

Date of recommendation	Violations subject to recommendation	Administrative disciplinary action
<p>June 30, 2003 (inspection)</p>	<p>○ Act of obtaining undisclosed information on a customer from a parent company and others, or providing such information to a parent company and others</p> <p>In June 2001, the President and Representative Board Director of Shinkin Securities Co. issued an in-house instruction to employees that they obtain, from its parent company, undisclosed customer information that came to the knowledge of the parent company's directors and employees in the course of business with the customers, and from July 2001 onward obtained such information from the parent company on a monthly basis without the consent of the customers. In May 2003, the Managing Director and the General Manager at the Bond Business Division provided information on customer securities trading orders to the parent company without the consent of the customers.</p>	<p>Administrative disciplinary measures taken against the company</p> <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 • Working out specific measures to ensure the company's business relations with the parent firm would become normalized and their business would be operated properly <p>Disciplinary measures against employees, including those in managerial positions (registered securities traders included)</p> <ul style="list-style-type: none"> • Representative Board Director and President - suspension of business for six weeks • Managing Director - suspension of business for four weeks • General Manager at the Bond Business Division - suspension of business for three weeks

-
- **Data on recommendation issued to Shinkin Securities Co.**

Supplementary Explanation

(1) Receipt of data on customers' monthly financial conditions

In June 2001, President A of Shinkin Securities Co. convened an in-house meeting and instructed his employees to obtain information on monthly financial conditions of 326 corporate customers (deposits, lending, profits and losses, and type-by-type balances of securities) from Shinkin's parent company, where the President once worked. Such customer information was to be used to provide financial products that best suited the financial conditions of the customers. Shinkin Securities obtained such information from the parent company every month since July 2001 without the consent of the 326 corporate customers.

Shinkin Securities used the information it obtained from the parent company as basic data for judging whether standards it set to solicit securities transactions from the customers are appropriate and also for devising Shinkin Securities' marketing strategy.

President A and the others involved had prior knowledge that the data on the financial conditions of the 326 corporate customers may be classified as undisclosed information whose transfer between a company and its parent is prohibited under law.

(2) Provision of information on securities trading orders by customers

Shinkin Securities' Managing Director B and Department Chief C had been asked by its parent company to exercise prudence in soliciting structured bond and other complex

securities product transactions from Customer Z. When Managing Director B and Department Chief C received an application for buy orders for the products from Customer Z, both judged that they should inform the parent company of the content of the orders involved before they were executed. Based on that judgment, in May 2003 they provided detailed information on the application (issuing terms for the securities in question) to the parent company via fax.

Managing Director B and Department Chief C had prior knowledge that the information sent via fax may be classified as undisclosed information whose transfer to third parties is prohibited under law.