**March 14, 2007**

**Citigroup Japan Investments LLC**

**FOR IMMEDIATE RELEASE**

# Citigroup Japan Investments LLC Announces Commencement of Tender Offer

Citigroup Japan Investments LLC (Headquarters: Delaware, United States of America; President: William H. Wolf; hereinafter called "the Tender Offeror" or "the Company"), a limited liability company which is wholly-owned by Citigroup Inc., a Delaware corporation, today announced that it will launch a tender offer for the Common Stock, Rights to Subscribe for New Shares, Shareholders Meeting Rights and Share Purchase Warrants (the "Tender Offer") of Nikko Cordial Corporation (Head quarter: Chuo-ku Tokyo, Japan, Director, President & CEO : Shoji Kuwashima, hereinafter called "the Target Company").

## 1 Purpose of the Tender Offer

(1) Background of the Tender Offer

The Tender Offeror is a limited liability company which is wholly-owned by Citigroup Inc., a Delaware corporation (together with its subsidiaries and affiliates, "Citigroup"). The Tender Offeror was newly formed under the laws of Delaware to acquire shares, etc. of the Target through the Tender Offer.

Citigroup is a leading global financial institution and has approximately 200 million customer accounts in more than 100 countries, providing retail and corporate customers, governments and institutions with a broad range of financial products and retail banking, credit card, consumer finance, investment banking, securities and asset management services.

Since Citibank, N.A. ("Citibank"), a group company of Citigroup, opened its first Japan branch in Yokohama in 1902, Citigroup has grown to become one of the most diverse and recognized foreign-affiliated financial institutions in Japan. Citigroup has approximately 5,400 employees in Japan (excluding employees of joint venture companies) as of January 31, 2007, and provides services for retail and corporate banking, investment banking, securities business, consumer financing, credit cards and other businesses. Citibank, licensed as a foreign bank to conduct banking business in Japan, currently has 30 local branches and sub-branches (as of February 2007). Nikko Citigroup Limited ("Nikko Citigroup") is one of Japan's leading investment banks and a strategically important part of Citigroup's capital markets and banking business globally.

Citigroup intends to further expand its business development and to substantially increase its investment in Japan, the world's second largest economy. On January 29, 2007, it announced its plan to establish a *kabushiki kaisha* (joint-stock corporation) to engage in banking business in Japan. A newly incorporated local bank will assume all of the banking operations currently conducted by Citibank through its 30 local branches and sub-branches in Japan. Establishing a new local bank will enable Citigroup to accelerate its growth plans in its retail and corporate banking businesses, while ensuring appropriate local governance of its business in Japan. Citigroup views the Japanese market as a key market in its international growth strategy, and setting up a new local bank represents its long-term commitment to business development and investment in Japan.

The Target primarily offers securities-related financial services. Specifically, the Target has four core business lines: (i) the retail securities business providing mainly individual customers with investment consulting services for various financial instruments; (ii) the asset management business providing all types of investors, including individuals, companies and foreign investors, with asset management services; (iii) the investment banking business providing comprehensive services for corporate clients relating to management and financial strategies, ranging from capital raising and asset management to IPO-related services and M&A-related advice; and (iv) the merchant banking business investing its own capital in equities, debt, securitized products, alternative investment products, etc. issued by both listed or privately held companies.

Citigroup and the Target have built a strong cooperative relationship over a long period of time, including Nikko Citigroup, a joint venture investment bank incorporated in February 1999, and NikkoCiti Trust and Banking Corporation, a joint venture trust bank jointly operated since August 2001. Citigroup and the Target share a firm commitment to providing their customers with the highest quality financial services. Citigroup became the largest shareholder of the Target in 1998 and considers the unique strategic relationship with the Target as a key part of its franchise in Japan. As of the filing date of this statement, Citigroup holds, through Citigroup International LLC, approximately 4.9% of the total number of issued shares of the Target.

