



JASDEC

Japan Securities Depository Center, Inc.

ANNUAL REPORT 2015



PROFILE

As Japan's Central Securities Depository (CSD), JASDEC provides essential settlement infrastructure for capital markets by operating centralized securities settlement and recording systems.

JASDEC recognizes the public importance of its role as a CSD, and will contribute to social progress and prosperity by helping to improve capital market functions through the provision of highly reliable, convenient, and efficient services.

JASDEC will achieve these goals through continual reform from the perspective of users, including investors, issuers, and market intermediaries, in response to structural and environmental changes affecting capital markets both in Japan and internationally.

CONTENTS

BASIC POLICY	02
CONTINUOUS EVOLUTION	04
CURRENT INITIATIVES	06
FUTURE VISION	08
MANAGEMENT MESSAGE	10
CORPORATE GOVERNANCE	14
RISK MANAGEMENT	16
BUSINESS CONTINUITY PLAN OF JASDEC	18
SOCIAL CONTRIBUTION ACTIVITIES	19
BUSINESS OVERVIEW	20
INTERNATIONAL RELATIONSHIPS	40
ANALYSIS OF BUSINESS PERFORMANCE AND FINANCIAL RESULTS	44
CONSOLIDATED FINANCIAL STATEMENTS	46
HISTORY	52
CORPORATE DATA	54

Essential Infrastructure for Capital Markets

AT A GLANCE

FY 2013

FY 2014

Total Account Balance

¥838 trillion



¥996 trillion

Number of Issues Handled

70,835



70,806

Number of Transactions

104.6 million



108.0 million

Number of Transactions per Day

427 thousand



439 thousand



Core approaches to responsive organizational management

Four Core Management Policies

JASDEC's business activities are guided by four basic policies calling for a user-oriented approach, compliance with global standards, risk and efficiency management, and a commitment to public responsibilities.

User-Oriented Approach

User-focused business operations are ensured through the direct involvement of participants who are also JASDEC shareholders in governance.

Compliance with Global Standards

As the National CSD, representative provider of securities settlement infrastructure in Japan, JASDEC remains constantly aware of the world's best practice in relation to settlement systems and aims to provide functions that comply with international standards. JASDEC maintains a timely and flexible approach to improvement of operations and the development of new projects.

Risk and Efficiency Management

As a CSD required to centralize operations and expand services, JASDEC is continually working to strengthen risk management and cost reduction.

Public Responsibilities

JASDEC recognizes the public role of its services and ensures transparency in its business activities by actively disclosing information.

Bringing improvement of market safety and efficiency

Ongoing Commitment to Settlement Innovation

Throughout its history, JASDEC has worked to improve safety and efficiency by refining the settlement system. We will continue to support Japanese financial markets through our continuing commitment to innovation in the future.

ISO 20022

In January 2014, JASDEC led the world in adopting a Pre-Settlement Matching System and Book-entry Transfer System based on ISO 20022 standards, the next-generation international standard message format.

DVP (Delivery versus Payment)

DVP settlement mitigates principal risk by linking the delivery of securities to the payment of funds. In January 2014, JASDEC further enhanced settlement safety by introducing DVP settlements for stock lending transactions to reduce settlement risk relating to stock lending and borrowing transactions.

Straight Through Processing (STP)

STP assures securities transactions, from trading to settlement, are conducted seamlessly and without manual intervention. JASDEC has automated most of its operations, and has implemented advanced STP for institutional investors by providing the Pre-Settlement Matching System (PSMS). Users in Japan and overseas rate JASDEC systems highly.

Dematerialization

JASDEC dematerialized stock certificates in January 2009, and has completed the dematerialization of all securities, starting with CP, corporate bonds, and investment trusts. The fact that Japan has become fully paperless is an indication that Japanese securities markets have achieved a high level of efficiency by international standards.

CURRENT INITIATIVES

Raising the standards of transparency and risk management

Strengthening Business Fundamentals

To reduce systemic risk following the global financial crisis, financial authorities have adopted more rigorous requirements for financial market infrastructures, including CSDs. JASDEC will continue to adapt to these requirements as a CSD. Especially in relation to the PFMI, JASDEC will also continue to disclose information and create structures to maintain and strengthen our risk management.

New Corporate Governance

JASDEC is determined to maintain a corporate governance structure based on international practices. For this reason, JASDEC has shifted to a corporate structure of the company with nominating committee, etc. This structure provides a clear demarcation between management supervision functions and executive functions as required under the Companies Act.

New Risk Management Framework

JASDEC has further strengthened its risk management structures by appointing a Chief Risk Officer (CRO) and establishing the Risk Committee, Integrated Risk Management Council and Risk Management Department. JASDEC has also amended our Basic Policy on Risk Management to clarify the risk categories and risk management structures that are managed by the JASDEC Group.

New IT System Infrastructure, Enhancing Business Continuity Plan (BCP)

To strengthen systems infrastructure, JASDEC has newly adopted a Medium-Term IT Plan that encompasses its basic policy on IT. JASDEC also reviewed guidelines and procedures for restoring operations after a system breakdown or other contingencies affecting the JASDEC Group, and released more detailed contingency plans for emergency situations which are shared with participants.



Making ready for tomorrow's markets and standards

Serving Markets

JASDEC will continue to contribute to the sound development of capital markets by constantly focusing not only on the needs of participants, but also on structural changes and regulatory reforms both in Japan and overseas.

Contributing to Capital Markets in Japan

JASDEC takes appropriate steps in response to the introduction of new systems and financial products in collaboration and cooperation with related institutions and supervisory authorities. It also works to develop and vitalize financial and capital markets, and to promote the adoption of international standards for communications relating to securities settlements in Japan.

Enhancing Business Continuity Plan (BCP) to Cope with a Large-Scale Disaster

JASDEC will continue to review its business continuity plan (BCP) to ensure the timely resumption and continuation of business operations even in the event of a major disaster.

International Cooperation

By sharing information and cooperating with overseas CSDs, JASDEC gains timely access to information about the latest industry trends. In addition to using this information to improve our own business operations, we also contribute to the improvement of securities settlement systems on a global basis.

Aiming for seamless reliability and steadfast service



Haruhiko Kato
President & CEO

As a Central Securities Depository (CSD), JASDEC provides vital infrastructure for financial and capital markets. We have earned the confidence of users by administering and providing reliable systems and services, and by working to improve our business processes and capabilities with the aim of providing world-class functions based on international best practice for securities settlement systems.



Recent Initiatives

In April 2012, the BIS Committee on Payment and Settlement Systems (CPSS)¹ and the International Organization of Securities Commissions (IOSCO) announced the Principles for financial market infrastructures (PFMI). In December 2013, Japan's Financial Services Agency published Comprehensive Guidelines for Supervision of Financial Market Infrastructures. We have responded to these and other developments by further strengthening our business infrastructure, including our organizational structures, financial management, and human resources. We have also taken steps to ensure the consistent application of our operational risk and system risk management structures, and to reinforce our business continuity plan.

Strengthening Corporate Governance

We are determined to maintain a corporate governance structure that measures up to Japanese and international standards of excellence. In July 2015, we therefore shifted to the corporate structure of a company with a nominating committee, etc., which provides a clear demarcation between management supervision functions and executive functions as required under the Companies Act. We

will continue to improve management transparency and achieve further improvement in our operating efficiency.

Improving Risk Management Structures

A review of our administrative organization in June 2014 resulted in the integration of risk management activities within the JASDEC Group. We took steps to strengthen our risk management organization, including the appointment of a Chief Risk Officer (CRO) to provide the necessary guidance and supervision, and the establishment of the Integrated Risk Management Council, which is responsible for deliberations and decision-making on key aspects of risk management within the JASDEC Group. The Integrated Risk Management Council also regularly monitors the risk management situation within the JASDEC Group and reports to the Board of Directors. We also established the Risk Management Department to promote and coordinate risk management activities within the JASDEC Group.

Strengthening IT System Infrastructure and Business Continuity Structure

We have formulated a medium-term IT plan that encompasses our basic policy on IT. One of our action

¹The Committee on Payment and Settlement Systems (CPSS) was renamed as the Committee on Payment and Market Infrastructures (CPMI) on 1 September, 2014.

plans for priority goals identified in the medium-term plan calls for a review of selection criteria for outside service providers and the reinforcement of system development processes. We took steps to strengthen our system infrastructure, by conducting a study concerning scheduling of these plans.

We also reviewed our guidelines and procedures for resuming business operations after a system breakdown. Based on the results of this review, we further strengthened our business continuity structures through measures that include the publication of contingency plans.

International Activities

We continued to work proactively in the current fiscal year to share information and strengthen relationships with overseas CSDs and other organizations. These activities

play a vital role in our efforts to deal with a wide range of challenges resulting from the globalization of financial and capital markets and a global trend toward regulation. JASDEC is involved in planning and administration activities for the Asia-Pacific Central Securities Depository Group (ACG) as an Executive Committee member and convener of the Exchange of Information task force. We also participated in discussions at the World Forum of CSDs (WFC) concerning issues affecting CSDs, including the global trend toward tighter regulation of financial markets and adaptation to the PFMI. In addition, JASDEC served as a co-chair of Sub-Forum 2 of the ASEAN+3 Bond Market Forum (ABMF) which have been established under the Asian Bond Markets Initiative (ABMI), which looked at the harmonization and standardization of transaction procedures in different countries. Our contributions to this work included the compilation of a report.

Future Priorities

Under our Basic Management Policy and Medium-Term Business Plan (FY2015–2017), we have identified the following priorities for FY2015.

Ensuring Reliable and Efficient Operations and Improving Safety and Efficiency Across All Systems

While ensuring the reliable operation of our existing systems and services, we will undertake improvements, reviews and other actions as required to keep pace with recent trends and developments. We will also carry out studies as required concerning regulatory and tax system changes, such as the launch of the Social

Security and Tax Number (“My Number”) system, the introduction of integrated taxation on financial income and gains, as well as amendments to the Companies Act and the Act on Book-Entry of Corporate Bonds, Shares, etc., in preparation for the smooth implementation of the necessary changes. We will also undertake appropriate studies and efficiently implement any measures necessitated by system changes affecting related infrastructure, such as the Bank of Japan, financial instruments exchanges and CCPs.

Further Reinforcement of Business Infrastructure

We will continue to strengthen our organizational structures and financial management in response to new requirements, such as supplemental guidance and reports of PFMI on specific matters. We will also give priority to the training of our personnel.

Our efforts to strengthen our system infrastructure will focus both on the improvement of our capacity to maintain reliable operations and management structures based on our existing system, and also on studies relating to efficiency improvements and other enhancements to be implemented in our next system.

We recognize the high public importance of the securities settlement infrastructure provided by JASDEC, and we will further strengthen our business continuity plan (BCP) to ensure that our services can be maintained, if possible, or restored as quickly as possible, in the event of a disaster, system breakdown or other contingency.

Contributing to the Development of Financial and Capital Markets in Japan and International Activities

We will support the development and vitalization of financial and capital markets by working in collaboration with other institutions and supervisory agencies to contribute to initiatives, such as the reduction of the securities settlement cycle, based on the government's growth strategy as contained in the June 2014 revision of the "Japan Revitalization Strategy," and on initiatives formulated in July 2012 by a study group established to examine approaches to bond market revitalization.

We will also continue to work proactively at the international level, including research on overseas settlement schemes, information sharing with overseas CSDs, and participation in the ABMI.

JASDEC is determined to administer its various services reliably, while responding to environmental and structural change and user needs. We are also committed to the continual review and improvement of our business practices, with the aim of maintaining operations and providing services at the lowest possible cost. We look forward to the continuing support and cooperation of our stakeholders.



Haruhiko Kato, *President & CEO*

CORPORATE GOVERNANCE

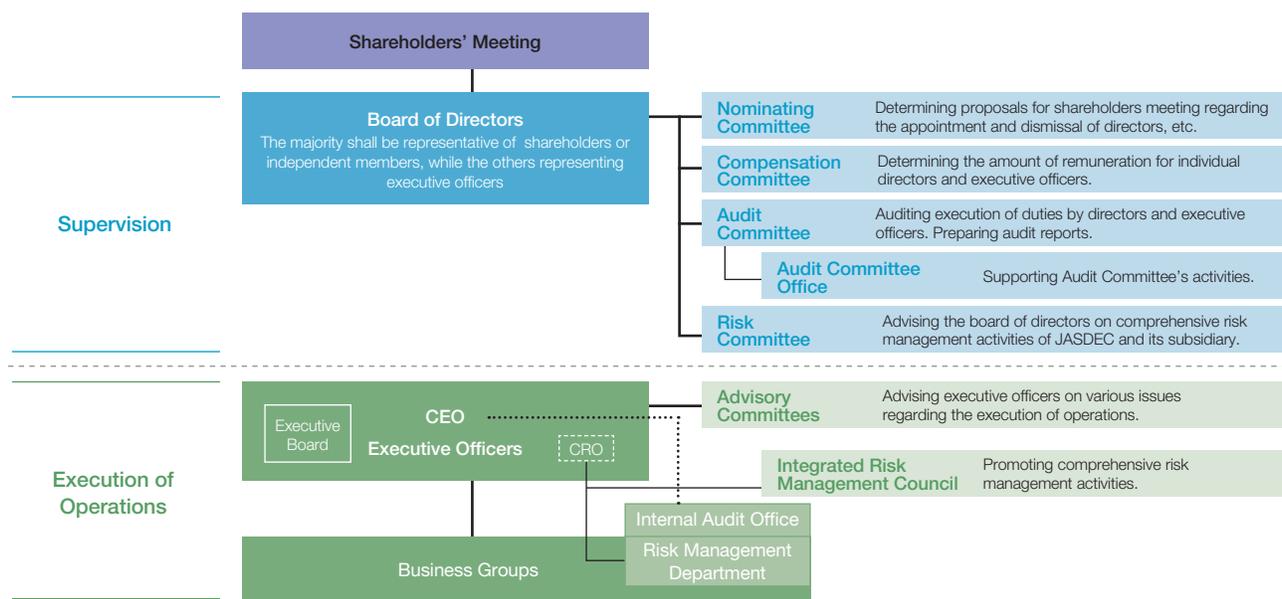
Fundamental Approach toward Corporate Governance

JASDEC's corporate philosophy positions users, including investors, issuers and market intermediaries, as the main focus of our business operations. Our shares are owned by institutions from the Japanese financial industry, many of which are also participants in our services. We aim to provide user-oriented services, while responding appropriately to environmental and structural changes affecting financial and capital markets in Japan and overseas, through a governance structure centered on our participant shareholders, and through frameworks that fully reflect participant needs. By establishing Advisory Committees made up of stakeholders, especially participants, we ensure that the views of stakeholders are fully reflected in our business operations and the development of our systems.

Adopting the Structure of a Company with Nominating Committee, etc.

JASDEC is organizationally structured as a company with a nominating committee, etc. This structure provides a clear demarcation between management supervision functions and executive functions, as required under the Companies Act, and reflects internationally recommended principles and practices. By making full use of lawfully designated committees and other bodies, on which external directors hold the majority of seats, we ensure the transparency and fairness of decision-making processes and improve the effectiveness of management supervision functions. To ensure timely and efficient operational management, the board of directors delegate operational decision-making functions to executive officers.

Corporate Governance Framework



Management Supervision Structure

• Board of Directors

The Board of Directors determines fundamental management policies, including medium-term management plans, and monitors progress under those policies. The Board of Directors also makes decisions on important aspects of management, including the appointment and dismissal of members of each committee, executive officers, and representative executive officers. It also supervises executive officers, etc., in the performance of their duties from a position that is independent from operational executive functions.

