

The Nomura Trust and Banking Co., Ltd.

2016

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Annual Report

**NOMURA**



### Corporate Data (As of August, 2016)

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<b>Name:</b>	The Nomura Trust and Banking Co., Ltd.
<b>Established:</b>	August 24, 1993
<b>Paid-in Capital:</b>	35 billion yen
<b>Outstanding Shares:</b>	800,000 shares
<b>Shareholder:</b>	Nomura Holdings, Inc. (Number of shares held: 800,000 shares, holding ratio: 100%)
<b>Head Office:</b>	2-2-2, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan +81 (3) 5202-1600

## Disclosure 2016

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# Message from the CEO

We sincerely appreciate your continuing support for The Nomura Trust and Banking.

Government-promoted economic policies were applied to the Japanese economy to escape deflation during the first half of the fiscal year under review, and consumer spending has stabilized against a background of improvements in the employment environment, increases in income, etc. Likewise, business sentiment has, on the whole, reached a favorable level as well.



During the second half of the fiscal year, due to issues such as the lack of clarity in emerging economies and markets, the market environment experienced falling stock prices, a strong yen, and other difficulties. Additionally, in January of this year, the Bank of Japan established “qualitative and quantitative monetary easing with negative interest” and other measures, for major changes in the external environment.

As a member of the Nomura Group, we have followed Nomura's basic philosophy of “placing clients at the heart of everything we do” and strengthened collaboration with other Group companies to offer high-quality products and services, and have expanded our business even in an unsteady market environment.

Assets under administration have seen balances expand due to steady entrusted functions, trustee expansion, and other sales promotion efforts, and as of the end of March of this year, these now exceed 16.6 trillion yen. Due to strengthened sales promotion and further increased cooperation with Nomura Securities, which is a banking agent, even outstanding loan balance exceeds 469.9 billion yen as of the end of March of this year, marking the highest balance in our history. Additionally, our inheritance-related services, which we started in April of last year, have seen a steady increase in number of cases.

As a result of these business activities, for the fiscal year ended March 2016, we reported an ordinary profit of 3.049 billion yen and a net income of 1.893 billion yen, both of which are our highest ever.

In December of last year, Nomura Group celebrated the 90th anniversary, bringing us one step closer to a full century in business. As a member of the Nomura Group, we will continue to work closely with other Group companies in order to satisfy our clients' increasingly sophisticated and diversified needs.

Additionally, beyond our efforts to promote opportunities for women in the workplace, we proudly showcase the varied backgrounds, values, and other unique characteristics of our diverse employees in a variety of business settings where their individuality and abilities shine.

As a bank operating in the trust business, we take the public nature of banking seriously, and are contributing to the smooth operation of finance by maintaining client trust and protecting our depositors. We are committed to fulfilling our responsibilities as a trust administrator in order to operate a sound and well-regarded business. We appreciate your continuing support.

August 2016

**Chie Toriumi**  
President and Chief Executive Officer

# Overview of Our Business

## Key Management Indicators

### Changes in Key Management Indicators

(Millions of yen)

Item	FY2011	FY2012	FY2013	FY2014	FY2015
<b>Profit and loss</b>					
Ordinary income	24,466	30,448	31,769	29,576	26,288
Net business profit	2,025	1,362	2,665	2,217	3,107
Ordinary profit	1,811	975	2,785	2,129	3,049
Net income	546	150	1,619	1,228	1,893
<b>Assets, liabilities and capital</b>					
Capital stock	30,000	30,000	30,000	30,000	35,000
Issued stock (thousands)	600	600	600	600	800
Net assets	43,635	46,276	47,785	48,835	60,567
Total assets	1,088,697	1,237,244	1,256,196	1,202,925	2,552,876
Balance of deposits	281,793	482,980	469,520	517,881	1,846,875
Balance of loans	313,092	383,094	399,139	443,132	469,963
Balance of securities	666,293	715,592	784,832	684,982	646,137
<b>Per share information</b>					
Net assets per share (yen)	72,726	77,126	79,641	81,392	75,709
Annual dividends per share (yen)	—	—	—	—	—
Net income per share (yen)	910	250	2,698	2,048	3,145
Dividend payout ratio (%)	—	—	—	—	—
Number of employees	361	407	417	435	441
Non-consolidated capital adequacy ratio (%)	18.77%	14.65%	14.33%	12.95%	14.66%
Return on equity (%)	1.24%	0.33%	3.44%	2.54%	3.46%
<b>Trust account</b>					
Trust fees	7,194	6,956	7,595	8,107	8,785
Assets held in trust	29,435,926	32,299,094	17,765,319	20,705,461	20,886,696
Balance of loans and bills discounted	308,260	324,414	356,366	401,693	451,414
Balance of securities	9,301,980	10,620,618	2,231,379	2,362,352	2,552,740

## 1. Profit Performance

Regarding profits, since the balance of investment trust under management increased, trust fees increased by 678 million yen from the last fiscal year, and net interest income increased by 575 million yen from the last fiscal year due to the balance of loans increased, resulting in gross operating profit of 18,625 million yen and net business profit of 3,107 million yen. Ordinary profit was 3,049 million yen and net income was 1,893 million yen.

### Table of Profit Performance

(Millions of yen)

Item	FY2011	FY2012	FY2013	FY2014	FY2015	
						Net Increase (Decrease)
Gross operating profit	14,759	16,367	17,151	16,971	<b>18,625</b>	<b>1,653</b>
Trust fees	7,194	6,956	7,595	8,107	<b>8,785</b>	<b>678</b>
Net interest income	5,884	5,245	5,290	3,790	<b>4,365</b>	<b>575</b>
Net fees and commissions	1,421	1,640	1,494	1,140	<b>3,245</b>	<b>2,104</b>
Net trading income (loss)	(17)	9	9	9	<b>5</b>	<b>(3)</b>
Net other operating income	276	2,514	2,760	3,923	<b>2,221</b>	<b>(1,701)</b>
Provision of general allowance for loan losses (deduction)	393	527	—	—	<b>429</b>	<b>429</b>
General and administrative expenses (excluding non-recurring expenses)	12,340	14,476	14,485	14,753	<b>15,087</b>	<b>334</b>
Personnel expenses	3,904	4,671	5,089	4,888	<b>5,218</b>	<b>329</b>
Non-personnel expenses	8,077	9,316	9,035	9,337	<b>9,222</b>	<b>(114)</b>
Taxes	358	489	360	527	<b>646</b>	<b>119</b>
<b>Net business profit</b>	<b>2,025</b>	<b>1,362</b>	<b>2,665</b>	<b>2,217</b>	<b>3,107</b>	<b>889</b>
Non-recurring profit (loss)	(213)	(387)	120	(88)	<b>(58)</b>	<b>30</b>
Writing-off loans	0	0	—	—	—	—
Gain and loss on sales of stocks and other securities	—	1	—	—	—	—
Reversal of allowance for loan losses (deduction)	—	—	234	75	—	<b>(75)</b>
Provision of specific allowance for loan losses (deduction)	6	291	—	—	<b>(2)</b>	<b>(2)</b>
<b>Ordinary profit</b>	<b>1,811</b>	<b>975</b>	<b>2,785</b>	<b>2,129</b>	<b>3,049</b>	<b>920</b>
Extraordinary income	59	41	58	48	<b>33</b>	<b>(15)</b>
Other	59	41	58	48	<b>33</b>	<b>(15)</b>
Extraordinary loss	475	666	39	28	<b>49</b>	<b>21</b>
Loss on disposal of fixed assets	103	184	18	8	<b>28</b>	<b>20</b>
Impairment loss	—	338	—	—	—	—
Provision of contingency losses	372	96	19	19	<b>20</b>	<b>0</b>
Other	—	46	1	—	<b>0</b>	<b>0</b>
<b>Income before income taxes</b>	<b>1,395</b>	<b>349</b>	<b>2,804</b>	<b>2,150</b>	<b>3,033</b>	<b>882</b>
Income taxes-current	988	681	1,103	417	<b>1,307</b>	<b>890</b>
Income taxes-deferred (deduction)	(139)	(481)	82	503	<b>(168)</b>	<b>(672)</b>
Total income taxes	849	199	1,185	921	<b>1,139</b>	<b>217</b>
<b>Net income</b>	<b>546</b>	<b>150</b>	<b>1,619</b>	<b>1,228</b>	<b>1,893</b>	<b>665</b>

# Overview of Our Business

## 2. Status of Trust Assets

The balance of trust assets increased by 69.7 billion yen from the previous fiscal year to 16,625 billion yen, due to stable fund inflows into the investment trust market.

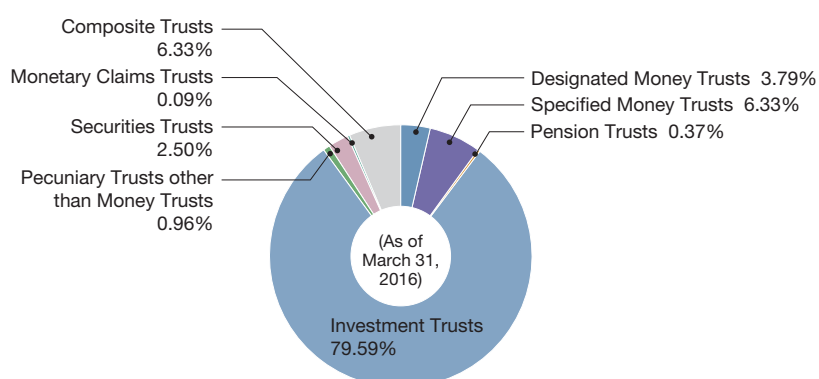
The total trust balance was 20,886.6 billion yen.

### Table of Balance of Trust Assets

(Millions of yen)

Liabilities	March 31,2012	March 31,2013	March 31,2014	March 31,2015	March 31,2016
Designated Money Trusts	813,855	773,694	765,793	759,433	<b>792,270</b>
Specified Money Trusts	915,795	960,438	912,715	1,052,514	<b>1,324,153</b>
Pension Trusts	86,784	123,341	128,642	105,551	<b>77,294</b>
Investment Trusts	11,893,429	12,635,528	13,701,092	16,555,603	<b>16,625,358</b>
Pecuniary Trusts other than Money Trusts	231,543	206,576	213,687	273,968	<b>200,830</b>
Securities Trusts	13,635,117	15,894,586	516,015	487,747	<b>523,145</b>
Monetary Claims Trusts	96,961	91,051	25,999	23,054	<b>20,225</b>
Land and Fixtures Trusts	26,994	905	—	—	<b>—</b>
Composite Trusts	1,735,444	1,612,970	1,501,373	1,447,586	<b>1,323,418</b>
Other Trusts	0	0	—	—	<b>—</b>
Total	29,435,926	32,299,094	17,765,319	20,705,461	<b>20,886,696</b>

### Ratio of Trust Assets



### 3. Status of Capital Adequacy

The capital adequacy ratio at the end of March 2016 was 14.66% (new domestic standard), maintaining a sound level.

#### ■ Capital Adequacy Ratio on Non-consolidated Basis (Domestic Standard)

(Millions of yen)

Item	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016
<b>Tier I</b>					
Capital account	43,035	43,211	—	—	—
Total [A]	43,035	43,211	—	—	—
<b>Tier II</b>					
Allowance for loan losses	849	1,377	—	—	—
Debt capital instruments (Those indicated in Article 41, Paragraph 1, Items 4 and 5 of the Capital Adequacy Ratio Notification)	10,000	10,000	—	—	—
Total	10,849	11,377	—	—	—
Included in Capital [B]	10,849	11,377	—	—	—
Items for deduction [C]	5	6	—	—	—
Core capital: instruments [A']	—	—	56,156	56,318	59,641
Core capital: regulatory adjustments [B']	—	—	155	1,048	1,725
Capital amount [D] (= [A] + [B] - [C]) or = [A'] - [B']	53,879	54,582	56,000	55,270	57,916
<b>Risk assets</b>					
On-balance sheet items	240,304	325,643	331,462	359,964	342,137
Off-balance sheet items	18,047	17,609	16,510	24,616	13,594
CVA risks (divided by multiplying the capital requirement by 12.5)	—	—	13,141	13,140	7,908
Operational risks (divided by multiplying the capital requirement by 12.5)	28,677	29,218	29,431	28,802	31,167
Total [E]	287,029	372,470	390,546	426,523	394,807
Capital adequacy ratio (domestic standard) (= [D]/[E] x 100)	18.77%	14.65%	14.33%	12.95%	14.66%

(Note) Capital adequacy ratios are calculated with the formula specified in Notification No. 19 of the 2006 Financial Services Agency, based on the provisions of Article 14:2 of the Banking Act. We used Basel II base up to the end of March 2013, but used the new domestic standard to calculate the ratio at the end of March 2014.

### Results of Main Business

#### <Lending>

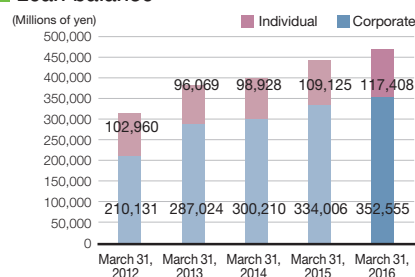
In addition to loans to corporate customers, we also extend loans broadly to individual customers through loans secured by securities called "Nomura Web Plus Loan" which is offered via "Nomura Home Banking" and employee stock-ownership plans tie-up loans called "Mochi-loan." The balance of loans as of the end of the current fiscal year stood at 4,699 million yen.

#### <Investment Trust Administration Business>

The balance of investment trusts under management rose by 69.7 billion yen from the end of the previous fiscal year to 16,625 billion yen due to stable fund inflows into the investment trust market.

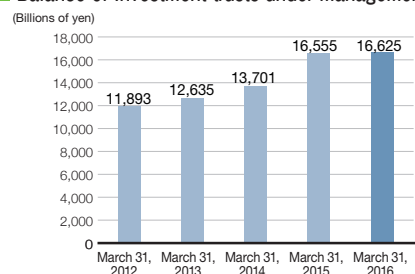
We received an unqualified opinion in an audit performance by an independent audit corporation in accordance with the Statement on Standards for Attestation Engagements No.16 (SSAE 16), and we are trying hard to improve the quality of our administrative operations.

#### ■ Loan balance



(Note) Corporate includes loans to the trust account.

#### ■ Balance of Investment trusts under management



# Internal Control System – Management

## Management Structure

As a trust bank of Nomura Group, we are operating our business guided by the integrated strategy of Nomura Holdings, Inc. We have built a management structure which delivers efficient business operations in conformity with the business line of Nomura Group. Furthermore, by ensuring that our directors and employees comply with the “Code of Ethics of Nomura Group,” we are promoting company management which is appropriate considering the relevant laws and regulations.

We operate under the committee system in which the majority of members are outside directors, i.e. the Nomination Committee, the Audit Committee and the Compensation Committee, with the objective of strengthening our management supervisory functions and improving our managerial transparency.

We also established the Board of Directors as the body to decide on and to approve important management related matters. The Board of Directors makes decisions regarding our basic management policy, matters necessary for the Audit Committee to execute its duties, and the allotment of the duties and chain of command for executive officers etc. The Board also supervises the execution of duties of the executive officers. Moreover, we regularly convene the Board of Executive Officers as a body to make decisions regarding, and to approve, important matters and proposals related to business execution to facilitate the speedy execution of our business.

The Audit Committee audits the suitability, validity and efficiency of business operations and the execution of duties by the executive officers and directors by exercising its statutory authority and leveraging the external audit corporation as well as internal organizations. The methodology, progress of, and results of audits are reported to the Board of Directors on a regular basis. Our Audit Committee also collaborates with the Audit Committee of Nomura Holdings to audit our businesses as necessary. The range for the Audit Committee expanded due to the scale of the company and its expanding business. We set up an Audit Committee Office, where the Audit Committee carries independent staffs for them to carry out its proper duties.

To enhance our internal control procedures, the following committees are established.

- ALM Committee: Sets out the basic ALM policies and comprehensively manage assets and liabilities.
- New Products & Services Review Committee: Analyzes and evaluates the risks inherent in the provision of a new product or launch of a new business and gives necessary information to the Board of Executive Officers when it is making decisions on the provision of the new product or launch of the new business.
- Investment Management Committee: This Committee will discuss and decide on investment management policies for trust assets for which the Bank has a discretionary power, consider the introduction of asset management companies and investment products into the investment product lineup, and review individual management models.
- Investment Audit Committee: In order to ensure the appropriateness of the management of trust assets for which the Bank has discretionary power, this Committee regularly verifies the performance, risk management and status of interaction with customers. If necessary, it recommends and instructs the Investment Management Committee to make improvements and keep all related parties informed about matters.
- Compliance Committee: Deliberates and makes decisions on compliance with laws and other compliance-related corporate matters.
- Business Quality Improvement Committee: Carries out measures to improve overall quality of administration, such as departmental self-inspections, as part of efforts to build a highly effective internal control system and improve the quality of day-to-day operations and other business activities.
- Information Security Committee: Discusses and approves company-wide actions related to information security.
- Crisis Management Committee: Deliberates and makes decisions on the company’s crisis management measures.
- Operational Risk Committee: Deliberates and coordinates matters related to operational risks to facilitate appropriate and smooth control of operational risks.
- Customer Protection Committee: In order to protect legitimate interests and improve customer convenience we continue to enhance our customer explanation management, customer support management, customer information management conflicts of interest management, and outsourcing management.
- Specific Transaction Committee: It is composed of members other than current or ex-members of Nomura Group and including external experts. It verifies that the independence of bank management is secured when the Company management makes important decisions regarding its business operations and submits the findings to the person authorized to make a decision regarding related matters.

## Internal Audit System

We have established the Internal Audit Department, which is independent of all other operational divisions, to review the effectiveness and adequacy of the internal control systems in all the internal divisions and our agencies and to make recommendations for improvement.

In light of the guidelines for implementation of internal audits set forth in the Inspection Manual for Deposit-Taking Institutions and the Inspection Manual for Trust and Banking Companies, etc. and in accordance with the “Nomura Group Internal Audit Charter” and our “Internal Audit Regulation,” the Internal Audit Department identifies the type and degree of risks and draws up an annual internal audit plan in consideration of the depth and frequency of audits, and performs effective audits in accordance with the “Nomura Group’s Internal Audit Missions” and our “Internal Audit Policy.”

The results of audits are promptly reported to the company management and the Audit Committee, and any issues etc. identified in the audits are communicated to relevant operational divisions so that follow-up actions are taken to make early improvements in an effort to further enhance the internal control system.

In addition, an external audit company evaluated our internal audit operation in March 2013.



# Internal Control System – Compliance

## Compliance Management System

Constantly aware of the significance of our social responsibilities and public mission as a financial institution, we are determined to provide high quality financial services to customers in strict compliance with social norms as well as laws and regulations. We regard compliance as one of the foremost priority management tasks and the Board of Directors has established the “Compliance Policy,” laying out our basic stance regarding compliance.

Furthermore, based on the above policy, the Board of Executive Officers established the “Compliance Regulations,” setting initiatives for specific actions taken to put compliance into action.

### Compliance Policy

As a member of Nomura Group, we strive to foster a corporate culture and build corporate ethics focusing on compliance in conformity with the Code of Ethics of Nomura Group, and perform honest and fair corporate activities without violating social norms.

#### 1. Basic Stance Regarding Compliance

Constantly aware of the significance of our social responsibilities and public mission as a financial institution, we regard the enhancement and establishment of a compliance system as one of our foremost priority tasks for securing the soundness and appropriateness of operations, and we take proactive steps to complete this task.

#### 2. Individual Efforts for Compliance

Directors, executive officers and employees of the Company constantly strive to acquire extensive knowledge, not only of laws and regulations required in business, but also social norms, and act in conformity with a higher level of corporate ethics.

#### 3. Establishment of Social Credibility

We demonstrate our intention to perform honest and fair corporate activities focusing on compliance through our accountability to stakeholders, thereby establishing credibility as a member of society.

In accordance with the “Compliance Regulations,” we have formed the Compliance Committee which, chaired by the representative executive officer and vice-chaired by the Compliance Officer appointed by the Board of Executive Officers, deliberates and makes decisions regarding compliance related matters in the company. The details of discussions are regularly reported by the Chairman to the Board of Directors, the Board of Executive Officers and the Audit Committee members. We draw up the “Compliance Program” setting out objectives and various measures as an annual compliance action plan. This plan is then deliberated and reviewed by the Compliance Committee and finally approved by the Board of Executive Officers. The progress and achievement status of the measures defined in the “Compliance Program” are regularly reported to the Compliance Committee and are also reported by the Chairman to the Audit Committee members.

In addition, the Compliance Officer convenes a compliance meeting, etc. for each division to review the progress and achievement status of compliance action plans drawn up by each department and discusses compliance-related issues with the responsible executive officer and the heads of departments.

The Compliance Officer and the Compliance Control Department collaborate to control and manage compliance-related matters of the Company, and each department appoints a Compliance Manager who promotes compliance activities. The Compliance Manager ensures that all employees pursue operations based on a compliance spirit and common sense and also monitors compliance activities of the department in charge and makes regular reports to the Compliance Officer.

