,573,670	$20,224,983	$14,054,668	$ 8,216,943	$ 8,195,186	$10,703,739
Debentures and Corporate bonds	5,551,786	11,689,905	12,527,007	7,060,610	9,046,254	1,849,454
Total	$16,125,457	$31,914,888	$26,581,676	$15,277,554	$17,241,440	$12,553,193

29. DERIVATIVE TRANSACTIONS

(a) Derivative Transactions to which Hedge Accounting is Not Applied

(1) Interest rate-related transactions

	Millions of Yen			
	2019			
	Contract amount			
	Total	Due after 1 year	Fair value	Unrealized gains (losses)
Over-the-counter				
Swaps				
Receive fixed/ Pay float	¥992,660	¥842,185	¥ 55,996	¥ 55,996
Receive float/ Pay fixed	987,611	839,729	(26,188)	(26,188)
Total	—	—	¥ 29,807	¥ 29,807

	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

	Thousands of U.S. Dollars			
	2019			
	Contract amount			Unrealized gains (losses)
	Total	Due after 1 year	Fair value	
Over-the-counter				
Swaps				
Receive fixed/ Pay float	$8,943,689	$7,587,939	$ 504,516	$ 504,516
Receive float/ Pay fixed	8,898,201	7,565,816	(235,956)	(235,956)
Total	—	—	$ 268,561	$ 268,561

*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			
	2019			
	Contract amount			Unrealized gains (losses)
	Total	Due after 1 year	Fair value	
Over-the-counter				
Swaps	¥ 5,226	¥5,226	¥ 80	¥ 80
Forwards				
Sold	172,643	—	5	5
Bought	89,460	—	264	264
Total	—	—	¥350	¥350

	Millions of Yen			
	2018			
	Contract amount			Unrealized gains (losses)
	Total	Due after 1 year	Fair value	
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

	Thousands of U.S. Dollars			
	2019			
	Contract amount			Unrealized gains (losses)
	Total	Due after 1 year	Fair value	
Over-the-counter				
Swaps	$ 47,092	$47,092	$ 722	$ 722
Forwards				
Sold	1,555,491	—	49	49
Bought	806,025	—	2,387	2,387
Total	—	—	$3,157	$3,157

*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			
	2019			
	Contract amount			
	Total	Due after 1 year	Fair value	Unrealized gains (losses)
Over-the-counter				
Credit default options				
Sold	¥7,500	¥4,000	¥96	¥96
Bought	7,500	4,000	(94)	(94)
Total	—	—	¥ 2	¥ 2

	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

	Thousands of U.S. Dollars			
	2019			
	Contract amount			
	Total	Due after 1 year	Fair value	Unrealized gains (losses)
Over-the-counter				
Credit default options				
Sold	$67,574	$36,039	$ 873	$ 873
Bought	67,574	36,039	(851)	(851)
Total	—	—	$ 22	$ 22

*1. The above transactions are marked to market and changes in unrealized gains (losses) are included in the consolidated statement of income.
*2. Fair values are based on discounted present values or the counterparties' tendered price.
*3. 'Sold' means the underwriting of credit risk and 'Bought' means the transferring of credit risk.

(b) Derivative Transactions to which Hedge Accounting is applied

(1) Interest rate-related transactions

	Hedged item	Millions of Yen 2019 Contract amount Total	Due after 1 year	Fair value
Deferral method				
Swaps	Borrowed money and Loans			
Receive float/ Pay fixed		¥ 73,150	¥ 65,765	¥(1,592)
Accrual method				
Swaps	Debentures, Borrowed money, Corporate bonds and Loans			
Receive fixed/ Pay float		1,849,613	1,725,556	*3
Receive float/ Pay fixed		8,948	8,592	
Total		—	—	¥(1,592)

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

	Hedged item	Thousands of U.S. Dollars 2019 Contract amount Total	Due after 1 year	Fair value
Deferral method				
Swaps	Borrowed money and Loans			
Receive float/ Pay fixed		$ 659,073	$ 592,531	$(14,344)
Accrual method				
Swaps	Debentures, Borrowed money, Corporate bonds and Loans			
Receive fixed/ Pay float		16,664,686	15,546,955	*3
Receive float/ Pay fixed		80,620	77,418	
Total		—	—	$(14,344)

*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 2019 Contract amount Total	Due after 1 year	Fair value
Deferral method Swaps	Foreign currency denominated loans	¥ 5,503	¥ 5,503	¥ (25)
Translated at contractual rates Swaps	Foreign-currency debentures, Borrowed money, and Corporate bonds	320,813	267,332	*3
Forwards	Foreign-currency available-for-sale securities	86,494	—	(1,544)
Total		—	—	¥(1,570)

