

A large, stylized red curved graphic element, resembling a thick arc or a partial circle, dominates the left side of the page. It is composed of a solid red outer edge and a grey inner edge, creating a sense of depth and movement.

The Nomura Trust and Banking Co., Ltd.

2020

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Annual Report

**NOMURA**



### Corporate Data (As of July, 2020)

<b>Name:</b>	The Nomura Trust and Banking Co., Ltd.
<b>Established:</b>	August 24, 1993
<b>Paid-in Capital:</b>	50 billion yen
<b>Outstanding Shares:</b>	1,400,000 shares
<b>Shareholder:</b>	Nomura Holdings, Inc. (Number of shares held: 1,400,000 shares, holding ratio: 100%)
<b>Head Office:</b>	2-2-2, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan +81 (3) 5202-1600

## Disclosure 2020

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# Message from the CEO

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

During the first half of the fiscal year, the Japanese market remained stable as corporate profits on the whole maintained high levels, despite the ongoing uncertainty of the overseas market environment, while the BOJ continued quantitative and qualitative monetary easing with yield curve control.

During the second half of the fiscal year, foreign markets initially showed signs of clearing up, with the economic environment trending toward stability, but with the worldwide spread of the novel coronavirus, there were major market changes beginning in the middle of February. Domestically as well, the outlook remained uncertain, as indicated by factors such as the Nikkei Stock Average temporarily falling below the ¥17,000 mark.

Under these circumstances, we, as a member of the Nomura Group, with the goal of accomplishing Nomura's social mission, "we help to enrich society through our expertise in capital markets," and of realizing our vision of "as a leading financial institution, we aim to be the most trusted partner for our clients," have strengthened collaboration with other Group companies to offer high-quality products and services, in order to expand our business.

The investment trust assets under custody totaled 18.0405 trillion yen at the end of March 2020, due to high-quality trust services, client-oriented operations, and other efforts. We have seen an increase in the number of contracts for "Wrap-Trust," which we began handling in 2018, and our total trust balance remained strong, at 22.9635 trillion yen at the end of March 2020. Due to our continued efforts to strengthen sales promotion and to further increase cooperation with Nomura Securities, which is our banking agent, the outstanding loan balance was 535.5 billion yen at the end of March 2020. Additionally, the volume of our inheritance-related services saw a steady increase.

As a result of these business activities, for the fiscal year ended March 2020, we reported an ordinary profit of 590 million yen and a net income of 231 million yen.

The effects of digitalization, the declining birth rate and aging population, and tightening of global regulations have led to rapid changes in the finance industry's business environment. As a member of the Nomura Group, we will further strengthen our relationship with other Nomura Group companies, and, amid this environment, strive to create new value for our clients with a sense of speed, in order to satisfy their increasingly sophisticated and diversified needs.

Furthermore, we will also continue to engage in our workstyle innovation efforts, our efforts to promote opportunities for women at work, and other efforts to ensure that employees of varying backgrounds, with various values, can fully demonstrate their individual personalities and abilities in a variety of business settings.

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

July 2020



**Kenji Kimura**

President and Chief Executive Officer

# Overview of Our Business

## Key Management Indicators

### Changes in Key Management Indicators

(Millions of yen)

Item	FY2015	FY2016	FY2017	FY2018	FY2019
<b>Profit and loss</b>					
Ordinary income	26,288	26,597	25,907	24,810	24,127
Net business profit	3,107	2,857	1,949	2,093	580
Core net business profit	3,537	2,857	2,084	2,093	1,062
Core net business profit excluding gains(losses) on bonds	2,196	2,349	330	1,691	1,439
Core net business profit excluding gains(losses) on bonds and cancellation on investment trusts	2,196	2,575	525	1,728	1,438
Ordinary profit	3,049	2,138	1,804	2,096	590
Net income	1,893	1,755	1,083	1,359	231
<b>Assets, liabilities and capital</b>					
Capital stock	35,000	35,000	35,000	35,000	35,000
Issued stock (thousands)	800	800	800	800	800
Net assets	60,567	61,588	60,877	61,575	57,228
Total assets	2,552,876	1,381,347	1,289,563	1,475,334	1,399,316
Balance of deposits	1,846,875	751,084	818,364	981,328	864,999
Balance of loans	469,963	458,238	529,275	601,520	535,517
Balance of securities	646,137	561,279	511,829	489,558	489,779
<b>Per share information</b>					
Net assets per share (yen)	75,709	76,985	76,097	76,969	71,535
Annual dividends per share (yen)	—	1,090	670	840	—
Net income per share (yen)	3,145	2,194	1,354	1,699	289
Dividend payout ratio (%)	—	49.66%	49.47%	49.43%	—
Number of employees	441	457	451	460	484
Non-consolidated capital adequacy ratio (%)	14.66%	16.51%	16.27%	16.99%	15.76%
Return on equity (%)	3.46%	2.87%	1.76%	2.22%	0.38%
<b>Trust account</b>					
Trust fees	8,785	8,651	8,932	9,042	9,406
Assets held in trust	20,886,696	21,259,975	21,474,240	21,673,956	22,963,542
Balance of loans and bills discounted	451,414	329,081	303,222	319,181	289,761
Balance of securities	2,552,740	2,987,123	2,617,141	2,785,713	3,115,012

## 1. Profit Performance

Regarding the state of profits, while net interest income decreased, trust fees increased by 363 million yen from the last fiscal year, and net other operating income increased by 329 million yen from the last fiscal year; therefore, gross operating profit increased by 178 million yen from the last fiscal year, for a total gross operating profit of 16,545 billion yen. Due to increased general and administrative expenses, and other reasons, net business profit decreased to 580 million yen. As a result, ordinary profit was 590 million yen, and net income was 231 million yen.

■ Table of Profit Performance

(Millions of yen)

Item	FY2015	FY2016	FY2017	FY2018	FY2019	Net Increase (Decrease)
Gross operating profit	18,625	17,635	16,969	16,367	16,545	178
Trust fees	8,785	8,651	8,932	9,042	9,406	363
Net interest income	4,365	5,244	3,262	6,986	6,375	(610)
Net fees and commissions	3,245	2,271	2,003	1,329	1,425	95
Net trading income (loss)	5	2	0	—	—	—
Net other operating income	2,221	1,465	2,771	(992)	(662)	329
Provision of general allowance for loan losses (deduction)	429	—	134	—	482	482
General and administrative expenses (excluding non-recurring expenses)	15,087	14,778	14,885	14,273	15,482	1,209
Personnel expenses	5,218	5,213	5,282	5,236	5,623	387
Non-personnel expenses	9,222	8,857	8,975	8,466	9,100	633
Taxes	646	707	628	570	758	187
<b>Net business profit</b>	3,107	2,857	1,949	2,093	580	(1,512)
Non-recurring profit (loss)	(58)	(719)	(145)	2	9	6
Writing-off loans	—	(932)	—	—	—	—
Gain and loss on loans sold	—	—	—	(1)	—	1
Reversal of allowance for loan losses (deduction)	—	409	—	142	—	(142)
Provision of specific allowance for loan losses (deduction)	(2)	—	0	—	—	—
<b>Ordinary profit</b>	3,049	2,138	1,804	2,096	590	(1,506)
Extraordinary income	33	530	32	38	11	(27)
Other	33	530	32	38	11	(27)
Extraordinary loss	49	32	161	65	64	(1)
Loss on disposal of chattel and real estate	28	32	145	65	55	(10)
Impairment loss	—	—	16	—	9	9
Provision of contingency losses	20	—	—	—	—	—
Other	0	—	—	—	—	—
<b>Income before income taxes</b>	3,033	2,635	1,674	2,068	536	(1,532)
Income taxes-current	1,307	575	627	583	775	192
Income taxes-deferred (deduction)	(168)	304	(36)	126	(470)	(596)
Total income taxes	1,139	879	591	709	305	(404)
<b>Net income</b>	1,893	1,755	1,083	1,359	231	(1,128)

# Overview of Our Business

## 2. Status of Trust Assets

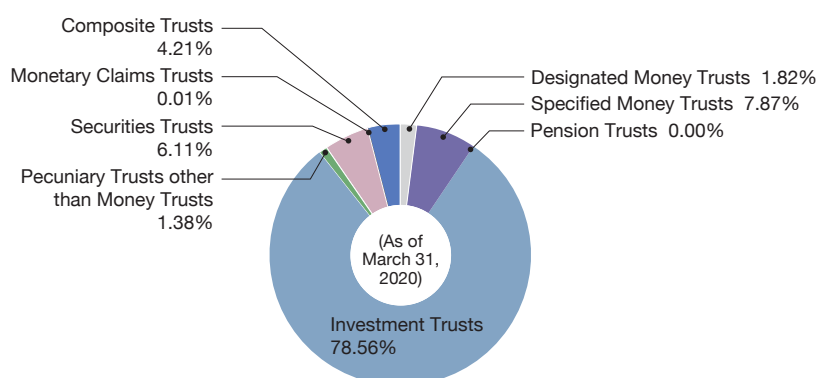
Regarding the status of trust assets, the balance of investment trusts under custody increased by 721.1 billion yen compared to the end of the previous fiscal year, for a total of 18.0405 trillion yen. The total trust balance increased by 1.2895 trillion yen compared to the end of the previous fiscal year, for a total of 22.9635 trillion yen.

■ Table of Balance of Trust Assets

(Millions of yen)

Liabilities	March 31,2016	March 31,2017	March 31,2018	March 31,2019	March 31,2020
Designated Money Trusts	792,270	621,927	505,746	493,681	419,831
Specified Money Trusts	1,324,153	1,599,972	1,509,603	1,578,833	1,807,546
Pension Trusts	77,294	57,350	2,150	1,041	911
Investment Trusts	16,625,358	16,639,438	17,328,641	17,319,480	18,040,589
Pecuniary Trusts other than Money Trusts	200,830	197,010	199,866	252,469	317,916
Securities Trusts	523,145	1,071,924	968,234	1,064,651	1,404,928
Monetary Claims Trusts	20,225	16,339	4,582	3,719	3,061
Composite Trusts	1,323,418	1,056,013	955,415	960,077	968,757
Total	20,886,696	21,259,975	21,474,240	21,673,956	22,963,542

■ Ratio of Trust Assets



### 3. Status of Capital Adequacy

The capital adequacy ratio at the end of March 2020 was 15.76% (domestic standard), maintaining a sound level.

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

(Millions of yen)

Item	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Core capital: instruments and reserves [A]	59,641	60,116	60,798	61,344	<b>62,058</b>
Core capital: regulatory adjustments [B]	1,725	1,976	3,350	4,531	<b>5,852</b>
Regulatory capital [C] (= [A] - [B])	57,916	58,139	57,447	56,813	<b>56,205</b>
Risk assets					
On-balance sheet items	342,137	300,688	305,374	291,400	<b>306,546</b>
Off-balance sheet items	13,594	11,758	10,688	7,617	<b>12,331</b>
CVA risks (divided by multiplying the capital requirement by 12.5)	7,908	7,048	3,538	3,416	<b>5,733</b>
Operational risks (divided by multiplying the capital requirement by 12.5)	31,167	32,484	33,425	31,935	<b>31,960</b>
Total [D]	394,807	351,979	353,026	334,370	<b>356,571</b>
Capital adequacy ratio (domestic standard)(= [C]/[D] x 100)	14.66%	16.51%	16.27%	16.99%	<b>15.76%</b>

(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.

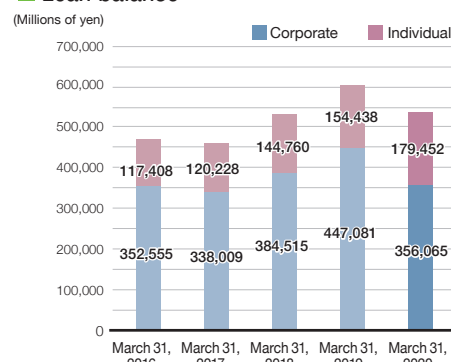
### Results of Main Business

#### <Lending>

In addition to loans to corporate customers, we also extend loans broadly to individual customers through loans secured by securities called "Nomura Web Loan" which is offered via "Banking Service."

The balance of loans as of the end of the current fiscal year stood at 535.5 billion yen.

#### ■ Loan balance



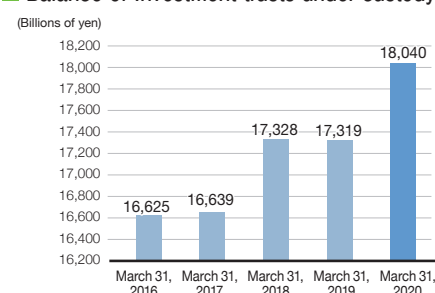
(Note) Corporate includes loans to the trust account.

#### <Investment Trust Administration Business>

The balance of investment trusts under management increased by 721.1 billion yen compared to the end of the previous fiscal year, for a total of 18,040 billion yen.

