



Reliability  
with  
Innovation

Annual Report 2012



## Profile

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JASDEC is determined to maintain high standards of reliability, usability and efficiency in its settlement infrastructure by monitoring environmental and structural changes affecting capital markets in Japan and overseas, by ensuring that its systems and services operate reliably, and by continually implementing reforms and innovations based on the perspectives of investors, issuers, market intermediaries and other users.

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# JASDEC is Japan's financial foundation



## At a Glance

Total Account Balance      ¥ **696** trillion

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Number of Issues Handled      **75,856**

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Number of Transactions      **83.4** million

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Number of Transactions/Day      **339** thousand

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## Our Business

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JASDEC recognizes the importance of its public role as a provider of settlement infrastructure, which is vital to the functioning of capital markets. We are committed to the continuing provision of highly reliable services through ongoing efforts to enhance the usability and efficiency of our services and reduce settlement risks. Strengthening our IT infrastructure also remains an important priority, and in 2014 we plan to launch next-generation computer systems that will further enhance reliability.

We will steadily raise the presence of JASDEC by keeping pace with changes in the international environments and structures that surround financial and capital markets.

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## Reliability

**As a provider of settlement infrastructure for the financial and capital markets, we work from the user's perspective to maintain high standards of usability, efficiency, safety and reliability in the services that we offer.**

JASDEC is continually working to strengthen its business fundamentals to support future innovations in securities settlement systems and the diversification of its services.

# Reinforcement



# Cooperation

We actively exchange information with overseas settlement institutions and provide support to emerging countries. Through such activities, we aim to contribute to the improvement of securities market infrastructure in Japan and throughout the world.



## Management Message



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JASDEC services combine excellent usability and efficiency with high standards of reliability and security. We are continually working to enhance the functionality of our various systems and to strengthen our risk management.

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Japan Securities Depository Center, Inc. (JASDEC) provides securities settlement infrastructure, that is essential for financial and capital markets. We are constantly aware of the importance of risk management in this role, and we are continually working to strengthen our business continuity management as part of our wide-ranging efforts to ensure the reliability of our systems. In addition to this commitment to reliability, we also contribute to the growth and success of investors, issuers and market intermediaries through our efforts to enhance the convenience, efficiency and security of our services. We place particular emphasis on the introduction of new services, improvements in the efficiency of operations relating to securities settlements, measures to counter the various risks that are inherent to markets and the expansion of international activities.

## Initiatives in fiscal 2011

JASDEC undertook a range of initiatives in fiscal 2011 (to March 31, 2012).

First, we continued to expand the range of products we handle. In particular, we have enabled issuance of J-Sukuk (Islamic financial instruments similar to bonds) using our transfer systems. This innovation was made possible by changes to the Japanese tax system to accommodate J-Sukuk and was the result of close collaboration among all concerned. Since April 1, 2012, it has been possible to handle J-Sukuk through the Book-entry Transfer System for Corporate Bonds using a special purpose trust beneficiary rights structure.

In regard to the Book-entry Transfer System for Stocks, etc., in August 2011, we began to handle Japanese Depository Receipts (JDRs), which have exchange-traded notes (ETNs) as trust assets. We are also improving our systems to support commitment-type rights offerings in relation to share options.

We further enhanced the functionality of our systems by improving temporary suspension functions for transfer requests relating to stocks, etc., enhancing the ease with which users can manage settlement processes. We also decided to introduce a Tolerance Matching function to the Pre-Settlement Matching System (PSMS) for non-residents' transactions.

While our facilities were not damaged in last year's Great East Japan Earthquake, we took the opportunity to strengthen our business continuity plan (BCP) by reviewing our manuals, including the manual concerning the establishment of a BCP Countermeasure Office to ensure a timely and flexible response in the event of a disaster or system failure. Other actions included verification of our business continuity management, system failure response training and business continuity training at our back-up office.

We were also very active internationally during the year under review. Activities included information exchanges and other initiatives to strengthen our relationships with overseas settlement institutions. In April 2011, the World Forum of CSDs (WFC) was established to take over the activities of the CSD Contact Group as a forum for information exchange and discussion among the world's five regional CSD associations. At the first WFC meeting in September 2011, JASDEC was given responsibility for planning and administration as the secretariat of the WFC, and our Chairman served as Vice-Chairman of the forum. In September 2011, we signed a memorandum of understanding providing for information exchange and mutual cooperation with the Russian CSD, National Settlement Depository.

## Current priorities

In fiscal 2012 (to March 31, 2013), we will continue to implement a range of projects under the medium-term business plan announced in March 2012. Our priorities under that plan are to provide services with high levels of convenience, efficiency and reliability, to reinforce our business fundamentals and to strengthen the competitiveness of financial and capital markets. Measures under this plan will include the establishment of schemes to mitigate settlement risks relating to stock lending transactions, and a review of system participation procedures, with the specific aims of simplifying processes for users of our systems and providing integrated access points. We will also make preparations for the transition to our next-generation system, including the replacement of some of our mainframe IT infrastructure with open system platforms and a review of system structures. In addition, we will develop a more robust business continuity plan, adopt ISO20022, and improve the efficiency of our information gathering and distribution processes for corporate actions (CAs) by issuers, such as the announcement of financial results, capital increases, dividend payments and M&A. Described below are two of the priority projects on which we are working currently.

### Application of ISO20022

We are currently making preparations for the replacement of our systems in 2014. We have decided to move toward international standardization by applying ISO20022, which is the next-generation message standard scheme for the financial industry. In preparation for the adoption of ISO20022, we have been participating in the development of the standard through participation in the ISO/TC68

Securities Standard Evaluation Group (SEG), and through coordination with SWIFT and interested parties in Japan. This involvement allows us to ensure that items required for the Japanese market are reflected in ISO20022. Where necessary, we also consider changes to practices that are unique to Japan.

Our preparations for the replacement of our systems also include numerous enhancements to our services, such as the introduction of SWIFTNet, which is widely used in other countries, the provision of tolerance matching function for non-residents' transaction, introducing use of the DVP settlement system for stock lending transactions, and the enhancement and expansion of statistical data.

### Efficient dissemination of CA information

We are currently assessing improvements to the functionality and efficiency of CA information dissemination service in collaboration with the Tokyo Stock Exchange (TSE). Specifically, we aim to expand the content of the Tokyo Market Information (TMI), the information distributing service of TSE, by adding JASDEC information about basic information on corporate bonds and investment trusts, CA information relating to foreign stocks, etc. In addition, we plan to disseminate CA information about Japanese stocks using the ISO20022 standard.

These improvements will provide users with one-stop access to a wide range of information, including CA information about Japanese securities, in the form of digital data that includes the international format. This will allow efficient Straight Through Processing (STP). We will start to implement these initiatives in 2014.

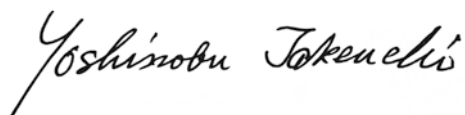


## Strengthening risk management in financial and capital markets

Financial supervisory authorities are now working globally to strengthen risk management systems targeting financial institutions and financial market infrastructure throughout the world. These efforts are based on recent experiences, including the financial crisis triggered by the Lehman shock. In the area of securities settlement infrastructure, there are plans to introduce mandatory compliance with the Principles for Financial Market Infrastructures, which were

published by the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO) in April 2012. As one of the financial market infrastructures, JASDEC is committed to the further improvement of risk management under the supervisory guidelines that will be compiled by the Financial Services Agency under the Principles for Financial Market Infrastructures.

The management and staff of JASDEC will continue to contribute to the development of financial and capital markets through continual innovation in response to user needs and structural and environmental changes in Japan and overseas. We look forward to the continuing support and cooperation of all concerned.



Yoshinobu Takeuchi, Chairman



Haruhiko Kato, President & CEO

# 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

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#### • 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.

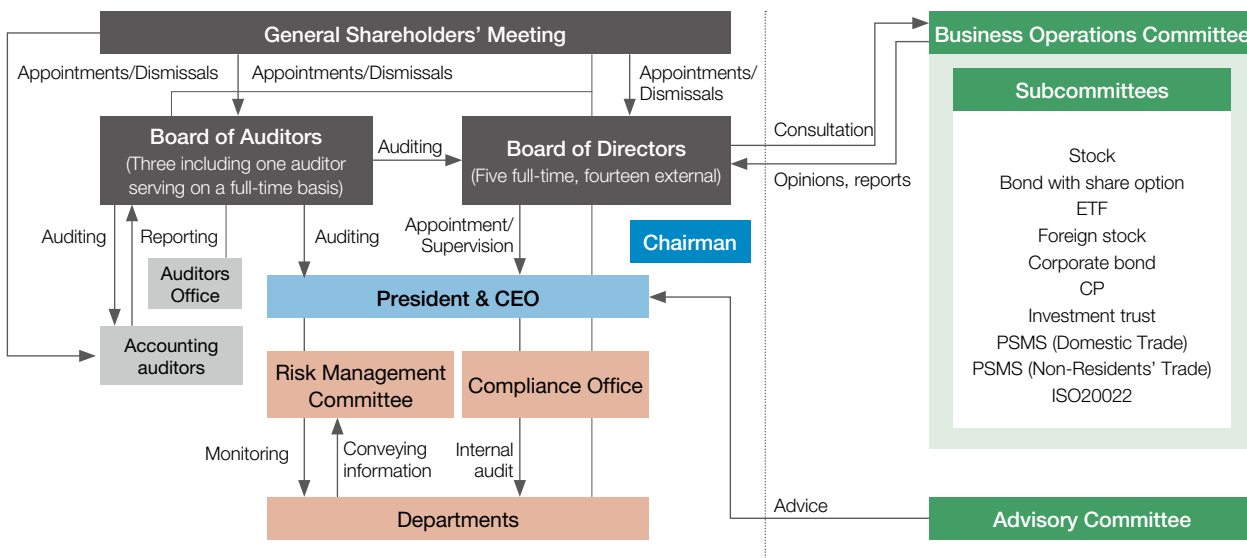
#### • Business Operations Committee

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.



# Business Continuity Plan of JASDEC

## Our approach

JASDEC has regularly structured itself so that, in the event of a disaster or other emergency, it would be able to continue operations to the extent possible and promptly resume business operations according to its Basic BCP policy. This is to minimize the effect of such an emergency on JASDEC participants and related entities as a settlement infrastructure.

The specific measures taken by JASDEC include formulating concrete action plans in advance. JASDEC has defined actions to be taken in the event of a disaster or other emergency, established BCP Countermeasure Office, delegated authority, organized emergency contact networks, and so on. Our IT systems are installed in a robust main center equipped with a private electrical generator, and our core systems are based on a redundant configuration. Furthermore, we have built a backup center in a remote location to be prepared in case the main center becomes unusable due to a large-scale disaster or the double failure of equipment with a redundant configuration, or other such event.

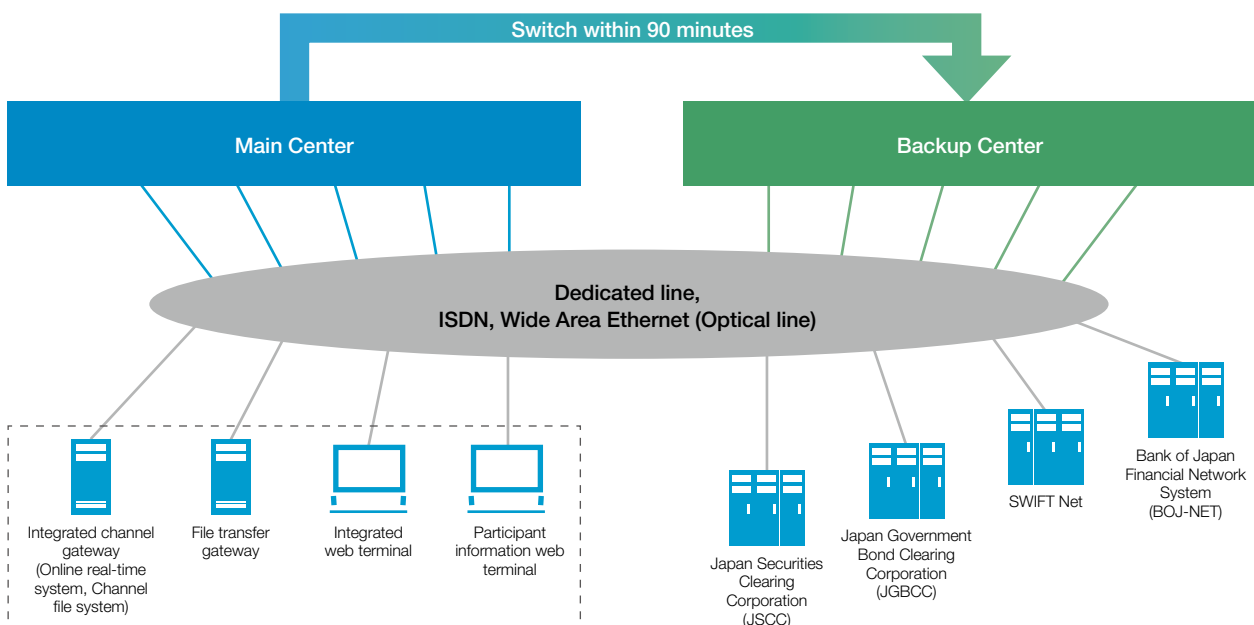
## IT backup system

Operations data of the main center is reflected at the backup center almost in real time. In cases where the main center becomes unusable due to a disaster, infrastructure failure (excluding software failure) or other such event, and the restoration task is deemed to be time-consuming, the systems will be switched over to the backup center. Switchover to backup systems will take about 90 minutes. Furthermore, to prepare for the prospect of the head office building becoming unusable, we have established an alternative office where we can execute operations as necessary.

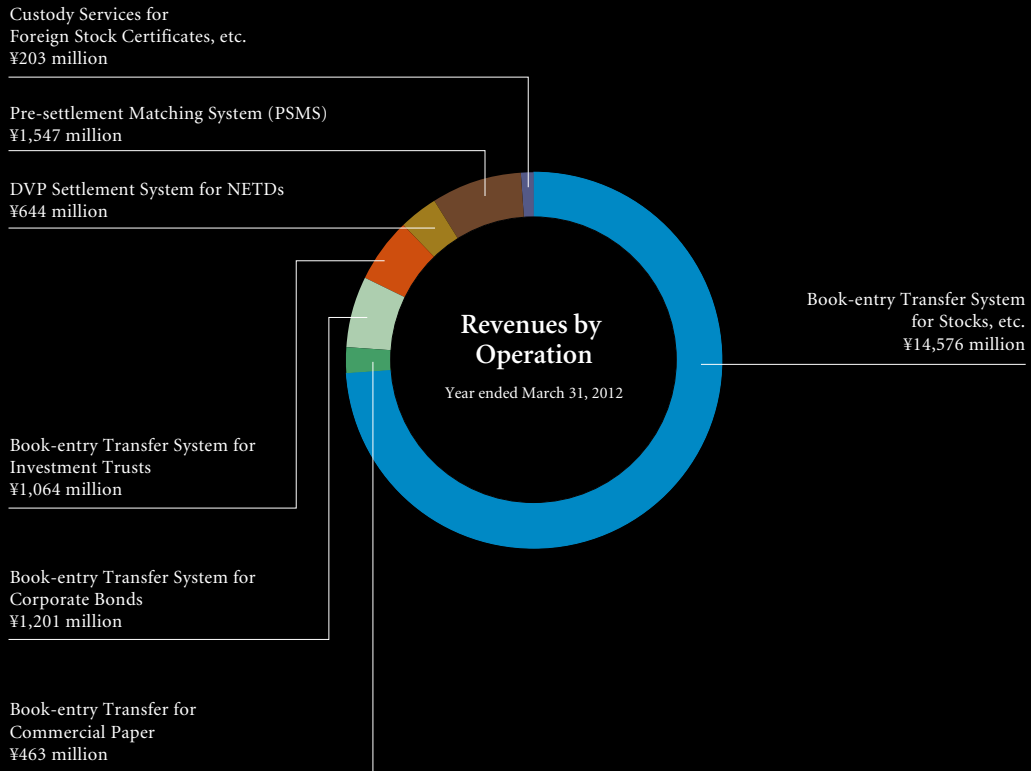
## Future approach

JASDEC has been able to continue operations despite the Great East Japan Earthquake, as neither its employees nor its facilities were affected. We will strive to establish a more robust business continuity plan based on the lessons learnt from the earthquakes, etc .

### Conceptual Diagram of System



# Business Overview



01	02	03	04	05	06
Book-Entry Transfer System for Stocks, etc.	Book-Entry Transfer System for Commercial Paper and Corporate Bonds	Book-Entry Transfer System for Investment Trusts	DVP Settlement System for NETDs	Pre-Settlement Matching System (PSMS)	Custody Services for Foreign Stock Certificates, etc.
P12	P16	P22	P26	P30	P34

# Book-Entry Transfer System for Stocks, etc.

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Ongoing enhancements to this recently introduced all-electronic record system are bringing greater convenience, speed, and flexibility to stock ownership transfers.

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株式等  
振替業務



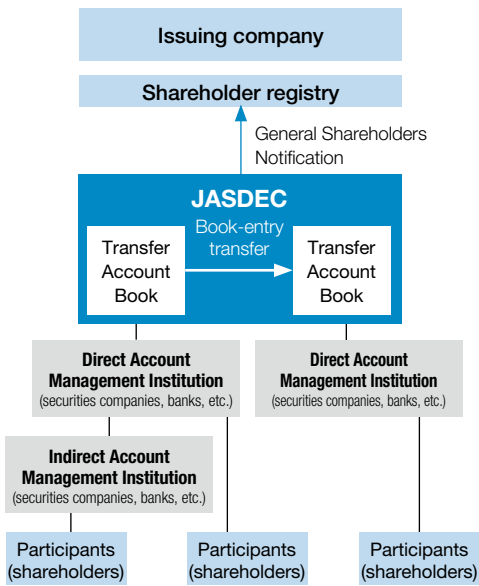
## The Book-entry Transfer System for Stocks, etc. is operating to plan

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 Depository Receipts (JDRs, etc.) and other negotiable securities.