## Policy on Antisocial Forces (Organized Crime)

Nomura Group’s policy is “not to deal with any antisocial force or group” under the “Code of Ethics of Nomura Group.”

We comply with this policy and have created a structure to eliminate antisocial forces. We promote efforts to block dealings with these forces.

# Internal Control System – Risk Management

## Risk Management System

We position enhancement of risk management as an important pillar of our management goals in order to ensure that our management is sound and appropriate.

By making disclosures in compliance with the requirements of Basel III applicable since the end of March 2014 and building an integrated risk management system, we comprehensively look at various risks of the company and compare them against our management strength, thereby securing profits commensurate with risks and appropriate allocation of management resources.

## Integrated Risk Management

The Board of Directors has formulated the “Integrated Risk Management Policy” as our basic risk management policy to establish a proper management system of all risks. Based on this policy, the Board of Executive Officers has specified the “Regulations on Integrated Risk Management” to clearly define and classify various risks and also determined various risk management methodologies, thereby ensuring the effectiveness of the rules.

To monitor risks, the Corporate Risk Management Department is established as a division responsible for integrated risk management independent of the business promotion division. It is engaged in day-to-day integrated risk management activities under the guidance and approval of the manager of the integrated risk management division. The integrated risk management division regularly reports the status of risk management to the Board of Executive Officers and the Audit Committee members. In addition, the Internal Audit Department reviews the appropriateness, validity and efficiency of risk management.

The risks defined by the company consist of credit risk, market risk, operational risk, liquidity risk and the banking account interest rate risk.

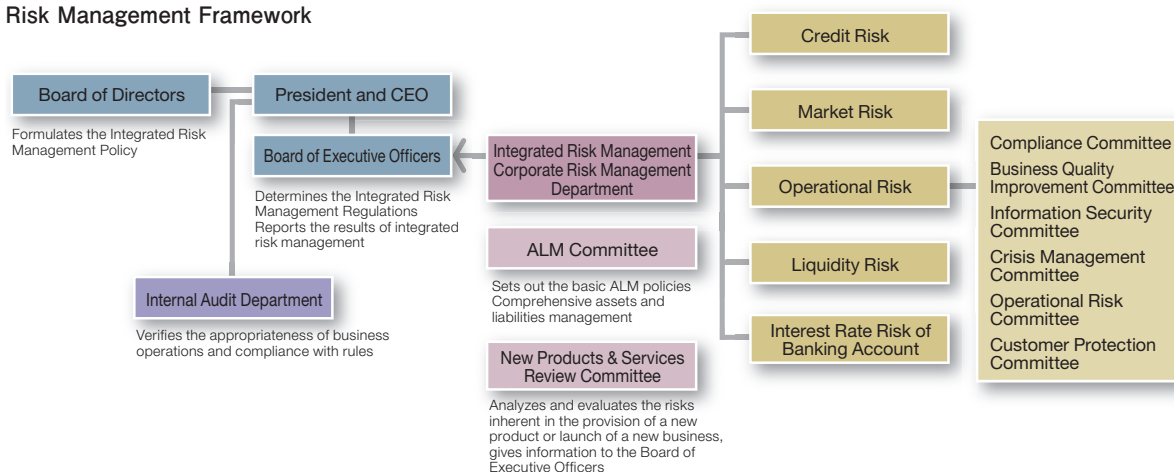
## Stress Tests

We perform comprehensive stress tests based on scenarios built around the impacts of possible significant events, allowing us to perform integrated risk evaluations, informing the executive committee, etc. Additionally, we also perform stress tests as necessary using individual scenarios built around credit risk, market risk, and liquidity risk, in order to enhance our stress test-based risk management system.

## Risk Management Classification

		Risk Classification	Responsible Department
Integrated Risk Management  Risk Control Department	Credit Risk		Corporate Risk Management Department
	Market Risk	Interest rate risk	Corporate Risk Management Department
		Foreign exchange risk	
		Price fluctuation risk	
	Operational Risk	Administrative risk	Operations Planning and Administration Department
		System risk	IT Planning & Control Department
		Information security risk	Operations Planning and Administration Department
		Legal and compliance risk	Compliance Control Department
		Outsourcing risk	Operations Planning and Administration Department
		Human Risk	Human Resource and General Affairs Department
		Tangible Risk	Human Resource and General Affairs Department
		Other operational risks	Corporate Risk Management Department
	Liquidity Risk	Funding risk	Corporate Risk Management Department
		Market liquidity risk	
	Interest Rate Risk of Banking Account	Corporate Risk Management Department	

## Risk Management Framework



## Credit Risk

Credit risk is defined as the risk of incurring losses due to a decline or loss of the value of assets (including off-balance sheet assets) as a result of deterioration of the financial condition of debtors, etc. It also includes the risk of incurring losses due to a serious decline or loss of the value of assets (including off-balance sheet assets) as a result of a series of deteriorations of the financial conditions of debtors, etc., owing to a heavy concentration of credit on a certain debtor or a certain group which has close financial ties with a certain debtor in comparison to our equity or management strength. This is called credit concentration risk.

We have procedures and standards in place for controlling credit risks using risk diversification and portfolio management theories in accordance with the “Credit Risk Management Policy” and the “Credit Risk Management Regulations.” The Corporate Risk Management Department centrally controls credit risk management activities and regularly reports the status of credit risk management to the Board of Executive Officers.

### Credit Rating System

Credit ratings are determined not only by conducting scoring based on a rating model using the financial information of debtors, but also by utilizing the latest important information available including qualitative information on managerial risk, legal risk etc. which may affect the conditions of debtors and external credit ratings or the credit standing of associated companies. These ratings are classified into 20 levels.

### Screening of Credit Proposals

Screening of each credit proposal is performed by the Credit Department I and II, which makes accurate and rigorous credit decisions based on the credit ratings, fully taking account of our public and social missions as a financial institution to maintain soundness of the bank’s assets.

### Exposure (Credit Amount) Management

With the identification of exposure for each debtor or each group of debtors positioned as the core of credit risk management, we centrally and comprehensively control not only loans but also other on-balance and off-balance items. Off-balance sheet transactions are managed using the current exposure method. Based on the above, we measure and monitor credit risk.

### Self-Assessment

As for self-assessment of assets involving credits, we implement self-assessments through strict classification of credits based on debtor categorization linked to credit ratings, in accordance with the “Asset Assessment Standard,” which is based on the Financial Inspection Manual etc., and carry out proper write-offs of credits and provide allowances using the accumulated default ratio for each credit rating, etc.

## Market Risk

Market risk is defined as a risk of incurring losses due to fluctuation of the value of assets and liabilities (including off-balance assets and liabilities) as a result of changes in market risk factors such as interest rates, foreign exchange rates and security prices. Market risks consist of interest rate risk, foreign exchange risk and price fluctuation risk.

To properly control market risks, the Board of Executive Officers clarifies the basic concept of market risk management, and we set position limits, VaR limits, loss-cut rule etc. accordingly. In addition, we have established the Corporate Risk Management Department which, as an independent department responsible for company-wide market risk management, monitors the positions and profit and loss on a daily basis and reports the compliance status of limits etc.

### Foreign Exchange Transactions

We operate our business guided by a policy of, whenever possible, avoiding taking market risks. Accordingly, we set the minimum required position limits and VaR limits.

### Fund Transactions

For general banking transactions, we also measure the positions and VaR and monitor profit and loss on a daily basis.

# Internal Control System – Risk Management

## Operational Risk

Operational risk is defined as a risk of incurring losses owing to inadequate business processes, activities of directors and employees or systems, or external events. As the department responsible for management of operational risks, the Corporate Risk Management Department plays a central role in defining the risk categories to be managed and conducting operational risk management through the Risk and Control Self Assessment (RCSA) activities and collection and analysis of loss data, etc.

## Administrative Risk

Administrative risk is defined as the risk of incurring losses owing to directors or employees failing to perform accurate administration or committing errors or fraud. Both directors and employees of the company understand that administrative risk is present in all business activities, recognize the importance of mitigating administrative risks and take measures appropriate to mitigate this risk. Specifically, the Operations Planning and Administration Department plays a leadership role in ensuring consistent enhancement of the administrative procedures and systems, and each department provides guidance and training on administration to ensure proper administrative procedures.

In addition, the Business Quality Improvement Committee, which is comprised of members from each department, promotes departmental self-inspections and deliberates on and proposes actions to enhance business activities in general.

## System Risk

System risk is defined as the risk of incurring losses due to system troubles such as a computer system breakdown or malfunction and the risk of incurring losses due to an unauthorized use of computers. Fully aware that risks arising from system troubles and cyber attacks etc. may affect not only our company but the entire market, we enhance investment procedures and define the actions to be taken in an emergency.

The IT Planning & Control Department assumes the responsibility for managing and controlling systems, and each department undertakes day-to-day system security management and administration.

Also, to secure continuous operation of business even in a time of emergency such as a disaster, we have built the Business Continuity Site (\*) as an alternative office, and the Disaster Recovery Center (\*) in a remote location, and have conducted drills on a regular basis. (\* Refer to Page 12.)

## Information Security Risk

Information security risk is defined as the risk of incurring losses due to a failure to maintain the confidentiality, integrity and availability of information assets and the environments for retaining and using information assets. We have established the "Information Security Basic Policy" to set clear policies on handling of information assets and information security as the guiding principles to be followed by directors and employees in their day-to-day activities. We try to reduce the information security risk by conducting proper management of information assets, taking actions according to the level of importance of information assets, imposing limits on the right of access to information assets and giving regular training etc. to both directors and employees.

Moreover, we have set up the Information Security Committee to discuss company-wide measures for information security, supervise the actions taken and their implementation status and make necessary improvements.

## Legal and Compliance Risk

Legal and compliance risk is defined as the risk of incurring losses due to our failure to comply with required laws and regulations, internal rules, bylaws on business activities etc. and as the risk of incurring losses due to execution of business inappropriate for the protection of customers.

We have established the Compliance Control Department that specializes in management of legal and compliance risks etc. to ensure compliance with laws and regulations. The financial business has been becoming increasingly sophisticated and complicated in recent years. Accordingly, the risks to be dealt with by financial institutions are also becoming more diversified.

Amid such circumstances, confirming not only laws but also other regulations and social demands has come to play a significant role. At The Nomura Trust and Banking, potential legal issues that may arise in the course of business are dealt with properly, mainly by the Compliance Control Department.

## Outsourcing Risk

Outsourcing risk, which exists when part of a company's businesses is outsourced, is defined as the risk of incurring losses by non-performance of outsourced companies from the viewpoint of customer protection and appropriate operation, such as not complying with the local legal requirements, etc. We have set standards for making decisions on whether or not to outsource our operations and the selection of outsourcing companies and have a system in place for ensuring proper management by regularly monitoring the status of business execution at the outsourcing companies.

## Human Risk

We define human risk as the possibility of causing disadvantage through unequal, unfair, or discriminatory personnel management behavior. To manage human risks, our Human Resource and General Affairs Department takes a leading role in performing proper management and administration of human resources for matters such as employment status, as well as in providing education, training, and guidance in the workplace.

## Tangible Asset Risk

We define tangible asset risk as the possibility of causing damage or loss of tangible assets through disasters or other phenomena. To manage tangible asset risks, our Human Resource and General Affairs Department takes a leading role in ascertaining the current states of the company's tangible assets, and works to prevent damage or loss caused by disasters or illegal conduct.

## Other Operational Risks

We manage human risk, tangible asset risk, etc. as other operational risks. Of these risks, human risk is defined as the risk of incurring losses owing to unfair, inequitable and discriminatory acts in personnel administration, and tangible asset risk is defined as the risk of incurring losses owing to the damage or loss of tangible assets resulting from a disaster or other incidents. To manage human risks, we perform proper management and administration of human resources according to the employment style etc. of employees in principle, and also give education and training as well as guidance at the workplace. As for management of tangible asset risks, we identify the current status of the assets held by the company and prepare for potential losses resulting from disasters and illegal acts.

## Liquidity Risk

Liquidity risk is defined as the risk of incurring losses when we have difficulty securing necessary funds or are forced to raise funds at an interest rate much higher than the usual rates due to a mismatch between investment and procurement periods or unexpected cash outflow, and as the risk of incurring losses when we are unable to execute trades due to a market disruption or forced to accept trades at an extremely unfavorable price.

We try to reinforce our liquidity management framework and upgrade our management approach, and at the same time, we operate business by paying adequate attention to liquidity. For example, the monthly ALM Committee checks the fund positions and the market trend etc. for each product we offer and then sets a policy for the future.

We also monitor the fund-raising status of both yen and foreign currencies and report to the ALM Committee which meets on a monthly basis. Furthermore, we set modes according to the market liquidity etc. and specify management standards for each mode, and manage fund positions accordingly.

## Interest Rate Risk of Banking Accounts

Interest rate risk of banking accounts is defined as the risk of incurring losses owing to changes in asset values in the banking accounts as a result of interest rate fluctuations. We perform appropriate monitoring and management by reporting the risk status to the monthly ALM Committee and the Board of Executive Officers.

## Business Continuity

We believe that to ensure sustainable development of the company, it is essential to deal appropriately with various disasters that may have a significant impact on company management.

Our mission is "to firmly protect assets entrusted by customers" and to continue to be a trust bank that earns the confidence and trust of customers.

To attain this purpose, we are making the following efforts to prepare for contingencies guided by the concept, "developing a business continuity plan for sustaining day-to-day operations and securing necessary data (market information and information on transactions and trades, settlement of funds and securities, social and economic condition, etc.)"

# Internal Control System – Risk Management

## Organizational Structure

We have established the Crisis Management Committee to review various measures for emergencies including disasters, cyberterrorism and serious accidents and give suggestions and make reports to the Board of Executive Officers.

The Crisis Management Committee discusses actions to be taken in a case where the offices or systems are not available for use due to a disaster or other events, and in the event of an emergency, the Committee is expected to play a central role as an emergency headquarters.

## Formulation of a Business Continuity Plan

We have formulated a Business Continuity Plan to ensure the smooth implementation of measures when a disaster or a cyberterrorism has occurred.

In addition to a basic policy on disasters, definition of damage and disaster scenarios, the plan stipulates an organization to deal with emergencies, measures of securing safety of personnel and assets, and measures of securing communication tools, etc. to prepare for an emergency.

Each department defines priorities and alternative means for continuing business in an emergency, creates a checklist and reviews its effectiveness in a business resumption drill.

## Enhancement of Infrastructure

We take the following actions to enhance facilities in accordance with the Business Continuity Plan:

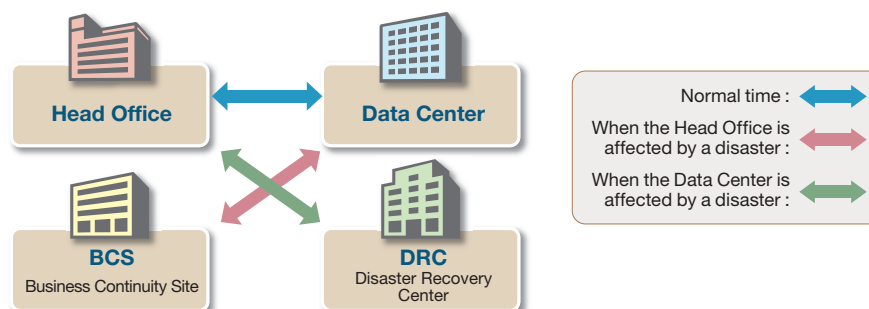
### Establishment of a Business Continuity Site (BCS)

We built a BCS for sustaining the core businesses in a case where we are unable to continue operations at the Head Office of The Nomura Trust and Banking.

The location of the site was selected after taking into account a number of conditions including firmness of the ground, distance from the Head Office and being within a residential urban area.

### Establishment of a Disaster Recovery Center (DRC)

The servers in the Data Center used in daily operation are made duplex, so if any server fails, it can be immediately switched within the Data Center. We established a DRC at a location sufficiently far from the Data Center as to back up the data in case the Data Center was affected by wide-scale disaster.



## Business Resumption Drill Based on the Business Continuity Plan

We regularly conduct an evacuation drill to the BCS and a business resumption drill based on a disaster scenario created from the viewpoints of time, location and scope of the disaster. We also perform a drill of the process of switching functions to the DRC at least once a year.

# Internal Control System – Customer Protection Management

## Customer Protection Management

We have established the Management Policy for Customer Protection and the Management Policy for Conflicts of Interests as basic policies concerning customer protection in order to protect legitimate interests and improve customer convenience, and we strive to enhance and reinforce our customer protection management system. The manager in charge will be assigned for customer explanation management, customer support management, customer information management, outsourcing management, and conflict of interest management to ensure the effectiveness of internal procedure concerning customer protection.

We have also established the Customer Protection Committee, which reports the situation to the Board of Executive Officers regularly or as needed. The Board verifies the effectiveness of the customer protection management system of the company and reviews it if necessary.

## Conflicts of Interest Management System

We have formulated the “Conflicts of Interest Management Policy” to properly manage transactions which may unduly undermine customers’ interests. The “Conflicts of Interest Management Policy” specifies and categorizes transactions involving conflicts of interest that need to be managed and provides rules on the conflicts of interest management system including methods of managing conflicts of interest.

For our “Conflicts of Interest Management Policy,” please visit our company Website at <http://www.nomura-trust.co.jp/>. (Japanese version only)

## Solicitation Policy

We have established the “Solicitation Policy” in accordance with the “Law on Sales of Financial Products” and other applicable laws, and appropriately solicit customers for our financial products based on this Policy.

For details of the “Solicitation Policy,” please visit our website at <http://www.nomura-trust.co.jp/>. (Japanese version only)

## Personal Information Protection Policy

We have established the “Personal Information Protection Policy” in accordance with the Act on the Protection of Personal Information, and based on this policy, we take various steps necessary to prevent leakage of personal information and to safely control personal information to pursue appropriate personal information management.

For details of the “Personal Information Protection Policy,” please visit our website at <http://www.nomura-trust.co.jp/>. (Japanese version only)

## Basic Policy for the Handling of Specific Personal Information

We have established the Basic Policy for the Handling of Specific Personal Information in accordance with the Act on the Use of Number to Identify a Specific Individual in Administrative Procedures. We take various steps as necessary to prevent the leakage of personal information, and to safely control specific personal information to pursue appropriate personal information management.

For details on the Basic Policy for the Handling of Specific Personal Information, please visit our website at <http://www.nomura-trust.co.jp/>. (available in Japanese only)

## Best Execution Policy

When we have received an order for securities listed on domestic financial instruments exchanges as part of operations of a registered financial institution stipulated in the Article 33-2 of the Financial Instruments and Exchange Act, we make efforts to mediate the execution of trades in accordance with the “Best Execution Policy” in cases where no instruction regarding execution of trades is given by our customer.

For details of the “Best Execution Policy,” please visit our website at <http://www.nomura-trust.co.jp/>. (Japanese version only)



# Internal Control System – Finance Facilitation

## Status of efforts to improve management of small and medium-sized enterprises (SMEs) and to revitalize regional communities

### (1) Our policy regarding efforts to support management of SMEs

Both Our directors and employees are aware of the public nature and social responsibility inherent in our operations and are committed to fully performing our financial intermediary function properly and actively while giving consideration to securing sound and appropriate operation of our business. When we receive applications for a new loan and a change in terms and conditions of loans etc. from SME customers, we examine them based on the financial condition etc. of these enterprises and give proper and adequate explanations to the customers. If necessary, we properly offer management consulting and guidance services and support their efforts to improve management.

In addition, with regard to personal guarantee of the president, we promote financings not dependent on personal guarantee of the president and take appropriate measures for the existence of guarantee agreements when reasonable.

### (2) Enhancement of internal systems to support management of SMEs

We have appointed the Finance Facilitation Manager who centrally controls our finance facilitation management system. The Finance Facilitation Manager offers management consultation and guidance services to SME customers in collaboration with the sales promotion division and the credit examination division to support their businesses and also assists in the preparation of management reorganization plans. As we support the management of SME customers, we properly collaborate with certified tax accountants, lawyers, certified public accountants and other outside experts and organizations while paying attention to our confidentiality obligation.

