



Book-Entry Transfer System for “Corporate Bonds”



Japan Securities Depository Center, Inc.



Legal Framework of Book-Entry Transfer System for “Corporate Bonds”

1.1 Act on Book-Entry Transfer of Company Bonds, Shares, etc.

- **Book-Entry Transfer System by balance management**
 - Maintenance of smooth settlement by introduction of Book-Entry Transfer System which enables right transfers by electronically recording the increase and the decrease of the balance in the Transfer Account Book.
- **Multi-layer Holding Structure**
 - Multi-layer holding structure shall be composed of Book-Entry Transfer Institution, Account Management Institutions and investors. Account Management Institutions can be positioned in multi-layer holding structure in order to enable flexibility of business development for Account Management Institutions and affiliation among international institutions.
- **Assurance of Settlement Finality/Investors Protection**
 - Provision for Investors Protection in case of recording error in Transfer Account Book by Account Management Institutions, etc. while maintaining settlement finality by bona fide acquisition.
 - Write-off and payment obligation by Account Management Institution, etc., joint assurance of payment obligation by Account Management Institutions which investors open account, and Participant Protection Trust.



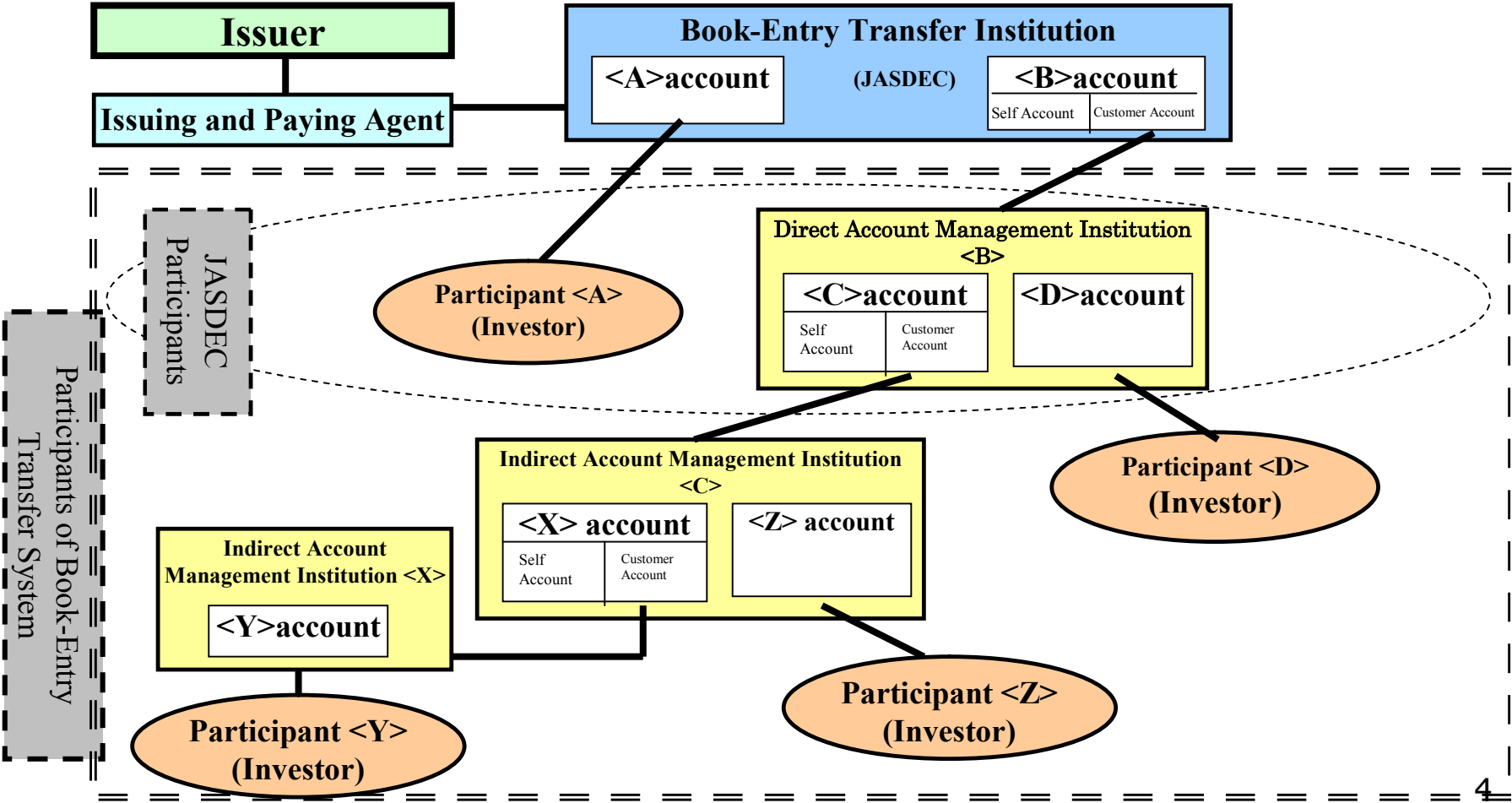
1.2 Act on Book-Entry Transfer of Company Bonds, Shares, etc.

