

**Japan Securities Depository Center, Incorporated**

**Consolidated Financial Statements**

**For the year ended March 31, 2020**

## 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, 2020)

	¥ (thousands)		\$ (thousands)
	2019	2020	2020
<b>ASSETS</b>			
Current Assets:			
Cash and deposits	¥ 23,000,276	¥ 28,535,413	\$ 262,201
Accounts receivable—trade	3,503,950	4,061,090	37,315
Prepaid expenses	239,025	253,171	2,326
Consumption taxes receivable	148,130	—	—
Designated assets for clearing funds (Note 1)	66,601,677	69,754,375	640,948
Others	4,195	24,138	221
Allowance for doubtful accounts	(922)	(398)	(3)
Total Current Assets	93,496,333	102,627,789	943,010

Non-current Assets:

Property and Equipment:

Buildings and accompanying facilities	1,040,399	1,156,203	10,623
Accumulated depreciation	(624,324)	(834,681)	(7,669)
Buildings and accompanying facilities, net	416,074	321,521	2,954
Tools and furniture	4,977,415	5,033,172	46,248
Accumulated depreciation	(3,605,469)	(4,065,491)	(37,356)
Tools and furniture, net	1,371,946	967,681	8,891
Total Property and Equipment	1,788,020	1,289,203	11,846

Intangible Assets:

Software	4,811,508	2,268,239	20,842
Software in progress	16,268,627	24,113,457	221,569
Others	16,862	16,728	153
Total Intangible Assets	21,096,998	26,398,425	242,565

Investments and Other Assets:

Long-term prepaid expenses	673,410	532,650	4,894
Deferred tax assets	665,110	798,733	7,339
Long-term refundable lease deposits	461,466	772,097	7,094
Claims provable in bankruptcy, rehabilitation and other	4,785	3,378	31
Others	1,000	1,000	9
Allowance for doubtful accounts	(3,083)	(2,643)	(24)
Total Investments and Other Assets	1,802,690	2,105,215	19,344
Total Non-current Assets	24,687,709	29,792,844	273,755

Total Assets	¥ 118,184,043	¥ 132,420,634	\$ 1,216,765
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	¥ (thousands)		\$ (thousands)	
	2019	2020	2020	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable—trade	¥ 913,145	¥ 934,637	\$ 8,588	
Accounts payable—other	190,662	2,578,970	23,697	
Consumption taxes payable	18,508	412,584	3,791	
Income taxes payable	2,446,738	2,279,634	20,946	
Allowance for employees' bonuses	416,656	424,639	3,901	
Allowance for executives' bonuses	22,000	27,000	248	
Deposits received for clearing funds (Note 1)	66,601,677	69,754,375	640,948	
Asset retirement obligations	–	345,875	3,178	
Others	184,452	113,128	1,039	
Total Current Liabilities	70,793,840	76,870,844	706,338	
Non-current Liabilities:				
Liability for retirement benefits	879,254	945,316	8,686	
Asset retirement obligations	242,600	10,600	97	
Others	4,422	–	–	
Total Non-current Liabilities	1,126,277	955,916	8,783	
Total Liabilities	71,920,117	77,826,761	715,122	
<b>NET ASSETS</b>				
Shareholders' Equity:				
Common stock	4,250,000	4,250,000	39,051	
Capital surplus	4,250,000	4,250,000	39,051	
Retained earnings	37,763,925	46,093,873	423,540	
Total Shareholders' Equity	46,263,925	54,593,873	501,643	
Total Net Assets	46,263,925	54,593,873	501,643	
Total Liabilities and Net Assets	¥ 118,184,043	¥ 132,420,634	\$ 1,216,765	

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

**Consolidated Financial Statement of Income and Comprehensive Income (For the year ended March 31, 2020)**

	¥ (thousands)		\$ (thousands)
	2019	2020	2020
Operating Revenue	¥ 24,314,639	¥ 25,208,254	\$ 231,629
Operating Expenses:			
Executives' compensation	202,261	223,662	2,055
Salaries	1,437,752	1,324,250	12,168
Allowance for employees' bonuses	416,656	506,280	4,652
Allowance for executives' bonuses	22,000	27,000	248
Retirement benefit expenses	177,807	141,729	1,302
Maintenance of systems	5,129,848	4,990,336	45,854
Depreciation and amortization	3,077,113	3,228,752	29,667
Rent	557,566	560,388	5,149
Others	1,447,680	1,420,576	13,053
Total Operating Expenses	12,468,687	12,422,976	114,150
Operating Income	11,845,951	12,785,277	117,479
Non-operating Income:			
Operational revenue on designated assets for clearing funds	536	537	4
Registered members' information disclosure claim charges	14,126	23,114	212
System-related income	26,191	26,735	245
Others	3,308	3,262	29
Total Non-operating Income	44,162	53,649	492

