

MOVING FORWARD

ANNUAL REPORT 2014



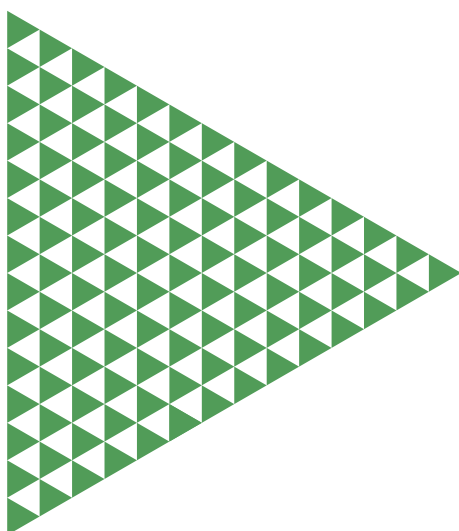
HELPING TO SMOOTH THE OPERATION OF JAPAN'S CAPITAL MARKETS

PROFILE

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.



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AT A GLANCE

	FY2012		FY2013
Total Account Balance	¥773 trillion	▷	¥838 trillion
Number of Issues Handled	73,314	▷	70,835
Number of Transactions	86.0 million	▷	104.3 million
Number of Transactions per Day	351 thousand	▷	424 thousand

OUR PRIORITIES



RELIABILITY

By providing highly reliable services, JASDEC aims to contribute to growth and development on behalf of investors, issuers and market intermediaries in financial and capital markets, while reducing the risks and costs associated with the settlement and management of securities.



CONVENIENCE

JASDEC has continually improved its systems for the user's convenience, including the implementation of Straight Through Processing (STP) at all stages from trading to settlement and the introduction of Delivery Versus Payment (DVP) settlement. We are determined to achieve further improvements in convenience by providing services from the user's perspective.

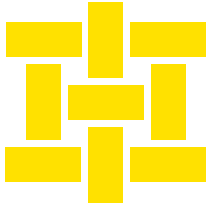
EFFICIENCY

JASDEC's efforts to provide efficient and reliable services have included the progressive dematerialization of securities, starting with short-term bonds in 2003. In 2009, we concluded with the dematerialization of stock certificates. We will continue our efforts to improve the efficiency of various aspects of users' administrative processes and securities settlement systems.

Working hard to assure the high reliability
of processes from securities trading
to settlement



OUR COMMITMENT



CUTTING EDGE

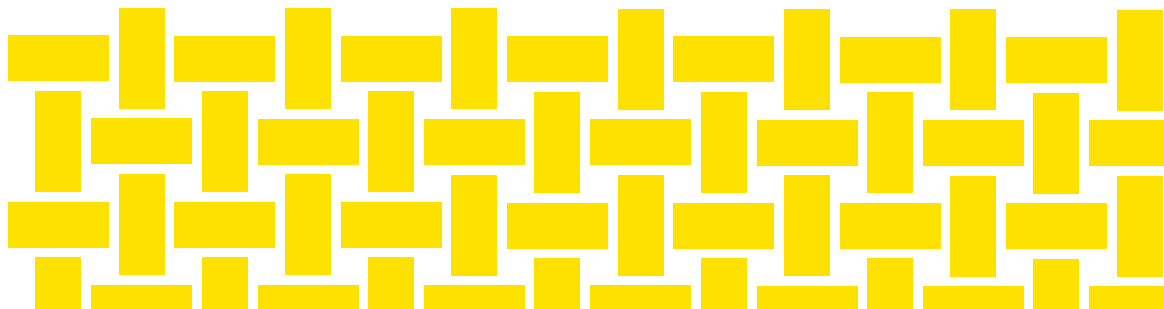
Five years after the dematerialization of stocks, JASDEC upgraded to a new state-of-the-art system in January 2014. In addition to strengthening our systems infrastructure, this move coincided with the addition of new services, such as DVP settlement for stock lending transactions. We will continue to maintain and enhance our systems while exploring options for the next-generation system.

STRENGTHENING FOUNDATION

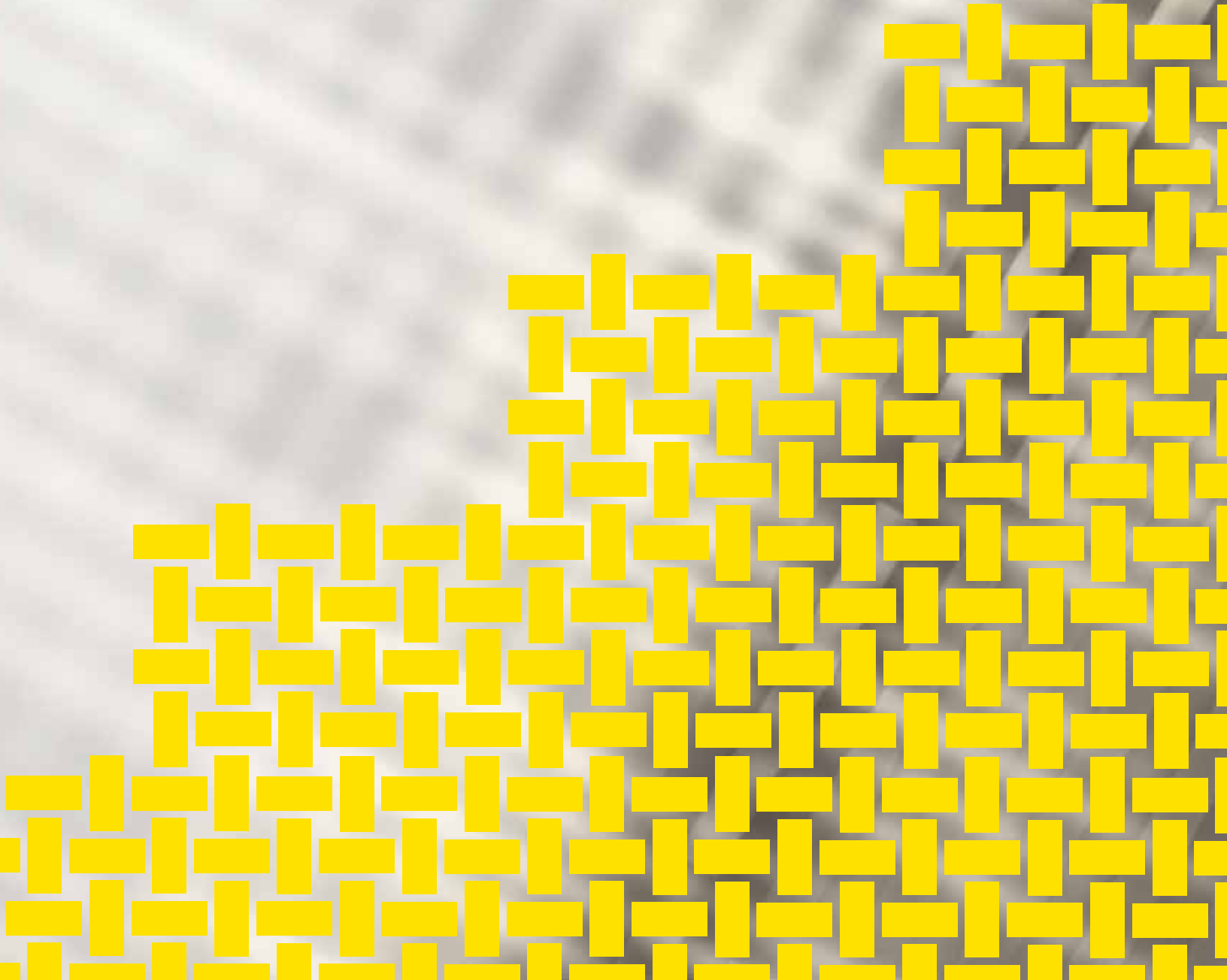
JASDEC is working to enhance the robustness of its business infrastructure and contribute to market development and the reduction of risks through efforts in three areas. First, we are strengthening our organizational structures. Second, we are reinforcing our systems infrastructure. And third, we are enhancing our business continuity plan. We will continue to improve the quality of our operational base as vital settlement infrastructure for financial and capital markets.

ENSURING BUSINESS CONTINUITY

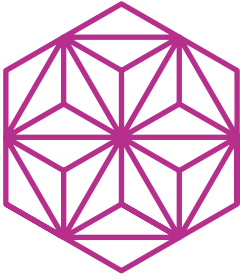
JASDEC is determined to ensure that its operations can be restored quickly in the event of a disaster or system failure and remains committed to the ongoing improvement of its business continuity systems.



Improving business infrastructure and
reducing risk by retaining the latest
cutting-edge systems



OUR VISION



SERVE MARKETS

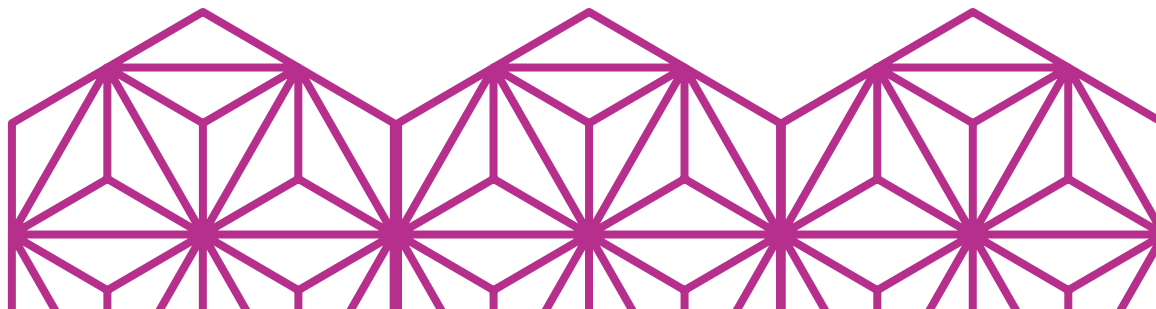
JASDEC is continually pursuing global best practice for settlement systems and has worked quickly and flexibly to enhance its operations with the aim of providing world-standard services. We will continue to contribute to the sound development of financial and capital markets worldwide while also reliably fulfilling our role as settlement infrastructure for financial and capital markets in Japan.

GLOBAL STANDARDS

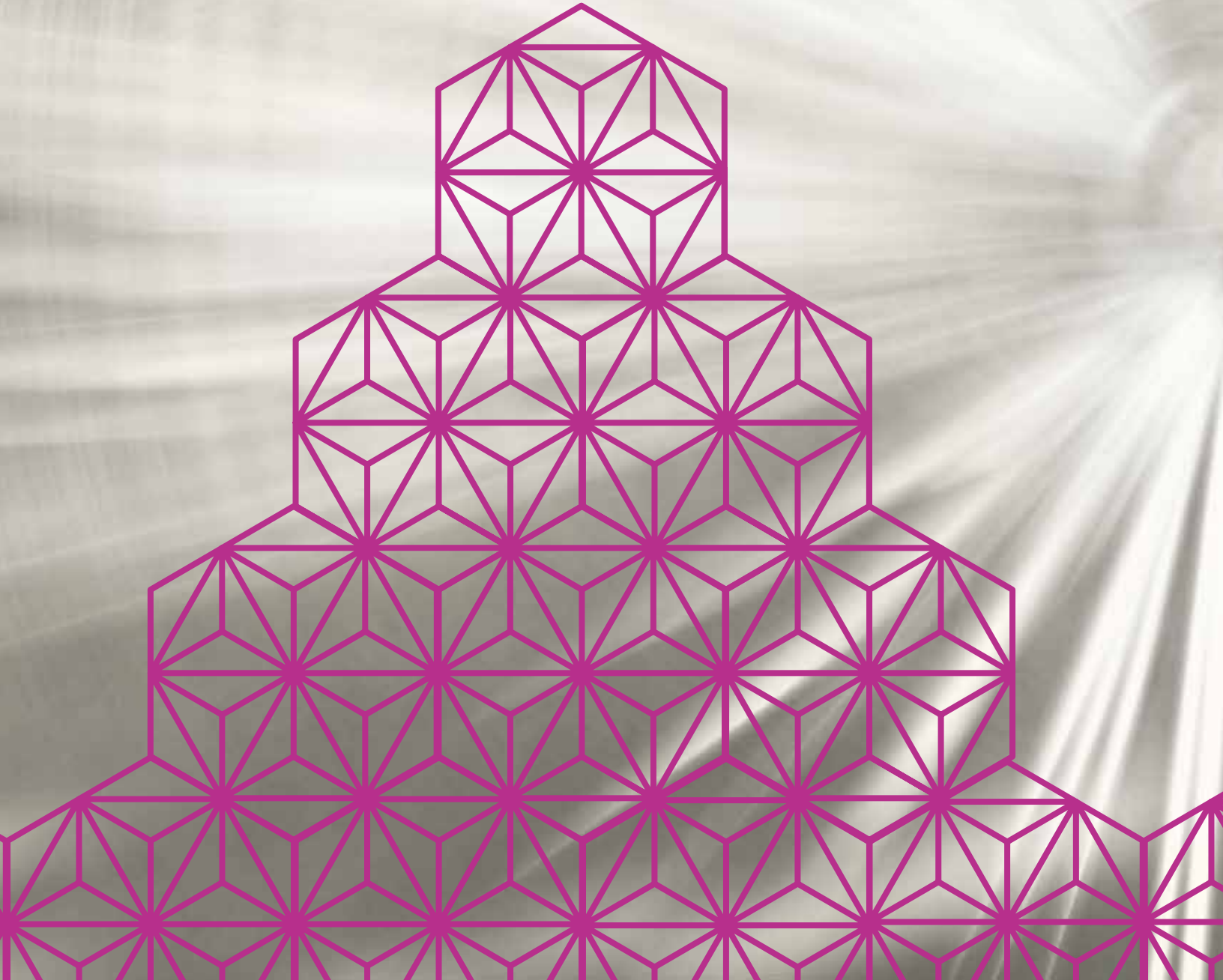
We are working to improve market functions, including the application of international standards to communication systems used in securities settlements in Japan. JASDEC also supports efforts to vitalize Japan's financial and capital markets. We cooperate closely with institutions and supervisory agencies on initiatives to develop and vitalize financial and capital markets in Japan.

INTERNATIONAL COOPERATION

There is a global trend toward cross-border financial and capital transactions. JASDEC has signed memorandums of understanding about information exchanges and cooperation with 18 CSDs, etc. It is also an active participant in international organizations, including the Asia-Pacific Central Securities Depository Group (ACG), the World Forum of CSDs (WFC), and the ASEAN+3 Bond Market Forum (ABMF). We will continue to contribute through these activities to the development and vitalization of financial and capital markets in Asia and throughout the world.



Developing securities settlement systems with global standards in Japan and cooperating with central securities depositories (CSDs) worldwide



MANAGEMENT MESSAGE



Japan Securities Depository Center, Inc. (JASDEC) plays a vital role in financial and capital markets as a provider of securities settlement infrastructure. We are determined to earn and maintain the confidence of users by working to improve our systems and services. We continually strengthen our capabilities in order to offer world-class functions based on international standards for settlement systems.

Initiatives in FY2013

Our ongoing efforts in FY2013 (the year to March 31, 2014) under our Medium-Term Business Plan (FY2013–2015) focused primarily on the following measures.

Launch of New System

JASDEC launched its new system in January 2014 under close cooperation with various organizations. The new system resulted from a review of our system structure to enhance our capability to provide high standards of security and efficiency. We also took this opportunity to introduce functional enhancements and system improvements, including DVP settlement for stock lending and borrowing transactions, and tolerance matching for non-residents' transactions.

Implementation of International Standards— adoption of ISO 20022 and SWIFTNet

To coincide with the launch of our new system, we also adopted a next-generation messaging system based on ISO 20022 to apply international standards to non-resident transactions. We also configured a new system to allow connection via SWIFTNet, which is used by financial institutions globally.

Enhancement of Corporate Action Information Dissemination Service

JASDEC and the Tokyo Stock Exchange (TSE) have jointly developed enhanced information services, including corporate action (CA) information. The new system is based on the Tokyo Market Information (TMI) system operated by the TSE and combines both companies' data and expertise. It has been fully operational since February 2014.

This new service provides an expanded range of information created by adding information handled by JASDEC, including basic information about corporate bonds, investment trusts, and foreign stocks. CA information about Japanese stocks is disseminated under the ISO 20022 standard. Users now have one-stop access to electronic data, including CA information about Japanese securities in an international format by means of highly efficient straight through processing (STP).

Support for the Social Security and Tax Number System

In May 2013, the Japanese government promulgated the Law Concerning the Use, etc., of Numbers to Identify Specific Individual for Official Administrative Procedures. The Social Security and Tax Number system will be introduced in January 2016, and in July 2013 JASDEC issued outline requirements for these systems in relation to the Book-Entry Transfer System for Stocks, etc.

Risk Management Activities

JASDEC has introduced various measures to control operational and system risks. These activities are coordinated by the Risk Management Committee. In FY2013, we also renewed our certification under ISO 27001, the standard for information security management systems (ISMS).

Because of the public importance of securities settlement infrastructure provided by JASDEC, our Business Continuity Plan (BCP) is designed to ensure the continuity or rapid restoration of our services in the

event of a disaster, systems failure or other contingency. In FY2013 we conducted drills more practically than ever before with the aim of strengthening our BCP structure.