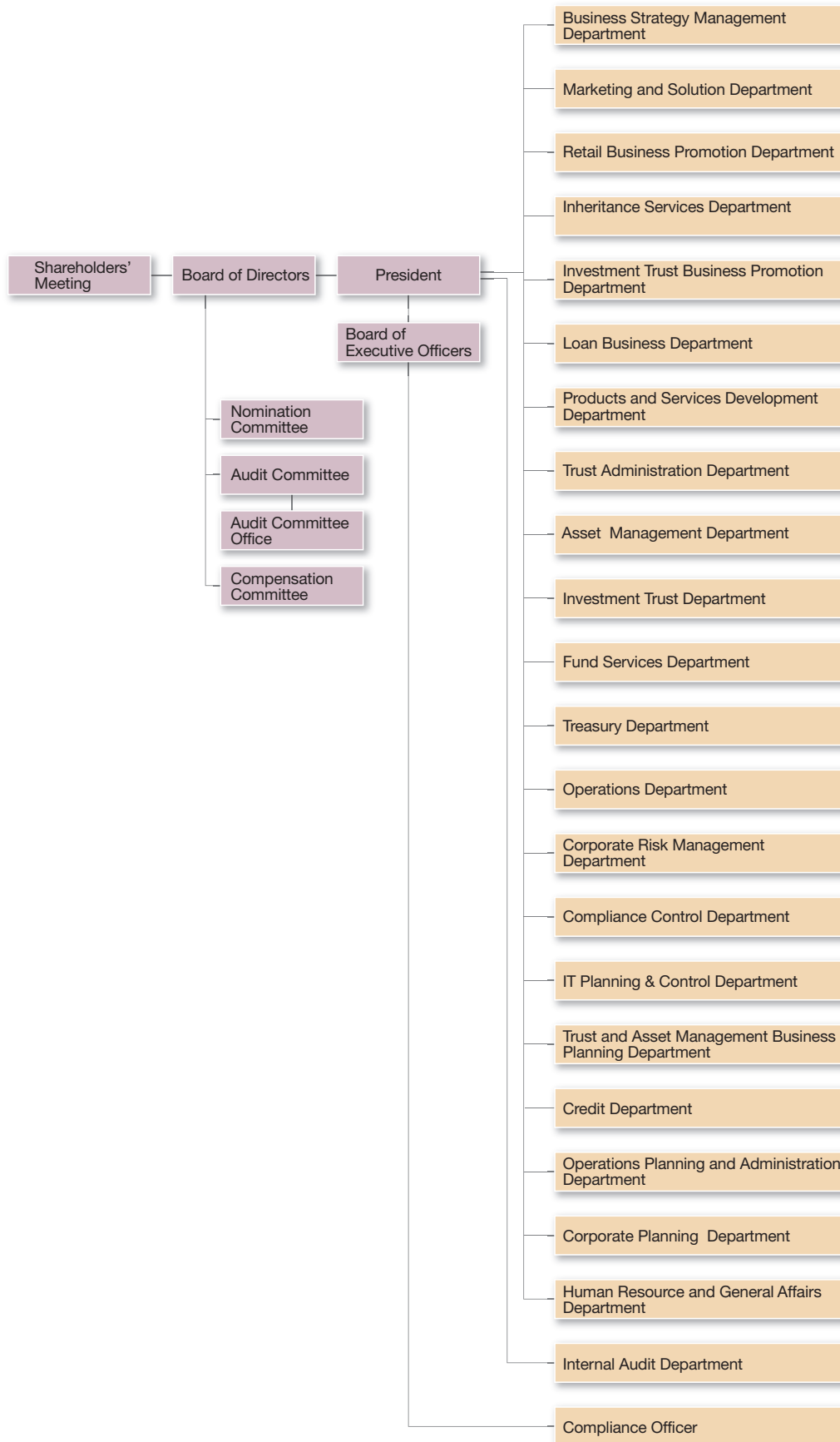
### (3) Status of efforts to support management of SMEs and to revitalize regional communities

We deal with customer inquiries and consultations sincerely and honestly, and we contribute to revitalizing regional communities by offering the best possible solutions after assessing their life stages and the degree of sustainability of their businesses etc. both appropriately and carefully, actively leveraging our professional expertise as well as our network with outside experts and organizations as necessary.



# Organizational Chart

## ■ Organizational Chart (As of August 1, 2016)



# Directors, Executive Officers and Employees

## ■ Directors and Executive Officers (as of August 1, 2016)

Directors	
Chairman of the Board of Directors	Hisato Miyashita
Director	Chie Toriumi
Director (Outside Director)	Shinji Iwai
Director (Outside Director)	Hiroshi Matsutani
Director (Outside Director)	Kimimori Yano
Director	Junko Nakagawa
Director	Satoshi Arai
Director	Yo Akatsuka
Director	Koujirou Matsuda

Executive Officers		
President & CEO	Chie Toriumi	
Executive Vice President	Susumu Hatakeyama	Chief of Staff
Executive Managing Director	Masahiko Maekawa	Marketing & Business Strategy
Senior Managing Director	Natsuki Gomi	Corporate Strategy, Credit Management, Legal & Compliance
Senior Managing Director	Norihiko Nishino	Business Development, Treasury & Trading
Senior Managing Director	Nobuaki Araki	Marketing & Client Relations
Senior Managing Director	Jun Yoshimura	Trust Business, Operations

## ■ Employees

	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016
Number of employees	361	407	417	435	441
Average length of service	4 years and 4 months	4 years and 7 months	4 years and 11 months	5 years and 6 months	5 years and 1 month
Average monthly salary (thousand yen)	587	563	555	552	545

## ■ Rating Information (as of August 1, 2016)

S&P		JCR	R&I
Long Term	Short Term	Long-Term Issuer Rating	Short-Term Debt
A-	A-2	AA-	a-1

# Business Description

## Trust Business

- **Specified Money Trusts and Specified Pecuniary Trusts Other Than Money Trusts**  
Trust in which the funds are managed and invested, mainly in securities, according to the instructions provided by the trustors.
- **Individually Operated Designated Money Trusts (“Shiteitan”) and Individually Operated Designated Pecuniary Trusts Other Than Money Trusts (“Fund Trust”).**  
Trust in which the funds are managed and invested at the discretion of the trustees within the scope in which the type of investment assets and the investment method are designated by the trustors.
- **Jointly Operated Designated Money Trusts**  
Money trusts in which the trust funds are managed and invested jointly with other trust funds on the basis of the same contract and provisions.
- **Composite Trusts**  
Trust undertaken as a set of assets comprised of a number of properties including securities and money.
- **Pension Trusts**  
Trust in which private pension plans such as employees’ pension funds as well as defined benefits pension plan are administered and managed. In addition to pension trust, we provide defined contribution plan administration.
- **Investment Trusts**  
Trust in which funds are invested in securities, real estate etc. based on the instructions provided by the trustors (investment trust management companies), with the beneficiary rights being divided and sold to investors. Investment trust administration service / business based on instructions given by the investment trust management companies, we conduct settlement by delivery and payment of securities, rights handling, custody and compute the daily net asset value and unit price of each fund. We follow the instructions of investment trust management companies in conducting delivery settlements for marketable securities, rights handling and custody operations. We also verify net asset value and unit price of each fund.
- **Securities Trusts**  
Trust in which securities are used to set up a trust. There are two types of securities trusts depending on the purpose of the trustors; (1) securities administration trusts which are designed to administer securities, and (2) securities disposition trusts for the purpose of securities disposition.
- **Outsource services**  
Outsource services for investment trusts: entrusted by investment trust management companies, we are engaged in overall computational operations of investment trusts including calculation of the daily net asset value and unit price, cash flow management and establishment/cancellation procedures. In addition, we process execution data of transactions and prepare investment reports, weekly reports, monthly reports, etc.  
Outsource services for discretionary investment: entrusted by investment advisory companies, we are engaged in accounting operations including preparation of statutory reports for investment advisory contracts and also preparation of disclosure materials.

## Banking Business

- **Deposit Taking**  
We handle savings deposits, separate deposits,

current deposits, time deposits, foreign currency deposits, negotiable certificate of deposits, etc.

- **Lending**  
We handle loans on deed, overdrafts, etc.
- **Domestic Exchange Business**  
We handle remittance, money transfer, etc.
- **Foreign Exchange Business**  
We handle foreign remittances and various operations concerning other foreign exchange transactions.

## Inheritance Business

- **Testamentary Trust Business**  
We perform management of notarized wills produced by testators, confirmation of inheritors and production of property inventories after execution of inheritance, execution of wills (changes in name registrations, cash conversion, etc.), and related tasks.
- **Asset Succession Planning Support Business**  
We hold hearings on information regarding families and property, analyzing current states (property appraisal and inheritance tax estimates) to write up and provide reports discussing and making suggestions on how to improve asset succession.
- **Inheritance Arrangement Business**  
After confirming inheritors, we provide support in producing property inventories and agreements on division of inheritance, as well as inheritance arrangements (changes in name registrations, cash conversion, etc.), after being entrusted by all inheritors to perform inheritance arrangement matters.

## Securities Business

- **Investment Trust Over-the-Counter Sales and Account Administration Business**  
Investment trust over-the-counter sales: we sell primarily private placement investment funds which are incorporated into fund-of-funds and/or prepared exclusively for a pension plan.  
Account administration business: we provide account administration services for transferred investment trusts, playing the role of supporter for investment trust over-the-counter sales made by regional financial institutions, including regional banks and second-tier regional banks.
- **Private Equity Support Business**  
We receive work delegated to us from various venture capital organizations, and perform property management work, as well as accounting and settlement of accounts, for investment partnerships.
- **Corporate Bond Administration Business and Fiscal Agent for Corporate Bond**  
Corporate bond administration business: we provide services as a corporate bond administrator, which must be designated from the viewpoint of investor protection at the time of bond issue by the Companies Act of Japan.  
Fiscal agent for corporate bond: we handle fiscal matters as an agent of an issuer company for bonds without administrator, including issuance, premature redemption and redemption at maturity of bonds (disbursement of principal and interest).
- **Investment Advisory and Agency Business and Investment Management Business**  
We, based on trust agreements and /or discretionary investment contracts, provide asset management services to clients.

# Company History

## ■ History

August 1993	Established as The Nomura Trust and Banking Co., Ltd. (paid-in capital: 30 billion yen). <August 24>
October	Started business with 71 executives and employees. <October 1>
June 1994	Designated as a bond registered organization.
September 1995	Served as a Fiscal Agent for corporate bonds for the first time in Japan.
November	Joined Domestic funds transfer system.
October 1997	Obtained business approval of specified money trusts and designated money trusts.
November 1999	Obtained business approval of pension trusts and jointly operated designated money trusts.
October 2001	Nomura Securities Group (currently called "Nomura Group") moved to a holding company system.
January 2002	Accepted entrustment of asset management institution operations in defined contribution pension plan.
February	Obtained business approval of real estate trusts stock transfer agency and various agency operations.
June 2003	Moved to a "company with committees" management system.
July 2004	Moved Head Office in Tokyo from Nihonbashi, Chuo-Ward, Tokyo to Otemachi, Chiyoda-Ward, Tokyo.
March 2005	Started business by designating Nomura Securities as a trust contract agent.
June	Handled security interest trust and intellectual property right trust. Obtained approval for business including execution of wills and settlements of inheritance.
November	Balance of investment trust assets exceeded 5,000 billion yen.
February 2006	Started marketing and handling "Mochi-loan" (employee stock-ownership plans tie-up loan).
July	Obtained approval for the discretionary investment contract related business.
September	Started business by designating Nomura Securities as a bank agent. Started "Nomura Home Banking (internet banking)" services.
April 2007	Balance of investment trust assets exceeded 10,000 billion yen.
May	Opened Osaka representative office (Osaka office).
August	Started marketing and handling "E-Ship" (trust-type employee stock-ownership incentive plan).
July 2008	Started servicing "Nomura Web Plus Loan" (loans secured by securities) via "Nomura Home Banking."
October 2009	Made NikkoCiti Trust and Banking Corporation (trade name changed to NCT Trust and Banking Corporation in March 2010) a subsidiary.
July 2010	The Nomura Trust and Banking merged with NCT Trust and Banking Corporation (surviving company: The Nomura Trust and Banking Co., Ltd.) .
May 2011	Established the East Japan Restoration Support Fund jointly with Nomura Securities and Nomura Asset Management.
October 2012	"Nomura Home Banking" systems totally renewed.
October 2013	20th anniversary since starting business.
April 2015	Started inheritance services using Nomura Securities as an agent.
April 2016	Started a connection between "Nomura Home Banking" and "Nomura Net & Call," which is offered by Nomura Securities

## Financial Data

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# Financial Statements

## Balance Sheets

(Millions of yen)

Item	March 31,2015	March 31,2016
<b>Assets:</b>		
Cash and due from banks	30,060	1,391,755
Cash	0	0
Due from banks	30,059	1,391,754
Call Loans	—	8,380
Receivables under securities borrowing transactions	9,082	—
Trading assets	1,230	596
Trading-related financial derivatives	1,230	596
Securities	684,982	646,137
Government bonds	307,302	293,243
Local government bonds	59,897	58,048
Corporate bonds	154,892	141,751
Other securities	162,890	153,094
Loans	443,132	469,963
Loans on deeds	339,804	327,583
Overdrafts	103,328	142,380
Foreign exchanges	3,516	4,085
Due from foreign banks (our accounts)	3,516	4,085
Foreign bills receivable	—	0
Other assets	23,883	24,249
Prepaid expenses	223	216
Accrued income	3,946	4,065
Derivatives other than for trading-assets	15,420	18,519
Temporary payments	3,873	971
Other	419	475
Tangible fixed assets	1,134	835
Buildings	218	198
Other	915	636
Intangible fixed assets	6,882	5,980
Software	6,751	5,875
Goodwill	129	103
Other	1	1
Deferred tax assets	392	690
Customers' liabilities for acceptances and guarantees	—	2,000
Allowance for loan losses	(1,370)	(1,798)
<b>Total assets</b>	<b>1,202,925</b>	<b>2,552,876</b>

## Balance Sheets

(Millions of yen)

Item	March 31,2015	March 31,2016
<b>Liabilities:</b>		
Deposits	517,881	1,846,875
Current deposits	7,668	3,667
Ordinary deposits	136,434	1,397,015
Time deposits	320,800	376,857
Other deposits	52,978	69,334
Negotiable certificates of deposit	284,138	56,701
Call money	160,346	242,305
Trading liabilities	1,235	596
Trading-related financial derivatives	1,235	596
Borrowed money	153,347	82,895
Borrowings from others	153,347	82,895
Due to Trust Accounts	10,129	228,356
Other liabilities	24,780	30,286
Income taxes payable	51	495
Accrued expenses	2,852	3,712
Unearned revenue	765	653
Derivatives other than for trading-liabilities	20,558	23,165
Asset retirement obligations	112	115
Other	439	2,144
Provision for bonuses	1,080	1,053
Provision for retirement benefits	751	820
Provision of contingency allowance loss	397	417
Acceptances and guarantees	—	2,000
<b>Total Liabilities</b>	<b>1,154,089</b>	<b>2,492,308</b>
<b>Net assets:</b>		
Capital stock	30,000	35,000
Capital surplus	8,270	13,270
Legal capital surplus	—	5,000
Other capital surplus	8,270	8,270
Retained earnings	7,971	9,864
Legal retained earnings	1,147	1,147
Other retained earnings	6,823	8,717
Retained earnings brought forward	6,823	8,717
Total shareholders' equity	46,241	58,135
Valuation difference on available-for-sale securities	6,077	6,832
Deferred gains or losses on hedges	(3,483)	(4,400)
Total valuation and translation adjustments	2,594	2,432
<b>Total net assets</b>	<b>48,835</b>	<b>60,567</b>
<b>Total liabilities and net assets</b>	<b>1,202,925</b>	<b>2,552,876</b>

# Financial Statements

## Statements of Income

(Millions of yen)

Item	FY2014	FY2015
<b>Ordinary Income</b>	29,576	26,288
Trust fees	8,107	8,785
Interest income	14,958	10,482
Interest on loans	4,788	5,305
Interest and dividends on securities	5,215	4,131
Interest on call loans	1	1
Interest on receivables under securities borrowing transactions	58	13
Interest on due from banks	3	△ 94
Interest on interest swaps	4,885	1,106
Other interest income	6	18
Fees and commissions	2,470	4,533
Fees and commissions on domestic and foreign exchanges	389	468
Other fees and commissions	2,081	4,065
Trading income	9	5
Income from trading-related financial derivatives transactions	9	5
Other operating income	3,926	2,352
Gains on foreign exchange transactions	241	807
Gains on sales of bonds	3,342	1,470
Gains on derivatives other than for trading or hedging	342	74
Other income	104	127
Reversal of allowance for loan losses (deduction)	75	—
Other	28	127
<b>Ordinary expenses</b>	27,447	23,239
Interest expenses	11,167	6,117
Interest on deposits	539	2,272
Interest on negotiable certificates of deposit	208	161
Interest on call money	593	429
Interest on borrowings	367	234
Interest on interest swaps	9,452	3,015
Other interest expenses	6	4
Fees and commissions payments	1,329	1,288
Fees and commissions on domestic and foreign exchanges	225	274
Other fees and commissions	1,104	1,013
Other operating expenses	3	130
Loss on sales of bonds	3	130
General and administrative expenses	14,945	15,267
Other expenses	1	435
Provision of allowance for loan losses write-off of loan	—	427
Other	1	8
<b>Ordinary profit</b>	2,129	3,049



### ■ Statements of Income (Continued)

(Millions of yen)

Item	FY2014	FY2015
<b>Extraordinary Income</b>	48	33
Other	48	33
<b>Extraordinary Loss</b>	28	49
Loss on disposal of noncurrent assets	8	28
Provision of contingency loss	19	20
Other	—	0
<b>Income before income taxes</b>	2,150	3,033
<b>Income taxes-current</b>	417	1,307
<b>Income taxes-deferred (deduction)</b>	503	△ 168
<b>Total income taxes</b>	921	1,139
<b>Net income</b>	1,228	1,893

### ■ Statements of Changes in Net Assets

(Millions of yen)

Item	FY2014	FY2015
<b>Shareholders' equity:</b>		
<b>Capital stock:</b>		
Balance at the beginning of the period	30,000	30,000
Changes of items during the period		
Issuance of capital stock	—	5,000
Total changes of items during the period	—	5,000
Balance at the end of the current period	30,000	35,000
<b>Capital surplus:</b>		
Legal capital surplus:		
Balance at the beginning of the period	—	—
Changes of items during the period		
Issuance of capital stock	—	5,000
Total changes of items during the period	—	5,000
Balance at the end of the current period	—	5,000
Other capital surplus		
Balance at the beginning of the period	8,270	8,270
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of the current period	8,270	8,270
Total capital surplus		
Balance at the beginning of the year	8,270	8,270
Changes of items during the period		
Issuance of capital stock	—	5,000
Total changes of items during the period	—	5,000
Balance at the end of the current period	8,270	13,270
<b>Retained earnings:</b>		
Retained earnings:		
Balance at the beginning of the period	1,147	1,147
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of the current period	1,147	1,147

# Financial Statements

## ■ Statements of Changes in Net Assets (Continued)

(Millions of yen)

Item	FY2014	FY2015
Other retained earnings		
Legal retained earnings brought forward		
Balance at the beginning of the period	5,595	6,823
Changes of items during the period		
Net income	1,228	1,893
Total changes of items during the period	1,228	1,893
Balance at the end of the current period	6,823	8,717
Total retained earnings		
Balance at the beginning of the period	6,742	7,971
Changes of items during the period		
Net income	1,228	1,893
Total changes of items during the period	1,228	1,893
Balance at the end of the current period	7,971	9,864
<b>Treasury stock:</b>		
Balance at the beginning of the period	—	—
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of the current period	—	—
<b>Total shareholders' equity:</b>		
Balance at the beginning of the period	45,012	46,241
Changes of items during the period		
Issuance of capital stock	—	10,000
Net income	1,228	1,893
Total changes of items during the period	1,228	11,893
Balance at the end of the current period	46,241	58,135
<b>Valuation and translation adjustments:</b>		
<b>Valuation difference on available-for-sale securities:</b>		
Balance at the beginning of the period	6,993	6,077
Changes of items during the period		
Net changes of items other than shareholders' equity	(915)	754
Total changes of items during the period	(915)	754
Balance at the end of the current period	6,077	6,832
<b>Deferred gains or losses on hedges:</b>		
Balance at the beginning of the period	(4,221)	(3,483)
Changes of items during the period		
Net changes of items other than shareholders' equity	737	(916)
Total changes of items during the period	737	(916)
Balance at the end of the current period	(3,483)	(4,400)
<b>Total valuation and translation adjustments:</b>		
Balance at the beginning of the period	2,772	2,594
Total changes of items during the period		
Net changes of items other than shareholders' equity	(178)	(161)
Total changes of items during the period	(178)	(161)
Balance at the end of the current period	2,594	2,432
<b>Total net assets:</b>		
Balance at the beginning of the period	47,785	48,835
Total changes of items during the period		
Issuance of capital stock	—	10,000
Net income	1,228	1,893
Net changes of items other than shareholders' equity	(178)	(161)
Total changes of items during the period	1,050	11,731
Balance at the end of the current period	48,835	60,567

## Statements of Cash Flows (Non-Consolidated, Indirect Method)

(Millions of yen)

Item	FY2014	FY2015
<b>I Net cash provided by (used in) operating activities:</b>		
Income before income taxes	2,150	3,033
Depreciation and amortization	3,096	3,014
Increase (decrease) in allowance for loan losses	(75)	427
Increase (decrease) in provision for bonuses	(163)	(27)
Increase in provision for retirement benefits	98	68
Increase in provision for loss on business liquidation	(12)	—
Other extraordinary losses	19	21
Interest income	(14,958)	(10,482)
Interest expenses	11,167	6,117
Loss (gain) related to securities	(3,339)	(1,340)
Foreign exchange losses (gains)	(3,765)	2,548
Gains (loss) on disposal of tangible fixed assets	8	28
Net decrease (increase) in trading assets	(304)	634
Net increase (decrease) in trading liabilities	299	(639)
Net decrease (increase) in derivative assets	(3,079)	(3,099)
Net increase (decrease) in derivative liabilities	230	2,606
Decrease (increase) in deferred losses on hedge	2,920	(530)
Increase (decrease) in deferred profits on hedge	(4)	24
Net decrease (increase) in loans	(43,993)	(26,830)
Net increase (decrease) in deposit	48,361	1,328,993
Net increase (decrease) in negotiable certificates of deposit	25,326	(227,437)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(124,283)	(60,452)
Net decrease (increase) in due from banks (excluding deposit paid to Bank of Japan)	4,630	(1,998)
Net decrease (increase) in call loans	—	(8,380)
Net decrease (increase) in receivables under securities borrowing transactions	20,508	9,082
Net increase (decrease) in call money	10,392	81,959
Net decrease (increase) in foreign exchanges-assets	(323)	(569)
Net increase (decrease) in due to trust accounts	(6,516)	218,226
Net decrease (increase) in monetary claims bought	734	—
Actual interest income	15,686	12,275
Actual interest expenses	(11,469)	(6,632)
Net decrease (increase) in temporary payment	(1,785)	2,901
Other	883	(261)
Sub total	(67,558)	1,323,280
Income taxes paid	(1,105)	(458)
Net cash provided by (used in) operating activities	(68,664)	1,322,821
<b>II Net cash provided by (used in) investment activities:</b>		
Purchase of securities	(135,593)	(126,615)
Proceeds from sales of securities	102,775	98,492
Proceeds from redemption of securities	128,520	66,772
Purchase of tangible fixed assets	(409)	(168)
Purchase of intangible fixed assets	(2,444)	(1,606)
Other	0	—
Net cash provided by (used in) investing activities	92,848	36,874
<b>III Net cash provided by (used in) financing activities:</b>		
Payment of subordinated borrowings	—	(10,000)
Proceeds from issuance of stocks	—	10,000
Net cash provided by (used in) financing activities	—	—
<b>IV Effect of exchange rate change on cash and cash equivalents</b>		
	—	—
<b>V Net increase (decrease) in cash and cash equivalents</b>	24,184	1,359,696
<b>VI Cash and cash equivalent at the beginning of the period</b>	5,871	30,056
<b>VII Cash and cash equivalents at the end of the period</b>	30,056	1,389,752

### [Scope of Cash and Cash Equivalents]

Cash and cash equivalents consist of cash and due from the Bank of Japan included in "Cash and dues from banks" on the balance sheets.

