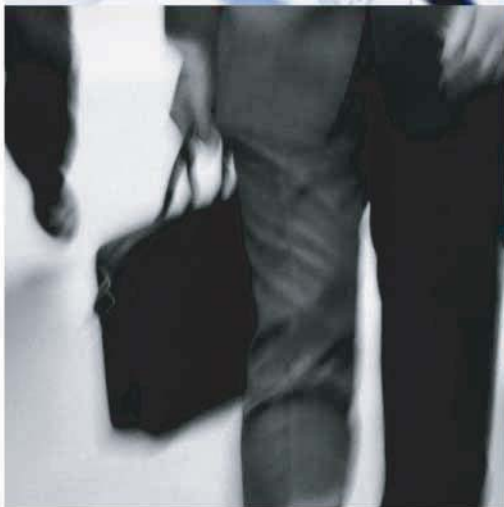




Japan Securities Clearing Corporation

Annual Report 2011





In January 2003, Japan Securities Clearing Corporation (JSCC) was licensed as the first clearing organization in Japan to conduct the Securities Obligation Assumption Service (current Financial Instruments Obligation Assumption Service) and commenced its operations related to clearings in financial instruments exchanges. The birth of JSCC led to dramatic improvements in the efficiency and convenience of the securities market by consolidating the clearing of securities transactions that used to be performed separately by individual markets.

Since July 2011, we have newly launched a clearing service for CDS transactions providing clearing functions for OTC derivatives transactions in addition to equity-based exchange-traded transactions.

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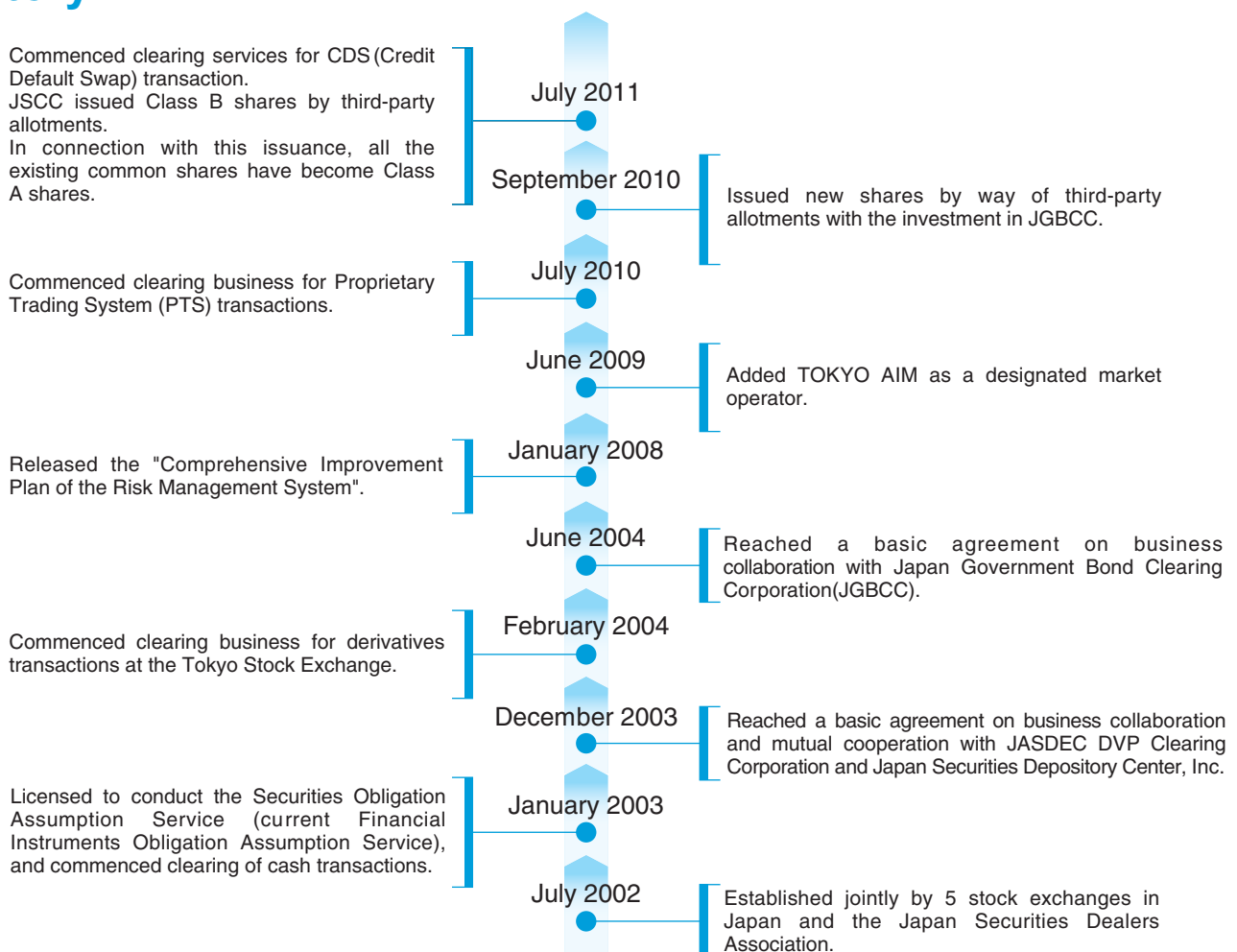
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Corporate Philosophy

We endeavor to enhance the competitiveness of Japanese financial and capital markets by improving the efficiency, convenience and safety in post-trade processing infrastructure of financial instruments transactions.

Under its corporate philosophy, JSCC is committed to continuing on providing the clearing and settlement infrastructure for financial and capital markets as Japan's core clearing organization and steadfastly fulfill its role as such.

History





Message

from the President and CEO

Activities and Achievements in Fiscal Year 2010

JSCC has been working on the following policies in order to seek improvement on efficiency, convenience, and safety of financial instruments transactions as well as contribute to enhancement of international competitive edge of Japanese financial and capital markets.

Further Expanding Clearing Services

We have launched clearing services targeted for PTS since July 2010, in order to contribute in reducing settlement risks in the burgeoning PTS market. Since July 2011, we have also started clearing services for CDS transactions on the OTC derivatives market, where no clearing organizations have been utilized in the past. Further, in order to bolster collaborative ties with Japan Government Bonds Clearing Corporation for enhancement of securities clearing and settlement measures, shares have been acquired as well as personnel deployed in JGBCC.

Besides, we are currently engaged on research and development of clearing systems replacement to promote greater reinforcement of clearing functions.

Further Strengthening Risk Management System

We have built consensus about basic concepts in preparation for the introduction of the intra-day collateral call system related to cash transactions, and promote concrete discussion on operational aspects, in terms of more elaborate risk management.

We have also reviewed the assessment rate of collateral securities, etc., in light of market environment.

In addition, we have worked on clarification of the information security standard so that we can build more solid business foundation as JSCC.

Future Outlook and Issues

JSCC has fulfilled social responsibilities by providing the clearing services for a wide range of transactions from cash transactions to derivatives transactions; going forward, we shall address specific business plans under the following corporate policies, considering that clearing functionality needs to be provided to more and more variety of financial instruments.

Greater Expansion of Clearing Services

JSCC handles a wide variety of financial instruments from cash transactions to derivatives transactions, and also its participants are from across business categories. Based on our understanding that JSCC will be able to help sharpen the competitive edge of financial and capital markets in Japan by providing ever-more-broad-ranging products with clearing functions, we shall adopt "Greater Expansion of Clearing Services" as the first pillar of our corporate policy, aiming to become a clearing infrastructure that goes toe-to-toe with clearing houses in EU/US by building up the foundations of the comprehensive clearing houses.

Specifically, we have started to handle clearing services for Index CDS transactions in July 2011, and will continue specific, system-wise discussion of IRS (Interest Rate Swap) and single-name CDS clearings into the future. Also, we will respond to the introduction of new products and services on stock exchanges, in accord with market participants' clearing and settlement needs.

Furthermore, JSCC will promote reinforcement of cooperation with Japan Government Bonds Clearing Corporation.

Resilient Risk Management System

Since JSCC, as a clearing organization, is fundamentally responsible for continuously working on development of risk management system, and in order to aim for the greater expansion of clearing services, we need to materialize further sophisticated risk management. Hence, "Resilient Risk Management System" will be adopted as the second pillar of our corporate policy.

More specifically, we will follow up on concrete discussions with market players toward the introduction of the intra-day collateral call system. Also, further reinforcement of risk management system based on CPSS/IOSCO's "Principles for Financial Market Infrastructures."

Competent System Infrastructures

JSCC will take up "Competent System Infrastructures" as the third pillar of our corporate policy, because system reinforcements that form the backbone of clearing services and risk management system are required to move towards the further expansion of such services and resilient risk management, also in response to requests by market players for higher-level functionality.

Specifically, we will address system-wise research and development of IRS and single-name CDS clearings. We will also work on building a consensus about requirements for functionality reinforcement and improvement in safety for the clearing system replacement that will be in operation in the beginning of 2014.

Concluding Remarks

JSCC has started providing the new field of OTC derivatives with its clearing functions by commencing clearing services for Index CDS transactions in addition to equity-based exchange-traded transactions.

Going forward we will do our best to help sharpen the competitive edge of financial and capital markets in Japan as well as improve convenience, efficiency, and safety of transactions, through the series of deliberations towards further expansion of clearing services including the clearing services for IRS transactions.

I respectfully request your continued, further understanding and support for our endeavors.

