

A n n u a l
R e p o r t
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Points of Crossing

Amid the busy crisscrossing of securities between issuing companies and investors, one location has the task of channeling each security on the way to its proper home.

This location has to pursue speed, efficiency and convenience, while being absolutely trustworthy and offering the greatest possible accuracy and reliability.

This location is JASDEC. At JASDEC, we are constantly aware of our public role as a core part of securities clearing and settlement infrastructure, with a responsibility to contribute to capital markets and to society as a whole.



Contents

Management Message	2 - 3
Interview with the President & CEO	4 - 7
Corporate Governance	8 - 9
Board Members and Auditors	10 - 11

Business Overview

Book-Entry Transfer System for Stocks, etc.	12 - 15
Book-Entry Transfer System for Commercial Paper and Corporate Bonds	16 - 21
Book-Entry Transfer System for Investment Trusts	22 - 25
DVP Settlement System for NETDs	26 - 29
Pre-Settlement Matching System (PSMS)	30 - 33
Custody Services for Foreign Stock Certificates, etc.	34 - 37
International Relationships	38 - 41

Analysis of Business Performance and Financial Results	42 - 43
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Financial Section

Consolidated Financial Statements	44 - 56
Report of Independent Auditors	57
History	58 - 59
Corporate Data	60 - 61

Management Message

As an important part of social infrastructure, JASDEC is steadily making progress on essential issues

As many of our readers will be aware, JASDEC has changed significantly since launching its original depository and book-entry transfer business in 1991. We have gradually increased our range of services to include corporate bonds, investment trusts and foreign stocks, and at the same time transformed our functionality with the introduction of the Pre-Settlement Matching System (PSMS), DVP settlement services for non-exchange transaction deliveries (NETDs), and complete dematerialization of stock certificates.

Now we must overcome new challenges and continue our efforts to optimize our systems as a crucial element of social infrastructure that underpins the Japanese economy.

During the fiscal year ended March 31, 2011, we advanced our preparations towards the introduction of ISO20022 message standards, the next-generation international standards and the SWIFT network, as part of our efforts to be compliant with the international standards. We have been participating in the ISO/TC68 securities SEG (Standards Evaluation Group) and taking part in the actual development of several ISO20022 message formats. During this fiscal year, we completed our comparative study of message formats we use in settlement matching for domestic transactions and ISO20022 message formats.

We have been involved in a wide range of international activities to enhance settlement systems (both in Japan and abroad) and to pave the way for better cooperation with overseas central securities depositories (CSDs) and other institutions.

Since 2007 we have played a leading role in CSD Contact Group conferences, which serve to facilitate strong ties between CSD associations in each region. For the 11th Conference of CSDs (CSD11) held in April 2011 we adopted an evolved organizational form as a World Forum of CSDs (WFC), enabling even closer cooperation between regional CSD entities. And as the convenor of the working committee discussing the structural reorganization of the ACG (Asia-Pacific Central Securities Depository Group), we prepared a reorganization plan. At the 14th General Meeting of the ACG held in Mumbai, India in December 2010, the delegates approved the establishment of an Executive Committee (with three-year tenures for members) to be responsible for planning and organizing ACG activities with a medium- and long-term perspective.

We also promoted exchanges with countries that are signatories to Memorandums of Understanding (MOU). We held information exchange meetings with Korea Securities Depository in April and in September 2010. Following a request from Mongolian Securities Clearing

*ISO (International Organization for Standardization) is the non-governmental organization that was established in 1947 in order to facilitate international coordination and unification of industrial standards (Headquarter office: Genève)

*TC (Technical Committee) 68 is one of the committees in ISO, facilitating the standardization in the field of banking, securities and other financial services.

House & Central Depository Co., Ltd., we provided IT assistance in May 2010, and in August we held a seminar in Ulaanbaatar, Mongolia for Mongolian regulatory authorities and government officials. These are examples of the work we are doing to support the rapidly growing securities markets in Asia and to contribute to the development of the Japanese securities market.

Looking ahead, for the year to March 2012 we intend to continue ensuring the smooth and reliable operation of our existing systems and services, while acting on feedback from users relating to our system and management methods, improving functionality and convenience, and optimizing our infrastructure to meet the needs of a wide range of market participants. We will also strengthen cooperation with overseas CSDs to address the ongoing globalization of settlement systems. We remain keenly aware of our social responsibilities as the central body for the provision of the securities clearing and settlement infrastructure that underpins the capital markets, and we are dedicated to providing highly secure, convenient and efficient services. We very much appreciate your support over the past years, and look forward to serving you in the future.



Haruhiko Kato

Haruhiko Kato, President & CEO

Yoshinobu Takeuchi

Yoshinobu Takeuchi, Chairman

*CSD

A Central Securities Depository is an organization that conducts administrative operations for account-based book-entry transfers related to the movement (and registration) of securities corresponding to the delivery of spot stocks traded on securities exchanges, etc. CSDs conduct safekeeping of such securities in a concentrated manner on behalf of individual investors and thus help eliminate the 'paper-crisis' of back-office settlement by securities companies and other financial institutions.

*ACG (Asia-Pacific Central Securities Depository Group) is an organization established in November 1997 to promote information and cooperation among securities depository and clearing institutions in the Asia-Pacific region.

Interview with the President & CEO
**JASDEC now
and in the future**

Haruhiko Kato
President & CEO



**Q1. You have talked about a plan to replace the current system by January 2014.
Can you tell us about the main features of the system and the development schedule?**

At JASDEC, based on the expected lifetime of our system equipment, we plan to replace our systems by January 2014, five years after the dematerialization of stock certificates in Japan. At the same time we will improve reliability and

efficiency, and provide a more convenient service for users. The main features of our new systems, along with the development schedule, are as follows.

● Main system features

A. Improved usability and reliability

We will take in requests regarding system and operating functions, and reflect law and tax system changes.

B. Reduced settlement risk

We will make the systems capable of handling risk reduction schemes for SLB (Stock Lending and Borrowing) settlement.

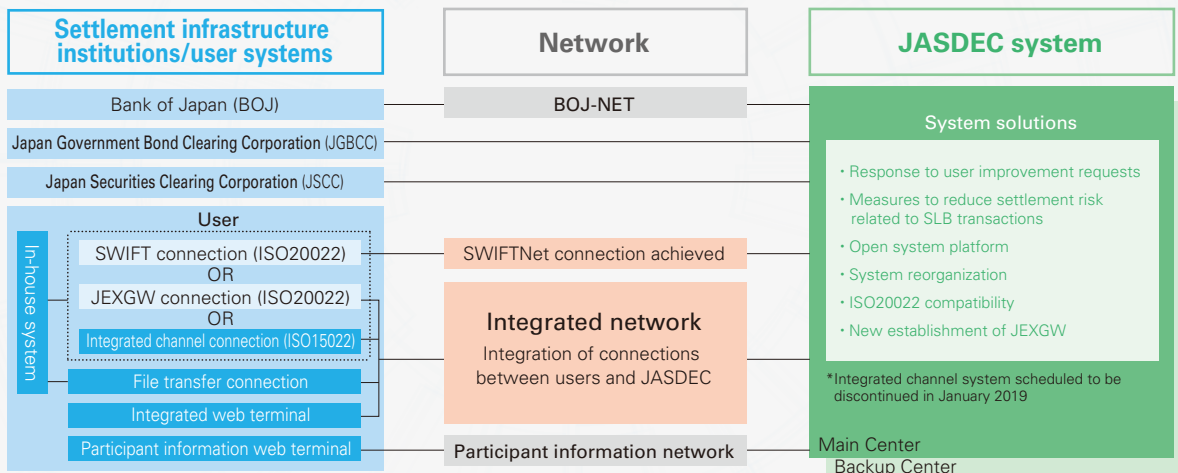
C. Reinforced system foundations

In order to provide improved reliability and efficiency, we will conduct a review of the system structure (open system platform, system reorganization, etc.).

Also, we aim to improve usability by developing a more logical network, such as by integrating connections for users who currently require multiple connections for different services.

D. International standards

For our Pre-Settlement Matching System and the Book-entry Transfer Systems, we will adopt the next-generation international standards, ISO20022. In addition to our independent network, we aim to improve market efficiency by enabling connections through the SWIFT network.



● Development Schedule

For the period until June 2011, we collated requests for changes to system and operating functions. From July 2011 we will spend around two years developing the systems. During that time we will distribute outlines of system processes and specifications, and conduct guidance seminars. From July 2013, we will conduct connection tests, overall test, and system trial transition at users, settlement infrastructure institutions

and JASDEC in preparation for the launch of full-scale operations in January 2014.

Year	2011		2012		2013		2014
Month	1-6	7-12	1-6	7-12	1-6	7-12	1
Development schedule	Requirement definition	System development				Connection/overall test	Official launch

Q2: We understand that you have set up the Subcommittee for SLB (Stock Lending and Borrowing) Settlement. What are the issues that they are looking into?

At present, market participants such as securities companies, trust banks and other players are able to conduct securities lending and borrowing transactions using cash, negotiable securities, etc. as collateral (“SLB transactions”). However, there has been no DVP settlement system for SLB transactions, so these transactions have involved settlement risk. Actually, when Lehman Brothers went bankrupt in September 2008, the counterparties couldn’t accept their receivable collateral from Lehman Brothers, even though they had already delivered the lending stocks to Lehman Brothers. It reinforced us the importance of mitigating the settlement risk involved in SLB transactions. Under such circumstances, in January 2010, FSA*¹ published “Development of Institutional Frameworks Pertaining to Financial and Capital Markets” in which it noted that the strengthening of securities clearing and settlement systems was an urgent issue.

At JASDEC, even before the publication came out, we had already offered trade matching functions for SLB transactions in our Pre-Settlement Matching System (PSMS). In addition we had been looking into the ways to link PSMS to the Book-entry Transfer System for Stocks, etc. and thus to realize DVP settlement for SLB transactions. Following FSA’s publication, we have set up “The Subcommittee for SLB settlement” in August 2010. The Subcommittee aimed to identify the functions necessary to mitigate the settlement risk involved in SLB settlement.

The Subcommittee for SLB settlement (with the participation of representatives from nine securities companies, five trust banks, one securities finance company, and observers from FSA, BOJ*², JSDA*³, and JSCC*⁴) considered two ways to mitigate the settlement risks (principal risk in particular) in SLB settlement. One was the “concurrent settlement method

(“block” DVP/DVD)” in which all the settlements related to SLB transactions and its collateral were performed concurrently and the other was the “transactional DVP settlement method” that used the DVP settlement system for Non-Exchange Transaction Deliveries (NETDs). In December 2010, the Subcommittee published “SLB Settlement Risk Mitigation Milestone,” incorporating both methods. This year, the Subcommittee integrated the advantages of both methods and created a new measure.

The features of the measure are as follows;

- 1) Settlement scheme based on JDCC’s DVP settlement services for NETDs
- 2) According to the current practice for margin calculation, JASDEC will automatically calculate the SLB settlement amount related to each new lending and return transaction
- 3) The difference between the margin requirement that is calculated by the market participants according to the current practice and SLB settlement amount that is calculated by JASDEC in 2) will be netted with the final settlement balance of DVP settlement services for NETDs
- 4) The functions of “pledged securities” in DVP settlement services for NETDs are remodeled to handle the securities that are used as collateral in the current SLB market

The Subcommittee is currently discussing the detailed specifications of the measure and the associated market practice. The measure is slated to enter service in January 2014 when we replace our current system.

*1 FSA: Financial Services Agency

*2 BOJ: Bank of Japan

*3 JSDA: Japan Securities Dealers Association

*4 JSCC: Japan Securities Clearing Corporation

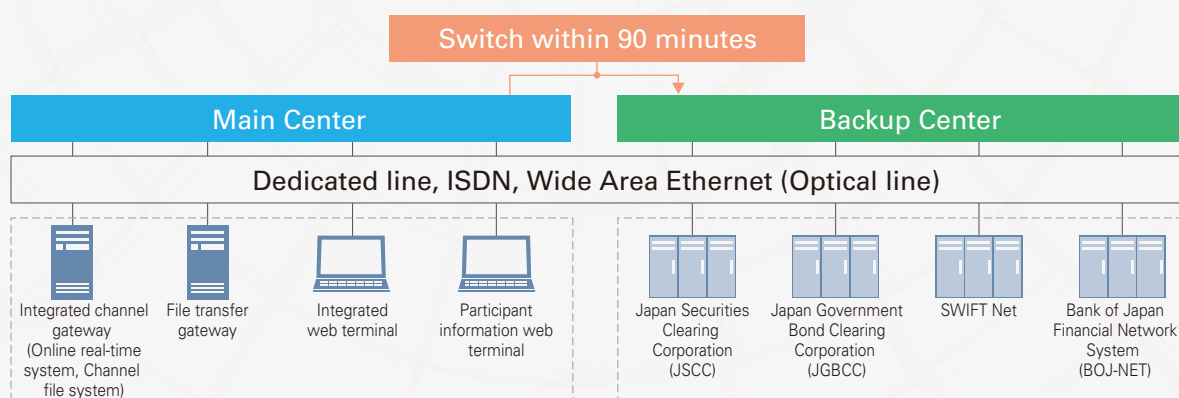
Q3: What is your approach to Business Continuity Plan?

The fundamental aim of our Business Continuity Plan (BCP) is to minimize the impact on all JASDEC's participants and stakeholders in the settlement infrastructure if some kind of disaster or compromising incident should occur. Our systems will enable business to continue to the greatest extent possible and will restore services rapidly if disruption is unavoidable.

Specifically, we have clear BCP implementation, operation and emergency communication procedures, a disaster strategy coordination headquarters on standby, and provisions in place for the delegation of authority. Our BCP system includes robustly built data centers that have their own power generators and core systems with built-in redundancies. In case a really large-scale disaster or secondary calamity renders our main center inoperative, we have a

backup center in a remote location. The business data in the main center is transferred to the backup center almost in real time, and in case the main center becomes unavailable due to disasters or system failures, the system can switch over to the backup system in about 90 minutes. We even have back-up office space to host our business operations should the head office become unusable.

During the Great East Japan Earthquake in March 2011, even though our head office was subjected to shaking of a little less than a "5" on the traditional Japanese earthquake scale of 1-7, there were no staff injuries or damage to our office, and we were able to maintain our operations. We will apply what we learned in this earthquake to make our business continuity system even stronger.



Corporate Governance

Our Basic Policy on Corporate Governance

JASDEC fully recognizes its social obligation as the central body for the provision of the infrastructure for securities clearing and settlement, which is an important base of the capital markets. Accordingly, JASDEC has determined a basic management policy of providing a highly secure, convenient and efficient service. To this end, we ensure that our system meets the needs of users, including investors, issuing companies and market

intermediaries. We also make sure that our activities promote corporate transparency and that our business operates with fairness and accountability, in line with the public needs of our function. Our commitment to corporate governance is to earn and maintain a solid reputation for reliability as the central organization responsible for creating and operating the infrastructure for securities clearing and settlement in Japan.

Overview of implementation of corporate governance practices

Framework for management structure and corporate governance to exercise business judgments, manage operations and implement audits.

◇ Corporate Structure

Board of Directors

The Board of Directors is composed of 19 members, and is basically structured to achieve a balanced approach to business with user-oriented views, as well as business-oriented ideas on maintaining operational neutrality and fairness. To fully reflect the opinions of users in our operations, nine of the 14 external directors are selected from JASDEC participants. The remaining five external directors come from an issuing company and a related organization, or from the Japan Securities Dealers' Association, academia and the legal profession, enabling the Board to conduct vigorous discussions from a broad perspective in consideration of the public good. In principle, the Board meets once a month to decide basic management policies and discuss other key issues.

Board of Auditors

JASDEC employs the corporate auditor system for corporate governance instead of the committee system, as provided for in the Companies Act. The Board of Auditors is made up of three auditors, two of whom are selected from eligible participants (one each from a securities company and a bank) and all three (including an auditor who is serving on a full-time basis) are external auditors.

In principle, the Board of Auditors holds a regular meeting each month. In line with auditing plans and the basic policies established by the Board of Auditors, auditors attend important meetings, including those of the Board of Directors, and assess the status of services and assets to perform audits of directors. To ensure that audits are effective, auditors work closely with directors and conduct regular exchanges of opinions, including through meetings with the representative directors.

Business Operations Committee

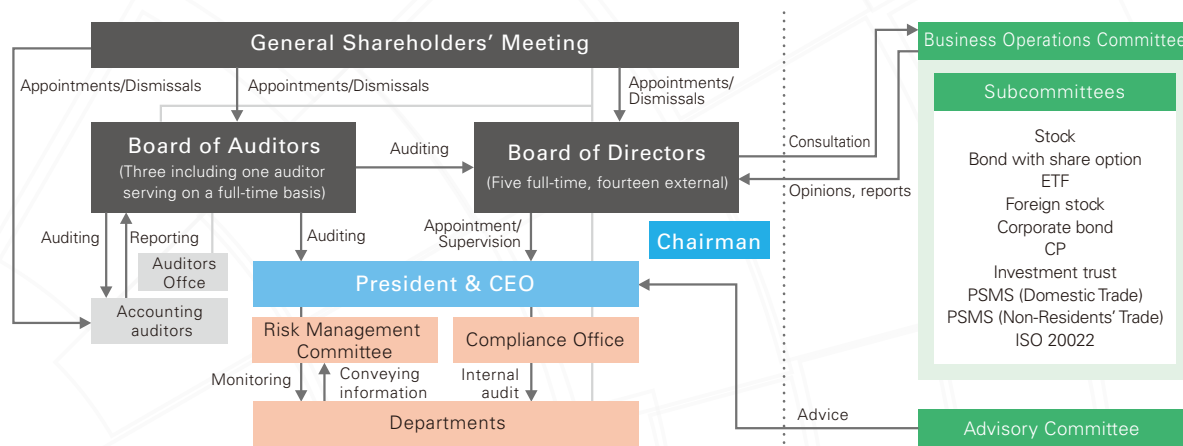
Separately from the Board of Directors and the Board of Auditors, JASDEC has set up the Business Operational Committee to fully reflect the needs of system users in our operations. The Committee examines important issues related to the business of JASDEC, based on queries from the Board of Directors, and has ten subcommittees under its control. Each subcommittee is responsible for a specific segment of operations, and is composed of members who are actually involved in the field. JASDEC applies the opinions provided by each subcommittee to various operational issues. JASDEC discloses summaries of discussions and other information by the committees to relevant parties for greater operational transparency.

