

## 【NEWS RELEASE】

December 7, 2018  
SMBC Nikko Securities Inc.

### **Re: Arrest of a Former Employee of Our Company**

Today, it was found that a former employee of our company was arrested by the Metropolitan Police Department on the suspicion of computer fraud for illegally manipulating customers' securities accounts and embezzling the funds he withdrew.

At the time of the incident, the former employee was working as Compliance Manager, responsible for internal Control of the branch. We take it very seriously that an employee in such position caused this incident, and sincerely apologize to our customers and other concerned parties for causing great concern and inconvenience.

Since discovering the incident in May 2018, we immediately consulted with the police and have been fully cooperating with the investigation. We also conducted an internal investigation to establish the facts, probe the cause of the incident and identify preventive measures. We are attending to all the customers affected by this fraud to explain the situation, apologize and make good the losses incurred. We dismissed the former employee in October 2018 on disciplinary grounds and subsequently filed a criminal complaint.

As shown in the Appendix, we take all necessary steps across our organization to prevent recurrence of similar incidents by strengthening controls to prevent and detect such incidents and further tighten employee discipline.

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## Appendix

### Outline of Recurrence Prevention Measures

#### 1. Business procedures and systems

- In addition to identifying and reviewing business procedures that may lead to fraud risks, including the procedures in this fraud incident, we have reviewed and strengthened head office monitoring.

#### 2. Internal Audit

- We have reviewed and strengthened on-site audit and off-site monitoring procedures to focus on surveillance of transactions with a high risk of fraud, including the tactics used in this case.

#### 3. Human Resources Management

- We are working on fostering and strengthening our employees' awareness of discipline
  - We have disseminated to all employees the ethics, the types of wrongdoing, and the disciplinary actions in the event of the discovery of wrongdoing
- We have enhanced managers' awareness and management skills (method of detecting signs of wrongdoing by subordinates and thorough day-to-day managerial oversight)

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