



JSDA

Annual Report **2014**



Japan Securities Dealers Association

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Preamble



Dear Readers,

During the past year, the environment surrounding the Japanese securities market has shown significant improvement in diverse ways. The real economy has demonstrated a steady recovery trajectory under “Abenomics,” a three-pronged strategy consisting of bold monetary policy, flexible fiscal policy and a growth strategy. The market infrastructure has also been strengthened through the integration of cash and derivatives markets following the launch of the Japan Exchange Group in January 2013, which provides underpinnings for the Japanese market to improve its convenience and international competitiveness. Furthermore, Tokyo’s winning the privilege to host the 2020 Olympic and Paralympic Games is expected to contribute to upgrading infrastructure, bringing dynamism into industries and improving consumer and investor sentiment.

Under these circumstances, aiming to keep the economic growth on track and further improve people’s welfare, the Japan Securities Dealers Association (JSDA) has embraced two goals expected by the investing public: invigorating the capital market and expanding the investor base. Under these two goals,

the JSDA is continuing to fulfill its roles and functions to achieve fair and effective self-regulation, promote sound development of the securities business and market infrastructure, and further enhance international exchange of views and expertise. The following are the recent key developments in our mandates.

Improving credibility of securities business and achieving thorough investor protection

For securities firms and their business, upholding a high level of ethical standards is a key to ensure confidence of the investing public. The JSDA has been steadily implementing self-regulatory measures to assure investor confidence in securities firms. As recent instances, the JSDA issued “Case Studies for Member Firms to Enhance Ethical Standards,” “Model Format for Member Firms to Disclose Ethical Codes and Internal Systems to Observe these Codes,” and “Model Format to Introduce Member Firms’ Corporate Profile.” The JSDA also reviewed and enhanced the system to impose disciplinary actions on individuals who perpetrated an inappropriate act.

In addition, in order to ensure the protection of elderly people in securities transactions, the JSDA issued guidelines for its members in conducting sales for elderly customers. Under these guidelines, JSDA members are required to conduct sales in a more prudent manner observing suitability standards.

Supporting individual investors and promoting financial literacy and education

Building personal assets on one’s own discretion and responsibilities is becoming quite important to support a stable and prosperous future life of individuals in Japan’s rapidly aging society. NISA, short for Nippon (Japan) Individual Savings Account, a new tax exemption measure to promote investment by individuals, was introduced in January

this year. NISA is modeled after the Individual Savings Account (ISA) in the United Kingdom and is expected to be an effective instrument for individuals' mid-to-long term asset accumulation as well as a functional conduit of funds to promising businesses.

Any residents of Japan aged 20 or more are eligible to have a NISA account. With the NISA account, all individuals are entitled to an exemption of the 20% levy on income from capital gains, dividends and coupons from annual investments of up to one million yen (approximately US\$10,000) made over a five-year period as long as they reside in Japan. Under the current legislation, tax-exempted investment can be made through NISA up to 10 years starting in 2014 for a cumulative investment of 5 million yen (approximately US\$50,000).

NISA is expected to induce people, including those who are new to investment, to invest in diverse financial products with significant variations in risks and returns. Therefore, the industry faces the pressing task of raising financial literacy among individual investors. The JSDA has committed to and has actually conducted wide-ranging activities to enhance and promote financial literacy and education. For example, the JSDA gives "Financial Literacy Seminars" for students at universities. Activities targeting working adults include conducting events like "Securities Investment Day" (October 4) and "NISA Lectures."

Promoting better recognition of Japanese securities market

Japan has the third largest economy in the world and a huge and deep capital market. This said, in order to maintain and further raise our profile as an international financial center, it is imperative to implement initiatives to create a market attractive and easy-to-understand for overseas investors and communicate information about such initiatives abroad. With this in mind, JSDA conducts various activities to promote the attractiveness and potential of Japanese market overseas.

As our core activity for this purpose, we hold the "Japan Securities Summit," which is a seminar event to promote the Japanese securities market overseas. The first event took place in London in January 2008, the second one in Hong Kong in March 2009, the third one in Singapore in March 2010, the fourth one in New York in March 2011, immediately before the Great East Japan Earthquake, and the fifth one again in London in February in 2013, and the sixth event, the most recent one, again in New York in March 2014.

The main objective of the event is to provide overseas market professionals, investors and financial experts with an opportunity to better understand the attractiveness of Japan as an investment choice and the framework of the Japanese market as an effective trading venue.

Every event attracted participants representing institutional investors, banks, securities firms, legal and financial experts, academic experts, government regulators, information and data vendors, and media in the city or the country where the event took place. Such interactive and intellectual exchanges are one of the key drivers to ensure openness of the Japanese market and to take necessary steps to further improve the access of overseas investors and issuers to the Japanese market. The JSDA plans to continue these types of dialog with overseas investors and financial experts.

The JSDA is fully committed to further improving our market's integrity and efficiency and have implemented a number of initiatives to this end as partly introduced above. We believe that, leveraging our market's strengths, our current efforts will contribute to affirming the future sustainable growth of Japan and the world.



Kazutoshi Inano
Chairman

For a More Active and Efficient Market: Contributing to Growth Strategies



Press Conference at the Foreign Correspondents' Club of Japan

Providing Risk Money to Startup and Growth Companies

In October 2013, the JSDA established the Working Group on the Trading System for Unlisted Stocks. Taking into consideration the direction regarding the establishment of systems indicated in the December 2013 report of the Working Group on the Provision of Risk Money to Emerging and Growing Companies of the Financial Services Agency's Financial System Council, the JSDA's working group discussed related issues. The working group considered such issues as the establishment of a new trading system for unlisted stocks to replace the current Green Sheet issue system, the status of the Phoenix issue system as a market for delisted issues, and self-regulatory rules for investment-type crowdfunding for which JSDA member firms act as intermediaries.

Reinforcing and Diversifying Equity Funding by Listed Companies

In its Study Group on Vitalization of the Japanese Economy and Public Offerings, the JSDA deliberated necessary measures to improve the convenience of equity funding for both investors and issuers and

vitalizing Japan's economy. The results of those discussions were put together in a report issued in June 2013. Furthermore, in November 2013, the JSDA formed the Working Group on Vitalization of the Japanese Economy and Public Offerings to further look into the issues. The working group considered from a practical perspective such issues as dealing with large-scale capital increases through public offerings that result in significant dilution, encouraging execution of voting rights by stockholders, diversification of offering methods, improving the convenience of commitment-type rights offerings, and promoting fair trading. In addition, the working group talked to the different parties involved with these systems.

Vitalizing the Corporate Bond Market

A JSDA working group deliberated concrete measures for establishing a more efficient corporate bond pricing information infrastructure, publishing a report on measures to improve the degree of confidence in reference statistical prices for OTC bonds in September 2013. Moreover, the JSDA made partial amendments to its relevant regulations

to revise the reference statistical prices for OTC bonds and to establish regulations for the reporting of corporate bond trading information and the creation of a public announcement system in December 2013 and in March 2014. These partial revisions are to come into effect sometime after Fall 2015 and by the start of 2016 at the latest.

To enhance the protection of corporate bondholders, the JSDA's Working Group on Market Infrastructure for Corporate Bonds considered the establishment of an information notification system for bondholders and the setting up of a Bond Administrator system specifically to protect the rights of bondholders following a bond default.

Among other efforts, the JSDA's Working Group on Shortening the Settlement Cycle for Japanese Government Bonds continued to deliberate measures to shorten settlement cycles and achieve T+1 for outright JGB transactions (T+0 for general collateral (GC) Repo transactions). The working group's discussions focused on the issues of trading methods and creating necessary infrastructure.

To explore and verify the cost effectiveness and other aspects of moving to T+1 settlement, the JSDA enlisted the services of an outside consulting firm. The consultants held hearings with a wide range of market-related institutions and people and conducted a survey to ascertain actual conditions in the market.

Promoting NISA, the tax exemption program for investments by individuals

Following the launch of NISA, short for Nippon (Japan) Individual Savings Account, the JSDA implemented a range of public relations activities to popularize and promote the new program. Using various types of media, including television, newspapers, posters, and leaflets, the JSDA conducted activities aimed at explaining NISA and its scheme and special features as well as achieving public familiarity with the program. In May 2013,

the JSDA established the NISA Enquiry Call Center to respond to questions and enquires about NISA from individuals.

In an effort to enhance and simplify the program, the JSDA proposed changes to the authorities and others involved with NISA, resulting in 1) from January 2015, account holders will be able to change on a yearly basis the securities company or bank where the account is held, 2) following termination of a NISA, the account may be reopened if it is within the same accounting period for the original account. Discussions are ongoing as to whether the NISA program should be continued indefinitely, taking into consideration the performance and impact of the scheme.

In addition, the JSDA conducted a fact-finding survey on overseas preferential taxation systems for investments aimed at asset formation by individuals over the mid-to long-term based on self-help efforts. Implemented during March 2014, the survey covered the U.K.'s ISA, workplace ISA, junior ISA plans and the 529 Plan in the United States. The report was released in May 2014.

A Framework for Establishing Comprehensive Exchange

The JSDA took several actions toward establishing a comprehensive exchange. Setting out the issues and the basic thinking on the task at this point, the JSDA also established a special committee chaired by the JSDA chairman under the Board of Governors in March 2014 to discuss these points. Special Committee on Comprehensive Exchange Scheme is deliberating the issues surrounding the establishment of a comprehensive exchange, such as the scope of involvement of JSDA members, self-regulatory rules and investor protection measures, member firm categories, and cost sharing among member firms.

For Better Self-Regulation



Establishing Confidence in Securities Firms and Market

The Working Group on Promoting Measures to Enhance Confidence deliberated measures to increase the sense of ethics and responsibility among JSDA members and to increase investor and consumer confidence in securities firms and market. The working group published a report on its findings in June 2013. Based on the recommendations made by that report, in March 2014, the JSDA formulated and made public its “Case Studies for Member Firms to Enhance Ethical Standards”, a collection of case studies of measures that member firms have taken and the results of those efforts. In addition, the JSDA produced “Model Format for Member Firms to Disclose Ethical Codes and Internal Systems to Observe these Codes” as a reference example for member firms which prepare similar reports on their own internal control systems to be published through their websites and other tools.

The Working Group Regarding Perpetrators of Inappropriate Acts discussed the current system for disciplining member firms’ officers and employees, including a revision of the treatment of perpetrators of inappropriate acts. The report on the working

group’s findings was released in June 2013. Based on the recommendations made in the report, the JSDA partially revised its Rules Concerning Employees of Association Members (enforced on April 1, 2014).

In December 2013, the JSDA updated the syllabus that it has compiled to clearly identify knowledge necessary for sales representatives and internal administrators in reference to the existing Sales Representative Manuals and the Compliance Manual. Moreover, based on the updated syllabus, the JSDA restructured the content of its training courses for qualification renewal as a sales representative, and introduced the revised content in February 2014.