We received a qualified opinion in accordance with the Statement on Standards for Attestation Engagements No.18 (SSAE 18) in an audit performance by an independent auditor, and we are working hard to further improve the quality of our administrative operations.

#### ■ Balance of Investment trusts under custody





# 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 “Nomura Group Code of Conduct”, we are promoting company management which is appropriate considering the relevant laws and regulations.

The Nomura Trust and Banking Co., Ltd. features a corporate structure with an audit and supervisory committee. We 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 and the allotment of the duties and chain of command for the executive director. The Board entrusts decision-making related to business execution to the president and representative director, who is also the executive director, in order to speed up the decision-making process. In addition, the Audit and Supervisory Committee, in which the majority of members are outside directors, performs audits of business execution, with the objective of strengthening our management supervisory functions and improving our managerial transparency. Moreover, we regularly convene the Executive Management Board, chaired by the President and Representative Director, 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 and Supervisory Committee audits the suitability, validity and efficiency of business operations and the execution of duties by the directors and senior managing 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 and Supervisory Committee also collaborates with the Audit Committee of Nomura Holdings as necessary. Furthermore, we have set up an Audit and Supervisory Committee Office with staff members independent of business execution, in order to continue to ensure that the Audit and Supervisory Committee can properly carry out its duties.

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

- |   |  |
|---|--|
| ● Risk Management Committee:                | Deliberates and decides on important matters related to integrated risk management, based on risk appetite.  |
| ● ALM Committee:                            | Deliberates and decides on matters related to formulation and approval of the basic strategies for fund management and procurement.  |
| ● 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 Executive Management Board when it is making decisions on the provision of the new product or launch of the new business.   |
| ● Investment Management Committee:          | In addition to deliberating and deciding on investment management policies for trust assets for which the Bank has discretionary power, and the pros and cons of employing asset management companies or incorporating investment products into the investment product lineup, as well as individual management models, etc., also works to share data regarding performance and risk management conditions of investment products, etc. |
| ● Asset Risk Management 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.   |
| ● 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 business execution and risk management systems and to make recommendations for improvement.

In light of the guidelines set forth by the Institute of Internal Auditors for internal audits, the Internal Audit Department identifies the type and degree of risks, 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 Internal Audit Charter” and our “Internal Audit Charter.”

The results of audits are promptly reported to company management and the Audit and Supervisory Committee. Any issues identified in the audits are communicated to the relevant operational divisions, so that follow-up for the corresponding situation actions can be taken, in an effort to further enhance the internal control system.



# 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 Executive Management Board 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 Nomura Group Code of Conduct, 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, senior managing directors 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 president and vice-chaired by the Compliance Officer appointed by the Executive Management Board, 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 Executive Management Board and the Audit and Supervisory 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 Executive Managing Board. 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 and Supervisory 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)

Based on the Nomura Group Code of Conduct, we at the Nomura Group have built a high-level administrative structure for the purpose of refusing to deal with any antisocial force or 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 Basel III 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.

## Risk Appetite

Appropriate risks to take and risk management are discussed by the Board of Directors and the Executive Management Board, and qualitative and quantitative risk appetites are determined, based upon which business strategies are drawn up.

In addition, we share Nomura Group's basic philosophy of "placing clients at the heart of everything we do," and always work to operate our business by putting our customer-oriented perspective (fiduciary duty) into practice.

## Top Risk Management

The main types of risks that are considered highly influential in our business operations include

- Liquidity risk,
  - Risk of portfolio damages with respect to banking accounts,
  - Risk of trust business operations not being performed in proper accordance with established procedures and standards,
  - System risk of cyber-attacks, and
  - Financial crime risk including money laundering etc,
- among others.

These risks are discussed by the Executive Management Board and the Risk Management Committee to perform preventative risk management.

## 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 Executive Management Board 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 Executive Management Board, the Risk Management Committee and the Audit and Supervisory 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.

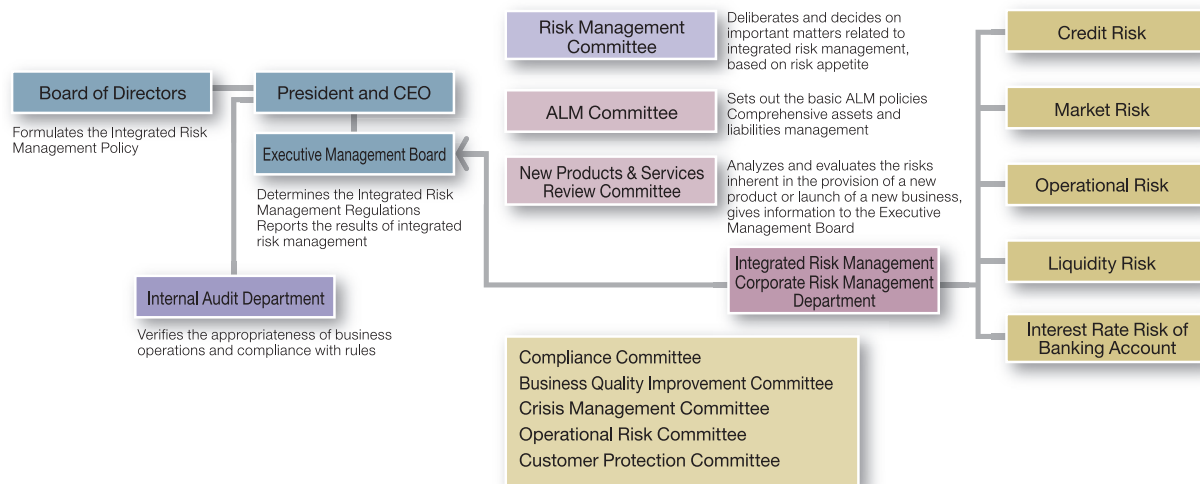
## Stress Tests

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 Risk Management 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 Management Department
		System risk	IT Planning & Control Department
		Information security risk	Compliance Control Department・IT Planning & Control Department
		Legal and compliance risk	Compliance Control Department
		Outsourcing risk	Operations Planning and Management 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 Risk Management Committee.

## 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 and Trust Risk Management Department, 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,” and carry out proper write-offs of credits and provide allowances using the accumulated default ratio for each credit rating, etc.

# Internal Control System – Risk Management

## 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 Risk Management Committee 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.

## 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 Management 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 effective 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. The IT Planning & Control Department assumes the responsibility for managing and controlling systems. Fully aware that risks arising from system troubles and cyber attacks etc. may affect not only our company but the entire market, we establish operational procedures and define the actions to be taken in an emergency.

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 Management Regulations " 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.

## 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

Operational risks other than those listed above are categorized as other operational risks, and the department responsible for management of operational risks is considering necessary actions.

## 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 Risk Management Committee and the 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 Risk Management Committee and ALM Committee which meet 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 Risk Management Committee, etc.

# Internal Control System – Risk Management

## 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.)”.

### 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 Executive Management Board.

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:

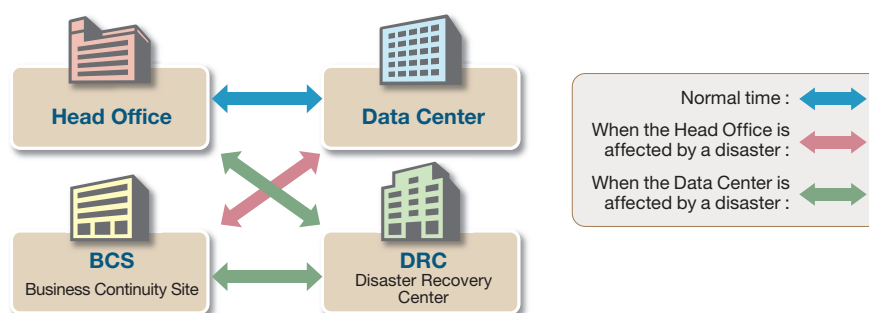
#### Establishment of a Business Continuity Site (BCS)

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 Executive Management Board regularly or as needed. The Executive Management Board verifies the effectiveness of the customer protection management system of the company and reviews it if necessary.

## Conflicts of Interest Management Policy

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 <https://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 <https://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 <https://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 <https://www.nomura-trust.co.jp/>. (Japanese version 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 <https://www.nomura-trust.co.jp/>. (Japanese version only)

## Policy on Customer-Oriented Business Conduct

We have established the Policy on Customer-Oriented Business Conduct, and, as a trust bank of Nomura Group, we strive to provide services that truly satisfy our customers, based on the dynamism generated through the fusion of banking, trust, and securities operations, and which are in accord with our basic philosophy of “placing clients at the heart of everything we do.”

For details of our Policy on Customer-Oriented Business Conduct, please visit our website at <https://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

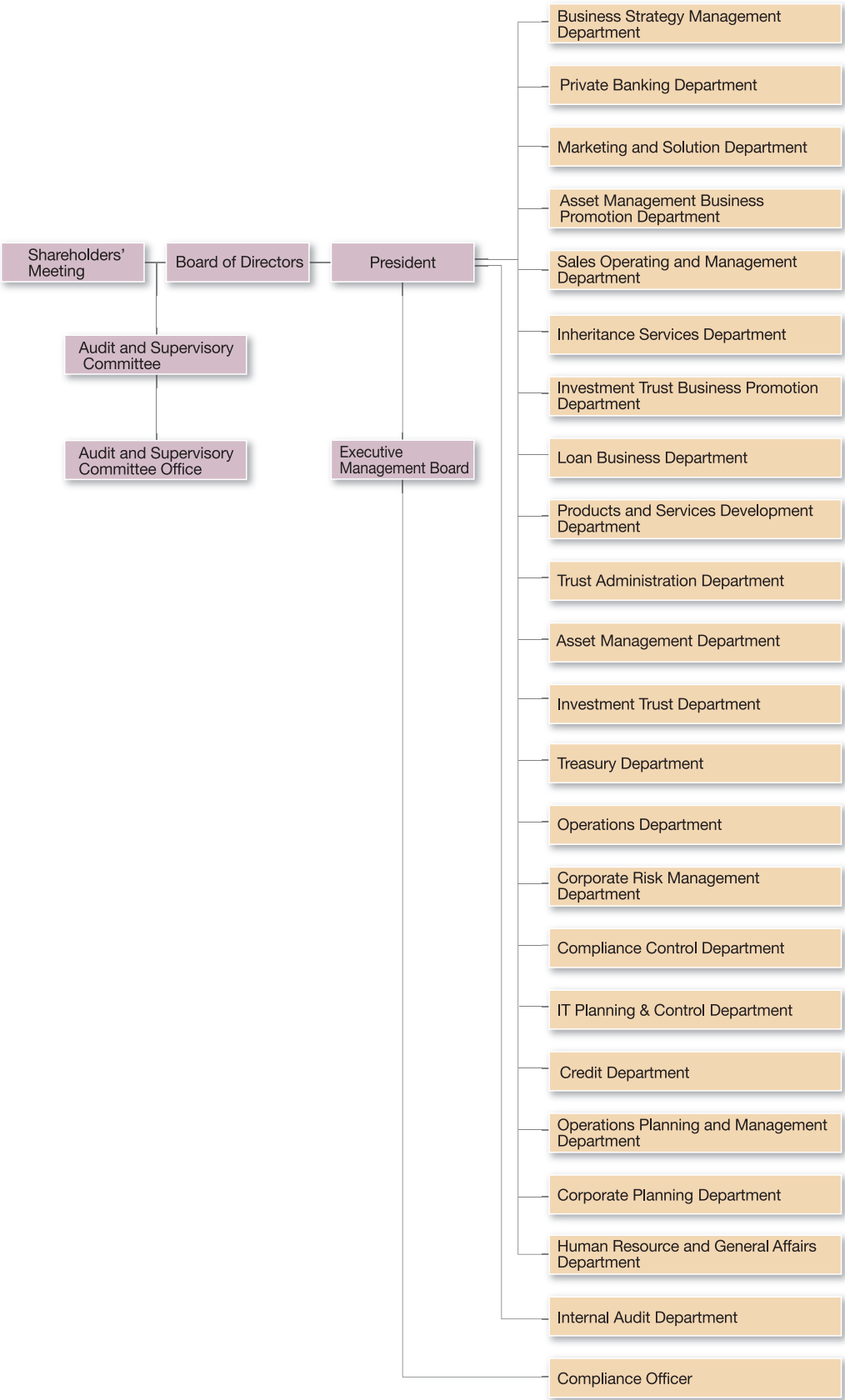
We have appointed the Finance Facilitation Manager who centrally controls our finance facilitation management system. The Finance Facilitation Manager offers management consultation and guidance services to SME customers in collaboration with the sales promotion division and the credit examination division 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 July 1, 2020)



# Directors, Senior Managing Directors and Employees

## ■ Directors and Executive Officers (as of July 1, 2020)

Directors	
Chairman of the Board of Directors	Yoshihiro Namura
Representative Director	Kenji Kimura
Director	Masaharu Kambe
Director	Takehisa Yanai
Director	Shoji Ogawa
Director	Toru Otsuka

Senior Managing Directors		
President & CEO	Kenji Kimura	
Executive Vice President	Toshiyuki Ikeda	Marketing & Business Strategy
Senior Corporate Managing Director	Natsuki Gomi	Corporate
Senior Corporate Managing Director	Norihiko Nishino	Corporate
Senior Managing Director	Nobuaki Araki	Marketing & Client Relations
Senior Managing Director	Mitsuru Oki	Marketing & Client Relations
Senior Managing Director	Yuzuru Yanagawa	Business Strategy
Senior Managing Director	Ichiro Hashimoto	Investment Trust Business, IT
Senior Managing Director	Koji Hagiwara	Marketing & Client Relations, Trust Business

## ■ Employees

	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Number of employees	441	457	451	460	484
Average length of service	5 years and 1 month	6 years and 0 month	6 years and 10 months	7 years and 5 months	7 years and 7 months
Average monthly salary (thousand yen)	545	535	549	560	575

## ■ Rating Information (as of July 1, 2020)

S&P		JCR	R&I	
Long Term	Short Term	Long-Term Issuer Rating	Long-Term Debt	Short-Term Debt
A-	A-2	AA-	A+	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.
- **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 three types of securities trusts depending on the purpose of the trustors; (1) securities administration trusts which are designed to administer securities, (2) securities management trusts for the purpose of management, and (3) securities disposition trusts for the purpose of securities disposition.

