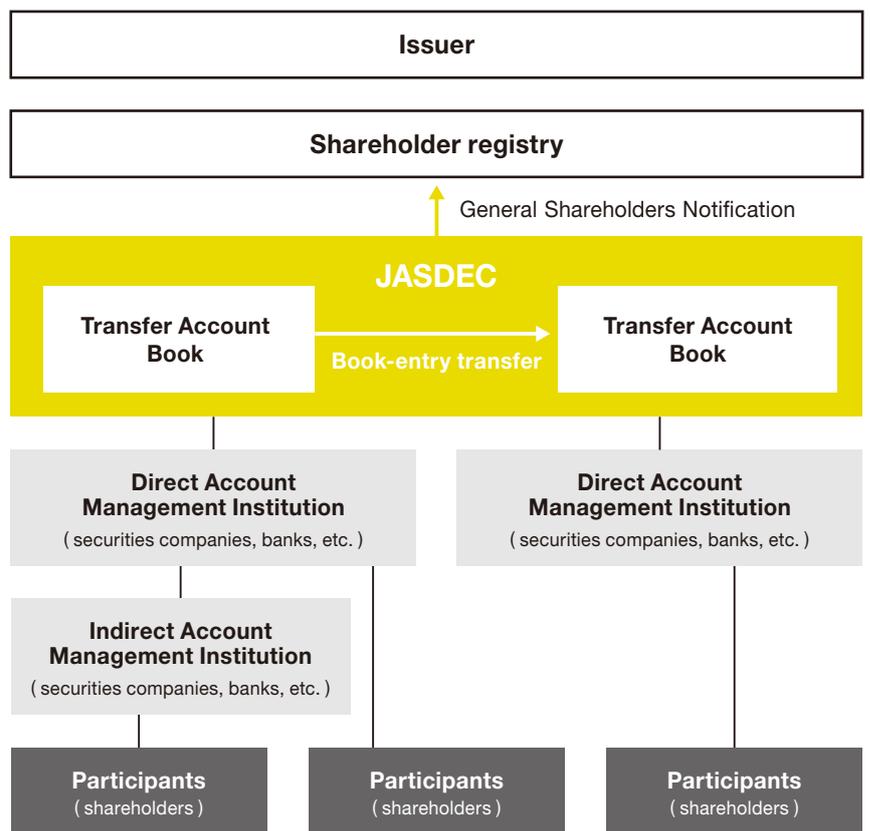


# 01

## 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.

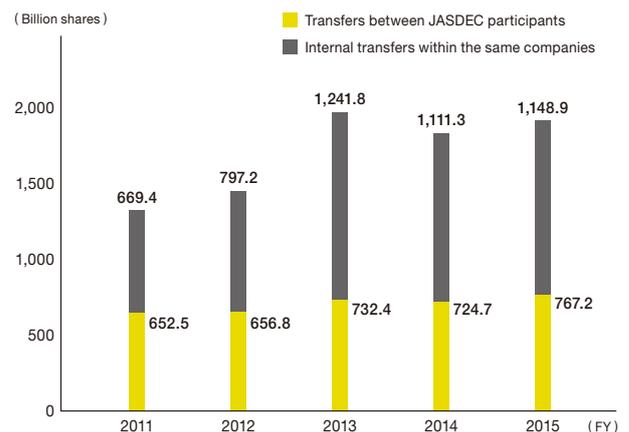
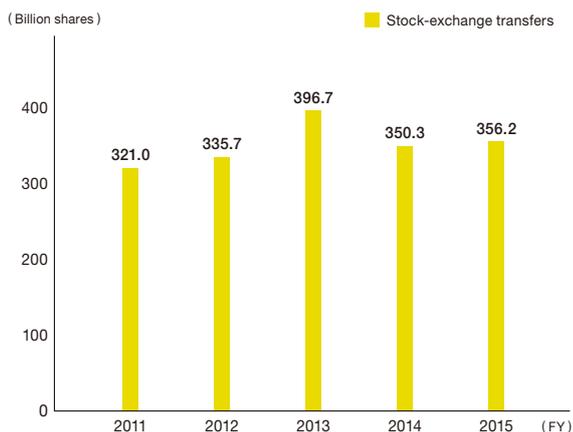
### Initiatives Taken in FY 2015

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).

