

January 20, 2021

To: Users of Book-Entry Transfer System for Stocks, etc.

Japan Securities Depository Center, Inc.

Please note that this document is a translation of a press release published on January 20, 2021 (local time) made for reference purpose only. The official language of the original press release is Japanese. The Japanese version takes precedence over the English version in terms of content and interpretation. For the original Japanese version, please refer to http://www.jasdec.com/download/news/20210120_notice.pdf

Malfunction in the Book-Entry Transfer System for Stocks, etc. with respect to JSCC Market DVP Settlement Transfer Processing

Thank you for your continued support of our business. We would like to express our sincerest apologies for any inconvenience caused by delays of the book-entry transfer process due to a malfunction in our Book-Entry Transfer System for Stocks, etc. with respect to “the DVP Settlement for exchange transaction (hereinafter “Market DVP Settlement”)” of the Japan Securities Clearing Corporation (hereinafter “JSCC”) on January 20, 2021.

1. Incident

With JSCC’s Market DVP Settlement, most stocks are usually transferred from JSCC to the receiving clearing participants by 1 P.M. However, due to a malfunction in the Book-Entry Transfer System for Stocks, etc. this process was delayed.

As a result, there was an impact on subsequent processing of DVP settlement for NETDs (non-exchange transaction deliveries), etc. for clearing participants that receive transfers from JSCC.

Since this incident was related to the book-entry transfer process for JSCC’s market DVP settlement process, we are working together with JSCC to coordinate information as needed to respond to this issue.

2. Details

11:00 (approx.) JSCC informed us that the book-entry transfer process did not proceed for stocks that should have been transferred to the receiving clearing participants from JSCC on Market DVP settlement.

12:20 (approx.) Cut-off time (12:20) for non-resident’s transactions on the Pre-Settlement Matching System was extended (notification sent to participants)

- **12:51 Announcement** that cut-off time would be further extended

- **13:10 Announcement** that cut-off time would be extended until 13:10

13:00 Settlement cut-off time for deliverer reached at JSCC. Due to a malfunction of the Book-Entry Transfer System for Stocks, etc. some transactions related to JSCC's market DVP settlement did not proceed resulting in a situation where some stocks that should have been transferred to the receiving clearing participants remained in JSCC securities settlement accounts.

14:15 Transfer process completed on net debit calculation/cap (14:15) for JSCC's market DVP settlement.

15:30 Cut-off time reached for book-entry transfer requests in the Book-Entry transfer system for Stocks, etc.

- **15:17 Announcement** that cut-off time for book-entry transfer requests would not be extended, based on the impact on associated parties.

3. Cause

As a result of investigation, we found out that a malfunction occurs in our Book-Entry Transfer System for Stocks, etc. that blocks transfers of stocks to an unspecified number of receiving clearing participants when all three conditions listed below are met.

- ① There exists a participant for whom no JSCC market DVP settlement transfer occurred during the overnight batch processing that took place on the business day (January 19) prior to the settlement date (January 20).
- ② Information of collateral amount sent to JASDEC from JSCC on the business day prior to the settlement date did not include the above mentioned participant's information.
- ③ On the settlement date, the JSCC market DVP settlement transfer process was executed for the above mentioned participant, or collateral amount information of the above mentioned participant was transmitted from JSCC to JASDEC.

4. Corrective action

To rectify this malfunction, corrective action will take place in the evening of January 20. We expect the book-entry Transfer process will proceed as usual from January 21.

We would like to apologize again for any inconvenience caused by this incident, and ask for your continued support.