

**2016**  
**(April 2015~March 2016)**  
**Annual Report**



This document is a partial translation of TCSB's Japanese Disclosure Report that has been prepared in accordance with the provisions of Article 21 of the Banking Law of Japan.

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

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## Message from Management

### **TCSB's Challenge: To Become Japan's Leading Player in the Area of Asset Administration Services**

I would like to start by once again thanking our shareholders and customers for constantly supporting Trust & Custody Services Bank, Ltd. (TCSB).

Since TCSB's founding in 2001, we have adhered to the principle of growing our asset administration services into competitive products, then developing further into a company that provides comprehensive services associated with asset administration. Using this as a base, we have consistently worked on developing new services, reinforced our operational and IT infrastructure, and reformed our internal control structure.

With our customers' support and understanding of our initiatives, we have been continuing to further expand the size of our business platform.

The area of asset administration services has witnessed not only progress in a succession of reforms to the securities settlement system, such as the shortening of settlement periods for Japanese government bond transactions, but also an acceleration in developments such as a widening of investment choices, regions and styles. Customer needs have consequently become that much more diverse and sophisticated.

While being highly aware of such changes in customer needs, we shall not only take initiatives to provide high-quality administration services and make untiring efforts to improve but also respond thoroughly to the new investment management needs of customers, as we carry out our role of asset administration, and thereby offer high added value. On top of providing conventional custody services, we will also actively work to develop new administration services with the aim of reducing the administrative burden on customers.

All of us at TCSB are committed to making concerted efforts in providing our customers with truly satisfying services as "the best asset administration partner that helps customers to increase their level of sophistication in asset management, as the Most Trusted Partner Chosen by Customers."

We would greatly appreciate your continued support for and patronage of our company.

Akira Moriwaki, President & CEO

## Corporate Data

### ■Profile (as of July 1, 2016)

Established: January 22, 2001

Address: Tower Z, Harumi Triton Square, Harumi 1-8-12, Chuo-ku, Tokyo 104-6228

TEL +81-3-6220-4000

Capital: ¥50,000,000,000

Shareholders:	Mizuho Financial Group, Inc.	540,000 shares (54%)
(equity position in %)	The Dai-ichi Life Insurance Company, Limited	230,000 shares (23%)
	Asahi Mutual Life Insurance Company	100,000 shares (10%)
	Meiji Yasuda Life Insurance Company	90,000 shares (9%)
	Fukoku Mutual Life Insurance Company	40,000 shares (4%)

Employees: 631 (as of March 31, 2016)

\* Number of employees includes persons on secondment from outside organizations. It does not include executive officers and temporary employees.

Main Activities

1. Asset Administration Services
  - Trust Services
  - Domestic Custody Services
  - Overseas Custody Services
  - Outsourcing Models for Comprehensive Securities Management Services
  - Asset Administration Services for Defined Contribution Pensions
  - Master Trust Services (Master Trust Record-keeping Services)
2. Other Value-Added Asset Administration Services
  - Securities Lending Services      Comprehensive      Securities      Management
  - Outsourcing Services
  - Collateral Management and Administration Services for OTC Derivative Transactions
  - Administration Services for middle- and back-office operations of asset management companies