In conjunction with recent deregulation in Japan, the permissible business activities of banks have been expanded to include securities brokerage services, and securities companies have become eligible to engage in banking agency business. As a result, banking and securities services can now be provided through the same distribution channels, leading to the development of "one-stop shopping" for retail banking and securities services. Under these circumstances, the relationship between Citigroup and the Target is expected to become increasingly important in the future.

(2) Purpose of the Tender Offer

On December 18, 2006, the Target announced an amendment to its Securities Reports and Semi-annual Reports for the fiscal years ended March 2005 and 2006 after concluding that past accounting treatment of certain group companies' results was partially inappropriate. On the same date, the Securities and Exchange Surveillance Commission recommended that the Prime Minister and the Commissioner of the Financial Services Agency issue an order to the Target to pay a fine in the amount of 500 million yen pursuant to Article 172, Paragraph 1, Item 1 of the Securities and Exchange Law ("Law"). Furthermore, on the same day, the Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange"), Osaka Securities Exchange Co., Ltd. (the "Osaka Securities Exchange") and Nagoya Stock Exchange, Inc. (the "Nagoya Stock Exchange") decided to place the Target's stock on their respective supervisory posts. The Target established the Special Investigation Committee comprised of third party experts, which published the results of its investigation relating to the causes of the Target's restatement of financial statements. Taking the Special Investigation Committee's report dated as of January 30, 2007 into account, the Target announced preventative/improvement measures in relation to the series of events associated with the restatement of the Target's Securities and Semi-annual Reports, as well as its organizational reform plan and appointment of executive officers on February 13, 2007. On February 27, 2007, the Target filed Amendments to the Securities and Semi-annual Reports for the fiscal years ended March 2005 and 2006 and the Semi-annual Report for the fiscal year ended March 2007. In response, on March 12, 2007, the Tokyo Stock Exchange, Osaka Securities Exchange, and Nagoya Stock Exchange each considered whether or not the Target met their respective delisting criteria and decided to keep the Target's shares of common stock listed. The Target's shares were removed from the respective supervisory post as of March 13, 2007.

Citigroup desires to reaffirm its longstanding partnership with the Target to quickly restore market and social trust in the Target while preserving the brand value, human resources and other positive aspects of the Target. On March 6, 2007, Citigroup Inc., the Tender Offeror and the Target entered into a comprehensive strategic alliance agreement (the "Alliance Agreement") to strengthen their relationship with a view to expanding the range and quality of products and services offered to customers. As part of the Alliance Agreement, the Company has agreed to commence the Tender Offer to purchase all of the shares and share purchase warrants (*shinkabu yoyaku ken*) of the Target. In the Tender Offer, the holders of share purchase warrants may choose either to tender their share purchase warrants or tender the shares issued or transferred after exercising their share purchase warrants to the Tender Offeror. However, the holders should note that the transfer or exercise of share purchase warrants may be restricted under the exercise conditions of the share purchase warrants or by the agreements between the holders and the Target. Despite the fact that the Tender Offeror is offering to buy or soliciting an offer to sell rights to subscribe for new shares (*shinkabu hikiuke ken*) of the Target in accordance with Article 27-2, Paragraph 5 of the Law and Article 8, Paragraph 5 Item 3 of the Cabinet Order for Enforcement of the Securities and Exchange Law ("Enforcement Order"), there is a prohibition on the transfer of rights to subscribe for new shares under Article 280-20 of the Commercial Code prior to the amendment in November 2001 and Article 6, Paragraph 1 of supplementary provisions to the Amendment of the Commercial Code in November 2001 (Law No. 128 of 2001).

Citigroup and Nikko Cordial Corporation are forming the alliance in order to create one of Japan's leading financial services groups and to enable the combined franchise to pursue important new growth opportunities, giving due respect to Japanese culture and business practices. The alliance capitalizes on the two companies' highly complementary businesses and capabilities, leverages their longstanding cooperative relationship and builds upon the success of their existing joint ventures.