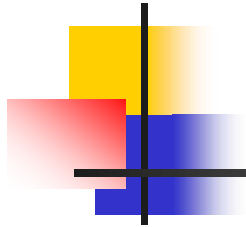
- Complete Dematerialization
 - Issuers are able to issue in dematerialized form and investors are not allowed to request issuance of bond certificates.
- Abolition of Recording System for Corporate Bonds, etc.
 - Corporate Bonds, etc. Registration Act was abolished on January 4, 2008.
 - Bonds that shall be issued on or after January 4, 2008 shall not be issued in recorded forms.
 - Recording System for Corporate Bonds, etc. is still available only for outstanding recorded bonds.

Outline of Book-Entry Transfer System for “Corporate Bonds”

2.1 Participants of Book-Entry Transfer System

* Issuer shall entrust Issuing and Paying Agent for system connection to JASDEC and daily business operations.





■ **Issuers**

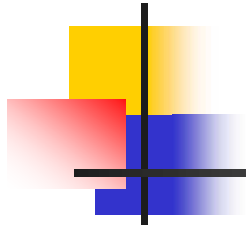
- JASDEC shall obtain prior consent on handling of corporate bonds at JASDEC from Issuers.
- Issuers shall make use of Issuing Agents and Paying Agents. Issuers shall notify JASDEC of its agents in advance.

■ **Issuing Agents**

- JASDEC, upon receipt of an application from a financial institution, shall designate such an institution as an “Issuing Agent”, pursuant to the provisions of JASDEC Business Regulations.
- Issuing Agents shall undertake to follow the procedure for the issue of corporate bonds required by JASDEC, on behalf of Issuers.

■ **Paying Agents**

- JASDEC, upon receipt of an application from a financial institution, shall designate such an institution as a “Paying Agent”, pursuant to the provisions of JASDEC Business Regulations.
- Paying Agents shall undertake to follow the procedure between JASDEC and the Issuer, after the day of the issue to the day of redemption of the relevant corporate bonds, on behalf of issuers.



- **Participants**

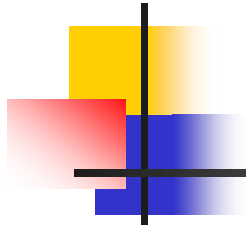
- A person for which/whom JASDEC and Account Management Institutions has opened an account for the purpose of implementing book-entry transfer of Corporate Bonds.

- **JASDEC Participants**

- A participant for which/whom JASDEC has opened a JASDEC Participant Account.

- **Account Management Institutions**

- Securities companies, banks and other financial institutions, approved by JASDEC, may open accounts for book-entry transfer for corporate bonds for other institutions, in accordance with the provisions of JASDEC Business Regulations.
- Account Management Institutions shall maintain a Transfer Account Book.
- Account Management Institutions shall be classified as follows.
 - *Direct Account Management Institutions are:
Those for whom JASDEC opened accounts for book-entry transfer for corporate bonds.*
 - *Indirect Account Management Institutions are:
Those for whom Direct or Indirect Account Management Institutions opened accounts for book-entry transfer for corporate bonds.*



- **Fund Settlement Corporations**

- JASDEC, upon request by a financial institution which maintains an account at Bank of Japan (hereinafter called “BOJ”) and utilizes the on-line dealing by BOJ Financial Network System (hereinafter called “BOJ Net”), shall register such a financial institution as a “Fund Settlement Corporation”, pursuant to the provisions of JASDEC Business Regulations.
- Fund Settlement Corporations shall undertake the fund settlement arising from the issue, transfer and redemption of corporate bonds by BOJ Net, on behalf of JASDEC Participants or Issuers.