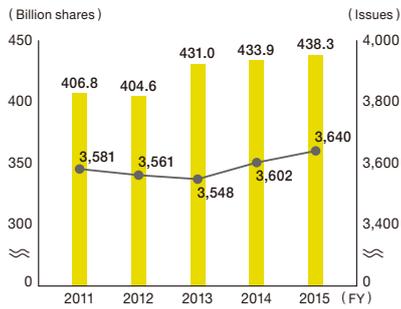
### Book-entry Transfers



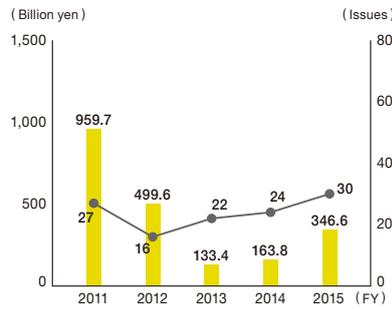
## Account Balance and Number of Issues

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

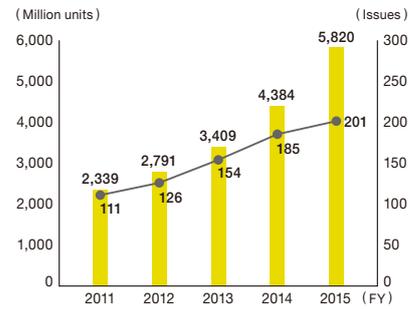
### Stocks



### Bonds with Share Options



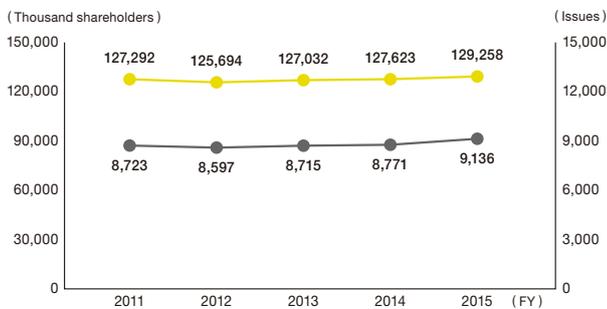
### ETFs and JDRs



## General Shareholder Notifications

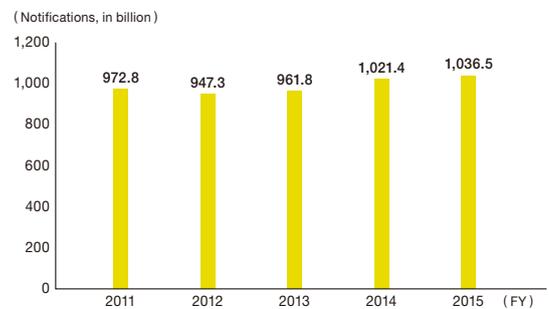
### Number of Issues and Total Shareholders

● Total shareholders  
● Number of issues



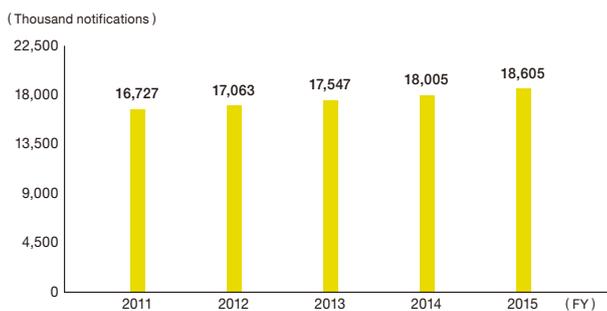
### Number of General Shareholder Notifications

\* Figures are as of day of notification to issuers.



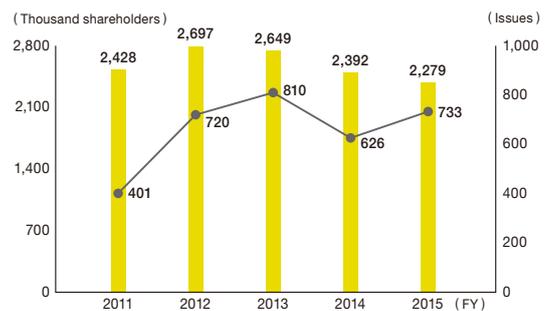
### Number of Shareholders (Data for shareholder notifications)

\* 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

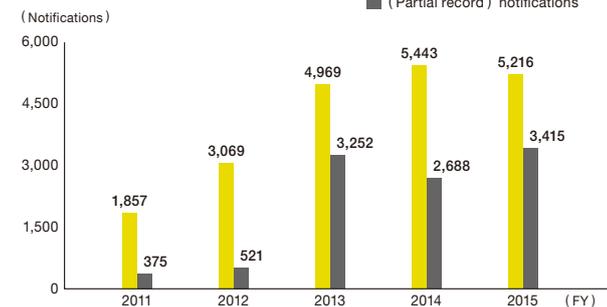
■ Number of notifications ● Number of issues



