

Annual Report 2009

Leading the Way to the Future

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Leading the Way to the Future

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Japan Securities Depository Center, Inc.
Annual Report 2009

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* DVP: Delivery versus Payment. This system simultaneously attaches specific conditions to the delivery of and payment for securities.

** NETDs: non-exchange transaction deliveries

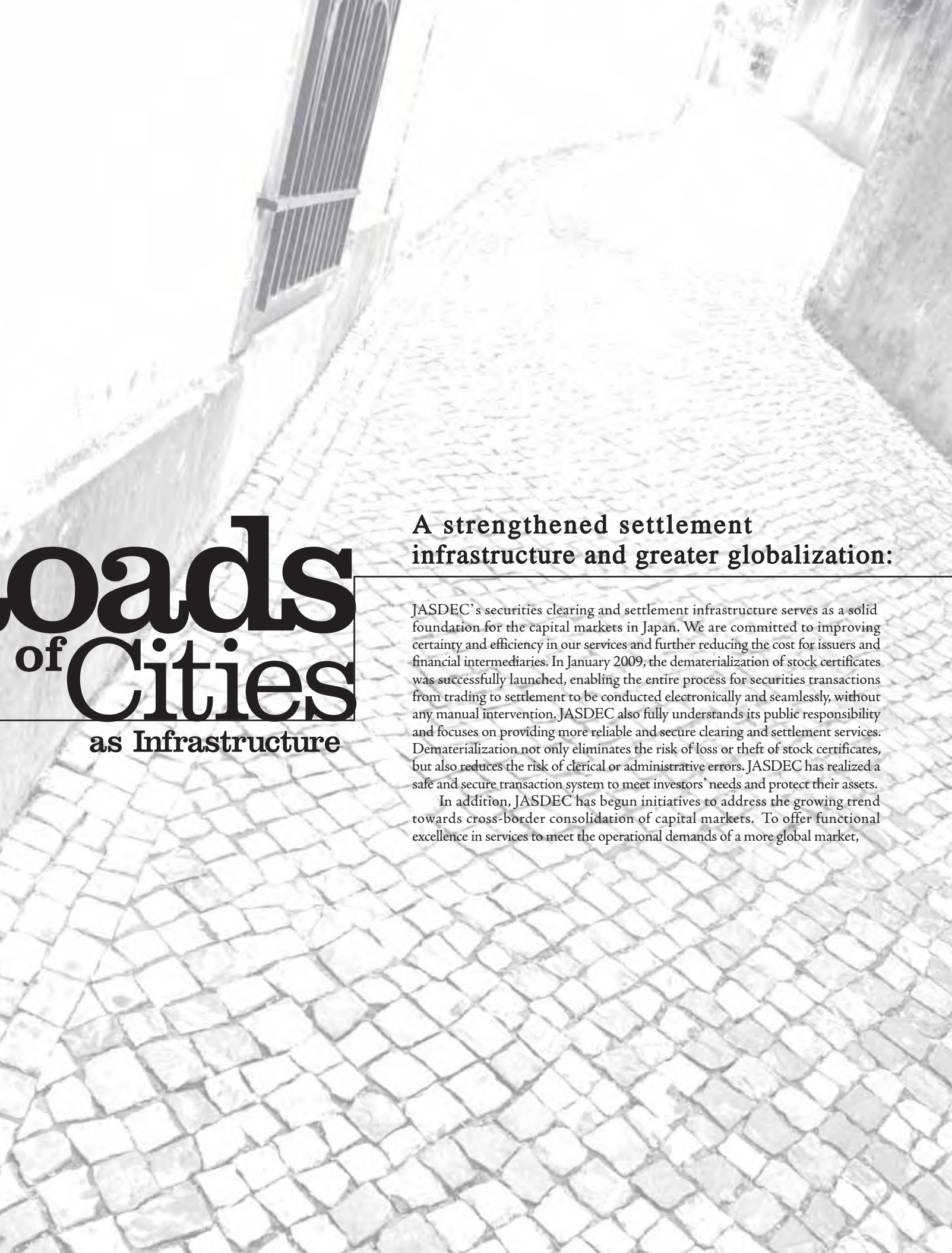
*** Pre-Settlement Matching System (PSMS): This central matching system automatically confirms the contents of trade and settlement, such as trade names/amounts, counterparties and account numbers.



Leading the Way



R



roads of Cities

as Infrastructure

A strengthened settlement infrastructure and greater globalization:

JASDEC's securities clearing and settlement infrastructure serves as a solid foundation for the capital markets in Japan. We are committed to improving certainty and efficiency in our services and further reducing the cost for issuers and financial intermediaries. In January 2009, the dematerialization of stock certificates was successfully launched, enabling the entire process for securities transactions from trading to settlement to be conducted electronically and seamlessly, without any manual intervention. JASDEC also fully understands its public responsibility and focuses on providing more reliable and secure clearing and settlement services. Dematerialization not only eliminates the risk of loss or theft of stock certificates, but also reduces the risk of clerical or administrative errors. JASDEC has realized a safe and secure transaction system to meet investors' needs and protect their assets.

In addition, JASDEC has begun initiatives to address the growing trend towards cross-border consolidation of capital markets. To offer functional excellence in services to meet the operational demands of a more global market,



JASDEC is expanding its services for greater efficiency and reliability

JASDEC is working to achieve rapid improvements in operational processes and develop new businesses in a flexible manner. In May 2006, JASDEC launched a custody and book-entry transfer system for foreign stocks. Keeping a close eye on current trends in the standardization of securities clearing and settlement systems for major markets, JASDEC is making steady progress in the internationalization of its systems. We believe these efforts will help strengthen the competitive position of Japanese securities markets. In the field of external activities, JASDEC is also working to enhance communication with central securities depositories (CSDs) around the world. In addition to information and personnel exchanges, we have signed memorandums of understanding to develop cooperative relationships with overseas CSDs. In line with fundamental changes in the market environment both in Japan and overseas, as well as in the market's structure, JASDEC is committed to promoting further reform of its securities clearing and settlement system through the adoption of global standards in Japan.

Path of Nature as Globalization





to the Future

Ceaseless efforts with clear vision bring about a great progress in human life.

In previous times, human beings generated safety and convenience of the public by construction of urban infrastructure. Furthermore, they opened up new possibilities of human life by exploring new lands and developing urban areas.

Japan Securities Depository Center, Inc. (JASDEC), as the organization responsible for the reform of Japan's securities clearing and settlement infrastructure, is working to realize more reliable and secure clearing and settlement services to meet the diverse needs of investors, issuing companies, and financial intermediaries. At the same time, we are keeping a close eye on developments in major overseas markets, with the goal of modifying our system for high compatibility with global standards.

We will make sustain efforts in contributing to improvement of function in capital markets and development of the society as a whole, and leading the way to the brighter future.

JASDEC Works Toward Further Stabilization and Globalization of the Japan's Settlement Infrastructure

In January 2009, thanks to the efforts of all related parties, JASDEC accomplished dematerialization of stock certificates issued by all listed companies as the final step in the immediate reform of Japan's securities settlement systems. JASDEC had already implemented full dematerialization for commercial papers, corporate bonds, and investment trusts, but with this dematerialization of stocks, our new Book-entry Transfer System has been fully established. We will continue efforts to facilitate the new system as a crucial element of social infrastructure that underpins the growth of the Japanese economy.

During the fiscal year from April 1, 2008 to March 31, 2009, in preparation for the dematerialization of stock certificates, in August we formulated business regulations for the new Book-entry Transfer System of Stocks, etc. following the dematerialization. In September, we conducted name identification for shareholders and began operation of Participants Information System*¹ to manage shareholder information. In addition, to ensure a smooth transition to the dematerialized stock system, we conducted a mass media advertising campaign in cooperation with related parties to publicize the new system and avoid problems caused by shareholders rushing to deposit stock certificates at the last minute prior to the new system's enforcement date. After dematerialization of stocks, we initiated General Shareholders Notification*² to provide issuing companies with shareholder information managed by Participants Information System.

Focusing on globalization, in April 2008 the first Interim Meeting*³ of Central Securities Depositories was held in Tokyo. Subsequently, several memorandums of understanding were concluded for information exchange and cooperative relationships: in April with Central Depository Company of Pakistan Limited (CDC); in May with the two CSDs in India - Central Depository Services (India) Limited (CDSL) and National Securities Depository Ltd. (NSDL); in July with

*1: A new system to manage shareholder name identification and participant(shareholder) information after name identification (Please see p.20 for more detail)

*2: Shareholders information as of record date notified by JASDEC to issuers

*3: A CSD meeting which is held in addition to the biennial CSD general meetings

Thailand Securities Depository Co., Ltd. (TSD); in March 2009 with the CSD in Egypt, Misr for Central Clearing, Depository and Registry (MCDR); and in April 2009 with the CSD in Mongolia, Mongolian Securities Clearing House & Central Depository Co., Ltd.(MSCH&CD). In addition, we launched *JASDEC Newsletter*, a quarterly publication for the distribution of timely information on our business activities.

During the current business term (from April 1, 2009 to March 31, 2010), we will continue efforts to ensure secure and reliable operation of the new Book-entry Transfer System inaugurated in January 2009, while also strengthening cooperation with overseas CSDs to address the ongoing globalization of settlement systems.

In 2008, the failure of major U.S. financial institutions caused turmoil in the Japanese capital markets, and we learned a number of lessons from this financial crisis. JASDEC fully recognizes its public role as the central organization with responsibility for the market's infrastructure, and we are continuing to make efforts to ensure that the securities settlement infrastructure enables highly reliable, convenient, and efficient securities settlement. Moreover, in response to the structural and environmental changes occurring in the domestic and foreign capital markets, we will work ceaselessly to improve the system to meet the ongoing needs and requirements of all users, including investors, issuing companies, and market intermediaries.

Lastly, we would like to thank all related parties for their continued support and cooperation.

Yoshinobu Takeuchi

President & CEO

Japan Securities Depository Center, Inc.

Yoshinobu Takeuchi





2009.1

Leading the Way to the Future

Special Feature

The Dematerialization of Stock Certificates

A New Era Begins for Stock Trading

In January 2009, a new Book-entry Transfer System for Stocks, etc. (hereinafter referred to as “the new system”) started. Under the new system, stock certificates of all outstanding shares listed on Japanese stock exchanges were dematerialized and converted to electronic records. It replaced the depository and book-entry transfer system (hereinafter referred to as “the former system”) that has supported the settlement of securities transactions in Japan since 1991. This change is referred to as the dematerialization of stock certificates.

It is now approximately five years since the promulgation of “the Law for Partial Amendments to the Law Concerning Book-Entry Transfer for Corporate Bonds and Other Securities for the Purpose of Streamlining the Settlement for Trades of Stocks and Other Securities” in 2004, which required the replacement of paper stock certificates with electronic records. During these years, JASDEC promoted the preparation of an orderly transition to the new system in cooperation with related parties. We continued to upgrade our business functions, including improved efficiency of administrative work and service enhancements in the former system. Meanwhile, the Subcommittee for Dematerialization of Stock Certificates was set up to review practical transition procedures to the new system, and JASDEC formulated plans for the new system, set up procedures for administrative transactions, conducted system development as well as operational tests, and requested shareholders to promptly deposit their stock certificates with JASDEC. As a result of these efforts, a smooth transition to the new system was successfully accomplished.

The dematerialization of stock certificates will help bring greater security, usability and efficiency to the Japanese stock market. In addition, with recent increased cross-border trading, it will make the market more attractive and reliable for overseas investors and participants to invest in, and strengthen Japan’s international competitive position.

In this special-feature article, we give an overview of the new system, and explain the benefits of the electronic record-keeping system.

○ An Overview of Dematerialized Book-Entry Transfer System for Stocks, etc.

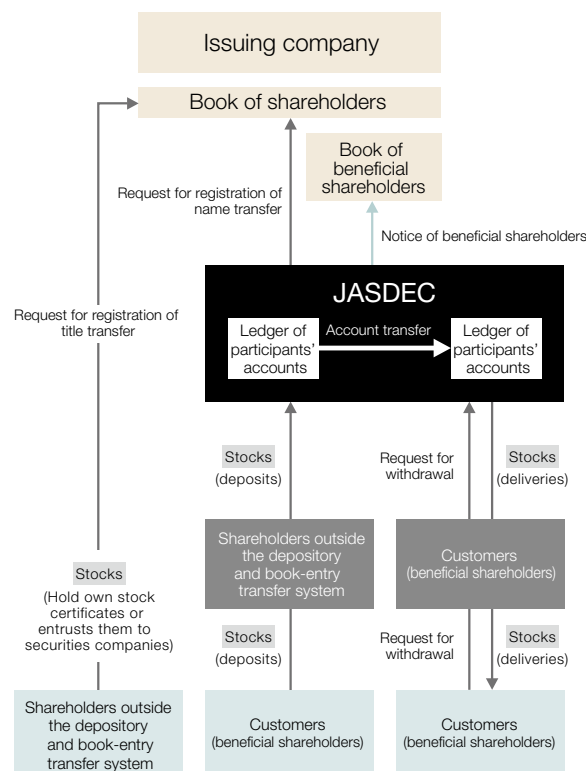
Under the new dematerialized Book-entry Transfer System for Stocks, etc., paper stock certificates issued by all Japanese companies listed on Japanese stock exchanges were abolished and became invalid. They have been replaced by electronic records registered and managed by computer systems within accounts opened at JASDEC or account management institutions (AMIs) such as securities companies and banks. Instead of stock certificates, records in computer systems represent share ownership. Transfer of shareholders' rights is also processed electronically based on the records in the accounts. This dematerialization system applies not only to stock certificates, but also to share options, bonds with share

option, investment units, preferred equity investments, and Exchange Traded Funds (ETFs).

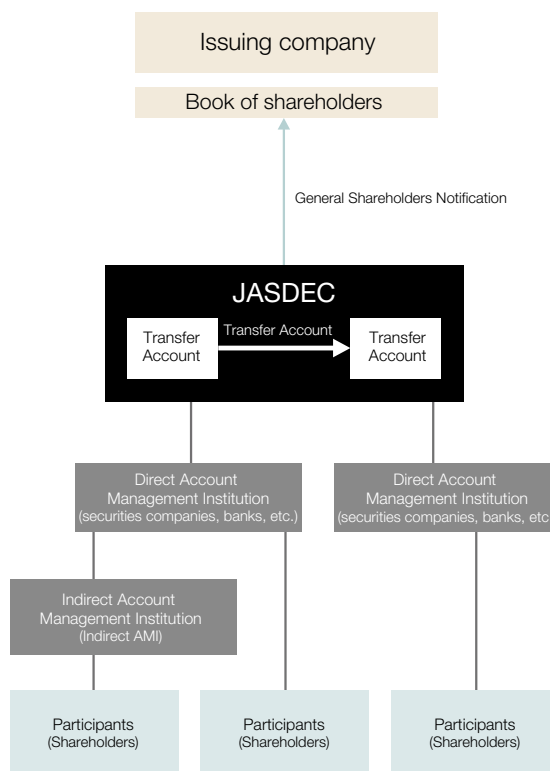
When starting the new system on January 5, 2009 (hereinafter referred to as the "enforcement date"), the total number of issues handled was 3,986.* The number of companies participating in the new system, including JASDEC participants, indirect AMIs and fund settlement corporations, was 420. Under the new system, foreign financial institutions designated by competent ministers can also take part in the system. As of the enforcement date, 21 foreign financial institutions were participating as indirect AMIs.

* Excluding Exchange Traded Funds (ETFs) for which JASDEC's Book-entry Transfer System was implemented in January 2008.

Former Depository and Book-Entry Transfer System



New Dematerialized Book-Entry Transfer System



○ The Main Benefits of Dematerialization

Elimination of Paper Certificates Reduces Costs and Risks

The dematerialization of stock certificates, etc. offers a number of benefits for all related parties, including issuing companies, shareholders, securities companies and banks. Firstly, it reduces costs and risks associated with paper certificates. Issuing companies no longer have to bear costs of issuance as well as management of paper certificates, and shareholders will have no

risks of loss and theft. Additionally, the risk of trading forged certificates is removed. Dematerialization also eliminates the need to deliver paper certificates for securities traded, leading to dramatic reductions in effort, time, and cost for securities transactions.

Centralized Management of Shareholder Data Brings Greater Processing Efficiency for Issuing Companies

Secondly, under the new system, JASDEC centralizes management of shareholder information to streamline issuing companies' clerical workload. For instance, when a shareholder utilizes two or more AMIs, under the former system, the administrator of the shareholder registry of each issuing company had to conduct name identification for the purpose of making correct entries in the shareholder registry and registry of beneficial shareholders. Under the new system, JASDEC carries out name identification of shareholders for all issuing companies, and based on the results, provides General Shareholders Notification to issuing companies (or administrators of the shareholder registry) for entry in the shareholder registry. Furthermore, the time taken by JASDEC under the new system to send notifications to issuing companies is reduced by half to three business days from the record date. This greatly contributes to administrative efficiency and cost reduction for issuing companies. In addition, under the new

system, issuing companies are able to request JASDEC to send shareholder information at any time subject to reasonable grounds, and to utilize up-to-date shareholder data for effective IR activities such as special benefit programs for shareholders on a quarterly basis.

For shareholders, meanwhile, in the event that they intend to present proposals at a general shareholders' meeting, they are entitled to exercise their rights as minority shareholders by requesting JASDEC through their AMIs which maintain the registry of their data to notify the issuing company of the number of shares they hold. The exercise of rights as minority shareholders is possible, even if they are not recorded in the shareholder registry of the issuing company. Issuing companies, for their part, can request JASDEC to provide information on specific shareholders to determine whether or not they are shareholders.

Diversification in Services for Dividend Receipt

Thirdly, services for dividend receipt have been diversified. Before the dematerialization, shareholders had to designate bank accounts to receive dividends for each issue, or submit dividend warrants mailed from issuing companies to financial institutions or post offices within a specified period. However, under the new system, once shareholders inform securities companies of their designated bank account before dividend

payment, all dividends payable on shares they hold will be transferred to the designated account. Additionally, depending on the balance of the accounts at securities companies as of the record date, shareholders can receive dividends through such securities companies. The same dividend services are available for beneficial rights of Exchange Traded Funds (ETFs) beneficiaries.

○ Urging Investors to Deposit Certificates with JASDEC to Achieve Full Dematerialization

Smooth and efficient depositing of stock certificates in JASDEC was a critical issue for the dematerialization of stock certificates. However, as of the end of March 2008, the number of shares in JASDEC's custody stood at 84.3% of all outstanding shares listed on Japanese stock exchanges, and approximately 46 billion shares of stock certificates were yet to be deposited with JASDEC, of which approximately 13 billion shares were kept by individual investors on hand, and 12 billion shares were held by business corporations. Leading up to dematerialization, there were concerns that these stock certificates would not be deposited.

To encourage shareholders to promptly deposit certificates, a dematerialization campaign had been conducted, primarily by the Reform Promotion Center for Securities Clearing and Settlement System (a body set up jointly by JASDEC, the Tokyo Stock Exchange, Inc., and the Japan Securities Dealers Association). In the campaign, newspaper advertisements, television commercials, posters, pamphlets and so on were used to publicize the issue of dematerialization among shareholders. To avoid trouble caused by shareholders rushing to deposit their stock

certificates at the last minute before dematerialization, as well as a possible overload of clerical work for JASDEC and related parties, JASDEC strengthened cooperation in ensuring the prompt deposit of stock certificates with securities companies and banks that would be acting as deposit intermediaries for JASDEC.

As a result of these efforts, the percentage of shares in custody at the end of December 2008 rose to 91.1% of all outstanding shares, and the ratio (excluding immobilized shares) reached 94.9%. Thus, JASDEC managed to introduce dematerialization without major problems.