Addressing Issues Associated with Sales to the Elderly

In October 2013, the JSDA revised its Rules Concerning Solicitation for Investments and Management of Customers, Etc. by Association Members and took other steps for member firms to adopt proper sales practices for elderly customers. The revision of the rules obliges members to set up in-house rules stipulating products eligible for sale to elderly customers, explanation methods, order receiving methods, and other investor protection

requirements. In addition, the JSDA established a guideline for sales to elderly customers (enforced on December 16, 2013) titled An Interpretation of Article 5-3 of Rules Concerning Solicitation for Investments and Management of Customers, Etc. by Association Members. The guideline suggests for member firms to establish in-house rules regarding sales of financial products with relative high price fluctuations or complex schemes to elderly customers, which include such measures as requiring approval by managers prior to sales.

Preventing Insider Trading

The JSDA continued to collaborate with stock exchanges in encouraging the registration of listed companies on the Japan-Insider Registration & Identification Support System (J-IRISS) through visits to unregistered companies. As a result, the number of J-IRISS registered companies at June 30, 2014 reached 2,777 companies, or 78.2% of all listed companies. This figure represents an increase from the 2,569 companies, or 74.2% of all listed companies, at June 30, 2013.

Inspections of members

In inspections of member firms, the JSDA aims to ensure investor protection while constantly respecting their voluntary efforts to that end. During fiscal 2013, the JSDA inspected a total of 140 member firms, including 87 Regular Members and 53 Special Members from the perspective of compliance by members with laws and regulations and the establishment and effectiveness of internal administration systems. In addition, the JSDA decided on inspection methods, priority items for inspection, and specific inspection items based on the nature of the business, customer base, and risks involved with the business of each inspected member.

The main focuses in the inspection plan for fiscal 2013 were: 1) internal administration system (including risk management), 2) financial product

solicitation and sales practices, 3) sales of structured bonds whose complexity is equivalent to OTC derivatives, 4) existence and compliance with a code of ethics, 5) segregation of customer assets, 6) financial soundness, and 7) sale and purchase monitoring system. Each inspection was conducted by identifying specific issues on a case-by-case basis.

Of the 91 Regular Members and 56 Special Members receiving notifications of inspection results in fiscal 2013, 26 Regular Members and 7 Special Members were found to be in violation of laws or regulations.

Inspection Monitoring System (System for Receiving Comments on Inspections)

From among the 140 Association Members inspected, JSDA collected opinions on the JSDA inspection onsite from 27 Regular Members and 17 Special Members. This monitoring system allows JSDA to more fully understand the conditions in which inspections are conducted, enabling the implementation of appropriate inspections. The system also contributes to conducting highly transparent and trustworthy inspections.

Collaborating with Government Authorities and Other Self-Regulatory Organizations

The JSDA, Financial Services Agency (FSA), Securities and Exchange Surveillance Commission (SESC), and stock exchanges share information regarding their inspections and audits. Furthermore, the JSDA strives to improve the quality of its inspection activities cooperating with the government authorities. Measures include participating in the training sessions organized by the SESC and inviting lecturers from the SESC to speak at training courses for inspectors held by the JSDA.

Disciplinary actions

In cases of violation of laws and regulations including JSDA's self-regulatory rules, the JSDA strictly imposes self-regulatory disciplinary actions in order to avoid the recurrence of such violations. The disciplinary

actions are taken against member firms as well as their sales representatives.

The numbers of disciplinary actions taken by the JSDA during fiscal 2013 are shown in the table below.

Disciplinary Actions in Fiscal 2013

| | |
|---|-----|
| Against Regular Members | |
| Expulsion | 1 |
| Reprimand and Warning | 1 |
| Warning | 3 |
| Against Sales Representatives of Regular Members | |
| Revocation of Sales Representative Registration and Treatment as Class-1 Perpetrator of Inappropriate Acts* | 1 |
| Revocation of Sales Representative Registration and Treatment as Class-2 Perpetrator of Inappropriate Acts* | 5 |
| Suspension of Sales Representative Business & Qualification | 101 |
| Suspension of Sales Representative Business | 1 |
| Suspension of Sales Representative Qualification | 5 |
| Against Sales Managers & Internal Administrators of Regular Members | |
| Suspension of Sales Manager & Internal Administrator Qualifications | 3 |
| Suspension of Sales Manager Qualification | 3 |
| Against Special Members | |
| Fine and Warning | 1 |
| Against Sales Representatives of Special Members | |
| Suspension of Sales Representative Business & Qualification | 8 |
| Suspension of Sales Representative Business | 1 |
| Suspension of Sales Representative Qualification | 2 |
| Against Sales Managers & Internal Administrators of Special Members | |
| Suspension of Sales Manager & Internal Administrator Qualifications | 7 |
| Against Sales Representatives of Financial Instruments Intermediary Service Providers | |
| Suspension of Sales Representative Business & Qualification | 3 |
| Suspension of Sales Representative Business | 2 |

Note: Under the JSDA self-regulatory rule, member firms shall not hire a person treated as a Perpetrator of Inappropriate Act during the following periods:

Class-1 Perpetrator of Inappropriate Act: Indefinite period

Class-2 Perpetrator of Inappropriate Act: Five years after the disciplinary action is taken

Qualification examinations

JSDA holds qualification examinations for Class-1 Sales Representative, Class-2 Sales Representative, and Internal Administrator for employees of member firms involved with securities business operations. The Class-1 Examination became open to the public starting from January 2012, in addition to the Class-2 Examination, which has been open to the public since September 2004.

It also holds the qualification examinations for

Special Member's Class-1 Sales Representative, Special Member's Class-2 Sales Representative, Special Member's Class-4 Sales Representative*, and Special Member's Internal Administrator.

The JSDA is conducting the qualification examinations based on the syllabus compiled in March 2013.

The numbers of the examinees and successful applicants for each examination during fiscal 2013 are shown in the following table.

Qualification Examinations in Fiscal 2013

| Examination | Examinees | Successful Applicants |
|--|-----------|-----------------------|
| Class-1 Sales Representative | 62,860 | 25,463 |
| Class-2 Sales Representative | 28,123 | 15,055 |
| Internal Administrator | 20,361 | 16,598 |
| Special Member's Class-1 Sales Representative | 12,011 | 3,655 |
| Special Member's Class-2 Sales Representative | 17,167 | 7,406 |
| Special Member's Class-4 Sales Representative* | 6 | 2 |
| Special Member's Internal Administrator | 3,422 | 3,098 |

Note: Special Member's Class-4 Sales Representative Qualification Examination is scheduled to be abolished as of January 1, 2015.



IOSCO AMCC Training Seminar

Training Courses and Investor Education

Training courses

Based on a training program drawn up annually, the JSDA provides training courses for executive officers and employees of member firms. The JSDA conducts necessary training courses in addition to those in response to amendments of laws and institutional reform.

The JSDA set out three basic policies in its basic plan for training courses for Association Members in fiscal 2013: 1) foster greater awareness of business ethics among member firms and enhance continuous programs aimed at ensuring thorough compliance awareness, 2) introduce practical and diverse training methods, and 3) timely revise the contents of training courses to deal with emerging issues including revisions of laws and regulations.

Based on this plan, the JSDA implemented various training courses. The JSDA conducted training courses based on self-regulatory rules aiming at raising awareness of ethics and a code of conduct, improving internal administration systems, teaching managers and employees the knowledge necessary for their jobs, and targeting greater ethical awareness and improving management skills.

To contribute to enhancing compliance procedure and internal training systems in member firms, the JSDA compiled and distributed training materials on laws and regulations to be used in internal training courses. In addition, the JSDA provided summaries and reference materials on compliance-related issues from among its training themes for the fiscal year. Moreover, it dispatched or introduced JSDA executive officers and employees to act as lecturers at a total of 33 in-house training sessions of member firms during the fiscal year.

Training courses during Fiscal 2013

1. Seminar for member firm representatives
2. Training seminars for executives
3. Training seminars for internal administration supervisors
4. Training seminars for internal administration assistant supervisors
5. Training seminars for internal administrators
6. Training seminars for sales managers
7. Training seminars for qualification renewal of sales representatives
8. Basic compliance seminars
9. Compliance practice seminars
10. Securities business seminars
11. Compliance seminars for sales staff
12. Risk management seminars
13. Corporate ethics seminar

Investor education

(1) Supporting financial literacy and education

- Supporting public financial literacy (especially among young adults)

The JSDA held seminars for university students and a range of activities to support a deeper understanding of the importance of life plans with money plans and of long-term investment with portfolio diversification. In addition, the JSDA hosted various events to deepen understanding of NISA, the new tax exemption plan for investment by individuals that got underway in January 2014, and held mainly on October 4, the annual Investment Day events at 24 venues in nine districts nationwide in collaboration with Association Members. Moreover, from October to December 2013, the JSDA broadcast radio shows on financial and securities knowledge and NISA, distributing these shows as podcasts.

Also, the JSDA set up a special website and made its video recordings of Investment Day events publicly available through its website and its official YouTube channel.

The JSDA produced and distributed publications aimed at disseminating and enhancing financial and securities knowledge. The JSDA also put together and distributed the “Money Plan Guide for First-Time Employees,” a package of DVDs and publications made by various investor education-related organizations.

- **Enhancing financial education for junior high and high school students**

To encourage a deeper understanding of the importance of financial and economic education, the JSDA offered a variety of financial and economic education support activities for teachers. These activities included hosting summer vacation seminars, internships, and seminars for principals and vice-principles.

With the aim of further promoting the use of the supplementary educational materials offered by the Securities Knowledge Proliferation Project, the JSDA produced video content (video clips and DVDs) for use by junior high school teachers as supplementary educational materials. In addition, the JSDA promoted the use of these materials through visits to boards of education in each district and through study groups of teachers.

(2) Other activities

- **Public relations activities to prevent scams alleging unlisted shares and corporate bonds**

The JSDA distributed cautionary materials, such as alert pamphlets, to Association Members, prefectural police and other related parties for their use. In addition, mainly during October 2013, the JSDA carried out public street campaigns in major cities nationwide in collaboration with member firms, prefectural police, regional finance bureaus, the Consumer Agency, and registered financial institutions. During the campaigns, volunteers handed out packets of PR pocket tissues, leaflets, and other materials alerting people to the dangers of securities fraud.

Furthermore, the JSDA set up a call center for reporting on unlisted share frauds and other fraudulent



activities. The call center receives notifications by people, passing the information on to the government authorities and publicizing the frequency of notifications made to the center.

- **Nurturing researchers, exchanging information with market-related bodies, and proactive information dissemination**

In May 2013, the JSDA organized the JSDA Capital Market Forum (JCMF) as an arena where academic experts (including university professors, lawyers, and fellows of private research institutions), practitioners from JSDA member firms, and academic and market-related participants from overseas can gather, study, exchange views with each other, and disseminate the outcomes of their studies to the public. Because the JCMF was established to nurture the researchers who are expected to contribute to the sound development of Japan's capital market and to accumulate knowledge, it focuses mainly on attracting young researchers from the legal, economics, and other related fields. During fiscal 2013, the JSDA held three JCMF meetings where active exchange of opinions was conducted. Information on the proceedings of the JCMF meetings is available to the public on the JSDA website.

