

Business Overview

Custody Services for Foreign Stock Certificates, etc.

¥152 million

Pre-settlement Matching System (PSMS)

¥1,322 million

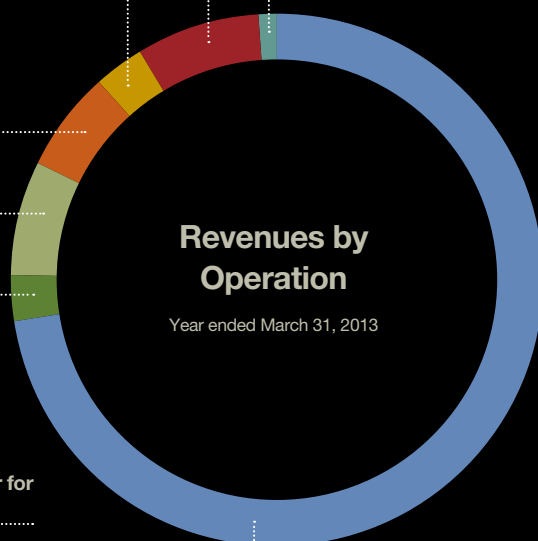
DVP Settlement System for NETDs

¥511 million

Book-entry Transfer for Commercial Paper
¥463 million

Book-entry Transfer System for Corporate Bonds
¥1,212 million

Book-entry Transfer System for Investment Trusts
¥1,055 million



Book-entry Transfer System for Stocks, etc.

¥12,602 million

01 Book-Entry Transfer System for Stocks, etc. **▶ P16**

02 Book-Entry Transfer System for Commercial Paper and Corporate Bonds **▶ P20**

03 Book-Entry Transfer System for Investment Trusts **▶ P24**

04 DVP Settlement System for NETDs **▶ P27**

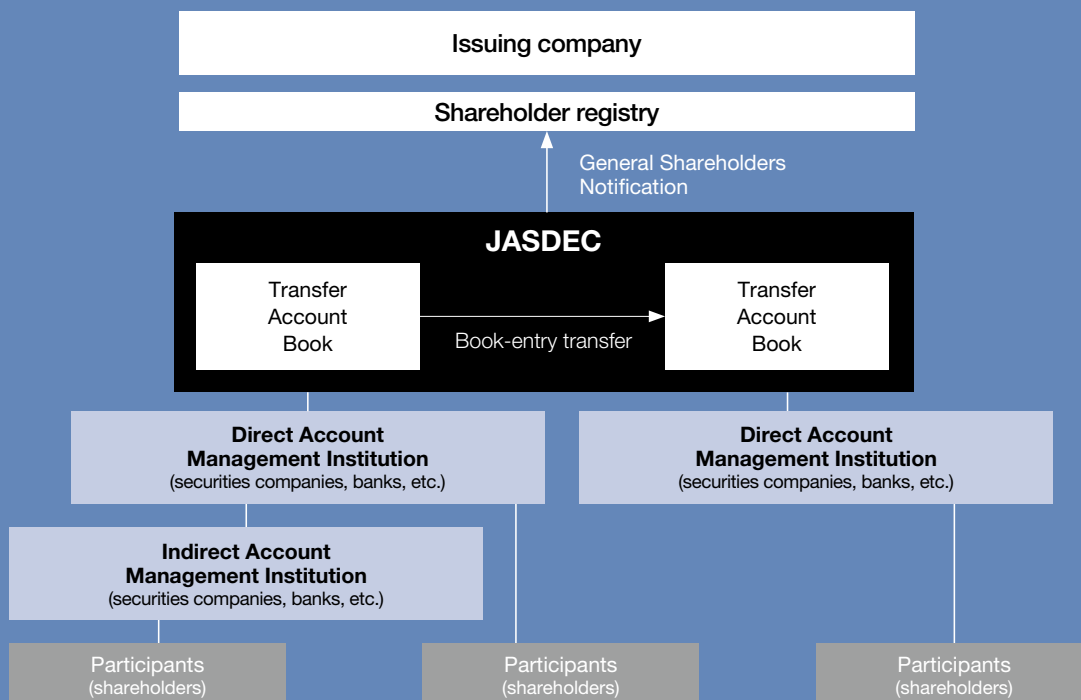
05 Pre-Settlement Matching System (PSMS) **▶ P30**

06 Custody Services for Foreign Stock Certificates, etc. **▶ P33**

01 Book-Entry Transfer System for Stocks, etc.

Ongoing enhancements to this all-electronic record system are bringing greater convenience, speed, and flexibility to stock ownership transfers.

The Book-Entry Transfer System for Stocks, etc.



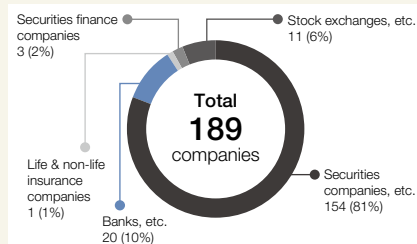
The Book-entry Transfer System for Stocks, etc., has been operating smoothly

The dematerialized Book-entry Transfer System for Stocks, etc., launched in January 2009 has been operating smoothly. The system is based on electronic records registered and managed by computer systems within accounts opened at JASDEC or Account Management Institutions (AMIs) such as securities companies and banks. Instead of stock certificates, these computer records represent share ownership. Transfer of shareholders' rights is also processed electronically based on the records in the accounts. This dematerialization system applies not only to stock certificates, but also to bonds with share options, share options, investment units of Real Estate Investment Trusts (REIT), preferred equity investment of financial institutions established by cooperative associations, Exchange Traded Funds (ETFs), Japanese Depository Receipts (JDRs, etc.), and other negotiable securities.

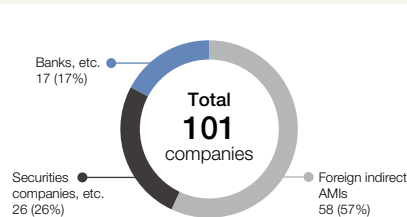
As of March 2013 the total number of issues handled was 3,753, including 3,561 share issues, 16 bonds with share options, 8 share options, 41 investment units, one preferred share issue, 106 ETFs, and 20 JDRs. The number of companies participating in the book-entry transfer system, including JASDEC participants, indirect AMIs, and fund settlement corporations, etc., was 383, including 58 foreign financial institutions as indirect AMIs.

JASDEC participants and indirect AMIs (as of March 31, 2013)

JASDEC participants by category

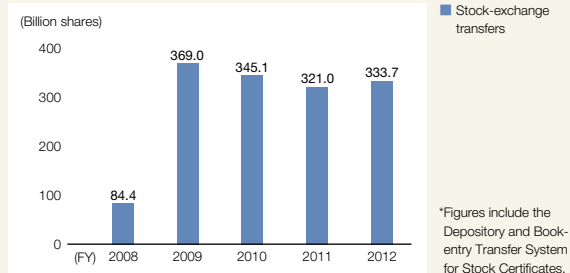


Indirect AMIs by category

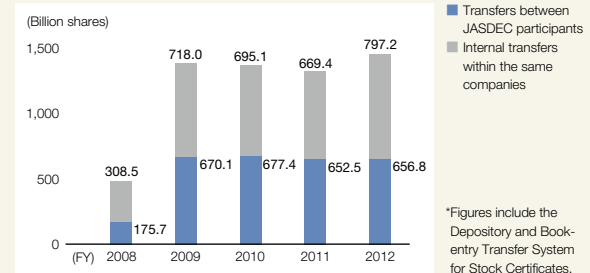


Note: "Banks, etc." include The Norinchukin Bank, Tokyo Shoken Shinyou Kumiai, and Japanese Banks' Payment Clearing Network. "Stock exchanges, etc." include Japan Securities Clearing Corporation, JASDEC DVP Clearing Corporation, three securities agents and three Tanshi companies (which offer short-term credit brokerage services)

Book-entry transfers



Book-entry transfers



Ongoing enhancements to increase user convenience

JASDEC has organized three subcommittees to examine further improvement of the book-entry transfer system: the Subcommittee for Stocks, the Subcommittee for Bonds with Share Options, and the Subcommittee for ETFs. These committees have promoted a number of initiatives.

