

*We are making steady progress
in preparations for our planned
launch of the new system next year.*



Yoshimasa Oba
Director
General Administration Dept.

Custody and Book-Entry Transfer System for Stock Certificates

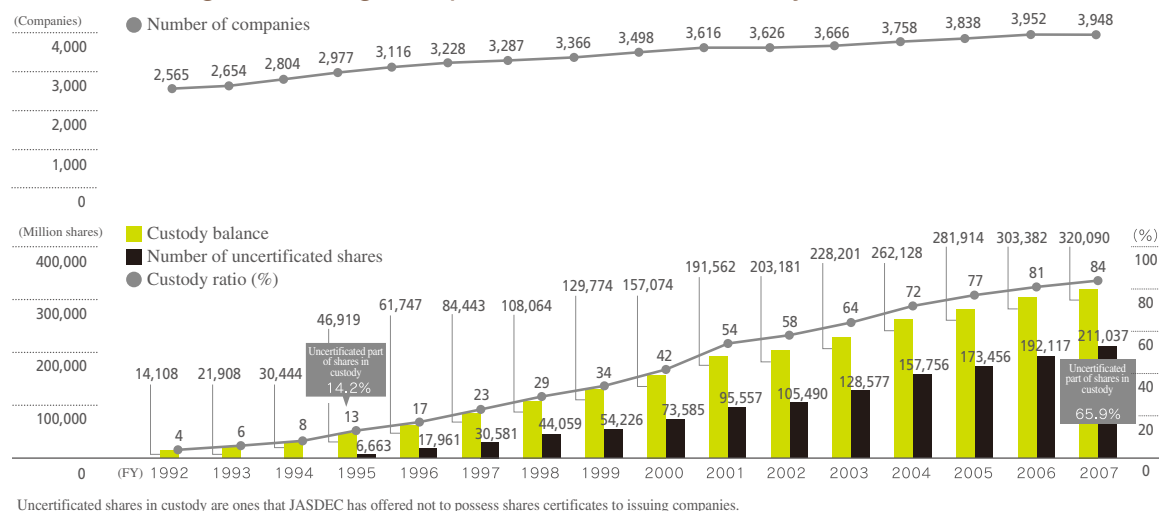
Looking ahead to transition to dematerialization of stock certificates, we are streamlining transaction procedures.

Under the depository and book-entry transfer system for stock certificates, depository of securities is centralized in JASDEC, Japan's only central securities depository. The settlement of securities is processed through book-entry transfer in accounts at JASDEC or participants, without handling of actual stock certificates.

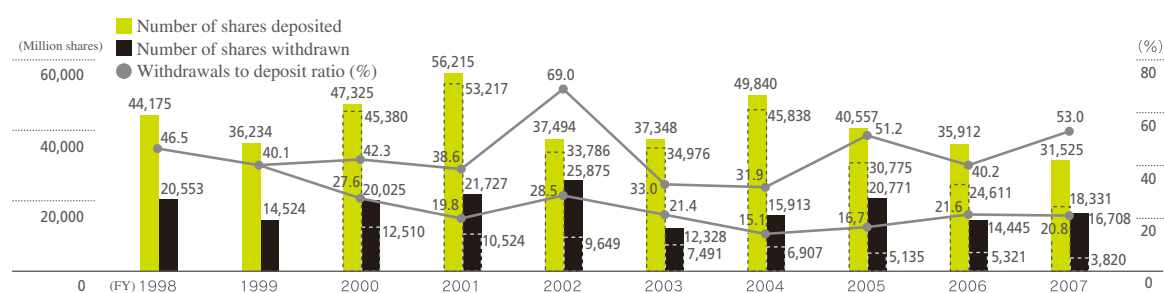
With dematerialization of stock certificates in January 2009, (see the Special Feature on "Dematerialization" which starts on page 12), a new book-entry transfer system starts. Under the new system, stock certificates will no longer be deposited or withdrawn, but instead, ownership of stocks shall be determined by electronic records in the computer system of JASDEC and account management institutions.

Stock Certificates

Number of Eligible Issuing Companies/Shares in Custody



Deposits and Withdrawals



Note: The number of shares indicated by the dotted line excludes the amount in shares deposited primarily because of a stock split, stocks for transfer, share exchanges, or as a result of a merger. (Not available prior to fiscal 1999.)

Custody and Book-Entry Transfer System for Stock Certificates

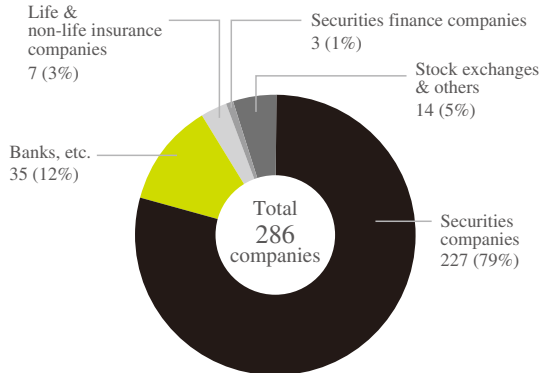
In fiscal 2007 ended March 31, 2008, along with preparations for the new system, we were working to improve the efficiency of administrative operations in the current system and expand our services.

Part of our efforts to enhance efficiency, especially for exchange of information between JASDEC and issuing companies, includes the use of a JASDEC site set up within the Target which has been used for data distribution to participants. Through the JASDEC site, JASDEC began providing information to issuing companies from December 2007, and issuing companies are able to submit various applications to JASDEC from February 2008. This enables us to create a secure and efficient framework for sending and receiving information, thereby reducing the burden of administrative operations at issuing companies.

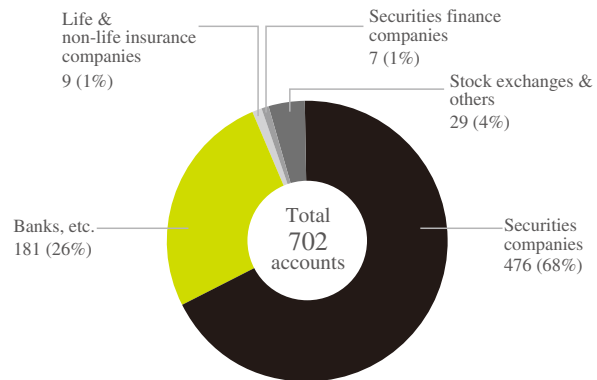
Ahead of dematerialization of stock certificates, we inaugurated book-entry transfer system for exchange traded funds (ETFs) in January 2008. ETF is an investment trust that tracks stock price index, and is traded on stock exchanges. Composition of ETFs requires a notification to specify index to be linked with. In accordance with increased such notification, new ETFs have been introduced, and the numbers of ETFs are increased. The convenience of ETF transactions, improved by the book-entry transfer system, has also contributed to their growth.

Book-Entry Transfer for Stock Certificates Participants and Accounts (as of March 31, 2008)

Participants by category

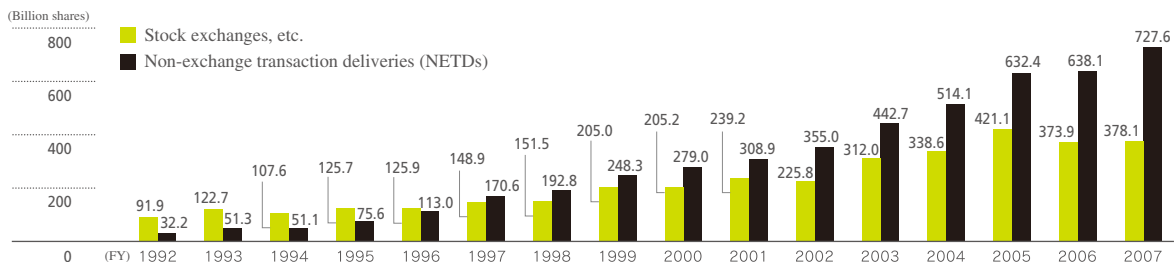


Number of accounts by category

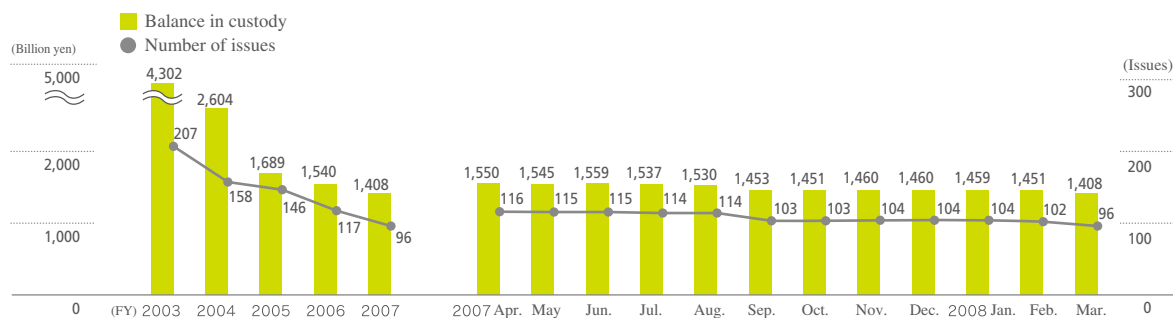


Note: "Banks, etc." include The Norinchukin Bank, Tokyo Shoken Shinyou Kumiai, and Tokyo Bankers Association. "Stock exchanges & others" include Japan Securities Dealers Association, Japan Securities Clearing Corporation, JASDEC DVP Clearing Corporation, three securities agents and three *tanshi* companies (which offer short-term credit brokerage services)