## Information Requests<sup>\*\*</sup>

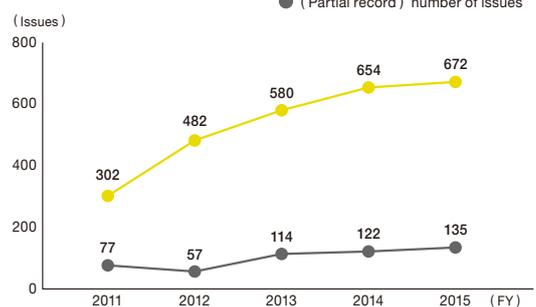
### Number of Notifications

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



### Number of Issues

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

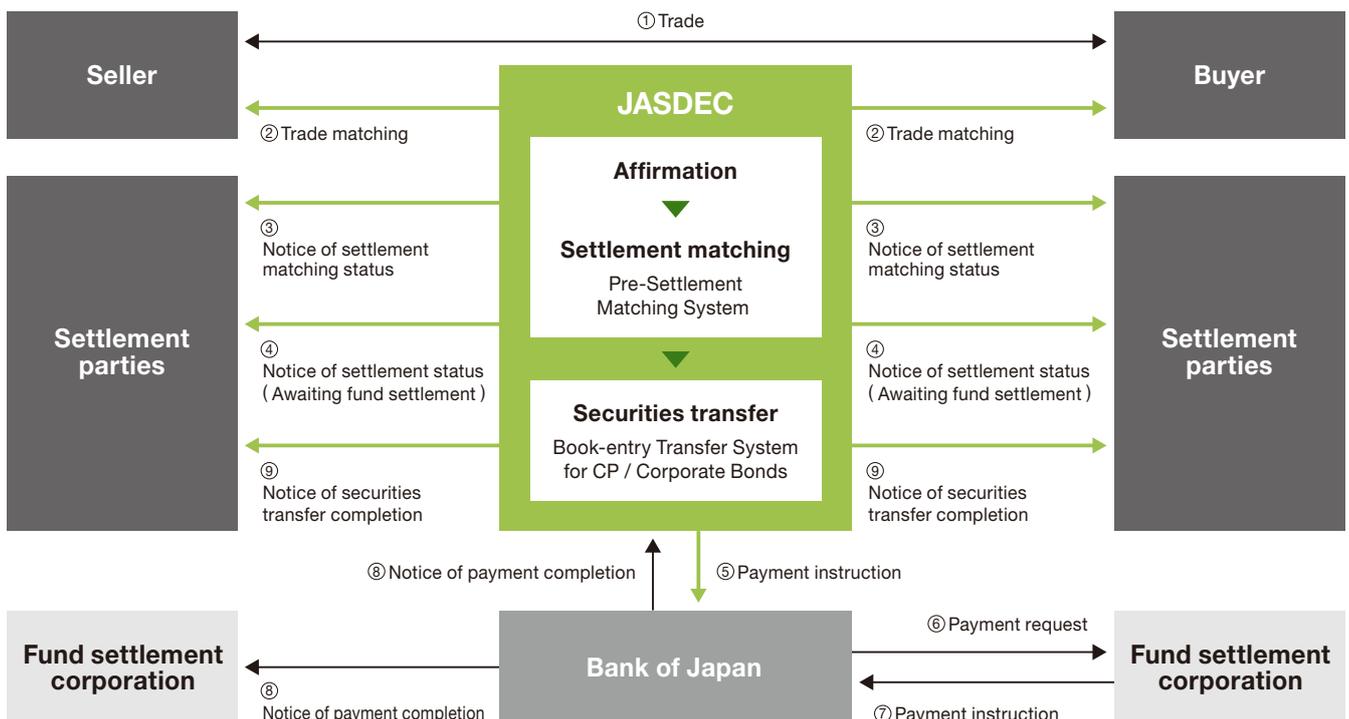


\*\* Requests for information (total record) refer to requests for data recorded on Book-entry transfer registries of either JASDEC participants (direct AMIs) or indirect AMIs where shareholders in question have opened accounts. Requests for information (partial record) refer to requests for data recorded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

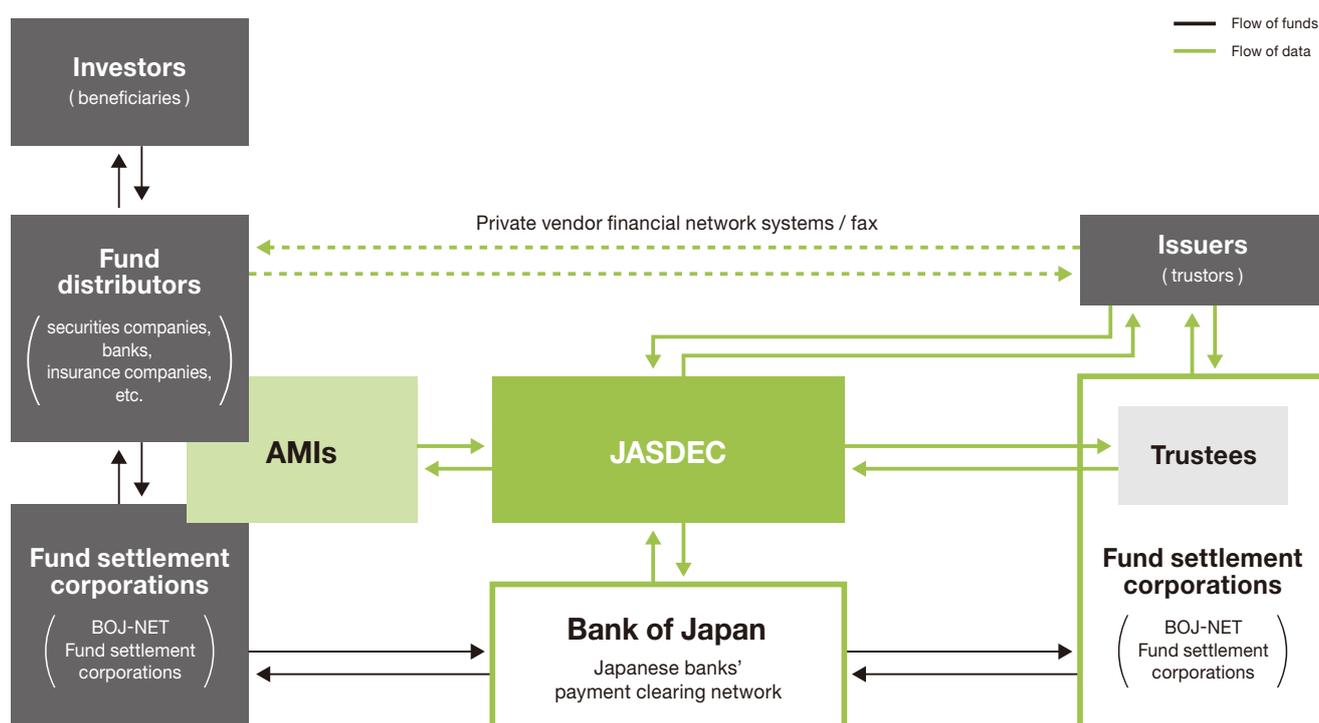
In March 2003, JASDEC launched the Book-entry Transfer System for Short-Term Corporate Bonds (dematerialized commercial papers (CPs)), which was followed by the launch of the Book-entry Transfer System for Corporate Bonds and Municipal Bonds, etc. in January 2006. In January 2007, JASDEC also started 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