Non-operating Expenses:

Commitment fees	59,999	60,164	552
Fees for fund operation of designated assets for clearing fund	9,868	9,882	90
Others	122	560	5
Total Non-operating Expenses	69,991	70,607	648
Ordinary Income	11,820,122	12,768,319	117,323
Income before Income Taxes	11,820,122	12,768,319	117,323
Income taxes—current	3,763,665	4,061,995	37,324
Income taxes—deferred	(127,229)	(133,623)	(1,227)
Total Income Taxes	3,636,435	3,928,371	36,096
Net Income	8,183,686	8,839,948	81,227

(Details of Net Income)

Net Income attributable to shareholders of the parent company	8,183,686	8,839,948	81,227
Net Income attributable to non- controlling interests	—	—	—
Comprehensive Income	¥ 8,183,686	¥ 8,839,948	\$ 81,227

(Details of Comprehensive Income)

Comprehensive income attributable to shareholders of the parent company	¥ 8,183,686	¥ 8,839,948	\$ 81,227
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, 2020)

## 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

## For the year ended March 31, 2020

¥ (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	¥ 37,763,925	¥ 46,263,925	¥ 46,263,925
Changes during the period:					
Dividends from surplus	—	—	(510,000)	(510,000)	(510,000)
Net income attributable to shareholders of the parent company	—	—	8,839,948	8,839,948	8,839,948
Total changes during the period	—	—	8,329,948	8,329,948	8,329,948
Balance at the end of the period	¥ 4,250,000	¥ 4,250,000	¥ 46,093,873	¥ 54,593,873	¥ 54,593,873

\$ (thousands)

	Shareholders' Equity				Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity	
Balance at the beginning of the period	\$ 39,051	\$ 39,051	\$ 346,999	\$ 425,102	\$ 425,102
Changes during the period:					
Dividends from surplus	—	—	(4,686)	(4,686)	(4,686)
Net income attributable to shareholders of the parent company	—	—	81,227	81,227	81,227
Total changes during the period	—	—	76,540	76,540	76,540
Balance at the end of the period	\$ 39,051	\$ 39,051	\$ 423,540	\$ 501,643	\$ 501,643

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

## Consolidated Statement of Cash Flows (For the year ended March 31, 2020)

	¥ (thousands)		\$ (thousands)	
	2019	2020	2020	
<b>Cash Flows from Operating Activities:</b>				
Income before income taxes	¥ 11,820,122	¥ 12,768,319	\$ 117,323	
Depreciation and amortization	3,077,113	3,228,752	29,667	
(Decrease) increase in allowance for doubtful accounts	(2,348)	(963)	(8)	
(Decrease) increase in allowance for employees' bonuses	76,306	7,982	73	
Increase (decrease) in Allowance for executives' bonuses	-	5,000	45	
Increase (decrease) in liability for retirement benefits	81,214	66,062	607	
Foreign exchange losses (gains)	(193)	501	4	
(Increase) decrease in accounts receivable—trade	948	(555,732)	(5,106)	
Increase (decrease) in accounts payable—trade	(65,279)	21,492	197	
Decrease/increase in consumption taxes receivable/payable	(256,055)	542,206	4,982	
Others	(236,042)	(23,572)	(216)	
Sub-total	14,495,787	16,060,049	147,570	
Income taxes paid	(3,299,638)	(4,217,713)	(38,755)	
Net Cash Provided by Operating Activities	11,196,148	11,842,335	108,814	
<b>Cash Flows from Investing Activities:</b>				
Payments for purchases of property and equipment	(1,182,919)	(81,461)	(748)	
Payments for purchases of intangible assets	(11,385,283)	(5,394,982)	(49,572)	
Payments for refundable lease deposits	(100)	(326,164)	(2,997)	
Proceeds from refund of refundable lease deposits	-	5,910	54	
Net Cash Used in Investing Activities	(12,568,302)	(5,796,697)	(53,263)	
<b>Cash Flows from Financing Activities:</b>				
Cash dividends paid	(510,000)	(510,000)	(4,686)	
Net Cash Used in Financing Activities	(510,000)	(510,000)	(4,686)	
Effect of exchange rate changes on cash and cash equivalents	193	(501)	(4)	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,881,960)</b>	<b>5,535,136</b>	<b>50,860</b>	
Cash and Cash Equivalents, Beginning of Year	24,882,237	23,000,276	211,341	
<b>Cash and Cash Equivalents, End of Year (Note 1)</b>	<b>¥ 23,000,276</b>	<b>¥ 28,535,413</b>	<b>\$ 262,201</b>	