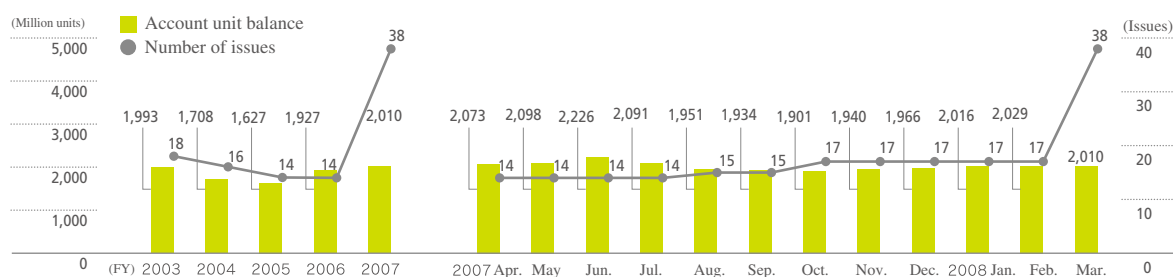
Book-entry transfers



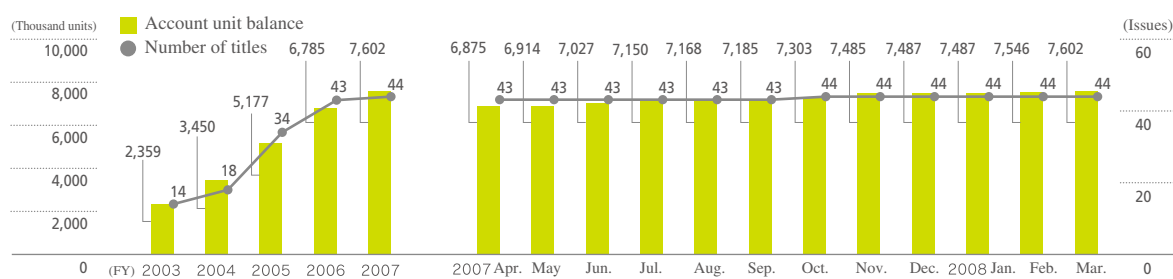
Convertible Bonds (CBs)/Corporate Bonds with Subscription Warrants to New Shares account balance and number of issues



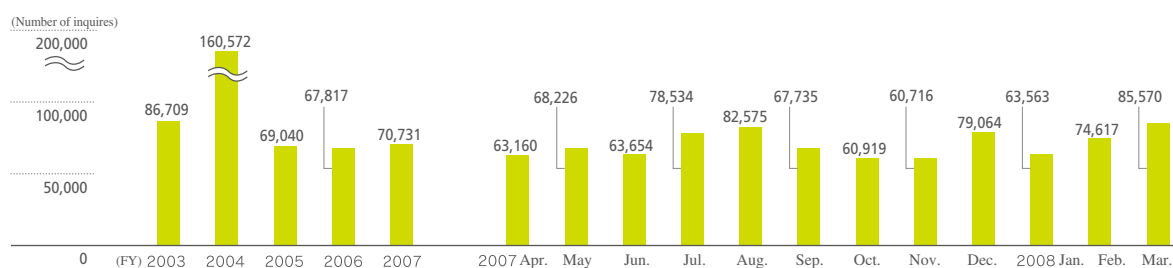
Exchange Traded Fund (ETF) account balance and number of issues



Real Estate Investment Trusts (REITs) account balance and number of issues



Number of inquiries to the Securities Information Tracing System (SITRAS) (daily average)



*Providing necessary funds to
exactly where needed. Acting a core
role in the Japanese economy.*



Hiroshi Ikegami
Director
Bond and Commercial Paper Dept.

Book-Entry Transfer System for Corporate Bonds and Commercial Papers

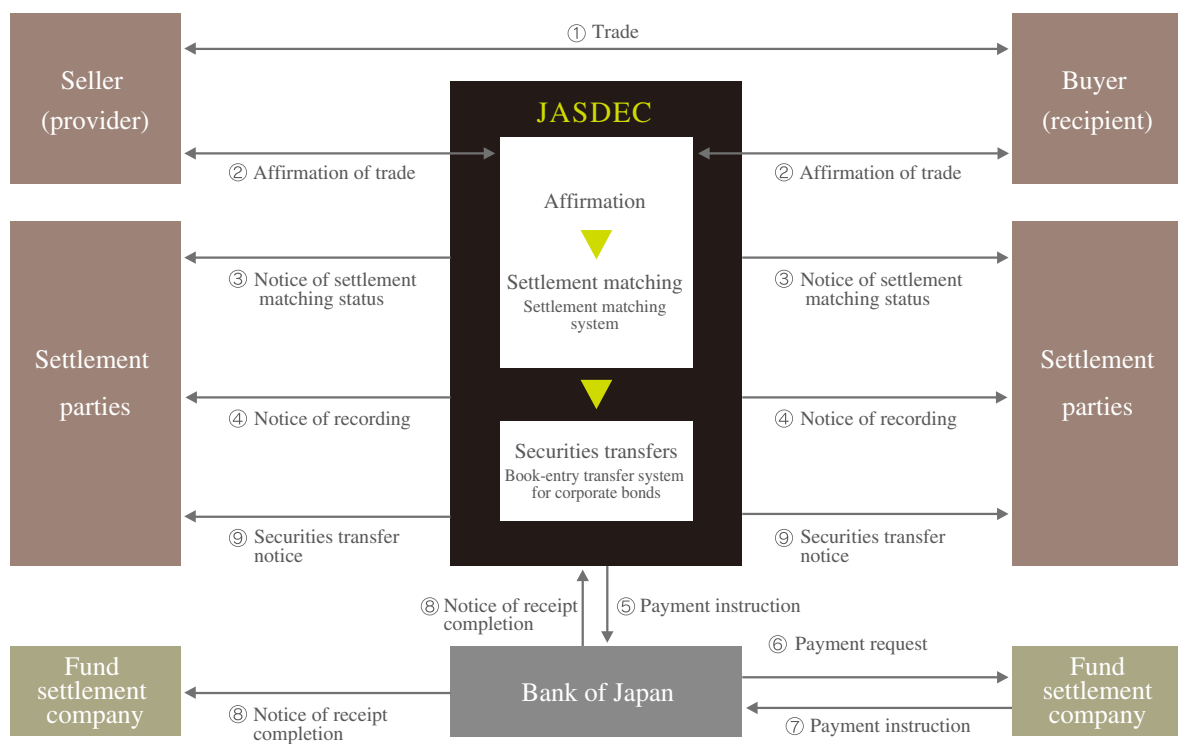
For more seamless and secure financing

In March 2003, we launched a book-entry transfer system for dematerialized commercial paper (CP) and for corporate bonds in January 2006. In each system, custody procedures—issuance, transfer (trading), and redemption—proceed based on the balance recorded in transfer account books. In addition, all transactions related to issuance, transfer and redemption of CP and corporate bonds, can be processed through the Bank of Japan's Financial Network System by DVP settlement system. By linking the book-entry transfer system with our PSMS (pre-settlement matching system (see page 43)), we realize straight-through processing (STP), which fully automates the entire process—including trade matching, and fund securities settlement.

Regarding participation in the JASDEC Book-entry Transfer System, we set up a multilayer holding structure for account management institutions (AMI) to address diverse needs of participating investors and financial institutions. Direct AMI can open an account directly at JASDEC, and indirect participation is possible by opening an account at an AMI. Another option for indirect participation is through the opening of an account at an indirect AMI.

Interest payments inherent to corporate bonds are made to holders of the rights indirectly, paid into their accounts, after being passed on from paying agents to AMI acting as the recipients, in accordance with the multilayered structure.

Flowchart for book-entry transfer for Corporate Bonds (in the case of DVP)



Book-Entry Transfer System for Commercial Papers

Supporting finance activities of corporate entities, with a balance exceeding ¥20 trillion.

Commercial paper (CP) was originally drawn as a promissory note by operating companies as a means for procuring short-term funds. The risks involved in transfer and deposit of notes for large amounts, as well as burden of documentary stamp tax, have prompted requests for an electronic book-entry system that eliminates the needs for paper certificates. Thus, it became our first fully electronic book-entry transfer system for dematerialized CP. Since the launch of the system five years ago, all CP issued in Japan has been handled in this system. As of March 31, 2008, the total amount

of CP using the system and the balance for the CP reached ¥20 trillion (the record was a balance of ¥23 trillion at the end of 2007) and 5,759 issues, respectively, and the use of the system continues to grow. In October 2007, JASDEC began handling CP for real estate investment trusts (REIT CP).

