

# DISCLOSURE 2019

**JTC Holdings**  
JTC Holdings, Ltd.

Please be noted this English version is for your reference purposes only;  
the original in Japanese prevails if any discrepancies are found.

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## Management Message

As Japan's No. 1 trust bank group specializing in asset administration, we shall aim to be the best partner that our clients can rely on.

We would like to express our sincere gratitude for your continued support.

Our Company was established in October 2018 as a financial holding company through a joint share transfer method by Japan Trustee Services Bank and Trust & Custody Services Bank with the aim of establishing Japan's leading asset administration bank.

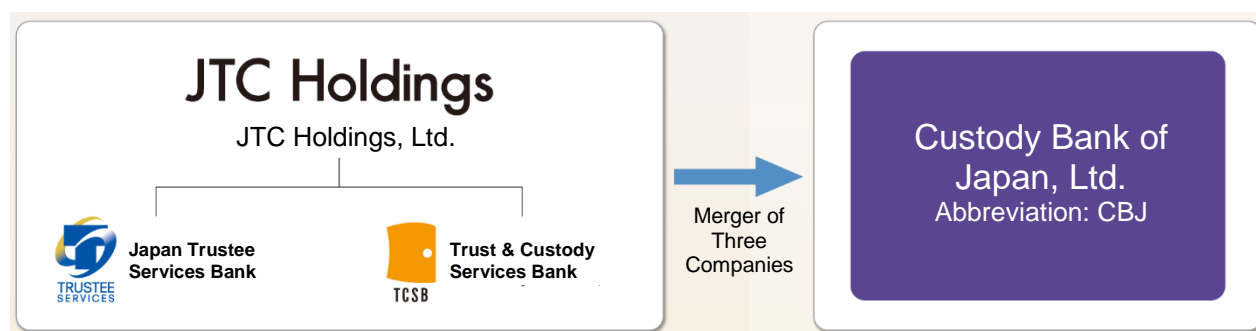
Total assets under custody of our Group amounted to approximately ¥700 trillion (of which, trust assets were approximately ¥400 trillion). As "Japan's No. 1 trust bank group specializing in asset administration," our officers and employees shall join forces to do our utmost to meet the expectations of customers and all of our stakeholders.

Diversification and sophistication of investment chains in Japan has accelerated amid the severe investment environment in recent years, and asset administration institutions that support these chains are required to demonstrate their expertise in a wide range of business areas, improve the quality of administration work, and strengthen system response capabilities more than ever.

Under the circumstances, our Group will leverage the management resources and know-how of our banks to develop human resources specializing in asset administration, strengthen system development capabilities, and ensure stable, high-quality operations to meet the diverse needs of customers.

All officers and employees will continue to make every effort with a sense of ownership and integrity, giving the highest priority to the voice of customers. We look forward to your continued support.

President & CEO	Nobumitsu Watanabe
Deputy President	Yoshikazu Tanaka



Our Group aims to establish "Custody Bank of Japan, Ltd." through the merger of 3 companies by 2021.

The name of a new company has been kept simple for our clients and easy to recognize in the global markets as a leading Japanese bank specialized in asset administration, broadly engaged in fiduciary and custody businesses, including comprehensive outsourcing services for life insurance companies.

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## Corporate Philosophy

**As Japan's No. 1 trust bank group specializing in asset administration, we shall contribute to the sound development of economy and society by playing a role in the development of asset management businesses and the asset formation of the people of Japan.**

## Vision

- **We respond to the trust of society as a financial infrastructure by providing high-quality and reliable services**
- **We aim to become the best partner for our customers by meeting their diverse needs and managing the changing environment**
- **We shall always be the company that takes pride in being an asset administration professional in which employees work to their full potentials**

## Action Guidelines

- **Acknowledging our social responsibility, we shall act with a sense of ownership and integrity**
- **We shall place our customers first and provide high-quality services that satisfy them**
- **In compliance with laws, rules and social norms, we shall be sincere and fair in our conduct**
- **We shall respect and trust each other and create an open and active work environment**
- **We shall tirelessly improve ourselves to acquire advanced expertise and skills**

# Corporate Data (As of July 1, 2019)

## Group Company Profile

### JTC Holdings, Ltd.

Head Office: Harumi Island Triton Square Tower Y, 8-11, Harumi 1-chome, Chuo-ku, Tokyo

Establishment: October 1, 2018

Representative: Nobumitsu Watanabe, President & CEO

Capital: ¥500 million

No. of shares issued: 2,040,000 shares

Shareholders:	Sumitomo Mitsui Trust Holdings, Inc.	680,000 shares (33.3%)
	Mizuho Financial Group, Inc.	550,800 shares (27.0%)
	Resona Bank, Limited	340,000 shares (16.7%)
	The Dai-ichi Life Insurance Company, Limited	163,200 shares (8.0%)
	Asahi Mutual Life Insurance Company	102,000 shares (5.0%)
	Meiji Yasuda Life Insurance Company	91,800 shares (4.5%)
	Japan Post Insurance Co., Ltd.	71,400 shares (3.5%)
	Fukoku Mutual Life Insurance Company	40,800 shares (2.0%)

No. of employees: 50 (As of March 31, 2019)

URL: <https://www.jtc-hd.jp/>

#### Lines of Business

The purpose of a bank holding company shall be to conduct the following businesses:

- (i) Business management of the bank holding company group to which the company affiliates and the business incidental thereto;
- (ii) Other businesses the bank holding company may engage in pursuant to the Banking Act.

### Japan Trustee Services Bank, Ltd.

Head Office: Harumi Island Triton Square Tower Y, 8-11, Harumi 1-chome, Chuo-ku, Tokyo

Establishment: June 20, 2000

Representative: Yoshikazu Tanaka, Director and President

Capital: ¥51.0 billion

No. of shares issued: 1,020,000 shares

Shareholders: JTC Holdings, Ltd. (100%)

No. of employees: 1,067 (As of March 31, 2019)

URL: <https://www.japantrustee.co.jp/>

#### Lines of Business

Securities administration business, trust and banking businesses pertaining to asset administration, business related to Japanese Master Trust

#### Long-term rating

Japan Credit Rating Agency, Ltd. (JCR)	AA+
Moody's	A1
Standard & Poor's Financial Services LLC	A-

### Trust & Custody Services Bank, Ltd.

Head Office: Harumi Island Triton Square Tower Y, 8-12, Harumi 1-chome, Chuo-ku, Tokyo

Establishment: January 22, 2001

Representative: Nobumitsu Watanabe, President & CEO

Capital: ¥50 billion

No. of shares issued: 1,000,000 shares

Shareholders: JTC Holdings, Ltd. (100%)

No. of employees: 697 (As of March 31, 2019)

URL: <http://www.tcsb.co.jp/>

#### Lines of Business

Securities administration business, trust and banking businesses pertaining to asset administration, business related to Japanese Master Trust

#### Long-term rating

Rating and Investment Information, Inc. (R&I)	AA-
Moody's	A1
Standard & Poor's Financial Services LLC	A-

## Corporate Officers

### JTC Holdings

Chairman	Hiroki Tanaka	Director	Yasuo Mizota
President & CEO	Nobumitsu Watanabe	Full-time Corporate Auditor	Isao Kondo
Deputy President	Yoshikazu Tanaka	Full-time Corporate Auditor	Noboru Senni
Director	Hiroshi Takahashi	Corporate Auditor	Kiyomitsu Asahi
Director	Hiroyuki Obata	Corporate Auditor	Takakazu Wada
Director	Masatoshi Noguchi	Corporate Auditor	Yasuhiro Otsuka
Director	Akira Noguchi	Corporate Auditor	Hideki Matsuoka
Director	Munetaka Saito		

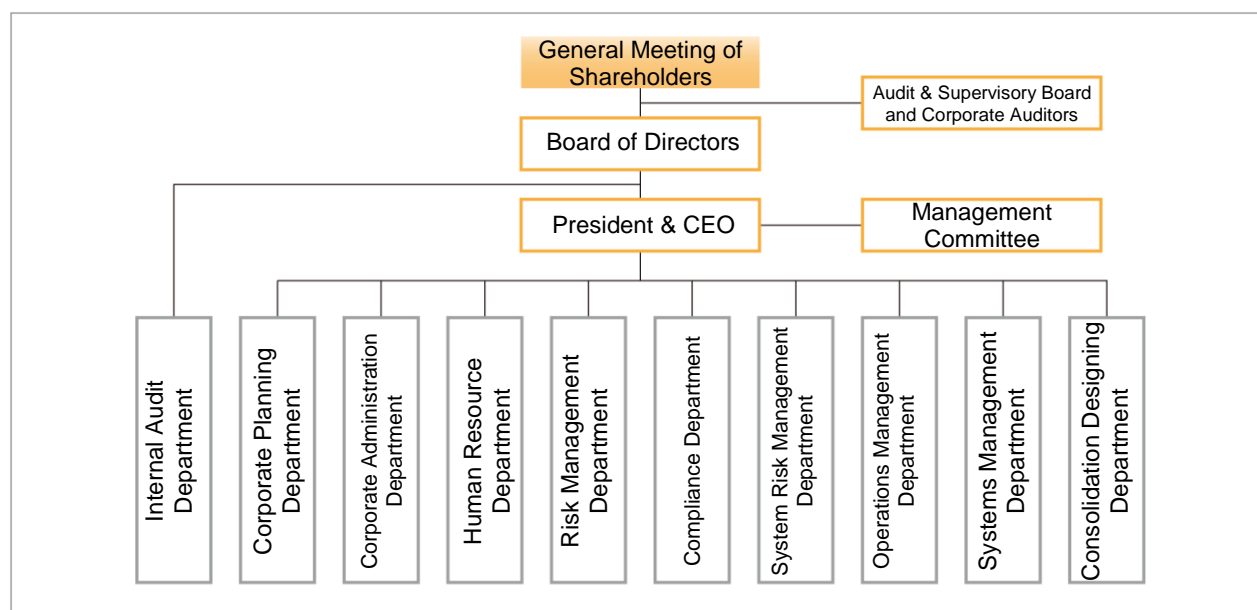
### Japan Trustee Services Bank

Representative Director and President	Yoshikazu Tanaka	Full-time Corporate Auditor	Yasutada Yatsuda
Representative Director and Deputy President	Hiroshi Takahashi	Corporate Auditor	Yoshihide Haze
Representative Director and Deputy President	Masatoshi Noguchi	Executive Officer	Naoyuki Ohashi
Managing Director	Masato Tanabe	Executive Officer	Satoshi Sato
Managing Director	Yuji Takei	Executive Officer	Masaaki Tagawa
Managing Director	Takahiro Ishi	Executive Officer	Masao Maeda
Director	Hiroki Tanaka	Executive Officer	Yasushi Kasahara
Full-time Corporate Auditor	Tatsuya Tsuboi	Executive Officer	Toshiyuki Hioki

### Trust & Custody Services Bank

President & CEO	Nobumitsu Watanabe	Director	Shigeaki Asai
Deputy President	Akira Noguchi	Full-time Corporate Auditor	Makoto Saito
Senior Managing Director	Hiroyuki Obata	Full-time Corporate Auditor	Hiroto Uchino
Managing Director	Yasushi Makino	Corporate Auditor	Masato Monguchi
Director	Hiroki Tanaka	Corporate Auditor	Takehiko Watabe
Director	Masao Kanamaru	Managing Executive Officer	Masafumi Yoshida
Director	Goji Fujishiro	Managing Executive Officer	Minoru Mochizuki
Director	Yukihiro Fujioka	Executive Officer	Kenji Yoshikawa
Director	Tomohiro Nishio	Executive Officer	Taku Murakawa

## Organization Chart



## History



Japan Trustee Services Bank



Trust & Custody Services Bank

- June 2000  
Establishment of Japan Trustee Services Bank  
Investors: Daiwa Bank (now Resona Bank)  
Sumitomo Trust and Banking (now Sumitomo Mitsui Trust Bank)
- September 2002  
Capital participation by Mitsui Trust Holdings (Currently Sumitomo Mitsui Trust Holdings)
- January 2001  
Establishment of Trust & Custody Services Bank  
Investors: Mizuho Trust & Banking  
The Dai-ichi Life Insurance  
Asahi Mutual Life Insurance  
Yasuda Life Insurance (Currently Meiji Yasuda Life Insurance)  
Fukoku Mutual Life Insurance
- March 2003  
Capital participation by Mizuho Financial Group
- October 2016  
Capital participation by Japan Post Insurance
- March 2018  
Japan Trustee Services Bank and Trust & Custody Services Bank signed an agreement on business merger
- October 2018  
Establishment of JTC Holdings

# JTC Holdings

JTC Holdings, Ltd.

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## Review of Business Performance

### ● Review of Performance and Results

Our Company was established in October 2018 as a financial holding company with Japan Trustee Services Bank and Trust & Custody Services Bank as our subsidiaries.

Upholding Corporate Philosophy and Vision of our Group, we have formulated Corporate Action Guidelines for officers and employees to realize them. Based on our Corporate Philosophy, we, as a financial holding company, monitor the progress of management plans of subsidiaries and provide appropriate supervision and guidance regarding applications and reports from subsidiaries.

In addition, in order to fulfill our fiduciary duty under our Group Vision to “Become the best partner for our customers by meeting their diverse needs and managing the changing environment,” we have formulated and announced the Group Management Policy and Asset administration Action Policy, and our subsidiaries have formulated and announced their action plans accordingly.

While managing our business as described above, we have been working on various measures such as formulating the Bank Merger Plan, making a steady progress towards the establishment of “Custody Bank of Japan” through the merger of the 3 companies.

### ● Income Summary

Our Group's consolidated results for the year under review were as follows.

The consolidated financial statements for the fiscal year under review shall cover a consolidated accounting period from April 1, 2018 to March 31, 2019 as Japan Trustee Services Bank was set as an acquiring company under the Accounting Standard for Business Combination, and thereby the operating results shall consolidate the business results of Japan Trustee Services Bank from April 1, 2018 to March 31, 2019, and those of our Company and Trust & Custody Services Bank from October 1, 2018 to March 31, 2019.

Consolidated ordinary revenues were ¥41,792 million and consolidated ordinary expenses were ¥40,807 million. As a result, consolidated ordinary income was ¥984 million and the net income attributable to owners of parent was ¥657 million.

Consolidated total assets were ¥17,534,938 million and consolidated net assets were ¥118,481 million.

### ● Issues to be Addressed

While completing the safe and steady integration of banks in line with the Bank Merger Plan, we will strengthen our efforts to improve service quality and productivity, and develop expert human resources to meet the diverse needs of our customers.



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## Fiduciary Duty\*

In order to fulfill our fiduciary duty under the overarching Group Vision to "Become the best partner for our customers by meeting their diverse needs and managing the changing environment," we have formulated and announced the Group Management Policy and Asset administration Action Policy to practice measures that place our customers first in fulfilling the Fiduciary Duty of overall asset administration business.

\* It is a collective term for a broad range of diverse roles and responsibilities assumed by persons performing certain tasks in order to meet the confidence of others

### Group Management Policy

Our Group shall establish and comply with the Group Management Policy in carrying out asset administration businesses that meet the diverse needs of our customers.

#### 1. Management System

Concrete action plans shall be formulated and announced by the holding company and each Group company for implementation, and the compliance division periodically reports on the status of compliance to the Board of Directors and other organizations.

#### 2. Performance Evaluation

An appropriate performance evaluation system shall be developed to evaluate initiatives that truly meet the needs and realize the benefits of customers.

#### 3. Management of Conflict of Interest

Conflict of interest shall be appropriately managed by the holding company and each Group company by identifying and classifying transactions that may cause a conflict of interest and determining specific management methods. We will also enhance the management on conflict of interest within the Group by providing easy-to-understand information on the examples of conflict of interest.

#### 4. Penetration of Corporate Culture

We will establish a corporate culture in which all officers and employees share awareness of and practice compliance with the fiduciary duty by establishing training and other appropriate motivation frameworks.

### Asset administration Action Policy

Our Group shall establish and implement the following asset administration policies.

#### 1. Strengthening Asset administration Service Framework

- We shall appropriately allocate resources such as human resources, administrative infrastructures, and systems in order to improve reliability and speed of administrative work as a basis of asset administration services.
- We shall strive to develop human resources equipped with high-level expertise in legal and tax systems related to securities and fund settlement necessary for asset administration services.

#### 2. Sophistication of Administration, Systems, etc. as Financial Infrastructures

- To meet the increasingly diverse and sophisticated asset management needs of our clients on a global scale, we shall promote advancement of administration and systems.

#### 3. Initiatives on Improvement of Service Quality and Development of New Services

- While appropriately managing trust assets for assurance of clients, we shall constantly strive to develop new services in a wide range of fields in the asset administration, with the aim of providing optimal solutions to meet clients' increasingly diverse and sophisticated needs.

#### 4. Enhancement of Information Service to Support Customers' Investment Activities

- In order to contribute to the sophistication of our customers' investment activities, we shall strive to provide high value-added information (legislation, taxation, and market information) in a timely manner, based on various reports as well as market information.

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## Corporate Governance

As a holding company, our Company is committed to building a corporate governance system led by the Board of Directors and enhancing the corporate governance functions in order to fulfill our social mission by conducting management that respects the views of shareholders and other stakeholders, and by contributing to the asset management business development and the sound economic and societal development through the realization of sustainable and stable corporate values.

### • Outline of Corporate Governance Structure

#### 1. Functions of Business Execution and Supervision

##### (1) Directors and Board of Directors

The Board of Directors is composed of 9 directors (including 3 external directors) and meets once a month in principle. The Board of Directors can also meet on an irregular basis to make decisions on important matters such as management policies and strategies. Furthermore, the Board of Directors is responsible for overseeing the execution of duties by directors, including receiving reports on the progress of business execution by our Company and the subsidiaries and other important matters.

##### (2) Management Committee

Management Committee, consisting of executive directors, is established under the Board of Directors, and meets twice a month in principle and as needed. Management Committee determines important matters related to the execution of business at our Company and the subsidiaries and receives reports on other important matters.

##### (3) Group business management

Applications and reporting matters received from our subsidiaries are discussed and approved by the Management Committee and the Board of Directors, and guidance and advice are provided as necessary, in accordance with the Regulations for Business Management of Subsidiaries and the Business Management Agreement.

#### 2. Functions of Audit

##### (1) Corporate Auditors and Audit & Supervisory Board

Audit & Supervisory Board consists of 2 full-time corporate auditors and 4 part-time corporate auditors (who are external corporate auditors). Audit & Supervisory Board ensures effective auditing functions for Directors' decision-making and business execution, and works to strengthen the auditing management system. In accordance with Audit Policy and Plan determined by the Audit & Supervisory Board, each Corporate Auditor shall audit Directors' performance of duties, internal controls, and other matters by attending meetings of the Board of Directors and other important meetings, inspecting material resolution documents, auditing each department of the Company, and investigating subsidiaries. Corporate Auditors and Audit & Supervisory Board shall work closely with the internal audit division and the independent audit firm, and strive to conduct effective audits by exchanging opinions on important auditing matters through regular meetings with the Representative Director and others.

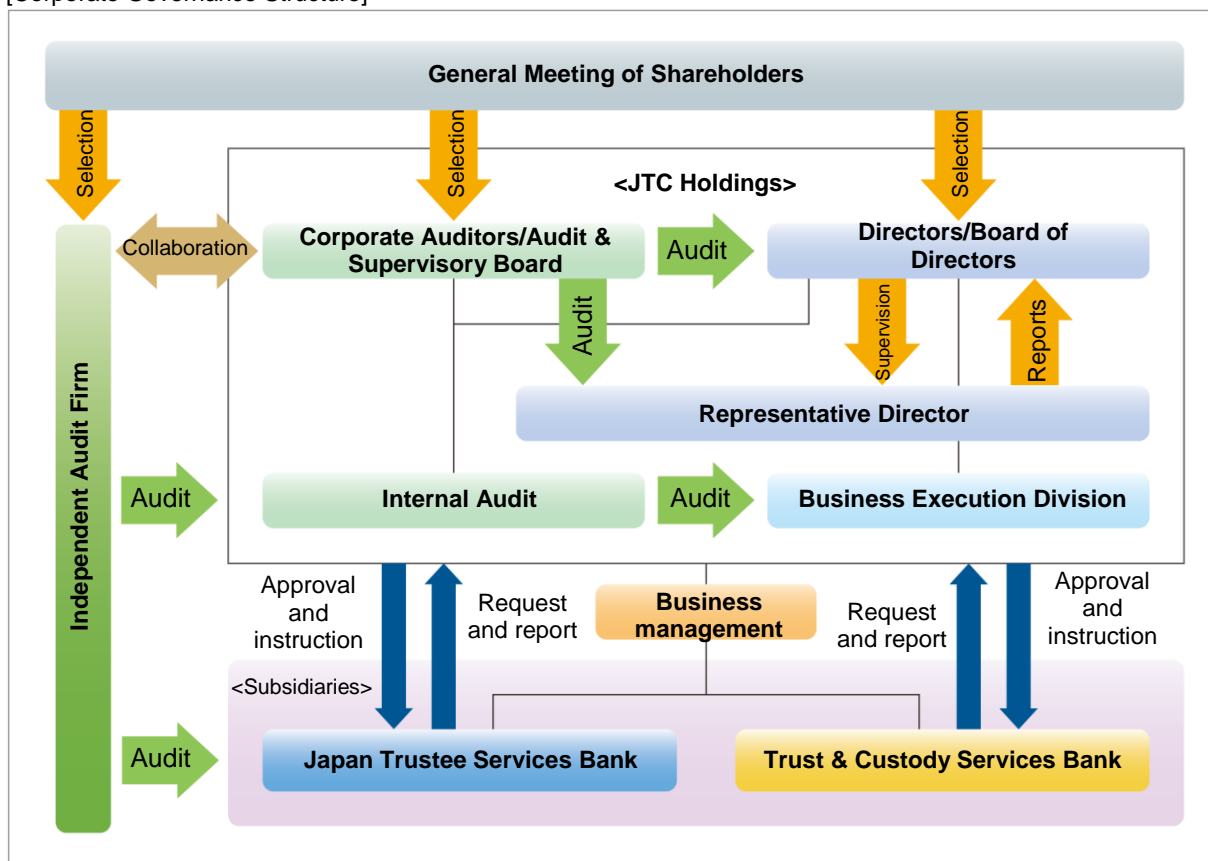
##### (2) Internal Audit

Internal Audit Department, which is independent of other departments within our Group, conducts internal audits based on the "Basic Internal Audit Plan" approved by the Board of Directors. Audit results are reported to the Board of Directors on a regular basis.

##### (3) Auditors' Statement

KPMG AZSA LLC conducts accounting audits as our Group's independent audit firm.

[Corporate Governance Structure]



# Risk Management

## ● Risk Management Systems

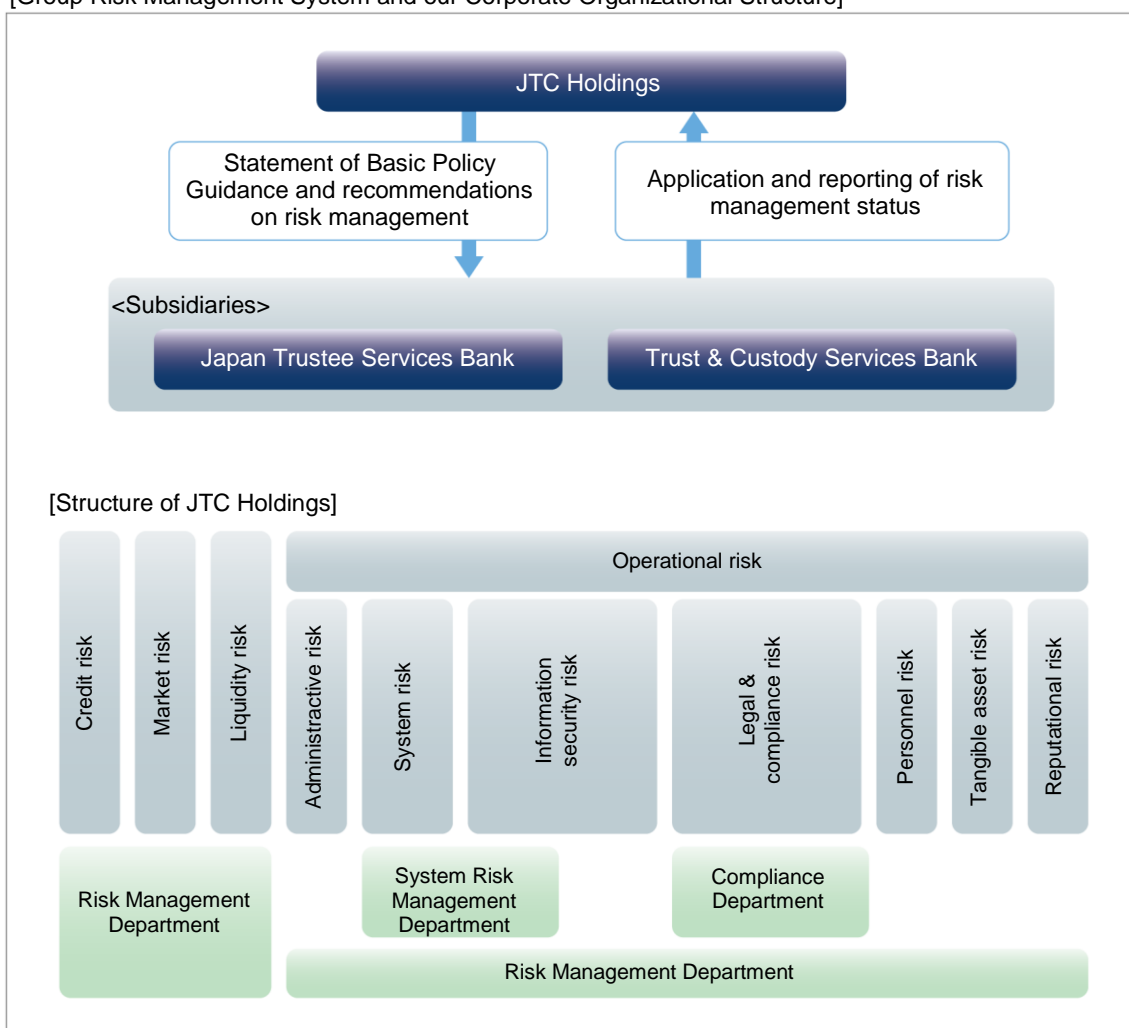
For our Group to fulfill its public mission as a trust bank group specializing in asset administration, it is required to ensure the soundness of its management by measuring risk accurately and controlling it. To satisfy the requirement, the Company categorizes the business risks by factor into “credit risk”, “market risk”, “liquidity risk” and “operational risk”, manages them according to each risk characteristic, and develops a management system for integrated management of those risks.

### ● Basic Concept

Under the "Basic Risk Management Policy" established by the Board of Directors for the Group-wide risk management, our Company manages risks according to their characteristics. In other words, each risk category is assigned to the department, and these risk categories are managed through a process of risk management activities, involving identification, assessment, monitoring, control, and mitigation of risks to gain an accurate understanding of the status of such risks and take appropriate risk measures. In addition, integrated risk management is focused by gaining holistic understanding of risks, making qualitative and quantitative assessments, and comparing and contrasting with our Group's business capabilities.

Our Group is aware that the principal risk in its risk profile is operational risk because of its specialization in the asset administration business and, therefore, focuses on the reduction of operational risk. For other risk categories, our policy is to minimize such risks that may arise in the conduct of its asset administration business operations.

[Group Risk Management System and our Corporate Organizational Structure]



[Major Risk Categories of Our Company]

Risk category	Content of risk
Credit risk	Risk of incurring losses due to a decline in or complete loss of asset value (including off-balance) as a result of a deterioration in the financial condition of borrowers.
Market risk	Risk of incurring losses due to fluctuations in the value of assets/liabilities (including off-balance), or in the revenues generated from assets/liabilities, caused by fluctuations in various market risk factors, such as interest rates, foreign exchange rates, and stocks. This includes the risk (market liquidity risk) of incurring losses due to market turmoil that prevents transactions from being carried out in the market or forces transactions to be carried out at prices significantly more disadvantageous than usual.
Liquidity risk	Risk of incurring losses due to difficulty in securing the needed funds caused by a mismatch between operation and financing periods and unexpected outflow of funds, or the case where obligors are forced to procure funds at interest rates that are much higher than normal.
Operational risk	Risk of incurring losses resulting from inappropriate business processes, activities by officers and employees, etc. and systems, or from external events.

- Operational risk management

Our Group stipulates in its "Risk Management Rules" that for each of the following operational risks (risk subcategory), each risk management department shall implement its own risk management activities, and the Risk Management Department, as a comprehensive operational risk management unit, shall establish a management system for planning, promoting and coordinating all aspects of operational risk management, for the following risk subcategories that constitute operational risks.

- The Risk Management Department is responsible for administrative risks to plan and promote initiatives to enhance administration management structure, improve processing quality, and increase compliance with administration procedures.
- The System Risk Management Department is responsible for system risks to plan and promote stable operation of IT systems.
- Of information security risks, the Risk Management Department is responsible for information management, and the System Risk Management Department is responsible for information systems, to plan and promote various risk management.
- The Compliance Department is responsible for legal and compliance risks to plan and promote various types of legal and compliance risk management.
- The Risk Management Department is responsible for personnel risks to plan and promote various types of personnel risk management.
- The Risk Management Department is responsible for tangible asset risks to plan and promote various types of tangible asset risk management.
- The Risk Management Department is responsible for reputation risks to plan and promote various types of reputation risk management.

- Information Management System**

Our Group has structured and audited its information security systems on a systematic basis and has created the necessary systems for risk management. Today's asset administration business is based on sophisticated computerized information processing, and requirements for the strict management of information, as represented by the provisions of Japan's Personal Information Protection Law, have been tightened substantially.

Our Group adjusts the importance placed on all information assets held according to the level of risks of leakage, loss, or alteration that may cause our Group and customers to incur a loss. Methods of acquisition, use, management, storage, internal communications, removal of assets from the Company, and disposal of information are determined according to the level of importance to ensure proper information management.

# Compliance

## ● Compliance Systems

As Japan's No. 1 trust bank group specializing in asset administration, we shall contribute to the sound development of economy and society by playing a role in the development of asset administration business and the asset formation of the nation. Our Group has adopted this Corporate Philosophy. In order to realize our Corporate Philosophy, we act with integrity and impartiality in compliance with laws, rules, and social norms as a pillar of our Action Guidelines. For this reason, our Group positions legal and other kinds of compliance as one of our top priority management issues, in other words, compliance with not only laws and regulations, but also social norms in a broad context. Our Company, by developing compliance management system in overall operation of our Group, strives to ensure sound and appropriate management based on self-discipline, and ensure our customers and society have full confidence in us.

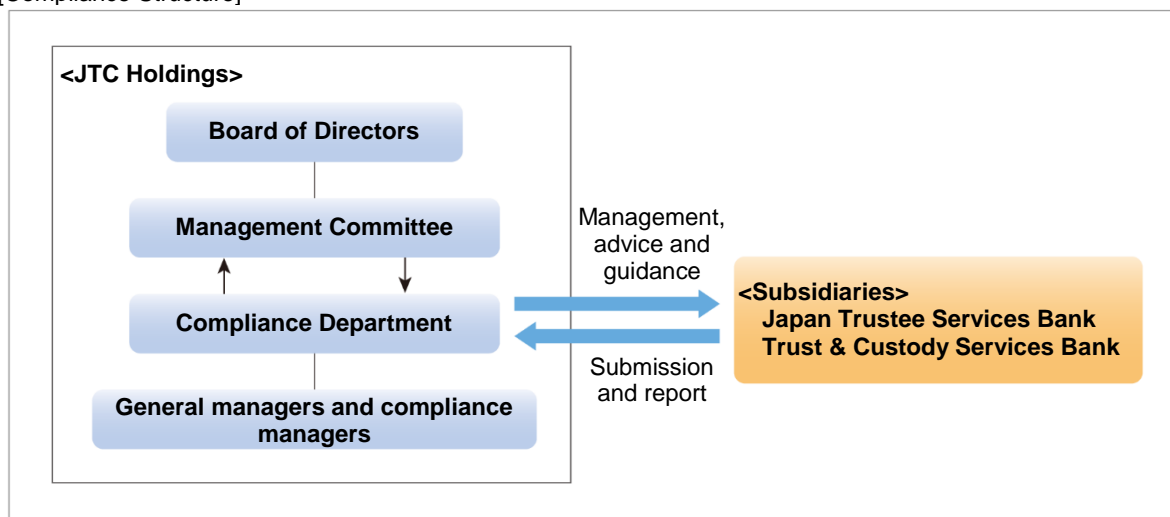
### ● JTC Holdings' Compliance Structure

The Board of Directors makes decisions on basic compliance matters and oversees the implementation. The President also oversees compliance at our Company, and the Management Committee deliberates and reports on compliance matters.

Our Company has designated the Compliance Department as a department supervising compliance matters. The department develops internal regulations required for the compliance management system, implements measures and guidance, responds to issues, and improves training and education structures to manage overall compliance in our Group. The Compliance Department regularly reports progress on compliance matters to the Board of Directors, etc. and promptly reports when a serious violation of laws and regulations or an event with a grave impact on management occurs.

In each department of our Company, the Compliance Head, a post assumed by the general manager, and the Compliance Manager are assigned to secure the effectiveness of compliance in each department and carry out concrete measures in cooperation with the Compliance Department.

[Compliance Structure]



### ● Making All Personnel Aware of Compliance

In principle every year, the Compliance Department formulates a compliance program, and it is a specific action plan for the achievement of compliance. This compliance program is disseminated across the entire organization together with the compliance programs of our subsidiaries, after obtaining approval of the Board of Directors. Our Group has also established the Compliance Manual as a practical guide for officers and employees to ensure compliance in each company. Formulation and important revision of the Compliance Manual are disseminated across the organization of each company after approval of the Board of Directors is obtained.

### ● Compliance Hotline System

Internal and external reporting desks (the Compliance Hotline) are established for officers and employees, etc. of our Group to report acts of legal violations, or suspected violations within our Group. When a report is received, the Compliance Department reports to the officer(Director) in charge of the Compliance Department and Corporate Auditors and takes appropriate action.

# Internal Audit

## ● Basic Action Policy

Our Group's internal audit is a process, independent from the business lines, of verifying the appropriateness and effectiveness of governance, risk management and controls that are carried out to help an organization achieve its goals, objectively and holistically assessing the results, providing findings and recommendations to correct issues, and following up on the status of improvements.

Our Company has established the Basic Policy on Internal Audit to ensure sound business in our Group, and carries out the following initiatives to verify and assess the appropriateness and effectiveness of the internal control management system.

- (i) Establishment of the internal audit division that is independent from the business execution divisions and has a sufficient check-and-balance function
- (ii) Based on the formulation of our Group's internal audit plan, the internal audit division audits each business execution division and the subsidiaries as necessary and provides findings and recommendations for improvements.
- (iii) Results of internal audits and the progress of internal audit plans are reported to the Board of Directors in accordance with internal audit rules.

## ● Organizational structure

Our Group has established the Internal Audit Department that is independent of the business execution divisions. The Internal Audit Department of our Company also conducts internal audits on the subsidiaries as needed, either directly or in cooperation with the Internal Audit Department of our subsidiaries, covering the entire Group's internal audits.

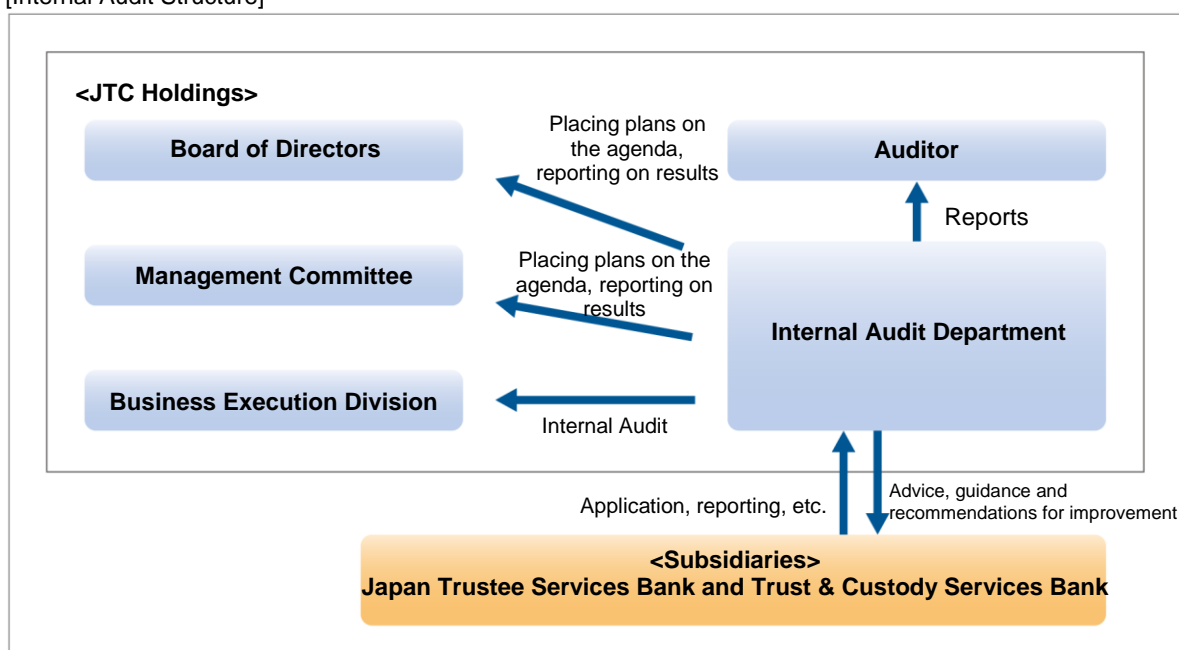
## ● Functions and roles

In line with the Basic Policy on Internal Audit, the Internal Audit Department formulates an internal audit plan focused on material risk items that are common among our Company and the subsidiaries. The plan is approved by the Board of Directors.

Results of internal audits are reported to the President and Corporate Auditors without delay and, together with results of internal audits of our subsidiaries, are periodically reported to the Management Committee and the Board of Directors.

By receiving applications for internal audit plans from the subsidiaries and reports on results of internal audits, the Internal Audit Department has centralized understanding and management on implementation of internal audit operations at our subsidiaries, verifying appropriateness of the internal audit system, methods, depth, etc., and appropriateness and effectiveness of internal control management system of our subsidiaries, and providing advice, guidance, and recommendations for improvement as necessary.

[Internal Audit Structure]



# Consolidated Financial Data

## Changes in key management indicators

	(¥ million) FY2018
Ordinary income	41,792
Ordinary profit	984
Net income attributable to owners of parent	657
Comprehensive income	696
Net assets	118,481
Total assets	17,534,938
Consolidated Capital Adequacy Ratio (Domestic standard) (Note 2)	37.21%

- Notes: 1. As our Company was established on October 1, 2018, changes in key management indicators and others are not shown for FY2017 or before.
2. Based on Article 52-25 of the Banking Act, the "Consolidated Capital Adequacy Ratio (Domestic standard)" is calculated according to "the standards for a bank holding company to judge on appropriateness of the capital adequacy in light of assets held by the bank holding company and its subsidiaries" (Financial Services Agency Public Notice No. 20 of 2006).

As our Company was established on October 1, 2018, figures for FY2017 are not shown.

## Consolidated Balance Sheets

	(¥ million) FY2018 (March 31, 2019)
<b>Assets</b>	
Cash and due from banks	16,030,507
Call loans and bills bought	60,000
Receivables under resale agreements	31,155
Securities	295,642
Loans and bills discounted	877,192
Foreign exchanges	603
Other assets	195,178
Tangible fixed assets	3,280
Buildings	1,964
Lease assets	1
Other tangible fixed assets	1,313
Intangible fixed assets	40,492
Software	40,449
Other intangible fixed assets	42
Net defined benefit asset	233
Deferred tax assets	651
<b>Total assets</b>	<b>17,534,938</b>
<b>Liabilities</b>	
Deposits	7,583,969
Call money and bills sold	759,025
Borrowed money from trust account	9,008,305
Other liabilities	63,709
Provision for bonuses	541
Net defined benefit liability	861
Provision for directors' retirement benefits	43
<b>Total liabilities</b>	<b>17,416,456</b>
<b>Net Assets</b>	
Capital stock	500
Capital surplus	109,551
Retained earnings	8,390
Total shareholders' equity	118,442
Valuation difference on available-for-sale securities	117
Remeasurements of defined benefit plans	△ 77
Total accumulated other comprehensive income	39
<b>Total net assets</b>	<b>118,481</b>
<b>Total liabilities and net assets</b>	<b>17,534,938</b>



## Consolidated Statements of Income

	(¥ million)
	FY2018 (from April 1, 2018 to March 31, 2019)
Ordinary income	41,792
Trust fees	28,114
Interest income	△ 3,795
Interest on loans	△ 150
Interest and dividends on securities	△ 21
Interest on call loans and bills bought	1
Interest on receivables under resale agreements	△ 17
Interest on receivables under securities borrowing transactions	0
Interest on due from banks	△ 3,616
Other interest received	7
Fees and commissions	17,397
Other income	75
Other income	75
Ordinary expenses	40,807
Interest expenses	△ 95
Interest on deposits	7
Interest on call money and bills sold	△ 149
Interest on borrowings	0
Other interest expenses	46
Fees and commissions expenses	2,319
Other operating expenses	1
General and administrative expenses	38,556
Other expenses	25
Other expenses	25
Ordinary profit	984
Extraordinary income	17
Gain on bargain purchase	17
Extraordinary loss	46
Loss on disposal of fixed assets	46
Income before income taxes	955
Income taxes—current	332
Income taxes—deferred	△ 34
Total income taxes	298
Net income	657
Net income attributable to non-controlling interests	-
Net income attributable to owners of parent	657

# Consolidated Financial Data

## Consolidated Statements of Changes in Net Assets

	FY2018 (from April 1, 2018 to March 31, 2019)								(¥ million)
	Shareholders' equity				Accumulated other comprehensive income			Total net assets	
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the period	51,000	-	8,435	59,435	Δ 0	-	Δ 0	59,435	
Changes during the period									
Fluctuation due to stock transfer	Δ 109,551			59,051				59,051	
Cash dividends	50,500		Δ 702	Δ 702				Δ 702	
Net income attributable to owners of parent			657	657				657	
Net changes of items other than shareholders' equity					117	Δ 77	39	39	
Total changes during the period	Δ 109,551		Δ 45	59,006	117	Δ 77	39	59,045	
Balance at the end of the period	500 109,551		8,390	118,442	117	Δ 77	39	118,481	

## Notes to Accounting Items (FY2018)

Amounts less than ¥1 million are rounded down.

Definitions of subsidiaries, affiliates and other corporations shall be based on Paragraph 8, Article 2 of the Banking Act and Article 4-2 of the Order for Enforcement of the Banking Act.

### Policy for preparation of the consolidated financial statements

- (1) Matters related to the scope of consolidation
  - (i) Subsidiaries, etc. to be consolidated: 2 companies  
Company Name  
Japan Trustee Services Bank, Ltd.  
Trust & Custody Services Bank, Ltd.
  - (ii) Non-consolidated subsidiaries, etc.  
None
- (2) Matters related to the application of equity method
  - (i) Non-consolidated subsidiaries, affiliates, and other corporations applying equity method  
None
  - (ii) Non-consolidated subsidiaries, affiliates, and other corporations not applying equity method  
None
- (3) Matters related to business years of subsidiaries, etc. to be consolidated  
The account closing date of consolidated subsidiaries, etc. shall be as follows.  
As of March 31: 2 companies

### Matters related to accounting policies

- (1) Standards for evaluation of securities and valuation methods used  
In principle, as with available-for-sale securities, securities are valued by the market value method based on the market price or other appropriate price at the consolidated balance sheet date (with the sales price calculated by the moving average method). Provided, however, that regarding securities for which it is extremely difficult to determine their fair value, the original purchase prices are employed based on the moving average method. Note that the full amount of adjustments in the value of available-for-sale securities is accounted for by adding such amounts directly to net assets.
- (2) Evaluation standards and methods for derivative transactions  
Evaluation of derivative transactions shall use the market value method.
- (3) Depreciation methods
  - (i) Tangible fixed assets (excluding leases)  
Depreciation of tangible fixed assets is calculated by the declining-balance method, with the exception of buildings (excluding equipment installed in buildings), and facilities attached to buildings and structures acquired on or after April 1, 2016, which are depreciated by the straight-line method.  
Estimated useful lives of major items are as follows:  
Buildings: 3–50 years  
Others: 2–20 years
  - (ii) Intangible fixed assets (excluding leases)  
Intangible assets are amortized by the straight-line method. Software for internal use is amortized over its estimated useful life (mainly 5 years).
  - (iii) Lease assets  
Lease assets for which the ownership does not transfer and are included in tangible fixed assets are depreciated using the straight-line method over the estimated useful life. Note that for those leases that are based on contracts providing for guarantees of residual value the assets are depreciated down to the specified residual value, and all other assets are depreciated to zero.
- (4) Basis for recording provision for bonuses  
To provide for the payment of bonuses, provisions for employees' bonuses are set aside in the amount of the estimated bonuses attributable to the consolidated fiscal year under review.
- (5) Basis for recording provision for directors' retirement benefits  
To provide for the payment of retirement benefits for directors, of the estimated payment of such retirement benefits, a portion of the total of such benefits that have accrued up to the end of the consolidated fiscal year under review is set aside as a reserve.
- (6) Accounting method related to retirement benefits  
In calculating retirement benefit liabilities, the expected amount of retirement benefit payments through the end of the consolidated fiscal year under review is allocated to the fiscal year under the benefit formula standard. In addition, the method for amortizing expenses or recognizing gains arising due to actuarial differences shall be as follows.  
Actuarial calculation differences: The unrecognized net actuarial difference accrued in each consolidated fiscal year is amortized proportionately using the straight-line method over a specified number of years (5 years), which is within the average remaining years of service in each year when the obligations are incurred, commencing from the next consolidated fiscal year of incurrence  
To calculate retirement benefit liability and expenses, some consolidated subsidiaries are subject to a simplified method that uses the accrued year-end retirement benefits due to personal reasons for retirement benefit liability.
- (7) Standards for translating foreign currency assets and liabilities into yen  
Foreign currency assets and liabilities are translated into Japanese yen at the exchange rate prevailing at the consolidated balance sheet date.
- (8) Accounting for consumption taxes  
National and regional consumption taxes are accounted for using the net-of-tax method.

## Notes to Accounting Items

### (Consolidated Balance Sheets)

1. Of the securities received under resale agreements, there are securities that can be freely disposed of using the methods of sale or re-collateralization. Securities that are pledged to re-collateralization amounted to ¥31,092 million.
2. All amounts of loans are made to the Government of Japan or government-related agencies.
3. Assets pledged as collateral are as follows.  
Assets pledged as collateral  
Loans and bills discounted: ¥370,462 million  
Liabilities corresponding to collateralized assets  
The above is collateral for overdraft transactions with the Bank of Japan, and there is no outstanding balance of corresponding liabilities as of the end of consolidated fiscal year under review.

# Consolidated Financial Data

In addition to the above, collateral for exchange settlement and other transactions has been pledged with securities amounting to ¥1,301 million. Other assets include margin deposits received from Central Counterparty Clearing Houses (CCPs) of ¥112,597 million, guarantee deposits received from Central Counterparty Clearing Houses (CCPs) of ¥60,538 million and guarantee deposits and others of ¥9,069 million.

4. Overdraft contracts provide for making loans up to a specified limit, provided there are not violations of the provision of contracts, when loan requests are received from customers. The unexercised balance of loan commitments under these contracts was ¥2,342,200 million, with the full amount being under a contract term of 1 year or less. Note that, since many of these contracts terminate without requests for overdrafts, the unexercised balance of loan commitments under these contracts will not necessarily have an influence on the future cash flow. Many of these contracts contain clauses that make it possible to refuse the loan or reduce the maximum amount under the agreement if there are changes in financial conditions, protection of loans or other reasonable grounds. In addition, collateral such as real estate and securities are required at the time of contract as needed. After the contract, the business conditions of customers are periodically monitored based on predetermined internal procedures, and contracts are reviewed and credit protection measures are taken as needed.
5. Accumulated depreciation of tangible fixed assets: ¥6,001 million
6. The principal amount of money trusts with contracts indemnifying the principal amounts entrusted by some consolidated subsidiaries was ¥508,741 million.

## (Statements of Income)

The negative figure for interest on due from banks, which is included in the interest income, is due to the interest on due from the Bank of Japan becoming negative in net amount accompanying the application of negative interest rates to Bank of Japan current deposits. The negative figures for interest on loans, interest on receivables under resale agreements, which are included in the interest income, interest on call money and bills sold, which is included in the interest expenses, are due to the interest becoming negative in net amount accompanying the execution of negative transactions. The negative figures for interest and dividends on securities, which are included in interest income, are due to the acquisition price of securities exceeding the redemption price.

## (Consolidated Statements of Changes in Net Assets)

1. Matters related to class and total number of shares issued and the class and number of treasury stock (Thousand shares)

	Total no. of shares at the beginning of the consolidated fiscal year under review	Increase in total no. of shares during the consolidated fiscal year under review	Decrease in total no. of shares during the consolidated fiscal year under review	Total no. of shares at the end of the consolidated fiscal year under review	Remarks
Shares issued					
Common stock	1,020	1,020	-	2,040	
Treasury stock					
Common stock	-	-	-	1,000	

2. Matters related to Dividends

- (1) Dividends paid during the consolidated fiscal year under review

As our Company is a holding company established through a joint share transfer on October 1, 2018, the amount of cash dividends paid is determined by resolution at the following wholly owned subsidiaries.

Date of decision	Type of shares	Total dividends	Dividends per share	Record date	Effective date
Taken on June 29, 2018 based on Article 319-1 of the Companies Act	Common stock of Japan Trustee Services Bank	¥193 million	¥190	March 31, 2018	June 29, 2018
Taken on September 27, 2018 based on Article 319-1 of the Companies Act	Common stock of Japan Trustee Services Bank	¥508 million	¥499	-	September 28, 2018

- (2) Of dividends with a record date that falls in the consolidated fiscal year under review, there is no dividend whose effective date falls on or after the last day of the consolidated fiscal year under review.

## (Financial Instruments)

1. Matters related to the status of financial instruments

- (1) Policy on financial instruments

In our Group, each subsidiary, Japan Trustee Services Bank or Trust & Custody Services Bank, operates their businesses under our Company (a bank holding company) focusing on the asset administration business with limited risk taking.

To carry out these businesses, each Group company's financing team raises funds mainly through liquid deposit and borrowed money from trust account, which borrows surplus funds that are constantly generated by trust accounts. On the other hand, the fund management team invests in Japanese Government Bonds (JGBs), loans to the Japanese government, etc. to secure collateral for deposits into the settlement system for the smooth execution of settlement operations.

Each Group company specifies its policies and measures for financing and investment of such financial assets and liabilities in their annual plans. Regarding risks associated with financial assets and liabilities in our Group as a whole, our Company provides advice and guidance as necessary based on reports from subsidiaries.

- (2) Types of contents and risks associated with financial instruments

In addition to the deposits with the Bank of Japan, etc., financial assets held by our Group companies are loans to the Japanese government, etc., securities held as pledge of collateral for the settlement, receivables under resale agreements, call loans, etc. These financial assets are exposed to the risks of a decline in or loss of the financial asset values (credit risk) due to a deterioration in the financial condition of borrowers and issuers, as well as the risks of a declining asset value due to fluctuations in financial conditions (market risk). However, by paring them to the essentials, these credit and market risks are mitigated.

Financial liabilities are mainly financed by borrowed money from trust account and deposits. These funding methods involve the risk of incurring losses (liquidity risk) due to funding difficulties resulting from an inability to secure the necessary funds due to a deterioration in financial conditions, etc. or being forced to raise funds at interest rates significantly higher than usual. However, by limiting our funding methods to highly liquid financial assets, liquidity risks are avoided.

- (3) Risk management relating to financial instruments

Under the "Basic Risk Management Policy" established by the Board of Directors, our Company considers risk identification, assessment, monitoring, control and reduction, as well as the verification and review of enhancements for each risk category to be the basis of the risk management. Accordingly, compliance with the various limits and risk management plans established by each Group company is monitored and the results are reported to the Board of Directors, etc. Risk management structures for each risk category of Group companies shall be as follows.

