

JASDEC

ANNUAL REPORT

2016



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Essential Infrastructure for Capital Markets

AT A GLANCE

	FY 2014		FY 2015
<u>Total Account Balance</u>	<u>¥ 997 trillion</u>	> > >	<u>¥ 982 trillion</u>
<u>Number of Issues Handled</u>	<u>70,890</u>	> > >	<u>71,292</u>
<u>Number of Transactions</u>	<u>111.1 million</u>	> > >	<u>118.3 million</u>
<u>Number of Transactions per day</u>	<u>452 thousand</u>	> > >	<u>483 thousand</u>



Top Message

Haruhiko Kato, President & CEO



In playing the role of an important foundation for the financial and capital market as a central securities depository (CSD), JASDEC strives to conduct stable operations of its systems and services, and to provide a reliable, convenient and efficient settlement infrastructure so as to contribute to the vitalization of Japan's financial and capital markets and enhance international competitiveness.

We made a changeover to a company with nominating committee, etc. to enhance corporate governance and the transparency of management. In addition, JASDEC conducts continuous reforms from the perspectives of users including investors, issuers and intermediaries, and addresses the following challenges:



Contribution to Development of Japan's Financial and Capital Markets and Reinforcement of Robust and Efficient Operation

1 | Contribution to the revitalization of Japan's financial and capital markets

With reference to reports such as the Japan Revitalization Strategy (Revised 2015) issued by the government and the report of the Council for Tokyo Global Financial Center promotional activities jointly held by JSDA, JPX, JITA and JIAA^{*1}, we will contribute to efforts such as shortening the settlement cycle for Japanese government bonds and shares, and expanding services of CSD and clearing house, etc. to improve market convenience and vitality, and to establish Tokyo as a global financial center.

3 | Conducting research and international activities that contributes to operation

We will conduct research, analysis and information collection pertaining to the medium- and long-term business prospects of the JASDEC Group. We will also conduct research on the latest trends in global settlement services through cooperative relationships with foreign CSDs and activities at international organizations such as ACG, WFC, ABMF, ISO/TC68 ISO20022 Securities SEG, SMPG, APAC RMPG^{*2}.

2 | Further reinforcement of stability and efficiency of operation

We will achieve further stability and efficiency of operations through a strong grasp of factors including domestic and global trends around the JASDEC Group, future vision of securities settlement structure and services, and the needs of users. We will also review and reinforce current operations, and optimize and standardize operations in a cross-sectional manner across the group.

^{*1}
JSDA : Japan Securities Dealers Association
JPX : Japan Exchange Group
JITA : Investment Trusts Association, Japan
JIAA : Japan Investment Advisers Association

^{*2}
ACG : Asia-Pacific Central Securities Depository Group
WFC : The World Forum of CSDs
ABMF : ASEAN+3 Bond Market Forum
SEG : Standards Evaluation Group
SMPG : Securities Market Practice Group
APAC RMPG : The Asia-Pacific Regional Market Practice Group



Top Message

2

Further Strengthening of Administrative Structure

1 | Strengthening of risk management

We will ensure robust safety and security necessary for the financial market infrastructure by strengthening management of risks such as operational risks, information system risk; and, in particular, risks related to service stability and efficiency, business risks and financial risks. In addition, we will improve the dual-site operation scheme commenced in February 2016 and enhance simulation exercises of the Business Continuity Plan in case of a disaster.

2 | Strengthening of human resource development

We will review general human resources-related systems to develop vibrant organization. In addition, we will develop diverse human resources through temporary transfer of staff to other financial market infrastructures and financial institutions, and interaction with overseas CSDs.

3 | Enhancement of financial base

Recognizing JASDEC's public role as a financial market infrastructure, we seek to reduce costs in order to provide efficient services. In addition, we will further enhance financial foundation not only by ensuring financial soundness and stability, but also by increasing internal reserves in line with strategic objectives.

We position IT as a “key element of administration” and work across the group to focus on structure and operations of high quality settlement system.

1 Securing Settlement Infrastructure Stability

We fully utilize rapidly advancing IT to ensure stable business operation and provide a dependable, efficient and secure infrastructure that is resilient to changes in the environment. In addition, we achieve effective use of resources as well as a reduction in costs.

2 Improving Settlement Services

We swiftly respond to changing environments and the diversifying needs of customers, and improve settlement services to promote active market participation of domestic and global issuers and investors.

3 Strengthen IT

We seek to improve IT skills and strengthen IT engagement as a key provider of settlement services. By achieving this, JASDEC takes the initiative on structuring and operating systems that provides services with high customer satisfaction.

Through the initiatives above, we are determined to operate and provide systems and services in a stable manner. Always keeping the best practice of global settlement system in mind, we also improve and strengthen our operations to provide internationally recognized functions. We commit ourselves to satisfying the trust and expectations of our users.

Haruhiko Kato, President & CEO

Disclosure Based on Principles for Financial Market Infrastructures (PFMI)

In accordance with the annex "Principles for financial market infrastructures: Disclosure Frameworks and Assessment Methodology" to Principles for Financial Market Infrastructures (PFMI) published by the Committee on Payment and Settlement Systems of the Bank for International Settlements (BIS/CPSS) and the International

Organization of Securities Commissions (IOSCO), JASDEC assesses and discloses its status to the public.

Note:

The Committee on Payment and Settlement Systems (CPSS) changed its name to the Committee on Payments and Market Infrastructures (CPMI) in September 2014.

The PFMI specifies international standards to be applied to systemically important payment systems, central securities depositories (CSD), securities settlement systems (SSS), central counterparties (CCP) and trade repositories (TR), with the aim of nurturing more robust financial market infrastructures.

Given that JASDEC — as a CSD and SSS for securities such as Japanese listed shares, CP,

corporate bonds, municipal bonds and investment trusts — is expected to conduct its operation in accordance with the PFMI, we consider all areas that need to be improved, including frameworks for governance and risk management, and take necessary actions to comply with all the principles applied to us.

Please refer to the following URL regarding our disclosures based on the PFMI;

<http://www.jasdec.com/en/about/office/disclosure.html>

As a CCP for non-exchange transaction deliveries (NETDs), JASDEC's wholly owned subsidiary — JASDEC DVP Clearing Corporation (JDCC) — assesses and discloses its status to the public based

on the "Principles for Financial Market Infrastructures: Disclosure Framework and Assessment Methodology" and the "Public Quantitative Disclosure Standards for Central Counterparties".

Please refer to the following URL regarding JDCC's disclosures based on the PFMI;

<http://www.jasdec.com/en/about/office/dvp/rss/index.html>

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 belonging to 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 that affect financial

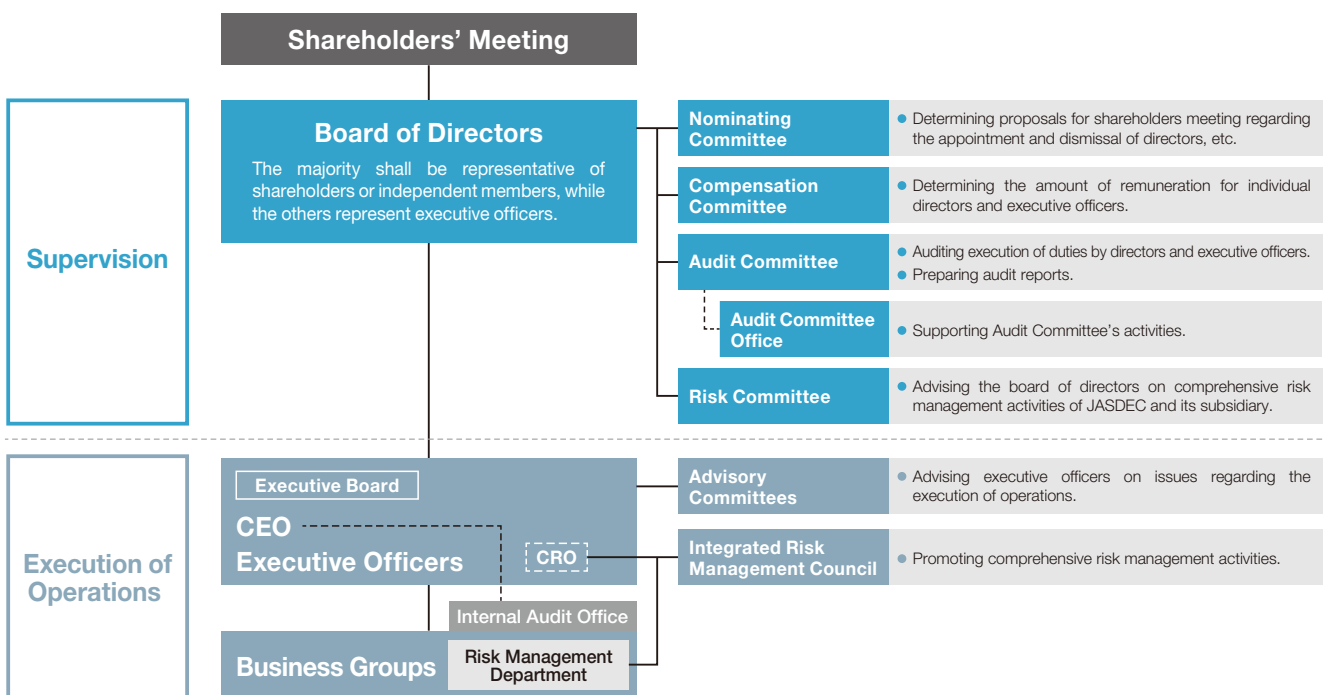
and capital markets in Japan and overseas, through a governance structure that is centered on our participant shareholders, and through frameworks that fully reflect participants' needs. By establishing Advisory Committees comprised of stakeholders — especially participants, we ensure that the views 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 outside 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 delegates 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 the committees, executive officers, and representative executive officers. It also supervises executive officers 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 the majority of the Board of Directors are outside 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.

Outside directors who are participant shareholders are, in principle, appointed from among major shareholders based on the frequency with which they use our systems.

In accordance with this policy, the Board of Directors consists of eight outside directors chosen from among participant shareholders, three independent directors and two directors who concurrently serve as executive officers.

● Audit Committee

The Audit Committee audits and reports on the performance of duties by directors and 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 for executive officers and directors. The committee also decides on the individual remuneration awarded to executive officers and directors.

● Risk Committee

The majority of the members of the Risk Committee are individuals who are not involved in operational executive functions within the JASDEC Group. The Risk Committee advises and supports the Board of Directors with respect to 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 being 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 JASDEC Group as a provider of settlement infrastructure. Fundamental approach on risk management is outlined below.

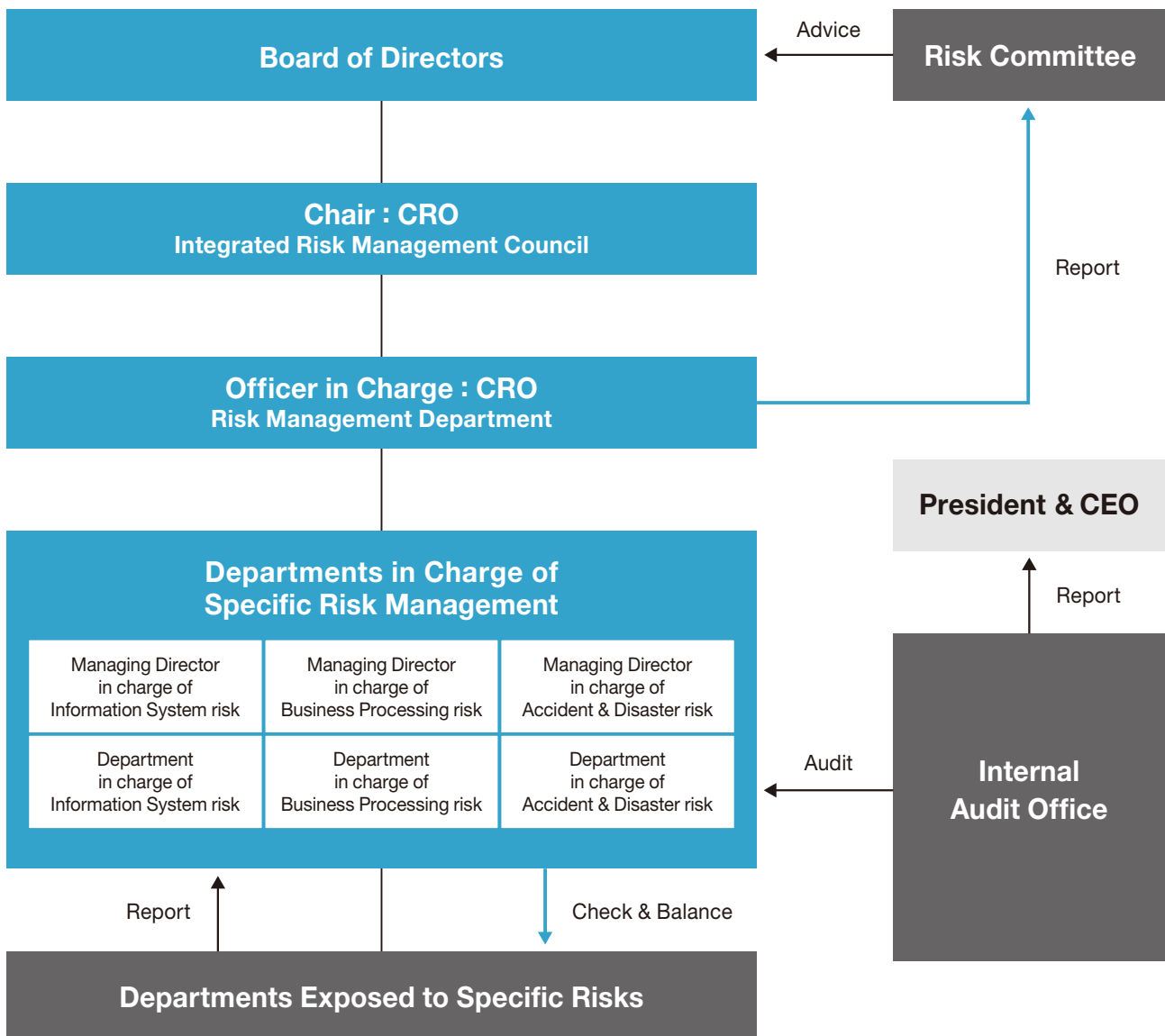
Fundamental Approach to Risk Management

Framework	I	JASDEC Group emphasizes the importance of risk management, and strives to instill awareness of this need in each department and office.
	II	JASDEC Group, in order to ensure sound management of operations, takes comprehensive measures to manage each risk category, 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 assess risks, and will implement countermeasures to the risk 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 the 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.

