

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

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

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

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

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

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

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

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

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

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

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

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