

REVIEW OF OPERATIONS

Participants and Accounts

The securities depository and book-entry transfer system involves JASDEC, its participants, participants' customers and issuing companies.

Entities eligible to become JASDEC participants are stipulated by the CSD Law, and include securities companies, banks, trust banks, insurance companies, securities finance companies, stock exchanges and the Japan Securities Dealers Association (JSDA). Investors use the system via customer accounts opened on their behalf by participants. Participants may open up to 99 sub-accounts with JASDEC.

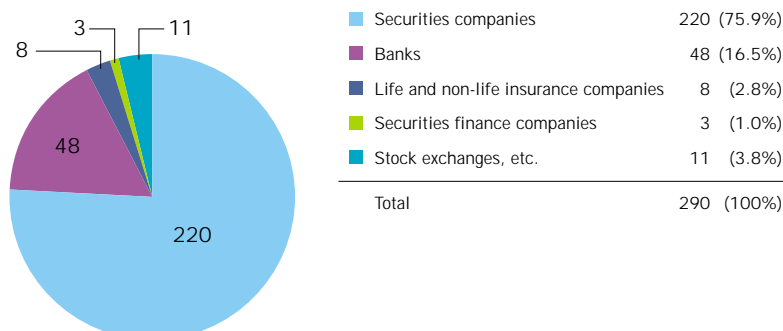
As of March 31, 2002, 290 participants held 477 accounts with JASDEC, representing losses of 6 in the number of participants and gains of 24 in the number of accounts opened, compared with fiscal 2000.

Issuing Companies

Participating to JASDEC system is voluntary, and JASDEC is, therefore, required to have consent of issuing companies to handle their shares at JASDEC.

As of March 31, 2002, 3,610 issuers of public companies in Japan have consented, up 112 companies from the previous year.

Participants by Category



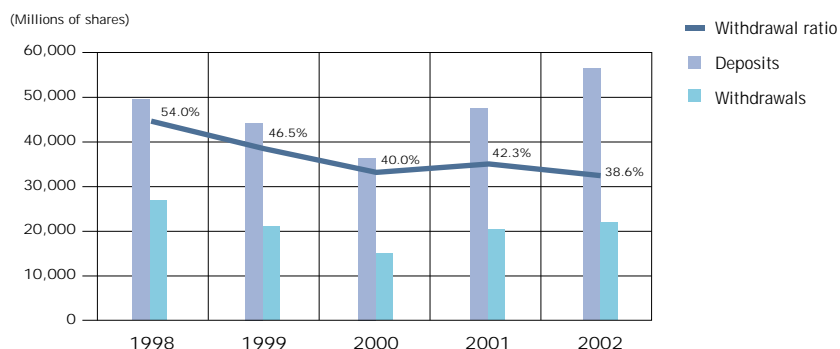
Deposits and Withdrawals

Participants may deposit their own shares and those of their customers (with their consent) with JASDEC. Customers may only deposit shares with JASDEC indirectly through a participant.

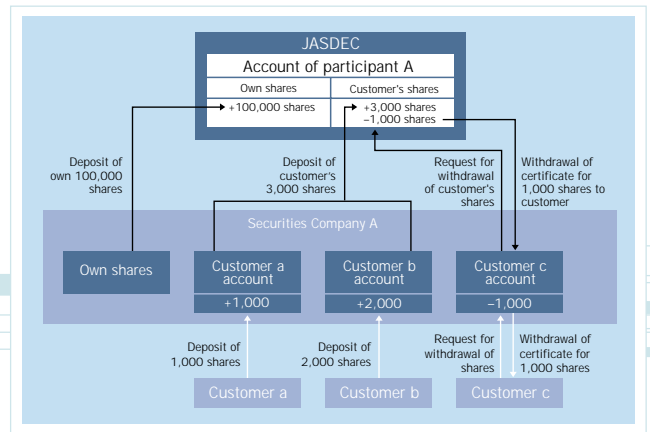
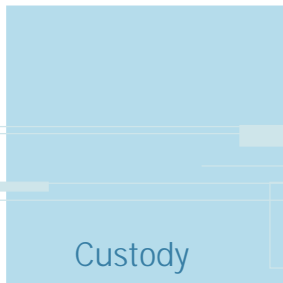
Deposited share certificates are taken into custody and records of all deposits are entered in the participant accounts at JASDEC as well as in the accounts set up for customers by participants. The deposit of shares is entirely voluntary, and participants and customers may withdraw those shares at any time. Like deposit requests, customers' withdrawal requests must be filed through a participant.