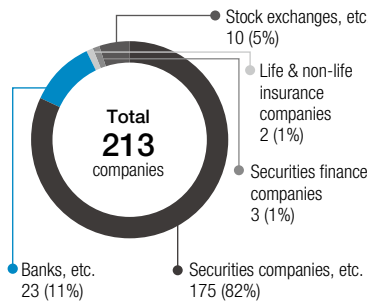
As of March 2012, the total number of issues handled was 3,762, including 3,581 share issues, 27 bonds with share options, 6 share options, 36 investment units, one preferred share issue, 97 ETFs, and 14 JDRs, etc. The number of companies participating in the new system, including JASDEC participants, indirect AMIs, and fund settlement corporations, was 411. Under the system, foreign financial institutions designated by competent ministers can also take part in the system. As of March 2012, 53 foreign financial institutions were participating as indirect AMIs.

### The Book-Entry Transfer System for Stocks, etc.

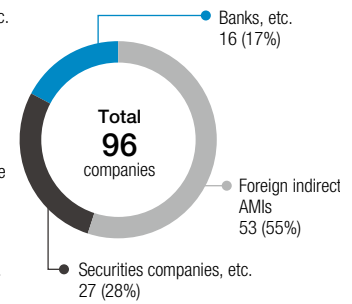


### JASDEC participants and indirect AMIs (as of March 31, 2012)

#### JASDEC Participants by Category

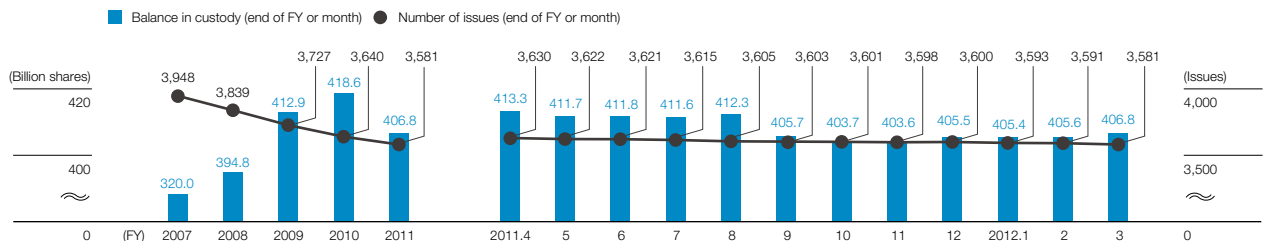


#### Indirect AMIs by Category



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, two 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.

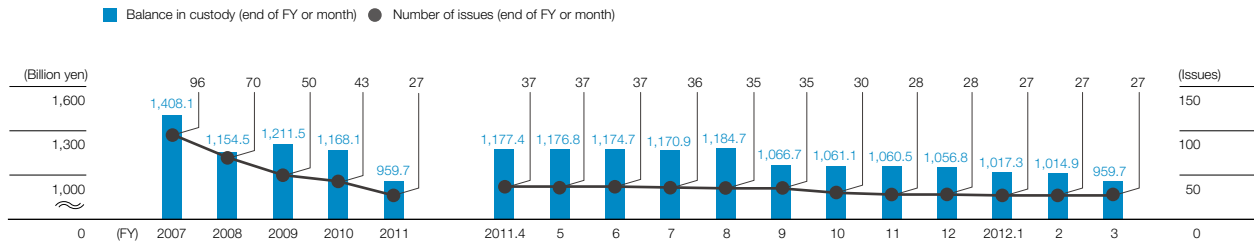
In fiscal 2011 (to March 31, 2012), we enhanced the usability of the system by improving temporary suspension functions in relation to requests for transfer. As in fiscal 2010, we further reduced the number of days required to send individual shareholder notifications. In August 2011, we

began to handle foreign-issued exchange traded notes (ETNs) under the Japanese Depositary Receipt (JDR) framework. In March 2012, the Book-entry Transfer System for Stocks, etc. was further enhanced to allow the merger or splitting of beneficial rights for ETFs.

In addition, we are enhancing our system to support schemes based on commitment-type rights offerings in relation to share options through the Book-entry Transfer System for Stocks, etc.

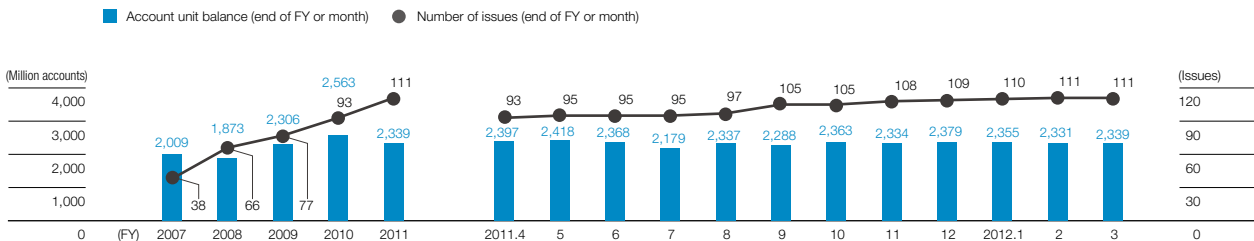
We will continue our efforts to communicate effectively with relevant parties, aiming to ensure stable operation while meeting the needs of the market for convenience and user-friendliness.

### Bond with Share Option account balance and number of issues



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

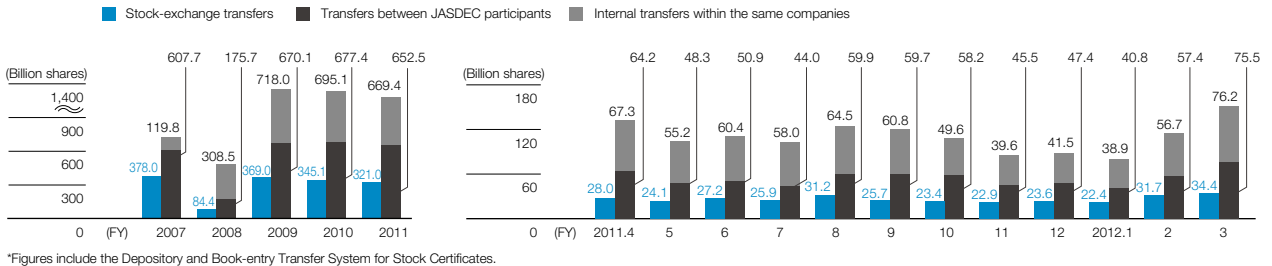
### Exchange Traded Fund (ETF) etc. account balance and number of issues



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

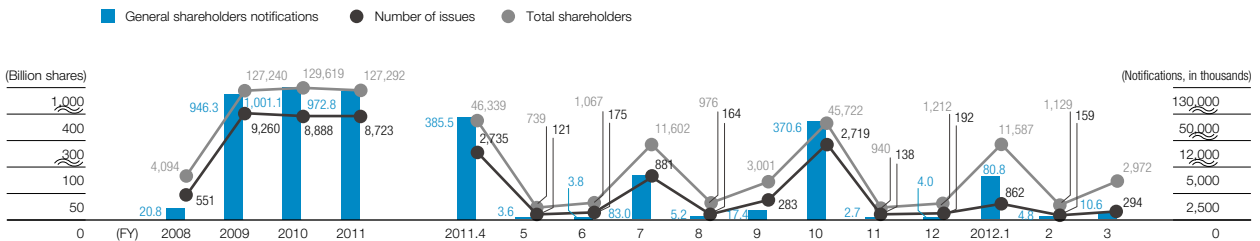
\*Figures include Japanese Depositary Receipts from July 2010.

### Book-entry transfers



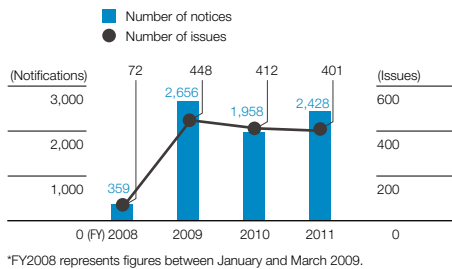
\*Figures include the Depository and Book-entry Transfer System for Stock Certificates.

### General shareholders notifications



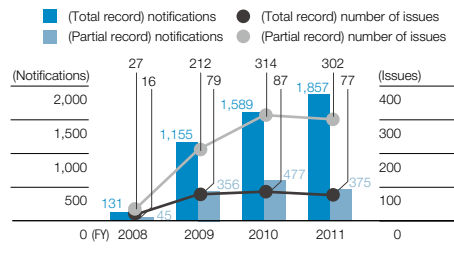
\*Figures are as of day of notification to issuers.  
\*FY2008 represents figures between January and March 2009.

### Individual shareholder notifications



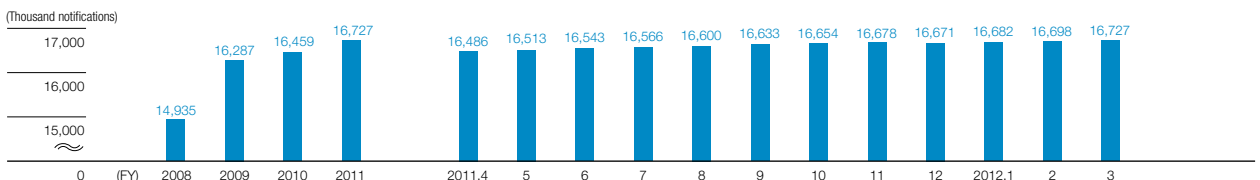
\*FY2008 represents figures between January and March 2009.

### Information requests



\* Requests for information (total record) refer to requests for data recorded on book-entry transfer registries of either JASDEC participants (direct AMIs) or indirect AMIs where shareholders in question have opened accounts. Requests for information (partial record) refer to requests for data recorded solely on book-entry registries of JASDEC participants where shareholders in question have opened accounts.  
\*FY2008 represents figures between January and March 2009.

### Number of shareholders (Data for shareholders notifications)



\*Number of shareholders (data for shareholders notifications) is comprised of participant information notified by AMIs.  
\*Figures are as of end of fiscal year or month.



## Book-Entry Transfer System for Commercial Paper and Corporate Bonds

JASDEC is maintaining the security of a CP and corporate bond electronic book-entry transfer system whose daily settlement value typically surpasses the trading value per day at the Tokyo Stock Exchange.

短期社債振替業務  
一般債振替業務

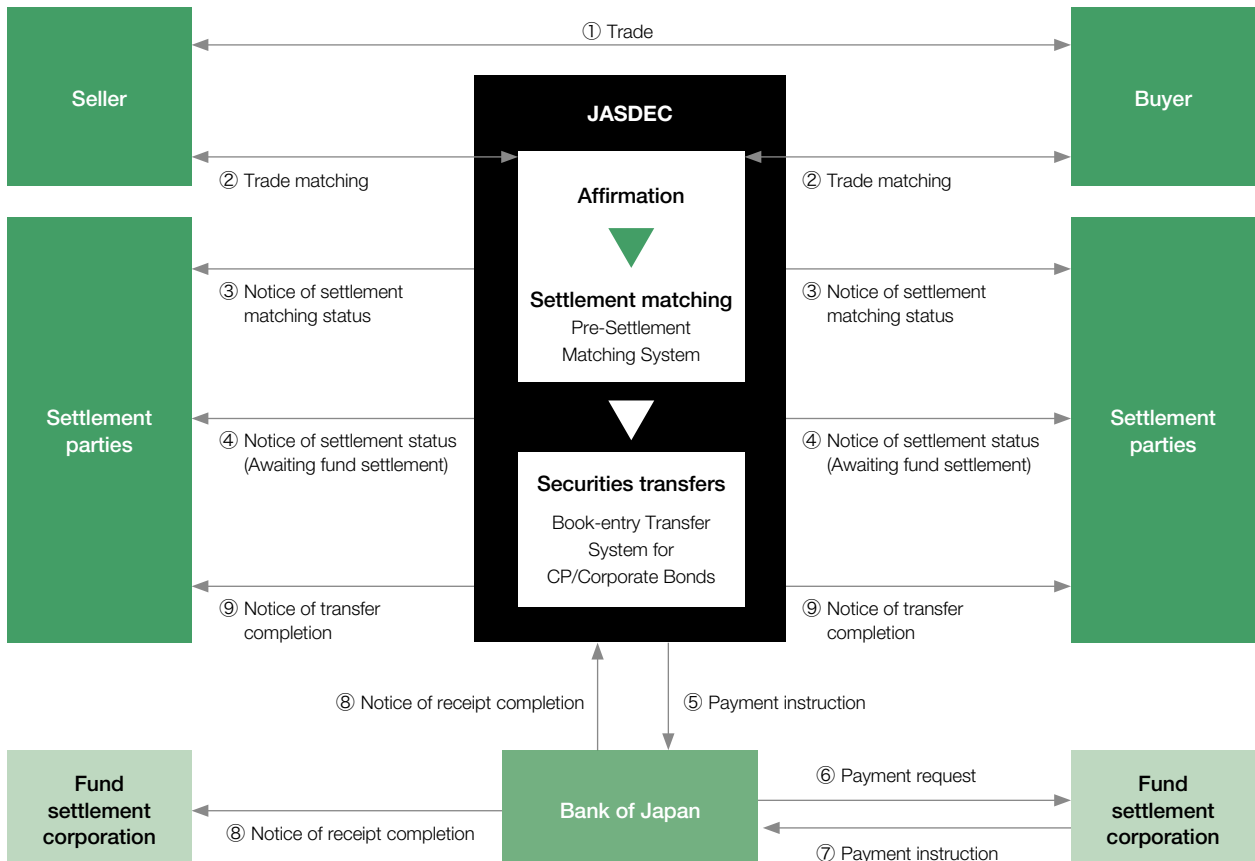
## Supporting seamless and secure CP and corporate bond settlement

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 a direct 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)



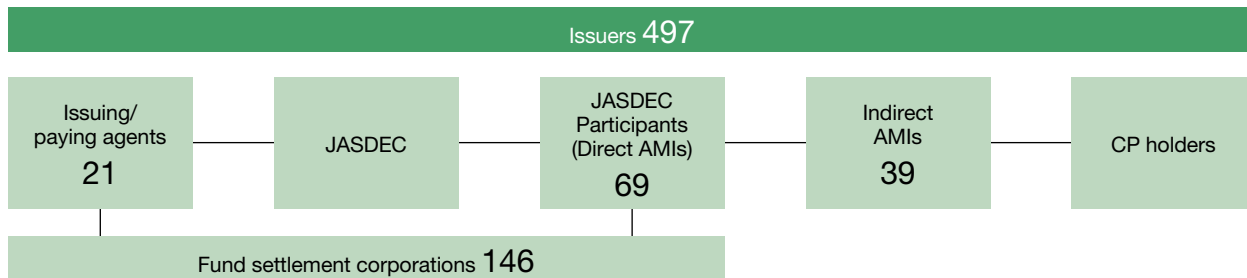
## Ensuring continued CP transaction efficiency

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 physical form, there was always some risk involved when notes were transferred or deposited, and transfers were also subject to a documentary stamp tax. Accordingly, demand developed for an electronic book-entry system that would eliminate such risks. The result was the creation of our first fully electronic book-entry transfer system for dematerialized CP. Since the launch of the

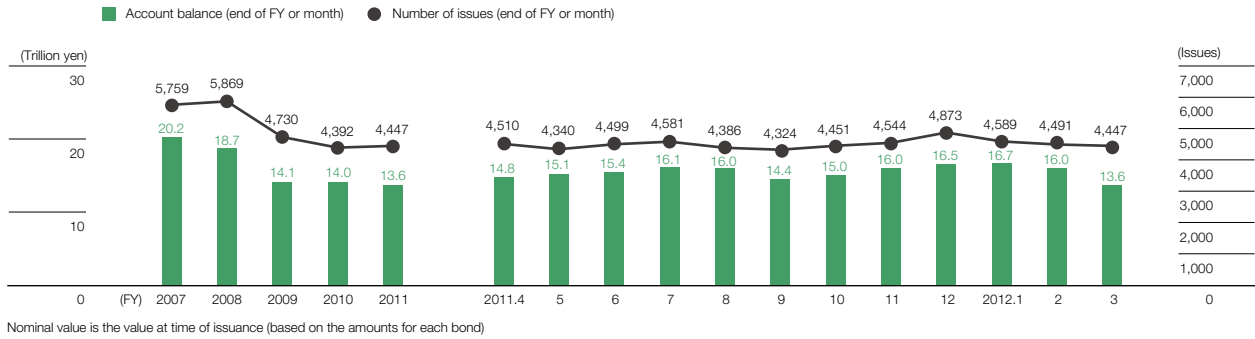
system nine years ago, almost all CP issued in Japan has been handled by this system.

During fiscal 2011 (to March 31, 2012), our account balance rose to around the ¥16 trillion level, mainly due to increased issuance by corporate entities. However, as of March 31, 2012, the total account balance had significantly declined to ¥13,614 billion (a year-on-year decline of ¥418 billion) because of a combination of special factors during the month of March. Number of issues handled stood at 4,447 issues (a year-on-year increase of 55 issues).

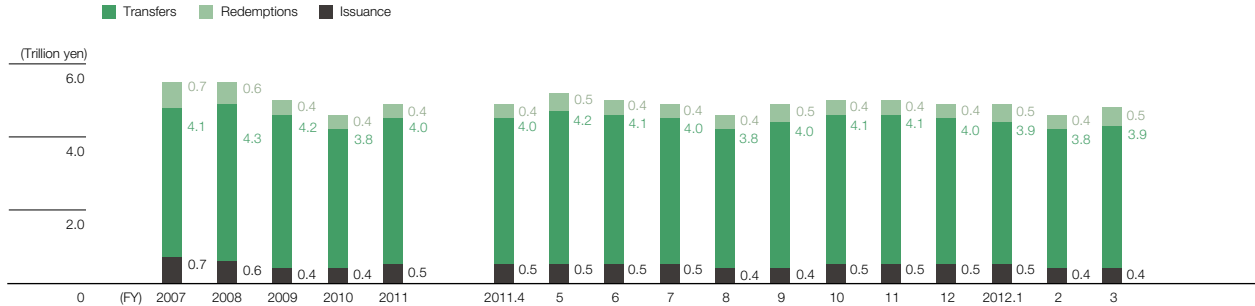
Participants in Book-Entry Transfer System for CP (as of the end of March 2012)



### 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 averages ¥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 2011, the annual aggregate settlement amount was close to ¥1,000 trillion. Trading has been active 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.



## Security and reliability

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.