## ■ 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.
- **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.

## ■ Banking Business

- **Deposit Business**  
We handle ordinary deposits, current deposits, time deposits, foreign currency deposits, negotiable certificate of deposits, etc.
- **Lending Business**  
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.

## ■ 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.
- **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 "Banking Service (internet banking)" services.
April 2007	Balance of investment trust assets exceeded 10,000 billion yen.
May	Opened Osaka representative office (Closed in July 2016).
August	Started marketing and handling "E-Ship" (trust-type employee stock-ownership incentive plan).
July 2008	Started servicing "Nomura Web Loan" (loans secured by securities) via "Banking Service."
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	"Banking Service" 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 "Banking Service" and "Nomura Net & Call," which is offered by Nomura Securities
January 2018	Started marketing and handling "Wrap-Trust" (living trust as a will substitute) using Nomura Securities as an agent.
April 2019	Changeover to new company structure as a company with an audit and supervisory committee.

## Financial Data

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# Financial Statements

## ■ Balance Sheets

(Millions of yen)

Item	March 31,2019	March 31,2020
<b>Assets:</b>		
Cash and due from banks	346,771	319,350
Cash	0	0
Due from banks	346,770	319,350
Securities	489,558	489,779
Government bonds	104,605	83,463
Local government bonds	56,679	84,961
Corporate bonds	105,143	89,817
Other securities	223,130	231,537
Loans	601,520	535,517
Loans on deeds	354,920	220,901
Overdrafts	246,600	314,615
Foreign exchanges	2,270	4,666
Due from foreign banks (our accounts)	2,270	4,666
Foreign bills receivable	0	—
Other assets	28,013	39,145
Prepaid expenses	217	174
Accrued income	4,522	4,074
Derivatives other than for trading-assets	5,700	12,558
Cash collateral paid for financial instruments	1,772	4,090
Other	15,800	18,247
Tangible fixed assets	927	914
Buildings	168	156
Other	759	758
Intangible fixed assets	6,554	8,481
Software	4,138	7,676
Software in progress	2,389	804
Goodwill	25	—
Other	1	1
Deferred tax assets	1,096	3,322
Allowance for loan losses	(1,379)	(1,861)
<b>Total assets</b>	<b>1,475,334</b>	<b>1,399,316</b>



## ■ Balance Sheets

(Millions of yen)

Item	March 31, 2019	March 31, 2020
<b>Liabilities:</b>		
Deposits	981,328	864,999
Current deposits	16,769	9,218
Ordinary deposits	387,123	346,147
Time deposits	472,238	392,354
Other deposits	105,197	117,279
Negotiable certificates of deposit	31,951	18,301
Call money	20,928	81,763
Borrowed money	145,554	87,841
Borrowings from others	145,554	87,841
Due to Trust Accounts	215,105	257,310
Other liabilities	16,845	29,635
Income taxes payable	227	299
Accrued expenses	2,478	2,970
Unearned revenue	425	383
Derivatives other than for trading-liabilities	12,163	24,156
Cash collateral received for financial instruments	965	1,295
Asset retirement obligations	132	135
Other	452	394
Provision for bonuses	888	1,003
Provision for retirement benefits	1,157	1,233
<b>Total Liabilities</b>	<b>1,413,759</b>	<b>1,342,088</b>
<b>Net assets:</b>		
Capital stock	35,000	35,000
Capital surplus	13,270	13,270
Legal capital surplus	5,000	5,000
Other capital surplus	8,270	8,270
Retained earnings	12,655	12,214
Legal retained earnings	1,428	1,563
Other retained earnings	11,226	10,651
Retained earnings brought forward	11,226	10,651
Total shareholders' equity	60,925	60,484
Valuation difference on available-for-sale securities	4,185	3,308
Deferred gains or losses on hedges	(3,535)	(6,564)
Total valuation and translation adjustments	649	(3,256)
<b>Total net assets</b>	<b>61,575</b>	<b>57,228</b>
<b>Total liabilities and net assets</b>	<b>1,475,334</b>	<b>1,399,316</b>

# Financial Statements

## Statements of Income

(Millions of yen)

Item	FY2018	FY2019
<b>Ordinary Income</b>	24,810	24,127
Trust fees	9,042	9,406
Interest income	12,370	11,368
Interest on loans	5,212	5,404
Interest and dividends on securities	5,457	5,298
Interest on call loans	22	0
Interest on due from banks	(124)	(108)
Interest on interest swaps	1,783	761
Other interest income	19	12
Fees and commissions	2,433	2,665
Fees and commissions on domestic and foreign exchanges	471	482
Other fees and commissions	1,962	2,183
Other operating income	819	666
Gains on foreign exchange transactions	89	16
Gains on sales of bonds	730	647
Other	—	2
Other income	143	20
Reversal of allowance for loan losses (deduction)	142	—
Other	1	20
<b>Ordinary expenses</b>	22,714	23,536
Interest expenses	5,384	4,992
Interest on deposits	2,796	2,854
Interest on negotiable certificates of deposit	2	3
Interest on call money	479	400
Interest on borrowings	20	(16)
Interest on interest swaps	2,084	1,750
Other interest expenses	2	0
Fees and commissions payments	1,103	1,239
Fees and commissions on domestic and foreign exchanges	268	270
Other fees and commissions	835	969
Other operating expenses	1,812	1,329
Loss on sales of bonds	328	459
Loss on devaluation of bonds	—	564
Expenses on derivatives other than for trading or hedging	1,483	241
Other	—	63
General and administrative expenses	14,412	15,491
Other expenses	1	484
Provision of allowance for loan losses write-off of loan	—	482
Other	1	1
<b>Ordinary profit</b>	2,096	590

## ■ Statements of Income (Continued)

(Millions of yen)

Item	FY2018	FY2019
<b>Extraordinary Income</b>	38	11
Other	38	11
<b>Extraordinary Loss</b>	65	64
Loss on disposal of noncurrent assets	65	55
Impairment loss	—	9
<b>Income before income taxes</b>	2,068	536
<b>Income taxes-current</b>	583	775
<b>Income taxes-deferred (deduction)</b>	126	(470)
<b>Total income taxes</b>	709	305
<b>Net income</b>	1,359	231

## ■ Statements of Changes in Net Assets

(Millions of yen)

Item	FY2018	FY2019
<b>Shareholders' equity:</b>		
<b>Capital stock:</b>		
Balance at the beginning of the period	35,000	35,000
Changes of items during the period		
Issuance of capital stock	—	—
Total changes of items during the period	—	—
Balance at the end of the current period	35,000	35,000
<b>Capital surplus:</b>		
Legal capital surplus:		
Balance at the beginning of the period	5,000	5,000
Changes of items during the period		
Issuance of capital stock	—	—
Total changes of items during the period	—	—
Balance at the end of the current period	5,000	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	13,270	13,270
Changes of items during the period		
Issuance of capital stock	—	—
Total changes of items during the period	—	—
Balance at the end of the current period	13,270	13,270
<b>Retained earnings:</b>		
Legal retained earnings:		
Balance at the beginning of the period	1,321	1,428
Changes of items during the period		
Dividends from surplus	107	134
Total changes of items during the period	107	134
Balance at the end of the current period	1,428	1,563

# Financial Statements

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

(Millions of yen)

Item	FY2018	FY2019
Other retained earnings		
Legal retained earnings brought forward		
Balance at the beginning of the period	10,510	11,226
Changes of items during the period		
Dividends from surplus	(643)	(806)
Net income	1,359	231
Total changes of items during the period	716	(575)
Balance at the end of the current period	11,226	10,651
Total retained earnings		
Balance at the beginning of the period	11,832	12,655
Changes of items during the period		
Dividends from surplus	(536)	(672)
Net income	1,359	231
Total changes of items during the period	823	(440)
Balance at the end of the current period	12,655	12,214
<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	60,102	60,925
Changes of items during the period		
Dividends from surplus	(536)	(672)
Net income	1,359	231
Total changes of items during the period	823	(440)
Balance at the end of the current period	60,925	60,484
<b>Valuation and translation adjustments:</b>		
<b>Valuation difference on available-for-sale securities:</b>		
Balance at the beginning of the period	2,406	4,185
Changes of items during the period		
Net changes of items other than shareholders' equity	1,778	(877)
Total changes of items during the period	1,778	(877)
Balance at the end of the current period	4,185	3,308
<b>Deferred gains or losses on hedges:</b>		
Balance at the beginning of the period	(1,631)	(3,535)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,904)	(3,029)
Total changes of items during the period	(1,904)	(3,029)
Balance at the end of the current period	(3,535)	(6,564)
<b>Total valuation and translation adjustments:</b>		
Balance at the beginning of the period	775	649
Total changes of items during the period		
Net changes of items other than shareholders' equity	(125)	(3,906)
Total changes of items during the period	(125)	(3,906)
Balance at the end of the current period	649	(3,256)
<b>Total net assets:</b>		
Balance at the beginning of the period	60,877	61,575
Total changes of items during the period		
Dividends from surplus	(536)	(672)
Net income	1,359	231
Net changes of items other than shareholders' equity	(125)	(3,906)
Total changes of items during the period	697	(4,347)
Balance at the end of the current period	61,575	57,228

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

(Millions of yen)

Item	FY2018	FY2019
<b>I Net cash provided by (used in) operating activities:</b>		
Income before income taxes	2,068	536
Depreciation and amortization	2,028	2,395
Impairment loss	—	9
Increase (decrease) in allowance for loan losses	(142)	482
Increase (decrease) in provision for bonuses	(164)	115
Increase in provision for retirement benefits	66	75
Other extraordinary income	(38)	(11)
Interest income	(12,370)	(11,368)
Interest expenses	5,384	4,992
Loss (gain) related to securities	(401)	376
Foreign exchange losses (gains)	(1,377)	6,682
Gains (loss) on disposal of tangible fixed assets	65	55
Net decrease (increase) in derivative assets	9,645	(6,857)
Net increase (decrease) in derivative liabilities	(6,002)	11,993
Decrease (increase) in deferred losses on hedge	(2,227)	(4,139)
Increase (decrease) in deferred profits on hedge	34	(86)
Net decrease (increase) in loans	(72,245)	66,150
Net increase (decrease) in deposit	162,964	(116,328)
Net increase (decrease) in negotiable certificates of deposit	(2,600)	(13,650)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	3,223	(57,713)
Net decrease (increase) in due from banks (excluding deposit paid to Bank of Japan)	0	(3)
Net decrease (increase) in cash collateral	(23,118)	(2,928)
Net increase (decrease) in call money	(4,123)	60,834
Net increase (decrease) in foreign exchanges-assets	(70)	(2,395)
Net increase (decrease) in due to trust accounts	38,809	42,205
Actual interest income	12,614	13,050
Actual interest expenses	(5,952)	(6,091)
Net decrease (increase) in temporary payment	543	(756)
Other	154	165
Sub total	106,621	(12,207)
Income taxes paid	(581)	(503)
Net cash provided by (used in) operating activities	106,040	(12,711)
<b>II Net cash provided by (used in) investment activities:</b>		
Purchase of securities	(137,071)	(139,709)
Proceeds from sales of securities	64,144	38,650
Proceeds from redemption of securities	97,862	91,247
Purchase of tangible fixed assets	(468)	(354)
Purchase of intangible fixed assets	(2,311)	(3,874)
Net cash provided by (used in) investing activities	22,155	(14,040)
<b>III Net cash provided by (used in) financing activities:</b>		
Proceeds from issuance of stocks	—	—
Payment of subordinated borrowings	—	—
Cash dividends paid	(536)	(672)
Net cash provided by (used in) financing activities	(536)	(672)
<b>IV Effect of exchange rate change on cash and cash equivalents</b>	<b>—</b>	<b>—</b>
<b>V Net increase (decrease) in cash and cash equivalents</b>	<b>127,660</b>	<b>(27,423)</b>
<b>VI Cash and cash equivalent at the beginning of the period</b>	<b>219,100</b>	<b>346,760</b>
<b>VII Cash and cash equivalents at the end of the period</b>	<b>346,760</b>	<b>319,336</b>

**[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 on April 1, 1998 or later, as well as structures and facilities attached to the buildings acquired on April 1, 2016 or later).

