

Japan Securities Depository Center, Inc.

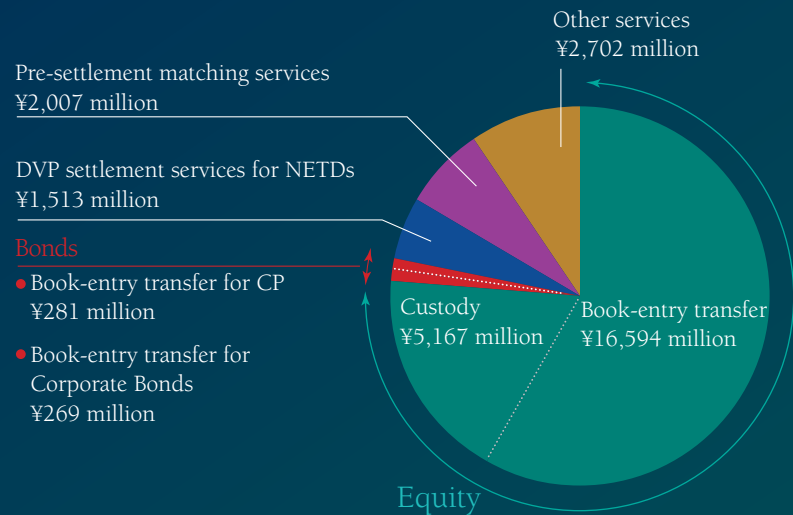
Annual Report
2006

For the year ended March 31, 2006

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REVENUES BY OPERATIONS
Year ended March 31, 2006



Established

DECEMBER 6, 1984

The Japan Securities Depository Center (JASDEC) established as a not-for-profit foundation in line with the November 1984 enforcement of the Law Concerning Central Securities Depository and Book-Entry Transfer of Stock Certificates and Other Securities (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 (NETDs).

Our Mission

In view of our duty to serve the public, our mission as a group is 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 a book-entry transfer system for 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 systems for commercial paper (CP) as well as Corporate Bonds* with efforts to promote straight-through processing (STP), the enhancement of the pre-settlement matching system (PSMS) for wider use of depository services for stock certificates, and more extensive application of the DVP settlement system for NETDs.

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 clearing and settlement systems, and we will reinforce ties with international counterparts to foster cooperation mutually beneficial to both sides.

* "Corporate Bonds" in this report refers to bonds covered by the book-entry transfer system for Corporate Bonds, i.e., corporate bonds, municipal bonds, investment company bonds, specified corporate bonds prescribed in the Law Concerning Liquidization of Assets, rights that should be represented by bond certificates issued by corporations under a special law and rights that should be represented on bond certificates issued by any governments or by companies in foreign countries (excluding those with the characteristics of bonds with subscription rights), such as Samurai bonds and Shogun bonds, while "corporate bonds" is used to denote corporate bonds only.

FINANCIAL HIGHLIGHTS

CONSOLIDATED

For the years ended March 31, 2006 and 2005

Thousands of
US dollars

| | Thousands of yen | | Thousands of US dollars |
|---|------------------|-------------|----------------------------|
| | 2005 | 2006 | |
| For the year: | | | |
| Operating income | ¥19,003,966 | ¥21,745,176 | \$184,813 |
| Income from operations | 1,912,128 | 4,855,929 | 41,270 |
| Net income | 1,050,244 | 3,121,382 | 26,528 |
| At year end: | | | |
| Total assets | ¥73,585,824 | ¥68,517,382 | \$582,333 |
| Shareholders' equity | 11,460,609 | 14,352,092 | 121,979 |
| Net cash provided by operating activities | 4,792,564 | 8,467,571 | 71,966 |
| Common stock | 4,250,000 | 4,250,000 | 36,121 |
| Per share (yen and US dollars): | | | |
| Net income—primary | ¥121,511.06 | ¥365,197.98 | \$3,103.84 |

Note: The amounts stated in US dollars in this report are translated, solely for convenience, at ¥117.66=US\$1, the exchange rate prevailing on March 31, 2006.

AT A GLANCE

As of March 31, 2006

SHARES IN CUSTODY ————— **281** billion shares

The number of shares in custody reached 281.9 billion.

SHARES TRANSFERRED BY BOOK ENTRY ————— **1,053** billion shares

Of the 1,053.5 billion shares transferred by book entry, non-exchange trade transfers accounted for 632.4 billion shares, or 60.0% of the total.

NUMBER OF ELIGIBLE ISSUING COMPANIES ————— **3,837** companies

We handle the share certificates of all listed companies in Japan.

CUSTODY RATIO ————— **77.4** %

The percentage of shares in custody represents 77.4% of the entire domestic stock market. Our custody ratio for convertible bonds—that is, corporate bonds with subscription rights to new shares—reached 97.9%.

AGGREGATE MARKET VALUE OF SHARES IN CUSTODY ————— **¥450** trillion

The aggregate market value of shares in custody stood at ¥450,994 billion, up 60.2%, from a year earlier.

TOTAL VALUE OF DVP SETTLEMENT SERVICES FOR NETDs ————— **¥42** trillion

DVP settlement services for NETDs represented a value of ¥42,041 billion.

We are aggressively working to create the book-entry transfer systems of an enhanced securities clearing and settlement infrastructure in Japan.

“WE ARE FULLY AWARE OF OUR SOCIAL RESPONSIBILITIES AND WILL STRIVE TO REINFORCE OUR BUSINESS FOUNDATION.”

To date, the JASDEC Group has approached system reform with three key developments in mind. The first is to reinforce corporate governance. The second is to promote wider use of DVP as a means of minimizing principal risk in clearing and settlement operations and our matching system as the cornerstone of STP. And the third is to expand the range of eligible securities accepted and to promote dematerialization thereof.

Four years ago, in a bid to achieve a level of corporate governance more appropriate to a central securities depository, JASDEC shed its status as a not-for-profit foundation and became a stock company with participating companies as shareholders. We continue to pursue business activities that put users before all else.

“THE PURSUIT OF SAFETY, EFFICIENCY AND CONVENIENCE IN SECURITIES CLEARING AND SETTLEMENT IS AN ENDURING THEME.”

To reduce principal risk, we introduced a DVP settlement system for NETDs in May 2004 and simultaneously linked it with PSMS. Currently, clearing and settlement through this system accounts for nearly 60% of all book-entry transfers for NETDs, and participants regard the system as an important clearing and settlement tool.

We launched PSMS five years ago, and since then we have gradually expanded the range of products to which this function is applied. In February 2005, we

added a pre-settlement matching function for domestic government bond repos and *gensaki* on the premise of assumption of obligations by the Japan Government Bond Clearing Corporation, and in January 2006, we began providing a pre-settlement matching function for Corporate Bonds and CP.

“DEMATERIALIZATION OF STOCK CERTIFICATES WILL MARK THE FINAL STAGE OF REFORM.”

We seek to widen the scope of our business activities and better meet the expectations of users. Toward this end, we have endeavored to broaden the range of eligible securities we accept and, through advertisements in newspapers, television and other media, have worked to boost our custody ratio.

We have witnessed a dramatic rise in the volume of transactions handled by the book-entry transfer system for CP, which became operational in March 2003. To enhance convenience to users still further, we upgraded this system in conjunction with the start of the book-entry transfer system for Corporate Bonds.

The book-entry transfer system for Corporate Bonds was a noteworthy development in fiscal 2005, ended March 31, 2006. The system's application to newly issued bonds has steadily increased since it debuted in January 2006, and we expect a considerable amount of outstanding physical bonds and recorded bonds to undergo transition in fiscal 2006. In April, we launched a book-entry transfer system for foreign stocks.

*‘Toward the Final Stage of Domestic Securities
and Settlement System Reform’*

The book-entry transfer system for investment trusts will be launched in January 2007. As we pursue development of this system, we are promoting measures that will ensure the smooth conversion of existing physical certificates to dematerialized form.

For stocks—the last certificates to be dematerialized—we expect to have a book-entry transfer system in place by January 2009. We have already determined an outline and are now working to achieve system development within the desired timeframe.

The custody ratio under the prevailing system is well into the 80-percentile range, but it should be higher to facilitate conversion of paper stocks into dematerialized form. To achieve this task, we must promote greater awareness of book-entry services among issuers, brokers and investors.

At the same time, to ensure system security in line with the concentration of marketable securities and their conversion to dematerialized form is an issue of increasing priority. With the Bank for International Settlements’ Lamfalussy Standards in mind, we established a backup center already back in September 2000 to secure our systems. To reinforce information system management still further, we formulated our own security policy, based on such international standards as BS ISO/IEC17799 for information security management. In addition, we maintain a personal information protection policy to ensure that private data is handled appropriately.

In recent years, we have emphasized international activities, substantiated by our role in hosting the



9th General Meeting of the Asia-Pacific CSD Group (ACG) in Tokyo in November 2005. Looking ahead, we will join Korea Securities Depository and Taiwan Securities Central Depository Co., Ltd., in hosting the 9th Conference of Central Securities Depositories in Seoul, South Korea, in April 2007. In addition to these events, we sign memorandums of understanding with overseas central securities depositories, and will continue to promote greater harmonization with our counterparts abroad.

The JASDEC Group upholds management policies designed to ensure highly transparent business activities that place system users before all else and to provide services that are secure and exceedingly cost-efficient. These efforts will lead to higher custody ratios within the Group and accelerate securities clearing and settlement reform in Japan.

