

Japan Securities Depository Center, Incorporated

Consolidated Financial Statements

For the year ended March 31, 2021

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 “Basis of Presentation” on the next page and are additionally presented herein solely for the convenience of readers outside Japan, and are not subject to audit.

Basis of Presentation

The accompanying consolidated financial statements have been compiled from the accounts maintained by the Japan Securities Depository Center, Incorporated (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 ¥110.71 to \$1, the approximate rate of exchange at March 31, 2021. 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.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet (As of March 31, 2021)

	¥ (thousands)		\$ (thousands)
	2020	2021	2021
ASSETS			
Current Assets:			
Cash and deposits	¥ 28,535,413	¥ 29,912,302	\$ 270,186
Accounts receivable—trade	4,061,090	4,004,474	36,170
Prepaid expenses	253,171	242,317	2,188
Consumption taxes receivable	—	40,141	362
Designated assets for clearing funds (Note 1)	69,754,375	65,917,749	595,409
Others	24,138	25,158	227
Allowance for doubtful accounts	(398)	(796)	(7)
Total Current Assets	102,627,789	100,141,347	904,537

Non-current Assets:

Property and Equipment:

Buildings and accompanying facilities	1,156,203	1,261,350	11,393
Accumulated depreciation	(834,681)	(1,101,592)	(9,950)
Buildings and accompanying facilities, net	321,521	159,758	1,443
Tools and furniture	5,033,172	1,829,173	16,522
Accumulated depreciation	(4,065,491)	(1,188,234)	(10,732)
Tools and furniture, net	967,681	640,938	5,789
Total Property and Equipment, net	1,289,203	800,697	7,232

Intangible Assets:

Software	2,268,239	30,081,726	271,716
Software in progress	24,113,457	162,344	1,466
Others	16,728	16,642	150
Total Intangible Assets	26,398,425	30,260,713	273,333

Investments and Other Assets:

Long-term prepaid expenses	532,650	431,632	3,898
Deferred tax assets	798,733	768,672	6,943
Long-term refundable lease deposits	772,097	766,878	6,926
Claims provable in bankruptcy, rehabilitation and other	3,378	3,040	27
Others	1,000	1,000	9
Allowance for doubtful accounts	(2,643)	(1,774)	(16)

Total Investments and Other Assets	2,105,215	1,969,448	17,789
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Total Non-current Assets	29,792,844	33,030,859	298,354
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Total Assets	¥ 132,420,634	¥ 133,172,206	\$ 1,202,892
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	¥ (thousands)		\$ (thousands)
	2020	2021	2021
LIABILITIES			
Current Liabilities:			
Accounts payable—trade	¥ 934,637	¥ 1,305,516	\$ 11,792
Accounts payable—other	2,578,970	77,242	697
Consumption taxes payable	412,584	8,064	72
Income taxes payable	2,279,634	1,786,683	16,138
Allowance for employees' bonuses	424,639	442,771	3,999
Allowance for executives' bonuses	27,000	27,000	243
Deposits received for clearing funds (Note 1)	69,754,375	65,917,749	595,409
Asset retirement obligations	345,875	356,475	3,219
Others	113,128	118,673	1,071
Total Current Liabilities	76,870,844	70,040,178	632,645
Non-current Liabilities:			
Liability for retirement benefits	945,316	1,015,137	9,169
Asset retirement obligations	10,600	138,449	1,250
Total Non-current Liabilities	955,916	1,153,587	10,419
Total Liabilities	77,826,761	71,193,765	643,065
NET ASSETS			
Shareholders' Equity:			
Common stock	4,250,000	4,250,000	38,388
Capital surplus	4,250,000	4,250,000	38,388
Retained earnings	46,093,873	53,478,440	483,049
Total Shareholders' Equity	54,593,873	61,978,440	559,826
Total Net Assets	54,593,873	61,978,440	559,826
Total Liabilities and Net Assets	¥ 132,420,634	¥ 133,172,206	\$ 1,202,892

