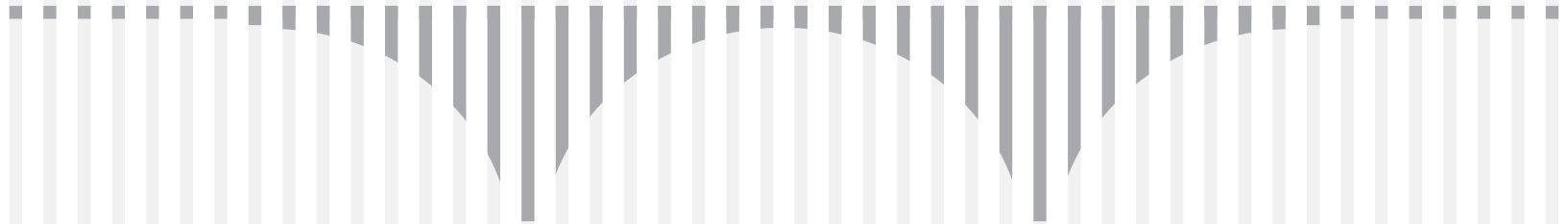


ANNUAL REPORT 2010





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Japan Securities Depository Center, Inc. **ANNUAL REPORT 2010**

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Communication excellence

This annual report has a central design theme of *building bridges*. JASDEC has become a vital intermediary in the capital markets, and by providing our customers with highly secure, convenient and efficient services, our aim is to contribute to the improvement of capital market functions and to the development of modern society.



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JASDEC embarks on a new chapter following the successful reform of Japan's security settlement system

As many of our readers will be aware, JASDEC has changed significantly since launching its original depository and book-entry transfer business in 1991. We have gradually increased our range of services to include corporate bonds, investment trusts and foreign securities, and at the same time transformed our functionality with the introduction of the Pre-Settlement Matching System (PSMS), DVP settlement services for non-exchange transaction deliveries (NETDs), and complete dematerialization of stock certificates. Until now, our objective has been simple and clear: to pursue innovation in securities settlement systems. But now we must search for new challenges, and create new objectives. And while this search is in one sense a challenge in itself, we will continue our efforts to optimize our systems as a crucial element of social infrastructure that underpins the Japanese economy.

During the fiscal year ended March 31, 2010, we established the ISO20022 Subcommittee. The role of this committee is to consider the introduction of the next-generation message standard ISO20022 and the SWIFT network, as part of our efforts to meet international system standardization requirements. We are looking closely at all areas of our business, both horizontally and vertically, with the aim of identifying specific initiatives that can contribute to greater system efficiency.

Globalization in our industry is continuing apace, and as the development of effective cross-border settlement procedures progresses in the U.S. and Europe, similar trends are beginning to appear in Asia. As one element of our own efforts to address the globalization of securities settlement, and to ensure that a Japanese viewpoint is represented in global discussions, we have been gathering and sharing information through our participation in the conference of Central Securities Depositories (CSDs) and the general meeting of Asia-Pacific Central Securities Depository Group (ACG), and through attendance at the Group of Experts (GoE) meetings of the Asian Bond Markets Initiative (ABMI).

While supporting the rapidly growing Asian markets overall, we aim to contribute to the development of the Japanese securities market. We have been strengthening cooperative relations within the Asian region by expanding our information-sharing and cooperative alliances, including signing Memorandums of Understanding (MOU) with Mongolia, Vietnam, and Indonesia, launching regular discussions with current cooperative partners, China and Korea, and accepting trainees from the CSD in Thailand.



Looking ahead, for the year to March 2011 we intend to continue smooth and reliable operation of our existing systems and services, while acting on feedback from users relating to our system and management methods, improving functionality and convenience, and optimizing our infrastructure to meet the needs of a wide range of market participants. We will also strengthen cooperation with overseas CSDs to address the ongoing globalization of settlement systems.

We remain keenly aware of our social responsibilities as the central body for the provision of the securities clearing and settlement infrastructure that underpins the capital markets, and we are dedicated to providing a highly secure, convenient and efficient services.

We very much appreciate your support over the past year, and look forward to serving you in the future.

Yoshinobu Takeuchi
President & CEO
Japan Securities Depository Center, Inc.

Yoshinobu Takeuchi



‘JASDEC now
and in the future’

Yoshinobu Takeuchi
President & CEO



Q1: Eighteen months have passed since the dematerialization of stock certificates in Japan. What key system issues are you looking to address in the post-dematerialization environment?

Our top priority is to ensure the continued stable operation of all our systems in the new dematerialized context. Having said that, it is clear that the Central Securities Depositories (CSDs*1) of the main markets outside Japan provide a multitude of services to deal with the complexity and sophistication of financial and securities transactions. In addition to providing a framework to support book-entry transfers for settlement of simple securities transactions, they provide systems to support the book-entry transfer of securities associated with various asset-backed financing structures, and have systems aimed at optimizing the funds and securities used for settlement. They implement international standards for the sake of advancing the adoption of STP (Straight Through Processing) as well as gathering and disseminating information on corporate actions and other key issues. So they offer many services that we currently do not.

Given that the main players (the so-called 'global players') in all the systems operated by JASDEC command very large shares, we believe that reforms are needed to strengthen and increase the competitiveness of our country's settlement systems by constantly keeping an eye on trends at overseas CSDs.

There are lessons to be learned from the response by the clearing and settlement infrastructure agencies to the failure of Lehman Brothers in September 2008. Our belief is that,

although Japan's settlement systems functioned effectively, centred on the Central Counterparty (CCP*2) system established to avert risk and the Delivery versus Payment (DVP*3) system, the situation has now changed. Having witnessed the failure of major global financial institutions, we need to revise our assumptions that risk management could be a function of the mutual reliance between the international markets.

At JASDEC, we aim to engage further in risk management by conducting feasibility studies on target areas, closely considering the operating environment and market needs, and progressing issues to the next stage as appropriate.

Note 1: CSD

A Central Securities Depository is an organization that conducts administrative operations for account-based book-entry transfers related to the movement (and registration) of securities corresponding to the delivery of spot stocks traded on securities exchanges. CSDs conduct safekeeping of such securities in a concentrated manner on behalf of individual investors in the securities and thus help eliminate the 'paper-crisis' of back-office settlement by securities companies and other financial institutions.

Note 2: CCP

A Central Counterparty is an organization set up with the aim of reducing the risks of, and obstacles to, settlement by providing settlement guarantee services between the seller and the buyer in securities transactions.



Q2: What specific measures are you are taking to forge stronger relationships with overseas CSDs?

In overseas markets, the movement toward smoother cross-border settlement in Europe and the US continues to influence the securities markets of Asia. This has led to discussion on the formation or reorganization or a variety of bodies, characterized by the establishment of the International Central Securities Depository (ICSD*4) and the building of links between CSDs. As globalization continues, information sharing between overseas CSDs, CCPs and related international agencies has increased, and we think this issue is set to become even more important.

In May 2009, JASDEC took part in the 10th Conference of CSDs in Budapest, Hungary. We participated in panel discussions about the views of the CEOs of each region on future prospects for CSD and the regulatory problems faced from a CSD perspective, and we also hosted an 'Interim Meeting,' which we had proposed as a forum to allow the representatives of regional CSDs to exchange views. Our focus here was to ensure that a constant flow of information was maintained and that discussions took place concerning topics based on a common awareness of the issues faced. Separately, JASDEC has acted as convener of the Asia-Pacific Central Securities Depository Group's (ACG) 'Information Exchange Task Force' and has organized cross-training seminars for administrative staff to further interpersonal relationships and promote the exchange of business-related information. The 11th such meeting was the seminar held in July 2009, hosted by the Bangladesh CDBL in Dhaka. The 13th General Meeting of ACG was held in Hanoi,

Vietnam, in October and the main theme was 'Promoting the Development of Cross-border Linkage between ACG Members.' In addition to the discussion groups and presentations, further consideration and debate was focussed on how to make the ACG a more responsive and consistent organization. These international meetings provide valuable opportunities for promoting intercourse and coordination between CSDs, and we will continue to play an active role in them.

Moreover, in terms of relationships with individual CSDs, we have formed MOUs with 12 overseas CSDs: DTCC in the USA, TDCC in Taiwan, KSD in Korea, SD&C in China, CDSL/NSDL in India, CDC in Pakistan, TSD in Thailand, MCDR in Egypt, MSCH&CD in Mongolia, VSD in Vietnam and KSEI in Indonesia. On the basis of these memorandums, which are aimed at furthering information exchange and mutual cooperation, we entered into fixed-term information exchange agreements with Korea's KSD and China's SD&C last year and also accepted trainees from Thailand to facilitate the development of technical support expertise in that country. In addition, we have constructed so-called CSD links with DTCC in the USA, Clearstream in Germany and KSD in Korea and are operating local custody for overseas securities along with other functions.

JASDEC aims to contribute to the development of Japan's securities markets as well as provide support to the fast-growing securities markets of Asia, and we intend to continue deepening our relationships with all overseas organizations.

Note 3: DVP

Delivery versus Payment is the process of linking the delivery of securities and the payment of the consideration funds in a transaction (on the basis of mutually binding terms).

Note 4: ICSD

An International Central Securities Depository is a securities book-entry transfer organization conducting concentrated, network-based settlement of international transactions for securities from various countries. The ICSD itself does not conduct safekeeping of securities but operates book-entry transfers by linking together, either directly or indirectly, the CSDs of various countries.

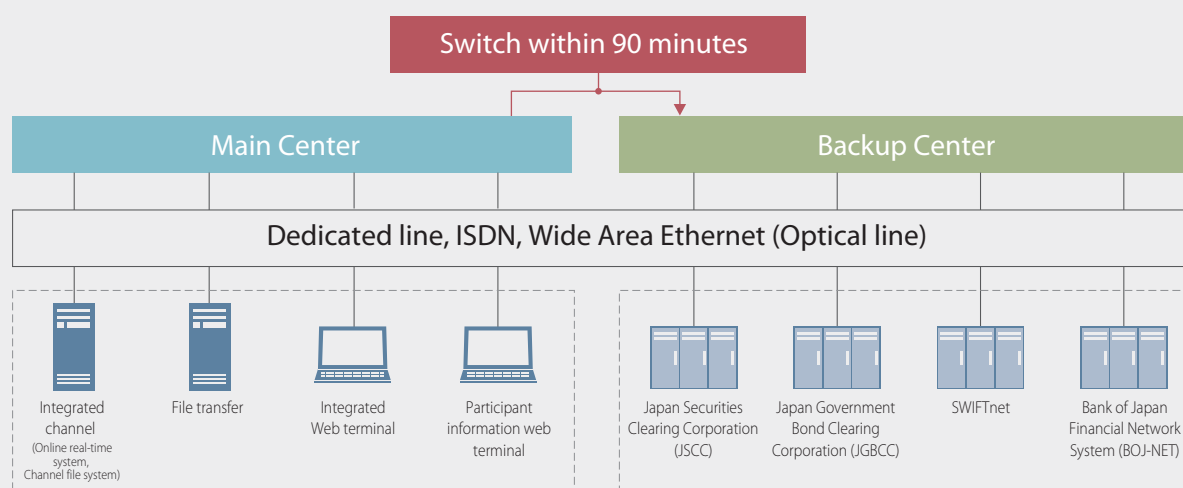


Q3: Can you outline your approach to business continuity planning?

The fundamental aim of our Business Continuity Plan (BCP) is to minimize the impact on all JASDEC's participants and stakeholders in the settlement infrastructure if some kind of disaster or compromising incident should occur. Our goal is to enable business to continue to the greatest extent possible and to restore services rapidly if disruption is unavoidable. Specific aspects of our business continuity structure include having back-up centre facilities in remote locations to cover for any failure of the main centre, and a robust data centre that has built-in redundancy of core systems. We have clear BCP implementation, operation and emergency communication procedures, a disaster strategy coordination headquarters on standby, and provisions in place for the delegation of authority. Data at the main centre is backed up remotely almost in real time, and the system is designed to enable a full switchover to the back-up system within about 90 minutes. We even have back-up office space to host our business operations should the head office become unusable.

Our BCP of course prioritizes the safety and security of our staff in disaster situations, and we conduct regular training drills based on a number of disaster scenarios.

The recent health scares over new strains of influenza viruses have focused attention on this aspect of business continuity, and we were already well prepared with hygienic supplies and other necessary equipment when the global H1N1 virus became a global concern, having incorporated this possibility into our BCP and implemented appropriate staff training. Looking ahead, we intend to create an even more robust BCP structure, capable of keeping JASDEC up and running in the widest possible range of circumstances.



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 for 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 ten 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.

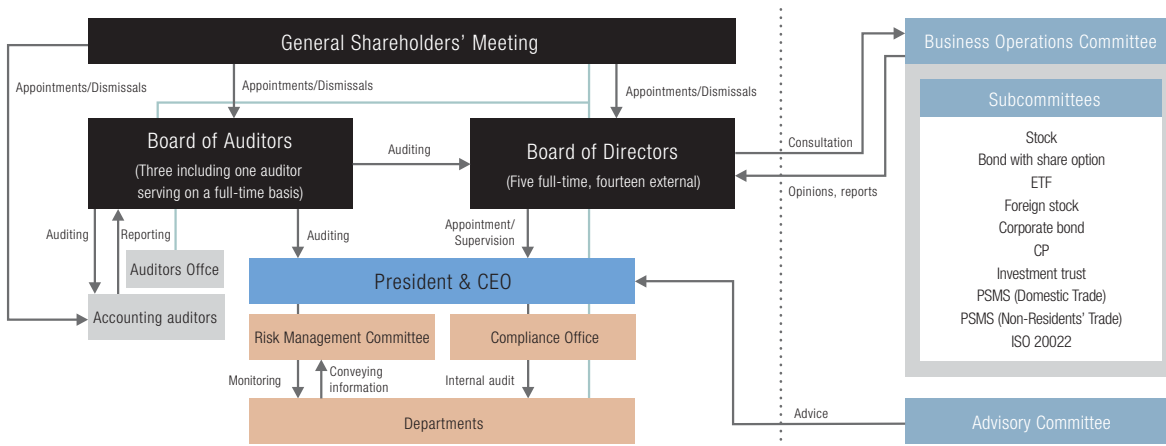
As the provider of key infrastructure elements for the securities market, we are required to operate the system with an extremely high level of fairness and accountability. To achieve this end, we have established the Advisory Committee, which is composed of experts in financial and securities systems. 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.

It is our understanding 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 2010)

Board Members: 19
Auditors: 3

President & CEO
Yoshinobu Takeuchi
President, JASDEC DVP Clearing Corporation



Senior Managing Director
Shoji Murata
Managing Director, JASDEC DVP Clearing Corporation



Managing Director
Seikichi Ihara
Managing Director,
JASDEC DVP Clearing Corporation



Managing Director
Yoshinori Seyama
Managing Director,
JASDEC DVP Clearing Corporation
Director, Tosho System Service Co., Ltd.



Managing Director
Munetaka Saito
Managing Director,
JASDEC DVP Clearing Corporation



Director
Yoshihiro Adachi
Managing Executive Officer,
Mizuho Trust & Banking Co., Ltd.



Director
Moriyuki Iwanaga
Executive Officer,
Tokyo Stock Exchange, Inc.



Director
Tetsuya Kawagishi
Managing Director,
Mizuho Corporate Bank, Ltd.



Director
Yukihiro Kitano
Executive Officer & Deputy
Division President of
Fiduciary Business Division,
The Sumitomo Trust & Banking Co., Ltd.



Director
Masakazu Kubota
Managing Director,
Japan Business Federation



Director
Ritsuro Koza
Senior Managing Director,
Nomura Securities Co., Ltd.



Director
Masahiko Koyanagi
Senior Executive Officer,
Japan Securities Dealers
Association



Director
Masaru Takei
Executive Vice President,
Tokyo Electric Power
Company



Director
Yasushi Tachihara
Director,
Nikko Cordial Securities Inc.