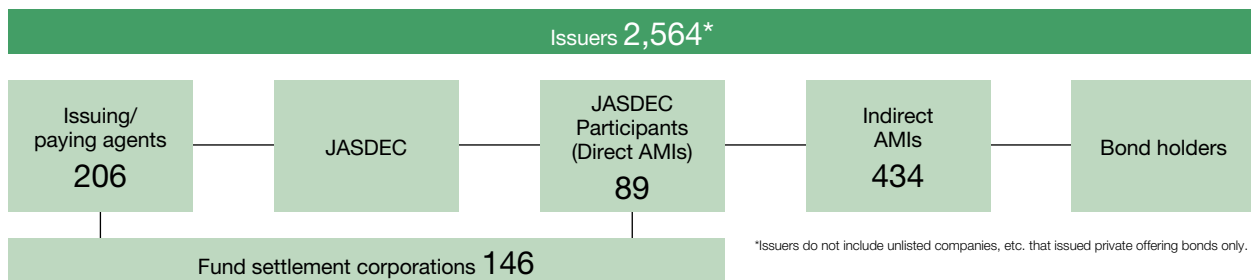
In fiscal 2011, there was a dramatic year-on-year decline in bond issuance, especially by electric power companies, as a result of the Great East Japan Earthquake. New issues were also affected by the European debt crisis triggered by events in Greece. As of the end of March 2012, the number of bonds eligible in the system was 60,701 issues (a year-on-year decline of 7,087 issues), and the issue balance stood at ¥252,439 billion (a year-on-year increase of ¥2,365 billion).

Under the U.S. Foreign Account Tax Compliance Act (FATCA), since March 19, 2012, Samurai bonds (U.S.

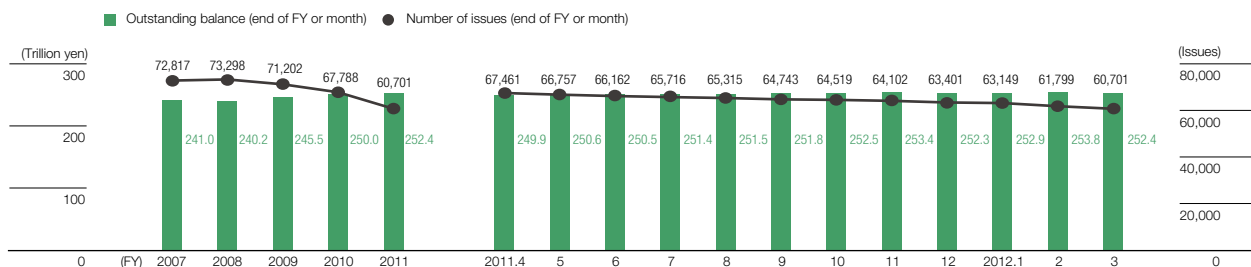
book-entry transfer foreign bonds) are subject to U.S. withholding tax when newly issued as foreign-targeted bearer bonds under the TEFRA rules<sup>1</sup>. JASDEC has been negotiating with the U.S. Internal Revenue Service (IRS) since 2010 concerning this matter. In March 2012, the IRS issued a notice stating that U.S. book-entry transfer foreign bonds issued in accordance with the Foreign-Targeted Registered Obligation (FTRO<sup>2</sup>) rules would be exempted from U.S. withholding tax until the end of 2013.

1. The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) (1) prohibits sales to American citizens for a specific period after issuance, (2) prohibits interest payments within the United States and (3) requires tax restrictions for American holders to be stated on the bond certificates.
2. The Foreign-Targeted Registered Obligations (FTRO) rules simplify formalities for withholding agent subject to certain conditions, such as certification by account management institutions either that there are no American holders of the securities, or that notification will be provided in the event that the securities are held by Americans.

### Participants in Book-Entry Transfer System for Corporate Bonds (as of the end of March 2012)



### Outstanding balance of corporate bonds and number of issues



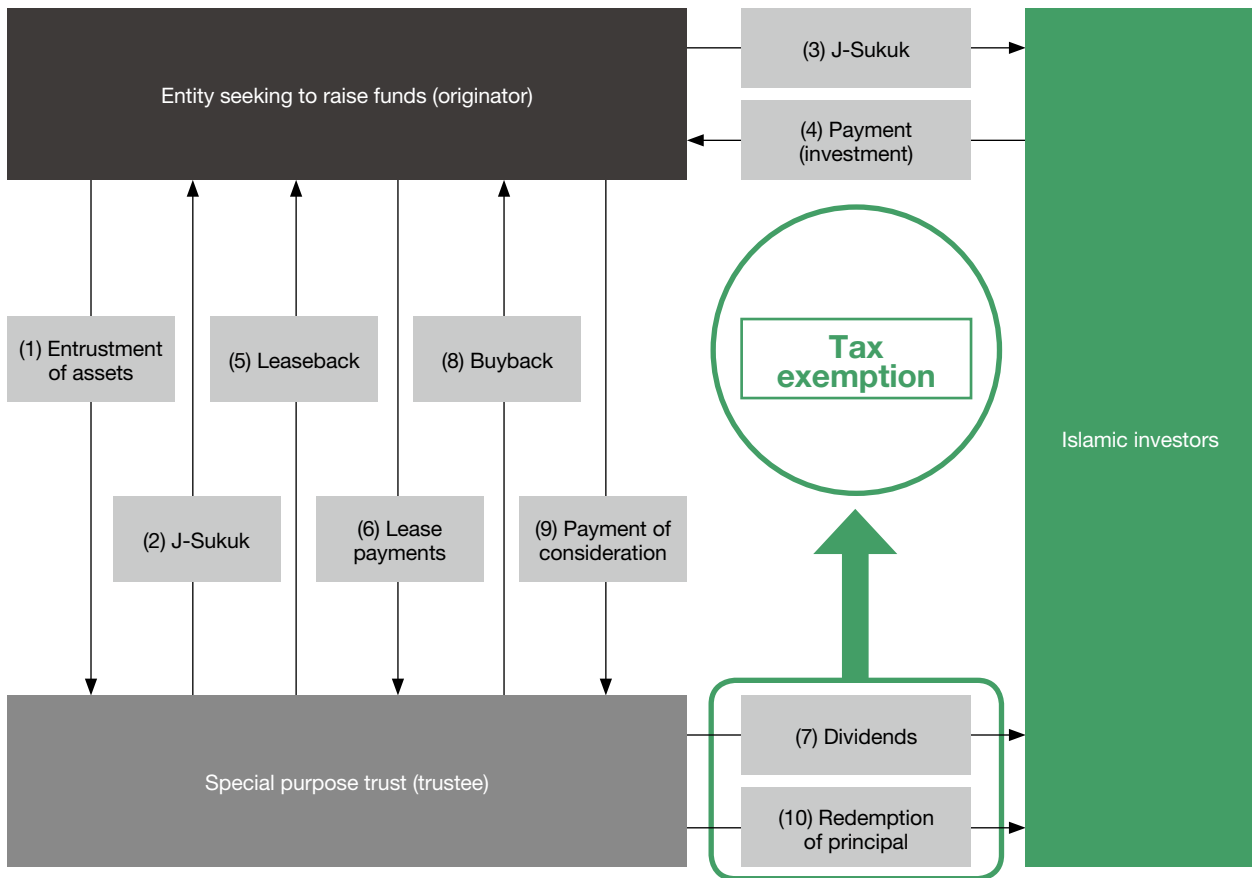
## JASDEC now able to process sukuk transactions

Taxation measures relating to Islamic finance were included in a major tax reform package introduced in fiscal 2011 with the aim of attracting money and issuers from Islamic countries into Japan's financial and capital markets. Systems based on these measures have since been developed and established to provide wide-ranging investment and financing opportunities. In response, the relevant laws have been amended to create a legal framework for the issuance of sukuk in Japan (J-Sukuk) that comply with Islamic doctrine and laws.

Since then, JASDEC has identified the administrative and

system-related changes needed to create an environment in which J-Sukuk can be issued, traded and redeemed in the same way as corporate bonds. Since April 1, 2012, we have been able to handle J-Sukuk transactions. As a result, it is now possible for Japanese and foreign entities to raise funds by issuing J-Sukuk in Japan. As with interest on corporate bonds, J-Sukuk dividends are exempted from taxation under the tax exemption system for non-residents. JASDEC is now anticipating handling the first J-Sukuk issues in cooperation with all concerned, and is enhancing the convenience of the system to attract wide use by foreign investors.

### Conceptual Diagram of Issuance of J-Sukuk



# Book-Entry Transfer System for Investment Trusts

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JASDEC is streamlining the process for trustors, trustees and beneficiaries, ensuring security and convenience for a system that serves virtually all investment trusts in Japan.

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投資信託  
振替業務

## A faster, safer approach to investment trust administration

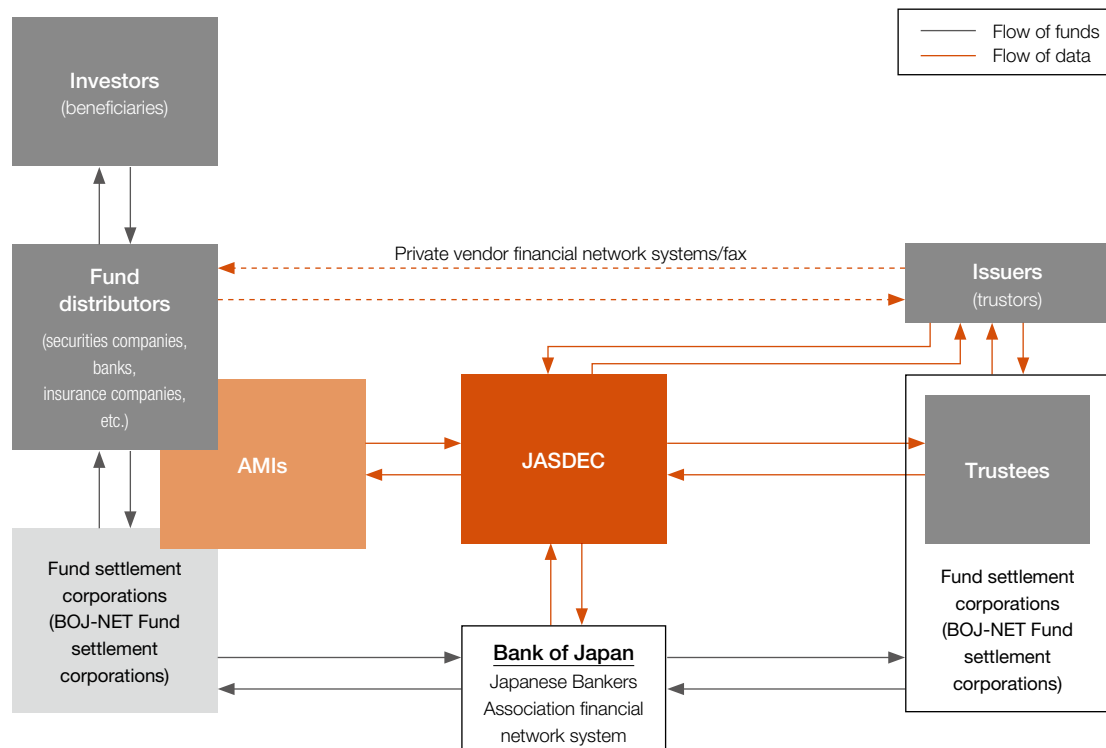
The Book-entry Transfer System for Investment Trusts is a computer system for managing beneficial rights of investment trusts.

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.

In the Book-entry Transfer System for Investment Trusts, 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, 2012.

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





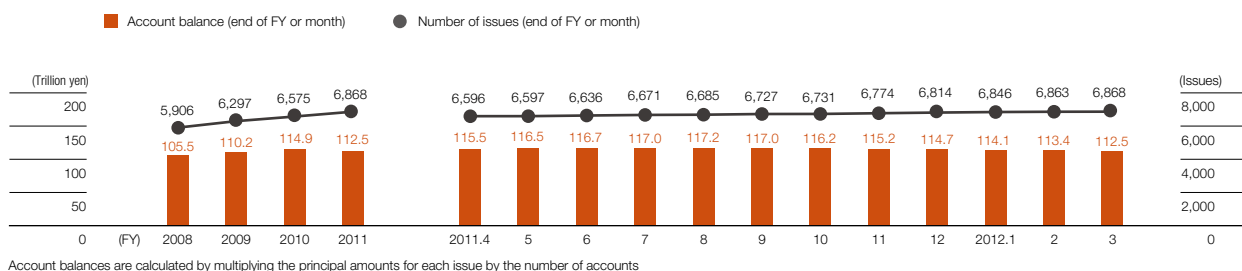
## Strong support from users

The total number of investment trusts handled by JASDEC as of March 31, 2012 was 6,868 trusts, representing a year-on-year increase of 293 trusts and comprising 4,166 publicly offered and 2,702 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. Also, the principal value of new registrations fell below that of deletions, a reversal from fiscal 2010. As a result, the outstanding balance at the end of fiscal 2011 had decreased ¥2,409 billion year on year to ¥112,507 billion, comprising ¥81,795 billion

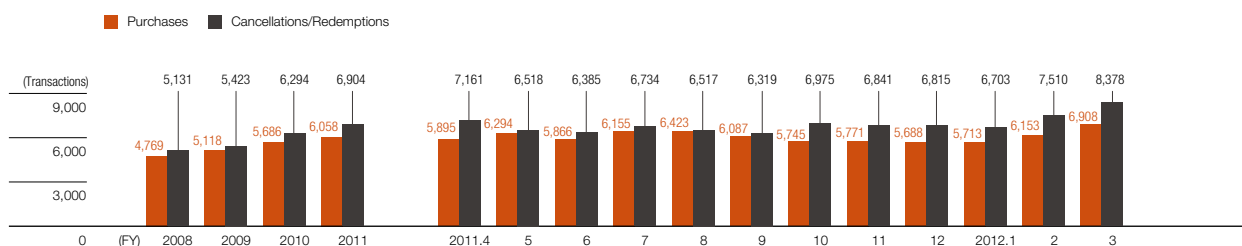
in publicly offered and ¥30,712 billion in privately placed investment trusts.

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 lower settlement risk, has been increasing steadily among system users. In fiscal 2011, the proportion of settlements using DVP was 26% by number of transactions and 62% by principal value.

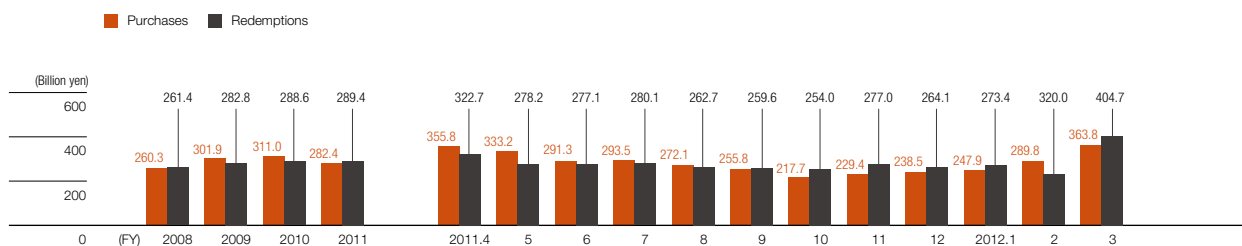
### Book-entry Transfer System for Investment Trusts—account balance and number of issues



### Purchase and cancellation/redemption transactions (Daily average)

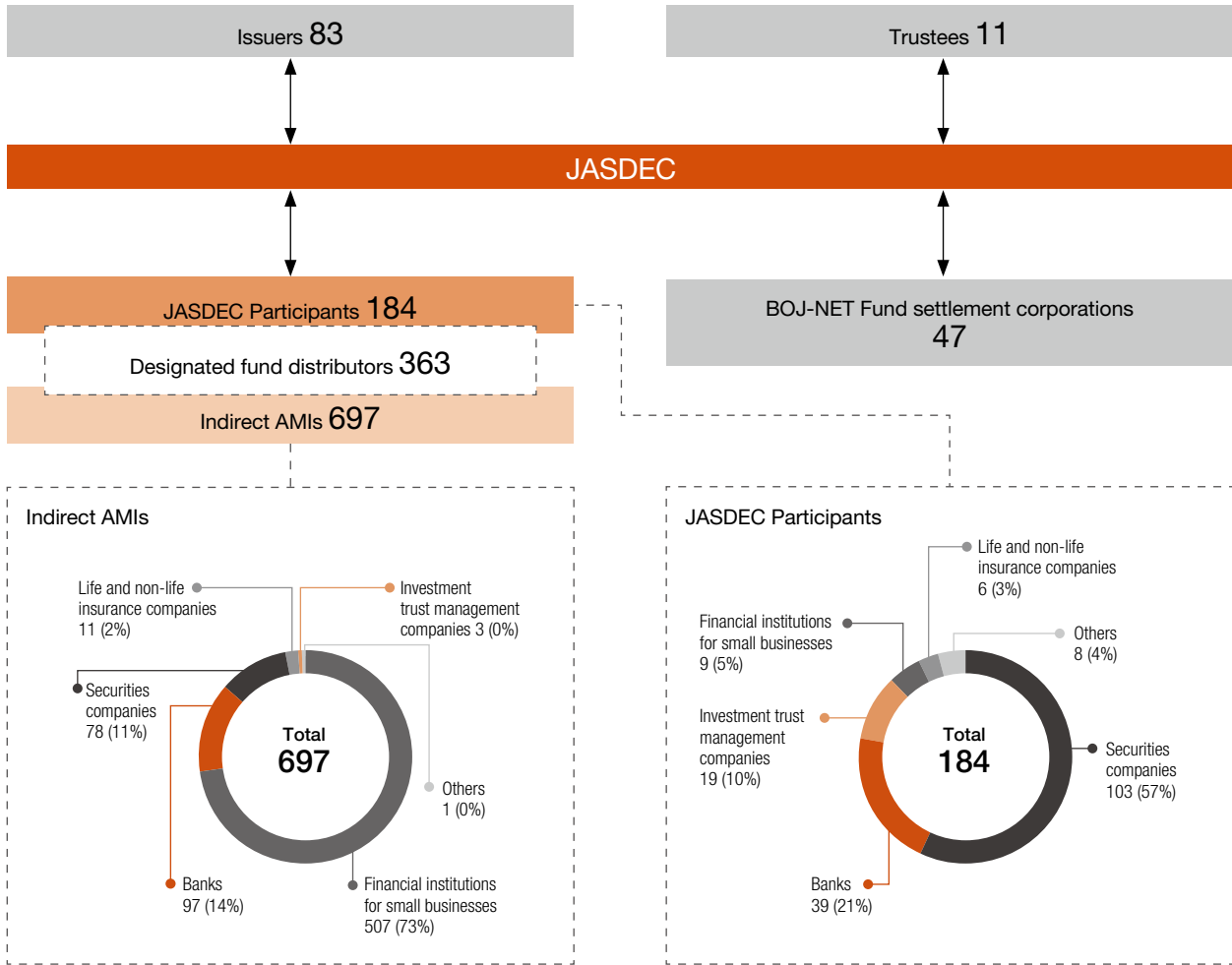


### Principal values of investment trusts for purchases and cancellations/redemptions (Daily average)



**Participants in Book-entry Transfer System for Investment Trusts**

(as of March 31, 2012: Numbers in parentheses are for the previous year.)