To improve market transparency, JASDEC actively discloses information of settlement figures. With regard to CP, the balance by issuer category on a weekly basis has been disclosed in January 2008.

Balance of commercial paper by issuer category (Weekly)

(Million yen)

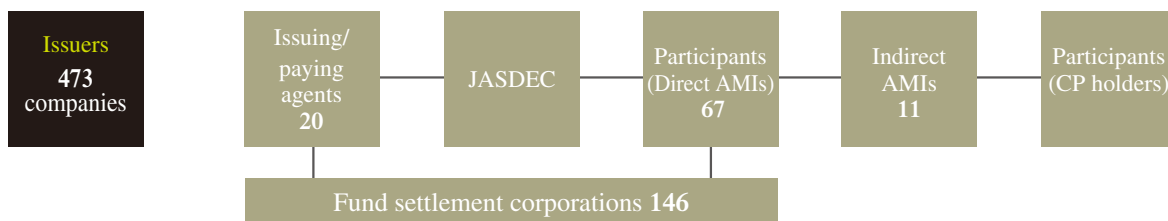
(as of the end of month/week)	Issuers											
	Total		Securities companies		Banks		Business companies		SPCs		Others	
	Number of issues	Account balance	Number of issues	Account balance	Number of issues	Account balance	Number of issues	Account balance	Number of issues	Account balance	Number of issues	Account balance
2008 Jan.	5,859	22,363,193	439	1,533,700	192	1,415,600	3,048	15,228,330	2,158	3,960,563	22	225,000
Feb.	5,764	22,096,614	401	1,478,100	179	1,252,600	3,032	15,154,530	2,132	3,966,384	20	245,000
Mar.	5,759	20,276,788	383	1,525,100	182	1,354,900	2,643	12,092,350	2,523	5,010,438	28	294,000
Apr.	5,820	20,851,722	391	1,530,600	170	1,280,500	2,814	13,342,430	2,426	4,494,192	19	204,000
2008 Jan. 4	5,991	22,656,029	446	1,366,980	201	1,481,100	3,028	15,308,970	2,290	4,208,979	26	290,000
11	5,740	22,117,183	442	1,391,980	188	1,261,800	2,984	15,337,770	2,107	3,890,633	19	235,000
18	5,759	22,283,038	444	1,402,080	189	1,319,600	3,022	15,390,480	2,088	3,953,878	16	217,000
25	5,746	22,160,521	436	1,464,980	187	1,297,600	3,035	15,345,680	2,070	3,837,261	18	215,000
Feb. 1	5,860	22,330,610	442	1,562,200	188	1,330,400	3,069	15,264,430	2,139	3,948,580	22	225,000
8	5,750	22,015,557	445	1,588,900	175	1,166,200	3,091	15,279,630	2,018	3,765,827	21	215,000
15	5,666	21,732,807	433	1,548,700	174	1,160,100	3,044	15,026,430	1,994	3,776,577	21	221,000
22	5,669	21,830,843	418	1,485,400	177	1,217,000	3,051	15,056,530	2,006	3,856,913	17	215,000
29	5,764	22,096,614	401	1,478,100	179	1,252,600	3,032	15,154,530	2,132	3,966,384	20	245,000
Mar. 7	5,626	21,873,958	403	1,522,500	181	1,264,000	3,031	15,082,730	1,991	3,759,728	20	245,000
14	5,571	21,377,198	399	1,476,900	191	1,408,500	2,973	14,504,330	1,988	3,730,468	20	257,000
21	5,498	21,072,060	390	1,437,000	177	1,350,700	2,904	14,287,850	2,006	3,744,510	21	252,000
28	5,618	21,314,883	381	1,520,600	183	1,352,000	2,810	14,146,550	2,216	4,001,733	28	294,000
Apr. 4	5,685	20,596,211	391	1,535,100	186	1,433,800	2,679	12,400,850	2,402	4,940,461	27	286,000
11	5,637	20,572,580	405	1,626,300	179	1,335,100	2,690	12,578,930	2,345	4,816,250	18	216,000
18	5,672	20,863,289	412	1,656,200	180	1,345,400	2,717	12,804,580	2,346	4,871,109	17	186,000
25	5,729	21,001,120	419	1,677,700	176	1,338,000	2,753	12,986,430	2,362	4,794,990	19	204,000
May 2	5,779	20,991,156	400	1,567,100	171	1,286,600	2,843	13,542,630	2,347	4,420,826	18	174,000

Note:

SPCs include SPCs set up overseas

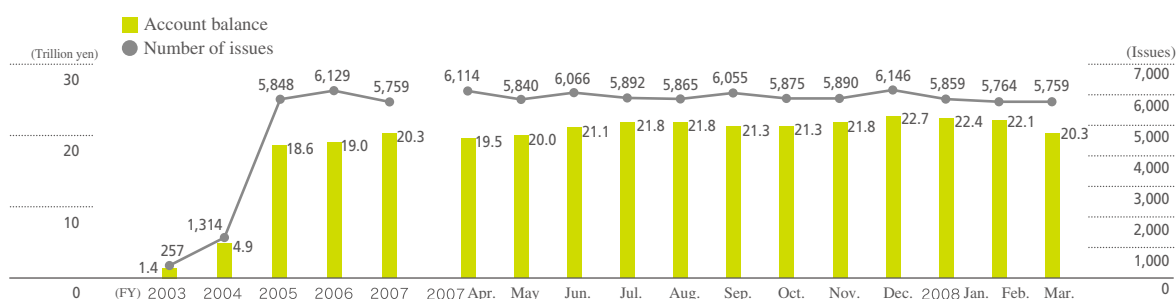
Others include securities finance companies, insurance companies, investment firms, and Foreign companies (excluding SPCs).

Participants of book-entry transfer for CP (as of the end of March 2008)



CP

Account balance and number of issues



Working to further enhance system security

Settlement amount of issuance, transfer, and redemption of CP handled by JASDEC's book-entry system exceeds ¥5 trillion per day, and more than ¥10 trillion at the end of each month. To achieve a higher level of security and prevent disruptions of system operation in natural disasters and other emergencies, we have established a backup center, along with our Business Continuity Plan. We will continue making strenuous efforts to further enhance the security of our systems.

To ensure transparency and fairness of the CP market, we will upgrade the level of settlement statistics data, as well as expand the products of securities to help the market grow and respond to user requirements.

Completing conversion of already-issued corporate bonds to the book-entry transfers system, the balance exceeded ¥240 trillion.

The book-entry transfer system handles various types of bonds, regardless of whether through public offerings or private placements. They include corporate bonds, municipal bonds, bonds issued by investment firms, specified bonds issued by special purpose companies (SPCs) and others, bonds of special corporations, such as semi-government and local government bodies, and Samurai bonds (yen-denominated bond issued by non-Japanese companies in Japan). Two years have passed since the system was introduced, and the number of bonds handled totaled 72,817 issues as of the end of March 2008, with the transaction balance of ¥241 trillion. Conversion to a book-entry transfer system for bonds issued prior to the introduction of the new book-entry transfer system (physical bonds and registered bonds) was completed by the end of 2007, and nearly all outstanding bonds have been managed in the new system. Currently, almost all of corporate bonds newly issued in Japan are handled in this system.

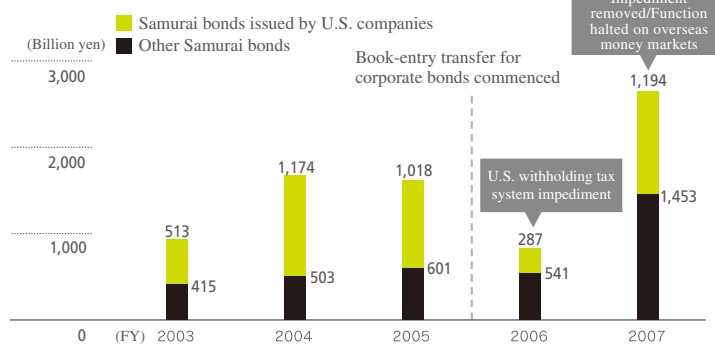
With regard to Samurai bonds, issuance was halted in early 2006 over concerns that U.S. withholding tax would be imposed on Samurai bonds issued by U.S. companies. However, imposition of the U.S. withholding tax was avoided, and issuance was resumed in January 2007, thereby marking the largest issuance of Samurai bonds since 2000.

At the end of 2007, a new tax exemption

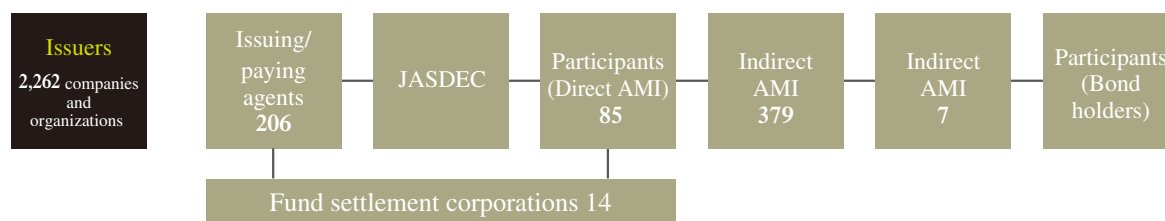
system of municipal bonds was introduced for non-residents. As a long-awaited incentive for foreign investors to invest in Japanese bond market, tax exemption to nonresidents on the interest accrued for corporate bonds has been requested. But the tax exemption only for the interest on municipal bonds was approved. As of the end of March 2008, ¥100 billion worth of the approximately ¥60 trillion worth was applied to this tax exemption system.