Director
Takehiko Nemoto
Managing Director,
Chief Executive Information
Systems & Operations,
The Bank of Tokyo-Mitsubishi
UFJ, Ltd.



Director
Kunihisa Hama
Lawyer



Director
Noriko Hill
Director, Head of Operations,
Citigroup Global Markets Japan
Inc.



Director
Shigeyuki Maeda
Professor of Law,
Professional School of Law
(Law school),
Professional Course in Law
Gakushuin University



Director
Kenichi Miki
Managing Director,
Daiwa Securities Co. Ltd.



Standing Auditor
Tetsuo Oguchi
Auditor, JASDEC DVP Clearing
Corporation
Auditor, Tocho System Service
Co., Ltd.



Auditor
Jun Ohta
Director and General Manager,
Sumitomo Mitsui Banking
Corporation



Auditor
Takashi Matsunaga
Director and Senior Managing
Executive Officer,
Tokai Tokyo Securities
Co., Ltd.



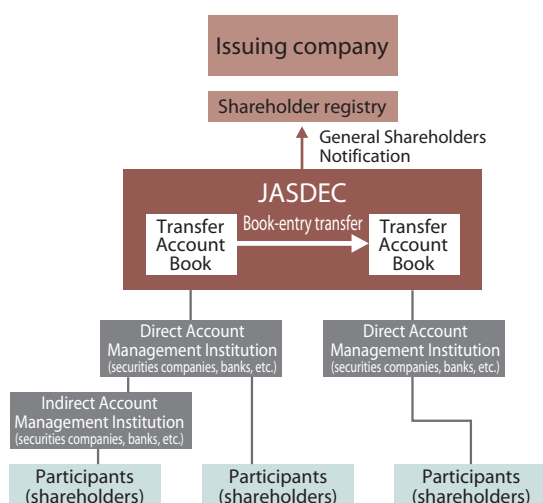
Book-Entry Transfer System for Stocks, etc.

Total dematerialization began on January 1, 2009

Under the new dematerialized Book-entry Transfer System for Stocks, etc., 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 bonds with share options, share options, investment units of real estate investment trusts (REIT), preferred equity investment of financial institutions established by cooperative associations, and Exchange Traded Funds (ETFs).

As of March 2010, the total number of issues handled was 3,906, including 3,727 share issues, 50 bonds with share options, 11 share options, 40 investment units, one preferred share issue, and 77 ETFs. The number of companies participating in the new system, including JASDEC participants, indirect AMIs and fund settlement corporations, was 412. Under the system, foreign financial institutions designated by competent ministers can also take part in the system. As of March 2010, 27 foreign financial institutions were participating as indirect AMIs.

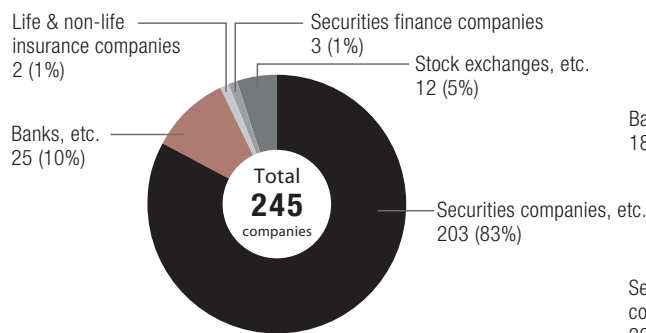
The Book-Entry Transfer System for Stocks, etc.



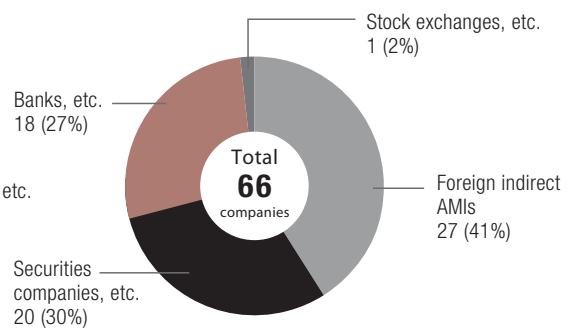


JASDEC participants and indirect AMIs (as of March 31, 2010)

JASDEC Participants by Category



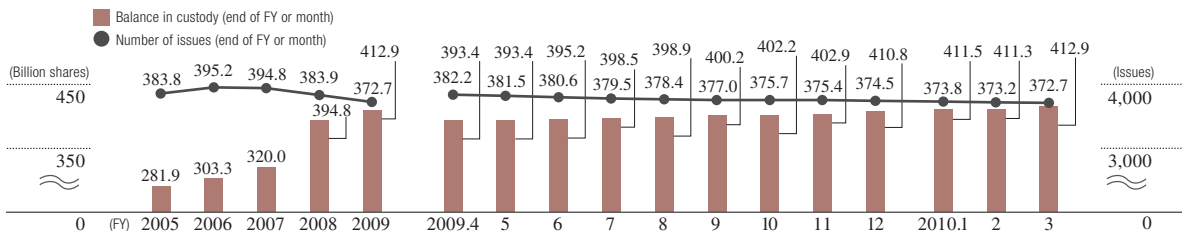
Indirect AMIs by Category



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

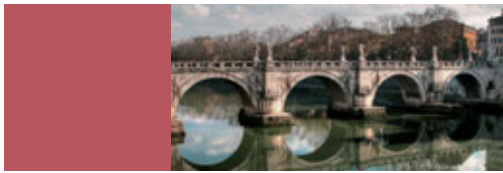
"Stock exchanges, etc." include Japan Securities Dealers Association, Japan Securities Clearing Corporation, JASDEC DVP Clearing Corporation, three securities agents and three tanshi companies (which offer short-term credit brokerage services)

Stock account balance and number of issues



*Figures include the Depository and Book-entry Transfer System for Stock Certificates.





New system also heralds other enhancements to user convenience

Since its introduction in January 2009, the new dematerialized Book-entry Transfer System for Stocks, etc. has been operating smoothly, with no major problems. In April 2009, JASDEC organized three subcommittees to examine further improvement of the new system: the Subcommittee for Stocks, the Subcommittee for Bonds with Share Options, and the Subcommittee for ETFs. These committees have promoted a number of initiatives.

As well as progressively responding to requests from participants made prior to the introduction of the new system, JASDEC has introduced additional transfer options as part of its fail-safe measures, in accordance with the abolition of T+4 settlement of stocks, etc. on the financial instruments exchange.

For the issue of share options, we have upgraded the overall system, including improving the standard completion time for new registration, developing a business scheme for exercising share option rights, and taking steps to shorten the processing time prior to the date of rights allocations.

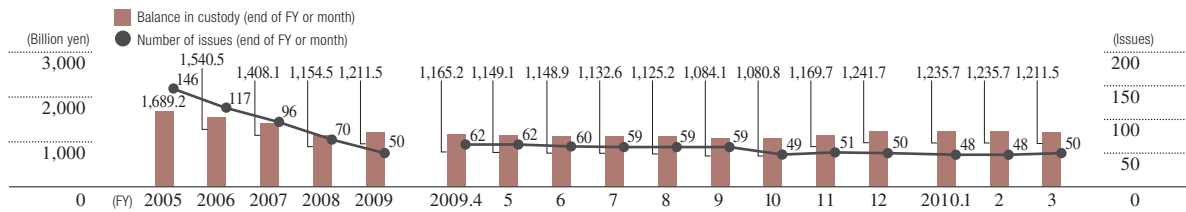
For ETFs, we improved business process efficiency, reduced settlement risk, reviewed the new registration process at the point where trust is set, and reviewed the process involved with the exchange of stock basket investments such as beneficial rights of investment trust and trust assets.

For Japanese Depository Receipts (JDRs) and domestic spot commodity ETFs, we investigated business processes and began preparation for the introduction of the dematerialized Book-entry Transfer System in July 2010.

We have taken a number of other steps to ensure smoother processing, including developing a special system for account notifications in cases of new listings of large stock issues with particularly high shareholder numbers, and implementing a liquidation service in connection with the termination of the previous depository and book-entry transfer system.

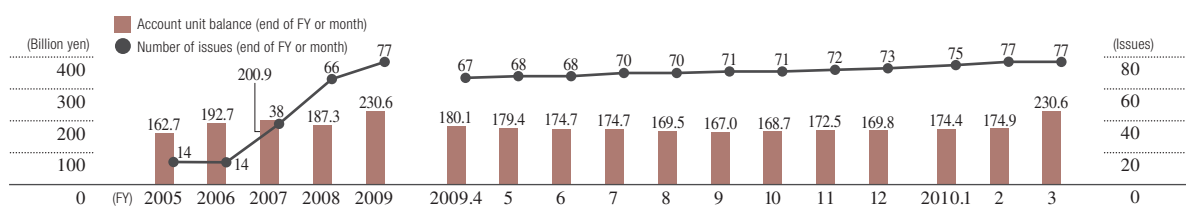
We will continue our efforts to communicate effectively with relevant parties, aiming to ensure stable operation while meeting the needs of the market for convenience and user-friendliness.

Bond with Share Option account balance and number of issues



*Figures include the Depository and Book-entry Transfer System for Stock Certificates.

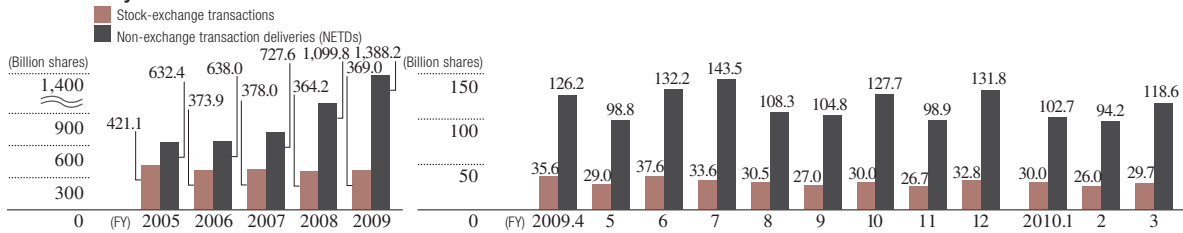
Exchange Traded Fund (ETF) account balance and number of issues



*Figures include the Depository and Book-entry Transfer System for Stock Certificates.

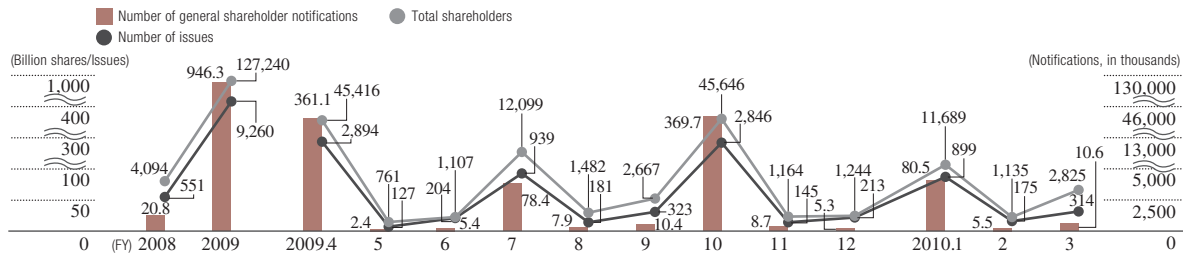


Book-entry transfers



*Figures include the Depository and Book-entry Transfer System for Stock Certificates.

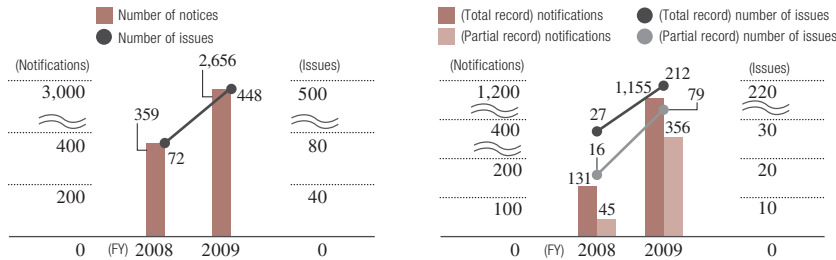
General shareholder notifications



*Figures are as of day of notification to issuers.

*FY2008 represents figures between January and March 2009.

Individual shareholder notifications Information requests

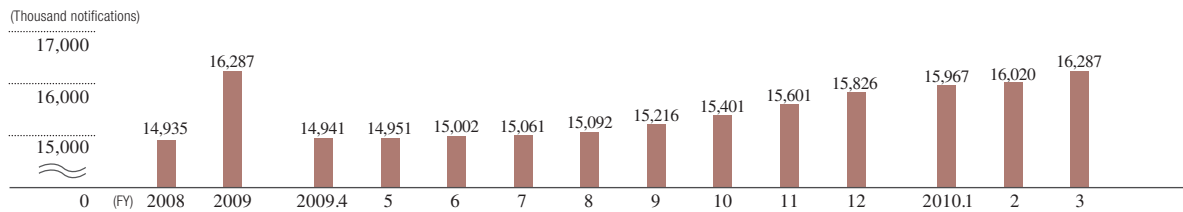


* Requests for information (total record) refer to requests for data recorded on book-entry transfer registries of either JASDEC participants (direct AMIs) or indirect AMIs where shareholders in question have opened accounts. Requests for information (partial record) refer to requests for data recorded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

* FY2008 represents figures between January and March 2009.

*FY2008 represents figures between January and March 2009.

Number of Shareholders (Data for Shareholder Notifications)



*Number of shareholders (data for shareholder notifications) is comprised of participant information notified by AMIs.

*Figures are as of end of fiscal year or month.



Book-Entry Transfer System for Commercial Paper and Corporate Bonds

Supporting seamless and secure CP and corporate bond settlement

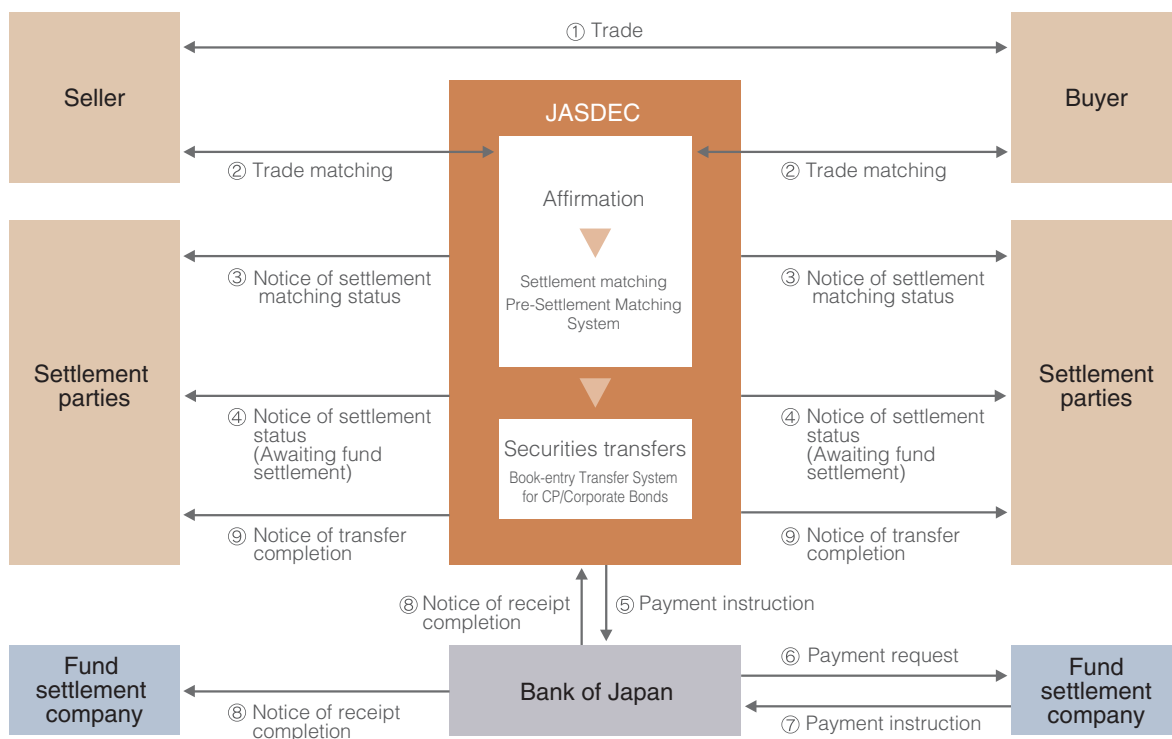
In March 2003 JASDEC launched the Book-Entry Transfer System for Short-Term Corporate Bonds (dematerialized CP), the first completely dematerialized book-entry transfer system in Japan, and in January 2006 this was extended to include corporate bonds. In each system, custody procedures—issuance, transfer (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 30), JASDEC has realized straight-through processing (STP), which fully automates the entire process, including trade matching and fund/securities settlement.

