

【NEWS RELEASE】

December 26, 2018
SMBC Nikko Securities Inc.

Re: The Investigation Report by the Investigation Committee and Our Improvement Measures

A former employee of our company was recently indicted in the Osaka District Court for violation of the Financial Instruments and Exchange Act (violation of insider trading regulations). We take this matter very seriously and sincerely apologize to our customers and other concerned parties for causing great concern and inconvenience.

We have received the investigation report from the Investigation Committee which was established on November 29. (The Investigation Committee is chaired by Takayuki Aonuma Esq., the former superintending prosecutor of the Nagoya High Public Prosecutors Office.)

We took this situation seriously and formulated improvement measures based on the investigation report. We will further enhance our internal controls through the steady implementation of improvement measures, and take all necessary steps across our organization to restore the trust of our customers and other concerned parties.

Attachments

- Summary of Investigation Report
- Our Improvement Measures

End

December 25, 2018

To SMBC Nikko Securities, Inc.

Summary of Investigation Report

Investigation Committee

Chairman Takayuki Aonuma

Commissioner Takeshi Ohki

Commissioner Akira Inoue

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I. Outline of the Investigation

1. Background of establishing the investigation committee

On November 29, 2018, A, a former employee of SMBC Nikko Securities, Inc. (“Nikko Securities”), was arrested on the charge of a violation of Financial Instruments and Exchange Act, together with his acquaintance B, and on December 19, 2018, they were indicted on the basis of the fact violating the said Act. The summary of the facts constituting indictment that were made publicly available is as follows:

A is a person who knew, in connection with his duty, as an employee of Nikko Securities, the fact that company X determined to the effect that it tender offer bids the shares of company Y, which was known by the other employees etc. of Nikko Securities, in connection with the execution of an agreement with company X, and B was an acquaintance of A:

- (i) B, received facts related to the implementation of a tender offer bid, from A, and purchased, under B’s name, a total of 296,000 shares of company Y’s shares, at a total price of approximately 53,260,000 yen, from July 28, 2016, to August 3, 2016, which was before the said facts were made publicly available.
- (ii) A, with the purpose of purchasing the shares of company Y in advance, to make profits, around July 27, 2016, which was before the said facts were made publicly available, communicated the said facts, and as set forth in (i), the said person purchased the shares of company Y under the said person’s name.

Nikko Securities has been cooperating with the investigations etc. of the facts in violation of the Financial Instruments and Exchange Act at issue by the Securities and Exchange Surveillance Commission, but given that the aforementioned A and B were both arrested by the Osaka District Prosecutor’s Office on November 29, 2018, it established this Investigation Committee (“Committee”) as of the said date.

2. Purpose of this Investigation

The purpose of this Investigation is (i) to understand the facts, such as how the insider information related to the tender offer bid (“TOB”) of company Y’s shares was acquired by A, (ii) to analyze the cause of the case, and (iii) to propose a plan

to prevent recurrence.

3. Members of the Investigation Committee

Members of the Investigation Committee are as follows:

- Chairman Takayuki Aonuma (Attorney-at-law, former Superintending Prosecutor of Nagoya High Public Prosecutor's Office)
- Commissioner Takeshi Ohki (Attorney-at-law, former public prosecutor)
- Commissioner Akira Inoue (Executive Managing Director and Chief Compliance Officer, Nikko Securities)

The Committee established a secretariat consisting of 16 officers and employees (officers and employees are hereinafter referred to as "Officers and Employees"), and engaged 3 outside legal counsels (Michio Masaki, Miya Miyama, Ryota Saito) as assistants and had them assist the Committee.

4. Period and method of Investigation

(1) The period of Investigation was from November 29, 2018 to December 25, 2018.

(2) The methods of Investigation were as follows:

(A) Examination of relevant materials

The Committee carefully examined relevant materials, such as Nikko Securities' rules and regulations, electronic data such as phone call logs used at the said company, contents of emails sent and received and pc operation logs, HR related materials related to recruitment and assignments, and compliance training materials etc.