2.2 Eligible Corporate Bonds, etc. (1)

- JASDEC shall handle various types of “Corporate Bonds” regardless of public offering, private offering, currency and etc..
 - Eligible securities are below:
 - (prescribed in Article 2, Paragraph 1 of Act on Book-Entry Transfer of Company Bonds, Shares etc.)
 - Corporate Bonds*1
 - Municipal Bonds
 - Investment Company Bonds prescribed in the “Act on Investment Trust and Investment Corporations”
 - Corporate Bonds issued by mutual companies prescribed in the “Insurance Business Act”
 - Specified Corporate Bonds prescribed in the “Act on Securitization of Assets” *1
 - Rights that should be represented by bond certificates issued by companies under a special law
 - **Rights that should be represented by bond certificates issued by any governments or companies in foreign countries (i.e. Samurai Bonds and Shogun Bonds) *1**
- *1 Excluding corporate bonds with subscription rights or excluding securities with the characteristics of bonds with subscription rights.
- JASDEC shall not handle bonds issued outside Japan. (i.e. Euro Bonds)



2.3 Eligible Corporate Bonds, etc. (2)

- Book-Entry Bonds shall fulfill following issuing conditions:
 - The value of each corporate bond has to be JPY 1,000 or more with increment of JPY 1,000 and equalized.
 - Value of each corporate bond = Unit for book-entry transfer
 - Total issue amount has to be JPY 10 million or more.
 - Fix date redemption or methods of interest calculation in conformity with JASDEC's rules is accepted (mentioned afterwards).
 - Currencies prescribed by ISO4217 are acceptable.

2.4 Handling of Fix Date Redemption

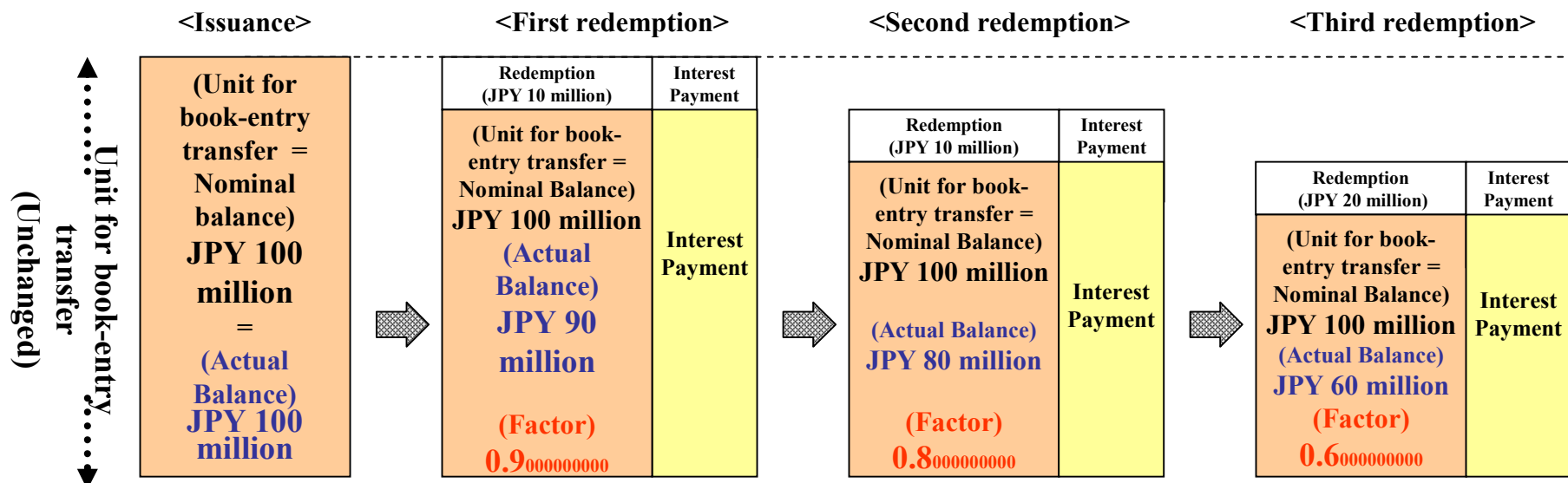
- Fix date redemption is available by maintaining the actual balance calculated by using “Factor”.