On behalf of the Board of Directors and employees of JASDEC, I ask for the continued support of our users, participants and investors as we work toward our goals.

June 2006

Yoshinobu Takeuchi

Yoshinobu Takeuchi
President and Chief Executive Officer

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 securities.

PROGRESS IN DEMATERIALIZATION

BOOK-ENTRY TRANSFER SYSTEM FOR INVESTMENT TRUSTS We are working to implement a book-entry transfer system for investment trusts and to ensure stable operation thereof. We are currently implementing processes that will achieve the smooth conversion of outstanding physical certificates into a dematerialized form.

DEMATERIALIZATION OF STOCK CERTIFICATES Based on the System Outline for dematerialization of stock certificates, we are pursuing discussions to fine-tune administrative processes and practical conversion techniques and to address necessary system development in our quest to build a new book-entry transfer system for stock certificates.

PROMOTING USE OF BOOK-ENTRY TRANSFER SYSTEMS FOR CP AND CORPORATE BONDS To elicit greater interest in dematerialization of CP and to firmly establish the book-entry transfer system for Corporate Bonds, we maintain a steady stream of activities to raise awareness in the market and address concerns to support smooth transition of outstanding physical bonds and recorded bonds to dematerialized form. We undertake necessary responses, such as function upgrades to relevant systems, to enhance convenience for users, and strive to expand use of our systems.

PROMOTING STP

We will boost the capacity of PSMS to include a matching function for stock lending and a new issuing record matching function, paralleling the move toward dematerialization of stock certificates.

RAISING NUMBER OF STOCK CERTIFICATES IN CUSTODY

By encouraging more investors and issuers to grant us custody of stock certificates, we will achieve smooth conversion of paper certificates into dematerialized form and expand use of the book-entry system.

REINFORCING CUSTODY FUNCTION

STRONGER SYSTEM INFRASTRUCTURE Based on the formation of a medium- to long-term plan for systems—including the system for dematerialization of stock certificates, as well as system replacement, transfer of information to our data center and other aspects related to systems—we will strive to build an infrastructure featuring higher levels of safety, efficiency and convenience. This will ensure stable clearing and settlement operations.

ENHANCED RISK MANAGEMENT STRUCTURE We will continue to improve information security and work toward the establishment of a structure that supports business continuity in the event of an emergency. We will also introduce system audits and other actions to enhance our risk management structure.

STRONGER TIES WITH OVERSEAS COUNTERPARTS We will forge stronger ties with counterpart organizations abroad and create networking opportunities with other central securities depositories, primarily through the activities of hosting overseas seminars and the 9th Conference of CSDs in the Asian region.

Activities to date are described as follows.

Implemented

January 2006

Book-Entry Transfer System for Corporate Bonds

BOOK-ENTRY TRANSFER SYSTEM FOR CORPORATE BONDS

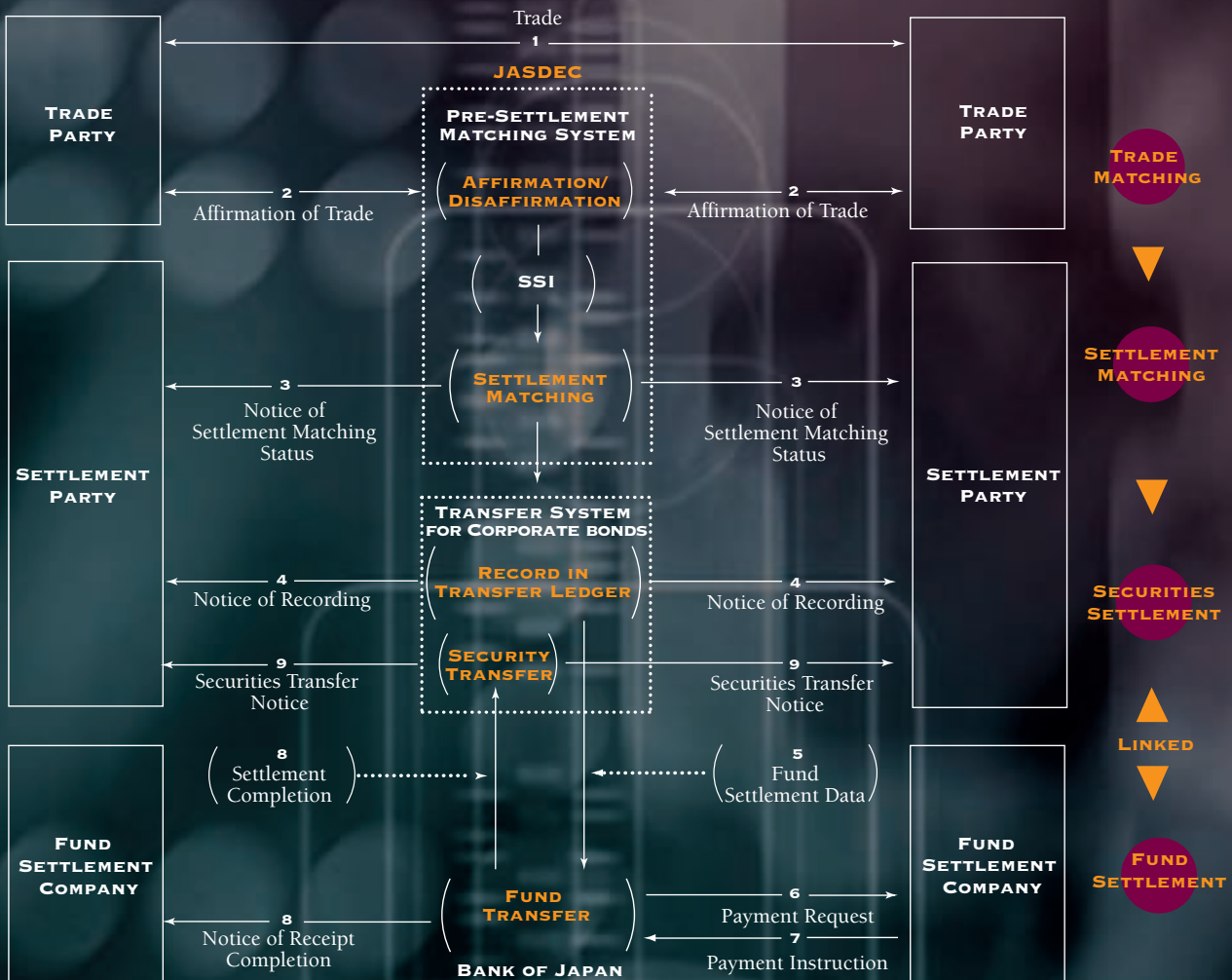
Main Features of the System

The prevailing registration system requires certain responses to the physical issue of bonds because beneficiaries have the right to request the issue of such certificates. The book-entry system, however, is completely electronic, and thereby eliminates costs associated with issuing denominations and reduces the burden of office

paperwork. Under our system, we revised custody procedures—from issuance to redemption, including transfers—into a management structure, based on the balance recorded in the transfer account book, and realized DVP (gross-gross formation known as BIS model 1) and STP by linking to PSMS.

BOOK-ENTRY TRANSFER BASED ON BALANCE MANAGEMENT

Under the prevailing registration system, registration institutions enter the denomination type and serial



Implemented

April 2006

Depository and Book-Entry Transfer System for Foreign Stocks

number as well as ownership in their register book. 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 transition in secondary markets.

MULTILAYER HOLDING STRUCTURE OF PARTICIPATION

Account management institutions are positioned in the multilayer holding structure in order to facilitate flexibility of business development and to promote affiliation among international institutions. In addition, under the book-entry transfer system, payment of principal is executed by the issuer's agent paralleling the layered structure.

ELIGIBLE SECURITIES

A variety of bonds is eligible, excluding Japanese Government Bonds, 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
- Investment company bonds
- Corporate bonds issued by mutual companies prescribed in the Insurance Business Act
- Specified corporate bonds prescribed in the "Law Concerning Liquidation of Assets"
- Rights that should be represented by bond certificates issued by companies under a 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 BONDS

From January 6, 2008, preferential tax treatment on interest income for such entities as tax-free corporations will apply only to book-entry bonds; recorded bonds and physical bonds will no longer be eligible for preferential tax treatment. In response, JASDEC will maintain efforts to promote the transition of outstanding bonds to book-entry bond status.

DEPOSITORY AND BOOK-ENTRY TRANSFER SYSTEM FOR FOREIGN STOCKS

DETAILS ON SYSTEM START

In response to requests from participants in the foreign securities market in Japan regarding promotion of the reliability and safety of depository and book-entry transfer services for listed foreign stocks etc., JASDEC applied to the Financial Services Agency and the Ministry of Justice for approval to handle the depository and book-entry transfer services for listed foreign stocks and the like offered by Japan Securities Settlement & Custody, Inc. (JSSC). In March 2006 the above-mentioned authorities confirmed that JASDEC could undertake such operations in line with the CSD Law, enabling JASDEC to add these services for JASDEC participants.

For Implementation

January

2007

Book-Entry Transfer System for Investment Trusts

With the enforcement of Business Regulations Relating to Depository and Book-Entry Transfer of Foreign Stock Certificates, etc., on April 1, 2006, JASDEC began transferring balances from JSSC at the end of April. The transfer of foreign stocks listed in Japan is expected to be complete by summer 2006.