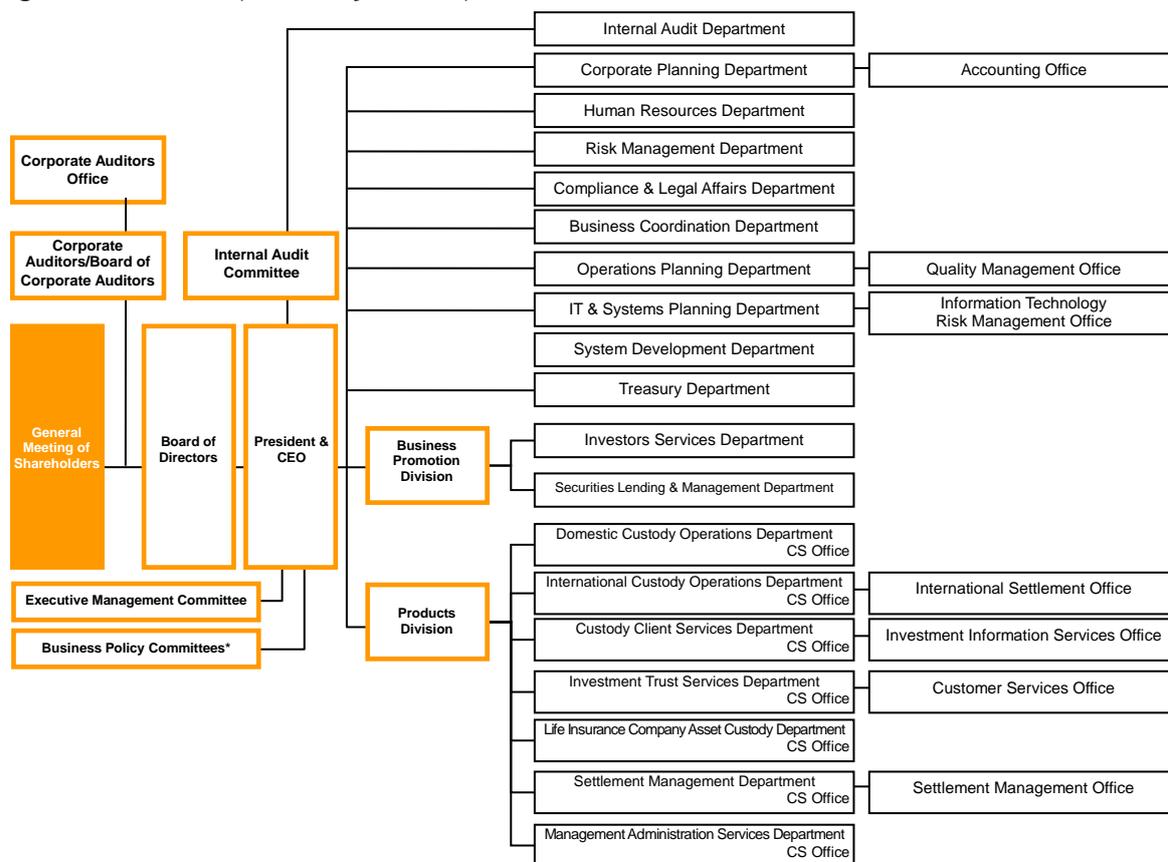
URL: <http://www.tcsb.co.jp/>

### ■Credit Ratings

	Long-term	Short-term
S&P	A+	A-1
Moody's	A1	Prime-1
R&I	AA-	a-1+

\* Bank financial strength rating

■ Organization Chart (as of July 1, 2016)



(CS Office : Customer Services Office)

\* Business Policy Committees consist of eight committees including the Compliance Committee and others

■ Corporate Officers (as of July 1, 2016)

President & CEO **Akira Moriwaki**

Deputy President **Yoshifumi Miyata**

Senior Managing Director, Head of Business Promotion Division **Atsushi Takahashi**

Managing Director **Hiroyuki Obata**

Director **Nobumitsu Watanabe**

Director **Koji Fujiwara**

Director **Yukihiro Fujioka**

Director **Takeo Ueda**

Corporate Auditor **Noboru Senni**

Corporate Auditor **Hiroto Uchino**

Corporate Auditor **Masato Monguchi**

Corporate Auditor **Takehiko Watabe**

Managing Executive Officer, Head of Products Division **Makoto Saito**

Managing Executive Officer **Yasushi Makino**

Managing Executive Officer and Deputy General Manager, Products Division and General Manager, Life Insurance Company Asset Custody Department **Masafumi Yoshida**

Executive Officer and General Manager, Corporate Planning Department **Naohiko Tominaga**  
Executive Officer and General Manager, Operations Planning Department **Minoru Mochizuki**

## Financial Data

### Results of Operations

#### Overview of Business in Fiscal 2015

##### The Financial and Economic Environment

During the period under review (fiscal 2015), the world economy continued to recover at a moderate pace although it showed weak elements in part. As an outlook for the future, we anticipate an ongoing recovery trend, driven mainly by advanced nations. However, the current situation calls for the need to keep a cautious eye on the impact associated with Chinese economic conditions with downside risk lingering, trends in resource prices and heightening geopolitical risk. Meanwhile, the Japanese economy remained stagnant overall, due to weak consumer spending although exports and production showed improvements. Looking ahead, there is anticipation that the economy will continue to move upward due mainly to the boost in corporate earnings supported by lower crude oil prices as consumer spending strengthens against the backdrop of recovering employee incomes. However, there is a need to pay attention to foreign exchange trends.

##### Business Developments and Results

TCSB has steadily pushed forward with operations with particular emphases on (a) establishing a competitive advantage in existing business areas, (b) creating new markets and businesses, (c) pursuing structural reforms to achieve good balance between cost competitiveness and service quality, and (d) reinforcing the management structure to support business strategies.

At the end of the fiscal year under review, assets under custody and administration — based on entrusted trust assets and assets managed under custody agreements — amounted to ¥380 trillion yen, which was comparable to the level at the end of the previous fiscal year.

In the area of income and expenditures during the fiscal year, gross profits from operations increased ¥441 million from the year before to ¥21,756 million mainly due to increases in fees and commissions. Efforts to make the administration of expenditures more efficient while endeavoring to invest in management resources to further strengthen our administrative and systems platforms as well as our human capital base resulted in a ¥531 million increase in expenditures, excluding those from temporary measures taken from the last fiscal year, to ¥20,021 million.

As a result, net business profits were ¥1,735 million (¥90 million decrease from the last year), ordinary profit was ¥1,721 million (¥71 million decrease from the last year) and net income for the fiscal year was ¥1,129 million (¥0 million increase from the last year).