We have established a Risk Committee where more than half of the members do not engage in any operation of the Group. We also have established the Integrated Risk Management Council, which consists of the officers of the Group and the heads of departments, under the chairmanship of the Chief Risk Officer (CRO). In addition, JASDEC has

assigned departments to manage each risk category to monitor and manage each specific risk under the overall supervision of the Risk Management Department. By creating these organizations, we built a structure capable of providing comprehensive risk management for the JASDEC Group.

Functional Framework of Risk Management



Business Continuity Plan of JASDEC

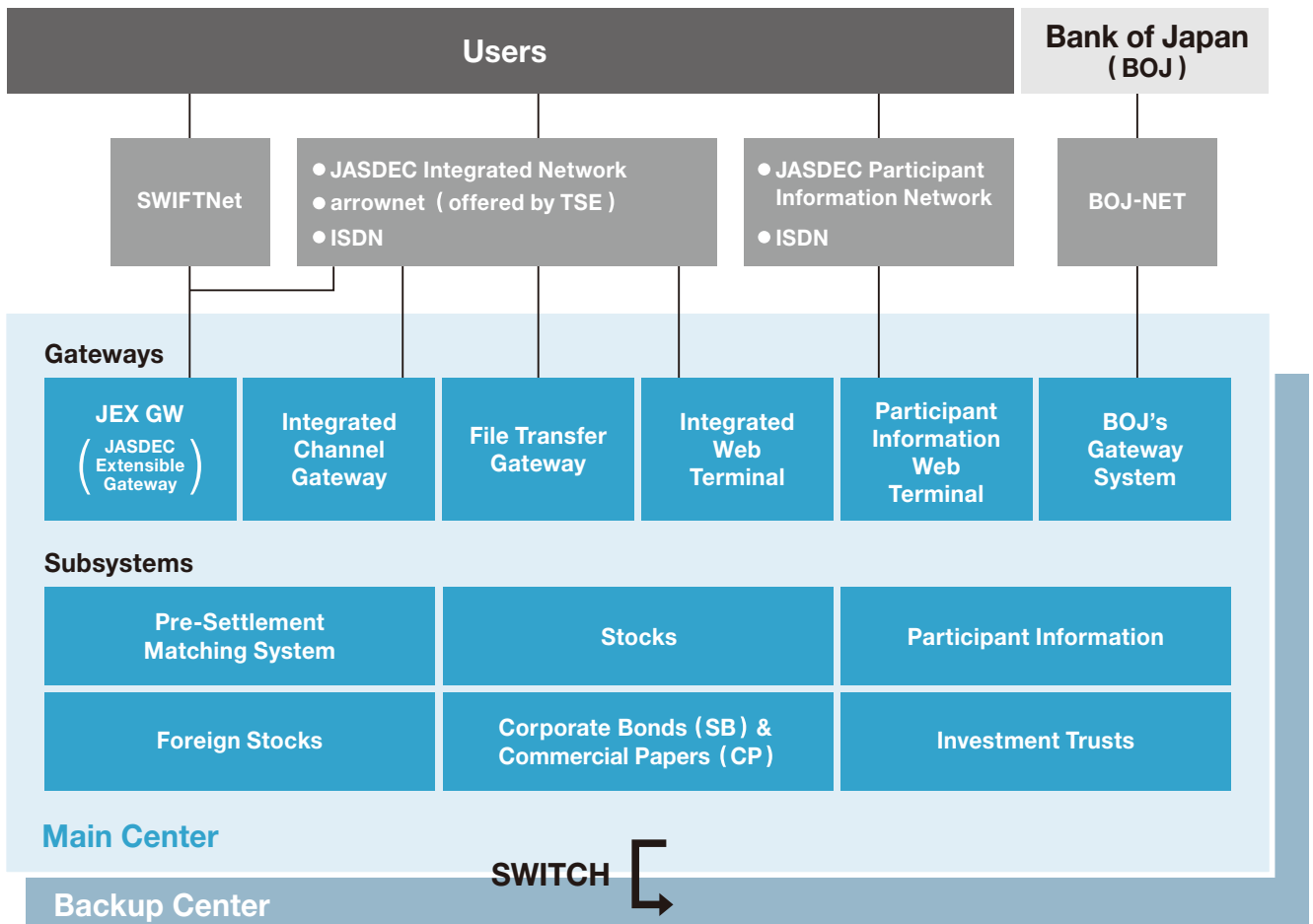
Our Approach

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 FY 2015

In FY 2015, we took the following steps to reinforce our business continuity plan (BCP).

● 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 damaging effects of disasters, including in-house rescue training seminars by invited outside experts.

We also carried out training exercises with market participants, such as data center switching drills with system users, and participated in a joint BCP exercise among three markets (securities market, money market, and forex market), which was conducted industry-wide.

● Establishment of Osaka Office

In order to prevent the entire JASDEC organization from being affected at the same time by a wide-area disaster, we established the Osaka Office as an alternative office in February 2016. We constructed an operating structure based on a dual site by assigning staff to the Osaka Office even in normal times.

Social Contribution Activities

As well as contributing to the economy through our daily business activities, we engage in 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

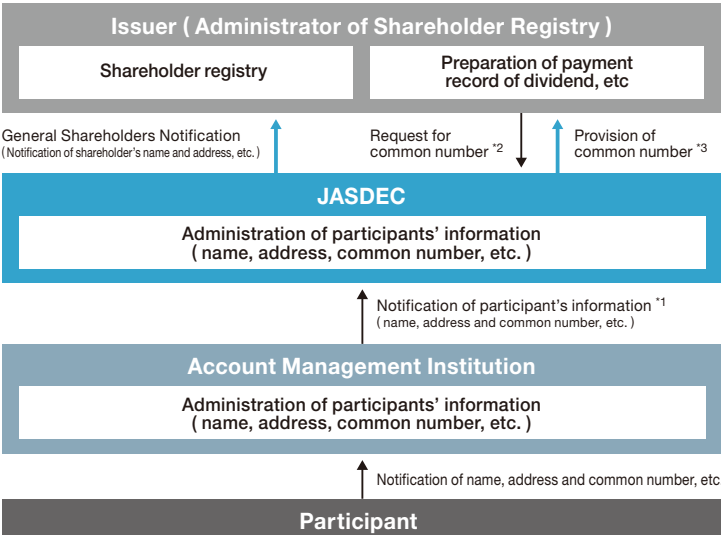
Response to the Social Security and Tax Number System

Under the “Act on the Use of Numbers to Identify Specific Individuals in the Administrative Procedure,” a 12-digit individual number and 13-digit corporate number, respectively, were assigned to each individual living in Japan and company beginning in October 2015. Effective as of January 2016, the Social Security and Tax Number System (My Number System) in which these numbers (hereinafter collectively referred to

as “common number”) are utilized in the administrative procedures of social security and tax system started operation. In order to respond to this system, JASDEC has implemented the required arrangements for Book-entry Transfer System for Stocks, etc. and Custody Services for Foreign Stock Certificates, etc., to handle the common number.

Responses under the Framework of Book-Entry Transfer System for Stocks, etc.

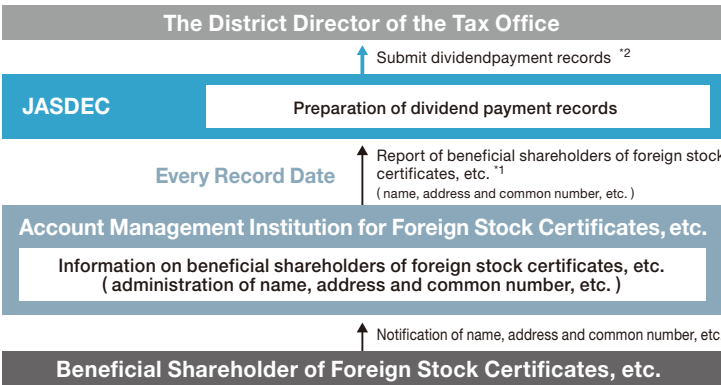
In accordance with installation of the Social Security and Tax Number System, taxation requires that a common number, in addition to name, address and other personal information of the shareholder, be included in the payment records of dividend. However, it is difficult for the issuers of listed stocks to be notified of the common number from their shareholders each time a dividend is paid. Given the fact that the shareholder’s name, address, etc. have been already provided to the issuers from Account Management Institutions (AMIs) through JASDEC using the Book-entry Transfer System for Stocks, etc., it was decided that the common number be provided to issuers in the same flow — from AMIs through JASDEC using the Book-entry Transfer System for Stocks, etc. — under relevant laws and regulations.



¹ When receiving common number along with name and address from its participant, AMI notifies that to JASDEC in conjunction with the notification of participants' information.
² An issuer requests JASDEC to provide the common number of the shareholder for whom an issuer prepares the payment record of dividend, etc.
³ JASDEC provides the issuer with the requested shareholder's common number on the condition that the common number has been provided to JASDEC by AMI.

Responses under the Framework of Custody Services for Foreign Stock Certificates, etc.

JASDEC has the obligation to submit the dividend payment records, etc. for foreign stock certificates, etc. that includes the common number with the district director of the tax office under Income Tax Act; to fulfill its obligation, the common number needs to be provided to JASDEC from AMIs. Therefore, by utilizing the reporting system of AMIs to provide their beneficial shareholders' information of foreign stock certificates, etc. to JASDEC, the provision of the common number to JASDEC was allowed under the relevant laws and regulations.



¹ An account management institution for foreign stock certificates, etc. provides JASDEC with a common number on the report of the beneficial shareholders of the foreign stock certificates, etc. every time record date arrives.
² JASDEC submits the dividend payment records, etc. which includes the common number to The District Director of the Tax Office.

Response to Integration of Taxation on Financial Income

Since the laws and regulations related to a review of the bond tax system (integration of taxation on financial income) have been enforced pursuant to the provisions of the Act on the Partial Revision of Income Tax Act and Other Acts (Act No. 5 of 2013), JASDEC has put in place and executed necessary measures to review the classified account structure since January 2016.

Under the tax system reform, expansion of the profit / loss offset scope between financial products, and changes in the taxation method for interest income on bonds, and withholding

tax agent were incorporated for the purpose of introducing integration of taxation on financial income.

Following these revisions, JASDEC considered how to best address the matter and put in place necessary measures for the Book-entry Transfer System for Stocks, etc. (corporate bonds with share options) and the Book-entry Transfer System for Corporate Bonds, including system development and revision of the Business Regulations. Below is a summary of the measures taken:

Review of the Classified Account Structure

Under the tax system reform, a withholding tax agent is changed from an issuer to an Account Management Institution (AMI) by satisfying certain requirements and proportionate taxation on interests on bonds according to the holding period is abolished. Therefore, classified accounts management according to the taxation characteristics of investors (e.g. classify an account to apply the tax exemption system for non-residents) has been made unnecessary. Based on these revisions, JASDEC has reviewed the classified account structure (including integration of a non-resident, etc. account into a customer account in the Book-entry Transfer System for Corporate Bonds and the abolishment of taxation classification in a customer account).

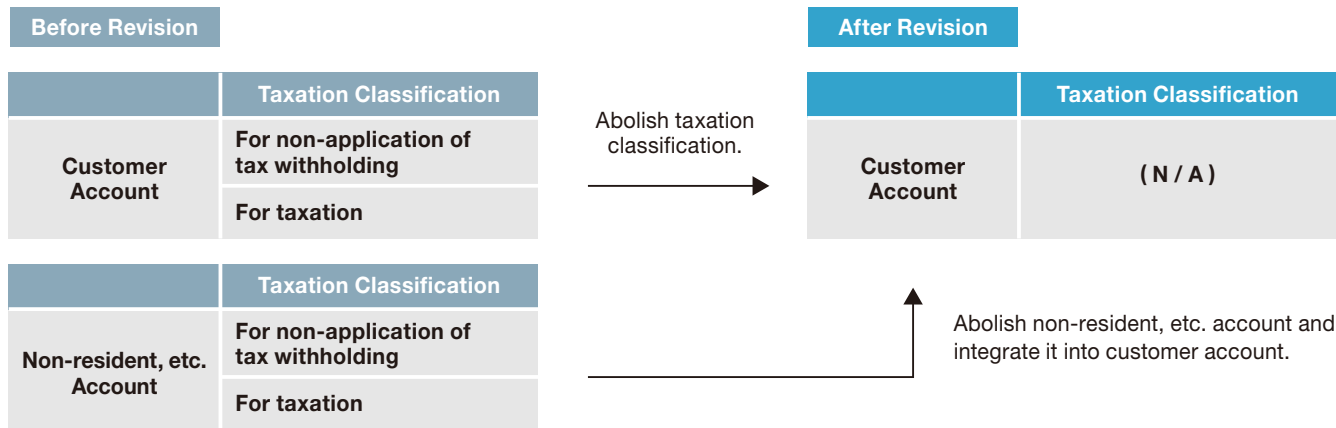
Abolishment of Restriction on Transfer between Taxation Classifications

Necessary revisions were made to abolish restrictions on transfer from account for taxation to account for non-application of tax withholding.

Review of Handling Declaration of Taxation Information

Necessary revisions were made to items in the declaration of taxation information made by JASDEC participants to a paying agent of issuer under the Book-entry Transfer System (e.g. tax category).

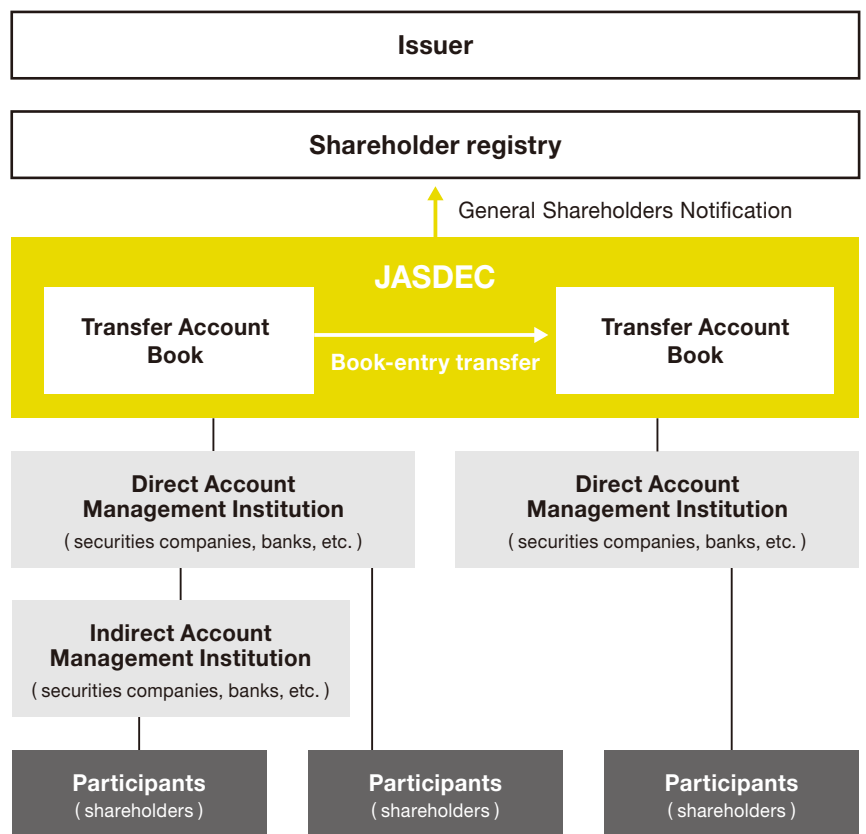
Summary of Review of Customer Account in Book-entry Transfer System for Corporate Bonds



01

Book-Entry Transfer System for Stocks, etc.