Our commitment to user-oriented business operations and the public good is reflected in the fact that a majority of the Board of Directors are external directors who are participant shareholders. The other members are independent directors, who have no relationship with JASDEC, and directors who concurrently serve as executive officers.

External directors who are participant shareholders are in principle appointed from major shareholders based on the frequency with which they use our systems. In accordance with this policy, the Board of Directors consists of eight external directors chosen from participant shareholders, three independent directors and two directors who concurrently serve as executive officers.

• Nominating Committee

The Nominating Committee, in addition to determining the content of proposals submitted to the general meeting of shareholders concerning the appointment or dismissal of directors, also promotes sound corporate governance by deciding on the appointment and dismissal criteria for directors and executive officers and by confirming the content of proposals submitted to the board concerning matters such as the selection of representative executive officers, the appointment and dismissal of executive officers, and the allocation of executive officer duties.

• Compensation Committee

The Compensation Committee sets policies on the determination of the amount of remuneration, etc., for executive officers and directors. The committee also decides on the individual remuneration awarded to executive officers and directors.

• Audit Committee

The Audit Committee audits and reports on the performance of duties by directors and executive officers.

• Risk Committee

The majority of the Risk Committee comprises persons who are not involved in operational executive functions within the JASDEC Group. The Risk Committee advises and supports the Board of Directors about all aspects of risks affecting the JASDEC Group.

Business Execution Structure

• Executive Board

The Executive Board, comprising all executive officers, deliberates and makes decisions on important aspects of operational executive functions under the supervision of the Board of Directors.

The allocation of executive officer duties is decided with due consideration given to maintaining mutual supervision of business groups and ensuring the independence of internal auditing and overall risk management.

• Advisory Committees

Advisory Committees, which consist of participants and other stakeholders, are established to provide advice and opinion regarding the matters of business operations to executive officers as requested or otherwise deemed necessary.

RISK MANAGEMENT

Risk Management Structure

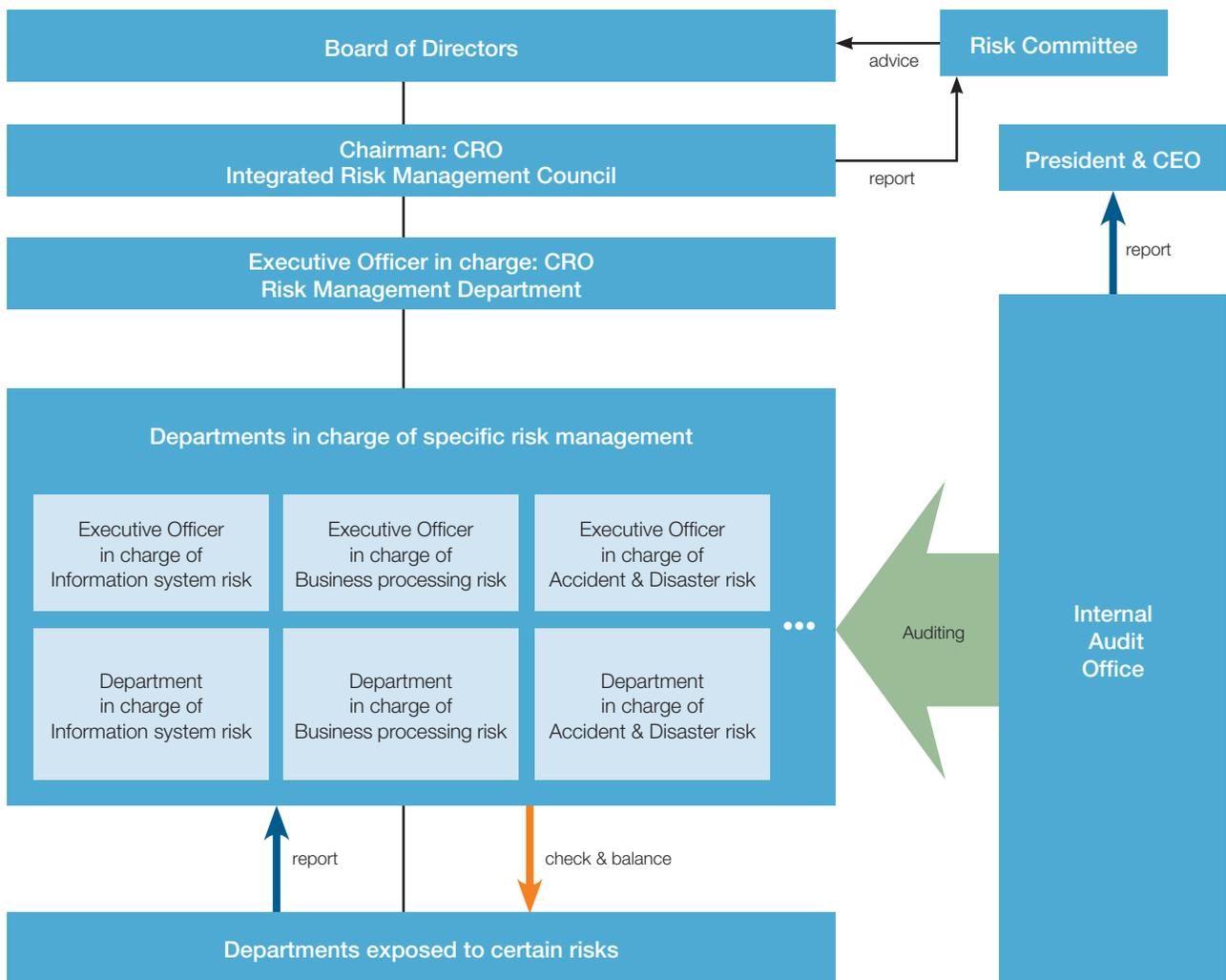
JASDEC has established the Basic Policy on Risk Management, which defines basic aspects of risk management activities by the JASDEC Group, to ensure the soundness and reliability of the Group as a provider of settlement infrastructure. Our basic thinking on risk management is outlined below.

OVERALL POLICY ON RISK MANAGEMENT

Framework	I	JASDEC Group emphasizes the importance of risk management, and will strive to instill this emphasis in each department and office.
	II	JASDEC Group, in order to ensure sound management of operations, will take comprehensive measures to manage each risk, while ensuring that the increasing diversity and complexity of operations is reflected appropriately in the risk management structure.
Management Policy	III	JASDEC Group shall periodically specify, analyze and appraise risks, and will implement risk countermeasures and monitor the status of risk management as necessary. In the event that a risk materializes, JASDEC Group shall identify the cause, take measures to prevent recurrence and, with due consideration of available management resources, endeavor to minimize risk to the entire Group.
	IV	JASDEC Group shall remain highly cognizant of the particular importance of managing Information system risk, and shall endeavor to minimize this risk by using standardized administrative procedures for planning, development and operations of information systems, maintaining a consistent level of information system quality, and preparing a robust and up-to-date emergency response framework in case of disaster or damage.
Responsibility	V	Directors and employees shall maintain a high awareness of risk, and endeavor to ensure that business operations are carried out properly at all times, based on an understanding that the materialization of risks could significantly damage JASDEC Group assets and bring about significant losses.
	VI	Each department and office shall endeavor to conduct proper risk management, and if a risk materializes in the course of conducting operations shall promptly report to the Integrated Risk Management Council while taking necessary measures to minimize the impact of the materialized risk.

JASDEC has established the Integrated Risk Management Council under the chairmanship of the Chief Risk Officer (CRO), with members that include executive officers and heads of departments. We have also established units to manage each risk category under the overall coordination of the Risk Management Department. By creating these organizations, we are building a structure capable of providing comprehensive risk management for the JASDEC Group.

FUNCTIONAL FRAMEWORK OF RISK MANAGEMENT



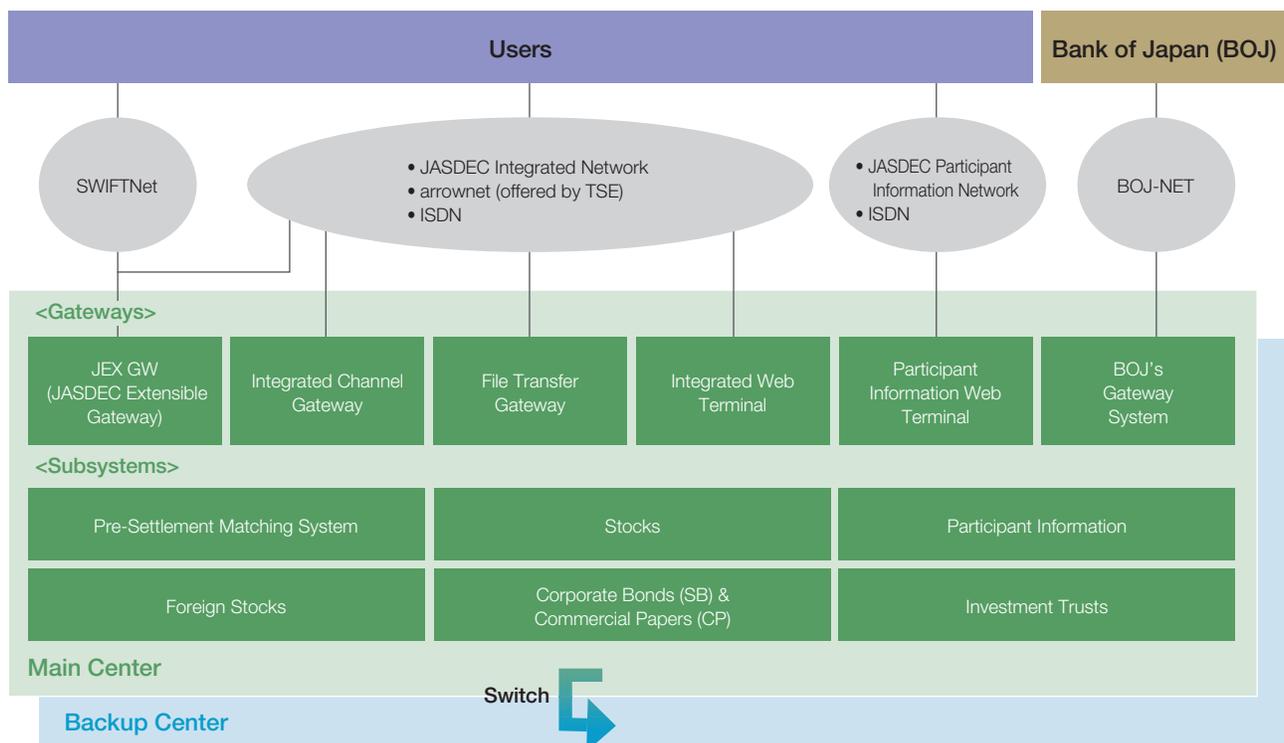
BUSINESS CONTINUITY PLAN OF JASDEC

Our Approach

JASDEC has regularly structured itself so that, in the event of a disaster or other emergency, it would be able to continue operations to the extent possible or promptly resume business operations according to its Basic BCP policy. This is to minimize the effect of such an emergency on JASDEC participants and related entities as a settlement infrastructure.

The specific measures taken by JASDEC include formulating concrete action plans in advance. JASDEC has defined actions to be taken in the event of a disaster or other emergency, such as establishing the BCP Countermeasure Office, delegated authority, organized emergency contact networks, and so on. Our IT systems are installed in a robust main center equipped with a private electrical generator, and our core systems are based on a redundant configuration. Furthermore, we have built a backup center in a remote location to be prepared in case the main center becomes unusable.

JASDEC SYSTEM



IT Backup System

Operations data of the main center is reflected at the backup center almost in real time. In cases where the main center becomes unusable due to a disaster, infrastructure failure (excluding software failure) or other such event, and the restoration task is deemed to be time-consuming, the systems will be switched over to the backup center. Switchover to backup systems will take about 90 minutes. Furthermore, to prepare for the prospect of the head office building becoming unusable, we have established an alternative office where we can execute operations as necessary.

Main Initiatives in FY2014

In FY2014 we took the following steps to reinforce our business continuity plan (BCP).

Formulation of Contingency Plans

We established the Basic Policy on Response to System Failure and released it on our website. This policy allows for the quick and efficient restoration of services in the event that processing is impeded due to a system failure or a line failure in the systems of JASDEC Group, Japan Securities Clearing Corporation, the Bank of Japan or participants.

BCP Exercises

We carried out several company-wide exercises, including an employee safety confirmation exercise, and an exercise involving the set-up of a BCP Countermeasure Office, as well as an employee contact exercise based on a scenario in which phone lines were congested. There were also activities aimed at mitigating the effects of disasters, including in-house seminars by invited outside

experts on topics such as the use of AEDs to perform cardiopulmonary resuscitations and the use of triangle bandages to stop bleeding.

We also carried out training exercises with market participants. For example, we carried out data center switching drills with system users and participated in the joint BCP exercise among three markets (securities, short-term money and forex market), which was conducted by the industry.

Survey and Study Concerning a Dual Site Structure

We have initiated a specific study concerning the establishment of an alternative base in a remote location. The aim is to prevent the entire JASDEC organization from being affected at the same time by a wide-area disaster, by basing our operations on a dual site structure in normal times.

SOCIAL CONTRIBUTION ACTIVITIES

As well as contributing to the economy through our daily business activities, we implement social contribution activities based on direct employee participation with the aim of improving people's lives and contributing to community revitalization.

Activities

- Recycling of plastic bottle caps as an Eco-friendly action and for charity
- Recycling of used stamps and spoiled postcards for charity
- Installation of vending machines with donation functions in offices
- Participation in the "Table for Two" program
- Participation in the Nihonbashi Bridge cleaning activity

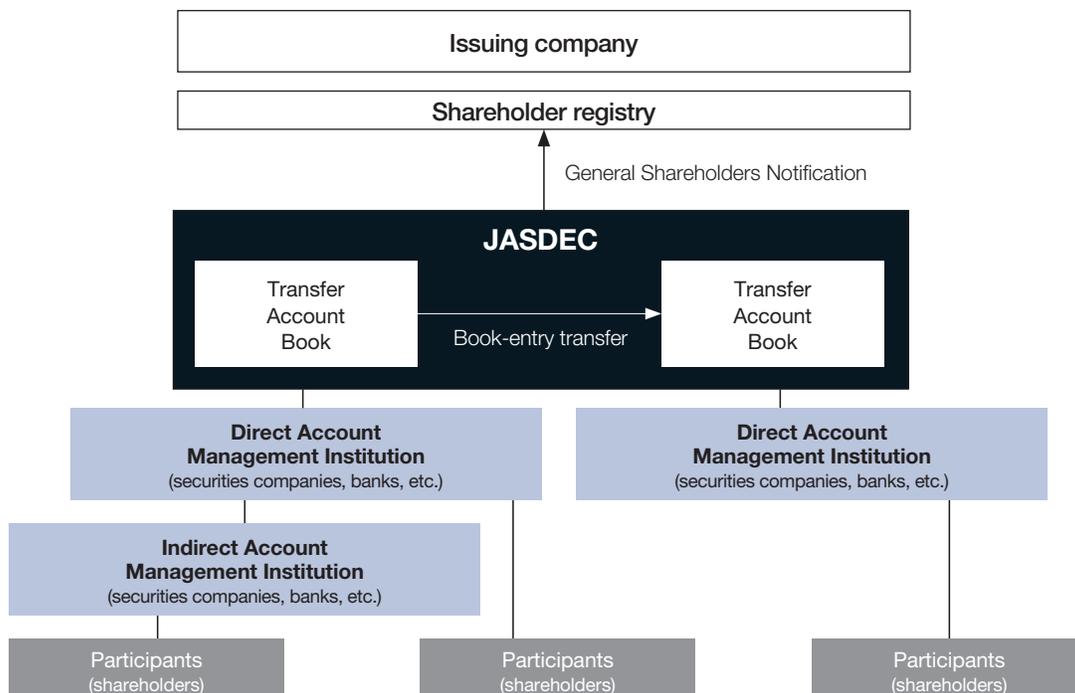
BUSINESS OVERVIEW

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

JASDEC launched its Book-entry Transfer System for Stocks, etc., under the Act on Book-Entry Transfer of Corporate Bonds, Shares, etc. (“Book-Entry Transfer Act”) in January 2009. Under this system, listed securities are managed in the accounts opened at JASDEC or Account Management Institutions (AMIs) such as securities companies and banks by electronic records registered in their computer systems. The Book-entry Transfer System has a variety of features that contribute to the safety and convenience of securities settlement.