As the provider of key infrastructure elements for the securities market, we are required to operate the system with an extremely high level of fairness and accountability. To achieve this end, we have established the Advisory Committee, which is composed of experts in financial and securities systems. The committee advises JASDEC's president from a broad perspective about wide-ranging issues relating to securities clearing and settlement system operations.

JASDEC DVP Clearing Corporation (JDCC), JASDEC's wholly owned subsidiary, operates in accordance with a business philosophy similar to that of JASDEC. JDCC has also set up a committee for reviewing important issues regarding DVP operations to reflect the needs of users of the DVP settlement system for non-exchange transaction deliveries (NETDs). In addition, JASDEC's Board of Directors receives reports regarding issues decided by JDCC's Board of Directors to ensure consistency in the activities of the two companies.

An outline of JASDEC's management structure and corporate governance systems is presented on the next page.

Overview of JASDEC's Management Structure and Corporate Governance Framework



◇ Risk Management System

JASDEC has set up the Risk Management Committee, chaired by the president. It takes measures to strengthen overall risk management, and regularly monitors internal control systems for various risks.

◇ Internal Audits, Corporate Audits, and Accounting Audits

JASDEC has established the Compliance Office, and internal auditing accomplished primarily through onsite surveys based on the audit plan, to assess the effectiveness of operational procedures. For corporate audits, an auditor serving on a full-time basis routinely attends important meetings, such as those of the Board of Directors and the Executive Committee (comprised of managing directors serving on a full-time basis) and examines circulars intended to obtain approvals of decisions by persons in charge. The full-time auditor performs audits in accordance with the auditing plans established by the Board of Auditors, and provides the other Corporate Auditors with updates on the progress of auditing activities at the meeting of Corporate Auditors, which takes place monthly.

Auditors serving on a part-time basis attend meetings of the Board of Directors and monitor the directors' execution of their duties. They also assess the legality of business operations by reviewing reports on auditing activities from the full-time auditor.

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

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

JASDEC has two certified public accountants who perform accounting audits for JASDEC in the capacity of accounting auditor under the Companies Act: Yohei Kishi and Naoto Saito (designated members of a limited liability partnership under Article 34, Paragraph 10-5 of the Certified Public Accountants Law).

They are employed by Ernst & Young ShinNihon LLC, a member firm of Ernst & Young Global, and execute accounting audits, including checks of financial documents, based on the Companies Act.

It is our understanding that no items of particular regard, such as serious irregularities or instances of illegal behavior, have been found through the execution of accounting audits.

◇ Directors' and Corporate Auditors' Limit of Liability

We expect directors and Corporate Auditors to fully demonstrate the skills involved in successfully executing their responsibilities. Additionally, to retain top-level professionals, we have set limits on liability for damages incurred by directors and Corporate Auditors.

◇ Resolutions on Election/Dismissal of Directors

The election of directors by resolution at the general meeting of shareholders is conducted in the presence of shareholders representing no less than one-third of voting rights held by eligible shareholders, and directors are elected by a majority vote of said shareholders.

The dismissal of directors by resolution at a general meeting of shareholders is conducted in the presence of shareholders representing no less than one-third of voting rights held by eligible shareholders, and directors are dismissed on a vote of no less than two-thirds of voting rights held by said shareholders.

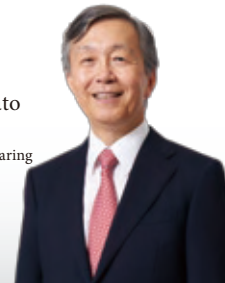
Board Members and Auditors

Board members: 19
Auditors: 3

Chairman
Yoshinobu Takeuchi



President & CEO
Haruhiko Kato
President,
JASDEC DVP Clearing
Corporation



Managing Director
Seikichi Ihara
Managing Director,
JASDEC DVP Clearing
Corporation



Managing Director
Yoshinori Seyama
Managing Director,
JASDEC DVP Clearing
Corporation



Managing Director
Munetaka Saito
Managing Director,
JASDEC DVP Clearing
Corporation



Director
Moriyuki Iwanaga
Executive Officer,
Tokyo Stock
Exchange, Inc.



Director
Masakazu Kubota
Senior Managing Director,
Japan Business
Federation



Director
Ritsuro Koza
Senior Managing Director,
Nomura Securities
Co., Ltd.



Director
Masahiko
Koyanagi
Executive Director,
Japan Securities
Dealers Association



Director
Masaru Takei
Executive Vice President,
Tokyo Electric
Power Company



Director
Yasushi Tachihara
Executive Officer,
SMBC Nikko
Securities Inc.



Director
Ayumi Tomoda
Operations Head,
Citigroup Global
Markets Japan Inc.



Director
Masahisa Nakagawa
Senior Managing Director,
Daiwa Securities
Capital Markets
Co. Ltd.



Director
Kunihisa Hama
Lawyer



Director
Masayuki Hoshi
Managing Executive Officer,
Mizuho Corporate
Bank, Ltd.



Director
Shigeyuki Maeda
Professor of Law,
Professional School
of Law (Law school),
Professional
Course in Law
Gakushuin
University



Director
Kanetsugu Mike
Managing Director,
The Bank of
Tokyo-Mitsubishi
UFJ, Ltd.



Director
Hiroshi Misawa
Senior Executive Officer,
Chuo Mitsui Asset Trust
and Banking
Company,
Limited



Director
Akira Moriwaki
Managing Executive
Officer,
Mizuho Trust &
Banking Co., Ltd.



Standing Auditor
Hiroshi Kitta
Auditor,
JASDEC DVP Clearing
Corporation
Auditor,
Tosho System Service
Co., Ltd.



Auditor
Jun Ohta
Director and General
Manager,
Sumitomo
Mitsui Banking
Corporation



Auditor
**Masahiko
Kawaguchi**
Senior Executive
Officer,
Tokai Tokyo
Securities Co.,
Ltd.



Book-Entry Transfer System for Stocks, etc.

1



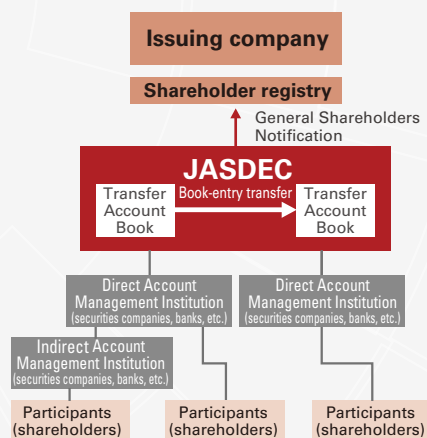
The Book-entry Transfer System for Stocks, etc. is operating to plan

The Book-entry Transfer System for Stocks, etc. began operations in January 2009. Stock certificates issued by all Japanese companies listed on Japanese stock exchanges were abolished and became invalid. They were replaced by electronic records registered and managed by computer systems within accounts opened at JASDEC or account management institutions (AMIs) such as securities companies and banks. Instead of stock certificates, records in computer systems represent share ownership. Transfer of shareholders' rights is also processed electronically based on the records in the accounts. This dematerialization system applies not only to stock certificates, but also to bonds with share options, share options, investment units of Real Estate Investment Trusts (REIT), preferred equity investment of financial institutions

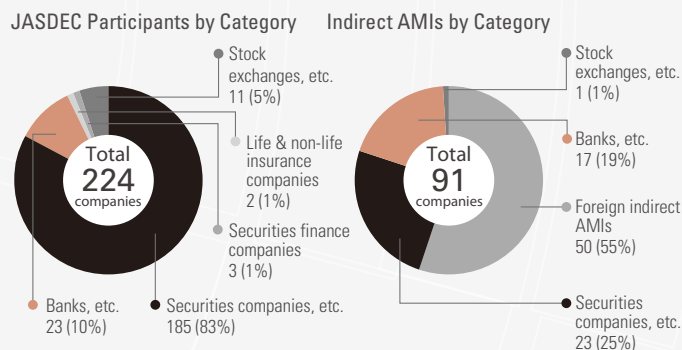
established by cooperative associations, Exchange Traded Funds (ETFs), Japanese Depositary Receipts (JDRs) and other negotiable securities.

As of March 2011, the total number of issues handled was 3,819, including 3,640 share issues, 43 bonds with share options, 5 share options, 37 investment units, one preferred share issue, 89 ETFs, and 4JDRs. The number of companies participating in the new system, including JASDEC participants, indirect AMIs, and fund settlement corporations, was 420. Under the system, foreign financial institutions designated by competent ministers can also take part in the system. As of March 2011, 50 foreign financial institutions were participating as indirect AMIs.

The Book-Entry Transfer System for Stocks, etc.



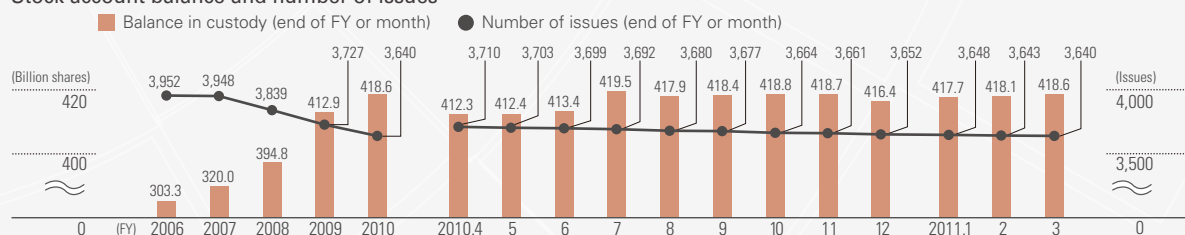
JASDEC participants and indirect AMIs (as of March 31, 2011)



Note: "Banks, etc." include The Norinchukin Bank, Tokyo Shoken Shinyou Kumiai, and Japanese Banks' Payment Clearing Network.

"Stock exchanges, etc." include Japan Securities Dealers Association, Japan Securities Clearing Corporation, JASDEC DVP Clearing Corporation, three securities agents and three Tanshi companies (which offer short-term credit brokerage services)

Stock account balance and number of issues



* Figures include the Depository and Book-entry Transfer System for Stock Certificates.

Ongoing enhancements to increase user convenience

Since its introduction in January 2009, the dematerialized Book-entry Transfer System for Stocks, etc. has been operating smoothly, with no major problems. JASDEC has organized three subcommittees to examine further improvement of the new system: the Subcommittee for Stocks, the Subcommittee for Bonds with Share Options, and the Subcommittee for ETFs. These committees have promoted a number of initiatives.

From July 2010, the Act on Transfer of Bonds, Shares, etc. was applied to Japanese Depositary Receipts (JDRs) provided for in the Trust Act, and the depository and book-entry transfer of Japanese Depositary Receipts (which had until then been performed separately) was brought into the Book-entry Transfer System for Stocks, etc., and we began processing four issues of domestic ETFs.

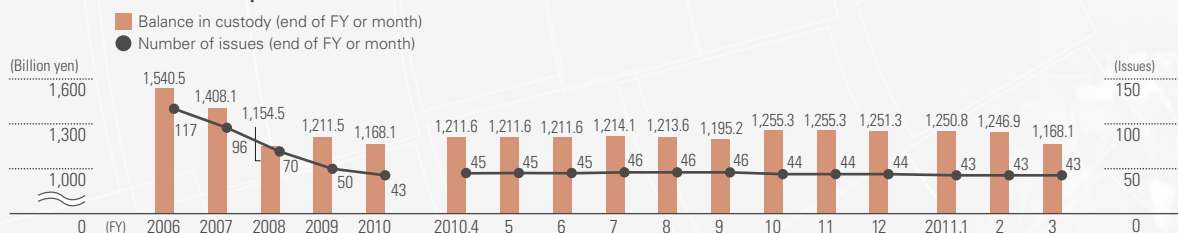
For the issue of share options, we are working to reduce the general shareholders notification period to shorten the

processing time prior to the date of rights allocation of share options without compensation. For the individual shareholder notification, we are working to reduce the number of days between the time the shareholder applies for the notification procedure and the time the issuer receives the notification.

We expect to renew each of the systems in our book-entry transfer system for stocks, etc. in January 2014. Together with this renewal, we will make improvement where necessary in the current system and change the system specifications. We have notified all the parties involved with this system of the changes that we plan to make.

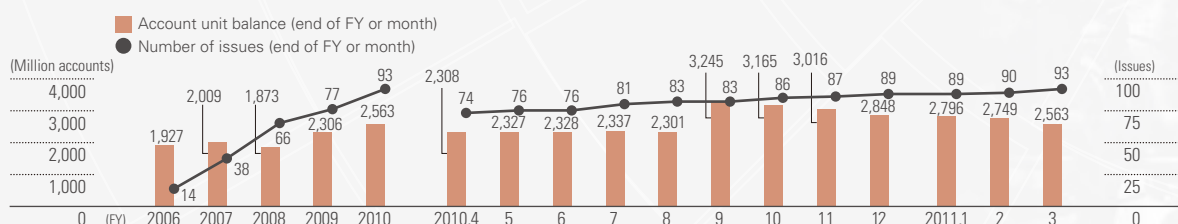
We will continue our efforts to communicate effectively with relevant parties, aiming to ensure stable operation while meeting the needs of the market for convenience and user-friendliness.

Bond with Share Option account balance and number of issues



*Figures include the Depository and Book-entry Transfer System for Stock Certificates.

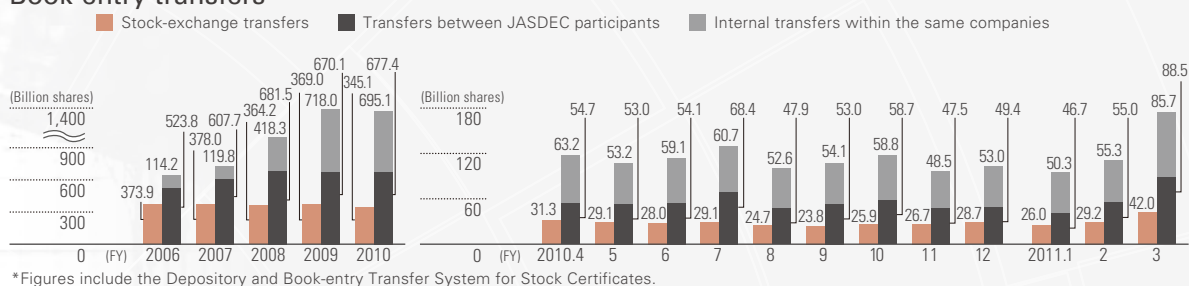
Exchange Traded Fund (ETF) etc., account balance and number of issues



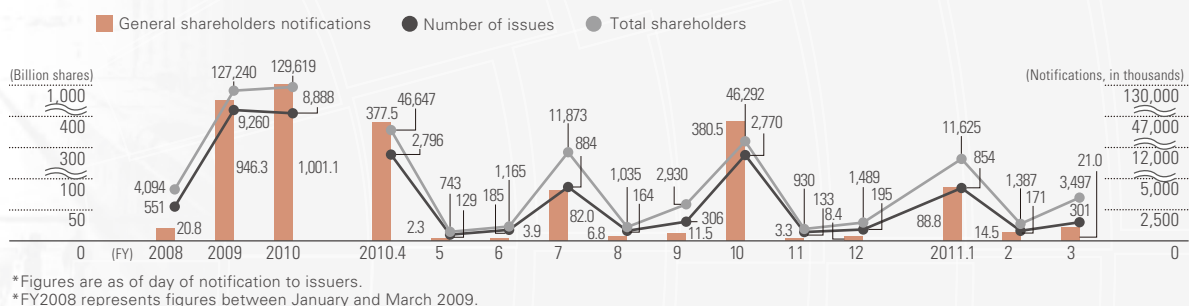
*Figures include the Depository and Book-entry Transfer System for Stock Certificates.

*Figures include Japanese Depositary Receipts from July 2010.

