

Japan Securities Depository Center, Incorporated

Consolidated Financial Statements

For the year ended March 31, 2019

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 the accompanying note “Basis of Preparation of the Consolidated Financial Statements: 1. Basis of Presentation,” and 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, 2019)

	¥ (thousands)		\$ (thousands)
	2018	2019	2019
ASSETS			
Current Assets:			
Cash and deposits	¥ 24,882,237	¥ 23,000,276	\$ 207,228
Accounts receivable—trade	3,501,766	3,503,950	31,569
Prepaid expenses	177,721	162,510	1,464
Consumption taxes receivable	—	148,130	1,334
Designated assets for clearing funds (Note 1)	46,764,642	66,601,677	600,069
Others	3,354	23,962	215
Allowance for doubtful accounts	(1,023)	(922)	(8)
Total Current Assets	75,328,698	93,439,585	841,873

Non-current Assets:

Property and Equipment:

Buildings and accompanying facilities	1,000,127	1,040,399	9,373
Accumulated depreciation	(488,971)	(624,324)	(5,625)
Buildings and accompanying facilities, net	511,156	416,074	3,748
Tools and furniture	3,947,165	4,977,415	44,845
Accumulated depreciation	(3,376,923)	(3,605,469)	(32,484)
Tools and furniture, net	570,242	1,371,946	12,360
Total Property and Equipment	1,081,398	1,788,020	16,109

Intangible Assets:

Software	6,518,614	4,811,508	43,350
Software in progress	6,044,018	16,515,715	148,803
Others	17,008	16,862	151
Total Intangible Assets	12,579,641	21,344,086	192,306

Investments and Other Assets:

Long-term prepaid expenses	366,165	483,071	4,352
Deferred tax assets	537,880	665,110	5,992
Long-term refundable lease deposits	472,151	461,466	4,157
Claims provable in bankruptcy, rehabilitation and other	7,917	4,785	43
Others	1,000	1,000	9
Allowance for doubtful accounts	(5,331)	(3,083)	(27)
Total Investments and Other Assets	1,379,784	1,612,350	14,526
Total Non-current Assets	15,040,824	24,744,457	222,943

Total Assets	¥ 90,369,522	¥ 118,184,043	\$ 1,064,817
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	¥ (thousands)		\$ (thousands)	
	2018	2019	2019	
LIABILITIES				
Current Liabilities:				
Accounts payable—trade	¥ 978,424	¥ 913,145	\$ 8,227	
Accounts payable—other	432,264	190,662	1,717	
Consumption taxes payable	126,432	18,508	166	
Income taxes payable	1,949,632	2,446,738	22,044	
Allowance for employees' bonuses	340,350	416,656	3,753	
Allowance for executives' bonuses	22,000	22,000	198	
Deposits received for clearing funds (Note 1)	46,764,642	66,601,677	600,069	
Others	123,492	184,452	1,661	
Total Current Liabilities	50,737,239	70,793,840	637,839	
Non-current Liabilities:				
Liability for retirement benefits	798,040	879,254	7,921	
Asset retirement obligations	232,000	242,600	2,185	
Others	12,004	4,422	39	
Total Non-current Liabilities	1,042,045	1,126,277	10,147	
Total Liabilities	51,779,284	71,920,117	647,987	
NET ASSETS				
Shareholders' Equity:				
Common stock	4,250,000	4,250,000	38,291	
Capital surplus	4,250,000	4,250,000	38,291	
Retained earnings	30,090,238	37,763,925	340,246	
Total Shareholders' Equity	38,590,238	46,263,925	416,829	
Total Net Assets	38,590,238	46,263,925	416,829	
Total Liabilities and Net Assets	¥ 90,369,522	¥ 118,184,043	\$ 1,064,817	

The accompanying notes are an integral part of these consolidated statements.