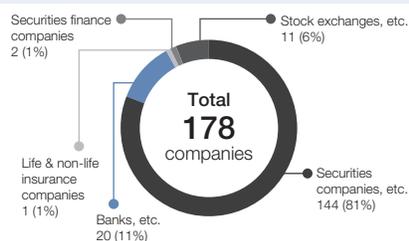
- Only the electronic records noted above determine the vesting of rights pertaining to stocks, etc.; and the rewriting of those records transfers those rights. This reduces the cost of printing, storing and transporting securities in physical form, along with the risk of loss or theft.
- JASDEC provides issuing companies with all shareholder information as of the record date (General Shareholder Notifications), which is needed to compile shareholder registries. To ensure that information is supplied efficiently, JASDEC maintains centralized management of shareholder information. For example, JASDEC preliminarily obtains and integrates names, addresses and other shareholder information from AMIs.

The dematerialization system applies not only to stocks, but also to bonds with share options, share options, investment units of Real Estate Investment Trusts (REITs), investment equity subscription rights, preferred equity investment of cooperative financial institutions, Exchange Traded Funds (ETFs), beneficial interest in a trust issuing a beneficiary certificate such as Japanese Depository Receipts (JDRs), and similar products (herein after referred to as “JDRs”).

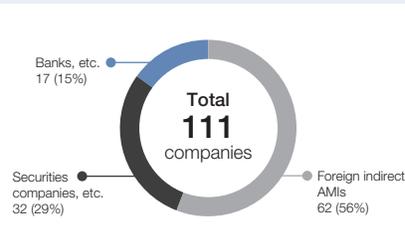
As of March 2015, the total number of issues handled was 3,884, including 3,602 share issues, 24 bonds with share options, 20 share options, 52 investment units, 1 preferred share issue, 130 ETFs, and 55 JDRs. The number of companies participating in the Book-entry Transfer System, including JASDEC participants (direct AMIs), indirect AMIs, and fund settlement corporations, etc., was 381. Foreign institutions designated by the competent minister are also allowed to participate in the System as AMIs. As of March 2015, 62 foreign financial institutions are indirect AMIs.

JASDEC participants and indirect AMIs (as of March 31, 2015)

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 Tanishi companies (which offer short-term credit brokerage services)

Ongoing enhancements to increase user convenience

JASDEC is continually developing a variety of enhanced measures to ensure the smooth operation and to improve the usability of the Book-entry Transfer System of Stocks, etc. We also implement programs to inform participants about these improvements.

First, we take appropriate steps in response to the legal reforms. In December 2014, we implemented new measures in order to handle investment equity subscription rights, to cancel investment units owned by the issuer and to merge investment trusts following changes to “the Act on Investment Trusts and Investment Corporations” and “the Book-Entry Transfer Act”, based on relevant law¹.

In May 2015, we revised our operations in order to handle purchase accounts pertaining to share purchase demands by shareholders who object to organizational restructuring, etc., following amendments to “the Book-Entry Transfer Act”, based on relevant law².

We also continue to improve our business in response to the situations and needs of participants. In January 2015, we implemented a new scheme in cases of discontinuance to handle any issues of ETFs and JDRs. In the past, ETF or JDR issuers had been required to issue beneficiary certificates stipulating those rights and

allocate them to beneficiaries. Since the dematerialization of stock certificates, however, issuers and AMIs have seen substantially reduced ability to manage and forward certificates. For these reasons we modified our systems to allow monetary redemptions in place of the allocation of beneficiary certificates. In January 2015, we also modified our systems to enable ETF and JDR issuers to make the demand for a General Beneficiaries Notice at any time, subject to certain conditions.

In October 2014, in order to respond to the Social Security and Tax Number (“My Number”) system from January 2016, we finalized the pending agenda and released the revised version of “the outline requirements for My Number Act³ in relation to the Book-Entry Transfer System for Stocks, etc.,” whose first edition had been announced in the previous fiscal year.

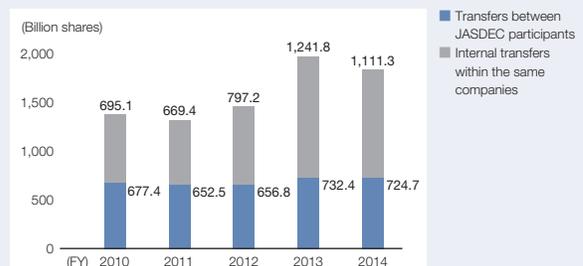
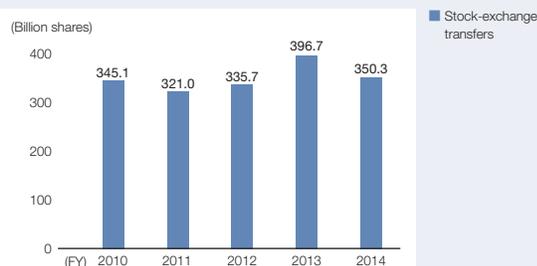
Issuers of book-entry shares are required to notify JASDEC of the details of corporate actions when they decided to initiate them. We conducted the review of guideline to explain notification procedures, and published the Guidebook for Notification in February 2015 which is more intelligible for issuers. We also conducted promotion activities for them to introduce notification procedures.

¹ “the Act on Partial Revision of the Financial Instruments and Exchange Act, etc.”

² “the Act on the Arrangement, etc. of Related Acts that Accompany the Enforcement of the Act on Partial Revision of the Companies Act”

³ The official name of My Number Act is “the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure”

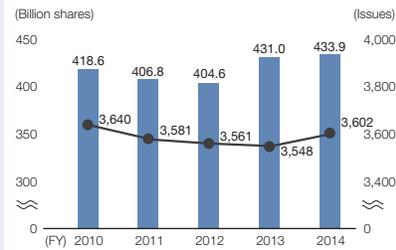
Book-entry transfers



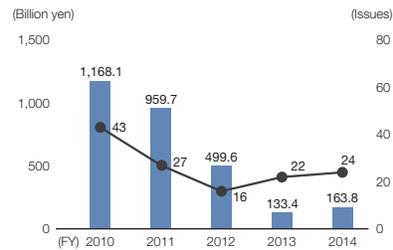
Account balance and number of issues

■ Account balance (end of FY) ● Number of issues (end of FY)

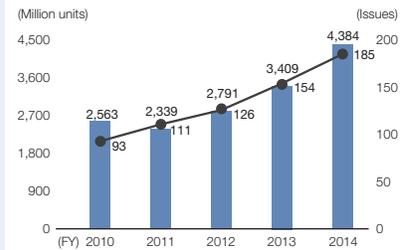
Stocks



Bonds with share options

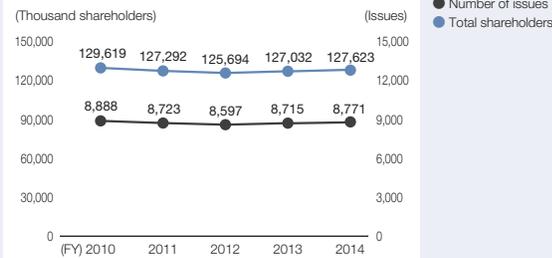


ETFs and JDRs

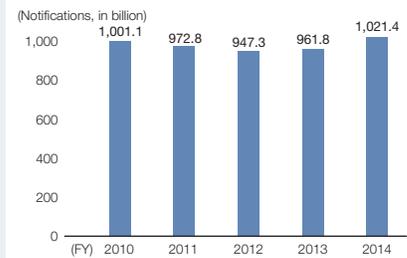


General shareholder notifications

Number of issues and total shareholders

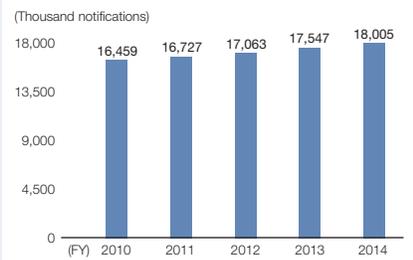


Number of general shareholder notifications



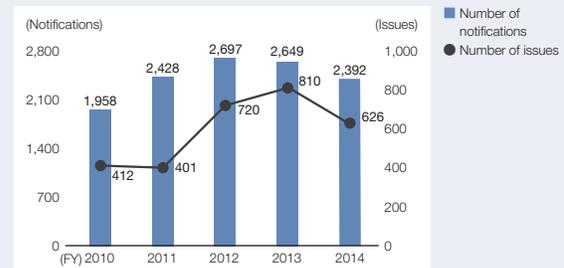
*Figures are as of day of notification to issuers.

Number of shareholders (Data for shareholder notifications)



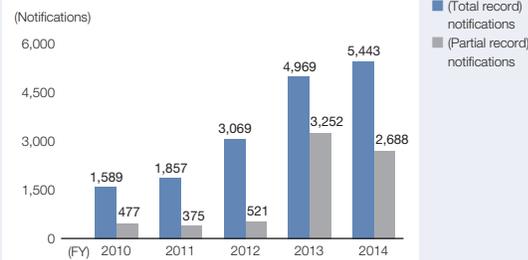
*Number of shareholders (data for shareholder notifications) is integration of participant information notified by AMIs.
*Figures are as of end of fiscal year.

Individual shareholder notifications

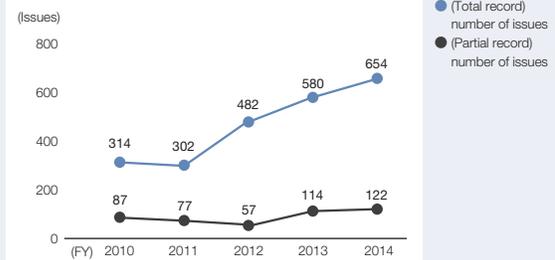


Information requests⁴

Number of notifications



Number of issues



⁴ Requests for information (total record) refer to requests for data recorded on book-entry transfer registries of either JASDEC participants (direct AMIs) or indirect AMIs where shareholders in question have opened accounts. Requests for information (partial record) refer to requests for data recorded solely on book-entry registries of JASDEC participants where shareholders in question have opened accounts.

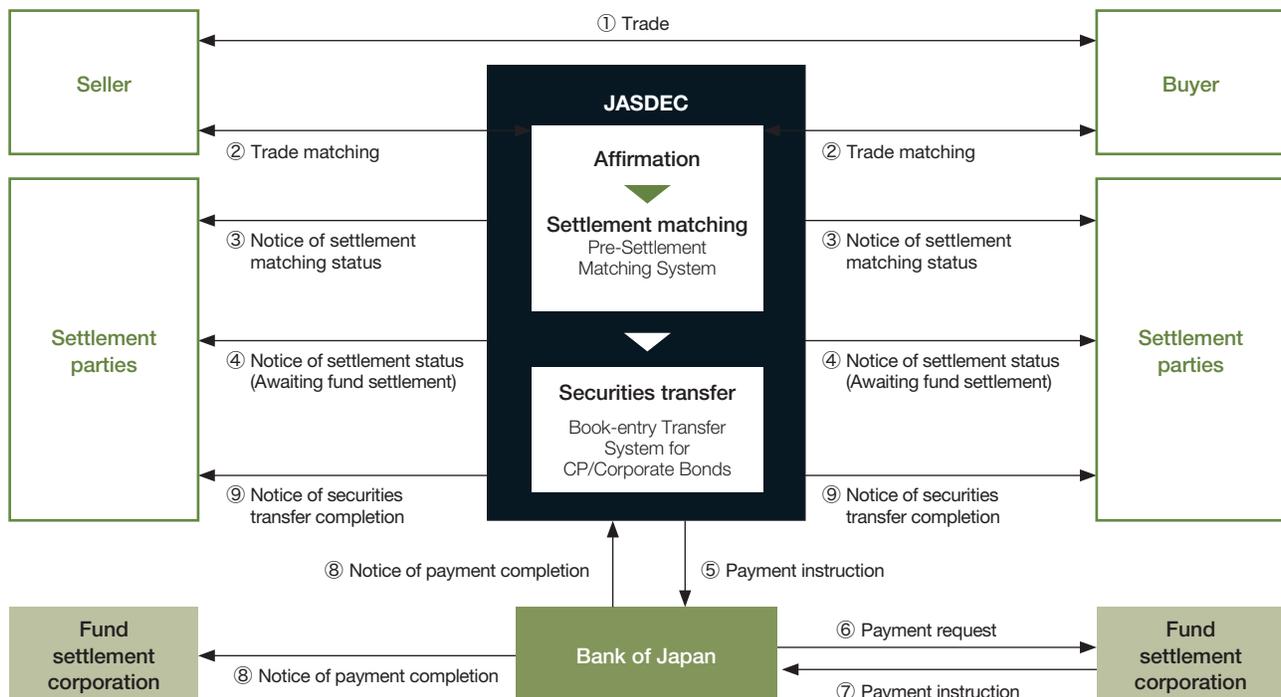
BUSINESS OVERVIEW

02

Book-Entry Transfer System for Commercial Paper and Corporate Bonds

JASDEC is maintaining the security of the CP and corporate bond 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)

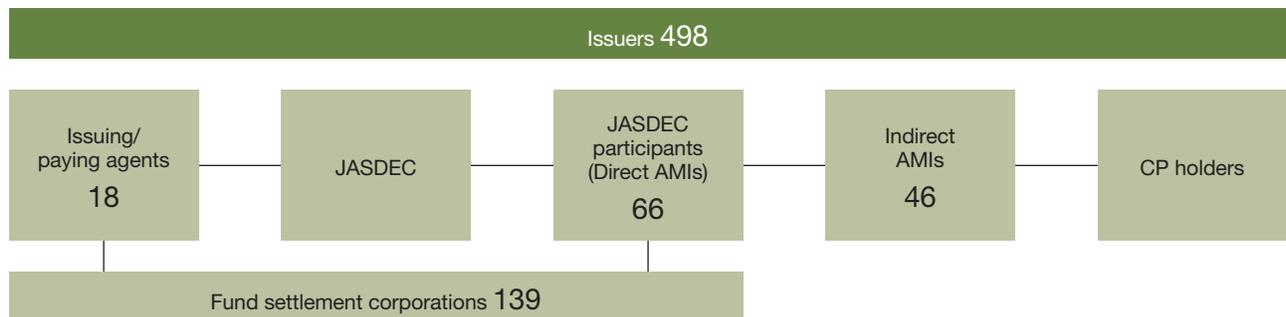


Supporting seamless and secure CP and corporate bond settlement

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, settlement procedures—issuance, transfer (trading), and redemption—are conducted based on the balance electronically recorded in the transfer account books. In addition, at all stages of issuance, transfer, and redemption of CP and corporate bonds, DVP settlement is available by the linkage between JASDEC's book-entry transfer system and the Bank of Japan Financial Network System (BOJ-NET). Furthermore, interfacing the book-entry transfer system to its PSMS (Pre-Settlement Matching System; see page 34, JASDEC has realized Straight Through Processing (STP), which fully automates the entire process through trade matching to settlement of securities and funds.

