

Custody Bank of Japan, Ltd.

DISCLOSURE

2022

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 administration 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.

Custody Bank of Japan
President & Representative Director **Yoshikazu Tanaka**

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, Vision and Action Guidelines of Custody Bank of Japan

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.

CONTENTS

Corporate Data.....	02
Corporate Governance.....	04
Strengthening Initiatives for SDGs	07
Action Policy on Fiduciary Duty	10

Review of Business Performance.....	11
Introduction of Our Company's Business	12
Initiatives for Improving Processing Quality	15
Initiatives for Regulatory Reforms, Etc.....	16
Risk Management System	17
Compliance Systems.....	19
Internal Audits	20
As a Public Institution (Disaster Prevention Measures)....	21
Financial Section	23

Corporate Profile

Corporate name	Custody Bank of Japan, Ltd. (Custody Bank of Japan, Ltd.)	
Establishment	June 20, 2000	
Location	<p>■ Head Office</p> <p>8-12, Harumi 1-chome, Chuo-ku, Tokyo, 104-6228 Harumi Island Triton Square Tower Z</p> <p>■ Harumi Branch Office</p> <p>8-11, Harumi 1-chome, Chuo-ku, Tokyo, 104-6107 Harumi Island Triton Square Tower Y</p>	
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	1,980 (as of March 31, 2022)	
	* The number of employees includes personnel seconded from Mizuho Trust & Banking, Sumitomo Mitsui Trust Bank, Resona Bank and other companies (553).	
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 (R&I)	AA-
	Moody's	A1



History

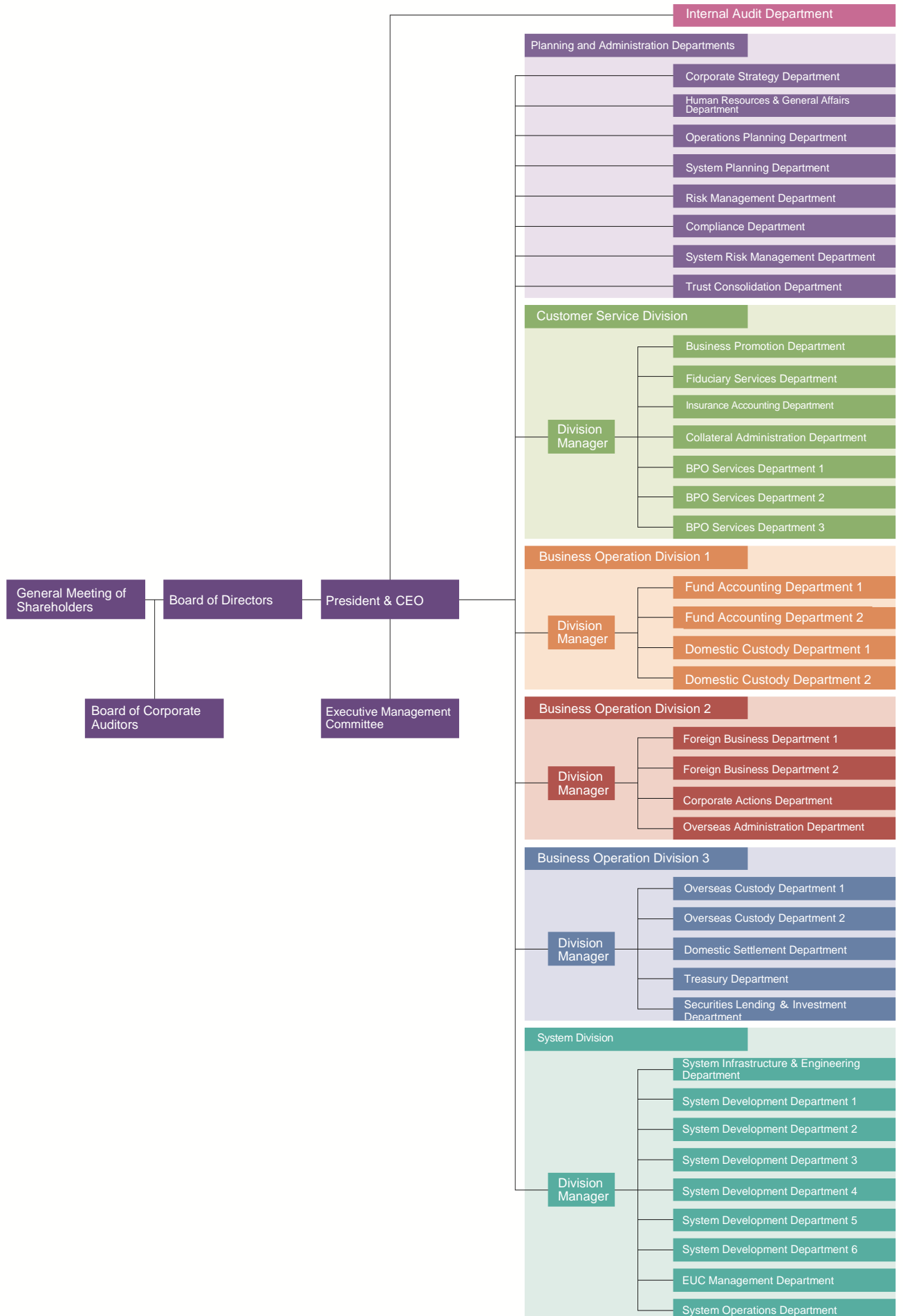
On July 27, 2020, three companies, Japan Trustee Services Bank (surviving company after the merger), Trust & Custody Services Bank, and JTC Holdings, merged to form Custody Bank of Japan.

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.

Board of Directors and Nomination of Candidates for Directors

To fulfill its functions, the Board of Directors requires its members to have knowledge, capabilities and experience necessary to perform all duties of our Company, including financial literacy, expertise in our Company's practices, risk management and compliance, in addition to their competence.

In nominating candidates for Directors, the Company takes into consideration the degree of satisfaction of the functions of the Board of Directors, as well as individual knowledge, expertise and experience that can contribute to the complementary and effective functioning of the Board of Directors in addition to their competence.

Prior to the nomination of candidates for Directors (including those who are proposed to be reappointed with the expiration of their terms of office), the Chairman of the Board of Directors convenes the "Performance Evaluation Committee" consisting mainly of Independent Directors to examine the competence and capability requirements of the candidates for Directors, and reports to the Board of Directors as necessary.

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 advice and other points to the internal audit division, as well as exchanging information as needed.

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.

Board of Corporate Auditors and Nomination of Candidates for Corporate Auditors

We believe it is desirable that the Board of Corporate Auditors be composed of Corporate Auditors with experience and knowledge, etc. in operations related to our Company's business, finance and accounting, risk management and legal affairs, and auditing, in order to conduct audits on the execution of duties by Directors in an appropriate, fair and efficient manner.

The Board of Corporate Auditors reviews and deliberates on proposals for the election of Corporate Auditors, which are to be submitted by Directors to the General Meeting of Shareholders, from such viewpoint in addition to the qualification requirements under the Companies Act.

Officers

Chairman	Hiroki Tanaka	Managing Executive Officer	Yuji Takei
President & Representative Director	Yoshikazu Tanaka	Managing Executive Officer	Takahiro Ishi
Deputy President & Representative Director	Koji Arita	Managing Executive Officer	Kenji Yoshikawa
Director & Senior Managing Executive Officer	Hiroshi Takahashi	Managing Executive Officer	Yasuhiro Ueda
Director & Senior Managing Executive Officer	Hiroyuki Obata	Managing Executive Officer	Tsukasa Kotaka
Director & Senior Managing Executive Officer	Michihiro Masuda	Managing Executive Officer	Satoshi Sato
Director & Senior Managing Executive Officer	Ryuichi Yamamoto	Executive Officer	Taku Murakawa
Director (Part-time)	Munetaka Saito	Executive Officer	Masato Maruyama
Director (Part-time)	Junichi Maeda	Executive Officer	Yoshifumi Nishikido
Corporate Auditor	Toshio Yamasaki	Executive Officer	Ryoichi Ikeda
Corporate Auditor	Hiroshi Hirosaka	Executive Officer	Hiroshi Shiotsu
Corporate Auditor	Makoto Saito		
Corporate Auditor	Takeshi Watanabe		
Corporate Auditor (Part-time)	Shigenori Ikemura		
Corporate Auditor (Part-time)	Tadaaki Matsuura		

Skills Matrix for the Members of the Board of Directors

- Our Company's Board of Directors consists of six Executive Directors and three Independent Directors. The six Executive Directors have abundant practical business experience at respective financial institutions as follows. Further, they possess the knowledge, experience, capabilities, and expertise necessary to conduct our Company's asset administration business.
- The three Independent Directors have specialized knowledge of financial institutions and systems, including those gained at the Bank of Japan, Japan Securities Depository Center, and TOSHO SYSTEM SERVICE, and provide accurate advice and support from a perspective independent from six Executive Directors to fulfill its supervisory function over the Board of Directors.

Name	Current position in our Company	Major positions held (excluding those at our Company and its predecessor financial groups)	Expertise							
			Bank management	Asset administration business	Banking business	Life insurance business	Securities markets	Financial/settlement systems	IT	
			3 years or more experience as an officer (senior managing director or above) of a listed bank, etc.	3 years or more of business experience	3 years or more of business experience in commercial banking	3 years or more of business experience	3 years or more of work experience	3 years or more experience in planning	3 years or more experience in charge of IT or working in an IT company	
Hiroki Tanaka	(Independent Director) Chairman Chairman of the Board of Directors	Executive Director, Bank of Japan Special Advisor, IBM Japan	○					○	○	
Yoshikazu Tanaka	President & Representative Director	Senior Managing Executive Officer, Sumitomo Mitsui Trust Holdings Director and Senior Managing Executive Officer, Sumitomo Mitsui Trust Bank	○	○	○			○	○	
Koji Arita	Deputy President & Representative Director	Managing Executive Officer, Mizuho Financial Group Managing Executive Officer, Mizuho Bank	○		○			○		
Hiroshi Takahashi	Director & Senior Managing Executive Officer	Managing Executive Officer, Sumitomo Mitsui Trust Bank		○	○					
Hiroyuki Obata	Director & Senior Managing Executive Officer	Abundant practical business experience at Mizuho Financial Group, Mizuho Trust & Banking, etc.		○	○					
Michihiro Masuda	Director & Senior Managing Executive Officer	Managing Executive Officer, Resona Bank		○	○					
Ryuichi Yamamoto	Director & Senior Managing Executive Officer	Executive Officer and Corporate Auditor, The Dai-ichi Life Insurance Director, Japan Excellent Asset Management					○			
Munetaka Saito	(Independent Director) Director	Director and Senior Executive Officer, Japan Securities Depository Center Managing Director, JASDEC DVP Clearing President and Representative Director, TOSHO SYSTEM SERVICE						○	○	○
Junichi Maeda	(Independent Director) Director	Nagoya Branch Manager, Bank of Japan, etc. Representative Director and Senior Managing Director, Hokkoku Bank	○		○			○		

Skills Matrix for the Members of the Board of Corporate Auditors

- The six Corporate Auditors are all external Corporate Auditors and have the experience and knowledge, etc. necessary to audit the execution of duties by Directors as follows.

