
Outline of DBJ and Its Services

*~ Promoting Foreign Direct Investment
through various types of finance solutions ~*

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Development Bank of Japan



Overview of Development Bank of Japan (1)

- **A public financial institution fully owned by the Japanese Government.**
- **Established in 1951.**
- **Over 50 years of experience in policy-based financing.**

Overview of Development Bank of Japan (2)

➤ **1,357 workers.**

➤ **Excellent financial composition.**

Total assets: JPY 14,5 trillion (US\$ 141 billion)

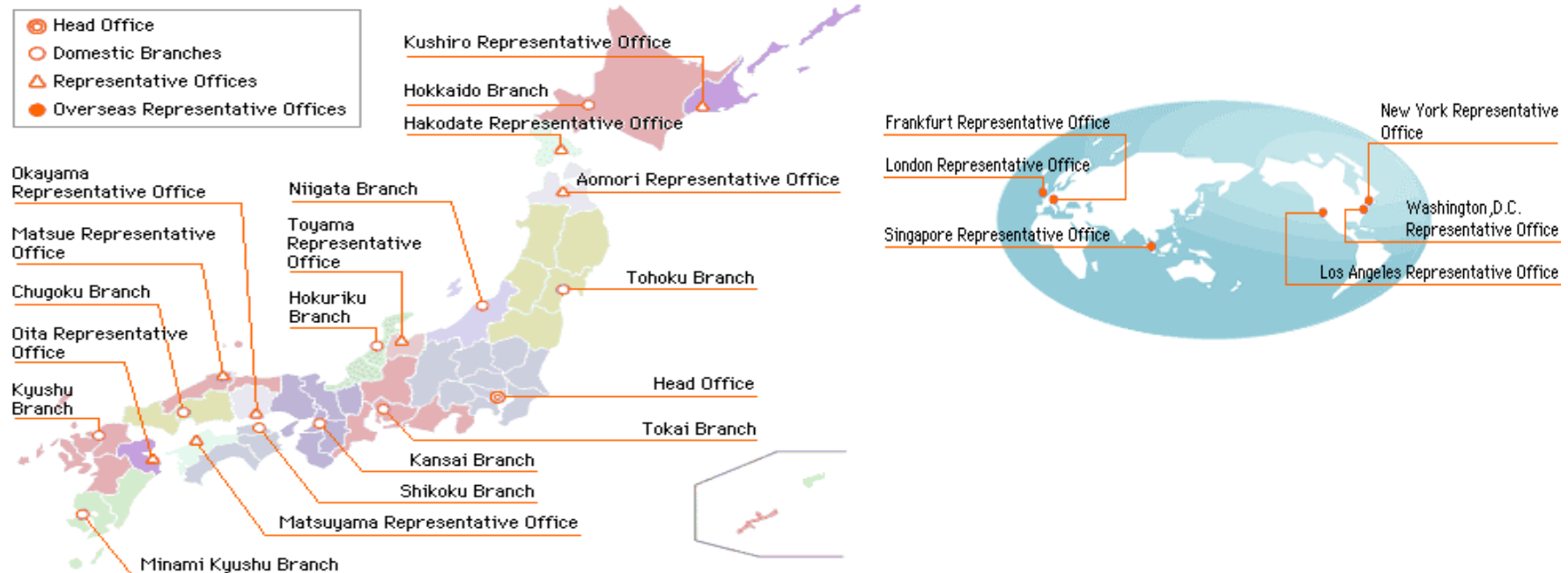
Capital adequacy ratio: 13.90%

➤ **Ratings: A2 (Moody's), AA- (S&P).**

**Ratings equal those for Japanese
Government Bonds.**

Overview of Development Bank of Japan (3)

➤ *Location of head office and branch offices*



Development Bank of Japan provides:

- **Loans featuring both long-term flexibility and fixed interest rates for projects undertaken in Japan.**
- **Guarantee services.**
- **M&A matchmaking and advisory services.**
- **Market information and business contacts.**

Promotion of FDI in Japan

- **The Japanese Government views incoming foreign direct investment (FDI) as highly beneficial to the Japanese economy. Promoting FDI has been a national policy for over 20 years.**
- **In 2003, the Koizumi administration announced its aim to double FDI within five years.**
- **To support this policy, DBJ is putting special effort into financing projects that help to vitalize and enhance the Japanese economy.**

Overview of loan programs for non-Japanese companies

➤ **Loan programs since 1984.**

The Development Bank of Japan has provided loan programs for non-Japanese companies since 1984.*

** defined later*

➤ **Loans to the world's most visible names.**

Daimler Chrysler, BMW, Volkswagen, Michelin, Bosch, Gildemeister, Stihl, IBM, Motorola, Eli Lilly, Starbucks Coffee, Toys 'R' Us and more.

