



Custody Bank of Japan, Ltd.

DISCLOSURE

2021

Note: This translation is provided for reference purposes only, and the Japanese original supercedes it in case of any discrepancy.



日本カストディ銀行
Custody Bank of Japan

Management Message

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

Our Company was established on July 27, 2020 through the merger of three companies: JTC Holdings, Japan Trustee Services Bank and Trust & Custody Services Bank. Based on our corporate philosophy of “As Japan’s No. 1 bank 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,” all of our executives and employees shall make further efforts as asset management professionals, aiming to be the best partner to respond to the diverse needs of our clients by responding to the changes in the environment as well proving worthy of the trust of society as a financial infrastructure by providing high-quality and stable services.

We look forward to your continued support.

July 2021

Yoshikazu Tanaka, President &
Representative Director,

Custody Bank of Japan, Ltd.

Logo and Corporate Motto

Our logo and corporate motto represent our Company’s image and resolve to contribute sustainably to the sound development of the economy and society by ensuring the trust of our customers and financial markets through the provision of stable services as Japan’s leading asset administration bank offering a wide range of custody services.

- Logo



The abbreviation of Japan Custody Bank, “CBJ,” is designed in the motif of a golden spiral drawn according to the golden ratio, which evokes a sense of utmost stability and beauty in humans.

- Corporate Motto

The Reliable Bank

Becoming the one and only bank that can garner trust in response to changes in the environment. Bearing in mind our status as The Reliable Bank, each and every one of our employees is committed to nurturing Japan Custody Bank.

Corporate Philosophy

As Japan's No. 1 bank 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

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Corporate Data (As of July 1, 2021)

Corporate Profile

Corporate name	Custody Bank of Japan, Ltd. (Custody Bank of Japan, Ltd.)
Establishment	June 20, 2000
Location	<ul style="list-style-type: none"> ■ Head Office 8-12, Harumi 1-chome, Chuo-ku, Tokyo, 104-6228 Harumi Island Triton Square Tower Z ■ Harumi Branch Office 8-11, Harumi 1-chome, Chuo-ku, Tokyo, 104-6107 Harumi Island Triton Square Tower Y
Capital stock	¥51.0 billion



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%)

Number of employees 1,969 (as of March 31, 2021)

* The number of employees includes personnel seconded from Mizuho Trust & Banking, Sumitomo Mitsui Trust Bank, Resona Bank and other companies (590 in FY2020).

URL <https://www.custody.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+
	Rating and Investment Information, Inc. (R&I)	AA-
	Moody's	A1

History

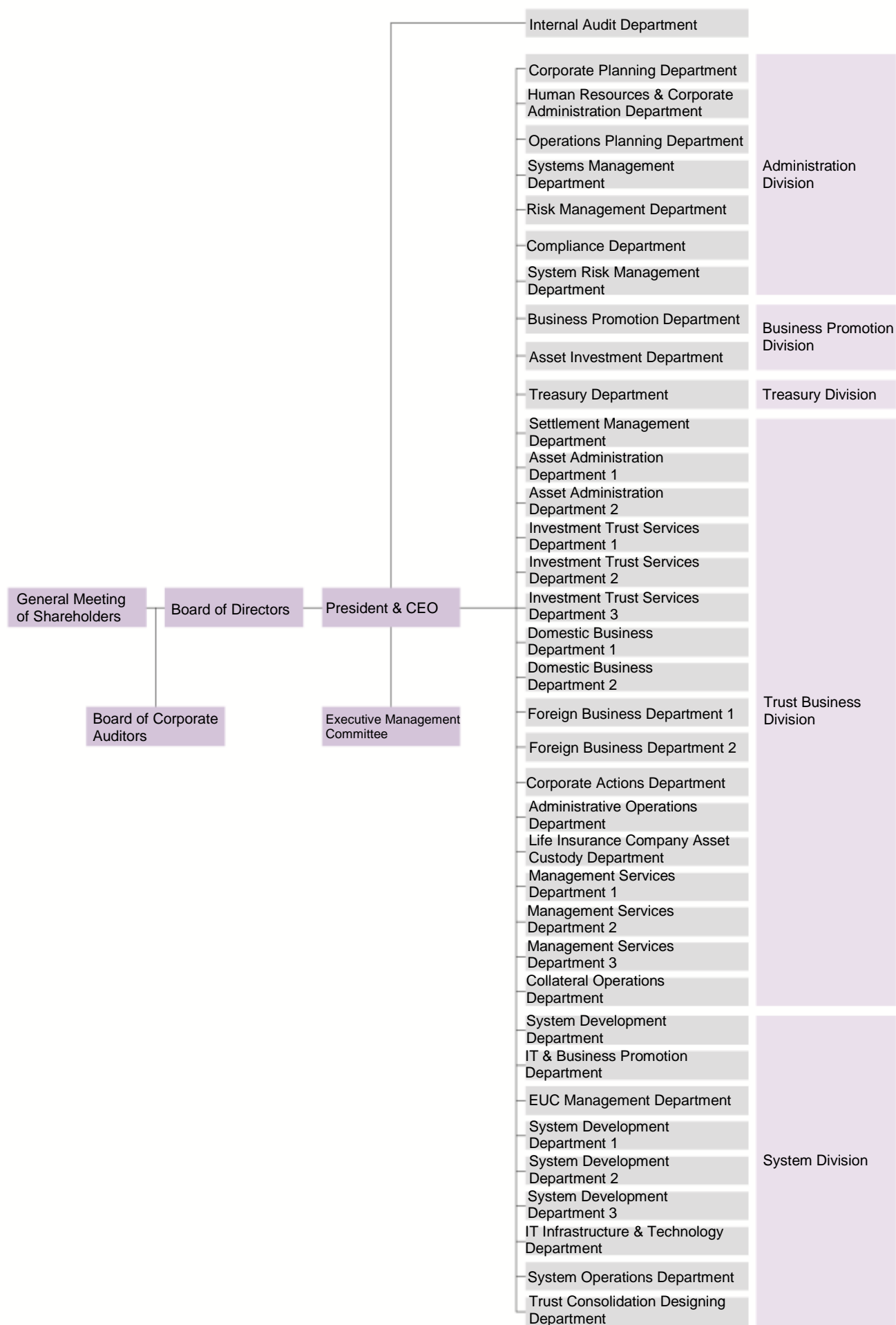
On July 27, 2020, three companies, Japan Trustee Services Bank (surviving company of merger), Trust & Custody Services Bank, and JTC Holdings, merged to form Custody Bank of Japan.

As Japan's first trust bank specializing in the asset administration business, Japan Trustee Services Bank was established by Daiwa Bank (currently, Resona Bank) and Sumitomo Trust & Banking (currently, Sumitomo Mitsui Trust Bank) in June 2000. Capital participation by Mitsui Trust Holdings (currently Sumitomo Mitsui Trust Holdings) in September 2002.

Trust & Custody Services Bank was established by Mizuho Trust & Banking, The Dai-ichi Life Insurance, Asahi Mutual Life Insurance, Yasuda Life Insurance (currently Meiji Yasuda Life Insurance) and Fukoku Mutual Life Insurance in January 2001. Capital participation by Japan Post Insurance in October 2016.

JTC Holdings was established in October 2018 as a bank holding company with the existing shareholders of Japan Trustee Services Bank and Trust & Custody Services Bank as shareholders.

Organization Chart



Corporate Governance

- Functions, etc. of the Board of Directors and the Executive Management Committee

The Board of Directors makes decisions on important management matters and supervises the directors in the conduct of their duties.

The Executive Management Committee (consisting of Executive Directors and Executive Officers with titles) 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.

- Functions, etc. of the Board of Corporate Auditors and Corporate Auditors

The Board of Corporate Auditors comprises all the Corporate Auditors, and, as necessary, the Corporate Auditors and the Board of Corporate Auditors may express their opinions to Directors or the Board of Directors.

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

In addition to periodically exchanging opinions with the internal audit division (Internal Audit Department), Corporate Auditors transmit the advice and other points to the internal audit division, as well as exchange information as called for by the occasion.

The Corporate 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 Corporate Auditors hold periodic meetings with the Accounting Auditor, receive reports on the status of auditing activities and the results of audits, and exchange opinions. The Corporate Auditors also work to preserve the independence of the Accounting Auditor and monitor auditing activities to ensure their proper conduct.

The status of auditing activities and the results of audits are submitted to the Representative Director as an Audit Report.

In periodic meetings with the Representative Director, Corporate Auditors confirm the management policies and exchange opinions on the issues, etc. to be dealt with by the Company.

Officers

Chairman	Hiroki Tanaka	Corporate Auditor (Part-time)	Tadaaki Matsuura
President & Representative Director	Yoshikazu Tanaka	Managing Executive Officer	Minoru Mochizuki
Deputy President & Representative Director	Koji Arita	Managing Executive Officer	Yuji Takei
Director & Senior Managing Executive Officer	Koji Shimogama	Managing Executive Officer	Takahiro Ishi
Director & Senior Managing Executive Officer	Hiroshi Takahashi	Managing Executive Officer	Kenji Yoshikawa
Director & Senior Managing Executive Officer	Hiroyuki Obata	Managing Executive Officer	Yasuhiro Ueda
Director & Senior Managing Executive Officer	Michihiro Masuda	Executive Officer	Masaaki Tagawa
Director (Part-time)	Munetaka Saito	Executive Officer	Naoyuki Ohashi
Director (Part-time)	Junichi Maeda	Executive Officer	Tsukasa Kotaka
Corporate Auditor	Tatsuya Tsuboi	Executive Officer	Satoshi Sato
Corporate Auditor	Hiroshi Hirosaka	Executive Officer	Taku Murakawa
Corporate Auditor	Makoto Saito	Executive Officer	Toshiyuki Hioki
Corporate Auditor	Takeshi Watanabe	Executive Officer	Masato Maruyama
Corporate Auditor (Part-time)	Shigenori Ikemura	Executive Officer	Yoshifumi Nishikido

I. Preface

In order to fulfill our fiduciary duty under the Vision to “Become the best partner for our customers by meeting their diverse needs and managing the changing environment,” Custody Bank of Japan has formulated and announced the Fiduciary Duty 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.

II. Fiduciary Duty Management Policy

Our Company shall establish and comply with the Fiduciary Duty 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 for the fulfillment of fiduciary duty, 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 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 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, among others, share awareness of and practice compliance with the fiduciary duty by establishing training and other appropriate motivation frameworks.

III. Asset administration Action Policy

Our Company 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.

We shall provide appropriate information on asset management fees for services provided to clients.

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 information from custodians.

IV. Action Plan

Please visit our Company website.

(<https://www.custody.jp/corporate/fiduciary/index.html>)

Review of Business Performance

(1) Income Summary

As for profit and loss for the fiscal year under review (FY2020), ordinary income was ¥49,297 million. Key components included ¥32,757 million of fiduciary fees, and ¥19,945 million of fees and commissions.

Ordinary expenses, on the other hand, amounted to ¥48,062 million. The principal components of ordinary expenses were ¥45,300 million in general and administrative expenses, and ¥2,735 million in fees and commissions expenses.

As a result, ordinary profit was ¥1,235 million, with net income of ¥680 million.

(2) Assets, Liabilities, Etc.

Total assets at the end of the fiscal year under review were ¥17,277,835 million. The principal components were ¥16,763,063 million in cash and due from banks, ¥129,500 million in call loans and ¥75,286 million in securities.

On the other hand, liabilities amounted to ¥17,158,453 million. The principal components were ¥7,410,882 million in deposits, and ¥9,654,126 million in borrowed money from trust account. Moreover, net assets were ¥119,382 million.

The capital adequacy ratio (Japanese standard) was 34.26%.

(3) 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 ¥720,179,200 million.

(4) Status of Bank Integration and Trust Consolidation

On July 27, 2020, we completed the bank integration through the merger of the three companies, the change of the trade name, and the opening of Custody Bank of Japan.

On April 1, 2021, the "Trust Consolidation Designing Department" was newly established for the purpose of promoting trust consolidation and accelerating examinations thereof.

Introduction of Our Company's Business

Our Company's businesses are broadly divided into the following categories, with specialized departments in place providing a wide range of services, to respond quickly and accurately to the increasingly sophisticated and diverse needs of clients.

● Investment trust fund management

We manage the overall administration related to asset management entrusted by investment trust management companies, and the main operations thereof are as follows.

1. Calculation of net asset value of investment trust
2. Report on the details of the fund to investment trust management companies
3. Procedures for acceptance, cancellation and redemption of funds
4. Closing of accounts

Each year, we conduct a questionnaire survey of investment trust management companies, to reflect clients' opinions in improving our services.