	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	*3
Forwards	Foreign-currency available-for-sale securities	65,307	—	¥2,084
Total		—	—	¥2,084

	Hedged item	Thousands of U.S. Dollars 2019 Contract amount Total	Due after 1 year	Fair value
Deferral method Swaps	Foreign currency denominated loans	$ 49,586	$ 49,586	$ (231)
Translated at contractual rates Swaps	Foreign-currency debentures, Borrowed money, and Corporate bonds	2,890,471	2,408,620	*3
Forwards	Foreign-currency available-for-sale securities	779,303	—	(13,915)
Total		—	—	$(14,146)

*1. These derivatives are primarily accounted for by the deferral method of hedge accounting provided in "Accounting and Auditing Treatments on Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002).
*2. Fair values are based primarily on discounted present values.
*3. 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, 2019 and 2018 is summarized below.

(a) Securities

(1) Held-to-maturity debt securities as of March 31, 2019 and 2018 are as follows:

		Millions of Yen		
		2019		
		Carrying amount	Fair value	Difference
Fair value exceeds carrying amount	Japanese government bonds	¥ 70,321	¥ 77,085	¥ 6,763
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	265,195	269,052	3,857
	Other	134,328	135,691	1,363
Sub-total		469,845	481,829	11,984
Fair value does not exceed carrying amount	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	30,040	28,926	(1,113)
	Other	34,156	34,019	(136)
Sub-total		64,196	62,946	(1,249)
Total		¥534,041	¥544,776	¥10,734

		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

		Thousands of U.S. Dollars		
		2019		
		Carrying amount	Fair value	Difference
Fair value exceeds carrying amount	Japanese government bonds	$ 633,581	$ 694,522	$ 60,941
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	2,389,366	2,424,119	34,753
	Other	1,210,274	1,222,559	12,285
Sub-total		4,233,221	4,341,200	107,979
Fair value does not exceed carrying amount	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	270,655	260,622	(10,033)
	Other	307,739	306,513	(1,226)
Sub-total		578,394	567,136	(11,259)
Total		$4,811,616	$4,908,336	$ 96,720

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

(2) Available-for-sale securities as of March 31, 2019 and 2018 are as follows:

		Millions of Yen		
		2019		
		Carrying amount (Fair value)	Acquisition cost	Difference
Carrying amount exceeds cost	Equities	¥ 72,595	¥ 25,172	¥47,423
	Bonds	433,969	428,458	5,511
	Japanese government bonds	54,811	53,452	1,358
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	379,158	375,005	4,152
	Other	5,910	3,581	2,329
Sub-total		512,475	457,211	55,263
Carrying amount does not exceed cost	Equities	7,896	10,005	(2,109)
	Bonds	39,032	39,165	(133)
	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	39,032	39,165	(133)
	Other	60,000	60,000	—
Sub-total		106,929	109,171	(2,242)
Total		¥619,404	¥566,383	¥53,021

		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

		Thousands of U.S. Dollars		
		2019		
		Carrying amount (Fair value)	Acquisition cost	Difference
Carrying amount exceeds cost	Equities	$ 654,075	$ 226,796	$427,278
	Bonds	3,909,989	3,860,334	49,655
	Japanese government bonds	493,837	481,599	12,238
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	3,416,152	3,378,735	37,416
	Other	53,250	32,266	20,984
Sub-total		4,617,313	4,119,396	497,918
Carrying amount does not exceed cost	Equities	71,147	90,152	(19,004)
	Bonds	351,676	352,876	(1,199)
	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	351,676	352,876	(1,199)
	Other	540,589	540,589	—
Sub-total		963,413	983,616	(20,204)
Total		$5,580,726	$5,103,012	$477,714

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 years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		
	2019		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equities	¥ 37,643	¥16,514	¥ —
Bonds	78,390	283	16
Japanese government bonds	—	—	—
Japanese local government bonds	—	—	—
Short-term corporate bonds	—	—	—
Corporate bonds	78,390	283	16
Other	4,428	810	80
Total	¥120,462	¥17,608	¥96

	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

	Thousands of U.S. Dollars		
	2019		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Equities	$ 339,163	$148,797	$ —
Bonds	706,286	2,552	150
Japanese government bonds	—	—	—
Japanese local government bonds	—	—	—
Short-term corporate bonds	—	—	—
Corporate bonds	706,286	2,552	150
Other	39,898	7,298	723
Total	$1,085,347	$158,647	$873

