

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

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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.

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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.