

(Provisional Translation)

December 5, 2014

Securities and Exchange Surveillance Commission

Recommendation for Administrative Monetary Penalty Payment Order for Market Manipulation by Areion Asset Management Company Limited

1. Contents of the Recommendation

The Securities and Exchange Surveillance Commission, today, made a recommendation to the Prime Minister and the Commissioner of the Financial Services Agency (“FSA”) that an administrative monetary penalty payment order be issued in regard to market manipulation by Areion Asset Management Company Limited (“Areion”) pursuant to Article 20(1) of the Act for Establishment of the FSA. This recommendation is based on the findings of the investigation into the market manipulation, whereby the following violation of laws and ordinances was identified.

2. Summary of the Findings Regarding the Violation of the Laws and Ordinances

Areion is a limited company incorporated in Hong Kong and has the discretionary investment management right on the assets of Hareion Fund (“Hareion”), an exempted unit trust established under the Trusts Law (Revised) of the Cayman Islands, pursuant to the investment advisory agreement entered into between Ogier Trustees (Cayman) Limited as the trustee of Hareion, Zillion Capital Limited as the investment manager and Areion as the investment advisor.

Areion, through its representatives and others and in relation to its business, traded shares of Nitto Denko Corporation from 14:59:30 to 15:00:00 on September 25, 2013 as described in the Appendix, with the purpose of inducing sale and purchase of securities by others for those shares, by placing a series of large market orders and purchase orders at prices higher than the ones at which orders had been executed previously, which in turn caused the share prices to increase, and by placing a series of large market orders and purchase orders at prices lower than the ones at which orders had been executed previously. Thus, in total, Areion purchased 7,886,900 shares, 7.25%, equivalent to its officers’ contribution ratio to Hareion as of September 2013, of which are on its own account and the rest of which are on the accounts of other investors of Hareion, while placing orders for the purchase of 1,311,200 shares. These constituted a series of sale and purchase of securities and entrustments that would mislead others into believing that sale and purchase of the shares were thriving and would cause fluctuations in prices of the shares.

The above acts by Areion were recognized as “a series of Sale and Purchase of Securities, etc.” and “Entrustment, etc.” conducted “in violation of Article 159(2)(i)” as stipulated under Article 174-2(1) of the Financial

Instruments and Exchange Act (“FIEA”) before the amendment by Act No. 45 of 2013.

3. Calculation of the Amount of the Administrative Monetary Penalty

Pursuant to the FIEA before the above amendment, the amount of the administrative monetary penalty applicable to the above violation is 430,740,000 yen.

Details of the calculation are presented in the Attachment.

4. Others

We appreciate assistance of the Securities and Futures Commission of Hong Kong in this matter.

Attachment

- Calculation Method for the Amount of the Administrative Monetary Penalty

1. Pursuant to Article 174-2(1) of the FIEA before the amendment by Act No. 45 of 2013, the amount of the administrative monetary penalty shall be calculated as a total of the following amounts:

(1) Amount pertaining to a Matching Volume of Sale and Purchase(Note 1):
(Value pertaining to the sale of securities on its own account) - (Value pertaining to the purchase of securities on its own account)

Note 1: Matching Volume of Sale and Purchase: Whichever is smaller, volume of securities sold or volume of securities purchased concerning the violation.

(2) In case the volume of the purchase of the securities on its own account exceeds the volume of the sale of the securities on its own account, the amount shall be calculated as follows: (Value obtained by multiplying the highest price of the securities, which shall be the highest after the completion of the act of violation among the highest prices on each day until one month has passed as set forth in Article 67-19 of the FIEA before the above amendment, by the exceeded volume) – (Value for the purchase of the securities pertaining to the exceeded volume)

(3) In case where, during the period between the time of the commencement of the act of violation and the time when one month has passed thereafter, the violator has conducted the act of violation, etc. on the account of others: the amount of fees, remuneration or any other type of consideration of the act of violation, etc.

2. In this case, the amount of the administrative monetary penalty is 430,740,000 yen. This amount is based on 430,740,136 yen, a sum of the amounts calculated as in (1) through (3) below, which sum has been rounded down for the amount less than 10,000 yen pursuant to Article 176(2) of the FIEA.

(1) Amount pertaining to a Matching Volume of Sale and Purchase is 0

share as described below:

(i) Amount pertaining to the sale of the securities is 0 share.

(ii) Amount pertaining to the purchase of the securities is 1,030,522.25 shares (Note 2).

Note 2: 571,800.25 shares (7,886,900 shares of the actual amount of the purchase of the shares times 7.25%, the contribution ratio of Areion's officers to Hareion as of September 2013) plus 458,722 shares (6,327,000 shares in Areion's possession at the time of the commencement of the act of violation, which shares are deemed to be purchased on its own account at the price of 6,690 yen at the time of the commencement of the act of violation pursuant to Article 174-2(8) of the FIEA before the above amendment and Article 33-13(i) of the Order for Enforcement of the Financial Instruments and Exchange Act, times 7.25%).