About 300 companies, accounting for some 1900 billion in loans as of March 2005

Target projects

- **Capital investments in Japan.**
 - ❑ *Construction of factories, R&D centers, office buildings and equipment, distribution centers, and warehouses; purchase of land for such facilities*
 - ❑ *Repayment of existing loans originally funded for investments in Japan*
- **Mergers and acquisitions (M&A) with companies in Japan.**
- **Rent deposits required of tenants.**
- **Research and development costs in Japan.**
- **Portion of working capital needed for business start-up and expansion.**

Eligible Recipients

- Japanese KK (*Kabushiki Kaisha*) or YK (*Yugen Kaisha*) with over one-third foreign capital
- Registered branches of foreign companies in Japan
- Parent companies of Japanese entities making investments in Japan, or financing companies linked with such Japanese entities

Note: These companies must be linked directly by inter-company loans or equity injections.

Terms and conditions (1)

➤ **Loan amount**

Maximum 40-50% of the total project cost. Co-financing with commercial banks is required in most cases.

Normally from 8 digits (e.g. JPY XX,000,000). No upper limit.

➤ **Term and grace period**

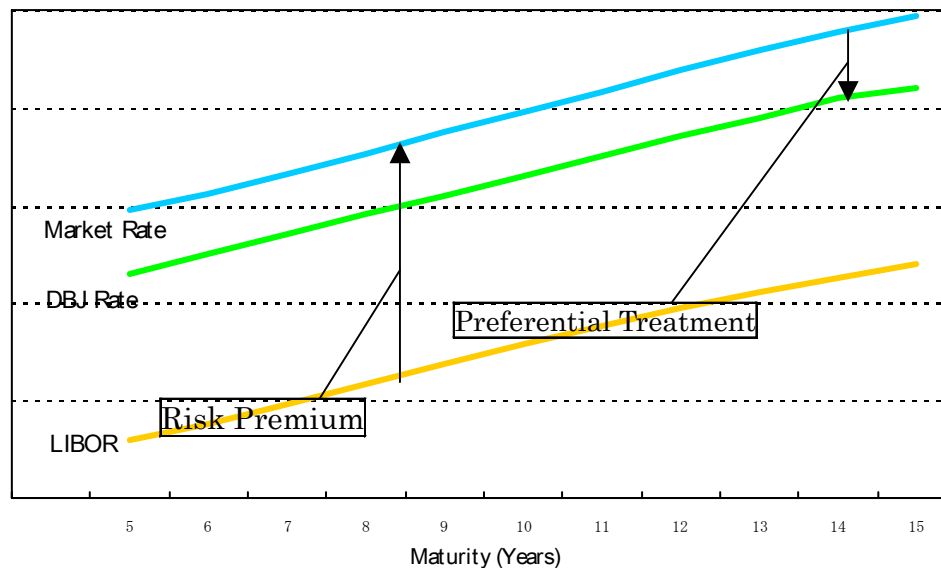
Loan terms and grace periods are set according to the cash-flow needs of each project. Loan terms usually range from 5 to 10 years, but may be extended to 15 years when the project warrants it. Grace periods are from 0.5 to 3 years.

Short-term loans are not available.

Terms and conditions (2)

➤ Interest rate (1)

Interest rates are fixed at the time of disbursement in most cases. Rates are determined in accordance with the term, grace period and security for each loan. The creditworthiness of the borrower and/or guarantor is considered as well.



Terms and conditions (3)

➤ **Payment conditions**

Loans generally are repaid in equal installments with deferred payment of interest.

➤ **Prepayment conditions**

Prepayment is possible but entails a penalty equal to the NPV (Net Present Value) of the reinvestment cost to the maturity of the loan.