In fiscal 2001, a total of 56,215 million shares were deposited, an increase of 8,890 million shares, or 18.8% from the previous year. Shares withdrawn totaled 21,727 million, a year-on-year increase of 1,702 million shares, or 8.5 % from the previous year.

Deposits and Withdrawals



REVIEW OF OPERATIONS



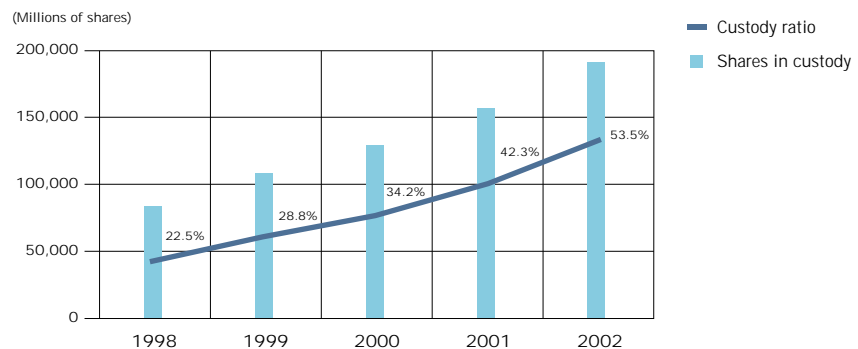
Shares deposited by participants are stored collectively by JASDEC and are not segregated by participant or by customer. In accordance with the CSD Law, participants and their customers are legally regarded as having co-ownership of the shares in the proportions stated in their JASDEC accounts or participant accounts, respectively.

The re-registration of share certificates in the name of JASDEC is nominal, and JASDEC's rights are limited to conducting administrative procedures. Shareholder's rights, such as the right to claim dividends and residual assets, vote, and request the resignation of directors or auditors, rest with the beneficial shareholders (see the section on Beneficial Shareholder Notification).

Although deposited shares are kept collectively by JASDEC, JASDEC provides separate accounting for shares owned by participating firms (own shares) and their customers (shares received from customers for safekeeping). This provides legal protection for the shares held on behalf of customers in the event of bankruptcy by a participant.

As of March 31, 2002, shares held in custody totaled 191,562 million shares, increased 34,488 million shares, or 22.0 % from the previous year. Ratio of shares held in custody to shares outstanding increased 11.2 %, to 53.5 %, topped 50% mark in February, our long-time numeral target. Compared with other major countries where securities depository systems have fully been accepted, however, there is still room to improve the proportion of shares in custody, and we will further try to reduce the cost of operations and to continue wide-ranged promotion activities.