(2) In this case, the volume of the purchase of the securities pertaining to the act of violation conducted on Areion's own account exceeds the volume of the sale of the securities pertaining to the act of violation conducted on its own account. Therefore, the value obtained by (Value obtained by multiplying the highest price of the securities, which shall be the highest after the completion of the act of violation among the highest prices on each day until one month has passed as set forth in Article 67-19 of the FIEA before the above amendment, by the exceeded volume) – (Value for the purchase of the securities pertaining to the exceeded volume) is 421,682,547 yen as described below:

(7,300 yen × 1,030,522.25 shares)

– {(55,617,651,000 yen (Note 3) × 7.25%), which is the purchase value prorated according to the contribution ratio of Areion's officers to Hareion as of September 2013 during the period of violation + (6,690 yen × 6,327,200 shares × 7.25%), which is the purchase value prorated according to the contribution ratio of Areion's officers to Hareion as of September 2013, deemed to be purchased at the commencement of the violation and held at its commencement }

Note 3: Details of values pertaining to the purchase of the securities are provided in the Appendix below.

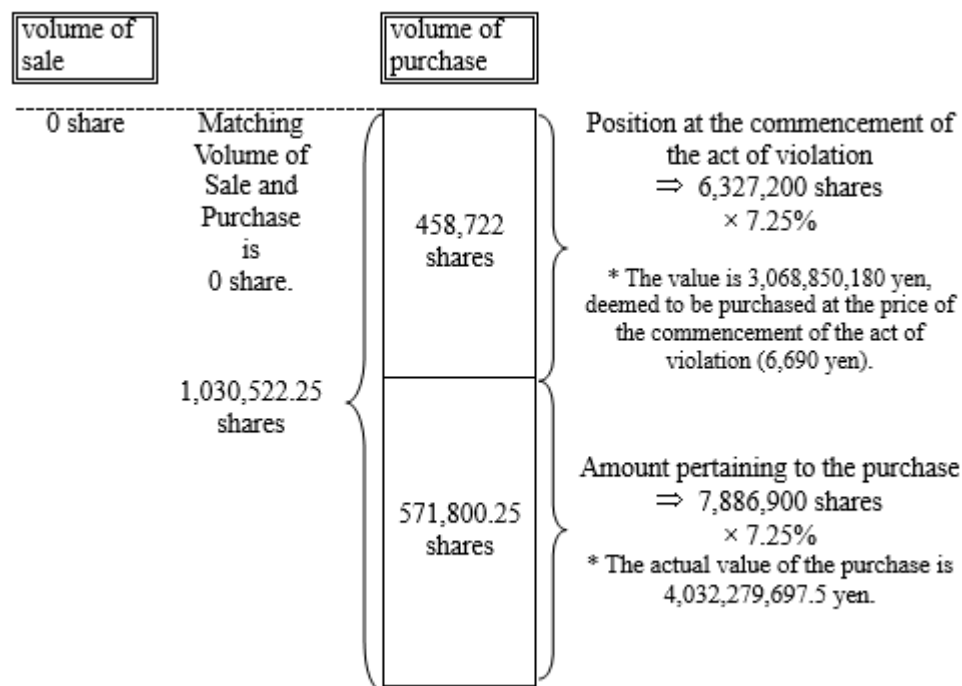
(3) In this case, during the period between the time of the commencement of the act of violation and the time when one month has passed thereafter, the violator has conducted the act of violation, etc. on the account of others as investment of the assets under management. Therefore, the value of fees, remuneration or any other type of consideration of the act of violation, pursuant to Article 174-2(1) of the FIEA before the above amendment and Article 1-16 of the Cabinet Office Ordinance on Administrative Monetary Penalty Provided for in Chapter VI-II of the FIEA before the amendment by Act No.7 of 2014, shall be calculated to be 9,057,589 yen as described below: (a) The total fees, remuneration or any other type of consideration of the act of violation paid or payable to the violator as remuneration for the investment of the assets under management for the month when the transactions were conducted, is multiplied by (b) the highest value of the total amount of the securities under its management during the period between the time of the

commencement of the act of violation and the time when one month has passed thereafter, is then divided by (c) the total value of the assets under management as of the last day of the month when the transactions were conducted, and is prorated according to (d) the contribution ratio of investors other than Areion's officers to Hareion as of September 2013.

$$(a) 13,927,406 \text{ yen} \times (b) (7,540 \text{ yen} \times 14,214,100 \text{ shares}) \div (c) 152,832,389,165 \text{ yen} \times (d) 92.74\%$$

[Reference]

- Value of the Administrative Monetary Penalty pertaining to the purchase of the securities on Areion's own account



In this case, the matching volume of sale and purchase is 0 share and the volume of the purchase exceeds the volume of the sale. Therefore, the value is obtained according to the following formula:

(Value obtained by multiplying the highest price of the securities, which shall be the highest after the completion of the act of violation among the highest prices on each day until one month has passed as set forth in Article 67-19 of the FIEA before the above amendment, by the exceeded volume) – (Value for the purchase of the securities pertaining to the exceeded volume)