Principal useful lives are as follows:

Buildings: 6 years to 45 years

Furniture and fixtures: 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)<March 17, 2020>, 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) Allowance for relocation losses

To prepare for potential losses from a data center relocation, an allowance for relocation losses is recorded in an amount likely to be incurred in equipment disposal expenses.

## 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, as a general rule, apply deferral hedge accounting using portfolio hedges or individual hedges as 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) <Feb 13, 2002>.

As for the method to assess hedge effectiveness, the effectiveness of portfolio hedges offsetting market fluctuations is assessed for each identified (i) group of hedged instruments and (ii) corresponding group of hedging instruments in the same time-to-maturity bucket. Individual hedges offsetting market fluctuations are deemed as highly effective due to being arranged in a manner that makes hedged and hedging instruments identical to each other in important requirements. For this reason, we have omitted an assessment of the effectiveness of such hedges.

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) <July 29, 2002>.

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. Loans to debtors who are legally bankrupt were nil and there were no non-accrual delinquent loans.

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.

2. 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.

3. 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.

4. There were no claims to debtors who are legally bankrupt, non-accrual delinquent loans, loans past due for three months or more and restructured loans.

5. 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 Nov 28, 2014 by the Accounting System Council of JICPA was 41,905 million yen. The principal amount of participation loans treated as sold to other banks was 10,487 million yen.

6. The following assets were pledged as collateral.

Assets pledged as collateral

Securities: 134,454 million yen

Liabilities collateralized by the above assets

Borrowings from others: 5,441 million yen

In addition to the above-mentioned assets, securities of 15,441 million yen were pledged as margin for transactions such as derivatives, as business guarantee deposits for trust services, and for other purposes.

Other assets included guarantee deposits of 16,090 million yen.

7. 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 19,121 million yen. Of these, the amount for contracts whose original terms expire within one year is 11,305 million yen. 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.

8. Accumulated depreciation on tangible fixed assets    3,337 million yen

9. 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).
10. There were no monetary claims for the directors arising from transactions with the directors.
11. There were no monetary liabilities for the directors arising from transactions with the directors.
12. Total amount of monetary claims for the affiliated companies      49 million yen
13. Total amount of monetary liabilities for the affiliated companies      798 million yen
14. 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.  
The amount of legal retained earnings arising from payments of such dividends of surplus for the current fiscal year was 134 million yen.
15. "Allowance for relocation losses" is included under "other liabilities."

#### (Notes to Statements of Income)

1. Income from transactions with subsidiaries and associated companies
 

Interest income:	—million yen
Fees and commissions:	11 million yen
Other operating income:	—million yen
Other income:	—million yen

Expenses from transactions with subsidiaries and associated companies

Interest expenses:	0 million yen
Fees and commissions payments :	—million yen
Other operating expenses:	823 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 expenses" includes 482 million yen for provision of allowance for loan losses.
4. "Interest on due from banks" and "interest on borrowings" include negative-interest-rate transactions.

# 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	800	—	—	800	
Common stock	800	—	—	800	—

There were no treasury stocks.

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

### 3. Matters relating to cash dividends

Dividends paid during the fiscal year

Resolution	Type of stock	Total amount of cash dividends paid (Millions of Yen)	Per share amount (Yen)	Record date	Effective date
Board of directors held on May 13, 2019	Ordinary	672	840	March 31, 2019	June 3, 2019

## (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 "Banking Service," an internet banking service, and yen-denominated derivative deposits for corporate customers. Our sources of finance include negotiable certificates of deposits and borrowed money 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 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, the ALM Committee, and the Risk Management Committee.

#### (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 70% 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 investment trusts, 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 Executive Management Board 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 semiannually by the ALM Committee and the Risk Management Committee, and approved by the Executive Management Board. The Corporate Risk Management Department reports daily position and profit-and-loss status to the responsible 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, wherein we define market risk as the risk of incurring losses due to fluctuations in interest rates, exchange rates, securities prices, etc. As of the end of March 2020, our market risk equivalent (estimated losses) of trading activities (foreign exchange transactions) was 3 million yen, whereas that of our banking activities was 14.566 billion 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 2019 showed that VaR was not exceeded by actual profit and loss, 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 responsible 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, 2020. Unlisted stocks and others, the fair values of which are extremely difficult to determine, are excluded from the table below. (Refer to Note 2)

# Financial Statements

(Millions of yen)

	Book Value	Fair Value	Difference
(1) Cash and due from banks	319,350	319,350	—
(2) Securities			
Held-to-maturity debt securities	25,311	28,877	3,565
Available-for-sale securities	457,931	457,931	—
(3) Loans	535,517		
Allowance for loan losses (*1)	(1,573)		
	533,944	533,889	(55)
(4) Foreign exchanges	4,666	4,666	—
Total assets	1,341,204	1,344,715	3,510
(1) Deposits	864,999	864,999	—
(2) Negotiable certificates of deposit	18,301	18,301	—
(3) Call money	81,763	81,763	—
(4) Borrowed money	87,841	87,841	—
(5) Due to trust accounts	257,310	257,310	—
Total liabilities	1,310,216	1,310,216	—
Derivatives (*2)			
Derivative transactions not qualifying for hedge accounting	(1,055)	(1,055)	—
Derivative transactions qualifying for hedge accounting	(10,542)	(13,795)	(3,253)
Total derivatives	(11,598)	(14,851)	(3,253)

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

(\*2) 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) 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)."

### (3) 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.

#### (4) 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
other securities (*)	6,536

(\*) We do not treat other securities 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
Securities						
Held-to-maturity debt securities	—	—	—	25,000	—	—
Available-for-sale securities	92,465	96,872	101,385	43,656	28,947	51,199
Loans (*)	363,091	79,083	32,866	23,443	15,741	21,291
Total	455,556	175,955	134,251	92,099	44,689	72,490

(\*) There was no money which is not expected to be recovered, such as claims to debtors who are legally bankrupt, virtually bankrupt, or possibly bankrupt.

# 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 (*)	713,492	12,907	—	600	7,000	131,000
Negotiable certificates of deposit	18,301	—	—	—	—	—
Call money	81,763	—	—	—	—	—
Borrowed money	9,941	1,000	—	—	3,500	73,400
Due to trust accounts	257,310	—	—	—	—	—
Total	1,080,809	13,907	—	600	10,500	204,400

(\*) 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, 2020 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, 2020)

(Millions of yen)

	Type	Book Value	Fair Value	Difference
Securities for which the fair value exceeds the book value	Government bonds	25,311	28,877	3,565
Total		25,311	28,877	3,565

### 2. Available-for-Sale Securities (as of March 31, 2020)

(Millions of yen)

	Type	Book Value	Acquisition Cost	Difference
Securities for which the book value exceeds the acquisition cost	Bonds	89,278	86,306	2,971
	Government bonds	38,045	35,442	2,602
	Local government bonds	12,715	12,693	21
	Corporate bonds	38,517	38,169	347
	Other securities	127,974	122,262	5,711
	Foreign bonds	122,993	117,453	5,540
	Others	4,980	4,808	171
	Subtotal	217,252	208,569	8,683
Securities for which the book value does not exceed the acquisition cost	Bonds	143,652	144,179	(527)
	Government bonds	20,106	20,449	(342)
	Local government bonds	72,246	72,309	(63)
	Corporate bonds	51,299	51,420	(120)
	Other securities	97,027	100,389	(3,362)
	Foreign bonds	67,589	68,489	(900)
	Others	29,437	31,899	(2,462)
	Subtotal	240,679	244,568	(3,889)
Total		457,931	453,137	4,794



## 3. Available-for-Sale Securities Sold during the Fiscal Year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

Type	Amount Sold	Gain	Loss
Bonds	34,400	437	—
Government bonds	30,677	423	—
Corporate bonds	3,103	3	—
Foreign bonds	619	10	—
Other securities	5,158	210	(457)
Total	39,559	647	(457)

## 4. Securities subjected to impairment recognition

Among securities other than trading securities (excluding securities for which the market value is extremely difficult to identify), securities for which the market value has declined markedly in comparison to the acquisition cost, and for which the market value is not deemed as likely to recover to the acquisition cost, are stated at the market value on the balance sheet, and the valuation difference was recorded as a loss for the fiscal year under review ("impairment recognition").

The impairment recognition for the fiscal year amounted to 564 million yen.

Market value is deemed to "have declined markedly" if it has declined 50% or more from the acquisition cost; it is also deemed to have done so if it has declined by more than 30% but less than 50% from the acquisition cost, with the market price remaining at or below a certain level. In consideration of this and the business performance of the issuer company, among other factors, impairment is recognized for securities other than those judged as likely to recover.

## (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	493 million yen
Provision for retirement benefits	382 million yen
Provision for bonuses	289 million yen
Impairment loss	186 million yen
Accrued business tax	73 million yen
Credit reserve	59 million yen
Deferred consumption tax	83 million yen
Deferred gain or loss on hedges	2,949 million yen
Excess of depreciation	146 million yen
Foreign currency translation differences on securities	83 million yen
Others	190 million yen
Subtotal	4,939 million yen
Valuation allowance	(100) million yen
Deferred tax assets	4,838 million yen

## Deferred tax liabilities:

Valuation difference on available-for-sale securities	1,486 million yen
Others	30 million yen
Deferred tax liabilities	1,516 million yen

Net deferred tax assets	3,322 million yen
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## (Per Share Information)

Net assets per share	71,535.25 yen
Net income per share	289.08 yen

# Financial Statements

## (Important Events after the Reporting Period)

At a March 24, 2020 Board of Directors meeting of the Company, it was resolved to issue shares for subscription by way of allotment to shareholders, and the payment procedure was completed. The terms and conditions are as follows.

Class and number of shares for subscription:

Common stock: 600,000 shares

Amount to be paid in for shares for subscription:

50,000 yen per share

Total amount to be paid in for shares for subscription:

30,000 million yen

Payment due date for money to be exchanged for shares for subscription:

April 30, 2020

Increase in capital stock and legal capital surplus:

15,000 million yen each



# Status of Main Business

## ■ Breakdown of Profits and Losses by Division

(Millions of yen)

Type	FY2018	FY2019
Trust fees		
Domestic operations	8,642	8,972
International operations	400	433
Total	9,042	9,406
Net interest income		
Domestic operations	2,851	3,149
International operations	4,135	3,226
Total	6,986	6,375
Net fees and commissions		
Domestic operations	1,243	1,307
International operations	86	117
Total	1,329	1,425
Net trading income (loss)		
Domestic operations	—	—
International operations	—	—
Total	—	—
Net other operating income (loss)		
Domestic operations	539	(307)
International operations	(1,532)	(354)
Total	(992)	(662)
Gross operating profits		
Domestic operations	13,276	13,122
International operations	3,090	3,423
Total	16,367	16,545
Provision of general allowance for loan losses (deduction)	—	482
General and administrative expenses (excluding non-recurring expenses)	14,273	15,482
Net business profit	2,093	580
Non-recurring profit (loss)	2	9
Ordinary profits	2,096	590

(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	FY2018	FY2019
Breakdown of investment		
Average balance	973,879 [27,347]	972,381 [31,240]
Domestic operations		
Interest rates	4,771 [17]	4,743 [20]
Yield	0.49%	0.49%
Average balance	284,501	291,127
International operations		
Interest rates	7,616	6,644
Yield	2.68%	2.28%
Average balance	1,231,033	1,232,269
Total		
Interest rates	12,370	11,368
Yield	1.00%	0.92%
Breakdown of funding		
Average balance	1,059,671	1,063,431
Domestic operations		
Interest rates	1,919	1,594
Yield	0.18%	0.15%
Average balance	167,666 [27,347]	171,619 [31,240]
International operations		
Interest rates	3,481 [17]	3,418 [20]
Yield	2.08%	1.99%
Average balance	1,199,990	1,203,810
Total		
Interest rates	5,384	4,992
Yield	0.45%	0.41%
Profit margin		
Domestic operations	0.31%	0.34%
International operations	0.60%	0.29%
Total	0.55%	0.51%

(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 T.T.M 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		FY2018	FY2019
Interest income			
Domestic operations (decrease)	Change due to balance	149	(7)
	Change due to interest rates	(910)	(20)
	Net change	(761)	(27)
International operations (decrease)	Change due to balance	652	151
	Change due to interest rates	1,943	(1,123)
	Net change	2,595	(971)
Subtotal		1,834	(999)
Interest expenses			
Domestic operations (decrease)	Change due to balance	48	5
	Change due to interest rates	(1,779)	(331)
	Net change	(1,730)	(325)
International operations (decrease)	Change due to balance	886	78
	Change due to interest rates	(1,045)	(142)
	Net change	(159)	(63)
Subtotal		(1,890)	(388)
Total		3,724	(610)

(Note) Regarding the reasons for change in the balance and the interest rates, when there is an overlap between the two, it is included in the reasons for "change due to balance".