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 the 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 ¥108.83 to \$1, the approximate rate of exchange at March 31, 2020. 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 financial statement of cash flows**

Cash and cash equivalents include cash on hand, deposits on 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 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 31, 2020)
- “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

### **(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.

## **[Unapplied accounting standards, etc.]**

- “Accounting Standard for Disclosure of Accounting Estimates” (Corporate Accounting Standards No. 31, March 31, 2020)

### **(1) Overview**

Article 125 of the International Accounting Standards No.1 (IAS 1) “Presentation of Financial Statements”, which was announced by the International Accounting Standards Board (IASB) in 2003, requires the disclosure of “sources of estimation uncertainty”. In response to requests to consider requiring disclosure of this information under Japanese GAAP as a note, on the grounds that it is highly useful information to users of financial statements, the ASBJ has developed and published an accounting standard concerning disclosure of estimates used in accounting (hereafter “this accounting standard”).

The basic policy concerning the ASBJ’s development of this accounting standard is not that individual notes be expanded, but that the principle (purpose of disclosure) is shown and that the specific content of disclosure is determined by the company according to the purpose of disclosure. This accounting standard was developed based on the provisions of paragraph 125 of IAS 1.

### **(2) Planned Date of Application**

March 31, 2021.

## **[Unapplied accounting standards, etc.]**

- Accounting Standard for Disclosure of Accounting Policy, Accounting Changes, and Error Corrections (Corporate Accounting Standards No. 24, March 31, 2020)

### **(1) Overview**

In response to a proposal to consider expanding the notes section related to “Accounting principles and procedures adopted when the provisions of related accounting standards are not clear”, ASBJ has made the necessary revisions and disclosed an accounting policy, which it has published as the Accounting Standard for Disclosure of Accounting Policy, Accounting Changes, and Error Corrections.

When seeking to expand notes related to “Accounting principles and procedures adopted when the provisions of related accounting standards are not clear” in order not to affect the current practice when the related accounting standards are clearly defined, this standard will succeed the provisions of notes on corporate accounting principles (note 1-2)

### **(2) Planned Date of Application**

March 31, 2021.

## **[Correction of an Error]**

### **(1) Details of error**

¥247,087 thousand of prepaid expenditures on maintenance fees made prior to the previous consolidated fiscal year for pre-operational systems, was incorrectly recorded on the Software in Progress line. The Consolidated Balance Sheet and Consolidated Cash Flow Statement for the previous consolidated fiscal year have been restated to correct this error.

### **(2) Impact of error**

As a result of the restatement, the Software in Progress line in the Consolidated Balance Sheet for the previous consolidated fiscal year decreased by ¥247,087 thousand, and Others (Current Assets) decreased by ¥19,767 thousand compared to before the restatement. Furthermore, Prepaid Expenses increased by ¥76,514 thousand and Long-term Prepaid Expenses increased by ¥190,339 thousand. In accordance with this, in the Consolidated Statement of Cash Flows for the previous consolidated fiscal year, “Others” under Cash Flows from Operating Activities increased by ¥179,238 thousand, and Payments for Purchases of Intangible Assets under Cash Flows from Investing Activities decreased by the same amount.

There is no impact on net assets per share or net income per share for the previous consolidated fiscal year, and no cumulative impact on net assets at the beginning of the previous consolidated fiscal year.

Since the restatement did not have a material impact on the Company’s consolidated results, materials disclosed in previous years will not be revised.

## **[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, 2020 was ¥15,000,000 thousand (\$ 137,829 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 financial instruments accounted for under the cost method.