## Financial Statement

### ■ Balance Sheets

(UNITS: Millions of yen)

	<b>2013</b>	<b>2014</b>	<b>2015</b>
	As of 31.Mar.2014	As of 31.Mar.2015	As of 31.Mar.2016
<b>Assets</b>			
Cash and Due from Banks	191,241	1,385,985	4,105,296
Call Loans	185,000	145,000	694,000
Securities	281,942	337,556	292,596
Loans and Bills Discounted	48,000	100,000	210,496
Foreign Exchanges	967	1,215	1,383
Other Assets	14,904	7,381	154,962
Tangible Fixed Assets	639	593	580
Intangible Fixed Assets	12,757	15,615	13,762
Deferred Tax Assets	195	180	154
<b>Total Assets</b>	<b>735,648</b>	<b>1,993,528</b>	<b>5,473,232</b>
<b>Liabilities</b>			
Deposits	43,296	80,574	558,411
Negotiable Certificates of Deposit	59,002	508,800	500,000
Call Money	319,263	556,889	292,375
Due to Trust Accounts	215,717	772,404	4,047,935
Other Liabilities	39,707	15,227	13,885
Provision for Bonus Payments	27	73	86
Provision for Retirement Benefits	65	82	97
Provision for Directors' Retirement Benefits	33	56	54
<b>Total Liabilities</b>	<b>677,112</b>	<b>1,934,108</b>	<b>5,412,846</b>
<b>Net Assets</b>			
Capital Stock	50,000	50,000	50,000
Retained Earnings	8,520	9,409	10,309
Shareholders' Equity	58,520	59,409	60,309
Valuation Difference on Available-for-Sale Securities	15	9	76
Valuation and Translation Adjustments	15	9	76
<b>Total Net Assets</b>	<b>58,535</b>	<b>59,419</b>	<b>60,385</b>
<b>Total Liabilities and Net Assets</b>	<b>735,648</b>	<b>1,993,528</b>	<b>5,473,232</b>

(NOTE 1) Amounts less than one million yen are rounded down.

## ■ Statements of Income

(UNITS: Millions of yen)

	<b>2013</b>	<b>2014</b>	<b>2015</b>
	From 1.Apr.2013 To 31.Mar.2014	From 1.Apr.2014 To 31.Mar.2015	From 1.Apr.2015 To 31.Mar.2016
<b>Ordinary Income</b>			
Fiduciary Fees	9,894	10,118	10,520
Interest Income	1,869	2,064	2,249
Fees and Commissions	10,576	11,278	11,683
Other Operating Income	309	323	33
Other Ordinary Income	2	0	12
<b>Total Ordinary Income</b>	<b>22,651</b>	<b>23,785</b>	<b>24,500</b>
<b>Ordinary Expenses</b>			
Interest Expenses	740	941	1,051
Fees and Commissions Payments	1,298	1,494	1,678
Other Operating Expenses	-	32	0
General and Administrative Expenses	18,697	19,512	20,045
Other Ordinary Expenses	3	10	3
<b>Total Ordinary Expenses</b>	<b>20,740</b>	<b>21,992</b>	<b>22,779</b>
<b>Ordinary Profit</b>	<b>1,911</b>	<b>1,792</b>	<b>1,721</b>
<b>Extraordinary Loss</b>			
Loss on Disposal of Noncurrent Assets	2	8	4
<b>Total Extraordinary Losses</b>	<b>2</b>	<b>8</b>	<b>4</b>
<b>Income Before Income Taxes</b>	<b>1,908</b>	<b>1,784</b>	<b>1,716</b>
<b>Income Taxes-Current</b>	<b>808</b>	<b>635</b>	<b>590</b>
<b>Income Taxes-Deferred</b>	<b>(69)</b>	<b>19</b>	<b>(3)</b>
<b>Total Income Taxes</b>	<b>739</b>	<b>655</b>	<b>587</b>
<b>Net Income</b>	<b>1,169</b>	<b>1,129</b>	<b>1,129</b>

(NOTE 1) Amounts less than one million yen are rounded down.

■ Statements of Changes in Net Assets

(UNITS: Millions of yen)

	2013	2014	2015
	From 1.Apr.2013 To 31.Mar.2014	From 1.Apr.2014 To 31.Mar.2015	From 1.Apr.2015 To 31.Mar.2016
<b>Shareholder's Equity</b>			
Capital Stock			
Balance at the Beginning of the Current Period	50,000	50,000	50,000
Balance at the End of the Current Period	50,000	50,000	50,000
Retained Earnings			
Balance at the Beginning of the Current Period	7,511	8,520	9,409
Changes of Items During the Period			
Dividends from Surplus	(160)	(240)	(230)
Net Income	1,169	1,129	1,129
Total Changes of Items During the Period	1,009	889	899
Balance at the End of the Current Period	8,520	9,409	10,309
Shareholders' Equity			
Balance at the Beginning of the Current Period	57,511	58,520	59,409
Changes of Items During the Period			
Dividends from Surplus	(160)	(240)	(230)
Net Income	1,169	1,129	1,129
Total Changes of Items During the Period	1,009	889	899
Balance at the End of the Current Period	58,520	59,409	60,309
<b>Valuation and Translation Adjustments</b>			
Balance at the Beginning of the Current Period	33	15	9
Changes of Items During the Period			
Net Changes of Items Other than Shareholders' Equity	(18)	(5)	66
Total Changes of Items During the Period	(18)	(5)	66
Balance at the End of the Current Period	15	9	76
<b>Total Net Assets</b>			
Balance at the Beginning of the Current Period	57,545	58,535	59,419
Changes of Items During the Period			
Dividends from Surplus	(160)	(240)	(230)
Net Income	1,169	1,129	1,129
Net Changes of Items Other than Shareholders' Equity	(18)	(5)	66
Total Changes of Items During the Period	990	883	966
Balance at the End of the Current Period	58,535	59,419	60,385

(NOTE 1) Amounts less than one million yen are rounded down.

