

**Securities Industry  
Performance and  
Market Overview**

**FACT BOOK**

**2004**

**Japan Securities Dealers Association**

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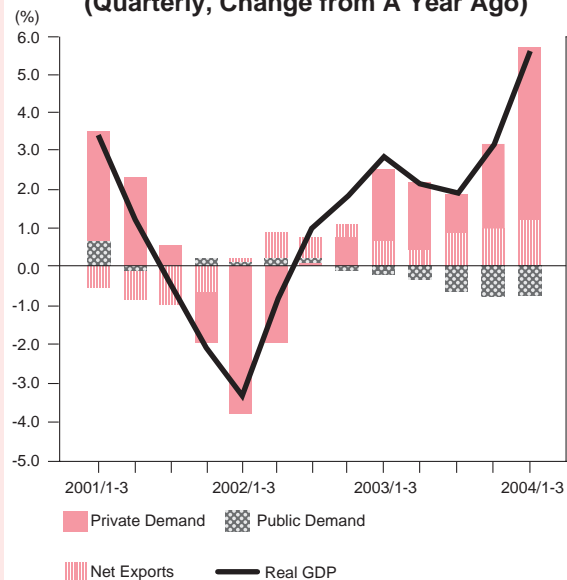
# Securities Market in 2003 (Overview)

## Economic and Financial Conditions

In 2003, against a backdrop of recovery in the U.S. economy and strong growth in China's economy, Japan's economy entered a recovery phase, showing increase in exports, production and capital investments. The stock market also rebounded, finishing at a level above that of the previous year-end for the first time in four years.

In financial markets, influenced by the downward trend of the previous year, the short-term money market rate hit a record low of minus 0.001 percent in June 2003 before edging back up to move within a tight box from 0.001% to 0.002%. The long-term interest rate fell into a downward trend at the start of the year, reflecting increased demand for Japanese government bonds (JGBs) amid concern over economic deflation and continued quantitative relaxation in money policy. The mid-year rise in the stock market, however, reduced deflationary fears, and the long-term interest rate recovered sharply, moving within a box from 1.2% to 1.5% for the rest of the year.

**Real GDP Growth Rate & Contributions to Changes in Real GDP  
(Quarterly, Change from A Year Ago)**



Source: Cabinet Office

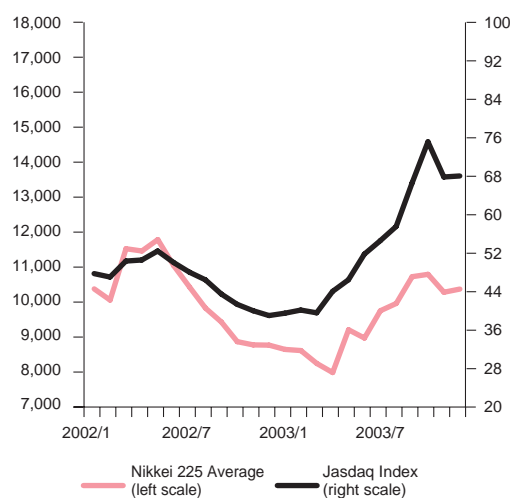
## Securities Markets

In 2003, the recovery in the Japanese economy created expectations of a stock market rally, resulting in active trading, especially by Japanese individual investors and foreign investors. Mirroring this greater activity, the First Section of the Tokyo Stock Exchange (TSE) posted a record high annual trading volume of 307.1 billion shares.

Reorganizations through mergers and by securities companies pulling out of the market continued at a rapid pace in the securities industry during the year. Overall, the number of securities companies declined.

Among regulatory changes, the enforcement of a law allowing the issue of paperless securities in the JGB and other markets resulted in paperless issues in the JGB and commercial paper markets –which already had the necessary infrastructure in place. The government made its first JGB issue targeting individual investors during the year. The floating interest rate issue, which can only be held by individuals, carries a minimum interest rate guarantee.

**Stock Price and Index**



Note: Nikkei 225 Average is average of daily figures in each month. JASDAQ Index is as of the end of month.  
Sources: Nihon Keizai Shinbun Inc., Japan Securities Dealers Association

## Securities Industry

Total recurring profits of the 265 securities companies for the fiscal year ended March 2004 amounted to ¥793.2 billion, registering overall profit for the second consecutive year.

Net operating revenues expanded mainly because of substantial jumps in brokerage income and trading gains. Selling, general and administrative expenses also rose because of higher transaction expenses related to increase in trading volume.

Net income amounted to ¥508.3 billion, while, at 10.1%, ROE was positive for the first time in three years.

## Capital Markets

An increase in fund raising in light of the rising stock market and a major strengthening of the capital base of city banks totaling in excess of ¥1 trillion pushed equity financing by publicly listed companies to approximately twice that in the previous year, at ¥3.4 trillion.

A decline in issuance of electric power bonds resulted in a 4.4% decrease in corporate straight bond issuance to ¥7.8 trillion. On the other hand, issues of public bonds rose 6.9%, to ¥167.8 trillion based on increases in planned issuance of government bonds.

## Secondary Stock Markets

In 2003, stock markets in Japan began the year on a downward trend but rallied in the second half. The Nikkei 225 stock average ended the year up 24.5%, at 10,676.64, finishing on a higher note than the previous year for the first time in four years.

Average daily volume on the First Section of the TSE surged past the one-billion-share mark, rising 48.8%, to 1,253.85 million shares. The annual trading volume hit a record high, rising 48.2% to ¥307.1 billion. Annual trading volume on Jasdac market increased 36.9% to 5.8 billion shares.

## Secondary Bond Markets

The long-term rate began the year at 0.905% on an downward path as concern over economic deflation spread throughout the market and demand for JGBs rose in light of the continued quantitative relaxation of monetary policy. In June 2003, the rate reached a record low of 0.423%. The rebound in the stock market and other positive factor, however,

ended deflationary concerns, and the rate climbed sharply, reaching a high of 1.663% in September.

A large increase in repo (gensaki) transaction volume supported a 39.3% rise in total transaction volume, to ¥5,110 trillion. It was the first time in sixteen years –since 1987– that total transaction volume exceeded ¥5,000 trillion.

## Investment Trusts

Combined with the continued flow of funds into stock investment trusts, the rally in the stock market increased by 30% net assets held compared with the previous year. Total assets of bond investment trusts, however, again dropped substantially as investors avoided the low yields and other negative factors. Because of the difficult money management conditions in the domestic market created by the prolonged ultra-low interest rate climate, investment, particularly by individuals, shifted to investment trusts that invest in high yield foreign bonds. At the end of December 2003, total assets of investment trusts were up 3.9%, to ¥37,435.6 billion, representing the first year-on-year gain in four years.

## Investors and Their Deposits and Investments

In addition to the rising stock market, another factor made it easier for investors to invest in stocks. Along with the progressive unwinding of cross shareholdings in corporate Japan, an increasing number of companies have reduced their minimum trading unit to expand their shareholder base. At the end of March 2004, the number of individual shareholders of listed stocks had risen to 34.0 million, expanding for the eighth consecutive year.

Among equity buying and selling trends, the share of individual investors in trading value for stocks listed on the First Section of the TSE rose for the second consecutive year, climbing to 18.1%. Conversely, foreign investors' share of trading value declined for the second consecutive year, at 32.1%. It remained at the high level, and stayed above 30% for the sixth consecutive year.

Total household financial assets at the end of 2003 amounted to ¥1,406 trillion, recovering to the ¥1,400 trillion mark. Due to the rebound in the stock market, the proportion of household financial assets invested in stocks increased during the year.

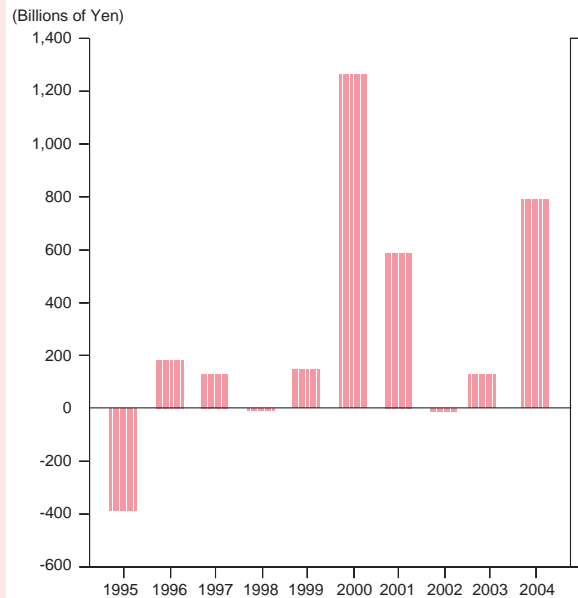
# Securities Industry

## Securities Industry Performance

### Overview: Total recurring profits jump substantially over last year

Looking at the overall performance of the industry (265 securities companies) during the fiscal year ended March 2004, the rebound in the stock market, including daily turnover volume exceeding 1 billion shares on the First Section of the TSE, supported a substantial increase in brokerage income and trading gain. As a result, total operating revenues climbed 39%, to ¥3,008.5 billion. Total selling, general and administrative expenses increased 9%, to ¥2,221.0 billion. Consequently, the industry posted total recurring profits of ¥793.2 billion, soaring 484% compared with the previous fiscal year.

**Securities Industry Recurring Profits (Loss)**



Note: See Note 2 on Page 9.  
Source: Japan Securities Dealers Association

### Net Total Operating Revenues: Large expansion in revenues along with rising stock prices

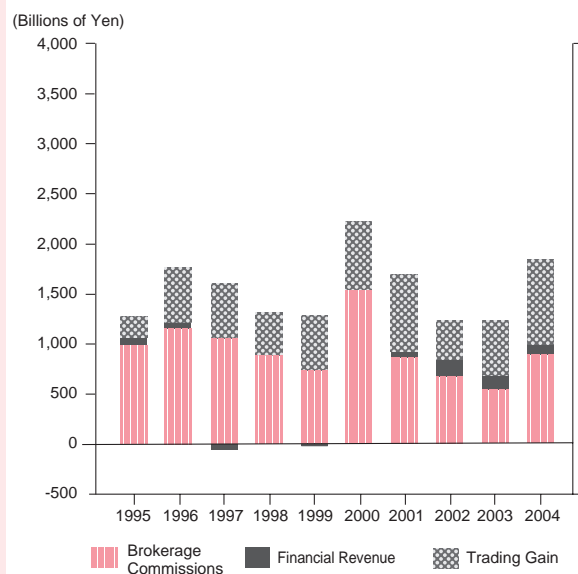
Among net total operating revenues, commissions rose 39%, to ¥2,046.2 billion while trading gain was up 59%, to ¥871.8 billion. Financial revenues dropped 40%, to ¥83.3 billion.

The principal reason for the growth in commissions was higher commissioned stock trading value due to the rally in stock prices and the increase in stock trading volume. Consequently, equity brokerage fees rose 75%.

Higher stock prices also benefited trading gain, which expanded thanks to growth in equity trading gain.

The drop in financial revenues could mainly be attributed to the increase in expenses for securities lending and borrowing transactions.

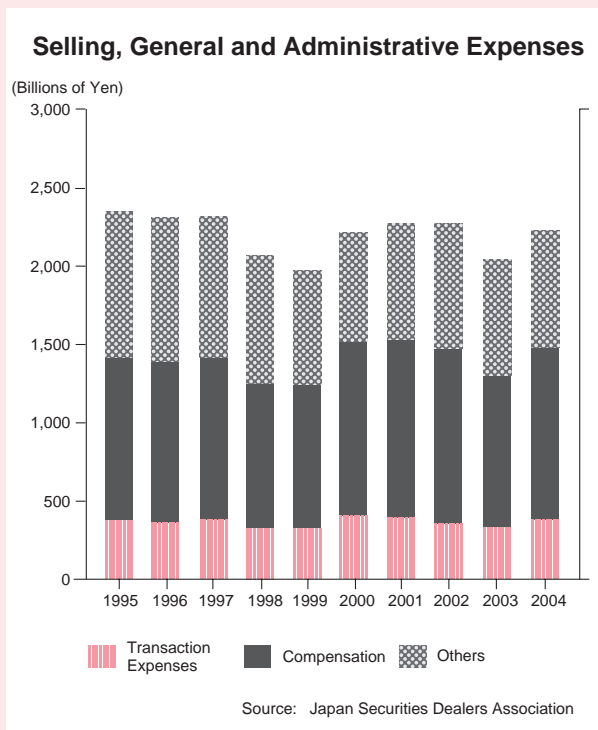
**Net Operating Revenues**



Note: See Notes 2 and 3 on Page 9.  
Source: Japan Securities Dealers Association

## Selling, General and Administrative Expenses: The expenses rise in line with higher trading value

Selling, general and administrative expenses advanced 8.9%, year on year, to ¥2,221.0 billion. The major contributors to this increase were a 15.7% rise in transaction expenses along with the expansion in equity trading volume, a 12.7% jump in compensation and a 2.5% increase in data processing and office supplies expenses. On the other hand, real estate and equipment expenses decreased 4.3%.

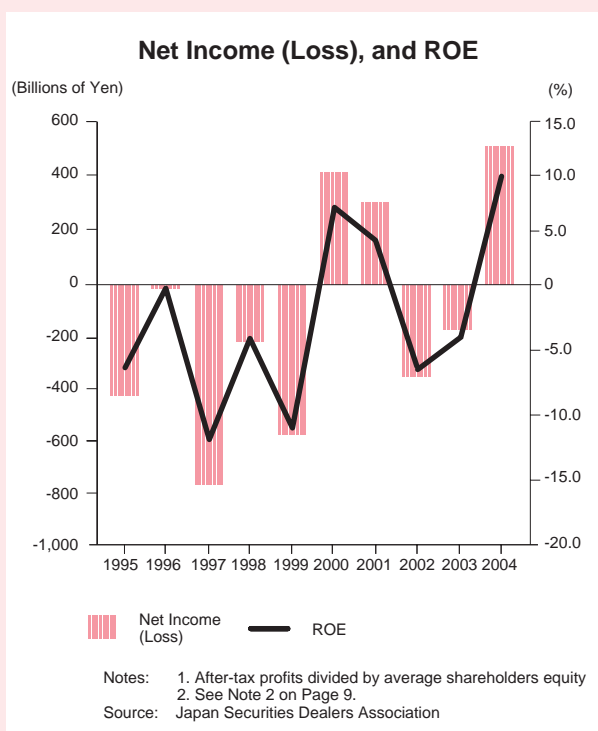


## Profitability of Securities Firms: ROE is positive for the first time in three years

Given momentum by the rally in the stock market since summer, the industry posted profits after two successive years of losses thanks to substantial growth in income from brokerage and trading as well as the business rationalization efforts carried out up to last year in light of the stagnation in the stock market. Total net income for the industry amounted to ¥508.2 billion, compared with net losses of ¥169.8 billion in the prior fiscal year.

Consequently, return on equity (ROE) was positive for the first time in three years, surging to 10.1% from minus 3.5% in the last fiscal year.

Looking at individual securities firms, 211 companies recorded profits (net income basis), an increase of 158 companies from the previous fiscal year.



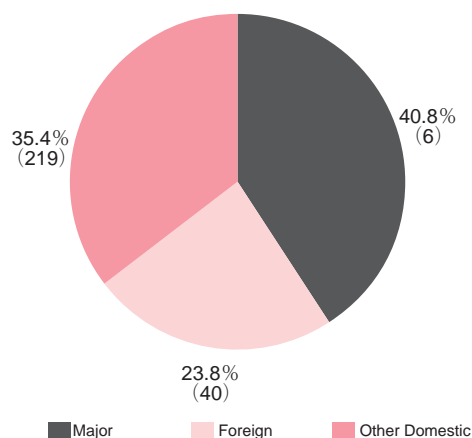
## Performance Trends by Type of Securities Firm

### Net Operating revenues: Domestic securities firms expand their share

Looking at operating revenues by category for the fiscal year ended March 2004, approximately 76.2% of total net operating revenues was accounted for by the major six securities firms and the remaining 219 domestic securities firms. The share of the 40 foreign securities firms in the market amounted to 23.8% of total net operating revenues.