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

**Dedicated to ongoing improvement**

In fiscal 2011, in order to simplify procedures for transfer between fund distributors, we investigated changes to our operating rules and other aspects to support systems. In addition, we resolved various issues in preparation for the introduction of DVP settlement for redemptions. However, since such a scheme would have a major impact on the internal systems of market participants, we decided, instead, to treat this as a long-term goal and to carry out further

studies, aiming for a scheme that would be suitable for the widest range of participants.

During fiscal 2012 (to March 31, 2013), we will continue our studies of the operating rules and other factors relating to simplification of procedures for settlement transfer between fund distributors. Along with work on other ongoing projects, we will further our efforts to optimize the functionality and user-friendliness of the system.

# DVP Settlement System for NETDs

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JASDEC has combined delivery and payment into a single, smooth reciprocal system, reducing risk and raising convenience for customers on both sides of the trade.

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一般振替  
DVP業務

## 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).

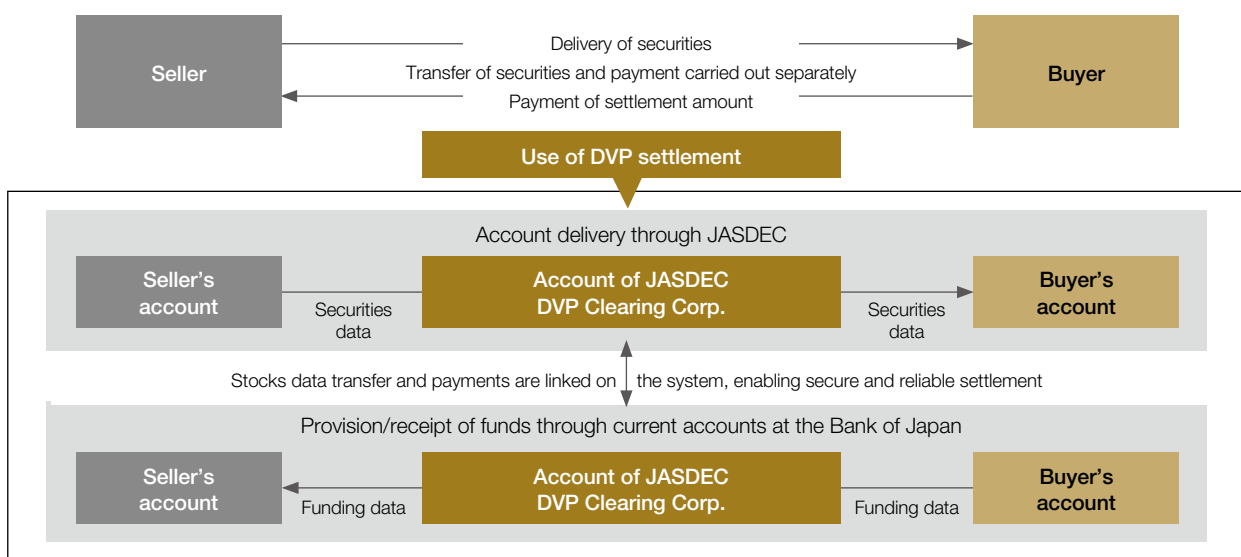
Since May 2004, the DVP settlement system for NETDs has been administered by JASDEC's wholly owned subsidiary, JASDEC DVP Clearing Corporation (JDCC).

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.



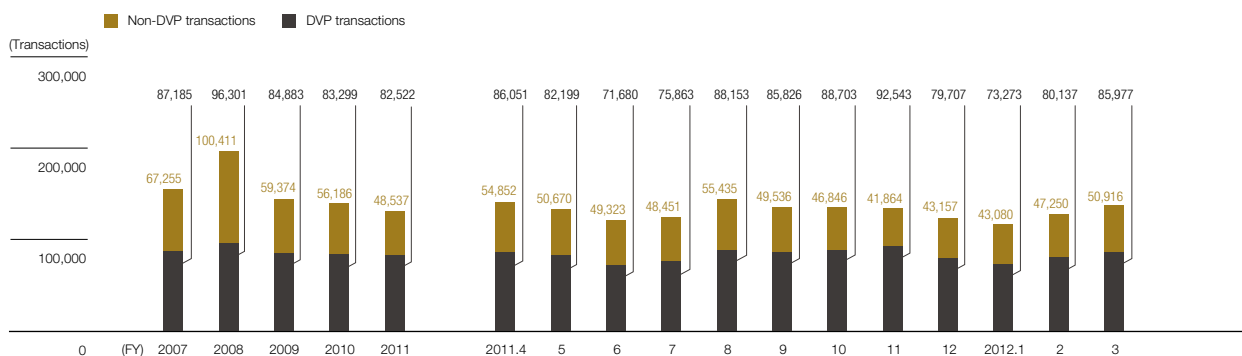
## Establishing key settlement procedures on the customer side

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 2012, 54 companies (comprising 12 banks and 42 securities companies) were participants in the DVP settlement system for NETDs. Excluding internal transfers within the same company, DVP transactions accounted for more than 60% of NETD transactions—evidence that use of the system has become firmly established as an important customer-side settlement method.

In fiscal 2011, healthy growth in the use of the system allowed us to rebate ¥8 out of the ¥20 DVP settlement fee per transaction, in accordance with the participant's usage level. Since April 2012, we have reduced the DVP settlement fee per transaction by ¥3 to ¥17.

### DVP Settlement for NETD Transactions (Daily average)



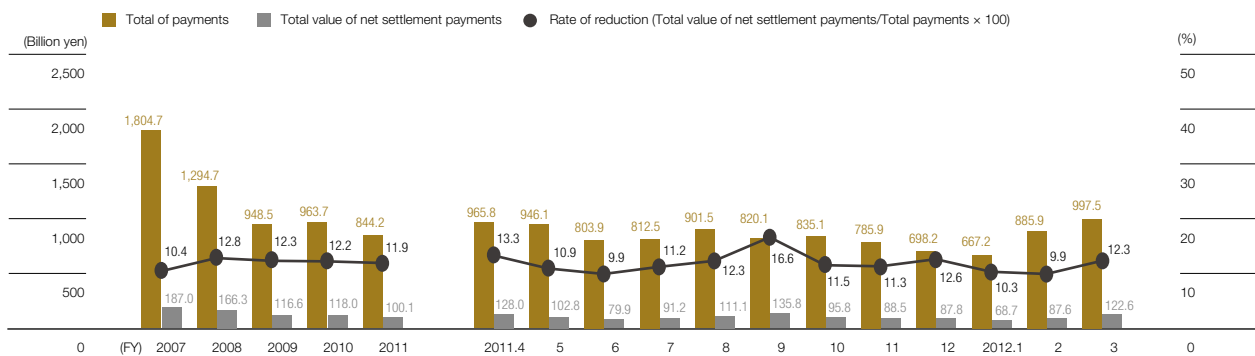
DVP transactions are the number of transfers executed (transfer from DVP participants to JASDEC DVP Clearing Corporation)

## Reducing settlement risks for stock lending transactions

The Financial Services Agency identified a number of urgent measures needed to strengthen the clearing and settlement system for stock lending transactions in “Development of Institutional Frameworks Pertaining to Financial and Capital Markets,” published in January 2010.

Based on this information, we are currently preparing for the introduction of DVP settlements in January 2014 with the aim of reducing settlement risks for stock lending transactions.

### 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.

## Pre-Settlement Matching System (PSMS)

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Amid steady growth, JASDEC is readying the next-generation system with features for global settlement support, including ISO20022 standard and addition of the SWIFT network.

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## The number of Straight Through Processing (STP) transactions via Pre-Settlement Matching System (PSMS) is increasing steadily.

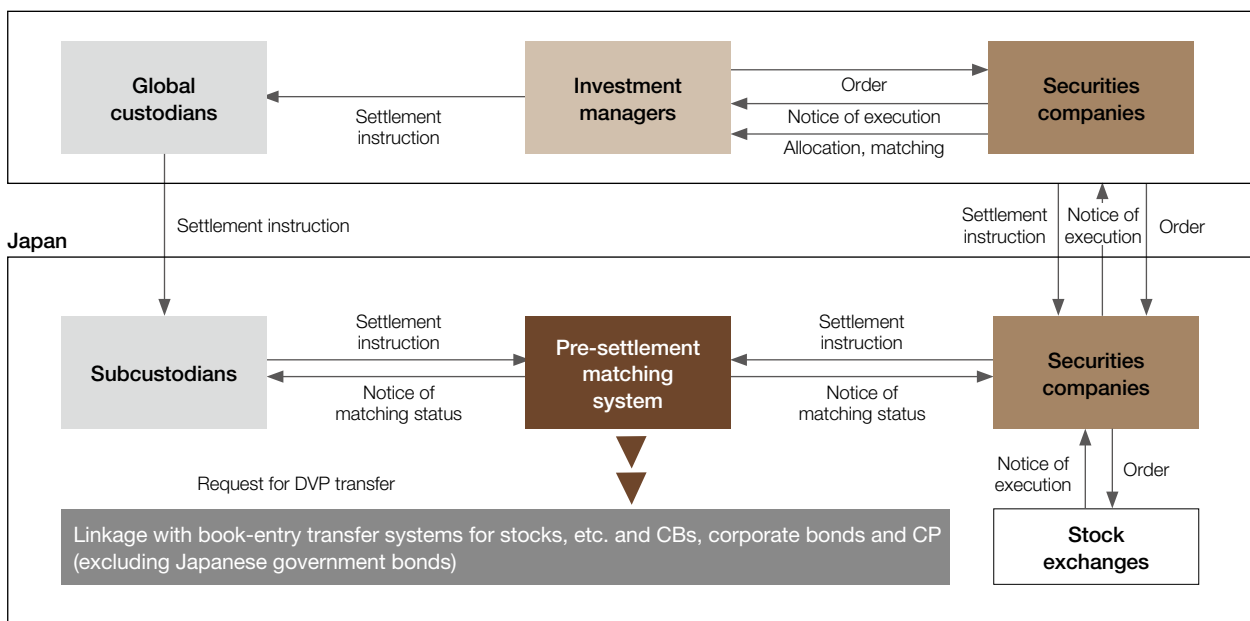
Matching institutional investors' transactions is a complex undertaking, due to the wide range of organizations involved—including investment managers, securities companies, trust banks and custody banks—and the huge amount of transaction data exchanged between them. In the past, matching was done manually 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, we have been increasing the range of asset classes and services covered by the system.

Due to mergers and other factors, the number of registered users as of the end of March 2012 was 691 companies, five fewer than the number in the previous year. However, in fiscal 2011, because of the addition of high volume foreign-owned investment managers and life insurance companies, the number of input/output transactions on a daily average increased to 1,360,262, which is 45,000 more than the number in the previous year. In Japanese securities market, the number of STP transactions via PSMS is increasing steadily.

### PSMS (for non-residents' transactions)

#### Overseas



## We are continually building conformity with international standards, contributing to greater efficiency and reducing settlement risk in the Japanese securities market.

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 thought that ultimately we would need to maximize user convenience by achieving the greatest possible degree of harmonization with international standards and connectivity with overseas systems. Therefore, we decided to bring our new system, scheduled for launch in January 2014, into compliance with international standards.

In principle, we will use message formats that comply with the new ISO20022 international standard, which defines the ISO platform for the development of financial message standards and is scheduled to replace the current ISO15022 standard. 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 have executed an implementation of our new system, including generating the XML schemas that describe JASDEC's message format specifications. It is based on the results of our study comparing the message formats we use with the ISO20022 message formats. The detailed specification documents were released in March 2012.

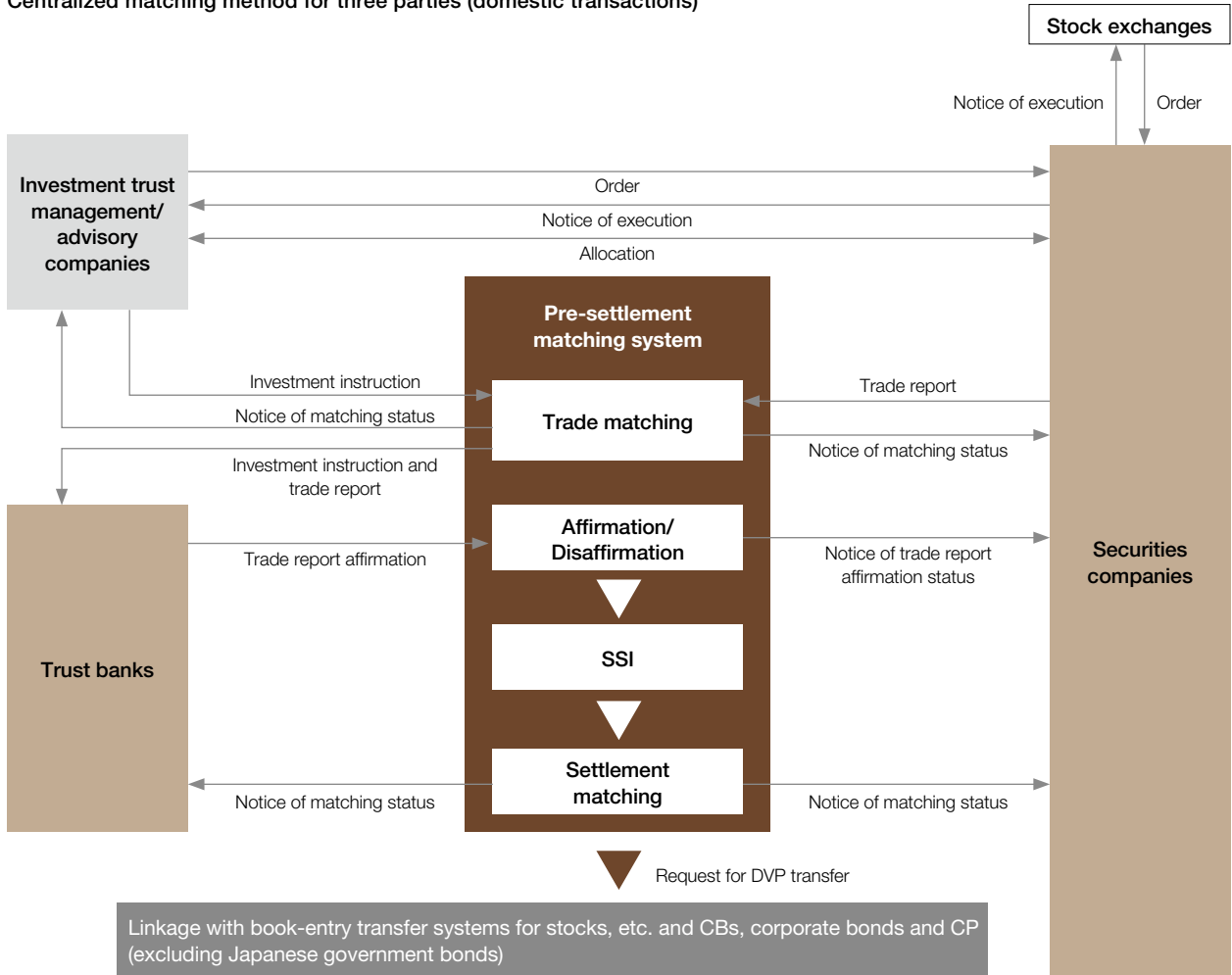
Turning to our communication network, our aim is to introduce the SWIFT network, used widely around the world, while running our existing communication network in parallel, giving users greater choice. Introduction of the SWIFT network will, we believe, enable smooth overseas connectivity—further increasing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

In addition to these projects, in order to improve convenience and reduce settlement risk in the securities market, we will introduce several new functions shown on the following table.

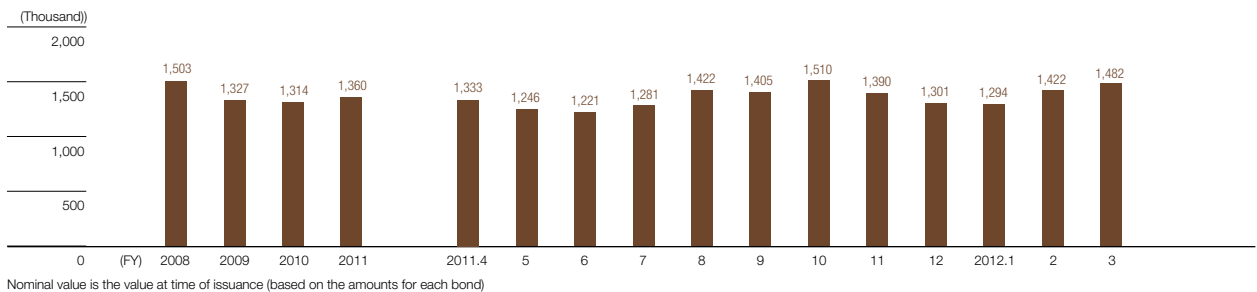
We are continually building conformity with international standards, contributing to greater efficiency and reducing settlement risk in the Japanese securities market.

	New Service/Function	Breakdown
Domestic transactions	Improvement of Net Asset Value Data-related Functions	We will add an approval process to the current NAV data sending function. We will also introduce a function for transmitting foreign investment account data (yen-equivalent value of foreign-currency-denominated assets of investment trusts).
	Mitigation of the Risk of Stock Lending Settlement	We will introduce DVP settlement for stock lending and borrowing transactions (SLB transactions). To realize this, we will add the following functions to the current DVP settlement functions for NETDs: <ul style="list-style-type: none"> <li>• Automatic calculation of the SLB settlement amount</li> <li>• Automatic generation of Settlement Instruction data with the use of the SSI database</li> <li>• Link up with Book-Entry Transfer System</li> <li>• Remodel the functions of "pledged securities" to handle securities used as collateral in the current SLB market</li> <li>• Collateral Reconciliation service</li> </ul>
	Matching System for Stock Transactions Among Dealers	We will introduce a Bilateral Central Matching function for stock trading.
	Corresponding Function for Shortening of the Settlement Cycle of JGB	In order to correspond to the shortening of the Settlement Cycle of JGB, we will introduce a Tri-party Central Matching function for bond trading.
Non-residents' transactions	Tolerance Matching	We will introduce a Tolerance Matching function, commonly-used in foreign markets, whereby when a discrepancy in the settlement amounts between the settlement instructions sent by both delivering and receiving settlement agents is within the tolerance, the instructions are processed as matched.