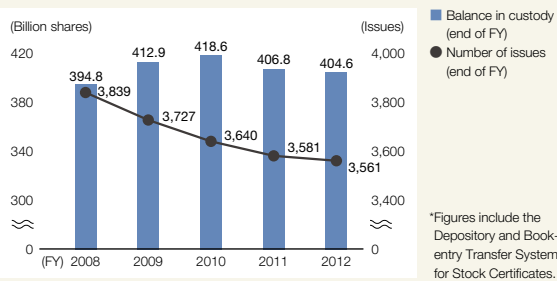
In April 2012, to increase efficiency and facilitate procedures for commitment type rights offerings, we developed a system to enable uninterrupted handling of share options under the book-entry transfer system until commitment securities companies finish exercising share options. With the previous system, handling of these share options was closed on the day the issuing company acquired all unexercised share options based on the call provisions. For this reason, it was necessary to handle both the subsequent transfer of the share options from the issuing company to commitment securities companies and the exercising of the share

options by the securities companies outside the book-entry transfer system.

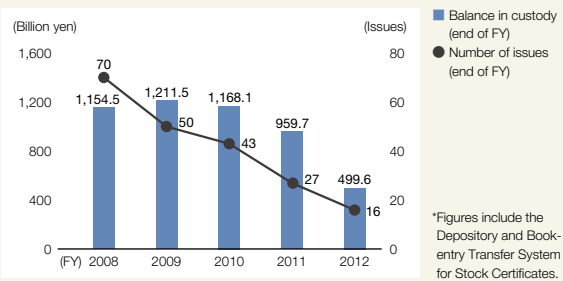
In February 2013, to increase efficiency and reliability for users holding and exercising unlisted bonds with share options and share options, we developed a system to handle all unlisted bonds with share options and share options issued by listed companies under the book-entry transfer system, in the same way listed securities are handled. Among the unlisted bonds with share options and share options issued by listed companies, only those which were allocated to financial institutions were previously handled through the book-entry transfer system.

These new measures have enhanced convenience and safety for users. We will continue our efforts to communicate effectively with relevant parties, aiming to ensure stable operation while meeting the needs of the market for convenience and user-friendliness.

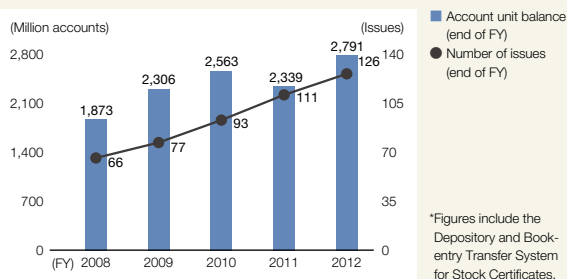
Stock account balance and number of issues



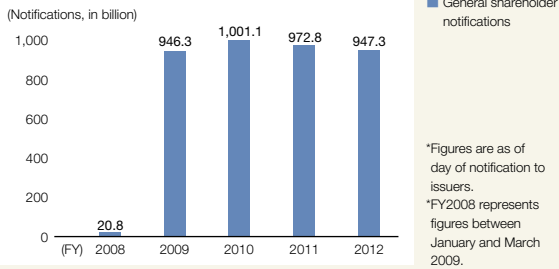
Bond with share option account balance and number of issues



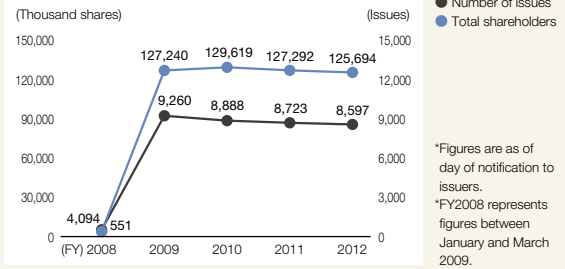
Exchange Traded Fund (ETF) etc., account balance and number of issues



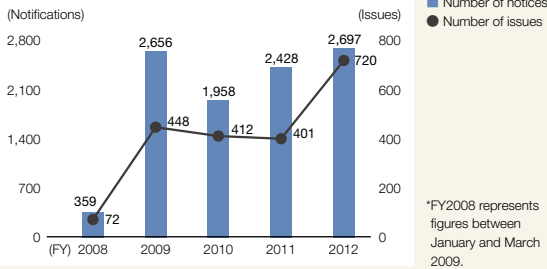
General shareholder notifications



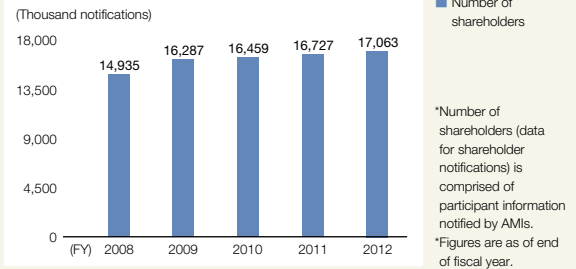
Number of issues and total shareholders



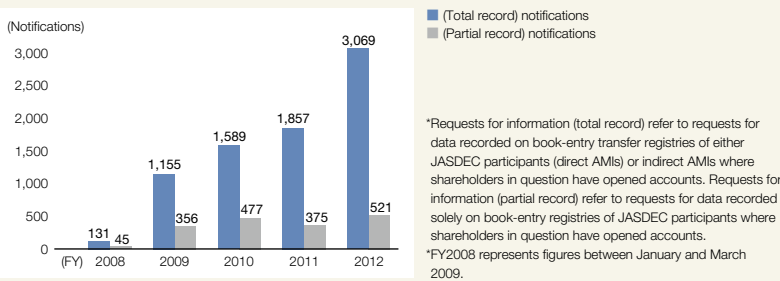
Individual shareholder notifications



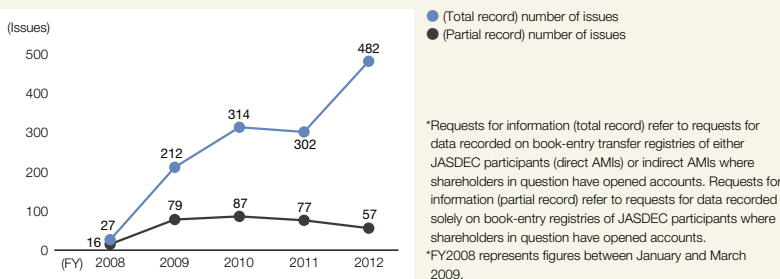
Number of shareholders (Data for shareholder notifications)



Information requests (Notifications)