SYSTEM SUMMARY

By opening a deposit account for foreign stock certificates, JASDEC's participants can execute either book-entry transfer for exchange transactions settled by instruction of Japan Securities Clearing Corporation or non-exchange trade transfers, in line with Business Regulations and Rules Relating to Depository and Book-Entry Transfer of Foreign Stock Certificates, etc.

When a participant deposits listed foreign stock certificates to undergo book-entry transfer by JASDEC, the stock certificates must be deposited with JASDEC's relevant foreign depository. If the foreign stock certificates are already entrusted to a JASDEC account and sold in the home market by participants, JASDEC transfers or delivers to the account designated by the participant. These deposits and transfers are made via message creation and automated dispatch between JASDEC's book-entry transfer system for foreign stocks and SWIFT (the Society for Worldwide Interbank Financial Telecommunication).

In regard to the treatment of rights held by beneficial shareholders, Share-Handling Services Agents, such as trust banks, which execute share-handling processes, must create a list of beneficial shareholders, based on JASDEC participants' data on the record date. Rights will be granted only to shareholders on this list.

BOOK-ENTRY TRANSFER SYSTEM FOR INVESTMENT TRUSTS**INVESTMENT TRUST MARKET IN JAPAN**

In recent years, the investment trust market in Japan has undergone a huge transformation, highlighted by the start of sales through Japan Post in October 2005. Interest in investment trusts is growing stronger, supported by greater investment activity by individual investors. According to the Investment Trusts Association of Japan, net investment trust assets reached ¥85.79 trillion, as of March 31, 2006. Of this amount, investment trusts offered to the general public represented ¥58.47 trillion while investment trusts for private placement represented ¥27.32 trillion.

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.

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

For Implementation No Later than

June

2009

Dematerialization for Stock Certificates

will not initially cover those on foreign investment trusts established overseas or on mother funds.*

*Exchange-Traded Funds (ETFs) are different from other investment trusts. JASDEC's basic stance on ETFs, as 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.

TOWARD IMPLEMENTATION

Leading up to the implementation of the book-entry transfer system for investment trusts, we will run a series of system-related tests from August to December 2006.

DEMATERIALIZATION FOR STOCK CERTIFICATES

DEMATERIALIZATION OF STOCK CERTIFICATES IN JAPAN

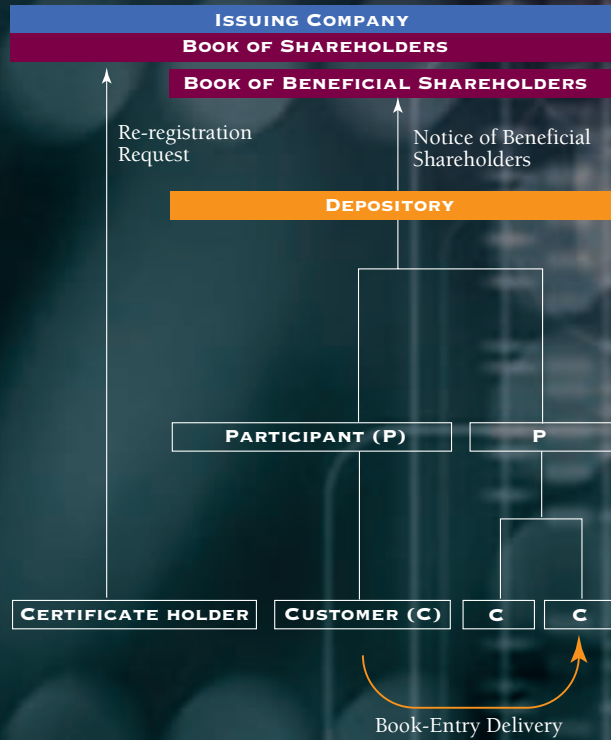
In 2004, the Stock Settlement Rationalization Law (the Law for partial amendments to the Law concerning Book-entry Transfer of Corporate Bonds and Other Securities) was introduced in Japan to streamline settlement procedures for trades of stocks and other securities. This legislation allows the stock of non-stock-issuing companies to be handled by the book-entry transfer system. All listed companies will be required to make their stock paperless as of a date, determined by government ordinance, within five years of the day the aforementioned legislation was announced (June 9, 2004).

BASIC STRUCTURE OF THE NEW SYSTEM

- Under the new book-entry transfer system, the ownership of stocks shall be determined by the record in the ledger of book-entry transfer accounts, and shall be transferred by account transfer.
- Twice a year, in principle, the central securities depository—namely, JASDEC—will give to issuers of shares in custody information regarding 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 depository and book-entry transfer system. It differs, however, in that issuers may request the central securities depository to extend a general shareholders' notification at any time, provided that the reason for such a request is justified.
- Issuers will update their respective lists of shareholders, based on the aforementioned general shareholders' notification. Under the prevailing securities custody and book-entry transfer system, two lists of shareholders' ownership interests are maintained for stock certificates in the custody of the central securities depository: the shareholders' registry with the name of the central securities depository, and the beneficial shareholders' registry with the names of actual shareholders. The new system, however, will consolidate management of shareholders' ownership interests into the shareholders' registry alone, and only the names of actual shareholders will be recorded therein.
- When issuers undertake corporate actions, such as stock splits, bonus issues and mergers, the central securities depository and the account management institution, following notification from the issuer, will undertake procedures that automatically revise the record of shareholders' accounts.
- When shareholders wish to exercise minority shareholder and single-unit shareholder rights on shares in custody, they need to instruct their respective account management institution to notify the issuer of the data in the ledger of book-entry transfer accounts. The central securities depository will then notify the issuer

STRUCTURAL DIFFERENCES BETWEEN THE CURRENT AND DEMATERIALIZED SYSTEMS

Current System



Dematerialized Book-Entry Transfer System



Note 1. Account management institutions in the dematerialized system and participants in the current system are essentially the same. Securities firms, banks, transfer agents (trust banks, etc.) are able to have such status.
 2. Participants in the dematerialized system and customers in the current system are essentially the same. Investors are able to obtain such status by opening accounts with AMIs.

(specific shareholder notification) and within a specified period thereafter, shareholders may exercise rights.

- When the reason is justifiable, an issuer can request the central securities depository or an account management institution to provide information on record in the ledger of book-entry transfer accounts.

CONCRETE SYSTEM OUTLINE

JASDEC has explored various aspects of the new book-entry transfer system, including practical procedures and techniques, to facilitate implementation and use.

- The new system will handle listed stocks, subscription rights to new shares, corporate bonds with subscription rights to new shares, beneficiary ownership and preferred capital contribution, as well as subscription rights for new shares of unlisted stock and corporate bonds with subscription rights to new shares of unlisted stock, as long as specific criteria are satisfied.
- We will apply shareholders names, addresses and number of shares received from account management institutions for general shareholders' notifications, specific

shareholder notifications and responses to requests for data on the ledger of book-entry transfer accounts.

- We will introduce DVP to eliminate settlement risk occurring when shares and corporate bonds with subscription rights to new shares are newly issued for public offerings.
- We will disclose on a daily basis foreign shareholder ratios on stock in companies in such industries as broadcasting and aerospace, where shareholdings by foreigners is limited to a certain percentage.
- We will establish a registered account method for taking in shareholders' dividends. We will also consider a pro-rata allocation method based on the number of shares.

To ensure a smooth start to the new book-entry transfer system, which will be no later than June 2009, we have been collaborating closely with representatives from relevant industries and authorities, and have been independently pursuing various systems development activities. All interested parties have agreed to set January 2009 as the target for the commencement of dematerialization of stock certificates.

INTERNATIONAL ACTIVITIES

To promote greater harmonization between our operations and those of counterpart organizations abroad, we take an enthusiastic approach to international activities, including efforts to standardize clearing and settlement systems and structures.

COHOSTING INTERNATIONAL CONFERENCES

NOVEMBER 2005—9TH GENERAL MEETING OF ASIA-PACIFIC CSD GROUP In November 2005, JASDEC and Japan Securities Settlement & Custody, Inc. (JSSC), co-hosted the 9th General Meeting of the Asia-Pacific CSD Group, an association of central securities depositories in the Asia-Pacific region, in Tokyo. The meeting, which drew representatives from 26 organizations in 15 countries, provided participants with the chance to offer status reports on the implementation of respective clearing and settlement systems and highlight tasks still to be addressed. The venue was an ideal place for information exchange and prompted lively discussions among participants on several topics, including approaches to new business, technical responses to practical application of systems, and measures to deal with settlement risk.

April 2007—9TH CONFERENCE OF Central Securities Depositories

In April 2007, JASDEC, Korea Securities Depository and Taiwan Depository & Clearing Corporation, will jointly host the 9th Conference of Central Securities Depositories, or CSD9, in Seoul, South Korea. The event, which runs for three days, from April 11 to 13, will bring representatives from central securities depositories around the world together and focus attention on joint tasks hinging on harmonization and globalization trends in the world's financial and capital markets.

PLANNED DISCUSSION TOPICS AT CSD9*

● General panel discussion: "Harmonization and Globalization"

Focus on interoperability vs. consolidation, CSD governance and the Hague Securities Convention.