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, 2019 and 2020 was as follows:

	¥ (thousands)		\$ (thousands)
As of March 31	2019	2020	2020
Market value of collateral securities entrusted to JDCC	¥ 25,938,761	¥ 22,923,018	\$ 210,631

## 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	2019	2020	2020
Aggregate maximum amount of overdraft amounts	¥ 7,000,000	¥ 7,000,000	\$ 64,320
Amount used	—	—	—
Unused balance	¥ 7,000,000	¥ 7,000,000	\$ 64,320

### (2) Commitment line agreements

	¥ (thousands)		\$ (thousands)
As of March 31	2019	2020	2020
Aggregate amount of commitment line agreements	¥ 60,000,000	¥ 60,000,000	\$ 551,318
Amount used	—	—	—
Unused balance	¥ 60,000,000	¥ 60,000,000	\$ 551,318

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

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	¥ 60,000	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	¥ 60,000	March 31, 2019	June 3, 2019

For the year ended March 31, 2020

### 1. Outstanding Shares

Class of share	April 1, 2019	Increase	Decrease	March 31, 2020
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 24, 2019)	Ordinary shares	¥ 510,000 (\$ 4,686 thousand)	¥ 60,000 (\$ 551)	March 31, 2019	June 3, 2019

##### (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 22, 2020)	Ordinary shares	Retained earnings	¥ 510,000 (\$ 4,686 thousand)	¥ 60,000 (\$ 551)	March 31, 2020	June 1, 2020

## [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	2019	2020	2020
Cash and deposits	¥ 23,000,276	¥ 28,535,413	\$ 262,201
Cash and cash equivalents	¥ 23,000,276	¥ 28,535,413	\$ 262,201

## [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	2019	2020	2020
Within one year	¥ 42,104	19,728	\$ 181
More than one year	¥ 20,853	1,125	\$ 10
Total	¥ 62,957	20,853	\$ 191

## [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—trades 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—trades 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, 2019 and 2020.

**As of March 31, 2019**

	¥ (thousands)	¥ (thousands)	Difference
	Carrying amount on the balance sheet	Fair value	—
(1) Cash and deposits	¥ 23,000,276	¥ 23,000,276	—
(2) Accounts receivable— trade	3,503,950		
Allowance for doubtful accounts*	(922)		
	3,503,027	3,503,027	—
(3) Designated assets for clearing funds	66,601,677	66,601,677	—
Assets total	¥93,104,981	¥93,104,981	—
(4) Accounts payable— trade	¥ (913,145)	¥ (913,145)	—
(5) Deposits received for clearing funds	(66,601,677)	(66,601,677)	—
Liabilities total	¥ (67,514,823)	¥ (67,514,823)	—

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

**As of March 31, 2020**

	¥ (thousands)	\$ (thousands)	¥ (thousands)	\$ (thousands)	
	Carrying amount on the balance sheet		Fair value		Difference
(1) Cash and deposits	¥ 28,535,413	\$ 262,201	¥ 28,535,413	\$ 262,201	—
(2) Accounts receivable—trade	4,061,090	37,315			
Allowance for doubtful accounts*	(398)	( 3)			
(3) Designated assets for clearing funds	4,060,691	37,312	4,060,691	37,312	—
	69,754,375	640,948	69,754,375	640,948	—
Assets total	¥102,350,480	\$ 940,462	¥102,350,480	\$ 940,462	—
(4) Accounts payable—trade	¥ (934,637)	\$ (8,588)	¥ (934,637)	\$ (8,588)	—
(5) Deposits received for clearing funds	(69,754,375)	(640,948)	(69,754,375)	(640,948)	—
Liabilities total	¥ (70,689,012)	\$ (649,536)	¥ (70,689,012)	\$ (649,536)	—

\*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:

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	2019	2020	2020
Liability for retirement benefits at the beginning of the period	¥ 798,040	¥ 879,254	\$ 8,079
Net periodic benefit costs	121,787	97,938	899
Payments of retirement benefits	(40,573)	(31,876)	(292)
Liability for retirement benefits at the end of the period	¥ 879,254	¥ 945,316	\$ 8,686

#### **(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	2019	2020	2020
Retirement benefit obligation	¥ 879,254	¥ 945,316	\$ 8,686
Liability for retirement benefits	¥ 879,254	¥ 945,316	\$ 8,686

#### **(3) Net periodic benefit costs**

	¥ (thousands)		\$ (thousands)
For the years ended March 31	2019	2020	2020
Net periodic benefit costs accounted for by the simplified method	¥ 121,787	¥ 97,938	\$ 899