Name	Current position in our Company	Major positions held (excluding those at our Company and its predecessor financial groups)	Experience and knowledge, etc.					
			Banking/Trust business	Life insurance business	Securities business	Finance/Accounting	Risk management/Legal	Audit
Toshio Yamasaki	Corporate Auditor (External Corporate Auditor)	Managing Executive Officer, Sumitomo Mitsui Trust Bank President and Representative Director, Sumitomo Mitsui Trust General Service Full-time Audit & Supervisory Board Member, Development Bank of Japan	○			○	○	○
Hiroshi Hirosaka	Corporate Auditor (External Corporate Auditor)	Director and Managing Executive Officer, Asahi Real Estate Management Statutory Auditor (standing), Asahi Mutual Life Insurance Company		○		○	○	○
Makoto Saito	Corporate Auditor (External Corporate Auditor)	General Manager, Trust Fund Planning Dept., Mizuho Trust & Banking General Manager, Operations Planning Dept., Mizuho Trust & Banking	○		○		○	○
Takeshi Watanabe	Corporate Auditor (External Corporate Auditor)	General Manager, Office of Audit Committee, Resona Holdings Abundant practical business experience at Resona Holdings and Resona Bank	○			○		○
Shigenori Ikemura	Corporate Auditor (Part-time) (External Corporate Auditor)	Executive Officer, Sumitomo Mitsui Trust Bank Executive Officer & Executive Officer (Shikokoyakuin), Sumitomo Mitsui Trust Holdings	○				○	○
Tadaaki Matsuura	Corporate Auditor (Part-time) (External Corporate Auditor)	General Manager, Insurance Loan Dept., Japan Post Insurance Director, JP Investment	○	○				○

Strengthening Initiatives for SDGs

Custody Bank of Japan, Ltd. (hereinafter “CBJ”) considers the achievement of the Sustainable Development Goals (SDGs) to be an important management issue, and is strengthening its efforts for SDGs in order to contribute to the improvement of corporate value and the realization of a sustainable society in line with its corporate philosophy.

On April 1, 2022, the SDGs Subcommittee of the Corporate Culture Creation Working Group, which played a central role in the formulation of materiality described below, was dissolved to form a new SDGs Promotion Committee under the leadership of Koji Arita, Deputy President & Representative Director. We will strongly promote efforts toward the SDGs, led by this Committee going forward.

1. CBJ’s Corporate Philosophy and SDGs













CBJ’s corporate philosophy of “As Japan’s No. 1 bank specializing in asset administration, we shall contribute to the sound development of the economy and society by playing a role in the development of asset management businesses and the asset formation of the people of Japan,” shares a philosophy and way of thinking with SDGs.


















As a financial infrastructure, our Company recognizes that strengthening its efforts toward the SDGs is a social responsibility, and as a leading company specializing in asset administration, it will work aggressively to achieve the SDGs.

2. Formulation of Materiality and Main Initiatives

Under a framework that combines our commitment to society, customers, and employees as set forth in the CBJ’s Vision with the environment which is a prerequisite for corporate activities, our Company has formulated the following nine material issues as priority issues.

The below are examples of initiatives related to each material issue, and we will work hard to promote these SDGs initiatives in the future.

Framework		Materiality	Initiatives	Related SDGs
CBJ's Vision	[Society] We respond to the trust of society as a financial infrastructure by providing high-quality and reliable services	1. Response to social responsibility as a financial infrastructure	<ul style="list-style-type: none"> Development of robust IT infrastructure that pays due consideration to the environment and workstyles Enhancement of management system for business continuity in accordance with disaster scenarios Expanded donation of shareholder benefits to social welfare corporations 	   
		2. Contribution to the development of asset management business	<ul style="list-style-type: none"> Expanded collaboration with other companies in the same industry Activities to promote paperless practices in cooperation with customers Accurate response to institutional changes, etc. 	   
		3. Contribution to economic development and a prosperous national society	<ul style="list-style-type: none"> Expanded provision of information to beneficiaries through webinars, etc. Efforts to expand investment targets for beneficiaries Accurate execution of voting affairs 	   

Framework		Materiality	Initiatives	Related SDGs
CBJ's Vision	[Society] We respond to the trust of society as a financial infrastructure by providing high-quality and reliable services	4. Enhancement of the governance system	<ul style="list-style-type: none"> Supervision by external Directors Disclosure of skills matrix for the members of the Board of Directors Accurate response to revisions to laws and regulations Enhancement of risk management system Enhancement of AML/CFT risk management system Enhanced system security Constant efforts to revitalize the organization by utilizing town meetings, engagement surveys, and executive officer opinion boxes, etc. 	 
	[Customers] We aim to become the best partner for our customers by meeting their diverse needs and managing the changing environment	5. Provision of high-quality, highly efficient services based on a customer-first approach	<ul style="list-style-type: none"> Initiatives for improving processing quality Increased efficiency through promotion of CBJ Kaizen activities such as improvement of processing flows and RPA* <p>*RPA is an abbreviation for Robotic Process Automation. It stands for automating and improving the efficiency of routine processing work through robotic technology of software.</p>	  
		6. Response to diverse customer needs	<ul style="list-style-type: none"> Response to diverse outsourcing needs related to securities management Expansion of products and services handled Further strengthening of communication with customers using surveys 	   
	[Employees] We shall always be a company that takes pride in being an asset administration professional in which employees work to their full potential	7. Development of professional human resources	<ul style="list-style-type: none"> Unique treatment and job category systems Enhancement of training menus to improve expertise (Harumi Custody Academy video, etc.) Enhancement of career support such as job postings Increased value of human resources through reskilling 	   
		8. Promotion of diversity and inclusion	<ul style="list-style-type: none"> Establishment of the D&I Promotion Office Establishment of a workplace environment conducive to women's active participation in the workplace Support for people balancing work with childcare or nursing care Initiatives for diverse workstyles Promotion of employment of and enhanced communication with persons with disabilities 	  
	[Environment] We will make every effort to pay consideration to the environment in our corporate activities, such as energy conservation, resource conservation, and resource recycling	9. Implementation of corporate activities with due consideration for the environment	<ul style="list-style-type: none"> Promotion of paperless practices through web-based meetings, digitization, and reduction of multifunction printers Energy-saving through the use of cloud computing, LEDs and others Reduced use of office space through promotion of 'free address' seating and efficient use of furniture and fixtures 	

3. Town Meetings Held

A total of 12 town meetings were held over the period from January to February 2022, in which both the officers and employees participated, in order for the employees to understand SDGs and to appreciate that the CBJ's Corporate Philosophy and other principles as well as their daily work are closely linked to SDGs.

There was two-way communication, as the officers presented the management philosophy to the employees while the employees made comments on matters that CBJ should work on in the future. Also in light of the opinions expressed at the town meetings, we will work on initiatives that lead to the promotion of SDGs going forward.



4. Diversity & Inclusion (D&I) initiatives

Our Company is stepping up its D&I efforts, including promoting women's advancement in the workplace, giving support for balancing work and childcare, promoting elderly persons' active participation, and collaborating with people with disabilities. As a result, in November 2021, we obtained the "Kurumin" and "Platinum Kurumin" certifications as an excellent company for supporting child-rearing from the Minister of Health, Labour and Welfare. In January 2022, we also received the "Eruboshi (Level 2)" certification as a company committed to promoting the advancement of women.

In April 2022, we established the D&I Promotion Office within the Human Resources & Corporate Administration Department. We will focus on developing a corporate culture and workplace environment in which each employee respects diverse values and can work more actively than ever before.



[Kurumin certification]

It is a system through which the Ministry of Health, Labour and Welfare certifies a company that meets 10 requirements as one supporting child-rearing



[Platinum Kurumin certification]

It is a system through which the Ministry of Health, Labour and Welfare certifies a company that meets criteria higher than those for the Kurumin certification as an excellent company



[Eruboshi certification]

It is a system through which the Ministry of Health, Labour and Welfare certifies an excellent company that promotes the advancement of women

Action Policy on Fiduciary Duty

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 legislation and taxation related to securities and cash settlement necessary for asset administration services.

2. Sophistication of Administration, Systems, etc. as Financial Infrastructure

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 administration 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 markets, etc.

IV. Action Plan

Please visit our Company website.

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

(1) Income Summary

As for profit and loss for the fiscal year under review, ordinary income was ¥57,665 million. Key components included ¥38,012 million of fiduciary fees, and ¥22,419 million of fees and commissions.

Ordinary expenses, on the other hand, amounted to ¥55,734 million. The principal components of ordinary expenses were ¥52,909 million in general and administrative expenses, and ¥2,814 million in fees and commissions expenses.

As a result, ordinary profit was ¥1,931 million, with net income of ¥576 million.

(2) Assets, Liabilities, Etc.

Total assets at the end of the fiscal year under review were ¥17,248,209 million, a drop of ¥29,626 million during the year due to a decrease in cash and due from banks and loans. The principal components were ¥16,748,115 million in cash and due from banks, ¥149,400 million in call loans and ¥65,504 million in securities.

On the other hand, liabilities amounted to ¥17,128,401 million, down ¥30,052 million during the year due to a decrease in deposits, etc. The principal components were ¥5,766,452 million in deposits, and ¥11,186,487 million in borrowed money from trust account.

Moreover, net assets were ¥119,808 million.

The capital adequacy ratio (Japanese standard) was 29.42%.

(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 ¥667,584,500 million, down ¥52,594,700 million during the year.

(4) Status of Trust Consolidation

We had been promoting a project to transfer investment trust assets, and shifted to business operations under a new structure on May 2, 2022. We will continue to explore various possibilities in terms of further integration of processing work and systems for the Trust Business.

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 administration

We manage the overall administration related to asset administration 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.

● Administration 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. Administration 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 regulatory changes and administration of fiduciary fees
4. Administration 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 administration

For domestic securities administration, 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 kinds of electronic media (settlement matching system of Japan Securities Depository Center, Inc., SWIFT, smart bridge, and 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. Transaction of foreign securities
2. Administration of the preservation of ownership rights over foreign securities
3. Reconciliation of securities and cash 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 securities management based on the delegation from customers, 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 shareholders benefit
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 cash 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 (transaction processing, matching and management, etc.)
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 derivative transactions**