Consolidated Statement of Income and Comprehensive Income (For the year ended March 31, 2019)

	¥ (thousands)		\$ (thousands)
	2018	2019	2019
Operating Revenue	¥ 23,648,891	¥ 24,314,639	\$ 219,070
Operating Expenses:			
Executives' compensation	180,122	202,261	1,822
Salaries	1,626,389	1,437,752	12,953
Allowance for employees' bonuses	340,350	416,656	3,753
Allowance for executives' bonuses	22,000	22,000	198
Retirement benefit expenses	139,994	177,807	1,602
Maintenance of systems	5,455,899	5,129,848	46,219
Depreciation and amortization	5,001,636	3,077,113	27,724
Rent	557,174	557,566	5,023
Others	1,374,346	1,447,680	13,043
Total Operating Expenses	14,697,914	12,468,687	112,340
Operating Income	8,950,976	11,845,951	106,729
Non-operating Income:			
Operational revenue on designated assets for clearing funds	485	536	4
Registered members' information disclosure claim charges	13,490	14,126	127
System-related income	38,562	26,191	235
Others	3,525	3,308	29
Total Non-operating Income	56,064	44,162	397

Non-operating Expenses:

Commitment fees	59,999	59,999	540
Fees for fund operation of designated assets for clearing fund	9,357	9,868	88
Others	158	122	1
Total Non-operating Expenses	69,516	69,991	630
Ordinary Income	8,937,525	11,820,122	106,497
Income before Income Taxes	8,937,525	11,820,122	106,497
Income taxes—current	2,871,368	3,763,665	33,909
Income taxes—deferred	(95,053)	(127,229)	(1,146)
Total Income Taxes	2,776,314	3,636,435	32,763
Net Income	6,161,210	8,183,686	73,733

(Details of Net Income)

Net Income attributable to shareholders of the parent company	6,161,210	8,183,686	73,733
Net Income attributable to non- controlling interests	—	—	—
Comprehensive Income	¥ 6,161,210	¥ 8,183,686	\$ 73,733

(Details of Comprehensive Income)

Comprehensive income attributable to shareholders of the parent company	¥ 6,161,210	¥ 8,183,686	\$ 73,733
Comprehensive income attributable to non-controlling interests	—	—	—

The accompanying notes are an integral part of these consolidated statements.

Consolidated Statement of Changes in Net Assets (For the year ended March 31, 2019)

For the year ended March 31, 2018

¥ (thousands)

	Shareholders' Equity				Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity	
Balance at the beginning of the period	¥ 4,250,000	¥ 4,250,000	¥ 24,439,027	¥ 32,939,027	¥ 32,939,027
Changes during the period:					
Dividends from surplus	—	—	(510,000)	(510,000)	(510,000)
Net income attributable to shareholders of the parent company	—	—	6,161,210	6,161,210	6,161,210
Total changes during the period	—	—	5,651,210	5,651,210	5,651,210
Balance at the end of the period	¥ 4,250,000	¥ 4,250,000	¥ 30,090,238	¥ 38,590,238	¥ 38,590,238

For the year ended March 31, 2019

¥ (thousands)

	Shareholders' Equity				Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity	
Balance at the beginning of the period	¥ 4,250,000	¥ 4,250,000	¥ 30,090,238	¥ 38,590,238	¥ 38,590,238
Changes during the period:					
Dividends from surplus	—	—	(510,000)	(510,000)	(510,000)
Net income attributable to shareholders of the parent company	—	—	8,183,686	8,183,686	8,183,686
Total changes during the period	—	—	7,673,686	7,673,686	7,673,686
Balance at the end of the period	¥ 4,250,000	¥ 4,250,000	¥ 37,763,925	¥ 46,263,925	¥ 46,263,925

\$ (thousands)

	Shareholders' Equity				Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity	
Balance at the beginning of the period	\$ 38,291	\$ 38,291	\$ 271,107	\$ 347,691	\$ 347,691
Changes during the period:					
Dividends from surplus	—	—	(4,595)	(4,595)	(4,595)
Net income attributable to shareholders of the parent company	—	—	73,733	73,733	73,733
Total changes during the period	—	—	69,138	69,138	69,138
Balance at the end of the period	\$ 38,291	\$ 38,291	\$ 340,246	\$ 416,829	\$ 416,829

The accompanying notes are an integral part of these consolidated statements.

Consolidated Statement of Cash Flows (For the year ended March 31, 2019)