(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				
	2019				
			Unrealized gains (losses)		
	Carrying amount	Acquisition cost	Net	Carrying amount exceeds cost	(Carrying amount does not exceed cost)
Other money held in trust	¥20,182	¥19,554	¥628	¥867	¥239

	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

	Thousands of U.S. Dollars				
	2019				
			Unrealized gains (losses)		
	Carrying amount	Acquisition cost	Net	Carrying amount exceeds cost	(Carrying amount does not exceed cost)
Other money held in trust	$181,840	$176,178	$5,662	$7,818	$2,156

(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
	2019	2018	2019
Unrealized gain on			
Available-for-sale securities	¥ 56,686	¥ 58,372	$ 510,733
Other money held in trust	867	878	7,818
Deferred tax liabilities	(17,250)	(17,113)	(155,425)
Unrealized gain on available-for-sale securities before interest adjustments	40,303	42,138	363,127
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	4,349	8,382	39,187
Unrealized gain on available-for-sale securities, net of taxes	¥ 44,652	¥ 50,520	$ 402,314

*1. The profit of ¥684 million ($6,171 thousand) and the loss of ¥2,250 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, 2019 and 2018, 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, 2019 and 2018.

31. RELATED PARTY TRANSACTIONS

Related party transactions for the years ended March 31, 2019 and 2018 are as follows:

				2019			
				Transaction Amount		Balance at March 31, 2019	
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	—	¥ 129,000	$ 1,162,267	—	—
		Borrowings*2	Borrowed money	300,000	2,702,946	¥4,379,934	$39,462,427
		Repayments		444,524	4,005,090		
		Payment for interest	Accrued expenses	28,376	255,670	9,677	87,189
		Guarantees*3	—	3,102,852	27,956,141	—	—

According to Article 2, item 5 of the Japan Finance Corporation Act, DBJ Inc. has borrowed ¥1,793,756 million ($16,161,420 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, 2039 without posting collateral.
*3. The guarantees are for debentures issued by DBJ Inc. free of guarantee charge.

				2018	
				Transaction Amount	Balance at March 31, 2018
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	580,000	¥4,524,459
		Repayments		380,492	
		Payment for interest	Accrued expenses	31,779	11,243
		Guarantees*3	—	2,949,210	—

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

32. SUBSEQUENT EVENT

On June 27, 2019, 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 28, 2019:

Appropriations of Retained earnings as of March 31, 2019

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends-Common stock (¥482-$4.34 per share)	¥21,030	$189,484

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Development Bank of Japan Inc.:

We have audited the accompanying consolidated balance sheet of Development Bank of Japan Inc. and its consolidated subsidiaries as of March 31, 2019, 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, 2019, 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 14, 2019
(June 27, 2019 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 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note) 2019
Assets			
Cash and due from banks	¥ 959,585	¥ 996,990	$ 8,645,692
Call loans	260,000	463,179	2,342,553
Money held in trust	18,305	9,411	164,928
Securities	1,984,876	1,905,546	17,883,382
Loans	13,063,197	12,874,274	117,697,063
Other assets	177,711	208,284	1,601,145
Tangible fixed assets	110,833	111,698	998,592
Intangible fixed assets	13,883	13,369	125,085
Prepaid pension costs	1,215	1,210	10,955
Customers' liabilities for acceptances and guarantees	273,239	201,796	2,461,842
Allowance for loan losses	(35,412)	(44,895)	(319,065)
Allowance for investment losses	(46)	(176)	(419)
Total assets	¥16,827,388	¥16,740,690	$151,611,753
Liabilities and equity			
Liabilities:			
Debentures	¥ 3,190,536	¥ 3,086,650	$ 28,746,163
Payables under repurchase agreements	93,761	—	844,777
Borrowed money	7,807,941	8,429,149	70,348,156
Corporate bonds	2,106,213	1,841,582	18,976,601
Other liabilities	85,544	88,586	770,742
Accrued bonuses to employees	4,688	4,592	42,247
Accrued bonuses to directors	15	13	136
Reserve for employees' retirement benefits	6,355	6,470	57,262
Reserve for directors' retirement benefits	115	87	1,038
Deferred tax liabilities	15,882	22,077	143,099
Acceptances and guarantees	273,239	201,796	2,461,842
Total liabilities	13,584,295	13,681,008	122,392,063
Equity:			
Common stock authorized, 160,000 thousand shares in 2019 and 2018; issued, 43,632 thousand shares in 2019 and 2018	1,000,424	1,000,424	9,013,641
Crisis response reserve	206,529	206,529	1,860,789
Special investment reserve	588,000	330,000	5,297,775
Special investment surplus	5,412	3,099	48,765
Capital surplus	766,466	895,466	6,905,724
Retained earnings	610,436	548,371	5,499,927
Unrealized gain on available-for-sale securities	42,079	47,773	379,125
Deferred gain on derivatives under hedge accounting	23,745	28,018	213,943
Total equity	3,243,093	3,059,681	29,219,690
Total liabilities and equity	¥16,827,388	¥16,740,690	$151,611,753