As a means of managing participation in JASDEC's book-entry transfer system, we set up a multilayer holding structure for account management institutions (AMIs) to address the diverse needs of participating investors and financial institutions. Direct AMIs 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. Principal and interest payments to bondholders are made 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)





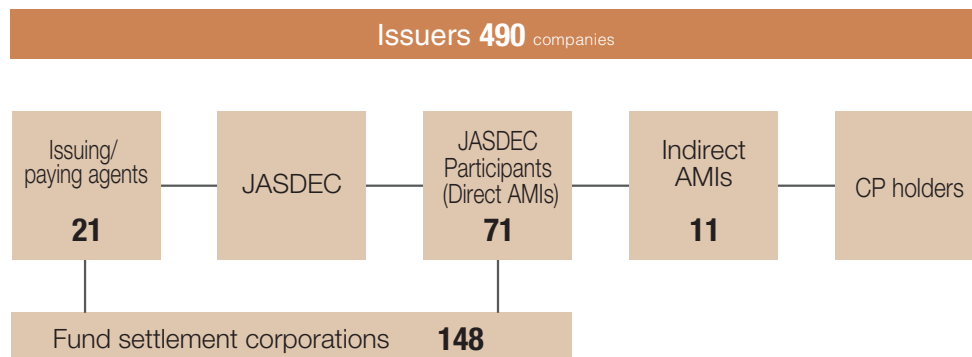
Upgrading settlement statistics data to enhance CP transaction transparency

Commercial paper (CP) currently refers to short-term bonds in a dematerialized form issued by corporate entities as a means of procuring short-term funds. As CP 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, and a documentary stamp tax was also payable. Accordingly, demand developed 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 seven years ago, almost all CP issued in Japan has been handled by this system.

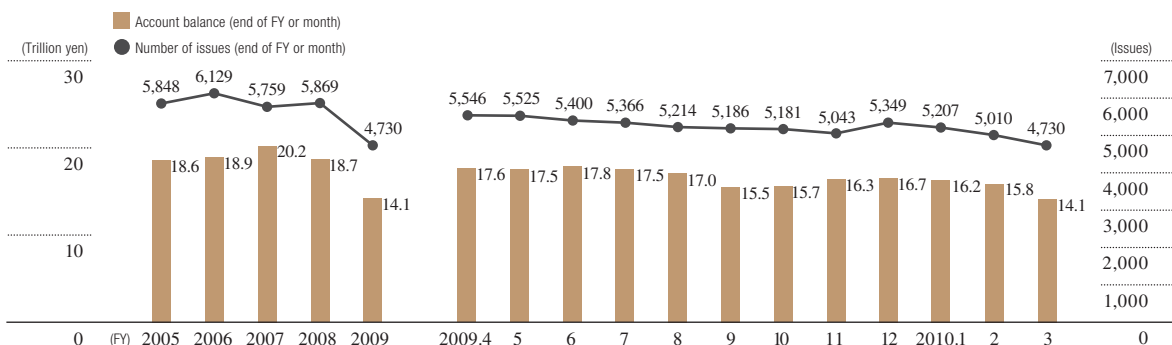
In fiscal 2009, there was an easing in the impact of the world financial crisis triggered by the bankruptcies of financial institutions in the previous year, and the fund-raising environment recovered as a result of measures taken by the Bank of Japan and other strategies. However, there was also a shift toward longer-term financing and an associated sharp decline in the issuance of CP. As of March 31, 2010, the total CP account balance in the system was ¥14 trillion on 4,730 issues, compared to the record balance of ¥23 trillion recorded at the end of FY2007.

To improve market transparency, JASDEC actively discloses information on settlement figures. In January 2008, we began issuing weekly reports on the CP balance by issuer category. Moreover, since October 1, 2009, JASDEC's public website has shown daily, weekly and monthly reports on average issuance rates of CP, classified by maturity, industry and credit rating, in line with an agreement with the Bank of Japan. These new services are designed to promote a fairer and more transparent CP market in Japan.

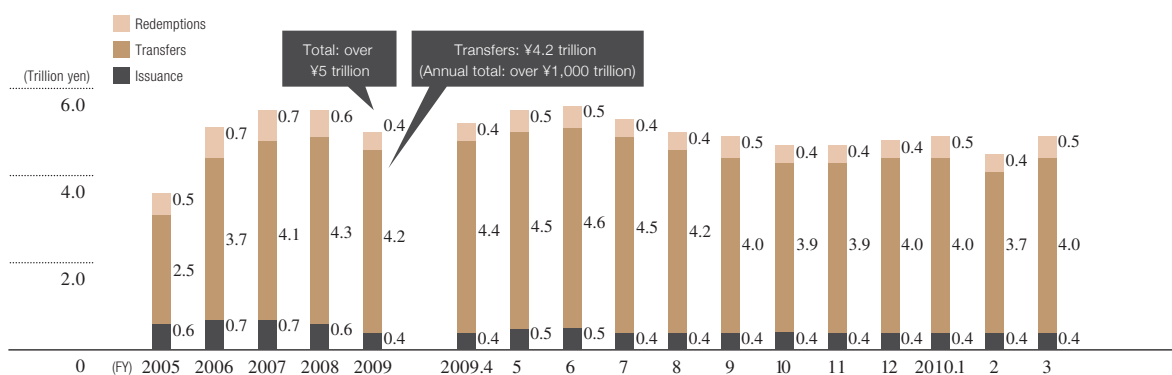
Participants of Book-Entry Transfer for CP (as of the end of March 2010)



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 may exceed ¥5 trillion per day, and in combination with month-end settlements of more than ¥10 trillion this means that JASDEC settlements surpass the trading value per day at the Tokyo Stock Exchange. In fiscal 2009, the aggregate issuance amount declined but the aggregate settlement remained above the ¥1,000 trillion mark it had passed for the first time in fiscal 2008, 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. As the market for CP transactions evolves, we will continue to make every effort to ensure that our system remains responsive, reliable and up-to-date.





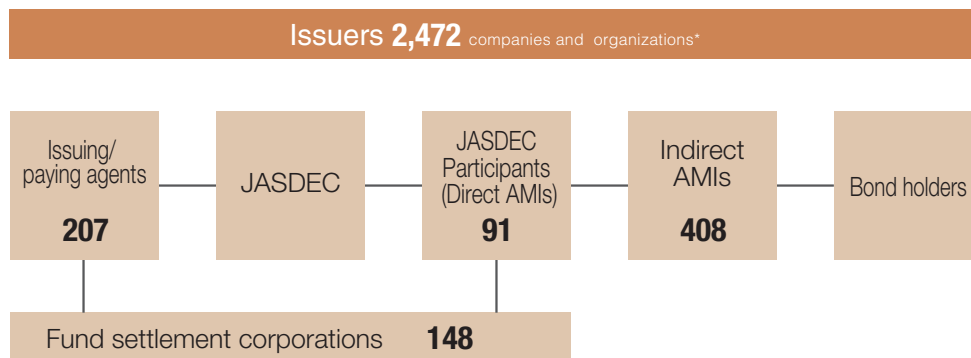
Expanding functions to increase convenience and efficiency

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 the Japanese bond market by non-Japanese entities or foreign governments). In fiscal 2009 there was a rush to issue bonds, in reaction to the difficulties companies faced raising finance in the previous fiscal year. In particular, there was a shift from short-term to long-term financing and large volumes of issuance of corporate bonds with strong credit ratings, as issuers sought stable financing. There was also active issuance of corporate bonds aimed at individual investors, who were looking for opportunities to make an appropriate return in a low-interest-rate environment. Consequently, in mid-March, the highest balance of bonds since the start of the Book-Entry Transfer System for Corporate Bonds was recorded, at ¥247 trillion. As of the end of March 2010, the number of bonds using the system was 71,202

issues, and the issue balance stood at ¥245 trillion. A new type of book-entry bond also emerged in the market: trust bonds, which are issued by trustees. Starting in June 2008, a number of cases began to emerge in which obligations relating to public offering bonds went into default, reflecting 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 with them to ensure optimal information flow and understanding.

As part of measures to improve convenience for system participants, we have revised the limits on transfers made on issuance date, expanded the scope of application for certification documentation in line with Article 86, Item 3 of the *Act on Book-Entry Transfer of Company Bonds, Shares, etc.*, and enabled the issuance and redemption of securities products based on non-cash underlying assets.

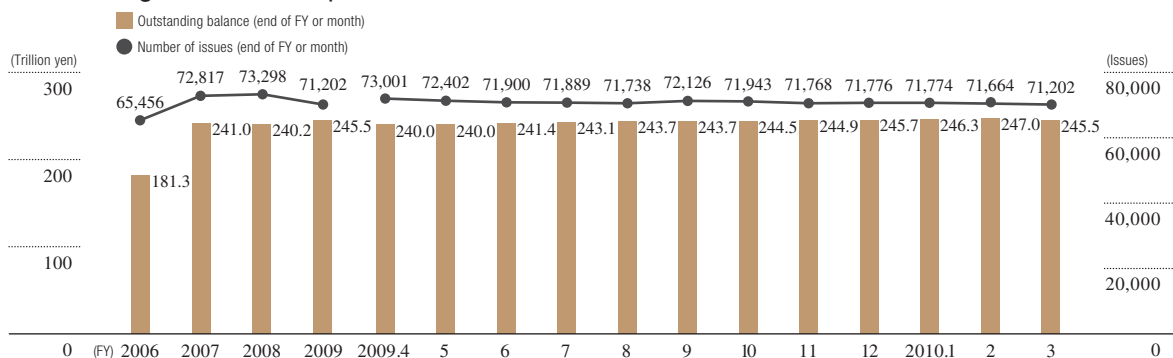
Participants of Book-Entry Transfer for Corporate Bonds (as of the end of March 2010)



*Issuers do not include unlisted companies, etc. that issued private offering bonds only.



Outstanding balance of corporate bonds and number of issues



Promoting investments in Japanese bonds by non-residents

Investments in domestic securities by non-residents already account for a significant proportion of the total investment in Japanese 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 non-residents on the interest accrued on municipal bonds was inaugurated, following

a system similar to that used for Book-entry Transfer of Japanese government bonds. Moreover, since June 1, 2010, in response to the inclusion of bonds other than municipals in the scope of tax exemptions for non-residents, we have begun to take appropriate measures to promote the globalization of Japanese capital markets and a greater degree of participation in them by overseas investors.

Book-Entry Transfer System for Investment Trusts

A faster, safer approach to investment trust administration

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 fast and efficient administration of beneficial rights, reducing issuance and custodial costs associated with physical certificates and decreasing the risk 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.

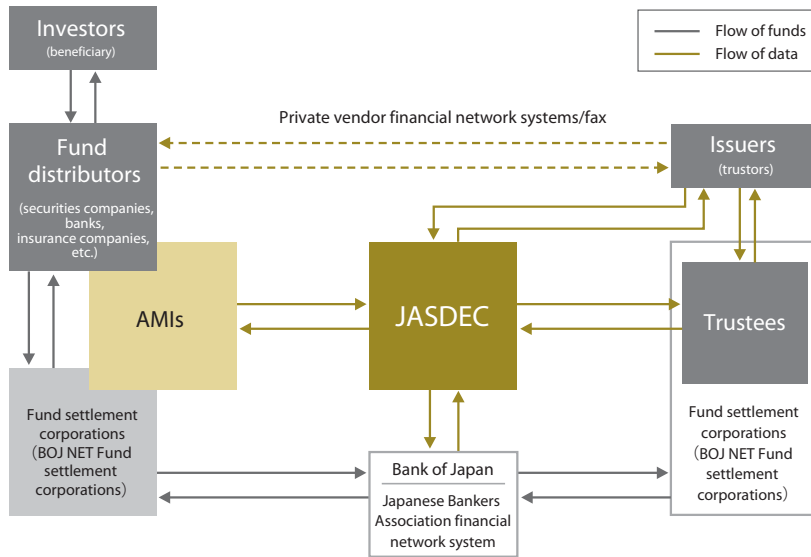
The participants are diverse, consisting of not only securities companies but also entities such as banks, insurance companies, shinkin banks, credit cooperatives, agricultural cooperatives, and investment trust management companies engaged in direct marketing. The total number of AMIs and JASDEC participants was 897 companies as of March 31, 2010.

The Book-entry Transfer System for Investment Trusts enables direct or indirect connection between 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



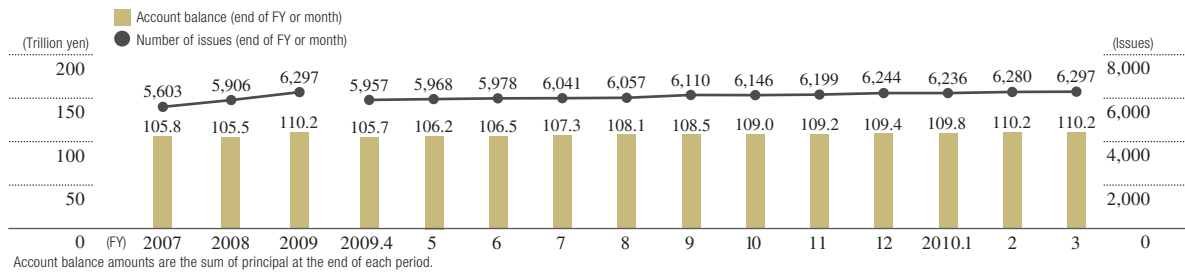


Strong support from users

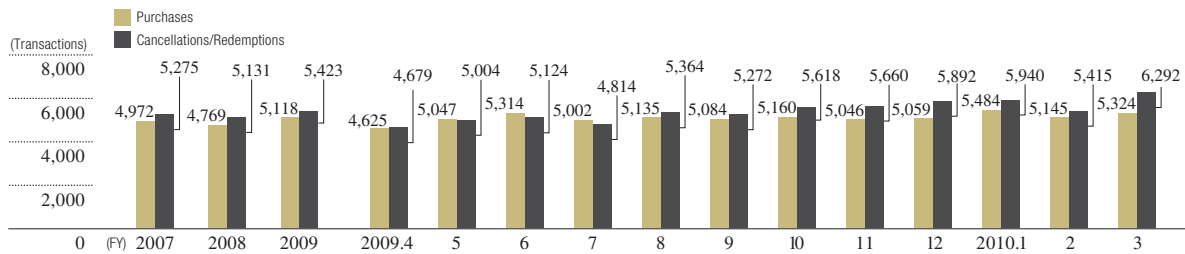
The total number of investment trusts handled by JASDEC as of March 31, 2010 was 6,297 trusts, representing a year-on-year increase of 391 trusts and comprising 3,647 publicly-offered and 2,650 privately-placed investment trusts. The number of transactions undertaken for both new registrations (purchases) and deletions (cancellations and redemptions) achieved new record highs, with the number of new registrations below that of deletions. On the other hand, the principal value of new registrations exceeded that of deletions, the reverse of the situation in fiscal 2008. As a result, the outstanding balance at the end of fiscal 2009 had increased ¥4 trillion year on year to ¥110 trillion, comprising ¥78 trillion in publicly-offered and ¥31 trillion in privately-placed investment trusts.