Stock certificates kept in hand without being deposited with JASDEC became invalid by dematerialization, but the management of stock ownership of the certificates is transferred to special accounts opened by issuing companies for these shareholders, primarily through administrators of shareholder registry, and their ownership rights are protected. However, with certain exceptions such as requests for the purchase of shares representing less than one unit, transactions of the shares held in the special accounts are not permitted. Shareholders are also required to follow certain procedures for the transfer of the stocks to ordinary accounts opened at AMIs.

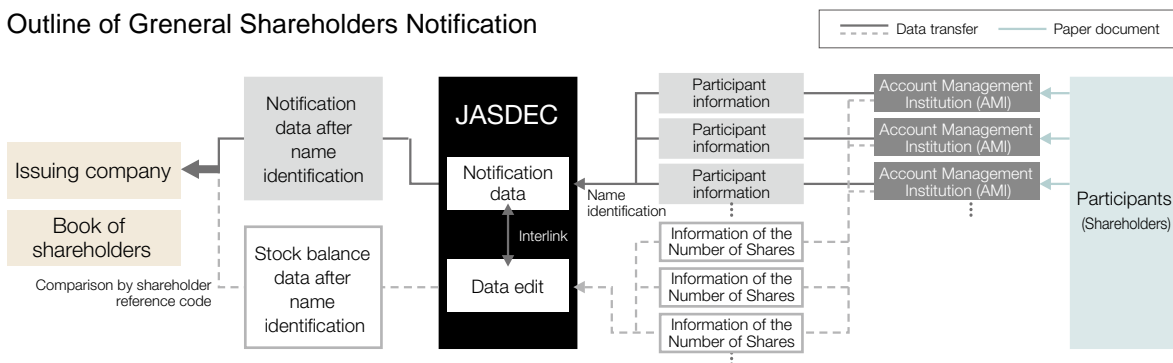
○ Seeking Further Reform to Enhance Functions of System

In April 2009, JASDEC reorganized two subcommittees — the Subcommittee for Existing Business to review improving operational processes of the former system, and the Subcommittee for Dematerialization of Stock Certificates to study operational practices for dematerialization of stock certificates — into three subcommittees for specific products to examine further improvement of the new system: the Subcommittee for Stocks, the Subcommittee for Bonds with Stock Options and the Subcommittee for ETFs.

Dematerialization of stock certificates promises greater security, usability, and efficiency for the securities markets. Under the new

system, JASDEC is committed to the provision of a stable and reliable operational environment. JASDEC will carry out further improvement of the system reform in cooperation with related parties including shareholders, issuing companies, and AMIs while focusing on business initiatives to meet the ongoing needs and requirements of users. In addition, JASDEC is accelerating efforts to enhance its ability to perform as the world's most advanced and user-friendly central securities depository. JASDEC will contribute to revitalizing Japan's securities market and further enhancing its international status.

Outline of General Shareholders Notification



Corporate Governance

○ Our Basic Policy on Corporate Governance

JASDEC fully recognizes its social obligation as the central body for the provision of the infrastructure for securities clearing and settlement, which is an important base of the capital markets. Accordingly, JASDEC has determined a basic management policy of providing a highly secure, convenient and efficient service. To this end, we ensure that our system meets the needs of users, including investors, issuing companies and market intermediaries.

We also make sure that our activities promote corporate transparency and that our business operates with fairness and accountability, in line with the public needs of our function. Our commitment on corporate governance is to earn and maintain a solid reputation for reliability as the central organization responsible for creating and operating the infrastructure for securities clearing and settlement in Japan.

○ Overview of implementation of corporate governance practices

Framework for management structure and corporate governance to exercise business judgments, manage operations and implement audits

● Corporate Structure

Board of Directors

The Board of Directors is composed of 19 members, and is basically structured to achieve a balanced approach to business with user-oriented views, as well as business-oriented ideas on maintaining operational neutrality and fairness. To fully reflect the opinions of users in our operations, nine of the 14 external directors are selected from JASDEC participants. The remaining five external directors belong to an issuing company and a related organization, or to the Japan Securities Dealers' Association, academia and the legal profession, enabling the Board to conduct vigorous discussions from a broad perspective in consideration of the public good. In principle, the Board meets once a month to decide basic management policies and discuss other key issues.

Board of Auditors

JASDEC employs the corporate auditor system for corporate governance instead of the committee system, as provided in the Companies Act. The Board of Auditors is made up of three auditors, two of whom are selected from eligible participants (one each from a securities company and a bank) and all three (including an auditor who is serving on a full-time basis) are external auditors.

In principle, the Board of Auditors holds a regular meeting each month. In line with auditing plans and the basic policies established by the Board of Auditors, auditors attend important meetings, including those of the Board of Directors and assess the status of services and assets to perform audits of directors. To ensure that audits are effective, auditors work closely with directors and conduct regular exchanges of opinions, including through meetings with the representative directors.

Business Operations Committee

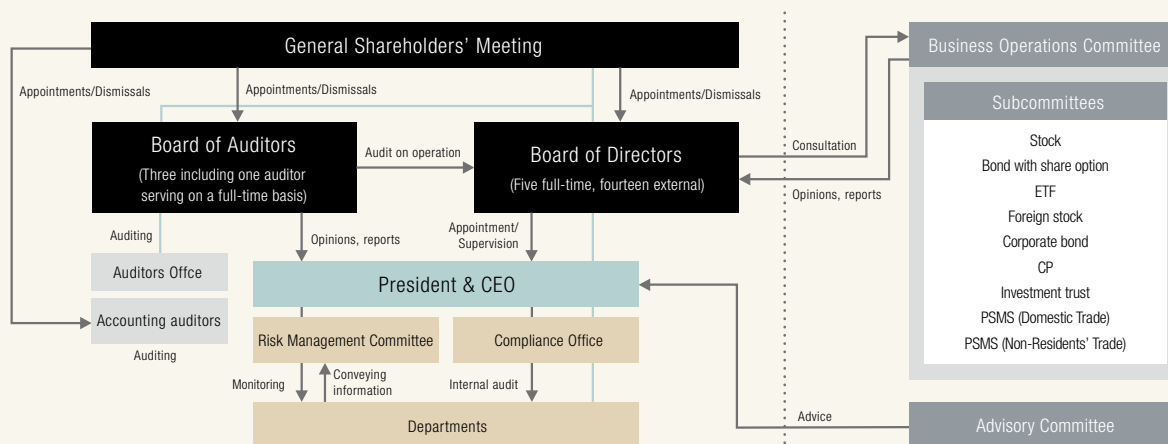
Separately from the Board of Directors and the Board of Auditors, JASDEC has set up the Business Operational Committee to fully reflect the needs of system users in our operations. The Committee examines important issues related to the business of JASDEC, based on queries from the Board of Directors, and has nine subcommittees under its control. Each subcommittee is responsible for a specific segment of operations, and is composed of members who are actually involved in the field. JASDEC applies the opinions provided by each subcommittee to various operational issues. JASDEC posts summaries of discussions and other information by the committees on its website to foster greater operational transparency.

As the provider of key infrastructure elements for the securities market, we are required to operate the system with an extremely high level of fairness and accountability. To achieve this end, we have established the Advisory Committee, which is composed of experts in financial and securities systems. The committee advises JASDEC's president from a broad perspective about wide-ranging issues relating to securities clearing and settlement system operations.

JASDEC DVP Clearing Corporation (JDCC), JASDEC's wholly-owned subsidiary, operates in accordance with a business philosophy similar to that of JASDEC. JDCC has also set up a committee for reviewing important issues regarding DVP operations to reflect the needs of users of the DVP settlement system for non-exchange transaction deliveries (NETDs). In addition, JASDEC's Board of Directors receives reports regarding issues decided by JDCC's Board of Directors to ensure consistency in the activities of the two companies.

An outline of JASDEC's management structure and corporate governance systems is presented on the next page.

Overview of JASDEC's Management Structure and Corporate Governance Framework



● Risk Management System

JASDEC has set up the Risk Management Committee, chaired by the president. It takes measures to strengthen overall risk management, and regularly monitors internal control systems for various risks.

● Internal Audits, Corporate Audits, and Accounting Audits

JASDEC has established the Compliance Office, and internal auditing accomplished primarily through onsite surveys based on the audit plan, to assess the effectiveness of operational procedures. For corporate audits, an auditor serving on a full-time basis routinely attends important meetings, such as those of the Board of Directors and the Executive Committee (comprised of managing directors serving on a full-time basis) and examines circulars intended to obtain approvals of decisions by persons in charge. The full-time auditor performs audits in accordance with the auditing plans established by the Board of Auditors, and provides the other Corporate Auditors with updates on the progress of auditing activities at the meeting of Corporate Auditors, which takes place monthly.

Auditors serving on a part-time basis attend meetings of the Board of Directors and monitor the directors' execution of their duties. They also assess the legality of business operations by reviewing reports on auditing activities from the full-time auditor.

JASDEC assigns staff specifically to assist corporate auditors in their audits.

Corporate Auditors perform audits in close cooperation with the Company's accounting auditors. This includes hearing reports from the accounting auditors on auditing plans and the results of the audits.

JASDEC has two certified public accountants who perform accounting audits for JASDEC in the capacity of accounting auditor

under the Companies Act: Yohei Kishi and Naoto Saito (designated members of a limited liability partnership under Article 34, Paragraph 10-5 of the Certified Public Accountants Law).

They are employed by Ernst & Young ShinNihon LLC, a member firm of Ernst & Young Global, and execute accounting audits, including checks of financial documents, based on the Companies Act. Mr. Kishi and Mr. Saito are assisted in their accounting audits by five certified public accountants and twelve other staff (junior accountants and other assistants).

We recognize that no items of particular regard, such as serious irregularities or instances of illegal behavior, have been found through the execution of accounting audits.

● Directors' and Corporate Auditors' Limit of Liability

We expect directors and Corporate Auditors to fully demonstrate the skills involved in successfully executing their responsibilities. Additionally, to retain top-level professionals, we have set limits on liability for damages incurred by directors and Corporate Auditors.

● Resolutions on Election/Dismissal of Directors

The election of directors by resolution at the general meeting of shareholders is conducted in the presence of shareholders representing no less than one-third of voting rights held by eligible shareholders, and directors are elected by a majority vote of said shareholders.

The dismissal of directors by resolution at a general meeting of shareholders is conducted in the presence of shareholders representing no less than one-third of voting rights held by eligible shareholders, and directors are dismissed on a vote of no less than two-thirds of voting rights held by said shareholders.

Board Members and Auditors (As of July, 2009)







Business Overview 1

Book-Entry Transfer System for Stocks, etc.

- Custody Services for Foreign Stocks, etc.
- Pre-Settlement Matching System (PSMS)
- DVP Settlement Services for NETDs
- Book-Entry Transfer System for Investment Trusts
- Book-Entry Transfer System for Commercial Papers and Corporate Bonds

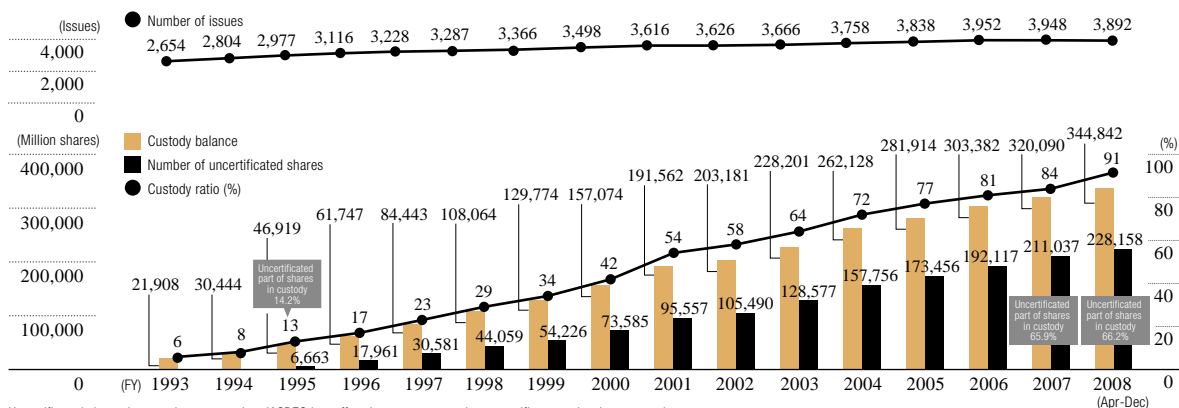
Under the New System, Ownership of Stocks is Determined by Electronic Records

Under the former “depository and book-entry transfer system” (hereinafter referred to as “the former system”), in which paper stock certificates are employed, JASDEC holds securities in custody, and settlement of securities transactions is processed through the book-entry transfer in accounts at securities companies or JASDEC, without delivery of physical certificates.

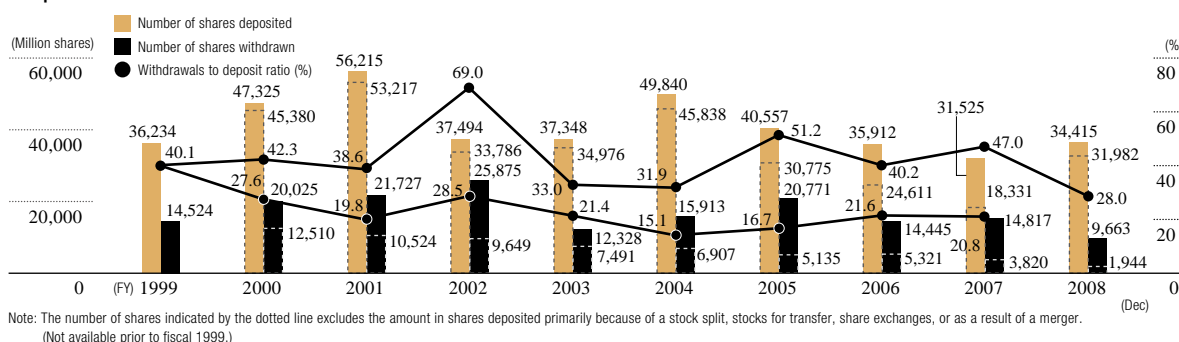
With the start of the dematerialization of stock certificates, etc. in January 2009, (see the Special Feature on

page 10 “Dematerialization of Stock Certificates”), a new Book-entry Transfer System for Stocks, etc. (hereinafter referred to as “new system”) was inaugurated, replacing the former system. Under the new system, stock certificates are no longer deposited, held in custody, or withdrawn. Instead, ownership of stocks is determined by electronic records maintained in the computer system of JASDEC and account management institutions (AMIs).

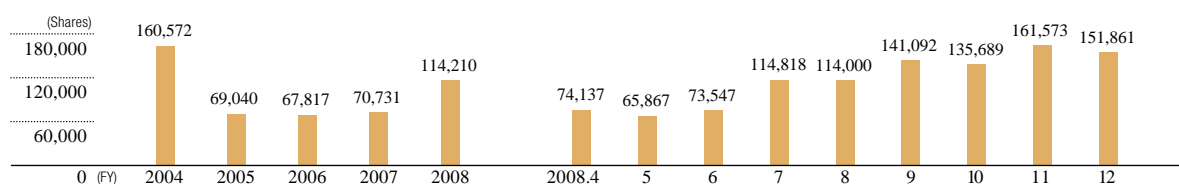
Number of issues and account balance under the former system (depository and book-entry transfer system)



Deposits and Withdrawals



Number of inquiries to the Securities Information Tracing System (SITRAS) (daily average)



Promoting Infrastructure Development for a Smooth Transition to the New System

In fiscal 2008, along with reliable operations of the former system, JASDEC further strengthened the operational infrastructure to facilitate a smooth transition to the new system in January 2009. As a part of the efforts, JASDEC, administrators of shareholder registry, and account management institutions (AMIs) cooperated in the management of shareholder information and then launched the Participant Information System in September 2008 ahead of the implementation of the dematerialization.

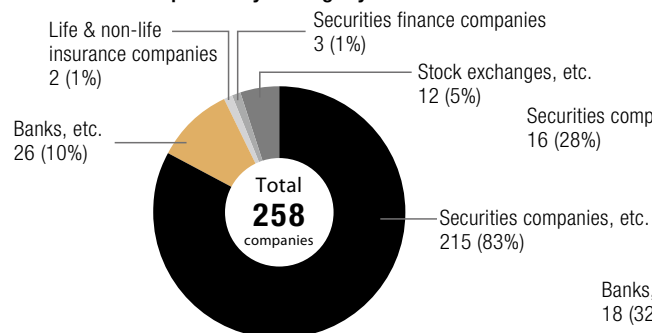
The Participant Information System facilitates name identification when shareholders have accounts at more than one AMI and manages shareholder information after the name identification. Under the former system, name identification for the purpose of entry in the shareholder registry was carried out separately by each administrator of shareholder registry appointed by individual issuing companies. In the new system, to further streamline administrative work related to shareholders, JASDEC receives all essential information for

shareholders of all listed companies, including the names and addresses, from the AMIs, and identifies the shareholders. JASDEC then delivers the shareholder information to the administrators of the shareholder registry. This new system of notice, referred to as “General Shareholders Notification”, formally commenced in January 2009 with the start of the new Book-entry Transfer System. Prior to the formal start, the Participant Information System was partially introduced for beneficial shareholder notification applied for record dates on and after October 27, 2008.

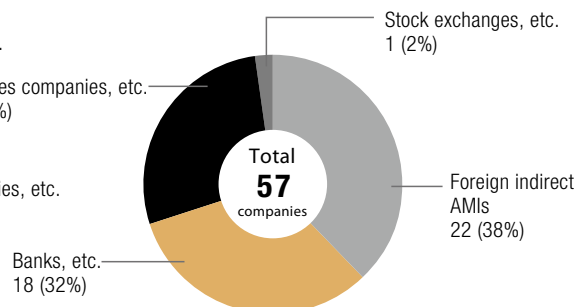
In addition, we took various steps to urge shareholders to deposit their certificates with JASDEC at an early date to avoid problems caused by shareholders rushing to deposit their certificates at the last minute prior to the dematerialization. We also conducted test runs of preliminary operations for smooth transition to the new system. After an orderly transition to the new system was accomplished, we were committed to secure and reliable operations of the system.

JASDEC participants and indirect AMIs (as of March 31, 2009)

JASDEC Participants by Category



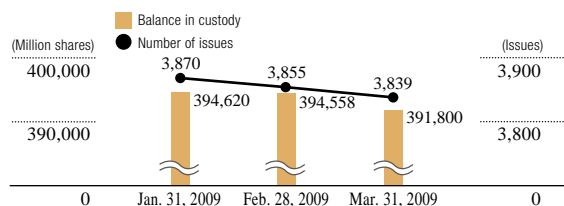
Indirect AMIs by Category



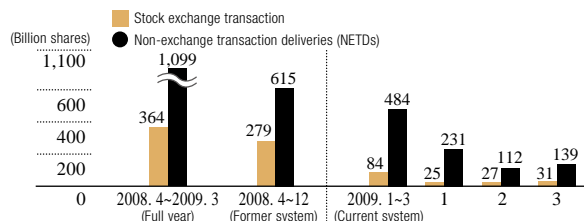
Note: “Banks, etc.” include The Norinchukin Bank, Tokyo Shoken Shinyou Kumiai, and Tokyo Bankers Association.