The Book-entry Transfer System for Stocks, etc.



Products / Services

Transfer and rights handling related to the following products:

- Listed shares
- Listed bonds with share options
- Listed share options
- Investment Units of listed Real Estate Investment Trust (REIT)
- Listed investment equity subscription rights
- Preferred Equity Investments by listed Cooperative Financial Institution
- Exchange Traded Funds (ETF)
- Listed Beneficial Interest in a trust issuing a beneficiary certificate (such as JDR)
- Qualifying Unlisted stocks
- Qualifying Unlisted bonds with share options
- Qualifying Unlisted share options

JASDEC launched its Book-entry Transfer System for Stocks, etc., under the Act on Book-entry of Company Bonds and Shares (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 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 issuers 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 the name, address and other information on shareholders from AMIs.

JASDEC Participants and Indirect AMIs

(as of March 31, 2016)



JASDEC participants by category

■ Securities companies, etc.	140 (80%)
■ Banks, etc.	20 (11%)
■ Life & non-life insurance companies	1 (1%)
■ Securities finance companies	2 (1%)
■ Stock exchanges, etc.	11 (6%)



Indirect AMIs by category

■ Foreign indirect AMIs	63 (55%)
■ Securities companies, etc.	35 (31%)
■ Banks, etc.	16 (14%)

Note:

“Banks, etc.”

include The Norinchukin Bank, Tokyo Shoken Shinyou Kumiai, and Japanese Banks' Payment Clearing Network.

“Stock exchanges, etc.”

include Japan Securities Clearing Corporation, JASDEC DVP Clearing Corporation, three securities agents and three Tanshi companies (which offer short-term credit brokerage services)

01

Book-Entry Transfer System for Stocks, etc.

Usage in FY 2015

JASDEC deals with dematerialized forms of securities such as shares, bonds with share options, share options, investment units of REITs, investment equity subscription rights, preferred equity investments by cooperative financial institution, ETFs, and beneficial interest in a trust issuing a beneficiary certificate such as JDRs.

As of March 2016, the total number of issues handled was 3,936, including 3,640 share issues, 30 bonds with share options, 10 share options, 54 investment units, 1 preferred

share issue, 146 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 380. Foreign institutions designated by the relevant minister are also allowed to participate in the System as AMIs. As of March 2016, 63 foreign financial institutions are indirect AMIs.

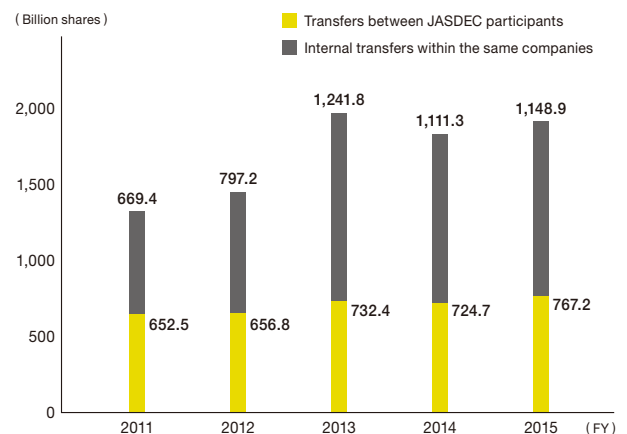
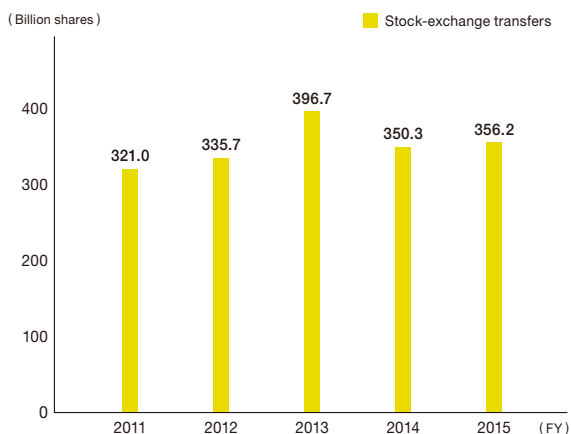
Initiatives Taken in FY 2015

Shortening stock settlement cycle is under discussion at the “Working Group on Shortening Stock Settlement Cycle” hosted by Japan Securities Dealers Association (JSDA). JASDEC participates in the discussion as the key secretariat of the Customer-side Sub-working Group in which we consider issues mainly related to customer-side transactions.

Issuers of Book-entry transfer shares are required to notify JASDEC of the details on corporate actions when

they determined to initiate them. JASDEC continues to engage in the promotion of awareness regarding notification procedures, etc. through meetings for issuers by visiting local discussion group for laws and practical business on equity securities (Kabushiki Konwa Kai).

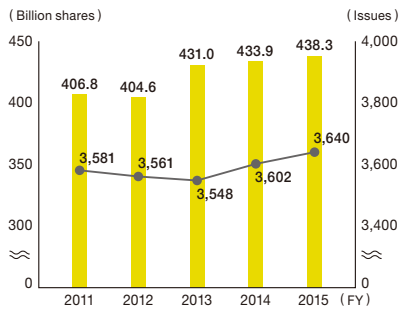
Book-entry Transfers



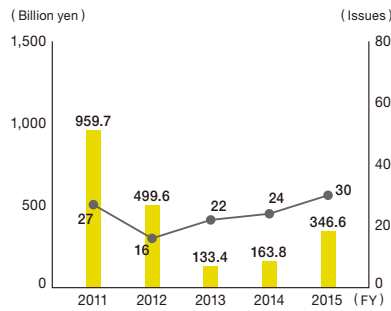
Account Balance and Number of Issues

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

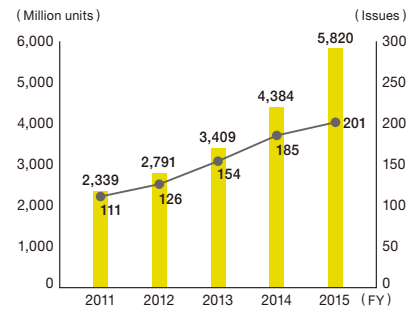
Stocks



Bonds with Share Options



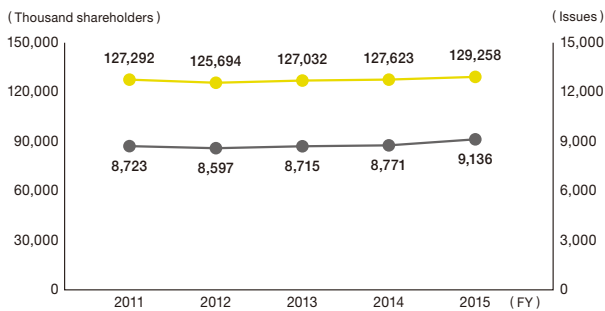
ETFs and JDRs



General Shareholder Notifications

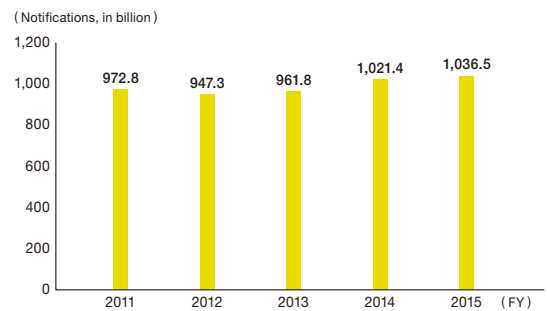
Number of Issues and Total Shareholders

● Total shareholders
● Number of issues



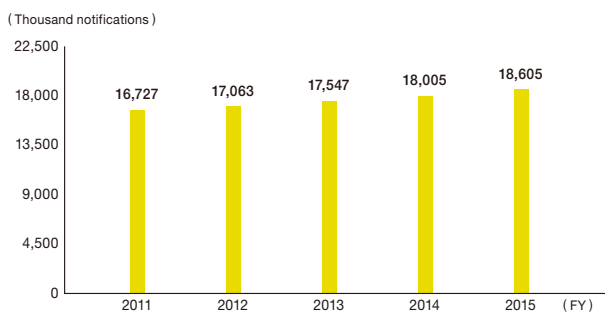
Number of General Shareholder Notifications

* Figures are as of day of notification to issuers.



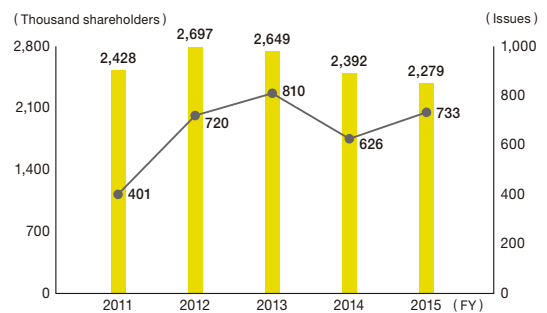
Number of Shareholders (Data for shareholder notifications)

* 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

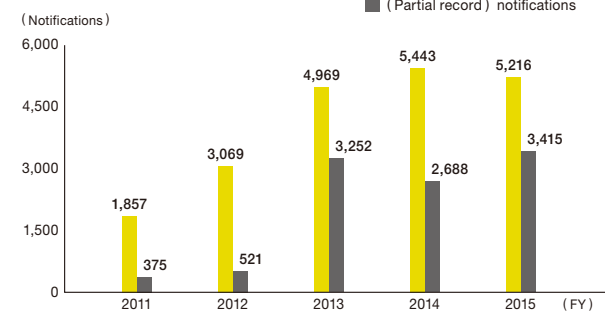
■ Number of notifications ● Number of issues



Information Requests^{**}

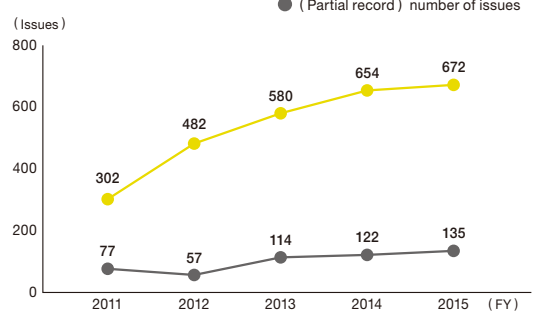
Number of Notifications

■ (Total record) notifications
■ (Partial record) notifications



Number of Issues

● (Total record) number of issues
● (Partial record) number of issues

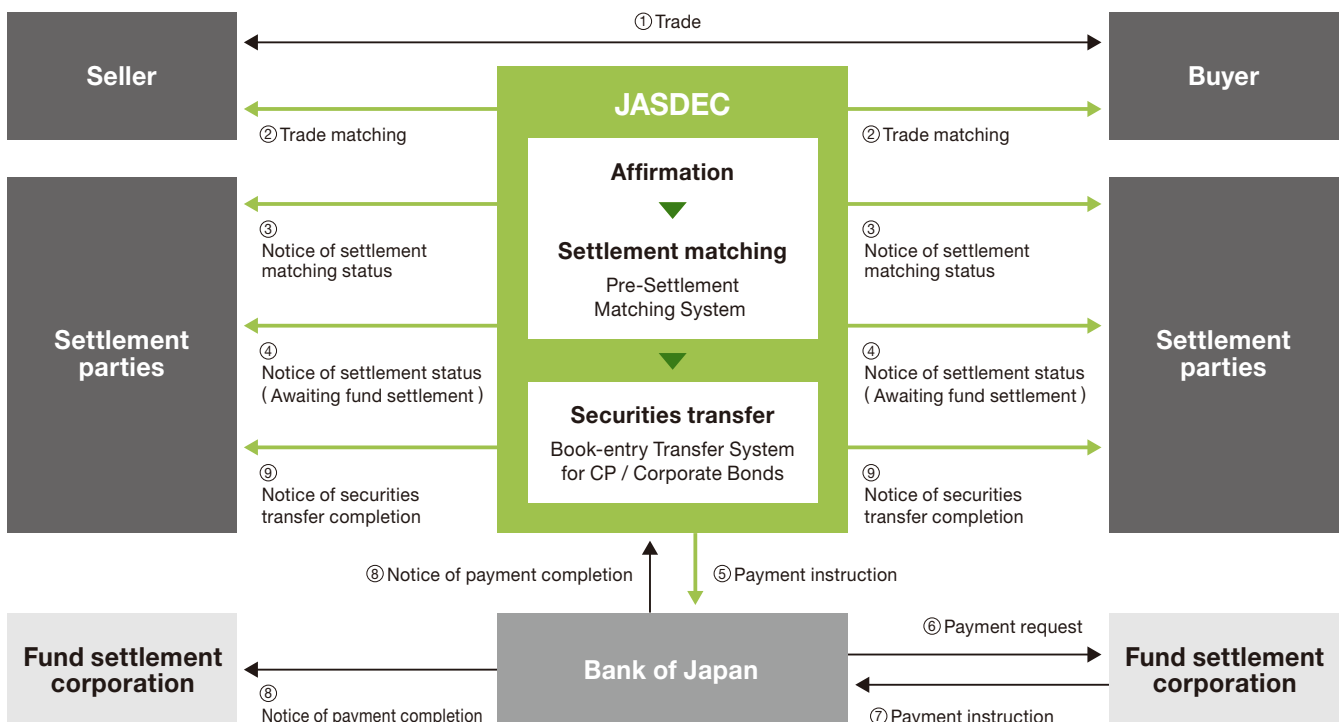


** Requests for information (total record) refer to requests for data recorded on Book-entry transfer registries of either JASDEC participants (direct AMIs) or indirect AMIs where shareholders in question have opened accounts. Requests for information (partial record) refer to requests for data recorded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