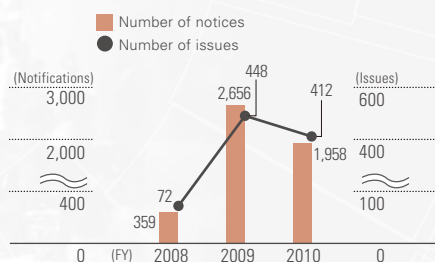
Book-entry transfers



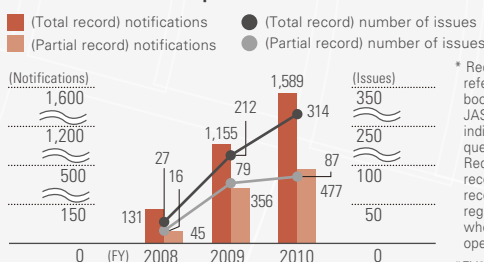
General shareholders notifications



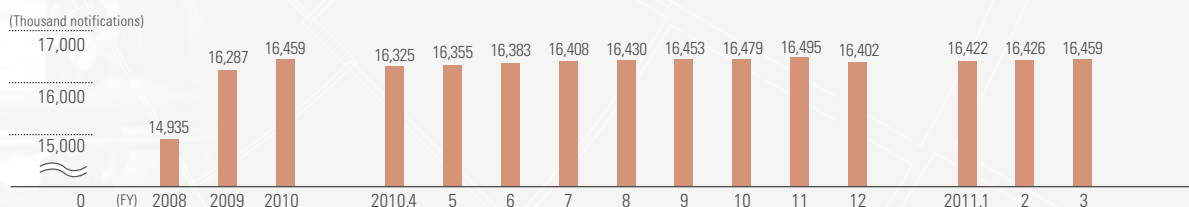
Individual shareholder notifications



Information requests



Number of shareholders (Data for Shareholders Notifications)



Book-Entry Transfer System for Commercial Paper and Corporate Bonds

2



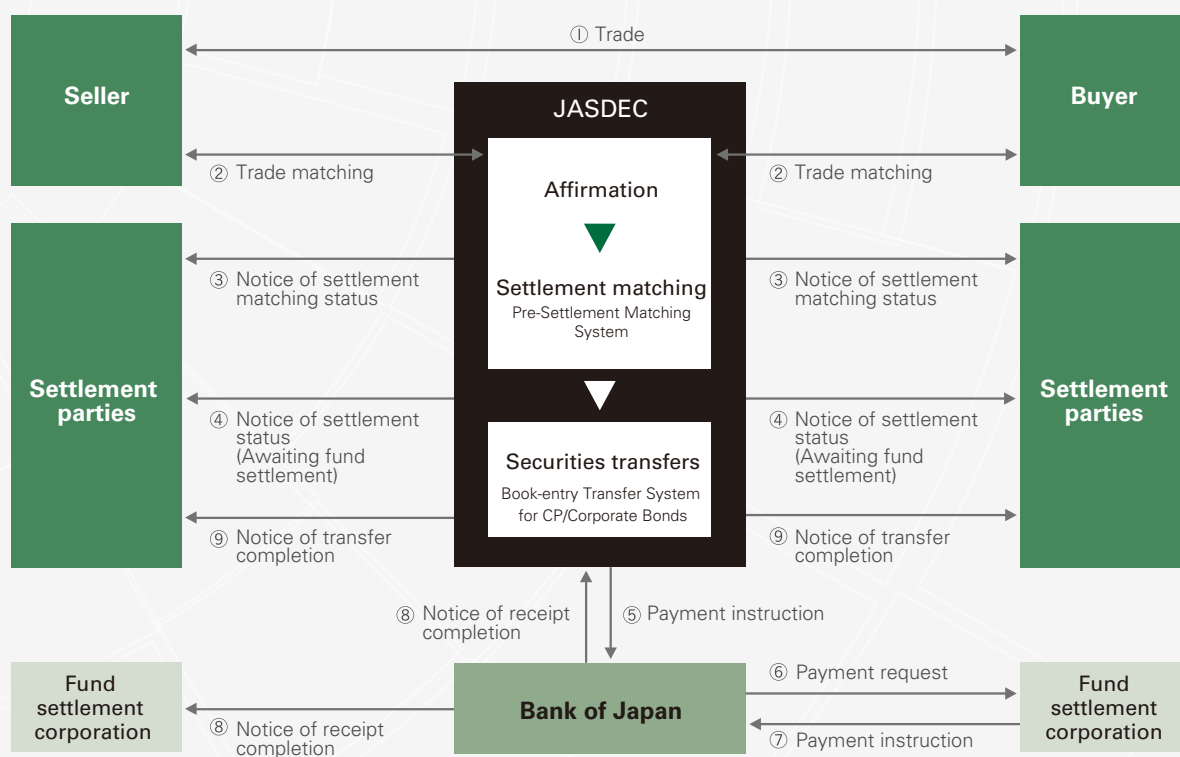
Supporting seamless and secure CP and corporate bond settlement

In March 2003 JASDEC launched the Book-entry Transfer System for Short-Term Corporate Bonds (dematerialized CP), the first completely dematerialized financial instrument in Japan, and in January 2006 this was extended to include corporate bonds. In each system, custody procedures—issuance, transfer (trading), and redemption—are conducted based on the balance electronically recorded in the transfer account books. In addition, all transactions related to issuance, transfer and redemption of CP and corporate bonds can be processed by the DVP settlement link with the Bank of Japan's Financial Network System. By linking the book-entry transfer system with its PSMS (Pre-Settlement Matching System; see page 30), JASDEC has realized straight-through

processing (STP), which fully automates the entire process, including trade matching and fund/securities settlement.

As a means of managing participation in JASDEC's book-entry transfer system, we set up a multilayer holding structure for account management institutions (AMIs) to address the diverse needs of participating investors and financial institutions. Direct AMIs can open an account directly at JASDEC, and indirect participation is possible by opening an account at an AMI. Another option for indirect participation is through the opening of an account at an indirect AMI. Principal and interest payments to bondholders are made by paying agents via AMIs, in accordance with the multilayered structure.

Flowchart for Book-Entry Transfer for CP/Corporate Bonds (in the case of DVP)



Enhancing CP transaction transparency

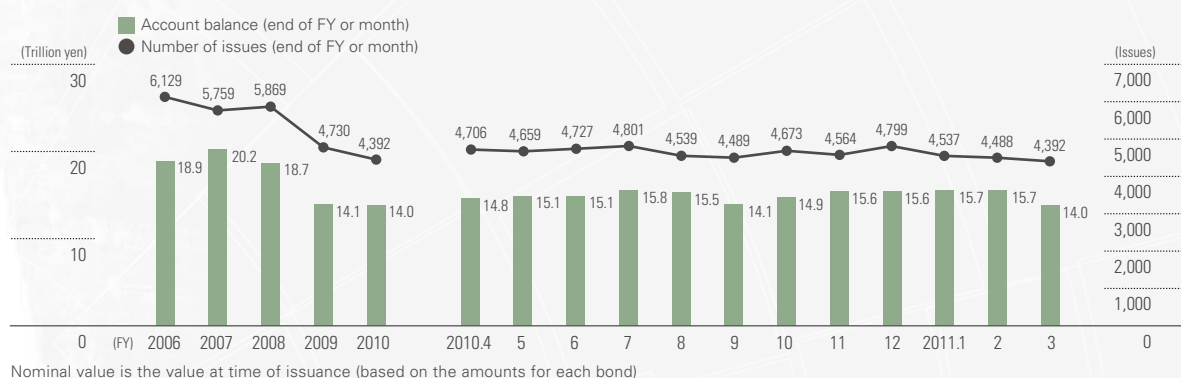
Commercial paper (CP) currently refers to short-term corporate bonds in a dematerialized form issued by corporate entities as a means of procuring short-term funds. As CP was previously drawn as a promissory note in a physical form, risks involved in the transfer and deposit of notes for large amounts were not always avoidable, and a documentary stamp tax was also payable. Accordingly, demand developed for an electronic book-entry system that would eliminate the need for paper certificates. The result was the creation of our first fully electronic book-entry transfer system for dematerialized CP. Since the launch of the system eight years ago, almost all CP issued in Japan has been handled by this system.

Fiscal 2010 (to March 31, 2011) was largely unaffected by anything except for the Great East Japan Earthquake that occurred at the end of the financial period, and our account balance and number of issues continued at around about the same level as in the previous financial period. As of March 31, 2011, the total CP account balance in the system was ¥14,033.2 billion (a year-on-year decline of ¥85.2 billion) on 4,392 issues (a year-on-year decline in the number of issues of 338).

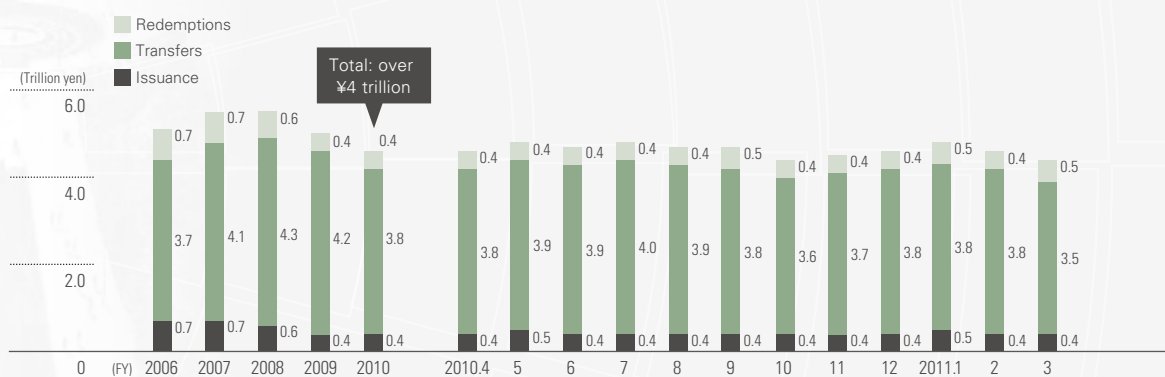
Participants in Book-Entry Transfer System for CP (as of the end of March 2011)



CP account balance (nominal value) and number of issues



Issuance, transfer and redemption of CP (daily average)



Continually adapting to CP market needs

The settlement amount of issuance, transfer, and redemption of CP handled by JASDEC's book-entry transfer system may exceed ¥5 trillion per day, and in combination with month-end settlements of more than ¥10 trillion this means that JASDEC settlements surpass the trading value per day at the Tokyo Stock Exchange. In fiscal 2010, although the aggregate issuance amount declined, the aggregate settlement was close to the ¥1,000 trillion mark, indicating the continuation of active trading since the start of the system.

This huge settlement amount reflects the importance of CP, which plays a crucial role in fund procurement by business entities in Japan. As a provider of infrastructure for the settlement of securities transactions, JASDEC fully recognizes its responsibility to secure a high level of reliability in the book-entry transfer system. As the market for CP transactions evolves, we will continue to make every effort to ensure that our system remains responsive, reliable and up-to-date.

Expanding functions to increase convenience and efficiency

JASDEC's Book-entry Transfer System for Corporate Bonds handles various types of bonds, both through public offerings and private placements. These include corporate bonds, municipal bonds, bonds issued by investment firms, specified bonds issued by special purpose companies (SPCs), bonds of special corporations such as quasi-government and local government bodies, and Samurai bonds (yen-denominated bonds issued in the Japanese bond market by non-Japanese entities or foreign governments) and others.

In fiscal 2010, most companies actively raised finance in the climate of low interest rates. Although the Great East Japan Earthquake at the end of the fiscal year slowed this activity, fiscal 2010 recorded the highest balance of bonds since the start of the Book-entry Transfer System for Corporate Bonds, surpassing ¥250,000 billion. As of the end

of March 2011, the number of bonds eligible in the system was 67,788 issues (a year-on-year decline of 3,414 issues), and the issue balance stood at ¥250,073.9 billion (a year-on-year increase of ¥4,521.6 billion).

Continuing on from the previous fiscal year, although there were a number of defaults on obligations to public bonds, due to the ongoing economic recession and other factors, JASDEC contacted the parties at an early stage and worked with them to ensure optimal information flow and cooperation.

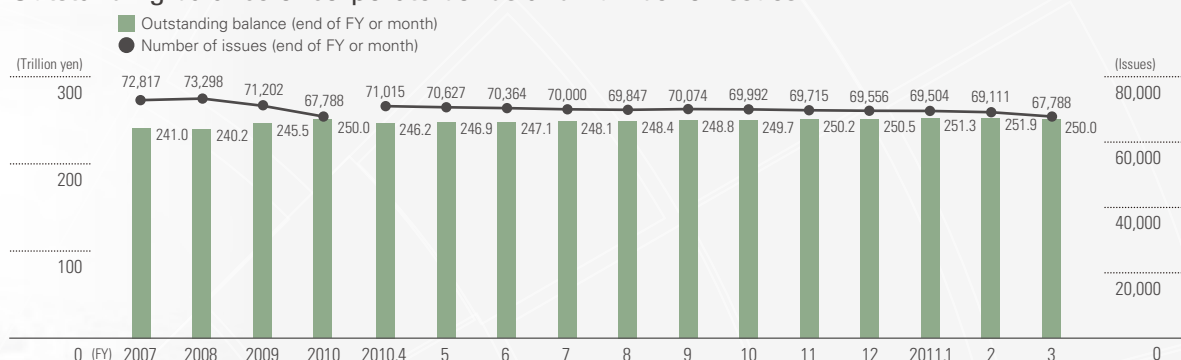
We expanded the range of information disclosure concerning bond issuance and made other improvements to the functionality of our systems as part of our efforts to raise the level of convenience to our system users.

Participants in Book-Entry Transfer System for Corporate Bonds (as of the end of March 2011)



*Issuers do not include unlisted companies, etc. that issued private offering bonds only.

Outstanding balance of corporate bonds and number of issues



Promoting investments in Japanese bonds by non-residents

Investments in domestic securities by non-residents already account for a significant proportion of the total investment in Japanese securities market. To raise the position of Japan's capital markets in the world, however, market functions must be upgraded so as to attract more foreign investors. In January 2008, a system for tax exemption for non-residents on the interest accrued on municipal bonds was inaugurated, following a system similar to that used for Book-entry Transfer of Japanese government bonds. Moreover, since June 1, 2010, in response to the inclusion of bonds other

than municipals in the scope of tax exemptions for non-residents, we have begun to take appropriate measures to promote the globalization of Japanese capital markets. As a result, the number of participating foreign indirect Account Management Institutions (AMIs) has greatly increased (23 more companies than at the end of the previous fiscal year). The total outstanding balance of non-resident accounts at the end of March 2011 stood at ¥930.5 billion (a year-on-year increase of ¥811.1 billion), and the number of issues held by non-residents was 320 (a year-on-year increase of 286).

Book-Entry Transfer System for Investment Trusts

3



A faster, safer approach to investment trust administration

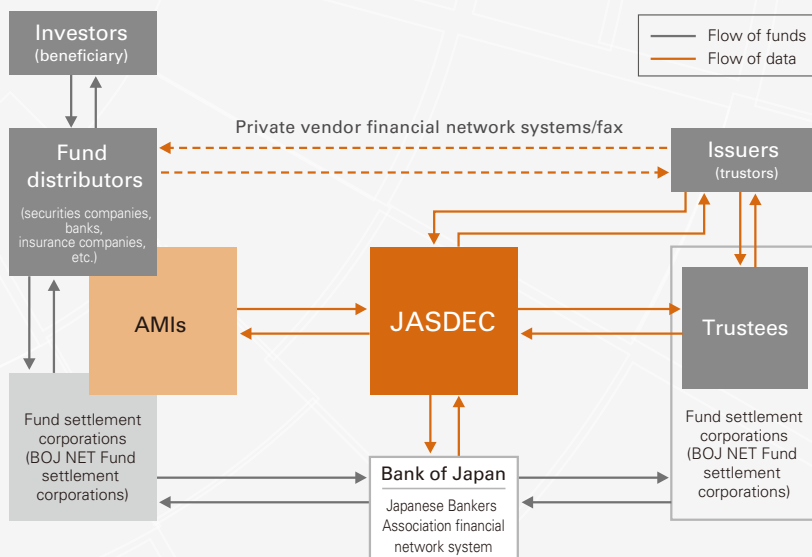
The Book-entry Transfer System for Investment Trusts is a computer system for managing beneficial rights of investment trusts.

The system covers investment trusts managed by trustors (hereinafter, simply called “investment trusts”). These investment trusts are contract-type investment trusts with the involvement of three parties—a trustor, a trustee and a beneficiary who is an investor in the investment trust. (Exchange traded funds (ETFs) and investment trusts of the non-trustor instruction type are outside the scope of the system.) Since the system was launched on January 4, 2007, all trustors and trustees involved in investment trusts have participated in the system, and thus almost all investment trusts issued in Japan have been dematerialized.

The account management institutions (AMIs) and JASDEC participants are diverse, consisting of not only securities companies but also entities such as banks, insurance companies, Shinkin banks, credit cooperatives, agricultural cooperatives, and investment trust management companies engaged in direct marketing. The total number of AMIs and JASDEC participants was 881 companies as of March 31, 2011.

The Book-entry Transfer System for Investment Trusts enables direct or indirect connection between trustors, trustees, account management institutions, and JASDEC. This ensures greater security, accuracy, and speed of processing through the electronic management of the accounts of investment trust beneficiaries.

Basic Model of Book-entry Transfer System for Investment Trusts



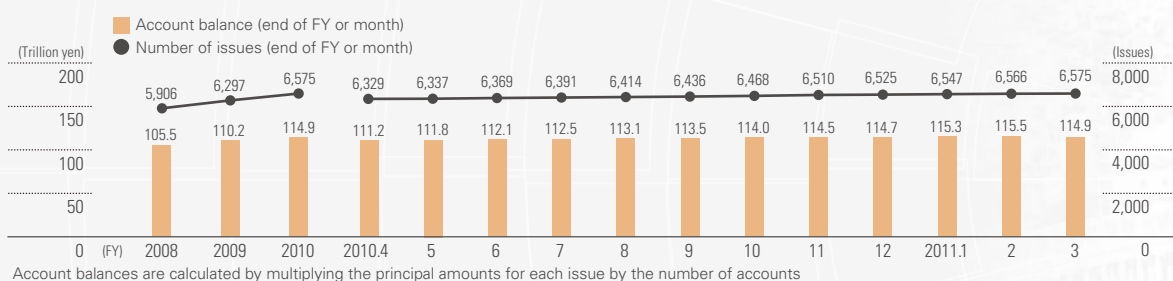
Strong support from users

The total number of investment trusts handled by JASDEC as of March 31, 2011 was 6,575 trusts, representing a year-on-year increase of 278 trusts and comprising 3,885 publicly offered and 2,690 privately placed investment trusts. The number of transactions undertaken for both new registrations (purchases) and deletions (cancellations and redemptions) achieved new record highs, with the number of new registrations below that of deletions. On the other hand, the principal value of new registrations exceeded that of deletions, a continuation of the situation in fiscal 2009. As a result, the outstanding balance at the end of fiscal 2010 had increased ¥4,665.2 billion year on year to ¥114,917.0

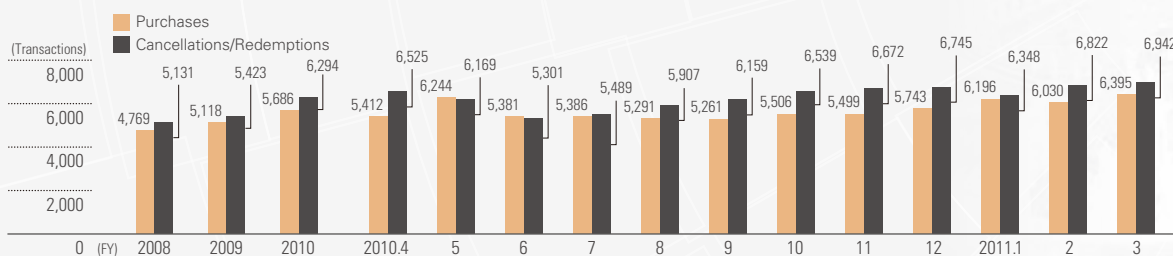
billion, comprising ¥83,127.2 billion in publicly offered and ¥31,789.8 billion in privately placed investment trusts.

Fund settlement systems in the Book-entry Transfer System for Investment Trusts include DVP settlement (using the Bank of Japan financial network system) and non-DVP settlement (using the Japanese Bankers Association financial network system for online fund settlement between financial institutions). The use of DVP settlement, which involves less settlement risk, has been increasing steadily among system users. In fiscal 2010, the proportion of settlements using DVP was 25% by number of transactions and 60% by principal value.