Value of each corporate bond – Total of previously paid fixed date redemption amounts
with respect to value of each corporate bond

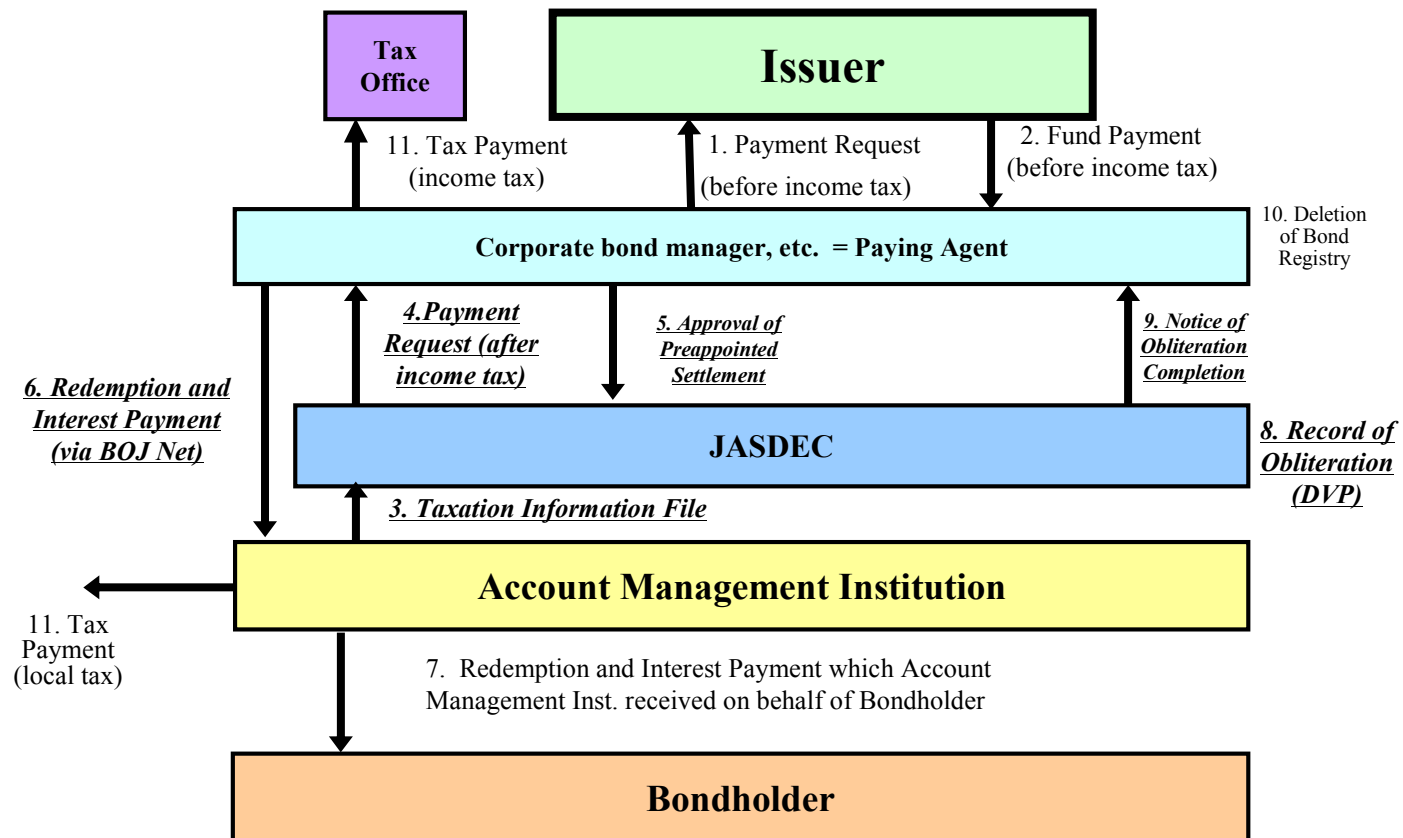
Factor =

Value of each corporate bond

Example:

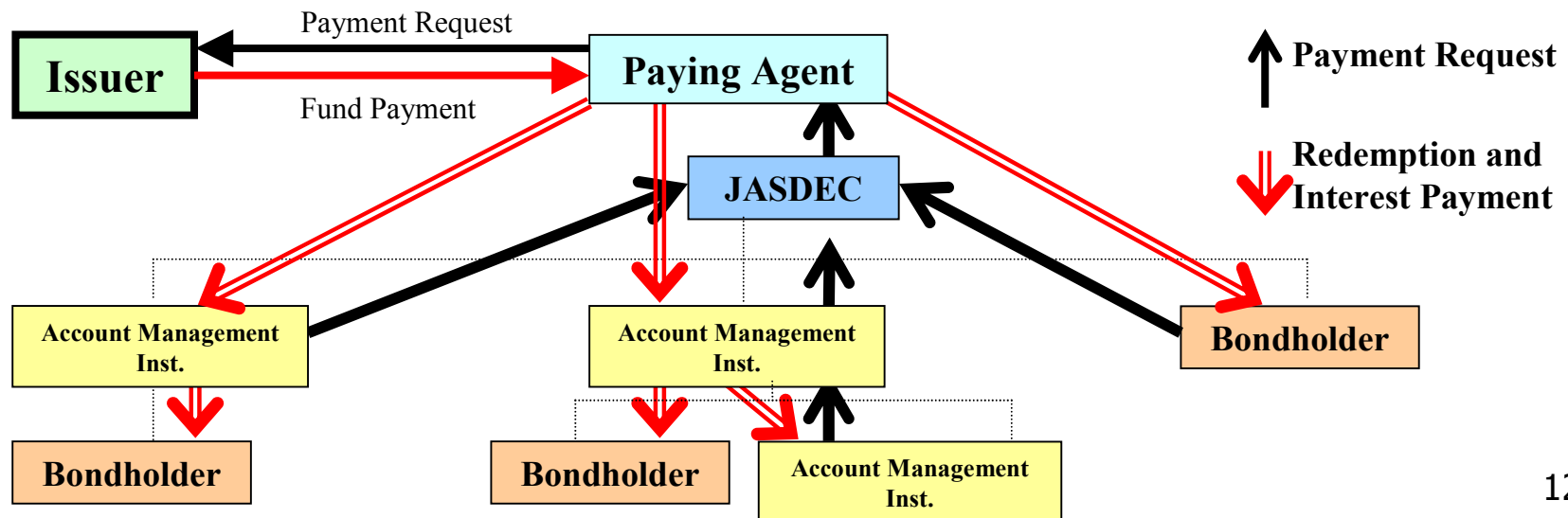


2.5 Redemption and Interest Payment (1)



2.6 Redemption and Interest Payment (2)

- Issuer shall make fund payment to Paying Agent.
- Redemption and interest payment to bondholders shall be made via multi-layer holding structure from Paying Agent to bondholders through Account Management Institutions.
 - Bondholder shall entrust in advance the Account Management Institution to receive the redemption and interest payment on their behalf.
 - All Account Management Institutions that have relative issue recorded in Transfer Account Book shall be involved in redemption and interest payment operation.