In May 2007, we conducted a survey to assess the convenience of the book-entry system for corporate bonds for users. According to the survey results, 60-70% of bond issuers recognized reductions in costs for issuance and administration. The majority of direct AMIs also indicated lower costs for transfers as well as reduced burden of administrative procedures involved in book-entry transfer and payment of interest/repayment of principal. In addition, the majority of agents and direct AMIs gave high marks to the pre-settlement matching system. We also received requests and suggestions for enhancing the convenience of the system. We will use this feedback to make steady improvements.

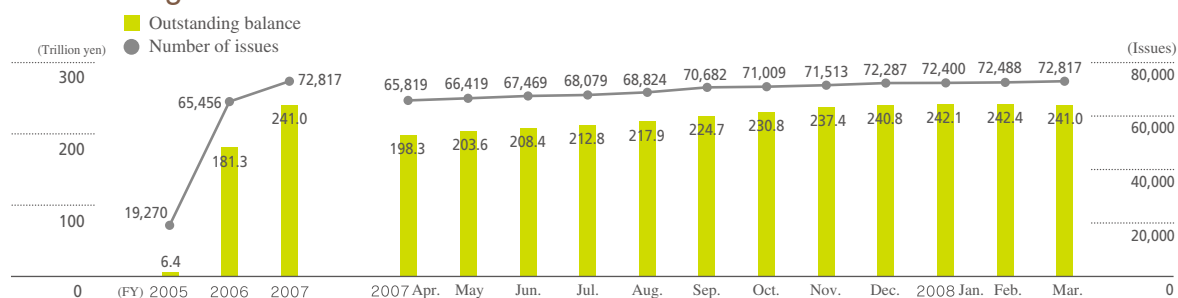
New issuances of Samurai bonds



Book-entry transfer system for Corporate Bonds participants (as of the end of March 2008)



Corporate Bonds Outstanding balance and number of issues



Working to enhance convenience, security and efficiency of our book-entry transfer systems

We will continue our efforts to ensure the smooth operation of the book-entry transfer system for corporate bonds and improve convenience, security and efficiency for further expanding corporate and municipal bonds markets. To promote globalization of Japan's financial capital market, we will

expand the system for offering tax exemptions to nonresidents. We will also collaborate to upgrade infrastructure for the Asian securities market, including expansion of the Asian bond market by providing JASDEC's system know-how.



*Trust us to protect your
valuable assets*

Shinji Suzuki
Director
Investment Trust Dept.

Book-Entry Transfer System for Investment Trusts

A faster, safer approach to investment trusts

Book-entry transfer system for investment trusts is an electronic computer system of managing beneficial rights of investment trusts*1.

Under the system, launched on January 4, 2007, beneficial certificates issued to beneficiaries are dematerialized, and beneficial rights are recorded electronically in the accounts of transfer account books. This facilitates prompt creation, extinction and transfer of beneficial rights, and lowers costs of issue and custody of physical certificates as well as risks of loss, theft or fraud.

In the transfer account books managed by JASDEC, beneficial rights of investment trusts are recorded in two kinds of sub accounts for JASDEC participants (Account Management Institution (AMI), namely securities companies, banks or other fund distributors*2). One is “Self account” for beneficial rights held by JASDEC participants. The other is “Customer account” for the aggregate number of beneficial rights held by the beneficiaries who have opened the accounts with AMI.

Beneficial rights held by respective

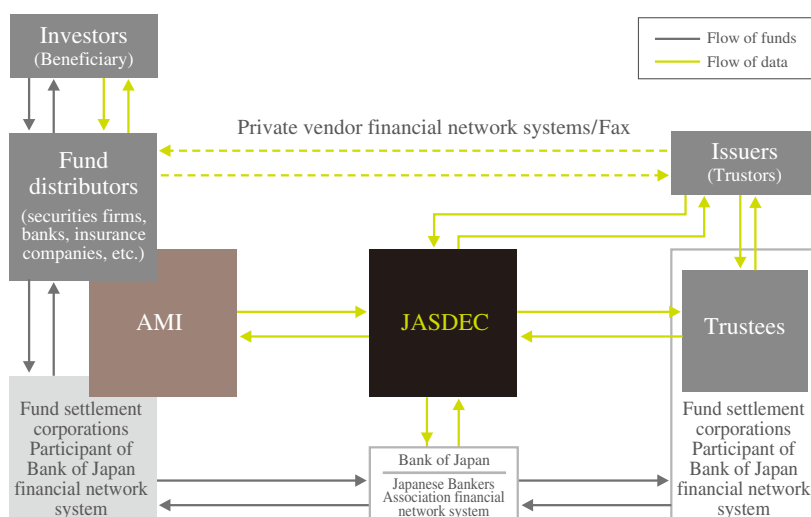
beneficiaries whose beneficial rights are recorded in customer accounts, are recorded in transfer account books managed by AMI (“multilayer structure”). AMIs are able to open accounts in other AMIs, not in JASDEC. They are called indirect AMIs.

When orders are placed by investors with AMIs and fund distributors, AMIs make electronic applications to JASDEC through the trustors (issuers of the investment trusts), enabling that book-entry transfer, creation or extinction of beneficial rights shall be recorded in transfer account books held at JASDEC and AMIs.

*1 “Investment trust managed by trustor”: A contract based investment trust with three parties of trustor, trustee company (trust bank, etc) and the beneficiary (investor in the investment trust). It accounts for a large share of total investment trusts in Japan.

*2 Entities who open accounts on behalf of other persons.

Basic model of book-entry transfer system for investment trusts



Book-Entry Transfer System for Investment Trusts

Strong support from users

Since the system launched on January 4, 2007, nearly all trusts in the category of “investment trusts managed by trustees” are handled by the system. At the end of fiscal year 2007 (ended March 31, 2008), total number of the investment trusts rose to 5,603 (3,091 publicly-offered and 2,512 privately-placed investment trusts), up 519 from the end of the previous fiscal year.

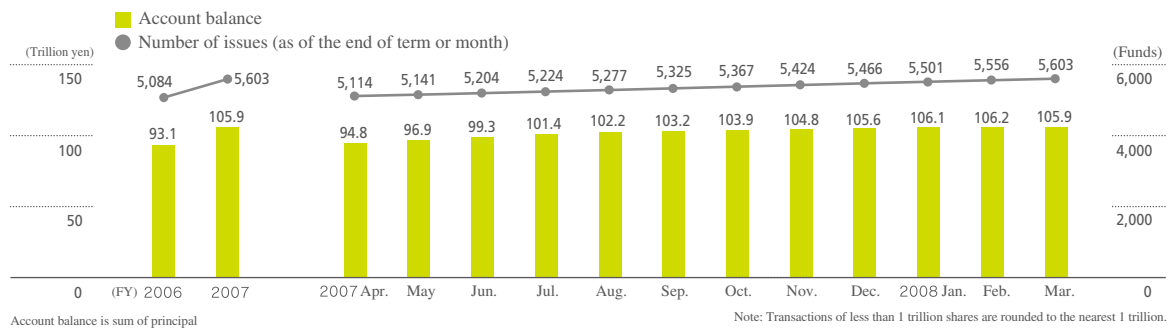
The account balance of principal also increased to ¥105 trillion (¥75 trillion in publicly-offered investment trusts and ¥30 trillion in privately-placed investment trusts), an increase of ¥12 trillion. All of 78 issuing and 12 trustee companies involved with investment trusts managed by trustees are now using the system. The number of JASDEC participant companies (direct AMIs) who have opened accounts with JASDEC and the number of indirect AMIs reached 186 and 701, respectively.

45 institutions are participating in the system

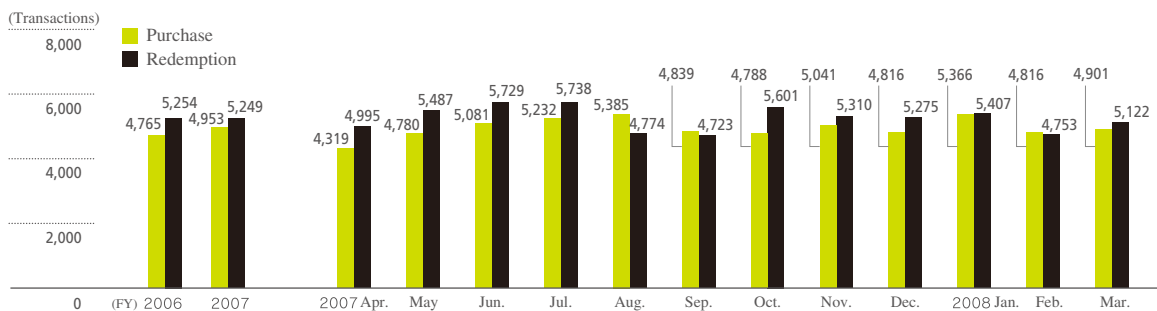
as fund settlement corporations of the Bank of Japan financial network system, which handles DVP settlement. Fund settlement systems in the book-entry transfer system for investment trusts include DVP settlement (using the Bank of Japan financial network system) and non-DVP settlement (using the Japanese Bankers Association financial network system for online fund settlement among financial institutions).