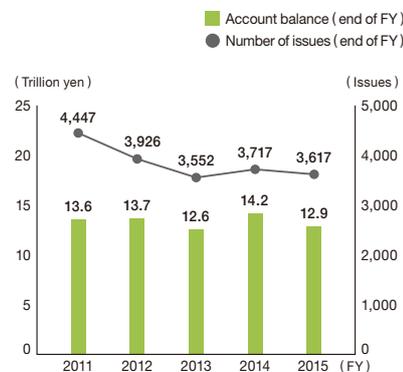
With regard to Book-entry Transfer System for CPs, against the backdrop of the trend of corporate finance, 3,617 issues were handled through the system and the account balance stood at 12.9 trillion yen as of the end of March 2016. The average transferred amount via the Book-entry Transfer System per 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.

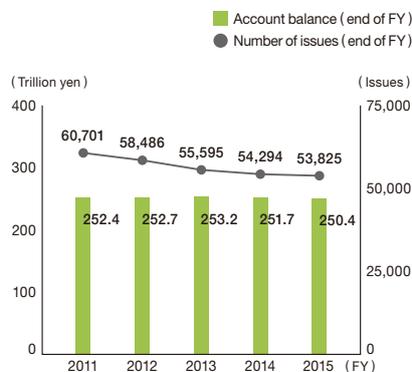
Regarding the Book-entry Transfer System for Investment Trusts, sales values of investment trusts amounted to around 10 trillion yen per month during April to August 2015 based on the market condition and growing Nippon Individual Savings Account (NISA). While 9,878 issues were handled, the account balance 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

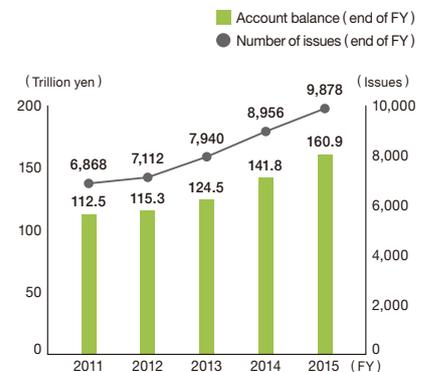


\* Nominal value is the value at time of issuance (based on the amounts for each bond)

#### Corporate Bonds Account Balance and Number of Issues

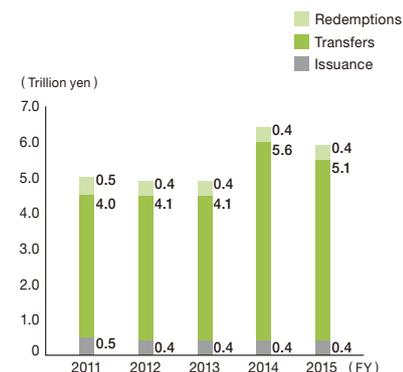


#### Investment Trusts Account Balance and Number of Issues

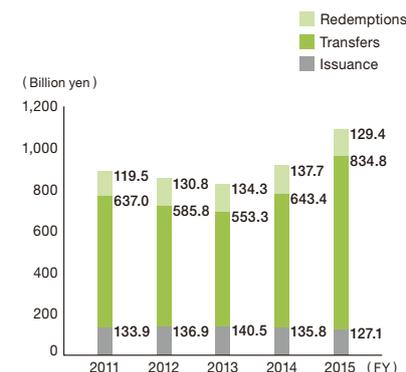


Account balances are calculated by multiplying the principal amounts for each issue by the number of accounts

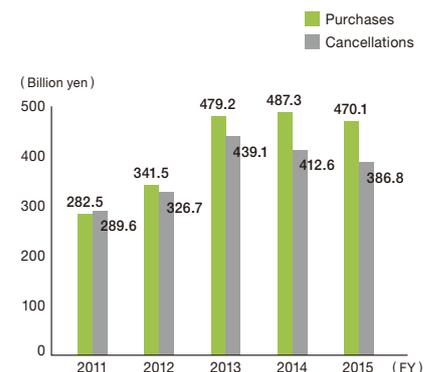
#### Issuance, Transfer and Redemption of CP (Daily average)