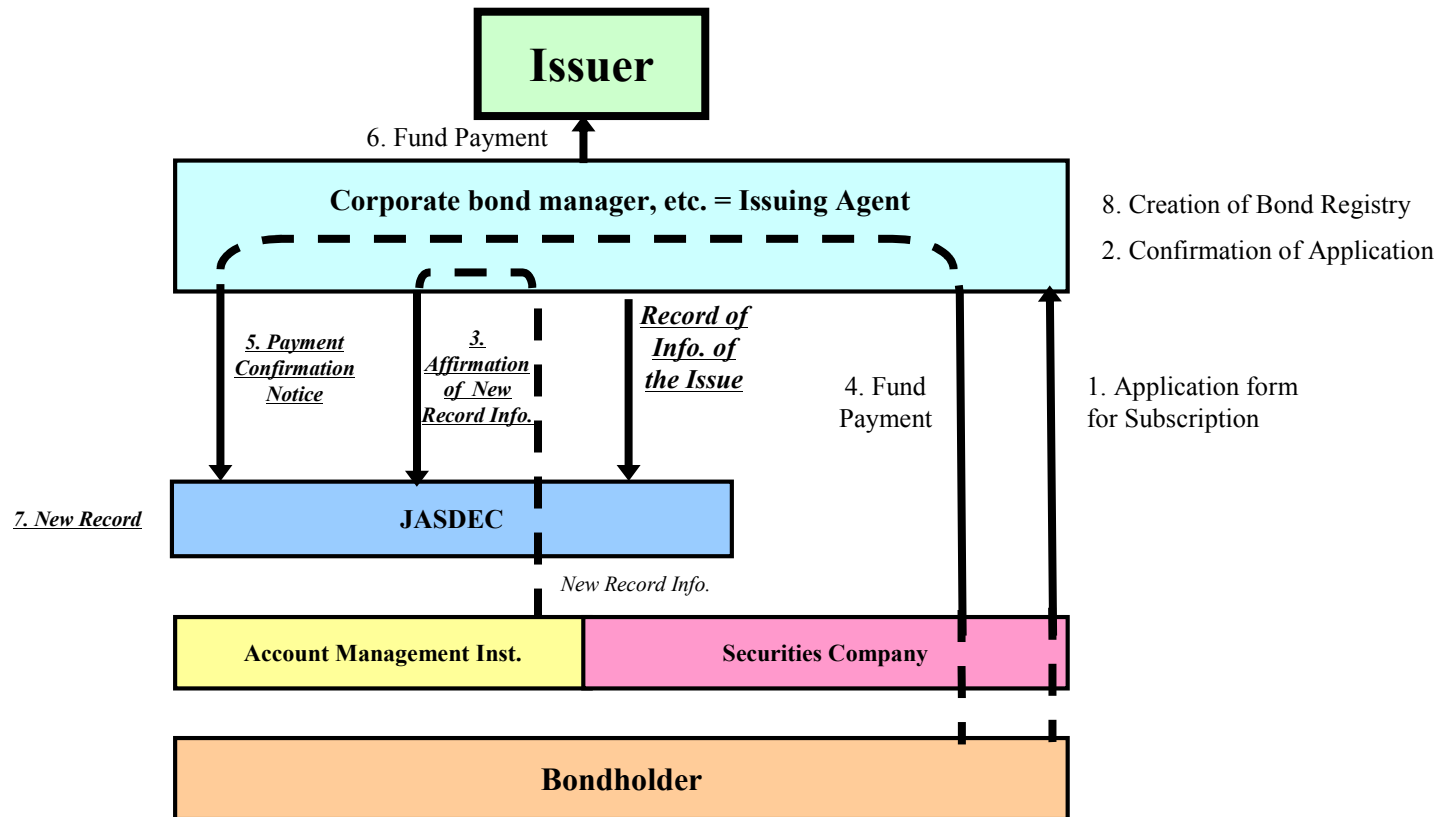




2.7 Redemption and Interest Payment (3)

- Interest shall be calculated by multiplying balance, interest rate and terms of interest calculation period, etc., not by summing up the amount of interest per bond certificate done in the procedure for recorded and physical bonds.
 - In practice, interest shall be calculated by multiplying balance and “amount of interest per one denomination” which Issuing and Paying Agent notifies to JASDEC.
- Relevant-parties shall pay the redemption and interest, calculated based on balance mentioned below:
 - From Issuer to Paying Agent;
The total issue amount of the applicable book-entry bonds
 - From Paying Agent to JASDEC Participants;
The amount of the applicable book-entry bonds in each Classified Account of each JASDEC Participant in JASDEC’s Transfer Account Book.
 - From Account Management Institution to Bondholders;
The amount of the applicable book-entry bonds in each account of the bondholder in the Transfer Account Book maintained by the Account Management Institution.
- All fractional numbers are rounded down.
- The difference occurred to Participants arising from calculation shall not be adjusted.
 - There is a possibility that a difference may occur in a case when fractional numbers arise in interest amount, depending on interest rate or terms of interest calculation period.

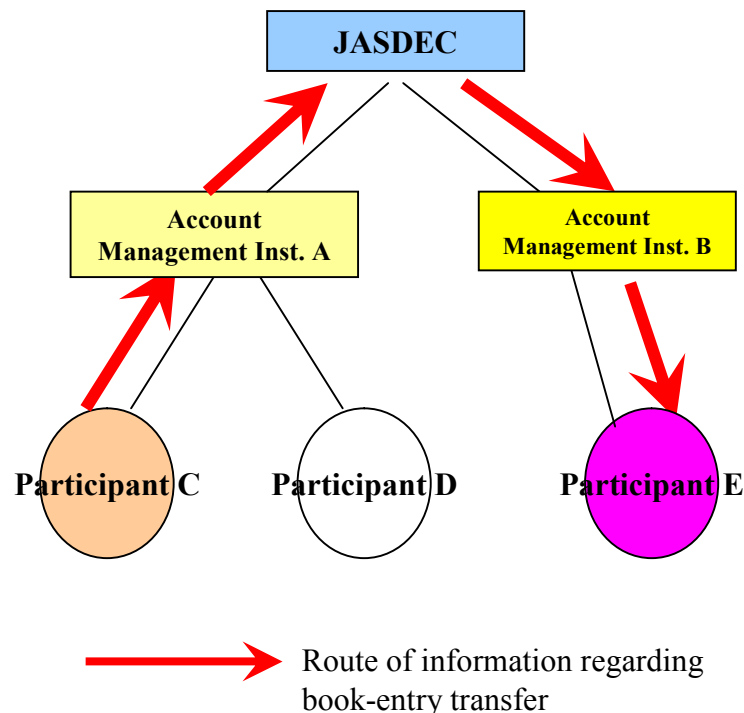
2.8 New Issue



*The case when New Record is recorded to the self account of underwriting securities company

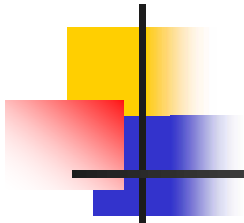
2.9 Book-Entry Transfer

- **Procedures for transfer under book-entry transfer system are as follow:**
 - Investors need to open an account at Account Management Institution (ex. securities companies/banks) in order to hold book-entry bonds.
 - Acceptance of collateral shall be made by transfer to recipient's self account.