➤ **Post default interest**

Post default interest is charged at a rate of 14.5% (Japanese banks generally charge from 14 to 14.5%). This rate cannot be changed.

Terms and conditions (4)

➤ **Security**

*A guarantor (e.g. parent company) is required in principle.
Covenants may be requested if considered necessary.
Collateral may also be required.*

➤ **Settlement reports**

Borrowers are required to submit financial statements not later than 100 days after the close of the borrower's financial year.

➤ **Governing law**

DBJ loans are governed by, and construed in accordance with, the laws of Japan.

➤ **Use of Japanese or English language**

Documents, information and materials must be in Japanese or English.

Recent New Activities

Various Options for our Clients

➤ **Diverse Range of Project funding**

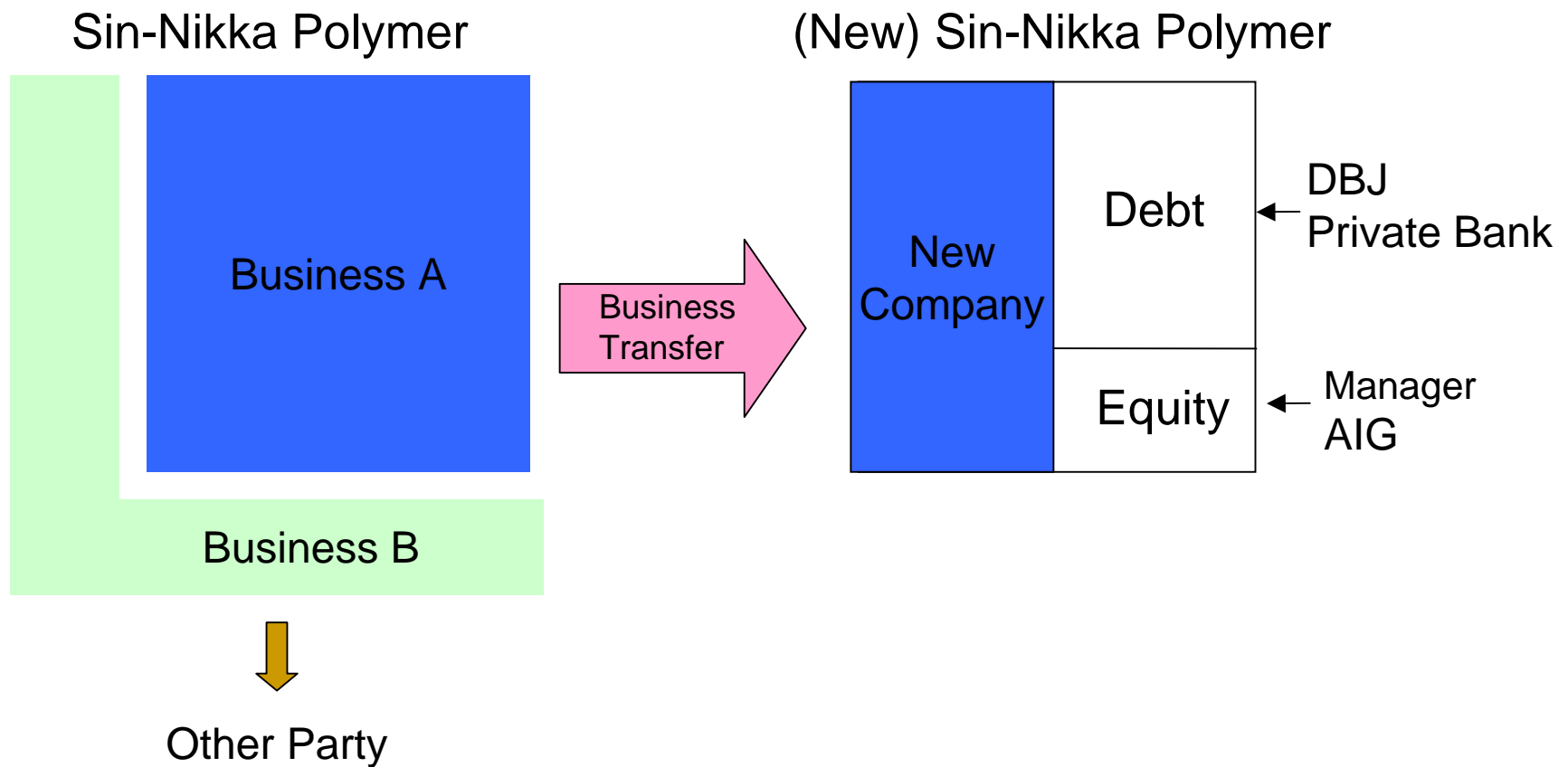
- Corporate senior loans at a preferred interest rate based on Japanese governmental policy
- Debt guarantees to other Banks, or extend loans to SMEs with standby L/C from main banks
- Non/Limited recourse loans for Project financing, Asset-based financing, LBO, etc.
- High-risk financing, including Mezzanine loans, equity investment through funds targeted for business restructuring, venture, etc.