● Management of funds such as pension assets

We manage the overall administration related to asset management entrusted by clients, and the main operations thereof are as follows.

1. Management of B/S/P/L of funds (per contract)
2. Response to and report on inquiries from clients about the details of the fund, such as daily cash flows
3. Response to institutional changes and administration of fiduciary fees
4. Management of funds (principal)
5. Provision of various services to investment advisory and other asset management companies
6. Preparation of the balance report
7. Preparation of financial statements
8. Preparation of monthly reports and disclosure materials

For disclosure materials, we provide online services for some report forms.

● Domestic securities management

For domestic securities management, we manage the overall administration related to domestic securities, and the main operations thereof are as follows.

1. Administration of execution related to domestic securities and assets, etc.
2. Administration related to dividends, principal and other rights concerning domestic securities and assets, etc.
3. Administration of execution, margin transaction execution, margins and collateral related to derivatives such as futures and options
4. Administration related to lending, such as stock lending, bond lending, and repo transactions

We respond to instructions from fund managers via various electronic media (settlement matching system of Japan Securities Depository Center, Inc., SWIFT, smart bridge, XNET).

● Foreign securities management

For foreign securities management, we manage the processing of overall administration related to foreign securities, and the main operations thereof are as follows.

1. Execution of physical items related to foreign securities
2. Administration of the preservation of ownership rights over foreign securities
3. Reconciliation of securities and fund balances

We respond to the special features and variability of individual markets by utilizing information provided by global custodians, etc., and also regularly provide information to customers.

● Domestic and overseas custody services

We manage the overall administration related to asset management entrusted by investment trust management companies, and the main operations thereof are as follows.

1. Custody and agency for trade settlement of securities
2. Proxy receipt of interest and dividends
3. Administration service for preferential benefits
4. Preparation of reports on transactions, balance, etc.

In Japan, we provide services through standing proxies and account management agencies, while overseas, we provide services through the overseas offices of affiliated companies.

● Life insurance company asset custody service

We manage the overall administration of securities for life insurance companies, including securities accounting, and the main operations thereof are as follows.

1. Settlement and administration of various securities (including derivative transactions) and incidental transactions in Japan and overseas
2. Accounting such as asset valuation, preparation of accounting entry data and preparation of closing data
3. Preparation of various management and reporting materials
4. Administration service for preferential benefits of General Meeting of Shareholders
5. Automatic conversion of foreign exchange into yen
6. [Securities lending services]

We provide comprehensive outsourcing services for management and administrative functions, including securities and fund settlement, and securities accounting.

● Middle- and back-office outsourcing services for asset management companies

We are entrusted with the administration related to overall post-trade operations of asset management companies, and the main operations thereof are as follows.

1. Middle office operations (processing, matching and management, etc. of execution)
2. Back office operations (accounting, calculation of net asset value, closing of accounts, etc.)
3. Disclosure operations (preparation of prospectus and investment reports, etc.)

We provide flexible services, covering overall post-trade operations and responding to outsourcing needs for the units of various investment trust operations.

● Collateral management services for over-the-counter derivatives transactions

The Company is entrusted with a series of collateral management services related to regulations on over-the-counter derivatives transactions, and the main operations thereof are as follows.

1. Aggregation of valuation of gain or loss by transaction
2. Calculation of the collateral amount and negotiations (disputes) for adjustment of the collateral amount
3. Settlement of collateral securities and funds

We shall actively engage in the development and provision of value-added services in order to mitigate administrative burdens and reduce system development costs for our customers.

● Other operations

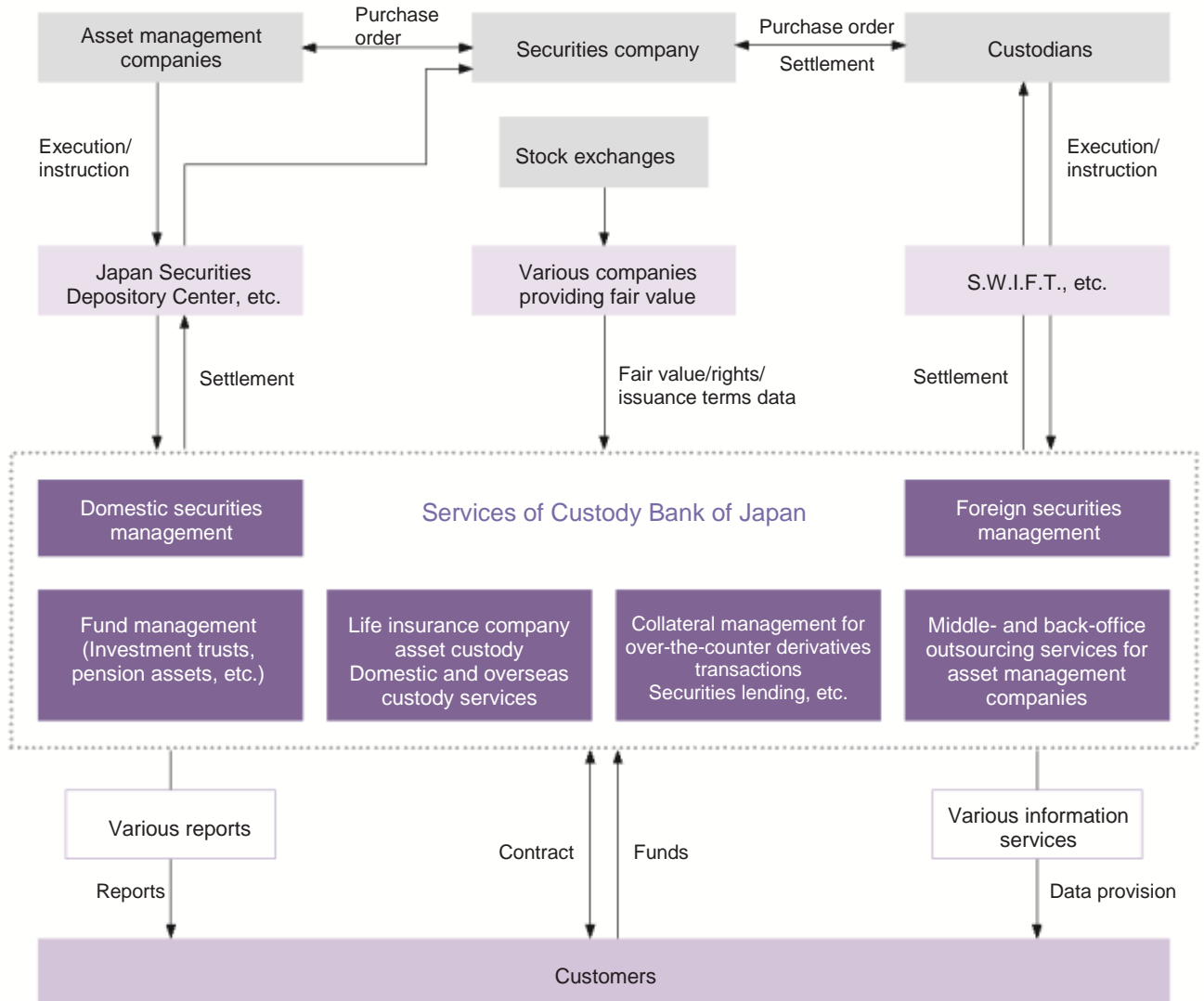
For other operations, we are implementing the following:

1. Securities lending
2. Administration related to entrusted assets of securities trusts under management, securities administration trusts, and account management institution services, etc.
3. Administration related to the undertaking of financial institution services

Based on one of the nation's largest asset sizes and accumulated know-how and experience, we shall provide fine-tuned services to meet customer needs.

● Overview of business operations

 Our Company's services are indicated in the box.



[Initiatives for Improving Processing Quality]

• Activities to improve processing quality and efficiency

Our Company has established an Operations Planning Department to oversee the overall operations, and is working to improve the quality and efficiency of its operations.

The Operations Planning Department handles changes in regulatory issues, taxation, and accounting, etc. and is responsible for the overall processes for offering products and services to 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

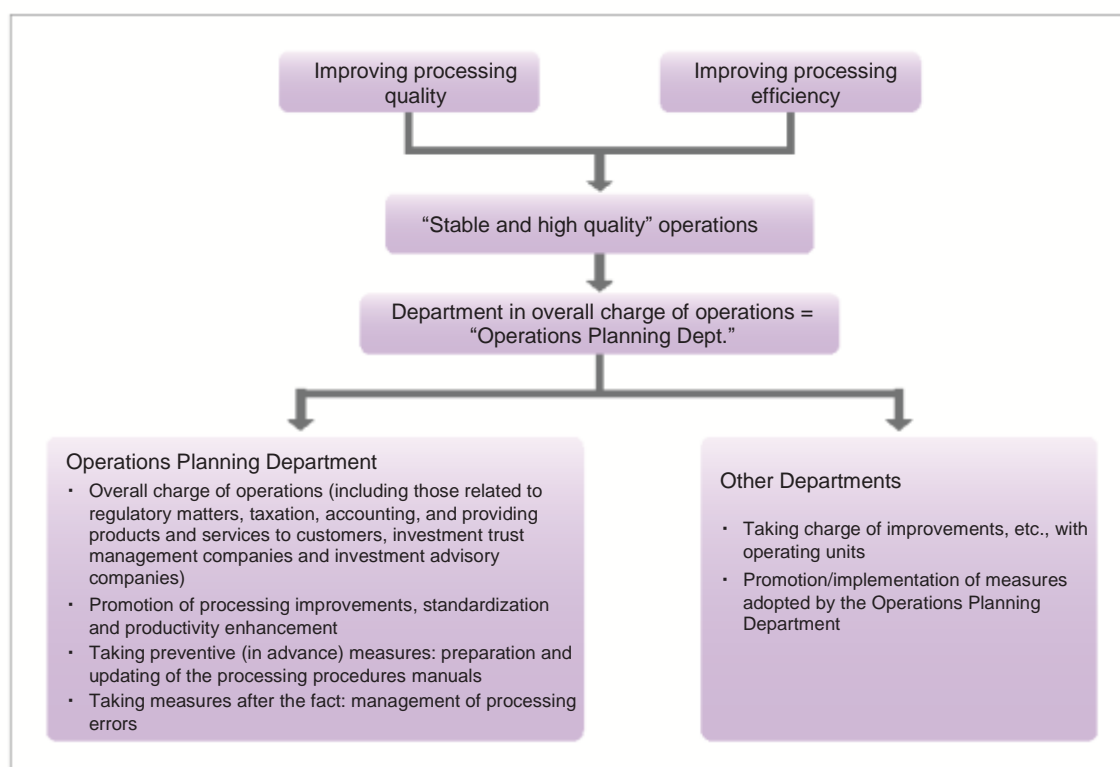
With the awareness that minimizing processing risk is one of the most-important issues for a company specializing in asset administration, the Company has prepared its Processing Risk Management Rules, which contain basic items for conducting proper and smooth processing operations and for the management of processing risk. Based on these rules, the Company 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, the Company has established processing procedures manuals for all its processing operations, forbidden non-standard processing, and been thoroughly conducting mutual checking as standard procedure.

<<Dealing with risks that have emerged>>

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



Initiatives for Institutional Reforms, Etc.

The securities settlement system plays an important role in Japan's securities transactions as a core element in the institutional base. Our Company, as a leading company in the asset administration business, is preparing actively to respond to Securities Settlement System and Domestic Securities Market Reforms. In addition, other than the Securities Settlement System, our Company positions responding appropriately to the International Regulations for derivative transactions, and the Extraterritorial Application of Individual Regulations in the United States and Europe, among others, as one of the important issues and has been steadily doing so. We will continue to take appropriate responses to provide customers with high-quality services.

<Major events since FY2020>

Category	Field	Upcoming Events	Content and CBJ's Initiatives	Schedule
Securities Settlement System Reforms	Corporate bonds (general bonds)	Shortening the settlement period for corporate bonds (general bond)	The period for settlements from transactions (contract) to final settlement (delivery) is shortened, and settlement risk in the market as a whole is reduced. CBJ has already implemented this system.	July 2020
	ETF establishment and exchange transactions	Shortening the period for ETF establishment, exchange, and settlement	The settlement period for ETF establishment and exchange has been shortened based on the establishment of a market-unified platform for the establishment and exchange of ETFs and the liquidation of ETFs by the JSCC. CBJ has already implemented this system.	January 2021
International Market Regulations, etc.	Foreign currency exchange transaction	Shift to CLS settlement	Preparations are underway at relevant organizations for enabling PVP settlements through CLS banks for foreign currency exchange transactions by investment funds. CBJ will also take measures to enable parties such as customers to use this service on request.	Shift as appropriate
	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. CBJ will proceed with appropriate measures.	October 2021
	Interest rate indicator	Suspension of LIBOR publication	The global interest rate indicator referred to for products and contracts is scheduled to shift from LIBOR to risk-free rates. CBJ will proceed with appropriate measures.	December 2021

[Risk management system]

• Risk management policy

In order to fulfill its public mission as a bank specializing in asset management, the Company has been developing a risk management system as one of its most important management policies to appropriately manage and control risks and ensure the soundness of its management. Furthermore, we are creating a corporate culture that emphasizes risk management, and based on the concept of a three-line defense, we have built a risk management framework for business execution to ensure the effectiveness and appropriateness of our risk management system.