● Independent sessions:

1. Financing Cross-Border Trading:
Current Issues and Future Assignments for DVP
2. Tax Harmonization:
Future Opportunities for International Tax Treaties
3. Corporate Action Processing:
Current Issues and Sources of New Business for CSDs
4. Business Continuity Plans in Risk Management:
Current Issues and Future Challenges—with Case Studies
5. Challenging New Business Opportunities for CSDs

*Please note that these topics are only some of the subjects that are being considered for discussion and that the actual agenda may be significantly different.

CSD CONFERENCES Rotating regionally every two years, each conference is hosted by local CSDs in the chosen geographical area. Representatives from major CSDs around the world gather to hear reports on issues common to every market and pertinent developments that characterize the business. The conferences include various components, including a general panel discussion, and provide opportunities for participants to exchange information and ideas. The 8th Conference in New York in April 2005 drew more than 160 representatives from 64 countries.

SIGNING MEMORANDUMS OF UNDERSTANDING

Through memorandums of understanding with CSDs abroad, JASDEC is able to undertake information and personnel exchanges with counterpart organizations and offer training sessions of mutual benefit to all participants.

| | |
|----------------|--|
| August 2003: | U.S. Depository Trust and Clearing Corporation (DTCC) |
| November 2004: | Taiwan Securities Central Depository Co., Ltd. (currently Taiwan Depository & Clearing Corporation (TDCC)) |
| February 2005: | Korea Securities Depository (KSD) |
| June 2005: | China Securities Depository and Clearing Corporation Limited (CSD&C) |

TACKLING STANDARDIZATION

Standardization of securities clearing and settlement is an important topic in every country, paralleling globalization of financial and capital markets. JASDEC always addresses system reform with changing standardization in other countries in mind.

Specifically, we identify developments, such as recommendations issued by the Group of Thirty (G30), the International Securities Services Association (ISSA) and a joint report by the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO). We constantly monitor our own systems and form decisions on the direction of new services and improvements to existing services, based on prevailing trends abroad.

PRINCIPAL POLICY ON CORPORATE GOVERNANCE

As Japan's only central securities depository, JASDEC has a social obligation to adhere to a basic management responsibility that hinges on the creation of a highly secure, efficient and convenient securities clearing and settlement infrastructure.

Consequently, our principal policy on corporate governance requires us to undertake business activities that satisfy the wide-ranging needs of clients who utilize the Group's systems, from participants—securities companies, financial institutions and other users of our book-entry transfer services—to investors, and to ensure that these activities are highly transparent and characterized by fairness and integrity. Moreover, as the organization responsible for the infrastructure of securities clearing and settlement in Japan, we must earn and uphold a solid reputation for reliability.

STATUS OF POLICY IMPLEMENTATION

MANAGEMENT STRUCTURE AND OTHER CORPORATE GOVERNANCE SYSTEMS TO FACILITATE EXECUTIVE DECISION-MAKING, THE EXECUTION OF OPERATIONS AND THE IMPLEMENTATION OF AUDITS

CORPORATE STRUCTURES

BOARD OF DIRECTORS The Board of Directors comprises 18 members. A key requirement of the Board of Directors is to demonstrate a suitably balanced approach to business, guided by wide-ranging perspectives, including user-oriented views as well as business-oriented ideas on preserving operational neutrality and impartiality. To fully reflect the opinions of users in our business activities and to ensure discussions based on fairness and integrity, 10 of the 13 external directors are selected from eligible participants in the Company, and the remaining three external directors belong to a stock-issuing company, academia and the legal profession. Through such a functional system, all directors can be evaluated against their effectiveness in executing their respective duties.

In principle, the Board meets once a month to decide basic management policies.

BOARD OF AUDITORS JASDEC maintains a corporate auditor system. As of publication of the annual report, the Board of Auditors comprises three members, two of whom are selected from eligible participants—one each from a securities firm and a financial institution—and all three auditors, including the standing auditor, are external auditors, in accordance with prevailing legislation.

The Board of Auditors meets once a month. However, in line with auditing plans and the direction established by the Board of Auditors, auditors will also attend important meetings, including those of the Board of Directors, and will execute audits of directors by assessing the status of services and assets to ascertain the effectiveness of directors in executing respective duties.

ADDITIONAL COMMITTEES To accurately reflect the needs of system users in our operations, we established the Committee for Business Operations as a unit independent from other corporate structures, such as the Board of Directors. This committee addresses pertinent issues related to the business of the Company, based on queries from the Board of Directors, and assigns topics to the eight subcommittees under its control.

These subcommittees are responsible for a specific segment of operations and each comprises members who are actually involved in these operations. JASDEC applies results raised by each subcommittee to various operational issues that will facilitate early realization of securities clearing and settlement system reform in Japan.

To foster greater operational transparency, JASDEC, when appropriate, posts summaries of these discussions and other information on its web site and on the book-entry portal for participants.

As a key instrument in the infrastructural development of the securities market, we strive for an extremely high level of fairness and integrity in our activities. To this end, we established the Advisory Committee, which enables the president to see the bigger picture regarding the administration of a securities clear-

ing and settlement system by accessing the extensive knowledge of experts in financial and securities systems.

JASDEC DVP Clearing Corporation (JDCC), a wholly owned subsidiary, maintains a business philosophy similar to that of JASDEC. JDCC set up the Committee for DVP Operations to study pertinent issues regarding operations and works to reflect the needs of users of the DVP settlement system for NETDs in its services. In addition, the company provides JASDEC's Board of Directors with updates on issues deemed pertinent by its own Board of Directors to ensure consistency in the activities of the two companies.

A summary of other corporate governance systems and the business structure at JASDEC is presented below.

RISK MANAGEMENT SYSTEM

The business activities of JASDEC will be further concentrated in accordance with the expansion of the scope of certain operations, and, in order to mitigate the influence of further manifestation of business-related risk in specific areas, we must make our risk management system more efficient and well structured.

As the pillar of Japan's securities clearing and settlement infrastructure, we are pushing ahead with the implementation of a companywide risk management system that includes the establishment of a risk management committee, chaired by the president, as well as the execution of system audits and the development of a business continuity plan (BCP) for use in times of emergency.

INTERNAL CONTROLS AND AUDITS BY CORPORATE AUDITORS AND THE ACCOUNTING FIRM

JASDEC's internal controls include reports to the Board of Directors, as necessary, that describe the activities of the Risk Management Committee, which regularly monitors the status of all types of risk. Reports are also prepared on the status of improvements and progress related to risk management and other aspects of risk management within the Company.

In regard to audits by corporate auditors, the standing auditor routinely attends important meetings, such as those of the Board of Directors and the Executive Committee, comprising managing directors, and examines internal documents requiring executive approval. The standing auditor will also perform audits, in accordance with auditing plans and policies established by the Board of Auditors, and provide the other corporate auditors with updates on the progress of such activities at the meeting of corporate auditors, which is scheduled to take place monthly.

Non-standing auditors attend Board of Directors' meetings and check on the status of duties executed by directors. They also assess the level of duties executed by directors, based on several sources, including updates from the standing auditor on auditing activities.

JASDEC assigns staff specifically to assist corporate auditors in their audits.

Corporate auditors also investigate accounting audits in close cooperation with the Company's accounting firm. This effort includes hearing reports from accounting auditors on auditing plans and the results of audits.

The certified public accountants who execute our accounting audits are Hiroyuki Yamasaki and Tsutomu Nobuta (designated partners under Article 34-10-4 of the Certified Public Accountant Law). They are employed by ChuoAoyama PricewaterhouseCoopers and execute accounting audits, including checks of financial documents, based on Article 2-1 of the old Law of Exceptional Provisions to the Commercial Code Concerning the Audit, etc., of Stock Companies. Mr. Yamasaki and Mr. Nobuta have audited JASDEC's accounts for five consecutive years and one year, respectively.

Five certified public accountants and five junior accountants help with accounting audit procedures.

No items of particular regard, such as serious irregularities or instances of illegal behavior, have been found.

BASIC DATA FOR STOCK CERTIFICATES BOOK-ENTRY TRANSFER

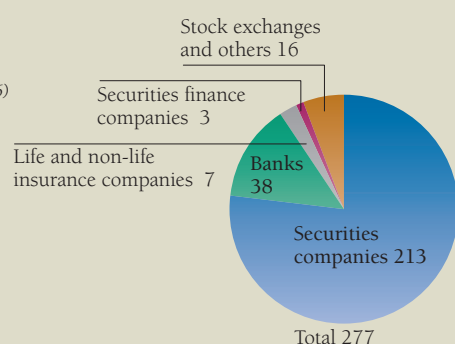
Participants and Accounts

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 2006, the number of participants stood at 277, and the number of accounts stood at 471.

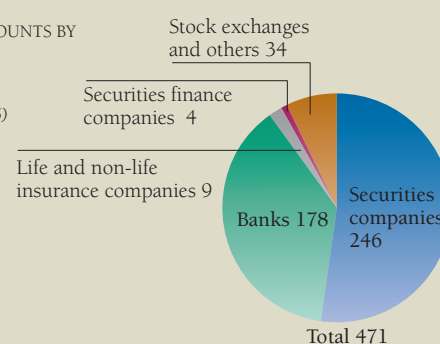
PARTICIPANTS BY
CATEGORY

(As of March 31, 2006)



NUMBER OF ACCOUNTS BY
CATEGORY

(As of March 31, 2006)



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

As of March 31, 2006, all listed companies in Japan, a total of 3,837 companies, have consented to JASDEC handling their stocks.