➤ **Arranges local financing in Japan**

- Syndicated loans, Private/Public issues bonds
- Develops innovative financial schemes

CASE 01 : Sin-Nikka Polymer invested by AIG

~ Syndicated Loan for MBO ~



CASE 02: Equity investment through fund

~ Business Restructuring Funds DBJ invested as LP ~

- Carlyle Japan Partners L.P. (GP: Carlyle)
- Renaissance Fund 2 (GP: BNP Paribas)
- Japan Recovery Fund (GP: Phoenix Capital)
- MKS Funds (GP: MKS Partners)
- AC Creed Fund (GP: AC Capital)
- J Wind 1 (GP: J Will Partners) etc.

~ Venture Capital Funds ~

- Trans-science Fund #1
- IT Farm Fund #1
- Biotech Healthcare Fund #1
- Innovation Carve-out Fund etc.

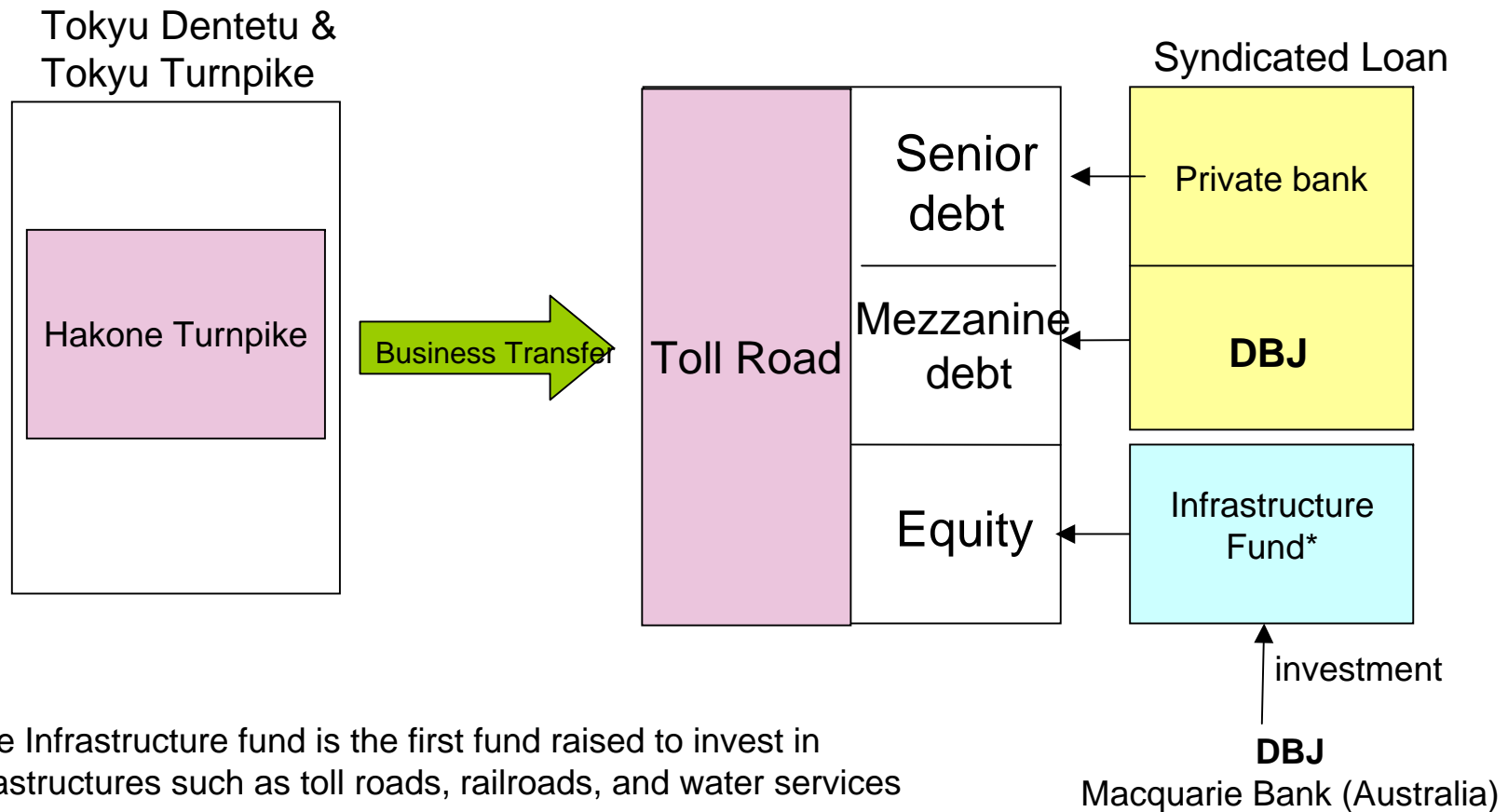
~ Other Funds ~

- Infrastructure Fund
- Privatization Support Fund
- Urban Renaissance Fund etc.

CASE 03 : Hakone Turnpike purchased by Infrastructure Fund

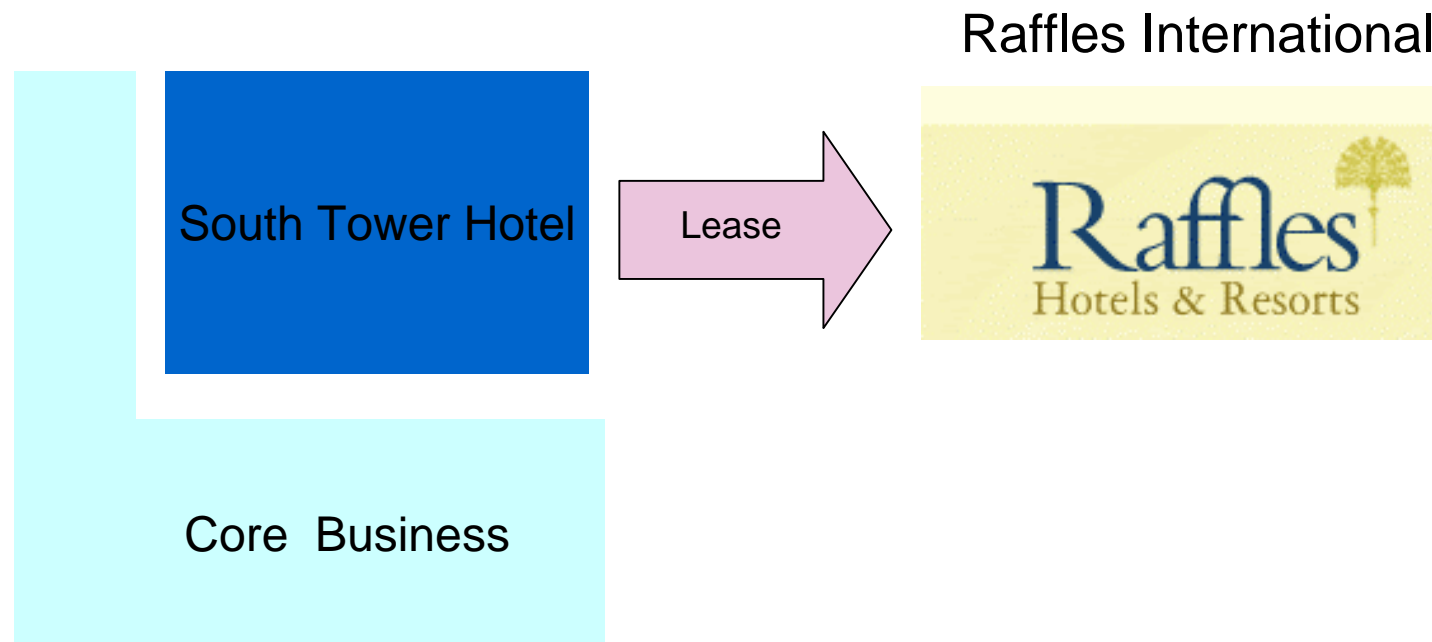
~ Mezzanine loans for Acquisition of the Toll Rode ~

Hakone Turnpike is a sightseeing toll road in a famous scenic place, Hakone.