#### 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

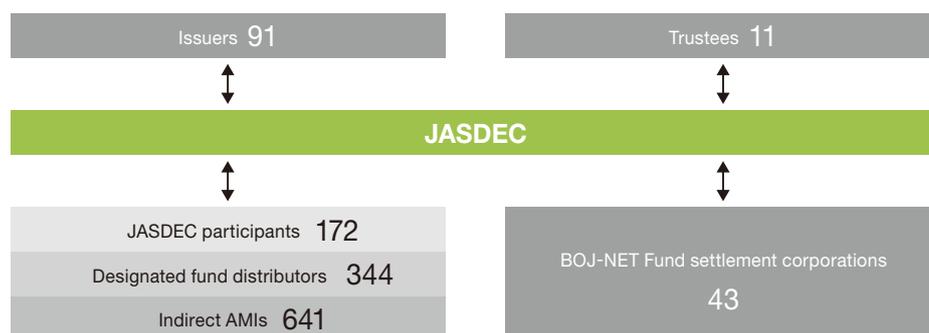
(as of March 31, 2016)



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

### Participants in Book-entry Transfer System for Investment Trusts

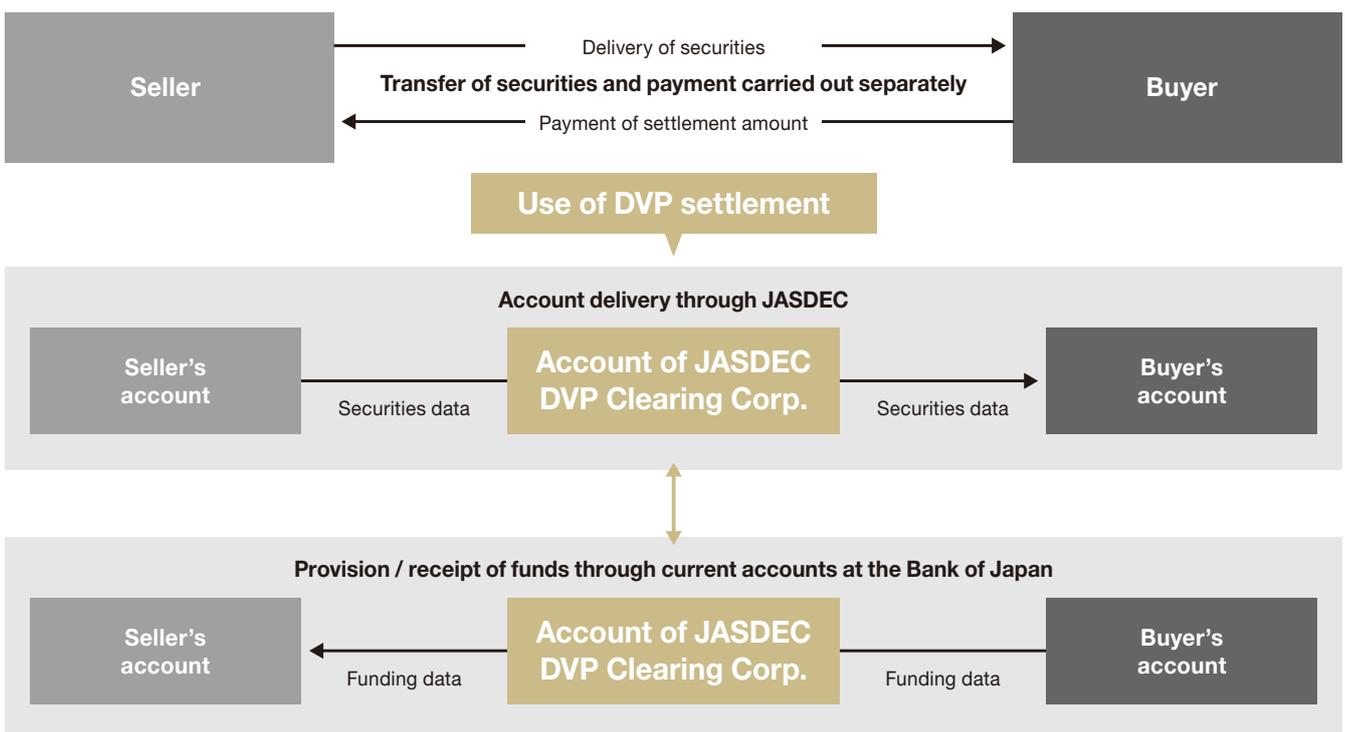
(as of March 31, 2016)



# 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.

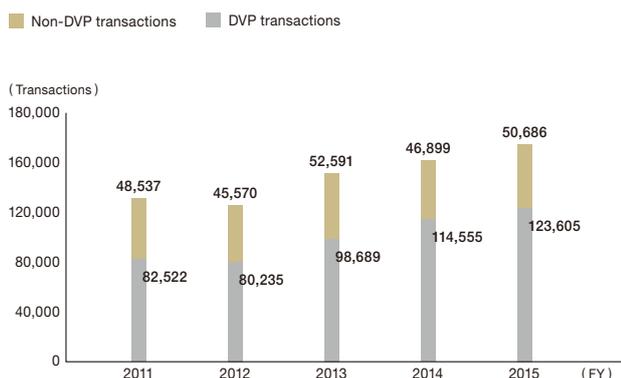
In FY 2015, the usage of DVP settlements continued to increase. In consideration of the above, we refunded 256 million yen of settlement fees in total according to each participant's usage level.