In the case of DVP settlement, JASDEC links the book-entry of beneficial rights with fund settlement on the computer system to eliminate the time gap between fund settlement and subscription of rights, thereby reducing settlement risk. Use of the DVP settlement, which involves less settlement risk, has been increasing steadily among system users. In fiscal 2007, 23% of transactions used DVP settlement. By value, the percentage rose to 59%.

Book-Entry Transfer for Investment Trusts Account balance and number of funds

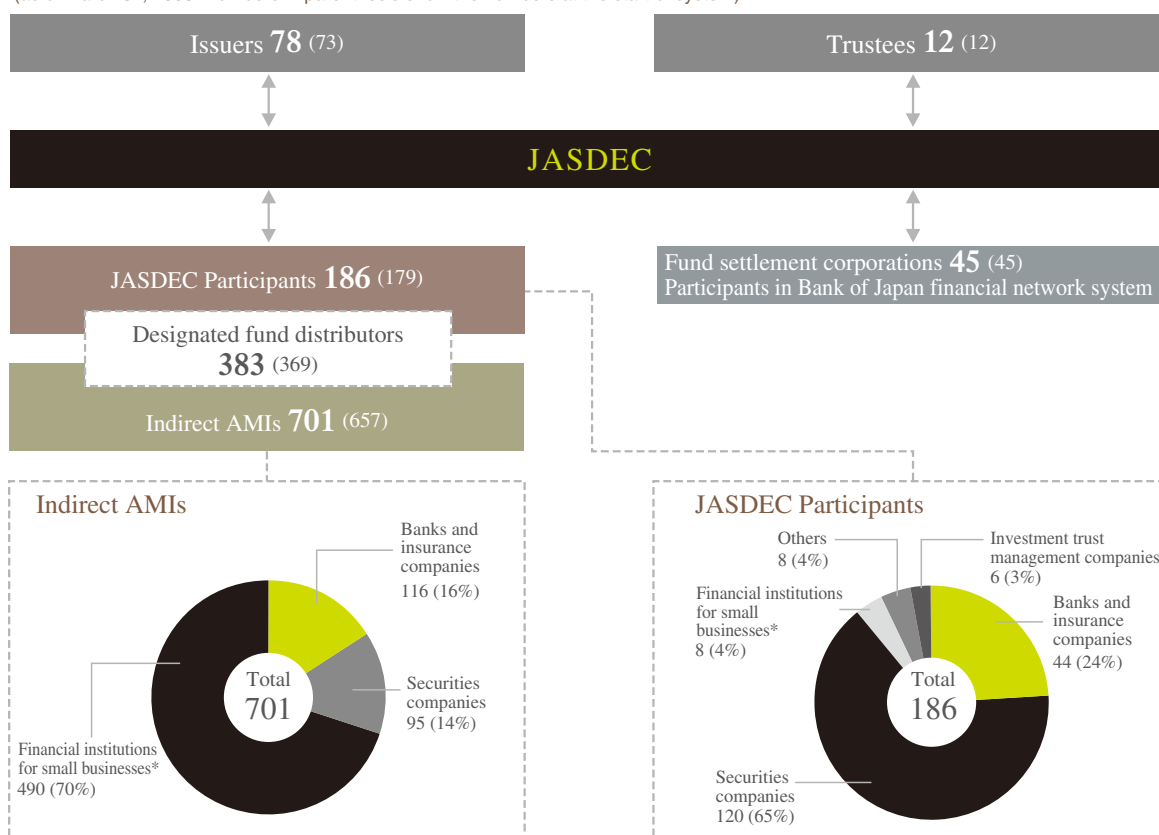


Purchase and Redemption Transaction (Daily average)



Book-entry transfer for Investment Trusts Participants

(as of March 31, 2008: Numbers in parenthesis show the numbers at the start of system)



*Sinkin banks, Credit cooperatives, Agricultural cooperatives, Labor banks, etc.

For further improvement of the system

By the Amendment of the Trust Law enacted on September 30, 2007, consolidation (merger) of investment trusts became possible. JASDEC set up practical procedures for the merger, and, on this basis, the operation rules have been amended. In addition, amendment of the Law Concerning Book-entry Transfer of Corporate Bonds and Stocks, etc., has enabled the split and merger of beneficial rights in 2009, and JASDEC has set up an outline of the processing methods and published it.

In fiscal year 2008 (ending March 31, 2009),

ahead of the amended Law Concerning Book-entry Transfer of Corporate Bonds and Stocks, etc., we are taking necessary measures, such as adding functions to computer system and amending operational rules, to make the split and merger of beneficial rights available. And also by analyzing results of a questionnaire survey to system users carried out in February 2008, JASDEC continues further efforts to improve the book-entry transfer system for investment trusts.



Providing secure and reliable services

Joji Okuma
Director
Business Administration Dept.
JASDEC DVP Clearing Corporation

DVP Settlement Services for NETDs

Improving the security and reliability of non-exchange transaction deliveries (NETDs)

DVP Settlement Services for NETDs means transfer and settlement for non-exchange transaction deliveries. Transactions using the DVP settlement services for NETDs largely consist of trading by institutional investors of Japan and overseas for the trading of Japanese stocks and other securities.

Up to now, in non-exchange trades, transfers and fund settlement have generally been separately processed, and exposed to principal risk — the risk that a counterparty who delivers securities does not receive the payment, and vice versa. DVP transfer system reduces these risks by linking stock-certificate transfers with payments on the system, thereby achieving secure and reliable settlement. When JASDEC also facilitates STP (Straight-through processing) which electronically automates all the processes related to administrative procedures.

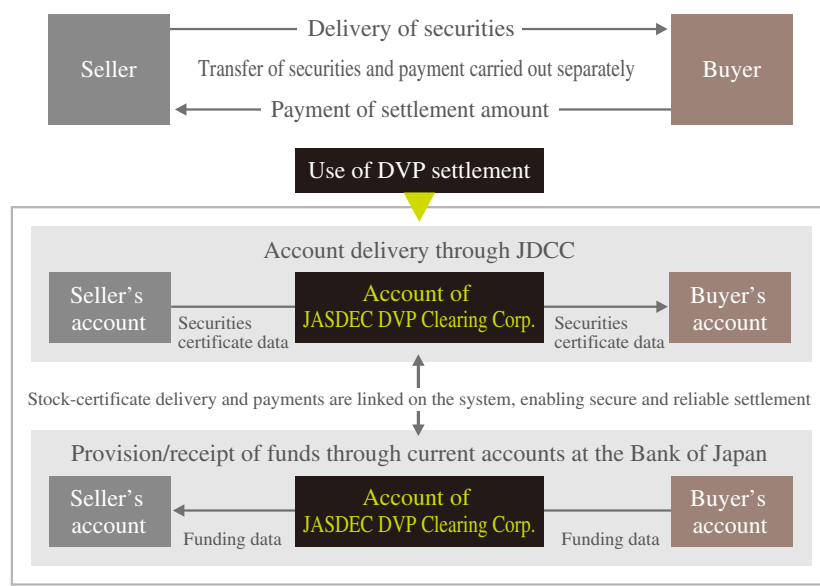
The DVP transfer system has been operated since May 2004 by JASDEC DVP Clearing Corporation (JDCC), a wholly-owned subsidiary of JASDEC. Participants who are in JASDEC's securities custody and book-entry transfer system

and prefer the DVP system have to register for participation in the DVP system, as well as receive the approval from JDCC. To manage risks of participants rigorously, JDCC requests participants to provide, as collateral, assets with carrying value exceeding the total amount of accounts payable (assured assets), and sets a limit for the total of accounts payable reflecting financial records of each participant (Net Debit Cap).

The DVP Settlements for NETDs are conducted by the gross-net type DVP model. Securities are transferred on gross basis from the seller's account to buyer's account through JDCC's accounts. Meanwhile, payment is done as a lump sum on a net transaction basis at each settlement day, through a current account held with JDCC under the Bank of Japan financial network system.

Reducing principal risk by using the DVP settlement method

(as of March 31, 2008)



DVP system is a system that links the delivery of stocks with payments, enabling secure settlement.