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

1. Aggregation of unrealized 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.

Introduction of Our Company's Business

• Other operations

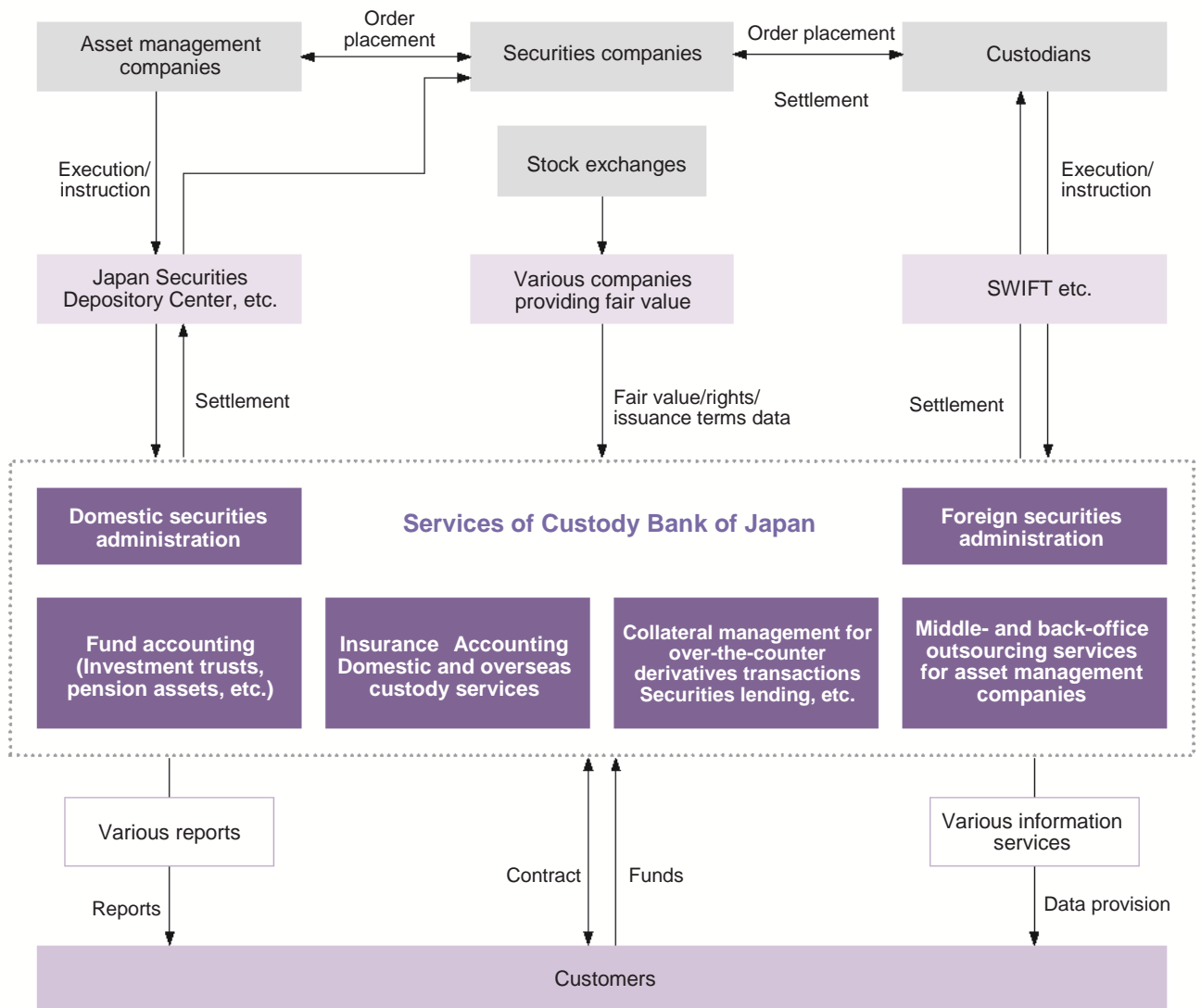
For other operations, we are implementing the following:

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

[Initiatives for Improving Operational Quality]

• Activities to improve operational quality and efficiency

Our Company has established 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 to institutions, 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

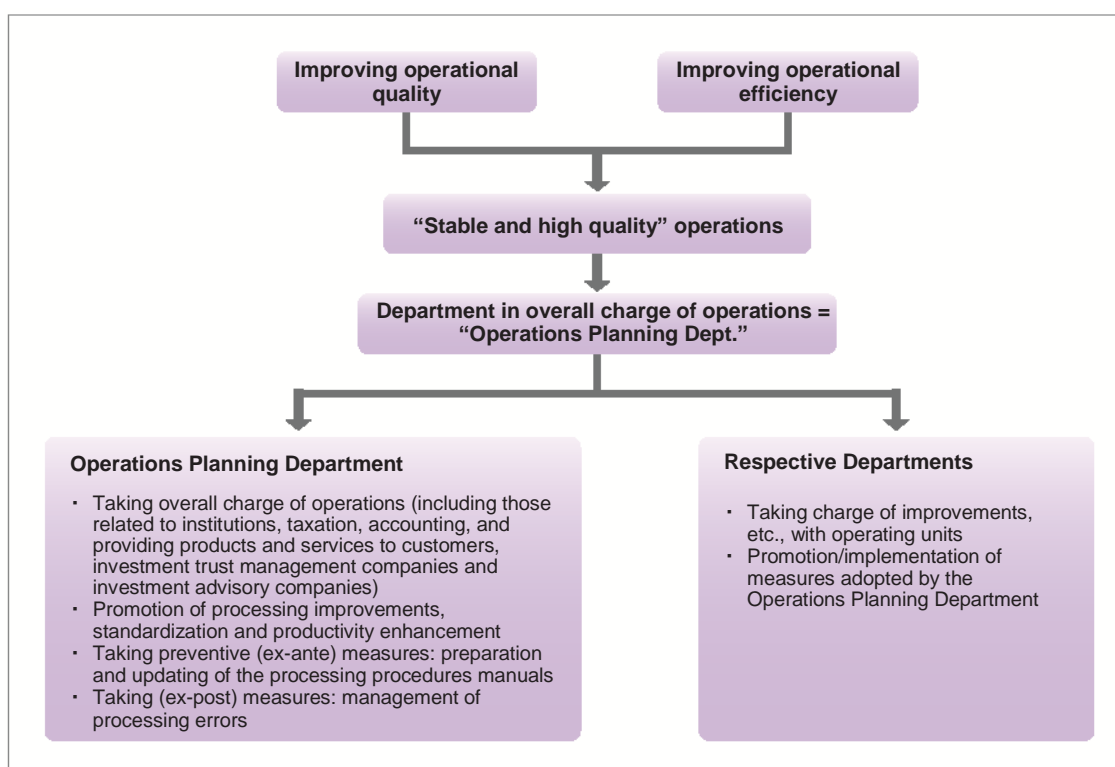
With the awareness that minimizing processing risk is one of the most-important issues for a company specializing in asset administration, the Company has prepared its Processing Risk Management Rules, which contain basic items for conducting proper and smooth processing operations and for the management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

<<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, the Company endeavors to accurately assess the situation, report it quickly, and take action with the top priority placed on the protection of managed assets. The Company also analyzes the factors and issues that caused the incident, formulates measures to prevent reoccurrence and confirms the effectiveness of these measures.



[Initiatives for Regulatory 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 the "Securities Settlement System" and "Domestic Securities Regulatory Reforms" aimed at reducing settlement risk. 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 FY2021>

Category	Field	Upcoming Events	Content and CBJ's Initiatives	Schedule
Securities Settlement System Reforms	Tokyo Stock Exchange	Extension of the session time	It considers extending the session time of the cash market by 30 minutes by the latter half of FY2024. At our Company, the impact is expected to be felt mainly in the operation business regarding to security, as well as in the stock lending and futures operations. We will continue to work with the Tokyo Stock Exchange, Trust Companies Association of Japan, and other organizations to respond.	During FY2024
International Market Regulations, etc.	Interest rate indicator	Suspension of LIBOR publication	The interest rate indicator globally referenced in products and contracts has been changed from LIBOR to risk-free rates.	[Completed] December 2021
	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. Trust funds for which our Company serves as trustee are also gradually making the shift.	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. Our Company is also preparing to accommodate it.	October 2022
	Reporting on OTC derivative transactions	Review of the operation of transaction reporting	In April 2024, we will make the following three changes regarding our weekly OTC derivative reporting to the Financial Services Agency. 1) Uniform reporting format based on global standards with an increased number of reporting items 2) Change to indirect reporting through the Trade Repository (TR) 3) Change in reporting frequency to daily CBJ is also taking appropriate actions to respond.	April 2024

[Risk management system]

- **Risk management policy**

In order to fulfill its public mission as a bank specializing in asset administration, 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 administration.

- **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
• 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
• The Risk Management Department and the risk management units 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
• Independent from individual business execution divisions, it verifies their activities, among others.

Risk management system

• Risk Management System

Recognizing that risk management is one of the most important management issues as a bank specializing in asset administration, 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 organizations and structures 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.

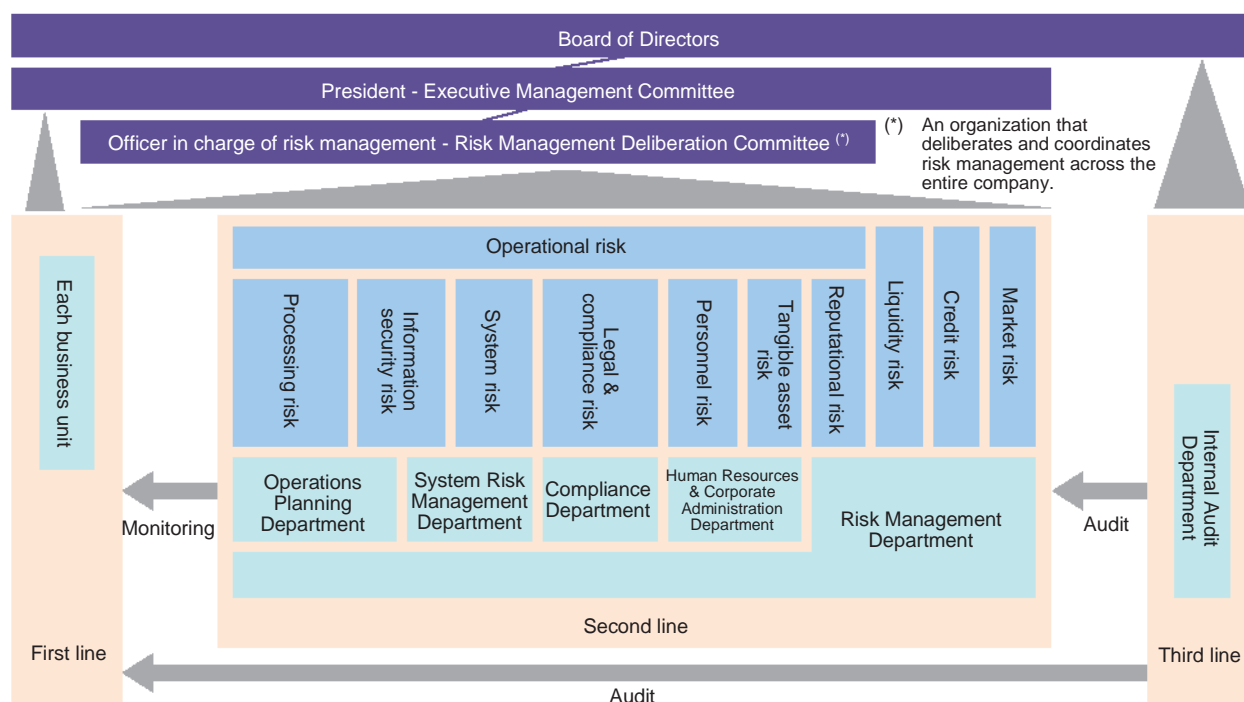
Specifically, as shown in the table and figure below, we have classified risks incurred in the course of executing business into categories such as “Operational risk,” “Liquidity risk,” “Credit risk” and “Market risk” and established a risk management unit for each category to manage risks according 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 administration 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]

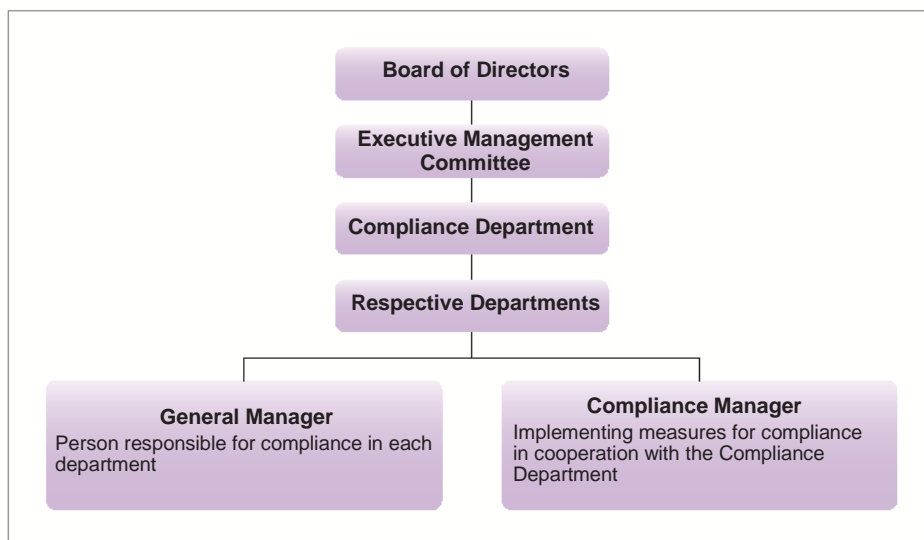
As Japan's No. 1 bank specializing in asset administration, we shall contribute to the sound development of economy and society by playing a role in the development of asset administration business and the asset formation of the nation. Under this Corporate Philosophy and for its realization, we shall 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 General Manager, who is responsible for compliance in each department, and the Compliance Manager are positioned 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. In order to protect whistleblowers, this system ensures thorough information management and privacy protection, and strictly prohibits disadvantageous treatment of whistleblowers. 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 Audits