	¥ (thousands)		\$ (thousands)
	2018	2019	2019
Cash Flows from Operating Activities:			
Income before income taxes	¥ 8,937,525	¥ 11,820,122	\$ 106,497
Depreciation and amortization	5,001,636	3,077,113	27,724
(Decrease) increase in allowance for doubtful accounts	(2,588)	(2,348)	(21)
(Decrease) increase in allowance for employees' bonuses	102,814	76,306	687
Increase (decrease) in liability for retirement benefits	67,517	81,214	731
Foreign exchange losses (gains)	121	(193)	(1)
(Increase) decrease in accounts receivable—trade	(118,183)	948	8
Increase (decrease) in accounts payable—trade	76,146	(65,279)	(588)
Decrease/increase in consumption taxes receivable/payable	(191,395)	(256,055)	(2,307)
Others	(284,469)	(56,803)	(511)
Sub-total	13,589,123	14,675,024	132,219
Income taxes paid	(2,386,103)	(3,299,638)	(29,729)
Net Cash Provided by Operating Activities	11,203,020	11,375,386	102,490
Cash Flows from Investing Activities:			
Payments for purchases of property and equipment	(306,265)	(1,182,919)	(10,657)
Payments for purchases of intangible assets	(4,907,215)	(11,564,521)	(104,194)
Payments for refundable lease deposits	(35,050)	(100)	0
Proceeds from refund of refundable lease deposits	80	-	-
Net Cash Used in Investing Activities	(5,248,451)	(12,747,540)	(114,853)
Cash Flows from Financing Activities:			
Cash dividends paid	(510,000)	(510,000)	(4,595)
Net Cash Used in Financing Activities	(510,000)	(510,000)	(4,595)
Effect of exchange rate changes on cash and cash equivalents	(121)	193	1
Increase (Decrease) in Cash and Cash Equivalents	5,444,447	(1,881,960)	(16,956)
Cash and Cash Equivalents, Beginning of Year	19,437,790	24,882,237	224,184
Cash and Cash Equivalents, End of Year (Note 1)	¥ 24,882,237	¥ 23,000,276	\$ 207,228

The accompanying notes are an integral part of these consolidated statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

[Note on Going Concern Assumption]

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 ¥110.99 to \$1, the approximate rate of exchange at March 31, 2019. 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

None.

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. Accounting Policies

(1) Depreciation and amortization of major depreciable assets

① Property and equipment

Depreciation of property and equipment 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: 4–15 years

② Intangible assets

Amortization of intangible assets is calculated using the straight-line method.

Software for internal use is amortized over an estimated useful life of 7 years.

(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.

(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 and expenses.

[Unapplied accounting standards, etc.]

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

The International Accounting Standards Board (IASB) as well as the U.S. Financial Accounting Standards Board (FASB) jointly developed converged comprehensive accounting standards for revenue recognition, which were released in May 2014 “Revenue from Contracts with Customers” (IFRS 15 for the IASB, Topic 606 for the FASB), with IFRS 15 taking effect in the fiscal year beginning from January 1, 2018, and Topic 606 taking effect in the fiscal year beginning after December 15, 2017. Based on this situation, the Accounting Standards Board of Japan (ASBJ) developed its own and announced comprehensive accounting standards and implementation guidelines for revenue recognition.

A basic policy regarding the ASBJ’s development of accounting standards for revenue recognition is to establish accounting standards while incorporating the basic principles of IFRS 15 for the purpose of maintaining comparability of financial statements, which is considered to be one of the benefits of implementing converged standards. If there are any transactions based on Japanese customary business practice, alternative solutions can be added, as long as comparability is retained.

(2) Planned Date of Application

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021.

(3) Influence of the application of accounting standards

The impact that the “Accounting Standard for Revenue Recognition” will have on consolidated financial statements is still under evaluation at this time.

Change in presentation method

The Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) effective from the beginning of the fiscal year under review. Accordingly, deferred tax assets (if any) were presented under investments and other assets and deferred tax liabilities (if any) were presented under non-current liabilities.

Accordingly, in the balance sheets for the previous fiscal year, the Current Assets amount of ¥ 232,901 thousand (\$ 2,098 thousand) for Deferred tax assets has been included in the Investments and Other Assets amount of ¥537,880 thousand (\$ 4,846 thousand) as Deferred tax assets.

[Notes to the Consolidated Balance Sheet]

1. Assets and Liabilities Held for Sound Settlement System Operation and Management

In order to secure the Delivery Versus Payment (“DVP”) for Non-Exchange Transaction Deliveries (“NETDs”) settlement system, JDCC, a consolidated subsidiary of the Company, receives cash or securities as collateral from the DVP participants whom JDCC officially acknowledges 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, 2019 was ¥15,000,000 thousand (\$ 135,147 thousand)). In the event a DVP participant defaults on the required payment obligations of the DVP for NETDs settlement system, JDCC shall take deposits from the participant fund of such 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, 2018 and 2019 was as follows:

	¥ (thousands)		\$ (thousands)
As of March 31	2018	2019	2019
Market value of collateral securities entrusted to JDCC	¥ 55,254,915	¥ 25,938,761	\$ 233,703

