

## Message from the Chairman

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Chairman : Takeo TAKAHASHI

The Securities and Exchange Surveillance Commission (SESC) was established in July 1992, as an independent authority whose main mission is to ensure fair transactions in the securities and financial futures markets, and to maintain the confidence of investors in these markets.

This annual report is on the SESC's activities in the 2002 SESC year (July 2002 - June 2003).

It goes without saying that the securities markets, where money is invested and raised, must be operated properly for the sound development of the national economy. As the foundation of such proper markets, the fairness of each transaction must be ensured so that investors can participate in the markets without any anxiety or suspicion about the markets.

In Japan, it has been stressed that, in addition to indirect financing through the banking sector, the development of direct financing mainly through the securities markets and the further

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participation of individual investors in the securities markets are quite essential for the revitalization and sustainable development of its economy. Under such circumstances, the SESC is expected to enhance and strengthen its market surveillance functions to encourage individual investor's participation in the securities markets, and therefore, the SESC's role is becoming increasingly important.

In addition, due to a recent increase in cross-border securities trading, we need to address unfair cross-border activities, which would impair the fairness of the markets in respective jurisdictions. To cope with such cross-border issues, the SESC exchanges and shares information with foreign regulatory organizations. The SESC is also making efforts to enhance the quality and effectiveness of its operation while looking into the cases of unfair activities in other countries, such as the Enron case in the United States.

Referring to the issues mentioned above, this report summarizes the SESC's activities on maintaining investors' confidence in the securities markets.

I hope that this report is useful to securities companies operating in Japanese markets in further enhancing the level of their compliance. I also expect that this report will be helpful for foreign securities regulators and securities service providers in having a better understanding on our activities.

高橋武生

Takeo TAKAHASHI

*Chairman*

*Securities and Exchange Surveillance Commission*