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(April 2011~March 2012)
Annual Report



TCSB



TCSB

Mizuho Financial Group
Trust & Custody Services Bank, Ltd.

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

Our Corporate Logo



Our corporate logo is modeled after a large door.
This door has two meanings.

First, it signifies the trust between our customers and us.

It is a "door of security," tightly closed against everyone except our customers.
However, it does not remain permanently closed.
It is also a "door of trust" that opens immediately in response to our customers' needs.

Second, it signifies a threshold leading towards our customers' futures.

We at TCSB stand ready to act as a reliable partner in helping our customers realize a brighter, more prosperous future.

The orange we use as our corporate color signifies both "progressiveness" and "warmth."

As a trust bank specializing in asset administration, we aim to build a sophisticated IT framework for advanced systems support and a solid service base to provide a warmhearted response to our customers' needs.

We sincerely hope that this Annual Report will serve to open the door to ever more successful partnerships between our customers and us.

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.

■Profile (as of June 30, 2012)

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: 495 (as of March 31, 2012)

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

■Credit Ratings (as of September 30, 2012)

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

* Bank financial strength rating

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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).

One year has passed since the Great East Japan Earthquake occurred. Once again, I would like to extend my heartfelt sympathy to the victims of the disaster and express my sincere desire that the disaster victims can reestablish their daily lives as soon as possible together with the reconstruction of the devastated areas.

Since TCSB's founding in January 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, forward-looking services, reinforced our operational and IT infrastructure, and reformed our internal control structure as part of our efforts to become Japan's leading player in the area of asset administration services.

With our customers' support and understanding of our initiatives, we succeeded in further expanding the size of our business in fiscal 2011, when assets under management grew to more than ¥339 trillion.

The area of asset administration services has witnessed not only progress in a succession of securities settlement system reforms, but also an acceleration in developments such as a diversification of investment choices, regions and styles. Customer needs have consequently become that much more diverse and sophisticated.

While keeping an eye on these needs, we shall continue our proactive efforts to strategically channel management resources into reinforcing our operational, IT and human resource infrastructure with a view to offering customers higher quality and higher value-added services. As a full-range custodian bank offering a wide variety of products, ranging from trust services to various kinds of custody services, the most advanced securities management models (all-round outsourcing models that extend to accounting operations) as well as value added services (lending services and foreign exchange services, etc.), TCSB will further strengthen its capabilities and customer relationship structures as a means of responding more proactively to customers' needs while enhancing alliances with the Mizuho Financial Group companies.

In the years ahead, we will continue to listen carefully to our customers, thoroughly promote improvement of our own ability to provide solutions and service quality, strive to reinforce our internal control structure and stabilize our profit foundation in order to be regarded as an asset administration partner that customers can really trust.

We look forward to your continuing support and patronage in these endeavors.

Hitoshi Maeda, President & CEO

TCSB's Management Strategy

Aspiration

Based on the philosophy of growing our asset administration services into competitive products, then developing further into a company that provides comprehensive services associated with asset administration, we aspire to become a full-line custody bank that can respond quickly and precisely to all customers' needs.



Basic Vision

1

We will aim to become Japan's largest and most sophisticated trust bank specializing in asset administration services, with an unimpeachable reputation for adherence to best practices.

2

We will offer considerable benefits to our clients thanks to the economies of scale backed by the assets entrusted to us.

3

We will build a rigorous, effective and highly sophisticated back-office system based on global standards.

4

We will seek to obtain an accurate grasp of customers' needs so that we can offer them optimized solutions.

Code of Conduct (Excerpt)

Basic Policies

1. Social Responsibilities and Public Mission

As Japan's leading trust bank specializing in asset administration, we are constantly aware of the gravity of our social responsibilities and public mission, and devote our efforts to sound management based on self-responsibility.

Through close communications with society, we work hard at ensuring that our corporate behavior is in harmony with social common sense.

2. Customer-oriented Practices

We provide optimized services at all times in line with our customer-first approach.

We believe that winning our customers' trust lays the foundations for earning the trust of our shareholders, local communities and all other stakeholders.

3. Adherence to Laws and Regulations

We strictly observe all laws, ordinances and regulations as we pursue corporate activities in a fair and honest manner that conforms to the norms accepted by society.

We comply with international rules and local laws, as well as respect local customs and cultures.

4. Respect for Human Rights

We respect the dignity and fundamental human rights of all people in all our activities, including our customers, executives and staff, and are working to build a corporate culture that is imbued with the spirit of respect for human rights.

5. Opposition to Antisocial Forces

We are resolutely opposed to antisocial forces that threaten the order and safety of civil society.



TCSB's Commitment

TCSB has earned **high praise** from rating agencies because of its healthy financial fundamentals, specifically its:

- **Advanced Operations and IT Infrastructure**
- **Rigorous Internal Control Structure**
- **Customer oriented Philosophy**

Based on these, we can:

- Provide **Customers** with the **Best Possible Solutions**



Milestones

■January 2001

Trust & Custody Services Bank, Ltd. (TCSB) established.

■February 2001

Commences record-keeping services.

Receives mandate to administer assets of the investing life insurance companies.

■May 2001

Acquires long term and short term credit ratings from Moody's Investors Service.

■December 2001

Under a *Saishintaku* (re-entrustment) agreement, accepts assets entrusted to Mizuho Trust & Banking.

Acquires debtor rating from R&I.

■January-March 2002

Accepts stocks held by Dai-ichi Kangyo Bank, Ltd., Fuji Bank, Ltd. and The Industrial Bank of Japan, Limited (now Mizuho Bank and Mizuho Corporate Bank).

■March-April 2002

Entrusted with the resident-oriented custody operations of the banks currently known as Mizuho Bank and Mizuho Corporate Bank.

■May 2002

Head Office moved to Harumi Island Triton Square.

■August 2002

Perfects a common basic system for new settlement procedures.

■January 2003

Commences outsourcing services for comprehensive asset administration.

■March 2003

Offsite Backup Center goes on-line.

■May 2004

Acquires debtor rating from Standard & Poor's.

■September 2005

Performance Monitoring Service (PMS) launched.

"TCSB Custody-net" launched.

■November 2008

Outstanding assets under management grew to more than ¥300 trillion.

■January 2009

Started to respond to the Electric Share Certificate System.

■September 2009

Implements the Advanced Measurement Approach for the calculation of operational risk equivalent

in association with capital adequacy ratios based on Basel II.

■ **February 2011**

Becomes the first Japanese bank to acquire the certification standard BS25999-2:2007 in connection with the business continuity management system in the settlement business for domestic funds and securities.

■Advanced Operations and IT Infrastructure

More than ever before, advanced asset management systems and sophisticated information technology (IT) are essential for asset administration operations that can process large volumes of high-level, globalized securities transactions quickly and accurately.

We have adopted various initiatives designed to enhance operational quality while further reinforcing our human resources with the view of providing customers with optimal asset administration services at all times.

In order to provide customers with the best possible solutions to their needs while accommodating securities settlement system reforms, we are taking full advantage of the economies of scale offered by outstanding assets under management of more than ¥339 trillion and working proactively to strengthen our IT infrastructure further.

Looking ahead, we will continue to offer next-generation financial services based on our advanced operations and IT infrastructure.

■Rigorous Internal Control Structure

We constantly recognize the gravity of our social responsibilities and public mission as Japan's leading trust bank specializing in asset administration. To this end, we strictly observe all laws, ordinances and regulations as we pursue corporate activities in a fair and honest manner that conforms to the norms accepted by society. We view thoroughgoing compliance as a fundamental management principle and are working to build a rigorous compliance structure.

As a company that provides customers with asset administration services, TCSB believes it is extremely important to protect and use information assets properly. TCSB is working to strengthen its information management structure through measures to protect information security and personal information.

Financial institutions face a variety of risks as deregulation and globalization advance, and financial operations rapidly become more diverse and complex. TCSB is proactively strengthening its risk management systems in order to respond even better to the trust placed in it by customers by ensuring healthier, more stable management.

As befits a custody bank of our standing, we have also built a rigorous audit structure. More specifically, our Internal Audit Department monitors the appropriateness and effectiveness of business operations from the perspective of compliance and risk management independently of operational reporting lines. At the same time, we have introduced audits utilizing external auditing organizations to put our business operations on a sounder, more appropriate footing.

We have also adopted a proactive approach to internal controls pertaining to financial reporting as mandated by the Sarbanes-Oxley Act and other measures.

■Customer-oriented Philosophy

Based on our customer-oriented practices, we are working proactively to raise CS (Customer Satisfaction) levels.

Putting ourselves in the customer's place when identifying customer needs, we are working to improve our services through more rapid responses, professional services and the challenge of developing new services.

As TCSB marked its 10th anniversary in January 2011, TCSB's fiscal 2011 is the first year of its next decade (Next Ten!). Taking this opportunity, TCSB formulated the TCSB "Next Ten!" Core Value as concrete guidelines to realize its Customer-oriented Philosophy and is currently committed to its practice companywide.

TCSB “Next Ten!” Core Value

“TCSB for the Customer”

Team Play: We will respect and trust each other, and work together to achieve our common goal.

Change & Challenge: We will think outside the box and act proactively, and address the challenges of innovation.

Satisfaction: We will take pride in our own jobs, and endeavor to create vigorous, enthusiastic and rewarding workplace.

Be Professional: We will enhance our expertise and skills as professionals of asset administration services.

■High Ratings from Ratings Agencies

As a trust bank specializing in asset administration, TCSB has been awarded high ratings for its healthy financial fundamentals and strong customer base by Standard & Poor’s (S&P), Moody’s Investors Service (Moody’s) and Japan Rating and Investment Information, Inc. (R&I).

Looking ahead, we intend to maintain our sound financial health, provide high quality advanced services and reinforce customer trust.

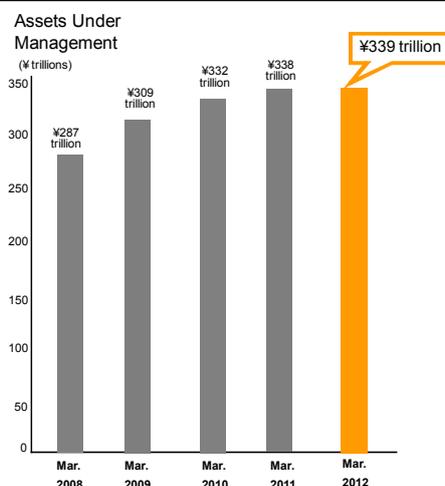
(Sep. 30th 2012)

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

* Bank financial strength rating

Performance Highlights

At the end of March 2012, assets under management increased by ¥1 trillion year-on-year to **¥339 trillion**.

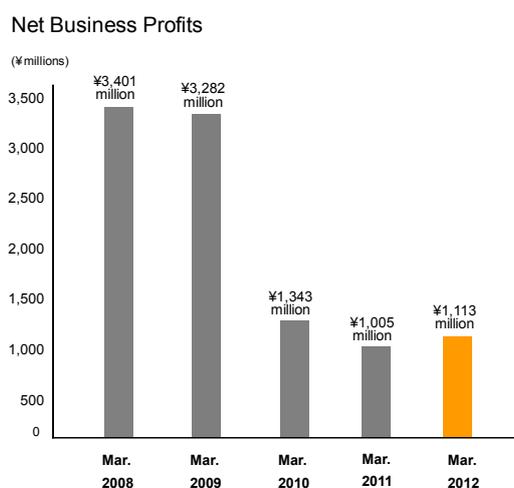


■Trends in Assets under Management

At the end of the fiscal year under review, assets under management — based on entrusted trust assets and assets managed under custody agreements — increased by ¥1 trillion year-on-year to more than ¥339 trillion on the back of a rise in new customers concluding asset administration contracts and the number of existing customers concluding additional contracts.

■Trends in Profits and Losses

In the area of income and expenditures during the fiscal year, gross profits from operations decreased by ¥130 million and amounted to ¥20,181 million mainly due to decreases in revenues from trust services and other operations (mainly foreign exchange transactions). Efforts to make the administration of expenditures more efficient while endeavoring to invest in management resources to improve asset administration services resulted in a ¥238 million decrease in expenditures excluding those from temporary measures from the last fiscal year to ¥19,067 million. As a result, net business profits were ¥1,113 million, an increase of ¥107 million year over year.



Issues That TCSB Must Address

In Asset Administration Services, securities settlement system reforms are progressing and investment decision making (what to invest in and where to invest) and management styles are increasingly

varied, thereby customer needs are increasingly diverse and sophisticated.

In such circumstances, in liaison with other Mizuho Financial Group companies, TCSB is taking measures such as (a) expanding our ability to provide solutions, (b) thorough promotion of improving service quality, (c) solidifying the foundation of human resources, (d) reinforcing our internal control structure and (e) stabilizing our profit foundation to continuously provide high-quality and high-value-added operational and system services that are suited to our basic concept of Becoming Japan's Leading Player in the Area of Asset Administration Services.