• Fostering a risk culture

A sound risk culture is nurtured by all officers and employees involved in our Company's business, to have a deep insight into risk and a strong sense of ethics regarding the execution of their duties, which supports the framework of the risk management system and leads to the maintenance of customer trust and the sustainable improvement of corporate value.

Through the formulation and dissemination of action guidelines on risk in line with our operations and the application of the guidelines by individual employees in their daily work, our Company strives to foster a sound risk culture throughout the Company by instilling a risk mindset as employees of a bank specializing in asset management.

• Risk governance

Our Company ensures the effectiveness and appropriateness of our risk management system through a three-line defense: autonomous control by each business unit (First line), risk management by the risk management unit (Second line), and internal audits by the independent internal audit unit (Third line).

[First line] Each business unit: Autonomous control function
<ul style="list-style-type: none"> While carrying out daily operations in accordance with regulations and rules, each business unit has primary responsibility as the owner of risks associated with business execution, and autonomously conducts control activities such as identifying, assessing, and controlling risks.
[Second line] Risk management unit: Risk management function
<ul style="list-style-type: none"> The Risk Management Department and the risk management unit monitor the autonomous control activities carried out by the first line, and establish a risk management process by identifying and assessing the risks for our Company.
[Third line] Internal Audit Department: Internal audit function
<ul style="list-style-type: none"> Independent from individual business execution divisions, it verifies their activities, among others.

● [Risk management system]

Recognizing that risk management is one of the most important management issues as a bank specializing in asset management, our Company is working to implement appropriate risk management across the entire company and to improve our risk management system by formulating a basic framework for risk management, with the Board of Directors defining the various risks to be managed, creating the basic framework for risk management, and in addition, establishing the Risk Management Deliberation Committee as a cross-organizational body chaired by the officer in charge of risk management.

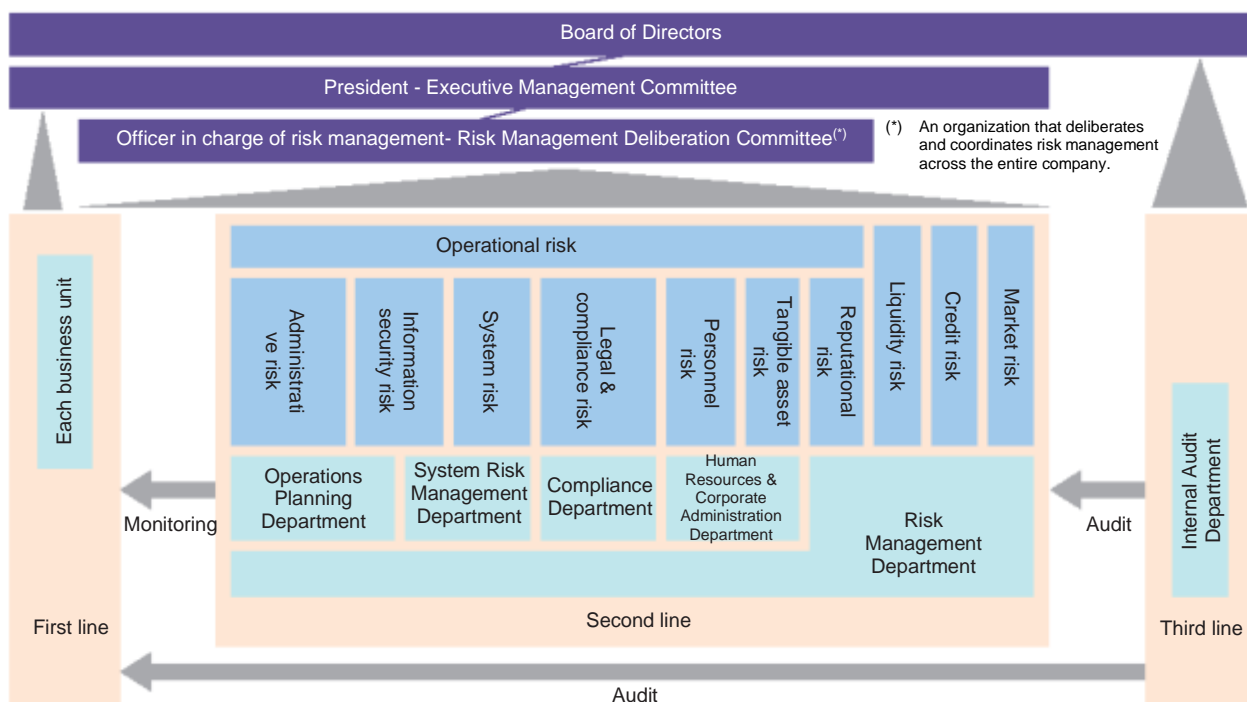
Specifically, as shown in the table and figure below, we have classified risks incurred in the course of executing business into categories such as “Operational risk,” “Liquidity risk,” “Credit risk” and “Market risk” and established a risk management unit for each category to manage risks according to their characteristics, while establishing the Risk Management Department as a department supervising unified management to manage risks in an integrated manner. As part of the integrated risk management, we gain an understanding of the aggregate level of risk in each category through qualitative and quantitative assessments, and manage the adequacy of capital by comparing such levels with the strength of our business.

In light of the risk profile specific to asset management operations, our Company recognizes operational risk and liquidity risk as major risks. Accordingly, we engage in a variety of risk management activities, with a basic policy of preventing operational risk and minimizing its impact when it materializes, as well as a basic policy of not taking on liquidity risk to the extent possible while developing a system for dealing with funding crises.

<Content of Risk Category>

Risk to be managed and its content		Management method
Operational risk	Risk of incurring losses due to reasons such as defects in the operational process, errors by officers and employees, system malfunction, or external events such as rumors.	<ul style="list-style-type: none"> Broad management by classification into individual risks concerning administration, information security, systems, legal affairs and compliance, human resources, tangible assets, and reputation. Developing a risk assessment system through Control Self-assessment (CSA)
Liquidity risk	Risk of incurring losses due to reasons such as an inability to secure necessary funds, funding problems, or the need to procure high interest rate funds.	<ul style="list-style-type: none"> Funding mismatch limit management and stress testing Establishing a crisis management system for a funding crisis
Credit risk	Risk of incurring losses due to a decline in or complete loss of asset value as a result of a deterioration in the financial condition of counterparties	<ul style="list-style-type: none"> Credit management based on the credit rating system Setting credit limits and other limits for each counterparty
Market risk	Risk of incurring losses due to fluctuations in asset value or income as a result of changes in the prices of market transactions	<ul style="list-style-type: none"> Identifying the degree of risk using interest rate sensitivity Setting limits on the degree of risk and the amount of loss limits as well as stress testing

<Risk Management Structure>



Compliance Systems

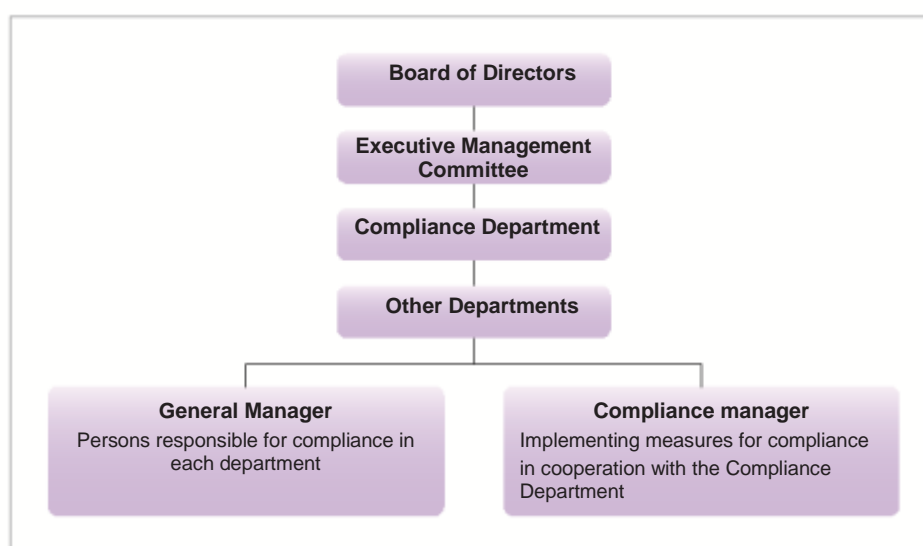
As Japan's No. 1 bank specializing in asset administration, we shall contribute to the sound development of economy and society by playing a role in the development of asset administration business and the asset formation of the nation. Under this Corporate Philosophy and for its realization, we shall act with integrity and impartiality in compliance with laws, rules, and social norms as a pillar of our Action Guidelines. For this reason, our Company 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, strives to ensure sound and appropriate management based on self-discipline, and ensure our customers and society have full confidence in us.

• CBJ's 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 Executive 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 Company. 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.



• 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, after obtaining approval of the Board of Directors.

Our Company has also established the Compliance Manual as a practical guide for officers and employees to ensure compliance. Formulation and important revision of the Compliance Manual are disseminated across the organization 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 Company to report acts of legal violations, or suspected violations within our Company. 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 Company's internal audit is a process, independent from the business lines, of verifying the appropriateness and effectiveness of governance, risk management and controls for the achievement of management 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, and carries out the following initiatives to verify and assess the appropriateness and effectiveness of the internal control management system.

- 1) Establishment of the internal audit division that is independent from the business execution divisions and has a sufficient check-and-balance function
- 2) Based on the formulation of an internal audit plan, the internal audit division audits each business execution division and provides findings and recommendations for improvements.
- 3) Results of internal audits and the progress of internal audit plans are reported to the Internal Audit Committee and the Board of Directors in accordance with internal audit rules.

• Organizational structure

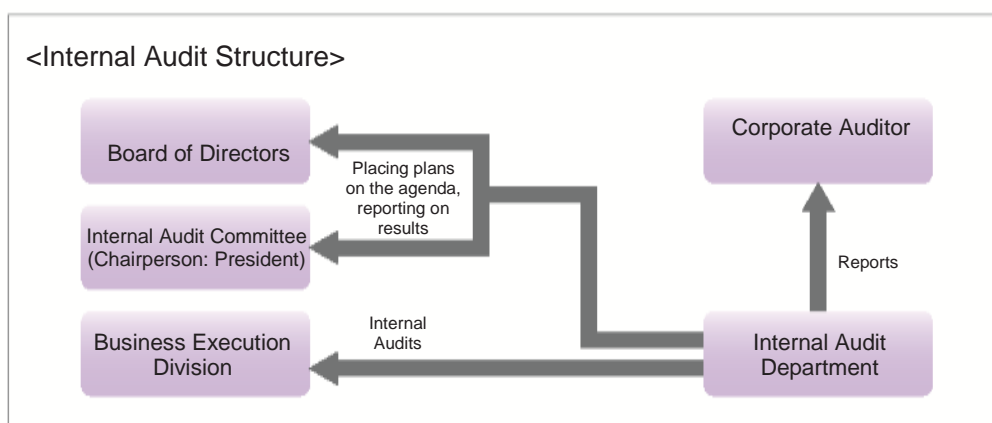
The Internal Audit Department has been established as an internal audit division independent of each business execution division, covering all units and operations in internal audits.

• 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 of our Company. The plan is approved by the Board of Directors.

Results of internal audits are reported to the President and Corporate Auditors without delay, and are periodically reported to the Internal Audit Committee and the Board of Directors.

Depending on the purpose of internal audits, general audits are conducted to audit matters related to the operations under the jurisdiction of the units concerned, and theme audits to audit specific themes.



Designated dispute resolution organization

Our Company has concluded contracts with the following designated dispute resolution organizations.

Name of designated dispute resolution organization	Japanese Bankers Association	Trust Companies Association of Japan
Contact and telephone number	Consultation Desk, Japanese Bankers Association 0570-017109 or 03-5252-3772	Trust Consultation Desk 0120-817335 or 03-6206-3988

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

* 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.

