

May 10, 2011  
SMBC Nikko Securities Inc.

**Submission of Business Improvement Plan by SMBC Nikko Securities Inc.**

SMBC Nikko Securities Inc. (Hereafter, SMBC Nikko) submitted today its Business Improvement Plan to the Financial Services Agency, complying with the Business Improvement Order dated April 15, 2011 (FSA Supervisory Bureau Memorandum, No. 932).

We sincerely apologize to our customers, especially to those who were directly affected by the fraud, all of our valued customers, as well as any concerned parties, for the misconduct by one of our professional employees in charge of sales in Japan – where he defrauded certain customers of their money through means not connected to their accounts at SMBC Nikko.

We have taken this incident very seriously, and drafted preventive measures under the leadership of the top management, based on a careful study and discussion of the root cause of the incident, in order to prevent future recurrence of similar incidents.

We will promptly implement the measures described in the Business Improvement Plan, enhance management supervision, and establish sufficient internal control systems in accordance with the submitted Plan. All the executives and employees at SMBC Nikko will do our best to recover the confidence of customers and continue to deal in good faith with the customers affected by the misconduct.

Outline of Business Improvement Plan and our self-disciplinary actions for Persons Responsible are as described below.

1. Outline of the measures to prevent recurrence of similar incidents as specified in Business Improvement Plan
  - (1) Enhance monitoring of any irregular activities in the customers' accounts which demonstrate frequent and continuous withdrawals
  - (2) Enhance Branch managers' management over private life of employees and improve their daily practice guidance provided for employees
  - (3) Establish management and control system applicable to sales persons who have been stationed for many years at the same branch office
    - A) Establish a rule to rotate human resources regularly
    - B) Verification of customer data with customers of sales persons who have been stationed many years at the same branch offices

This material is an English translation of Japanese announcement made on May 10, 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.

- C) Enhancement of management and control (Implement a mandatory leave protocol that requires a sales person to leave the stationed office for certain period of time with no advance notice)
- (4) Familiarize and inform customers
  - A) Distribute notices to all customers alerting them of potential risks
  - B) Post reminders on our website
- (5) Implement company-wide training programs to foster awareness of employees and executives towards compliance with relevant rules and regulations
- (6) Clarify management commitment toward compliance with relevant laws and regulations
  - A) Establish the Misconduct Prevention Committee
  - B) Include the enhancement program for preventive measures into our Compliance Program
- (7) Reevaluate and ensure effectiveness of internal audit function
- (8) Other matters
  - A) Enhancement of self assessment procedures at each branch level
  - B) Formulating Manuals for Prevention of Misconducts

## 2. Description of the self-disciplinary actions

Shigenobu Aikyo	Chairman	30% cut of compensation for four months
Eiji Watanabe	President & CEO	30% cut of compensation for four months
Naoyuki Kawamoto	Executive Deputy President	25% cut of compensation for four months
Seven other executives		5% to 25% cut of compensation for three months

###