International Activities



ASF Annual General Meeting

International Organization of Securities Commissions (IOSCO)/ Affiliate Members Consultative Committee (AMCC)

The International Organization of Securities Commissions (IOSCO) is an international organization that brings together the regulators of the world's securities and derivatives markets to establish global standards. In September 2013, the IOSCO SRO Consultative Committee (SROCC) was reorganized as the Affiliate Members Consultative Committee (AMCC) reflecting diversification of its membership. The AMCC has more than 60 members representing developed and emerging securities and derivatives markets from around the world and has become an important part of the global regulatory community responsible for securities regulation and fair market practices.

Within the AMCC, the Ahead of the Curve Working

Group (ATC-WG) functions as a members' forum to detect potential regulatory risks at an early stage, to share information on them, and to help SROs explore best solutions. Since May 2012, the JSDA has been serving as the chair of the ATC-WG. At the most recent AMCC Meeting in Tokyo in April 2014, the working group discussed a number of emerging regulatory issues across the world, including solicitation of elderly clients and cyber threats.

IOSCO/ AMCC Mid-Year Meeting and Training Seminar

The AMCC held the 7th training seminar in April 2014 in Tokyo, Japan. This seminar was co-organized by IOSCO, the Financial Industry Regulatory Authority (FINRA), the Brazilian Association of Financial and Capital Markets Institutions (ANBIMA), the Japan Securities Dealers Association (JSDA), the Tokyo Stock Exchange Regulation

(TSER), and the Japan Exchange Group (JPX).

The seminar program included a half-day public session focusing on investor protection and education, followed by two days of closed sessions covering various issues surrounding securities regulation with reference to the relevant IOSCO principles. AMCC's Mid-Year Meeting was held concurrently with the Training Seminar in Tokyo.

International Council of Securities Associations (ICSA)

The International Council of Securities Associations (ICSA) was established in 1988 based on a proposal by the JSDA. The objective of the ICSA is to contribute to sound development of the international securities market by promoting fair and efficient transaction practices and encouraging mutual understanding of the international securities market. The ICSA membership comprises self-regulatory organizations and trade associations representing major securities markets in the world. As of July 2014, 19 organizations are members of the ICSA. At the AGM held in Paris in April 2014, the guest speakers and member associations discussed growth of market-based finance, globalization of financial markets, and global initiatives led by G 20, IOSCO and other international standard setters.

Asia Securities Forum (ASF)

The Asia Securities Forum (ASF) was established in 1995, based on an initiative by the JSDA. The ASF's objectives are to exchange views and information among the securities industries in the Asia-Pacific region and to contribute to the development of securities markets and economic growth in the region.

The annual general meetings (AGMs) of the ASF are hosted by its members on a rotating basis. In October 2013, the Chinese Taiwan Securities Association (CTSA) hosted the 2013 AGM in Taipei. More than 200 people participated from the Asia-Pacific region

as well as from the local securities industry. On the agenda at the 2013 AGM were market reports from the member organizations, keynote speeches, and panel discussions on the following topics: "Cross-Border Cooperation – Models and Benefit," "Securities Industry Outlook," and "Financial Investment Promotion and Incentives."

ASF Tokyo Round Table

The JSDA also organizes a training program called the "ASF Tokyo Round Table" targeting the staff of self-regulatory organizations, securities-related associations and regulatory authorities in the Asia-Pacific region to help these countries develop their securities markets and build up regulatory frameworks. The ninth ASF Tokyo Round Table was held in November 2013 and attended by 18 participants from 17 jurisdictions. Participants mainly studied regulatory frameworks and market infrastructure using the Japanese securities market as an example. In addition, the participants attended the international conference "The Future of Asian Markets and Exchanges" organized by Japan FSA and the JPX Group.

ASEAN+3 Bond Market Forum

The ASEAN+3 Bond Market Forum was launched in September 2010 as a deliberation unit for governments and market players under the Asian Bond Market Initiative (ABMI) to further promote the standardization and harmonization of Asian bond markets. JSDA actively committed to this activity (currently in phase 3 discussions) as a National Member in Sub-Forum 1 that deals with the harmonization of legal frameworks. In the fiscal 2013, JSDA participated in the Sub-Forum meetings held in Jakarta (April 2013), Tokyo (July 2013), Jeju (November 2013), and Manila (March 2014).

International Forum for Investor Education (IFIE)

As a member of the International Forum for Investor Education (IFIE), JSDA participated in its annual conference in Washington D.C. in May 2014 and exchanged views with members and relevant parties. Also, the JSDA actively engaged in the Asian chapter of the IFIE (AFIE) and participated in its annual meeting concurrently held with the IFIE meeting in May 2014.

The 6th Japan Securities Summit in New York

On March 6, 2014, the JSDA and the Securities Industry and Financial Markets Association (SIFMA) co-organized the 6th Japan Securities Summit in New York to promote the Japanese securities market, inviting institutional investors and financial market participants active in the investment community



on the East coast of the United States. The main topics covered the status of the Japanese economy recovery under “Abenomics,” major challenges in the Growth Strategy of Japan, and prospects for fiscal consolidation as well as the JGB market. Capturing growing interest in Japanese markets, the event was attended by more than 230 participants.

International Organization for Standardization (ISO)

The International Organization for Standardization (ISO) has several technical committees (TCs) related to each category of standards and has been developing a variety of international standards. TC68, one of the technical committees, is in charge of standardization in the financial service sector. Sub-Committee 4 (SC4) under the TC68 investigates and sets up standards for information technology utilized in securities transactions. The JSDA engages in TC68/SC4 work forging a convergence of opinions from securities industry and other stakeholders in Japan and putting forward their views to SC4. The JSDA participated in the 2014 plenary meeting held in London in May.

Active participation in the global / cross border regulations and standard setting discussions

In August 2013, JSDA sent a comment letter on the U.S. Securities Exchange Commission (SEC)’s consultation document “Rules for Cross-Border Security-Based Swap Activities.” In the comment letter, the JSDA particularly requested further coordination in rulemaking with the other regulators in and outside of the United States.

In October 2013, the JSDA submitted a comment letter concerning OECD’s deliberations on the Common Reporting Standard (CRS) for Automatic Exchange of Financial Account Information in Tax Matters.

Membership

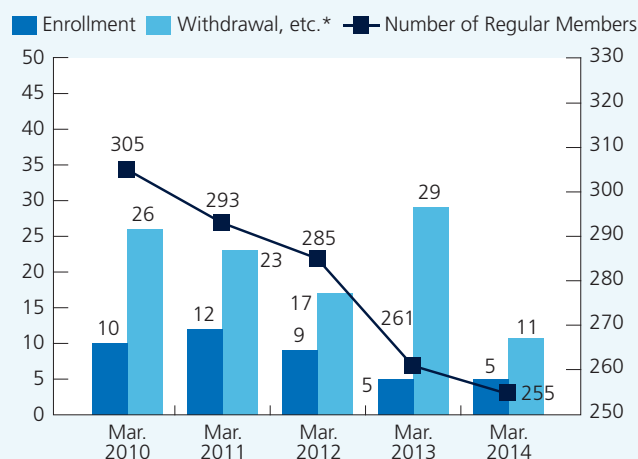
Association Members are categorized into three groups:

(1) Regular Members (255): Securities firms

While 5 new members enrolled in fiscal 2013, 11 members terminated their membership due to withdrawal, merger, and expulsion. Regular Members comprised 239 domestic securities firms and 16 foreign securities firms. Foreign Regular Members accounted for 6.9% of regular membership.

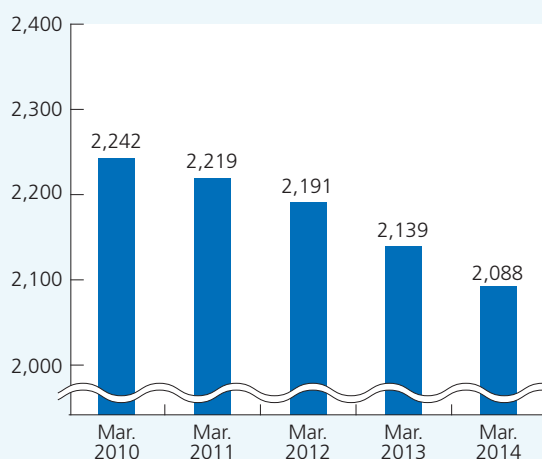
The total number of employees of JSDA Regular Members was about 83,000 at the end of December 2013, remained the same level as the year 2012. The number of offices of JSDA Regular Members at the end of March 2013 was 2,088. This figure decreased for the past five years in a row.

Regular Members

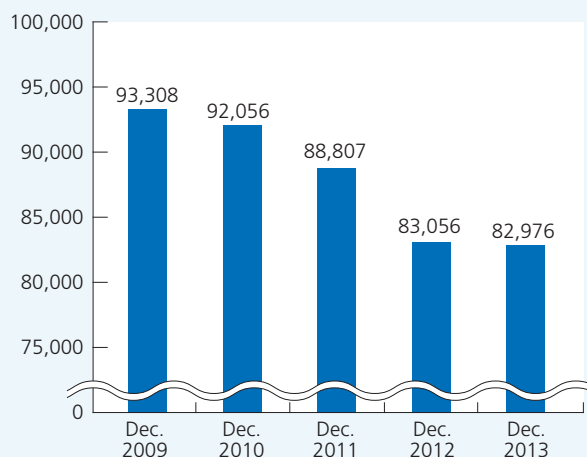


Note: Withdrawal, etc. includes termination of membership due to withdrawal, merger, and expulsion.

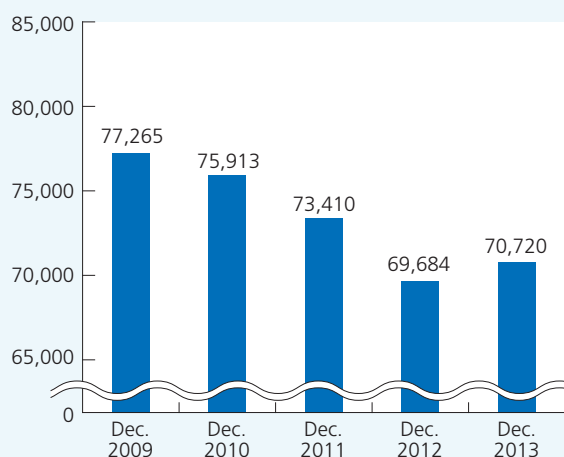
Offices of Regular Members



Employees of Regular Members



Sales Representatives of Regular Members



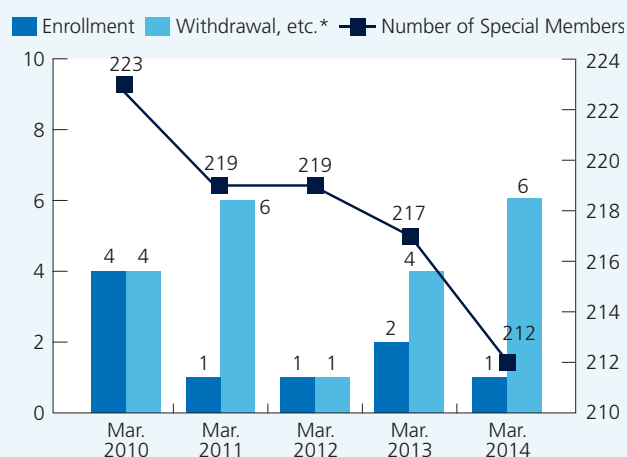
**(2) OTC Derivative Transaction Members
(0): Firms only conducting specified OTC derivative transactions.**

(At this point in time, there are no members in this category.)

