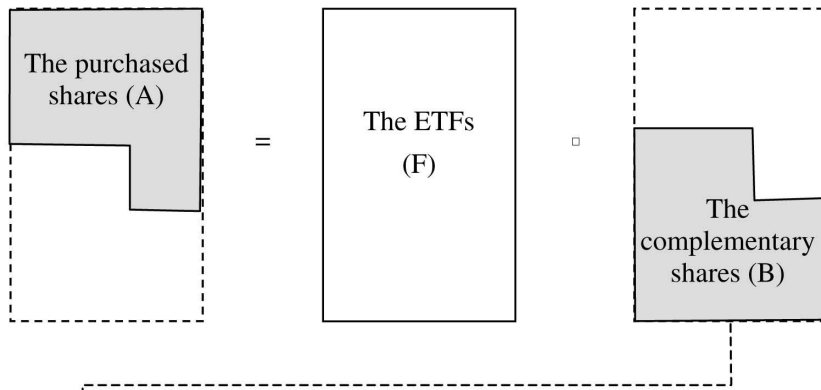


Date of recommendation	Violations subject to recommendation	Administrative disciplinary action
<p>March 7, 2003 (inspection)</p>	<p>○Act of engaging in a series of securities transactions to create an artificial market that does not reflect the actual state of the market</p> <p>Nikko Salomon Smith Barney Ltd. concluded a contract with a certain customer to purchase a large quantity of shares of numerous listed stocks that the customer held and establish investment trust funds linked to stock price indexes, or exchange-traded funds (ETFs), based on the purchased shares. Under the contract, the amount of money to be paid to the customer for Nikko Salomon's purchase of the shares would be determined by deducting the aggregate prices of additional shares that were necessary to complete the composition of the ETFs ("complementary shares"), which were calculated on the basis of their closing prices on certain days on the Tokyo Stock Exchange (TSE), from the total market value of the ETFs.</p> <p>On July 18, 2002, the Managing Director at the Program Trading Desk of the Nikko Salomon Smith Barney Equity Department deliberately raised the closing prices of the complementary shares at the TSE when procuring the shares in large volumes. The action was taken under circumstances where profits to be generated at Nikko Salomon Smith Barney would be maximized if, on certain days, an abundance of the closing prices of the complementary shares would be greatly above the average cost at which the securities house procured the complementary shares. Nikko Salomon Smith Barney raised the closing price of each of the stocks at the TSE:</p> <p>(1) by placing with the TSE, from around 14:59 to the day's closing, market orders or limit-at-the-close orders to purchase more than one issue of stocks in such extremely large volumes as would make it possible for one to expect the prices of the stocks to almost certainly rise with the execution of the orders, and</p> <p>(2) by placing with the TSE, from around 14:56 to the day's closing, a series of small-lot market buy orders involving more than one issue of stocks mainly traded at the Osaka Securities Exchange (OSE), utilizing an account of an affiliated company abroad, as well as a series of limit orders to mainly purchase these OSE-traded stocks at a price which is a certain percentage added to their immediately preceding prices in trading at the OSE, with the added margin rising toward the close of the day's trading.</p>	<p>Administrative disciplinary measures taken against the company</p> <p>Business suspension order</p> <ul style="list-style-type: none"> • The Tokyo branch was ordered to suspend stock trading on its own account for 20 days <p>Business improvement order</p> <ul style="list-style-type: none"> • Improving and strengthening in-house supervision of business operations, ensuring that employees, including those in managerial positions, observe laws and rules, and devising specific plans to prevent violation recurrence. Clarification of where the responsibility lay • Reporting of specific preventive measures being worked out to the SESC, in writing <p>Disciplinary measures against employees involved, including those in managerial positions (registered securities traders included)</p> <ul style="list-style-type: none"> • The Managing Director at the Program Trading Desk was ordered to suspend business for 16 weeks

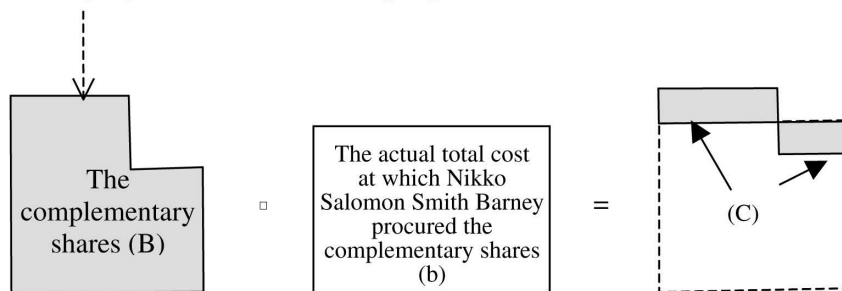
• Data on recommendation issued to Nikko Salomon Smith Barney Ltd.

1. Relation between the total market value of the ETFs and the amount of money to be paid for the purchase of the shares

The amount of money to be paid for the purchase of the shares ("the purchased shares") (A) = the total market value of the ETFs (F) – the aggregate prices of additional shares that were necessary to complete the composition of the ETFs ("complementary shares") (B)



- 1) The aggregate value of the complementary shares (B) was calculated by dividing the shares into several groups and putting together the group-by-group TSE closing prices of these stocks quoted on certain days.
- 2) If the combined closing prices of the complementary shares (B) is larger than the actual total cost at which Nikko Salomon Smith Barney procured the complementary shares (b), the securities company would be able to reap a profit.



The combined closing prices of the complementary shares (B) - the actual total cost at which Nikko Salomon Smith Barney procured the complementary shares (b) = profit for Nikko Salomon Smith Barney