Under the direction of a joint steering committee that will soon be formed to begin formulating proposals to implement the new business alliance, Citigroup and Nikko Cordial intend to:

- Retail businesses:

● Create a new alliance between Nikko Cordial Securities Inc.'s ("Nikko Cordial Securities") leading retail brokerage business and Citigroup's established retail banking and credit card businesses to enable the combined franchise to offer retail customers a comprehensive set of quality products and services, including brokerage, funds, deposits, foreign exchange, loans and credit cards.

- Capital markets & banking businesses:

● Enhance Nikko Citigroup's premier investment banking franchise by expanding its ability to deliver integrated solutions on an exclusive basis for corporate and institutional clients of Citigroup and Nikko Cordial Corporation, and strengthen Citigroup's corporate banking business and Nikko Cordial Securities' wholesale securities business by expanding their joint cross-marketing efforts.

- Asset management:

● Identify opportunities for collaboration between Nikko Asset Management Co., Ltd. and Citigroup in distributing fund products.

- Principal investments:

● Leverage Citigroup's considerable know-how and expertise in principal investments and private equity to help develop a strategic solution for Nikko Principal Investments Japan Ltd. ("NPI") while allowing Nikko Cordial Corporation to prudently manage NPI's sizeable portfolio of investments.

- Technology & administrative services:

● Examine the efficiencies of scale that would be available from combining under common management the technology and administrative support platforms used by Nikko Cordial Corporation companies and Citigroup companies in Japan.

- Organization structure:

● Develop an overall group organization structure to maximize benefits and efficiencies in business organization, capital usage, credit ratings and the like – while taking due account of relevant accounting, tax, treasury and regulatory considerations.

- People:

- Leverage the talent and leadership that exists within Nikko Cordial Corporation today to develop the management team that will help lead the combined franchise in Japan going forward.

Citigroup and Nikko Cordial Corporation expect that significantly expanding their existing alliance would allow them not only to better serve their customers in Japan but also to strengthen their market presence and enhance their ability to grow in the world's second largest economy.

In addition, the Target and Citigroup have agreed to the following with respect to the Tender Offer under the Alliance Agreement:

- Directors:

  At the 2007 annual general meeting of shareholders of the Target, subject to certain conditions, the Target will make a proposal including, among other things, the election of its board of directors comprising between nine and thirteen members, at least four of whom shall be independent directors who have knowledge of Japanese business practices, and the election of Citigroup-nominated candidates to serve as directors of the Target (the number of such Citigroup nominees will be between two and four and will be determined based on Citigroup's ownership interest in the Target and the size of the board).

- Managers Dispatched from the Target:

  It is intended that the Target will, among other things, send a member to Citigroup's global management committee and select one non-executive director to the board of directors of Citigroup's wholly-owned banking subsidiary located in Japan. Other managers of the Target may be offered other key positions with Citigroup's other subsidiaries.

- Dividend Cap:

  The Target will not propose any agenda item for the 2007 annual general meeting of shareholders other than the declaration of a dividend on shares not to exceed 50% of the Target's consolidated net income, excluding any extraordinary tax gains, rounded to the nearest yen per share (nor will the board of directors of the Target authorize the Target to pay any dividend in excess of that amount for which the record date is prior to June 30, 2007);

- Non-Solicitation:

  The Target has agreed that it will not solicit or engage in negotiations of other offers to acquire stock or assets of the Target or of certain of its significant subsidiaries for a certain period except in small amounts and other than as required by Japanese law to allow the directors of the Target to satisfy their duties under Japanese law.

- Termination Fee:

  In the case that the Target wishes to terminate the Alliance Agreement in accordance with provisions thereof to accept a superior proposal or in certain other cases, the Target shall pay to Citigroup a termination fee of JPY 5 billion.

- Disposal of Significant Subsidiaries:

  The Target agrees to consult with Citigroup in advance concerning the disposal of shares, etc. of significant subsidiaries of the Target such as Nikko Cordial Securities and NPI and to offer Citigroup an opportunity to acquire such shares, etc. in accordance with provisions set forth in the Alliance Agreement.

- Anti-Dilution Protection Provision:

  Citigroup will have the right to be offered the opportunity to prevent dilution so that Citigroup will have the ability to maintain its ownership ratio in the Target.