Since the electronic data was submitted to the relevant authority, the Investigation did not involve digital forensic.

(B) Interviews with relevant persons

The Committee conducted interviews with 35 Officers and Employees of Nikko Securities, and one other relevant person, totaling 36 persons (52 times in total).

(C) Onsite inspection

The Committee conducted an onsite inspection at the Investment Banking department on December 3, 2018.

(D) Survey and establishment of whistleblower hotline

The Committee conducted a survey in regard to the cause of Information Breach etc. from December 7, 2018 to December 21, 2018, and also established a whistleblower hotline to the Committee, in order to investigate if there was any incident similar to the one at issue, separate from the whistleblower hotline within the company.

5. Frequency of holding the Committee

The Committee was held 8 times between November 30, 2018 to December 25, 2018.

6. Qualification regarding limitation of the Investigation

The Committee conducted an investigation that was considered necessary to achieve the purposes of the Investigation, however, the investigation was conducted in a limited period of time, on a voluntary basis, and when the relevant authority was conducting probe and investigation, therefore, the said probe and investigation had to be given priority, and thus there was a limitation that the Committee was not able to conduct any interview with A and B. Accordingly, it is possible that the factual findings by this Investigation will be changed due to discovery of new materials, such as materials other than those collected by the Committee and evidences of the criminal proceedings etc.

II. Facts found in the course of this Investigation

1. Issues regarding discovery of facts and its direction

There were certain limitations with this Investigation, but it would be difficult to propose a valid analysis of cause and methods to prevent recurrence, without understanding the facts such as how A acquired the TOB information. Therefore, the Committee attempted to presume the facts related to the Information Breach, as much as possible, from the electronic data etc. that was left at Nikko Securities.

Since this is a case on a matter before trial, detailed facts related to the breach found by the Committee, matters and basis of presumptions etc. used for the finding, are not described in the public version of this report.

2. How A acquired information regarding TOB

In April 2016 (those with the year omitted hereinunder are events during 2016), Nikko Securities was requested to provide advisory service etc. for the TOB,

composed a project team mainly consisting of employees of the Investment Banking department, and performed the service.

The TOB was publicly announced on August 3, and company X initiated TOB of company on August 4, and completed on October 5.

A is a new employee who joined the company in April 2015, and was assigned to the Investment Banking department in August 2015. He was not a project member of the TOB, but he proactively searched for the TOB information based on fragmented information that was shared within the department and acquired the TOB information in late July.

3. How A communicated information regarding TOB

Prior to the public announcement of the TOB, A communicated the TOB information to B by using his personal mobile phone etc.

Based on the facts of indictment that was publicly announced, it is presumed that B purchased the shares of the company Y thereafter, but there was no purchase that used the account at Nikko Securities.

4. How the internal administration system for preventing insider trading was in place at Nikko Securities

(1) Objective status of the placement

A. How the compliance system was put in place

Nikko Securities takes compliance seriously as one of its most important item of its management, and has established compliance committee as an advisory body to the management meeting. Also, it places an internal administrator at every department, as a general rule, and has set up compliance rules and placed compliance manuals etc. as the code of conduct of Nikko Securities employees.

B. Prohibition of unfair trading and management of Corporate Information

(A) Prohibition of unfair trading

Nikko Securities has implemented employee account trading rules and officer account trading rules, as rules in cases of securities trading by Officers and Employees, and has a set forth rules in details regarding restrictions on opening account and trading. Also, with respect to Officers and Employees who belong to the Corporate Division (“Private Side”) which has high possibility of acquiring Corporate Information, the rules in place are more rigorous than those

for regular Officers and Employees, and have stocks with restrictions on trading, and restriction on periods of trading.

(B) Management of Corporate Information

At Nikko Securities, the Trading Compliance department controls and manages Corporate Information, and the insider trading management rules define Corporate Information, method of managing Corporate Information, and prohibited conducts etc. Also, in order to effectively function the insider trading management rules, it takes measures such as separating the private side and the public side (which are departments other than the private side), setting forth reporting requirement at the time of acquisition of Corporate Information and management method of restrictions on communications, building information barrier (Chinese wall) between them, and thereby preventing unfair trading in advance.