As a Public Institution (Disaster Prevention Measures)

Custody Bank of Japan has established a system for business continuity in the event of a disaster based on its recognition that it is a public institution in asset administration services.

● Disaster countermeasures

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 Business Continuity Management Deliberation Committee chaired by the President in times of normality, and new issues are addressed through regular drills on disaster response, etc.

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. Further, as a financial institution, our Company, in line with the standards issued by The Center for Financial Industry Information Systems (FISC), has installed a dedicated electric power generator to secure a power supply, utilizes telecommunications lines from multiple carriers to avoid communication breakdowns, and introduced an IC card system to strengthen crime-prevention measures.

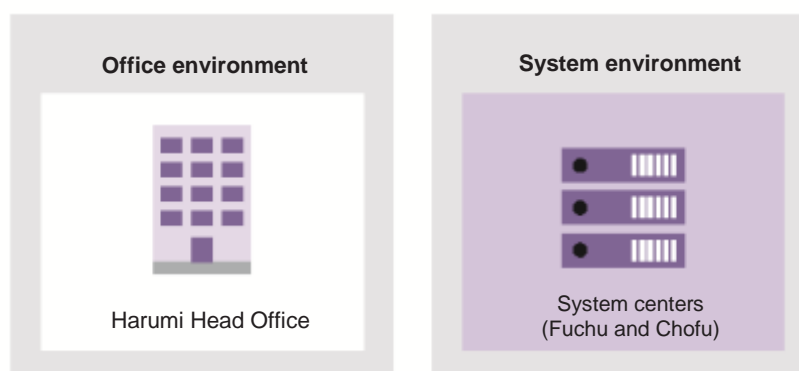
In addition, our systems centers and backup centers have a similarly strong infrastructure, including anti-earthquake construction, electric power sources, and security facilities.

Backup Systems

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

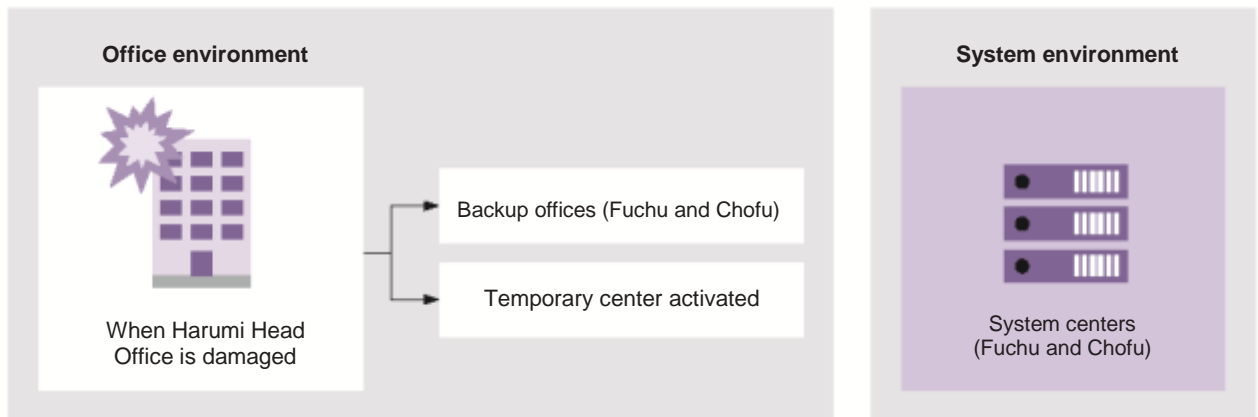
Our Company has established backup offices of the Harumi Head Office as disaster countermeasures in Fuchu City and Chofu City, and backup centers of system centers in Osaka Prefecture and Saitama Prefecture.

[Normal time]



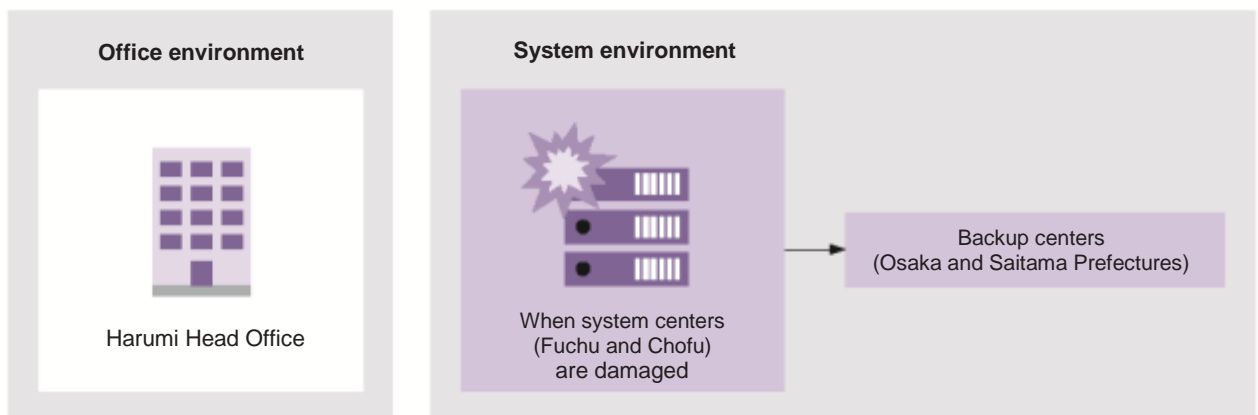
[When Harumi Head Office is damaged]

If the Harumi Head Office is affected by a disaster, operations will be continued at backup offices in Fuchu and Chofu Cities, together with opening temporary counters (delivery counters of securities companies and other customers).



[When system centers are damaged]

If the system centers (Fuchu and Chofu Cities) are affected by a disaster, the system environment will be transferred and operations continued at the backup centers (Osaka and Saitama Prefectures).





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Key Indicators of Management Condition

Key Indicators of Management Condition

	FY2016	FY2017	FY2018	FY2019	(¥ million) FY2020
Ordinary income	26,559	27,436	29,467	30,756	49,297
Ordinary profit	576	1,199	555	694	1,235
Net income	390	480	344	506	680
Capital stock	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	2,040,000 shares
Net assets	59,156	59,435	59,076	59,582	119,382
Total assets	13,201,888	13,835,275	11,040,555	9,946,450	17,277,835
Balance of deposits (including negotiable certificate deposits)	6,807,134	7,840,589	5,309,477	3,631,072	7,410,882
Loans	49,127	184,058	167,951	97,136	31,141
Securities	45,225	337	334	30,349	75,286
Dividend payout ratio (*1)	40.44%	40.31%	—	—	19.79%
Number of employees (*2)	1,016 persons	1,052 persons	1,067 persons	1,135 persons	1,969 persons
Non-consolidated capital adequacy ratio (Japanese standard) (*3)	33.41%	31.70%	36.54%	34.12%	34.26%
Fiduciary fees	20,243	20,577	21,956	23,024	32,757
Trust account loans	—	—	—	—	310,640
Trust account securities	100,693,580	109,179,760	116,317,170	123,178,561	217,702,529
Total entrusted assets	259,118,905	282,074,441	291,898,563	303,754,597	467,599,890

(*1) The dividend payout ratio for FY2018 does not include dividends from the business merger carried out in September 2018.

(*2) The number of employees includes personnel seconded from Mizuho Trust & Banking, Sumitomo Mitsui Trust Bank, Resona Bank and other companies (590 in FY2020), and those seconded from Sumitomo Mitsui Trust Bank, Resona Bank and other companies (216 in FY2016, 204 in FY2017, 189 in FY2018, and 194 in FY2019).

(*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).

(*4) On July 27, 2020, our Company merged with JTC Holdings and Trust & Custody Services Bank, changing the trade name from Japan Trustee Services Bank to Custody Bank of Japan. Figures up to FY2019 are those for the pre-merger period (Japan Trustee Services Bank), and from FY2020 onwards, those for Custody Bank of Japan.

Former Trust & Custody Services Bank	FY2016	FY2017	FY2018	FY2019	(¥ million)
Ordinary income	23,462	23,884	25,113	25,498	
Ordinary profit	990	857	740	328	
Net income	674	507	939	64	
Capital stock	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	
Net assets	60,771	61,024	59,479	59,493	
Total assets	11,424,703	13,657,253	6,494,669	5,972,264	
Balance of deposits (including negotiable certificate deposits)	7,699,573	9,875,034	2,274,797	2,407,030	
Loans	4,508,796	6,209,728	709,241	—	
Securities	188,945	263,932	295,307	174,817	
Dividend payout ratio (*1)	20.01%	19.71%	—	—	
Number of employees	672 persons	690 persons	697 persons	821 persons	
Non-consolidated capital adequacy ratio (Japanese standard) (*2)	22.03%	22.67%	37.84%	46.01%	
Fiduciary fees	11,165	11,425	12,431	13,134	
Trust account loans	—	—	1,745,329	1,556,509	
Trust account securities	84,565,099	81,754,495	85,096,939	83,110,413	
Total entrusted assets	146,066,410	143,366,870	143,717,067	139,836,527	

(*1) The dividend payout ratio for FY2018 does not include dividends from the business merger carried out in September 2018.

(*2) 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).

Figures for FY2019 are those of the former Japan Trustee Services Bank.

Balance Sheets

	FY2019 (March 31, 2020)	FY2020 (March 31, 2021) (¥ million)
Assets		
Cash and due from banks	9,604,194	16,763,063
Cash	0	0
Due from banks	9,604,194	16,763,062
Call loans	27,000	129,500
Receivables under resale agreements	30,640	—
Securities	30,349	75,286
Government bonds	30,015	30,009
Regional government bonds	—	35,023
Corporate bonds	—	9,744
Stocks	320	490
Other securities	14	18
Loans and bills discounted	97,136	31,141
Loans on deeds	97,136	31,141
Foreign exchanges	—	4,909
Due from foreign banks (our accounts)	—	4,909
Other assets	126,915	217,401
Prepaid expenses	892	1,119
Accrued income	8,847	13,313
Derivatives other than for trading-assets	—	91
CCP margin deposits	89,133	157,699
Other assets	28,041	45,177
Tangible fixed assets	2,661	4,449
Buildings	1,172	2,174
Lease assets	0	26
Other tangible fixed assets	1,489	2,249
Intangible fixed assets	26,874	50,696
Software	26,869	50,651
Other intangible fixed assets	5	45
Prepaid pension expenses	299	353
Deferred tax assets	377	1,034
Total assets	9,946,450	17,277,835
Liabilities and net assets		
Deposits	3,631,072	7,410,882
Current deposits	3,598,319	6,387,257
Ordinary deposits	17,473	1,004,901
Other deposits	15,279	18,723
Call money	—	30,000
Due to trust accounts	6,187,490	9,654,126
Other liabilities	67,176	61,932
Income taxes payable	250	753
Accrued expenses	1,564	3,918
Derivatives other than for trading-assets	—	30
Lease obligations	0	28
Asset retirement obligations	153	721
Other liabilities	65,208	56,478
Provision for bonus payments	470	606
Provision for retirement benefits	655	905
Provision for directors' retirement benefits	2	—
Total liabilities	9,886,868	17,158,453
Capital stock	51,000	51,000
Capital surplus	—	59,073
Legal capital surplus	—	50,000
Other capital surplus	—	9,073
Retained earnings	8,583	9,263
Legal retained earnings	1,094	1,094
Other retained earnings	7,489	8,169
Retained earnings brought forward	7,489	8,169
Total share- holders' equity	59,583	119,337
Valuation difference on available-for-sale securities	△ 1	45
Total valuation and translation adjustments	△ 1	45
Total net assets	59,582	119,382
Total liabilities and net assets	9,946,450	17,277,835

Statements of Income

	FY2019 (from April 1, 2019 to March 31, 2020)	(¥ million) FY2020 (from April 1, 2020 to March 31, 2021)
Ordinary income	30,756	49,297
Fiduciary fees	23,024	32,757
Interest income	△ 2,247	△ 4,064
Interest and dividends on securities	11	25
Interest on call loans	2	11
Interest on receivables under resale agreements	△ 39	△ 7
Interest on due from banks	△ 2,221	△ 4,095
Other interest received	0	1
Fees and commissions	9,902	19,945
Fees and commissions on domestic and foreign exchanges	374	479
Other fees and commissions income	9,527	19,465
Other operating income	—	1
Foreign currency exchange trading profit	—	1
Other ordinary income	76	657
Gains on sales of stocks, etc.	—	587
Other ordinary income	76	69
Ordinary expenses	30,061	48,062
Interest expenses	32	17
Interest on deposits	0	0
Interest on call money	0	0
Interest on borrowings	0	0
Other interest expenses	32	16
Fees and commissions expenses	337	2,735
Fees and commissions on domestic and foreign exchanges	89	141
Other fees and commissions expenses	247	2,594
General and administrative expenses	29,689	45,300
Other ordinary expenses	1	9
Other ordinary expenses	1	9
Ordinary profit	694	1,235
Extraordinary profit	—	11
Other extraordinary profit	—	11
Extraordinary loss	42	258
Loss on disposal of fixed assets	42	45
Impairment loss	—	213
Income before income taxes	652	988
Income taxes—current	148	521
Income taxes—deferred	△ 2	△ 213
Total income taxes	146	308
Net income	506	680

