

August 16, 2012
SMBC Nikko Securities Inc.

Submission of a Report on Business Improvement to Financial Services Agency

SMBC Nikko Securities Inc. (hereafter, "SMBC Nikko") submitted today, a report on its business improvement measures to the Financial Services Agency, in accordance with the business improvement order issued on August 10, 2012.

In connection with the arrest and the indictment against a former executive officer of SMBC Nikko, we express our deep regret and hereby apologize to our valued customers and all related parties for the concerns and inconveniences we have caused.

SMBC Nikko announced its improvement measures ("Improvement Measures") on August 7, 2012, based on the recommendation with respect to recurrence prevention by the Investigation Committee. We have already prepared for, and commenced implementation of, a part of the Improvement Measures, and the Improvement Measures Verification Committee, chaired by the President & CEO and consisting of the Internal Administration Supervisor and related directors, will continue verifying the progress and effectiveness of the Improvement Measures.

We have taken this matter very seriously and will further enhance our internal controls through the steady implementation of the Improvement Measures and do our best to regain the confidence of our customers and all related parties.

[Reference]

The Improvement Measures announced on August 7, 2012 and the status of the implementation.

- (1) Making sure that executives and employees who have no experience in the securities business are thoroughly aware of the importance of compliance including control over undisclosed corporate information ("Corporate Information")
 - i. Prohibition, generally, of the appointment of a person who has no experience in the securities business directly to an executive director or an executive officer of a unit which obtains and handles Corporate Information (Already in effective from August 2012)
 - ii. Enhancement of follow-up trainings for mid-career executives and employees (Scheduled from September 2012)
- (2) Clarification of procedures for appointing a mid-career person (including seconded persons) to an executive officer and above
 - i. Interviews with directors (Already in effective from August 2012)
 - ii. Prior check on profiles (Already in effective from August 2012)

- (3) Monitoring over activities of executives
 - i. Monitoring over executives (executive directors and executive officers) by internal audit division (Scheduled from September 2012)
 - ii. Enhancement of the function to monitor activities of directors (Scheduled from October 2012)
- (4) Sharing of negative information with respect to seconded executives and employees (Already in effective from August 2012)
- (5) Further enhancement of awareness of compliance requirements and procedures in order to prevent insider trading
 - i. Clarification of our policy to claim damages caused by employees who are found to be involved in insider trading (Scheduled from August 2012)
 - ii. Clarification of prohibition of trying to obtain unnecessary Corporate Information (Already in effective from August 2012)
- (6) Adding recording function to mobile phones provided by the company (Drawing actual plan)

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