Compared with the previous fiscal year, the share of non-major securities firms, which are dependent primarily on brokerage revenue against operating revenues increased 7.0 percentage points, while major securities firms and foreign securities firms declined 2.1 and 4.9 percentage points, respectively.

Composition of Total Net Operating Revenues by Category (FY 2003)



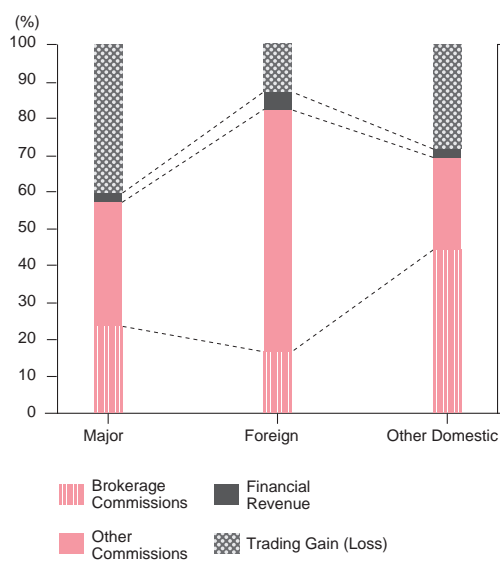
Notes: 1. No. of corporations indicated in parentheses  
2. Major securities firms: Daiwa Securities, Co., Ltd., Daiwa Securities SMBC Co., Ltd., Nikko Cordial Securities Inc., Nomura Securities Co., Ltd., and other securities firms capitalized at a hundred billion yen or more  
Source: Japan Securities Dealers Association

### Operating Revenue Structure: The proportion of brokerage revenues remains low among foreign securities firms

Considering net operating revenues by category for the fiscal year, major securities companies demonstrated diversified revenue structures. Domestic securities firms other than major firms, however, showed a strong dependency on brokerage commissions, with the proportion of brokerage commission in operating revenues rising 4.6 percentage points, to 44.6%.

Conversely, the revenue structures of foreign securities companies were centered on income other than brokerage commission, such as intermediation services for affiliates, fee-based advisory and M&A services, and fees for initial public offerings (IPOs).

Net Operating Revenue Structure by Category (FY 2003)



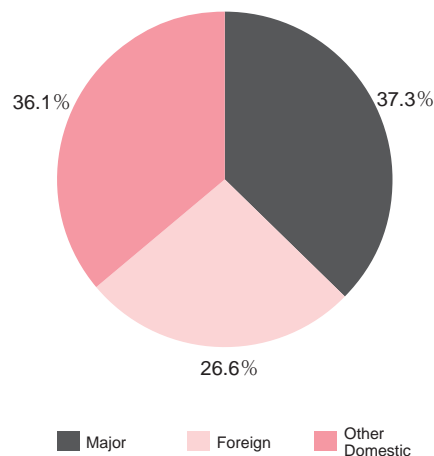
Source: Japan Securities Dealers Association

## Selling, General and Administrative Expenses: Domestic firms account for about 70% of expenses

Breaking down selling, general and administrative expenses by category for the fiscal year, major securities firms and other domestic securities firms accounted for 73.4% of total selling, general and administrative expenses. Foreign securities firms generated 26.6%.

In comparison with results of the prior fiscal year, foreign securities firms decreased their proportion of these expenses by 0.3 percentage points while major securities firms reduced their share by 0.5 percentage points. In contrast, the proportion accounted for by non-major securities firms edged up 0.8 percentage points due to the increase in compensation and other factors.

**Composition of Total Expenses by Category (FY 2003)**



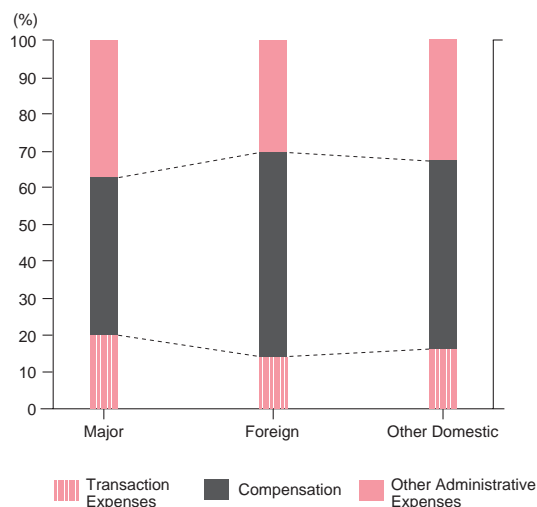
Source: Japan Securities Dealers Association

## Operating Expense Structure: Compensation expenses are largest component

Looking at selling, general and administrative expense by category for the fiscal year, compensation expenses were the largest component for all securities firm categories. In particular, the compensation expenses of non-major domestic and foreign securities firms accounted for more than half of all selling, general and administrative expenses.

As for data processing and office supplies expenses, the proportion of domestic securities firms is about 2.5 times as much as that of foreign securities firms.

**Expenses Structure by Category (FY 2003)**



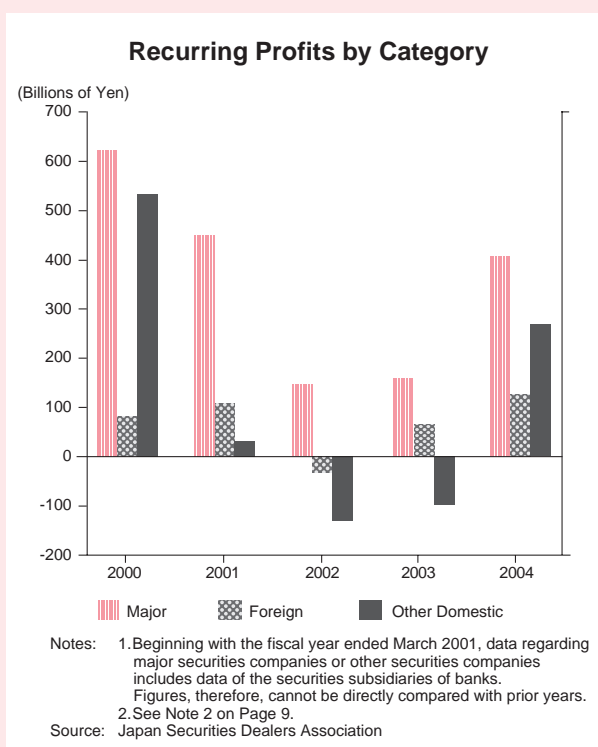
Source: Japan Securities Dealers Association



## Performance: Domestic and foreign securities firms post large profits

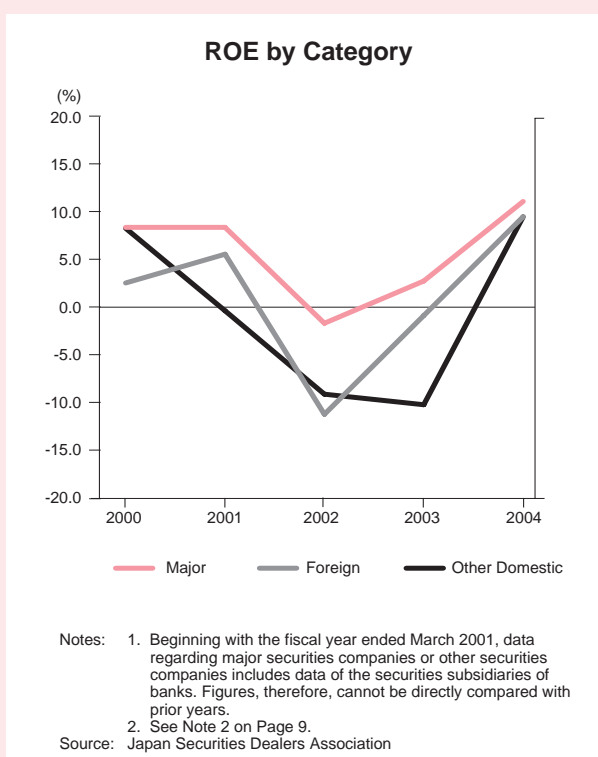
Considering performance by type of securities firm for the fiscal year, the recurring profits of major securities firms jumped a significant 146%, to ¥403.4 billion, while the recurring profits of other domestic securities firms amounted to ¥265.5 billion, compared with recurring losses of ¥99.6 billion in the previous fiscal year. It was the first time in three years that domestic securities firms other than major securities firms had registered profits.

Foreign securities firms posted growth for the second consecutive fiscal year, recording recurring profits of ¥124.3 billion, up 74% year on year. Notable growth in brokerage income and trading gain contributed to the large growth in profits in all three categories.



## Profitability: All three categories are in the black

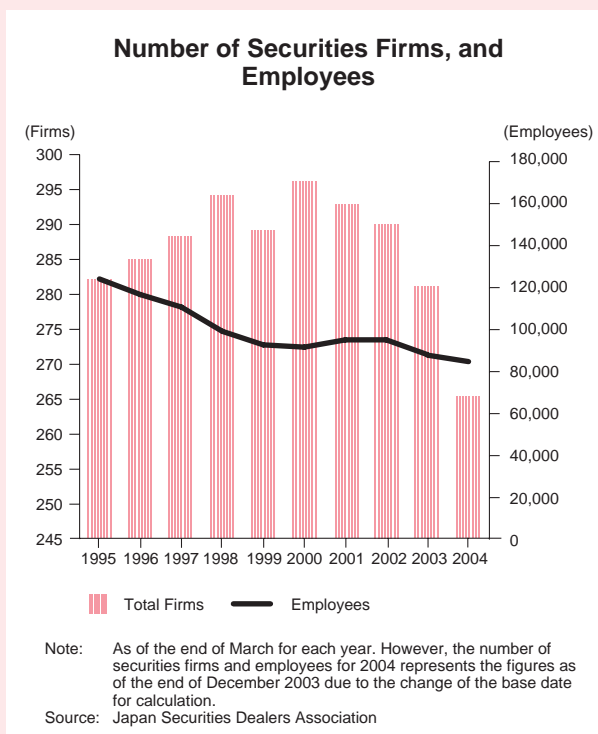
During the fiscal year ended March 2004, major securities companies recorded net income of ¥231.7 billion while other domestic securities companies posted net income of ¥222.0 billion. Foreign securities companies registered net income of ¥75.1 billion. Looking at ROE by category of firm, the ROEs of major securities companies, other domestic securities firms, and foreign securities companies were 11.0%, 9.4%, and 9.4%, respectively. All three categories recorded substantial positive ROEs.



## Number of Securities Firms and Employees: Number of securities firms and employees declines

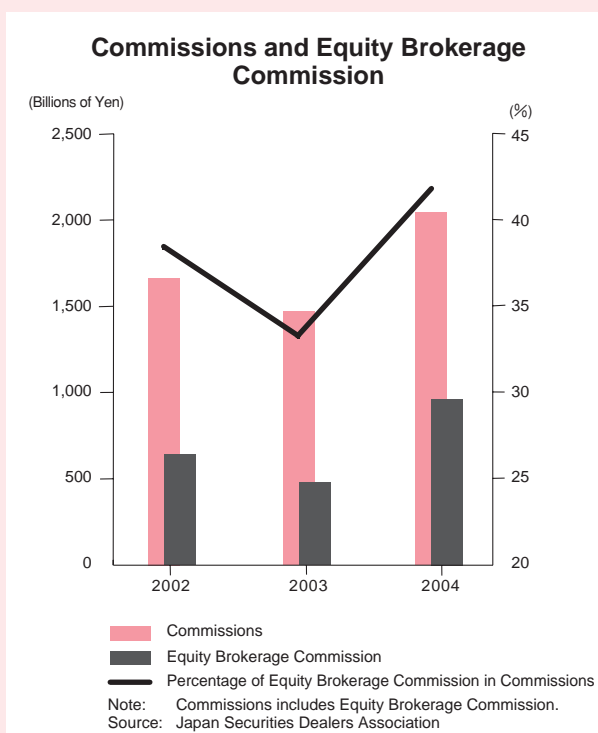
In addition to a decrease in the number of new companies entering the market, foreign securities companies continued to abandon the market and reorganizations through mergers and other methods continued one after the other among domestic securities companies. Reflecting these trends, the total number of securities firms decreased as of the end of December 2003, to 268 companies.

The number of employees at the end of December 2003 was approximately 85,000, falling from the year before.



## Brokerage Commission: Total commissions increase substantially

Brokerage commission totaled ¥857.2 billion during the fiscal year under review, soaring 75.4% year on year. The jump can be attributed to higher commissioned trading value thanks to the revitalization of the stock market pushing trading volume of the TSE past the 300 billion shares during the fiscal year under review.



## Operating Profits

(Billions of Yen)

	1995.3	1996.3	1997.3	1998.3	1999.3	2000.3	2001.3	2002.3	2003.3	2004.3
<b>Total Operating Revenues*</b>	2,241.0	2,802.7	2,871.0	2,523.3	2,579.1	3,795.6	3,213.2	2,505.7	2,386.8	<b>3,294.2</b>
<b>Commissions</b>	1,670.6	1,876.4	1,943.6	1,617.8	1,585.3	2,791.2	2,018.5	1,669.0	1,469.2	<b>2,046.2</b>
Brokerage	988.1	1,157.7	1,051.3	885.5	726.4	1,536.8	867.0	674.9	519.9	<b>889.7</b>
(Equity)	866.7	972.6	928.3	800.4	662.4	1,488.3	823.5	642.2	488.7	<b>857.2</b>
Underwriting	187.3	181.6	264.8	118.7	163.9	259.9	228.2	158.0	129.2	<b>197.4</b>
Selling	177.6	213.9	255.0	224.7	237.4	442.7	262.4	159.5	142.7	<b>206.7</b>
<b>Financial Revenue*</b>	362.9	373.4	381.8	475.5	441.0	323.1	423.4	433.6	362.3	<b>369.0</b>
<b>Trading Gain*</b>	207.4	552.7	545.5	429.6	552.0	680.6	771.3	401.1	549.9	<b>871.8</b>
<b>Financial Expenses*</b>	288.6	324.3	439.2	478.7	455.2	318.3	370.2	273.4	223.6	<b>285.6</b>
<b>Net Operating Revenue*</b>	1,952.3	2,478.4	2,431.7	2,044.6	2,123.9	3,477.2	2,842.9	2,232.3	2,163.2	<b>3,008.5</b>
<b>Selling, General &amp; Administrative Expenses</b>	2,344.6	2,307.9	2,308.2	2,062.1	1,967.1	2,209.5	2,265.0	2,266.7	2,040.3	<b>2,221.0</b>
Transaction Expenses	374.4	360.9	379.1	328.1	325.1	406.6	390.8	352.2	328.0	<b>379.4</b>
Compensation	1,038.5	1,024.3	1,033.0	921.3	911.8	1,110.0	1,135.8	1,116.2	972.8	<b>1,096.7</b>
Real Estate & Equipment	374.1	350.9	335.8	290.9	292.2	284.5	294.0	302.4	278.5	<b>266.4</b>
Data Processing & Office Supplies	270.5	251.2	251.5	204.9	208.7	224.4	239.2	272.7	263.7	<b>270.4</b>
<b>Operating Profits*</b>	-392.3	170.4	123.4	-17.5	156.7	1,267.7	577.9	-34.4	122.9	<b>787.5</b>

- Notes: 1. Firms that were not in business as of the end of March for each year are excluded.  
 2. In items marked "\*\*", data for fiscal 2001 onwards cannot be compared with data up to and including fiscal 2000 because major revisions were made in the accounting standards of securities companies in the fiscal year ended March 2002.  
 3. In accordance with revisions of accounting standards in the fiscal year ended March 2002, the amount determined by deducting financial expenses from operating revenues is posted as net operating revenues.