Optimized Solutions to Customers' Needs

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Optimized Solutions to Customers' Needs

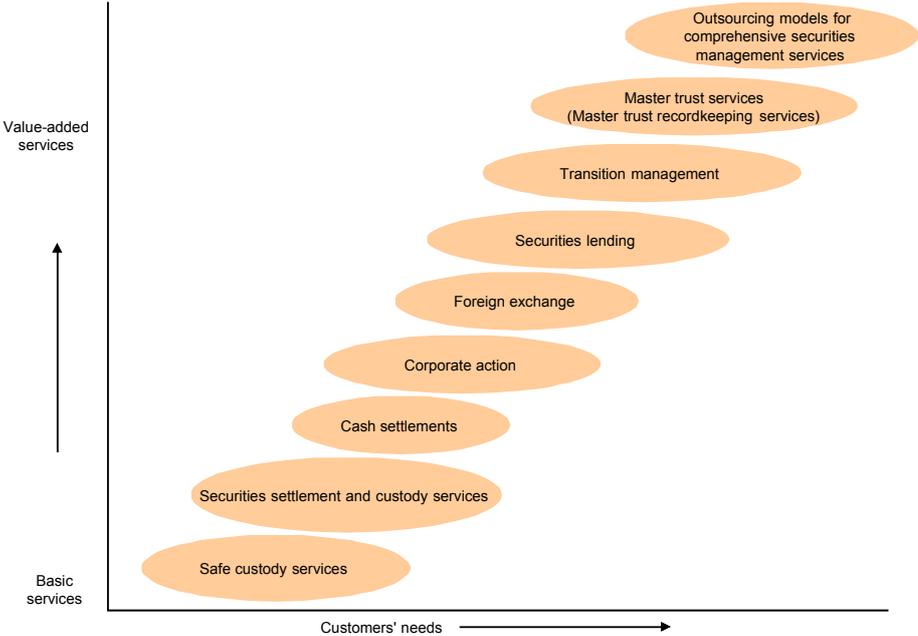
1. Asset Administration Services

A Custody Bank that Pays Close Attention to Customers' Needs

The emergence of new financial products and progress in securities settlement system reforms are feeding the need for securities administration outsourcing. Meanwhile, against the backdrop of the global financial crisis, the role of custodians in securities settlement has been increasing dramatically. We offer a wide range of products that extends from securities administration under trust and re-entrustment (*Saishintaku*) agreements to various kinds of custody services as we strive to become a custody bank that provides meticulous services in response to the respective needs of our customers.

A Full Line of Custody Services

TCSB offers a truly comprehensive line-up of services, ranging from trust services and basic custody services such as securities settlement, safekeeping, cash settlement and corporate action, to flexible foreign exchange packages, securities lending, performance analyses, portfolio management and accounting services to these basic services. We are also working proactively to offer consulting services to customers that require tailored solutions such as transition management and the outsourcing of back-office operations.



→Custody Services

Collective name for services whereby customers entrust us with the task of acting on their behalf in securities-related operations such as deliveries and settlements in connection with securities custody and trading, or the collection of principal, interest and cash dividends. In addition to custody services based on blanket proxy rights vis-à-vis issuers, we offer "account management institution services" based on the book-entry system that emerged as a result of securities settlement system reforms.

→Transition Management

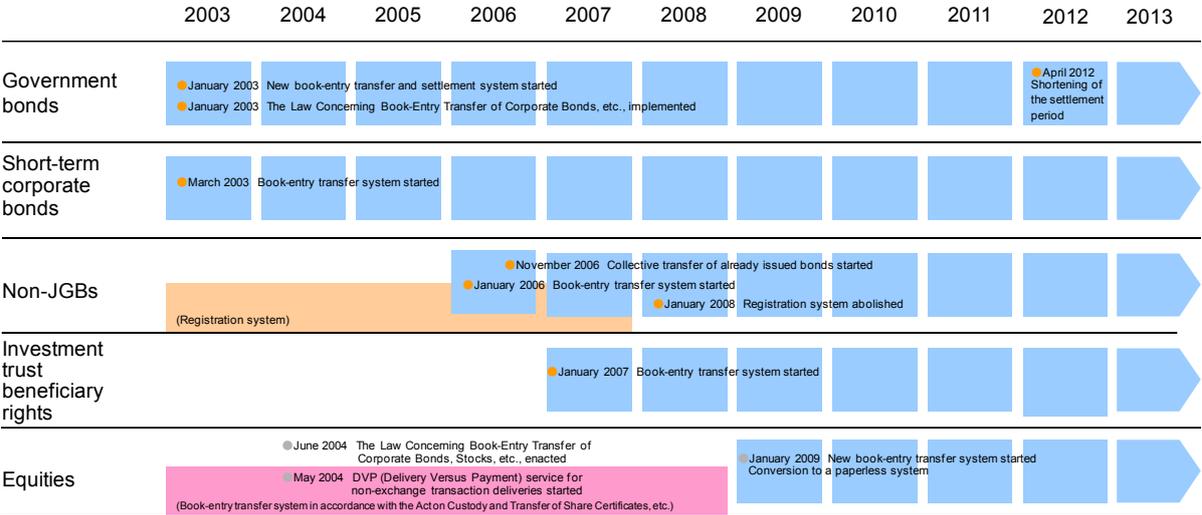
The series of transactions and services needed to minimize the total cost of transaction fees, market impact and other factors when restructuring portfolios or changing investment institutions, using a variety of transaction techniques while maintaining an appropriately balanced portfolio during the transition period.

Proactive Commitment to Institutional Reforms and Focus on Enhancing the Service Level

The shift to the paperless treatment of securities completed in line with the dematerialization of share certificates for Japanese equities in January 2009. The securities settlement system reforms in Japan continue to progress, as seen with the shortening of the settlement period for government bonds implemented in April 2012. Our custody services have been developed in line with these reforms and have been highly acclaimed by many financial institutions and institutional investors. As the securities settlement system reforms require immense implementation costs and materially affect many administrative practices, TCSB believes it has a mission to timely deliver information to help reduce the clerical burden of customers while maintaining its reputation as an “affordable and easy-to-use” custody bank. We are committed to further improvement of service content by carefully monitoring market trends and continuously taking into account the progress of reforms.

We stand committed to strengthening our services still more, bearing in mind at all times the fact that our mission and our roots lie in taking our fiduciary duties seriously and pursuing our duties faithfully in order to maximize profits for our beneficiaries.

Progress in securities settlement system reforms



Trust Services

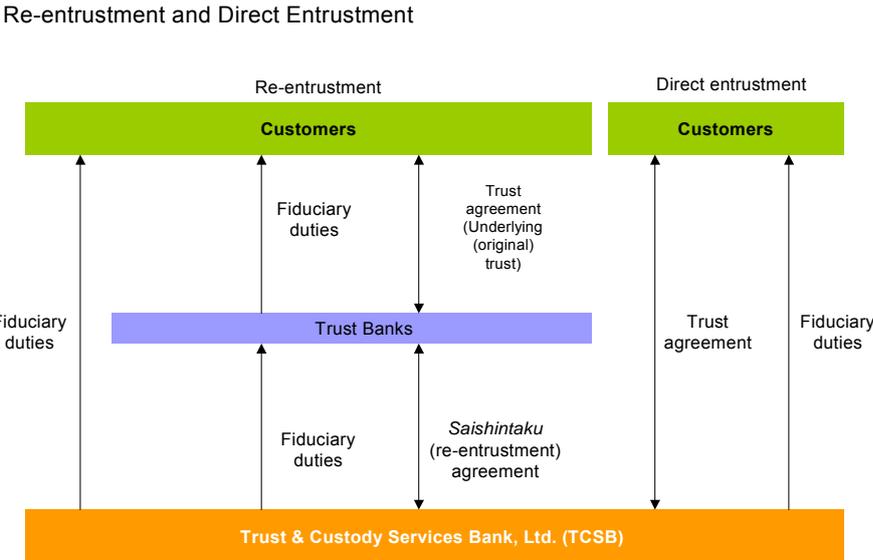
Cooperation with Mizuho Trust & Banking Co., Ltd.

In our capacity as a trust bank specializing in asset administration, we accept, under re-entrustment (*Saishintaku*) agreements with other trust banks, entrustment of the administration of pension trusts and other trust assets entrusted to said other trust banks.

Of all the re-entrustment (*Saishintaku*) agreements, as for those with Mizuho Trust & Banking, we accepted entrustment of asset administration services in connection with pension trusts, specified money trusts, pecuniary trusts other than money trusts and investment trusts entrusted to Mizuho Trust & Banking.

Mizuho Trust & Banking is the primary contact for customers as the trustee for the underlying (original) trust agreement and also offers sophisticated professional expertise in the areas of asset investment and actuarial and management services. Meanwhile, acting as the trustee for the *Saishintaku*, TCSB offers various asset management services and other sophisticated value-added services such as security lending services that make the most of its high-grade know-how as a trust bank specializing in asset administration.

As of the end of March 2012, assets entrusted to TCSB under *Saishintaku* agreements amounted to approximately ¥48 trillion, constituting a very important part of our operations.



Providing Direct Trust Services

We provide customers with trust services under direct contracts as well as *Saishintaku* agreements. As of March 31, 2012 assets entrusted to TCSB under direct contracts amounted to approximately ¥91 trillion.

In the case of trust services based on direct contracts, TCSB and the customer conclude a trust contract and TCSB engages in administration services including the administration of securities, and cash settlements in accordance with instructions from the customer or the asset management company entrusted by the customer with the decision making for investments.

As the segregation of investment and administration operations moves ahead, we foresee a further expansion and diversification of customers' needs in the services of trust banks specializing in asset administration. We will offer optimal solutions that satisfy the varied needs of customers and asset management companies, with Investors Services Department acting as an all-round interface for our customers.

Domestic Custody Services

Enhancement of Custody Services

As a result of a series of securities settlement system reforms, customers' needs for the outsourcing of securities administration services are changing to cover a broader cross-section of products.

In view of these environmental conditions, our future-oriented custody service allows our customers to use various services pertaining to securities management on an integrated system, irrespective of the type of security. We have also quickly adapted ourselves to new procedures implemented along with the system reforms. In particular, we pay close attention to the trends of system reforms in association with government bonds and focus on providing timely services.

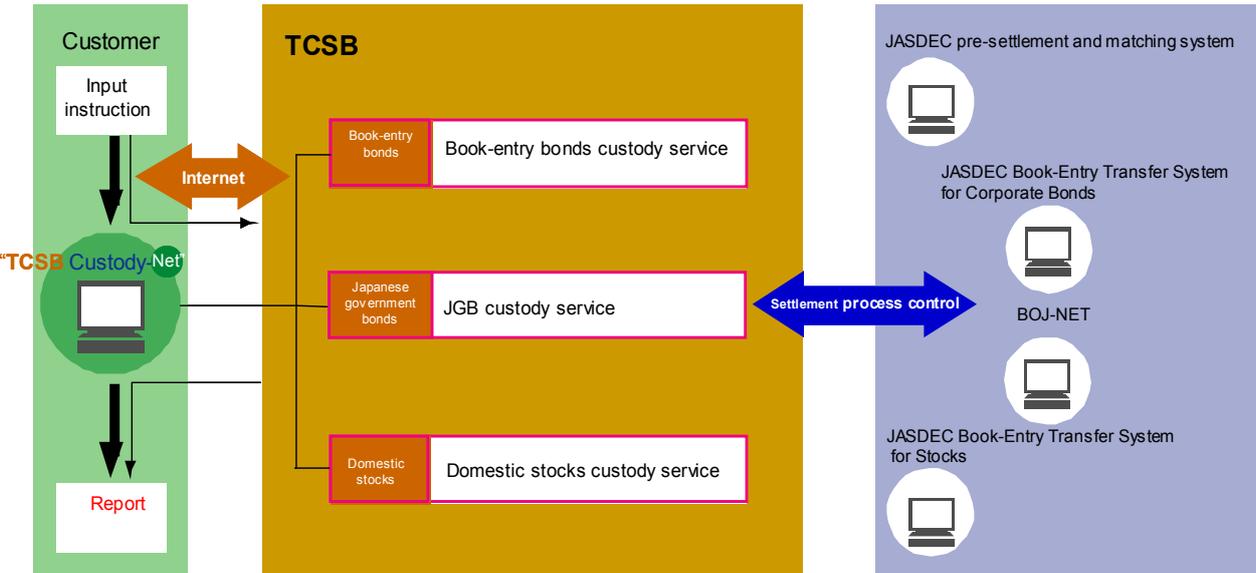
“TCSB Custody-net”

Our custody services are provided through the “TCSB Custody-net” system, which connects every customer with us via the Internet. Customers using the TCSB Custody-net can transmit settlement instructions to TCSB via the Internet. Transmitted instructions are encrypted and handled electronically by TCSB using STP (Straight Through Processing). The balance and trading data are also provided through the TCSB Custody-net system. These measures reduce operational risk and offering users greater peace of mind. The TCSB Custody-net has been well received and is now used by more than 100 corporate customers. In particular, it is one of the core products strongly supported by approximately 70% of the regional and second-tier regional banks.

TCSB provides its customers with necessary information through the TCSB Custody-net system after analyzing in detail the information provided by Japan Securities Depository Center, Inc., the Bank of Japan and other organizations with regard to securities settlement system reforms. In addition, analyzing inquiries from customers, TCSB prepares FAQs to enhance the convenience of customers who use the TCSB Custody-net system. To contribute to increasing the know-how of our customers, we will continue to provide the timely delivery of information regarding the securities settlement system reforms when it is issued by the Japan Securities Depository Center, the Bank of Japan and other organizations.

Custody Service

Centralized Provision of Tailored Services via “TCSB Custody-Net”



High-Quality Services

As for the stocks custody service, TCSB provides high-quality back-office services including the safekeeping, securities settlement, cash settlement and corporate actions of listed stocks, REITs, ETFs and preferential subscription certificates. Since the dematerialization of Japanese share certificates, we have addressed increasing our service levels based on customers' requests, including the transmission of information concerning stocks on which the postponement of the general meeting of shareholders has been announced and the distribution of dividends.

As for the bonds custody service, TCSB provides services including the safekeeping, securities settlement, cash settlement and income processing of domestic bonds such as government and non-JGBs and the receipt by proxy of principal and interest. TCSB precisely and promptly provides its customers with necessary information by communicating with them through the TCSB Custody-net with regard to important documents related to the protection of customers' rights, which are transmitted by the security issuer through the Japan Securities Depository Center and of which the number of issuances has increased recently.