- (i) Credit risk management

The major credit risk in our Group arises from investment transactions of surplus funds accompanying asset administration operations. Each Group company has established its own credit rating and self-assessment systems, set various credit risk limits, and monitors compliance with these limits based on their own policies, etc.

- (ii) Market risk management

Our Group's financial instruments, which are a major market risk and impacted by interest rate risks, are loans to the Government of Japan, etc., government-guaranteed bonds and other securities, receivables under resale agreements, call loans, etc. The Basis Point Value (BPV) method (which

measures the change in the value of these assets for each one basis point (0.01%) movement in interest rates) is adopted to conduct quantitative analysis in the management of interest rate risk. As of the end of March 2019, the total BPV of financial instruments held by Group companies amounted to ¥50 million.

(iii) Liquidity risk management

Regarding cash flow risks, fully recognizing that funding could be disrupted by the emergence of risks, and in some cases, leading directly to the bankruptcy of our Group, we work to formulate and disseminate policies aimed at the development and establishment of an appropriate system for cash flow risk management.

Our Group manages by identifying cash flow mismatches, ensuring compliance with upper limits on funding from the market, liquidity stress testing, etc. In the event of liquidity risk or a crisis at a subsidiary, the Group will take the necessary measures as stipulated in the "Risk Management Rules" based on the subsidiary's reports.

(4) Supplementary explanation of fair value of financial instruments

Fair value of financial instruments is based on their market price, and when market prices are not available, prices based on reasonable estimates are reported. Since these estimates involve certain assumptions, in cases where assumptions are subject to change, the value of assets may also change.

2. Fair values of financial instruments

The consolidated balance sheet amount, fair value, and the difference thereof shall be as follows as of March 31, 2019. Those assets for which fair value is recognized to be extremely difficult to determine are not included (refer to Note 2). (¥ million)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	16,030,507	16,030,507	-
(2) Call loans and bills bought	60,000	60,000	-
(3) Receivables under resale agreements	31,155	31,155	-
(4) Securities			
Available-for-sale securities	294,862	294,862	-
(5) Loans and bills discounted	877,192	877,192	-
Total assets	17,293,717	17,293,717	-
(1) Deposits	7,583,969	7,583,969	-
(2) Call money and bills sold	759,025	759,025	-
(3) Borrowed money from trust account	9,008,305	9,008,305	-
Total liabilities	17,351,300	17,351,300	-

Note 1: Calculation method of the fair value of financial instruments

Assets

(1) Cash and due from banks

Regarding due from banks without maturity, since the fair value is close to the book value, the book value concerned is recorded as the fair value. Regarding due from banks with maturity, since the deposit terms of these instruments are short (1 year or less) and the fair value is close to the book value, the book value concerned is recorded as the fair value.

(2) Call loans and bills bought, (3) Receivables under resale agreements

Since the contractual terms of these instruments are short (one year or less), and the fair value closely approximates the book value, the book value concerned is recorded as the fair value.

(4) Securities

The fair value of bonds is based on prices in stock exchanges or those quoted by financial institutions. Notes on securities for each holding purpose are described in "(Securities)."

(5) Loans and bills discounted

Since loans are short-term (one year or less) to the Japanese government or government agencies, the fair value is close to the book value, so the book value is recorded as a fair value.

Liabilities

(1) Deposits

Since all deposits are demand deposits, the amount that may be demanded on the date of the closing of consolidated accounts (book value) is regarded to be the fair value.

(2) Call money and bills sold

Since the contractual terms are short (one year or less), and the fair value is close to the book value, the book value concerned is recorded as the fair value.

(3) Borrowed money from trust account

Since borrowed money from trust account is equivalent to demand deposits, the amount that may be demanded on the date of the closing of consolidated accounts (book value) is regarded to be the fair value.

Note 2: The consolidated balance sheet amount of financial instruments where it is recognized as being extremely difficult to grasp their respective fair values are as follows, and they are not included in "Assets, (4) Available-for-sale securities" in the fair value information of financial instruments.

Category	Consolidated balance sheet amount
Unlisted stocks	762
Unlisted foreign securities	17
Total	780

\* Because of the absence of market value quotes for these securities, their fair value is difficult to determine, and their fair value is not disclosed.

Note 3: A scheduled redemption amount of monetary claims and securities with maturity after the consolidated closing date (¥ million)

	One year or less	Over one year to three years or less	Over three years to five years or less	Over five years to seven years or less	Over seven years to ten years or less	Over ten years
Due from banks	16,020,500	-	-	-	-	-
Call loans and bills bought	60,000	-	-	-	-	-
Receivables under resale agreements	31,155	-	-	-	-	-
Securities						
Available-for-sale securities with maturity	121,161	137,823	34,934	-	-	-
Loans and bills discounted	877,179	-	-	-	-	-
Total	17,109,996	137,823	34,934	-	-	-

Note 4: Repayment schedule of deposits and interest-bearing debt (liabilities) after the closing date of accounts (¥ million)

	One year or less	Over one year to three years or less	Over three years to five years or less	Over five years to seven years or less	Over seven years to ten years or less	Over ten years
Deposits	7,583,969	-	-	-	-	-
Call money and bills sold	759,025	-	-	-	-	-
Borrowed money from trust account	9,008,305	-	-	-	-	-
Total	17,351,300	-	-	-	-	-

\* Demand deposits and borrowed money from trust account equivalent to demand deposits are included in the "one year or less" category.

Deposits include balances of current deposits.

# Consolidated Financial Data

## (Securities)

Negotiable certificates of deposit included in "Cash and due from banks" are also included in addition to "Securities" in the consolidated balance sheets.

Available-for-sale securities (as of March 31, 2019)

(¥ million)

	Type	Consolidated balance sheet amount	Acquisition cost	Difference
Those with a consolidated balance sheet amount exceeding the acquisition cost	Bonds			
	Regional government bonds	46,985	46,921	63
	Corporate bonds	244,859	244,752	106
	Subtotal	291,844	291,674	170
Those with a consolidated balance sheet amount not exceeding the acquisition cost	Bonds			
	Government bonds	1,301	1,301	△ 0
	Regional government bonds	816	816	△ 0
	Corporate bonds	899	899	△ 0
	Others	59,000	59,000	—
	Subtotal	62,018	62,018	△ 0
Total		353,862	353,692	169

## (Per share information)

Net assets per share ¥58,079.11

Net income attributable to owners of parent per share ¥429.61

## (Business combination and other relationships)

Our Company was founded on October 1, 2018 in a joint share transfer between Japan Trustee Services Bank, Ltd. (hereinafter, "JTSB") and Trust & Custody Services Bank, Ltd. (hereinafter, "TCSB"). Accounting for the stock transfer was done by adopting the purchase method prescribed in the Accounting Standard for Business Combination, where the acquiring company is JTSB and the acquired company is TCSB.

### 1. Overview of business combination

#### (1) Name and contents of business of acquired company

TCSB Trust banking

#### (2) Main purpose of the business combination

The purpose of the business combination was to contribute to the further development of the domestic securities settlement market and the enhancement of investment chains in Japan, by achieving stable and high-quality operations and enhancing system development capabilities. This can be done by integrating the management resources and know-how of JTSB and TCSB in asset administration operations in pursuit of scale economics.

#### (3) Date of business combination

October 1, 2018

#### (4) Legal form of business combination

Establishment of a holding company through joint share transfer

#### (5) Name of the combined company

JTC Holdings, Ltd. (hereinafter, "JTCHD")

#### (6) Percentage of voting rights acquired

100%

#### (7) Main rationale for determining the acquiring company

Based on factors determining the acquisition under the accounting standards for business combination.

### 2. Period of performance of the acquired company included in the consolidated financial statements

From October 1, 2018 to March 31, 2019

### 3. Acquisition cost of acquired company and breakdown of consideration by type

Acquisition cost ¥59,051 million

Fair value of JTCHD's common stocks issued on the date of the business combination ¥59,051 million

### 4. Transfer ratio of stocks by class, calculation method, and number of shares issued

#### (1) Transfer ratio of stocks by class

(i) One share of JTSB common stock to one share of JTCHD common stock

(ii) One share of TCSB common stock to 1.02 shares of JTCHD common stock

#### (2) Calculation method

Requests were made to several financial advisors to calculate the share transfer ratio as a third-party appraisal body, and based on the submitted reports, calculations were made after consultation between the parties concerned.

#### (3) Number of shares issued

2,040,000 shares of common stock

### 5. Contents and amounts of major acquisition costs

There is nothing material to be noted.

### 6. Amount of assets accepted and liabilities assumed on the date of business combination, and the major breakdown thereof

#### (1) Assets

Total assets ¥9,081,132 million

Of which, cash and due from banks ¥5,044,091 million

Of which, loans and bills discounted ¥3,572,415 million

#### (2) Liabilities

Total liabilities ¥9,022,063 million

Of which, borrowed money from trust account ¥3,620,825 million

Of which, call money ¥3,532,819 million

Of which, deposits ¥1,841,876 million

### 7. Amount and cause of gain on bargain purchase

#### (1) Amount of gain on bargain purchase

¥17 million

#### (2) Cause of gain on bargain purchase

Because the acquisition cost was less than the net amount allocated to the assets received and liabilities assumed, a difference is recognized as the gain on bargain purchase.

### 8. Estimation method and amount of impact on the consolidated statements of income for the consolidated fiscal year under review if the business combination was assumed to have been completed on the start day of the consolidated fiscal year under review

Ordinary income ¥12,483 million

Ordinary profit ¥321 million

Net income attributable to owners of parent ¥649 million

The above estimated impacts were calculated based on the statements of income of TCSB, which is the acquired company, from April 1, 2018 to September 30, 2018. The estimated impacts include a transfer gain/loss of ¥625 million resulting from a company split recorded as an extraordinary income.

The above estimated amount has not been audited by KPMG AZSA LLC.

**Confirmation Statement from Management**

I have confirmed that the consolidated financial statements (consolidated balance sheets, consolidated statements of income, and consolidated statements of changes in net assets) for the first term, covering the period from April 1, 2018 to March 31, 2019, are presented appropriately and that the internal auditing related to the preparation of these consolidated financial statements functioned effectively.

June 27, 2019

JTC Holdings, Ltd.

**Nobumitsu Watanabe,**

Representative & CEO

**Auditors' Statement** The Company has received an audit by independent accounting firm KPMG AZSA LLC in accordance with Paragraph 1, Article 396 of the Companies Act, and received a report indicating that all material items pertaining to assets and income have been presented appropriately in the documents prepared pursuant to the provisions of Paragraph 1, Article 52-28 of the Banking Act.

**Segment information** Description is omitted as our Group is engaged in a single segment of the trust banking business.

**Risk-monitored loans (loans to bankrupt borrowers, delinquent loans, loans past due for 3 months or more, and restructured loans)**

None

## Basel III: Pillar 3 Capital Adequacy Status, etc.

Based on Article 52-25 of the Banking Act, the consolidated adequacy ratio is calculated according to the formula defined by standards for a bank holding company to judge the appropriateness of the capital adequacy in light of assets held by the bank holding company and its subsidiaries (Financial Services Agency Notification No. 20 of 2006; hereinafter, "Notification on Holding").

In FY2018, our Company calculated the credit risk assets using the Standard Approach (under Japanese standards) and the amount of operational risk equivalents using the Basic Indicator Approach.

As our Company was established on October 1, 2018, figures for FY2017 are not shown.

### Composition of Capital Disclosure (consolidated)

Items	(¥ million) FY2018
<b>Core Capital: Instruments and reserves (1)</b>	
Directly issued qualifying common shares or preferred shares mandatorily convertible into common shares capital plus related capital surplus and retained earnings	118,442
Of which, capital and capital surplus	110,051
Of which, retained earnings	8,390
Of which, treasury stock (-)	—
Of which, planned distribution of income (-)	—
Of which, other than above	—
Other accumulated comprehensive income to be included in Core Capital	△ 77
Of which, foreign currency translation adjustment	—
Of which, amount related to retirement benefits	△ 77
Subscription rights to acquire common shares or preferred shares mandatorily convertible into common shares	—
Post-adjustment non-controlling interests to be included in Core Capital	—
Reserves included in Core Capital: Instruments and reserves	—
Of which, general reserve for possible loan losses	—
Of which, eligible provisions	—
Eligible non-cumulative perpetual preferred shares subject to transitional arrangements included in Core Capital	—
Eligible capital instruments subject to transitional arrangements included in Core Capital	—
Capital instruments issued through the measures for strengthening capital by public institutions included in Core Capital	—
Amount equivalent to 45% of land revaluation excess subject to transitional arrangements included in Core Capital	—
Non-controlling interests subject to transitional arrangements included in Core Capital	—
Core Capital: Instruments and reserves (A)	118,364
<b>Core Capital: Instruments and reserves (2)</b>	
Total intangible fixed assets (excluding those relating to mortgage servicing rights)	28,093
Of which, goodwill (including the difference equivalent to goodwill)	—
Of which, other than goodwill and mortgage servicing rights	28,093
Deferred tax assets (excluding those arising from temporary differences)	—
Shortfall of eligible provisions to expected losses	—
Capital increase due to securitization transactions	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—
Assets for retirement benefits	162
Investments in own shares (excluding those reported in the Net Assets)	—
Reciprocal cross-holdings in capital instruments issued by other financial institutions for raising capital that are held by the Bank	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	—
Amount exceeding the 10% threshold on specified items	4,126
Of which, significant investments in the common stock of other financial institutions	—
Of which, mortgage servicing rights	—
Of which, deferred tax assets arising from temporary differences	4,126
Amount exceeding the 15% threshold on specified items	—
Of which, significant investments in the common stock of other financial institutions	—
Of which, mortgage servicing rights	—
Of which, deferred tax assets arising from temporary differences	—
Core Capital: Regulatory adjustments (B)	32,382



Items	(¥ million) FY2018
<b>Capital</b>	
Amount of capital ((A)–(B)) (C)	85,982
<b>Risk-weighted Assets (3)</b>	
Credit risk assets	132,447
Of which, total of items included in risk-weighted assets subject to transitional arrangements	—
Of which, exposure to other financial institutions	—
Of which, other than above	—
Amount equivalent to market risk divided by 8%	—
Amount equivalent to operational risk divided by 8%	98,566
Credit risk-weighted assets adjustments	—
Amount equivalent to operational risk adjustments	—
Total risk-weighted assets (D)	231,013
<b>Consolidated Capital Adequacy Ratio</b>	
Consolidated Capital Adequacy Ratio ((C)/(D))	37.21%

## Basel III: Pillar 3 Capital Adequacy Status, etc.

### Qualitative Disclosure Matters

#### 1. Scope of consolidation

- (1) Cause of differences between companies affiliated to the group subject to the calculation of consolidated capital adequacy ratio pursuant to the provisions of Article 15 of the Notification on Holding (hereinafter, "Holding Company Group") and companies included in the scope of accounting consolidation

None

- (2) Number of consolidated subsidiaries in the Holding Company Group, names of major consolidated subsidiaries, and contents of main business

The holding company group consists of the following two consolidated subsidiaries.

Name	Content of Main Business
Japan Trustee Services Bank, Ltd.	Trust banking business
Trust & Custody Services Bank, Ltd.	Trust banking business

- (3) Number, names, total and net asset in the balance sheets, and contents of main business of affiliated corporations, etc. engaged in financial services to which Article 21 of the Notification on Holding is applied

None

- (4) Names, total and net assets in the balance sheets, and contents of main business of the companies that are affiliated with the Holding Company Group but are not included in the scope of accounting consolidation, and of the companies that are not affiliated with the Holding Company Group but are included in the scope of accounting consolidation

None

- (5) Outline of restrictions, etc. on the transfer of funds and capital within the Holding Company Group

None

#### 2. Main features of regulatory capital instruments

Issuer	JTC Holdings
Instruments type	Common stock
Amount recognized in Core Capital (consolidated)	¥118,364 million

#### 3. Assessment of capital adequacy

As a method of assessing capital adequacy, our Group implements management by required capital according to the Capital Adequacy Framework (Pillar 1) and integrated risk management according to internal controls (Pillar 2).

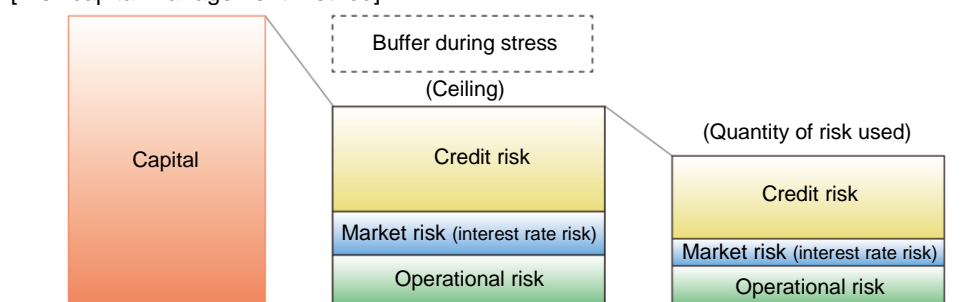
- (1) Capital management

As a bank complying with Japanese standards, we strive to maintain and secure a certain level of required capital in accordance with the Capital Adequacy Framework.

- (2) Integrated risk management

Our Group carries out integrated risk management based on the "Capital Management Policy," "Basic Risk Management Policy," and "Risk Management Rules." Specifically, after setting limits on capital that consider a certain buffer in times of stress, we confirm that the integrated risk quantity of credit, market and operational risks are within the limits. In addition, for cash flow and other liquidity risks that cannot be identified by the integrated risk quantity, stress tests are conducted and reported to the Management Committee and the Board of Directors, including the status of compliance with the limitations.

[Risk capital management method]



#### 4. Credit risks

##### (1) Risk management policy and outline of procedures

###### (i) Definition of credit risk

Credit risk shall refer to “the risk of incurring losses due to a decline in or complete loss of asset value (including off-balance assets) as a result of the deterioration in the financial condition of borrowers.”

###### (ii) Characteristics of credit risk

The major credit risk in our Group arises from investment transactions of surplus funds accompanying asset administration operations, as a result of default by major borrowers and a large amount of bad debts due to deterioration in credit standing (or provision of allowance).

###### (iii) Risk management policy

Our Company has established the "Basic Risk Management Policy," stipulating the subsidiary banks' compliance with the credit risk management policy to keep the scale and content of credit risks to the minimum necessary to mitigate risks.

###### (iv) Credit risk management structure

Our Company oversees credit risk management for the entire Group and works to improve the structures of each Group company.

At subsidiary banks, important decisions on risk management, including deliberation and approval of various credit risk limits and risk management action plans, are made by the Risk Management Deliberation Committee, ALM Committee, as well as the Management Committee and the Board of Directors.

The Risk Management Department, which manages credit risk of the subsidiary banks, supervises compliance with various limits and verifies the rating system. Monitoring results of credit risk amounts, changes in ratings, compliance with limits, etc. are regularly reported to the Risk Management Deliberation Committee and ALM Committee.

###### (v) Credit rating, self-assessment, and write-off and reserve

###### A. Credit rating

As the basis of credit management, "credit rating" represents the credit status of obligors and the possibility of default and loss in stages. Our Group has established an "internal rating" for financial institutions, etc. as credit ratings with reference to external ratings.

## Basel III: Pillar 3 Capital Adequacy Status, etc.

### B. Self-assessment

Self-assessment is a preparatory process for write-offs and reserves conducted by individually examining the contents of assets owned by our Group and categorizing them according to the risk level of recovery or impairing values. Our Group has established regulations to define self-assessment standards, etc. for proper implementation of self-assessment. Borrowers are judged by the "category of obligators" according to their financial condition at each incident that affects disclosure of financial statements and their credit. In addition, a "classification category" is periodically determined for each asset based on the assessment results and the protection status, etc., of obligators' category, reflected in write-offs and reserves appropriately, and also used for credit risk management.

### C. Write-offs and reserves

Write-offs and reserves shall refer to estimating the expected amount of future losses based on the actual results of self-assessment, and considering the actual status of loan losses, etc. appropriately and in a timely manner, and making an allowance for or write-off of the amount in the account settlement for each half-term. Our Group has established regulations, etc. on write-off and reserve standards at subsidiary banks to ensure proper management of write-offs and reserves.

### (2) Portfolios applying the Standard Approach

Name of qualified rating agency, etc. used for determining risk weight

Our Group uses the following five qualified rating agencies to determine the risk weights.

Names of qualified rating agencies
<ul style="list-style-type: none"><li>• Japan Credit Rating Agency, Ltd. (JCR)</li><li>• Rating and Investment Information, Inc. (R&amp;I)</li><li>• Moody's Investors Service, Inc. (Moody's)</li><li>• S&amp;P Global Ratings (S&amp;P)</li><li>• Fitch Ratings Limited(Fitch)</li></ul>

## 5. Risk management policy for Credit Risk Mitigation Techniques and outline of procedures

### (1) Credit Risk Mitigation Techniques

Credit risk control is achieved not only by reducing the balance of credit, but also by promoting protection of accounts receivables using collateral, guarantees, etc. Such protection of accounts receivables are collectively called the "Credit Risk Mitigation Techniques."

In calculating credit risk assets, our Group reflects the effects of credit risk mitigation through accurate collateral and guarantees based on the Notification.

### (2) Major types of collateral

Our Group is currently mitigating credit risks by accepting qualified financial collateral, etc., which are regularly evaluated.

6. Risk management policy and outline of procedures for risks related to counterparties of derivative and long-settlement transactions

Derivative transactions for financial institutions are risk controlled in our Group by each credit management system, protection by collateral and the reserve calculation policy.

7. Securitization exposures

None

8. Market risks

Our Group does not include market risk equivalents in the calculation of capital adequacy ratio.

9. Operational risks

(1) Definition of operational risk

Operational risk shall refer to the “risk of our Group incurring losses resulting from inappropriate business processes, activities by officers and employees and systems, or from external events. Our Group categorizes operational risk into administrative risk, system risk, information security risk, legal and compliance risk, personnel risk, tangible asset risk, and reputation risk and manages them.

(2) Operational risk management policy

Recognizing operational risk as an unavoidable risk in the course of our business operations, our Group is committed to ensuring sound and appropriate business operations through proper risk management in accordance with the operations and the scale and nature of risks.

(3) Operational risk management structure

At our Company, the Board of Directors determines basic matters of operational risk management, and receives reports on the risk management plan and operational risk status of subsidiary banks on a regular and as-needed basis to implement operational risk management.

Subsidiary banks have also established the Basic Operational Risk Management Policy to appropriately identify and manage the risks. In addition, the Board of Directors of each company determines important matters related to operational risk management.

(4) Compliance with the Capital Adequacy Framework

Our Group calculates the amount equivalent to operational risks under the Capital Adequacy Framework using the Basic Indicator Approach.

## Basel III: Pillar 3 Capital Adequacy Status, etc.

### 10. Risk management policy and outline of procedures for capital contribution or equity exposures

Our Group has a credit risk management system in place to manage default and other risks. Regarding the evaluation of securities for which the determination of fair value is extremely difficult, the original purchase prices are employed based on the moving average method or amortized cost method.

### 11. Interest rate risks

#### (1) Risk management policy and outline of procedures

##### (i) Definition of interest rate risk in the banking book

Interest rate risk in the banking book (hereinafter, "IRRBB") is the risk of incurring damage in the bank's current or future capital and income due to an adverse fluctuation in the level of interest rates affecting the bank's banking book position.

The present value is regarded as the economic value (EVE), and the loss margin to the current interest rate level is measured as  $\Delta$ EVE for each. The scope of measurement includes positions with interest rate risk in the banking book of subsidiaries.

##### (ii) Characteristics of IRRBB

IRRBB is incurred by a maturity mismatch (gap risk), interest rate mismatch (basis risk), and other factors in the banking book position. The Ratio of  $\Delta$ EVE to Core Capital for our Company and the subsidiaries was well below the regulatory level of 20%, maintaining a low level of IRRBB.

##### (iii) Management structure of IRRBB

Our Company supervises and manages the IRRBB of the Group as a whole.

##### (iv) Management method of IRRBB

Subsidiary banks regularly measure IRRBB and report to the Risk Management Deliberation Committee and ALM Committee.

#### (2) Outline of the interest rate risk calculation method used by the holding company group for internal management

##### (i) Calculation method of interest rate risk

The assumptions used in calculating IRRBB are as follows.

- Core deposits are not set, but liquid deposits are set as funds with no maturity
- Nothing applies to early cancellation of time deposits, early redemption of personal loans and handling of foreign currencies.

##### (ii) Interest rate risk other than $\Delta$ EVE

At subsidiary banks, the BPV (basis point value) is used to measure and manage interest rate risks.

## Quantitative Disclosure Matters

1. Among subsidiary corporations, etc. that were financial institutions, etc., of a bank holding company, names of the company that went below the required capital under the capital adequacy regulations and the total amount that was less than the required capital

None

2. Capital adequacy (consolidated capital adequacy ratio)

Items	(¥ million) FY2018
<b>Capital Requirements for Credit Risk</b>	
Portfolios Applying the Standard Approach	3,643
Securitization Exposures	-
Eligible Central Counterparty Exposures	1,654
<b>Capital Requirements for Operational Risk</b>	
Basic Indicator Approach	3,942
<b>Total Consolidated Capital Requirements (Risk-weighted Assets × 4%)</b>	<b>9,240</b>

3. Credit risks

- (1) Year-end balance of exposures related to credit risk and breakdown by major type

	FY2018 (¥ million)			
	Year-end balance of exposure			
	Off-balance sheet amounts excluding loans, commitments and derivatives	Securities	Others	Total
Domestic	1,090,903	295,564	16,155,858	17,542,326
Overseas	0	18	681	700
Total by region	1,090,903	295,583	16,156,540	17,543,026
Japanese central government and central bank	895,702	49,084	15,933,102	16,877,888
Financial institutions	0	45,432	96,794	142,227
Others:	195,200	201,066	126,643	522,910
Total by industry	1,090,903	295,583	16,156,540	17,543,026
One year or less	1,079,703	121,319	5,462,234	6,663,257
Over one year	0	173,482	0	173,482
Exposures with no maturity dates	11,200	781	10,694,305	10,706,286
Total by Residual Contractual Maturity	1,090,903	295,583	16,156,540	17,543,026

\*The year-end balance for the period under review was not significantly different from the risk position during the period.

- (2) Status of overdue exposures

None

- (3) Status of Reserve for possible loan losses and write-offs of claims

None

## Basel III: Pillar 3 Capital Adequacy Status, etc.

(4) Balance of exposures to which the Standard Approach is applied by risk-weight category (after taking into account the effect of credit risk mitigation techniques)

Risk Weight	(¥ million)		
	On-balance sheet amount	FY2018 Off-balance sheet amount	Total
0%	16,960,066	213,711	17,173,777
10%	109,726	-	109,726
20%	202,227	-	202,227
100%	17,129	-	17,129
250%	9,010	-	9,010
1250%	-	-	-
Total	17,298,160	213,711	17,511,871

### 4. Credit Risk Mitigation Techniques

- Amount of exposures with Credit Risk Mitigation Techniques applied  
(Our Group uses the Standard Approach to calculate credit risk assets.)

	(¥ million)		
	Qualified financial collateral	FY2018 Guarantees	Total
Portfolios to which the Standard Approach is applied	31,155	274,680	305,835
Total	31,155	274,680	305,835

### 5. Counterparties of derivative and long-settlement transactions

None

### 6. Securitization exposures

None

### 7. Market risks

None



## 8. Equity exposures

### (1) Consolidated balance sheet amount and fair value

Items	FY2018	
	Consolidated balance sheet amount	Fair value
Listed equity exposures	-	-
Investment/equity exposure other than the above	780	-

### (2) Gains/Losses on sale and write-off of equity exposure

None

### (3) Unrealized gains/losses recognized in the balance sheets and not recognized in the statements of income

None

### (4) Unrealized gains/losses not recognized in the balance sheets and the statements of income

None

## 9. Gains/losses and changes in economic values to rate shocks used by the holding company group under internal controls for the interest rate risk

### IRRBB1: Interest rate risk

Item No.		(¥ million)
ΔEVE		FY2018
1	Parallel up	5,550
2	Parallel down	Δ 5,550
3	Steeper	-
4	Flattener	-
5	Short rate up	-
6	Short rate down	-
7	Maximum value	5,550
		FY2018
8	Core capital	85,982

## Disclosure Matters concerning Compensation, Etc.

The section is intended to disclose matters related to compensation, etc., specified separately by the Commissioner of the Financial Services Agency (Financial Services Agency Public Notice No. 21 of 2012), that may have a material impact on the status of business operations or assets of banks, etc., based on Article 34-26, Paragraph 1, Item 5, etc. of the Ordinance for Enforcement of the Banking Act (Ordinance of the Ministry of Finance No. 10 of 1982).

1. Matters related to the development of an organizational structure for compensation, etc. of Applicable Officers and Employees of our Group

(1) Scope of "Applicable Officers and Employees"

The following shall describe the scope of "Applicable Officers" and "Applicable Employees, etc." (collectively referred to as "Applicable Officers and Employees") set forth in the compensation notification to be disclosed.

(i) Scope of "Applicable Officers"

Applicable Officers include our Company directors and corporate auditors. Part-time external directors and corporate auditors are excluded.

(ii) Scope of "Applicable Employees, etc."

Of officers and employees who are not Applicable Officers and officers and employees of major consolidated subsidiaries, our Group shall subject "Persons receiving a high amount of compensation, etc." having a material impact on the business management or financial condition of our Company and the major consolidated subsidiaries to disclosure as "Applicable Employees, etc." There are no Applicable Employees, etc. among officers and employees other than Applicable Officers in our Company and officers and employees in major consolidated subsidiaries, etc.

(A) Scope of Major Consolidated Subsidiaries

Major Consolidated Subsidiaries shall refer to a consolidated subsidiary that has total assets representing more than 2% of the consolidated total assets, and has a significant consequence on the Group's management, and apply to Japan Trustee Services Bank, Ltd. and Trust & Custody Services Bank, Ltd.

(B) Scope of "Persons receiving a high amount of compensation, etc."

Persons receiving a high amount of compensation, etc. shall refer to those who receive compensation, etc. exceeding the standard amount from our Company and the main consolidated subsidiaries. The base amount is set at ¥21 million in our Group. The said amount has been established based on the average annual amount of compensation for Applicable Officers in FY2018 (October to March). Since the compensation system and level are not significantly different among major consolidated subsidiaries of our Company, the base amount is commonly applied to major consolidated subsidiaries.

With regard to lump-sum retirement benefit, the amount obtained by first deducting the full amount of a lump-sum retirement benefit from the compensation, etc., then adding back the "amount obtained by dividing the lump-sum retirement benefit by the number of service years" is deemed to be the amount of compensation, etc. for the person, to determine Persons receiving a high amount of compensation, etc.

(C) Scope of Person having a material impact on the business management or financial condition of the Group

A Person having a material impact on the business management or financial condition of our Group shall refer to those whose transactions and management matters regularly conducted have a considerable impact on the business management, or could cause loss with a significant impact on the financial condition of our Company, our Group and the major consolidated subsidiaries.

(2) Determination of compensation, etc. for Applicable Officers and Employees

(i) Determination of compensation, etc. for Applicable Officers

At our Company, the maximum amount of total compensation paid to officers is resolved\* by the General Meeting of Shareholders. The Board of Directors is wholly trusted with the allocation of compensation to individual directors resolved by the General Meeting of Shareholders. Allocation of compensation to individual corporate auditors is wholly determined by consultation among corporate auditors.

\* The provisions of the Articles of Incorporation govern the period between the establishment of our Company and the conclusion of the first Ordinary General Meeting of Shareholders.

2. Matters related to assessment of appropriate design and operation of systems for compensation, etc. of Applicable Officers and Employees of our Group

(1) Policies concerning compensation, etc.

(i) Policies on compensation, etc. for Applicable Officers

At our Company, the General Meeting of Shareholders determines the maximum amount of total compensation for officers. Directors' compensation is resolved by the Board of Directors, and Corporate Auditors' compensation is determined by consultation among Corporate Auditors within the limit of the total amount of compensation resolved by the General Meeting of Shareholders.

3. Matters related to consistency between systems for compensation, etc. of Applicable Officers and Employees of our Group and risk management, and linkage between compensation, etc. and performance

There is a mechanism in place for determining compensation, etc. for Applicable Officers, where the total amount of compensation for all officers is resolved by the General Meeting of Shareholders.

4. Matters related to type, total payment amount and payment method of compensation, etc. for Applicable Officers and Employees of our Group

Total amount of compensation, etc. for Applicable Officers and Employees of our Group (from April 1, 2018 to March 31, 2019)

(¥ million)

Category	Headcount	Total amount					Total amount of variable compensation	Bonus	Retirement benefits
			Total amount of fixed compensation	Basic compensation	Stock option	Others			
Applicable Officers	9	169	153	152	—	1	—	—	16

Notes: 1. Compensation, etc. for Applicable Officers include compensation, etc. for officers in major consolidated subsidiaries.  
2. Retirement benefits describe the amount of "retirement benefits for directors" and "provision for directors' retirement benefits" that accrued in the corresponding fiscal year.

5. Other reference matters related to compensation, etc. for Applicable Officers and employees of our Group

There is no applicable matter other than those listed in the preceding paragraphs.

## Disclosure Matters concerning Compensation, Etc.

# Disclosure Items under the Ordinance for Enforcement of the Banking Act and other Laws

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**Matters to be stated as specified in Article 34-26 of the Ordinance for Enforcement of the Banking Act** (listed on the following page)

- Following matters related to the outline and organization of the Bank Holding Company.
    1. Management organization (including business management structures of subsidiaries, etc. of Bank Holding Company) \_\_\_\_\_ 5, 7~9
    2. Capital and total number of shares issued \_\_\_\_\_ 3
    3. Following matters related to 10 or more shareholders in descending order of the number of shares held
      - (1) Name (in cases where the shareholder is a corporation or other organization, their names) \_\_\_\_\_ 3
      - (2) Number of shares held by each shareholder \_\_\_\_\_ 3
      - (3) Ratio of the number of shares held by each shareholder to the total number of shares issued \_\_\_\_\_ 3
    4. Names and titles of directors and corporate auditors \_\_\_\_\_ 4
    5. Name of accounting auditor \_\_\_\_\_ 21
  - Following matters related to the outline of Bank Holding Company and the subsidiaries, etc.
    1. Major business contents and organizations of Bank Holding Company and the subsidiaries, etc. 3, 5, 37, 97
    2. Following matters related to subsidiaries, etc. of Bank Holding Company
      - (1) Name \_\_\_\_\_ 3
      - (2) Address of main office \_\_\_\_\_ 3
      - (3) Capital or contribution \_\_\_\_\_ 3
      - (4) Lines of business \_\_\_\_\_ 3
      - (5) Establishment \_\_\_\_\_ 3
      - (6) Ratio of voting rights of subsidiaries, etc. held by Bank Holding Company to the number of voting rights held by all shareholders or all contributors \_\_\_\_\_ 3
      - (7) Ratio of voting rights of a single subsidiary, etc. of Bank Holding Company, held by another subsidiary, etc. other than said single subsidiary, etc. to the number of voting rights held by all shareholders or all contributors \_\_\_\_\_ None
  - Matters listed below related to the main business of Bank Holding Company and the subsidiaries, etc.
    1. Overview of business in the latest fiscal year \_\_\_\_\_ 6, 40, 130
    2. Matters listed below as the indicators showing status of main business for the last 5 consolidated fiscal years
      - (1) Ordinary income \_\_\_\_\_ 14
      - (2) Ordinary profit or loss \_\_\_\_\_ 14
      - (3) Net income attributable to owners of a parent or net loss attributable to owners of a parent \_\_\_\_\_ 14
      - (4) Comprehensive income \_\_\_\_\_ 14
      - (5) Net assets \_\_\_\_\_ 14
      - (6) Total assets \_\_\_\_\_ 14
      - (7) Consolidated capital adequacy ratio \_\_\_\_\_ 14
  - Following matters related to the assets in the last 2 consolidated fiscal years of Bank Holding Company and the subsidiaries, etc.
    1. Consolidated balance sheets, consolidated statements of income and consolidated statements of changes in net assets \_\_\_\_\_ 14~16
  - 2. Amount of loans listed below and the total thereof
    - (1) Loans falling under the category of loans to bankrupt borrowers \_\_\_\_\_ 21
    - (2) Loans falling under the category of delinquent loans \_\_\_\_\_ 21
    - (3) Loans falling under the category of loans past due 3 months or more \_\_\_\_\_ 21
    - (4) Loans falling under the category of restructured loans \_\_\_\_\_ 21
  - 3. Matters specified separately by the Commissioner of the Financial Services Agency on capital adequacy \_\_\_\_\_ 22~31
  - 4. Segment information prescribed in Paragraph 1, Article 15-2 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements \_\_\_\_\_ 21
  - 5. When the consolidated balance sheets and consolidated statements of income have been audited by accounting auditors under Article 396, Paragraph 1 of the Companies Act, a statement to that effect \_\_\_\_\_ 21
- Disclosure matters concerning compensation, etc. \_\_\_\_\_ 32~33

### Financial Services Agency Public Notice No. 7 of 2014

1. Composition of capital disclosure \_\_\_\_\_ 22~23
2. Qualitative disclosure matters \_\_\_\_\_ 24~28
3. Quantitative disclosure matters \_\_\_\_\_ 29~31



# Japan Trustee Services Bank, Ltd.

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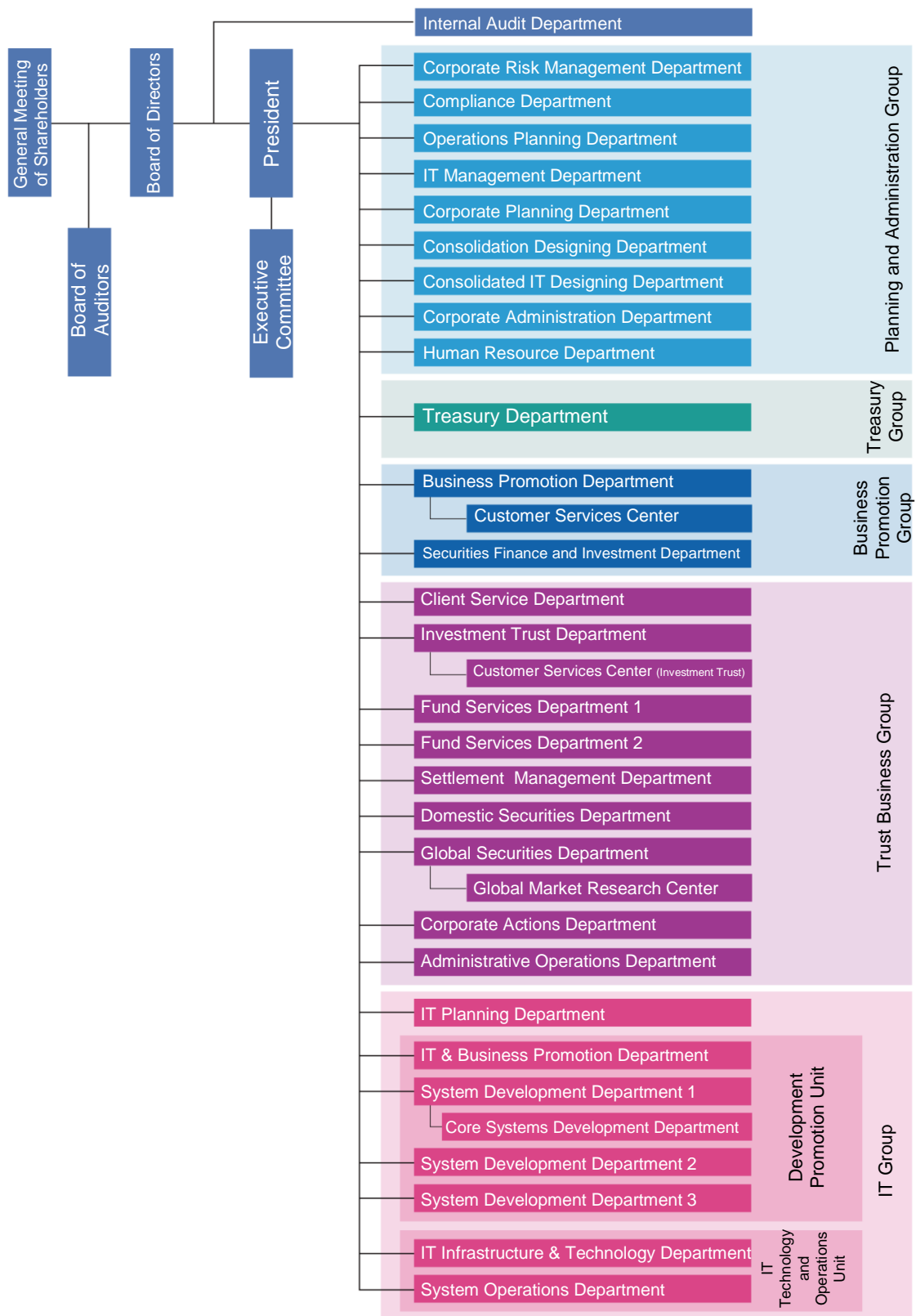
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## Corporate Data (As of July 1, 2019)

Corporate Profile		History
Corporate name	Japan Trustee Services Bank, Ltd.	Established on June 20, 2000, as Japan's first trust bank specializing in the asset administration business, by Daiwa Bank (currently, Resona Bank) and Sumitomo Trust & Banking (currently, Sumitomo Mitsui Trust Bank) and commenced operations on July 25, 2000. In October of the same year, Sumitomo Trust & Banking (at the time) transferred its trust and certain other assets to JTSB, and, in June 2001, the transfer of the trust and certain other assets of the then-Daiwa Bank (at the time) to JTSB was completed. In September 2002, Mitsui Trust Holdings (currently, Sumitomo Mitsui Trust Holdings) invested in JTSB, and, in September 2003, the transfer of the trust and other assets of Mitsui Asset Trust Bank (at the time) was completed. In October 2018, JTC Holdings was established through a joint stock transfer with Trust & Custody Services Bank. As of the end of March 2019, the balance of trust assets exceeded ¥291 trillion.
Establishment	June 20, 2000	
Head Office address	Harumi Island Triton Square Tower Y, 8-11, Harumi 1-chome, Chuo-ku, Tokyo	
Representative	Yoshikazu Tanaka, Representative Director and President	
TEL	03-6220-2001	
Capital	¥51.0 billion	
Major shareholders	JTC Holdings, Ltd. 1,020,000 shares (100%)	
URL	<a href="https://www.japantrustee.co.jp/">https://www.japantrustee.co.jp/</a>	
Branch network	Head Office only	
Agents	Bank agents: None Trust bank agents: 1	

Corporate Officers	
Title	Name
Representative Director and President	Yoshikazu Tanaka
Representative Director and Deputy President	Hiroshi Takahashi
Representative Director and Deputy President	Masatoshi Noguchi
Managing Director	Masato Tanabe
Managing Director	Yuji Takei
Managing Director	Takahiro Ishi
Director	Hiroki Tanaka
Corporate Auditor (Full-time)	Tatsuya Tsuboi
Corporate Auditor (Full-time)	Yasutada Yatsuda
Corporate Auditor	Yoshihide Haze
Executive Officer	Naoyuki Ohashi
Executive Officer	Satoshi Sato
Executive Officer	Masaaki Tagawa
Executive Officer	Masao Maeda
Executive Officer	Yasushi Kasahara
Executive Officer	Toshiyuki Hioki

## Organization Chart



○ Accounting Auditor: KPMG AZSA LLC

# Corporate Governance Framework

## • Business Decision Making and Roles of the Board of Directors

The Board of Directors makes decisions on important management matters and supervises the directors in the conduct of their duties. An Executive Committee has been established under the Board of Directors. This committee is responsible for deliberation, as part of the decision-making process in the conduct of business operations, regarding basic management policies and important individual items. The committee also works to share information and confirm the status of the execution of business activities. Its responsibilities also include reporting important information to the Board of Directors. The Executive Committee comprises all the directors and executive officers, and auditors may attend meetings of this committee and express their opinions.

Also, based on the business management contract with JTCHD, which is a shareholder, important matters are applied and reported, and guidance and advice are received as needed.

## • Roles of the Board of Auditors

The Board of Auditors comprises all the auditors, and, as necessary, the auditors and the Board of Auditors may express their opinions to the directors.

In addition, following the audit policies established by the Board of Auditors, the members of the Board of Auditors may attend meetings of the Board of Directors and the Executive Committee as well as other important meetings, monitor the conduct of duties by the Directors and Executive Officers, and, as necessary, express their opinions and make various kinds of suggestions.

The Internal Audit Department exchanges opinions with participants in periodic meetings and transmits the advice and other points from the Auditors. Also, as necessary, this department exchanges information as called for by the occasion.

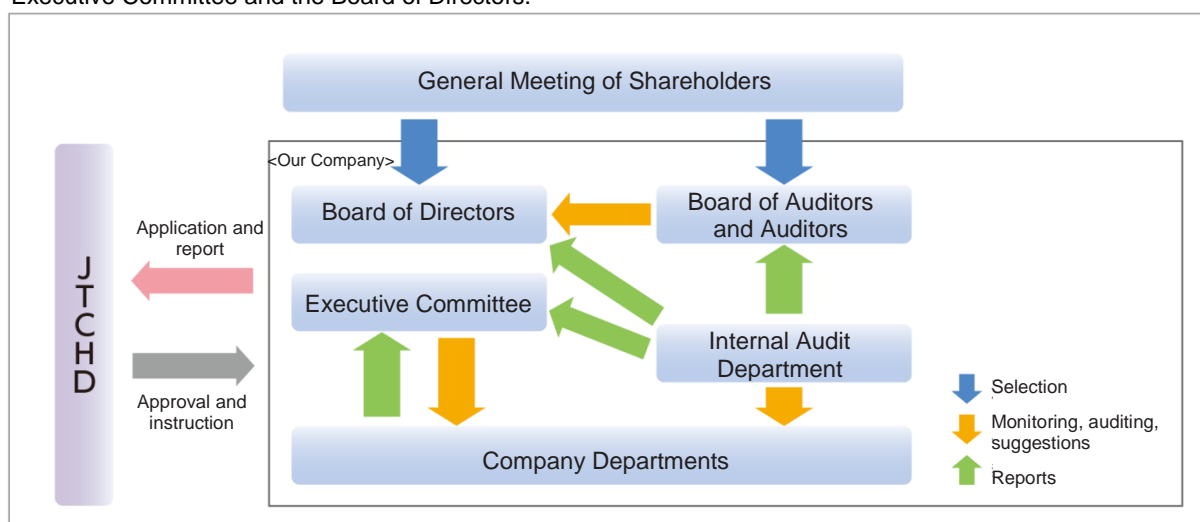
The Auditors are responsible for reviewing important documents, including draft proposals; conducting various kinds of hearings and fact-finding activities; on-site research; and other activities to gather information for their day-to-day auditing activities. In addition, the Auditors hold periodic meetings with the independent auditing company, receive reports on the status of auditing activities and the results of audits, and exchange opinions. The Auditors also work to preserve the independence of the independent auditing company and monitor auditing activities to ensure their proper conduct.

Please note that audit reports are prepared on the status and results of auditing activities, and reports are made regarding the reports of the Board of Auditors to the Board of Directors. Moreover, the Auditors meet periodically with Representative Directors to confirm management policies as well as exchange views regarding the issues facing the Company and other matters.

## • Relationship with Internal Auditing

The Internal Audit Department, which is established as an organization independent from business departments, audits our business activities. Auditors examine the suitability and effectiveness of compliance, risk management, and other internal controls within business departments, and provide guidance and advice based on their findings.

The results of internal audits are reported immediately to the bank directors and auditors, and periodically to the Executive Committee and the Board of Directors.



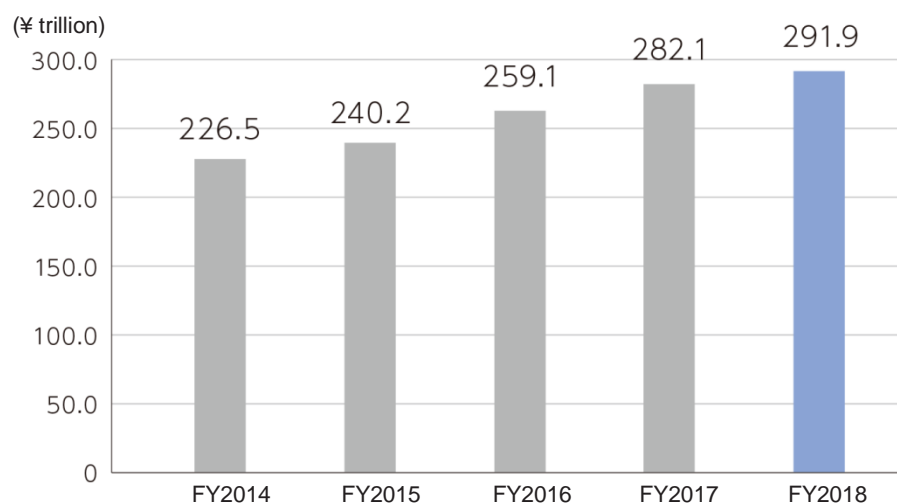


## Key Indicators of Management Condition

	FY2014	FY2015	FY2016	FY2017	(¥ million) FY2018
Ordinary income	27,602	27,891	26,559	27,436	29,467
Ordinary profit	788	570	576	1,199	555
Net income	460	348	390	480	344
Paid-in Capital	51,000	51,000	51,000	51,000	51,000
(Total number of shares issued)	(1,020,000 shares)	(1,020,000 shares)	(1,020,000 shares)	(1,020,000 shares)	(1,020,000 shares)
Net assets	58,700	58,981	59,156	59,435	59,076
Total assets	2,468,835	6,901,302	13,201,888	13,835,275	11,040,555
Deposits	32,503	141,305	6,807,134	7,840,589	5,309,477
Loans	—	772,785	49,127	184,058	167,951
Securities	146,042	95,419	45,225	337	334
Non-consolidated capital adequacy ratio (Domestic standard)	38.32%	36.92%	33.41%	31.70%	36.54%
Dividend payout ratio	39.88%	40.95%	40.44%	40.31%	—
Number of employees	922	962	1,016	1,052	1,067
Trust fees	20,657	20,036	20,243	20,577	21,956
Trust account loans	—	—	—	—	—
Trust account securities	84,888,357	93,515,727	100,693,580	109,179,760	116,317,170
Total entrusted assets	226,512,594	240,176,012	259,118,905	282,074,441	291,898,563

Notes: 1. The number of employees includes personnel seconded from Resona Bank, Sumitomo Mitsui Trust Bank, and other companies (197 in FY2014, 216 in FY2015, 216 in FY2016, 204 in FY2017, and 189 in FY2018).  
2. The dividend payout ratio for FY2018 does not include dividends from the business merger in September 2018.

Reference: Trends in Total Entrusted Assets (in 5 years)



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## Review of Business Performance

### ● Review of Performance and Results

JTSB aims to be the foremost bank for asset administration, universally recognized as a professional asset administration group fulfilling a role as a public institution with assured, unwavering confidence. We have pursued measures centered on improving customer-centered operations, focusing on the areas of strengthening human asset development, increasing productivity, and enhancing service quality.

To strengthen human asset development and increase productivity, JTSB is pursuing organization-wide measures for greater responsiveness to customer needs, including strengthening lateral ties between departments, boosting operational efficiency, and enhancing the capabilities of front-line systems.

To enhance service quality, investment trust operations are handled through the Customer Services Center (Investment Trust) in order to meet customer needs accurately and promptly. JTSB is also working to improve customer service in areas other than investment trust operations by expanding the responsiveness of customer service and information center operations.

For crisis management measures, JTSB conducts regular disaster response training to verify the effectiveness of its business continuity plans. We also strengthen our crisis response capabilities to handle more widespread emergency situations.

Amid the increasing importance of risk management and legal compliance, JTSB is strengthening its risk management structure, focusing particularly on information security and other aspects of operational risk. We are also taking steps to enhance our compliance posture through training programs and other measures to foster a greater awareness of compliance issues among all members.

### (Profit and Loss)

Ordinary income rose ¥2,030 million from the previous fiscal year, to ¥29,467 million, due mainly to increases in trust fees and fees and commissions. The principal components of ordinary income were ¥21,956 million in trust fees, ¥10,342 million in fees and commissions, and -¥2,907 million in interest loss caused by negative interest rates.