Centralized matching method for three parties (domestic transactions)



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





## Custody Services for Foreign Stock Certificates, etc.

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Making it easier for Japanese to invest in foreign companies by handling the complicated procedures involved in transfers, dividend payments and taxation.

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外国株式等  
保管振替決済業務

## 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 same countries as the issuing companies, settlements of transactions at Japanese stock exchanges are conducted through book-entry transfers in JASDEC.

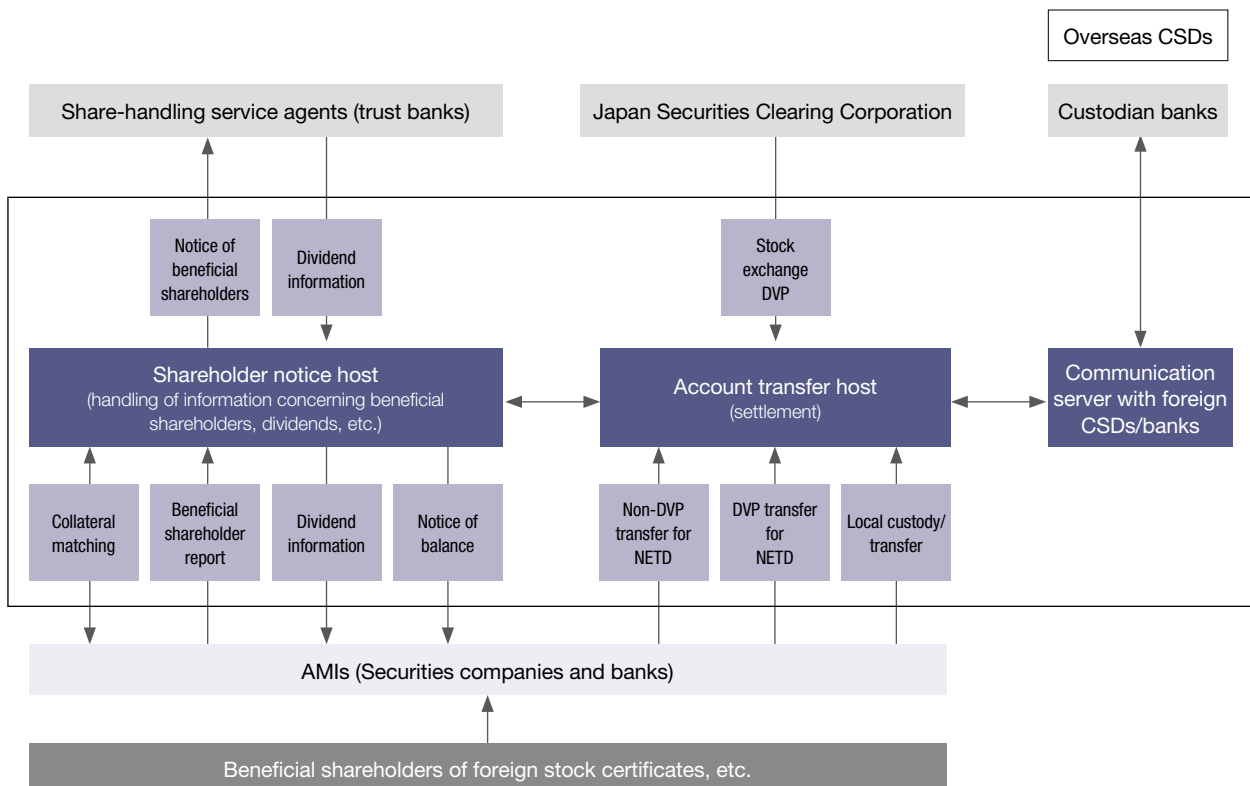
JASDEC entrusts dividend payments to relevant share-handling service agents. Information on beneficial shareholders at the dividend record date is transferred to the share-handling service organizations by the JASDEC participants through JASDEC.

Based on this information, the share-handling service agents 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. Beneficial shareholders can also exercise their voting rights at general meetings of 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



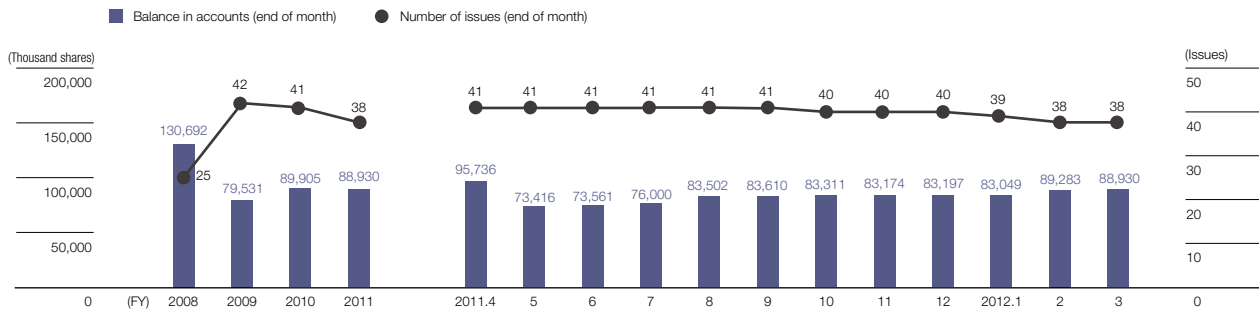
## Handling responses to various forms of corporate action

Foreign companies have carried out a variety of corporate actions in recent years. For example, in fiscal 2011, we processed the distribution of investment unit dividends with cash dividend options, which are subject to a ceiling on the cash dividend portion. We also carried out the necessary processes relating to dividend payments to beneficial shareholders, after completing checks related to tax matters, as required. JASDEC is taking steps to improve services offered to beneficial shareholders and JASDEC participants, such as exchanging information with JASDEC participants through the encryptable Target-Hofuri website, which improves the speed, reliability and security of information

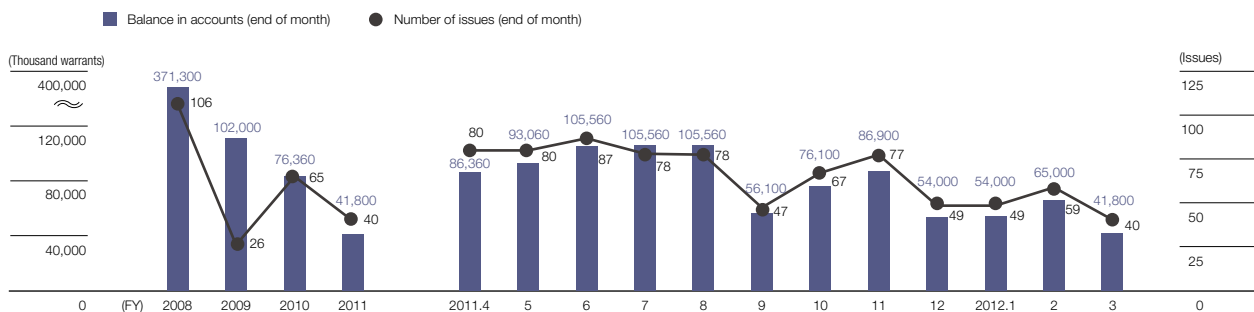
transfer. We are also considering handling various new products listed on domestic financial exchanges.

At present, foreign securities under the custody of the Depository and Book-entry Transfer System for Foreign Stock Certificates, etc. includes four categories: foreign stocks (including ADRs); overseas ETFs (including ETCs); country funds; and foreign covered warrants. At the end of March 2012, the number of different issues handled by JASDEC in the three categories of foreign stocks, overseas ETFs and country funds stood at 38, while the number of foreign covered warrants handled stood at 40.

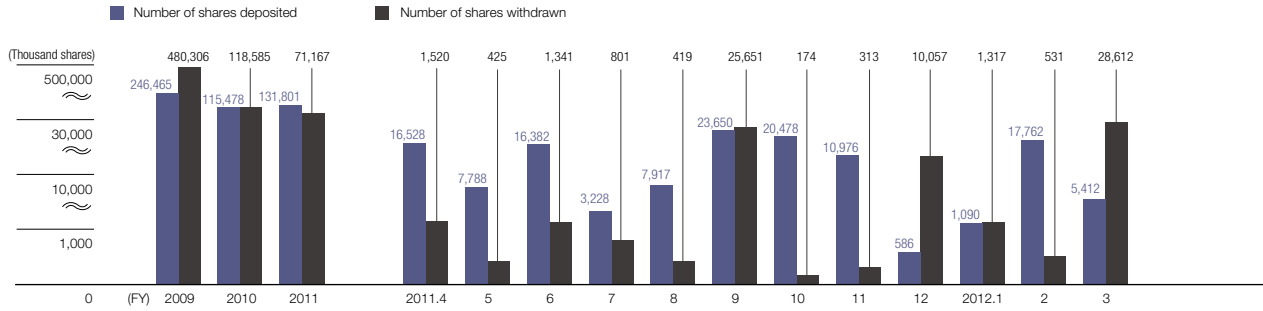
### Foreign stocks, etc.—number of issues/balance in accounts (excluding foreign covered warrants)



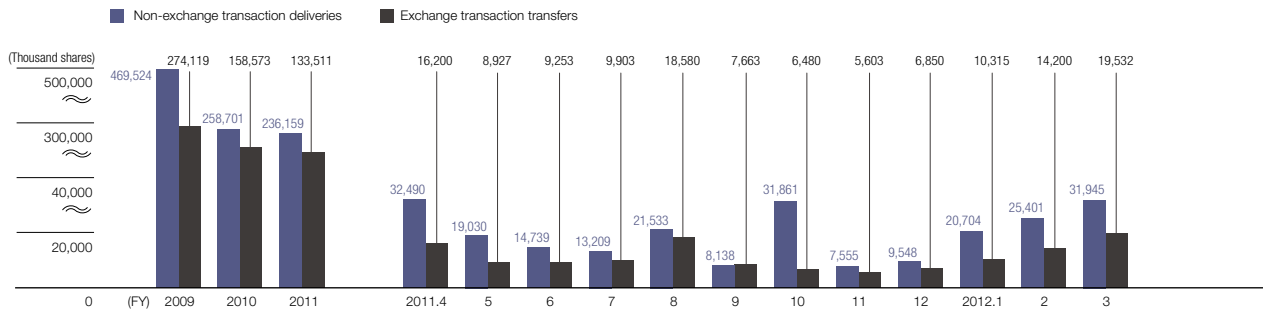
### Foreign covered warrants—number of issues/balance in accounts



Number of shares deposited/withdrawn



Book-entry transfers



## International Relationships

# 国際関係

JASDEC is active year-round in international events to guide the rational development of a global settlement infrastructure. Research on overseas trends and information sharing are key elements of a leadership role.



### Memorandums of understanding (MOUs) with overseas CSDs

As of the end of March 2012, JASDEC had signed MOUs with a total of 13 CSDs. We are strengthening our cooperative relationships with our MOU partners through active initiatives.

## Mutual cooperation with overseas institutions

JASDEC regards research on overseas trends and timely, accurate information exchange with overseas institutions as essential to its ongoing efforts to deal with the many issues that affect securities market infrastructure, such as the globalization of financial and capital markets and the rapid growth of markets in Asia. We actively participate in international forums such as regular CSD meetings and seminars. And, by acting as secretariat for the Asia-Pacific Central Securities Depository Group (ACG) and the

World Forum of CSDs (WFC), we also play a key role in administration. Through these activities, we aim to contribute to the development of securities market infrastructure in Japan and worldwide while also raising the profile of JASDEC.

We are actively developing relationships with organizations with which we have signed memorandums of understanding (MOUs), and we provide various forms of assistance in response to requests from CSDs of emerging nations.

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### Asia-Pacific Central Securities Depository Group

The ACG was established in November 1997 as a forum for information exchange and mutual cooperation among CSDs in the Asia-Pacific region. In December 2010, an Executive Committee was established at the 14th general meeting to plan and organize activities from medium- to long-term perspectives. JASDEC was elected to the Executive Committee member as convener of the Exchange of Information Task Force, Korea Securities Depository as convener of the New Business Initiative Task Force, National Securities Depository Limited as convener

of the Technical Task Force and China Securities Depository and Clearing Corporation Limited as convener of the Legal Task Force. Central Depository Company of Pakistan Limited, Singapore Exchange Limited and Vietnam Securities Depository were also elected through a general vote. JASDEC Chairman Takeuchi became the first ACG Executive Committee Chairman. JASDEC is committed to demonstrating leadership in ACG activities as Secretariat, and is making efforts to further invigorate ACG.

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### World Forum of CSDs

The WFC was created in April 2011 at the 11th Conference of CSDs (CSD11), after agreement was reached among leaders of the world's five regional CSD associations. The WFC continues the collaborative activities undertaken by regional associations under the CSD Contact Group during the previous four years. Its function is to strengthen the influence of CSDs and disseminate their shared views as a forum of information exchange and debate on issues that affect all CSDs. The Forum is administered

by a 10-member board made up of chairs and vice-chairs from each regional association. Mr. Mohamed Abdel Salam of Misr for Central Clearing, Depository & Registry (MCDR), Egypt, representing AMEDA (Africa and Middle East Depositories Association) was elected as the Forum's Chairman, with Chairman Takeuchi of JASDEC as Vice-Chairman. JASDEC is acting as the secretariat.

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### MOUs on information exchange and mutual cooperation with overseas CSDs

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 mutual cooperation with overseas CSDs. As of the end of March 2012, JASDEC had signed MOUs with a total of 13 CSDs. We

are strengthening our cooperative relationships with our MOU partners through active initiatives, including regular exchanges of information, cross-training programs involving trainee exchanges and support for CSDs of emerging nations.



**Major International Activities in Fiscal 2011**

The 11th Conference of CSDs was held in Cape Town, South Africa, hosted by the Africa and Middle East Depositories Association (AMEDA). JASDEC gave a presentation on the theme of "The nature of partnerships amongst CSDs," focusing in particular on information exchange and cooperation among CSDs and CCPs, and collaboration initiatives in the Asia-Pacific region, such as ABMI and the ASEAN Trading Link. Speaking as a panelist in a panel discussion on the theme "The future of financial market infrastructure and the effect on CSDs," Chairman Takeuchi discussed the standardization of CSD operations, the concentration of information, shareholder structures and corporate governance and other aspects and pointed out the pros and cons in conducting risk management.

Conference participants approved the establishment of the World Forum of CSDs (WFC).

**11th Conference of CSDs**

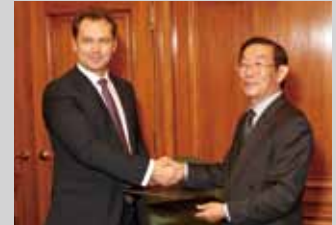
**April 13–15**



JASDEC participated in the first trilateral meeting under the MOU with SD&C (China Securities Depository and Clearing Corporation Limited) and KSD (Korea Securities Depository) held in Hong Kong. The meeting provided an opportunity for exchanges of views among senior management executives and information exchange among working-level officials. JASDEC also gave presentations on its response to the Great East Japan Earthquake and other topics.

**First trilateral meeting for information exchange with China's SD&C and Korea's KSD**

**July 8**



JASDEC signed a memorandum of understanding with the Russia's CSD, NSD (National Settlement Depository) to establish a basis of cooperation and sharing of information towards the development of a closer working relationship.

**MOU with Russia's NSD**

**September 18**



**September 12**

**Symposium commemorating 150 years of Japan-Germany friendship**

JASDEC participated in a symposium hosted by the Frankfurt School of Finance and Management to commemorate 150 years of friendship between Japan and Germany. Held in Frankfurt on September 12, the symposium focused on the future of Japanese capital markets and the prospects for German investors. The event attracted a large number of attendees representing financial institutions, universities and other organizations in Japan and Germany. There was lively discussion on topics ranging from the development of legal frameworks for Japanese capital markets to investment in Japanese securities. JASDEC gave a presentation on its role and functions in the financial system, including an overview of the securities settlement system in Japan.

**September 14**

**JASDEC Seminar**

JASDEC and the local banking association in Luxembourg co-hosted the JASDEC seminar. Held in Luxembourg, the event provided an introduction to JASDEC's activities, especially book-entry transfer systems for stocks and corporate bonds, for an audience consisting of people working in the custody and fund management areas.



**September 14-15**

**13th ACG Cross Training Seminar**

The 13th ACG Cross Training Seminar was held in Ulaanbaatar, Mongolia, hosted by MSCH&CD (Mongolian Securities Clearing House & Central Depository Co., Ltd). As convener of the Exchange of Information Task Force, JASDEC assisted MSCH&CD to run the event. At the seminar, presentations were made on the results from an issuer services survey, on the current situation and future issues pertaining to CSD linkage, on legal applications in cross-border securities transactions, and on the responses to the Great East Japan Earthquake.





The 15th ACG General Meeting was held in Seoul, Korea, hosted by KSD. JASDEC, as ACG Secretariat, supported KSD, and decisions were made on ACG Activity Plan 2012-13, activities for each task force, website upgrading and other matters. At the CSD's "Competing for Collaboration" panel, described JASDEC's policy of expanding operations to meet participant demand in the context of our legal and governance framework.

**15th ACG General Meeting**

November 2-4

JASDEC and KSD held the trainee exchange program under their MOU on information exchange and mutual cooperation. Both institutions accepted trainees, who were mostly young employees. The program enabled better reciprocal understanding by providing the trainees with a general overview of the activities of each institution, and better networking among employees.

**Trainee Exchange with KSD**

November 14-18,  
November 28-December 2

10

11

12

2012.1

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3

October 4-5

**Conference Hosted by European Central Bank**

Chairman Takeuchi was invited to ECB's "Conference on Securities Settlement in 2020: T2S and beyond" (held in Frankfurt, Germany) as a panelist, and presented on themes in recent trend in Asian Securities Markets.