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, 2021)

	¥ (thousands)		\$ (thousands)
	2020	2021	2021
Operating Revenue	¥ 25,208,254	¥ 26,299,771	\$ 237,555
Operating Expenses:			
Executives' compensation	223,662	219,677	1,984
Salaries	1,324,250	1,617,464	14,609
Allowance for employees' bonuses	506,280	442,771	3,999
Allowance for executives' bonuses	27,000	27,000	243
Retirement benefit expenses	141,729	144,525	1,305
Maintenance of systems	4,990,336	5,122,923	46,273
Depreciation and amortization	3,228,752	5,218,004	47,132
Rent	560,388	568,294	5,133
Others	1,420,576	1,519,110	13,721
Total Operating Expenses	12,422,976	14,879,771	134,403
Operating Income	12,785,277	11,419,999	103,152
Non-operating Income:			
Operational revenue on designated assets for clearing funds	537	471	4
Registered members' information disclosure claim charges	23,114	25,751	232
System-related income	26,735	24,022	216
Others	3,262	4,266	38
Total Non-operating Income	53,649	54,512	492

Non-operating Expenses:

Commitment fees	60,164	59,999	541
Fees for fund operation of designated assets for clearing fund	9,882	9,218	83
Others	560	1488	13
Total Non-operating Expenses	70,607	70,707	638
Ordinary Income	12,768,319	11,403,805	103,006
Income before Income Taxes	12,768,319	11,403,805	103,006
Income taxes—current	4,061,995	3,479,176	31,426
Income taxes—deferred	(133,623)	30,061	271
Total Income Taxes	3,928,371	3,509,237	31,697
Net Income	8,839,948	7,894,567	71,308

(Details of Net Income)

Net Income attributable to shareholders of the parent company	8,839,948	7,894,567	71,308
Net Income attributable to non-controlling interests	—	—	—
Comprehensive Income	¥ 8,839,948	¥ 7,894,567	\$ 71,308

(Details of Comprehensive Income)

Comprehensive income attributable to shareholders of the parent company	¥ 8,839,948	¥ 7,894,567	\$ 71,308
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, 2021)

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

For the year ended March 31, 2021

¥ (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	¥ 46,093,873	¥ 54,593,873	¥ 54,593,873
Changes during the period:					
Dividends from surplus	—	—	(510,000)	(510,000)	(510,000)
Net income attributable to shareholders of the parent company	—	—	7,894,567	7,894,567	7,894,567
Total changes during the period	—	—	7,384,567	7,384,567	7,384,567
Balance at the end of the period	¥ 4,250,000	¥ 4,250,000	¥ 53,478,440	¥ 61,978,440	¥ 61,978,440

	Shareholders' Equity				Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity	
Balance at the beginning of the period	\$ 38,388	\$ 38,388	\$ 416,347	\$ 493,125	\$ 493,125
Changes during the period:					
Dividends from surplus	-	-	(4,606)	(4,606)	(4,606)
Net income attributable to shareholders of the parent company	-	-	71,308	71,308	71,308
Total changes during the period	-	-	66,701	66,701	66,701
Balance at the end of the period	\$ 38,388	\$ 38,388	\$ 483,049	\$ 559,826	\$ 559,826

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

Consolidated Statement of Cash Flows (For the year ended March 31, 2021)