Ordinary expenses rose ¥2,675 million, to ¥28,911 million, mainly due to an increase in general and administrative expenses. The principal components of ordinary expenses were ¥28,541 million in general and administrative expenses, and ¥315 million in fees and commissions expenses.

As a result, ordinary profit declined ¥644 million, to ¥555 million, and net income declined ¥135 million, to ¥344 million.

### (Assets and Liabilities)

Total assets as of the end of the period declined ¥2,794,720 million to ¥11,040,555 million, due mainly to a decrease in cash and due from banks. The principal components were ¥10,654,415 million in cash and due from banks, and ¥167,951 million in loans and bills discounted.

Total liabilities declined ¥2,794,361 million, to ¥10,981,478 million, due mainly to a decrease in deposits. The principal components were ¥5,309,477 million in deposits, and ¥5,634,644 million in borrowed money from trust account.

### (Entrusted Assets)

Total assets entrusted as of the end of period rose ¥9,824,121 million year-on-year to ¥291,898,563 million.

### ● Issues to Be Addressed

Through strengthening IT governance, improving the efficiency of operations, offering high-value-added services, and maintaining a high level of reliability through substantial improvements in risk management and internal controls, we will work to establish a strong reputation as a good partner of our customers and strengthen its competitiveness.

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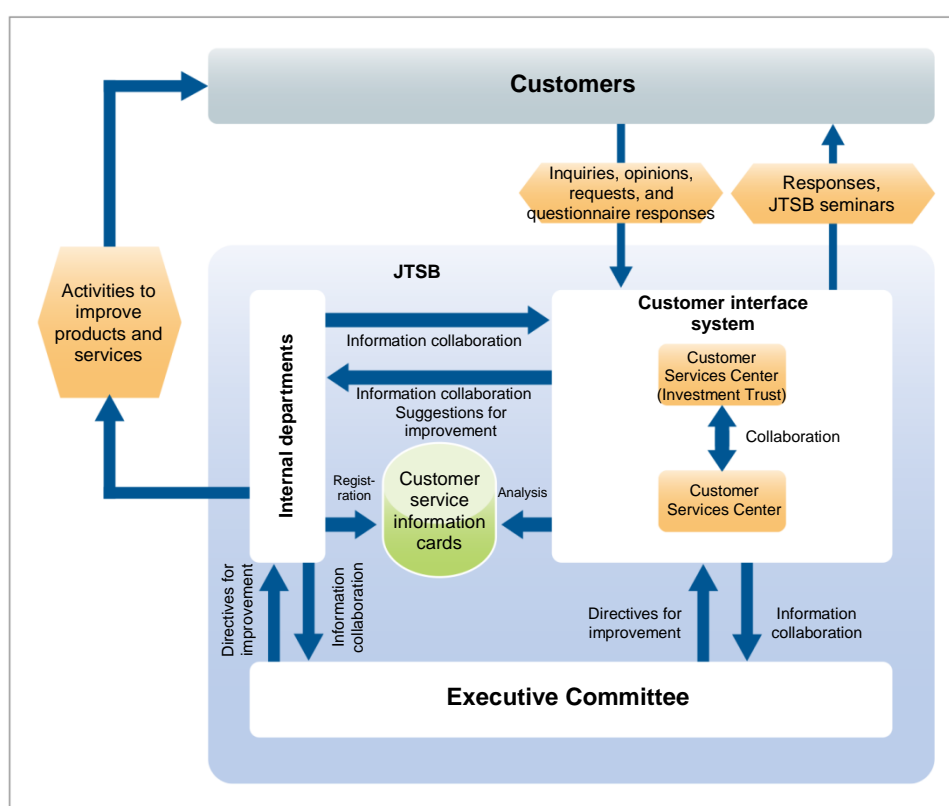
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## Systems and Measures to Reflect Customer Opinions in Our Services

JTSB, as “a good partner with clients,” has made increasing customer satisfaction one of the objectives in its Corporate Philosophy. For JTSB, customer satisfaction means providing services for the customers we deal with directly and, beyond them, for the affluent lifestyles of their customers—who are subscribers, investors, and beneficiaries—by administering properly the valuable assets that our customers have entrusted to us.

To attain our management objectives, we have adopted the following guidelines for action: “Respond to customers by providing proper supervision and accurate processing services with a sense of urgency” and “Continuing at all times to innovate and change to offer even higher quality and services efficiently.” Each and every member of management and staff in their respective positions is endeavoring on a daily basis to be helpful and become “a good partner with clients.”



### • Customer Interface System

JTSB has provided contact points to receive and respond to customer inquiries, opinions, and requests. For investment trust customers, the Investment Trust CS Center serves this function, and, for non-investment trust customers, such as specified money trusts, the CS & Information Center acts as the point of contact.

Our organization is divided into fund management, domestic securities administration, foreign security administration, settlements, and other departments. For one financial instrument, a number of departments may become involved in a complex fashion. But the Customer Services Center (Investment Trust) and the CS & Information Center, which are the contact points with customers, are working in close liaison with our internal departments, and they develop and implement various measures to meet customer needs. This system enables JTSB to respond promptly and accurately to customer inquiries, opinions, and requests.

- **Questionnaire Surveys of Investment Trust Management and Investment Advisory Companies**

As a good partner with clients and to offer its customers even better services and products, each year, JTSB conducts a questionnaire survey about its services and products on investment trust management companies and investment advisory companies. JTSB treats these opinions and requests as valuable hints and uses them as inputs in considering service and product improvements. The outcomes of consideration of the survey results are reported at seminars and other meetings several times a year.

- **Customer Service Information Cards**

To use the customer opinions and the awareness we gain from them to improve our services and products, JTSB introduced customer service information cards as an information management tool in 2006. Pieces of information registered by the relevant internal departments and on the same management tool have reached approximately 11,100. A responsible department draws on this information registered to provide guidance to the relevant internal departments and make suggestions regarding improvements in services and products.

- **JTSB Seminar**

Our bank organizes the JTSB Seminar for investment trust management and investment advisory companies.

In FY2018, there have been 94 participants from 50 companies.

Going forward, to attain our aim of being a good partner with clients and delivering them added value, we shall continue to offer accurate and timely information to our customers.

### **Examples of Seminar Themes**

- **Held on July 26, 2018**

- Seminar for Investment Trust Management and Investment Advisory Companies**

- (i) Improvement activities report in investment trust business
    - (ii) Transfer pricing system for tax declaration in India
    - (iii) Improvement of services in corporate investment fund business (also WG activity report on foreign securities CS improvement)
    - (iv) About the latest information pertaining to investment in China
    - (v) About the latest trends in domestic and foreign systems, etc.
    - (vi) Progress in efforts toward the introduction of CLS settlement

# Initiatives for Enhancing Information Provision Services

In view of the importance of providing information in the asset administration business, JTSB established its Customer Services Center and Global Market Research Center and is implementing initiatives to enhance the sophistication of its information provision services.

## ① Online Information Provision Services

Along with the rapid advances in Internet-based services and information delivery platforms, our CS & Information Center offers various services and content as well as timely news to customers and is expanding the methods of delivery and diversity of information it provides. The aim of these services is to provide information useful to customers entrusting assets and investment advisers even more quickly and at a more sophisticated level.

For investment trust managers, JTSB provides data, such as confirmations of completed foreign securities transactions and information on interest and dividends, that can be input directly into their accounting systems.

Also, as part of activities to improve user support services, JTSB has set up separate dedicated portal sites for customers entrusting assets and investment advisers. These sites present easy-to-understand information on how to read reports as well as answers to frequently asked questions.

### Portal Sites

For Customers Entrusting Assets: Online 2.0



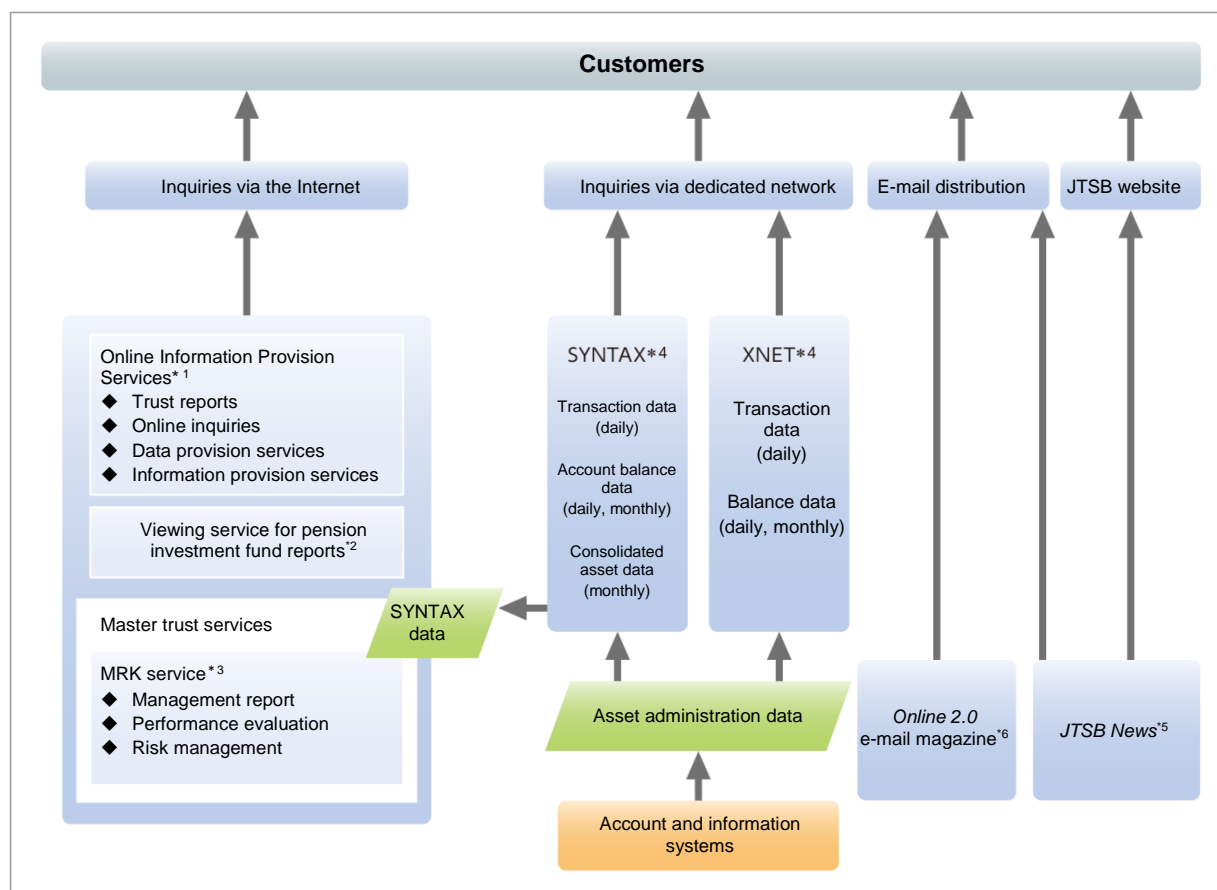
For Investment Advisory Companies: JTSB Web Portal



For measures to enhance the convenience of online information services, JTSB has responded to numerous customer requests and begun offering services earlier in the day (starting at 8:00 a.m.), and improved the functionality of its trust report batch inquiry system (added the ability to access information with multiple base dates). Furthermore, in February 2017, we added a function for batch downloading all of the report forms (in PDF format) for the investment advisory companies.

To respond to customer needs, JTSB has formed an in-house working group for information delivery, and it is proceeding to consider various measures to move forward actively to expand its functions and services.

## • Information Provision Services: Functions



### \*1: Online Information Provision Services

Linked to account and information systems, these information services supply customers entrusting assets and fund managers with content that includes various types of report forms, account balance data, and other information via the Internet. Report forms are supplied in Excel and CSV formats, making processing easy. (Provision of PDF report forms to investment advisory companies)

A “quick batch inquiry function” has been added, allowing users to access batch information on multiple funds and multiple report forms.

A “pension-related reports function” has been added, providing users with online access to the “Current Asset Value Report” for use in calculating retirement benefit reserves, as well as the “Monthly Income and Expense Statement for Pension Assets” and the “Monthly Increase and Decrease Statement for Pension Assets” with details on changes in pension asset principal on a monthly basis.

### \*2: Viewing service for pension investment fund reports

This service allows customers entrusting pension investment funds to view via the Web data that follows the disclosure requirements of the revised Trust Business Law.

### \*3: Master record keeping (MRK) service

This service allows customers entrusting assets to access reports on their assets from a centralized source via the Internet. SYNTAX data is gathered from trust banks and insurance companies, and data from multiple institutions is put into various standard forms.

### \*4 SYNTAX, XNET

This is a data disclosure service that provides information on asset management electronically via a dedicated network. Data formats are prepared by the original disclosers of the information, namely, Nomura Research Institute and XNET.

### \*5: JTSB News

This newsletter is delivered via e-mail and is available on the JTSB website. It contains overseas market systems and taxation, dates of bank holidays, introduction of new products and other items, results of research and analysis, special features on specific topics, and information on domestic takeover bids and other corporate actions.

### \*6: Online 2.0 e-mail magazine

This information service sends e-mails on topics that include notifications of newly released functions, introductions to convenient services, and answers to frequently asked questions.

# Initiatives for Enhancing Information Provision Services

- Master Trust Services



Our Company consolidates assets allocated over multiple asset administration agencies into centralized reporting to provide the Master Trust service via the Internet.

We started providing this service in May 2001, but, in order to meet the diverse analysis needs of our clients arising from the diversification of management techniques in recent years, since October 2016 when the provided report forms were revised, we have been providing report forms that are easier to read and can be used more flexibly.

- ② Global Market Research Center

As part of its initiatives to increase the sophistication of asset administration services, our Global Market Research Center gathers information and undertakes research and analysis on a range of topics related to foreign securities markets. These include the settlement systems in overseas markets, taxation, dates of bank holidays, and new investment products. This information is made available through JTSB News, and the Global Market Research Center responds to questions regarding the content of JTSB News. These information services have won high acclaim from many customers entrusting assets and fund managers.

Going forward, through stronger collaboration with overseas custodian banks, the center will gather information on the securities exchanges of various countries, central banks, regulatory authorities, industry associations, and media. The center will also make use of local consultants for information and advice on tax and legal matters, and, as necessary, gather the latest information on legal systems, settlement systems, taxation, and other subjects by conducting on-the-spot surveys and research. Through these activities, the center is working to further increase the level of its research and analysis.

## Response to the Diversification in Investment Targets

Investment in foreign securities, along with conventional European and U.S. markets, has in recent years trended toward increased investment in emerging\*1 markets and frontier\*2 markets in Asia, South America, the Middle East, and Africa in line with diversification in investment targets. However, the market practices, regulations, taxation, and other aspects of these local markets remain complex. Making an initial investment often requires complicated procedures, such as an investment authorization application to local authorities, and related costs. After the investment is made, investors also need to remain aware of changes in market regulations, taxation systems, and other developments. JTSB makes full use of information offered by global custodians, local central banks, tax consultants, and other sources to gather data and conduct research and analysis on various markets. JTSB is continuing to take initiatives to further improve and increase the sophistication of its asset administration activities in response to the special features and variability of individual markets.



In addition to these activities, JTSB provides Detailed Information by Overseas Market, which will help customers to make investments in overseas markets as needed.

Along with information directly related to asset management, JTSB offers information systematically on special features of various markets, mainly emerging and frontier markets, and points requiring attention, including matters related to asset administration.

Regarding markets in developed countries, JTSB selects topics that may have a major impact on asset administration and practical administrative matters, such as revisions in related systems, taxation, and other matters, and provides coverage of these topics.

Going forward, JTSB will periodically update the Detailed Information by Overseas Market and provide accurate and timely information on asset administration that will be useful to customers.

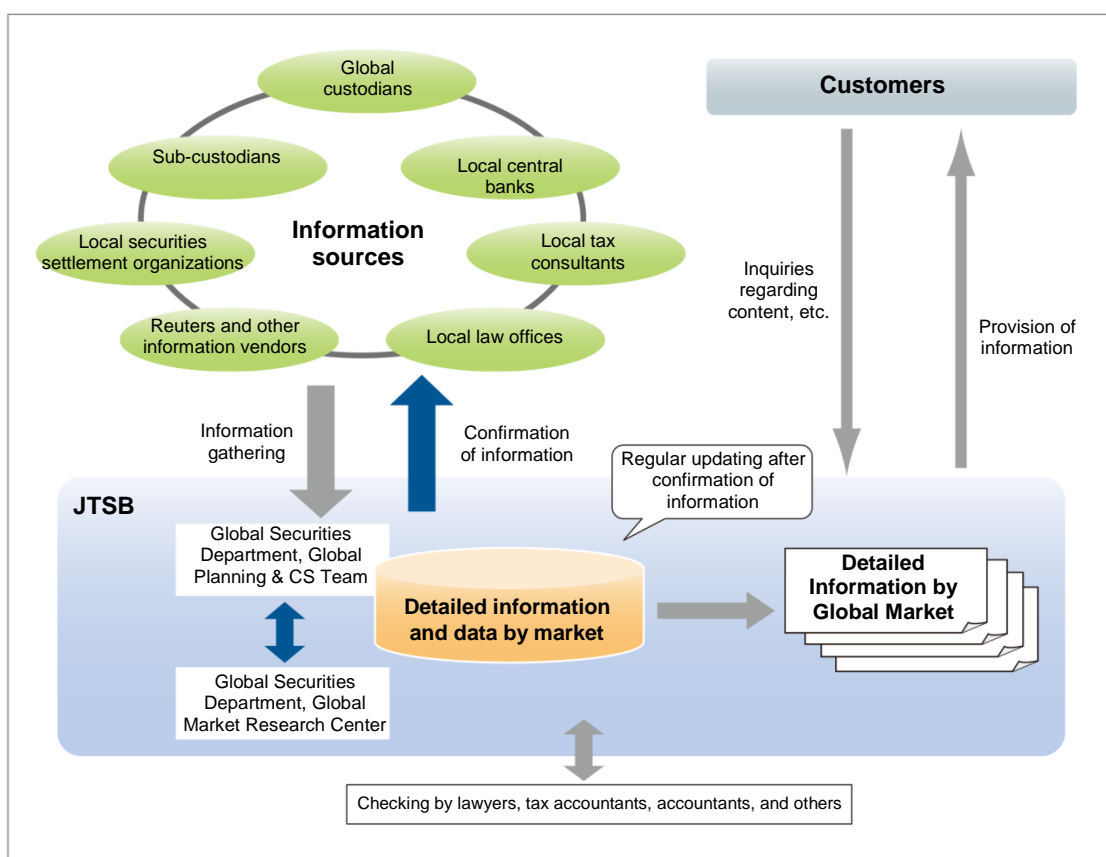
**\*1 Emerging Markets:**

Securities markets in Asia, South America, Eastern Europe, and elsewhere that are still in the economic growth stage. Since growth rates are high, investors can expect opportunities for a higher return than in the developed countries, but since there are various regulations regarding investment and these countries are influenced by trends in the industrialized countries as well as political and financial factors in their own markets, investment involves some risk.

**\*2 Frontier Markets:**

Securities markets in developing countries that have not reached the stage of being emerging markets.

● **Flow of Services Offering Detailed Information by Overseas Market**



## Initiatives to Meet Various Needs

### [More Collaborative STP in Standing Settlement Instructions (SSI): Introduction of Omgeo ALERT/GC Direct from DTCC]

JTSB has introduced a new collaborative workflow for asset management companies regarding standing settlement instructions (SSI) for the custody accounts of investment funds (investment trusts and specified money trusts) that trade in foreign stocks and bonds.

Asset management companies receive notifications from brokers they trade with through SSI data file linkage or data linkage through Omgeo ALERT<sup>®</sup> (hereinafter, "ALERT"), a service provided by the Depository Trust & Clearing Corporation (hereinafter, "DTCC") in the USA.

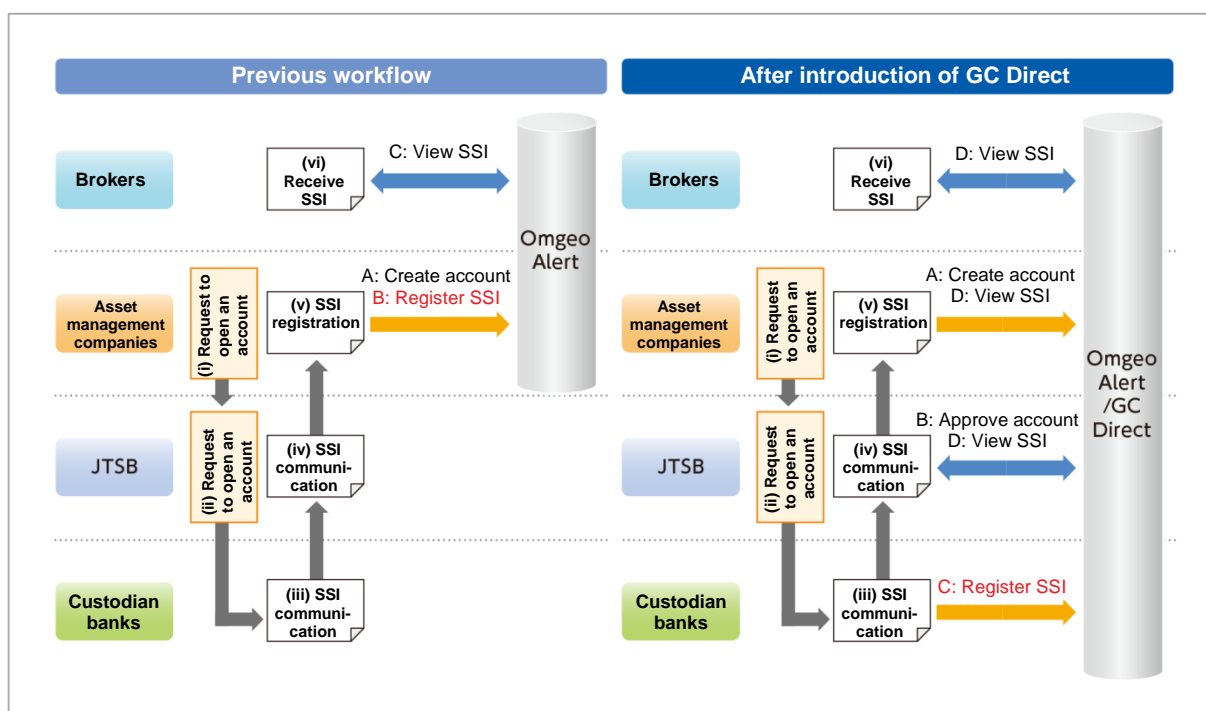
These notifications provide SSI data for the custody accounts on which they collaborate with trust banks. Until now, SSI data has been entered into ALERT by the asset management companies. With DTCC's implementation of ALERT's Global Custodian Direct (hereinafter, "GC Direct"), however, data retained by global custodians (GCs) can now be automatically delivered and shared with other parties involved in the trade (asset management companies, trust banks and brokers) via ALERT.

Under these circumstances, JTSB began using ALERT and implemented the GC Direct workflow in August 2017 to help reduce the work required of asset management companies in order to register SSI data in ALERT, ensure more reliable registration of SSI data and reduce the risk of failures.

This allows asset management companies to apply to JTSB to create an ALERT account for investment funds entrusted to JTSB and whose GC has implemented GC Direct, enabling collaborative handling of SSI data through the GC Direct workflow.

#### • Benefits to Asset Management Companies

- Reduces the work required of asset management companies in order to register SSI data in ALERT
- Ensures more reliable registration of SSI data, reducing the risk of failures in securities settlements



\* Omgeo ALERT: A database service for storing SSI data provided by DTCC

## **[Back Office Outsourcing Services for Asset Management Companies]**

In asset management companies (investment trust management companies/investment advisory companies), where the practice of fiduciary duty and strengthening investment capacity are the issues, they are concentrating their resources on the core businesses such as investment management, product lineup and client services; meanwhile, the need to outsource back office operations is increasing.

Under such circumstances, JTSB launched a specialized unit of outsourcing services for the back office administration of asset management companies in 2015, and they include investment trust accounting and NAV calculation of investment trusts, disclosure service, investment advisory accounting service, etc. (Number of funds and assets under management of outsourcing contracts as of the end of March 2019: approximately 1,200 funds/¥18 trillion (market capitalization basis))

As the best partner of asset management companies, we will endeavor to provide solutions to diversifying needs and improve service quality by utilizing the know-how and expertise which we have cultivated as a trust bank specializing in the asset administration business with a wide range of trustee services and securities settlement operations, etc.

## **[Handling of OTC Derivative Transactions]**

### **● Meeting the Requirements of International Regulations**

We are meeting the requirements of international regulations on derivative transactions triggered by the global financial crisis, with the awareness that meeting the requirements of these regulations is an important issue in a bank specializing in asset administration.

The application of the “Margin requirements for non-centrally cleared derivatives” began to be phased in from September 2016 in Japan, and application to variable margins management in entrusted assets began in March 2017. JTSB has developed systems to meet the requirements of the regulations.

Specifically, regarding margin transfers between asset management companies and dealers, JTSB has also started carrying out fair valuation of transactions and computation of the necessary margin amount, etc. and as the trustee has started carrying out monitoring to ensure that entrusted assets are preserved properly.

Going forward, as further strengthening of regulations pertaining to derivative transactions, etc. is anticipated, we will continue to closely watch the trends of international regulations and implement the necessary responses.

### **● Continuous Initiatives to Improve Service Quality**

In recent years, the volume of derivative transactions has increased, the volume of OTC derivative transactions has increased in particular, and the diversification of products has progressed. In this context, JTSB expanded its derivatives system in 2015, and we are aiming to expand the corresponding products and collateral types centered on the full range of swap transactions.

Furthermore, through the introduction of straight-through processing (STP) for contract orders, etc., we are promoting the improvement of administrative processes so that administrative streamlining can be achieved in both the asset management companies and JTSB.

## Initiatives to Meet Various Needs

### [Offshore Investment Trust Fund Transactions Using Euroclear Fund Settle Service]

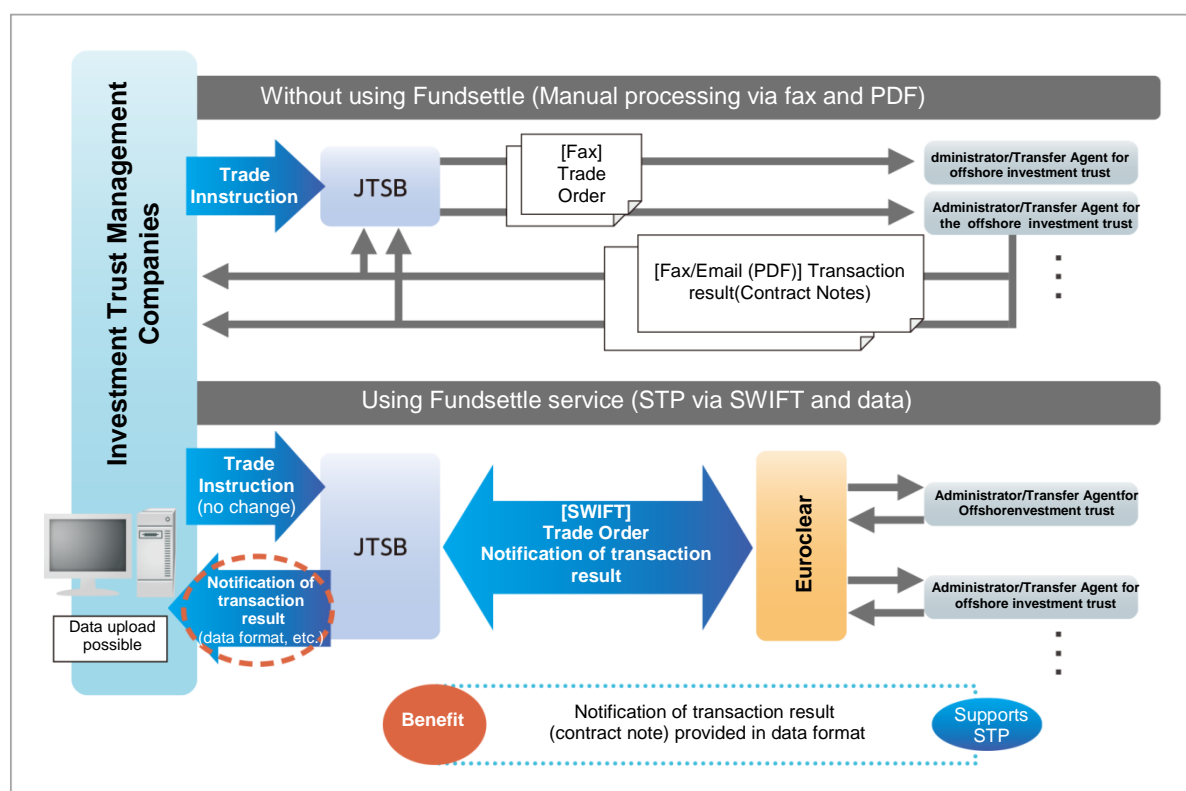
Transactions for the offshore investment trusts included in Japanese investment trust funds(FOF Scheme) have increased in recent years. Administrative procedures for offshore investment trusts are complex, often involving contacting different Administrators/Transfer Agents for each security, to ensure accuracy and efficiency of operation is becoming increasingly important. Another factor complicating matters is that Administrators/Transfer Agents principally communicate by facsimile.

JTSB has sought to resolve this situation by partnering with Euroclear to offer the Fundsettle service, introduced in July 2015. This service centralizes all transaction requests through Euroclear, and uses the highly efficient SWIFT system, allowing for secure and prompt transaction procedures. This initiative has enhanced satisfaction among investment trust customers.

Investment trust customers can also simultaneously take advantage of straight-through processing (STP). Specifically, while Administrators/Transfer Agents normally send result notifications for the transaction requests they receive by fax or PDF, with the Fundsettle service JTSB will provide this information in data format. Dividend information can also be provided as data, further enhancing the benefits of STP.

#### • Main Benefits for Investment Trust Management Companies

- Transaction results and dividend information available in data format
- Quick verification in yen of sales proceeds received from offshore investment trusts
- Ability to search for offshore investment trust securities information and transaction request status using a dedicated browser for the Fund settle service



## [Participation in Custody Services for Foreign Stock Certificates, Etc.]

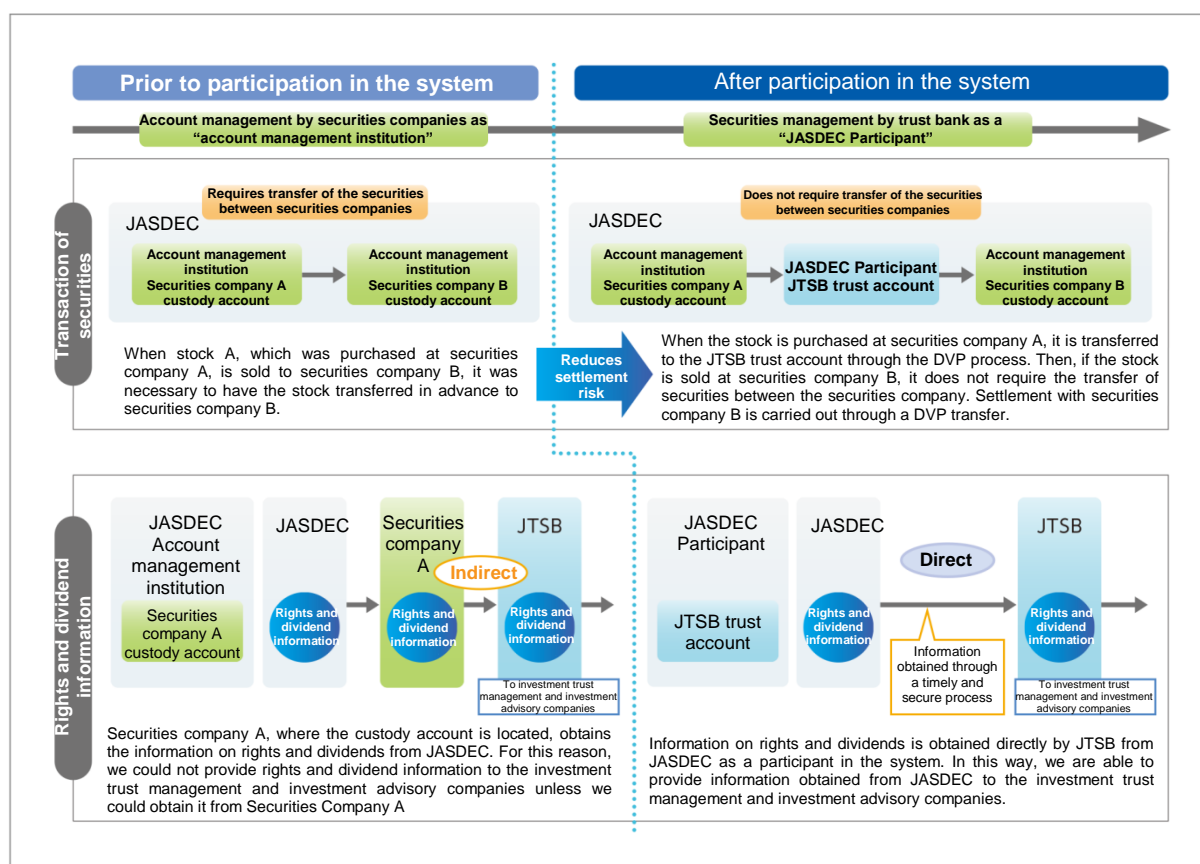
In recent years, there have been increasing expectations for upgrading the asset administration infrastructure. Factors accounting for this have included the globalization of Japanese enterprises, fund-raising by foreign companies on the TSE, the listing of ETFs invested in Asian stocks (other than Japanese stocks), the commencement of the calculation of the JPX- Nikkei Index 400 (which may include foreign stocks listed on the TSE), and the listing of foreign stocks (including foreign ETFs) (hereinafter, TSE foreign stock).

Amid this business environment, as an asset administration company specializing previously in domestic assets, as a first initiative to respond to these trends, JTSB began to participate in the “Custody Services for Foreign Stock Certificates, etc.” of the Japan Securities Depository Center, Inc. (JASDEC) in August 2014.

As a result, previously, investments in TSE foreign stock could be transferred and settled freely, but through participation under the delivery versus payment (DVP) system, stock, etc., can be transferred and settlements made, and information can be provided on rights and dividends. These arrangements have further enhanced the safety and convenience of asset administration.

### • Benefits for Investment Trust Management and Investment Advisory Companies

- Securities and monetary settlements:  
DVP becomes possible ⇒ Reduces securities and settlement risk
- Information on rights and dividends:  
JTSB receives directly from JASDEC ⇒ Timely provision of information is expected



# Initiatives to Meet Various Needs

## [Securities Lending Services]

As part of initiatives to offer services related to the asset administration business, JTSB is substantially stepping up its securities lending services with the objective of offering customers high value added.

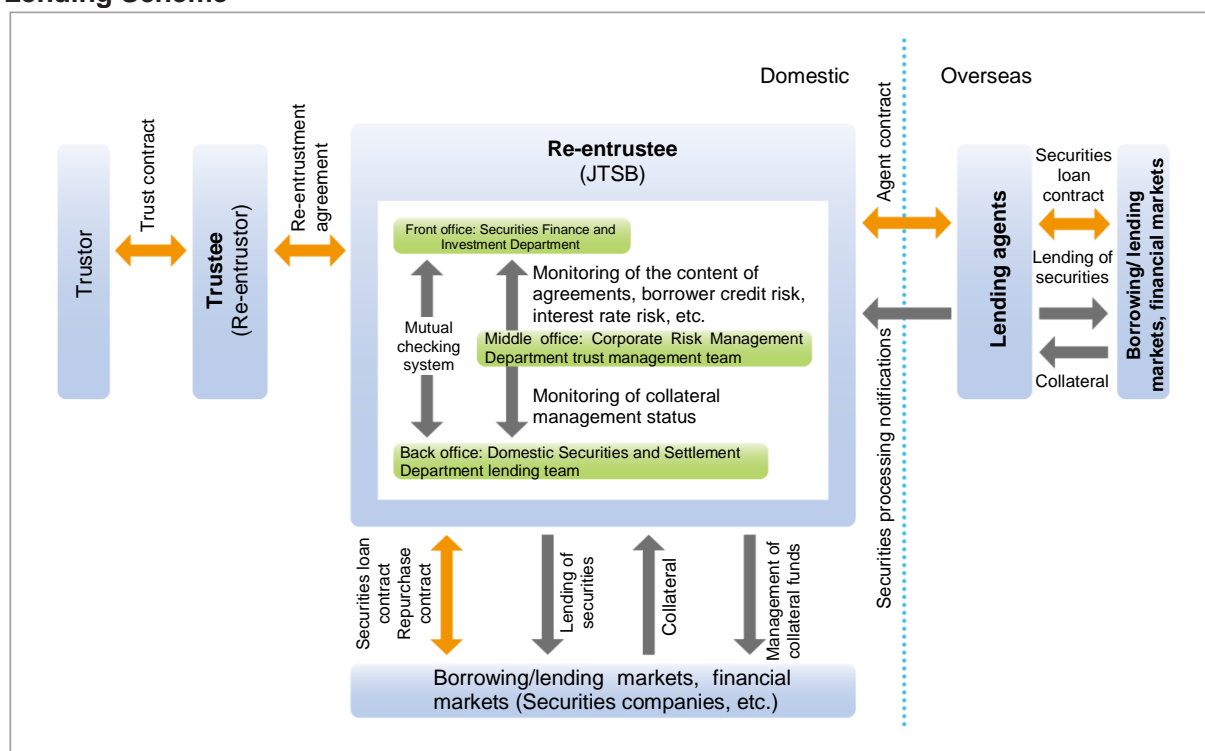
### • Features of JTSB's Securities Lending Services

- JTSB has one of the largest balances of assets for lending in Japan, and its staff have abundant experience in securities lending operations. JTSB also has high-level lending support systems that enable it to process large volumes of such transactions quickly. As a result, JTSB ranks among the leading stock and bond lending institutions in Japan and is working to further expand the scale of its securities lending services.
- Because of the flexibility and careful tailoring of services to meet a wide range of needs of customers entrusting assets and managers as well as detailed reporting services, JTSB offers lending services that cover a wide range of products, including pensions, comprehensive securities investment trusts, specified money trusts, specified individually managed money trusts, and custody.

### • Service Development

- JTSB was one of the first companies in its industry to offer securities lending and introduce a diverse range of lending methods as well as upgrade its operations with the aim of providing advanced, high-value-added services for its customers. These activities have included lending securities to actively managed funds through active collaboration with investment advisory companies and managers, collateral management schemes based on the tri-party method for which needs are strong among borrowers, and the introduction of platforms for securities lending transactions.
- JTSB is continually reviewing and further upgrading its credit and interest rate risk management in line with changes in the market environment to ensure even safer asset management.
- Going forward also, JTSB will continue to differentiate its services from others through its product and service planning capabilities and operational strengths as it works to substantially raise the level of its services and maintain its leading status in the industry.

### • Lending Scheme



The general scheme shown above pertains to re-entrustment of securities. A similar scheme for securities lending services is applicable when the securities are entrusted from one party to another.

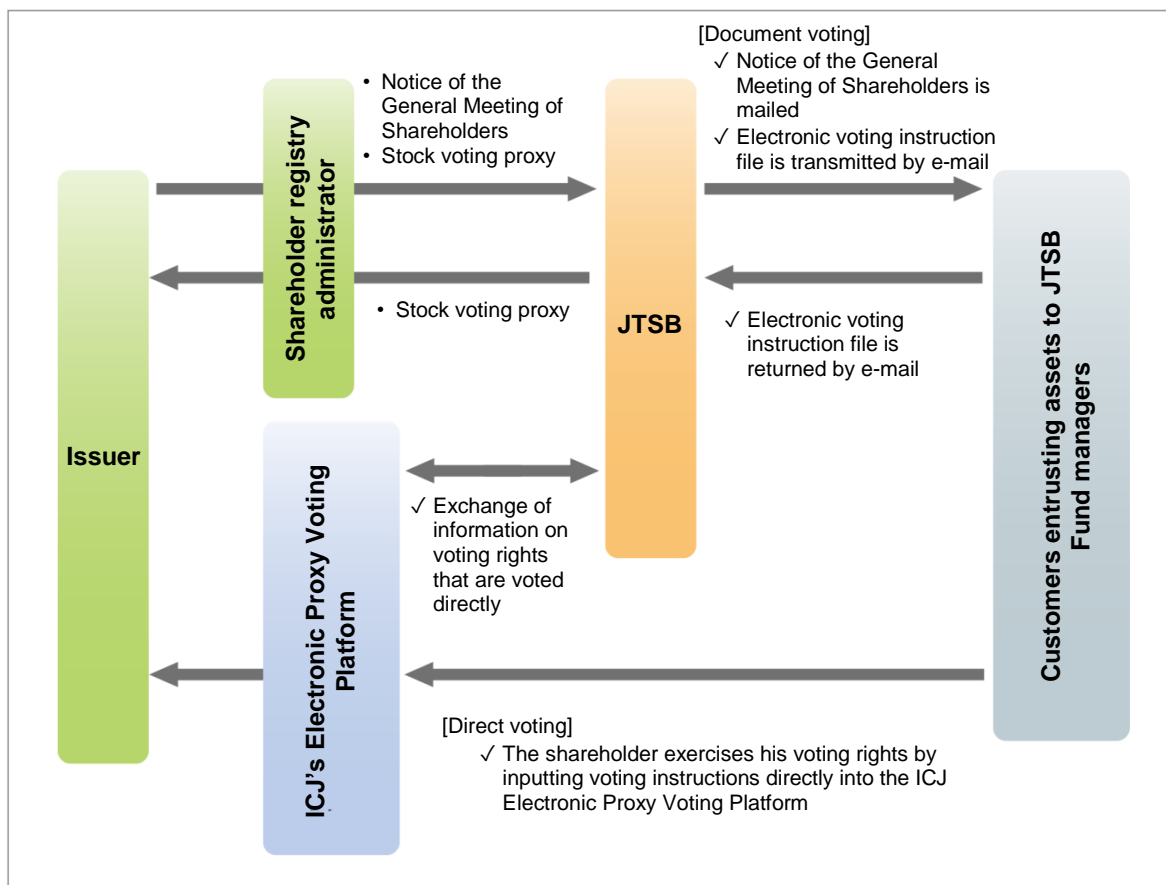
## [Domestic Stock Proxy Voting Business]

In its asset administration activities, JTSB responds flexibly to the needs of its customers regarding domestic stock proxy voting, which involves the maintenance of important rights, and has appointed specialist staff who can process proxy votes promptly and accurately. JTSB strives to execute the electronic instructions from customers entrusting assets and fund managers speedily and accurately, and, with its originally developed stock proxy voting management system, is able to offer services of even higher quality.

Also, by arranging for the participation of fund managers in ICJ Co., Ltd.'s<sup>\*1</sup> Electronic Proxy Voting Platform<sup>\*2</sup>, it has been possible to strengthen collaboration with ICJ and enable fund managers to exercise their proxy rights directly and smoothly. Looking ahead, JTSB will take even more active initiatives in the increasingly diverse proxy voting services area.

\*1 ICJ Co., Ltd. is a joint venture, established in July 2004 by the Tokyo Stock Exchange Co., Ltd., the Japan Securities Dealers Association, and Broadridge Financial Solutions, Inc., with the objective of operating the Electronic Proxy Voting Platform.

\*2 The Electronic Proxy Voting Platform is an infrastructure system that enables institutional investors to vote directly the proxies of the shares they own without going through the trust banks that are the shareholders of record.



# Initiatives to Meet Various Needs

## [Domestic Stock Transition Management]

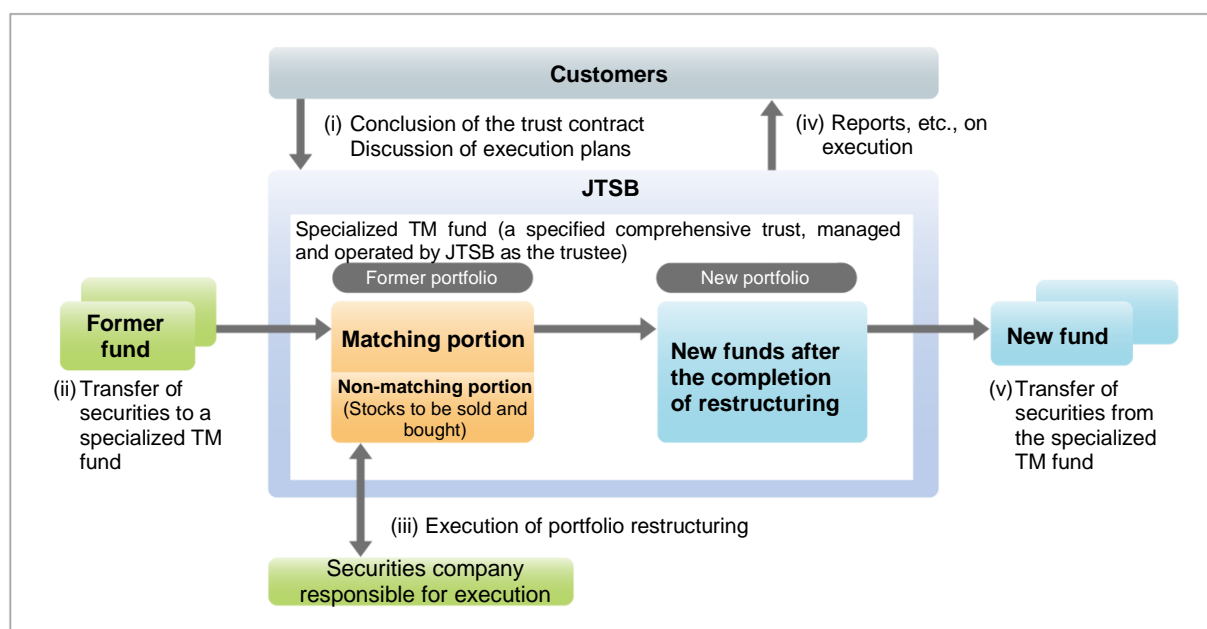
Transition management is provided as part of services incidental to the asset administration business. Transition management includes restructuring stock portfolios that have been entrusted from customers, and then transferring them safely and efficiently to separate trust accounts instructed by the customer.

### • Features of JTSB's TM Services

As trustee, JTSB adopts the specified comprehensive trust contract method, and features of its services include providing a sense of security and transparency to its customers, cost minimization, and anonymity in the market.

- (i) In addition to its extensive record of transferring securities documents, JTSB can offer a high-quality service because of its dedicated systems for transition management execution.
- (ii) When transition projects are entrusted, it appoints a specific person in the specialized transition management unit in the front office on the one hand and, on the other, a specialized transition management unit in the middle office strictly monitors the activities of the securities company responsible for execution (hereinafter, executing securities company). In this way, customers are guaranteed a high level of transparency and the best execution.
- (iii) By properly managing market risk exposure and tracking errors, JTSB minimizes costs.
- (iv) By selecting the executing securities company from among those that have no capital ties with JTSB, the conflicts of interest that may arise in such transactions with related parties are eliminated.
- (v) By having transition management executed by JTSB, as a trust bank that specializes in asset administration, customers can rely on JTSB for thorough management of information and eliminate the possibility of conflicts of interest in the conduct of transition management services.

### • Transition Management (TM) Scheme





## CSR Initiatives

JTSB performs its main business as a bank specializing in asset administration faithfully and takes performance of these duties as the basis for fulfilling its corporate social responsibility (CSR).

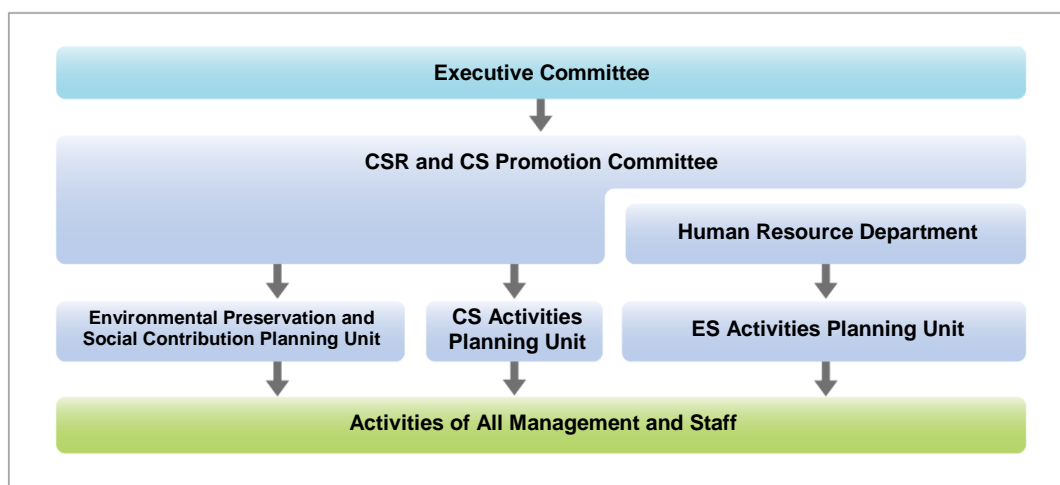
With this as a basic assumption, JTSB approaches CSR from three perspectives: “Enhancing customer satisfaction (CS),” “Enhancing employee satisfaction (ES),” and “activities for preserving the environment and contributing to society.” We aim to achieve higher level of CSR by ensuring all management and staff take action from these three perspectives.

As a specific code of conduct for CSR activities, JTSB has established the following policies for action and is working to raise the awareness of CSR among each and every member of management and staff. As the center of these activities, JTSB has established a Companywide cross-divisional CSR and CS Promotion Committee to support the activities of all management and staff.

### [Policy for CSR Activities]

1. We have a strong awareness of our high-level functions in the social infrastructure in the field of administering securities and other assets and offer high-quality services promptly and accurately to all our customers.
2. We contribute to the development of our customers and society by developing and providing services that meet the needs of our customers.
3. We, as members of society, participate, on an individual and voluntary basis, in activities that contribute to society.
4. We, by contributing to society, work to create a workplace we can each take pride in and work energetically.

### • System for Activities



### • Principal Initiatives

#### <<Social Contribution Planning Unit>>

This unit actively engages in a range of projects that contribute to society, including those providing support for the blood donation activities of the Tokyo Red Cross Blood Donation Center.

#### <<CS Activities Planning Unit>>

Under its slogan of “Nurture the Tree of Reliability! Make the Smiles of Our Customers Bloom,” this unit is engaging in group discussions and meetings to exchange opinions with other companies with the objectives of raising the awareness of CS among management and staff and thereby “enhancing CS.”

#### <<ES Activities Planning Unit>>

Activities of this unit include promoting the taking of parental leave of absence among employees and creating systems to provide assistance to employees raising children. The unit has also established an External Advice and Counseling Desk and is taking steps to enable employees to work with greater peace of mind by creating systems to help them deal with the problems they may face. In addition, this unit aims to create a corporate culture that respects the rights of each and every employee and is free of discrimination by aggressively implementing activities that increase the awareness of human rights, focusing on the Human Rights Education & Training Promotion Committee.



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# Processing Systems Infrastructure

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# Processing Systems Infrastructure

## [Initiatives for Improving Processing Quality]

### • Activities to Improve Operations Processing Quality

JTSB has established an Operations Planning Department to oversee the construction of operations processing, and is working to improve the quality and efficiency of its operations.

As the JTSB department in overall charge of operational planning, the Operations Planning Department handles matters related to regulatory issues, taxation, and accounting and is responsible for structuring operation processing systems that are appropriate for offering products and services to JTSB customers, investment trust management companies, and investment advisory companies. The department is also in charge of planning and the promotion of measures pertaining to improvements in processes, standardization, and efficiency enhancement. Also, as noted in the next section under Processing Risk Management Activities, this department is preparing the way for securing the effectiveness of processing risk management activities.