(3) Special Members (212): Banks, insurance companies, etc. conducting securities business

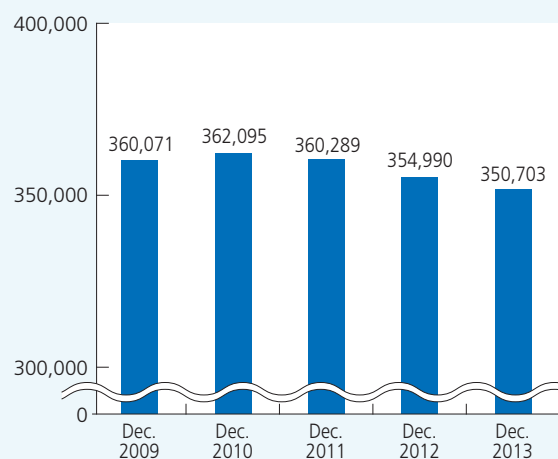
During fiscal 2013, 1 financial institution joined the JSDA as a Special Member, and 6 institutions lost their membership due to withdrawal and merger.

Special Members

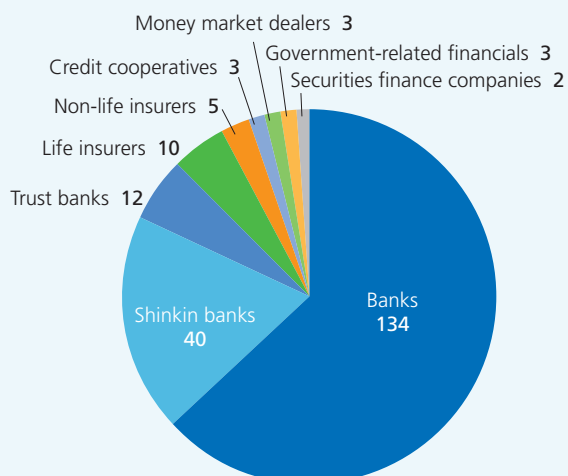


Note: Withdrawal, etc. includes termination of membership due to withdrawal and merger.

Sales Representatives of Special Members



Special Member Composition



Note: Banks in the chart above include city banks, regional banks, foreign banks and other banks except trust banks and shinkin banks.

JSDA Data

Balance Sheet (as of the end of March 2014)

I. Assets

| | Millions of yen | Thousands of U.S.dollars |
|--|-----------------|--------------------------|
| 1 Floating assets: | | |
| Cash & deposits | ¥108 | \$1,050 |
| Advances | - | - |
| Accounts receivable | ¥77 | \$751 |
| Prepayments | ¥45 | \$441 |
| Stored goods | - | - |
| Subtotal | ¥231 | \$2,242 |
| 2 Fixed assets: | | |
| (1) Special assets: | | |
| Accrued retirement benefits assets | ¥4,409 | \$42,841 |
| Accumulated assets related to securities laws | ¥10 | \$97 |
| Accumulated assets related to special businesses | ¥8 | \$78 |
| (2) Other fixed assets | ¥3,384 | \$32,882 |
| Subtotal | ¥7,811 | \$75,899 |
| TOTAL ASSETS | ¥8,042 | \$78,141 |

II. Liabilities

| | Millions of yen | Thousands of U.S.dollars |
|--|-----------------|--------------------------|
| 1 Floating debts: | | |
| Accounts payable | ¥199 | \$1,937 |
| Deposits received | ¥31 | \$305 |
| Reserve for bonuses | ¥223 | \$2,165 |
| Lease liabilities | ¥67 | \$647 |
| Subtotal | ¥520 | \$5,054 |
| 2 Fixed debts: | | |
| Long-term accounts payable | ¥1 | \$14 |
| Accrued retirement benefits for employees | ¥4,096 | \$39,798 |
| Accrued retirement benefits for executive officers | ¥345 | \$3,350 |
| Lease liabilities | ¥131 | \$1,277 |
| Subtotal | ¥4,574 | \$44,439 |
| TOTAL DEBTS | ¥5,094 | \$49,492 |

III. Net Assets

| | | |
|---|---------------|-----------------|
| 1 Designated net assets: | | |
| Private subsidy | ¥18 | \$175 |
| Subtotal | ¥18 | \$175 |
| 2 General net assets | ¥2,930 | \$28,473 |
| Subtotal | ¥2,930 | \$28,473 |
| TOTAL NET ASSETS | ¥2,948 | \$28,648 |
| TOTAL NET ASSETS AND LIABILITIES | ¥8,042 | \$78,141 |

Notes: 1. Rate of US\$1=¥102.92 used for conversion
 2. Each of total and sub-total figures may not match the ones in the relevant row or column because of rounding off.



ASF Tokyo Roundtable

Revenues and Expenses Statement (Fiscal 2013: Apr. 2013 to Mar. 2014)

Revenues

| | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| 1 Revenues from business activities | | |
| Designated Asset Investment Profit | ¥34 | \$331 |
| Membership fees | ¥4,742 | \$46,077 |
| - Fixed membership fees | (¥1,421) | (\$13,803) |
| - Floating rate membership fees | (¥3,322) | (\$32,274) |
| Business revenues | ¥49 | \$477 |
| - Training and education fees | (¥21) | (\$200) |
| - Other business revenues | (¥28) | (\$276) |
| Subsidies | ¥24 | \$233 |
| Other revenues | ¥38 | \$365 |
| Transferred revenues from other accounts | ¥1,084 | \$10,529 |
| - Transferred revenue from Special Members General Account | (¥842) | (\$8,179) |
| - Transferred revenues from Institute for Securities Education & Public Relations Special Account | (¥20) | (\$194) |
| - Transferred revenue from Members General Fund Special Account | (¥89) | (\$865) |
| - Transferred revenue from Members Training Fund Special Account | (¥32) | (\$308) |
| - Transferred revenue from Securities Market Activating Fund Special Account | (¥85) | (\$829) |
| - Transferred Revenues from Sales Representative Business Unified Special Account | (¥16) | (\$153) |
| Subtotal | ¥5,971 | \$58,012 |
| 2 Revenues from investment activities | | |
| Revenues from investment activities | ¥732 | \$7,117 |
| Subtotal | ¥732 | \$7,117 |
| 3 Revenues from financing activities | | |
| Revenues from financing activities | — | — |
| Subtotal | — | — |
| Surplus from the previous fiscal year | — | — |
| TOTAL REVENUES | ¥6,703 | \$65,130 |

Expenses

| | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| 1 Expenses to business activities | | |
| Operating expenses | ¥3,766 | \$36,589 |
| Administrative expenses | ¥1,584 | \$15,394 |
| Transferred expenses to other accounts | ¥481 | \$4,671 |
| - Transferred Expenses to Institute for Securities Education & Public Relations Special Account | (¥385) | (\$3,743) |
| - Transferred Expenses to System Utilization Special Account | (¥96) | (\$928) |
| Subtotal | ¥5,831 | \$56,654 |
| 2 Expenses to investment activities | | |
| Expenses to investment activities | ¥793 | \$7,707 |
| Subtotal | ¥793 | \$7,707 |
| 3 Expenses to financing activities | | |
| Expenses to financing activities | ¥79 | \$768 |
| Subtotal | ¥79 | \$768 |
| 4 Other expenses | | |
| Other expenses | — | — |
| Subtotal | — | — |
| TOTAL EXPENSES | ¥6,703 | \$65,130 |

| | | |
|--------------------------|---|---|
| Surplus / Deficit amount | — | — |
|--------------------------|---|---|

| | | |
|------------------------|---|---|
| Amount carried forward | — | — |
|------------------------|---|---|

Notes: 1. Rate of US\$1=¥102.92 used for conversion
2. Each of total and sub-total figures may not match the ones in the relevant row or column because of rounding off.

Dispute Resolutions in Fiscal 2013

| | |
|--------------------------------|-----|
| Requests for Mediation | 128 |
| Successful Settlement | 95 |
| Failure in Reaching Settlement | 44 |

Note: The numbers do not match due to cases carried over from fiscal 2012 or issues not concluded within fiscal 2013.

Consultations and Complaints in Fiscal 2013

| | | |
|--------------|--|-------|
| Consultation | Inquiry or Opinion regarding Securities Transactions | 5,161 |
| Complaints | Complaints about Solicitation | 294 |
| | Complaints about Transactions | 351 |
| | Complaints about Processing | 135 |
| | Other Complaints | 62 |

Internet Transaction Survey

Number of Securities Firms Providing Internet Transactions

(Unit: firms)

| | Total Member Firms | Handling Internet Transactions | | Not Handling Internet Transactions | | | | | | | |
|--------------|--------------------|--------------------------------|-------|------------------------------------|-------|---------------------|------|----------------|------|-----------------|-------|
| | | | | | | Making Preparations | | Studying Plans | | Having No Plans | |
| Sep. 30, '11 | 289 | 51 | 17.6% | 238 | 82.4% | 2 | 0.7% | 3 | 1.0% | 233 | 80.6% |
| Mar. 31, '12 | 279 | 60 | 21.5% | 219 | 78.5% | 1 | 0.4% | 3 | 1.1% | 215 | 77.1% |
| Sep. 30, '12 | 268 | 61 | 22.8% | 207 | 77.2% | 1 | 0.4% | 4 | 1.5% | 202 | 75.4% |
| Mar. 31, '13 | 254 | 57 | 22.4% | 197 | 77.6% | 2 | 0.8% | 3 | 1.2% | 192 | 75.6% |
| Sep. 30, '13 | 255 | 58 | 22.7% | 197 | 77.3% | 3 | 1.2% | 5 | 2.0% | 189 | 74.1% |
| Mar. 31, '14 | 251 | 61 | 24.3% | 190 | 75.7% | 3 | 1.2% | 7 | 2.8% | 180 | 71.7% |

Number of Internet Transaction Accounts

(Unit: accounts)

| | Sep. 30, '10 | Mar. 31, '11 | Sep. 30, '11 | Mar. 31, '12 | Sep. 30, '12 | Mar. 31, '13 | Sep. 30, '13 | Mar. 31, '14 |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Number of Accounts | 16,078,857 | 16,468,789 | 16,959,034 | 17,569,423 | 17,788,064 | 18,156,218 | 18,960,034 | 19,682,982 |
| Increase from Previous Term-end | 335,336 | 389,932 | 490,245 | 610,389 | 218,641 | 368,154 | 803,816 | 722,948 |

Transaction Value

(Unit: billions of yen)

| | Stock Transactions | | | |
|----------------------|-----------------------|-------------------------|-----------------------|---------------|
| | Internet Transactions | | Transaction Value (c) | Percentage |
| | Cash Transactions (a) | Margin Transactions (b) | | ((a)+(b))/(c) |
| Apr. '11 to Sep. '11 | 21,380.4 | 35,259.8 | 296,596.5 | 19.1% |
| Oct. '11 to Mar. '12 | 20,860.7 | 35,017.3 | 276,005.5 | 20.2% |
| Apr. '12 to Sep. '12 | 17,060.2* | 31,510.8 | 260,694.0 | 18.6%* |
| Oct. '12 to Mar. '13 | 37,917.8* | 70,257.3 | 413,569.9 | 26.2%* |
| Apr. '13 to Sep. '13 | 72,996.5 | 142,449.2 | 748,307.3 | 28.8% |
| Oct. '13 to Mar. '14 | 55,971.8 | 112,737.7 | 663,404.3 | 25.4% |

Notes: 1. "Transaction Value" is total transaction value of stock brokerage transactions of all member firms during the period.