- Certain Regulatory Conditions:

  The Target has many licenses and approvals for its business from governmental entities in various countries. In connection with the transaction, the parties have agreed to use reasonable best efforts to obtain from governmental authorities all necessary consents, licenses, permits, waivers, authorizations, notices, applications or other approvals. In certain off-shore jurisdictions such as the United Kingdom and others, certain acquisitions or accumulations of shares in the Target by persons or groups of persons necessitates prior governmental approval. Approvals in these jurisdictions are conditions to the Tender Offer.

Nikko Citigroup

Citigroup and the Target have, since 1998, been parties to several agreements pursuant to which they have, through companies jointly owned by them, engaged in a range of financial services businesses. At present, the most important of these joint ventures is Nikko Citigroup, which is 51% owned by the Target and 49% owned by a wholly-owned subsidiary of Citigroup. Nikko Citigroup engages in a range of institutional securities activities in Japan, including corporate finance activities, capital markets activities, institutional trading activities (with some exceptions), activities relating to mergers and acquisitions and research activities (these activities are collectively referred to as the "exclusive activities").

The business of Nikko Citigroup is governed by contracts that establish rules relating to the capitalization and governance of Nikko Citigroup (including solutions to deadlock), operational matters and the relationship of Nikko Citigroup to Nikko Cordial Securities and other related companies and include certain exclusive dealing and non-competition provisions. In general, Citigroup and the Target have agreed that they and their respective affiliates (broadly defined) will conduct all of their exclusive activities in Japan through Nikko Citigroup and that, subject to certain limited exceptions, they and their affiliates will not compete with Nikko Citigroup.

NikkoCiti Trust

Citigroup and Nikko Cordial Corporation and its affiliates have entered into various agreements relating to the joint venture NikkoCiti Trust and Banking Corporation, a trust bank. These agreements include a shareholders agreement between Citigroup and Nikko Cordial Corporation, which sets forth certain agreements among the parties to the capitalization, management, control, shareholding and certain other matters relating to NikkoCiti Trust and Banking Corporation.

Although the Tender Offeror intends to acquire all of the issued shares, etc. of the Target in the Tender Offer, in the event that the Tender Offer results in the acquisition by the Tender Offeror of less than 100% of such issued shares, the Tender Offeror is considering the possibility of increasing its share holding after the completion of the Tender Offer, including making the Target a wholly-owned subsidiary of the Tender Offeror or any Citigroup affiliates. Since all shares, etc. of the Target are subject to the Tender Offer, the completion of the Tender Offer, depending on the number of shares, etc. tendered, may result in the delisting of the Target's shares of common stock under the relevant stock exchange rules.

The Target appointed GCA Co., Ltd. ("GCA") to act as its independent financial advisor and third party appraiser. GCA was asked to calculate and give advice with respect to the value of the Shares of the Common Stock. The Target received advice from Mori Hamada & Matsumoto ("MHM"), GCA and others and held extensive discussions and negotiations with Citigroup as to the terms and conditions of the Tender Offer and the Alliance Agreement. On March 6, 2007, the board of directors of the Target approved the Alliance Agreement taking into account the terms and conditions of the Alliance Agreement, the current circumstances of the business of the Target's group, the advice of its advisors, and all other relevant facts and circumstances. On March 13, 2007, GCA rendered its opinion that the Tender Offer Price for the Shares of Common Stock (as shown in Section 4(2)) was fair, from a financial point of view, to the shareholders of the Target. Taking into account the terms and conditions of the Tender Offer and all other relevant facts and circumstances, the board of directors of the Target determined that the Tender Offer was the best of the available alternatives in terms of the corporate value of the Target and was in the common interests of the shareholders of the Target. The board of directors of the Target resolved to endorse the Tender Offer at its meeting held on March 14, 2007.