As a means of managing participation in JASDEC's Book-entry Transfer System, we set up a multilayer holding structure for direct/indirect Account Management Institutions (AMIs) to address the diverse needs of 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. Upon the payments of principal and interest of corporate bonds to bondholders, AMIs receive principal and interest from paying agents or their upper AMIs through the multilayered structure on behalf of their bondholders.

Participants in Book-entry Transfer System for CP (as of the end of March 2015)

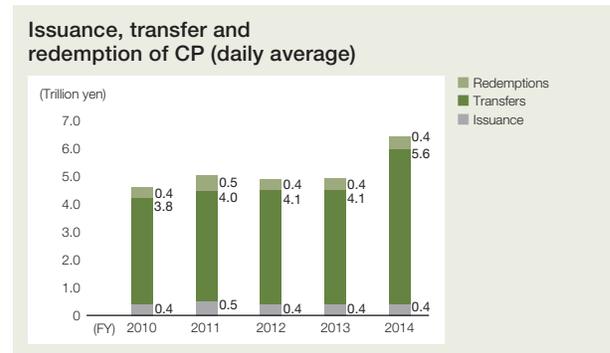
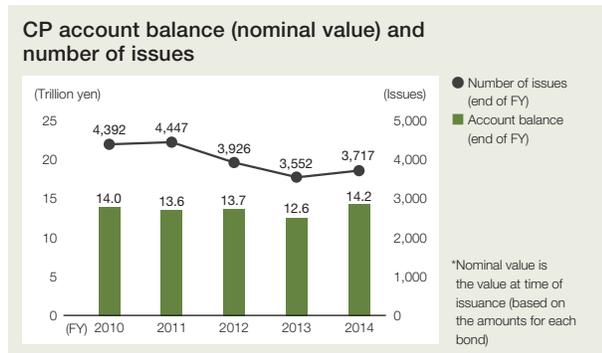


The Book-entry Transfer System for Commercial Paper continues to operate efficiently

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. Almost all CP issued in Japan is handled by this system.

In fiscal 2014, improving business performance and other factors were reflected in lively issuing activity by issuers in a wide range of industries, and the account balance increased from the ¥16 trillion level to the ¥17

trillion level in the second half of the fiscal year. Although the account balance fell sharply toward the end of the fiscal year because of a combination of factors specific to the year-end period, it stood at ¥14.2 trillion as of March 31, 2015, an increase of ¥1.6 trillion from the position at the end of the previous fiscal year. A total of 3,717 issues were being handled, an increase of 165 from the end of the previous fiscal year. The settlement methods used for new records, redemptions and book-entry transfer are “DVP settlement,” which links CP records by JASDEC with settlements using the BOJ-NET, and “non-DVP settlement” for other types of transactions. DVP settlements accounted for 66% in terms of the number of settlements and 75% of settlements on a value basis.



Continually adapting to CP market needs

The total settlement amount of issuance, transfer and redemption of CP handled by JASDEC’s Book-entry Transfer System averages ¥6.5 trillion per day. In addition, month-end settlements sometimes surpass ¥13 trillion. This means that the settlement value of CP at JASDEC is more than the daily trading value at the Tokyo Stock Exchange.

In fiscal 2014, lively trading activity lifted the value of settlements by over 30% year on year to ¥1,300 trillion. In

addition to an increase in the amount of issues, this trend also reflects a growing need for investment in CP.

This huge settlement amount reflects the importance of CP in the Japanese financial market. JASDEC is willing to continue maintaining a high level of safety in the Book-entry Transfer System for CP, which is a critical role for securities settlement infrastructure, while rapidly reflecting market needs in the system.

The Book-entry Transfer System for Corporate Bonds operates with security and reliability

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 business companies, municipal bonds, bonds of special corporations, such as quasi-government and local government bodies, bonds issued by investment firms, specified bonds issued by special purpose companies (SPCs), Samurai bonds (yen-denominated bonds issued in the Japanese bond market by foreign governments or entities), J-Sukuk (Islamic financial instruments similar to bonds) and others.

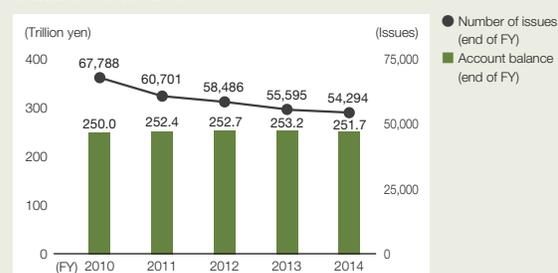
In fiscal 2014, both new records and redemptions were around the same levels as the previous fiscal year. As of March 31, 2015, the number of issues being handled was 54,294, a decrease of 1,301 from the end of the previous fiscal year, and the account balance was ¥1.4 trillion lower at ¥251.7 trillion. Meanwhile, demand for foreign currency denominated funding expanded in the previous fiscal year, and that trend continued in the year ended March 2015. In particular new issues denominated in U.S. dollars increased. On a face value basis, the account balance of U.S. dollars denominated bonds rose by US\$2,695 million year on year to US\$6,168 million as of March 31, 2015.

The settlement methods used for new issues, redemptions and book-entry transfer are "DVP settlement," which links corporate bond records by JASDEC with settlements using the BOJ-NET, and "non-DVP settlement" for other types of transactions. DVP settlements accounted for 28% in terms of the number of settlements and 49% of settlements on a value basis.

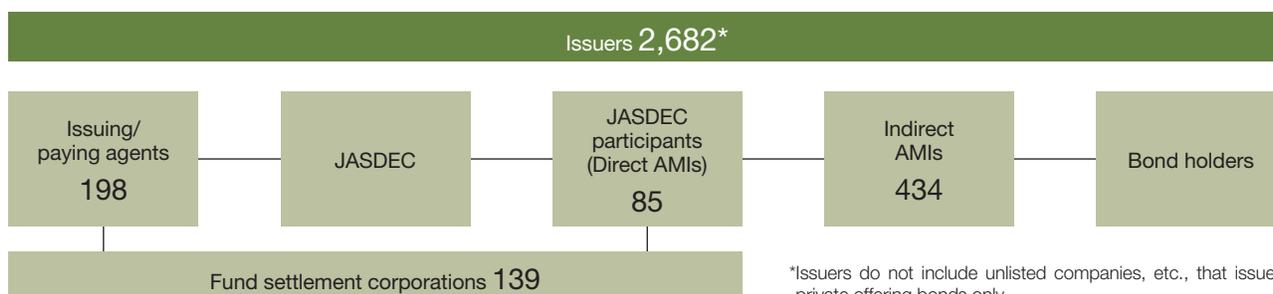
At the request of the Study Group to Vitalize the Corporate Bond Market, which is administered by the Japan Securities Dealers Association, JASDEC explored ways to create a framework to ensure the efficient transmission of information, including issuer-related information, to bondholders in Book-entry Transfer System for Corporate Bonds. This resulted in the publication of *Outline of Bond Information Transmission Service* in January 2015. We will next establish detailed administrative procedures based on the Outline in preparation for the introduction of services before the end of fiscal 2015.

In January 2016, integrated taxation on financial income and gains will be introduced. JASDEC is making the necessary preparations, including the disclosure of technical specifications, to ensure smooth connection to the new system.

Corporate Bonds account balance and number of issues



Participants in Book-entry Transfer System for Corporate Bonds (as of the end of March 2015)



*Issuers do not include unlisted companies, etc., that issued private offering bonds only.

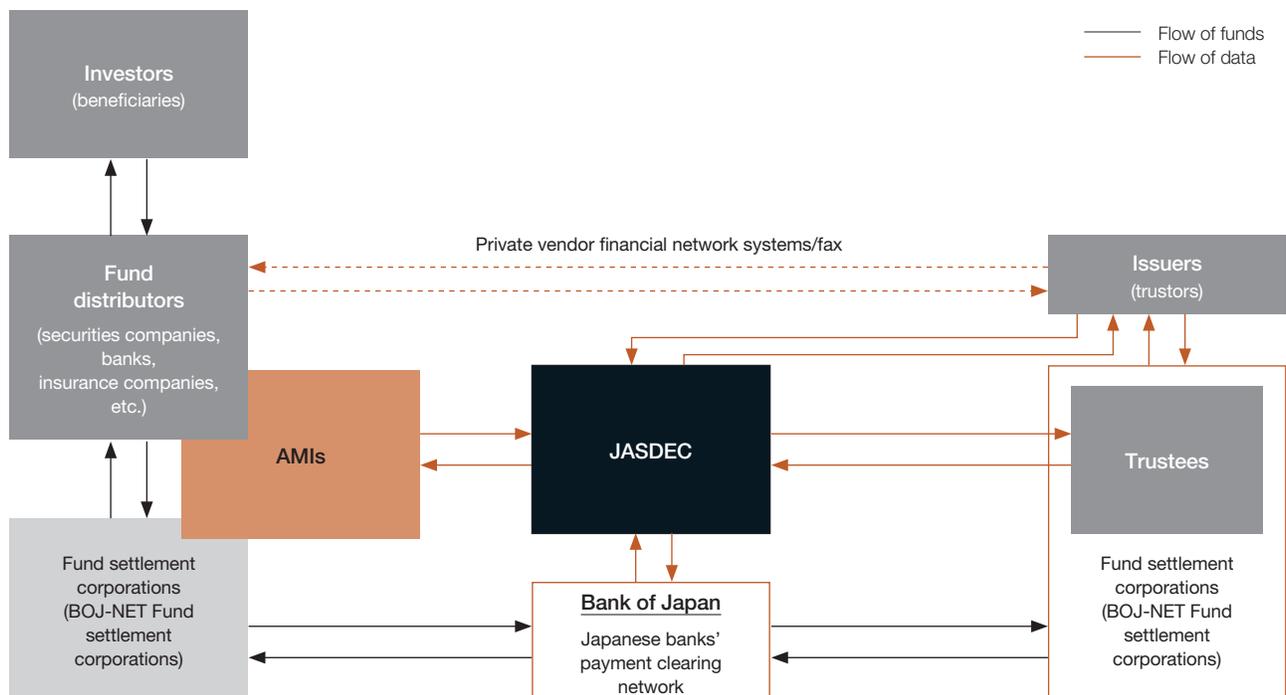
BUSINESS OVERVIEW

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.

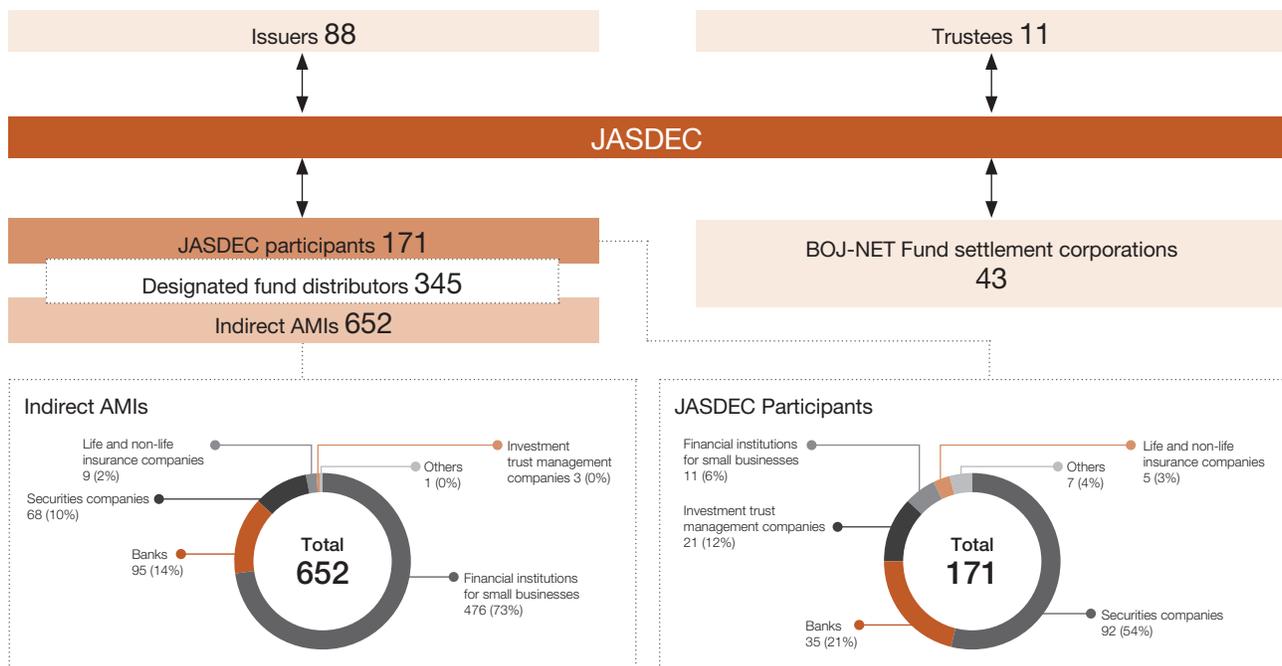
The system covers contract-type investment trusts (hereinafter, simply called “investment trusts”), which involve three parties—a trustor, a trustee, and a beneficiary who is an investor in the investment trust. (Exchange Traded Funds (ETFs) and investment trusts of the non-trustor instruction type are outside the scope of the system.) Since the system was launched on January 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.

Diverse institutions, including fund distributors, participate in the Book-entry Transfer System for Investment Trusts as Account Management Institutions

(AMIs), which open accounts at JASDEC to record Beneficial Interest in Investment Trusts owned by investors. They consist 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 institutions having accounts at JASDEC as AMIs or JASDEC participants was 823 as of March 31, 2015.

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 the end of March 2015)



*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, 2015 was 8,956 issues (a 1,016-issue increase from March 31, 2014), comprising 5,412 publicly offered and 3,544 privately placed investment trusts. The number and balance of new trusts recorded (purchases) remained high, reflecting a favorable investment environment and the introduction of the Nippon Individual Savings Account (NISA) tax exemption scheme for small investments in January 2014. Throughout the entire business year, the account balance increased consistently. As a result, the outstanding balance as of March 31, 2015 increased ¥17.3 trillion year on year to ¥141.8 trillion, comprising ¥98.3 trillion in publicly offered and ¥43.4 trillion in privately placed investment trusts.

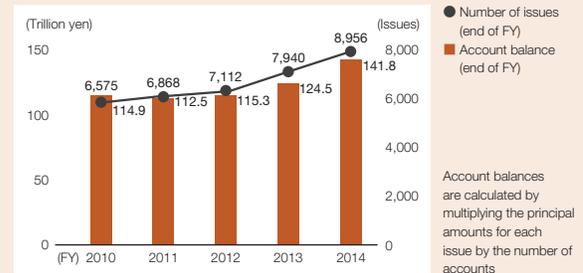
Fund settlement systems in the Book-entry Transfer System for Investment Trusts include DVP settlement (linking record by JASDEC with settlements using the Bank of Japan Financial Network System) and non-DVP settlement (using the Japanese Bankers Association's financial network system for online fund settlement between financial institutions). In fiscal 2014, the proportion of settlements using DVP was 27% by transaction volume and 61% by principal value.