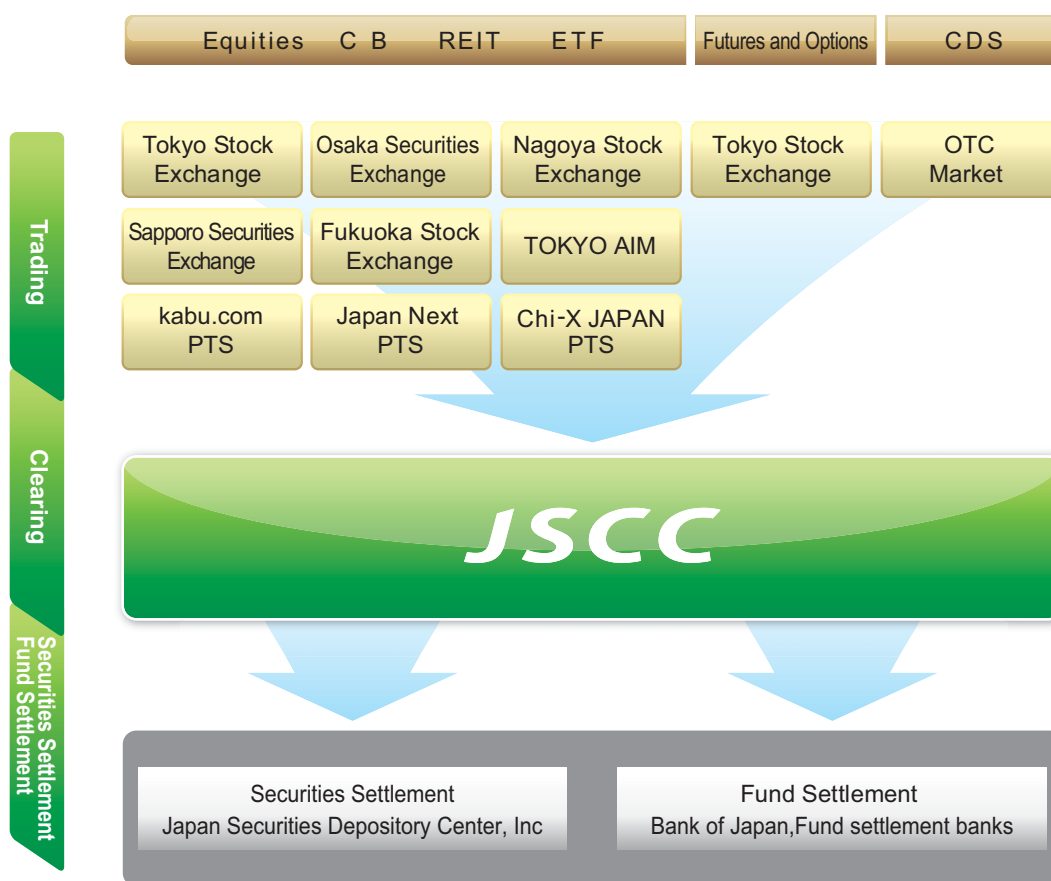


Yasuo Tobiyama
President and CEO,
August 2011

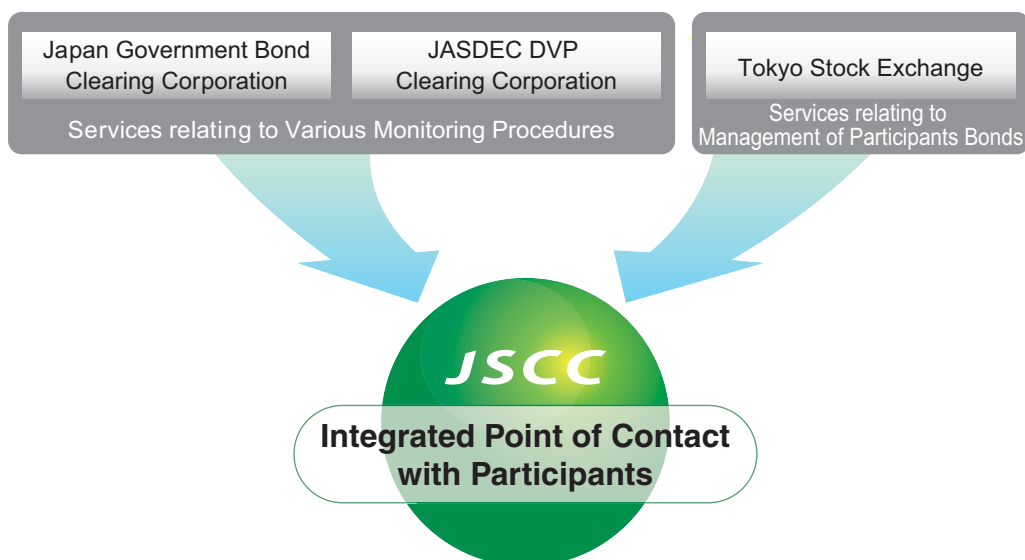
Roles as a Cross-Market Clearing Organization in Japan

Roles of JSCC in the Financial and Capital Market

As a unified clearing organization in Japan, Japan Securities Clearing Corporation (JSCC) provides services relating to the assumption of obligations in connection with all cash transactions executed at any of the stock exchanges and three PTSs(Proprietary Trading System) in Japan, as well as futures and options transactions executed at Tokyo Stock Exchange, Inc. In addition, we provide clearing services for CDS transactions executed on OTC derivatives market.



Services Offering to the Securities Infrastructures



Services relating to Various Monitoring Procedures

JSCC is entrusted by JASDEC DVP Clearing Corporation and Japan Government Bond Clearing Corporation with various procedures relating to the monitoring of financial conditions of clearing participants (such as submission of required documents). JSCC thus serves as an integrated liaison channel for these clearing organizations. As the result, clearing participants of these clearing organizations can complete filing with and reporting to all clearing organizations by submitting various documents to JSCC.

Services relating to Management of Participant Bonds

JSCC is entrusted with management operations relating to participant bonds that participants deposit with Tokyo Stock Exchange. As the result, JSCC serves as an integrated point for participants to deposit various types of collaterals, including clearing funds.

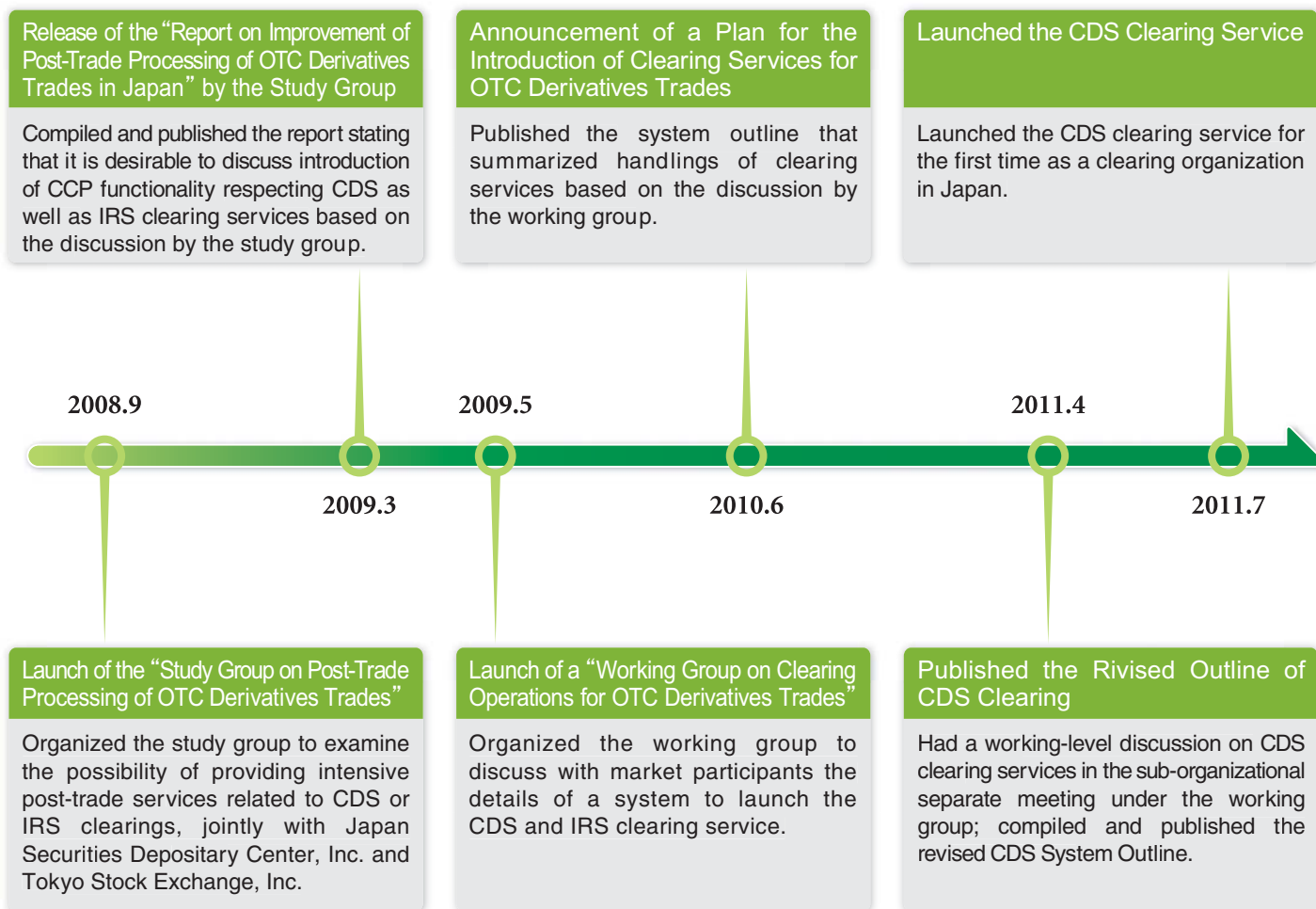
Greater Expansion of Clearing Services

Discussion on Handling of OTC Derivatives

Amid the rising importance of clearing house functionality since the recent financial crisis, JSCC has been progressively discussing the provision of clearing services for OTC derivatives, specifically CDS (Credit Default Swap) whose market has achieved remarkable growth and IRS which is widely traded in Japan, in order to expand the range to provide clearing services.

As a result, we have commenced clearing services for CDS transactions since July 19th, 2011 as the clearing business related to OTC derivatives for the first time in Japan.

We will continue to discuss further expansion of clearing services, such as the clearing services for IRS transactions.



Providing the Clearing Service for CDS Transactions

CDS transactions are so to speak bilateral transactions (OTC transactions), and up until now, financial institutions that handle CDS transactions were exposed to the risk of incurring losses due to a counterparty's failure to meet its settlement obligations in the event of default (counterparty risk).

Since JSCC has launched the clearing service, JSCC became the counterparty for all the clearings and settlements for which JSCC guarantees performance of settlements even in case of a counterparty's default, ensuring secure clearing of CDS transactions.

Figure 1. Before the Settlement Starts

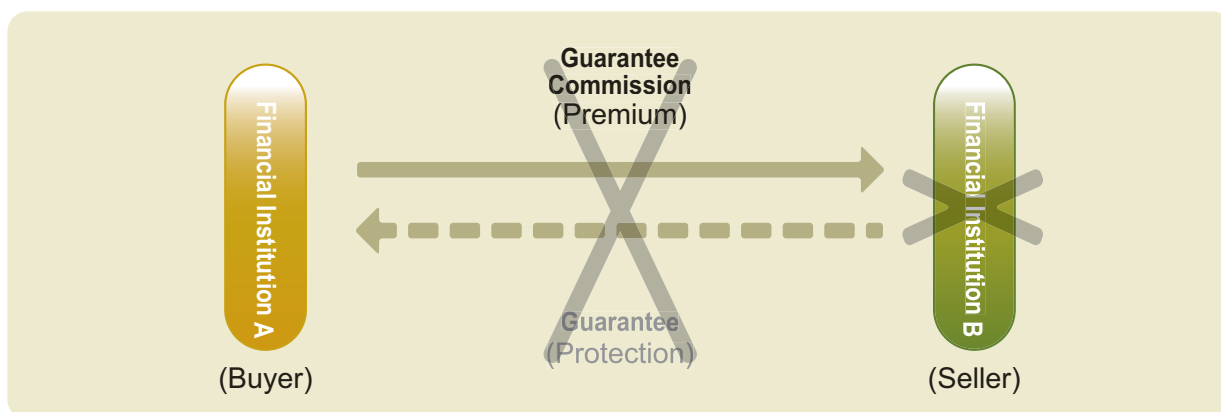
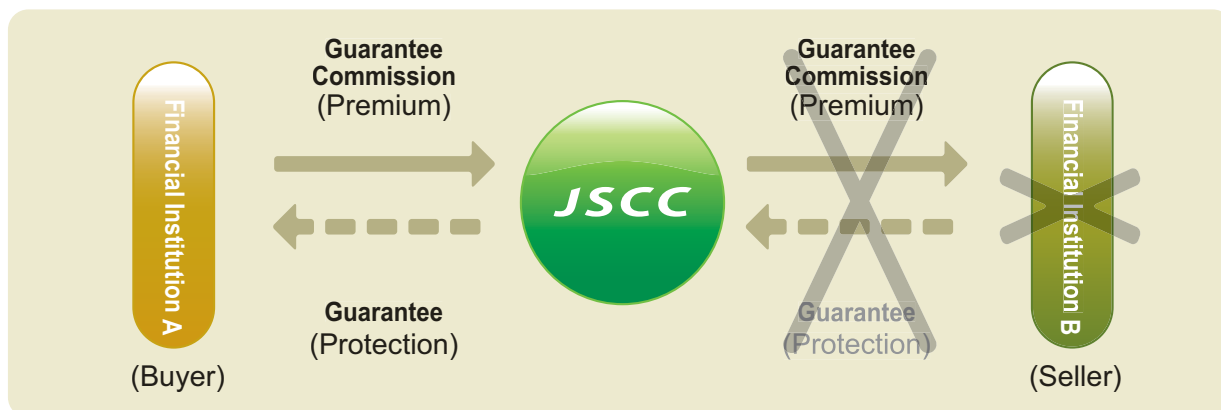


Figure 2. After the Settlement Has Started



Resilient Risk Management System

Basic Framework of Risk Management

Japan Securities Clearing Corporation (JSCC) assumes obligations for all cash transactions such as for stocks, etc. executed at all stock exchanges and three PTSs in Japan, futures and options transactions executed at the Tokyo Stock Exchange, Inc. and CDS transactions on OTC derivatives market. Accordingly, JSCC provides the basis for assuring the overall quality of the securities markets as a vital organization in maintaining their stability and reliability.

