

## NON-CONSOLIDATED BALANCE SHEETS

Japan Securities Depository Center Inc.

As of March 31, 2002 and 2003

ASSETS	¥ (thousands)		\$ (thousands)
	2002	2003	(Note 3)
Current Assets:			
Cash and cash equivalents	¥ 85,661	¥ 427,882	\$ 3,560
Accounts receivable—trade	—	3,099,506	25,786
Prepaid expenses	—	98,271	818
Short-term loan receivable	2,400,000	—	—
Consumption tax receivable	—	382,927	3,186
Deferred income taxes (Note 8)	—	95,880	798
Other current assets	3,484	50,664	421
Total current assets	2,489,145	4,155,130	34,569
Property and Equipment			
Buildings	—	108,437	902
Automobiles	—	1,112	9
Tools and furniture	—	3,523,995	29,318
	—	3,633,544	30,229
Less: accumulated depreciation	—	(1,000,617)	(8,324)
Total property and equipment	—	2,632,927	21,905
Intangible Assets, Net			
Software	—	4,804,087	39,967
Construction in progress (software)	—	2,513,294	20,909
Rights for telephone	—	2,976	25
Rights for usage of telephone facilities	—	1,892	16
Total intangible assets	—	7,322,249	60,917
Investment and Other Assets			
Long-term refundable lease deposits	—	426,888	3,551
Long-term prepaid expenses	—	36,277	302
Deferred income taxes (Note 8)	—	17,191	143
Total investment and other assets	—	480,356	3,996
Total assets	¥2,489,145	¥14,590,662	\$121,387

### LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:			
Short-term debt (Note 6)	¥ —	¥ 3,100,000	\$ 25,790
Accounts payable—trade	—	1,290,719	10,738
Accounts payable—other	154	215,219	1,790
Income tax payable	158	641,010	5,333
Returnable deposits	—	3,370	28
Accrued employees' bonuses	—	88,062	733
Other current liabilities	—	315	3
Total current liabilities	312	5,338,695	44,415
Long-term Liabilities			
Accrued employees' retirement benefits (Note 7)	—	22,572	188
Accrued executives' retirement benefits	—	18,360	153
Total long-term liabilities	—	40,932	341
Total liabilities	312	5,379,627	44,756
Shareholders' Equity			
Common stock			
Authorized: 10,000 shares at March 31, 2002 and 2003			
Issued, 2,500 shares at 31 March, 2002 and 8,500 shares at 31 March, 2003, respectively			
	1,250,000	4,250,000	35,358
Additional paid-in capital	1,250,000	4,250,000	35,358
Retained earnings (accumulated loss)	(11,167)	711,035	5,915
Total shareholders' equity	2,488,833	9,211,035	76,631
Total liabilities and shareholders' equity	¥2,489,145	¥14,590,662	\$121,387

The accompanying notes are an integral part of these statements.

## NON-CONSOLIDATED STATEMENTS OF INCOME

Japan Securities Depository Center, Inc.

For the period from January 4, 2002 (date of incorporation) to March 31, 2002 and the year ended March 31, 2003