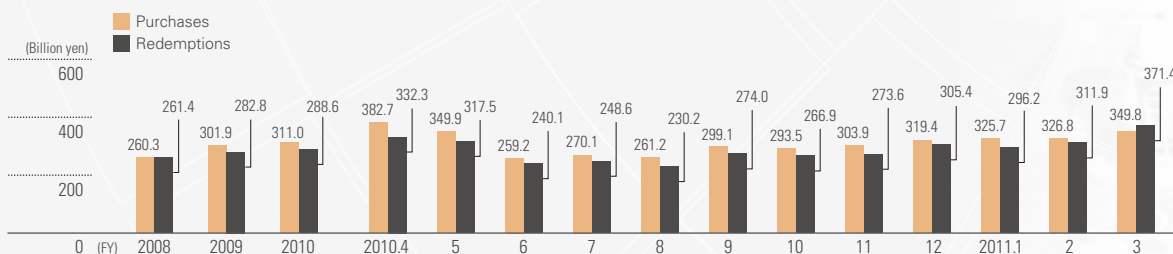
Book-entry Transfer System for Investment Trusts—account balance and number of issues



Purchase and cancellation/redemption transactions (Daily average)

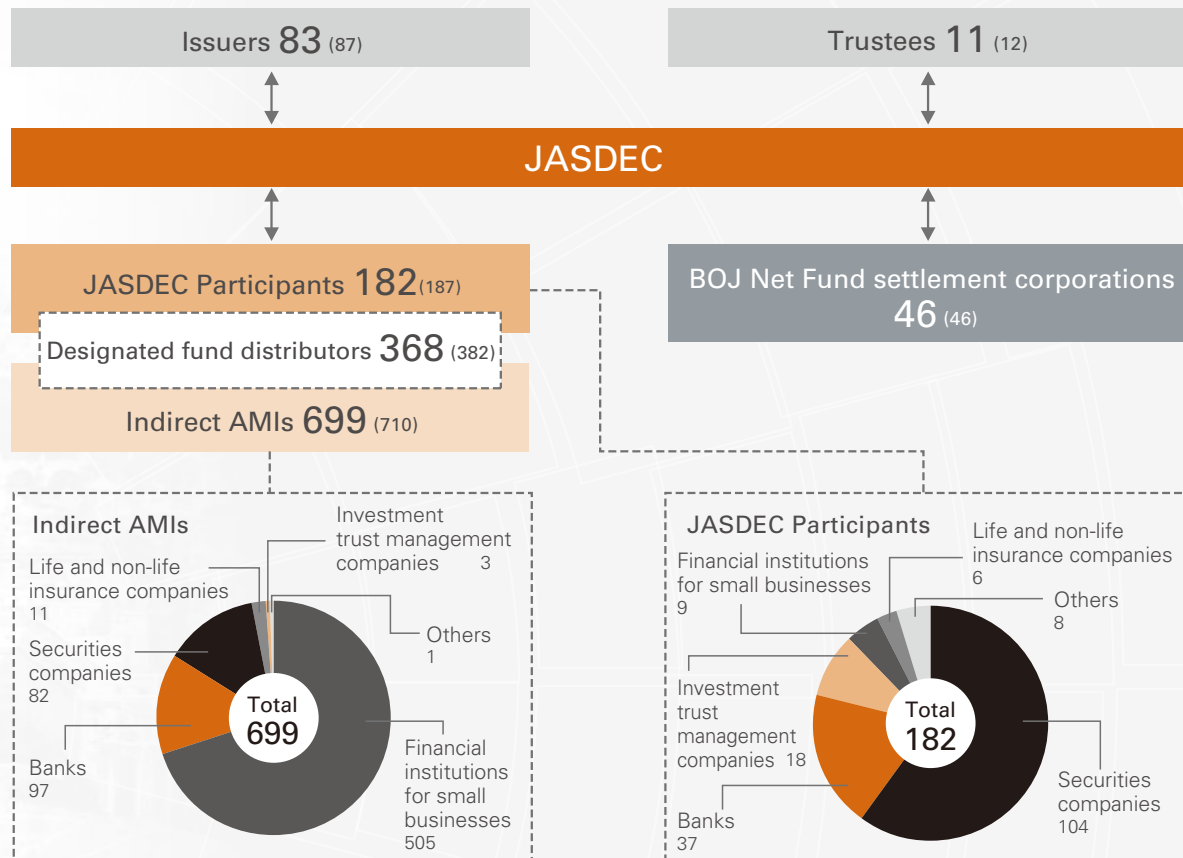


Principal values of investment trusts for purchases and cancellations/redemptions (Daily average)



Participants in Book-entry Transfer System for Investment Trusts

(as of March 31, 2011: Numbers in parentheses are for the previous year.)



*Others: Securities agents, securities exchanges, CCPs, call loan dealers, etc.

Dedicated to ongoing improvement

In response to requests made by system participants in a previous survey, we have made particular efforts in fiscal 2010 to improve the functioning of the Book-entry Transfer System for Investment Trusts. We studied proposals for comparatively major system reorganizations, such as the introduction of DVP settlement for redemptions and simplification of the procedures for settlement for transfer between fund distributors, and we prepared a scheme and have identified the issues following a feasibility study. As a result, we will add extra

functions to simplify the procedures for settlement transfer between fund distributors in the Book-entry Transfer System for Investment Trusts and are developing the System with the goal of having it begin operations in 2014.

During fiscal 2011 (to March 31, 2012) in addition to our studies into the introduction of DVP settlement for redemptions and our work on other on-going projects, we will continue efforts to optimize the functionality and user-friendliness of the system.

DVP Settlement System for NETDs

4



Providing safe, secure securities transactions

The Non-Exchange Transaction Deliveries (NETDs) refer to Book-entry Transfers for Stocks, etc., carried out by JASDEC for non-exchange transactions, and the majority of them consist of such trades of domestic and overseas institutional investors buying and selling Japanese stocks, etc., through the DVP settlement system for NETDs.

Previously, the delivery of the securities and the payment of the settlement amounts for non-exchange transactions have mostly been processed separately, so the transactions have been exposed to the risk (principal risk) that settlement payments may not be made even though the securities have been delivered. The use of the DVP settlement system for NETDs links the delivery of the securities and the payment of the settlement amounts through the system, diminishing the risk and making it possible for securities settlements to be conducted safely and reliably. To further support reliability, the entire administrative process is handled automatically and electronically using Straight Through Processing (STP).

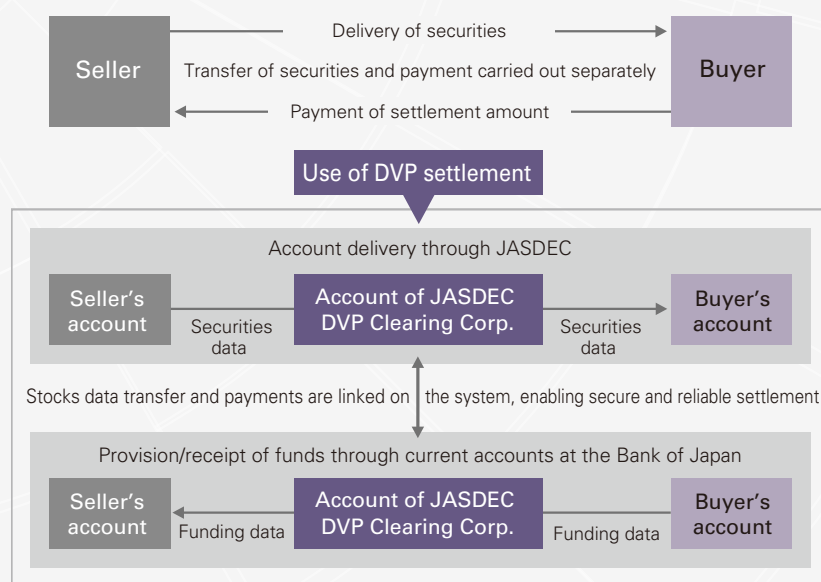
Since May 2004, the DVP settlement system for NETDs has been administered by JASDEC's wholly owned subsidiary, JASDEC DVP Clearing Corporation (JDCC). JASDEC

participants applying to make use of the system are examined for their suitability in terms of financial condition, organizational structure and other such factors before receiving authorization from JDCC.

In order to ensure stringent risk management of all participants, JDCC secures collateral in advance, comprising assets (assurance assets) with the appraisal value that exceeds the net debt (total payables – total receivables) of each participant, and sets an upper limit to the value of the liabilities payable (the net debit cap) in proportion to the trading status of each participant.

Settlement within the DVP settlement system for NETDs is conducted in accordance with the so-called Gross = Net DVP model system by which securities pass through the JDCC account within JASDEC and the transfer of the securities from the seller's into the buyer's account is conducted separately for each transaction (gross). Meanwhile, the settlement amounts pass through the JDCC's account within the BOJ-NET funds transfer system and settlement is concluded by the appropriate net calculated amount of funds being paid on each settlement date (net).

Reducing principal risk by using the DVP settlement method



DVP system is a system that links the delivery of stocks with payments, enabling secure settlement.

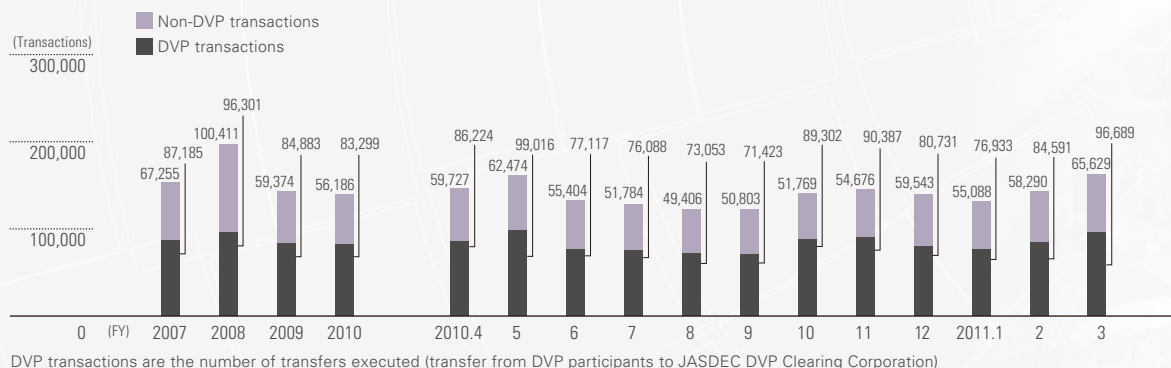
Establishing key settlement procedures on the customer side

The DVP settlement system for NETDs mainly deals with securities handled by JASDEC through its Book-entry Transfer System for Stocks, etc., such as shares and bonds with share options, etc.

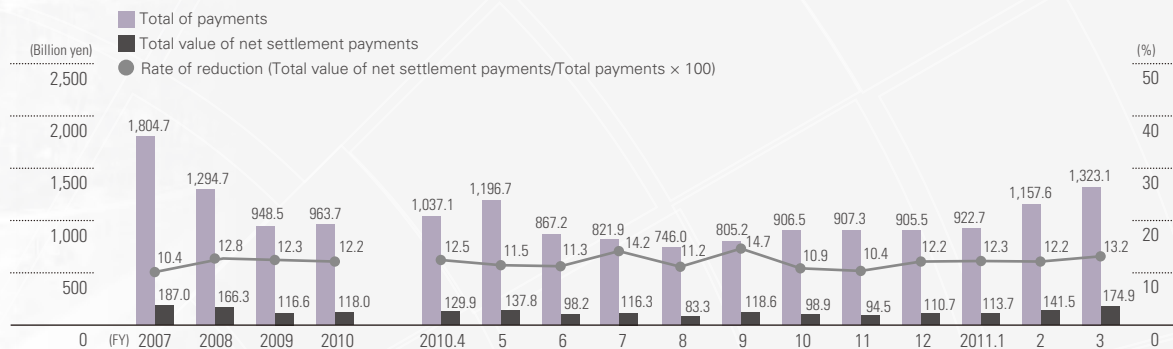
As of the end of March 2011, 57 companies (comprising 13 banks and 44 securities companies) were participants in the DVP settlement system for NETDs. Excluding internal transfers within the same company, DVP transactions accounted for approximately 60% of NETD transactions—evidence that use of the system has become firmly established as an important customer-side settlement method.

We began back-tests each working day to verify the safety of both securities-to-be-received and pledged securities, which are part of the assurance assets. Each quarter we compile a report of the results of these daily checks and post it on the JASDEC website.

DVP Settlement for NETD Transactions (Daily average)



DVP Settlement for NETD Fund Settlement (Daily average)



Securities covered: Stocks, bonds with share options (convertible bonds), ETFs, REITs, share options (share subscription warrants), foreign stocks, etc.

Total payments is the total amount used for execution of securities transfers.

Total value of net settlement payments is the total amount used for account settlement on a net transaction basis.

Aiming for an even greater level of convenience

To provide for cases of default by participants, liquid assets have been secured by the use of the participant fund and bank credit lines. And in order to limit the risk to within the bounds of liquid assets, JDCC has set maximum upper limits (the net debit cap) for the liabilities payable by each individual participant. To optimize and refine the system

structure, we continuously assess the applicable levels to ensure that they are suitable for its requirements.

JDCC is aiming to improve its systems and offer a greater range of services in its ongoing efforts to operate its systems in a way that will further enhance the level of customer convenience.

Pre-Settlement Matching System (PSMS)

5



Maintaining transaction and user numbers through increasing the range of asset classes and services

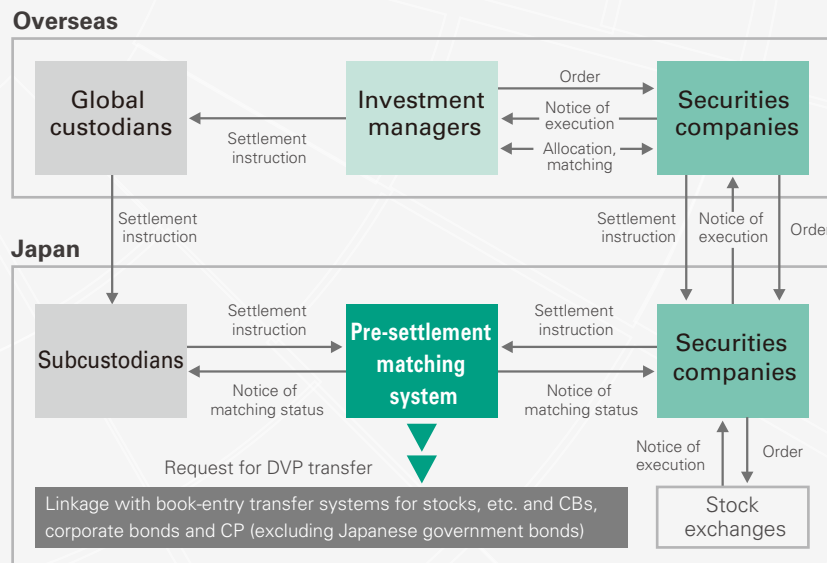
Matching institutional investors' transactions is a complex undertaking, due to the wide range of organizations involved—including investment trust management companies, securities companies, trust banks and custody banks—and the huge amount of transaction data exchanged between them. In the past, matching was done manually by fax or telephone. Now, the process has been modernized and automated, with JASDEC providing centralized matching services using sophisticated computer systems.

Since launching the initial system in September 2001, JASDEC has been increasing the range of asset classes and services covered by the system. In April 2010 we revised the cut-off time for non-resident transactions. We are also

continuing to study ways to expand the range of asset classes and services, including foreign securities.

As a result of these on-going efforts, both the number of transactions and number of users are holding steady. In fiscal 2010, the number of input/output transactions on a daily average basis was 1,314,983. Although the number of existing users declined in fiscal 2010 due to mergers and other factors, the addition of new users (foreign-owned investment managers, business entities, and life and non-life insurance companies) increased the number of registered users as of the end of March 2011 to 696 companies, two more than the record high set in the previous year.

PSMS (for non-resident transactions)



Final preparation for adopting the ISO20022 standard

The securities market is continuing to internationalize, and we recognize that our computer systems do not yet fully conform to recent developments in this field. Though we use ISO15022, the international standard for messaging, when we adopted this standard we customized the formats in order to satisfy unique requirements in the Japanese market community. In doing so, however, we understood that ultimately we needed to maximize user convenience by achieving the greatest possible degree of harmonization with international standards and connectivity with overseas systems.

Accordingly, since fiscal 2007 JASDEC has been pursuing a project to achieve full conformity with international standards, through initiatives in a number of areas. At the ISO20022 Subcommittee, we are looking into overall system development, including Pre-Settlement Matching System (PSMS), and the various book-entry transfer systems for stocks, etc., corporate bonds, CP and investment trusts.

In principle, we will use message formats that will comply with the new ISO20022 international standard that defines the ISO platform for the development of financial message standards, which is designed to replace the current ISO15022. We will continue to be a member of the ISO20022 Standards Evaluation Group for Securities within the International Organization for Standardization (ISO), and

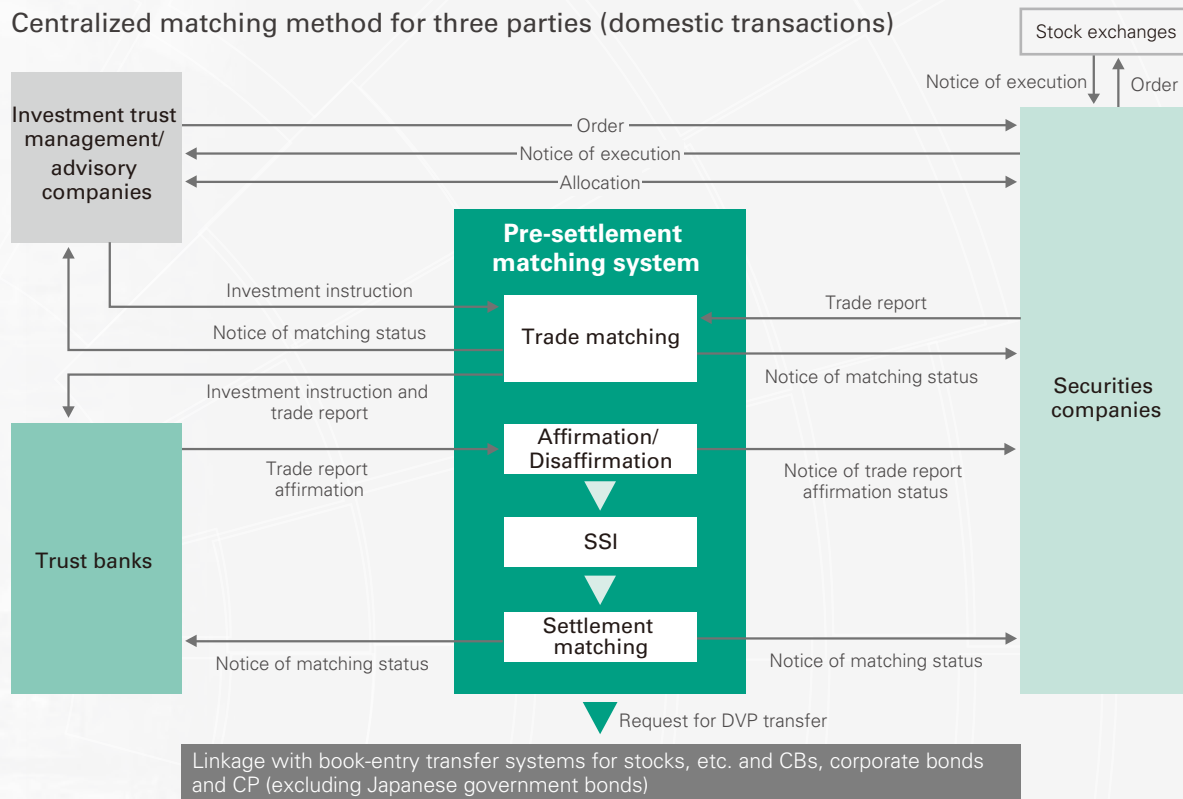
will strive to ensure that the practices prevailing in Japan will be reflected in international standards. This fiscal year we largely completed our study comparing the message formats we use in settlement matching for domestic transactions with the ISO20022 message formats. We are continuing a similar study comparing the message formats we use in trade matching for domestic transactions with ISO20022 message formats.