As JSCC assumes the credit risks and settlement risks of clearing participants in a concentrated manner, it needs to recognize and manage these risks appropriately. Therefore, JSCC has established a set of financial standards for all clearing participants from the perspective of managing their credit risks. JSCC constantly monitors the financial standing of clearing participants to ensure the appropriateness of their positions.

As JSCC becomes the counterparty to transactions involving clearing participants for which JSCC has assumed the obligations, JSCC is required to complete the settlement of the transactions with the other participants, even in the event of the default of a clearing participant.

Therefore, JSCC has a settlement guarantee system in place, under which a multi-tiered framework works to compensate for any losses incurred in the event of a default by a clearing participant. This structure is built on the principle that the defaulting party is primarily responsible for the compensation of losses by appropriating its collateral and any remaining losses are met with loss compensation by stock exchanges, PTSs, and other funds collected from other clearing participants.

Risk Management System for Exchange-traded Clearing

Clearing Participant Qualifications

JSCC has defined the qualifications to become a participant (requirements for entry and maintenance) for exchange-traded clearing, and regularly monitors the management structure, ability to conduct business, and financial standing of clearing participants. If there are significant problems in relation to these matters, JSCC has the right to suspend the assumption of its obligations and revoke its qualification as a clearing participant.

There are four categories of clearing qualifications: Cash Products, JGB Futures & Options on JGB Futures, Index Futures & Options and Securities Options. Within each of these categories are two classes: Principal Clearing Qualification and Agency Clearing Qualification. Agency Clearing Qualification enables clearing for the transactions of other participants, as well as a clearing participant's own transactions.

| Entry Requirements of Clearing Participant Qualifications related to Exchange-traded transactions etc. | Securities company | | |
|--|---|-----------------------------|--------------|
| | Principal | Agency | |
| | Capital | ¥300 million | ¥300 million |
| | Net Assets | ¥2 billion | ¥20 billion |
| | Capital to risk ratio | 200% | 200% |
| | Consolidated capital to risk ratio (*1) | 200% | 200% |
| | Registered financial institution | | |
| | Principal | Agency | |
| | Capital | ¥300 million | ¥300 million |
| | Shareholders' Equity | ¥2 billion | ¥20 billion |
| Maintenance Requirements of Clearing Participant Qualifications related to Exchange-traded transactions etc. | Capital Adequacy Ratio (*2) | International standard (*3) | 8% |
| | | Domestic standard (*4) | 4% |
| | Solvency Margin Ratio (*5) | 400% | 400% |
| | Securities company | | |
| | Principal | Agency | |
| | Capital | ¥300 million | ¥300 million |
| | Net Assets | ¥300 million | ¥20 billion |
| | Net Capital Requirement Ratio | 120% | 200% |
| | Consolidated capital to risk ratio (*1) | 120% | 200% |
| | Registered financial institution | | |
| | Principal | Agency | |
| | Capital | ¥300 million | ¥300 million |
| | Shareholders' Equity | ¥300 million | ¥20 billion |
| | Capital Adequacy Ratio (*2) | International standard (*3) | 4% |
| | | Domestic standard (*4) | 2% |
| | Solvency Margin Ratio (*5) | 100% | 400% |

(*1) Must be a special product trader and should file a report in accordance with Clause 57 section 5 article 2.

(*2) Applicable to registered financial institutions other than insurance companies

(*3) With branch office overseas

(*4) Without branch office overseas

(*5) Applicable to insurance companies.

Collateral System

Cash Transactions

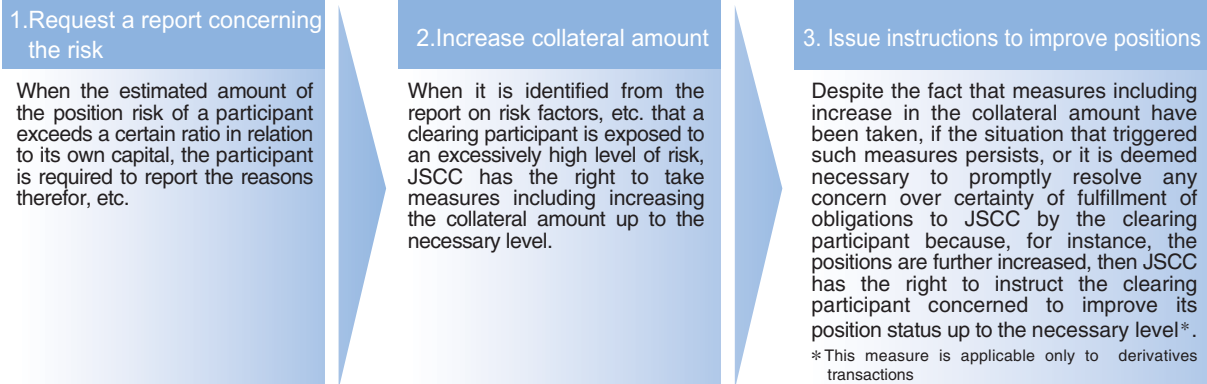
| Collateral Type | |
|--|---|
| Clearing Fund | <ul style="list-style-type: none"> To be deposited to cover the risk exposure of the price fluctuation for each equity which covers 99% confidence level for the past 120 days based on each participant's unsettled position. The required amount is calculated daily. |
| Deposit for Facilitation of DVP Settlement | <ul style="list-style-type: none"> At DVP settlement for cash trading, this will be deposited by participants at their option in order to receive the related securities at an early stage. |

Futures and Options Transactions

| Collateral Type | |
|-----------------|---|
| Clearing Margin | <ul style="list-style-type: none"> To be deposited to cover the risk exposure of the price fluctuation for each participant's open position which covers 99% confidence level for the past 24 weeks (120 days approx). The required amount is calculated daily via SPAN® <p>*The SPAN® (Standard Portfolio Analysis of Risk) system is a methodology that calculates risk-based margin developed by the Chicago Mercantile Exchange (CME) in 1988</p> |
| Clearing Fund | <ul style="list-style-type: none"> To be deposited to cover the risk exposure in the case where the daily mark-to-market difference has not been paid by cutoff time of settlement or where the clearing margin has not been deposited by the determined cutoff time. The required amount is calculated monthly. |

Position management system

When a clearing participant holds an excessive volume of positions in relating to its financial base, probabilities of a default by the participant are heightened if the position risk materializes as losses. Depending on the size of the losses, collection of a special clearing charge from other participants may become necessary in order to compensate such losses. In order to prevent such a situation from occurring, JSCC monitors unsettled positions of participants on a daily basis. When JSCC finds a clearing participant that is exposed to excessively high levels of risk, JSCC has the right to take the following measures.



Default Management

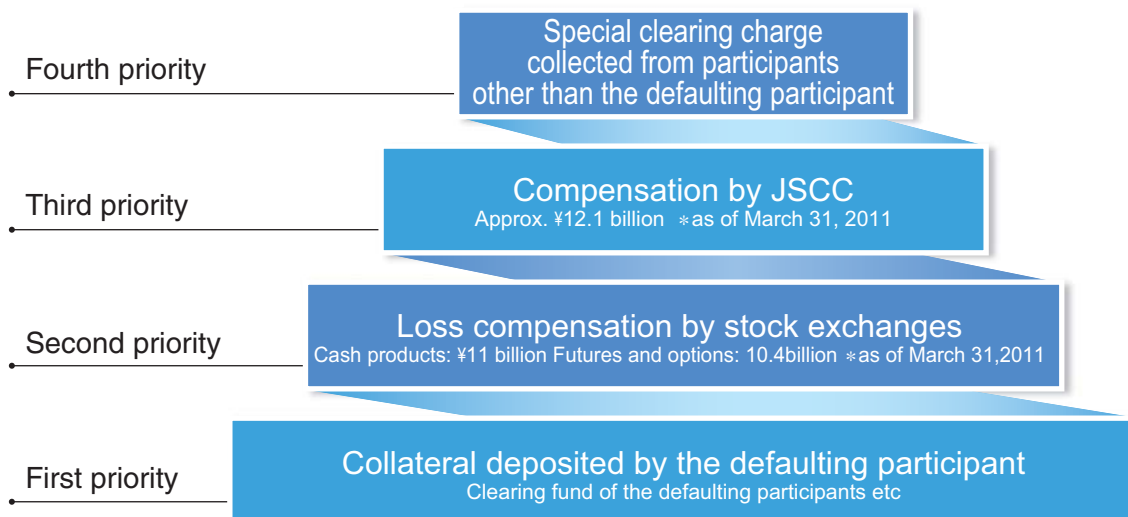
In the event of a clearing participant's default, JSCC first suspends the delivery of the settlement funds and securities to the defaulting participant. JSCC then conducts transactions to offset the unsettled contracts of the defaulting participants while at the same time selling the securities whose delivery was suspended so as to determine the amount of the loss resulting from the default. Clearing Participants are thus assured of safe market transactions even in the event of a default as JSCC acts on behalf of the defaulting participant to execute any settlement with other clearing participants.

In order to deal with the potential defaults by clearing participants, JSCC maintains the agreements* on liquidity provisions with fund settling banks to secure short-term liquidity.

* JSCC maintains a level of liquidity large enough to cover the settlement amounts of the two largest participation in the event of their default.

Loss Compensation Scheme

In the event that JSCC incurs loss as the result of a clearing participant's default, the loss is compensated for in the following order.