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 between financial institutions). The use of DVP settlement, which involves less settlement risk, has been increasing steadily among system users. In fiscal 2009, the proportion of settlements using DVP was 26% by number of transactions and 61% by principal value.

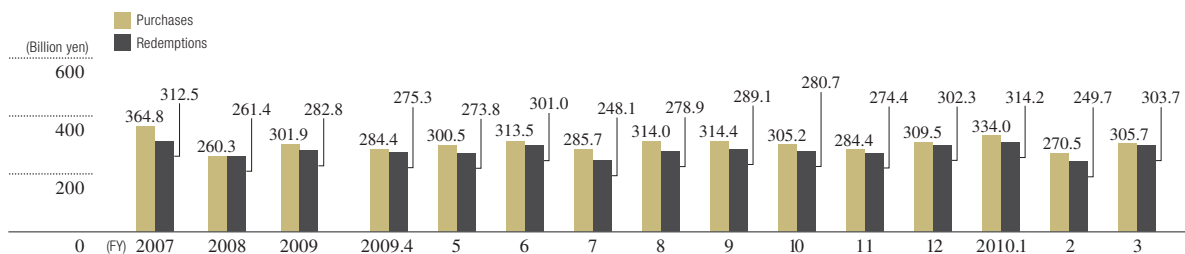
Book-entry Transfer System for Investment Trusts—account balance and number of Issues



Purchase and Cancellation/Redemption Transactions (Daily average)

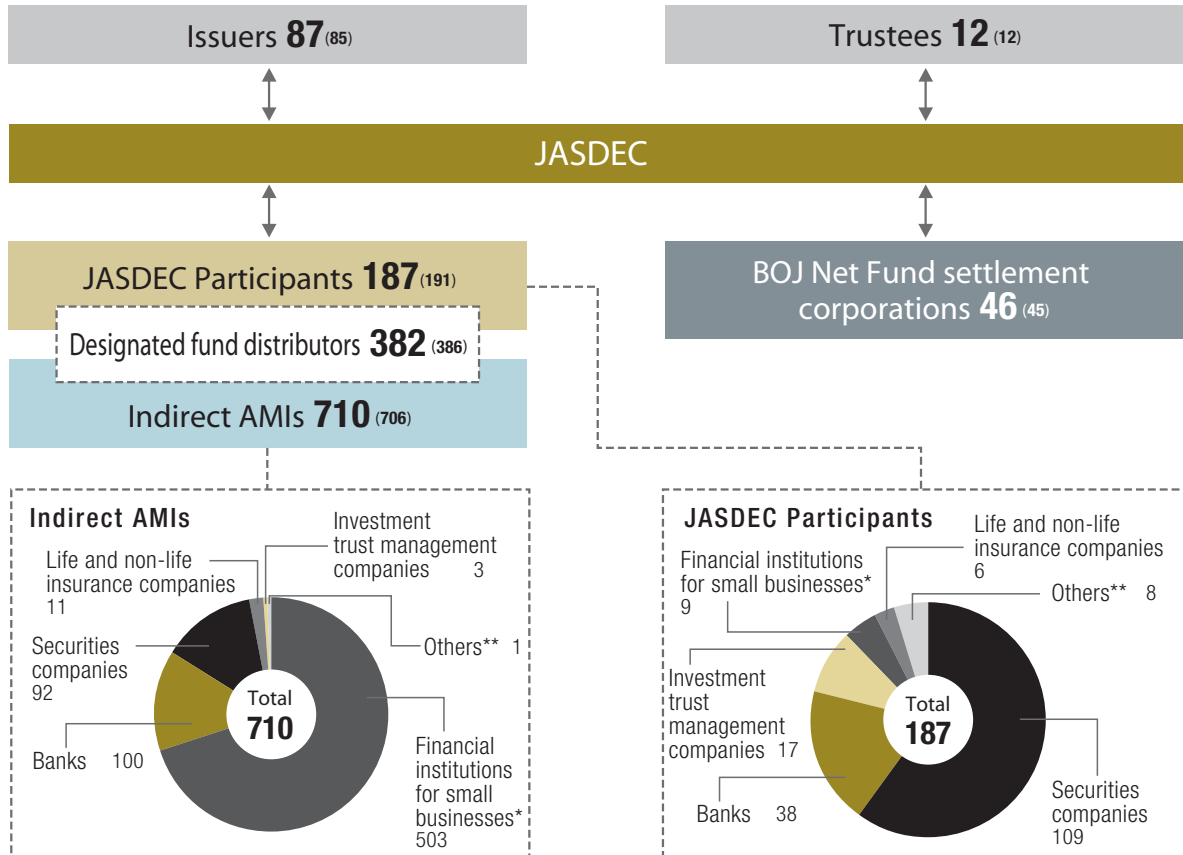


Principal Values of Investment Trusts for Purchases and Cancellations/Redemptions (Daily average)



Participants in Book-entry Transfer System for Investment Trusts

(as of March 31, 2010: Numbers in parenthesis are for the previous year.)



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

**Others: Securities agents, securities exchanges, CCPs, call loan dealers, etc.

Dedicated to ongoing improvement

In response to requests made by system participants in a previous survey, we have made particular efforts in fiscal 2009 to improve the functioning of the Book-entry Transfer System for Investment Trusts. JASDEC is currently analyzing the results of a survey that focused on key matters such as the introduction

of DVP settlement for redemptions and simplification of the procedures for settlement for transfer between fund distributors, and through fiscal 2010 and beyond will continue efforts to optimize the functionality and user-friendliness of the system.



DVP Settlement System for NETDs

Delivering safe, secure securities transactions

The Non-Exchange Transaction Deliveries (NETDs) in the DVP settlement system for NETDs refer to Book-entry Transfers for Stocks, etc., carried out by JASDEC for non-exchange transactions, and the majority of them consist of such trades of domestic and overseas institutional investors buying and selling Japanese stocks, etc., through the DVP settlement system for NETDs.

Previously, the delivery of the securities and the payment of the settlement amounts for non-exchange transactions have mostly been processed separately, so the transactions have been exposed to the risk (principal risk) that settlement payments may not be made even though the securities have been delivered. The use of the DVP settlement system for NETDs links the delivery of the securities and the payment of the settlement amounts through the system, diminishing risk and making it possible for securities settlements to be conducted safely and reliably. To further support reliability, the entire administrative process is handled automatically and electronically using Straight Through Processing (STP).

Since May 2004, the DVP settlement system for NETDs has been administered by JASDEC's wholly owned subsidiary, JASDEC DVP Clearing Corporation (JDCC). JASDEC participants applying to make use of the system are examined for their suitability in terms of financial condition, organizational structure and other such factors before receiving authorization from JDCC.

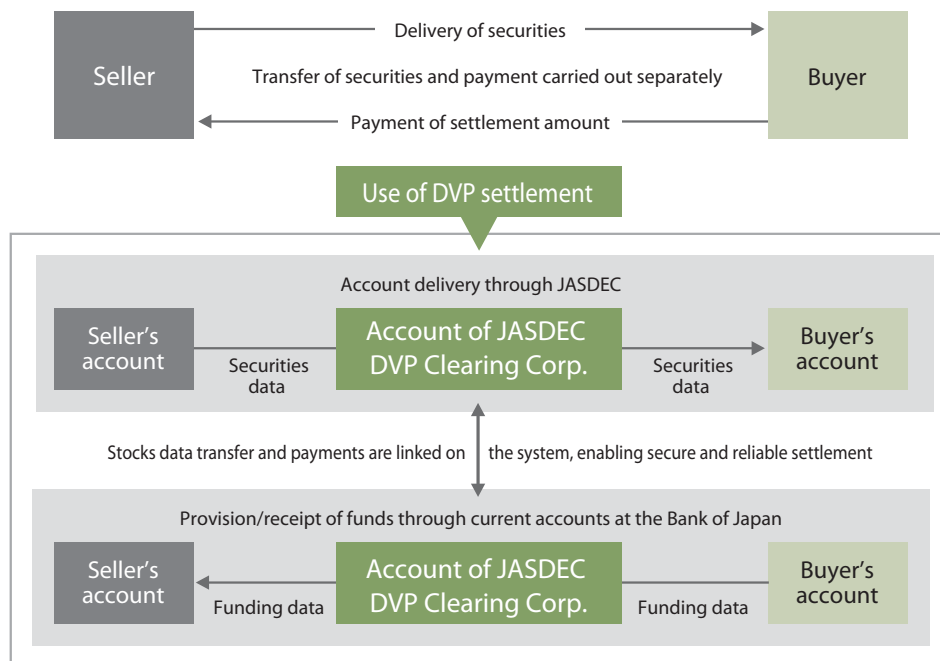
In order to ensure stringent risk management of all participants, JDCC secures collateral in advance, comprising assets (assurance assets) with the appraisal value that exceeds the total liabilities payable by each participant, and sets an upper limit to the value of the liabilities payable (the net debit cap) in proportion to the trading status of each participant.

Settlement within the DVP settlement system for NETDs is conducted in accordance with the so-called Gross = Net DVP model system by which securities pass through the JDCC account within JASDEC and the transfer of the securities from the seller's into the buyer's account is conducted separately for each transaction (gross). Meanwhile, the settlement amounts pass through the JDCC's account within the BOJ-NET funds transfer system and settlement is concluded by the appropriate net calculated amount of funds being paid on each settlement date (net).





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.





Establishing key settlement procedures on the customer side

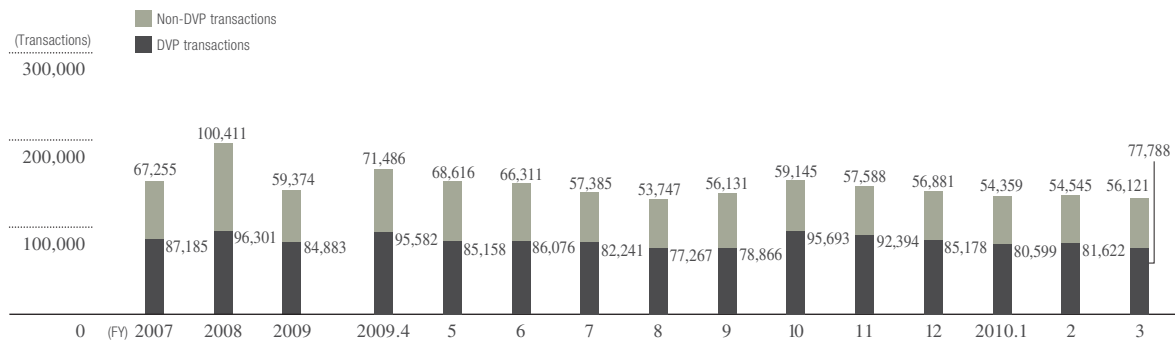
The DVP settlement system for NETDs mainly deals with securities handled by JASDEC through its Book-entry Transfer System for Stocks, etc., such as shares and bonds with share options, etc.

As of the end of March 2010, 60 companies (comprising 16 banks and 44 securities companies) were participants in the DVP settlement system for NETDs. Excluding internal transfers within the same company, DVP transactions accounted for approximately 60% of NETD transactions — evidence that use of the system has become firmly established as an important customer-side settlement method. Reflecting the strong adoption of the system, the DVP settlement commission payable per transaction was reduced by ¥5 to ¥20 from April 2009. In addition, a rebate of ¥5 per transaction was paid, in accordance

with the participant's usage, against FY2009 DVP settlement commission revenues in conformity with the policy of maintaining equilibrium between income and expenditure in financial management.

Turning to the structure of the system, from September 2009 we decided to adopt margin levels adjusted for the type and maturity period of each Japanese Government Bond (JGB) held as collateral, based on greater scrutiny of these pledged securities rather than a uniform application of a rate of 95%.

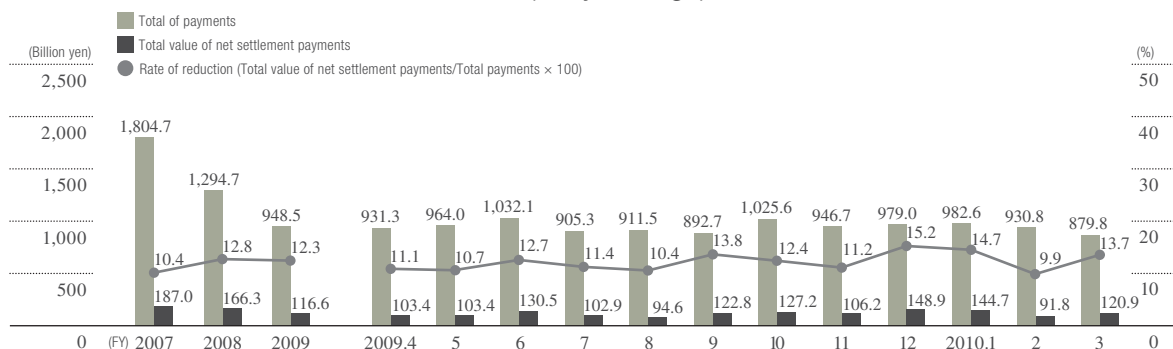
DVP Settlement for NETD Transactions (Daily average)



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, bonds with share options (convertible bonds), ETFs, REITs, share options (share subscription warrants), foreign stocks, etc.
 Total 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.

Aiming for an even greater level of convenience in the operation of a safe and secure system

To provide for cases of default by participants, liquid assets have been secured by the use of the participant fund and bank credit lines. And in order to limit the risk to within the bounds of liquid assets, maximum upper limits (the net debit cap) have been set for the liabilities payable by each individual participant. To optimize and refine the system structure, we continuously assess the applicable levels to ensure that they are suitable for its requirements.

Appraisal levels applied to the securities held as collateral are subject to regular reassessment to ensure their soundness

and suitability, and we constantly strive to maintain a stable and secure operational structure.

JDCC, as the administrator of the DVP settlement system for NETDs, remains committed to providing the best possible system for participants and will continue to pursue even higher levels of convenience and service.



Pre-Settlement Matching System (PSMS)

User numbers again hit record high

Matching institutional investors' transactions is a complex undertaking, due to the wide range of organizations involved—including investment trust management companies, securities companies, trust banks and custody banks—and the huge amount of transaction data exchanged between them.

In the past, matching was done manually by fax or telephone. Now, the process has been modernized and automated, with JASDEC providing centralized matching services using sophisticated computer systems. Since launching the initial system in September 2001, JASDEC has been increasing the range of asset classes and services covered by the system. In October 2007 we launched matching services for stock lending/borrowing transactions. We have expanded our services to make them available for business entities as well as institutional investors. As of the end of March 2010, 70 business entities were using the services.

In line with this expansion of asset classes and services, the number of transactions and users has been increasing year by year. In fiscal 2009, the number of input/output transactions on a daily average basis was 1,326,883.

As of the end of March 2010, the number of registered users had reached a new record of 694 companies, 57 more than the record high set in the previous year. This was primarily as a result of a steady increase in the number of business entity and life and non-life insurance new users.

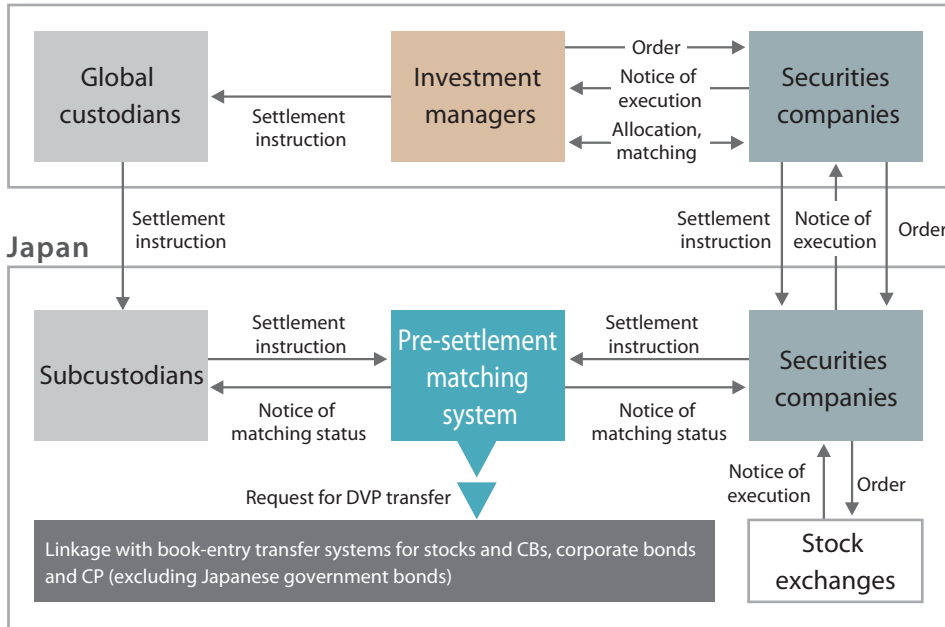
To promote further use of our services, in April 2009 we reduced settlement matching fees in conjunction with the reduction in book-entry transfer fees for stocks, etc.