“Stock exchanges, etc.” include Japan Securities Dealers Association, Japan Securities Clearing Corporation, JASDEC DVP Clearing Corporation, three securities agents and three tanshi companies (which offer short-term credit brokerage services)

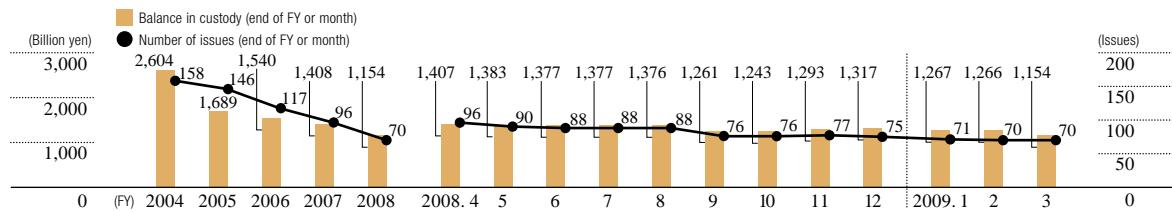
Number of issues and account balance under the current system (Book-entry Transfer System)



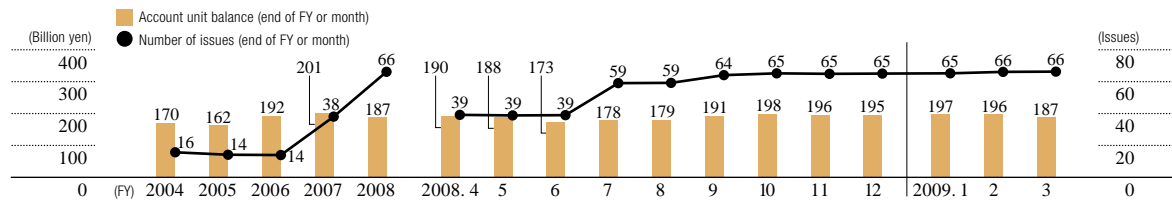
Book-entry transfers



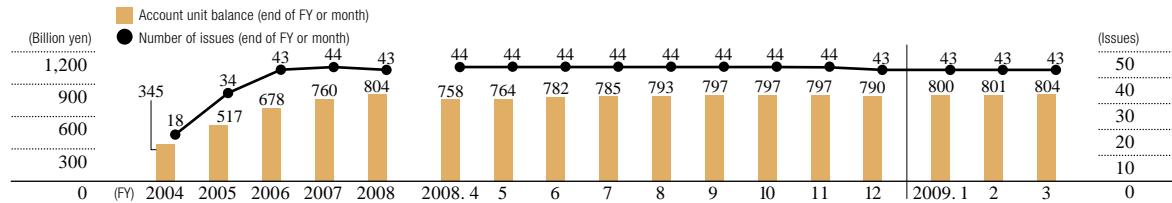
Bond with Share Option account balance and number of issues



Exchange Traded Fund (ETF) account balance and number of issues



Real Estate Investment Trusts (REITs) account balance and number of issues



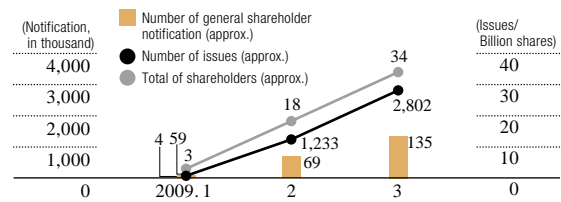
Participant information

Participant account information (approx.)	Data for Shareholders Notification (approx.)
23,555 thousand	14,935 thousand

* As of March 31, 2009

Shareholders Notification (1)

General shareholder notification

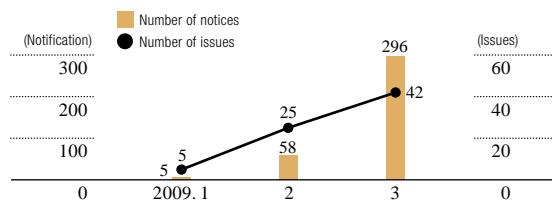


* Figures are as of day of notification to issuers

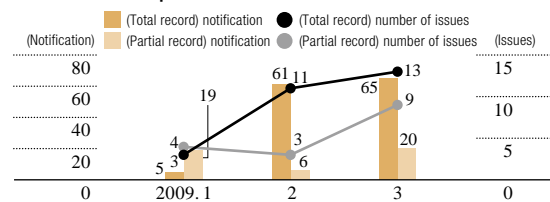
* Regarding general shareholder notifications relating to stocks with shareholder date of record at the end of March 2009, the total of shareholders stood at 45,283,000, issues at 2,867 and number of shares whose ownership was notified using the general shareholder notification system at 359.9 billion. Notification was made to issuers in April 2009.

Shareholders Notification (2)

Individual shareholder notification

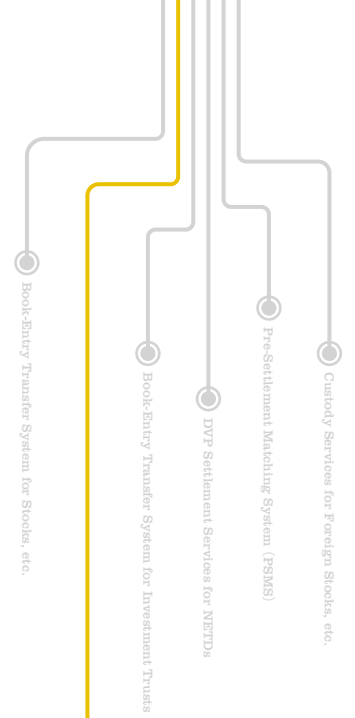


Information requests



* Requests for information (total record) refer to requests for data recorded on book-entry transfer registries of either JASDEC participants (direct AMLs) or indirect AMLs where shareholders in question have opened accounts.

Requests for information (partial record) refer to requests for data recorded solely on book-entry registries of JASDEC participants where shareholders in question have opened accounts.



Business Overview 2

Book-Entry Transfer System for Commercial Papers and Corporate Bonds

For seamless and secure settlement of CP and corporate bonds, which play crucial roles in business fund procurement

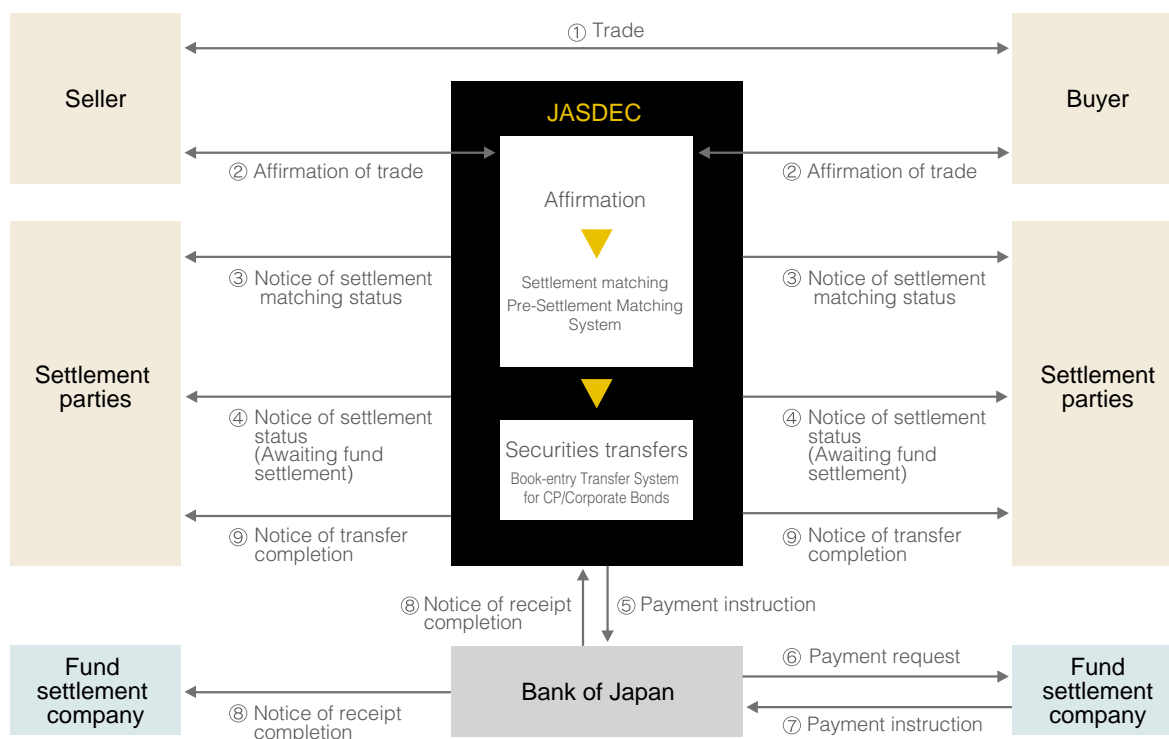
In March 2003 JASDEC launched the Book-entry Transfer System for Short-Term Corporate Bonds (dematerialized CP), the first dematerialized Book-entry Transfer System in Japan, and for Corporate Bonds in January 2006. In each system, custody procedures – issuance, transfer (trading), and redemption – are conducted based on the balance recorded in the transfer account books. In addition, all transactions related to issuance, transfer and redemption of CP and corporate bonds can be processed by the DVP settlement link with the Bank of Japan's Financial Network System. By linking the Book-entry Transfer System with our PSMS (Pre-Settlement Matching System; see page 36), JASDEC has realized straight-through processing (STP), which fully automates the

entire process, including trade matching and fund/securities settlement.

Regarding participation in JASDEC's Book-entry Transfer System, JASDEC set up a multilayer holding structure for account management institutions (AMIs) to address the diverse needs of participating investors and financial institutions. Direct AMI can open an account directly at JASDEC, and indirect participation is possible by opening an account at an AMI. Another option for indirect participation is through the opening of an account at an indirect AMI.

Redemption is made for and interest is paid to bondholders by paying agents via AMIs, in accordance with the multilayered structure.

Flowchart for Book-Entry Transfer for CP/Corporate Bonds (in the case of DVP)



Working to upgrade settlement statistics data to enhance transparency of CP transactions

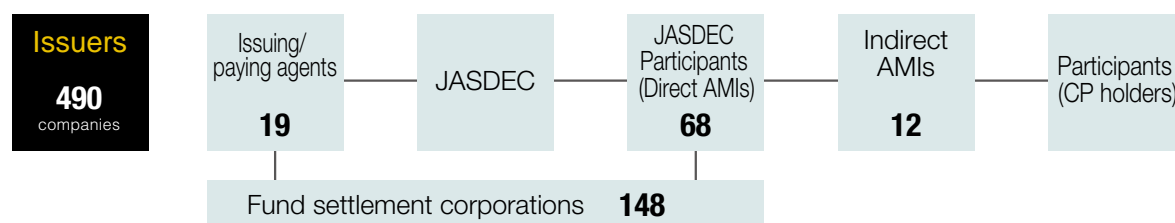
Commercial paper (CP) currently refers to short-term bonds in a dematerialized form issued by business companies as a means of procuring short-term funds. As commercial paper was previously drawn as a promissory note in a physical form, risks involved in the transfer and deposit of notes for large amounts were not always avoidable, not to mention the need to pay documentary stamp tax. Accordingly, requests were raised for an electronic book-entry system that would eliminate the need for paper certificates. The result was the creation of our first fully electronic book-entry transfer system for dematerialized CP. Since the launch of the system six years ago, almost all CP issued in Japan has been handled by this system.

The world financial crisis triggered by the bankruptcies of financial institutions in the autumn of 2008 brought a sharp deterioration in the environment for the issuance of CP, and caused its balance to decline sharply. Subsequently, the authorities took steps to restore the proper functioning of the

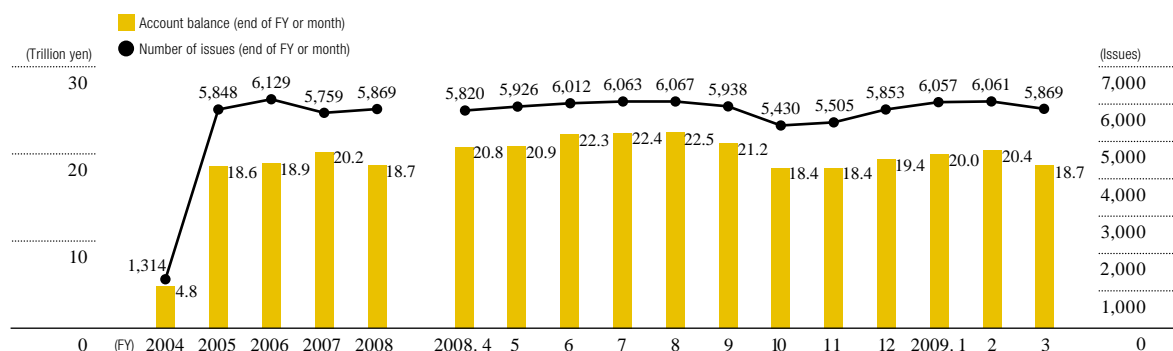
CP market, including direct CP purchases by the Bank of Japan and other measures as part of a strategy for supporting the provision of funds to business companies. As a result, the CP balance at the beginning of January 2009 had surpassed ¥20 trillion, roughly the same level as at the end of March 2008. As of March 31, 2009, however, the total amount of CP using the system and the balance for the CP declined to ¥18 trillion (the record was ¥23 trillion at the end of 2007) and 5,869 issues, respectively.

To improve market transparency, JASDEC actively discloses information on settlement figures. In January 2008, JASDEC began issuing weekly reports on the CP balance by issuer category. Moreover, on JASDEC's website in October 2009, daily reports on average issuance rates of CP, classified by maturity, industry and credit rating, will be provided for public use in line with an agreement with the Bank of Japan. These new services will promote a fairer and more transparent CP market in Japan.

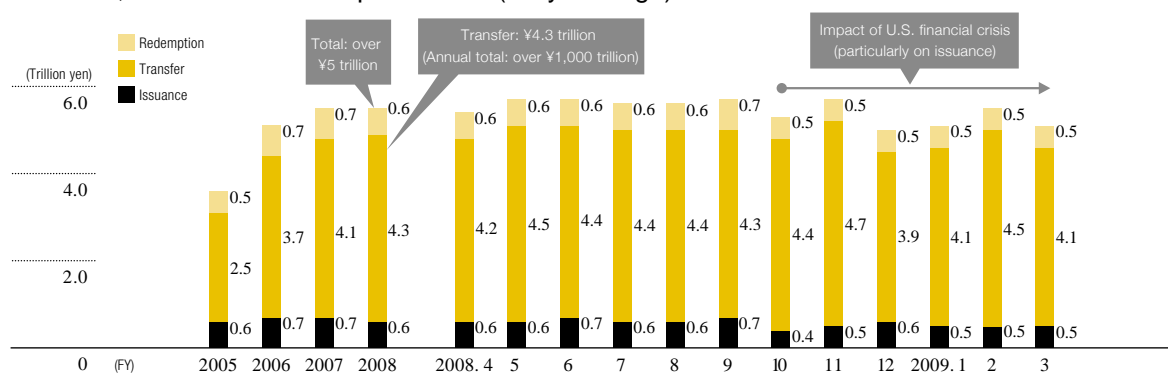
Participants of Book-Entry Transfer for CP (as of the end of March 2009)



CP Account balance and number of issues



Issuance, transfer and redemption of CP (daily average)



Continually adapting to CP market needs

The settlement amount of issuance, transfer, and redemption of CP handled by JASDEC's Book-entry Transfer System exceeds ¥5 trillion per day, and the more than ¥10 trillion at the end of each month surpassed the trading value per day at the Tokyo Stock Exchange. In fiscal 2008, the aggregate settlement amount passed the ¥1,000 trillion mark for the first time, setting a record for active trading since the start of the system. This huge settlement amount reflects the importance

of CP, which plays a crucial role in fund procurement by business entities in Japan. As the sole provider of infrastructure for the settlement of securities transactions, JASDEC fully recognizes its responsibility to secure a high level of reliability in the book-entry transfer system. We will make further efforts to improve the Book-entry Transfer System for CP to promptly reflect changes in market needs for CP transactions.

Further expansion of Book-entry Transfer System functions, for the convenience of participants

JASDEC's Book-entry Transfer System for Corporate Bonds handles various types of bonds, both through public offerings and private placements. These include corporate bonds, municipal bonds, bonds issued by investment firms, specified bonds issued by special purpose companies (SPCs) and others, bonds of special corporations, such as quasi-government and local government bodies, and Samurai bonds (yen-denominated bonds issued in Japan by non-Japanese companies or foreign governments).

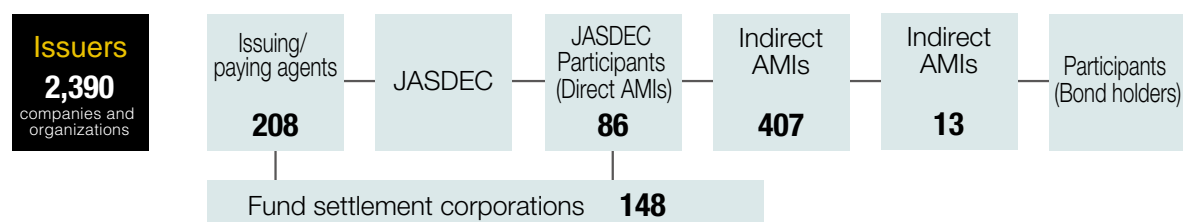
As in the case of the CP market, the corporate bond market was hit hard by the aftereffects of the worldwide financial crisis in the latter half of 2008. However, the first half of fiscal 2008 saw active issuance of industrial bonds, Samurai bonds, and others, and the issue value of corporate bonds for individual investors set a record. As of the end of March 2009, the number of bonds using the system was 73,298 issues, and the issue balance stood at ¥240 trillion. In mid-March, the highest balance of bonds since the start of the Book-entry Transfer System for Corporate Bonds was recorded, at ¥244 trillion. There was an increase in the value of redemptions during fiscal 2008, at ¥36.5 trillion, three times the level in fiscal 2007. This was because the process of

conversion of bonds that had been issued prior to the system's inauguration (referred to as "existing bonds") for the inclusion of these bonds in the current Book-entry Transfer System, was completed by the end of 2007, and thus the transferred "existing bonds" were successively reaching their redemption date.

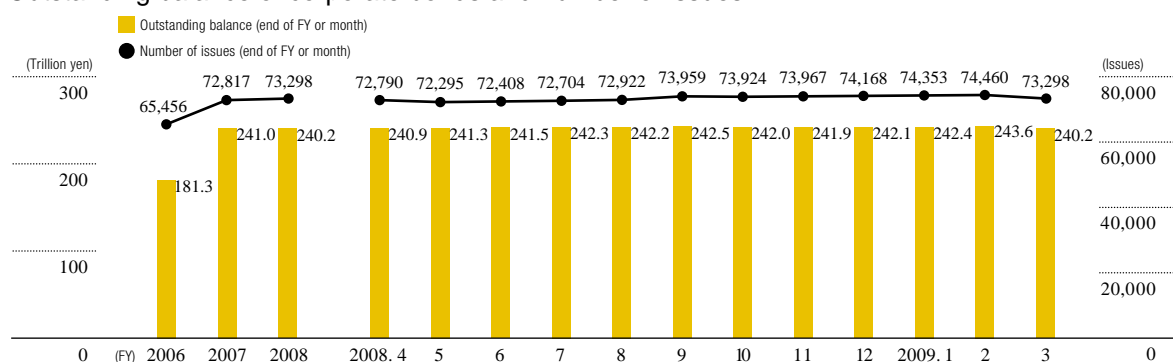
In fiscal 2008, a number of cases emerged of default on obligations relating to publicly-offered bonds, as a result of the business downturn. To ensure the smooth progress of civil rehabilitation proceedings in these cases, JASDEC contacted the parties concerned at an early stage, and worked together with them to ensure that all parties concerned were kept fully informed of the state of play. We also collaborated closely with the parties concerned to organize meetings of bond holders, and we published the "Guidelines for the Holding of Bondholders' Meetings".