Risk Management System for CDS Clearing

Clearing Participants Qualification

JSCC has defined the qualifications to become a participant (requirements for entry and maintenance) for CDS clearing, and regularly monitors the management structure, ability to conduct business, and financial standing of clearing participants. If there are significant problems in relation to these matters, JSCC has the right to suspend the assumption of its obligations and revoke its qualification as a clearing participant.

| | | | |
|---|---|-------------------------------------|--|
| Entry Requirements of Clearing Participant Qualifications related to CDS transactions | Financial Instruments Business Operator | Item | Criteria |
| | | Net Capital (*1) | ¥100 billion |
| | | Net Capital Amount (*2・3) | 200% |
| | | Credit standing (*4) | Having a certain level of creditworthiness |
| | Registered Financial Institution | Item | Criteria |
| | | Net Capital (*1) | ¥100 billion |
| | | Net Capital Amount (*3・5・6) | International: 8% Domestic: 4% |
| | | Solvency Margin Ratio (*3・7) | 400% |
| Maintenance Requirements of Clearing Participant Qualifications related to CDS transactions | Financial Instruments Business Operator | Item | Criteria |
| | | Net Capital (*1) | ¥100 billion |
| | | Net Capital Regulation Ratio (*2・3) | 200% |
| | | Credit standing (*4) | Having a certain level of creditworthiness |
| | Registered Financial Institution | Item | Criteria |
| | | Net Capital (*1) | ¥100 billion |
| | | Net Capital Amount (*3・5・6) | International: 8% Domestic: 4% |
| | | Solvency Margin Ratio (*3・7) | 400% |
| | | Credit standing (*4) | Having a certain level of creditworthiness |

(*1) In the case of the financial instruments business operators, the amount of net capital in net capital regulation ratio, in the case of the registered financial institution, the amount of net capital under regulations regarding capital adequacy ratio.

(*2) In the case of falling under so called "downstream regulation", non-consolidated net capital regulation ratio, and consolidated net capital regulation ratio.

(*3) In the case where JSCC deem it necessary considering the creditworthiness of a clearing participant, 1.25 times value shall be applied as the base value.

(*4) A rating of a clearing participant will be used as one of the factors to judge comprehensively.

(*5) Applies to Registered Financial Institution which are not insurance companies.

(*6) International criteria applies to financial institutions which have business locations overseas. Domestic criteria apply to financial institutions which have no business locations overseas.

(*7) Applies to insurance companies.

Collateral Management

For the sake of risk management related to the position held by Clearing Participant, JSCC requests Clearing Participant to deposit collateral.

| Collateral Type | |
|------------------|--|
| Initial Margin | <ul style="list-style-type: none">• To be deposited to cover the average of top 1% that exceeds 99% of the price fluctuation for the past 750 days.• The amount required to be reviewed on a daily basis.• Besides this, there will be following additions depending on risks up to Clearing Participant's position: Clearing Participant's position:<ul style="list-style-type: none">◆ A certain amount will be added on Sellers positions to cover the risk exposure in the case of credit event by the reference entity (short charge).◆ The amount according to each series will be added to cover the liquidity risk exposure for each series (bid/offer charge).◆ A certain amount to be added to the defaulted series to which credit event occurs in order to hedge the risk exposure from the time of the credit event of the settlement of the credit event (credit event margin). |
| Variation Margin | <ul style="list-style-type: none">• To be deposited to cover the risk exposure of the price fluctuation which is received or paid by cash equivalent to the NPV variation. |
| Clearing Fund | <ul style="list-style-type: none">• To be deposited to cover the risk exposure as followings:<ul style="list-style-type: none">◆ The loss incurred in the case where the clearing participant defaults without having margin paid by the cutoff time of settlement.◆ In the event of default by two largest clearing participants, under stress condition, the loss incurred due to the shortage of margin deposited by such defaulting clearing participants.• The required amount is calculated weekly. |

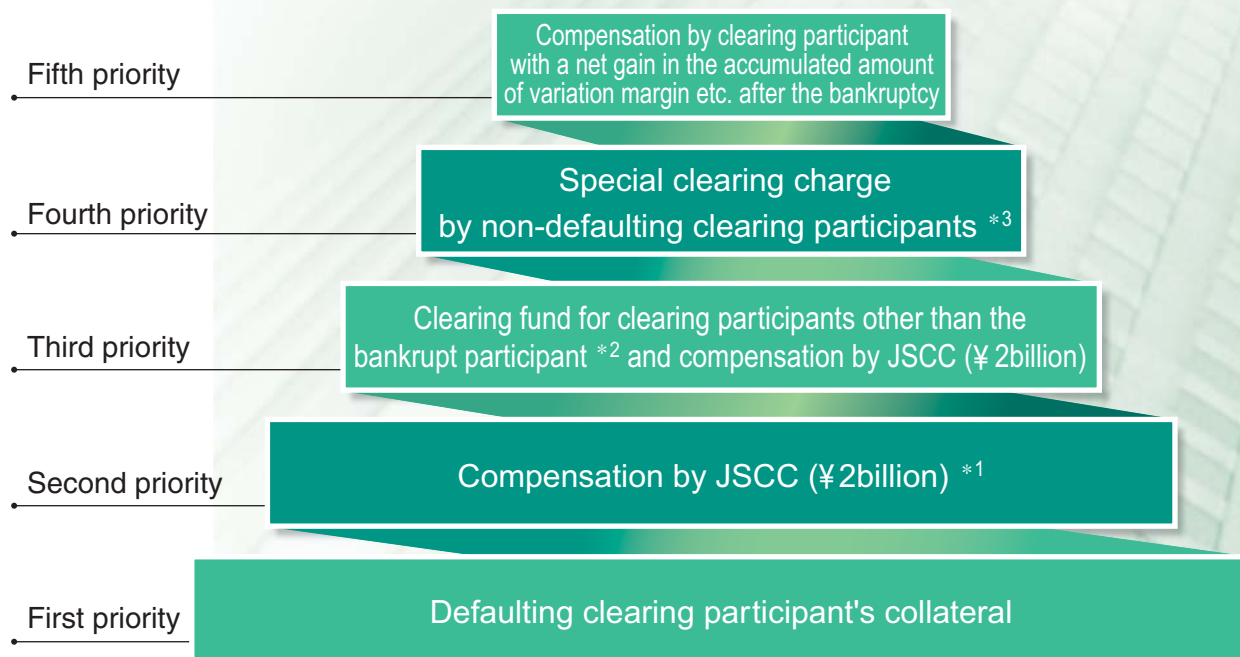
Default Management

In the event Clearing Participant is defaulted, JSCC will suspend the payment of the settlement amount to the Defaulting Clearing Participant, and at the same time, will promptly hedge the Defaulting Clearing Participant's portfolio based on the advice given by the default management committee (the committee consisted of clearing participants appointed in advance to cooperate the default procedure). Subsequently, the Defaulting Clearing Participant's portfolio will be put up to auction.

Settlements with other clearing participants will be done by JSCC, as one of the parties for the debt and credit.

Loss Compensation Scheme

In the event that JSCC incurs loss as the result of a clearing participant's default, the loss is compensated for in the following order.



^{*1} As of July 19, 2011

^{*2} Limited to CDS-related clearing funds

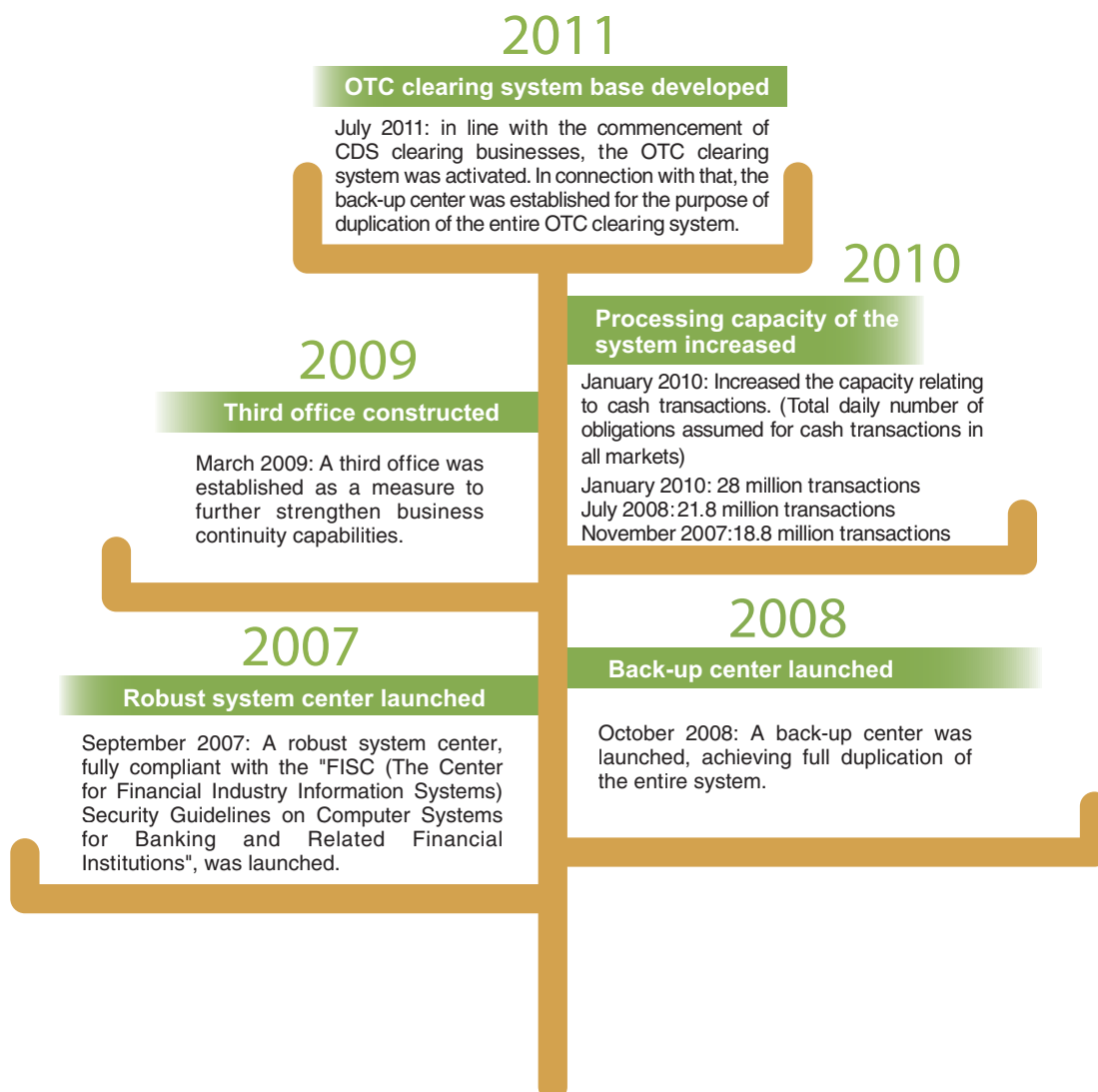
^{*3} Will be capped with the amount of clearing fund for the participant's default that had occurred by the 30th day from the first default.

Efforts toward the Reinforcement of the System Base

Based on the discussions at the Securities Market BCP Council*, JSCC launched the back-up center in October 2008, achieving full duplication of the system. In addition, JSCC established the third office in March 2009 to ensure stable and reliable operations in emergency situations. Also, the entire OTC clearing system was developed in line with the commencement of CDS clearing businesses in July 2011.