PSMS (for non-resident transactions)

Overseas





Steady progress in international system standardization toward introduction of ISO20022

The securities market is continuing to internationalize, and we recognize that our computer systems do not yet fully conform to recent developments in this field. For example, although we use ISO15022, the international standard for messaging, when we adopted this standard we customized the formats in order to satisfy unique requirements in the Japanese market community. In doing so, however, we understood that ultimately we needed to maximize user convenience by achieving the greatest possible degree of harmonization with international standards and connectivity with overseas systems.

Accordingly, since fiscal 2007 JASDEC has been pursuing a project to achieve full conformity with international standards, through initiatives in a number of areas. In message standards, JASDEC became a member of ISO20022 Standards Evaluation Group for Securities under Technical Committee 68 of the International Organization for Standardization. ISO20022 is the new international standard that defines the ISO platform for the development of financial message standards, which is 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. We have also begun to consider expanding the scope of application to encompass JASDEC's overall system, including the book-entry transfer systems for stocks,

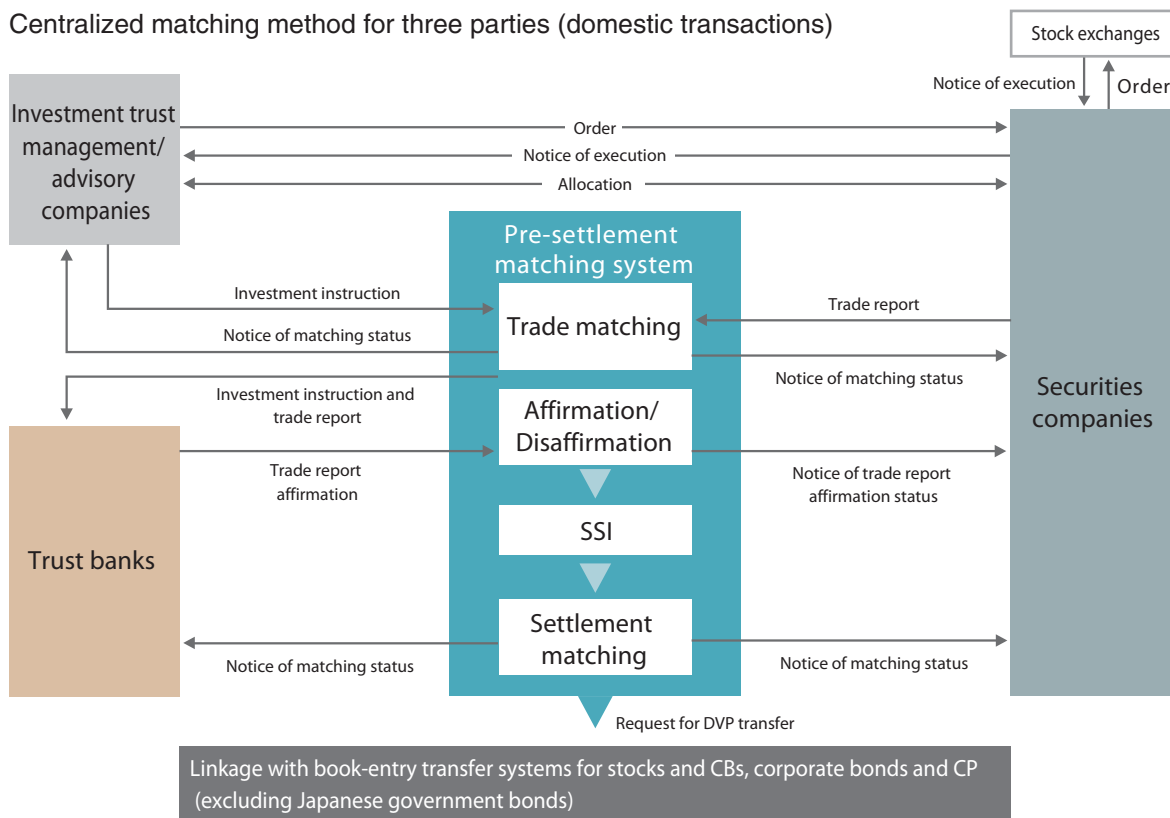
CP, and corporate bonds. In November 2009, we established an ISO20022 Subcommittee to move forward with the development of efficient systems planned for introduction in 2014.

Turning to our communication network, our aim is to introduce the SWIFT network, which is used widely around the world, while running our existing communication 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.

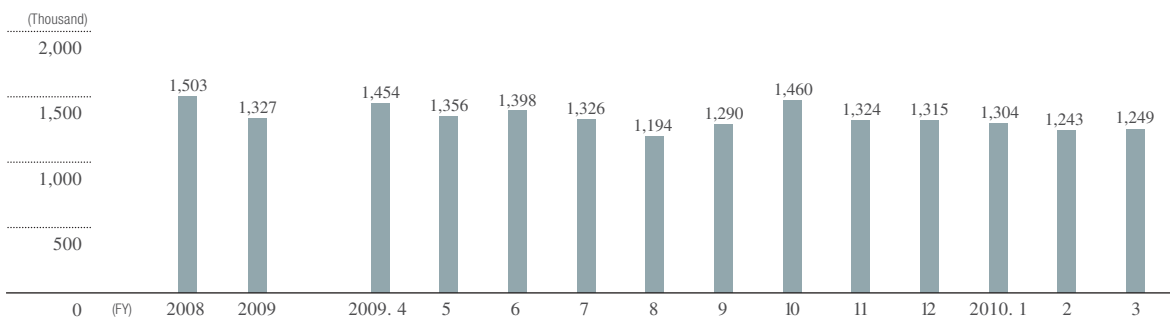
By expanding the range of asset classes and services handled by PSMS, and by steadily building conformity with international standards, we are contributing to greater efficiency in Japan's securities markets.



Centralized matching method for three parties (domestic transactions)



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



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



Custody Services for Foreign Stock Certificates, etc.

Improving custody services with new infrastructure and systems

Since inaugurating services to process deposits, transfers and ownership rights for foreign stock certificates, etc. in April 2006 in addition to our existing services for Japanese securities such as stock certificates listed on domestic stock exchanges, JASDEC has continued to develop new systems and services. In January 2009 we introduced an efficient new system for foreign stock certificates, etc. and related items, which enables DVP settlement for NETDs, as well as providing dividend payment data to JASDEC participants.

Although foreign stock 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

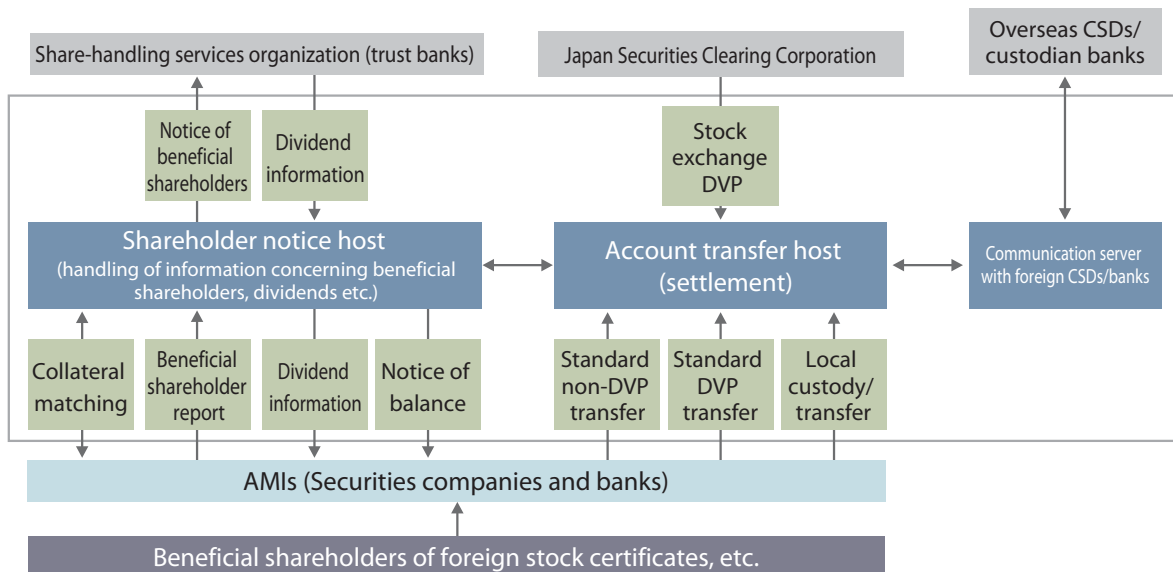
organizations calculate the amount of dividends, which are then paid directly to the beneficial shareholders from the dividend-payment handling bank. JASDEC also undertakes the necessary procedures regarding dividend taxation for local tax authorities and other such entities, to ensure reduced tax rates 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 therefore provides the infrastructure and services necessary for reliable settlement of trading activities in foreign stock certificates, 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 January 2009)





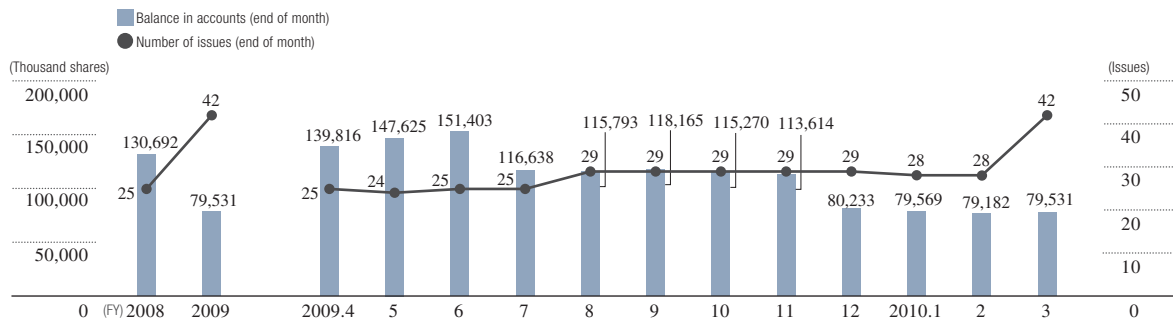
ETF market growth expected with listing of ETCs

In recent years, foreign companies have come to regard Japan as a major market for their financing needs, and there has been a growing number of foreign companies choosing to list only on Japanese exchanges such as the Tokyo Stock Exchange or the Osaka Securities Exchange, with no home-country listing. We are also seeing a steady increase in Japanese listings of ETFs structured overseas. 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 our business regulations to enable custody services for overseas ETFs and commenced custody services for ETFs linked to gold prices and ETFs linked to commodity indexes. In response to the August 2009 listing of five physical precious metal-backed ETCs, JASDEC made the necessary amendments to our business regulations in order to handle these overseas Exchange Traded Commodities (ETCs)

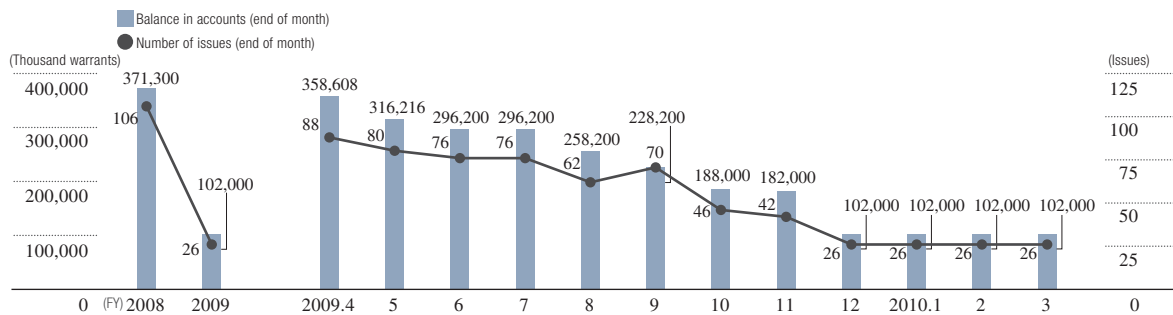
similar to investment corporation bonds. A further 14 ETCs linked to commodities indices were listed in March 2010, and the market is expected to continue expanding.

At present, the Book-entry Transfer System for foreign stock certificates, etc. includes four categories: foreign stocks (including ADRs); overseas ETFs (including ETCs); country funds; and foreign covered warrants. At the end of March 2010, the number of different issues handled by JASDEC in the three categories of overseas shares, overseas ETFs, and country funds stood at 42, while the number of foreign covered warrants handled stood at 26.

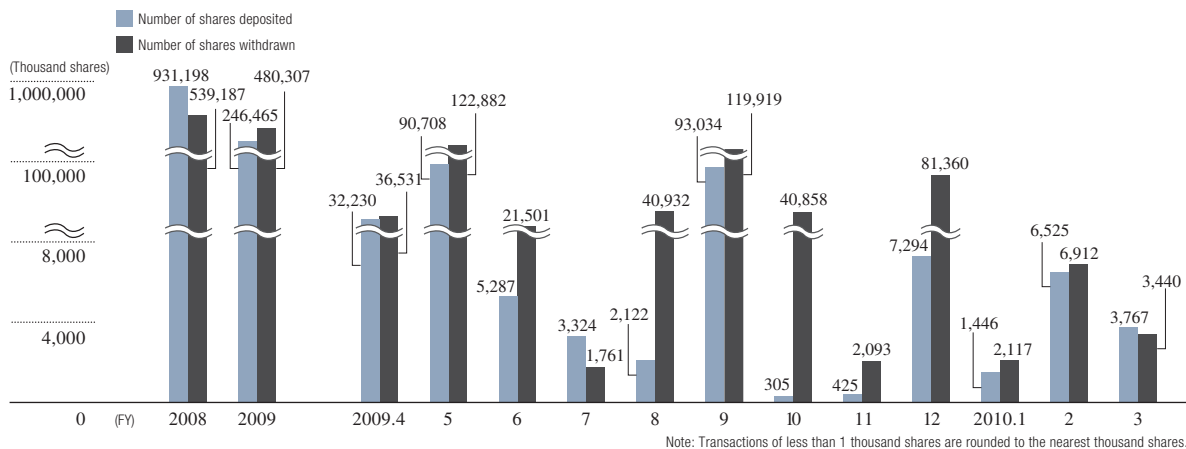
Foreign stocks, etc.—number of issues/balance in accounts (excluding foreign covered warrants)



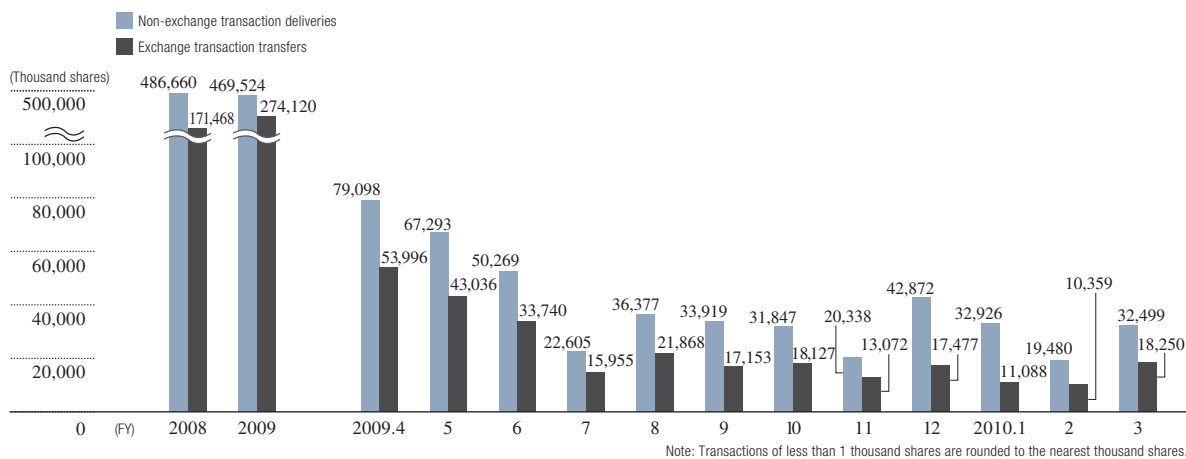
Foreign covered warrants—number of issues/balance in accounts



Number of shares deposited/withdrawn



Book-entry transfers



International Relationships

Asian Bond Markets Initiative (ABMI)

Background

The Asian Bond Markets Initiative (ABMI) was adopted by the ASEAN+3 (ASEAN plus China, Japan and Korea) 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 Western financial institutions for foreign currency-denominated short-term borrowings for long-term investments. 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.