# Financial Statements

## ■ Notes to Financial Statements

The amounts less than one million yen are rounded down.

### Significant Accounting Policies

#### 1. Trading Assets & Liabilities and Trading Income & Expenses

Trading transactions intended to capitalize on short-term fluctuations and arbitrage opportunities in interest rates, currency exchange rates, market prices of financial instruments markets and related indices (hereinafter called "Trading Purposes") are recognized on a trade-date basis and recorded in "Trading assets" or "Trading liabilities" on the balance sheets. Income or expenses generated by the relevant trading transactions are recorded in "Trading income" or "Trading expenses" on the statements of income.

Trading assets and trading liabilities are stated at fair value on the balance sheet date, and derivatives, such as swaps, futures and options, are stated at their fair values, assuming that such transactions were terminated and settled on the balance sheet date.

Trading income and trading expenses include interests received and paid during the fiscal year, gains or losses resulting from any change in the value of securities and other monetary claims between the end of the preceding fiscal year and the end of the current fiscal year and gains or losses resulting from any change in the value of derivatives between the end of the preceding fiscal year and the end of the current fiscal year, assuming they were settled at the end of the fiscal year.

#### 2. Evaluation for Securities

Held-to-maturity debt securities are stated at amortized cost determined by the moving average method (the straight-line method), and other available-for-sale securities are stated at the market value at the fiscal year end (with selling costs being calculated mainly by the moving average method) in principle. However, securities whose fair values cannot be reliably determined are stated at cost determined by the moving average method.

Unrealized gains and losses on other securities available for sale are included in net assets.

#### 3. Basis and Methods of Derivatives

Derivatives are stated at fair value (excluding those for Trading Purposes).

#### 4. Depreciation Method for Fixed Assets

##### (1) Tangible Fixed Assets

Tangible fixed assets are computed using the declining balance method (while the straight-line method is applied to buildings (except for facilities attached to the buildings) acquired after April 1, 1998).

Principal useful lives are as follows:

Buildings: 6 years to 45 years

Others: 3 years to 20 years

##### (2) Intangible Fixed Assets

Depreciation for intangible fixed assets is computed using the straight-line method. Especially, depreciation for capitalized software for internal-use is computed using the straight-line method based on useful life determined by us (5 years).

#### 5. Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Japanese yen primarily at the exchange rate on the balance sheet date.

#### 6. Allowances

##### (1) Allowance for Loan Losses

Allowance for loan losses is provided as below, in accordance with the internally established standards for write-offs and provisions.

Claims to debtors in special mention and ordinary category, which are prescribed in the "Guideline for Practice Related to the Verification of Internal Control with respect to the Self-Assessment of the Assets of Banks and Other Financial Institutions as well as the Audit of the Bad Debt Written Off and Allowance for Doubtful Accounts" (Report No. 4 of the Ad Hoc Committee for the Audit of Banks etc. of JICPA), are classified into specific categories, and the allowance is provided on the basis of the accumulated default ratio released immediately before the assessment day by the

external rating agency defined in the Company's guidelines. For claims to debtors who are possibly bankrupt, an allowance is provided in the amount deemed necessary, net of the expected amount of disposable collateral and the estimated amount of recoveries from guarantees. For claims to debtors who are legally bankrupt or virtually bankrupt, an allowance is provided for the full amount of such claims, net of the expected amount of disposable collateral and the estimated amount of recoveries from guarantees. There were no loans to restructuring countries.

All claims are assessed by asset assessment divisions, in cooperation with the operating divisions, in accordance with the guidelines for the self-assessment of asset quality.

(2) Provision for Bonuses

Provision for bonuses, which is provided for future bonus payments to employees, is maintained at the amount accrued at the end of the fiscal year, based on the estimated future payments.

(3) Provision for Retirement Benefits

Provision for retirement benefits, which are provided to ensure future benefit payments to employees, is recorded as the required amount based on the projected obligation at the end of the fiscal year.

(4) Provision of contingency loss

Provision of contingency loss is a provision that is calculated its future loss resulting from contingent events set aside in other provisions, which may occur and booked the amount deemed necessary.

## 7. Hedge Accounting

(1) Hedges of Interest Rate Risk

As for the hedge accounting method applied to hedging transactions for interest rate risk arising from financial assets and liabilities, we apply the deferral hedge accounting stipulated in the "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24).

As for the method of assessing the effectiveness of hedging activities, we specify hedges which make important conditions regarding the hedged instruments and the hedging instruments similar to the conditions of the exceptional accrual method for interest rate swaps, which is regarded as highly effective and used as a substitute for the assessment of effectiveness.

In addition, the exceptional accrual method for interest rate swaps is applied in order to hedge interest rate risks arising from certain financial assets.

(2) Hedges of Foreign Currency Fluctuation Risk

As for the hedge accounting method applied to hedging transactions for foreign currency fluctuation risk arising from foreign-currency-denominated financial assets and liabilities, we apply the deferral hedge accounting stipulated in the "Treatment for Accounting and Auditing of Concerning Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25).

As for the method of assessing the effectiveness of hedging activities, we designate currency swap transactions and foreign exchange swap transactions as hedges against fluctuation in foreign currency exchange rates arising from monetary claims and liabilities denominated in foreign currencies, and assesses the effectiveness of such hedges by verifying that we hold the foreign currency positions of the hedging instruments corresponding to hedged monetary claims and liabilities denominated in foreign currency.

## 8. Consumption Taxes

Consumption tax and municipal consumption tax (hereinafter called "Consumption Taxes and Other") are accounted for using the tax-excluded method. However, non-deductible Consumption Taxes and Other related to tangible fixed assets are recorded in expenses for the current fiscal year.

# Financial Statements

## Notes to the Financial Statements

### (Notes to the Balance Sheet)

1. We have the right to sell or repledge some securities borrowed with cash collateral. Among them, the total of securities neither repledged nor re-loaned was not applicable at the end of the current fiscal year.
2. Loans to debtors who are legally bankrupt were nil and non-accrual delinquent loans were 1 million yen.  
Claims to debtors who are legally bankrupt represent loans whose accrued interests are not recorded as the principal and/or whose interest remains past due for some significant period of time and are not likely to be collectible or repayable (hereinafter called "Unrecorded Accrued Loans," excluding the write-off portion) and regarding which, events have occurred as defined in any of the provisions of (a) through (e) of Article 96, Paragraph 1, Item 3, or Item 4 of the same Paragraph of the Corporate Tax Law Enforcement Ordinance (Government Ordinance No. 97, 1965).  
Non-accrual delinquent loans are Unrecorded Accrued Loans, which exclude claims to debtors who are legally bankrupt and loans in which the deferral of interest payments is granted in order to assist or facilitate the restructuring of debtors in financial difficulties.
3. There were no loans past due for three months or more.  
Loans past due for three months or more are loans on which the principal and/or interest is three months or more past due but exclude claims to debtors who are legally bankrupt or non-accrual delinquent loans.
4. There were no restructured loans.  
Restructured loans represent loans on which contracts were amended in favor of debtors (e.g., the reduction of or exemption from stated interest, the deferral of interest payments, the extension of maturity dates, or renunciation of claims) in order to assist or facilitate the restructuring of debtors in financial difficulties, excluding loans to debtors who are legally bankrupt, non-accrual delinquent loans or loans past due for three months or more.
5. The total amount of claims to debtors who are legally bankrupt, non-accrual delinquent loans, loans past due for three months or more and restructured loans was 1 million yen.  
Claims listed from 2 to 5 above are gross amounts before deduction of amounts for allowance for loan losses.
6. With regard to participation loans, the principal amount of participation loans treated and presented in the balance sheet as loans to original debtors in accordance with the "Loan Participation Accounting Treatment and Representation" Report No. 3 issued on June 1, 1995 by the Accounting System Council of JICPA was 20,900 million yen.
7. The following assets were pledged as collateral.  
Assets pledged as collateral  
Securities: 189,293 million yen  
Due from banks: 2,000 million yen  
Liabilities collateralized by the above assets  
Borrowings from others: 15,295 million yen  
Acceptance and guarantees: 2,000 million yen  
In addition to the above-mentioned assets, securities of 30,129 million yen were pledged as collateral for settlements of foreign exchange and securities transactions and as guarantee deposits for trust services.  
Other assets included guarantee deposits of 129 million yen.
8. Contracts of overdraft and loan commitment limits are the contracts that we loan to customers up to the prescribed limits in response to customers' application for loans as long as there is no violation of any condition in the contracts. The unused amount within the limits related to these contracts total 13,689 million yen. The unused amount related to contracts whose original terms expire within one year is 8,286 million yen and the amount for contracts whose original terms expire more than one year to less than five years is 5,403 million yen, respectively. Since many of these commitments expire without being drawn down, the unused amount does not necessarily affect our future cash flows. Most of these contracts have conditions that allow us to refuse the customers' application for a loan or decrease the contract limits with proper reasons such as changes in financial conditions, preservation of credit and other reasons. At the inception of contracts, we obtain real estate, securities as collaterals if considered necessary. Subsequently, we conduct periodic reviews of the customers' business results based on internal rules and reconsider conditions in contracts and/or take necessary measures to preserve credit when it is necessary.

9. Accumulated depreciation on tangible fixed assets 2,889 million yen
10. There were no liabilities for guarantees on corporate bonds included in "Securities," which are issued by private placement (Article 2, Paragraph 3 of the Financial Instruments and Exchange Law).
11. There were no monetary claims for the directors and the executive officers arising from transactions with the directors and the executive officers.
12. There were no monetary liabilities for the directors and the executive officers arising from transactions with the directors and the executive officers.
13. Total amount of monetary claims for the affiliated companies 47 million yen
14. Total amount of monetary liabilities for the affiliated companies 1,738 million yen
15. We are subject to restrictions on the payment of dividends of surplus, pursuant to the provision of Article 18 of the Banking Act of Japan.  
Notwithstanding the provision of Article 445, Paragraph 4 (Amounts of Capital and Amounts of Reserves) of the Companies Act of Japan, in the case where we pay dividends of surplus, it shall record the amount equivalent to one-fifth of the amount of the deduction from surplus as a result of the payments of such dividends of surplus as legal capital surplus or legal retained earnings.  
There are no legal capital surplus or legal retained earnings arising from payment of dividend of surplus for the current fiscal year.

#### (Notes to Statements of Income)

1. Income from transactions with subsidiaries and associated companies
- |                         |                |
|-------------------------|----------------|
| Interest income:        | —million yen   |
| Fees and commissions:   | 12 million yen |
| Other operating income: | —million yen   |
| Other income:           | —million yen   |
- Expenses from transactions with subsidiaries and associated companies
- |                                 |                 |
|---------------------------------|-----------------|
| Interest expenses:              | 133 million yen |
| Fees and commissions payments : | —million yen    |
| Other operating expenses:       | 766 million yen |
| Other expenses:                 | —million yen    |
2. Related party transactions
- (1) Notes to a parent company or major affiliated companies  
Description omitted for lack of importance
- (2) Subsidiaries and affiliated companies, etc.  
Not applicable
- (3) Transactions between our sister companies  
Description omitted for lack of importance
- (4) Directors or major individual shareholders, etc.  
Not applicable
3. "Other income" includes 427 million yen of reversal of allowance for loan losses.

# Financial Statements

## (Notes to Statements of Changes in net assets)

### 1. Class of stock and number of shares issued and outstanding, and class of treasury stock and number of shares

(Thousands of shares)

	Number of Shares Outstanding at the Beginning of the Period	Increase	Decrease	Number of Shares Outstanding at the End of Current Period	Remarks
Issued shares	600	200	—	800	
Common stock	600	200	—	800	(*)

(\*) 200,000 new shares were issued at 50,000 yen per share.

There were no treasury stocks.

### 2. There were no stock acquisition rights or treasury stock acquisition rights.

### 3. Matters relating to cash dividends

No cash dividend was paid during the current fiscal year.

## (Notes to Financial Instruments)

### 1. The Condition of Financial Instruments

#### (1) Policy on Financial Instruments

We engage in the following three business areas as a trust bank of Nomura Group: "Banking business" which deals with deposits, loans, and foreign exchange; "Trust business" which involves managing the assets entrusted by our customers; and "Securities and asset management business" which includes securities transactions. Our agency business, which designates Nomura Securities as our bank agent and trust contract agent, provides deposits for individual customers through "Nomura Home Banking," an internet banking service, and yen-denominated derivative deposits for corporate customers. Our sources of finance include call money and negotiable certificates of deposits in addition to deposits channeled through the agents.

By taking advantage of the competitive edge of Nomura's domestic sales infrastructure, we use the funds procured to provide loans to wealthy people, loan products with securities pledged as collateral such as "Nomura Web Plus Loan" through our agency services, and loan products repackaged with securities, credit linked loan and to invest in securities focusing on JGB, local government bonds, agency bonds, corporate bonds and credit linked bonds.

Market risk and liquidity risk arising from these financial assets and liabilities are comprehensively managed by, in addition to the front office, the independent middle office and the ALM Committee. We also engage in trading activities, but only for a limited trade volume.

#### (2) Nature and Extent of Risks Arising from Financial Instruments

We primarily invest in securities and loans, which are exposed to customer credit risk and issuer default risk, respectively. Loans secured by securities which account for some 30% of loan balance offer good security and have a limited credit risk. On the other hand, loans other than loans secured by securities are extended mainly to customers with high ratings on a short-term basis, but due to changes in the economic environment, it may be impossible for debtors to implement performance of obligations in accordance with the terms and conditions.

Securities mainly consist of government bonds, local government bonds, agency bonds, corporate bonds and credit link bonds, most of which are classified as "Available-for-sale securities." In addition, interest rate swaps are used to hedge interest rate risks for certain securities and hedge accounting is applied to these transactions.

Funding from the financial market such as call money is subject to possible difficulties preventing smooth funding due to shrinking market affected by financial environment, however, we hold securities deemed eligible collateral to keep liquidity risk at a certain level.

#### (3) Risk Management Framework for Financial Instruments

##### (a) Credit risk management

At The Nomura Trust and Banking, the Credit Department conducts credit risk assessment of loans and securities for each individual transaction and individual issuer in order to prevent a credit event as a result of deterioration of an obligor's financial position. In addition, we conduct daily exposure management for each individual obligor and individual obligor group and utilize statistical methods to periodically measure credit risk.

In loan products, we take initiative in promoting pricing management based on credit ratings and enhancing the sophistication of credit portfolio management including the introduction of guidelines for each industry to control credit concentration risk. In addition, we monitor the trading conditions of marketable securities of collateralized



loans regularly in order to maintain collecting risks under a certain level.

(b) Market risk management

1) Market risk management framework

At The Nomura Trust and Banking, the Board of Executive Officers identifies the basic market risk management policy, accordingly, position limits, VaR limits and loss-cut rules are properly set to manage market risk. Foreign exchange transactions are, based on the policy of taking the least market risk, managed with the minimum necessary position limits and VaR limits. For loans, deposits, funds and securities transactions, we set position limits for each product and use interest rate swaps for hedge transactions to control risks arising from interest rate fluctuations within acceptable limits. These management plans in the banking account are discussed by the ALM Committee semiannually and approved by the Board of Executive Officers. The Corporate Risk Management Department reports daily position and profit-and-loss status to the executive officers and related departments each business day.

2) Quantitative information related to market risk

We use VaR with historical simulation model (confidence interval of 99% and holding period of 10 days for trading and 20 days for banking) to measure the market risk equivalent on call loan, securities, loans, deposits, negotiable certificates of deposit, call money, borrowed money, due to trust accounts and derivatives. As of March 31, 2016 our market risk equivalent of trading activities (estimated losses) was 13 million yen, whereas that of banking activities was 1,507 million yen.

We conduct back-testing on trading activities, comparing VaR calculated by the model with actual profit and loss. The back-testing conducted in FY 2015 showed that VaR was exceeded by actual profit and loss two times, which indicates that the model we use captures the market risk with satisfactory accuracy. However, since VaR measures the amount of market risk by certain occurrence probabilities which are statistically calculated based on historical market fluctuation data, there are cases in which VaR cannot capture risk under drastically changing conditions.

(c) Liquidity risk management

Our fundamental policy of liquidity risk management is to comprehensively grasp the nature of assets and liabilities, management plans, and fluctuations in the market, to ensure the required smooth cash flow, and prevent unexpected losses. The fund position and the market trend for each type of financial product are confirmed monthly at the ALM Committee which determines future policies.

Reports on the daily cash flow situation are submitted to the executive officers and related departments each trading day. We have established classifications for cash flow conditions, ranging from "normal," "caution" to "risky" and "critical," and have constructed a framework under which appropriate procedures for dealing with each case are taken in a timely manner.

(4) Supplementary Explanation of Fair Value of Financial Instruments

Fair values of financial instruments include the values based on market prices, and the values deemed as market prices obtained by reasonable estimates when the financial instruments do not have market prices. Since certain assumptions and others are adopted to calculate such values, they may differ when adopting different assumptions and others.

## 2. Matters Relating to Fair Value of Financial Instruments

The following are the balance sheet amounts, fair values and differences between them as of March 31, 2016. Unlisted stocks and others, the fair values of which are extremely difficult to determine, are excluded from the table below. (Refer to Note 2)

(Millions of yen)

	Book Value	Fair Value	Difference
(1) Cash and due from banks	1,391,755	1,391,755	—
(2) Call loans	8,380	8,380	—
(3) Securities			
Held-to-maturity debt securities	37,954	43,405	5,450
Available-for-sale securities	608,168	608,168	—
(4) Loans and bills discounted	469,963		
Allowance for loan losses (*1)	(1,501)		
	468,462	468,651	189
(5) Foreign exchanges	4,085	4,085	—
Total assets	2,518,806	2,524,447	5,640

# Financial Statements

	Book Value	Fair Value	Difference
(1) Deposits	1,846,875	1,846,875	—
(2) Negotiable certificates of deposit	56,701	56,701	—
(3) Call money	242,305	242,305	—
(4) Borrowed money	82,895	82,895	—
(5) Due to trust accounts	228,356	228,356	—
Total liabilities	2,457,134	2,457,134	—
Derivatives (*2)			
Derivative transactions not qualifying for hedge accounting	4,102	4,102	—
Derivative transactions qualifying for hedge accounting	(8,748)	(13,436)	(4,687)
Total derivatives	(4,646)	(9,334)	(4,687)

(\*1) General and specific allowances for possible losses on loans are excluded.