As DVP system becomes widespread, number of users increases

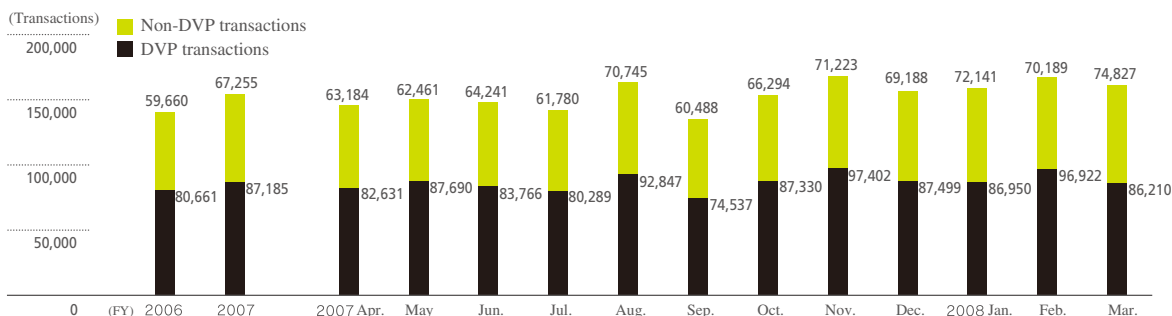
The DVP settlement services for NETDs mainly covers securities handled by JASDEC under its depository and book-entry transfer system. In fiscal 2007, a regulatory framework was set up for handling Japanese Deposit Receipts (JDR) and commodity ETF products in the DVP transfer system.

In March 2007, JASDEC compiled a report on “Recommendations for central counterparties” suggested by the Committee on Payment and Settlement Systems (CPSS) of the Bank for International Settlements and the special committee of the International Organization of Securities Commissions (IOSCO). Last August, the English version was released. The report demonstrates that JDCC satisfies global standards of transparency,

risk management systems and financial fundamentals for clearing counterparty.

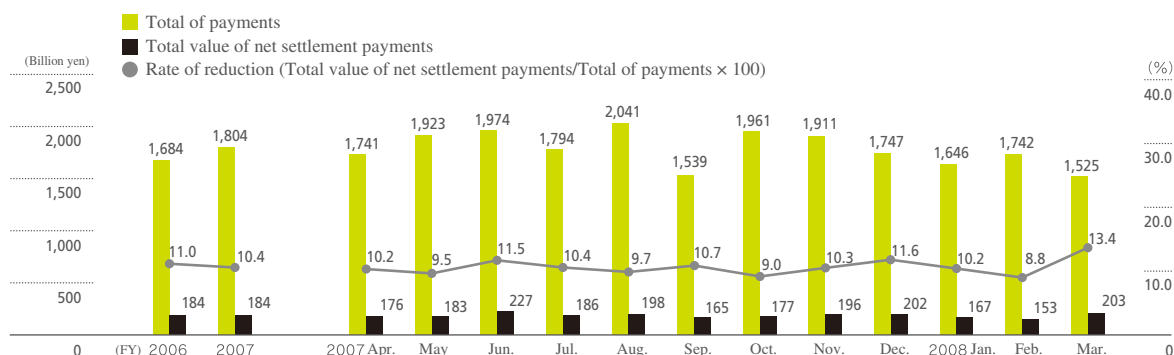
At the end of fiscal year 2007 (ended March 31, 2008), participants in the DVP service totaled 60 companies (16 banks and 44 securities companies). As the system become widely used, average daily volume of transfers under the system in fiscal 2007 increased by 6,524 year on year basis to 87,185. As JDCC gained economies of scale from volume growth, ¥12 for every ¥30 spent commission per DVP transfers was returned to participants as rebates from the commission revenues in fiscal 2007. In April 2008, commission per transaction using the DVP settlement was lowered by ¥5 to ¥25.

DVP Settlement for NETDs Transactions (Daily average)



DVP transactions are the number of transfers executed (transfer from DVP participants to JASDEC DVP Clearing)

DVP Settlement for NETDs Fund settlement (Daily average)



Securities covered: stock certificates, convertible bonds, investment securities, preferred securities, beneficiary certificates of investment trusts
 Total of payments is the total amount used for execution of security transfers
 Total value of net settlement payments is the total amount used for account settlement on a net transaction basis

Dematerialization of stock certificates will increase convenience for users

With dematerialization of stock certificates in January 2009, further increase in use of the DVP for NETDs is expected. JDCC is taking this opportunity to further increase customer convenience. On top of launching the services for foreign stocks and other instruments previously not covered by the system, we will address transforming statements of balances of collateral deposited by DVP participants with JDCC into electric records.

For cash entrusted as collateral (deposits received for clearing), with the dematerialization of stock certificates, any increase or decrease in

sums provided by participants will be reflected on the same day, instead of the following day, and redemption of the collateral will be also processed immediately upon participants' request. We will continue promoting efficiency of fund operations for participants.

With regard to frameworks for amount of payment limit under the net settlement system by individual participants, we are examining appropriate standards, based on discussions with participants, and interest-rate levels.

The world's fastest PSMS



Shunichiro Unno
Deputy Director
Business Planning Dept.

Pre-Settlement Matching System (PSMS)

Providing matching services through advanced technology

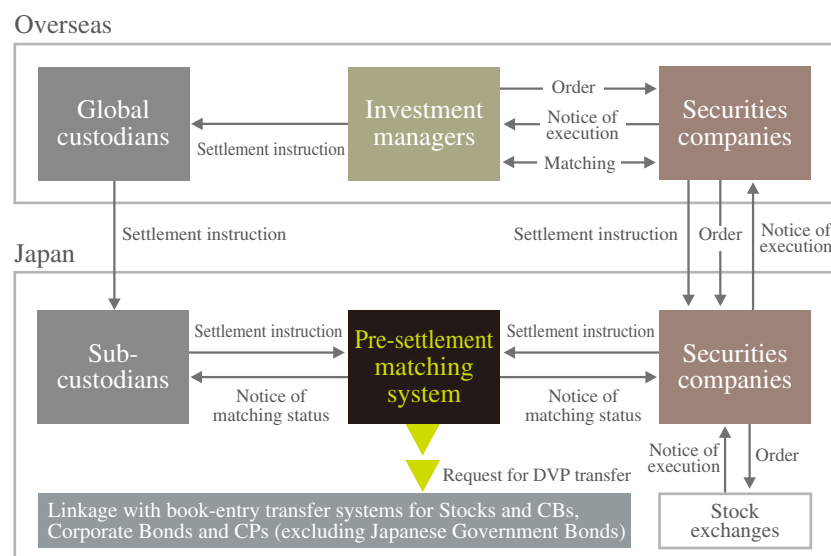
Matching services are needed for institutional investors' transactions as the wide range of organizations such as investment trust management companies, investment advisory companies, securities companies and trust banks are involved and the huge amount of transaction data is exchanged among them. In the past, matching was done manually by faxes or telephone calls. Now, the process is being computerized and automated. JASDEC provides matching services using the highly advanced computer systems named Pre-Settlement Matching System (PSMS).

For domestic transactions, PSMS provides both trade matching service and settlement matching service. The former service is used between investment trust management companies/investment advisory companies and securities companies to reconcile the contents of each trade such as traded securities, price, volume, date and other details. The latter service is used between trust

banks and securities companies to reconcile the account numbers and other details before they settle the trade. In the trade matching, data sent from both sides are matched centrally on PSMS (central matching), which is faster and more accurate than the prevailing overseas method in which data goes back and forth between the parties involved. In the settlement matching, settlement instructions are automatically generated and matched in PSMS using a Standing Settlement Instructions Database in which account numbers and other details have been preregistered and the matched settlement instructions are automatically sent to each transfer system at the same time.

With transactions by non-residents, settlement instructions sent by sub-custodians which are received from global custodians are centrally matched with corresponding data sent by securities companies on PSMS.

PSMS (for non-resident transactions)



Pre-Settlement Matching System (PSMS)