## Notes (Fiscal 2015)

### Significant Accounting Policies

1. Evaluation Standards and Methods for Investment Securities  
In regard to evaluation of securities, Other Securities are stated, in principle, at fair value based on the market price, etc., on the settlement day (cost of sale primarily calculated using the moving average method), except for those whose fair value it is deemed extremely difficult to measure. These are stated on a cost basis using the moving average method. Valuation differences on Other Securities are treated as comprehensive income.
2. Evaluation Standards and Methods for Derivative Transactions  
Derivatives transactions are valued at fair value.
3. Methods for Depreciating Fixed Assets
  - (1) Tangible Fixed Assets  
Tangible fixed assets are depreciated using the declining balance method except for buildings (excluding equipment accessory to buildings), which are depreciated using the straight-line method. Depreciation is mainly computed using the following range of useful lives:  
Buildings 6 years to 50 years  
Equipment 3 years to 20 years
  - (2) Intangible Fixed Assets  
Intangible fixed assets are depreciated using the straight-line method. Internally used software items are amortized over their useful lives within the company (primarily five years).
4. Standards for Translating Foreign Currency-Denominated Assets and Liabilities into Yen  
Foreign currency-denominated assets and liabilities are primarily translated into yen at the exchange rates prevailing on the balance sheet date.
5. Standards for Recording Reserves
  - (1) Allowance for Loan Losses  
Allowance for loan losses are stated as follows in accordance with standards for write-offs and provisions stipulated in advance.  
Claims equivalent to “normal credits” and “credits to need attention borrowers” as provided for in “Self-assessments of the Assets of Banks and other Financial Institutions, and Operating Guidelines Concerning Audits of Loan-Loss Write-Offs and Provisioning against Possible Loan Losses” (Report No. 4 of the Special Committee on Banking, etc., Supervision of the Japanese Institute of Certified Public Accountants, July 4, 2012) are classified into the corresponding categories and posted on the basis of loan-loss ratios calculated according to individual historical credit loss experiences.  
Based on these asset self-assessment standards, asset assessment departments assess all claims in cooperation with the business promoting divisions concerned.  
At the end of the year, however, there is no balance of the allowance for loan losses.
  - (2) Provision for Bonus Payments  
To provide for employees’ bonus, that portion of estimated bonuses payable to employees that can be attributed to the current fiscal year has been posted in the accounts under Provision for Bonus Payments.
  - (3) Provision for Retirement Benefits  
To provide for retirement benefits to employees (including executive officers), that portion of estimated retirement benefit obligations payable to employees that can be attributed to the current fiscal year has been posted in the accounts under Provision for Retirement Benefits.
  - (4) Provision for Directors’ Retirement Benefits  
To provide for retirement benefits to directors, that portion of estimated directors’ retirement benefits attributable to the current fiscal year has been recorded.
6. Accounting for Consumption Taxes, etc  
Consumption taxes and local consumption taxes are excluded from transaction amounts.

### Change in Method of Presentation (Balance Sheets)

Conventionally, “Margin for CCP” (Assets) has been included in “Other Assets.” However, it is separately classified effective this fiscal year because its significance has increased in monetary value. The amount of “Margin for CCP” included in “Other Assets” at the end of the previous fiscal year was ¥500 million.

## Notes

### (Balance Sheets)

1. Entire amount of loans and bills discounted is for the Japanese Government.
2. The following assets have been pledged as collateral:
  - Assets pledged as collateral
  - Securities: ¥246,420 million
  - Loans and Bills Discounted: ¥210,496 million
  - Liabilities collateralized by the above assets
  - There are no outstanding liabilities as of the end of the fiscal year under review.In addition to the above, securities to the value of ¥29,997 million have been pledged as collateral for exchange settlement transactions.  
Other Assets include "Guarantee deposits for CCP" of ¥46,000 million and guarantee money in the amount of ¥598 million.
3. Current account overdraft contracts are contracts by which the company is bound to extend loans up to the prearranged amount at the customer's request unless the customer is in breach of contract conditions. The unutilized balance of these contracts amounts to ¥2,154,200 million, and the original contractual terms for the total amount are one year or less.  
Since many of these contracts expire without the rights being exercised, the unutilized balance itself does not necessarily affect TCSB's future cash flows. A provision is included in many of these contracts that entitles TCSB to refuse applications for the execution of loans, or reduce the maximum contracted amount when there is a change in the financial situation, necessity to preserve a claim, or other similar reasons. Where necessary, TCSB also obtains real estate or securities as collateral at the time the contracts are concluded and regularly monitors customer's business conditions thereafter under in-house procedures established in advance, amending contracts and taking other steps to control credit risks if needed.
4. Accumulated depreciation of Tangible Fixed Assets ¥1,423 million
5. The principal amount promised to be indemnified for Money Trusts is ¥1,051,808 million.
6. Total monetary claims due to Related companies ¥310 million
7. Total monetary liabilities due to Related companies ¥23,000 million
8. TCSB is subject to the restriction on dividends from surplus in accordance with the provisions of Article 18 of the Banking Law of Japan.  
If TCSB intends to distribute dividends from surplus, regardless of the provision of Article 445, Paragraph 4, of the Banking Law of Japan, "Amounts of Capital and Reserves," TCSB records an amount that corresponds to a decrease in the surplus by distributing the dividends from surplus, multiplied by one-fifth (1/5) as the legal reserve.  
The legal reserve recorded for the fiscal year under review related to the dividends from surplus is ¥46 million.