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥110.99=$1.00, the effective exchange rate prevailing as of March 31, 2019, 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 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note) 2019
Income			
Interest income:	¥188,051	¥189,537	$1,694,309
Interest on loans	152,860	156,192	1,377,245
Interest and dividends on securities	27,814	24,620	250,606
Interest on call loans	100	153	909
Interest on due from banks	27	22	252
Interest on swaps	7,263	8,553	65,444
Other interest income	(16)	(4)	(145)
Fees and commissions	12,854	11,684	115,816
Other operating income	7,274	6,259	65,539
Other income	60,816	59,577	547,947
Total income	**268,996**	**267,058**	**2,423,611**
Expenses			
Interest expense:	87,896	89,303	791,934
Interest on debentures	37,676	33,198	339,458
Interest on call money	(52)	(27)	(469)
Interest on payables under repurchase agreements	(62)	(46)	(559)
Interest on borrowed money	45,257	51,097	407,762
Interest on short-term corporate bonds	317	755	2,863
Interest on corporate bonds	4,766	4,335	42,945
Other interest expense	(7)	(10)	(66)
Fees and commissions	105	245	954
Other operating expenses	3,523	3,515	31,749
General and administrative expenses	50,912	48,007	458,710
Other expenses	9,708	5,699	87,473
Total expenses	**152,147**	**146,771**	**1,370,821**
Income before income taxes	**116,849**	**120,287**	**1,052,790**
Income taxes:			
Current	32,068	33,596	288,929
Deferred	(1,719)	(3,244)	(15,491)
Total income taxes	**30,348**	**30,352**	**273,439**
Net income	**¥ 86,500**	**¥ 89,935**	**$ 779,351**

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥110.99=$1.00, the effective exchange rate prevailing as of March 31, 2019, 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, 2019	Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus
Balance at beginning of year	¥1,000,424	¥206,529	¥330,000	¥3,099	¥895,466
Investment from government			129,000		
Transfer from capital surplus to special investment reserve			129,000		(129,000)
Cash dividends					
Net income					
Transfer from retained earnings to special investment surplus				2,313	
Net change during the year					
Balance at end of year	¥1,000,424	¥206,529	¥588,000	¥5,412	¥766,466

	Millions of Yen			
For the year ended March 31, 2019	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Total equity
Balance at beginning of year	¥548,371	¥47,773	¥28,018	¥3,059,681
Investment from government				129,000
Transfer from capital surplus to special investment reserve				—
Cash dividends	(22,121)			(22,121)
Net income	86,500			86,500
Transfer from retained earnings to special investment surplus	(2,313)			—
Net change during the year		(5,693)	(4,273)	(9,967)
Balance at end of year	¥610,436	¥42,079	¥23,745	¥3,243,093

	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

For the year ended March 31, 2019	Thousands of U.S. Dollars (Note) Common stock	Crisis response reserve	Special investment reserve	Special investment surplus	Capital surplus
Balance at beginning of year	$9,013,641	$1,860,789	$2,973,241	$27,924	$8,067,991
Investment from government			1,162,267		
Transfer from capital surplus to special investment reserve			1,162,267		(1,162,267)
Cash dividends					
Net income					
Transfer from retained earnings to special investment surplus				20,841	
Net change during the year					
Balance at end of year	$9,013,641	$1,860,789	$5,297,775	$48,765	$6,905,724

For the year ended March 31, 2019	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	$4,940,729	$430,426	$252,443	$27,567,185
Investment from government				1,162,267
Transfer from capital surplus to special investment reserve				—
Cash dividends	(199,312)			(199,312)
Net income	779,351			779,351
Transfer from retained earnings to special investment surplus	(20,841)			—
Net change during the year		(51,301)	(38,500)	(89,801)
Balance at end of year	$5,499,927	$379,125	$213,943	$29,219,690

Note: Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥110.99=$1.00, the effective exchange rate prevailing as of March 31, 2019, has been used in the conversion.

Capital Adequacy Ratio

Although DBJ is not subject to Article 14-2 of the Banking Act, the capital adequacy ratio has 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 conforms 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. DBJ Group has not introduced procedures in line with market risk regulations.