International Activities

At the international level, we are actively involved in information exchange and other networking initiatives with overseas Central Securities Depositories(CSD), etc. As secretariat for the Asia-Pacific Central Securities Depository Group (ACG), JASDEC provided planning and administrative support for the organization until the 17th ACG general meeting in October 2013, at which Mr. Takeuchi Yoshinobu became honorary chairman following his chairmanship of ACG. JASDEC also participated in discussions at the Conference of CSDs and the World Forum of CSDs (WFC) about issues affecting CSDs, including adaptation to “Principles for financial market infrastructures” (PFMI) which were announced by CPSS-IOSCO in April 2012 as a response to the global trend toward tighter regulation of financial markets.

Priorities for the Future

Outlined below are our basic management policies and main priorities for FY2014 under our Medium-Term Business Plan (FY2014–2016).

Organizational Reinforcement Based on PFMI, etc.

JASDEC will continue to strengthen its business foundation, its organization, financial administration systems and human resource development systems, in accordance with PFMI, and the Comprehensive Guidelines for Supervision of Clearing Organizations

and Book-entry Transfer Institutions, which were promulgated by Japan’s Financial Services Agency in December 2013. We will also intensify our efforts to control operational risks and system risks. At the same time, we will further strengthen our business continuity structure to improve our readiness in the event of a disaster or systems failure. In addition, we will continue to enhance our systems infrastructure,

including the introduction of advanced technology and the formulation of IT plans.

In FY2014, we are making a number of organizational changes based on these commitments. Specifically, we have created the Risk Management Department and the IT Strategy Department. The main task of the Risk Management Department is group-level risk management and comprehensive planning relating to the business continuity management. The tasks of the IT Strategy Department are the overall planning of our IT strategy and the reinforcement of our system risk management structures.

We will enhance our risk management capabilities and strengthen our initiatives in this area by developing a company-wide risk management structure centering on the Chief Risk Officer (CRO) and Integrated Risk Management Council.

Appropriate Response to New Systemic Reforms

In January 2016, the Social Security and Tax Number System will take effect and the government will also introduce integrated taxation on financial income

and gains. In October 2015, the new BOJ-NET (Bank of Japan Financial Network System) will become operational. We will steadily develop the systems needed to adapt effectively to these changes.

Reinforcement of System Infrastructure

We will continue to strengthen our operation and management structures to ensure that the new system launched in January 2014 continues to operate reliably. We will also start to explore approaches to the achievement of further improvements, through the planning of a next-generation system.

Enhancement of BCP

We are now looking at ways to strengthen our business continuity plan to reflect new risk factors, such as tsunami and nuclear accidents, based on lessons learned from the Great East Japan Earthquake. We will also undertake a comprehensive review of our contingency planning and continually implement practical drills to ensure the prompt and reliable restoration of our services in the event of a system failure.

We remain committed to the reliable operation of our systems and the provision of services, including adaption to structural changes in the domestic and international markets, and changes in users' needs. We will also continue to review our administrative systems and improve our operations with the aim of providing our services at the lowest possible cost. We look forward to continuing support and cooperation with all concerned.

Haruhiko Kato

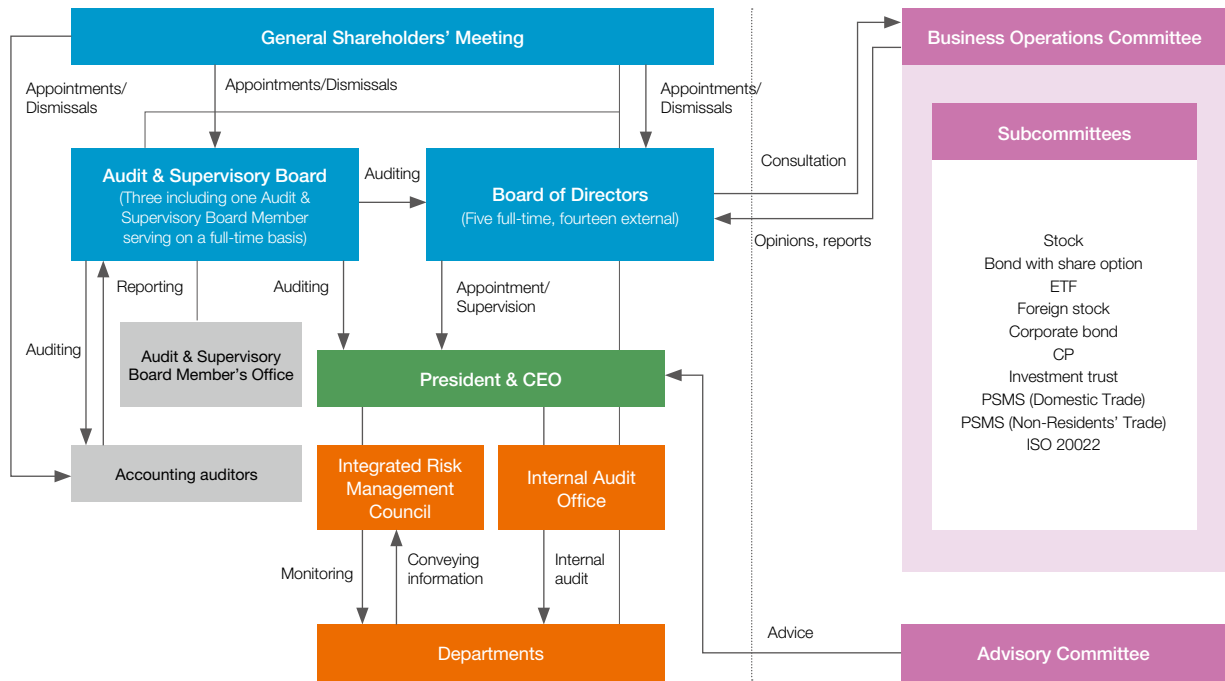
Haruhiko Kato, President & CEO

CORPORATE GOVERNANCE

Our basic policy on corporate governance

JASDEC fully recognizes its social obligation as the central body for the provision of the infrastructure for securities clearing and settlement, which is an important base of the capital markets. Accordingly, JASDEC has determined a basic management policy of providing a highly secure, convenient and efficient service. To this end, we ensure that our system meets the needs of users, including investors, issuing companies and market intermediaries. We also make sure that our activities promote corporate transparency and that our business operates with fairness and accountability, in line with the public needs of our function. Our commitment to corporate governance is to earn and maintain a solid reputation for reliability as the central organization responsible for creating and operating the infrastructure for securities clearing and settlement in Japan.

Overview of JASDEC's management structure and corporate governance framework



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 audit the performance of the Board Members by attending important meetings, including those of the Board of Directors and assessing the status of operations and assets. To ensure that audits are effective, Audit & Supervisory Board Members

work closely with Board Members 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 previous page.

Risk Management System

As a result of organizational enhancement implemented for FY2014, the supreme responsibility for general risk management now rests with the Chief Risk Officer (CRO). The Integrated Risk Management Council, which is chaired by the CRO, is responsible for the development of risk management systems throughout the JASDEC organization.

Internal Audit, Audit & Supervisory Board Member's Audit, and Accounting Audit

JASDEC has established the Internal Audit 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 executive 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 its members' 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 auditor, Deloitte Touche Tohmatsu LLC, audits financial documents and other information as required under the Companies Act. We believe that no particular concerns, such as serious irregularities or illegal actions, have been detected as a result of these audits.

Board of Directors and Audit & Supervisory Board Members' Limit of Liability

We expect Board of 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 Board of Directors and Audit & Supervisory Board Members.

Resolutions on Election/Dismissal of Board of Directors

The election of Board 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 Board of Directors are elected by a majority vote of said shareholders.

The dismissal of Board 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 Board of Directors are dismissed on a vote of no less than two-thirds of voting rights held by said shareholders.

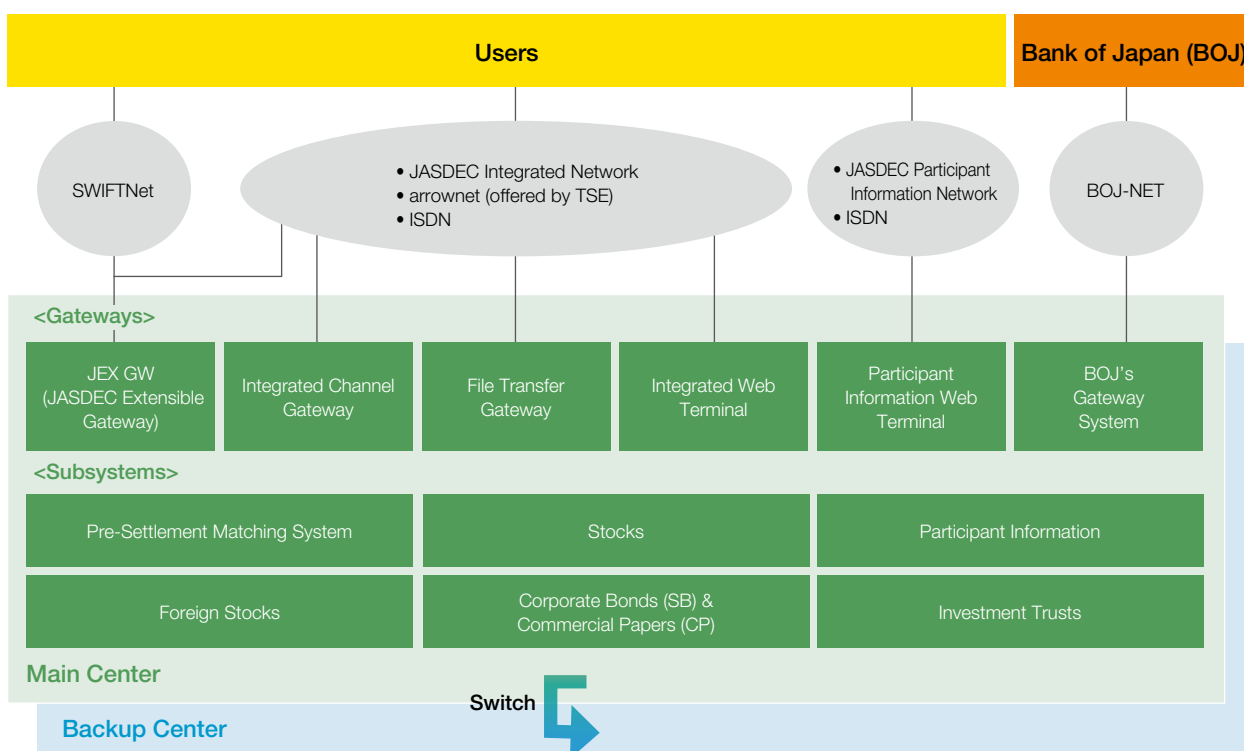
BUSINESS CONTINUITY PLAN

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 or 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.

JASDEC system



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.

Main initiatives in FY2013

JASDEC continued its efforts to ensure the availability of the management resources needed to maintain operations in the event of a disaster leading to reduced lifeline functionality and other problems. The main initiatives undertaken in fiscal 2013 are outlined below.

Development of Contact and Assembly Systems, Implementation of Exercises

In case of a disaster leading to the shutdown of public transportation systems, we checked and confirmed that we could set up a BCP Countermeasure Office and assure the effectiveness of that procedure, including the safety of staff and the communication with our related institutions.

We also implemented exercise with the designated staff members to check and confirm the effectiveness of the assembly system.

Diversification of Communication Systems

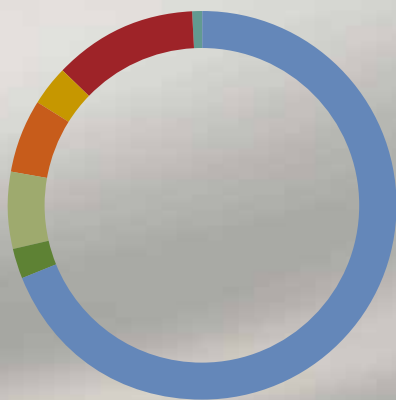
One of the lessons to emerge from the Great East Japan Earthquake is the need to diversify methods of communication. JASDEC is working to create internal and external communication systems based on methods other than telephones.

BCP Exercises, Review of BCP

We implemented several company-wide exercises, including an employee safety confirmation exercise, a BCP Countermeasure Office establishment exercise, and an assembly exercise. We also conducted a systems switchover test from main center to backup center with users.

REVENUES BY OPERATION

Year ended March 31, 2014



■ Book-Entry Transfer System for Stocks, etc.	¥13,070 million
■ Book-Entry Transfer for Commercial Paper	¥443 million
■ Book-Entry Transfer System for Corporate Bonds	¥1,238 million
■ Book-Entry Transfer System for Investment Trusts	¥1,117 million
■ DVP Settlement System for NETDs	¥645 million
■ Pre-Settlement Matching System (PSMS)	¥1,358 million
■ Custody Services for Foreign Stock Certificates, etc.	¥128 million

Business Overview

01

Book-Entry Transfer System for Stocks, etc.

▷ P18

02

Book-Entry Transfer System for Commercial Paper and Corporate Bonds

▷ P22

03

Book-Entry Transfer System for Investment Trusts

▷ P26

04

DVP Settlement System for NETDs

▷ P29

05

Pre-Settlement Matching System (PSMS)

▷ P32

06

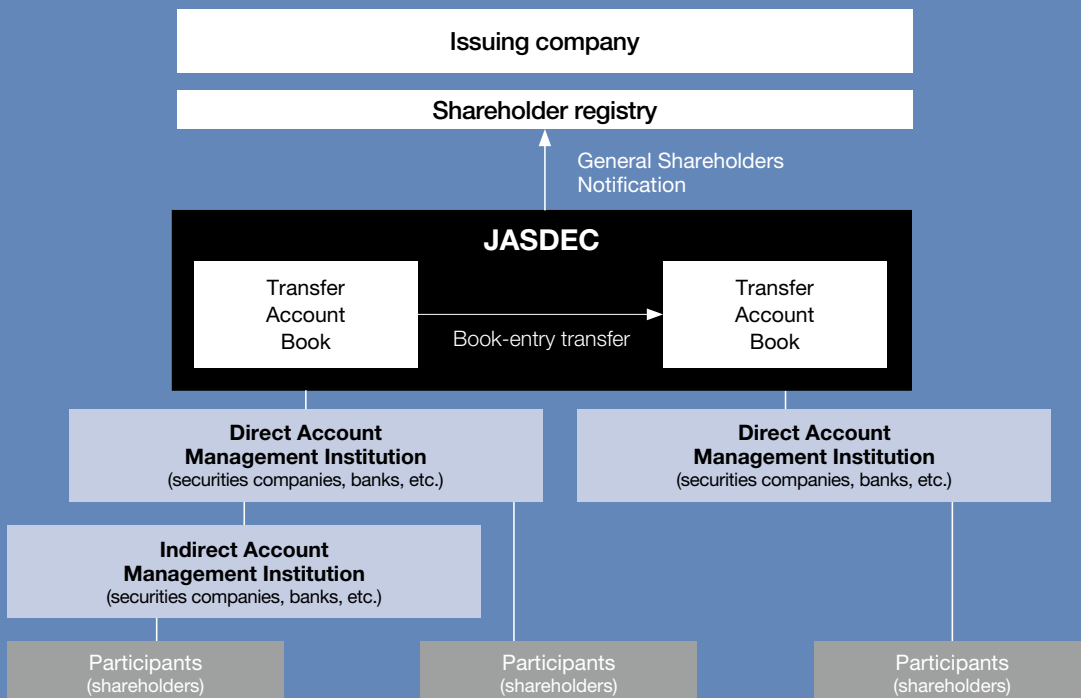
Custody Services for Foreign Stock Certificates, etc.

▷ P35

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

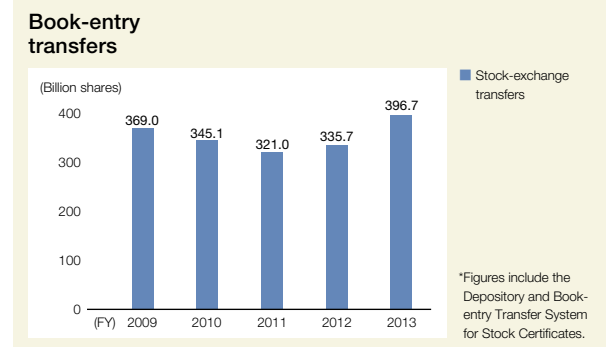
JASDEC launched its Book-entry Transfer System for Stocks, etc., under the Act on Book-Entry Transfer of Company Bonds, Shares, etc. in January 2009. Under this system, JASDEC or Account Management Institutions (AMIs) such as securities companies and banks open accounts for their clients, and each of them manages accounts by electronic records registered in their computer systems. The Book-entry Transfer System has a variety of features that contribute to the security and convenience of securities settlement systems.

- Only the electronic records noted above determine the vesting of rights pertaining to stocks, etc.; and the rewriting of those records transfers those rights. This reduces the cost of printing, storing and transporting securities in physical form, along with the risk of loss or theft.
- JASDEC provides issuing companies with all shareholder information as of the record date (General Shareholder Notifications), which is needed to compile shareholder registries. To ensure that information is supplied efficiently, JASDEC maintains centralized management of shareholder information. For example, JASDEC preliminarily obtains and integrates names, addresses and other shareholder information from AMIs.