### • Processing Risk Management Activities

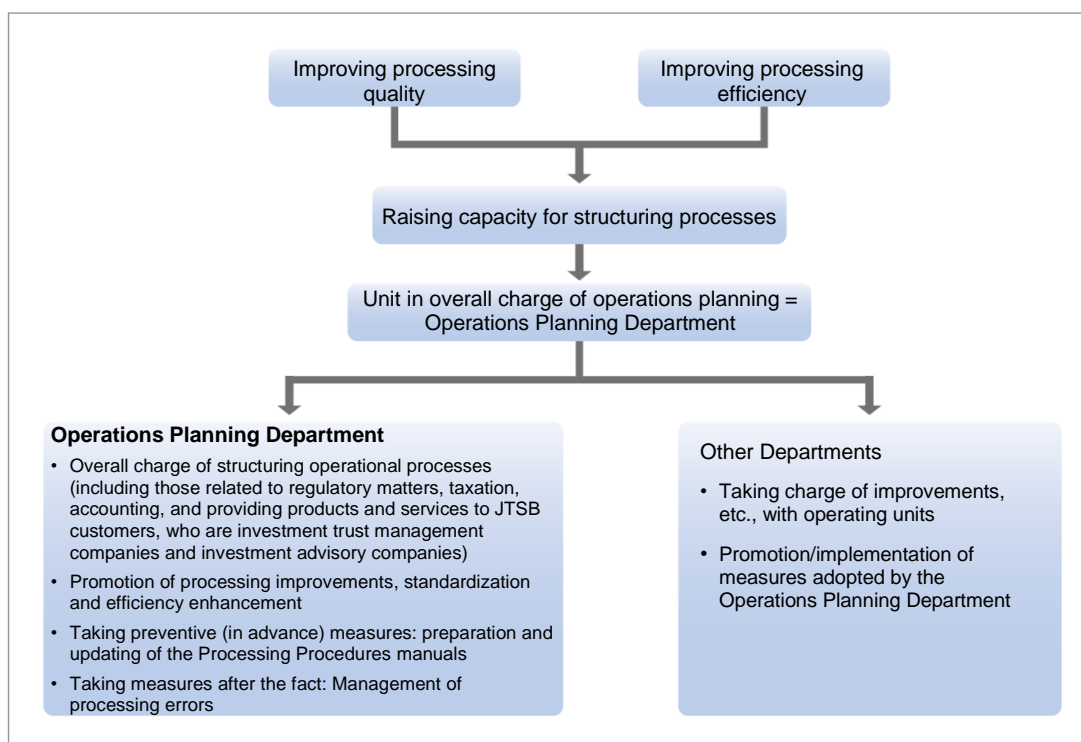
With the awareness that minimizing processing risk is one of the most-important issues for JTSB as a company specializing in asset administration, JTSB has prepared its Processing Risk Management Rules, which contains basic items for conducting proper and smooth processing operations and for the management of processing risk, reducing risk, and preventing the emergence of risk. Based on these rules, JTSB engages in control activities to take preventive measures (in advance) and deal with risks that have emerged (after the fact).

<<Preventive measures>>

To prevent accidents and other incidents, JTSB has established processing procedures manuals for all its processing operations, forbidden non-standard processing, and established mutual checking as standard procedure.

<<Dealing with risks that have emerged>>

In the event of an accident or other incident, JTSB endeavors to accurately assess the situation, report it quickly, and take action with the top priority placed on the protection of managed assets. JTSB also analyzes the factors and issues that caused the incident, formulates measures to prevent reoccurrence and confirms the effectiveness of these measures.



## [Active Initiatives for Reforming Securities Settlement and Other Functions]

The securities settlement system plays an important role in Japan's securities transactions as a core element in the institutional base. JTSB, as a leading company in the asset administration business, is preparing actively to respond to Securities Settlement System Reforms and Domestic Securities Market Reforms. Recent major events were the launch of a system to shorten the period of settlement for government bonds in May 2018 and stocks in July 2019.

In addition, JTSB positions responding appropriately to the International Regulations for derivative transactions, and the Extraterritorial Application of Individual Regulations in the United States and Europe (under which Japanese financial institutions are subject to regulation) as one of the important issues and has been steadily doing so.

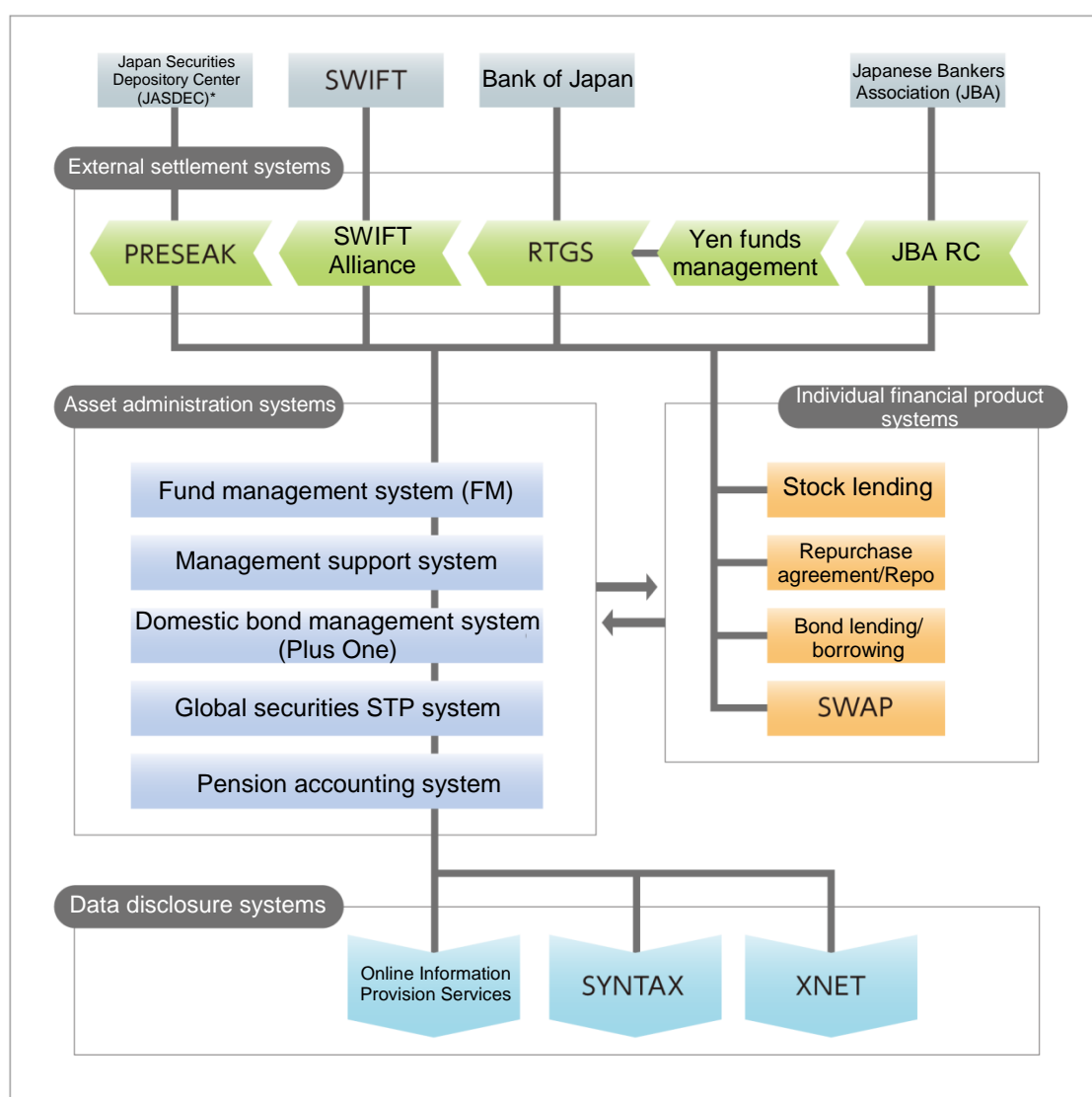
Category	Field	Upcoming Events	Content and JTSB's Initiatives	Schedule
Securities Settlement System Reforms	Government bond transactions	Shortening the period of settlement for government bonds	The period for settlements from transactions (contract) to final settlement (delivery) is shortened, and settlement risk in the market as a whole is reduced. JTSB has already implemented this system.	May 2018
		Handling of new repurchase transactions	As part of the shortening of the settlement period for Japanese government bonds (JGBs), conventional repo transactions with cash collateral have now been centralized as new repurchase transactions as a rule. JTSB has already implemented this system.	May 2018
	Stock trading	Shortening of the settlement period for stocks	The period for settlements from transactions (contract) to final settlement (delivery) is shortened, and settlement risk in the market as a whole is reduced. JTSB has already implemented this system.	July 2019
		Measures for stock lending guidelines	As part of the shortening of the settlement period for stocks, JTSB has established market-wide stock lending guidelines. JTSB has already implemented this system.	July 2019
	Corporate bonds (general bonds)	Corporate bonds (general bonds) Shortening of the settlement period	The period between transaction (execution) and settlement (transfer) will be shortened, and settlement risk in the market as a whole will be reduced. JTSB will take appropriate measures to launch this system.	July 2020
Reduction of settlement risk through international regulations, etc.	Derivative transactions	Restrictions on margins, etc., for transactions that will not make use of a Central Counterparty Clearing House (CCP)	Regarding OTC derivatives that will not make use of a Central Counterparty Clearing House (CCP), non-centrally cleared OTC derivatives settled directly between parties for the purpose of reducing settlement risk in the market as a whole now also require the receipt and payment of margins. JTSB has already implemented this system.	March 2017 Scope: Variable margins, etc.
	Foreign currency exchange transaction	Involvement in CLS bank PVP settlement system	Discussions on enabling PVP settlements through CLS banks even for investment funds are underway at relevant organizations. JTSB will also take measures to enable parties such as customers to use this service on request.	First half of 2020 (full-scale phase)
	Global securities transactions	Collateral now required for transactions such as TBA transactions	According to the regulations of FINRA in the USA, American companies are required to collect collateral when carrying out transactions such as TBA transactions. JTSB will proceed with appropriate measures.	March 2020

# Processing Systems Infrastructure

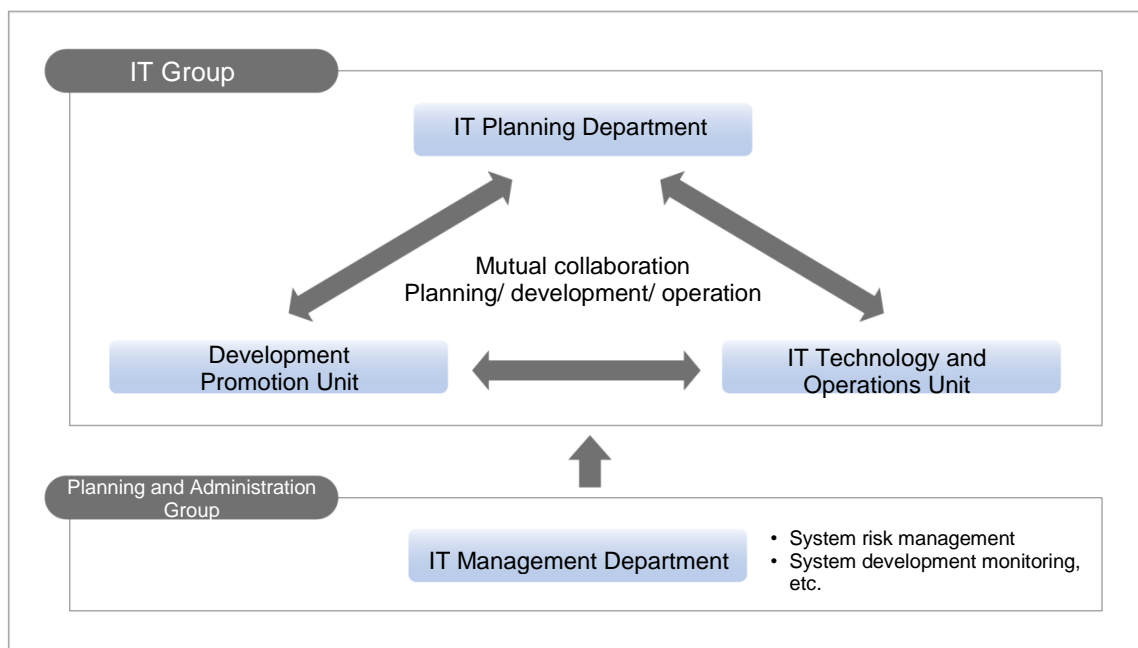
## [Overall Composition of Company Systems]

Our Company's systems must perform a full range of integrated securities administration functions to meet the needs of pension funds, specified money trusts, investment trusts, and other types of customers. These functions include the processing of transactions, the management of account balances, and the preservation of ownership rights, through to accounting and reporting on funds. These various functions are performed by an overall system that is capable of rapid processing operations and is composed of mutually linked specialized systems performing distributed processing operations.

By realizing the appropriate combination of mainframe and distributed processing, which may depend on the objectives and nature of processing operations, we provide customers with the data they need and respond flexibly to their requests.



## [Systems Development and Operations Management Framework]



JTSB has its own system development departments in-house. This makes possible rapid decision-making in IT-related operations, and the operating departments and IT departments work together in implementing initiatives.

The IT Planning Department, which is responsible for preparing plans and the overall management of IT operations, the Development Promotion Unit, which is responsible for the seamless implementation of various activities ranging from identification of tasks and projects to the development of applications, and the IT Technology and Operations Unit, which is responsible for the development of systems platforms, provision of technical support, and system operations, work closely as a team. They respond promptly to the varied and diverse needs of customers, while maintaining close communication with the operating departments.

In addition, under JTSB's organizational structure, the IT Management Department, which is responsible for risk management and is independent of the IT Group, monitors the risk of system development.

Going forward, JTSB will strive to strengthen governance of the IT functions and improve productivity in system development.

It will also respond steadily to changes in the environment surrounding the asset administration business and ensure the stable operation of its systems infrastructure.

## [Information Security Management]

JTSB has structured and audited its information security systems on a systematic basis and has created the necessary systems for risk management. Today's asset administration business is based on sophisticated computerized information processing, and requirements for the strict management of information, as represented by the provisions of Japan's Personal Information Protection Law, have been tightened substantially.

JTSB sets priority levels for all the information assets it holds based on the risk of losses that customers may incur because of actions, such as leakage, loss, falsification, etc. Depending on the level of risk, JTSB takes appropriate security measures for the acquisition, usage, management, storage, internal transmission, and removal of information assets from the JTSB premises, its disposal, and other such actions.

Also, in managing its information systems, JTSB implements safety precautions and measures to prevent improper entry, usage, or other such actions. JTSB maintains its computer hardware systems and ensures that backup and alternative facilities are kept ready. Through the preparation of backup data and operating manuals, JTSB implements measures to increase even further the reliability of its hardware, software, and systems operations.

These security management systems have been based on internationally recognized information security management guidelines and the safety measures standards issued by The Center for Financial Industry Information Systems (FISC), a public interest incorporated foundation. JTSB thoroughly reviews its information systems and information assets, identifies possible threats, ascertains the current risk levels, assesses them, and implements measures on a continuing basis using the "plan, do, check, act" cycle management approach.





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## Internal Management Systems

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# Internal Management Systems

## [Risk Management Systems]

For JTSB to fulfill its public mission as a trust bank specializing in asset administration, it is required to ensure the soundness of its management by measuring risk accurately and controlling it. To satisfy this requirement, JTSB manages operational risk, credit risk, market risk, and liquidity risk using methods appropriate for their special characteristics and has developed systems for overall, integrated risk management.

### • Common Basic Risk Policy

- JTSB classifies risks by risk categories—namely, operational risk, credit risk, market risk, and liquidity risk—and manages each of these risks with methods appropriate for their special characteristics.
  - By managing these risk categories through a process involving identification, assessment, monitoring, control, and taking steps to reduce risk, JTSB gains an accurate understanding of the status of such risks and takes appropriate risk management measures. In addition, by gaining an understanding of the aggregate level of risk in each category, qualitative and quantitative assessments of these risks are conducted to strengthen integrated risk management that compares and contrasts with the business structures of our Company.
  - JTSB is aware that the principal risk in its risk profile is operational risk because of its specialization in the asset administration business and, therefore, focuses on the reduction of operational risk.
- For other risk categories, our policy is to minimize such risks that may arise in the conduct of its asset administration business operations.

### • Content and Management Systems for Principal Risk Categories

Risk category	Content of risk
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
Credit risk	The risk of losses due to the decline in or complete loss of value of assets (including off-balance sheet assets) as a result of the deterioration in the financial condition of borrowers.
Market risk	The risk of losses due to the change in value of assets held (including off-balance sheet assets) as a result of such market risk factors as fluctuations in interest rates, changes in the market price of securities, foreign exchange rates, and other indicators. In particular, during times of market turmoil or other adverse circumstances when it becomes impossible to carry out market transactions or transactions must be conducted on extremely unfavorable terms, this is termed market liquidity risk.
Liquidity risk	The risk of losses due to the inability of obligors to secure sufficient funds to cover financial obligations because of such factors as deterioration in their financial condition or in cases where obligors must procure funds at interest rates that are much higher than normal.

Risk Management Deliberation Committee (ALM Committee)			Risk Management Deliberation Committee (Operational Risk Committee)							
Credit risk	Market risk	Liquidity risk	Operational risk							
			Reputational risk	System risk	Information security risk		Processing risk	Legal & compliance risk	Personnel risk	Event risk
					Information systems related risk	Information management related risk				
Corporate Risk Management Department			IT Management Department		Operations Planning Department		Compliance Department	Human Resource Department	Corporate Administration Department	

#### • Risk Management Deliberation Committee (Operational Risk Committee)

Responsible for coordination related to Company-level and interdepartmental operational risk issues in all risk categories, such as legal and compliance risk as well as personnel risk; promotion of operational risk management measures; and consideration and deliberation related to strengthening risk management systems.

#### • Risk Management Deliberation Committee (ALM Committee)

Responsible for deliberation regarding matters related to lending activities in JTSB's banking operations, matters related to overall ALM, and matters related to operation and management of market risk and liquidity risk.

## [Compliance Systems]

To respond to changes in the times accompanying the growing competition among financial institutions that is extending beyond the financial services industry and the rising sophistication of financial technology, financial institutions are required to abide strictly by the principle of being responsible for their own actions and maintaining management transparency. Moreover, as a bank specializing in asset administration, JTSB must comply with all laws and regulations and fulfill its social responsibilities of contributing broadly to society and the economy, while also fulfilling its important public mission as a trust bank. To fulfill its responsibilities and mission, JTSB has established its Ethics Charter and has positioned compliance with laws and social norms as one of its most-important management issues. JTSB works to heighten the awareness of compliance among all management and staff with the aim of conducting corporate activities that are reliable and fair and will win the trust of its customers naturally, but also from society as a whole.

### • JTSB's Compliance Structure

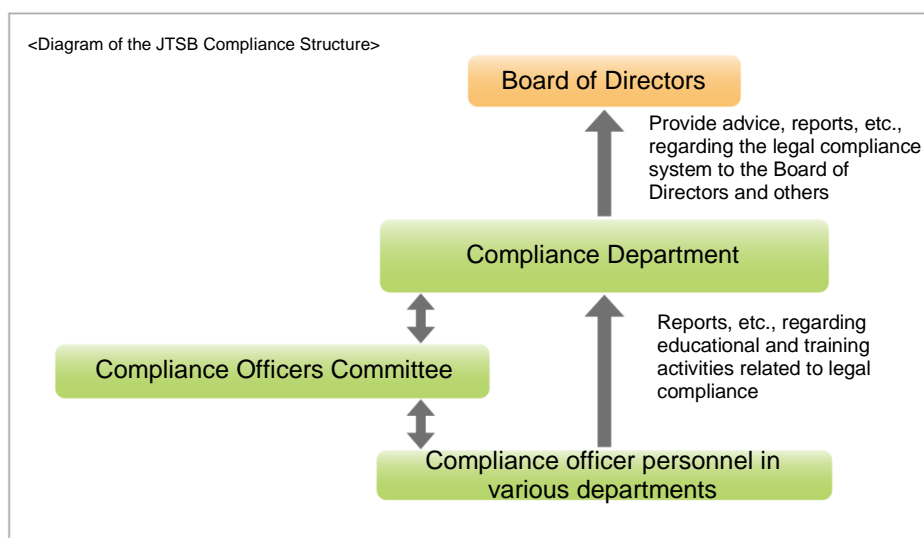
JTSB has formed its Compliance Department to be in overall charge of compliance matters. Its responsibilities include formulating compliance programs to promote the implementation of compliance matters, prepare related rules and regulations, formulate other measures for promoting compliance, making all personnel aware of compliance, providing guidance, and achieving overall progress toward compliance objectives. In addition, compliance officers have been appointed in JTSB's each department, and these officers serve the functions of ensuring that all departments are conducting their activities in compliance with laws and regulations and confirming the status of compliance. The Compliance Department and the compliance officers in each department hold meetings of the Compliance Officers Committee regularly to discuss matters related to promoting compliance and exchange information.

### • Making All Personnel Aware of Compliance

To ensure appropriate compliance with laws and regulations, each and every member of the management and staff of JTSB must be aware of compliance at all times and practice compliance. To this end, JTSB has prepared and made all management and staff aware of its Compliance Manual, which contains a code of conduct for use in the daily conduct of operations and information on relevant laws and regulations. In addition, all management and staff are required to attend training courses on compliance periodically.

### • Compliance Hotline System

JTSB has made arrangements that make it possible for employees to report compliance violations or their concerns about possible violations promptly, fairly, and properly directly to either internal or external compliance listening desks. When such reports are received, the Compliance Department investigates the matter immediately and takes action as necessary.

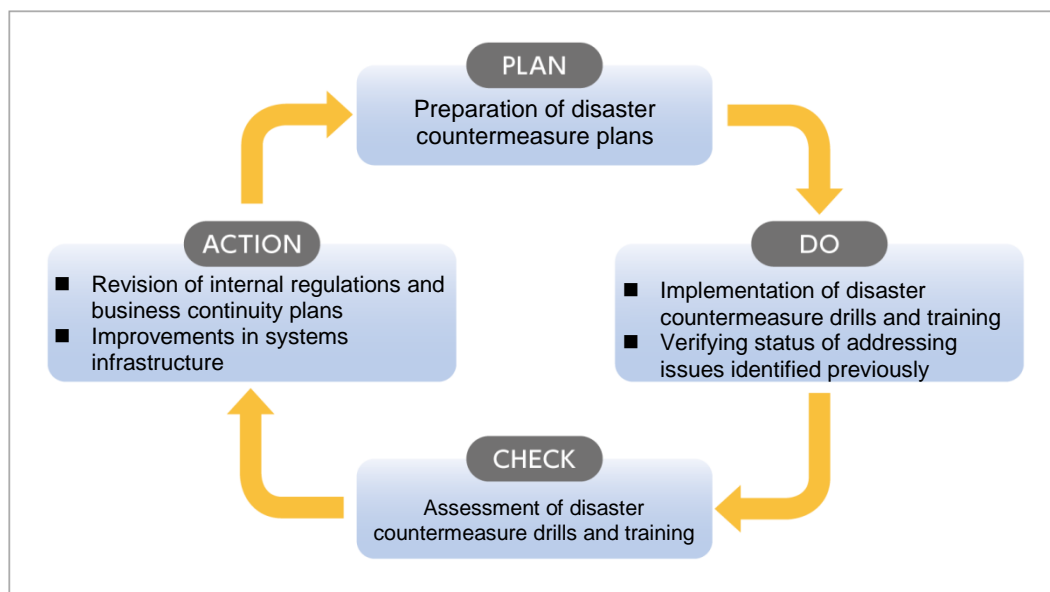


# Internal Management Systems

## 〔Crisis Management Systems (Business Continuity Plans)〕

In the event of a disaster or system failure with a significant impact on business operations, we shall strive to minimize the damage through speedy initial response, and secure early and smooth business continuity and recovery.

A business continuity plan is established by the Crisis Management Committee in times of normality, and new issues are addressed through regular drills on disaster response.



### ● Facilities (Installations and Equipment)

Our Head Office is located in the Harumi Island Triton Square complex and is designed to withstand magnitude 7 (Japanese scale) earth tremors, such as the 2011 Great East Japan Earthquake. The building is also outfitted with electric power, telecommunications, security, and other functions. Further, as a financial institution JTSB has enhanced its facilities in line with the standards issued by The Center for Financial Industry Information Systems (FISC), including a dedicated electric power generator to secure a power supply, telecommunications lines from multiple carriers to avoid communication breakdowns, and an IC card system to strengthen crime-prevention measures.

In addition, our systems centers and backup sites have a similarly strong infrastructure, including anti-earthquake construction, electric power sources, and security facilities.

### ● Backup Systems

JTSB's offices and system centers have backup facilities in preparation for possible natural disasters or other difficulties.

The disaster response offices for the Harumi Head Office have been established in the Fuchu Office (Fuchu backup office built in December 2002 and renovated in November 2012) and in the Osaka Prefecture (the second backup office built in April 2017).

In addition, a disaster response system center (backup center) for the Fuchu Office has been relocated to a site in Osaka Prefecture (built in Chiba in October 2003, and relocated to Osaka in October 2016).

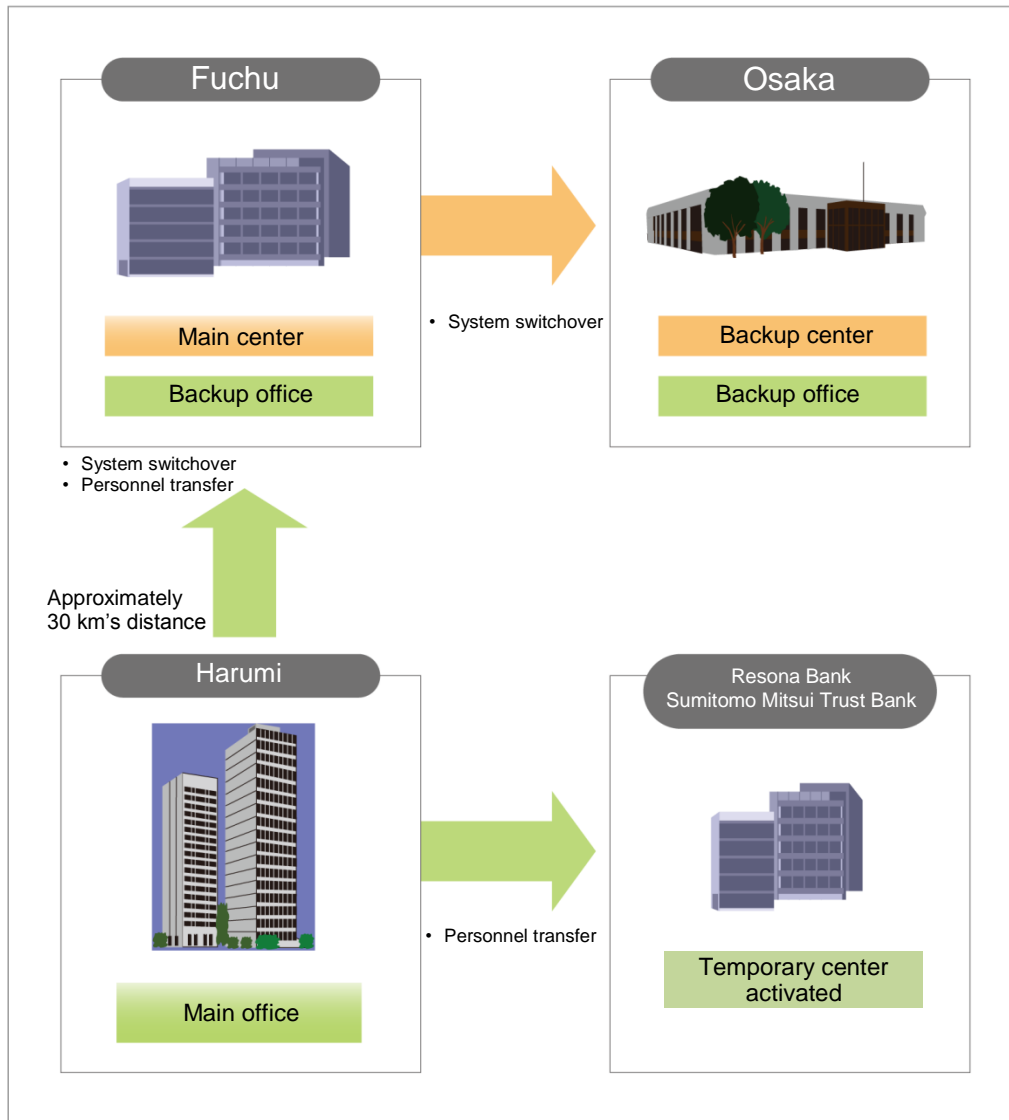
If the Harumi Head Office is affected by a disaster, operations will be continued at the Fuchu backup office, and at temporary counters (delivery counters of securities companies and other customers). Certain priority operations (settlements, etc.) will be input by staff at the Fuchu center until staff from Harumi can arrive.

If the Fuchu center is affected by a disaster, the system environment will be transferred and operations continued at the backup center (Osaka Prefecture).

At the time of a wide-area disaster in the Tokyo metropolitan area, our offices will be moved to the second backup office (Osaka Prefecture) for our staff to continue some of the priority work (settlement of funds, etc.). In addition, we have established a dual office in the same office to handle Bank of Japan settlement and other operations in times of normality.

- **Practice Drills for Disaster Countermeasures**

Following systematic disaster countermeasure plans, post-disaster practice drills are conducted at the backup sites as well as drills with the participation of outside organizations to verify the workability of business continuity plans prepared by various departments. These repeated practice drills enable all staff to make preparations to act smoothly during times of disaster.



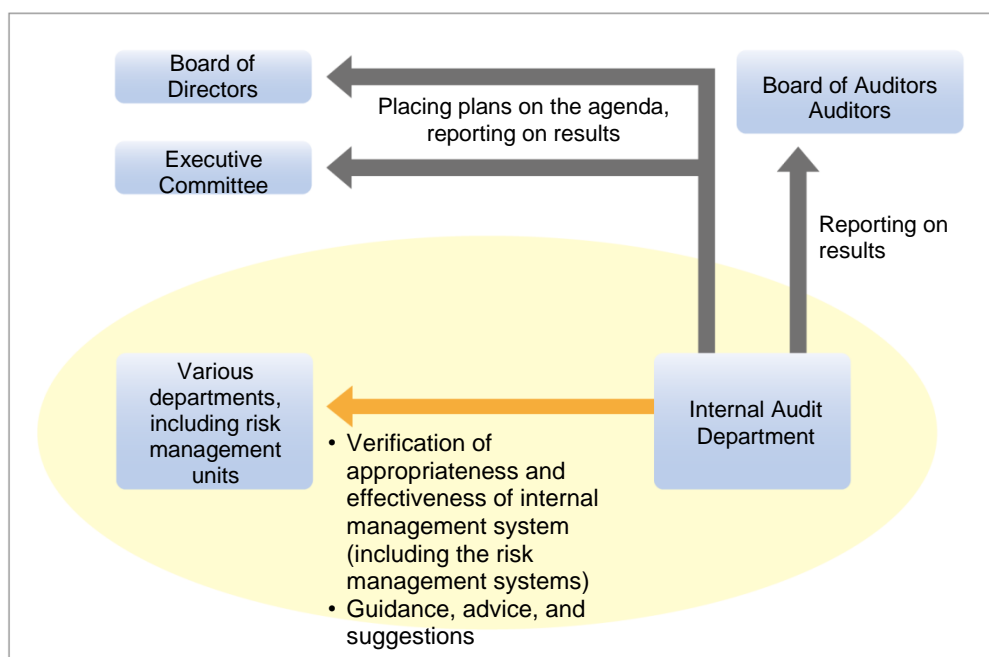
# Internal Management Systems

## [Internal Auditing Systems]

The internal audit independently verifies the appropriateness and effectiveness of internal management systems, including those related to compliance and risk management. The objective of this verification is to strengthen internal management systems, improve business operations, enhance efficiency and rationalize management through providing advice and suggestions based on the results of the verification.

JTSB prepared its “Internal Auditing Policy” that sets forth internal auditing policies, the position of the internal audit unit within the organization, and other basic matters. The Internal Audit Department was formed as an organizational unit that is independent from the operating departments. The department gains an understanding of the operations of the departments subject to internal auditing and the types of risks inherent in their activities and assesses these risks. This department then prepares audit plans, giving attention to the frequency and depth of the audits and then works to conduct efficient and effective audits.

Depending on the objectives of the internal audits, such audits are divided into two types—General Audits that examine matters related to the businesses of the audited departments and Theme Audits that focus on specified themes. Results of these audits are reported promptly to the directors and corporate auditors, and reports are made periodically to the Executive Committee and Board of Directors.



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## Financial Section

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# Financial Data

## Balance Sheets

Accounting item	As of March 31, 2018	As of March 31, 2019
(¥ million)		
<b>Assets</b>		
Cash and due from banks	13,177,699	10,654,415
Cash	0	4
Due from banks	13,177,698	10,654,410
Call loans	350,000	60,000
Receivables under resale agreements	—	31,155
Receivables under securities borrowing transactions	51,246	—
Securities	337	334
Stocks	320	320
Other securities	17	14
Loans and bills discounted	184,058	167,951
Loans on deeds	184,058	167,951
Other assets	47,034	102,115
Prepaid expenses	485	600
Accrued income	1,906	6,937
Cash collateral pledged for financial instruments	27,200	53,432
Other assets	17,442	41,145
Tangible fixed assets	1,906	1,945
Buildings	1,068	1,076
Lease assets	3	1
Other tangible fixed assets	833	867
Intangible fixed assets	22,381	21,972
Software	22,375	21,966
Other intangible fixed assets	5	5
Prepaid pension expenses	263	290
Deferred tax assets	348	375
<b>Total assets</b>	<b>13,835,275</b>	<b>11,040,555</b>
<b>Liabilities and net assets</b>		
Deposits	7,840,589	5,309,477
Current deposits	4,489,523	5,228,507
Ordinary deposits	3,343,717	12,244
Other deposits	7,349	68,726
Borrowed money from trust account	5,898,261	5,634,644
Other liabilities	36,015	36,324
Income taxes payable	174	334
Accrued expenses	1,516	1,322
Lease obligations	4	2
Asset retirement obligations	131	131
Deposits received	32,359	32,284
Other liabilities	1,828	2,249
Provision for bonuses	406	433
Provision for retirement benefits	555	596
Provision for directors' retirement benefits	11	2
<b>Total liabilities</b>	<b>13,775,840</b>	<b>10,981,478</b>
Capital stock	51,000	51,000
Retained earnings	8,435	8,077
Legal retained earnings	954	1,094
Other retained earnings	7,481	6,982
Retained earnings brought forward	7,481	6,982
<b>Total shareholders' equity</b>	<b>59,435</b>	<b>59,077</b>
Valuation difference on available- for-sale securities	Δ 0	Δ 0
Total valuation and translation adjustments	Δ 0	Δ 0
<b>Total net assets</b>	<b>59,435</b>	<b>59,076</b>
<b>Total liabilities and net assets</b>	<b>13,835,275</b>	<b>11,040,555</b>



## Statements of Income

Accounting item	FY2017		FY2018	
	(from April 1, 2017 to March 31, 2018)		(from April 1, 2018 to March 31, 2019)	
				(¥ million)
Ordinary income	27,436		29,467	
Trust fees	20,577		21,956	
Interest income	Δ 2,420		Δ 2,907	
Interest on loans	0		—	
Interest and dividends on securities	20		Δ 12	
Interest on call loans	0		1	
Interest on receivables under resale agreements	—		Δ 17	
Interest on receivables under securities borrowing transactions	3		0	
Interest on due from banks	Δ 2,443		Δ 2,880	
Other interest received	0		0	
Fees and commissions	9,208		10,342	
Fees and commissions on domestic and foreign exchanges	360		355	
Other fees and commissions	8,847		9,987	
Other income	70		75	
Other income	70		75	
Ordinary expenses	26,236		28,911	
Interest expenses	78		51	
Interest on deposits	7		7	
Interest on call money	0		0	
Interest on borrowings	0		0	
Other interest expenses	70		43	
Fees and commissions expenses	290		315	
Fees and commissions on domestic and foreign exchanges	85		84	
Other fees and commissions	204		230	
General and administrative expenses	25,867		28,541	
Other expenses	0		3	
Other expenses	0		3	
Ordinary profit	1,199		555	
Extraordinary income (loss)	448		46	
Loss on disposal of fixed assets	448		46	
Income before income taxes	751		509	
Income taxes—current	87		190	
Income taxes—deferred	182		Δ 26	
Total income taxes	270		164	
Net income	480		344	

# Financial Data

## Statements of Changes in Net Assets

(¥ million)

FY2017 (from April 1, 2017 to March 31, 2018)

	Shareholders' equity					Valuation and translation adjustments		Total net assets
	Capital stock	Retained earnings			Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
		Legal retained earnings	Other retained earnings	Total retained earnings				
		Retained earnings brought forward						
Balance at the beginning of the period	51,000	922	7,190	8,112	59,112	43	43	59,156
Changes during the period								
Cash dividends		31	△189	△158	△158			△158
Net income			480	480	480			480
Net changes of items other than shareholders' equity						△43	△43	△43
Total changes during the period	-	31	291	322	322	△43	△43	△278
Balance at the end of the period	51,000	954	7,481	8,435	59,435	△0	△0	59,435

FY2018 (from April 1, 2018 to March 31, 2019)

(¥ million)

	Shareholders' equity					Valuation and translation adjustments		Total net assets
	Capital stock	Retained earnings			Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
		Legal retained earnings	Other retained earnings	Total retained earnings				
			Retained earnings brought forward					
Balance at the beginning of the period	51,000	954	7,481	8,435	59,435	Δ 0	Δ 0	59,435
Changes during the period								
Cash dividends		140	Δ 843	Δ 702	Δ 702			Δ 702
Net income			344	344	344			344
Net changes of items other than shareholders' equity						Δ 0	Δ 0	Δ 0
Total changes during the period	-	140	Δ 498	Δ 357	Δ 357	Δ 0	Δ 0	Δ 358
Balance at the end of the period	51,000	1,094	6,982	8,077	59,077	Δ 0	Δ 0	59,076

Amounts less than ¥1 million are rounded down.

### Significant Accounting Policies (FY2018)

#### 1. Standards for evaluation of securities and valuation methods used

In principle, as with available-for-sale securities, securities are valued by the market value method based on the market price or other appropriate price at the balance sheet date (with the sales price calculated by the moving average method). However, for securities for which it is generally recognized that the determination of fair value is extremely difficult, JTSB employs the original purchase prices using the moving average method. Note that the full amount of adjustments in the value of available-for-sale securities is accounted for by adding such amounts directly to net assets.

#### 2. Depreciation methods

##### (1) Tangible fixed assets (excluding leases)

JTSB calculates depreciation of tangible fixed assets by the declining-balance method, with the exception of buildings (excluding equipment installed in buildings), and facilities attached to buildings and structures acquired on or after April 1, 2016, which are depreciated by the straight-line method.

Estimated useful lives of major items are as follows:

Buildings: 3 to 43 years

Others: 2 to 20 years

##### (2) Intangible fixed assets (excluding leases)

Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized over its estimated useful life (mainly 5 years).

- (3) Lease assets  
Lease assets for which the ownership does not transfer and are included in tangible fixed assets are depreciated using the straight-line method over the estimated useful life. Note that for those leases that are based on contracts providing for guarantees of residual value the assets are depreciated down to the specified residual value, and all other assets are depreciated to zero.
3. Standards for translating foreign currency assets and liabilities into yen  
Foreign currency assets and liabilities are translated into Japanese yen at the exchange rate prevailing at the balance sheet date.
4. Standards for calculating reserves
- (1) Provision for bonuses  
To provide for the payment of bonuses, JTSB sets aside a reserve for bonuses for employees in the amount of the estimated bonuses attributable to the relevant fiscal year.
- (2) Provision for retirement benefits  
To provide for the payment of retirement benefits to employees, JTSB sets aside the reserve necessary at the fiscal year-end to cover such benefits, based on estimates of its retirement benefit obligations and the expected value of pension plan assets. In addition, in calculating retirement benefit liabilities, the expected amount of retirement benefit payments through the end of the subject fiscal year is allocated to the fiscal year under the benefit formula standard.  
Please note that the method for amortizing expenses or recognizing gains arising due to actuarial differences is as follows.  
Actuarial calculation differences: The unrecognized net actuarial difference accrued in each fiscal year is amortized proportionately using the straight-line method over a specified number of years (5 years), which is within the average remaining years of service in each year when the obligations are incurred, commencing from the next fiscal year of incurrence.
- (3) Provision for directors' retirement benefits  
To provide for the payment of retirement benefits for directors, as provided for in JTSB's rules for payment of such retirement benefits, the portion of the total of such benefits that have accrued through the end of the fiscal year under review is set aside as a reserve.
5. Accounting for consumption taxes  
National and regional consumption taxes (hereinafter, consumption taxes) are accounted for using the net-of-tax method.

## Notes to Accounting Items (FY2018)

### (Balance Sheets)

1. Of the securities received under resale agreements, there are securities that can be freely disposed of using the methods of sale or re-collateralization. Securities that are pledged to re-collateralization amount to ¥31,092 million.
2. The full amount of loans is outstanding to the government of Japan.
3. Assets pledged as collateral are as follows.  
Assets pledged as collateral  
Loans and bills discounted                      ¥167,951 million  
Liabilities corresponding to collateralized assets  
The above is collateral for overdraft transactions with the Bank of Japan, and there is no outstanding balance of corresponding liabilities as of the end of fiscal year under review.  
Other assets include guarantee deposits of ¥40,947 million.
4. Overdraft contracts provide for making loans up to a specified limit, provided there are not violations of the provision of contracts, when loan requests are received from customers. The unexercised balance of loan commitments under these contracts is ¥11,200 million, and contract terms are 1 year or less.  
Note that, since typically these contracts terminate without requests for overdrafts, the unexercised balance of loan commitments under these contracts will not necessarily have an effect on JTSB's cash flow. In addition, under systems related to these contracts, measures are taken to preserve the related loan assets, including the securing of repayment resources in the form of securities, cash, and other assets.
5. Accumulated depreciation of tangible fixed assets:                      ¥4,310 million
6. Total monetary claims on affiliates:                      ¥74 million
7. Total monetary obligations outstanding to affiliates:                      ¥305 million
8. JTSB has accepted limitations on dividends of the surplus as prescribed by Article 18 of the Banking Act.  
Notwithstanding the provision of Article 445 (4) (Amounts of Stated Capital and Amounts of Reserves) of the Companies Act, in the case where JTSB pays dividends from the surplus, it records an amount equivalent to one-fifth of the amount of the deduction from the surplus as a result of the payment of such dividends of the surplus, as legal retained earnings.  
In the subject fiscal year, JTSB recorded ¥140 million in legal retained earnings in relation to dividends from the surplus.

### (Statements of Income)

1. The negative figure for interest on due from banks is due to the fact that as a consequence of the application of negative interest rates to Bank of Japan current deposits, interest on deposits with the Bank of Japan became negative on a net amount basis.
2. Income related to transactions with affiliates  
Total income from trust transactions:                      ¥2,419 million  
Total income from fees and commissions:                      ¥259 million  
Total income from other businesses and other ordinary transactions:                      ¥6 million  
Expenses related to transactions with affiliate  
Total expenses related to other businesses and other ordinary transactions:                      ¥188 million

### (Statements of Changes in Net Assets)

(Thousand shares)					
1. Types of shares issued and number	Total number outstanding at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Remarks
Common stock	1,020	-	-	1,020	

Note: None applied to treasury stock.

### 2. Dividends

#### (1) Dividends paid during the fiscal year

Date of decision	Type of shares	Total dividends	Dividends per share	Record date	Effective date
Taken on June 29, 2018 based on Article 319-1 of the Companies Act	Common stock	¥193 million	¥190	March 31, 2018	June 29, 2018
Taken on September 27, 2018 based on Article 319-1 of the Companies Act	Common stock	¥508 million	¥499	-	September 28, 2018

#### (2) Dividends with a record date during the fiscal year, but whose effective date is after March 31, 2019

None

# Financial Data

## (Tax Effect Accounting Items)

The breakdown of factors accounting for the accrual of deferred tax assets and liabilities is as follows.

Deferred tax assets	
Provision for retirement benefits	¥182 million
Provision for bonuses	132
Enterprise tax payable	64
Asset retirement obligations	40
Depreciation denied	30
Others	101
Subtotal of deferred tax assets	551
Valuation allowance	△ 63
Total deferred tax assets	488
Deferred tax liabilities	
Prepaid pension expenses	89
Others	23
Total deferred tax liabilities	112
Net deferred tax assets	¥375 million

## (Financial Instruments)

### 1. Matters related to the status of financial instruments

#### (1) Policy on financial instruments

JTSB, as a trust bank specializing in the asset administration business, raises funds through borrowed money from trust account, which generates cash on a continuing basis.

In its fund management activities, JTSB invests in Japanese government bonds (JGBs), receivables under resale agreements (eligible bonds for this type of transactions are JGBs, the same applies below) and loans to the Japanese government. The aim is to secure collateral to be pledged to its settlement system to facilitate the smooth flow of settlement operations. Also, if there are idle funds, these are used for deposits in the Bank of Japan or other institutions, call loans, receivables under resale agreements, and loans to the Japanese government and JGBs. These fund management activities are not conducted to obtain capital gains, but, in principle, funds are invested in instruments with a remaining period to maturity of one year or less. Notwithstanding this, when permission to carry out collateral-holding operations is received from the Board of Directors, these funds are invested, within the scope of our asset-liability management (ALM) plans, in JGBs with maturities from more than one year to three years.

#### (2) Types of contents and risks associated with financial instruments

JTSB's financial assets, in addition to deposits in the Bank of Japan and other institutions, comprise loans to the Japanese government, call loans, and receivables under resale agreements. As stated in the policy above, market risk is limited by confining operations within one year as a general rule. JTSB's policy for making call loans and receivables under resale agreements is to restrain the size and content of such loans to a necessary minimum with the aim of minimizing credit risk.

On the other hand, JTSB's financial liabilities are primarily borrowed money from trust accounts and deposits. The balance of such liabilities is stable, and JTSB avoids liquidity risk by limiting its asset administration operations to highly liquid financial instruments.

#### (3) Risk management relating to financial instruments

##### (i) Credit risk management

JTSB's principal credit risks arise in the management of idle funds generated by its asset administration business. JTSB has established a "Credit Risk Management Policy," which calls for restraint in the size and content of such investments. Moreover, the Corporate Risk Management Department sets various credit risk position limits based on the "Credit Risk Management Regulations," and monitors the observance of these limits on a daily basis.

##### (ii) Market risk management

JTSB has established a "Market Risk Management Policy," which calls for strict limitation of market risk, and, based on this policy, aims for safe and secure management. In addition, the Corporate Risk Management Department set various market risk position limits based on the "Credit Risk Management Regulations," and monitors the observance of these limits on a daily basis.

JTSB's market risks arise mainly from the effects of interest rate risk, and the major financial instruments subject to this risk are loans to the Japanese government, call loans, and receivables under resale agreements. To manage the risk of these financial instruments, JTSB employs the Basis Point Value (BPV) method (which measures the change in the value of these assets for each one basis point (0.01%) movement in interest rates) to conduct quantitative analysis and the management of interest rate risk. As of March 31, 2019, analyses based on the BPV method indicate that the interest rate risk for a one basis point movement in interest rates is ¥5 million. Please note that this movement in asset prices assumes that risk factors, excluding interest rate risk, remain unchanged, and does not take account of correlations between interest rates and other risk causal factors.

##### (iii) Liquidity risk management

JTSB manages the idle cash generated by its asset administration business on a continuing basis and limits the choice of investment instruments to those with high liquidity as provided for in its "Liquidity Management Policy." Accordingly, the level of liquidity risk is basically believed to be low; however, the Corporate Risk Management Department sets liquidity risk position limits based on its "Liquidity Risk Management Regulations" and monitors the observance of these limits on a daily basis.

#### (4) Supplementary explanation of fair value of financial instruments

The fair value of financial instruments is based on the market price of such instruments, but, when market prices are not available, prices based on reasonable estimates are reported. Since these estimates involve certain assumptions, in cases where assumptions are subject to change, the value of assets may also change.

### 2. Fair values of financial instruments

The differences between the carrying amounts on the balance sheets and fair values, as of March 31, 2019, are shown below. Those assets for which fair value is recognized to be extremely difficult to determine are not included (refer to Note 2).

	Balance sheet amount	Fair value	Difference
(1) Cash and due from banks	10,654,415	10,654,415	-
(2) Call loans	60,000	60,000	-
(3) Receivables under resale agreements	31,155	31,155	-
(4) Loans and bills discounted	167,951	167,951	-
Total assets	10,913,521	10,913,521	-
(1) Deposits	5,309,477	5,309,477	-
(2) Borrowed money from trust account	5,634,644	5,634,644	-
Total liabilities	10,944,122	10,944,122	-

Note 1: Calculation method of the fair value of financial instruments

#### Assets

##### (1) Cash and due from banks

Since due from banks comprises only deposits with banks without maturity dates and since the fair value closely approximates the book value, the book value concerned is recorded as the fair value.

##### (2) Call loan and (3) Receivables under resale agreements

Since the contractual terms of these instruments are short (one year or less), and the fair value closely approximates the book value, the book value concerned is recorded as the fair value.

##### (4) Loans and bills discounted

Since loans are short-term (one year or less) loans to the Japanese government, the fair value closely approximates the book value and the book value concerned is recorded as the fair value.

#### Liabilities

##### (1) Deposits

Since all deposits are demand deposits, the amount that may be demanded on the date of the closing of accounts (book value) is regarded to be the fair value.

##### (2) Borrowed money from trust account

Since borrowed money from trust account is equivalent to demand deposits, the amount that may be demanded on the date of the closing of accounts (book value) is regarded to be the fair value.

Note 2: The balance sheet amounts of financial instruments where it is recognized as being extremely difficult to grasp their respective fair values are as follows, and they are not included in "Assets" in the fair value information of financial instruments.

(¥ million)	
Category	Balance sheet amount
Unlisted stocks	320
Unlisted foreign securities	14
Total	334

\* Because of the absence of market value quotes for these securities, their fair value is difficult to determine, and their fair value is not disclosed.

#### Note 3: Redemption schedule of monetary claims and securities with maturity dates after March 31, 2019

(¥ million)

	One year or less	Over one year to three years or less	Over three years to five years or less	Over five years to seven years or less	Over seven years to ten years or less	Over ten years
Due from banks	10,654,410	-	-	-	-	-
Call loans	60,000	-	-	-	-	-
Receivables under resale agreements	31,155	-	-	-	-	-
Loans and bills discounted	167,951	-	-	-	-	-
Total	10,913,517	-	-	-	-	-

#### Note 4: Repayment schedule of deposits and interest-bearing debt (liabilities) after March 31, 2019

(¥ million)

	One year or less	Over one year to three years or less	Over three years to five years or less	Over five years to seven years or less	Over seven years to ten years or less	Over ten years
Deposits	5,309,477	-	-	-	-	-
Borrowed money from trust account	5,634,644	-	-	-	-	-
Total	10,944,122	-	-	-	-	-

\* Demand deposits and borrowed money from trust account, which are equivalent to demand deposits, are included in the "1 year or less" category. Deposits include balances of current deposits.

#### (Transactions with Related Parties)

##### (1) Parent company and major corporate shareholders

(¥ million)

Type of company	Name of company	Percentage ownership	Relationship with related party	Type of transactions	Amount of transactions	Accounting item	Balance at end of period
Other affiliated company	Resona Bank, Limited	Percentage owned: 33.3%	Entrusts asset administration to JTSB	Re-entrustment fees, receipt of fees	2,679	Accrued income Deposits received	172 6,221

As Resona Bank, Limited, ceased to be a related party during the fiscal year under review, the amount of transactions is recorded as the amount during the period that Resona Bank was a related party, and the ratio of voting rights held and the fiscal year-end balance are recorded as at the end of the period.

The terms of transactions and method of determination are as follows:

Fees for re-entrustment and other fees that are based on cost are decided through negotiations.

"Amount of transactions" dose not include consumption taxes. "Balance at end of period" include consumption taxes.