As recent new legislation has opened up the way to a considerable diversification of product types in this market, we have developed ways for the Book-entry Transfer System to handle such new products as trust bonds and exchangeable bonds.

Participants of Book-Entry Transfer for Corporate Bonds (as of the end of March 2009)



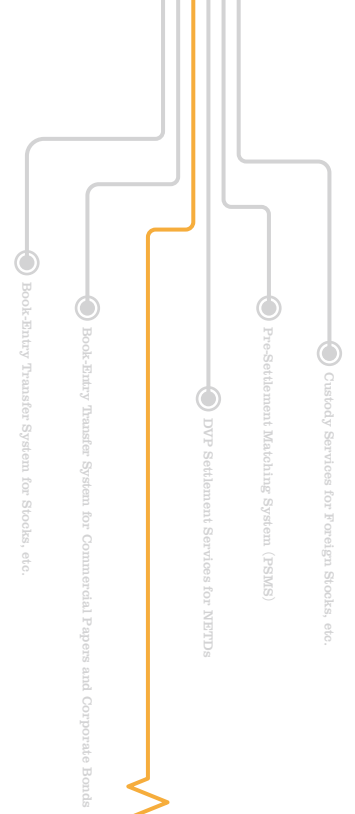
Outstanding balance of corporate bonds and number of issues



Further steps to promote investments in Japanese bonds by nonresidents

Investments in domestic securities by nonresidents already occupy a very large proportion of the total investment in Japan's securities market. To raise the position of Japan's capital markets in the world, however, market functions must be upgraded so as to attract more foreign investors. In January 2008, a system for tax exemption for nonresidents on the interest accrued on municipal bonds was inaugurated,

following a system similar to that used for Book-entry Transfer of Japanese government bonds. In response, we took appropriate measures to include municipal bonds under our Book-entry System for taxation purposes. To promote the globalization of Japan's capital markets, we will make preparations for a future expansion in the scope of tax exemptions for nonresidents.



Business Overview 3

Book-Entry Transfer System for Investment Trusts

A faster, safer approach to investment trusts

The Book-entry Transfer System for Investment Trusts is a computer system for managing beneficial rights of investment trusts. Under the system, beneficial certificates are dematerialized, and beneficial rights are recorded electronically in the transfer account books. This facilitates the prompt creation, extinction and transfer of beneficial rights, and lowers costs of issue and custody of physical certificates as well as risks of loss, theft or fraud.

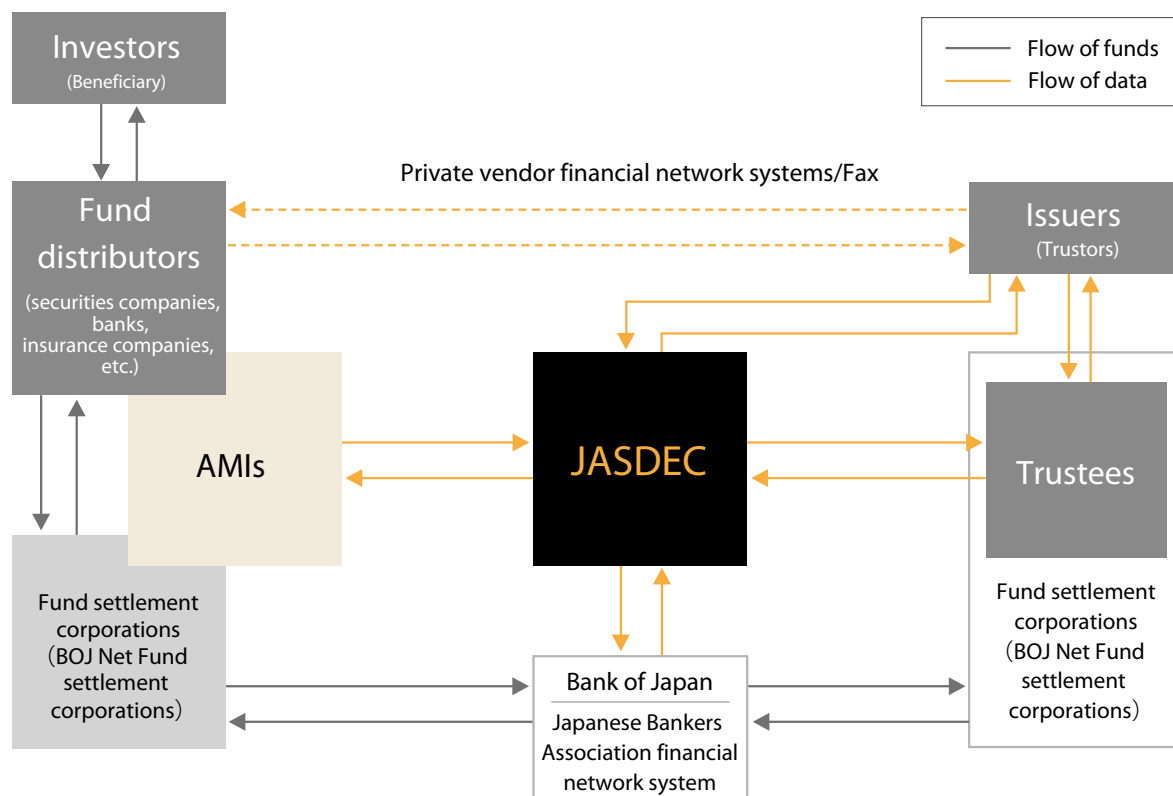
The system covers investment trusts managed by trustors (hereinafter, simply called “investment trusts”). These investment trusts are contract-type investment trusts with the involvement of three parties – a trustor, a trustee and a beneficiary who is an investor in the investment trust. (Exchange traded funds (ETFs) and investment trusts of the non-trustor instruction type are outside the scope of the system.) Since the system was launched on January 4, 2007,

all trustors and trustees involved in investment trusts have participated in the system, and thus almost all investment trusts issued in Japan have been dematerialized.

The participants are diverse, consisting of not only securities companies but also banks, insurance companies, shinkin banks, credit cooperatives, agricultural cooperatives, investment trust management companies in direct marketing, etc. The number of AMIs or JASDEC participants has reached 897 companies.

The Book-entry Transfer System for Investment Trusts enables the direct or indirect connection among trustors, trustees, account management institutions, and JASDEC. This ensures greater security, accuracy, and speed of processing through the electronic management of the accounts of investment trust beneficiaries.

Basic Model of Book-Entry Transfer System for Investment Trusts



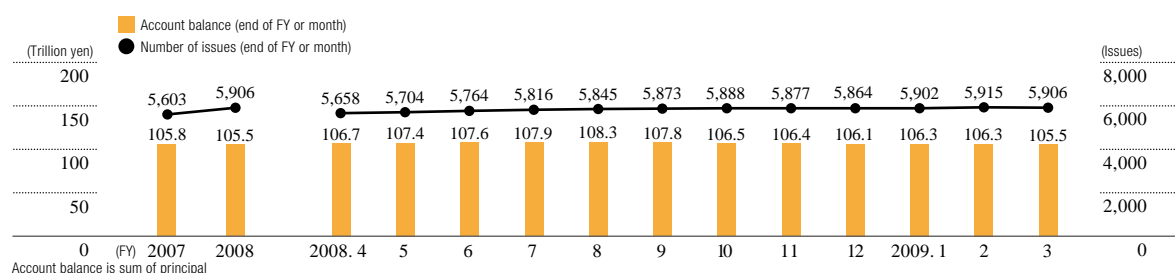
Strong support from users

The total number of investment trusts handled by JASDEC at the end of fiscal year 2008 (ended March 31, 2009) rose to 5,906 (3,323 publicly-offered and 2,583 privately-placed investment trusts), increased by 303 from the end of the previous fiscal year. On the other hand, reflecting weak stock prices, the principal value of new registration (purchase) and elimination (cancellation and redemption) was decreased. The decline in the principal value of new registration was particularly dominant, and as a result, the account balance of principal decreased to ¥105 trillion (¥74 trillion in publicly-offered investment trusts and ¥31 trillion in privately-placed

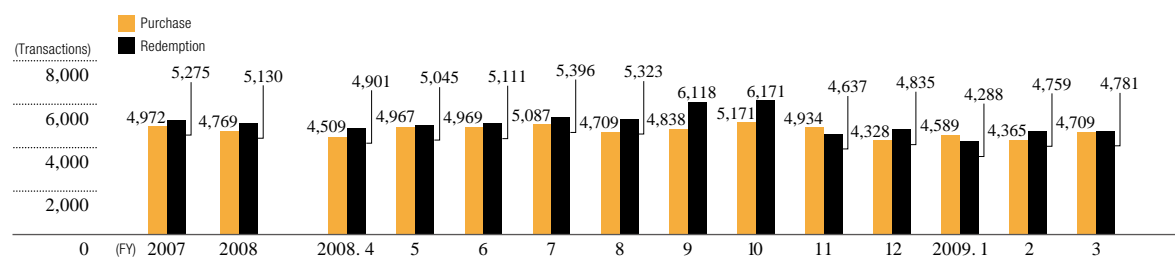
investment trusts), a slight decline of ¥261 billion.

Fund settlement systems in the Book-entry Transfer System for Investment Trusts include DVP settlement (using the Bank of Japan financial network system) and non-DVP settlement (using the Japanese Bankers Association financial network system for online fund settlement among financial institutions). The use of DVP settlement, which involves less settlement risk, has been increasing steadily among system users. In fiscal 2008, 26% of transactions used DVP settlement. By value, the percentage slightly declined to 58%.

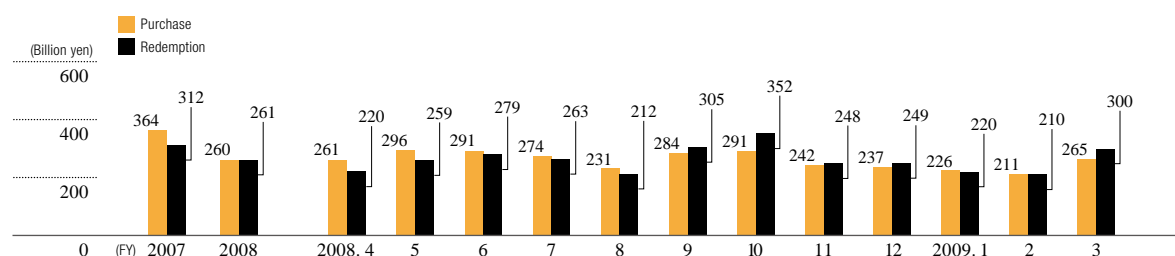
Book-Entry Transfer System for Investment Trusts—account balance and number of Issues



Purchase and Redemption Transaction (Daily average)

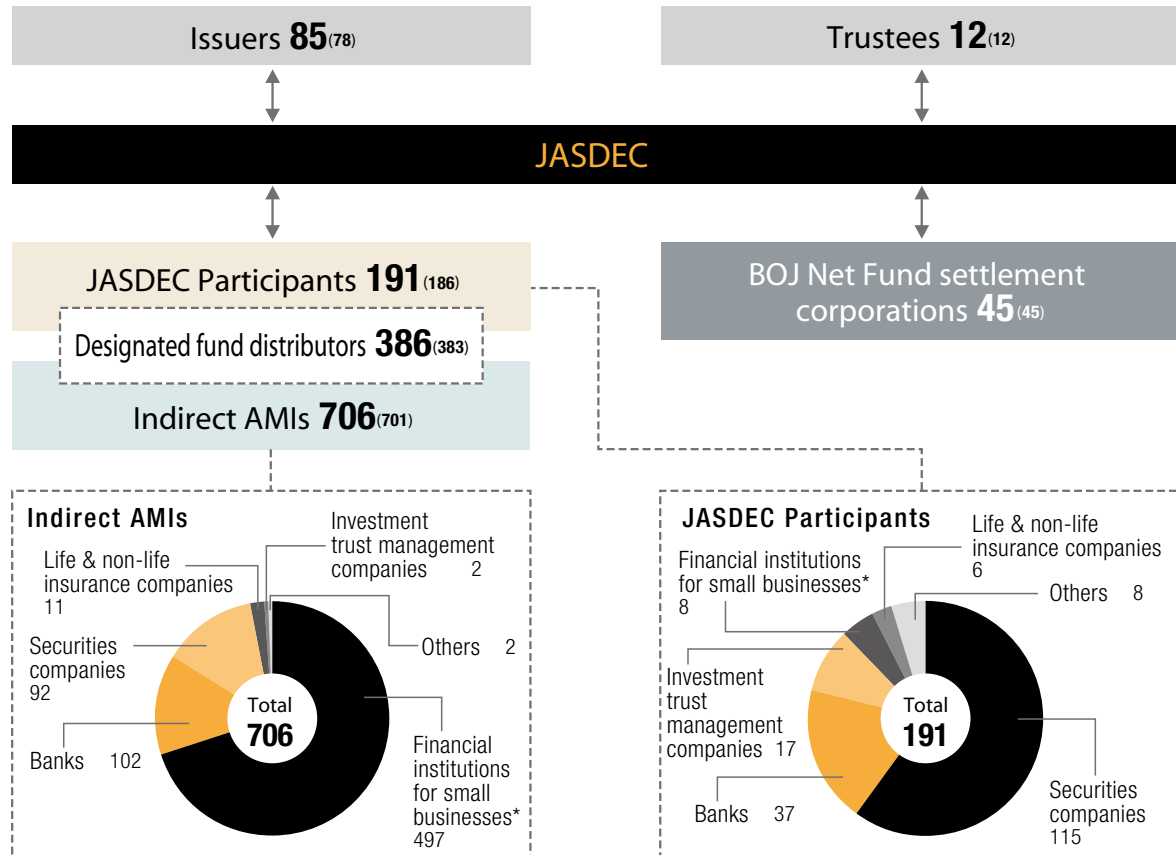


Principal Values of Investment Trusts for Purchase and Redemption (Daily average)



Participants of Book-Entry Transfer System for Investment Trusts

(as of March 31, 2009: Numbers in parenthesis show the numbers as of March 31, 2008)



*Sinkin banks, Credit cooperatives, Agricultural cooperatives, Labor banks, etc.

Further improvement of the system

By the amendment of the Law Concerning Book-entry Transfer of Corporate Bonds and Stocks, etc., JASDEC launched services to make the split and merger of beneficial rights available in January 2009. For example, a 2-for-1 split of beneficial rights will reduce the amount required for purchasing by half. In this way, the System will provide

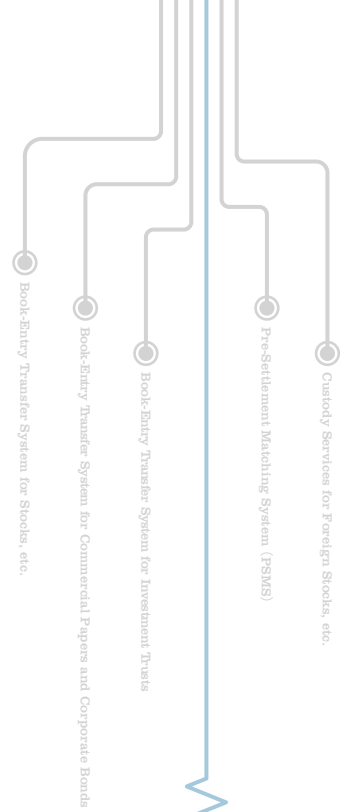
trustors and trustees with a convenient method for the reduction of unit prices.

JASDEC continues to make further efforts to respond to requests made by participants through questionnaires conducted at the end of fiscal 2007.



Business Overview 4

DVP Settlement Services for NETDs



Secure and reliable securities trading has come to realization

There are two types of settlement services for non-exchange transaction deliveries (NETDs) — DVP and non-DVP. Users of the DVP settlement services for NETDs consist primarily of domestic and overseas institutional investors trading in Japanese stocks and other securities.

Up to now, in many cases of non-exchange trades, transfers and fund settlement were separately processed, and were exposed to principal risk — the risk that a counterparty who delivers securities may not receive payment, and vice versa. The DVP settlement system for NETDs reduces these risks by linking securities transfers with payments on the system, thereby ensuring secure and reliable settlement. JASDEC also facilitates STP (Straight-Through Processing), which electronically automates all the processes related to administrative procedures.

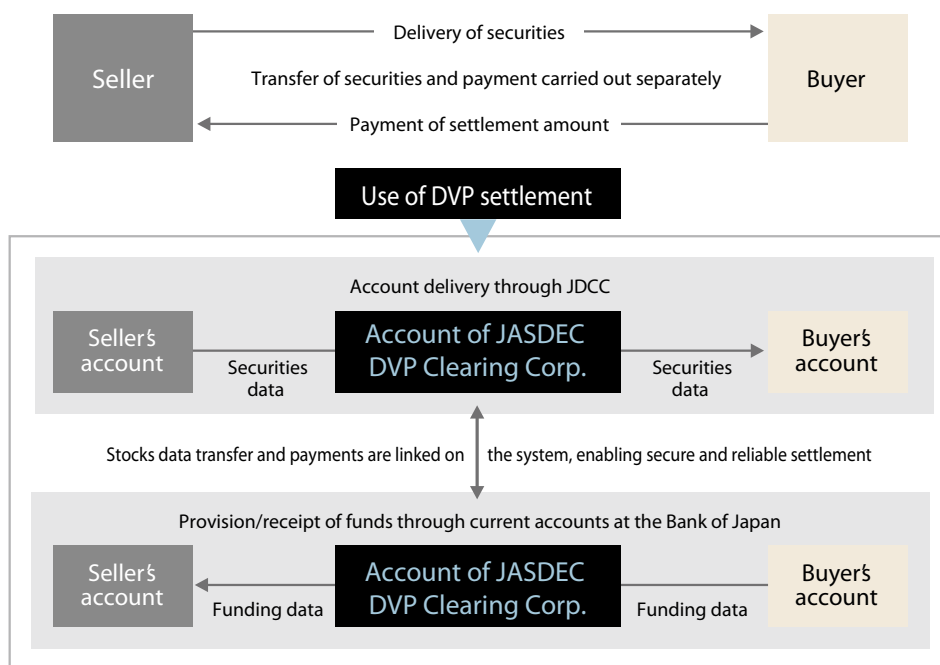
The DVP settlement system for NETDs has been operated since May 2004 by JASDEC DVP Clearing Corporation (JDCC), a wholly-owned subsidiary of JASDEC. JASDEC

participants who prefer the DVP settlement must apply to JDCC for approval of participation in the DVP system, following a screening process covering primarily the financial position and operational capability of the applicant.

To manage participants' risks rigorously, JDCC requests participants to provide, as collateral, assets with carrying value exceeding the total amount of accounts payable (assured assets), and sets a limit for the total of accounts payable reflecting the trading records of each participant (Net Debit Cap).

DVP settlements for NETDs are conducted by the gross-net type DVP model. Securities are transferred on a gross basis from the seller's account to the buyer's account through JDCC's accounts. Meanwhile, payment is performed in lump sum on a net transaction basis on each settlement day, through a current account held with JDCC under the Bank of Japan financial network system.

Reducing principal risk by using the DVP settlement method



DVP system is a system that links the delivery of stocks with payments, enabling secure settlement.