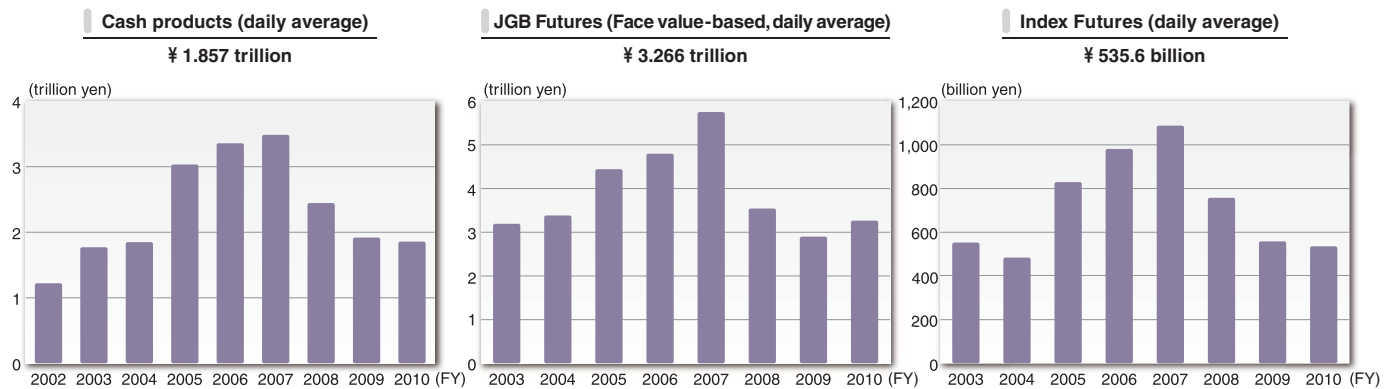
JSCC is continually making efforts to improve the safety and reliability by reviewing the system base and taking appropriate measures as needed.

*Established for the purpose of studying BCP and implementing appropriate measures as needed, it is at the top of the BCP forum of the securities market. Securities-related organizations comprise its membership.

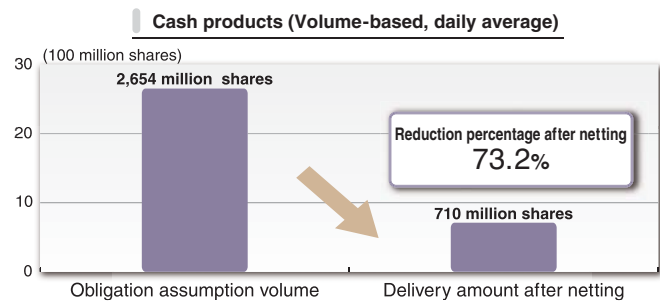
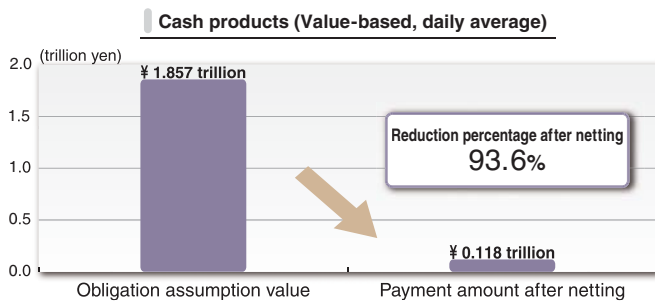


Business Data and Statistics

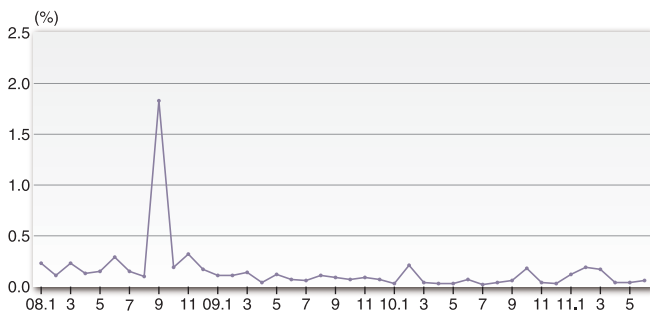
Obligation Assumption Values



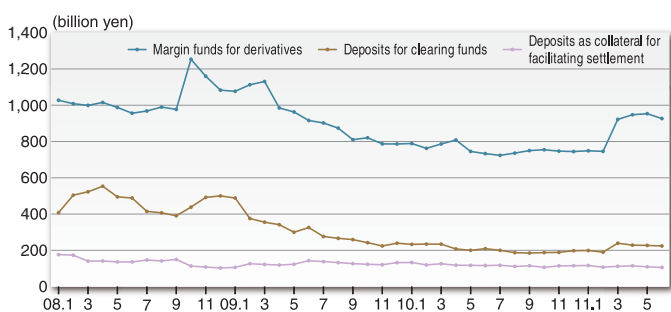
Netting



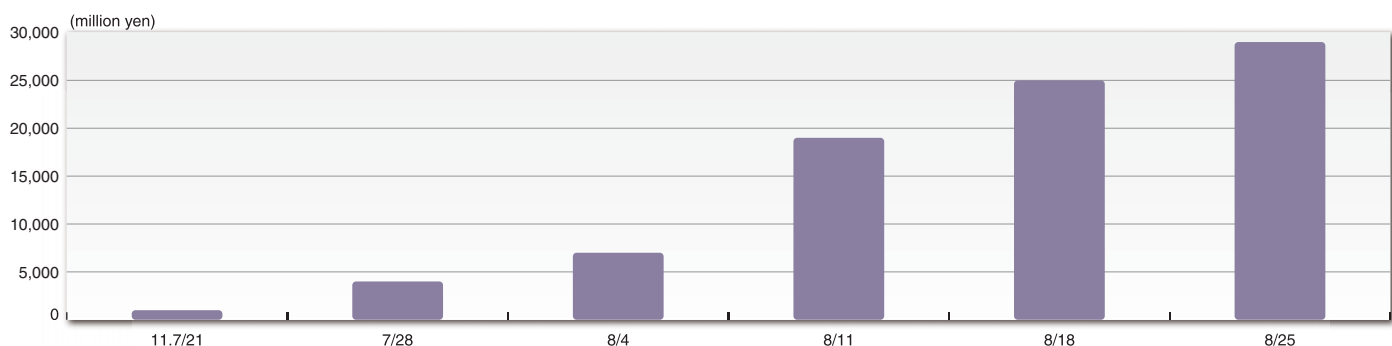
Fail Rate Cash products (Volume-based)



Changes in Clearing Fund Deposits, etc.



Total Balance of CDS Obligation Bearing (based on notional amount)



Clearing Participants (As of August 1, 2011)

Clearing Participants in relation to Listed Products

| | | 1 | 2 | 3 | 4 | | | 1 | 2 | 3 | 4 | | |
|--|--|-------------------------------|---|---|---|---|-----------------------------------|--|---|---|---|---|---|
| A | ABN AMRO Clearing Tokyo Co., Ltd. | ○ | ○ | ○ | ○ | | | HINODE SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ | |
| | ACE SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ | | | HIROTA SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ | |
| | AIZAWA SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ | | | The Hokkoku Bank, Ltd. | — | ○ | — | — | |
| | AKAKIYA SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ | | | The Hokuetsu Bank, Ltd. | — | ○ | — | — | |
| | Akatsuki Securities, Inc. | ○ | ○ | ○ | ○ | | | HSBC SECURITIES (JAPAN) LIMITED | ○ | ○ | ○ | ○ | |
| | ANDO SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ | | | The Hyakujushi Bank, Ltd. | — | ○ | — | — | |
| | Aozora Bank, Ltd. | — | ○ | — | — | I | | Ichiyoshi Securities Co.,Ltd. | ○ | ○ | ○ | ○ | |
| | ARK SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ | | | The Imamura Securities Co., Ltd. | ○ | ○ | ○ | ○ | |
| B | THE BANK OF FUKUOKA, LTD. | — | ○ | — | — | | | INSTINET JAPAN LIMITED | ○ | ○ | ○ | ○ | |
| | The Bank of Kyoto, Ltd. | — | ○ | — | — | | | Iwai Securities Co.,Ltd. | ○ | ○ | ○ | ○ | |
| | THE BANK OF SAGA LTD. | — | ○ | — | — | J | | JP Morgan Securities Japan Co., Ltd. | ○ | ○ | ○ | ○ | |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | — | ○ | — | — | | | Japan Asia Securities Co.,Ltd. | ○ | ○ | ○ | ○ | |
| | The Bank of Yokohama, Ltd. | — | ○ | — | — | | JAPAN SECURITIES FINANCE CO.,LTD. | ○ | — | — | — | | |
| | Barclays Capital Japan Limited | ○ | ○ | ○ | ○ | | Jefferies (Japan) Limited | ○ | — | — | — | | |
| | BNP Paribas Securities (Japan) Limited | ○ | ○ | ○ | ○ | | The Joyo Bank, Ltd. | — | ○ | — | — | | |
| | C | The Chiba Bank, Ltd. | — | ○ | — | — | | | Jyoko Securities Co.,Ltd. | ○ | — | — | — |
| Chibagin Securities Co.,Ltd. | | ○ | ○ | ○ | ○ | | | Jyujiya Securities Co.,Ltd. | ○ | ○ | ○ | ○ | |
| CHUBU SECURITIES FINANCING CO.,LTD. | | ○ | — | — | — | K | | kabu.com Securities Co.,Ltd. | — | — | ○ | — | |
| The Chugoku Bank, Limited | | — | ○ | — | — | | | Kaneyama Securities Co.,Ltd. | ○ | ○ | ○ | ○ | |
| The Chuo Mitsui Trust and Banking Company, Limited | | — | ○ | — | — | | KAZAKA Securities Co., Ltd. | ○ | ○ | ○ | ○ | | |
| Citibank Japan Ltd. | | ★ | ★ | ★ | ★ | | KIMURA SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ | | |
| Citigroup Global Markets Japan Inc. | | ○ | ○ | ○ | ○ | | The Kiyo Bank, Ltd. | — | ○ | — | — | | |
| D | | Cosmo Securities Co.,Ltd. | ★ | ○ | ○ | ○ | | | The Kosei Securities Co.,Ltd. | ○ | ○ | ○ | ○ |
| | Credit Agricole Securities Asia B.V. | ○ | ○ | ○ | ○ | | | KYOKUTO SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ | |
| | Credit Suisse Securities (Japan) Limited | ○ | ○ | ○ | ○ | L | | Kyowa Securities Co.,Ltd. | ○ | ○ | ○ | ○ | |
| | Daiko Clearing Services Corporation | ★ | ★ | ★ | ★ | | | Leading Securities Co., Ltd. | ○ | — | — | — | |
| | The Daishi Bank, Ltd. | — | ○ | — | — | | livestar Securities Co.,Ltd. | ○ | ○ | ○ | ○ | | |
| | Daiwa Securities Co.Ltd. | ○ | ○ | ○ | ○ | M | | Macquarie Capital Securities (Japan) Limited | ○ | — | — | — | |
| | Daiwa Securities Capital Markets Co.Ltd. | ○ | ○ | ○ | ○ | | | MAEDA SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ | |
| | Deutsche Securities Inc. | ○ | ○ | ○ | ○ | | Marufuku Securities Co.,Ltd. | ○ | ○ | ○ | ○ | | |
| E | DOJIMAKANTO Securities Co.,Ltd. | ○ | ○ | ○ | ○ | | | Maruhachi Securities Co.,Ltd. | ○ | ○ | ○ | ○ | |
| | Eiwa Securities Co.,Ltd. | — | ○ | ○ | — | | | MARUKUNI SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ | |
| | G | GMO CLICK Securities, Inc. | ○ | — | — | — | | | Marusan Securities Co.,Ltd. | ○ | ○ | ○ | ○ |
| | | Goldman Sachs Japan Co., Ltd. | ○ | ○ | ○ | ○ | | | MATSUI SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ |
| | The Gunma Bank, Ltd. | — | ○ | — | — | | | MEIWA SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ | |
| | H | H.S. SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ | | | Merrill Lynch Japan Securities Co.,Ltd. | ★ | ○ | ○ | ○ |
| | | The Hachijuni Bank, Ltd. | — | ○ | — | — | | | MIKI SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ |
| | | HACHIJUNI SECURITIES Co.,Ltd. | ○ | ○ | ○ | ○ | | | MITA SECURITIES Co.,Ltd. | ○ | — | — | — |
| Hibiki Securities Inc. | | ○ | — | — | — | | | Mito Securities Co.,Ltd. | ○ | ○ | ○ | ○ | |
| | THE HIKARI SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ | | | Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. | ○ | ○ | ○ | ○ | |