Statements of Changes in Net Assets

(¥ million)

FY2019 (from April 1, 2019 to March 31, 2020)								
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	1,094	6,982	8,077	59,077	Δ 0	Δ 0	59,076
Changes of items during the period								
Net income			506	506	506			506
Net changes of items other than shareholders' equity						Δ 1	Δ 1	Δ 1
Total changes of items during the period	—	—	506	506	506	Δ 1	Δ 1	505
Balance at the end of the period	51,000	1,094	7,489	8,583	59,583	Δ 1	Δ 1	59,582

FY2020 (from April 1, 2020 to March 31, 2021)								
	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			Total share-holders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings	
						Retained earnings brought forward		
Balance at the beginning of the period	51,000	—	—	—	1,094	7,489	8,583	59,583
Changes of items during the period								
Increase by merger		50,000	9,073	59,073				59,073
Net income						680	680	680
Net changes of items other than shareholders' equity								
Total changes of items during the period	—	50,000	9,073	59,073	—	680	680	59,753
Balance at the end of the period	51,000	50,000	9,073	59,073	1,094	8,169	9,263	119,337
	Valuation and translation adjustments		Total net assets					
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments						
Balance at the beginning of the period	△ 1	△ 1	59,582					
Changes of items during the period								
Increase by merger	70	70	59,143					
Net income			680					
Net changes of items other than shareholders' equity	△ 23	△ 23	△ 23					
Total changes of items during the period	47	47	59,800					
Balance at the end of the period	45	45	119,382					

Notes to Accounting Items (FY2020)

Amounts less than ¥1 million are rounded down.

Material 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 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. Valuation standards and methods for derivative transactions

Valuation of derivative transactions shall use the market value method.

3. Depreciation methods

(1) 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 to 50 years

Others: 2 to 20 years

(2) 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).

(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.

4. 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.

5. Standards for calculating reserves

(1) 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.

(2) Provision for retirement benefits

To provide for the payment of retirement benefits to employees, CBJ 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 prior service costs and actuarial differences is as follows.

Prior service costs

Amortizing expenses or recognizing gains collectively in the year in which they occur

Actuarial 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.

6. Accounting for consumption taxes

National and regional consumption taxes (hereinafter, the "Consumption Taxes") are accounted for using the net-of-tax method.

Change of the presentation method

"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied from the financial statements for the fiscal year under review, and notes concerning significant accounting estimates have been included in the financial statements.

Significant accounting estimates

Items whose amounts are recorded in the financial statements for the fiscal year under review based on accounting estimates and that may have a significant impact on the financial statements for the following fiscal year are as follows.

1. Impairment loss on software

(1) Amounts recorded in the financial statements for the fiscal year under review

Software ¥50,651 million

Impairment loss ¥213 million

(2) Information that contributes to an understanding of the content of significant accounting estimates for the identified items

1) Calculation method

The calculation method of impairment loss is described in "Notes to Accounting Items (Statements of Income) 3."

2) Key assumptions

The key assumptions are the remaining economic lives based on the expected future use of the software, etc.

3) Impact on the financial statements for the following fiscal year

Changes in initial assumptions about important software, such as changes in the expected future use, may have a material impact on the amount of software in the financial statements for the following fiscal year.

Notes to Accounting Items

(Balance Sheets)

1. The full amount of loans is outstanding to the government of Japan.

2. Assets pledged as collateral are as follows.

Assets pledged as collateral

Loans and bills discounted ¥31,141 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 ¥30,009 million.

Other assets include CCP guarantee deposits of ¥39,128 million and guarantee deposits and others of ¥3,530 million.

3. 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 ¥2,159,800 million, and the remaining 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.

4. Accumulated depreciation of tangible fixed assets: ¥5,493 million

5. The principal amount of trusts with principal-guaranteed features is ¥627,927 million in money trusts.

6. Total monetary claims on affiliates: ¥1,932 million

7. Total monetary obligations outstanding to affiliates: ¥7,815 million

(Statements of Income)

1. The negative interest receivables under resale agreements included in interest income are due to the execution of transactions with negative interest rates, and 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 due from banks became negative on a net amount basis.

2. Other extraordinary income is the gain on the extinguishment of tie-in shares.

3. As a result of the merger, the Company reduced the book value of the software to its recoverable amount (value in use) due to the resolution of the Board of Directors in the fiscal year under review to discontinue the use of the software related to the investment trust system, and recorded an impairment loss of ¥213 million for the reduction. While our Company's business assets as a whole are grouped together, idle assets are grouped independently.

4. Income related to transactions with affiliates

Total income from trust transactions: ¥3,593 million

Total income from fees and commissions: 395 million

Expenses related to transactions with affiliate

Total expenses related to other businesses and other ordinary transactions: ¥12 million

(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 number outstanding at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Remarks
Shares issued					
Common stock	1,020	1,020	—	2,040	(Note 1)
Total	1,020	1,020	—	2,040	
Treasury stock					
Common stock	—	1,020	1,020	—	(Note 2)
Total	—	1,020	1,020	—	

(Note 1) The increase in the number of shares of common stock among shares issued was due to the issuance of 1,020 thousand new shares when our Company absorbed JTC Holdings, Ltd.

(Note 2) The increase in the number of shares of common stock among treasury stock was due to the acquisition of stock when our Company absorbed JTC Holdings, Ltd., while the decrease was due to the delivery of the acquired treasury stock to shareholders.

2. Dividends

(1) Dividends paid during the fiscal year

None

(2) Of dividends for which the record date belongs to the fiscal year under review, those whose effective date is after the last day of the fiscal year under review.

Type of shares	Total dividends	Dividends per share	Record date	Effective date
Common stock	¥134 million	¥66	March 31, 2021	June 30, 2021

The dividend source is other retained earnings.

(Financial Instruments)

1. Matters related to the status of financial instruments

(1) Policy on financial instruments

As a bank specializing in asset administration, our Company conducts the operation of banking accounts with limited risks.

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

Our Company's financial assets, in addition to deposits in the Bank of Japan and other institutions, comprise Japanese Government Bonds, regional government bonds, loans to the Japanese government, call loans, and receivables under resale agreements. Credit risk and market risk are limited by confining operations within one year as a general rule, and restraining their size and content to a necessary minimum.

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

(3) Risk management relating to financial instruments

1) Credit risk management

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

2) Market risk management

Our Company strives for safe and secure management, by establishing a "Market Risk Management Policy" that calls for limiting market risk to the size and content required in connection with business and not conducting management for the purpose of capital gains. Moreover, the Risk Management Department sets various market risk position limits based on the "Market Risk Management Rules," and monitors the observance of these limits on a daily basis.

Our Company's market risks arise mainly from the effects of interest rate risk, and the major financial instruments subject to this risk are Japanese Government Bonds, regional government bonds, loans to the Japanese government, call loans, and receivables under resale agreements. To manage the risk of these financial instruments, CBJ 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, 2021, analyses based on the BPV method indicate that the interest rate risk for a one basis point movement in interest rates is ¥12 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.

3) Liquidity risk management

Our Company manages idle cash generated by our asset administration business on a continuing basis and limits management to that without liquidity risk to the fullest extent possible as provided for in our "Liquidity Management Policy." Moreover, the Risk Management Department sets various position limits based on the "Liquidity Risk Management Rules," 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, 2021, 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	16,763,063	16,763,063	—
(2) Call loans	129,500	129,500	—
(3) Securities			
Available-for-sale-securities	74,776	74,776	—
(4) Loans and bills discounted	31,141	31,141	—
Total assets	16,998,481	16,998,481	—
(1) Deposits	7,410,882	7,410,882	—
(2) Call money	30,000	30,000	—
(3) Due to trust accounts	9,654,126	9,654,126	—
Total liabilities	17,095,009	17,095,009	—
Derivative transactions (*1)			
(1) Those for which hedge accounting is not applied	60	60	—
Total derivative transactions	60	60	—

(*1) Derivative transactions included in other assets and liabilities are presented collectively. Net claims and obligations arising from derivative transactions are presented in net amounts.

(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 closely approximates the book value, the book value is recorded as the fair value.

Regarding due from banks with maturity, as the average life is short (one year or less), and the fair value approximates the book value, the book value is recorded as the fair value.

(2) Call loans

Since the contractual terms of call loans 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.

(3) 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 included in "(Securities)."

(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) Call money

Since the contractual terms of call money 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.

(3) Due to trust accounts

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.

Derivative transactions

Since derivative transactions are currency-related transactions (exchange contract), their fair value is calculated based on the discounted present 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, (3) Available-for-sale-securities" in the fair value information of financial instruments.

Category	Balance sheet amount
Unlisted stocks	490
Unlisted foreign securities	18
Total	509

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 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	16,763,062	—	—	—	—	—
Call loans	129,500	—	—	—	—	—
Securities						
Available-for-sale-securities with maturities	39,700	34,934	—	—	—	—
Loans and bills discounted	31,141	—	—	—	—	—
Total	16,963,403	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 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	7,410,882	—	—	—	—	—
Call money	30,000	—	—	—	—	—
Due to trust accounts	9,654,126	—	—	—	—	—
Total	17,095,009	—	—	—	—	—

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.

Financial Data

(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, 2021)

(¥ million)

	Type	Balance sheet amount	Acquisition cost	Difference
Those with the balance sheet amount exceeding the acquisition cost	Bonds			
	Government bonds	30,009	30,006	2
	Regional government bonds	32,809	32,755	54
	Corporate bonds	9,644	9,635	8
	Subtotal	72,463	72,397	65
Those with a balance sheet amount not exceeding the acquisition cost	Bonds			
	Regional government bonds	2,213	2,213	△ 0
	Corporate bonds	99	100	△ 0
	Others	40,000	40,000	—
	Subtotal	42,313	42,313	△ 0
Total		114,776	114,711	65

(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	277 million yen
Asset retirement obligations	221
Provision for bonus payments	185
Enterprise tax payable	115
Depreciation denied	75
Impairment loss denied	65
Others	366

Total deferred tax assets

1,306

Deferred tax liabilities

Tangible fixed assets	158
Prepaid pension expenses	108
Valuation difference on available-for-sale securities	4

Total deferred tax liabilities

271

Net deferred tax assets

1,034 million yen

(Transactions with Related Parties)

(1) Parent company and major corporate shareholders

(¥ million)

Type	Name of company	Percentage ownership	Relationship with related party	Type of transactions	Transaction amount (Note 2)	Accounting item	Balance at end of period (Note 2)
Subsidiary of other affiliated company	Resona Bank, Limited	Owned Directly 16.6%	Entrusts asset administration to CBJ	Re-entrustment fees, receipt of fees (Note 1)	3,980	Accrued income	1,657
						Suspense receipt	7,813

Since Resona Bank, Limited became a related party during the fiscal year under review, the transaction amount is the amount during the period that it was a related party.

Terms of transactions and the decision policies, etc.

(Note 1) Fees for re-entrustment and other fees that are based on cost are decided through negotiations.

(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	Name of company	Percentage ownership	Relationship with related party	Type of transactions	Transaction amount (Note 3)	Accounting item	Balance at end of period (Note 3)
Subsidiary of other affiliated company	Sumitomo Mitsui Trust Bank, Limited	—	Entrusts asset administration to CBJ	Re-entrustment fees, receipt of fees (Note 1)	15,360	Accrued income	6,468
						Suspense receipt	26,416
Subsidiary of other affiliated company	Mizuho Trust & Banking Co., Ltd.	—	Entrusts asset administration to CBJ	Re-entrustment fees, receipt of fees (Note 1)	10,761	Suspense receipt	12,038
Subsidiary of other affiliated company	Mizuho Information & Research Institute, Inc. (Note 4)	—	Outsourcing of system operation and software development	Outsourcing of system operation (Note 2)	2,361	—	—
				Outsourcing of software development (Note 2)	3,764	Other liabilities (Note 5)	1,228

As Sumitomo Mitsui Trust Bank, Limited, Mizuho Trust & Banking Co., Ltd. and Mizuho Information & Research Institute, Inc. became related parties during the fiscal year under review, the amount of transactions is recorded as the amount during the period that they were related parties.