2. The statistics include the transaction value of ETFs and REITs in the transaction value of stock transactions.

3. Due to a reporting error on cash transactions during the period from April 1, 2012 to September 30, 2013, figures have been revised (indicated with asterisks).

Profile



Japan Securities Dealers Association (JSDA) is a primary self-regulatory organization (SRO) in Japan's securities market. Its legal status is as a Financial Instruments Firms Association authorized by the Prime Minister, pursuant to Article 67-2, Paragraph 2, of the Financial Instruments and Exchange Act. The members of JSDA consist of securities firms, banks, and other financial institutions operating securities businesses in Japan.

As a fully empowered SRO, JSDA extensively regulates market intermediaries, aiming to protect

investors by ensuring fair securities transactions. Its self-regulatory functions encompass rulemaking, enforcement, inspection, disciplinary actions, accreditation of sales representatives, and dispute mediations.

JSDA also functions as an interlocutor for the securities industry, providing vehicles for policy dialogue among the industry, the government and other related parties, as well as conducts and promotes investor education, and implements studies to further activating the market.

History

| | |
|----------------|--|
| 1940 to 1941 | 33 Securities Dealers Associations were established in local districts. |
| May 1949 | Japan Securities Dealers Joint Association was established. |
| July 1973 | Japan Securities Dealers Association (JSDA) was newly established (Japan Securities Dealers Joint Association and local securities dealers associations were dissolved.). |
| July 1992 | JSDA was reorganized to be an authorized organization under the Securities and Exchange Act. |
| April 1994 | Financial institutions authorized to undertake securities business joined JSDA as special members. |
| February 2001 | JSDA entrusted the operation of the OTC Securities Market to JASDAQ Inc., a market operation company. |
| July 2004 | JSDA adopted the organizational structure consisting of three departments. |
| December 2004 | JSDA closed the OTC Securities Market. JASDAQ started business as a stock exchange. |
| September 2007 | In accordance with the enforcement of the Financial Instruments and Exchange Act, JSDA became an authorized association under the new law. |
| February 2010 | JSDA entrusted the task of handling of customers' complaints, consultation and providing mediation service to resolve dispute over securities transaction to Financial Instruments Mediation Assistance Center (FINMAC). |
| July 2011 | JSDA established Financial Literacy & Education Support Committee within the organization to support financial and securities education from a more neutral and fairer point of view. |

Major Roles

I. Self-regulatory Roles

1. Establishment and Execution of Self-regulatory Rules

JSDA has established many types of self-regulatory rules to be applied to Association Members to enhance fair and smooth execution of securities transactions in order to promote the efficient administration of securities markets.

The major rules cover OTC transactions of stocks and bonds, underwriting of securities, off-exchange transactions of listed stocks and others, foreign securities transactions, safe custody of securities, business conduct of officers and employees, internal administration systems, qualification and registration of sales representatives, advertisements, investment solicitation and customer administration, financial instruments agency business, segregated custody of customers' assets, treatment of disputes with customers and unified accounting standards.

2. Execution of On-site Inspection and Off-site Monitoring

JSDA conducts on-site inspections in relation to internal administration system and compliance with the statutory laws and regulations and/or self-regulatory rules concerning the business activities of Association Members. JSDA also monitors the business conditions and segregated custody of customers' assets of Regular Members.

3. Exercise of Self-regulatory Disciplinary Actions

In cases of violation of statutory laws and regulations and/or JSDA's self-regulatory rules by Association Members and/or their officers and employees, JSDA strictly enforces self-regulatory disciplinary actions in order to avoid the recurrence of such violations.

4. Qualification Examination, Qualification Renewal Training and Registration of Securities Sales Representatives

JSDA conducts qualification examinations for securities sales representatives and regulatory training courses such as Qualification Renewal Training in consideration of the high public status of the securities business and the importance of its social obligations, and carries out registration of securities sales representatives, which is entrusted to it by the Commissioner of the Financial Services Agency.

5. Handling Complaints, Providing Consultation and Mediation for Securities Transactions

JSDA provides counseling services relating to customers' complaints concerning the business of Association Members and financial instruments agents, as well as mediation services under the FIEA to settle disputes over securities transactions between Association Members and their customers.

These tasks of handling complaints, providing consultations and mediation are assigned to and conducted by the Financial Instruments Mediation Assistance Center (FINMAC), a certified NPO (non-profit organization).

6. Execution of Operation as Authorized Personal Information Protection Association

As an Authorized Association for Protection of Personal Information under the "Law concerning Protection of Personal Information", JSDA takes measures to ensure the proper treatment of personal information by Association Members.

7. Publication of Statistical Data regarding Equity and Bond Markets, as well as Off-Exchange Transactions

(1) Collection and Publication of Statistical Data about the Equity and Bond Markets

JSDA collects and compiles various information concerning equity and bond markets such as “Equity Financing by Companies Listed in Japan” and “Trading Volume of Over-the-Counter Bonds”, and provides useful reference data for investors and Association Members.

(2) Publication of “Reference Statistical Prices [Yields] for OTC Bond Transactions”

To provide a reference for investors and Association Members, JSDA publishes, through its homepage, “Reference Statistical Prices [Yields] for OTC Transactions” for about 8,000 public and corporate bonds and “Information on OTC Price Quotations” for about 50 corporate bonds targeting individual investors every business day.

(3) Publication of Price Quotation regarding Off-Exchange Transactions

JSDA compiles data reported by Association Members on transactions outside exchanges and announces them over the Internet. Moreover, JSDA provides Association Members and investors with useful information by publishing real time information concerning quotations and concluded contracts on proprietary trading systems (PTSs) for listed stocks through the Internet, and by publishing statistical information on PTSs through the Internet.

8. System Reforms for Off-Exchange Transactions of Listed Stocks

JSDA is engaged in necessary system reforms to make the system for transactions of listed stocks outside exchanges more fair and efficient and to ensure investor protection.

9. System Reforms for the “Green Sheet” and Trading Mechanism of Unlisted Securities

JSDA is engaged in necessary system reforms to promote efficient fund-raising by unlisted companies and smooth circulation of unlisted securities as well as to ensure investor protection.

II. Activities as Trade Association

1. Research and Study, and Representations on the Securities Market

To build a securities market capable of gaining the highest confidence of investors and to contribute to Japan’s economic growth and development, JSDA is carrying out research projects and studies about system and taxation issues on securities businesses and markets, and presenting proposals to the government and other related parties toward the realization of the results of those investigations. One of the main issues that JSDA is advocating is more desirable taxation systems for financial and securities transactions.

2. Establishment of a Common Infrastructure for the Securities Market

To improve investor confidence in and vitalize the securities market, JSDA is engaged in the establishment of common infrastructure including trading systems in the securities market.

3. Improvement and Expansion of the OTC Bond Market

In Japan, public and corporate bonds are mostly traded on the OTC market. To enhance fairness and efficiency in bond transactions, JSDA is trying to improve the OTC bond market by establishing or revising systems or business practices related to OTC bond transactions.

4. Dissemination of Knowledge, Promoting Understanding and Public Awareness of Financial Instruments, Financial Indices and Securities Markets

JSDA promotes the dissemination of knowledge, understanding and public awareness of financial instruments and financial indices as well as securities markets within each class of Japanese.

(1) Dissemination of knowledge and promoting understanding through school education system

JSDA produces and disseminates experience-type learning materials and provides a stock market game that enables students to learn practical economics through the mock buying and selling of stocks. JSDA also appeals to various related parties to strengthen their approach to securities and investment education as a part of consumer education programs for financial fields.

(2) Dissemination of knowledge and promoting understanding among general public

JSDA works actively to expand the individual investors' base by planning and holding commemorative events for Securities Investment Day (October 4) nationwide as well as seminars across Japan on securities investment etc.

(3) Public Relations

JSDA works on raising public awareness of revisions or introductions of systems that are crucial for investors and securities firms, and on conducting public relations activities for the securities industry.

5. Liaison and Mediation among Concerned Organizations

JSDA promotes various policy measures by maintaining good liaison between Association Members and other related organizations and mediating various opinions.

6. Implementation of Education and Training for Association Members

To improve the proficiency of officers and employees of Association Members, JSDA executes various educational training programs including statutory training and supports the dispatch of lecturers to in-house training courses held by Association Members.

III. International Activities

To cope with the globalization of financial and capital markets, JSDA participates in international conferences such as the International Council of Securities Associations (ICSA), the Asia Securities Forum (ASF), and the International Organization of Securities Commissions (IOSCO), and also conducts exchanges of information and builds relationships with overseas securities related SROs and associations. In addition, JSDA promotes the Japanese market abroad, responds to overseas inquiries and collects relevant information.

Invigorating Capital Market Expanding Investor Base

Enhancing Functions & Competitiveness of Financial and Capital Markets which Support Real Economy

1. Improving Japan's status and competitiveness in the global financial and capital markets
 - Addressing challenges towards enhancing the roles of Japan's financial and capital markets
 - Developing a framework to establish a comprehensive exchange
 - Promoting the attractiveness and potential of Japanese markets overseas
 - Further enhancing cooperation and mutual assistance with relevant foreign institutions and organizations
2. Reinforcing settlement infrastructure
 - Shortening the JGB settlement cycle to T+1
3. Vitalizing the corporate bond market
 - Raising transparency of corporate bond transactions
 - Establishing a proper framework to protect corporate bond holders
4. Introducing new funding tools for startup and growth companies
 - Drawing up self-regulatory rules concerning equity crowdfunding
5. Responding to global regulatory reform

Supporting Individual Investors Enhancing and Promoting Financial Literacy & Education

1. Supporting individual investors
 - Promoting PR activities for NISA
 - Advocating expansion and perpetuation of NISA, introduction of "Junior NISA", and reinforcement of defined contribution pension plan (Japanese 401k)
 - Designing easy-to-understand documents for customers
 - Encouraging provision of financial products which support medium- and long-term asset formation
2. Enhancing and promoting financial literacy & education
 - For students: giving more "Financial Literacy Seminars" at universities
 - For working adults: conducting events like "Securities Investment Day" (October 4) and "NISA Support! Lectures"
 - Promoting interaction with researchers and market stakeholders, and supporting academic studies in relevant fields.

