

August 10, 2012
SMBC Nikko Securities Inc.

Business Improvement Order by Financial Services Agency

SMBC Nikko Securities Inc. ("SMBC Nikko") today received a business improvement order ("Order") from the Financial Services Agency ("FSA") under Article 51 of the Financial Instruments and Exchange Act in relation to the arrest and the indictment against a former executive officer of SMBC Nikko, as described below.

In connection with the receipt of the Order, we express our deep regret and hereby apologize to our customers and all related parties for the concerns and inconveniences we have caused.

We accept the Order very seriously and will further enhance our internal controls through the steady implementation of the improvement measures ("Improvement Measures") which we announced on August 7, and do our best to regain the confidence of our customers and all related parties.

1. Description of the Order

- (1) Ensure the implementation and the integration of the recurrence prevention measures, formulated based on the recommendation by the investigation committee ("Investigation Committee").
- (2) Periodically submit reports on the implementation status of the recurrence prevention measures.
- (3) Periodically examine the effectiveness of the recurrence prevention measures and report on the results of the examination.
- (4) Regarding (1) to (3) above, submit the first report by August 17, 2012. Thereafter, submit reports within 15 days from the end of each quarter. Regardless of the above reporting deadlines, report as needed.

2. Our Improvement Measures

SMBC Nikko announced the Improvement Measures as follows on August 7, 2012, based on the recommendation regarding recurrence prevention by the Investigation Committee. As for the status of the implementation, we will establish a new committee, chaired by the President & CEO and consisting of the Internal Administration Supervisor and related directors, which will verify the progress and effectiveness of the Improvement Measures.

- (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 ("Private Side") (Scheduled from September 2012)
 - ii. Enhancement of follow-up trainings for mid-career executives and employees (Scheduled from September 2012)

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

- (2) Clarification of procedures for appointing a mid-career person (including seconded persons) to an executive officer and above
 - i. Interviews with directors (Scheduled from August 2012)
 - ii. Prior check on profiles (Scheduled 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 (plan))
 - 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 (Scheduled 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. (Scheduled from August 2012)
- (6) Adding recording function to mobile phones provided by the company (Drawing actual plan)

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