1...Cash products 2...JGB Futures & Options on JGB Futures 3...Index Futures & Index Options 4...Securities Options
Principal Clearing Participant: ○ Agency Clearing Participant: ★

| | 1 | 2 | 3 | 4 |
|--|---|---|---|---|
| Mitsubishi UFJ Trust and Banking Corporation | — | ○ | — | — |
| Mizuho Bank, Ltd. | — | ○ | — | — |
| Mizuho Corporate Bank, Ltd. | — | ○ | — | — |
| Mizuho Investors Securities Co.,Ltd. | ○ | ○ | ○ | ○ |
| Mizuho Securities Co.,Ltd. | ○ | ○ | ○ | ○ |
| Mizuho Trust & Banking Co.,Ltd. | — | ○ | — | — |
| Monex, Inc. | ○ | — | — | — |
| Morgan Stanley MUFG Securities Co., Ltd. | ○ | ○ | ○ | ○ |
| The Murosei Securities Co.,Ltd. | ○ | ○ | ○ | ○ |
| Musashi Securities Co., Ltd. | ○ | ○ | ○ | ○ |
| N NAGANO SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ |
| NAITO SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ |
| The Nakahara Securities Co.,Ltd. | ○ | ○ | ○ | ○ |
| Natixis Japan Securities Co.,Ltd. | ○ | ○ | ○ | ○ |
| New-S Securities Co.,Ltd. | ○ | — | — | — |
| Newedge Japan Inc. | ○ | ○ | ○ | ○ |
| Niigata Securities Co.,Ltd. | ○ | ○ | ○ | ○ |
| NISHIMURA SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ |
| THE NISHI-NIPPON CITY BANK, LTD. | — | ○ | — | — |
| NISSAN CENTURY SECURITIES CO., LTD. | ○ | ○ | ○ | ○ |
| Nomura Securities Co.,Ltd. | ○ | ○ | ○ | ○ |
| The Norinchukin Bank | — | ○ | — | — |
| O The Ogaki Kyoritsu Bank, Ltd. | — | ○ | — | — |
| THE OITA BANK, LTD. | — | ○ | — | — |
| OKACHI SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ |
| OKASAN SECURITIES CO.,LTD. | ★ | ○ | ○ | ○ |
| OKAYASU SECURITIES, Co.,Ltd | ○ | — | — | — |
| Osaka Securities Finance Co.,Ltd. | ○ | — | — | — |
| P Phillip Securities Japan,Ltd. | ○ | ○ | ○ | ○ |
| Phoenix Securities Co., Ltd. | ○ | — | — | — |
| R Rakuten Securities, Inc. | ○ | ○ | ○ | ○ |
| RBS SECURITIES JAPAN LIMITED | ○ | ○ | ○ | ○ |
| Resona Bank, Limited | — | ○ | — | — |
| Retela Crea Securities Co.,Ltd. | ○ | ○ | ○ | ○ |
| S San-ei Securities Co.,Ltd. | ○ | ○ | ○ | ○ |
| SANKO SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ |
| Sankyo Securities Co., Ltd. | ○ | — | — | — |
| SBI SECURITIES Co., Ltd. | ○ | ○ | ○ | ○ |
| Securities Japan, Inc. | ○ | ○ | ○ | ○ |

| | 1 | 2 | 3 | 4 |
|--|-----|-----|----|----|
| The Senshu Ikeda Bank, Ltd. | — | ○ | — | — |
| The 77 Bank, Ltd. | — | ○ | — | — |
| Shinkin Central Bank | — | ○ | — | — |
| Shinkin Securities Co., Ltd. | — | ○ | — | — |
| THE SHIZUOKA BANK, LTD. | — | ○ | — | — |
| The Shoko Chukin Bank, Ltd. | — | ○ | — | — |
| Sinsei Bank, Limited | — | ○ | — | — |
| SMBC Friend Securities Co.,Ltd. | ○ | ○ | ○ | ○ |
| SMBC Nikko Securities Inc. | ○ | ○ | ○ | ○ |
| Societe Generale Securities (North Pacific) Ltd. | ○ | ○ | ○ | ○ |
| Sumitomo Mitsui Banking Corporation | — | ○ | — | — |
| The Sumitomo Trust and Banking Company, Limited | — | ○ | — | — |
| Suruga Bank Ltd. | — | ○ | — | — |
| T TAKAGI SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ |
| The Tama Shinkin Bank | — | ○ | — | — |
| THE TACHIBANA SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ |
| Tokai Tokyo Securities Co.,Ltd. | ○ | ○ | ○ | ○ |
| THE TOKYO HIGASHI SHINKIN BANK | — | ○ | — | — |
| TOYO SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ |
| U UBS Securities Japan Ltd. | ○ | ○ | ○ | ○ |
| UTSUMIYA SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ |
| Y YAHATA SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ |
| YAMAGEN Securities Co.,Ltd. | ○ | ○ | ○ | ○ |
| The Yamaguchi Bank, Ltd. | — | ○ | — | — |
| Yamani Securities Co.,Ltd. | ○ | ○ | ○ | ○ |
| YAMAWA SECURITIES CO.,LTD. | ○ | ○ | ○ | ○ |
| The Yutaka Securities Co.,Ltd. | ○ | ○ | ○ | ○ |
| Principal Clearing Participant | 100 | 128 | 90 | 88 |
| Agency Clearing Participant | 5 | 2 | 2 | 2 |

CDS Clearing Participants

| |
|--|
| Daiwa Securities Capital Markets Co.Ltd. |
| Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. |
| Mizuho Securities Co.,Ltd. |
| Morgan Stanley MUFG Securities Co., Ltd. |
| Nomura Securities Co.,Ltd. |

Financial Statements

Balance Sheets March 31, 2011 and 2010

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) | | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|------------------|------------------|------------------------------------|---|------------------|------------------|------------------------------------|
| ASSETS | 2011 | 2010 | 2011 | LIABILITIES AND EQUITY | 2011 | 2010 | 2011 |
| CURRENT ASSETS: | | | | CURRENT LIABILITIES: | | | |
| Cash and bank deposits (Note 7) | ¥ 13,275 | ¥ 12,547 | \$ 159,661 | Accounts payable—trade(Notes 7 and 9) | ¥ 910 | ¥ 889 | \$ 10,944 |
| Accounts receivable—trade (Notes 7 and 9) | 1,287 | 1,006 | 15,479 | Income taxes payable | 240 | 60 | 2,890 |
| Marketable securities (Note 7) | | 1,999 | | Consumption taxes payable | 24 | | 293 |
| Margin funds for derivatives(Notes 4 and 7) | 246,659 | 136,082 | 2,966,440 | Accrued bonuses | 41 | 37 | 500 |
| Deposits for clearing funds(Notes 4 and 7) | 81,967 | 87,442 | 985,773 | Accrued bonuses for directors | 13 | 6 | 165 |
| Deposits as collateral for facilitating settlement (Notes 4 and 7) | 22,510 | 13,011 | 270,715 | Margin funds received for derivatives(Notes 4 and 7) | 246,659 | 136,082 | 2,966,440 |
| Margin funds for when-issued transactions (Notes 4 and 7) | 251 | 251 | 3,018 | Deposits received for clearing funds(Notes 4 and 7) | 81,967 | 87,442 | 985,773 |
| Deferred tax assets (Note 5) | 42 | 26 | 508 | Deposits received as collateral for facilitating settlement (Notes 4 and 7) | 22,510 | 13,011 | 270,715 |
| Consumption taxes receivable | | 44 | | Margin funds received for when-issued transactions (Notes 4 and 7) | 251 | 251 | 3,018 |
| Other current assets | 86 | 53 | 1,039 | Other current liabilities | 12 | 14 | 151 |
| Total current assets | 366,079 | 252,464 | 4,402,637 | Total current liabilities | 352,630 | 237,795 | 4,240,896 |
| PROPERTY AND EQUIPMENT—Net (Note 3): | | | | NON-CURRENT LIABILITIES— | | | |
| Buildings | 26 | 30 | 316 | Long-term accounts payable | 12 | 17 | 153 |
| Equipment and furniture | 4 | 7 | 56 | Total non-current liabilities | 12 | 17 | 153 |
| Total property and equipment | 30 | 38 | 372 | Total liabilities | 352,643 | 237,813 | 4,241,049 |
| INTANGIBLE FIXED ASSETS—Net— | | | | EQUITY (Notes 6 and 10): | | | |
| software | 11 | 22 | 136 | Shareholders' equity: | | | |
| Total intangible fixed assets | 11 | 22 | 136 | Common stock—authorized, 120,000 shares at March 31, 2011 and 2010; issued, 33,543 shares at March 31, 2011 and 30,000 shares at March 31, 2010 | 2,600 | 1,700 | 31,268 |
| INVESTMENTS AND OTHER ASSETS: | | | | Capital surplus | 2,150 | 1,300 | 25,857 |
| Investments in securities (Note 7) | 1,599 | | 19,238 | Retained earnings | 12,186 | 11,814 | 146,557 |
| Investments in an affiliated company (Notes 7 and 8) | 1,750 | | 21,047 | General reserve | 11,810 | 11,620 | 142,032 |
| Long-term prepaid expenses | 49 | 47 | 595 | Retained earnings—unappropriated | 376 | 194 | 4,524 |
| Guarantee money deposits | 48 | 48 | 578 | Total shareholders' equity | 16,936 | 14,814 | 203,683 |
| Deferred charges | 5 | | 63 | Total equity | 16,936 | 14,814 | 203,683 |
| Deferred tax assets (Note 5) | 5 | 7 | 62 | | | | |
| Total investments and other assets | 3,457 | 102 | 41,586 | | | | |
| TOTAL | ¥ 369,579 | ¥ 252,627 | \$ 4,444,733 | TOTAL | ¥ 369,579 | ¥ 252,627 | \$ 4,444,733 |

See notes to financial statements.