## 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.

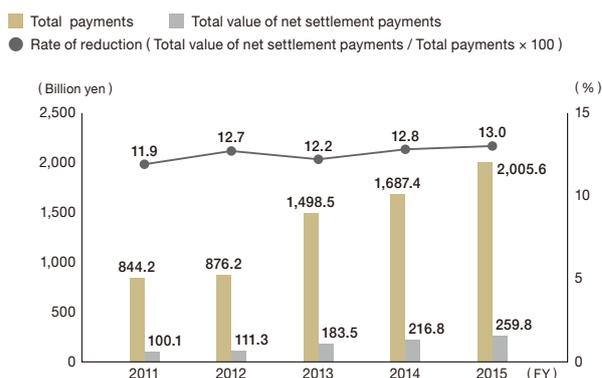
In FY 2015, based on the PFMI formulated by the BIS/CPMI and IOSCO, JDCC took action to reinforce its risk management. As a part of such initiatives, JDCC plans to establish a net debit cap for each financial group by March 2017 so as to take appropriate response even in the event that one DVP participant 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 )

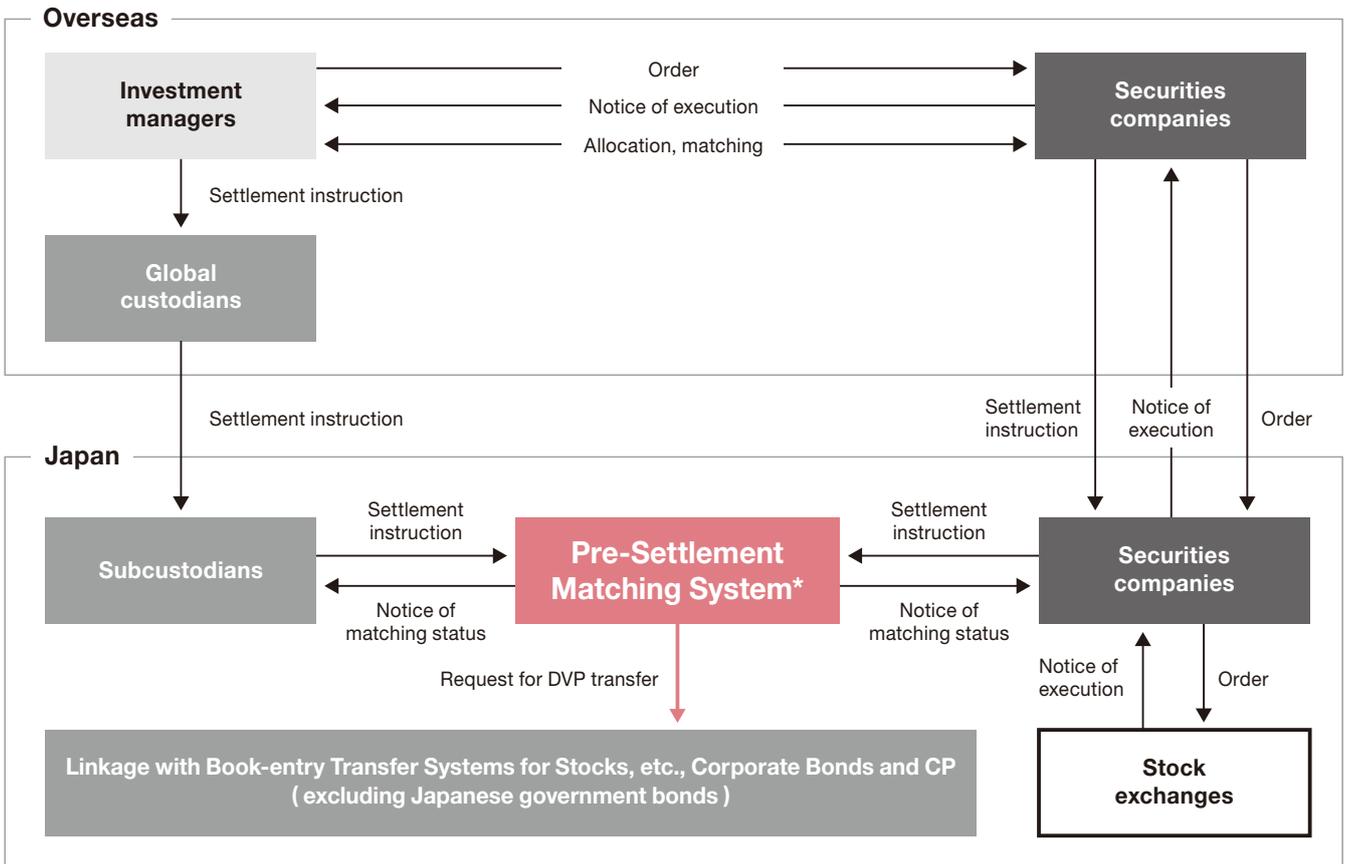


Securities covered: Stocks, bonds with share options (convertible bonds), ETFs, REITs, share options (share subscription warrants), foreign stocks, etc.  
Total payments is the total amount used for execution of securities transfers.  
Total value of net settlement payments is the total amount used for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