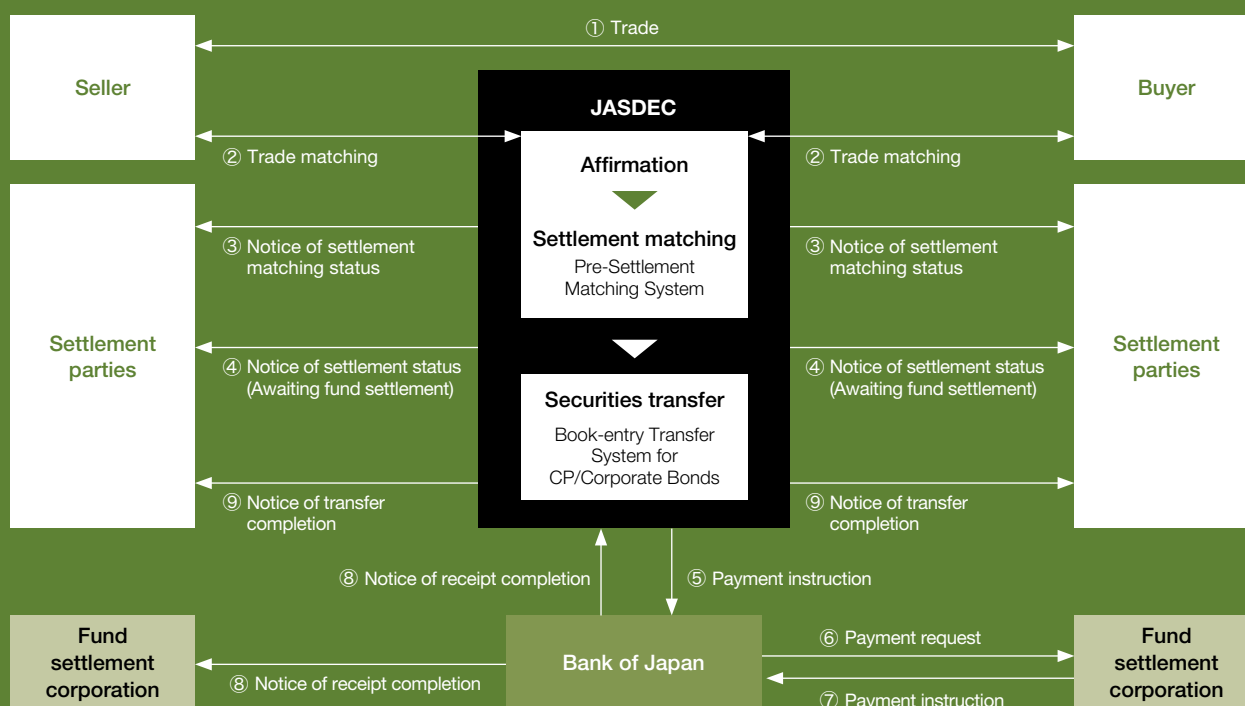
Information requests (Number of issues)



02 Book-Entry Transfer System for Commercial Paper and Corporate Bonds

JASDEC is maintaining the security of CP and corporate bond electronic book-entry transfer system whose daily settlement value typically surpasses the trading value per day at the Tokyo Stock Exchange.

Flowchart for Book-Entry Transfer for CP/Corporate Bonds (DVP)

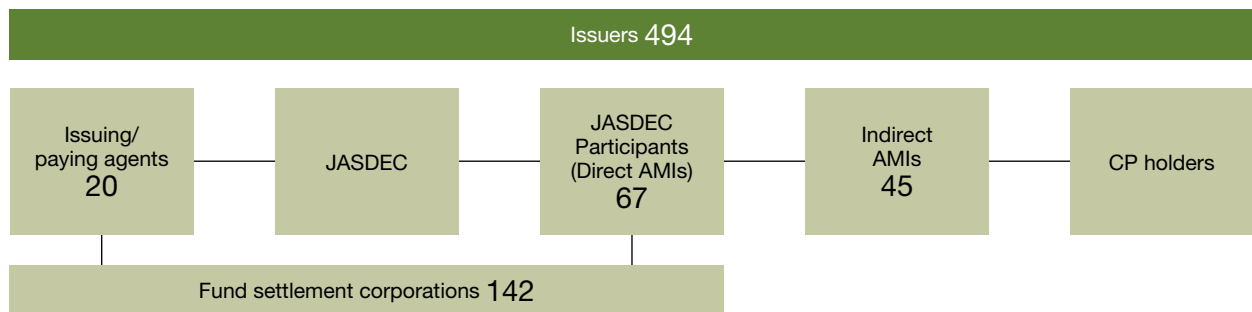


Supporting seamless and secure CP and corporate bond settlement

In March 2003, JASDEC launched the Book-entry Transfer System for Short-Term Corporate Bonds (dematerialized CP), and this was followed by the launch of the Book-entry Transfer System for Corporate Bonds in January 2006. In each system, custody procedures—issuance, transfer (trading), and redemption—are conducted based on the balance electronically recorded in the transfer account books. In addition, all transactions related to issuance, transfer, and redemption of CP and corporate bonds can be processed by the DVP settlement link with the Bank of Japan Financial Network System. By linking the book-entry transfer system with its PSMS (Pre-Settlement Matching System; see page 30), JASDEC has realized Straight Through Processing (STP), which fully automates the entire process, including trade matching and fund/securities settlement.

As a means of managing participation in JASDEC's book-entry transfer system, we set up a multilayer holding structure for Account Management Institutions (AMIs) to address the diverse needs of participating investors and financial institutions. For example, direct AMIs can open an account directly at JASDEC and indirect participation is possible by opening an account at a direct AMI. Another option for indirect participation is through the opening of an account at an indirect AMI. Principal and interest payments to bondholders are made in accordance with the multilayered structure, where AMIs receive payments from paying agents or their upper AMIs on behalf of their bondholders.

Participants in Book-Entry Transfer System for CP (as of the end of March 2013)

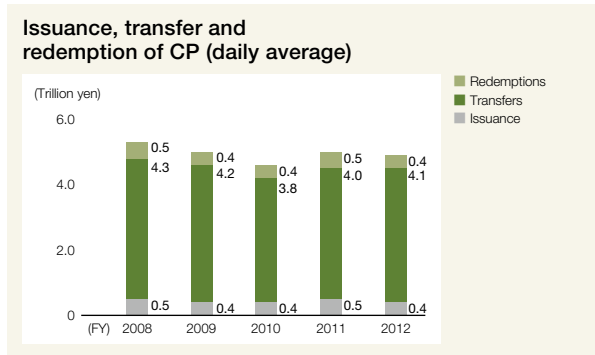
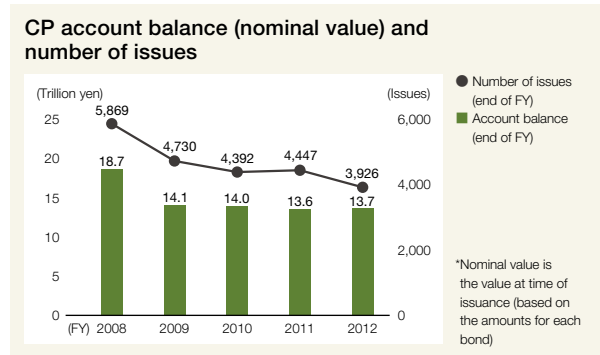


A decade of CP transaction efficiency

Commercial Paper (CP) currently refers to short-term corporate bonds in a dematerialized form issued by corporate entities as a means of procuring short-term funds. As CP was previously drawn as promissory notes in physical form, there were always some risks of theft or loss when notes were transferred or deposited, as well as costs of a documentary stamp tax upon transfers. To eliminate such risks and costs, the fully electronic book-entry transfer system for dematerialized CP was launched in 2003. Ten years after the launch, almost all CP issued in Japan is handled by this system.

During fiscal 2012 (to March 31, 2013), our account balance held at around ¥16 trillion on average, the same level as throughout most of fiscal 2011, mainly as a result of recovery in issuance by corporate entities

in general following the Great East Japan Earthquake, despite a decrease in issuance by financial institutions and electric power and gas companies. However, as of March 31, 2013, the total account balance had significantly declined to ¥13,760 billion (a ¥145 billion increase from the end of FY2011) because of a combination of seasonal factors at the fiscal year-end. The number of issues stood at 3,926 issues (a 521 issues decrease from the end of FY2011).



Continually adapting to CP market needs

The settlement amount of issuance, transfer, and redemption of CP handled by JASDEC's book-entry transfer system averages ¥5 trillion per day. In combination with month-end settlements of more than ¥10 trillion, this means that JASDEC settlements surpassed the daily trading value at the Tokyo Stock Exchange. In fiscal 2012, the annual aggregate settlement amount surpassed ¥1,000 trillion, marking

active trading at the highest level since fiscal 2009.