## ■ Breakdown of Fees and Commissions

(Millions of yen)

Type		FY2018	FY2019
Fees and commissions	Domestic operations	2,308	2,499
	International operations	125	165
	Total	2,433	2,665
Deposits and loans related business	Domestic operations	381	451
	International operations	37	28
	Total	418	480
Exchange business	Domestic operations	384	391
	International operations	86	90
	Total	471	482
Securities related business	Domestic operations	602	524
	International operations	0	0
	Total	603	525
Agency business	Domestic operations	508	541
	International operations	0	0
	Total	509	541
Investment advisory business	Domestic operations	5	3
	International operations	—	—
	Total	5	3
Fees and commissions payments	Domestic operations	1,065	1,192
	International operations	38	47
	Total	1,103	1,239
Exchange business	Domestic operations	239	243
	International operations	28	26
	Total	268	270

# Status of Main Business

## ■ Breakdown of Trading Income and Expenses

Not applicable.

## ■ Breakdown of Other Operating Income and Expenses

(Millions of yen)

Type	FY2018	FY2019
Gains (losses) on foreign exchange transactions	Domestic operations	—
	International operations	89
	Total	89
Gains (losses) on bonds such as JGB	Domestic operations	577
	International operations	(175)
	Total	401
Gains (losses) on financial derivatives	Domestic operations	(37)
	International operations	(1,445)
	Total	(1,483)
Other (losses)	Domestic operations	—
	International operations	—
	Total	—
Total (losses)	Domestic operations	539
	International operations	(1,532)
	Total	(992)

## ■ Breakdown of General and Administrative Expenses

(Millions of yen)

Type	FY2018	FY2019
Salaries and allowances	4,387	4,743
Welfare expenses	865	896
Depreciation and amortization	2,028	2,395
Rent expenses on buildings and machinery	562	570
Supplies expenses	67	64
Communication expenses	477	500
Taxes and dues	570	758
Other	5,313	5,553
Subtotal	14,273	15,482
Non-recurring expenses	139	9
Total	14,412	15,491

# Domestic and Foreign Exchange Transactions

## ■ Foreign Exchange Transactions

(Millions of U.S. dollars)

		FY2018	FY2019
Outgoing remittance	Foreign bills sold	15,029	13,775
	Foreign bills bought	—	—
Incoming remittance	Foreign bills payable	14,814	14,556
	Foreign bills receivable	1	0
Total		29,844	28,332

## ■ Foreign Currency Denominated Assets

(Millions of U.S. dollars)

	March 31, 2019	March 31, 2020
Balance of foreign-currency denominated assets	1,969	2,012

## ■ Domestic Exchange Transactions

(Billions of yen, thousands of units)

			FY2018	FY2019
Remittance	Paid to	Amount	9,195.5	11,057.1
		Unit	1,648	1,642
	Received from	Amount	13,125.4	15,733.2
		Unit	222	221
Collection	Paid to	Amount	—	—
		Unit	—	—
	Received from	Amount	—	—
		Unit	—	—

# Deposits

## ■ Balance by Type of Deposits

(Millions of yen, proportion in brackets)

Type		March 31,2019	March 31,2020
Deposits			
Liquid deposits	Domestic operations	403,893 (39.8%)	355,365 (40.2%)
	International operations	— (—)	— (—)
	Total	403,893 (39.8%)	355,365 (40.2%)
Interest-bearing deposits	Domestic operations	316,991 (31.2%)	306,422 (34.6%)
	International operations	— (—)	— (—)
	Total	316,991 (31.2%)	306,422 (34.6%)
Time deposits	Domestic operations	472,238 (46.6%)	392,354 (44.4%)
	International operations	— (—)	— (—)
	Total	472,238 (46.6%)	392,354 (44.4%)
Fixed-rate time deposits	Domestic operations	349,938 (34.5%)	307,054 (34.7%)
	International operations	— (—)	— (—)
	Total	349,938 (34.5%)	307,054 (34.7%)
Variable-rate time deposits	Domestic operations	122,300 (12.0%)	85,300 (9.6%)
	International operations	— (—)	— (—)
	Total	122,300 (12.0%)	85,300 (9.6%)
Other	Domestic operations	3,641 (0.3%)	437 (0.0%)
	International operations	101,556 (10.0%)	116,842 (13.2%)
	Total	105,197 (10.3%)	117,279 (13.2%)
Total	Domestic operations	879,772 (86.8%)	748,157 (84.7%)
	International operations	101,556 (10.0%)	116,842 (13.2%)
	Total	981,328 (96.8%)	864,999 (97.9%)
Negotiable certificates of deposits	Domestic operations	31,951 (3.1%)	18,301 (2.0%)
	International operations	— (—)	— (—)
	Total	31,951 (3.1%)	18,301 (2.0%)
Grand total	Domestic operations	911,723 (89.9%)	766,458 (86.7%)
	International operations	101,556 (10.0%)	116,842 (13.2%)
	Total	1,013,279 (100.0%)	883,300 (100.0%)



# Average Balance by Type of Deposits

(Millions of yen, proportion in brackets)

Type		FY2018	FY2019
Deposits			
Liquid deposits	Domestic operations	286,316 (32.1%)	318,111 (34.7%)
	International operations	— (—)	— (—)
	Total	286,316 (32.1%)	318,111 (34.7%)
Interest-bearing deposits	Domestic operations	256,635 (28.8%)	265,454 (29.0%)
	International operations	— (—)	— (—)
	Total	256,635 (28.8%)	265,454 (29.0%)
Time deposits	Domestic operations	446,759 (50.2%)	437,083 (47.7%)
	International operations	— (—)	— (—)
	Total	446,759 (50.2%)	437,083 (47.7%)
Fixed-rate time deposits	Domestic operations	329,575 (37.0%)	326,790 (35.7%)
	International operations	— (—)	— (—)
	Total	329,575 (37.0%)	326,790 (35.7%)
Variable-rate time deposits	Domestic operations	117,183 (13.1%)	110,293 (12.0%)
	International operations	— (—)	— (—)
	Total	117,183 (13.1%)	110,293 (12.0%)
Other	Domestic operations	3,903 (0.4%)	4,224 (0.4%)
	International operations	115,125 (12.9%)	114,407 (12.5%)
	Total	119,028 (13.3%)	118,631 (12.9%)
Total	Domestic operations	736,979 (82.8%)	759,419 (83.0%)
	International operations	115,125 (12.9%)	114,407 (12.5%)
	Total	852,104 (95.8%)	873,826 (95.5%)
Negotiable certificates of deposits	Domestic operations	37,207 (4.1%)	40,643 (4.4%)
	International operations	— (—)	— (—)
	Total	37,207 (4.1%)	40,643 (4.4%)
Grand total	Domestic operations	774,186 (87.0%)	800,063 (87.4%)
	International operations	115,125 (12.9%)	114,407 (12.5%)
	Total	889,311 (100.0%)	914,470 (100.0%)

# Deposits

## ■ Time Deposits Balance by Remaining Period

(Millions of yen)

Classification	Period	March 31,2019	March 31,2020
Fixed-rate time deposits	Less than 3 months	91,850	74,175
	From 3 months to less than 6 months	53,031	50,054
	From 6 months to less than 1 year	95,975	118,217
	From 1 year to less than 2 years	5,500	8,586
	From 2 years to less than 3 years	3,979	4,320
	3 years or more	99,600	51,700
	Subtotal	349,938	307,054
Variable-rate time deposits	Less than 3 months	300	2,300
	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	122,000	83,000
	Subtotal	122,300	85,300
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		472,238	392,354

## ■ Balance by Depositor

(Millions of yen, proportion in brackets)

Classification	March 31,2019	March 31,2020
Individual	Amount	462,528
	(%)	(47.1%)
Corporate	Amount	487,424
	(%)	(49.6%)
Other	Amount	31,375
	(%)	(3.1%)
Total	Amount	981,328
	(%)	(100.0%)

(Note) Negotiable certificates of deposits are not included.

# Loans

## ■ Balance by Type of Loans

(Millions of yen)

Type		March 31, 2019	March 31, 2020
Loans on bills	Domestic operations	—	—
	International operations	—	—
	Total	—	—
Loans on deeds	Domestic operations	280,817	156,387
	International operations	74,102	64,514
	Total	354,920	220,901
Overdrafts	Domestic operations	231,452	299,446
	International operations	15,148	15,169
	Total	246,600	314,615
Bills discounted	Domestic operations	—	—
	International operations	—	—
	Total	—	—
Total	Domestic operations	512,269	455,833
	International operations	89,250	79,684
	Total	601,520	535,517

## ■ Average Balance by Type of Loans

(Millions of yen)

Type		FY2018	FY2019
Loans on bills	Domestic operations	—	—
	International operations	852	—
	Total	852	—
Loans on deeds	Domestic operations	249,466	214,869
	International operations	63,416	65,865
	Total	312,883	280,734
Overdrafts	Domestic operations	212,737	257,537
	International operations	14,941	15,100
	Total	227,679	272,638
Bills discounted	Domestic operations	—	—
	International operations	—	—
	Total	—	—
Total	Domestic operations	462,204	472,407
	International operations	79,210	80,965
	Total	541,414	553,372

## ■ Balance of Loans by Type and Remaining Period

(Millions of yen)

Period		March 31, 2019	March 31, 2020
Fixed interest rates	1 year or less	404,162	363,091
	More than 1 year but less than 3 years	13,321	23,799
	More than 3 years but less than 5 years	18,369	13,476
	More than 5 years but less than 7 years	6,741	11,174
	More than 7 years	11,096	16,375
	With no maturity	—	—
	Subtotal	49,528	64,826
Variable interest rates	More than 1 year but less than 3 years	84,855	55,284
	More than 3 years but less than 5 years	27,988	19,389
	More than 5 years but less than 7 years	3,875	12,268
	More than 7 years	31,110	20,658
	With no maturity	—	—
	Subtotal	147,829	107,600
Total		601,520	535,517

# Loans

## ■ Balance of Loans by Type of Collateral

(Millions of yen)

Type	March 31,2019	March 31,2020
Securities	256,383	300,596
Claims	—	—
Commodities	—	—
Real estate	29,268	38,071
Other	4,945	7,538
Subtotal	290,596	346,206
Guarantees	23,929	21,850
Unsecured	286,994	167,461
Total	601,520	535,517
(Subordinated loans)	(554)	(—)

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

There are no customers' liabilities for acceptances and guarantees.

## ■ Balance of Loans by Purpose of Use

(Millions of yen, proportion in brackets)

Type	March 31,2019	March 31,2020
Equipment fund	63,555	85,005
(%)	(10.5%)	(15.8%)
Working capital	537,964	450,512
(%)	(89.4%)	(84.1%)
Total	601,520	535,517
(%)	(100.0%)	(100.0%)

## Breakdown of Loans by Industry

(Millions of yen, proportion in brackets)

Type		March 31, 2019	March 31, 2020
Manufacturing	Amount	13,527	<b>13,019</b>
	(%)	(2.2%)	<b>(2.4%)</b>
Construction	Amount	3,319	<b>3,258</b>
	(%)	(0.5%)	<b>(0.6%)</b>
Electricity, gas, heat supply and water	Amount	9,332	<b>7,599</b>
	(%)	(1.5%)	<b>(1.4%)</b>
Communication and information services	Amount	880	—
	(%)	(0.1%)	<b>(—)</b>
Transport	Amount	18,462	<b>15,094</b>
	(%)	(3.0%)	<b>(2.8%)</b>
Wholesale and retail	Amount	4,818	<b>5,666</b>
	(%)	(0.8%)	<b>(1.0%)</b>
Finance and insurance	Amount	92,256	<b>68,893</b>
	(%)	(15.3%)	<b>(12.8%)</b>
Real estate	Amount	71,010	<b>71,347</b>
	(%)	(11.8%)	<b>(13.3%)</b>
Goods rental and leasing	Amount	19,937	<b>19,852</b>
	(%)	(3.3%)	<b>(3.7%)</b>
Various services	Amount	58,912	<b>98,870</b>
	(%)	(9.7%)	<b>(18.4%)</b>
Other	Amount	309,061	<b>231,915</b>
	(%)	(51.3%)	<b>(43.3%)</b>
Total	Amount	601,520	<b>535,517</b>
	(%)	(100.0%)	<b>(100.0%)</b>

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

(Number of loans, millions of yen)

		March 31, 2019	March 31, 2020
Total loan balance (A)	Number of loans made	9,654	<b>9,766</b>
	Amount	601,520	<b>535,517</b>
Balance of loans to SMEs (B)	Number of loans made	9,618	<b>9,733</b>
	Amount	434,881	<b>472,878</b>
Ratio (%) (B/A)	Number of loans made	99.6%	<b>99.6%</b>
	Amount	72.2%	<b>88.3%</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

Not applicable.