The dematerialization system applies not only to stocks, but also to bonds with share options, share options, investment units of Real Estate Investment

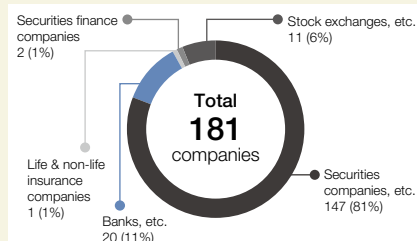
Trusts (REITs), preferred equity investment of cooperative financial institutions, Exchange Traded Funds (ETFs), Japanese Depositary Receipts (JDRs, etc.), and other negotiable securities.

As of March 2014, the total number of issues handled was 3,795, including 3,548 share issues, 22 bonds with share options, 24 share options, 46 investment units, 1 preferred share issue, 118 ETFs, and 36 JDRs. The number of companies participating in the Book-entry Transfer System, including JASDEC participants (direct AMIs), indirect AMIs, and fund settlement corporations, etc., was 380, including 60 foreign financial institutions that are indirect AMIs.

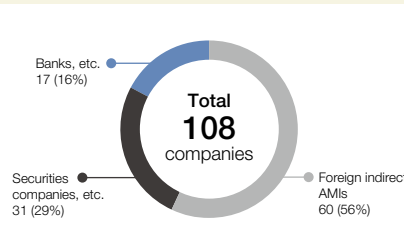


JASDEC participants and indirect AMIs (as of March 31, 2014)

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)

Ongoing enhancements to increase user convenience

JASDEC is continually developing a variety of system enhancements to improve the usability of the Book-entry Transfer System for Stocks, etc., and to ensure the smooth operation of the system. We also implement programs to inform users about these improvements.

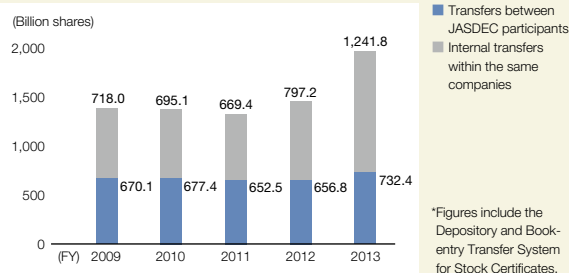
Until recently, newly created ETFs were difficult to transfer on the date when the ETFs were recorded in an account because the administrative procedures for the new record required the new record to be completed up to 15:30 on the new record date. In October 2013, JASDEC therefore adopted a new administrative process that requires new records to be completed by noon, provided that the creation of ETFs meets with certain conditions with regard to the contribution of their trust property.

JASDEC has taken steps to encourage rights offerings. In September 2013, we created an environment in which the mediation status of demands

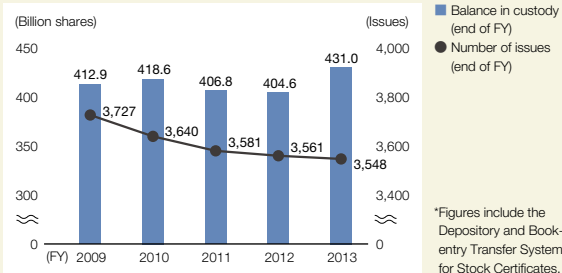
for the exercise of options can be viewed on our website so that share option holders can check the exercise status of their options. In January 2014, we also expanded our statistical information by adding market capitalization and the distribution of shareholder by category to the information of account balances and account transfers relating to transfers of stocks, etc.

In January 2016, Japan will introduce the Social Security and Tax Number System under the Law Concerning the Use, etc., of Numbers to Identify Specific Individual for Official Administrative Procedures, which will be promulgated in May 2014. Issuing companies will need the numbers of their shareholders in order to process withholding tax payments. We are currently preparing enhancements to our systems to create a scheme to allow shareholders' numbers to be supplied from AMIs to issuing companies through JASDEC.

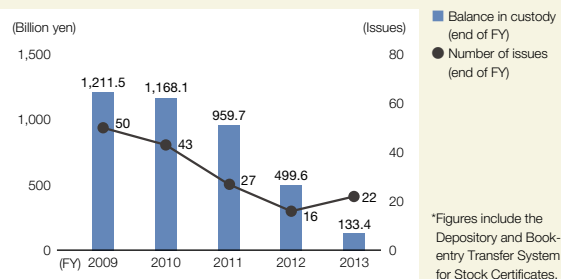
Book-entry transfers



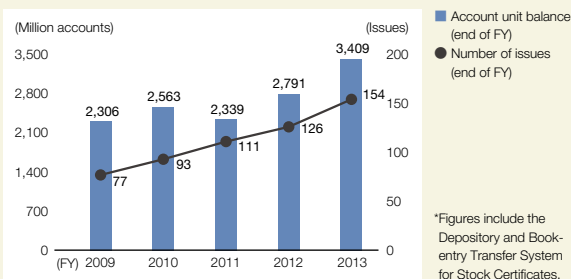
Stock account balance and number of issues



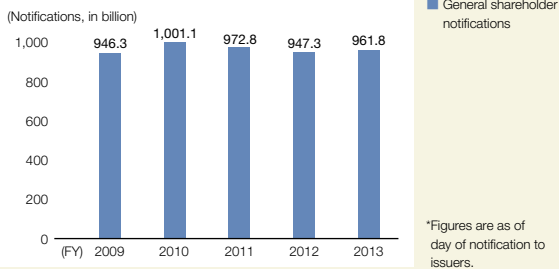
Bond with share option account balance and number of issues



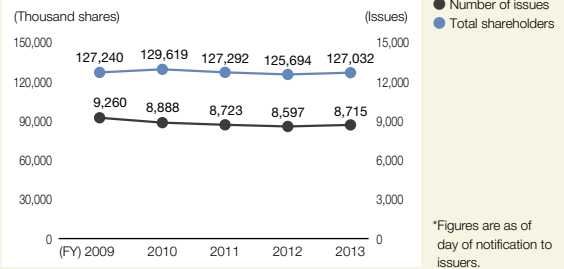
Exchange Traded Fund (ETF) etc., account balance and number of issues



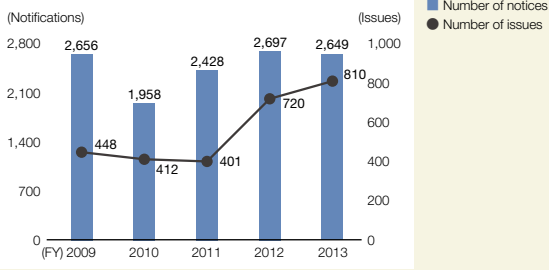
General shareholder notifications



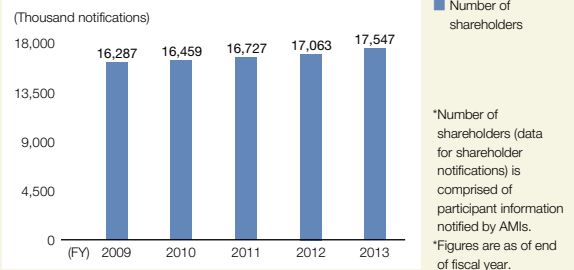
Number of issues and total shareholders



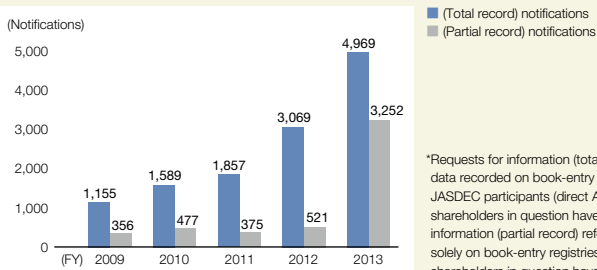
Individual shareholder notifications



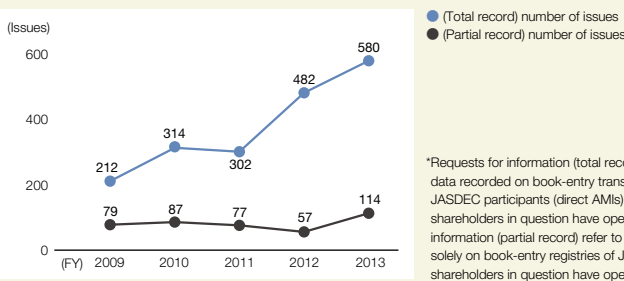
Number of shareholders (Data for shareholder notifications)



Information requests (Notifications)



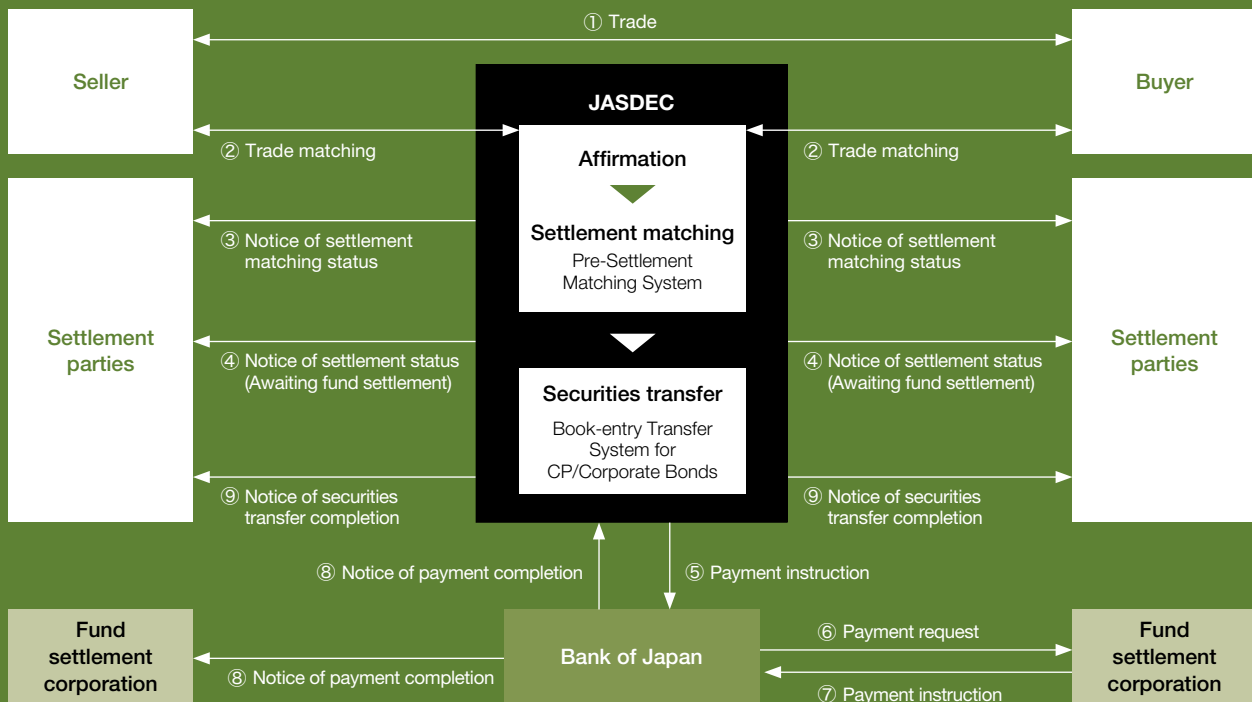
Information requests (Number of issues)



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

JASDEC is maintaining the security of CP and corporate bond 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)



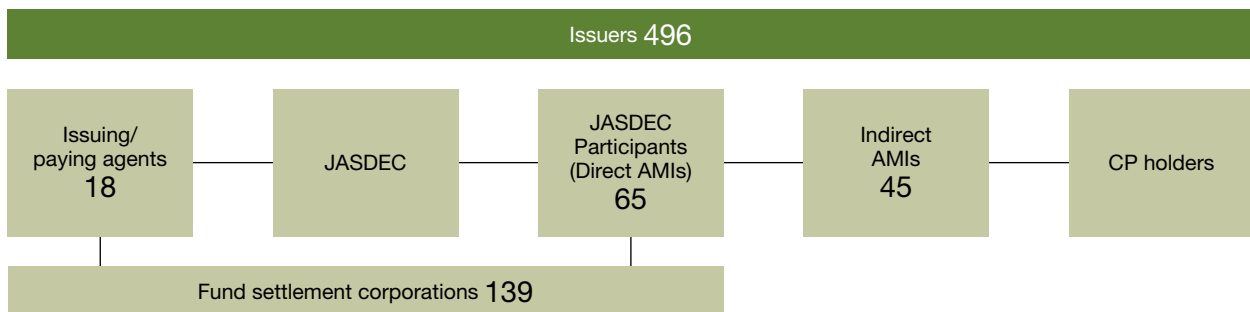
Supporting seamless and secure CP and corporate bond settlement

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, settlement procedures—issuance, transfer (trading), and redemption—are conducted based on the balance electronically recorded in the transfer account books. In addition, at all stages of issuance, transfer, and redemption of CP and corporate bonds, DVP settlement is available by the linkage between JASDEC's book-entry transfer system and the Bank of Japan Financial Network System. Furthermore, interfacing the book-entry transfer system to its PSMS (Pre-Settlement Matching System; see page 32), JASDEC has realized Straight Through Processing (STP), which fully

automates the entire process through trade matching to settlement of securities and fund.

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. Upon the payments of principal and interest of corporate bonds to bondholders, AMIs receive principal and interest from paying agents or their upper AMIs through the multilayered structure on behalf of their bondholders.

Participants in Book-entry Transfer System for CP (as of the end of March 2014)

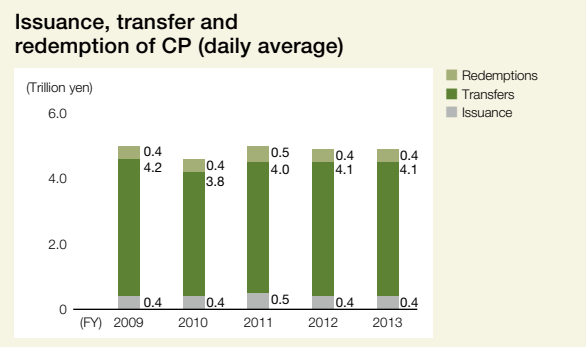
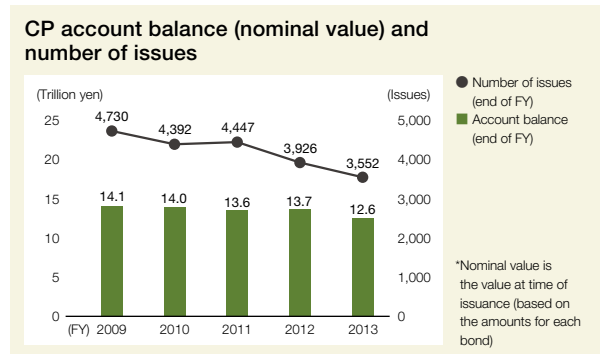


The Book-entry Transfer System for Commercial Paper continues to operate efficiently.

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. More than ten years after the launch, almost all CP issued in Japan is handled by this system.

The outstanding issue of financial institutions and other financial companies' CP increased in fiscal 2013 (to March 31, 2014), but the outstanding issue

of business companies (excluding other financial companies) and SPCs' CP remained low due to stagnating demand for funds. As a result, the total account balance held at around the ¥15 trillion level throughout the year but fell dramatically to ¥12.6 trillion as of March 31, 2014 (a ¥1.1 trillion decrease from the end of FY2012), in part because of special factors relating to the end of the financial year. The number of issues stood at 3,552 issues (a 374 issues decrease from the end of FY2012).



Continually adapting to CP market needs

The total 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, the settlement value of CP at JASDEC surpassed the daily trading value at the Tokyo Stock Exchange. In fiscal 2013, the annual aggregate settlement amount of transfer surpassed ¥1,000 trillion, marking active trading at the highest level as good as fiscal 2012.

This huge settlement amount reflects the importance of CP in the Japanese financial market. JASDEC is willing to continue maintaining a high level of safety in the Book-entry transfer system for CP, a matter of critical importance for securities settlement infrastructure, while rapidly reflecting market needs in the system.

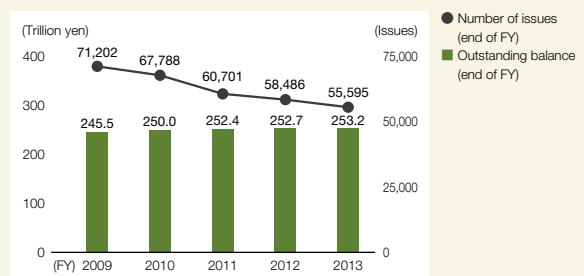
The Book-entry Transfer System for Corporate Bonds operates with security and reliability.

JASDEC's Book-entry Transfer System for Corporate Bonds handles various types of bonds, both through public offerings and private placements. These include bonds issued by business companies, 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), J-Sukuk (Islamic financial instruments similar to bonds) and others.

