

7. Gathering of Information from the General Public

Information furnished by the general public reflects the raw voices of investors in the market. Such information is highly useful as it often leads the SESC to launch investigations into criminal offenses and administrative civil money penalties, as well as inspections and market surveillance. In some cases, information received served to provide a starting point for the issues that were eventually raised in the inspections of securities companies. At other times, received information played a critical role in market surveillance. In yet other instances, unearthing of the truth in criminal offense investigations was triggered by such information.

For this reason, the SESC uses a variety of media, including telephone, mail, personal visits and the Internet, to receive information from as many people as possible.

In the 2004 SESC year, 4,669 pieces of information were collected from the general public including investors. This was an approximately 40% increase over the preceding SESC year and the highest number of collection since the SESC was established in 1992.

In particular, the number of contacts made over the Internet exceeded 3,000 for the first time and much information continues to flow in. A look at the breakdown of the means employed in information gathering reveals that the Internet and telephone account for over 80% of the total cases of information supplied. The exact breakdown was 3,251 contacts via the Internet, 787 by phone, 408 in writing, 80 by personal visits, and 143 contacts that were referrals from the Local Finance Bureaus.

In terms of information content, 3,339 cases related to specific stocks, 620 cases were about sales practices of securities companies and the remaining 710 cases were opinions on other matters.

Suspicious of stock price manipulation ranked the highest among the cases relating to specific stocks. They accounted for approximately 30% (1,435 cases) of all cases. This figure is indicative of widespread doubts among investors about the way prices are formed in the market.

The second-largest group was related to the suspicious spreading of rumors on stock markets, representing approximately 20% (1,029 cases) of all cases. The majority of such information was about postings on Internet bulletin boards. This suggests the fact that unfounded rumors and investment analyses flood the Internet while tips from investors who read them are also increasing.

Information concerning suspected insider trading and that about suspected false claims made in securities reports, etc. has also dramatically increased.

A various types of information about securities companies' sales tactics and practices, including trading without customers' prior consent, discretionary-account trading and improper solicitations to take advantage of the customers' lack of knowledge, were also received.

Number of information items received

	July 2000-June 2001	July 2001-June 2002	July 2002-June 2003	July 2003-June 2004	July 2004-June 2005
Internet	606	1,282	1,804	2,061	3,251
Telephone	390	408	749	616	787
Mail	205	291	290	287	408
Personal visits	64	58	50	75	80
Forwarded from local Finance Bureaus	91	142	163	178	143
Total	1,356	2,181	3,056	3,217	4,669

(Note) Receipt of information via Internet started in April 1999.

Breakdown of information received

	July 2000 -June 2001	July 2001 -June 2002	July 2002 -June 2003	July 2003 -June 2004	July 2004 -June 2005
Information on specifics	671	1,208	1,848	2,015	3,339
Suspected stock-price manipulation	317	601	759	680	1,435
Suspected spreading of rumors	124	294	576	787	1,029
Suspected insider trading	122	195	271	282	510
Submission of false securities reports	28	48	73	67	142
Profit guarantees, compensation of investment losses	8	9	13	18	9
Subscription without submission	57	42	29	34	24
Others	15	19	127	147	190
Marketing methods and practices by securities companies	356	498	573	655	620
Trading without customers' consent	35	65	88	66	63
Solicitations with decisive predictions	35	49	30	27	19
Improper solicitations to take advantage of customers' lack of knowledge	17	13	29	31	28
Conclusion of discretionary-account contracts	49	27	15	22	40
Large-volume recommendation sale	5	1	6	3	2
Others	215	343	405	506	468
Other opinions	329	475	635	547	710
Total	1,356	2,181	3,056	3,217	4,669