Dedicated to ongoing improvement

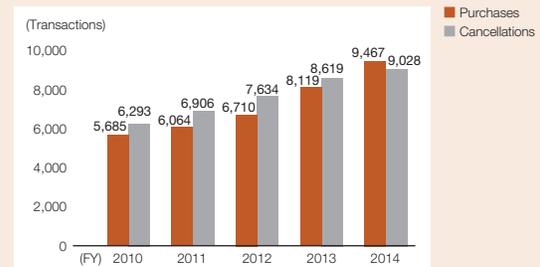
Amendments to the Act on Book-Entry of Corporate Bonds, Shares, etc. in December 2014 resulted in the establishment of provisions relating to transfer account book entries and record procedures pertaining to the merger of investment trusts. We made the necessary changes to our procedures, including Business Regulations Relating to Corporate Bonds, etc. We also formulated and published administrative rules concerning the treatment of trust mergers under the Book-entry Transfer System for Investment Trusts, which stipulate administrative processes pertaining to the parties to a trust merger.

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.

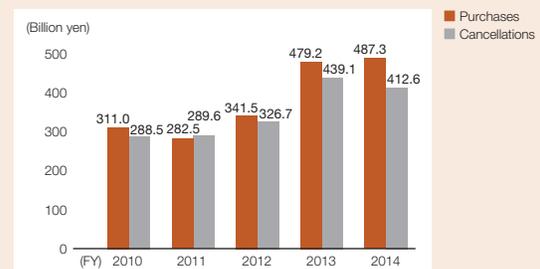
Investment trusts account balance and number of issues



Purchase and cancellation transactions (Daily average)



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



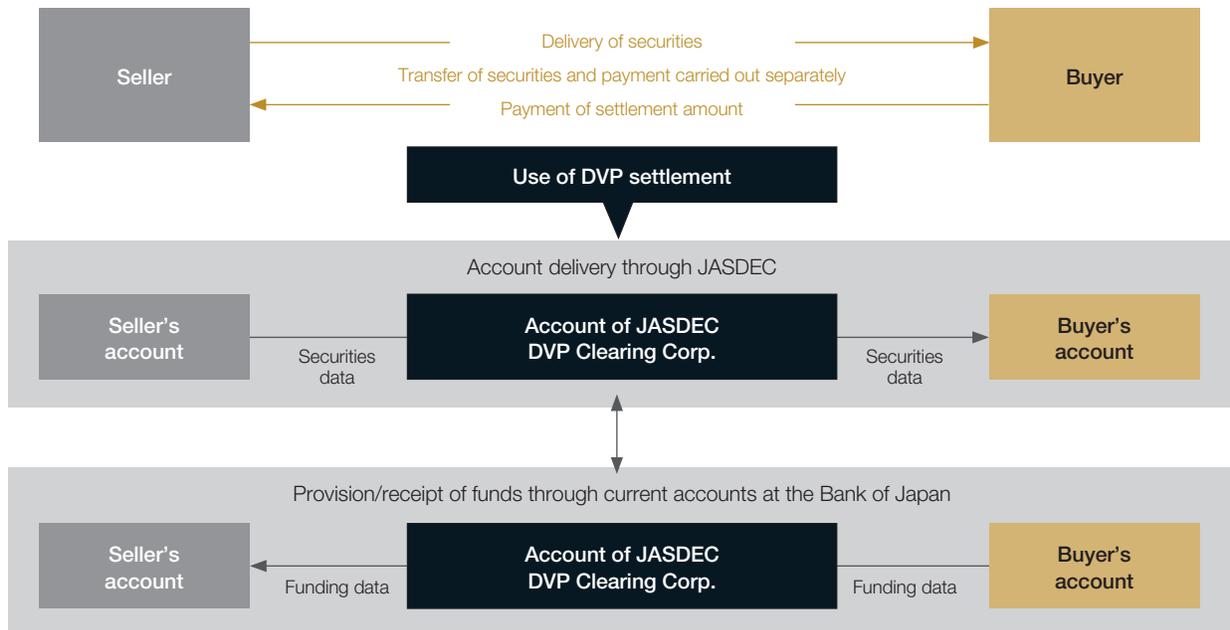
BUSINESS OVERVIEW

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



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.

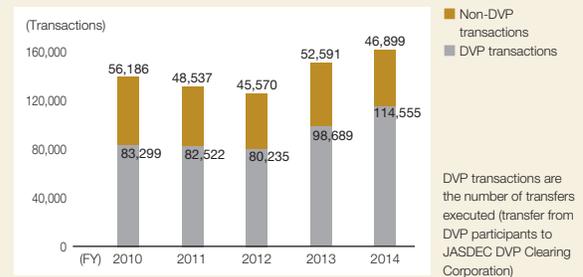
Previously, the delivery of the securities and the payment of the settlement amounts for non-exchange transactions have mostly been processed separately, so the transactions have been exposed to the risk (principal risk) that settlement payments may not be made even though the securities have been delivered. 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).

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. In January 2014, we commenced DVP settlements for stock lending transactions.

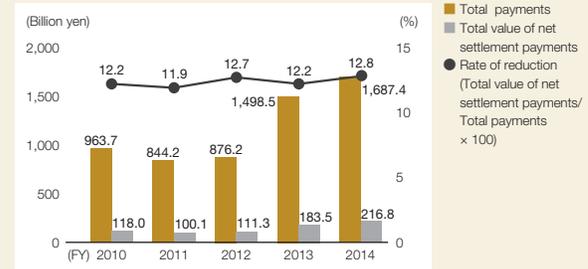
DVP settlement for NETD transactions (Daily average)



As of the end of March 2015, 54 companies (comprising 12 banks and 42 securities companies) were participants in the DVP settlement system for NETDs. Excluding internal transfers within the same company, DVP transactions accounted for about 70% of NETD transactions—evidence that use of the system has become firmly established as an important customer-side settlement method.

In fiscal 2014, the usage of DVP settlements continued to increase. Considering this situation, we refunded settlement fees according to each participant's usage level between April 2014 and February 2015. Total refunds in fiscal 2014 amounted to ¥ 277 million.

DVP settlement for NETD fund settlement (Daily average)



Securities covered: Stocks, bonds with share options (convertible bonds), ETFs, REITs, share options (share subscription warrants), foreign stocks, etc.
 Total payments is the total amount used for execution of securities transfers.
 Total value of net settlement payments is the total amount used for a net transaction basis.

BUSINESS OVERVIEW

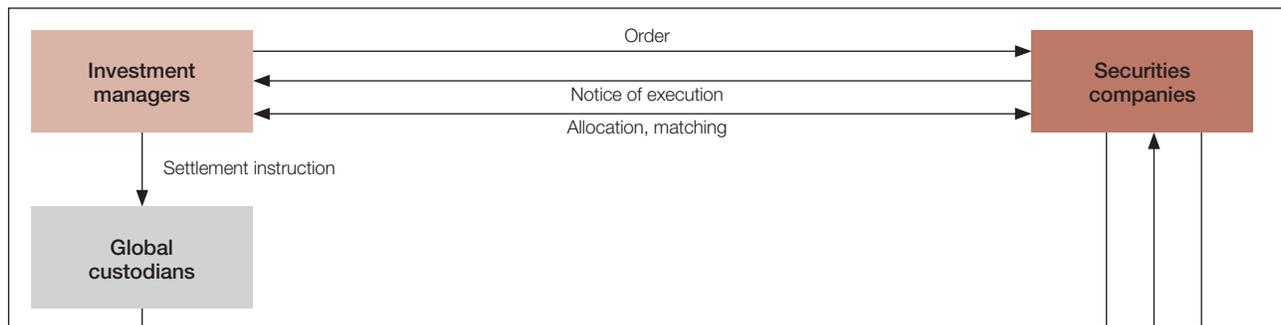
05

Pre-Settlement Matching System (PSMS)

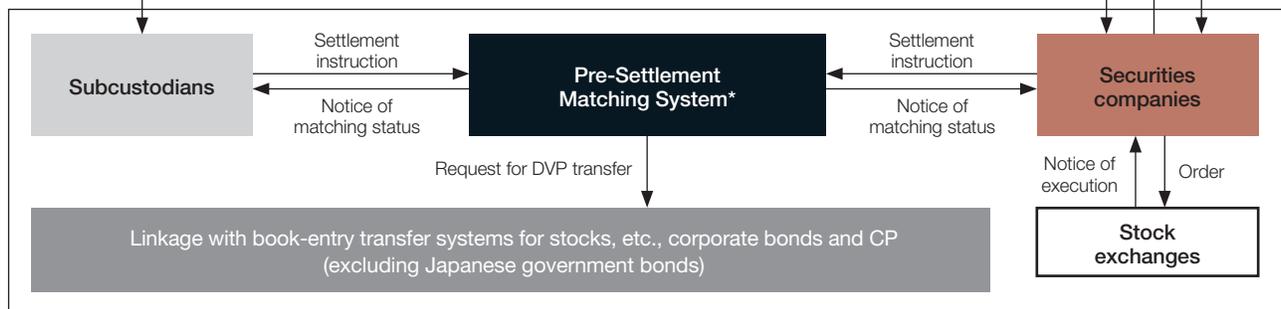
In January 2014, JASDEC launched brand new services in PSMS for further enhancement of STP, including introduction of the ISO 20022 standard and SWIFTNet.

PSMS for non-residents' transactions

Overseas



Japan



* From January 2014, onward, "Tolerance Matching" function is available.

Pre-Settlement Matching System (PSMS)— for smooth and secure matching infrastructure in the Japanese securities market

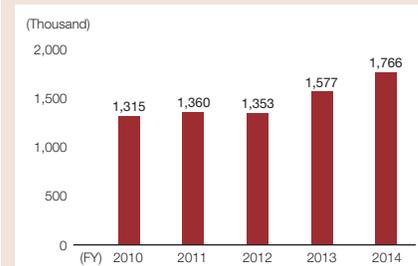
It is crucial for financial institutions to smoothly and securely complete the settlement of a huge number of transactions. While our Book-entry Transfer Systems (BETS) realize secure settlement, PSMS realizes smooth settlement on top of that.

Since the launch of PSMS in September 2001, JASDEC has promoted Straight Through Processing (STP) in Japanese securities market, by matching the trade and settlement information for institutional investors, and others. PSMS has three basic attributes below, as a bridge between trades and settlements.

1. **Rapid post-trade process**
2. **Automatic data linkage to Central Counterparty (CCP) and BETS for Delivery Versus Payment (DVP) settlement**
3. **Globally standardized protocol suitable to both domestic and non-resident transactions**

Following the booming stock market in Japan, in fiscal 2014, the number of input/output transactions of PSMS significantly increased to 1,766 thousand on a daily average. Furthermore, 681 users are utilizing PSMS as a primary matching infrastructure in the Japanese market.

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



More Standardized Communication— ISO 20022 and SWIFT Network

With non-residents now accounting for more than half of the stock transactions, it is important to provide smooth communication to the Japanese market from overseas. As one of the first major adoptors in the world, JASDEC leveraged the ISO 20022, the new international standard for financial messaging, in its system. JASDEC now supports system connectivity via SWIFT network as well.

The adoption of ISO 20022 will not only improve system connectivity, but will also help to enhance harmonization with worldwide and Japanese market

practices. JASDEC has been actively participating in market practice groups like the global Securities Market Practice Group (SMPG), as well as ISO 20022 Securities SEG.

All JASDEC participants are required to migrate from the old message format to the ISO 20022-based format by the end of 2018. As of March 31, 2015, 51 companies out of total of 172 had completed the migration to the ISO 20022-based format.

Further actions for ongoing progress

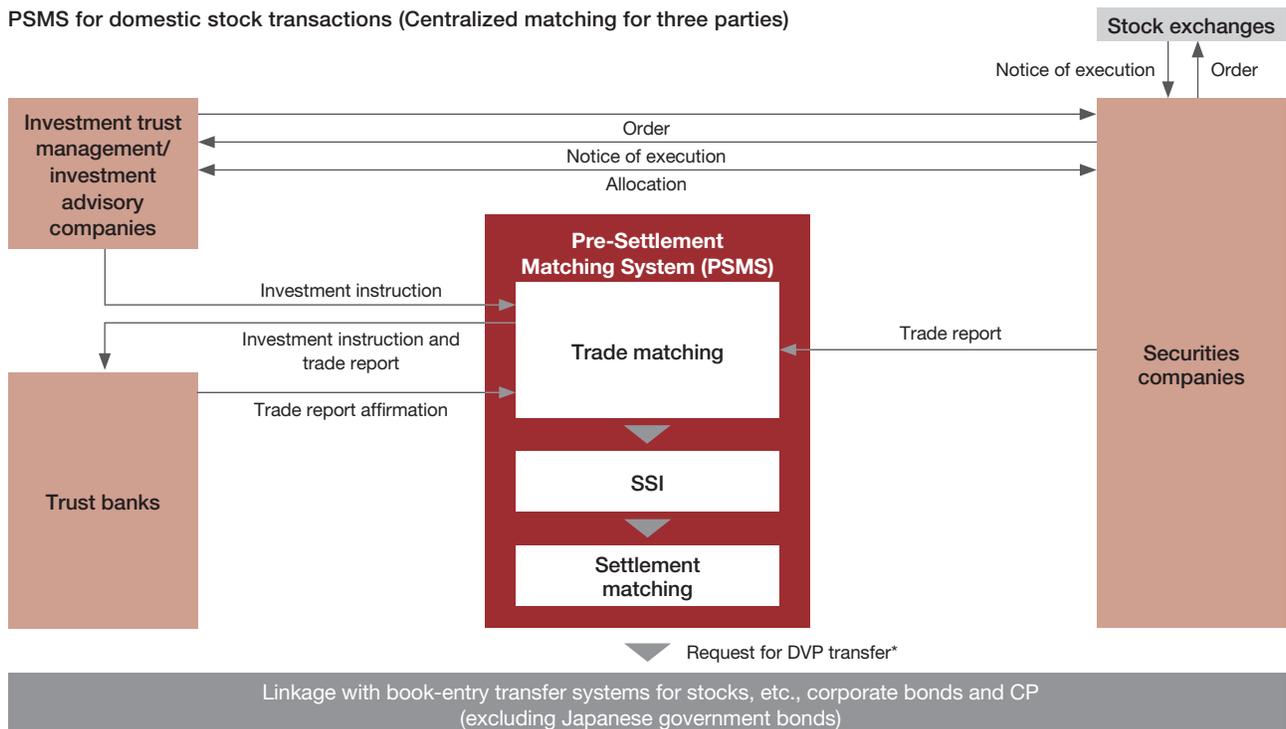
JASDEC has been continuously working on initiatives that will contribute to further efficiency improvements in the Japanese securities market. In November 2015, the Japan Securities Dealers Association (JSDA) plans to enforce a system that will disclose trade information of specific corporate bond transactions, aiming at revitalization in the Japanese bond market. JASDEC cooperates on the project by making use of transaction data of corporate bonds sent to PSMS.

With market participants, JASDEC also takes part in the discussion on shortening the settlement cycle for Japanese Government Bonds (JGB). The balance of JGB has tended to rise over the years, and the market is now

quite large. JASDEC believes a shorter settlement cycle would contribute to reduction of settlement risk as a direct effect, as well as improvement in market liquidity and enhancement in competitiveness among overseas markets as an indirect effect.

JASDEC is currently making system preparations to start T+1 settlements (T+0 settlements for GC repo transactions) for outright transactions in JGB from 2017 onward. System implementation includes revision of trade matching functions, linking matched trade data to Japan Securities Clearing Corporation (JSCC), and the distribution of JSCC notices to PSMS users.