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

(Billions of yen)

	March 31,2019	March 31,2020
Claims against bankrupt and substantially bankrupt debtors	—	—
Doubtful claims	—	—
Substandard claims	—	—
Subtotal (A)	—	—
Normal claims (B)	602.6	536.3
Total (A+B)	602.6	536.3
Coverage amount by collateral and guarantees	—	—
Specific allowance for loan losses	—	—
Total amount of coverage (C)	—	—
Coverage ratio (C/A)	—	—

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

(Millions of yen)

	March 31,2019	March 31,2020
General allowance for loan losses	1,090	1,573
Change from the previous year-end (decrease)	(141)	482
Specific allowance for loan losses	288	288
Change from the previous year-end (decrease)	(1)	(—)
Allowance for specific overseas loans	—	—
Change from the previous year-end	(—)	(—)
Total	1,379	1,861

## ■ Written-Off of Loans

Not applicable.

# Securities

## ■ Balance of Securities by Type and Remaining Period

(Millions of yen)

Type	Remaining Period	March 31, 2019	March 31, 2020
Government bonds	1 year or less	10,017	—
	More than 1 year but less than 3 years	35,913	5,081
	More than 3 years but less than 5 years	—	—
	More than 5 years but less than 7 years	5,133	25,311
	More than 7 years but less than 10 years	32,455	17,002
	More than 10 years	21,086	36,068
	With no maturity	—	—
	Subtotal	104,605	83,463
Local government bonds	1 year or less	9,808	9,711
	More than 1 year but less than 3 years	23,595	15,260
	More than 3 years but less than 5 years	19,180	51,285
	More than 5 years but less than 7 years	2,213	6,538
	More than 7 years but less than 10 years	1,882	2,165
	More than 10 years	—	—
	With no maturity	—	—
	Subtotal	56,679	84,961
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	—	—
Corporate bonds	1 year or less	30,263	34,036
	More than 1 year but less than 3 years	50,638	17,503
	More than 3 years but less than 5 years	7,724	7,108
	More than 5 years but less than 7 years	804	10,373
	More than 7 years but less than 10 years	—	4,637
	More than 10 years	15,712	16,157
	With no maturity	—	—
	Subtotal	105,143	89,817
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	31,580	48,772
	More than 1 year but less than 3 years	70,112	59,294
	More than 3 years but less than 5 years	61,145	44,000
	More than 5 years but less than 7 years	28,643	30,634
	More than 7 years but less than 10 years	—	7,528
	More than 10 years	385	353
	With no maturity	—	—
	Subtotal	191,866	190,583
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	14	14
	Subtotal	14	14
Other securities	1 year or less	—	—
	More than 1 year but less than 3 years	5	6
	More than 3 years but less than 5 years	5	5
	More than 5 years but less than 7 years	2	1
	More than 7 years but less than 10 years	3	5
	More than 10 years	0	0
	With no maturity	31,230	40,920
	Subtotal	31,248	40,939
Total		489,558	489,779

# Securities

## ■ Balance of Securities by Type

(Millions of yen, proportion in brackets)

Type	March 31,2019	March 31,2020
Government bonds	Domestic operations 104,605 (21.3%)	83,463 (17.0%)
	International operations — (—)	— (—)
	Total 104,605 (21.3%)	83,463 (17.0%)
Local government bonds	Domestic operations 56,679 (11.5%)	84,961 (17.3%)
	International operations — (—)	— (—)
	Total 56,679 (11.5%)	84,961 (17.3%)
Short-term corporate bonds	Domestic operations — (—)	— (—)
	International operations — (—)	— (—)
	Total — (—)	— (—)
Corporate bonds	Domestic operations 105,143 (21.4%)	89,817 (18.3%)
	International operations — (—)	— (—)
	Total 105,143 (21.4%)	89,817 (18.3%)
Stocks	Domestic operations — (—)	— (—)
	International operations — (—)	— (—)
	Total — (—)	— (—)
Foreign bonds	Domestic operations — (—)	— (—)
	International operations 191,866 (39.1%)	190,583 (38.9%)
	Total 191,866 (39.1%)	190,583 (38.9%)
Foreign stocks	Domestic operations — (—)	— (—)
	International operations 14 (0.0%)	14 (0.0%)
	Total 14 (0.0%)	14 (0.0%)
Other securities	Domestic operations 17,706 (3.6%)	25,085 (5.1%)
	International operations 13,542 (2.7%)	15,854 (3.2%)
	Total 31,248 (6.3%)	40,939 (8.3%)
Total	Domestic operations 284,135 (58.0%)	283,327 (57.8%)
	International operations 205,423 (41.9%)	206,451 (42.1%)
	Total 489,558 (100.0%)	489,779 (100.0%)



## ■ Average Balance of Securities by Type

(Millions of yen, proportion in brackets)

Type		FY2018	FY2019
Government bonds	Domestic operations	105,503 (21.5%)	84,869 (17.3%)
	International operations	— (—)	— (—)
	Total	105,503 (21.5%)	84,869 (17.3%)
Local government bonds	Domestic operations	43,937 (8.9%)	77,070 (15.7%)
	International operations	— (—)	— (—)
	Total	43,937 (8.9%)	77,070 (15.7%)
Short-term corporate bonds	Domestic operations	— (—)	— (—)
	International operations	— (—)	— (—)
	Total	— (—)	— (—)
Corporate bonds	Domestic operations	121,910 (24.9%)	100,364 (20.5%)
	International operations	— (—)	— (—)
	Total	121,910 (24.9%)	100,364 (20.5%)
Stocks	Domestic operations	— (—)	— (—)
	International operations	— (—)	— (—)
	Total	— (—)	— (—)
Foreign bonds	Domestic operations	— (—)	— (—)
	International operations	186,818 (38.2%)	193,089 (39.4%)
	Total	186,818 (38.2%)	193,089 (39.4%)
Foreign stocks	Domestic operations	— (—)	— (—)
	International operations	15 (0.0%)	14 (0.0%)
	Total	15 (0.0%)	14 (0.0%)
Other securities	Domestic operations	17,308 (3.5%)	20,314 (4.1%)
	International operations	13,377 (2.7%)	13,284 (2.7%)
	Total	30,686 (6.2%)	33,599 (6.8%)
Total	Domestic operations	288,660 (59.0%)	282,618 (57.7%)
	International operations	200,211 (40.9%)	206,388 (42.2%)
	Total	488,872 (100.0%)	489,006 (100.0%)

# Fair Value of Securities

## ■ Trading Securities

Not applicable.

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

(Millions of yen)

	Type	March 31,2019	March 31,2020
Government bonds	Book value	25,360	<b>25,311</b>
	Fair value	29,626	<b>28,877</b>
	Difference	4,265	<b>3,565</b>
	Gain	4,265	<b>3,565</b>
	Loss	—	—
Other securities	Book value	6,702	—
	Fair value	6,628	—
	Difference	(74)	—
	Gain	36	—
	Loss	111	—
Total	Book value	32,063	<b>25,311</b>
	Fair value	36,254	<b>28,877</b>
	Difference	4,190	<b>3,565</b>
	Gain	4,302	<b>3,565</b>
	Loss	111	—

(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 31,2019	March 31,2020
Stocks	Acquisition cost	—	—
	Book value	—	—
	Valuation difference	—	—
Bonds	Acquisition cost	75,785	55,891
	Book value	79,245	58,151
	Valuation difference	3,459	2,259
	Unrealized gain	3,459	2,602
	Unrealized loss	—	342
	Acquisition cost	56,606	85,003
	Book value	56,679	84,961
	Valuation difference	72	(42)
	Unrealized gain	77	21
	Unrealized loss	4	63
Corporate bonds	Acquisition cost	104,609	89,590
	Book value	105,143	89,817
	Valuation difference	533	227
	Unrealized gain	553	347
	Unrealized loss	20	120
Sub total	Acquisition cost	237,001	230,485
	Book value	241,067	232,930
	Valuation difference	4,065	2,444
	Unrealized gain	4,090	2,971
	Unrealized loss	24	527
Other securities	Acquisition cost	212,287	222,651
	Book value	214,287	225,001
	Valuation difference	2,000	2,349
	Unrealized gain	2,292	5,711
	Unrealized loss	292	3,362
Total	Acquisition cost	449,288	453,137
	Book value	455,354	457,931
	Valuation difference	6,065	4,794
	Unrealized gain	6,382	8,683
	Unrealized loss	316	3,889

(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 31,2019	March 31,2020
Held-to-maturity debt securities	—	—
Available-for-sale securities		
Unlisted foreign securities	14	14
Others	2,125	6,522

# 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 31,2019	March 31,2020	
Over-the-counter	Interest rate swaps	Receive-fixed interest rate	Contract amount	202,800	104,800
			Over one year	202,300	100,700
		Pay-floating interest rate	Fair value (losses)	(293)	(345)
			Unrealized gains (losses)	(293)	(345)
		Receive-floating interest rate	Contract amount	—	6,690
			Over one year	—	6,690
		Pay-fixed interest rate	Fair value (losses)	—	(13)
			Unrealized gains (losses)	—	(13)
		Receive-floating interest rate	Contract amount	168,600	125,500
			Over one year	167,300	121,200
		Pay-floating interest rate	Fair value (losses)	(1,177)	(916)
			Unrealized gains (losses)	(1,177)	(916)
		Receive-fixed interest rate	Contract amount	—	—
			Over one year	—	—
		Pay-fixed interest rate	Fair value (losses)	—	—
			Unrealized gains (losses)	—	—
Total fair value (losses)			(1,471)	(1,275)	
Total unrealized gains (losses)			(1,471)	(1,275)	

(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 1,231 million yen at the end of March, 2020, and 1,471 million yen at the end of March, 2019.

### Currency-Related Transactions

(Millions of yen)

			March 31,2019	March 31,2020			
Over-the-counter	Swaps		Contract amount	45,459	46,975		
			Over one year	36,580	38,268		
			Fair value (losses)	271	1,254		
			Unrealized gains (losses)	271	1,254		
	Forwards	Sold	Contract amount	339,824	513,936		
			Over one year	—	—		
			Fair value (losses)	(819)	(301)		
			Unrealized gains (losses)	(819)	(301)		
		Bought	Contract amount	292,543	499,824		
			Over one year	—	—		
			Fair value (losses)	458	(4,054)		
			Unrealized gains (losses)	458	(4,054)		
			Options	Sold	Contract amount	20,770	7,736
					Over one year	—	—
	Fair value (losses)	348			388		
	Unrealized gains (losses)	109			(140)		
	Bought	Contract amount		9,681	5,147		
		Over one year		—	—		
Fair value (losses)		205	157				
Unrealized gains (losses)		(7)	4				
Total fair value (losses)			464	(2,555)			
Total unrealized gains (losses)			12	(3,237)			

(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)

(millions of yen)

Hedge accounting method	Type	Primary hedged item	March 31, 2019			March 31, 2020		
			Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Primary method	Interest rate swaps	Deposits, loans, available-for-sale securities(bonds)	185,889	185,889	(6,234)	193,664	180,664	(10,542)
	Receive-floating interest rate Pay-fixed interest rate		185,889	185,889	(6,234)	193,664	180,664	(10,542)
Exceptional method for Interest rate swaps	Interest rate swaps	Securities	25,000	25,000	(3,666)	25,000	25,000	(3,253)
	Receive-floating interest rate Pay-fixed interest rate		25,000	25,000	(3,666)	25,000	25,000	(3,253)
Total			—	—	(9,901)	—	—	(13,795)

(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, 2019			March 31, 2020		
			Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Appropriation method	Currency swaps	Foreign currency denominated securities	6,723	—	29	—	—	—
Total			—	—	29	—	—	—

(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 31,2019	March 31,2020
<b>Assets:</b>		
Loans	319,181	289,761
Loans on deeds	319,181	289,761
Securities	2,785,713	3,115,012
Government bonds	343,619	477,996
Local government bonds	61,078	21,753
Corporate bonds	267,637	314,019
Stocks	470,864	461,879
Foreign securities	968,458	1,041,709
Other securities	674,055	797,653
Securities held for investment trusts	8,997,952	9,053,242
Foreign investments held for investment trusts	6,655,278	7,084,026
Beneficiary rights	26,444	26,416
Securities held in custody accounts	823,950	1,018,445
Money claims	40,635	43,820
Money claims on life insurance policies	9,334	9,689
Other money claims	31,300	34,131
Other claims	305,706	469,407
Call loans	1,318,787	1,448,397
Due from banking account	215,105	257,310
Cash and due from banks	185,201	157,701
Due from banks	185,201	157,701
Total	21,673,956	22,963,542
<b>Liabilities:</b>		
Designated money trusts	493,681	419,831
Specified money trusts	1,578,833	1,807,546
Pension trusts	1,041	911
Investment trusts	17,319,480	18,040,589
Pecuniary trusts other than money trusts	252,469	317,916
Securities trusts	1,064,651	1,404,928
Money claims trusts	3,719	3,061
Composite trusts	960,077	968,757
Total	21,673,956	22,963,542

