

ANNUAL REPORT **2005**

FOR THE YEAR ENDED
MARCH 31, 2005

Two Japanese 1000 Yen banknotes are shown in the upper left corner, slightly overlapping and tilted. The top note is more prominent, showing the number '1000' and the Japanese characters '千円' (1000 Yen). The bottom note is partially obscured and also shows '1000' and '千円'.

Japan Securities Depository Center, Inc.



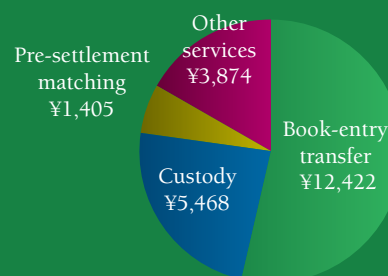
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REVENUES BY OPERATIONS

Year ended March 31, 2005

Millions of yen



Note: Refund of fees amounted to ¥4.4 billion for the year ended March 31, 2005.

Established

DECEMBER 6, 1984

The Japan Securities Depository Center established as a not-for-profit foundation in line with the November 1984 enforcement of the CSD Law.

OCTOBER 9, 1991

Commenced business as Japan's only central securities depository for stock certificates.

Corporate Structure

JANUARY 4, 2002

The Japan Securities Depository Center, Inc., incorporated as a stock company.

JUNE 17, 2002

Assumed all the businesses of the Japan Securities Depository Center, in accordance with the CSD Law.

JUNE 6, 2003

Established JASDEC DVP Clearing Corporation (JDCC) to undertake clearing services related to the delivery-versus-payment (DVP) settlement system for non-exchange transaction deliveries (NETD).

Our Mission

In view of our duty to serve the public, our mission is as a group to provide a highly secure, efficient and easy-to-use infrastructure for securities clearing and settlement, which in turn contributes to functional improvement of the securities market.

Toward this end, we seek to establish book-entry transfer systems for Corporate Bonds, as well as investment trusts, and to respond more extensively to the dematerialization of stock certificates as this process continues to unfold in Japan. We will also complement efforts to encourage greater use of the book-entry transfer system for dematerialized commercial paper (CP) with efforts to promote straight-through processing (STP) with enhanced system functions and pre-settlement matching, wider use of depository services for stock certificates, and more extensive application of the DVP settlement system for non-exchange trade deliveries (NETD).

To achieve these goals, we will build and replace systems, in line with our medium-term management plan, and strive to cement a stronger foundation for improved stability and reliability in our business activities. We will also endeavor to make our services more convenient for overseas investors, using our settlement and clearing systems, and we will reinforce ties with international counterparts to foster cooperation mutually beneficial to both sides.

FINANCIAL HIGHLIGHTS

CONSOLIDATED <i>For the year ended March 31, 2005</i>	Thousands of yen		Thousands of US dollars
	2004	2005	2005
For the year:			
Operating income	¥17,124,010	¥19,003,966	\$ 176,962
Income from operations	2,600,333	1,912,128	17,805
Net income	1,650,629	1,050,244	9,779
At year end:			
Total assets	¥18,904,383	¥73,585,824	\$ 685,220
Shareholders' equity	10,636,565	11,460,609	106,719
Net cash provided by operating activities	4,708,979	4,792,564	44,627
Common stock	4,250,000	4,250,000	39,575
Per share (yen and US dollars):			
Net income—primary	¥192,579.99	¥121,511.06	\$1,131.49

Note: The amounts stated in US dollars in this report are translated, solely for convenience, at ¥107.39=US\$1, the exchange rate prevailing on March 31, 2005.

AT A GLANCE

SHARES IN CUSTODY _____ **262** billion shares

The number of shares in custody reached 262.1 billion at the end of March 2005.

SHARES TRANSFERRED BY BOOK ENTRY _____ **1,015** billion shares

Of the 1,015.3 billion shares transferred by book entry, non-exchange trade transfers accounted for 676.7 billion shares, or 66.7% of the total.

NUMBER OF ELIGIBLE ISSUING COMPANIES _____ **3,757** companies

We handle the share certificates of all publicly traded companies in Japan.

CUSTODY RATIO _____ **71** %

The percentage of shares in custody amounts to 71.7% of the entire domestic stock market. Our custody ratio for convertible bonds — that is, corporate bonds with subscription warrants for new shares — reached 96.3% as of the end of March 2005.

AGGREGATE MARKET VALUE OF SHARES IN CUSTODY _____ **¥281** trillion

The aggregate market value of shares in custody as of March 31, 2005, stood at ¥281,525 billion, up ¥37,429 billion, or 15.3%, from a year earlier.

TOTAL VALUE ON DVP SETTLEMENT SERVICES FOR NETD _____ **¥25** trillion

DVP settlement services for NETD, which began in May 2004, represented a value of ¥25 trillion.

TOWARD THE FINAL STAGE OF DOMESTIC SECURITIES AND SETTLEMENT SYSTEM REFORM

FISCAL 2004 REVIEW

In fiscal 2004, ended March 31, 2005, JASDEC continued to concentrate on the realization of a more user-friendly infrastructure for securities settlement and clearing in Japan. Concerted efforts were directed toward reform of this system through improved safety, efficiency and convenience in securities clearing and settlement.

Of note, in May 2004, JASDEC launched the DVP settlement system for NETD, and in less than a year settlement and clearing through this system already accounts for about 60% of all book-entry transfers for NETD. This result indicates that participants recognize the value of the system as a key to better settlement and clearing activities.

In addition, we have marked a steady increase in the volume of transactions handled through the book-entry transfer system for dematerialized CP, which went online in March 2003. Of note, the March 2005 end to a special stamp duty exemption for paper-based CP prompted a dramatic rise in the dematerialization of CP, equivalent to ¥13 trillion.

To make this system more convenient to users, we are pushing ahead with preparations for the introduction of a book-entry transfer system for Corporate Bonds in January 2006.

Coinciding with the May 2004 implementation of the DVP settlement system for NETD, we linked the book-entry transfer system to the pre-settlement matching system (PSMS) so that DVP transfer request data will, if trades are confirmed, automatically route to the book-entry transfer account and bring DVP settlement to a conclusion.

In February 2005, we added PSMS for domestic government bond repos and *gensaki* with undertaking settlement guarantee by the Japan Government Bond Clearing Corporation.

THE INTRODUCTION OF A
DVP SETTLEMENT SYSTEM FOR
NETD EXEMPLIFIES PROGRESS
IN CLEARING AND SETTLEMENT
SYSTEM REFORM IN JAPAN.

HIGHLIGHTS OF THE YEAR

MAY 2004

Implemented the DVP settlement system for NETD

NOVEMBER 2004

Signed a memorandum of understanding with Taiwan Securities Central Depository Co., Ltd.

FEBRUARY 2005

Established PSMS for domestic government bond repos and *gensaki*.
Signed a memorandum of understanding with Korea Securities Depository



To encourage investors and issuers to use our services, we ran advertisements in newspapers, on television and through other media. Our efforts were rewarded as the number of shares in custody climbed to 262.1 billion, as of March 31, 2005, accounting for 71.7% of all outstanding shares in Japan.

PROGRESS IN SECURITIES CLEARING AND SETTLEMENT REFORM

In 2000, the Financial Services Agency released a report highlighting “safety” and “efficiency” in securities clearing and settlement system reform, and Japan embarked on the task of creating an internationally competitive financial infrastructure to the world’s highest standards.

We emphasize two issues in our response to system reform.

First, to improve efficiency in the systems used in securities clearing and settlement, we have directed efforts into four areas:

- 1 promoting STP for PSMS;
- 2 broadening the range of eligible securities accepted;
- 3 using our demutualization to revitalize corporate governance capabilities as a central securities depository; and
- 4 elevating our profile through advertising to attract more investors and issuers to our services.

Second, to minimize principal risk, we prioritized the development of our DVP settlement system, and in May 2004, we successfully linked our DVP settlement system for NETD to PSMS.

Through these efforts, we have contributed to the establishment of an internationally competitive financial market infrastructure in Japan and achievement of first-half objectives set out for securities clearing and settlement system reform.

MEDIUM-TERM THEMES AND FUTURE TASKS

Management has identified five business themes JASDEC will address over the medium term, from fiscal 2005 through fiscal 2007. They are:

- 1 to endorse dematerialization of securities;
- 2 to facilitate wider use of STP;
- 3 to persuade more investors and issuers to grant us custody of securities;
- 4 to promote the DVP settlement system for NETD; and
- 5 to enhance the Group's capabilities.

While all five themes are important, we will spotlight dematerialization as the cornerstone of securities clearing and settlement reform in Japan.

We are making progress on the development of a book-entry transfer system for Corporate Bonds, scheduled to go online in January 2006. To facilitate implementation, we are preparing explanations for issuing companies about the system and formulating measures to ensure smooth conversion of paper securities from the outstanding registered format to book-entry bond status.

Concurrently, we have started working on a book-entry transfer system for investment trusts, which will go online in January 2007. As with the book-entry transfer system for Corporate Bonds, we are looking at ways to ensure a smooth conversion of existing paper certificates to dematerialized form.

Dematerialization of stock certificates will mark the final stage of domestic securities clearing and settlement system reform. To wrap up the transformation on a positive note, we are exploring suitable processing formats and conversion techniques, in line with the needs of participants, investors and users affected by the June 2004 promulgation of the Stock Settlement Rationalization Law — legislation for partial amendments to the law concerning book-entry transfer of Corporate Bonds and other securities for the purpose of streamlining settlement for trades of stocks and other securities. We are also putting together summaries of the new book-entry systems to help users understand them better.

A higher custody ratio will support conversion of paper stocks into dematerialized form, so JASDEC will strive to boost its custody ratio into the 80-percentile range through advertising designed to capture the attention of more investors, including individual investors.