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 furthering the development of well-functioning bond markets with sufficient liquidity in the region.

For the past two years, JASDEC has been taking part (as a representative of Japan) in the Group of Experts (GoE), which was established in April 2008 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.

JASDEC engagement in GoE

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 a 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 continued to conduct feasibility studies on the legal and regulatory aspects of the cross-border settlement models, while Subcommittee B examined measures to remove barriers, releasing a GoE Report in April of 2010.





Contribution to the development of the securities markets of Japan and Asia

In response to ongoing internationalization in the securities settlement sector, JASDEC actively participates in international forums such as regular CSD meetings and seminars, helping ensure the timely exchange of securities market infrastructure-related information on a global basis.

As one element of our efforts to build collaborative relationships with CSDs around the world, JASDEC has been following a policy of signing MOUs on the exchange of information and the undertaking of collaborative projects with overseas CSDs. As of the end of March 2010, JASDEC had signed MOUs with

Major International Activities in FY2009

◆ April 28, 2009 MOU WITH MSCH&CD (MONGOLIA)

JASDEC and Mongolian Securities Clearing House & Central Depository Co., Ltd (MSCH&CD) held a signing ceremony in Ulaanbaatar, Mongolia for a Memorandum of Understanding (MOU) on information sharing and cooperation.



◆ July 3-4, 2009 11th ACG Cross Training Seminar

The 11th ACG (Asia Pacific CSD Group) Cross Training Seminar for ACG members was held in Dhaka, Bangladesh, hosted by Central Depository Bangladesh Limited (CDBL). In addition to ACG's original Information Exchange Task Force and the New Business Task Force, the Legal Task Force — established in autumn 2009 — took part in the seminar for the first time. The event was attended by 75 officials representing 16 organizations from 12 different countries.



April

May

June

July

August

◆ May 20-22, 2009 10th Conference of CSDs

JASDEC attended the 10th Conference of CSDs in Budapest, Hungary and took part in a panel discussion concerning the role of CSD regulations. JASDEC explained Japan's regulatory framework, along with collaboration in regulatory authorities and market infrastructure, and the regulatory trends in Asia. At the last session of the general meeting, the CEOs of CSDs around the world took part in a panel discussion concerning the future outlook for CSDs. As a panelist in this discussion, Yoshinobu Takeuchi, president and CEO of JASDEC, explained the outlook for JASDEC's restructured settlement system and outlined collaborative projects in Asia, including the ASEAN Board and ABMI.



a total of 12 CSDs. We have also launched regular discussions with current cooperative partners, accepted overseas trainees, and made other efforts to strengthen collaborative projects with overseas CSDs. In addition, JASDEC is a participant in the International Securities Services Association (ISSA) corporate

action working group, serving as the coordinator for assessment within the Asian region.

While supporting the rapidly growing Asian markets overall, we aim to contribute to the development of the Japanese securities market by strengthening cooperative relations around the globe.

◆ September 9-10, 2009

1st regular consultative meeting held with Korea's KSD under MOU agreement

In an effort to strengthen relationships with MOU cooperative partners, JASDEC launched regular discussions with Korea's KSD. In the first meeting JASDEC explained its compliance framework along with the book-entry transfer system and non-resident tax exemption for corporate and government bonds, and engaged in an exchange of ideas with KSD.

◆ November 12, 2009

MOU with KSEI (INDONESIA)

JASDEC and PT Kustodian Sentral Efek Indonesia (KSEI) held a signing ceremony in Tokyo for a MOU.



◆ November 16-20, 2009

Thailand TSD trainee program

JASDEC accepted four trainees from the Thailand Securities Depository Company Limited (TSD), working in technical support for JASDEC's Pre-Settlement Matching System (PSMS) and other areas.

◆ December 15-16, 2009

1st regular consultative meeting held with China SD&C

JASDEC held the first of what will be regular discussions with China Securities Depository and Clearing Corporation Limited (SD&C). In the first meeting JASDEC explained its Book-entry Transfer System for Stocks, etc., Book-entry Transfer System for Corporate Bonds and Investment Trusts, DVP Settlement System for Non-Exchange Transaction Deliveries (NETDs), and Custody Services for Foreign Stock Certificates, etc.

September

October

November

December

◆ October 8-9, 2009

The 13th ACG General Meeting

The 13th General Meeting of the ACG was held in Hanoi, Vietnam on October 8-9, 2009, hosted by the Vietnam Securities Depository (VSD). During the General Meeting, various panel discussions and presentations were conducted under the main theme of "Facilitating the Development of Cross-border Linkages among ACG Members." A Senior Management Meeting was convened on the second day, where top management from CSDs gathered to discuss issues concerning ACG's future challenges and deliberated the review of the organizational structure as a means of further enhancing the ACG's functions.



◆ October 9, 2009

MOU with VSD (VIETNAM)

JASDEC and Vietnam Securities Depository (VSD) held a signing ceremony for a MOU in Vietnam's capital, Hanoi, during the ACG general meeting.



Analysis of Business Performance and Financial Results

Note: In the following section, all comparisons are with the previous fiscal year (fiscal 2008, ended March 31, 2009) unless stated otherwise.

In fiscal 2009, the Japanese economy began to show signs of recovery, supported by factors such as a recovery in exports to China and other developing countries, and the beneficial impact of government stimulus measures such as eco car tax breaks, subsidies, and an eco-points system for home appliances.

The stock market recovered in the first half of fiscal 2009, reflecting an easing of the credit crunch in US and other financial markets amid signs that the global economy was starting to bottom out. The Nikkei Average rose to the ¥10,000 level from a low of ¥7,054 recorded on March 10, 2009. However, the subsequent strength of the yen brought fears of downward revisions to corporate earnings and, with the employment situation remaining severe, the Nikkei Average fell back below the ¥10,000 mark. It regained the ¥10,000 level in the latter half of the fiscal year, reflecting further signs of economic recovery.

For JASDEC, with average daily trading volume in excess of 2 billion shares on the Tokyo Stock Exchange and the Nikkei Average generally around the ¥10,000 mark, transaction activity remained vigorous, and the number of shares handled by JASDEC's book-entry transfer system maintained momentum.

JASDEC's operating revenues for fiscal 2009 declined ¥6,190 million, or 22.8%, year on year, to ¥20,973 million, primarily due to reductions in the rate of commission charged for book-entry transfers for stocks, etc., pre-settlement matching services and DVP settlement services. Although operating expenses decreased ¥6,115 million, or 25.0%, to ¥18,338 million, a significant impact from lower operating revenues meant that operating income declined ¥75 million, or 2.8%, to ¥2,634 million. Income before income taxes increased ¥75 million, or 3.3%, to ¥2,407 million. However, net income for the period was ¥1,317 million, representing a year-on-year decrease of ¥16 million, or 1.3%.

The earnings performance of each of JASDEC's business segments is as follows.

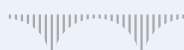
Book-entry Transfer System for Stocks, etc.

In this business, JASDEC was handling a total of 3,906 issues as of March 31, 2010, representing 114 fewer issues than one year earlier. Account balances included 412.9 billion shares (up 18.1 billion shares compared to one year earlier), ¥1.2 trillion for bonds with share options (up ¥57 billion), 2.3 billion account units for ETFs (up 433 million account units), 10.6 million account units for REITs (up 2.5 million account units), and 700,000 account units for preferred equity investment of financial institutions established by cooperative associations (up 350,000 account units). The total number of book-entry transfers handled increased by 14.2 million to 84.8 million transactions, with increases in both account balances and number of transactions. However, the impact of the reduction in commission rates, as noted above, meant that earnings in this business segment for the year declined ¥3,395 million, or 15.6%, to ¥18,334 million. During the period under review, refunds of ¥2,741 million were made on book-entry transfers and account management. After deduction of this amount, earnings from the Book-entry Transfer System for Stocks, etc. decreased ¥5,365 million, or 25.6%, to ¥15,593 million.

It should be noted that the new Book-entry Transfer System for Stocks, etc. came on stream on January 5, 2009. Accordingly, in calculating the year-on-year comparison of earnings in this segment, figures for the previous year have been based on the combined earnings from both systems used during that year.

Book-entry Transfer for Commercial Paper

This business segment had a total of 490 corporate issuers as of March 31, 2010, unchanged from the end of the previous fiscal year. Total transaction value was ¥14.1 trillion, down ¥4.6 trillion year on year, and the total number of issuance, transfer and redemption transactions handled was 304,659 transactions, a decrease of 26,729 transactions. Earnings from this business segment declined ¥106 million, or 17.9%, to ¥487 million.



Book-entry Transfer System for Corporate Bonds

This business segment was handling a total of 71,202 issues as of March 31, 2010, representing 2,096 fewer issues than one year earlier. Total transaction value was ¥245.5 trillion, an increase of ¥5.2 trillion year on year, and the total number of issuance, transfer and redemption transactions handled was 481,090 transactions, a decrease of 84,095 transactions. Earnings from this business segment were essentially flat at ¥1,296 million.

Book-entry Transfer System for Investment Trusts

This business segment was handling a total of 6,297 issues as of March 31, 2010, representing 391 more issues than one year earlier, and comprising 3,647 publicly offered investment trusts and 2,650 privately placed investment trusts. The total account balance, based on principle value, was ¥110.2 trillion, representing a ¥4.6 trillion increase from one year earlier and comprising ¥78.6 trillion in publicly offered investment trusts and ¥31.5 trillion in privately placed investment trusts. The total number of issuance, purchase and redemption transactions handled was 3,940,808 transactions, an increase of 119,061 transactions. Earnings from this business segment increased ¥13.2 million, or 1.3%, to ¥1,040 million.

DVP Settlement Services for NETDs

This business segment handled a total of 20.7 million NETD DVP settlements during the year ended March 31, 2010, a year-on year decrease of 2.8 million settlements. As a result of reduced commission rates, earnings from this segment declined ¥352 million, or 26.9%, to ¥957 million.

During the year under review JDCC made refunds on DVP settlement commissions totaling ¥190 million. After deduction of this amount, earnings from DVP settlement services decreased ¥110 million, or 12.6%, to ¥767 million.

Pre-settlement Matching System

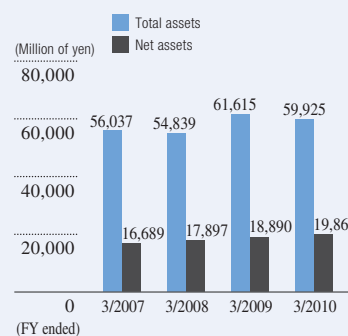
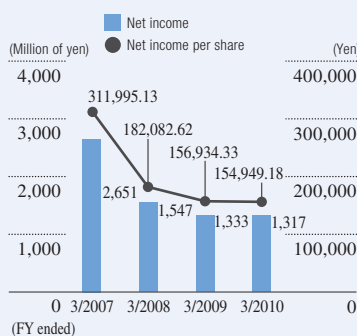
Earnings from this business segment declined ¥359 million, or 15.2%, to ¥2,010 million, due to the reduction of the commission rate. During the year under review JASDEC made refunds on pre-settlement matching services totaling ¥485 million. After deduction of this amount, earnings from this business segment decreased ¥588 million, or 27.9%, to ¥1,524 million.

Custody Services for Foreign Stock Certificates, etc.

This business segment had an account balance of 79 million foreign stocks, etc., excluding foreign covered warrants, as of March 31, 2010, a decrease of 51 million compared to one year earlier. The account balance for foreign covered warrants was 102 million warrants.

The total number of transactions (including foreign covered warrants) was 149,915 transactions, 85,868 more than in the previous year. Earnings from this business segment declined ¥33 million, or 11.2%, to ¥263 million.

Financial results (consolidated)



Consolidated Financial Statements

Consolidated Balance Sheets (As of March 31, 2009 and 2010)

	¥ (thousands)		\$ (thousands) (Note 4)
	2009	2010	2010
ASSETS			
Current Assets:			
Cash and deposits	¥ 2,355,978	¥ 3,468,876	\$ 37,284
Accounts receivable – trade	3,161,085	3,318,125	35,663
Deferred income taxes (Note 12)	561,386	87,514	940
Designated assets for clearing funds (Note 3)	31,531,872	33,121,473	355,992
Other current assets	519,023	355,804	3,824
Allowance for doubtful accounts	(6,895)	(6,480)	(69)
Total Current Assets	38,122,450	40,345,313	433,634
Property and Equipment:			
Buildings and structures	1,062,907	842,948	9,060
Tools and furniture	5,560,074	5,386,775	57,897
Lease assets	56,023	81,823	879
	6,679,004	6,311,546	67,836
Less: Accumulated depreciation	(4,170,881)	(4,502,678)	(48,395)
Total Property and Equipment	2,508,121	1,808,867	19,441
Intangible Assets, Net:			
Software	19,759,147	15,988,208	171,842
Construction in progress (Software)	67,821	43,055	463
Lease assets	9,517	9,165	98
Other intangible assets	18,154	18,038	194
Total Intangible Assets	19,854,639	16,058,467	172,597
Investment and Other Assets:			
Investment securities	308,418	356,179	3,828
Long-term prepaid expenses	86,770	46,642	501
Deferred income taxes (Note 12)	194,434	774,595	8,325
Long-term refundable lease deposits	514,775	506,282	5,441
Claims provable in bankruptcy, rehabilitation and other	41,394	44,356	477
Others	—	1,000	11
Allowance for doubtful accounts	(15,878)	(16,621)	(178)
Total Investment and Other Assets	1,129,914	1,712,434	18,405
Total Assets	¥61,615,125	¥59,925,084	\$644,078

The accompanying notes are an integral part of these statements.



	¥ (thousands)		\$ (thousands) (Note 4)
	2009	2010	2010
LIABILITIES			
Current Liabilities:			
Accounts payable – trade	¥ 868,426	¥ 823,303	\$ 8,849
Short-term borrowings (Note 5 and 9)	8,400,000	4,800,000	51,591
Lease obligations (Note 9)	13,842	20,003	215
Income taxes payable	—	101,677	1,093
Allowance for employees' bonuses	185,102	182,234	1,958
Allowance for executives' bonuses	20,300	20,700	222
Consumption taxes payable	—	391,978	4,213
Deposits received for clearing funds (Note 3)	31,531,872	33,121,473	355,992
Allowance for loss on business trust agreement cancellation	940,103	—	—
Allowance for loss on computer center transfer	242,379	—	—
Other current liabilities	235,736	182,401	1,960
Total Current Liabilities	42,437,763	39,643,774	426,093
Long-term Liabilities:			
Lease obligations (Note 9)	45,785	52,668	566
Allowance for employees' retirement benefits (Note 10)	199,422	256,723	2,759
Allowance for executives' retirement benefits	41,160	41,160	442
Allowance for loss on business trust agreement cancellation	—	62,694	674
Total Long-term Liabilities	286,367	413,246	4,441
Total Liabilities	42,724,131	40,057,021	430,535
NET ASSETS			
Shareholders' Equity:			
Common stock			
Authorized: 10,000 shares			
Issued: 8,500 shares	4,250,000	4,250,000	45,679
Capital surplus	4,250,000	4,250,000	45,679
Retained earnings	10,390,994	11,368,062	122,185
Total Shareholders' Equity	18,890,994	19,868,062	213,543
Total Net Assets	18,890,994	19,868,062	213,543
Total Liabilities and Net Assets	¥61,615,125	¥59,925,084	\$644,078

The accompanying notes are an integral part of these statements.



