

# Analysis of Business Performance and Financial Results

Fiscal year ended March 31, 2012 (Fiscal 2011)

In the following section, all comparisons are with the previous fiscal year unless stated otherwise.

## Outline of Financial Results

During the fiscal year ended March 31, 2012 (fiscal 2011), the Japanese economy made gradual progress toward a recovery, although conditions remained difficult because of the Great East Japan Earthquake. However, in addition to worries that economic performance in Japan would come under pressure from the European debt crisis, there were also concerns about the impact of power shortages, the deflationary effects of the present situation and the possibility that the employment situation would worsen.

In securities markets, the Nikkei Stock Average fell sharply after the earthquake but then staged a moderate rally after the decline prompted buying by foreign investors. Between April and June, the Nikkei hovered in the mid-¥9,000 range. Statistics released in July, including the Industrial Production Index, confirmed that the post-earthquake recovery was moving forward faster than anticipated by the market. This news, together with firm trends in U.S. stock prices, took the Nikkei to around the ¥10,000 level. In August, the Nikkei fell back to the mid-¥8,000 range and remained at that level until October, reflecting market anxiety about a sharp correction in U.S. stock prices and a continuing rise in the value of the yen. In late November, the Nikkei hit a new low for the year, but it made consistent gains between the start of the new year and March, after firmer economic indicators and other factors prompted a general firming of U.S. stock prices. Another factor was a downward trend in the yen's value. By the end of March the Nikkei was above ¥10,200 and had reached its highest level since the earthquake.

In the year ended March 31, 2012, operating revenues decreased by ¥28,671 thousand, or 0.2%, year on year to ¥19,698,237 thousand. Selling, general and administrative expenses were reduced by ¥1,080,392 thousand, or 6.3%, to ¥15,988,063 thousand. Operating income was ¥1,051,721 thousand, or 39.6%, higher at ¥3,710,173 thousand, while ordinary income increased by ¥1,026,127 thousand, or 38.4%, to ¥3,699,661 thousand. There was an extraordinary loss of ¥1,073,148 thousand relating mainly to partial changes to our basic policy on system replacement, with the result that net income was ¥130,652 thousand (8.1%) lower year on year at ¥1,478,259 thousand.

## Book-Entry Transfer System for Stocks, etc.

In this business segment, the number of issues handled by JASDEC as of March 31, 2012 was 3,762, a reduction of 57 compared with the total as of March 31, 2011. Account balances included 406.8 billion shares, a year-on-year decline of 11.7 billion shares. The balance of bonds with share options stood at ¥959.7 billion, which was ¥208.3 billion lower year on year. There were 2,339.25 million account units for ETFs and beneficial rights of trust issuing beneficial certificates, such as JDRs, a year-on-year decline of 224.46 million units. The balance of account units for REITs was 2.64 million higher year on year at 16.38 million, and account units for preferred equity investments of financial institutions established by cooperative associations were unchanged at 700,000. The total number of new registrations, book-entry transfers, obliterations and other transactions processed was 1,982,733 below the total for the previous reporting year at 81,641,204.

Revenues from this business segment were ¥1,058,222 thousand, or 6.0%, lower year on year at ¥16,504,195 thousand. This includes refunds of ¥1,928,000 thousand on book-entry transfer commissions and account management fees. Revenues after the deduction of these refunds amounted to ¥14,576,195 thousand, a year on year increase of ¥31,777 thousand, or 0.2%.

## Book-Entry Transfer System for Commercial Paper

The number of corporate issuers using this system increased by nine to 497 as of March 31, 2012. Account balances fell by ¥418.7 billion to ¥13,614.5 billion. The total number of underwriting, transfer and redemption transactions handled increased by 5,564 year on year to 288,766. As a result, revenues from this segment were ¥6,565 thousand, or 1.4%, higher year on year at ¥463,673 thousand.

## Book-Entry Transfer System for Corporate Bonds

In this business segment, JASDEC was handling a total of 60,701 issues as of March 31, 2012, a reduction of 7,087 issues compared with the position a year earlier. On a face value basis, the account balance increased by ¥2,365.2 billion year on year to ¥252,439.1 billion as of March 31, 2012. The total number of underwriting, transfer and redemption transactions handled was 3,527 lower at 502,150. As a result, revenues from this business segment declined by ¥87,532 thousand, or 6.8%, to ¥1,201,016 thousand.

## Book-Entry Transfer System for Investment Trusts

As of March 31, 2012, JASDEC was handling a total of 6,868 issues in this business segment, including 4,166 publicly offered investment trusts and 2,702 privately placed investment trusts. The total represents an increase of 293 issues compared with the position as March 31, 2011. On a principal value basis, the account balance as of March 31, 2012 was ¥2,409.9 billion below the level a year earlier at ¥112,507.1 billion, consisting of ¥81,795.0 billion for publicly offered investment trusts and ¥30,712.0 billion for privately placed investment trusts. The number of related registrations, cancellations, transfers and other transactions handled by JASDEC in the year ended March 31, 2012 increased by 116,322 year on year to 4,201,075. This is reflected in revenues for this segment, which increased by ¥2,200 thousand, or 0.2%, to ¥1,064,454 thousand.

## DVP Settlement Services for Non-Exchange Transaction Deliveries (NETDs)

The number of NETD DVP settlements handled by JASDEC during the year ended March 31, 2012 was 100,000 lower year on year at 20.3 million. As a result, revenues from this segment declined by ¥3,593 thousand, or 0.4%, to ¥939,531 thousand.

## Pre-Settlement Matching System

Revenues from this segment increased by ¥23,577 thousand, or 1.2%, to ¥2,024,663 thousand in the year ended March 31, 2012. JASDEC pre-settlement matching fees totaling ¥478,000 thousand, and revenues after the reduction of that amount were ¥160,577 thousand, or 11.6%, higher at ¥1,546,663 thousand.

## Custody Services for Foreign Stock Certificates, etc.

As of March 31, 2012, there was an account balance of 88 million foreign stock certificates, etc., excluding foreign covered warrants. There was no change from the level a year earlier. The account balance for foreign covered warrants was 34 million warrants lower at 41 million. The total number of book-entry transfers, including foreign covered warrants, declined by 14,128 to 138,279. As a result, revenues from this business segment were ¥25,576 thousand, or 11.2%, lower year on year at ¥203,190 thousand.

## Financial Results (consolidated)