That is:

$$(7,300 \text{ yen} \times 1,030,522.25 \text{ shares}) - (3,068,850,180 \text{ yen} + 4,032,279,697.5 \text{ yen}) = 421,682,547 \text{ yen.}$$

- Value of the Administrative Monetary Penalty pertaining to the purchase of the securities on the account of others

The Value shall be calculated to be prorated according to the contribution ratio of investors other than Areion's officers to Hareion as of September 2013 and based on the total fees, remuneration or any other type of consideration paid or payable to the violator as remuneration for the

investment of the assets under management. In this case, the ratio was 92.74%. Therefore, the value is 9,057,589 yen as described below:

$\{13,927,406 \text{ yen} \times (7,540 \text{ yen} \times 14,214,100 \text{ shares}) \div 152,832,389,165 \text{ yen}\} \times 92.74\%$

 [\(Appendix \(PDF\)\)](#)

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(Appendix)

(yen, shares)

Date	Time (hh:mm:ss~hh:mm:ss)	Purchase Order	Transaction (Purchased)		
			Price	Share	
September 25, 2013	14:59:30 ~ 15:00:00	1, 311, 200	2, 001, 000	6, 670	300
			1, 336, 000	6, 680	200
			2, 007, 000	6, 690	300
			341, 030, 000	6, 700	50, 900
			779, 031, 000	6, 710	116, 100
			2, 011, 296, 000	6, 720	299, 300
			1, 089, 587, 000	6, 730	161, 900
			1, 569, 746, 000	6, 740	232, 900
			2, 895, 750, 000	6, 750	429, 000
			1, 921, 868, 000	6, 760	284, 300
			1, 041, 226, 000	6, 770	153, 800
			1, 039, 374, 000	6, 780	153, 300
			1, 282, 631, 000	6, 790	188, 900
			5, 025, 200, 000	6, 800	739, 000
			228, 816, 000	6, 810	33, 600
			229, 152, 000	6, 820	33, 600
			649, 533, 000	6, 830	95, 100
			389, 880, 000	6, 840	57, 000
			2, 600, 945, 000	6, 850	379, 700
			1, 756, 160, 000	6, 860	256, 000
			282, 357, 000	6, 870	41, 100
			333, 680, 000	6, 880	48, 500
			935, 662, 000	6, 890	135, 800
			1, 248, 210, 000	6, 900	180, 900
			368, 303, 000	6, 910	53, 300
			275, 416, 000	6, 920	39, 800
			304, 227, 000	6, 930	43, 900
			73, 564, 000	6, 940	10, 600
			1, 392, 085, 000	6, 950	200, 300
			288, 144, 000	6, 960	41, 400
			89, 913, 000	6, 970	12, 900
			467, 660, 000	6, 980	67, 000
			1, 702, 764, 000	6, 990	243, 600
			610, 400, 000	7, 000	87, 200
			8, 412, 000	7, 010	1, 200
			73, 008, 000	7, 020	10, 400
			42, 883, 000	7, 030	6, 100
			131, 648, 000	7, 040	18, 700
			413, 130, 000	7, 050	58, 600
			1, 412, 000	7, 060	200
7, 070, 000	7, 070	1, 000			
45, 312, 000	7, 080	6, 400			
249, 568, 000	7, 090	35, 200			
576, 520, 000	7, 100	81, 200			
92, 430, 000	7, 110	13, 000			
84, 728, 000	7, 120	11, 900			
35, 650, 000	7, 130	5, 000			

(yen, shares)

Date	Time (hh:mm:ss~hh:mm:ss)	Purchase Order	Transaction		
			(Purchased)	Price	Share
			291,005,000	7,150	40,700
			50,120,000	7,160	7,000
			159,891,000	7,170	22,300
			191,706,000	7,180	26,700
			443,623,000	7,190	61,700
			907,200,000	7,200	126,000
			721,000	7,210	100
			58,482,000	7,220	8,100
			94,713,000	7,230	13,100
			5,068,000	7,240	700
			293,625,000	7,250	40,500
			726,000	7,260	100
			79,352,000	7,280	10,900
			180,063,000	7,290	24,700
			1,351,960,000	7,300	185,200
			203,218,000	7,310	27,800
			1,464,000	7,320	200
			733,000	7,330	100
			297,675,000	7,350	40,500
			11,055,000	7,370	1,500
			25,830,000	7,380	3,500
			691,900,000	7,400	93,500
			380,416,000	7,430	51,200
			3,720,000	7,440	500
			1,128,675,000	7,450	151,500
			76,092,000	7,460	10,200
			38,844,000	7,470	5,200
			60,588,000	7,480	8,100
			79,394,000	7,490	10,600
			1,701,750,000	7,500	226,900
			2,256,000	7,520	300
			657,369,000	7,530	87,300
			11,157,692,000	7,540	1,479,800
Total		1,311,200	55,617,651,000		7,886,900