

NEWS RELEASE

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Corrective Action to Prevent the Recurrence of Erroneous Employee Trade

TOKYO, January 31, 2006 – As previously announced, an employee at Nikko Citigroup Limited placed an order to buy shares of Nippon Paper Group with his personal trading account on January 4, 2006. While the order was placed with the wrong number of shares, it went through without adequate internal confirmation to be executed at the Tokyo Stock Exchange. We deeply regret any problems this error has caused.

Since this incident has resulted in the loss of trust in our internal control procedures among investors, Hideo Abe, CEO, and Hisato Miyashita, Head of Compliance Department, will take a 10% and a 5% reduction, respectively, in executive compensation for one month to take responsibility. The employee who placed an erroneous order and several others in execution, review and supervisory capacities also have been disciplined.

As a result of this error, we have reviewed our internal rules and approval procedures with respect to employee trading. In addition to double-checking the principal and share amounts of each trade, we will make the following changes in our procedures:

1. Previously there were no restrictions on employee trading hours. Under the new rules, employees will not be allowed to place orders during working hours (from 8:30 am to 4:00 pm).
2. Previously there were no restrictions on the price conditions for listed stocks and convertible bonds. Under the new rules, only limit orders will be accepted.
3. Previously, our own execution division executed employees' trade orders. Under the new rules, employee accounts will be transferred to the Investment Advisory Department of Nikko Cordial Corporation.

We will continue to perform pre-trade compliance examinations and post-trade reviews internally to prevent insider trading and other illicit activities related to employees' trades.

We sincerely apologize for the inconvenience this trade error has caused. We will continue to strengthen our internal management.

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