

**ANNUAL REPORT
2013**



HELPING TO SMOOTH THE OPERATION OF JAPAN'S CAPITAL MARKETS

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PROFILE AND MISSION

JASDEC is a central securities depository in Japan designated under the Act on Transfer of Bonds, Shares, etc. JASDEC was established as a not-for-profit foundation in 1984 and incorporated as a stock company in 2002.

In Jan. 2009, JASDEC accomplished dematerialization of stock certificates issued by all listed companies. With this step, new Book-entry Transfer System for stocks, corporate bonds and other securities has been fully established. JASDEC also provides pre-settlement matching system. JASDEC DVP Clearing Corporation, wholly owned by JASDEC, operates DVP settlement system for non-exchange transaction deliveries.

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.

Total Account
Balance

¥ 696 trillion → **¥ 773 trillion**

Number of
Issues Handled

75,856 → **73,314**

Number of
Transactions

83.4 million → **86.0 million**

Number of
Transactions per Day

339 thousand → **351 thousand**

ACCELERATING THE REVITALIZATION OF JAPAN'S FINANCIAL AND CAPITAL MARKETS

Innovation

The Financial Market Infrastructures are facing various challenges such as the new requirements by CPSS-IOSCO, shorter securities settlement cycles to be introduced in Europe and other markets, and strengthening of business continuity plans, etc. Those initiatives and tightening of regulations are important components of risk management for both regulatory authorities and financial institutions.

JASDEC will continue to implement reforms in response to changes in the domestic and international environment, structural transformation, and in the demands placed on CSDs.

Globalization

Amid the global trend toward greater complexity and sophistication in financial and securities transactions, more than ever before, settlement institutions in each country need to ensure that the growing volume of cross-border settlements can be processed easily and efficiently. In the Japanese market, expanding inflows of overseas funds have contributed to the recent rise in the average daily trading value. Increasingly precise settlement functions are needed to accommodate this growth.

The world's major financial and capital markets are in competition for funds and traders beyond their own borders. The key competition is for convenience and safety, and Japan's markets are attracting widespread attention.

Competitiveness

The competitiveness of individual countries' markets depends on the convenience of their systems and the diversity of products and services, as well as the reliability of settlement systems and the capacity of markets to keep pace with the diversification of systems. Future markets will need to work cooperatively to improve user convenience. Users will be able to select the markets that offer the greatest dependability, resulting in increasing inter-market competition.

OUR ROLES

ASSURING RELIABILITY AND EFFICIENCY BASED ON TRANSPARENCY

04

Annual Report 2013

Transparency

While meeting the needs of investors, issuers and market intermediaries, JASDEC aims to maintain a high standard of transparency in keeping with the importance of the public's interests. To reflect user needs in the administration of our systems, we have established the Business Operations Committee to examine key questions referred by the Board of Directors. Summaries of the deliberations of this committee are published on our website.

Reliability

JASDEC has computerized all stages of processes relating to securities transactions, from matching to settlement, to create extremely secure and reliable infrastructure that is free of human intervention. Our aim in developing this settlement infrastructure is to provide highly reliable services capable of fulfilling their vital role as a robust foundation for financial and capital markets in Japan.

In settlement infrastructure, strong, reliable bridges are just as important for efficient flow as they are in traditional social infrastructure. The bridges JASDEC builds must be as reliable, strong and trusted as any bridge made of concrete and steel.

Efficiency

JASDEC is continually improving the efficiency of all procedures carried out by users. We are currently strengthening system infrastructure, including the composition of our systems and preparing to replace some of our mainframe IT infrastructure in January 2014. We aim to help revitalize Japan's financial and capital markets by further enhancing the security and efficiency of our systems.



OUR DIRECTION

COLLABORATING TO DEVELOP GLOBAL BEST-PRACTICE BENCHMARKS

Reinforcement

JASDEC continues to enhance the robustness of its business infrastructure in three areas. First, we are strengthening our organizational structures. Second, we are enhancing our business continuity planning (BCP). Third, we are reinforcing our systems infrastructure. These initiatives will further improve the reliability and convenience of our systems for users while also strengthening our ability to adapt to the globalization of financial and capital markets.

Global Standards

We are currently preparing to apply ISO 20022, the next-generation international message format standard, to our settlement matching system and transfer system. We also plan to connect our systems via SWIFTNet. We have made a long-term commitment to the continual improvement of our systems with the aim of achieving benchmarks based on international best practice.

This is an age of diversity, where people and cultures meet and mix freely. The Japanese tradition of accommodation is recognized and valued internationally, and we hope to set a clear example by the way we serve our users, and share our ideas.

Cooperation

JASDEC has signed memorandums of understanding (MOUs) concerning information sharing and reciprocal cooperation with 17 CSDs, etc., in various countries. In addition to our role in providing reliable support for financial and capital markets in Japan, we are also determined to contribute to the sound growth of financial and capital markets worldwide through international cooperation and information sharing with overseas CSDs.

MANAGEMENT MESSAGE



Haruhiko Kato, President & CEO

Yoshinobu Takeuchi, Chairman

Japan Securities Depository Center, Inc. (JASDEC), as a provider of securities settlement infrastructure that is essential for financial and capital markets, we are committed to operate reliably to assure the availability of our services. In addition to this commitment to reliability, we are also continually working to provide more advanced world-class functionality by enhancing our services and improving operational efficiencies.

Initiatives in fiscal 2012

To make our systems safer and more efficient, JASDEC plans to replace its current computer systems with next-generation systems in January 2014. In preparation, throughout fiscal 2012 (the year to March 31, 2013), we diligently engaged in systems development and implemented various measures for a smooth transition to the new systems. They entailed announcing and publicizing the basic policy for systems transition, connection specifications and participant test implementation guidelines, and formulating market rules concerning new functions to become available as a result of the systems replacement. During the year, we delivered the following improvements in our services as well.

First, in order to expand the range of instruments that can be handled by the Book-entry Transfer System for Stocks, etc., we revised handling requirements for bonds with share options and share options, making

it possible to handle all bonds with share options and share options issued in Japan by listed companies. To increase convenience for users, we are implementing system improvements to extend the termination date for handling of commitment-type rights offerings and bring forward the starting date for handling of rights processing for foreign stock certificates, etc.

Also, as a JASDEC group-wide cross-sectional initiative to reduce the administrative workload for participants, we have streamlined procedures, such as notification of changes of their trade names, addresses, etc., through the use of common forms for all systems that JASDEC group operates and improving support for electronic submission of procedure documents.

We continued to engage in international activities to strengthen our relationships with overseas CSDs and other organizations through information exchange and other activities. At the Asia-Pacific Central Securities Depository Group (ACG) and the World Forum

of CSDs, where Chairman Takeuchi serves as Executive Committee Chairman and Vice-Chair, respectively, JASDEC was in charge of planning and administration in its capacity of secretariat and summarized member opinions concerning international standards pertaining to securities market infrastructure. In addition, we continue to expand our relationships with overseas CSDs and other institutions through signed memorandums of understanding (MOUs). This year, we have signed MOUs with China Central Depository & Clearing (CCDC), Depozitarul Central (DC) of Romania and Merkezi Kayit Kurulusu (MKK) and Takasbank of Turkey.

Current priorities

To provide services that offer greater reliability, convenience and efficiency, we are constantly innovating from the perspective of investors, issuers and market intermediaries. Described below are some of the priority projects on which we are working currently.

Efficient collection and dissemination of CA information

We have agreed with the Tokyo Stock Exchange (TSE) to collaborate on enhancing the corporate action information (CA information) dissemination service. Specifically, we aim to expand the content of Tokyo Market Information (TMI), TSE's information distribution service, by adding information we collect about 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 ISO 20022 standard.

These improvements will provide users with one-stop access to a wide range of information, including CA information about Japanese securities, in an international digital data format. This will allow efficient Straight Through Processing (STP). We plan to implement this initiative in February 2014.

Implementation of international standards

As mentioned above, we are currently making preparations for the replacement of our computer systems in 2014. In replacing the systems, we will adopt ISO 20022, a next-generation message standard, in the interest of promoting international standardization. Additionally, in the new systems, we will implement connectivity with SWIFTNet, which is widely used in other countries, so that users can connect to the new system through either our proprietary network or SWIFTNet.

Introduction of DVP for stock lending and tolerance matching

Accompanying the replacement of computer systems in 2014, we plan to introduce Delivery Versus Payment (DVP) settlement for stock lending transactions and tolerance matching to non-residents' transactions.

Response to global strengthening of risk management

While JASDEC is continually pushing for greater convenience in services, we recognize ever-stronger risk management as a critical issue for CSDs. And, indeed, across the globe, financial supervisory authorities are working to strengthen risk management with an emphasis on financial institutions and financial market infrastructures. With regard to new mandatory international standards for securities

settlement infrastructure, the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO) published Principles for Financial Market Infrastructures (PFMI) in April 2012 and an accompanying document, Disclosure Framework and Assessment Methodology, in December 2012, resulting in a higher mandatory level of risk management for securities settlement infrastructure. As a financial market infrastructure, JASDEC is committed to appropriately responding to PFMI and further strengthening risk management.

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 our stakeholders.

Haruhiko Kato

Haruhiko Kato, President & CEO

Yoshinobu Takeuchi

Yoshinobu Takeuchi, Chairman

CORPORATE GOVERNANCE

Our basic policy on corporate governance

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

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

Overview of implementation of corporate governance practices

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

Corporate Structure

• Board of Directors

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

• Audit & Supervisory Board

JASDEC employs the Audit & Supervisory Board system for corporate governance instead of the committee system, as provided for in the Companies Act. The Audit & Supervisory Board is made up of three Audit & Supervisory Board Members, two of whom are selected from eligible participants (one each from a securities company and a bank) and all three (including an Audit & Supervisory Board Member who is serving on a full-time basis) are external Audit & Supervisory Board Members. In principle, the Audit & Supervisory Board holds a regular meeting each month. In line with auditing plans and the basic policies established by the Audit & Supervisory Board, Audit & Supervisory Board Members 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, Audit & Supervisory Board Members work closely with directors and conduct regular exchanges of opinions, including through meetings with the representative directors.

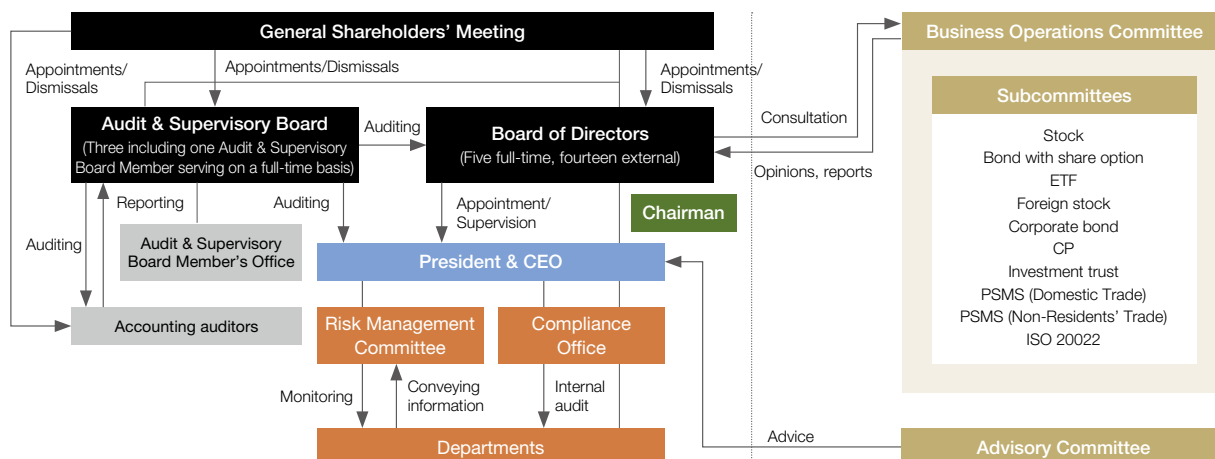
• Business Operations Committee

Separately from the Board of Directors and the Audit & Supervisory Board, 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 Audit, Audit & Supervisory Board Member's Audit, and Accounting Audit

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 Audit & Supervisory Board Member's audit, an Audit & Supervisory Board Member 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 Standing Audit & Supervisory Board Member performs audits in accordance with the auditing plans established by the Audit & Supervisory Board, and provides the other Audit & Supervisory Board Members with updates on the progress of auditing activities at the meeting of Audit & Supervisory Board, which takes place monthly.

Audit & Supervisory Board Members 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 Standing Audit & Supervisory Board Member.

JASDEC assigns staff specifically to assist Audit & Supervisory Board Members in their audits.

Audit & Supervisory Board Members 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.

The accounting audits for JASDEC in the year ended March 31, 2013 was performed by two certified accountants in the capacity of accounting auditor under the Companies Act: Yohei Kishi and Masato 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 Audit & Supervisory Board Members' Limit of Liability

We expect directors and Audit & Supervisory Board Members 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 Audit & Supervisory Board Members.

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.

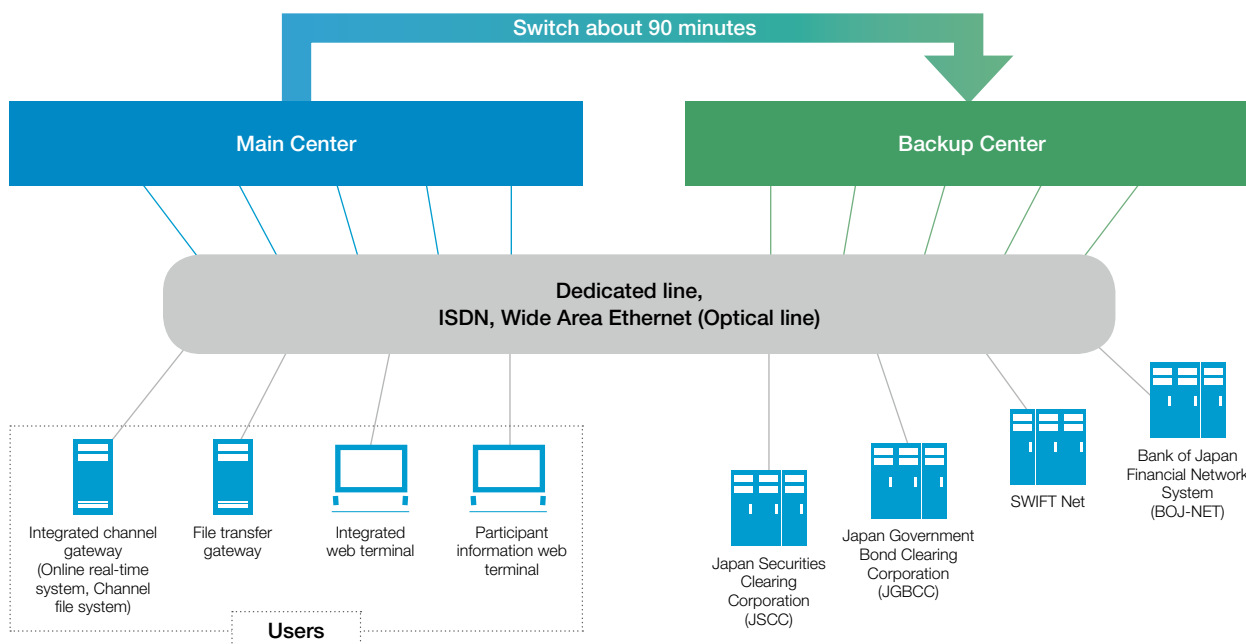
IT backup system

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 in 2011, 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

Custody Services for Foreign Stock Certificates, etc.