##### (2) Subsidiaries and affiliates, etc.

None

##### (3) Other companies with indirect capital affiliation

(¥ million)

Type of company	Name of company	Percentage ownership	Relationship with related party	Type of transactions	Amount of transactions	Accounting item	Balance at end of period
Subsidiary of the parent company	Sumitomo Mitsui Trust Bank, Limited	—	Monetary assets and liabilities/ Entrusts asset administration to JTSB	Release of call funds (*1)	290,000	Call loans	290,000
				Re-entrustment fees, receipt of fees (*2)	11,486	Accrued income Deposits received	1,572 20,225

As Sumitomo Mitsui Trust Bank, Limited, ceased to be a related party during the fiscal year under review, the above amount of transactions is recorded as the amount during the period that SMTB was a related party, and the fiscal year-end balance is recorded as at the end of the period.

The terms of transactions and method of determination are as follows:

\*1: Interest rates on call loans are set with reference to prevailing market rates.

Since call loans are short-term market transactions, the out-standing balance of such loans as of March 31, 2016 is shown in the "Amount of transactions" column.

\*2: Fees for re-entrustment and other fees that are based on cost are decided through negotiations.

"Amount of transactions" dose not include consumption taxes. "Balance at end of period" includes consumption taxes.

##### (4) Directors and other individual shareholders

None

#### (Per share information)

Net assets per share of common stock:	¥57,918.56
Net income per share of common stock:	¥338.16

## Confirmation Statement from Management

I have confirmed that the financial statements (balance sheets, statements of income, and statements of changes in net assets) for the 19th term, covering the period from April 1, 2018 to March 31, 2019, are presented appropriately and that the internal auditing related to the preparation of these financial statements functioned effectively.

June 26, 2019

**Yoshikazu Tanaka,**  
Representative Director and President

# Financial Data

## Auditors' Statement

The Company has been audited by and received the Audit Report from an independent accounting firm, KPMG AZSA LLC, pursuant to Paragraph 1, Article 396 of the Companies Act, indicating that all material items in the financial statements pertaining to assets and income for FY2018 have been presented appropriately.

## Fair Value Information of Securities, Etc.

- Available-for-sale securities with fair value

March 31, 2018      None

March 31, 2019      None

- Available-for-sale securities where it is extremely difficult to determine their fair value

	As of March 31, 2018 Balance sheet amount	As of March 31, 2019 Balance sheet amount
Unlisted stocks	320	320
Unlisted foreign securities	17	14
Total	337	334

(¥ million)

- Fair Value, etc. of money trusts and derivative transactions

None

## Other Asset Situation

- Risk-monitored loans (loans to bankrupt borrowers, delinquent loans, loans past due for 3 months or more, and restructured loans)  
None

- Fiscal year-end balance of allowance for loan losses and changes during the period  
None

- Write-off amount of loans and bills discounted  
None

## Asset Classification under the Financial Revitalization Act

Claim Category	As of March 31, 2018	As of March 31, 2019
Bankruptcy or reorganization claim or other equivalent claims	—	—
Doubtful claims	—	—
Substandard claims	—	—
Normal claims	184,058	167,951
Total	184,058	167,951

(¥ million)

## Indicators for Banking Business

### (1) Key business indicators

	FY2017			FY2018		
	Domestic	International	Total	Domestic	International	Total
Gross business profits	26,995	0	26,996	29,024	0	29,024
Gross business profit margin	0.21%	3.47%	0.21%	0.23%	2.33%	0.23%
Net interest income	Δ 2,499	Δ 0	Δ 2,499	Δ 2,958	Δ 0	Δ 2,958
Net fees and commissions (including trust fees)	29,494	0	29,495	31,983	0	31,983
Net trading income	-	-	-	-	-	-
Other net operating income	-	-	-	-	-	-

Notes: 1: Gross business profit margin = Gross business profit / Average balance of interest-earning assets × 100

2: The negative figure for the interest income on due from banks is due to the fact that as a consequence of the application of negative interest rates to Bank of Japan current deposits, interest on due from banks became negative on a net amount basis.

	FY2017			FY2018		
	Domestic	International	Total	Domestic	International	Total
Average balance of interest-earning assets	(17)			(16)		
	12,560,989	17	12,560,989	12,201,043	16	12,201,043
Average balance of interest-bearing liabilities		(17)			(16)	
	12,539,178	17	12,539,178	12,190,298	16	12,190,298
Interest on interest-earning assets	(0)			(0)		
	Δ 2,420	-	Δ 2,420	Δ 2,907	-	Δ 2,907
Interest on interest-bearing liabilities		(0)			(0)	
	78	0	78	51	0	51
Average yield on interest earning assets	Δ 0.01%	-	Δ 0.01%	Δ 0.02%	-	Δ 0.02%
Average yield on interest-bearing liabilities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest rate spread	Δ 0.01%	Δ 0.00%	Δ 0.01%	Δ 0.02%	Δ 0.00%	Δ 0.02%

Notes: 1. "Interest-earning assets" are shown after deducting the average balance of noninterest earning due from banks (¥135 million in FY2017, ¥155 million in FY2018).

2. The figure in parentheses is the average balance of funds and interest between the domestic business division and the international business division.

3. Negative figures for the interest on interest-earning assets and average yield on interest earning assets are due to the fact that as a consequence of the application of negative interest rates to Bank of Japan current deposits, interest on due from banks became negative on a net amount basis.

### ○ Analysis of change in interest earned (paid)

	FY2017			FY2018		
	Domestic	International	Total	Domestic	International	Total
Net changes in interest earned	Δ 256	-	Δ 256	Δ 487	-	Δ 487
Changes due to balance	Δ 170	-	Δ 170	69	-	69
Changes due to interest rate	Δ 86	-	Δ 86	Δ 556	-	Δ 556
Net change in interest paid	35	0	35	Δ 27	Δ 0	Δ 27
Changes due to balance	3	-	3	Δ 2	Δ 0	Δ 2
Changes due to interest rate	32	0	32	Δ 25	-	Δ 25

Note: The part where factors for an increase/decrease in the balance and interest rate overlaps is included in the latter.

# Financial Data

## ○ Return rate

	FY2017	FY2018
		(%)
Return on Assets	0.00	0.00
Return on Equity	2.02	0.93
Net Return on Assets	0.00	0.00
Net Return on Equity	0.80	0.58

Notes: 1. Return on assets (net) = Ordinary (net) profit / Average balance of assets × 100  
 2. Return on equity (net) = Ordinary (net) profit / Average balance of equity × 100

## (2) Indicators on deposits

### ○ Average balance by deposit

	FY2017			FY2018		
	Domestic	International	Total	Domestic	International	Total
Current deposits	6,005,377	-	6,005,377	5,152,000	-	5,152,000
Ordinary deposits	791,012	-	791,012	718,296	-	718,296
Other deposits	6,697	-	6,697	7,562	-	7,562
Total	6,803,087	-	6,803,087	5,877,860	-	5,877,860

Note: There is no balance of deposit other than the above.

## (3) Indicators for loans and bills discounted

### ○ Average balance by loan and bill discounted

	FY2017			FY2018		
	Domestic	International	Total	Domestic	International	Total
Bills discounted	-	-	-	-	-	-
Loans on bills	-	-	-	-	-	-
Loans on deeds	138,929	-	138,929	172,940	-	172,940
Overdraft	-	-	-	-	-	-
Total	138,929	-	138,929	172,940	-	172,940

### ○ Balance of loans and bills discounted by average life

	As of March 31, 2018	As of March 31, 2019
		(¥ million)
1 year or less	184,058	167,951
Floating interest rate	—	—
Fixed interest rate	184,058	167,951
Total	184,058	167,951
Floating interest rate	—	—
Fixed interest rate	184,058	167,951



○ Breakdown by collateral for loans and bills discounted

	As of March 31, 2018	(¥ million) As of March 31, 2019
Securities	—	—
Claims	—	—
Products	—	—
Real estate	—	—
Guarantee	—	—
Credit	184,058	167,951
Total	184,058	167,951

○ Balance of acceptances and guarantees

None

○ Balance by purpose of loans and bills discounted

	As of March 31, 2018	(¥ million) As of March 31, 2019
Equipment funds	—	—
Working capital	184,058	167,951
Total	184,058	167,951

○ Balance by industry of loans and bills discounted

	As of March 31, 2018		As of March 31, 2019	
	Balance	Composition ratio	Balance	Composition ratio
Government of Japan	184,058	100.0%	167,951	100.0%
Total	184,058	100.0%	167,951	100.0%

○ Balance of loans and bills discounted for SME

None

○ Balance of specific foreign loans

None

○ Loan-deposit ratio

	FY2017			FY2018		
	Domestic	International	Total	Domestic	International	Total
End of period	2.34	-	2.34	3.16	-	3.16
Average for the period	2.04	-	2.04	2.94	-	2.94

Note: Loan-deposit ratio = Loans and bills discounted / (Deposits + Negotiable certificates of deposit) × 100

## Financial Data

### (4) Indicators for securities

#### ○ Average balance of trading securities

Our Company does not own trading securities.

#### ○ Balance of securities by average life

	As of March 31, 2018	As of March 31, 2019
		(¥ million)
Government bonds (1 year or less)	—	—
Government bonds (over 1 year to 3 years or less)	—	—
Government bonds (over 3 years to 5 years or less)	—	—
Stocks (without the limitation of period)	320	320
Other securities	17	14
Foreign stocks (without the limitation of period)	17	14
Total	337	334

Note: None applied to regional government bonds, corporate bonds, and foreign bonds.

#### ○ Average balance of securities

	FY2017			FY2018		
	Domestic	International	Total	Domestic	International	Total
Government bonds	27,616	-	27,616	20,962	-	20,962
Stocks	320	-	320	320	-	320
Other securities	-	17	17	-	16	16
Foreign stocks		17	17		16	16
Total	27,936	17	27,953	21,282	16	21,299

Note: None applied to regional government bonds, corporate bonds, and foreign bonds.

#### ○ Security-deposit ratio

	FY2017			FY2018		
	Domestic	International	Total	Domestic	International	Total
End of period	0.00	-	0.00	0.00	-	0.00
Average for the period	0.41	-	0.41	0.36	-	0.36

Note: Security-deposit ratio = Securities / (Deposits + Negotiable certificates of deposit) × 100

## Trust Assets and Liabilities

### (1) Balance Table of Assets in Trust

	As of March 31, 2018	(¥ million) As of March 31, 2019
(Assets)		
Loans and bills discounted	—	—
Securities	109,179,760	116,317,170
Government bonds	11,579,310	10,575,060
Regional government bonds	636,521	597,957
Short-term bonds	740,764	481,919
Corporate bonds	2,513,857	2,497,593
Stocks	68,820,070	75,037,723
Foreign securities	19,766,102	21,415,777
Other securities	5,123,133	5,711,137
Securities in investment trusts	49,134,666	53,645,197
Foreign securities in investment trusts	26,155,659	24,946,114
Trust beneficiary rights	45,938,205	46,033,209
Trust securities	19,381,647	19,890,971
Monetary claims	9,449,313	4,862,896
Housing loan claims	3,482,636	3,471,868
Other monetary claims	5,966,677	1,391,027
Tangible fixed assets	192	192
Real estate	192	192
Other claims	1,572,719	6,750,341
Call loans	4,388,669	3,821,510
Loans to banking account	5,898,261	5,634,644
Cash and due from banks	10,975,345	9,996,315
Due from banks	10,975,345	9,996,315
Total	282,074,441	291,898,563
(Liabilities)		
Money in trust	4,243,619	4,018,433
Monetary trusts other than money in trust	2,114,723	2,149,812
Monetary claims in trust	3,482,636	3,471,868
Composite trusts	272,233,462	282,258,448
Total	282,074,441	291,898,563

- Notes: 1. Amounts less than ¥1 million are rounded down.  
2. Joint trusts and trusts administered by others: ¥— million  
3. Figures do not include any trusts with principal-guaranteed features.

### (2) Status of acceptance for money trusts, etc.

#### ○ Fiscal year-end balance of trust

	As of March 31, 2018	(¥ million) As of March 31, 2019
Money in trust	4,243,619	4,018,433

Money trusts, etc. shall refer to money trusts, annuity trusts, employees' property formation benefit trust, and loan trusts; however, there is no transaction balance for annuity trusts, employees' property formation benefit trust, and loan trusts.

## Financial Data

### ○ Balance of principal by trust period

Money in trust	As of March 31, 2018	(¥ million) As of March 31, 2019
Less than 1 year	374,100	257,600
1+ years to less than 2 years	3,810,668	3,714,062
2+ years to less than 5 years	—	—
5+ years	1,200	14,164
Total	4,185,968	3,985,827

### (3) Status of investment for money trusts, etc.

#### ○ Investment balance

Money in trust	As of March 31, 2018	(¥ million) As of March 31, 2019
Loans and bills discounted	—	—
Securities	3,763,673	3,543,302
Total	3,763,673	3,543,302

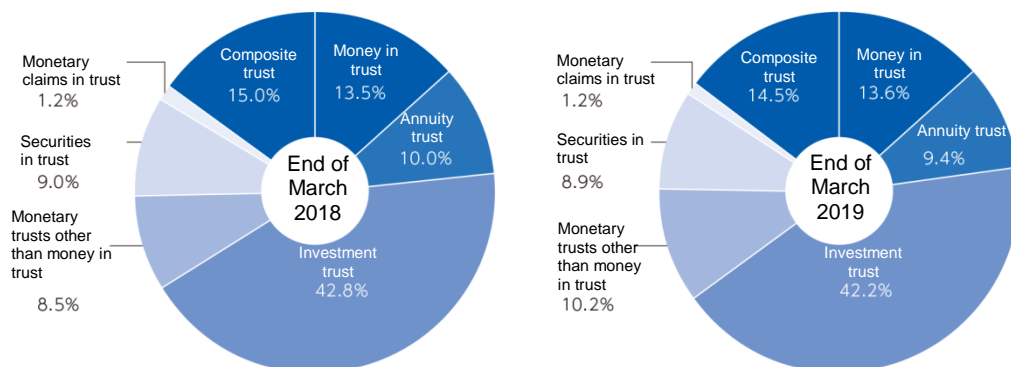
#### ○ Fiscal year-end balance of securities by type

Money in trust	As of March 31, 2018	(¥ million) As of March 31, 2019
Government bonds	575,313	324,290
Regional government bonds	29,212	17,352
Corporate bonds	288,879	268,780
Stocks	2,083,194	1,909,710
Foreign securities	622,607	607,979
Other securities	164,464	415,189
Total	3,763,673	3,543,302

### (4) Status of trusts with principal-guaranteed features

There is no transaction balance for trusts with principal-guaranteed features.

#### ■ Breakdown of Trust Assets by Type of Original Trust Agreement (in last 2 years)



Note: The above table shows a percentage of total trust assets with the addition of direct trusts, after recording the following re-trusts received by the type of original trust agreement.  
 As of March 31, 2018, of ¥272 trillion in "composite trust" recorded in the Balance Table of Assets in Trust, ¥239 trillion was re-trusted.  
 As of March 31, 2019, of ¥282 trillion in "composite trust" recorded in the Balance Table of Assets in Trust, ¥248 trillion was re-trusted.

## Disclosure Based on Pillar 3 of Basel III

### • Composition of Capital Disclosure

Based on Article 14-2 of the Banking Act, the Company calculates its capital ratio as the basis for making judgments regarding the adequacy of its capital in light of its holdings of assets according to the formula for domestic banks (Financial Services Agency Notification No. 19 of 2006). Based on the matters separately specified by the Commissioner of the Financial Services Agency regarding the adequacy of equity capital, etc. (Financial Services Agency Notification No. 7 of 2014), we use Appendix No. 11 of the Financial Services Agency Notification No. 7 for disclosure at the end of period under review and Appendix No. 3 of the Supplementary Provisions of the same Notification for disclosure at the end of previous period.

Regarding disclosure matters of capital, credit risk assets are calculated according to the Standardized Approach. The amount of operational risk equivalents is calculated using the Advanced Measurement Approach as of the end of March 2018, and the Basic Indicator Approach as of the end of March 2019.

#### ○ Non-consolidated capital adequacy ratio

Basel III (Financial Services Agency Notification No. 7 of 2014)

As of March 31, 2019

Items	As of March 31, 2018	Amounts excluded under transitional arrangements	As of March 31, 2019	(¥ million) Amounts excluded under transitional arrangements
Core Capital: Instruments and reserves (1)				
Directly issued qualifying common shares or preferred shares mandatorily convertible into common shares capital plus related capital surplus and retained earnings	59,241		59,077	
Of which, capital and capital surplus	51,000		51,000	
Of which, retained earnings	8,435		8,077	
Of which, treasury stock (-)	—		—	
Of which, planned distribution of income (-)	193		—	
Of which, other than above	—		—	
Subscription rights to acquire common shares or preferred shares mandatorily convertible into common shares	—		—	
Reserves included in Core Capital: Instruments and reserves	—		—	
Of which, general reserve for possible loan losses	—		—	
Of which, eligible provisions	—		—	
Eligible non-cumulative perpetual preferred shares subject to transitional arrangements included in Core Capital	—		—	
Eligible capital instruments subject to transitional arrangements included in Core Capital	—		—	
Capital instruments issued through the measures for strengthening capital by public institutions included in Core Capital	—		—	
Amount equivalent to 45% of land revaluation excess subject to transitional arrangements included in Core Capital	—		—	
Core Capital: Instruments and reserves (A)	59,241		59,077	
Core Capital: Regulatory adjustments (2)				
Total intangible fixed assets (excluding those relating to mortgage servicing rights)	12,422	3,105	15,244	—
Of which, goodwill (including those equivalent)				
Of which, other than goodwill and mortgage servicing rights	12,422	3,105	15,244	—
Deferred tax assets (excluding those arising from temporary differences)	—	—	—	—
Shortfall of eligible provisions to expected losses	—	—	—	—
Capital increase due to securitization transactions	—	—	—	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—	—	—
Prepaid pension costs	146	36	201	—
Investments in own shares (excluding those reported in the Net Assets)	—	—	—	—
Reciprocal cross-holdings in capital instruments issued by other financial institutions for raising capital that are held by the Bank	—	—	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	—	—	—	—
Amount exceeding the 10% threshold on specified items	2,343	585	2,828	—
Of which, significant investments in the common stock of other financial institutions	—	—	—	—
Of which, mortgage servicing rights	—	—	—	—
Of which, deferred tax assets arising from temporary differences	2,343	585	2,828	—

## Financial Data

Items	As of March 31, 2018	Amounts excluded under transitional arrangements	¥ million)	
			As of March 31, 2019	Amounts excluded under transitional arrangements
Amount exceeding the 15% threshold on specified items	—	—	—	—
Of which, significant investments in the common stock of other financial institutions	—	—	—	—
Of which, mortgage servicing rights	—	—	—	—
Of which, deferred tax assets arising from temporary differences	—	—	—	—
Core Capital: Regulatory adjustments (B)	14,912		18,274	
Capital				
Total amount of capital ((C)=(A)–(B))	44,328		40,802	
Risk-weighted assets (3)				
Credit risk assets	92,824		58,465	
Of which, total of items included in risk-weighted assets subject to transitional arrangements	3,728		—	
Of which, intangible fixed assets (excluding goodwill and mortgage servicing rights)	3,105		—	
Of which, deferred tax assets	585		—	
Of which, prepaid pension costs	36		—	
Of which, exposure to other financial institutions	—		—	
Of which, other than above	—		—	
Amount equivalent to market risk divided by 8%	—		—	
Amount equivalent to operational risk divided by 8%	46,980		53,193	
Credit risk-weighted assets adjustments	—		—	
Amount equivalent to operational risk adjustments	—		—	
Total risk-weighted assets (D)	139,804		111,659	
<b>Capital Adequacy Ratio</b>				
Capital Adequacy Ratio (C)/(D)	31.70%		36.54%	

## • Qualitative Disclosure

### (1) Main features of regulatory capital instruments

Our Company is raised by common stocks. For the balance, please refer to "Financial Section, Corporate Data, and Shareholder Status."

### (2) Assessment of capital adequacy under pillar2

Our Company assesses the capital adequacy by calculating the surplus of capital buffer for quantity of various risk types. Quantity of various risk types, capital and excess of capital buffers shall be as follows.

		(¥ million)
Quantity of various risk types, capital and excess of capital buffers	As of March 31, 2018	As of March 31, 2019
(i) Credit risk	7,425	4,677
(ii) Interest rate risk	114	467
(iii) Operational risk	3,758	4,255
(iv) Capital	44,328	40,802
(v) Excess of capital buffers (v) = (iv) - (i) - (ii) - (iii)	33,031	31,403
(Reference) Capital adequacy ratio	31.70%	36.54%

Notes: (i) Credit risk is calculated by multiplying 8% by the amount of credit risk assets obtained based on the "Standardized Approach."  
(ii) Interest rate risk: As of the end of March 2018, measured by the "Sensitivities-based method". As of the end of March 2019,  $\Delta$ EVE for interest rate risk in the banking book.  
\* Interest rate scenario: A rate shock at the 1st and 99th percentile of observed interest rate changes using a 1-year holding period and a minimum of 5 years of observation  
(iii) Operational risk: Operational risk equivalents calculated by the "Advanced Measurement Approach" at the end of March 2018 and the "Basic Indicator Approach" at the end of March 2019

### (3) Credit risk

#### ○ Risk management policy and outline of procedures

Our credit risks arise mainly in the management of surplus funds generated by the asset administration business. JTSB has established a "Credit Risk Management Policy," which calls for restraint in the size and content of such investments.

The Corporate Risk Management Department, as a responsible department, sets various credit risk limits, monitors compliance with these limits daily, and reports the credit risk status to the Executive Committee every quarter.

#### ○ Portfolios to which the Standardized Approach is applied

- Names of qualified rating agencies used for determining risk weights

Our Company uses the following five qualified rating agencies to determine risk weights.

• JCR • R&I • Moody's • S&P • Fitch Ratings

- Names of qualified rating agencies used for determining risk weights for each type of exposure Our Company uses the above five qualified rating agencies to determine risk weights in call loan transactions.

### (4) Risk management policy and summary of procedures concerning credit risk mitigation techniques

Our Company stipulates in the "Procedures for Calculation of Capital Adequacy Ratio" that the Standardized Approach is to be applied, in part, to a simplified approach as the risk mitigation approach for eligible financial collateral (credit risk related).

### (5) Risk management policy for the risks of counterparties of derivatives transactions and long-settlement transactions and outline of procedures

None

### (6) Securitization exposure

None

### (7) Market risk

None

### (8) Operational risk

## Financial Data

### ○ Risk management policy and outline of procedures

Based on the risk profile as a trust bank specializing in asset administration, our Company is considered to have a high proportion of operational risk in its overall risks. For this reason, we have established a solid internal control system to prevent such risks and minimize their impact on business when they materialize. This basic policy is stipulated in the "Operational Risk Management Policy."

In order to appropriately manage operational risk in accordance with the above policy, our Company has established the "Operational Risk Management Regulations," stipulating that risk management departments shall carry out risk management activities for each risk subcategory described below (Processing Risk, Information Security Risk, System Risk, Legal and Compliance Risk, Event Risk, Personnel Risk, and Reputational Risk), and that the Corporate Risk Management Department shall establish a management system for planning, promoting, and coordinating all aspects of operational risk management, as a department that comprehensively manages operational risks.

#### A) Risk management departments and activities for each risk subcategory are as follows.

##### (i) Processing risk

- The Operations Planning Department is responsible for processing risks to plan and promote the management of processing risk.
- Activities related to processing risk management conform to the "Processing Risk Management Rules" in charge of the Operations Planning Department.

##### (ii) Information security risk

- Among information security risks, the Operations Planning Department is in charge of information management-related risks, and the IT Management Department is in charge of information system-related risks. They plan and promote the management of each risk.
- Activities related to information management conform to the "Information Security Risk Management Regulations" administered by the Operations Planning Department, and activities related to information systems conform to the "System Risk Management Regulations" administered by the IT Management Department.

##### (iii) System risk

- The IT Management Department is responsible for system risks to plan and promote the management of system risks.
- Activities related to system risk conform to the "System Risk Management Regulations" administered by the IT Management Department.

##### (iv) Legal & compliance risk

- The Compliance Department is responsible for legal and compliance risks to plan and promote legal and compliance risk management.
- Legal and compliance risk management activities conform to the "Compliance Risk Management Regulations" administered by the Compliance Department.

##### (v) Event risk

- The Corporate Administration Department is responsible for event risks and serves as the secretariat of the Crisis Management Committee.
- Event risk management activities conform to the "Crisis Management Regulations" administered by the Corporate Risk Management Department and the "Business Continuity Management Regulations" administered by the Corporate Administration Department. In addition to developing a business continuity structure, disaster-prevention and security measures are planned and promoted.



(vi) Personnel risk

- The Human Resources Department is responsible for personnel risks to plan and promote personnel risk management.
- Personnel risk management activities conform to the "Personnel Risk Management Regulations" and other various personnel regulations administered by the HR Department.

(vii) Reputational risk

- The Corporate Risk Management Department is responsible for reputation risks to plan and promote reputational risk management.
- Reputational risk management activities conform to the "Reputational Risk Management Regulations" administered by the Corporate Risk Management Department.

B) The following activities are carried out as management activities across risk subcategories.

(i) Outsourcing management

- As various operational risks are inherent in the outsourcing of our Company business, the Corporate Risk Management Department has established the "Outsourcing Management Regulations" to comprehensively adjust the management of outsourcing.

(ii) Business continuity

- Our Company has, to ensure business continuity, established a backup office, backup center, and other infrastructures in preparation for the risk of unforeseen damage from the suspension of our Company's operations caused by a disaster. In addition, the "Business Continuity Management Regulations," etc. and others (administered by the Corporate Administration Department) are established to specify measures to be taken in the event of a disaster.
- Our Company has established the "Procedures for Business Continuity Management" (administered by each department) to specify procedures to be followed when business continuation becomes difficult due to damage to or failure of our Company's systems that are material and essential. In addition, positioning the outbreak of a new strain of influenza as a major crisis in our Company, the "Procedures for Response to Pandemic" (administered by the Corporate Administration Department) as response procedures that our Company should take in accordance with the "Guidelines for Countermeasures against Novel Influenza, etc., in Businesses and Workplaces" announced by the government.
- The above structures and response procedures for business continuity are reviewed regularly and revised as necessary. Also, drills are conducted regularly to enhance the effectiveness.

(iii) Responding to important operation accidents

- The "Operational Risk Management Regulations" (administered by the Corporate Risk Management Department) set forth standards for the severity of operational accidents, and stipulate actions to be taken according to the severity.

(iv) Risk assessment of new products, etc.

- When introducing new products, etc., the New Product Risk Deliberation Committee examines risks, including operational risk, conforming to the "New Product Risk Examination Regulations" (administered by the Corporate Risk Management Department) to ensure appropriate risk management operations.

(v) Risk Management Deliberation Committee

- The Risk Management Deliberation Committee has been established to coordinate company-wide operational risks, managed by the Corporate

## Financial Data

Risk Management Department.

- C) As comprehensive operational risk management activities, company-wide CSA (Control Self Assessment) is conducted regularly in order to identify, assess, and monitor operational risks. Countermeasures are formulated to risks identified as the result of CSA to control and reduce risks.

○ Calculation of amount equivalent to operational risk

A) Method used in the calculation

Our Company calculated operational risk equivalents using the "Advanced Measurement Approach" at the end of March 2018 and the "Basic Indicator Approach" at the end of March 2019.

B) Overview of Advanced Measurement Approach implemented at the end of March 2018

- Calculation is done by totaling the "maximum assumed operational risk losses for the period of 1 year with a 99.9% one-tailed confidence interval" sought from four measurement units (market/customer front operations, middle/planning management operations, back office operations, and earthquakes) that were set based on our Company's risk management structure.
- The operational risk equivalents are calculated using the measurement model and four elements that are the requirements for using the Advanced Measurement Approach, internal loss data, external loss data, business environment and internal control situation, and scenario analysis.
- In addition, the calculation of operational risk equivalents does not involve risk mitigation by insurance, deduction of expected losses, and adjustment based on correlations between measurement units.

- (9) Risk management policy and procedure outline concerning capital contributions prescribed in Article 4, paragraph (6), item (iii) of the Order for Enforcement of the Banking Act and other similar exposures or exposure of equities, and others in the bank account

Default and other risks are controlled in accordance with the "Rules for Credit Risk Management." Securities for which it is extremely difficult to determine the fair value are evaluated with the cost method adopting the moving-average method.

(10) Interest rate risk

○ Risk management policy and outline of procedures

Our Company has established a "Market Risk Management Policy," which calls for strict limitation of market risk, and, based on this policy, it aims for safe and secure management.

Interest rate risk is monitored on a daily basis by setting a limit on the basis point value, ensuring the value is within the set limit. Interest rate risk in the banking book is measured quarterly and the results are reported to the Risk Management Deliberation Committee (ALM Committee) and the Executive Committee.

○ Outline of calculation method for interest rate risks

• Calculation method of  $\angle$ EVE

Our Company does not adopt the core deposit model; therefore, there shall be no interest review interval for liquid deposits. There are no responses that apply to time deposits, prepayments of fixed-interest-rate loans and multicurrency loans.

The ratio of  $\angle$ EVE to the core capital at our Company was well below the regulatory level of 15% at which we recognize no issue in interest rate risk management.

• Other interest rate risk measurement

Quantity of interest rate risk (basis point value) is measured and managed daily using the method described in 1.(3) (ii) "Market risk management" of Financial Instruments on page 74.

## ● Quantitative Disclosure

Note: Status of capital adequacy stipulated in Article 19-2 of the Ordinance for Enforcement of the Banking Act is included.

### (1) Capital adequacy

	As of March 31, 2018	(¥ million) As of March 31, 2019
Capital requirements for credit risk		
Portfolios to which the standardized approach is applied	3,471	1,437
Securitization exposure	—	—
Central Counterparty Clearing House (CCP)	241	901
Capital requirements for operational risk		
Basic Indicator Approach	—	2,127
Advanced Measurement Approach	1,879	—
Total Non-consolidated capital requirements	5,592	4,466

○ Capital requirements for market risk

None

### (2) Credit risk

○ Of the fiscal year-end balance of exposures related to credit risk, amounts by category and breakdown by key type of exposures

The fiscal year-end balance of credit risk exposures did not deviate significantly from the risk position in both the current and previous fiscal years.

	As of March 31, 2018			(¥ million)
Amount and breakdown of credit risks	Loans and bills discounted, commitment, and off-balance sheet amount other than derivatives	Securities	Others:	Total
By Region				
Domestic	195,958	320	13,596,039	13,792,317
Overseas	—	17	—	17
By Industry				
Financial institutions	—	—	291,658	291,658
Japanese central government and central bank	184,058	—	13,177,614	13,361,672
Others:	11,900	337	126,765	139,003
By Residual Contractual Maturity				
One year or less	184,058	—	401,247	585,305
Over 1 year	—	—	—	—
Exposures with no maturity dates	11,900	337	13,194,791	13,207,029
Total	195,958	337	13,596,039	13,792,334

	As of March 31, 2019			(¥ million)
Amount and breakdown of credit risks	Loans and bills discounted, commitment, and off-balance sheet amount other than derivatives	Securities	Others:	Total
By Region				
Domestic	179,151	320	10,767,923	10,947,394
Overseas	—	15	—	15
By Industry				
Financial institutions	—	—	6,767	6,767
Japanese central government and central bank	167,951	—	10,654,235	10,822,186
Others:	11,200	335	106,920	118,456
By Residual Contractual Maturity				
One year or less	167,951	—	91,155	259,106
Over 1 year	—	—	—	—
Exposures with no maturity dates	11,200	335	10,676,767	10,688,303
Total	179,151	335	10,767,923	10,947,410

\* Credit risk exposures are before taking into account the effect of the credit risk mitigation techniques.

\* Exposures related to Central Counterparty Clearing Houses (CCPs) are not included in the breakdown by the key type.

## Financial Data

○ Fiscal year-end balance of exposures that are overdue for 3 months or longer or those in default

None

○ Balance and Changes of General Reserve for Possible Loan Losses, Specific Reserve for Possible Loan Losses, and Special Reserve for Certain Overseas Loans

None

○ Write-offs of Claims

None

○ Exposure to which the Standardized Approach is applied

Breakdown by risk-weighted category (after taking into account the effect of credit risk mitigation techniques)

Risk Weight	As of March 31, 2018		As of March 31, 2019	
	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
0%	13,361,673	11,900	10,822,191	11,200
10%	73	—	72	—
20%	303,659	—	66,767	—
100%	11,428	—	11,660	—
250%	4,353	—	4,363	—
1,250%	—	—	—	—
Total	13,681,188	11,900	10,905,054	11,200

\* Exposures related to Central Counterparty Clearing Houses (CCPs) are not included in the breakdown by the risk weight.

○ Central Counterparty Clearing House (CCP)

Items	As of March 31, 2018	As of March 31, 2019
Trade exposure		
Direct participant	12,986	32,843
Total	12,986	32,843
Default fund		
Risk-Sensitive Approach	8,213	33,227
Total	8,213	33,227

(3) Credit risk mitigation technique

○ Breakdown of exposures to which credit risk mitigation technique is applied (our Company calculates credit risk assets using the Standardized Approach)

Eligible financial collateral	As of March 31, 2018	As of March 31, 2019
For corporations, etc.	111,247	31,155
Total	111,247	31,155

(4) Counterparties for derivatives transactions and long-settlement transactions

None

(5) Securitization exposure

None

(6) Equity exposures

○ Balance sheet amount and Market Value

Our Company does not hold listed stocks or others with fair value.

Items	As of March 31, 2018		As of March 31, 2019	
	Balance sheet amount	Fair value	Balance sheet amount	Fair value
Listed equity exposures	—	—	—	—
Investment/equity exposure other than the above	337	—	334	—

- Gains/losses on sale and write-off of equity exposure  
None
- Unrealized gains/losses recognized in the balance sheets and not recognized in the statements of income  
None
- Unrealized gains/losses not recognized in the balance sheets and the statements of income  
None

(7) Gains/losses and changes in economic values to rate shocks used by the bank under internal controls for the interest rate risk

Item No.		(¥ million)
	<u>△EVE</u>	As of March 31, 2019
1	Parallel up	467
2	Parallel down	△ 467
3	Steepener	—
4	Flattener	—
5	Short rate up	—
6	Short rate down	—
7	Maximum	467
8	Core capital	As of March 31, 2019 40,802

# Financial Data

## Disclosure Matters concerning Compensation, Etc.

This section shall relate to compensation, etc. based on the provisions of Article 19-2, Paragraph 1, Item 6, etc. of the Ordinance for Enforcement of the Banking Act (Ordinance of the Ministry of Finance No. 10 of 1982), and disclose the case specified separately by the Commissioner of the Financial Services Agency as a matter that may have a material impact on the status of business operations or assets of banks, etc. (Financial Services Agency Notification No. 21 of 2012).

1. Matters related to the development of organizational structures concerning compensation, etc. of Applicable Officers and Employees of our Company
    - (1) Scope of "Applicable Officers and Employees"
 

The following shall describe the scope of "Applicable Officers" and "Applicable Employees, etc." (collectively referred to as "Applicable Officers and Employees") set forth in the compensation notification to be disclosed.

      - (i) Scope of "Applicable Officers"
 

Applicable officers include our Company directors and corporate auditors, but exclude external directors and corporate auditors.
      - (ii) Scope of "Applicable Employees, etc."
 

Of officers and employees of our Company who are not Applicable Officers, a "Person receiving a high amount of compensation" having a material impact on the business management or financial condition of our Company and the major consolidated subsidiaries shall be subject to disclosure as "Applicable Employees, etc." Information on our Company's consolidated subsidiaries is omitted as there are no such companies.

There are no "Applicable Employees, etc." among officers and employees other than "Applicable Officers" at our Company.
    - (A) Scope of "Persons receiving a high amount of compensation, etc."
 

"Persons receiving a high amount of compensation, etc." shall refer to those who receive compensation, etc. exceeding the standard amount from our Company. The base amount is set at ¥21 million in our Group (our Group shall refer to the holding company, which is a parent company, and the major consolidated subsidiaries).

With regard to lump-sum retirement benefit, the amount obtained by first deducting the full amount of a lump-sum retirement benefit from the compensation, etc., then adding back the "amount obtained by dividing the lump-sum retirement benefit by the number of service years" is deemed to be the amount of compensation, etc. for the person, to determine "Persons receiving a high amount of compensation, etc."
    - (B) Scope of "Person having a material impact on the business operations or financial condition of our Company"
 

A "Person having a material impact on the business operations or financial condition of our Company" shall refer to those whose transactions and management matters regularly conducted have a considerable impact on the operation of our Company's business or whose transactions, etc. could cause a loss with a significant impact on the financial condition of our Company.
  - (2) Determination of compensation, etc. for Applicable Officers and Employees
    - (i) Determination of compensation, etc. for Applicable Officers
 

At the General Meeting of Shareholders, our Company determines the total amount of compensation (the maximum amount) for directors and corporate auditors. The Board of Directors is wholly trusted with the allocation of compensation to individual directors resolved by the General Meeting of Shareholders. Allocation of compensation to individual corporate auditors is wholly determined by consultation among corporate auditors.
2. Pertinence evaluation of system design and operation of compensation, etc. for Applicable Officers and Employees of our Company
  - (1) Policies concerning Compensation
    - (i) Policies concerning compensation for Applicable Officers
 

At the General Meeting of Shareholders, our Company determines the maximum amount of total compensation, etc. for directors and corporate auditors. Directors' compensation is resolved by the Board of Directors, and Corporate Auditors' compensation is determined by consultation among Corporate Auditors within the limit of the total amount of compensation resolved by the General Meeting of Shareholders.
3. Consistency between our Company's compensation system for Applicable Officers and Employees and risk management, and linkage between compensation, etc. and performance
 

There is a mechanism in place when determining compensation, etc. for Applicable Officers, where the total amount of compensation for all officers is resolved by the General Meeting of Shareholders. There is a mechanism in place when determining compensation, etc. for Applicable Employees, etc., where budget measures are taken in consideration of our Company's financial condition and other factors.
4. Types, total amount and payment method of compensation, etc. for Applicable Officers and Employees of our Company
 

Total amount of compensation, etc. for Applicable Officers and Employees of our Company (from April 1, 2018 to March 31, 2019)

(¥ million)

Category	Headcount	Total amount of compensation, etc.	Total amount of fixed compensation	Basic compensation	Stock option	Total amount of variable compensation	Bonuses	Retirement benefits
Applicable Officers (Excluding external officers)	9	129	128	128	—	—	—	1

- Notes: 1. Amount of compensation, etc. for Applicable Officers includes compensation, etc. for Our Group officers.  
 2. Retirement benefits describe the amount of "Retirement benefits for directors" and "Provision for directors' retirement benefits" that accrued in the corresponding fiscal year.
5. Other reference matters related to the system on compensation, etc. for the Applicable Officers and Employees of our Company
 

There is no particular matter applicable other than those listed in the preceding paragraphs.

# Designated Dispute Resolution Organization Contracted by JTSB

Japanese Bankers Association\*<sup>1</sup>

Contact: Consultation Desk, Japanese Bankers Association

TEL: 0570-017109 or 03-5252-3772

Trust Companies Association of Japan\*<sup>2</sup>

Contact: Consultation Desk, Trust Companies Association of Japan

TEL: 0120-817335 or 03-6206-3988

\*1: The Japanese Bankers Association is a designated dispute resolution organization under the Banking Act and the Norinchukin Bank Act.

\*2: The Trust Companies Association of Japan is a designated dispute resolution organization under the Trust Business Act and the Act on Engagement in Trust Business Activities by Financial Institutions.

# Disclosure Items under the Ordinance for Enforcement of the Banking Act and other Laws

Article 19-2 of the Ordinance for Enforcement of the Banking Act (described in the following page)

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○ List of major shareholders-----	36	• Status of acceptance for money trusts, etc.-----	81
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○ Name of independent auditors-----	37	• Balance of principal by trust period for money trusts, etc.-----	82
○ List of offices-----	36	• Status of investment for money trusts, etc.-----	82
○ List of agencies-----	36	• Fiscal year-end balance of money trusts, etc. by item of loans and bills discounted-----	None
2. Key Businesses-----	3	• Fiscal year-end balance of money trusts, etc. by contract period of loans and bills discounted-----	None
3. Matters concerning Key Businesses		• Breakdown of money trusts, etc. by collateral for loans and bills discounted-----	None
○ Business overview in the latest business year-----	40	• Breakdown of money trusts, etc. by purpose of loans and bills discounted-----	None
○ Indicators showing the status of key business in the last 5 business years		• Breakdown of money trusts, etc. by industry type for loans and bills discounted-----	None
• Ordinary income-----	39	• Balance of money trusts, etc. for SME loans, and ratio to total amount of loans and bills discounted-----	None
• Ordinary profit or loss-----	39	• Fiscal year-end balance of money trusts, etc. for securities -	82
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• Securities-----	39	5. Matters concerning Status of Assets in Last 2 Business Years	
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• Number of employees-----	39	○ Status of capital adequacy level-----	88
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(1) Indicators showing the status of key business			
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• Net interest income, net fees and commissions, net trading income, other net operating income-----	77		
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• Average balance by deposit-----	78		
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(4) Indicators for securities			
• Average balance of trading securities-----	80		
• Balance of securities by average life-----	80		
• Average balance of securities-----	80		
• Security-deposit ratio-----	80		

## Financial Services Agency Notification No. 7 of 2014

1. Composition of Capital Disclosure-----	83~84
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## Article 6 of the Ordinance for Enforcement of the Act on Emergency Measures for the Revitalization of the Financial Functions

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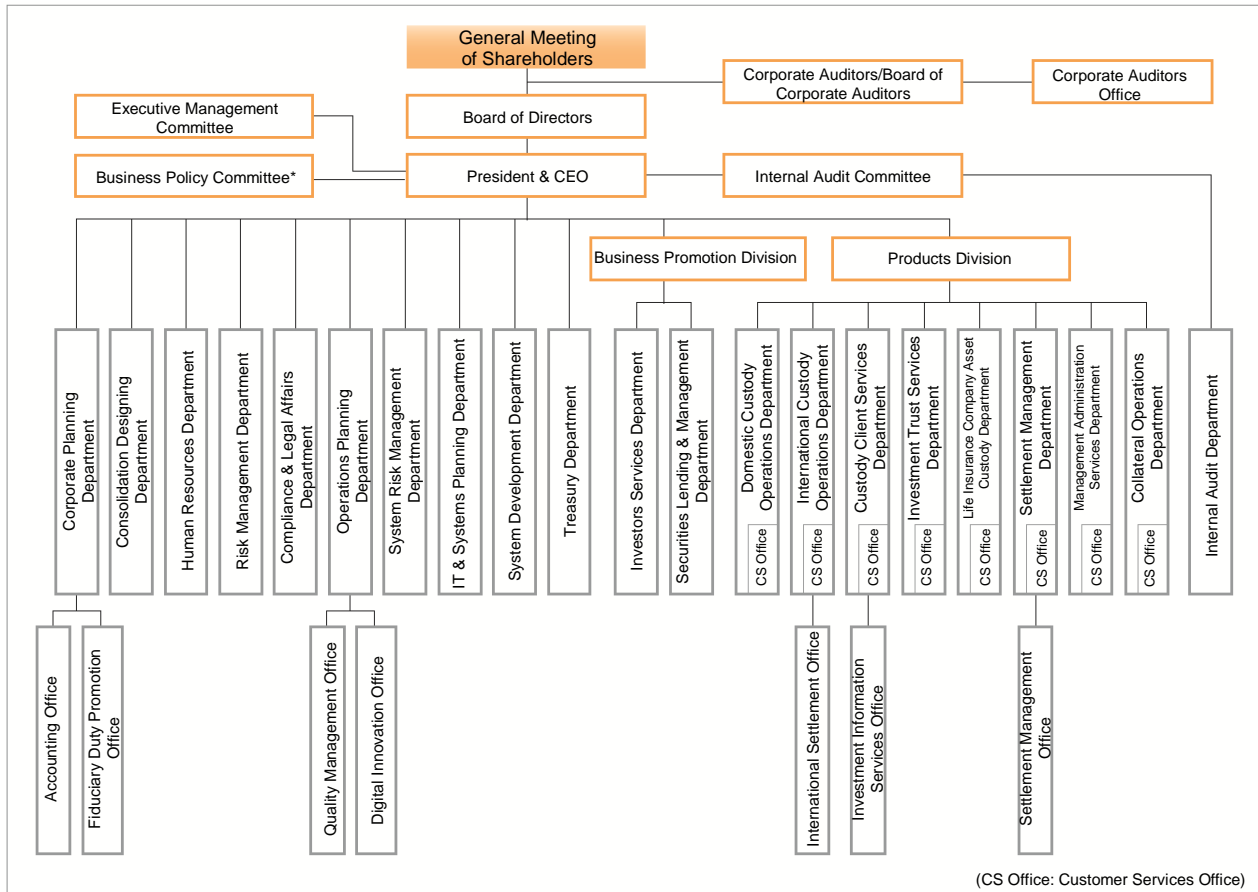
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## Corporate Data (As of July 1, 2019)

Corporate Profile		History
Corporate name	Trust & Custody Services Bank, Ltd.	■ January 2001 Establishment of Trust & Custody Services Bank, Ltd.
Establishment	January 22, 2001	
Location	Harumi Island Triton Square Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo, 104-6228	■ February 2001 Launch of information integration services Trusted with asset administration business of life insurance companies
Representative	Nobumitsu Watanabe, President & CEO	■ December 2001 Trusted with assets of Mizuho Trust & Banking in a re-entrustment agreement
TEL	03-6220-4000	■ April 2002 Consolidation of custodian services for domestic investors at Mizuho Bank
Capital	¥50 billion	
Shareholders	JTC Holdings, Ltd. 1,000,000 shares (100%)	■ January 2003 Launch of comprehensive securities administration outsourcing services
Number of employees	697 (as of March 31, 2019) <small>* Number of employees includes employees seconded from other companies.</small>	■ June 2013 Launch of middle- and back-office service for asset administration companies
URL	<a href="http://www.tcsb.co.jp/">http://www.tcsb.co.jp/</a>	■ February 2016 Launch of collateral management services for over-the-counter derivatives transactions
		■ March 2018 Conclusion of business merger agreement with Japan Trustee Services Bank
		■ July 2018 Partial business transfer of direct trust to Mizuho Trust & Banking
		■ October 2018 Establishment of JTC Holdings through joint share transfer with Japan Trustee Services Bank

## Organization Chart



\* As the Business Policy Committee, various committees are established, including the Compliance Committee.

## Corporate Officers

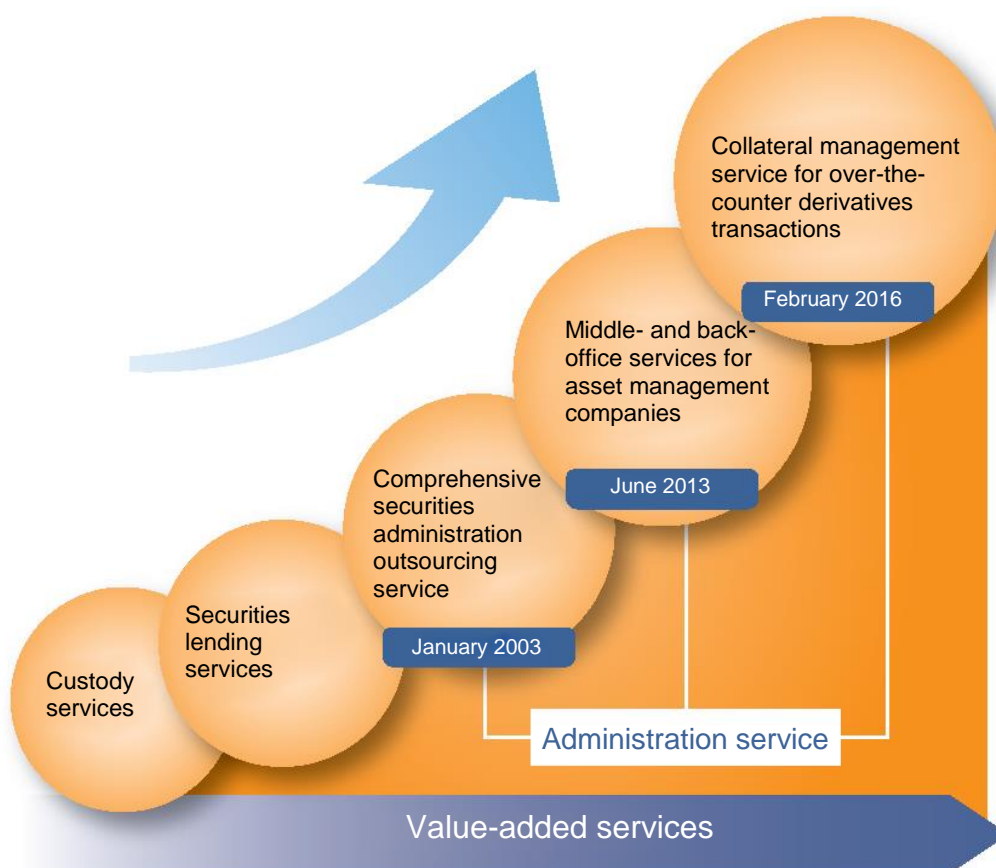
President & CEO	Nobumitsu Watanabe	Director	Shigeaki Asai
Deputy President	Akira Noguchi	Full-time Corporate Auditor	Makoto Saito
Senior Managing Director	Hiroyuki Obata	Full-time Corporate Auditor	Hiroto Uchino
Managing Director	Yasushi Makino	Corporate Auditor	Masato Monguchi
Director	Hiroki Tanaka	Corporate Auditor	Takehiko Watabe
Director	Masao Kanemaru	Managing Executive Officer, Head of Products Division	Masafumi Yoshida
Director	Goji Fujishiro	Managing Executive Officer, General Manager of Consolidation Designing Department	Minoru Mochizuki
Director	Yukihiro Fujioka	Executive Officer, Head of Business Promotion Division	Kenji Yoshikawa
Director	Tomohiro Nishio	Executive Officer, General Manager of Life Insurance Company Asset Custody Department	Taku Murakawa

## Vision: To Be the Top Player in Asset administration Services

### Basic Strategy

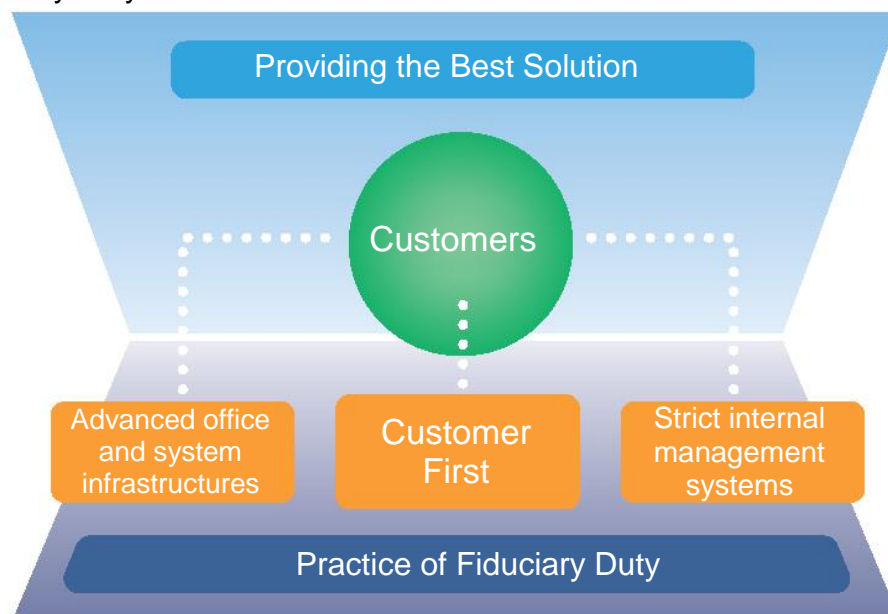
Based on the action principle of **responding to customers' "new demands" with a "new administration service,"** we shall transform ourselves from “custodian” to “general asset administration service provider” to “Be the Best Partner of Customers in Sophistication of their Asset Management.”

### From "Custody" to "General Asset administration Services"



## Our Commitment

Based on our Philosophy of Customer First, advanced administrative and system infrastructures, and strict internal management systems, we shall provide the "Best Solution for Customer Satisfaction" through the practice of Fiduciary Duty.