As DVP system becomes more convenient for participants, number of DVP settlements for NETDs increases

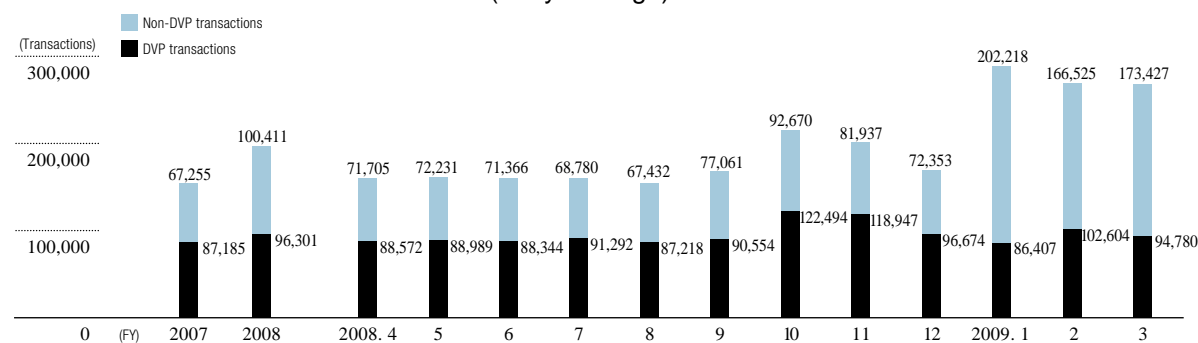
The DVP settlement services for NETDs mainly cover securities handled by JASDEC under its Book-entry Transfer System for Stocks, etc. such as Japanese stocks, bonds with share options, etc. The scope of securities handled by JDCC has expanded every year. In January 2009, a regulatory framework was set up to enable JDCC to handle foreign stocks, etc. listed on Japanese stock exchanges in the DVP settlement system for NETDs.

At the end of fiscal year 2008 (ended March 31, 2009), participants in the DVP service totaled 61 companies (16 banks and 45 securities companies). As the system became widely available, the average daily volume of transfers under the system in fiscal 2008 stood at 96,301 increased by 9,116

year-over-year. As JDCC achieved economies of scale, ¥10 out of the ¥25 fee charged per DVP transfer was returned to participants as rebates from the fee revenues in fiscal 2008. In April 2009, fee per transaction using the DVP settlement was determined as ¥20, reduced by ¥5.

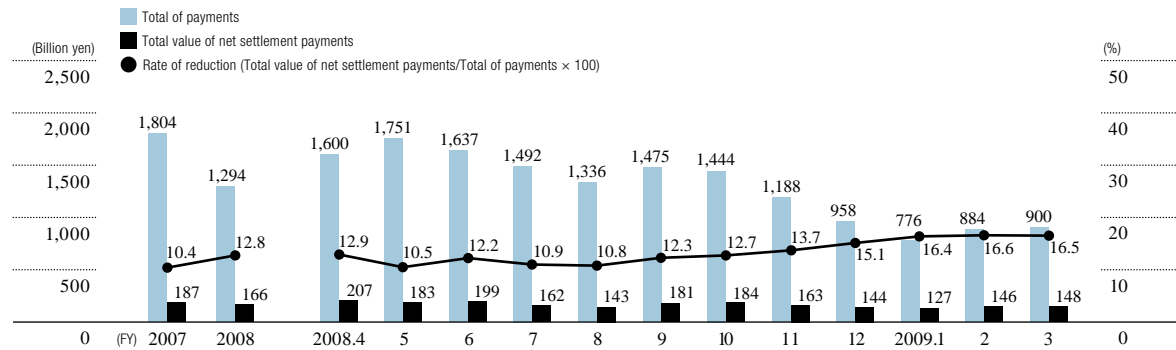
To fine-tune the system to improve the efficiency of utilization of collateral money deposited with JDCC (participants' funds), from January 2009 DVP participants are able to use deposited money as collateral right from the day on which the money is deposited rather than from the next day, as was the case previously. Restoration of deposited money is also now implemented on the day of receipt of such request from the participant.

DVP Settlement for NETD Transactions (Daily average)



DVP transactions are the number of transfers executed (transfer from DVP participants to JASDEC DVP Clearing Corporation)

DVP Settlement for NETD Fund Settlement (Daily average)



Securities covered: Stocks, Share options (Share subscription warrants), Foreign stocks, Bonds with share options (Convertible bonds), REIT investment certificates, Preferred securities, Beneficiary certificates of investment trusts

Total of payments is the total amount used for execution of securities transfers

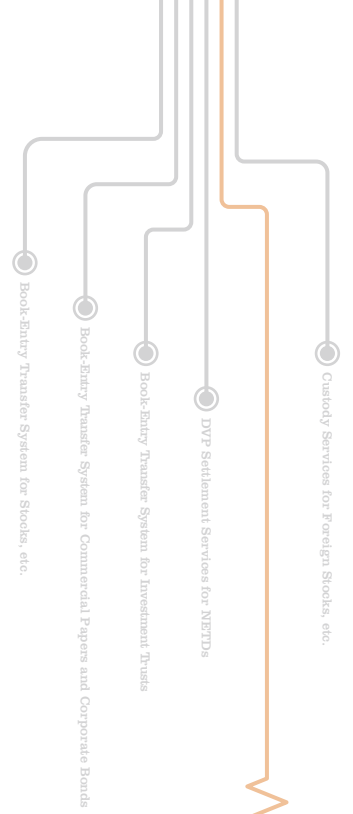
Total value of net settlement payments is the total amount used for account settlement on a net transaction basis

Working to further enhance convenience on basis of secure and reliable operation of the system

To provide a buffer in the event of the default of DVP participants, JDCC ensures a sufficient level of cash liquidity, by utilizing participants' funds and bank commitment lines. Additionally, JDCC sets a limit for net accounts payable (net debit cap) for each participant to minimize the risk within the

range of cash liquidity. JDCC monitors the framework of the system on an ongoing basis to maintain an appropriate level of capital for risk management.

JDCC will continue examining a wide range of possible steps to further increase the user convenience of this system.



Business Overview 5

Pre-Settlement Matching System (PSMS)

Input/output transactions hit record high for the second consecutive year

Matching services are needed for institutional investors' transactions as a wide range of organizations are involved, including investment trust management companies, securities companies, trust banks and custody banks, and as a huge amount of transaction data is exchanged between them. In the past, matching was done manually by faxes or telephone calls. Now, the process is being computerized and automated. JASDEC provides centralized matching services using highly advanced computer systems.

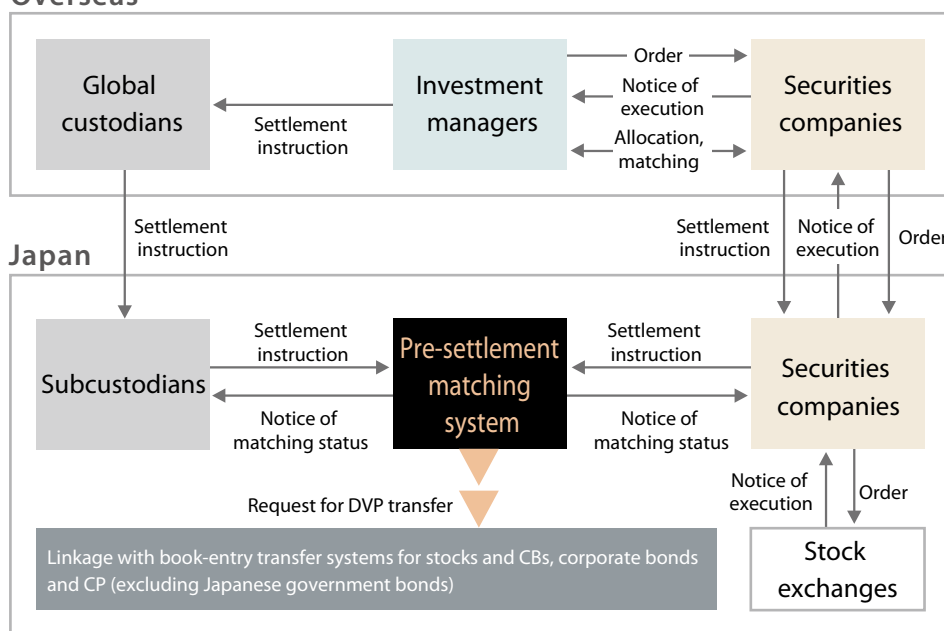
Since launching the system in September 2001, JASDEC has been increasing the range of asset classes and services the system covers. In October 2007, we launched matching services for stock lending/borrowing transactions. We have

expanded this service making it available not only to institutional investors but also to other investors who meet specific "Designated Investor" qualifications under the Financial Instruments and Exchange Act. As of the end of March 2009, 17 Designated Investors use these services.

In line with this expansion, the number of users has also been increasing annually. In fiscal 2008, the number of input/output transactions (daily average basis) rose by 141,935 to record a new high of 1,503,366. As of March 31, 2009 users increased by 111 to 637, primarily as a result of increases in the number of credit unions and life and non-life insurance companies.

PSMS (for non-resident transactions)

Overseas



Steady progress in international system standardization

The securities market is becoming more internationalized. Our computer systems, however, have not yet fully conformed to recent developments in this field. For example, although we have adopted ISO15022, an international standard for message format, we have modified it in order to satisfy unique requirements from Japanese market community. However we recognize the need to promote convenience for users by achieving greater awareness of harmonization with international standards and system connectivity with overseas.

From the point of view mentioned above, JASDEC has been pursuing a project to achieve full conformity with international standards since fiscal 2007. With regard to message formats, JASDEC became a member of ISO20022 Standards Evaluation Group for Securities under TC 68 of the International Organization for Standardization. ISO20022 is the next-generation message format designed to replace the

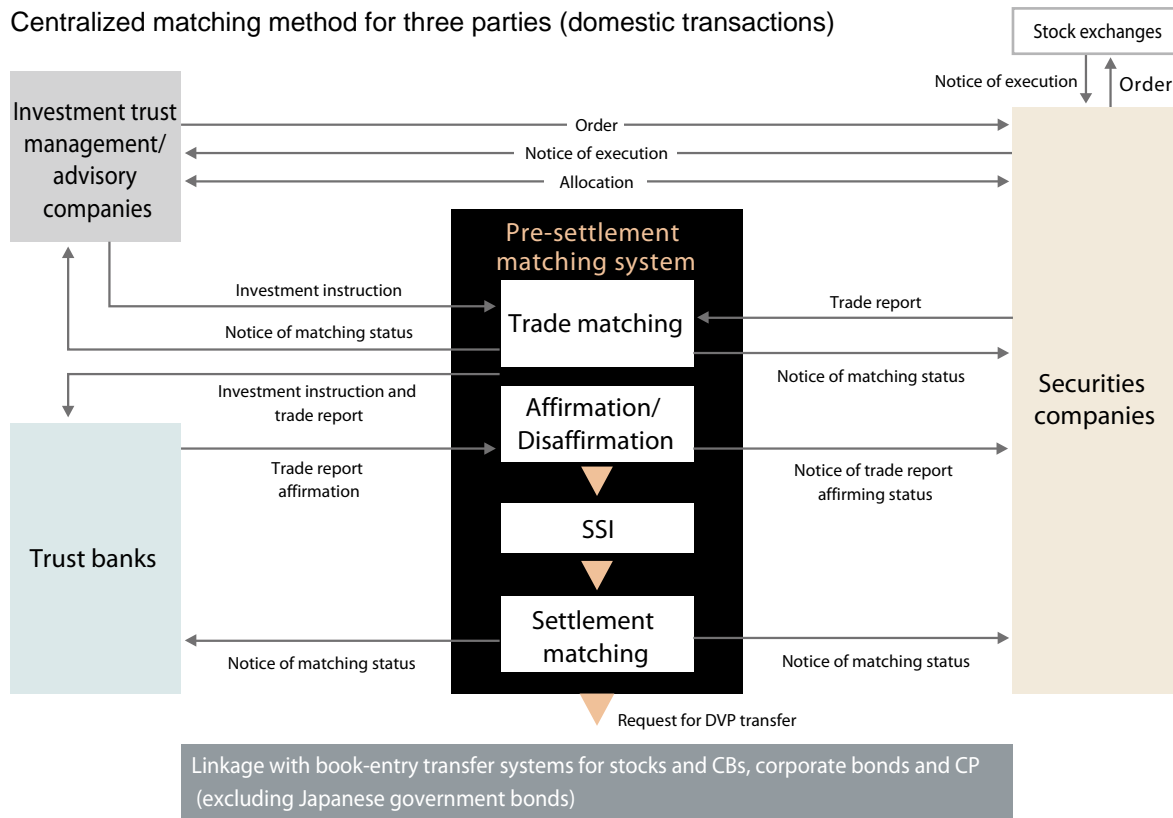
current ISO15022, and as such we are making efforts to ensure that the conditions prevailing in Japan will be reflected in it.

JASDEC is discussing with the PSMS Subcommittee member users the practical issues of adopting ISO20022 in line with the discussion at ISO20022 Securities SEG.

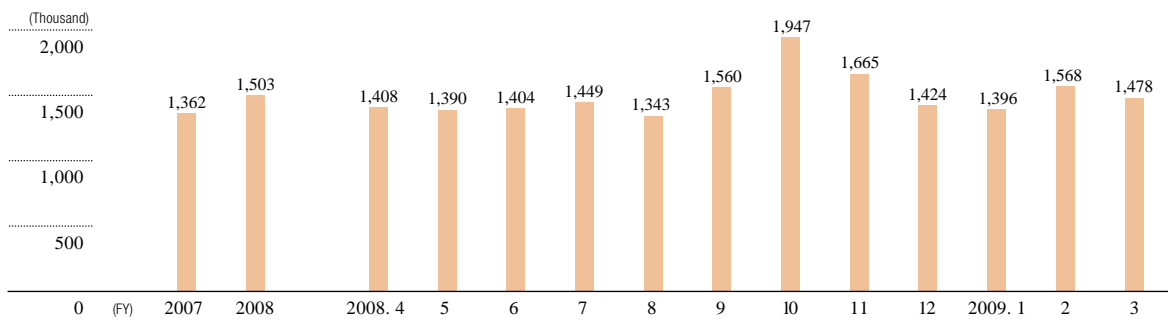
With regard to the computer network, our aim is to introduce the SWIFT network which is widely used overseas while running existing computer network in parallel, enabling users to choose between them. Introduction of the SWIFT network will, we believe, enable smooth overseas connectivity, further increasing user convenience and the number of the participants.

By expanding the range of asset classes and services handled by PSMS, and by steadily building conformity with international standards, we are contributing to still greater efficiency in Japan's securities markets.

Centralized matching method for three parties (domestic transactions)



Total number of PSMS input/output instructions using the PSMS system (Daily average)



Note: Total of the number of inputs of contract-type matching data and PSMS data relayed by the user and the number of transactions of data (outputs) reported to the user as a result of matching processes.



Business Overview 6

Custody Services for Foreign Stocks, etc.

Improving the convenience of custody services through new systems and services

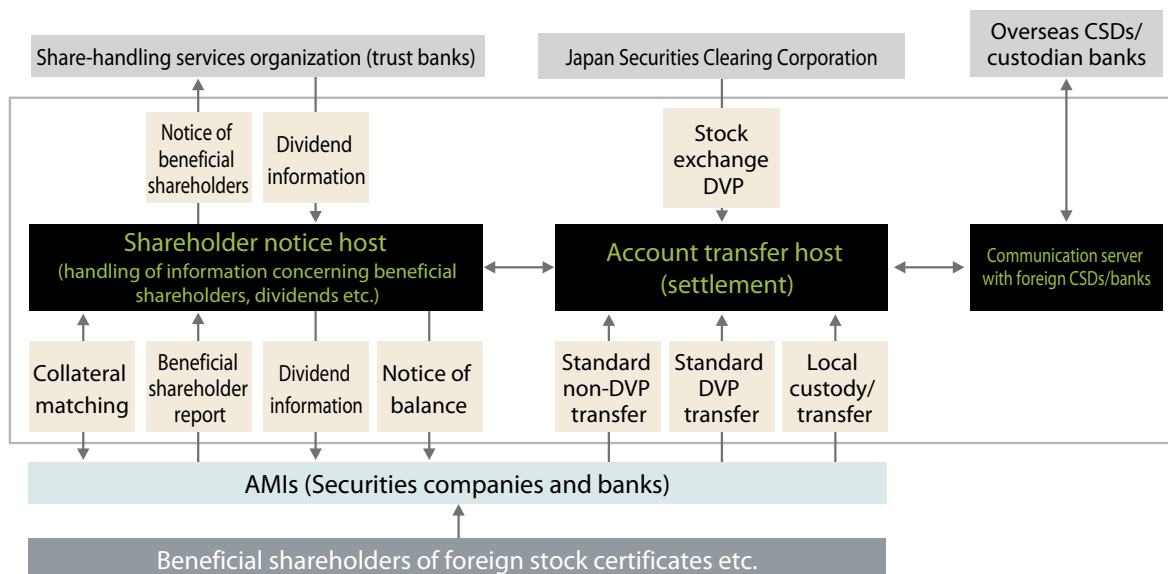
In addition to Japanese securities such as stock certificates listed on the domestic stock exchanges, in April 2006 JASDEC inaugurated services involving the processing of deposit, transfer and ownership rights for foreign stocks, etc. In January 2009 we introduced new systems and services including a highly convenient system for foreign stocks, etc., which enables DVP settlement for NETDs, as well as providing dividend payment data to JASDEC participants.

Although foreign share certificates, etc. are generally deposited with central securities depositories or custodians in the countries where the issuing companies are located, settlements of transactions at the stock exchanges in Japan are conducted through book-entry transfers in JASDEC. JASDEC entrusts dividend payments to relevant share-handling service organizations. Information on shareholders (beneficial shareholders) at the record date for dividend is transferred to

the share-handling service organizations by the JASDEC participants through JASDEC. Based on this information, the share-handling service organizations calculate the amount of dividends, which are then paid directly to the beneficial shareholders from the dividend-payment handling bank. JASDEC also undertakes the necessary procedures regarding dividend taxation for local tax authorities, etc. to ensure reduced tax rates under tax treaties with the countries concerned. Voting rights at general meetings of shareholders can also be exercised by beneficial shareholders through instructions issued to JASDEC.

JASDEC thus provides the infrastructure and services necessary for reliable settlement of trading activities in foreign stocks, etc., smooth exercise of shareholder rights, and error-free receipt of dividends and other payments.

Overview of the new system relating to foreign stocks (effective in January 2009)



Custody services for foreign covered warrants were inaugurated

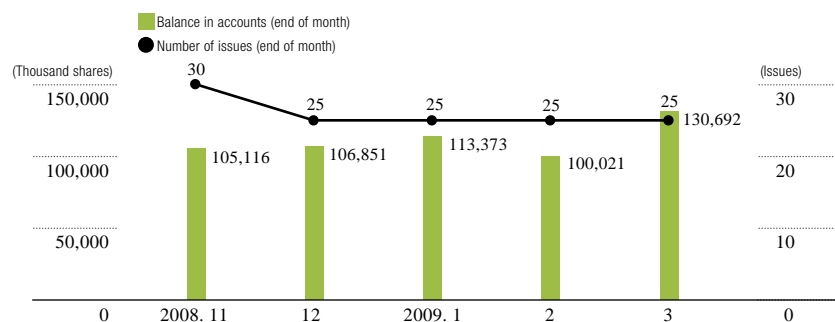
In recent years, foreign companies have come to regard Japan as a major market for their financing needs. There have been listings only on the Tokyo Stock Exchange or the Osaka Securities Exchange (no listing in home countries), and also continuous listings in Japan of overseas ETFs (Exchange-Traded Funds) or foreign covered warrants.

Responding to these developments, JASDEC commenced custody services for ETFs linked to movements in a South Korean stock index in November 2007. In addition, in March 2008, we made amendments to rules to enable custody services for overseas commodity ETFs and commenced custody services for ETFs linked to gold prices and ETFs

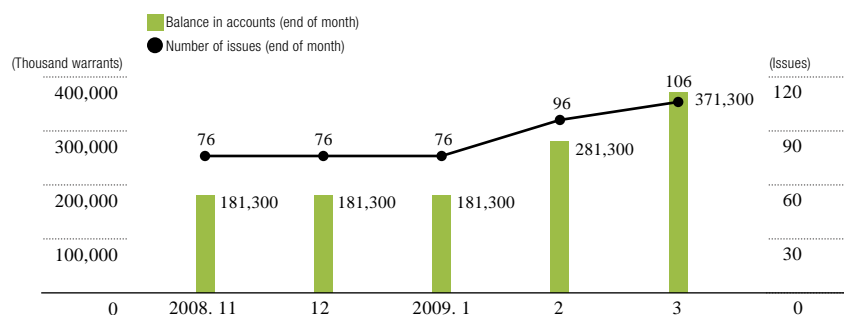
linked to commodity indexes.