¥152 million

Pre-settlement Matching System (PSMS)

¥1,322 million

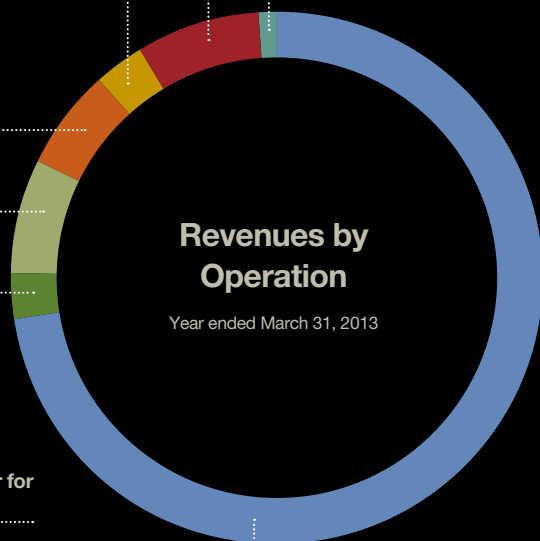
DVP Settlement System for NETDs

¥511 million

Book-entry Transfer for Commercial Paper
¥463 million

Book-entry Transfer System for Corporate Bonds
¥1,212 million

Book-entry Transfer System for Investment Trusts
¥1,055 million



Book-entry Transfer System for Stocks, etc.

¥12,602 million

01 Book-Entry Transfer System for Stocks, etc. **▶ P16**

02 Book-Entry Transfer System for Commercial Paper and Corporate Bonds **▶ P20**

03 Book-Entry Transfer System for Investment Trusts **▶ P24**

04 DVP Settlement System for NETDs **▶ P27**

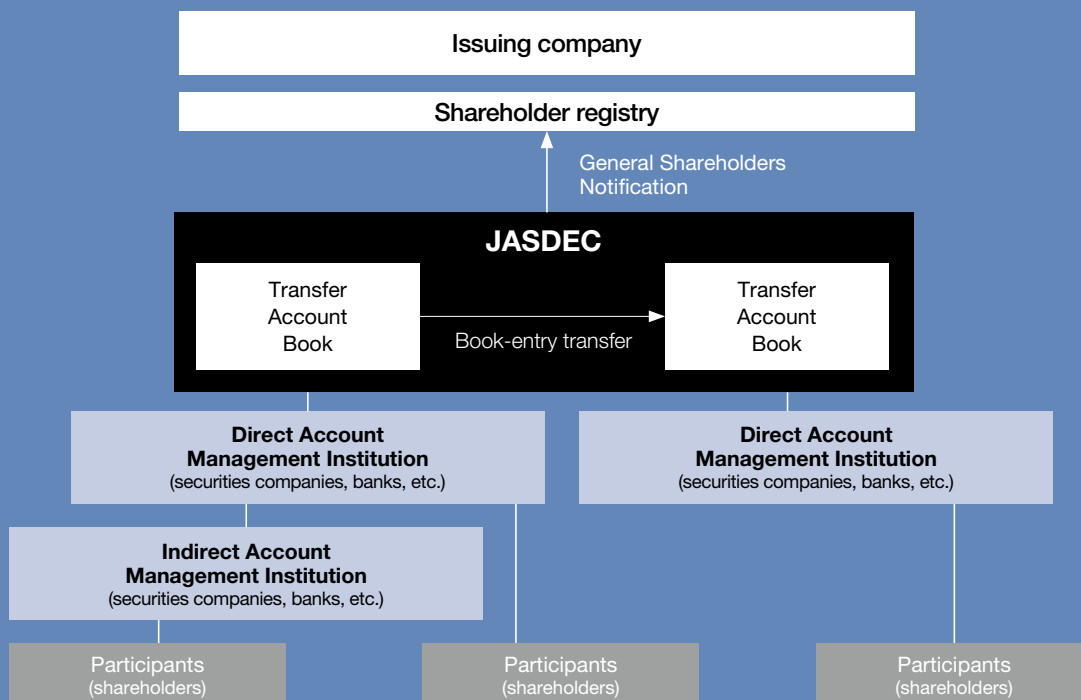
05 Pre-Settlement Matching System (PSMS) **▶ P30**

06 Custody Services for Foreign Stock Certificates, etc. **▶ P33**

01 Book-Entry Transfer System for Stocks, etc.

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

The Book-Entry Transfer System for Stocks, etc.



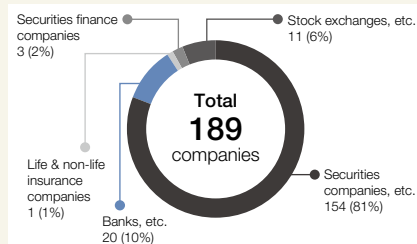
The Book-entry Transfer System for Stocks, etc., has been operating smoothly

The dematerialized Book-entry Transfer System for Stocks, etc., launched in January 2009 has been operating smoothly. The system is based on 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, these computer records 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.

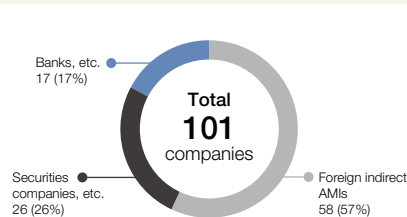
As of March 2013 the total number of issues handled was 3,753, including 3,561 share issues, 16 bonds with share options, 8 share options, 41 investment units, one preferred share issue, 106 ETFs, and 20 JDRs. The number of companies participating in the book-entry transfer system, including JASDEC participants, indirect AMIs, and fund settlement corporations, etc., was 383, including 58 foreign financial institutions as indirect AMIs.

JASDEC participants and indirect AMIs (as of March 31, 2013)

JASDEC participants by category

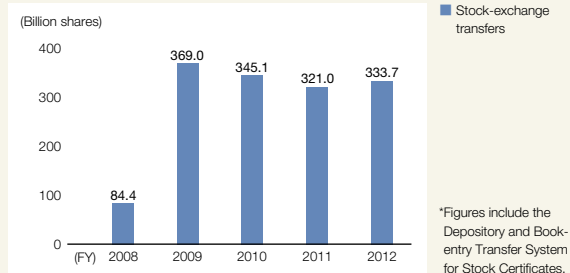


Indirect AMIs by category

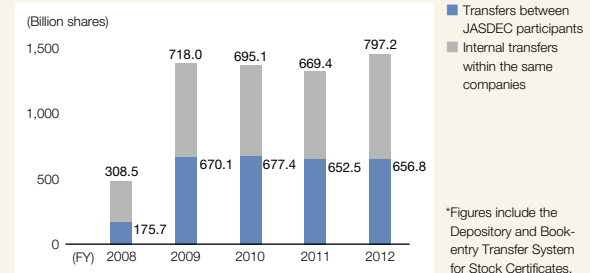


Note: "Banks, etc." include The Norinchukin Bank, Tokyo Shoken Shinyou Kumiai, and Japanese Banks' Payment Clearing Network. "Stock exchanges, etc." include Japan Securities Clearing Corporation, JASDEC DVP Clearing Corporation, three securities agents and three Tanshi companies (which offer short-term credit brokerage services)

Book-entry transfers



Book-entry transfers



Ongoing enhancements to increase user convenience

JASDEC has organized three subcommittees to examine further improvement of the book-entry transfer 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.

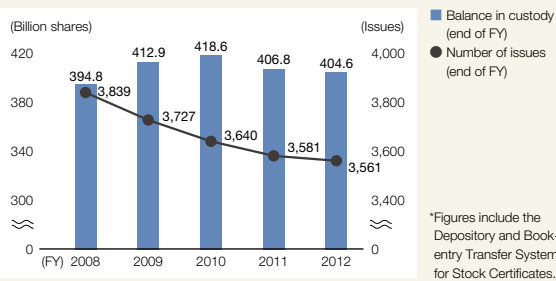
In April 2012, to increase efficiency and facilitate procedures for commitment type rights offerings, we developed a system to enable uninterrupted handling of share options under the book-entry transfer system until commitment securities companies finish exercising share options. With the previous system, handling of these share options was closed on the day the issuing company acquired all unexercised share options based on the call provisions. For this reason, it was necessary to handle both the subsequent transfer of the share options from the issuing company to commitment securities companies and the exercising of the share

options by the securities companies outside the book-entry transfer system.

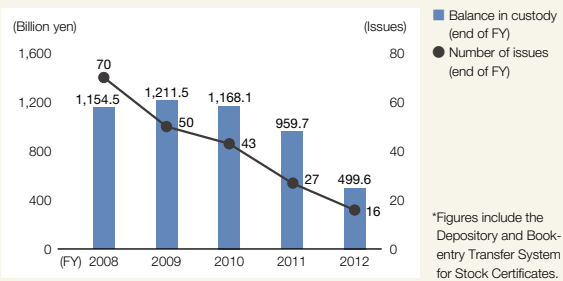
In February 2013, to increase efficiency and reliability for users holding and exercising unlisted bonds with share options and share options, we developed a system to handle all unlisted bonds with share options and share options issued by listed companies under the book-entry transfer system, in the same way listed securities are handled. Among the unlisted bonds with share options and share options issued by listed companies, only those which were allocated to financial institutions were previously handled through the book-entry transfer system.

These new measures have enhanced convenience and safety for users. 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.

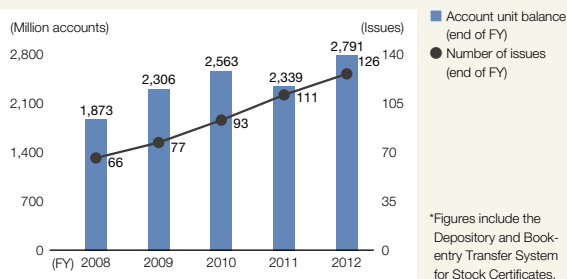
Stock account balance and number of issues



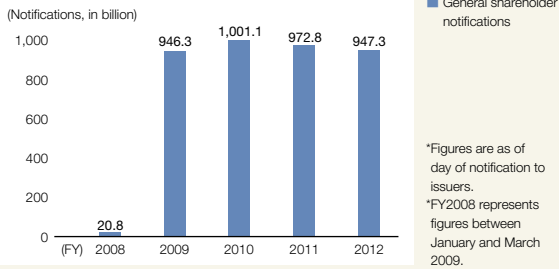
Bond with share option account balance and number of issues



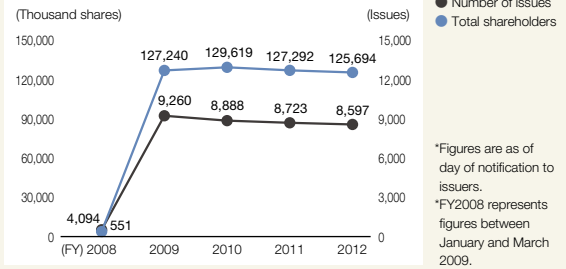
Exchange Traded Fund (ETF) etc., account balance and number of issues



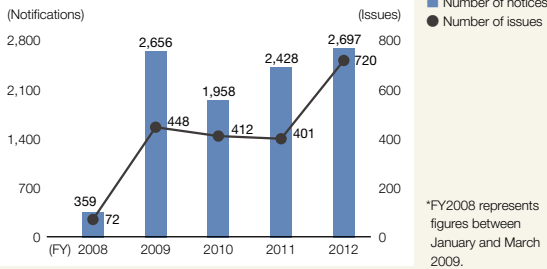
General shareholder notifications



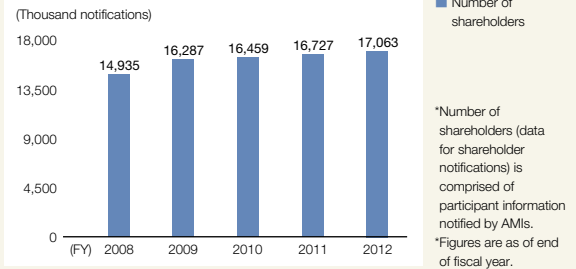
Number of issues and total shareholders



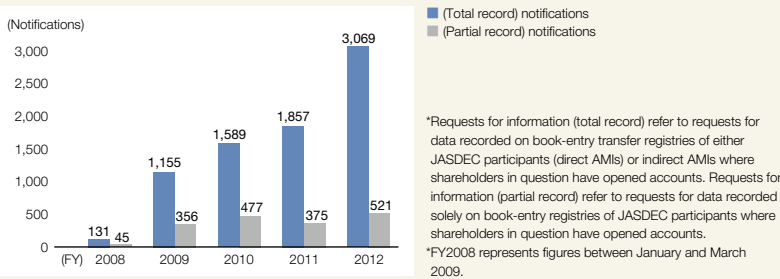
Individual shareholder notifications



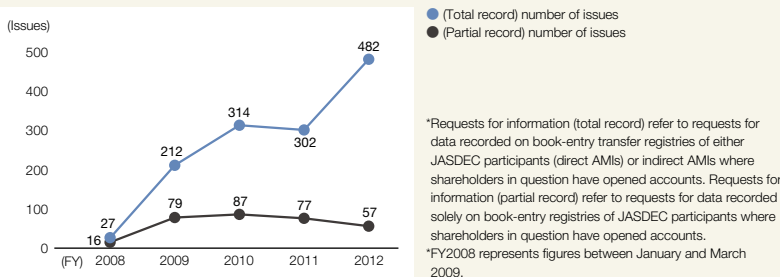
Number of shareholders (Data for shareholder notifications)



Information requests (Notifications)



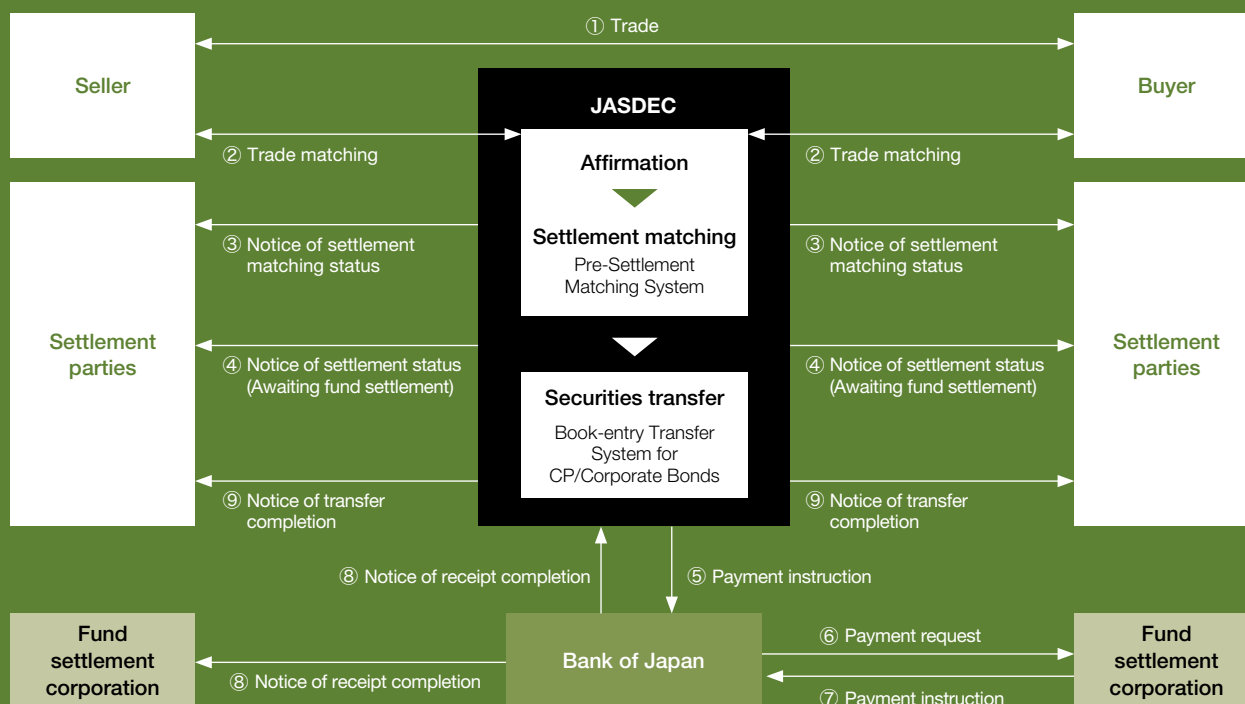
Information requests (Number of issues)



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

JASDEC is maintaining the security of 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.

