

May 18, 2012
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 20, 2012 (FSA Supervisory Bureau Memorandum, No. 1055).

We sincerely apologize to our customers and related parties for the concerns and inconvenience we have caused in conjunction with the inadequate controls over undisclosed corporate information (hereafter, "Corporate Information") and inappropriate solicitation.

We very seriously accept the gravity of the situation and drafted the Business Improvement Plan for further improvement and enhancement, in addition to the improvement measures that we have already implemented. We will establish even stronger internal control systems through the steady implementation of the Improvement Plan, and SMBC Nikko will do our best to recover the confidence of customers and other interested parties.

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

1. Outline of the improvement and enhancement measures as specified in Business Improvement Plan

- (1) Improvement and enhancement measures on establishment and application of rules and regulations
 - A) Increase the punishment for violations of laws and regulations and internal rules concerning Corporate Information.
 - B) Enhance the transmission procedure on the Corporate Information.
 - C) Distribution of portable reference manuals regarding the handling of Corporate Information to all the management and employees.
- (2) To make the management and employees thoroughly aware of importance of compliance including handling of Corporate Information
 - A) Provide intensive trainings to all the management and employees.
 - B) Continue providing effective trainings regarding Corporate Information control to all the management and employees.
- (3) Improvement and enhancement measures on early detection of irregular activities
 - A) Make the management and employees thoroughly aware of significance of reporting irregular activities and whistle-blowing.

This material is an English translation of Japanese announcement made on May 18, 2012. 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.

- (4) Improvement and enhancement measures on monitoring system
 - A) Enhance monitoring over internal emails and meetings.
- (5) Internal audit over implementation status of the improvement and enhancement measures

Reference:

Outline of our improvement measures which have been already announced and implemented

- (1) Establishment of a Task Force to Enhance Management of Corporate Information
- (2) Enhancement of Securities Trading Supervisory Operation Division
- (3) Provide more sophisticated training
- (4) On-going monitoring

2. Description of the self-disciplinary actions

Eiji Watanabe	President & CEO	15% cut of compensation for three months
Four other executives		5% to 50% cut of compensation for three months

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