OF MEDIUM-TERM OBJECTIVES,
OUR PRIORITY IS STOCK
DEMATERIALIZATION — THE
FINAL STAGE OF CLEARING AND
SETTLEMENT SYSTEM REFORM
IN JAPAN.

*A memorandum of understanding
with Taiwan Securities Central
Depository Co., Ltd.*



Straight-through processing (STP) An electronic system that eliminates human intervention from all trade-to-settlement processes involved in securities transactions.

Pre-Settlement Matching System (PSMS) Please refer to page 18.
A system that automatically matches various information, including the name and value of trades and settlements.

Delivery versus payment (DVP) Please refer to page 17.

ADDRESSING CORPORATE SOCIAL RESPONSIBILITY

The basic management direction at JASDEC hinges on the execution of business activities that meet the needs of the investors and issuers who use securities depository transfer systems through direct governance by shareholder participants.

Of the 17 members on the Board of Directors, 13 are external directors, including 10 who are representatives of eligible participants in the Company. Of the three auditors, one is a standing auditor. This structure supports management stability and transparency.

With the Bank for International Settlements' Lamfalussy Standards in mind, JASDEC established a backup center in September 2000, to secure its systems. To reinforce in-house information systems still further, we formulated a security policy of our own, based on such international standards as BS ISO/IEC17799 for information security management. In addition, in March 2005, we drew up a policy on protecting personal information to ensure such information is handled appropriately.

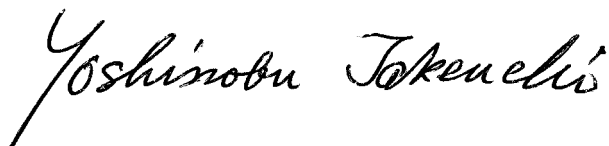
The Group has always endeavored to reduce fees to participants, which led it to adjust the standard for determining stock transfer fees from the number of shares involved to the number of transfers executed. We will continue to cut costs by making operations more efficient, thereby lightening the cost burden carried by participants.

JASDEC strives to cultivate and further strengthen its ties to central securities depositories abroad. During fiscal 2004, we signed memorandums of understanding with Taiwan Securities Central Depository Co., Ltd., in November 2004, and with Korea Securities Depository in February 2005, which will underpin business cooperation mutually beneficial to respective parties and generate opportunities for information exchange.

Guided by management policies devised to ensure highly transparent business activities that put users before all else and to extend services that are reliable and exceedingly cost-efficient, JASDEC will strive to pinpoint user needs with greater accuracy, lay a more user-friendly infrastructure for clearing and settlement and polish its capabilities as a central securities depository. These efforts will lead to a higher custody ratio and act as the driving force to accelerate securities clearing and settlement reform.

On behalf of the Board and employees of JASDEC, I ask for the continued support of our users, participants and investors.

June 2005



Yoshinobu Takeuchi
President and Chief Executive Officer



*A memorandum of understanding
with Korea Securities Depository*

OUR MISSION AS A GROUP IS
TO PROVIDE A HIGHLY SECURE,
EFFICIENT AND EASY TO
USE INFRASTRUCTURE FOR
SECURITIES CLEARING AND
SETTLEMENT.



RAPID PROGRESS IN DEMATERIALIZATION

Domestic securities clearing and settlement reform has made progress toward the final goal: dematerialization of stock certificates. As the organization responsible for the infrastructure of securities clearing and settlement in Japan, the JASDEC Group is tackling several issues that will lead to the improved safety, efficiency and convenience of inherent systems.

TARGETS FOR 2009

MEDIUM-TERM THEMES

The JASDEC Group will concentrate on five themes over the next three fiscal years, but the No. 1 priority will be dematerialization of stock certificates.

PROGRESS IN DEMATERIALIZATION

Book-Entry Transfer System for Corporate Bonds In preparation for the start of a book-entry transfer system for Corporate Bonds* in January 2006, we are accepting consent notices from issuers, running a comprehensive connection test of the system, and designing procedures to ensure a smooth transition from outstanding issued bonds to book-entry transfer bonds.

* Eligible securities for Corporate Bonds are corporate bonds, municipal bonds, rights that should be represented on bond certificates issued by any government or by companies in foreign countries (excluding those with the characteristics of bonds with subscription rights), such as Samurai Bonds and Shogun Bonds.

Book-Entry Transfer System for Investment Trusts Working toward the implementation of a book-entry transfer system for investment trusts in January 2007, we are making headway in system development and exploring suitable approaches to ensure a smooth transition from existing paper certificates to a dematerialized system. Our perspective on exchange-traded funds (ETFs) is the same as that on the dematerialization of stock certificates.

Dematerialization of Stock Certificates To achieve dematerialization of stock certificates, we are exploring practical procedures and conversion techniques, in line with users' needs.

Book-Entry Transfer System for Dematerialized Commercial Paper To promote dematerialized commercial paper (CP), we will undertake enterprising promotional activities to raise recognition and use of the book-entry transfer system for dematerialized CP. We will also make improvements to the system by joint development with the book-entry transfer system for Corporate Bonds.

PROMOTING STP

We will expand the capacity of the PSMS to encompass contracts and settlement matching for Corporate Bonds and dematerialized CP.

RAISING NUMBER OF STOCK CERTIFICATES IN CUSTODY

We will undertake aggressive marketing campaigns, using the mass media and word of participants, to persuade more investors and issuers to grant us custody of stock certificates.

WIDER USE OF DVP SYSTEM FOR NETD

As we continue to survey and discuss the DVP system, we will strive to pinpoint suitable themes and then realize stated goals to establish and enhance the system and enrich service content.

STRENGTHEN GROUP CAPABILITIES

Medium- to Long-term Plan for Systems Seeking to build safe and efficient systems, we will formulate and implement medium- to long-term plans for systems geared to the dematerialization of stock certificates and the replacement of our account transfer system.

Reinforce Security Measures We will establish a structure to ensure uninterrupted operations in the event of an emergency and will redouble efforts to protect confidential information.

Stronger Ties with Overseas Counterparts JASDEC will foster closer ties to counterpart organizations abroad and create more opportunities for information exchange through to join the Asia Pacific CSD Group and CSD (International organization for CSDs).

FOR IMPLEMENTATION JANUARY 2006

BOOK-ENTRY TRANSFER SYSTEM FOR CORPORATE BONDS

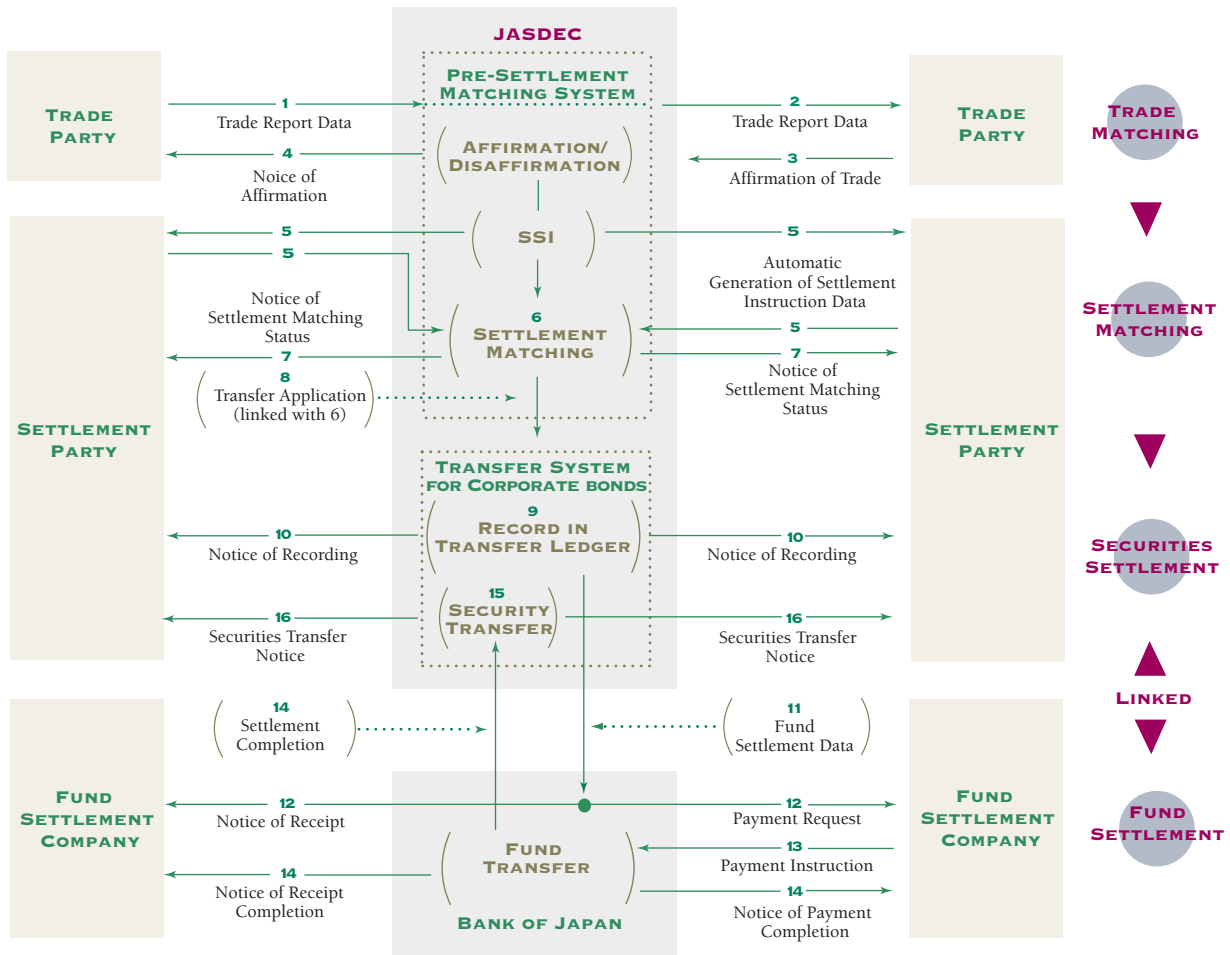
MAIN FEATURES OF THE SYSTEM

In Japan, the majority of Corporate Bonds transactions is settled by record being made in registration books maintained at registering agencies, which number 160. The fact that an estimated 10 million physical bonds are still in the custody of securities companies and financial institutions reflects the delay in the implementation of a settlement system for Corporate Bonds in Japan.