Input/output transactions hit record daily high

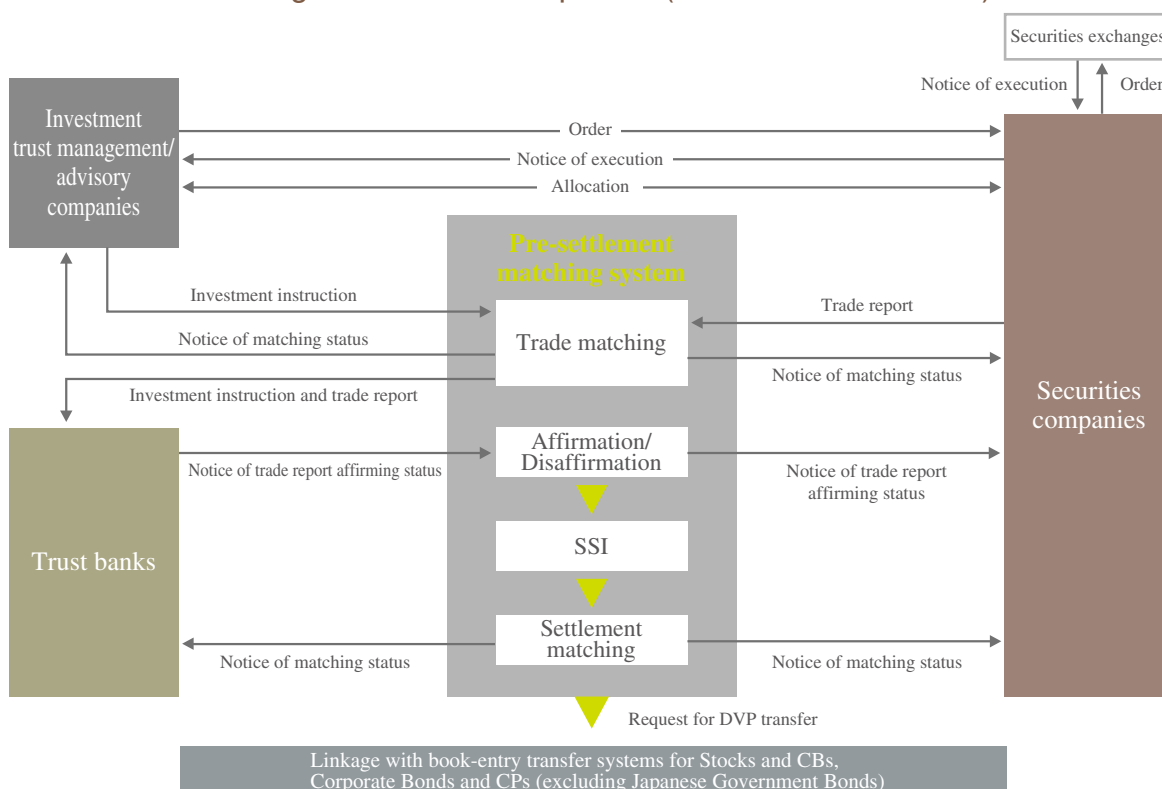
For securities clearing and settlement, three days after a trade (T+3 settlement) is currently the norm. JASDEC's goal is completion of matching on the day of the trade (T+0 matching), to enable settlements on the following day of the trade (T+1 settlement). As for the domestic trades at present over 99.9% of the trades are matched on T+0 by adopting central matching. With open-end investment trusts, it is necessary to calculate the net asset value day by day, so T+0 matching greatly facilitates their management.

Since launching PSMS in September 2001, JASDEC has been increasing the range of asset class and services PSMS covers. In October 2007, we launched matching services for stock

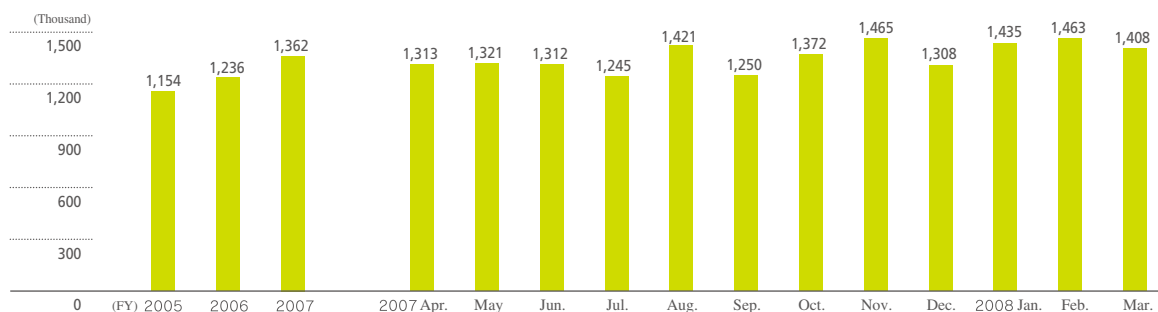
lending/borrowing transactions. By expanding the range of system users, we have made this service available not only to financial institutions but also to industrial companies if they are qualified as designated investors under the Financial Instruments and Exchange Act.

In line with our expansion of the range of asset class, services and system users, the number of users has been increasing annually. In fiscal 2007, the number of input/output transactions rose to the all-time record high (daily average basis) of 1,337,934. As of March 31, 2008, users numbered 525.

Centralized matching method for three parties (domestic transactions)



Total number of PSMS input/output instructions using the PSMS system (Daily average)



Note: Total of the number of inputs of contract-type matching data and PSMS data relayed by the user and the number of transactions of data (outputs) reported to the user as a result of matching processes.

International Standardization

The internationalization of securities markets is proceeding rapidly. We have created a system tailored to meet unique needs in Japan, but which also works in conformity with international standards. In future, to improve market participants' efficiency and increase the number of the participants, we believe it will be necessary to consider creating a system which lends itself to international standards at all times and also have direct connection overseas. In fiscal 2007, JASDEC launched a project to achieve full conformity with international standards.

With regard to message formats, introduction of ISO20022, which is the next generation format to replace the current ISO15022, is under discussion globally. JASDEC became a member

of a group of the International Organization for Standardization where ISO20022 is discussed, and as such we ensure that conditions prevailing in Japan are reflected in it. With regard to networks, our aim is to introduce the SWIFT network which is widely used overseas while running existing systems in parallel, enabling users to choose between them.

Introduction of the SWIFT network will, we believe, enable smooth overseas connectivity, further increasing users' convenience and the number of the participants. By expanding the range of asset class and services handled by PSMS and steadily building conformity with international standards, we are contributing to still greater efficiency in Japan's securities markets.

*Providing worry-free settlements
for foreign share transactions*



Kazuhiro Nishimukai
Director
International Dept.

Custody Services for Foreign Stocks

Serving convenient, safe and reliable settlement for foreign stocks

In addition to Japanese stock certificates listed on the domestic stock exchanges, since April 2006, JASDEC has offered services of custody, transfer and ownership rights processing for foreign stocks.

Generally, foreign stock certificates are deposited with central securities depositories or custodians in each country where issuing companies were established. Settlements of transactions at the stock exchanges in Japan are conducted through transfer accounts among participants in JASDEC.

JASDEC entrusts dividend payments to relevant share-handling service organizations. Information of shareholders (beneficial shareholders) at the record date for dividend is transferred to share-handling service organizations by the JASDEC participants through JASDEC. Based on the information, the share-handling service organizations calculate the amount of dividends, and, following the calculation results, dividends are paid directly to the beneficial shareholders

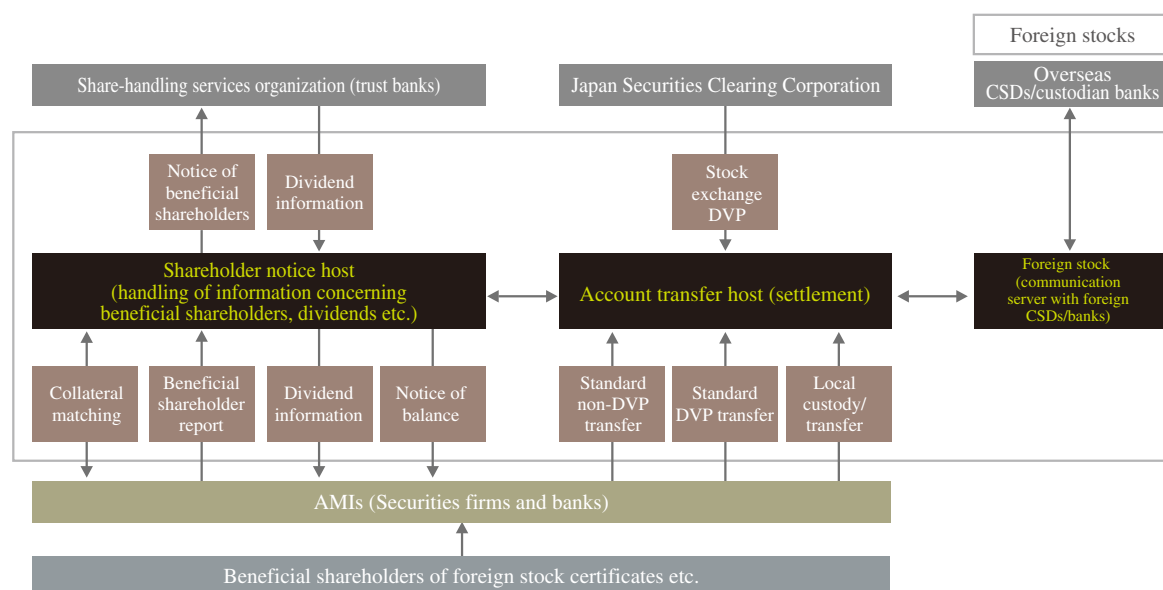
from dividend-payment handling bank. JASDEC also undertakes necessary procedures regarding dividend taxation for local tax authorities to ensure reduced tax rates under taxation agreements with the countries concerned.

Voting rights at general meetings of shareholders can also be exercised by the beneficial shareholders through instructions issued to JASDEC.

JASDEC thus provides infrastructure and services necessary for reliable settlement for trading activities of foreign stock certificates, smooth exercise of shareholder rights and error-free receipt of dividends and other payments.

We plan to introduce new systems and services in January 2009, including a highly convenient system for foreign stocks which enables transfer settlements using DVP for NETD as well as provides participants' dividend payment data.