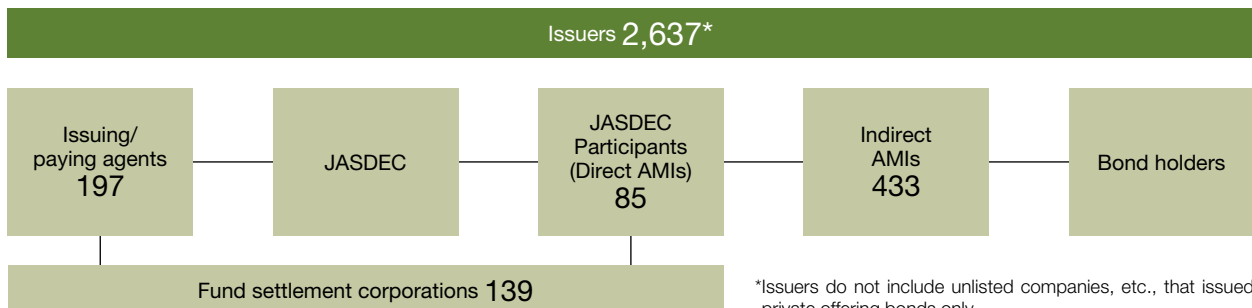
In fiscal 2013, based on the continuously excellent issuing conditions such as extremely low interest rates, the level of new issuance was in the same range of fiscal 2012. At the same time, in part because of the slow pace of redemptions, the account balance reached ¥256.8 trillion on December 19, 2013—the highest since the launch of the system. As of March 31, 2014, the number of bonds eligible in the system was 55,595 issues (a 2,891-issue decline from the end of FY2012), and the nominal account balance stood at ¥253.2 trillion (a ¥0.4 trillion increase from the end of FY2012). There was also a significant increase in new issues of U.S. dollar-denominated bonds, reflecting growth in recent demand for foreign currency finance. In face value terms, the account balance as of March 31, 2014 was \$3.4 billion (a \$1.8 billion increase from the end of FY2012).

In January 2014, JASDEC began to provide dematerialized balance certificates, etc. for the Book-entry Transfer System for Corporate Bonds, Commercial Paper and Investment Trusts. Through this service, AMIs can request and receive their transfer account book registration certificates, etc., via the JASDEC "Target" website which reduces the processing time and enhances user convenience. In January 2016 the Japanese government will introduce integrated taxation of financial income and gains. JASDEC is making preparations to ensure a smooth transition to the new taxation rules, including the publication of system requirements.

Corporate Bonds account balance and number of issues



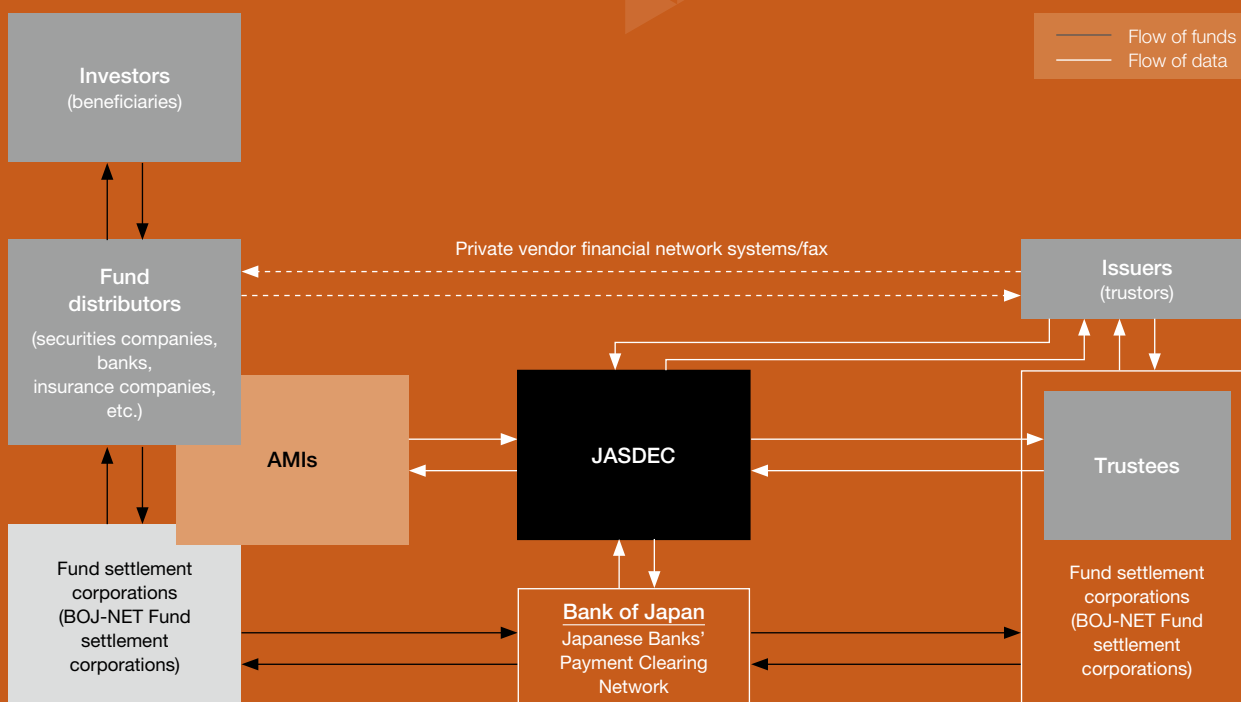
Participants in Book-entry Transfer System for Corporate Bonds (as of the end of March 2014)



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.

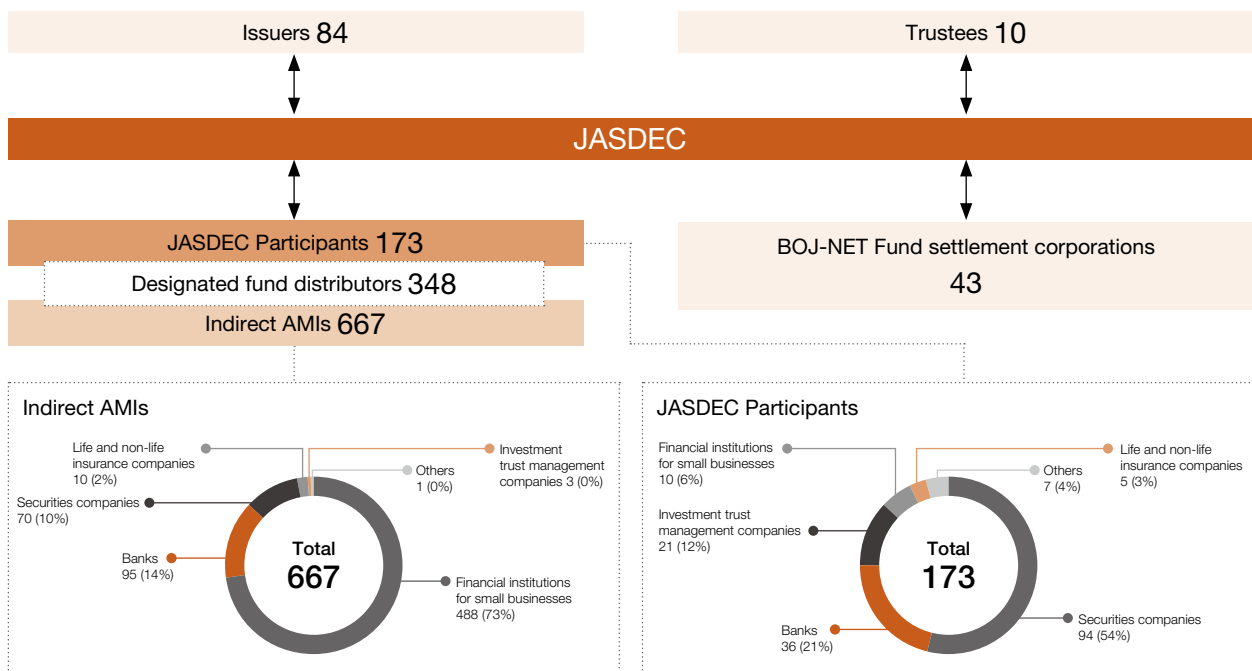
The system covers contract-type investment trusts (hereinafter, simply called “investment trusts”), which involve three parties—a trustor, a trustee, and a beneficiary who is an investor in the investment trust. (Exchange Traded Funds (ETFs) and investment trusts of the non-trustor instruction type are 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, 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 840 companies as of March 31, 2014.

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 the end of March, 2014)



*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, 2014 was 7,940 issues (a 828-issue increase from March 31, 2013), comprising 4,962 publicly offered and 2,978 privately placed investment trusts. The number and balance of new trusts registered (purchases) remained high, reflecting a favorable investment environment. Throughout the entire business year, the account balance increased consistently. As a result, the outstanding balance as of March 31, 2014 had increased ¥9.1 trillion year on year to ¥124.5 trillion, comprising ¥89.3 trillion in publicly offered and ¥35.1 trillion in privately placed investment trusts.

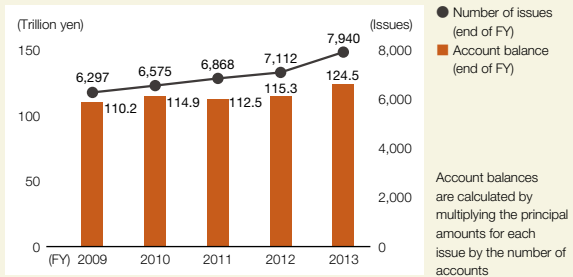
Fund settlement systems in the Book-entry Transfer System for Investment Trusts include DVP settlement (using the Bank of Japan Financial Network System) and non-DVP settlement (using the Japanese Bankers Association's financial network system for online fund settlement between financial institutions). In fiscal 2013, the proportion of settlements using DVP was 25% by transaction volume and 62% by principal value.

Dedicated to ongoing improvement

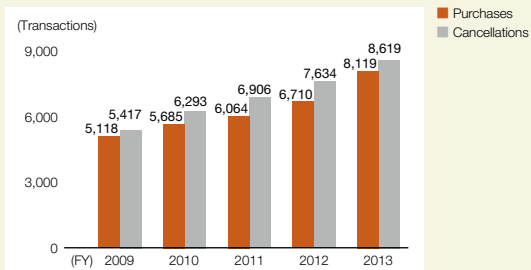
In January 2014, we added transfer (change of fund distributors) and notification functions to the Book-entry Transfer System for Investment Trusts. Advantages for users of this function include the elimination of documentary procedures between distributors and issuers for transfers between distributors.

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.

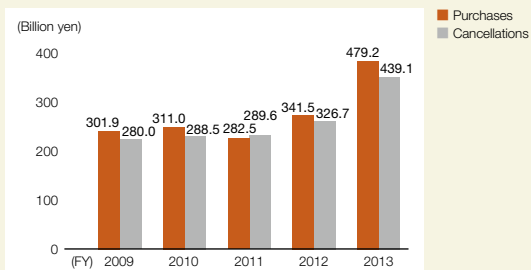
Investment trusts account balance and number of issues



Purchase and cancellation transactions (Daily average)



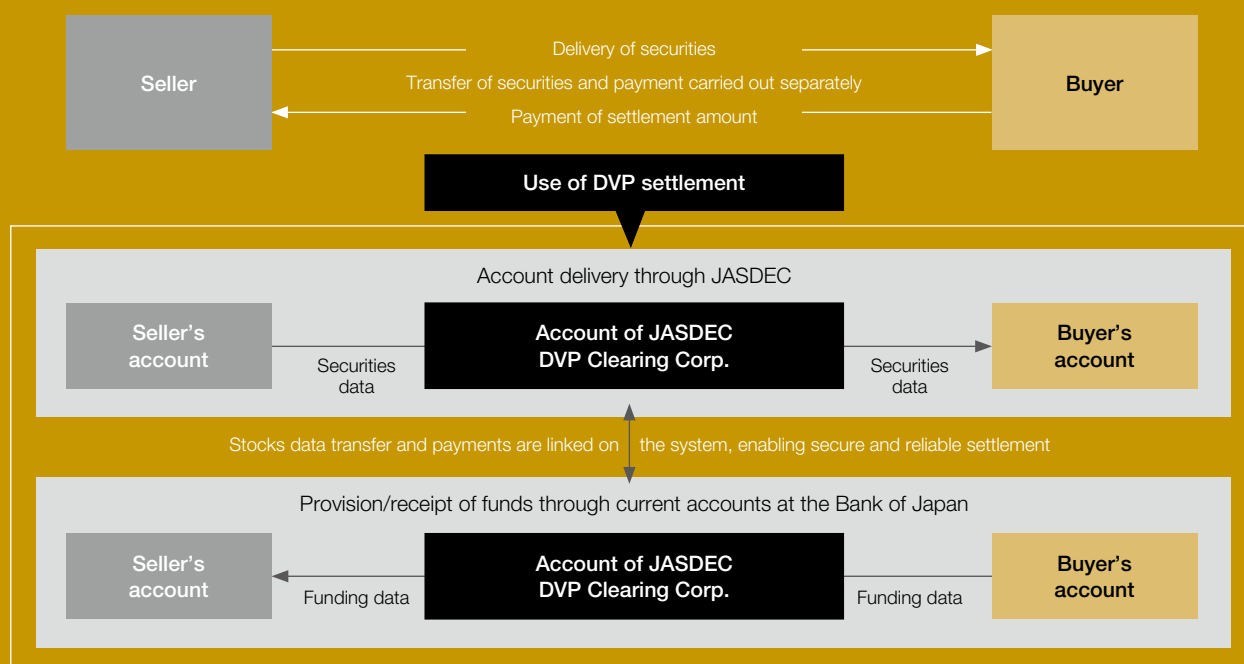
Principal values of investment trusts for purchases and cancellations (Daily average)



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.

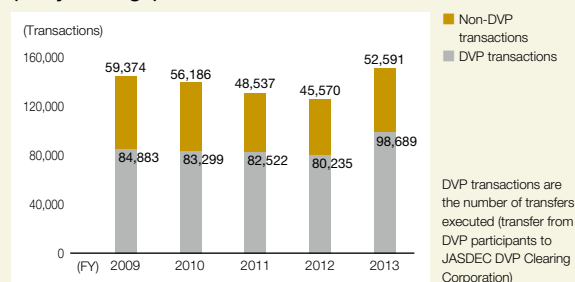
Previously, the delivery of the securities and the payment of the settlement amounts for non-exchange transactions have mostly been processed separately, so the transactions have been exposed to the risk (principal risk) that settlement payments may not be made even though the securities have been delivered. 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).

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 2014, 53 companies (comprising 12 banks and 41 securities companies) were participants in the DVP settlement system for NETDs. Excluding internal transfers within the same company, DVP transactions accounted for more than 60% of NETD transactions—evidence that use of the system has become firmly established as an important customer-side settlement method. In fiscal 2013, in consideration of steady growth in the use of the system, we refunded ¥7 of the ¥17 DVP settlement fee per transaction for the period from April 2013 to February 2014 in accordance with the participant's usage level.

DVP settlement for NETD transactions (Daily average)

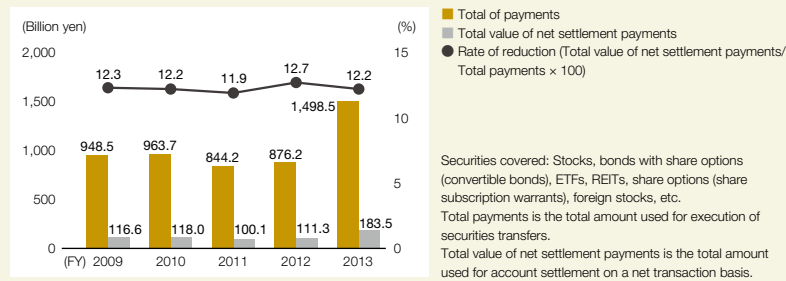


Reducing settlement risks for stock lending transactions

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 introduced DVP settlements for stock lending transactions in January 2014 with the aim of reducing settlement risks for stock lending transactions.

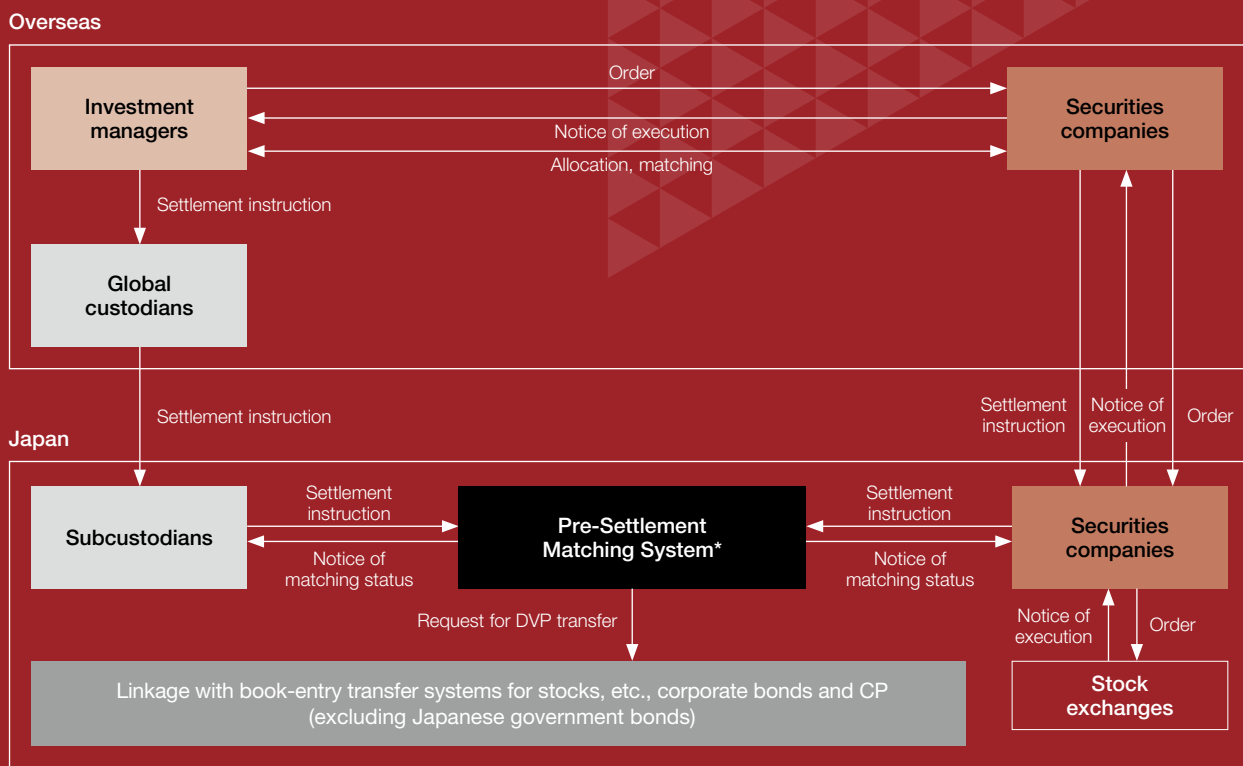
DVP settlement for NETD fund settlement (Daily average)



05 Pre-Settlement Matching System (PSMS)

In January 2014, JASDEC launched brand new services in PSMS for further enhancement of STP, including introduction of the ISO 20022 standard and SWIFTNet.