Flowchart for Book-Entry Transfer for CP/Corporate Bonds (DVP)

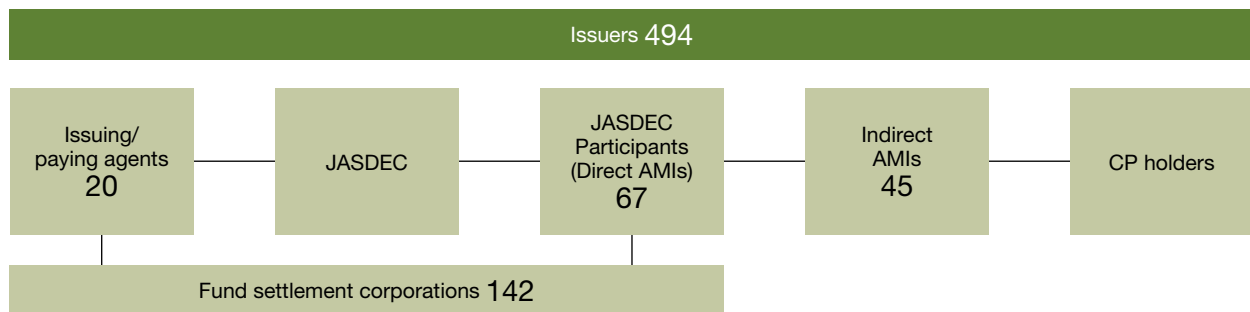


Supporting seamless and secure CP and corporate bond settlement

In March 2003, JASDEC launched the Book-entry Transfer System for Short-Term Corporate Bonds (dematerialized CP), and this was followed by the launch of the Book-entry Transfer System for Corporate Bonds in January 2006. 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 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. For example, 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 in accordance with the multilayered structure, where AMIs receive payments from paying agents or their upper AMIs on behalf of their bondholders.

Participants in Book-Entry Transfer System for CP (as of the end of March 2013)

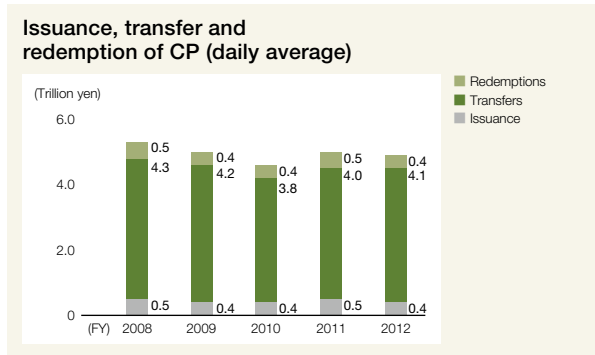
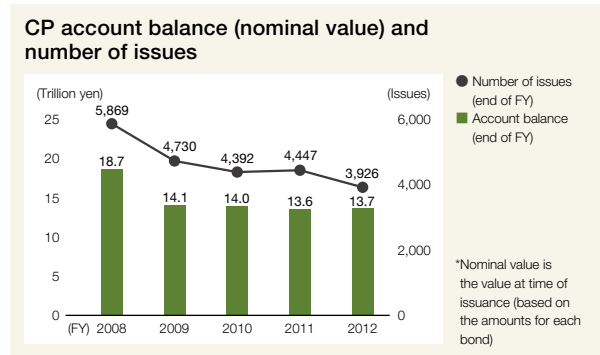


A decade of CP transaction efficiency

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 promissory notes in physical form, there were always some risks of theft or loss when notes were transferred or deposited, as well as costs of a documentary stamp tax upon transfers. To eliminate such risks and costs, the fully electronic book-entry transfer system for dematerialized CP was launched in 2003. Ten years after the launch, almost all CP issued in Japan is handled by this system.

During fiscal 2012 (to March 31, 2013), our account balance held at around ¥16 trillion on average, the same level as throughout most of fiscal 2011, mainly as a result of recovery in issuance by corporate entities

in general following the Great East Japan Earthquake, despite a decrease in issuance by financial institutions and electric power and gas companies. However, as of March 31, 2013, the total account balance had significantly declined to ¥13,760 billion (a ¥145 billion increase from the end of FY2011) because of a combination of seasonal factors at the fiscal year-end. The number of issues stood at 3,926 issues (a 521 issues decrease from the end of FY2011).



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. In combination with month-end settlements of more than ¥10 trillion, this means that JASDEC settlements surpassed the daily trading value at the Tokyo Stock Exchange. In fiscal 2012, the annual aggregate settlement amount surpassed ¥1,000 trillion, marking

active trading at the highest level since fiscal 2009.

This huge settlement amount reflects the importance of CP, which accounts for the bulk of fundraising by business entities in Japan. JASDEC is willing to continue its practice of maintaining a high level of safety in the book-entry transfer system of CP, a matter of critical importance for securities settlement infrastructure, while rapidly reflecting market needs in the system.

Expansion of bond types handled by JASDEC

JASDEC's Book-entry Transfer System for Corporate Bonds handles various types of bonds, both through public offerings and private placements. These include bonds issued by corporate entities, 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 foreign governments or entities) and others. In fiscal 2012, based on the special purpose trust beneficiary rights structure, we included J-Sukuk (Islamic financial instruments similar to bonds) in the eligible bonds.

Fiscal 2012 marked the issuance of the first corporate bonds of a mutual company under the Insurance Business Act since the start of the system. Also, the type of bonds issued has expanded to include, for instance, corporate bonds denominated in Hong Kong dollars.

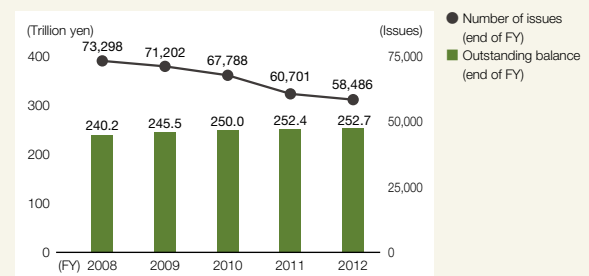
Furthermore, in the FY2013 Tax Reform, the corporate bond income tax exemption scheme was made permanent, with partial exceptions. This improved the environment for investment in Japanese corporate bonds and other instruments by foreign investors.

The amount of new issues in fiscal 2012 was equivalent to the amount in fiscal 2011, which was depressed by the effects of the Great East Japan Earthquake and European sovereign debt crisis.

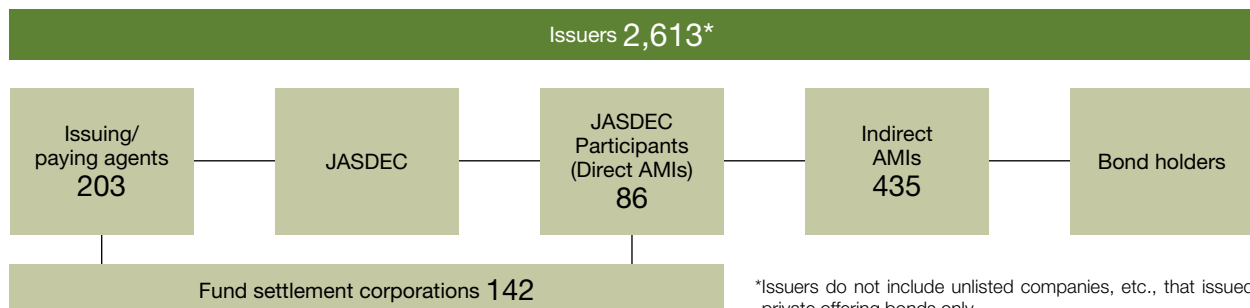
Nevertheless, a slowdown in redemptions contributed to a nominal account balance of ¥256.1 trillion reached on December 19, 2012, the highest since the start of the system. As of March 31, 2013, the number of bonds eligible in the system was 58,486 issues (a 2,215 issues decline from the end of FY2011), and the nominal account balance stood at ¥252.7 trillion (a ¥0.3 trillion increase from the end of FY2011).

In January 2013, a special reconstruction income tax was instituted accompanying the promulgation of the Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake. In order to respond this taxation, we implemented the required system arrangement concerning principal and interest processing.

Outstanding balance of corporate bonds and number of issues



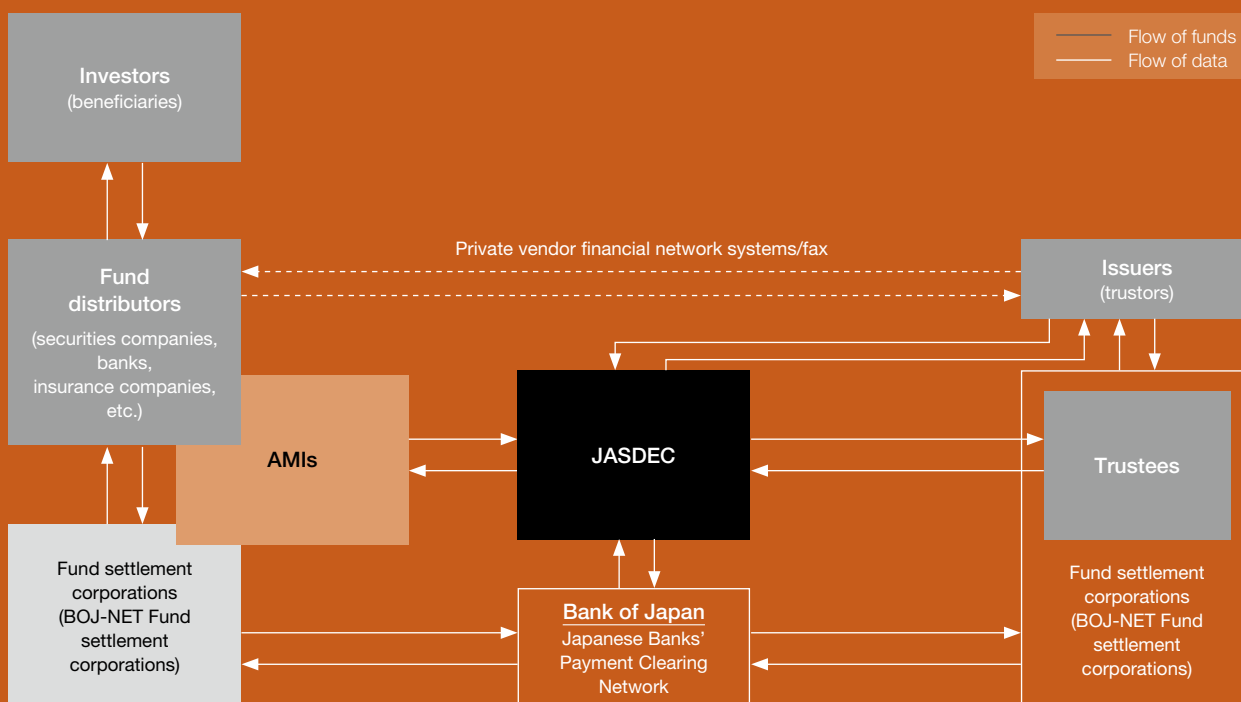
Participants in Book-Entry Transfer System for Corporate Bonds (as of the end of March 2013)



03 Book-Entry Transfer System for Investment Trusts

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.

Basic Model of Book-Entry Transfer System for Investment Trusts



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.

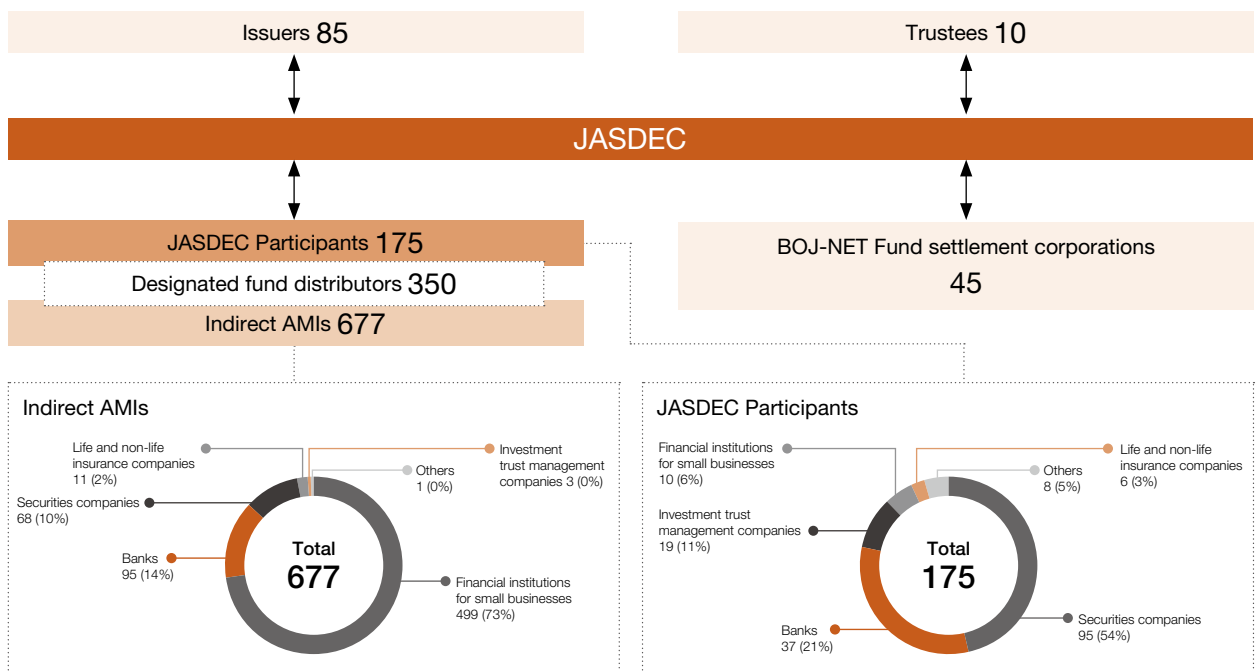
The system covers contract-type investment trusts (hereinafter, simply called “investment trusts”), which involve three parties—a trustor, a trustee, and a beneficiary who is an investor in the investment trust. (Exchange Traded Funds (ETFs) and investment trusts of the non-trustor instruction type are 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 852 companies as of March 31, 2013.

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

Participants in Book-Entry Transfer System for Investment Trusts (as of March 31, 2013)



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

Strong support from users

The total number of investment trusts handled by JASDEC as of March 31, 2013 was 7,112 issues (a 244-issue increase from the end of FY2011), comprising 4,336 publicly offered and 2,776 privately placed investment trusts. The transaction volume undertaken for both new registrations (purchases) and deletions (cancellations and redemptions) achieved record highs. In terms of the transaction value on a principal value basis, which subsequently remained at low levels during the year 2012, improvement in the investment environment early in 2013 resulted in the highest level of new registrations and deletions in five years, with the principal value of new registrations above that of deletions.