02

Book-Entry Transfer System for CPs, Corporate Bonds and Investment Trusts

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



Products / Services

Transfer and rights handling related to the following products:

- Short-term Corporate Bonds (dematerialized CPs)
- Corporate Bonds
- Municipal Bonds
- Investment Corporation Bonds
- Bonds issued by FILP agencies or public corporations by local governments
- Bonds issued in Japan by foreign entities (Samurai Bonds and Shogun Bonds)
- Quasi-bond Beneficial Interests (J-Sukuk)
- Investment Trusts Managed Based on Instructions from the Settlor

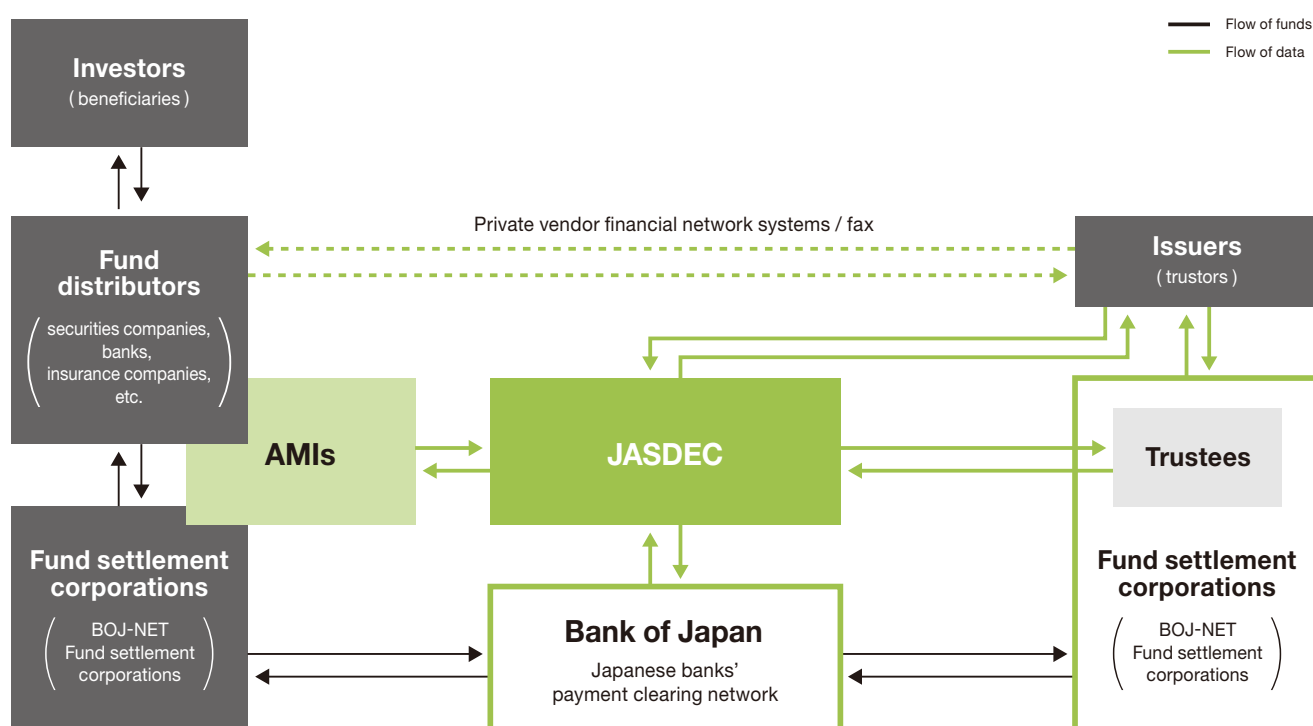
In March 2003, JASDEC launched the Book-entry Transfer System for Short-Term Corporate Bonds (dematerialized commercial papers (CPs)), which was followed by the launch of the Book-entry Transfer System for Corporate Bonds and Municipal Bonds, etc. in January 2006. In January 2007, JASDEC also started the Book-entry Transfer System for Investment Trusts in which investment trusts managed based on instructions from settlor defined by “Act on Investment Trusts and Investment Corporations” were handled.

In each system, settlement procedures — issuance (subscription), trading (transfer), and cancelation (redemption) — are conducted based on the balance electronically recorded in the transfer account books. In addition, delivery versus payment (DVP) settlement is available via the linkage between JASDEC’s

Book-entry Transfer System and the Bank of Japan Financial Network System (BOJ-NET). By interfacing the Book-entry Transfer System with its Pre-Settlement Matching System (PSMS), JASDEC has realized straight through processing (STP), which fully automates the entire process from trade matching to settlement.

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.

Flowchart for Book-entry Transfer System for Investment Trusts



02

Book-Entry Transfer System for CPs, Corporate Bonds and Investment Trusts

Usage in FY 2015

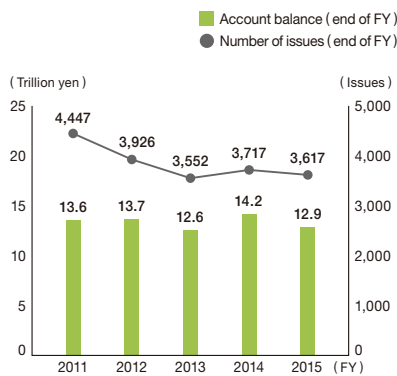
With regard to Book-entry Transfer System for CPs, against the backdrop of the trend of corporate finance, 3,617 issues were handled through the system and the account balance stood at 12.9 trillion yen as of the end of March 2016. The average transferred amount via the Book-entry Transfer System per day was 5.1 trillion yen in FY 2015. The number of system users including JASDEC participants and indirect AMIs was 274 in total.

As to the Book-entry Transfer System for Corporate Bonds, given the investment environment, 53,825 issues were handled through the system and the account balance was 250.4 trillion yen as of the end of March 2016. The account balance of U.S. dollar-denominated bonds

amounted to US \$7,643 million in the context of the trend of foreign-denominated currency funding. Moreover, renminbi (RMB)-denominated bonds were issued for the first time. The total number of users including JASDEC participants and indirect AMIs was 856.

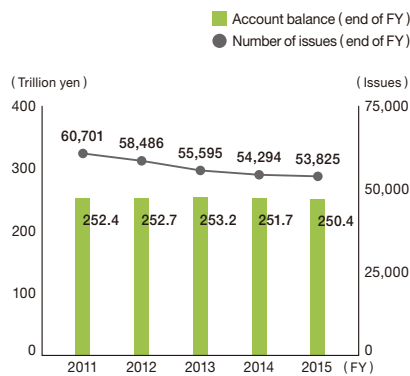
Regarding the Book-entry Transfer System for Investment Trusts, sales values of investment trusts amounted to around 10 trillion yen per month during April to August 2015 based on the market condition and growing Nippon Individual Savings Account (NISA). While 9,878 issues were handled, the account balance stood at 160.9 trillion yen as of the end of March 2016. The total number of users including JASDEC participants and indirect AMIs was 867.

CP Account Balance (nominal value) and Number of Issues

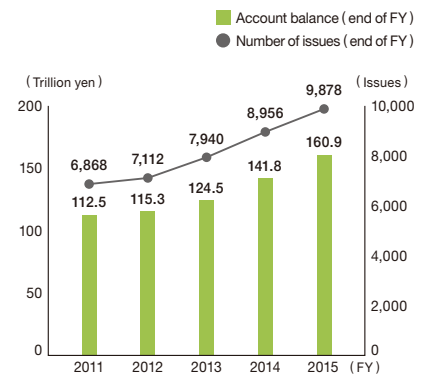


* Nominal value is the value at time of issuance (based on the amounts for each bond)

Corporate Bonds Account Balance and Number of Issues

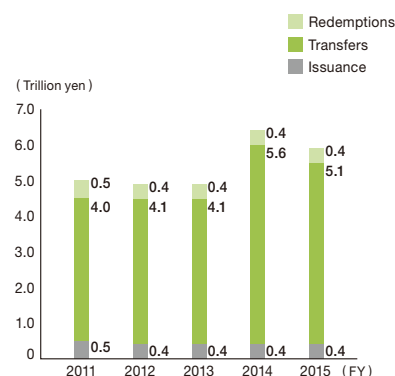


Investment Trusts Account Balance and Number of Issues

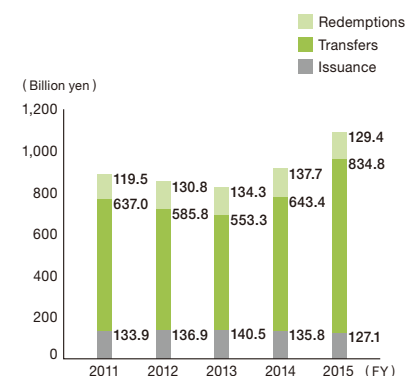


Account balances are calculated by multiplying the principal amounts for each issue by the number of accounts

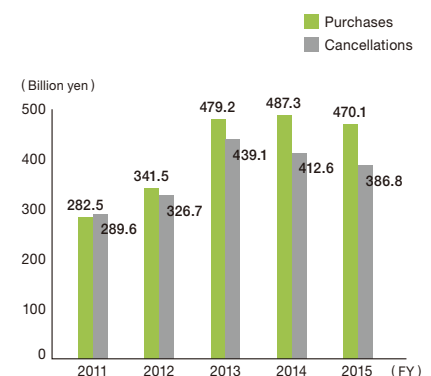
Issuance, Transfer and Redemption of CP (Daily average)



Issuance, Transfer and Redemption of Corporate Bonds (Daily average)



Principal Values of Investment Trusts for Purchases and Cancellations (Daily average)



Initiatives Taken in FY 2015

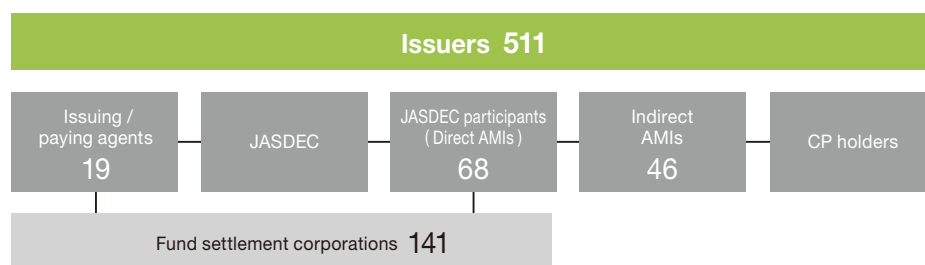
With regard to Book-entry Transfer System for CPs, JASDEC responded to the “Quantitative and Qualitative Monetary Easing with a Negative Interest Rate” that the BOJ decided to introduce at the Monetary Policy Meeting held in January 2016 by revising the Book-entry Transfer System for CPs so that CPs with negative interest could be issued.

Regarding Book-entry Transfer System for Corporate Bonds, at the request of the Study Group to Vitalize the Corporate Bond Market hosted by the Japan Securities Dealers Association (JSDA), JASDEC explored ways to create a framework to ensure the efficient transmission of data on necessary information from issuer to bondholders. This resulted in the launch of the Bond Information Transmission

Service. A study group consisting of working-level members was held to apply exemption provision of U.S. withholding tax on the payment of principal and interest of U.S. Samurai Bonds issued on and after January 2016. The study group also discussed how to respond to the QI system (obtaining QI qualification via AMIs and paying agents), and developed guidelines on operational procedures.

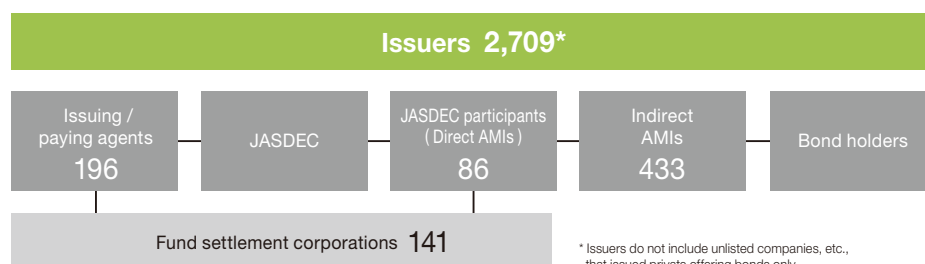
Participants in Book-entry Transfer System for CP

(as of March 31, 2016)



Participants in Book-entry Transfer System for Corporate Bonds

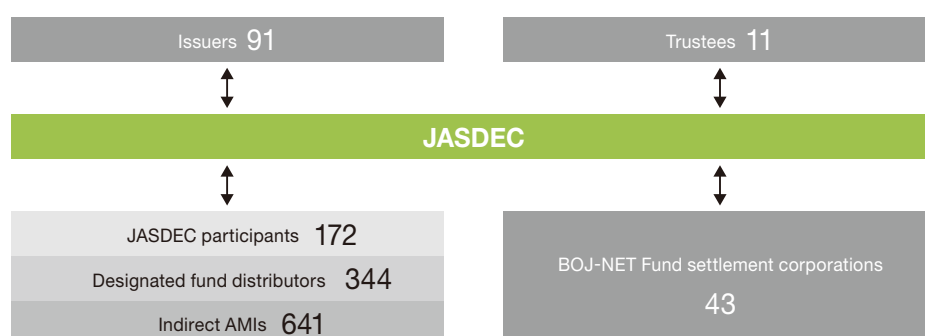
(as of March 31, 2016)