Figure 1. PSMS for non-residents' transactions



* From January 2014, on, "Tolerance Matching" function is available.

Pre-Settlement Matching System (PSMS)— for smooth and secure matching infrastructure in Japanese securities market

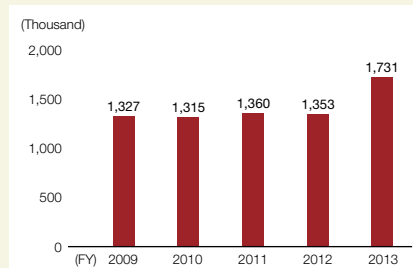
It is crucial for financial institutions to smoothly and securely complete the settlement process of huge number of transactions. While our Book-Entry Transfer Systems (BETS) realize secure settlement, PSMS, on top of that, helps, additionally, to make settlement go smoothly.

Since the launch of PSMS in September 2001, JASDEC has promoted Straight Through Processing (STP) in Japanese securities market, by providing matching function of trade and settlement information to institutional investors and others. PSMS has three basic concepts below, as a bridge between trades and settlements.

- 1) **Rapid post-trade process**
- 2) **Automatic data linkage to Central Clearing Party (CCP) and BETS for Delivery Versus Payment (DVP) settlement**
- 3) **Globally standardized protocol suitable both to domestic and non-residents' transactions**

Followed by the booming stock market in Japan, in fiscal 2013, the number of input/output transactions of PSMS significantly increased to 1,731 thousands on a daily average. Furthermore, 676 users are utilizing PSMS as a primary matching infrastructure in Japanese market.

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



Brand-new services launched in January 2014

A number of new and useful services have been implemented in PSMS, along with the replacement of our information systems in January 2014. Among all, three items below are primarily important.

1) Tolerance matching (see Figure 1.)

PSMS has introduced 'Tolerance Matching' function into non-residents' transactions. With this function, when there is a slight discrepancy in settlement amount between settlement parties, which is under JPY 100, PSMS will assume the amounts to be 'matched' without any exception, and the transaction will be settled with the amount of the securities' deliverer.

Previously, settlement amounts sometimes became 'unmatched,' mainly due to various calculation approaches to the amount (rounding up/down, etc.). Tolerance matching has decreased the number of 'unmatched' transactions by more than 90 percent, and contributes to more and more rapid post-trade processes.

2) DVP settlement for Stock Lending and Borrowing (SLB) transactions (see Figure 2.)

Since 2008's financial crisis, more and more people have been discussing further mitigation of settlement risk. JASDEC has added SLB transactions into the line of DVP-eligible products by providing automatic data linkage from PSMS to BETS for Stocks, etc. (see also Chapter 04.).

Since January 2014, 21 major players in Japanese SLB market have made use of this service.

3) More standardized communication— ISO 20022 and SWIFT Network

Now that more than a half of stock transactions are conducted by non-residents, this move is expected to improve accessibility to the Japanese market. To achieve easier access in terms of system connectivity, JASDEC has leveraged the ISO 20022-based message format as one of the pioneers in the global securities

market, and has enabled the connection via SWIFT network as well.

Furthermore, ISO 20022 will bring compatibility of Japanese market practices with the global ones. JASDEC is actively participating and offering comments in consultations of International Organization for Standardization (ISO) and Securities Market Practice

Group (SMPG).

JASDEC participants are required to migrate from the ISO 15022-based message format to ISO 20022 by the end of 2018. It already has a good start; as of January 2014, about 40 percent of relevant data was exchanged via the ISO 20022-based format.

Further actions for ongoing progress

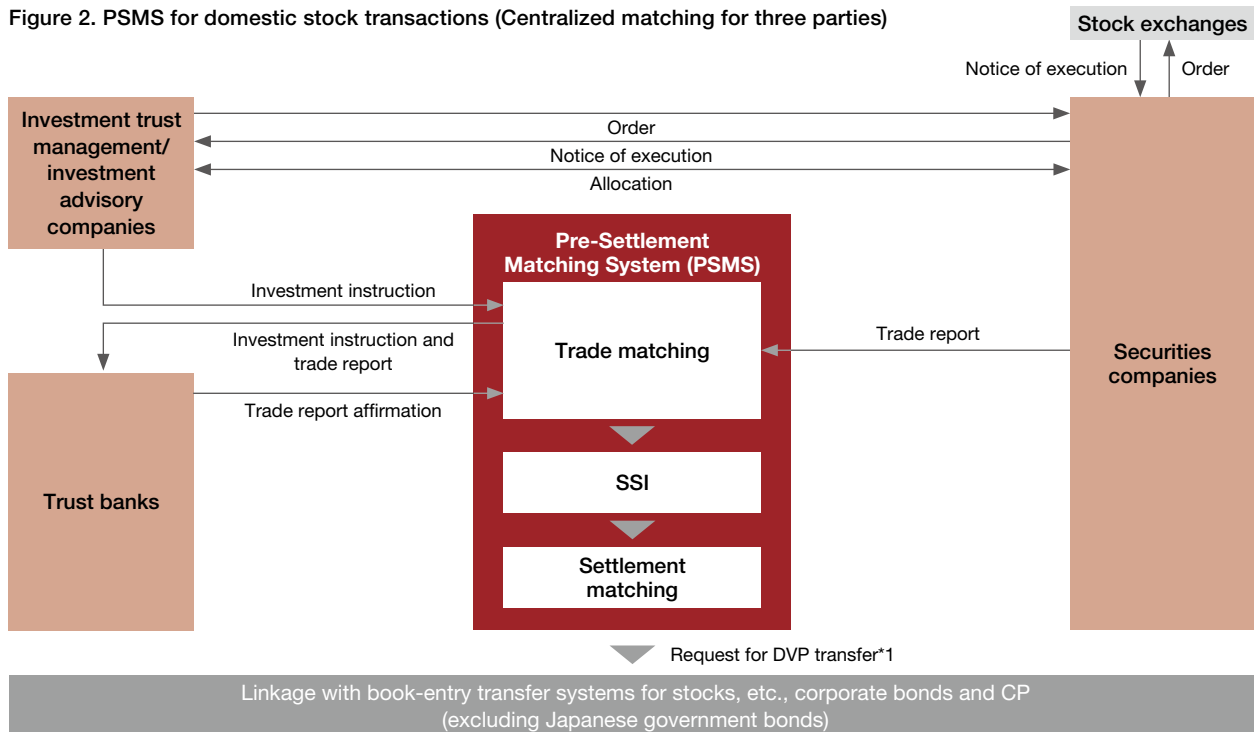
JASDEC has already kicked off some projects for contribution of making the Japanese securities market much more efficient.

During the autumn of 2015 and the beginning of 2016, the Japanese Securities Dealers Association (JSDA) is supposed to begin disclosing transaction information of specific corporate bonds, in order to stimulate the Japanese bond market. JASDEC

will cooperate closely with JSDA to realize smooth operation of JSDA's system, leveraging transaction data of corporate bonds reported to PSMS.

Along with this, JASDEC is participating in consultation among market players, regarding settlement cycle shortening of Japanese Government Bonds (JGB) to 'T+1' (one business day after a trade is executed) for outright transactions.

Figure 2. PSMS for domestic stock transactions (Centralized matching for three parties)

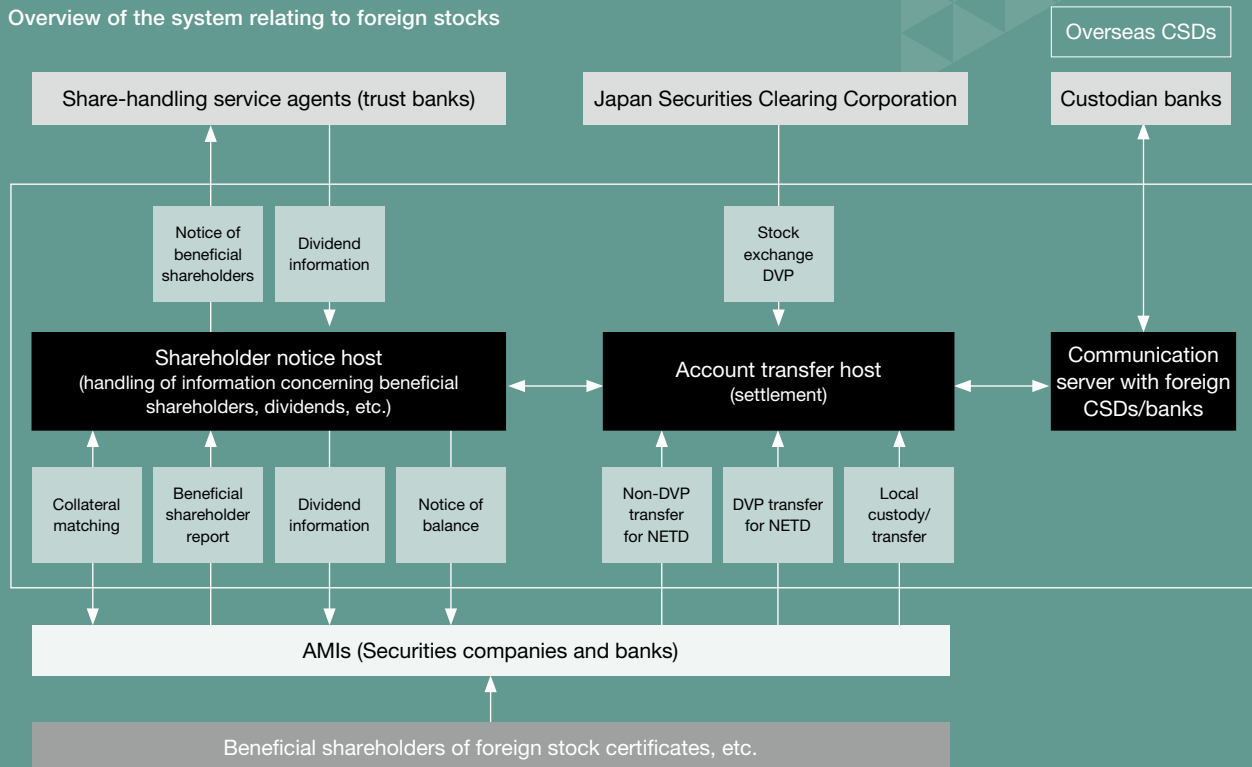


*1 From January 2014 on, DVP settlement for Stock Lending and Borrowing (SLB) transactions is available.

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 May 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.

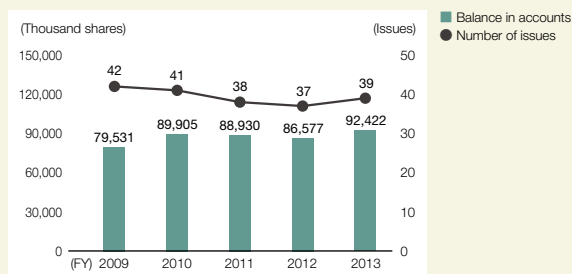
JASDEC entrusts dividend payments to relevant share-handling service agents. Information on beneficial shareholders at the dividend record date is transferred to the share-handling service organizations by the JASDEC participants through JASDEC.

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.

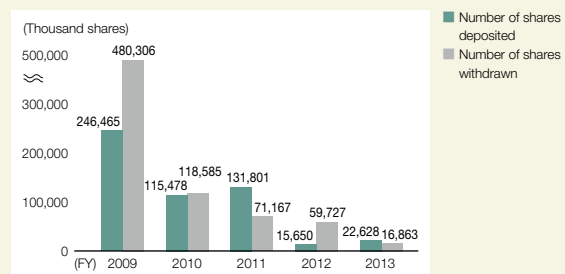
JASDEC also undertakes the necessary procedures regarding dividend taxation for local tax authorities and other such entities, to ensure reduced tax rates under tax treaties with the countries concerned. Beneficial shareholders can also exercise their voting rights at general meetings of shareholders 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. account balance and number of issues (excluding foreign covered warrants)



Number of shares deposited/withdrawn



Service improvements for beneficial shareholders and participants

In January 2014, we introduced Straight Through Processing (STP) for the cancellation of deposit and delivery requests to foreign depositories, for which paper documents were previously required. We also introduced a system to allow JASDEC participants to be notified of schedules for corporate actions by means of file transmissions, in addition to the existing system of notices on the website.

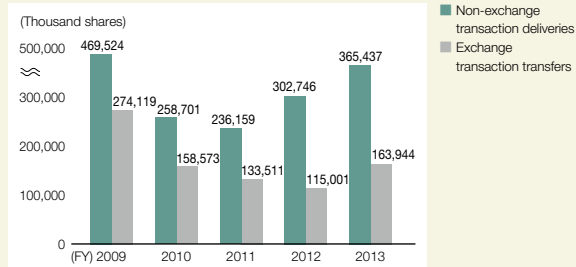
Systems to prevent tax avoidance have been introduced in a number of foreign countries in recent years, and JASDEC is responding appropriately on the basis of cooperation with the competent authorities and involved organizations to ensure that beneficial shareholders are not treated disadvantageously 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 2014, the total number of issues handled by JASDEC in the three categories stood at 39.

Book-entry transfers



INTERNATIONAL RELATIONSHIPS

JASDEC engages 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.



Honorary Chairman
Yoshinobu Takeuchi



JASDEC conducts research on overseas trends and frequent information exchange with overseas institutions as essential to its ongoing efforts to deal with the many issues that affect securities market infrastructure, such as the globalization of financial and capital markets and the global tightening of regulations. We participate in regular CSD meetings, seminars and other international conferences and maintain active exchange programs with institutions with which we

have signed memorandums of understanding (MOUs).

JASDEC is also contributing to the improvement of securities market infrastructure in Japan and internationally and raising its global presence by playing an important role in the administration of the Asia-Pacific Central Securities Depository Group (ACG) and the World Forum of CSDs (WFC), and by providing various forms of support and assistance in response to requests from emerging countries.

Mutual cooperation with overseas institutions

ACG (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. The ACG has for many years carried out surveys or other activities through task forces (TFs). In addition to TFs, the Executive Committee with three-year term was formed to plan and administer the activities of the ACG from medium-to long-term perspectives at the 14th General Meeting in December 2010. This committee consists of all TF conveners, together with representatives of three organizations chosen through a general vote. Mr. Yoshinobu Takeuchi of JASDEC served as the first ACG Executive Committee Chairman, while JASDEC acted as Executive Committee Secretariat until the 17th General Meeting.

At the 17th General Meeting in October 2013, the Executive Committee was renewed upon the expiration of the first three-year term. The new Executive Committee consists of eight organizations. The five organizations represented on

the committee through the convener of TFs are JASDEC (Exchange of Information TF), Korea Securities Depository (KSD, New Business Initiative TF), National Securities Depository Limited (NSDL, Technical TF), China Securities Depository and Clearing Corporation Limited (CSDC, Legal TF), and the Central Depository Company of Pakistan Limited (CDC, Risk and Recovery Management TF). The three organizations elected to membership through the general vote are Singapore Exchange (SGX), China Central Depository & Clearing Co., Ltd. (CCDC) and Central Depository Services (India) Limited (CDSL). Mr. Muhammad Hanif Jakhura of CDC was appointed as the new Chairman among representatives of the above eight organizations and CDC as the new Secretariat. Mr. Yoshinobu Takeuchi of JASDEC was appointed ACG Executive Committee Honorary Chairman. JASDEC will continue to provide leadership in initiatives to expand and energize ACG activities.

WFC (World Forum of CSDs)

The WFC was created in April 2011 at the 11th Conference of CSDs, after agreement was reached among leaders of the world's five regional CSD associations. The WFC took over the collaborative activities among regional associations from the CSD Contact Group, which had been engaged in them 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 discussion on issues that affect all CSDs. The WFC is administered by a 10-member board made up of two representatives from each regional association. JASDEC participates on behalf of the ACG. Mr. Yoshinobu Takeuchi of JASDEC served as Vice-Chairman until November 2012 and was then appointed Honorary Chairman.