### ► Customer First

In line with our Philosophy of Customer First, we are actively engaged in improving customer satisfaction. Specifically, in order to collect customer opinions in a multifaceted manner, the Customer Service Office is set up in all departments of the Products Division responsible for operations, and we are directly applying the identified customer needs to improve our services.

In this way, all officers and employees will work together to provide the highest level of asset administration services with a constant awareness of "Providing optimal solutions adapting with agility to changes in customers' environments and needs."

### ► Advanced Office and System Infrastructures

Our Company has established the Digital Innovation Office to actively promote the use of new digital technologies, such as robotic process automation (RPA) and artificial intelligence (AI), in order to improve the quality of office work and create high-value-added businesses. Each operation division leverages new technologies to improve business processes and further strengthen and increase the efficiency of office work.

System infrastructures that support these kinds of office work are strategically developed to steadily respond to the Reform of Securities Clearing and Settlement System and the development of fine-tuned functions to meet the diverse needs of our customers.

### ► Strict Internal Management System

As a leading trust bank specializing in asset administration in Japan, recognizing the importance of its social responsibility and public mission, we consider strict compliance to be a fundamental management principle, and practice "corporate activities with integrity and impartiality that comply with laws, regulations, and social norms."

We shall tirelessly strive to strengthen our risk management system to ensure excellent management at all times and to win the trust of our customers.

## Vision: To Be the Top Player in Asset administration Services

### Highlights of Performance

The balance of assets under custody as of the end of March 2019 was **¥382 trillion**

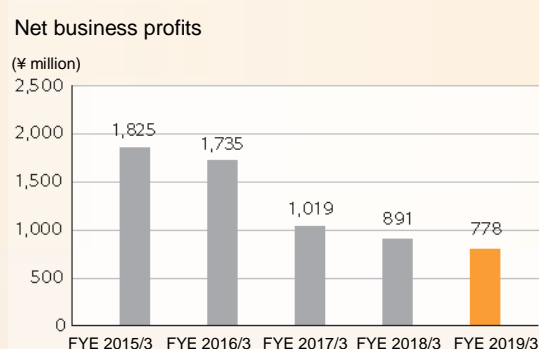
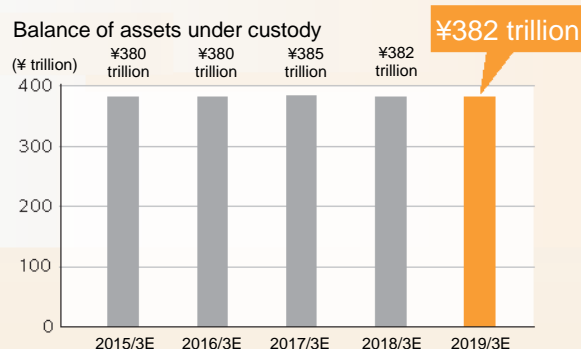
Net business profits in FY2018 were **¥800 million**

#### ► Changes in Balance of Assets under Custody

At the end of the fiscal year under review, the balance of fiduciary assets and assets under custody based on standing proxy contracts was ¥382 trillion, remaining at the same level as at the end of previous fiscal year.

#### ► Changes in Income

Gross profits for the fiscal year under review were ¥22,993 million (up ¥1,061 million year-on-year), while general and administrative expenses were ¥22,239 million (up ¥1,198 million year-on-year) as management resources were invested to further strengthen office & system and human resource infrastructures. As a result, net business profits were ¥778 million (down ¥113 million year-on-year).



### Issues to Be Addressed

The investment environment surrounding our customers has become more challenging due to the introduction of negative interest rate policies in Europe and Japan, and customers' investment options, regions, and styles have diversified at an unprecedented speed.

Under such circumstances, we shall strive to accurately understand the increasingly diverse and complex needs of our customers in a timely manner, formulate product and service strategies that respond to their needs and changes, and develop speedy solutions to their "New Initiatives."

Also, through the business merger with the Japan Trustee Services Bank, efforts shall be further strengthened to demonstrate our expertise in a broad range of fields, strengthen our operation systems, and develop expert human resources.

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## Deliver the Best Solution to Meet Customer Needs

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- Overseas custody services
- Asset administration service for defined contribution pension plan
- Master Trust service (information integration service)

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- Securities lending service
- Comprehensive securities administration outsourcing service
- Collateral management services for over-the-counter derivatives transactions
- Middle- and back-office services for asset management companies

## From "Custody" to "General Asset administration Services"

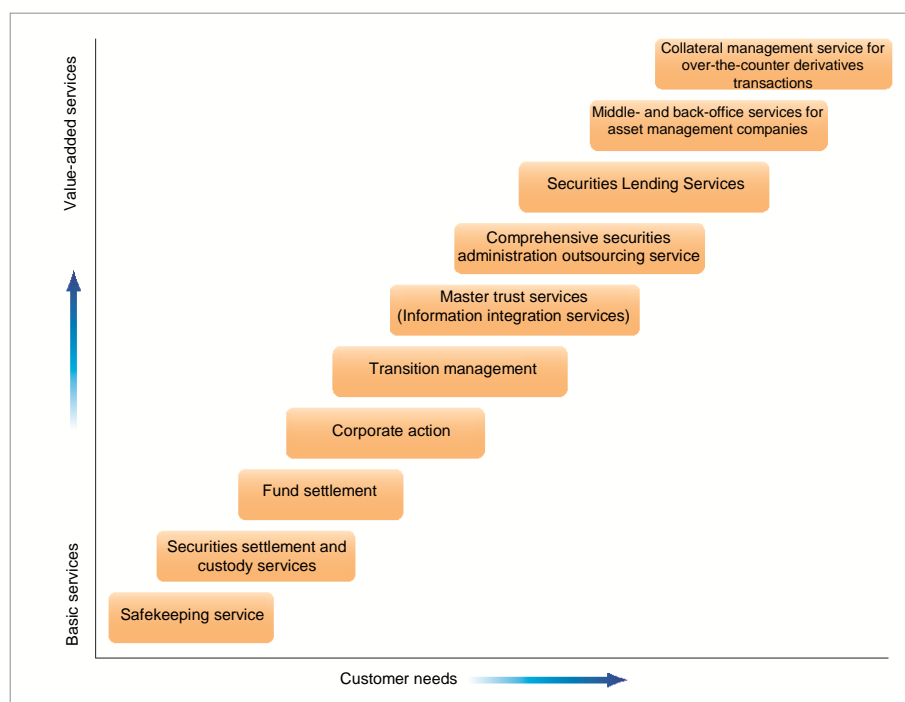
### ["General Asset administration Services" that meticulously meet customer needs]

With the emergence of new types of financial instruments and progress in the Reform of Securities Clearing and Settlement System, customer needs have become more diverse and complex, and the role of custodians in securities settlement has become increasingly important.

Our Company offers a full line-up of the asset administration services, ranging from basic custody services (custody of securities and settlement of transactions, receipt of principal and interest and dividends, etc.) for securities administration, and securities lending that pursues added value, to office work services responding to various outsourcing needs (middle- and back-office work for asset management companies, collateral management services for over-the-counter derivatives transactions, etc.). Through meticulous consultation, we strive to meet the specific needs of each customer and offer optimized services.

- **Custody services**

Custody services is a collective term for services entrusted by customers to carry out custody of securities and delivery/settlement of transactions, or receipt of principal and interest/dividends, etc. In addition to standing proxy services based on comprehensive agency authority, account management agency services are also provided based on the book-entry system established in the Reform of Securities Clearing and Settlement System.

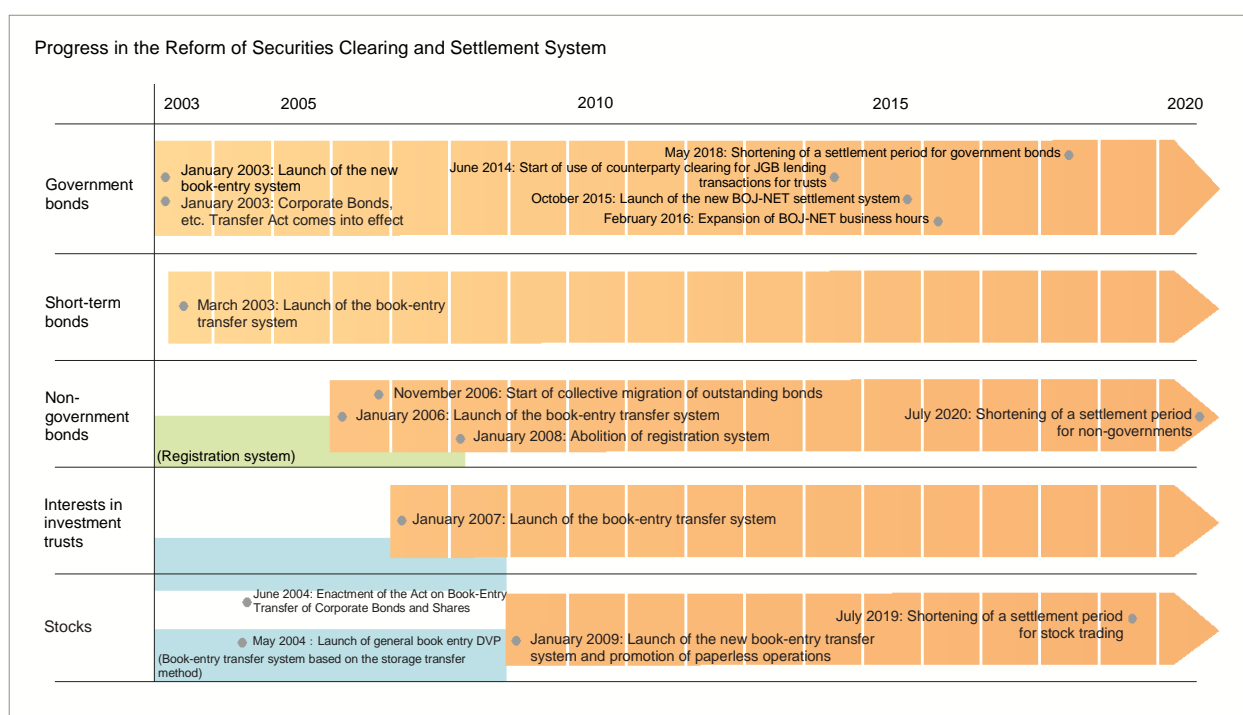




## [Responding to institutional reforms and improving service initiatives]

After a transition to the book-entry transfer system from 2003 to 2009, the Reform of Securities Clearing and Settlement System has continued to make progress in Japan, including shortening of a settlement period for JGB transactions implemented in May 2018 (T+1), stock transactions implemented in July 2019 (T+2), and non-government transactions scheduled to be implemented in July 2020 (T+2). Along with these regulatory reforms, the services provided by our Company have also evolved and are highly regarded by many financial institutions and institutional investors.

The Reform of Securities Clearing and Settlement System has had a significant impact on the practice and costs, and there are growing needs to outsource administration work and systems. In addition to the traditional asset administration services related to securities administration and settlement, our Company shall actively develop a variety of services to meet outsourcing needs related to office work, which will put burden on customers due to regulatory and institutional reforms.



# 1. Deliver the Best Solution to Meet Customer Needs Securities Administration Service

## [Trust services]

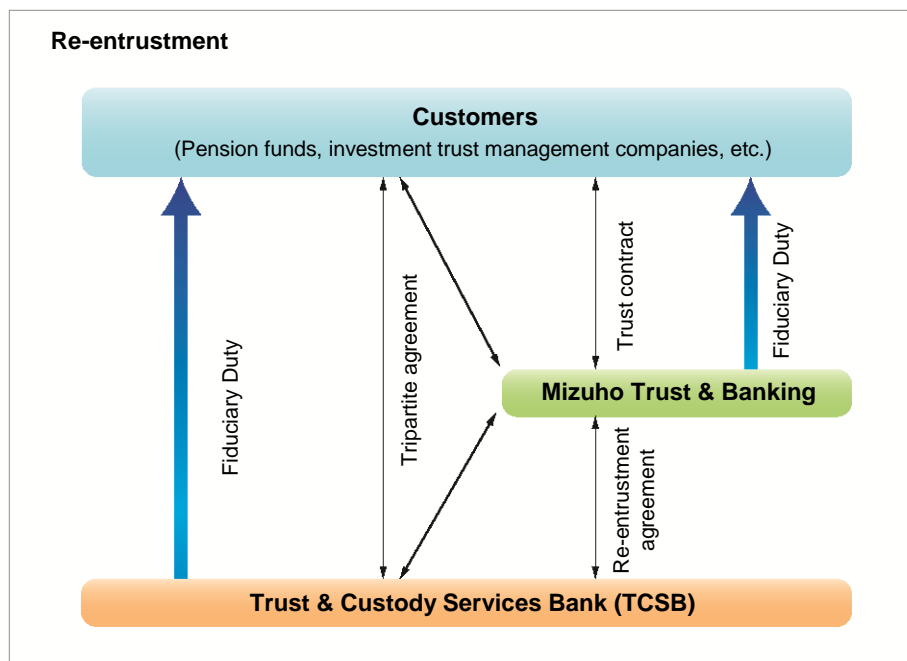
As a major trustee of Mizuho Trust & Banking, our Company is entrusted with the asset administration business of pensions, investment trusts and corporate investment funds, etc. under the re-trust method.

In re-trusts, Mizuho Trust & Banking serves as the trustee of original trusts, providing asset management, pension actuarial, and administration services, in addition to serving as a contact point with customers. Under the re-entrustment agreement, our Company provides services such as management, disposal, settlement, accounting, and reporting of securities, as a trustee of the re-trust.

We also provide trust services under direct trust agreements to major public pension funds and institutional investors.

Direct trusts provide administration services, manage and dispose of securities and settle funds in accordance with the instructions of clients and investment management companies entrusted by clients with investment decisions.

As of March 31, 2019, trust assets under management are estimated to be ¥143 trillion (the balance of re-trusts is estimated to be ¥80 trillion, while that of direct trusts is estimated to be ¥63 trillion).



## [Domestic custody (standing proxy) service]

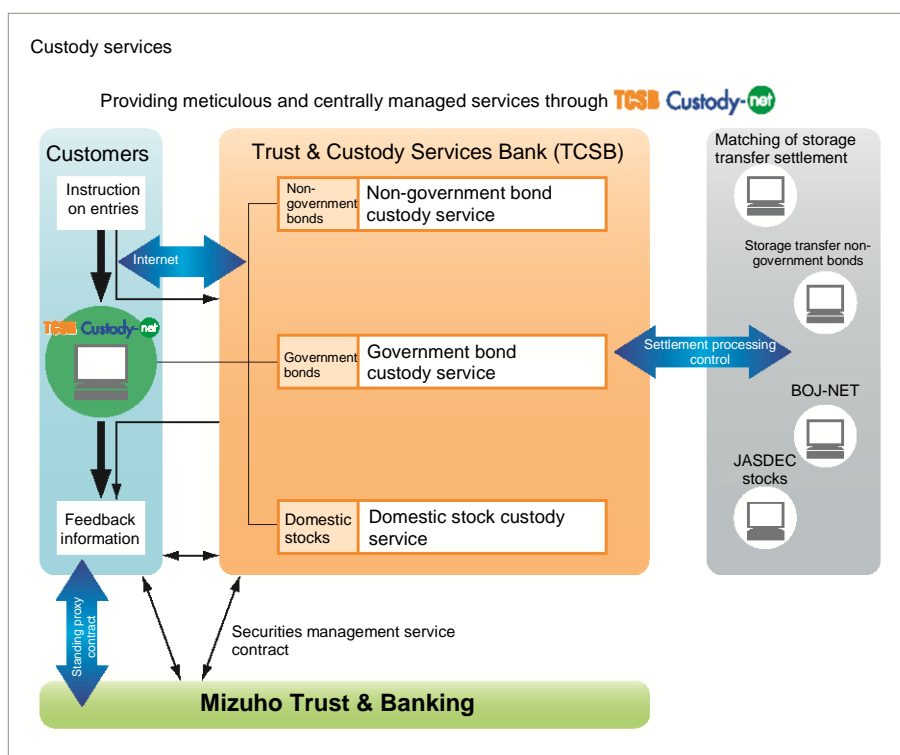
As a result of a series of reforms to the securities settlement system and the diversification of securities managed by clients, the burden of securities administration on clients is increasing along with needs for outsourcing. Under such circumstances, our Company provides a full line of custody services for all types of securities. We shall also respond to new procedures associated with the institutional reforms with speed.

- **Provision of services through TCSB Custody-net**

The custody service in our Company is provided by TCSB Custody-net, which connects customers with our Company via the Internet. Execution and settlement instructions to our Company using TCSB Custody-net are encrypted and processed by our Company through STP (straight-through processing). TCSB Custody-net has already been used by more than 100 companies, and is popular with approximately 70% of regional and second-tier regional banks.

- **Meticulous provision of information**

Among information provided by the Japan Securities Depository Center, the Bank of Japan, etc. on the Reform of Securities Clearing and Settlement System, our Company selects and provides information that is useful for our customers in an easy-to-understand manner through TCSB Custody-net. To improve the convenience of customers, frequently asked questions have been prepared based on matters that customers often enquire about. We will continue to provide customers with useful information in a timely manner.



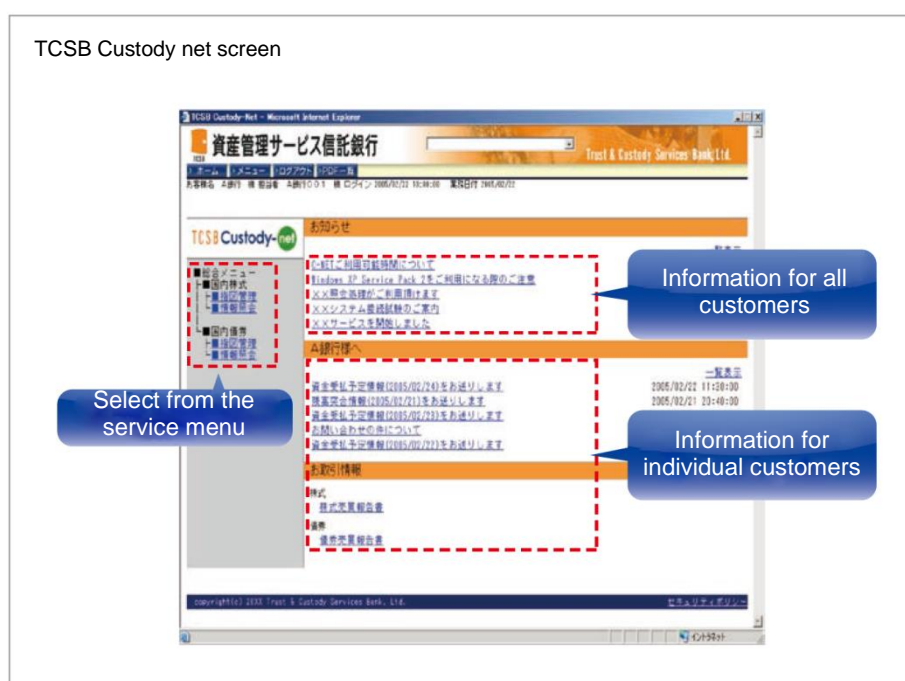
# 1. Deliver the Best Solution to Meet Customer Needs Securities Administration Service

## ● Provision of stock and bond custody services

Our stock custody service provides a wide range of administrative services from custody of REITs, ETFs, and preferred securities, settlement of transactions to corporate action, in addition to listed stocks. We will continue to improve our service levels after the digitization of stock certificates by responding to customer requests, for example, by strengthening communication of corporate action information.

Bond custody services include the custody of domestic bonds such as Japanese government and non-government bonds, settlement of transactions, and proxy receipt of principal and interest.

TCSB Custody net screen



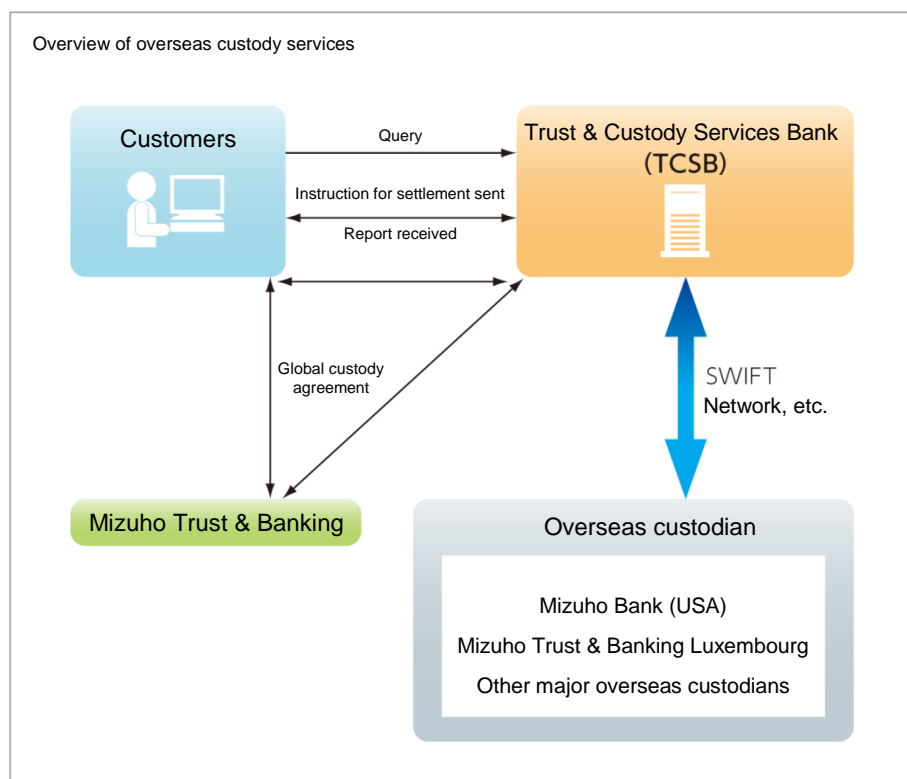
## [Overseas custody services]

### ● Global custody network

In recent years, investments in foreign securities has diversified due to customers' international diversified investment being more vigorous. In addition to the overseas base network of Mizuho Financial Group, our Company has built a custody service network that covers approximately 100 markets around the world by also utilizing overseas custodians outside the Group. In selecting overseas custodians, we evaluate safety using external ratings, administrative capabilities, fees, etc. Even after the selection, regular evaluations are conducted through on-site inspections, service review meetings, and confirmation of external audit reports, in order to maintain and improve the quality of overseas custody services.

### ● Website services

Our Company's website enables customers to send payment instructions from their personal computers, receive reports, and download data files. The service provides efficient settlement of foreign securities and enables customers to manage their investment assets in an integrated manner across multiple regions and markets.



# 1. Deliver the Best Solution to Meet Customer Needs Securities Administration Service

## [Asset administration services for defined contribution pension plan]

### ● Expansion of defined contribution pension markets

The defined contribution pension market has steadily expanded since the enactment of the "Defined Contribution Pension Act" in October 2001. As of the end of March 2019, 6,161 cases of pension provisions were approved for "Corporate type" (up 331 from the previous year). For "Individual type," the number of insured (Type 1 Insured + Type 2 Insured + Type 3 Insured) increased to 1,210,037 (up 356,314 from the previous year) following the expansion of the scope of insured under the Revised Act in January 2017.

#### \* Defined contribution pension

Major corporate pension systems in Japan (employees' pension fund and defined-benefit corporate pension) are the defined-benefit pension with a predetermined amount of benefits, whereas the defined contribution pension, as represented by the 401(k) Plan in the United States, is a system in which the amount of premiums is predetermined but the amount of benefits is determined based on the investment performance.

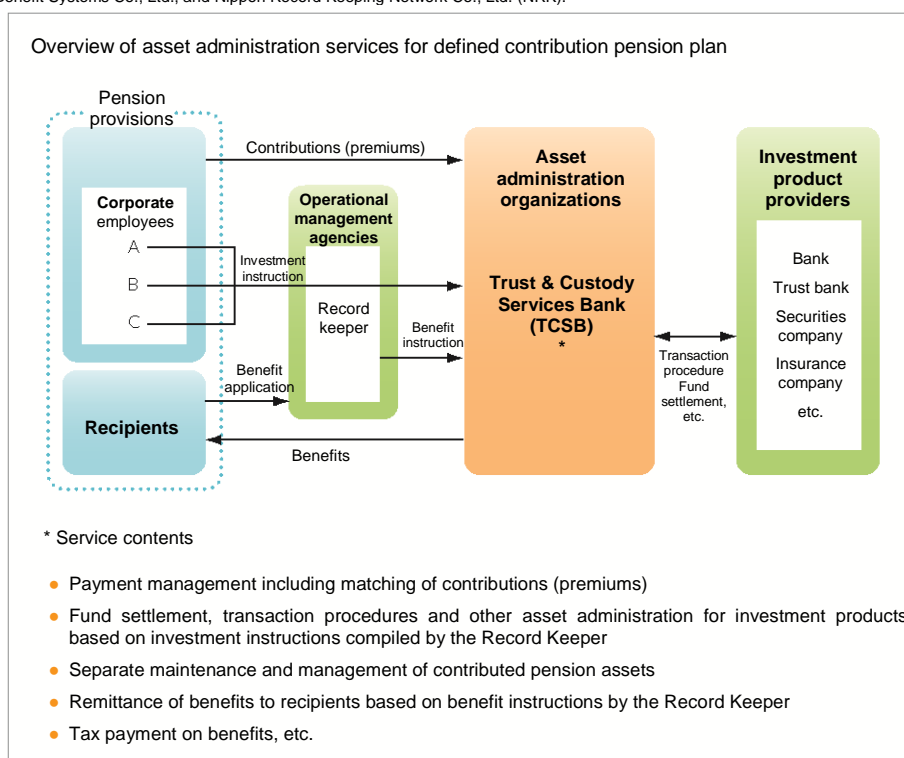
### ● Active development of infrastructures

As of the end of March 2019, our Company is entrusted with a total of 2,231 corporate and individual defined contribution pension plans (up 146 from the previous year). Our fiduciary service structure is connected to four record keepers and boasts the largest number of connections among asset administration organizations, highly trusted and appreciated by Mizuho Financial Group, contributing life insurance companies, who are our clients, and many local financial institutions.

We will continue to actively improve system and business infrastructures to meet the needs to handle diverse investment products and other various requests of operational management agencies.

#### \* Record keeper

This refers to an operational management agency for record keeping. The agency compiles the investment instructions of insured, records and manages personal data, and adjudicates benefits. Our Company is connected with four companies: Japan Investor Solutions & Technologies Co., Ltd. (JIS&T), Sompo Japan Nipponkoa DC Securities Inc., SBI Benefit Systems Co., Ltd., and Nippon Record Keeping Network Co., Ltd. (NRK).



## [Master Trust services (Information integration services)]

### ● Addressing the need for centralized management (Master Trust)

With an ongoing review of the pension system, there is an increasing need to centralize the management (Master Trust) of multiple pension systems by a single asset administration organization. As a pioneer in the creation of a Japanese version of the Master Trust, our Company has introduced a full-scale "Information Integration Service" that centrally manages investment management information.

#### \* Master Trust

It refers to a mechanism where a single trust bank centralizes management and financial reporting of pension assets under a single contract designed to manage multiple pension plans or investment managers.

Led by the United States in the 1970s, monopolization has progressed with the emergence of giant Master Trusts.

In 2004, the ban on discretionary investment in trust banks was lifted in Japan, and full-scale operations began.

### ● Highly convenient services

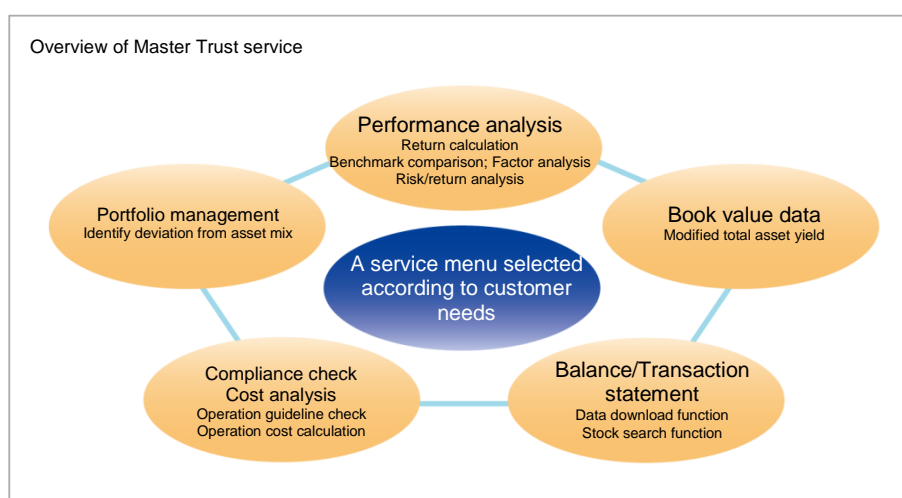
As part of the Japanese version of a Master Trust, the "Information Integration Service," offered to pension sponsors and other customers, summarizes and analyzes investment information from multiple investment agencies using the same criteria, and provides information on the investment performance of the entire pension plan in a timely manner via the Internet.

The Service is not only designed to monitor the performance and other status of investment, but also to enhance risk management functions such as rating checks and cost analysis. The service is also equipped with the functions of secondary processing for customers by downloading data, and "Aggregation Service of Multiple Pensions" designed for centralized management of pension systems.

In addition, the "Performance Monitoring Service" is also available online to check the investment performance data and operation guidelines prepared and provided by the investment agencies.

#### \* Aggregation Service of Multiple Pensions

When there are multiple pension schemes, such as employees' pension funds and defined-benefit corporate pension funds, the service offers a function that makes it possible to analyze the investment status by aggregating these pension schemes. In this way, total management is realized beyond the frameworks of pension systems.



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## 2. Deliver the Best Solution to Meet Customer Needs **Value-added Asset administration Services**

### **[Securities lending services]**

- **Securities lending service**

The service allows customers to enjoy additional income by lending securities to securities companies in the domestic and overseas lending markets. Security lending is now an essential service for market participants to enhance investment performance.

- **Operation structure leveraging a top-class presence in the markets**

A major factor in the securities lending market is the asset scale that can meet a wide range of borrowers' needs at all times and the market presence. This is an area where our Company's economies of scale can be leveraged.

Our Company has established a department dedicated to lending operations, and has assigned personnel with extensive expertise in lending operations to the department. We are also aggressively investing in IT systems aimed at strengthening of structures to broaden the scope of operations.

Our Company has an unchallenged presence in the domestic bond repo market and the domestic stock lending market, and also engages in the lending of foreign bonds and stocks to provide a full line of lending services.

- **Domestic bond repo (cash-secured bond lending transactions) service**

Bond lending transactions in the domestic repo market and funds transactions in the short-term money market leverage securities trusts and domestic bonds under the standing proxy agreement. Our Company has been highly rated by major domestic institutional investors and market participants as the main player in the markets, with an industry-leading record of balances in trusts and loans for the service.

- **Domestic stock lending service**

Stocks entrusted as pension assets and domestic stocks entrusted by institutional investors are loaned in the domestic stock lending market. Operation performance is improved by closely observing the borrowers' needs.

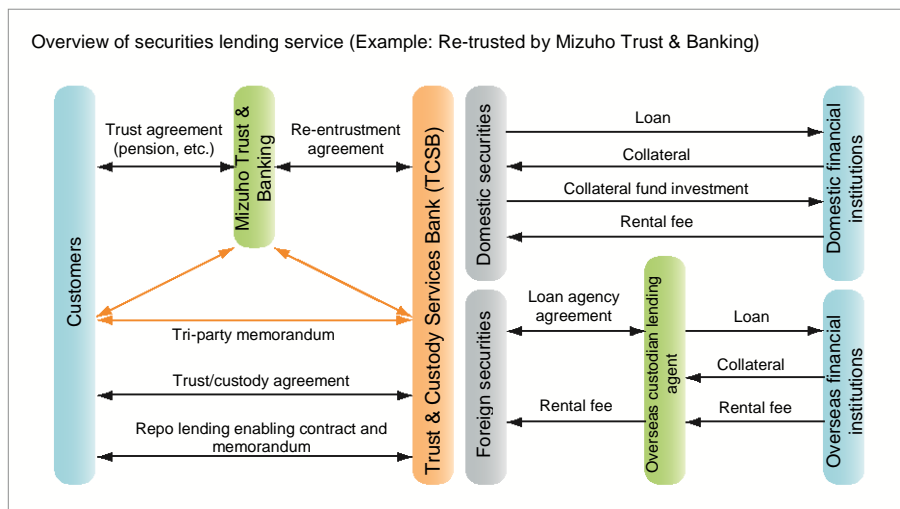
- **Foreign bonds and stock lending service**

Foreign bonds and stocks held by major pension funds, insurance companies and banks in Japan are loaned and invested in overseas markets (North America and Europe) by our Company, or Mizuho Financial Group's overseas base network and other overseas custodians selected as lending agents (loan agents). Going forward, we will continue to expand the brands that are eligible for loans and loan management markets to promote the expansion of asset scales.



- **Strict risk monitoring management system**

Our Company has established management systems for various risks (credit risk of borrowers, investment risk in cash collateral, liquidity risk in collateral, etc.) arising from the lending operations. Selection of borrowers requires approval of an independent screening unit (Risk Management Department), which monitors daily the credit ratings, compliance with credit limits, and acquisition of collateral.



### Characteristics of Service

- Gain additional income by investing securities under trust/custody agreements in the loan markets

#### <Points on operation management>

- Selection of borrowers in line with customer standards.
- Assessment of market situation and access to many borrowers.
- Daily monitoring of various risks (credit status, compliance with the limits, collateral delivered, etc.)

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## 2. Deliver the Best Solution to Meet Customer Needs **Value-added Asset administration Services**

### **[Comprehensive securities administration outsourcing service]**

- **First domestic trust bank model**

For securities held by life insurance companies and other institutional investors, we have developed a business model that undertakes full outsourcing of management and administrative functions, including securities accounting, and commenced service in January 2003.

A major feature of this business model is its comprehensive outsourcing model, the one and only groundbreaking service as a domestic trust bank. The service covers from investments including domestic and overseas securities, derivatives transactions, investment trusts such as REITs and ETFs, investment partnerships and LPS, integrated management of the incidental transactions, settlement of securities and funds, to securities accounting office work (asset evaluation, preparation of accounting entry data, closing data, various management and reporting materials, etc.).

- **Significant cost reduction impact**

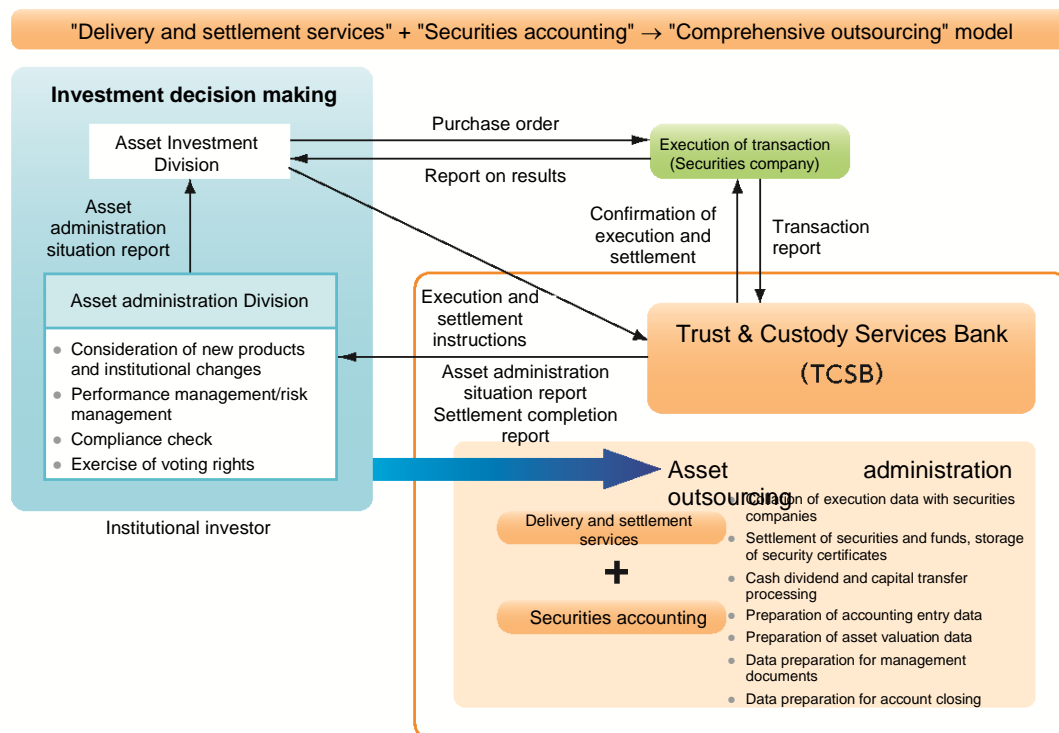
While it is essential to comply with the Reform of Securities Clearing and Settlement System, shortening of a settlement period, system development and maintenance impose a significant burden in terms of both investment costs and personnel costs for development and maintenance staff.

Our Company's comprehensive outsourcing model enables institutional investors to build and share a common system infrastructure, resulting in a significant reduction in system costs compared to independent infrastructure development. In addition, personnel costs can be significantly reduced, including operations, development and maintenance staff for securities accounting.

- **Meticulous response to diverse needs**

At our Company, planning staff with the right consulting skills are assigned to precisely respond to customer needs. In addition to providing high-quality administrative services, capitalized on the cost benefits by using a common platform, we will proactively respond to the request of individual customers with our experienced staff.

## Basic Outsourcing Model



The above is a list of basic models that are tailored to customer needs.

## Characteristics of Service

- Contributing to reduction of customers' office work  
Reduction of workload by undertaking general office work, including securities accounting
- Realizing significant cost savings  
Substantial reduction in system development and maintenance costs through the construction and joint use of common system infrastructures
- Tailored to each customer  
Meticulous programs can be designed in a way that is tailored to individual customer needs

## 2. Deliver the Best Solution to Meet Customer Needs Value-added Asset administration Services

### [Collateral management services for over-the-counter derivatives transactions]

- **Margin rules on OTC derivatives transactions**

Following the financial crisis triggered by the bankruptcy of Lehman Brothers in 2008 and the relief of AIG Life, financial authorities around the world gathered and imposed margin rules on financial institutions for over-the-counter derivatives transactions.

Specifically, the rules (1) sought a real-time margin contribution calculated by each central clearing house through promotion of the central clearing of over-the-counter derivatives transactions and (2) for non-central clearing transactions, imposed depositing and the obligation of restitution of initial margin (contribution of collateral for changes in latent future fair value) and variation margin (exchange of collateral at current fair value).

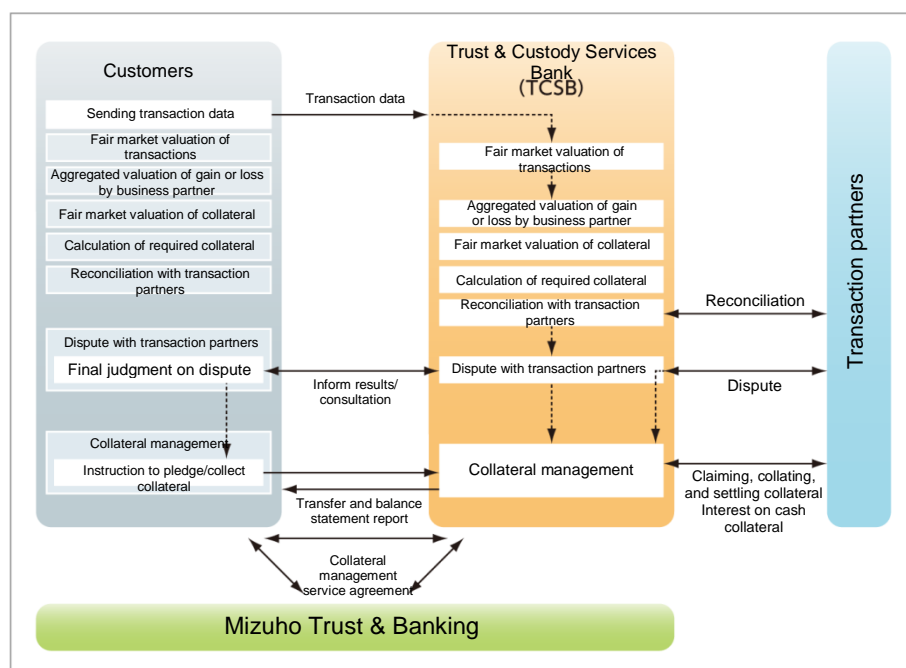
As for the variation margin rules, although laws and regulations vary depending on the balance of derivatives transactions, almost all financial institutions are subject to the rules, in principle, to calculate, exchange and manage variation margin on a daily basis.

- **Start of outsourcing services to reduce the burden of financial institutions**

Compliance with over-the-counter derivatives regulations requires clients to incur significant costs in establishing administrative systems, developing systems, and securing the necessary human resources. In addition, personnel with a certain level of knowledge and experience are required, such as the ability to communicate (language) when a business partner is a foreign corporation or overseas base, and manage complicated transactions when multiple business partners are involved.

In order to avoid the burden of response, there is a growing need to outsource derivatives collateral management services. In February 2016, our Company launched a collateral management service for variation margin on non-central clearing transactions. Our Company provides appropriate collateral management services on behalf of clients by utilizing the securities administration know-how cultivated over the years.

In October 2016, the Collateral Operations Department was established as a dedicated unit to meet diverse needs for advanced collateral management.



▼ Calculation of required collateral amount for each counterparty

After the derivative transaction data are valued at fair value and sent from the customer, the required amount of collateral is calculated by aggregating the "Fair value of derivatives" and the "Fair value of collateral" received or pledged by the previous day for each counterparty.

▼ Reconciliation of transactions and balance with counterparties

Contents of individual transactions underlying the fair value of derivatives are collated with counterparties. In order to shorten a business process, automated collation is usually performed using triResolve and other systems.

● **triResolve**

It refers to a system that reconciles transactions on the Internet using a matching engine developed by the Swedish company TriOptima. Derivative and foreign exchange transactions with a significant deviation in fair value and those that do not match can be immediately identified.

▼ Sending/receiving notice of required collateral amounts (execution of margin calls)

Transaction partners are notified of the deposit of additional collateral when there is a shortage of collateral received, and of the return of collateral when there is an excess of collateral deposited.

▼ Dealing with discrepancies in recognition of required collateral amounts (when a dispute occurs)

When an agreement cannot be reached on margin calls between parties (a dispute), appropriate negotiations will be conducted to fix the amount of margin calls based on the measures formulated with a counterparty in advance.

▼ Determination of collateral, and provision of collateral transfer and balance details

Collateral is determined by agreement with counterparties on the required amount, and details of collateral transfer and balance are prepared for each counterparty and sent to the customer.

**Characteristics of Service**

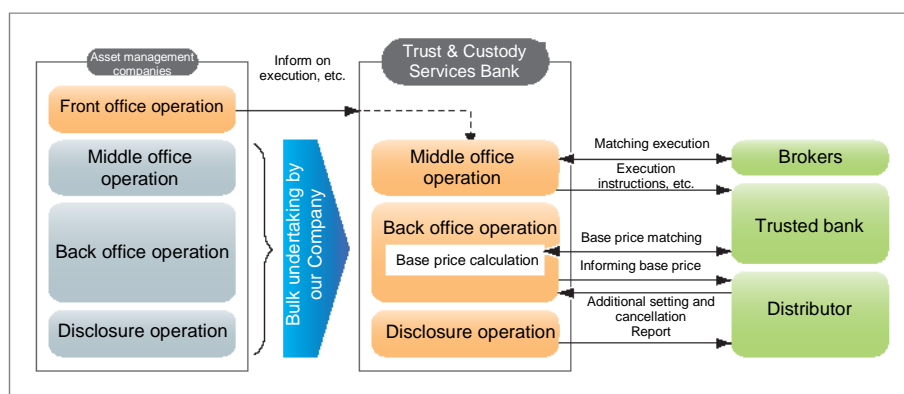
- Reduction of costs incurred from the development of structures  
Achieving lower costs than building an in-house administrative structure and system infrastructures
- Accumulation of know-how from numerous CSA office work services  
Providing practical support developed by the CSA office work service experiences of serving numerous customers

## 2. Deliver the Best Solution to Meet Customer Needs Value-added Asset administration Services

### [Middle- and back-office services for asset management companies]

- **Growing needs for administrative outsourcing among asset management companies**

Since around 2000, U.S. and European asset management companies have established a business model in which they concentrated on asset management front operations and outsourced a wide range of middle/back office operations (post-trade business) to custodians and fund management companies after execution for the purchase and sale of securities. In Japan, the base price calculation process for the investment trust business had been outsourced on a limited basis in the past. Recently, however, the need to outsource the entire middle- and back-office operations has increased in pursuit of more efficient asset management operations.



- **Expansion of administration service**

In 2013, our Company commenced middle- and back-office operation services for asset management companies within the Mizuho Group.

The entire post-trade operations are entrusted, from middle office operations (processing and management of execution, etc.) and back-office operations (accounting, closing of accounts, etc.) to disclosure operations (preparation of prospectuses and investment reports, etc.).

In the future, we will extensively provide high-quality administrative services capitalized on know-how accumulated through administrative services from asset management companies within the Group.

#### Characteristics of Service

- **Broad range of business covered by the service**  
The service covers the entire post-trade operations, from middle- and back-office operations to disclosure operations
- **Flexible response**  
It responds to outsourcing needs of each business in the unit of investment trust back operation and investment trust disclosure operation

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## Infrastructures Supporting the Best Solution

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- Administration quality management structure
- Business continuity structure

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- Legal compliance management system
- Information management system
- Risk management system
- Internal audit management system
- External audit

## **Information system development and operation structure**

More sophisticated information systems are essential for asset administration operations to process large volumes of securities custody and settlement transactions with agility and accuracy. Our Company is actively working to enhance its communications and electronic systems underlying the asset administration operations.

### ● **Adoption of flexible open systems**

With the aim of responding flexibly and quickly to changes in the external environment, our Company has become the first trust bank in Japan to adopt open systems using UNIX servers for all business systems. As a result, we have been able to respond flexibly to changes in the business environment while significantly reducing investment costs.

### ● **System groups consisting of four independent tiers**

The feature of our Company's system is that it consists of four tiers (system groups) from Tiers 1 to 4.

Tier 1 is responsible for various external interfaces, Tier 2 is responsible for common operations such as securities and fund settlement and fair value information management, Tier 3 is responsible for accounting process for each fund, and Tier 4 is responsible for information systems centered on disclosure. Of those, while Tier 3 is a product-specific system for each asset administration product (pensions, investment trusts, corporate investment funds, etc.) in order to precisely respond to the characteristics of each product, Tier 2 and 4 are systems common to all products that are integrated into functional units.

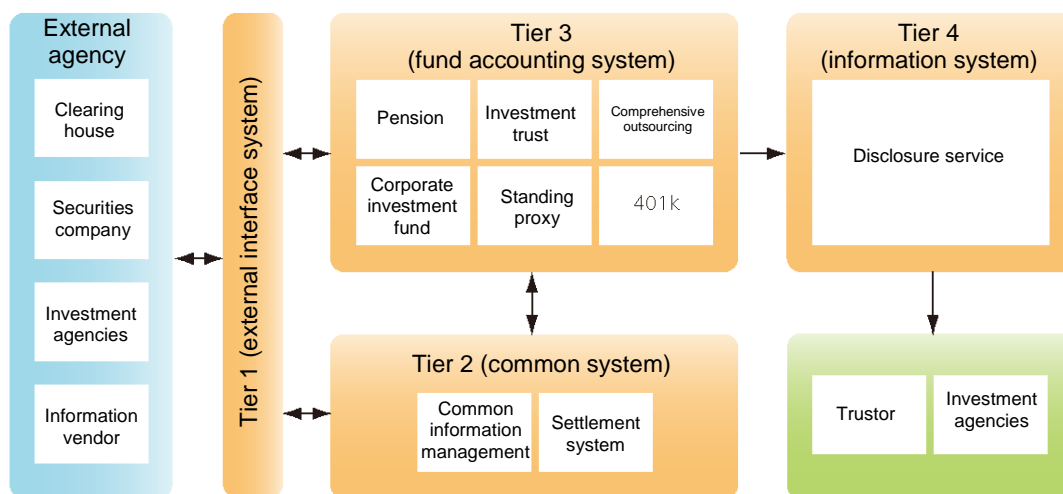
This system configuration allows us to respond quickly to institutional changes that are unique to asset administration products, as well as those that affect all products. As an example, the Tier 2 settlement system can operate 24 hours a day without being affected by the Tier 3 fund accounting processing, in anticipation of a shortened settlement period in the future.

### ● **Continuous initiatives towards straight-through processing (STP)**

Progress in STP is essential for processing large volumes of transactions quickly and accurately. In both domestic and foreign securities transactions, our Company upgrades the system each year to automate a series of processes, from uploading, collation, accounting and settlement to reconciliation of execution. In particular, interfaces with investment agencies and securities companies, which are the starting point of STP, are made available in various ways such as CPU connection, through package tools, SWIFT, and the Internet.



Conceptual Diagram of our Company System



### ● FY2018 Initiatives

In FY2018, we addressed the following key issues to respond systems, develop system infrastructures, and improve customer services.

No.	Name of Case	Purpose
1	Responding to shortening of the settlement period for government bonds	Responding to system
2	Responding to CLS settlement	Responding to system
3	Renovation of accounting system infrastructure	Development of system infrastructure

In FY2019, we also plan to invest in systems to further improve services, including systems for shorter settlement periods for securities, etc., the next generation system of JASDEC, and banking integration.

# 1. Infrastructures Supporting the Best Solution

## Office and System Infrastructures

### Administration quality management structure

#### Continuous initiatives to improve administration quality

Our Company strives to improve the quality of office operations at all times to provide customers with the best possible service.

Each department is working to improve the quality by setting, as common tasks in their business plans, the formulation and implementation of quality improvement measures for more robust and efficient administrative operations.

In addition, the Quality Management Office has been established within the Operations Planning Department to lead the organization and analysis of individual issues for more robust and efficient office operations, as well as the formulation and implementation of solutions.

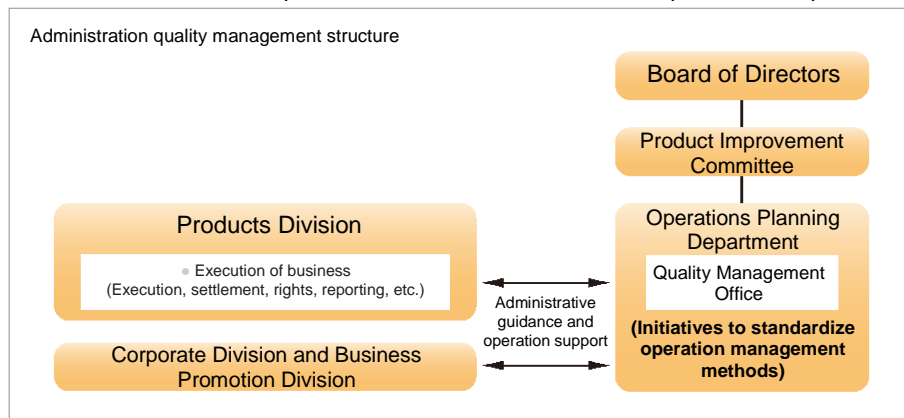
We take customer requests seriously and respond quickly and appropriately, and also analyze events to capitalize on our services. In addition, a company-wide operation improvement campaign is promoted based on set topics every year, and common measures are expanded company-wide.

Specific measures for improving the quality of office work and the status of initiatives are reported to the Product Improvement Committee on a regular and as-needed basis.

#### Utilization of administrative monitoring indicators

Our Company has developed administrative monitoring indicators with the aim of predicting the latent processing risks arising from various changes in the environment. In July 2016, we began initiatives using data from these indicators.

In utilizing administrative monitoring indicators, working hours per staff and office work of each team are measured, and prediction indicators for processing risks are calculated by combining them with various pieces of administrative data. Indicators have also been created to visualize the workload and proportion of work performed on a monthly basis. These indicators are used to solve problems in the Products Division responsible for operations.



#### Digital innovation promotion structure

Our Company is actively involved in the use of new digital technologies, such as robotic process automation (RPA) and artificial intelligence (AI), to improve the quality of office work and increase the resources available for value-added work. We began using AI to automate collation and RPA in various operations in March and October 2017, respectively.