Eligible Securities

ELIGIBLE SECURITIES (As of March 31, 2006)

| | | |
|----------------------------------|--------------------------|--------------|
| Stocks | 281,914 million shares | 3,838 issues |
| Preferred investment securities | 269,255 units | 1 issue |
| Beneficiary certificates of ETFs | 1,627,248 thousand units | 14 issues |
| Certificates of REITs | 5,177,216 units | 34 issues |
| CBs | 1,689,287 million yen | 146 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), convertible bond 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.

REVENUES BY OPERATION

Fiscal 2005 Review

Fiscal 2005, ended March 31, 2006, was characterized by brisk stock trading backed by economic recovery. In fiscal 2005 average daily stock trading volume at the Tokyo Stock Exchange exceeded 2 billion shares from September 2005 to February 2006. 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. As a result, operating income increased 14.4%, to ¥21,745.1 million, operating expenses decreased 1.2%, to ¥16,889.2 million, income from operations increased 154.0%, to ¥4,855.9 million, and net income increased 197.2%, to ¥3,121.3 million.

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 (NETDs)—averaged 87.7 billion a month, primarily a reflection of stock trading levels that maintained their momentum from the previous year. Consequently, income related to account transfer services, particularly services for stock certificates, corporate bonds with subscription warrants to new shares and ETF beneficiary certificates, increased 33.6%, to ¥16,594.0 million

CUSTODY OPERATIONS

The number of shares in custody as of March 31, 2006, were as follows: stock certificates at 281.9 billion shares, corporate bonds with subscription warrants to new shares at ¥1,689.2 billion, and ETF beneficiary certificates at 1,627 million units. From April 1, 2005, we reduced the basic premiums of custody fees related to stocks. 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, increased 5.5%, to ¥5.1 billion.

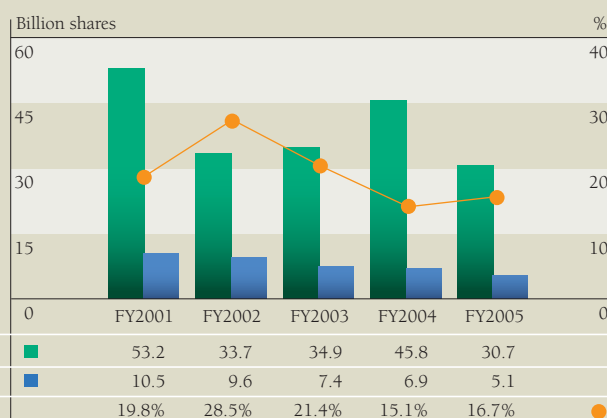
Handling of Shares

(a) Deposits and Withdrawals

The withdrawals to deposits ratio settled at 16.7%, as of March 31, 2006.

(Years ended March 31)

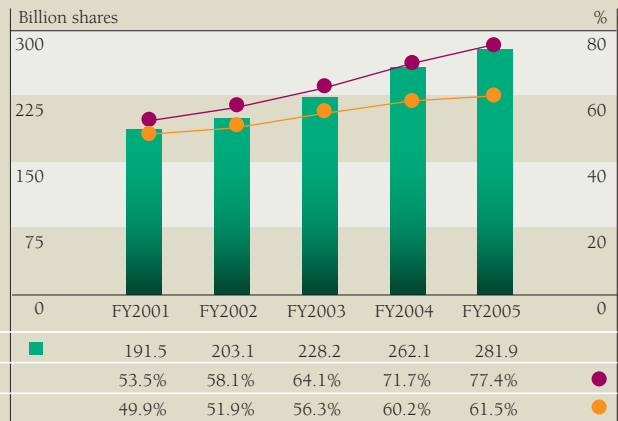
Number of Shares Deposited
Number of Shares Withdrawn
Withdrawals to Deposit Ratio



Note: The above ratios 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

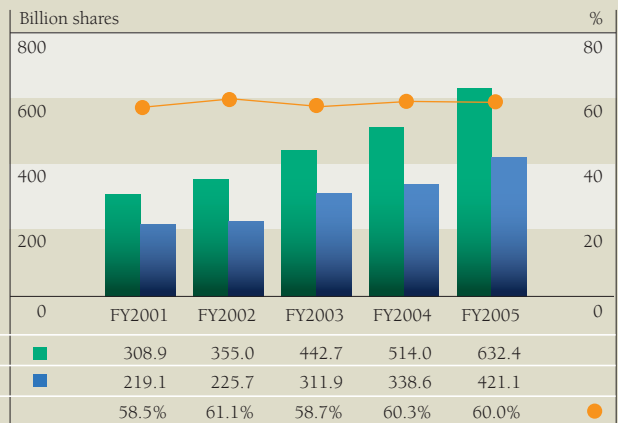
As of March 31, 2006, the number of shares in JASDEC's custody stood at 281,914 million shares and represented 77.4% of all outstanding shares issued by companies listed on stock exchanges in Japan.



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.

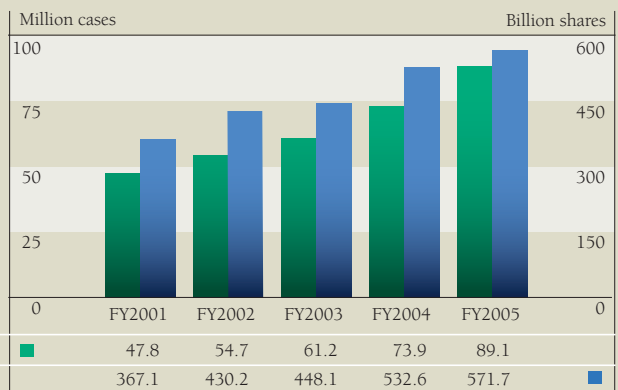
(c) Book-Entry Transfer

Of the number of shares transferred between accounts by book-entry transfer in fiscal 2005, the number of shares pertaining to exchange trade transfers represented 421,149 million and the number of shares pertaining to NETDs accounted for 632,401 million.



(d) Beneficial Shareholder Notification

In fiscal 2005, beneficial shareholder notification services covered 571,785 million shares and 89,174 thousand cases.



OTHER SECURITIES OPERATIONS

An overview of other securities operations conducted during fiscal 2005 is presented below.

(a) Convertible Bonds (CBs) / Corporate Bonds with Subscription Warrants to New Shares

| | (Millions of yen) |
|-------------------------|-------------------|
| Deposits | 604,750 |
| Withdrawals | 1,519,696 |
| Custody | 1,689,287 |
| Book-entry transfer | |
| Exchange trade transfer | 776,663 |
| NETDs | 7,125,831 |
| Number of issues | 146 |

(b) ETFs

| | (Thousands of units) |
|-------------------------|----------------------|
| Deposits | 958,135 |
| Withdrawals | 1,038,982 |
| Custody | 1,627,248 |
| Book-entry transfer | |
| Exchange trade transfer | 2,286,079 |
| NETDs | 9,237,727 |
| Number of issues | 14 |

(c) Preferred Investment Securities of Financial Institutions

| | (Number of units) |
|-------------------------|-------------------|
| Deposits | 18,102 |
| Withdrawals | 607 |
| Custody | 269,255 |
| Book-entry transfer | |
| Exchange trade transfer | 66,588 |
| NETDs | 66,344 |
| Number of issues | 1 |

(d) REITs

| | (Number of units) |
|-------------------------|-------------------|
| Deposits | 1,805,869 |
| Withdrawals | 78,247 |
| Custody | 5,177,216 |
| Book-entry transfer | |
| Exchange trade transfer | 4,394,310 |
| NETDs | 7,745,723 |
| Number of issues | 34 |

Book-Entry Transfer Services for Other Certificates

BOOK-ENTRY TRANSFER SERVICES FOR CORPORATE BONDS

As of March 31, 2006, book-entry transfers for Corporate Bonds (which commenced on January 10, 2006) had reached 7,055 issues, the account balance stood at ¥6,406.6 billion, and the number of transfers was 23,851. As a result, income related to book-entry transfer services for Corporate Bonds reached ¥269.1 million.