JASDEC began the handling of foreign covered warrants in September 2008 following the listing of such warrants on the Osaka Securities Exchange in the same month. As a result, Book-entry Transfer System for foreign stocks, etc. came to include the four categories of foreign stocks, etc. (including ADRs), overseas ETFs, country funds, and foreign covered warrants. At the end of March 2009, the number of different issues handled by JASDEC in the three categories of overseas shares, overseas ETFs, and country funds stood at 25, while the number of foreign covered warrants handled stood at 106.

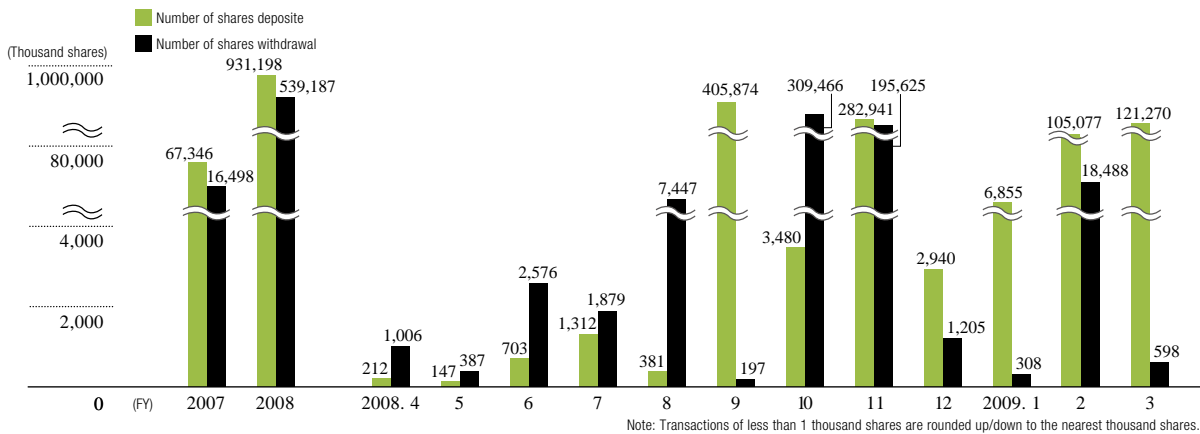
Foreign stocks—number of issues/balance in accounts (excluding foreign covered warrants)



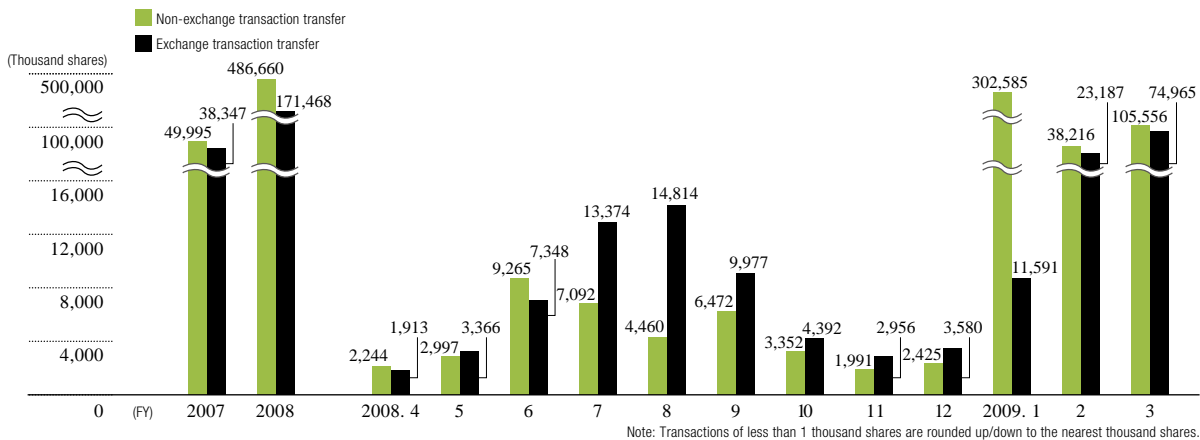
Foreign covered warrants—number of issues/balance in accounts



Number of shares deposite/withdrawal



Account transfer



Providing investors with new opportunities through the expansion of the scope of investment vehicles

Thanks to the introduction of new systems and services in January 2009, the Custody and Book-entry Transfer System for Foreign Stocks, etc. has increased convenience for investors. Following the introduction of overseas ETFs and foreign covered warrants, JASDEC will aggressively expand

the scope of its handling of investment vehicles with different features to domestic securities. In this way, we will provide Japanese investors with new, attractive investment opportunities in the future.



Business Overview 7

International Relationships

Asian Bond Markets Initiative (ABMI)

Background

The Asian Bond Markets Initiative (ABMI) was adopted by the ASEAN+3 (ASEAN plus Japan, South Korea and China) Finance Ministers' Meeting as a measure to tackle the 1997 Asian financial crisis. Asian countries have been facing common difficulties in the fund procurement required for medium- to long-term investments within the region. Although savings rates are high in the region, capital markets are not yet fully developed. In these circumstances, the region had depended heavily on short-term bank borrowings for long-term investments on a foreign currency-denominated basis from Western financial institutions. This caused maturity and currency mismatches in financing, which were primary factors in generating the Asian financial crisis.

The financial authorities of the countries participating in the ABMI have been endeavoring to develop bond markets within the region to enhance financial intermediary functions and allow savings to be used for investment in the region. The successful procurement of funds for long-term investments in the region would significantly reduce currency and maturity mismatches in regional financing.

Custody Services for Foreign Stocks, etc.

Pre-Settlement Matching System (PSMS)

DVP Settlement Services for NERTDs

Book-Entry Transfer System for Investment Trusts

Book-Entry Transfer System for Commercial Papers and Corporate Bonds

Book-Entry Transfer System for Stocks, etc.

JASDEC engagement

Under the supervision of the Finance Ministries and the Central Banks of the ASEAN+3 countries, four Task Forces have been established with the common goal of the further development of well-functioning bond markets with sufficient liquidity in the region.

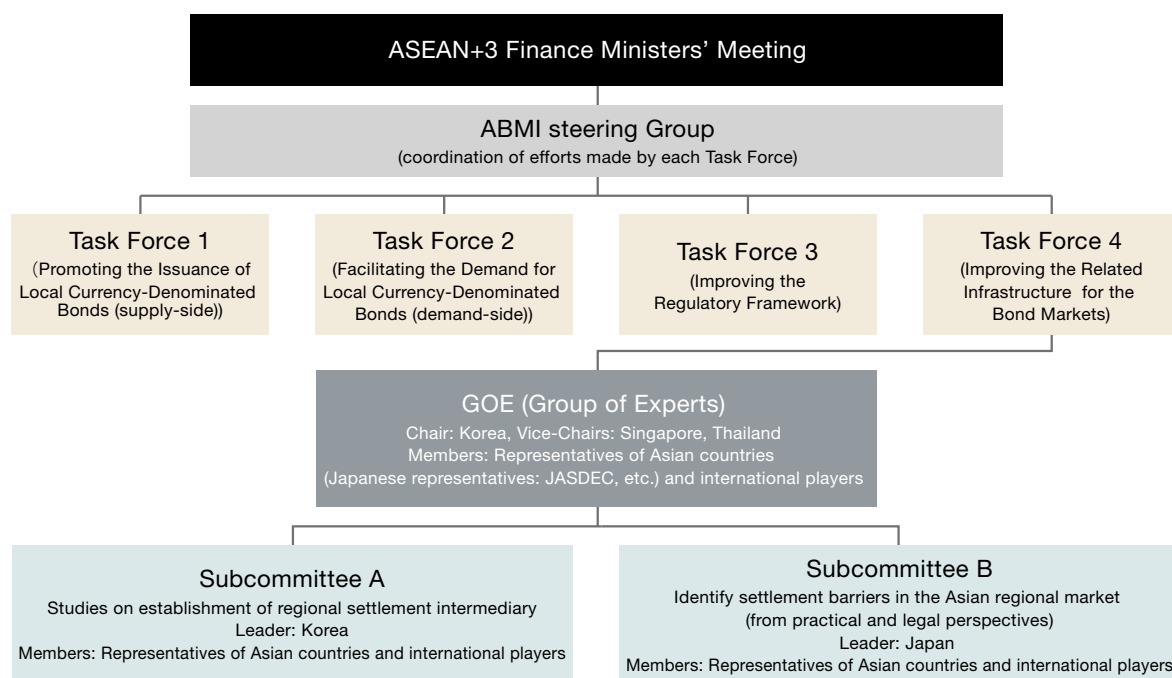
Since April 2008, JASDEC has been taking part (as the representative of Japan) in the Group of Experts (GOE), which was established by Task Force 4 (whose responsibility is to improve the bond market infrastructure) to discuss key issues related to cross-border bond transaction and settlement systems.

In its turn, the GOE has set up two subcommittees: one to conduct feasibility studies on proposals for the creation of settlement systems for the region (Subcommittee A), and one to examine possible barriers to cross-border transactions in ASEAN+3 Bond Markets (Subcommittee B). These two subcommittees – comprising national and international central securities depositories and major private-sector players such as custodian banks and securities companies, who have extensive expertise in the field of securities transactions in Asia, are carrying out intense discussions of

these questions. As the representative of Japan, JASDEC is acting as the leader of Subcommittee B in pushing forward with the project agenda.

In April 2009 the 5th meeting of the GOE was held in Tokyo with the participation of 15 institutions, including the central securities depositories, custodian banks for cross-border transactions, and the International Central Securities Depositories (ICSDs). Issues that were the subject of intense examination and discussion included analyses of cross-border transaction costs, settlement administration models, and issues selected from surveys (by questionnaire or interview) of market participants' views, such as the standardization of electronic message formats, tax systems, foreign exchange controls, capital controls, and other matters likely to present problems.

Subcommittee A will continue to conduct feasibility studies on the legal and regulatory aspects of the cross-border settlement models, as well as a feasibility study from the practical business standpoint. Subcommittee B plans to examine measures to remove barriers, and to prepare its roadmap with the aim of putting together GOE recommendations by the spring of 2010.



Enhancing JASDEC's Global Presence

JASDEC signs Memorandums of Understanding on information exchange and collaborates with overseas CSDs

JASDEC has been following a policy of signing MOUs on the exchange of information and the undertaking of collaborative projects with the worldwide CSDs. The relationship between JASDEC and the overseas CSDs involves not simply their role as the local depository institutions of foreign securities listed on Japan's exchanges, but also their vital role in exchanging information and opinions on common securities settlement issues, collecting example cases and sharing know-how on new business and securities issues. This relationship also plays an important role in promoting the exchange of background information (business practices, legal restrictions, etc.) which is a contributing factor in the differences in the handling of operations between JASDEC and its MOU signing partners.

In 2008, JASDEC signed an MOU with the CDC (Central Depository Company of Pakistan) in April, with CDSL

(Central Depository Services (India) Limited) and NSDL (National Securities Depository Ltd.) of India in May, and with TSD (Thailand Securities Depository Co., Ltd.) of Thailand in July. In 2009 JASDEC signed an MOU with Misr for Central Clearing, Depository and Registry (MCDR) of Egypt in March, and with MSCH&CD (Mongolian Securities Clearing House & Central Depository Co., Ltd) of Mongolia in April. JASDEC at last count had signed MOUs with 10 CSDs, and plans for collaboration with them, such as holding regular consultative meetings, will be drawn up in the near future.



CDC (Central Depository Company of Pakistan Limited)



CDSL (Central Depository Services (India) Limited)



NSDL (National Securities Depository Ltd.)



TSD (Thailand Securities Depository Co., Ltd.)



MCDR (Misr for Central Clearing, Depository and Registry)



MSCH&CD (Mongolian Securities Clearing House & Central Depository Co., Ltd)

Participation in International Forums

In order to provide appropriate information on Japan's securities markets infrastructure to overseas CSDs on a timely basis as well as to enhance JASDEC's international presence, JASDEC actively attends general CSD meetings, regional CSD meetings (general meetings of Asia-Pacific CSD Group), seminars, and other meetings.

In June 2008 an ACG (Asia-Pacific CSD Group) Cross Training seminar was held by the ACG's task force in Bali, Indonesia. It was hosted by KSEI (the Indonesian Central Securities Depository) and KPEI (the Indonesian Clearing and Guarantee Corporation), and jointly supported by the Information Exchange Task Force (chaired by JASDEC) and the New Businesses Task Force (chaired by Korea Securities Depository).

In September, JASDEC attended the Sibos international financial services industry conference sponsored by SWIFT,

which operates a worldwide settlement network utilized by approximately 8,700 financial institutions among 209 countries. At this event, Yoshinobu Takeuchi, President & CEO of JASDEC, took part as a panelist and engaged in vigorous discussion with representatives of the CSDs on the issue of "who will be the next major market?"

In November, at the 12th General Meeting of the Asia-Pacific CSD Group (ACG12) held in Singapore, JASDEC proposed a structural change in the ACG, aiming to activate its organizational operation. The proposal gained acceptance from ACG members, and detailed studies will be conducted in the near future. JASDEC also sent staff to deliver lectures on Japan's securities settlement system at seminars held for related parties of overseas securities markets, and to participate in activities on reform of the securities taxation system, with the aim of facilitating cross-border transactions.



Participants at the ACG Cross Training Seminar in Bali, Indonesia



Participants at the 12th General Meeting of ACG

JASDEC NEWSLETTER

JASDEC has begun publishing a quarterly newsletter containing information about business activities and related developments in Japan and overseas, to raise awareness about the role of JASDEC within domestic and international securities markets.



Analysis of Business Performance and Financial Results

Business Overview

■Fiscal 2008 Review

During the reporting period ended March 31, 2009, the Japanese economy faced severe headwinds. The first half brought a fall in exports as the global economy decelerated under the weight of the subprime crisis and soaring oil and raw material prices. The situation became worse in the second half, when the economy slowed down significantly after the bankruptcy of major financial institutions in the United States and the dramatic rise in the yen.

In securities markets, the Nikkei Average dipped below the ¥7,000 mark in the second half, as the financial crisis that began in the United States deepened and became protracted.

Yet with an average daily trading volume of 2 billion shares on the Tokyo Stock Exchange, transaction activity remained lively, and the number of shares handled by JASDEC's depository and book-entry transfer system maintained momentum.

Furthermore, in January 2009, the dematerialization of the listed stock certificates was implemented, and the new Book-entry Transfer System for Stocks, etc. came on stream.

Financial Results

■Operating Income

Against this backdrop, JASDEC booked a combined total of ¥19,585 million in (1) income from custody and book-entry transfer of stocks, comprising ¥10,282 million in commissions on book-entry transfer, and ¥4,534 million in income from custody operations, and (2) the new book-entry transfer services (launched January 5, 2009), comprising ¥3,005 million in commissions on book-entry transfer, ¥724 million in account management fees, and ¥1,039 million in transfer system usage fees).

This compares with previous-term income from custody and book-entry transfer of stocks of ¥19,384 million (¥13,603 million in commissions on book-entry transfer, and ¥5,781 million in income from custody operations), for an increase of ¥200 million (up 1.0% year-over-year).

Operating income prior to commission rebates amounted to ¥28,625 million (up 2.1% year-over-year) and commission rebates to ¥1,461 million (up 27.1%). As a result, operating income totaled ¥27,163 million (up 4.4%).

■Operating Expenses

Operating expenses for fiscal 2008 amounted to ¥24,454 million (up 12.5% year-over-year), due to an increase in costs on upgrading computer systems for the dematerialization of stock certificates.

■Net Income

Net income for fiscal 2008 amounted to ¥1,333 million (down 13.8% year-over-year).

Earnings per share was ¥156,934.33.

Financial Condition

Total assets as of March 31, 2009 were up by ¥6,775 million from the previous year-end to ¥61,615 million.

This was mainly due to increased value of software following investments required for dematerialization of stock certificates, and system upgrades.

Net assets at the fiscal year-end increased ¥994 million year-over-year to ¥18,890 million, due primarily to an increase in retained earnings.

Net cash provided by operating activities during this financial year came to ¥6,411 million, which includes income before income taxes of ¥2,331 million, depreciation and amortization of ¥6,362 million, and income tax payments of ¥1,788 million.

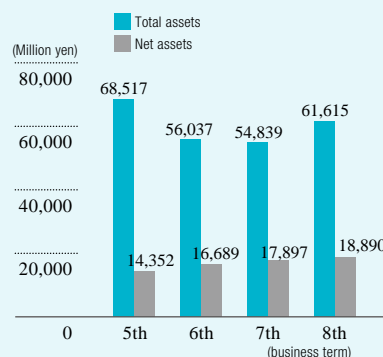
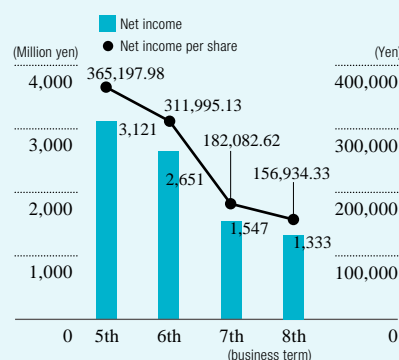
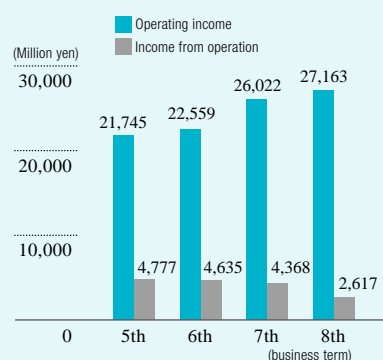
Net cash used in investing activities amounted to ¥11,523 million, mainly as a result of capital investment in a system for dematerialization for stock certificates.

Net cash provided by financing activities amounted to ¥5,652 million, as cash outflow on dividend payments was more than offset by short-term bank borrowings.

As a result of the foregoing, cash and cash equivalents as of the fiscal year-end stood at ¥2,355 million, up by ¥539 million from the previous year-end.

As Japan's central securities depository, JASDEC is committed to stable financial management with a sound financial position and adequate operating cash flow as it goes about its public mission of providing reliable and error-free infrastructure for securities clearing and settlement.

Financial results (on a consolidated basis)



Consolidated Financial Statements

Consolidated Balance Sheets (As of March 31, 2008 and 2009)

	¥ (thousands)		\$ (thousands) (Note 5)
	2008	2009	2009
ASSETS			
Current Assets:			
Cash and deposits	¥ 1,816,676	¥ 2,355,978	\$ 23,984
Accounts receivable – trade	3,072,097	3,161,085	32,180
Deferred income taxes (Note 12)	156,655	561,386	5,715
Designated assets for clearing funds (Note 4)	29,884,895	31,531,872	321,000
Other current assets	356,531	519,023	5,284
Allowance for doubtful accounts	—	(6,895)	(70)
Total Current Assets	35,286,855	38,122,450	388,093
Property and Equipment:			
Buildings and structures	1,125,677	1,062,907	10,820
Tools and furniture	9,018,616	5,560,074	56,603
Lease assets	—	56,023	570
	10,144,293	6,679,004	67,993
Less: Accumulated depreciation	(6,262,276)	(4,170,881)	(42,460)
Total Property and Equipment	3,882,017	2,508,121	25,533
Intangible Assets, Net:			
Software	7,171,014	19,759,147	201,152
Construction in progress (Software)	6,586,807	67,821	690
Lease assets	—	9,517	97
Other intangible assets	14,882	18,154	184
Total Intangible Assets	13,772,704	19,854,639	202,123
Investment and Other Assets:			
Investment securities	336,647	308,418	3,140
Long-term prepaid expenses	109,154	86,770	883
Deferred income taxes (Note 12)	937,233	194,434	1,979
Long-term refundable lease deposits	514,775	514,775	5,240
Claims provable in bankruptcy, rehabilitation and other	—	41,394	421
Allowance for doubtful accounts	—	(15,878)	(161)
Total Investment and Other Assets	1,897,811	1,129,914	11,502
Total Assets	¥54,839,389	¥61,615,125	\$627,253

The accompanying notes are an integral part of these statements.