### (Statements of Income)

Income related to transactions with Related companies	
Total revenue from trust transactions	¥51 million
Total revenue from service transactions	¥2,347 million
Total revenue from other ordinary transactions	¥0 million
Expenses related to transactions with Related companies	
Total expenses related to financing transactions	¥50 million
Total expenses related to other ordinary transactions	¥51 million

## (Statement of Changes in Net Assets)

- Types and number of shares issued and outstanding are as shown below.

(UNITS: Thousands of shares)

	As of April 1, 2015	Increase during the fiscal year	Decrease during the fiscal year	As of March 31, 2016	Remarks
Shares Issued and Outstanding					
Common Stock	1,000	—	—	1,000	
Total	1,000	—	—	1,000	

- Dividend

### (1) Dividends paid during the year ended March 31, 2016

	Type of shares	Total dividend amount	Dividend per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 18, 2015	Common stock	¥230 million	¥230	March 31, 2015	June 19, 2015

(2) Of the dividends for which the record date belongs to the fiscal year ended March 31, 2016, those for which the effective date of the dividends will be after March 31, 2016.

	Type of shares	Total dividend amount	Source of funds for dividends	Dividend per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 16, 2016	Common stock	¥230 million	Retained earnings	¥230	March 31, 2016	June 17, 2016

## (Financial Instruments)

- Status of Financial Instruments

### (1) Policies on financial instruments

TCSB specializes in the asset management business and maintains a basic policy of risk-restrictive business administration. TCSB holds financial assets mainly consisting of “loans and bills discounted” to the Japanese Government, bonds such as government bonds and “call loans” on the asset investment side, as well as financial liabilities such as “call money” and “due to trust account” on the financing side.

TCSB is committed to the financing and asset investment of these financial instruments by taking into account various risk factors while paying attention to appropriate management in response to each risk by financial instrument.

### (2) Description of financial instruments and related risks

The major financial assets held by TCSB are loans and bills discounted to the Japanese government, securities held to be deposited as collateral for settlement such as government bonds and call loans to financial institutions. These financial assets are exposed to the risk (credit risk) that the value of the financial instruments could be reduced or lost due to the deterioration of financial conditions at any borrower or issuer and the risk (market risk) that the value of the financial instruments could be reduced due to the fluctuation of interest rates.

Financial liabilities mainly refer to financing that uses call money and due to trust account. These financing methods could face cash flow problems due to the deterioration of TCSB's financial conditions or TCSB could be exposed to the risk of incurring losses due to reluctant financing because of significantly higher interest rates (liquidity risk).

Given the ongoing financial liberalization and internationalization, the financial assets and liabilities held by TCSB are becoming diversified and increasingly complicated, exposing TCSB to various risks including the credit, market and liquidity risks detailed above.

### (3) Risk management structure for financial instruments

#### 1) Commitment to risk management

As a dedicated banking and trust company specializing in the asset management business, TCSB maintains a basic policy of risk-restrictive business administration.

To raise its corporate value while ensuring sound and stable management, TCSB is proactively improving its risk management structure based on the recognition that appropriately managing and controlling risks according to the characteristics of its operations and risks is a critical managerial task.

At TCSB, the Board of Directors has stipulated basic policies on risk management. The policies set forth diverse related matters: specific definitions of various risks, improvement of the structure for appropriate risk management and human resource development, and implementation of audits to verify the appropriateness and effectiveness of the risk management structure. TCSB endeavors to strengthen its risk management by drawing on a variety of techniques compliant with its basic policies to ensure increasingly sophisticated risk management.

#### 2) Comprehensive risk management

At TCSB, we classify the risks to which our various financial assets and liabilities are exposed by factor into credit risk, market risk, liquidity risk, operational risk and so on, and manage them according to their respective characteristics.

TCSB manages each type of risk individually. It has also established a comprehensive risk management structure to identify and evaluate overall risk and, where necessary, to devise appropriate responses to keep risk within manageable limits in both qualitative and quantitative terms.

#### 3) Credit risk management

Credit risk management is carried out by the credit administration, which manages the processes from granting credit to collection, in order to control the losses that TCSB could incur due to the emerging credit risk by transaction category based on the credit investigation of customers.

At TCSB, the Board of Directors determines important credit risk related matters in accordance with the Basic Policies on Credit Risk Management. Meanwhile, the ALM Committee deliberates on and coordinates basic policies and administration-related matters specific to credit risk and credit risk monitoring. The Risk Management Department, which is led by the officer responsible for the Department, draws up and executes plans and promotes the basic matters concerning credit risk management.