Shares in Custody



Uncertification of Shares

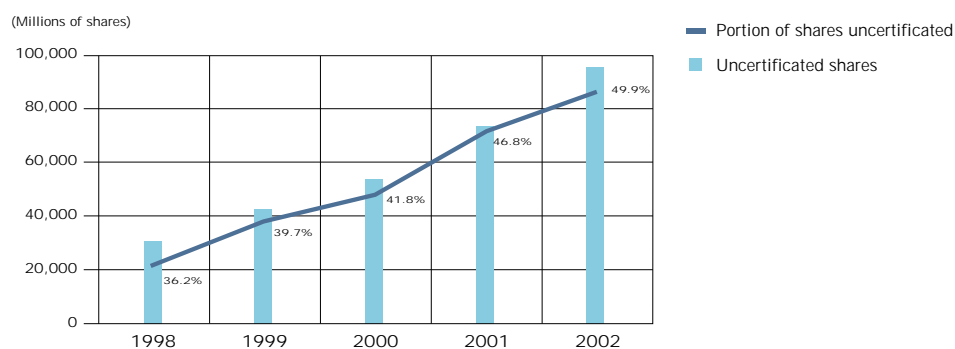
In Japan, shareholders may request issuers to replace their shares in an uncertificated form.

As a nominal shareholder, JASDEC is entitled to request this procedure under the CSD Law. By exercising this right, JASDEC is able to rationalize administrative procedures and economize on space, while reducing the risk of losing physical share certificates.

Elimination of physical share certificates also offers advantages for issuing companies. The cost of issuing new share certificates and administrative costs related to stock splits or changes of company name are reduced.

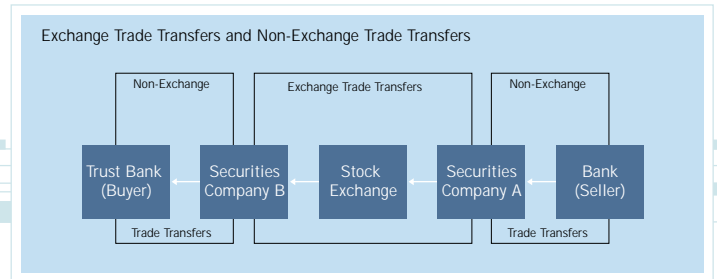
As of March 31, 2002, JASDEC requested issuing companies to replace 95,557 million shares, an increase of 21,972 million shares, in uncertificated form, representing 49.9 % of all shares held in custody with JASDEC, up 3.1 % from the previous year.

Portion of Shares Uncertificated



REVIEW OF OPERATIONS

Book-Entry Transfer



When a participant or customer trades shares held in custody by JASDEC, or transfers such shares for collateral or other purpose, delivery is effected by book entry transfer between accounts. JASDEC offers two types of book-entry transfers: exchange trade transfers and non-exchange trade transfers.

Exchange trade transfers are transfers of shares between participants as a result of trades executed on stock exchanges or over-the-counter market. Book-entry transfers for other purposes are non-exchange trade transfers. Regulations of stock exchanges and JSDA require that trades in JASDEC-eligible issues executed in their respective markets shall be settled by book-entry transfers between participant accounts with JASDEC.

The stock exchanges and Jasdaq Market Inc., operator of JASDAQ system established by JSDA, issue transfer instructions for the settlement of their trades directly to JASDEC. In the case of a non-exchange trade transfer, the seller issues instructions to JASDEC.

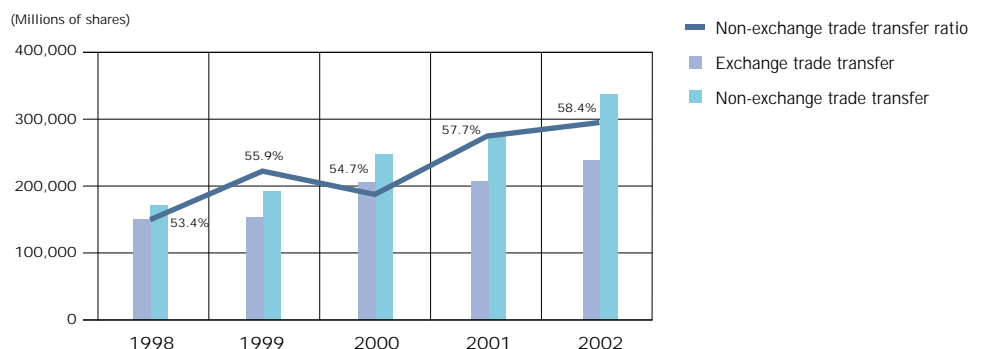
Non-exchange trade transfers are most commonly used by institutional investors and non-resident investors, who keep shares in their accounts with custody bank participants.

