

SEEKING TO BUILD A MARKET INFRASTRUCTURE TO THE WORLD'S HIGHEST STANDARD



FISCAL 2003 REVIEW

It is our ongoing objective to provide users with an expedient securities clearing and settlement system. Therefore, in fiscal 2003, ended March 31, 2004, we maintained our focus on four goals. They are: 1) to promote securities clearing and settlement reform; 2) to encourage greater use of securities depository and book-entry transfer services; 3) to reinforce operating systems and ensure security; and 4) to reduce the cost burden on participants.

A notable development during the fiscal year in review was the full-scale implementation of a book-entry transfer system for commercial paper (CP) — Japan's first dematerialization for marketable securities — that totally dematerializes CP, from its issuance and transfer through to redemption.

In May 2003, we put the third and final phase of the first stage of the pre-settlement matching system (PSMS) online and added a matching function for government bonds and exchange-traded futures and options. Then in June 2003, we established JASDEC DVP Clearing Corp., a wholly owned subsidiary, to undertake clearing services related to DVP settlement system for non-exchange transaction deliveries (NETD), and pushed ahead with preparations, including systems development, geared to the start of the delivery versus payment (DVP) system for NETD in May 2004.

We also launched an advertising campaign, using newspapers, television and other media, to encourage investors and issuers to utilize our services. As a result, the number of shares in custody reached 228.2 billion as of March 31, 2004, and expanded our custody ratio to 64.1% of all outstanding shares in Japan.

As part of our efforts to reinforce ties with international organizations, in August 2003, we signed a memorandum of understanding with The Depository Trust & Clearing Corporation in the United States to foster business cooperation mutually beneficial to both companies and promote an exchange of information.





Yoshinobu Takeuchi, President & Chief Executive Officer

HIGHLIGHTS OF THE YEAR

Fiscal 2003

MAY 2003

Implemented third phase of first stage of pre-settlement matching system.

JUNE 2003

Established JASDEC DVP Clearing Corp., a wholly owned subsidiary.

AUGUST 2003

Signed a memorandum of understanding with The Depository Trust & Clearing Corp. of the United States.

OPERATIONS REFLECTING SOCIAL DEMANDS

JASDEC utilized its June 2002 transformation into a stock company to enhance its governance function, thereby enhancing the transparency of operations and strengthening its financial position. The Company also appointed a Board of Directors on which 10 members are representatives from participant companies and established the Committee for Business Operations to ensure that business activities properly reflect the needs and feedback of users.

We have always maintained a trend toward reduced fees for users and remain committed to lessening the cost burden on users by achieving greater operating efficiency to minimize costs.

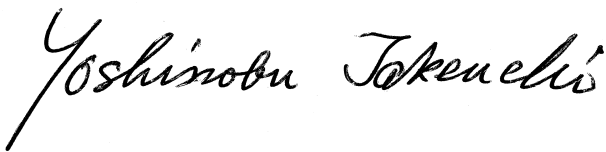
Our management direction is guided by three principles:

- 1) to ensure highly transparent business activities that put users before anything else;
- 2) to provide capacity on a par with overseas central securities depositories; and
- 3) to extend exceedingly reliable and cost-effective services.

These principles underpin ongoing efforts to identify user needs with greater accuracy, elicit a more user-friendly infrastructure for clearing and settlement, and polish our capabilities still further, all of which will lead to a higher deposit ratio and pave the way for securities clearing and settlement system reform in Japan.

On behalf of the Board and employees of JASDEC, I sincerely ask for the continued support of all parties, including participants, shareholders, issuers, and investors.

June 2004



Yoshinobu Takeuchi
President and Chief Executive Officer

Pre-Settlement Matching System (PSMS) A system that automatically matches various information, including the name and value of trades and settlements. Please refer to page 10.

Delivery versus payment (DVP) Please refer to page 10.