Consolidated Financial Statements

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

	¥ (thousands)		$ (thousands)
	2011	2012	2012
ASSETS			
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
NONCURRENT ASSETS			
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
LIABILITIES			
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
NET ASSETS			
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
Shareholders' Equity			
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
Cash Flows from Operating Activities:			
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
Cash Flows from Investing Activities:			
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)
Cash Flows from Financing Activities:			
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
Increase (Decrease) in Cash and Cash Equivalents	1,047,772	3,278,029	39,883
Cash and Cash Equivalents at Beginning of Year	3,468,876	4,516,648	54,953
Cash and Cash Equivalents at End of Year (Note 1)	¥ 4,516,648	¥ 7,794,677	$ 94,837

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.

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:

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

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

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

	¥ (thousands)		$ (thousands)
For the years ended March 31	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

a) Property and equipment: Mainly backup system hardware

b) 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.

[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

	Carrying amount on the balance sheet ¥ (thousand)	Carrying amount on the balance sheet $ (thousand)	Fair value ¥ (thousand)	Fair value $ (thousand)	Difference
(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

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 ¥ (thousands)	Operating revenues $ (thousands)	Related segment
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

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:

As of years ended March 31	¥ (thousands) 2011	¥ (thousands) 2012	$ (thousands) 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:

As of years ended March 31	¥ (thousands) 2011	¥ (thousands) 2012	$ (thousands) 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

Ernst & Young

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