As a complementary indicator to the capital adequacy ratio, the leverage ratio is calculated on a consolidated basis in accordance with "Standards for Determining the Soundness of Leverage, Defined as a Complementary Indicator for the Standard to Determine the Capital Adequacy of a Bank in Light of the Assets Owned by the Bank and Other Factors, Based on Article 14-2 of the Banking Act."

[1] Capital Structure Information

Capital Structure Information (Consolidated)

Common Equity Tier 1 capital: instruments and reserves (1)			
Directly issued qualifying common share capital plus related capital surplus and retained earnings	2,458,458	2,397,747	1a+2–1c–26
of which: common stock and capital surplus	1,895,890	1,766,890	1a
of which: retained earnings	584,689	651,887	2
of which: treasury stock	—	—	1c
of which: planned distribution of income	22,121	21,030	26
of which: other than the above	—	—	
Rights to acquire new common shares	—	—	1b
Accumulated other comprehensive income and other disclosed reserves	616,789	866,884	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)	3,075,247	3,264,631	6
Common Equity Tier 1 capital: regulatory adjustments (2)			
Total intangible assets (excluding those relating to mortgage servicing rights)	32,977	40,014	8+9
of which: goodwill (including those equivalent)	23,611	25,668	8
of which: other intangible assets other than goodwill and mortgage servicing rights	9,366	14,346	9
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	67	10
Deferred gains or losses on derivatives under hedge accounting	27,955	23,766	11
Shortfall of eligible reserves to expected losses	—	—	12
Capital increase due to securitization transactions	—	72	13
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—	14
Assets for retirement benefits	1,797	1,553	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
Amount exceeding the 15% threshold on specified items	—	—	22

(Units: Millions of yen, %)

Items		March 31, 2018	March 31, 2019	Basel III Template No.	
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions		—	—	23	
of which: mortgage servicing rights		—	—	24	
of which: deferred tax assets arising from temporary differences (net of related tax liability)		—	—	25	
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		—	—	27	
Common Equity Tier 1 capital: regulatory adjustments	(B)	62,730	65,474	28	
Common Equity Tier 1 capital (CET1)					
Common Equity Tier 1 capital (CET1) ((A)-(B))	(C)	3,012,516	3,199,157	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		—	—	30	31a
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)		1,552	1,534	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)	1,552	1,534	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)		63	9	40	
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 2 to cover deductions		—	—	42	
Additional Tier 1 capital: regulatory adjustments	(E)	63	9	43	
Additional Tier 1 capital (AT1)					
Additional Tier 1 capital ((D)-(E))	(F)	1,489	1,525	44	
Tier 1 capital (T1 = CET1 + AT1)					
Tier 1 capital (T1 = CET1 + AT1) ((C)+(F))	(G)	3,014,005	3,200,682	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)		365	361	48–49	
Eligible Tier 2 capital instruments subject to transitional arrangements included in Tier 2: instruments and reserves		—	—	47+49	

(Units: Millions of yen, %)

