

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.

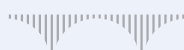
Book-entry Transfer System for Stocks, etc.

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)