In order to settle their trades executed on the stock exchanges or in the over-the-counter market, shares are transferred by book-entry between the custody bank participant and the securities company participant.

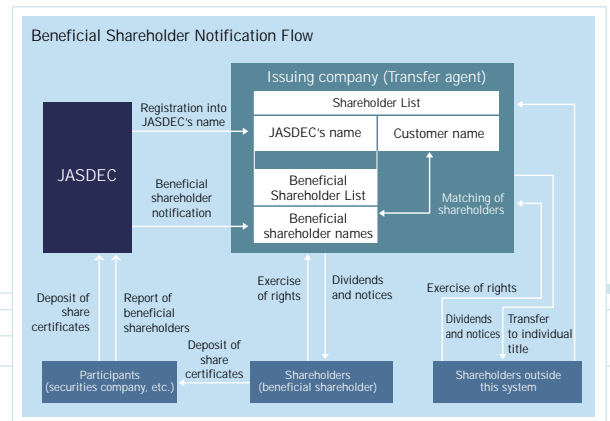
In fiscal 2001, exchange trade transfers recorded 239.9 billion shares, up 16.9 % from the previous year. Non-exchange trade transfers rose 17.2 % to 337.0 billion shares and accounted 58.4 % of aggregate book entry transfers.

The number of exchange trade transfers in fiscal 2001 was 21.5 million, up 40.3%, while that of non-exchange trade transfers, which generally involve transfers of large amount of shares, was 14.6 million, up 12.2%.

Book-Entry Transfers



Beneficial Shareholder Notification

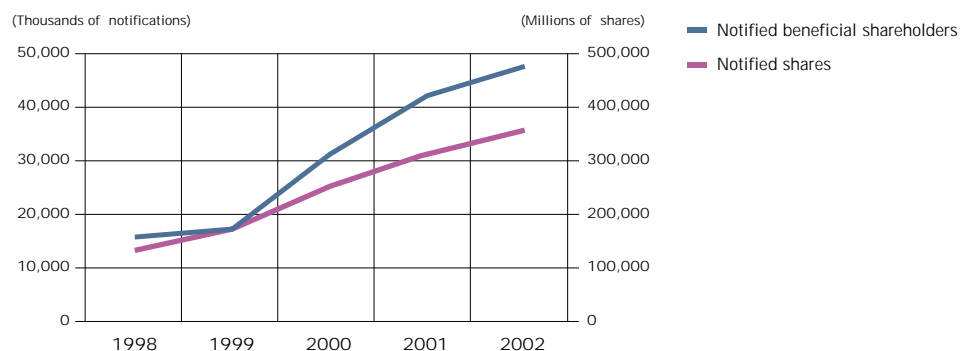


Under the securities custody and book-entry transfer system in Japan, issuers shall be informed of the names of beneficial shareholders to facilitate the distribution of dividends and any other rights directly to beneficial shareholders and beneficial shareholders shall exercise their rights directly to the issuers. Accordingly, JASDEC prepares and provides issuers with beneficial shareholder data. JASDEC's beneficial shareholder notification service includes the collection of information on beneficial shareholders as of the record date in accordance with reports from participants, and the notification of this information to issuers. The issuers draw up beneficial shareholder lists on a basis of this data and send notice of shareholder meetings and other information directly to the beneficial shareholders. Beneficial shareholders thus receive dividends directly from the issuers, and exercise their voting rights directly to the issuers.

When new shares are distributed to beneficial shareholders, such as through a stock split, JASDEC receives new stock allocation data from the issuer or its transfer agent, and notifies such stock allocation data to all concerned participants. JASDEC and the participants then increase the balance in their participant and customer account ledgers on a basis of this data.