Items		March 31, 2018	March 31, 2019	Basel III Template No.
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		21,782	13,759	50
of which: general allowance for loan losses		21,782	13,759	50a
of which: eligible reserves		—	—	50b
Tier 2 capital: instruments and reserves	(H)	22,147	14,120	51
Tier 2 capital: regulatory adjustments (5)				
Investments in own Tier 2 instruments		—	—	52
Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities		—	—	53
Non-significant investments in the Tier 2 capital and other TLAC liabilities of Other Financial Institutions, net of eligible short positions (amount above the 10% threshold)		—	—	54
Significant investments in the Tier 2 capital and other TLAC liabilities 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)	22,147	14,120	58
Total capital (TC = T1 + T2)				
Total capital (TC = T1 + T2) ((G) + (J))	(K)	3,036,152	3,214,802	59
Risk weighted assets (6)				
Risk weighted assets		17,916,072	19,203,324	60
Capital ratio (consolidated) (7)				
Common Equity Tier 1 risk-weighted capital ratio (consolidated) ((C)/(L))		16.81%	16.65%	61
Tier 1 risk-weighted capital ratio (consolidated) ((G)/(L))		16.82%	16.66%	62
Total risk-weighted capital ratio (consolidated) ((K)/(L))		16.94%	16.74%	63
Regulatory adjustments (8)				
Non-significant Investments in the capital of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)		109,974	108,587	72
Significant investments in the common stock of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)		2,943	3,382	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)		11,935	6,447	75
Reserves included in Tier 2 capital: instruments and reserves (9)				
General allowance for loan losses		21,782	13,759	76
Cap on inclusion of general allowance for loan losses		221,279	237,437	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 (10)				
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, 2019 is 30. Please refer to page 163, "Group Companies" in "Corporate Information" 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 71 to 74, "Comprehensive Risk Management" in Section Four: "Risk Management".
3. Overview of Risk Characteristics and Risk Management Policies, Procedures and Structure of the Consolidated Group	Please refer to page 71 to 74, Section Four: "Risk Management".
4. Credit Risk	(a) Overview of Risk Management Policies and Procedure Please refer to page 71 to 72, "Credit Risk Management in Comprehensive Risk Management" in Section Four: "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 specialized lending (Item 47, Article 1, of the Capital Adequacy Ratio Notification) employing internal rating methods. Different from the internal ratings that are applied to standard corporate credit, this exposure is given a rating by using a grading system applied to match the characteristics of specialized lending. 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 248, Paragraph 1, Items 1–4, of the Capital Adequacy Ratio Notification 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 page 74, "Operational Risk Management" in Comprehensive Risk Management in Section Four: "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 72 “Comprehensive Risk: Investment Risk Management” in “Risk Management.”
11. Interest Rate Risk	(a) Overview of Risk Management Policies and Procedures Please refer to page 73, “Comprehensive Risk Management: Market Risk, 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 interest rate shocks are measured for each currency. Then, ΔEVE is calculated by adding up the amounts of such changes only if the changes for the currency result in loss, and ΔNII is calculated by adding up the amounts of such changes. In addition, DBJ measures interest rate risks using the following methods. (1) VaR: Holding period of one year, Observation period of 10 years, Confidence interval of 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)

Credit Risk	10,654,594	10,819,578	852,367	865,566
Of which, exposure to which standardized approach applied	10,147,427	10,307,602	811,794	824,608
Other	507,167	511,976	40,573	40,958
Counterparty Credit Risk	90,542	119,675	7,242	9,573
Of which, exposure to which current exposure method applied	22,190	25,805	1,775	2,064
Of which, CVA risk	68,174	93,576	5,453	7,486
Of which, exposure for central counterparty clearing house	178	294	14	23
Other	—	—	—	—
Equity investments in funds (look-through approach)	/	1,379,774	/	110,381
Equity investments in funds (mandate-based approach)	/	2,270,585	/	181,646
Equity investments in funds (simple approach (subject to 250% risk weight))	/	—	/	—
Equity investments in funds (simple approach (subject to 400% risk weight))	/	—	/	—
Equity investments in funds (fall-back approach; 1.250% risk weight)	/	987,777	/	79,022
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	3,393,053	247,340	271,443
Of which: securitisation external ratings-based approach (SEC-ERBA)	/	118,433	/	9,474
Of which: securitisation standardised approach (SEC-SA)	/	1,100,618	/	88,049
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	2,174,002	169,614	173,920
Operational risk	213,700	208,302	17,096	16,664
Of which, exposure to which basic indicator approach applied	213,700	208,302	17,096	16,664
Exposure with related to specified items not included in adjustments	37,197	24,573	2,975	1,965
Amount of items included in risk weighted assets subject to transitional arrangements	—	—	—	—
Total	17,916,072	19,203,324	1,433,282	1,536,261

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, 2019
Domestic	15,995,094
Overseas	46,483
Total	16,041,577

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

(2) By industry and transaction counterparty

(Unit: Millions of yen)

	March 31, 2019
Manufacturing	2,937,375
Agriculture and forestry	205
Fisheries	50
Mining, quarrying and gravel extraction	58,898
Construction	55,730
Electrical, gas, heat supply and water	3,602,390
Information and communications	377,232
Transportation and postal	2,366,724
Wholesale and retail	849,302
Finance and insurance	2,082,259
Real estate and leasing of goods	2,600,621
Services	315,026
Municipal government	14,801
Other	780,959
Total	16,041,577

(3) By period to maturity

(Unit: Millions of yen)

	March 31, 2019
Five years or less	8,082,052
More than five years, up to 10	4,707,835
More than 10 years, up to 15	1,169,952
More than 15 years	957,891
No maturity date	1,123,846
Total	16,041,577

(b) Credit Risk Mitigation Techniques

(Unit: Millions of yen)

	March 31, 2019				
	Exposure not secured	Exposure secured	Exposure secured by collateral	Exposure secured by guarantee	Exposure secured by credit derivatives
Loans	11,186,446	906,321	—	782,648	—
Securities (debt securities)	853,060	11,981	—	11,981	—
Other on-balance sheet assets (debt instruments)	260,001	—	—	—	—
Total	12,299,507	918,302	—	794,629	—
Of which, default items	817	—	—	—	—