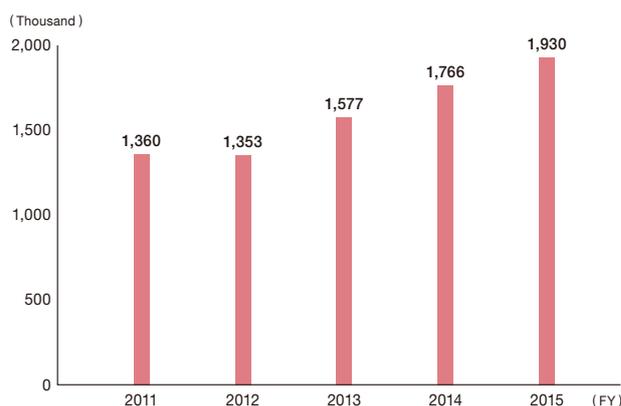
- 1 Rapid post-trade process
- 2 Automatic data linkage to CCP and Book-entry Transfer System for Delivery Versus Payment (DVP) settlement
- 3 Implementation of a globally standardized message format suitable to both domestic and non-residents' transactions

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.

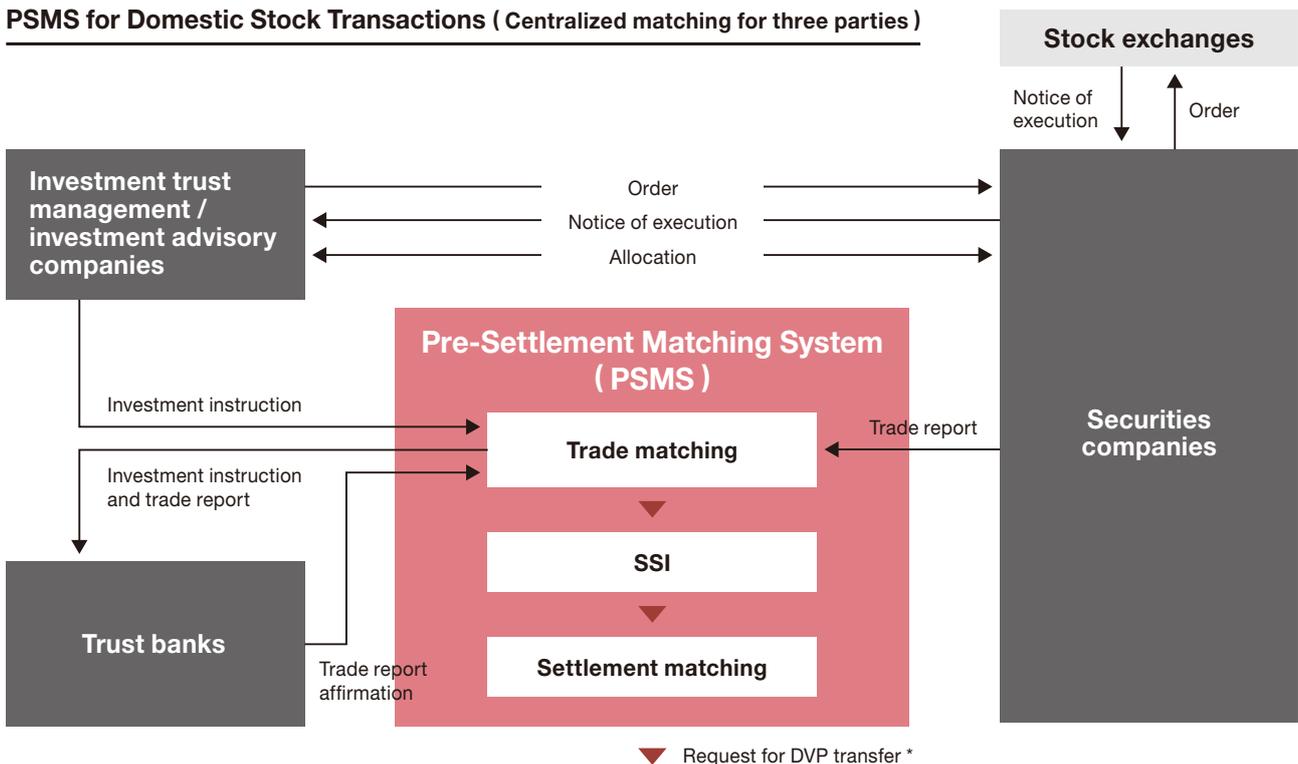
In November 2015, the Japan Securities Dealers Association (JSDA) started a system for disclosing transaction information on corporate bonds so as to revitalize the Japanese bond market. JASDEC implemented functions to provide JSDA with incoming transaction data on corporate bonds sent to PSMS in support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