The screenshot shows the TCSB Custody-net website. The header includes the bank's name '資産管理サービス信託銀行' and 'Trust & Custody Services Bank, Ltd.'. The main content area is titled 'お知らせ' (Notice) and contains several sections. A callout bubble on the left points to a navigation menu with the text 'ご利用機能を選択' (Select usage function). A callout bubble on the right points to a section of notices with the text 'お客さまに共通するお知らせを掲載' (Display notices shared by customers). Another callout bubble on the right points to a section of notices with the text '個別のお客さまへのお知らせを掲載' (Display notices for individual customers).

Client Support System

The Investors Services Department offers various proposals based on customers' respective needs, follows up on issues related to the securities settlement system and copes with other diverse referrals from customers. Our Domestic Asset Management Department responds to practical referrals from customers and monitors the TCSB Custody-net in order to support clients' operations on a real-time basis. We have established an operating system to respond quickly and precisely to a variety of inquiries from customers through the efficient collaboration of the aforementioned departments.

Overseas Custody Services

Global Custody Network

As customers increasingly engage in internationally diversified investment, their investments in foreign securities have become more active and diversified. TCSB offers foreign securities custody services to customers using overseas custodians as well as the global network of the Mizuho Financial Group. When TCSB selects overseas custodians, we evaluate their safety as measured by external ratings, clerical handling ability such as corporate actions, and fee levels. In addition, we also carry out regular reassessments of overseas custodians through local on-site visits, service review meetings and the confirmation of external audit reports.

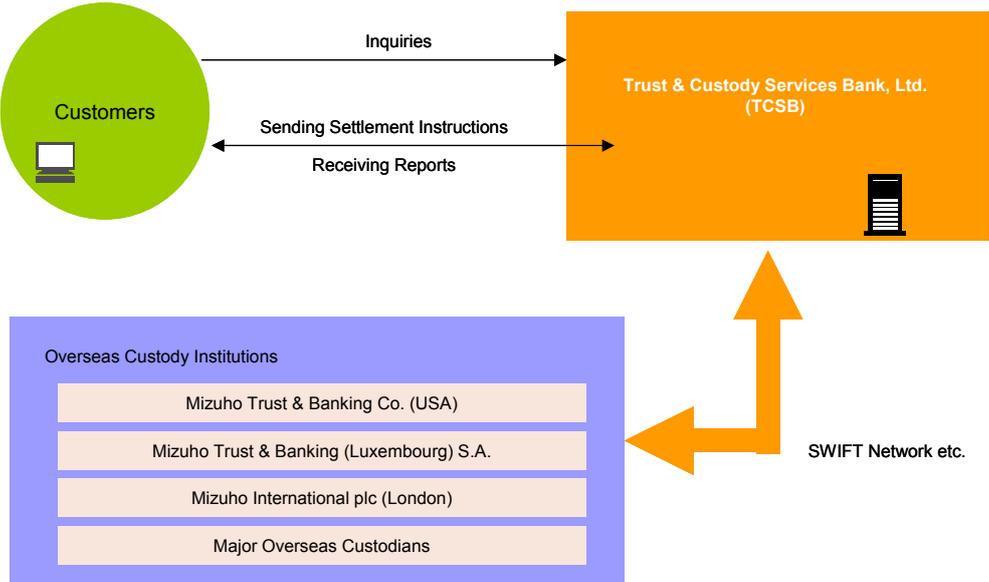
Agency Service for Foreign Banks and Client Support Functions

Pursuant to the revision to the Banking Law of Japan implemented in December 2008, TCSB has conducted the agency service for foreign banks since February 2010. Currently, our Investors Services Department engages in intermediary services for the custody service of several overseas offices of the Mizuho Financial Group (Mizuho Trust & Banking Co. (USA), Mizuho Trust & Banking (Luxembourg) S.A., and Mizuho International plc). In addition, TCSB's Investors Services Department offers liaison support operations for customers, along with Japanese staff deployed at key overseas offices of the Mizuho Financial Group. To support customers with regard to the custody and securities lending services that our overseas offices provide, we have deployed expert personnel within the company to respond quickly to inquiries from customers through close contacts with main overseas offices.

Web Site Services

We offer web site services that allow customers to transmit settlement instructions, receive reports, and download data files using their own personal computers. These services not only enhance the speed and accuracy of foreign securities settlements but also allow centralized, efficient management of securities investment operations in multiple regions and markets.

Overview of Overseas Custody Services



Outsourcing Models for Comprehensive Securities Management Services

Business Models that Are the First of Their Kind for a Japanese Trust Bank

We have created business models to provide full-scale outsourcing services that offer asset administration and back-office functions, including securities accounting operations, pertaining to the securities holdings of institutional investors such as life insurance companies, launching these services in January 2003.

This business model extends conventional custody services to the outsourcing of integrated administration covering domestic and foreign securities (including derivative transactions, REITs, ETFs and other investment trusts, investment enterprise partnerships, and LPSs) and ancillary transactions in general, as well as securities and fund settlement operations. Its salient feature is that it is a comprehensive, across-the-board outsourcing model extending to the complex securities accounting operations that institutional investors have traditionally performed through their own back offices, including asset evaluation and the preparation of accounting journal data, financial data, and various administration and reporting materials. TCSB is the first Japanese trust bank to offer these revolutionary services.

Remarkable Cost Reductions

While institutional investors have no choice but to develop responses to the rapid progress in securities settlement system reforms, including the introduction of STP (Straight Through Processing) and the reduction of the settlement period, developing and maintaining proprietary systems is expected to result in substantial IT investment and maintenance personnel costs.

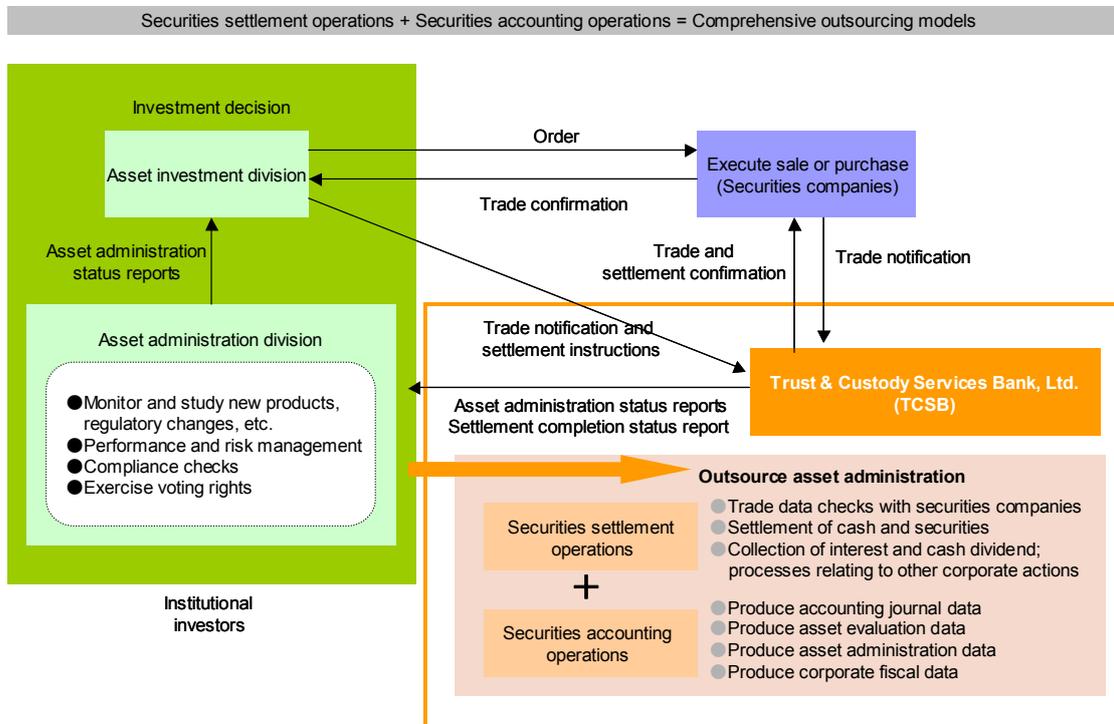
The comprehensive outsourcing models we offer consist of purpose-built systems designed for joint use by institutional investors to enable them to make significant savings in comparison with developing and maintaining their own in-house systems separately.

In addition, since these outsourcing models go beyond conventional custody services by offering securities accounting operations, they allow enormous savings not just in systems development and maintenance costs but also in the labor costs that would otherwise be incurred in IT and operations, savings that will continue well into the future.

Carefully Tailored Responses to Diverse Requirements

We have deployed planning staff who are equipped with exactly the right kind of consulting skills to provide customized solutions to the needs of our institutional investor customers. While existing customers already rate our services very highly, we are committed to ongoing efforts to draw on the solid expertise of our staffers to offer high quality back-office services, as well as respond proactively to the individual needs of each customer through our outsourcing models.

Basic outsourcing models



The models described above are our basic models, and we will continue to respond to our customers' needs.

Service Details

- Settlements of domestic and foreign stock (including derivative transactions) and ancillary transactions, and administration services.
- Asset assessments, and accounting operations such as the preparation of accounting journal data and financial data.
- Preparation of various kinds of administrative and reporting materials.
- Administrative operations in connection with general meetings of shareholders and complimentary items.
- Automatic yen conversion services.
- Securities Lending Services

2. Pension Services

Asset Administration Services for Defined Contribution Pensions

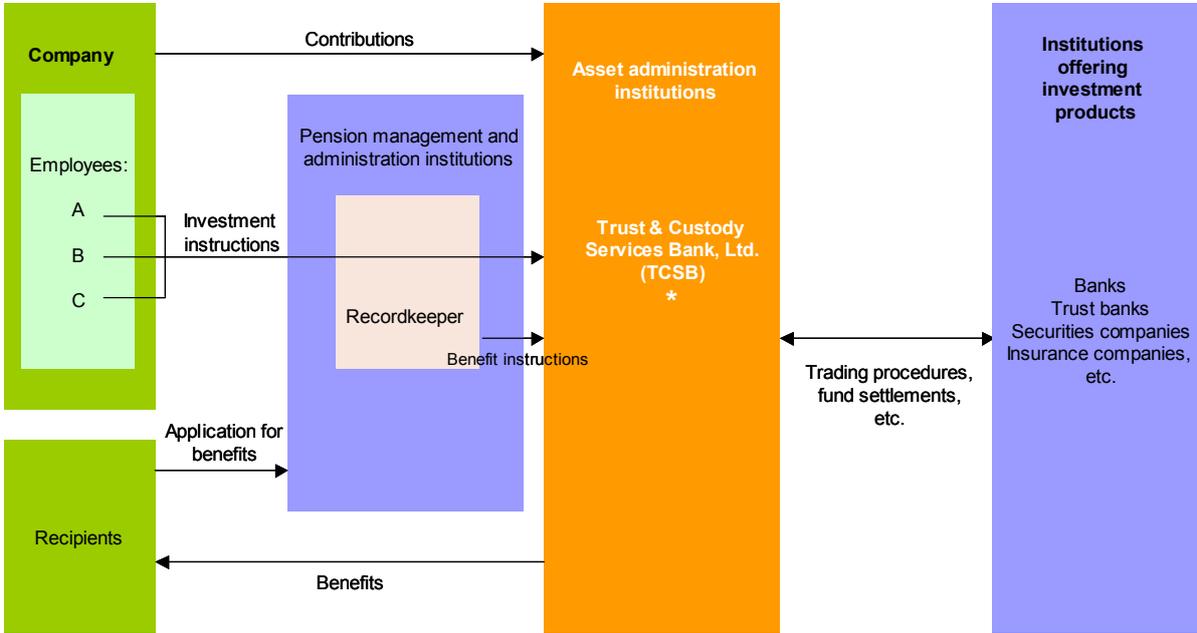
Defined Contribution Pension Market Expanding

The market for defined contribution pensions has expanded steadily in the ten and a half years since the Defined Contribution Pension Law came into force in October 2001. An overview of the market reveals that as of March 31, 2012, pension rules had been approved for 4,135 corporate schemes (up 430 year-on-year), and the number of current participants in personal schemes, which are comprised of Category-1 insured persons and Category-2 insured persons, had reached 138,575 (up 13,669 year-on-year).

Proactive Approach to Infrastructure Improvements

As of the end of March 2012, we had been entrusted with 1,596 (an increase of 216 over last year) defined contribution pension plans and had connections with four record-keepers, more than any other Japanese asset administration institution. Our flexible entrustment acceptance system has won the trust and admiration of existing customers, such as Mizuho Financial Group and life insurance companies investing in us, as well as a large number of regional financial institutions.

Looking ahead, we are strongly committed to streamlining our IT and operational infrastructures and will offer even higher quality services, so that we can better satisfy the needs of customers handling a variety of investment products as well as those of pension management and administration institutions.



*We offer customers trust services through direct agreements, and through a *Saishintaku* agreement with Mizuho Trust & Banking.

Service Details

- Manage paying-in procedures such as verifying contributions.
- Handle trading procedures for investment products and manage assets through fund settlements, etc., on the basis of investment instructions collected by the record-keeper.
- Segregated custody and administration of contributions of pension assets.
- Handle remittances of benefits to beneficiaries on the basis of benefit instructions from the record-keeper.
- Handle tax payments associated with benefits.

→ **Defined Contribution Pension Plans**

Traditionally, Japan's corporate pension schemes (Employees Pension Fund and defined benefit corporate pension plans) have been defined benefit pension schemes under which the amount of benefits is decided in advance. In contrast, the defined contribution pension schemes typified by the 401(k) plans common in the United States determine the amount of contribution in advance and pay benefits according to how well investments of these contributions perform.

→ **Record-keeper**

A pension management and administration institution that handles record-keeping operations. It coordinates the investment instructions of participants, manages personal data records and arbitrates benefits. TCSB has established connections with four companies — Japan Investor Solutions & Technologies Co., Ltd., Sompo Japan DC Securities Inc., SBI Benefit Systems Co., Ltd. and Nippon Record Keeping Network Co., Ltd.