• Basic Action Policy

Our Company's internal audit is a process, independent from the business lines, of verifying the appropriateness and effectiveness of governance process, 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 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

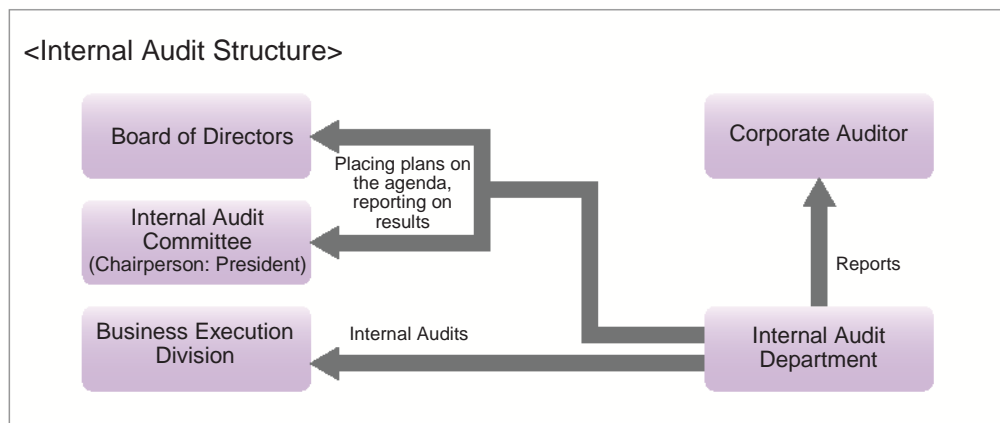
The Internal Audit Department has been established as an internal audit division independent of each business execution division, covering all units and operations in internal audits.

• 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 Organizations

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.

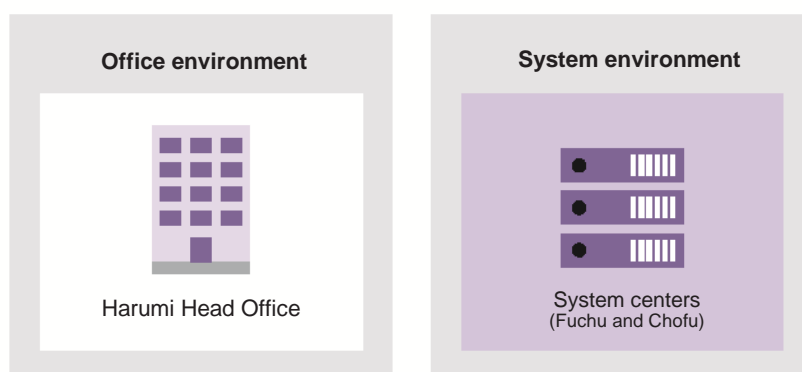
In addition, our system centers and backup centers have similarly strong infrastructure, including anti-earthquake construction, electric power sources, and security facilities.

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.

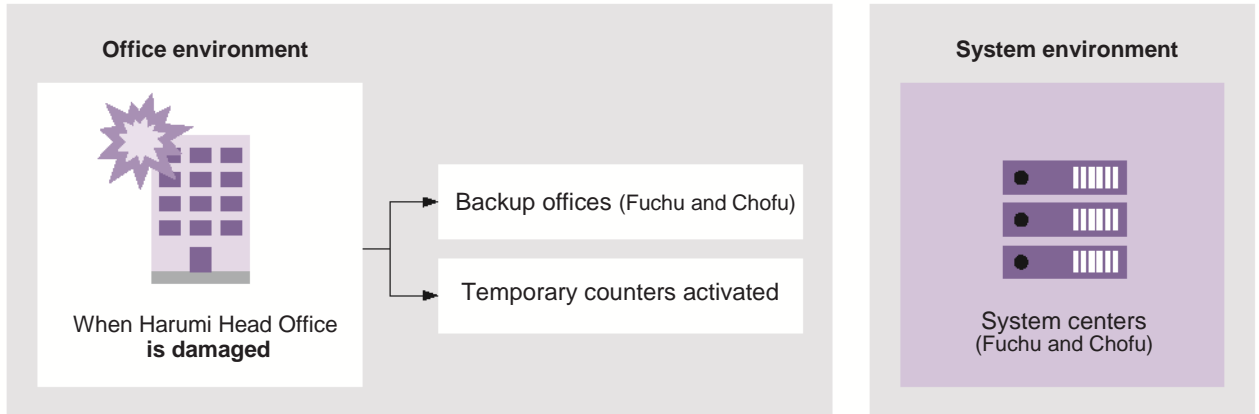
[Normal time]



As a Public Institution (Disaster Prevention Measures).....

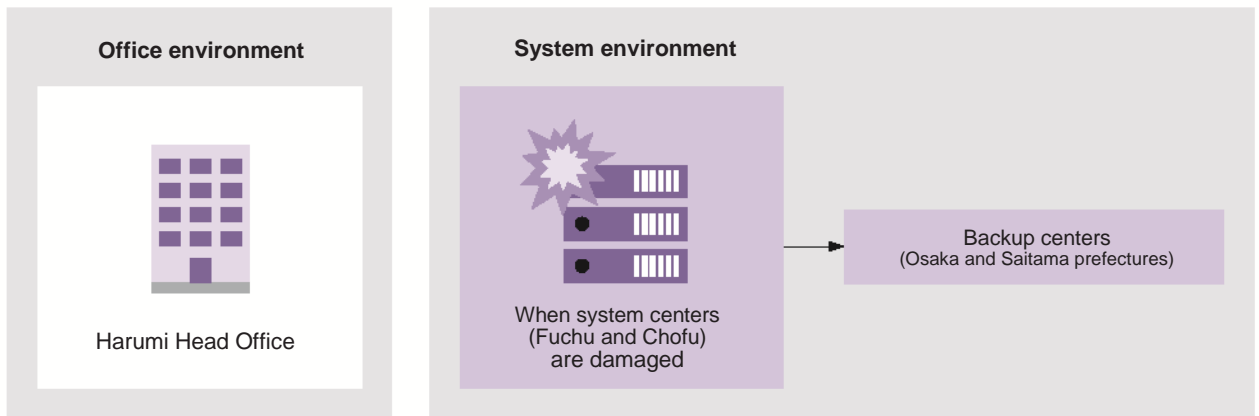
[When Harumi Head Office is damaged]

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



[When system centers are damaged]

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



CONTENTS

Financial Section

■ Key Indicators of Management Condition	24
■ Balance Sheets	25
■ Statements of Income.....	26
■ Statements of Changes in Net Assets	27
■ Notes to Accounting Items (FY2021)	28
■ Confirmation Statement from Management	32
■ Auditors' Statement.....	32
■ Fair Value Information of Securities, etc.	33
■ Other Asset Situation	34
■ Indicators for Banking Business	35
■ Matters Concerning Bank Management.....	39
■ Indicators for Trust Business	40
■ Capital Adequacy Status, etc.....	44
■ Disclosure of Compensation, etc.	52
■ Consolidated Information	53

Key Indicators of Management Condition

Key Indicators of Management Condition

	(¥ million)				
	FY2017	FY2018	FY2019	FY2020	FY2021
Ordinary income	27,436	29,467	30,756	49,297	57,665
Ordinary profit	1,199	555	694	1,235	1,931
Net income	480	344	506	680	576
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	2,040,000 shares	2,040,000 shares
Net assets	59,435	59,076	59,582	119,382	119,808
Total assets	13,835,275	11,040,555	9,946,450	17,277,835	17,248,209
Deposits	7,840,589	5,309,477	3,631,072	7,410,882	5,766,452
Loans	184,058	167,951	97,136	31,141	1,858
Securities	337	334	30,349	75,286	65,504
Dividend payout ratio (*1)	40.31%	-	-	19.79%	19.80%
Number of employees (*2)	1,052 persons	1,067 persons	1,135 persons	1,969 persons	1,980 persons
Non-consolidated capital adequacy ratio (Japanese standard) (*3)	31.70%	36.54%	34.12%	34.26%	29.42%
Fiduciary fees	20,577	21,956	23,024	32,757	38,012
Trust account loans	-	-	-	310,640	-
Trust account securities (Excluding trust account, electronically recorded, transferred-rights securities)	109,179,760	116,317,170	123,178,561	217,702,529	153,512,487
Trust account, electronically recorded, transferred-rights securities	-	-	-	-	-
Total entrusted assets	282,074,441	291,898,563	303,754,597	467,599,890	421,659,447

(*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 553 in FY2021), and those seconded from Sumitomo Mitsui Trust Bank, Resona Bank and other companies (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		(¥ million)		
	FY2017	FY2018	FY2019	
Ordinary income	23,884	25,113	25,498	
Ordinary profit	857	740	328	
Net income	507	939	64	
Capital stock	50,000	50,000	50,000	
Total number of shares issued	1,000,000 shares	1,000,000 shares	1,000,000 shares	
Net assets	61,024	59,479	59,493	
Total assets	13,657,253	6,494,669	5,972,264	
Deposits	9,875,034	2,274,797	2,407,030	
Loans	6,209,728	709,241	-	
Securities	263,932	295,307	174,817	
Dividend payout ratio (*1)	19.71%	-	-	
Number of employees	690 persons	697 persons	821 persons	
Non-consolidated capital adequacy ratio (Japanese standard) (*2)	22.67%	37.84%	46.01%	
Fiduciary fees	11,425	12,431	13,134	
Trust account loans	-	1,745,329	1,556,509	
Trust account securities (Excluding trust account, electronically recorded, transferred-rights securities)	81,754,495	85,096,939	83,110,413	
Trust account, electronically recorded, transferred-rights securities	-	-	-	
Total entrusted assets	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).