The outline of the management system related to Corporate Information at Nikko Securities is as follow:

(i) Reporting at the time of acquisition of Corporate Information

Officers and Employees must immediately report to the head of department and branch as well as the head of Trading Compliance department, and obtain approval, through the Corporate Information Management System (“CIMS”) of the Trading Compliance, Corporate Information Control department, when he/she has acquired Corporate Information in connection with his/her operation.

Those who are required to register with the CIMS are: (i) persons in charge of each projects, and (ii) those who received information due to operational necessity other than (i). In addition, for example, in a case where there is an error in the transmission of an email that contains Corporate Information, the recipient will not be registered as a person involved under the CIMS, but will be managed by the Trading Compliance department as a person who is possible of knowing the information (Deemed to know).

(ii) Management of Corporate Information acquired

Officers and Employees must, when he/she acquired Corporate Information or information that could possibly become a Corporate Information, manage it in a strictly secured manner. With respect

to electronic files containing Corporate Information etc., it is managed in a way that the said Corporate Information is not communicated to a person who does not have the need to know for his/her operation, by protecting it with a password, and restricting access by taking measures to restrict access etc., and strictly enforcing the “principle of Need to Know”, even within the same department.

(iii) Restriction of communication and over-the-wall application

Officers and Employees are prohibited from communicating Corporate Information to other Officers and Employees or third parties outside the company, except when it is necessary due to an operationally justifiable cause. Also, when it is necessary to communicate a Corporate Information to Officers and Employees on the public side or third parties outside of the company due to an operationally justifiable cause, an application must be submitted to the head of the Trading Compliance Department and obtain his/her approval in advance.

(iv) Prohibition of unnecessarily acquiring Corporate Information

Officers and Employees are prohibited from attempting to acquire Corporate Information from other Officers and Employees or third parties outside the company, without an operationally justifiable cause.

(v) Violation of laws and regulations regarding Corporate Information and violation of internal rules

In general, Officers and Employees are subject to punitive dismissal when he/she is involved in an insider trading or he/she has breached information to third parties that could lead to an insider trading without a justifiable cause. The importance of the management of Corporate Information is strictly informed, through continuing and repetitive trainings etc.

(vi) Corporate Information Management Reinforcement Group

As an organization under the compliance committee, a Corporate Information Management Reinforcement Group, chaired by the person in charge of compliance, has been established. Systems related to Corporate Information and examples of other companies are discussed, and measures related to the management of

Corporate Information are implemented, on a periodic basis. The contents of discussion at the said group are reported to the compliance committee, and then reported to the board of directors meeting and the management meeting, and thereby reinforcing the involvement of the managements.

C. Monitoring etc.

(A) Monitoring related to Corporate Information

The Trading Compliance department implements monitoring of outlook email used within Nikko Securities, Bloomberg mail and chat and activity records etc. and are confirming if there is unnecessary communication of Corporate Information, or if there are inappropriate conduct such as searching of Corporate Information.

(B) Monitor of email sent outside the company

The internal administrator at the Investment Banking department is confirming emails sent out of the company from members of the Investment banking department who is in charge, ex-post, and verifying if there is any unnecessary breach of Corporate Information.

(C) Management of entering and leaving the room

Door at the operating room of the Investment Banking department restricts entrance into and exit from the room by restricting access with an ID card.

(2) Status of the operation of internal administration system

A. Monitoring, Office Check

The internal administrator at the Investment Banking department was engaged in monitoring of emails of employees and office check operations etc., at the said department, however, no breach of Corporate Information was identified. Monitoring of emails etc. was also performed by the Trading Compliance department, but the result was the same. The rule was not to save files containing Corporate Information etc. in a shared folder, therefore, shared folders were not monitored.

In addition, the internal administrator gave several warnings because A's desk was found untidy during office check, but it was not that materials related to Corporate Information was left unattended.