Consolidated Financial Statements

Consolidated Statements of Income (For the years ended March 31, 2009 and 2010)

	¥ (thousands)		\$ (thousands) (Note 4)
	2009	2010	2010
Operating Revenues	¥27,163,871	¥20,973,007	\$225,419
Operating Expenses:			
Executives' compensation and bonuses	206,738	209,497	2,251
Salaries and bonuses	1,972,209	1,918,927	20,625
Severance costs for employees (Note 10)	97,320	102,970	1,107
Maintenance of systems	8,424,000	6,868,608	73,824
Outside services	2,463,436	358,300	3,852
Registration fees	1,523,801	—	—
Depreciation and amortization	6,362,311	6,386,058	68,638
Rent	525,941	670,626	7,208
Advertisements	668,434	109,835	1,180
Others	2,210,250	1,713,850	18,420
Total Operating Expenses	24,454,444	18,338,677	197,105
Operating Income	2,709,427	2,634,330	28,314
Other Income (Expenses):			
Interest income	212	254	2
Operational revenue on designated assets for clearing funds	75,684	19,767	212
Equity in earnings (losses) of affiliates	(28,229)	59,261	637
Interest expenses (Note 9)	(93,932)	(66,265)	(712)
Commitment fees	(43,011)	(43,900)	(471)
Fees for fund operation of designated assets for clearing funds	(7,558)	(7,794)	(83)
Loss on disposal of fixed assets (Note 11)	(43,350)	(178,610)	(1,919)
Non-recurring depreciation of property and equipment	(78,430)	—	—
(Provision) reversal of allowance for loss on business trust agreement cancellation	(112,402)	1,010	11
(Provision) reversal of allowance for loss on computer center transfer	(35,835)	33,200	356
Loss on business trust agreement cancellation	—	(52,878)	(568)
Provision of allowance for doubtful accounts	(15,878)	—	—
Others, net	4,978	9,091	97
Total	(377,755)	(226,865)	(2,438)
Income before Income Taxes	2,331,672	2,407,464	25,875
Income Taxes (Note 12)			
Current	659,662	224,403	2,412
Prior years	—	972,282	10,450
Deferred	338,068	(106,289)	(1,142)
Net Income	¥ 1,333,941	¥ 1,317,068	\$ 14,155
	Yen		U.S.Dollars (Note 4)
Per Share (Note 17)			
Net income – primary	¥156,934.33	¥154,949.18	\$1,665
Dividends	40,000	40,000	429
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, 2009 and 2010)

	¥ (thousands)					
	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	¥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
Cash dividends	—	—	—	(340,000)	(340,000)	(340,000)
Net income for the year	—	—	—	1,317,068	1,317,068	1,317,068
Balance as of March 31, 2010	8,500	¥4,250,000	¥4,250,000	¥11,368,062	¥19,868,062	¥19,868,062

	\$ (thousands) (Note 4)					
	Number of common stock shares	Common stock	Capital surplus	Retained earnings	Total shareholders' equity	Total net assets
Balance as of March 31, 2009	8,500	\$45,679	\$45,679	\$111,683	\$203,041	\$203,041
Cash dividends	—	—	—	(3,654)	(3,654)	(3,654)
Net income for the year	—	—	—	14,156	14,156	14,156
Balance as of March 31, 2010	8,500	\$45,679	\$45,679	\$122,185	\$213,543	\$213,543

The accompanying notes are an integral part of these statements.



Consolidated Statements of Cash Flows (For the years ended March 31, 2009 and 2010)

	¥ (thousands)		\$ (thousands) (Note 4)
	2009	2010	2010
Cash Flows from Operating Activities:			
Income before income taxes	¥ 2,331,672	¥ 2,407,464	\$ 25,875
Depreciation and amortization	6,362,311	6,386,058	68,637
Non-recurring depreciation of property and equipment	78,430	—	—
Increase in allowance for doubtful accounts	22,774	327	3
Increase (decrease) in allowance for employees' bonuses	6,193	(2,867)	(30)
Increase in allowance for employees' retirement benefits	51,267	57,300	616
Increase in allowance for executives' retirement benefits	—	400	4
Increase (decrease) in allowance for loss on business trust agreement cancellation	112,402	(940,103)	(10,104)
Increase (decrease) in allowance for loss on computer center transfer	(77,977)	(242,379)	(2,605)
Interest income	(212)	(254)	(2)
Interest expenses	93,932	66,265	712
Equity in losses (earnings) of affiliates	(28,229)	(59,261)	(636)
Foreign exchange loss	666	294	3
Loss on sale of property and equipment	—	730	7
Loss on disposal of property and equipment	9,998	47,232	507
Loss on disposal of intangible assets	33,352	131,378	1,412
Decrease (increase) in accounts receivable – trade	(130,383)	(157,039)	(1,687)
Decrease in accounts payable – trade	(688,057)	(45,122)	(484)
Decrease (increase) in other assets	52,137	98,970	1,063
Decrease (increase) in other liabilities	(20,677)	828,786	8,907
Sub-total	8,266,061	8,578,181	92,198
Interest and dividends received	212	11,754	127
Interest paid	(66,543)	(92,300)	(992)
Income taxes paid	(1,788,073)	(685,984)	(7,373)
Income taxes paid for prior years	—	(903,351)	(9,709)
Income taxes refunded	—	200,702	2,157
Net Cash Provided by Operating Activities	6,411,657	7,109,001	76,408
Cash Flows from Investing Activities:			
Payments for purchase of property and equipment	(370,597)	(314,290)	(3,378)
Payments for purchase of intangible assets	(11,153,312)	(1,734,155)	(18,638)
Proceeds from repayment of lease deposits	—	266,575	2,865
Payment of lease deposits	—	(258,082)	(2,775)
Other payments	—	(1,000)	(10)
Net Cash Used in Investing Activities	(11,523,909)	(2,040,953)	(21,936)
Cash Flows from Financing Activities:			
Short-term borrowings	20,400,000	22,800,000	245,055
Repayment of short-term borrowings	(14,400,000)	(26,400,000)	(283,748)
Repayment of lease obligations	(7,779)	(14,855)	(159)
Cash dividends paid	(340,000)	(340,000)	(3,654)
Net Cash Provided by (Used in) Financing Activities	5,652,220	(3,954,855)	(42,507)
Effect of exchange rate changes on cash and cash equivalents	(666)	(294)	(4)
Net Increase (Decrease) in Cash and Cash Equivalents	539,301	1,112,897	11,961
Cash and Cash Equivalents at Beginning of Year	1,816,676	2,355,978	25,322
Cash and Cash Equivalents at End of Year	¥ 2,355,978	¥ 3,468,876	\$ 37,283

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) Application of equity method

The equity method is applied to shares of Tosho System Services Co., Ltd. (hereafter, “TSS”).

(3) Property and equipment (except lease assets)

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

The main estimated useful lives are as follows:

Buildings and structures	3-50 years
Tools and furniture	2-15 years

(4) Intangible assets (except lease assets)

Costs of software for internal use are capitalized and amortized on a straight-line basis over an 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.

(5) Lease assets

The straight-line method is applied to leased assets of finance leases without ownership transfer and the residual value is zero. The Company accounts for finance lease without ownership transfer as operating leases if the transaction commenced prior to the previous financial year ended March 31, 2009.

(6) 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 estimates of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

(7) Allowance for bonuses

Allowance for employees’ bonuses and allowance for executives’ bonuses are provided for bonuses attributable to each fiscal year based on the estimated amount of the respective payments.

(8) Allowance for loss on business trust agreement cancellation

Allowance is provided for an adjustment fee on cancellation of entrusted operations due to dematerialization of stock certificates.

(9) 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. 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 parties who undertake 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 JDCC’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 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, 2009 and 2010 was ¥15,000,000 thousand (\$161,220 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 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, 2009 and 2010, the market value of collateral securities entrusted to JDCC was ¥99,489,867 thousand and ¥109,579,182 thousand (\$1,177,764 thousand), respectively.

4. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥93.04=US \$1, the rate of exchange as of March 31, 2010, 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.



5. Commitment Line and Overdraft Contracts

To ensure agile and stable fund raising, the Company has overdraft contracts (¥7,000,000 thousand (\$75,236 thousand) in total) with four 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 (\$483,662 thousand) in total) with three banks, as part of a liquid fund for completing fund settlement on the required day. As of March 31, 2009 and 2010, the Company was utilizing ¥8,400,000 thousand (\$90,283 thousand) and ¥4,800,000 thousand (\$51,591 thousand) of the respective commitment lines. In addition, ¥3,600,000 thousand (\$38,693 thousand) of the ¥4,800,000 thousand (\$51,591 thousand) utilized as of March 31, 2010 will be repaid after the maturity date of the commitment line.

6. 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.

7. 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 continue 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, 2009 and 2010 and for the years then ended:

	¥ (thousands)		\$ (thousands)
	2009	2010	2010
Tools and furniture:			
Acquisition cost	¥1,882,666	¥1,882,666	\$20,235
Accumulated depreciation	(558,663)	(935,196)	(10,052)
Net book value	¥1,324,003	¥ 947,469	\$10,183
Software:			
Acquisition cost	¥ 216,774	¥ 216,774	\$ 2,329
Accumulated depreciation	(65,029)	(108,384)	(1,164)
Net book value	¥ 151,744	¥ (108,389)	\$ (1,165)
Lease obligations including interest thereon:			
Due within one year	¥ 422,218	¥ 421,227	\$ 4,527
Due over one year	1,067,833	642,797	6,909
Total	¥1,490,052	¥1,064,075	\$11,436
Finance lease charges			
	¥ 557,408	¥ 418,839	\$ 4,501
Depreciation expense			
	550,187	412,437	4,432
Interest portion			
	11,876	7,557	81

(Note) 1. Methods applied in calculating 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
 ① Lease assets: Property and equipment: Backup system hardware
 Intangible assets: Back up system software
 ② Depreciation: Based on zero residual value over the lease term



8. Fair value measurements for financial instruments

(Additional Information)

From the current fiscal year, the Company has applied the “Accounting Standards for Financial Instruments” (Accounting Standards Board of Japan Statement No.10, revised March 10, 2008) and the associated “Guidance on Disclosures about Fair Value of Financial Instruments” (Accounting Standards Board of Japan Guidance No.19, March, 2008).

1. Basic policies for financial instruments

The Company limits financial investment to short-term deposits, and fund raising to borrowings from banks and others. Because accounts receivable are subject to counterparty risk from participants in the book-entry transfer system, the Company continuously monitors the financial conditions of the participants.

2. Estimated fair value of financial instruments

The following table presents carrying amount on the balance sheet, fair value and difference between carrying amount and fair value as of March 31, 2010.

	Carrying amount on the balance sheet		Fair value (*2)		Difference
	¥ (thousand)	\$ (thousand)	¥ (thousand)	\$ (thousand)	
(1) Cash and deposits	¥ 3,468,876	\$ 37,283	¥ 3,468,876	\$ 37,283	—
(2) Accounts receivable-trade	3,318,125	35,663			—
Allowance for doubtful accounts (*1)	(6,480)	(69)			
	3,311,644	35,594	3,311,644	35,594	—
(3) Designated assets for clearing funds	33,121,473	355,992	33,121,473	355,992	—
(4) Accounts payable-trade	(823,303)	(8,849)	(823,303)	(8,849)	—
(5) Short-term borrowings	(4,800,000)	(51,591)	(4,800,000)	(51,591)	—
(6) Deposits received for clearing funds	(33,121,473)	(355,992)	(33,121,473)	(355,992)	—

*1: Allowance for doubtful accounts is deducted from Accounts receivable-trade.

*2: Figures in brackets indicate liabilities.

(Note) 1: Calculation methods for fair value of financial instruments

(1) Cash and deposits, and (2) Accounts receivable-trade

The book value was deemed to be fair value for these items since the book value approximates fair value because of the short settlement period.

(4) Accounts payable-trade, and (5) Short-term borrowings

The book value was deemed to be fair value for these items since the book value approximates fair value because of the short settlement period.

(3) Designated assets for clearing funds, and (6) Deposits received for clearing funds

The book value was deemed to be fair value since these items represent assets and liabilities reflecting their roles in maintaining a stable securities trading environment.

2: Investment securities totaling ¥356,179 thousand (\$3,828 thousand) as of March 31, 2010 are affiliated companies' stocks for which market quotes are not available and future cash flow is extremely difficult to estimate. Accordingly, such Investment securities are not included in the

above table.

3: Estimated redemptions for monetary claims and securities with maturities after the end of the consolidated financial period:

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

4: Estimated repayments for bonds, long-term loans payable, lease obligations and other interest-bearing liabilities after the end of the consolidated financial period:

There were no material long-term liabilities. Short-term borrowings are due within one year.

9. Borrowings

Short-term borrowings comprised loans from banks with a weighted average interest rate of 0.9% per annum. The Company had short-term borrowings of ¥4,800,000 thousand (\$51,590 thousand) as of March 31, 2010. The current portion of lease obligations was ¥20,003 thousand (\$215 thousand) and of long-term lease obligations was ¥52,668 thousand (\$566 thousand). The weighted average interest rate of lease obligations was 2.8% per annum. Total borrowings were ¥4,872,672 thousand (\$52,371 thousand) as of March 31, 2010.



10. Allowance for severance indemnities for employees

Allowance for employees' retirement benefits on March 31, 2009 and 2010 represented the amount that would be payable by 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, 2009 and 2010 amounted to ¥97,320 thousand and ¥102,970 thousand (\$1,106 thousand), respectively.

11. Non-recurring depreciation of property and equipment

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

	¥ (thousands)		\$ (thousands)	
	2009	2010	2010	2010
Buildings	¥19,322	¥ —	\$ —	—
Tools and furniture	58,685	—	—	—
Software	421	—	—	—
Long-term prepaid expenses	—	—	—	—
Total	¥78,430	¥ —	\$ —	—

12. Loss on disposal of fixed assets

The following table shows disposal of fixed assets:

	¥ (thousands)		\$ (thousands)	
	2009	2010	2010	2010
Buildings and equipments	¥ 1,236	¥ 32,723	\$ 351	—
Tools and furniture	8,761	14,508	156	—
Software	33,352	125,594	1,350	—
Long-term prepaid expenses	—	5,783	62	—
Total	¥43,350	¥178,610	\$1,919	—

13. Income Taxes

(1) Deferred tax assets

The following table shows the breakdown of deferred tax assets:

	¥ (thousands)		\$ (thousands)	
	2009	2010	2010	2010
Deferred tax assets:				
Allowance for employees' bonuses	¥ 75,151	¥ 73,987	\$ 795	—
Business facility taxes	4,212	4,364	46	—
Accrued social insurance premiums	10,489	9,502	102	—
Allowance for loss on business trust agreement cancellation	381,681	—	—	—
Allowance for loss on computer center transfer	98,405	—	—	—
Allowance for doubtful accounts	2,799	3,035	32	—
Allowance for employees' retirement benefits	80,965	104,229	1,120	—
Excess amortization of deferred charges for tax purposes	—	4,005	43	—
Allowance for executives' retirement benefits	—	16,710	179	—
Excess depreciation of fixed assets	113,468	666,360	7,162	—
Total deferred tax assets	¥767,175	¥882,195	\$9,481	—
Valuation allowance	—	(16,710)	(179)	—
Deferred tax liabilities:				
Enterprise taxes payable	11,354	3,375	36	—
Net deferred tax assets	¥755,820	¥862,109	\$9,266	—



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

No disclosure is required under this item, as the difference between the statutory tax rate and the effective tax rate for the years ended March 31, 2009 and 2010 is less than 5% of the statutory tax rate.