In January 2003, the introduction of the Law Concerning Development of Related Laws to Improve Securities Markets Through Reforms of Securities Settlement System facilitated the creation of a new settlement system for Corporate Bonds, etc. The completely paperless environment will require several changes: Corporate Bonds will be centralized at a single book-entry transfer institution; the custody procedures — from issuance to redemption, including transfers — will be revised, based on the management by balance recorded in a transfer account book. We also intend the implementation of DVP (gross-gross format known as BIS model 1) and STP by linking with PSMS.

Book-Entry Transfer System Based on Balance Management Under the prevailing registration system, registering agencies enter the denomination type and serial number as well as ownership in respective ledgers. Under the new book-entry system, transfer of ownership is executed by entering the net increase or decrease in the transfer account book, thereby expediting distribution.





Multi-Layer Holding Structure of Participation We are planning to diversify the forms of participation in the book-entry system to include participation through international connections. The multi-layer holding structure will be composed of book-entry transfer institutions, account management institutions and investors. Account management institutions are positioned in the multi-layer holding structure in order to facilitate flexibility of business development and to promote affiliation among international institutions.

Eligible Securities A variety of bonds are eligible (not including JGBs), regardless of whether the securities are public or private offerings. In addition, the system is flexibly designed and will accommodate floating-rate notes and foreign-currency-denominated bonds.*

- Corporate bonds
- Municipal bonds
- Specified Corporate Bonds prescribed in the Law Concerning Liquidization of Assets
- Rights that should be represented by bond certificates issued by companies under special law
- Rights that should be represented by bond certificates issued by any government or by companies in foreign countries (excluding those with the characteristics of bonds with subscription rights), such as Samurai Bonds and Shogun Bonds

*Notes:

1. Corporate bonds with subscription rights will become dematerialized when stocks are dematerialized.
2. Corporate bonds issued in overseas markets, such as Euro-yen Bonds are excluded from eligibility.



Smooth Transition of Outstanding Issued Bonds After the date determined by Cabinet Order (some time before January 5, 2008), the Law on Recording of Bonds, etc. will be abolished. Bonds will be issued either as book-entry transfer bonds, based on the new law, or physical bonds, based on the principles of the Commercial Code. Outstanding recorded bonds and physical bonds can be converted to book-entry transfer bonds by the consent of both issuer and investors.

From January 6, 2008, preferential tax treatment on interest income for such entities as tax-exempt corporations will be applied only to book-entry transfer bonds. Recorded bonds and physical bonds will no longer be eligible for preferential tax treatment. JASDEC will continue its efforts to promote book-entry transfer bonds.

FOR IMPLEMENTATION JANUARY 2007

BOOK-ENTRY TRANSFER SYSTEM FOR INVESTMENT TRUSTS

INVESTMENT TRUST MARKET IN JAPAN

Investment trusts were traditionally securities-style savings products for individual investors. But recently, investment trusts have attracted the attention of corporations seeking new approaches to fund management as well as products suitable for the Japanese version of the 401K retirement plans established in the United States. According to the Investment Trusts Association of Japan, net investment trust assets reached ¥59.3 trillion, as of March 31, 2005, substantiating the rising importance and growing prevalence of these financial products in Japan.

System Summary JASDEC aims to implement a book-entry transfer system for investment trusts, like those for CP and Corporate Bonds, in January 2007. With this system, subscription, transfer and redemption of beneficiary rights following the establishment, transfer and cancellation of investment trusts will be recorded in the transfer account book.

Book entry will ensure safety and efficiency in the settlement of investment trusts and support further growth of the investment trust market in Japan. In addition, dematerialization will eliminate paper-based beneficiary certificates, which are required under the current system, and thereby streamline administrative processes.



Advantages of the System The implementation of the book-entry transfer system for investment trusts should generate the following advantages.

- Lower administrative costs pertaining to the issue and certification of material beneficiary certificates.
- No more stamp duties charged when beneficiary certificates are issued.
- Reduced costs related to conveying and safekeeping certificates.
- A drop in various administrative and custodial costs that comes with the material existence of beneficiary certificates, including administrative costs for entering and maintaining beneficiary certificate ledgers as well as costs incurred to reconcile balances, enter denominations and void certifications at redemption.
- No risk of certificates being lost, stolen or counterfeited.
- Standardized, safer, more efficient settlement systems — such as STP, DVP settlement and smooth cash transactions — for subscription, partial redemption at maturity and transfer.

Eligible Certificates This book-entry transfer system for investment trusts will extend to beneficiary rights recognized under the Investment Trust and Investment Corporation Act but will not initially cover those foreign investment trusts established overseas or mother funds.*

Moving toward Implementation To facilitate the January 2007 implementation of the book-entry transfer system for investment trusts, JASDEC issued the Outline of Book-Entry Transfer System for Investment Trusts in September 2004, which describes the basic framework of the system, and the System Operation Outline for Investment Trusts in January 2005, which summarizes the processes involved. We will continue to explore the details of practical application and system development.

*Note:

Exchange-traded funds (ETFs) are different from other investment trusts. JASDEC's basic stance on ETFs, in the event settlement is carried out by the same procedures applied to stocks, is to use the same system platform used for stocks, and to pursue further improvements consistent with those applied to the book-entry transfer system for stocks.

FOR IMPLEMENTATION JUNE 2009

DEMATERIALIZATION OF STOCK CERTIFICATES

DEMATERIALIZATION OF STOCK CERTIFICATES IN JAPAN

The June 2004 promulgation of the Stock Settlement Rationalization Law — a law for partial amendment of the Law concerning Book-entry Transfer of Corporate Bonds and other securities for the purpose of streamlining the settlement for trades of stocks and other securities — enabled publicly held companies to eliminate stock certificates by stating in their articles of incorporation that they do not issue stock certificates. All listed companies will become non-stock-issuing companies, effective on a day within five years from the date (June 9, 2004) on which the Stock Settlement Rationalization Law was announced and as determined by government ordinance.

BASIC FORMAT OF NEW SYSTEM

The basic structure is as follows:

- Under the new book-entry transfer system, the attribution of ownership on stocks (shares in custody) will be made by entry into the transfer account book. The transfer of shares in custody will be executed by account transfer.
- Twice a year, in principle, the central securities depository — namely, JASDEC — will inform issuers of shares in custody about shareholders (general shareholders' notification), based on entries in the transfer account book. This service is similar to the one for beneficial shareholder notification under the current system in Japan, but it differs in that issuers can, if the cause is justified, request the central securities depository to issue a general shareholders' notification whenever necessary.
- Issuers draw up beneficial shareholder lists based on general shareholders' notification data. Under the prevailing securities custody and book-entry transfer system, stock certificates in the custody of the central securities depository are listed in the shareholders' register in the name of the central securities depository while actual shareholders are named in the beneficial shareholders' register. But under the new system, ownership information will be consolidated, with the names of actual shareholders recorded in the shareholders' registry .
- When issuers undertake stock-issuing activities, such as stock splits, bonus issues and mergers, the record of shareholders' accounts is automatically revised through procedures executed by the issuer and the central securities depository as well as the account management institution.
- When minority shareholders and single-unit shareholders wish to exercise rights on shares in custody, they must submit to their respective account management institution an application notifying the issuer of the data in the account transfer book. The central securities depository will then inform the issuer (specific shareholder notification) and within a specified period thereafter will prompt the issuer to exercise its rights.
- With justifiable cause, an issuer can request the central securities depository or an account management institution to provide information pertaining to items recorded in the account transfer book.

Future Tasks The Financial Services Agency began meetings in August 2004 to discuss governmental and ministerial ordinances related to dematerialization of stock certificates. To facilitate the establishment of practices and systems for this purpose, JASDEC will address the following tasks.

- Standardize information among the central securities depository, account management institutions, issuers and transfer agents.
- Establish a data center where the collection of actual shareholders' names can be consolidated in one place.



- Prompt shareholder responses by issuers, transfer agents and account management institutions and the central securities depository.
- Eliminate beneficial shareholder form and seal impression form.
- Create a more realistic and understandable fee structure for services provided.

IMPLEMENTED MARCH 2003

BOOK-ENTRY TRANSFER SYSTEM FOR DEMATERIALIZED CP

MAIN FEATURES OF THE SYSTEM

Dematerialized Format CP in the conventional paper form, or paper-based CP, is prepared in certificates, and these certificates must be delivered or presented to the assigned holder at settlement. In comparison, JASDEC's system totally dematerializes CP and records systematically the issuance, transfer and deletion in the transfer account book. Initially, the system handled only dematerialized CP issued by domestic companies, but from April 2004, the system has accepted dematerialized Samurai CP as well.

DVP Settlement JASDEC's book-entry transfer system for CP uses DVP (gross-gross format known as BIS model 1) settlement, linked to the Bank of Japan system. This system shortens the settlement period, removes the risks inherent in transporting certificates and eliminates the cost of custody — which were all drawbacks of the paper-based form — and makes settlement safer and more efficient.