	¥ (thousands)		\$ (thousands)	
	2020	2021	2021	
Cash Flows from Operating Activities:				
Income before income taxes	¥ 12,768,319	¥ 11,403,805	\$ 103,006	
Depreciation and amortization	3,228,752	5,218,004	47,132	
Increase (decrease) in allowance for doubtful accounts	(963)	(471)	(4)	
Increase (decrease) in allowance for employees' bonuses	7,982	18,131	163	
Increase (decrease) in Allowance for executives' bonuses	5,000	-	-	
Increase (decrease) in liability for retirement benefits	66,062	69,820	630	
Foreign exchange losses (gains)	501	(494)	(4)	
(Increase) decrease in accounts receivable—trade	(555,732)	56,953	514	
Increase (decrease) in accounts payable—trade	21,492	370,879	3,350	
Increase/decrease in consumption taxes receivable/payable	542,206	(444,660)	(4,016)	
Others	(23,572)	4,371	39	
Sub-total	16,060,049	16,696,341	150,811	
Income taxes paid	(4,217,713)	(3,935,140)	(35,544)	
Net Cash Provided by Operating Activities	11,842,335	12,761,200	115,266	
Cash Flows from Investing Activities:				
Payments for purchases of property and equipment	(81,461)	(82,457)	(744)	
Payments for purchases of intangible assets	(5,394,982)	(10,795,222)	(97,509)	
Payments for refundable lease deposits	(326,164)	(3,000)	(27)	
Proceeds from refund of refundable lease deposits	5,910	5,873	53	
Net Cash Used in Investing Activities	(5,796,697)	(10,874,806)	(98,227)	
Cash Flows from Financing Activities:				
Cash dividends paid	(510,000)	(510,000)	(4,606)	
Net Cash Used in Financing Activities	(510,000)	(510,000)	(4,606)	
Effect of exchange rate changes on cash and cash equivalents	(501)	494	4	
Increase (Decrease) in Cash and Cash Equivalents	5,535,136	1,376,888	12,436	
Cash and Cash Equivalents, Beginning of Year	23,000,276	28,535,413	257,749	
Cash and Cash Equivalents, End of Year (Note 1)	¥ 28,535,413	¥ 29,912,302	\$ 270,186	

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. Consolidation

The accounts of all subsidiaries are included in the consolidated financial statements.

(1) Number of consolidated subsidiary: One

(2) Name of the consolidated subsidiary: JASDEC DVP Clearing Corporation (“JDCC”)

2. Application of the Equity Method

None.

3. Fiscal Year of the Consolidated Subsidiary

The fiscal year-end of the consolidated subsidiary is the same date as the consolidated balance sheet date.

4. Accounting Policies

(1) Depreciation of non-current assets and amortization of intangible 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 the estimated useful life of the software, generally five to seven years.

(2) Provision of major allowances

① Allowance for doubtful accounts

The estimated unrecoverable amount is determined after examining the collectability of receivables outstanding based on historical results and the bad debt loss ratio for general accounts receivable. For certain receivables, the specific identification method is used to estimate the allowance for doubtful accounts.

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 date.

(5) Other significant accounting policies for preparation of consolidated financial statements

Consumption taxes

Items in the statement of income are presented on a net basis of consumption tax.

[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 26, 2021)
- “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.

[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, 2021 was ¥15,000,000 thousand (\$ 135,489 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 stated 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, 2020 and 2021 was as follows:

	¥ (thousands)		\$ (thousands)
As of March 31	2020	2021	2021
Market value of collateral securities entrusted to JDCC	¥ 22,923,018	¥ 22,968,698	\$ 207,467

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	2020	2021	2021
Aggregate maximum amount of overdraft amounts	¥ 7,000,000	¥ 7,000,000	\$ 63,228
Amount used	—	—	—
Unused balance	¥ 7,000,000	¥ 7,000,000	\$ 63,228

(2) Commitment line agreements

	¥ (thousands)		\$ (thousands)
As of March 31	2020	2021	2021
Aggregate amount of commitment line agreements	¥ 60,000,000	¥ 60,000,000	\$ 541,956
Amount used	—	—	—
Unused balance	¥ 60,000,000	¥ 60,000,000	\$ 541,956

[Notes to the Consolidated Statement of Changes in Net Assets]**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	¥ 60,000	March 31, 2019	June 3, 2019