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

Participants in Book-entry Transfer System for Investment Trusts

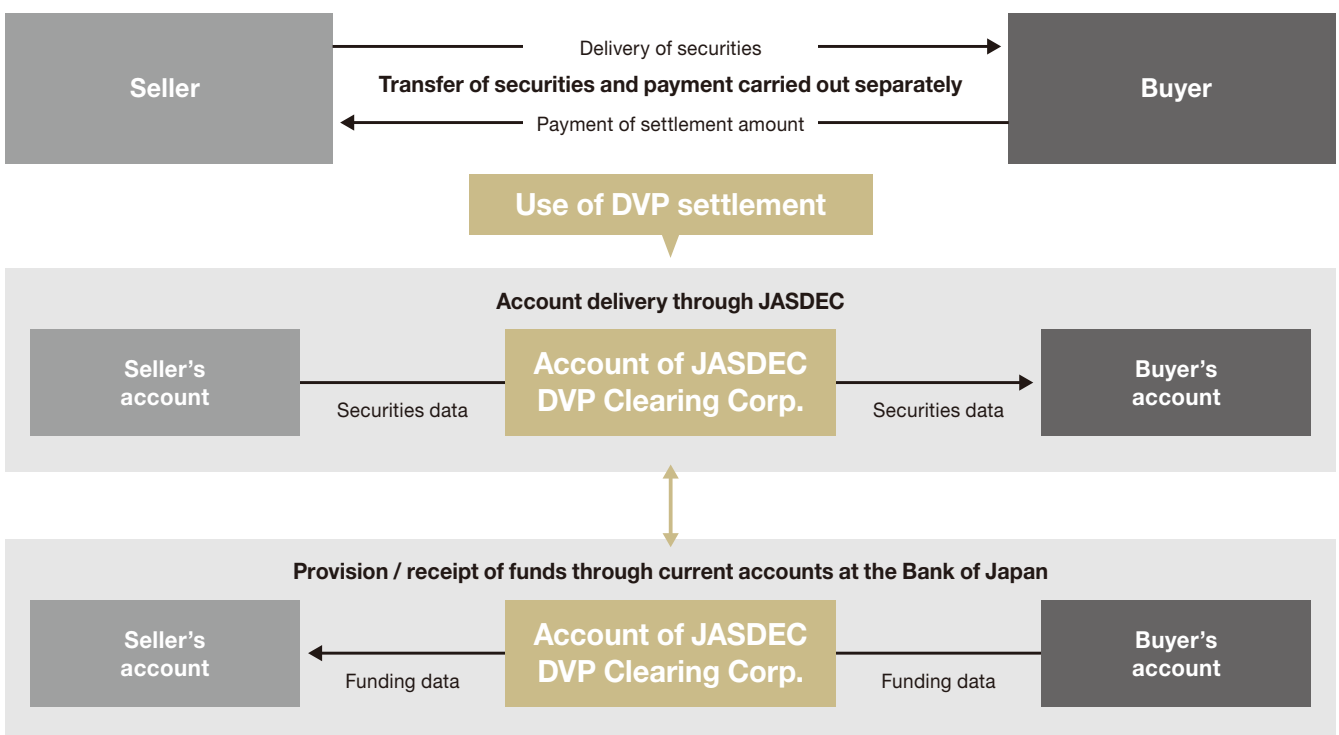
(as of March 31, 2016)



03

DVP Settlement System for NETDs

Reducing Principal Risk by Using the DVP Settlement Method



Products / Services

Since May 2004, the DVP settlement system for Non-Exchange Transaction Deliveries (NETDs) has been administered by JASDEC's wholly owned subsidiary, JASDEC DVP Clearing Corporation (JDCC). The system mainly deals with non-exchange transactions of securities handled by JASDEC through its Book-entry Transfer System for Stocks, etc., such as shares and bonds with share options, majority of which consist of settlement of Japanese equities trades by domestic and overseas institutional investors. In January 2014, we commenced DVP settlements for stock lending transactions.

Previously, the delivery of securities and the payment of the settlement amounts for non-exchange transactions were mostly processed separately, so the transactions were exposed to the risk (principal risk) such as that cash payments may not be executed even though the securities had been delivered. The use of the DVP settlement system for NETDs links the delivery of the securities and the cash payment of the settlement amounts through the system, mitigating the risk and making it possible for securities settlements to be conducted safely and reliably. To further support reliability, the entire operating process is handled automatically and electronically enabling straight through processing (STP).

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 on 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" 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 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).

Usage in FY 2015

As of the end of March 2016, 52 companies (comprising 12 banks and 40 securities companies) participated in the DVP settlement system for NETDs. Excluding internal transfers within the same company, DVP transactions accounted for about 70% of NETD transactions, this shows the use of the system has become firmly established as an important customer-side settlement method.

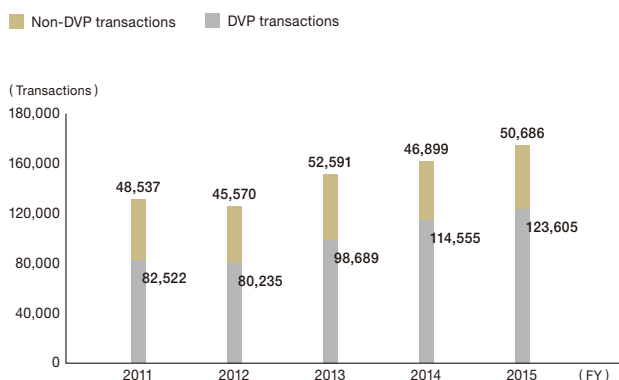
In FY 2015, the usage of DVP settlements continued to increase. In consideration of the above, we refunded 256 million yen of settlement fees in total according to each participant's usage level.

Initiatives Taken in FY 2015

JDCC secures a source of liquidity through deposits received for Participants Funds as well as a bank credit line provided by commitment line banks. This is established to ensure sufficient liquidity to cover the default of two DVP participants that would create the largest net debit.

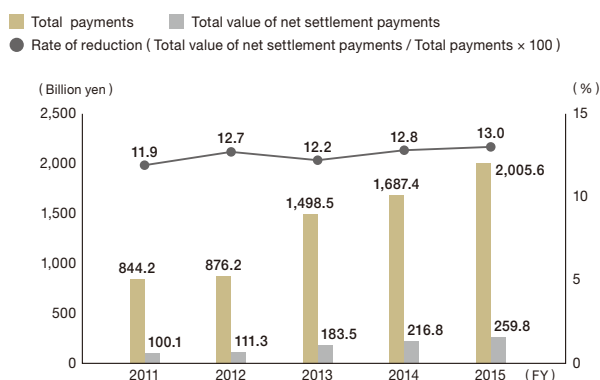
In FY 2015, based on the PFMI formulated by the BIS/CPMI and IOSCO, JDCC took action to reinforce its risk management. As a part of such initiatives, JDCC plans to establish a net debit cap for each financial group by March 2017 so as to take appropriate response even in the event that one DVP participant on a consolidated basis (including other DVP participants belonging to the same financial group as such DVP participant) defaults, and reviewed the bank credit line after April 2016 so that JDCC can respond to the insolvency of one of the commitment line banks.

DVP Settlement for NETD Transactions (Daily average)



DVP transactions are the number of transfers execute (transfer from DVP participants to JASDEC DVP Clearing Corporation)

DVP Settlement for NETD Fund Settlement (Daily average)

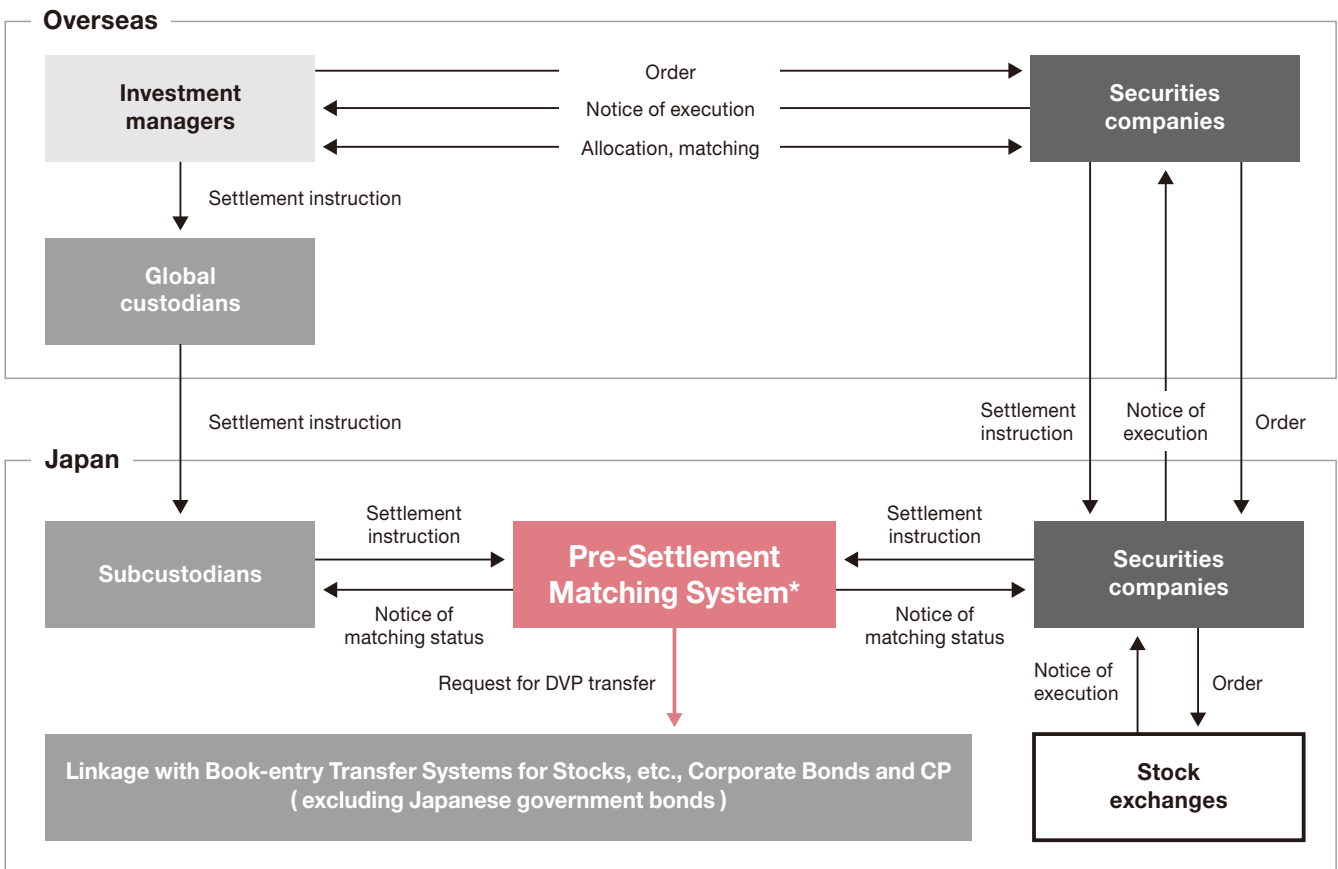


Securities covered: Stocks, bonds with share options (convertible bonds), ETFs, REITs, share options (share subscription warrants), foreign stocks, etc.
Total payments is the total amount used for execution of securities transfers.
Total value of net settlement payments is the total amount used for a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

04

Pre-Settlement Matching System (PSMS)

PSMS for Non-residents' Transactions



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

Products / Services

Matching of the transaction and settlement terms of the following products (domestic transactions and non-resident transactions):

- Shares, etc.
- Convertible Bonds
- Corporate Bonds, CP
- Japanese Government Bonds (JGB)
- Futures / Options

Since the launch of Pre-Settlement Matching System (PSMS) in September 2001, JASDEC has promoted Straight Through Processing (STP) in the Japanese securities market, by providing matching function of trade and settlement information to institutional investors and other bodies. PSMS, as an intermediary between the transaction process and the settlement process, has the following three basic concepts:

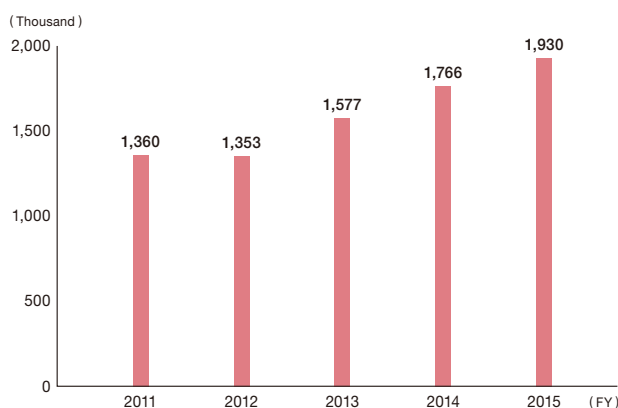
- 1 Rapid post-trade process
- 2 Automatic data linkage to CCP and Book-entry Transfer System for Delivery Versus Payment (DVP) settlement
- 3 Implementation of a globally standardized message format suitable to both domestic and non-residents' transactions

It is crucial for financial institutions to smoothly and securely complete the settlement process of huge number of transactions. While Book-entry Transfer System realizes secure settlement, PSMS, in addition, helps to achieve a smooth settlement.

Now that more than a half of share transactions are conducted by non-residents, it is important to facilitate easy access to the Japanese market from all over the world. In January 2014, as a measure of enhanced system

connectivity, JASDEC was the first company in the global securities settlement industry to introduce the ISO 20022-based message format that is the new international standard for financial messaging. The adoption of ISO 20022 will lead to not only enhanced system connectivity but also improved compatibility of Japanese market practices with the global ones. JASDEC participates in the discussion of International Organization for Standardization (ISO), the Securities Market Practice Group (SMPG), and other such bodies and contributes to them actively.

Total Number of PSMS input / output Instructions Using the PSMS system (Daily average)



Usage in FY 2015

PSMS, as a primary matching infrastructure in Japanese market, was utilized by 677 users as of the end of March 2016. Given the buoyant Japanese stock market, the number of input/output transactions of PSMS increased to 1,930

thousand on a daily average, which recorded the highest number since the launch as shown above.

In addition, 53 out of 179 users have already migrated from the ISO 15022-based message format to ISO 20022.

04

Pre-Settlement Matching System (PSMS)

Initiatives Taken in FY 2015

JASDEC has already taken initiatives to contribute to making the Japanese securities market much more efficient.