Because requests for CP transfers are executed electronically, the settlement period could be shortened to T+0, essentially the same day a trade is initiated.

Furthermore, paper-based CP is subject to restrictions regarding circulation, since the stamp duty charged on each certificate encourages Issuers to cut the burden of cost by issuing large-denomination certificates. Dematerialized CP is not hampered by such restrictions, allowing issuance and circulation in smaller denominations, and thus providing greater investment flexibility.

Coinciding with the development of the book-entry transfer system for Corporate Bonds, JASDEC will work on enabling direct connection to users' mainframe computers, linking functionality with the PSMS and introducing a security queue function to ensure sufficient capacity to handle the growing CP market.

Note: Transaction results for fiscal 2004 are detailed on page18



BUSINESS OVERVIEW

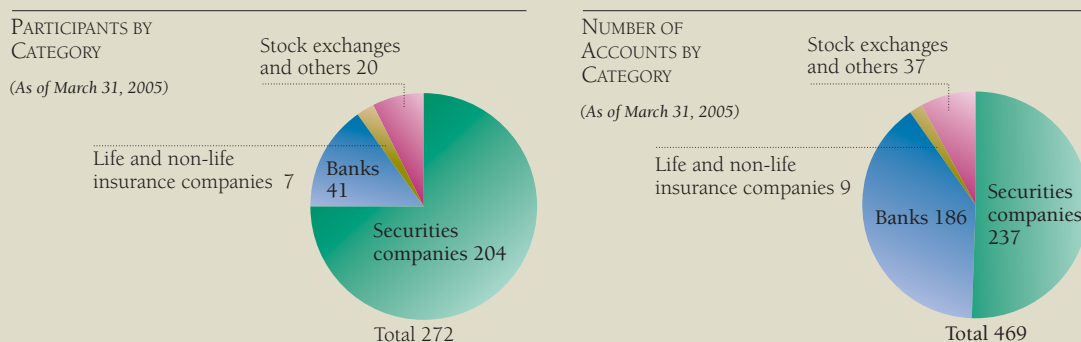
For the the year ended March 31, 2005

BASIC DATA

PARTICIPANTS AND ACCOUNTS

Participant firms open accounts at JASDEC and deposit the certificates they wish to consign. Such firms include securities companies, banks, trust banks, insurance companies, securities finance companies and stock exchanges.

As of the end of March 2005, the number of participants stood at 272, and the number of accounts stood at 469.



Note: Clients of participant firms do not deposit certificates directly with JASDEC. Rather, they utilize JASDEC's services through the accounts they establish at participant firms.

ISSUING COMPANIES 3,757

As of March 31, 2005, all publicly traded companies in Japan have consented to JASDEC handling their stocks.

ELIGIBLE SECURITIES

ELIGIBLE SECURITIES (As of March 31, 2005)

Stocks	262,128 million shares	3,758 issues
Preferred investment securities	251,765 units	1 issue
Beneficiary certificates of ETFs	1,708,097 thousand units	16 issues
Certificates of REITs	3,449,594 units	18 issues
CBs	2,604,232 million yen	158 issues

Note: JASDEC accepts securities described in the CSD Law. Consent of the issuing company is also a prerequisite. Currently, eligible securities are domestic securities, including stocks, convertible bonds (corporate bonds with subscription warrants to new shares), beneficiary certificates of exchange-traded funds (ETFs), certificates of real estate investment trusts (REITs), and preferred investment bonds of financial institutions established by cooperative associations, which are listed on stock exchanges or registered with the Japan Securities Dealers Association (JSDA).

CORPORATE GOVERNANCE

Basic Policy As the central securities depository in Japan, JASDEC strives to fulfill its duty to serve the public through the provision of a highly secure, efficient and convenient clearing and settlement structure. This perspective underlines the Company's basic policy on business.

The basic concept for corporate governance at JASDEC hinges on two points: first, we must undertake activities that address the needs of clients, not only participating firms but a wide range of other parties, including investors, using the Group's systems; and second, we must maintain highly transparent management practices that reinforce our public-service quality and cement a reputation of trust in the market as the organization responsible for the securities clearing and settlement infrastructure in Japan.

REVENUES BY OPERATION

FISCAL 2004 REVIEW

Fiscal 2004, ended March 31, 2005, was characterized by a general feeling of economic recovery in Japan. During the first half, higher exports and capital spending as well as an increase in industrial output underpinned better business conditions. In the second half, the upward trends evened out, albeit temporarily, with exports and production holding at par year-on-year. However, a positive undercurrent in consumer spending and a healthier employment situation supported the overall recovery tone for the year.

Amid this rosier economic climate, the securities market also gained strength. Stock trading was active, substantiated by daily trading volume averages at the Tokyo Stock Exchange greatly exceeding the 1 billion mark in consecutive months, and stock prices were bullish.

The JASDEC Group benefited from this environment as heightened stock-trading activity triggered more account transfers through the Group's securities depository and book-entry transfer systems and expanded the number of shares in custody. Against this operating backdrop, the Group achieved the following results.

BOOK-ENTRY TRANSFER SERVICES FOR STOCK CERTIFICATES

Account Transfer Operations The number of shares in the transfer account — that is, combined exchange trade and non-exchange trade deliveries (NETD) — averaged 71.0 billion a month, primarily a reflection of brisk stock trading. This situation led to another year of energetic account transfer activity. Consequently, income related to account transfer services, particularly services for stock certificates, corporate bonds with subscription warrants to new shares and ETF beneficiary certificates, reached ¥12,420.0 million.

Custody Operations Thanks to steady receipt of shares into the special account, the number of shares in custody was up, as of March 31, 2005, with stock certificates at 262.1 billion shares, corporate bonds with subscription warrants to new shares at ¥2,604.2 billion, and ETF beneficiary certificates at 1,708 million units. As a result, income related to custody operations, particularly services related to stock certificates, corporate bonds with subscription warrants to new shares and ETF beneficiary certificates, amounted to ¥5,468.8 million.

Handling of Shares

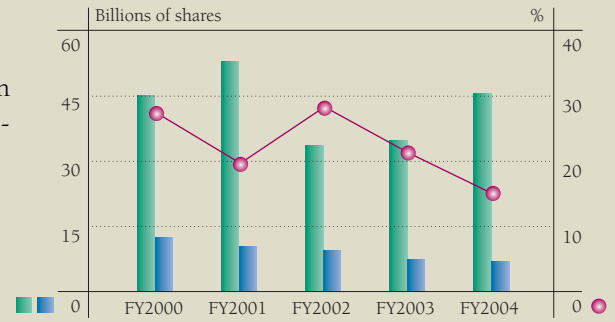
(a) Deposits and withdrawals

The withdrawals to deposits ratio has been falling year after year for some years now, settling at 15.1%, as of March 31, 2005.

(Years ended March 31)

	FY2000	FY2001	FY2002	FY2003	FY2004
Number of Shares Deposited	45.3	53.2	33.7	34.9	45.8
Number of Shares Withdrawn	12.5	10.5	9.6	7.4	6.9
Withdrawals to Deposit Ratio	27.6%	19.8%	28.5%	21.4%	15.1%

Note: The ratios above are calculated based on the number of shares deposited, excluding shares deposited by stock splits, and shares withdrawn, excluding shares by stock transfer and merger.

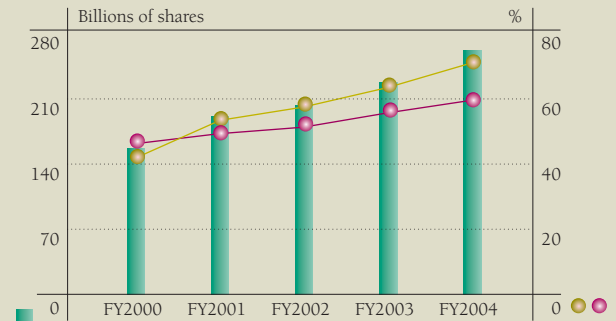


(b) Custody

As of March 31, 2005, the number of shares in JASDEC's custody stood at 262,128 million shares and represented 71.7% of all outstanding shares issued by companies listed on stock exchanges in Japan.

	FY2000	FY2001	FY2002	FY2003	FY2004
Custody Balance	157.0	191.5	203.1	228.2	262.1
Ratio of Custody Balance to Shares Issued in Japan	42.3%	53.5%	58.6%	64.1%	71.7%
Ratio of Immobilized Shares in Custody	46.8%	49.9%	51.9%	56.3%	60.2%

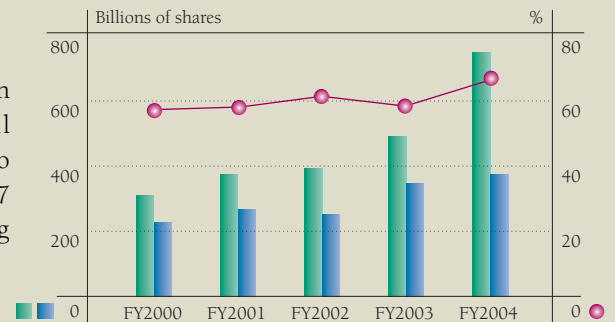
Note: Immobilized shares are shares in custody that have been replaced by jumbo certificates, based on set criteria, to reduce administrative costs associated with custody and minimize risks, such as the physical loss of stock certificates.



(c) Book-entry transfer

Of the number of shares transferred between accounts by book-entry transfer in fiscal 2004, the number of shares pertaining to exchange trade transfers represented 338,607 million and the number of shares pertaining to NETD accounted for 676,745 million.

