

Dividend **Reinvestment** Plan

Dear Shareholder,

## Dividend Reinvestment Plan

The Company offers a dividend reinvestment plan (the "Plan") which allows shareholders to reinvest their cash dividend in shares bought on the London Stock Exchange through a specially-arranged sharedealing service. This brochure explains how the Plan operates.

If you choose to join, the cash dividend will be used to buy J Sainsbury Ordinary 25p shares. A dealing commission of 0.5 per cent of the value of shares purchased and stamp duty reserve tax (currently 0.5 per cent) will be charged and deducted from the dividend.

If you are an employee of the Company and have shares in the J Sainsbury Profit Sharing Scheme Share Trust, the Trustees of this Scheme are pleased to offer participants the opportunity to direct the Trustees to elect to participate in the dividend reinvestment plan, subject to its terms and conditions.

If you wish to join the Plan you should complete and sign the enclosed mandate form and return it in the prepaid envelope. Take no action and you will continue to receive a cash dividend.

Yours sincerely



Tim Fallowfield  
Group Secretary

Registered office as above  
Registered number 185647 England

This brochure forms the terms and conditions of the J Sainsbury plc Dividend Reinvestment Plan. Please read it carefully and retain it in case you need to refer to it in the future.

The information provided in this brochure should not be regarded as a recommendation to buy or hold shares in J Sainsbury plc. The value of shares and the income from them can fall as well as rise and you may not recover the amount of money you invest. If you are in any doubt about what you should do, you should consult an independent financial adviser.

If you have any enquiries about the dividend reinvestment plan, you can write to:

The Plan Administrator  
PO Box 82  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 7NH

or telephone: 0870 702 0106

## About the Plan

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### 1 Why is the dividend reinvestment plan being offered to shareholders?

When the J Sainsbury Share Dividend Alternative Scheme ended in July 1998, following a change in the tax laws, shareholders told us that they would like a way to use their dividends to obtain shares in the Company. The Plan allows shareholders to use their dividends to buy shares in J Sainsbury. Unlike the Share Dividend Alternative Scheme, shares are bought on the London Stock Exchange and no new shares are created, thus avoiding a dilution in the value of existing shares.

### 2 How will the Plan operate?

For the forthcoming dividend, shareholders will be paid a cash dividend and given the opportunity to reinvest it in J Sainsbury shares through a special dealing arrangement. If shareholders join the Plan, then as many shares as possible will be purchased for them from their cash dividend. 0.5 per cent dealing commission and stamp duty reserve tax at the prevailing rate (currently 0.5 per cent) will be charged. Purchases are made on, or as soon as reasonably practicable after, the relevant dividend payment date. The purchases are made on an execution only basis. The Plan Administrator is required to keep client monies in a client account and is responsible for all purchase monies in its possession.

### 3 How is this different from a scrip dividend scheme?

Under a dividend reinvestment plan, a company pays a cash dividend which is then used to buy existing shares on the open market. In a scrip dividend scheme the company creates new shares instead of paying a cash dividend.

### 4 Who can join?

All Shareholders may participate in the Dividend Reinvestment Plan provided they do not live in, or are subject to the jurisdiction of any country that would require J Sainsbury plc or the registrar, Computershare Investor Services PLC to comply with local government or regulatory procedures or any similar formalities.

Shareholders who do not live in the UK are personally responsible for ensuring that they are legally permitted to join the Plan and for completing any necessary formalities. If there is any doubt regarding a shareholder's suitability to join the Plan, they should contact their independent professional advisor.

Should it materialise that you are subject to the jurisdiction of such a country the Plan Administrator, may at its discretion, cancel your participation in the Plan.

Where local legislation prohibits participation in the Plan, this documentation should be regarded as information only.

Employees in the J Sainsbury Group of companies designated as relevant employees for the purposes of sharedealing will need to make a notification of shares purchased on their behalf under the Company's Model Code rules.

### 5 Who will administer the Plan?

The Plan is operated by Computershare Investor Services PLC or such successor administrator as may be appointed from time to time.

### 6 How much will it cost me to join?

There is no entry fee but shareholders will be charged a dealing commission of 0.5 per cent of the value of shares bought. You will also have to pay stamp duty reserve tax at the prevailing rate (currently 0.5 per cent).

For example, if a £50 dividend is used to buy shares for you, 50p would be deducted from the dividend to cover the dealing charge and stamp duty reserve tax.

### 7 At what price will the shares be bought and how many shares will I receive?

This will depend on the price of J Sainsbury plc shares on the London Stock Exchange when the deal is carried out. The shares will be bought at the best price available at the time of dealing. You cannot specify a maximum or minimum price.

It may be necessary to carry out several market transactions in order to acquire the number of shares needed for the Plan.

The prices at which the shares are purchased may vary between transactions, in which case deal prices will be averaged with all shareholders receiving the same price and this may operate to your advantage or disadvantage.

### 8 What happens when money is left over after shares have been bought?

Because only whole shares will be bought, there will usually be a cash surplus left over afterwards that is insufficient to buy another whole share. This cash surplus will be carried forward without interest and added to future cash dividends for reinvestment in J Sainsbury plc shares.