PSMS for domestic stock transactions (Centralized matching for three parties)



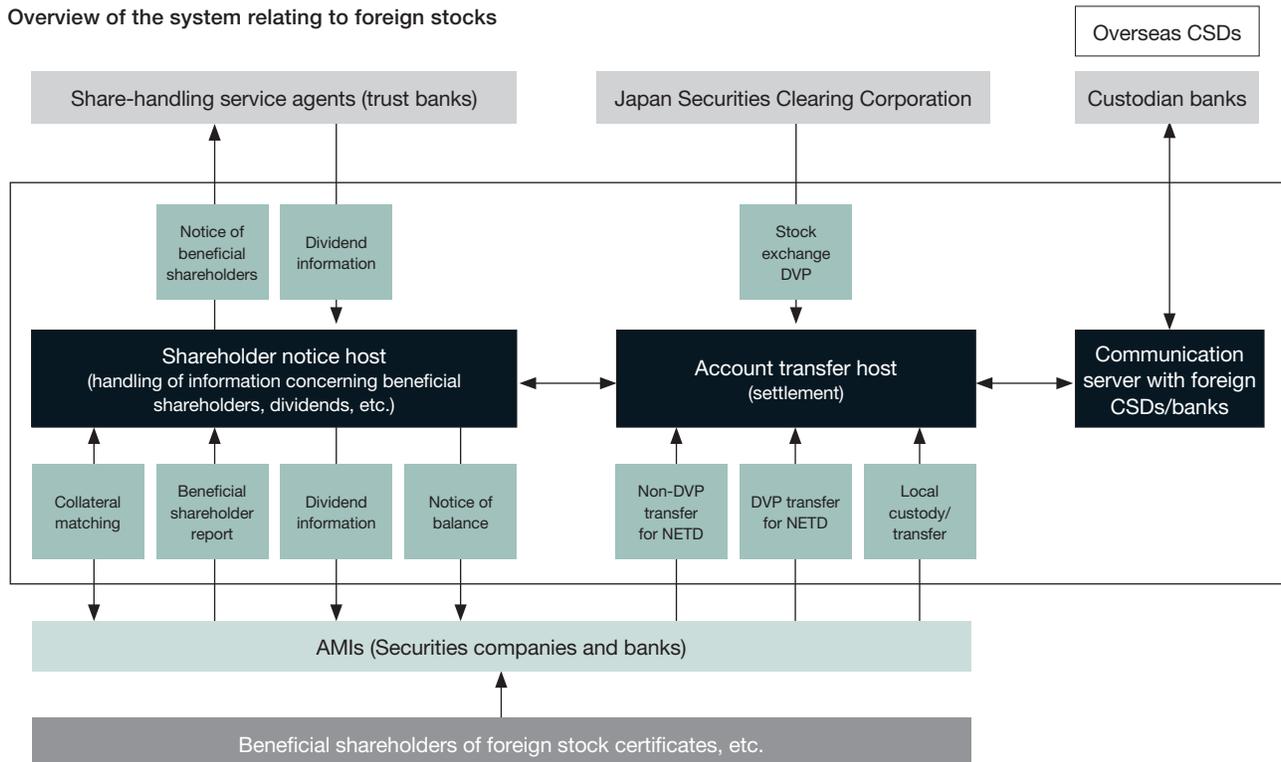
* From January 2014 on, DVP settlement for Stock Lending and Borrowing (SLB) transactions is available.

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 listed foreign securities

In May 2006, JASDEC commenced 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.

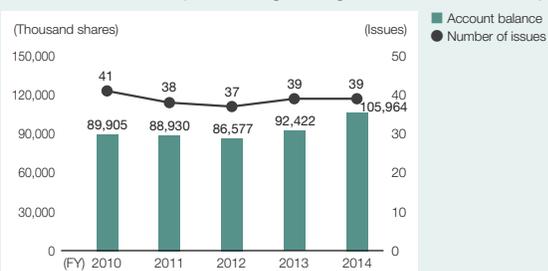
JASDEC entrusts dividend payments to relevant share-handling service agents and dividend-paying banks. Information on beneficial shareholders at the dividend record date is transferred from the JASDEC participants to the share-handling service agents through JASDEC.

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.

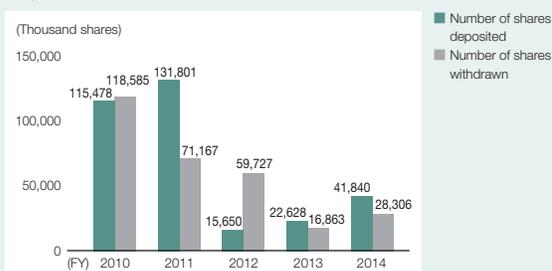
JASDEC also undertakes the necessary procedures regarding dividend taxation for local tax authorities and other such entities, for tax relief under tax treaties with the countries concerned. Beneficial shareholders can also exercise their voting rights at general meetings of shareholders through instructions 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. account balance and number of issues (excluding foreign covered warrants)



Number of shares deposited/withdrawn



Service improvements for beneficial shareholders and participants

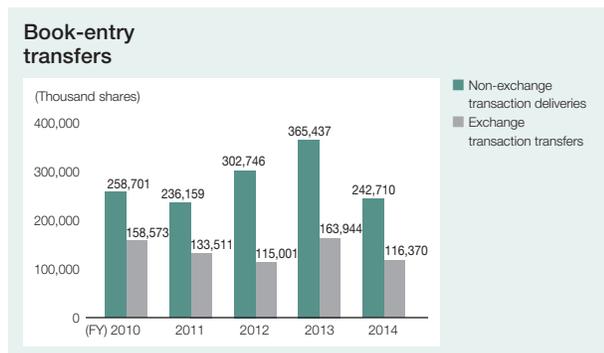
As a part of the revision of service, we introduced a new custodial fee structure in October 2014. Specifically, in order to ensure that custodial fees can be levied appropriately according to the price level for each issue, we have amended the custodial fee structure for those issues of which the trading unit was not determined based upon the price level when such issues were newly listed.

We also took appropriate steps in response to changes in the QI withholding tax system relating to U.S. shares, etc., as a result of the enforcement of the U.S. Foreign Tax Compliance Act (FATCA) from July 1, 2014. For example, we modified our format between JASDEC and JASDEC participants for tax relief of dividends on U.S. shares, etc.

In addition, JASDEC worked to improve services for beneficial shareholders and participants, including a study concerning the handling of listed products from various

countries that are likely to be listed on Japanese stock exchanges.

At present, there are four types of foreign securities that are handled by JASDEC, such as, foreign stocks, foreign investment trust beneficiary certificates, etc., foreign investment securities, etc., and depository receipts of foreign stocks. As of March 31, 2015, the total number of issues handled by JASDEC was 39.



INTERNATIONAL RELATIONSHIPS

JASDEC engages in international activities to guide the rational development of a global settlement infrastructure. Research on overseas trends and information sharing are key elements of a leadership role.



Honorary Chairman
Yoshinobu Takeuchi



JASDEC conducts research on overseas trends and frequent information exchange with overseas institutions as essential to its ongoing efforts to deal with the many issues that affect securities market infrastructure, such as the globalization of financial and capital markets and the global tightening of regulations. We participate in regular CSD meetings, seminars and other international conferences and maintain active exchange programs with institutions with which we have signed memorandums of understanding (MOUs).

JASDEC is also contributing to the improvement of securities market infrastructure in Japan and internationally and raising its global presence by playing an important role in the administration of the Asia-Pacific Central Securities Depository Group (ACG) and the World Forum of CSDs (WFC), and by providing various forms of support and assistance in response to requests from emerging countries.

ACG (Asia-Pacific Central Securities Depository Group)

The ACG was established in November 1997 as a forum for information exchange and mutual cooperation among CSDs in the Asia-Pacific region. The ACG has for many years carried out surveys or other activities through task forces (TFs). In addition to TFs, the Executive Committee, with a three-year term, was formed to plan and administer the activities of the ACG from medium-to long-term perspectives at the 14th General Meeting in December 2010. This committee consists of all TF conveners, together with representatives of three organizations chosen through a general vote.

At the 17th General Meeting in October 2013, the Executive Committee and the Secretariat were renewed upon the expiration of their terms of service. The new Executive Committee consists of eight organizations. The five organizations represented on the committee through the convener of TFs are JASDEC (Exchange of Information TF), Korea Securities Depository (KSD, New Business

Initiative TF), National Securities Depository Limited (NSDL, Technical TF), China Securities Depository and Clearing Corporation Limited (CSDC, Legal TF), and the Central Depository Company of Pakistan Limited (CDCPL, Risk and Recovery Management TF). The three organizations elected to membership through the general vote are Singapore Exchange (SGX), China Central Depository & Clearing Co., Ltd. (CCDC) and Central Depository Services (India) Limited (CDSL). Mr. Muhammad Hanif Jakhura of CDCPL was appointed as the new Chairman among representatives of the above eight organizations and CDCPL as the new Secretariat. As a member of the executive committee and the convener of the Exchange of Information TF, JASDEC will continue to provide leadership in initiatives to expand and energize ACG activities.

WFC (World Forum of CSDs)

The WFC was created in April 2011 at the 11th Conference of CSDs, after agreement was reached among leaders of the world's five regional CSD associations. The WFC took over the collaborative activities among regional associations from the CSD Contact Group, which had been engaged in them during the previous four years. Its function is to strengthen the influence of CSDs and disseminate their shared views as a forum of information exchange and discussion on issues that affect all CSDs. The WFC is administered by a 10-member board made up of two representatives from each regional association. JASDEC participates on behalf of the ACG with CDCPL.

The WFC has an active program of initiatives, including the Single Disclosure Project, the aim of which is to create a database of CSD information by ensuring unified and efficient disclosure of the Principles for Financial Market Infrastructures (PFMI) developed jointly by the Committee on Payment and Settlement Systems* of the BIS and the International Organization of Securities Commissions (CPSS-IOSCO), and response to the questionnaire from the Association of Global Custodians (AGC).

There was also a change in the administration of the Conference of CSDs, which, from the 13th Conference (WFC 2015) onwards, is organized by the WFC and bears the "WFC" name.

MOUs on Information Exchange and Mutual Cooperation with Overseas CSDs, etc.

JASDEC has been working to develop collaborative relationships with overseas institutions by signing MOUs on the exchange of information and mutual cooperation with overseas CSDs, etc. As of the end of March 2015, JASDEC is in bilateral cooperation with

a total of 18 institutions through MOUs. With MOU partners, we are actively implementing initiatives, including regular exchanges of information, cross-training programs involving trainee exchanges, and support for CSDs of emerging nations.

The Asian Bond Markets Initiative (ABMI)

The ABMI is being developed under the auspices of the ASEAN+3 Finance Ministers and Central Bank Governors' Meeting. Four task forces have been established for the ABMI, the third of which, with responsibility for improving the regulatory framework, has created the ASEAN+3 Bond Market Forum (ABMF). Studies are now being carried out by two sub-forums within the ABMF. Sub-Forum 1 is mainly focusing on the creation of the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF), while Sub-Forum 2 is concerned primarily with the standardization of cross-border settlement processes in the region. Phase 1 and Phase 2 activities have already been completed, and reports have been published. Phase 3 activities are

currently in progress, and an outline report was presented at the Finance Ministers and Central Bank Governors' Meeting in May 2015. The full report will be released in the summer of 2015.

As the member representing Japan, JASDEC is actively participating in the ABMF as the co-vice-chair of Sub-Forum 2. As a Japanese CSD, JASDEC is also participating in the Cross-Border Settlement Infrastructure Forum (CSIF). The CSIF was created under Task Force 4, which is studying improvements to bond market infrastructure. The CSIF membership consists of central banks and national CSDs from participating economies.

* The Committee on Payment and Settlement Systems (CPSS) was renamed as the Committee on Payment and Market Infrastructures (CPMI) on 1 September, 2014.

Major International Activities in Fiscal 2014

May 20-21

- The ACG Cross-Training Seminar was held in Teheran, Iran. As the convener of the Exchange of Information TF, JASDEC supported the host organization, the Central Securities Depository of Iran (CSDI), to manage the event. JASDEC also planned and organized the Exchange of Information TF session and breakout sessions.

- During sessions, JASDEC gave presentations on stock collateral schemes in Japan, and JASDEC's Business Continuity Plan (BCP). Participants in the breakout sessions exchanged views on the promotion of globalization, and crisis management in the event of system failures.



2014.4

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April 4

- Under JASDEC's MOU with KSEI, an Indonesian CSD, a total of 80 KSEI shareholders, including officers from securities companies and banks, visited JASDEC headquarters for discussions centering on governance and an overview of operations.



May 20

- At the 6th Meeting of the WFC in Zurich, Switzerland, JASDEC reported on the progress and status of the Single Disclosure Project, which considers unified and efficient information disclosure methods for the CPSS-IOSCO's PFMI and AGC's questionnaire, and discussed the way forward for it. The meeting also approved the establishment of a new WFC working group for training and information exchange relating to the PFMI.

October 15-16

- JASDEC participated in ACG18 in Xi'an, China. A number of resolutions were passed at the meeting, including the approval of the Indian Clearing Corporation Limited (ICCL), which is a subsidiary CCP of the Bombay Stock Exchange, for ACG membership, the selection of Hong Kong as the venue for the 2017 Conference of CSDs (WFC 2017), and the adoption of the "Xi'an Initiative," the main aims of which are the promotion of best practice by CSDs in the Asia-Pacific region, and the facilitation of cross-border securities transactions.



March 16-19

- JASDEC welcomed participants in the fourth trainee exchange program under its MOU with Korea Securities Depository (KSD). Five employees from KSD took part in seminars designed primarily to provide an overview of JASDEC's business operations.

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September 8-9

- A two-day IT training program was provided for two staff members from the Mongolian CSD, MSCH&CD, with which JASDEC has signed an MOU. The program included an overview of JASDEC's IT systems and covered various aspects, including system replacement, telecommunications standardization, BCP, and information security.

September 28-October 2

- At the 7th WFC Meeting in Boston, U.S.A., there was an exchange of views about a proposal formulated by the Single Disclosure Project Working Group for the creation of a database.
- JASDEC participated in Sibos 2014, which was in Boston on September 29.

November 18

- At the request of Vietnam Securities Depository (VSD), with which JASDEC has signed an MOU, JASDEC welcomed eight visitors, including financial officials, for a seminar covering the DVP settlement system for non-exchange transaction deliveries by JASDEC DVP Clearing Corporation, as well as JASDEC's pre-settlement matching system, and the investment trust system.



ANALYSIS OF BUSINESS PERFORMANCE AND FINANCIAL RESULTS

Fiscal year ended March 31, 2015 (Fiscal 2014)

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

Outline of Financial Results

In the securities market, the Nikkei Stock Average started the fiscal year in the high end of the ¥14,000 range. The situation remained unstable due to a range of factors, including speculation about when the U.S. would start to taper quantitative easing (QE), and prices fell sharply in May 2014. However, the Nikkei subsequently made significant gains, reaching the low end of the ¥17,000 range in November 2014. Reasons for this rise included the accelerated weakening of the yen following the Bank of Japan's announcement of additional monetary easing at the end of October, and the postponement of an increase in the consumption tax rate due to a downturn in the GDP growth rate in the second quarter. The Nikkei continued to climb, and in March 2015 it recovered to the ¥19,000 level for the first time in the 15 years since April 2000. Contributing factors included a recovery in the domestic economy, and an increase in business earnings due to the weakness of the yen.