	¥ (thousands)		\$ (thousands) (Note 5)
	2008	2009	2009
LIABILITIES			
Current Liabilities:			
Accounts payable – trade	¥ 1,556,483	¥ 868,426	\$ 8,841
Short-term borrowings (Note 6 and 9)	2,400,000	8,400,000	85,514
Lease obligations (Note 9)	—	13,842	141
Income taxes payable	931,071	—	—
Allowance for employees' bonuses	178,909	185,102	1,884
Allowance for executives' bonuses	20,300	20,300	207
Consumption taxes payable	4,030	—	—
Deposits received for clearing funds (Note 4)	29,884,895	31,531,872	321,000
Allowance for loss of business trust agreement Cancellation	—	940,103	9,570
Allowance for loss of computer center transfer	—	242,379	2,467
Other current liabilities	629,274	235,736	2,400
Total Current Liabilities	35,604,964	42,437,763	432,024
Long-term Liabilities:			
Lease obligations (Note 9)	—	45,785	466
Allowance for employees' retirement benefits (Note 10)	148,155	199,422	2,030
Allowance for executives' retirement benefits	41,160	41,160	419
Allowance for loss of business trust agreement cancellation	827,700	—	—
Allowance for loss of computer center transfer	320,356	—	—
Total Long-term Liabilities	1,337,372	286,367	2,915
Total Liabilities	36,942,336	42,724,131	434,939
NET ASSETS			
Shareholders' Equity:			
Common stock			
Authorized: 10,000 shares			
Issued: 8,500 shares	4,250,000	4,250,000	43,266
Capital surplus	4,250,000	4,250,000	43,266
Retained earnings	9,397,052	10,390,994	105,781
Total Shareholders' Equity	17,897,052	18,890,994	192,313
Total Net Assets	17,897,052	18,890,994	192,313
Total Liabilities and Net Assets	¥54,839,389	¥61,615,125	\$627,253

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income (For the years ended March 31, 2008 and 2009)

	¥ (thousands)		\$ (thousands) (Note 5)
	2008	2009	2009
Operating Income	¥26,022,586	¥27,163,871	\$276,533
Operating Expenses:			
Executives' compensation and bonuses	206,673	206,738	2,105
Salaries and bonuses	1,822,149	1,972,209	20,077
Severance costs for employees (Note 10)	81,945	97,320	991
Maintenance for systems	6,974,215	8,424,000	85,758
Outside services	2,597,821	2,463,436	25,077
Registration fees	1,286,788	1,523,801	15,513
Depreciation and amortization	5,604,745	6,362,311	64,769
Rent	509,500	525,941	5,354
Advertisement	720,881	668,434	6,805
Others	1,925,132	2,210,250	22,501
Total Operating Expenses	21,729,855	24,454,444	248,950
Income from Operations	4,292,730	2,709,427	27,582
Other Income (Expenses):			
Interest income	272	212	2
Operational revenue on the designated assets for clearing funds	111,385	75,684	770
Equity in earnings (losses) of the affiliate	21,375	(28,229)	(287)
Interest expenses (Note 9)	(3,637)	(93,932)	(956)
Commitment fees	(49,391)	(43,011)	(438)
Fees for fund operation of designated assets for clearing funds	(7,576)	(7,558)	(77)
Loss on disposal of fixed assets	(16,041)	(43,350)	(441)
Non-recurring depreciation of property and equipment (Note 11)	(590,625)	(78,430)	(798)
Allowance for loss of business trust agreement cancellation	(827,700)	(112,402)	(1,144)
Allowance for loss of computer center transfer	(320,356)	(35,835)	(364)
Provision of allowance for doubtful account	—	(15,878)	(161)
Others, net	3,304	4,978	50
Total	(1,678,991)	(377,755)	(3,845)
Income before Income Taxes	2,613,739	2,331,672	23,737
Income Taxes (Note 12)			
Current	1,781,626	659,662	6,715
Deferred	(715,589)	338,068	3,442
Net Income	¥ 1,547,702	¥ 1,333,941	\$ 13,579
	Yen		U.S.Dollars (Note 5)
Per Share (Note 17)			
Net income – primary	¥182,082.62	¥156,934.33	\$1,598
Dividends	40,000	40,000	407
Weighted-average number of common stock shares outstanding (in shares)	8,500	8,500	—

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets (For the years ended March 31, 2008 and 2009)

	¥ (thousands)					
	Number of common stock shares	Common stock	Capital surplus	Retained earnings	Total shareholders' equity	Total net assets
Balance as of March 31, 2007	8,500	¥4,250,000	¥4,250,000	¥ 8,189,350	¥16,689,350	¥16,689,350
Cash dividends	—	—	—	(340,000)	(340,000)	(340,000)
Net income for the year	—	—	—	1,547,702	1,547,702	1,547,702
Balance as of March 31, 2008	8,500	¥4,250,000	¥4,250,000	¥ 9,397,052	¥17,897,052	¥17,897,052
Cash dividends	—	—	—	(340,000)	(340,000)	(340,000)
Net income for the year	—	—	—	1,333,941	1,333,941	1,333,941
Balance as of March 31, 2009	8,500	¥4,250,000	¥4,250,000	¥10,390,994	¥18,890,994	¥18,890,994

	\$ (thousands) (Note 5)					
	Number of common stock shares	Common stock	Capital surplus	Retained earnings	Total shareholders' equity	Total net assets
Balance as of March 31, 2008	8,500	\$42,419	\$42,419	\$ 95,663	\$182,195	\$182,195
Cash dividends	—	—	—	(3,461)	(3,461)	(3,461)
Net income for the year	—	—	—	13,580	13,579	13,579
Balance as of March 31, 2009	8,500	\$42,419	\$42,419	\$105,781	\$192,313	\$192,313

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows (For the years ended March 31, 2008 and 2009)

	¥ (thousands)		\$ (thousands) (Note 5)
	2008	2009	2009
Cash Flows from Operating Activities:			
Income before income taxes	¥ 2,613,739	¥ 2,331,672	\$ 23,737
Depreciation and amortization	5,604,745	6,362,311	64,769
Non-recurring depreciation of property and equipment	590,625	78,430	798
Increase in allowance for doubtful accounts	—	22,774	232
Increase (decrease) in allowance for employees' bonuses	(1,961)	6,193	63
Increase in allowance for employees' retirement benefits	33,746	51,267	522
Decrease in allowance for executives' retirement benefits	(6,960)	—	—
Increase in allowance for loss on cancellation of agreement for entrustment of operations	827,700	112,402	1,144
Increase (decrease) allowance for loss of computer center transfer	320,356	(77,977)	(794)
Interest income	(272)	(212)	(2)
Interest expenses	3,637	93,932	956
Equity in losses (earnings) of the affiliate	(21,375)	28,229	287
Foreign exchange loss	556	666	7
Loss on disposal of property and equipment	9,297	9,998	102
Loss on disposal of intangible assets	6,744	33,352	339
Decrease (increase) in accounts receivable-trade	383,014	(130,383)	(1,327)
Decrease in accounts payable-trade	(367,373)	(688,057)	(7,004)
Decrease (increase) in other assets	(137,867)	52,137	531
Decrease in other liabilities	(5,311)	(20,677)	(210)
Sub-total	9,853,041	8,266,061	84,150
Interest and dividends received	272	212	2
Interest paid	(3,101)	(66,543)	(678)
Income taxes paid	(1,789,007)	(1,788,073)	(18,203)
Net Cash Provided by Operating Activities	8,061,204	6,411,657	65,271
Cash Flows from Investing Activities:			
Payments for purchase of investment securities	(315,272)	—	—
Payments for purchase of property and equipment	(3,975,197)	(370,597)	(3,772)
Payments for purchase of intangible assets	(6,758,275)	(11,153,312)	(113,543)
Payments of guarantee money deposits received	(79,273)	—	—
Net Cash Flows Used in Investing Activities	(11,128,018)	(11,523,909)	(117,315)
Cash Flows from Financing Activities:			
Short-term borrowings	3,360,000	20,400,000	207,675
Repayment of short-term borrowings	(960,000)	(14,400,000)	(146,595)
Repayment of lease obligations	—	(7,779)	(79)
Cash dividends paid	(340,000)	(340,000)	(3,461)
Net Cash Flows Provided by Financing Activities	2,060,000	5,652,220	57,540
Effect of exchange rate changes on cash and cash equivalents	(556)	(666)	(6)
Net Increase (decrease) in Cash and Cash Equivalents	(1,007,370)	539,301	5,490
Cash and Cash Equivalents at Beginning of Year	2,824,047	1,816,676	18,494
Cash and Cash Equivalents at End of Year	¥ 1,816,676	¥ 2,355,978	\$ 23,984

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements have been compiled from the accounts maintained by Japan Securities Depository Center, Inc. ("the Company") and its subsidiary in accordance with the provisions set forth in the Financial Instruments and Exchange Act in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Finance Reporting Standards.

2. Summary of Significant Accounting Principles

(1) Consolidation

The consolidated financial statements include the accounts of Japan Securities Depository Center, Inc. and its wholly-owned subsidiary, JASDEC DVP Clearing Corporation (hereafter, "JDCC") which is the only subsidiary of the Company. JDCC operates under a fiscal year ending March 31, which is the same as that of the Company.

(2) Cash and deposits

Cash and cash equivalents include all highly liquid investments, with original maturities of three months or less, which are readily convertible to known amounts of cash and are so near maturity that they present only an insignificant risk of changes in value because of changes in interest rates. Cash and deposits in the consolidated balance sheets and consolidated statements of cash flows are identical.

(3) Application of equity method

The equity method is applied to shares of Tokyo System Services Co., Ltd. (hereafter, "TSS").

(4) Property and equipment (Except Lease assets)

Depreciation for buildings, excluding improvements, is computed on the straight-line method. Depreciation for other capital assets is computed on the declining-balance method.

The main estimated useful lives are as follows:

Buildings and structures	3-49 years
Tools and furniture	2-15 years

(5) Intangible assets (Except Lease assets)

Costs of software for internal use are capitalized and amortized on the straight-line method over the estimated useful life of 5 years. Other intangible assets are amortized using the straight-line method over the period registered by the Corporate Taxes Law. Software regarding physical stock certificates, which became redundant after dematerialization of stock certificates, was useful until January 2009, the date which all interested parties had set as the target for the commencement of dematerialization.

(6) Lease assets

The straight-line method is applied to leased assets of finance lease without ownership transfer and the residual value is zero. The company applies accounting principle for general methods for operating lease without ownership transfer if the transaction commenced prior to the adoption of the new standards.

(7) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount determined based on the Company's historical average charge-off ratio for ordinary receivables, and estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

(8) Allowance for bonuses

Allowance for employees' bonuses and allowance for executives' bonuses are provided for bonuses to employees and executives attributable to each fiscal year based on an amount expected to pay, respectively.

(9) Allowance for loss of business trust agreement cancellation

Allowance is provided for a loss on cancellation of entrusted operations due to dematerialization of stock certificates.

(10) Allowance for loss of computer center transfer

Allowance is provided for estimated restoration costs and other related relocation costs to be paid upon the movement of computer facilities.

(11) Consumption taxes

The consumption taxes withheld by the Company and its subsidiary on sales and the consumption taxes paid by the Company and its subsidiary on purchases of goods and services are not included in the amounts of the relevant accounts in the accompanying statements of income. The consumption taxes withheld and paid are recorded as an asset or a liability, as the case may be, and the net balance is shown in the balance sheets.

3. Changes in Basis of Presenting the Consolidated Financial Statements **Accounting Standards for Lease Transactions**

Previously the Company treated finance lease transactions without ownership transfer to lessee as an ordinary method for operational lease. However, since application of “Accounting Standard for Lease transactions” (ASBJ, Accounting Standards Board of Japan-statement No. 13, revised on March 30th, 2007) and “Guidance on Accounting Standard for Lease Transaction (ASBJ Guidance No. 16, revised on March 30th, 2007) from the beginning of reporting term, such leases are accounted for as general sale and purchase.

Depreciation of lease assets is based on zero residual value over the lease contract term.

Meanwhile, for finance lease transactions without ownership transfer, the Company continues to apply accounting principles for ordinary method for operational lease if such transactions commenced prior to the adoption of the new standards.

The impact of this change on the statement of income is immaterial.

4. 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 acknowledge as a party who undertakes securities obligations in accordance with the provisions set forth in JDCC’s general provisions in accordance with Article 156, Paragraph 7-1, of the Financial Instruments and Exchange Act (Law 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 JDSS’s general provisions and Article 7 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 the 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, 2008 and 2009 was ¥15,000,000 thousand (\$152,703 thousand). In the event a DVP participant defaults on the required payment obligations of the DVP for the NETDs settlement system, JDCC shall take deposits from the participant fund of this DVP participant to fulfill its obligations to other DVP participants.

The participant funds entrusted to JDCC will be managed as money trusts, in line with the stated general provisions of JDCC.

These money trusts are evaluated at cost, just as available-for-sale securities with no market value.

Assets and liabilities pertaining to participant funds are presented as designated assets for clearing assets and deposits received for clearing funds, respectively.

(2) Collateral securities

Under the DVP for the NETDs settlement system, DVP participants are able to entrust marketable securities listed in JDCC’s general provisions (hereafter, “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.

As of March 31, 2008 and 2009, the market value

of collateral securities entrusted to JDCC was ¥235,795,655 thousand and ¥99,489,867 thousand (\$1,012,826 thousand), respectively.

5. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥98.23=U.S. \$1, the rate of exchange as of March 31, 2009, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this or any other rate.

6. Commitment Line and Overdraft Contracts

To ensure agile and stable fund-raising, the Company concludes commitment line agreements (¥12,000,000 thousand (\$122,162 thousand) in total) and overdraft contracts (¥5,000,000 thousand (\$50,900 thousand) in total) with three banks. To prepare for a possible deficiency of funds due to a default by DVP participants, JDCC has concluded commitment line agreements (¥45,000,000 thousand (\$458,108 thousand) in total) with three banks, as part of a liquid fund for completing fund settlement on the required day. ¥2,400,000 thousand and ¥8,400,000 thousand (\$85,513 thousand) of the commitment line were utilized by the Company as of March 31, 2008 and 2009, respectively.

7. Net Assets

The Companies Act of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

8. Lease Transactions

Finance lease transactions, other than those in which the ownership of the leased asset is transferred to the lessee, that commenced before the first fiscal year in which the new accounting standard is applied, continues to be accounted for as operating lease transactions. The following table shows the amounts which would

have been recorded as finance leases as of March 31, 2008 and 2009 and for the years then ended:

	¥ (thousands)		\$ (thousands)
	2008	2009	2009
Tools and furniture:			
Acquisition cost	¥2,497,402	¥1,882,666	\$19,165
Accumulated depreciation	(697,698)	(558,663)	(5,687)
Net book value	¥1,799,703	¥1,324,003	\$13,478
Software:			
Acquisition cost	¥ 608,081	¥ 216,774	\$ 2,206
Accumulated depreciation	(297,240)	(65,029)	(662)
Net book value	¥ 310,841	¥ 151,744	\$ 1,544
Lease obligations including interest thereon:			
Due within one year	¥ 565,538	¥ 422,218	\$ 4,298
Due over one year	1,564,035	1,067,833	10,870
Total	¥2,129,573	¥1,490,052	\$15,169
Finance lease charges	¥ 474,604	¥ 557,408	\$ 5,674
Depreciation expense	468,042	550,187	5,601
Interest portion	16,477	11,876	120

(Note) 1. Methods applied in computation of the above data are as follows:
 Depreciation: Straight-line method with zero residual value over the lease contract period
 Interest: Computed as the difference between the lease obligations and the acquisition cost, allocated over the lease term based on the interest rate method.
 2. Finance lease transactions
 ①Lease assets: Property and Equipment; Hardware of back up system
 Intangible assets; Software of back up system
 ②Depreciation: Based on zero residual value over the lease term

9. Borrowings

Short-term borrowings comprised loans from banks with a weighted average interest rate of 1.2% per annum. The Company had short-term borrowings of ¥8,400,000 thousand (\$85,513 thousand). The Company has current portion of lease obligations of ¥13,842 thousand (\$140 thousand) and long-term lease obligations of ¥45,785 thousand (\$466 thousand). Weighted average interest rate of lease obligations is 2.5% per annum. Total borrowings are ¥8,456,650 thousand (\$86,090 thousand) as of March 31, 2009.

10. Allowance for Severance Indemnities for Employees

Allowance for employees' retirement benefits on March 31, 2008 and 2009 represented the amount that would be payable for the Company if all eligible employees voluntarily terminated their employment at the balance sheet dates. Severance costs for employees charged to income for the years ended March 31, 2008 and 2009 amounted to ¥81,945 thousand and ¥97,320 thousand (\$991 thousand), respectively.

11. Non-recurring Depreciation of Property and Equipment

Non-recurring depreciation of fixed assets was due to the decision to move computer sites and dematerialization for stock certificates.

	¥ (thousands)		\$ (thousands)
	2008	2009	2009
Buildings	¥ 37,956	¥19,322	\$197
Tools and furniture	308,800	58,685	597
Software	243,360	421	4
Long-term prepaid expenses	507	—	—
Total	¥590,625	¥78,430	\$798

12. Income Taxes

(1) Deferred tax assets

The following table shows the breakdown of deferred tax assets:

	¥ (thousands)		\$ (thousands)
	2008	2009	2009
Deferred tax assets:			
Allowance for employees' bonuses	¥ 72,637	¥ 75,151	\$ 765
Enterprise taxes payable	71,293		
Business facility taxes	4,166	4,212	43
Accrued social insurance premiums	8,557	10,489	107
Allowance for loss of business trust agreement cancellation	336,046	381,681	3,885
Allowance for loss of computer center transfer	130,064	98,405	1,002
Allowance for doubtful accounts	—	2,799	28
Allowance for employees' retirement benefits	60,151	80,965	824
Allowance for executives' retirement benefits	16,710	—	—
Excess depreciation of fixed assets	377,206	113,468	1,155
Excess amortization of deferred charges for tax purposes	17,053	—	—
Total Deferred tax assets	¥1,093,888	¥767,175	\$7,579
Deferred tax liabilities:			
Enterprise taxes payable		11,354	115
Net deferred tax assets		¥755,820	\$7,694

(2) Reconciliation between the nominal statutory income tax rate and the effective income tax rate

The difference between the statutory tax rate and the effective tax rate for the years ended March 31, 2008 and 2009 is less than 5% of the statutory tax rate, thus the note is omitted.

13. Note to the Consolidated Statements of Changes in Net Assets

(1) Outstanding stock

Type of stocks	March 31, 2007	Increase	Decrease	March 31, 2008
Ordinary share	8,500	—	—	8,500
Type of stocks	March 31, 2008	Increase	Decrease	March 31, 2009
Ordinary share	8,500	—	—	8,500

(2) Treasury Stock

Not applicable.