Source: Japan Securities Dealers Association

## Revenue, Expense, Asset and Liabilities

(Billions of Yen)

	1995.3	1996.3	1997.3	1998.3	1999.3	2000.3	2001.3	2002.3	2003.3	2004.3
Total Revenues*	2,267.8	2,832.5	2,895.6	2,549.3	2,597.0	3,817.2	3,244.2	2,543.0	2,420.5	<b>3,318.4</b>
Total Expenses*	2,658.4	2,646.9	2,767.2	2,558.9	2,452.1	2,563.2	2,654.9	2,560.3	2,284.7	<b>2,525.1</b>
Recurring Profits* (Loss)	-390.6	185.6	128.4	-9.5	144.8	1,254.0	589.3	-17.3	135.7	<b>793.2</b>
Net Income*	-422.0	-3.2	-764.1	-215.3	-572.6	392.0	287.2	-348.9	-169.8	<b>508.3</b>
Assets	42,152.1	53,991.7	70,885.9	113,436.2	107,477.1	107,308.7	114,650.5	65,261.9	76,622.2	<b>94,106.8</b>
Liabilities	35,421.1	47,075.1	64,662.5	107,930.3	102,204.6	101,122.2	108,021.7	60,297.2	71,806.8	<b>88,822.5</b>
Equity	6,731.0	6,916.6	6,223.3	5,505.8	5,272.4	6,186.5	6,628.8	4,964.7	4,815.3	<b>5,284.2</b>
ROE*	-6.2%	-0.05%	-11.6%	-3.9%	-10.9%	6.8%	4.5%	-6.0%	-3.5%	<b>10.1%</b>

Notes: 1. Total expenses comprise the sum of selling, general and administrative expenses and financial expenses and non-operating expenses.  
 2. Firms that were not in business as of the end of March for each year are excluded.  
 3. See Note 2 on Page 9.

## Revenue and Expenses Structure

(%)

	1995.3	1996.3	1997.3	1998.3	1999.3	2000.3	2001.3	2002.3	2003.3	2004.3
<b>Revenue Structure</b> Total=100%										
Brokerage Commissions	43.6	40.9	36.3	34.7	28.0	40.3	26.7	26.5	21.5	<b>26.8</b>
Underwriting Commissions	8.3	6.4	9.1	4.7	6.3	6.8	7.0	6.2	5.3	<b>6.0</b>
Selling Commissions	7.8	7.6	8.8	8.8	9.1	11.6	8.1	6.3	5.9	<b>6.2</b>
Other Commissions	14.0	11.4	12.9	15.3	17.6	14.5	20.4	26.6	28.0	<b>22.7</b>
Financial Revenues*	16.0	13.2	13.2	18.7	17.0	8.5	13.1	17.1	15.0	<b>11.1</b>
Trading Gain*	9.1	19.5	18.8	16.9	21.3	17.8	23.8	15.8	22.7	<b>26.3</b>
Other Revenue*	1.2	1.0	0.9	1.0	0.7	0.6	1.0	1.5	1.4	<b>0.7</b>
<b>Expense Structure</b> Total=100%										
Commission Paid	5.1	5.0	5.2	4.9	5.1	6.4	4.6	4.2	5.2	<b>6.7</b>
Communications	4.5	4.4	4.2	3.9	4.0	4.1	4.0	4.5	4.5	<b>4.0</b>
Advertising	1.1	1.0	1.1	0.9	1.1	1.6	2.8	1.9	1.6	<b>1.4</b>
Other Transactions	3.4	3.3	3.3	3.1	3.1	3.7	3.4	3.2	3.0	<b>3.0</b>
Compensation	39.1	38.7	37.4	36.0	37.2	43.3	42.8	43.6	42.6	<b>43.4</b>
Real Estate and Equipment	14.1	13.3	12.2	11.4	11.9	11.1	11.1	11.8	12.2	<b>10.6</b>
Data Processing & Office Supplies	10.2	9.5	9.1	8.0	8.5	8.8	9.0	10.7	11.5	<b>10.7</b>
Other Selling, General & Administrative Expenses	10.8	12.1	10.9	12.4	9.3	7.2	7.7	8.7	8.6	<b>8.2</b>
Financial Expenses*	10.9	12.2	15.9	18.7	18.6	12.4	13.9	10.7	9.8	<b>11.3</b>
Non-operating Expenses*	0.9	0.5	0.7	0.7	1.2	1.4	0.7	0.8	0.9	<b>0.7</b>

Notes: 1. Firms that were not in business as of the end of March for each year are excluded.  
 2. See Note 2 on Page 9.

Source: Japan Securities Dealers Association

## Revenue and Expenses Structure by Type of Securities Firm (FY 2003)

(%)

	Major	Foreign	Other Domestic
<b>Net Operating Revenue Structure</b> Total=100%			
Brokerage Commission	23.8	17.2	44.6
Underwriting Commission	7.9	8.8	3.5
Selling Commission	12.0	0.2	5.4
Other Commission	14.2	56.7	16.2
Financial Revenue	2.2	4.4	2.4
Trading Gain	39.9	12.7	27.3
<b>Selling, General and Administrative Expenses Structure</b> Total=100%			
Transaction Expenses	20.1	14.0	16.2
Compensation	42.8	56.0	51.3
Real Estate & Equipment	12.9	10.0	12.5
Data Processing & Office Supplies	17.7	5.7	11.2
Other Selling, General & Administrative Expenses	6.5	14.2	8.5

## Net Income, Equity and ROE by Type of Securities Firm

(Billions of Yen)

	2000.3	2001.3	2002.3	2003.3	2004.3
<b>Net Income (Loss)*</b>					
Major	206.6	249.5	-44.0	53.0	<b>231.7</b>
Foreign	18.9	45.8	-93.2	-7.6	<b>75.3</b>
Other Domestic	152.1	-8.1	-211.6	-215.3	<b>201.1</b>
<b>Equity</b>					
Major	2,645.0	3,360.9	1,935.2	1,985.7	<b>2,227.0</b>
Foreign	822.3	846.3	823.0	828.5	<b>779.3</b>
Other Domestic	2,049.5	2,421.6	2,206.3	2,001.1	<b>2,277.7</b>
<b>ROE*</b>					
Major	8.3%	8.3%	-1.7%	2.7%	<b>11.0%</b>
Foreign	2.5%	5.5%	-11.2%	-0.9%	<b>9.4%</b>
Other Domestic	8.2%	-0.4%	-9.1%	-10.2%	<b>9.4%</b>

Notes: 1. Firms that were not in business as of the end of March for each year are excluded.  
 2. Beginning with the fiscal year ended March 2001, data regarding major securities firms or other domestic securities firms includes data of the securities subsidiaries of banks. Figures, therefore, cannot be directly compared with prior years.  
 3. See Note 2 on Page 9.

Source: Japan Securities Dealers Association

## Composition of Total Equity by Type of Securities Firm

(%)

	2000.3	2001.3	2002.3	2003.3	2004.3
<b>Major</b>	42.8	50.7	39.0	41.2	<b>42.1</b>
<b>Foreign</b>	13.3	12.8	16.6	17.2	<b>14.7</b>
<b>Other Domestic</b>	33.1	36.5	44.4	41.6	<b>43.1</b>
<b>Total</b>	100.0	100.0	100.0	100.0	<b>100.0</b>

Notes: 1. Firms that were not in business as of the end of March for each year are excluded.  
2. Beginning with the fiscal year ended March 2001, data regarding major securities firms or other domestic securities firms includes data of the securities subsidiaries of banks. Figures, therefore, cannot be directly compared with prior years.

## Composition of Total Employees by Type of Securities Firm

(%)

	2000.3	2001.3	2002.3	2003.3	2004.3
<b>Major</b>	31.3	36.6	36.7	38.3	<b>39.5</b>
<b>Foreign</b>	10.0	11.0	12.0	11.9	<b>10.2</b>
<b>Other Domestic</b>	56.5	52.4	51.2	49.8	<b>50.3</b>
<b>Total</b>	100.0	100.0	100.0	100.0	<b>100.0</b>

Notes: 1. Firms that were not in business as of the end of March for each year are excluded.  
2. Beginning with the fiscal year ended March 2001, data regarding major securities firms or other domestic securities firms includes data of the securities subsidiaries of banks. Figures, therefore, cannot be directly compared with prior years.

## Number of Securities Firms, Employees, and Offices

	Total Firms	Stock Exchange Member Firms	Employees (in Thousands)	Registered Representa- tives (in Thousands)	Offices
1994	277	155	127.5	83.7	2,879
1995	282	154	118.8	79.1	2,761
1996	289	152	113.0	75.8	2,740
1997	291	156	108.0	72.5	2,625
1998	288	148	95.1	62.6	2,335
1999	288	147	92.0	69.8	2,294
2000	297	141	94.7	72.8	2,308
2001	291	127	96.6	75.1	2,296
2002	281	123	89.2	72.0	2,148
<b>2003</b>	<b>268</b>	<b>122</b>	<b>85.0</b>	<b>67.5</b>	<b>2,307</b>

Source: Japan Securities Dealers Association

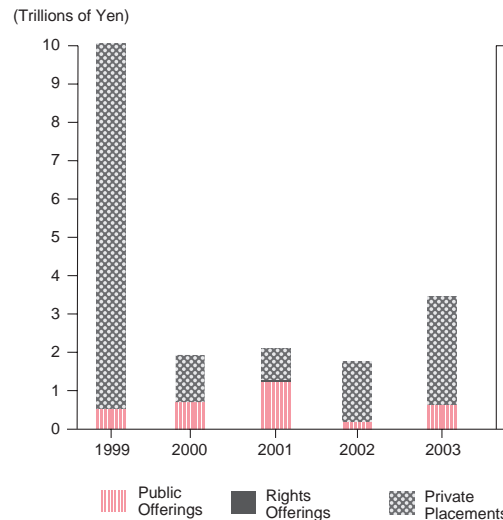
# Capital Markets

## Financing by publicly listed companies through share offerings doubles

In 2003, equity financing (excluding exercise of warrants) by publicly listed companies increased to ¥3.4 trillion, surging 96.6% from ¥1.7 trillion in the previous year.

By issuing categories, the amount of public offerings jumped 3.3 times from the previous year to ¥0.6 trillion, reflected by the active equity finance by corporations in light of the rising stock market. Private placements rose a substantial 79.7%, to ¥2.8 trillion from ¥1.5 trillion in the previous year thanks to approximately ¥1.1 trillion capital increase carried out by major city banks in March 2003 through the issue of preferential stocks.

## Equity Financing by Corporations (excludes exercises of Warrants)



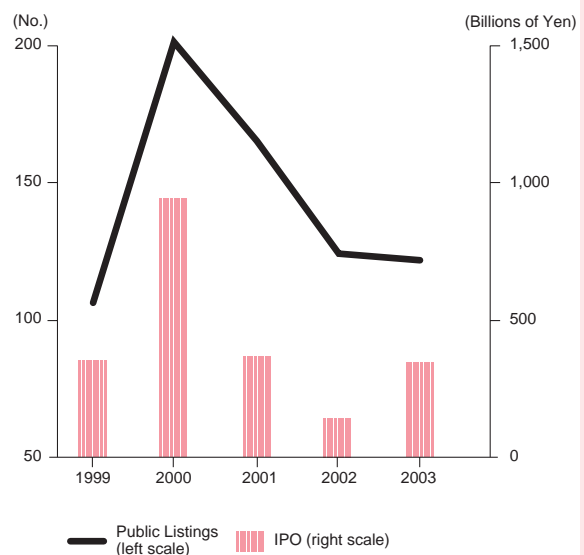
Sources: Tokyo Stock Exchange, Japan Securities Dealers Association

## Fund raising by IPOs increases for the first time in three years

In 2003, a total of 121 companies went public—62 listed on Jasadq market and 59 listed on stock exchanges, including 31 companies listing on the TSE's Mothers market and 7 companies listing on the Osaka Securities Exchange's Hercules market. Although the number of IPOs topped 100 for the fifth consecutive year, it also declined for the third year in a row.

Total capital raised through IPOs increased 135.8%, to ¥347.1 billion, rising for the first time in three years. The sharp gain can be attributed to two companies raising funds of more than ¥90 billion and the upward trend in stock prices from June onward.

## Number of Public Listings and IPO Amounts

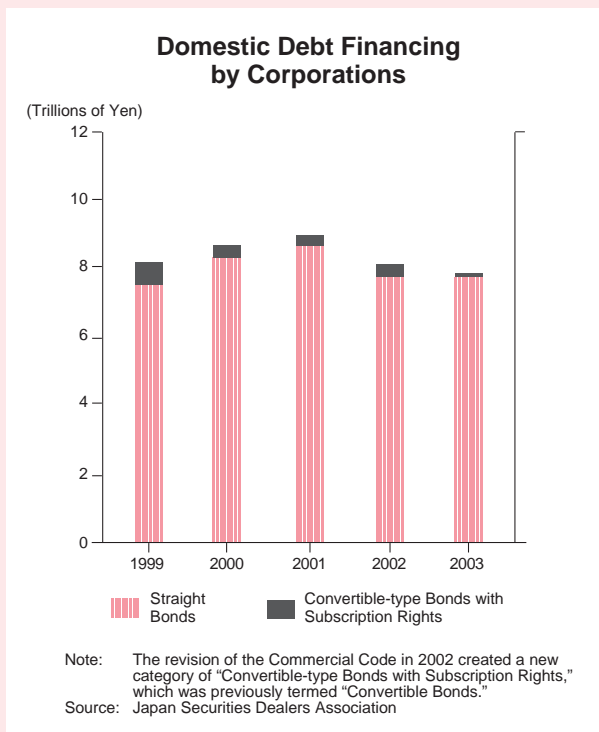


Source: Japan Securities Dealers Association

## Domestic straight bond issuance declines for the second consecutive year

Corporate debt financing declined 4.4%, to ¥7.8 trillion. Looking at types of issues, electric power bond issuance decreased 17.0%, to ¥1.2 trillion because electric power companies' demand for capital fell in line with capital investment restraint while reduction of interest-bearing debt was prioritized.

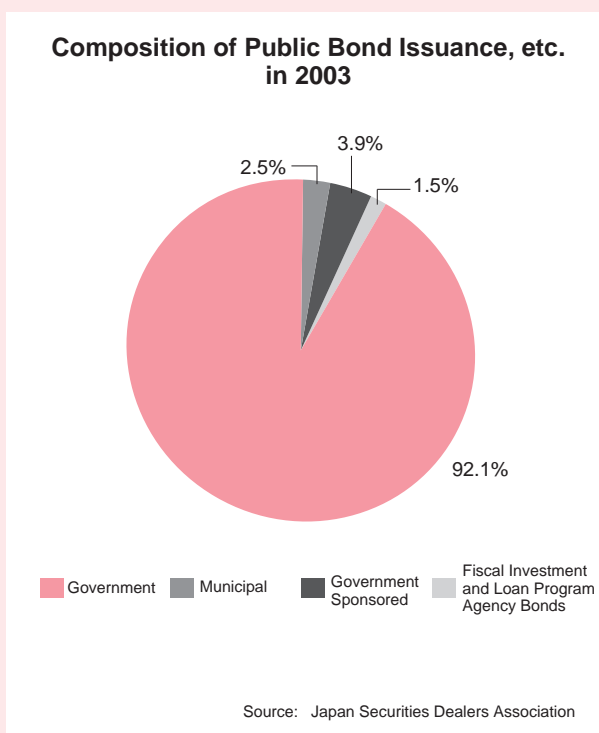
Samurai bond issues by emerging market countries were at low levels during the year in the wake of credit risk concerns due to the default of Argentine government bonds that arose in the previous year and other factors. Increased issues by overseas financial institutions and other bodies, however, helped Samurai issues increase 20.6%, to ¥0.8 trillion, recovering from the previous year.



## Public bond issuance hits a record high for the sixth consecutive year

Public bond issuance registered a record high for the sixth consecutive year, advancing 6.9%, to ¥167.0 trillion. By issuing category, amid the recent trend of high levels of issuance of JGBs, which account for most of issuance, the planned issuance for fiscal 2003 also contained increases in new funding sources. Consequently, JGB issuance hit a record high for the sixth consecutive year, growing by ¥6.8 trillion or 4.6%, to ¥154.6 trillion. In March 2003, the government made its first bond issue targeting individual investors. The floating interest rate issue, which can only be held by individuals, carries a minimum interest rate guarantee.

Issuance of municipal bonds expanded substantially, growing 65.1%, to ¥4.2 trillion from ¥2.5 trillion. The increase can be attributed to restraint on raising financing from government funds implemented with the budget for the fiscal year ended March 2004, resulting in an increased portion of funds being raised from the private sector. In April 2003, a joint regional bond issue was made for the first time by 27 regional public bodies.