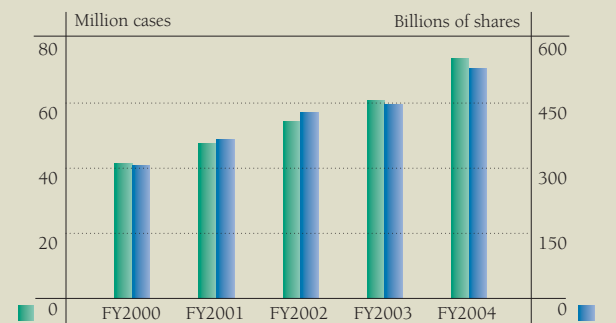
	FY2000	FY2001	FY2002	FY2003	FY2004
NETD Transfers	279.0	308.9	355.0	442.7	676.7
Exchanges Trade Transfers	205.1	219.1	225.7	311.9	338.6
Ratio of NETD Transfers to Total Transfers	57.7%	58.4%	61.1%	58.7%	66.7%



(d) Beneficial shareholder notification

In fiscal 2004, beneficial shareholder notification services covered 532,658 million shares and 73 million cases.

	FY2000	FY2001	FY2002	FY2003	FY2004
Number of Cases	41.7	47.8	54.7	61.2	73.9
Number of Shares	307.2	367.1	430.2	448.1	532.6



Other Securities Operations An overview of other securities operations conducted during fiscal 2004 is presented below.

(a) Convertible bonds (corporate bonds with subscription warrants to new shares)
(Millions of yen)

Deposits	286,897
Withdrawals	1,985,120
Custody	2,604,232
Book-entry transfers	
Exchange trade transfers	949,391
NETD	12,691,752
Number of issues	158

(b) Exchange-traded funds (ETFs)

(Thousands of units)	
Deposits	920,846
Withdrawals	1,205,868
Custody	1,708,097
Book-entry transfers	
Exchange trade transfers	2,114,709
NETD	9,145,555
Number of issues	16

(c) Preferred investment securities of financial institutions
(Number of units)

Deposits	9,604
Withdrawals	1,226
Custody	251,765
Book-entry transfers	
Exchange trade transfers	59,500
NETD	89,445
Number of issues	1

(d) Real estate investment trusts (REITs)

(Number of units)	
Deposits	1,149,398
Withdrawals	59,184
Custody	3,449,594
Book-entry transfers	
Exchange-trade transfers	2,544,588
NETD	5,634,093
Number of issues	18

Note: Data regarding the number of issues is as of March 31, 2005

DVP SETTLEMENT SERVICES FOR NETDs

Demand for DVP for NETD has far surpassed initial expectations, with the number of DVP book entries averaging about 60,000 per business day since the DVP for NETD system was launched in May 2004. As a result, income related to DVP settlement services for NETD amounted to ¥1,039.2 million in fiscal 2004.

Basic Format for DVP for NETD DVP for NETD is a gross-net type DVP settlement system that links book-entry transfer of stocks and other securities with payment of funds, based on settlement instruction data produced by the pre-settlement matching system (PSMS). With this type of system, book-entry transfer of securities is processed on a gross-net basis, whereby at the end of the day each participant pays or receives the balance that remains when payable amounts for the receipt of securities and receivable amounts for the delivery of securities are netted out. These procedures, already adopted by the United States' Depository Trust & Clearing Corporation, effectively reduce securities settlement risk and facilitate efficient processing of numerous settlements.

Connecting PSMS and the DVP for NETD represents the last step on the road to achieving straight-through processing for securities settlement in Japan. PSMS-generated instruction data on settlements are relayed to the DVP settlement system automatically, obviating the need to input instructions through a separate process and bringing settlements to their respective quick conclusions. JASDEC DVP Clearing Corp., a JASDEC subsidiary, ensures thorough legal compliance with rules for risk management and netting.

Pre-Settlement Matching System (PSMS) Please refer to page 18.

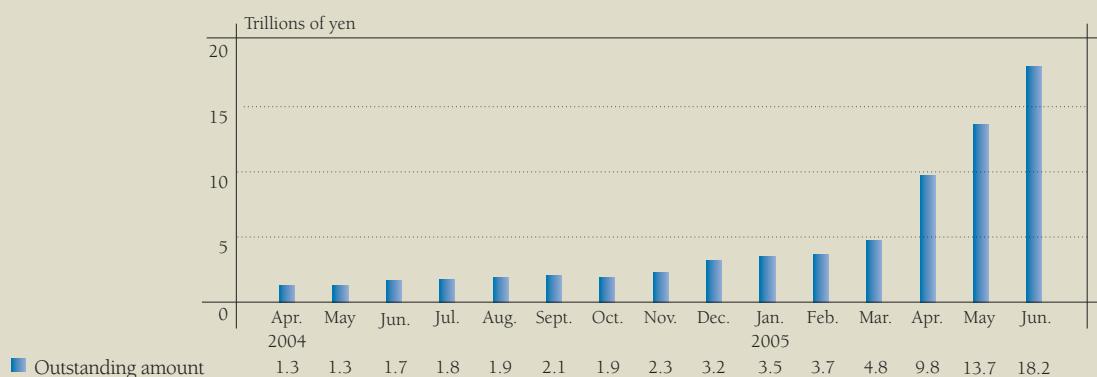
This system automatically confirms investment instructions, such as trade names and amounts.

Delivery versus Payment (DVP) This system simultaneously attaches specific conditions to the delivery of and payment for securities. International standards, recommended by the Group of 30 and other organizations, require the application of a DVP settlement system to all securities settlements to eliminate settlement risk

BOOK-ENTRY TRANSFER SERVICES FOR DEMATERIALIZED COMMERCIAL PAPER

As of March 31, 2005, book-entry transfer for dematerialized commercial paper (CP) had been extended to 238 issuers, an increase of 200 companies from a year earlier. The account balance stood at ¥4,863.3 billion, up ¥3,459.1 billion, and the number of transfers reached 11,772, up 9,710. As a result, income related to book-entry transfer services for dematerialized CP reached ¥55.6 million.

Dematerialized CP Account Balance (Month-end)



PRE-SETTLEMENT MATCHING SERVICES

In fiscal 2004, as in fiscal 2003, stock trading was brisk, spurring use of JASDEC's PSMS. Consequently, income related to pre-settlement matching services amounted to ¥1,405.0 million.

The PSMS was connected to the account transfer system to coincide with the May 2004 start of DVP for NETD so that DVP transfer request data will, if requirements have been met, automatically route to the transfer account and bring DVP settlement to a conclusion.

In February 2005, a matching function for domestic government bond repos and futures was added to the system in anticipation of the Japan Government Bond Clearing Corporation assuming the function of a key counterparty.

OTHER SERVICES

The time limit for receiving requests for securities companies' special accounts expired on December 31, 2004, prompting a considerable increase in the number of inquiries regarding the Securities Information Tracing System, known as SITRAS, during the second half of calendar 2004.

More stock certificates in custody and the availability of transfers of title the day after application caused a rise in the number of agencies handling transfers of title. As a result, income related to other services came to ¥3,818.3 million.

In fiscal 2004, the JASDEC Group provided participants with fee refunds amounting to ¥4,451.9 million. Consequently, operating income grew 11.0% over fiscal 2003, to ¥19,003.9 million.

CONSOLIDATED BALANCE SHEET

Japan Securities Depository Center, Inc.

As of March 31, 2004 and 2005

	¥ (thousands)		\$ (thousands)
	2004	2005	(Note 4)
ASSETS			
Current Assets:			
Cash and cash equivalents	¥ 1,733,337	¥ 1,203,318	\$ 11,205
Accounts receivable—trade	3,803,049	4,056,477	37,773
Deferred income taxes (Note 8)	129,490	50,470	469
Designated assets for clearing funds (Note 3)	—	54,570,594	508,154
Other current assets	190,571	266,278	2,480
Total Current Assets	5,856,447	60,147,137	560,081
Property and Equipment:			
Buildings	149,075	756,824	7,047
Tools and furniture	4,017,025	4,190,155	39,018
	4,166,100	4,946,979	46,065
Less: Accumulated depreciation	(2,164,535)	(2,830,335)	(26,355)
Total Property and Equipment	2,001,565	2,116,644	19,710
Intangible Assets, Net:			
Software	3,625,338	9,694,192	90,271
Construction in progress (Software)	6,912,863	920,785	8,574
Other intangible assets	9,755	10,462	97
Total Intangible Assets	10,547,956	10,625,439	98,942
Investment and Other Assets:			
Long-term refundable lease deposits	424,619	509,657	4,746
Long-term prepaid expenses	42,927	31,999	298
Deferred income taxes (Note 8)	30,869	154,948	1,443
Total Investment and Other Assets	498,415	696,604	6,487
Total Assets	¥18,904,383	¥73,585,824	\$685,220
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Short-term debt (Note 6)	¥ 5,000,000	¥ 4,500,000	\$ 41,903
Accounts payable—trade	1,846,861	2,281,906	21,249
Income tax payable	644,945	26,223	244
Accrued employees' bonuses	100,675	115,199	1,073
Consumption tax payable	77,617	160,541	1,495
Deposits received for clearing funds	—	54,570,594	508,153
Other current liabilities	521,687	363,243	3,383
Total Current Liabilities	8,191,785	62,017,706	577,500
Long-term Liabilities:			
Accrued employees' retirement benefits (Note 7)	32,863	52,249	486
Accrued executives' retirement benefits	43,170	55,260	515
Total Long-term Liabilities	76,033	107,509	1,001
Total Liabilities	8,267,818	62,125,215	578,501
Shareholders' Equity:			
Common stock			
Authorized: 10,000 shares			
Issued: 8,500 shares	4,250,000	4,250,000	39,575
Capital surplus	4,250,000	4,250,000	39,575
Retained earnings	2,136,565	2,960,609	27,569
Total Shareholders' Equity	10,636,565	11,460,609	106,719
Total Liabilities and Shareholders' Equity	¥18,904,383	¥73,585,824	\$685,220