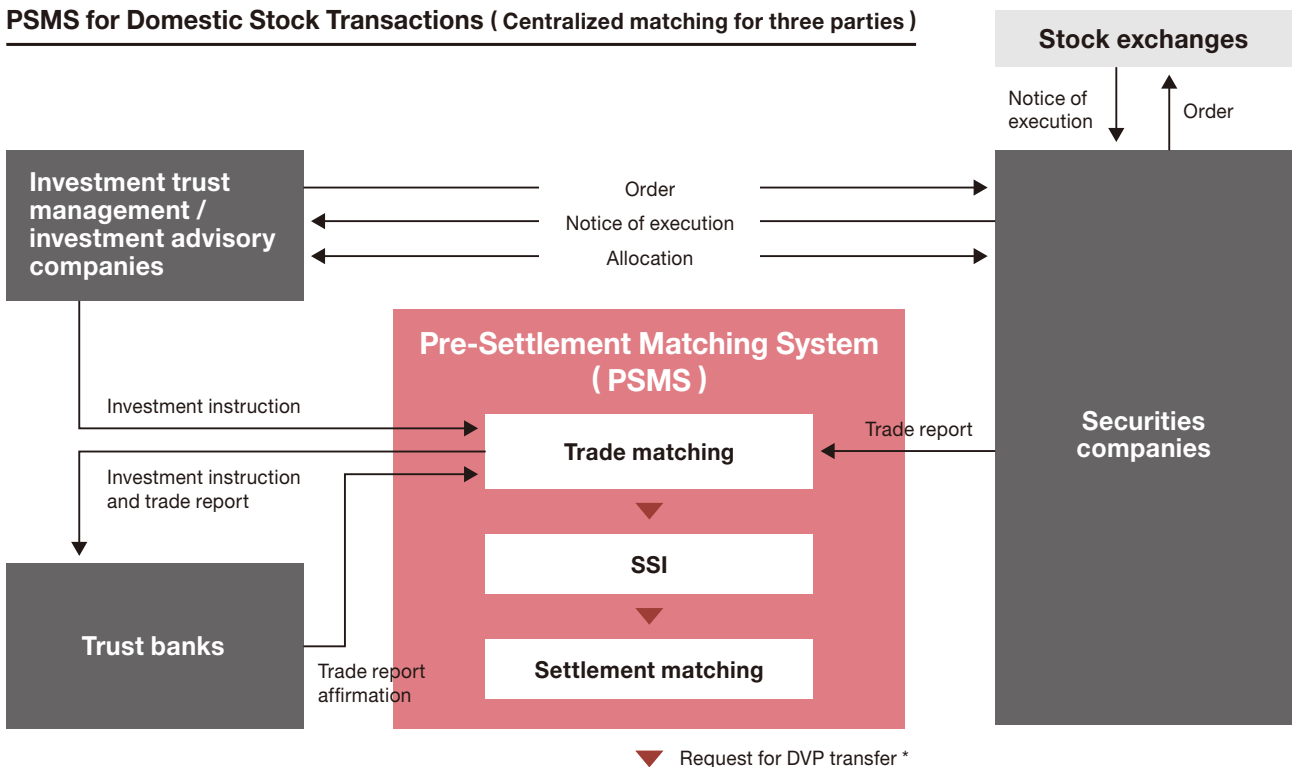
In November 2015, the Japan Securities Dealers Association (JSDA) started a system for disclosing transaction information on corporate bonds so as to revitalize the Japanese bond market. JASDEC implemented functions to provide JSDA with incoming transaction data on corporate bonds sent to PSMS in support of the realization of the efficient operation of the system.

Moreover, JASDEC participates in discussions held among market players regarding the shortening the settlement cycle of JGB.

While JASDEC believes a shorter settlement cycle would contribute to a reduction in settlement risk as a direct effect, improvement in market liquidity and enhancement in

competitiveness among overseas markets would also be achieved as an indirect effect. In addition, the balance of JGB has tended to rise over the years, and the market is now quite large. Given these situations, shortening the settlement cycle would contribute greatly to the above-noted effects. JASDEC is currently prepared to start T+1 settlement (T+0 settlements for GC repo transactions) for outright transactions in JGB in the first half of 2018. System implementation includes a revision of trade matching functions, linking matched trade data to the Japan Securities Clearing Corporation (JSCC), and the distribution of JSCC notices to PSMS users. JASDEC also participates in planning and discussion of integrated test scheduled in the latter half of 2017, which aims to verify system processing among all JGB market participants and to enhance the level of operational skill under the new business practice.

PSMS for Domestic Stock Transactions (Centralized matching for three parties)



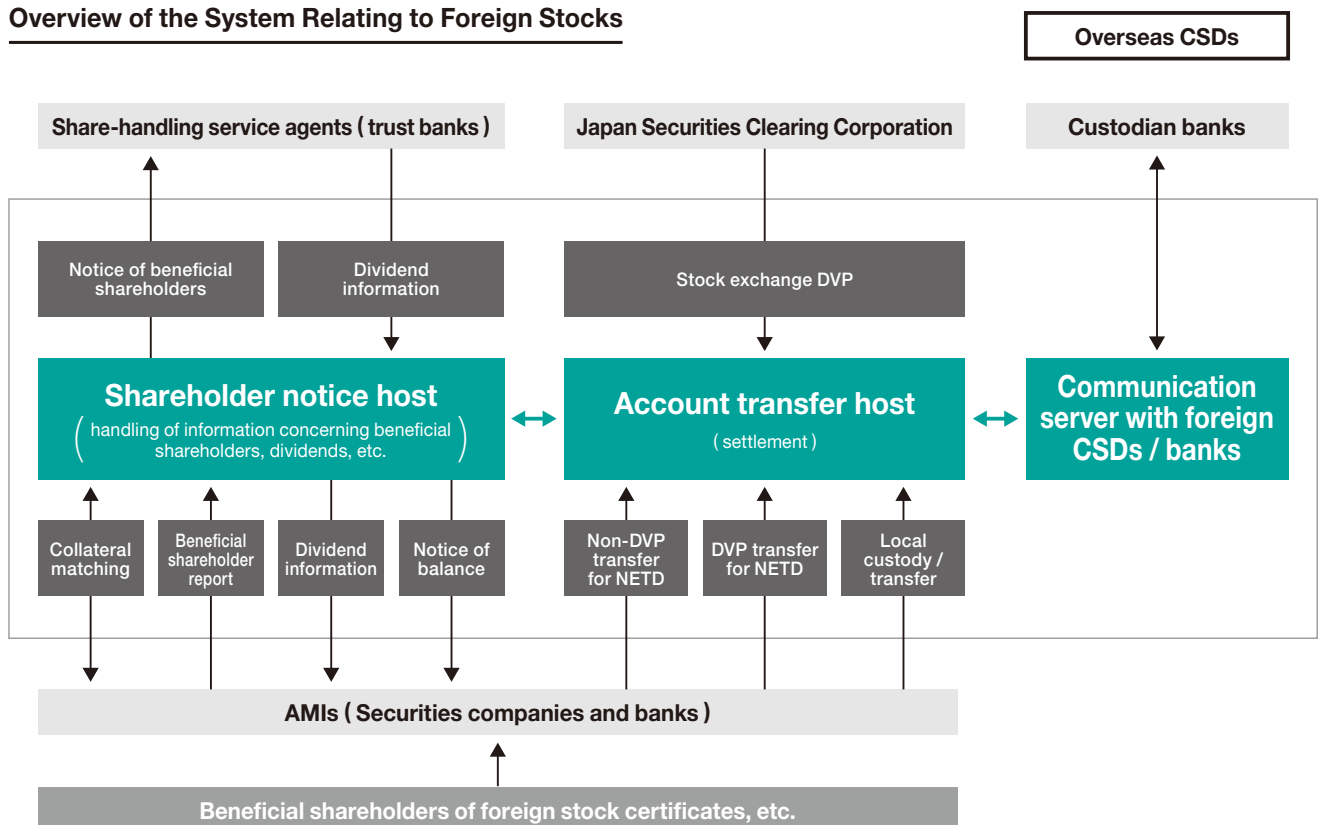
Linkage with Book-entry Transfer Systems for Stocks, etc., Corporate Bonds and CP (excluding Japanese government bonds)

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

05

Custody Services for Foreign Stock Certificates, etc.

Overview of the System Relating to Foreign Stocks



05

Custody Services for Foreign Stock Certificates, etc.

Products / Services

Custody, transfer and rights handling related to the following products:

- Listed foreign shares
- Listed certificates of foreign share options
- Listed foreign investment trust beneficiary certificates
- Listed foreign investment securities
- Beneficiary certificates in a trust issuing a listed foreign beneficiary certificate
- Listed foreign covered warrants
- Depository receipts of foreign shares

In May 2006, JASDEC commenced services to process deposits, transfers, and corporate actions for foreign share certificates, etc., listed on Japanese stock exchanges.

Although foreign share 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 transfer 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

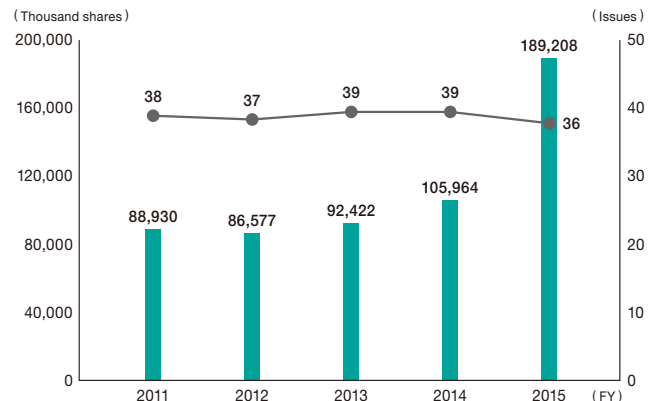
the amount of dividends, which are then paid directly to the beneficial shareholders from the dividend-paying banks.

JASDEC also undertakes the necessary procedures regarding dividend taxation for 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 foreign share certificates, etc., smooth exercise of shareholder rights, and assured receipt of dividends and other payments.

Foreign Stocks, etc. Account Balance and Number of Issues (excluding foreign covered warrants)

■ Account balance ● Number of issues



Usage in FY 2015

At present, there are three types of foreign securities that are handled by JASDEC: foreign shares; foreign investment trust beneficiary certificates; and foreign investment securities.

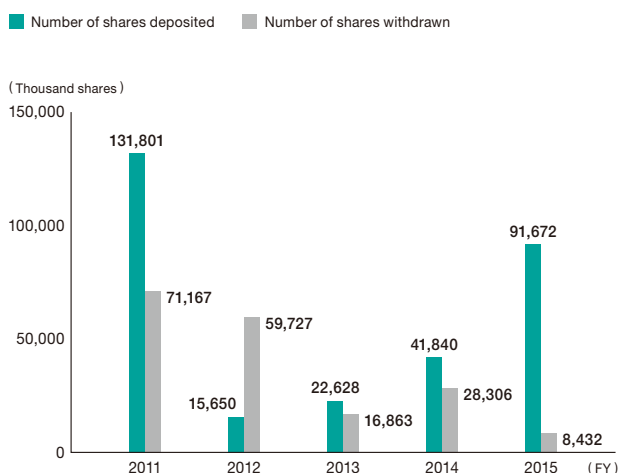
As of March 31, 2016, the total number of issues handled by JASDEC was 36.

Initiatives Taken in FY 2015

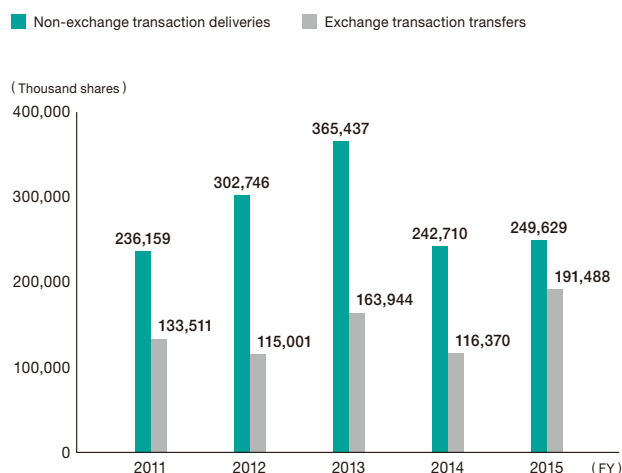
In response to changes in the QI withholding tax system relating to U.S. shares, JASDEC continued from FY 2014 to prepare for application of reduced tax rate to dividend on U.S. shares such as revising its format that is submitted or received to/from JASDEC participants and changing types of withholding tax. These changes were implemented in December 2015.

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.

Number of Shares Deposited / Withdrawn



Book-entry Transfers





International Relationships

JASDEC conducts research on overseas trends and engages in frequent information exchanges with overseas institutions as essential parts of its ongoing efforts to deal with the myriad issues that affect the securities market infrastructure such as the globalization of financial and capital markets and the global tightening of regulations, and also to contribute to the development of the

infrastructure of securities market in Japan and other parts of the world. We participate in regular CSD meetings, seminars and international conferences and maintain active exchange programs with institutions with which we have signed memorandums of understanding (MOUs).

ACG (Asia-Pacific Central Securities Depository Group)

The ACG, currently represented by 34 institutions, was established in November 1997 as a forum for information exchange and mutual cooperation among CSDs in the Asia-Pacific region. In the ACG, JASDEC, as an Executive Committee member, participate in the administration of ACG General Meeting (AGM). We also engage in planning

and operation of Cross Training Seminar (CTS) every year for the purpose of information exchange at the working level. JASDEC engages in planning and operation as a member of the Executive Committee and the convener of the Exchange of Information Task Forces.

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 is administered by a 10-member board made up of two representatives from each regional association. JASDEC participates on behalf of the ACG with the Central Depository Company of Pakistan Limited (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 Principles for Financial Market Infrastructures (PFMI) by the Committee on Payments and Settlement System of the BIS and the International Organization of Securities Commissions (CPSS-IOSCO), and response to the questionnaire of the Association of Global Custodians (AGC).

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

JASDEC has signed MOUs on the exchange of information and mutual cooperation with 18 overseas CSDs and CCPs. With MOU partners, we are actively implementing initiatives, including exchanges of information, cross-training programs

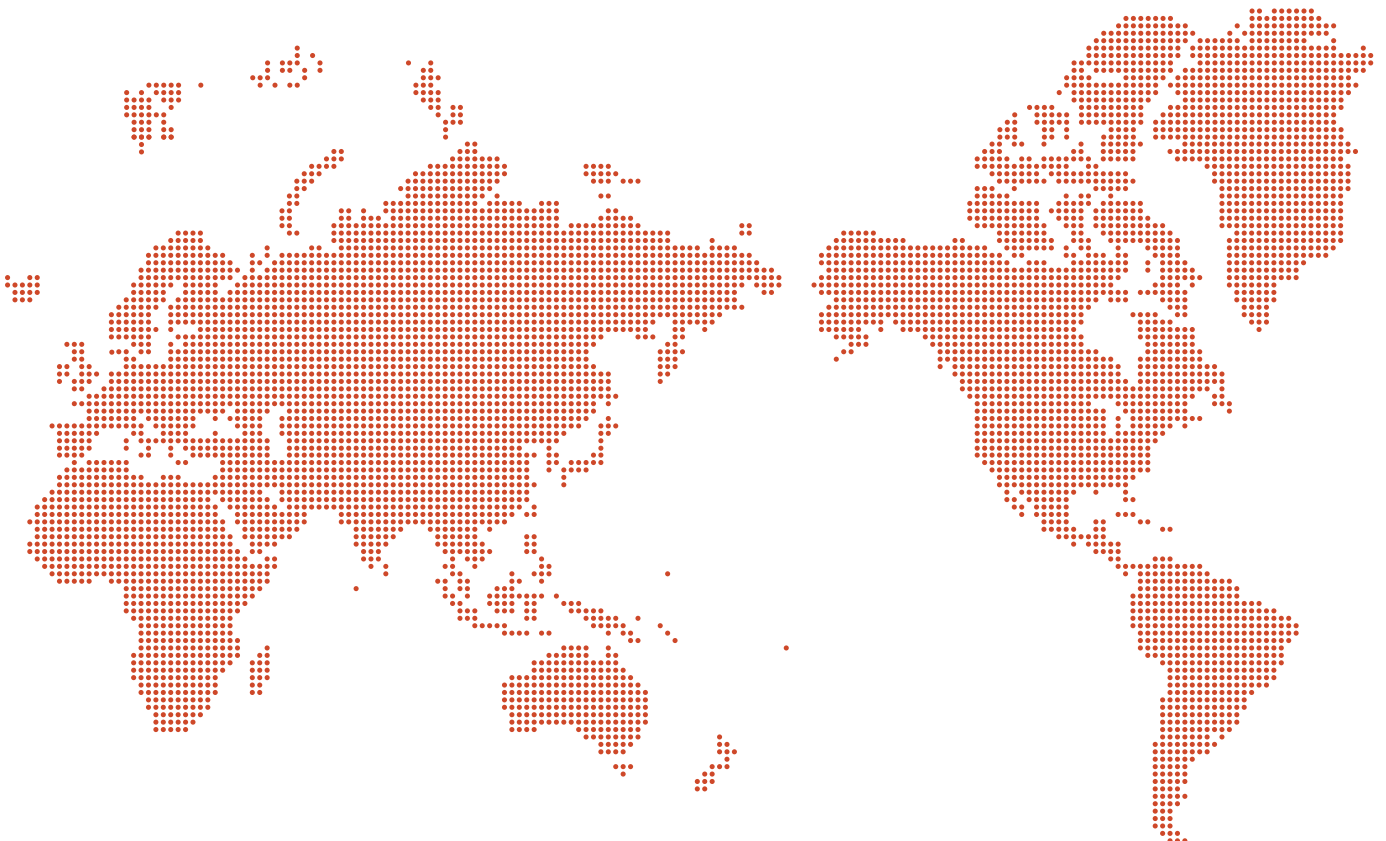
involving trainee exchanges, and support for CSDs of emerging nations.