This huge settlement amount reflects the importance of CP, which accounts for the bulk of fundraising by business entities in Japan. JASDEC is willing to continue its practice of maintaining a high level of safety in the book-entry transfer system of CP, a matter of critical importance for securities settlement infrastructure, while rapidly reflecting market needs in the system.

Expansion of bond types handled by JASDEC

JASDEC's Book-entry Transfer System for Corporate Bonds handles various types of bonds, both through public offerings and private placements. These include bonds issued by corporate entities, municipal bonds, bonds issued by investment firms, specified bonds issued by special purpose companies (SPCs), bonds of special corporations, such as quasi-government and local government bodies, and Samurai bonds (yen-denominated bonds issued in the Japanese bond market by foreign governments or entities) and others. In fiscal 2012, based on the special purpose trust beneficiary rights structure, we included J-Sukuk (Islamic financial instruments similar to bonds) in the eligible bonds.

Fiscal 2012 marked the issuance of the first corporate bonds of a mutual company under the Insurance Business Act since the start of the system. Also, the type of bonds issued has expanded to include, for instance, corporate bonds denominated in Hong Kong dollars.

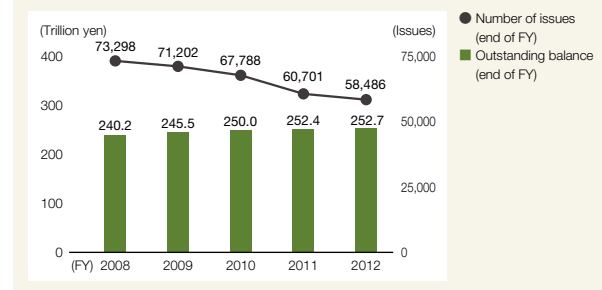
Furthermore, in the FY2013 Tax Reform, the corporate bond income tax exemption scheme was made permanent, with partial exceptions. This improved the environment for investment in Japanese corporate bonds and other instruments by foreign investors.

The amount of new issues in fiscal 2012 was equivalent to the amount in fiscal 2011, which was depressed by the effects of the Great East Japan Earthquake and European sovereign debt crisis.

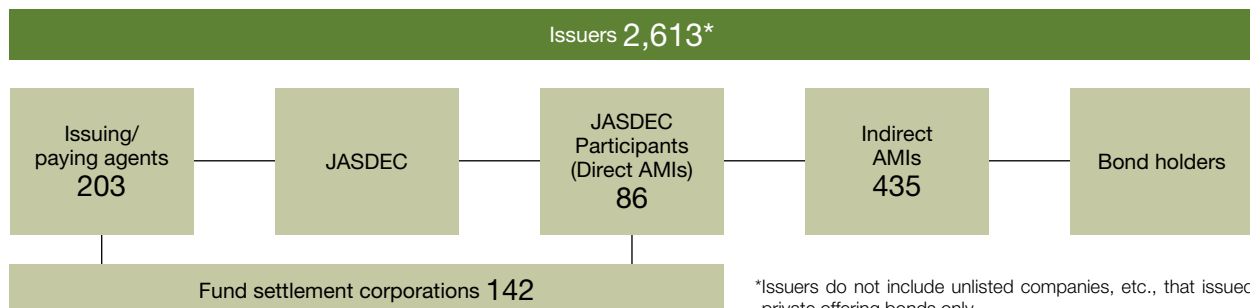
Nevertheless, a slowdown in redemptions contributed to a nominal account balance of ¥256.1 trillion reached on December 19, 2012, the highest since the start of the system. As of March 31, 2013, the number of bonds eligible in the system was 58,486 issues (a 2,215 issues decline from the end of FY2011), and the nominal account balance stood at ¥252.7 trillion (a ¥0.3 trillion increase from the end of FY2011).

In January 2013, a special reconstruction income tax was instituted accompanying the promulgation of the Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake. In order to respond this taxation, we implemented the required system arrangement concerning principal and interest processing.

Outstanding balance of corporate bonds and number of issues



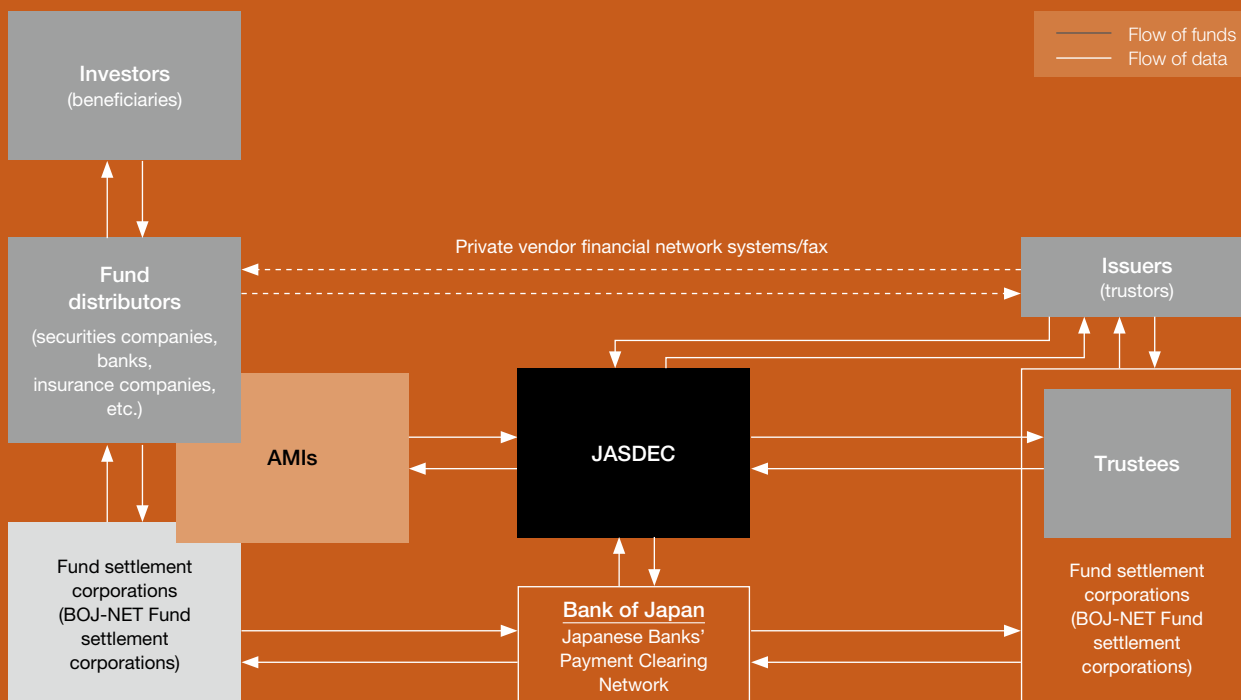
Participants in Book-Entry Transfer System for Corporate Bonds (as of the end of March 2013)



03 Book-Entry Transfer System for Investment Trusts

JASDEC is streamlining the process for trustors, trustees and beneficiaries, ensuring security and convenience for a system that serves virtually all investment trusts in Japan.

Basic Model of Book-Entry Transfer System for Investment Trusts



A faster, safer approach to investment trust administration

The Book-entry Transfer System for Investment Trusts is a computer system for managing beneficial rights of investment trusts.