Turning to our communication network, our aim is to introduce the SWIFT network, which is used widely around the world, while running our existing communication network in parallel, enabling users to choose between them. Introduction of the SWIFT network will, we believe, enable smooth overseas connectivity—further increasing user convenience and the number of the participants.

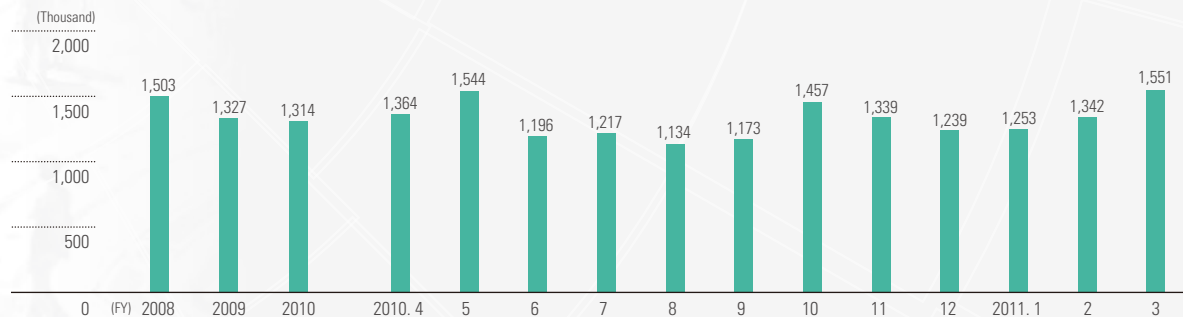
In addition to this work, we are reconsidering Japanese market practice to meet international standards, including the tolerance matching function for non-resident transactions. We are also planning to unify all the rules used throughout our entire system. We plan to bring our new system into service in January 2014.

By expanding the range of asset classes and services handled by our PSMS, and by steadily building conformity with international standards, we are contributing to greater efficiency in Japan's securities markets.

Centralized matching method for three parties (domestic transactions)



Total number of PSMS input/output instructions using the PSMS system (Daily average)



Note: Total number of inputs of contract-type matching data and PSMS data relayed by users and number of transactions of data (outputs) reported to users as a result of matching processes.

Custody Services for Foreign Stock Certificates, etc.

6



Offering safe and secure settlement infrastructure and services for foreign stocks

In April 2006, JASDEC inaugurated services to process deposits, transfers and corporate actions for foreign stock certificates, etc. listed on Japanese stock exchanges.

Although foreign stock certificates, etc. are generally deposited with CSDs or custodians in the countries where the issuing companies are located, settlements of transactions at Japanese stock exchanges are conducted through book-entry transfers in JASDEC.

JASDEC entrusts dividend payments to relevant share-handling service agents. Information on beneficial shareholders at the record date for dividend is transferred to the share-handling service organizations by the JASDEC participants through JASDEC.

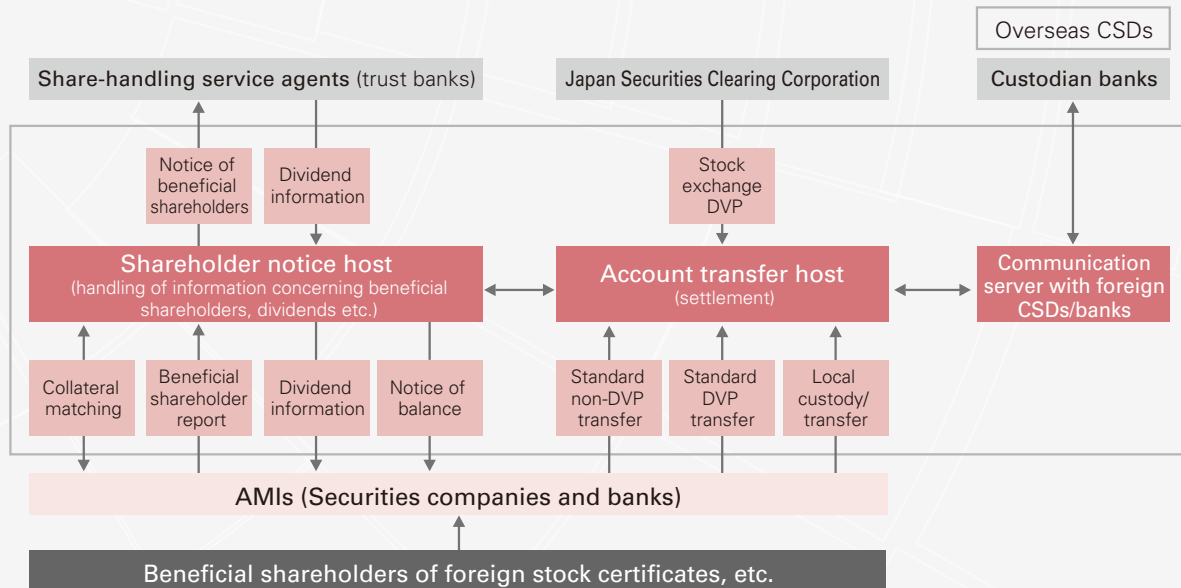
Based on this information, the share-handling service

organizations calculate the amount of dividends, which are then paid directly to the beneficial shareholders from the dividend-paying banks.

JASDEC also undertakes the necessary procedures regarding dividend taxation for local tax authorities and other such entities, to ensure reduced tax rates under tax treaties with the countries concerned. Voting rights at general meetings of shareholders can also be exercised by beneficial shareholders through instructions issued to JASDEC.

JASDEC therefore provides the infrastructure and services necessary for reliable settlement of trading activities in foreign stock certificates, etc., smooth exercise of shareholder rights, and error-free receipt of dividends and other payments.

Overview of the system relating to foreign stocks



Handling responses to various forms of corporate action

Foreign companies have carried out a variety of corporate actions in recent years. For example, in January 2011, American International Group, Inc. distributed a dividend of warrants to its shareholders.

In order for shareholders to be able to exercise their rights over the warrants they received, the issuing company had to submit the necessary documents in Japan as well, including a securities registration statement, and so this was the first time for JASDEC to handle warrants that were not listed on Japanese stock exchanges.

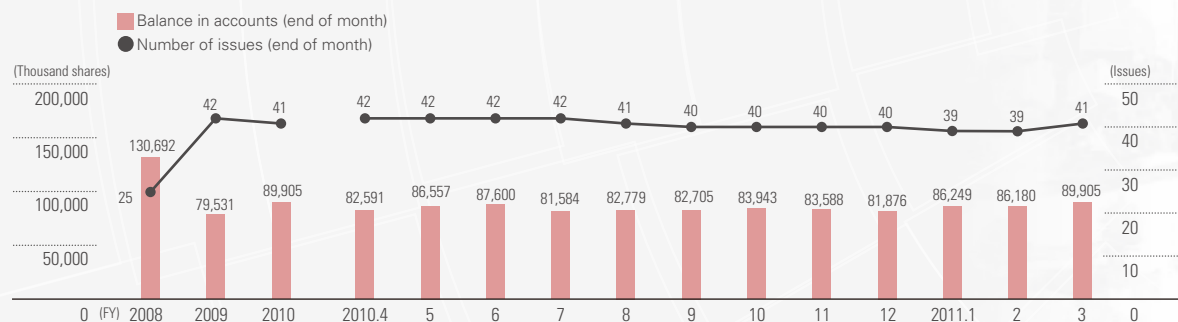
Moreover, at the shareholders' request, we acted as an agent for the exercise of the warrants, for a specific period of time.

JASDEC is taking steps to improve services offered to beneficial shareholders and JASDEC participants, through measures that include: modifying systems for the purpose

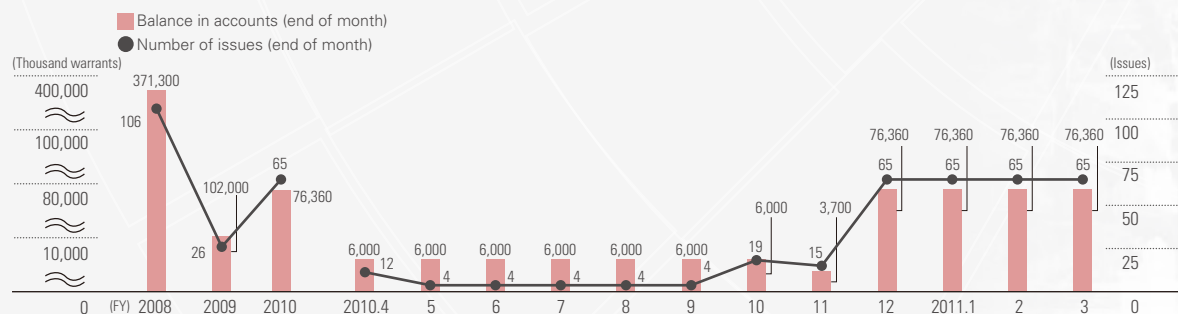
of timely processing of deposits and deliveries; developing systems to exchange information with JASDEC participants in a faster, more accurate and safer way; and looking into ways to handle various new products listed on Japanese stock exchanges.

At present, Depository and Book-entry Transfer System for Foreign Stock Certificates, etc. includes five categories: foreign stocks (including ADRs); overseas ETFs (including ETCs); country funds; foreign covered warrants; and foreign share option certificates. At the end of March 2011, the number of different issues handled by JASDEC in the four categories of foreign stocks, overseas ETFs, country funds, and foreign share option certificates stood at 41, while the number of foreign covered warrants handled stood at 65.

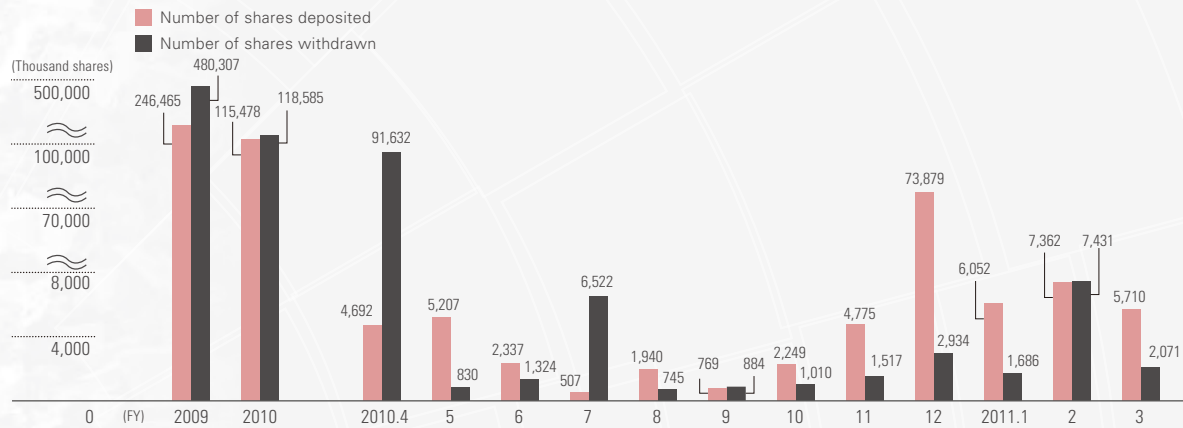
Foreign stocks, etc.—number of issues/balance in accounts (excluding foreign covered warrants)



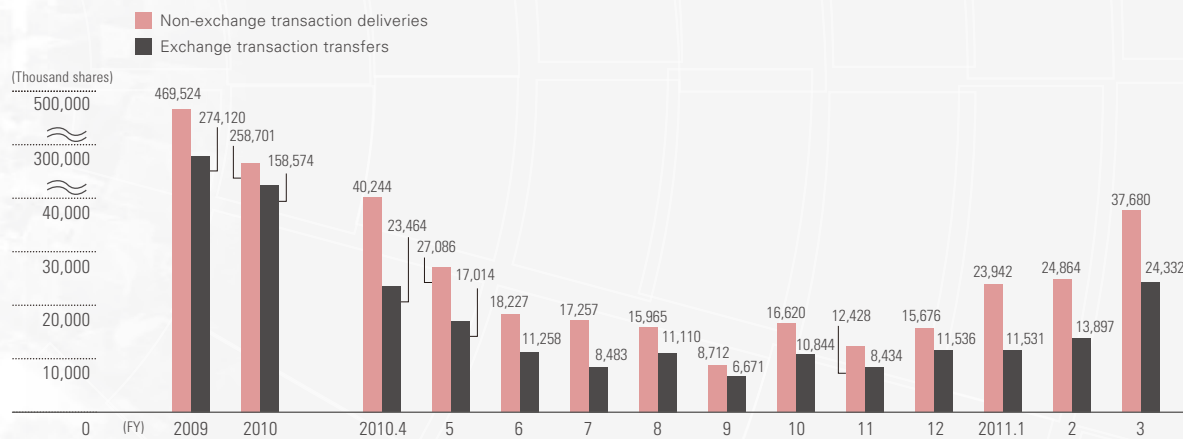
Foreign covered warrants—number of issues/balance in accounts



Number of shares deposited/withdrawn



Book-entry transfers



International Relationships

Contributing to the development of the global securities markets

In response to ongoing internationalization in the securities settlement sector, JASDEC actively participates in international forums such as regular CSD meetings and seminars, helping ensure the timely exchange of securities market infrastructure-related information on a global basis.

In the Asia-Pacific CSD group (ACG), Chairman Takeuchi became the first chairperson, and JASDEC became the Secretariat of a newly established executive committee (with a three-year term) that plans and executes the various activities of the ACG from a medium-term perspective. Moreover, at the 11th Conference of CSDs (CSD11) the establishment of the World Forum of CSDs (WFC) was approved, and Chairman Takeuchi was sworn in as its vice-chairman.

As one element of our efforts to build collaborative relationships with CSDs around the world, JASDEC has been following a policy of signing MOUs on the exchange of information and the undertaking of collaborative projects with overseas CSDs. As of the end of March 2011, JASDEC had signed MOUs with a total of 12 CSDs. We have also launched regular discussions with current cooperative partners, and made other efforts to strengthen collaborative projects with CSDs of emerging nations.

While supporting the rapidly growing Asian markets overall, we aim to contribute to the development of the Japanese securities market by strengthening cooperative relations around the globe.



◆ Major International Activities in FY2010

① April 16, 2010

2nd regular consultative meeting held with Korea's KSD under MOU

In an effort to strengthen relationships with MOU cooperative partners, JASDEC held its 2nd regular consultative meeting with KSD (Korea Securities Depository) in Seoul, Korea.

② May 25-27, 2010

Providing Support to Mongolia's MSCH&CD

Under an MOU signed in April 2009, JASDEC visited the Mongolian Securities Clearing House & Central Depository (MSCH&CD), and provided technical support relating to the development of its IT systems.

③ June 1-4, 2010

CSD Contact Group meeting

JASDEC participated in the CSD Contact Group (liaison meeting for CSD groups in five regions around the world) held in Zurich, Switzerland, to discuss challenges that CSD groups around the world should collaborate on.

④ August 23-27, 2010

Seminar held for Mongolian authorities and government officials

Upon a request from Mongolia's MSCH&CD, an MOU cooperative partner, JASDEC held a seminar for Mongolian authorities and government officials in Ulaanbaatar, Mongolia. During the three-day seminar JASDEC gave an overview of Japan's securities clearing and settlement laws, and respective managers explained information security management, cross-border transactions, meeting international standards, domestic listing and settlement of foreign stocks and JDRs.



⑤ September 6, 2010

3rd regular consultative meeting held with Korea's KSD under MOU

In September 2010 we held our third regular meeting with KSD in Tokyo, exchanging useful information at both the management and operational levels.

⑦ October 24-28, 2010

Sibos 2010/CSD Contact Group meeting

JASDEC participated as a panelist at Sibos 2010 held in Amsterdam, the Netherlands, and explained the characteristics of corporate actions in Japan and other Asian countries. At the CSD Contact Group meeting held in conjunction with Sibos 2010, CSD groups from five regions around the world held discussions about challenges that CSD groups should collaborate on.

⑥ September 15-17, 2010

12th ACG Cross Training Seminar

The 12th ACG (Asia Pacific CSD Group) Cross Training Seminar for ACG members was held in Shanghai, China, hosted by the China Securities Depository and Clearing Corporation Limited (SD&C). At the JASDEC-led Information Exchange Task Force, we shared opinions on the challenges pertaining to the gathering and distribution of corporate action information as well as initiatives to facilitate smooth cross border settlement. At the Legal Task Force session, JASDEC hosted a presentation on problems arising from the adoption of applicable laws for cross-border transactions.

⑧ December 2-3, 2010

The 14th ACG General Meeting

The 14th General Meeting of the ACG was held in Mumbai, India, hosted by the National Securities Depository Limited (NSDL). As the convener of the working committee discussing the structural reorganization of the ACG, JASDEC compiled a list of change proposals, and at the General Meeting, members approved the establishment of an executive committee to plan and execute the various activities of the ACG from a medium-term perspective. The new executive committee is made up of seven representative organizations; Chairman Takeuchi became the first chairperson, and JASDEC became the Secretariat of the committee. JASDEC was also reelected as the convener of the Information Exchange Task Force, with a three-year term.



