

## Participants and Accounts

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

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

As of March 31, 2003, accounts with JASDEC numbered 453, held by 272 participants. Compared with fiscal 2001, these figures represent losses of 18 in the number of participants and 24 in the number of accounts opened, mainly due to mergers between participants.

## Issuing Companies

Participation in the JASDEC system is voluntary at most domestic stock and securities exchanges, so JASDEC is generally required to have the consent of issuing companies to handle their shares. However, issuing companies whose shares are listed on the Tokyo Stock Exchange are required to participate in the JASDEC system according to that exchange's listing requirements.

As of March 31, 2003, 3,626 public companies in Japan had lodged their consent with JASDEC. During fiscal 2002, a further 143 issuers lodged their consent with JASDEC while 127 withdrew theirs, leading to a rise of 16 companies from the previous fiscal year.

## Handling of Shares

### DEPOSITS AND WITHDRAWALS

Participants may deposit their own shares and those of their clients (with their consent) with JASDEC. Clients may deposit shares with JASDEC only through participants.

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

In fiscal 2002, a total of 37,494 million shares were deposited, a decrease of 18,721 million shares, or 33.3%, from the previous fiscal year. Shares withdrawn totaled 25,875 million, an increase of 4,148 million shares, or 19.1%.

### CUSTODY

Shares deposited by participants are kept collectively by JASDEC and are not categorized by participant or by client. In accordance with the CSD Law, participants and their clients 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. Shareholders' 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 on page 16).

Although deposited shares are kept collectively by JASDEC, the Company provides separate accounting for shares owned by participants (i.e. their own shares) and shares they receive from clients for safekeeping. This provides legal protection for the shares held on behalf of clients in the event of participant bankruptcy.

As of March 31, 2003, shares held in custody totaled 203,181 million, an increase of 11,619 million shares, or 6.1 %, over the previous fiscal year. The ratio of shares held in custody to total domestic shares outstanding increased 5.6 percentage points, to 59.1%. Compared with countries in which securities depository systems have been fully accepted, Japan is still lagging behind. To hasten an increase in the proportion of shares held in custody in the domestic market, we will further reduce costs and fees applicable to participants, and vigorously pursue wide-ranging promotional activities.

### UNCERTIFICATION OF CERTIFICATES

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

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

Elimination of physical share certificates also offers advantages for issuing companies, particularly the opportunity to cut issuing costs for new share certificates and administrative costs related to stock splits or changes of corporate name.

In fiscal 2002, JASDEC had requested issuing companies to replace 105,490 million shares in uncertificated form, an increase of 9,933 million shares over the previous fiscal year, representing 51.9% of all shares kept in custody with JASDEC, up 2.0 percentage points.

### BOOK-ENTRY TRANSFER

When a participant or client trades the shares held in custody by JASDEC, or transfers such shares for collateral or other purposes, delivery of shares is effected by book-entry transfer between accounts. JASDEC offers two types of book-entry transfer between accounts: 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 in the over-the-counter market (JASDAQ). Book-entry transfers for other purposes are non-exchange trade transfers. Regulations set by stock exchanges and JSDA require that trades of JASDEC-eligible issues executed in their respective markets be settled by book-entry transfers between participant accounts held with JASDEC.

The Japan Securities Clearing Corporation (JSCC), which is the body responsible for clearing all trades in the stock exchanges and JASDAQ, sends transfer instructions directly to JASDEC for settlement purposes. In the case of non-exchange trade transfers, the seller sends transfer 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 custodian bank participants. In order to settle their trades in the stock exchanges or in the JASDAQ market, shares are transferred by book-entry between the custodian bank participant and the securities company participant.

In fiscal 2002, exchange trade transfers totaled 225.7 billion shares, down 5.9% from the previous year. Non-exchange trade transfers rose 5.3%, to 355.0 billion shares, and accounted for 61.1% of aggregate domestic book-entry transfers.

The number of exchange trade transfers in fiscal 2002 was 20.1 million, down 6.5%, while that of non-exchange trade transfers, which generally involve transfers of large amounts of shares, was 14.9 million, up 2.1%.

### BENEFICIAL SHAREHOLDER NOTIFICATION

Under the securities custody and book-entry transfer system in Japan, issuers are informed of the names of beneficial shareholders to facilitate the direct distribution of dividends and any other rights to beneficial shareholders, and beneficial shareholders exercise their rights directly to the issuers. Accordingly, JASDEC prepares and provides issuers with beneficial shareholder data.

Our beneficial shareholder notification service includes collection of information on beneficial shareholders as of the record date in accordance with reports from participants, and notification of this information to issuers. Issuers draw up beneficial shareholder lists based on this data and send notices of shareholder meetings and other information directly to the beneficial shareholders. Beneficial shareholders thus receive dividends directly from issuers, and exercise voting rights directly to issuers.

When new shares are distributed to beneficial shareholders, such as through stock splits, such stock allocation is also processed by book-entry in the accounts of concerned participants maintained with JASDEC as well as in the accounts of customers maintained with the participants.

JASDEC issued 54.7 million such notifications in fiscal 2002, up 2.1% from fiscal 2001. These notifications represented 430.2 billion shares, up 17.2%. Reflecting an increase in shares in custody, notifications to beneficial shareholders on record as of March 31, 2003, rose 2.3 million, or 11.1%, to 23.2 million notifications. These notifications represented 185.7 billion shares, an increase of 10.0 billion shares, or 5.7%, from the year before. These are the highest figures JASDEC has ever recorded.

## Other Securities Operations

Year ended March 31, 2003

### Convertible Bonds (Millions of yen)

Deposits	794,755
Withdrawals	2,228,492
Custody	6,651,418
Book-entry transfer	
Exchange trade transfer	2,102,721
Non-exchange trade transfer	10,537,845
Number of issues	379

### Exchange Traded Funds (ETFs) (Thousands of units)

Deposits	2,247,915
Withdrawals	372,862
Custody	2,567,313
Book-entry transfer	
Exchange trade transfer	1,555,507
Non-exchange trade transfer	7,482,241
Number of issues	19

### Real Estate Investment Trusts (REITs) (Number of units)

Deposits	687,055
Withdrawals	100,419
Custody	1,346,318
Book-entry transfer	
Exchange trade transfer	917,114
Non-exchange trade transfer	1,312,682
Number of issues	7

### Preferred Investment Securities of Financial Institutions Established by Cooperative Associations (Number of units)

Deposits	34,359
Withdrawals	7,449
Custody	237,438
Book-entry transfer	
Exchange trade transfer	36,532
Non-exchange trade transfer	52,975
Number of issues	1