In April 2018, the Digital Innovation Office was established in the Operations Planning Department to promote training of human resources for RPA development, establishment of the RPA operation management system, technical assistance, and planning of the introduction of new digital technologies.

Each department uses new digital technologies to improve business processes for robust and efficient office work.

## Business continuity structure

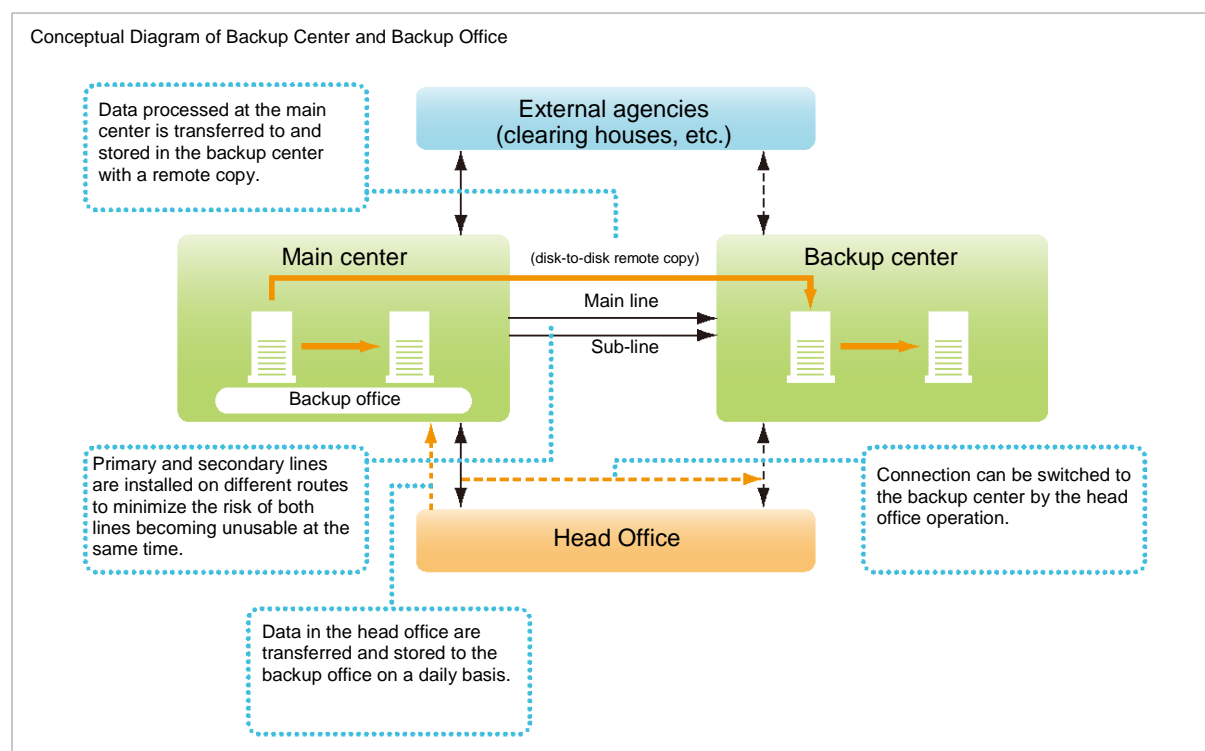
### Fully prepared for all contingencies

Harumi Triton Square, where the head office is located, and the main system center of our Company are both quake-resistant and equipped with a power generator that can withstand earthquakes as strong as the Great Hanshin-Awaji Earthquake (seismic intensity 7). With a dual structure in all of the servers and circuits of the systems, robust infrastructures ensure business continuity in the event of a disaster or accident.

Furthermore, in the event of a major earthquake, fire, or terrorist attack that would render our head office or main center inoperable, the backup office and the backup center are established in geographically distant locations.

We established the backup center in March 2003 for the first time as an asset administration specializing trust bank in Japan, and it meets the safety standards set by the Center for Financial Industry Information Systems (FISC). In addition, real-time disk-to-disk remote copy secures reliable data protection and speedy business continuity in the event of a disaster.

With expansion of the main center in October 2006, a backup office was established and reflects daily data updates from the head office. In the event that business continuity at the head office becomes impossible, we have established an operational environment in the backup office to ensure business continuity.



## 2. Infrastructures Supporting the Best Solution Internal Management System

### [Legal compliance management system]

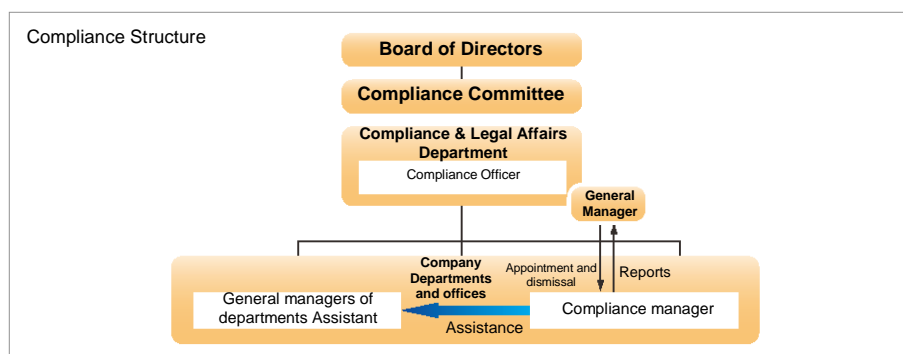
#### ● Basic Approach

Our Company regards strict compliance as a fundamental principle of management. As one of Japan's leading trust banks specializing in asset administration, we shall be constantly aware of our social responsibilities and the importance of our public mission, and strive to promote a global standard compliance management system. Through these efforts, we shall aim to gain the high reputation of our clients and the markets, and to establish the confidence and trust of society at large.

#### ● Thorough supervision of compliance

Based on decisions made by the Board of Directors, our Company has established the Compliance Committee as a forum for top management to discuss compliance issues directly. The Committee comprehensively manages and operates compliance at our Company and deliberates on important issues. The Compliance & Legal Affairs Department, which serves as the secretariat for the Compliance Committee, supervises compliance management in each department and office, ensures thorough compliance, and checks the status of compliance through monitoring of each department and office.

At each department and office, the general managers of each department, etc. is responsible for compliance, and provide guidance and practice on compliance within the department, etc. The General Manager of the Compliance & Legal Affairs Department appoints and dismisses compliance managers directly after determining their eligibility, and checks compliance within the department, etc.



#### ● Initiatives towards the financial ADR (mediation) system

In order to respond immediately, fairly, and appropriately to complaints from clients, our Company has concluded a basic agreement for the implementation of procedures with the Japanese Bankers Association and the Trust Companies Association of Japan, which are Designated Dispute Resolution Organizations under the Banking Act, and the Trust Business Act and the Act on Engagement in Trust Business Activities by Financial Institutions, respectively. When customers are not satisfied with our Company's resolution on their complaints, etc., the Designated Dispute Resolution Organization shall take measures for resolution from a fair and neutral standpoint.

##### **Designated Dispute Resolution Organization contracted with our Company**

Designated Dispute Resolution Organization under the Banking Act

Designated Dispute Resolution Organization: Japanese Bankers Association

Contact: Consultation Desk, Japanese Bankers Association

Phone: 0570-017109 or 03-5252-3772

Designated Dispute Resolution Organization under the Trust Business Act and the Act on Engagement in Trust Business Activities by Financial Institutions

Designated Dispute Resolution Organization: Trust Companies Association of Japan

Contact: Trust Counseling Desk

Phone: 0120-817335 or 03-6206-3988

## [Information management system]

### ● Basic Approach

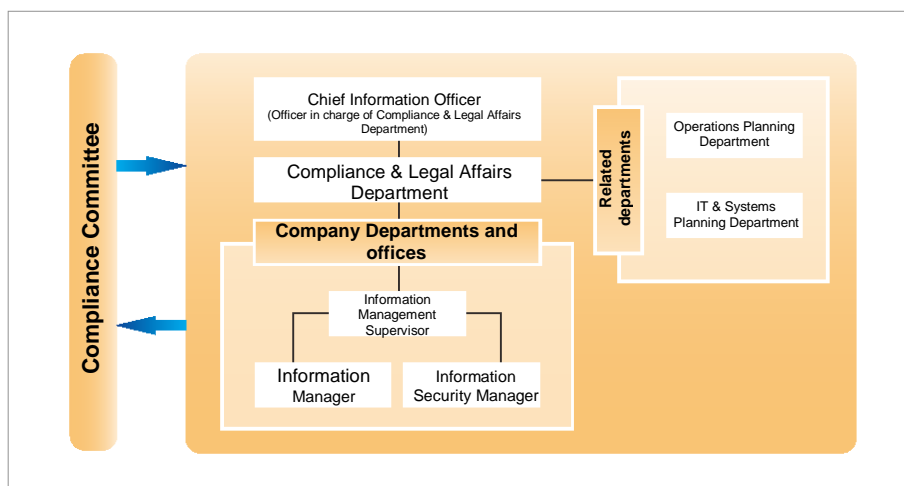
As the use of information expands significantly accompanying the progress of an advanced information and telecommunications society, it is a corporate social responsibility to properly protect the information assets held by companies. In particular, as a provider of asset administration services, our Company believes that the proper protection and use of information assets are essential.

In order to appropriately protect and use information assets, our Company strives to strengthen its information management system by implementing measures for information security and protection of personal information.

### ● Overview of Information Management System

Our Company has established information management rules, including the "Information Security Policy" and "Information Security Standards," and built an information management system based on these rules. The Compliance Committee deliberates and coordinates the progress of various measures related to information management, the management of information security risks, and compliance with relevant laws and regulations. In addition, the Company has established a Chief Information Officer (officer in charge of the Compliance & Legal Affairs Department) to oversee the planning, formulation, and promotion of information management in general, as well as an organization specialized in information management within the Compliance & Legal Affairs Department.

Furthermore, our Company believes that it is extremely important for each and every employee to have a high level of awareness of and pay attention to information security in order to ensure the appropriate protection and use of information assets. To this end, we regularly conduct information management education and training.



### [Risk management system]

#### ● Basic Approach

As financial liberalization and globalization continue to advance, financial operations are rapidly diversifying and becoming more complex, and financial institutions face a variety of risks.

Under the circumstances, our Company recognizes the realization of a risk management system is part of its Fiduciary Duty to ensure sound and stable management in winning the trust of customers.

Our Company categorizes the risks pertaining to our businesses by risk factors into Credit Risk, Market Risk, Liquidity Risk, Operational Risk, etc. and manages them according to the characteristics of each risk under the Basic Policy for Risk Management established by the Board of Directors for individual risks. In other words, for each risk category, responsible departments are assigned to plan, formulate and promote risk management. For important risks, special committees comprised of relevant officers and general managers are established to deliberate and coordinate our Company policies, and identify, analyze, and implement various measures for risks. Furthermore, in order to ensure and verify the effectiveness of the risk management system, internal audits are enhanced by the Internal Audit Department.

#### ● Comprehensive risk management

Our Company carries out comprehensive risk management according to the Basic Policy for Risk Management. In addition to risk management of individual risks, risks are identified and assessed as a whole, and appropriate measures are taken as needed from both qualitative and quantitative aspects to control risks to the extent tolerated by our business.

The risk management status of individual and integrated risks is reported to the Board of Directors on a regular or as-needed basis.

#### ● Credit, market, and liquidity risk management

Credit, market, and liquidity risk controls are handled by the Risk Management Department, for which the ALM Committee is established.

Credit risks are managed based on the internal credit rating system, and individual credit limits are set and managed at the decision of a reviewing department.

Market risk management sets a limit using interest rate sensitivity, while liquidity risk management sets a ceiling on funding from markets. The ALM Committee determines various risk limits and funding limits.

The Risk Management Department measures and monitors daily the status of compliance with various risk limits and other limits, and reports regularly to the Board of Directors, etc.

#### ● Operational risk management

Our Company considers operational risks to cover an extensive range of risks, from administrative risk, system risk, legal risk, personnel risk, tangible asset risk, regulatory and institutional change risk to reputation risk, and they are managed by the Risk Management Department through the Operational Risk Management Committee.

Risks are managed according to their scale and characteristics as follows.

The Operations Planning Department is responsible for administrative risk management. As fiduciary and custody services diversify and become more complex, and the number of transactions increases, we are working to prevent administrative errors by improving the operation management structures and the level of processing and promoting stricter operation procedures.

The System Risk Management Department is responsible for the management of system risks, ensuring stable operations of systems through software quality control and the dualization of equipment and facilities. In addition, based on a long-term strategic vision, we have built a structure for advanced system development with expert system engineers.

The Compliance & Legal Affairs Department is responsible for legal risk management, and strives to identify any existence and level of risks incurring tangible and intangible losses due to legal factors such as violation of laws, regulations and contracts, and take appropriate measures.

The Human Resources Department is responsible for personnel risk management. In accordance with the scale and nature of personnel risks inherent in each business operation, the Human Resources Department assesses the status of working hours and acquisition of leave, and builds an appropriate management structure.

The Corporate Planning Department is responsible for the management of tangible asset risk, regulatory and institutional change risk, and reputation risk. The Corporate Planning Department identifies, assesses, and monitors any existence, size, and nature of each risk in a timely and accurate manner, and takes controls, reduction and other appropriate measures.

In addition, complex risks that cross over the above risks, such as information security risks, compliance risks, and trust business risks are identified and managed as operational risks.

Comprehensive Risk Management Structure

Risk Category	Department	Committee	Content of Risk Category
Credit risk	Risk Management Department	ALM Committee	Risk of our Company incurring losses due to a decline in or complete loss of asset values (including off-balance sheet items) as a result of a deterioration in the financial condition of borrowers.
Market risk			Risk of our Company incurring losses due to a change in values of assets and liabilities held (including off-balance sheet items) as a result of fluctuations in interest rates, market price of securities, foreign exchange rates, and other various market risk factors.
Liquidity risk			Risk of our Company incurring losses due to the inability of obligors to secure sufficient funds to cover financial obligations due to a deterioration in their financial condition, etc. or in cases where obligors are forced to procure funds at interest rates that are much higher than normal.
Operational risks	Operations Planning Department System Risk Management Department Compliance & Legal Affairs Department Human Resources Department Corporate Planning Department	Operational Risk Management Committee	Risk of our Company incurring losses arising from inadequate or failed internal processes, people and systems or from external events.
Administrative risk			Risk of our customers and our Company incurring losses, both tangible and intangible, due to confusion in services provided to customers, serious impacts on the settlement system, etc. caused by illegal, intentional, or negligent conduct of business by officers and employees or inappropriate operations arising from the office work systems.
System risk			Risk of customers and our Company incurring losses, both tangible and intangible, due to confusion in services provided to customers, serious impacts on the settlement system, etc. caused by system failures, malfunctioning or other system deficiencies, unauthorized use of computers, etc.
Legal risk			Risk of our Company incurring losses, both tangible and intangible, due to a violation of laws, regulations and contracts, conclusion of inappropriate contracts, or other legal causes.
Personnel risk			Risk of our Company incurring losses, both tangible and intangible, due to an outflow or loss of human resources, decline in morale, insufficient human resource development, inappropriate employment status, workplace and safety environment, unfair and iniquitous management of personnel, discriminatory conduct, etc.
Tangible asset risk			Risk of incurring losses due to a deterioration in the quality of the office environment, etc. and damage to tangible assets (movables, real estate, facilities, equipment, etc.) as a result of disasters, crimes, or defects in asset administration.
Regulatory and institutional change risk			Risk of our Company incurring losses, both tangible and intangible, due to changes in various laws, tax systems, accounting systems, or other regulatory and institutional changes.
Reputation risk			Risk of our Company incurring losses, both tangible and intangible, due to damage to our Company's credit as a result of various risk events that actually occurred in relation to our Company's business activities, or false rumors, malicious slander, etc., that are reported or known to markets.

## 2. Infrastructures Supporting the Best Solution Internal Management System

- **Emergency response**

In preparation for the response in the event of an emergency (situations where business operations become difficult to continue due to large-scale natural catastrophes, system failures, terrorism, crimes, etc.), the Company clearly stipulates basic policies, priorities and response measures in the contingency plan, and develops a reliable structure within the Company aimed at assuring business continuity and a speedy recovery. In addition, various drills are regularly conducted to prepare for disasters, and effective plans and structures are developed.

### **Internal audit management system**

- **Basic Approach**

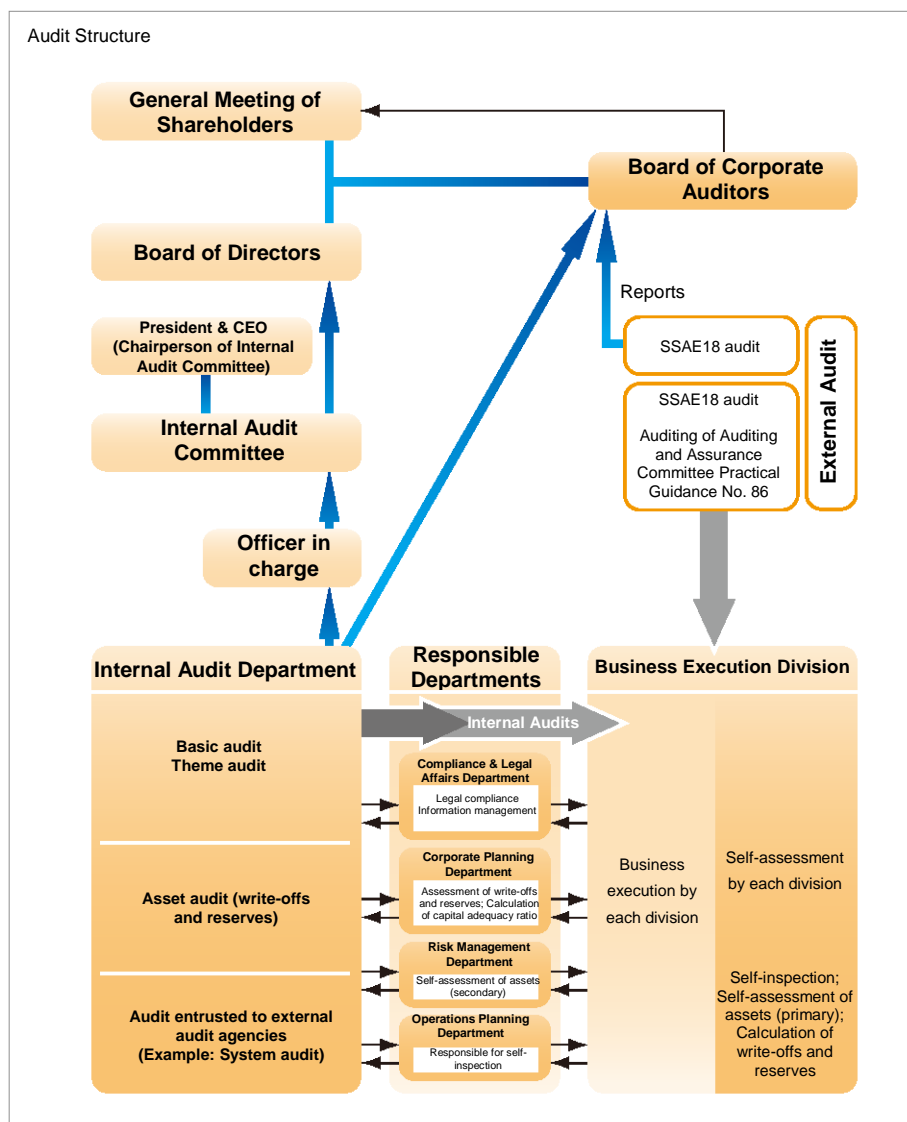
According to the “Basic Policy for Internal Audit,” Internal Audit Department, independent from the execution line, objectively and holistically assesses the achievement of main goals for internal management (compliance with laws, regulations and internal rules, appropriateness of risk management, efficiency and effectiveness of business operations, reliability of financial reporting, etc.), and provides advice and recommendations for correction to solve problems.

- **Internal audit operation structure**

Internal audits comprise the Basic Audit, Theme Audit, Special Audit and others. The Basic Audit verifies compliance with procedures for each division and management of physical items including valuables and important items, and information. The Theme Audit verifies the compliance management system, risk management system and specific audit themes. The Special Audit is conducted for the purpose of clarifying facts about accidents or violations of internal rules and investigating the causes. These audits are organically combined to assess the appropriateness and sufficiency of internal management.

Results of internal audits and improvement activities by the auditees are reported to the Board of Directors through the Internal Audit Committee.





## [External Audit]

### ● Active use of external audits

In addition to the internal audits, our Company actively utilizes audits by external auditors to ensure sound, appropriate and transparent business operations.

Development and operation of internal controls for our Company's major operations regarding the fiduciary assets are audited by an external auditor, and appropriate opinions are obtained for each operation.

### ● Supplement

Audit of internal controls by the external auditor conforms to SSAE 18 (Statement on Standards for Attestation Engagements No. 18) established by the American Institute of Certified Public Accountants in the case of U.S. standards, and to Auditing and Assurance Committee Practical Guideline No. 86 "Report on Assurance of Internal Controls over Entrusted Business" established by the Japanese Institute of Certified Public Accountants in the case of Japanese standards.



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\* Figures are rounded down to the nearest unit.

# Overview of Business Performance

## FY2018 Business Overview

### [Financial and economic environments]

The Japanese economy in FY2018 continued to expand moderately on the back of steady improvements in employment and income environments, despite the impact of a slowdown in overseas economies in exports and production as the Bank of Japan continued its extremely accommodative monetary policy.

### [Review of Performance and Results]

Our Company has steadily expanded its business under the management policy of "Promotion of 'Smart Operations' Leveraging IT."

In the area of income and expenditures during the fiscal year under review, ordinary income rose ¥1,228 million year-on-year to ¥25,113 million, due mainly to increases in fiduciary fees and fees and commissions, while interest income declined impacted by a negative interest rate. Key components included ¥14,746 million of fees and commissions, and ¥12,431 million of fiduciary fees.

On the other hand, ordinary expenses increased by ¥1,345 million year-on-year to ¥24,372 million, mainly due to increases in general and administrative expenses and fees and commissions expenses. Key components included ¥22,239 million of general and administrative expenses, and ¥2,387 million of fees and commissions expenses.

As a result, ordinary profit was ¥740 million (down ¥116 million year-on-year) and net income was ¥939 million (up ¥431 million year-on-year).

In addition, at the end of the fiscal year under review, the balance of fiduciary assets and assets under custody based on standing proxy contracts was ¥382 trillion, remaining at the same level as at the end of the previous fiscal year.

## Changes in the Key Management Indicators

	FY2014	FY2015	FY2016	FY2017	(¥ million) FY2018
Ordinary income	23,785	24,500	23,462	23,884	25,113
Net business profits	1,825	1,735	1,019	891	778
Ordinary profit	1,792	1,721	990	857	740
Net income	1,129	1,129	674	507	939
Capital stock	50,000	50,000	50,000	50,000	50,000
Total number of shares issued	1,000,000 shares	1,000,000 shares	1,000,000 shares	1,000,000 shares	1,000,000 shares
Net assets	59,419	60,385	60,771	61,024	59,479
Total assets	1,993,528	5,473,232	11,424,703	13,657,253	6,494,669
Balance of deposits (including negotiable certificate deposits)	589,374	1,058,411	7,699,573	9,875,034	2,274,797
Loans	100,000	210,496	4,508,796	6,209,728	709,241
Securities	337,556	292,596	188,945	263,932	295,307
Net assets per share (yen)	59,419	60,385	60,771	61,024	59,479
Annual dividends per share (yen)	230	230	135	100	-
Net income per share (yen)	1,129.20	1,129.27	674.44	507.26	939.04
Dividend payout ratio (*1)	20.36%	20.36%	20.01%	19.71%	-
Number of employees (*2)	619	646	672	690	697
Non-consolidated capital adequacy ratio (Japanese standard) (*3)	39.68%	22.72%	22.03%	22.67%	37.84%
Fiduciary fees	10,118	10,520	11,165	11,425	12,431
Trust account loans	-	-	-	-	1,745,329
Trust account securities	91,898,870	88,539,659	84,565,099	81,754,495	85,096,939
Total entrusted assets	145,830,365	141,086,540	146,066,410	143,366,870	143,717,067

(\*1) The dividend payout ratio for FY2018 does not include dividends from the business merger carried out in September 2018.

(\*2) As the number of employees has been adjusted to include executive officers and fixed-term employees since FY2018, past data have also been changed.

(\*3) The "Non-consolidated capital adequacy ratio (Japanese standard)" is calculated according to the "Standards for banks to judge their capital adequacy in light of assets they held based on Article 14-2 of the Banking Act" (Financial Services Agency Notification No. 19 of 2006).

# Financial Statements

## Balance Sheets

	FY2016 (March 31, 2017)	FY2017 (March 31, 2018)	(¥ million) FY2018 (March 31, 2019)
<b>Assets</b>			
Cash and due from banks	5,976,756	6,639,229	5,376,063
Cash	5,059	10,062	10,003
Due from banks	5,971,697	6,629,167	5,366,060
Call loans	620,000	420,000	-
Securities	188,945	263,932	295,307
Government bonds	-	2,601	1,301
Regional government bonds	-	-	47,802
Corporate bonds	188,499	260,886	245,759
Stocks	442	442	442
Other securities	4	3	3
Loans and bills discounted	4,508,796	6,209,728	709,241
Loans on deeds	4,508,796	6,209,728	709,241
Foreign exchanges	2,103	329	603
Due from foreign banks (our accounts)	2,103	329	603
Other assets	110,773	104,143	93,357
Prepaid expenses	299	320	421
Accrued income	3,961	4,898	4,456
Initial margins of futures markets	125	125	-
Derivatives other than for trading-assets	-	0	-
Other assets	106,387	98,798	88,480
Tangible fixed assets	872	1,202	1,334
Buildings	552	728	888
Other tangible fixed assets	320	473	445
Intangible fixed assets	16,219	18,388	18,520
Software	13,674	14,037	18,183
Other intangible fixed assets	2,545	4,350	336
Deferred tax assets	235	299	240
<b>Total assets</b>	<b>11,424,703</b>	<b>13,657,253</b>	<b>6,494,669</b>
<b>Liabilities and net assets</b>			
Deposits	7,199,573	9,375,034	2,274,797
Current deposits	762,284	1,476,990	1,389,718
Ordinary deposits	6,423,542	7,883,299	870,569
Other deposits	13,747	14,744	14,510
Negotiable certificate deposit	500,000	500,000	-
Call money	131,900	95,500	759,025
Due to trust accounts	3,511,928	3,598,948	3,373,660
Other liabilities	20,219	26,380	27,346
Income taxes payable	316	261	494
Accrued expenses	650	810	1,030
Derivatives other than for trading-assets	-	0	-
Asset retirement obligations	328	332	400
Other liabilities	18,924	24,975	25,421
Provision for bonus payments	99	103	107
Provision for retirement benefits	140	188	210
Provision for directors' retirement benefits	69	72	41
<b>Total liabilities</b>	<b>11,363,931</b>	<b>13,596,228</b>	<b>6,435,190</b>
Capital stock	50,000	50,000	50,000
Retained earnings	10,753	11,125	9,443
Legal retained earnings	321	348	872
Other retained earnings	10,432	10,777	8,571
Retained earnings brought forward	10,432	10,777	8,571
<b>Total shareholders' equity</b>	<b>60,753</b>	<b>61,125</b>	<b>59,443</b>
Valuation difference on available-for-sale-securities	18	△ 101	35
Total valuation and translation adjustments	18	△ 101	35
<b>Total net assets</b>	<b>60,771</b>	<b>61,024</b>	<b>59,479</b>
<b>Total liabilities and net assets</b>	<b>11,424,703</b>	<b>13,657,253</b>	<b>6,494,669</b>

# Financial Statements

## Statements of Income

	FY2016 (from April 1, 2016 to March 31, 2017)	FY2017 (from April 1, 2017 to March 31, 2018)	(¥ million) FY2018 (from April 1, 2018 to March 31, 2019)
Ordinary income	23,462	23,884	25,113
Fiduciary fees	11,165	11,425	12,431
Interest income	Δ152	Δ1,869	Δ2,079
Interest on loans	Δ65	Δ1,044	Δ639
Interest and dividends on securities	185	32	Δ10
Interest on call loans	Δ772	Δ955	Δ340
Interest on due from banks	499	93	Δ1,106
Other interest received	0	4	17
Fees and commissions	12,442	14,311	14,746
Fees and commissions on domestic and foreign exchanges	106	118	116
Other fees and commissions income	12,336	14,192	14,630
Other operating income	6	10	-
Foreign currency exchange trading profit	6	10	-
Other ordinary income	0	7	14
Gains on sales of stocks, etc.	-	1	-
Other ordinary income	0	5	14
Ordinary expenses	22,472	23,027	24,372
Interest expenses	32	Δ5	Δ285
Interest on deposits	33	17	2
Interest on negotiable certificate deposits	4	3	0
Interest on call money	Δ26	Δ34	Δ292
Other interest expenses	20	7	4
Fees and commissions expenses	1,749	1,950	2,387
Fees and commissions on domestic and foreign exchanges	44	49	48
Other fees and commissions expenses	1,705	1,900	2,339
Other operating expenses	1	-	2
Derivatives expenses	1	-	-
Foreign currency exchange trading loss	-	-	2
General and administrative expenses	20,682	21,064	22,239
Other ordinary expenses	6	18	28
Other ordinary expenses	6	18	28
Ordinary profit	990	857	740
Extraordinary profit	-	-	625
Other extraordinary profit	-	-	625
Extraordinary loss	1	109	5
Loss on disposal of fixed assets	1	12	5
Expenses related to business merger	-	96	-
Income before income taxes	988	747	1,360
Income taxes—current	369	251	423
Income taxes—deferred	Δ54	Δ11	Δ1
Total income taxes	314	240	421
Net income	674	507	939

## Statements of Changes in Net Assets

(¥ million)

FY2016 (from April 1, 2016 to March 31, 2017)								
Shareholders' equity						Valuation and translation adjustments		Total net assets
Capital stock	Retained earnings			Total share-holders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
	Legal retained earnings	Other retained earnings	Total retained earnings					
		Retained earnings brought forward						
Balance at the beginning of the period	50,000	275	10,034	10,309	60,309	76	76	60,385
Changes of items during the period								
Dividends from surplus		46	Δ 276	Δ 230	Δ 230			Δ 230
Net income			674	674	674			674
Net changes of items other than shareholders' equity						Δ 58	Δ 58	Δ 58
Total changes of items during the period		46	398	444	444	Δ 58	Δ 58	386
Balance at the end of the period	50,000	321	10,432	10,753	60,753	18	18	60,771

(¥ million)

FY2017 (from April 1, 2017 to March 31, 2018)								
Shareholders' equity						Valuation and translation adjustments		Total net assets
Capital stock	Retained earnings			Total share-holders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
	Legal retained earnings	Other retained earnings	Total retained earnings					
		Retained earnings brought forward						
Balance at the beginning of the period	50,000	321	10,432	10,753	60,753	18	18	60,771
Changes of items during the period								
Dividends from surplus		27	Δ 162	Δ 135	Δ 135			Δ 135
Net income			507	507	507			507
Net changes of items other than shareholders' equity						Δ 119	Δ 119	Δ 119
Total changes of items during the period		27	345	372	372	Δ 119	Δ 119	252
Balance at the end of the period	50,000	348	10,777	11,125	61,125	Δ 101	Δ 101	61,024

(¥ million)

	FY2018 (from April 1, 2018 to March 31, 2019)							
	Shareholders' equity					Valuation and translation adjustments		Total net assets
	Capital stock	Retained earnings			Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
		Legal retained earnings	Other retained earnings	Total retained earnings				
			Retained earnings brought forward					
Balance at the beginning of the period	50,000	348	10,777	11,125	61,125	Δ 101	Δ 101	61,024
Changes of items during the period								
Dividends from surplus		524	Δ3,145	Δ2,621	Δ2,621	Δ2,621		
Net income		939	939	939				939
Net changes of items other than shareholders' equity						136	136	136
Total changes of items during the period		524	Δ2,206	Δ1,681	Δ1,681	136	136	Δ1,545
Balance at the end of the period	50,000	872	8,571	9,443	59,443	35	35	59,479

# Financial Statements

## Notes to Accounting Items (FY2018)

### Material accounting policies

- Standards for evaluation of securities and valuation methods used  
In principle, as with available-for-sale securities, securities are valued by the market value method based on the market price or other appropriate price at the balance sheet date (with the sales price calculated by the moving average method). However, for securities for which it is generally recognized that the determination of fair value is extremely difficult, the original purchase prices are adopted using the moving average method. Note that the full amount of adjustments in the value of available-for-sale securities is accounted for by adding such amounts directly to net assets.
- Valuation standards and methods for derivative transactions  
Valuation of derivative transactions shall use the market value method.
- Depreciation methods
  - Tangible fixed assets (excluding leases)  
Depreciation of tangible fixed assets is calculated by the declining-balance method, with the exception of buildings (excluding equipment installed in buildings), and facilities attached to buildings and structures acquired on or after April 1, 2016, which are depreciated by the straight-line method.  
Estimated useful lives of major items are as follows:  
Buildings: 6–50 years  
Others: 3–20 years
  - Intangible fixed assets (excluding leases)  
Intangible fixed assets are amortized by the straight-line method. Software for internal use is amortized over its estimated useful life (mainly 5 years).
- Standards for translating foreign currency assets and liabilities into yen  
Foreign currency assets and liabilities are translated into Japanese yen at the exchange rate prevailing at the balance sheet date.
- Standards for calculating reserves
  - Provision for bonus payments  
To provide for the payment of bonuses, our Company sets aside a reserve for bonuses for employees in the amount of the estimated bonuses attributable to the fiscal year under review.
  - Provision for retirement benefits  
To provide for the payment of retirement benefits to employees (including executive officers), reserves necessary at the end of the fiscal year under review are recorded to cover such benefits, based on estimates of the retirement benefit obligations.
  - Provision for directors' retirement benefits  
To provide for the payment of retirement benefits for directors and corporate auditors, the portion of the total of such benefits that have accrued through the end of the fiscal year under review is set aside as a reserve.
- Accounting for consumption taxes  
National and regional consumption taxes are accounted for using the net-of-tax method.

### Notes to Accounting Items

#### (Balance Sheets)

- The full amount of loans is outstanding to the government of Japan or its affiliated agencies.
- Assets pledged as collateral are as follows.  
Assets pledged as collateral  
Loans and bills discounted ¥202,511 million  
Debt corresponding to collateralized assets  
The above is collateral for overdraft transactions with the Bank of Japan, and there is no outstanding balance of corresponding liabilities as of the end of fiscal year under review.  
In addition to the above, collateral for exchange settlement and other transactions has been presented in the form of securities amounting to ¥1,301 million.  
Other assets include CCP guarantee deposits of ¥27,900 million and deposits of ¥701 million.
- Overdraft contracts provide for making loans up to a specified limit, provided there are not violations of the provision of contracts, when loan requests are received from customers. The unexercised balance of loan commitments under these contracts is ¥2,331,000 million, and contract terms are 1 year or less for the full amount.  
Note that, since most of these contracts terminate without requests for overdrafts, the unexercised balance of loan commitments under these contracts will not necessarily have an effect on the cash flow. Many of these contracts incorporate provisions that allow our Company to reject the loan or reduce the maximum loan amount accepted if financial conditions change, claims need to be protected, or there are any other reasonable grounds. If necessary, real estate, securities and other collateral will be required at the time of contract, and even after the contract is concluded, the business conditions of customers are periodically monitored based on predetermined internal procedures, and contracts are reviewed and credit protection measures are taken as necessary.
- Accumulated depreciation of tangible fixed assets: ¥1,691 million
- The principal amount of trusts with principal-guaranteed features is ¥508,741 million in money trusts.
- Total monetary claims on affiliates: ¥70 million
- Our Company has accepted limitations on dividends of the surplus as prescribed by Article 18 of the Banking Act.  
Notwithstanding the provision of Article 445 (4) (Amounts of Stated Capital and Amounts of Reserves) of the Companies Act, in the case where we pays dividends from the surplus, it records an amount equivalent to one-fifth of the amount of the deduction from the surplus as a result of the payment of such dividends of the surplus, as legal retained earnings.  
Legal retained earnings related to the dividends from surplus recorded were ¥524 million for the fiscal year under review.

#### (Statements of Income)

- The negative figures for interest on loans, call loans and call money were due to the execution of transactions with a negative interest rate resulting in negative figures on a net amount basis.  
The negative figures for interest and dividends on securities were due to the acquisition cost of securities exceeding a redemption price in total amount. The negative figure for interest on due from banks is due to the fact that as a consequence of the application of negative interest rates to Bank of Japan current deposits, interest on deposits with the Bank of Japan became negative on a net amount basis.
- Other extraordinary profit was profit/loss on transfer due to the company split executed as of July 1, 2018.
- Income related to transactions with affiliates  
Total income from trust transactions: ¥17 million  
Total income from fees and commissions: ¥1,302 million  
Expenses related to transactions with affiliate  
Total expenses related to other businesses and other ordinary transactions: ¥215 million

#### (Statements of Changes in Net Assets)

- Types and total number of shares issued

(Thousand shares)

	Total number outstanding at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Remarks
Common stock	1,000	-	-	1,000	

- Dividends

#### (1) Dividends paid during the fiscal year

Date of decision	Type of shares	Total dividends	Dividends per share	Record date	Effective date
June 14, 2018 Ordinary General Meeting of Shareholders	Common stock	¥100 million	¥100	March 31, 2018	June 15, 2018
Taken on September 27, 2018 based on Article 319-1 of the Companies Act	Common stock	¥2,521 million	¥2,521	-	September 28, 2018



- (2) Of dividends for which the record date belongs to the fiscal year under review, none applies to those whose effective date is after the last day of the fiscal year under review.
- (Financial Instruments)
1. Matters related to the status of financial instruments
- (1) Policy on financial instruments
- Dedicated to the asset administration business, our Company, based on the principle of risk controls, owns financial liabilities including liquid deposits and due to trust accounts, and financial assets including loans to the Japanese government and government agencies and bonds guaranteed by the government on investment.
- In financing and investment, we conduct appropriate management according to the risk of each financial instrument, while paying attention to various risk factors.
- (2) Types of contents and risks associated with financial instruments
- The main financial assets held by our Company are loans to the Government of Japan and relevant Japanese government agencies and securities such as bonds held for the purpose of the pledge of collateral for settlement. These financial assets are exposed to the risk of a decline in or complete loss of asset values due to a deterioration in the financial condition of the borrowers or issuers (credit risk) and the risk of a decline in asset values due to changes in interest rates (market risk).
- Financial liabilities are primarily funded by liquid deposits and due to trust accounts. These financing methods entail the risk of incurring losses due to the inability to secure sufficient funds to cover financial obligations because of a deterioration in our Company's financial condition or in cases where funds are procured at interest rates that are much higher than normal (liquidity risk).
- As financial liberalization and globalization continue to advance, our Company's financial assets and liabilities are becoming more diverse and complex, and our Company is exposed to a variety of risks, including credit, market, and liquidity risks.
- (3) Risk management relating to financial instruments
- (i) Risk management initiatives
- As a trust bank specializing in asset administration, our Company operates based on risk mitigation.
- To increase corporate value while ensuring the soundness and safety of management, our Company is working to improve its risk management system, recognizing that appropriate management and control of risks according to the nature of its business and risks is one of the top-priority management issues.
- The Board of Directors of our Company has established the Basic Policy for Risk Management, which clearly defines various risks, develops a management system and human resources to carry out appropriate risk management, and audits the effectiveness and appropriateness of the management system. In accordance with this basic policy, our Company is working to strengthen the risk management by utilizing a variety of techniques to enhance risk controls.
- (ii) Integrated risk management
- Our Company classifies the risks of various financial assets and liabilities held by our Company under exposure by risk factors such as Credit Risk, Market Risk, Liquidity Risk, and Operational Risk, and manages them according to the characteristics of each risk.
- In addition to risk management of individual risks, there is an integrated risk management system, where risks are identified and assessed as a whole, and appropriate measures are taken as needed from both qualitative and quantitative perspectives to control risks to the extent tolerated by our business.
- (iii) Credit risk management
- To control losses incurring from actualization of credit risk, our Company implements Credit Management which manages processes from the execution to collection of credit by transaction type based on an investigation of counterparts' credit status.
- At our Company, the Board of Directors makes important credit risk decisions according to the "Basic Policy for Credit Risk Management." In addition, the ALM Committee deliberates and adjusts the basic policy on credit risk, matters concerning the operation of our Company, and credit risk monitoring. The Risk Management Department, under the supervision of the officer in charge of the Risk Management Department, is responsible for planning and promoting basic matters related to the credit risk management.
- Credit risks are managed based on the internal credit rating system, and individual credit limits are set and managed at the decision of a reviewing department every six months in principle. Individual credit limits are determined by examining the upper limit of on-balance sheet transactions in accordance with the credit operation policy. In addition, the Internal Audit Department is established as an internal auditing division independent from the operation divisions to strengthen the check-and-balance function.
- (iv) Market risk management
- At our Company, the Board of Directors makes important market risk decisions according to the "Basic Policy for Market Risk Management." In addition, the ALM Committee deliberates and coordinates the basic ALM policies, risk plans, market risk management matters, and emergency response in the event of a sudden change in the markets.
- The officer in charge of the Risk Management Department is responsible for the overall planning and management of market risk controls. The Risk Management Department is responsible for monitoring, reporting, analysis, recommendation, and setting various limits on market risks, and carries out planning and promotion related to market risk management. The Risk Management Department is responsible for assessing our Company's risk situation and it provides daily report to the President and regular reports to the Board of Directors, etc.
- Various limits are set to control market risks. Although our Company does not engage in any trading activities, the banking operations set position limits using a warning point against losses, interest rate sensitivity, etc.
- Regarding the market operations, the middle office (Risk Management Department) has been established independent from the front office (market division) and the back office (administrative management division), creating a structure based on mutual checks and balances. According to the actual transaction, the middle office manages BPV (base point value) and other risk indicators, and offers meticulous risk management assuming a time of stress.
- (v) Market risk situation
- Our Company has also established the "Basic Policy for Market Risk Management," which stipulates that operations are limited to mainly customer transactions, and aims for safe and reliable management accordingly.
- In our Company, the interest rate risk, which is a major market risk, affects mainly government guaranteed bonds and other financial instruments. At our Company, the Risk Management Department calculates BPV for these financial instruments on a daily basis and monitors compliance with a predetermined upper limit. As of March 31, 2019, BPV for financial instruments held by our Company was ¥45 million.
- (vi) Liquidity risk controls on financing
- Our Company's liquidity risk management structure is basically the same as that of the market risk management structure "(iv) Market risk management." In addition, our Treasury Department carries out practical operations of assessing and adjusting the status of cash flow management, as well as planning and promotion of cash flow management. Updates on cash flow situations are reported to the ALM Committee and the President.
- In measuring liquidity risk, upper limits on financing from the market and other cash flow-related indicators are used. Limits, etc. on liquidity risk are discussed and adjusted by the ALM Committee. Furthermore, we have established the categories, "times of normality," "time of concern" and "time of crisis," depending on cash flow conditions and the response measures in "time of concern" and "time of crisis." In addition, there is a structure in place capable of promptly responding in the "time of emergency" that affects our Company's cash flow.
- (4) Supplementary explanation of fair value of financial instruments
- The fair value of financial instruments is based on the market price of such instruments, but, when market prices are not available, prices based on reasonable estimates are reported. Since these estimates involve certain assumptions, in cases where assumptions are subject to change, the value of assets may also change.

2. Fair values of financial instruments

The differences between the carrying amounts on the balance sheets and fair values, as of March 31, 2019, are shown below. Unlisted stocks and others where it is extremely difficult to obtain the fair value are not included (refer to Note 2). (¥ million)

	Balance sheet amount	Fair value	Difference
(1) Cash and due from banks	5,376,063	5,376,063	-
(2) Securities			
Available-for-sale securities	294,862	294,862	-
(3) Loans and bills discounted	709,241	709,241	-
Total assets	6,380,166	6,380,166	-
(1) Deposits	2,274,797	2,274,797	-
(2) Call money	759,025	759,025	-
(3) Due to trust accounts	3,373,660	3,373,660	-
Total liabilities	6,407,483	6,407,483	-

# Financial Statements

(Note 1) Calculation of the fair value of financial instruments

## Assets

### (1) Cash and due from banks

Regarding due from banks without maturity, since the fair value closely approximates the book value, the book value is recorded as the fair value.

Regarding due from banks with maturity, as the deposit period is short (one year or less), and the fair value approximates the book value, the book value is recorded as the fair value.

### (2) Securities

Bonds shall be the price of the exchange. Notes on securities for each holding purpose are included in "(Securities)."

### (3) Loans and bills discounted

Since the execution period is short (1 year or less), loans and bills discounted are made to the Japanese government or the Japanese government agencies, and the fair value approximates to the book value, the book value is recorded as the fair value.

## Liabilities

### (1) Deposits

Since all are demand deposits, the payment amount in the event of a demand at the end of the period (book value) is deemed as the fair value.

### (2) Call money

Since the execution period is short (1 year or less), and the fair value approximates to the book value, the book value is recorded as the fair value.

### (3) Due to trust accounts

Since the amount equals the demand deposits, the payment amount in the event of a demand at the end of the period (book value) is deemed as the fair value.

(Note 2) The balance sheet amounts of financial instruments where it is recognized as being extremely difficult to determine their respective fair values are as follows, and they are not included in "Assets, (2) Available-for-sale-securities" in the fair value information of financial instruments.

(¥ million)	
Category	Balance sheet amount
Unlisted stocks	442
Unlisted foreign securities	3
Total	445

\* Because of the absence of market value quotes for these securities, their fair value is difficult to determine, and their fair value is not disclosed.

(Note 3) Redemption schedule of monetary claims and securities with maturity dates after the closing day (¥ million)

	One year or less	Over two years to three years or less	Over three years to five years or less	Over five years to seven years or less	Over seven years to ten years or less	Over ten years
Due from banks	5,366,060	-	-	-	-	-
Securities						
Available-for-sale-securities with maturities	121,161	137,823	34,934	-	-	-
Loans and bills discounted	709,228	-	-	-	-	-
Total	6,196,450	137,823	34,934	-	-	-

(Note 4) Repayment schedule of deposits and other interest-bearing debt after the date of account settlement (¥ million)

	One year or less	Over two years to three years or less	Over three years to five years or less	Over five years to seven years or less	Over seven years to ten years or less	Over ten years
Deposits	2,274,797	-	-	-	-	-
Call money	795,025	-	-	-	-	-
Due to trust accounts	3,373,660	-	-	-	-	-
Total	6,407,483	-	-	-	-	-

\* Demand deposits and due to trust accounts equivalent to demand deposits are included in the "1 year or less" category.

## (Securities)

Negotiable certificate of deposits in "Due from banks" are included in addition to "Government bonds," "Local government bonds," and "Corporate bonds."

Available-for-sale-securities (as of March 31, 2019)

	Type of company	Balance sheet amount (¥1 million)	Acquisition cost (¥1 million)	Difference (¥1 million)
Those with the balance sheet amount exceeding the acquisition cost	Bonds			
	Regional government bonds	42,641	42,621	19
	Corporate bonds	153,459	153,417	41
	Subtotal	196,100	196,039	60
Those with a balance sheet amount not exceeding the acquisition cost	Bonds			
	Government bonds	1,301	1,301	Δ 0
	Regional government bonds	5,160	5,161	Δ 0
	Corporate bonds	92,299	92,309	Δ 9
	Others	59,000	59,000	-
Subtotal		157,762	157,772	Δ 10
Total		353,862	353,812	50

## (Tax Effect Accounting Items)

The breakdown of factors accounting for the accrual of deferred tax assets and liabilities is as follows.

### Deferred tax assets

Asset retirement obligations	¥122 million
Provision for retirement benefits and provision for directors' retirement benefits	77
Accrued business tax and accrued business office tax	71
Provision for bonus payments	32
Others:	41

Total deferred tax assets 346

### Deferred tax liabilities

Tangible fixed assets	89
Valuation difference on available for sale securities	15
Total deferred tax liabilities	105
Net deferred tax assets	¥240 million

## (Transactions with Related Parties)

## 1. Parent company and major corporate shareholders

(¥ million)

Type of company	Name of company	Percentage ownership	Relationship with related party	Type of transactions	Transaction amount (Note 2)	Accounting item	Balance at end of period
Other affiliated company	The Dai-ichi Life Insurance Company, Limited	Owned Directly 16%	Entrustment of securities accounting office work, etc.	Entrustment of securities accounting office work, etc. (Note 1)	1,206	Accrued income	285

As the Dai-ichi Life Insurance Company, Limited ceased to fall under the category of a related party during the fiscal year under review, the transaction amount during the period when it fell under the category of a related party is shown, and the ratio of voting rights owned and the balance at the end of the period are the ratio and balance as of the end of the same period.

Terms of transactions and the decision policies, etc.

Note 1: Commission for entrustment of securities accounting office work, etc. is determined based on the commission rate specified by our Company.

Note 2: The transaction amount does not include consumption tax. The balance at the end of the period includes consumption tax, etc.

## 2. Subsidiaries and affiliates, etc. None

## 3. Other companies with indirect capital affiliation

(¥ million)

Type of company	Name of company	Percentage ownership	Relationship with related party	Type of transactions	Transaction amount (Note 4)	Accounting item	Balance at end of period
Subsidiary of the parent company	Mizuho Trust & Banking Co., Ltd.	None	Trusted with re-trusts, etc. Concurrent appointment of officers	Trusted with re-trusts, etc. (Note 1) Company split (Note 2)	5,621 625	Suspense receipt	7,265
Subsidiary of the parent company	Mizuho Trust Systems Company, Limited	None	Outsourcing of system operation and software development	Outsourcing of system operation Outsourcing of software development (Note 3)	1,924 6,935	- -	- -

As Mizuho Trust & Banking Co., Ltd. and Mizuho Trust Systems Company, Limited, ceased to fall under the category of a related party during the fiscal year under review, the transaction amount during the period when it fell under the category of a related party is shown, and the balance at the end of the period is the balance as of the end of the same period.

Terms of transactions and the decision policies, etc.

Note 1: Fiduciary fees, etc. for re-trusts and other trusts are negotiated and determined based on consideration calculated by Our Company.

Note 2: Considerations for the company split are determined based on a reasonable amount agreed upon with the parties. Regarding the company split, refer to 2. Business Divestitures in [Business combination and divestitures].

Note 3: Prices, etc. for the entrusted system operation and software development are negotiated and determined based on the consideration calculated by Mizuho Trust Systems Company, Limited

Note 4: The transaction amount does not include consumption tax. The balance at the end of the period includes consumption tax, etc.

## 4. Directors and other individual shareholders None

(Per share information)

Net assets per share: ¥59,479.00

Net income per share: ¥939.04

## (Business combination and divestitures)

## 1. Business Combinations

Our Company and Japan Trustee Services Bank, Ltd. (hereinafter, "JTSB") merged on October 1, 2018 through a joint share transfer. Overview of Business Combinations

## (1) Names of companies engaged in business combination and the contents of business

JTSB: Trust banking

Our Company: Trust banking

## (2) Main purpose of business combination

The purpose of the business combination was to contribute to the further development of the domestic securities settlement market and the enhancement of a Japanese investment chain. This can be done by combining the management resources and know-how of our Company and JTSB in asset administration operations, achieving stable and high-quality operations, and strengthening system development capabilities through pursuing the economies of scale.

## (3) Date of business combination

October 1, 2018

## (4) Legal form of business combination

Establishment of a holding company through joint share transfer

## (5) Name of company after business combination

JTC Holdings, Ltd.

## 2. Business Divestitures

On July 1, 2018, in anticipation of the aforementioned business merger with JTSB, our Company and Mizuho Trust & Banking Co., Ltd. made a business transfer through a corporate split.

## (1) Overview of Business Divestitures

## (i) Name of company after business divestiture

Mizuho Trust &amp; Banking Co., Ltd.