⑨ April 13-15, 2011

11th Conference of CSDs

The 11th Conference of CSDs was held in Cape Town, South Africa, hosted by AMEDA (Africa and Middle East Depositories Association). JASDEC presented on the theme of "collaboration between CSDs", showing how CSDs and CCPs exchange information in the Asia-Pacific region, and introducing ABMI, ASEAN Trading Link and other such initiatives being undertaken to build links within Asian markets. Chairman Takeuchi was a panelist in the final session, "What's next? Chairpersons and CEOs reflect on the future of financial markets infrastructure and the effect on CSDs", and outlined merits and demerits with respect to risk management brought about by factors such as the standardization of various CSD operations, the centralization of information, and different shareholder and company structures.

The conference also ratified the establishment of the World Forum of CSDs to replace the CSD Contact Group meetings that had been held irregularly over the past four years. Mr. Mohamed Abdel Salam of Misr for Central Clearing, Depository & Registry (MCDR), Egypt, representing AMEDA, became the first Chairman of the Forum. Chairman Takeuchi of JASDEC was selected as its Vice-Chairman, with JASDEC becoming the forum's secretariat.



Asian Bond Markets Initiative (ABMI)

◆ Background

The Asian Bond Markets Initiative (ABMI) was adopted by the ASEAN+3 (ASEAN plus China, Japan and Korea) Finance Ministers' Meeting as a measure to tackle the 1997 Asian financial crisis. Asian countries have been facing common difficulties in the fund procurement required for medium- to long-term investments within the region.

Although savings rates are high in the region, capital markets are not yet fully developed. In these circumstances, the region had depended heavily on Western financial institutions for foreign currency-denominated short-term borrowings for long-term investments. This caused maturity and currency mismatches in financing, which were primary factors in generating the Asian financial crisis.

The financial authorities of the countries participating in the ABMI have been endeavoring to develop bond markets within the region to enhance financial intermediary functions and allow savings to be used for investment in the region. The successful procurement of funds for long-term investments in the region would significantly reduce currency and maturity mismatches in regional financing. Under the supervision of the Finance Ministries and the Central Banks of the ASEAN+3 countries, four Task Forces have been established with the common goal of furthering the development of well-functioning bond markets with sufficient liquidity in the region.

◆ JASDEC involvement in ABMI

JASDEC has been taking part (as a representative of Japan) in the Group of Experts (GoE), which was established in April 2008 by Task Force 4 (whose responsibility is to improve the bond market infrastructure) to discuss key issues related to cross-border bond transaction and settlement systems.

In September 2010, Task Force 3 (whose responsibility is to improve the regulatory framework) established the ABMF (the ASEAN+3 Bond Market Forum) to carry on the work of the GoE. JASDEC has participated in ABMF as the Japanese representative, and is actively participating in Sub-Forum 2 (the study group) as the Co-Vice Chair.

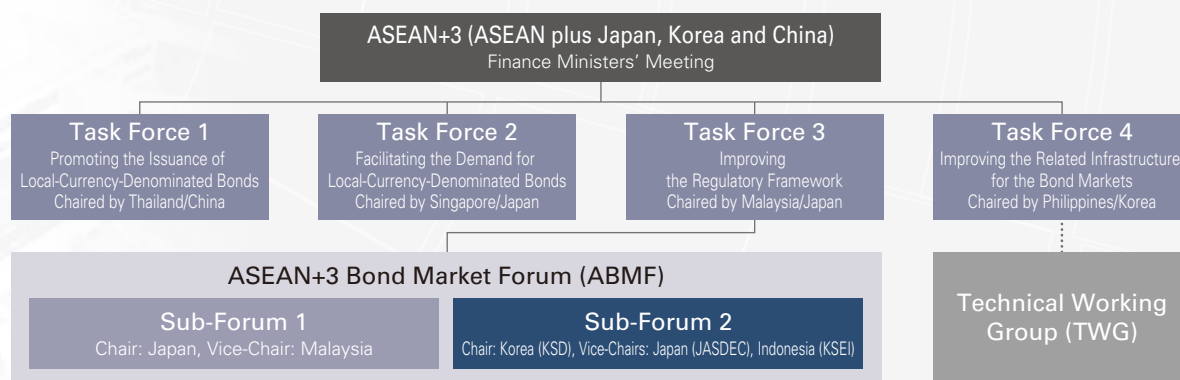
◆ JASDEC activities in the ABMF

The ABMF, set up with the objectives of conducting studies to standardize market practices concerning cross-border bond transactions in the ASEAN region and to harmonize regulations within the region, began its work with two sub-forums held at its inaugural meeting at Tokyo in September 2010. These were: Sub-forum 1, whose main agenda is “Identifying regulatory barriers related to bond transactions in general” and Sub-forum 2, whose agenda is “Identifying cross-border settlement operations.” As a Japanese representative in Sub-forum 2, JASDEC is actively contributing to the debate held at three forum meetings where the topics discussed have

included the CSDs in each country, the practice of the global custodian in transactions settled across borders, and custodial practices for settlements in one’s own country.

In our work to promote “Identifying cross-border settlement operations,” there are plans to prepare a flow chart integrating the bond settlement procedures in each of the countries and to visit those countries in the Asian region to deepen understanding. Further discussions will be held in the months ahead, with the aim of completing the final report by the end of the year.

[Positioning of ASEAN+3 Bond Market Forum (ABMF)]



Agendas	Sub-Forum 1 (Comprised of self-regulatory organizations, etc.) ▶ Identifying regulatory barriers related to bond transactions in general
	Sub-Forum 2 (Comprised of working-level staff of CSDs, etc.) ▶ Identifying cross-border settlement operations (standardization of message format, etc.)

* Establishment of ABMF was approved at the ASEAN+3 Finance Ministers' Meeting held in May 2010.

Analysis of Business Performance and Financial Results

Note: In the following section, all comparisons are with the previous fiscal year (fiscal 2010, ended March 31, 2011) unless stated otherwise.

During the reporting period ended March 31, 2011, the Japanese economy began to show signs of improvement in personal consumption and corporate earnings. However, employment and wages remained depressed and the recovery in consumption lacked strength, lending considerable uncertainty to the outlook.

In securities markets, despite the Nikkei Average reaching a 2010 calendar year high of ¥11,339 in April amid expectations of a recovery in corporate earnings, factors such as European financial instability, U.S. economic uncertainty and the strong yen led to a fall in the market, with the Nikkei Average dropping below ¥9,000 in mid August. It subsequently recovered to the ¥10,000 level in November, supported by an easing of the yen and additional measures taken by the FOMC in the U.S., and sustained this level through the start of 2011. After the Great East Japan Earthquake in March the Nikkei again fell through the ¥10,000 level as the extent of the disaster became apparent and investors took flight from risk.

JASDEC's operating revenues for fiscal 2010 declined ¥1,246 million, or 5.9%, year on year, to ¥19,726 million, primarily due to reductions in the rate of commission charged for book-entry transfers for stocks, etc. While operating expenses decreased ¥1,270 million, or 6.9%, to ¥17,068 million, operating income increased ¥24 million, or 0.9%, to ¥2,658 million. Income before income taxes increased ¥68 million, or 2.6%, to ¥2,673 million. As a result, net income for the period was ¥1,608 million, representing a year-on-year increase of ¥291 million, or 22.2%. The earnings performance of each of JASDEC's business segments is as follows.

Book-Entry Transfer System for Stocks, etc.

In this business, JASDEC was handling a total of 3,819 issues as of March 31, 2011, representing 87 fewer issues than one year earlier. Account balances included 418.6 billion shares (up 5.6 billion shares compared to one year earlier), ¥1.1 trillion for bonds with share options (down ¥43.4 billion),

2.5 billion account units for ETFs (up 257 million account units), 13.7 million account units for REITs (up 3.1 million account units), and 700,000 account units for preferred equity investment of financial institutions established by cooperative associations (unchanged from the end of the previous fiscal year). The total number of book-entry transfers handled decreased by 1.3 million to 83.4 million transactions, with increases in both account balances and number of transactions, and the impact of the reduction in commission rates, as noted above, meant that earnings in this business segment for the year declined ¥773 million, or 4.2%, to ¥17,562 million. During the period under review, refunds of ¥3,018 million were made on book-entry transfers and account management.

After deduction of this amount, earnings from the Book-entry Transfer System for Stocks, etc. decreased ¥1,049 million, or 6.7%, to ¥14,544 million.

Book-Entry Transfer for Commercial Paper

This business segment had a total of 488 corporate issuers as of March 31, 2011, decreased by 2 issuers from the end of the previous fiscal year. Total transaction value was ¥14.0 trillion, down ¥85.3 billion year on year, and the total number of issuance, transfer and redemption transactions handled was 283,202 transactions, a decrease of 21,457 transactions. Earnings from this business segment declined ¥30 million, or 6.3%, to ¥457 million.

Book-Entry Transfer System for Corporate Bonds

This business segment was handling a total of 67,788 issues as of March 31, 2011, representing 3,414 fewer issues than one year earlier. Total transaction value was ¥250.7 trillion, an increase of ¥4.5 trillion year on year, and the total number of issuance, transfer and redemption transactions handled was 505,677 transactions, an increase of 24,587 transactions. Earnings from this business segment declined ¥8 million, or 0.6%, to ¥1,288 million.

Book-Entry Transfer System for Investment Trusts

This business segment was handling a total of 6,575 issues as of March 31, 2011, representing 278 more issues than one year earlier, and comprising 3,885 publicly offered investment trusts and 2,690 privately placed investment trusts. The total account balance, based on principle value, was ¥114.9 trillion, representing a ¥4.6 trillion increase from one year earlier and comprising ¥83.1 trillion in publicly offered investment trusts and ¥31.7 trillion in privately placed investment trusts. The total number of issuance, purchase and redemption transactions handled was 4,084,753 transactions, an increase of 143,945 transactions. Earnings from this business segment increased ¥22.1 million, or 2.1%, to ¥1,062 million.

DVP Settlement Services for NETDs

This business segment handled a total of 20.4 million NETD DVP settlements during the year ended March 31, 2011, a year-on-year decrease of 0.3 million settlements, and earnings from this segment declined ¥13 million, or 1.5%, to ¥943 million. During the year under review JDCC made refunds on DVP settlement commissions totaling ¥182 million. After deduction of this amount, earnings from DVP settlement services decreased ¥6 million, or 0.9%, to ¥760 million.

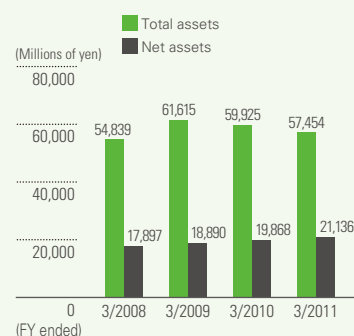
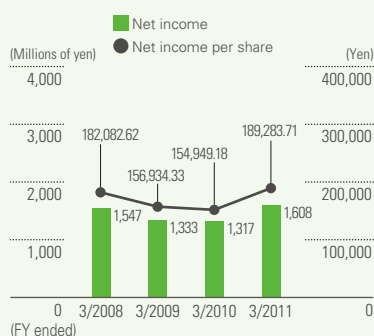
Pre-Settlement Matching System

Earnings from this business segment declined ¥9 million, or 0.5%, to ¥2,001 million. During the year under review JASDEC made refunds on pre-settlement matching services totaling ¥615 million. After deduction of this amount, earnings from this business segment decreased ¥138 million, or 9.1%, to ¥1,386 million.

Custody Services for Foreign Stock Certificates, etc.

This business segment had an account balance of 89 million foreign stocks, etc., excluding foreign covered warrants, as of March 31, 2011, an increase of 10 million compared to one year earlier. The account balance for foreign covered warrants was 76 million warrants, a decrease of 25 million compared to one year earlier. The total number of transactions (including foreign covered warrants) was 152,407 transactions, 2,492 more than in the previous year. Earnings from this business segment declined ¥35 million, or 13.3%, to ¥228 million.

Financial results (consolidated)



Consolidated Financial Statements

Consolidated Balance Sheets (As of March 31, 2010 and 2011)

	¥ (thousands)		\$ (thousands) (Note 4)
	2010	2011	2011
ASSETS			
Current Assets:			
Cash and deposits	¥ 3,468,876	¥ 4,516,648	\$ 54,319
Accounts receivable – trade	3,318,125	3,443,641	41,415
Deferred income taxes (Note 12)	87,514	160,592	1,931
Designated assets for clearing funds (Note 3)	33,121,473	33,530,047	403,248
Other current assets	355,804	323,882	3,895
Allowance for doubtful accounts	(6,480)	(7,256)	(87)
Total Current Assets	40,345,313	41,967,555	504,721
Property and Equipment:			
Buildings and structures	842,948	859,474	10,336
Tools and furniture	5,386,775	5,460,708	65,673
Lease assets	81,823	93,323	1,122
	6,311,546	6,413,505	77,131
Less: Accumulated depreciation	(4,502,678)	(5,073,347)	(61,014)
Total Property and Equipment	1,808,867	1,340,158	16,117
Intangible Assets, Net:			
Software	15,988,208	12,218,911	146,950
Construction in progress (Software)	43,055	346,479	4,167
Lease assets	9,165	6,468	78
Other intangible assets	18,038	17,923	215
Total Intangible Assets	16,058,467	12,589,781	151,410
Investment and Other Assets:			
Investment securities (Note 2-(2))	356,179	414,128	4,980
Long-term prepaid expenses	46,642	18,265	219
Deferred income taxes (Note 12)	774,595	598,833	7,202
Long-term refundable lease deposits	506,282	503,534	6,056
Claims provable in bankruptcy, rehabilitation and other	44,356	31,114	374
Others	1,000	1,000	12
Allowance for doubtful accounts	(16,621)	(10,181)	(122)
Total Investment and Other Assets	1,712,434	1,556,695	18,721
Total Assets	¥59,925,084	¥57,454,190	\$690,970

The accompanying notes are an integral part of these statements.

	¥ (thousands)		\$ (thousands) (Note 4)
	2010	2011	2011
LIABILITIES			
Current Liabilities:			
Accounts payable – trade	¥ 823,303	¥ 769,998	\$ 9,260
Short-term borrowings (Note 5)	4,800,000	—	—
Lease obligations (Note 9)	20,003	22,789	274
Income taxes payable	101,677	894,525	10,758
Allowance for employees' bonuses	182,234	183,096	2,202
Allowance for executives' bonuses	20,700	20,500	247
Consumption taxes payable	391,978	117,831	1,417
Deposits received for clearing funds (Note 3)	33,121,473	33,530,047	403,248
Other current liabilities	182,401	329,609	3,964
Total Current Liabilities	39,643,774	35,868,397	431,370
Long-term Liabilities:			
Lease obligations (Note 9)	52,668	40,363	485
Allowance for employees' retirement benefits (Note 10)	256,723	311,333	3,744
Allowance for executives' retirement benefits	41,160	30,000	361
Allowance for loss on business trust agreement cancellation	62,694	67,121	807
Total Long-term Liabilities	413,246	448,818	5,397
Total Liabilities	40,057,021	36,317,216	436,767
NET ASSETS			
Shareholders' Equity:			
Common stock			
Authorized: 10,000 shares			
Issued: 8,500 shares	4,250,000	4,250,000	51,112
Capital surplus	4,250,000	4,250,000	51,112
Retained earnings	11,368,062	12,636,974	151,979
Total Shareholders' Equity	19,868,062	21,136,974	254,203
Total Net Assets	19,868,062	21,136,974	254,203
Total Liabilities and Net Assets	¥59,925,084	¥57,454,190	\$690,970

The accompanying notes are an integral part of these statements.

Consolidated Financial Statements

Consolidated Statements of Income and Comprehensive Income (For the years ended March 31, 2010 and 2011)

	¥ (thousands)		\$ (thousands) (Note 4)
	2010	2011	2011
Operating Revenues	¥20,973,007	¥19,726,909	\$237,244
Operating Expenses:			
Executives' compensation and bonuses	209,497	210,976	2,537
Salaries and bonuses	1,918,927	1,966,166	23,646
Severance costs for employees (Note 10)	102,970	102,322	1,230
Maintenance of systems	6,868,608	6,779,277	81,531
Outside services	358,300	2,350	28
Depreciation and amortization	6,386,058	5,725,759	68,861
Rent	670,626	551,479	6,632
Advertisements	109,835	78,460	944
Others	1,713,850	1,651,664	19,864
Total Operating Expenses	18,338,677	17,068,456	205,273
Operating Income	2,634,330	2,658,452	31,971
Other Income (Expenses):			
Interest income	254	110	1
Operational revenue on designated assets for clearing funds	19,767	18,190	219
Equity in earnings of affiliates	59,261	62,249	748
Interest expenses (Note 9)	(66,265)	(20,812)	(250)
Commitment fees	(43,900)	(42,678)	(513)
Fees for fund operation of designated assets for clearing funds	(7,794)	(7,790)	(93)
Loss on disposal of fixed assets (Note 11)	(178,610)	(3,191)	(38)
Reversal of allowance for loss on business trust agreement cancellation	1,010	—	—
Reversal of allowance for loss on computer center transfer	33,200	—	—
Reversal of allowance for doubtful accounts	—	8,126	97
Loss on business trust agreement cancellation	(52,878)	—	—
Others, net	9,091	5,812	69
Total	(226,865)	20,017	241
Income before Income Taxes and Minority Interests	2,407,464	2,678,469	32,212
Income Taxes (Note 12)			
Current	224,403	966,873	11,628
Prior years	972,282	—	—
Deferred	(106,289)	102,684	1,235
Total income taxes	1,090,396	1,069,557	12,863
Income before Minority Interests	—	1,608,911	19,349
Net Income	1,317,068	1,608,911	19,349
Income before Minority Interests	—	1,608,911	19,349
Comprehensive Income	¥ —	¥ 1,608,911	\$ 19,349
Comprehensive income			
Comprehensive income attributable to JASDEC shareholders	—	1,608,911	19,349
Comprehensive income attributable to minority shareholders	—	—	—

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets (For the years ended March 31, 2010 and 2011)

	¥ (thousands)					
	Number of common stock shares	Common stock	Capital surplus	Retained earnings	Total shareholders' equity	Total net assets
Balance as of March 31, 2009	8,500	¥4,250,000	¥4,250,000	¥10,390,994	¥18,890,994	¥18,890,994
Cash dividends	—	—	—	(340,000)	(340,000)	(340,000)
Net income for the year	—	—	—	1,317,068	1,317,068	1,317,068
Balance as of March 31, 2010	8,500	¥4,250,000	¥4,250,000	¥11,368,062	¥19,868,062	¥19,868,062
Cash dividends	—	—	—	(340,000)	(340,000)	(340,000)
Net income for the year	—	—	—	1,608,911	1,608,911	1,608,911
Balance as of March 31, 2011	8,500	¥4,250,000	¥4,250,000	¥12,636,974	¥21,136,974	¥21,136,974

	\$ (thousands) (Note 4)					
	Number of common stock shares	Common stock	Capital surplus	Retained earnings	Total shareholders' equity	Total net assets
Balance as of March 31, 2010	8,500	\$51,112	\$51,112	\$136,718	\$238,942	\$238,942
Cash dividends	—	—	—	(4,088)	(4,088)	(4,088)
Net income for the year	—	—	—	19,349	19,349	19,349
Balance as of March 31, 2011	8,500	\$51,112	\$51,112	\$151,979	\$254,203	\$254,203

The accompanying notes are an integral part of these statements.