## 2 Information concerning the Target Company

(1) Profile of the Target Company（As of March 14, 2007）

<table>
<tr><td>(i)</td><td>The Name of the Target Company</td><td colspan="2">Nikko Cordial Corporation</td></tr>
<tr><td>(ii)</td><td>Main Business</td><td colspan="2">Securities-related financial services</td></tr>
<tr><td>(iii)</td><td>Established</td><td colspan="2">April 1, 1944</td></tr>
<tr><td>(iv)</td><td>Head Office</td><td colspan="2">6-5, Nihonbashi Kabutocho, Chuo-ku, Tokyo</td></tr>
<tr><td>(v)</td><td>Name and Title of Representatives</td><td colspan="2">Shoji Kuwashima<br>Director, President & CEO<br>(Representative Executive Officer)</td></tr>
<tr><td>(vi)</td><td>Amount of Paid-in Capital</td><td colspan="2">233,844 million yen (Note 2)</td></tr>
<tr><td>(vii)</td><td>Major shareholders and ownership ratio</td><td colspan="2">Travelers Group International LLC 4.87%<br>Mizuho Corporate Bank, Ltd. 4.82%<br>(Note 2)</td></tr>
<tr><td rowspan="4">(viii)</td><td rowspan="4">Relationship with the Company</td><td>Capital relationship</td><td>Citigroup International LLC owns Target’s company issued shares. (47,501,743 shares)</td></tr>
<tr><td>Personnel relationship</td><td>Not applicable.</td></tr>
<tr><td>Business relationship</td><td>Citigroup, Inc., the parent company of the Tender Offeror, has executed shareholders agreements in relation to the operations of Nikko Citigroup Limited and NikkoCiti Trust & Banking Corporation.</td></tr>
<tr><td>Related Party Status</td><td>Not applicable.</td></tr>
</table>

(Note 1) Travelers Group International LLC changed its trade name to Citigroup International LLC on January 29, 2007

(Note 2) As of September 30, 2006

(2) Tender Offer Period

(i) Initial term as of statement submission date

| | |
|---|---|
| Tender Offer Period | From Thursday, March 15, 2007 to Thursday, April 26, 2007 (30 business days) |
| Date of Public Notice | Thursday, March 15, 2007 |
| Name of Newspaper Carrying Public Notice | The Tender Offeror has given electronic public notice and published the fact that such electronic public notice has been given in *The Nihon Keizai Shimbun* newspaper.<br>(https://info.edinet.go.jp/EdiHtml/main.htm) |

(ii) Possibility of extension of Tender Offer Period upon request of the Target Company

Not applicable.

(3) Price of Tender Offer, Etc.

| | |
|---|---|
| Common Stock | 1,700 yen per share of common stock |
| Stock Acquisition Right Certificate | 1 yen for 500 shares as to 57th Shareholders Meeting Right<br>1 yen for 500 shares as to 58th Shareholders Meeting Right<br>1 yen for 500 shares as to 59th Shareholders Meeting Right<br>1 yen for 500 shares as to 60th Shareholders Meeting Right<br>191,000 yen per 1st Series Share Purchase Warrant<br>312,000 yen per 2nd Series Share Purchase Warrant<br>1 yen per 2003 Share Purchase Warrant<br>1 yen per 2004 Share Purchase Warrant<br>1 yen per 2005 Share Purchase Warrant<br>1 yen per 2006 Share Purchase Warrant |

(4) Basis of the tender price

(i) Basis of Calculation

(a) Common stock

The Tender Offeror is a limited liability company which is wholly- owned by Citigroup Inc. It was newly formed to acquire Shares of Common Stock, Rights to Subscribe for New Shares, and Share Purchase Warrants of the Target through the Tender Offer. The Tender Offeror and Citigroup determined reference value ranges for the Tender Offer Price by conducting a stand-alone reference value analysis of the Target's shares using valuation methodologies such as: the Historical Trading Range Analysis, Tender Offer Premiums Paid Analysis, Public Comparable Companies Reference Valuation, Precedent Comparable Transactions Reference Valuation and a Dividend Discount Model ("DDM").