(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 31,2019	March 31,2020
<b>Assets:</b>		
Loans	—	—
Securities	—	—
Due from banking account	134,081	167,219
Other	—	—
Total	134,081	167,219
<b>Liabilities:</b>		
Principal	134,080	167,219
Reserve for possible impairment of principal	—	—
Other	0	0
Total	134,081	167,219

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

(Millions of yen)

Type		March 31, 2019	March 31, 2020
Money trusts	Government bonds	238,097	243,992
	Local government bonds	1,110	2,108
	Short-term corporate bonds	—	—
	Corporate bonds	125,701	188,226
	Stocks	38,062	42,086
	Other securities	1,122,201	1,238,358
	Balance of assets under management at the end of period	1,525,173	1,714,771
Pension trusts	Government bonds	—	—
	Local government bonds	—	—
	Short-term corporate bonds	—	—
	Corporate bonds	—	—
	Stocks	—	—
	Other securities	650	650
	Balance of assets under management at the end of period	650	650
Total	Government bonds	238,097	243,992
	Local government bonds	1,110	2,108
	Short-term corporate bonds	—	—
	Corporate bonds	125,701	188,226
	Stocks	38,062	42,086
	Other securities	1,122,851	1,239,008
	Balance of assets under management at the end of period	1,525,823	1,715,421

(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, 2019	March 31, 2020
Money trusts	Less than 1 year	753,578	878,423
	From 1 year to less than 2 years	6,049	9,252
	From 2 years to less than 5 years	8,245	2,559
	5 years or more	478,133	459,565
	Others	—	—
	Total	1,246,006	1,349,801

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

(Millions of yen, proportion in brackets)

Type	March 31, 2019	March 31, 2020
Loans on deeds	302,946 (100.0%)	272,942 (100.0%)
Loans on bills	— (—)	— (—)
Bills discounted	— (—)	— (—)
Total	302,946 (100.0%)	272,942 (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 31,2019	March 31,2020
1 year or less	289,700	260,600
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	—	—
7 years or more	13,246	12,342
Total	302,946	272,942

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

(Millions of yen)

Type	March 31,2019	March 31,2020
Securities	289,700	260,600
Claims	—	—
Commodities	—	—
Real estate	—	—
Other	—	—
Subtotal	289,700	260,600
Guarantees	—	—
Unsecured	13,246	12,342
Total	302,946	272,942

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

(Millions of yen, proportion in brackets)

Type		March 31,2019	March 31,2020
Finance and insurance	Amount	289,700	260,600
	(%)	(95.6%)	(95.4%)
Local governments	Amount	13,246	12,342
	(%)	(4.3%)	(4.5%)
Total	Amount	302,946	272,942
	(%)	(100.0%)	(100.0%)

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

(Millions of yen)

Type	March 31,2019	March 31,2020
Equipment fund	—	—
Working capital	302,946	272,942
Total	302,946	272,942



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

(Millions of yen)

	March 31, 2019	March 31, 2020
Total loan balance (A)	302,946	<b>272,942</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, 2019	March 31, 2020
Money trusts	Loans	302,946	<b>272,942</b>
	Securities	1,525,173	<b>1,714,771</b>
	Total	1,828,119	<b>1,987,714</b>
Pension trusts	Loans	—	—
	Securities	650	<b>650</b>
	Total	650	<b>650</b>
Total loans		302,946	<b>272,942</b>
Total securities		1,525,823	<b>1,715,421</b>
Total loans and securities		1,828,769	<b>1,988,364</b>

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

# Management Indices

## Overall Profit Margin

(%)

		FY2018	FY2019
Yield on investments	Domestic operations	0.49	0.49
	International operations	2.68	2.28
	Total	1.00	0.92
Funding cost	Domestic operations	1.43	1.50
	International operations	2.72	2.65
	Total	1.64	1.70
Overall profit margin	Domestic operations	(0.94)	(1.01)
	International operations	(0.04)	(0.37)
	Total	(0.64)	(0.78)

## Profit Ratio

(%)

		FY2018	FY2019
Return on assets (ROA)	Net business profit to assets ratio	0.16	0.04
	Ordinary profit to assets ratio	0.16	0.04
	Net income to assets ratio	0.10	0.01
Return on equity (ROE)	Net business profit to equity ratio	3.43	0.94
	Ordinary profit to equity ratio	3.43	0.95
	Net income to equity ratio	2.22	0.37

## Gross Operating Profit Ratio

(%)

		FY2018	FY2019
Gross operating profit ratio	Domestic operations	1.36	1.34
	International operations	1.08	1.17
	Total	1.32	1.34

## Loan-To-Deposit Ratio

(%)

		FY2018	FY2019
Balance at the end of the period	Domestic operations	56.2	59.4
	International operations	87.6	68.1
	Total	59.3	60.6
Average balance during the period	Domestic operations	59.7	59.0
	International operations	68.8	70.7
	Total	60.8	60.5

## Security-To-Deposit Ratio

(%)

		FY2018	FY2019
Balance at the end of the period	Domestic operations	31.1	36.9
	International operations	202.2	176.6
	Total	48.3	55.4
Average balance during the period	Domestic operations	37.2	35.3
	International operations	173.9	180.3
	Total	54.9	53.4

## ■ Deposits, Loans and Trust Assets per Branch

(Millions of yen)

	March 31, 2019	March 31, 2020
Deposits	1,013,279	883,300
Loans	601,520	535,517
Amount of funds in trust account	2,073,557	2,228,289

(Note) Deposits include negotiable certificates of deposit.

## ■ Deposits, Loans and Trust Assets per Employee

(Millions of yen)

	March 31, 2019	March 31, 2020
Deposits	2,202	1,825
Loans	1,307	1,106
Amount of funds in trust account	4,507	4,603

(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 31,2019	March 31,2020
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	60,253	60,484
of which: capital and capital surplus	48,270	48,270
of which: retained earnings	12,655	12,214
of which: treasury stock	—	—
of which: earning to be distributed	672	—
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	1,090	1,573
of which: general allowance for loan losses included in Core capital	1,090	1,573
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)	—	—
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)	61,344	62,058
Core capital: regulatory adjustments		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	4,531	5,852
of which: goodwill (including those equivalent)	25	—
of which: other intangibles other than goodwill and mortgage servicing rights	4,505	5,852
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 31,2019	March 31,2020
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)	4,531	5,852
Regulatory capital		
Regulatory capital ( (A) – (B) ) (C)	56,813	56,205
Risk-weighted assets		
Total amount of credit risk-weighted assets	302,434	324,611
of which: total amount included in risk-weighted assets by transitional arrangements	—	—
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)	31,935	31,960
Credit risk adjustments	—	—
Operational risk adjustments	—	—
Total amount of Risk-weighted assets (D)	334,370	356,571
Capital adequacy ratio		
Capital adequacy ratio ( (C) / (D) )	16.99%	15.76%

# 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 Risk Management Committee. 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 Risk Management Committee 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 are based on the former Financial Inspection Manual (abolished December 18, 2019) from the Financial Services Agency.

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 S&P Global Ratings (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 S&P Global Ratings (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 counterparties. 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.

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

## 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 “servicers.”

When we engage in securitization transaction as an “investor,” the Risk Management 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 the Risk Management Committee.

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. 248-1-1 to 4 of the Notification on Capital Adequacy including cases of mutatis mutandis application in accordance with article No. 302-2-2 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 Risk Management 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 an external ratings-based approach.

If we are unable to use the above-mentioned method, we apply a risk weight of 1,250%.

### 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 S&P Global Ratings (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 (As of March 31, 2020)

Operational Risk	Administrative risk	Operations Planning and Management Department
	System risk	IT Planning & Control Department
	Information security risk	Operations Planning and Management 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 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 (gross profit of business that cannot be allocated to one of the eight categories will be multiplied by an 18% ratio), 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 Characteristics, and Policies, Procedures, and Systems for Risk Management Regarding Investments as Stipulated in Article 4-6-3 of the Order for Enforcement of Banking Act (Order No. 40 of 1982) as Well as Comparable Exposures or Equity Exposures (“Investments or Equity Exposures”) for Which Credit Risk Asset Values Must Be Calculated

Decisions to hold investments and equities exposures are made after approved by Risk Management Committee or another equivalent committee, 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 Risks (Hereinafter Excluding Risks for Which Market Risk Value Must Be Calculated)

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 Risk Management Committee and the future management policies for assets and liabilities as well as other related issues are reviewed and determined.

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

## B. Outlines of Methods Used to Calculate Interest Rate Risks

### (1) Outlines of Risk Management Policies and Procedures

#### (a) Definition of Interest Rate Risk and Subject of Risk Management and Measurement

Interest rate risk is defined as: "The risk of loss resulting from changes in interest rates. As a result of a mismatch of interest rates on its assets and liabilities and/or timing differences in the maturity thereof, a financial institution may suffer a loss or a decline in profit due to changes in interest rates."

At the Nomura Trust and Banking, rate sensitive assets and liabilities, and off-balance-sheet transactions are subject to risk management and measurement.

#### (b) Risk Management and Mitigation Policies

As for the risk management procedures for interest-sensitive assets and liabilities in the banking account and for off-balance-sheet transactions, the status of interest risk is properly reported to the Risk Management Committee and other relevant organizations, and the future management policies for assets, liabilities, and off-balance-sheet transactions, as well as other related issues are reviewed and determined.

#### (c) Interest Rate Risk Measurement Frequency

Interest rate risk is measured daily with the previous business day as the base date.

#### (d) Interest Rate Risk Mitigation Techniques Including Hedging

For the purpose of managing the risk of changes in market values, we use interest rate swaps to hedge securities and loans. As for the accounting treatment of hedging instruments, we apply hedge accounting (deferral hedge using portfolio hedges or individual hedges). The exceptional accrual method for interest rate swaps is applied for certain individual hedges.

### (2) Outlines of Methods Used to Calculate Interest Rate Risks

#### (a) Matters Relating to Changes in Economic Value of Equity ( $\Delta$ EVE) and Net Interest Income ( $\Delta$ NI) Subject to Quantitative Disclosures under Disclosure Notification, and Relating to Interest Rate Risks to be Disclosed by Banks in Addition Thereto

##### (i) Average Maturity of Interest Rate Revision Assigned to Liquid Deposits

The average maturity of the interest rate revision assigned to all liquid deposits was 1.9 years as of March 31, 2020.

##### (ii) The Longest Maturity of Interest Rate Revision Assigned to Liquid Deposits

The longest maturity of interest rate revision assigned to all liquid deposits was 4.5 years.

##### (iii) Method and Assumptions for Maturity Assignment for Liquid Deposits

We use an internal model for estimating the balances and holding periods of core deposits.

##### (iv) Assumptions for Prepayments of Fixed Interest Rate Loans and Cancellations of Time Deposits before Maturity

As for the ratios of prepayments of loans and cancellations of time deposits before maturity, we use values specified by the Financial Services Agency.

##### (v) Aggregation Method and Assumptions for Multiple Currencies

In calculating interest risk, we target all applicable currencies and use a conservative method for aggregation without taking into account the correlations between currencies. From an importance perspective, we calculate the interest rate risk for certain currencies by translating them into other currencies for aggregation.

- (vi) Assumptions for Spreads  
We include spreads in the interest for statements of cash flows prepared. Conversely, a risk-free rate is used as the discount interest rate.
  - (vii) Other Assumptions Having Significant Effects on  $\Delta$ EVE and  $\Delta$ NI, such as Use of Internal Models  
Not applicable
  - (viii) Explanation Regarding Changes from Disclosure at the End of the Previous Fiscal Year  
 $\Delta$ EVE rose as the duration for securities increased.
  - (ix) Explanation Regarding the Interpretation and Importance of Values Measured  
We think our  $\Delta$ EVE is appropriate for interest risk management purposes.
- (b) Following Matters Relating to Interest Rate Risk Measured by Bank for the Purpose of Capital Adequacy Evaluation, Stress Testing, Risk Management, Income Management, Business Decision-Making or Other Purpose Other Than Changes in Economic Value of Equity ( $\Delta$ EVE) and Net Interest Income ( $\Delta$ NI) Subject to Quantitative Disclosures under Disclosure Notification
- (i) Explanation Regarding Interest Rate Shock  
We use VaR to calculate the quantity of market price change risk from interest rates. In calculating VaR, we use, as interest rate shock, the expected maximum change calculated with interest rate data from the past two years.
  - (ii) Interest Rate Risk Measurement Assumptions and their Meaning  
For VaR, we apply the historical method and use an index volume-weighted average to assign weights to changes calculated with data from the past two years. We then use the 1st percentile value as interest rate shock. We apply a holding period of 20 days.