MOUs on Information Exchange and Mutual Cooperation with Overseas CSDs, etc.

JASDEC has been working to develop collaborative relationships with overseas institutions by signing MOUs on the exchange of information and mutual cooperation with overseas CSDs, etc. As of the end of March 2014, JASDEC is in bilateral cooperation with a total of 18 institutions by signing

MOUs. With MOU partners, we are actively implementing 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 (1: charged with promoting the issuance of local-currency-denominated bonds, 2: facilitating the demand for local-currency-denominated bonds, 3: improving the regulatory framework and 4: improving the related infrastructure of the bond markets). The ABMF (ASEAN+3 Bond Market Forum) was established under Task Force 3 (improvement of regulatory framework), and two sub-forums were held. Sub-Forum 1 sought to identify regulatory barriers relating

to bond transactions in general and the creation of the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF), while Sub-Forum 2 was concerned primarily with identifying cross-border settlement operations. The results of these deliberations were compiled into a Phase 2 final report, which was published in April 2014. Furthermore, Phase 3 studies are currently in progress, and the final report will be released next year.

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 2013

May 14–15

15th ACG Cross-Training Seminar

The Cross-Training Seminar is a conference for the exchange of information mainly among working level staff of ACG member institutions. The 15th Seminar was held in Hangzhou, China, hosted by China Central Depository & Clearing Co., Ltd. (CCDC), a Chinese CSD for bonds. JASDEC as convener of the Exchange of Information TF assisted the host, and ran the Exchange of Information TF session and the General session. The topic for the Exchange of Information TF session was “Comparison of risk management measures against fail-to-deliver/participant default”. In the session, the risk management methods employed by various institutions were compared, and JASDEC also made a presentation about the DVP settlement system for non-exchange transaction of JASDEC DVP Clearing Corporation. In the General session, there was an exchange of views on governance and initiatives relating to the CPSS-IOSCO “Principles for financial market infrastructures” (PFMI). Furthermore, in the New Business Initiative TF session, JASDEC introduced the enhancement of corporate action information services/ implementation of ISO 20022.



May 29–31, May 29

12th Conference of CSDs and 4th WFC Board Meeting

The 12th Conference of CSDs was hosted by the Association of Eurasian Central Securities Depositories (AECSD) in Saint Petersburg, Russia. Participants representing CSDs from all over the world attended presentations and took part in discussions about various themes. Key topics included issues arising from the global tendency toward more stringent regulation of financial markets, and the response of CSDs to those issues, actions relating to the CPSS-IOSCO’s PFMI, and initiatives in new areas of business.

In closing, the top management of CSDs from Japan, the United States, Europe, Russia and South Africa took part in a panel discussion about the future of the world CSD industry. One of the panelists was Mr. Yoshinobu Takeuchi of JASDEC, who emphasized the importance of macro-prudence across all financial and capital markets and spoke about the potential to use data held by CSDs for this purpose.

The 4th WFC Board meeting was held at the same time. JASDEC took part as the ACG representative, and Mr. Yoshinobu Takeuchi of JASDEC, was appointed as Honorary Chairman.



September 18

5th WFC Board Meeting/Sibos 2013

JASDEC participated on behalf of the ACG in the 5th WFC Board meeting, which was held in Dubai, the United Arab Emirates. Topics discussed included the establishment of a new WFC working group for the approach to the CPSS-IOSCO’s PFMI.

October 20–21

17th ACG General Meeting

The 17th ACG General Meeting was held in Dhaka, Bangladesh and was hosted by Central Depository Bangladesh Limited (CDBL), the Bangladeshi CSD. JASDEC served in its role as the Secretariat for the Executive Committee including a report on activities during its three-year tenure. Then, eight organizations including JASDEC were appointed the Executive Committee members, and among them, Mr. Muhammad Hanif Jakhura of the Central Depository Company of Pakistan Limited (CDC) became Chairman of the Executive Committee. CDC took over the Secretariat role within the Executive Committee from JASDEC, and Mr. Yoshinobu Takeuchi of JASDEC was appointed as ACG Executive Committee Honorary Chairman. In

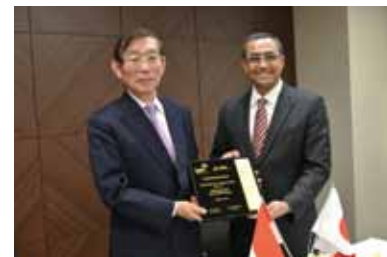


addition, some action plans were adopted, notably the continuation of the four TFs, including the Exchange of Information TF chaired by JASDEC, and the establishment of the Risk and Recovery Management TF.

March 7

Conclusion of an MOU with KPEI of Indonesia

JASDEC signed an MOU with Kliring Penjaminan Efek Indonesia (KPEI), a clearing house in Indonesia, with the aim of developing cooperative relations via information exchange and mutual cooperation.



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September 6

3rd Trilateral Meeting for Information Exchange with China's CSDC and Korea's KSD

JASDEC participated in the 3rd trilateral meeting held in Jeju, Korea under the MOU with CSDC (China Securities Depository and Clearing Corporation Limited), a Chinese CSD for listed securities and KSD (Korea Securities Depository). The meeting provided an opportunity for the three companies to share information about their approach to the CPSS-IOSCO's PFMI, about their emergency business continuity plans, etc. JASDEC representatives raised the topics of introduction of ISO 20022/SWIFTNet, and adaptation to the Foreign Account Tax Compliance Act.



November 19–22, December 3–6

Trainee Exchange with KSD

JASDEC and KSD held the 3rd trainee exchange program under their MOU on information exchange and mutual cooperation. Both institutions accepted trainees, who were mostly young and mid-tier 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.

ANALYSIS OF BUSINESS PERFORMANCE AND FINANCIAL RESULTS

Fiscal year ended March 31, 2014 (Fiscal 2013)

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

Outline of Financial Results

In March 2013, the securities market reached its highest level in four-and-a-half years. Stock prices positively reflected arising market in the United States and Europe and reaction to the weakening of the yen, and by May 2013, the Nikkei Stock Average had risen from the low end of the ¥12,000 range to the mid-¥15,000 level. There was little significant movement in the remainder of the fiscal year, and after a repeated cycle of rises and falls, the Nikkei was in the low end of the ¥14,000 range at the end of March 2014.

In the year ended March 31, 2014, operating revenues increased by ¥682,839 thousand, or 3.9%, year on year to ¥17,998,860 thousand, while selling, general and administrative expenses increased by ¥56,729 thousand, or 0.4%, to ¥14,979,445 thousand. Operating income increased by ¥626,109 thousand, or 26.2%, to ¥3,019,414 thousand, ordinary income increased by ¥600,149 thousand, or 25.7%, to ¥2,939,660 thousand, and net income increased by ¥261,724 thousand, or 17.2%, to ¥1,784,092 thousand.

Book-Entry Transfer System for Stocks, etc.

In this business segment, the number of issues handled by JASDEC as of March 31, 2014 was 3,795, a increase of 42 issues compared with the total as of March 31, 2013. Account balances included 431.0 billion shares, a year-on-year increase of 26.4 billion shares. The balance of bonds with share options stood at ¥133.4 billion, which was ¥366.2 billion lower year on year. There were 3,409.25 million account units for ETFs and beneficial rights of trust issuing beneficial certificates, such as JDRs, a year-on-year increase of 618.26 million units. The balance of account units for REITs was 13.56 million higher year on year at 36.94 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 18,550,575 above the total for the previous reporting year at 102,742,698.

As a result, revenues from this business segment were ¥1,684,218 thousand, or 10.8%, higher year on year at ¥17,293,167 thousand. This includes refunds of ¥4,223,000 thousand on book-entry transfer commissions and account management fees. Revenues after the deduction of these refunds amounted to ¥13,070,167 thousand, a year-on-year increase of ¥467,218 thousand, or 3.7%.

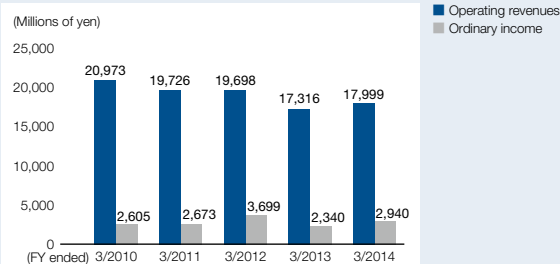
Book-Entry Transfer System for Commercial Paper

The number of corporate issuers using this system increased by two to 496 as of March 31, 2014. Account balances rose by ¥1,150.5 billion to ¥12,609.7 billion. The total number of issuance, transfer and redemption transactions decreased by 4,506 year on year to 288,572. As a result, revenues from this segment were ¥19,535 thousand, or 4.2%, lower year on year at ¥443,310 thousand.

Book-Entry Transfer System for Corporate Bonds

In this business segment, JASDEC was handling a total of 55,595 issues as of March 31, 2014, a reduction of 2,891 issues compared with the position a year earlier. On a face-value basis, the account balance increased by ¥416.1 billion year on year to ¥253,200.1 billion as of March 31, 2014. The total number of issuance, transfer and redemption transactions was 36,845 lower at 495,755. As a result, revenues from this business segment increased by ¥26,313 thousand, or 2.2%, to ¥1,237,963 thousand.

Financial Results (consolidated)



Book-Entry Transfer System for Investment Trusts

As of March 31, 2014, JASDEC was handling a total of 7,940 issues in this business segment, including 4,962 publicly offered investment trusts and 2,978 privately placed investment trusts. The total represents an increase of 828 issues compared with the position as of March 31, 2013. On a principal value basis, the account balance as of March 31, 2014 was ¥9,157.1 billion above the level a year earlier at ¥124,504.6 billion, consisting of ¥89,381.1 billion for publicly offered investment trusts and ¥35,123.4 billion for privately placed investment trusts. The number of related registrations, deletions, and transfers in the year ended March 31, 2014 increased by 774,168 year on year to 5,399,029. As a result, revenues for this segment increased by ¥61,944 thousand, or 5.9%, to ¥1,116,897 thousand.

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

In the year ended March 31, 2014, JASDEC handled 24.17 million NETD DVP settlements, a year-on-year increase of 4.52 million. Operating revenues from this segment increased by ¥134,029 thousand, or 26.3%, to ¥644,597 thousand, while operating expenses were ¥37,636 thousand, or 11.0%, higher at ¥379,747 thousand. Operating income increased by ¥96,393 thousand, or ¥57.2%, year on year to ¥264,849 thousand, and ordinary income by ¥101,218 thousand, or 77.6%, to ¥231,693 thousand. Net income amounted to ¥142,861 thousand, a year-on-year increase of ¥62,157 thousand, or 77.0%.

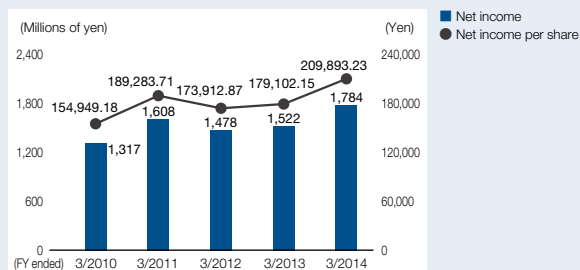
Pre-Settlement Matching System

Revenues from this segment increased by ¥284,809 thousand, or 14.3%, to ¥2,270,430 thousand in the year ended March 31, 2014. This includes refund of ¥911,999 thousand on JASDEC pre-settlement matching fees, and revenues after the reduction of that amount were ¥36,809 thousand, or 2.8%, higher at ¥1,358,430 thousand.

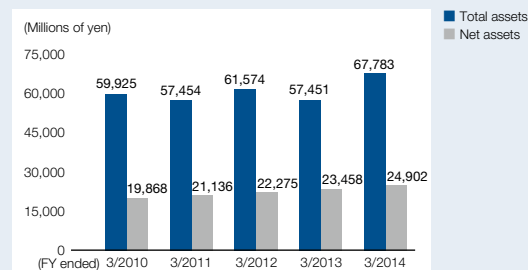
Custody Services for Foreign Stock Certificates, etc.

As of March 31, 2014, the account balance stood at 92.42 million foreign stock certificates, etc., an increase of 5.84 million from the position as of March 31, 2013. The total number of book-entry transfers increased by 3,773 to 113,536. However, because the average month-end account balances in each month were lower than in the previous fiscal year, revenues from this business segment were ¥23,833 thousand, or 15.7%, lower year on year at ¥128,211 thousand.

Financial Results (consolidated)



Financial Results (consolidated)



CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements expressed in Japanese yen are the translation of those issued domestically. The amounts expressed in U.S. dollars are not included in the original audited consolidated financial statements. Such U.S. dollar amounts are translated in accordance with the basis stated in Note 1 to the consolidated financial statements, are additionally presented herein solely for the convenience of readers outside Japan, and are not subject to audit.

Consolidated Balance Sheet (As of March 31, 2014)

	¥ (thousands)		\$ (thousands)
	2013	2014	2014
ASSETS			
Current Assets:			
Cash and deposits	¥ 5,433,419	¥ 6,262,876	\$ 60,851
Accounts receivable—trade	3,146,777	3,160,922	30,712
Prepaid expenses	180,864	126,624	1,230
Consumption taxes receivable	240,051	166,976	1,622
Deferred tax assets	134,935	169,855	1,650
Designated assets for clearing funds (Note 1)	28,935,881	30,819,217	299,448
Others	30,745	7,867	76
Allowance for doubtful accounts	(6,767)	(6,765)	(65)
Total Current Assets	38,095,907	40,707,573	395,526
Non-current Assets:			
Property and Equipment:			
Buildings and accompanying facilities	957,512	832,971	8,093
Accumulated depreciation	(498,484)	(442,192)	(4,296)
Buildings and accompanying facilities, net	459,028	390,779	3,796
Tools and furniture	7,717,751	5,159,436	50,130
Accumulated depreciation	(5,460,153)	(3,433,798)	(33,363)
Tools and furniture, net	2,257,598	1,725,638	16,766
Lease assets	93,323	—	—
Accumulated depreciation	(82,145)	—	—
Lease assets, net	11,177	—	—
Total Property and Equipment	2,727,803	2,116,417	20,563
Intangible Assets:			
Software	3,632,949	23,203,230	225,449
Software in progress	11,438,204	418,564	4,066
Lease assets	902	—	—
Others	17,692	17,577	170
Total Intangible Assets	15,089,748	23,639,373	229,686
Investment and Other Assets:			
Investment securities (Note 2)	428,237	427,474	4,153
Long-term prepaid expenses	79,589	129,805	1,261
Deferred tax assets	519,615	257,824	2,505
Long-term refundable lease deposits	503,534	497,970	4,838
Claims probable in bankruptcy, rehabilitation and other	32,138	27,747	269
Others	1,000	1,000	9
Allowance for doubtful accounts	(26,318)	(22,021)	(213)
Total Investment and Other Assets	1,537,797	1,319,801	12,823
Total Non-current Assets	19,355,349	27,075,591	263,074
Total Assets	¥ 57,451,257	¥ 67,783,165	\$ 658,600

The accompanying notes are an integral part of these statements.