Credit risk management is carried out in accordance with our internal credit rating system, and individual credit lines, as a general rule, are set and controlled by the final decisions of our credit assessment department every half year. The individual credit lines are set in accordance with the credit business policies and determined through the screening of ceiling limits compared with the total amounts of on-balance transactions and derivative transactions (credit amounts are calculated with the current exposure method). Moreover, from the viewpoint of enhancing the check-and-balance function, the Internal Audit Department is established as an internal auditing organ independent from the operating departments.

#### 4) Market risk management

At TCSB, the Board of Directors determines important market risk related matters in accordance with the Basic Policies on Market Risk Management. Meanwhile, the ALM Committee deliberates on and coordinates ALM-related basic policies, risk plans, market risk administration related matters and countermeasures in case of emergencies such as a sudden change in the market.

The officer responsible for the Risk Management Department holds jurisdiction over general matters concerning the planning and administration of market risk management. The Risk Management Department assumes practical operations such as monitoring, reporting and analysis of and proposals on market risk, and setting limits thereon, as well as drawing up and executing plans and promoting matters concerning market risk management. The Risk Management Department also works to identify and evaluate TCSB's risk situation, reports to the President on a daily basis and periodically reports to the Board of Directors and other relevant entities.

As a market risk management method, various limits are set and controlled. Although TCSB does not engage in trading operations, ceiling limits are set on the losses that it could

incur with regard to the banking operations and position boundaries are set using the interest-rate sensitivity analysis, as required.

Moreover, as for market operations, a middle office (Risk Management Department) is established as an internal entity independent from the front office (market departments) and the back office so that the check-and-balance function can effectively operate. The middle office manages market risk in detail with diverse measures: managing risk indicators such as 10 BPV (basis point value), conducting stress tests and applying the loss limits.

5) Status of market risk

TCSB has determined in the Basic Policies on Market Risk Management that its operations be conducted in a restrictive manner to minimize market risk exposure for its deals with customers and endeavors to ensure safe and reliable investments.

Major financial instruments at TCSB are government bonds and call loans, and they are mainly influenced by interest rate risk, which is a primary market risk. The Risk Management Department computes the BPV on the financial instruments on a daily basis and monitors whether the prearranged amounts (i.e., the upper limit) thereof are observed. As of March 31, 2016, the BPV for the financial instruments held by TCSB was set to ¥46 million.

6) Financing-specific liquidity risk management

TCSB's liquidity risk management structure is basically the same as the market risk management structure described in the preceding item 4) "Market risk management." In addition, the Treasury Department assumes practical operations such as cash flow management and draws up and executes plans and promotes matters concerning cash flow management. The cash flow situation is reported to the ALM Committee and the President.

Liquidity risk is measured using cash flow related indicators such as the ceiling limits concerning financing from the markets. The ALM Committee deliberates on and coordinates the limits specific to liquidity risk and so forth. Furthermore, the Committee determines the liquidity risk categories of "Ordinary," "Concerned" and "Critical" in response to the cash flow situation, as well as responsive actions to cope with the "Concerned" and "Critical" situations. The Committee has also established an emergency structure that allows us to take swift action in case of an "emergency" that could have a negative effect on TCSB's cash flow situation.

(4) Supplemental explanation on fair value of financial instruments, etc.

The fair values of financial instruments include not only the amounts based on the market value but also certain amounts reasonably calculated if no market value exists. As the calculation of such amounts adopts certain preconditions, the resulting values may differ depending on the preconditions used for calculation.

2. Fair value of financial instruments, etc.

The following table indicates the amount on the balance sheet, the fair value and the unrealized gain (loss) as of March 31, 2016, related to financial instruments. Unlisted stocks and the like, for which it is deemed extremely difficult to measure the fair value, are not included in the table below. (Refer to (NOTE 2.))

(UNITS: Millions of yen)

	Amount shown in Balance sheet	Fair value	Difference
(1) Cash and Due from Banks	4,105,296	4,105,291	▲4
(2) Call Loans	694,000	693,993	▲6
(3) Securities			
Other Securities	292,149	292,149	—
(4) Loans and Bills Discounted	210,496	210,496	—
Total Assets	5,301,942	5,301,931	▲10
(1) Deposits	558,411	558,411	—
(2) Negotiable Certificates of Deposit	500,000	500,000	—
(3) Call Money	292,375	292,375	—
(4) Due to Trust Accounts	4,047,935	4,047,935	—
Total Liabilities	5,398,722	5,398,722	—
Derivative Transactions (*1)			
(1) Those to which Hedge Accounting is not applied	1	1	—
Total Derivative Transactions	1	1	—

(\*1) The derivative transactions recorded in “Other Assets” and “Other Liabilities” are collectively indicated above. Net receivables and payables, which were derived from derivative transactions, are presented in net amounts.

(NOTE 1) Calculation method of the fair value of financial instruments

Assets

(1) Cash and Due from Banks

As the fair value of the amounts of “due from banks” without maturity approximates the book value, the book value concerned is recorded as the fair value.