(2) Dividends for which the basis date is in the year ended March 31, 2020**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	¥ 60,000	March 31, 2020	June 1, 2020

For the year ended March 31, 2021

1. Outstanding Shares

Class of share	April 1, 2020	Increase	Decrease	March 31, 2021
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 22, 2020)	Ordinary shares	¥ 510,000 (\$ 4,606 thousand)	¥ 60,000 (\$ 541)	March 31, 2020	June 1, 2020

**(2) Dividends for which the basis date is in the year ended March 31, 2021
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 28, 2021)	Ordinary shares	Retained earnings	¥ 510,000 (\$ 4,606 thousand)	¥ 60,000 (\$ 541)	March 31, 2021	June 7, 2021

[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	2020	2021	2021
Cash and deposits	¥ 28,535,413	¥ 29,912,302	\$ 270,186
Cash and cash equivalents	¥ 28,535,413	¥ 29,912,302	\$ 270,186

[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	2020	2021	2021
Within one year	19,728	1,125	\$ 10
More than one year	1,125	—	—
Total	20,853	1,125	\$ 10

[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 values, and the difference between carrying amount and fair values as of March 31, 2020 and 2021.

As of March 31, 2020

	¥ (thousands)	¥ (thousands)	Unrealized Gain
	Carrying amount on the balance sheet	Fair value	
(1) Cash and deposits	¥ 28,535,413	¥28,535,413	—
(2) Accounts receivable— trade	4,061,090		
Allowance for doubtful accounts*	(398)		
	4,060,691	4,060,691	—
(3) Designated assets for clearing funds	69,754,375	69,754,375	
Assets total	¥102,350,480	¥102,350,480	—
(4) Accounts payable— trade	¥ (934,637)	¥ (934,637)	—
(5) Deposits received for clearing funds	(69,754,375)	(69,754,375)	
Liabilities total	¥(70,689,012)	¥(70,689,012)	—

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

As of March 31, 2021

	¥ (thousands)	\$ (thousands)	¥ (thousands)	\$ (thousands)	Unrealized Gain
	Carrying amount on the balance sheet		Fair value		
(1) Cash and deposits	¥29,912,302	\$270,186	¥29,912,302	\$270,186	
(2) Accounts receivable—trade	4,004,474	36,170			
Allowance for doubtful accounts*	(796)	(7)			
	4,003,677	36,163	4,003,677	36,163	—
(3) Designated assets for clearing funds	65,917,749	595,409	65,917,749	595,409	—
Assets total	¥99,833,730	\$901,758	¥99,833,730	\$901,758	—
(4) Accounts payable—trade	¥(1,305,516)	\$(11,792)	¥(1,305,516)	\$(11,792)	—
(5) Deposits received for clearing funds	(65,917,749)	(595,409)	(65,917,749)	(595,409)	—
Liabilities total	¥(67,223,266)	\$(607,201)	¥(67,223,266)	\$(607,201)	—

*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:

These accounts are all short-term in nature. The fair value is based on the carrying value as the carrying value approximates the fair value.

(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	2020	2021	2021
Liability for retirement benefits at the beginning of the period	¥ 879,254	¥ 945,316	\$ 8,538
Net periodic benefit costs	97,938	99,813	901
Payments of retirement benefits	(31,876)	(29,993)	(270)
Liability for retirement benefits at the end of the period	¥ 945,316	¥ 1,015,137	9,169

(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	2020	2021	2021
Retirement benefit obligation	¥ 945,316	¥ 1,015,137	\$ 9,169
Liability for retirement benefits	¥ 945,316	¥ 1,015,137	\$ 9,169

(3) Net periodic benefit costs

	¥ (thousands)		\$ (thousands)
For the years ended March 31	2020	2021	2021
Net periodic benefit costs accounted for by the simplified method	¥ 97,938	¥ 99,813	\$ 901

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	2020	2021	2021
Amount contributed to the defined contribution pension plan	¥ 43,791	¥ 44,712	\$ 403