However, in the following circumstances any cash surplus will be paid out without interest:

- If you send a written request to the Plan Administrator. However, any such request will also be treated as a notice that you wish to withdraw from the Plan
- Any cash surplus of £3.00 or over will be returned to you in any of the following circumstances:
  - if you withdraw from the Plan
  - if you sell or transfer your shares
  - if the Plan Administrator receives proper notice of a shareholder's bankruptcy or mental incapacity
  - if the Plan Administrator receives proper notice of a corporate shareholder being placed in liquidation
- If the Plan Administrator receives proper notice of a shareholder's death, any cash surplus of £3.00 or over will be returned to the deceased's estate
- Any cash surplus of £2.99 or less will be donated to a registered charity of the Company's choice if any of the events described above occur, unless a written request has been received to do otherwise.

### 9 Will the Plan apply to future dividends?

It is envisaged that the Plan will continue to operate for the foreseeable future. However, the Plan Administrator reserves the right to suspend or terminate the Plan at any time, in which case notice shall be given to all participants. The Plan Administrator may amend the Plan without notice where the amendment is required by reason of a statutory or regulatory provision, and the Plan Administrator shall inform participants in writing of the amendment as soon as practicable. In any other case the Plan Administrator may amend the Plan by thirty days written notice to participants. Such amendment may include revision of the costs and charges associated with the Plan. The Plan Administrator is not obliged to make the Plan available for any particular dividend.

## What you should do

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### 10 What should I do if I want to join the dividend reinvestment plan?

To join, simply complete and sign the mandate form enclosed and return it to the Plan Administrator in the prepaid envelope provided. The form must be received at least fifteen working days prior to the dividend payment date. Applications received by the Plan Administrator after that date will be effective for the following dividend.

Once a shareholder has elected to participate in the Plan, all future dividends will be reinvested under the Plan until either the shareholder withdraws from the Plan (see question 11) or the Plan is suspended.

### 11 If I join the Plan now, how can I withdraw from it in the future?

You can withdraw from the Plan at any time by writing to the Plan Administrator. Your written notice must be received no later than fifteen working days before the dividend payment date if you do not wish to be included in the Plan for that dividend. If you sell some of your shares or buy further shares we will assume you wish to continue to participate in the Plan, unless you notify us otherwise.

If you send a request to the Plan Administrator for surplus cash to be returned to you (see question 8), this will be treated as a notice that you wish to withdraw from the Plan.

If the Plan Administrator receives proper notice of a shareholder's death, bankruptcy or mental incapacity (or, in the case of a corporate shareholder, liquidation) participation in the Plan will cease unless the shares are held jointly with others.

### 12 Can I join the Plan for just some of my shares?

No. For administrative reasons, you have to join the Plan for either your entire shareholding or not at all.

The only possible exception to this rule is for very large corporate shareholdings, for which the Plan Administrator may permit reinvestment on a lesser number of shares than the full holding, this partial reinvestment applying for that dividend payment only.

### 13 What documents will I receive?

You will receive a share purchase advice which will tell you how many shares have been purchased for you, a tax voucher and a share certificate or CREST notification.

All documents will be sent by post at the shareholder's risk within fifteen working days of the dividend payment date. Neither the Company nor the Plan Administrator shall be liable for any accidental failure to receive any document. All notices shall be sent to the first named shareholder at the address on the share register.

### 14 What happens if I am a CREST sponsored member?

If you are a CREST sponsored member, you will receive a CREST notification instead of a share certificate. The CREST notification will show the additional shares credited to your CREST account.

## Other Information

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### 15 How does joining the Plan affect my tax position?

**Income tax:** You are liable for income tax on dividends reinvested under the Plan on the same basis as if you had received the cash and arranged the investment yourself. You should therefore include the dividend in your tax return in the normal way.

**Capital gains tax:** You may be liable to capital gains tax if you dispose of the shares.

**If you are in any doubt about your tax position, you should consult an independent financial adviser authorised under the Financial Services Act 1986. Tax legislation can change from time to time.**

### 16 Who will carry out the purchase of shares?

Instructions to purchase shares shall be placed with Barclays Stockbrokers Limited or any other broker (the "Broker") that may be appointed by the Plan Administrator. Barclays Stockbrokers Limited is a member of the London Stock Exchange and regulated by the Securities and Futures Authority.

### 17 Is there anything else of which I should be aware?

The Plan Administrator and its agents (including the Broker) may effect transactions notwithstanding that they have a direct or indirect material interest or a relationship of any description with another party which may involve a conflict with its duty to participants under the Plan.

The Plan Administrator is authorised to disclose any information regarding shareholders or their participation in the Plan to any relevant authority, or as required by such authority, whether by compulsion of law or not. The Plan Administrator shall not be liable for any disclosure made in good faith provided that the Plan Administrator believes that such disclosure has been made in accordance with the foregoing requirements.

Each of the provisions of the Plan shall be severable and distinct from one another and if one or more of such provisions is invalid or unenforceable the remaining provisions shall not in any way be affected.

If you have any complaints about the service provided to you by the Plan Administrator, you may make them to the Plan Administrator at the address shown at the beginning of this brochure. You may also complain directly to the Investment Ombudsman and may request from the Plan Administrator a statement describing your rights under the Investors Compensation Scheme.