JASDEC issued 47.8 million notifications in fiscal 2001, up 14.3% from fiscal 2000, representing 367.1 billion shares, up 19.4%. Reflecting an increase in shares in custody, notifications of beneficial shareholders on which record date ended March 2002 rose 2.3 million, up 12.5%, to 20.8 million notifications, which represented 175.7 billion shares, an increase of 31.0 billion shares, up 21.5% from the year before, to record the highest figures since JASDEC's business initiation.

Beneficial Shareholder Notification



REVIEW OF OPERATIONS

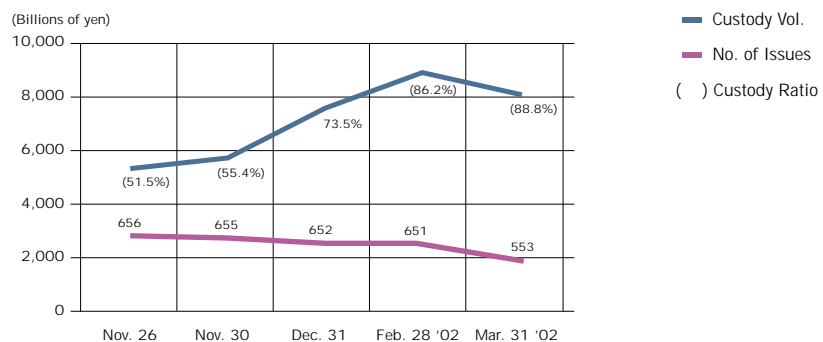
Convertible Bonds

Responding to the needs and the requests from the participants and market, JASDEC expanded its services to include convertible bonds (CBs) in November 2001. With substantial numbers of CBs deposited since the beginning of the services, reflecting the size of the CB market in Japan, the number of issues we handled at the end of March 2002 was 553 and the amount of the CBs in custody was ¥8,085.1 billion, representing 88.8 % of the amount outstanding.

From the start of the services in November 2001 to the end of March 2002, the amount of deposited CBs totaled ¥9,467.6 billion and the amount withdrawn totaled ¥1,382.4 billion. The amount of exchange trade transfers was ¥1,016.1 billion, and that of non-exchange trade transfers was ¥5,627.6 billion.

During the same period, JASDEC processed ¥870.8 billion of principal and interest payment on the CBs in our custody.

Volume of CBs in Custody





Depository Services of Other JASDEC-Eligible Securities

Exchange Traded Funds (ETFs)

In July 2001, JASDEC started to provide the depository services for ETFs pegged with TOPIX and the Nikkei Stock Price Average (Nikkei 225). During the period from July 2001 to March 2002, 703.9 million units were deposited while 50.8 million units were withdrawn. As a result, units held in custody totaled 691.8 million, representing 14 issues at the end of March 2002. During the same period, the number of units of exchange trade transfers was 371.3 million, and that of non-exchange trade transfers was 2,048.0 million.

Real Estate Investment Securities (REITs)

In September 2001, JASDEC started to deal with REITs. During the period from September 2001 to March 2002, 861,391 units were deposited and 101,707 units were withdrawn. Reflecting these transactions, units held in custody totaled 759,684 units, representing 4 issues at the end of March 2002. During the same period, exchange trade transfers recorded 395,236 units while non-exchange trade transfers amounted to 968,055 units.

Preferred Investment Bonds of Financial Institutions Established by Cooperative Associations

In December 2000, JASDEC started to handle preferred investment bonds of financial institutions established by cooperative associations. During fiscal 2001, 28,431 units were deposited and 7,532 units were withdrawn. At the end of March 2002, preferred bonds held in custody recorded 210,528 units, representing 1 issue. During fiscal 2001, exchange trade transfers was 67,018 units, non-exchange trade transfers 62,085 units.