	¥ (thousands)		\$ (thousands)
	(Note 1) 2002	2003	(Note 3) 2003
Operating Income	¥ —	¥11,143,857	\$92,711
<b>Operating Expense</b>			
Executives' compensations	—	92,310	768
Salaries	—	811,465	6,751
Severance costs for employees	—	2,823	23
Executives' retirement benefits	—	18,360	153
Maintenance for systems	—	2,467,192	20,526
Outside service	—	2,059,809	17,137
Registration fees	—	1,353,945	11,264
Depreciation	—	2,142,283	17,823
Rent	—	151,447	1,260
Advertisement	—	175,150	1,456
Others	11,518	650,998	5,416
Total operating expense	11,518	9,925,782	82,577
Income (loss) from operation	(11,518)	1,218,075	10,134
<b>Other Income (Expenses):</b>			
Interest income	583	55,047	458
Other income	—	8,324	69
Interest expense	—	(1,138)	(9)
Loss on disposal of property and equipment	—	(1,368)	(12)
Stock issuance cost	—	(28,800)	(240)
Others, net	(74)	—	—
Total	509	32,065	266
Income (loss) before income taxes	(11,009)	1,250,140	10,400
<b>Income Taxes (Note 8)</b>			
Current	158	641,010	5,333
Deferred	—	(113,072)	(941)
Net income (loss)	¥(11,167)	¥ 722,202	\$ 6,008
		Yen	U.S. Dollars (Note 3)
<b>Per Share (Note 10)</b>			
Net income (loss)—primary	¥(4,466)	¥84,297	\$701
Dividends	—	25,000	208
<b>Weighted Average Number of</b>			
Common Stock Shares Outstanding (in shares)	2,500	8,417	—

The accompanying notes are an integral part of these statements.

**NON-CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY***Japan Securities Depository Center Inc.**For the period from January 4, 2002 (date of incorporation) to March 31, 2002 and the year ended March 31, 2003*

	Number of common stock shares	¥ (thousands)		
		Common stock	Additional paid-in capital	Retained earnings
New stock issued for January 4, 2002	2,500	¥1,250,000	¥1,250,000	¥ —
Net loss for the year ended March 31, 2002	—	—	—	(11,167)
Balance as of March 31, 2002	2,500	1,250,000	1,250,000	(11,167)
New stock issued	6,000	3,000,000	3,000,000	—
Net income for the year ended March 31, 2003	—	—	—	722,202
Balance as of March 31, 2003	8,500	¥4,250,000	¥4,250,000	¥711,035

	Number of common stock shares	\$ (thousands) (Note 3)		
		Common stock	Additional paid-in capital	Retained earnings
Balance as of March 31, 2002	2,500	\$10,399	\$10,399	\$ (93)
New stock issued	6,000	24,958	24,958	—
Net income for the year ended March 31, 2003	—	—	—	6,008
Balance as of March 31, 2003	8,500	\$35,358	\$35,358	\$5,915

The accompanying notes are an integral part of these statements.

## NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

Japan Securities Depository Center, Inc.

For the period from January 4, 2002 (date of incorporation) to March 31, 2002 and the year ended March 31, 2003

	¥ (thousands)		\$ (thousands)
	(Note 1)		(Note 3)
	2002	2003	2003
<b>Cash Flows from Operating Activities:</b>			
Income (loss) before income taxes	¥ (11,009)	¥ 1,250,140	\$ 10,400
Depreciation	—	2,142,283	17,823
Increase in accrued bonuses to employees	—	88,062	733
Increase in accrued employees' retirement benefits	—	166	1
Increase in accrued executives' retirement benefits	—	18,360	153
Interest income	(583)	(55,047)	(458)
Interest expense	—	1,138	9
Stock issuance costs	—	28,800	240
Loss on disposal of property and equipment	—	1,368	11
Increase accounts receivable, trade	—	(853,265)	(7,099)
Increase in accounts payable, trade	—	555,081	4,618
Increase in other assets	(3,032)	(63,374)	(527)
Increase (decrease) in other liabilities	153	(65,104)	(542)
Others, net	—	(32,755)	(272)
Sub-total	(14,469)	3,015,853	25,090
Interests and dividends received	130	55,499	462
Interest paid	—	(13,230)	(110)
Income tax paid	—	1,534	13
Net cash provided by (used in) operating activities	(14,339)	3,059,656	25,455
<b>Cash Flows from Investing Activities:</b>			
Payments for purchase of property and equipment	—	(1,495,721)	(12,444)
Payments for purchase of intangible assets	—	(3,867,261)	(32,174)
Disbursements for loans	(2,400,000)	(5,900,000)	(49,085)
Acquisition of business net of cash acquired	—	(474,366)	(3,946)
Others	—	(51,287)	(427)
Net cash flows used in investing activities	(2,400,000)	(11,788,635)	(98,076)
<b>Cash Flows from Financing Activities:</b>			
Proceeds from short-term debt	—	3,100,000	25,791
New stock issued net of stock issuance costs	2,500,000	5,971,200	49,677
Net cash flows provided by financing activities	2,500,000	9,071,200	75,468
Net Increase in Cash and Cash Equivalents	85,661	342,221	2,847
Cash and Cash Equivalents at Beginning of Period/Year	—	85,661	713
Cash and Cash Equivalents at End of Period/Year	¥ 85,661	¥ 427,882	\$ 3,560