	¥ (thousands)		\$ (thousands)
	2013	2014	2014
LIABILITIES			
Current Liabilities:			
Accounts payable—trade	¥ 865,312	¥ 1,011,031	\$ 9,823
Lease obligations	10,462	5,880	57
Accounts payable—other	976,411	72,360	703
Income taxes payable	209,735	572,372	5,561
Allowance for employees' bonuses	219,297	209,106	2,031
Allowance for executives' bonuses	21,800	23,000	223
Consumption taxes payable	—	9,856	95
Deposits received for clearing funds (Note 1)	28,935,881	30,819,217	299,448
Allowance for asset removal	—	84,083	816
Others	83,907	70,186	681
Total Current Liabilities	31,322,808	32,877,095	319,443
Non-current Liabilities:			
Long-term loans payable (Note 3)	2,000,000	9,400,000	91,333
Lease obligations	6,693	812	7
Allowance for employees' retirement benefits	442,447	—	—
Allowance for executives' retirement benefits	30,000	30,000	291
Allowance for asset removal	124,585	—	—
Liability for retirement benefits	—	510,867	4,963
Long-term guarantee deposits received	67,121	62,694	609
Total Non-current Liabilities	2,670,846	10,004,375	97,205
Total Liabilities	33,993,655	42,881,470	416,648
NET ASSETS			
Shareholders' Equity:			
Common stock	4,250,000	4,250,000	41,294
Capital surplus	4,250,000	4,250,000	41,294
Retained earnings	14,957,602	16,401,694	159,363
Total Shareholders' Equity	23,457,602	24,901,694	241,951
Total Net Assets	23,457,602	24,901,694	241,951
Total Liabilities and Net Assets	¥ 57,451,257	¥ 67,783,165	\$ 658,600

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Income and Comprehensive Income (For the year ended March 31, 2014)

	¥ (thousands)	¥ (thousands)	\$ (thousands)
	2013	2014	2014
Operating Revenue	¥ 17,316,021	¥ 17,998,860	\$ 174,882
Operating Expenses:			
Executives' compensations	196,847	196,952	1,913
Salaries	1,608,082	1,657,727	16,106
Allowance for employees' bonuses	219,297	209,106	2,031
Allowance for executives' bonuses	21,800	21,800	211
Retirement benefit expenses	126,242	127,053	1,234
Maintenance of systems	5,273,956	5,440,639	52,862
Depreciation and amortization	5,085,062	4,877,326	47,389
Rent	547,025	552,123	5,364
Allowance for asset removal	124,585	30,666	297
Others	1,719,815	1,866,049	18,131
Total Operating Expenses	14,922,715	14,979,445	145,544
Operating Income	2,393,305	3,019,414	29,337
Non-operating Income:			
Interest income	6	5	0
Operational revenue on designated assets for clearing funds	11,878	9,294	90
Equity in earnings of an affiliate	537	2,036	19
Registered members' information disclosure claim charges	2,150	11,920	115
Others	3,874	11,178	108
Total Non-operating Income	18,447	34,435	334
Non-operating Expenses:			
Interest expenses	349	57,872	562
Commitment fees	42,936	48,205	468
Commission fees	21,500	—	—
Fees for fund operation of designated assets for clearing fund	7,443	7,580	73
Others	12	530	5
Total Non-operating Expenses	72,242	114,189	1,109
Ordinary Income	2,339,510	2,939,660	28,562
Extraordinary Gain:			
Reversal of allowance for loss on changes of system development policy	216,433	—	—
Total Extraordinary Gain	216,433	—	—
Extraordinary Losses:			
Loss on disposal of non-current assets (Note 1)	62,669	2,350	22
Total Extraordinary Losses	62,669	2,350	22
Income before Income Taxes and Minority Interests	2,493,274	2,937,310	28,539
Income taxes—current	801,811	926,346	9,000
Income taxes—deferred	169,094	226,871	2,204
Total Income Taxes	970,906	1,153,217	11,204
Income before Minority Interests	1,522,368	1,784,092	17,334
Net Income	1,522,368	1,784,092	17,334
Income before Minority Interests	1,522,368	1,784,092	17,334
Comprehensive Income	¥ 1,522,368	¥ 1,784,092	\$ 17,334
(Details of Comprehensive Income)			
Comprehensive income attributable to shareholders of the parent company	¥ 1,522,368	¥ 1,784,092	\$ 17,334
Comprehensive income attributable to minority interests	—	—	—

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Assets (For the year ended March 31, 2014)

For the year ended March 31, 2013

¥ (thousands)

	Shareholders' Equity				Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity	
Balance at the beginning of period	¥ 4,250,000	¥ 4,250,000	¥ 13,775,233	¥ 22,275,233	¥ 22,275,233
Change during the period:					
Dividends from surplus	—	—	(340,000)	(340,000)	(340,000)
Net income	—	—	1,522,368	1,522,368	1,522,368
Total change during the period	—	—	1,182,368	1,182,368	1,182,368
Balance at the end of period	¥ 4,250,000	¥ 4,250,000	¥ 14,957,602	¥ 23,457,602	¥ 23,457,602

For the year ended March 31, 2014

¥ (thousands)

	Shareholders' Equity				Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity	
Balance at the beginning of period	¥ 4,250,000	¥ 4,250,000	¥ 14,957,602	¥ 23,457,602	¥ 23,457,602
Change during the period:					
Dividends from surplus	—	—	(340,000)	(340,000)	(340,000)
Net income	—	—	1,784,092	1,784,092	1,784,092
Total change during the period	—	—	1,444,092	1,444,092	1,444,092
Balance at the end of period	¥ 4,250,000	¥ 4,250,000	¥ 16,401,694	¥ 24,901,694	¥ 24,901,694

\$ (thousands)

	Shareholders' Equity				Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity	
Balance at the beginning of period	\$ 41,294	\$ 41,294	\$ 145,332	\$ 227,920	\$ 227,920
Change during the period:					
Dividends from surplus	—	—	(3,303)	(3,303)	(3,303)
Net income	—	—	17,334	17,334	17,334
Total change during the period	—	—	14,031	14,031	14,031
Balance at the end of period	\$ 41,294	\$ 41,294	\$ 159,363	\$ 241,951	\$ 241,951

The accompanying notes are an integral part of these statements.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows (For the year ended March 31, 2014)

	¥ (thousands)	¥ (thousands)	\$ (thousands)
	2013	2014	2014
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 2,493,274	¥ 2,937,310	\$ 28,539
Depreciation and amortization	5,085,062	4,877,326	47,389
(Decrease) increase in allowance for doubtful accounts	21,303	(4,298)	(41)
(Decrease) increase in allowance for employees' bonuses	17,210	(10,191)	(99)
Increase (decrease) in allowance for executives' bonuses	1,200	1,200	11
(Decrease) increase in allowance for employees' retirement benefits	59,142	(442,447)	(4,298)
(Decrease) increase in allowance for asset removal	124,585	(40,501)	(393)
Increase (decrease) in liability for retirement benefits	—	510,867	4,963
Interest income	(6)	(5)	0
Interest expenses	349	57,872	562
Equity in (earnings) loss of affiliates	(537)	(2,036)	(19)
Foreign exchange (gains) losses	(582)	(1,588)	(15)
Reversal of allowance for loss on changes of system development policy	(216,433)	—	—
Loss on disposal of property and equipment	12,536	2,156	20
Loss on disposal of intangible assets	50,132	193	1
(Increase) decrease in accounts receivable—trade	14,869	(9,753)	(94)
Increase (decrease) in accounts payable—trade	15,587	145,719	1,415
Others	(301,878)	87,616	851
Sub-total	7,375,817	8,109,440	78,793
Interest and dividends received	2,286	2,805	27
Interest paid	(349)	(57,872)	(562)
Settlement money paid	(484,159)	—	—
Income taxes paid	(1,331,530)	(567,912)	(5,517)
Net Cash Provided by Operating Activities	5,562,065	7,486,460	72,740
Cash Flows from Investing Activities:			
Payments for purchase of property and equipment	(2,270,330)	(191,579)	(1,861)
Payments for purchase of intangible assets	(7,290,367)	(13,512,223)	(131,288)
Proceeds from refund of refundable lease deposits	—	100	0
Payments for refund of guarantee deposits received	—	(4,426)	(43)
Net Cash Used in Investing Activities	(9,560,698)	(13,708,129)	(133,192)
Cash Flows from Financing Activities:			
Proceeds from long-term loans payable	2,000,000	7,400,000	71,900
Repayment of lease obligations	(23,207)	(10,462)	(101)
Cash dividends paid	(340,000)	(340,000)	(3,303)
Net Cash Provided by Financing Activities	1,636,792	7,049,537	68,495
Effect of exchange rate changes on cash and cash equivalents	582	1,588	15
Increase (Decrease) in Cash and Cash Equivalents	(2,361,257)	829,457	8,059
Cash and Cash Equivalents, Beginning of Year	7,794,677	5,433,419	52,792
Cash and Cash Equivalents, End of Year (Note 1)	¥ 5,433,419	¥ 6,262,876	\$ 60,851

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 Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥102.92 to \$1, the approximate rate of exchange at March 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

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 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 accompanying facilities: 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.

Software for internal use is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

④ Allowance for asset removal

Allowance for asset removal is provided at the amount estimated to be incurred for the anticipated asset dismantlement.

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.

(3) Scope of cash and cash equivalents for the consolidated statement 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) Accounting policy for retirement benefits

Liability for 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) Other significant accounting policies for preparation of consolidated financial statements

Consumption taxes

Consumption taxes are excluded from income or expenses.

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 the 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 (Act 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, 2014 was ¥15,000,000 thousand (\$145,744 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 funds 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, 2013 and 2014 was as follows:

As of March 31	¥ (thousands)		\$ (thousands)
	2013	2014	2014
Market value of collateral securities entrusted to JDCC	¥ 92,917,708	¥ 85,979,672	\$ 835,402

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)
	2013	2014	2014
Investment securities (equity securities)	¥ 428,237	¥ 427,474	\$ 4,153

3. Overdraft Contracts and Commitment Line Agreements

To ensure prompt and stable fundraising, the Company has concluded overdraft contracts with four banks. In addition, 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)
	2013	2014	2014
Aggregate maximum amount of overdraft amounts	¥ 7,000,000	¥ 7,000,000	\$ 68,013
Amount used	—	—	—
Unused balance	¥ 7,000,000	¥ 7,000,000	\$ 68,013

(2) Commitment line agreements

① The Company

As of March 31	¥ (thousands)		\$ (thousands)
	2013	2014	2014
Aggregate amount of credit limit	¥ 3,500,000	—	—
Amount used	2,000,000	—	—
Unused balance	¥ 1,500,000	—	—

② JDCC

As of March 31	¥ (thousands)		\$ (thousands)
	2013	2014	2014
Aggregate amount of commitment line agreements	¥ 45,000,000	¥ 45,000,000	\$ 437,232
Amount used	—	—	—
Unused balance	¥ 45,000,000	¥ 45,000,000	\$ 437,232

Notes to the Consolidated Statement of Income and Comprehensive Income

1. Loss on Disposal of Non-current Assets

The following table shows details of loss on disposal of non-current assets:

For the years ended March 31	¥ (thousands)		\$ (thousands)
	2013	2014	2014
Buildings and accompanying facilities	¥ 784	¥ 264	\$ 2
Tools and furniture	11,752	1,892	18
Software	36,652	—	—
Software in progress	13,480	193	1
Total	¥ 62,669	¥ 2,350	\$ 22

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Statement of Changes in Net Assets

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	¥ 40,000	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 following fiscal year

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	¥ 40,000	March 31, 2013	June 18, 2013

For the year ended March 31, 2014

1. Outstanding Shares

Class of share	April 1, 2013	Increase	Decrease	March 31, 2014
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 17, 2013)	Ordinary shares	¥ 340,000 (\$ 3,303 thousand)	¥ 40,000 (\$ 388)	March 31, 2013	June 18, 2013

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

Resolution	Class of share	Payment source	Total amount ¥ (thousands)	Dividend per share ¥	Record date	Effective date
Ordinary General Shareholders' Meeting (June 16, 2014)	Ordinary shares	Retained earnings	¥ 510,000 (\$ 4,955 thousand)	¥ 60,000 (\$ 582)	March 31, 2014	June 17, 2014

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 Sheet

	¥ (thousands)		\$ (thousands)	
For the years ended March 31	2013	2014	2014	2014
Cash and deposits	¥ 5,433,419	¥ 6,262,876	\$ 60,851	
Cash and cash equivalents	5,433,419	6,262,876	60,851	

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

The depreciation method is 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 following are the amounts which would have been recorded as if capitalized as finance leases as of March 31, 2013 and 2014, and for the years then ended:

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

	¥ (thousands)		\$ (thousands)	
As of March 31	2013	2014	2014	2014
Tools and furniture:				
Acquisition cost	¥ —	¥ —	\$ —	
Accumulated depreciation	—	—	—	
Net book value	¥ —	¥ —	\$ —	
Software:				
Acquisition cost	¥ —	¥ —	\$ —	
Accumulated depreciation	—	—	—	
Net book value	¥ —	¥ —	\$ —	
Total:				
Acquisition cost	¥ —	¥ —	\$ —	
Accumulated depreciation	—	—	—	
Net book value	¥ —	¥ —	\$ —	

(2) Minimum lease payment including interest thereon

	¥ (thousands)		\$ (thousands)	
As of March 31	2013	2014	2014	2014
Due within one year	¥ —	¥ —	\$ —	
Due over one year	—	—	—	
Total	¥ —	¥ —	\$ —	

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

	¥ (thousands)		\$ (thousands)	
For the years ended March 31	2013	2014	2014	2014
Finance lease charges	¥ 219,193	¥ —	\$ —	
Depreciation expenses	216,083	—	—	
Interest portions	346	—	—	

(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, 2013 and 2014.

2. Operating Lease Transactions

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

None.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Instruments

1. General Information on Financial Instruments

(1) Basic policies for financial instruments

The Company limits financial investments 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 risk of participants in the book-entry transfer system. The Company continuously monitors the financial conditions of the participants in accordance with internal policies.

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

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

Long-term loans payable aim mainly at capital investment, 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 the carrying amount and the fair value as of March 31, 2013 and 2014. 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, 2013

	¥ (thousands)		
	Carrying amount on the balance sheet	Fair value	Difference
(1) Cash and deposits	¥ 5,433,419	¥ 5,433,419	—
(2) Accounts receivable—trade	3,146,777		
Allowance for doubtful accounts*	(6,762)		
	3,140,015	3,140,015	—
(3) Designated assets for clearing funds	28,935,881	28,935,881	—
Assets total	¥ 37,509,316	¥ 37,509,316	—
(4) Accounts payable—trade	¥ (865,312)	¥ (865,312)	—
(5) Deposits received for clearing funds	(28,935,881)	(28,935,881)	—
(6) Long-term loans payable	(2,000,000)	(2,000,000)	—
Liabilities total	¥ (31,801,193)	¥ (31,801,193)	—

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

As of March 31, 2014

	¥ (thousands)	\$ (thousands)	¥ (thousands)	\$ (thousands)	Difference
	Carrying amount on the balance sheet		Fair value		
(1) Cash and deposits	¥ 6,262,876	\$ 60,851	¥ 6,262,876	\$ 60,851	—
(2) Accounts receivable—trade	3,160,922	30,712			
Allowance for doubtful accounts*	(6,752)	(65)			
	3,154,170	30,646	3,154,170	30,646	—
(3) Designated assets for clearing funds	30,819,217	299,448	30,819,217	299,448	—
Assets total	¥ 40,236,263	\$ 390,946	¥ 40,236,263	\$ 390,946	—
(4) Accounts payable—trade	¥ (1,011,031)	\$ (9,823)	¥ (1,011,031)	\$ (9,823)	—
(5) Deposits received for clearing funds	(30,819,217)	(299,448)	(30,819,217)	(299,448)	—
(6) Long-term loans payable	(9,400,000)	(91,333)	(9,400,000)	(91,333)	—
Liabilities total	¥ (41,230,248)	\$ (400,604)	¥ (41,230,248)	\$ (400,604)	—

* 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 the 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 for which the fair value is extremely difficult to estimate

(As of March 31)	¥ (thousands)	\$ (thousands)	
Category	2013	2014	2014
Affiliated companies' stocks	¥ 428,237	¥ 427,474	\$ 4,153

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 loans payable and lease obligations as of March 31, 2014

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

Retirement Benefits

For the year ended March 31, 2013

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

Category	As of March 31, 2013
Retirement benefit obligation	¥ 442,447
Allowance for employees' retirement benefits	¥ 442,447

3. Net Periodic Benefit Costs

Category	Year ended March 31, 2013
Service cost	¥ 77,839
Other*	48,403
Net periodic benefit costs	¥ 126,242

* “Other” represents the amount of contribution to the defined contribution pension plan.

4. Actuarial Assumptions

Not applicable.

For the year ended March 31, 2014

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. Defined Benefit Plan

(1) Reconciliation of liability for retirement benefits at the beginning and end of the period accounted for by the simplified method

	¥ (thousands)	\$ (thousands)
	2014	2014
Liability for retirement benefits at the beginning of the period	¥ 442,447	\$ 4,298
Net periodic benefit costs	78,037	758
Payments of retirement benefits	(9,616)	(93)
Liability for retirement benefits at the end of the period	¥ 510,867	\$ 4,963

(2) Reconciliation of retirement benefit obligation at the end of the period with liability for retirement benefits reflected on the balance sheet

	¥ (thousands)	\$ (thousands)
	2014	2014
Retirement benefit obligation	¥ 510,867	\$ 4,963
Liability for retirement benefits	¥ 510,867	\$ 4,963

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(3) Net periodic benefit costs

	¥ (thousands)	\$ (thousands)
	2014	2014
Net periodic benefit costs accounted for by the simplified method	¥ 78,037	\$ 758

3. Defined Contribution Plan

The amount contributed by the Company and its subsidiary to the defined contribution pension plan was ¥49,016 thousand (\$476 thousand), provided as net periodic benefit costs.

Income Taxes

1. Breakdown of Deferred Tax Assets

As of March 31	¥ (thousands)		\$ (thousands)	
	2013	2014	2013	2014
Deferred tax assets—current:				
Accrued business tax	¥ 23,356	¥ 42,901	\$ 416	
Allowance for employees' bonuses	83,354	74,525	724	
Business facility taxes	4,056	3,899	37	
Accrued social insurance premiums	11,614	10,341	100	
Allowance for asset removal	—	29,967	291	
Other	12,553	8,220	79	
Subtotal	134,935	169,855	1,650	
Deferred tax assets—non-current:				
Allowance for employees' retirement benefits	157,688	—	—	
Liability for retirement benefits	—	182,073	1,769	
Allowance for executives' retirement benefits	10,692	10,692	103	
Excess depreciation of non-current assets	293,455	57,245	556	
Excess amortization of deferred charges for tax purposes	7,502	5,265	51	
Allowance for asset removal	47,354	—	—	
Other	13,614	13,240	128	
Valuation allowance	(10,692)	(10,692)	(103)	
Subtotal	519,615	257,824	2,505	
Total deferred tax assets	¥ 654,551	¥ 427,679	\$ 4,155	

2. Reconciliation between the Nominal Statutory Income Tax Rate and the Effective Income Tax Rate

The note on the reconciliation between the nominal statutory income tax rate and the effective income tax rate for the years ended March 31, 2013 and 2014 was omitted since the difference of those two was no more than 5% of the statutory income tax rate.