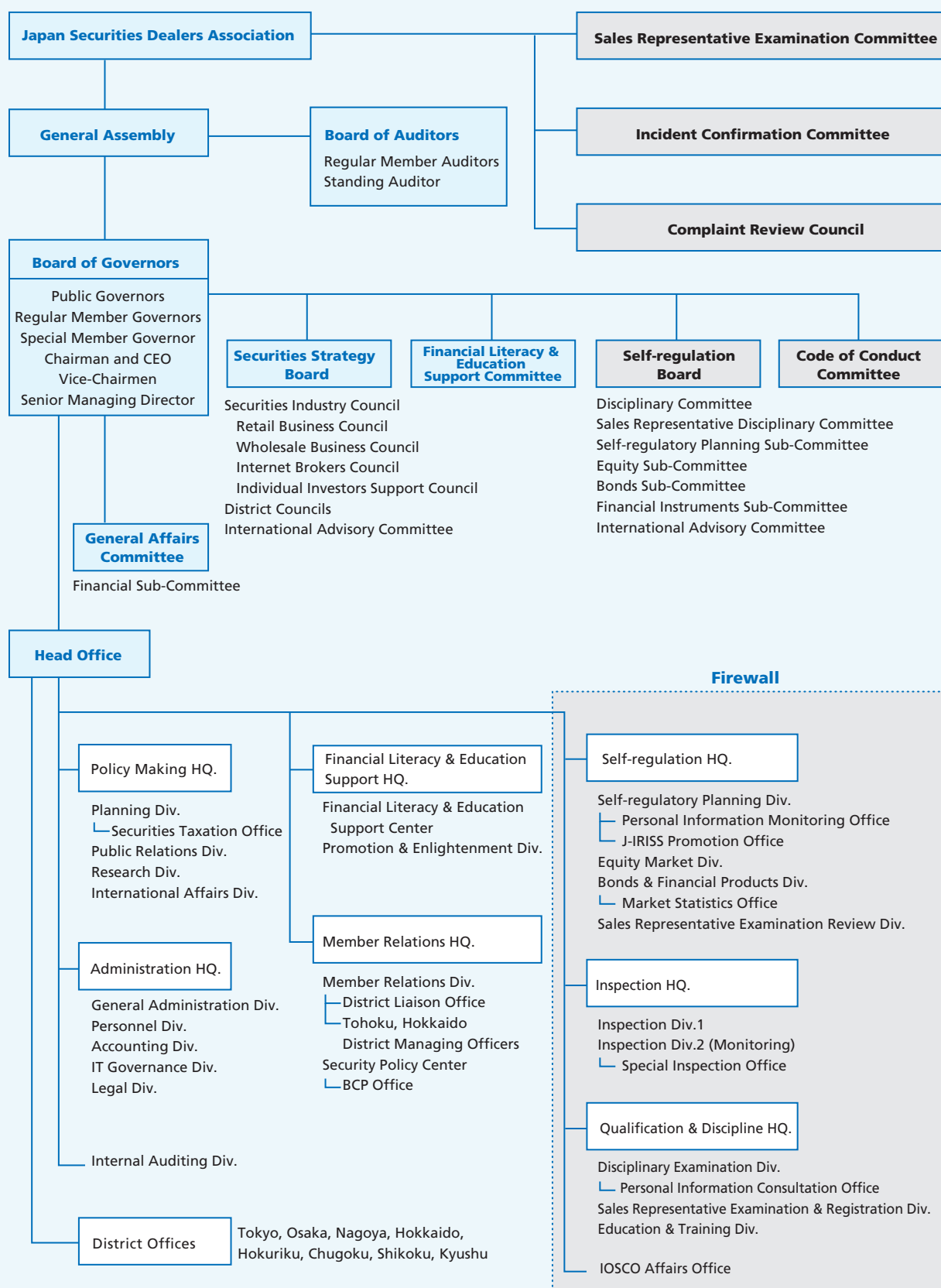
Further Enhancing Fairness and Transparency of Securities Market

1. Steadily implementing measures to assure confidence in securities firms and securities market
 - Conducting timely and effective inspection of member firms by JSDA
 - Facilitating smooth implementation of rules on transactions with elderly customers
 - Reviewing external audit requirements for securities firms
2. Preventing insider trading
 - Promoting registration with J-IRISS
3. Guarding securities market from anti-social forces
4. Promoting PR to prevent scams alleging sales of unlisted shares or corporate bonds
 - Conducting "On the Street Alert Campaign" in all major cities nationwide

Strengthening JSDA's Operations

1. Further enhancing communication with member firms and market stakeholders
2. Active and timely dissemination of information (utilizing SNS, etc.)
3. Developing and enhancing the business continuity plan (BCP)
4. Reviewing organizational structure and business operations (securing and developing qualified human resources)

Organization Chart



As of July 1, 2014

Officers (As of July 1, 2014)

Chairman and CEO

Kazutoshi Inano

Vice-Chairman

Yoshio Okubo

(Chief Operating Officer for the Self-regulation Board)

Senior Managing Director

Manabu Morimoto

(Chief Operating Officer for the Securities Strategy Board)

Standing Auditor

Hidemi Ijichi

(Independent Evaluation Officer)

Senior Executive Director

Koichi Hirata

(Chief Financial Officer (CFO) & Chief Officer for Administration)

Executive Directors

Masahiko Koyanagi

(Chief Officer for Planning & Public Relations)

Toshihiko Sasaki

(Chief Officer for Financial Literacy & Education Support)

Tsuyoshi Murai

(Chief Officer for Member Relations)

Director

Kimiaki Yamauchi

(Chief Officer for Rules & Regulations)

Chief Officer for International Affairs & Research

Koichi Ishikura

Chief Officer for Inspection

Eiji Toriya

Chief Information Officer (CIO) & Chief Risk Officer (CRO)

Shinji Kitamura

Chief Officer for Compliance & Discipline

Tatsuhiro Sakai

Organization Structure

1. Central Bodies

JSDA has the following central bodies for decision-making and so forth.

| | |
|---|--|
| General Assembly: | Supreme body for decision-making |
| Board of Governors: | Body to make an arbitrary decision on items related to the JSDA's overall association management and to assume a responsibility for supervision |
| Self-regulation Board: | Body entrusted by the Board of Governors with decision-making for self-regulatory business |
| Securities Strategy Board: | Body entrusted by the Board of Governors with decision-making for business strategy related to vitalizing securities market |
| General Affairs Committee: | Body entrusted by the Board of Governors which deliberates overall matters about operating the JSDA |
| Financial Literacy & Education Support Committee: | Body entrusted by the Board of Governors which deliberates the basic policy and action plan regarding the JSDA's activities promoting the dissemination of the financial and securities knowledge among the public |
| Code of Conduct Committee: | Body entrusted by the Board of Governors which deliberates the code of conduct for the Association Members |

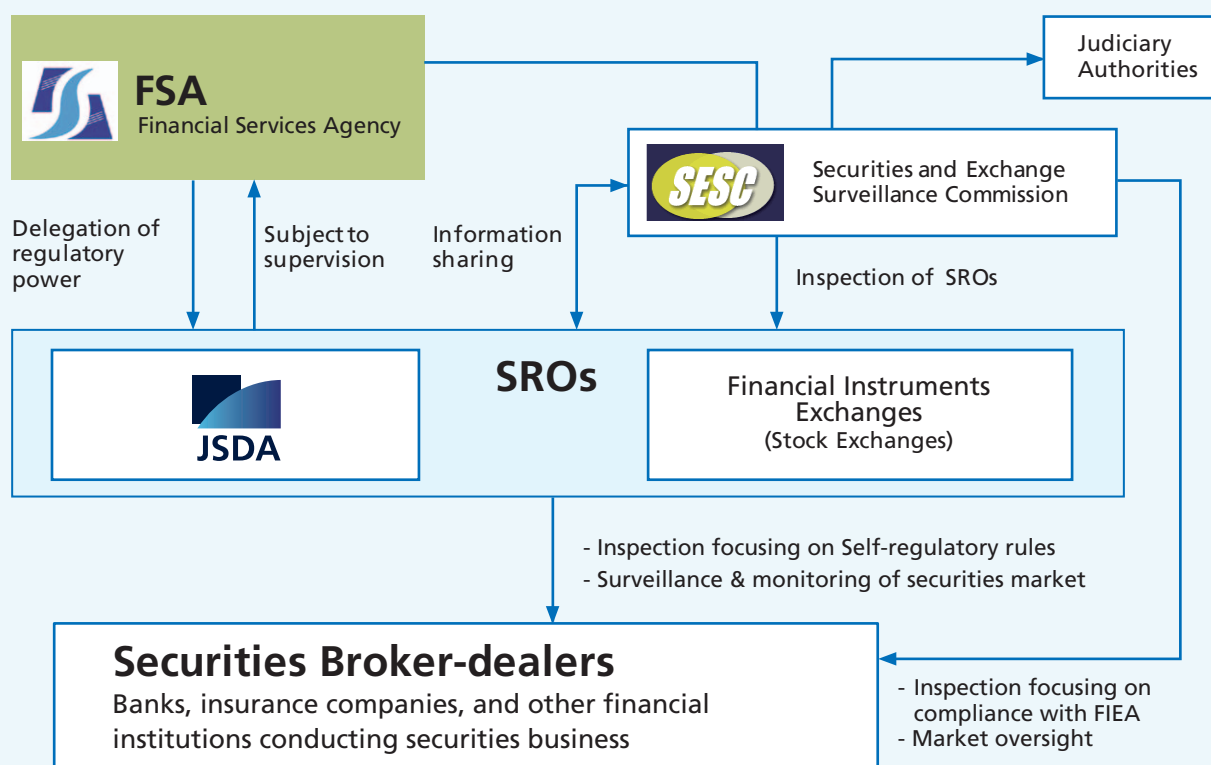
2. District Offices

The JSDA has eight district offices throughout the nation and each district office has a District Council.

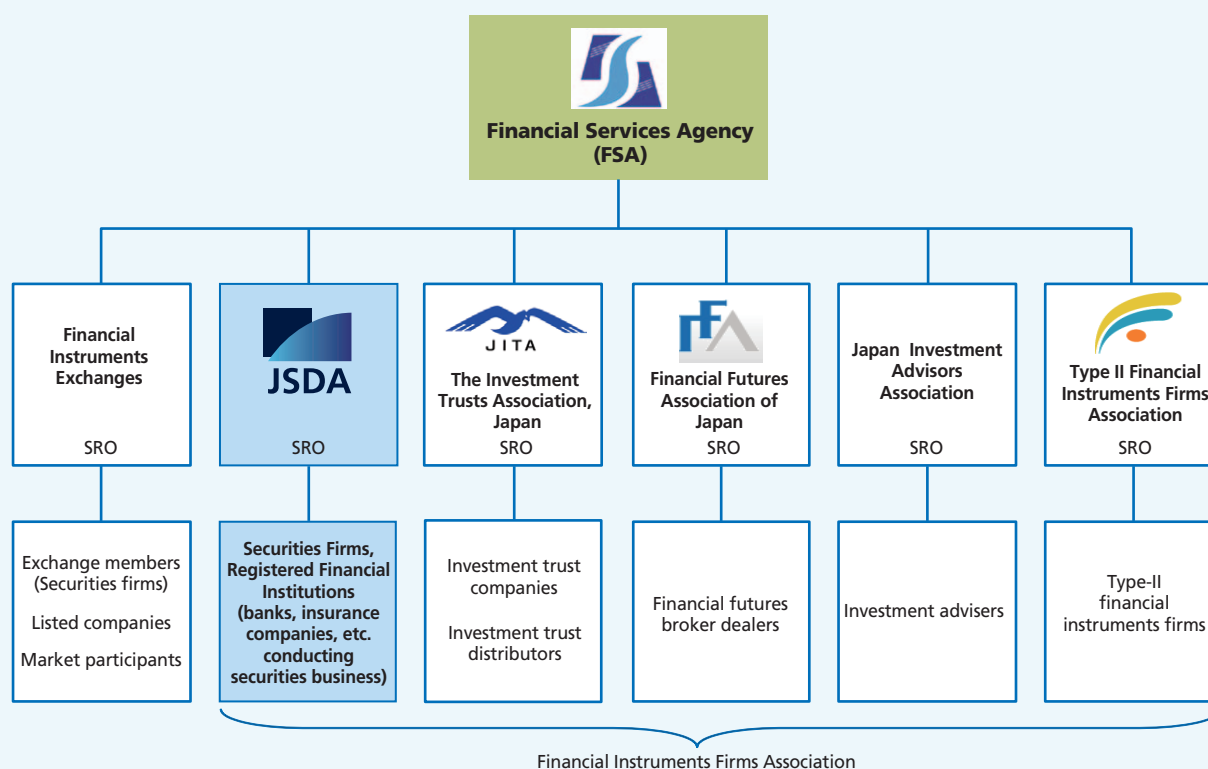
3. Affiliated Bodies

The JSDA has the Sales Representative Examination Committee, Incident Confirmation Committee as well as Complaint Review Council as sub-organs.