(\*2) Derivatives recorded in Trading Assets and Trading Liabilities and Other Assets and Other Liabilities are presented as a lump sum. Net claims and debts that arose from derivatives are presented on a net basis and items which are net debts in total are presented in brackets.

(Note 1) Method of calculating fair value of financial instruments

## Assets

### (1) Cash Deposits

For deposits with no maturity period, current prices are extremely close to book value, so we are treating the book values concerned as the current prices. For deposits with a maturity period, for each division based on deposit period, we are calculating current values with discounts from applicable interest rates based on an assumption of new deposits.

### (2) Call Loans

Call loans have a short-term period (up to 12 months), and current prices are extremely close to book value, so we are treating the book values concerned as the current prices.

### (3) Securities

Fair values of bonds are based on the quote prices provided by the Japan Securities Dealers Association or correspondent financial institutions, and those of investment trusts are based on the publicly announced unit price.

The notes to Securities based on holding purpose are stated in "(Notes to Securities)."

### (4) Loans and bills discounted

Of the loans, for those with variable rates, as long as the credit quality of the customer has not changed considerably since the loan was extended, because interest rates are reflected over a short period and fair values are expected to approximate book values, we deem book values to be fair values. Fair values of loans with fixed rates are, based on categories according to the types, internal ratings and terms of the loans, calculated by discounting the total amount of the principal and interest by the interest rates considered to be applicable to similar new loans. As for loans whose contractual terms are short (i.e., within one year), we deem the book values to be fair values as fair values of these items approximate book values.

In addition, regarding claims to debtors who are legally bankrupt, virtually bankrupt and possibly bankrupt, since the estimated amount of bad debts is calculated based on the present value of the expected future cash flows or the estimated amounts that we would be able to collect through the disposal of collateral or execution of guarantees, fair values approximate the value of the claims to debtors on the balance sheet as of the balance sheet date minus the amount of allowance for loan losses, and we thus deem such amount to be fair values.

For loans, due to loan characteristics such as limiting loans to within the value of pledged assets, we deem book values to be fair values since fair values are expected to approximate book values based on the estimated loan periods, interest rates and other conditions.

### (5) Foreign Exchanges

Our foreign exchanges consist of foreign currency deposits with other banks (foreign bank deposits), foreign exchange-related short-term loans (foreign bank loans), and promissory note advances for import bills (foreign bills receivable). These are deposits with no maturity period, and the current prices for each are extremely close to book value, so we are treating the book values concerned as the current prices.

## Liabilities

### (1) Deposits and (2) Negotiable certificates of deposit

For demand deposits, we deem the payment amounts required on the balance sheet date (i.e., book values) to be

fair values. In addition, fair values of long-term time deposits are calculated by classifying them based on their terms and by discounting the future cash flows. The discount rates for such calculations are the interest rates used in swap transactions on the balance sheet date. Since fair values of those whose deposit terms are short (i.e., within one year) approximate book values, we mainly deem the book values to be fair values.

(3) Call money

Since contractual terms of call money is short (i.e., up to twelve months) and fair values approximate book values, we deem the book values to be fair values.

(4) Borrowed money

Of borrowed money, for those with variable rates, as interest rates are reflected over a short period and our credit quality has not been considerably changed since the implementation, fair values are thought to approximate book values, so we deem book values to be fair values. Fair values of those with fixed rates are calculated by discounting the total amount of principal and interest of the borrowed money which is classified based on its terms (for those to which the exceptional accrual method for interest rate swaps are applied, the total amount of principal and interest of the borrowed money based on the rates as used in such interest rate swaps) by the interest rates used in swap transactions on the balance sheet date. Since fair values of those whose contractual terms are short (i.e., within one year) approximate book values, we mainly deem the book values to be fair values.

(5) Due to trust accounts

Since due to trust accounts is used to receive unused money without term limits and equivalent to demand deposits, we deem the payment amount requested to pay out on the balance sheet date (i.e., book values) to be fair values.

### Derivatives

Derivatives include interest rate-related transactions (interest rate swaps and others), currency-related transactions (forward exchanges, currency options, currency swaps and others), and are based on the discounted value of future cash flows and option pricing models.

(Note 2) Financial instruments whose fair values are deemed to be extremely difficult to determine are indicated below, and are not included in "Assets (2) Available-for-sale securities" in fair value information of financial instruments.

(Millions of yen)

Item	Book Value
Unlisted stocks (*)	15

(\*) We do not treat unlisted stocks as being subject to disclosure of fair values as there are no market prices and they are deemed extremely difficult to determine fair values.

(Note 3) The amount of monetary claims and securities with contractual maturities to be redeemed after the balance sheet date

(Millions of yen)

	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Call loans	8,380	—	—	—	—	—
Securities						
Held-to-maturity debt securities	—	13,398	—	—	5,000	20,000
Available-for-sale securities	224,602	130,539	177,277	8,802	1,342	37,545
Loans and bills discounted (*)	203,262	128,948	78,242	10,537	15,272	33,699
Total	436,245	272,886	255,520	19,339	21,614	91,245

(\*) The amount of 1 million yen which is not expected to be recovered, such as claims to debtors who are legally bankrupt, virtually bankrupt and possibly bankrupt, is not included in the loans.

# Financial Statements

(Note 4) The amount of borrowed money and other interest bearing debts to be repaid after the balance sheet date

(Millions of yen)

	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits (*)	1,673,631	15,943	—	10,600	24,200	122,500
Negotiable certificates of deposit	56,701	—	—	—	—	—
Call money	242,305	—	—	—	—	—
Borrowed money	19,795	5,000	2,000	1,000	—	55,100
Due to trust accounts	228,356	—	—	—	—	—
Total	2,220,790	20,943	2,000	11,600	24,200	177,600

(\*) Of the deposits, demand deposits are included in "Due in 1 year or less." There are no bonds payable.

## (Note to Securities)

"Government bonds," "Local government bonds," "Corporate bonds" and "Other securities," in the balance sheet are included. There are no trading securities, subsidiary shares and subsidiary company's shares as well as affiliated company's shares, held-to-maturity debt securities sold during the fiscal year ended March 31, 2016, securities for which the holding purpose has been changed.

Other securities with fair value, which the fair value is significantly below the acquisition cost and a recovery to its fair value can not be foreseen, we disposition the fair value as the book value and process the valuation difference as loss of the fiscal year.

### 1. Held-to-Maturity Debt Securities (as of March 31, 2016)

(Millions of yen)

	Type	Book Value	Fair Value	Difference
Securities for which the fair value exceeds the book value	Government bonds	25,508	30,932	5,423
	Foreign bonds	7,146	7,857	711
	Subtotal	32,654	38,789	6,134
Securities for which the fair value does not exceed the book value	Foreign bonds	5,300	4,616	(683)
Total		37,954	43,405	5,450

### 2. Available-for-Sale Securities (as of March 31, 2016)

(Millions of yen)

	Type	Book Value	Acquisition Cost	Difference
Securities for which the book value exceeds the acquisition cost	Bonds	462,232	452,910	9,322
	Government bonds	265,722	257,644	8,077
	Local government bonds	58,048	57,855	192
	Corporate bonds	138,461	137,410	1,051
	Other securities	88,935	88,075	859
	Foreign bonds	74,323	73,816	507
	Others	14,611	14,258	352
	Subtotal	551,168	540,986	10,182
Securities for which the book value does not exceed the acquisition cost	Bonds	5,302	5,306	(4)
	Government bonds	2,012	2,012	(0)
	Corporate bonds	3,289	3,294	(4)
	Other securities	51,697	51,972	(275)
	Foreign bonds	51,484	51,753	(269)
	Others	213	218	(5)
Subtotal	56,999	57,279	(279)	
Total		608,168	598,265	9,902

## 3. Available-for-Sale Securities Sold during the Fiscal Year (from April 1, 2015 to March 31, 2016)

(Millions of yen)

Type	Amount Sold	Gain	Loss
Bonds	94,798	1,373	(67)
Government bonds	21,228	985	—
Local government bonds	2,438	3	—
Corporate bonds	10,054	38	—
Foreign bonds	61,076	346	(67)
Other securities	3,694	97	(62)
Total	98,492	1,470	(129)

**(Notes to Money Held in Trust)**

There is no money held in trust.

**(Deferred Tax Accounting)**

1. The deferred tax assets and liabilities are broken down by reason as follows:

## Deferred tax assets:

Allowance for loan losses	542 million yen
Provision for retirement benefits	254 million yen
Provision for bonuses	326 million yen
impairment loss	33 million yen
Accrued business tax	103 million yen
Credit reserve	67 million yen
Deferred consumption tax	66 million yen
Provision of contingency loss	129 million yen
Deferred gain or loss on hedges	1,976 million yen
Excess of depreciation	131 million yen
Others	237 million yen
Subtotal	3,869 million yen
Valuation allowance	(14) million yen
Deferred tax assets	3,854 million yen

## Deferred tax liabilities:

Valuation difference on available - for - sale securities	3,069 million yen
Others	94 million yen
Deferred tax liabilities	3,164 million yen

Net deferred tax assets 690 million yen

2. The "Tax Reform to Partially Amend the Income Tax Law" (No.15 of 2016 Legislation) and the "Tax Reform to Partially Amend the Local Tax Law" (No.13 of 2016 Legislation) were enacted on March 29, 2016, reducing corporation tax rates for fiscal years beginning on after April1, 2016.

With these new amendments, the normal effective statutory tax rate to calculate deferred tax assets and deferred tax liabilities will be reduced from 32% to 31% for the temporary difference, which is expected to be eliminated in the fiscal year commencing April 1, 2016.

The change of the tax rate has increased the valuation difference on other marketable securities by 99 million yen, reduced deferred hedged profit/loss by 63 million yen, increased the income tax adjustment by 57 million yen, reduced deferred tax assets by 22 million yen.

**(Per Share Information)**

Net assets per share	75,709.62 yen
Net income per share	3,145.02 yen

# Status of Main Business

## Breakdown of Profits and Losses by Division

(Millions of yen)

Type	FY2014	FY2015	
Trust fees	Domestic operations	7,679	8,316
	International operations	428	469
	Total	8,107	8,785
Net interest income	Domestic operations	2,015	2,585
	International operations	1,774	1,780
	Total	3,790	4,365
Net fees and commissions	Domestic operations	1,086	3,182
	International operations	54	63
	Total	1,140	3,245
Net trading income (loss)	Domestic operations	0	—
	International operations	8	5
	Total	9	5
Net other operating income (loss)	Domestic operations	3,349	1,095
	International operations	574	1,125
	Total	3,923	2,221
Gross operating profits	Domestic operations	14,131	15,179
	International operations	2,840	3,445
	Total	16,971	18,625
Provision of general allowance for loan losses (deduction)	—	429	
General and administrative expenses (excluding non-recurring expenses)	14,753	15,087	
Net business profit	2,217	3,107	
Non-recurring profit (loss)	(88)	(58)	
Ordinary profits	2,129	3,049	

(Note) Domestic operations are yen denominated transactions and international operations are foreign currency denominated transactions. Yen denominated transactions with non-residents and offshore accounts are included in international operations.

## Breakdown of Net Interest Income

(Millions of yen)

Type	FY2014	FY2015	
Break down of investment			
Domestic operations	Average balance	971,260	1,098,789
	Interest rates	11,396	7,629
	Yield	1.17%	0.69%
International operations	Average balance	238,065 (34,872)	231,421 (27,933)
	Interest rates	3,587 (24)	2,913 (59)
	Yield	1.51%	1.26%
Total	Average balance	1,174,454	1,302,277
	Interest rates	14,958	10,482
	Yield	1.27%	0.80%
Break down of funding			
Domestic operations	Average balance	1,069,046 (34,872)	1,200,479 (27,933)
	Interest rates	9,380 (24)	5,043 (59)
	Yield	0.88%	0.42%
International operations	Average balance	95,904	87,267
	Interest rates	1,812	1,133
	Yield	1.89%	1.30%
Total	Average balance	1,130,079	1,259,813
	Interest rates	11,167	6,117
	Yield	0.99%	0.49%
Profit margin			
Domestic operations	0.29%	0.27%	
International operations	(0.37%)	(0.04%)	
Total	0.28%	0.31%	

(Note) 1. The figures in brackets ([ ]) are the average balance and interest (net) of fund transfers between domestic operations and international operations.  
 2. The average balance of foreign currency denominated transactions in international operations is calculated by the daily current method (whereby the TTM rate of the day is applied to the non-exchange transactions of the day).  
 3. The average balance and interest of fund transfers between domestic operations and international operations are offset against each other in the total number.

## ■ Changes in Interest Income and Interest Expenses

(Millions of yen)

Type		FY2014	FY2015
<b>Interest income</b>			
Domestic operations (decrease)	Change due to balance	(927)	<b>885</b>
	Change due to interest rates	(164)	<b>(4,652)</b>
	Net change	(1,091)	<b>(3,766)</b>
International operations (decrease)	Change due to balance	(127)	<b>(100)</b>
	Change due to interest rates	95	<b>(573)</b>
	Net change	(31)	<b>(673)</b>
Subtotal		(1,123)	<b>(4,440)</b>
<b>Interest expenses</b>			
Domestic operations (decrease)	Change due to balance	(786)	<b>552</b>
	Change due to interest rates	1,038	<b>(4,888)</b>
	Net change	251	<b>(4,336)</b>
International operations (decrease)	Change due to balance	329	<b>(163)</b>
	Change due to interest rates	(203)	<b>(516)</b>
	Net change	125	<b>(679)</b>
Subtotal		377	<b>(5,015)</b>
Total		(1,500)	<b>575</b>

(Note) Regarding the reasons for change in the balance and the interest rates, when there is a crossover between the two, it is included in the reasons for change in the balance.

## ■ Breakdown of Fees and Commissions

(Millions of yen)

Type		FY2014	FY2015
Fees and commissions	Domestic operations	2,355	<b>4,410</b>
	International operations	114	<b>123</b>
	Total	2,470	<b>4,533</b>
Deposits and loans related business	Domestic operations	92	<b>1,666</b>
	International operations	17	<b>20</b>
	Total	110	<b>1,687</b>
Exchange business	Domestic operations	293	<b>375</b>
	International operations	95	<b>93</b>
	Total	389	<b>468</b>
Securities related business	Domestic operations	458	<b>554</b>
	International operations	—	<b>8</b>
	Total	458	<b>563</b>
Agency business	Domestic operations	1,233	<b>1,452</b>
	International operations	1	<b>1</b>
	Total	1,234	<b>1,453</b>
Assurance engagement	Domestic operations	—	<b>0</b>
	International operations	—	<b>—</b>
	Total	—	<b>0</b>
Investment advisory business	Domestic operations	271	<b>309</b>
	International operations	—	<b>—</b>
	Total	271	<b>309</b>
Fees and commissions payments	Domestic operations	1,268	<b>1,228</b>
	International operations	60	<b>59</b>
	Total	1,329	<b>1,288</b>
Exchange business	Domestic operations	195	<b>237</b>
	International operations	29	<b>37</b>
	Total	225	<b>274</b>

# Status of Main Business

## ■ Breakdown of Trading Income and Expenses

(Millions of yen)

Type		FY2014	FY2015
Gains on trading securities	Domestic operations	—	—
	International operations	—	—
	Total	—	—
Gains on trading financial derivatives	Domestic operations	0	—
	International operations	8	5
	Total	9	5
Other trading gains (losses)	Domestic operations	—	—
	International operations	—	—
	Total	—	—
Total (losses)	Domestic operations	0	—
	International operations	8	5
	Total	9	5

## ■ Breakdown of Other Operating Income and Expenses

(Millions of yen)

Type		FY2014	FY2015
Gains on foreign exchange transactions	Domestic operations	—	—
	International operations	241	807
	Total	241	807
Gains (losses) on bonds such as JGB	Domestic operations	3,286	1,095
	International operations	52	244
	Total	3,339	1,340
Gains (losses) on financial derivatives	Domestic operations	62	0
	International operations	279	74
	Total	342	74
Other	Domestic operations	—	—
	International operations	—	—
	Total	—	—
Total	Domestic operations	3,349	1,095
	International operations	574	1,125
	Total	3,923	2,221

## ■ Breakdown of General and Administrative Expenses

(Millions of yen)

Type	FY2014	FY2015
Salaries and allowances	4,390	4,455
Welfare expenses	734	779
Depreciation and amortization	3,096	3,014
Rent expenses on buildings and machinery	548	572
Supplies expenses	62	54
Communication expenses	384	448
Taxes and dues	527	646
Other	5,008	5,116
Subtotal	14,753	15,087
Non-recurring expenses	191	179
Total	14,945	15,267



# Domestic and Foreign Exchange Transactions

## Foreign Exchange Transactions

(Millions of U.S. dollars)

		FY2014	FY2015
Outgoing remittance	Foreign bills sold	34,461	27,722
	Foreign bills bought	—	—
Incoming remittance	Foreign bills payable	43,021	27,727
	Foreign bills receivable	5	1
Total		77,489	55,451

## Foreign Currency Denominated Assets

(Millions of U.S. dollars)

	March 31, 2015	March 31, 2016
Balance of foreign-currency denominated assets	850	816

## Domestic Exchange Transactions

(Billions of yen, thousands of units)

			FY2014	FY2015
Remittance	Paid to	Amount	174,597	162,857
		Unit	1,339	1,638
	Received from	Amount	213,367	388,681
		Unit	202	221
Collection	Paid to	Amount	—	—
		Unit	—	—
	Received from	Amount	—	—
		Unit	—	—

# Deposits

## Balance by Type of Deposits

(Millions of yen, proportion in brackets)

Type		March 31,2015	March 31,2016
<b>Deposits</b>			
	Domestic operations	144,102 (17.9%)	<b>1,400,682</b> <b>(73.5%)</b>
Liquid deposits	International operations	— (—)	— (—)
	Total	144,102 (17.9%)	<b>1,400,682</b> <b>(73.5%)</b>
	Domestic operations	123,536 (15.4%)	<b>215,488</b> <b>(11.3%)</b>
Interest-bearing deposits	International operations	— (—)	— (—)
	Total	123,536 (15.4%)	<b>215,488</b> <b>(11.3%)</b>
	Domestic operations	320,800 (39.9%)	<b>376,857</b> <b>(19.7%)</b>
Time deposits	International operations	— (—)	— (—)
	Total	320,800 (39.9%)	<b>376,857</b> <b>(19.7%)</b>
	Domestic operations	210,100 (26.1%)	<b>252,057</b> <b>(13.2%)</b>
Fixed-rate time deposits	International operations	— (—)	— (—)
	Total	210,100 (26.1%)	<b>252,057</b> <b>(13.2%)</b>
	Domestic operations	110,700 (13.8%)	<b>124,800</b> <b>(6.5%)</b>
Variable-rate time deposits	International operations	— (—)	— (—)
	Total	110,700 (13.8%)	<b>124,800</b> <b>(6.5%)</b>
	Domestic operations	225 (0.0%)	<b>216</b> <b>(0.0%)</b>
Other	International operations	52,753 (6.5%)	<b>69,118</b> <b>(3.6%)</b>
	Total	52,978 (6.6%)	<b>69,334</b> <b>(3.6%)</b>
	Domestic operations	465,128 (57.9%)	<b>1,777,757</b> <b>(93.3%)</b>
Total	International operations	52,753 (6.5%)	<b>69,118</b> <b>(3.6%)</b>
	Total	517,881 (64.5%)	<b>1,846,875</b> <b>(97.0%)</b>
	Domestic operations	284,138 (35.4%)	<b>56,701</b> <b>(2.9%)</b>
Negotiable certificates of deposits	International operations	— (—)	— (—)
	Total	284,138 (35.4%)	<b>56,701</b> <b>(2.9%)</b>
	Domestic operations	749,266 (93.4%)	<b>1,834,458</b> <b>(96.3%)</b>
Grand total	International operations	52,753 (6.5%)	<b>69,118</b> <b>(3.6%)</b>
	Total	802,019 (100.0%)	<b>1,903,576</b> <b>(100.0%)</b>

## ■ Average Balance by Type of Deposits

(Millions of yen, proportion in brackets)

Type		FY2014	FY2015
<b>Deposits</b>			
	Domestic operations	111,186 (15.2%)	319,414 (31.5%)
Liquid deposits	International operations	— (—)	— (—)
	Total	111,186 (15.2%)	319,414 (31.5%)
	Domestic operations	75,525 (10.3%)	158,876 (15.7%)
Interest-bearing deposits	International operations	— (—)	— (—)
	Total	75,525 (10.3%)	158,876 (15.7%)
	Domestic operations	332,713 (45.7%)	449,114 (44.4%)
Time deposits	International operations	— (—)	— (—)
	Total	332,713 (45.7%)	449,114 (44.4%)
	Domestic operations	221,078 (30.3%)	321,692 (31.8%)
Fixed-rate time deposits	International operations	— (—)	— (—)
	Total	221,078 (30.3%)	321,692 (31.8%)
	Domestic operations	111,635 (15.3%)	127,421 (12.6%)
Variable-rate time deposits	International operations	— (—)	— (—)
	Total	111,635 (15.3%)	127,421 (12.6%)
	Domestic operations	1,001 (0.1%)	3,662 (0.3%)
Other	International operations	48,499 (6.6%)	55,388 (5.4%)
	Total	49,501 (6.8%)	59,051 (5.8%)
	Domestic operations	444,902 (61.1%)	772,191 (76.3%)
Total	International operations	48,499 (6.6%)	55,388 (5.4%)
	Total	493,402 (67.7%)	827,579 (81.8%)
	Domestic operations	234,549 (32.2%)	183,343 (18.1%)
Negotiable certificates of deposits	International operations	— (—)	— (—)
	Total	234,549 (32.2%)	183,343 (18.1%)
	Domestic operations	679,452 (93.3%)	955,535 (94.5%)
Grand total	International operations	48,499 (6.6%)	55,388 (5.4%)
	Total	727,951 (100.0%)	1,010,923 (100.0%)

# Deposits

## ■ Time Deposits Balance by Remaining Period

(Millions of yen)

Classification	Period	March 31,2015	March 31,2016
Fixed-rate time deposits	Less than 3 months	42,719	56,332
	From 3 months to less than 6 months	50,072	54,293
	From 6 months to less than 1 year	81,939	92,987
	From 1 year to less than 2 years	3,878	7,935
	From 2 years to less than 3 years	4,290	7,008
	3 years or more	27,200	33,500
	Subtotal	210,100	252,057
Variable-rate time deposits	Less than 3 months	600	4,000
	From 3 months to less than 6 months	—	—
	From 6 months to less than 1 year	—	—
	From 1 year to less than 2 years	—	1,000
	From 2 years to less than 3 years	1,000	—
	3 years or more	109,100	119,800
Subtotal	110,700	124,800	
Other time deposits	Less than 3 months	—	—
	From 3 months to less than 6 months	—	—
	From 6 months to less than 1 year	—	—
	From 1 year to less than 2 years	—	—
	From 2 years to less than 3 years	—	—
3 years or more	—	—	
Subtotal	—	—	
Total		320,800	376,857

## ■ Balance by Depositor

(Millions of yen, proportion in brackets)

Classification	March 31,2015	March 31,2016	
Individual	Amount	230,681	311,665
	(%)	(44.5%)	(16.8%)
Corporate	Amount	272,148	354,187
	(%)	(52.5%)	(19.1%)
Other	Amount	15,051	1,181,021
	(%)	(2.9%)	(63.9%)
Total	Amount	517,881	1,846,875
	(%)	(100.0%)	(100.0%)

(Note) Negotiable certificates of deposits are not included.