Under this environment, for the year ended March 31, 2015, JASDEC's operating revenues increased by ¥1,968,427 thousand, or 10.9%, year on year to ¥19,967,287 thousand. Selling, general and administrative expenses were ¥1,748,209 thousand, or 11.7%, higher at ¥16,727,654 thousand, while operating income increased by ¥220,218 thousand, or 7.3%, to ¥3,239,632 thousand. Ordinary income increased by ¥292,822 thousand, or 10.0%, year on year to ¥3,232,482 thousand, and net income by ¥281,578 thousand, or 15.8%, to ¥2,065,670 thousand. Segment information is provided below.

Book-entry Transfer System for Stocks, etc.

In this business segment, the number of issues handled by JASDEC as of March 31, 2015 was 3,884, an increase of 89 issues compared with the total as of March 31, 2014. Account balances included 433.9 billion of shares (2.9 billion higher year on year), ¥163.8 billion of bonds with share options (¥30.4 billion higher year on year), 4,384.05 million units of ETFs and beneficial rights of trusts issuing beneficial certificates, such as JDRs, (974.52 million units higher year on year), 45.56 million units of REITs (8.62 million higher year on year), and 700,000 units of preferred equity investments of financial institutions established by cooperative associations (unchanged year on year). The total number of new registrations, book-entry transfers, obliterations and other transactions processed was 105,903,180, a year-on-year increase of 3,160,482. As a result, revenues from this business segment amounted to ¥17,555,574

thousand, a year-on-year increase of ¥263,494 thousand, or 1.5%. JASDEC refunded ¥3,172,798 thousand of the book-entry transfer commissions and account management fees received, leaving total revenues of ¥14,382,776 thousand, a year-on-year increase of ¥1,313,328 thousand, or 10.0%.

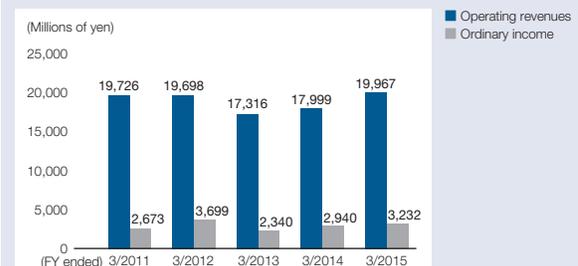
Book-entry Transfer System for Commercial Paper

A total of 498 corporate issuers were using this system as of March 31, 2015, an increase of two over the previous year's total. The account balance was ¥1,607.2 billion higher year on year at ¥14,217.0 billion. The total number of issuance, transfer and redemption transactions increased by 71,286 year on year to 359,858. At ¥479,747 thousand, revenues from this segment exceeded the previous year's result by ¥36,437 thousand, or 8.2%.

Book-entry Transfer System for Corporate Bonds

In this business segment, JASDEC was handling a total of 54,294 issues as of March 31, 2015, a year-on-year decline of 1,301 issues. On a face value basis, the account balance was ¥1,420.6 billion lower year on year at ¥251,779.5 billion. The total number of issuance, transfer and redemption transactions increased by 27,901 to 523,656. As a result, revenues from this business segment declined by ¥16,762 thousand, or 1.4%, year on year to ¥1,221,201 thousand.

Financial Results (consolidated)



Book-entry Transfer System for Investment Trusts

As of March 31, 2015, JASDEC was handling a total of 8,956 issues in this business segment, a year-on-year increase of 1,016. This total consists of 5,412 publicly offered investment trusts and 3,544 privately placed investment trusts. On a principal value basis, the account balance as of March 31, 2015 was ¥17,306.2 billion above the previous year's figure at ¥141,810.8 billion, made up of ¥98,348.4 billion in publicly offered investment trusts and ¥43,462.4 billion in privately placed investment trusts. The number of registrations, obliterations, and transfers in the year ended March 31, 2015 increased by 556,657 year on year to 5,955,686. Revenues for this segment increased by ¥84,564 thousand, or 7.6%, to ¥1,201,462 thousand.

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

The number of NETD DVP settlements in the year ended March 31, 2015 was 4 million higher year on year at 28.17 million. Operating revenues from this segment increased by ¥143,989 thousand, or 15.1%, to ¥1,095,646 thousand. Refunds of NETD DVP settlement fees in the year ended March 2015 amounted to ¥277,000 thousand. This left revenues of ¥818,646 thousand, a year-on-year increase of ¥174,049 thousand, or 27.0%.

Pre-Settlement Matching System

Revenues from this segment increased by ¥253,416 thousand, or 11.2%, to ¥2,523,846 thousand in the year ended March 31, 2015. After payment of fee refunds totaling ¥812,000 thousand, revenues amounted to ¥1,711,846 thousand, a year-on-year increase of ¥353,415 thousand, or 26.0%.

Custody Services for Foreign Stock Certificates, etc.

As of March 31, 2015, the account balance for foreign stock certificates, etc., was 105.96 million shares, an increase of 13.54 million shares over the level a year earlier. The total number of book-entry transfers was 5,261 lower year on year at 108,275. However, because the average month-end account balances in each month were higher than in the previous fiscal year, revenues from this business segment increased by ¥23,394 thousand, or 18.2%, to ¥151,606 thousand.

Financial Results (consolidated)



Financial Results (consolidated)



CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements expressed in Japanese yen are the translation of those issued domestically. The amounts expressed in U.S. dollars are not included in the original audited consolidated financial statements. Such U.S. dollar amounts are presented herein solely for the convenience of readers outside Japan, and are not subject to audit.

Consolidated Balance Sheet (As of March 31, 2015)

	¥ (thousands)		\$1=¥120.17 \$ (thousands)
	2014	2015	2015
ASSETS			
Current Assets:			
Cash and deposits	¥ 6,262,876	¥ 7,416,046	\$ 61,712
Accounts receivable—trade	3,160,922	3,521,010	29,300
Prepaid expenses	126,624	132,534	1,102
Consumption taxes receivable	166,976	—	—
Deferred tax assets	169,855	151,054	1,257
Designated assets for clearing funds	30,819,217	38,949,709	324,121
Others	7,867	4,202	34
Allowance for doubtful accounts	(6,765)	(6,868)	(57)
Total Current Assets	40,707,573	50,167,688	417,472
Non-current Assets:			
Property and Equipment:			
Buildings and accompanying facilities	832,971	845,681	7,037
Accumulated depreciation	(442,192)	(471,276)	(3,921)
Buildings and accompanying facilities, net	390,779	374,404	3,115
Tools and furniture	5,159,436	3,677,415	30,601
Accumulated depreciation	(3,433,798)	(1,963,595)	(16,340)
Tools and furniture, net	1,725,638	1,713,819	14,261
Total Property and Equipment	2,116,417	2,088,224	17,377
Intangible Assets:			
Software	23,203,230	18,596,720	154,753
Software in progress	418,564	1,825,420	15,190
Others	17,577	17,462	145
Total Intangible Assets	23,639,373	20,439,604	170,089
Investment and Other Assets:			
Investment securities	427,474	501,957	4,177
Long-term prepaid expenses	129,805	100,096	832
Deferred tax assets	257,824	255,892	2,129
Long-term refundable lease deposits	497,970	402,737	3,351
Claims provable in bankruptcy, rehabilitation and other	27,747	17,603	146
Others	1,000	1,000	8
Allowance for doubtful accounts	(22,021)	(11,930)	(99)
Total Investment and Other Assets	1,319,801	1,267,358	10,546
Total Non-current Assets	27,075,591	23,795,186	198,012
Total Assets	¥ 67,783,165	¥ 73,962,874	\$ 615,485

CONSOLIDATED FINANCIAL STATEMENTS

	¥ (thousands)		\$ (thousands)
	2014	2015	2015
LIABILITIES			
Current Liabilities:			
Accounts payable—trade	¥ 1,011,031	¥ 895,554	\$ 7,452
Lease obligations	5,880	812	6
Accounts payable—other	72,360	248,983	2,071
Consumption taxes payable	9,856	759,343	6,318
Income taxes payable	572,372	732,686	6,097
Allowance for employees' bonuses	209,106	238,456	1,984
Allowance for executives' bonuses	23,000	22,000	183
Deposits received for clearing funds	30,819,217	38,949,709	324,121
Allowance for asset removal	84,083	—	—
Others	70,186	75,365	627
Total Current Liabilities	32,877,095	41,922,911	348,863
Non-current Liabilities:			
Long-term loans payable	9,400,000	5,000,000	41,607
Lease obligations	812	—	—
Liability for retirement benefits	510,867	582,597	4,848
Allowance for executives' retirement benefits	30,000	—	—
Long-term guarantee deposits received	62,694	—	—
Total Non-current Liabilities	10,004,375	5,582,597	46,455
Total Liabilities	42,881,470	47,505,509	395,319
NET ASSETS			
Shareholders' Equity:			
Common stock	4,250,000	4,250,000	35,366
Capital surplus	4,250,000	4,250,000	35,366
Retained earnings	16,401,694	17,957,365	149,433
Total Shareholders' Equity	24,901,694	26,457,365	220,166
Total Net Assets	24,901,694	26,457,365	220,166
Total Liabilities and Net Assets	¥ 67,783,165	¥ 73,962,874	\$ 615,485

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Income and Comprehensive Income (For the year ended March 31, 2015)

	¥ (thousands)		\$ (thousands)
	2014	2015	2015
Operating Revenue	¥ 17,998,860	¥ 19,967,287	\$ 166,158
Operating Expenses:			
Executives' compensation	196,952	190,854	1,588
Salaries	1,657,727	2,027,032	16,868
Allowance for employees' bonuses	209,106	238,456	1,984
Allowance for executives' bonuses	21,800	22,000	183
Retirement benefit expenses	127,053	136,157	1,133
Maintenance of systems	5,440,639	5,983,330	49,790
Depreciation and amortization	4,877,326	5,834,273	48,550
Rent	552,123	552,926	4,601
Allowance for asset removal	30,666	—	—
Others	1,866,049	1,742,622	14,501
Total Operating Expenses	14,979,445	16,727,654	139,199
Operating Income	3,019,414	3,239,632	26,958
Non-operating Income:			
Interest income	5	4	0
Operational revenue on designated assets for clearing funds	9,294	5,977	49
Equity in earnings of an affiliate	2,036	88,163	733
Registered members' information disclosure claim charges	11,920	18,930	157
Others	11,178	11,165	92
Total Non-operating Income	34,435	124,240	1,033
Non-operating Expenses:			
Interest expenses	57,872	77,803	647
Commitment fees	48,205	44,999	374
Fees for fund operation of designated assets for clearing fund	7,580	7,889	65
Others	530	697	5
Total Non-operating Expenses	114,189	131,390	1,093
Ordinary Income	2,939,660	3,232,482	26,899
Extraordinary Losses:			
Loss on disposal of non-current assets	2,350	—	—
Total Extraordinary Losses	2,350	—	—
Income before Income Taxes and Minority Interests	2,937,310	3,232,482	26,899
Income taxes—current	926,346	1,146,079	9,537
Income taxes—deferred	226,871	20,732	172
Total Income Taxes	1,153,217	1,166,812	9,709
Income before Minority Interests	1,784,092	2,065,670	17,189
Net Income	1,784,092	2,065,670	17,189
Income before Minority Interests	1,784,092	2,065,670	17,189
Comprehensive Income	¥ 1,784,092	¥ 2,065,670	\$ 17,189
(Details of Comprehensive Income)			
Comprehensive income attributable to shareholders of the parent company	¥ 1,784,092	¥ 2,065,670	\$ 17,189
Comprehensive income attributable to minority interests	—	—	—

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Changes in Net Assets (For the year ended March 31, 2015)

For the year ended March 31, 2014

¥ (thousands)

	Shareholders' Equity				Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity	
Balance at the beginning of period	¥ 4,250,000	¥ 4,250,000	¥ 14,957,602	¥ 23,457,602	¥ 23,457,602
Change during the period:					
Dividends from surplus	—	—	(340,000)	(340,000)	(340,000)
Net income	—	—	1,784,092	1,784,092	1,784,092
Total change during the period	—	—	1,444,092	1,444,092	1,444,092
Balance at the end of period	¥ 4,250,000	¥ 4,250,000	¥ 16,401,694	¥ 24,901,694	¥ 24,901,694

For the year ended March 31, 2015

¥ (thousands)

	Shareholders' Equity				Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity	
Balance at the beginning of period	¥ 4,250,000	¥ 4,250,000	¥ 16,401,694	¥ 24,901,694	¥ 24,901,694
Change during the period:					
Dividends from surplus	—	—	(510,000)	(510,000)	(510,000)
Net income	—	—	2,065,670	2,065,670	2,065,670
Total change during the period	—	—	1,555,670	1,555,670	1,555,670
Balance at the end of period	¥ 4,250,000	¥ 4,250,000	¥ 17,957,365	¥ 26,457,365	¥ 26,457,365

\$ (thousands)

	Shareholders' Equity				Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity	
Balance at the beginning of period	\$ 35,366	\$ 35,366	\$ 136,487	\$ 207,220	\$ 207,220
Change during the period:					
Dividends from surplus	—	—	(4,243)	(4,243)	(4,243)
Net income	—	—	17,189	17,189	17,189
Total change during the period	—	—	12,945	12,945	12,945
Balance at the end of period	\$ 35,366	\$ 35,366	\$ 149,433	\$ 220,166	\$ 220,166

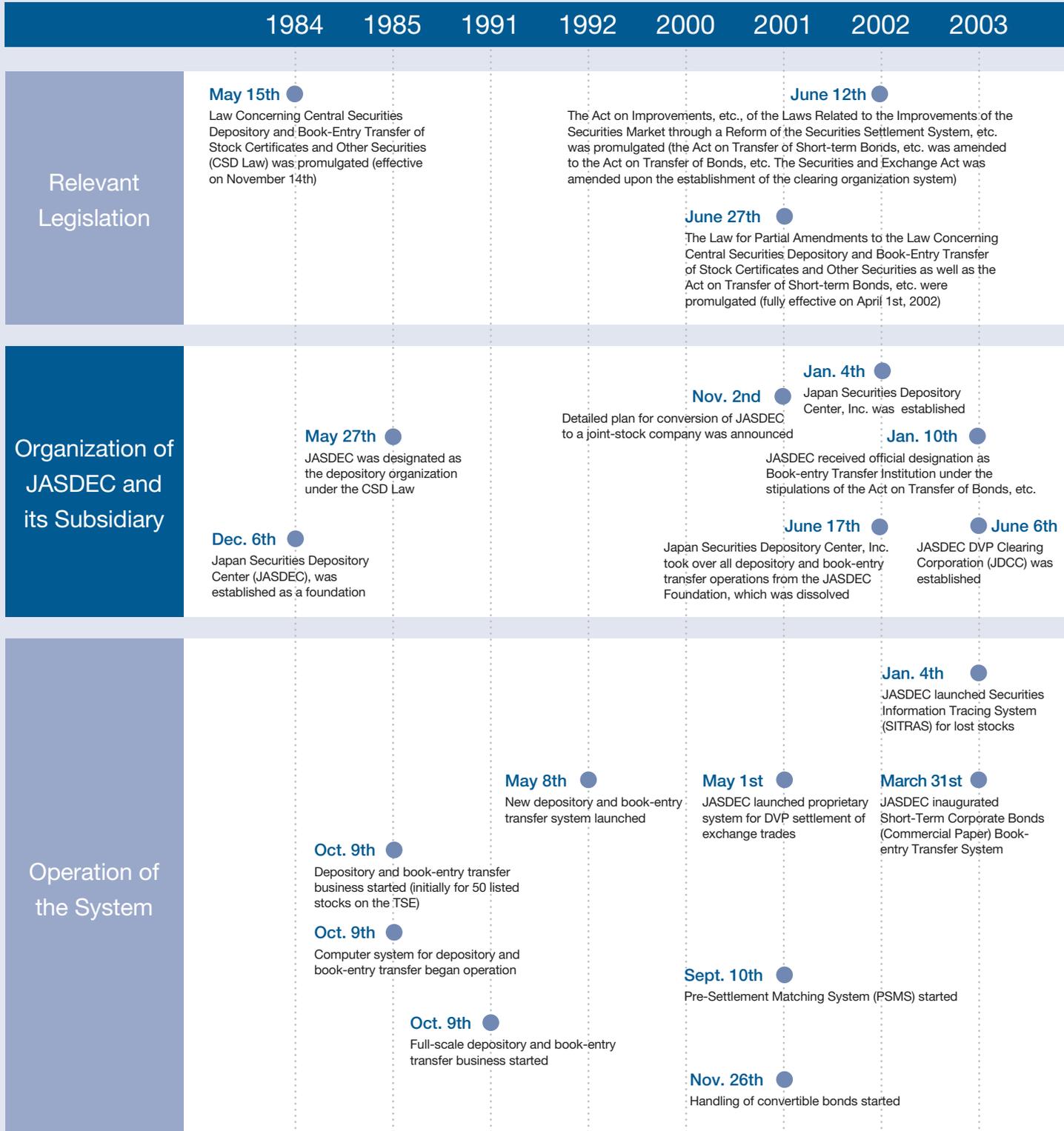
Consolidated Statement of Cash Flows (For the year ended March 31, 2015)