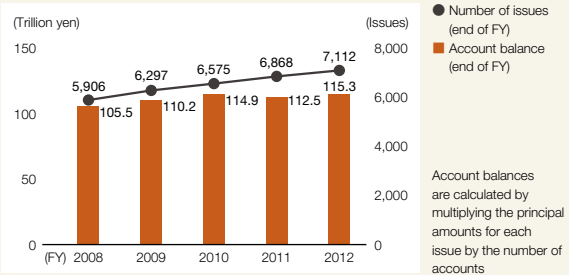
As a result, the outstanding balance at the end of fiscal 2012 had increased ¥2.8 trillion year on year to ¥115.3 trillion, comprising ¥83.3 trillion in publicly offered and ¥31.9 trillion in privately placed investment trusts.

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's 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 2012, the proportion of settlements using DVP was 26% by transaction volume and 62% by principal value.

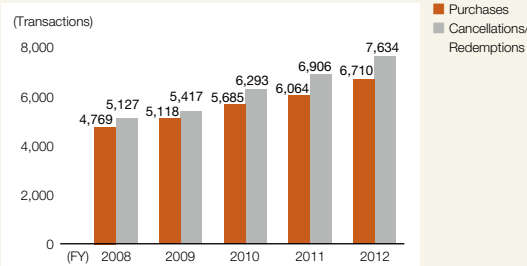
Dedicated to ongoing improvement

In fiscal 2012, as in fiscal 2011, we developed operating rules regarding the system change, which will simplify the transaction procedures for fund distributors. In fiscal 2013, we plan to announce and implement these operating rules. JASDEC will continue to implement measures that enhance the user-friendly Book-entry Transfer System for Investment Trusts, while maintaining the high level of safety required for settlement infrastructure.

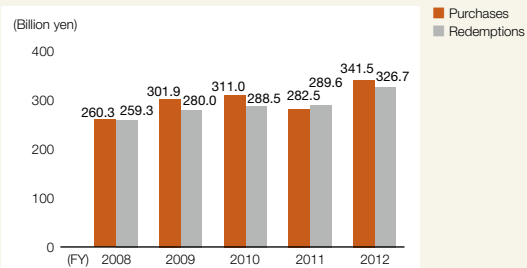
Book-entry transfer of investment trusts —account balance and number of issues



Purchase and cancellation/redemption transactions (Daily average)



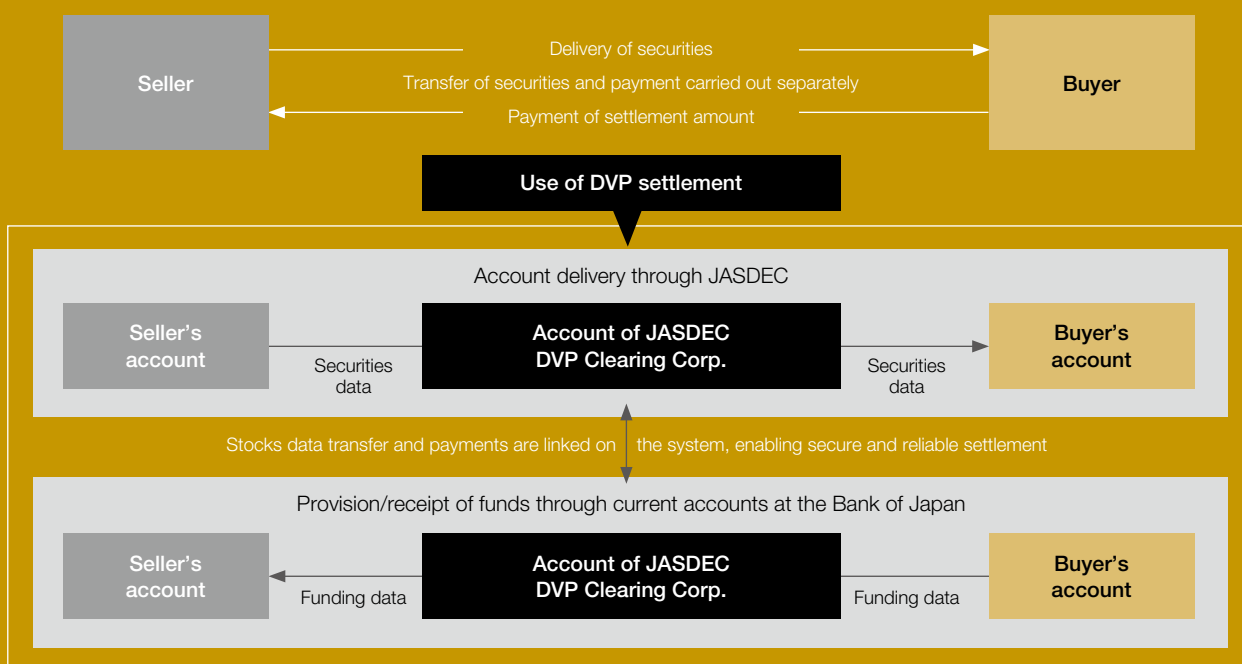
Principal values of investment trusts for purchases and cancellations/redemptions (Daily average)



04 DVP Settlement System for NETDs

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

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.

Providing safe, secure securities transactions

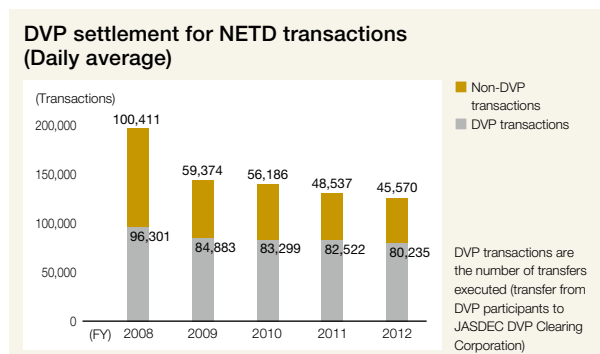
The Non-Exchange Transaction Deliveries (NETDs) refer to Book-entry Transfers for Stocks, etc., carried out by JASDEC for non-exchange transactions, and the majority of them consist of such trades of domestic and overseas institutional investors buying and selling Japanese stocks, etc., through the DVP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



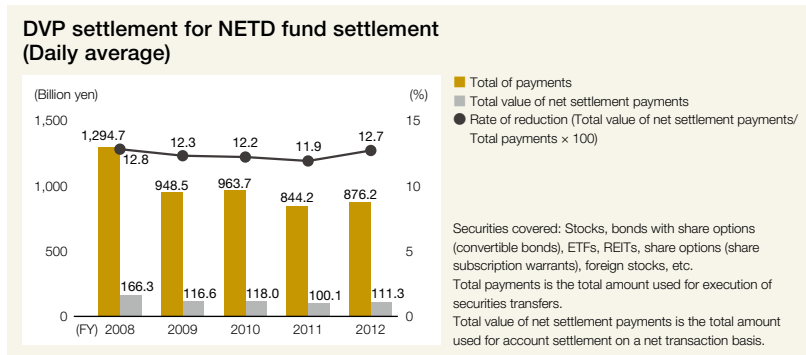
Establishing key settlement procedures on the customer side

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 2013, 52 companies (comprising 12 banks and 40 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.

JDCC's basic policy is to provide cost-effective services to users, and in April 2012, we lowered the DVP settlement fee per transaction by ¥3 to ¥17. Also, in consideration of steady growth in the use of the system, we refunded ¥8 of the ¥17 DVP settlement fee per transaction for the period from April 2012 to February 2013 in accordance with the participant's usage level.



Reducing settlement risks for stock lending transactions

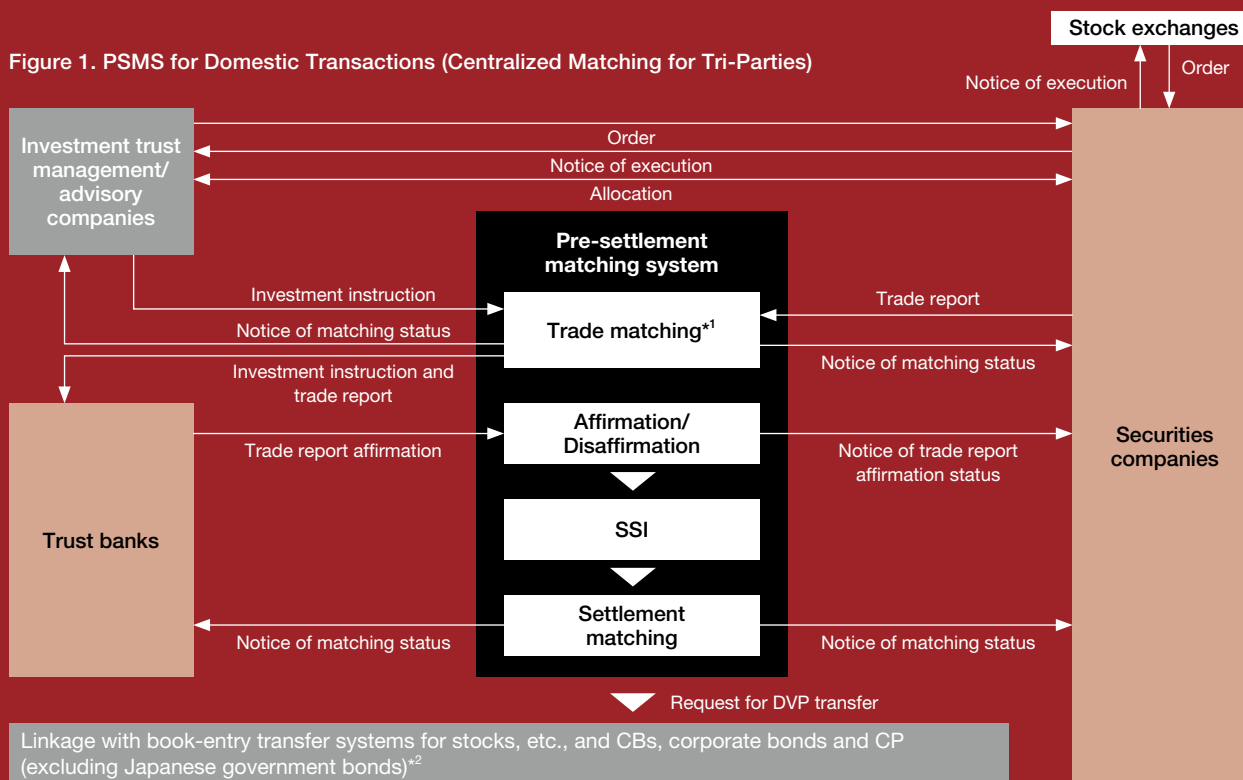
The Financial Services Agency identified a number of urgent measures needed to strengthen the clearing and settlement system for stock lending transactions in “Development of Institutional Frameworks Pertaining to Financial and Capital Markets,” published in January 2010.

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.

05 Pre-Settlement Matching System (PSMS)

Amid steady growth, JASDEC is readying the next-generation system with features for global settlement support, including ISO 2022 standard and addition of SWIFTNet.

Figure 1. PSMS for Domestic Transactions (Centralized Matching for Tri-Parties)



*1 In 2014, DVP settlement for stock lending and borrowing transactions will be available.

*2 In 2014, JASDEC will support trade matching function for tri-parties in lending and borrowing trades and "gensaki" trades of Japanese government bonds.

Pre-Settlement Matching System (PSMS) is aimed to provide smooth and safe matching infrastructure in Japanese securities market.

Matching process for institutional investors in securities trade 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, it 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.

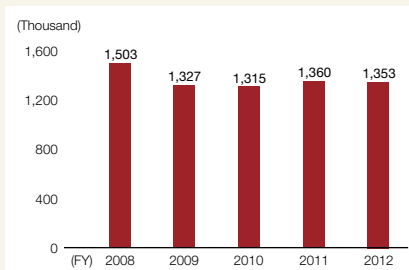
PSMS is aimed to provide smooth and safe matching infrastructure in Japanese securities market, contributing to further growth of Straight Through Processing (STP) transactions.

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 among financial institutions and other factors, the number of registered users as of the end of

March 2013 was 684, seven fewer than the number in the previous year. In fiscal 2012, the number of input/output transactions on a daily average was 1,353,350, which is about the same amount of transactions of the previous year.

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



Complying with international standards, reducing settlement risk, and enhancing user efficiency; committing with these goals, PSMS is moving forward.

In 2014, PSMS will take a new step. JASDEC will implement new functions and introduce new features, including adoption of the new international standards, in the new PSMS scheduled for launch in January 2014.

Currently, JASDEC uses ISO 15022, messaging standard defined by the International Organization for Standardization (ISO). Though it is based on the standard, the message consists of several customizations, in order to meet unique requirements in the Japanese market community. To achieve the greatest possible degree of harmonization with international standards and the connectivity with overseas systems, we decided to bring the new system into full compliance with the latest international standard. As one of the first major adoptions in the world, JASDEC

will leverage ISO 20022, the new international standard for financial messaging, in the new system.

Not only to precede the implementation of ISO 20022, JASDEC is participating as a member in consultation of ISO and striving to ensure the compatibility of Japanese market practices and international standards. Regarding the existing message formats, JASDEC will deliver a co-existence period until the end of 2018, providing users with greater choice of system migration based on their IT investment plans.

In addition, JASDEC will bring in SWIFTNet, used widely around the world, which will realize greater choice and smooth overseas connectivity, further increasing user convenience and the number of participants.

Another key project JASDEC is engaging is the

reduction of settlement risk. Since 2008's financial crisis, there has been growing discussion about further mitigation of settlement risk. Along with these efforts, JASDEC will introduce DVP settlement for stock lending and borrowing transactions leveraging existing DVP system for equity cash transactions (see Figure 1).

JASDEC has been continuously improving its user efficiency by bringing significant enhancements to the matching process. In non-residents' transactions, JASDEC will introduce "Tolerance Matching" function, which has already prevailed among major overseas markets, boosting smooth settlement practices among foreign investors, domestic and foreign custody banks, and securities companies. With this function, when there is a slight discrepancy in settlement amounts, which is within the tolerance amount limit (¥100, without exception), PSMS will assume the instructions to be "Matched" and proceed to following process (see Figure 2).

