

Date of Recommendation (Category)	Violations Subject to Recommendation	Administrative Disciplinary Measures
June 30, 2004 (Inspection)	<p>○ Act of engaging in business operations that create a situation in which a securities company's control of undisclosed corporate-related information is deemed as being insufficient from the viewpoint of preventing unfair trading involving such information and significantly inappropriate conduct by registered securities traders employed by the securities company (Recommendation in which disciplinary measures were sought against a securities company and executives and other employees of the company)</p> <p>Tokai Tokyo Securities Co.'s trade-screening room failed to take adequate steps to control the undisclosed corporate-related information on stock-split plans by several issuers of securities registered for over-the-counter trading as the room did not receive any report on the plans from relevant personnel of the company, including the manager of the Nagoya corporate finance department of Tokai Tokyo Securities. In addition, the manager of the Nagoya corporate finance department leaked this information and other undisclosed corporate-related information held by the securities company regarding a stock-split plan by another issuer of over-the-counter securities to the executive manager of Iida Securities Co.'s marketing department. This indicated that Tokai Tokyo Securities was engaging in business operations in a manner that created a situation in which its control of undisclosed corporate-related information was deemed as insufficient from the viewpoint of preventing unfair trading making use of such information.</p> <p>(Notes) The recommendation called for disciplinary measures against the manager of the Nagoya corporate finance department as well because the manager's act of leaking undisclosed corporate-related information to another company amounted to the act of leaking confidential information that brokerage officials have obtained in the course of implementing their business duty to third parties, as defined under Article 9, Paragraph 3, item 18 of the Regulation Concerning Employees of the Securities Industry (Fair Business Practice Regulation 8) set by the Japan Securities Dealers Association. Disciplinary measures were also sought against the manager as the manager's act can be classified as "significantly inappropriate conduct" by registered securities traders prescribed under Article 64-5, Paragraph 1, item 2 of the SEL.</p>	<p>Administrative disciplinary measures taken against the company</p> <p>Business improvement order</p> <ul style="list-style-type: none"> • Improving and strengthening the in-house supervision of business operations, increasing the understanding of executives and other employees of the company about laws and rules, and ensuring their observance of laws and rules • Devising measures to avert future violations, implementing these measures, and clarifying where the responsibility lies <p>Administrative disciplinary measures taken against executives and other employees (registered securities traders) of the company</p> <p>Yet to be decided</p>

○ **Data on the recommendation issued to Tokai Tokyo Securities Co.**

<Act of Engaging in Business Operations that Create a Situation in which a Securities Company's Control of Undisclosed Corporate-related Information Is Deemed as Being Insufficient from the Viewpoint of Preventing Unfair Trading Involving Such Information>

Tokai Tokyo Securities Co. served as lead manager for securities issuance by Company α , which floated securities registered for over-the-counter trading. The manager of the Nagoya corporate finance department of the securities company (hereinafter referred to as “Manager A”) took charge of business with Company α .

In the course of implementing his/her business duty, Manager A obtained information concerning the announcement date for the Company α 's stock-split plan—i.e., undisclosed corporate-related information—from the chief of the Company α 's business planning room. However, Manager A did not report this information to Tokai Tokyo Securities' trade-screening room. The fact that the information did not reach the room indicated the room failed to take adequate steps to control undisclosed corporate-related information.

The information in this case concerned a corporate plan to split shares. Information on such plan constitutes “important facts,” as prescribed under Article 166, Paragraph 2, item 1 of the SEL. In addition, given that the information had yet to be disclosed at the time it became known to Manager A and in view of the situation leading up to the manager's acquisition of the information and the nature of the information, it amounted to undisclosed important information on management, business operations, and assets of a listed company that may influence investment judgment by customers.

Given this situation, the information in this case was classified as undisclosed corporate-related information.

In the course of implementing his/her business duty, Manager A also leaked this information and other undisclosed corporate-related information held by the securities company regarding the announcement date for a stock-split plan by over-the-counter securities issuer Company β to the executive manager of Iida Securities Co.'s marketing department. The act of providing the yet-to-be-disclosed information to Iida Securities created a situation in which unfair trading, such as business solicitation by presenting such information to its customers, could take place.

The series of actions by Manager A indicated that Tokai Tokyo Securities was engaging in business operations that created a situation in which its control of the undisclosed corporate-related information that it had obtained was deemed insufficient from the viewpoint of preventing unfair trading involving such information.

<Significantly Inappropriate Conduct by a Registered Securities Trader in Implementing His/Her Business Duty>

Manager A's act of leaking undisclosed corporate-related information on Company α and Company β to the executive manager of Iida Securities' marketing department amounted to the act of leaking confidential information that brokerage officials have obtained in the course of implementing their business duty to third parties, as defined under Article 9, Paragraph 3, item 18 of the Regulation Concerning Employees of the Securities Industry (Fair Business Practice Regulation 8) set by the Japan Securities Dealers Association. Judging from the content of the information, the Manager A's act was classified as “significantly inappropriate conduct” by registered securities traders prescribed under Article 64-5, Paragraph 1, item 2 of the SEL.