	Yen		U.S.Dollars (Note 4)
	2010	2011	2011
Per Share (Note 17)			
Net income – primary	¥154,949.18	¥189,283.71	\$2,276
Dividends	40,000	40,000	481
Weighted-average number of common stock outstanding (in shares)	8,500	8,500	—

Consolidated Financial Statements

Consolidated Statements of Cash Flows (For the years ended March 31, 2010 and 2011)

	¥ (thousands)	¥ (thousands)	\$ (thousands) (Note 4)
	2010	2011	2011
Cash Flows from Operating Activities:			
Income before income taxes	¥ 2,407,464	¥2,678,469	\$32,212
Depreciation and amortization	6,386,058	5,725,759	68,860
Increase (decrease) in allowance for doubtful accounts	327	(5,664)	(68)
Increase (decrease) in allowance for employees' bonuses	(2,867)	861	10
Increase (decrease) in allowance for executives' bonuses	400	(200)	(2)
Increase in allowance for employees' retirement benefits	57,300	54,610	656
Decrease in allowance for executives' retirement benefits	—	(11,160)	(134)
Decrease in allowance for loss on business trust agreement cancellation	(940,103)	—	—
Decrease in allowance for loss on computer center transfer	(242,379)	—	—
Interest income	(254)	(110)	(1)
Interest expenses	66,265	20,812	250
Equity in earnings of affiliates	(59,261)	(62,249)	(748)
Foreign exchange loss	294	2,607	31
Loss on sale of property and equipment	730	—	—
Loss on disposal of property and equipment	47,232	3,000	36
Loss on disposal of intangible assets	131,378	190	2
Increase in accounts receivable – trade	(157,039)	(112,274)	(1,350)
Decrease in accounts payable – trade	(45,122)	(53,305)	(641)
Decrease (increase) in other assets	98,970	(103,819)	(1,248)
Decrease (increase) in other liabilities	828,786	(269,088)	(3,236)
Sub-total	8,578,181	7,868,440	94,629
Interest and dividends received	11,754	4,410	53
Interest paid	(92,300)	(22,167)	(266)
Income taxes paid	(685,984)	(197,796)	(2,379)
Income taxes paid for prior years	(903,351)	(59,016)	(710)
Income taxes refunded	200,702	233,786	2,811
Net Cash Provided by Operating Activities	7,109,001	7,827,657	94,138
Cash Flows from Investing Activities:			
Payments for purchase of property and equipment	(314,290)	(66,637)	(801)
Payments for purchase of intangible assets	(1,734,155)	(1,551,786)	(18,663)
Proceeds from repayment of lease deposits	266,575	4,128	49
Payment of lease deposits	(258,082)	(1,380)	(16)
Other payments	(1,000)	—	—
Net Cash Used in Investing Activities	(2,040,953)	(1,615,676)	(19,431)
Cash Flows from Financing Activities:			
Short-term borrowings	22,800,000	—	—
Repayment of short-term borrowings	(26,400,000)	(4,800,000)	(57,727)
Repayment of lease obligations	(14,855)	(21,600)	(260)
Cash dividends paid	(340,000)	(340,000)	(4,088)
Net Cash used in Financing Activities	(3,954,855)	(5,161,600)	(62,075)
Effect of exchange rate changes on cash and cash equivalents	(294)	(2,607)	(31)
Net Increase in Cash and Cash Equivalents	1,112,897	1,047,772	12,601
Cash and Cash Equivalents at Beginning of Year	2,355,978	3,468,876	41,718
Cash and Cash Equivalents at End of Year	¥ 3,468,876	¥4,516,648	\$54,319

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements have been compiled from the accounts maintained by Japan Securities Depository Center, Inc. ("the Company") and its subsidiary in accordance with the provisions set forth in the Financial Instruments and Exchange Act in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

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 operates under a fiscal year ending March 31, which is the same as that of the Company.

(2) Application of equity method

The equity method is applied to shares of Tosho System Services Co., Ltd. (hereafter, "TSS") included and presented in Investment securities.

(3) Property and equipment (except lease assets)

Depreciation for buildings, excluding improvements, is calculated using the straight-line method. Depreciation for other capital assets is calculated using the declining-balance method.

The main estimated useful lives are as follows:

Buildings and structures	3-50 years
Tools and furniture	2-15 years

(4) Intangible assets (except lease assets)

Costs of software for internal use are capitalized and amortized on a straight-line basis over an estimated useful life of 5 years. Other intangible assets are amortized using the straight-line method over the period registered by the Corporation Tax Act.

(5) Lease assets

The straight-line method is applied to assets leased under finance leases without ownership transfer and the residual value is zero. The Company accounts for finance leases without ownership transfer as operating leases if the transaction commenced prior to the previous fiscal year ended March 31, 2009.

(6) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount determined based on the Company's historical

average charge-off ratio for ordinary receivables, and estimates of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

(7) Allowance for bonuses

Allowance for employees' bonuses and allowance for executives' bonuses are provided for bonuses attributable to each fiscal year based on the estimated amount of the respective payments.

(8) Allowance for loss on business trust agreement cancellation

Allowance is provided for an adjustment fee on cancellation of entrusted operations due to dematerialization of stock certificates.

(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 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) Adoption of new accounting standards

- i) From the fiscal year ended March 31, 2011, the Company has applied the Accounting Standard for Equity Method of Accounting for Investments (Accounting Standard Board of Japan Statement No.16, March 10, 2008) and the Principal Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (Practical Issues Task Force No. 24, March 10, 2008). This has not resulted in any significant effect on income.
- ii) From the fiscal year ended March 31, 2011, the Company has applied the Accounting Standard for Asset Retirement Obligations (Accounting Standard Board of Japan Statement No.18, March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (Accounting Standard Board of Japan Guidance No.21, March 31, 2008). This has not resulted in any significant effect on income.

(11) Changes to presentation

From the fiscal year ended March 31, 2011, the Company has disclosed "Income before minority interests" based on the Partial Amendments to Cabinet Office Ordinance on the Regulation for Terminology, Forms and Preparation of Financial Statements (Cabinet

Office Ordinance No. 5, March 24, 2009) according with the Accounting Standard for Consolidated Financial Statements (Accounting Standard Board of Japan Statement No. 22, December 26, 2008).

(12) Supplemental information

From the fiscal year ended March 31, 2011, the Company has applied the Accounting Standard for Presentation of Comprehensive Income (Accounting Standard Board of Japan Statement No. 25, June 30, 2010).

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 parties who undertake securities obligations in accordance with the provisions set forth in JDCC’s general provisions in accordance with Article 156, Paragraph 7-1, of the Financial Instruments and Exchange Act (Law No. 25, 1948).

JDCC manages cash and securities entrusted by the DVP participants as clearing funds defined in Article 156-11 of the Financial Instruments and Exchange Act separately from other assets in accordance with JDCC’s general provisions and Article 7 of the Cabinet Office Ordinance on Financial Instruments Clearing Organization (Cabinet Office Ordinance No. 76, 2002).

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

Under the DVP for NETDs settlement system, when JDCC accepts DVP participants’ obligations to counterparties, the DVP participants involved in the transactions shall assume the same obligations to JDCC.

JDCC requires each DVP participant to establish a participant fund in excess of the minimum amount set forth in JDCC’s general provisions to ensure that the respective obligations of DVP participants are covered. The aggregate amount of minimum participant funds required by JDCC’s general provisions as of March 31, 2010 and 2011 was ¥15,000,000 thousand (\$180,390 thousand). 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.

These money trusts are evaluated at cost, as available-for-sale securities with no market value.

Assets and liabilities pertaining to participant funds are presented as Designated assets for clearing assets and Deposits received for clearing funds, respectively.

(2) Collateral securities

Under the DVP for 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, 2010 and 2011, the market value of collateral securities entrusted to JDCC was ¥109,579,182 thousand and ¥84,977,948 thousand (\$1,021,983 thousand), respectively.

4. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥83.15=US \$1, the rate of exchange as of March 31, 2011, 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. Commitment Line and Overdraft Contracts

To ensure agile and stable fund raising, the Company has overdraft contracts (¥7,000,000 thousand (\$84,185 thousand) in total) with four banks. To prepare for a possible deficiency of funds due to a default by DVP participants, JDCC has concluded commitment line agreements (¥45,000,000 thousand (\$541,190 thousand) in total) with three banks, as part of a liquid fund for completing fund settlement on the required day.

6. Net Assets

The Companies Act of Japan provides that an amount equal to 10% of the amount to be distributed as distribu-

tions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

7. Lease Transactions

Finance lease transactions, other than those in which the ownership of the leased asset is transferred to the lessee that commenced before the first fiscal year in which the new accounting standard is applied continue to be accounted for as operating lease transactions. The following table shows the amounts which would have been recorded as finance leases as of March 31, 2010 and 2011 and for the years then ended:

	¥ (thousands)		\$ (thousands)
	2010	2011	2011
Tools and furniture:			
Acquisition cost	¥1,882,666	¥1,882,666	\$22,641
Accumulated depreciation	(935,196)	(1,311,729)	(15,775)
Net book value	¥ 947,469	¥ 570,936	\$ 6,866
Software:			
Acquisition cost	¥ 216,774	¥ 216,774	\$ 2,607
Accumulated depreciation	(108,384)	(151,739)	(1,825)
Net book value	¥ (108,389)	¥ 65,034	\$ 782
Lease obligations including interest thereon:			
Due within one year	¥ 421,227	¥ 423,950	\$ 5,098
Due over one year	642,797	218,847	2,632
Total	¥1,064,075	¥ 642,797	\$ 7,730
Finance lease charges	¥ 418,839	¥ 426,663	\$ 5,131
Depreciation expense	412,437	419,887	5,049
Interest portion	7,557	5,359	64

Notes 1. Methods applied in calculating the above 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 over the lease term based on the interest rate method.

2. Finance lease transactions

① Lease assets:

Property and equipment: Backup system hardware

Intangible assets: Back up system software

② Depreciation: Based on zero residual value over the lease term

8. Fair Value Measurements for Financial Instruments

1. Basic policies for financial instruments

The Company limits financial investment to short-term deposits, and fund raising to borrowings from banks and others. Because accounts receivable are subject to counterparty risk from participants in the book-entry transfer system, the Company continuously monitors the financial conditions of the participants.

2. Estimated fair value of financial instruments

The following table presents carrying amount on the balance sheet, fair value and difference between carrying amount and fair value as of March 31, 2010 and 2011.

For the year ended March 31, 2010

	Carrying amount on the balance sheet	Fair value	Difference
	¥ (thousand)		
(1) Cash and deposits	¥ 3,468,876	¥ 3,468,876	—
(2) Accounts receivable-trade	3,318,125		—
Allowance for doubtful accounts*	(6,480)		
	3,311,644	3,311,644	—
(3) Designated assets for clearing funds	33,121,473	33,121,473	—
(4) Accounts payable-trade	(823,203)	(823,303)	—
(5) Short-term borrowings	(4,800,000)	(4,800,000)	—
(6) Deposits received for clearing funds	(33,121,473)	(33,121,473)	—

*Allowance for doubtful accounts is deducted from Accounts receivable-trade.

Notes 1. Calculation methods for fair value of financial instruments

(1) Cash and deposits, and (2) Accounts receivable-trade

The book value was deemed to be fair value for these items since the book value approximates fair value because of the short settlement period.

(4) Accounts payable-trade, and (5) Short-term borrowings

The book value was deemed to be fair value for these items since the book value approximates fair value because of the short settlement period.

(3) Designated assets for clearing funds, and (6) Deposits received for clearing funds

The book value was deemed to be fair value since these items represent assets and liabilities reflecting their roles in maintaining a stable securities trading environment.

2. Investment securities totaling ¥356,179 thousand as of March 31, 2010 are affiliated companies' stocks for which market quotes are not available and future cash flow is extremely difficult to estimate. Accordingly, such Investment securities are not included in the above table.

3. Estimated redemptions for monetary claims and securities with maturities after the end of the consolidated financial period: All deposits and accounts receivable-trade in the above table have settlement dates within one year.

For the year ended March 31, 2011

	Carrying amount on the balance sheet		Fair value		Difference
	¥ (thousand)	\$ (thousand)	¥ (thousand)	\$ (thousand)	
(1) Cash and deposits	¥ 4,516,648	\$ 54,319	¥ 4,516,648	\$ 54,319	—
(2) Accounts receivable-trade	3,443,641	41,415			
Allowance for doubtful accounts *	(7,021)	84			
	3,436,620	41,330	3,436,620	41,330	—
(3) Designated assets for clearing funds	33,530,047	403,248	33,530,047	403,248	—
(4) Accounts payable-trade	(769,998)	(9,260)	(769,998)	(9,260)	—
(5) Deposits received for clearing funds	(33,530,047)	(403,248)	(33,530,047)	(403,248)	—

* Allowance for doubtful accounts is deducted from Accounts receivable-trade.

Notes 1. Calculation methods for fair value of financial instruments

(1) Cash and deposits, (2) Accounts receivable-trade, and (4) Accounts payable-trade

The book value was deemed to be fair value for these items since the book value approximates fair value because of the short settlement period.

(3) Designated assets for clearing funds, and (5) Deposits received for clearing funds

The book value was deemed to be fair value since these items represent assets and liabilities reflecting their roles in maintaining a stable securities trading environment.

2. Investment securities totaling ¥414,128 thousand (\$4,980 thousand) as of March 31, 2011 are affiliated companies' stocks for which market quotes are not available and future cash flow is extremely difficult to estimate. Accordingly, such Investment securities are not included in the above table.

3. Estimated redemptions for monetary claims and securities with maturities after the end of the consolidated financial period: All deposits and accounts receivable-trade in the above table have settlement dates within one year.

9. Lease Obligations

The Company had ¥40,363 thousand (\$485 thousand) long-term lease obligations, and ¥22,789 thousand (\$274 thousand) short-term lease obligations. The weighted average interest rate of lease obligations was 1.4% per annum. Total borrowings by lease obligations were ¥63,152 thousand (\$759 thousand) as of March 31, 2011.

10. Allowance for Severance Indemnities for Employees

Allowance for employees' retirement benefits on March 31, 2010 and 2011 represented the amount that would be payable by the Company if all eligible employees voluntarily terminated their employment at the balance sheet dates. Severance costs for employees charged to income for the years ended March 31, 2010 and 2011 amounted to ¥102,970 thousand and ¥102,322 thousand (\$1,230 thousand), respectively.

11. Loss on Disposal of Fixed Assets

The following table shows disposal of fixed assets:

	¥ (thousands)		\$ (thousands)
	2010	2011	2011
Buildings and equipments	¥ 32,723	¥1,633	\$20
Tools and furniture	14,508	1,367	16
Software	125,594	190	2
Long-term prepaid expenses	5,783	—	—
Total	¥178,610	¥3,191	\$38

12. Income Taxes

(1) Deferred tax assets

The following table shows the breakdown of deferred tax assets:

	¥ (thousands)		\$ (thousands)
	2010	2011	2011
Deferred tax assets:			
Accrued business tax	¥ —	¥ 71,133	\$ 855
Allowance for employees' bonuses	73,987	74,337	894
Business facility taxes	4,364	4,131	50
Accrued social insurance premiums	9,502	10,100	121
Allowance for doubtful accounts	3,035	888	11
Allowance for employees' retirement benefits	104,229	126,401	1,520
Excess amortization of deferred charges for tax purposes	4,005	1,657	20
Allowance for executives' retirement benefits	16,710	12,180	146
Excess depreciation of fixed assets	666,360	470,774	5,662
Sub-total deferred tax assets	882,195	771,605	9,279
Valuation allowance	(16,710)	(12,180)	(146)
Total deferred tax assets	865,485	759,425	9,133
Deferred tax liabilities:			
Enterprise taxes payable	3,375	—	—
Total deferred tax liabilities	3,375	—	—
Net deferred tax assets	¥862,109	¥759,425	\$9,133

(2) Reconciliation between the nominal statutory income tax rate and the effective income taxes rate

This disclosure requirement is not applicable because the difference between the statutory tax rate and the effective tax rate for the years ended March 31, 2010 and 2011 is less than 5% of the statutory tax rate.

13. Notes to the Consolidated Statements of Changes in Net Assets

(1) Outstanding shares

Class of share	March 31, 2009	Increase	Decrease	March 31, 2010
Ordinary shares	8,500	—	—	8,500
Class of share	March 31, 2010	Increase	Decrease	March 31, 2011
Ordinary shares	8,500	—	—	8,500

(2) Treasury stock

Not applicable.

(3) Stock subscription rights and other securities

Not applicable.

(4) Dividends

1. Payment of the dividends

Resolution	Class of Share	Payment Source	Total Amount ¥ (thousands)	Dividend per Share ¥	Record Date	Effective Date
Ordinary General Shareholders Meeting (June 21, 2010)	Ordinary Shares	Retained Earnings	¥340,000	¥40,000	March 31, 2010	June 22, 2010

2. Dividends for which the record date is in the year ended March 31, 2011 and for which the effective date is in the year ending March 31, 2012

Resolution	Class of Share	Payment Source	Total Amount ¥ (thousands)	Dividend per Share ¥	Record Date	Effective Date
Ordinary General Shareholders Meeting (June 20, 2011)	Ordinary Shares	Retained Earnings	¥340,000 (\$4,088 thousand)	¥40,000 (\$481)	March 31, 2011	June 21, 2011

14. Stock Options

Not applicable

15. Segment Information

- (1) **Business segment** (From April 1, 2009 to March 31, 2010)

Disclosure is omitted because the Company operates a single business unit, the book-entry transfer system for securities.