In domestic transactions, JASDEC will support the trade matching function for tri-parties (institutional investors, trust banks, and securities companies) in lending and borrowing trades and "gensaki" trades of

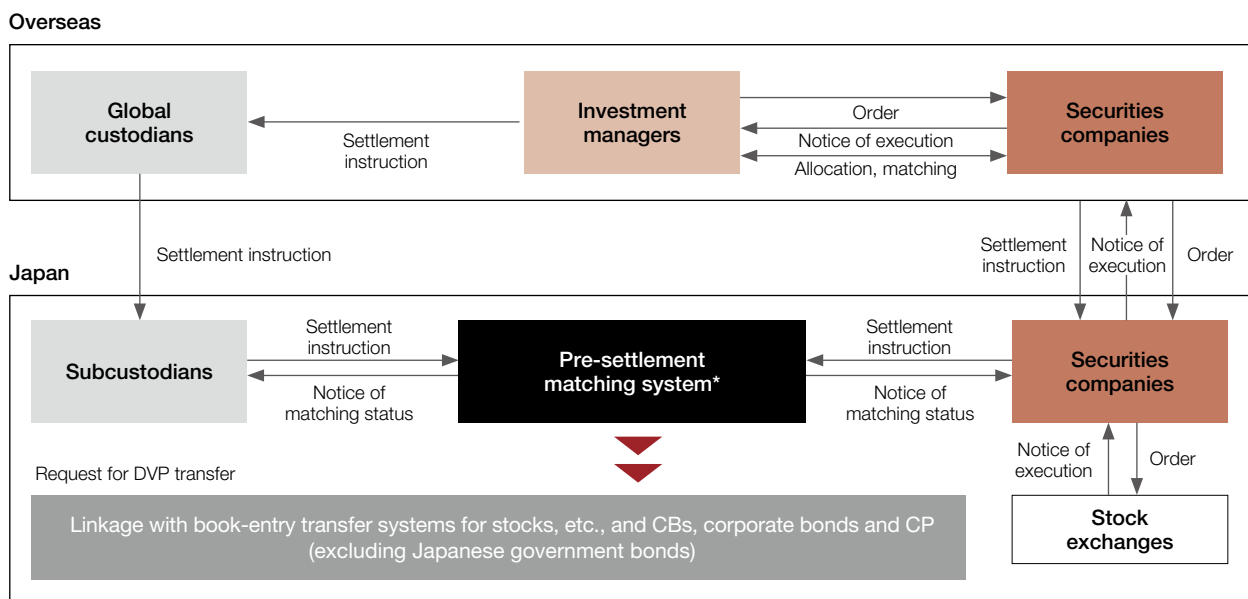
Japanese government bonds (see Figure 1), which follows the recent discussion of shortening settlement cycle of JGBs among market related parties.

This fiscal year, we have made progress on preparation for the new system. Considering the globalization of system development process among financial institutions, we have translated relevant PSMS specification documents into English. In addition, as the financial industry around the world becomes more interested in market practices for cross-border trades, we have made the message format specifications of PSMS non-residents' transactions public on "MyStandards," SWIFT's web-based platform service.

In order to put the new function and features into practice and to promote better understanding of them among the market participants, we also updated market rules regarding PSMS.

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

Figure 2. PSMS for Non-Residents' Transactions

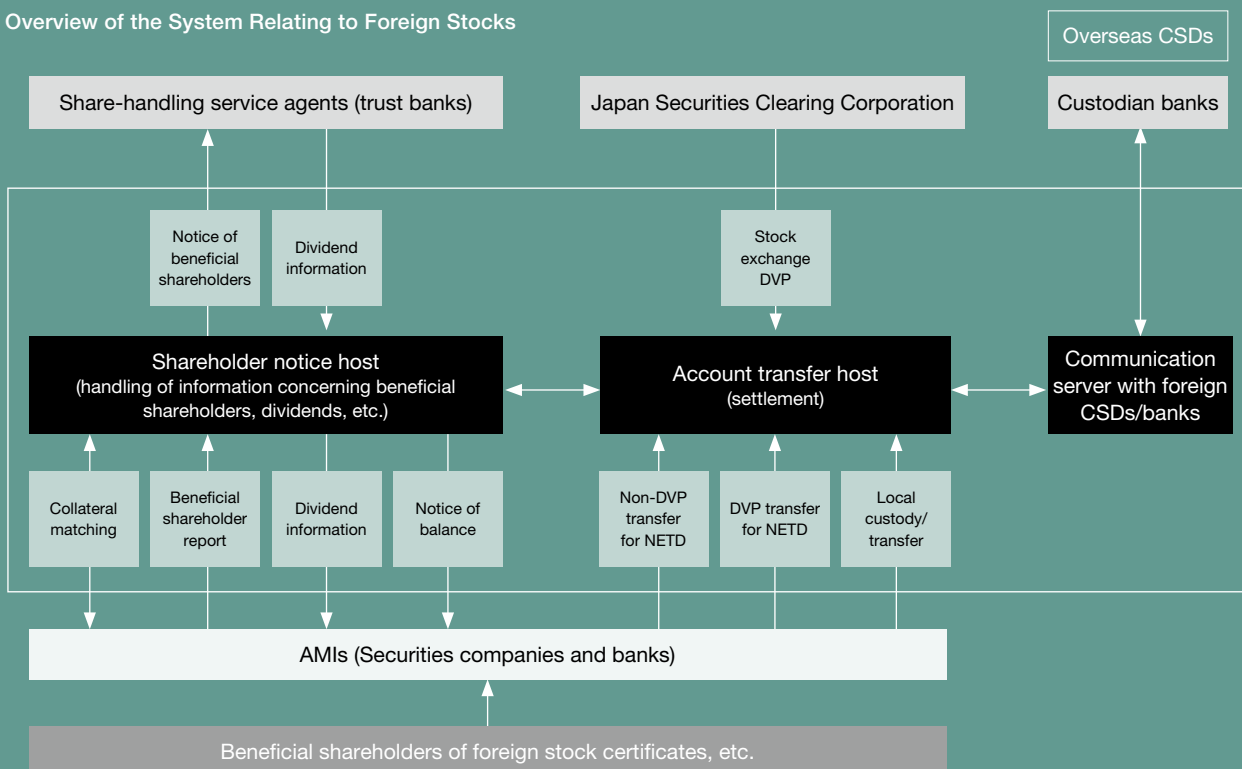


* In 2014, "Tolerance Matching" function will be available.

06 Custody Services for Foreign Stock Certificates, etc.

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

Overview of the System Relating to Foreign Stocks



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.

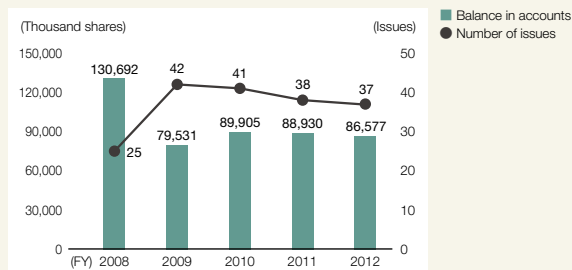
JASDEC entrusts dividend payments to relevant share-handling service agents. Information on beneficial shareholders at the dividend record date is transferred to the share-handling service organizations by the JASDEC participants through JASDEC.

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.

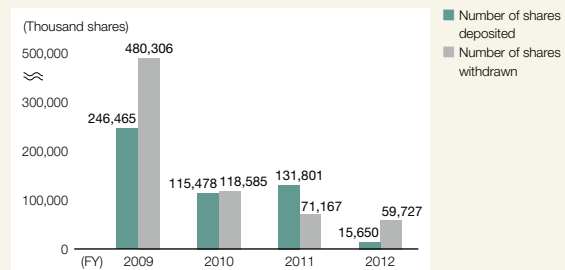
JASDEC also undertakes the necessary procedures regarding dividend taxation for local tax authorities and other such entities, to ensure reduced tax rates under tax treaties with the countries concerned. Beneficial shareholders can also exercise their voting rights at general meetings of shareholders 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.

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



Number of shares deposited/withdrawn



Service improvements for beneficial shareholders and participants

With regard to the handling of issues before their listing dates, under the previous Depository and Book-entry Transfer System for Foreign Stock Certificates, etc., (“the system”), only deposit and transfer are permitted for the purpose of preparing for listing to ensure smooth trading from the first day of listing. In fiscal 2012, however, JASDEC amended the system in order to make all services including processing corporate action, available from the listing approval date, so that rights such as dividend can be processed under the system even if the record date (of corporate action) is set before the listing date arrives.

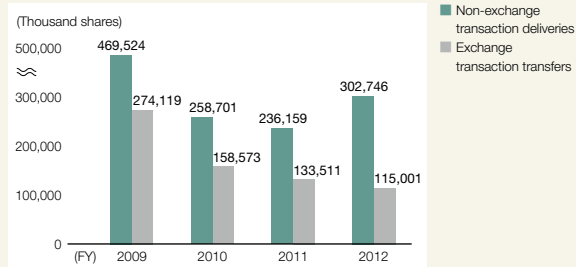
Systems to prevent tax avoidance have been introduced in a number of foreign countries in recent years, and JASDEC is responding appropriately on the basis of cooperation with the competent authorities and involved organizations to ensure that beneficial

shareholders are not treated disadvantageously with respect to foreign tax and that participants are not subject to excessive administrative workload.

In addition, JASDEC has worked to improve services offered to beneficial shareholders and JASDEC participants, such as considering handling products listed in various foreign countries with prospects for listing on Japanese stock exchanges.

At present, foreign securities under the custody of the Depository and Book-entry Transfer System for Foreign Stock Certificates, etc., include three categories: foreign stocks (including ADRs), overseas ETFs (including ETCs), and country funds. At the end of March 2013, the total number of issues handled by JASDEC in the three categories stood at 37.

Book-entry transfers



INTERNATIONAL RELATIONSHIPS

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



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 infrastructures, such as the globalization of financial and capital markets and the global tightening of regulations. We actively participate in international forums such as regular CSD meetings and seminars. We also play a key role in administration for the Asia-Pacific Central Securities Depository Group (ACG)

and the World Forum of CSDs (WFC). Through these activities, we aim to contribute to the development of securities market infrastructures 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.

Mutual cooperation with overseas institutions

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.

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 WFC is administered by a 10-member board made up of chairs and vice-chairs from each regional association, and JASDEC participates as an ACG representative. 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 first Chair, with Chairman Takeuchi of JASDEC as the first Vice-Chair.

MOUs on information exchange and mutual cooperation with overseas CSDs, etc.

As one element of our efforts to build collaborative relationships with clearing and settlement infrastructures around the world, JASDEC has been following a policy of signing MOUs on the exchange of information and mutual cooperation with overseas CSDs, etc. As of the end of March 2013, JASDEC had signed MOUs with a total of 17 institutions. 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.

ABMF (ASEAN+3 Bond Market Forum)

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 (charged with 1: 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 framework), 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 Phase 1 final report, which was published in April 2012. Also publication of a final report for Phase 2 is planned for the end of 2013.

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

Major International Activities in Fiscal 2012

April 24

MOU with CCDC of China

JASDEC signed a Memorandum of Understanding (MOU) with China Central Depository & Clearing Co., Ltd. (CCDC), a Chinese CSD, with the aim of developing cooperative relations via information exchange and mutual cooperation.



May 29–31

14th ACG Cross-Training Seminar

At the 14th ACG Cross-Training Seminar for Asia-Pacific Central Securities Depository Group (ACG) in Mumbai, India, JASDEC as convener of the Exchange of Information Task Force assisted the host, Central Depository Services (India) Limited (CDSL), and ran the Exchange of Information Task Force session and General sessions. In these sessions, JASDEC presented on such topics as the settlement processes and account structure in the Japanese market, application of laws in cross-border securities transactions, approaches for the advancement of JASDEC systems, and mitigating the risk of stock lending settlement.



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June 4

2nd WFC Board Meeting

As secretariat of the World Forum of CSDs (WFC), JASDEC planned and managed its second meeting held in Zurich, Switzerland. JASDEC's Chairman Takeuchi served as Vice-Chair. Attendees discussed issues including a project to study unified and efficient response to regulatory authorities information disclosure requests to CSD.

September 19

Second Trilateral Meeting for Information Exchange with China's SD&C and Korea's KSD

JASDEC planned and managed the second trilateral meeting under the MOU with SD&C (China Securities Depository and Clearing Corporation Limited) and KSD (Korea Securities Depository), held in Bali, Indonesia. The companies exchanged information on business plans and recent major projects, and JASDEC introduced the enhancement of its corporate action information distribution service, its handling of J-Sukuk (Islamic bonds) that utilize special purpose trust beneficiary rights and other topics.



September 20–21

16th ACG General Meeting

JASDEC served as Secretariat for the 16th ACG General Meeting held in Bali, Indonesia, hosted by PT Kustodian Sentral Efek Indonesia (KSEI), an Indonesian CSD, and Kliring Penjaminan Efek Indonesia (KPEI), an Indonesian CCP. Resolutions were adopted regarding Iran and Nepal's CSDs becoming ACG members and the ACG's and WFC's comments on CPSS-IOSCO Report on the Recovery and Resolution of Financial Market Infrastructures.



October 28–29

3rd WFC Board Meeting/Sibos 2012

The third WFC meeting was held in Osaka, Japan. JASDEC served as Secretariat and was responsible for planning and organizing. JASDEC's Chairman Takeuchi served as Vice-Chair. Attendees discussed the CPSS-IOSCO Principles for Financial Market Infrastructures and WFC's future management structure, etc. JASDEC also participated in Sibos 2012 in Osaka, where Chairman Takeuchi lectured on Asia-Pacific initiatives affecting securities market infrastructures.



November 1

MOU with Depozitarul Central of Romania

JASDEC signed a MOU with Depozitarul Central (DC), Romania's CSD, with the aim of developing the cooperative relations via information exchange and mutual cooperation.



November 14–18,
November 28–
December 2

Trainee Exchange with KSD

JASDEC and KSD held the 2nd 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.

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December 4–5

Information Exchange Conference with VSD of Vietnam

JASDEC and Vietnam Securities Depository (VSD), Vietnam's CSD, held an information exchange conference in Danang, Vietnam under their MOU on information exchange and mutual cooperation. At the conference, both institutions made presentations on their business strategies and recently introduced services, and JASDEC explained the ETF settlement system and ISIN numbering procedure in the bond settlement system.



January 31

MOU with TAKASBANK of Turkey

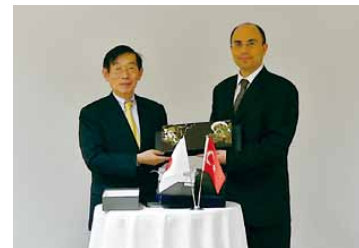
JASDEC signed MOU with ISE Settlement and Custody Bank Inc. (TAKASBANK), Turkey's fund settlement bank, with the aim of developing cooperative relations via information exchange and mutual cooperation.



February 1

MOU with MKK of Turkey

JASDEC signed MOU with Merkezi Kayit Kurulusu A.S. (MKK), Turkey's CSD, with the aim of developing cooperative relations via information exchange and mutual cooperation.



ANALYSIS OF BUSINESS PERFORMANCE AND FINANCIAL RESULTS

Fiscal year ended March 31, 2013 (Fiscal 2012)

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, 2013 (fiscal 2012), the Japanese economy showed signs of recovery into the summer, buoyed by factors including reconstruction demand following the Great East Japan Earthquake and the effects of government policies. Subsequently, business conditions weakened amid a global economic slowdown, and there was concern about the bottom falling out of the recovery. However, improvement in the export environment, the impact of economic measures and financial policy, and other factors have led to expectations of gradual recovery in business conditions.

In securities markets, the Nikkei Stock Average, which began the first half in the lower ¥10,000 level, fell to around ¥8,200 in early June 2012 due to concerns surrounding the situation in Europe and fears of a decline in U.S. stock prices. However, positive reaction to developments including rising stock prices in the U.S. and Europe on expectations of a policy response by the European authorities caused the Nikkei to hover at around the ¥9,000 level from July into October. From November onward, positive reaction to the weakening yen and other developments brought an upturn in the Nikkei, which recovered to the ¥10,000 level in December. In January 2013, amid an upswing in U.S. and European stock prices following avoidance of feared sharp fiscal restraint in the U.S., a downward trend in the yen fueled a rise in the Nikkei, which hovered around the ¥12,500 level through the end of March, reaching the highest level in about four and a half years.

