

April 15, 2011
SMBC Nikko Securities Inc.

Business Improvement Order by the Financial Services Agency

SMBC Nikko Securities Inc. received a Business Improvement Order (“Order”) today from the Financial Services Agency (“FSA”) under the Article 51 of the Financial Instruments and Exchange Act, in connection with an incident where one of our professional employees in charge of sales in Japan defrauded certain customers of their money through means not connected to their accounts at SMBC Nikko Securities, Inc.

In light of the issuance of this Order, we would like to extend our profound and sincere apology to our customers and all concerned parties for the troubles and the concerns we have caused.

The Order issued by the FSA is summarized below. We humbly accept this Order and will devote our best efforts to prevent re-occurrence of such incidents.

1. Summary of the Order

- (1) Provide satisfactory explanations to the affected customers in this misconduct and exercise thorough care in the treatment of customers.
- (2) Identify root causes giving rise to this case and find out where any problems may exist. Then, enhance and upgrade management supervision and internal control capabilities from the following perspectives.
 - A) In order to prevent the similar incident in the future, under the leadership of the management team, re-examine the current framework of management supervision and internal control, and formulate fundamental preventive measures. Such measures should include checking irregular activities in the customers’ accounts for assets and deposits/withdrawals, enhancing day-to-day cross checking procedures at each branch office, re-examine the human resources administration practices, etc.
 - B) Reinforce company-wide awareness of need for compliance with relevant laws and regulations, including providing training for executives and employees.
 - C) Clarify management commitment toward compliance (including accountability of responsible persons).
 - D) Ensure effectiveness of internal audit functions.
- (3) Submit the business improvement plan in writing to the FSA in accordance with the above by May 13, 2011, and, execute the plan immediately. Report the progress and implementation status regarding the above mentioned measures on a quarterly basis for the time being.

This material is an English translation of Japanese announcement made on April 15, 2011. Although the company intended to faithfully translate the Japanese document into English, the accuracy and correctness of this translation are not guaranteed and thus you are encouraged to refer to the original Japanese document.

2. Our Action

We have always strived to analyze the causes of past incidents and have endeavored to reexamine our internal control in a timely manner, establishing our internal control system so as to prevent occurrence of such fraud. However, in light of this incident, we recognize the need for further improvement to enhance our methods for prevention and early stage detection of fraudulent activity. We will promptly draw up our business improvement plan in accordance with the Order by the FSA, and we will continue to enhance and strengthen our governance system and internal control procedures, to prevent recurrence of similar incidents in the future.

###