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF INCOME

Japan Securities Depository Center, Inc.
For the years ended March 31, 2004 and 2005

	¥ (thousands)		\$ (thousands)
	2004	2005	(Note 4)
Operating Income	¥17,124,010	¥ 19,003,966	\$176,962
Operating Expenses			
Executives' compensation	117,438	135,545	1,262
Salaries and bonuses	1,139,758	1,240,492	11,552
Severance costs for employees	13,350	26,643	248
Executives' retirement benefits	24,810	21,410	199
Maintenance for systems	4,314,280	4,871,921	45,367
Outside services	2,543,018	2,688,531	25,035
Registration fees	1,866,472	2,302,067	21,437
Depreciation	2,838,420	3,923,948	36,539
Rent	237,525	290,398	2,704
Advertisement	264,327	463,429	4,315
Others	1,164,279	1,127,454	10,499
Total Operating Expenses	14,523,677	17,091,838	159,157
Income from Operations	2,600,333	1,912,128	17,805
Other Income (Expenses):			
Interest income	19	34	0
Operational revenue on the designated assets for clearing funds	—	478	5
Adjustments for prior year consumption taxes	—	77,617	723
Interest expenses	(30,439)	(65,616)	(611)
Commitment fees	—	(33,294)	(310)
Fees for fund operation of designated assets for clearing funds	—	(8,984)	(84)
Loss on disposal of property and equipment	(4,557)	(55,038)	(513)
Loss on disposal of intangible assets	—	(192,285)	(1,791)
Cancellation fee for system operations	—	(27,923)	(260)
Others, net	1,524	588	6
Total	(33,453)	(304,423)	(2,835)
Income before Income Taxes	2,566,880	1,607,705	14,970
Income Taxes (Note 8)			
Current	963,539	602,519	5,610
Deferred	(47,288)	(45,058)	(419)
Net Income	¥ 1,650,629	¥ 1,050,244	\$ 9,779
		Yen	U.S. Dollars (Note 4)
Per Share (Note 11)			
Net income — primary	¥192,579.99	¥ 121,511.06	\$1,131.49
Dividends	25,000	25,000	232.80
Weighted average number of common stock shares outstanding (in shares)	8,500	8,500	

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Japan Securities Depository Center, Inc.
For the years ended March 31, 2004 and 2005

	¥ (thousands)				
	Number of common stock shares	Common stock	Additional paid-in capital	Retained earnings	Total shareholders' equity
Balance as of March 31, 2003	8,500	¥4,250,000	¥4,250,000	¥ 711,036	¥ 9,211,036
Net income for the year	—	—	—	1,650,629	1,650,629
Cash dividends	—	—	—	(212,500)	(212,500)
Bonuses to executives	—	—	—	(12,600)	(12,600)
Balance as of March 31, 2004	8,500	¥4,250,000	¥4,250,000	¥2,136,565	¥10,636,565
Net income for the year	—	—	—	1,050,244	1,050,244
Cash dividends	—	—	—	(212,500)	(212,500)
Bonuses to executives	—	—	—	(13,700)	(13,700)
Balance as of March 31, 2005	8,500	¥4,250,000	¥4,250,000	¥2,960,609	¥11,460,609

	\$ (thousands) (Note 4)				
	Number of common stock shares	Common stock	Additional paid-in capital	Retained earnings	Total shareholders' equity
Balance as of March 31, 2004	8,500	\$39,575	\$39,575	\$19,895	\$ 99,045
Net income for the year	—	—	—	9,779	9,779
Cash dividends	—	—	—	(1,978)	(1,978)
Bonuses to executives	—	—	—	(127)	(127)
Balance as of March 31, 2005	8,500	\$39,575	\$39,575	\$27,569	\$106,719

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Japan Securities Depository Center, Inc.
For the years ended March 31, 2004 and 2005

	¥ (thousands)		\$ (thousands) (Note 4)
	2004	2005	2005
Cash Flows from Operating Activities:			
Income before income taxes	¥2,566,880	¥ 1,607,705	\$ 14,970
Depreciation	2,838,420	3,923,948	36,539
Increase in accrued employees' bonuses	12,613	14,524	135
Increase in accrued employees' retirement benefits	10,291	19,386	180
Increase in accrued executives' retirement benefits	24,810	12,090	112
Interest income	(19)	(34)	0
Interest expense	30,439	65,616	611
Loss on sales of property and equipment	69	—	—
Loss on disposal of property and equipment	4,487	55,038	513
Loss on disposal of intangible assets	—	192,285	1,791
Increase in accounts receivable—trade	(703,543)	(253,428)	(2,359)
Increase in accounts payable—trade	556,142	435,044	4,051
Decrease in other assets	334,505	3,308	31
Increase in other liabilities	41,020	122,028	1,136
Others, net	(12,597)	(13,697)	(128)
Sub-total	5,703,517	6,183,813	57,582
Interest and dividends received	19	34	0
Interest paid	(33,260)	(64,009)	(596)
Income tax paid	(961,297)	(1,327,274)	(12,359)
Net cash provided by operating activities	4,708,979	4,792,564	44,627
Cash Flows from Investing Activities:			
Payments for purchase of property, plant and equipment	(435,224)	(1,130,647)	(10,528)
Payments for purchase of intangible assets	(4,656,346)	(3,394,399)	(31,608)
Proceeds from sales of property and equipment	546	—	—
Payment of guarantee money deposits received	—	(85,037)	(792)
Net cash flows used in investing activities	(5,091,024)	(4,610,083)	(42,928)
Cash Flows from Financing Activities:			
Proceeds from short-term debt	5,000,000	1,000,000	9,311
Repayment of short-term debt	(3,100,000)	(1,500,000)	(13,967)
Cash dividends paid	(212,500)	(212,500)	(1,978)
Net cash flows provided by (used in) financing activities	1,687,500	(712,500)	(6,634)
Net Increase in Cash and Cash Equivalents	1,305,455	(530,019)	(4,935)
Cash and Cash Equivalents at beginning of Year	427,882	1,733,337	16,140
Cash and Cash Equivalents at End of Year	¥ 1,733,337	¥ 1,203,318	\$ 11,205

The accompanying notes are an integral part of these statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Japan Securities Depository Center, Inc.

1.

BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from the accounts maintained by Japan Securities Depository Center, Inc. (“the Company”) and its subsidiary in accordance with the provisions set forth in 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 Finance Reporting Standards. Certain items presented in the 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.

2.

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

(1) Consolidation

The consolidated financial statements include the accounts of Japan Securities Depository Center, Inc. (“the Company”) and its wholly-owned subsidiary, JASDEC DVP Clearing Corporation (hereafter, “JDCC”) which is the only subsidiary of the Company. JDCC uses a fiscal year ended on March 31, which is the same as that of the Company.

(2) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, with original maturities of three months or less, which 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.

(3) 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.

(4) Software costs

Costs of software for internal use are capitalized and amortized on the straight-line method over the estimated useful life of 5 years.

(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 the 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 based on the Company’s internal rules and regulations on these benefits.

(7) Finance leases

In the normal course of business, the Company enters 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) Accounting standard for impairment of non-current assets

On August 9, 2002, the Business Accounting Council in Japan issued “Accounting Standard for Impairment of Non-current Assets”. The standard requires that non-current assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying

amount of an assets may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use. The standard shall be effective for fiscal years beginning April 1, 2005. However, earlier adoption is permitted for fiscal years beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and March 30, 2005. The Company has not yet applied this new standard nor has it determined the effect of applying it on the Company's consolidated financial statements.

(9) **Consumption taxes**

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

(10) **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 of the end of each financial year. The appropriation of retained earnings reflected in the accompanying consolidated financial statements represents the results of appropriations which were applicable to the immediately preceding financial year, 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.

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.

3.

**ASSETS AND
LIABILITIES HELD
FOR SOUND
SETTLEMENT
SYSTEM OPERATION
AND MANAGEMENT**

In order to secure the Delivery Versus Payment ("DVP") for Non-exchange Transaction Deliveries ("NETD") settlement system, JDCC, a consolidated subsidiary of the Company, receives cash or securities as collateral from the DVP participants whom JDCC officially acknowledge as a party who undertakes securities obligations in accordance with the provisions set in JDCC's general provisions in accordance with Article 156, Paragraph 7-1, of the Securities Exchange Law (Law No. 25, 1948).

JDCC manages cash and securities entrusted by the DVP participants as clearing funds defined in Article 156-11 of the Securities Exchange Law separately from other assets in accordance with Article 7 of the cabinet ordinance related to securities clearing agencies (Cabinet Ordinance No. 76, 2002).

(1) **Participant fund specified assets and participant funds under management**

Under the DVP for the NETD settlement system, when JDCC accepts obligations from DVP participants, the DVP participants involved in the transactions make JDCC responsible for payment obligations and the content thereof.

JDCC requires each DVP participant to establish a participant fund in excess of the necessary amount set forth in JDCC's general provisions to ensure that the respective obligations of DVP participants are covered. The aggregate amount of participant funds entrusted to JDCC as of March 31, 2005 was ¥15 billion. In the event a DVP participant defaults on the required payment obligations of the DVP for the NETD settlement system, JDCC shall take deposits from the participant fund of this DVP participant to fulfill its obligations to other DVP participants.

The participant funds entrusted to JDCC will be managed as money trusts, in line with the stated general provisions of JDCC.

The evaluation technique applied to money trusts will be the present value method for investments with no market value, a process corresponding to that used for other marketable securities.