B. Personal mobile phones etc. of employees

The Trading Compliance department and internal administrator were monitoring office PCs and mobile phones, but were not monitoring

personal PCs and mobile phones.

5. How A was recruited as a specified professional employee (investment banking operation) and assigned to the Investment Banking department

(1) A's resume, and the purpose of application etc.

A graduated from a graduate school, and on April 1, 2015, and joined Nikko Securities as a specified professional employee (this is a system that is applied to employees who are expected to have high operational capability).

(2) Status of recruiting such as evaluation at the time of interview, and how he was assigned to the Investment Banking department.

A. Status of recruiting such as evaluation at the time of interview

Recruiting new graduates at Nikko Securities are conducted separately by five departments including the Investment Banking department, respectively, and they are recruited as employees who pursue main career track, as a general rule. With respect to A, after document-based screening, he was interviewed multiple times by different interviewers, followed by a final interview by the HR department, and then got hired. The HR department conducted a qualification test and checked if he belonged to anti-social forces or had criminal records etc., however, he was not determined to be disqualified.

B. How he was assigned to the Investment Banking department

A's first choice was to be assigned to the Investment Banking department, where he could make use of his expertise. The Investment Banking department assigned A to the department from August 3, 2015.

6. The contents of the operation A was in charge of at the Investment Banking department etc.

(1) The contents of the operation A was in charge of

The Investment Banking department gives its employees 5 different titles depending on their tasks, and employees who were within approximately 3 years of employment were titled financial analyst, and were engaged in preparation of proposition materials provided to clients etc. A was engaged in the said task as a financial analyst since he was assigned.

(2) Performance and work behavior

A's annual evaluation during fiscal year 2015 (final evaluation) was in the upper level. His evaluation such as work behavior was generally high, and

nothing suggests the possibility of any violation of laws and regulations or violation of internal rules

7. Status of training for prevention of insider trading at Nikko Securities

(1) Status of training for prevention of insider trading

At Nikko Securities, Officers and Employees are given repetitive and continuing trainings related to appropriate management of Corporate Information and prevention of insider trading etc., and are thereby made to be aware of their social responsibility as the market intermediary, and are strictly informed of compliance with laws and regulations and rules, and internal rules. The said trainings were conducted 11 times in total, from April 1, 2015 through March 24, 2017, during which period A was an employee, and A has attended all of them.

(2) Status of the training for A and submission of a written pledge

A attended all trainings, and submitted a written pledge to Nikko Securities.

8. Whether if there was an organized involvement or Similar Conducts by Officers and Employees other than A

(1) Whether if there was any trading of company Y's shares by person related to Nikko Securities in connection with the fact of Purchase.

The Committee carefully studied records of emails sent and received in and out of the company, PC operation logs, printing logs, entry and exit logs etc. and investigated whether there was any breach of information, with respect to people related to the TOB project in July 2016, but was not able to identify any facts that suggest operational involvement of Nikko Securities in the matter at issue, or communication related to the trading of company Y's stocks by Officers and Employees other than A.

(2) Result of the survey and whistleblower hotline regarding Similar Conducts

In order to investigate if there was any organized involvement by Nikko Securities, of if there were Similar Cases by other Officers and Employees, the Committee (i) conducted an investigation using a smart survey to all Officers and Employees, (ii) established a whistleblower hotline and widely solicited information from all Officers and Employees.

A. Survey

With respect to questions regarding the possibility of receiving treatments such as termination or dismissal etc. when intentionally breaching

Corporate Information to third parties, all 10,359 people who responded, except 479 employees who were on leave or on secondment etc., (response rate – 95.58%) answered that they understood there was a possibility.

Also, with respect to a question which asked if he/she knew of a case where a possibility of a violation of laws and regulations etc. was suspected, 22 people answered positively. Accordingly, an interview was conducted on these people, but other than those cases that were already known, they were only past rumors and personal impressions, and no facts that suggested Nikko Securities' organized involvement or Similar Cases were confirmed.