## Equity Financing by Corporations

(Billions of Yen)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Listed Companies</b>										
Public Offerings	236	33	305	128	284	370	572	1,201	156	572
Rights Offerings	9	95	337	72	0	—	8	32	—	1
Private Placements	238	210	757	593	1,167	9,457	1,109	795	1,530	2,770
<b>Total</b>	485	338	1,400	794	1,451	9,827	1,690	2,028	1,687	3,345
<b>Jasdaq Companies</b>										
Public Offerings	59	128	257	45	49	156	117	34	37	69
Rights Offerings	—	—	0	1	—	—	2	—	—	0
Private Placements	11	2	67	14	41	74	113	43	28	30
<b>Total</b>	70	131	325	60	91	231	233	77	65	100
<b>Total Corporate New Equity Issues</b>										
Public Offerings	296	161	563	173	333	527	690	1,235	194	642
Rights Offerings	9	95	337	74	0	0	10	32	—	2
Private Placements	250	212	825	607	1,209	9,531	1,223	838	1,558	2,801
<b>Total</b>	555	470	1,726	854	1,543	10,059	1,924	2,106	1,753	3,446
<b>Initial Public Offerings</b>	760	382	609	377	1,416	354	941	368	147	347

Notes: 1. IPOs do not include public offerings made by foreign companies listing on Japanese stock exchanges.

2. “—” indicates nil.

Sources: Tokyo Stock Exchange, Japan Securities Dealers Association

## Debt Financing by Corporations

(Billions of Yen)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Straight Bonds</b>										
Domestic	2,970	5,046	6,146	6,526	12,784	7,498	8,276	8,609	7,736	7,728
Overseas	824	549	1,160	1,403	901	1,307	752	620	845	807
<b>Convertible-type Bonds with Subscription Rights</b>										
Domestic	2,860	737	3,289	270	246	592	357	300	427	72
Overseas	411	418	575	547	118	407	294	562	850	996
<b>Bonds with Subscription Rights</b>										
Domestic	—	—	—	—	—	—	—	—	—	—
Overseas	887	492	646	62	—	216	16	2	2	—
<b>Total</b>										
Domestic	5,830	5,783	9,435	6,796	13,031	8,090	8,633	8,910	8,164	7,801
Overseas	2,123	1,461	2,382	2,013	1,019	1,931	1,064	1,185	1,698	1,803

Notes: 1. “Overseas” includes new issues of privately placed bonds.

2. “—” indicates nil.

3. Following the revision of the Commercial Code in 2002, “Convertible Bonds” and “Bonds with Warrants” were renamed “Convertible-type Bonds with Subscription Rights” and “Bonds with Subscription Rights” respectively in this table.

Source: Japan Securities Dealers Association

## New Issuance of Public Bonds, etc.

(Billions of Yen)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Total Government Bonds</b>	55,855	65,677	72,219	67,824	84,804	102,050	105,996	133,970	147,831	<b>154,686</b>
Public Subscriptions	47,487	54,663	54,825	54,864	61,395	88,057	99,335	106,811	117,420	<b>129,088</b>
Long-term (over 10 years)	1,534	2,008	1,533	1,594	2,195	2,599	5,394	7,191	9,290	<b>11,987</b>
Long-term (10 and 6 year)	14,711	16,551	15,578	14,985	17,316	23,662	20,943	20,832	21,492	<b>22,687</b>
Med-term (2 to 4 years)	5,673	5,479	5,576	4,618	5,521	12,734	28,207	38,840	42,732	<b>45,260</b>
Med-term (zero-coupon 5 year)	264	257	257	250	239	243	390	705	710	—
Treasury Bills	25,304	30,366	31,879	33,415	36,122	48,817	44,399	39,241	43,194	<b>47,197</b>
<b>Municipal Bonds</b>	1,552	1,967	1,893	1,852	1,722	1,998	2,200	2,299	2,582	<b>4,264</b>
<b>Gov. Sponsored Bonds</b>	2,747	2,952	3,106	2,939	2,270	2,966	4,854	4,815	4,216	<b>6,476</b>
<b>Fiscal Investment and Loan Program Agency Bonds</b>	—	—	—	—	—	—	—	546	2,408	<b>2,457</b>
<b>Total</b>	60,154	70,597	77,218	72,615	88,797	107,014	113,050	141,630	157,039	<b>167,884</b>

Notes: 1. From 1994, 6-year bonds were included in long-term government bonds.  
2. Municipal bonds and government sponsored bonds data includes only public offerings.

## New Issuance of Corporate Bonds

(Billions of Yen)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Total Corporate Bonds</b>	5,830	5,783	9,435	6,796	13,031	8,090	8,633	8,910	8,164	<b>7,801</b>
Electric Power Bonds	1,345	1,625	1,515	1,555	2,465	1,718	1,522	1,881	1,508	<b>1,252</b>
NTT, JR, JT Bonds	290	150	285	220	420	515	160	430	471	<b>225</b>
Business Corporation Bonds	1,335	3,271	4,346	4,751	9,899	5,265	6,594	6,298	5,757	<b>6,251</b>
Convertible-type Bonds with Subscription Rights	2,860	737	3,289	270	246	592	357	300	427	<b>72</b>
Bonds with Subscription Rights	—	—	—	—	—	—	—	—	—	—
<b>Bank Debentures</b>	36,040	42,594	43,966	30,780	23,305	24,517	20,979	18,697	12,991	<b>9,693</b>
<b>Samurai Bonds</b>	1,212	1,616	3,923	2,145	329	935	2,562	1,594	670	<b>808</b>
<b>Nonresident Euroyen Bonds</b>	10,194	10,955	12,676	17,872	11,302	N.A.	N.A.	N.A.	N.A.	<b>N.A.</b>

Notes: 1. “—” indicates nil.  
2. Following the revision of the Commercial Code in 2002, “Convertible Bonds” and “Bonds with Warrants” were renamed “Convertible-type Bonds with Subscription Rights” and “Bonds with Subscription Rights” respectively in this table.

Source: Japan Securities Dealers Association

## Outstanding Public Bonds, etc.

(Trillions of Yen)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Total Government Bonds</b>	201.4	218.7	239.2	254.1	280.1	320.5	359.1	418.1	481.8	<b>531.8</b>
Public Subscriptions	132.7	148.5	161.3	170.7	182.8	216.2	257.4	299.3	344.5	<b>387.6</b>
Long-term (over 10 years)	16.9	18.9	20.4	22.0	22.9	23.5	27.4	34.6	43.9	<b>55.2</b>
Long-term (10 and 6 year)	93.4	103.8	111.0	117.9	126.7	142.6	151.8	159.2	167.5	<b>175.3</b>
Med-term (2 to 4 years)	8.3	12.2	16.2	16.9	17.2	24.7	47.2	76.5	100.1	<b>119.4</b>
Med-term (zero-coupon 5 year)	1.4	1.3	1.3	1.2	1.2	1.2	1.3	1.8	2.2	<b>1.9</b>
Treasury Bills	10.5	12.0	12.2	12.4	14.5	23.9	29.3	27.0	30.5	<b>33.7</b>
<b>Municipal Bonds</b>	9.0	10.1	11.2	12.2	13.1	14.5	16.0	17.7	19.4	<b>22.3</b>
<b>Gov. Sponsored Bonds</b>	20.3	21.6	22.9	23.9	20.6	21.8	25.1	28.2	30.7	<b>34.6</b>
<b>Fiscal Investment and Loan Program Agency Bonds</b>	—	—	—	—	—	—	—	0.5	2.9	<b>5.3</b>
<b>Total</b>	230.9	250.5	273.3	290.4	313.9	356.9	400.3	464.7	534.9	<b>594.1</b>

Note: Municipal bonds and government sponsored bonds data includes only public offerings.

## Outstanding Corporate Bonds

(Trillions of Yen)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Total Corporate Bonds</b>	38.1	41.6	47.5	49.8	57.3	58.9	62.5	63.5	62.5	<b>60.1</b>
Electric Power Bonds	11.2	12.2	12.8	13.6	15.2	15.7	15.8	16.2	15.7	<b>14.9</b>
NTT, JR, JT Bonds	1.8	1.9	2.0	2.0	2.1	2.5	2.5	2.5	3.0	<b>3.0</b>
Business Corporation Bonds	4.8	7.8	11.6	15.7	24.6	28.1	32.4	34.4	35.4	<b>36.3</b>
Convertible-type Bonds with Subscription Rights	19.5	19.2	20.7	18.1	15.3	12.5	11.6	10.3	8.3	<b>5.7</b>
<b>Bank Debentures</b>	78.2	76.6	76.0	67.2	56.9	56.6	49.6	44.5	37.1	<b>30.9</b>
<b>Samurai Bonds</b>	8.0	9.2	12.2	12.0	9.9	8.3	8.2	8.0	6.8	<b>6.1</b>

Notes: 1. "—" indicates nil.

2. The revision of the Commercial Code in 2002 created a new category of "Convertible-type Bonds with Subscription Rights," which was previously termed "Convertible Bonds."

Source: Japan Securities Dealers Association

## New Issuance of Private Placements

(Billions of Yen)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Municipal Bonds</b>	6,091	6,376	6,172	4,407	4,767	5,425	3,302	2,329	1,921	<b>2516</b>
<b>Gov. Agency Bonds</b>	6,717	5,335	4,762	4,968	6,373	3,712	2,253	1,614	979	<b>1,792</b>
<b>Corporate Bonds</b>	407	244	368	501	765	661	1,166	1,474	2,089	<b>3,183</b>
<b>Total</b>	13,216	11,956	11,304	9,878	11,906	9,793	6,708	5,451	4,991	<b>7,492</b>

## Outstanding Private Placements

(Trillions of Yen)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Municipal Bonds</b>	19.8	24.7	26.5	29.2	32.2	35.4	36.2	36.1	35.2	<b>34.1</b>
<b>Gov. Agency Bonds</b>	48.9	52.0	53.9	55.7	48.5	48.1	45.5	42.2	38.0	<b>32.8</b>
<b>Corporate Bonds</b>	4.5	4.3	3.9	3.4	3.0	3.0	3.7	4.6	5.9	<b>8.2</b>
<b>Total</b>	73.3	81.1	84.4	88.4	83.9	86.6	85.5	83.0	79.2	<b>75.2</b>

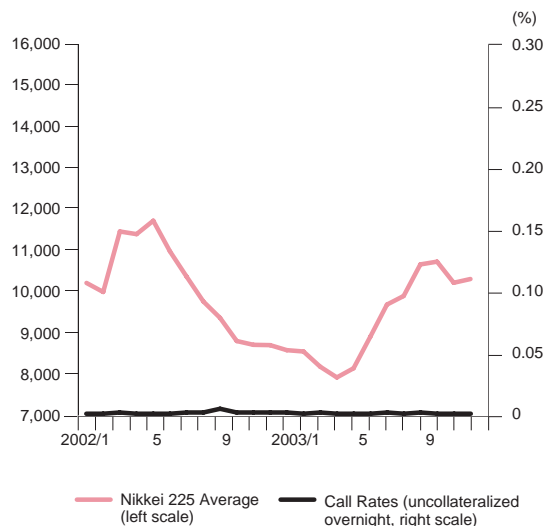
Source: The Japan Local Government Bond Association, Japan Securities Dealers Association

# Secondary Stock Markets

## The Nikkei 225 stock average finishes on a higher note for the first time in four years

The Nikkei 225 stock average began the year at 8,713.33. It then moved downward in the first half under domestic and international pressures, such as the instability of the financial system in Japan due to the bad debt problem of major banks, the war in Iraq, and the international SARS epidemic. On April 28, the average fell to 7,607.88, the lowest level since the bursting of the bubble economy. Beginning in May, however, the market rallied thanks to the infusion of public funds into major banks, which dispelled concerns about the financial system, and to growing expectations of a recovery in the U.S. economy. The average rose to 11,000 in September, and reached a high for the year in October, at 11,161.71. During the rest of the year, the average entered a correction phase at one point because of the appreciation of the yen and ended the year, up 24.5%, at 10,676.64, finishing on a higher note than in the previous year for the first time in four years.

**Nikkei 225 Stock Average and Short-Term Money Market Rates**

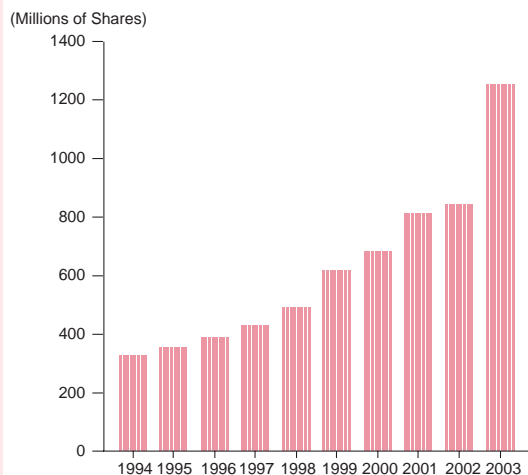


Note: Data are monthly averages.  
Sources: Bank of Japan, Nihon Keizai Shinbun, Inc.

## Total trading volume on TSE surpasses 300 billion shares to reach new high

Robust market activity throughout the year supported a 48.8% year-on-year increase in the average daily volume of the First Section of the TSE, to 1,253.85 million shares a day, breaking through the one billion share mark. Meanwhile, the average daily trading value surged 25.2%, to ¥971.0 billion along with the rally in stock prices. On a full year basis, total trading volume climbed 48.2%, to 307.1 billion shares, setting a new record high. Aggregate trading value rose 24.6%, to ¥237,905.7 billion. Total market value at the end of the year 2003 increased 27.3%, to ¥309,290.0 billion.

**Daily Volume on TSE (1st Section)**

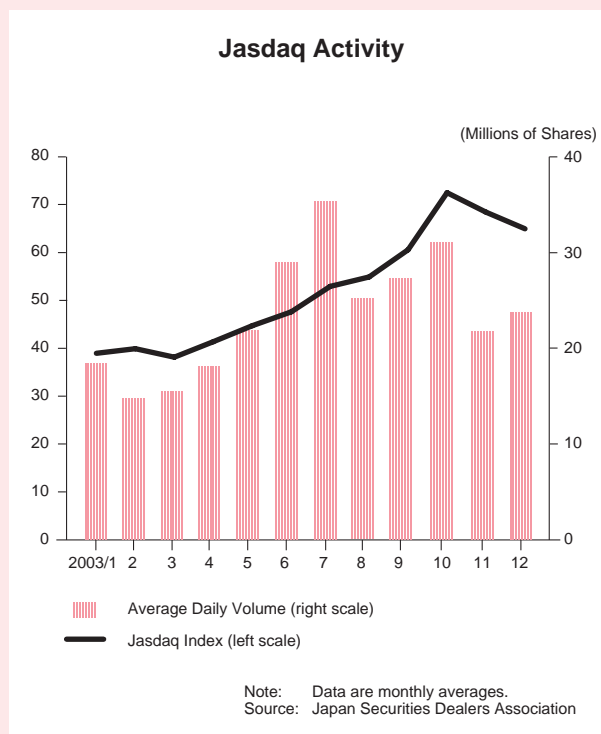


Source: Tokyo Stock Exchange

## Jasdaq trading volume and value and Jasdaq Index score major gains

The Jasdaq Index entered the year in a downward trend amid domestic and international concerns, falling to 36.50 points in March. The market then performed favorably for the rest of the year, ending the year at 67.51 points, achieving a substantial gain of 38.49 points.

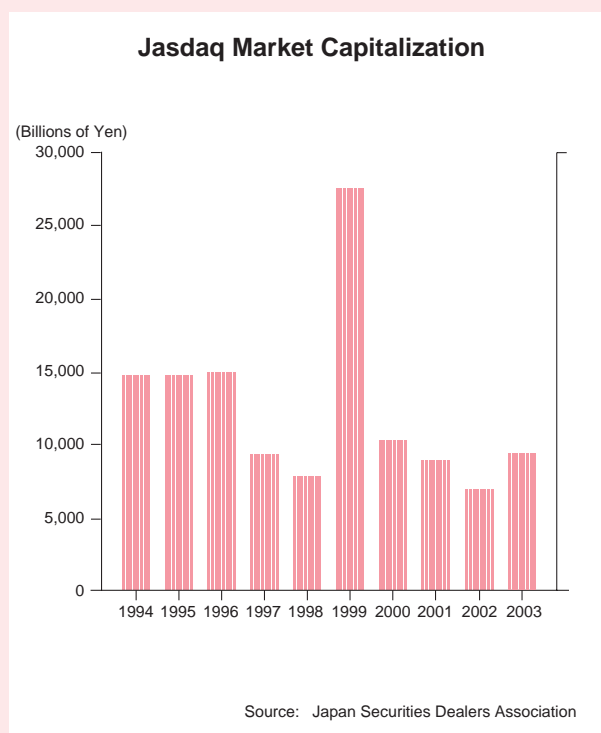
Annual total trading volume also scored a major gain, expanding 36.9%, to 5.8 billion shares on robust trading by individual investors and institutional investors, principally in high capitalization stocks. Aggregate trading value during the year also surged upward, increasing 73.1%, to ¥6,349.0 billion, reflecting rising stock prices.



