

April 08, 2011
SMBC Nikko Securities Inc.

Notice of Fraud Committed By Our Sales Staff

SMBC Nikko Securities Inc. today announces that we have detected a professional employee in charge of sales in Japan defrauded the customers' money outside of our accounts.

We express our deep regret and apology to all of our customers and concerned parties for this misconduct.

By far we have identified the followings:

- Out of all 329 accounts in this employee's charge we investigated, 16 individual customers notified the fraud conducted by this employee, and the estimated amount due to the fraud is approximately 880 million yen.
- The employee promised some of the customers to provide cash vouchers etc. corresponding to return, when he defrauded their money outside of the accounts. In addition, the employee occasionally made solicitations with guarantee of fixed return from fictional investments. At receiving money from some of the customers, the employee fabricated vouchers using the company's name wrongly and issued them.

We withhold the public disclosure of more details because the case is currently under the officials' investigation, however, we will continue to provide full cooperation for the investigation. We apologize to the customers who are troubled in the fraud and treat them cordially.

We will take strict disciplinary measures against this employee, including reprimands and legal procedure, after the full factual investigation.