Assets and liabilities pertaining to participant funds are expressed as line items for this purpose, with assets indicated as designated assets for clearing assets, and liabilities indicated as deposits received for clearing funds.

(2) **Collateral securities**

Under the DVP for the NETD settlement system, DVP participants are able to entrust marketable securities listed in JDCC's general provisions (hereafter, "collateral securities") to ensure that obligations to JDCC are met.

When a DVP participant fails to meet its obligations to JDCC, JDCC is authorized to dispose of the entrusted collateral securities by selling them in securities markets or through other methods deemed appropriate by JDCC.

As of March 31, 2005, the market value of collateral securities entrusted to JDCC was ¥128,125,806 thousand.

4.

US DOLLAR AMOUNTS

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥107.39=U.S. \$1, the rate of exchange as of March 31, 2005, 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 this or any other rate.

5.

LEASE TRANSACTIONS

Finance lease transactions, other than those in which the ownership of the leased asset is 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, 2004 and 2005 is as follows:

	¥ (thousands)		\$ (thousands)
	2004	2005	2005
Tools and furniture:			
Acquisition cost	¥268,933	¥265,068	\$2,468
Accumulated depreciation	(48,108)	(97,836)	(911)
Net book value	¥220,825	¥167,232	\$1,557

The scheduled maturities of future lease payments, including the portion of interest thereon, on such lease contracts as of March 31, 2004 and 2005 are as follow:

	¥ (thousands)		\$ (thousands)
	2004	2005	2005
Due within one year	¥ 52,660	¥ 52,469	\$ 488
Due over one year	169,597	117,128	1,091
Total	¥222,257	¥169,597	\$1,579

Finance lease charges as well as depreciation and interest amounts (in equivalent data) for the years ended March 31, 2004 and 2005 are as follow:

	¥ (thousands)		\$ (thousands)
	2004	2005	2005
Finance lease charges	¥31,697	¥55,801	\$519
Depreciation (in equivalent data)	30,435	53,593	499
Interest (in equivalent data)	2,135	3,140	29

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

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, allocated for the lease contract period based on the interest rate method.

6.**SHORT-TERM
DEBTS**

Short-term debts at March 31, 2005 comprised loans from banks with a weighted average interest rate of 1.675% per annum.

7.**ACCRUED
SEVERANCE
INDEMNITIES FOR
EMPLOYEES**

Accrued employees' retirement benefits at March 31, 2005 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, 2005 amounted to 26,643 thousand yen (248 thousand U.S. dollars). Severance costs for employees charged to income for the year ended March 31, 2004 amounted to 13,350 thousand yen.

8.**INCOME TAXES**

The Company and its subsidiary are subject to a number of different income taxes which, in the aggregate, indicate a nominal statutory tax rate in Japan of approximately 40.6% for the period ended March 31, 2005. Reconciliation between the nominal statutory income tax rate and the effective income tax rate in the consolidated statements of income for the years ended March 31, 2004 and 2005 is as follows;

	2004	2005
Nominal statutory income tax rate	42.0%	40.6%
Adjustments:		
Permanent non-deductible difference	0.2	0.3
Equal proportion of inhabitant taxes	0.2	0.3
Income tax credit on investment in IT	(6.8)	(6.9)
Other, net	0.1	0.4
Effective income tax rate	35.7%	34.7%

	¥ (thousands)		\$ (thousands)
	2004	2005	2005
Deferred tax assets:			
Accrued bonuses	¥ 41,175	¥ 46,936	\$ 437
Enterprise tax payable	72,408	(5,421)	(50)
Unpaid social insurance premiums	5,465	6,275	58
Business facility tax	2,334	2,681	25
Tax loss carried forwards	8,108	—	—
Accrued retirement benefits to employees	13,342	21,213	198
Accrued retirement benefits to executives	17,527	22,435	209
Excess depreciation of fixed assets	—	88,624	825
Excess deferred asset depreciation for tax purposes	—	22,572	210
Other	—	103	0
Deferred tax assets	¥160,359	¥205,418	\$1,912

9.**SEGMENT
INFORMATION****(1) Business Segment**

The Company operates a single business unit, the central securities custody and book-entry transfer system.

(2) Geographic Information

The Company has no overseas consolidated subsidiaries and no overseas branches for the years ended March 31, 2004 and 2005.

(3) Overseas sales

The Company does not have any overseas sales for the years ended March 31, 2004 and 2005.

10.

**RELATED PARTY
TRANSACTIONS**

The material transactions of the Company with related companies or individuals, excluding transactions with the consolidated subsidiary that are excluded from the consolidated financial statements, and other than those disclosed elsewhere in these financial statements, for the years ended March 31, 2004 and 2005 are as follows:

(1) Directors

As of March 31, 2004						(in thousand yen)
Titles	Name	Business	Transactions	Amount	Account	Ending balance
Director	Toshiji Shimizu (Note 1)	Director of the Company Director of Japan Securities Settlement & Custody, Inc	Outsourcing (Note 1)	1,728,381	Account payable-trade	65,113
			Use of equipment (Note 1)	51	—	—
Director	Masayuki Tanaka	Director of the Company Senior Managing Director of The Bank of Tokyo–Mitsubishi, Ltd	Repayment of borrowings	1,330,000	—	—
			Interest on borrowings (Note 2)	10,302	—	—
			Short term borrowing	2,140,000	Short-term dept	2,140,000
			Interest (Note 2)	2,749	Prepaid interest	6,383

(Notes) 1. The transaction amounts above exclude consumption tax. However, ending balance includes consumption tax.

2. Terms and Conditions

(1) These amounts include transactions with Japan Securities Settlement & Custody, Inc (JSSC) for the nine month period from July 2003 because Toshiji Shimizu was appointed representative director of JSSC at June 19, 2003. JASDEC outsources its operations to JSSC as needed.

(2) The terms and conditions of the above transactions are on an arm's-length basis.

(3) Interest on borrowing is determined based on the market interest rate from banks.

As of March 31, 2005						(in thousand yen)
Titles	Name	Business	Transactions	Amount	Account	Ending balance
Director	Toshitugu Shimizu (Note1)	Director of the Company Director of Japan Securities Settlement & Custody, Inc	Outsourcing (Note 1)	2,499,104	Account payable-trade	337,704
			Use of equipment (Note 1)	71	—	—
Director	Fumiyuki Akikusa	Director of the Company Managing Director of The Bank of Tokyo–Mitsubishi, Ltd	Repayment of borrowings	645,000	—	—
			Interest on borrowings (Note 2)	2,693	—	—
			Short term borrowing	430,000	Short-term dept	1,925,000
			Interest (Note 2)	315	Prepaid interest	5,918

(Notes) 1. The transaction amounts above exclude consumption tax. However, ending balance includes consumption tax.

2. Terms and Conditions

(1) These amounts include transactions with Japan Securities Settlement & Custody, Inc (JSSC) for the period from April 1, 2004 to March 31, 2005.

(2) The terms and conditions of the above transactions are on an arm's-length basis.

(3) Interest on borrowing is determined based on the market interest rate from banks.

(2) Principle shareholder and its subsidiaries

As of March 31, 2004

(in thousand yen)

Names of companies	Address	Capital	Principal business	Percentage of ownership with voting right	Relationship		Transactions	Amount of transactions	Descriptions	Ending balance
					Directors holding concurrent positions	Business relationship				
Tosho System Service Co. (Subsidiary of other affiliates)	Koto-ku, Tokyo	100,000	Design, development of software	—	—	Purchase of software	Outsourcing	1,359,083	Trade account payable	148,426
							Purchase of software	1,626,653	Other account payable	67,200
Japan Securities Clearing Corporation (Subsidiary of other affiliates)	Chuo-ku, Tokyo	1,700,000	Clearing securities	—	Three	Commission income	Commission income	2,845,288	Trade account receivable	556,184
Japan Securities Settlement & Custody, Inc (Subsidiary of other affiliates)	Chuo-ku, Tokyo	300,000	Custody & settlement of securities	—	One	Outsourcing	Outsourcing	1,728,321	Trade account payable	65,113
							Use of equipment	51	—	—

(Notes) 1. These transaction amounts above exclude consumption tax. However, ending balance includes consumption tax.
2. The terms and conditions of the above transactions are on an arm's-length basis.

As of March 31, 2005

(in thousand yen)

Names of companies	Address	Capital	Principal business	Percentage of ownership with voting right	Relationship		Transactions	Amount of transactions	Descriptions	Ending balance
					Directors holding concurrent positions	Business relationship				
Tosho System Service Co. (Subsidiary of other affiliates)	Koto-ku, Tokyo	100,000	Design, development of software	—	—	Purchase of software	Outsourcing	1,325,628	Trade account payable	123,467
							Purchase of software	942,028	Other account payable	151,438
Japan Securities Clearing Corporation (Subsidiary of other affiliates)	Chuo-ku, Tokyo	1,700,000	Clearing securities	—	Three	Commission income	Commission income	3,536,034	Trade account receivable	647,525
Japan Securities Settlement & Custody, Inc (Subsidiary of other affiliates)	Chuo-ku, Tokyo	300,000	Custody & settlement of securities	—	One	Outsourcing	Outsourcing	2,499,104	Trade account payable	337,704
							Use of equipment	71	—	—

(Notes) 1. These transaction amounts above exclude consumption tax. However, ending balance includes consumption tax.
2. The terms and conditions of the above transactions are on an arm's-length basis.

