• **Data on recommendations issued to Tokai Tokyo Securities Co., Ltd. and Retela Crea Securities Co.**

1. Supplementary Explanation

Ⅰ.The recommendations issued to the two securities companies were based on the SESC judgment that a series of orders placed by the companies without any intention of executing them, with the aim of making their own trading work advantageously for them by inducing orders by other market players, constituted violation of the law prohibiting a trader from helping form an artificial market that does not reflect the actual state of the market. The trading methods used by the traders involved are explained below.

⑴ Intra-day-session "disguising" buy orders, which are meant to make buying enthusiasm for particular stocks look stronger or weaker than actual demand (reference table: 2. Formation of an artificial market)

1) A market player who has no position in a certain stock buys a certain amount of shares of the stock during an intra-day session. (Table 1)

2) After the buy orders mentioned in 1) are concluded, the player places additional buy orders for the stock in several batches by offering prices just below the best-bid price as of the time of trading, in quantities several times the amount of shares to be sold later, without any intention of executing them, with the aim of inducing other players to place buy orders for the stock and raise its price by making buying enthusiasm for it look stronger than actual demand ("disguising" orders). (Table 2)

3) When other players start to place limit buy orders for the stock at prices higher than the best-bid price following the placement of the orders mentioned in 2), the player places limit orders to sell the shares at prices higher than the acquisition cost mentioned in 1) and concludes these

orders. (Table 3)

4) Immediately after the trading mentioned in 3) is completed, the player cancels all the "disguising" orders placed in 2). (Table 4)

(2) Intra-day-session "disguising" sell orders, which are meant to make selling enthusiasm for particular stocks look stronger or weaker than actual willingness for selling

1) A market player who has no position in a certain stock sells a certain amount of shares of the stock in margin trading during an intra-day session.

2) After the sell orders mentioned in 1) are concluded, the player places additional sell orders for the stock in several batches by offering prices just above the best-offered price as of the time of trading, in quantities several times the amount of shares to be bought later, without any intention of executing them, with the aim of inducing other players to place sell orders for the stock and push down its prices by making selling enthusiasm for it look stronger than actual willingness to sell ("disguising" orders).

3) When other players start to place limit sell orders for the stock at prices lower than the best-offered price following the placement of the orders mentioned in 2), the player places limit orders to buy the shares at prices lower than the selling price mentioned in 1) and concludes these orders.

4) Immediately after the trading mentioned in 3) is completed, the player cancels all the "disguising" orders placed in 2).

(3) Buying enthusiasm for particular stocks made to look stronger or weaker than actual demand in limit buy orders which are placed toward the end of the day's trading with the attached condition that the trading, unless concluded by the close of the market, would become a closing-price market order.

1) A market player who has no position in a certain stock buys a certain amount of shares of the

stock 5 to 15 minutes before the end of the day's trading.

2) After the buy orders mentioned in 1) are concluded, the player places limit buy orders with the attached condition that trading for the stock, unless concluded by the close of the market, would become a closing-price market order, in several batches in quantities several times the amount of shares to be sold later, without any intention of executing them, with the aim of inducing other players to place buy orders for the stock and raise its prices by making closing-price market buy orders look stronger than actual demand and leaving the players convinced of higher closing prices ("disguising" orders).

3) When other players start to place limit buy orders for the stock at prices higher than those shown by the player following the placement of the orders mentioned in 2), the player places limit orders to sell the shares at prices higher than the acquisition cost mentioned in 1) and concludes these orders.

4) Immediately after the trading mentioned in 3) is completed, the player cancels all the "disguising" orders placed in 2).

(4) Method in which the techniques mentioned in (1) and (2) are used repeatedly for trading of the same stock issue

Orders are placed consecutively and alternately for the same stock issue under techniques mentioned in (1) and under those mentioned in (2).

Ⅱ.Under the cases for which the recommendations were issued for the two securities companies, both of them acknowledged that they engaged in "disguising" stock trading without any intention of executing it, with the aim of making the trading work advantageously for the companies by inducing other market players to place orders. This can be confirmed by looking into external and objective situations surrounding the trading in question.

1) After the securities companies' buy (sell) orders were concluded, they canceled all the previous buy (sell) orders.

2) Price ranges set under limit orders and the volume of orders placed resulted in inducing other market players to place buy (sell) orders by making buying (selling) demand look stronger than the actual demand.

3) The securities companies repeatedly engaged in the transactions mentioned above.

4) The scale of orders placed by the dealers involved was far larger than levels usually seen in their regular dealings.

5) Day-to-day traders who were supposed to take no overnight positions were found to have engaged in the limit buy orders mentioned in I (3).