2. Overdraft Contracts and Commitment Line Agreements

To ensure prompt and stable fundraising, the Company has concluded overdraft contracts with three 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 four 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 are summarized as follows:

(1) Overdraft contracts

	¥ (thousands)		\$ (thousands)
As of March 31	2018	2019	2019
Aggregate maximum amount of overdraft amounts	¥ 7,000,000	¥ 7,000,000	\$ 63,068
Amount used	—	—	—
Unused balance	¥ 7,000,000	¥ 7,000,000	\$ 63,068

(2) Commitment line agreements

	¥ (thousands)		\$ (thousands)
As of March 31	2018	2019	2019
Aggregate amount of commitment line agreements	¥ 60,000,000	¥ 60,000,000	\$ 540,589
Amount used	—	—	—
Unused balance	¥ 60,000,000	¥ 60,000,000	\$ 540,589

[Notes to the Consolidated Statement of Changes in Net Assets]

For the year ended March 31, 2018

1. Outstanding Shares

Class of share	April 1, 2017	Increase	Decrease	March 31, 2018
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 ¥	Basis date	Effective date
Board of Directors Meeting (May 26, 2017)	Ordinary shares	¥ 510,000	¥ 60,000	March 31, 2017	June 5, 2017

(2) Dividends for which the basis date is in the year ended March 31, 2018 and the effective date is in the following fiscal year

Resolution	Class of share	Payment source	Total amount ¥ (thousands)	Dividend per share ¥	Basis date	Effective date
Board of Directors Meeting (May 25, 2018)	Ordinary shares	Retained earnings	¥ 510,000	¥ 60,000	March 31, 2018	June 4, 2018

For the year ended March 31, 2019

1. Outstanding Shares

Class of share	April 1, 2018	Increase	Decrease	March 31, 2019
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 ¥	Basis date	Effective date
Board of Directors Meeting (May 25, 2018)	Ordinary shares	¥ 510,000 (\$ 4,595 thousand)	¥ 60,000 (\$ 540)	March 31, 2018	June 4, 2018

(2) Dividends for which the basis date is in the year ended March 31, 2019 and the effective date is in the following fiscal year

Resolution	Class of share	Payment source	Total amount ¥ (thousands)	Dividend per share ¥	Basis date	Effective date
Board of Directors Meeting (May 24, 2019)	Ordinary shares	Retained earnings	¥ 510,000 (\$ 4,595 thousand)	¥ 60,000 (\$ 540)	March 31, 2019	June 3, 2019

[Notes to the Consolidated Statement 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	2018	2019	2019
Cash and deposits	¥ 24,882,237	¥ 23,000,276	\$ 207,228
Cash and cash equivalents	¥ 24,882,237	¥ 23,000,276	\$ 207,228

[Lease Transaction]

(Lessee)

1. Operating Lease Transaction

The following table shows the future minimum lease payments under non-cancellable operating leases.

Category	¥ (thousands)		\$ (thousands)
As of March 31	2018	2019	2019
Within one year	¥ 40,604	¥ 42,104	\$ 379
More than one year	¥ 58,832	¥ 20,853	\$ 187
Total	¥ 99,436	¥ 62,957	\$ 567

[Financial Instruments]

1. General Information on Financial Instruments

(1) Basic policies for financial instruments

The Company limits financial investments to short-term deposits.

(2) Details and risks of financial instruments and the risk control system

Accounts receivable—trade are subject to the credit risk of participants in the book-entry transfer system. The Company continuously monitors the financial condition 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 NETDs settlement system.

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

2. Estimated Fair Value of Financial Instruments

The following table presents the carrying amount on the consolidated balance sheet, fair value, and the difference between carrying amount and fair value as of March 31, 2018 and 2019.

As of March 31, 2018

	¥ (thousands)	¥ (thousands)	Difference
	Carrying amount on the balance sheet	Fair value	—
(1) Cash and deposits	¥ 24,882,237	¥ 24,882,237	—
(2) Accounts receivable— trade	3,501,766		
Allowance for doubtful accounts*	(1,023)		
	3,500,743	3,500,743	—
(3) Designated assets for clearing funds	46,764,642	46,764,642	—
Assets total	¥75,147,622	¥75,147,622	—
(4) Accounts payable— trade	¥ (978,424)	¥ (978,424)	—
(5) Deposits received for clearing funds	(46,764,642)	(46,764,642)	—
Liabilities total	¥ (47,743,067)	¥ (47,743,067)	—