Overview of the new system relating to foreign stocks (effective in January 2009)



Supporting smooth implementation of triangular share exchange

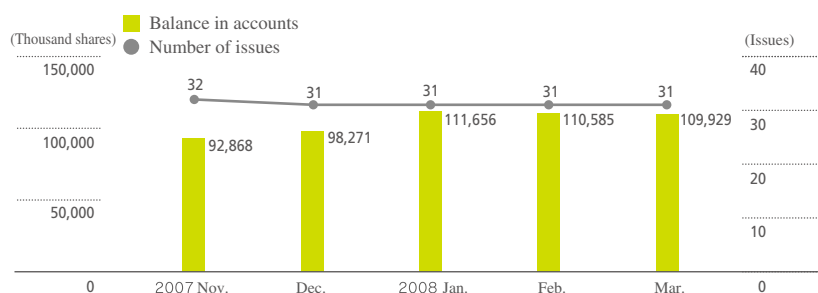
At the end of March 2008, the total number of foreign stocks handled by JASDEC was 31. In recent years, foreign companies have come to regard Japan as a major market for their financing. There have been listings only on the Tokyo or Osaka securities exchanges (no overseas listing), and also listing in Japan of ETFs (Exchange-Traded Funds) for overseas stocks. We expect further diversification of products and increase of trading volume for foreign stocks handled by us.

Considering these situations, JASDEC is developing business alliances with other central securities depositories (CSDs), which have similar functions to JASDEC in overseas markets. In November 2007, we entered into a business alliance with Korea Securities Depository, targeting custody business relating to listing of Korean stocks on the Japanese securities exchanges. Based on this partnership, we launched services for ETF of the South Korean stocks in the same month. In addition, in March 2008, we made amendment of rules to enable custody services for foreign securities ETFs.

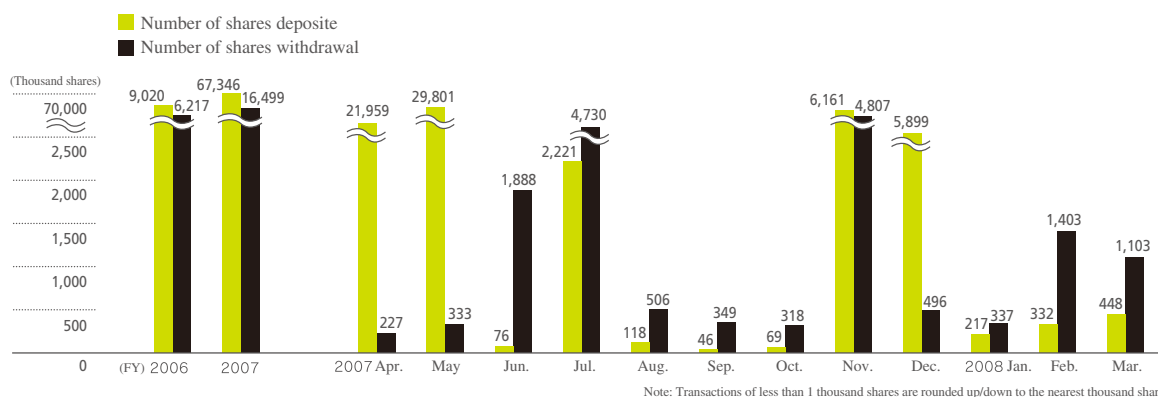
In January 2008, Citigroup Inc. (Citigroup) of the United States acquired Nikko Cordial Corporation through a triangular share exchange*, following liberalization of such transaction by an amendment of the Corporate Law in May 2007. This was the first case in which two companies listed on Japanese securities exchange were involved in a cross-border share exchange. After an announcement of the share exchange in October 2007, JASDEC held meetings with all parties involved and discussed mechanisms ensuring the smooth implementation. In the triangular merger, JASDEC focused on the fast and efficient transaction of share exchange through JASDEC, by allotting shares of Citigroup to shareholders of Nikko Cordial, as well as recording the shareholders' entries in the Citigroup's Book of Shareholders.

*A merger through exchange of stocks, in which shareholders of the target company are entitled to receive shares of the parent company of the surviving entity. In a triangular merger, the target company becomes a wholly-owned subsidiary of the surviving company, which the acquiring company forms as a subsidiary company.

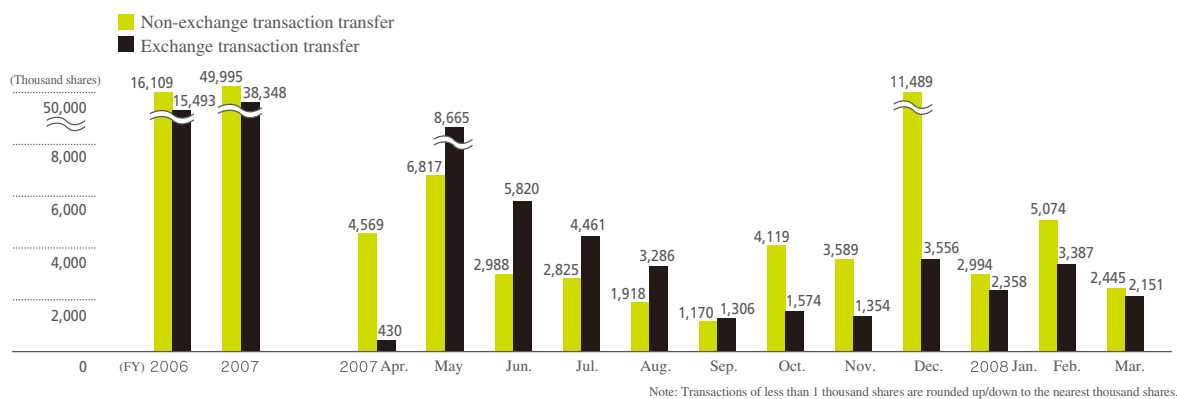
Foreign stocks Number of issues/Balance in accounts



Number of shares deposite/Withdrawal



Account transfer



Promoting system reform and preparations for new system rollout

In fiscal 2008, we are proceeding with preparations for system reform and launch of operations for a new system in January 2009. In addition, to

increase investment opportunities for investors in Japan, we continuously work to provide a broad array of products.

Co-host for 9th Conference of CSDs

JASDEC seeks and maintains strong partnerships with central securities depositories (CSDs) around the world. With overseas CSDs, JASDEC sets up business relationships to deposit foreign stock certificates. But that is not all. Collaborative arrangements with overseas CSDs — exchange of information and opinions concerning approaches to global issues in securities clearing and settlement, compilation of the case studies, and transmission of the know-how — have major significance for our operations. CSDs around the world thus meet regularly at global or regional conventions for further communications.

In April 2007, JASDEC, Japan Securities Clearing Corporation (JSCC), Korea Securities Depository (KSD) and Taiwan Depository & Clearing Corporation (TDCC) co-hosted the 9th Conference of CSDs in Seoul, South Korea. 216 participants from 97 CSDs and depository-related institutions around the world gathered. The conferences are held once every two years. At the 9th

Conference, opinions on various topics, such as promoting DVP and STP and new business ideas, were actively discussed.

In September 2007, the Asia-Pacific CSD Group (ACG), consisting of CSDs and other organizations in the Asia-Pacific region, held its 11th General Meeting in Beijing. The general meeting of ACG is held once every year. JASDEC drew strong interest from overseas CSDs for its presentation on dematerialization of stock certificates planned in January 2009.

In November 2007, JASDEC hosted the Asian region convention of the International Securities Services Association (ISSA) in Tokyo. ISSA is an organization of institutions such as custodian banks, clearing organizations, central depositories, stock exchanges, securities companies, and asset managers.



MOU signing ceremony with CDC Pakistan



The First CSD Interim Meeting in Tokyo



With Mr. Muhammad Hanif CEO of CDC



Expanding partnerships with CSDs around the world

In April 2008, JASDEC hosted the first Interim CSD Meeting. The interim meeting, of which JASDEC proposed to hold during the previous year's CSD general meeting, is held in years when there is no CSD general meeting, as a forum for representatives of regional CSD associations. At the Meeting, representatives of CSD groups from five regions around the world gathered. At a time of rapid change in securities markets, this event served as an important forum for exchange of opinions and information.

In April, JASDEC signed an information exchange cooperation agreement Memorandum of Understanding with Central Depository Company of Pakistan Ltd, in Tokyo. To date, JASDEC

signed similar agreements with DTCC, TDCC, KSD and SD&C.* In addition, in May, JASDEC signed cooperation agreements in Mumbai with Central Depository Services (India) Limited and National Securities Depository Limited of India.

To strengthen our capacity to distribute a broad range of information, including updates on our business activities, we launched a quarterly publication of "JASDEC NEWSLETTER" in English and Japanese in July 2008.

To further development of our products and services, JASDEC has a lot to learn from overseas experts. JASDEC will continue to actively seek partnerships with CSDs around the world.

*DTCC (2003): U.S. Depository Trust and Clearing Corporation
 TDCC (2004): Taiwan Depository & Clearing Corporation
 KSD (2005): Korea Securities Depository
 SD&C (2005): China Securities Depository and Clearing Corporation limited