The Asian Bond Markets Initiative (ABMI)

With ASEAN+3 Finance Ministers and the Central Bank Governors' Meeting positioned as its foremost body, the ABMI established four Task Forces. Under the third Task Force, "Improvement of the Regulatory Framework," the ASEAN+3 Bond Market Forum (ABMF) was organized. JASDEC participates in the ABMF as a representative of Japan, and leads as a co-vice chair of Sub-Forum 2 under

ABMF, in which we discuss the standardization of the cross-border settlement process as a key topic.

Moreover, JASDEC, as a Japanese CSD, attends the Cross-Border Settlement Infrastructure Forum (CSIF) under Task Force 4, which is composed of each central bank and CSDs.



Major International Activities in FY 2015

April 13-14, 2015

- JASDEC participated in the 18th Meeting of the ABMF, in which the opinions of participating institutions were summarized to be compiled into the Phase 3 Report.

August 18-19, 2015

- JASDEC participated in the 19th meeting of the ABMF and the 6th Meeting of the CSIF. The action plan beyond Phase 3 was discussed.

May 3-4, 2015

- JASDEC contributed to the publication of the ABMF Phase 3 Report and the CSIF Progress Report. The summary was submitted at the ADB Annual Meeting and the jointly held ASEAN+3 Finance Ministers and Central Bank Governors' Meeting.

2015.4

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May 20-22, 2015

- JASDEC participated in the 8th Board Meeting of the WFC held in Cancun, Mexico. The WFC elected a new chairman and vice chairman. It was decided that the WFC 2017 will be held in November 2017 in Hong Kong.
- JASDEC participated in the WFC 2015, also held in Cancun, Mexico.

May 12-13, 2015

- JASDEC participated in the 17th ACG Cross-Training Seminar in Colombo, Sri Lanka. As convener of the Exchange of Information Task Force, JASDEC executed sessions introducing 43 of the latest projects of participating institutions, and developed reports upon conclusion of the Seminar. JASDEC also assisted the host institution Central Depository Systems (Pvt.) Limited (CDS) in execution of the event. In addition, JASDEC gave a presentation on the mechanism of its Book-entry Transfer System for Investment Trusts.



October 11-16, 2015

- JASDEC participated in the 9th Board Meeting of the WFC held in Singapore. Among several issues, the status of the Single Disclosure Project, which aims to create a world database of CSD information by ensuring unified disclosure of the PFMI and response to the questionnaire from the Association of Global Custodians was updated.
- JASDEC participated in Sibos2015 in Singapore. As the co-vice chair of ABMF's Sub-Forum 2, JASDEC made presentations in individual sessions introducing a wide range of activities of ABMF and CSIF.



- JASDEC also participated in the 20th Meeting of the ABMF and the 7th Meeting of the CSIF.

December 14-16, 2015

- At the request from Vietnam Securities Depository (VSD), with which JASDEC has signed a MOU, JASDEC held a seminar on Japan's investment trust market geared toward the Depository and Vietnamese financial institutions.



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January 25-27, 2016

- JASDEC participated in the 21st meeting of the ABMF and the 8th meeting of the CSIF. Opinions from participating institutions were collected in order to develop Progress Report to be presented to the coming G7 Finance Ministers and Central Bank Governors' Meeting in May. In addition, validation of the cross border taxation was initiated.

November 4-5, 2015

- At the 19th AGM in Taipei, Taiwan, JASDEC planned and hosted panel discussions under the theme of CSD's implementation of the PFMI, and explained its own information disclosure and risk management frameworks. Inauguration ceremony was held by Korea Securities Depository (KSD) to commemorate the establishment of the Asia Fund Standardization Forum, a forum to study the standardization of post-trade processing of investment fund cross-border transactions. During the ceremony, 12 member CSDs, including JASDEC, signed a statement of participation.



Consolidated Financial Statements

Consolidated Balance Sheet (As of March 31, 2016)

\$1 = ¥ 112.68

¥ (thousands)

\$ (thousands)

	2015	2016	2016
ASSETS			
Current Assets :			
Cash and deposits	¥ 7,416,046	¥ 9,990,817	\$ 88,665
Accounts receivable – trade	3,521,010	3,584,792	31,813
Prepaid expenses	132,534	138,762	1,231
Deferred tax assets	151,054	165,900	1,472
Designated assets for clearing funds	38,949,709	38,543,855	342,064
Others	4,202	1,947	17
Allowance for doubtful accounts	(6,868)	(695)	(6)
Total Current Assets	50,167,688	52,425,380	465,258
Non-current Assets :			
Property and Equipment :			
Buildings and accompanying facilities	845,681	863,656	7,664
Accumulated depreciation	(471,276)	(503,436)	(4,467)
Buildings and accompanying facilities, net	374,404	360,220	3,196
Tools and furniture	3,677,415	3,663,272	32,510
Accumulated depreciation	(1,963,595)	(2,517,625)	(22,343)
Tools and furniture, net	1,713,819	1,145,647	10,167
Total Property and Equipment	2,088,224	1,505,867	13,364
Intangible Assets :			
Software	18,596,720	15,812,040	140,326
Software in progress	1,825,420	142,023	1,260
Others	17,462	17,347	153
Total Intangible Assets	20,439,604	15,971,410	141,741
Investments and Other Assets :			
Investment securities	501,957	–	–
Long-term prepaid expenses	100,096	90,936	807
Deferred tax assets	255,892	267,225	2,371
Long-term refundable lease deposits	402,737	443,791	3,938
Claims provable in bankruptcy, rehabilitation and other	17,603	15,341	136
Others	1,000	1,000	8
Allowance for doubtful accounts	(11,930)	(9,848)	(87)
Total Investment and Other Assets	1,267,358	808,446	7,174
Total Non-current Assets	23,795,186	18,285,724	162,280
Total Assets	¥ 73,962,874	¥ 70,711,104	\$ 627,539

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.

	¥ (thousands)		\$ (thousands)
	2015	2016	2016
LIABILITIES			
Current Liabilities :			
Accounts payable – trade	¥ 895,554	¥ 1,003,327	\$ 8,904
Lease obligations	812	–	–
Accounts payable – other	248,983	40,812	362
Consumption taxes payable	759,343	363,950	3,229
Income taxes payable	732,686	841,302	7,466
Allowance for employees' bonuses	238,456	230,135	2,042
Allowance for executives' bonuses	22,000	22,000	195
Deposits received for clearing funds	38,949,709	38,543,855	342,064
Others	75,365	80,123	711
Total Current Liabilities	41,922,911	41,125,508	364,976
Non-current Liabilities :			
Long-term loans payable	5,000,000	–	–
Liability for retirement benefits	582,597	657,324	5,833
Others	–	27,168	241
Total Non-current Liabilities	5,582,597	684,493	6,074
Total Liabilities	47,505,509	41,810,001	371,050
NET ASSETS			
Shareholders' Equity :			
Common stock	4,250,000	4,250,000	37,717
Capital surplus	4,250,000	4,250,000	37,717
Retained earnings	17,957,365	20,401,102	181,053
Total Shareholders' Equity	26,457,365	28,901,102	256,488
Total Net Assets	26,457,365	28,901,102	256,488
Total Liabilities and Net Assets	¥ 73,962,874	¥ 70,711,104	\$ 627,539

Consolidated Financial Statements

Consolidated Statement of Income and Comprehensive Income

(For the year ended March 31, 2016)

	¥ (thousands)		\$ (thousands)
	2015	2016	2016
Operating Revenue	¥ 19,967,287	¥ 20,945,566	\$ 185,885
Operating Expenses :			
Executives' compensation	190,854	198,927	1,765
Salaries	2,027,032	2,011,642	17,852
Allowance for employees' bonuses	238,456	230,135	2,042
Allowance for executives' bonuses	22,000	22,000	195
Retirement benefit expenses	136,157	141,828	1,258
Maintenance of systems	6,261,277	6,171,744	54,772
Depreciation and amortization	5,834,273	5,960,019	52,893
Rent	552,926	541,285	4,803
Others	1,464,675	1,437,720	12,759
Total Operating Expenses	16,727,654	16,715,302	148,343
Operating Income	3,239,632	4,230,263	37,542
Non-operating Income :			
Interest income	4	1	0
Operational revenue on designated assets for clearing funds	5,977	3,502	31
Equity in earnings of an affiliate	88,163	226,493	2,010
Registered members' information disclosure claim charges	18,930	15,814	140
System-related income	-	3,159	28
Others	11,165	10,672	94
Total Non-operating Income	124,240	259,645	2,304
Non-operating Expenses :			
Interest expenses	77,803	23,003	204
Commitment fees	44,999	45,123	400
Fees for fund operation of designated assets for clearing fund	7,889	8,414	74
Others	697	158	1
Total Non-operating Expenses	131,390	76,699	680
Ordinary Income	3,232,482	4,413,208	39,165
Extraordinary Losses :			
Loss on sale of investment securities	-	13,955	123
Total Extraordinary Losses	-	13,955	123
Income before Income Taxes and Minority Interests	3,232,482	4,399,252	39,041
Income taxes – current	1,146,079	1,471,693	13,060
Income taxes – deferred	20,732	(26,178)	(232)
Total Income Taxes	1,166,812	1,445,515	12,828
Net Income	2,065,670	2,953,737	26,213
(Details of Net Income)			
Net Income attributable to shareholders of the parent company	2,065,670	2,953,737	26,213
Net Income attributable to non-controlling interests	-	-	-
Comprehensive Income	¥ 2,065,670	¥ 2,953,737	\$ 26,213
(Details of Comprehensive Income)			
Comprehensive income attributable to shareholders of the parent company	¥ 2,065,670	¥ 2,953,737	\$ 26,213
Comprehensive income attributable to non-controlling interests	-	-	-

Consolidated Statement of Changes in Net Assets (For the year ended March 31, 2016)

¥ (thousands)

For the year ended March 31, 2015	Shareholders' Equity				Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity	
Balance at the beginning of the 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 attributable to shareholders of the parent company	–	–	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 the period	¥ 4,250,000	¥ 4,250,000	¥ 17,957,365	¥ 26,457,365	¥ 26,457,365

¥ (thousands)

For the year ended March 31, 2016	Shareholders' Equity				Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity	
Balance at the beginning of the period	¥ 4,250,000	¥ 4,250,000	¥ 17,957,365	¥ 26,457,365	¥ 26,457,365
Change during the period :					
Dividends from surplus	–	–	(510,000)	(510,000)	(510,000)
Net income attributable to shareholders of the parent company	–	–	2,953,737	2,953,737	2,953,737
Total change during the period	–	–	2,443,737	2,443,737	2,443,737
Balance at the end of the period	¥ 4,250,000	¥ 4,250,000	¥ 20,401,102	¥ 28,901,102	¥ 28,901,102

\$ (thousands)

	Shareholders' Equity				Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity	
Balance at the beginning of the period	\$ 37,717	\$ 37,717	\$ 159,366	\$ 234,800	\$ 234,800
Change during the period :					
Dividends from surplus	–	–	(4,526)	(4,526)	(4,526)
Net income attributable to shareholders of the parent company	–	–	26,213	26,213	26,213
Total change during the period	–	–	21,687	21,687	21,687
Balance at the end of the period	\$ 37,717	\$ 37,717	\$ 181,053	\$ 256,488	\$ 256,488

Consolidated Financial Statements

Consolidated Statement of Cash Flows (For the year ended March 31, 2016)