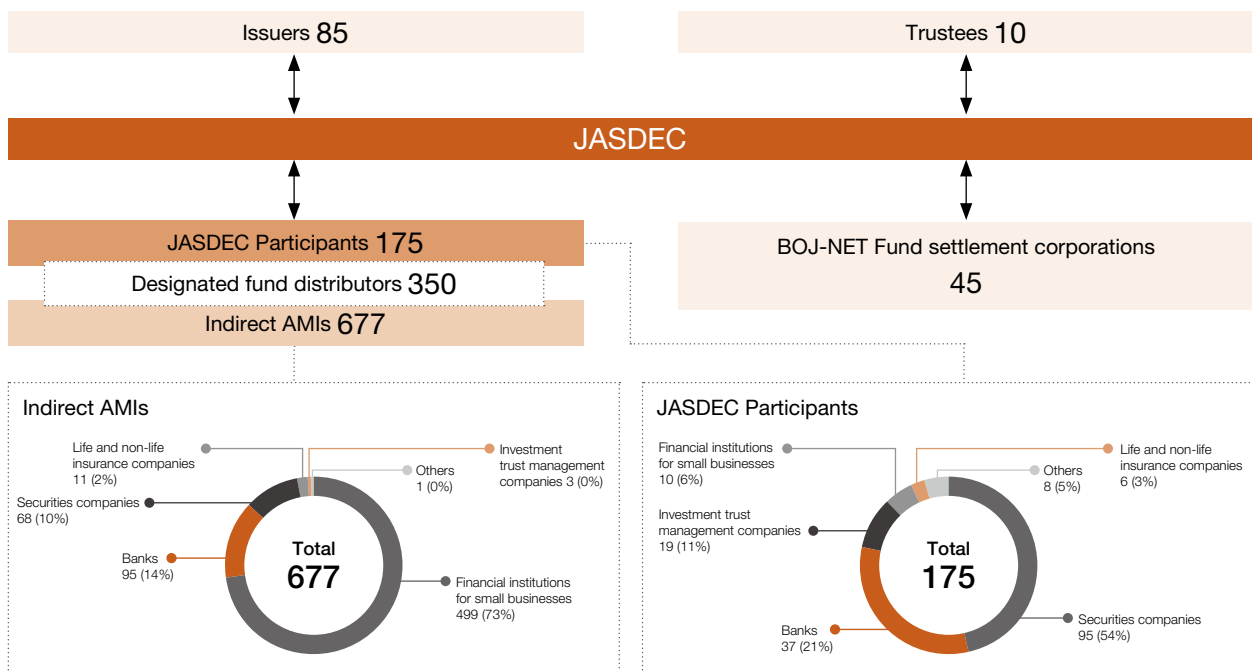
The system covers contract-type investment trusts (hereinafter, simply called “investment trusts”), which involve three parties—a trustor, a trustee, and a beneficiary who is an investor in the investment trust. (Exchange Traded Funds (ETFs) and investment trusts of the non-trustor instruction type are outside the scope of the system.) Since the system was launched on January 4, 2007, all trustors and trustees involved in investment trusts have participated in the system, and thus almost all investment trusts issued in Japan have been dematerialized.

In the Book-entry Transfer System for Investment Trusts, the Account Management Institutions (AMIs)

and JASDEC participants are diverse, consisting of not only securities companies, but also entities such as banks, insurance companies, Shinkin banks, credit cooperatives, agricultural cooperatives, and investment trust management companies engaged in direct marketing. The total number of AMIs and JASDEC participants was 852 companies as of March 31, 2013.

The Book-entry Transfer System for Investment Trusts enables direct or indirect connection between trustors, trustees, AMIs and JASDEC. This ensures greater security, accuracy, and speed of processing through the electronic management of the accounts of investment trust beneficiaries.

Participants in Book-Entry Transfer System for Investment Trusts (as of March 31, 2013)



*Others: Securities agents, securities exchanges, CCPs, call loan dealers, etc.

Strong support from users

The total number of investment trusts handled by JASDEC as of March 31, 2013 was 7,112 issues (a 244-issue increase from the end of FY2011), comprising 4,336 publicly offered and 2,776 privately placed investment trusts. The transaction volume undertaken for both new registrations (purchases) and deletions (cancellations and redemptions) achieved record highs. In terms of the transaction value on a principal value basis, which subsequently remained at low levels during the year 2012, improvement in the investment environment early in 2013 resulted in the highest level of new registrations and deletions in five years, with the principal value of new registrations above that of deletions.

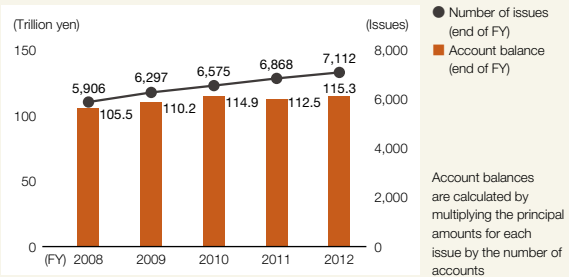
As a result, the outstanding balance at the end of fiscal 2012 had increased ¥2.8 trillion year on year to ¥115.3 trillion, comprising ¥83.3 trillion in publicly offered and ¥31.9 trillion in privately placed investment trusts.

Fund settlement systems in the Book-entry Transfer System for Investment Trusts include DVP settlement (using the Bank of Japan Financial Network System) and non-DVP settlement (using the Japanese Bankers Association's financial network system for online fund settlement between financial institutions). The use of DVP settlement, which involves lower settlement risk, has been increasing steadily among system users. In fiscal 2012, the proportion of settlements using DVP was 26% by transaction volume and 62% by principal value.

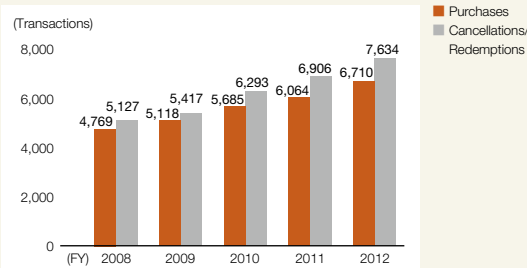
Dedicated to ongoing improvement

In fiscal 2012, as in fiscal 2011, we developed operating rules regarding the system change, which will simplify the transaction procedures for fund distributors. In fiscal 2013, we plan to announce and implement these operating rules. JASDEC will continue to implement measures that enhance the user-friendly Book-entry Transfer System for Investment Trusts, while maintaining the high level of safety required for settlement infrastructure.

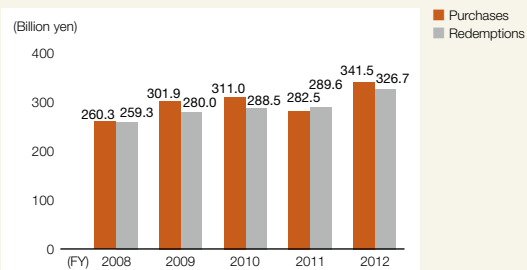
Book-entry transfer of investment trusts —account balance and number of issues



Purchase and cancellation/redemption transactions (Daily average)



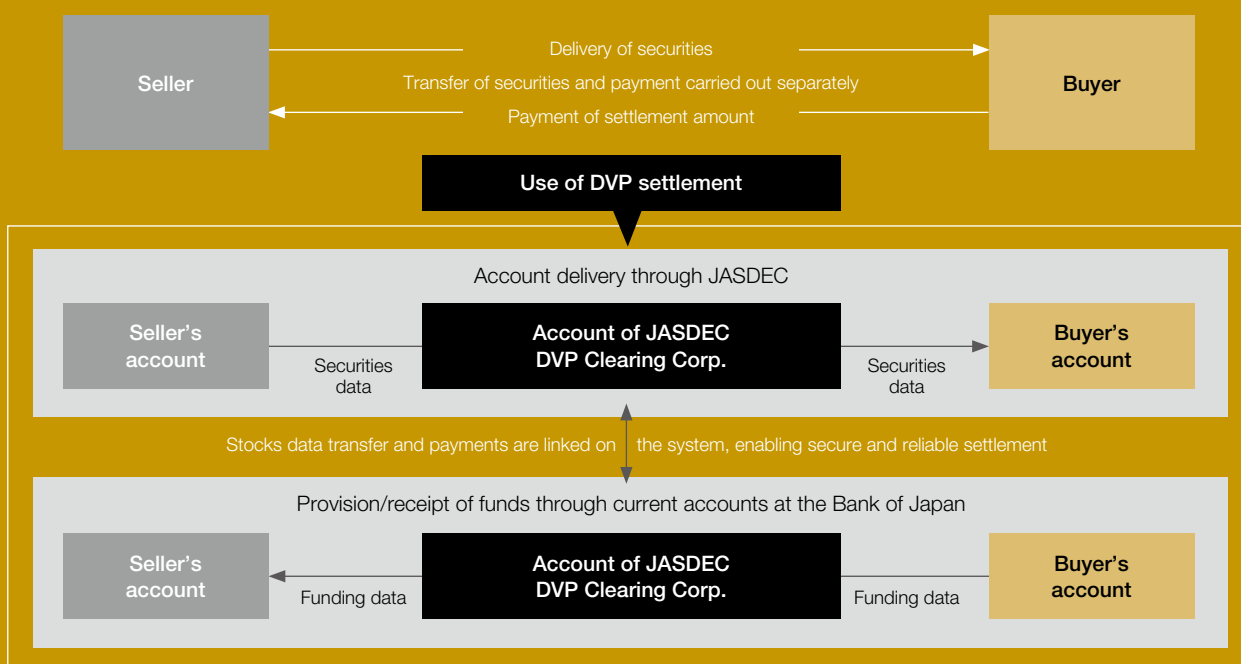
Principal values of investment trusts for purchases and cancellations/redemptions (Daily average)



