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# International Competition among Markets and Challenges for Japanese Exchanges

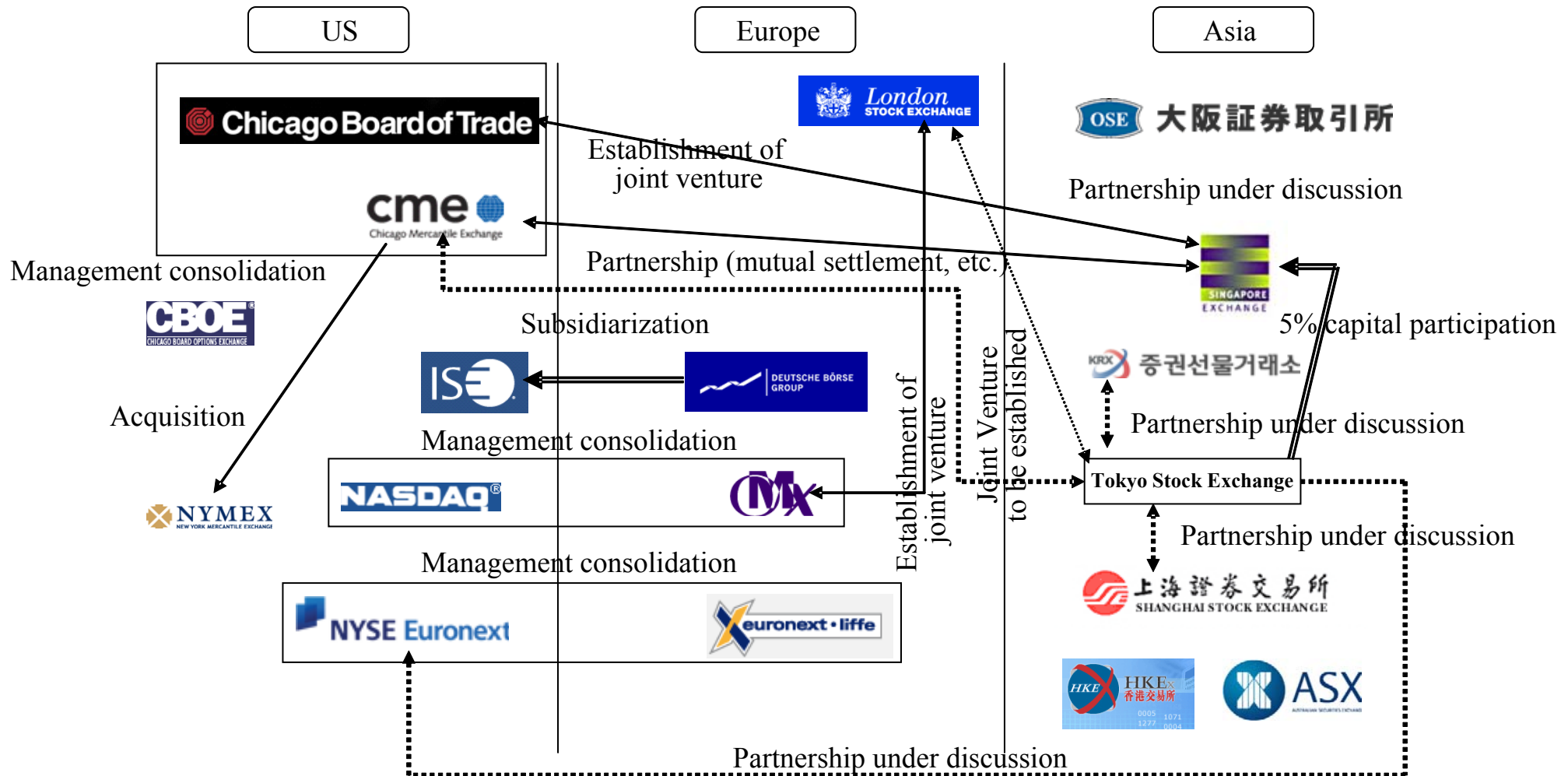
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# International Competition between Markets



# Challenges for Japanese Exchanges

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- Can they establish management strategy that is effective under the rapidly changing environment?
  - Although many of them have been, or is being, incorporated, they still seem to be plagued with red tapism.
  - Not very competitive in the growing derivatives market.
  - Markets for emerging companies, which used to be the focal point of competition, are stagnant these days.
  
- Can they avoid being left behind from the trend of international restructuring?
  - Full-fledged restructuring at home has just started (consolidation of Osaka Stock Exchange and JASDAQ, tie-ups of Securities Exchanges and Commodities Exchanges, etc.).
  - Restrictions on shareholdings could prevent them from joining international groups.
  
- Are there not any concerns about systems?
  - Exchange systems around the world are fast evolving.
  - Tokyo Stock Exchange had system troubles as recently as earlier this year.