For “due from banks” with maturity, the present value is calculated by discounting the future cash flows for each of the certain fixed periods set. The market interest rate is used as the discount rate. For those with short maturity periods (within six months) the fair value approximates the book value, and therefore the book value concerned is recorded as the fair value.

(2) Call Loans

For a call loan, the present value is calculated by discounting the future cash flows for each of the certain fixed periods set. The market interest rate is used as the discount rate. For those with short maturity periods (within six months), since the fair value approximates the book value, the book value concerned is recorded as the fair value.

(3) Securities

The fair value of bonds is based on the prices traded at the stock exchange. The notes on securities by holding purpose are stated in (Securities) below.

(4) Loans and Bills Discounted

As the residual period is short (within six months) and the fair value approximates the book value, the book value concerned is recorded as the fair value.

## Liabilities

### (1) Deposits

For the demand deposits, the amount paid (book value) when requested at the end of the year under review is deemed the fair value.

### (2) Negotiable Certificates of Deposit

The maturity period of negotiable certificates of deposit is short (within six months) and the fair value approximates the book value, therefore the book value concerned is recorded as the fair value.

### (3) Call Money

As the current maturity is short (within six months) and the fair value approximates the book value, the book value concerned is recorded as the fair value.

### (4) Due to Trust Account

The amount paid (book value) when requested at the end of the year under review is deemed the fair value.

## Derivative Transactions

Derivative transactions to which Hedge Accounting is not applied

For derivative transactions to which hedge accounting is not applied, the contract amount at the closing date by transaction type or notional amount specified in the contract, fair value and unrealized gains (losses), as well as the calculation method of the fair value concerned, are as shown below. The contract amounts, etc., do not show a market risk related to derivative transactions.

### 1) Currency-related

(UNITS: Millions of yen)

Category	Type of derivative transaction	Contract value		Fair value (*1)	Unrealized gains (losses)
			Over one year		
Over the counter	Forward exchange contracts				
	Sold	934	—	▲2	▲2
	Bought	1,881	—	3	3
Total		2,816	—	1	1

(\*1) The fair value of the above transactions is measured, and the resulting profits and losses are recorded on the statements of income. The calculation method of fair value is based on the forward foreign exchange rates.

(NOTE 2) Financial instruments for which it is deemed extremely difficult to measure the fair value are as shown below, and they are not included in Other Securities in (3) Securities of "Fair value of financial instruments, etc."

(UNITS: Millions of yen)

Category	Amount shown in Balance sheet
Unlisted stocks (*1)	446
Total	446

(\*1) As unlisted stocks have no market value and it is deemed extremely difficult to measure the fair value thereof, they are not subject to the disclosure of fair value information.

(NOTE 3) Redemption schedule of monetary claims and securities with maturity dates for years subsequent to the closing date (March 31, 2016)

(UNITS: Millions of yen)

	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Cash and Due from Banks	4,104,925	—	—	—	—	—
Call Loans	694,000	—	—	—	—	—
Securities						
Securities with Maturity Dates included in "Other Securities"	150,300	141,849	—	—	—	—
Loans and Bills Discounted	210,496	—	—	—	—	—
Total	5,159,722	141,849	—	—	—	—

(NOTE 4) Redemption schedule of borrowings and other interest-bearing debt for years subsequent to the closing date (March 31, 2016)

(UNITS: Millions of yen)

	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*1)	558,411	—	—	—	—	—
Negotiable Certificates of Deposit	500,000	—	—	—	—	—
Call Money	292,375	—	—	—	—	—
Due to Trust Accounts	4,047,935	—	—	—	—	—
Total	5,398,722	—	—	—	—	—

(\*1) Of the deposits in the banking business, demand deposits are disclosed under "Within 1 year."

**(Securities)**

Other than government bonds, corporate bonds, stocks and other securities on the balance sheets, negotiable certificates of deposit in “Cash and Due from Banks” are included.

Other securities (As of March 31, 2016)

(UNITS: Millions of yen)

	Type	Amount shown in Balance sheet	Acquisition cost	Difference
Those of which the amount on the balance sheet exceeds the acquisition cost	Japanese Bonds			
	Government Bonds	10,201	10,200	0
	Corporate Bonds	230,563	230,449	114
	Subtotal	240,764	240,649	114
Those of which the amount on the balance sheet does not exceed the acquisition cost	Japanese Bonds			
	Government Bonds	30,600	30,600	▲0
	Corporate Bonds	20,784	20,789	▲4
	Other	111,000	111,000	—
	Subtotal	162,384	162,389	▲4
Total		403,149	403,039	110

(NOTE) Other securities for which it is deemed extremely difficult to measure the fair value

(UNITS: Millions of yen)

	Amount shown in Balance sheet
Stocks	442
Other	4
Total	446

As these securities have no market value, they are not included in “Other securities” in the list above.

**(Retirement benefits)**

Retirement benefit system adopted

TCSB adopts the defined contribution pension plan for part of its lump-sum retirement allowance system. The amount of contribution required for the defined contribution pension plan is ¥14 million.