	¥ (thousands)		\$ (thousands)
	2015	2016	2016
Cash Flows from Operating Activities :			
Income before income taxes and minority interests	¥ 3,232,482	¥ 4,399,252	\$ 39,041
Depreciation and amortization	5,834,273	5,960,019	52,893
(Decrease) increase in allowance for doubtful accounts	(9,988)	(8,254)	(73)
(Decrease) increase in allowance for employees' bonuses	29,350	(8,321)	(73)
(Decrease) increase in allowance for executives' bonuses	(1,000)	–	–
(Decrease) increase in allowance for executives' retirement benefits	(30,000)	–	–
(Decrease) increase in allowance for asset removal	(84,083)	–	–
Increase (decrease) in liability for retirement benefits	71,729	74,727	663
Interest income	(4)	(1)	(0)
Interest expenses	77,803	23,003	204
Equity in (earnings) loss of affiliates	(88,163)	(226,493)	(2,010)
Foreign exchange losses (gains)	(1,028)	141	1
Loss on sale of investment securities	–	13,955	123
(Increase) decrease in accounts receivable – trade	(349,943)	(61,519)	(545)
Increase (decrease) in accounts payable – trade	(115,476)	107,773	956
Decrease / increase in consumption taxes receivable / payable	916,463	(395,392)	(3,508)
Others	(11,593)	16,761	148
Sub-total	9,470,821	9,895,650	87,820
Interest and dividends received	13,684	11,481	101
Interest paid	(77,803)	(23,003)	(204)
Income taxes paid	(988,646)	(1,387,291)	(12,311)
Net Cash Provided by Operating Activities	8,418,055	8,496,836	75,406
Cash Flows from Investing Activities :			
Payments for purchase of property and equipment	(693,285)	(41,111)	(364)
Payments for purchase of intangible assets	(1,694,749)	(1,031,961)	(9,158)
Proceeds from sale of investment securities	–	703,015	6,239
Proceeds from refund of refundable lease deposits	100,696	–	–
Payments for refundable lease deposits	–	(41,054)	(364)
Payments for refund of guarantee deposits received	(62,694)	–	–
Net Cash Used in Investing Activities	(2,350,033)	(411,111)	(3,648)
Cash Flows from Financing Activities :			
Repayments of long-term loans payable	(4,400,000)	(5,000,000)	(44,373)
Repayments of lease obligations	(5,880)	(812)	(7)
Cash dividends paid	(510,000)	(510,000)	(4,526)
Net Cash Used in Financing Activities	(4,915,880)	(5,510,812)	(48,906)
Effect of exchange rate changes on cash and cash equivalents	1,028	(141)	(1)
Increase (Decrease) in Cash and Cash Equivalents	1,153,169	2,574,770	22,850
Cash and Cash Equivalents, Beginning of Year	6,262,876	7,416,046	65,815
Cash and Cash Equivalents, End of Year	¥ 7,416,046	¥ 9,990,817	\$ 88,665

Corporate Data

(As of June 20, 2016)



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	<table border="0"> <tr> <td>1 Book-entry transfer for stocks, etc.</td> <td>5 DVP settlement services for NETDs</td> </tr> <tr> <td>2 Book-entry transfer for commercial papers</td> <td>6 Pre-settlement matching system</td> </tr> <tr> <td>3 Book-entry transfer for corporate bonds</td> <td>7 Custody services for foreign stocks, etc.</td> </tr> <tr> <td>4 Book-entry transfer for investment trusts</td> <td>8 Other businesses</td> </tr> </table>	1 Book-entry transfer for stocks, etc.	5 DVP settlement services for NETDs	2 Book-entry transfer for commercial papers	6 Pre-settlement matching system	3 Book-entry transfer for corporate bonds	7 Custody services for foreign stocks, etc.	4 Book-entry transfer for investment trusts	8 Other businesses
1 Book-entry transfer for stocks, etc.	5 DVP settlement services for NETDs								
2 Book-entry transfer for commercial papers	6 Pre-settlement matching system								
3 Book-entry transfer for corporate bonds	7 Custody services for foreign stocks, etc.								
4 Book-entry transfer for investment trusts	8 Other businesses								
Operational Office	Chuo-ku, Tokyo / Kita-ku, Osaka-shi, Osaka								
Consolidated Subsidiary	JASDEC DVP Clearing Corporation (Chuo-ku, Tokyo)								
Number of Employees	223								

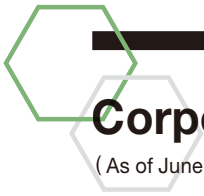
Shares

Total shares approved for issue	Total issued shares	Paid-in capital	Shareholders
20,000	8,500	¥ 4,250,000,000	126

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

	Number of shares held	Stake in Company (%)
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



Corporate Data

(As of June 20, 2016)

Member of the Board and Executive Officers of JASDEC

Member of the Board

Director

Haruhiko Kato

Representative Executive officer,
President and CEO

Director

Munetaka Saito

Senior Executive Officer

Outside Director

Masatoshi Nozaki *

Chairperson of the Audit Committee
(Full-time)

Outside Director

Moriyuki Iwanaga

Senior Executive Officer :
Japan Exchange Group, Inc

Outside Director

Jun Ohta

Director :
Sumitomo Mitsui Financial Group, Inc.
Senior Managing Directors :
SumitomoMitsuiBanking Corporation

Outside Director

Masakazu Kubota *

Director General :
KEIDANREN
(Japan Business Federation)

Outside Director

Yasushi Takayama

Senior Managing Director :
Nomura Holdings, Inc.
Senior Managing Director :
Nomura Securities Co., Ltd.

Outside Director

Masahisa Nakagawa

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

Outside Director

Hideki Hiraki

Senior Managing Executive Officer :
Sumitomo Mitsui Trust Bank, Limited

Outside Director

Koichi Hirata

Senior Executive Director :
Japan Securities Dealers Association

Outside Director

Shigeyuki Maeda *

Lawyer

Outside Director

Satoshi Murabayashi

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

Outside Director

Daisuke Yamada

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

* Independent Directors

Member of the Board Committee

Nominating

- Haruhiko Kato
- Koichi Hirata
- Moriyuki Iwanaga

Audit

- Masatoshi Nozaki
- Shigeyuki Maeda
- Hideki Hiraki

Compensation

- Masakazu Kubota
- Satoshi Murabayashi
- Yasushi Takayama

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

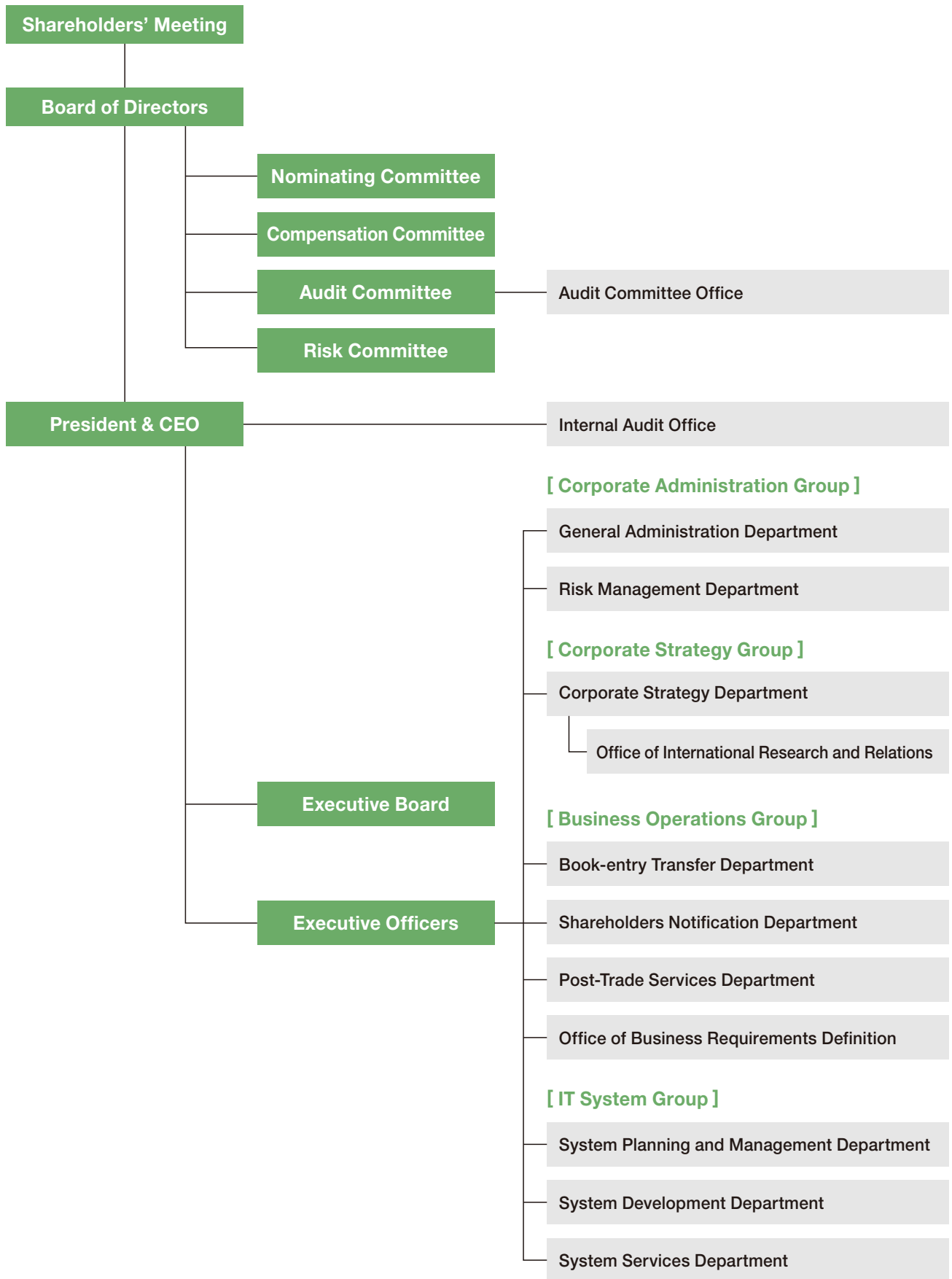
Senior Executive Officer (Corporate Strategy)

Jun Sugie

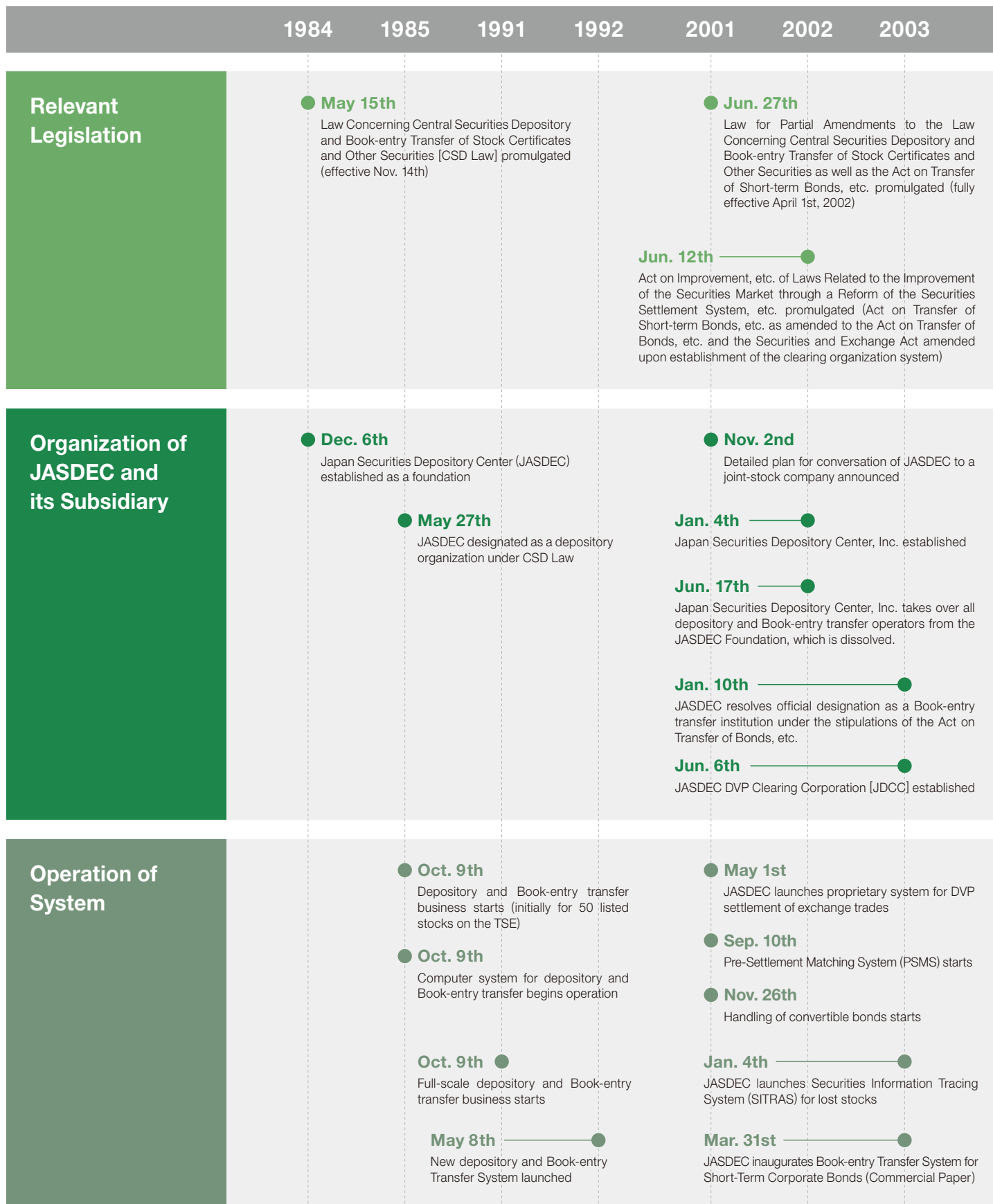
Senior Executive Officer (IT System), CIO

Yoshinori Suzuki

Organization Structure



History



2004 2005 2006 2007 2008 2009 2010 2014 2015 2016

● **Jun. 9th**

Law for Partial Amendments to the Act on Transfer of Bonds, etc. for the purpose of Streaming the Settlement for Trades of Stocks and Other Securities (Securities Trade Settlement Streaming Law) promulgated

● **Jan. 5th**

Securities Trade Settlement Streaming Law enacted (the Act on Transfer of Bonds, etc. as amended to the Act on Transfer of Bonds, Shares, etc.), and Law Concerning Central Securities Depository and Book-entry Transfer of Stock Certificates and Other Securities abolished

● **Apr. 6th**

JDCC obtains a license as a securities obligation assumption business so it can act as a clearing organization pursuant to the Securities and Exchange Act

● **Jul. 24th**

JASDEC adopts the structure of a Company with Nominating Committee, etc.

● **Feb. 12th**

Osaka Office established

● **May 17th**

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

● **Jan. 4th**

JASDEC inaugurates Book-entry Transfer System for Investment Trusts

● **Jul. 1st**

JASDEC inaugurates Japanese Depository Receipts in Book-entry Transfer System for Stocks, etc.

● **Feb. 14th**

JGB repo and gensaki (transactions with repurchase agreement) added to the list of targets of PSMS

● **Jan. 4th**

JASDEC inaugurates Book-entry Transfer System for Investment Trusts on stock exchanges for exchange-traded funds.

● **Jan. 6th**

JASDEC launches new system introducing ISO 20022-based format, tolerance matching for non-residents' transactions, and DVP settlements for stock lending transactions

● **Jan. 10th**

JASDEC inaugurates Book-entry Transfer System for Corporate Bonds

● **Jan. 4th**

Operations of SITRAS terminates

● **May 1st**

JASDEC inaugurates Custody Services for Foreign Stock Certificates, etc.

● **Jan. 5th**

JASDEC inaugurates Book-entry Transfer System for Stocks, etc.

Japan Securities Depository Center, Inc.

<http://www.jasdec.com/en/>