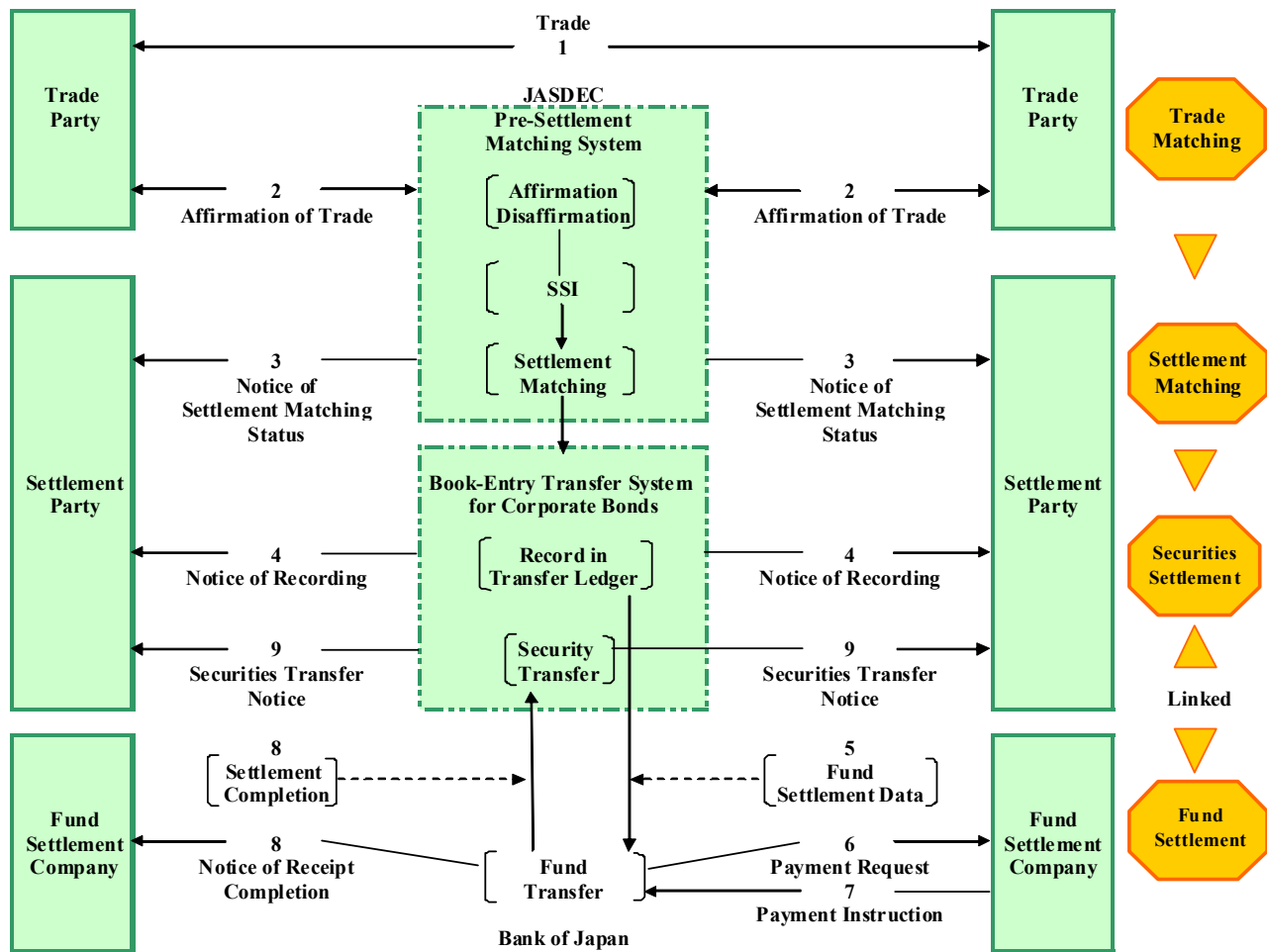


<Book-Entry Transfer from Participant C to Participant E>

1. Participant C shall apply for the book-entry transfer of the issue to Account Management Institution A (the nearest upper-positioned institution).
2. Account Management Institution A shall record the decrease of the issue in the account of Participant C and report the transfer application of the issue to JASDEC (the nearest upper-positioned institution), because A is not the upper-positioned institution of Participant E.
3. JASDEC shall record the increase of the issue in the customer account of Account Management Institution B (the nearest upper-positioned institution of Participant E) and the decrease in the customer account of Account Management Institution A.
4. Account Management Institution B shall record the increase of the issue in the account of Participant E.