Terms of transactions and the decision policies, etc.

(Note 1) Fees for re-entrustment and other fees that are based on cost are decided through negotiations.

(Note 2) Prices, etc. for the entrusted system operation and software development are negotiated and determined based on the consideration calculated by Mizuho Information & Research Institute, Inc.

(Note 3) The transaction amount does not include consumption tax. The balance at the end of the period includes consumption tax, etc.

(Note 4) Mizuho Information & Research Institute, Inc. merged with Mizuho Trust Systems Company Limited on January 1, 2021. The amount of transactions includes that of Mizuho Trust Systems Company Limited.

(Note 5) They are included in "Accounts payable" under other liabilities.

(4) Directors and other individual shareholders

None

(Per share information)

Net assets per share of common stock: ¥58,520.81
Net income per share of common stock: ¥396.96

(Business combination and other relationships)

Based on a merger agreement dated January 31, 2020, our Company, JTC Holdings, Ltd. and Trust & Custody Services Bank, Ltd. merged on July 27, 2020 and changed the trade name to Custody Bank of Japan, Ltd.

1. Overview of Business Combinations

(1) Names of companies engaged in business combination and the contents of business

1) Name of the combining company and the contents of business

Name CBJ
Lines of business Trust banking business

2) Names of combined companies and the contents of business

Name JTC Holdings, Ltd.
Lines of business Bank holding company
Name Trust & Custody Services Bank, Ltd.
Lines of business Trust banking business

(2) Date of business combination

July 27, 2020

(3) Legal form of business combination

An absorption-type merger where our Company is the company surviving the absorption-type merger and JTC Holdings, Ltd. and Trust & Custody Services Bank, Ltd. are the absorbed companies

(4) Name of company after business combination

Custody Bank of Japan, Ltd.

(5) Outline of the transaction

The purpose is to become a leading Japanese bank specializing in asset administration, which handles a wide range of custody services, including trust services and comprehensive outsourcing services for life insurance companies.

2. Overview of accounting processing

Based on the "Accounting Standard for Business Combination" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, January 16, 2019), it is treated as a transaction under common control.

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 first term, covering the period from April 1, 2020 to March 31, 2021, are presented appropriately and that the internal auditing related to the preparation of these financial statements functioned effectively.

June 30, 2021

Custody Bank of Japan, Ltd.

Yoshikazu Tanaka, President & CEO

Auditors' Statement

The Company has been audited by Accounting Auditor 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.

Fair Value Information of Securities, etc.

Securities

Under this item, negotiable certificates of deposit in “Due from banks” are included in addition to “Government bonds,” “Local government bonds,” and “Corporate bonds.”

- Available-for-sale securities with fair value

(¥ million)				
FY2019				
Former Japan Trustee Services Bank				
Type	Balance sheet amount	Acquisition cost	Difference	
Those with the balance sheet amount exceeding the acquisition cost	Bonds			
	Government bonds	—	—	—
	Subtotal	—	—	—
Those with a balance sheet amount not exceeding the acquisition cost	Bonds			
	Government bonds	30,015	30,015	△ 0
	Subtotal	30,015	30,015	△ 0
Total		30,015	30,015	△ 0

(¥ million)				
FY2019				
Former Trust & Custody Services Bank				
Type	Balance sheet amount	Acquisition cost	Difference	
Those with the balance sheet amount exceeding the acquisition cost	Bonds			
	Government bonds	1,026	1,026	0
	Regional government bonds	6,260	6,259	1
	Subtotal	7,287	7,285	1
Those with a balance sheet amount not exceeding the acquisition cost	Bonds			
	Government bonds	1,300	1,300	△ 0
	Regional government bonds	43,028	43,037	△ 8
	Corporate bonds	122,756	122,771	△ 14
	Subtotal	167,085	167,108	△ 23
Total		174,372	174,394	△ 22

(¥ million)				
FY2020				
Type	Balance sheet amount	Acquisition cost	Difference	
Those with the balance sheet amount exceeding the acquisition cost	Bonds			
	Government bonds	30,009	30,006	2
	Regional government bonds	32,809	32,755	54
	Corporate bonds	9,644	9,635	8
	Subtotal	72,463	72,397	65
Those with a balance sheet amount not exceeding the acquisition cost	Bonds			
	Government bonds	—	—	—
	Regional government bonds	2,213	2,213	△ 0
	Corporate bonds	99	100	△ 0
	Others	40,000	40,000	—
	Subtotal	42,313	42,313	△ 0
Total		114,776	114,711	65

Notes: Amounts in the balance sheet are recorded using fair values as of the end of each fiscal year.

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

	FY2019		(¥ million) FY2020
	Amount recorded in the balance sheet of the former Japan Trustee Services Bank	Amount recorded in the balance sheet of the former Trust & Custody Services Bank	Balance sheet amount
Unlisted stocks	320	442	490
Unlisted foreign securities	14	2	18
Total	334	445	509

- Valuation difference on available-for-sale securities

	FY2019		(¥ million) FY2020
	Former Japan Trustee Services Bank	Former Trust & Custody Services Bank	
Valuation difference	△ 2	△ 22	65
Available-for-sale-securities	△ 2	△ 22	65
Deferred tax assets (△ indicates deferred tax liabilities)	0	6	△ 19
Valuation difference on available-for-sale securities	△ 1	△ 15	45

- Money in trust
None

- 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.

- Interest-related Transactions
None
- Currency-related Transactions
None for FY2019.

Category	Type	FY2020			(¥ million)
		Contract amount, etc.	Contract amount, etc. exceeding one year	Fair value	Valuation of gain or loss
Over-the-counter	Exchange contract				
	Order to sell	15,334	—	0	0
	Order to buy	24,193	—	59	59
Total		/	/	60	60

- 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 using the discounted present value.

- Transactions related to stocks, bonds, trading and other derivatives transactions
None

Other Asset Situation

- Risk-monitored Loans (Status of Loans to Bankrupt Borrowers, Delinquent Loans, Loans Past Due 3 Months or More, and Restructured Loans)
None
- Write-off of Loans
None
- Balance of allowance for loan losses and its changes
None

Asset Classification under the Financial Revitalization Act

	FY2019		(¥ million)
	Former Japan Trustee Services Bank	Former Trust & Custody Services Bank	FY2020
Bankruptcy or Reorganization Claim or Other Equivalent Claims	—	—	—
Doubtful Claims	—	—	—
Substandard Claims	—	—	—
Ordinary loans	97,136	—	31,141
Total	97,136	—	31,141

Indicators for Banking Business

(1) Indicators showing the status of key business

○ Gross profits

(¥ million)						
FY2019						
	Former Japan Trustee Services Bank			Former Trust & Custody Services Bank		
	Domestic Business Division	Global Business Division	Total	Domestic Business Division	Global Business Division	Total
Gross profits	30,309	0	30,309	24,756	△ 1,750	23,006
Gross margin ratio	0.27%	2.83%	0.27%	0.42%	△ 26.71%	0.39%
Fiduciary fees	23,024	—	23,024	13,134	—	13,134
Net interest income	△ 2,279	△ 0	△ 2,279	△ 2,331	21	△ 2,309
Net fees and commissions	9,564	0	9,564	13,952	△ 1,764	12,188
Other net operating income	—	—	—	—	△ 7	△ 7

(¥ million)			
FY2020			
	Domestic Business Division	Global Business Division	Total
Gross profits	45,885	2	45,887
Gross margin ratio	0.30%	0.02%	0.30%
Fiduciary fees	32,757	—	32,757
Net interest income	△ 4,081	0	△ 4,081
Net fees and commissions	17,209	0	17,210
Other net operating income	—	1	1

Notes: Gross business profit margin = Gross business profit / Average balance of interest-earning assets × 100
Net trading income is not applicable.

○ Net business profits

			(¥ million)
	FY2019		FY2020
	Former Japan Trustee Services Bank	Former Trust & Custody Services Bank	
Net business profits	654	397	587
Real net business profits	654	397	587
Net core business profits	654	397	587
Net core business profits (excluding gain or loss on cancellation of investment trusts)	654	397	587

○ Average Balance of Interest Income and Capital Finance Accounts

		FY2019							(¥ million)
		Former Japan Trustee Services Bank			Former Trust & Custody Services Bank				
		Domestic Business Division	Global Business Division	Total	Domestic Business Division	Global Business Division	Total		
Investment management account	Average Balance	(15)				(6,125)			
	Interest	11,081,541	15	11,081,541	5,886,062	6,551	5,886,488		
		(0)				(Δ 0)			
		Δ 2,247	—	Δ 2,247	Δ 2,339	24	Δ 2,315		
Investment management account	Average Balance		(15)		(6,125)				
	Interest	11,072,656	15	11,072,656	6,004,548	321	5,998,743		
			(0)		(Δ 0)				
		32	0	32	Δ 8	2	Δ 6		
Yield on investment		Δ 0.02%	—	Δ 0.02%	Δ 0.03%	0.37%	Δ 0.03%		
Yield on financial arrangements		0.00%	0.00%	0.00%	Δ 0.00%	0.72%	Δ 0.00%		
Interest rate spread		Δ 0.02%	Δ 0.00%	Δ 0.02%	Δ 0.03%	Δ 0.35%	Δ 0.03%		

		FY2020			(¥ million)
		Domestic Business Division	Global Business Division	Total	
Investment management account	Average Balance		(5,876)		
	Interest	15,214,955	7,336	15,216,416	
		(0)	1	Δ 4,064	
		Δ 4,065			
Investment management account	Average Balance	(5,876)			
	Interest	15,335,685	2,980	15,332,789	
		(0)	1	17	
		15			
Yield on investment		Δ 0.02%	0.02%	Δ 0.02%	
Yield on financial arrangements		0.00%	0.05%	0.00%	
Interest rate spread		Δ 0.02%	Δ 0.02	Δ 0.02	

- Notes: 1. The investment management account is shown after deducting the average balance of non-interest earning due from banks (¥187 million for former Japan Trustee Services Bank and ¥31 million for former Japan Trust & Custody Services Bank in FY2019, and ¥387 million in FY2020).
2. The figure inside the bracket shows the average balance and interest on loans between the Domestic Business Division and the Global Business Division.

○ Analysis of Increase or Decrease in Interest Income and Expenses

		FY2019							(¥ million)
		Former Japan Trustee Services Bank			Former Trust & Custody Services Bank				
		Domestic Business Division	Global Business Division	Total	Domestic Business Division	Global Business Division	Total		
Net changes in interest earned		660	—	660	Δ 242	6	Δ 236		
Increase or decrease by rate of interest		251	—	251	Δ 874	0	Δ 846		
Net increase or decrease		408	—	408	631	6	609		
Net change in interest paid		Δ 18	Δ 0	Δ 18	278	0	278		
Increase or decrease by rate of interest		Δ 4	Δ 0	Δ 4	107	1	106		
Net increase or decrease		Δ 14	0	Δ 14	170	Δ 0	171		

		FY2020			(¥ million)
		Domestic Business Division	Global Business Division	Total	
Net changes in interest earned		Δ 1,818	1	Δ 1,816	
Increase or decrease by rate of interest		Δ 982	—	Δ 982	
Net increase or decrease		Δ 836	1	Δ 834	
Net change in interest paid		Δ 16	1	Δ 15	
Increase or decrease by rate of interest		9	1	9	
Net increase or decrease		Δ 26	0	Δ 24	

Notes: Parts where the increase/decrease factor overlap between the balance and interest rate are prorated according to their respective proportion of change.

○ Rate of Return

	FY2019		%
	Former Japan Trustee Services Bank	Former Trust & Custody Services Bank	FY2020
Ordinary profit to total assets	0.00	0.00	0.00
Ordinary profit to capital	1.19	0.63	1.37
Return on Assets	0.00	0.00	0.00
Return on Equity	0.87	0.12	0.75

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

(2) Indicators for deposits

○ Average Balance by Type of Deposit

	FY2019						(¥ million)
	Former Japan Trustee Services Bank			Former Trust & Custody Services Bank			
	Domestic Business Division	Global Business Division.	Total	Domestic Business Division	Global Business Division.	Total	
Deposits	4,834,539	—	4,834,539	2,553,879	—	2,553,879	
Liquid deposit	4,827,854	—	4,827,854	2,487,917	—	2,487,917	
Time and savings deposit	—	—	—	—	—	—	
Other deposits	6,684	—	6,684	65,961	—	65,961	
Negotiable certificate deposit	—	—	—	—	—	—	

	FY2020			(¥ million)
	Domestic Business Division	Global Business Division.	Total	
Deposits	6,799,176	—	6,799,176	
Liquid deposit	6,790,742	—	6,790,742	
Time and savings deposit	—	—	—	
Other deposits	8,433	—	8,433	
Negotiable certificate deposit	—	—	—	

Notes: 1. Liquid deposits = Current deposits + Ordinary deposits + Saving deposits + Deposits at notice

2. Time and savings deposit = Time deposit

○ Balance of time deposits by average life

None

(3) Indicators for loans, etc.