Statements of Income Years Ended March 31, 2011 and 2010

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|-----------------|--------------|--|
| | 2011 | 2010 | 2011 |
| OPERATING REVENUES (Note 9): | | | |
| Clearing fees | ¥ 7,080 | ¥ 6,737 | \$ 85,159 |
| Monthly fees | 138 | 138 | 1,670 |
| Maintenance fees on cash products and derivatives | 437 | 440 | 5,260 |
| Other operating income | 342 | 417 | 4,121 |
| Total operating revenues | 8,000 | 7,734 | 96,211 |
| OPERATING EXPENSES (Note 9): | | | |
| Outsourcing business costs | 6,778 | 6,845 | 81,522 |
| Salaries and compensation | 460 | 421 | 5,535 |
| Real estate rental fees | 53 | 53 | 642 |
| Facility expenses | 13 | 11 | 159 |
| Other operating expenses | 142 | 132 | 1,714 |
| Total operating expenses | 7,448 | 7,464 | 89,573 |
| Operating profit | 551 | 269 | 6,638 |
| OTHER INCOME (EXPENSES): | | | |
| Interest income | 44 | 59 | 530 |
| Subsidy income | 47 | | 567 |
| Other—net | (3) | 5 | (44) |
| Other income—net | 87 | 65 | 1,053 |
| INCOME BEFORE INCOME TAXES | 639 | 334 | 7,691 |
| INCOME TAXES—Current (Note 5) | 282 | 155 | 3,393 |
| INCOME TAXES—Deferred (Note 5) | (14) | (14) | (170) |
| NET INCOME (Note 10) | ¥ 371 | ¥ 193 | \$ 4,468 |

See notes to financial statements.

Statements of Changes in Equity Years Ended March 31, 2011 and 2010

| | Outstanding Number of Shares of Common Stock (Note 10) | Millions of Yen | | | | |
|---|---|-----------------|-------------------------------|-------------------|----------------|---------------------------|
| | | Common Stock | Capital Surplus | Retained Earnings | | Total Equity (Note 10) |
| | | | Additional Paid-in Capital | General Reserve | Unappropriated | |
| BALANCE, APRIL 1, 2009 | 30,000 | ¥ 1,700 | ¥ 1,300 | ¥ 10,680 | ¥ 941 | ¥ 14,621 |
| Net income | | | | | 193 | 193 |
| Transfer to general reserve | | | | 940 | (940) | |
| BALANCE, MARCH 31, 2010 | 30,000 | 1,700 | 1,300 | 11,620 | 194 | 14,814 |
| Issuance of new shares of common stock (Note 6) | 3,543 | 900 | 850 | | | 1,750 |
| Net income | | | | | 371 | 371 |
| Transfer to general reserve | | | | 190 | (190) | |
| BALANCE, MARCH 31, 2011 | 33,543 | ¥ 2,600 | ¥ 2,150 | ¥ 11,810 | ¥ 376 | ¥ 16,936 |

| | | Thousands of U.S. Dollars (Note 1) | | | | |
|---|--|------------------------------------|-------------------------------|-------------------|----------------|---------------------------|
| | | Common Stock | Capital Surplus | Retained Earnings | | Total Equity (Note 10) |
| | | | Additional Paid-in Capital | General Reserve | Unappropriated | |
| BALANCE, MARCH 31, 2010 | | \$ 20,444 | \$ 15,634 | \$ 139,747 | \$ 2,341 | \$ 178,168 |
| Issuance of new shares of common stock (Note 6) | | 10,823 | 10,223 | | | 21,047 |
| Net income | | | | | 4,468 | 4,468 |
| Transfer to general reserve | | | | 2,285 | (2,285) | |
| BALANCE, MARCH 31, 2011 | | \$ 31,268 | \$ 25,857 | \$ 142,032 | \$ 4,524 | \$ 203,683 |

See notes to financial statements.

Notes to Financial Statements

Years Ended March 31, 2011 and 2010

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying financial statements of Japan Securities Clearing Corporation ("JSCC" or the "Company") are prepared in accordance with the provisions set forth in the Companies Act of Japan (the "Companies Act") and in conformity with accounting principles generally accepted in Japan. A statement of cash flows is not required as a part of the basic financial statements under the Companies Act and, accordingly, is not presented herein and the information provided in the notes to the financial statements is limited to that required by Japanese laws and regulations. Japanese yen figures less than a million yen are rounded down to the nearest million yen.

In preparing these financial statements, certain reclassifications have been made in the 2010 financial statements to conform to the classifications used in 2011.

The financial statements are stated in Japanese yen, the currency of the country in which JSCC 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 ¥83.15 to U.S.\$1, the approximate rate of exchange at March 31, 2011. 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. U.S. dollar figures less than a thousand dollars are rounded down to the nearest thousand dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Marketable Securities and Investments in Securities—Held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost determined by the straight-line method.

b. Investments in an Affiliated Company—Investments in an affiliated company are stated at cost determined by the moving-average method.

c. Property and Equipment—Property and equipment are stated at cost. Depreciation is computed using the declining-balance method over the estimated useful lives of the assets.

d. Software—Software for internal use is amortized using the straight-line method over an estimated useful life, normally five years.

e. Bonuses to Employees and Directors—Bonuses to employees and directors are accrued at the year end to which such bonuses are attributable.

f. Accounting for Obligation Assumption—Obligations and credits that JSCC assumes and acquires in the financial instruments obligation assumption business and the business specified under Article 156-6 Paragraph 1 of the Financial Instruments and Exchange Act are accounted for at the time of settlement.

g. Income Taxes—Income taxes of JSCC consist of corporate income taxes, local inhabitants taxes and enterprise taxes. Income taxes are determined using the asset and liability method, where deferred tax assets and liabilities are recognized for temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements.

h. Deferred Charges—Stock issue costs are amortized to income by the straight-line method over three years.

i. Accounting for Consumption Taxes—Consumption taxes are imposed at a flat rate of 5% for all domestic consumption of goods and services with certain limited exemptions. Consumption taxes imposed on JSCC's sales are withheld by JSCC at the time of sale and are subsequently paid to the government tax authority.

Consumption taxes withheld and consumption taxes paid by JSCC on the purchase of goods and services from vendors are not included in any amounts in the accompanying statements of income.

j. Appropriation of Retained Earnings—Under the Companies Act and the Articles of Incorporation, the plan for appropriation of retained earnings proposed by the board of directors is required to be approved at the shareholders meeting which must be held within three months after the end of each fiscal year.

Unappropriated retained earnings at the end of each fiscal year do not represent the results of such an appropriation applicable to that fiscal year, which will be approved at the shareholders meeting and disposed of during the next fiscal year.

3. ACCUMULATED DEPRECIATION OF PROPERTY AND EQUIPMENT

Accumulated depreciation of property and equipment at March 31, 2011 and 2010 is as follows:

| Millions of Yen | | Thousands of U.S. Dollars |
|-----------------|------|---------------------------|
| 2011 | 2010 | 2011 |
| ¥85 | ¥82 | \$ 1,029 |

4. CLEARING DEPOSITS

JSCC, as a financial instruments clearing institution, assumes obligations and obtains credits from clearing participants when securities are traded in the market. In order to secure against default by the clearing participants for the period from the trading date through the settlement date, JSCC receives clearing deposits in accordance with the Financial Instruments and Exchange Act and relevant ordinances and rules and keeps them segregated from JSCC's own assets.

Deposited monetary assets and related offsetting liabilities are presented in the accompanying balance sheets as "Margin funds (received) for derivatives," "Deposits (received) for clearing funds," "Deposits (received) as collateral for facilitating settlement" and "Margin funds (received) for when issued transactions."

Deposited securities and related offsetting liabilities are not included in the accompanying balance sheets. The market values of such deposited securities as of March 31, 2011 and 2010 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|----------|---------------------------|
| | 2011 | 2010 | 2011 |
| Margin funds for derivatives | ¥793,546 | ¥791,409 | \$9,543,557 |
| Deposits for clearing funds | 187,621 | 169,002 | 2,256,417 |
| Deposits as collateral for facilitating settlement | 100,090 | 129,382 | 1,203,734 |
| Margin funds for when-issued transactions | 85 | 142 | 1,026 |

5. INCOME TAXES

The Company is subject to several taxes based on income, which in the aggregate resulted in a statutory tax rate of approximately 41% for the years ended March 31, 2011 and 2010.

Significant components of the Company's deferred tax assets as of March 31, 2011 and 2010 are accrued bonuses and accrued enterprise taxes, respectively.

As the differences between the statutory tax rates and the effective tax rates for the years ended March 31, 2011 and 2010 are less than 5% of the statutory tax rates, the reconciliations are omitted.

6. EQUITY

(1) On October 20, 2010, JSCC issued 3,543 shares of common stock by third-party allotment to Tokyo Stock Exchange Group, Inc. at ¥493,949 (\$5,940) per common share. As a result, the amount of common stock increased by ¥900 million (\$10,823 thousand) and the amount of capital surplus increased by ¥850 million (\$10,223 thousand).

(2) Japanese companies are subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends—Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having a board of directors, (2) having independent auditors, (3) having a board of statutory auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the board of directors may declare dividends at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus—The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, additional paid-in capital, other capital surplus, legal reserve and other retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights—The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

7. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the Accounting Standards Board of Japan (the "ASBJ") revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. JSCC applied the revised accounting standard and the new guidance effective March 31, 2010.

a. Policy and Risk Management for Financial Instruments—JSCC invests only in low-risk financial instruments under its internal management rules regarding fund management. Regarding the clearing deposits, JSCC keeps them segregated from its own assets. Regarding credit risks of customers associated with account receivables, JSCC manages them according to its internal rules.

b. Fair Values of Financial Instruments—Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead.

| | March 31, 2011 | | | March 31, 2010 | | | March 31, 2011 | | |
|---|-----------------|------------|-----------------|-----------------|------------|-----------------|---------------------------|-------------|-----------------|
| | Millions of Yen | | | Millions of Yen | | | Thousands of U.S. Dollars | | |
| | Carrying Amount | Fair Value | Unrealized Gain | Carrying Amount | Fair Value | Unrealized Gain | Carrying Amount | Fair Value | Unrealized Gain |
| Cash and bank deposits | ¥13,275 | ¥13,275 | | ¥12,547 | ¥12,547 | | \$159,661 | \$159,661 | |
| Accounts receivable—trade | 1,287 | 1,287 | | 1,006 | 1,006 | | 15,479 | 15,479 | |
| Marketable securities and investments in securities | 1,599 | 1,604 | ¥4 | 1,999 | 2,006 | ¥6 | 19,238 | 19,294 | \$55 |
| Margin funds for derivatives | 246,659 | 246,659 | | 136,082 | 136,082 | | 2,966,440 | 2,966,440 | |
| Deposits for clearing funds | 81,967 | 81,967 | | 87,442 | 87,442 | | 985,773 | 985,773 | |
| Deposits as collateral for facilitating settlement | 22,510 | 22,510 | | 13,011 | 13,011 | | 270,715 | 270,715 | |
| Margin funds for when-issued transactions | 251 | 251 | | 251 | 251 | | 3,018 | 3,018 | |
| Accounts payable—trade | (910) | (910) | | (889) | (889) | | (10,944) | (10,944) | |
| Margin funds received for derivatives | (246,659) | (246,659) | | (136,082) | (136,082) | | (2,966,440) | (2,966,440) | |
| Deposits received for clearing funds | (81,967) | (81,967) | | (87,442) | (87,442) | | (985,773) | (985,773) | |
| Deposits received as collateral for facilitating settlement | (22,510) | (22,510) | | (13,011) | (13,011) | | (270,715) | (270,715) | |
| Margin funds received for when-issued transactions | (251) | (251) | | (251) | (251) | | (3,018) | (3,018) | |

Calculation method of fair values of financial instruments

Cash and Bank Deposits:The carrying values of cash and bank deposits approximate fair value because of their short maturities.

