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 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:

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

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

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

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

	¥ (thousands)	$ (thousands)
Period	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) 2012	2013	$ (thousands) 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) 2012	2013	$ (thousands) 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

a) Property and equipment: Mainly backup system hardware

b) Intangible assets: Mainly backup system software

② Depreciation method

As described in Basis of Preparation of 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:

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

	¥ (thousands)		$ (thousands)
As of March 31	2012	2013	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

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

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

	¥ (thousands)		$ (thousands)
For the years ended March 31	2012	2013	2013
Finance lease charges	¥ 426,663	¥ 219,193	$ 2,330
Depreciation expenses	419,887	216,083	2,297
Interest portions	2,713	346	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)	
	Carrying amount on the balance sheet		Fair value		Difference
(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)	¥ (thousands)		$ (thousands)
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)		$ (thousands)
Category	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)		$ (thousands)
Category	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

	¥ (thousands)		$ (thousands)
As of March 31	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 ¥ (thousands)	Operating revenues $ (thousands)	Related segment
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:
1. The transaction amounts above exclude consumption taxes, while end balances include consumption taxes.
2. The terms and conditions of the above transactions are on an arm's-length basis.
3. 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:
1. The transaction amounts above exclude consumption taxes, while end balances include consumption taxes.
2. 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:

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

As of March 31	¥ (thousands) 2012	¥ (thousands) 2013	$ (thousands) 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**	**—**

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

EY
Building a better working world

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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