In the year ended March 31, 2013, operating revenues decreased by ¥2,382,216 thousand, or 12.1%, year on year to ¥17,316,021 thousand. Selling, general and administrative expenses were reduced by ¥1,065,348 thousand, or 6.7%, to ¥14,922,715 thousand. Operating income was ¥1,316,868 thousand, or 35.5%, lower at ¥2,393,305 thousand, while ordinary income decreased by ¥1,360,151 thousand, or 36.8%, to ¥2,339,510 thousand. Net income was ¥44,109 thousand, or 3.0%, higher year on year at ¥1,522,368 thousand.

Book-Entry Transfer System for Stocks, etc.

In this business segment, the number of issues handled by JASDEC as of March 31, 2013 was 3,753, a reduction of nine issues compared with the total as of March 31, 2012. Account balances included 404.6 billion shares, a year-on-year decline of 2.2 billion shares. The balance of bonds with share options stood at ¥499.6 billion, which was ¥460.1 billion lower year on year. There were 2,791.25 million account units for ETFs and

beneficial rights of trust issuing beneficial certificates, such as JDRs, a year-on-year increase of 452.01 million units.

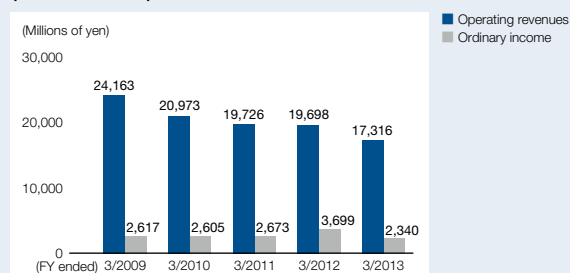
The balance of account units for REITs was 6.99 million higher year on year at 23.37 million, and account units for preferred equity investments of financial institutions established by cooperative associations were unchanged at 700,000. The total number of new registrations, book-entry transfers, obliterations and other transactions processed was 2,550,919 above the total for the previous reporting year at 84,192,123.

Revenues from this business segment were ¥895,390 thousand, or 5.4%, lower year on year at ¥15,608,131 thousand, due in part to the lowering of fee rates. This includes refunds of ¥3,005,793 thousand on book-entry transfer commissions and account management fees. Revenues after the deduction of these refunds amounted to ¥12,602,337 thousand, a year-on-year decrease of ¥1,973,288 thousand, or 13.5%.

Book-Entry Transfer System for Commercial Paper

The number of corporate issuers using this system decreased by three to 494 as of March 31, 2013. Account balances rose by ¥145.8 billion to ¥13,760.3 billion. The total number of issuance, transfer and redemption transactions increased by 4,312 year on year to 293,078. As a result, revenues from this segment were ¥827 thousand, or 0.2%, lower year on year at ¥462,845 thousand.

Financial Results (consolidated)



Book-Entry Transfer System for Corporate Bonds

In this business segment, JASDEC was handling a total of 58,486 issues as of March 31, 2013, a reduction of 2,215 issues compared with the position a year earlier. On a face-value basis, the account balance increased by ¥344.8 billion year on year to ¥252,784.0 billion as of March 31, 2013. The total number of issuance, transfer and redemption transactions was 30,450 higher at 532,600. As a result, revenues from this business segment increased by ¥10,633 thousand, or 0.9%, to ¥1,211,650 thousand.

Book-Entry Transfer System for Investment Trusts

As of March 31, 2013, JASDEC was handling a total of 7,112 issues in this business segment, including 4,336 publicly offered investment trusts and 2,776 privately placed investment trusts. The total represents an increase of 244 issues compared with the position as of March 31, 2012. On a principal value basis, the account balance as of March 31, 2013 was ¥2,840.3 billion above the level a year earlier at ¥115,347.4 billion, consisting of ¥83,359.6 billion for publicly offered investment trusts and ¥31,987.8 billion for privately placed investment trusts.

The number of related registrations, deletions, and transfers in the year ended March 31, 2013 increased by 423,786 year on year to 4,624,861. However, as a result of a decrease in the average account balance year on year, revenues in this segment decreased by ¥9,501 thousand, or 0.9%, to ¥1,054,953 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, 2013 was 640,000 lower year on year at 19.65 million. As a result of this decrease and the lowering of the NETD DVP settlement fee rate, revenues from this segment declined by ¥146,128 thousand, or 15.6%, to ¥793,402 thousand. This includes refunds of ¥282,835 thousand on DVP settlement fees. Revenues after the deduction of these refunds amounted to ¥510,567 thousand, a year-on-year decrease of ¥133,045 thousand, or 20.7%.

Pre-Settlement Matching System

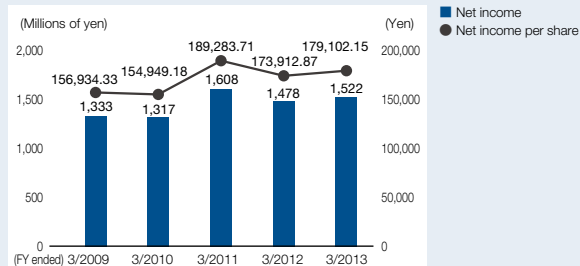
Revenues from this segment decreased by ¥39,042 thousand, or 1.9%, to ¥1,985,621 thousand in the year ended March 31, 2013. This includes refund of ¥663,999 thousand on JASDEC pre-settlement matching fees, and revenues after the reduction of that amount were ¥225,042 thousand, or 14.6%, lower at ¥1,321,621 thousand.

Custody Services for Foreign Stock Certificates, etc.

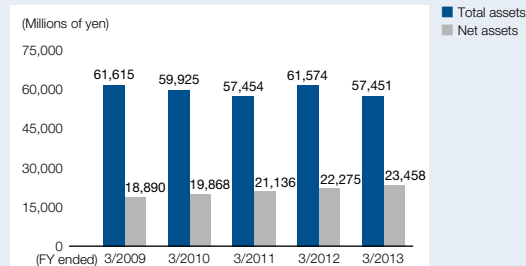
As of March 31, 2013, there was an account balance of 86 million foreign stock certificates, etc., excluding foreign covered warrants, a decrease of 2 million from a year earlier.

The total number of book-entry transfers, including foreign covered warrants, declined by 28,516 to 109,763. As a result, revenues from this business segment were ¥51,145 thousand, or 25.2%, lower year on year at ¥152,045 thousand.

Financial Results (consolidated)



Financial Results (consolidated)



CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets (As of March 31, 2012 and 2013)

	¥ (thousands)		\$ (thousands)
	2012	2013	2013
ASSETS			
Current Assets:			
Cash and deposits	¥ 7,794,677	¥ 5,433,419	\$ 57,771
Accounts receivable—trade	3,163,166	3,146,777	33,458
Prepaid expenses	171,898	180,864	1,923
Consumption taxes receivable	47,168	240,051	2,552
Deferred tax assets	416,189	134,935	1,434
Designated assets for clearing funds (Note 1)	35,293,686	28,935,881	307,664
Other current assets	4,426	30,745	326
Allowance for doubtful accounts	(1,848)	(6,767)	(71)
Total Current Assets	46,889,364	38,095,907	405,060
Noncurrent Assets:			
Property and Equipment:			
Buildings and structures	926,465	957,512	10,180
Accumulated depreciation	(440,666)	(498,484)	(5,300)
Buildings and structures, net	485,798	459,028	4,880
Tools and furniture	5,713,609	7,717,751	82,060
Accumulated depreciation	(5,105,378)	(5,460,153)	(58,055)
Tools and furniture, net	608,230	2,257,598	24,004
Lease assets	93,323	93,323	992
Accumulated depreciation	(59,488)	(82,145)	(873)
Lease assets, net	33,834	11,177	118
Total Property and Equipment	1,127,863	2,727,803	29,003
Intangible Assets:			
Software	8,365,514	3,632,949	38,627
Software in progress	3,796,200	11,438,204	121,618
Lease assets	3,771	902	9
Other intangible assets	17,808	17,692	188
Total Intangible Assets	12,183,294	15,089,748	160,443
Investment and Other Assets:			
Investment securities (Note 2)	429,980	428,237	4,553
Long-term prepaid expenses	10,970	79,589	846
Deferred tax assets	407,456	519,615	5,524
Long-term refundable lease deposits	503,534	503,534	5,353
Claims provable in bankruptcy, rehabilitation and other	30,620	32,138	341
Others	1,000	1,000	10
Allowance for doubtful accounts	(9,934)	(26,318)	(279)
Total Investment and Other Assets	1,373,627	1,537,797	16,350
Total Noncurrent Assets	14,684,786	19,355,349	205,798
Total Assets	¥ 61,574,151	¥ 57,451,257	\$ 610,858

The accompanying notes are an integral part of these statements.

	¥ (thousands)		\$ (thousands)
	2012	2013	2013
LIABILITIES			
Current Liabilities:			
Accounts payable—trade	¥ 849,724	¥ 865,312	\$ 9,200
Lease obligations	23,207	10,462	111
Accounts payable—other	896,670	976,411	10,381
Income taxes payable	744,703	209,735	2,230
Allowance for employees' bonuses	202,087	219,297	2,331
Allowance for executives' bonuses	20,600	21,800	231
Consumption taxes payable	2,575	—	—
Deposits received for clearing funds (Note 1)	35,293,686	28,935,881	307,664
Allowance for loss on changes of system development policy	700,592	—	—
Other current liabilities	67,489	83,907	892
Total Current Liabilities	38,801,335	31,322,808	333,044
Noncurrent Liabilities:			
Long-term loans payable (Note 3)	—	2,000,000	21,265
Lease obligations	17,156	6,693	71
Allowance for employees' retirement benefits	383,304	442,447	4,704
Allowance for executives' retirement benefits	30,000	30,000	318
Allowance for assets removal	—	124,585	1,324
Long-term guarantee deposited	67,121	67,121	713
Total Noncurrent Liabilities	497,582	2,670,846	28,398
Total Liabilities	39,298,917	33,993,655	361,442
NET ASSETS			
Shareholders' Equity:			
Common stock	4,250,000	4,250,000	45,188
Capital surplus	4,250,000	4,250,000	45,188
Retained earnings	13,775,233	14,957,602	159,038
Total Shareholders' Equity	22,275,233	23,457,602	249,416
Total Net Assets	22,275,233	23,457,602	249,416
Total Liabilities and Net Assets	¥ 61,574,151	¥ 57,451,257	\$ 610,858

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Income and Comprehensive Income (For the years ended March 31, 2012 and 2013)

	¥ (thousands)		\$ (thousands)
	2012	2013	2013
Operating Revenue	¥ 19,698,237	¥ 17,316,021	\$ 184,115
Operating Expenses:			
Executives' compensations	¥ 194,378	¥ 196,847	\$ 2,093
Salaries	1,621,253	1,608,082	17,098
Allowance for employees' bonuses	202,087	219,297	2,331
Allowance for executives' bonuses	20,600	21,800	231
Retirement benefit expenses	121,514	126,242	1,342
Maintenance of systems	6,130,854	5,273,956	56,076
Depreciation and amortization	5,341,802	5,085,062	54,067
Rent	546,867	547,025	5,816
Advertising	46,283	10,952	116
Allowance for assets removal	—	124,585	1,324
Others	1,762,423	1,708,863	18,169
Total Operating Expenses	15,988,063	14,922,715	158,667
Operating Income	3,710,173	2,393,305	25,447
Non-Operating Income:			
Interest income	8	6	0
Operational revenue on designated assets for clearing funds	14,910	11,878	126
Equity in earnings of an affiliate	20,151	537	5
Others	6,323	6,025	64
Total Non-Operating Income	41,393	18,447	196
Non-Operating Expenses:			
Interest expenses	713	349	3
Commitment fees	42,974	42,936	456
Commission fees	—	21,500	228
Fees for fund operation of designated assets for clearing fund	8,035	7,443	79
Others	182	12	0
Total Non-Operating Expenses	51,906	72,242	768
Ordinary Income	3,699,661	2,339,510	24,875
Extraordinary Income:			
Reversal of allowance for loss on changes of system development policy	—	216,433	2,301
Total Extraordinary Income	—	216,433	2,301
Extraordinary Losses:			
Loss on disposal of fixed assets (Note 1)	5,763	62,669	666
Loss on changes of system development policy (Note 2)	1,067,384	—	—
Total Extraordinary Losses	1,073,148	62,669	666
Income before Income Taxes and Minority Interests	2,626,513	2,493,274	26,510
Income taxes—current	1,212,473	801,811	8,525
Income taxes—deferred	(64,219)	169,094	1,797
Total Income Taxes	1,148,253	970,906	10,323
Income before Minority Interests	1,478,259	1,522,368	16,186
Net Income	1,478,259	1,522,368	16,186
Income before Minority Interests	1,478,259	1,522,368	16,186
Comprehensive Income	¥ 1,478,259	¥ 1,522,368	\$ 16,186
(Comprehensive Income attributable to)			
Comprehensive income attributable to owners of the parent	1,478,259	1,522,368	16,186
Comprehensive income attributable to minority interests	—	—	—

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets (For the years ended March 31, 2012 and 2013)

	¥ (thousands)		\$ (thousands)
	2012	2013	2013
Shareholders' Equity			
Common Stock:			
Balance at the beginning of current period	¥ 4,250,000	¥ 4,250,000	\$ 45,188
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	45,188
Capital Surplus:			
Balance at the beginning of current period	4,250,000	4,250,000	45,188
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	45,188
Retained Earnings:			
Balance at the beginning of current period	12,636,974	13,775,233	146,467
Change of items during the period			
Dividends from surplus	(340,000)	(340,000)	(3,615)
Net income	1,478,259	1,522,368	16,186
Total change of items during the period	1,138,259	1,182,368	12,571
Balance at the end of current period	13,775,233	14,957,602	159,038
Total Shareholders' Equity:			
Balance at the beginning of current period	21,136,974	22,275,233	236,844
Change of items during the period			
Dividends from surplus	(340,000)	(340,000)	(3,615)
Net income	1,478,259	1,522,368	16,186
Total change of items during the period	1,138,259	1,182,368	12,571
Balance at the end of current period	22,275,233	23,457,602	249,416
Total Net Assets:			
Balance at the beginning of current period	21,136,974	22,275,233	236,844
Change of items during the period			
Dividends from surplus	(340,000)	(340,000)	(3,615)
Net income	1,478,259	1,522,368	16,186
Total change of items during the period	1,138,259	1,182,368	12,571
Balance at the end of current period	¥ 22,275,233	¥ 23,457,602	\$ 249,416

The accompanying notes are an integral part of these statements.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Cash Flows (For the years ended March 31, 2012 and 2013)

	¥ (thousands)		\$ (thousands)
	2012	2013	2013
Cash Flows from Operating Activities:			
Income before income taxes	¥ 2,626,513	¥ 2,493,274	\$ 26,510
Depreciation and amortization	5,341,802	5,085,062	54,067
Increase (decrease) in allowance for doubtful accounts	(5,655)	21,303	226
Increase (decrease) in allowance for employees' bonuses	18,990	17,210	182
Increase (decrease) in allowance for executives' bonuses	100	1,200	12
Increase (decrease) in allowance for employees' retirement benefits	71,970	59,142	628
Increase (decrease) in allowance for assets removal	—	124,585	1,324
Interest income	(8)	(6)	0
Interest expenses	713	349	3
Equity in loss (earnings) of affiliates	(20,151)	(537)	(5)
Foreign exchange losses (gains)	(1,254)	(582)	(6)
Reversal of allowance for loss on changes of system development policy	—	(216,433)	(2,301)
Loss on disposal of property and equipment	4,911	12,536	133
Loss on disposal of intangible assets	852	50,132	533
Loss on changes of system development policy	1,067,384	—	—
Decrease (increase) in accounts receivable—trade	280,969	14,869	158
Increase (decrease) in accounts payable—trade	79,726	15,587	165
Others	6,104	(301,878)	(3,209)
Sub-total	9,472,968	7,375,817	78,424
Interest and dividends received	4,308	2,286	24
Interest paid	(713)	(349)	(3)
Settlement money paid	—	(484,159)	(5,147)
Income taxes paid	(1,361,122)	(1,331,530)	(14,157)
Net Cash Provided by Operating Activities	8,115,440	5,562,065	59,139
Cash Flows from Investing Activities:			
Payments for purchase of property and equipment	(284,317)	(2,270,330)	(24,139)
Payments for purchase of intangible assets	(4,191,558)	(7,290,367)	(77,515)
Net Cash Used in Investing Activities	(4,475,876)	(9,560,698)	(101,655)
Cash Flows from Financing Activities:			
Proceeds from long-term loans payable	—	2,000,000	21,265
Repayment of lease obligations	(22,789)	(23,207)	(246)
Cash dividends paid	(340,000)	(340,000)	(3,615)
Net Cash Used in Financing Activities	(362,789)	1,636,792	17,403
Effect of exchange rate changes on cash and cash equivalents	1,254	582	6
Increase (decrease) in Cash and Cash Equivalents	3,278,029	(2,361,257)	(25,106)
Cash and Cash Equivalents at Beginning of Year	4,516,648	7,794,677	82,878
Cash and Cash Equivalents at End of Year (Note 1)	¥ 7,794,677	¥ 5,433,419	\$ 57,771

The accompanying notes are an integral part of these statements.