■ **Book-Entry Transfer (by DVP)**





Participation Procedures for Issuers

3.1 Submission of Consent Notice to JASDEC by Issuers, etc. (1)

- Following procedures are necessary for the Issuers to participate Book-Entry Transfer System for “Corporate Bonds”:
 - Submission of Consent Notice on handling of book-entry bonds and necessary forms to JASDEC by the Issuer.
 - Appointment of Issuing and Paying Agent.
 - After submission of Consent Notice to JASDEC, all transactions regarding issuance, interest payment and redemption, etc. of book-entry bonds shall be made by Issuing and Paying Agent.
 - Decision for application of the provisions of Act on Book-Entry Transfer of Company Bonds, Shares, etc..
 - For bonds other than corporate bonds issued by Japanese companies (**such as bonds issued by governments and companies in foreign countries, i.e. Samurai Bonds and Shogun Bonds**), the procedure of decision of the application of the provisions of the Act will be the same as the procedure of that of the new issuance.



3.2 Submission of Consent Notice to JASDEC by Issuers, etc. (2)

- Issuers with Issuer Code (numbered by Securities Identification Code Committee) may submit comprehensive Consent Notice regarding bonds that shall be issued in the future.
 - Above condition shall be applied to public companies, local governments, government corporations that issue public offering bonds, private companies that issue public offering bonds, foreign governments and foreign companies.
 - Issuers shall notify JASDEC of appointment of Issuing and Paying Agent with Consent Notice. Issuers are able to appoint more than one Issuing and Paying Agent.
- Issuers with no Issuer Code submit Consent-Appointment Notice for every issue.
 - Above condition shall be applied to unlisted Issuers that do not issue public offering bonds.
 - Combined Consent Notice is acceptable for issues with same issuing date.



About JASDEC

(as of March 31, 2013)

■	Established	January 4, 2002
■	Company Name	Japan Securities Depository Center, Inc.
■	Head Office	1-1 Nihombashi-Kayaba-cho, 2-chome, Chuo-ku, 103-0025 Tokyo, Japan
■	Main Businesses	<ol style="list-style-type: none"> 1. Book-entry transfer for stocks, etc. 2. Book-entry transfer for commercial paper 3. Book-entry transfer for corporate bonds 4. Book-entry transfer for investment trusts 5. DVP settlement services for Non-Exchange Transaction Deliveries (NETDs) 6. Pre-settlement matching system 7. Custody services for foreign stocks, etc. 8. Other businesses
■	Paid in Capital	4.25 billion Yen (as of March 31, 2013)
■	Total of Issued Shares	8,500
■	President and CEO	Haruhiko Kato
■	Shareholders	133 (as of March 31, 2013)
■	History	
	November 1984	The Law Concerning Central Securities Depository and Book-Entry Transfer of Stock Certificates and Other securities was enforced.
	December 1984	Japan Securities Depository Center (JASDEC) was founded as a not-for-profit foundation.
	October 1991	JASDEC began offering its depository services for stocks.
	September 2001	JASDEC implemented the Pre-Settlement Matching System.
	November 2001	JASDEC started handling of corporate convertible bonds.
	June 2002	All central custody and book-entry transfer business were transferred to the new, incorporated entity and the former entity was dissolved.
	January 2003	Act on Book-Entry Transfer of Corporate Bonds, etc. was enforced and JASDEC was designated as a Book-Entry Transfer Institution under the Act.
	March 2003	JASDEC inaugurated its Short-Term Corporate Bonds (Commercial Paper) Book-Entry Transfer System.
	June 2003	JASDEC established JASDEC DVP Clearing Corporation. (JDCC)
	May 2004	JASDEC commenced DVP Settlement Services for non-exchange transaction deliveries, which JDCC undertakes.
	January 2006	JASDEC inaugurated its Book-Entry Transfer System for “Corporate Bonds.”
	January 2007	JASDEC inaugurated its Book-Entry Transfer System for “Investment Trusts.”
	January 2008	JASDEC inaugurated its Book-Entry Transfer System for “ETFs.”
	January 2009	JASDEC inaugurated its Book-Entry Transfer System for “Stocks.”



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