The specific circumstances of the Target, including but not limited to accounting restatements, changes in management, and press reports about a possible delisting of the Shares of Common Stock by the Tokyo Stock Exchange, have affected the Target's stand-alone business plan and profitability and were taken into consideration in the application of historical financial disclosure and reference valuation benchmarks used by the Tender Offeror and Citigroup. We also note that prior to December 19, 2006, the market was unknowingly basing its trading on the Target's inappropriate financial statements.

The reference range per share derived from the abovementioned valuation methods is as follows:

(1) Historical Trading Range Analysis. The Tender Offeror and Citigroup considered the series of recent events that affected the Target's value and share price and analyzed the Target's historical trading range from the December 18, 2006 (post-closing) announcement that the Target's past accounting treatment of certain group companies' results was partially inappropriate, until the base date of March 13, 2007, when the Target and Citigroup issued a joint press release announcing the Tender Offer Price. The historical trading range using closing prices for such period was ¥1,000 per share to ¥1,490 per share.

(2) Tender Offer Premiums Paid Analysis. Average 1-day and 1-month premiums paid for Japanese targets (announced and closed transactions) with a market capitalization greater than $1 billion over the prior 3-year period were 16% and 14%, respectively. An application of these premiums results in a reference value range of ¥1,414 (14% premium to the ¥1,240 closing price on February 14, 2007) to ¥1,728 per share (16% premium to the closing price on March 13, 2007 of ¥1,490).

(3) Public Comparable Companies Reference Valuation. An implied public market share price was derived using the Public Comparable Companies method obtained by comparing share price and profitability of other companies engaged in businesses similar to the Target as a whole. The reference share price range using 2007 estimated earnings per share as projected by Citigroup was calculated at ¥950 per share to ¥1,050 per share. Management of the Target has not prepared a standalone business plan or projections for the fiscal year ending March 31, 2007 or any year thereafter.

Adding a 14% to 16% premium for control, based on precedent Japanese transactions over the past 3 years, to the implied public market share price results in an implied take-over share price range of ¥1,100 to ¥1,200.

(4) Precedent Comparable Transactions Reference Valuation. Using the Precedent Comparable Transactions method based on a derivation of the Target's price per share obtained by comparing the offer price and last-twelve month profitability ratios observed in other precedent global premier broker dealer acquisitions similar to the Target resulted in a reference value range of ¥1,200 per share to ¥1,400 per share.

(5) Dividend Discount Model. The Tender Offeror and Citigroup determined reference value ranges using a DDM based on projections by Citigroup management, since the management of the Target has not prepared a standalone business plan or projections. Projections by Citigroup management assume continued listing on the first section of the Tokyo Stock Exchange and no further deterioration of business fundamentals due to the support of Citigroup. This analysis resulted in a reference range of ¥1,400 per share to ¥1,700 per share. (The dividends used in the DDM are a computation of the theoretical cash flows that would be available to the Target's shareholders based on Citigroup projections and do not reflect any specific understanding between the Target and the Tender Offeror to pay a certain dividend stream in the future.)

Furthermore, the Tender Offeror and Citigroup determined the Tender Offer Price of ¥1,700 per share taking into consideration the above reference value ranges, discussions and negotiation with the Target, the Target's consent to the Tender Offer and other factors including recent revenue losses resulting from termination by certain customers of previously awarded investment banking mandates and decreases in the business that certain customers were doing with Nikko Citigroup. A ¥1,700 per share offer represents a premium of 33% to the average closing price for the one-month period ended March 13, 2007 of ¥1,282, and a 1-day premium of 14% to the Target's closing price on March 13, 2007 of ¥1,490.

(b) Right to Subscribe for New Shares

As of December 31, 2006, the strike price per 57th Shareholders Meeting Right is ¥1,012 per share which is ¥688 per share below the Tender Offer Price for Shares of Common Stock (¥1,700 per share).

As of December 31, 2006, the strike price per 58th Shareholders Meeting Right is ¥1,812 per share which is ¥112 per share above the Tender Offer Price for Shares of Common Stock (¥1,700 per share).

As of December 31, 2006, the strike price per 59th Shareholders Meeting Right is ¥2,160 per share which is ¥460 per share above the Tender Offer Price for Shares of Common Stock (¥1,700 per share).