NOTES TO THE CONSOLIDATED FINANCIAL 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. ("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 of property and equipment excluding lease assets is calculated using the straight-line 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 Lease 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 April 1, 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 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.

- ⑤ 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- ⑥ Allowance for assets removal
Allowance for assets removal is provided at the amount estimated to be incurred for the anticipated assets dismantlement.
- (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

The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥94.05=U.S.\$1, the approximate rate of exchange prevailing at March 31, 2013. The approximate rate of exchange prevailing at May 31, 2013 is ¥101.18=U.S.\$1. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

Accounting Changes

Change in the depreciation method applied to property and equipment (excluding lease assets)

Through the fiscal year ended March 31, 2012, the Company and its subsidiary had applied the declining-balance method to calculate depreciation of property and equipment (excluding lease assets) other than buildings and structures for which the straight-line method was used. Effective for the fiscal year ended March 31, 2013, the straight-line method is applied to all property and equipment.

The Company reviewed the usage status of property and equipment of the Company and its subsidiary when the number of system investment projects showed considerable increase. As a result, it was proved that most of the property and equipment would be utilized constantly and stably, and that the maintenance and repair expenses for these assets would be incurred also at a constant level. Accordingly, the Company judged that the straight-line method which equalizes the depreciation expenses allocated over a certain period should better reflect the economic positions of the Company and its subsidiary, thus should calculate periodical profit and loss more appropriately.

The effects of this accounting change on income were immaterial.

Accounting Standards Applicable after the Consolidated Balance Sheet Date

None.

Changes in Presentation

None.

Changes in Accounting Estimates

Revision in the estimated useful lives of property, equipment and software

Effective for the fiscal year ended March 31, 2013, the Company revised the estimated useful lives of the property, equipment and software disposal of which was anticipated upon replacement by next-generation systems.

As a result of this revision, operating income, ordinary income, and income before income taxes and minority interests decreased by ¥573,004 thousand (\$6,092 thousand) compared with what would have been with the previous estimate useful lives.

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 156-7, Paragraph 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 18 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, 2013 was ¥15,000,000 thousand (\$159,489 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, 2012 and 2013 was as follows:

As of March 31	¥ (thousands)		\$ (thousands)
	2012	2013	2013
Market value of collateral securities entrusted to JDCC	¥ 91,472,213	¥ 92,917,708	\$ 987,960

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)
	2012	2013	2013
Investment securities (equity securities)	¥ 429,980	¥ 428,237	\$ 4,553

3. Overdraft Contracts and Commitment Line Agreements

To ensure agile and stable fundraising, the Company has concluded overdraft contracts with four banks. In addition, for the purpose of capital investment regarding development of next-generation systems, the Company has concluded commitment line agreements 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:

(1) Overdraft contracts

As of March 31	¥ (thousands)		\$ (thousands)
	2012	2013	2013
Aggregate maximum amount of overdraft amounts	¥ 7,000,000	¥ 7,000,000	\$ 74,428
Amount used	—	—	—
Unused balance	¥ 7,000,000	¥ 7,000,000	\$ 74,428

(2) Commitment line agreements

① The Company

As of March 31	¥ (thousands)		\$ (thousands)
	2012	2013	2013
Aggregate amount of credit limit*	—	¥ 3,500,000	\$ 37,214
Amount used	—	2,000,000	21,265
Unused balance	—	¥ 1,500,000	\$ 15,948

* The aggregate amount of credit limit for each respective period is summarized as follows.

Period	¥ (thousands)		\$ (thousands)
	Aggregate amount of credit limit		
March 21, 2013–March 31, 2013	¥ 3,500,000		\$ 37,214
April 1, 2013–May 31, 2013	¥ 5,000,000		\$ 53,163
June 1, 2013–July 31, 2013	¥ 5,500,000		\$ 58,479
August 1, 2013–February 28, 2014	¥ 10,000,000		\$ 106,326
March 1, 2014–March 20, 2014	¥ 13,500,000		\$ 143,540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

② JDCC

As of March 31	¥ (thousands)		\$ (thousands)
	2012	2013	2013
Aggregate amount of commitment line agreements	¥ 45,000,000	¥ 45,000,000	\$ 478,468
Amount used	—	—	—
Unused balance	¥ 45,000,000	¥ 45,000,000	\$ 478,468

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)
	2012	2013	2013
Buildings and structures	¥ 894	¥ 784	\$ 8
Tools and furniture	4,016	11,752	124
Software	852	36,652	389
Construction in progress (software)	—	13,480	143
Total	¥ 5,763	¥ 62,669	\$ 666

2. Loss on Changes in System Development Policies

Loss on changes in system development policies was recorded in the year ended March 31, 2012, the amount of which represented the loss incurred due to changes in the development policies of the next-generation system that was being developed.

Notes to the Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2012

1. Outstanding Shares

Class of share	April 1, 2011	Increase	Decrease	March 31, 2012
Ordinary shares	8,500	—	—	8,500

2. Treasury Stock

None.

3. Stock Subscription Rights and Other Securities

None.

4. Dividends

(1) Payment of the dividends

Resolution	Class of share	Total amount ¥ (thousands)	Dividend per share ¥	Record date	Effective date
Ordinary General Shareholders Meeting (June 20, 2011)	Ordinary shares	¥ 340,000	¥ 40,000	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 ended 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	¥ 40,000	March 31, 2012	June 19, 2012

For the year ended March 31, 2013

1. Outstanding Shares

Class of share	April 1, 2012	Increase	Decrease	March 31, 2013
Ordinary shares	8,500	—	—	8,500

2. Treasury Stock

None.

3. Stock Subscription Rights and Other Securities

None.

4. Dividends

(1) Payment of the dividends

Resolution	Class of share	Total amount ¥ (thousands)	Dividend per share ¥	Record date	Effective date
Ordinary General Shareholders Meeting (June 18, 2012)	Ordinary shares	¥ 340,000 (\$ 3,615 thousand)	¥ 40,000 (\$ 425)	March 31, 2012	June 19, 2012

(2) Dividends for which the record date is in the year ended March 31, 2013 and for which the effective date is in the year ending March 31, 2014

Resolution	Class of share	Payment source	Total amount ¥ (thousands)	Dividend per share ¥	Record date	Effective date
Ordinary General Shareholders Meeting (June 17, 2013)	Ordinary shares	Retained earnings	¥ 340,000 (\$ 3,615 thousand)	¥ 40,000 (\$ 425)	March 31, 2013	June 18, 2013

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	2012	2013	2013
Cash and deposits	¥ 7,794,677	¥ 5,433,419	\$ 57,771
Cash and cash equivalents	7,794,677	5,433,419	57,771

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 the 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 April 1, 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, 2012 and 2013 and for the years then ended:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

As of March 31	¥ (thousands)		\$ (thousands)	
	2012	2013	2012	2013
Tools and furniture:				
Acquisition cost	¥ 1,882,666	¥ —	\$ —	\$ —
Accumulated depreciation	(1,688,262)	—	—	—
Net book value	¥ 194,403	¥ —	\$ —	\$ —
Software:				
Acquisition cost	¥ 216,774	¥ —	\$ —	\$ —
Accumulated depreciation	(195,094)	—	—	—
Net book value	¥ 21,679	¥ —	\$ —	\$ —
Total:				
Acquisition cost	¥ 2,099,440	¥ —	\$ —	\$ —
Accumulated depreciation	(1,883,356)	—	—	—
Net book value	¥ 216,083	¥ —	\$ —	\$ —

(2) Minimum lease payment including interest thereon

As of March 31	¥ (thousands)		\$ (thousands)	
	2012	2013	2012	2013
Due within one year	¥ 218,847	¥ —	\$ —	\$ —
Due over one year	—	—	—	—
Total	¥ 218,847	¥ —	\$ —	\$ —

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

For the years ended March 31	¥ (thousands)		\$ (thousands)	
	2012	2013	2012	2013
Finance lease charges	¥ 426,663	¥ 219,193	\$ 2,330	\$ 2,330
Depreciation expenses	419,887	216,083	2,297	2,297
Interest portions	2,713	346	3	3

(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, 2012 and 2013.

2. Operating Lease Transactions

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

None.

Financial Instruments

1. General Information on Financial Instruments

(1) Basic policies for financial instruments

The Company limits financial investment to short-term deposits, and fundraising 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.

Long-term borrowings aim mainly at capital investment regarding development of next-generation systems, and mature on or before March 31, 2018. As they carry variable interest rates, they are subject to interest volatility risk.

2. Estimated Fair Value of Financial Instruments

The following table presents carrying amount on the consolidated balance sheet, fair value, and difference between carrying amount and fair value as of March 31, 2012 and 2013. It does not, however, include those for financial instruments for which the fair value is extremely difficult to estimate (see Note 2).

As of March 31, 2012

	¥ (thousands)		
	Carrying amount on the balance sheet	Fair value	Difference
(1) Cash and deposits	¥ 7,794,677	¥ 7,794,677	—
(2) Accounts receivable—trade	3,163,166		
Allowance for doubtful accounts*	(1,845)		
	3,161,320	3,161,320	—
(3) Designated assets for clearing funds	35,293,686	35,293,686	—
Assets total	¥ 46,249,684	¥ 46,249,684	—
(4) Accounts payable—trade	¥ (849,724)	¥ (849,724)	—
(5) Deposits received for clearing funds	(35,293,686)	(35,293,686)	—
Liabilities total	¥ (36,143,410)	¥ (36,143,410)	—

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

As of March 31, 2013

	¥ (thousands)	\$ (thousands)	¥ (thousands)	\$ (thousands)	Difference
	Carrying amount on the balance sheet		Fair value		
(1) Cash and deposits	¥ 5,433,419	\$ 57,771	¥ 5,433,419	\$ 57,771	—
(2) Accounts receivable—trade	3,146,777	33,458			
Allowance for doubtful accounts*	(6,762)	(71)			
	3,140,015	33,386	3,140,015	33,386	—
(3) Designated assets for clearing funds	28,935,881	307,664	28,935,881	307,664	—
Assets total	¥ 37,509,316	\$ 398,823	¥ 37,509,316	\$ 398,823	—
(4) Accounts payable—trade	¥ (865,312)	\$ (9,200)	¥ (865,312)	\$ (9,200)	—
(5) Deposits received for clearing funds	(28,935,881)	(307,664)	(28,935,881)	(307,664)	—
(6) Long-term loans payable	(2,000,000)	(21,265)	(2,000,000)	(21,265)	—
Liabilities total	¥ (31,801,193)	\$ (338,130)	¥ (31,801,193)	\$ (338,130)	—

* 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.

- (6) Long-term loans payable:

The book value was deemed to be fair value since they carry contracted variable interest rates which reflect market interest rates, thus the book value approximates fair value.

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

(As of March 31)

Category	2012	2013	2013
Affiliated companies' stocks	¥ 429,980	¥ 428,237	\$ 4,553

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.

4. Maturity analysis for long-term borrowings and lease obligations as of March 31, 2013

Please refer to “Details of Borrowings” in the Consolidated Supplementary Schedules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Securities

None.

Derivative Transactions

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

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)	2012	2013	2013
Retirement benefit obligation	¥ 383,304	¥ 442,447	\$ 4,704	
Allowance for employee's retirement benefits	¥ 383,304	¥ 442,447	\$ 4,704	

3. Net Periodic Benefit Costs

Years ended March 31	¥ (thousands)	2012	2013	2013
Service cost	¥ 74,157	¥ 77,839	\$ 827	
Other*	47,356	48,403	514	
Net periodic benefit costs	¥ 121,514	¥ 126,242	\$ 1,342	

* "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

As of March 31	¥ (thousands)	2012	2013	2013
Deferred tax assets—current:				
Accrued business tax	¥ 56,458	¥ 23,356	\$ 248	
Allowance for employees' bonuses	76,813	83,354	886	
Business facility taxes	3,961	4,056	43	
Accrued social insurance premiums	10,513	11,614	123	
Allowance for loss on changes in system development policies	266,295	—	—	
Other	2,146	12,553	133	
Subtotal	¥ 416,189	¥ 134,935	\$ 1,434	
Deferred tax assets—noncurrent:				
Allowance for employees' retirement benefits	136,609	157,688	1,676	
Allowance for executives' retirement benefits	10,692	10,692	113	
Excess depreciation of noncurrent assets	257,231	293,455	3,120	
Excess amortization of deferred charges for tax purposes	9,839	7,502	79	
Allowance for assets removal	—	47,354	503	
Other	3,776	13,614	144	
Valuation allowance	(10,692)	(10,692)	(113)	
Subtotal	¥ 407,456	¥ 519,615	\$ 5,524	
Total deferred tax assets	¥ 823,645	¥ 654,551	\$ 6,959	

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

The effective tax rates for the years ended March 31, 2012 and 2013 differ from the Company's statutory tax rates for the following reasons:

For the years ended March 31	2012	2013
Statutory tax rate	40.7%	38.0%
(Reconciliation)		
Entertainment expenses and other items not deductible permanently	0.6	0.6
Inhabitants' per capita taxes	0.2	0.2
Other	(0.3)	0.1
Reduction of deferred tax assets due to changes in statutory tax rate	2.5	—
Effective tax rates	43.7%	38.9%

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, 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)	Related segment
Japan Securities Clearing Corporation	¥2,163,412	Book-entry Transfer of Securities

For the year ended March 31, 2013

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	¥ 1,755,569	\$ 18,666	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2012

Type	Names of companies	Address	Capital ¥ (thousands)	Principal business	Percentage of voting right owning/owned	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% owning directly	Purchasing software and system maintenance	Payment of computer maintenance fee	¥ 1,777,388	Accounts payable—trade	¥ 145,541
							Purchase of software	¥ 1,376,281	Account payable—other	¥ 170,247

For the year ended March 31, 2013

Type	Names of companies	Address	Capital ¥ (thousands)	Principal business	Percentage of voting right owning/owned	Business relationship	Transactions	Amount ¥ (thousands)	Descriptions	Balance at end of period ¥ (thousands)
Associated company	Tosho System Service Co. Ltd.	Chuo-ku, Tokyo	¥100,000 (\$1,063 thousand)	Design and development of software	20% owning directly	Purchasing software and system maintenance	Payment of computer maintenance fee	¥1,600,293 (\$17,015 thousand)	Accounts payable—trade	¥154,676 (\$1,644 thousand)
							Purchase of software	¥1,144,764 (\$12,171 thousand)	Accounts payable—other	¥101,150 (\$1,075 thousand)
							Payment of settlement money (*3)	¥484,159 (\$5,147 thousand)	—	—

Notes:

- The transaction amounts above exclude consumption taxes, while end balances include consumption taxes.
- The terms and conditions of the above transactions are on an arm's-length basis.
- Settlement money was paid upon settlement of arbitration.