Accounts Receivable—Trade:The carrying values of accounts receivable—trade approximate fair value because of their short maturities.

Accounts Payable—Trade:The carrying values of accounts payable—trade approximate fair value because of their short maturities.

Marketable Securities and Investments in Securities:All marketable securities and investments in securities are debt instruments with maturity dates of within five years. The fair values of marketable securities and investments in securities are measured at quoted prices obtained from the Japan Securities Dealers Association.

Deposited Monetary Assets and Related Offsetting Liabilities:The carrying values of margin funds for derivatives, deposits for clearing funds, deposits as collateral for facilitating settlement, margin funds for when-issued transactions, margin funds received for derivatives, deposits received for clearing funds, deposits received as collateral for facilitating settlement and margin funds received for when-issued transactions approximate fair values because they are deposited in the form of cash and are subject to the deposit and withdrawal in a short period.

Financial instruments whose fair values cannot be reliably determined

Investments in equity instruments that do not have a quoted market price in an active market are not included in the above table.

| | Carrying Amount | |
|--|-----------------|---------------------------|
| | Millions of Yen | Thousands of U.S. Dollars |
| | 2011 | 2011 |
| Investments in equity instruments that do not have a quoted market price in an active market | ¥1,750 | \$21,047 |

8. EQUITY IN EARNINGS (LOSSES) OF AFFILIATED COMPANY

Investments in an affiliated company are stated at cost. The amount of the investments in the affiliated company is ¥1,750 million (\$21,047 thousand). If the equity method of accounting had been applied to the investment in the company, the investment would be ¥1,789 million (\$21,522 thousand) and equity in earnings would be ¥39 million (\$475 thousand).

9. RELATED PARTY TRANSACTIONS

Under the Companies Act and regulations, and the accounting standard for related party disclosures, transactions with "Related companies" and "Related parties" need to be disclosed.

a. Transactions with "Related Companies"

The "Related companies" are defined as follows: (1) A parent company, subsidiaries and affiliated companies of JSCC (2) In the case where JSCC is an affiliated company of a company, that company is also an affiliated company of JSCC. On September 29, 2010, JSCC acquired 35.6% of common stock of Japan Government Bond Clearing Corporation ("JGBCC"). Since then, JGBCC and JSCC's parent company have been Related companies of JSCC.

Transactions of JSCC with its Related companies for the years ended March 31, 2011 and 2010 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--------------------|-----------------|------|---------------------------|
| | 2011 | 2010 | 2011 |
| Operating revenues | ¥15 | | \$184 |
| Operating expenses | 343 | ¥310 | 4,128 |

The balances due to or from its Related companies at March 31, 2011 and 2010 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------------|-----------------|------|---------------------------|
| | 2011 | 2010 | 2011 |
| Accounts receivable—trade | ¥1 | | \$16 |
| Accounts payable—trade | 0 | ¥0 | 2 |

b. Transactions with Related Parties

Material transactions of the Company with Related parties for the years ended March 31, 2011 and 2010 are as follows:

| Name of Related Party | Percentage of Equity Ownership by the Company | Relationship | Description of the Company's Transaction | Transactions | | | | |
|--|---|---|--|---------------------------------------|----------------|------------------------|------------------------------------|--------------|
| | | | | Amount of the Transactions | | Account | End of Period Account Balance | |
| | | | | 2011 | 2010 | | 2011 | 2010 |
| Tokyo Stock Exchange, Inc. (a subsidiary of the parent company) | — | Entrustment of clearing system processing | Payment of entrustment fees for clearing system processing | ¥6,483 million (\$77,968 thousand) | ¥6,662 million | Accounts payable—trade | ¥570 million (\$6,866 thousand) | ¥575 million |

Notes:1. The above transaction amounts exclude consumption taxes, but consumption taxes are included in the end of period balances.

2. Transaction conditions and policies regarding decisions on transaction conditions are as follows: With respect to entrustment fees for clearing system processing, initially these were determined based on prices proposed in the competition. In subsequent revisions, the fees have been determined after negotiation based on conditions provided by Tokyo Stock Exchange, Inc.

10. PER SHARE INFORMATION

a. Net Income per Share—Net income per share of common stock is based upon the weighted-average number of shares of common stock outstanding during each year.

Net income per share of common stock for the years ended March 31, 2011 and 2010 is as follows:

| | Yen | | U.S. Dollars |
|--------------------------------------|------------|-----------|--------------|
| | 2011 | 2010 | 2011 |
| Net income per share of common stock | ¥11,764.55 | ¥6,433.43 | \$141.48 |

b. Equity per Share—Equity per share of common stock is based upon the number of shares of common stock outstanding at the end of each year.

Equity per share of common stock for the years ended March 31, 2011 and 2010 is as follows:

| | Yen | | U.S. Dollars |
|---|---------------|---------------|--------------|
| | 2011 | 2010 | 2011 |
| Equity per share of common stock | ¥504,912.52 | ¥493,822.38 | \$6,072.30 |
| Outstanding numbers of shares of common stock | 33,543 shares | 30,000 shares | |

11. SUBSEQUENT EVENTS

Issuance of Class Shares

On July 15, 2011, JSCC issued 9,000 Class B shares raising ¥4,500 million (\$54,119 thousand) by third-party allotment to Tokyo Stock Exchange Group, Inc. to establish a new operation of the CDS clearing business. As a result, the amount of capital and capital surplus both increased by ¥2,250 million (\$27,059 thousand). In connection with this issuance, all the existing common shares have become Class A shares relating to the Company's existing business (clearing business of exchange trades and PTS trades, etc.).

Dividends of retained earnings and distribution of residual interest in case of the liquidation of JSCC will be paid by type of clearing business and based on the amounts equal to retained earnings and net assets attributable to each class of shares. One vote is entitled for each share. Matters specific to each class share are to be resolved at the classified shareholders meeting of the relevant class shares.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Japan Securities Clearing Corporation:

We have audited the accompanying balance sheets of Japan Securities Clearing Corporation (the "Company") as of March 31, 2011 and 2010, and the related statements of income and changes in equity for the years then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Securities Clearing Corporation as of March 31, 2011 and 2010, and the results of its operations for the years then ended in conformity with the applicable Japanese laws and regulations and accounting principles generally accepted in Japan.

As explained in Note 1 to the financial statements, the information provided in the notes to the financial statements is limited to that required by the applicable Japanese laws and regulations.

As discussed in Note 11 to the financial statements, the Company issued 9,000 Class B shares raising ¥4,500 million (\$54,119 thousand) by third-party allotment to Tokyo Stock Exchange Group, Inc. to establish a new operation of the CDS clearing business on July 15, 2011.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

May 16, 2011

(July 19, 2011 as to Note 11)

Board of Directors and Auditors



President & CEO
Yasuo Tobiyama



Executive Director & General Manager
Hirokazu Fujisawa



Managing Director
Yasushi Suzuki



Member of the Board
Michinori Ando
Executive Director,
SMBC Nikko Securities Inc.



Member of the Board
Seiji Miyauchi
Senior Managing Director,
Kyokuto Securities Co., Ltd.



Member of the Board
Kotaro Yamazawa
Managing Director,
Osaka Securities Exchange Co., Ltd.



Member of the Board
Mikio Yamashita
Managing Director,
Morgan Stanley MUFG Securities Co., Ltd.

Corporate Data

| | |
|-------------------------|---|
| ■ Company Name | Japan Securities Clearing Corporation |
| ■ President & CEO | Yasuo Tobiyama |
| ■ Head Office | 2-1, Nihombashi-Kabuto-cho, Chuo-ku, Tokyo 103-0026, Japan |
| ■ TEL | +81-3-3665-1234 |
| ■ URL | http://www.jscc.co.jp |
| ■ Date of Incorporation | July 1, 2002 (Commenced business on January 14, 2003) |
| ■ Capital | 4.85 billion yen |
| ■ Shareholders | Class A shares: Tokyo Stock Exchange Group, Inc. Osaka Securities Exchange Co., Ltd. Nagoya Stock Exchange, Inc. Sapporo Securities Exchange Fukuoka Stock Exchange Class B shares: Tokyo Stock Exchange Group, Inc. |

(As of August 1, 2011)



Member of the Board
Moriyuki Iwanaga
Executive Officer, Tokyo Stock Exchange, Inc.



Member of the Board
Masakazu Kubota
Senior Managing Director, Keidanren



Member of the Board
Ritsuro Koza
Senior Managing Director,
Nomura Securities Co., Ltd.



Member of the Board
Masahisa Nakagawa
Senior Managing Director,
Daiwa Securities Capital Markets Co. Ltd.



Standing Statutory Auditor
Akira Sato

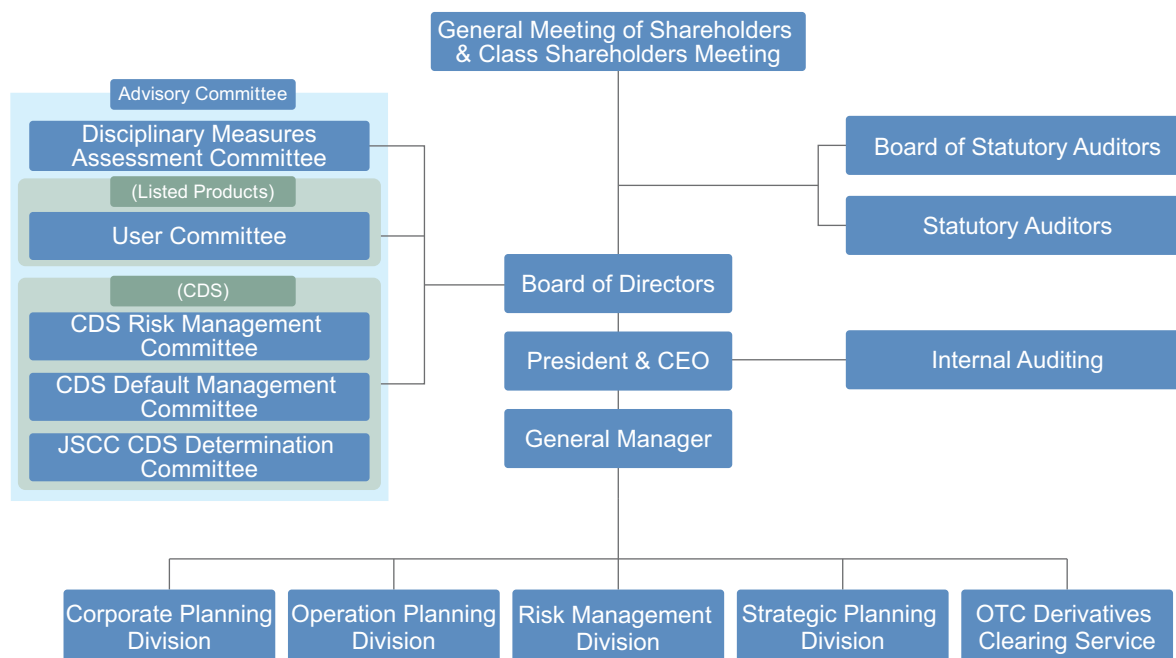


Statutory Auditor
Shigeru Nakajima
Attorney-at-law



Statutory Auditor
Tsutao Matsumoto
CPA

Organization Chart



(As of August 1, 2011)