B. Solicitation of information using a whistleblower hotline

No information related to a Similar Case was reported to the whistleblower hotline that the Committee established which directly connected to the Committee. There was also no report to the whistleblower hotline established within the company during this Investigation.

9. The contents of the prevention system set up based on the improvement report related to the past insider facts.

In August 2012, Nikko Securities established the following items of recurrence prevention plan, upon receiving an internal investigation report regarding a former executive officer seconded from a bank who was arrested for engaging in an insider trading:

- (1) A thorough awareness of legal compliance including management of Corporate Information to Officers and Employees who does not have experience of securities operation.
- (2) Clarification of the procedure of engaging officers who are laterally hired (including secondment) as executive officer or level above that
- (3) Action management for officers
- (4) Sharing of negative information related to people seconded
- (5) Reinforcement of further awareness on insider trading prevention

III. Analysis of the cause regarding Information Acquisition and communication of information

1. Characteristics of this case

The characteristics of this case is that (i) an employee who was not a project member of the said department was able to acquire the Corporate Information, (ii) that he acquired a non-public project information, by actively searching based on fragmented information that was shared within the department, with the intent to conduct an unfair trade, and (iii) it was a conduct by a new employee who only worked for about 1 year and 3 months after being hired as a newly graduated.

2. Analysis and review of the cause

(1) Review of the internal administration system

A. We can evaluate that Nikko Securities has implemented a management system of Corporate Information to a certain extent, and that its monitoring through its monitoring system is well developed. It is also gradually reinforcing its management system by learning lessons from its past incident.

However, based on the fact that A has proactively searched and acquired Corporate Information with a malicious intent, a more thorough information management between employees who were in charge of the project and others within the same department should have been implemented.

B. With respect to Corporate Information, certain information management such as not using individual company names and using project names and code names instead for projects and related companies were in place. Also, they handled matters by using meeting rooms as much as possible, and were not speaking individual company names during discussions within the department or over calls, but was possibly not thorough enough in a very limited part.

(2) Review of A's hiring and assignment

At the time of hiring of A, Nikko Securities evaluated through multiple interviews by different interviewer, and conducted qualification test including those that measured the awareness of compliance, however, he was hired by generally achieving high evaluation. Also, A's malicious intent could not be detected through the contents of A's subsequent evaluations etc. Additionally, it cannot be said that assigning A to the Investment Banking department was unreasonable. That being said, however, a newly hired is not necessarily equipped with the strict professional ethical awareness required for an

employee of a securities company, no matter how good a school grade he/she may have. Professional ethical awareness must be given priority over work capacity at the time of hiring, and ethical awareness must further be nourished by deepening the ethical training after hiring.

(3) Review of the understanding of working status

A's working status was highly evaluated in general, and no suspicious conduct that could predict Information Breach etc. was identified. However, logs of a number of access to folders not necessary for the operation and internet searches were identified during this Investigation. Also, during the desk check by the internal administrator, issues such as A's failure to lock his desk drawer and untidy desk were identified and suggested. The level of employee's awareness towards information management can be understood to a certain extent by closely looking at such employee's daily job behavior.

(4) Review of education and training to A

Beginning with the newly hired training in April 2015, A participated in the trainings related to insider trading rules, Corporate Information management, professional ethics etc., took confirmation test regarding his knowledge of laws and regulations and internal rules, and the strict penalty that will be imposed when an involvement in an insider trading has been discovered. However, if it were to be discussed on the premises that there are employees with malicious intent, it should have also been further emphasized that insider trading is a crime that would inevitably leave traces no matter how it was concealed, and would easily be discovered and be arrested by the investigation authorities, and that engaging in violation of insider trading rules etc. would result in strict criminal penalty and other liabilities.