Master Trust Services (Master Trust Record-keeping Services)

Responding to the Need for Centralized Asset Administration (Master Trust) Services

As pension system reforms advance, investors are attaching more importance to the provision of various high quality asset administration services. In particular, asset administration institutions face a growing need for centralized asset administration (master trust) services. As a pioneer of master trusts in Japan, we offer full-scale “information integration services” that allow a selection of services associated with asset management information.

Highly Convenient Service Line-up

As an element of TCSB's Japanese-style master trust services, "information integration services" use the Internet to provide pension sponsors and other customers with timely overall investment performance data for pension plans using aggregated analyses of standardized investment information concerning multiple investment institutions. Since October 2010, the daily appraisal method has been adopted for the calculation of the time weighted rate of return.

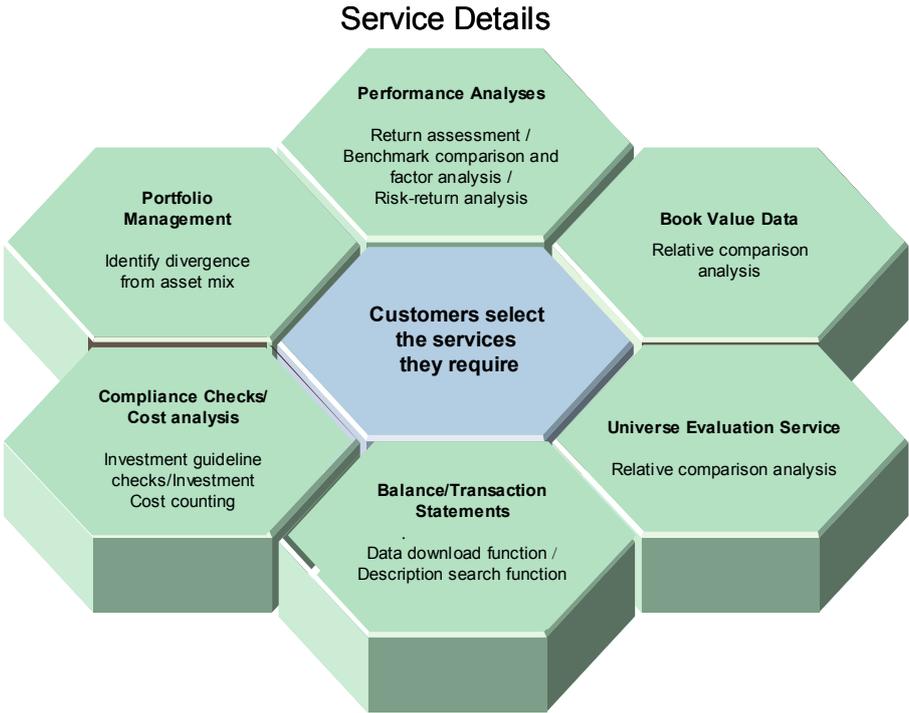
These services go beyond monitoring investment performance by strengthening rating checks, cost analyses and other risk management functions, and incorporating functions that allow customers to download data for secondary processing. They also include a "Multiple Pension Scheme Aggregation Service" function designed for centralized pension plan management.

Furthermore, as for the investment performance-related data prepared and provided by the investment institutions and an investment guideline checking function, TCSB provides an online Performance Monitoring Service (PMS).

Providing Universe Evaluation Services

TCSB, Sumitomo Mitsui Trust Bank, Limited, Resona Bank, Limited and Japan Trustee Services Bank, Ltd. established the "Japan Universe Management Council" and are providing "Universe Evaluation Services."

The introduction of “universe evaluation services” has made it possible to evaluate and analyze relative investment performances among pension sponsors of the same type as well as provide analyses based on conventional comparisons of market indices.



→ **Master Trust**

"Master trust" refers to an arrangement whereby a single trust bank provides centralized management, accounting and reporting in connection with pension funds under a single trust agreement established for the purpose of managing multiple pension plans or multiple investment managers.

Master trusts first appeared in the United States in the 1970s, but today gigantic master trusts are emerging as the sector steadily becomes more oligopolistic.

Master trusts were launched in Japan in earnest after the authorities lifted the prohibition on the participation of trust banks in the discretionary investment business in fiscal 2004.

→ **Multiple Pension Scheme Aggregation Services**

In cases where multiple pension plans are involved, such as tax-qualified pension plans, employees' pension funds and defined benefit corporate pension plans, this function allows analyses of investment performance using aggregation. Overall management transcending individual pension schemes is thus possible.

→ **Universe**

"Universe" refers to a "true universe" of customer investment performance data collected according to certain common characteristics such as asset base and institutional category.

3. Various Value-added Services in Asset Administration

Securities Lending Services

What Are Securities Lending Services?

When customers deposit securities with TCSB, these services create the opportunity of additional revenue for the customers from lending out these securities in securities lending markets at home and overseas. Movements are underway to improve investment performance in pension funds and the like, and investment strategies are increasingly diversified and sophisticated. These developments are all expected to make the securities lending market ever-more indispensable to market participants.

Lending Structure that Makes the Most of TCSB's Superior Market Presence

One of the most important considerations for players in the securities lending market is whether an institution's asset base and market presence are sufficient to enable it to respond to borrowers' broad needs on an ongoing basis. Thanks to the economies of scale we can offer through asset consolidation, we are in a position to return to clients considerable benefits from securities lending.

We have organized a specialist department (the Securities Lending & Management Department) to handle lending transactions, staffing it with personnel who are well-versed in the business. We have also designated these services as a strategic function and are channeling IT, personnel and other management resources into it.

We are building a full-range lending program that covers domestic bonds (repo), domestic stocks, foreign bonds and foreign stocks. We have already established a strong market presence in the domestic bond (repo) and domestic stock lending markets, and have constructed an agency lending network for foreign bonds and stocks.

Repo Services (Lending Transactions in Claims with Cash Collateral)

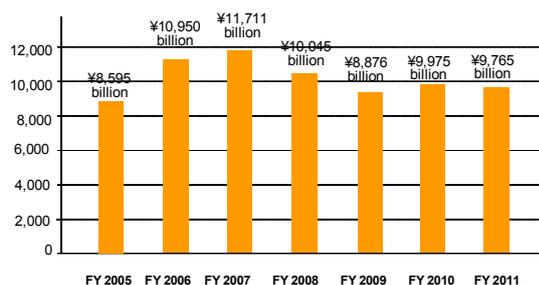
We are active in the domestic repo market and short-term money market by making use of the domestic bonds held in securities trusts. In terms of assets entrusted and outstanding lendings, we boast one of the best records in this sector, and have earned an excellent reputation as a key market player among prominent domestic institutional investors and other customers, as well as market participants.

Domestic Stock Lending Services

In the domestic stock lending market, we mainly engage in the lending of pension-related assets (under both direct contracts with TCSB and *Saishintaku* (re-entrustment) from Mizuho Trust & Banking) and domestic stocks held by institutional investors. We are endeavoring to increase investment performance by seizing on opportunities to meet the borrowing needs of the market.

Balance of Lending

(¥ billions)



Note: Lending data for four asset types, average month-end balance

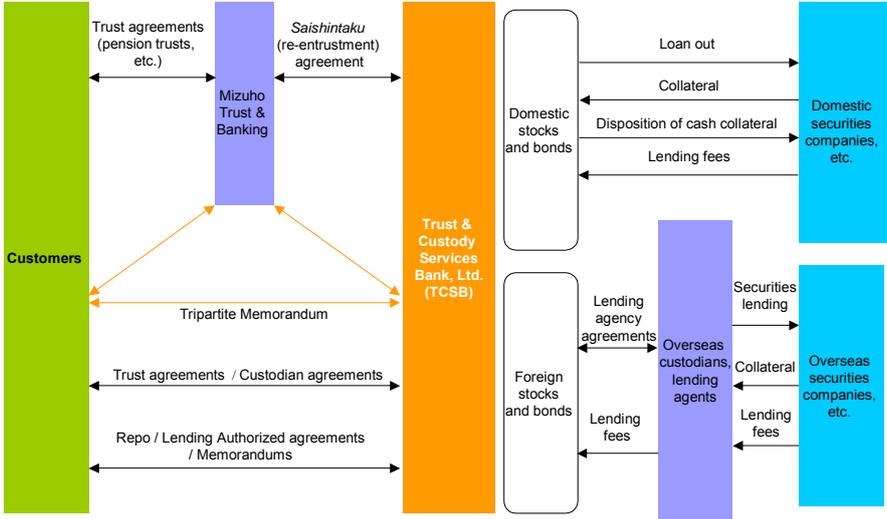
Foreign Bond and Stock Lending Services

With regard to pension-related assets entrusted to us by Mizuho Trust & Banking and foreign bonds and stocks held by institutional investors, we selected overseas custodians as lending agents and are conducting lending services in overseas markets (USA and Europe). We intend to continue work on expanding the issues that constitute our target assets and our asset base.

Strict Risk Monitoring System

We are building a system for managing the various kinds of risk involved in these transactions, including credit risk associated with borrowers and investment/liquidity risk associated with collateral. More specifically, in addition to the risk monitoring of the lending divisions responsible, the selection of borrowers is one of the criteria subject to approval by an independent credit assessment department (Risk Management Department). This department also monitors credit standing as measured by ratings and other yardsticks, adherence to credit lines and collateral coverage ratios, on a daily basis.

Outline of Securities Lending Services



Service Details

- Create additional revenue opportunity by making loans in the lending market of securities entrusted under trust and custody contracts.
- Select borrowers in accordance with selection criteria set by customers.
- Strict daily monitoring (monitoring of credit standing as measured by ratings and other yardsticks, adherence to credit lines and collateral coverage ratios).
- Specialist departments are eager to maximize lending performance by gathering market information in real time and maintaining ready access to a great many potential borrowers.

Foreign Exchange Services

Asset Administration Services to Meet Our Customers' Needs

We offer foreign exchange services for customers who buy or sell securities denominated in foreign currencies or need to hedge against the exchange risks such transactions involve.

TCSB is the sole asset management-based trust bank that has the exchange dealing function. An exchange bank that is concurrently a trustee bank is advantageous to customers from the viewpoint of reducing operational risk.

The Pursuit of "Best Practices"

Since the launching of CLS (Continuous Linked Settlements) in the interbank market, we have been pursuing best practices with a view to providing customers with optimum prices by working to reduce settlement risk associated with foreign exchange settlements and strengthening our market access.

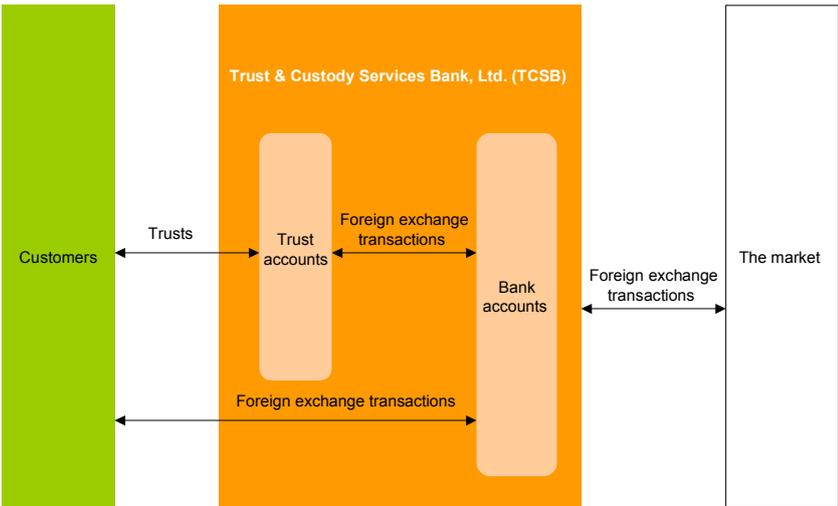
Internet-based Foreign Exchange Transaction Service

We offer an Internet-based foreign exchange transaction service for asset managers.

In addition to asking for foreign exchange rate information in the conventional way via telephone, customers are able to ask for pricings via the Internet using dedicated screens. The system not only allows transaction details to be confirmed the instant a contract is concluded, but also provides transaction records for verification.

We are therefore able to offer a high quality, high value-added service using Internet-based foreign exchange transactions backed by state-of-the-art technology.

Outline of Foreign Exchange Services



Service Details

- Satisfaction of actual currency requirements and provision of exchange hedges.
- Support for derivatives operations (currency options).
- Internet-based foreign exchange transaction service.

→CLS

(Continuous Linked Settlement)

Designed to reduce Herstatt risk (settlement risk arising from international time differences), CLS refers to the simultaneous settlement of foreign exchange transactions in currency pairs, such as the US dollar and the Japanese yen, at a certain time on the settlement date.

Business Foundations to Support Optimized Solutions

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Business Foundations to Support Optimized Solutions

1. Operations and Information Technology Infrastructure

IT Systems Development and Operations Framework

More sophisticated information technology (IT) is essential for asset administration business because of the need to process increasingly large volumes of high-level, globalized transactions with speed and accuracy. As a trust bank specializing in asset administration services, we are committed to building an IT infrastructure in order to provide customers with the best possible solutions for their demands.

Adoption of Open System Platforms

To keep up with changes in the external environment, TCSB is one of the first trust banks in Japan to use open system platforms, which employ UNIX servers for the entire range of business applications. This has enabled us to respond flexibly to wide-ranging changes in the business environment while drastically reducing investment costs.

Four-layer System Architecture

A key feature of our technology solutions is that they comprise a comprehensive suite consisting of four layers (components).

