

Date of Recommendation (Category)	Violations Subject to Recommendation	Administrative Disciplinary Measures
May 21, 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 (Recommendation in which disciplinary measures were sought against a securities company)</p> <p>Due to a failure by UBS Securities Japan Ltd. to take adequate steps over the control of undisclosed corporate-related information, analysts at the securities company's stock research department listed information on a particular listed firm it obtained from that listed firm, including the firm's own stock-buying plan and its downward earnings revision plan, on their report with no knowledge that such information was classified as undisclosed corporate-related information as defined under the SEL. The stock research department's division in charge of checking analysts' reports overlooked the inclusion of the undisclosed corporate-related information in the report. As a result, such information was provided to a large number of customers and in-house officials several times via the report in April 2003 or thereafter. The situation indicated that the securities company operated business even though they failed to take sufficient steps to prevent unfair trading in connection with the handling of undisclosed corporate-related information.</p>	<p>Administrative disciplinary measures taken against the company Business improvement order</p> <ul style="list-style-type: none"> • Improving and strengthening the in-house supervision of business operations, 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 • Reporting the implementation of measures shown above in writing

○ **Data on the recommendation issued to UBS Securities Japan Ltd.**

<Case I>

Analyst A of UBS Securities Japan visited Company α in May 2003 for research purposes and obtained undisclosed corporate-related information from the manager of its accounting department on the company's plan to buy its own shares. Based on the information, the analyst prepared a report containing the share buying plan. In the report, the analyst said the company wanted to buy its own shares if its shareholders endorsed the plan at a general shareholder meeting in June. According to the company, the report said that the amount of planned share purchases would likely total from 5% to less than 10% of the company's outstanding shares.

After being checked by in-house officials in charge of screening, the report was, a day after the analyst's visit to the company, posted on the company's Website, where its customers as well as executives and other employees could access it while the information in question was left intact. In addition, the report was e-mailed to a large number of customers while the analyst conveyed the information to the salespeople of UBS Securities Japan.

The Company α released a share-buying plan one week after the report was publicized on the Website.

<Case II>

Analyst A of UBS Securities Japan visited Company β in March 2003 for research purposes and obtained undisclosed corporate-related information from the manager of its treasury department on the company's plan to revise its earnings projection downward. Based on the information, the analyst prepared a report containing the plan. In the report, the analyst said that the company decided to revise its net profit estimate for the current business year downward. According to the company, the report said that its appraisal loss on shareholdings amounted to ¥1.7 billion as of March 26, and its net loss for the current year would total ¥1.5 billion–¥1.6 billion.

After being checked by in-house officials in charge of screening, the report was posted on the company's Website in April, where its customers as well as executives and other employees could access it while the information in question was left intact. In addition, the report was e-mailed to a large number of customers while the analyst conveyed the information to the salespeople of UBS Securities Japan.

The Company β released an earnings estimate revision two weeks after the report was publicized on the Website.

The information in the above two cases concerned one plan to buy own shares and another to revise an earnings estimate downward. Information on such plans constitutes "important facts," as prescribed under Article 166, Paragraph 2, item 1-(d) and item 3 of the SEL. In addition, given that the information had yet to be disclosed at the time it became known to the analyst and in view of the situation leading up to the analyst'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 the cases was classified as undisclosed corporate-related information.

Despite the information having such nature, UBS Securities Japan failed to control the information sufficiently. This created a situation in which the securities company operated its business even though it failed to take adequate steps to prevent unfair trading in connection with the handling of the undisclosed corporate-related information that it had obtained.