- (2) **Geographic information** (From April 1, 2009 to March 31, 2010)

Disclosure is omitted because the Company had neither overseas consolidated subsidiaries nor overseas branches.

- (3) **Overseas sales** (From April 1, 2009 to March 31, 2010)

Disclosure is omitted because the Company did not have any overseas sales for the years ended March 31, 2010.

- (4) **Disclosure and Measurement** (From April 1, 2010 to March 31, 2011)

The Company has one business segment for Book-entry Transfer of Securities, therefore omitted the segment information.

- (5) **Enterprise-wide disclosures** (From April 1, 2010 to March 31, 2011)

- ① **Information by products and services**

The Company omitted segment information because operating revenues in consolidated statements of income and comprehensive income from external customers in one business product exceeded 90% from April.

- ② **Information about geographic areas**

- i) **Operating revenues**

Disclosure is omitted because the Company had no operating revenue from external customers in overseas.

- ii) **Tangible assets**

Disclosure is omitted because the Company had no tangible assets in overseas.

- ③ **Information about major customers**

Name of the customers

Japan Securities Clearing Corporation

Amount of Revenue

¥2,195,894 (thousands) (\$26,408 thousands)

Reportable Segment

Book-entry and Transfer Securities

- (6) **Disclosure of information about impairment loss on fixed assets in reportable segments** (From April 1, 2010 to March 31, 2011)

None

- (7) **Disclosure of information about amortization and year-end balance of goodwill in reportable segments** (From April 1, 2010 to March 31, 2011)

None

- (8) **Disclosure of information about bargain purchase gain negative goodwill in reportable segments** (From April 1, 2010 to March 31, 2011)

None

- (9) **Supplemental information**

From the current fiscal year, the Company has applied the Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information (ASBJ Statement No. 17 revised March 27, 2009), and its Implementation Guidance (Guidance on the Accounting Standard for Disclosure No. 20, March 21, 2008).

16. Related Party Transactions

The material transactions of the Company with related companies or individuals, excluding transactions with the consolidated subsidiary that are eliminated in the consolidation and those disclosed elsewhere in these financial statements, for the years ended March 31, 2010 and 2011 are as follows:

For the year ended March 31, 2010

Related party transactions

(1) Subsidiaries and affiliates

Names of companies	Address	Capital ¥ (thousands)	Principal business	Percentage of ownership with voting right	Relationship		Transactions	Amount (Note 1) ¥ (thousands)	Descriptions (Note 2)	Balance at end of period ¥ (thousands)
					Directors holding concurrent positions	Business relationship				
Tosho System Service Co. Ltd.	Chuo-ku, Tokyo	¥100,000	Design & development of software	20% directly held	Two	Purchasing software and system maintenance	Payment of computer maintenance fee	¥1,830,588	Accounts payable-trade	¥246,133
							Purchase of software	¥431,170	—	—

Notes 1. The transaction amounts above exclude consumption taxes. However, the end balances include consumption taxes.

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

(2) Others

Names of companies	Address	Capital ¥ (thousands)	Principal business	Percentage of ownership with voting right	Relationship		Transaction	Amount (Note 1) ¥ (thousands)	Descriptions (Note 2)	Balance at end of period ¥ (thousands)
					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	¥2,459,261	Accounts receivable-trade	¥293,347

Notes 1. The transaction amounts above exclude consumption taxes. However, end balances include consumption taxes.

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

For the year ended March 31, 2011

(1) Subsidiaries and affiliates

Names of companies	Address	Capital ¥ (thousands)	Principal business	Percentage of ownership with voting right	Relationship		Transactions	Amount (Note 1) ¥ (thousands)	Descriptions (Note 2)	Balance at end of period ¥ (thousands)
					Directors holding concurrent positions	Business relationship				
Tosho System Service Co. Ltd.	Chuo-ku, Tokyo	¥100,000 (\$1,202 thousands)	Design & development of software	20% directly held	Two	Purchasing software and system maintenance	Payment of computer maintenance fee	¥1,960,369 (\$23,576 thousands)	Accounts payable-trade	¥173,220 (\$2,083 thousands)
							Purchase of software	¥373,488 (\$4,491 thousands)	Current liabilities (Others)	¥26,132 (\$314 thousands)

Notes 1. The transaction amounts above exclude consumption taxes. However, the end balances include consumption taxes.

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

(2) Others

Names of companies	Address	Capital ¥ (thousands)	Principal business	Percentage of ownership with voting right	Relationship		Transaction	Amount (Note 1) ¥ (thousands)	Descriptions (Note 2)	Balance at end of period ¥ (thousands)
					Directors holding concurrent positions	Business relationship				
Japan Securities Clearing Corporation (Subsidiary of other affiliates)	Chuo-ku, Tokyo	¥2,600,000 (\$31,268 thousands)	Clearing securities	—	Three	Commission income	Commission income	¥2,195,894 (\$26,408 thousands)	Accounts receivable-trade	¥304,962 (\$3,667 thousands)

Notes 1. The transaction amounts above exclude consumption taxes. However, the end balances include consumption taxes.

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

17. Earnings Per Share

The basis for calculating earnings per share for the years ended March 31, 2010 and 2011 is as follows:

	¥ (thousands)		\$ (thousands)
	2010	2011	2011
Net income as reported in the consolidated statements of income	¥1,317,068	¥1,608,911	\$19,349
Net income pertaining to common stock shareholders	¥1,317,068	¥1,608,911	\$19,349
Weighted-average number of common stock shares outstanding (in shares)	8,500	8,500	—

Report of Independent Auditors

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 consolidated subsidiaries as of March 31, 2010 and 2011, and the related consolidated statements of income and comprehensive income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

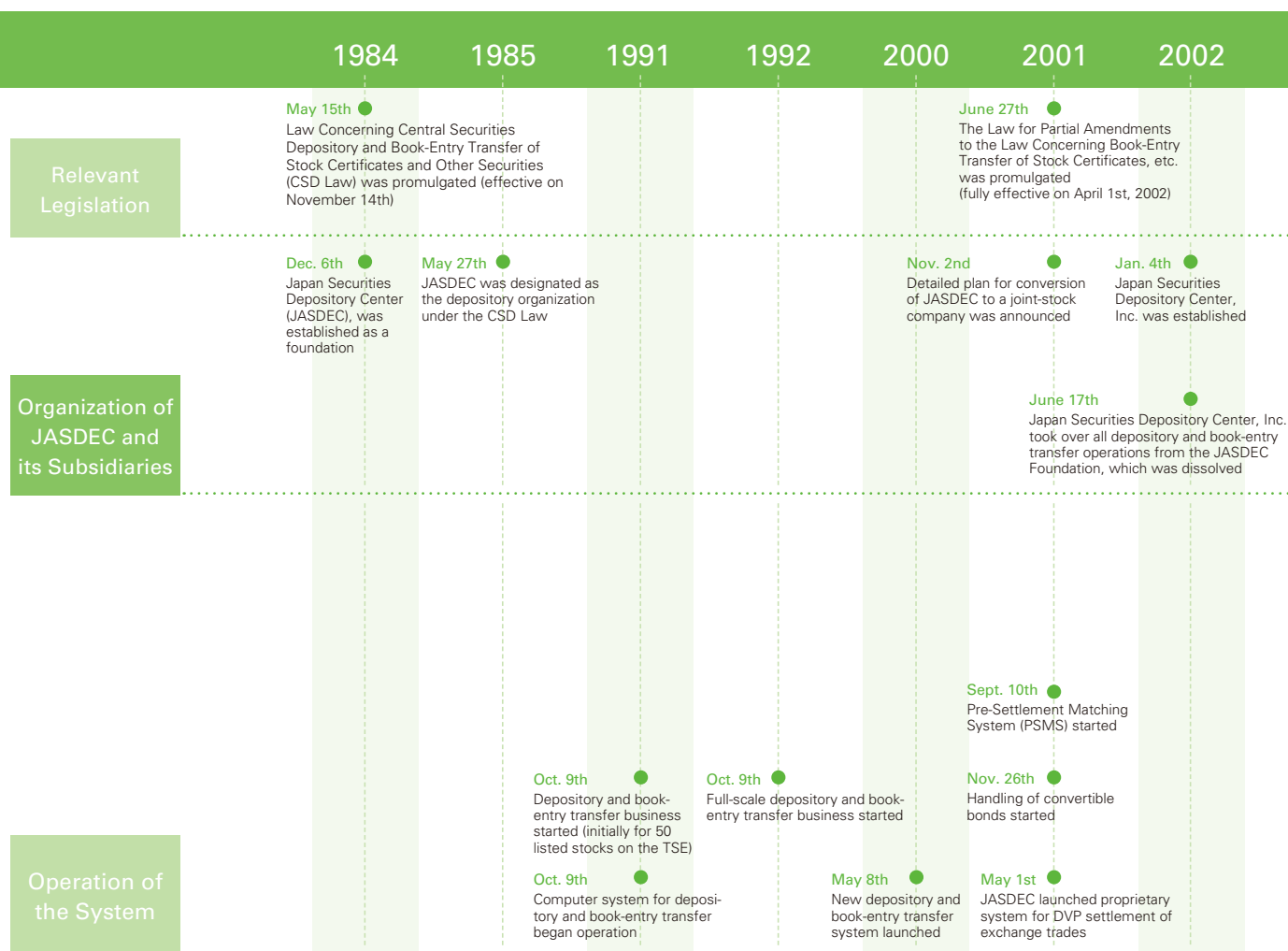
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Japan Securities Depository Center, Inc. and consolidated subsidiaries at March 31, 2010 and 2011, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4.

Ernst & Young ShinNihon LLC

June 17, 2011

History



Social Contribution

JASDEC operates a Social Contribution Selection Committee to select the company's CSR activities, and has provided support in the following areas.

Environmental protection

JASDEC supported "Suigen Shinrin Tsukuri," a movement operated by Kanagawa Prefecture to maintain the health and vitality of forestry around our water catchment areas.



Social welfare

JASDEC contributed to the Japan Guide Dog Association, supporting its aim of reducing the waiting time for people who require a guide dog from several years to within one year.

Name of Place

P.12-15 Book-Entry Transfer System for Stocks, etc.
Paris Nord, France

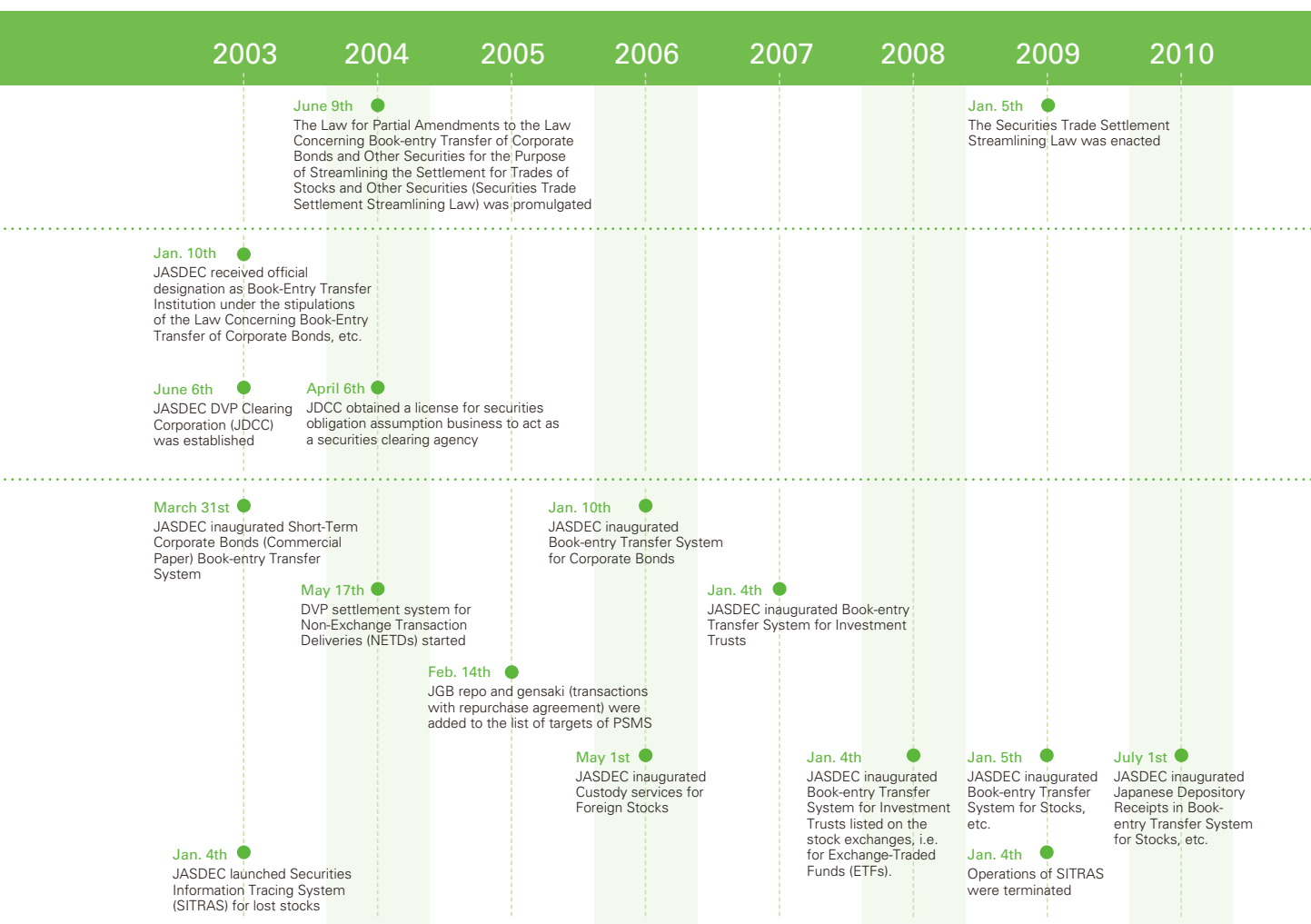


P.16-21 Book-Entry Transfer System for Commercial Paper and Corporate Bonds
Parc du Champ-de-Mars, France



P.22-25 Book-Entry Transfer System for Investment Trusts
St. Peter's Square, Italy





Medical care

JASDEC contributes to the Children's Cancer Association of Japan, an organization that supports children with cancer, provides grants for child cancer research, and conducts educational campaigns.

International cooperation

JASDEC provided support to Médecins Sans Frontières Japan, an organization that primarily provides emergency medical care to people in distress.

Charity events

JASDEC participated in the FIT Charity Run, an event which contributes to society by bringing together financial service companies to donate to worthy organizations that, due to lack of public awareness of other reasons, have insufficient funding.



P.26-29 DVP Settlement System for NETDs
Cloverleaf Interchange, U.S.A.



P.30-33 Pre-Settlement Matching System (PSMS)
Galleria Vittorio Emanuele II, Italy



P.34-37 Custody Services for Foreign Stock Certificates, etc.
Suburban housing, U.S.A.



P.38-41 International Relationships
Melbourne Airport, Australia

Profile of the company

Corporate Name	Japan Securities Depository Center, Incorporated
Registered Office Address	1-1 Nihombashi-Kayaba-cho, 2-chome, Chuo-ku, Tokyo, Japan
Established	January 4, 2002
Representative	President and CEO Haruhiko Kato (as of June 20, 2011)
Major Businesses	(1) Book-entry transfer for stocks, etc. (2) Book-entry transfer for commercial paper (3) Book-entry transfer for corporate bonds (4) Book-entry transfer for investment trusts (5) DVP settlement services for NETDs (6) Pre-settlement matching system (7) Custody services for foreign stocks, etc. (8) Other businesses
Operational Office	Tokyo
Consolidated Subsidiary	JASDEC DVP Clearing Corporation (Chuo-ku, Tokyo)
Number of Employees	208

Board Members and Auditors (As of July 1, 2011)

Chairman Yoshinobu Takeuchi	Director Masahiko Koyanagi Executive Director, Japan Securities Dealers Association	Director Shigeyuki Maeda Professor of Law, Professional School of Law(Law school), Professional Course in Law Gakushuin University
President & CEO Haruhiko Kato President, JASDEC DVP Clearing Corporation	Director Masaru Takei Executive Vice President, Tokyo Electric Power Company	Director Kanetsugu Mike Managing Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Managing Director Seikichi Ihara Managing Director, JASDEC DVP Clearing Corporation	Director Yasushi Tachihara Executive Officer, SMBC Nikko Securities Inc.	Director Hiroshi Misawa Senior Executive Officer, Chuo Mitsui Asset Trust and Banking Company, Limited
Managing Director Yoshinori Seyama Managing Director, JASDEC DVP Clearing Corporation	Director Ayumi Tomoda Operations Head, Citigroup Global Markets Japan Inc.	Director Akira Moriwaki Managing Executive Officer, Mizuho Trust & Banking Co., Ltd.
Managing Director Munetaka Saito Managing Director, JASDEC DVP Clearing Corporation	Director Masahisa Nakagawa Senior Managing Director, Daiwa Securities Capital Markets Co. Ltd.	Standing Auditor Hiroshi Kitta Auditor, JASDEC DVP Clearing Corporation Auditor, Tosho System Service Co., Ltd.
Director Moriyuki Iwanaga Executive Officer, Tokyo Stock Exchange, Inc.	Director Kunihisa Hama Lawyer	Auditor Jun Ohta Director and General Manager, Sumitomo Mitsui Banking Corporation
Director Masakazu Kubota Senior Managing Director, Japan Business Federation	Director Masayuki Hoshi Managing Executive Officer, Mizuho Corporate Bank, Ltd.	Auditor Masahiko Kawaguchi Senior Executive Officer, Tokai Tokyo Securities Co., Ltd.
Director Ritsuro Koza Senior Managing Director, Nomura Securities Co., Ltd.		

Shares

Total shares approved for issue	10,000
Total issued shares	8,500
Paid-in capital	¥4,250,000,000
Shareholders	155

Major shareholders

	Number of shares held	Stake in Company (%)
Tokyo Stock Exchange Group, Inc.	1,928	22.68
Japan Securities Dealers Association	1,049	12.34
Nomura Holdings, Inc.	485	5.70
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	425	5.00
Mizuho Corporate Bank, Ltd.	425	5.00
Mitsubishi UFJ Trust and Banking Corporation	424	4.98
Citigroup Global Markets Japan Inc.	321	3.77
Japan Trustee Services Bank, Ltd.	320	3.76
Trust & Custody Services Bank, Ltd.	284	3.34
Daiwa Securities Capital Markets Co. Ltd.	230	2.70

Organization structure





Japan Securities Depository Center, Inc.

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