○ Average balance by loan item

							(¥ million)
FY2019							
Former Japan Trustee Services Bank			Former Trust & Custody Services Bank				
	Domestic Business Division	Global Business Division.	Total	Domestic Business Division	Global Business Division.	Total	
Loan of bill	—	—	—	—	—	—	
Loans on deeds	103,619	—	103,619	191,409	—	191,409	
Overdraft	—	—	—	19,818	—	19,818	
Discounted bill	—	—	—	—	—	—	
Total	103,619	—	103,619	211,228	—	211,228	

				(¥ million)
	Domestic Business Division	FY2020 Global Business Division.	Total	
Loan of bill	—	—	—	
Loans on deeds	53,073	—	53,073	
Overdraft	16,544	—	16,544	
Discounted bill	—	—	—	
Total	69,617	—	69,617	

○ Balance of loans and bills discounted by average life

FY2019			(¥ million)
Former Japan Trustee Services Bank		Former Trust & Custody Services Bank	FY2020
1 year or less	97,136	—	31,141
Floating interest rate	—	—	—
Fixed interest rate	97,136	—	31,141
Total	97,136	—	31,141
Floating interest rate	—	—	—
Fixed interest rate	97,136	—	31,141

○ Breakdown by collateral for loans and bills discounted

FY2019			(¥ million)
Former Japan Trustee Services Bank		Former Trust & Custody Services Bank	FY2020
Securities	—	—	—
Claims	—	—	—
Commodities	—	—	—
Real estate	—	—	—
Guarantees	—	—	—
Credits	97,136	—	31,141
Total	97,136	—	31,141

○ Balance of Guarantee of Obligation (Acceptances and Guarantees) None

○ Balance by purpose of loans and bills discounted

	FY2019 Former Japan Trustee Services Bank	Former Trust & Custody Services Bank	(¥ million) FY2020
Capital fund	—	—	—
Working capital	97,136	—	31,141
Total	97,136	—	31,141

○ Balance by industry of loans and bills discounted

	FY2019 Former Japan Trustee Services Bank		Former Trust & Custody Services Bank		(¥ million) FY2020	
	Balance	Composition ratio	Balance	Composition ratio	Balance	Composition ratio
Government of Japan	97,136	100.00%	—	—	31,141	100.00%
Total	97,136	100.00%	—	—	31,141	100.00%

○ Balance of Loans to SME

None

○ Balance of Specific Foreign Claims

None

○ Loan-deposit ratio

	FY2019						%
	Former Japan Trustee Services Bank			Former Trust & Custody Services Bank			
	Domestic Business Division	Global Business Division.	Total	Domestic Business Division	Global Business Division.	Total	
Loan-deposit ratio							
Balance at end of period	2.67	—	2.67	0.00	—	0.00	
Average during the period	2.14	—	2.14	8.27	—	8.27	

	FY2020			%
	Domestic Business Division	Global Business Division.	Total	
Loan-deposit ratio				
Balance at end of period	0.42	—	0.42	
Average during the period	1.02	—	1.02	

(4) Indicators for loans, etc.

- Average balance of trading securities
Our Company does not own trading securities.

- Balance of securities by average life

							(¥ million)
FY2019							
Former Japan Trustee Services Bank							
	1 year or less	Over one year to three years or less	Over three years to five years or less	Over five years	Those with no prescribed period	Total	
Government bonds	30,015	—	—	—	—	30,015	
Stocks	—	—	—	—	320	320	
Other securities	—	—	—	—	14	14	
Foreign stocks	—	—	—	—	14	14	
Total	30,015	—	—	—	334	30,349	

							(¥ million)
FY2019							
Former Trust & Custody Services Bank							
	1 year or less	Over one year to three years or less	Over three years to five years or less	Over five years	Those with no prescribed period	Total	
Government bonds	1,300	—	—	—	—	1,300	
Regional government bonds	8,980	7,894	27,180	—	—	44,055	
Corporate bonds	119,259	8,712	1,044	—	—	129,016	
Stocks	—	—	—	—	442	442	
Other securities	—	—	—	—	2	2	
Foreign stocks	—	—	—	—	2	2	
Total	129,540	16,606	28,225	—	445	174,817	

							(¥ million)
FY2020							
	1 year or less	Over one year to three years or less	Over three years to five years or less	Over five years	Those with no prescribed period	Total	
Government bonds	30,009	—	—	—	—	30,009	
Regional government bonds	3,014	32,009	—	—	—	35,023	
Corporate bonds	6,700	3,044	—	—	—	9,744	
Stocks	—	—	—	—	490	490	
Other securities	—	—	—	—	18	18	
Foreign stocks	—	—	—	—	18	18	
Total	39,723	35,053	—	—	509	75,286	

○ Average Balance of Securities

							(¥ million)
FY2019							
	Former Japan Trustee Services Bank			Former Trust & Custody Services Bank			
	Domestic Business Division	Global Business Division.	Total	Domestic Business Division	Global Business Division.	Total	
Government bonds	7,542	—	7,542	1,343	—	1,343	
Regional government bonds	—	—	—	45,168	—	45,168	
Corporate bonds	—	—	—	173,650	—	173,650	
Stocks	320	—	320	442	—	442	
Other securities	—	15	15	—	3	3	
Foreign stocks	—	15	15	—	3	3	
Total	7,862	15	7,878	220,605	3	220,608	

				(¥ million)
	FY2020		Total	
	Domestic Business Division	Global Business Division.		
Government bonds	28,209	—	28,209	
Regional government bonds	25,281	—	25,281	
Corporate bonds	28,181	—	28,181	
Stocks	417	—	417	
Other securities	—	18	18	
Foreign stocks	—	18	18	
Total	82,090	18	82,108	

○ Security-deposit ratio

							%
FY2019							
	Former Japan Trustee Services Bank			Former Trust & Custody Services Bank			
	Domestic Business Division	Global Business Division.	Total	Domestic Business Division	Global Business Division.	Total	
Security-deposit ratio							
Balance at end of period	0.83	—	0.83	7.26	—	7.26	
Average during the period	0.16	—	0.16	8.63	—	8.63	

				%
	FY2020		Total	
	Domestic Business Division	Global Business Division.		
Security-deposit ratio				
Balance at end of period	1.01	—	1.01	
Average during the period	1.20	—	1.20	

Matters concerning Bank Management

○ Initiatives to improve the management of SMEs and revitalize local communities

As a bank specializing in asset administration, our Company provides clients with services dedicated to asset administration. 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.

Trust Assets and Liabilities

(1) Balance table of assets in trust

	FY2019		(¥ million)
	Former Japan Trustee Services Bank	Former Trust & Custody Services Bank	FY2020
(Assets)			
Loans and bills discounted	—	1,556,509	310,640
Loans on deeds	—	1,556,509	310,640
Securities	123,178,561	83,110,413	217,702,529
Government bonds	10,888,107	47,748,711	60,249,867
Regional government bonds	604,741	3,610,634	4,137,025
Short-term bonds	798,239	442,995	942,302
Corporate bonds	2,494,391	8,523,832	10,760,507
Stocks	79,569,988	9,858,065	93,826,915
Foreign securities	22,196,325	10,665,934	38,138,966
Other securities	6,626,768	2,260,240	9,646,945
Securities in investment trusts	58,107,626	—	60,364,560
Foreign securities in investment trusts	24,575,421	5,836,988	35,004,138
Interests in trusts	44,148,212	21,479,239	72,490,388
Trust securities	20,952,853	2,512,451	25,314,760
Monetary claims	5,640,646	7,203,216	11,442,299
Life insurance claims	—	465,066	487,859
Housing loan claims	3,583,788	—	3,274,793
Other monetary claims	2,056,857	6,738,149	7,679,646
Tangible fixed assets	192	—	—
Real estate	192	—	—
Other claims	7,448,110	4,201,826	10,939,011
Call loans	5,800,797	3,760,381	9,308,437
Loans to banking account	6,187,490	3,455,048	9,654,126
Cash and due from banks	7,714,683	6,720,451	15,068,998
Due from banks	7,714,683	6,720,451	15,068,998
Total net assets	303,754,597	139,836,527	467,599,890
(Liabilities)			
Designated money trusts	—	3,681,730	1,310,922
Corporate investment fund	4,423,617	42,711,031	47,400,264
Monetary trusts other than money in trust	2,330,106	1,023,640	3,501,154
Trust of securities	—	4,046,414	4,575,795
Monetary claims in trust	3,583,788	—	3,274,793
Composite trusts	293,417,084	88,373,710	407,536,960
Total liabilities	303,754,597	139,836,527	467,599,890

(2) Acceptance of money trusts, etc.

○ Fiscal year-end balance of trust

	FY2019		(¥ million)
	Former Japan Trustee Services Bank	Former Trust & Custody Services Bank	FY2020
Money trusts	4,423,617	46,392,762	48,711,187

Notes: Annuity trusts, employees' property formation benefit trusts, and loan trusts are not applicable.

○ Balance of principal by trust period

	FY2019		(¥ million)
	Former Japan Trustee Services Bank	Former Trust & Custody Services Bank	FY2020
Money trusts			
Less than 1 year	183,200	—	45,580
1 year or more to less than 2 years	4,114,403	41,641,853	44,884,164
2 years or more to less than 5 years	—	—	—
5 or more years	36,540	1,233,222	1,579,017
Others	—	367,829	627,927
Total	4,334,144	43,242,906	47,136,689

(3) Investment in Money Trusts, etc.

○ Investment balance

	FY2019		(¥ million)
	Former Japan Trustee Services Bank	Former Trust & Custody Services Bank	FY2020
Money trusts			
Capital fund	—	1,556,509	310,640
Working capital	3,881,391	37,155,394	43,148,951
Total	3,881,391	38,711,904	43,459,592

○ Balance of Loans by Accounting Item

	FY2019		(¥ million)
	Former Japan Trustee Services Bank	Former Trust & Custody Services Bank	FY2020
Money trusts			
Loan of bill	—	—	—
Loans on deeds	—	1,556,509	310,640
Discounted bill	—	—	—
Total	—	1,556,509	310,640

○ Balance of Loans by Contract Period

	FY2019		(¥ million)
	Former Japan Trustee Services Bank	Former Trust & Custody Services Bank	FY2020
Money trusts			
1 year or less	—	1,556,509	310,640
Total	—	1,556,509	310,640

○ Breakdown of Loans by Collateral

	FY2019		(¥ million)
	Former Japan Trustee Services Bank	Former Trust & Custody Services Bank	FY2020
Money trusts			
Securities	—	—	—
Claims	—	—	—
Commodities	—	—	—
Real estate	—	—	—
Guarantees	—	226,499	111,382
Credits	—	1,330,010	199,258
Total	—	1,556,509	310,640

○ Balance of Loans by Purpose

	FY2019		(¥ million)
	Former Japan Trustee Services Bank	Former Trust & Custody Services Bank	FY2020
Money trusts			
Capital fund	—	—	—
Working capital	—	1,556,509	310,640
Total	—	1,556,509	310,640

○ Balance of Loans by Industry

	FY2019				(¥ million)	
	Former Japan Trustee Services Bank		Former Trust & Custody Services Bank		FY2020	
Money trusts	Balance	Composition ratio	Balance	Composition ratio	Balance	Composition ratio
Financial and Insurance	—	—	226,499	14.55%	111,382	35.86%
Government, etc.	—	—	1,330,010	85.45%	199,258	64.14%
Total	—	—	1,556,509	100.00%	310,640	100.00%

- Balance of Loans to SME
None

- Securities

	FY2019		(¥ million)
	Former Japan Trustee Services Bank	Former Trust & Custody Services Bank	FY2020
Money trusts			
Government bonds	374,482	30,868,147	33,429,388
Regional government bonds	20,031	1,454,652	1,282,508
Corporate bonds	190,503	4,192,917	4,299,201
Stocks	1,902,331	240,021	2,218,278
Foreign securities	758,289	355,533	1,217,043
Other securities	635,753	44,121	702,530
Total	3,881,391	37,155,394	43,148,951

(4) Status of trusts with principal-guaranteed features

- Fiscal Year-end Balance of Trusts (including trusts that have been re-trusted for the investment of trust assets)

	FY2019		(¥ million)
	Former Japan Trustee Services Bank	Former Trust & Custody Services Bank	FY2020
Money trusts			
(Assets)	—		
Others	—	367,829	627,927
Total net assets	—	367,829	627,927
(Liabilities)	—		
Principal	—	367,829	627,927
Others	—	0	0
Total liabilities	—	367,829	627,927

- Loans to Bankrupt Borrowers, Delinquent Loans, Loans Past Due 3 Months or More, and Restructured Loans pertaining to Loans
None
- Balance of Disclosed Claims under the Ordinance for Enforcement of the Financial Revitalization Act pertaining to Loans
None

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).