## Jasdaq market capitalization exceeds ¥9 trillion

A total of 34 companies –three more than last year– moved from the TSE to the Jasdaq market during the year, including Yahoo Japan Corporation, the company with the largest market capitalization. Nevertheless, against a background of improved market conditions, public offering or other equity finance by listed companies raised ¥100.8 billion compared with ¥65.9 billion in the previous year, helping total capitalization of the Jasdaq market to soar 34.4%, to ¥9,384.5 billion at the end of 2003. It was the first time in four years that market capitalization had risen year on year.

The total number of listed companies at the end of 2003 rose by 6, to 945, including 62 new listings.



## Listed Companies

	Tokyo Stock Exchange 1st & 2nd	Tokyo Stock Exchange 1st	Osaka Securities Exchange	All domestic stock exchanges	Jasdaq
1994	1,689	1,235	1,199	2,205	581
1995	1,714	1,253	1,222	2,263	698
1996	1,766	1,293	1,256	2,334	779
1997	1,805	1,327	1,274	2,387	847
1998	1,838	1,340	1,271	2,416	868
1999	1,890	1,364	1,281	2,472	871
2000	2,026	1,447	1,310	2,595	887
2001	2,067	1,491	1,335	2,666	927
2002	2,076	1,495	1,312	2,669	939
<b>2003</b>	<b>2,102</b>	<b>1,533</b>	<b>1,140</b>	<b>2,690</b>	<b>945</b>

Note: "All domestic stock exchanges" excludes duplication of dual listings.

## Market Capitalization

(Billions of Yen)

	Tokyo Stock Exchange 1st & 2nd	Tokyo Stock Exchange 1st	Osaka Securities Exchange	All domestic stock exchanges	Jasdaq
1994	358,392	342,140	299,552	371,024	14,628
1995	365,716	350,237	304,725	378,299	14,604
1996	347,578	336,385	287,302	358,538	14,952
1997	280,930	273,907	226,457	288,226	9,246
1998	275,181	267,783	211,081	281,521	7,754
1999	456,027	442,443	298,861	466,215	27,414
2000	359,919	352,784	265,404	364,747	10,283
2001	296,092	290,668	212,514	300,630	8,927
2002	247,366	242,939	178,695	251,000	6,983
<b>2003</b>	<b>314,933</b>	<b>309,290</b>	<b>209,144</b>	<b>320,071</b>	<b>9,384</b>

Notes: 1. "All domestic stock exchanges" excludes duplication of dual listings.  
2. "Jasdaq" does not include securities issued by the Bank of Japan.

Sources: Tokyo Stock Exchange, Osaka Securities Exchange, Japan Securities Dealers Association

## Tokyo Stock Exchange Activity (1st & 2nd Sections)

(Millions of Shares, Billions of Yen)

	Trading Volume	Trading Value	Average Daily Volume	Average Daily Value
1994	84,514	87,355	342.1	353.6
1995	92,033	83,563	369.6	335.5
1996	100,170	101,892	405.5	412.5
1997	107,566	108,500	439.0	442.8
1998	123,198	97,391	498.7	394.2
1999	155,163	185,486	633.3	757.0
2000	174,147	248,292	702.2	1,001.1
2001	204,026	201,909	829.3	820.7
2002	213,093	192,849	866.2	783.9
<b>2003</b>	<b>315,934</b>	<b>240,064</b>	<b>1,289.5</b>	<b>979.8</b>

Source: Tokyo Stock Exchange

## Osaka Securities Exchange Activity (1st & 2nd Sections)

(Millions of Shares, Billions of Yen)

	Trading Volume	Trading Value	Average Daily Volume	Average Daily Value
1994	14,903	19,349	60.3	78.3
1995	21,093	24,719	85.0	99.6
1996	20,783	27,280	84.1	110.4
1997	15,407	27,024	62.8	110.3
1998	12,836	20,532	51.9	83.1
1999	14,969	22,101	61.1	90.2
2000	17,226	34,357	69.4	138.5
2001	12,292	20,056	49.9	81.5
2002	10,308	13,818	41.9	56.1
<b>2003</b>	<b>12,579</b>	<b>11,285</b>	<b>51.3</b>	<b>46.0</b>

Source: Osaka Securities Exchange



## All Domestic Stock Exchanges Activity

(Millions of Shares, Billions of Yen)

	Trading Volume	Trading Value	Average Daily Volume	Average Daily Value
1994	105,936	114,622	428.8	464.0
1995	120,148	115,839	482.5	465.2
1996	126,496	136,169	512.1	551.2
1997	130,657	151,445	533.2	618.1
1998	139,757	124,101	565.8	502.4
1999	175,455	210,236	716.1	858.1
2000	196,087	290,325	790.7	1,170.7
2001	217,893	225,238	885.7	915.6
2002	224,567	209,229	912.8	850.5
<b>2003</b>	<b>331,731</b>	<b>255,342</b>	<b>1,354.0</b>	<b>1,042.2</b>

Source: All domestic stock exchanges

## Jasdaq Market Activity

(Millions of Shares, Billions of Yen)

	Trading Volume	Trading Value	Average Daily Volume	Average Daily Value
1994	2,357	5,384	9.5	21.7
1995	2,596	5,889	10.4	23.6
1996	2,546	5,910	10.3	23.9
1997	1,460	2,661	5.9	10.8
1998	1,303	1,554	5.2	6.2
1999	4,287	12,197	17.5	49.7
2000	3,507	11,424	14.1	46.0
2001	3,307	5,012	13.4	20.3
2002	4,256	3,668	17.3	14.9
<b>2003</b>	<b>5,827</b>	<b>6,349</b>	<b>23.7</b>	<b>25.9</b>

Note: These figures represent the total of listed issues and supervised issues.

Source: Japan Securities Dealers Association

## Nikkei 225 Stock Average

	Close	%Change	High	Date	Low	Date
1994	19,723.06	13.2	21,552.81	6.13	17,369.74	1.4
1995	19,868.15	0.7	20,011.76	12.27	14,485.41	7.3
1996	19,361.35	-2.6	22,666.80	6.26	19,161.71	12.24
1997	15,258.74	-21.2	20,681.07	6.16	14,775.22	12.29
1998	13,842.17	-9.3	17,264.34	3.2	12,879.97	10.9
1999	18,934.34	36.8	18,934.34	12.30	13,232.74	1.5
2000	13,785.69	-27.2	20,833.21	4.12	13,423.21	12.21
2001	10,542.62	-23.5	14,529.41	5.7	9,504.41	9.17
2002	8,578.95	-18.6	11,979.85	5.23	8,303.39	11.14
<b>2003</b>	<b>10,676.64</b>	<b>24.5</b>	<b>11,161.71</b>	<b>10.20</b>	<b>7,607.88</b>	<b>4.28</b>

Source: Nihon Keizai Shinbun, Inc.

## TOPIX

	Close	%Change	High	Date	Low	Date
1994	1,559.09	8.3	1,712.73	6.13	1,445.97	1.4
1995	1,577.70	1.2	1,585.87	12.27	1,193.16	6.13
1996	1,470.94	-6.8	1,722.13	6.26	1,448.45	12.24
1997	1,175.03	-20.1	1,560.28	6.26	1,130.00	12.22
1998	1,086.99	-7.5	1,300.30	2.10	980.11	10.15
1999	1,722.20	58.4	1,722.20	12.30	1,048.33	1.5
2000	1,283.67	-25.5	1,754.78	2.7	1,255.16	12.21
2001	1,032.14	-19.6	1,440.97	5.7	988.98	12.17
2002	843.29	-18.3	1,139.43	5.24	815.74	12.18
<b>2003</b>	<b>1,043.69</b>	<b>23.8</b>	<b>1,105.59</b>	<b>10.20</b>	<b>770.62</b>	<b>3.11</b>

Source: Tokyo Stock Exchange

## Jasdaq Index

	Close	%Change	High	Date	Low	Date
1994	60.87	14.2	70.63	7.5	53.33	1.4
1995	54.14	-11.1	62.70	1.11	41.20	6.15
1996	47.08	-13.0	63.10	7.2	46.49	12.26
1997	27.68	-41.2	47.22	1.6	26.71	12.24
1998	28.24	2.0	32.16	2.12	23.00	10.13
1999	97.28	244.5	97.28	12.30	28.32	1.4
2000	54.20	-44.3	129.02	2.21	50.87	12.21
2001	47.20	-12.9	63.47	2.7	41.12	9.17
2002	38.49	-18.5	52.07	6.3	36.50	11.20
<b>2003</b>	<b>67.51</b>	<b>75.4</b>	<b>78.68</b>	<b>10.20</b>	<b>36.5</b>	<b>3.11</b>

Notes: 1. The Jasdq Index was introduced on December 28, 1992.

2. The Jasdq Index is a composite index of all stocks registered on Jasdq. The base for the index is the aggregate market value of its component stocks as of the close of business on October 28, 1991 (the index value on that date was adjusted to 100).

Source: Japan Securities Dealers Association

## Nikkei OTC Stock Average

	Close	%Change	High	Date	Low	Date
1994	1,776.05	22.7	2,002.73	7.15	1,445.47	1.4
1995	1,488.40	-16.2	1,852.13	1.11	1,194.77	6.15
1996	1,330.55	-10.6	1,747.17	7.2	1,316.25	12.26
1997	721.53	-45.8	1,333.11	1.6	708.23	12.24
1998	724.99	0.5	842.74	1.30	610.86	10.13
1999	2,270.14	213.1	2,480.44	11.15	724.89	1.4
2000	1,242.38	-45.3	2,713.73	2.21	1,186.68	12.21
2001	1,138.09	-8.4	1,453.80	5.8	1,027.33	9.12
2002	991.83	-12.9	1,268.11	6.5	943.45	12.24
<b>2003</b>	<b>1,417.04</b>	<b>42.9</b>	<b>1,530.72</b>	<b>10.20</b>	<b>952.02</b>	<b>3.11</b>

Source: Nihon Keizai Shinbun, Inc.

## Stock Index Futures

(One-way, billions of Yen, Thousands of Contracts)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Trading Value</b>										
<b>NIKKEI 225</b>	124,219	125,364	148,306	136,973	124,949	153,083	127,178	113,719	109,131	<b>122,822</b>
<b>TOPIX</b>	42,089	38,103	45,808	42,173	32,073	44,046	64,243	59,042	69,902	<b>86,192</b>
<b>NIKKEI 300</b>	12,400	5,964	5,589	4,125	3,567	4,038	3,826	2,295	581	<b>310</b>
<b>Number of Contracts</b>										
<b>NIKKEI 225</b>	6,208	7,220	7,043	7,484	8,191	9,067	7,426	9,516	10,841	<b>13,058</b>
<b>TOPIX</b>	2,623	2,745	2,857	3,035	2,726	3,157	4,148	5,071	7,131	<b>9,359</b>
<b>NIKKEI 300</b>	4,184	2,318	1,872	1,526	1,531	1,470	1,281	961	293	<b>172</b>

Note: NIKKEI 225 and TOPIX futures began trading in September 1988. NIKKEI 300 futures began trading in February 1994.

## Stock Index Options

(Total Puts and Calls, Billions of Yen, Thousands of Contracts)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Trading Value</b>										
<b>NIKKEI 225</b>	1,175	1,432	928	1,270	1,166	1,374	1,372	1,294	1,141	<b>1,721</b>
<b>TOPIX</b>	3	8	3	2	0.1	0.6	1.0	3.7	23.5	<b>13.9</b>
<b>NIKKEI 300</b>	41	27	23	6	2	0.4	0.6	0.6	0.6	<b>0.2</b>
<b>Number of Contracts</b>										
<b>NIKKEI 225</b>	4,273	5,174	3,924	4,910	5,230	5,753	5,715	6,953	9,428	<b>14,958</b>
<b>TOPIX</b>	20	16	13	9	0.6	2	2	7	93	<b>98</b>
<b>NIKKEI 300</b>	269	122	44	7	2	0.6	0.6	0.6	0.5	<b>0.2</b>

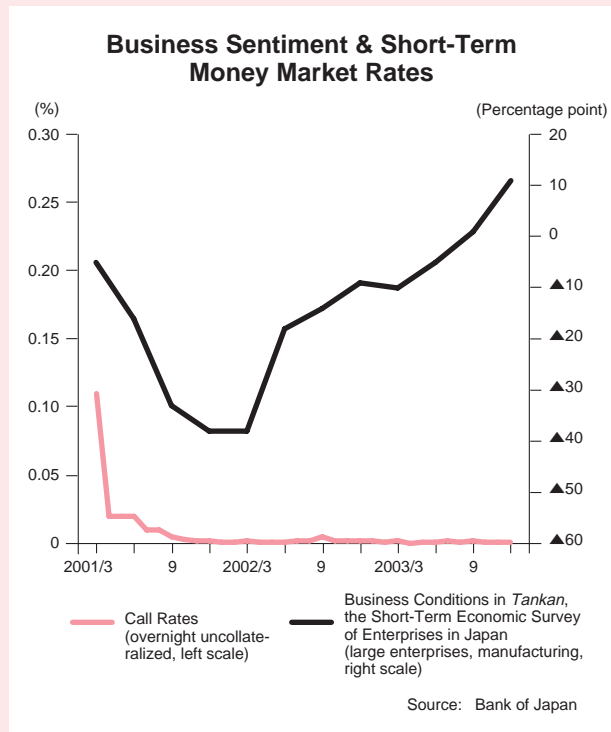
Note: NIKKEI 225 Options began trading in June 1989 while TOPIX Options began trading in October 1989. NIKKEI 300 Options began trading in February 1994.

Sources: Tokyo Stock Exchange, Osaka Securities Exchange

# Secondary Bond Markets

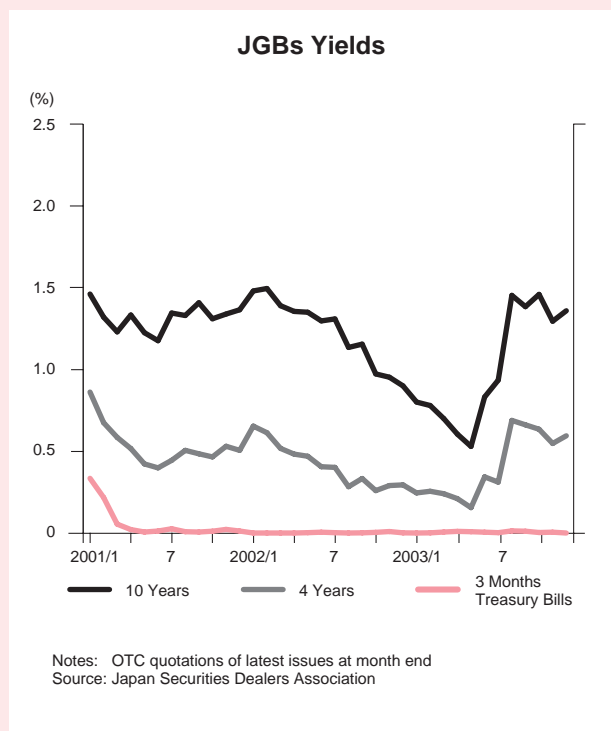
## BOJ's continued quantitative relaxation drives short-term rates to record low

With the Bank of Japan (BOJ) keeping its target for current account balances at a high level, the excess supply mood continued during the year. BOJ conducted additional financial relaxation measures successively throughout the year that pointed to continued quantitative relaxation, such as its first purchase of discounted commercial bills in open market operations to provide liquidity beyond fiscal year ended in March 2004. Mirroring such operations, the uncollateralized overnight call rate recorded minus 0.001% in June, and then moved in a tight box between 0.001% to 0.002%, rewriting the record low reached in last year.