04 DVP Settlement System for NETDs

JASDEC has combined delivery and payment into a single, smooth reciprocal system, reducing risk and raising convenience for participants on both sides of the trade.

Reducing Principal Risk by Using the DVP Settlement Method



DVP system is a system that links the delivery of stocks with payments, enabling secure settlement.

Providing safe, secure securities transactions

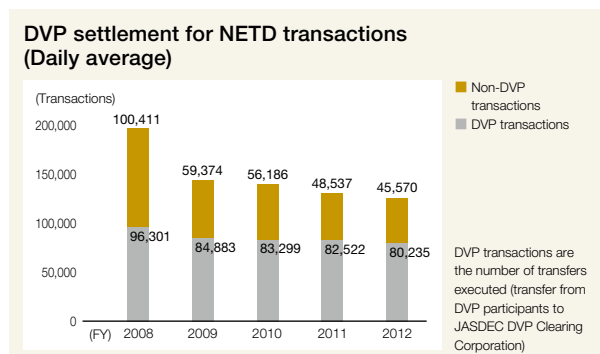
The Non-Exchange Transaction Deliveries (NETDs) refer to Book-entry Transfers for Stocks, etc., carried out by JASDEC for non-exchange transactions, and the majority of them consist of such trades of domestic and overseas institutional investors buying and selling Japanese stocks, etc., through the DVP settlement system for NETDs.

Previously, the delivery of the securities and the payment of the settlement amounts for non-exchange transactions have mostly been processed separately, so the transactions have been exposed to the risk (principal risk) that settlement payments may not be made even though the securities have been delivered. The use of the DVP settlement system for NETDs links the delivery of the securities and the payment of the settlement amounts through the system, diminishing the risk and making it possible for securities settlements to be conducted safely and reliably. To further support reliability, the entire administrative process is handled automatically and electronically using Straight Through Processing (STP).

Since May 2004, the DVP settlement system for NETDs has been administered by JASDEC's wholly owned subsidiary, JASDEC DVP Clearing Corporation (JDCC). JASDEC participants applying to make use of the system are examined for their suitability in terms of financial condition, organizational structure and other such factors before receiving authorization from JDCC.

In order to ensure stringent risk management of all participants, JDCC secures collateral in advance, comprising assets (assurance assets) with the appraisal value that exceeds the net debit (total payables - total receivables) of each participant, and sets an upper limit to the value of the liabilities payable (the net debit cap) in proportion to the trading status of each participant.

Settlement within the DVP settlement system for NETDs is conducted in accordance with the so-called "Gross - Net DVP model" system by which securities pass through the JDCC account within JASDEC and the transfer of the securities from the seller's into the buyer's account is conducted separately for each transaction (gross). Meanwhile, the settlement amounts pass through the JDCC's account within the BOJ-NET funds transfer system, and settlement is concluded by the appropriate net calculated amount of funds being paid on each settlement date (net).



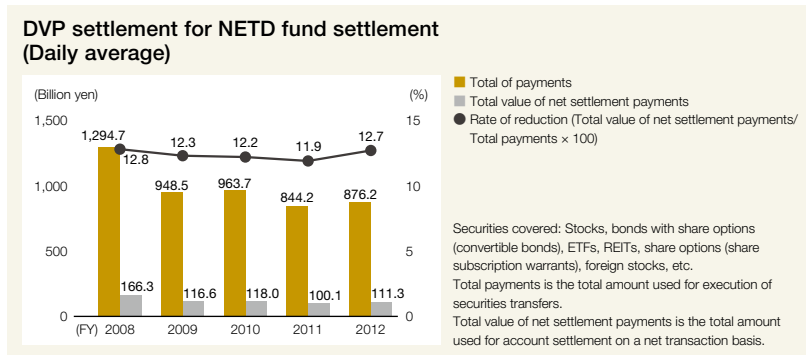
Establishing key settlement procedures on the customer side

The DVP settlement system for NETDs mainly deals with securities handled by JASDEC through its Book-entry Transfer System for Stocks, etc., such as shares and bonds with share options, etc.

As of the end of March 2013, 52 companies (comprising 12 banks and 40 securities companies) were participants in the DVP settlement system for NETDs. Excluding internal transfers within the same company, DVP transactions accounted for more than 60% of NETD transactions—evidence that use of the system has

become firmly established as an important customer-side settlement method.

JDCC's basic policy is to provide cost-effective services to users, and in April 2012, we lowered the DVP settlement fee per transaction by ¥3 to ¥17. Also, in consideration of steady growth in the use of the system, we refunded ¥8 of the ¥17 DVP settlement fee per transaction for the period from April 2012 to February 2013 in accordance with the participant's usage level.



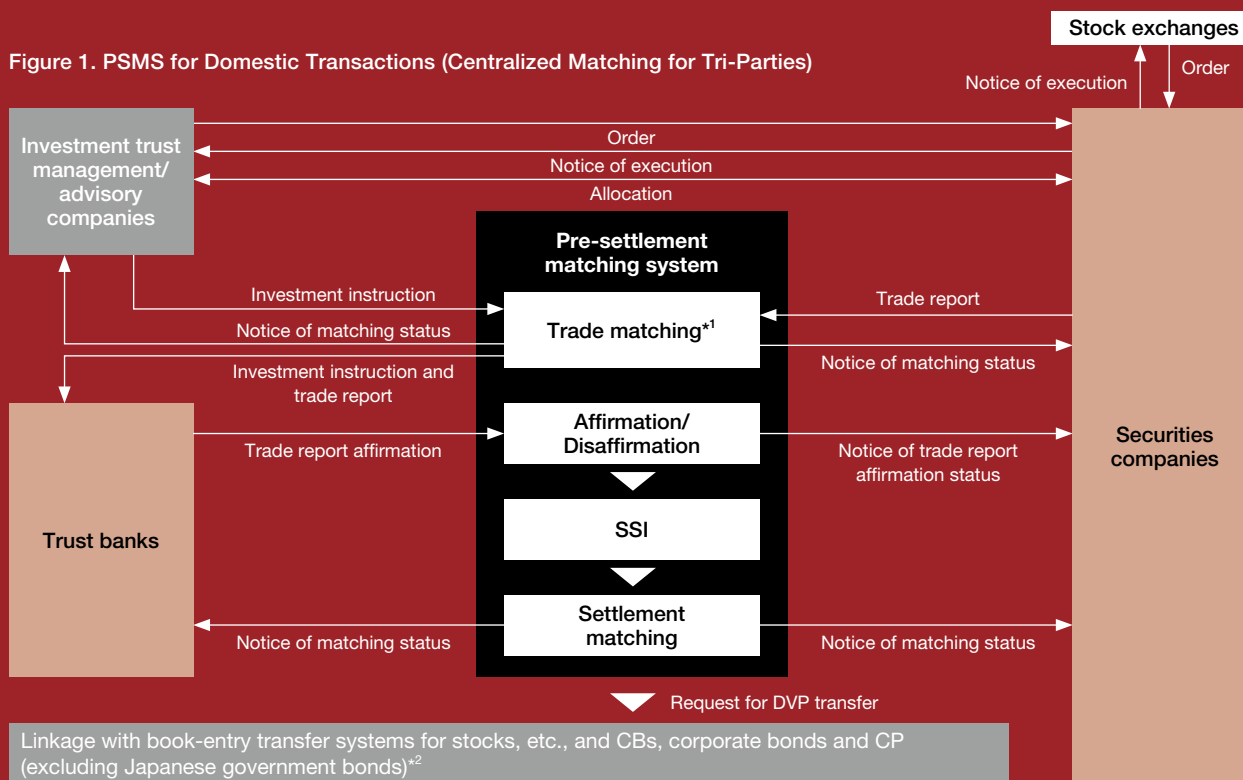
Reducing settlement risks for stock lending transactions