September 18, September 19-23

**1st WFC Meeting/Sibos 2011**

The 1st World Forum of CSDs meeting was held in Toronto, Canada. JASDEC was given responsibility for planning and administration as the secretariat of the WFC, and Chairman Takeuchi served as vice-chairman at the meeting. Updates on activities in each regional CSD association were presented and the WFC's work plan toward the 12th Conference of CSDs (May 2013) were discussed. JASDEC also participated in Sibos 2011 held in Toronto from September 19.

March

**Completion of Final Report for ABMF Phase 1**

The ABMI (Asian Bond Markets Initiative), under the Meeting of the Finance Ministers and Central Bank Governors of the ASEAN+3 group, comprises four Task Forces (1: charged with promoting the issuance of local-currency-denominated bonds, 2: facilitating the demand for local-currency-denominated bonds, 3: improving the regulatory framework and 4: improving the related infrastructure of the bond markets). The ABMF (ASEAN + 3 Bond Market Forum) was established under Task Force 3 (improvement of regulatory frameworks), and two sub-forums were held. Sub-Forum 1 sought to identify regulatory barriers relating to bond transactions in general, while Sub-Forum 2 was concerned primarily with identifying cross-border settlement operations. The results of these deliberations were compiled into a final report, which was published in April 2012.

JASDEC has participated in the ABMF as the Japanese representative, and is actively participating in Sub-Forum 2 as the co-vice-chair.

# Analysis of Business Performance and Financial Results

Fiscal year ended March 31, 2012 (Fiscal 2011)

In the following section, all comparisons are with the previous fiscal year unless stated otherwise.

## Outline of Financial Results

During the fiscal year ended March 31, 2012 (fiscal 2011), the Japanese economy made gradual progress toward a recovery, although conditions remained difficult because of the Great East Japan Earthquake. However, in addition to worries that economic performance in Japan would come under pressure from the European debt crisis, there were also concerns about the impact of power shortages, the deflationary effects of the present situation and the possibility that the employment situation would worsen.

In securities markets, the Nikkei Stock Average fell sharply after the earthquake but then staged a moderate rally after the decline prompted buying by foreign investors. Between April and June, the Nikkei hovered in the mid-¥9,000 range. Statistics released in July, including the Industrial Production Index, confirmed that the post-earthquake recovery was moving forward faster than anticipated by the market. This news, together with firm trends in U.S. stock prices, took the Nikkei to around the ¥10,000 level. In August, the Nikkei fell back to the mid-¥8,000 range and remained at that level until October, reflecting market anxiety about a sharp correction in U.S. stock prices and a continuing rise in the value of the yen. In late November, the Nikkei hit a new low for the year, but it made consistent gains between the start of the new year and March, after firmer economic indicators and other factors prompted a general firming of U.S. stock prices. Another factor was a downward trend in the yen's value. By the end of March the Nikkei was above ¥10,200 and had reached its highest level since the earthquake.

In the year ended March 31, 2012, operating revenues decreased by ¥28,671 thousand, or 0.2%, year on year to ¥19,698,237 thousand. Selling, general and administrative expenses were reduced by ¥1,080,392 thousand, or 6.3%, to ¥15,988,063 thousand. Operating income was ¥1,051,721 thousand, or 39.6%, higher at ¥3,710,173 thousand, while ordinary income increased by ¥1,026,127 thousand, or 38.4%, to ¥3,699,661 thousand. There was an extraordinary loss of ¥1,073,148 thousand relating mainly to partial changes to our basic policy on system replacement, with the result that net income was ¥130,652 thousand (8.1%) lower year on year at ¥1,478,259 thousand.

## Book-Entry Transfer System for Stocks, etc.

In this business segment, the number of issues handled by JASDEC as of March 31, 2012 was 3,762, a reduction of 57 compared with the total as of March 31, 2011. Account balances included 406.8 billion shares, a year-on-year decline of 11.7 billion shares. The balance of bonds with share options stood at ¥959.7 billion, which was ¥208.3 billion lower year on year. There were 2,339.25 million account units for ETFs and beneficial rights of trust issuing beneficial certificates, such as JDRs, a year-on-year decline of 224.46 million units. The balance of account units for REITs was 2.64 million higher year on year at 16.38 million, and account units for preferred equity investments of financial institutions established by cooperative associations were unchanged at 700,000. The total number of new registrations, book-entry transfers, obliterations and other transactions processed was 1,982,733 below the total for the previous reporting year at 81,641,204.

Revenues from this business segment were ¥1,058,222 thousand, or 6.0%, lower year on year at ¥16,504,195 thousand. This includes refunds of ¥1,928,000 thousand on book-entry transfer commissions and account management fees. Revenues after the deduction of these refunds amounted to ¥14,576,195 thousand, a year on year increase of ¥31,777 thousand, or 0.2%.

## Book-Entry Transfer System for Commercial Paper

The number of corporate issuers using this system increased by nine to 497 as of March 31, 2012. Account balances fell by ¥418.7 billion to ¥13,614.5 billion. The total number of underwriting, transfer and redemption transactions handled increased by 5,564 year on year to 288,766. As a result, revenues from this segment were ¥6,565 thousand, or 1.4%, higher year on year at ¥463,673 thousand.

## Book-Entry Transfer System for Corporate Bonds

In this business segment, JASDEC was handling a total of 60,701 issues as of March 31, 2012, a reduction of 7,087 issues compared with the position a year earlier. On a face value basis, the account balance increased by ¥2,365.2 billion year on year to ¥252,439.1 billion as of March 31, 2012. The total number of underwriting, transfer and redemption transactions handled was 3,527 lower at 502,150. As a result, revenues from this business segment declined by ¥87,532 thousand, or 6.8%, to ¥1,201,016 thousand.

## Book-Entry Transfer System for Investment Trusts

As of March 31, 2012, JASDEC was handling a total of 6,868 issues in this business segment, including 4,166 publicly offered investment trusts and 2,702 privately placed investment trusts. The total represents an increase of 293 issues compared with the position as March 31, 2011. On a principal value basis, the account balance as of March 31, 2012 was ¥2,409.9 billion below the level a year earlier at ¥112,507.1 billion, consisting of ¥81,795.0 billion for publicly offered investment trusts and ¥30,712.0 billion for privately placed investment trusts. The number of related registrations, cancellations, transfers and other transactions handled by JASDEC in the year ended March 31, 2012 increased by 116,322 year on year to 4,201,075. This is reflected in revenues for this segment, which increased by ¥2,200 thousand, or 0.2%, to ¥1,064,454 thousand.

## DVP Settlement Services for Non-Exchange Transaction Deliveries (NETDs)

The number of NETD DVP settlements handled by JASDEC during the year ended March 31, 2012 was 100,000 lower year on year at 20.3 million. As a result, revenues from this segment declined by ¥3,593 thousand, or 0.4%, to ¥939,531 thousand.

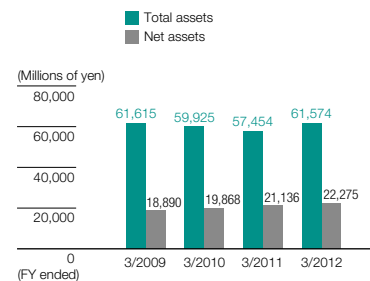
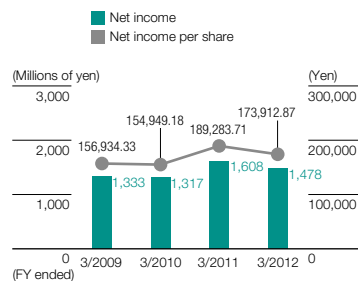
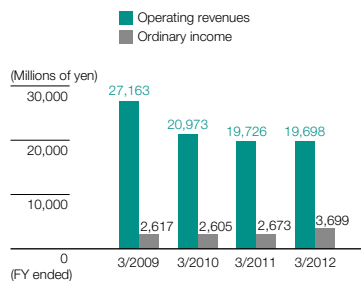
## Pre-Settlement Matching System

Revenues from this segment increased by ¥23,577 thousand, or 1.2%, to ¥2,024,663 thousand in the year ended March 31, 2012. JASDEC pre-settlement matching fees totaling ¥478,000 thousand, and revenues after the reduction of that amount were ¥160,577 thousand, or 11.6%, higher at ¥1,546,663 thousand.

## Custody Services for Foreign Stock Certificates, etc.

As of March 31, 2012, there was an account balance of 88 million foreign stock certificates, etc., excluding foreign covered warrants. There was no change from the level a year earlier. The account balance for foreign covered warrants was 34 million warrants lower at 41 million. The total number of book-entry transfers, including foreign covered warrants, declined by 14,128 to 138,279. As a result, revenues from this business segment were ¥25,576 thousand, or 11.2%, lower year on year at ¥203,190 thousand.

## Financial Results (consolidated)



# Consolidated Financial Statements

## Consolidated Balance Sheets (As of March 31, 2011 and 2012)

	¥ (thousands)		\$ (thousands)
	2011	2012	2012
<b>ASSETS</b>			
Current Assets:			
Cash and deposits	¥ 4,516,648	¥ 7,794,677	\$ 94,837
Accounts receivable—trade	3,443,641	3,163,166	38,486
Deferred tax assets	160,592	416,189	5,063
Designated assets for clearing funds (Note 1)	33,530,047	35,293,686	429,415
Other current assets	323,882	223,493	2,719
Allowance for doubtful accounts	(7,256)	(1,848)	(22)
Total Current Assets	41,967,555	46,889,364	570,499
<b>NONCURRENT ASSETS</b>			
Property and Equipment:			
Buildings and structures	859,474	926,465	11,272
Accumulated depreciation	(369,694)	(440,666)	(5,361)
Buildings and structures, net	489,779	485,798	5,910
Tools and furniture	5,460,708	5,713,609	69,517
Accumulated depreciation	(4,662,828)	(5,105,378)	(62,116)
Tools and furniture, net	797,879	608,230	7,400
Lease assets	93,323	93,323	1,135
Accumulated depreciation	(40,823)	(59,488)	(723)
Lease assets, net	52,499	33,834	411
Total Property and Equipment	1,340,158	1,127,863	13,722
Intangible Assets:			
Software	12,218,911	8,365,514	101,782
Construction in progress (Software)	346,479	3,796,200	46,188
Lease assets	6,468	3,771	45
Other intangible assets	17,923	17,808	216
Total Intangible Assets	12,589,781	12,183,294	148,233
Investment and Other Assets:			
Investment securities (Note 2)	414,128	429,980	5,231
Long-term prepaid expenses	18,265	10,970	133
Deferred tax assets	598,833	407,456	4,957
Long-term refundable lease deposits	503,534	503,534	6,126
Claims provable in bankruptcy, rehabilitation and other	31,114	30,620	372
Others	1,000	1,000	12
Allowance for doubtful accounts	(10,181)	(9,934)	(120)
Total Investment and Other Assets	1,556,695	1,373,627	16,712
Total Noncurrent Assets	15,486,635	14,684,786	178,668
Total Assets	¥ 57,454,190	¥ 61,574,151	\$ 749,168

The accompanying notes are an integral part of these statements.

	¥ (thousands)		\$ (thousands)
	2011	2012	2012
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable—trade	¥ 769,998	¥ 849,724	\$ 10,338
Lease obligations	22,789	23,207	282
Income taxes payable	894,525	744,703	9,060
Allowance for employees' bonuses	183,096	202,087	2,458
Allowance for executives' bonuses	20,500	20,600	250
Consumption tax payable	117,831	2,575	31
Deposits received for clearing funds (Note 1)	33,530,047	35,293,686	429,415
Allowance for loss on changes of system development policy	—	700,592	8,524
Other current liabilities	329,609	964,159	11,730
Total Current Liabilities	35,868,397	38,801,335	472,093
Noncurrent Liabilities:			
Lease obligations	40,363	17,156	208
Allowance for employees' retirement benefits	311,333	383,304	4,663
Allowance for executives' retirement benefits	30,000	30,000	365
Long-term guarantee deposited	67,121	67,121	816
Total Noncurrent Liabilities	448,818	497,582	6,054
Total Liabilities	36,317,216	39,298,917	478,147
<b>NET ASSETS</b>			
Shareholders' Equity:			
Common stock	4,250,000	4,250,000	51,709
Capital surplus	4,250,000	4,250,000	51,709
Retained earnings	12,636,974	13,775,233	167,602
Total Shareholders' Equity	21,136,974	22,275,233	271,021
Total Net Assets	21,136,974	22,275,233	271,021
Total Liabilities and Net Assets	¥ 57,454,190	¥ 61,574,151	\$ 749,168



# Consolidated Financial Statements

## Consolidated Statements of Income and Comprehensive Income (For the years ended March 31, 2011 and 2012)

	¥ (thousands)		\$ (thousands)
	2011	2012	2012
Operating Revenue	¥ 19,726,909	¥ 19,698,237	\$ 239,667
Operating Expenses:			
Executives' compensations	190,476	194,378	2,364
Salaries	1,783,070	1,621,253	19,725
Allowance for bonuses	183,096	202,087	2,458
Allowance for executives' bonuses	20,500	20,600	250
Retirement benefit expenses	102,322	121,514	1,478
Maintenance of systems	6,779,277	6,130,854	74,593
Outside services	2,350	2,702	32
Depreciation and amortization	5,725,759	5,341,802	64,993
Rent	551,479	546,867	6,653
Advertising	78,460	46,283	563
Others	1,651,664	1,759,720	21,410
Total Operating Expenses	17,068,456	15,988,063	194,525
Operating Income	2,658,452	3,710,173	45,141
Non-Operating Income:			
Interest Income	110	8	0
Operational revenue on designated assets for clearing funds	18,190	14,910	181
Equity in earnings of affiliates	62,249	20,151	245
Others	8,440	6,323	76
Total Non-Operating Income	88,991	41,393	503
Non-Operating Expenses:			
Interest expenses	20,812	713	8
Commitment fees	42,678	42,974	522
Fees for fund operation of designated assets for clearing fund	7,790	8,035	97
Others	2,628	182	2
Total Non-Operating Expenses	73,909	51,906	631
Ordinary Income	2,673,534	3,699,661	45,013
Extraordinary Income:			
Reversal of allowance for doubtful accounts	8,126	—	—
Total Extraordinary Income	8,126	—	—
Extraordinary Loss			
Loss on disposal of fixed assets (Note 1)	3,191	5,763	70
Loss on changes of system development policy (Note 2)	—	1,067,384	12,986
Total Extraordinary Losses	3,191	1,073,148	13,056
Income before Income Taxes	2,678,469	2,626,513	31,956
Income taxes—current	966,873	1,212,473	14,752
Income taxes—deferred	102,684	(64,219)	(781)
Total Income Taxes	1,069,557	1,148,253	13,970
Income before Minority Interests	1,608,911	1,478,259	17,985
Net Income	1,608,911	1,478,259	17,985
Income before Minority Interests	1,608,911	1,478,259	17,985
Comprehensive Income	¥ 1,608,911	¥ 1,478,259	\$ 17,985
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	1,608,911	1,478,259	17,985
Comprehensive income attributable to minority interest	—	—	—

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Changes in Net Assets (For the years ended March 31, 2011 and 2012)

	¥ (thousands)		\$ (thousands)
	2011	2012	2012
<b>Shareholders' Equity</b>			
Common stock:			
Balance at the beginning of current period	¥ 4,250,000	¥ 4,250,000	\$ 51,709
Change of items during the period	—	—	—
Total change of items during the period	—	—	—
Balance at the beginning of current period	4,250,000	4,250,000	51,709
Capital surplus:			
Balance at the beginning of current period	4,250,000	4,250,000	51,709
Change of items during the period	—	—	—
Total change of items during the period	—	—	—
Balance at the end of current period	4,250,000	4,250,000	51,709
Retained earnings:			
Balance at the beginning of current period	11,368,062	12,636,974	153,753
Change of items during the period			
Cash dividends	(340,000)	(340,000)	(4,136)
Net income	1,608,911	1,478,259	17,985
Total change of items during the period	1,268,911	1,138,259	13,849
Balance at the end of current period	12,636,974	13,775,233	167,602
Total shareholders' equity:			
Balance at the beginning of current period	19,868,062	21,136,974	257,172
Change of items during the period			
Cash dividends	(340,000)	(340,000)	(4,136)
Net income	1,608,911	1,478,259	17,985
Total change of items during the period	1,268,911	1,138,259	13,849
Balance at the end of current period	21,136,974	22,275,233	271,021
Total net assets:			
Balance at the beginning of current period	19,868,062	21,136,974	257,172
Change of items during the period			
Cash dividends	(340,000)	(340,000)	(4,136)
Net income	1,608,911	1,478,259	17,985
Total change of items during the period	1,268,911	1,138,259	13,849
Balance at the end of current period	¥ 21,136,974	¥ 22,275,233	\$ 271,021

The accompanying notes are an integral part of these statements.

# Consolidated Financial Statements

## Consolidated Statements of Cash Flows (For the years ended March 31, 2011 and 2012)

	¥ (thousands)		\$ (thousands)
	2011	2012	2012
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥ 2,678,469	¥ 2,626,513	\$ 31,956
Depreciation and amortization	5,725,759	5,341,802	64,993
Increase (decrease) in allowance for doubtful accounts	(5,664)	(5,655)	(68)
Increase (decrease) in allowance for employees' bonuses	861	18,990	231
Increase (decrease) in allowance for executives' bonuses	(200)	100	1
Increase (decrease) in allowance for employees' retirement benefits	54,610	71,970	875
Increase (decrease) in allowance for executives' retirement benefits	(11,160)	—	—
Interest income	(110)	(8)	(0)
Interest expenses	20,812	713	8
Equity in loss (earnings) of affiliates	(62,249)	(20,151)	(245)
Foreign exchange loss (earnings)	2,607	(1,254)	(15)
Loss on disposal of property and equipment	3,000	4,911	59
Loss on disposal of intangible assets	190	852	10
Loss on changes of system development policy	—	1,067,384	12,986
Decrease (increase) in accounts receivable—trade	(112,274)	280,969	3,418
Increase (decrease) in accounts payable—trade	(53,305)	79,726	970
Others	(372,907)	6,104	74
Sub-total	7,868,440	9,472,968	115,256
Interest and dividends received	4,410	4,308	52
Interest paid	(22,167)	(713)	(8)
Income taxes paid	(197,796)	(1,361,122)	(16,560)
Income taxes paid for prior years	(59,016)	—	—
Income taxes refunded	233,786	—	—
Net Cash Provided by Operating Activities	7,827,657	8,115,440	98,739
<b>Cash Flows from Investing Activities:</b>			
Payments for purchase of property and equipment	(66,637)	(284,317)	(3,459)
Payments for purchase of intangible assets	(1,551,786)	(4,191,558)	(50,998)
Proceeds from repayment of lease deposits	4,128	—	—
Payment of lease deposits	(1,380)	—	—
Net Cash Used in Investing Activities	(1,615,676)	(4,475,876)	(54,457)
<b>Cash Flows from Financing Activities:</b>			
Increase (decrease) in short-term borrowings—net	(4,800,000)	—	—
Repayment of lease obligations	(21,600)	(22,789)	(277)
Cash dividends paid	(340,000)	(340,000)	(4,136)
Net Cash Used in Financing Activities	(5,161,600)	(362,789)	(4,414)
Effect of exchange rate changes on cash and cash equivalents	(2,607)	1,254	15
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,047,772</b>	<b>3,278,029</b>	<b>39,883</b>
Cash and Cash Equivalents at Beginning of Year	3,468,876	4,516,648	54,953
<b>Cash and Cash Equivalents at End of Year (Note 1)</b>	<b>¥ 4,516,648</b>	<b>¥ 7,794,677</b>	<b>\$ 94,837</b>

The accompanying notes are an integral part of these statements.