(c) Standardized Approach - Credit risk exposure by asset class and risk weight

(Unit: Millions of yen)

	March 31, 2019								
	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	4	–	–	–	–	–	–	–	4
Japanese government and Bank of Japan	684,377	–	–	–	–	–	–	–	684,377
Foreign central governments and central banks	–	–	–	–	–	–	–	–	–
Bank for International Settlements and other	–	–	–	–	–	–	–	–	–
Municipal governments in Japan	14,801	–	–	–	–	–	–	–	14,801
Foreign public bodies other than central banks	–	–	500	–	–	–	–	–	500
Multilateral Development Bank	–	–	–	–	–	–	–	–	–
Japan Finance Organization for Municipalities	–	–	–	–	–	–	–	–	–
Japanese government agencies	–	–	–	–	–	–	–	–	–
Three local public corporations	–	–	–	–	–	–	–	–	–
Financial institutions and Type I Financial Instruments Business Operators	–	–	754,220	36,586	20,189	–	–	–	810,995
Corporations	55,056	3,511	749,617	6,311,938	5,417,726	13,719	–	–	12,551,567
Small and medium-sized enterprises and individuals	–	–	–	–	–	–	–	–	–
Mortgage loans (loans secured by residential properties)	–	–	–	–	–	–	–	–	–
Real estate investment business	–	–	–	–	801,855	–	–	–	801,855
Delinquent for 3 months or more (excluding mortgage loans)	–	–	–	817	–	–	–	–	817
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)	–	–	–	–	571,363	–	–	–	571,363
Total	754,238	3,511	1,504,337	6,349,341	6,811,133	13,719	–	–	15,436,279

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, 2019	
	Exposure after applying a credit risk mitigation technique	Amount of risk weighted assets
Current exposure method	72,851	25,805

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

(Unit: Millions of yen)

	March 31, 2019								
	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	41	–	–	–	–	–	–	–	41
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	–	–	56,483	–	–	–	–	–	56,483
Corporations	93,760	–	1,179	1,747	–	13,300	–	–	109,986
Small and medium-sized enterprises and individuals	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	99	–	–	99
Total	93,801	–	57,662	1,747	–	13,399	–	–	166,609

(b) Capital requirement for CVA risk

(Unit: Millions of yen)

	March 31, 2019	
	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	78,135	93,576

(c) Composition of collateral for counterparty credit risk exposure

(Unit: Millions of yen)

	March 31, 2019					
	Collateral used in derivative transactions				Collateral used in repo transactions	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash (domestic currency)	—	—	—	—	93,761	—
Cash (foreign currency)	—	—	—	—	—	—
Domestic sovereign bonds	—	—	—	—	—	—
Other sovereign bonds	—	—	—	—	—	—
Government-related agency bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Equity	—	—	—	—	—	—
Other collateral	—	—	—	—	—	—
Total	—	—	—	—	93,761	—

(d) Exposure for central counterparty clearing house

(Unit: Millions of yen)

	March 31, 2019	
	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	—	48,850
Total notional amount	7,500	56,350
Fair value		
Positive fair value (Assets)	—	96
Negative fair value (Liabilities)	94	—

(e) Exposure for central counterparty clearing house

(Unit: Millions of yen)

	March 31, 2019	
	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)	/	294
Trade exposure for Qualified Central Counterparty Clearing House (excluding initial margin)	14,722	294
(i) Derivative product transactions (other than listed transactions)	14,722	294
(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, 2019				
			DBJ as an investor		
	DBJ as the originator	DBJ as the sponsor	Traditional securitization	Synthetic securitization	Subtotal
Retail (Total)	—	—	—	—	—
Wholesale (Total)	0	—	1,412,201	—	1,412,201
Structured Finance	0	—	1,412,201	—	1,412,201
Other	—	—	—	—	—
Resecuritization	—	—	—	—	—

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

(Unit: Millions of yen)

	March 31, 2019
Amount of exposure (by risk weight)	
Securitization exposure by risk weight of 20% or less	86,997
Securitization exposure by risk weight of over 20% and 50% or less	4,996
Securitization exposure by risk weight of over 50% and 100% or less	1,060,778
Securitization exposure by risk weight of over 100% and below 1.250%	85,508
Securitization exposure by risk weight of 1.250%	173,920
Required capital amounts (by calculation method)	
Required capital amounts for securitization exposure to which SEC-ERBA is applied	9,474
Required capital amounts for securitization exposure to which SEC-SA is applied	88,049
Required capital amounts for securitization exposure to which 1.250% risk weight is applied	173,920