(5) Review of the fact that this case could not have been prevented even with the insider prevention system based on the past incident

Nikko Securities implemented a recurrence prevention plan after the incident where a former executive officer was engaged in insider trading in August 2012. On the other hand, in this case, an employee who was not in charge, actively searched, acquired and communicated the Corporate Information, with malicious intent, by finding a gap in the Corporate Information management system within the department, and therefore, this case is different from the past case in terms of his position, background, and how the information was acquired, accordingly, it was inevitable that the recurrence prevention plan at the time was not useful.

IV. Proposal of an improvement plan

As discussed above, based on the fact that this was a crime by an employee who searched Corporate Information that was out of the scope of his task, with the intent to conduct unfair trading, it is inevitable that a more thorough improvement plan be implemented, based on the premises that there could possibly be Officers and Employees with malicious intent in the company. And not only amending internal rules or developing new tools, but also the top management must lead and show his determination towards never having another wrongdoer, give a thorough instruction, and thereby aim to establish a professional ethics of the Officers and Employees, more than anything. Trust from the market will not be gained without that. The following is a proposal of the improvement plan, based on the investigation.

1. Re-implementation of a thorough management principle and legal compliance, professional moral

(1) Re-implementation of a thorough management principle etc.

The top management should thoroughly reimplement that actions based on management principle and establishment of professional ethics are the most important, and repeat communications between employees including young employees and the management team on a company-wide basis, and establish professional ethics and professionalism into the corporate culture.

(2) Reconfirm the importance of giving instructions to employees

Reconfirm the importance of officers, general managers and managers giving not only instructions related to daily operation but also instructions related to awareness and behavior outside of the daily operation, to the extent of control during daily operation, to their respective subordinates.

2. Reinforcement of HR management and training

(1) Further reinforcement of hiring method and thorough implementation of assignment operation

With respect to hiring, professional ethics etc. must be given priority over operational capacity, and the method of confirming professional ethics awareness must be further enhanced. Also, with respect to those hired at the department in charge of M&A advisory service, the training menu related to “establishment of legal compliance and professional moral” at the time of newly hired training must be deepened, and thereby establish professional ethics awareness.

(2) Reinforcement of training related to prevention of insider trading

With respect to training related to prevention of insider trading, further enhance awareness in regard to the following items.

- A. Under the rules of employment, involvement in insider trading activities are subject to punitive dismissal, and is also subject to damage claim of all the damages incurred by the company. Further, there will be strict penalties, such as criminal penalty, charges, effect on the family and criticism from the society.
- B. Officers and Employees should not communicate Corporate information, and should not attempt to acquire information, without an operationally justifiable cause. Avoiding unnecessarily communicating or acquiring information will not only protect the company but also result in protecting the Officers and Employees and their family etc.
- C. Insider trading is strictly monitored by the Securities and Exchange Surveillance Commission, self-regulatory-bodies, and securities companies etc., and will inevitably be discovered.

(3) Changing the frequency of requiring submission of written pledge

Increase the frequency of submitting the “written pledge” related to prevention of insider trading, which is currently taking place once a year, and thereby enhance awareness.

3. Further enhancement of information management system

(1) Thorough implementation of project information management and enhancement of monitoring

With respect to the so called non-public confidential information, such as TOB project information before public disclosure etc., limit to Officers and Employees involved in the said project, further enhance thoroughness of the so called project information management and also periodic monitoring of the storage of project management materials and access restrictions and verification of access logs etc., as necessary.

(2) Enhancement of equipment for project information management

For the purpose of further enhancing project information management, enhancement of equipment such as increase of individual rooms that can be used for meetings, replacing printers (prevent leaving printouts unattended by controlling printing), enhancement of instruments such as placing privacy filters on pc screens, and installing monitor cameras as necessary, for the

purpose of managing confidential information.

- (3) Verification of the implementation status and effect of the improvement plan
With respect to the aforementioned improvement plan, for the purpose of verifying the implementation status and its effect, implement voluntary inspection at each relevant department and strictly verify this by compliance department at certain frequency. Additionally, verify the effectiveness of the voluntary inspection system by the audit department, including verification by the compliance department.

END

Our Improvement Measures

1. Improvement measures based on the incident

(1) Re-enforcement of the management philosophy, establishment of professional ethics and employee guidance.