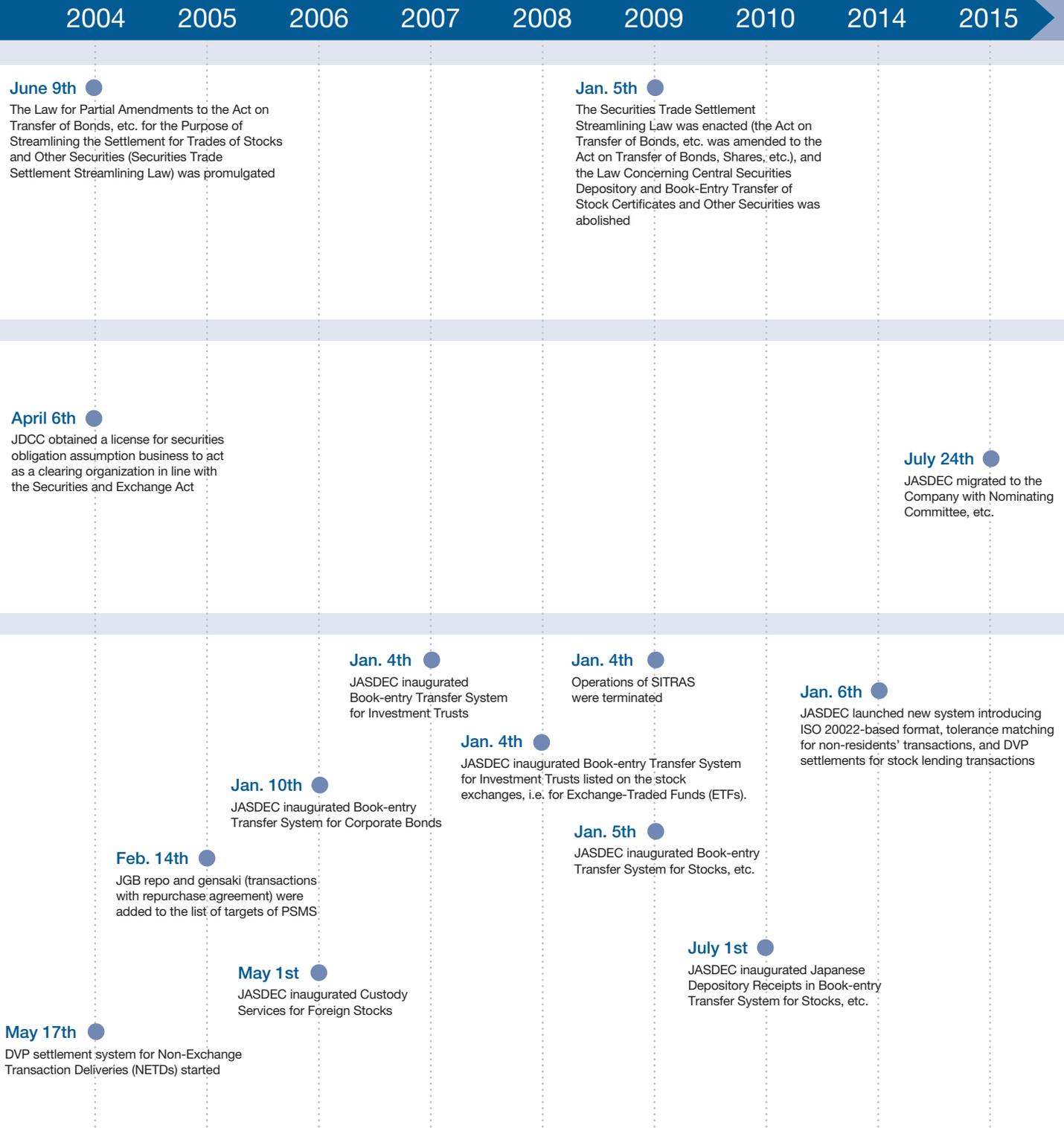
	¥ (thousands)		\$ (thousands)
	2014	2015	2015
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 2,937,310	¥ 3,232,482	\$ 26,899
Depreciation and amortization	4,877,326	5,834,273	48,550
(Decrease) increase in allowance for doubtful accounts	(4,298)	(9,988)	(83)
Increase (decrease) in allowance for employees' bonuses	(10,191)	29,350	244
(Decrease) increase in allowance for executives' bonuses	1,200	(1,000)	(8)
(Decrease) increase in allowance for employees' retirement benefits	(442,447)	—	—
(Decrease) increase in allowance for executives' retirement benefits	—	(30,000)	(249)
(Decrease) increase in allowance for asset removal	(40,501)	(84,083)	(699)
Increase (decrease) in liability for retirement benefits	510,867	71,729	596
Interest income	(5)	(4)	0
Interest expenses	57,872	77,803	647
Equity in (earnings) loss of affiliates	(2,036)	(88,163)	(733)
Foreign exchange (gains) losses	(1,588)	(1,028)	(8)
Loss on disposal of property and equipment	2,156	—	—
Loss on disposal of intangible assets	193	—	—
(Increase) decrease in accounts receivable—trade	(9,753)	(349,943)	(2,912)
(Decrease) increase in accounts payable—trade	145,719	(115,476)	(960)
Decrease/increase in consumption taxes receivable/payable	82,931	916,463	7,626
Others	4,685	(11,593)	(96)
Sub-total	8,109,440	9,470,821	78,811
Interest and dividends received	2,805	13,684	113
Interest paid	(57,872)	(77,803)	(647)
Income taxes paid	(567,912)	(988,646)	(8,227)
Net Cash Provided by Operating Activities	7,486,460	8,418,055	70,051
Cash Flows from Investing Activities:			
Payments for purchase of property and equipment	(191,579)	(693,285)	(5,769)
Payments for purchase of intangible assets	(13,512,223)	(1,694,749)	(14,102)
Proceeds from refund of refundable lease deposits	100	100,696	837
Payments for refund of guarantee deposits received	(4,426)	(62,694)	(521)
Net Cash Used in Investing Activities	(13,708,129)	(2,350,033)	(19,555)
Cash Flows from Financing Activities:			
Proceeds from long-term loans payable	7,400,000	—	—
Repayment of long-term loans payable	—	(4,400,000)	(36,614)
Repayment of lease obligations	(10,462)	(5,880)	(48)
Cash dividends paid	(340,000)	(510,000)	(4,243)
Net Cash Used in Financing Activities	7,049,537	(4,915,880)	(40,907)
Effect of exchange rate changes on cash and cash equivalents	1,588	1,028	8
Increase (Decrease) in Cash and Cash Equivalents	829,457	1,153,169	9,596
Cash and Cash Equivalents, Beginning of Year	5,433,419	6,262,876	52,116
Cash and Cash Equivalents, End of Year	¥ 6,262,876	¥ 7,416,046	\$ 61,712

Corporate Information



HISTORY





CORPORATE DATA

(As of July 24, 2015)

Company Outline

Corporate Name	Japan Securities Depository Center, Incorporated
Registered Office Address	1-1 Nihombashi-Kayaba-cho, 2-chome, Chuo-ku, Tokyo, Japan
Established	January 4, 2002
Representative	President and CEO Haruhiko Kato
Major Businesses	(1) Book-entry transfer for stocks, etc. (2) Book-entry transfer for commercial paper (3) Book-entry transfer for corporate bonds (4) Book-entry transfer for investment trusts (5) DVP settlement services for NETDs (6) Pre-settlement matching system (7) Custody services for foreign stocks, etc. (8) Other businesses
Operational Office	Chuo-ku, Tokyo
Consolidated Subsidiary	JASDEC DVP Clearing Corporation (Chuo-ku, Tokyo)
Number of Employees	222

Board Members and Executive Officers

Members of the Board

Member

Haruhiko Kato

Member

Munetaka Saito

Outside Member

Mamoru Kamio

Outside Member

Moriyuki Iwanaga

Senior Executive Officer,
Japan Exchange Group, Inc.
Senior Executive Officer,
Tokyo Stock Exchange, Inc.

Outside Member

Masakazu Kubota

Director General,
KEIDANREN (Japan Business
Federation)

Outside Member

Kazuya Kobayashi

Managing Executive Officer,
Mizuho Financial Group, Inc.
Managing Executive Officer,
Mizuho Bank, Ltd.

Outside Member

Masayuki Shimura

Senior Managing Director,
Sumitomo Mitsui Financial Group, Inc.
Senior Managing Director,
Sumitomo Mitsui Banking Corporation

Outside Member

Masahisa Nakagawa

Executive Managing Director,
Daiwa Securities Group Inc.
Executive Managing Director,
Daiwa Securities Co. Ltd.

Outside Member

Hideki Hiraki

Senior Managing Executive Officer,
Sumitomo Mitsui Trust Bank, Limited

Outside Member

Koichi Hirata

Senior Executive Director,
Japan Securities Dealers Association

Outside Member

Shigeyuki Maeda

Lawyer

Outside Member

Hisato Miyashita

Senior Managing Director,
Nomura Holdings, Inc.
Representative Executive Officer,
Senior Corporate Managing Director,
Nomura Securities Co., Ltd.

Outside Member

Satoshi Murabayashi

Managing Executive Officer,
Mitsubishi UFJ Financial Group, Inc.
Senior Managing Director,
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Board Committee Members

Nominating

Haruhiko Kato

Moriyuki Iwanaga

Koichi Hirata

Compensation

Masakazu Kubota

Hisato Miyashita

Satoshi Murabayashi

Audit

Mamoru Kamio (Full-time)

Masayuki Shimura

Shigeyuki Maeda

Executive Officers

Representative Executive Officer,
President and CEO

Haruhiko Kato

Senior Executive Officer
(Business Operations)

Munetaka Saito

Senior Executive Officer
(Corporate Administration), CRO

Hideki Kono

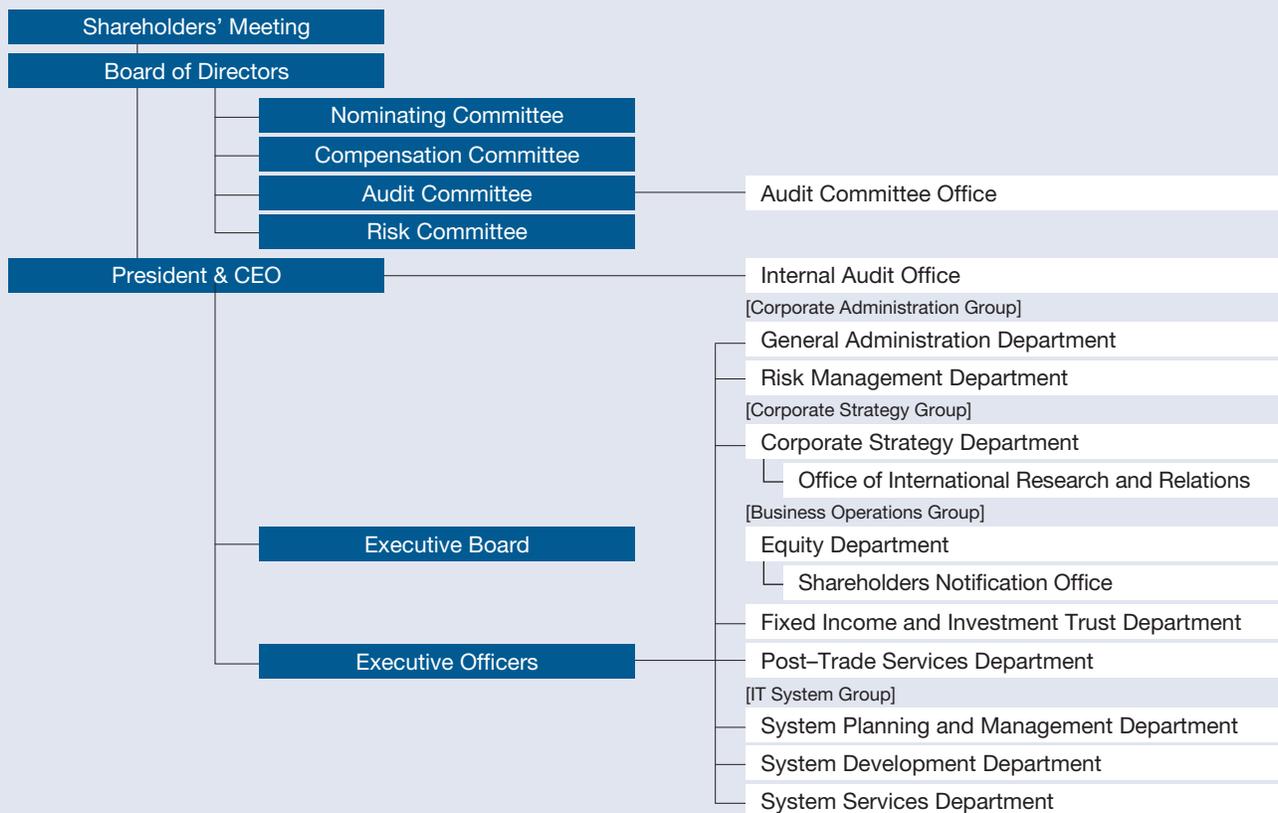
Senior Executive Officer
(Corporate Strategy)

Jun Sugie

Senior Executive Officer
(IT System), CIO

Yoshinori Suzuki

Organization Structure



Major Shareholders

	Number of shares held	Stake in Company (%)
Japan Exchange Group, Inc.	2,073	24.38
Japan Securities Dealers Association	1,067	12.55
Nomura Holdings, Inc.	485	5.70
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	425	5.00
Mizuho Bank, Ltd.	425	5.00
Mitsubishi UFJ Trust and Banking Corporation	424	4.98
Daiwa Securities Co. Ltd.	360	4.23
Trust & Custody Services Bank, Ltd.	340	4.00
Citigroup Global Markets Japan Inc.	321	3.77
Japan Trustee Services Bank, Ltd.	320	3.76

Shares

Total shares approved for issue	20,000
Total issued shares	8,500
Paid-in capital	¥4,250,000,000
Shareholders	127

Japan Securities Depository Center, Inc.

Daini-Shoken Kaikan Bldg., 1-1, Nihombashi-Kayaba-cho 2-chome, Chuo-ku, Tokyo 103-0025, JAPAN

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