## (ii) Contents of split business

Trust service business (excluding those pertaining to re-trusts from other companies and defined contribution pensions)

Custody service business (excluding foreign bank agency business)

Securities lending service business (excluding those related to trust service business)

Collateral management service business for over-the-counter derivatives transactions

## (iii) Main reasons for business divestiture

Businesses were transferred by the company split for the purpose of consolidating solution functions for the asset administration in <Mizuho> to Mizuho Trust & Banking Co., Ltd.

## (iv) Date of business divestiture

July 1, 2018

## (v) Matters related to an overview of other transactions including legal forms

Absorption-type company split in which the considerations received are limited to cash or other assets

## (2) Overview of accounting processing implemented

## (i) Amount of gain or loss on transfer

¥625 million

## (ii) Appropriate book value of the assets and liabilities pertaining to the transferred business and the major breakdown thereof

There were no assets or liabilities transferred in this case.

## (iii) Accounting processing

As no assets or liabilities were transferred as a result of the company split, the full amount received as consideration was recognized as transfer gain or loss and recorded as extraordinary profit.

## (3) Estimated profit or loss pertaining to the divested business recorded in the statements of income for the fiscal year under review

Ordinary income ¥620 million

Ordinary profit ¥12 million

# Financial Statements | Income Summary

## Confirmation Statement from Management

I have confirmed that the financial statements (balance sheets, statements of income, and statements of changes in net assets) for the 19th term, covering the period from April 1, 2018 to March 31, 2019, are presented appropriately and that the internal auditing related to the preparation of these financial statements functioned effectively.

July 11, 2019

Trust & Custody Services Bank, Ltd.  
**Nobumitsu Watanabe,**  
 President & CEO

## Auditors' Statement

The Company has been audited by independent accounting firm KPMG AZSA LLC in accordance with Paragraph 1, Article 396 of the Companies Act, and received the Audit Report indicating that all material items pertaining to assets and income have been presented appropriately in the documents prepared pursuant to the provisions of Paragraph 1, Article 20 of the Banking Act.

## Gross Profits

	FY2016			FY2017			FY2018		
	Domestic Business Division	Global Business Division	Total	Domestic Business Division	Global Business Division	Total	Domestic Business Division	Global Business Division	Total
Fiduciary fees	11,165	-	11,165	11,425	-	11,425	12,431	-	12,431
Net interest income	△ 184	△ 0	△ 184	△ 1,866	2	△ 1,864	△ 1,809	15	△ 1,793
Interest income	(-)	(0)		(-)	(△0)		(-)	(△ 0)	
	△ 153	0	△ 152	△ 1,874	4	△ 1,869	△ 2,096	17	△ 2,079
Interest expenses	(0)	(-)		(△ 0)	⊥		(△ 0)	(-)	
	31	1	32	△ 7	2	△ 5	△ 287	1	△ 285
Net fees and commissions	11,584	△ 892	10,692	13,488	△ 1,127	12,360	14,020	△ 1,661	12,359
Fees and commissions	12,296	146	12,442	14,151	159	14,311	14,676	70	14,746
Fees and commissions expenses	711	1,038	1,749	663	1,286	1,950	655	1,731	2,387
Other net operating income	△ 1	6	5	-	10	10	-	△ 2	△ 2
Other operating income	-	6	6	-	10	10	-	-	-
Other operating expenses	1	-	1	-	-	-	-	2	2
Gross profits	22,564	△ 885	21,678	23,046	△ 1,114	21,932	24,642	△ 1,648	22,993
Gross margin ratio	0.30%	△ 12.50%	0.29%	0.17%	△15.65%	0.16%	0.25%	△25.60%	0.24%

- Notes:
1. Domestic operations are denominated in Japanese yen, and global operations are denominated in foreign currencies. However, yen-denominated non-resident transactions are included in global operations.
  2. The upper figures of "Interest income" and "Interest expenses" refer to interest on loans between the Domestic Business Division and the Global Business Division.
  3. Gross margin ratio = Gross profits / Average balance of investment management account × 100

## Average Balance of Interest Income and Capital Finance Accounts

	FY2016			FY2017			FY2018		
	Average Balance	Interest	Yield	Average Balance	Interest	Yield	Average Balance	Interest	Yield
(¥ million)									
<Domestic Business Division>									
Investment management account	(-)	(-)		(-)	(-)		(-)	(-)	
	7,377,623	△ 153	△0.00%	13,376,988	△1,874	△0.01%	9,521,693	△2,096	△0.02%
Loans and bills discounted	1,451,829	△ 65	△0.00%	6,251,509	△1,044	△0.01%	3,695,423	△ 639	△0.01%
Securities	220,827	185	0.08%	234,912	32	0.01%	297,950	△ 10	△0.00%
Call loans	3,207,187	△ 772	△0.02%	3,950,665	△ 955	△0.02%	1,262,178	△ 340	△0.02%
Due from banks	2,497,778	499	0.02%	2,939,901	93	0.00%	4,266,140	△1,106	△0.02%
Capital finance accounts	(6,948)	(0)		(6,964)	(△ 0)		(6,252)	(△ 0)	
	7,506,861	31	0.00%	13,500,565	△ 7	△0.00%	9,607,617	△ 287	△0.00%
Deposits	3,570,902	33	0.00%	9,258,007	17	0.00%	4,275,514	2	0.00%
Negotiable certificate deposit	500,000	4	0.00%	750,684	3	0.00%	165,753	0	0.00%
Call money	254,648	△ 26	△0.01%	150,957	△ 34	△0.02%	1,807,762	△ 292	△0.01%
Borrowings	-	-	-	-	-	-	-	-	-
<Global Business Division>									
Investment management account	(6,948)	(0)		(6,964)	(△ 0)		(6,252)	(△ 0)	
	7,083	0	0.01%	7,114	4	0.06%	6,436	17	0.27%
Loans and bills discounted	-	-	-	-	-	-	-	-	-
Securities	4	-	-	4	-	-	3	-	-
Call loans	-	-	-	-	-	-	-	-	-
Due from banks	-	-	-	-	-	-	-	-	-
Capital finance accounts	(-)	(-)		(-)	(-)		(-)	(-)	
	988	1	0.11%	917	2	0.24%	164	1	1.08%
Deposits	-	-	-	-	-	-	-	-	-
Negotiable certificate deposit	-	-	-	-	-	-	-	-	-
Call money	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-
<Total>									
Investment management account	7,377,758	△ 152	△ 0.00%	13,377,138	△ 1,869	△ 0.01%	9,521,877	△2,079	△ 0.02%
Loans and bills discounted	1,451,829	△ 65	△ 0.00%	6,251,509	△ 1,044	△ 0.01%	3,695,423	△639	△ 0.01%
Securities	220,831	185	0.08%	234,917	32	0.01%	297,953	△ 10	△ 0.00%
Call loans	3,207,187	△ 772	△0.02%	3,950,665	△ 955	△0.02%	1,262,178	△ 340	△ 0.02%
Due from banks	2,497,778	499	0.02%	2,939,901	93	0.00%	4,266,140	△1,106	△ 0.02%
Capital finance accounts	7,500,900	32	0.00%	13,494,518	△ 5	△0.00%	9,601,528	△ 285	△ 0.00%
Deposits	3,570,902	33	0.00%	9,258,007	17	0.00%	4,275,514	2	0.00%
Negotiable certificate deposit	500,000	4	0.00%	750,684	3	0.00%	165,753	0	0.00%
Call money	254,648	△ 26	△0.01%	150,957	△ 34	△0.02%	1,807,762	△ 292	△ 0.01%
Borrowings	-	-	-	-	-	-	-	-	-

Notes: 1: The investment management account is after deducting the average balance of noninterest due from banks (¥16 million in FY2016, ¥18 million in FY2017, and ¥16 million in FY2018).  
2: The figure inside the bracket shows the average balance and interest on loans between the Domestic Business Division and the Global Business Division.

# Income Summary

## Increase or Decrease in Interest Income and Expenses

	FY2016			FY2017			FY2018		
	Increase or decrease by balance	Increase or decrease by rate of interest	Net increase or decrease	Increase or decrease by balance	Increase or decrease by rate of interest	Net increase or decrease	Increase or decrease by balance	Increase or decrease by rate of interest	Net increase or decrease
(& million)									
<Domestic Business Division>									
Interest income	Δ 103	Δ 2,297	Δ 2,400	Δ 840	Δ 880	Δ 1,720	Δ 2,197	1,974	Δ 222
Loans and bills discounted	Δ 62	Δ 54	Δ 116	Δ 802	Δ 176	Δ 979	426	Δ 20	405
Securities	Δ 107	Δ 27	Δ 134	1	Δ 155	Δ 153	Δ 2	Δ 40	Δ 42
Call loans	Δ 646	Δ 409	Δ 1,055	Δ 179	Δ 3	Δ 183	646	Δ 31	614
Due from banks	205	Δ 1,300	Δ 1,094	14	Δ 419	Δ 405	Δ 343	Δ 856	Δ 1,200
Interest expenses	21	Δ 1,044	Δ 1,023	Δ 3	Δ 35	Δ 39	196	Δ 476	Δ 279
Deposits	32	0	32	10	Δ 26	Δ 15	Δ 5	Δ 9	Δ 14
Negotiable certificate deposit	Δ 5	Δ 379	Δ 384	1	Δ 2	Δ 1	Δ 1	Δ 1	Δ 3
Call money	186	Δ 758	Δ 572	Δ 40	32	Δ 8	Δ 264	7	Δ 257
Borrowings	-	-	-	-	-	-	-	-	-
<Global Business Division>									
Interest income	Δ 0	Δ 5	Δ 5	0	3	3	Δ 0	13	12
Loans and bills discounted	-	-	-	-	-	-	-	-	-
Securities	-	-	-	-	-	-	-	-	-
Call loans	-	-	-	-	-	-	-	-	-
Due from banks	-	-	-	-	-	-	-	-	-
Interest expenses	Δ 0	0	Δ 0	Δ 0	1	1	Δ 1	1	Δ 0
Deposits	-	-	-	-	-	-	-	-	-
Negotiable certificate deposit	-	-	-	-	-	-	-	-	-
Call money	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-
<Total>									
Interest income	Δ 102	Δ 2,299	Δ 2,402	Δ 838	Δ 878	Δ 1,717	Δ 1,886	1,677	Δ 209
Loans and bills discounted	Δ 62	Δ 54	Δ 116	Δ 802	Δ 176	Δ 979	426	Δ 20	405
Securities	Δ 107	Δ 27	Δ 134	1	Δ 155	Δ 153	Δ 2	Δ 40	Δ 42
Call loans	Δ 646	Δ 409	Δ 1,055	Δ 179	Δ 3	Δ 183	646	Δ 31	614
Due from banks	205	Δ 1,300	Δ 1,094	14	Δ 419	Δ 405	Δ 343	Δ 856	Δ 1,200
Interest expenses	21	Δ 1,040	Δ 1,019	Δ 2	Δ 35	Δ 37	195	Δ 474	Δ 279
Deposits	32	0	32	10	Δ 26	Δ 15	Δ 5	Δ 9	Δ 14
Negotiable certificate deposit	Δ 5	Δ 379	Δ 384	1	Δ 2	Δ 1	Δ 1	Δ 1	Δ 3
Call money	186	Δ 758	Δ 572	Δ 40	32	Δ 8	Δ 264	7	Δ 257
Borrowings	-	-	-	-	-	-	-	-	-

Note: Parts where the increase/decrease factor overlap between the balance and interest rate are prorated according to their respective proportion of change.

# Business Summary

## Average Balance by Type of Deposit

	FY2016	FY2017	(¥ million) FY2018
<Domestic Business Division>			
Deposits	3,570,902	9,258,007	4,275,514
Liquid deposit	3,526,281	9,209,262	4,227,437
Time and savings deposit	-	-	-
Other deposits	44,620	48,744	48,077
Negotiable certificate deposit	500,000	750,684	165,753
<Global Business Division>			
Deposits	-	-	-
Liquid deposit	-	-	-
Time and savings deposit	-	-	-
Other deposits	-	-	-
Negotiable certificate deposit	-	-	-
<Total>			
Deposits	3,570,902	9,258,007	4,275,514
Liquid deposit	3,526,281	9,209,262	4,227,437
Time and savings deposit	-	-	-
Other deposits	44,620	48,744	48,077
Negotiable certificate deposit	500,000	750,684	165,753

Notes: 1. Liquid deposits = Current deposits + Ordinary deposits + Saving deposits + Deposits at notice  
 2. Time and savings deposit = Time deposit

## Average Balance by Loan Item

	FY2016	FY2017	(¥ million) FY2018
<Domestic Business Division>			
Loan of bill	-	-	-
Loans on deeds	1,450,059	6,233,391	3,678,143
Overdraft	1,770	18,117	17,279
Discounted bill	-	-	-
Total	1,451,829	6,251,509	3,695,423
<Global Business Division>			
Loan of bill	-	-	-
Loans on deeds	-	-	-
Overdraft	-	-	-
Discounted bill	-	-	-
Total	-	-	-
<Total>			
Loan of bill	-	-	-
Loans on deeds	1,450,059	6,233,391	3,678,143
Overdraft	1,770	18,117	17,279
Discounted bill	-	-	-
Total	1,451,829	6,251,509	3,695,423

# Business Summary

## Balance of Loans by Average Life

	FY2016	FY2017	(¥ million) FY2018
1 year or less	4,508,796	6,209,728	709,241
Floating interest rate	-	-	-
Fixed interest rate	4,508,796	6,209,728	709,241
Total	4,508,796	6,209,728	709,241
Floating interest rate	-	-	-
Fixed interest rate	4,508,796	6,209,728	709,241

## Breakdown of Loans by Collateral

	FY2016	FY2017	(¥ million) FY2018
Securities	-	-	-
Claims	-	-	-
Commodities	-	-	-
Real estate	-	-	-
Guarantees	37,500	197,699	110,000
Credits	4,471,296	6,012,029	599,240
Total	4,508,796	6,209,728	709,241

## Balance of Guarantee of Obligation (Acceptances and Guarantees)

None

## Balance of Loans by Purpose

	FY2016	FY2017	(¥ million) FY2018
Capital fund	-	-	-
Working capital	4,508,796	6,209,728	709,241
Total	4,508,796	6,209,728	709,241

## Balance of Loans by Industry

	FY2016		FY2017		(¥ million, %) FY2018	
	Balance	Composition ratio	Balance	Composition ratio	Balance	Composition ratio
Financial and Insurance	37,500	0.83	197,699	3.18	110,000	15.51
Various services	-	-	140,612	2.26	74,000	10.43
Government, etc.	4,471,296	99.17	5,871,417	94.55	525,240	74.06
Total	4,508,796	100.00	6,209,728	100.00	709,241	100.00

## Balance of Loans to SME

None

## Risk-monitored Loans (Status of Loans to Bankrupt Borrowers, Delinquent Loans, Loans Past Due 3 Months or More, and Restructured Loans)

None



## Balance of Disclosed Claims under the Ordinance for Enforcement of the Financial Revitalization Act

	FY2016	FY2017	(¥ million) FY2018
Ordinary loans	4,508,799	6,209,728	709,241
Total	4,508,799	6,209,728	709,241

Note: None applies to bankrupt and substantially bankrupt claims, doubtful claims, and substandard claims.

## Balance of Specific Foreign Claims

None

## Write-off of Loans

None

## Breakdown of Allowance for Loan Losses

None

## Average Balance of Securities

	FY2016	FY2017	(¥ million) FY2018
<Domestic Business Division>			
Government bonds	2,431	548	1,365
Regional government bonds	-	-	30,596
Short-term bonds	-	-	-
Corporate bonds	217,954	233,921	265,546
Stocks	442	442	442
Other securities	-	-	-
Total	220,827	234,912	297,950
<Global Business Division>			
Government bonds	-	-	-
Regional government bonds	-	-	-
Short-term bonds	-	-	-
Corporate bonds	-	-	-
Stocks	-	-	-
Other securities	4	4	3
Foreign stocks	4	4	3
Foreign bonds	-	-	-
Total	4	4	3
<Total>			
Government bonds	2,431	548	1,365
Regional government bonds	-	-	30,596
Short-term bonds	-	-	-
Corporate bonds	217,954	233,921	265,546
Stocks	442	442	442
Other securities	4	4	3
Foreign stocks	4	4	3
Foreign bonds	-	-	-
Total	220,831	234,917	297,953

# Business Summary

## Balance of Securities by Average Life

	FY2016	FY2017	(¥ million) FY2018
Government bonds			
1 year or less	-	2,601	1,301
Over one year to three years or less	-	-	-
Over three years to five years or less	-	-	-
Over five years to seven years or less	-	-	-
Over seven years to ten years or less	-	-	-
Over ten years	-	-	-
Total	-	2,601	1,301
Regional government bonds			
1 year or less	-	-	3,573
Over one year to three years or less	-	-	12,138
Over three years to five years or less	-	-	32,089
Over five years to seven years or less	-	-	-
Over seven years to ten years or less	-	-	-
Total	4	4	47,802
Short-term bonds			
Total	-	-	-
Corporate bonds			
1 year or less	160,411	50,969	116,449
Over one year to three years or less	28,087	209,917	126,234
Over three years to five years or less	-	-	3,075
Over five years to seven years or less	-	-	-
Over seven years to ten years or less	-	-	-
Total	188,499	260,886	245,759
Stocks			
Those with no prescribed period	442	442	442
Total	442	442	442
Other securities			
Those with no prescribed period	4	3	3
Total	4	3	3
Foreign stocks			
Those with no prescribed period	4	3	3
Total	4	3	3
Foreign bonds			
Total	-	-	-

## Initiatives to Improve the Management of SMEs and Revitalize Local Communities

As a trust bank specializing in asset administration, we provide clients with services dedicated to asset administration based on the Corporate Strategy to "Transform asset administration operations into strategic products and comprehensive asset administration services." Due to our operational characteristics, we currently do not provide loans for business funds to companies, including small and medium-sized enterprise customers, or for customers who wish to use housing loans. For this reason, there are no direct activities taken to improve the business of SMEs and revitalize local communities.

# Fair Value Information, Etc.

## Fair Values of Securities and Money in Trust

### Securities

Negotiable certificate of deposits in "due from banks" is included in addition to "government bonds," "corporate bonds," "stocks," and "other securities" in the balance sheet.

#### 1. Available-for-sale-securities

								(¥ million)		
Type		FY2016			FY2017			FY2018		
		Balance sheet amount	Acquisition cost	Difference	Balance sheet amount	Acquisition cost	Difference	Balance sheet amount	Acquisition cost	Difference
Those with the balance sheet amount exceeding the acquisition cost	Bonds									
	Regional government bonds	-	-	-	-	-	-	42,641	42,621	19
	Corporate bonds	88,811	88,772	39	-	-	-	153,459	153,417	41
	Subtotal	88,811	88,772	39	-	-	-	196,100	196,039	60
Those with a balance sheet amount not exceeding the acquisition cost	Bonds									
	Government bonds	-	-	-	2,601	2,601	Δ 0	1,301	1,301	Δ 0
	Regional government bonds	-	-	-	-	-	-	5,160	5,161	Δ 0
	Corporate bonds	99,687	99,699	Δ 12	260,886	261,031	Δ 145	92,299	92,309	Δ 9
	Others	115,000	115,000	-	100,000	100,000	-	59,000	59,000	-
	Subtotal	214,687	214,699	Δ 12	363,487	363,633	Δ 145	157,762	157,772	Δ 10
Total		303,499	303,472	26	363,487	363,633	Δ 145	353,862	353,812	50

Note: Amounts in the balance sheet are calculated using fair values as of the end of each fiscal year.

#### 2. Available-for-sale-securities sold during the fiscal year under review

		FY2017			FY2018		
		Sale amount	Total gains on sale	Total amount of loss on sale	Sale amount	Total gains on sale	Total amount of loss on sale
		(¥ million)					
		Type					
		Stocks					
		3	1	-	-	-	-
Total		3	1	-	-	-	-

Money in trust None

#### Valuation difference on available-for-sale securities

		FY2018		
		FY2016	FY2017	FY2018
		(¥ million)		
		Valuation difference		
		26	△ 145	50
		Available-for-sale-securities		
		26	△ 145	50
		Deferred tax assets (△ indicates deferred tax liabilities)		
		△ 8	44	△ 15
		Valuation difference on available-for-sale securities		
		18	△ 101	35

# Fair Value Information, Etc.

## Fair Values of Derivatives Transactions

### Derivative transactions for which hedge accounting is not applied

Regarding unhedged derivatives transactions, the amount of contract as of the closing date for each type of transaction item, or the amount of principal equivalent fair value and valuation gain or loss stipulated in the contract, and the calculation method for the corresponding fair value shall be as follows. Contract amount, etc. do not per se indicate the market risk of derivatives transactions.

#### 1. Interest-related Transactions      None

#### 2. Currency-related Transactions

Category	Type	FY2016				FY2017				(¥ million)			
		Contract amount, etc.	Contract amount, etc. exceeding one year	Fair value	Valuation of gain or loss	Contract amount, etc.	Contract amount, etc. exceeding one year	Fair value	Valuation of gain or loss	Contract amount, etc.	Contract amount, etc. exceeding one year	Fair value	Valuation of gain or loss
OTC	Exchange contract												
	Order to sell	-	-	-	-	184	-	0	0	-	-	-	-
	Order to buy	-	-	-	-	184	-	△ 0	△ 0	-	-	-	-
	Total	-	/	-	-	369	/	-	-	-	/	-	-

Notes: 1. Fair market valuation is conducted on the above transactions and a valuation of gain/loss is recorded in the statements of income.  
2. Fair value is calculated according to the forward exchange rates.

#### 3. Transactions related to stocks, bonds, trading and other derivatives transactions      None

## Domestic Exchange Transaction Volume

		FY2016	FY2017	(¥ million)
				FY2018
Outward exchange				
	Remittance and transfer	42,592,458	48,210,818	42,967,809
	Collection	-	-	-
Inward exchange				
	Remittance and transfer	36,641,900	43,148,123	39,071,430
	Collection	-	-	-
Total		79,234,358	91,358,941	82,039,239

## Foreign Exchange Transaction Volume

		FY2016	FY2017	(¥ million)
				FY2018
Outward exchange				
	Exchange sold	-	-	-
	Exchange bought	-	-	-
Inward exchange				
	Exchange payment	1,349	1,125	1
	Exchange for collection	-	-	-
Total		1,349	1,125	1

# Trust Business Summary

## Balance Table of Assets in Trust

	FY2016 (March 31, 2017)	FY2017 (March 31, 2018)	(¥ million) FY2018 (March 31, 2019)
(Assets)			
Loans and bills discounted	-	-	1,745,329
Securities	84,565,099	81,754,495	85,096,939
Government bonds	48,258,088	46,100,668	48,665,326
Regional government bonds	4,308,712	3,993,902	3,961,698
Short-term bonds	280,761	294,498	249,498
Corporate bonds	9,778,612	9,085,079	9,016,140
Stocks	10,520,801	10,427,681	10,420,289
Foreign securities	9,766,281	10,057,148	10,723,901
Other securities	1,651,843	1,795,516	2,060,085
Foreign securities in investment trusts	6,473,780	6,592,794	6,539,111
Interests in trusts	18,697,165	18,335,132	20,215,738
Trust securities	5,728,389	5,766,986	2,348,434
Monetary claims	731,203	765,826	6,707,694
Life insurance claims	395,664	419,689	444,220
Other monetary claims	335,538	346,137	6,263,473
Other claims	12,957,572	10,390,343	3,481,862
Call loans	663,774	851,857	6,875,014
Loans to banking account	3,511,928	3,598,948	3,373,660
Cash and due from banks	12,737,497	15,310,485	7,333,282
Due from banks	12,737,497	15,310,485	7,333,282
Total assets	146,066,410	143,366,870	143,717,067
(Liabilities)			
Designated money trusts	165	102	7,179,851
Corporate investment fund	65,557,646	61,517,057	51,234,267
Monetary trusts other than money in trust	316,855	592,615	541,748
Trust of securities	10,242,335	9,813,003	3,599,339
Composite trusts	69,949,406	71,444,091	81,161,859
Total liabilities	146,066,410	143,366,870	143,717,067

## Fiscal Year-end Balance of Trusts with Principal-guaranteed Features (including trusts that have been re-trusted for the investment of trust assets)

### Money trusts

	FY2016	FY2017	(¥ million) FY2018
(Assets)			
Others	654,342	639,533	508,741
Total net assets	654,342	639,533	508,741
(Liabilities)			
Principal	654,342	639,533	508,741
Others	0	0	0
Total liabilities	654,342	639,533	508,741

# Trust Business Summary

## Fiscal Year-end Balance of Money Trusts, Etc.

	FY2016	FY2017	(¥ million) FY2018
Money trusts	65,557,811	61,517,160	58,414,119

## Balance of Principal of Money Trusts, Etc. by Trust Period

	FY2016	FY2017	(¥ million) FY2018
Money trusts			
Less than 1 year	-	-	-
1 year or more to less than 2 years	57,161,478	53,807,714	50,373,000
2 years or more to less than 5 years	-	-	-
5 or more years	627,873	768,610	984,034
Others	654,342	639,533	508,741
Total	58,443,694	55,215,857	51,865,775

## Investment in Money Trusts, Etc.

	FY2016	FY2017	(¥ million) FY2018
Money trusts			
Loans and bills discounted	-	-	1,745,329
Securities	49,239,432	45,345,655	42,731,802

## Balance of Loans by Item Related to Money Trusts

	FY2016	FY2017	(¥ million) FY2018
Loan of bill	-	-	-
Loans on deeds	-	-	1,745,329
Discounted bill	-	-	-
Total	-	-	1,745,329

## Balance of Loans by Contract Period Related to Money Trusts

	FY2016	FY2017	(¥ million) FY2018
1 year or less	-	-	1,745,329
Total	-	-	1,745,329

## Breakdown of Loans by Collateral Related to Money Trusts

	FY2016	FY2017	(¥ million) FY2018
Securities	-	-	-
Claims	-	-	-
Commodities	-	-	-
Real estate	-	-	-
Guarantees	-	-	128,253
Credits	-	-	1,617,075
Total	-	-	1,745,329

### Balance of Loans by Purpose Related to Money Trusts

	FY2016	FY2017	(¥ million) FY2018
Capital fund	-	-	-
Working capital	-	-	1,745,329
Total	-	-	1,745,329

### Balance of Loans by Industry Related to Money Trusts

	FY2016		FY2017		(¥ million, %) FY2018	
	Balance	Composition ratio	Balance	Composition ratio	Balance	Composition ratio
Financial and Insurance	-	-	-	-	105,853	6.06
Government, etc.	-	-	-	-	1,639,475	93.94
Total	-	-	-	-	1,745,329	100.00

### Balance of Loans Related to Money Trusts to SME

	FY2016	FY2017	(¥ million) FY2018
Balance of total loans (A)	-	-	1,745,329
Balance of loans to SME (B)	-	-	22,400
(B) / (A) × 100	-	-	1.28%

Note: Small and medium-sized enterprises shall refer to companies with capital of ¥300 million or less (provided, however, that it shall refer to ¥100 million in wholesaling; ¥50 million in retailing, restaurants, goods leasing, etc.), or companies and individuals with 300 or fewer regular employees (provided, however, that it shall refer to 100 in wholesaling, goods leasing, etc. and 50 in retailing and restaurants).

### Balance of Securities Pertaining to Money Trusts, Etc.

	FY2016	FY2017	(¥ million) FY2018
Government bonds	39,298,786	36,950,696	35,323,269
Regional government bonds	2,383,388	2,060,795	1,924,158
Corporate bonds	5,698,299	4,941,010	4,818,232
Stocks	873,091	959,205	229,694
Other securities	985,865	433,948	436,446
Total	49,239,432	45,345,655	42,731,802

### Loans to Bankrupt Borrowers, Delinquent Loans, Loans Past Due 3 Months or More, and Restructured Loans pertaining to Loans for Trusts with Principal-guaranteed Features

None

### Balance of Disclosed Claims under the Ordinance for Enforcement of the Financial Revitalization Act pertaining to Loans for Trusts with Principal-guaranteed Features

None

# Management Indicators

## Rate of Return

	FY2016	FY2017	FY2018
			(%)
Ordinary profit to total assets	0.01	0.00	0.00
Ordinary profit to capital	1.90	1.62	1.42
Return on Assets	0.00	0.00	0.00
Return on Equity	1.29	0.96	1.80

Notes: 1. Ordinary profit to total assets (current net) = Ordinary profit (current net) / Average balance for total assets (excluding customers' liabilities for acceptances and guarantees) × 100  
 2. Ordinary profit to capital (current net) = Ordinary profit (current net) / Shareholders' equity and average balance of valuation and translation adjustments × 100

## Interest Spread

	FY2016			FY2017			FY2018		
	Domestic Business Division	Global Business Division	Total	Domestic Business Division	Global Business Division	Total	Domestic Business Division	Global Business Division	Total
									(%)
Yield on investment	Δ 0.00	0.01	Δ 0.00	Δ 0.01	0.06	Δ 0.01	Δ 0.02	0.27	Δ 0.02
Yield on financial arrangements	0.00	0.11	0.00	Δ 0.00	0.24	Δ 0.00	Δ 0.00	1.08	Δ 0.00
Gross interest spread	Δ 0.00	Δ 0.10	Δ 0.00	Δ 0.01	Δ 0.18	Δ 0.01	Δ 0.01	Δ 0.81	Δ 0.01

## Security-deposit Ratio and Loan-deposit Ratio

	FY2016			FY2017			FY2018		
	Domestic Business Division	Global Business Division	Total	Domestic Business Division	Global Business Division	Total	Domestic Business Division	Global Business Division	Total
									(%)
Security-deposit ratio									
Fiscal year-end	2.45	-	2.45	2.67	-	2.67	12.98	-	12.98
Average during the period	5.42	-	5.42	2.34	-	2.34	6.70	-	6.70
Loan-deposit ratio									
Fiscal year-end	58.55	-	58.55	62.88	-	62.88	31.17	-	31.17
Average during the period	35.66	-	35.66	62.46	-	62.46	83.20	-	83.20

Note: Deposits include negotiable certificate deposits.

## Capital Adequacy Status, Etc.

This section is intended to disclose matters that are specified separately by the Commissioner of the Financial Services Agency regarding the status of capital adequacy, etc. (Financial Services Agency Notification No. 7 of 2014), in accordance with Paragraph 1 (5) (d), Article 19-2 of the Ordinance for Enforcement of the Banking Act (Ordinance of the Ministry of Finance No. 10 of 1982).

### Composition of Capital Disclosure

Non-consolidated capital adequacy ratio summary table (Japanese standard)

	FY2017	FY2018
	Amounts excluded under transitional arrangements	Amounts excluded under transitional arrangements
		(¥ million)
Core Capital: Instruments and reserves (1)		
Directly issued qualifying common shares or preferred shares mandatorily convertible into common shares capital plus related capital surplus and retained earnings	61,025	59,443
Of which, capital and capital surplus	50,000	50,000
Of which, retained earnings	11,125	9,443
Of which, treasury stock (-)	-	-
Of which, planned distribution of income (-)	100	-
Of which, other than above	-	-
Subscription rights to acquire common shares or preferred shares mandatorily convertible into common shares	-	-



	FY2017		FY2018	
	Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements	
Reserves included in Core Capital: Instruments and reserves	-	-	-	-
Of which, general reserve for possible loan losses	-	-	-	-
Of which, eligible provisions	-	-	-	-
Eligible non-cumulative perpetual preferred shares subject to transitional arrangements included in Core Capital	-	-	-	-
Eligible capital instruments subject to transitional arrangements included in Core Capital	-	-	-	-
Capital instruments issued through the measures for strengthening capital by public institutions included in Core Capital	-	-	-	-
Amount equivalent to 45% of land revaluation excess subject to transitional arrangements included in Core Capital	-	-	-	-
Core Capital: Instruments and reserves (A)	61,025	-	59,443	-
Core Capital: Regulatory adjustments (2)				
Total intangible fixed assets (excluding those relating to mortgage servicing rights)	14,710	3,677	18,520	-
Of which, goodwill (including those equivalent)	-	-	-	-
Of which, other than goodwill and mortgage servicing rights	14,710	3,677	18,520	-
Deferred tax assets (excluding those arising from temporary differences)	-	-	-	-
Shortfall of eligible provisions to expected losses	-	-	-	-
Capital increase due to securitization transactions	-	-	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	-	-
Prepaid pension costs	-	-	-	-
Investments in own shares (excluding those reported in the Net Assets)	-	-	-	-
Reciprocal cross-holdings in capital instruments issued by other financial institutions for raising capital that are held by the Bank	-	-	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Amount exceeding the 10% threshold on specified items	-	-	-	-
Of which, significant investments in the common stock of other financial institutions	-	-	-	-
Of which, mortgage servicing rights	-	-	-	-
Of which, deferred tax assets arising from temporary differences	-	-	-	-
Amount exceeding the 15% threshold on specified items	-	-	-	-
Of which, significant investments in the common stock of other financial institutions	-	-	-	-
Of which, mortgage servicing rights	-	-	-	-
Of which, deferred tax assets arising from temporary differences	-	-	-	-
Core Capital: Regulatory adjustments (B)	14,710	-	18,520	-
Capital				
Total amount of capital ((C)=(A)-(B))	46,315	-	40,923	-
Risk-Weighted Assets (3)				
Credit risk assets	176,959	-	62,769	-
Of which, total of items included in risk-weighted assets subject to transitional arrangements	3,677	-	-	-
Of which, intangible fixed assets (excluding goodwill and mortgage servicing rights)	3,677	-	-	-
Of which, deferred tax assets	-	-	-	-
Of which, prepaid pension costs	-	-	-	-
Of which, exposure to other financial institutions	-	-	-	-
Of which, other than above	-	-	-	-
Amount equivalent to market risk divided by 8%	-	-	-	-
Amount equivalent to operational risk divided by 8%	27,338	-	45,372	-
Credit risk-weighted assets adjustments	-	-	-	-
Amount equivalent to operational risk adjustments	-	-	-	-
Total risk-weighted assets (D)	204,298	-	108,142	-
Capital Adequacy Ratio				
Capital Adequacy Ratio (C)/(D)	22.67%	-	37.84%	-

# Management Indicators

## ● Capital

### Capital Funding Instruments

Our Company's capital funding instrument is common stocks.

### Assessment Method of Capital Adequacy

In order to maintain sufficient capital to match the risks faced by our Company, we have developed an appropriate and effective capital management system, and periodically assess our capital adequacy as follows.

[Maintaining an appropriate BIS capital adequacy ratio]

In addition to ensuring a minimum capital adequacy ratio (Japanese standard: 4%), capital adequacy is assessed and confirmed qualitatively and quantitatively to maintain financial soundness considering the various business environments.

Specifically, as of the end of FY2018, we hold capital of over ¥40.9 billion, compared with the required capital of ¥4.32 billion under the Basel Capital Accord (Japanese standard). (For details of the required capital amount, please refer to the next section, "Non-consolidated Required Capital by Portfolio Category.")

### Non-consolidated Required Capital by Portfolio Category

	FY2017	FY2018
		(¥100 million)
Credit risk	70.7	25.1
Standardized Approach	61.8	17.5
For sovereign	-	-
For financial institutions and others	50.4	10.8
For corporate and others	1.4	1.3
Mortgage loan	-	-
Securitization	-	-
Others:	10.0	5.3
For CCP (central counterparty clearing)	8.8	7.5
Operational risk	10.9	18.1
Total amount of non-consolidated capital	81.7	43.2

Operational risk equivalents are calculated using the Advanced Measurement Approach in FY2017 and the Basic Indicator Approach in FY2018. (Standardized Measurement Approach is not used.)

## ● Credit Risk

### Credit Risk Management

Overview of credit risk management policies and procedures

Credit risks are managed based on the internal credit rating system, and individual companies' credit limits are set and managed according to the decision of a reviewing department every half term in principle. Individual credit limits are set by examining credit limits for on-balance sheet transactions in accordance with the ALM Policy and others.

Self-assessment of assets is part of credit risk management to understand the reality of assets as preparation for appropriate write-offs and reserves based on corporate accounting principles, etc. Specifically, assets are assessed and managed based on the implementation structures established for each asset, such as loans and securities.

In principle, write-offs and reserves are appropriately implemented by the predetermined standards for write-offs and reserves based on the borrower and classification categories defined as a result of self-assessment. An allowance for loan losses is recorded based on the expected loss ratio calculated from a probability of bankruptcy for a certain period, but there is no outstanding balance as of the end of FY2018.

Our Company uses the Standardized Approach for calculating the amount of credit risk assets under the Basel Capital Accord.

## Status of portfolios to which the Standardized Approach is applied

Under the Standardized Approach, qualified rating agencies used to assess risk-weights are Rating and Investment Information, Inc. (R&I) for Japanese obligors or securities issuers, and Standard and Poor's (S&P) for overseas obligors or securities issuers. In addition, 100% risk weight is applied to all corporate exposures.

## Credit Risk Exposure Status

Note: For off-balance sheet exposures, credit equivalents are shown. Exposures are not included when it is not necessary to calculate the amount for credit risk assets.

There was no significant difference between the year-end balance of credit risk exposures and the average risk position during the fiscal year for both the previous fiscal year and fiscal year under review.

## Breakdown by region

	Off-balance sheet amount other than loans, commitments and derivatives	FY2017			(¥100 million)
		Securities	Derivatives	Others	Total
Domestic	69,268	2,639	-	70,704	142,611
Overseas	-	0	-	4	4
Total	69,268	2,639	-	70,708	142,616

	Off-balance sheet amount other than loans, commitments and derivatives	FY2018			(¥100 million)
		Securities	Derivatives	Others:	Total
Domestic	9,117	2,952	-	53,837	65,907
Overseas	-	0	-	6	6
Total	9,117	2,952	-	53,844	65,914

## Breakdown by trading partner

	Off-balance sheet amount other than loans, commitments and derivatives	FY2017			(¥100 million)
		Securities	Derivatives	Others	Total
For sovereign	65,884	26	-	64,656	130,567
For financial institutions and others	-	440	-	5,861	6,301
For corporate and others	-	-	-	35	35
Others	3,383	2,172	-	156	5,712
Total	69,268	2,639	-	70,708	142,616

	Off-balance sheet amount other than loans, commitments and derivatives	FY2018			(¥100 million)
		Securities	Derivatives	Others	Total
For sovereign	7,277	490	-	52,788	60,557
For financial institutions and others	-	454	-	901	1,355
For corporate and others	-	-	-	34	34
Others	1,840	2,007	-	120	3,967
Total	9,117	2,952	-	53,844	65,914

## Breakdown by period

	Off-balance sheet amount other than loans, commitments and derivatives	FY2017			(¥100 million)
		Securities	Derivatives	Others	Total
One year or less	69,268	535	-	70,543	140,347
Over one year	-	2,099	-	-	2,099
Others	-	4	-	164	169
Total	69,268	2,639	-	70,708	142,616

	Off-balance sheet amount other than loans, commitments and derivatives	FY2018			(¥100 million)
		Securities	Derivatives	Others	Total
One year or less	9,117	1,213	-	53,711	64,041
Over one year	-	1,734	-	-	1,734
Others	-	4	-	133	138
Total	9,117	2,952	-	53,844	65,914

## Overdue Exposure Status

None

## Write-off of Allowance for Loan Losses and Loans

None

# Management Indicators

## Exposure to which the Standardized Approach is Applied

### Breakdown by risk-weight category (after applying credit risk mitigation effects)

(Risk weight)	FY2017		(¥100 million)
	On-balance sheet	Off-balance sheet	
0%	127,127	7,170	134,297
10%	1,921	-	1,921
20%	6,301	-	6,301
35%	-	-	-
50%	-	-	-
100%	94	0	94
150%	-	-	-
350%	-	-	-
<b>Total</b>	<b>135,445</b>	<b>7,170</b>	<b>142,616</b>

(Risk weight)	FY2018		(¥100 million)
	On-balance sheet	Off-balance sheet	
0%	61,378	2,025	63,403
10%	1,096	-	1,096
20%	1,355	-	1,355
35%	-	-	-
50%	-	-	-
100%	58	-	58
150%	-	-	-
350%	-	-	-
<b>Total</b>	<b>63,889</b>	<b>2,025</b>	<b>65,914</b>

### Amounts of Capital Deduction and Exposure Applied 1,250% Risk Weight

None

## ● Credit Risk Mitigation Techniques

### Risk Management by Credit Risk Mitigation Techniques

Our Company acquires collateral and guarantees as a means of protecting the receivables. This specifically applies to collateralized call transactions (financing, etc. pledge of collateral for call money).

In calculating credit risk assets under the Basel Capital Accord, the effects of credit risk mitigation through eligible collateral and guarantees are reflected in accordance with the Notification.

### Breakdown of Exposures to which Credit Risk Mitigation Techniques are Applied

	FY2017			(¥100 million)
	Financial asset collateral	Guarantees	Credit derivatives	
Standardized Approach				
For sovereign	-	-	-	-
For financial institutions and others	-	-	-	-
For corporate and others	-	-	-	-
Mortgage loan	-	-	-	-
Securitization	-	-	-	-
Others	-	3,630	-	3,630
<b>Total</b>	<b>-</b>	<b>3,630</b>	<b>-</b>	<b>3,630</b>

	FY2018			(¥100 million)
	Financial asset collateral	Guarantees	Credit derivatives	
Standardized Approach				
For sovereign	-	-	-	-
For financial institutions and others	-	-	-	-
For corporate and others	-	-	-	-
Mortgage loan	-	-	-	-
Securitization	-	-	-	-
Others	-	2,746	-	2,746
<b>Total</b>	<b>-</b>	<b>2,746</b>	<b>-</b>	<b>2,746</b>

## ● Counterparty Risk in Derivative and Long-term Settlement Transactions

### Risk Management of Counterparties to Derivative Transactions

Details of derivatives transactions

Our Company principally carries out forward foreign exchange transactions.

Risks related to derivatives transactions, etc.

Risks related to counterparties to derivatives transactions include the following.

- Credit risk

Risk of our Company incurring losses due to a decline in or complete loss of asset values (including off-balance assets) as a result of the deterioration in the financial condition of borrowers.

- Other risks

Risk of incurring costs due to the provision of additional collateral in the event that our Company's rating is downgraded

Risk management system related to derivatives transactions, etc.

Risks related to counterparties to derivatives are managed in the same way as for other credits.

**Derivative Transaction Status** There was no transaction applicable at the end of the period.

## ● Operational Risk

### Operational Risk Management

#### 1. Basic Approach

Our Company defines operational risk as "Risk of our Company incurring losses arising from inadequate or failed internal processes, people and systems or from external events."

Recognizing that operational risks cover an extensive range of risks, from administrative risk, system risk, legal risk, personnel risk, tangible asset risk, regulatory and institutional change risk to reputation risk, our Company has established the Basic Policy for Risk Management pertaining to management structures and methods of each risk to ensure they are assessed and controlled properly.

#### 2. Operational Risk Management System

At our Company, the Board of Directors makes important operational risk decisions. The Operational Risk Management Committee monitors the overall operational risk situation and deliberates on individual important matters.

In addition to management by departments responsible for each operational risk, our Company conducts Control Self-assessment\* as part of our cross-sectional management. Through the implementation of Control Self-assessment, we work to develop and strengthen the management approach and systems for appropriately identifying, assessing, measuring, monitoring and controlling various operational risks arising from the sophistication and diversification of financial operations and the rapid progress in information technologies, etc.

##### \*Control Self-assessment

An autonomous risk management approach that formulates and implements necessary risk mitigation measures, after identifying risks inherent in business operations, and assessing and identifying risks that remain even after actions are taken.

#### 3. Calculation of Operational Risk Equivalents

##### (1) Calculation method

Our Company calculates operational risk equivalents using the "Advanced Measurement Approach" for FY2017 and "Basic Indicator Approach" for FY2018.

# Management Indicators

## (2) Overview of Advanced Measurement Approach implemented in FY2017

With the development of a measurement model that considers all four elements (internal loss data, external loss data, scenario analysis, business environment/internal control factors), in addition to internal loss data that are operational risk events our Company has experienced in the past, scenario data are used to capture future unexperienced operational risk events that may occur. Values measured by the statistical approach (holding period 1 year, one-tailed confidence interval: 99.9%) are defined as the amount of operational risk equivalents.

In the measurement of operational risk equivalents for FY2017, expected loss is not deducted and risk reduction through insurance is not performed. Boundary events with credit risk shall not be measured as the operational risk.

### ● Securitization Exposures    None

### ● Market Risk

Our Company does not include market risk equivalents in the calculation of its capital adequacy ratio.

### ● Risk of Equity Exposures

#### Risk Management of Equity Exposures

Risk management for equity exposures is managed within the system of credit risk management related to defaults, etc. Our Company does not hold listed stocks and others with fair value. Unlisted stocks where it is extremely difficult to determine their fair value in accounting are valued at either cost or amortized cost by using the moving-average method.

#### Equity Exposure Status

##### Balance sheet amount

	FY2017		FY2018		(¥100 million)
	Balance sheet amount	Fair value	Balance sheet amount	Fair value	
Listed equity exposures	-	-	-	-	
Equity exposures other than above	4	-	4	-	
Total	4	-	4	-	

##### Gain/loss on sale of equity exposures

	FY2017			FY2018			(¥100 million)
	Gain/loss on sale	Gain on sale	Loss on sale	Gain/loss on sale	Gain on sale	Loss on sale	
Sale of equity exposures	0	0	-	-	-	-	

There is no applicable gain or loss by write-offs and valuation related to equity exposures.

## ● Interest Rate Risk

### Overview of Risk Management Policies and Procedures

Interest rate risk in the banking book (IRRBB) shall refer to the risk of losses incurred when the economic value of assets and liabilities (including off-balance sheet items) fluctuates due to fluctuations in market interest rates.

Our Company measures interest rate risk for all interest-sensitive assets and liabilities (including off-balance sheet items).

Our Company has established the "Basic Policy for Market Risk Management" for appropriate control of market risks to ensure soundness and safety of management. Specifically, we have established a warning point for valuation of gains/losses, interest rate sensitivity (basis point value or BPV\*) and other limits every half term to ensure that risk quantity and loss amount are kept within a certain range. Daily reports on the compliance with various limits are made to the management, and reports on the status of market risks are regularly made to the ALM Committee and the Board of Directors based on market environment analysis.

Our Company measures IRRBB on a monthly basis and reports the measurement results to the President.

\* BPV is an approach to measure how much the present value of assets and liabilities changes as interest rates change by 1 bp (0.01%).

### Overview of Interest Rate Risk Calculation Methods

Calculation method of  $\Delta$ EVE

$\Delta$ EVE is measured as the amount of decline in economic value due to interest rate shocks, based on the disclosure notification.

Regarding liquid deposits, core deposits are not considered, and thus it is deemed there will be no interest revision interval. None applies to early cancellation of time deposits, early redemption of fixed-rate loans and handling of multiple foreign currencies.

The ratio of  $\Delta$ EVE to the core capital at our Company was well below the regulatory level of 20% at which we recognize there is no issue in the interest rate risk management.

Other interest rate risk measurement

Please refer to "Overview of Risk Management Policies and Procedures."

### IRRBB1: Interest rate risk

Item No.	$\Delta$ EVE	(¥ million)
		FY2018
1	Parallel up	5,082
2	Parallel down	Δ 5,082
3	Steepener	-
4	Flattener	-
5	Short rate up	-
6	Short rate down	-
7	Maximum	5,082
		FY2018
8	Core capital	40,923

# Management Indicators | Consolidated Information

## Disclosure Matters concerning Compensation, Etc.

This section shall relate to compensation, etc. based on the provisions of Article 19-2, Paragraph 1, Item 6, etc. of the Ordinance for Enforcement of the Banking Act (Ordinance of the Ministry of Finance No. 10 of 1982), and disclose the case specified separately by the Commissioner of the Financial Services Agency as a matter that may have a material impact on the status of business operations or assets of banks, etc. (Financial Services Agency Notification No. 21 of 2012).

1. Matters related to the development of organizational structure for compensation, etc. of Applicable Officers and Employees of our Company

- (1) Scope of "Applicable Officers and Employees"

The following shall describe the scope of "Applicable Officers" and "Applicable Employees, etc." (collectively referred to as "Applicable Officers and Employees") set forth in the compensation notification to be disclosed.

- (i) Scope of "Applicable Officers"

Applicable officers include our Company directors and corporate auditors, excluding external directors and corporate auditors.

- (ii) Scope of "Applicable Employees, etc."

Of officers and employees who are not Applicable Officers, our Company shall subject "Persons receiving a high amount of compensation, etc." having a material impact on the business management or financial condition of our Company and the major consolidated subsidiaries to disclosure as "Applicable Employees, etc." A description of our Company's consolidated subsidiaries is omitted as there is no such subsidiary.

There are no "Applicable Employees, etc." among officers and employees other than "Applicable Officers" in our Company.

- (A) Scope of "Persons receiving a high amount of compensation, etc."

"Persons receiving a high amount of compensation, etc." shall refer to those who receive compensation, etc. exceeding the standard amount from our Company. Our Group (the holding company, which is a parent company and its major consolidated subsidiaries) has a basis amount of ¥21 million.

With regard to lump-sum retirement benefits, the amount obtained by first deducting the full amount of a lump-sum retirement benefit from the compensation, etc., then adding back the "amount obtained by dividing the lump-sum retirement benefit by the number of service years" is deemed to be the amount of compensation, etc. for the person, to determine "Persons receiving a high amount of compensation, etc."

- (B) Scope of "Person having a material impact on the business operations or financial condition of our Company"

A "Person having a material impact on the business operations or financial condition of our Company" shall refer to those whose transactions and management matters regularly conducted have a considerable impact on the operation of our Company's business or whose transactions, etc. could cause loss with a significant impact on the financial condition of our Company.

- (2) Determination of compensation, etc. for Applicable Officers and Employees

- (i) Determination of compensation, etc. for Applicable Officers

At our Company, the General Meeting of Shareholders determines the total amount of compensation (the maximum amount) for directors and corporate auditors. The Board of Directors is wholly trusted with the allocation of compensation to individual directors resolved by the General Meeting of Shareholders. Allocation of compensation to individual corporate auditors is wholly determined by consultation among corporate auditors.

2. Pertinence Evaluation of System Design and Operation of Compensation, etc. for Applicable Officers and Employees of our Company

- (1) Policies concerning compensation, etc.

- (i) Policies concerning compensation, etc. for Applicable Officers

At our Company, the General Meeting of Shareholders determines the maximum total amount of compensation for directors and corporate auditors. Directors' compensation is resolved by the Board of Directors, and Corporate Auditors' compensation is determined by consultation among Corporate Auditors within the limit of the total amount of compensation resolved by the General Meeting of Shareholders.

3. Consistency between our Company's Compensation System for Applicable Officers and Employees and Risk Management, and Linkage between Compensation, etc. and Performance

There is a mechanism in place when determining compensation, etc. for Applicable Officers, where the total amount of compensation for all officers is resolved by the General Meeting of Shareholders. There is a mechanism of taking budget measures in place when determining



compensation, etc. considering our Company's financial condition and other factors.

4. Types, Total Amount and Payment Method of Compensation, etc. for Applicable Officers and Employees of our Company

Total amount of compensation, etc. for Applicable Officers and Employees of our Company (from April 1, 2018 to March 31, 2019)

(¥ million)

Category	Headcount	Total amount of compensation, etc.	Total amount of fixed compensation				Total amount of variable compensation	Bonuses	Retirement benefits
				Basic compensation	Stock option	Others			
Applicable Officers (Excluding external officers)	9	144	120	117	—	2	—	—	24

Notes: 1. Amount of compensation, etc. for Applicable Officers includes compensation, etc. for Our Group officers.  
 2. Retirement benefits describe the amount of "Retirement benefits for directors" and "Provision for directors' retirement benefits" that accrued in the corresponding fiscal year.

5. Other reference matters related to the system on compensation, etc. for the Applicable Officers and Employees of our Company

There is no particular matter applicable other than those listed in the preceding paragraphs.

**Consolidated Information** As our Company has no subsidiaries, consolidated accounting is not implemented.

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## JTC Holdings, Ltd. DISCLOSURE 2019

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Corporate Planning Department, JTC Holdings, Ltd.  
8-11, Harumi 1-chome, Chuo-ku, Tokyo, 104-6115  
TEL 03-6220-2625  
Website: <https://www.jtc-hd.jp/>

# JTC Holdings

JTC Holdings, Ltd.



Japan Trustee Services Bank, Ltd.



Trust & Custody Services Bank