14. Notes to the consolidated statements of changes in net assets

(1) Outstanding shares

Class of share	March 31, 2008	Increase	Decrease	March 31, 2009
Ordinary shares	8,500	—	—	8,500
Class of share	March 31, 2009	Increase	Decrease	March 31, 2010
Ordinary shares	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	Class of Share	Payment Source	Total of Dividends ¥ (thousands)	Dividend per Share ¥	Record Date	Effective Date
Ordinary General Shareholders Meeting (June 22, 2009)	Ordinary Shares	Retained Earnings	¥340,000	¥40,000	March 31, 2009	June 23, 2009

2 Dividends for which the record date is in the year ended March 31, 2010 and for which the effective date is in the year ended March 31, 2011

Resolution	Class of Share	Payment Source	Total of Dividends ¥ (thousands)	Dividend Per Share ¥	Record Date	Effective Date
Ordinary General Shareholders Meeting (June 21, 2010)	Ordinary Shares	Retained Earnings	¥340,000 (\$3,654 thousand)	¥ 40,000 (\$429)	March 31, 2010	June 22, 2010

15. Stock Options

Not applicable.

16. Segment Information

(1) Business segment

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

(2) Geographic information

Disclosure is omitted because the Company had neither overseas consolidated subsidiaries nor overseas branches for the years ended March 31, 2009 and 2010.

(3) Overseas sales

Disclosure is omitted because the Company did not have any overseas sales for the years ended March 31, 2009 and 2010.



17. 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, 2009 and 2010 are as follows:

For the year ended March 31, 2009

(Additional Information)

Commencing with the current fiscal year, the consolidated financial statements confirm to “Accounting Standard for Related Party Disclosures” (Accounting Standards Board of Japan Statement No.11) and “Guidance on Accounting Standard for Related Party Disclosures” (Accounting Standards Board of Japan Guidance No.13). There are no additional matters to disclose.

Related party transactions

(1) Subsidiaries and affiliates

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				
Tosho System Service Co. Ltd. (An affiliate)	Koto-ku, Tokyo	¥100,000	Design & development of software	20% directly held	Two	Purchasing software and system maintenance	Purchase of software	¥6,188,427	—	—

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

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

(2) Others

Names of companies	Address	Capital ¥ (thousands)	Principal business	Percentage of ownership with voting rights	Relationship		Transaction	Amount (Note 1) ¥ (thousands)	Descriptions (Note 2)	Ending Balance ¥ (thousands)
					Directors holding concurrent positions	Business relationship				
Japan Securities Clearing Corporation	Chuo-ku, Tokyo	¥1,700,000	Clearing securities	—	Two	Commission income	Commission income	¥3,645,891	Accounts receivable-trade	¥297,755

(Note) 1. The transaction amounts above exclude consumption taxes. However, the 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, 2010

(1) Subsidiaries and affiliates

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				
Tosho System Service Co. Ltd.	Koto-ku, Tokyo	¥100,000 (\$1,074 thousands)	Design & development of software	20% directly held	Two	Purchasing software and system maintenance	Payment of computer maintenance fee	¥1,830,588 (\$19,675 thousands)	Accounts payable-trade	¥246,133 (\$2,645 thousands)
							Purchase of software	¥431,170 (\$4,634 thousands)	—	—

(Note) 1. The 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 of Other Consolidated Financial Statements companies and Related Parties

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				
Japan Securities Clearing Corporation (Subsidiary of other affiliates)	Chuo-ku, Tokyo	¥1,700,000 (\$18,271 thousands)	Clearing securities	—	Three	Commission income	Commission income	¥2,459,261 (\$26,432 thousands)	Accounts receivable-trade	¥293,347 (\$3,152 thousands)

(Note) 1. The 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.

18. Earnings Per Share

The basis for calculating earnings per share for the years ended March 31, 2009 and 2010 is as follows:

	¥ (thousands)		\$ (thousands)
	2009	2010	2010
Net income as reported in the consolidated statements of income	¥1,333,941	¥1,317,068	\$14,155
Net income pertaining to common stock shareholders	¥1,333,941	¥1,317,068	\$14,155
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, Incorporated

We have audited the accompanying consolidated balance sheets of Japan Securities Depository Center, Incorporated and consolidated subsidiaries as of March 31, 2010 and 2009, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

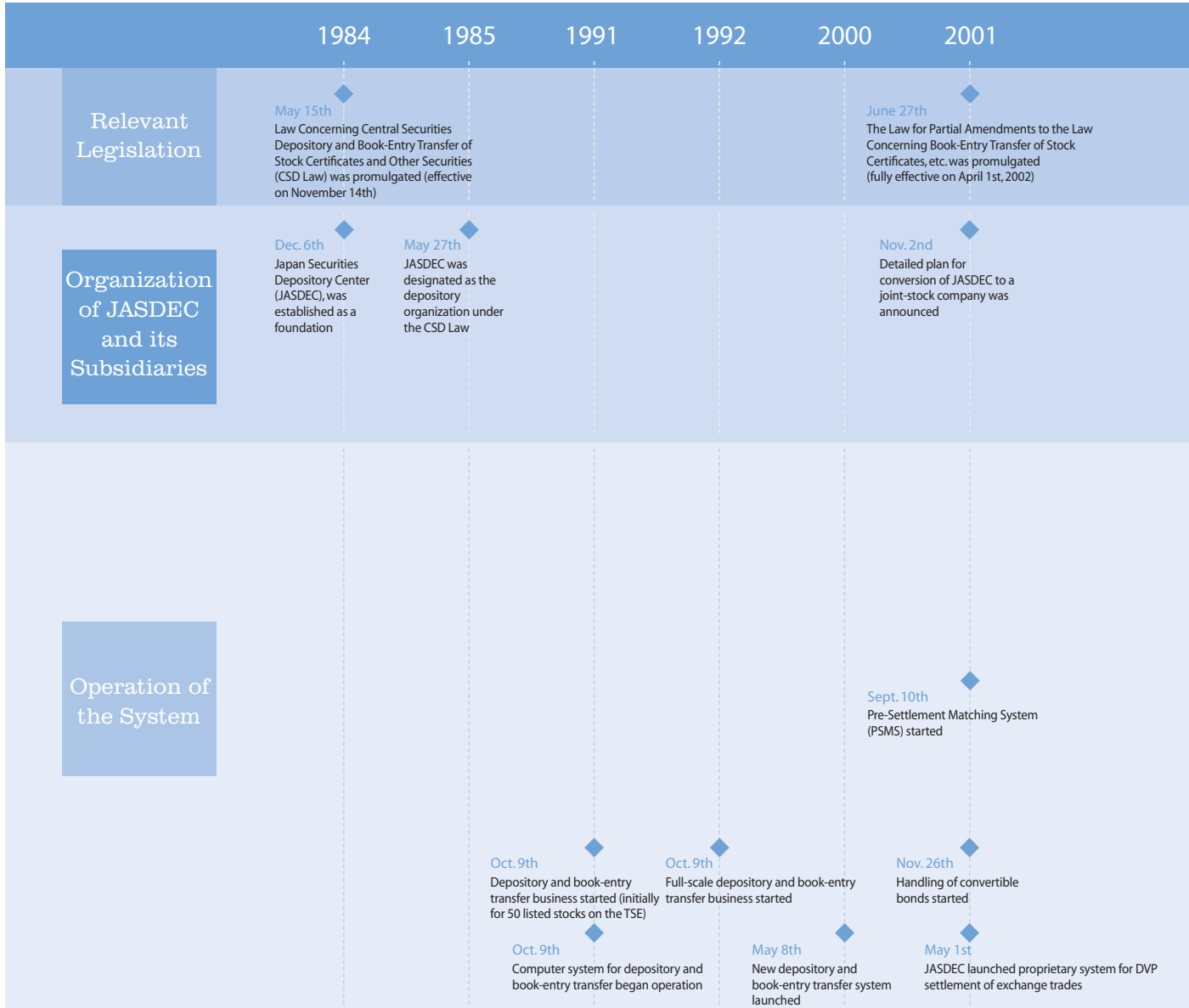
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Japan Securities Depository Center, Incorporated and consolidated subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their 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, 2010 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 4.



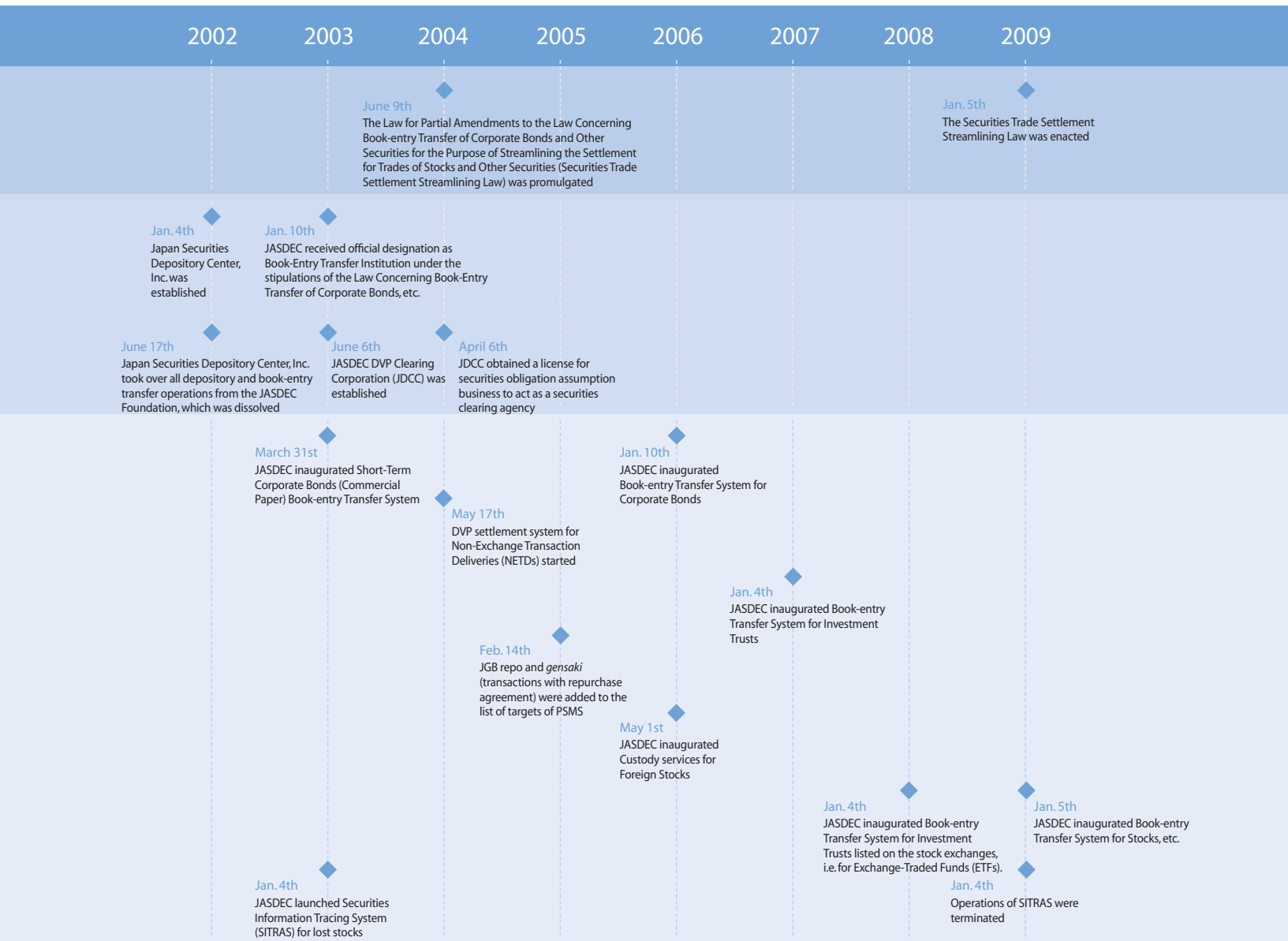
June 18, 2010

History



		
<p>12-15 Book-Entry Transfer System for Stocks, etc. Sant'Angelo Bridge, Italy</p>	<p>16-21 Book-Entry Transfer System for Commercial Paper and Corporate Bonds Hercilio Luz Bridge, Brazil</p>	<p>22-25 Book-Entry Transfer System for Investment Trusts Sydney Harbour Bridge, Australia</p>
Name of Bridge		





26-29 DVP Settlement System for NETDs
Newcastle upon Tyne Bridge, U.K.



30-33 Pre-Settlement Matching System (PSMS)
Shinkyo Bridge, Japan



34-37 Custody Services for Foreign Stock Certificates, etc.
Burrard Street Bridge, Canada



38-41 International Relationships
Alesha Bay Bridge, U.S.A.



Corporate Data (as of March 31, 2010)

○ Profile of the company

Corporate Name	Japan Securities Depository Center, Incorporated
Registered Office 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	192

○ Shares

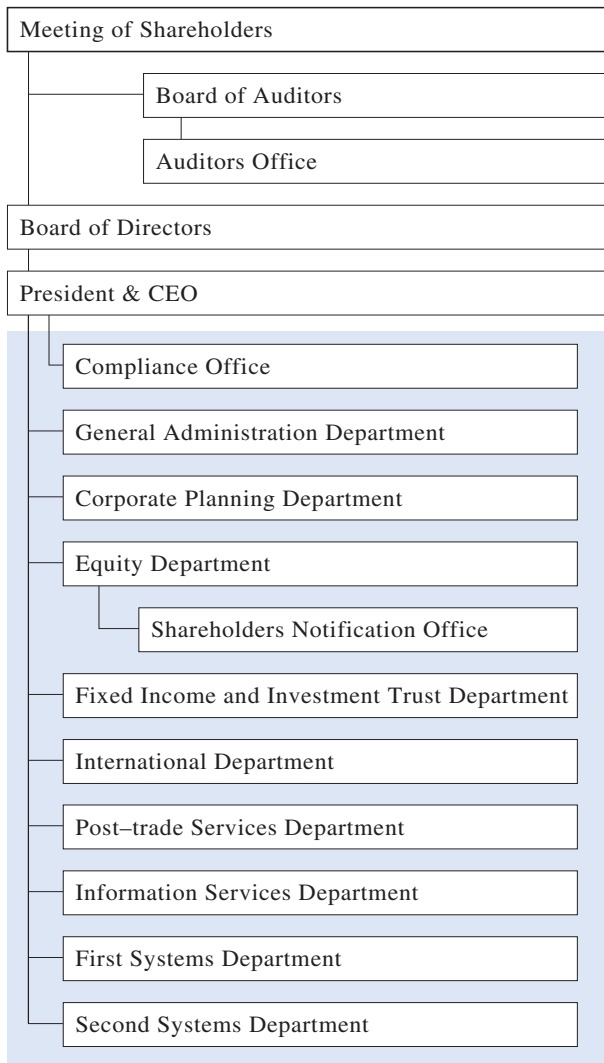
Total shares approved for issue	10,000
Total issued shares	8,500
Paid-in capital	¥4,250,000,000
Shareholders	170

○ Major shareholders

	Number of shares held	Stake in Company(%)
Tokyo Stock Exchange Group, Inc.	1,918	22.56
Japan Securities Dealers Association	1,043	12.27
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
Citigroup Global Markets Japan Inc.	321	3.77
Japan Trustee Services Bank, Ltd.	320	3.76
Trust & Custody Services Bank, Ltd.	284	3.34
Daiwa Securities Capital Markets Co. Ltd.	230	2.70



○ Organization (as of June 30, 2010)





www.jasdec.com/en/