The accompanying notes are an integral part of these statements.

## 1.

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**Basis of Presenting the Non-Consolidated Financial Statements**

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Japan Securities Depository Center, Inc. (the “Company”) with the provisions set forth in the Commercial Code of Japan (the “Code”) and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. Certain items presented in the non-consolidated financial statements filed with the Director of the Kanto Local Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

Consolidated financial statements have not been prepared by the Company as the Company has neither subsidiary nor affiliate companies to be consolidated in the fiscal periods ended March 31, 2002 and 2003.

The Company was newly incorporated on January 4, 2002 and, accordingly, the non-consolidated statements of income, shareholders’ equity and cash flows of the Company for the period ended March 31, 2002 include the results of operations and cash flows of the Company for the period from January 4, 2002 to March 31, 2002.

## 2.

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**Summary of Significant Accounting Principles****(1) Cash and cash equivalents**

Cash and cash equivalents include all highly liquid investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturity that they present only an insignificant risk of changes in value because of changes in interest rates.

**(2) Property and equipment**

Depreciation for buildings, excluding improvements, is computed on the straight-line method using the estimated useful lives prescribed by Japanese Corporate Tax Laws. Depreciation for other capital assets is computed on the declining-balance method at the rates based on the estimated useful lives prescribed by such laws.

**(3) Software**

Software for internal use is amortized on the straight-line method computed over the estimated useful life of 5 years.

**(4) Stock issuance costs**

Stock issuance costs are charged to income as incurred.

**(5) Accrued bonuses**

Accrued employees’ bonuses represent liabilities estimated as of the balance sheet date. Bonuses to directors, which are subject to approval at the shareholders’ meeting, are accounted for as an appropriation of retained earnings.

**(6) Severance indemnity benefits**

The Company has a severance indemnity plan covering all employees who meet eligibility requirements of the Company’s retirement regulations. The Company records accrued employees’ retirement benefit costs based on the amount that would be payable if all eligible employees voluntarily terminated their employment with the Company at the balance sheet date.

Retirement benefits payable to directors and statutory auditors are accrued as accrued executives’ retirement benefits at the amount computed on the Company’s internal rules and regulations for the benefits.

(7) Finance leases

In the normal course of business, the Company has entered into lease agreements. Finance lease agreements, except for those agreements where the ownership of the leased assets is transferred to the Company, are accounted for as operating leases.

(8) Consumption taxes

The consumption taxes withheld by the Company on sales and the consumption taxes paid by the Company on its purchases of goods and services are not included in the amounts of relevant accounts in the accompanying statements of income. The consumption taxes withheld and paid is recorded as an asset or a liability, as the case may be, and the net balance is shown in the balance sheets.

(9) Appropriation of retained earnings

Under the Japanese Commercial Code and the Articles of Incorporation of the Company, the appropriation of retained earnings (including year-end cash dividend payments proposed by the Board of Directors must be approved at the shareholders' meeting, which must be held within three months after the end of each financial year. The appropriation of retained earnings reflected in the accompanying non-consolidated financial statements represents the results of appropriations which were applicable to the immediately preceding financial year and approved at the shareholders' meeting and disposed of during that year. Year-end cash dividends are paid to shareholders on the shareholders' register at the end of each financial year.