Self-regulatory Structure for Securities Broker-dealers



Securities-related SROs in Japan



List of Members

List of Regular Members (As of End of June, 2014)

| | | |
|--|---|---|
| 8 Securities Inc. | DBJ Securities., Co. Ltd. | IR Japan, Inc. |
| ABN AMRO Clearing Tokyo Co., Ltd. | Deutsche Securities Inc. | IS Securities Co., Ltd. |
| ACE SECURITIES CO., LTD. | DMM.com SECURITIES Co., Ltd. | Isurugi Securities Co., Ltd. |
| Aioi Securities Co., Ltd. | Dot Commodity, Inc. | Itaú Asia Securities Ltd. |
| AIP Securities Co., Ltd. | Ehime Securities Co., Ltd. | IwaiCosmo Securities Co., Ltd. |
| Aizawa Securities Co., Ltd. | Eiwa Securities Co., Ltd. | Iyogin Securities Co., Ltd. |
| Akatsuki Securities, Inc. | EVOLUTION JAPAN SECURITIES Co., Ltd. | Japan Alternative Investment Co., Ltd. |
| Alliance Bernstein Investments, Inc., Tokyo Branch | eWarrant Japan Securities K.K. | Japan Asia Securities Co., Ltd. |
| AMP Capital Investors KK | FIL Securities(Japan) K.K. | Japan Bond Trading Co., Ltd. |
| Amundi Japan Securities Ltd. | FPG Securities Co., Ltd. | Japan Private Asset Securities Inc. |
| Ando Securities Co., Ltd. | Fukuoka Securities Co., Ltd. | Japan Securities Agents.Ltd. |
| Aozora Securities Co., Ltd. | Futanami Securities Co., Ltd. | JBond Totan Securities Co., Ltd. |
| Ark Securities Co., Ltd. | FXCM Japan Securities Co., Ltd. | Jefferies (Japan) Limited |
| Awa Securities Co., Ltd. | GAM Japan Limited | JPMorgan Asset Management (Japan) Limited |
| AXA INVESTMENT MANAGERS JAPAN LTD. | GCM Investments Japan K.K. | JPMorgan Securities Japan Co., Ltd. |
| Bansei Securities Co., Ltd | GI Capital Management Ltd. | Jyoko Securities Co., Ltd. |
| Banyo Securities Co., Ltd. | GKFX Securities Co., Ltd. | kabu.com Securities Co., Ltd. |
| Barclays Securities Japan Limited | GMO CLICK Securities, Inc. | Kagawa Securities Co., Ltd. |
| BGC Shoken Kaisha Limited | Goldman Sachs Asset Management Co., Ltd. | KANETSU FX SECURITIES CO., Ltd. |
| BlackRock Japan Co., Ltd. | Goldman Sachs Japan Co., Ltd. | Kimura Securities Co., Ltd. |
| Bloomberg Tradebook Japan Limited | GreensLedge Asia Limited | Kokufu Securities Co., Ltd. |
| BNP Paribas Securities (Japan) Limited | H.S.Securities Co., Ltd. | Kotobuki Securities Co., Ltd. |
| Brown Brothers Harriman Securities(Japan) Inc. | HACHIJUNI Securities Co., Ltd. | KOYO SECURITIES CO. , LTD. |
| Buko Securities Co., Ltd. | Hamagin Tokai Tokyo Securities Co., Ltd | Kyokuto Securities Co., Ltd. |
| C&M Securities Co., Ltd. | HC Asset Management Co., Ltd. | Kyowa Securities Co., Ltd. |
| Capital Partners Securities Co., Ltd. | Hedgefund Securities Co., Ltd. | Leading Securities Co., Ltd. |
| CATALYST Securities Co., Ltd. | Hibiki Securities Inc. | Liquidnet Japan Inc. |
| Centrade Securities Co., Ltd. | Hikari Securities Co., Ltd. | livestar Securities Co., Ltd. |
| Central Totan Securities Co., Ltd. | Himawari Securities, Inc. | Macquarie Capital Securities (Japan) Limited. |
| Chibagin Securities | Hinode Securities Co., Ltd. | Maruchika Securities Co., Ltd. |
| Chi-X Japan Limited | Hirogin Utsumiya Securities Co., Ltd. | Maruhachi Securities Co., Ltd. |
| Chugin Securities Co., Ltd. | Hirota Securities Co., Ltd. | Marukuni Securities Co., Ltd. |
| CIBC World Markets (Japan) Inc. | HSBC Securities (Japan) Limited | Marusan Securities Co., Ltd. |
| Citigroup Global Markets Japan Inc. | Hyakugo Securities Company Limited | Masumo Securities Co., Ltd. |
| CLSA Securities Japan Co., Ltd. | i SECURITIES Co., Ltd. | Matsui Securities Co., Ltd. |
| Crédit Agricole Securities Asia B.V. | ICAP Totan Securities Co., Ltd. | Matsusaka Securities Co., Ltd. |
| Credit Suisse Securities (Japan) Limited | Ichiyoshi Securities Co., Ltd. | MCP Asset Management Securities, Inc. |
| Crowd Securities Japan, Inc. | IG Securities Limited | Meiwa Securities Co., Ltd. |
| Daewoo Securities Co. , Ltd. | Iizukanakagawa Securities Co., Ltd. | Merrill Lynch Japan Securities Co., Ltd. |
| Daiko Clearing Services Corporation | Imamura Securities Co., Ltd. | Mirai Securities Co., Ltd. |
| Daikumamoto Securities Co., Ltd. | i-NET Securities Co., Ltd. | MITA SECURITIES Co., Ltd. |
| Daiman Securities Co., Ltd. | ING Mutual Funds Management Company (Japan), Ltd. | Mito Securities Co., Ltd. |
| Daisen Hinomaru Securities Co., Ltd. | Interactive Brokers Securities Japan, Inc. | Mitoyo Securities Co., Ltd. |
| Daiwa Securities Co., Ltd. | INVEST SECURITIES CO., LTD. | Mitsubishi Corporation Asset Management Ltd. |

| | | |
|---|---|--|
| Mitsubishi UFJ Morgan Stanley PB Securities Co., Ltd. | Retela Crea Securities Co., Ltd. | The Kosei Securities Co., Ltd. |
| Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. | REXEM SECURITIES Co.LTD. | The Miki Securities Co., Ltd. |
| Mitsui Securities Co., Ltd. | Rokuwa Securities Co., Ltd. | The Nakahara Securities Co., Ltd. |
| Miyako Securities Co., Ltd. | Sakamoto Hokuriku Securities Co., Ltd. | The Tachibana Securities Co., Ltd. |
| Mizuho Global Alternative Investments, Ltd. | SAMSUNG SECURITIES Co., Ltd. Tokyo Branch | Tobu Securities Co., Ltd. |
| Mizuho Securities Co., Ltd. | Sanei Securities Co., Ltd. | TOGAKU Securities Co., Ltd. |
| Monex, Inc. | Sanen Securities Co., Ltd. | Tokai Tokyo Securities Co., Ltd. |
| Money Partners Co., Ltd. | Sanko Securities Co., Ltd. | Tokio Marine Financial Solutions Ltd. |
| Morgan Stanley MUFG Securities Co., Ltd. | Sankyo Securities Co., Ltd. | Tokushima-Godo Securities Co., Ltd. |
| Musashi Securities Co., Ltd. | Sasayama Securities Co., Ltd. | Tokyo Securities Transfer Agent Co. Ltd. |
| Nagano Securities Co., Ltd. | Saxo Bank FX Securities K.K. | Tomioka Securities Co., Ltd. |
| Naito Securities Co., Ltd. | SBI Japannext Co., Ltd. | TOWER INVESTMENT MANAGEMENT Co., Ltd |
| Nakaizumi Securities Co., Ltd. | SBI SECURITIES Co., Ltd. | Toyo Securities Co., Ltd. |
| Nara Securities Co., Ltd. | Securities Japan, Inc. | Traders Securities Co., Ltd. |
| Natixis Japan Securities Co., Ltd. | Senshu Ikeda Tokai Tokyo Securities Co., Ltd. | Tradeweb Europe Ltd. |
| Newedge Japan Inc. | Shimadai Securities Co., Ltd. | Tradition Securities Japan Co., Ltd. |
| New-S Securities Co., Ltd. | Shinbayashi Securities Co., Ltd. | UBS Securities Japan Co., Ltd. |
| Niigata Securities Co., Ltd. | Shinkin Securities Co., Ltd. | Ueda Yagi Securities Co., Ltd |
| Nishimura Securities Co., Ltd. | Shin-Ogaki Securities Co., Ltd. | Usuki Securities Co., Ltd. |
| Nishi-Nippon City Tokai Tokyo Securities Co., Ltd. | Shinsei Securities Co., Ltd. | Utsumiya Securities Co., Ltd. |
| Nishiwaki Securities Co., Ltd. | SHIZUGIN TM SECURITIES Co., Ltd. | Utsunomiya Securities Co., Ltd. |
| Nissan Century Securities Co., Ltd. | Shizuoka Tokai Securities Co., Ltd. | Vanguard Investments Japan, Ltd. |
| Nobata Securities Co., Ltd. | Shonai Securities Co., Ltd. | Wells Fargo Securities (Japan) Co., Ltd. |
| Nomura Financial Products & Services, Inc. | SMBC Friend Securities Co., Ltd. | Yahata Securities Co., Ltd. |
| Nomura Securities Co., Ltd. | SMBC Nikko Securities Inc. | Yamagata Securities Co., Ltd. |
| Northern Trust Global Investments Japan, K.K. | Societe Generale Securities (North Pacific) Ltd. | YAMAGEN Securities Co., Ltd. |
| Okachi Securities Co., Ltd. | Sompo Japan DC Securities Inc. | Yamani Securities Co., Ltd. |
| OKASAN NIIGATA SECURITIES CO., LTD. | SPARX Asset Management Co., Ltd. | Yamawa Securities Co., Ltd. |
| Okasan Online Securities Co., Ltd. | SPC Securities Inc. | Yensai.com Co., Ltd. |
| OKASAN SECURITIES CO., LTD. | Starts Securities Co., Ltd. | YM Securities Co., Ltd. |
| Okayasu Securities Co., Ltd. | State Street Global Advisors (Japan) Co., Ltd. | YoZIGExN Securities Co., Ltd. |
| Okinawa Securities Limited | State Street Global Markets Securities Co., Ltd. | Yutaka Securities Co., Ltd. |
| One Asia Securities Co., Ltd. | StormHarbour Japan Ltd. | YUTAKA SHOJI Co., Ltd. |
| ORIX Wholesale Securities Corporation | Strategic Investments KK | Zukawa Securities Co., Ltd. |
| Phillip Securities Japan, Ltd. | Superfund Securities Japan Co., Ltd. | |
| Pregian Securities Co., Ltd. | Tahara Securities Co., Ltd. | |
| Premiere Securities Co., Ltd. | Takagi Securities Co., Ltd. | |
| Putnam Investments Securities Co., Ltd. | Takematsu Securities Co., Ltd. | |
| PWM Japan Securities Co., Ltd. | Teneo Partners Japan Limited | |
| Rakuten Securities, Inc. | The Air's Sea Securities Co., Ltd. | |
| RBC Capital Markets (Japan) Limited | The Arts Securities Co., Ltd. | |
| RBS Securities Japan Limited | The Bank of New York Mellon Securities Company Japan Ltd. | |
| | The Joyo Securities Co., Ltd. | |