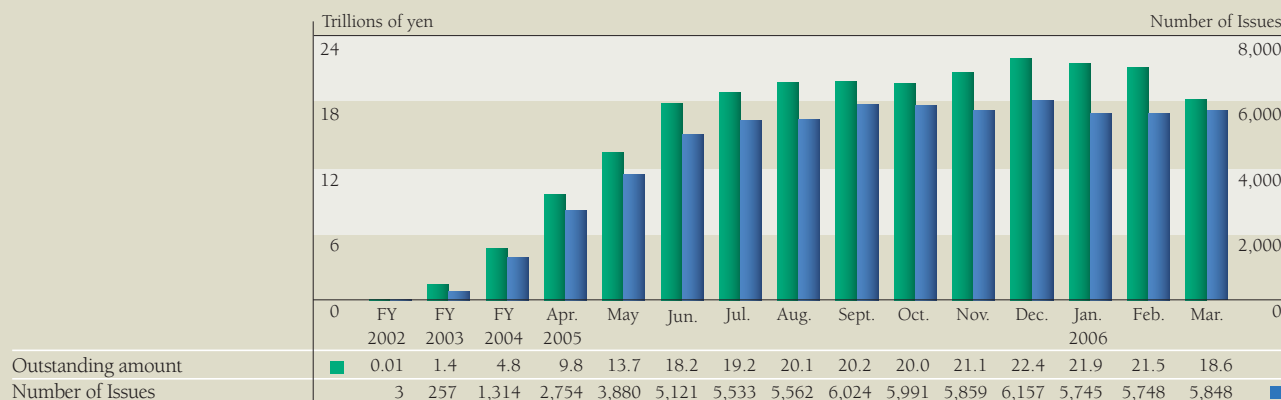
BOOK-ENTRY TRANSFER SERVICES FOR COMMERCIAL PAPER

On March 31, 2003, JASDEC launched a book-entry transfer system for commercial paper (CP), in accordance with the Law Concerning Book-Entry Transfer of Corporate Bonds, etc. Instead of CP in the conventional paper form—the paper-based certificates that prevailed from issuance to redemption, including transfers—JASDEC's system totally dematerializes the certificates and records CP issuance, transfer and redemption electronically in JASDEC's computer-based transfer account book, by adding issuance, transfer and redemption, respectively.

Since March 2003, the account balance has steadily expanded—a trend given further momentum when preferential tax treatment was terminated at the end of March 2005—and stood at ¥21,766.5 billion as of December 29, 2005. The switch from paper-based CP to dematerialized form is more or less complete.

As of March 31, 2006, book-entry transfer for commercial paper (CP) had been extended to 399 issuers, an increase of 161 companies from a year earlier, and the number of issues reached 5,848, an increase of 4,534. The account balance stood at ¥18,624.0 billion, up ¥13,760.7 billion, and the number of transfers reached 190,996, up 179,224. As a result, income related to book-entry transfer services for CP reached ¥281.7 million, up 406.2%.

CP Account Balance (Month-end)



DVP SETTLEMENT SERVICES FOR NETDs

The number of transfers for DVP for NETDs reached an average of about 80,000 a day during fiscal 2005, which far surpassed the approximately 60,000 of the previous fiscal year. As a result, income related to DVP settlement services for NETDs amounted to ¥1,513.2 million, a 45.6% increase from a year earlier.

PRE-SETTLEMENT MATCHING SERVICES

In fiscal 2005, as in fiscal 2004, stock trading was brisk, spurring use of JASDEC's PSMS. Consequently, income related to pre-settlement matching services amounted to ¥2,007.1 million, a 42.9% increase from a year earlier.

OTHER SERVICES

Of other services, we made deposit fees related to stocks charge-free from October 2005. Mainly due to this, income related to other services decreased 20.3%, to ¥2,702.5 million, in fiscal 2005

Pre-Settlement Matching System (PSMS) This central matching system automatically confirms the contents of trade and settlement, such as trade names/amounts, counterparties and account numbers.

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

CONSOLIDATED BALANCE SHEETS

Japan Securities Depository Center, Inc.

As of March 31, 2005 and 2006

| | ¥ (thousands) | | \$ (thousands) (Note 4) |
|---|--------------------|--------------------|----------------------------|
| | 2005 | 2006 | 2006 |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | ¥ 1,203,318 | ¥ 1,839,815 | \$ 15,636 |
| Accounts receivable—trade | 4,056,477 | 3,625,987 | 30,817 |
| Deferred income taxes (Note 8) | 50,470 | 202,807 | 1,723 |
| Designated assets for clearing funds (Note 3) | 54,570,594 | 49,970,274 | 424,700 |
| Other current assets | 266,278 | 183,106 | 1,556 |
| Total Current Assets | 60,147,137 | 55,821,992 | 474,434 |
| Property and Equipment: | | | |
| Buildings | 756,824 | 776,667 | 6,600 |
| Tools and furniture | 4,190,155 | 4,138,412 | 35,172 |
| | 4,946,979 | 4,915,079 | 41,773 |
| Less: Accumulated depreciation | (2,830,335) | (3,163,263) | (26,884) |
| Total Property and Equipment | 2,116,644 | 1,751,816 | 14,888 |
| Intangible Assets, Net: | | | |
| Software | 9,694,192 | 9,679,743 | 82,268 |
| Construction in progress (software) | 920,785 | 611,745 | 5,199 |
| Other intangible assets | 10,462 | 10,766 | 91 |
| Total Intangible Assets | 10,625,439 | 10,302,254 | 87,559 |
| Investment and Other Assets: | | | |
| Long-term refundable lease deposits | 509,657 | 464,904 | 3,951 |
| Long-term prepaid expenses | 31,999 | 35,456 | 301 |
| Deferred income taxes (Note 8) | 154,948 | 140,958 | 1,198 |
| Total Investment and Other Assets | 696,604 | 641,320 | 5,450 |
| Total Assets | ¥73,585,824 | ¥68,517,382 | \$582,333 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current Liabilities: | | | |
| Accounts payable—trade | ¥ 2,281,906 | ¥ 1,826,047 | \$ 15,519 |
| Short-term debt (Note 6) | 4,500,000 | — | — |
| Income taxes payable | 26,223 | 1,555,985 | 13,224 |
| Accrued employees' bonuses | 115,199 | 129,554 | 1,101 |
| Consumption tax payable | 160,541 | 240,382 | 2,043 |
| Deposits received for clearing funds (Note 3) | 54,570,594 | 49,970,274 | 424,700 |
| Other current liabilities | 363,243 | 302,698 | 2,572 |
| Total Current Liabilities | 62,017,706 | 54,024,942 | 459,161 |
| Long-term Liabilities: | | | |
| Accrued employees' retirement benefits (Note 7) | 52,249 | 79,508 | 675 |
| Accrued executives' retirement benefits | 55,260 | 60,840 | 517 |
| Total Long-term Liabilities | 107,509 | 140,348 | 1,192 |
| Total Liabilities | 62,125,215 | 54,165,290 | 460,354 |
| Minority Interest in Subsidiaries | — | — | — |
| Shareholders' Equity: | | | |
| Common stock | | | |
| Authorized: 10,000 shares | | | |
| Issued: 8,500 shares | 4,250,000 | 4,250,000 | 36,121 |
| Capital surplus | 4,250,000 | 4,250,000 | 36,121 |
| Retained earnings | 2,960,609 | 5,852,092 | 49,737 |
| Total Shareholders' Equity | 11,460,609 | 14,352,092 | 121,979 |
| Total Liabilities and Shareholders' Equity | ¥73,585,824 | ¥68,517,382 | \$582,333 |

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

Japan Securities Depository Center, Inc.
For the years ended March 31, 2005 and 2006

| | ¥ (thousands) | | \$ (thousands) (Note 4) |
|---|---------------|-------------|----------------------------|
| | 2005 | 2006 | 2006 |
| Operating Income | ¥19,003,966 | ¥21,745,176 | \$184,813 |
| Operating Expenses: | | | |
| Executives' compensation | 135,545 | 142,293 | 1,209 |
| Salaries and bonuses | 1,240,492 | 1,433,418 | 12,182 |
| Severance costs for employees | 26,643 | 39,860 | 338 |
| Executives' retirement benefits | 21,410 | 20,370 | 173 |
| Maintenance for systems | 4,871,921 | 4,734,433 | 40,238 |
| Outside services | 2,688,531 | 2,539,628 | 21,584 |
| Registration fees | 2,302,067 | 2,202,171 | 18,716 |
| Depreciation and amortization | 3,923,948 | 3,732,944 | 31,726 |
| Rent | 290,398 | 416,600 | 3,540 |
| Advertisement | 463,429 | 420,613 | 3,574 |
| Others | 1,127,454 | 1,206,912 | 10,257 |
| Total Operating Expenses | 17,091,838 | 16,889,247 | 143,542 |
| Income from Operations | 1,912,128 | 4,855,929 | 41,270 |
| Other Income (Expenses): | | | |
| Interest income | 34 | 0 | 0 |
| Operational revenue on the designated assets for clearing funds | 478 | 508 | 4 |
| Adjustments for prior year consumption taxes | 77,617 | — | — |
| Interest expenses | (65,616) | (31,457) | (267) |
| Commitment fees | (33,294) | (38,095) | (323) |
| Fees for fund operation of designated assets for clearing funds | (8,984) | (9,609) | (81) |
| Loss on disposal of property and equipment | (55,038) | (35,548) | (302) |
| Loss on disposal of intangible assets | (192,285) | (6,445) | (54) |
| Cancellation fee for system operations | (27,923) | — | — |
| Others, net | 588 | 226 | 1 |
| Total | (304,423) | (120,420) | (1,023) |
| Income before Income Taxes | 1,607,705 | 4,735,509 | 40,247 |
| Income Taxes (Note 8) | | | |
| Current | 602,519 | 1,752,475 | 14,894 |
| Deferred | (45,058) | (138,348) | (1,175) |
| Net Income | ¥ 1,050,244 | ¥ 3,121,382 | \$ 26,528 |
| | | | U.S. dollars (Note 4) |
| Yen | | | |
| Per Share (Note 11): | | | |
| Net income—primary | ¥121,511.06 | ¥365,197.98 | \$3,103.84 |
| Dividends | 25,000 | 35,000 | 297.46 |
| 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 STATEMENTS OF SHAREHOLDERS' EQUITY