As is customary practice in Japan, the payment of bonuses to directors and statutory auditors is made out of retained earnings, instead being charged to income for the year, and constitutes a part of the appropriations cited above.

(10) Reclassification

Certain accounts in the non-consolidated financial statements for the period ended March 31, 2002 have been reclassified to conform to the 2003 presentation.

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3.

US Dollar Amounts

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Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥120.20=U.S. \$1, the rate of exchange as of March 31, 2003, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the rate or any other rates.

4.

Business Transfer from Japan Securities Depository Center, Zaidan

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On January 28, 2002, the Company reached an agreement with Japan Securities Depository Center, Zaidan (hereinafter referred as "Zaidan") for a transfer of the business of custody and book-entry transfer to the Company. Pursuant to the agreement, the Company effectively took over the business from Zaidan with approval at the Company's shareholders' meeting held on April 23, 2002 and was authorized by competent ministers in accordance with the "Law Concerning Central Securities Depository and Book-Entry Transfer of Stock Certificates and Other Securities" on June 11, 2002.

The assets and liabilities increased in the year ended March 31, 2003 as a result of the transfer of the business from Zaidan are summarized follow:

	¥ (thousands)	\$ (thousands)
Current assets	¥2,697,989	\$22,446
Non-current assets	6,955,744	57,868
Total assets	¥9,653,733	\$80,314
Current liabilities	¥ 856,962	\$ 7,129
Long-term liabilities	22,406	186
Total liabilities	¥ 879,368	\$ 7,316

In the settlement of the consideration for the business transferred from Zaidan, the loan receivable from Zaidan amounting to 8,300,000 thousand yen (69,052 thousand U.S. dollars) was netted against to it.

5.

Lease Transactions

Finance lease transactions, other than those of which the ownership of the leased asset transferred to the lessee, are accounted for as operating leases. Certain key information (in equivalent data) on such lease contracts of the Company for the periods ended March 31, 2002 and 2003 is as follows:

2002:

There are no finance lease transactions to be disclosed.

2003:

	As of March 31, 2003	
	¥ (thousands)	\$ (thousands)
Tools and furniture:		
Acquisition cost	¥90,549	\$753
Accumulated depreciation	(4,527)	(37)
Net book value	¥86,022	\$716

The scheduled maturities of future lease payments, which includes the portion of interest thereon, on such lease contracts as of March 31, 2003 is as follow:

	As of March 31, 2003	
	¥ (thousands)	\$ (thousands)
Due within one year	¥17,590	\$146
Due over one year	68,606	571
Total	¥86,196	\$717

Finance lease charges as well as depreciation and interest amounts (in equivalent data) for the year ended March 31, 2003 is as follow:

	For the year ended March 31, 2003	
	¥ (thousands)	\$ (thousands)
Finance lease charges	¥4,719	\$39
Depreciation (in equivalent data)	4,527	37
Interest (in equivalent data)	367	3

(Note) Methods applied in computation of the equivalent data are as follow:

Depreciation: Straight-line method with zero residual value over the lease contract period

Interest: Computed as the difference between the lease obligations and the acquisition cost and allocated for the period based on the interest rate method.

## 6.

## Short-Term Debts

Short-term debts at March 31, 2003 comprised loans from banks with weighted average interest rate of 1.675% per annum.

## 7.

## Accrued Severance Indemnities for Employees

Accrued employees' retirement benefits at March 31, 2003 represented the amount that would be payable for the Company if all eligible employees voluntarily terminated their employment at the balance sheet date. Severance costs for employees charged to income for the year ended March 31, 2003 amounted to 2,823 thousand yen (23 thousand U.S. dollars).

## 8.

## Income Taxes

The Company is subject to a number of different income taxes which, in the aggregate, indicate a nominal statutory tax rate in Japan of approximately 42.0% for the periods ended March 31, 2002 and 2003.