## Long-term JGB yields fall to new low before rising in second half as stock prices increase

Bonds price movements contrasted sharply in the two halves of 2003. In the first half, the long-term JGB yield began the year at 0.905%, but declined amid pressure from spreading concern about economic deflation, hitting a historical low of 0.423% in early June. From mid-June, however, the yield improved considerably because of a recovery in corporate performances and positive economic indicators. At one point in September, the yield broke through the 1.6% mark. Following this, the market grappled with mixed signals: successful auctions of consecutive issues in JGBs proved a good balance of demand and supply in the market, but concerns were rising about an economic recovery as a result of rising stock prices. Consequently, up to the end of the year, the yield moved in a box around 1.3%.



## Public and corporate bond trading value is at high level

The total trading value (OTC and exchanges, including Repos) of bonds increased to ¥5,110 trillion due to an 85.3% upswing of trading value of Repos, to ¥2,527 trillion. It was the first time in sixteen years –since 1987– that total trading value exceeded ¥5,000 trillion.

In particular, the trading value of JGBs rose a substantial 41.0%, to ¥4,836 trillion. Of this amount, long-term JGBs expanded 36.5%, to ¥1,762 trillion. Medium-term JGBs jumped 67.4%, to ¥940 trillion, while ultra-long-term JGBs soared 114.8%, to ¥179 trillion.

### OTC Bond Trading (Including Repos)



## Major investors are in general net buyers

Looking at the breakdown of net purchases and sales, investment capital continued to flow into the bond market during the year against the backdrop of continued unclear prospects for the economy and potential continued quantitative relaxation policy by BOJ. As a result, major investors were in general net buyers.

Among major investors, city banks (including long-term credit banks) were substantial net sellers during a period of rising interest rates from June on. After making corrections in their positions, the city banks then became net buyers from October, and ended by increasing their overall net buyer position by 20.4% year on year. Among other major increases in net buyer positions, financial institutions for agriculture and forestry were up 62.1% and trust banks were up 63.5%.

### Net Purchases and Sales of Bonds by Major Investor Categories (Net Basis)



## Trading Value of Public and Corporate Bonds on the Tokyo OTC Market

(Trillions of Yen)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Total</b>	3,460.5	4,012.6	3,182.8	3,385.7	2,606.7	3,836.7	4,061.1	4,058.0	3,665.9	<b>5,110.2</b>
(Repos)	1,910.0	2,201.1	1,694.5	1,759.1	1,081.0	2,272.4	2,122.2	1,922.1	1,364.4	<b>2,527.9</b>
Monthly Average	288.3	334.3	265.2	282.1	217.2	319.7	338.4	338.1	305.4	<b>425.8</b>
<b>Total Government Bonds</b>	3,341.1	3,846.2	3,037.3	3,242.1	2,497.2	3,734.1	3,898.0	3,863.4	3,429.8	<b>4,836.1</b>
Long-term (over 10 years)	49.7	55.0	43.5	69.3	77.6	62.1	51.6	70.5	83.7	<b>179.8</b>
Long-term (10 and 6 year)	901.4	1,109.8	972.9	1,091.7	959.4	995.2	975.5	1,161.1	1,291.6	<b>1,762.5</b>
Med-term (2-to-4 years)	30.7	47.7	47.6	41.8	37.6	69.0	247.4	385.6	562.2	<b>940.9</b>
Med-term (zero-coupon 5 year)	1.2	1.4	0.7	3.6	1.0	0.7	1.3	2.7	2.1	<b>19.0</b>
Treasury Bills	1,535.5	1,849.9	1,339.2	1,396.0	1,419.0	1,521.8	1,066.0	803.6	464.9	<b>668.6</b>
Financing Bills	822.3	782.1	633.1	693.5	2.4	1,085.1	1,555.9	1,439.6	1,025.0	<b>1,265.0</b>
<b>Municipal Bonds</b>	5.6	8.5	8.3	7.6	7.0	6.7	10.9	13.2	20.3	<b>41.6</b>
<b>Gov. Sponsored Bonds</b>	23.6	29.6	24.2	26.2	20.4	15.4	31.8	28.4	43.6	<b>56.7</b>
<b>Fiscal Investment and Loan Program Agency Bonds</b>	—	—	—	—	—	—	—	0.3	3.2	<b>8.0</b>
<b>Total Corporate Bonds</b>	10.6	17.3	18.6	19.8	21.9	23.3	42.2	54.1	67.3	<b>83.6</b>
Electric Power Bonds	4.9	7.9	6.4	6.7	7.4	8.4	12.7	12.8	19.1	<b>21.6</b>
NTT Bonds	0.8	0.8	0.8	0.4	0.4	0.5	0.6	1.0	1.8	<b>1.7</b>
Business Corporation Bonds	4.1	6.9	10.0	11.9	13.6	11.6	25.1	36.7	43.2	<b>57.2</b>
Bonds with Subscription Rights	0.7	1.6	1.4	0.5	0.3	2.5	3.3	3.1	2.7	<b>2.7</b>
Convertible Bonds	0.7	1.6	1.4	0.5	0.3	2.5	3.3	3.1		
Bonds with Warrants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
<b>Bank Debentures</b>	53.2	68.0	55.1	54.9	32.9	31.8	39.2	50.6	48.6	<b>38.0</b>
<b>Samurai Bonds</b>	3.6	4.5	6.1	5.6	3.0	3.1	5.1	5.5	7.3	<b>5.3</b>
<b>Others</b>	22.2	38.1	32.8	29.2	23.9	21.9	33.4	42.1	45.1	<b>40.3</b>

Notes: 1. Others are nonpublic issue. 2. From 1994, 6-year bonds were included in long-term government bonds. 3. From 1994, Treasury Bills and Financing Bills transactions of money market dealers are included in those totals. 4. Bonds with Subscription Rights represents a new category created by a revision of the Commercial Code in 2002. It includes the previous categories of Convertible Bonds and Bonds with Warrants.

Source: Japan Securities Dealers Association

## Trading Value of Public and Corporate Bonds on Exchanges

(Trillions of Yen)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Total</b>	38.6	50.4	44.9	37.1	18.4	11.1	6.5	5.1	4.4	<b>2.6</b>
<b>Government Bonds</b>	7.7	10.0	11.9	9.7	3.7	0.0	0.0	0.0	0.0	<b>0.0</b>
<b>Bonds with Subscription Rights</b>	30.7	40.0	32.6	27.1	14.6	11.0	6.4	5.1	4.4	<b>2.6</b>
Convertible Bonds	30.7	40.0	32.6	27.1	14.6	11.0	6.4	5.1		
Bonds with Warrants	0.0	0.0	0.0	0.0	—	—	—	—		

Notes: 1. These figures represent 2 × domestic stock exchange turnover (one-way).

2. All 8 stock exchanges. As of March 2000, all 6 stock exchanges. Since March 2001, all 5 stock exchanges.

3. Bonds with Subscription Rights represents a new category created by a revision of the Commercial Code in 2002. It includes the previous categories of Convertible Bonds and Bonds with Warrants.

Source: All domestic stock exchanges

## Trading Value of Public and Corporate Bonds by Investor Categories

(Trillions of Yen)

	2001			2002			2003		
	Sales	Purchases	Net	Sales	Purchases	Net	Sales	Purchases	Net
<b>Total Financial Institutions</b>	173.1	254.4	-81.3	208.7	307.7	-99.0	<b>221.7</b>	<b>358.0</b>	<b>-136.3</b>
City Banks	78.6	99.2	-20.6	88.8	129.7	-40.8	<b>82.0</b>	<b>131.2</b>	<b>-49.2</b>
Regional Banks	10.4	18.8	-8.3	13.2	20.2	-6.9	<b>14.1</b>	<b>22.6</b>	<b>-8.4</b>
Trust Banks	52.6	69.4	-16.7	67.0	86.4	-19.3	<b>68.3</b>	<b>100.0</b>	<b>-31.6</b>
Financial Institutions for Agriculture and Forestry	6.3	14.0	-7.6	8.5	16.2	-7.6	<b>8.0</b>	<b>20.4</b>	<b>-12.3</b>
Shinkin Banks	7.8	19.5	-11.7	9.5	18.6	-9.0	<b>9.1</b>	<b>17.3</b>	<b>-8.1</b>
Other Financial Institutions	17.1	33.2	-16.1	21.3	36.4	-15.1	<b>39.9</b>	<b>66.3</b>	<b>-26.4</b>
<b>Life &amp; Non-Life Insurance Companies</b>	22.4	40.8	-18.3	20.3	27.3	-6.9	<b>16.5</b>	<b>20.9</b>	<b>-4.4</b>
<b>Investment Trusts</b>	10.2	52.9	-42.7	5.7	26.8	-21.1	<b>6.8</b>	<b>25.8</b>	<b>-19.0</b>
<b>Mutual Aid Association of Government Agencies</b>	1.0	1.8	-0.8	1.0	2.1	-1.1	<b>0.8</b>	<b>5.3</b>	<b>-4.5</b>
<b>Business Corporations</b>	0.3	2.7	-2.3	1.1	6.2	-5.0	<b>0.9</b>	<b>7.4</b>	<b>-6.5</b>
<b>Other Private Corporations</b>	1.1	4.7	-3.5	1.4	5.2	-3.7	<b>1.2</b>	<b>4.5</b>	<b>-3.3</b>
<b>Foreigners</b>	46.7	63.0	-16.2	52.3	66.9	-14.6	<b>57.2</b>	<b>76.2</b>	<b>-19.0</b>
<b>Individuals</b>	0.6	1.9	-1.2	0.6	3.1	-2.5	<b>0.6</b>	<b>1.3</b>	<b>-0.6</b>
<b>Others</b>	215.0	73.6	141.4	252.9	113.4	139.5	<b>279.5</b>	<b>114.7</b>	<b>164.7</b>
<b>Bond Dealers</b>	593.6	589.5	4.0	602.7	603.5	-0.7	<b>691.0</b>	<b>692.6</b>	<b>-1.6</b>
<b>Total</b>	1,064.5	1,085.7	-21.1	1,147.1	1,162.5	-15.4	<b>1,276.5</b>	<b>1,307.3</b>	<b>-30.8</b>

Notes: 1. Figures for sales and purchases are the aggregates of investor transactions and the trading value of securities companies and financial institutions through dealing excluding bond transactions with repurchase agreements.

2. Negative figures mean net purchases.

3. City Banks include Long-Term Credit Banks.

Source: Japan Securities Dealers Association

## Japanese Government Bond Futures

(One-way, trillions of Yen)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>10-year</b>	1,294	1,391	1,237	1,179	1,066	965	985	733	629	<b>638</b>
<b>20-year</b>	0.3	0.2	0.2	0.2	0	—	—	—	—	—
<b>5-year</b>	—	—	26	11	19	11	11	0.2	0	—

Notes: 1. 10-year and 20-year JGB Futures began trading on December 1985 and July 1988, respectively. Five-year JGB Futures began trading in February 1996.

2. 20-year JGB Futures trading ended in September 2002.

Source: Tokyo Stock Exchange



# Investment Trusts

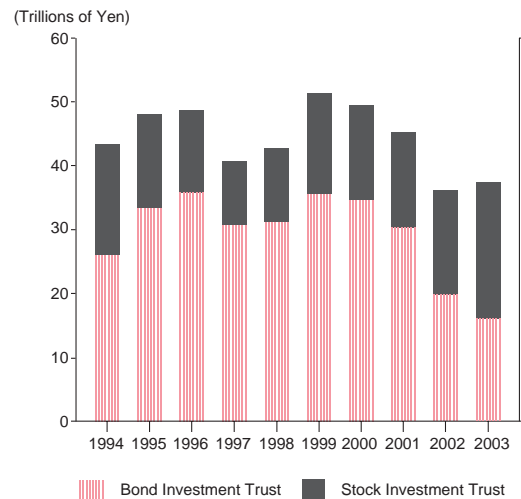
## 2003 year-end total assets of investment trusts rise for the first time in four years

Against the background of a vigorous stock market, total assets of investment trusts expanded greatly during the year.

Reflecting the higher stock prices, total assets of stock investment trusts climbed 30.3%, to ¥21,339.3 billion. On the other hand, total assets of bond investment trusts declined 18.1%, to ¥16,096.3 billion, as investors shunned the low interest rate yields.

Consequently, total assets of investment trusts at the end of 2003 increased 3.9%, to ¥37,435.6 billion, rising for the first time in four years.

**Total Assets Held in Stock and Bond Investment Trusts**



Source: The Investment Trusts Association

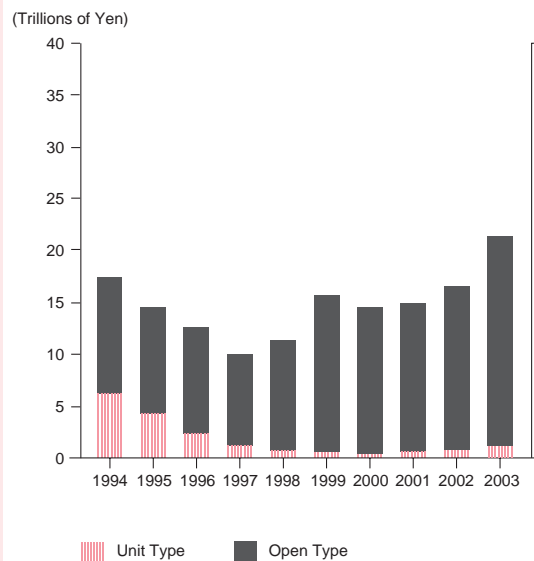
## Total assets of stock investment trusts rise significantly

At the end of December 2003, total assets of stock investment trusts were up 30.3%, to ¥21,339.3 billion as a result of the favorable conditions in the stock market. Although net increase of stock investment trusts were down 30.8% from the previous year, to ¥2,694.7 billion, there continued to be a net inflow of funds.

Of this amount, net assets held in open-ended trusts grew 28.7% to ¥20,178.0 billion. Contributing to this growth were an 18.0% increase in assets held in exchange-traded funds (ETFs), which have recorded gains since they were introduced in 2001, and rising stock prices.

There was a large flow of capital into unit-type trusts, with 139 new funds established during the year—the first time in six years that this number has exceeded 100. As a result, net assets held in unit-type trusts increased 66.4%, to ¥1,161.2 billion, expanding for the third consecutive year.

**Total Assets Held in Stock Investment Trusts (Unit and Open Type)**



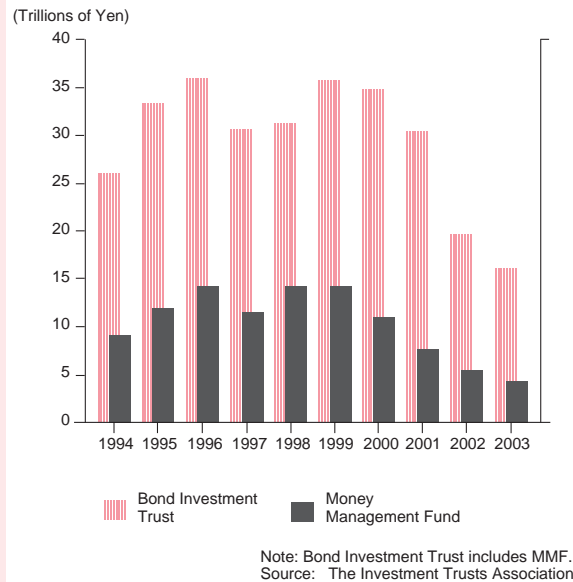
Source: The Investment Trusts Association

## Total assets of bond investment trusts fall for the fourth consecutive year

Total assets of bond investment trusts at the end of 2003 decreased 18.1%, to ¥16,096.3 billion, falling for the fourth consecutive year because investors were avoiding the prolonged low interest rates, resulting in significant outflow of funds in excess of ¥3,500 billion.