Financial Data

Balance Sheets

	FY2020 (March 31, 2021)	FY2021 (March 31, 2022)
		(¥ million)
Assets		
Cash and due from banks	16,763,063	16,748,115
Cash	0	0
Due from banks	16,763,062	16,748,114
Call loans	129,500	149,400
Securities	75,286	65,504
Government bonds	30,009	30,003
Local government bonds	35,023	31,962
Corporate bonds	9,744	3,028
Stocks	490	490
Other securities	18	19
Loans and bills discounted	31,141	1,858
Loans on deeds	31,141	1,858
Foreign exchanges	4,909	4,364
Due from foreign banks (our accounts)	4,909	4,364
Other assets	217,401	217,796
Prepaid expenses	1,119	1,084
Accrued income	13,313	12,913
Derivatives other than for trading-assets	91	6
CCP margin deposits	157,699	155,503
Other	45,177	48,287
Tangible fixed assets	4,449	4,284
Buildings	2,174	2,294
Lease assets	26	44
Other tangible fixed assets	2,249	1,945
Intangible fixed assets	50,696	55,390
Software	50,651	55,345
Other intangible assets	45	44
Prepaid pension expenses	353	430
Deferred tax assets	1,034	1,064
Total assets	17,277,835	17,248,209
Liabilities and net assets		
Deposits	7,410,882	5,766,452
Current deposits	6,387,257	4,866,975
Ordinary deposits	1,004,901	871,746
Other deposits	18,723	27,730
Call money	30,000	110,900
Due to trust accounts	9,654,126	11,186,487
Other liabilities	61,932	62,997
Income taxes payable	753	322
Accrued expenses	3,918	3,942
Derivatives other than for trading-liabilities	30	7
Lease obligations	28	48
Asset retirement obligations	721	830
Suspense receipt	48,762	51,171
Other	7,715	6,672
Provision for bonuses	606	620
Provision for retirement benefits	905	943
Total liabilities	17,158,453	17,128,401
Capital stock	51,000	51,000
Capital surplus	59,073	59,073
Legal capital surplus	50,000	50,000
Other capital surplus	9,073	9,073
Retained earnings	9,263	9,706
Legal retained earnings	1,094	1,094
Other retained earnings	8,169	8,611
Retained earnings brought forward	8,169	8,611
Total shareholders' equity	119,337	119,779
Valuation difference on available-for-sale securities	45	28
Total valuation and translation adjustments	45	28
Total net assets	119,382	119,808
Total liabilities and net assets	17,277,835	17,248,209

Statements of Income

	FY2020 <small>(from April 1, 2020 to March 31, 2021)</small>	FY2021 <small>(from April 1, 2021 to March 31, 2022)</small>
		(¥ million)
Ordinary income	49,297	57,665
Fiduciary fees	32,757	38,012
Interest income	△ 4,064	△ 2,771
Interest and dividends on securities	25	8
Interest on call loans	11	10
Interest on receivables under resale agreements	△ 7	-
Interest on deposits with banks	△ 4,095	△ 2,792
Other interest income	1	3
Fees and commissions	19,945	22,419
Fees and commissions on domestic and foreign exchanges	479	454
Other fees and commissions	19,465	21,964
Other ordinary income	1	2
Gains on foreign exchange transactions	1	2
Other income	657	1
Gain on sales of stocks and other securities	587	-
Other	69	1
Ordinary expenses	48,062	55,734
Interest expenses	17	7
Interest on deposits	0	0
Interest on call money	0	0
Interest on borrowings	0	0
Other interest expenses	16	6
Fees and commissions payments	2,735	2,814
Fees and commissions on domestic and foreign exchanges	141	172
Other fees and commissions	2,594	2,641
General and administrative expenses	45,300	52,909
Other expenses	9	2
Other	9	2
Ordinary profit	1,235	1,931
Extraordinary income	11	-
Other	11	-
Extraordinary loss	258	1,086
Loss on disposal of noncurrent assets	45	617
Impairment loss	213	468
Income before income taxes	988	844
Income taxes—current	521	290
Income taxes—deferred	△ 213	△ 22
Total income taxes	308	267
Net income	680	576

Statements of Changes in Net Assets

(¥ million)

FY2020 (from April 1, 2020 to March 31, 2021)								
Shareholders' equity								
Capital stock	Capital surplus			Retained earnings			Total shareholder's equity	
	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
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	Δ 1	Δ 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	Δ 23	Δ 23		Δ 23				
Total changes of items during the period	47	47		59,800				
Balance at the end of the period	45	45		119,382				

FY2021 (from April 1, 2021 to March 31, 2022)								
Shareholders' equity								
Capital stock	Capital surplus			Retained earnings			Total shareholder's equity	
	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at the beginning of the period	51,000	50,000	9,073	59,073	1,094	8,169	9,263	119,337
Changes of items during the period								
Dividends of surplus						Δ 134	Δ 134	Δ 134
Net income						576	576	576
Net changes of items other than shareholders' equity								
Total changes of items during the period	-	-	-	-	-	442	442	442
Balance at the end of the period	51,000	50,000	9,073	59,073	1,094	8,611	9,706	119,779
		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	45	45		119,382				
Changes of items during the period								
Dividends of surplus				Δ 134				
Net income				576				
Net changes of items other than shareholders' equity	Δ 16	Δ 16		Δ 16				
Total changes of items during the period	Δ 16	Δ 16		425				
Balance at the end of the period	28	28		119,808				

Notes to Accounting Items (FY2021)

Amounts less than ¥1 million are rounded down.

Material accounting policies

1. Standards for evaluation of securities and valuation methods used

As with available-for-sale securities, securities are valued by the market value method (with the sales price calculated by the moving average method). Provided, however, that regarding stocks and other securities for which market prices are not available, 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 bonuses

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 actuarial differences is as follows.

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. Method of recording revenue

Fiduciary fees, and fees and commissions include fees received as consideration for asset administration services, and the Company has obligations to perform the services based on contracts, etc. Given that those obligations are satisfied by providing services over a period of time, revenue is primarily recognized over the period in which the services are provided.

Changes in accounting policies

(Application of the Accounting Standard for Revenue Recognition)

Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other relevant policies have been applied from the beginning of the fiscal year under review to recognize revenue in the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer. The application of the standard has no impact.

(Application of the Accounting Standard for Calculation of Fair Value)

The "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No.30, July 4, 2019) and other relevant policies have been applied from the beginning of the fiscal year under review. The application of the standard has no impact.

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 ¥55,345 million

Impairment loss ¥468 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), 2."

2) Key assumption

The key assumption is the recoverability 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 ¥1,858 million

Liabilities corresponding to assets pledged as collateral

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 ¥30,003 million.

Other assets include CCP guarantee deposits of ¥42,512 million and guarantee deposits and others of ¥3,851 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 ¥2,158,400 million, and the remaining contract terms are 1 year or less for the full amount.

Note that, since most of these contracts expire 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 to be 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 secured 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: ¥5,973 million
 5. The principal amount of trusts with principal-guaranteed features is ¥320,417 million in money trusts.
 6. Total monetary claims on affiliates: ¥2,497 million
 7. Total monetary obligations outstanding to affiliates: ¥8,347 million

(Statements of Income)

1. The negative figure for interest on due from banks in interest income is due to the fact that, as a consequence of the application of negative interest rates to the Bank of Japan current deposits, interest on due from banks became negative on a net amount basis.
2. Since the recoverability of idle assets (some software) was not recognized, the book value of such assets was reduced in its entirety, with the relevant decrease of ¥468 million recorded as impairment loss.
- While our Company's business assets as a whole are grouped together, idle assets are grouped independently.
3. Income related to transactions with affiliates
- | | |
|---|----------------|
| Total income from trust transactions: | ¥5,420 million |
| Total income from fees and commissions: | ¥598 million |
- Expenses related to transactions with affiliate
- | | |
|---|-------------|
| Total expenses related to other businesses and other ordinary transactions: | ¥20 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	2,040	-	-	2,040	
Total	2,040	-	-	2,040	

(Note) There is nothing applicable in relation to treasury stock.

2. Dividends

(1) Dividends paid during the fiscal year

(Resolved by)	Type of shares	Total dividends	Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 30, 2021	Common stock	¥134 million	¥66	March 31, 2021	June 30, 2021

(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.

(Resolved by)	Type of shares	Total dividends	Source of dividends	Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2022	Common stock	¥114 million	Others Retained earnings	¥56	March 31, 2022	June 30, 2022

(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) Contents of 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, local government bonds, loans to the Japanese government, call loans, negotiable certificate of deposits and fixed-term deposits. Credit risk and market risk are limited by confining operations within one year as a general rule, and restraining their size and content to the minimum necessary.

On the other hand, our Company's financial liabilities are primarily borrowed money from trust accounts and deposits. The balance of such liabilities is kept at a reasonable level, 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, local government bonds, loans to the Japanese government, call loans, negotiable certificate of deposits and fixed-term deposits. For 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) for quantitative analysis to manage their interest rate risk. As of March 31, 2022, analyses based on the BPV method indicate that the interest rate risk for a basis point movement in interest rates is ¥7 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 such management 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

Since the fair value of financial instruments involves certain assumptions, in cases where assumptions are subject to change, the value of assets may also change.

Financial Data

2. Fair values of financial instruments

The differences between the carrying amounts on the balance sheets and fair values, as of March 31, 2022, are shown below. Stocks with no market prices available are not included in the following table (see Note 1). Cash and due from banks, call loans, loans, foreign exchange (assets), deposits, call money, and borrowings from trust accounts are mainly settled in a short period of time, and their fair values approximate their book values. Accordingly, notes are omitted.

(¥ million)

	Balance sheet amount	Fair value	Difference
(1) Securities			
Available-for-sale-securities	64,994	64,994	-
Total assets	64,994	64,994	-
Derivative transactions (*1)			
(1) Those for which hedge accounting is not applied	△ 0	△ 0	-
Total derivative transactions	△ 0	△ 0	-

(*1) Derivative transactions included in Derivatives other than for trading-assets and liabilities are presented collectively. Net claims and obligations arising from derivative transactions are presented in net amounts. Items that are net liabilities in total are presented with a triangle "△".

(Note 1) The balance sheet amounts of financial instruments for which market prices are not available are as follows, and they are not included in "Available-for-sale-securities" in the fair value information of financial instruments.

(¥ million)

Category	Balance sheet amount
Unlisted stocks	510

Unlisted stocks are not included in fair value disclosure in accordance with Paragraph 5 of the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

(Note 2) Redemption schedule of securities with maturity dates after the closing date

(¥ million)

	One year or less	Over one year to three years or less	Over three years to five years or less	Over five years to seven years or less	Over seven years to ten years or less	Over ten years
Securities						
Available-for-sale-securities with maturities	36,812	28,122	-	-	-	-
Total	36,812	28,122	-	-	-	-

3. Matters concerning breakdown by the level of fair value of financial instruments

The fair values of financial instruments are classified into the following three levels according to the observability and significance of the inputs used to calculate the fair values.

Level 1 fair value: Fair value calculated using the market prices of the assets or liabilities formed in an actively traded market for which fair value is to be determined, among the inputs for the calculation of the observable fair value

Level 2 fair value: Fair value calculated using inputs for the determination of fair value other than Level 1 inputs among inputs for observable fair value

Level 3 fair value: Fair value calculated using inputs for the determination of unobservable fair value

Where multiple inputs that have a significant impact on the determination of fair value are used, the fair value is classified into the level with the lowest priority in the calculation of fair value among the levels to which the inputs belong.

Financial instruments recorded on the balance sheet at fair value

(¥ million)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale-securities				
Government bonds	30,003	-	-	30,003
Local government bonds	-	31,962	-	31,962
Corporate bonds	-	3,028	-	3,028
Derivative transactions				
Currency-related	-	6	-	6
Total assets	30,003	34,998	-	65,001
Derivative transactions				
Currency-related	-	7	-	7
Total liabilities	-	7	-	7

(Note 1) Explanation of valuation techniques used in the determination of fair value and inputs to the calculation of fair value

Securities

Securities for which unadjusted quoted prices in actively traded markets are available are classified as Level 1 fair value, and include government bonds. Those for which quoted prices are used, but where the market is not active, are classified as Level 2 fair price, and include municipal bonds and corporate bonds.