11.**NET INCOME PER SHARE**

The basis for calculating earnings per share for the years ended March 31, 2004 and 2005 are as follows:

	¥ (thousands)		\$ (thousands)
	2004	2005	2005
Net income as reported in the consolidated statements of income	¥1,650,629	¥1,050,244	\$9,779
Directors' bonuses through the appropriation of retained earnings	13,700	17,400	162
Net income pertaining to common stock shareholders	¥1,636,929	¥1,032,844	\$9,617
Weighted average number of common stock shares outstanding (in shares)	8,500	8,500	—

12.**SUBSEQUENT EVENTS****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, 2005 was approved at the Ordinary General Shareholders Meeting held on June 21, 2005:

	¥ (thousands)	\$ (thousands)
Cash dividends	¥212,500	\$1,979
Bonuses to executives	17,400	162

(Including bonuses to statutory auditors amounting to 2,900 thousand yen (27 thousand U.S. dollars))

REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF
JAPAN SECURITIES DEPOSITORY CENTER, INC.

We have audited the accompanying consolidated balance sheets of Japan Securities Depository Center, Inc. and its subsidiary as of March 31, 2004 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Japan Securities Depository Center, Inc. and its subsidiary as of March 31, 2004 and 2005, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles and practices generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of readers, have been translated on the basis set forth in Note 4 to the accompanying consolidated financial statements.



ChuoAoyama PricewaterhouseCoopers
Tokyo, Japan
June 21, 2005

BOARD MEMBERS AND AUDITORS

As of June 30, 2005

BOARD OF DIRECTORS



PRESIDENT
& CEO
Yoshinobu Takeuchi
*President,
JASDEC DVP
Clearing Corporation*

MANAGING
DIRECTOR
Masao Yagi
*Managing Director,
JASDEC DVP
Clearing Corporation*

MANAGING
DIRECTOR
Shoji Murata

MANAGING
DIRECTOR
Shigeru Omae
*Managing Director,
JASDEC DVP Clearing
Corporation*



DIRECTOR
Toshio Goto
*Managing Director, The
Mitsubishi Trust and
Banking Corporation*

DIRECTOR
Kunihisa Hama
Lawyer

DIRECTOR
Fumiyuki Hara
*Managing Director, UBS
Securities (Japan) Limited*



DIRECTOR
Takaaki Hatabe
*Director, Senior Executive Officer,
The Sumitomo Trust &
Banking Co., Ltd.*

DIRECTOR
Hidemi Ijichi
*General Manager,
Japan Securities
Dealers Association*

DIRECTOR
Toshiaki Kawashima
*Managing Director,
Chief Administrative Officer,
Nikko Citigroup Limited*



DIRECTOR
Shigeyuki Maeda
*Professor of Law, Gakushuin
University Law School*

DIRECTOR
Akira Naito
*Managing Director,
The Bank of Tokyo-
Mitsubishi, Ltd.*

DIRECTOR
Akihiko Nakamura
*Member of Board of
Executive Officers,
Nomura Securities Co.,Ltd.*

DIRECTOR
Toshitsugu Shimizu
*Executive Officer,
Tokyo Stock
Exchange, Inc.*



DIRECTOR
Motoi Takahashi
*Executive Officer,
Daiwa Securities
SMBC Co. Ltd.*

DIRECTOR
Masaru Takei
*Executive Officer, Tokyo Electric
Power Company*

DIRECTOR
Shinichiro Tanaka
*Managing Executive Officer,
Mizuho Corporate Bank, Ltd.*

AUDITORS



STANDING AUDITOR
Michio Sakai
*Auditor, JASDEC DVP Clearing
Corporation*

AUDITOR
Tetsuya Kubo
*Director, Sumitomo Mitsui
Banking Corporation*

AUDITOR
Takeshi Kusakabe
*Executive Advisor,
Shinko Securities Co., Ltd.*

HISTORY

MAY 1984	The Law Concerning Central Securities Depository and Book-Entry Transfer of Stock Certificates and Other Securities (CSD Law) was passed, and enforced in November 1984.
DEC. 1984	Japan Securities Depository Center (JASDEC) was founded as a not-for-profit foundation under a permit granted by the Minister of Finance and the Minister of Justice (competent ministers) pursuant to Article 34 of the Civil Code.
MAY 1985	JASDEC was designated as a depository under the CSD Law by the competent ministers.
OCT. 1991	JASDEC began offering its depository services for stocks listed on the Tokyo Stock Exchange.
JUN. 1993	The U.K. Securities and Futures Authority approved JASDEC as an eligible foreign custodian.
AUG. 1993	The U.S. Securities and Exchange Commission issued a no-action letter to exempt JASDEC from Section 17(f) of the Investment Company Act of 1940 and Rule 17f-5(c)(2)(iii).
JUN. 1997	The Association of German Banks approved JASDEC as an eligible foreign custodian.
SEP. 2000	JASDEC constructed a back-up center in Osaka.
MAY 2001	JASDEC launched its system for delivery versus payment (DVP) settlement of exchange trades in Tokyo and Osaka.
SEP. 2001	JASDEC implemented the Pre-Settlement Matching System (PSMS) for domestic trades by domestic institutional investors.
JAN. 2002	Japan Securities Depository Center, Inc., was established.
JUN. 2002	All central custody and book-entry transfer business was transferred to the new, incorporated entity and the former entity was dissolved. The Association of German Banks approved the new incorporated entity as an eligible foreign custodian.
JAN. 2003	The Law Concerning Book-Entry Transfer of Corporate Bonds, etc. became effective and JASDEC was designated as a transfer institution under the law.
MAR. 2003	JASDEC launched the Securities Information Tracing System (SITRAS) for lost stocks. JASDEC inaugurated its Dematerialized Commercial Paper book-entry system.
JUN. 2003	JASDEC established JASDEC DVP Clearing Corporation (JDCC) to undertake clearing services related to DVP settlement services for non-exchange transaction deliveries (NETD).
AUG. 2003	JASDEC signed a memorandum of understanding with The Depository Trust & Clearing Corporation of the United States.
MAY 2004	JASDEC commenced DVP settlement services for NETD.
JUN. 2004	The Law for partial amendments to the Law concerning Book-entry Transfer of Corporate Bonds and other Securities for the purpose of streamlining the settlement for trades of stocks and other securities was promulgated.

CORPORATE INFORMATION

As of June 30, 2005

COMPANY NAME:	Japan Securities Depository Center, Inc.
DATE OF INCORPORATION:	January 4, 2002
DATE OPERATIONS BEGAN:	June 17, 2002
CAPITAL:	¥4.25 billion (shareholders' equity ¥11.4 billion)
COMMON STOCK ISSUED:	8,500 shares
NUMBER OF SHAREHOLDERS:	191
NUMBER OF EMPLOYEES:	123

REGISTERED HEAD OFFICE	1-1, Nihombashi-Kayaba-cho 2-chome Chuo-ku, Tokyo 103-0025, Japan Phone: +81-3-3661-0161 Facsimile: +81-3-3661-2810 Website: http://www.jasdec.com
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OPERATIONS OFFICES

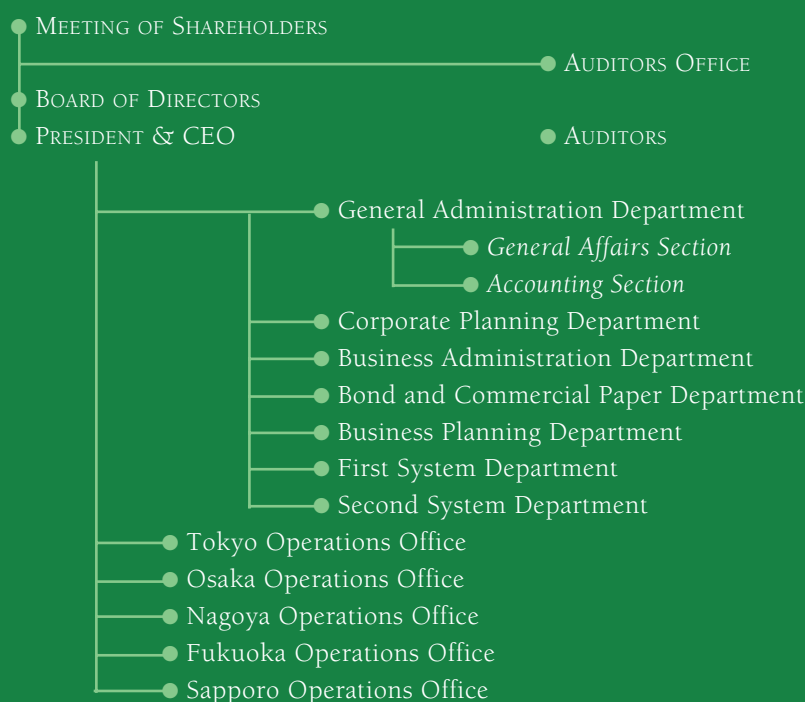
Tokyo Office:	6th Floor, Daini-Shoken Kaikan Bldg. 1-1, Nihombashi-Kayaba-cho 2-chome, Chuo-ku, Tokyo 103-0025
Osaka Office:	6-10, Kitahama 1-chome, Chuo-ku, Osaka 541-0041
Nagoya Office:	3-17, Sakae 3-chome, Naka-ku, Nagoya 460-0008
Fukuoka Office:	14-2, Tenjin 2-chome, Chuo-ku, Fukuoka 810-0001
Sapporo Office:	14-1, Minamiichijo-Nishi 5-chome, Chuo-ku, Sapporo 060-0061

SUBSIDIARY COMPANY

Company Name:	JASDEC DVP Clearing Corporation
Date of Incorporation:	June 6, 2003
Commenced Operations:	May 17, 2004
Capital:	¥310 million
Registered Head Office:	1-1, Nihombashi-Kayaba-cho 2-chome, Chuo-ku, Tokyo 103-0025

ORGANIZATION STRUCTURE

(As of June 30, 2005)





JAPAN SECURITIES DEPOSITORY CENTER, INC.