Looking at fund types, net assets held in money management funds (MMFs) plummeted 21.2%, to ¥4,350.2 billion as money continued to flow out of MMFs. This outflow is related to fund values falling below principal invested due to the Enron Corp. bankruptcy in the United States. Medium-term government securities (Chuki-kokusai) funds, which also dropped substantially in the last two years, continued their downward slide, declining 39.3%, to ¥1,505.0 billion.

### Total Assets Held in Bond Investment Trusts

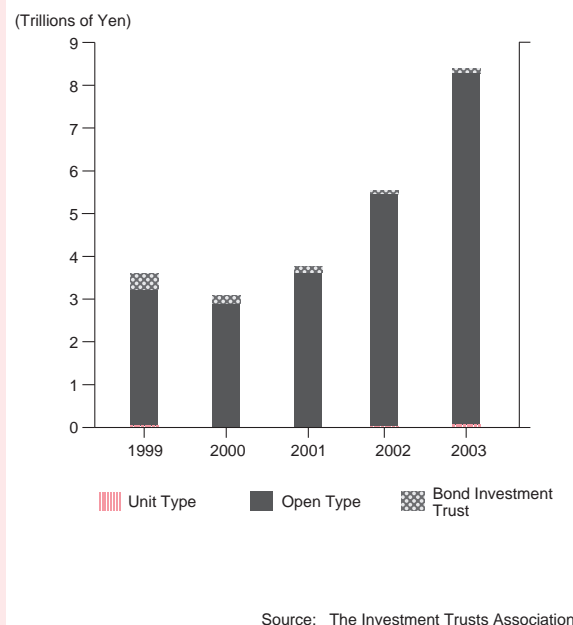


## Total assets held in foreign currency-denominated funds soar

Total assets held in foreign currency-denominated funds at the end of the year soared 51.8%, to ¥8,381.5 billion. Because of the difficult money management conditions in the domestic market created by the ultra-low interest rate climate, investors shifted funds to foreign government and corporate bond funds, which offer relatively high returns. Continuing from the past year, the balance type of funds that pay an income dividend monthly demonstrated well-rooted popularity.

Stock investment trusts, the mainstay of foreign currency-denominated funds, jumped 52.2%, to ¥8,279.2 billion. Looking at foreign currency-denominated investment funds by investment country, assets held in U.S. investments totaled ¥3,992.7 billion, accounting for 47.6%, while assets held in Australian investments came in second, at ¥520.8 billion or 6.2%.

### Total Assets Held in Foreign Currency-Denominated Investment



## Stock Investment Trust Gross Sales

(Billions of Yen)

	Total	Unit Type	Open Type	Held in ETFs
1994	10,346	1,799	8,547	—
1995	6,629	685	5,944	—
1996	10,510	785	9,725	—
1997	7,850	399	7,450	—
1998	7,982	165	7,817	—
1999	12,826	163	12,662	—
2000	14,259	251	14,008	—
2001	8,183	575	7,607	1,009
2002	8,590	407	8,183	2,393
<b>2003</b>	<b>9,643</b>	<b>906</b>	<b>8,736</b>	<b>1,061</b>

## Stock Investment Trust Assets

(Billions of Yen)

	Total	Unit Type	Open Type	Held in ETFs
1994	17,451	6,289	11,161	—
1995	14,681	4,301	10,379	—
1996	12,779	2,406	10,373	—
1997	9,986	1,222	8,763	—
1998	11,496	740	10,755	—
1999	15,696	573	15,122	—
2000	14,610	373	14,236	—
2001	14,905	617	14,288	889
2002	16,372	697	15,674	2,509
<b>2003</b>	<b>21,339</b>	<b>1,161</b>	<b>20,178</b>	<b>2,962</b>

Source: The Investment Trusts Association

## Bond Investment Trust Gross Sales and Assets

(Billions of Yen)

	Sales	Assets	Assets of Money Management Fund
1994	36,575	25,956	9,173
1995	41,209	33,275	12,001
1996	41,774	35,888	14,219
1997	44,504	30,662	11,563
1998	44,407	31,243	14,279
1999	64,036	35,657	16,790
2000	75,775	34,788	10,971
2001	69,518	30,375	7,722
2002	32,496	19,643	5,521
<b>2003</b>	<b>31,292</b>	<b>16,096</b>	<b>4,350</b>

## Foreign Currency-Denominated Investment Trust Assets

(Billions of Yen)

	Unit Type	Open Type	Bond	Total	Held in U.S. Investment
1994	387	1,292	1,220	2,899	1,460
1995	295	1,107	1,373	2,777	1,361
1996	160	1,169	1,558	2,888	1,542
1997	90	1,886	1,488	3,466	2,069
1998	74	4,336	817	5,228	2,661
1999	48	3,177	398	3,624	1,973
2000	12	2,871	175	3,059	1,685
2001	18	3,614	144	3,777	2,256
2002	19	5,418	84	5,523	2,992
<b>2003</b>	<b>59</b>	<b>8,219</b>	<b>102</b>	<b>8,381</b>	<b>3,992</b>

Source: The Investment Trusts Association

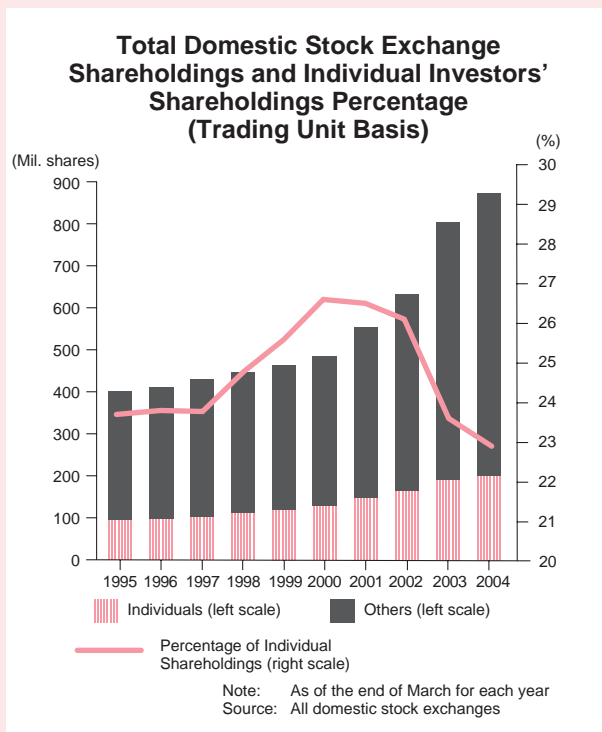
# Investor Trends

## Individual investors top 30 million for the fifth consecutive year

According to a survey by all domestic stock exchanges, the number of individual shareholders of listed stocks at the end of March 2004 rose for the eighth consecutive year, increasing 230 thousand to 34.0 million, and exceeding the 30 million mark for the fifth year in a row.

The percentage of shareholding by individual investors on a trading unit basis declined for the fourth consecutive year, edging down 0.7 percentage points, to 22.7%. In contrast, the percentage held by foreign investors hit a record high, at 19.7%.

According to the results of the JSDA's annual survey of the composition of shareholders of stocks listed on the Jasdak, the number of individual shareholders at the end of March 2004 amounted to 1.63 million, increasing by 140 thousand year on year, and expanding for the ninth year in a row. The Jasdak holdings of individual shareholders rose 1.6 percentage points from the previous year, to 49.9%.

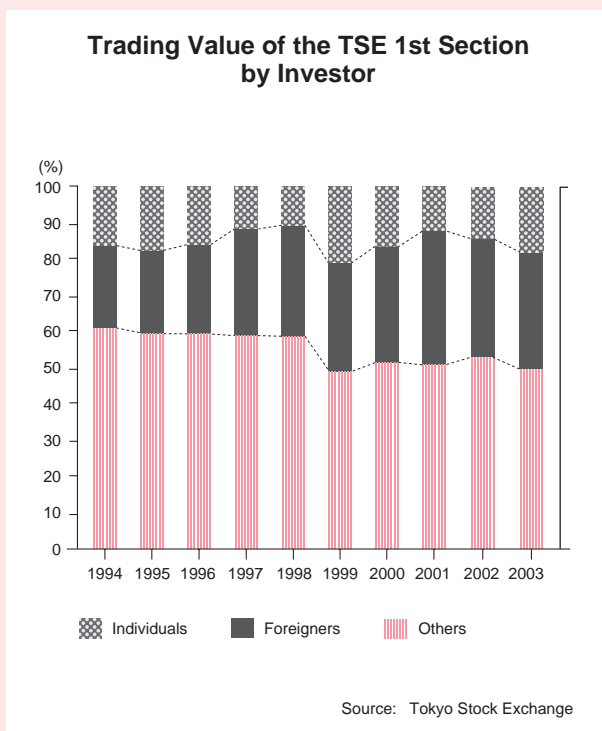


## Trading value of individual investors expands substantially

In 2003, the proportion of the total trading value of the First Section of the TSE accounted for by individual investors climbed 4.1 percentage points, to 18.1%, achieving a large gain for the second consecutive year. The gain can be attributed to rising stock prices and declining brokerage commissions due to the growing popularity of Internet trading, factors that boosted participation by individual investors.

On the other hand, the share of foreigners declined for the second consecutive year, falling 0.9 percentage points, to 32.1%. Nevertheless, this still represents a high level of activity and marks the sixth straight year that the share of foreigners has been above 30%.

Similarly, the share of trading value of individual investors on Jasdak market increased 3.5 percentage points year on year, to 48.7%, rising for the third year in a row. Conversely, the share of foreigners rose 3.7 percentage points, to 14.0%, growing for the first time in two years.

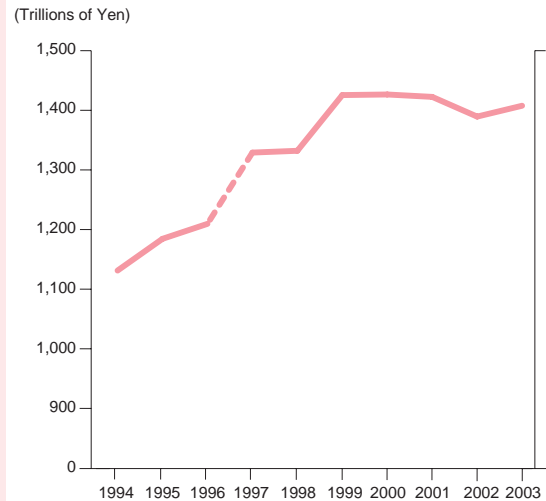


## Household financial assets recover to ¥1,400 trillion level

The household financial assets at the end of December 2003 advanced 1.3% or ¥18.1 trillion to ¥1,406.2 trillion recovering to the ¥1,400 trillion level.

One of the reasons for the growth in household financial assets was shares and other equities, which expanded due to the strong stock market. Although cash and deposits did expand, BOJ's ultra-low interest rate policy held growth to just 0.6%.

### Household Financial Assets



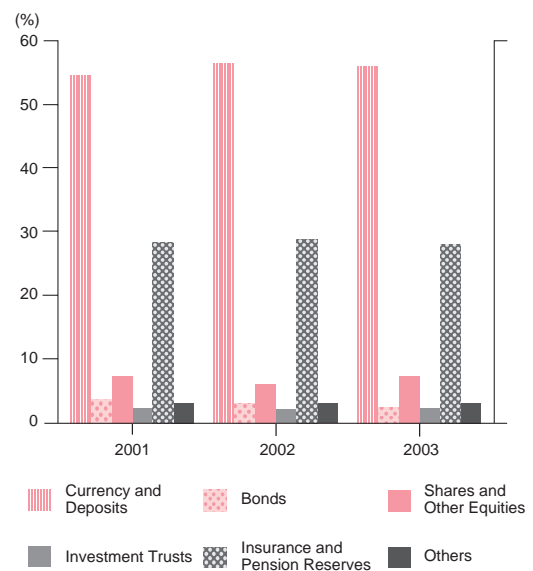
Note: The figures up to 1996 cannot be directly compared with those of 1997 onwards.  
Source: Bank of Japan

## Weighting rises for shares and other equities and investment trusts, falls for cash and deposits and bonds

Looking at the composition of household financial assets at the end of 2003, the proportion of shares and other equities rose 1.2 percentage points, to 7.4% while that of bonds edged down 0.5 percentage points, to 2.5%. The proportion of investment trusts climbed 0.2 percentage points, to 2.3%. Although the proportion of cash and deposits decreased 0.4 percentage points, it still accounted for 56.0% of household financial assets. The proportion of higher risk assets increased against a rising stock market and the prolonged ultra-low interest rate climate, but the preference for conservative investments remained strong.

Among regulatory changes, the government is proceeding with measures to deregulate the securities intermediary system to allow the participation of not only general business companies and individuals, but also financial institutions. The government is taking these steps to activate the securities market by encouraging the participation of a diverse group of investors in the market.

### Composition of Household Financial Assets



Source: Bank of Japan

## Shareholding by Type of Investor (Market Value Basis)

(Trillions of Yen)

	1995.3	1996.3	1997.3	1998.3	1999.3	2000.3	2001.3	2002.3	2003.3	2004.3
<b>Individuals</b>	61.9	75.9	65.0	58.5	62.4	82.9	68.9	61.0	48.6	<b>75.5</b>
<b>Government</b>	1.0	1.1	0.7	0.6	0.6	0.5	0.5	0.5	0.5	<b>0.7</b>
<b>Bank</b>	70.8	87.4	76.4	69.6	72.5	85.8	70.5	61.7	47.5	<b>67.5</b>
<b>Pension Trust</b>	5.0	7.0	8.0	11.8	15.6	23.1	19.6	18.6	13.6	<b>16.5</b>
<b>Investment Trust</b>	8.1	8.4	6.8	4.9	4.4	10.2	9.8	10.3	9.3	<b>13.6</b>
<b>Insurance Co.</b>	49.0	57.2	49.1	43.4	43.1	49.2	38.5	31.6	21.9	<b>29.5</b>
<b>Business Corp.</b>	86.2	105.8	85.8	75.9	83.5	120.1	77.4	67.5	50.7	<b>80.4</b>
<b>Foreigners</b>	25.2	40.9	40.0	41.1	46.5	85.9	66.5	56.7	41.8	<b>80.6</b>
<b>Securities Firms</b>	3.6	5.3	3.1	2.0	1.8	3.8	2.5	2.1	2.0	<b>4.4</b>
<b>Total</b>	311.1	389.4	335.4	308.0	330.8	461.9	354.7	310.5	236.4	<b>369.2</b>

Notes: 1. "Government" includes local public bodies.  
2. Figures refer to all exchange-listed stocks excluding foreign stocks.

## Proportion of Shareholding by Type of Investor (Market Value Basis)

(%)

	1995.3	1996.3	1997.3	1998.3	1999.3	2000.3	2001.3	2002.3	2003.3	2004.3
<b>Individuals</b>	19.9	19.5	19.4	19.0	18.9	18.0	19.4	19.7	20.6	<b>20.5</b>
<b>Government</b>	0.3	0.3	0.2	0.2	0.2	0.1	0.2	0.2	0.2	<b>0.2</b>
<b>Bank</b>	22.9	22.4	22.8	22.6	21.9	18.6	19.9	19.9	20.1	<b>18.3</b>
<b>Pension Trust</b>	1.6	1.8	2.4	3.8	4.7	5.0	5.5	6.0	5.8	<b>4.5</b>
<b>Investment Trust</b>	2.6	2.2	2.0	1.6	1.4	2.2	2.8	3.3	4.0	<b>3.7</b>
<b>Insurance Co.</b>	15.7	14.7	14.7	14.1	13.1	10.7	10.9	10.2	9.2	<b>8.0</b>
<b>Business Corp.</b>	27.7	27.2	25.6	24.6	25.2	26.0	21.8	21.8	21.5	<b>21.8</b>
<b>Foreigners</b>	8.1	10.5	11.9	13.4	14.1	18.6	18.8	18.3	17.7	<b>21.8</b>
<b>Securities Firms</b>	1.2	1.4	1.0	0.7	0.6	0.8	0.7	0.7	0.9	<b>1.2</b>

Notes: 1. "Government" includes local public bodies.  
2. Figures refer to all exchange-listed stocks excluding foreign stocks.