*The Infrastructure fund is the first fund raised to invest in infrastructures such as toll roads, railroads, and water services through long-term investments in Japan.

CASE 04 : South Tower Hotel (Raffles International)



- ◆ Other Cross-Border Transactions DBJ advised Recently:
 - Siward Crystal Technology (Taiwan)
 - Siderca (Argentine)
 - Micron Technology (U.S.A) etc.

CASE 05: First US Venture Business who made IPO in Japan

■ Corporate Outline

MediciNova (San Diego, CA), established in Sept. 2000

IPO: Hercules market in Osaka Stock Exchange in Feb. 2005

Market Cap. at IPO: \$358 Million (Procured capital: \$109 Million)

2004/12 Revenue: \$490,000 Operating Loss (2004/12): **\$48,612,000**

of Employee: 23

■ Business Model

- Search for Drug Compounds developed by Midsize Pharma in Japan
- Carry our Clinical Test in US or in Europe
- Licensing out & Distribute drugs in US and Europe

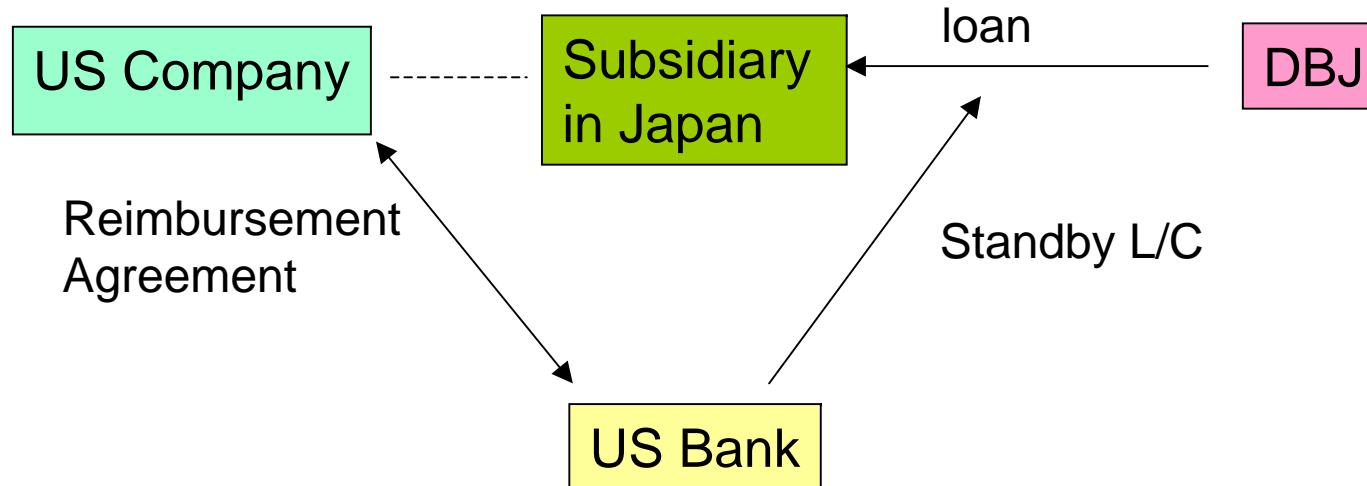
■ DBJ Group Support

Investment by #2 NBI Fund in B-round

Investment by NBI in C-round

*NBI (New Business Investment): DBJ's affiliated VC

CASE 06: Financing to SMEs from overseas



Advantage

- 👉 **US company can minimize financial costs (agency costs) for entering Japan.**
- 👉 **US Bank can support its clients.**
- 👉 **DBJ promotes FDI.**

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