Derivative transactions

Since derivative transactions are currency-related transactions (forward exchange contracts), their fair value is calculated based on the discounted present value method where interest rates and exchange rates are used in the valuation technique. They are classified as Level 2 because they do not use inputs that are not observable.

(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, 2022)

(¥ million)

	Type	Balance sheet amount	Acquisition cost	Difference
Those with the balance sheet amount exceeding the acquisition cost	Bonds			
	Local government bonds	29,058	29,016	42
	Corporate bonds	3,028	3,027	0
	Subtotal	32,087	32,044	43
Those with a balance sheet amount not exceeding the acquisition cost	Bonds			
	Government bonds	30,003	30,004	△ 1
	Local government bonds	2,903	2,904	△ 0
	Others	40,000	40,000	-
Subtotal	72,906	72,908	△ 2	
Total		104,994	104,953	41

(Tax effect accounting items)

The breakdown of factors giving rise to the accrual of deferred tax assets and liabilities is as follows.

Deferred tax assets	
Provision for retirement benefits	¥288 million
Asset retirement obligations	254
Impairment loss denied	208
Provision for bonuses	190
Enterprise tax payable	96
Depreciation denied	38
Others	304
Total deferred tax assets	1,381
Deferred tax liabilities	
Tangible fixed assets	184
Prepaid pension expenses	131
Valuation difference on available-for-sale securities	0
Total deferred tax liabilities	316
Net deferred tax assets	¥1,064 million

(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	Accounting item	Balance at end of period
Other affiliated company	Resona Bank, Limited	Owned Directly 16.6%	Entrusts asset administration to CBJ	Re-entrustment fees, receipt of fees (Note 1)	5,998	Accrued income	1,673
						Suspense receipt	8,344

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.

(2) Subsidiaries and affiliates, etc.

Not applicable.

(3) Other companies with indirect capital affiliation (¥ million)

Type	Name of company	Percentage ownership	Relationship with related party	Type of transactions	Transaction amount	Accounting item	Balance at end of period
Subsidiary of other affiliated company	Sumitomo Mitsui Trust Bank, Limited	-	Entrusts asset administration to CBJ	Re-entrustment fees, receipt of fees (Note 1)	23,183	Accrued income	6,505
						Suspense receipt	27,275
Subsidiary of other affiliated company	Mizuho Trust & Banking Co., Ltd.	-	Entrusts asset administration to CBJ	Re-entrustment fees, receipt of fees (Note 1)	15,503	Accrued income	960
						Suspense receipt	13,011
Subsidiary of other affiliated company	Mizuho Information & Research Institute, Inc.	-	Outsourcing of system operation and software development	Outsourcing of system operation (Note 2)	3,760	Accrued expenses	248
				Outsourcing of software development (Note 2)	4,189	Other liabilities (Note 3)	677

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 Research & Technologies, Ltd.

(Note 3) They are included in "Accounts payable" under other liabilities.

(4) Directors and other individual shareholders

Not applicable.

(Revenue recognition)

Information which provides a basis for understanding of revenue is as per the description in "Material accounting policies, 6. Method of recording revenue."

(Per share information)

Net assets per share of common stock:	¥58,729.49
Net income per share of common stock:	¥282.72

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 second term, covering the period from April 1, 2021 to March 31, 2022, are presented appropriately and that the internal auditing related to the preparation of these financial statements functioned effectively.

June 29, 2022

Custody Bank of Japan, Ltd.

**Yoshikazu
Tanaka**, President &

Representative Director

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

		FY2020			(¥ million)
	Type	Balance sheet amount	Acquisition cost	Difference	
	Bonds				
Those with the balance sheet amount exceeding the acquisition cost	Government bonds	30,009	30,006	2	
	Local government bonds	32,809	32,755	54	
	Corporate bonds	9,644	9,635	8	
	Subtotal	72,463	72,397	65	
	Bonds				
Those with a balance sheet amount not exceeding the acquisition cost	Local 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	

		FY2021			(¥ million)
	Type	Balance sheet amount	Acquisition cost	Difference	
	Bonds				
Those with the balance sheet amount exceeding the acquisition cost	Local government bonds	29,058	29,016	42	
	Corporate bonds	3,028	3,027	0	
	Subtotal	32,087	32,044	43	
	Bonds				
Those with a balance sheet amount not exceeding the acquisition cost	Government bonds	30,003	30,004	△ 1	
	Local government bonds	2,903	2,904	△ 0	
	Others	40,000	40,000	-	
	Subtotal	72,906	72,908	△ 2	
Total		104,994	104,953	41	

○Valuation difference on available-for-sale securities

	FY2020	FY2021	(¥ million)
Valuation difference	65	41	
Available-for-sale-securities	65	41	
Deferred tax assets (△ indicates deferred tax liabilities)	△ 19	△ 12	
Valuation difference on available-for-sale securities	45	28	

(Note) Foreign currency translation adjustments for foreign currency-denominated stocks without market prices are included in “Available-for-sale securities” in “Valuation difference.”

Money in trust

Not applicable.

Derivative Transactions

○ Derivative transactions for which hedge accounting is not applied
Regarding unhedged derivative transactions, the contract amount or the amount of principal equivalent stipulated in the contract, fair value, and unrealized gain or loss as of the closing date for each type of transaction are as follows. Contract amount, etc. do not per se indicate the market risk of derivative transactions.

- Interest-related Transactions
Not applicable.
- Currency-related Transactions

Category	Type	FY2020			
		Contract amount, etc.	Contract amount, etc. of those exceeding one year	Fair value	Unrealized gain or loss
	Exchange contracts				
Over-the-counter	Sold	15,334	-	0	0
	Bought	24,193	-	59	59
Total		/	/	60	60

Category	Type	FY2021			
		Contract amount, etc.	Contract amount, etc. of those exceeding one year	Fair value	Unrealized gain or loss
	Exchange contracts				
Over-the-counter	Sold	6,610	-	△ 7	△ 7
	Bought	3,305	-	6	6
Total		/	/	△ 0	△ 0

(Note) The above transactions are recorded at fair value, with unrealized gain or loss included in the statements of income.

- Transactions related to stocks, bonds and commodities, and other derivative transactions
Not applicable.

Other Asset Situation

○ Status of claims under the Banking Act and the Financial Revitalization Act

	FY2020		FY2021	
Claims to bankrupt and substantially bankrupt debtors	-	-	-	-
Doubtful claims	-	-	-	-
Claims under close monitoring	-	-	-	-
Loans that are delinquent for three months or longer	-	-	-	-
Restructured loans	-	-	-	-
Subtotal	-	-	-	-
Ordinary loans	31,141		1,858	
Total	31,141		1,858	

- Amount of write-offs of loans: Not applicable.
- Balance of allowance for loan losses and its changes: Not applicable.

Indicators for Banking Business

(1) Indicators showing the status of key business

○Gross business profit

	FY2020			FY2021			(¥ million)
	Domestic Business Division	Global Business Division	Total	Domestic Business Division	Global Business Division	Total	
Gross business profit	45,885	2	45,887	54,837	3	54,841	
Gross business profit margin	0.30%	0.02%	0.30%	0.34%	0.10%	0.34%	
Fiduciary fees	32,757	-	32,757	38,012	-	38,012	
Net interest income	△ 4,081	0	△ 4,081	△ 2,780	1	△ 2,779	
Net fees and commissions	17,209	0	17,210	19,604	0	19,605	
Net trading income	-	-	-	-	-	-	
Other net operating income	-	1	1	-	2	2	

(Note) Gross business profit margin = Gross business profit / Average balance of interest-earning assets × 100

○Net business profit

	FY2020	FY2021	(¥ million)
Net business profit	587	1,941	
Effective net business profit	587	1,941	
Net business profit from core operations	587	1,941	
Net business profit from core operations (excluding gain or loss on cancellation of investment trusts)	587	1,941	

○Average balance of interest-earning assets and interest bearing liabilities

	FY2020			FY2021			(¥ million)
	Domestic Business Division	Global Business Division	Total	Domestic Business Division	Global Business Division	Total	
Interest-earning assets	Average balance	(5,876)		(1,093)			
		15,214,955	7,336	15,216,416	15,902,888	3,827	15,905,622
Interest		(0)		(0)			
		△ 4,065	1	△ 4,064	△ 2,774	3	△ 2,771
Interest-bearing liabilities	Average balance	(5,876)		(1,093)			
		15,335,685	2,980	15,332,789	16,037,767	3,813	16,040,487
Interest		(0)		(0)			
		15	1	17	6	1	7
Yield on interest-earning assets	△ 0.02%	0.02%	△ 0.02%	△ 0.01%	0.08%	△ 0.01%	
Yield on interest bearing liabilities	0.00%	0.05%	0.00%	0.00%	0.04%	0.00%	
Interest rate spread	△ 0.02%	△ 0.02%	△ 0.02%	△ 0.01%	0.03%	△ 0.01%	

- (Notes) 1. The interest-earning assets are shown after deducting the average balance of non-interest earning due from banks (¥387 million in FY2020 and ¥456 million in FY2021).
 2. The figure inside the brackets 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

	FY2020			FY2021			(¥ million)
	Domestic Business Division	Global Business Division	Total	Domestic Business Division	Global Business Division	Total	
Net changes in interest earned	△ 1,818	1	△ 1,816	1,291	1	1,293	
Increase or decrease due to balance	△ 982	-	△ 982	△ 176	△ 1	△ 176	
Increase or decrease due to interest rate	△ 836	1	△ 834	1,468	2	1,469	
Net change in interest paid	△ 16	1	△ 15	△ 9	0	△ 9	
Increase or decrease due to balance	9	1	9	0	0	0	
Increase or decrease due to interest rate	△ 26	0	△ 24	△ 10	△ 0	△ 10	

(Note) Where the increase/decrease factors due to the balance and interest rate overlap each other, they are prorated according to their respective portion of change.

○Rate of return

	FY2020	FY2021
Ordinary profit to total assets	0.00	0.01
Ordinary profit to capital	1.37	1.76
Return on assets	0.00	0.00
Return on equity	0.75	0.52

- (Notes)
1. Ordinary profit (net income) to total assets = Ordinary profit (net income) / Average balance for total assets (excluding customers' liabilities for acceptances and guarantees) × 100
 2. Ordinary profit (net income) to capital = Ordinary profit (net income) / Shareholders' equity and average balance of valuation and translation adjustments × 100

(2) Indicators for deposits

○Average balance by type of deposit

	FY2020			FY2021		
	Domestic Business Division	Global Business Division	Total	Domestic Business Division	Global Business Division	Total
Deposits	6,799,176	-	6,799,176	7,347,650	-	7,347,650
Liquid deposits	6,790,742	-	6,790,742	7,336,660	-	7,336,660
Time and savings deposits	-	-	-	-	-	-
Other deposits	8,433	-	8,433	10,990	-	10,990
Negotiable certificate of deposits	-	-	-	-	-	-

- (Notes)
1. Liquid deposits = Current deposits + Ordinary deposits + Saving deposits + Deposits at notice
 2. Time and savings deposits = Time deposits

○Balance of time deposits by average life

Not applicable.

(3) Indicators for loans, etc.