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

As of March 31, 2019

	¥ (thousands)	\$ (thousands)	¥ (thousands)	\$ (thousands)	
	Carrying amount on the balance sheet		Fair value		Difference
(1) Cash and deposits	¥ 23,000,276	\$ 207,228	¥ 23,000,276	\$ 207,228	—
(2) Accounts receivable—trade	3,503,950	31,569			
Allowance for doubtful accounts*	(922)	(8)			
(3) Designated assets for clearing funds	3,503,027	31,561	3,503,027	31,561	—
	66,601,677	600,069	66,601,677	600,069	—
Assets total	¥93,104,981	\$ 838,859	¥93,104,981	\$ 838,859	—
(4) Accounts payable—trade	¥ (913,145)	\$ (8,227)	¥ (913,145)	\$ (8,227)	—
(5) Deposits received for clearing funds	(66,601,677)	(600,069)	(66,601,677)	(600,069)	—
Liabilities total	¥ (67,514,823)	\$ (608,296)	¥ (67,514,823)	\$ (608,296)	—

*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 is 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 is deemed to be fair value since these items represent assets and liabilities reflecting their roles in maintaining a stable securities trading environment for the DVP for NETDs settlement system.

2. Estimated redemptions for monetary claims with maturities after the consolidated balance sheet date

All deposits and accounts receivable—trade in the above table have settlement dates within one year.

[Retirement Benefits]

1. Outline of Retirement Benefit Schemes Adopted

The Company and its subsidiary adopt a lump-sum retirement allowance scheme and a defined contribution pension plan.

2. 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)
As of March 31	2018	2019	2019
Liability for retirement benefits at the beginning of the period	¥ 730,522	¥ 798,040	\$ 7,190
Net periodic benefit costs	85,257	121,787	1,097
Payments of retirement benefits	(17,740)	(40,573)	(365)
Liability for retirement benefits at the end of the period	¥ 798,040	¥ 879,254	\$ 7,921

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

	¥ (thousands)		\$ (thousands)
As of March 31	2018	2019	2019
Retirement benefit obligation	¥ 798,040	¥ 879,254	\$ 7,921
Liability for retirement benefits	¥ 798,040	¥ 879,254	\$ 7,921

(3) Net periodic benefit costs

	¥ (thousands)		\$ (thousands)
For the years ended March 31	2018	2019	2019
Net periodic benefit costs accounted for by the simplified method	¥ 85,257	¥ 121,787	\$ 1,097

3. Defined Contribution Plan

The amount contributed by the Company and its consolidated subsidiary to the defined contribution pension plan, accounted for as net periodic benefit costs, was as follows:

	¥ (thousands)		\$ (thousands)
	2018	2019	2019
For the years ended March 31			
Amount contributed to the defined contribution pension plan	¥ 54,737	¥ 56,020	\$ 504

[Income Taxes]

1. Breakdown of Deferred Tax Assets and Deferred tax Liabilities

	¥ (thousands)		\$ (thousands)
As of March 31	2018	2019	2019
Deferred tax assets			
Accrued business tax	¥ 101,253	¥ 130,009	\$ 1,171
Allowance for employees' bonuses	104,215	127,580	1,149
Accrued business facility taxes	3,523	3,760	33
Accrued social insurance premiums	14,945	18,519	166
Liability for retirement benefits	244,359	269,227	2,425
Excess depreciation of non-current assets	46,344	74,035	667
Asset retirement obligations	71,038	74,284	669
Other	15,345	10,099	90
Deferred tax assets— subtotal	601,025	707,517	6,374
Deferred tax liabilities:			
Expenses related to disposal of asset retirement obligations	63,145	42,407	382
Deferred tax liabilities— subtotal	63,145	42,407	382
Net deferred tax assets	¥ 537,880	¥ 665,110	\$ 5,992

2. Reconciliation between the Nominal Statutory Income Tax Rate and the Effective Income Taxes 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, 2018 and 2019 was omitted since the difference was less than 5% of the statutory income tax rate.

[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, 2018

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	¥2,355,551	Book-entry Transfer of Securities

For the year ended March 31, 2019

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	¥ 2,225,933	\$ 20,055	Book-entry Transfer of Securities

Disclosure of Information on Impairment Loss on Non-current Assets by Reportable Segment

None.

Disclosure of Information on Amortization and Year-End Balance of Goodwill by Reportable Segment

None.