Japan Securities Depository Center, Inc.
For the years ended March 31, 2005 and 2006

| | ¥ (thousands) | | | | |
|------------------------------|-------------------------------------|-----------------|--------------------|----------------------|----------------------------------|
| | Number of common stock shares | Common stock | Capital surplus | Retained earnings | Total shareholders' equity |
| 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 |
| Net income for the year | — | — | — | 3,121,382 | 3,121,382 |
| Cash dividends | — | — | — | (212,500) | (212,500) |
| Bonuses to executives | — | — | — | (17,400) | (17,400) |
| Balance as of March 31, 2006 | 8,500 | ¥4,250,000 | ¥4,250,000 | ¥5,852,092 | ¥14,352,092 |

| | \$ (thousands) (Note 4) | | | | |
|------------------------------|-------------------------------------|-----------------|--------------------|----------------------|----------------------------------|
| | Number of common stock shares | Common stock | Capital surplus | Retained earnings | Total shareholders' equity |
| Balance as of March 31, 2005 | 8,500 | \$36,121 | \$36,121 | \$25,162 | \$ 97,404 |
| Net income for the year | — | — | — | 26,528 | 26,528 |
| Cash dividends | — | — | — | (1,806) | (1,806) |
| Bonuses to executives | — | — | — | (147) | (147) |
| Balance as of March 31, 2006 | 8,500 | \$36,121 | \$36,121 | \$49,737 | \$121,979 |

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Japan Securities Depository Center, Inc.
For the years ended March 31, 2005 and 2006

| | ¥ (thousands) | | \$ (thousands) (Note 4) |
|--|---------------|-------------|----------------------------|
| | 2005 | 2006 | 2006 |
| Cash Flows from Operating Activities: | | | |
| Income before income taxes | ¥ 1,607,705 | ¥ 4,735,509 | \$ 40,247 |
| Depreciation and amortization | 3,923,948 | 3,732,944 | 31,726 |
| Increase in accrued employees' bonuses | 14,524 | 14,355 | 122 |
| Increase in accrued employees' retirement benefits | 19,386 | 27,259 | 231 |
| Increase in accrued executives' retirement benefits | 12,090 | 5,580 | 47 |
| Interest income | (34) | (0) | (0) |
| Interest expense | 65,616 | 31,457 | 267 |
| Loss on disposal of property and equipment | 55,038 | 35,548 | 302 |
| Loss on disposal of intangible assets | 192,285 | 6,445 | 54 |
| (Increase) decrease in accounts receivable—trade | (253,428) | 430,490 | 3,658 |
| Increase (decrease) in accounts payable—trade | 435,044 | (455,858) | (3,874) |
| Decrease (increase) in other assets | 3,308 | (15,916) | (135) |
| Increase in other liabilities | 122,028 | 136,111 | 1,156 |
| Others, net | (13,697) | (17,400) | (147) |
| Sub-total | 6,183,813 | 8,666,527 | 73,657 |
| Interest and dividends received | 34 | 0 | 0 |
| Interest paid | (64,009) | (18,151) | (154) |
| Income taxes paid | (1,327,274) | (257,216) | (2,186) |
| Income taxes refund | — | 76,412 | 649 |
| Net Cash Provided by Operating Activities | 4,792,564 | 8,467,571 | 71,966 |
| Cash Flows from Investing Activities: | | | |
| Payments for purchases of property and equipment | (1,130,647) | (255,017) | (2,167) |
| Payments for purchases of intangible assets | (3,394,399) | (2,908,309) | (24,717) |
| Payment of guarantee money deposits received | (85,037) | (19,399) | (164) |
| Proceeds from refund of guarantee money deposits | — | 64,151 | 545 |
| Net Cash Flows Used in Investing Activities | (4,610,083) | (3,118,574) | (26,504) |
| Cash Flows from Financing Activities: | | | |
| Proceeds from short-term debt | 1,000,000 | — | — |
| Repayment of short-term debt | (1,500,000) | (4,500,000) | (38,245) |
| Cash dividends paid | (212,500) | (212,500) | (1,806) |
| Net Cash Flows Used in Financing Activities | (712,500) | (4,712,500) | (40,051) |
| Net (Decrease) Increase in Cash and Cash Equivalents | (530,019) | 636,497 | 5,409 |
| Cash and Cash Equivalents at Beginning of Year | 1,733,337 | 1,203,318 | 10,227 |
| Cash and Cash Equivalents at End of Year | ¥ 1,203,318 | ¥ 1,839,815 | \$ 15,636 |

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. 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. Cash and cash equivalents in consolidated balance sheets and consolidated statement of cash flows are identical in the financial statements.

(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 cost

Costs of software for internal use are capitalized and amortized on the straight-line method over the estimated useful life of five 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 assets may not be recoverable. An impairment loss is 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. However, earlier adoption was permitted for fiscal years beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and March 30, 2005. The Company has applied this new standard as well as “Guidance for Accounting Standards for Impairment of Non-current Assets” (the Accounting Standards Board of Japan issued Financial Accounting Standards Implementation Guidance No. 6, October 31, 2003) for the fiscal year ended March 31, 2006. The Company’s profit and loss are not influenced by this standard.

(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 of 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 (“NETDs”) 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 NETDs 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 and 2006 was ¥15,000 million (\$127 million). In the event a DVP participant defaults on the required payment obligations of the DVP for the NETDs 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 cost basis 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 NETDs 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 and 2006, the market value of collateral securities entrusted to JDCC was ¥128,125,806 thousand and ¥140,341,857 thousand (\$1,192,774 thousand), respectively.

4.
US DOLLAR AMOUNTS

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥117.66=U.S.\$1, the rate of exchange as of March 31, 2006, 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, 2005 and 2006 is as follows:

| | ¥ (thousands) | | \$ (thousands) |
|--------------------------|---------------|-----------|----------------|
| | 2005 | 2006 | 2006 |
| Tools and furniture: | | | |
| Acquisition cost | ¥265,068 | ¥ 267,272 | \$ 2,271 |
| Accumulated depreciation | (97,836) | (148,786) | (1,264) |
| Net book value | ¥167,232 | ¥ 118,486 | \$ 1,007 |

The scheduled maturities of future lease payments, including the portion of interest thereon, on such lease contracts as of March 31, 2005 and 2006 are as follows:

| | ¥ (thousands) | | \$ (thousands) |
|---------------------|---------------|----------|----------------|
| | 2005 | 2006 | 2006 |
| Due within one year | ¥ 52,469 | ¥ 54,803 | \$ 465 |
| Due over one year | 117,128 | 66,247 | 563 |
| Total | ¥169,597 | ¥121,050 | \$1,028 |

Finance lease charges as well as depreciation and interest amounts (in equivalent data) for the years ended March 31, 2005 and 2006 are as follows:

| | ¥ (thousands) | | \$ (thousands) |
|-----------------------------------|---------------|---------|----------------|
| | 2005 | 2006 | 2006 |
| Finance lease charges | ¥55,801 | ¥56,132 | \$477 |
| Depreciation (in equivalent data) | 53,593 | 53,909 | 458 |
| Interest (in equivalent data) | 3,140 | 2,421 | 20 |

(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.**DEBTS AND OTHER BORROWINGS**

Short-term debts at March 31, 2005 comprised loans from banks with a weighted-average interest rate of 1.675% per annum. The Company does not have any debts or borrowings for the year ended March 31, 2006.

7.**ACCRUED SEVERANCE INDEMNITIES FOR EMPLOYEES**

Accrued employees' retirement benefits at March 31, 2005 and 2006 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, 2006 amounted to 39,860 thousand yen (338 thousand U.S. dollars). Severance costs for employees charged to income for the year ended March 31, 2005 amounted to 26,643 thousand yen. In addition to the existing lump-sum retirement allowance plan, the Company has adopted a defined contribution pension plan for the year ended March 31, 2006.

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 and 2006. 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, 2005 and 2006 is as follows:

| | 2005 | 2006 |
|---------------------------------------|-------|-------|
| Nominal statutory income tax rate | 40.6% | 40.6% |
| Adjustments: | | |
| Permanent non-deductible difference | 0.3 | 0.2 |
| Equal proportion of inhabitant taxes | 0.3 | 0.1 |
| Income tax credit on investment in IT | (6.9) | (7.0) |
| Other, net | 0.4 | 0.1 |
| Effective income tax rate | 34.7% | 34.1% |

| | ¥ (thousands) | | \$ (thousands) |
|---|---------------|----------|----------------|
| | 2005 | 2006 | 2006 |
| Deferred tax assets: | | | |
| Accrued bonuses | ¥ 46,936 | ¥ 52,599 | \$ 447 |
| Enterprise tax payable | (5,421) | 140,503 | 1,194 |
| Unpaid social insurance premiums | 6,275 | 6,569 | 55 |
| Business facility tax | 2,681 | 3,135 | 26 |
| Accrued retirement benefits to employees | 21,213 | 32,280 | 274 |
| Accrued retirement benefits to executives | 22,435 | 24,701 | 209 |
| Excess depreciation of fixed assets | 88,624 | 66,195 | 562 |
| Excess deferred asset depreciation for tax purposes | 22,572 | 17,781 | 151 |
| Other | 103 | — | — |
| Deferred tax assets | ¥205,418 | ¥343,765 | \$2,921 |

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, 2005 and 2006.

