

August 12, 2003

Financial Services Agency

An administrative action against the Osaka Securities Exchange

1. Acts of Violating the Securities and Exchange Law by the Osaka Securities Exchange

(1) Acts of violating the Securities and Exchange Law found by the Securities and Exchange Surveillance Commission

The Securities and Exchange Surveillance Commission ("SESC") conducted a criminal investigation and an inspection of the Osaka Securities Exchange ("Exchange"), found acts* which violated Articles 197(1)⑤, 207(1)① and 159(1)③ and ⑧ of the Securities and Exchange Law ("SEL") effective at the time of such acts. The SESC recommended the Commissioner of the Financial Services Agency ("FSA") on August 5 to take a disciplinary action against the Exchange.

(Note) The acts were "with the aim of leading any other person to a misperception of states of trading in options contracts on securities, making fictitious trades in options contracts on securities with no intention of granting and acquiring such options, and making offers for trades in options contracts on securities in collusion with other person under a prearranged scheme that such other person becomes the other party to such trades at the same time and at the same premium value as those specified at the time of such offers."

(2) Acts of violating the SEL found by the Inspection Bureau of the FSA

The Inspection Bureau of the FSA conducted an inspection of the Exchange, and found acts* which violated Article 86 of the SEL effective at the time of such acts and Article 87-2 of the SEL currently effective.

(Note) The acts were establishment and management of the securities company (Japan Electronic Securities Co.) which was not directly related to the objectives of the Exchange and having its 100% owned subsidiary (Osaka Securities Office Co.) that was equal to the engagement in any other business than those providing the exchange securities market and those ancillary thereto.

2. The Administrative Action against the Exchange

On the basis of the above and other findings, the FSA issued the following orders against the Exchange on August 12:

(1)Business suspension order

- Suspend the business of listing of securities whose issuer is the Exchange itself to the exchange securities market of the Exchange from August 13, 2003 to November 12, 2003
- Suspend the business of new listings of options contracts on shares to the exchange securities market of the Exchange from August 13, 2003 to November 12, 2003

(2)Business improvement order

- In view of the occurrence of the acts of violating the SEL in which officers and employees of the Exchange were involved, make preventive measures to eradicate acts in violations of laws and orders and take actions to make such measures well-known and in compliance among offices and employees of the Exchange
- Take drastic reviews of the organizational structure and ways of conducting businesses with regard to "the problems on the operations of self-regulatory businesses "pointed out by the SESC
- Inquire causes and take concrete measures for improvement of the problems pointed out by the Inspection Bureau of the FSA

(3)Reporting and examination

- Submit a written report to the FSA on the implementation of the above orders by the end of October and quarterly written reports on the implementation of concrete measures for some time
- The project team led by the Comptroller of the Exchange will examine the implementation of the above orders.