Disclosure of Information on Gain on Negative Goodwill by Reportable Segment

None.

[Related Party Information]

1. Transactions with Related Parties

(1) Transactions between the Company and related parties

a) 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, 2018

Type	Name of company	Address	Capital ¥ (thousands)	Principal business	Percentage of voting right owning/owned	Relationship		Transactions	Amount ¥ (thousands)	Descriptions	Balance at end of period ¥ (thousands)
						Interlocking directors	Business relationship				
Subsidiary of other affiliated companies	Japan Securities Clearing Corporation	Chuo-ku, Tokyo	¥8,950,000	Financial instrument obligation assumption service	—	1 director	Commission income	Commission income	¥2,355,551	Accounts receivable—trade	¥218,136
Subsidiary of other affiliated companies	Tosho System Services Co., Ltd.	Chuo-ku, Tokyo	¥100,000	Design and development of software	—	—	Development, operation and maintenance of systems	Payment of system maintenance fee	¥1,799,746	Accounts payable—trade	¥258,894
								Purchase of software	¥120,118	Accounts payable—other	¥31,766

Notes:

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

For the year ended March 31, 2019

Type	Name of company	Address	Capital ¥ (thousands)	Principal business	Percentage of voting right owning/owned	Relationship		Transactions	Amount ¥ (thousands)	Descriptions	Balance at end of period ¥ (thousands)
						Interlocking directors	Business relationship				
Subsidiary of other affiliated companies	Japan Securities Clearing Corporation	Chuo-ku, Tokyo	¥ 8,950,000 (\$ 80,637 thousand)	Financial instrument obligation assumption service	—	1 director	Commission income	Commission income	¥ 2,225,933 (\$ 20,055 thousand)	Accounts receivable—trade	¥ 196,692 (\$ 1,772 thousand)
Subsidiary of other affiliated companies	Tosho System Services Co., Ltd.	Chuo-ku, Tokyo	¥ 100,000 (\$ 900 thousand)	Design and development of software	—	—	Development, operation and maintenance of systems	Payment of system maintenance fee	¥ 1,868,868 (\$ 16,838 thousand)	Accounts payable—trade	¥ 264,876 (\$ 2,386 thousand)
								Purchase of software	¥ 729,291 (\$ 6,570 thousand)	Accounts payable—other	¥ 3,852 (\$ 34 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.

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

-For the year ended March31, 2018

None

- For the year ended March31, 2019

None

(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

[Per Share Information]

As of/for the years ended March 31	2018	2019	2019
Net assets per share	¥4,540,028.04	¥5,442,814.72	\$ 49,038.78
Net income per share	724,848.34	962,786.67	8,674.53

Notes:

1. Diluted net income per share is not presented because no shares with potential dilutive effect were outstanding.
2. The basis for calculating net assets per share as of March 31, 2018 and 2019 is as follows:

	¥ (thousands)		\$ (thousands)
As of March 31	2018	2019	2019
Total net assets as reported in the consolidated balance sheet	¥ 38,590,238	¥46,263,925	\$ 416,829
Amount to be deducted from total net assets	—	—	—
Net assets pertaining to common stock shareholders	¥ 38,590,238	¥46,263,925	\$ 416,829
Number of common stock shares outstanding as of the consolidated balance sheet dates used to calculate net assets per share (in shares)	8,500	8,500	—

3. The basis for calculating net income per share for the years ended March 31, 2018 and 2019 is as follows:

	¥ (thousands)		\$ (thousands)
For the years ended March 31	2018	2019	2019
Net income attributable to shareholders of the parent company	¥ 6,161,210	¥ 8,183,686	\$ 73,733
Net income not pertaining to common stock shareholders	—	—	—
Net income attributable to the common stock shareholders of the parent company	¥ 6,161,210	¥ 8,183,686	\$ 73,733
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]

None.

[Details of Asset Retirement Obligations]

The amount of asset retirement obligations at both the beginning and end of the current period consolidated fiscal year are less than 1% of the combined total of liabilities and net assets at the beginning and end of the current period, and so have been omitted in accordance with Article 92-2 of the Regulations for Consolidated Financial Statements.

[Other Information]

None.

INDEPENDENT AUDITOR'S REPORT

June 17, 2019

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

Deloitte Touche Tohmatsu LLC

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

Masaya Shibata

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

Michiyuki Yamamoto

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, 2018 to March 31, 2019, 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.

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.

(TRANSLATION)

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, 2019, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

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.