## Note on Going Concern's Premise

None.

## Basis of Preparation of the Consolidated Financial Statements

### 1. Basis of Presentation

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. Consolidation

The accounts of all subsidiaries are included in the consolidated financial statements.

- (1) Number of consolidated subsidiaries: One
- (2) Name of the consolidated subsidiary: JASDEC DVP Clearing Corporation ("JDCC")

### 3. Application of the Equity Method

- (1) Number of associated companies accounted for by the equity method: One
- (2) Name of the associated company accounted for by the equity method: Tosho System Services Co., Ltd. (hereafter, "TSS")
- (3) The Company does not have any other associated companies to which the equity method is not applied.

### 4. Fiscal Year of the Consolidated Subsidiary

The fiscal year-end of the consolidated subsidiary is the same date as the consolidated balance sheet date.

### 5. Significant Accounting Policies

- (1) Depreciation and amortization of major depreciable assets
  - ① Property and equipment (excluding lease assets)  
Depreciation for buildings, excluding improvements, is calculated using the straight-line method. Depreciation for other property and equipment is calculated using the declining-balance method.

The major estimated useful lives are as follows:

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

- ② Intangible assets (excluding lease assets)  
Amortization of intangible assets is calculated using the straight-line method.

Costs of software for internal use are capitalized and amortized over an estimated useful life of 5 years.

- ③ Leased assets  
The straight-line method is applied to the depreciation of assets leased under finance leases without ownership transfer, over their respective lease term with zero residual value.

The Company accounts for finance leases without ownership transfer as operating leases if their transaction commenced before March 31, 2008.

- (2) Provision of major allowances

- ① Allowance for doubtful accounts  
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.

- ② Allowance for employees' bonuses  
Allowance for employees' bonuses is provided for bonuses attributable to each fiscal year based on the estimated amount of the respective payments.

- ③ Allowance for executives' bonuses  
Allowance for executives' bonuses is provided for bonuses attributable to each fiscal year based on the estimated amount of the respective payments.

- ④ Allowance for loss on changes in system development policies  
The allowance is provided, based on the development contract amount, for expenditures incurred due to changes in the development policies of the next-generation system which was being developed.

- ⑤ Allowance for employees' retirement benefits  
Allowance for employees' retirement benefits is provided at the amount that would be payable by the Company if all eligible employees voluntarily terminated their employment at the balance sheet dates.

# Consolidated Financial Statements

- ⑥ Allowance for executives' retirement benefits  
Allowance for executives' retirement benefits is provided at the amount that would be payable by the Company if all eligible executives terminated their appointment at the balance sheet dates.

As of June 20, 2006, the executives' retirement benefit scheme has been abolished. Thus the balance of allowance for executives' retirement benefits represents the payable amount for executives who were appointed when the scheme existed, attributable to the period from their appointment to the date of abolishment of the scheme.

- (3) Scope of cash and cash equivalents for the consolidated statements of cash flows  
Cash and cash equivalents include cash on hand, deposits at demand, and short-term investments with a maturity of three months or less carrying insignificant risk of any fluctuation in market value.

- (4) Consumption taxes  
Consumption taxes are excluded from income or expenses.

## 6. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥82.19=US \$1, the rate of exchange as of March 31, 2012 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.

## Accounting Changes

None.

## Accounting Standards Applicable after the Consolidated Balance Sheet Date

None.

## Changes in Presentation

None.

## Changes in Accounting Estimates

None.

## Additional Information

For the accounting changes and corrections of prior period errors that are made on or after April 1, 2011, the Company has applied the Accounting Standard for Accounting Changes and Error Corrections (Accounting Standard Board of Japan Statement No. 24, December 4, 2009) and the Guidance on Accounting Standard for Accounting Changes and Error Corrections (Accounting Standard Board of Japan Guidance No. 24, December 4, 2009).

## Notes to the Consolidated Financial Statements [Notes to the Consolidated Balance Sheets]

### 1. 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, 2012 was ¥15,000,000 thousand (\$182,503 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 ("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.

The market value of collateral securities entrusted to JDCC as of March 31, 2011 and 2012 was as follows:

As of March 31	¥ (thousands)		\$ (thousands)
	2011	2012	2012
Market value of collateral securities entrusted to JDCC	¥ 84,977,948	¥ 91,472,213	\$ 1,112,936

## 2. Accounts Relating to the Associated Company

Accounts and their amounts relating to the associated company were as follows:

As of March 31	¥ (thousands)		\$ (thousands)
	2011	2012	2012
Investment securities (shares)	¥ 414,128	¥ 429,980	\$ 5,231

## 3. Overdraft Contracts and Commitment Line Agreements

To ensure agile and stable fundraising, the Company has concluded overdraft contracts with four banks. To prepare for a possible deficiency of funds due to a default by DVP participants, JDCC has concluded commitment line agreements with three banks, as part of a liquid fund for completing fund settlement on the required day. The unused balances of these overdraft contracts and commitment line agreements were summarized as follows:

As of March 31	¥ (thousands)		\$ (thousands)
	2011	2012	2012
Aggregate maximum amount of overdraft and commitment line amounts	¥ 52,000,000	¥ 52,000,000	\$ 632,680
Amount used	—	—	—
Unused balance	¥ 52,000,000	¥ 52,000,000	\$ 632,680

## [Notes to the Consolidated Statements of Income and Comprehensive Income]

### 1. Loss on Disposal of Noncurrent Assets

The following table shows details of loss on disposal of noncurrent assets:

For the years ended March 31	¥ (thousands)		\$ (thousands)
	2011	2012	2012
Buildings and structures	¥ 1,633	¥ 894	\$ 10
Tools and furniture	1,367	4,016	48
Software	190	852	10
Total	¥ 3,191	¥ 5,763	\$ 70

### 2. Loss on Changes in System Development Policies

The amount represents the loss incurred due to changes in the development policies of the next-generation system which was being developed.



# Consolidated Financial Statements

## [Notes to the Consolidated Statements of Changes in Net Assets]

For the year ended March 31, 2011

### 1. Outstanding Shares

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 ended 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	¥40,000	March 31, 2011	June 21, 2011

For the year ended March 31, 2012

### 1. Outstanding Shares

Class of Share	March 31, 2011	Increase	Decrease	March 31, 2012
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 20, 2011)	Ordinary shares	Retained earnings	¥340,000 (\$4,136 thousand)	¥40,000 (\$486)	March 31, 2011	June 21, 2011

#### (2) Dividends for which the record date is in the year ended March 31, 2012 and for which the effective date is in the year ending March 31, 2013

Resolution	Class of Share	Payment Source	Total Amount ¥ (thousands)	Dividend per Share ¥	Record Date	Effective Date
Ordinary General Shareholders Meeting (June 18, 2012)	Ordinary shares	Retained earnings	¥340,000 (\$4,136 thousand)	¥40,000 (\$486)	March 31, 2012	June 19, 2012

## [Notes to the Consolidated Statements of Cash Flows]

### 1. The Balance of Cash and Cash Equivalents and Its Reconciliation to the Balance of Cash and Deposits in the Consolidated Balance Sheets

	¥ (thousands)		\$ (thousands)
As of March 31	2011	2012	2012
Cash and deposits	¥ 4,516,648	¥ 7,794,677	\$ 94,837
Cash and cash equivalents	4,516,648	7,794,677	94,837

## [Lease Transactions]

### 1. Finance Lease Transactions

Finance lease transactions that do not transfer the ownership of the leased assets to the lessee

#### ① Leased assets

- Property and equipment: Mainly backup system hardware
- Intangible assets: Mainly backup system software

#### ② Depreciation method

As described in Basis of Preparation of Consolidated Financial Statements, 5. Significant Accounting Policies, (1) Depreciation and amortization of major depreciable assets.

Finance lease transactions other than those in which the ownership of the leased assets is transferred to the lessee that commenced before March 31, 2008 continue to be accounted for as operating lease transactions. The followings are the amounts which would have been recorded as finance leases as of March 31, 2011 and 2012 and for the years then ended:

#### (1) Acquisition cost, accumulated depreciation and net book value

	¥ (thousands)		\$ (thousands)
As of March 31	2011	2012	2012
Tools and furniture:			
Acquisition cost	¥ 1,882,666	¥ 1,882,666	\$ 22,906
Accumulated depreciation	(1,311,729)	(1,688,262)	(20,540)
Net book value	¥ 570,936	¥ 194,403	\$ 2,365
Software:			
Acquisition cost	¥ 216,774	¥ 216,774	\$ 2,637
Accumulated depreciation	(151,739)	(195,094)	(2,373)
Net book value	¥ 65,034	¥ 21,679	\$ 263
Total:			
Acquisition cost	¥ 2,099,440	¥ 2,099,440	\$ 25,543
Accumulated depreciation	(1,463,468)	(1,883,356)	(22,914)
Net book value	¥ 635,971	¥ 216,083	\$ 2,629

#### (2) Minimum lease payment including interest thereon

	¥ (thousands)		\$ (thousands)
As of March 31	2011	2012	2012
Due within one year	¥ 423,950	¥ 218,847	\$ 2,662
Due over one year	218,847	—	—
Total	¥ 642,797	¥ 218,847	\$ 2,662

#### (3) Finance lease charges, depreciation expenses and interest portions

	¥ (thousands)		\$ (thousands)
For the years ended March 31	2011	2012	2012
Finance lease charges	¥ 426,663	¥ 426,663	\$ 5,191
Depreciation expenses	419,887	419,887	5,108
Interest portions	5,359	2,713	33

#### (4) Methods applied in calculating depreciation expenses and interest portions

Methods applied in calculating depreciation expenses: Straight-line method with zero residual value over the lease contract period.

Methods applied in calculating interest portions: Computed as the difference between the lease obligations and the acquisition cost equivalents, allocated over the respective lease term based on the interest rate method.

#### Loss on impairment of leased assets

There was no impairment loss allocated to leased assets for the years ended March 31, 2011 and 2012.

#### 2. Operating Lease Transactions

##### Minimum lease payment on the operating lease transactions that are not cancellable

None.

# Consolidated Financial Statements

## [Fair Value Measurements for Financial Instruments]

### 1. General Information on 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.

#### (2) Details and risks of financial instruments and the risk control system

Accounts receivable—trade are subject to credit risks of participants in the book-entry transfer system. The Company continuously monitors the financial conditions of the participants.

Designated assets and deposits received for clearing funds are assets and liabilities that are held to secure the DVP for NETDs settlement system.

Most of the accounts payable—trade are due within 3 months.

### 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, 2011 and 2012. It does not, however, include those for financial instruments for which the fair value is extremely difficult to estimate (see Note 2).

#### For the year ended March 31, 2011

	¥ (thousands)		
	Carrying amount on the balance sheet	Fair value	Difference
(1) Cash and deposits	¥ 4,516,648	¥ 4,516,648	—
(2) Accounts receivable—trade	3,443,641		
Allowance for doubtful accounts*	(7,021)		
	3,436,620	3,436,620	—
(3) Designated assets for clearing funds	33,530,047	33,530,047	—
Assets total	¥ 41,483,315	¥ 41,483,315	—
(4) Accounts payable—trade	¥ (769,998)	¥ (769,998)	—
(5) Deposits received for clearing funds	(33,530,047)	(33,530,047)	—
Liabilities total	¥ (34,300,045)	¥ (34,300,045)	—

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

#### For the year ended March 31, 2012

	¥ (thousand)	\$ (thousand)	¥ (thousand)	\$ (thousand)	Difference
	Carrying amount on the balance sheet		Fair value		
(1) Cash and deposits	¥ 7,794,677	\$ 94,837	¥ 7,794,677	\$ 94,837	—
(2) Accounts receivable—trade	3,163,166	38,486			
Allowance for doubtful accounts *	(1,845)	(22)			
	3,161,320	38,463	3,161,320	38,463	—
(3) Designated assets for clearing funds	35,293,686	429,415	35,293,686	429,415	—
Assets total	¥ 46,249,684	\$ 562,716	¥ 46,249,684	\$ 562,716	—
(4) Accounts payable—trade	¥ (849,724)	\$ (10,338)	¥ (849,724)	\$ (10,338)	—
(5) Deposits received for clearing funds	(35,293,686)	(429,415)	(35,293,686)	(429,415)	—
Liabilities total	¥ (36,143,410)	\$ (439,754)	¥ (36,143,410)	\$ (439,754)	—

\* 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 for the DVP for NETDs settlement system.

### 2. Financial instruments, the fair value of which is extremely difficult to estimate

(As of March 31) ¥ (thousands) \$ (thousands)

Category	2011	2012	2012
Affiliated companies' stocks	¥ 414,128	¥ 429,980	\$ 5,231

These financial instruments are excluded from the above table because their market quotes are not available thus their fair value is deemed to be extremely difficult to estimate.

### 3. Estimated redemptions for monetary claims and securities with maturities after the consolidated balance sheet date

All deposits and accounts receivable—trade in the above table have settlement dates within one year.

#### [Securities]

Not applicable.

#### [Derivative Transactions]

The Company and its consolidated subsidiary did not engage in derivative transactions.

### [Allowance for Employees' Retirement Benefits]

#### 1. Outline of Retirement Benefit Schemes Adopted

The Company and its subsidiary adopt a lump-sum retirement allowance scheme and a defined contribution pension plan.

#### 2. Retirement Benefit Obligation

(As of March 31) ¥ (thousands) \$ (thousands)

Category	2011	2012	2012
Retirement benefit obligation	¥ 311,333	¥ 383,304	\$ 4,663
Allowance for employees' retirement benefits	¥ 311,333	¥ 383,304	\$ 4,663

### 3. Net Periodic Benefit Costs

(Years ended March 31) ¥ (thousands) \$ (thousands)

Category	2011	2012	2012
Service cost	¥ 58,002	¥ 74,157	\$ 902
Other *	44,319	47,356	576
Net periodic benefit costs	¥ 102,322	¥ 121,514	\$ 1,478

\* "Other" represents the amount of contribution to the defined contribution pension plan.

#### 4. Actuarial Assumptions

Not applicable.

#### [Stock Options]

Not applicable.

### [Income Taxes]

#### 1. Breakdown of Deferred Tax Assets

¥ (thousands) \$ (thousands)

As of March 31	2011	2012	2012
Deferred tax assets—current:			
Accrued business tax	¥ 71,133	¥ 56,458	\$ 686
Allowance for employees' bonuses	74,337	76,813	934
Business facility taxes	4,131	3,961	48
Accrued social insurance premiums	10,100	10,513	127
Allowance for loss on changes in system development policies	—	266,295	3,239
Other	888	2,146	26
Subtotal	¥ 160,592	¥ 416,189	\$ 5,063
Deferred tax assets—non-current:			
Allowance for employees' retirement benefits	126,401	136,609	1,662
Allowance for executives' retirement benefits	12,180	10,692	130
Excess depreciation of noncurrent assets	470,774	257,231	3,129
Excess amortization of deferred charges for tax purposes	1,657	9,839	119
Other	—	3,776	45
Valuation allowance	(12,180)	(10,692)	(130)
Subtotal	¥ 598,833	¥ 407,456	\$ 4,957
Total deferred tax assets	¥ 759,425	¥ 823,645	\$ 10,021

# Consolidated Financial Statements

## 2. Reconciliation between the nominal statutory income tax rate and the effective income taxes rate

The effective tax rate for the year ended March 31, 2012 differs from the Company's statutory tax rate for the following reasons:

For the years ended March 31	2011	2012
Statutory tax rate	—	40.7%
(Reconciliation)	—	
Entertainment expenses and other items not deductible permanently	—	0.6
Inhabitants' per capita taxes	—	0.2
Other	—	(0.3)
Reduction of deferred tax assets due to changes in statutory tax rate	—	2.5
Effective tax rates	—	43.7%

Note: The reconciliation of the difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2011 is not presented because such difference did not exceed 5% of the statutory tax rate.

## 3. Adjustment of Deferred Tax Assets Following the Change in the Statutory Tax Rates

The "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Law No. 114, 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Law No. 117, 2011) were promulgated on December 2, 2011. As a result, the statutory tax rates will be lowered, while the special corporate tax for reconstruction will be levied, from the consolidated fiscal year beginning on or after April 1, 2012. Accordingly, the statutory tax rate for calculating deferred tax assets will be changed from 40.7% to 38.0% with regard to temporary differences that are expected to be realized on or after April 1, 2012 and before April 1, 2015. It will also be changed to 35.6% with regard to temporary differences that are expected to be eliminated on or after April 1, 2015.

As result of these changes, net deferred tax assets recorded in the fiscal year ended March 31, 2012 decreased by ¥66,060 thousand (\$803 thousand), while income taxes-deferred increased by the same amount.

## [Business Combinations]

None.

## [Asset Retirement Obligations]

None.

## [Investment and Rental Property]

None.

## [Segment Information]

### Segment Information

The Company and its subsidiary have one business segment of Book-entry Transfer of Securities, therefore omitted the segment information.

### Related Information

For the year ended March 31, 2011

#### 1. Information by Product or Service

The Company omitted information by product or service because operating revenues from external customers in one business product or service exceeded 90% of total operating revenues recorded in consolidated statements of income and comprehensive income.

#### 2. Information on Geographic Areas

##### (1) Operating revenues

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

##### (2) Property and equipment

Disclosure is omitted because the Company had no property and equipment in overseas.