5. Interest Rate Risk (Non-consolidated)

(Unit: Hundred Millions of yen)

	March 31, 2018		March 31, 2019	
	ΔEVE	ΔNII	ΔEVE	ΔNII
Parallel up	477	6	569	39
Parallel down	9	(79)	11	(97)
Steepener	311	/	303	/
Flattener	1	/	1	/
Short rate up	91	/	154	/
Short rate down	16	/	21	/
Maximum	477	6	569	39

	March 31, 2018	March 31, 2019
Tier 1 capital	29,993	31,877

Composition of Leverage Ratio Disclosure (Consolidated)

(Unit: Millions of yen)

		March 31, 2018	March 31, 2019	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		16,636,833	16,725,746	1		
Total assets reported in the consolidated balance sheet		16,952,230	17,079,580		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) (–)		315,396	353,834		1d	3
The amount of adjustment items pertaining to Tier1 capital (–)		34,838	41,644	2		7
Total on-balance sheet exposures	(a)	16,601,994	16,684,101	3		
Exposures related to derivatives transactions (2)						
Replacement cost associated with derivatives transactions, multiplied by 1.4		/	—	4		
Add-on amount associated with derivatives transactions, etc.		41,580	53,794			
PFE associated with derivatives transactions, multiplied by 1.4		—	—	5		
The amount of receivables arising from providing cash margin in relation to derivatives transactions, etc.		46,989	57,256			
The amount of receivables arising from providing cash margin in relation to with derivatives transactions		59,262	23,118			
The amount of collateral paid for derivative transactions deducted from the consolidated balance sheet		/	—	6		
The amount of receivables arising from providing cash margin, provided where deducted from the consolidated balance sheet pursuant to the operative accounting framework		—	—			
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)	155,332	141,669	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		1,441,872	1,876,615	17		
The amount of adjustments for conversion in relation to off-balance sheet transactions (–)		399,916	692,441	18		
Total exposures related to off-balance sheet transactions	(d)	1,041,956	1,184,173	19		6
Leverage ratio on a consolidated basis (5)						
The amount of capital (Tier1 capital)	(e)	3,014,005	3,200,682	20		
Total exposures ((a)+(b)+(c)+(d))	(f)	17,799,283	18,009,944	21		8
Leverage ratio on a consolidated basis ((e)/(f))		16.93%	17.77%	22		

Key Indicators (Consolidated)

(Unit: Millions of yen, %)

	March 31, 2018	September 30, 2018	March 31, 2019
Capital			
Common Equity Tier 1 capital	3,012,516	3,058,551	3,199,157
Tier 1 capital	3,014,005	3,059,989	3,200,682
Total capital	3,036,152	3,075,461	3,214,802
Risk weighted assets			
Risk weighted assets	17,916,072	18,404,707	19,203,324
Capital ratio			
Common Equity Tier 1 risk-weighted capital ratio (consolidated)	16.81%	16.61%	16.65%
Tier 1 risk-weighted capital ratio (consolidated)	16.82%	16.62%	16.66%
Total risk-weighted capital ratio (consolidated)	16.94%	16.71%	16.74%
Leverage ratio (consolidated)			
Total exposures	17,799,283	17,875,904	18,009,944
Leverage ratio (consolidated)	16.93%	17.11%	17.77%

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	1,650 (non-consolidated 1,186)

(As of March 31, 2019)

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 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.

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 Americas Inc.

Launched in October 2018, DBJ Americas Inc. is a local subsidiary based in New York, U.S.A. It mainly provides support for investment and loan services in the Americas, 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 the DBJ Group. It mainly makes early-stage equity investments in venture firms, and supports their growth through hands-on management.

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 Securities Co., Ltd.

DBJ証券株式会社

DBJ Securities Co., Ltd. is a securities subsidiary that assists the DBJ Group with investment and loan services. It supports optimal capital procurement, centered on alternative product fields, provides asset management opportunities, and flexibly fulfills diverse needs.

DBJ Asset Management Co., Ltd.

DBJ DBJアセットマネジメント

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 the DBJ Group.

Research, Consulting

Japan Economic Research Institute, Inc.

JERI 株式会社日本経済研究所 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.

DBJ 株式会社価値総合研究所

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 the DBJ Group for office building leasing, rental conference rooms, and business libraries.

Consist, Inc.

consist 株式会社コンシスト

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

Development Bank of Japan

https://www.dbj.jp/en

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