

MANAGEMENT MESSAGE



Japan Securities Depository Center, Inc. (JASDEC) plays a vital role in financial and capital markets as a provider of securities settlement infrastructure. We are determined to earn and maintain the confidence of users by working to improve our systems and services. We continually strengthen our capabilities in order to offer world-class functions based on international standards for settlement systems.

Initiatives in FY2013

Our ongoing efforts in FY2013 (the year to March 31, 2014) under our Medium-Term Business Plan (FY2013–2015) focused primarily on the following measures.

Launch of New System

JASDEC launched its new system in January 2014 under close cooperation with various organizations. The new system resulted from a review of our system structure to enhance our capability to provide high standards of security and efficiency. We also took this opportunity to introduce functional enhancements and system improvements, including DVP settlement for stock lending and borrowing transactions, and tolerance matching for non-residents' transactions.

Implementation of International Standards— adoption of ISO 20022 and SWIFTNet

To coincide with the launch of our new system, we also adopted a next-generation messaging system based on ISO 20022 to apply international standards to non-resident transactions. We also configured a new system to allow connection via SWIFTNet, which is used by financial institutions globally.

Enhancement of Corporate Action Information Dissemination Service

JASDEC and the Tokyo Stock Exchange (TSE) have jointly developed enhanced information services, including corporate action (CA) information. The new system is based on the Tokyo Market Information (TMI) system operated by the TSE and combines both companies' data and expertise. It has been fully operational since February 2014.

This new service provides an expanded range of information created by adding information handled by JASDEC, including basic information about corporate bonds, investment trusts, and foreign stocks. CA information about Japanese stocks is disseminated under the ISO 20022 standard. Users now have one-stop access to electronic data, including CA information about Japanese securities in an international format by means of highly efficient straight through processing (STP).

Support for the Social Security and Tax Number System

In May 2013, the Japanese government promulgated the Law Concerning the Use, etc., of Numbers to Identify Specific Individual for Official Administrative Procedures. The Social Security and Tax Number system will be introduced in January 2016, and in July 2013 JASDEC issued outline requirements for these systems in relation to the Book-Entry Transfer System for Stocks, etc.

Risk Management Activities

JASDEC has introduced various measures to control operational and system risks. These activities are coordinated by the Risk Management Committee. In FY2013, we also renewed our certification under ISO 27001, the standard for information security management systems (ISMS).

Because of the public importance of securities settlement infrastructure provided by JASDEC, our Business Continuity Plan (BCP) is designed to ensure the continuity or rapid restoration of our services in the

event of a disaster, systems failure or other contingency. In FY2013 we conducted drills more practically than ever before with the aim of strengthening our BCP structure.

International Activities

At the international level, we are actively involved in information exchange and other networking initiatives with overseas Central Securities Depositories(CSD), etc. As secretariat for the Asia-Pacific Central Securities Depository Group (ACG), JASDEC provided planning and administrative support for the organization until the 17th ACG general meeting in October 2013, at which Mr. Takeuchi Yoshinobu became honorary chairman following his chairmanship of ACG. JASDEC also participated in discussions at the Conference of CSDs and the World Forum of CSDs (WFC) about issues affecting CSDs, including adaptation to “Principles for financial market infrastructures” (PFMI) which were announced by CPSS-IOSCO in April 2012 as a response to the global trend toward tighter regulation of financial markets.

Priorities for the Future

Outlined below are our basic management policies and main priorities for FY2014 under our Medium-Term Business Plan (FY2014–2016).

Organizational Reinforcement Based on PFMI, etc.

JASDEC will continue to strengthen its business foundation, its organization, financial administration systems and human resource development systems, in accordance with PFMI, and the Comprehensive Guidelines for Supervision of Clearing Organizations

and Book-entry Transfer Institutions, which were promulgated by Japan’s Financial Services Agency in December 2013. We will also intensify our efforts to control operational risks and system risks. At the same time, we will further strengthen our business continuity structure to improve our readiness in the event of a disaster or systems failure. In addition, we will continue to enhance our systems infrastructure,

including the introduction of advanced technology and the formulation of IT plans.

In FY2014, we are making a number of organizational changes based on these commitments. Specifically, we have created the Risk Management Department and the IT Strategy Department. The main task of the Risk Management Department is group-level risk management and comprehensive planning relating to the business continuity management. The tasks of the IT Strategy Department are the overall planning of our IT strategy and the reinforcement of our system risk management structures.

We will enhance our risk management capabilities and strengthen our initiatives in this area by developing a company-wide risk management structure centering on the Chief Risk Officer (CRO) and Integrated Risk Management Council.

Appropriate Response to New Systemic Reforms

In January 2016, the Social Security and Tax Number System will take effect and the government will also introduce integrated taxation on financial income

and gains. In October 2015, the new BOJ-NET (Bank of Japan Financial Network System) will become operational. We will steadily develop the systems needed to adapt effectively to these changes.

Reinforcement of System Infrastructure

We will continue to strengthen our operation and management structures to ensure that the new system launched in January 2014 continues to operate reliably. We will also start to explore approaches to the achievement of further improvements, through the planning of a next-generation system.

Enhancement of BCP

We are now looking at ways to strengthen our business continuity plan to reflect new risk factors, such as tsunami and nuclear accidents, based on lessons learned from the Great East Japan Earthquake. We will also undertake a comprehensive review of our contingency planning and continually implement practical drills to ensure the prompt and reliable restoration of our services in the event of a system failure.

We remain committed to the reliable operation of our systems and the provision of services, including adaption to structural changes in the domestic and international markets, and changes in users' needs. We will also continue to review our administrative systems and improve our operations with the aim of providing our services at the lowest possible cost. We look forward to continuing support and cooperation with all concerned.



Haruhiko Kato, President & CEO