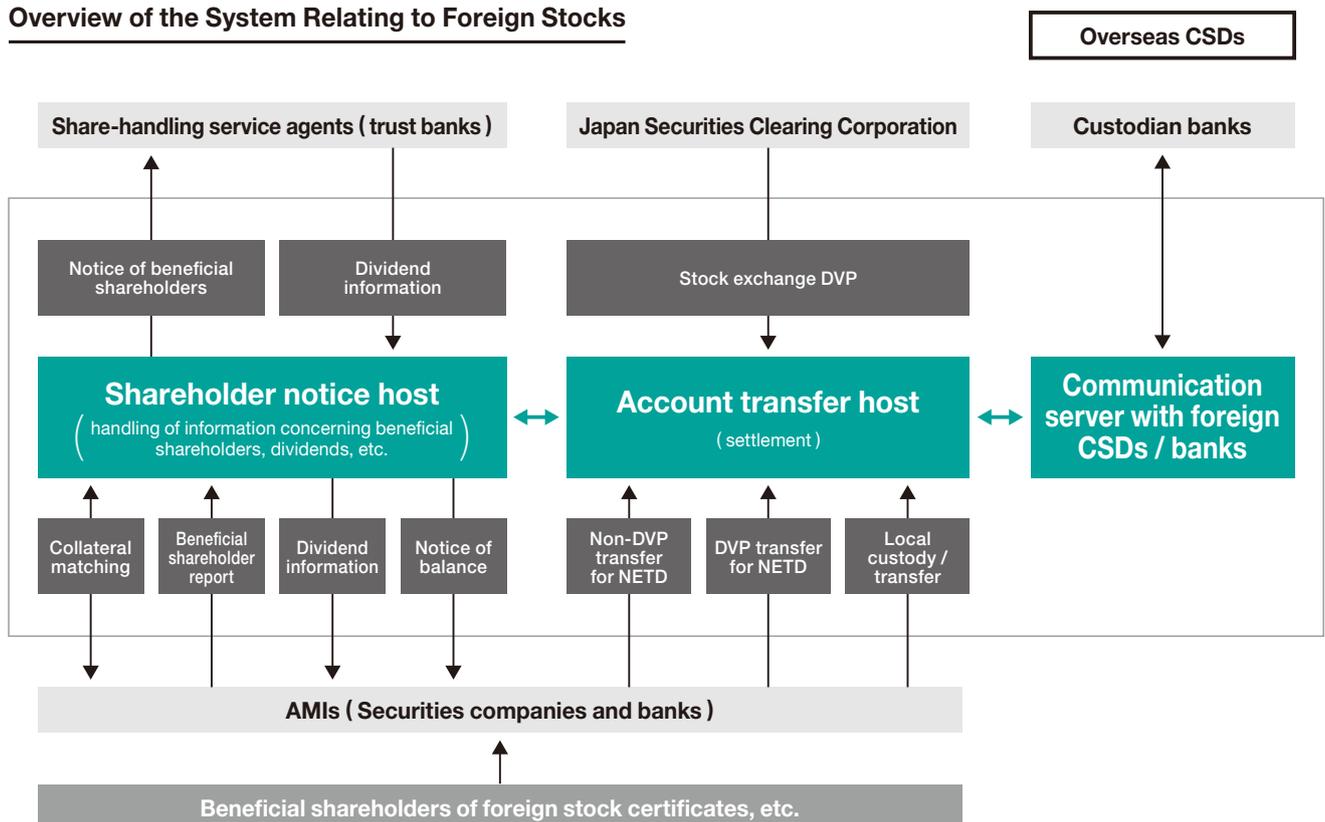
Linkage with Book-entry Transfer Systems for Stocks, etc., Corporate Bonds and CP ( excluding Japanese government bonds )

\* 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

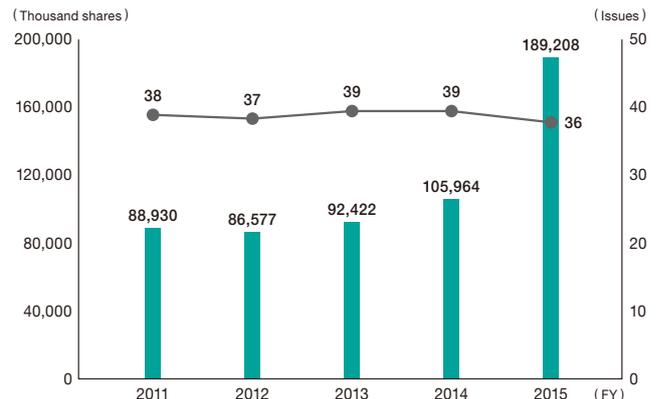
the amount of dividends, which are then paid directly to the beneficial shareholders from the dividend-paying banks.

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.

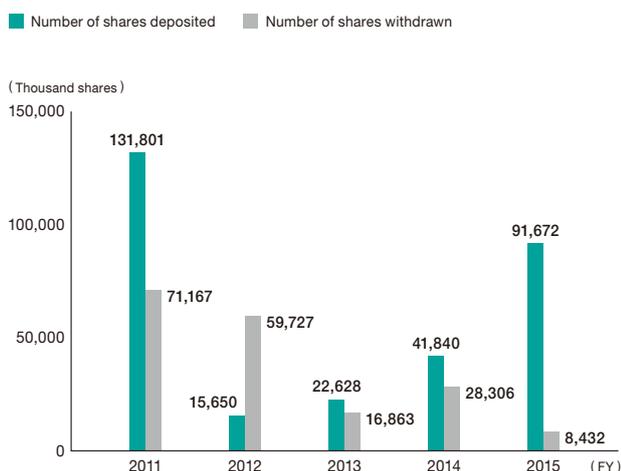
As of March 31, 2016, the total number of issues handled by JASDEC was 36.

## 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