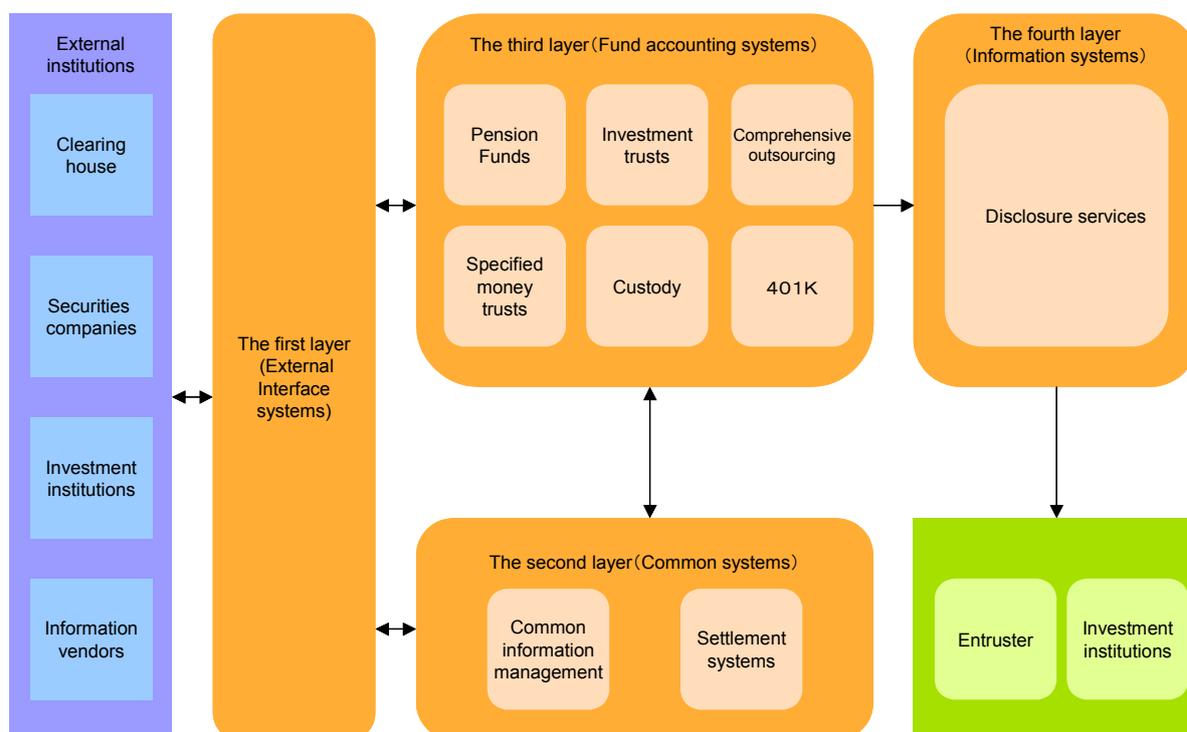
Layer 1 provides the various interfaces necessary for external communication. Layer 2 handles typical post-trade processing including settlements and market data management. Layer 3 is responsible for fund accounting. Layer 4 takes care of portfolio valuation and reporting centered on disclosure. Layer 3 is comprised of several modules depending on asset administration products such that each module can deal precisely with the specific characteristics of the relevant product, including pension trust, investment trust, designated money trust and others. In contrast, Layers 2 and 4 retain functional modules that are shared by all products.

This system architecture enables us to rapidly address institutional changes ranging from those specific to individual products, including defined contribution pension plans and market-value accounting, to those affecting all the products, such as securities settlement system reforms. As an example, our settlement system on Layer 2 is available to support 24/7 trading operations without being affected by fund accounting procedures on Layer 3, on the assumption that settlement cycle will be shortened in the future.

Ongoing Transition to STP (Straight Through Processing)

The evolution of STP is crucial for processing a large volume of transactions. The focus of our development efforts in upgrades to technology each year is to facilitate the automated processes that incorporate receiving instructions, confirmation, settlement and reconciliation for both of domestic and cross-border transactions. In particular, we offer seamless interfaces to investment managers and brokers, those are the core of STP, via or through CPU connection, package tools, SWIFT or the Internet.

Schematic of TCSB's IT Systems



Challenges Faced in Fiscal 2011

During fiscal 2011, we addressed the following important issues in order to enhance our IT infrastructure and expand our services to customers.

NO	Name of initiatives	Purpose
1	Response to the 6th-Generation Zengin System	Address the new system
2	Response to a system upgrade of the SWIFT network	Address the system upgrade
3	Enhancement of the core system	Reinforce the infrastructure

TCSB's fiscal 2012 plans call for IT investment aimed at further improvements in our service levels, including reestablishing an overseas investment trust management system to improve our processing ability; improving the management and offering function for information on our overseas rights; and implementing system changes to address a next system adopted by Japan Securities Depository Center, Inc., and reduce settlement risks related to Securities Lending Services.

Offsite Backup Center

Backup Center and Backup Office Provide Ample Security

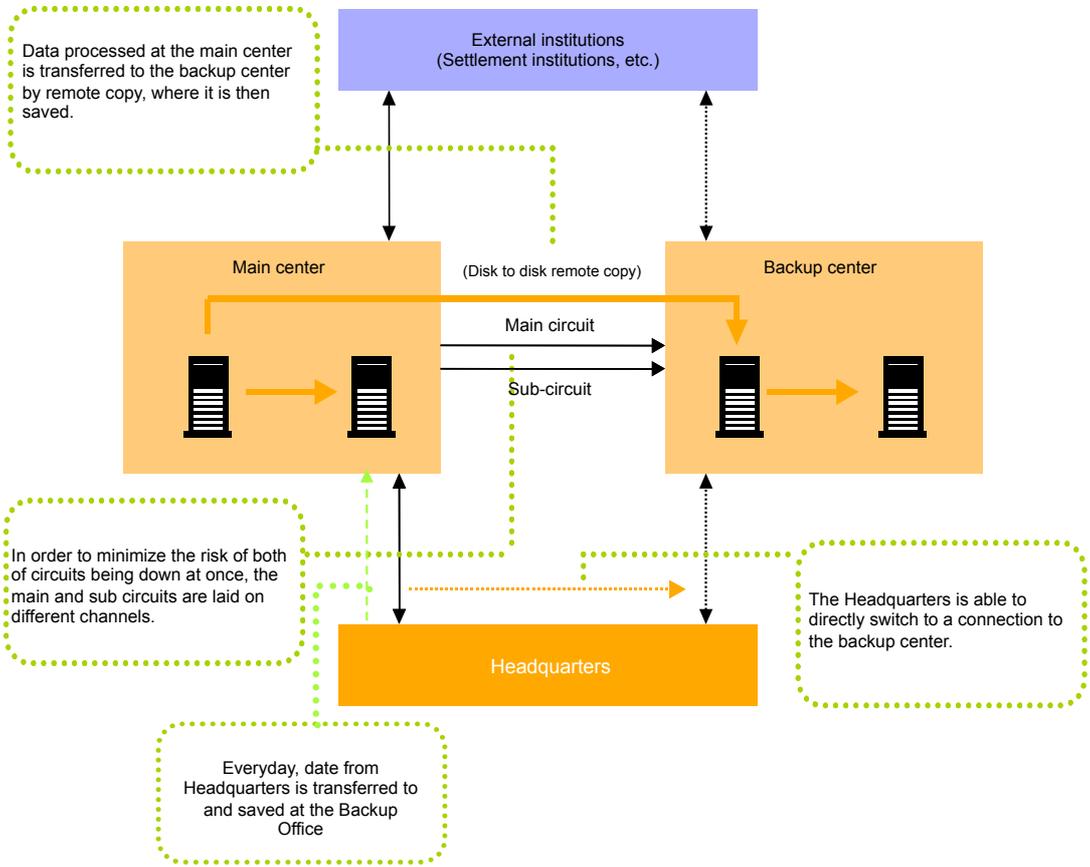
Our Head Office at Harumi Island Triton Square and the Main Center for our systems are both built to withstand earthquakes as large as the Great Hanshin-Awaji Earthquake (intensity 7 on the Japanese seismic scale) and feature their own auxiliary generators. Full redundancy has been built into our system servers and circuits to create a robust infrastructure that should be able to withstand any disasters or accidents that might occur.

In readiness for eventualities such as major earthquakes, fires, or terrorist attacks that may render our Head Office or Main Center inoperable, we have built a Backup Office and an Offsite Backup Center at a regional location some distance away to ensure that operations can continue.

Our Offsite Backup Center conforms to FISC (The Center for Financial Industry Information Systems) Security Guidelines, and was the first such facility of its type to be established by a domestic trust bank specializing in asset administration services when it went into operation in March 2003. It also uses the latest technology for remote copying between disks for secure data protection and non-stop business operation at the time of disaster.

Our Backup Office was expanded and enhanced within the Main Center in October 2006, and replicates the daily data updates at the Head Office. In the eventuality that it becomes impossible to continue operations at Head Office, we can quickly establish an operational environment at our Backup Office and continue operations.

Schematic Diagram of Backup Center and Office



Operational Quality Control

Providing the Best-quality Back-office Services

We constantly strive to offer the best-quality back-office services for our customers. Specific measures for ensuring higher quality are reported to or deliberated by the Product Improvement Committee on a regular basis and as the need arises. In recent years, Japan has been moving ahead with reforms designed to create a securities settlement system that is safe, efficient and convenient with a view to strengthening the international competitiveness of its securities market. Our Product Improvement Committee is engaged in raising all related matters to devise concrete ways of satisfying these requirements in actual practice.

The “Quality Management Office”, established inside of our Operations Planning Department, is steadily progressing with the formulation and execution of solutions by sorting out and analyzing areas of back-office operations that could be made more accurate and efficient. And this movement is spreading throughout the company as a comon measure.

In addition, we are making efforts to carefully heed the wants and needs of customers in order to offer response that is prompt and appropriate, and to facilitate improvements of back-office services by analyzing operational issues.

TCSB will continue to work on improving its operational services and operational quality.

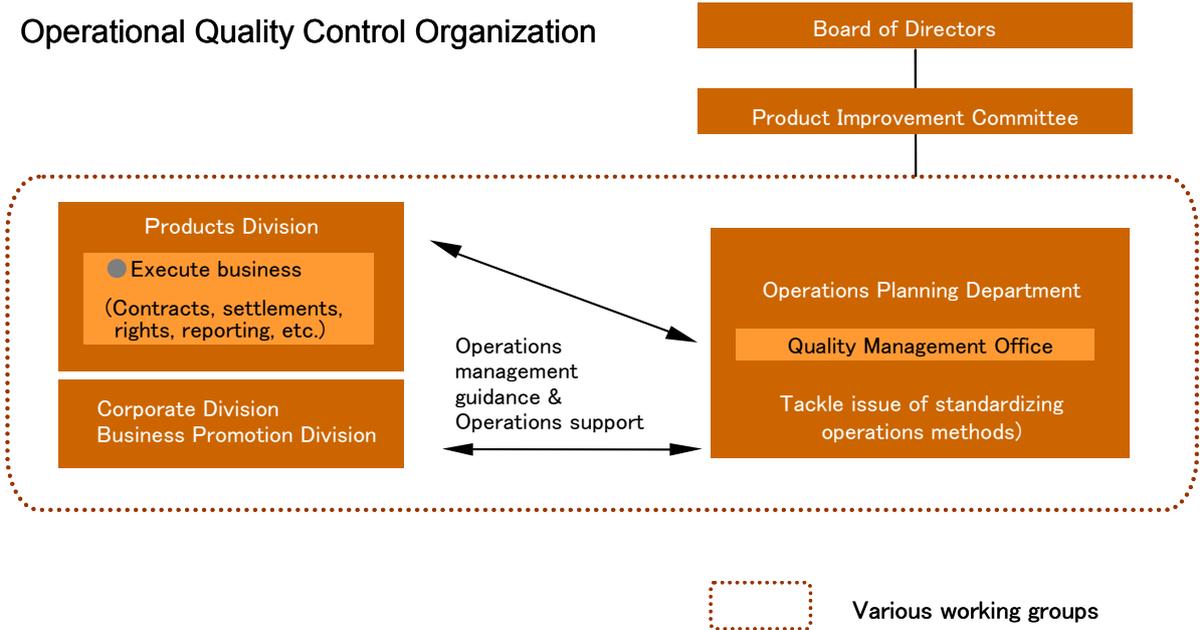
Activities for Further Improving Operational Quality

Each department treats the proposal and execution of measures to enhance quality through more robust, more efficient back-office operations as common issues within their business plans, and engages in activities to ensure excellence.

Mainly for high-risk areas, the Operations Planning Department has also established various working groups together with cooperating departments to sort out and analyze further issues, and propose and implement countermeasures.

The aim is to further improve the quality of back-office operations by repeatedly conducting analyses and implementing countermeasures aimed at resolving issues. This is how we endeavor to provide customers with the finest service.