# Loans

## Balance by Type of Loans

(Millions of yen)

Type		March 31, 2015	March 31, 2016
Loans on bills	Domestic operations	—	—
	International operations	—	—
	Total	—	—
Loans on deeds	Domestic operations	292,343	277,323
	International operations	47,461	50,259
	Total	339,804	327,583
Overdrafts	Domestic operations	97,578	128,880
	International operations	5,750	13,500
	Total	103,328	142,380
Bills discounted	Domestic operations	—	—
	International operations	—	—
	Total	—	—
Total	Domestic operations	389,921	406,203
	International operations	53,211	63,759
	Total	443,132	469,963

## Average Balance by Type of Loans

(Millions of yen)

Type		FY2014	FY2015
Loans on bills	Domestic operations	—	—
	International operations	—	—
	Total	—	—
Loans on deeds	Domestic operations	297,206	289,617
	International operations	30,665	50,729
	Total	327,872	340,347
Overdrafts	Domestic operations	87,459	117,958
	International operations	1,284	3,997
	Total	88,744	121,955
Bills discounted	Domestic operations	—	—
	International operations	—	—
	Total	—	—
Total	Domestic operations	384,666	407,575
	International operations	31,950	54,726
	Total	416,616	462,302

## Balance of Loans by Type and Remaining Period

(Millions of yen)

Period		March 31, 2015	March 31, 2016
Fixed interest rates	1 year or less	154,818	203,263
	More than 1 year but less than 3 years	9,344	10,162
	More than 3 years but less than 5 years	9,760	11,644
	More than 5 years but less than 7 years	1,454	798
	7 years or more	2,938	8,835
	With no maturity	—	—
	Subtotal	23,498	31,442
Variable interest rates	More than 1 year but less than 3 years	150,803	118,786
	More than 3 years but less than 5 years	55,598	66,597
	More than 5 years but less than 7 years	15,195	9,738
	7 years or more	43,216	40,135
	With no maturity	—	—
Subtotal	264,815	235,257	
Total	443,132	469,963	

# Loans

## ■ Balance of Loans by Type of Collateral

(Millions of yen)

Type	March 31,2015	March 31,2016
Securities	125,832	162,149
Claims	—	—
Commodities	—	—
Real estate	33,243	34,308
Other	—	1,076
Subtotal	159,075	197,533
Guarantees	24,248	29,978
Unsecured	259,808	242,451
Total	443,132	469,963
(Subordinated loans)	(600)	(563)

## ■ Balance of Customers' liabilities for acceptances and guarantees by Type of Collateral

(Millions of yen)

Type	March 31,2015	March 31,2016
Securities	—	—
Claims	—	—
Commodities	—	—
Real estate	—	—
Other	—	—
Subtotal	—	—
Guarantees	—	—
Unsecured	—	2,000
Total	—	2,000

## ■ Balance of Loans by Purpose of Use

(Millions of yen, proportion in brackets)

Type	March 31,2015	March 31,2016
Equipment fund	Amount	56,459
	(%)	(12.7%)
Working capital	Amount	386,673
	(%)	(87.2%)
Total	Amount	443,132
	(%)	(100.0%)

### Breakdown of Loans by Industry

(Millions of yen, proportion in brackets)

	Type	March 31, 2015	March 31, 2016
Manufacturing	Amount	6,008	<b>5,634</b>
	(%)	(1.3%)	<b>(1.1%)</b>
Utilities	Amount	5,670	<b>7,179</b>
	(%)	(1.2%)	<b>(1.5%)</b>
Communication and information services	Amount	3,927	<b>3,181</b>
	(%)	(0.8%)	<b>(0.6%)</b>
Wholesale	Amount	2,965	<b>1,836</b>
	(%)	(0.6%)	<b>(0.3%)</b>
Finance and insurance	Amount	216,350	<b>189,027</b>
	(%)	(48.8%)	<b>(40.2%)</b>
Real estate	Amount	56,789	<b>62,296</b>
	(%)	(12.8%)	<b>(13.2%)</b>
Goods rental and leasing	Amount	500	<b>5,000</b>
	(%)	(0.1%)	<b>(1.0%)</b>
Various services	Amount	6,578	<b>23,598</b>
	(%)	(1.4%)	<b>(5.0%)</b>
Other	Amount	144,342	<b>172,208</b>
	(%)	(32.5%)	<b>(36.6%)</b>
Total	Amount	443,132	<b>469,963</b>
	(%)	(100.0%)	<b>(100.0%)</b>

### Balance of Loans Regarding Small and Medium-Sized Enterprises

(Number of loans, millions of yen)

		March 31, 2015	March 31, 2016
Total loan balance (A)	Number of loans made	6,450	<b>6,634</b>
	Amount	443,132	<b>469,963</b>
Balance of loans to SMEs (B)	Number of loans made	6,430	<b>6,614</b>
	Amount	404,981	<b>439,930</b>
Ratio (%) (B/A)	Number of loans made	99.6%	<b>99.6%</b>
	Amount	91.3%	<b>93.6%</b>

(Note) Small and medium-sized enterprises means companies capitalized at 300 million yen or less (100 million yen or less for the wholesale industry and 50 million yen or less for the retail, food, service industries), or companies with full-time employees 300 or fewer (100 or fewer for the wholesale and service industries and 50 or fewer for the retail, food, service industry) and individuals.

# Loans

## ■ Balance of Risk-Monitored Loans

(Billions of yen)

	March 31,2015	March 31,2016
Loans to bankrupt debtors	—	—
Non-accrual delinquent loans	0	0
Loans past due for three months or more	—	—
Restructured loans	—	—
Total	0	0

## ■ Amount of Assets Assessed in Accordance with the Financial Reconstruction Act

(Billions of yen)

	March 31,2015	March 31,2016
Claims against bankrupt and substantially bankrupt debtors	0	0
Doubtful claims	—	0
Substandard claims	—	—
Subtotal (A)	0	0
Normal claims (B)	444.3	473.1
Total (A+B)	444.3	473.1
Coverage amount by collateral and guarantees	—	—
Specific allowance for loan losses	0	0
Total amount of coverage (C)	0	0
Coverage ratio (C/A)	100%	100%

## ■ Allowance for Loan Losses and Their Changes during the Fiscal Year

(Millions of yen)

	March 31,2015	March 31,2016
General allowance for loan losses	1,077	1,506
Change from the previous year-end (decrease)	(66)	429
Specific allowance for loan losses	293	291
Change from the previous year-end (decrease)	(8)	(2)
Allowance for specific overseas loans	—	—
Change from the previous year-end	(—)	(—)
Total	1,370	1,798

## ■ Written-Off of Loans

Not applicable.



# Securities

## Balance of Securities by Type and Remaining Period

(Millions of yen)

Type	Remaining Period	March 31, 2015	March 31, 2016
Government bonds	1 year or less	—	121,370
	More than 1 year but less than 3 years	152,063	36,202
	More than 3 years but less than 5 years	63,110	79,418
	More than 5 years but less than 7 years	42,545	5,367
	More than 7 years but less than 10 years	—	5,190
	More than 10 years	49,583	45,693
	With no maturity	—	—
	Subtotal	307,302	293,243
Local government bonds	1 year or less	9,343	23,695
	More than 1 year but less than 3 years	45,422	25,140
	More than 3 years but less than 5 years	5,131	6,787
	More than 5 years but less than 7 years	—	1,036
	More than 7 years but less than 10 years	—	1,388
	More than 10 years	—	—
	With no maturity	—	—
	Subtotal	59,897	58,048
Short-term corporate bonds	1 year or less	—	—
	More than 1 year but less than 3 years	—	—
	More than 3 years but less than 5 years	—	—
	More than 5 years but less than 7 years	—	—
	More than 7 years but less than 10 years	—	—
	More than 10 years	—	—
	With no maturity	—	—
	Subtotal	—	—
Short-term corporate bonds	1 year or less	32,369	52,624
	More than 1 year but less than 3 years	79,987	27,473
	More than 3 years but less than 5 years	31,878	43,298
	More than 5 years but less than 7 years	—	814
	More than 7 years but less than 10 years	—	—
	More than 10 years	10,656	17,541
	With no maturity	—	—
	Subtotal	154,892	141,751
Stocks	1 year or less	—	—
	More than 1 year but less than 3 years	—	—
	More than 3 years but less than 5 years	—	—
	More than 5 years but less than 7 years	—	—
	More than 7 years but less than 10 years	—	—
	More than 10 years	—	—
	With no maturity	—	—
	Subtotal	—	—
Foreign bonds	1 year or less	27,300	27,605
	More than 1 year but less than 3 years	101,860	55,391
	More than 3 years but less than 5 years	28,781	52,618
	More than 5 years but less than 7 years	—	2,000
	More than 7 years but less than 10 years	—	—
	More than 10 years	—	637
	With no maturity	—	—
	Subtotal	157,943	138,254
Foreign stocks	1 year or less	—	—
	More than 1 year but less than 3 years	—	—
	More than 3 years but less than 5 years	—	—
	More than 5 years but less than 7 years	—	—
	More than 7 years but less than 10 years	—	—
	More than 10 years	—	—
	With no maturity	15	15
	Subtotal	15	15
Other securities	1 year or less	1	—
	More than 1 year but less than 3 years	2	3
	More than 3 years but less than 5 years	2	—
	More than 5 years but less than 7 years	—	—
	More than 7 years but less than 10 years	—	—
	More than 10 years	—	—
	With no maturity	4,925	14,821
	Subtotal	4,931	14,825
Total		684,982	646,137

# Securities

## ■ Balance of Securities by Type

(Millions of yen, proportion in brackets)

Type	March 31,2015	March 31,2016	
Government bonds	Domestic operations	307,302 (44.8%)	293,243 (45.3%)
	International operations	— (—)	— (—)
	Total	307,302 (44.8%)	293,243 (45.3%)
Local government bonds	Domestic operations	59,897 (8.7%)	58,048 (8.9%)
	International operations	— (—)	— (—)
	Total	59,897 (8.7%)	58,048 (8.9%)
Short-term corporate bonds	Domestic operations	— (—)	— (—)
	International operations	— (—)	— (—)
	Total	— (—)	— (—)
Corporate bonds	Domestic operations	154,892 (22.6%)	141,751 (21.9%)
	International operations	— (—)	— (—)
	Total	154,892 (22.6%)	141,751 (21.9%)
Stocks	Domestic operations	— (—)	— (—)
	International operations	— (—)	— (—)
	Total	— (—)	— (—)
Foreign bonds	Domestic operations	— (—)	— (—)
	International operations	157,943 (23.0%)	138,254 (21.3%)
	Total	157,943 (23.0%)	138,254 (21.3%)
Foreign stocks	Domestic operations	— (—)	— (—)
	International operations	15 (0.0%)	15 (0.0%)
	Total	15 (0.0%)	15 (0.0%)
Other securities	Domestic operations	2,931 (0.4%)	6,829 (1.0%)
	International operations	2,000 (0.2%)	7,995 (1.2%)
	Total	4,931 (0.7%)	14,825 (2.2%)
Total	Domestic operations	525,024 (76.6%)	499,873 (77.3%)
	International operations	159,958 (23.3%)	146,264 (22.6%)
	Total	684,982 (100.0%)	646,137 (100.0%)

■ Average Balance of Securities by Type

(Millions of yen, proportion in brackets)

Type	FY2014	FY2015
Government bonds	Domestic operations 338,553 (46.7%)	291,773 (45.1%)
	International operations — (—)	— (—)
	Total 338,553 (46.7%)	291,773 (45.1%)
Local government bonds	Domestic operations 78,135 (10.7%)	61,363 (9.4%)
	International operations — (—)	— (—)
	Total 78,135 (10.7%)	61,363 (9.4%)
Short-term corporate bonds	Domestic operations — (—)	— (—)
	International operations — (—)	— (—)
	Total — (—)	— (—)
Corporate bonds	Domestic operations 138,590 (19.1%)	146,357 (22.6%)
	International operations — (—)	— (—)
	Total 138,590 (19.1%)	146,357 (22.6%)
Stocks	Domestic operations — (—)	— (—)
	International operations — (—)	— (—)
	Total — (—)	— (—)
Foreign bonds	Domestic operations — (—)	— (—)
	International operations 164,438 (22.6%)	138,163 (21.3%)
	Total 164,438 (22.6%)	138,163 (21.3%)
Foreign stocks	Domestic operations — (—)	— (—)
	International operations 11 (0.0%)	15 (0.0%)
	Total 11 (0.0%)	15 (0.0%)
Other securities	Domestic operations 3,254 (0.4%)	2,621 (0.4%)
	International operations 1,789 (0.2%)	6,034 (0.9%)
	Total 5,043 (0.6%)	8,656 (1.3%)
Total	Domestic operations 558,533 (77.0%)	502,116 (77.6%)
	International operations 166,239 (22.9%)	144,213 (22.3%)
	Total 724,773 (100.0%)	646,329 (100.0%)

# Fair Value of Securities

(Note) In addition to "Securities" on the balance sheet, trust beneficiary rights in "Monetary claims bought" are also included.

## ■ Trading Securities

Not applicable.

## ■ Held-to-Maturity Debt Securities with Fair Value

(Millions of yen)

Type		March 31,2015	March 31,2016
Government bonds	Book value	25,557	25,508
	Fair value	29,818	30,932
	Difference	4,260	5,423
	Gain	4,260	5,423
	Loss	—	—
Other securities	Book value	12,312	12,446
	Fair value	12,861	12,473
	Difference	549	27
	Gain	1,072	711
	Loss	523	683
Total	Book value	37,870	37,954
	Fair value	42,679	43,405
	Difference	4,809	5,450
	Gain	5,333	6,134
	Loss	523	683

(Note) Fair values are based on the market prices at the end of the fiscal year.

### ■ Available-for-Sale Securities with Fair Value

(Millions of yen)

Type		March 31, 2015	March 31, 2016	
Stocks	Acquisition cost	—	—	
	Book value	—	—	
	Valuation difference	—	—	
Government bonds	Acquisition cost	274,588	259,657	
	Book value	281,744	267,734	
	Valuation difference	7,156	8,077	
	Unrealized gain	7,156	8,077	
	Unrealized loss	—	0	
Local government bonds	Acquisition cost	59,743	57,855	
	Book value	59,897	58,048	
	Valuation difference	153	192	
	Unrealized gain	154	192	
	Unrealized loss	0	—	
Bonds	Acquisition cost	154,670	140,704	
	Book value	154,892	141,751	
	Valuation difference	221	1,047	
	Unrealized gain	295	1,051	
	Unrealized loss	73	4	
	Corporate bonds	Acquisition cost	489,002	458,217
	Book value	496,534	467,535	
	Valuation difference	7,532	9,317	
	Unrealized gain	7,605	9,322	
	Unrealized loss	73	4	
Sub total	Acquisition cost	149,155	140,048	
	Book value	150,562	140,633	
	Valuation difference	1,407	584	
	Unrealized gain	1,477	859	
	Unrealized loss	69	275	
Other securities	Acquisition cost	638,157	598,265	
	Book value	647,097	608,168	
	Valuation difference	8,939	9,902	
	Unrealized gain	9,083	10,182	
	Unrealized loss	143	279	
Total				

(Note) Amounts on balance sheet are recorded at fair values based on the market prices at the end of the fiscal year.

### ■ Breakdown of Securities without Fair Value and Their Book Value

(Millions of yen)

Type	March 31, 2015	March 31, 2016
Held-to-maturity debt securities	—	—
Available-for-sale securities		
Unlisted foreign securities	15	15

# Derivatives Transaction

## 1. Derivatives Transactions Not Qualifying for Hedge Accounting

As for derivatives transactions not qualifying for hedge accounting, the contract amounts or notional principal, fair values and unrealized gains or losses as well as calculation method of fair values for each type of hedged transactions as of the balance sheet date are as follows:

Note that contract value amounts do not indicate the market risk related to derivatives transactions.

### Interest Rate-Related Transactions

(Millions of yen)

			March 31,2015	March 31,2016	
Over-the-counter	Interest rate swaps	Receive-fixed interest rate	Contract amount	186,700	42,800
			Over one year	41,700	42,800
		Pay-floating interest rate	Fair value (losses)	(149)	137
			Unrealized gains (losses)	(149)	137
		Receive-floating interest rate	Contract amount	—	—
			Over one year	—	—
		Pay-fixed interest rate	Fair value (losses)	—	—
			Unrealized gains (losses)	—	—
		Receive-floating interest rate	Contract amount	166,400	179,200
			Over one year	166,400	179,200
		Pay-floating interest rate	Fair value (losses)	(1,792)	577
			Unrealized gains (losses)	(1,792)	577
		Receive-fixed interest rate	Contract amount	—	—
			Over one year	—	—
		Pay-fixed interest rate	Fair value (losses)	—	—
			Unrealized gains (losses)	—	—
Total fair value			(1,941)	715	
Total unrealized gains (losses)			(1,941)	715	

(Note) 1. Transactions above are marked to market, and unrealized gains (losses) are included in the statements of income.

2. Calculation of fair value

Fair values are based on the discounted present value.

3. Interest rate-related transactions

In addition to the abovementioned, the appraisal profit based on separate accounting of embedded derivatives of hybrid financial instruments was 715 million yen at the end of March, 2016, and 2,025 million yen at the end of March, 2015.

### Currency-Related Transactions

(Millions of yen)

			March 31,2015	March 31,2016	
Over-the-counter	Swaps		Contract amount	69,589	77,702
			Over one year	67,186	59,436
			Fair value (losses)	3,701	3,761
			Unrealized gains (losses)	3,701	3,761
	Forwards	Sold	Contract amount	448,710	438,160
			Over one year	—	—
			Fair value (losses)	(3,471)	9,430
		Bought	Contract amount	446,178	434,754
			Over one year	—	—
			Fair value (losses)	3,090	(8,894)
	Options	Sold	Contract amount	42,552	19,638
			Over one year	3,641	1,250
			Fair value (losses)	(589)	(521)
		Bought	Contract amount	42,552	19,638
			Over one year	3,641	1,250
			Fair value (losses)	589	521
	Total fair value			3,321	4,297
	Total unrealized gains (losses)			3,259	4,273

(Note) 1. Transactions above are marked to market, and unrealized gains (losses) are included in the statements of income.

2. Calculation of fair value: Fair values are based on the discounted present value.

### ■ Stock-Related Transactions

Not applicable.

### ■ Bond-Related Transactions

Not applicable.

### ■ Commodity-Related Transactions

Not applicable.

### ■ Credit Derivative Transactions

Not applicable.

### ■ Others

Not applicable.