The Financial Services Agency identified a number of urgent measures needed to strengthen the clearing and settlement system for stock lending transactions in “Development of Institutional Frameworks Pertaining to Financial and Capital Markets,” published in January 2010.

Based on this information, we are currently preparing for the introduction of DVP settlements in January 2014 with the aim of reducing settlement risks for stock lending transactions.

05 Pre-Settlement Matching System (PSMS)

Amid steady growth, JASDEC is readying the next-generation system with features for global settlement support, including ISO 2022 standard and addition of SWIFTNet.



*1 In 2014, DVP settlement for stock lending and borrowing transactions will be available.

*2 In 2014, JASDEC will support trade matching function for tri-parties in lending and borrowing trades and "gensaki" trades of Japanese government bonds.

Pre-Settlement Matching System (PSMS) is aimed to provide smooth and safe matching infrastructure in Japanese securities market.

Matching process for institutional investors in securities trade is a complex undertaking, due to the wide range of organizations involved—including investment managers, securities companies, trust banks, and custody banks—and the huge amount of transaction data exchanged between them. In the past, it was done manually by fax or telephone. Now, the process has been modernized and automated, with JASDEC providing centralized matching services using sophisticated computer systems.

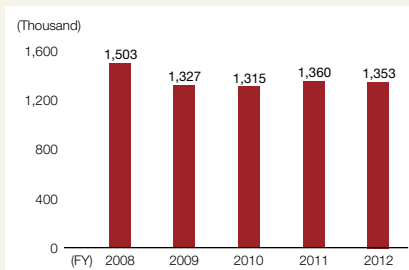
PSMS is aimed to provide smooth and safe matching infrastructure in Japanese securities market, contributing to further growth of Straight Through Processing (STP) transactions.

Since launching the initial system in September 2001, we have been increasing the range of asset classes and services covered by the system.

Due to mergers among financial institutions and other factors, the number of registered users as of the end of

March 2013 was 684, seven fewer than the number in the previous year. In fiscal 2012, the number of input/output transactions on a daily average was 1,353,350, which is about the same amount of transactions of the previous year.

Total number of PSMS input/output instructions using the PSMS system (Daily average)



Complying with international standards, reducing settlement risk, and enhancing user efficiency; committing with these goals, PSMS is moving forward.

In 2014, PSMS will take a new step. JASDEC will implement new functions and introduce new features, including adoption of the new international standards, in the new PSMS scheduled for launch in January 2014.

Currently, JASDEC uses ISO 15022, messaging standard defined by the International Organization for Standardization (ISO). Though it is based on the standard, the message consists of several customizations, in order to meet unique requirements in the Japanese market community. To achieve the greatest possible degree of harmonization with international standards and the connectivity with overseas systems, we decided to bring the new system into full compliance with the latest international standard. As one of the first major adoptions in the world, JASDEC

will leverage ISO 20022, the new international standard for financial messaging, in the new system.

Not only to precede the implementation of ISO 20022, JASDEC is participating as a member in consultation of ISO and striving to ensure the compatibility of Japanese market practices and international standards. Regarding the existing message formats, JASDEC will deliver a co-existence period until the end of 2018, providing users with greater choice of system migration based on their IT investment plans.

In addition, JASDEC will bring in SWIFTNet, used widely around the world, which will realize greater choice and smooth overseas connectivity, further increasing user convenience and the number of participants.

Another key project JASDEC is engaging is the

reduction of settlement risk. Since 2008's financial crisis, there has been growing discussion about further mitigation of settlement risk. Along with these efforts, JASDEC will introduce DVP settlement for stock lending and borrowing transactions leveraging existing DVP system for equity cash transactions (see Figure 1).

JASDEC has been continuously improving its user efficiency by bringing significant enhancements to the matching process. In non-residents' transactions, JASDEC will introduce "Tolerance Matching" function, which has already prevailed among major overseas markets, boosting smooth settlement practices among foreign investors, domestic and foreign custody banks, and securities companies. With this function, when there is a slight discrepancy in settlement amounts, which is within the tolerance amount limit (¥100, without exception), PSMS will assume the instructions to be "Matched" and proceed to following process (see Figure 2).

In domestic transactions, JASDEC will support the trade matching function for tri-parties (institutional investors, trust banks, and securities companies) in lending and borrowing trades and "gensaki" trades of

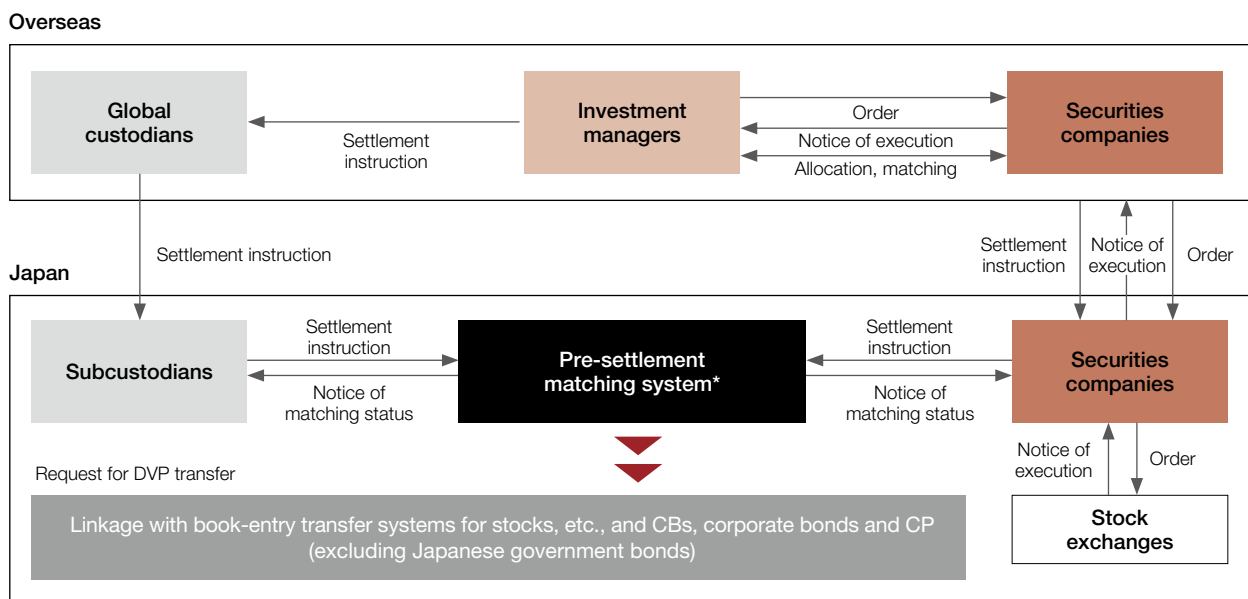
Japanese government bonds (see Figure 1), which follows the recent discussion of shortening settlement cycle of JGBs among market related parties.