Operational Quality Control Organization



2. Internal Control Structure

Compliance Structure

Basic Concepts

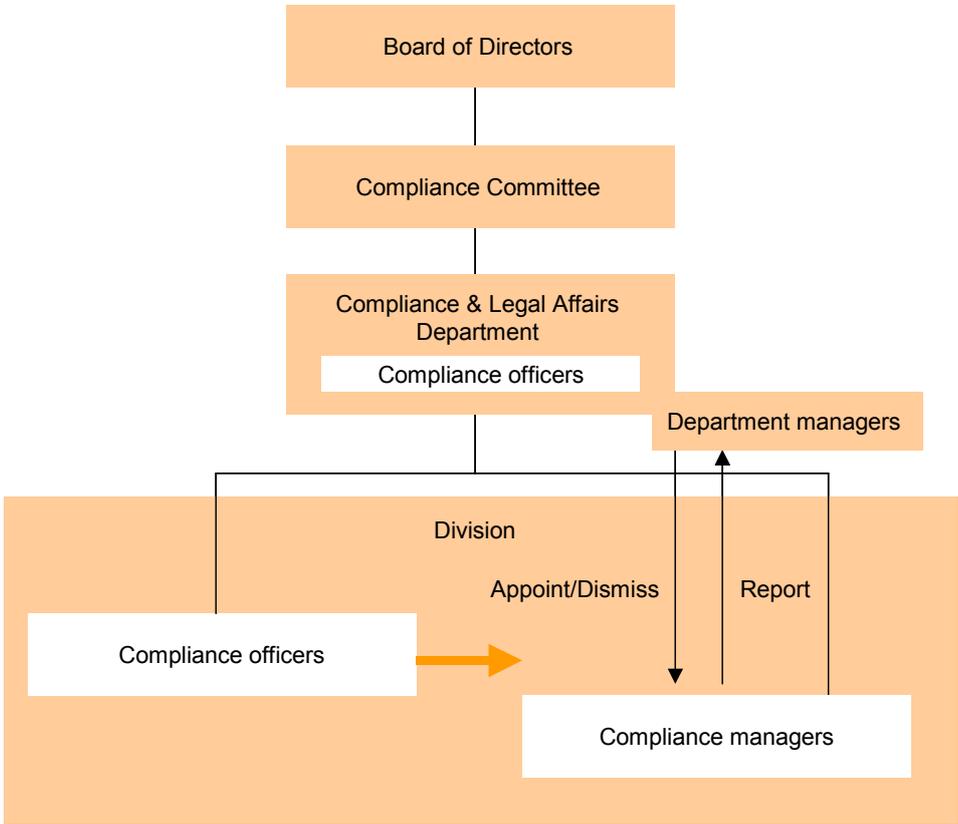
In addition to viewing thoroughgoing compliance as a fundamental management principle and constantly recognizing the gravity of our social responsibilities and public mission as Japan's leading trust bank specializing in asset administration, we are working to promote the creation of a compliance structure that satisfies global standards while winning high praise from customers and the markets, and the trust of society at large.

Thoroughgoing Compliance

Based on a decision of the Board of Directors, we established a Compliance Committee to enable senior management to discuss compliance directly, and manage it on a comprehensive basis. The Compliance & Legal Affairs Department serves as the secretariat to this Committee and supervises compliance management in each department to ensure its thoroughgoing enforcement. The Compliance & Legal Affairs Department Manager appoints compliance officers who check compliance in operations independently of the direction and supervision of each department.

In each department, the Department Manager is the person responsible for thoroughgoing compliance within the department. Independent of this Manager is a Compliance Manager who is appointed, dismissed and judged by the Compliance & Legal Affairs Department Manager. Assuming a position independent of the Department Manager, the Compliance Manager checks the status of compliance within the department, assists the Department Manager, and works toward thoroughgoing compliance within the department.

Compliance Structure



Approaches to the Financial Alternative Dispute Resolution (ADR) System

In order to deal expeditiously, fairly and appropriately with complaints, etc., from customers TCSB has concluded the basic contract for the implementation of dispute resolution procedures with the Japanese Bankers Association, the designated dispute resolution organization under the Banking Law of Japan, and the Trust Companies Association of Japan, another legal dispute resolution organization under the Trust Business Law and the Act on Provision, etc., of Trust Business by Financial Institutions. The designated dispute resolution organization takes the steps towards resolution from a fair and neutral standpoint in cases where the solutions to customers' complaints adopted by TCSB are not accepted.

Dispute resolution organization designated under the Banking Law of Japan, as well as under the Trust Business Law and the Act on Provision, etc., of Trust Business by Financial Institutions

Dispute resolution organization designated under the Banking Law of Japan:

Designated dispute resolution organization: Japanese Bankers Association

Contact: Advisory Center of the Japanese Bankers Association

TEL: 0570-017109 (charged service available only within Japan) or +81-3-5252-3772

Dispute resolution organization designated under the Trust Business Law and the Act on Provision, etc., of Trust Business by Financial Institutions:

Designated dispute resolution organization: Trust Companies Association of Japan

Contact: Trust Consulting Office

TEL: 0120-817335 (toll-free service available only within Japan) or +81-3-3241-7335

Information Management Structure

Basic Concepts

As the use of information expands at a prodigious rate in line with the evolution of the advanced IT society, companies are tasked by society with the responsibility of protecting the information they hold in an appropriate manner. As a company that provides customers with asset administration services, TCSB believes it is extremely important to protect and use information assets properly.

To ensure that it does so, TCSB is working to strengthen its information management structure through measures to protect information security and personal information.

Overview of Information Management Structure

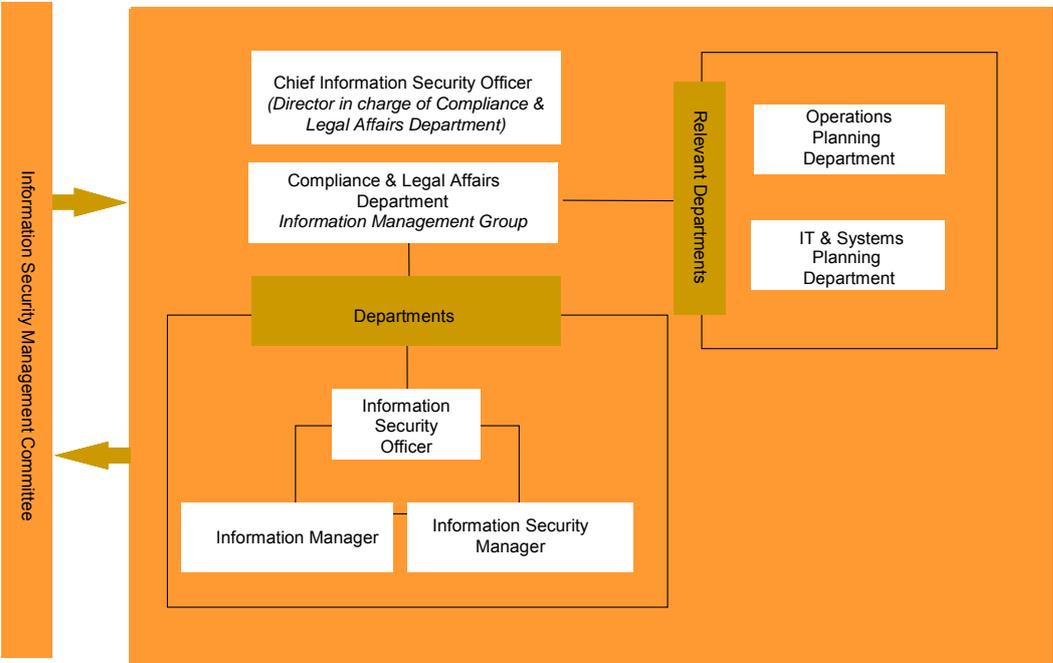
TCSB has formulated an Information Security Policy, an Information Security Standard and other information management-related regulations, based on which it has created an information management structure within the common framework adopted by the Mizuho Financial Group for information management. The Information Security Management Committee discusses and coordinates matters pertaining to progress in implementing measures dealing with information management, management of risk associated with information security, and responses to relevant

laws and regulations. TCSB has appointed a Chief Information Security Officer (Director in charge of the Compliance & Legal Affairs Department) to oversee planning and proposals in connection with information management in general, and the execution thereof. It has also established a new expert group specializing in information management (the Information Management Group) within the Compliance & Legal Affairs Department.

We also believe that, in order to ensure proper use and protection of information assets, it is vitally important that each employee shows high awareness of, and interest in information security. To this end, we implement regular education and training programs in connection with information management.

Based on this information management structure, TCSB has drawn up and published privacy policies that comply with the Law Concerning the Protection of Personal Information, which came into full force in April 2005. It is also building a system to deal with disclosure requests, and strengthening its safety management measures.

Information Management System



Risk Management Structure

Basic Approach

Progress in financial deregulation and internationalization has led to rapid growth in the diversity and complexity of banking operations, exposing financial institutions to various risks.

We are acutely aware that in this kind of environment, creating a solid risk management structure to ensure the kind of sound and stable management is one of the fiduciary duties we must fulfill in order to confirm our trustworthiness in the eyes of customers.

At TCSB, we classify the risks arising in connection with operations by factor into credit risk, market risk, liquidity risk and operational risk and so on, and manage them according to their characteristics in line with risk management policies laid down by the Board of Directors. In other words, we have stipulated the departments responsible for each risk classification and for drawing up and executing plans concerning risk management. Further, we have established specialist committees made up of the relevant corporate officers and department managers to deal with important risks by discussing and determining company policies, identifying and analyzing risk, and implementing measures to deal with it. We are also working to strengthen our internal audit structure centered on our Internal Audit Department to ensure and monitor the effectiveness of our structures for managing various types of risk.

General Concept of Risk Management

Under the basic policies for risk management jointly adopted by members of the Mizuho Financial Group, in addition to managing each type of risk individually, TCSB has also established a risk management structure to identify and evaluate overall risk and, where necessary, to devise appropriate responses in order to keep risk within managerially acceptable limits in both qualitative and quantitative terms.

Reports on the individual and the overall risk management situation are submitted to the Board of Directors both regularly and as required.

Credit, Market and Liquidity Risk Management

The Risk Management Department is in charge of credit, market and liquidity risk management, and has established an ALM Committee.

Credit risk management is carried out in accordance with our internal credit rating system, and individual credit lines are as a general rule set and controlled by the final decisions of our credit assessment group every half year in line with the credit operation guidelines set by the ALM Committee.

In the case of market risk, caps are set according to interest rate sensitivity, while in the case of liquidity risk, ceilings are set on procuring finance from the market. As a general rule, the ALM Committee then determines risk-specific ceilings and financing limits every half-year.

The Risk Management Department measures and monitors observance of individual risk ceilings and caps on a daily basis and submits regular reports to the Board of Directors and other supervisory entities.

→Credit Risk

The risk that TCSB may incur losses due to a decline in, or total loss of, the value of assets (including off-balance sheet items) as a result of a deterioration in a counterparty's financial position.

→Market Risk

The risk that TCSB may incur losses due to changes in the value of its holdings of assets or

liabilities (including off-balance sheet items) caused by fluctuations in market risk factors such as interest rates, securities prices and foreign exchange rates.

→**Liquidity Risk**

The risk that TCSB may incur losses in the case where it faces funding difficulties due to a deterioration in its financial position that makes it difficult to raise necessary funds, or that forces to raise funds at significantly higher interest rates than usual.

→**Operational Risk**

The risk that TCSB may incur losses due to inadequate or failed internal processes, people and systems, or from external events.

Operational Risk Management

TCSB sees operational risk in broad terms, embracing operations risk, IT risk, legal risk, human resources risk, tangible asset risk, regulatory change risk and reputational risk, and places it under the jurisdiction of the Risk Management Department, where the Risk Management/Trust Business Committee manages it.

At the end of March 2007, operational risk was additionally included under the regulatory capital requirements (Basel II). At the end of September 2009, TCSB implemented the Advanced Measurement Approach, which is the most advanced of the three methods proposed for the calculation of operational risk equivalent in association with capital adequacy ratios based on Basel II.

Management intended to suit each kind of risk as determined by scale and nature is implemented as follows.

The Operations Planning Department is in charge of operations risk management and the Product Improvement Committee manages the operations risk. As the trustee business associated with trust and custody operations becomes increasingly varied and complex and the number of transactions increases, we are seeking to deal with operations risk by strengthening our operations management system, raising our operational standards and tightening up our back-office procedures in an attempt to prevent operational errors altogether.

The IT & Systems Planning Department is responsible for IT risk management and the IT Strategy Committee manages the IT risk. We are doing everything we can to ensure the stable operations of our computers by controlling the quality of our software and building redundancy into our systems and equipment. Based on a long-term strategic vision, we are also creating a high-level systems development infrastructure manned by specialist systems engineers.

Legal risk management is the province of the Compliance & Legal Affairs Department and the Compliance Committee endeavors to identify the origins and scale of risks of tangible and intangible losses that may arise from violations of laws, ordinances and contracts and other legal factors, and devise appropriate responses to deal with them.

The Corporate Planning Department oversees human resources risk, tangible asset risk, regulatory change risk and reputational risk, working to identify, assess and monitor the origins, scale and nature of these risks in a timely and accurate fashion, and to devise appropriate measures for controlling and reducing them.

In addition, we also recognize and manage "Information Security Risk", "Compliance Risk" and "Trust Business Risk", which constitute a combination of more than one of the above components of operational risk, as operational risk.

Risk Management Organization (Departments, etc., in charge of each kind of risk category)

Risk category	Departments in charge	Committees in charge	
Credit risk	Risk Management Dept.	ALM Committee	
Market risk			
Liquidity risk			
Operational risk	Corporate Planning Dept.	Risk Management/ Trust Business Committee	
Operations risk		Operations Planning Dept.	Product Improvement Committee
IT risk		IT & Systems Planning Dept.	IT Strategy Committee
Legal risk		Compliance & Legal Affairs Dept.	Compliance Committee
Human resources risk			
Tangible asset risk			
Regulatory risk			
Reputational risk			

→Operations Risk

The risk that any customer and/or TCSB may incur losses because inappropriate procedures resulting from unlawful acts, negligence or nonfeasance on the part of executives or employees, or from the operational framework itself may throw customer services into disarray.

→IT risk

The risk that any customer and/or TCSB may incur losses because systems defects such as failures, faults, or incompleteness in computer operations, or illegal or unauthorized use of computer systems may throw customer services into disarray.

→Legal Risk

The risk that TCSB may incur losses due to violations of laws and regulations, breach of contract, entering into improper contract or other legal factors.

→Human Resources Risk

The risk that TCSB may incur losses due to drain or loss of personnel, deterioration of morale, inadequate development of human resources, or inappropriate working schedule, inappropriate working and safety environment, inequality or inequity in human resource or discriminatory conduct.

→Tangible Asset Risk

The risk that TCSB may incur losses from damage to tangible assets or a decline in the quality of the working environment as a result of disasters, criminal actions or defects in asset maintenance.

→**Regulatory Risk**

The risk that TCSB may incur losses due to changes in various regulations or systems, such as those related to law, taxation and accounting.