3. Revisions in the Amounts of Deferred Tax Assets as a Result of a Change in the Corporate Tax Rate

On March 31, 2014, the Act to Partially Revise the Income Tax Act (Act No. 10 of 2014) was promulgated, according to which the Special Reconstruction Corporation Tax will no longer be imposed starting with the fiscal year beginning April 1, 2014. Accordingly, the statutory income tax rate used for calculating deferred tax assets reversing after April 1, 2014 has been reduced from the previous fiscal year's rate of 38.0% to 35.6%.

As a result, the amount of deferred tax assets decreased by ¥12,125 thousand (\$117 thousand), and the amount of Income taxes—deferred increased by the same amount.

Segment Information

Segment Information

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

Related Information

For the year ended March 31, 2013

1. Information by Product or Service

Information by product or service has been omitted because operating revenues from external customers in one business product or service exceeded 90% of total operating revenues recorded in the consolidated statement 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 overseas.

(2) Property and equipment

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

3. Information by Major Customer

Name of customer	Operating revenues ¥ (thousands)	Related segment
Japan Securities Clearing Corporation	¥ 1,755,569	Book-entry Transfer of Securities

For the year ended March 31, 2014

1. Information by Product or Service

Information by product or service has been omitted because operating revenues from external customers in one business product or service exceeded 90% of total operating revenues recorded in the consolidated statement 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 overseas.

(2) Property and equipment

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

3. Information by Major Customer

Name of customer	Operating revenues		Related segment
	¥ (thousands)	\$ (thousands)	
Japan Securities Clearing Corporation	¥ 2,734,325	\$ 26,567	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 related parties

a) Unconsolidated subsidiaries and associated companies

For the year ended March 31, 2013

Type	Name of company	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	¥1,600,293	Accounts payable—trade	¥154,676
							Purchase of software	¥1,144,764	Accounts payable—other	¥101,150
							Payment of settlement money (*3)	¥484,159	—	—

For the year ended March 31, 2014

Type	Name of company	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 (\$971 thousand)	Design and development of software	20% owning directly	Purchasing software and system maintenance	Payment of computer maintenance fee	¥1,817,213 (\$17,656 thousand)	Accounts payable—trade	¥200,209 (\$1,945 thousand)
							Purchase of software	¥4,186,294 (\$40,675 thousand)	Accounts payable—other	¥1,045 (\$10 thousand)

Notes:

1. The transaction amounts above exclude consumption taxes, while year-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, 2013

Type	Name of company	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	¥7,350,000	Financial instrument obligation assumption service	—	Commission income	Commission income	¥1,755,569	Accounts receivable—trade	¥249,107

For the year ended March 31, 2014

Type	Name of company	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	¥8,950,000 (\$86,960 thousand)	Financial instrument obligation assumption service	—	Commission income	Commission income	¥2,734,325 (\$26,567 thousand)	Accounts receivable—trade	¥221,761 (\$2,154 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, 2013

Type	Name of company	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	The Bank of Tokyo- Mitsubishi UFJ, Ltd.	Chiyoda-ku, Tokyo	¥1,711,958,104	Banking	5% owned directly	Commission income and borrowing of funds	Borrowing of funds	¥600,000	Long-term loans payable	¥600,000
							Payment of interest	¥15	—	—
Company hold representative posts	Mitsubishi UFJ Trust and Banking Corporation	Chiyoda-ku, Tokyo	¥324,279,038	Banking	5% owned directly	Commission income and borrowing of funds	Borrowing of funds	¥300,000	Long-term loans payable	¥300,000
							Payment of interest	¥7	—	—

For the year ended March 31, 2014

Type	Name of company	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	The Bank of Tokyo- Mitsubishi UFJ, Ltd.	Chiyoda-ku, Tokyo	¥1,711,958,104 (\$16,633,871 thousand)	Banking	5% owned directly	Commission income and borrowing of funds	Borrowing of funds	¥2,200,000 (\$21,375 thousand)	Long-term loans payable	¥2,820,000 (\$27,399 thousand)
							Payment of interest	¥17 (\$0 thousand)	—	—
Company hold representative posts	Mitsubishi UFJ Trust and Banking Corporation	Chiyoda-ku, Tokyo	¥324,279,038 (\$3,150,787 thousand)	Banking	5% owned directly	Commission income and borrowing of funds	Borrowing of funds	¥1,100,000 (\$10,687 thousand)	Long-term loans payable	¥1,410,000 (\$13,699 thousand)
							Payment of interest	¥8 (\$0 thousand)	—	—

Note: The terms and conditions of the above transactions are on an arm's-length basis.

(2) Transactions between the consolidated subsidiary of the Company and the related parties

None.

2. Notes on the Parent Company and Important Affiliated Companies

None.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Per Share Information

As of / for the years ended March 31	¥		\$
	2013	2014	2014
Net assets per share	¥ 2,759,717.91	¥ 2,929,611.14	\$ 28,464.93
Net income per share	¥ 179,102.15	¥ 209,893.23	\$ 2,039.38

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, 2013 and 2014 is as follows:

As of March 31	¥ (thousands)		\$ (thousands)
	2013	2014	2014
Total net assets as reported in the consolidated balance sheets	¥ 23,457,602	¥ 24,901,694	\$ 241,951
Amount to be deducted from total net assets	—	—	—
Net assets pertaining to common stock shareholders	¥ 23,457,602	¥ 24,901,694	\$ 241,951
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	—

- The basis for calculating net income per share for the years ended March 31, 2013 and 2014 is as follows:

For the years ended March 31	¥ (thousands)		\$ (thousands)
	2013	2014	2014
Net income as reported in the consolidated statement of income	¥ 1,522,368	¥ 1,784,092	\$ 17,334
Net income not pertaining to common stock shareholders	—	—	—
Net income pertaining to common stock shareholders	¥ 1,522,368	¥ 1,784,092	\$ 17,334
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)	\$ (thousands)		Maturity
	Balance as of April 1, 2013	Balance as of March 31, 2014	Average interest rate (%)		
Short-term borrowings	—	—	—	—	—
Long-term loans payable due within one year	—	—	—	—	—
Lease obligations due within one year	¥ 10,462	¥ 5,880	\$ 57	0.4%	—
Long-term loans payable due over one year	2,000,000	9,400,000	91,333	1.1%	April 3, 2017
Lease obligations due over one year	6,693	812	7	0.4%	April 1, 2015 – July 31, 2015
Other interest-bearing debts	—	—	—	—	—
Total	¥ 2,017,156	¥ 9,406,693	\$ 91,398	—	—

Notes:

1. Average interest rate above represents the weighted-average of the interest rates applicable to the balances as of March 31, 2014.
2. Aggregate annual maturities of long-term loans payable and lease obligations due over one year for five years subsequent to March 31, 2014 are as follows:

Category	Due	April 1, 2015– March 31, 2016	April 1, 2016– March 31, 2017	April 1, 2017– March 31, 2018	April 1, 2018– March 31, 2019
Long-term loans payable	¥ (thousands)	—	—	¥ 9,400,000	—
	\$ (thousands)	—	—	\$ 91,333	—
Lease obligations	¥ (thousands)	¥ 812	—	—	—
	\$ (thousands)	\$ 7	—	—	—

Details of Asset Retirement Obligations

None.

Other Informations

None.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 16, 2014

To the Board of Directors of
Japan Securities Depository Center, Inc.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Yasuyuki Miyasaka

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Masaya Shibata

In accordance with the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the accompanying consolidated financial statements, namely, the consolidated balance sheet, and the related consolidated statements of income and comprehensive income, changes in net assets and cash flows of Japan Securities Depository Center, Inc. ("the Company") and its consolidated subsidiaries for the fiscal year from April 1, 2013 to March 31, 2014, and a summary of significant accounting policies and other explanatory information, and the consolidated supplementary schedules.

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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Member of
Deloitte Touche Tohmatsu Limited

(TRANSLATION)

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. In making those risk assessments, the auditor considers internal control 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Japan Securities Depository Center, Inc. and its consolidated subsidiaries as of March 31, 2014, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Other Matter

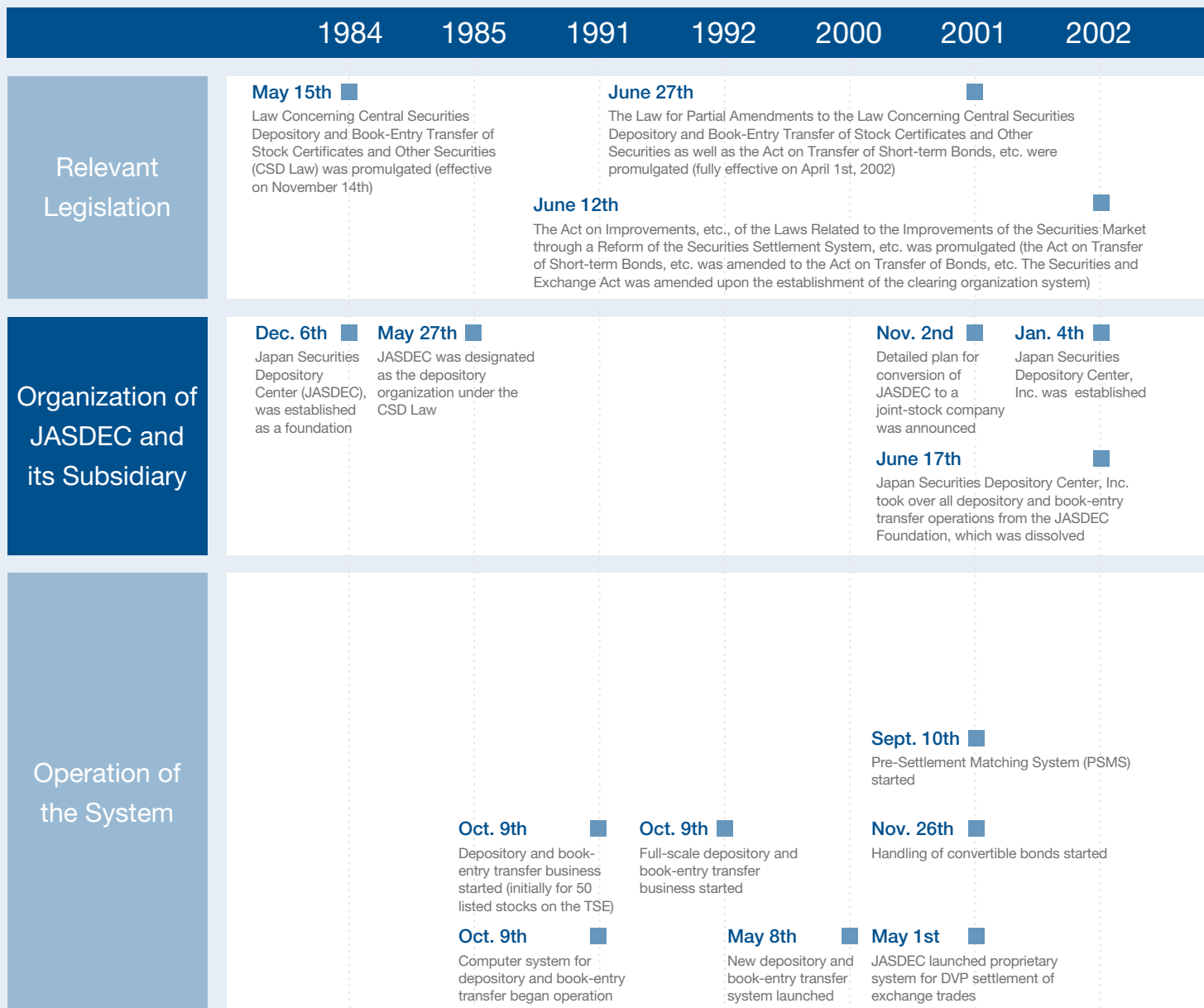
The consolidated financial statements of the Company and its consolidated subsidiaries for the year ended March 31, 2013, were audited by other auditor whose report, dated June 17, 2013, expressed an unqualified opinion on those statements.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

HISTORY



Social contribution

Under our basic policy on social contribution activities, we review the organizations that we support and the recipients of our assistance in our medium-term plans. In FY2013 we modified our existing policy of providing support mainly through monetary donations in favor of a

primary emphasis on activities that allow employees to participate directly in social contribution activities. Listed below are new social contribution activities initiated in FY2013.

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

Activity	Organization
Ecocap Collection	Ecocap Movement
Collection of used stamps and spoiled prepaid postcards	Japan Overseas Christian Medial Cooperative Services (JOCS)
Installation of vending machines with donation functions in JASDEC offices	Japanese Red Cross Society
Introduction of "Table for Two" program	Table For Two International

CORPORATE DATA

(As of March 31, 2014)

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	Chuo-ku, Tokyo
Consolidated Subsidiary	JASDEC DVP Clearing Corporation (Chuo-ku, Tokyo)
Number of Employees	223

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Annual Report 2014

Board Members and Audit & Supervisory Board Members (As of July 1, 2014)

President & CEO

Haruhiko Kato

Executive Managing Director

Yoshinori Seyama

Executive Managing Director

Munetaka Saito

Executive Managing Director

Jun Sugie

Executive Managing Director

Hideki Kono

Director

Takashi Aiki

Executive Officer,
SMBC Nikko Securities Inc.

Director

Moriyuki Iwanaga

Senior Executive Officer,
Tokyo Stock Exchange, Inc.

Director

Akira Uchida

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

Director

Masakazu Kubota

Director General,
KEIDANREN (Japan Business Federation)

Director

Masahiko Koyanagi

Executive Director,
Japan Securities Dealers Association

Director

Ayumi Miwa

Managing Director, 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

Hideki Hiraki

Managing Executive Officer,
Sumitomo Mitsui Trust Bank, Limited

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

Senior Managing Director,
Sumitomo Mitsui Banking Corporation

Audit & Supervisory Board Member

Hiroshi Maezono

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

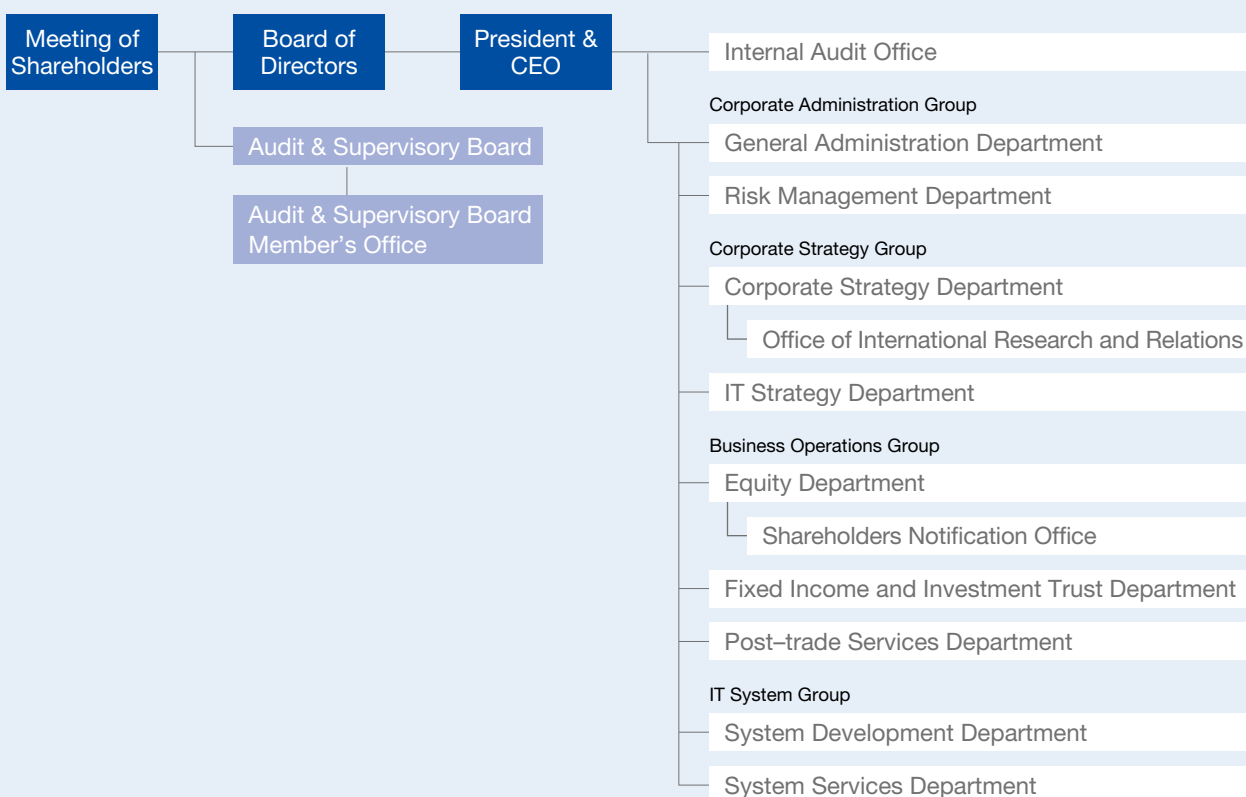
Shares

Total shares approved for issue	10,000
Total issued shares	8,500
Paid-in capital	¥4,250,000,000
Shareholders	129

Major shareholders

	Number of shares held	Stake in Company (%)
Japan Exchange Group, Inc.	2,073	24.38
Japan Securities Dealers Association	1,067	12.55
Nomura Holdings, Inc.	485	5.70
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	425	5.00
Mizuho 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

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