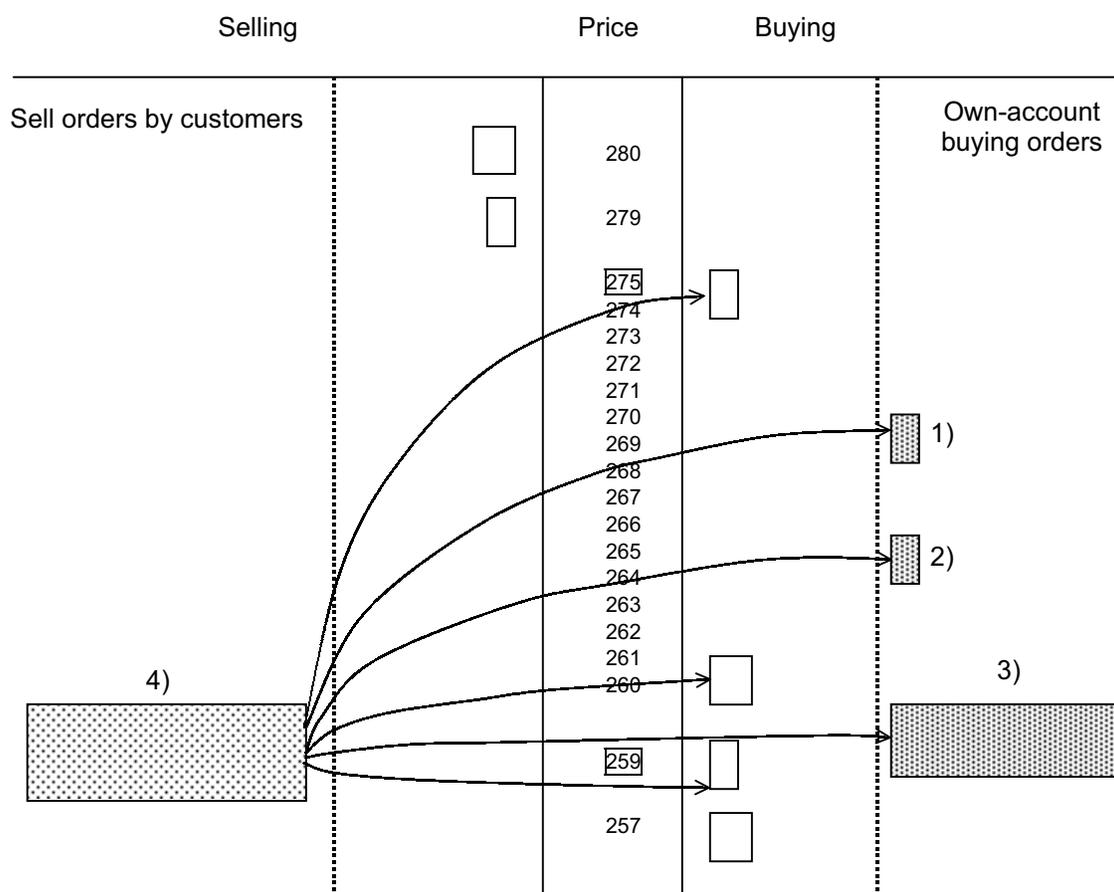


Date of Recommendation (Category)	Violations Subject to Recommendation	Administrative Disciplinary Measures
January 8, 2004 (Inspection)	<ul style="list-style-type: none"> ○ Act of making a series of securities transactions to create an artificial market that does not reflect the actual state of the market (Recommendation in which disciplinary measures were sought against a securities company and executives and other employees of the company) <p>On February 4, 2003, an executive staff of the dealing group of the equity department of Mizuho Investors Securities Co. placed a series of buy orders for shares of a certain listed stock on the company's own account to absorb sell orders placed by its customer at ¥259—a price significantly lower than the ¥275 quoted in the immediate past—with the aim of causing the price of the listed stock to drop by ensuring that the buy and sell orders could be executed immediately. The executive staff engaged in the dealing in a manner that would not cause the stock exchange to temporarily suspend trading in the shares of the listed stock, which would have happened if a special asked price had been indicated for the stock. As a result, the executive staff succeeded in pushing down the stock price in favor of Mizuho Investors Securities.</p>	<p>Administrative disciplinary measures taken against the company</p> <p>Business suspension order</p> <ul style="list-style-type: none"> • 10-day suspension of own-account stock trading business <p>Business improvement order</p> <ul style="list-style-type: none"> • Improving and strengthening the in-house supervision of business operations and ensuring the observance of laws and rules by executives and other employees of the company • Devising measures to avert future violations and clarifying where the responsibility lies <p>Administrative disciplinary measures taken against executives and other employees (registered securities traders) of the company</p> <p>8-week suspension of business</p>

- Data on the recommendation issued to Mizuho Investors Securities Co.
 - Formation of an artificial market



(Notes) According to trading-floor rules at the stock exchange, deals cannot be made unless the price with which a trading order was placed for a certain stock is within a certain range (¥5 for the issue in question) of the stock's contracted price seen in the immediate past. If the stock draws an order with a price in excess of the set range, the stock exchange indicates a special bid or asked price to attract fresh orders. If deals cannot be made even with the bid or asked price due to a lack of new orders, the special indicated price will be changed every five minutes in order to make buy and sell orders easier to meet.

[Transaction Process]

- (1) After the stock was traded at ¥275 at 13:48, it drew the highest bid price of ¥275 (the next-highest bid price was ¥260) while its lowest asked price was ¥279.
- (2) Under this circumstance, Mizuho Investors received an order from a customer to sell 30,000 shares of the stock as well as orders to buy other stocks. After examining the latest movement of the stock, a dealer of Mizuho Investors judged that the securities company could buy the shares of the stock at ¥259 on its own account and decided to absorb the customer's sell order at that price. The dealer then placed two batches of buy orders, each involving 1,000 shares, as shown in 1) and 2), for the stock at 14:43 with the aim of causing the price of the stock to drop by ensuring that the buy orders by the securities company on its own account and the sell order by the customer could be executed immediately. The dealer placed the buy orders in a manner that would not cause the stock exchange to temporarily suspend trading in shares of the stock, which would have happened if a special asked price had been indicated for the stock.
- (3) The placement of the own-account orders shown in (2) left the dealer convinced that a special asked price would not be indicated even if the customer placed a sell order at ¥259. The dealer then placed a buy order for 24,000 shares (this amount of order was confirmed to be sufficient in view of the latest situation) of the stock as shown in 3) at ¥259 at 14:43 to absorb the customer's sell order. Later, the dealer placed a sell order for 30,000 shares of the stock shown in 4) at ¥259 at 14:44 on behalf of the customer, causing the price of the stock to drop to ¥259 from ¥275 by 14:45 before ending the day's trading at the ¥259.