# 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		Amount of Required Capital	
		March 31, 2019	March 31, 2020
The Standardized Approach	Claims on foreign central governments and central banks	132	194
	Claims on foreign non-central government public sector entities	80	43
	Claims on Japan Finance Organization for Municipalities	30	15
	Claims on Japanese government-affiliated organizations	268	253
	Claims on financial institutions and Type I financial instruments business operators	765	554
	Claims on corporations	7,451	8,017
	Claims on small and medium enterprises and individuals	906	779
	Claims on projects including acquisition of real estate properties	956	969
	Other	540	1,110
	Securitization	200	295
	Exposures to Which Regarded Calculation of Risk Weight is Applied	626	520
CVA risk		273	458
Total		12,234	13,213

#### 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, 2019 and 2020

#### C. Amount of Required Capital for Different Exposure Categories against Credit Risk Concerning Exposures to Which Regarded Calculation of Risk Weight is Applied

(Millions of yen)

Exposure Categories	Amount of Required Capital	
	March 31, 2019	March 31, 2020
Exposures for which ratios calculated in accordance with Article 76-5, Section 2 of the Notification on Capital Adequacy are used as the risk weights	617	510
Exposures for which ratios calculated in accordance with Article 76-5, Section 6 of the Notification on Capital Adequacy are used as the risk weights	—	—
Exposures for which ratios stipulated in Article 76-5, Section 9, Item 1 of the Notification on Capital Adequacy are used as the risk weights	—	—
Exposures for which ratios stipulated in Article 76-5, Section 9, Item 2 of the Notification on Capital Adequacy are used as the risk weights	—	—
Exposures for which risk weights in Article 76-5, Section 10 of the Notification on Capital Adequacy are used	9	10

Amount of Required Capital against Credit Risk Concerning Exposures to Which the Related-Method Are Applied  
Not applicable as of March 31, 2019 and 2020

D. Amount of Required Capital against Market Risk and Breakdown by Approach  
Not applicable as of March 31, 2019 and 2020

E. Amount of Required Capital against Operational Risk

(Millions of yen)

Required Capital	March 31, 2019	March 31, 2020
	2,554	2,556

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

(Millions of yen)

Non-Consolidated Total Required Capital	March 31, 2019	March 31, 2020
	13,374	14,262

## II. Matters Relating to Credit Risk (Excluding Exposures to which Regarded Calculation of Risk Weight is Applied and Securitization Exposures)

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, 2020				
		Securities	Loans	Derivatives	Others	Total
By area and industry	Manufacturing	18,776	13,019	—	25	31,821
	Construction	4,600	3,258	—	1	7,859
	Electricity, gas, heat supply and water	3,254	7,599	—	15	10,868
	Communication and information services	264	—	—	0	264
	Transport	22,588	15,094	—	105	37,789
	Wholesale and retail	5,652	5,666	—	28	11,347
	Finance and insurance	35,341	61,497	13,621	176,926	287,387
	Real estate	17,417	71,347	—	452	89,217
	Goods rental and leasing	1,208	19,852	0	623	21,685
	Various services	1,510	98,870	—	1,054	101,436
	Government and local authorities	221,554	—	—	319,695	541,250
	Other	1,019	176,168	—	27,407	204,595
	Total	456,203	528,122	15,750	533,557	1,533,633
By duration	Domestic	333,188	472,375	13,622	526,337	1,345,524
	Overseas	123,014	55,747	2,128	7,220	188,109
	Total	456,203	528,122	15,750	533,557	1,533,633
	Due in 1 year or less	92,428	363,091	12,693	526,590	994,803
	Due over 1 year to 3 years	96,539	78,012	681	700	175,934
	Due over 3 years to 5 years	101,336	29,185	283	4,162	134,968
	Due over 5 years to 7 years	69,834	22,342	431	8	92,617
By duration	Due over 7 years	81,247	35,489	1,660	—	118,397
	With no maturity	14,815	—	—	2,096	16,912
	Total	456,203	528,122	15,750	533,557	1,533,633

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

(Millions of yen)

		March 31, 2019				
		Securities	Loans	Derivatives	Others	Total
By area and industry	Manufacturing	15,699	13,527	—	56	29,284
	Construction	3,800	3,319	—	1	7,121
	Electricity, gas, heat supply and water	2,006	9,332	—	227	11,566
	Communication and information services	314	880	—	0	1,194
	Transport	28,184	18,462	—	62	46,709
	Wholesale and retail	4,156	4,818	—	6	8,982
	Finance and insurance	38,724	92,256	9,009	138,765	278,755
	Real estate	11,777	71,010	—	1,051	83,839
	Goods rental and leasing	1,410	19,937	2	629	21,980
	Various services	—	58,912	—	92	59,005
	Government and local authorities	216,853	97,137	—	347,205	661,196
	Other	—	139,568	—	22,372	161,940
	Domestic	322,927	529,164	9,011	510,472	1,371,575
	Overseas	135,882	60,186	657	5,626	202,353
	Total	458,810	589,350	9,669	516,098	1,573,928
By duration	Due in 1 year or less	81,627	404,162	5,954	512,815	1,004,559
	Due over 1 year to 3 years	179,253	98,177	557	1,250	279,238
	Due over 3 years to 5 years	87,645	39,710	270	—	127,626
	Due over 5 years to 7 years	35,832	8,440	265	—	44,538
	Due over 7 years	67,882	38,860	2,620	—	109,363
	With no maturity	6,568	—	—	2,033	8,601
	Total	458,810	589,350	9,669	516,098	1,573,928

C. Balances of Exposure Overdue for More Than Three Months or at Default and Breakdown by Category  
Not applicable as of March 31, 2019 and 2020

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, 2019		March 31, 2020	
	Against March 31, 2018		Against March 31, 2019
1,090	(141)	1,573	482

■ Balances of Specific Allowance for Loan Losses

(By area and industry)

(Millions of yen)

		March 31, 2019		March 31, 2020	
			Against March 31, 2018		Against March 31, 2019
By area and industry	Other	288	(1)	288	—
	Domestic	288	(1)	288	—
	Overseas	—	—	—	—
	Total	288	(1)	288	—

The allowance for loans to specific foreign borrowers does not apply for the end of March 2019, nor the end of March 2020.

E. Amount of Written-Off of Loans by Industry or Counterparty  
Not applicable for FY 2018 nor FY 2019.

- F. Balance of Exposures, Subject to Application of a Standard Method, after Consideration of the Effects from Credit Risk Reduction Methods for Different Risk Weight Categories, and the Amounts of These Exposures to Which 1,250% of Risk Weight is Applied in Accordance with Article 79, Section 5, Item 2-2; Article 177, Section 2, Item 2-2; and Article 248 of the Notification on Capital Adequacy (Limited to Cases of Mutatis Mutandis Application in Accordance with Article 125 and Article 127 of the Notification on Capital Adequacy), as Well as Article 248, Section 4, Item 1-1 and Article 248, Section 4, Item 1-2 (Limited to Cases of Mutatis Mutandis Application in Accordance with Article 125 and Article 127 of the Notification on Capital Adequacy)

(Millions of yen)

Risk Weight	March 31, 2019		March 31, 2020	
	Rating Available	Rating Not Available	Rating Available	Rating Not Available
0%	798,576	30,964	696,440	49,096
10%	67,717	—	56,124	—
20%	118,532	16,909	111,532	6,038
30%	—	385	—	353
40%	2,766	—	7,617	—
50%	122,742	—	106,165	—
70%	4,063	—	8,855	—
75%	—	30,221	—	25,972
100%	25,599	148,736	26,381	175,049
120%	2,001	—	2,001	—
150%	—	2,311	—	1,479
1250%	—	18	—	20
Other than the above	—	15,270	—	27,236

- ※ 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 40%, 70% and 120% are the results of combining risk weight of 20% with that of 20%, 50% and 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, 2019 and 2020
- H. Matters Relating to Portfolio to Which the IRB Approach Is Applied  
Not applicable as of March 31, 2019 and 2020
- 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, 2019 and 2020
- 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, 2019 and 2020

# 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, 2019	March 31, 2020
223,962	269,445

- 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 34.566 billion yen as of the end of March 2020, and 39.782 billion yen as of the end of March 2019. 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, 2019			March 31, 2020		
	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)	3,579	14,964	18,543	10,323	16,502	26,826
Derivative Transactions	3,579	14,964	18,543	10,323	16,502	26,826
Forex Related	2,805	7,409	10,215	9,689	10,726	20,415
Interest Rate-Related	773	7,554	8,327	633	5,776	6,410
Long-Settlement Transactions	—	—	—	—	—	—
Credit-Equivalent Amount Reduction Effect Through Close-Out Netting Agreement	(2,114)	(6,760)	(8,874)	(4,366)	(6,708)	(11,075)
Net Credit-Equivalent Amount (Before Credit Risk Mitigating Effect is Recognized)			9,669			15,750
Eligible Financial Collateral Associated			462			40
Cash and own bank deposits			348			40
Bonds			113			—
Net Credit-Equivalent Amount (After Credit Risk Mitigating Effect is Recognized)			9,206			15,709

(Note) 1. The credit-equivalent amount is calculated by applying the current- exposure method.

2. Credit derivatives trading does not apply for the end of March 2019, nor the end of March 2020.



## V. Matters Relating to Securitization Transactions

- A. Matters Relating to Securitization Exposures Originated by the Bank  
Not applicable as of March 31, 2019 and 2020

- 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, 2019		March 31, 2020	
		Re-Securitization		Re-Securitization
Loan claims	9,796	—	6,098	—
Claims on lease payments	2,758	—	1,650	—
Others	9,903	—	10,821	—
Total	22,458	—	18,570	—

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

(Millions of yen)

Risk Weight	March 31, 2020			
	Balance		Required Capital	
		Re-Securitization		Re-Securitization
17.50%	1,070	—	3	—
18.75%	3,029	—	11	—
20%	2,036	—	39	—
30%	353	—	2	—
1250%	0	—	0	—
Other than the above	12,079	—	239	—
Total	18,570	—	295	—

(Note) Shown here are balances for different risk weight categories before consideration of transitional arrangements, as well as amount of required capital after consideration of transitional arrangements.

(Millions of yen)

Risk Weight	March 31, 2019			
	Balance		Required Capital	
		Re-Securitization		Re-Securitization
18.75%	1,877	—	3	—
20%	10,293	—	95	—
30%	385	—	1	—
1250%	0	—	0	—
Other than the above	9,903	—	100	—
Total	22,458	—	200	—

(Note) Shown here are balances for different risk weight categories before consideration of transitional arrangements, as well as amount of required capital after consideration of transitional arrangements.

3. A breakdown of the amount of securitization exposures, for which 1,250% of risk weight is applied in accordance with Article 248, as well as Article 248-4, Section 1, Item 1 and Item 2, of the Notification on Capital Adequacy, and by types of categories of original asset

(Millions of yen)

Securities	March 31, 2019	March 31, 2020
	0	0

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, 2019 and 2020

# 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, 2019 and 2020

D. Matters relating to calculate the market risk amount regard to securitization exposure in which the Bank invests  
Not applicable as of March 31, 2019 and 2020

VI. Matters Relating to Market Risk  
Not applicable as of March 31, 2019 and 2020

VII. Matters Relating to Capital Subscriptions or Equity Exposures  
Not applicable as of March 31, 2019 and 2020

VIII. Amounts of Exposures to Which Regarded Calculation is Applied as Shown for Different Exposure Categories

(Millions of yen)

Exposure Categories	Amount as of March 31, 2019	Amount as of March 31, 2020
Exposures for which ratios calculated in accordance with Article 76-5, Section 2 of the Notification on Capital Adequacy are used as the risk weights	14,375	17,587
Exposures for which ratios calculated in accordance with Article 76-5, Section 6 of the Notification on Capital Adequacy are used as the risk weights	—	—
Exposures for which ratios stipulated in Article 76-5, Section 9, Item 1 of the Notification on Capital Adequacy are used as the risk weights	—	—
Exposures for which ratios stipulated in Article 76-5, Section 9, Item 2 of the Notification on Capital Adequacy are used as the risk weights	—	—
Exposures for which risk weights in Article 76-5, Section 10 of the Notification on Capital Adequacy are used	18	20

Amount of exposures to which regarded calculation of risk assets used is applied  
Not applicable.

IX. Matters Relating to Interest Rate Risk

(Millions of yen)

Interest Rate Risk					
Order		A	B	C	D
		ΔEVE		ΔNII	
		March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020
1	Upward parallel shift	1,947	4,365		3,076
2	Downward parallel shift	262	—		△ 774
3	Steepening	540	2,262		
4	Flattening	393	115		
5	Short-term interest rate rise	988	1,317		
6	Short-term interest rate decline	424	794		
7	Maximum value	1,947	4,365		3,076
		E		F	
		March 31, 2019		March 31, 2020	
8	Regulatory capital	56,813		56,205	