Note: Four regular members who have been deemed to be Financial Instruments Business Operators, etc. for the purpose of completing customer transactions under Article 56(1) of Financial Instruments and Exchange Act are not included in the member list.

List of Special Members (As of End of June, 2014)

City Banks

Mizuho Bank, Ltd.
Resona Bank, Limited
Saitama Resona Bank, Limited
Sumitomo Mitsui Banking Corporation
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Trust Banks

Japan Trustee Services Bank, Ltd.
Mitsubishi UFJ Trust and Banking Corporation
Mizuho Trust & Banking Co., Ltd.
ORIX Bank Corporation
Shinkin Trust Bank, Ltd.
Shinsei Trust & Banking, Ltd.
State Street Trust and Banking Company, Limited
Sumitomo Mitsui Trust Bank, Limited
The Master Trust Bank of Japan, Ltd.
The Nomura Trust and Banking Co., Ltd.
The Norinchukin Trust & Banking Co., Ltd.
Trust & Custody Services Bank, Ltd

Regional Banks

Bank of The Ryukyus, Limited
Suruga Bank Ltd.
The 77 Bank, Ltd.
THE AKITA BANK, LTD.
The Aomori Bank, Ltd.
The Ashikaga Bank, Ltd.
The Awa Bank, Ltd.
THE BANK OF FUKUOKA, LTD.
The Bank of Iwate, Ltd.
The Bank of Kyoto, Ltd.
The Bank of Okinawa, Ltd.
THE BANK OF SAGA LTD.
The Bank of Toyama, Ltd.
The Bank of Yokohama, Ltd.
The Chiba Bank, Ltd.
The Chiba Kogyo Bank, Ltd.
The Chikuho Bank, Ltd.
The Chugoku Bank, Limited
The Daishi Bank, Ltd.
The Eighteenth Bank, Limited
The Fukui Bank, Ltd.
The Gunma Bank, Ltd.
The Hachijuni Bank, Ltd.
The Higo Bank, Ltd.
The Hiroshima Bank, Ltd.
The Hokkaido Bank, Ltd.
The Hokkoku Bank, Ltd.

The Hokuetsu Bank, Ltd.
The Hokuriku Bank, Ltd.
The Hokuto Bank, Ltd.
The Hyakugo Bank, Ltd.
The Hyakujushi Bank, Ltd.
The Iyo Bank, Ltd.
The Joyo Bank, Ltd.
The Juroku Bank, Ltd.
THE KAGOSHIMA BANK, LTD.
The Kinki Osaka Bank, Ltd.
The Kitakyushu Bank, LTD.
The Kiyo Bank, Ltd.
THE MICHINOKU BANK, LTD.
The Mie Bank, Ltd.
The Miyazaki Bank, Ltd.
The Musashino Bank, Ltd.
The Nanto Bank, Ltd.
THE NISHI-NIPPON CITY BANK, LTD.
The Ogaki Kyoritsu Bank, Ltd.
THE OITA BANK, LTD.
The San-in Godo Bank, Ltd.
The Senshu Ikeda Bank, Ltd.
THE SHIGA BANK, LTD.
The Shikoku Bank, Ltd.
THE SHIMIZU BANK, LTD.
THE SHINWABANK, LTD.
THE SHIZUOKA BANK, LTD.
THE SHONAI BANK, LTD.
The Tajima Bank, Ltd.
The Toho Bank, Ltd.
THE TOHOKU BANK, LTD.
The Tokyo Tomin Bank, Limited
THE TOTTORI BANK, LTD
The Yamagata Bank, Ltd.
The Yamaguchi Bank, Ltd.
The Yamanashi Chuo Bank, Ltd.
Tsukuba Bank, Ltd.

Regional Banks II

Kansai Urban Banking Corporation
Kirayaka Bank, Ltd.
Momiji Bank, Ltd.
North Pacific Bank, Ltd.
The Aichi Bank, Ltd.
THE BANK OF KOCHI, LTD.
The Bank of Nagasaki, Ltd.
The Bank of Nagoya, Ltd.
The Chukyo Bank, Limited
The Daisan Bank, Ltd.
THE DAITO BANK, LTD.
The Ehime Bank, Ltd.

THE FIRST BANK OF TOYAMA, LTD.
THE FUKUHO BANK, LTD.
THE FUKUOKA CHUO BANK, LTD.
THE FUKUSHIMA BANK, LTD.
The Higashi-Nippon Bank, Limited
THE HOWA BANK, LTD.
THE KAGAWA BANK, LTD.
THE KANAGAWA BANK, LTD.
The Keiyo Bank, Ltd.
The Kita-Nippon Bank, Ltd.
The Kumamoto Bank, Ltd.
The Minami-Nippon Bank, Ltd.
THE MINATO BANK, LTD.
The Miyazaki Taiyo Bank, Ltd.
THE NAGANOBANK, LTD.
THE OKINAWA KAIHO BANK. LTD.
THE SAGA KYOEI BANK, LTD.
THE SAIKYO BANK, LTD.
THE SENDAI BANK, LTD.
THE SHIMANE BANK, LTD.
THE SHIZUOKACHUO BANK, LTD.
THE TAIKO BANK, LTD.
THE TAISHO BANK, LTD.
THE TOCHIGI BANK, LTD.
THE TOKUSHIMA BANK, LTD.
The Tokyo Star Bank, Limited
THE TOWA BANK, LTD.
The Yachiyo Bank, Limited
TOMATO BANK, LTD.

Shinkin Banks

Fukuoka Hibiki Shinkin Bank
Hiroshima Shinkin Bank
Nara Shinkin Bank
Nisshin Shinkin Bank
Okayama Shinkin Bank
Shimada Shinkin Bank
The Amagasaki Shinkin Bank
The Asahi Shinkin Bank
The Banshu Shinkin Bank
The Gifu Shinkin Bank
The Hekikai Shinkin Bank
The Himeji Shinkin Bank
THE HYOGOSHINKIN BANK
The Johnan Shinkin Bank
THE JOHOKU SHINKIN BANK
THE KANAGAWA SHINKIN BANK
The Kanazawa Shinkin Bank
THE KAWASAKI SHINKIN BANK
THE KYOTO CHUO SHINKIN BANK

THE KYOTO SHINKIN BANK
 THE NAGANO SHINKIN BANK
 The Okazaki Shinkin Bank
 THE OME SHINKIN BANK
 The Osaka City Shinkin Bank
 THE SAITAMAKEN SHINKIN BANK
 The Sawayaka Shinkin Bank
 THE SEIBU SHINKIN BANK
 The Seishin Shinkin Bank
 The Seto Shinkin Bank
 The Shizuoka Shinkin Bank
 The Shonan Shinkin Bank
 The Sugamo Shinkin Bank
 The Tama Shinkin Bank
 THE TOKYO HIGASHI SHINKIN BANK
 The Tono Shinkin Bank
 The Yokohama Shinkin Bank
 TOKYO CITY SHINKIN BANK
 Toyota Shinkin Bank
 Yamato Shinkin Bank

Credit Cooperatives

DAI-ICHI KANGYO CREDIT COOPERATIVE
 kinki sangyou Credit Union
 Nagano-Ken Credit Cooperative

Foreign Banks

Australia and New Zealand Banking Group Limited
 Bank of America, National Association
 Barclays Bank PLC
 BNP PARIBAS S.A.
 Credit Agricole Corporate and Investment Bank
 Deutsche Bank Aktiengesellschaft
 Hongkong and Shanghai Banking Corporation Limited
 ING Bank N.V.
 JPMorgan Chase Bank, N.A.
 Royal Bank of Canada, Tokyo Branch.
 Standard Chartered Bank
 The Royal Bank of Scotland plc.
 UBS AG
 UniCredit Bank AG

Other Banks

ÆON BANK, LTD.
 Aozora Bank, Ltd.
 Citibank Japan, Ltd.
 Japan Post Bank Co., Ltd.
 Jibun Bank Corporation
 Rakuten Bank, Ltd.
 SBI Sumishin Net Bank, Ltd.

Shinsei Bank, Limited
 Sony Bank Incorporated
 The Japan Net Bank, Limited

Life Insurers

Fukoku Mutual Life Insurance Co.
 Hartford Life Insurance K.K.
 ING Life Insurance Company, Ltd.
 Meiji Yasuda Life Insurance Company
 MetLife Alico Life Insurance K.K.
 Mitsui Life Insurance Company Limited
 NIPPON LIFE INSURANCE COMPANY
 Sony Life Insurance Co., Ltd.
 Sumitomo Life Insurance Co.
 THE DAI-ICHI LIFE INSURANCE COMPANY, LIMITED

Non-life Insurers

Aioi Nissay Dowa Insurance Co., Ltd.
 Mitsui Sumitomo Insurance Co., Ltd.
 NIPPONKOA Insurance Co., Ltd.
 Sampo Japan Insurance Inc.
 Tokio Marine & Nichido Fire Insurance Co., Ltd.

Monetary Market Dealers

Central Tanshi Co., Ltd.
 The Tokyo Tanshi Co., Ltd.
 Ueda Yagi Tanshi Co., Ltd.

Securities Finance Companies

Chubu Securities Finance Co., Ltd.
 Japan Securities Finance Co., Ltd.

Government-related Financials, etc.

Development Bank of Japan Inc.
 Shinkin Central Bank
 The Norinchukin Bank
 The Shoko Chukin Bank, Ltd.

JSDA Website

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<http://www.jsda.or.jp/>

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