○Average balance by loan item

	FY2020			FY2021		
	Domestic Business Division	Global Business Division	Total	Domestic Business Division	Global Business Division	Total
Loans on bills	-	-	-	-	-	-
Loans on deeds	53,073	-	53,073	16,109	-	16,109
Overdraft	16,544	-	16,544	25,546	-	25,546
Discounted bill	-	-	-	-	-	-
Total	69,617	-	69,617	41,655	-	41,655

○Balance of loans and bills discounted by average life

	FY2020	FY2021
1 year or less	31,141	1,858
Floating interest rate	-	-
Fixed interest rate	31,141	1,858
Total	31,141	1,858
Floating interest rate	-	-
Fixed interest rate	31,141	1,858

○ Breakdown by collateral for loans and bills discounted

	(¥ million)	
	FY2020	FY2021
Securities	-	-
Claims	-	-
Commodities	-	-
Real estate	-	-
Guarantees	-	-
Unsecured	31,141	1,858
Total	31,141	1,858

○ Balance of loan guarantees (acceptances and guarantees)

Not applicable.

○ Balance of loans and bills discounted by purpose

	(¥ million)	
	FY2020	FY2021
Fund for capital investment	-	-
Working capital	31,141	1,858
Total	31,141	1,858

○ Balance of loans and bills discounted by industry

	(¥ million)			
	FY2020		FY2021	
	Balance	Composition ratio	Balance	Composition ratio
Government of Japan	31,141	100.00%	1,858	100.00%
Total	31,141	100.00%	1,858	100.00%

○ Balance of loans to SME

Not applicable.

○ Balance of specific foreign claims

Not applicable.

○ Loan-deposit ratio

	(%)					
	FY2020			FY2021		
	Domestic Business Division	Global Business Division	Total	Domestic Business Division	Global Business Division	Total
Loan-deposit ratio						
Balance at end of period	0.42	-	0.42	0.03	-	0.03
Average during the period	1.02	-	1.02	0.56	-	0.56

(4) Indicators for securities

○ Average balance of trading securities

Our Company does not own trading securities.

○ Balance of securities by average life

	FY2020					Total
	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	
Government bonds	30,009	-	-	-	-	30,009
Local 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

(¥ million)

	FY2021					Total
	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	
Government bonds	30,003	-	-	-	-	30,003
Local government bonds	4,819	27,142	-	-	-	31,962
Corporate bonds	2,002	1,026	-	-	-	3,028
Stocks	-	-	-	-	490	490
Other securities	-	-	-	-	19	19
Foreign stocks	-	-	-	-	19	19
Total	36,825	28,169	-	-	510	65,504

(¥ million)

○ Average balance of securities

	FY2020			FY2021		
	Domestic Business Division	Global Business Division	Total	Domestic Business Division	Global Business Division	Total
Government bonds	28,209	-	28,209	32,808	-	32,808
Local government bonds	25,281	-	25,281	33,355	-	33,355
Corporate bonds	28,181	-	28,181	4,149	-	4,149
Stocks	417	-	417	490	-	490
Other securities	-	18	18	-	19	19
Foreign stocks	-	18	18	-	19	19
Total	82,090	18	82,108	70,803	19	70,823

(¥ million)

○ Security-deposit ratio

	FY2020			FY2021		
	Domestic Business Division	Global Business Division	Total	Domestic Business Division	Global Business Division	Total
Security-deposit ratio						
Balance at end of period	1.01	-	1.01	1.13	-	1.13
Average during the period	1.20	-	1.20	0.96	-	0.96

(¥ million)

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.

Indicators for Trust Business

(1) Balance table of assets in trust

	FY2020	FY2021 (¥ million)
(Assets)		
Loans and bills discounted	310,640	-
Loans on deeds	310,640	-
Securities	217,702,529	153,512,487
Government bonds	60,249,867	28,025,752
Local government bonds	4,137,025	2,962,296
Short-term bonds	942,302	970,611
Corporate bonds	10,760,507	6,811,947
Stocks	93,826,915	65,619,647
Foreign securities	38,138,966	38,857,561
Other securities	9,646,945	10,264,670
Securities in investment trusts	60,364,560	65,851,776
Foreign securities in investment trusts	35,004,138	40,892,086
Interests in trusts	72,490,388	79,151,418
Trust securities	25,314,760	24,887,467
Monetary claims	11,442,299	13,233,846
Life insurance claims	487,859	496,427
Housing loan claims	3,274,793	3,308,370
Other monetary claims	7,679,646	9,429,047
Other claims	10,939,011	9,552,285
Call loans	9,308,437	10,093,784
Loans to banking account	9,654,126	11,186,487
Cash and due from banks	15,068,998	13,297,808
Due from banks	15,068,998	13,297,808
Total assets	467,599,890	421,659,447
(Liabilities)		
Designated money trusts	1,310,922	733,749
Corporate investment fund	47,400,264	7,444,116
Monetary trusts other than money in trust	3,501,154	3,446,297
Trust of securities	4,575,795	3,711,719
Monetary claims in trust	3,274,793	3,308,370
Composite trusts	407,536,960	403,015,192
Total liabilities	467,599,890	421,659,447

(2) Acceptance of money trusts, etc.

○ Fiscal year-end balance of trust

	FY2020	FY2021 (¥ million)
Money trusts	48,711,187	8,177,866

(Note) There is nothing applicable for annuity trusts, employees' property formation benefit trusts, and loan trusts.

○ Balance of principal by trust period

Money trusts	FY2020	FY2021 (¥ million)
Less than 1 year	45,580	4,305
1 year or more to less than 2 years	44,884,164	6,133,534
2 years or more to less than 5 years	-	-
5 years or more	1,579,017	2,021,325
Others	627,927	320,417
Total	47,136,689	8,479,582

(Note) There is nothing applicable for loan trusts.

(3) Investment in money trusts, etc.

○ Investment balance

Money trusts	FY2020	FY2021 (¥ million)
Loans and bills discounted	310,640	-
Securities	43,148,951	4,950,556
Total	43,459,592	4,950,556

(Note) There is nothing applicable for annuity trusts, employees' property formation benefit trusts, and loan trusts.

○ Balance of loans by accounting item

Money trusts	FY2020	FY2021 (¥ million)
Loans on bills	-	-
Loans on deeds	310,640	-
Discounted bill	-	-
Total	310,640	-

(Note) There is nothing applicable for annuity trusts, employees' property formation benefit trusts, and loan trusts.

○ Balance of loans by contract period

Money trusts	FY2020	FY2021 (¥ million)
1 year or less	310,640	-
Total	310,640	-

(Note) There is nothing applicable for annuity trusts, employees' property formation benefit trusts, and loan trusts.

○ Breakdown of loans by collateral

Money trusts	(¥ million)	
	FY2020	FY2021
Securities	-	-
Claims	-	-
Commodities	-	-
Real estate	-	-
Guarantees	111,382	-
Unsecured	199,258	-
Total	310,640	-

(Note) There is nothing applicable for annuity trusts, employees' property formation benefit trusts, and loan trusts.

○ Balance of loans by purpose

Money trusts	(¥ million)	
	FY2020	FY2021
Fund for capital investment	-	-
Working capital	310,640	-
Total	310,640	-

(Note) There is nothing applicable for annuity trusts, employees' property formation benefit trusts, and loan trusts.

○ Balance of loans by industry

Money trusts	FY2020		FY2021	
	Balance	Composition ratio	Balance	Composition ratio
Financial and insurance	111,382	35.86 %	-	-
Government, etc.	199,258	64.14 %	-	-
Total	310,640	100.00 %	-	-

(Note) There is nothing applicable for annuity trusts, employees' property formation benefit trusts, and loan trusts.

○ Balance of loans to SME, etc. in relation to money trusts

Not applicable.

○ Securities

Money trusts	(¥ million)	
	FY2020	FY2021
Government bonds	33,429,388	657,694
Local government bonds	1,282,508	11,408
Corporate bonds	4,299,201	195,673
Stocks	2,218,278	2,343,140
Foreign securities	1,217,043	1,081,880
Other securities	702,530	660,759
Total	43,148,951	4,950,556

(Note) There is nothing applicable for annuity trusts, employees' property formation benefit trusts, and loan trusts.

(4) Status of trusts with principal-guaranteed features

- Fiscal year-end balance of trusts (including trusts that have been re-entrusted for the investment of trust assets)

Money trusts	FY2020	(¥ million) FY2021
(Assets)		
Others	627,927	320,417
Total assets	627,927	320,417
(Liabilities)		
Principal	627,927	320,417
Others	0	-
Total liabilities	627,927	320,417

- Amount of risk-monitored loans for trusts with principal-guaranteed features (claims pursuant to the Act on Engagement in Trust Business by Financial Institutions and the Financial Revitalization Act)
Not applicable.

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).

● Disclosure Concerning the Composition of Capital

Summary table of the non-consolidated capital adequacy ratio (Japanese standard)

	FY2020	FY2021
		(¥ million)
Core Capital: Instruments and reserves (1)		
Directly issued qualifying common shares or preferred shares mandatorily convertible into common share capital plus related capital surplus and retained earnings	119,202	119,665
Of which, capital and capital surplus	110,073	110,073
Of which, retained earnings	9,263	9,706
Of which, treasury stock (Δ)	-	-
Of which, planned distribution of income (Δ)	134	114
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 allowance for 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)	119,202	119,665
Core Capital: Regulatory adjustments (2)		
Total intangible fixed assets (excluding those relating to mortgage servicing rights)	35,173	38,429
Of which, goodwill (including those equivalent)	-	-
Of which, other than goodwill and mortgage servicing rights	35,173	38,429
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	245	298
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	8,279	10,063
Of which, significant investments in the common stock of other financial institutions	-	-
Of which, intangible fixed assets relating to mortgage servicing rights	-	-
Of which, deferred tax assets arising from temporary differences	8,279	10,063
Amount exceeding the 15% threshold on specified items	-	-
Of which, significant investments in the common stock of other financial institutions	-	-
Of which, intangible fixed assets relating to mortgage servicing rights	-	-
Of which, deferred tax assets arising from temporary differences	-	-
Core Capital: Regulatory adjustments (b)	43,697	48,792
Capital		
Total amount of capital ((a)-(b)) (c)	75,504	70,873

	FY2020	(¥ million) FY2021
Risk-Weighted Assets (3)		
Total credit risk assets	114,591	133,953
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%	105,791	106,927
Credit risk-weighted assets adjustments	-	-
Amount equivalent to operational risk adjustments	-	-
Total risk-weighted assets (d)	220,383	240,880
Capital Adequacy Ratio		
Capital Adequacy Ratio ((c)/(d))	34.26 %	29.42 %

- **Qualitative Disclosure**

1. Main features of regulatory capital instruments

Capital is raised by common stocks.

2. Assessment of capital adequacy under Pillar 2

As a method of assessing capital adequacy, our Company implements management based on required capital according to the Capital Adequacy Framework (Pillar 1) and through integrated risk management according to internal management (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 amount of credit, market and operational risks are within the limits. In addition, for liquidity risks that cannot be captured by the integrated risk amount, stress tests are conducted and regularly reported to the Executive Management Committee and the Board of Directors, including the status of compliance with the limits.

3. Credit risk

- (1) Overview of risk management policies and procedures

- 1) Definition of credit risk

Credit risk refers to “the risk of incurring losses due to a decline in or complete loss of asset value (including off-balance sheet 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, resulting in a large amount of bad debts (or provision of allowance) due to defaults by major borrowers or deterioration in their credit standing.

- 3) Risk management policy

We have established the “Risk Management Policy” which provides the credit risk management policy of keeping credit risks to be risk-limiting in size and nature.