I. Re-enforcement of the management philosophy, etc. (scheduled for January 2019 and onward)

i) The top management will prompt all executives and employees that the most important thing is to take action based on the management philosophy and establish professional ethics.

ii) By repeatedly communicating between employees, including junior staff, and the management, our company aims to establish professional ethics and professionalism in its corporate culture, based on the common sense of values that "To fulfill a role as sound financial intermediary in order to contribute to the development of both capital markets and our society" as stated in the management philosophy.

iii) As part of the above measures, we continuously share the view that action based on the management philosophy and establishment of professional ethics are the most important management issues in town hall meetings held regularly. This is aimed at improving the sense of unity throughout the company through two-way communication between the employees and the management.

II. Reconfirming the importance of employee guidance (scheduled for January 2019)

Executives, general managers, and managers shall reaffirm the importance of providing guidance to their subordinates not only in their daily work, but also their attitudes toward daily living apart from daily work, etc.

(2) Strengthening personnel management and training, etc.

I. Further expansion of recruitment and assignment processes, etc. (scheduled for April 2019)

With regard to employment, our company will place priority on the sense of professional ethics, etc., rather than ability to perform work, and will further enhance the process of confirming the sense of professional ethics, etc. In addition, with regard to recruits of new graduate for the Wholesale Business Unit, the training program on "Compliance with Laws and Regulations and Establishment of Professional Ethics" will be expanded in the training for new employment thus they will be assigned after a certain period of training (3 ~ 4 months).

II. Strengthen training on the prevention of insider trading (scheduled for January 2019 and onward)

The content of the training which focuses on the prevention of insider trading, which includes the sense of professional ethics, will be reviewed, and in particular, the following items will be made more aware.

- i) Our company's rules of employment stipulate not only disciplinary dismissal but also full compensation for damages suffered by our company caused by insider trading and involvement.
- ii) Violators are not only subject to disciplinary dismissal and full compensation for damages caused but also subject to severe punishment including criminal penalty, surcharges, negative impacts on the family and public criticism.
- iii) All executives and employees are prohibited from conveying material non-public information to any irrelevant parties without a legitimate business need. Furthermore, all executives and employees shall not attempt to acquire material non-public information without a legitimate business need. The act of not providing and/or not obtaining unnecessary information will protect employees, the company, and the families and friends.
- iv) Insider trading is strictly monitored by the Security and Exchange Surveillance Commission, self-regulatory organizations and other securities firms etc. hence will be exposed.

III. Change in frequency of requesting a written oath (scheduled for April 2019)

We request a written oath regarding insider trading annually now, but we will request it semiannually.

(3) Further strengthening of information control system

I. Strengthening of monitoring on project information control system (scheduled for January 2019).

With regards to "Securing of undisclosed confidential information within related executives and employees" in M&A advisory services' project information control, in addition to further enhancement of project information management, storage of project management materials, and access restrictions will be monitored periodically in addition to verification of access logs when necessary.

II. Facility expansion for project information control (scheduled for January 2019 and onward)

For the purpose of further enhancement for project information control in M&A advisory services, we intend to replace printers to prevent printed confidential information left out,

expand and reinforce facilities of conference rooms, and implement privacy filters to computer screens, as well as installing surveillance cameras as necessary.

III. Self-check for project information control(scheduled for April 2019)

In order to verify the status of implementation and the effectiveness of the above improvement measures regarding project information control, departments in charge of M&A advisory services will conduct self-check. In the meantime, the Compliance Unit will conduct strict and periodic reviews of the self-check for verification. The Audit Unit will then review the verification done by the Compliance Unit and verify the effectiveness of the self-check.

2. Description of the self-disciplinary actions

Chairman of the Board	Tetsuya Kubo	Reduction of executive pay by 20%	2 months
President & CEO	Yoshihiko Shimizu	Reduction of executive pay by 20%	2 months
Other 2 executives		Reduction of executive pay by 5~10%	2 months

End