[Income Taxes]

1. Breakdown of Deferred Tax Assets and Deferred Tax Liabilities

	¥ (thousands)		\$ (thousands)
As of March 31	2020	2021	2021
Deferred tax assets			
Accrued business tax	¥ 120,336	116,482	1,052
Allowance for employees' bonuses	130,024	135,576	1,224
Accrued business facility taxes	3,702	3,701	33
Accrued social insurance premiums	18,972	19,669	177
Liability for retirement benefits	289,455	310,835	2,807
Excess depreciation of non-current assets	165,873	51,163	462
Asset retirement obligations	109,152	151,545	1,368
Other	6,621	1,885	17
Deferred tax assets— subtotal	844,138	790,859	7,143
Deferred tax liabilities:			
Expenses related to disposal of asset retirement obligations	(45,405)	(22,186)	(200)
Deferred tax liabilities— subtotal	(45,405)	(22,186)	(200)
Net deferred tax assets	798,733	768,672	6,943

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, 2020 and 2021 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, 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 ¥ (thousands)	Related segment
Japan Securities Clearing Corporation	¥2,193,923	Book-entry Transfer of Securities

For the year ended March 31, 2021

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	¥ 2,329,901	\$ 21,045	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, 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	Financial instrument obligation assumption service	—	1 director	Commission income	Commission income	¥2,193,923	Accounts receivable—trade	¥235,179
								Payment of system maintenance fee	¥1,999,862	Accounts payable—trade	¥286,527
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	Purchase of software	¥1,549,510	Accounts payable—other	¥51,150

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.

For the year ended March 31, 2021

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 (\$ 80,841 thousand)	Financial instrument obligation assumption service	—	1 director	Commission income	Commission income	¥ 2,329,901 (\$ 21,045 thousand)	Accounts receivable—trade	¥ 261,154 (\$ 2,358 thousand)
								Payment of system maintenance fee	¥ 1,966,484 (\$ 17,762 thousand)	Accounts payable—trade	¥ 279,356 (\$ 2,523 thousand)
Subsidiary of other affiliated companies	Tosho System Services Co., Ltd.	Chuo-ku, Tokyo	¥ 100,000 (\$ 903 thousand)	Design and development of software	—	—	Development, operation and maintenance of systems	Purchase of software	¥ 451,550 (\$ 4,078 thousand)	Accounts payable—other	¥ 111,165 (\$ 100 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 March 31, 2020

None

- For the year ended March 31, 2021

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	2020	2021	2021
Net assets per share	¥6,422,808.60	¥7,291,581.27	\$ 65,861.99
Net income per share	1,039,993.88	928,772.67	8,389.23

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, 2020 and 2021 is as follows:

	¥ (thousands)		\$ (thousands)
As of March 31	2020	2021	2021
Total net assets as reported in the consolidated balance sheet	¥54,593,873	¥61,978,440	\$ 559,826
Amount to be deducted from total net assets	—	—	—
Net assets pertaining to common stock shareholders	¥54,593,873	¥61,978,440	\$ 559,826
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, 2020 and 2021 is as follows:

	¥ (thousands)		\$ (thousands)
For the years ended March 31	2020	2021	2021
Net income attributable to shareholders of the parent company	¥ 8,839,948	¥ 7,894,567	\$ 71,308
Net income not pertaining to common stock shareholders	—	—	—
Net income attributable to the common stock shareholders of the parent company	¥ 8,839,948	¥ 7,894,567	\$ 71,308
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.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 15, 2021

To the Board of Directors of
Japan Securities Depository Center, Incorporated.

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Yoshiaki Kitamura

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, Incorporated. and its subsidiary (the "Group") included in the Financial Section, namely, the consolidated balance sheet as of March 31, 2021, and the consolidated statement of income and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from April 1, 2020 to March 31, 2021, 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, 2021, 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 Officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's 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 judgment. 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.