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 assigns "internal ratings" to 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 impairment of values. Our Company has established the "Risk Management Policy" and "Asset Assessment Management Rules" for proper implementation of self-assessment. A borrower is judged for the "obligor category" according to its financial condition at each time of the disclosure of its financial results or upon each incident that affects its credit. In addition, a "classification category" is periodically determined for each asset based on the assessment result of the obligor category and the protection status, etc., 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. refer to estimating the expected amount of future losses based on the actual results of self-assessment, and considering the historical loan losses, etc. in a timely and appropriate manner, and making an allowance for or write-off of such 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. (JCR)
- Rating and Investment Information, Inc. (R&I)
- Moody's Investors Service, Inc. (Moody's)
- S&P Global Ratings (S&P)
- Fitch Ratings (FitchRatings)

4. Overview of risk management policies and procedures concerning credit risk mitigation

(1) Credit risk mitigation

Credit risk control is achieved not only by reducing the balance of credit, but also by obtaining protection of claims using collateral, guarantees, etc. Such protection of claims is collectively referred to as the "credit risk mitigation."

In calculating credit risk assets, our Company reflects the effects of credit risk mitigation through eligible collateral and guarantees in accordance with 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. Overview of risk management policies and procedures for the risks of counterparties of derivatives transactions and long-settlement transactions

Not applicable.

6. Securitization exposure

Not applicable.

7. Market risk

Not applicable.

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 management 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) Processing 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 those related to 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 risk to plan and promote personnel risk management.

7) Reputational risk

- The Risk Management Department is responsible for reputation risk 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 coordinate 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 for company-wide coordination for operational risk, run by the Risk Management Department.

As comprehensive operational risk management activities, company-wide Control Self Assessment (CSA) is conducted regularly in order to identify, assess, and monitor operational risks. Countermeasures are formulated with regards 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 calculates operational risk equivalents using the “Basic Indicator Approach.”
9. Overview of risk management policies and 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 valuation of stocks for which market prices are not available, the original purchase prices are employed based on the moving average 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”) refers to the current or prospective risk to a bank’s capital and to its earnings, arising from the impact of adverse movements in interest rates on its banking book.
 - The present value is regarded as the economic value (EVE), and the magnitude of loss at the current interest rate level is measured as Δ EVE for each position. The scope of measurement includes positions with interest rate risk in the banking book.
 - Δ NII is measured as a 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 is 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
- There is nothing applicable in terms of 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

	FY2020	FY2021
		(¥100 million)
Credit risk		
Standardized Approach	32.1	35.0
For CCP	13.7	18.5
Operational risk	42.3	42.7
Total amount of non-consolidated required capital	88.1	96.3

Operational risk equivalents are calculated using the Basic Indicator Approach.

(2) Credit risk

○ Credit risk exposure status

Note: or off-balance sheet exposures, credit equivalents are shown. Exposures are not included when it is not necessary to calculate the amount of 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 exposures other than loans, commitments and derivatives	FY2020			
		Securities	Derivatives	Others	Total
Domestic	311	752	-	169,237	170,300
Overseas	-	0	-	50	50
Total	311	752	-	169,287	170,351

	Off-balance sheet exposures other than loans, commitments and derivatives	FY2021			
		Securities	Derivatives	Others	Total
Domestic	18	654	-	169,276	169,949
Overseas	-	0	-	43	43
Total	18	654	-	169,320	169,993

Breakdown by counterparty

	Off-balance sheet exposures 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

	Off-balance sheet exposures other than loans, commitments and derivatives	FY2021			(¥100 million)
		Securities	Derivatives	Others	Total
For sovereign	18	619	-	166,398	167,036
For financial institutions and others	-	20	-	2,261	2,281
Others	-	15	-	660	675
Total	18	654	-	169,320	169,993

Breakdown by period

	Off-balance sheet exposures 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

	Off-balance sheet exposures other than loans, commitments and derivatives	FY2021			(¥100 million)
		Securities	Derivatives	Others	Total
One year or less	18	368	-	169,147	169,534
Over one year	-	281	-	-	281
Others	-	5	-	172	177
Total	18	654	-	169,320	169,993

- Overdue exposure status Not applicable.
- Allowance for loan losses and write-off of loans Not applicable.

- Exposure to which the Standardized Approach is applied

Breakdown by risk-weight category (after applying credit risk mitigation effects)

(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	

(Risk weight)	FY2021			(¥100 million)
	On-balance sheet	Off-balance sheet	Total	
0%	167,036	-	167,036	
10%	-	-	-	
20%	2,741	-	2,741	
100%	124	-	124	
250%	80	-	80	
1250%	-	-	-	
Total	169,983	-	169,983	

- Amounts of capital deduction/Exposure to which risk weight of 1,250% is applied
Not applicable.

(3) Credit risk mitigation

- Breakdown of exposures to which credit risk mitigation is applied

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

	FY2021			(¥100 million)
	Financial asset collateral	Guarantees	Credit derivatives	Total
Standardized Approach				
For sovereign	-	-	-	-
For financial institutions and others	-	-	-	-
For corporate and others	-	-	-	-
Mortgage loans	-	-	-	-
Securitization	-	-	-	-
Others	-	10	-	10
Total	-	10	-	10

(4) Counterparty risk in derivative and long-term settlement transactions: Not applicable.

(5) Securitization exposure: Not applicable.

(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 amounts and fair value

	FY2020		FY2021		(¥100 million)
	Balance sheet amount	Fair value	Balance sheet amount	Fair value	
Listed equity exposures	-	-	-	-	-
Equity exposures other than above	5	-	5	-	-
Total	5	-	5	-	-

- Gains/losses on sale and redemption of capital contribution or equity exposure

	FY2020			FY2021			(¥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 unrealized gain or loss in relation to equity exposures
Not applicable.

- Unrealized gains/losses recognized in the balance sheets and not recognized in the statements of income
Not applicable.
- Unrealized gains/losses not recognized in the balance sheets and the statements of income
Not applicable.

(8) Interest rate risk
IRRBB1: Interest rate risk

Item No.		△EVE		△NII	
		FY2020	FY2021	FY2020	FY2021
1	Parallel shift up	1,282	716	△ 2,015	△ 1,545
2	Parallel shift down	△1,282	△ 716	2,015	1,545
3	Steepening	-	-	-	-
4	Flattening	-	-	-	-
5	Short-term rates up	-	-	-	-
6	Short-term rates down	-	-	-	-
7	Largest	1,282	716	2,015	1,545
		FY2020		FY2021	
8	Amount of Core Capital	75,504		70,873	

(¥100 million)

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's 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." and 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." 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 threshold amount from our Company. Our Company has set the threshold amount at ¥24 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 a person whose transactions conducted or matters managed in his/her usual course of business 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 officers. 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. Matters concerning the evaluation of the appropriateness of the design and operation of the system for 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 officers. Directors’ compensation is resolved by the Board of Directors, and Corporate Auditors’ compensation is determined by consultation among Corporate Auditors within the limit of the total amount of compensation resolved by the General Meeting of Shareholders.

3. 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 where the total amount of compensation for all officers is resolved by the General Meeting of Shareholders, in determining compensation, etc. for Applicable Officers. In determining compensation, etc., a budget is set aside with our Company’s financial condition and other factors taken into consideration.

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, 2021 to March 31, 2022)

(¥ million)

Category	Number of persons	Total amount of compensation, etc.	Total amount of fixed compensation			Total amount of variable compensation	Bonuses	Retirement benefits
			Basic compensation	Stock option				
Applicable Officers (excluding external officers)	6	146	146	146	-	-	-	-

5. Other reference matters related to the system of 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.

List of items for disclosure

Ordinance for Enforcement of the Banking Act

1. Overall Business and Organization

- Management organization
- List of major shareholders
- Management
- Name of Accounting Auditors
- List of offices
- Matters concerning bank agent

2. Key Business

3. Matters concerning Key Business

- Business overview in the latest business year
- Indicators showing the status of key business in the last 5 business years
 - Ordinary income
 - Ordinary profit or loss
 - Net income or loss
 - Capital and total number of shares issued
 - Net assets
 - Total assets
 - Deposits
 - Loans
 - Securities
 - Non-consolidated capital adequacy ratio
 - Dividend payout ratio
 - Number of employees
 - Fiduciary fees
 - Trust account loans
 - Trust account securities
(Excluding trust account, electronically recorded, transferred-rights securities)
 - Trust account, electronically recorded, transferred-rights securities
 - Total entrusted assets
- Matters shown in a separate table as indicators showing the status of business in the last 2 business years
 - (1) Indicators showing the status of key business
 - Gross business profit, gross business profit margin, net business profit, effective net business profit, net business profit from core operations, and net business profit from core operations (excluding gain or loss on cancellation of investment trusts)
 - Net interest income, net fees and commissions, net trading income, other net operating income
 - Average balance, interest, yield and net interest margin of interest-earning assets and interest bearing liabilities
 - Increase or decrease in interest income and expenses
 - Ordinary profit to total assets and ordinary profit to capital
 - Return on assets and return on equity
 - (2) Indicators for deposits
 - Average balance of liquid deposits, time and saving deposits, negotiable certificate of deposits, and other deposits
 - Balance of time deposits by average life
 - (3) Indicators for loans, etc.
 - Average balance of loans on bills, loans on deeds, overdrafts, and discounted bills
 - Balance of loans by average life
 - Balance of loans by type of collateral and customers' liabilities for acceptances and guarantees
 - Balance of loans by purpose
 - Balance of loans by industry and the proportion in total amount of loans

- Balance of loans to SME and the proportion in total amount of loans
- Balance of specific foreign claims by country, which account for 5% or more of the total
- Year-end and average loan-to-deposit ratios
- (4) Indicators for securities, etc.
 - Average balance of trading account securities by type
 - Balance of securities by type and average life
 - Average balance of securities by type
 - Year-end and average security-to-deposit ratios
- (5) Indicators for trust business
 - Balance table of assets in trust
 - Balance of money trusts, etc.
 - Balance by type of trusts with principal-guaranteed features
 - Balance of principal of money trusts and loan trusts by trust period
 - Balance of loans by type of money trusts, etc. and balance of investment by security category
 - Balance by loan item related to money trusts
 - Balance of loans pertaining to money trusts, etc. by contract period
 - Balance of loans pertaining to money trusts, etc. by type of collateral
 - Balance of loans pertaining to money trusts, etc. by purpose
 - Balance of loans pertaining to money trusts, etc. by industry and the proportion in total amount of loans
 - Balance of loans pertaining to money trusts, etc. for SME and the proportion in total amount of loans
 - Balance of securities pertaining to money trusts, etc. by type

4. Matters concerning Business Operation

- Risk management structure
- Management structure for legal compliance
- Initiatives to improve the management of SMEs and revitalize local communities
- Name of designated dispute resolution organization

5. Matters concerning Status of Assets in Last 2 Business Years

- Balance sheets, statements of income, and statements of changes in net assets
- Amounts of risk-monitored loans and claims disclosed pursuant to the Financial Rehabilitation Act
- Amount of risk-monitored loans for trusts with principal-guaranteed features
- Capital adequacy status
- Fair value information on securities, money in trust, and derivative transactions
- Allowance for loan losses at fiscal year-end and the increase/decrease during fiscal year
- Amount of write-off of loans
- Auditors' Statement

6. Matters related to Compensation, etc.

7. Consolidated Information

The Ordinance for Enforcement of the Act on Emergency Measures for the Revitalization of the Financial Functions

- Asset assessment status
 - Ordinary loans
 - Claims under close monitoring
 - Doubtful claims
 - Claims to bankrupt and substantially bankrupt debtors



DISCLOSURE 2022

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

Published July 2022

Corporate Planning Department, Custody Bank of Japan, Ltd.

8-12, Harumi 1-chome, Chuo-ku, Tokyo, 104-6228

TEL 03-6220-4000

Website <https://www.custody.jp/>





日本カストディ銀行
Custody Bank of Japan