### 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)
For the years ended March 31	2019	2020	2020
Amount contributed to the defined contribution pension plan	¥ 56,020	¥ 43,791	\$ 402

## [Income Taxes]

### 1. Breakdown of Deferred Tax Assets and Deferred tax Liabilities

	¥ (thousands)		\$ (thousands)
As of March 31	2019	2020	2020
Deferred tax assets			
Accrued business tax	¥ 130,009	¥ 120,336	\$ 1,105
Allowance for employees' bonuses	127,580	130,024	1,194
Accrued business facility taxes	3,760	3,702	34
Accrued social insurance premiums	18,519	18,972	174
Liability for retirement benefits	269,227	289,455	2,659
Excess depreciation of non-current assets	74,035	165,873	1,524
Asset retirement obligations	74,284	109,152	1,002
Other	10,099	6,621	60
Deferred tax assets— subtotal	707,517	844,138	7,756
Deferred tax liabilities:			
Expenses related to disposal of asset retirement obligations	42,407	45,405	417
Deferred tax liabilities— subtotal	42,407	45,405	417
Net deferred tax assets	665,110	798,733	\$ 7,339

### 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, 2019 and 2020 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, 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 ¥ (thousands)	Related segment
Japan Securities Clearing Corporation	¥2,225,933	Book-entry Transfer of Securities

### For the year ended March 31, 2020

#### 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	¥ 2,193,923	\$ 20,159	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, 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	Financial instrument obligation assumption service	—	1 director	Commission income	Commission income	¥2,225,933	Accounts receivable—trade	¥196,692
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	¥1,868,868	Accounts payable—trade	¥264,876
								Purchase of software	¥729,291	Accounts payable—other	¥3,852

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, 2020**

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 (\$ 82,238 thousand)	Financial instrument obligation assumption service	—	1 director	Commission income	Commission income	¥ 2,193,923 (\$ 20,159 thousand)	Accounts receivable—trade	¥ 235,179 (\$ 2,160 thousand)
Subsidiary of other affiliated companies	Tosho System Services Co., Ltd.	Chuo-ku, Tokyo	¥ 100,000 (\$ 919 thousand)	Design and development of software	—	—	Development, operation and maintenance of systems	Payment of system maintenance fee	¥ 1,999,862 (\$ 18,376 thousand)	Accounts payable—trade	¥ 286,527 (\$ 2,632 thousand)
								Purchase of software	¥ 1,549,510 (\$ 14,237 thousand)	Accounts payable—other	¥ 51,150 (\$ 469 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, 2019**

None

**- For the year ended March31, 2020**

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	2019	2020	2020
Net assets per share	¥5,442,814.72	¥6,422,808.60	\$ 59,016.89
Net income per share	962,786.67	1,039,993.88	9,556.13

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, 2019 and 2020 is as follows:

	¥ (thousands)		\$ (thousands)
As of March 31	2019	2020	2020
Total net assets as reported in the consolidated balance sheet	¥46,263,925	¥54,593,873	\$ 501,643
Amount to be deducted from total net assets	—	—	—
Net assets pertaining to common stock shareholders	¥46,263,925	¥54,593,873	\$ 501,643
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, 2019 and 2020 is as follows:

	¥ (thousands)		\$ (thousands)
For the years ended March 31	2019	2020	2020
Net income attributable to shareholders of the parent company	¥ 8,183,686	¥ 8,839,948	\$ 81,227
Net income not pertaining to common stock shareholders	—	—	—
Net income attributable to the common stock shareholders of the parent company	¥ 8,183,686	¥ 8,839,948	\$ 81,227
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 15, 2020

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

Deloitte Touche Tohmatsu LLC  
Tokyo office

Designated Engagement Partner,  
Certified Public Accountant:

Masaya Shibata

Designated Engagement Partner,  
Certified Public Accountant:

Michiyuki Yamamoto

### Opinion

In accordance with the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Japan Securities Depository Center, Inc. and its consolidated subsidiaries (the "Group"), namely, the consolidated balance sheet as of March 31, 2020, and the consolidated statements of income and comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the fiscal year from April 1, 2019 to March 31, 2020, and a summary of significant accounting policies and other explanatory information, and the consolidated supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

(TRANSLATION)

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit Committee is responsible for overseeing the Executive Officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over the financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(TRANSLATION)

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report for the conveniences of the reader.