Figures for FY2019 are those of the former Japan Trustee Services Bank.

• Composition of Capital Disclosure

Non-consolidated capital adequacy ratio summary table (Japanese standard)

	FY2019	FY2020 (¥ 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	59,583	119,202
Of which, capital and capital surplus	51,000	110,073
Of which, retained earnings	8,583	9,263
Of which, treasury stock (-)	-	-
Of which, planned distribution of income (-)	-	134
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)	59,583	119,202
Core Capital: Regulatory adjustments (2)		
Total intangible fixed assets (excluding those relating to mortgage servicing rights)	18,645	35,173
Of which, goodwill (including those equivalent)	-	-
Of which, other than goodwill and mortgage servicing rights	18,645	35,173
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	208	245
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	4,624	8,279
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	4,624	8,279
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)	23,478	43,697
Capital		
Total amount of capital ((C)=(A)-(B)) (c)	36,105	75,504

	FY2019	FY2020 (¥ million)
Risk-Weighted Assets (3)		
Credit risk assets	49,695	114,591
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%	56,098	105,791
Credit risk-weighted assets adjustments	—	—
Amount equivalent to operational risk adjustments	—	—
Total risk-weighted assets (d)	105,794	220,383
Capital Adequacy Ratio		
Capital Adequacy Ratio (C)/(D)	34.12%	34.26%

● Qualitative Disclosure

1. Main features of regulatory capital instruments

Capital is raised by common stocks.

2. Assessment of capital adequacy under pillar2

As a method of assessing capital adequacy, our Company 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 Company carries out integrated risk management based on the “Capital Management Policy,” “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 liquidity risks that cannot be identified by the integrated risk quantity, stress tests are conducted and regularly reported to the Executive Management Committee and the Board of Directors, including the status of compliance with the limitations.

3. Credit risk

(1) Overview of Risk Management Policies and Procedures

1) 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.”

2) Characteristics of credit risk

The major credit risk in our Company 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).

3) Risk management policy

The “Risk Management Policy” is established, with the credit risk management policy of keeping the scale and content of credit risks to the minimum necessary to mitigate risks.

4) Credit risk management structure

The Risk Management Department, which manages credit risk, 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 Deliberation Committee.

5) Credit rating, self-assessment, and write-off and reserve, etc.

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 Company has established an “internal rating” for financial institutions, etc. as credit ratings with reference to external ratings.

B. Self-assessment

Self-assessment is a preparatory process for write-offs and reserves, etc. conducted by individually examining the contents of assets owned and categorizing them according to the risk level of recovery or impairing values. Our Company has established the “Risk Management Policy” and “Asset Assessment Management Rules” 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, etc. appropriately, and also used for credit risk management.

C. Write-offs and reserves, etc.

Write-offs and reserves, etc. 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 Company has established rules, etc. on write-off and reserves, etc. to ensure proper management of write-offs and reserves, etc.

(2) Portfolios to which the Standardized Approach is applied

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

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

- Japan Credit Rating Agency, Ltd. (
- Rating and Investment Information, Inc. (R&I)
- Moody’s Investors Service, Inc. (Moody’s)
- S&P Global Ratings (S&P)
- FitchRatings

4. Risk management policy and summary of procedures concerning credit risk mitigation techniques

(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 Company reflects the effects of credit risk mitigation through eligible collateral and guarantees based on the Notification.

(2) Major types of collateral

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

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

(1) Overview of Risk Management Policies and Procedures

Recognizing operational risk as a significant risk in the “Risk Management Policy” due to our risk profile as a trust bank specializing in asset administration services, we have prescribed a basic policy of establishing a solid internal control system to prevent such risks and minimizing their impact on business when they materialize.

In order to appropriately manage operational risk in accordance with the above policy, our Company has established the “Operational Risk Management Rules,” 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, Tangible Asset Risk, Personnel Risk, and Reputational Risk), and that the 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.

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

1) Administrative risk

- The Operations Planning Department is responsible for processing risks to plan and promote the management of processing risk.

2) Information security risk

- Of information security risks, the Operations Planning Department is responsible for those other than information systems, and the System Risk Management Department is responsible for information systems, to plan and promote various risk management.

3) System risk

- The System Risk Management Department is responsible for system risks to plan and promote the management of system risks.

4) Legal & compliance risk

- The Compliance Department is responsible for legal and compliance risks to plan and promote legal and compliance risk management.

5) Tangible asset risk

- The Human Resources & Corporate Administration Department is responsible for tangible asset risks to plan and promote various types of tangible asset risk management.

6) Personnel risk

- The Human Resources & Corporate Administration Department is responsible for personnel risks to plan and promote personnel risk management.

7) Reputational risk

- The Risk Management Department is responsible for reputation risks to plan and promote various types of reputation risk management.

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

- 1) Outsourcing management
 - As various operational risks are inherent in the outsourcing of our Company business, the Risk Management Department has established the “Outsourcing Management Rules” to comprehensively adjust the management of outsourcing.
- 2) Response to severe accidents
 - The “Operational Risk Management Rules” (administered by the Risk Management Department) set forth standards for the severity of materialized operational risks, and stipulate actions to be taken according to the severity.
- 3) Risk Management Deliberation Committee
 - The Risk Management Deliberation Committee (operational risk) has been established to coordinate company-wide operational risks, managed by the Risk Management Department.

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.

- (2) Calculation of amount equivalent to operational risk
Calculation method

Our Company calculated operational risk equivalents using the “Basic Indicator Approach.”

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

Our Company 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.

10. Interest rate risk

- (1) Overview of Risk Management Policies and Procedures

- 1) 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 Δ EVE for each. The scope of measurement includes positions with interest rate risk in the banking book.

Δ NII is measured as the decrease in interest income during the period from the record date for calculation of interest rate shocks until the date 12 months have elapsed.

- 2) 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 Δ EVE to Core Capital for our Company was well below the regulatory level of 20%, maintaining a low level of IRRBB.

3) Management structure of IRRBB

The Risk Management Department regularly measures IRRBB and reports to the Risk Deliberation Committee and others.

(2) Overview of Interest Rate Risk Calculation Methods

1) 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.

2) Interest rate risk other than Δ EVE and Δ NII

The BPV (basis point value) is used to measure and manage interest rate risks.

● Quantitative Disclosure

(1) Capital

○ Non-consolidated Required Capital by Portfolio Category

	FY2019	FY2020
		(¥100 million)
Credit risk		
Standardized Approach	12.8	32.1
For CCP (Central Counterparty Clearing House)	7.0	13.7
Operational risk	22.4	42.3
Total amount of non-consolidated capital	42.3	88.1

Operational risk equivalents are calculated using the Basic Indicator Approach.

(2) Credit risk

○ 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	Securities	Derivatives	Others	Total
					(¥100 million)
Domestic	1,067	303	–	96,894	98,265
Overseas	–	0	–	–	0
Total	1,067	303	–	96,894	98,265
					(¥100 million)
Domestic	311	752	–	169,237	170,300
Overseas	–	0	–	50	50
Total	311	752	–	169,287	170,351

Breakdown by trading partner

	Off-balance sheet amount other than loans, commitments and derivatives	FY2019			(¥100 million)
		Securities	Derivatives	Others	Total
For sovereign	971	300	–	96,044	97,315
For financial institutions and others	–	–	–	87	87
Others	96	3	–	763	862
Total	1,067	303	–	96,894	98,265

	Off-balance sheet amount other than loans, commitments and derivatives	FY2020			(¥100 million)
		Securities	Derivatives	Others	Total
For sovereign	311	649	–	166,829	167,790
For financial institutions and others	–	87	–	1,809	1,896
Others	–	15	–	649	664
Total	311	752	–	169,287	170,351

Breakdown by period

	Off-balance sheet amount other than loans, commitments and derivatives	FY2019			(¥100 million)
		Securities	Derivatives	Others	Total
One year or less	971	300	–	576	1,847
Over one year	–	–	–	–	–
Others	96	3	–	96,317	96,417
Total	1,067	303	–	96,894	98,265

	Off-balance sheet amount other than loans, commitments and derivatives	FY2020			(¥100 million)
		Securities	Derivatives	Others	Total
One year or less	311	397	–	169,107	169,816
Over one year	–	349	–	–	349
Others	–	5	–	180	185
Total	311	752	–	169,287	170,351

- Overdue Exposure Status None
- Write-off of Allowance for Loan Losses and Loans None
- Exposure to which the Standardized Approach is Applied
Breakdown by risk-weight category (after applying credit risk mitigation effects)

Breakdown by period

(Risk weight)	FY2019			(¥100 million)
	On-balance sheet	Off-balance sheet	Total	
0%	97,315	96	97,411	
10%	0	–	0	
20%	357	–	357	
100%	148	–	148	
250%	40	–	40	
1250%	–	–	–	
Total	97,862	96	97,958	

(Risk weight)	FY2020			(¥100 million)
	On-balance sheet	Off-balance sheet	Total	
0%	167,790	–	167,790	
10%	0	–	0	
20%	2,341	–	2,341	
100%	124	–	124	
250%	83	–	83	
1250%	–	–	–	
Total	170,341	–	170,341	

- Amounts of Capital Deduction and Exposure Applied 1,250% Risk Weight
None

(3) Credit Risk Mitigation Techniques

- Breakdown of Exposures to which Credit Risk Mitigation Techniques are Applied

	FY2019			(¥100 million)
	Financial asset collateral	Guarantees	Credit derivatives	Total
Standardized Approach				
For sovereign	—	—	—	—
For financial institutions and others	—	—	—	—
For corporate and others	306	—	—	306
Mortgage loan	—	—	—	—
Securitization	—	—	—	—
Others	—	—	—	—
Total	306	—	—	306

	FY2020			(¥100 million)
	Financial asset collateral	Guarantees	Credit derivatives	Total
Standardized Approach				
For sovereign	—	—	—	—
For financial institutions and others	—	—	—	—
For corporate and others	—	—	—	—
Mortgage loan	—	—	—	—
Securitization	—	—	—	—
Others	—	10	—	10
Total	—	10	—	10

(4) Counterparty Risk in Derivative and Long-term Settlement Transactions None

(5) Securitization Exposures None

(6) Market Risk

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

(7) Risk of Equity Exposures

- Balance sheet amount and Market Value

	FY2019		FY2020		(¥100 million)
	Balance sheet amount	Fair value	Balance sheet amount	Fair value	
Listed equity exposures	—	—	—	—	
Equity exposures other than above	3	—	5	—	
Total	3	—	5	—	

- Gains/losses on sale and redemption of equity exposure

	FY2019			FY2020		(¥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	—	—	—	5	5	—

- Amount of gain or loss by write-offs and valuation related to equity exposures.
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

(8) Interest Rate Risk

IRRBB1: Interest rate risk

Item No.		FY2019		FY2020		(¥ million)
		△EVE	△NII	△EVE	△NII	
1	Parallel up	424	△1,197	1,282	△2,015	
2	Parallel down	△424	1,197	△1,282	2,015	
3	Steeper	—	—	—	—	
4	Flatter	—	—	—	—	
5	Short rate up	—	—	—	—	
6	Short rate down	—	—	—	—	
7	Maximum	424	1,197	1,282	2,015	
		FY2019		FY2020		
8	Core capital	36,105		75,504		

Disclosure of 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.

- 1) Scope of “Applicable Officers”

Applicable officers include our Company directors and corporate auditors, excluding external Directors and Corporate Auditors.

- 2) 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. 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. Our Company has set the standard amount at ¥20 million. The standard amount is set based on the average amount of compensation for Applicable Officers of our Company.

- (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

- 1) 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.

- 1) 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, 2020 to March 31, 2021)

(¥ million)

Category	Headcount	Total amount of compensation, etc.	Total amount of fixed compensation	Basic compensation	Stock option	Others	Total amount of variable compensation	Bonuses	Retirement benefits
Applicable Officers (excluding external officers)	11	129	129	129	—	—	—	—	—

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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日本カストディ銀行
Custody Bank of Japan

DISCLOSURE 2021

The document is a disclosure material prepared in accordance with Article 21 of the Banking Act.

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