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, 2012

Type	Names of companies	Address	Capital ¥ (thousands)	Principal business	Percentage of voting right owning/owned	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	Clearing securities	—	Commission income	Commission income	¥2,163,412	Accounts receivable—trade	¥255,871

For the year ended March 31, 2013

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	¥7,350,000 (\$78,149 thousand)	Clearing securities	—	Commission income	Commission income	¥1,755,569 (\$18,666 thousand)	Accounts receivable—trade	¥249,107 (\$2,648 thousand)

Notes:

- The transaction amounts above exclude consumption taxes, while end balances include consumption taxes.
- The terms and conditions of the above transactions are on an arm's-length basis.

c) Executives, major shareholders and others of the Company (individuals only)

For the year ended March 31, 2012

None.

For the year ended March 31, 2013

Type	Names of companies	Address	Capital ¥ (thousands)	Principal business	Percentage of voting right owning/owned	Business relationship	Transactions	Amount ¥ (thousands)	Descriptions	Balance at end of period ¥ (thousands)
Corporation where executives of the Company hold representative posts	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Chuo-ku, Tokyo	¥1,711,958,104 (\$18,202,638 thousand)	Banking	5% owned directly	Commission income and borrowing of funds	Borrowing of funds	¥600,000 (\$6,379 thousand)	Long-term loans payable	¥600,000 (\$6,379 thousand)
							Payment of interest	¥15 (\$0 thousand)	—	—
	Mitsubishi UFJ Trust and Banking Corporation	Chuo-ku, Tokyo	¥324,279,038 (\$3,447,942 thousand)	Banking	5% owned directly	Commission income and borrowing of funds	Borrowing of funds	¥300,000 (\$3,189 thousand)	Long-term loans payable	¥300,000 (\$3,189 thousand)
							Payment of interest	¥7 (\$0 thousand)	—	—

Note: 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/for years ended March 31	¥		\$
	2012	2013	2013
Net assets per share	¥ 2,620,615.75	¥ 2,759,717.91	\$ 29,343.09
Net income per share	¥ 173,912.87	¥ 179,102.15	\$ 1,904.32

Notes:

- Diluted net income per share is not presented because no shares with potential dilutive effect were outstanding.
- The basis for calculating net assets per share as of March 31, 2012 and 2013 is as follows:

As of March 31	¥ (thousands)		\$ (thousands)
	2012	2013	2013
Total net assets as reported in the consolidated balance sheets	¥ 22,275,233	¥ 23,457,602	\$ 249,416
Amount to be deducted from total net assets	—	—	—
Net assets pertaining to common stock shareholders	¥ 22,275,233	¥ 23,457,602	\$ 249,416
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	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

For years ended March 31	¥ (thousands)		\$ (thousands)
	2012	2013	2013
Net income as reported in the consolidated statements of income	¥ 1,478,259	¥ 1,522,368	\$ 16,186
Net income not pertaining to common stock shareholders	—	—	—
Net income pertaining to common stock shareholders	¥ 1,478,259	¥ 1,522,368	\$ 16,186
Weighted-average number of common stock shares outstanding during the period (in shares)	8,500	8,500	—

Subsequent Events

None.

[Consolidated Supplementary Schedules]

Details of Bonds

None.

Details of Borrowings

Category	¥ (thousands)		\$ (thousands)		Average interest rate (%)	Maturity
	Balance as of April 1, 2012	Balance as of March 31, 2013	Balance as of April 1, 2012	Balance as of March 31, 2013		
Short-term borrowings	¥ —	¥ —	\$ —	\$ —	—	—
Long-term loans payable due within one year	—	—	—	—	—	—
Lease obligations due within one year	23,207	10,462	246	111	0.4%	—
Long-term loans payable due over one year	—	2,000,000	—	21,265	1.1%	April 3, 2017
Lease obligations due over one year	17,156	6,693	182	71	0.4%	April 1, 2013 – July 31, 2015
Other interest-bearing debts	—	—	—	—	—	—
Total	¥ 40,363	¥ 2,017,156	\$ 429	\$ 21,447	—	—

Notes:

1. Average interest rate above represents the weighted-average of the interest rates applicable to the balances as of March 31, 2013.
2. Aggregate annual maturities of long-term loans payable and lease obligations due over one year for five years subsequent to March 31, 2013 are as follows:

Category	Due	April 1, 2014– March 31, 2015	April 1, 2015– March 31, 2016	April 1, 2016– March 31, 2017	April 1, 2017– March 31, 2018
Long-term loans payable	¥ (thousands)	—	—	—	¥ 2,000,000
	\$ (thousands)	—	—	—	\$ 21,265
Lease obligations	¥ (thousands)	¥ 10,462	¥ 5,880	¥ 812	—
	\$ (thousands)	\$ 111	\$ 62	\$ 8	—

Details of Asset Retirement Obligations

None.

INDEPENDENT AUDITOR'S REPORT



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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, 2013, 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 its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Changes in Accounting Estimates of the notes to the consolidated financial statements, which describes Japan Securities Depository Center, Inc. and its subsidiaries changed the useful lives of certain property, plant and equipment and Software. Our opinion is not qualified in respect of this matter.

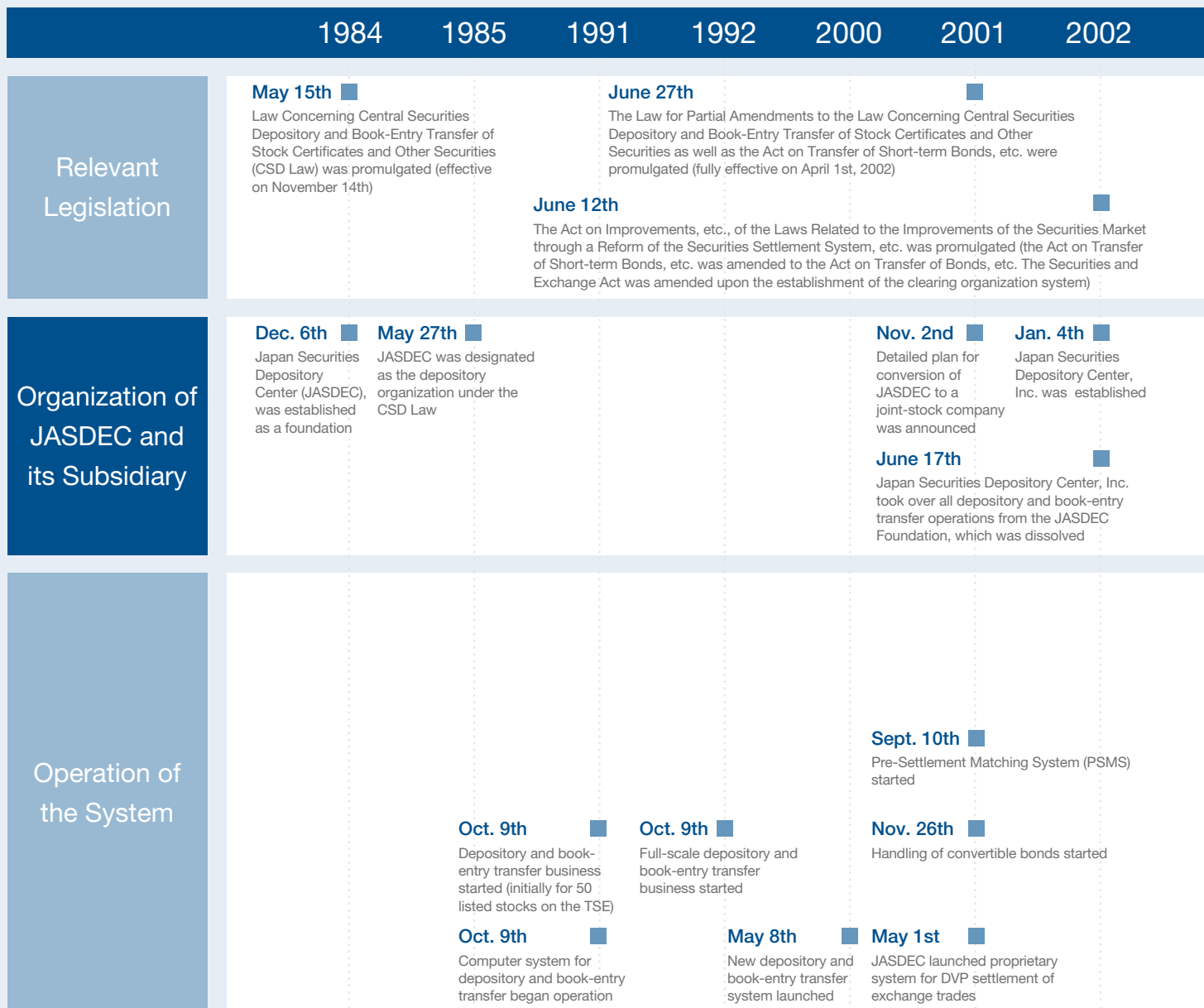
Convenience Translation

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 17, 2013
Tokyo, Japan

HISTORY



Social contribution

Environmental protection

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

Social welfare

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

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

2003

2004

2005

2006

2007

2008

2009

2010

2012

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 launched Securities Information Tracing System (SITRAS) for lost 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

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 or other reasons, have insufficient funding.

CORPORATE DATA

(As of March 31, 2013)

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	223

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Annual Report 2013

Board Members and Audit & Supervisory Board Members (As of July 1, 2013)

Chairman

Yoshinobu Takeuchi

President & CEO

Haruhiko Kato

Managing Director

Seikichi Ihara

Managing Director

Yoshinori Seyama

Managing Director

Munetaka Saito

Director

Moriyuki Iwanaga

Senior Executive Officer,
Tokyo Stock Exchange, Inc.

Director

Akira Uchida

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

Director

Junichi Okamoto

Deputy President,
Mitsubishi UFJ Trust and Banking Corporation

Director

Masakazu Kubota

Senior Managing Director,
KEIDANREN (Japan Business Federation)

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

Noriaki Nagai

Senior Corporate Managing Director,
Nomura Securities Co., Ltd.

Director

Masahisa Nakagawa

Executive Managing Director,
Daiwa Securities Co. Ltd.

Director

Kunihisa Hama

Lawyer

Director

Masayuki Hoshi

Managing Executive Officer,
Mizuho Bank, Ltd.

Director

Shigeyuki Maeda

Lawyer

Director

Satoshi Murabayashi

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

Director

Nobumitsu Watanabe

Managing Executive Officer,
Mizuho Trust & Banking Co., Ltd.

Standing Audit & Supervisory Board Member

Mamoru Kamio

Audit & Supervisory Board Member

Jun Ohta

Managing Director,
Sumitomo Mitsui Banking Corporation

Audit & Supervisory Board Member

Satoshi Matsui

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

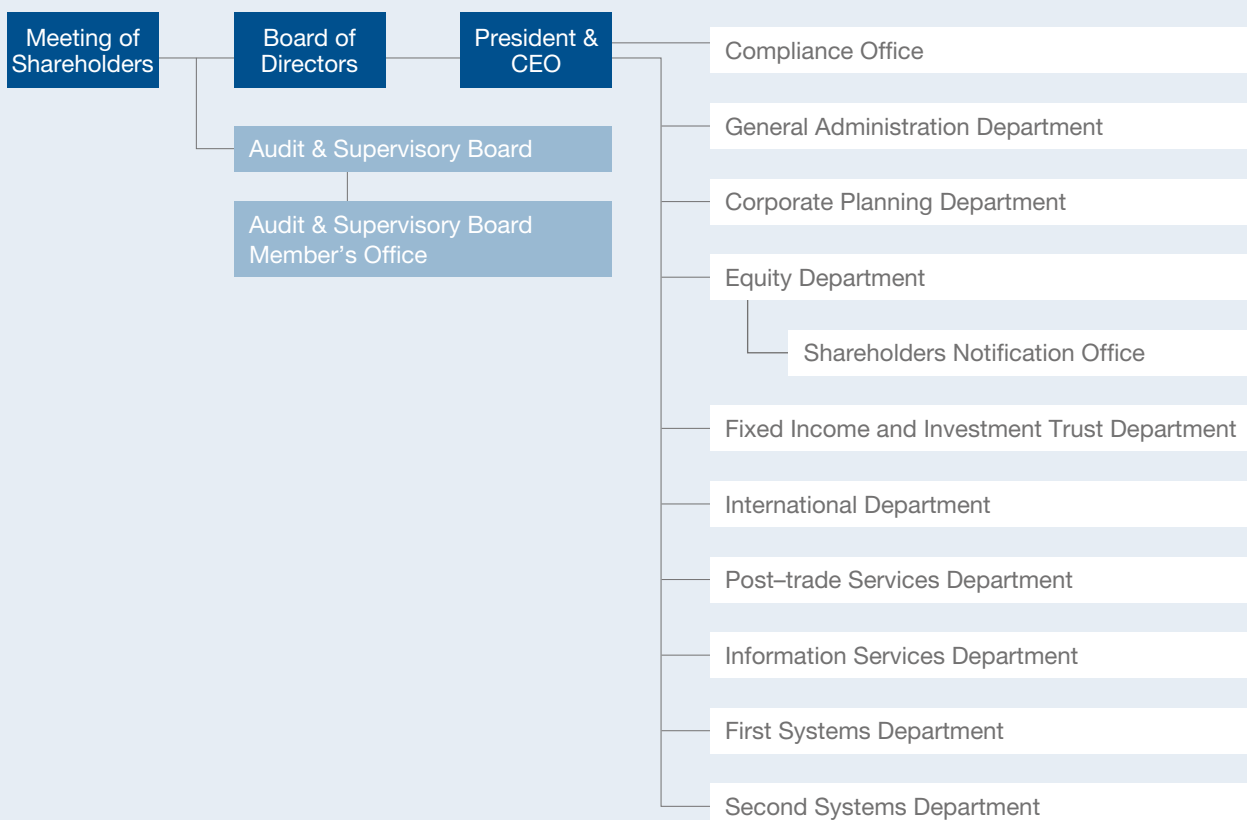
Shares

Total shares approved for issue	10,000
Total issued shares	8,500
Paid-in capital	¥4,250,000,000
Shareholders	133

Major shareholders

	Number of shares held	Stake in Company (%)
Japan Exchange Group, Inc.	2,072	24.37
Japan Securities Dealers Association	1,066	12.54
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
Daiwa Securities Co. Ltd.	360	4.23
Trust & Custody Services Bank, Ltd.	340	4.00
Citigroup Global Markets Japan Inc.	321	3.77
Japan Trustee Services Bank, Ltd.	320	3.76

Organization structure



Japan Securities Depository Center, Inc.

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