→**Reputational Risk**

The risk that TCSB may incur losses due to damage to its credibility or the value of the “Mizuho” brand when market participants or others learn about, or the media reports on, various adverse events, including actual materialization of risks or false rumors.

→**Advanced Measurement Approaches (AMA)**

Advanced Measurement Approaches (AMA) is one of the methods for calculating operational risk under Basel. It is a statistical approach to calculate operational risk equivalent, employing both internal loss data and scenario data to reflect potential future loss events in the measurement.

Responses to Emergencies

In line with its efforts to build a strong in-house organization for ensuring operational continuity and early restoration of full services, TCSB has clarified the basic policies, priorities and countermeasures included in its contingency plans for dealing with emergencies such as large-scale natural disasters, system failures, terrorist attacks, criminal acts and other events that are likely to cause business or operational difficulties.

First Japanese Bank to Acquire Certification in Connection with the Business Continuity Management System

In February 2011, TCSB acquired the certification standard (BS25999-2:2007) in connection with the business continuity management system (BCMS) in the settlement business for domestic funds and securities—the first in the Japanese banking industry to do so. This certification standard is an international standard issued by the British Standards Institution (BSI) and is used to verify whether appropriate organizational systems, rule systems and system infrastructures are sufficiently established and education or training to ensure effective functioning of the predetermined procedures is carried out in an efficient manner so that corporate operations can continue without suspension or confusion of business activity in case of any unpredictable emergencies such as a disaster or an accident.

In the years ahead, TCSB intends to further upgrade and reinforce its business continuity management structure so that it can contribute to the smooth administration of Japanese securities settlement systems by ensuring the safe depositing of assets under management from its customers.

Internal Audit Structure

Basic Concepts

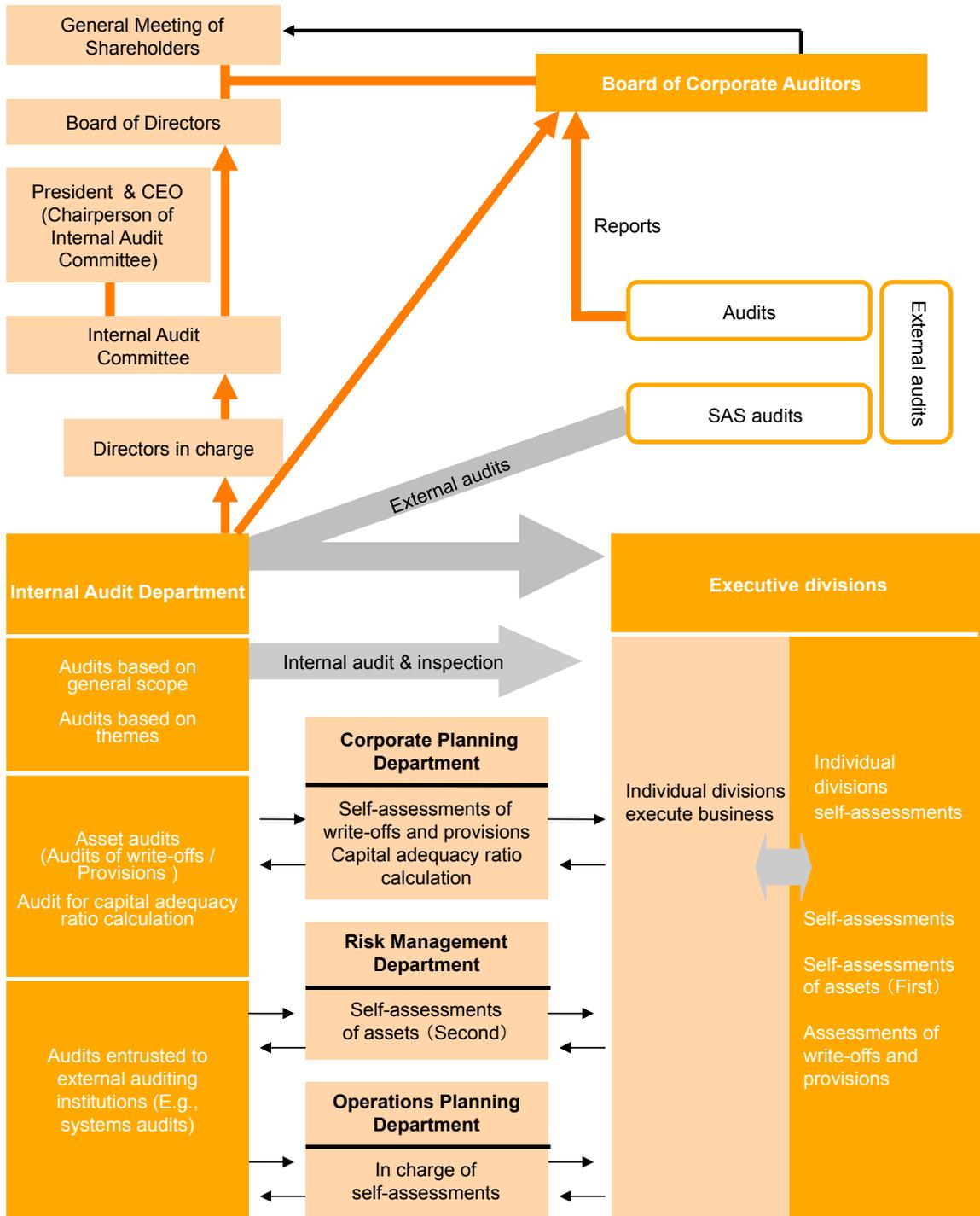
Independently of operational reporting lines, the Internal Audit Department carries out comprehensive and objective evaluations of the extent to which key internal control objectives are met in line with the "Basic Policies on Internal Audits" and provides advice and corrective recommendations with a view to resolving problems. The key internal control objectives include compliance with laws, regulations and internal rules, appropriate risk management, efficient and effective business operations and reliable financial reporting.

Internal Audit Management System

Our internal audit system covers various types of audits. Audits based on general scope assess the control of risk management and compliance structures, as well as the state of business operations in departments throughout the company. Audits based on themes look at specific operations across departments, while special audits clarify the truth about wrongful action, violation of service discipline, mistake in the course of business and violations of internal rules and regulations, etc., and investigate the reasons why they occur. The Internal Audit Department conducts these audits in such a way as to ensure that they combine dynamically into effective assessments of inherent risk.

The results of internal audits and the status of improvement activities at the audited departments are reported to the Board of Directors by way of the Internal Audit Committee.

Audit Structure



External Audits

Proactive Use of External Audits

To put our business operations on a sounder, more appropriate, more transparent footing, we make proactive use of external as well as internal audits.

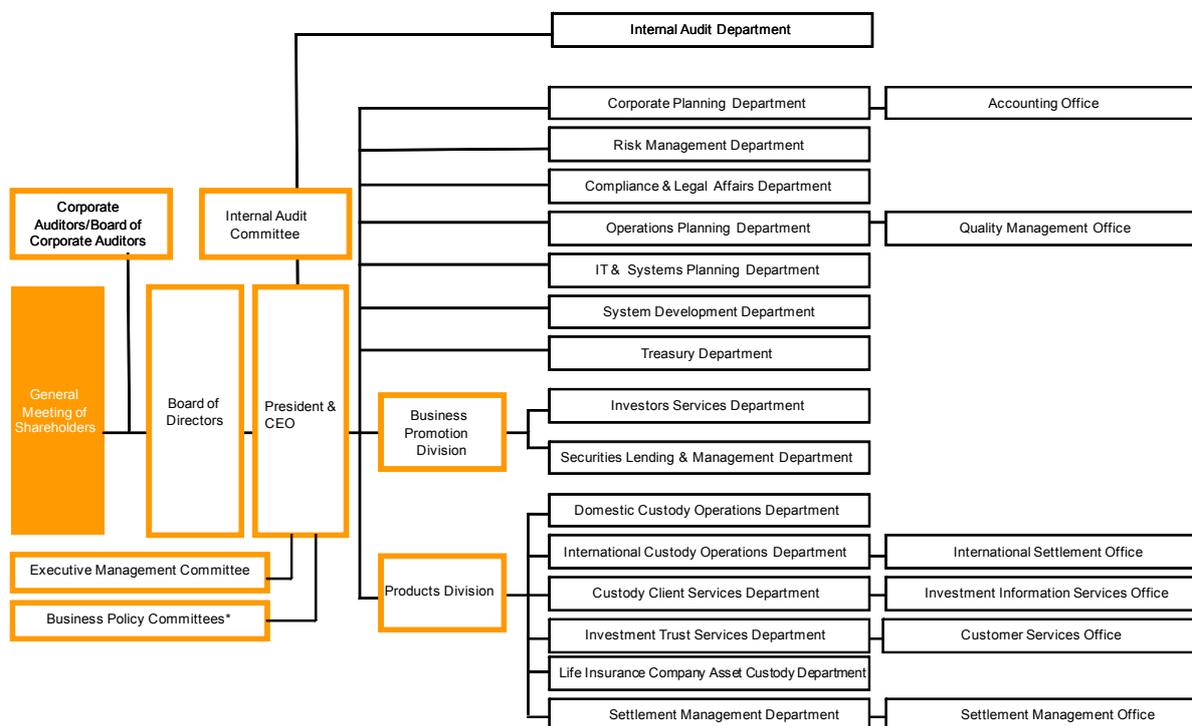
Our key Custody Client Services have been subject to external audits. The design and implementation of internal controls of all operations have received "suitably qualified" opinions in those external audits.

Supplement

Internal control audits based on U.S. GAAP implemented by external auditors shall comply with the "SSAE 16" (Statement on Standards for Attestation Engagement No. 16), which was stipulated by the American Institute of Certified Public Accountants (AICPA), instead of the conventional SAS70. Meanwhile, with regard to the internal control audits based on the Japanese GAAP, TCSB will apply prior to the mandating effective date and comply with the Auditing and Assurance Practice Committee Practical Guideline No. 86, "Assurance Reports on Controls at a Service Organization," stipulated by the Japanese Institute of Certified Public Accountants, an auditing standard similar to the SSAE 16, instead of the Auditing Standards Committee Report No. 18, "Assessment of the Effectiveness of Internal Control on Trust Activities."

Corporate Data

■ Organization Chart (as of June 30, 2012)



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

■ Corporate Officers (as of June 30, 2012)

President & CEO **Hitoshi Maeda**

Deputy President **Yoshifumi Miyata**

Senior Managing Director, Head of Business Promotion Division **Hiroyuki Komiya**

Managing Director **Makoto Ihori**

Director **Akira Moriwaki**

Director **Masaaki Kono**

Director **Shouzou Fujii**

Director **Masahiro Ifuku**

Corporate Auditor **Makoto Sato**

Corporate Auditor **Shinsuke Kuboyama**

Corporate Auditor **Tatsufumi Sakai**

Corporate Auditor **Yuki Sakurai**

Managing Executive Officer **Ichiro Iijima**

Managing Executive Officer, Head of Products Division **Noboru Senni**

Executive Officer and General Manager, Life Insurance Company Asset Custody Department **Yasuro Taira**

Executive Officer and General Manager, Domestic Custody Operations Department **Yasufumi Kamiguchi**

Executive Officer and General Manager, Operations Planning Department **Makoto Saito**

■ **Workforce Information** (as of March 31, 2012)

Number of employees **495**

Note: Includes Executive Officers

Financial Data

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Results of Operations

Overview of Business in Fiscal 2011

The Financial and Economic Environment

During the period under review (fiscal 2011), the recovery of the Japanese economy from the impact of the Great East Japan Earthquake continued, despite a temporary slowdown in autumn due to the historic yen appreciation, the impact of the floods in Thailand and other factors.

Domestic stock prices tended to fluctuate depending on such factors as trends in foreign exchange rates, financial issues in several European countries and the future direction of the overseas economies. Thereafter, stock prices picked up toward the end of fiscal 2011, reflecting mainly a pause in the excessive yen appreciation and the strengthening of monetary easing measures strengthened by the Bank of Japan.

Long-term interest rates were in a downward trend, reflecting the expectations of the global monetary easing measures and the risk-averse trend of investors.

Business Developments and Results

TCSB has steadily pushed forward operations with particular emphases on (a) expanding our ability to provide solutions, (b) thorough promotion of improving service quality, (c) solidifying the foundation of human resources, (d) reinforcing our internal control structure and (e) stabilizing our profit foundation.

At the end of the fiscal year under review, assets under management — based on entrusted trust assets and assets managed under custody agreements — increased by ¥1 trillion year-on-year to more than ¥339 trillion on the back of a rise in new customers concluding asset administration contracts and the number of existing customers concluding additional contracts.

In the area of income and expenditures during the fiscal year, gross profits from operations decreased by ¥130 million and amounted to ¥20,181 million mainly due to decreases in revenues from trust services and other operations (mainly foreign exchange transactions). Efforts to make the administration of expenditures more efficient while endeavoring to invest in management resources to improve asset administration services resulted in a ¥238 million decrease in expenditures excluding those from temporary measures from the last fiscal year to ¥19,067 million.

As a result, net business profits were ¥1,113 million (¥107 million increase from the last year), ordinary profit was ¥1,078 million (¥94 million increase from the last year) and net income for the fiscal year was ¥527 million (¥29 million decrease from the last year).