## 2. Derivatives Transactions Qualifying for Hedge Accounting

As for derivatives transactions qualifying for hedge accounting, the contract amounts or notional principal, fair values and unrealized gains or losses as well as calculation method of fair values for each type of hedged transactions and by respective hedge accounting method as of the balance sheet date are as follows:

Note that contract value amounts do not indicate the market risk related to derivatives transactions.

### ■ Interest Rate-Related Transactions

(Millions of yen)

Hedge accounting method	Type	Primary hedged item	March 31, 2015			March 31, 2016		
			Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Primary method	Interest rate swaps	Loans, available for-sale securities	127,288	127,288	(8,246)	128,975	112,975	(8,748)
	Receive-fixed interest rate		—	—	—	—	—	—
	Pay-floating interest rate		—	—	—	—	—	—
Exceptional method for Interest rate swaps	Interest rate swaps	Securities	25,000	25,000	(3,605)	25,000	25,000	(4,643)
	Receive-floating interest rate		25,000	25,000	(3,605)	25,000	25,000	(4,643)
	Pay-fixed interest rate		25,000	25,000	(3,605)	25,000	25,000	(4,643)
Total			—	—	(11,851)	—	—	(13,391)

(Note) 1. Primarily, the deferred hedge method is applied under "Accounting and Auditing Treatment Relating to Adoption of Accounting Standards for Financial Instruments for Banks" (JICPA Industry Audit Committee Report No. 24).

2. Calculation of fair value

Fair values are based on the discounted present value.

### ■ Currency-Related Transactions

(Millions of yen)

Hedge accounting Method	Type	Primary hedged item	March 31, 2015			March 31, 2016		
			Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Appropriation method	Currency swaps	Foreign currency denominated securities	13,855	12,009	(562)	13,398	13,398	(44)
Total			—	—	(562)	—	—	(44)

(Note) 1. Primarily, the deferred hedge method is applied under "Accounting and Auditing Treatment Relating to Adoption of Accounting Standards for Foreign Currency Transactions for Banks" (JICPA Industry Audit Committee Report No. 25).

2. Calculation of fair value

Fair values are based on the discounted present value.

### ■ Stock - Related Transactions

Not applicable.

### ■ Bond - Related Transactions

Not applicable.

# Trust Business

## ■ Statement of Trust Account

(Millions of yen)

	March 31,2015	March 31,2016
<b>Assets:</b>		
Loans	401,693	451,414
Loans on deeds	401,693	451,414
Securities	2,362,352	2,552,740
Government bonds	516,171	501,701
Local government bonds	46,854	108,142
Corporate bonds	111,714	207,587
Stocks	556,274	536,687
Foreign securities	707,293	799,240
Other securities	424,043	399,381
Securities held for investment trusts	10,632,045	9,426,563
Foreign investments held for investment trusts	4,383,034	5,302,293
Beneficiary rights	34,162	41,433
Securities held in custody accounts	487,371	522,750
Money claims	183,343	78,269
Money claims on life insurance policies	8,480	8,672
Other money claims	174,862	69,596
Other claims	247,251	221,819
Call loans	1,646,656	640,801
Due from banking account	10,129	228,356
Cash and due from banks	317,006	1,419,816
Due from banks	317,006	1,419,816
Other assets	412	436
Other	412	436
<b>Total</b>	<b>20,705,461</b>	<b>20,886,696</b>
<b>Liabilities:</b>		
Designated money trusts	759,433	792,270
Specified money trusts	1,052,514	1,324,153
Pension trusts	105,551	77,294
Investment trusts	16,555,603	16,625,358
Pecuniary trusts other than money trusts	273,968	200,830
Securities trusts	487,747	523,145
Money claims trusts	23,054	20,225
Composite trusts	1,447,586	1,323,418
<b>Total</b>	<b>20,705,461</b>	<b>20,886,696</b>

(Note) 1. We do not handle employees' property formation benefit trusts or loan trusts.

2. No trust assets are entrusted to other trust banks for asset administration.

## ■ Breakdown of Trusts in Which Repayments of the Principal Are Guaranteed

Jointly Operated Designated Money Trusts

(Millions of yen)

	March 31,2015	March 31,2016
<b>Assets:</b>		
Loans	—	—
Money claims	—	—
Other	17	21
<b>Total</b>	<b>17</b>	<b>21</b>
<b>Liabilities:</b>		
Principal	17	21
Reserve for possible impairment of principal	—	—
Other	0	—
<b>Total</b>	<b>17</b>	<b>21</b>



### ■ Balance of Securities (by Type) Held in Money Trusts and Pension Trusts by Type

(Millions of yen)

Type		March 31,2015	March 31,2016
Money trusts	Government bonds	513,141	490,009
	Local government bonds	325	222
	Short-term corporate bonds	—	—
	Corporate bonds	57,598	89,780
	Stocks	19,253	26,901
	Other securities	492,987	683,113
	Balance of assets under management at the end of period	1,083,305	1,290,027
Pension trusts	Government bonds	—	—
	Local government bonds	—	—
	Short-term corporate bonds	—	—
	Corporate bonds	—	—
	Stocks	—	—
	Other securities	8,101	6,168
	Balance of assets under management at the end of period	8,101	6,168
Total	Government bonds	513,141	490,009
	Local government bonds	325	222
	Short-term corporate bonds	—	—
	Corporate bonds	57,598	89,780
	Stocks	19,253	26,901
	Other securities	501,088	689,282
	Balance of assets under management at the end of period	1,091,407	1,296,195

(Note) We do not handle employees' property formation benefit trusts or loan trusts.

### ■ Balance of Principal of Money Trusts by Trust Period

(Millions of yen)

Period		March 31,2015	March 31,2016
Money trusts	Less than 1 year	379,326	454,408
	From 1 year to less than 2 years	1,601	85,799
	From 2 years to less than 5 years	888	3,446
	5 years or more	629,931	600,693
	Others	—	—
	Total	1,011,748	1,144,347

### ■ Balance of Loans Related to Money Trusts and Pension Trusts (by Category)

(Millions of yen, proportion in brackets)

Type	March 31,2015	March 31,2016
Loans on deeds	400,889 (100.0%)	447,143 (100.0%)
Loans on bills	— (—)	— (—)
Bills discounted	— (—)	— (—)
Total	400,889 (100.0%)	447,143 (100.0%)

(Note) This is the balance of loans under trust account related to money trusts and pension trusts. The same applies to the tables of balance of loans (by Category), (by Contract Term), (by Type of Collateral), (by Industry) and (by Purpose of Use) and the tables for Loans to Small and Medium-Sized Enterprises.

# Trust Business

## ■ Balance of Loans Related to Money Trusts and Pension Trusts (by Contract Term)

(Millions of yen)

Period	March 31,2015	March 31,2016
1 year or less	339,100	402,600
More than 1 year but less than 3 years	—	—
More than 3 years but less than 5 years	—	—
More than 5 years but less than 7 years	14,896	13,569
7 years or more	46,893	30,974
Total	400,889	447,143

## ■ Balance of Loans Related to Money Trusts and Pension Trusts (by Type of Collateral)

(Millions of yen)

Type	March 31,2015	March 31,2016
Securities	339,100	402,600
Claims	—	—
Commodities	—	—
Real estate	—	—
Other	—	—
Subtotal	339,100	402,600
Guarantees	—	—
Unsecured	61,789	44,543
Total	400,889	447,143

## ■ Balance of Loans Related to Money Trusts and Pension Trusts (by Industry)

(Millions of yen, proportion in brackets)

Type		March 31,2015	March 31,2016
Finance and insurance	Amount	339,100	402,600
	(%)	(84.5%)	(90.0%)
Local governments	Amount	61,789	44,543
	(%)	(15.4%)	(9.9%)
Total	Amount	400,889	447,143
	(%)	(100.0%)	(100.0%)

## ■ Balance of Loans Related to Money Trusts and Pension Trusts (by Purpose of Use)

(Millions of yen)

Type	March 31,2015	March 31,2016
Equipment fund	—	—
Working capital	400,889	447,143
Total	400,889	447,143

### Loans to Small and Medium-Sized Enterprises Related to Money Trusts and Pension Trusts

(Millions of yen)

	March 31, 2015	March 31, 2016
Total loan balance (A)	400,889	<b>447,143</b>
Balance of loans to SMEs (B)	—	—
Ratio (%) (B/A)	—	—

(Note) Small and medium-sized enterprises means companies capitalized at 300 million yen or less (100 million yen or less for the wholesale industry and 50 million yen or less for the retail, food, service industries), or companies with full-time employees 300 or fewer (100 or fewer for the wholesale and service industries and 50 or fewer for the retail, food, service industry) and individuals.

### Balance of Loans and Securities (by Type) Held in Money Trusts and Pension Trusts by Type

(Millions of yen)

Type		March 31, 2015	March 31, 2016
Money trusts	Loans	400,889	<b>447,143</b>
	Securities	1,083,305	<b>1,290,027</b>
	Total	1,484,195	<b>1,737,171</b>
Pension trusts	Loans	—	—
	Securities	8,101	<b>6,168</b>
	Total	8,101	<b>6,168</b>
Total loans		400,889	<b>447,143</b>
Total securities		1,091,407	<b>1,296,195</b>
Total loans and securities		1,492,296	<b>1,743,339</b>

(Note) We do not handle employees' property formation benefit trusts or loan trusts.

# Management Indices

## Overall Profit Margin

(%)

		FY2014	FY2015
Yield on investments	Domestic operations	1.17	0.69
	International operations	1.51	1.26
	Total	1.27	0.80
Funding cost	Domestic operations	2.16	1.59
	International operations	2.78	2.47
	Total	2.28	1.68
Overall profit margin	Domestic operations	(0.99)	(0.90)
	International operations	(1.27)	(1.21)
	Total	(1.01)	(0.88)

## Profit Ratio

(%)

		FY2014	FY2015
Return on assets (ROA)	Net business profit to assets ratio	0.18	0.23
	Ordinary profit to assets ratio	0.17	0.22
	Net income to assets ratio	0.10	0.14
Return on equity (ROE)	Net business profit to equity ratio	4.62	6.32
	Ordinary profit to equity ratio	4.43	6.20
	Net income to equity ratio	2.56	3.85

## Gross Operating Profit Ratio

(%)

		FY2014	FY2015
Gross operating profit ratio	Domestic operations	1.45	1.38
	International operations	1.19	1.48
	Total	1.44	1.43

## Loan-To-Deposit Ratio

(%)

		FY2014	FY2015
Balance at the end of the period	Domestic operations	52.0	22.1
	International operations	100.8	92.2
	Total	55.2	24.6
Average balance during the period	Domestic operations	56.6	42.6
	International operations	65.8	98.8
	Total	57.2	45.7

## Security-To-Deposit Ratio

(%)

		FY2014	FY2015
Balance at the end of the period	Domestic operations	70.0	27.2
	International operations	303.2	211.6
	Total	85.4	33.9
Average balance during the period	Domestic operations	82.2	52.5
	International operations	342.7	260.3
	Total	99.5	63.9

### ■ Deposits, Loans and Trust Assets per Branch

(Millions of yen)

	March 31,2015	March 31,2016
Deposits	802,019	<b>1,903,576</b>
Loans	443,132	<b>469,963</b>
Amount of funds in trust account	1,917,500	<b>2,193,718</b>

(Note) Deposits include negotiable certificates of deposit.

### ■ Deposits, Loans and Trust Assets per Employee

(Millions of yen)

	March 31,2015	March 31,2016
Deposits	1,843	<b>4,316</b>
Loans	1,018	<b>1,065</b>
Amount of funds in trust account	4,408	<b>4,974</b>

(Note) Deposits include negotiable certificates of deposit.

# Disclosure based on Pillar III of Basel III – Composition of Capital

## Disclosure based on Pillar III of Basel III

This section describes the information such as the capital adequacy situation specified by the Financial Services Agency Commissioner, based on Article 19-2, Paragraph 1, Item 5, Subsection 2, etc., of the Ordinance for Enforcement of Banking Act.

## Composition of Capital Disclosure

(Millions of yen)

Items	March 31, 2015		March 31, 2016	
		Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements
Core capital: instruments and reserves				
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	46,241		58,135	
of which: capital and capital surplus	38,270		48,270	
of which: retained earnings	7,971		9,864	
of which: treasury stock	—		—	
of which: earning to be distributed	—		—	
of which: other than above	—		—	
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	—		—	
Total of reserves included in Core capital: instruments and reserves	1,077		1,506	
of which: general reserve for loan losses included in Core capital	1,077		1,506	
of which: eligible provision included in Core capital	—		—	
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	—		—	
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	9,000		—	
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)	—		—	
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)	—		—	
Core capital: instruments and reserves (A)	56,318		59,641	
Core capital: regulatory adjustments				
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	1,048	3,673	1,725	2,432
of which: goodwill (including those equivalent)	129	—	103	—
of which: other intangibles other than goodwill and mortgage servicing rights	918	3,673	1,621	2,432
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	—	—	—
Shortfall of eligible provisions to expected losses	—	—	—	—
Gain on sale of securitization	—	—	—	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—	—	—
Prepaid pension cost	—	—	—	—
Investments in own shares (excluding those reported in the net assets section)	—	—	—	—
Reciprocal cross-holdings in common equity	—	—	—	—
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—	—	—	—

(Millions of yen)

Items	March 31, 2015		March 31, 2016	
		Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements
Amount exceeding the 10% threshold on specific items	—	—	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—	—	—
of which: mortgage servicing rights	—	—	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—	—	—
Amount exceeding the 15% threshold on specific items	—	—	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—	—	—
of which: mortgage servicing rights	—	—	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—	—	—
Core capital: regulatory adjustments (B)	1,048		1,725	
Capital				
Capital ((A) – (B)) (C)	55,270		57,916	
Risk-weighted assets				
Total amount of credit risk-weighted assets	397,720		363,640	
of which: total amount included in risk-weighted assets by transitional arrangements	3,673		2,432	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	3,673		2,432	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—		—	
of which: prepaid pension cost	—		—	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	—		—	
of which: other than above	—		—	
Market risk (divided by multiplying the capital requirement by 12.5)	—		—	
Operational risk (divided by multiplying the capital requirement by 12.5)	28,802		31,167	
Credit risk adjustments	—		—	
Operational risk adjustments	—		—	
Total amount of Risk-weighted assets (D)	426,523		394,807	
Capital ratio				
Capital ratio ((C) / (D))	12.95%		14.66%	

# Disclosure based on Pillar III of Basel III – Qualitative Disclosure

## Qualitative Disclosure

- I . Summary of method of raising capital (refers to the method of raising capital where all or part of the amount is included in the amount of basic items related to the core capital specified in the formula in the Notification about capital adequacy No. 37).

At The Nomura Trust and Banking, we aim to maintain sufficient capital, mainly common stock, which is stipulated in Article 40 of the Financial Services Agency Notification No. 19 (Notification on Capital Adequacy), “the standard for which banks determine whether they hold adequate capital in light of assets they hold based upon Article 14-2 of the Banking Act of Japan.” Other than raising capital by issuing common stock, we reserve a portion of annual earnings as legally retained earnings or other retained earnings.

- II . Outlines of the Capital Adequacy Assessment Method

As for credit risks and operational risks, we evaluate capital adequacy by comparing the amount equivalent to 8% of risk assets with the amount of capital, as stipulated in the Notification on Capital Adequacy.

We evaluate credit risks using the Standardized Approach, a method of calculating the non-consolidated capital adequacy ratio in accordance with the Basel requirements based on the Notification on Capital Adequacy. Also, we have adopted the Standardized Approach to measure the operational risk amount.

As for risk capital, we set a planned amount compared with the regulatory capital (core capital), and then monitor the actual amount of risk capital and give monthly reports accompanied by a comparison with the regulatory capital (core capital) to the Board of Executive Officers. We recognize the current capital level as adequate.

- III . Matters Relating to Credit Risk Management

- A. Outlines of Credit Risk Management Policies and Procedures

The Nomura Trust and Banking strictly reviews and manages credit risks based on the Credit Risk Management Policy, the Credit Risk Management Regulations, the Credit Authorization Management Regulations, and the Collaterals Regulations and the like. At the same time, we carefully pay attention to diversification of risks and portfolios, and comprehensively manage both on- and off-balance sheet transactions in pursuit of appropriate management of credit risks. The state of portfolio diversification is reported to the Board of Executive Officers and then reviewed on a monthly basis.

1. Credit rating system

Credit ratings are determined not only by conducting scoring based on a rating model using the financial information of debtors but also by utilizing the latest important information available including qualitative information on managerial risk, legal risk etc. which may affect the certainty of debt assumption, external credit ratings or the credit standing of associated companies . These ratings are classified into 20 levels.

To perform credit screening, we strictly manage credit risks based on credit ratings to maintain soundness of the bank's assets, fully taking into account our public and social missions as a financial institution.

2. Exposure (credit amount) management

With the identification of exposure for each debtor or each group of debtors positioned as the core of credit risk management, we centrally control not only loans but also other on-balance and off-balance items in a comprehensive manner. Off-balance sheet transactions are managed by the current exposure method. Based on the above, we perform measurement and monitoring of credit risk quantity by quantitatively analyzing past default rates by credit rating.

3. Self-assessment

To make a self-assessment of assets involving credits, we implement self-assessments through strict classification of credits based on obligor categorization linked to credit ratings, in accordance with the “Asset Assessment Regulations” which is based on the Financial Inspection Manual.

4. Allowance for loan losses

Allowance for loan losses is provided as follows, pursuant to the rules regarding write-offs/allowances for loan losses: For claims to normal debtors and debtors requiring caution, the provision for allowance is calculated by multiplying the amount of claims less the amount secured by eligible collateral or guarantees or expected to be collected through their disposal or execution, by an accumulated default rate reflecting remaining years by credit rating.

For claims to possibly bankrupt debtors, the expected loss amount is calculated by multiplying the amount of claims classified as Category III by an expected rate of losses for each debtor, and then providing such amount as allowance for loan losses.



For claims to virtually bankrupt debtors and bankrupt debtors, the total amount of claims classified as Category III and Category IV for each debtor is regarded as the expected loss amount, and then an amount equivalent to the expected loss amount is provided as allowance for loan losses or such amount is directly written off.

#### B. Matters Relating to Portfolios to Which the Standardized Approach Is Applied

1. Names of qualified rating agencies, etc. (defined as qualified rating agencies, OECD, and export credit agencies; the same definition applies below.) used to determine the risk weight (including reasons if qualified rating agencies were changed) In order to determine the risk weight, we use the following four rating agencies as qualified rating agencies for all exposures. Rating and Investment Information, Inc. (R&I), Japan Credit Rating Agency, Ltd. (JCR), Moody's Investors Service, Inc. (Moody's), and Standard & Poor's Ratings Services (S&P)
2. Names of qualified rating agencies used to determine the risk weight of each type of exposures In order to determine the risk weight of each type of exposure, we use the following four rating agencies as qualified rating agencies for all exposures. Rating and Investment Information, Inc. (R&I), Japan Credit Rating Agency, Ltd. (JCR), Moody's Investors Service, Inc. (Moody's), and Standard & Poor's Ratings Services (S&P)

#### IV. Outlines of Credit Risk Mitigation Techniques

From the standpoint of risk management, we take measures to provide coverage for credit exposure by collateral and guarantees to mitigate counterparty credit risk.

In accordance with the Notification on Capital Adequacy, we use (1) eligible financial asset collateral, (2) guarantees or credit derivatives, and (3) netting of loans and deposits held at our bank.

To treat financial assets as collateral against credit such as loans, the credit risk mitigation effect is reflected in a comprehensive approach, calculating credit risk exposure after making adjustments to portions covered by collateral and deducting them from the credit amount. Eligible financial assets include cash, deposits held at our bank, debt securities issued by the sovereigns (governments, central banks, public sector entities), bonds rated BBB- and above by external rating bodies, listed stocks, investment trusts, and other items.

In the case of guarantees and credit derivatives, the credit risk mitigation effect is reflected in the replacement approach whereby the risk weight of exposures to the obligor is replaced with the risk weight of the guarantee or the protection provider. Eligible guarantors and protection providers include central governments, Japanese local authorities and government related organizations, foreign non-central government public sector entities, multilateral development banks, banks and securities companies with a lower risk weight than the original obligors, and companies which are rated by the appropriate rating agencies.

A netting of loans and deposits held at our bank shall be required to meet the following conditions; netting of loans and deposits held at our bank is legally valid, loans and deposits under netting contracts with the same counterparty are always identifiable, the possibility that deposits may not be further maintained at our bank is monitored and managed, and the netted amount is monitored and controlled.

#### V. Outlines of Policies and Procedures for Counterparties of Derivatives and Transactions with a Long-Horizon Settlement Period

In the case of derivatives, we calculate the amount of credit risk assets of counterparties by multiplying the credit-equivalent amount by the risk weight. We employ the current exposure method to calculate the credit-equivalent amount.