**(Tax-Effect Accounting)**

1. Principal deferred tax assets and liabilities, broken down by cause, are shown below.

Deferred tax assets		
Accrued business and business facility taxes	¥58	million
Provision for retirement benefits and provision for directors' retirement benefits	46	
Asset retirement obligations	45	
Intangible Fixed Assets	9	
Valuation difference on Available-for-Sale Securities	1	
Other	59	
Total deferred tax assets	221	
Deferred tax liabilities		
Valuation difference on Available-for-Sale Securities	35	
Tangible Fixed Assets	23	
Other	7	
Total deferred tax liabilities	66	
Net deferred tax assets	154	million

2. Following the promulgation of the Act on Partial Revision of the Income Tax Act, etc. (Act No. 15 of 2016) and the Act on Partial Revision of the Local Tax Act, etc. (Act No. 13 of 2016) on March 29, 2016, corporation tax rates are reduced effective business years starting on or after April 1, 2016. Consequently, the statutory effective tax rate for the calculation of deferred tax assets and deferred tax liabilities will be lowered from the previous 32.26% to 30.86% for temporary differences expected to be eliminated in the business year beginning on April 1, 2016 and to 30.62% for temporary differences expected to be eliminated in the business year beginning on April 1, 2018. As a result of this change, deferred tax assets decreased by ¥7 million, valuation difference on available-for-sale securities increased by ¥1 million, and income taxes-deferred increased by ¥9 million.

**(Related party transactions)**

(1) Transactions with the parent company and principal corporate shareholders, etc.

(UNITS: Millions of yen)

Category	Name of company, etc.	Percentage of voting rights (or ownership)	Relationship with related party	Details of transactions	Transaction amounts (Note 2)	Account classification	Balance at term end
Other related companies	The Dai-ichi Life Insurance Company, Limited	Direct ownership 23%	Entrustment of securities administration operations	Entrustment of securities administration operations (Note 1)	2,271	Accrued income	273

Transaction terms and determination thereof

(NOTE 1) Fees for the performance of outsourced securities administration operations are set according to the company's fee rates table.

(NOTE 2) Transaction amounts do not include consumption tax. Balance at term end includes consumption tax.

(2) Sister companies, etc.

(UNITS: Millions of yen)

Category	Name of company, etc.	Percentage of voting rights (or ownership)	Relationship with related party	Details of transactions	Transaction amounts (Note 3)	Account classification	Balance at term end
Subsidiary of Parent Company	Mizuho Trust & Banking Company, Limited	None	Performance of trust services for trust bank Sharing of directors	Performance of trust services for trust bank (Note 1)	9,171	Suspense receipt	9,062
Subsidiary of Parent Company	Mizuho Trust Systems Company, Limited	None	Performance of outsourced system operation and software development services	Outsourcing of system operation Outsourcing of software development (Note 2)	3,785 2,559	— —	— —

Transaction terms and determination thereof

(NOTE 1) Fees for the performance of outsourced trust services are determined through negotiations based on fee amounts calculated by the company.

(NOTE 2) Fees for the performance of outsourced system operation and software development services are determined through negotiations based on fee amounts calculated by MHTS Co., Ltd.

(NOTE 3) Transaction amounts do not include consumption tax. Balance at term end include consumption tax.

**(Per share information)**

Net assets per share ¥60,385.55

Net income per share ¥1,129.27

## Results of Trust Banking Business

### ■ Statements of Trust Assets and Liabilities

(UNITS: Millions of yen)

	2013	2014	2015
	As of 31.Mar.2014	As of 31.Mar.2015	As of 31.Mar.2016
<b>Assets</b>			
Securities	103,945,600	91,898,870	88,539,659
Beneficiary Rights to the Trusts	17,392,887	19,195,919	18,472,080
Securities Held in Custody Accounts	4,433,320	5,664,579	6,189,068
Money Claims	589,576	665,181	652,457
Call Loans	3,390,783	5,167,614	688,338
Due from Banking Account	215,717	772,404	4,047,935
Cash and Due from Banks	6,229,435	5,853,250	6,244,065
Other Assets	11,881,265	16,612,545	16,252,935
<b>Total Assets</b>	<b>148,078,586</b>	<b>145,830,365</b>	<b>141,086,540</b>
<b>Liabilities</b>			
Money Trusts	79,467,630	68,200,546	63,129,346
Investment Trusts	69,568	110,464	13,772
Money Entrusted Other than Money Trusts	62,371	48,369	65,424
Securities Trusts	7,393,969	9,774,682	9,913,311
Composite Trusts	61,085,047	67,696,301	67,964,685
<b>Total Liabilities</b>	<b>148,078,586</b>	<b>145,830,365</b>	<b>141,086,540</b>

(NOTE 1) Amounts less than one million yen are rounded down.

### Capital Adequacy Ratio (Basel III)

	<b>2014</b>	<b>2015</b>
	As of 31.Mar.2015	As of 31.Mar.2016
Core capital: instruments and reserves	(A) 59,179	60,079
Core capital: regulatory adjustments	(B) 3,123	5,505
Capital (A) – (B)	(C) 56,056	54,574
Risk-Weighted Assets	(D) 141,252	240,104
Capital Adequacy Ratio $(C) \div (D) \times 100$	39.68%	22.72%

(NOTE 1) Amounts less than one million yen are rounded down.