(3) Overseas sales

The Company does not have any overseas sales for the years ended March 31, 2005 and 2006.

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, 2005 and 2006 are as follows:

(1) Directors

| <i>As of March 31, 2005</i> | | | | | | ¥ (thousands) |
|-----------------------------|--------------------------------|--|---------------------------------------|------------|--------------------------|----------------|
| Titles | Name | Business | Transactions | Amount | Account | Ending balance |
| Director | Toshitsugu Shimizu (Note 1) | Director of the Company, President and CEO 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 debt | ¥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.

| <i>As of March 31, 2006</i> | | | | | | ¥ (thousands) |
|-----------------------------|--------------------------------|--|---------------------------------------|--------------------------------------|--------------------------|--------------------------------------|
| Titles | Name | Business | Transactions | Amount | Account | Ending balance |
| Director | Toshitsugu Shimizu (Note 1) | Director of the Company, President and CEO of Japan Securities Settlement & Custody, Inc. | Outsourcing (Note 1) | ¥2,357,861 (\$20,039 thousand) | Account payable—trade | ¥88,369 (\$751 thousand) |
| | | | Use of equipment (Note 1) | ¥63 (\$0.5 thousand) | — | — |
| Director | Fumiyuki Akikusa | Director of the Company, Managing Director of The Bank of Tokyo—Mitsubishi, Ltd. | Interest on borrowings (Note 2) | ¥7,243 (\$61 thousand) | Short-term debt | ¥1,925,000 (\$16,360 thousand) |
| | | | Interest (Note 2) | ¥3,744 (\$31 thousand) | — | — |

- 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, 2005 to March 31, 2006.
 (2) These amounts include transactions for the period from April 1, 2005 to June 21, 2005 because Fumiyuki Akikusa resigned from the Board of Directors of the Company, and ending balance is the amount as of June 21, 2005.
 (3) The terms and conditions of the above transactions are on an arm's-length basis.
 (4) Interest on borrowing is determined based on the market interest rate from banks.

(2) Principal shareholder and its subsidiaries

As of March 31, 2005

¥ (thousands)

| Name of company | Address | Capital | Principal business | Percentage of ownership with voting right | Relationship | | Transactions | Amount of transactions (Note 1) | Descriptions (Note 2) | 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.

As of March 31, 2006

¥ (thousands)

| Name of company | Address | Capital | Principal business | Percentage of ownership with voting right | Relationship | | Descriptions | Amount of transactions (Note 1) | Descriptions (Note 2) | Ending balance |
|---|----------------|-----------|------------------------------------|---|--|-----------------------|-------------------|---------------------------------|--------------------------|--------------------|
| | | | | | Directors holding concurrent positions | Business relationship | | | | |
| Japan Securities Clearing Corporation (Subsidiary of other affiliates) | Chuo-ku, Tokyo | 1,700,000 | Clearing securities | — | Three | Commission income | Commission income | ¥4,656,889 | Trade account receivable | ¥564,292 |
| | | | | | | | | (\$39,579 thousand) | | (\$4,795 thousand) |
| Japan Securities Settlement & Custody, Inc. (Subsidiary of other affiliates) | Chuo-ku, Tokyo | 300,000 | Custody & settlement of securities | — | One | Outsourcing | Outsourcing | ¥2,357,861 | Trade account payable | ¥88,369 |
| | | | | | | | Use of equipment | ¥63 | — | — |
| | | | | | | | (\$0.5 thousand) | | | |

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, 2005 and 2006 is as follows:

| | ¥ (thousands) | | \$ (thousands) |
|--|---------------|------------|----------------|
| | 2005 | 2006 | 2006 |
| Net income as reported in the consolidated statements of income | ¥1,050,244 | ¥3,121,382 | \$26,528 |
| Directors' bonuses through the appropriation of retained earnings | 17,400 | 17,200 | 146 |
| Net income pertaining to common stock shareholders | ¥1,032,844 | ¥3,104,182 | \$26,382 |
| 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, 2006 was approved at the Ordinary General Shareholders Meeting held on June 20, 2006:

| | ¥ (thousands) | \$ (thousands) |
|-----------------------|---------------|----------------|
| Cash dividends | ¥297,500 | \$2,528 |
| Bonuses to executives | 17,200 | 146 |

(Including bonuses to statutory auditors amounting to 2,900 thousand yen (24 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, 2005 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for the years 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, 2005 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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



ChuoAoyama PricewaterhouseCoopers
Tokyo, Japan
June 20, 2006

BOARD MEMBERS AND AUDITORS

As of June 30, 2006

BOARD OF DIRECTORS



| | | | | |
|---|--|---|---|---|
| PRESIDENT & CEO Yoshinobu Takeuchi <i>President, JASDEC DVP Clearing Corporation</i> | MANAGING DIRECTOR Shoji Murata | MANAGING DIRECTOR Shigeru Omae <i>Managing Director, JASDEC DVP Clearing Corporation</i> | MANAGING DIRECTOR Seikichi Ihara <i>Managing Director, JASDEC DVP Clearing Corporation</i> | MANAGING DIRECTOR Yoshinori Seyama <i>Managing Director, JASDEC DVP Clearing Corporation</i> |
|---|--|---|---|---|



| | | |
|---|---|--|
| DIRECTOR Kunihisa Hama <i>Lawyer</i> | DIRECTOR Takaaki Hatabe <i>Director, Deputy President Executive Officer, The Sumitomo Trust & Banking, Co., Ltd.</i> | DIRECTOR Junichi Kitamura <i>Managing Director, Head of Operations, Nikko Citigroup Limited</i> |
|---|---|--|



| | | |
|--|--|---|
| DIRECTOR Shigeyuki Maeda <i>Professor of Law, Professional School of Law (Law School), Professional Course in Law, Gakushuin University</i> | DIRECTOR Eisuke Marumori <i>Managing Executive Officer, Mizuho Trust & Banking, Co., Ltd.</i> | DIRECTOR Kiichiro Masui <i>Vice-Chairman, Japan Securities Dealers Association</i> |
|--|--|---|



| | | | |
|--|---|---|--|
| <p>DIRECTOR Kenichi Miki <i>Executive Officer, Daiwa Securities SMBC Co., Ltd.</i></p> | <p>DIRECTOR Koichiro Miyahara <i>Executive Officer, Tokyo Stock Exchange, Inc.</i></p> | <p>DIRECTOR Miyuki Nagahara <i>Executive Director, Head of Operations, UBS Securities Japan Ltd</i></p> | <p>DIRECTOR Akira Naito <i>Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ Ltd.</i></p> |
|--|---|---|--|



| | | |
|--|---|---|
| <p>DIRECTOR Masaru Takei <i>Executive Officer, Tokyo Electric Power Company</i></p> | <p>DIRECTOR Shinichiro Tanaka <i>Managing Executive Officer, Mizuho Corporate Bank, Ltd.</i></p> | <p>DIRECTOR Yusuke Yamada <i>Executive Managing Director, Nomura Securities Co.,Ltd.</i></p> |
|--|---|---|

AUDITORS



| | | |
|--|--|--|
| <p>STANDING AUDITOR Michio Sakai <i>Auditor, JASDEC DVP Clearing Corporation</i></p> | <p>AUDITOR Takeshi Kusakabe <i>Advisor, Shinko Securities Co., Ltd.</i></p> | <p>AUDITOR Koichi Miyata <i>Director and Deputy Head of Treasury Unit, Sumitomo Mitsui Banking Corporation</i></p> |
|--|--|--|

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). |
| 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 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 (NETDs). |
| AUG. 2003 | JASDEC signed a memorandum of understanding with The Depository Trust & Clearing Corporation of the United States. |
| APR. 2004 | JDCC acquired a licence for a securities clearing agency, enabling it to undertake securities obligations. |
| MAY 2004 | JASDEC commenced DVP settlement services for NETDs. |
| JUNE 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. |
| NOV. 2004 | JASDEC signed a memorandum of understanding with Taiwan Securities Central Depository Co., Ltd. (currently Taiwan Depository & Clearing Corporation (TDCC)). |
| FEB. 2005 | JASDEC signed a memorandum of understanding with Korea Securities Depository (KSD). |
| JUN. 2005 | JASDEC signed a memorandum of understanding with China Securities Depository and Clearing Corporation Limited (CSD&C). |
| NOV. 2005 | JASDEC and Japan Securities Settlement & Custody, Inc. (JSSC) jointly hosted the 9th General Meeting of the Asia-Pacific CSD Group in Tokyo. |
| JAN. 2006 | JASDEC inaugurated its book-entry transfer system for Corporate Bonds. |
| APR. 2006 | JASDEC inaugurated its depository and book-entry transfer system for foreign stocks. |

CORPORATE INFORMATION

As of June 30, 2006

| | |
|-------------------------|--|
| 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: | 189 |
| NUMBER OF EMPLOYEES: | 140 (As of March 31, 2006) |
| REGISTERED HEAD OFFICE | 1-1, Nihombashi-Kayaba-cho 2-chome Chuo-ku, Tokyo 103-0025, Japan Phone: +81-3-3661-0139 Facsimile: +81-3-3661-2810 E-mail: international@jasdec.com Website: http://www.jasdec.com |
| OPERATIONS OFFICES | |
| Tokyo Office: | 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, 2006)





JAPAN SECURITIES DEPOSITORY CENTER, INC.