The significant components of deferred tax assets and liabilities at March 31, 2002 and 2003 are as follows:

	¥ (thousands)		\$ (thousands)
	2002	2003	2003
Deferred tax assets:			
Accrued bonuses	¥ —	¥ 36,986	\$308
Enterprise tax payable	—	58,184	484
Business facility tax	—	711	6
Accrued retirement benefits to employees	—	9,480	79
Accrued retirement benefits to executives	—	7,711	64
Tax loss carried forwards	4,612	—	—
	¥ 4,612	¥113,072	\$941
Less-valuation allowance	(4,612)	—	—
Net deferred tax assets	¥ —	¥113,072	\$941



## 9.

## Related Party Transactions

Material transactions of the Company with related companies or individuals, for the year ended March 31, 2002 and 2003 are as follows:

						(in thousand yen)
Titles	Name	Business	Transactions	Amount	Account	Ending Balance
Director	Yoshinobu Takeuchi	Representative Director	Loans	2,400,000	Short-term loans	2,400,000
		President of Japan Securities Depository Center, Zaidan				
	Hiromi Murai	Representative Director	Interest	452	Other receivable	452
		Managing Director of Japan Securities Depository Center, Zaidan				

1. Interest on loans is determined based on the market interest rate
2. This transaction is for the sake of third party

						(in thousand yen)
Titles	Name	Business	Transactions	Amount	Account	Ending Balance
Director	Yoshinobu Takeuchi	Representative Director	Loans	5,900,000	Short-term loans	—
		Liquidator of Japan Securities Depository Center, Zaidan	Collections	8,300,000	Short-term loans	—
	Hiromi Murai		Interest	55,004	—	—
			Net payment for business transfer	8,774,965	—	—
Director	Tatsunori Imagawa	Director	Borrowings	1,330,000	Short-term debt	1,330,000
		Senior Managing Director of Bank of Tokyo-Mitsubishi, Ltd.	Interest	488	Prepaid interest	5,187

1. Interest on loans is determined based on the market interest rate.
2. This transaction is for the sake of third party.
3. Interest of borrowings is determined based on the regular rule of the bank.

## 10.

## Net Income per Share

Basis for calculating earnings per share for the year ended March 31, 2003 is as follows:

	¥ (thousands)	\$ (thousands)
	2003	
Net income (statements of income)	¥722,202	\$6,008
Net income per common stock	709,602	5,904
Directors bonus by appropriation of retained earnings	12,600	105
Weighted average number of common stock shares outstanding (in shares)	8,417	8,417

## 11.

## Subsequent Events

## (1) Establishment of a subsidiary company:

The Company's board of directors voted in the affirmative on June 3, 2003 to establish a subsidiary which would deal with clearing for non-exchange transaction deliveries, which is to be settled on a DVP basis. The subsidiary was established on June 6, 2003.

The outline of the subsidiary follows:

• Entity's name:	JASDEC DVP Clearing Corporation
• Location of head office:	2-1-1 Kayaba-cho Nihombashi Chuo-ku Tokyo
• Business details:	Undertaking obligations concerning securities and incidental or other related business
• Capital:	10 million yen
* It is expected that additional capital will be paid by May, 2004, when the subsidiary starts its operations.	
• Shareholders:	This is a 100% subsidiary of the Company
• The number of shares held:	20 shares acquired for 20 million yen.

## (2) Appropriations of retained earnings:

Appropriations of retained earnings are recorded in the accounts only after shareholders' approval has been obtained. The following appropriation of retained earnings of the Company for the year ended March 31, 2003 were approved at the Ordinary General Shareholders Meeting held on June 20, 2003:

	¥ (thousands)	\$ (thousands)
Cash dividends	¥212,500	\$1,767
Bonuses to executives	12,600	104
(Including bonuses to statutory auditors amounting to 2,700 thousand yen ( 22 thousand U.S. dollars))		