Source: All domestic stock exchanges

## Individual Shareholders

(Thousands, %)

	Shareholders	%Change	Population	%Change	% of Population
1995.3	27,208	-0.5	125,034	0.2	21.8
1996.3	27,038	-0.6	125,570	0.4	21.5
1997.3	27,373	1.2	125,864	0.2	21.7
1998.3	27,856	1.8	126,166	0.2	22.1
1999.3	28,300	1.6	126,486	0.3	22.4
2000.3	30,224	6.8	126,686	0.2	23.9
2001.3	32,150	6.4	126,920	0.2	25.3
2002.3	33,517	4.3	127,291	0.3	26.3
2003.3	33,771	0.8	127,435	0.1	26.5
<b>2004.3</b>	<b>34,005</b>	<b>0.7</b>	<b>127,619</b>	<b>0.1</b>	<b>26.6</b>

Notes: 1. The number of shareholders includes duplicated countings of shareholders who shares in more than one company.  
 2. Population figures are October census figures.  
 3. Figures refer to all exchange-listed stocks excluding foreign stocks.  
 4. Starting with the fiscal year ended March 31, 2002, the number of shareholders has been calculated based on the number of "tangen" trading units. (The calculation was made based on the number of "tan-i" trading units until March 31, 2001.)

Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, All Stock Exchanges

## Individual Shareholdings

(Thousands Trading Units, %)

	Individual Holdings	%Change	Outstanding	%Change	% of Outstanding
1995.3	104,385	3.5	444,881	4.5	23.5
1996.3	107,771	3.2	457,439	2.8	23.6
1997.3	112,573	4.5	477,143	4.3	23.6
1998.3	121,869	8.3	494,613	3.7	24.6
1999.3	130,536	7.1	514,367	4.0	25.4
2000.3	142,064	8.8	538,925	4.8	26.4
2001.3	161,657	13.8	614,259	14.0	26.3
2002.3	181,264	12.1	700,649	14.1	25.9
2003.3	209,054	15.3	892,001	27.3	23.4
<b>2004.5</b>	<b>219,614</b>	<b>5.1</b>	<b>968,985</b>	<b>8.6</b>	<b>22.7</b>

Notes: 1. One trading unit generally consists of 1,000 shares.  
 2. Figures refer to all exchange-listed stocks excluding foreign stocks.  
 3. Starting with the fiscal year ended March 31, 2002, the number of stocks and the percentage of shareholding by individuals have been calculated based on the number of "tangen" trading units. (The calculation was made based on the number of "tan-i" trading units until March 31, 2001.)

Source: All domestic stock exchanges



## Trading Value by Type of Investor (TSE 1st Section)

(Trillions of Yen)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Individuals</b>	23.9	24.2	26.9	21.9	17.5	65.5	67.7	42.0	46.8	<b>72.8</b>
<b>Bank</b>	22.4	19.3	26.5	33.4	31.9	40.6	56.0	40.9	35.7	<b>42.6</b>
<b>Insurance Co.</b>	2.5	2.8	2.2	2.1	2.3	4.1	5.9	4.3	3.3	<b>2.8</b>
<b>Investment Trust</b>	10.1	6.2	7.8	5.5	2.7	5.2	9.0	6.7	5.0	<b>5.7</b>
<b>Business Corp.</b>	7.5	6.8	6.8	6.4	5.9	11.3	11.0	7.1	7.4	<b>9.1</b>
<b>Foreigners</b>	33.1	31.6	42.2	55.0	51.9	93.3	137.4	128.6	110.5	<b>129.5</b>
<b>TSE Non-member</b>	3.1	2.8	3.2	2.9	2.2	4.9	8.5	5.2	5.3	<b>10.0</b>
<b>TSE Member</b>	45.5	44.9	56.1	61.4	53.5	85.5	126.4	113.8	120.1	<b>130.4</b>
<b>Total</b>	148.5	138.8	172.1	189.0	168.4	310.7	422.2	349.1	334.5	<b>403.4</b>

Notes: 1. "Bank" includes the other financial institutions category and "Business Corp." includes other corporations.  
2. "Trading Value" is the total of purchases and sales.

## Proportion of Trading Value (TSE 1st Section)

(%)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Individuals</b>	16.1	17.4	15.7	11.6	10.4	21.1	16.0	12.0	14.0	<b>18.1</b>
<b>Bank</b>	15.1	13.9	15.4	17.7	19.0	13.1	13.3	11.7	10.7	<b>10.6</b>
<b>Insurance Co.</b>	1.7	2.0	1.3	1.2	1.4	1.3	1.4	1.2	1.0	<b>0.7</b>
<b>Investment Trust</b>	6.8	4.5	4.6	2.9	1.6	1.7	2.1	1.9	1.5	<b>1.4</b>
<b>Business Corp.</b>	5.0	4.9	4.0	3.4	3.6	3.7	2.6	2.1	2.2	<b>2.3</b>
<b>Foreigners</b>	22.3	22.8	24.5	29.1	30.9	30.0	32.5	36.9	33.0	<b>32.1</b>
<b>TSE Non-member</b>	2.1	2.0	1.9	1.6	1.3	1.6	2.0	1.5	1.6	<b>2.5</b>
<b>TSE Member</b>	30.7	32.4	32.6	32.5	31.8	27.5	29.9	32.6	35.9	<b>32.3</b>

Notes: 1. "Bank" includes the other financial institutions category and "Business Corp." includes other corporations.  
2. "Trading Value" is the total of purchases and sales.

Source: Tokyo Stock Exchange

## Trading Value by Type of Investor (Jasdaq)

(Billions of Yen)

	1996	1997	1998	1999	2000	2001	2002	2003
<b>Individuals</b>	5,081.5	1,653.5	879.9	10,478.7	6,996.6	3,249.6	2,638.5	<b>4539.1</b>
<b>Bank</b>	585.2	329.8	200.0	993.7	1,236.8	373.5	314.1	<b>453.6</b>
<b>Insurance Co.</b>	65.6	23.0	8.6	35.3	51.3	20.8	13.7	<b>22.9</b>
<b>Investment Trust</b>	802.9	301.5	98.6	687.9	859.9	268.3	176.9	<b>237.0</b>
<b>Business Corp.</b>	767.1	396.7	235.1	1,115.8	751.4	277.8	215.0	<b>229.5</b>
<b>Foreigners</b>	1,337.9	967.4	677.3	2,545.7	3,151.5	850.4	603.3	<b>1300.2</b>
<b>Securities Firm</b>	74.2	32.5	14.3	458.9	570.7	345.0	275.2	<b>313.9</b>
<b>Proprietary Trading</b>	1,811.6	686.9	305.1	2,776.1	3,437.7	2,143.2	1,601.8	<b>2220.7</b>
<b>Total</b>	<b>10,526.4</b>	<b>4,391.9</b>	<b>2,419.3</b>	<b>19,092.8</b>	<b>17,056.2</b>	<b>7,528.8</b>	<b>5,839.0</b>	<b>9317.4</b>

Notes: 1. "Bank" includes the other financial institutions category and "Business Corp." includes other corporations.  
 2. "Securities Firm" means orders from other securities firms executed on an agency basis.  
 3. "Trading Value" is the total of purchases and sales.

## Proportion of Trading Value (Jasdaq)

(%)

	1996	1997	1998	1999	2000	2001	2002	2003
<b>Individuals</b>	48.3	37.6	36.4	54.9	41.0	43.2	45.2	<b>48.7</b>
<b>Bank</b>	5.6	7.5	8.3	5.2	7.3	5.0	5.4	<b>4.9</b>
<b>Insurance Co.</b>	0.6	0.5	0.3	0.2	0.3	0.3	0.2	<b>0.2</b>
<b>Investment Trust</b>	7.6	6.9	4.1	3.6	5.0	3.6	3.0	<b>2.5</b>
<b>Business Corp.</b>	7.3	9.0	9.7	5.8	4.4	3.7	3.7	<b>2.5</b>
<b>Foreigners</b>	12.7	22.0	28.0	13.3	18.5	11.3	10.3	<b>14.0</b>
<b>Securities Firm</b>	0.7	0.7	0.6	2.4	3.3	4.6	4.7	<b>3.4</b>
<b>Proprietary Trading</b>	17.2	15.6	12.6	14.5	20.2	28.5	27.4	<b>23.8</b>

Notes: 1. "Bank" includes the other financial institutions category and "Business Corp." includes other corporations.  
 2. "Securities Firm" means orders from other securities firms executed on an agency basis.  
 3. "Trading Value" is the total of purchases and sales.

## Net Purchases by Type of Investor (TSE 1st Section)

(Billions of Yen)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Individuals</b>	-2,033	-250	-1,967	-703	-654	-1,842	-1,622	-602	-200	<b>-1,598</b>
<b>Bank</b>	2,094	-506	2,869	4,040	4,825	-974	2,544	1,790	1,457	<b>-4,284</b>
<b>Insurance Co.</b>	-392	-1,658	-507	-895	-1,010	-1,425	-164	-926	-704	<b>-909</b>
<b>Investment Trust</b>	-1,504	-978	-974	-1,254	-402	353	1,858	448	13	<b>-126</b>
<b>Business Corp.</b>	-1,452	-878	-843	-135	-573	-1,600	-1,130	-102	869	<b>96</b>
<b>Foreigners</b>	3,615	3,579	3,160	1,372	-443	8,463	-2,412	1,113	622	<b>7,193</b>
<b>TSE Non-member</b>	-171	4	-127	64	-30	72	138	-50	-43	<b>-151</b>
<b>TSE Member</b>	514	1,121	-910	-2,062	-1,331	-2,580	1,108	-1,362	-1,988	<b>-39</b>

Note: "Bank" includes the other financial institutions category and "Business Corp." includes other corporations.  
Source: Tokyo Stock Exchange

## Net Purchases by Type of Investor (Jasdaq)

(Billions of Yen)

	1996	1997	1998	1999	2000	2001	2002	2003
<b>Individuals</b>	-265.2	-131.7	-79.9	-324.0	-405.0	-58.4	-103.1	<b>-158.2</b>
<b>Bank</b>	108.5	51.3	4.6	23.3	181.8	11.7	24.5	<b>-36.3</b>
<b>Insurance Co.</b>	2.0	2.8	2.3	-1.1	16.8	1.5	-2.8	<b>-5.7</b>
<b>Investment Trust</b>	103.1	-47.9	-1.8	135.4	154.9	45.7	11.9	<b>-16.4</b>
<b>Business Corp.</b>	-75.2	-11.3	12.3	-179.0	-94.1	-22.2	6.3	<b>-9.9</b>
<b>Foreigners</b>	125.3	102.8	55.8	138.3	30.1	-16.3	-1.6	<b>38.8</b>
<b>Securities Firm</b>	0.8	1.1	0.0	18.6	3.2	24.3	9.7	<b>21.9</b>
<b>Principal Trading</b>	-21.6	-22.0	-10.0	17.3	14.0	23.0	15.0	<b>61.0</b>

Notes: 1. "Bank" includes the other financial institutions category and "Business Corp." includes other corporations.  
2. "Securities Firm" means orders from other securities firms executed on an agency basis.  
Source: Japan Securities Dealers Association

## Household Financial Assets

(Trillions of Yen)

	2001	2002	2003
<b>Currency and Deposits</b>	770.7	782.4	<b>787.7</b>
<b>Bonds</b>	52.0	42.2	<b>35.6</b>
<b>Shares and Other Equities</b>	105.3	86.4	<b>104.0</b>
<b>Securities Investment Trusts</b>	32.2	28.4	<b>32.3</b>
<b>Insurance and Pension Reserves</b>	400.7	399.2	<b>394.2</b>
<b>Others</b>	45.8	42.6	<b>44.9</b>
<b>Total</b>	<b>1,414.2</b>	<b>1,388.1</b>	<b>1406.2</b>

Note: "Bonds" includes trust beneficiary rights.

## Composition of Household Financial Assets

(%)

	2001	2002	2003
<b>Currency and Deposits</b>	54.5	56.4	<b>56.0</b>
<b>Bonds</b>	3.7	3.0	<b>2.5</b>
<b>Shares and Other Equities</b>	7.4	6.2	<b>7.4</b>
<b>Securities Investment Trusts</b>	2.3	2.1	<b>2.3</b>
<b>Insurance and Pension Reserves</b>	28.3	28.8	<b>28.0</b>
<b>Others</b>	3.2	3.1	<b>3.2</b>

Note: "Bonds" includes trust beneficiary rights.

# Major Economic Indicators

## Major Interest Rates, Yields and Economic Indicators

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Official Discount Rate	%	1.75	0.50	0.50	0.50	0.50	0.50	0.50	0.10	0.10	<b>0.10</b>
Call Rate (Uncollateralized Overnight)	%	2.28	0.46	0.44	0.47	0.32	0.05	0.20	0.002	0.002	<b>0.001</b>
CDs 3-to-6 months	%	2.219	1.180	0.557	0.562	0.694	0.223	0.217	0.088	0.026	<b>0.008</b>
Repos 3 months	%	2.054	0.228	0.249	0.231	0.141	0.067	0.324	0.010	0.003	<b>0.001</b>
Bank Debentures 5 year	%	3.995	1.853	1.721	1.633	1.930	1.274	1.259	1.087	0.399	<b>0.663</b>
Newly Issued JGBs 10 year	%	4.570	3.190	2.760	1.910	1.970	1.645	1.640	1.365	0.900	<b>1.360</b>
JGBs Futures 10Y yield	%	4.735	3.356	2.882	2.326	2.509	2.047	1.860	1.575	1.262	<b>1.606</b>
Corporate Bonds 12 year	%	4.820	3.504	3.115	2.825	3.024	2.059	2.003	1.616	1.141	<b>1.892</b>
Prime Rate (Short-term)	%	3.000	1.625	1.625	1.625	1.500	1.375	1.500	1.375	1.375	<b>1.375</b>
Prime Rate (Long-term)	%	4.900	2.600	2.500	2.300	2.200	2.200	2.100	1.850	1.650	<b>1.700</b>
M2+CDs	%	2.1	3.0	3.3	3.1	4.0	3.6	2.1	2.8	3.3	<b>1.7</b>
GDP Nominal	Trillions of Yen	491.2	500.0	514.1	520.6	512.4	508.0	513.2	500.9	497.6	<b>501.3</b>
Change in GDP Nominal	%	2.2	1.8	2.8	1.3	-1.6	-0.9	1	-2.4	-0.7	<b>0.7</b>
GDP Real	Trillions of Yen	489.2	500.9	519.0	521.9	516.5	520.9	536.8	530.4	536.5	<b>553.6</b>
Change in GDP Real	%	2.3	2.4	3.6	0.6	-1	0.9	3	-1.2	1.1	<b>3.2</b>
Contributions to Changes in GDP (Domestic Demand)	%	2.5	3	3.7	-0.4	-1.2	0.8	2.8	-0.6	0.4	<b>2.4</b>
Private Demand	%	2.1	1.8	3.6	-0.1	-1.7	0.1	2.6	-0.7	0.3	<b>2.9</b>
Public Demand	%	0.4	1.2	0.1	-0.3	0.5	0.7	0.2	0	0	<b>-0.6</b>
Change in Industrial Production Index of Mining and Manufacturing	%	3.1	2.1	3.3	1.1	-6.8	2.6	4.3	-9.1	2.8	<b>3.5</b>
Change in Consumer Price Index	%	0.4	-0.3	0.4	2.0	0.2	-0.5	-0.6	-1.0	-0.6	<b>-0.2</b>
Wholly Unemployed Ratio	%	2.9	3.2	3.3	3.5	4.3	4.7	4.7	5.2	5.4	<b>5.1</b>
Change in Employees	%	0.6	0.7	1.3	0.8	-0.7	-0.5	0.9	-0.3	-0.5	<b>0.2</b>
Yen / Dollar Rate	Yen / Dollar	99.83	102.91	115.98	129.92	115.20	102.08	114.90	131.47	119.37	<b>106.97</b>

Notes: 1. Major interest rate and "Yen / Dollar Rate" are as of the end of year.  
2. Figures of GDP relational is as of the end of fiscal year.  
3. "% Change" is compared to the preceding year.

Sources: Bank of Japan, Cabinet Office, Ministry of Public Management, Home Affairs, Posts and Telecommunications, Ministry of Economy, Trade and Industry, Japan Bond Trading Co., Tokyo Stock Exchange, Japan Securities Dealers Association

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## **Securities Industry Performance and Market Overview**

Published September 2004

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