(3) Stock Subscription Rights and Other Securities

Not applicable.

(4) Dividends

1 Payment of the dividends

Resolution	Type of Stocks	Revenue of Dividends	Total of Dividends ¥ (thousands)	Dividend per Share ¥	Record Date	Effective Date
Ordinary General Shareholders Meeting (June 23, 2008)	Ordinary Share	Retained Earnings	¥340,000	¥40,000	March 31, 2008	June 24, 2008

2 Dividends for which record date belongs to the year ended March 31, 2009 and for which effective date will belong to the year ending March 31, 2010

Resolution	Type of Stocks	Revenue of Dividends	Total of Dividends ¥ (thousands)	Dividend per Share ¥	Record Date	Effective Date
Ordinary General Shareholders Meeting (June 22, 2009)	Ordinary Share	Retained Earnings	¥340,000 (\$3,461 thousand)	¥ 40,000 (\$407)	March 31, 2009	June 23, 2009

14. Stock Option

Not applicable.

15. Segment Information

(1) Business segment

Disclosure is omitted because the Company operates a single business unit, the central securities custody and book-entry transfer system.

(2) Geographic information

Disclosure is omitted because the Company has neither overseas consolidated subsidiaries nor overseas branches for the years ended March 31, 2008 and 2009.

(3) Overseas sales

Disclosure is omitted because the Company does not have any overseas sales for the years ended March 31, 2008 and 2009.

16. Related Party Transactions

The material transactions of the Company with related companies or individuals, excluding transactions with the consolidated subsidiary that are eliminated in the consolidation and those disclosed elsewhere in these financial statements, for the years ended March 31, 2008 and 2009 are as follows:

For the year ended March 31, 2008

(1) Directors

Title	Name	Business	Transactions	Amount ¥ (thousands)	Account	Ending Balance ¥ (thousands)
Director	Koichiro Miyahara (Note 2 (1))	Director of the Company President and CEO of Japan Securities Settlement & Custody, Inc.	Outsourcing	¥639,952 (\$6,514 thousands)	—	—
Director	Hironaga Miyama (Note 2 (2))	Director of the Company President and CEO of Japan Securities Settlement & Custody, Inc.	Outsourcing	¥1,730,028 (\$17,612 thousands)	Accounts payable-trade	¥33,063 (\$336 thousands)

(Note) 1. The transaction amounts above exclude consumption taxes. However, the ending balances include consumption taxes.

2. Terms and conditions

- (1) These amounts represent transactions for the period from April 1, 2007 to June 30, 2007 because Koichiro Miyahara resigned from the Board of Directors of the Company on June 21, 2007, and ending balance is the amount as of June 30, 2007.
- (2) These amounts represent transactions for the period from July 1, 2007 to March 31, 2008 because Hironaga Miyama was assigned to the Board of Directors of the Company on June 25, 2007.
- (3) The terms and conditions of the above transactions are on an arm's-length basis.

(2) Principal shareholder and its subsidiaries

Names of companies	Address	Capital ¥ (thousands)	Principal business	Percentage of ownership with voting right	Relationship		Transactions	Amount (Note 1) ¥ (thousands)	Descriptions (Note 2)	Ending Balance ¥ (thousands)
					Directors holding concurrent positions	Business relationship				
Tokyo Stock Exchange, Inc. (Subsidiary of other affiliates)	Chuo-ku, Tokyo	¥11,500,000 (\$117,072 thousands)	Exchange of financial instruments	— (Note 3)	One	Secondment of staffs, lease of computer sites, etc.	Purchase of investment securities	¥315,272 (\$3,214 thousands)	—	—
Japan Securities Clearing Corporation (Subsidiary of other affiliates)	Chuo-ku, Tokyo	¥1,700,000 (\$17,306 thousands)	Clearing securities	—	One	Commission income	Commission income	¥4,154,800 (\$42,205 thousands)	Accounts receivable-trade	¥384,800 (\$3,917 thousands)

(Note) 1. These transaction amounts above exclude consumption taxes. However, the ending balances include consumption taxes.

2. The terms and conditions of the above transactions are on an arm's-length basis except for the transaction of the investment securities. Acquisition cost of the investment security was based on book value of net assets.

3. Tokyo Stock Exchange Group, Inc. succeeded the holding of the Company's stocks from Tokyo Stock Exchange, Inc. due to reorganization effective October 1, 2007, and replaced Tokyo Stock Exchange, Inc. as a principal shareholder of the Company. As such, these amounts represent transactions for the period from April 1, 2007 to September 30, 2007. Tokyo Stock Exchange, Inc. held 21.82% of the Company's outstanding shares on September 30, 2007.

(3) Subsidiaries and affiliates

Names of companies	Address	Capital ¥ (thousands)	Principal business	Percentage of ownership with voting right	Relationship		Transaction	Amount (Note 1) ¥ (thousands)	Descriptions (Note 2)	Ending Balance ¥ (thousands)
					Directors holding concurrent positions	Business relationship				
Tosho System Service Co. Ltd. (An affiliate)	Koto-ku, Tokyo	¥100,000 (\$1,018 thousands)	Design & development of software	Directly holds 20%	Two	Purchasing software and system maintenance	Purchase of software	¥1,491,226 (\$15,180 thousands)	Accounts payable-other	¥240,008 (\$2,443 thousands)

(Note) 1. These transaction amounts above exclude consumption taxes. However, ending balance includes consumption taxes.

2. The terms and conditions of the above transactions are on an arm's-length basis.

For the year ended March 31, 2009

(Additional Information)

Commencing with the current fiscal year, the consolidated financial statements confirm to (ASBJ Statement 11)

Accounting Standard for Related Party Disclosures and (ASBJ Guidance No.13) Guidance on Accounting Standard for Related Party Disclosures. There are no additional matters to disclose.

(1) Principal shareholder and its subsidiaries

Names of companies	Address	Capital ¥ (thousands)	Principal business	Percentage of ownership with voting right	Relationship		Transactions	Amount (Note 1) ¥ (thousands)	Descriptions (Note 2)	Ending Balance ¥ (thousands)
					Directors holding concurrent positions	Business relationship				
Japan Securities Clearing Corporation (Subsidiary of other affiliates)	Chuo-ku, Tokyo	¥1,700,000 (\$17,306 thousands)	Clearing securities	—	Two	Commission income	Commission income	¥3,645,891 (\$37,115 thousands)	Accounts receivable-trade	¥297,755 (\$3,031 thousands)

(Note) 1. These transaction amounts above exclude consumption taxes. However, the ending balances include consumption taxes.

2. The terms and conditions of the above transactions are on an arm's-length basis.

(2) Subsidiaries and affiliate

Names of companies	Address	Capital ¥ (thousands)	Principal business	Percentage of ownership with voting right	Relationship		Transaction	Amount (Note 1) ¥ (thousands)	Descriptions (Note 2)	Ending Balance ¥ (thousands)
					Directors holding concurrent positions	Business relationship				
Tosho System Service Co. Ltd. (An affiliate)	Koto-ku, Tokyo	¥100,000 (\$1,018 thousands)	Design & development of software	Directly holds 20%	Two	Purchasing software and system maintenance	Purchase of software	¥6,188,427 (\$62,999 thousands)	—	—

(Note) 1. These transaction amounts above exclude consumption taxes. However, ending balance includes consumption taxes.

2. The terms and conditions of the above transactions are on an arm's-length basis.

17. Earnings Per Share

The basis for calculating earnings per share for the years ended March 31, 2008 and 2009 is as follows:

	¥ (thousands)		\$ (thousands)
	2008	2009	2009
Net income as reported in the consolidated statements of income	¥1,547,702	¥1,333,941	\$13,579
Net income pertaining to common stock shareholders	¥1,547,702	¥1,333,941	\$13,579
Weighted-average number of common stock shares outstanding (in shares)	8,500	8,500	—

Report of Independent Auditors

The Board of Directors and Shareholders of
Japan Securities Depository Center, Inc.

We have audited the accompanying consolidated balance sheets of Japan Securities Depository Center, Inc. and its consolidated subsidiary as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in 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 audit.

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.

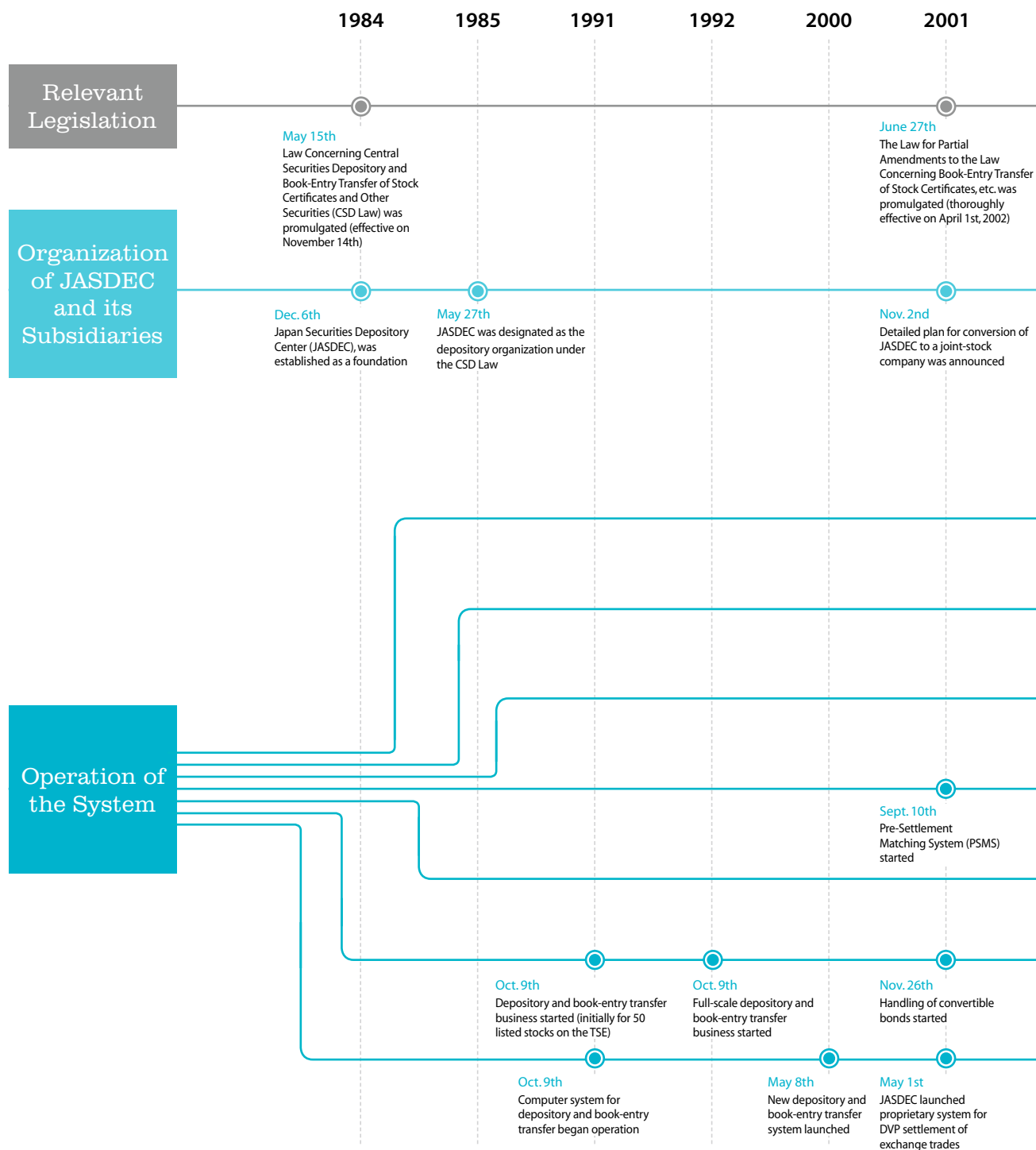
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Japan Securities Depository Center, Inc. and its consolidated subsidiary at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

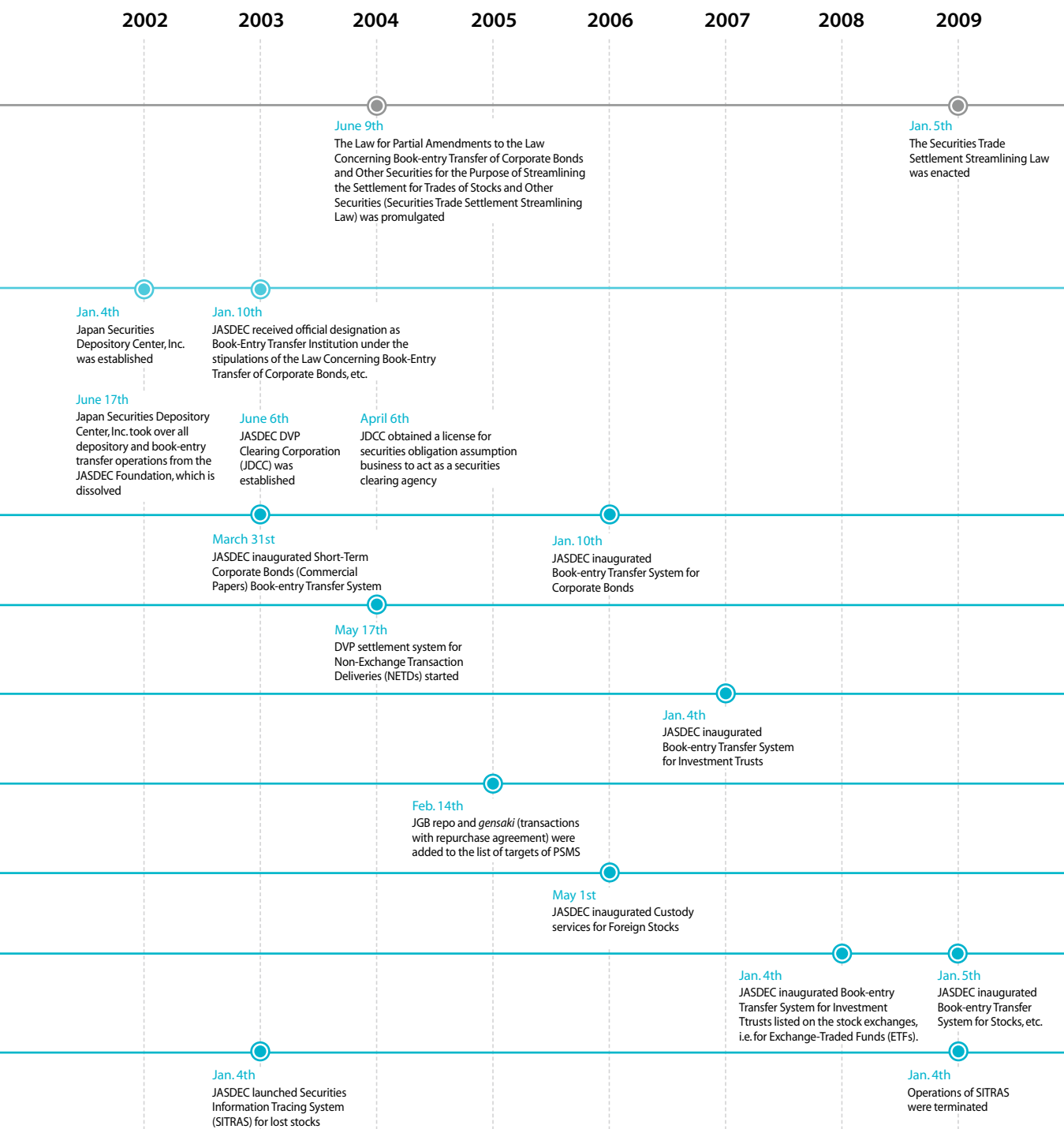
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 5.

Ernst & Young Shin Nihon LLC

June 17, 2009

History (as of March 2009)





Corporate Data

○ Profile of the company (as of June 30, 2009)

Registered Head Office	Japan Securities Depository Center, Inc.
Address	1-1 Nihombashi-Kayaba-cho, 2-chome, Chuo-ku, Tokyo, Japan
Established	January 4, 2002
Representative	President and CEO Yoshinobu Takeuchi
Major Businesses	(1) Book-entry transfer for stocks, etc. (2) Book-entry transfer for commercial paper (3) Book-entry transfer for corporate bonds (4) Book-entry transfer for investment trusts (5) DVP settlement services for NETDs (6) Pre-settlement matching system (7) Custody services for foreign stocks, etc. (8) Other businesses
Operational Office	Tokyo
Consolidated Subsidiary	JASDEC DVP Clearing Corporation (Chuo-ku, Tokyo)
Number of Employees	203

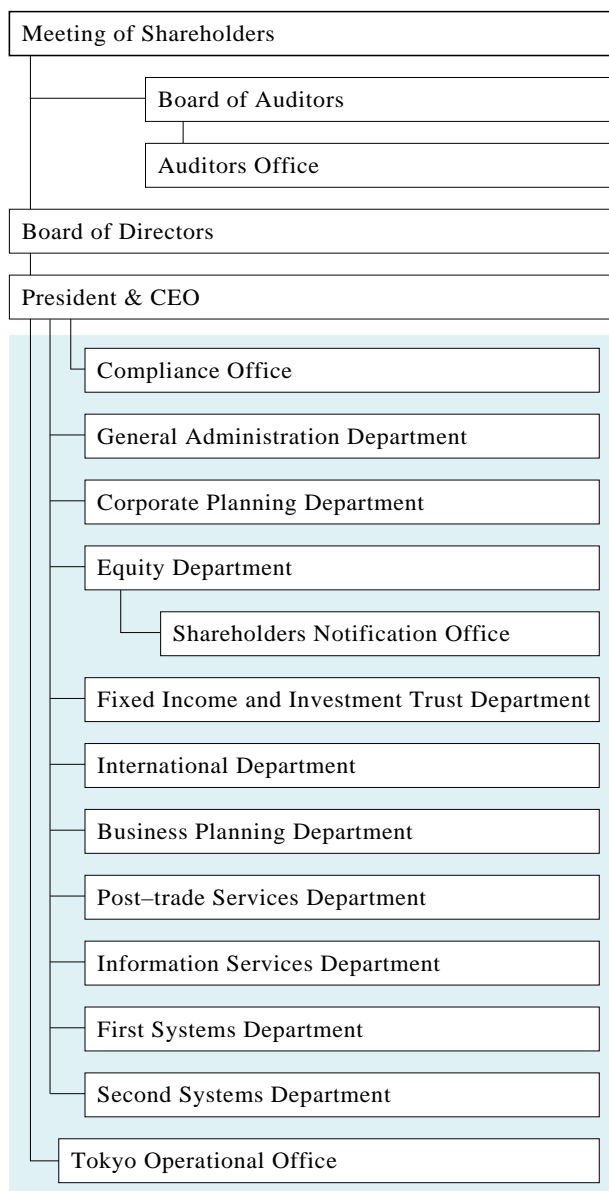
○ Shares (as of March 31, 2009)

Total of shares approved for issue	10,000
Total of issued shares	8,500
Paid-in capital	¥4,250,000,000
Shareholders	178

○ Major shareholders (as of March 31, 2009)

	Number of shares held	Stake in Company(%)
Tokyo Stock Exchange Group, Inc.	1,900	22.35
Japan Securities Dealers Association	1,035	12.17
Nomura Holdings, Inc.	485	5.70
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	425	5.00
Mizuho Corporate Bank, Ltd.	425	5.00
Mitsubishi UFJ Trust and Banking Corporation	424	4.98
Nikko Citigroup Limited	321	3.77
Japan Trustee Services Bank, Ltd.	320	3.76
Trust & Custody Services Bank, Ltd.	284	3.34
Daiwa Securities SMBC Co., Ltd.	230	2.70

○ Organization Structure (as of June 30, 2009)



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