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 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)

	Number of common stock shares	¥ (thousands) 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**

	Number of common stock shares	$ (thousands) (Note 4) 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 2010	Yen **2011**	U.S.Dollars (Note 4) **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 Statements of Cash Flows (For the years ended March 31, 2010 and 2011)

	¥ (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 distributions 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: Directors holding concurrent positions	Relationship: Business relationship	Transactions	Amount (Note 1) ¥ (thousands)	Descriptions (Note 2)	Balance at end of period ¥ (thousands)
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: Directors holding concurrent positions	Relationship: Business relationship	Transaction	Amount (Note 1) ¥ (thousands)	Descriptions (Note 2)	Balance at end of period ¥ (thousands)
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: Directors holding concurrent positions	Relationship: Business relationship	Transactions	Amount (Note 1) ¥ (thousands)	Descriptions (Note 2)	Balance at end of period ¥ (thousands)
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: Directors holding concurrent positions	Relationship: Business relationship	Transaction	Amount (Note 1) ¥ (thousands)	Descriptions (Note 2)	Balance at end of period ¥ (thousands)
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) 2010	¥ (thousands) 2011	$ (thousands) 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**	—

ERNST & YOUNG

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