

MANAGEMENT MESSAGE



Haruhiko Kato, President & CEO

Yoshinobu Takeuchi, Chairman

Japan Securities Depository Center, Inc. (JASDEC), as a provider of securities settlement infrastructure that is essential for financial and capital markets, we are committed to operate reliably to assure the availability of our services. In addition to this commitment to reliability, we are also continually working to provide more advanced world-class functionality by enhancing our services and improving operational efficiencies.

Initiatives in fiscal 2012

To make our systems safer and more efficient, JASDEC plans to replace its current computer systems with next-generation systems in January 2014. In preparation, throughout fiscal 2012 (the year to March 31, 2013), we diligently engaged in systems development and implemented various measures for a smooth transition to the new systems. They entailed announcing and publicizing the basic policy for systems transition, connection specifications and participant test implementation guidelines, and formulating market rules concerning new functions to become available as a result of the systems replacement. During the year, we delivered the following improvements in our services as well.

First, in order to expand the range of instruments that can be handled by the Book-entry Transfer System for Stocks, etc., we revised handling requirements for bonds with share options and share options, making

it possible to handle all bonds with share options and share options issued in Japan by listed companies. To increase convenience for users, we are implementing system improvements to extend the termination date for handling of commitment-type rights offerings and bring forward the starting date for handling of rights processing for foreign stock certificates, etc.

Also, as a JASDEC group-wide cross-sectional initiative to reduce the administrative workload for participants, we have streamlined procedures, such as notification of changes of their trade names, addresses, etc., through the use of common forms for all systems that JASDEC group operates and improving support for electronic submission of procedure documents.

We continued to engage in international activities to strengthen our relationships with overseas CSDs and other organizations through information exchange and other activities. At the Asia-Pacific Central Securities Depository Group (ACG) and the World Forum

of CSDs, where Chairman Takeuchi serves as Executive Committee Chairman and Vice-Chair, respectively, JASDEC was in charge of planning and administration in its capacity of secretariat and summarized member opinions concerning international standards pertaining to securities market infrastructure. In addition, we continue to expand our relationships with overseas CSDs and other institutions through signed memorandums of understanding (MOUs). This year, we have signed MOUs with China Central Depository & Clearing (CCDC), Depozitarul Central (DC) of Romania and Merkezi Kayit Kurulusu (MKK) and Takasbank of Turkey.

Current priorities

To provide services that offer greater reliability, convenience and efficiency, we are constantly innovating from the perspective of investors, issuers and market intermediaries. Described below are some of the priority projects on which we are working currently.

Efficient collection and dissemination of CA information

We have agreed with the Tokyo Stock Exchange (TSE) to collaborate on enhancing the corporate action information (CA information) dissemination service. Specifically, we aim to expand the content of Tokyo Market Information (TMI), TSE's information distribution service, by adding information we collect about corporate

bonds and investment trusts, CA information relating to foreign stocks, etc. In addition, we plan to disseminate CA information about Japanese stocks using the ISO 20022 standard.

These improvements will provide users with one-stop access to a wide range of information, including CA information about Japanese securities, in an international digital data format. This will allow efficient Straight Through Processing (STP). We plan to implement this initiative in February 2014.

Implementation of international standards

As mentioned above, we are currently making preparations for the replacement of our computer systems in 2014. In replacing the systems, we will adopt ISO 20022, a next-generation message standard, in the interest of promoting international standardization. Additionally, in the new systems, we will implement connectivity with SWIFTNet, which is widely used in other countries, so that users can connect to the new system through either our proprietary network or SWIFTNet.

Introduction of DVP for stock lending and tolerance matching

Accompanying the replacement of computer systems in 2014, we plan to introduce Delivery Versus Payment (DVP) settlement for stock lending transactions and tolerance matching to non-residents' transactions.

Response to global strengthening of risk management

While JASDEC is continually pushing for greater convenience in services, we recognize ever-stronger risk management as a critical issue for CSDs. And, indeed, across the globe, financial supervisory authorities are working to strengthen risk management with an emphasis on financial institutions and financial market infrastructures. With regard to new mandatory international standards for securities

settlement infrastructure, the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO) published Principles for Financial Market Infrastructures (PFMI) in April 2012 and an accompanying document, Disclosure Framework and Assessment Methodology, in December 2012, resulting in a higher mandatory level of risk management for securities settlement infrastructure. As a financial market infrastructure, JASDEC is committed to appropriately responding to PFMI and further strengthening risk management.

The management and staff of JASDEC will continue to contribute to the development of financial and capital markets through continual innovation in response to user needs and structural and environmental changes in Japan and overseas. We look forward to the continuing support and cooperation of our stakeholders.

Haruhiko Kato

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Yoshinobu Takeuchi

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