Financial Statement

■ Balance Sheets

(UNITS: Millions of yen)

	2009	2010	2011
	As of 31.Mar.2010	As of 31.Mar.2011	As of 31.Mar.2012
Assets			
Cash and Due from Banks	21,269	12,419	65,764
Call Loans	165,000	209,000	223,000
Securities	349,881	338,691	299,372
Loans and Bills Discounted	62,233	70,561	43,164
Foreign Exchanges	712	411	264
Other Assets	28,026	17,846	13,788
Tangible Fixed Assets	589	613	634
Intangible Fixed Assets	15,830	16,643	14,846
Deferred Tax Assets	82	169	96
Total Assets	643,625	666,356	660,933
Liabilities			
Deposits	32,739	57,317	37,981
Negotiable Certificates of Deposit	-	-	3,453
Call Money	324,300	324,600	341,671
Borrowed Money	31,700	8,900	-
Due to Trust Accounts	163,068	196,259	197,887
Other Liabilities	35,630	22,755	22,957
Provision for Bonus Payments	18	20	21
Provision for Retirement Benefits	59	24	37
Provision for Directors' Retirement Benefits	76	88	97
Total Liabilities	587,593	609,964	604,107
Net Assets			
Capital Stock	50,000	50,000	50,000
Retained Earnings	5,997	6,404	6,822
Shareholders' Equity	55,997	56,404	56,822
Valuation Difference on Available-for-Sale Securities	34	(12)	3
Valuation and Translation Adjustments	34	(12)	3
Total Net Assets	56,031	56,392	56,825
Total Liabilities and Net Assets	643,625	666,356	660,993

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

■ Statements of Income

(UNITS: Millions of yen)

	2009	2010	2011
	From 1.Apr.2009 To 31.Mar.2010	From 1.Apr.2010 To 31.Mar.2011	From 1.Apr.2011 To 31.Mar.2012
Ordinary Income			
Fiduciary Fees	10,318	10,298	10,082
Interest Income	1,855	1,394	1,355
Fees and Commissions	9,670	9,863	10,061
Other Operating Income	504	376	321
Other Ordinary Income	2	6	4
Total Ordinary Income	22,351	21,939	21,825
Ordinary Expenses			
Interest Expenses	648	508	461
Fees and Commissions Payments	1,041	1,112	1,165
Other Operating Expenses	-	-	12
General and Administrative Expenses	19,337	19,329	19,090
Other Ordinary Expenses	41	5	16
Total Ordinary Expenses	21,069	20,955	20,746
Ordinary Profit	1,281	984	1,078
Extraordinary Income			
Other	2	-	-
Total Extraordinary Income	2	-	-
Extraordinary Loss			
Loss on Disposal of Noncurrent Assets	13	5	164
Other	-	32	-
Total Extraordinary Losses	13	38	164
Income Before Income Taxes	1,270	946	913
Income Taxes-Current	455	444	323
Income Taxes-Deferred	66	(55)	62
Total Income Taxes	521	389	386
Net Income	749	557	527

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

■ Statements of Changes in Net Assets

(UNITS: Millions of yen)

	2009	2010	2011
	From 1.Apr.2009 To 31.Mar.2010	From 1.Apr.2010 To 31.Mar.2011	From 1.Apr.2011 To 31.Mar.2012
Shareholder's Equity			
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	5,628	5,997	6,404
Changes of Items During the Period			
Dividends from Surplus	(380)	(150)	(110)
Net Income	749	557	527
Total Changes of Items During the Period	369	407	417
Balance at the End of the Current Period	5,997	6,404	6,822
Shareholders' Equity			
Balance at the Beginning of the Current Period	55,628	55,997	56,404
Changes of Items During the Period			
Dividends from Surplus	(380)	(150)	(110)
Net Income	749	557	527
Total Changes of Items During the Period	369	407	417
Balance at the End of the Current Period	55,997	56,404	56,822
Valuation and Translation Adjustments			
Balance at the Beginning of the Current Period	(0)	34	(12)
Changes of Items During the Period			
Net Changes of Items Other than Shareholders' Equity	34	(46)	16
Total Changes of Items During the Period	34	(46)	16
Balance at the End of the Current Period	34	(12)	3
Total Net Assets			
Balance at the Beginning of the Current Period	55,627	56,031	56,392
Changes of Items During the Period			
Dividends from Surplus	(380)	(150)	(110)
Net Income	749	557	527
Net Changes of Items Other than Shareholders' Equity	34	(46)	16
Total Changes of Items During the Period	404	360	433
Balance at the End of the Current Period	56,031	56,392	56,825

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

Notes (Fiscal 2011)

Significant Accounting Policies

1. Evaluation Standards and Methods for Investment Securities
Bonds held to maturity are stated at amortized cost (straight-line method) as determined by the moving average method. Other Securities that have readily determinable fair value are stated at fair value based on the market price, etc., on the settlement day (cost of sale primarily calculated using the moving average method), while those for which it is deemed extremely difficult to measure the fair value 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 (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) are classified into the corresponding categories and provisions are made 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 and the above-mentioned provisions are made in accordance with the results of the assessments.
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. Hedge Accounting Method
For some assets, special accounting treatment for interest rate swaps is applied.
7. Accounting for Consumption Taxes, etc
Consumption taxes and local consumption taxes (hereinafter "consumption taxes, etc.") are excluded from transaction amounts.

Additional Information

The Company has applied the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, December 4, 2009) and the "Guidance on the Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009) to any accounting changes or correction of past errors made on or after April 1, 2011.

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: ¥241,295 million
 - Loans and Bills Discounted: ¥43,164 million

There were no liabilities collateralized by the above assets at March 31, 2012.

In addition to the above, securities to the value of ¥43,841 million have been pledged as collateral for exchange settlement transactions, etc.

Other Assets include 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 ¥2,154,100 million, and the remaining 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: ¥1,315 million
5. The principal amount promised to be indemnified for Money Trusts is ¥72 million
6. Total monetary claims due to subsidiaries and affiliates: ¥315 million
7. Total monetary liabilities due to subsidiaries and affiliates: ¥58,000 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 ¥22 million.

(Statements of Income)

1. Income related to transactions with Affiliates
 - Total revenue from trust transactions ¥9 million
 - Total revenue from service transactions ¥2,740 million
 - Expenses related to transactions with Affiliates
 - Total expenses related to financing transactions ¥7 million
 - Total expenses related to other operating and other ordinary transactions ¥41 million
2. Principal transactions with related parties are as shown below.
 - (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 affiliates	The Dai-ichi Life Insurance Company, Limited	Direct ownership 23%	Entrustment of securities administration operations	Entrustment of securities administration operations (Note 1)	2,578	Accrued income	297

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)	9,463	Suspense receipt	6,862
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)	4,255 4,113	— —	— —

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.

(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, 2011	Increase during the fiscal year	Decrease during the fiscal year	As of March 31, 2012	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, 2012

	Type of shares	Total dividend amount	Dividend per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 17, 2011	Common stock	¥110 million	¥110	March 31, 2011	June 20, 2011

- Of the dividends for which the record date belongs to the fiscal year ended March 31, 2012, those for which the effective date of the dividends will be after March 31, 2012.

TCSB has proposed the following matters regarding dividends on common stock as a proposal to the Ordinary General Meeting of Shareholders held on June 18, 2012.

	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 18, 2012	Common stock	¥105 million	Retained earnings	¥105	March 31, 2012	June 19, 2012

(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, 2012, the BPV for the financial instruments held by TCSB was set to ¥28 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, 2012, 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	65,764	65,764	—
(2) Call Loans	223,000	222,771	▲228
(3) Securities			
Held-to-Maturity Bonds	29,804	29,882	78
Other Securities	269,122	269,122	—
(4) Loans and Bills Discounted	43,164	43,164	—
Total Assets	630,854	630,703	▲150
(1) Deposits	37,981	37,981	—
(2) Negotiable Certificates of Deposit	3,453	3,453	—
(3) Call Money	341,671	341,671	—
(4) Due to Trust Accounts	197,887	197,887	—
Total Liabilities	580,993	580,993	—
Derivative Transactions (*1)			
(1) Those to which Hedge Accounting is not applied	▲499	▲499	—
(2) Those to which Hedge Accounting is applied	—	—	—
Total Derivative Transactions	▲499	▲499	—

(*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 maturity period is short (within six months) and the fair value approximates the book value, therefore the book value concerned is recorded as the fair value.

(2) Call Loans

To present the fair value of call loans, their present value is calculated by discounting the future cash flows for each of the certain fixed periods. The market interest rate is used as the discount rate. For those of which 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.

(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 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.

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

(1) Those 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	554,447	—	▲8,484	▲8,484
	Bought	529,877	—	7,984	7,984
Total		1,084,325	—	▲499	▲499

(*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.

(2) Those to which Hedge Accounting is applied

For derivative transactions to which hedge accounting is applied, the contract amount at the closing date by hedge accounting method or notional amount specified in the contract and other factors are as shown below.

(UNITS: Millions of yen)

Method of hedge accounts	Type of derivative transaction	Major hedged item	Contract value		Fair value
				Over one year	
Special accounting treatment for interest rate swaps	Interest rate swap (Receive float / Pay fixed)	Held-to-Maturity bonds	30,000	20,000	(*1)
Total			30,000	20,000	—

(*1) The fair value of interest rate swaps are calculated by discounted cash flows. As for derivative transactions to which special accounting treatment for interest rate swaps was applied, the fair value is included in Held-to-Maturity Bonds in (3) Securities of "Fair value of financial instruments, etc." above because such transactions are treated with the underlying held-to-maturity bonds as hedged items in an integrated manner.

(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, 2012)

(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	61,481	—	—	—	—	—
Call Loans	223,000	—	—	—	—	—
Securities						
Held-to-Maturity Bonds	9,965	19,838	—	—	—	—
Securities with Maturity Dates included in “Other Securities”	205,027	64,094	—	—	—	—
Loans and Bills Discounted	43,164	—	—	—	—	—
Total	542,638	83,933	—	—	—	—

(NOTE 4) Redemption schedule of borrowings and other interest-bearing debt for years subsequent to the closing date (March 31, 2012)

(UNITS: Millions of yen)

	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*1)	37,981	—	—	—	—	—
Negotiable Certificates of Deposit	3,453					
Call Money	341,671	—	—	—	—	—
Due to Trust Accounts	197,887	—	—	—	—	—
Total	580,993	—	—	—	—	—

(*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.

1. Bonds Held-to-Maturity (As of March 31, 2012)

(UNITS: Millions of yen)

	Type	Amount shown in Balance sheet	Fair value	Difference
Those of which fair value exceeds the amount on the balance sheet	Japanese Government Bonds	29,804	30,144	339
	Subtotal	29,804	30,144	339
Total		29,804	30,144	339

2. Other securities (As of March 31, 2012)

(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	111,988	111,933	54
	Corporate Bonds	7,288	7,288	0
	Subtotal	119,277	119,222	55
Those of which the amount on the balance sheet does not exceed the acquisition cost	Japanese Bonds			
	Government Bonds	70,687	70,692	▲4
	Corporate Bonds	79,156	79,201	▲44
	Other	50,000	50,000	—
	Subtotal	199,844	199,893	▲49
Total		319,122	319,116	5

(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	3
Total	446

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

(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	¥37 million
Provision for retirement benefits and provision for directors' retirement benefits	48
Asset retirement obligations	48
Valuation difference on Available-for-Sale Securities	17
Other	15
Total deferred tax assets	<u>167</u>
Deferred tax liabilities	
Tangible Fixed Assets	33
Valuation difference on Available-for-Sale Securities	19
Other	17
Total deferred tax liabilities	<u>70</u>
Net deferred tax assets	96 million

2. The "Act for Partial Revision of the Income Tax Act, etc., for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing the Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake" (Act No. 117 of 2011) were promulgated on December 2, 2011.

Accordingly, the corporate tax rates have been reduced for the fiscal years beginning on or after April 1, 2012. In addition, the Special Reconstruction Corporation Tax is imposed for the fiscal years beginning from April 1, 2012.

In line with this, the effective statutory tax rate used to measure deferred tax assets and deferred tax liabilities will be changed from 40.69% to 38.01% for temporary differences expected to be eliminated in the consolidated fiscal years beginning in the period from April 1, 2012, to April 1, 2014. In addition, the effective statutory tax rate used to measure deferred tax assets and deferred tax liabilities will be reduced from 40.69% to 35.64% for temporary differences expected to be eliminated in the consolidated fiscal years beginning on or after April 1, 2015.

As a result, the amount of deferred tax assets as of the end of the consolidated fiscal year under review decreased ¥10 million, the Valuation difference on Available-for-Sale Securities increased ¥0 million and Income Taxes-Deferred increased ¥10 million.

(Per share information)

Net assets per share	¥56,825.81
Net income per share	¥527.58

Results of Trust Banking Business

■ Statements of Trust Assets and Liabilities

(UNITS: Millions of yen)

	2009	2010	2011
	As of 31.Mar.2010	As of 31.Mar.2011	As of 31.Mar.2012
Assets			
Securities	112,575,220	108,228,125	104,126,326
Beneficiary Rights to the Trusts	14,223,484	14,104,579	13,770,697
Securities Held in Custody Accounts	5,227,995	4,821,852	5,034,925
Money Claims	1,158,340	1,502,149	2,184,814
Call Loans	2,730,131	2,577,712	2,751,604
Due from Banking Account	163,068	196,259	197,887
Cash and Due from Banks	3,869,904	2,923,140	3,524,385
Other Assets	7,377,459	8,990,295	7,917,221
Total Assets	147,325,604	143,344,113	139,507,862
Liabilities			
Money Trusts	90,422,858	85,113,000	82,121,325
Investment Trusts	-	-	6,171
Money Entrusted Other than Money Trusts	62,408	83,520	95,859
Securities Trusts	6,703,480	7,215,379	6,818,659
Composite Trusts	50,136,856	50,932,212	50,465,846
Total Liabilities	147,325,604	143,344,113	139,507,862

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

Capital Adequacy Ratio (Basel II)

(UNITS: Millions of yen)

		2009 As of 31.Mar.2010	2010 As of 31.Mar.2011	2011 As of 31.Mar.2012
Tier I Capital	(A)	55,847	56,294	56,717
Tier II Capital	(B)	-	-	-
Total Risk-based Capital (A) + (B)	(C)	55,847	56,294	56,717
Risk-Weighted Assets	(D)	142,536	134,120	129,842
Capital Adequacy Ratio (C)÷(D)×100		39.18%	41.97%	43.68%

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