

May 24, 2011
SMBC Nikko Securities Inc.

The Announcement of the arrest of former employee

Further to our press release issued on April 8, 2011, in connection with the allegations of fraudulent activity by a former employee of SMBC Nikko Securities Inc. (hereafter, "SMBC Nikko") who defrauded our customers of their money through means not connected to their accounts at SMBC Nikko, we hereby notify you that the former employee in question was placed under arrest today.

We once again sincerely apologize to all of our customers, especially to those who were directly affected by the fraud, as well as any concerned parties, for the misconduct of the former employee.

We have taken this incident very seriously, and have submitted our Business Improvement Plan to Financial Services Agency on May 10, 2011. We will promptly implement the measures described in the Plan, enhance management supervision, and establish sufficient internal control systems. All the executives and employees at SMBC Nikko will do our best to regain the confidence of all our customers and continue to deal in good faith with the customers affected by the misconduct.

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