This fiscal year, we have made progress on preparation for the new system. Considering the globalization of system development process among financial institutions, we have translated relevant PSMS specification documents into English. In addition, as the financial industry around the world becomes more interested in market practices for cross-border trades, we have made the message format specifications of PSMS non-residents' transactions public on "MyStandards," SWIFT's web-based platform service.

In order to put the new function and features into practice and to promote better understanding of them among the market participants, we also updated market rules regarding PSMS.

JASDEC is continually building conformity with international standards, contributing to greater efficiency, and reducing settlement risk in the Japanese securities market.

Figure 2. PSMS for Non-Residents' Transactions

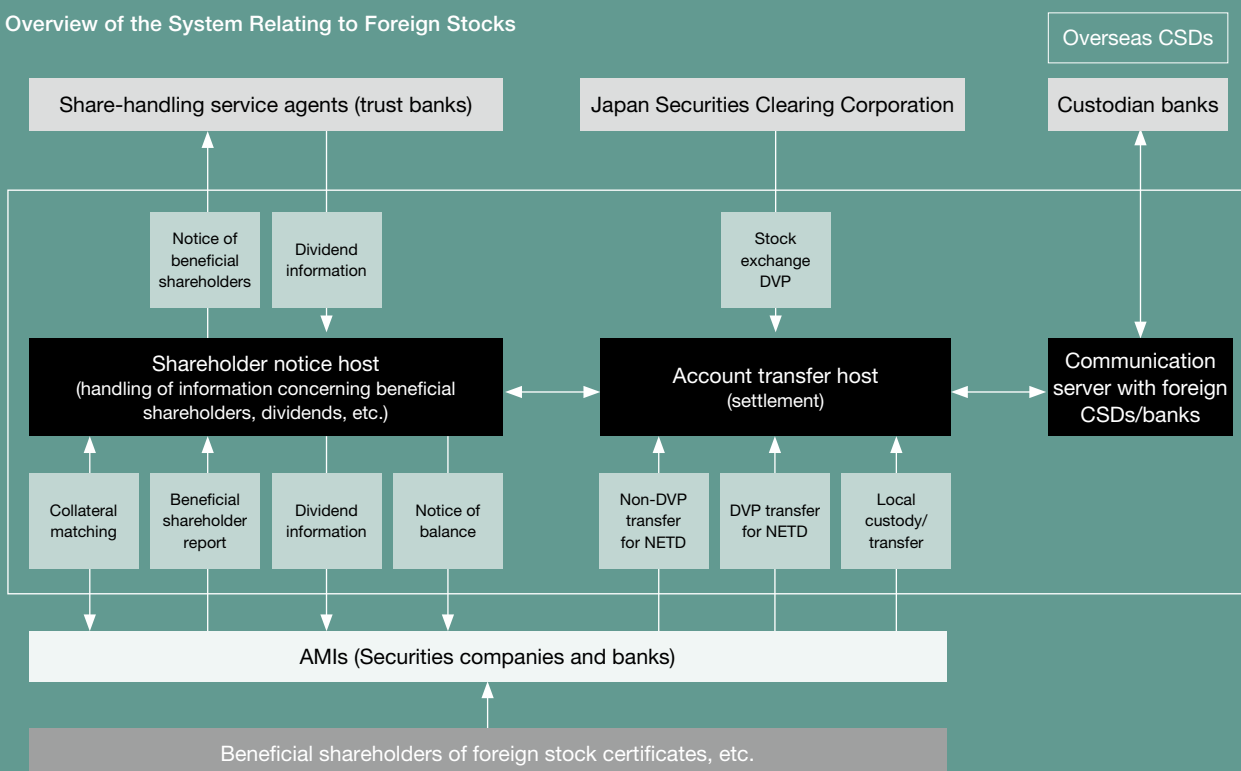


* In 2014, "Tolerance Matching" function will be available.

06 Custody Services for Foreign Stock Certificates, etc.

Making it easier for Japanese investors to invest in foreign companies by handling the complicated procedures involved in transfers, dividend payments and taxation.

Overview of the System Relating to Foreign Stocks



Safe and secure settlement infrastructure and services for foreign stocks

In April 2006, JASDEC inaugurated services to process deposits, transfers, and corporate actions for foreign stock certificates, etc., listed on Japanese stock exchanges. Although foreign stock certificates, etc., are generally deposited with CSDs or custodians in the same countries as the issuing companies, settlements of transactions at Japanese stock exchanges are conducted through book-entry transfers in JASDEC.

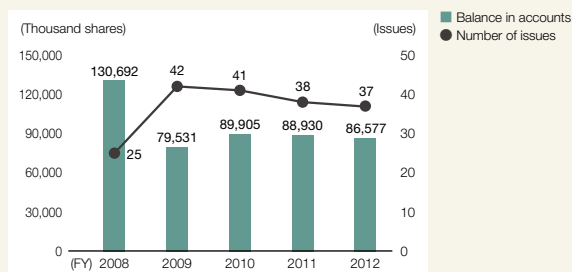
JASDEC entrusts dividend payments to relevant share-handling service agents. Information on beneficial shareholders at the dividend record date is transferred to the share-handling service organizations by the JASDEC participants through JASDEC.

Based on this information, the share-handling service agents calculate the amount of dividends, which are then paid directly to the beneficial shareholders from the dividend-paying banks.

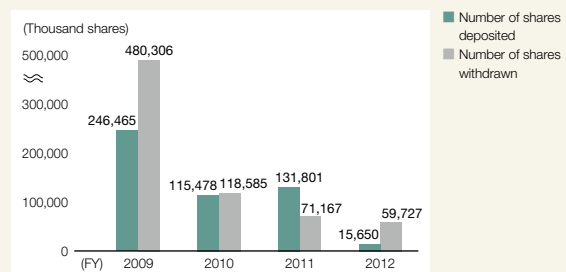
JASDEC also undertakes the necessary procedures regarding dividend taxation for local tax authorities and other such entities, to ensure reduced tax rates under tax treaties with the countries concerned. Beneficial shareholders can also exercise their voting rights at general meetings of shareholders through instructions issued to JASDEC.

JASDEC therefore provides the infrastructure and services necessary for reliable settlement of trading activities in foreign stock certificates, etc., smooth exercise of shareholder rights, and error-free receipt of dividends and other payments.

Foreign stocks, etc.—number of issues/balance in accounts (excluding foreign covered warrants)



Number of shares deposited/withdrawn



Service improvements for beneficial shareholders and participants

With regard to the handling of issues before their listing dates, under the previous Depository and Book-entry Transfer System for Foreign Stock Certificates, etc., (“the system”), only deposit and transfer are permitted for the purpose of preparing for listing to ensure smooth trading from the first day of listing. In fiscal 2012, however, JASDEC amended the system in order to make all services including processing corporate action, available from the listing approval date, so that rights such as dividend can be processed under the system even if the record date (of corporate action) is set before the listing date arrives.

Systems to prevent tax avoidance have been introduced in a number of foreign countries in recent years, and JASDEC is responding appropriately on the basis of cooperation with the competent authorities and involved organizations to ensure that beneficial

shareholders are not treated disadvantageously with respect to foreign tax and that participants are not subject to excessive administrative workload.

In addition, JASDEC has worked to improve services offered to beneficial shareholders and JASDEC participants, such as considering handling products listed in various foreign countries with prospects for listing on Japanese stock exchanges.

At present, foreign securities under the custody of the Depository and Book-entry Transfer System for Foreign Stock Certificates, etc., include three categories: foreign stocks (including ADRs), overseas ETFs (including ETCs), and country funds. At the end of March 2013, the total number of issues handled by JASDEC in the three categories stood at 37.

Book-entry transfers

