

Message from the Chairman



Chairman: Takeo TAKAHASHI

The Japanese Securities and Exchange Surveillance Commission (SESC) is carrying out its mission of ensuring fair trade in both securities and financial futures markets in Japan and maintaining the confidence of investors in these markets.

The SESC was founded in 1992 and has been in its 5th term (3 years each term) since July 2004.

This annual report covers the SESC's main activities in the 2004 SESC year (July 1, 2004-June 30, 2005).

Recently we have seen markets changing through the appearance of various derivative products, such as the financial products with embedded options, and new types of developed structure, while the globalization of financial transactions and the development of IT have been advancing.

Under such circumstances, it has been getting more important than ever to improve and to strengthen our surveillance activities; therefore, the Securities and Exchange Law was amended in June 2004, and the function of the SESC has been reinforced by the introduction of an administrative civil money penalty system (since April 2005) and expanded its authority delegated to conducting inspections on market intermediaries (since July 2005).

The SESC, while preparing properly for such an environment as the one explained above, endeavors to ensure fairness of transactions and to maintain the confidence of investors in the markets.

This report takes these issues into consideration and summarizes the SESC's activities in the last SESC year for maintaining investors' confidence in the securities markets.

I hope that this report will be useful for market operating in Japanese markets in further enhancing the level of their compliance with laws. In addition, I expect the report to become instrumental to foreign securities and for derivatives regulatory authorities and intermediaries

service providers in having a better understanding of our activities.

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高橋武生

Takeo Takahashi
Chairman
Securities and Exchange Surveillance Commission