#### 3. Information by Major Customers

Name of the customers	Operating revenues ¥ (thousands)	Related segment
Japan Securities Clearing Corporation	¥2,195,894	Book-entry Transfer of Securities

For the year ended March 31, 2012

#### 1. Information by Product or Service

The Company omitted information by product or service because operating revenues from external customers in one business product or service exceeded 90% of total operating revenues recorded in consolidated statements of income and comprehensive income.

#### 2. Information on Geographic Areas

##### (1) Operating revenues

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

##### (2) Property and equipment

Disclosure is omitted because the Company had no property and equipment in overseas.

### 3. Information by Major Customers

Name of the customers	Operating revenues		Related segment
	¥ (thousands)	\$ (thousands)	
Japan Securities Clearing Corporation	¥2,163,412	\$26,322	Book-entry Transfer of Securities

#### Disclosure of Information on Impairment Loss on Noncurrent Assets by Reportable Segment

None.

#### Disclosure of Information on Amortization and Year-end Balance of Goodwill by Reportable Segment

None.

#### Disclosure of Information on Gain on Negative Goodwill by Reportable Segment

None.

## Related Party Information

### 1. Transactions with Related Parties

(1) Transactions between the Company and the related parties

a) Unconsolidated subsidiaries and associated companies

For the year ended March 31, 2011

Type	Names of companies	Address	Capital ¥ (thousands)	Principal business	Percentage of ownership with voting right	Business relationship	Transactions	Amount ¥ (thousands)	Descriptions	Balance at end of period ¥ (thousands)
Associated company	Tosho System Service Co. Ltd.	Chuo-ku, Tokyo	¥100,000	Design and development of software	20% directly held	Purchasing software and system maintenance	Payment of computer maintenance fee	¥1,960,369	Accounts payable—trade	¥173,220
							Purchase of software	¥373,488	Other current liabilities	¥26,132

For the year ended March 31, 2012

Type	Names of companies	Address	Capital ¥ (thousands)	Principal business	Percentage of ownership with voting right	Business relationship	Transactions	Amount ¥ (thousands)	Descriptions	Balance at end of period ¥ (thousands)
Associated company	Tosho System Service Co. Ltd.	Chuo-ku, Tokyo	¥100,000 (\$1,216 thousand)	Design and development of software	20% directly held	Purchasing software and system maintenance	Payment of computer maintenance fee	¥1,777,388 (\$21,625 thousand)	Accounts payable—trade	¥145,541 (\$1,770 thousand)
							Purchase of software	¥1,376,281 (\$16,745 thousand)	Other current liabilities	¥170,247 (\$2,071 thousand)

b) Corporations that share the same parent company with the Company, subsidiaries of other affiliated companies of the Company, and others

For the year ended March 31, 2011

Type	Names of companies	Address	Capital ¥ (thousands)	Principal business	Percentage of ownership with voting right	Business relationship	Transactions	Amount ¥ (thousands)	Descriptions	Balance at end of period ¥ (thousands)
Subsidiary of other affiliated companies	Japan Securities Clearing Corporation	Chuo-ku, Tokyo	¥2,600,000	Clearing securities	—	Commission income	Commission income	¥2,195,894	Accounts receivable—trade	¥304,962

# Consolidated Financial Statements

For the year ended March 31, 2012

Type	Names of companies	Address	Capital ¥ (thousands)	Principal business	Percentage of ownership with voting right	Business relationship	Transactions	Amount ¥ (thousands)	Descriptions	Balance at end of period ¥ (thousands)
Subsidiary of other affiliated companies	Japan Securities Clearing Corporation	Chuo-ku, Tokyo	¥4,850,000 (\$59,009 thousand)	Clearing securities	—	Commission income	Commission income	¥2,163,412 (\$26,322 thousand)	Accounts receivable—trade	¥255,871 (\$3,113 thousand)

Notes: 1. The transaction amounts in a) and b) 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.

(2) Transactions between consolidated subsidiary of the Company and the related parties  
None.

2. Notes on the Parent Company and Important Affiliated Companies  
None.

## [Special Purpose Entities Subject to Disclosure]

None.

## [Per Share Information]

	¥		\$
As of years ended March 31	2011	2012	2012
Net assets per share	¥ 2,486,702.88	¥ 2,620,615.75	\$ 31,884.84
Net income per share	¥ 189,283.71	¥ 173,912.87	\$ 2,115.98

Notes:

1. Diluted net income per share is not presented because no shares with potential dilutive effect were outstanding.  
2. The basis for calculating net assets per share as of March 31, 2011 and 2012 is as follows:

	¥ (thousands)		\$ (thousands)
As of years ended March 31	2011	2012	2012
Total net assets as reported in the consolidated balance sheets	¥ 21,136,974	¥ 22,275,233	\$ 271,021
Amount to be deducted from total net assets	—	—	—
Net assets pertaining to common stock shareholders	¥ 21,136,974	¥ 22,275,233	\$ 271,021
Number of common stock shares outstanding as of the consolidated balance sheet dates used to calculate net assets per share (in shares)	8,500	8,500	—

3. The basis for calculating net income per share for the years ended March 31, 2011 and 2012 is as follows:

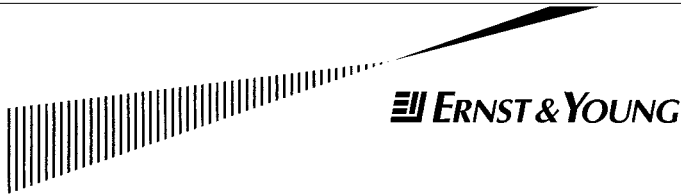
	¥ (thousands)		\$ (thousands)
As of years ended March 31	2011	2012	2012
Net income as reported in the consolidated statements of income	¥ 1,608,911	¥ 1,478,259	\$ 17,985
Net income not pertaining to common stock shareholders	—	—	—
Net income pertaining to common stock shareholders	¥ 1,608,911	¥ 1,478,259	\$ 17,985
Weighted-average number of common stock shares outstanding during the period (in shares)	8,500	8,500	—

## [Subsequent Events]

None.



# Independent Auditor's Report



## Independent Auditor's Report

The Board of Directors and Shareholders of  
Japan Securities Depository Center, Inc.

We have audited the accompanying consolidated financial statements of Japan Securities Depository Center, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Japan Securities Depository Center, Inc. and consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

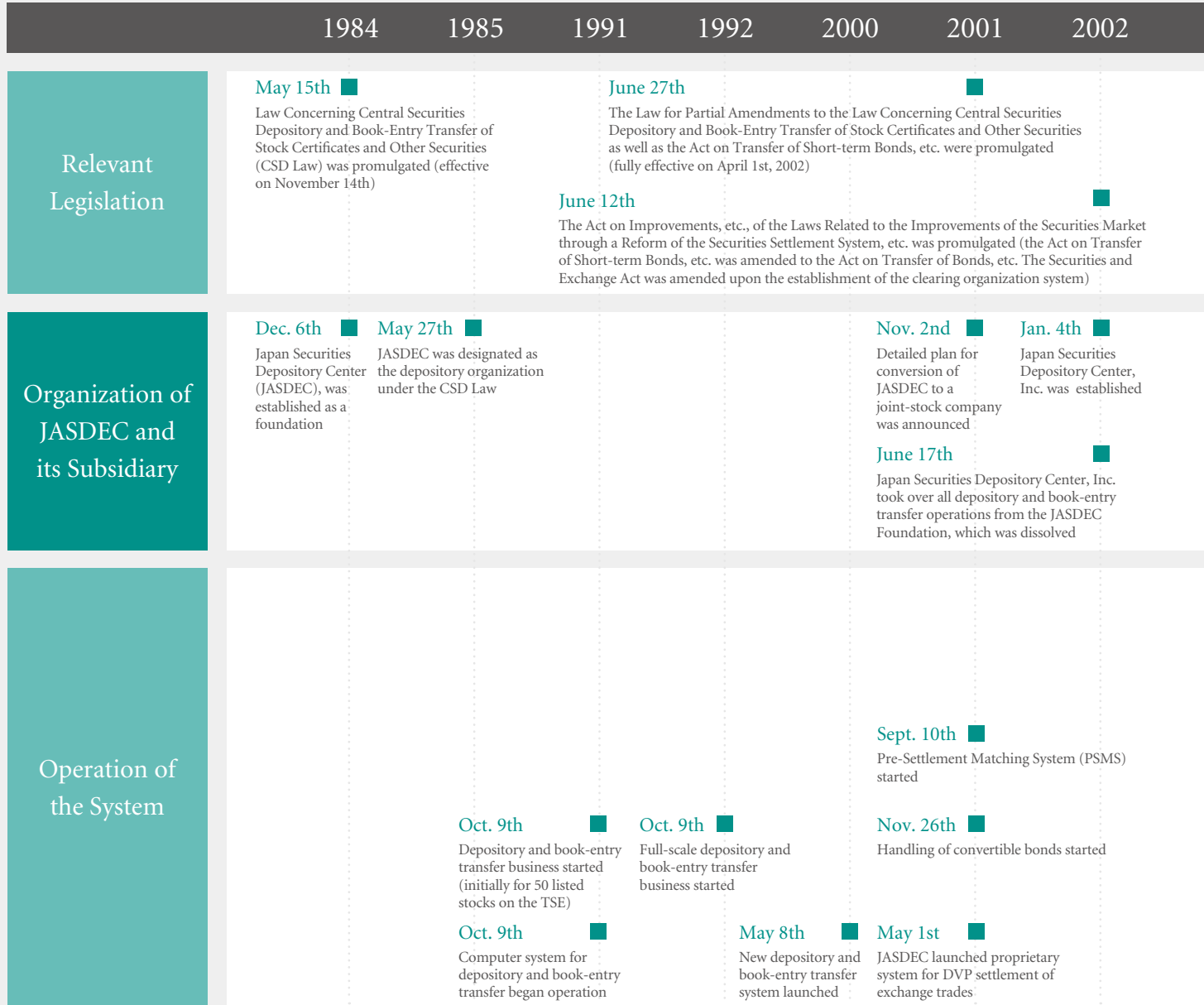
### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 6.

*Ernst & Young ShinNihon LLC*

June 18, 2012  
Tokyo, Japan

# History



## Social Contribution

Environmental protection

Social welfare

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

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

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.

2003

2004

2005

2006

2007

2008

2009

2010

2011

**June 9th** ■

The Law for Partial Amendments to the Act on Transfer of Bonds, etc. for the Purpose of Streamlining the Settlement for Trades of Stocks and Other Securities (Securities Trade Settlement Streamlining Law) was promulgated

**Jan. 5th** ■

The Securities Trade Settlement Streamlining Law was enacted (the Act on Transfer of Bonds, etc. was amended to the Act on Transfer of Bonds, Shares, etc.), and the Law Concerning Central Securities Depository and Book-Entry Transfer of Stock Certificates and Other Securities was abolished

**Jan. 10th** ■

JASDEC received official designation as Book-Entry Transfer Institution under the stipulations of the Act on Transfer of Bonds, etc.

**June 6th** ■

JASDEC DVP Clearing Corporation (JDCC) was established

**April 6th** ■

JDCC obtained a license for securities obligation assumption business to act as a clearing organization in line with the Securities and Exchange Act

**March 31st** ■

JASDEC inaugurated Short-Term Corporate Bonds (Commercial Paper) Book-entry Transfer System

**Jan. 10th** ■

JASDEC inaugurated Book-entry Transfer System for Corporate Bonds

**May 17th** ■

DVP settlement system for Non-Exchange Transaction Deliveries (NETDs) started

**Jan. 4th** ■

JASDEC inaugurated Book-entry Transfer System for Investment Trusts

**Feb. 14th** ■

JGB repo and gensaki (transactions with repurchase agreement) were added to the list of targets of PSMS

**May 1st** ■

JASDEC inaugurated Custody services for Foreign Stocks

**Jan. 4th** ■

JASDEC inaugurated Book-entry Transfer System for Investment Trusts listed on the stock exchanges, i.e. for Exchange-Traded Funds (ETFs).

**Jan. 5th** ■

JASDEC inaugurated Book-entry Transfer System for Stocks, etc.

**July 1st** ■

JASDEC inaugurated Japanese Depository Receipts in Book-entry Transfer System for Stocks, etc.

**Jan. 4th** ■

JASDEC launched Securities Information Tracing System (SITRAS) for lost stocks

**Jan. 4th** ■

Operations of SITRAS were terminated

#### 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.

# Corporate Data

(As of March 31, 2012)

## 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
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	222

## Board Members and Auditors (As of June 29, 2012)

### Chairman

**Yoshinobu Takeuchi**

### President & CEO

**Haruhiko Kato**

### Managing Director

**Seikichi Ihara**

### Managing Director

**Yoshinori Seyama**

### Managing Director

**Munetaka Saito**

### Director

**Moriyuki Iwanaga**

Executive Officer,  
Tokyo Stock Exchange, Inc.

### Director

**Akira Uchida**

Senior Vice President (Member of the Board)  
Toray Industries, Inc.

### Director

**Masakazu Kubota**

Senior Managing Director,  
KEIDANREN (Japan Business Federation)

### Director

**Ritsuro Koza**

Senior Managing Director,  
Nomura Securities Co., Ltd.

### Director

**Masahiko Koyanagi**

Executive Director,  
Japan Securities Dealers Association

### 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 Co. Ltd.

### Director

**Kunihisa Hama**

Lawyer

### Director

**Hideki Hiraki**

Managing Executive Officer,  
Sumitomo Mitsui Trust Bank, Limited

### Director

**Masayuki Hoshi**

Managing Executive Officer,  
Mizuho Corporate Bank, Ltd.

### Director

**Shigeyuki Maeda**

Professor of Law,  
Professional School of Law (Law school),  
Gakushuin University

### Director

**Kanetsugu Mike**

Managing Director, Chief Executive,  
Information Systems & Operations  
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

### Director

**Kaoru Wachi**

Deputy President,  
Mitsubishi UFJ Trust and Banking Corporation

### Standing Auditor

**Hiroshi Kitta**

### Auditor

**Kenzo Ohara**

Senior Executive Officer,  
Tokai Tokyo Securities Co., Ltd.

### Auditor

**Masaki Tachibana**

Managing Director,  
Sumitomo Mitsui Banking Corporation

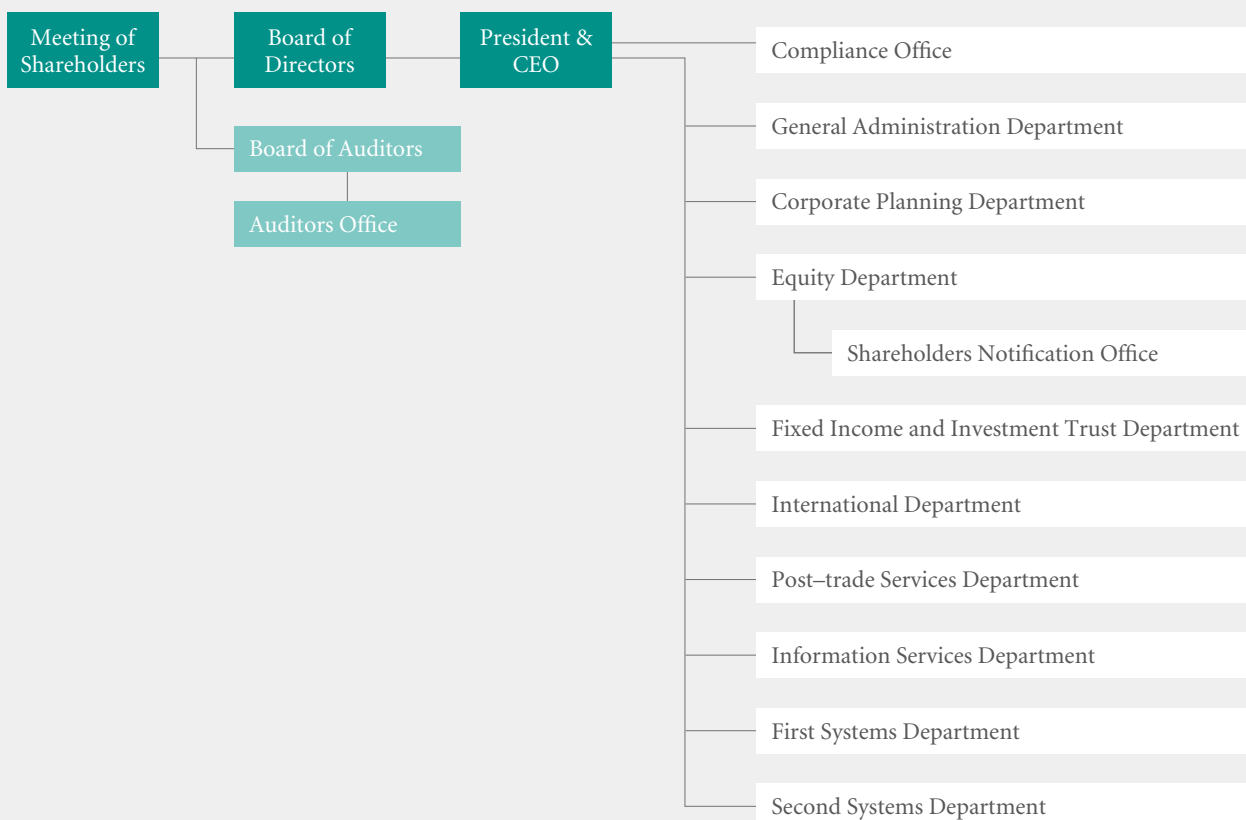
## Shares

Total shares approved for issue	10,000
Total issued shares	8,500
Paid-in capital	¥4,250,000,000
Shareholders	149

## Major shareholders

	Number of shares held	Stake in Company (%)
Tokyo Stock Exchange Group, Inc.	1,930	22.70
Japan Securities Dealers Association	1,050	12.35
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
Trust & Custody Services Bank, Ltd.	340	4.00
Citigroup Global Markets Japan Inc.	321	3.77
Japan Trustee Services Bank, Ltd.	320	3.76
Daiwa Securities Capital Markets Co. Ltd.	230	2.70

## Organization structure





**Japan Securities Depository Center, Inc.**

Daini-Shoken Kaikan Bldg, 1-1, Nihombashi-Kayaba-cho 2-chome, Chuo-ku, Tokyo 103-0025, JAPAN

TEL +81-3-3661-0139 <http://www.jasdec.com/en/>