

Analysis of Business Performance and Financial Results

Note: In the following section, all comparisons are with the previous fiscal year (fiscal 2010, ended March 31, 2011) unless stated otherwise.

During the reporting period ended March 31, 2011, the Japanese economy began to show signs of improvement in personal consumption and corporate earnings. However, employment and wages remained depressed and the recovery in consumption lacked strength, lending considerable uncertainty to the outlook.

In securities markets, despite the Nikkei Average reaching a 2010 calendar year high of ¥11,339 in April amid expectations of a recovery in corporate earnings, factors such as European financial instability, U.S. economic uncertainty and the strong yen led to a fall in the market, with the Nikkei Average dropping below ¥9,000 in mid August. It subsequently recovered to the ¥10,000 level in November, supported by an easing of the yen and additional measures taken by the FOMC in the U.S., and sustained this level through the start of 2011. After the Great East Japan Earthquake in March the Nikkei again fell through the ¥10,000 level as the extent of the disaster became apparent and investors took flight from risk.

JASDEC's operating revenues for fiscal 2010 declined ¥1,246 million, or 5.9%, year on year, to ¥19,726 million, primarily due to reductions in the rate of commission charged for book-entry transfers for stocks, etc. While operating expenses decreased ¥1,270 million, or 6.9%, to ¥17,068 million, operating income increased ¥24 million, or 0.9%, to ¥2,658 million. Income before income taxes increased ¥68 million, or 2.6%, to ¥2,673 million. As a result, net income for the period was ¥1,608 million, representing a year-on-year increase of ¥291 million, or 22.2%. 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 3,819 issues as of March 31, 2011, representing 87 fewer issues than one year earlier. Account balances included 418.6 billion shares (up 5.6 billion shares compared to one year earlier), ¥1.1 trillion for bonds with share options (down ¥43.4 billion),

2.5 billion account units for ETFs (up 257 million account units), 13.7 million account units for REITs (up 3.1 million account units), and 700,000 account units for preferred equity investment of financial institutions established by cooperative associations (unchanged from the end of the previous fiscal year). The total number of book-entry transfers handled decreased by 1.3 million to 83.4 million transactions, with increases in both account balances and number of transactions, and the impact of the reduction in commission rates, as noted above, meant that earnings in this business segment for the year declined ¥773 million, or 4.2%, to ¥17,562 million. During the period under review, refunds of ¥3,018 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 ¥1,049 million, or 6.7%, to ¥14,544 million.

Book-Entry Transfer for Commercial Paper

This business segment had a total of 488 corporate issuers as of March 31, 2011, decreased by 2 issuers from the end of the previous fiscal year. Total transaction value was ¥14.0 trillion, down ¥85.3 billion year on year, and the total number of issuance, transfer and redemption transactions handled was 283,202 transactions, a decrease of 21,457 transactions. Earnings from this business segment declined ¥30 million, or 6.3%, to ¥457 million.

Book-Entry Transfer System for Corporate Bonds

This business segment was handling a total of 67,788 issues as of March 31, 2011, representing 3,414 fewer issues than one year earlier. Total transaction value was ¥250.7 trillion, an increase of ¥4.5 trillion year on year, and the total number of issuance, transfer and redemption transactions handled was 505,677 transactions, an increase of 24,587 transactions. Earnings from this business segment declined ¥8 million, or 0.6%, to ¥1,288 million.

Book-Entry Transfer System for Investment Trusts

This business segment was handling a total of 6,575 issues as of March 31, 2011, representing 278 more issues than one year earlier, and comprising 3,885 publicly offered investment trusts and 2,690 privately placed investment trusts. The total account balance, based on principle value, was ¥114.9 trillion, representing a ¥4.6 trillion increase from one year earlier and comprising ¥83.1 trillion in publicly offered investment trusts and ¥31.7 trillion in privately placed investment trusts. The total number of issuance, purchase and redemption transactions handled was 4,084,753 transactions, an increase of 143,945 transactions. Earnings from this business segment increased ¥22.1 million, or 2.1%, to ¥1,062 million.

DVP Settlement Services for NETDs

This business segment handled a total of 20.4 million NETD DVP settlements during the year ended March 31, 2011, a year-on-year decrease of 0.3 million settlements, and earnings from this segment declined ¥13 million, or 1.5%, to ¥943 million. During the year under review JDCC made refunds on DVP settlement commissions totaling ¥182 million. After deduction of this amount, earnings from DVP settlement services decreased ¥6 million, or 0.9%, to ¥760 million.

Pre-Settlement Matching System

Earnings from this business segment declined ¥9 million, or 0.5%, to ¥2,001 million. During the year under review JASDEC made refunds on pre-settlement matching services totaling ¥615 million. After deduction of this amount, earnings from this business segment decreased ¥138 million, or 9.1%, to ¥1,386 million.

Custody Services for Foreign Stock Certificates, etc.

This business segment had an account balance of 89 million foreign stocks, etc., excluding foreign covered warrants, as of March 31, 2011, an increase of 10 million compared to one year earlier. The account balance for foreign covered warrants was 76 million warrants, a decrease of 25 million compared to one year earlier. The total number of transactions (including foreign covered warrants) was 152,407 transactions, 2,492 more than in the previous year. Earnings from this business segment declined ¥35 million, or 13.3%, to ¥228 million.

Financial results (consolidated)