1. Policies regarding measures to secure transactions by collateral and allowance calculations We take appropriate credit enhancement measures according to the creditworthiness of counterparties. We have entered into the ISDA Credit Support Annex (CSA) and the like with some financial institutions. As for allowances, we calculate the credit reserves according to the amount of claims, depending on the creditworthiness of counterparties.
2. Possibility providing additional collaterals due to deterioration of our creditworthiness As for the transactions with ISDA Credit Support Annex (CSA) and the like, an obligation to provide additional collaterals may arise due to deterioration of our creditworthiness, such as a downgrade of our credit rating.

#### VI. Matters Relating to Securitization Exposures

##### A. Outlines of Risk Management Policies and Procedure

The Nomura Trust and Banking acts as an "investor" in securitization products, but we do not act as an "originator" or as a

# Disclosure based on Pillar III of Basel III – Qualitative Disclosure

“servicers.”

When we engage in securitization transaction as an “investor,” the ALM Committee must analyze the investment, assessing the investment policy as well as the associated risks of the investment products and set investment limit. Also reviewing in new investment products or new investment techniques, we will consult with the New Products & Services Review Committee and Board of Executive Officers.

We invest in securitized products with underlying assets such as loan claims and claims on lease payments. The securitized products we held carries credit risk and interest rate risk, but this risk is no different from the risk from loan and securities trading. Also there is risk in changing fair value by changes in credit rating and default ratio.

- B. Matters relating to management system and operation status stipulated in the Provision of article No.249-4-3 to 6 of the Notification on Capital Adequacy “including when modifications on Provision of article No.254-2 and No. 302-4-1 of the Notification on Capital Adequacy”

We analyze and evaluate the underlying assets, degree of dispersion and the scheme etc and make a prudent investment decisions when investing in individual securitization products. After the investment the rating agency we appointed will continue monitoring, checking fair value and report to the ALM Committee regularly.

- C. Policy for securitization transaction used as credit risk mitigation techniques  
Not applicable

- D. Calculation methods for determining the amount of credit risk asset with regard to securitization exposure  
In accordance with the Notification on Capital Adequacy, we evaluate credit risk asset with regard to securitization exposure using the Standardized Approach.

- E. Calculation methods for determining the amount of market risk with regard to securitization exposure  
We apply exceptional accrual method into the market risk equivalent

- F. If conducting securitization transaction relating to a third party’s assets by using a special purpose entity by bank, the type of the special purpose entity and whether the bank possesses securitization exposures by such securitization transactions.  
Not applicable

- G. Names of Bank’s subsidiary companies (excluding consolidated subsidiary) or affiliate companies possessing securitization exposures executed by the Bank (including securitization transaction carried out using special purpose entity)  
Not applicable

- H. Accounting Policies for Securitization Transactions  
Each financial asset is treated according to the Accounting Standards for Financial Instruments.

- I. Names of eligible external credit assessment institutions used to determine the risk weight by each type of securitization exposure (including reasons if eligible external credit assessment institutions were changed)  
In order to determine the risk weight, we use the following four rating agencies as eligible external credit assessment institutions.  
Rating and Investment Information, Inc (R&I), Japan Credit Rating Agency (JCR), Moody’s Investor Service, Inc (Moody’s), and Standard & Poor’s Rating Services (S&P)

- J. Any significant changes to the Internal ratings-based approach for securitization exposures  
Not applicable

- K. Any significant changes to the quantitative information  
Not applicable

- VII . Matters Relating to Market Risk  
Not applicable

- VIII . Matters Relating to Operational Risk

- A. Outlines of Risk Management Policies and Procedures  
Operational risk is defined as the risk of incurring losses owing to inadequate business processes, activities of directors and employees or systems, or external events. Based on the Integrated Risk Management Regulations, we manage administrative risk, system risk, information security risk, legal and compliance risk, outsourcing risk, human risk and tangible risk and in association with these risks, set out the Administrative Risk Management

Regulations, the System Risk Management Regulations, the Basic Policies for Information Security, the Legal and Compliance Risk Management Regulations, the Outsourcing Risk Management Regulations.

Furthermore, the Corporate Risk Management Department manages operational risk comprehensively, while each specialized department manages specific risks in its jurisdiction.

■ Departments in Charge of Each Operational Risk

Operational Risk	Administrative risk	Operations Planning and Administration Department
	System risk	IT Planning & Control Department
	Information security risk	Operations Planning and Administration Department
	Legal and compliance risk	Compliance Department
	Outsourcing risk	Operations Planning and Administration Department
	Human Risk	Human Resource and General Affairs Department
	Tangible Risk	Human Resource and General Affairs Department
	Other operational risk	Corporate Risk Management Department

B. Methods Used to Calculate the Operational Risk Amount

To measure the operational risk amount under Basel requirements, we have used the Standardized Approach since the beginning of the period ended March 2011. Under this approach, in accordance with the Notification on Capital Adequacy, we measure the amount of operational risk by first allocating annual gross profit (calculated as “gross operating profit” minus “gains on sales of bonds” and “gains on redemption of bonds,” and plus “loss on sales of bonds” and “loss on redemption of bonds,” “loss on devaluation of bonds,” and “fees and commissions payments”) into eight categories, and then multiplying gross income for each category by the ratio designated to each operational category (ranging from 12% to 18%) accordingly, and the amounts as a result for all the categories are aggregated for a year. The average of the aggregated amounts for the last three years is the operational risk amount.

IX. Outlines of Risk Management Policies and Methods Regarding Investments and Other Related Exposures (“Investments”) or Equity Exposures in Banking Account as Stipulated in the Article 4-6-3 of the Order for Enforcement of Banking Act (Order No. 40 of 1982)

Decisions to hold investments and equities exposures are made after approved by the Board of Executive Officers or agreed upon through consultation, depending on their purpose and amount, etc., based on the Approval Authorization Regulations, the Credit Authorization Management Regulations and the like.

As for an individual investment, we recognize and manage its risk using the VaR Approach, Net Asset Approach or the like, depending on the investment attributes and the style.

In the accounting procedures, we follow the Companies Act, the Banking Act of Japan, the Corporate Accounting Principles, “Ordinance on Accounting of Companies,” “Accounting Guidelines for Banks” announced by the Japanese Bankers Association, and other generally-accepted standards.

Since we adopt the Standardized Approach to measure the amount of credit risks under Basel requirements, a risk weight of 100% is applied to equity exposures of the stocks, etc. which are not material investments.

X. Matters Relating to Interest Rate Risk in the Banking Account

A. Outlines of Risk Management Policies and Procedures

As for the interest rate risk, we calculate this based on the Notification on Capital Adequacy, in accordance with the Capital Management Regulations and the Market Risk Management Regulations. As for the risk management procedures for interest-sensitive assets and liabilities in the banking account, the status of interest risk and the like are reported to the ALM committee and the Board of Executive Officers on a monthly basis, and the future management policies for assets and liabilities as well as other related issues are reviewed and determined.

B. Outlines of Methods Used to Calculate Interest Rate Risks in the Banking Account for Internal Management Purposes

We manage interest rate risk in the banking account to maintain the amount of decline of the present value as a result of interest shocks under 20% of the capital, with considering core deposits. This amount is calculated based on a 99.0% confidence interval, a 1-year holding period, and a 10-year observation period.

The state of interest rate risk control in the banking account is reported to the ALM committee and the Board of Executive Officers on a monthly basis.

# Disclosure based on Pillar III of Basel III – Quantitative Disclosure

## Quantitative Disclosure

Under the Notification of the Financial Services Agency, The Nomura Trust and Banking calculates the non-consolidated capital adequacy ratio based on the domestic standard. We use the Standardized Approach to measure credit risks. To measure the operational risk amount we use the Standardized Approach.

### I. Matters Relating to Capital Adequacy

#### A. Amount of Required Capital against Credit Risk and Breakdown by Portfolio to Which the Standardized Approach Is Applied

(Millions of yen)

Breakdown by Portfolio		Required Capital	Required Capital
		March 31, 2015	March 31, 2016
The Standardized Approach	Claims on foreign central governments and central banks	24	40
	Claims on foreign non-central government public sector entities	383	265
	Claims on Japan Finance Organization for Municipalities	142	130
	Claims on Japanese government-affiliated organizations	353	293
	Claims on financial institutions and Type I financial instruments business operators	1,372	916
	Claims on corporations	10,350	9,775
	Claims on small and medium enterprises and individuals	1,370	1,176
	Claims on projects including acquisition of real estate properties	615	719
	Past due loans for three months or more	0	0
	Other	605	776
	Securitization (other than originating bank)	61	73
	Out of assets with multiple underlying assets (so-called "funds"), the assets whose underlying assets are difficult to measure individually	104	60
	CVA risk	1,051	632
<b>Total</b>	<b>16,434</b>	<b>14,861</b>	

#### B. Amount of Required Capital against Credit Risk Concerning Equity Exposures to Which the IRB Approach Is Applied and the Breakdown by Category

Not applicable as of March 31, 2015 and 2016

#### C. Amount of Required Capital against Credit Risk Concerning Exposures to Which the Related-Method Are Applied

Not applicable as of March 31, 2015 and 2016

#### D. Amount of Required Capital against Market Risk and Breakdown by Approach

Not applicable as of March 31, 2015 and 2016

#### E. Amount of Required Capital against Operational Risk

(Millions of yen)

Required Capital	March 31, 2015	March 31, 2016
	2,304	2,493

#### F. Non-Consolidated Total Required Capital (Domestic Standard)

(Millions of yen)

Non-Consolidated Total Required Capital	March 31, 2015	March 31, 2016
	17,060	15,792

## II. Matters Relating to Credit Risk

- A. Balance of Exposures Related to Credit Risk and Breakdown by Type
- B. Breakdown of Amount by Category and Breakdown of Exposure by Type

## ■ Balances of Exposures Related to Credit Risk

(By area, industry, and duration)

(Millions of yen)

		March 31, 2016				
		Securities	Loans	Derivatives	Others	Total
By area and industry	Manufacturing	1,570	5,634	—	1,010	8,215
	Utilities	9,737	7,179	—	981	17,899
	Communication and information services	—	3,181	—	0	3,181
	Transport	58,589	—	—	54	58,643
	Wholesale	2,100	1,836	1	2,002	5,940
	Finance and insurance	57,289	188,902	18,940	3,552	268,683
	Real estate	6,725	62,296	—	284	69,306
	Goods rental and leasing	2,495	5,000	1	608	8,105
	Various services	4,700	23,598	—	441	28,740
	Government and local authorities	343,021	—	—	1,390,062	1,733,083
	Other	5,020	114,082	—	12,348	131,451
Domestic		491,249	411,712	18,942	1,411,345	2,333,251
Overseas		144,346	58,125	4,612	5,620	212,705
Total		635,596	469,838	23,555	1,416,965	2,545,956
By duration	Due in 1 year or less	224,956	211,643	20,179	1,410,390	1,867,170
	Due over 1 year to 3 years	143,590	128,948	1,915	2,446	276,900
	Due over 3 years to 5 years	178,713	77,391	180	255	256,540
	Due over 5 years to 7 years	8,866	9,823	72	—	18,762
	Due over 7 years	64,980	42,030	1,207	—	108,218
	With no maturity	14,490	—	—	3,873	18,363
	Total	635,596	469,838	23,555	1,416,965	2,545,956

(By area, industry, and duration)

(Millions of yen)

		March 31, 2015				
		Securities	Loans	Derivatives	Others	Total
By area and industry	Manufacturing	2,621	6,008	—	1,009	9,639
	Utilities	12,622	5,670	—	1,317	19,609
	Communication and information services	—	3,927	—	0	3,927
	Transport	62,132	—	—	60	62,192
	Wholesale	—	2,965	8	0	2,974
	Finance and insurance	55,859	208,844	28,439	51,767	344,911
	Real estate	10,603	56,789	—	484	67,877
	Goods rental and leasing	7,506	500	47	607	8,660
	Various services	6,999	6,578	—	92	13,670
	Government and local authorities	359,889	—	—	30,389	390,279
	Other	22	99,543	—	14,516	114,082
Domestic		518,257	390,827	28,494	100,245	1,037,824
Overseas		157,783	44,799	3,224	5,641	211,448
Total		676,040	435,626	31,719	105,887	1,249,273
By duration	Due in 1 year or less	68,915	154,818	16,100	98,268	338,102
	Due over 1 year to 3 years	377,539	160,148	10,327	2,442	550,456
	Due over 3 years to 5 years	126,374	65,359	429	1,064	193,228
	Due over 5 years to 7 years	41,121	15,282	739	—	57,143
	Due over 7 years	57,461	40,017	4,122	—	101,601
	With no maturity	4,628	—	—	4,111	8,740
	Total	676,040	435,626	31,719	105,887	1,249,273

# Disclosure based on Pillar III of Basel III – Quantitative Disclosure

## C. Balances of Exposure Overdue for More Than Three Months or at Default and Breakdown by Category

### ■ Balances of Specific Allowance for Loan Losses (By area and industry)

(Millions of yen)

		March 31, 2016				
		Securities	Loans	Derivatives	Others	Total
By area and industry	Other	—	1	—	—	1
	Domestic	—	1	—	—	1
	Overseas	—	—	—	—	—
	Total	—	1	—	—	1

(Millions of yen)

		March 31, 2015				
		Securities	Loans	Derivatives	Others	Total
By area and industry	Other	—	2	—	—	2
	Domestic	—	2	—	—	2
	Overseas	—	—	—	—	—
	Total	—	2	—	—	2

## D. General Allowance for Credit Losses, Specific Allowance for Credit Losses and Allowance for Loans to Specific Foreign Borrowers

### ■ Balances of General Allowance for Loan Losses

(Millions of yen)

March 31, 2015		March 31, 2016	
		Against March 31, 2014	Against March 31, 2015
1,077		(66)	429

### ■ Balances of Specific Allowance for Loan Losses (By area and industry)

(Millions of yen)

		March 31, 2015		March 31, 2016	
			Against March 31, 2014		Against March 31, 2015
By area and industry	Other	293	(8)	291	(2)
	Domestic	293	(8)	291	(2)
	Overseas	—	—	—	—
	Total	293	(8)	291	(2)

Allowance for loans to specific foreign borrowers is not applicable.

## E. Amount of Write-Offs Loans by Industry or Counterparty Not applicable as of March 31, 2015 and 2016

- F. Balance of Exposures to which the Standardized Approach Is Applied after Allowing for the Credit Risk Mitigation Effect by Risk Weight Category and Amounts of Exposures for Which 1250% Risk Weight Is Applied in Accordance with the Notification on Capital Adequacy

(Millions of yen)

Risk Weight	March 31, 2015		March 31, 2016	
	Rating Available	Rating Not Available	Rating Available	Rating Not Available
0%	381,683	27,801	1,715,815	36,150
10%	124,481	—	106,507	—
20%	197,004	267	155,656	3,711
50%	184,681	—	169,498	—
70%	9,002	—	5,000	—
75%	—	45,677	—	39,230
100%	77,399	113,770	62,065	115,300
120%	6,056	—	4,204	—
150%	—	—	4,996	—
200%	—	—	—	1,861
1250%	—	3	—	1
Capital deduction	—	790	—	1,363

※ In accordance with the Notification on Capital Adequacy and “Questions and Answers on Basel requirements” issued by the FSA on March 31, 2006, the risk weight above represents the sum of risk weight of exposures to original debtors and original creditors in “loan participations.”

In the above table, the columns corresponding to the risk weights of 70%, and 120% are the results of combining risk weight of 20% with that of 10%, 50%, 100%, respectively.

※ “Other than the above” partly includes funds with which we measure credit risk assets using the look-through method.

- G. Among the Exposures to Which the IRB Approach Is Applied, Balances of Specialized Lending Exposures Subject to Supervisory Slotting Criteria and Equity Exposures Subject to the Market-Based Simplified Approach by Risk Weight Category in the Case Where the Risk Weight as Stipulated in the Article 153-3, Article 153-5, and Article 166-4 of the Notification on Capital Adequacy Is Applied  
Not applicable as of March 31, 2015 and 2016
- H. Matters Relating to Portfolio to Which the IRB Approach Is Applied  
Not applicable as of March 31, 2015 and 2016
- I. Actual Credit Losses in the Current Period and Year On Year Change and Its Factors by Corporate, Sovereign and Bank Exposures under the IRB Approach and Equity, Residential Mortgage, Qualified Revolving Retail and other Retail Exposures under the PD/LGD Approach  
Not applicable as of March 31, 2015 and 2016
- J. Estimated and actual Credit losses over Long Periods by Corporate, Sovereign and Bank Exposures under the IRB Approach and Equity, Residential Mortgage, Qualified Revolving Retail and other Retail Exposures under the PD/LGD Approach  
Not applicable as of March 31, 2015 and 2016

# Disclosure based on Pillar III of Basel III – Quantitative Disclosure

## III . Matters Relating to Credit Risk Mitigation Techniques

- A. For a Portfolio under the Standardized Approach, Amount of Exposures to Which Credit Risk Mitigation Techniques by Eligible Financial Asset Collaterals Are Applied

(Millions of yen)

March 31, 2015	March 31, 2016
88,160	133,737

- B. For a Portfolio under the Standardized Approach or the IRB Approach, Amount of Exposures to Which the Guarantees or Credit Derivatives Are Applied

For a portfolio under the Standardized Approach, amounts of exposures to which the guarantees were applied were 30,070 million yen for March 31, 2016 and 27,316 million yen for March 31, 2015. These amounts were calculated based on the replacement approach.

## IV . Items Pertaining to Counterparty Risk on Derivative Transactions and Long-Settlement Transactions

(Millions of yen)

	March 31, 2015			March 31, 2016		
	Gross Replacement Cost	Gross Add-On	Credit-Equivalent Amount	Gross Replacement Cost	Gross Add-On	Credit-Equivalent Amount
Gross Credit-Equivalent Amount (Before Credit Risk Mitigating Effect is Recognized)	14,912	16,806	31,719	19,280	16,582	35,863
Derivative Transactions	14,912	16,806	31,719	19,280	16,582	35,863
Forex Related	14,462	12,188	26,650	17,828	12,082	29,911
Interest Rate-Related	450	4,617	5,068	1,452	4,499	5,951
Long-Settlement Transactions	—	—	—	—	—	—
Credit-Equivalent Amount Reduction Effect Through Close-Out Netting Agreement				△ 7,267	△ 5,039	△ 12,307
Net Credit-Equivalent Amount (Before Credit Risk Mitigating Effect is Recognized)						23,555
Eligible Financial Collateral Associated						305
Bonds						305
Net Credit-Equivalent Amount (After Credit Risk Mitigating Effect is Recognized)						23,250

- (Note) 1. The credit-equivalent amount is calculated by applying the current-exposure method.  
2. Does not apply to credit derivatives trading



## V. Matters Relating to Securitization Transactions

A. Matters Relating to Securitization Exposures Originated by the Bank  
Not applicable as of March 31, 2015 and 2016

B. Matters Relating to Securitization Exposures in Which the Bank Invests

1. Amount of securitization exposures held and breakdown of major underlying assets by type

(Millions of yen)

Type of Underlying Assets	Amounts of Exposures			
	March 31, 2015		March 31, 2016	
	Balance	Re-Securitization	Balance	Re-Securitization
Loan claims	6,486	—	8,530	—
Claims on lease payments	1,019	—	612	—
Others	3	—	1	—
Total	7,509	—	9,144	—

2. Balance and amount of required capital of securitization exposures held by appropriate risk weight category

(Millions of yen)

Risk Weight	March 31, 2016			
	Balance		Required Capital	
	Balance	Re-Securitization	Balance	Re-Securitization
20%	9,143	—	73	—
1250%	1	—	0	—
Total	9,144	—	73	—

(Millions of yen)

Risk Weight	March 31, 2015			
	Balance		Required Capital	
	Balance	Re-Securitization	Balance	Re-Securitization
20%	7,506	—	60	—
1250%	3	—	1	—
Total	7,509	—	61	—

3. A breakdown of the amount of securitization exposures, for which 1250% of risk weight is applied in accordance with Article 247, Section 1 of the Notification on Capital Adequacy, and by types of categories of original asset

(Millions of yen)

Securities	March 31, 2015	March 31, 2016
		3

4. Breakdown of re-securitization exposure to apply for credit risk mitigation technique and to apply for Guarantor or appropriate guarantor  
Not applicable as of March 31, 2015 and 2016

# Disclosure based on Pillar III of Basel III – Quantitative Disclosure

- C. Matters relating to calculate the market risk amount regard to securitization exposure in which the Bank originates  
Not applicable as of March 31, 2015 and 2016
- D. Matters relating to calculate the market risk amount regard to securitization exposure in which the Bank invests  
Not applicable as of March 31, 2015 and 2016

VI. Matters Relating to Market Risk  
Not applicable as of March 31, 2015 and 2016

VII. Matters Relating to Capital Subscriptions or Equity Exposures in the Banking Account  
Not applicable as of March 31, 2015 and 2016

VIII. Amount of Regarded Exposures Relating to Funds  
Not applicable as of March 31, 2015 and 2016

IX. For the Interest Rate Risk in the Banking Account, Gains and Losses or Changes in Economic Values Due to Interest Rate Shocks under the Internal Control Management

(Millions of yen)

March 31, 2015	March 31, 2016
7,235	5,496