# Unending fraudulent disclosures

Orders and Recommendations for Payment of Levies due to Fraudulent Descriptions in Legal Disclosure Document

Date of recommendation (order)	Company	Exchange	Amount of Levies	Responses of Exchanges
Nov. 22, 2006 (Dec. 6)	Higashi Nihon House	JASDAQ	2 mil. yen	Submitted Improvement Report Nov. 2006, resubmitted Apr. 2008
Dec. 6, 2006 (Dec. 27)	TTG	JASDAQ	131.33 mil. yen	Delisted Jan. 2007
Dec. 18, 2006 (Jan. 5, 2007)	Nikko Cordial Group	TSE 1st Section	500 mil. yen	Submitted Improvement Report Mar. 2007, delisted Jan. 2008 after being acquired by Citigroup
Apr. 17, 2007 (May 10, 2007)	A & I System	OSE Hercules	22.59 mil. yen	Submitted Improvement Report Feb. 2007, delisted Oct. 2007 after business consolidation with LAC
June 26, 2007 (July 13, 2007)	Nextware	OSE Hercules	231,200 yen	Submitted Improvement Report Oct. 2006
July 18, 2007 (Aug. 7, 2007)	Tonichi Carlife Group	TSE 1st Section	6 mil. yen	Submitted Improvement Report Feb. 2007, resubmitted Aug. 2007
Nov. 20, 2007 (Dec. 5, 2007)	NITTOC	TSE 1st Section	3,499,999 yen	Submitted Improvement Report Aug. 2007
Dec. 21, 2007 (Jan. 18, 2008)	Netmarks	TSE 2nd Section	3 mil. yen	Submitted Improvement Report Oct. 2007
Dec. 25, 2007 (Jan. 18, 2008)	Sanyo Electric	TSE 1st Section	8.3 mil. yen	Submitted Improvement Report Feb. 2008
Feb. 1, 2008 (Feb. 21, 2008)	ASCII Solutions	OSE Hercules	19.57 mil. yen	Delisted May 2008
Mar. 14, 2008 (Apr. 3, 2008)	Maruzen	TSE 1st Section	16.6 mil. yen	Submitted Improvement Report May 2007
Apr. 15, 2008 (May 9, 2008)	Misawa Homes Kyushu	Fukuoka SE	1,999,999 yen	Delisted Jan. 2007
Apr. 22, 2008 (May 16, 2008)	Seta	JASDAQ	3 mil. yen	Delisted Jan. 2008
June 3, 2008 (June 19, 2008)	Crymson	JASDAQ	5 mil. yen	Submitted Improvement Report Feb. 2008
June 19, 2008 (July 9, 2008)	IHI	TSE 1st Section	1,594,579,999 yen	Submitted Improvement Report Feb. 2008, specified as securities on alert
July 3, 2008 (Aug. 1, 2008)	Magara Construction	TSE 1st Section	24,999,999	Specified as securities on alert in Mar. 2008, delisted Aug. 2008

# Restoration of Market Trust is a Challenge

Cases where Criminal Charges were Filed or Considered due to Fraudulent Descriptions in Legal Disclosure Document (2006~)

Date	Company	Exchange	Details
Mar. 2006	Livedoor	TSE Mothers Delisted Apr. 2006	Criminal charges filed against former president, etc. Found guilty at Tokyo District Court Mar. 2007 and Tokyo High Court July 2008. Currently on appeal.
Feb. 2007	Sanbishi	Nagoya SE 2nd Section Sought court protection. Delisted Nov. 2005	Criminal charges filed against former president, etc. Found guilty at Nagoya District Court May 2007. Definitive judgment.
May. 2007	NIWS	TSE 2nd Section Sought court protection. Delisted June 2008	It is reported that a detailed investigation to be underway with a view to press criminal charges against former management.
June 2007	OHT	TSE Mothers Submitted Improvement Report Apr. 2008	Criminal investigation launched due to suspicion of involvement of former president
June 2007	Access	JASDAQ Assigned to monitoring post Apr. 2008	Criminal charges filed against former president, etc.
June 2007	IXI	TSE 2nd Section Sought court protection. Delisted Feb. 2007	Criminal charges filed against former president, etc.
Aug. 2007	Asia Media	TSE Mothers Audit opinion not expressed, to be delisted Sept. 2008	TSE brought accusation against former CEO to Chinese authority.
Sept. 2007	Produce	JASDAQ	Securities and Exchange Surveillance Commission launched investigation.

# (Reference)Sharp Decreases in IPOs

No. of IPOs and Listed Companies on Markets for Emerging Corporations

	TSE Mothers	JASDAQ	Hercules	Others	Total
1999	2	73	-	0	75
2000	27	97	40	0	164
2001	7	98	43	2	150
2002	8	70	24	0	102
2003	31	63	11	1	106
2004	56	71	18	7	152
2005	36	68	22	16	142
2006	41	59	38	21	159
2007	23	54	28	9	114
2008 (up to June)	8	9	3	2	22
Cumulative No. of IPOs, 1999 - 2007	239	662	227	58	1,186
No. of Listed Companies, end 2007	198	979	172	54	1,403

(Note) “Others” are total for Centrex (Nagoya), Ambitious (Sapporo) and Q-BOARD (Fukuoka)

(Source) Prepared from materials of securities exchanges