As of December 31, 2006, the strike price per 60th Shareholders Meeting Right is ¥1,912 per share which is ¥212 above the Tender Offer Price for Shares of Common Stock (¥1,700 per share).

The Tender Offeror and Citigroup determined the Tender Offer Price for the rights to subscribe for new shares to be one (1) yen taking into consideration that none of the rights to subscribe for new shares are transferable under Article 280-20 of the Commercial Code prior to the amendment in November, 2001 and Article 6, Paragraph 1 of the supplementary provisions to the Amendment of the Commercial Code (Law No. 128 of 2001), and therefore the Tender Offeror cannot acquire shares by exercising the rights.

(c) Share Purchase Warrant

As of December 31, 2006, the strike price of the 1st Series Share Purchase Warrant is ¥1,318 per share which is ¥382 per share below the Tender Offer Price for Shares of Common Stock (¥1,700 per share).

As of December 31, 2006, the strike price per 2nd Series Share Purchase Warrant is ¥1,076 per share which is ¥624 per share below the Tender Offer Price for Shares of Common Stock (¥1,700 per share).

Since the Tender Offeror intends to acquire all of the issued shares, etc. of the Target in the Tender Offer, any Share Purchase Warrants in the 1st and 2nd Series acquired by the Tender Offeror will be exercised immediately following the Tender Offer Period. Therefore, the Share Purchase Warrants should have almost no time value from Tender Offeror's perspective, and the value of those rights is the same as the intrinsic value. Therefore, the Tender Offeror and Citigroup have calculated the purchase price of the Share Purchase Warrants at the Tender Offer Price for the Shares of Common Stock less the exercise price of each Share Purchase Warrant times the number of Shares (500 shares) of Common Stock to be assigned to each Share Purchase Warrant.

As of December 31, 2006, the strike price per 2003 Share Purchase Warrant is one (1) yen which is ¥1,699 per share below the Tender Offer Price for Shares of Common Stock (¥1,700 per share).

As of December 31, 2006, the strike price per 2004 Share Purchase Warrant is one (1) yen which is ¥1,699 per share below the Tender Offer Price for Shares of Common Stock (¥1,700 per share).

As of December 31, 2006, the strike price per 2005 Share Purchase Warrant is one (1) yen which ¥1,699 per share below the Tender Offer Price for Shares of Common Stock (¥1,700 per share).

As of December 31, 2006, the strike price per 2006 Share Purchase Warrant is one (1) yen which is ¥1,699 per share below the Tender Offer Price for Shares of Common Stock (¥1,700 per share).

Each of the 2003, 2004, 2005 and 2006 Share Purchase Warrants mentioned above was issued in conjunction with a stock option compensation plan. Under the conditions of exercise of the Share Purchase Warrants, the holder of the Share Purchase Warrants is required to cease to be a director (or an executive officer) of the Target or cease to be a director or an executive officer of Nikko Cordial Securities Inc. Taking into consideration the above-mentioned exercise condition, the purchase price was determined to be one (1) yen, since it is possible that the exercise of rights may be limited to those who were formerly directors or executive officers of the Target, or directors or executive officers of Nikko Cordial Securities Inc., and it is therefore unclear whether the Tender Offeror would be allowed to exercise the purchased Share Purchase Warrants.

(ii) Process of Calculation

(a) Common Stock

The Tender Offeror is a limited liability company that is wholly-owned by Citigroup Inc. It was newly formed to acquire Common Stock, Rights to Subscribe for New Shares, and Share Purchase Warrants of the Target through the Tender Offer. The Tender Offeror and Citigroup determined reference value ranges for the Tender Offer Price by conducting a stand-alone reference value analysis of the Target's shares using valuation methodologies such as: the Historical Trading Range Analysis, Tender Offer Premiums Paid Analysis, Public Comparable Companies Reference Valuation, Precedent Comparable Transactions Reference Valuation and a DDM and also started negotiating with the Target from the end of February 2007.

The Target appointed GCA to act as its independent financial advisor and third party appraiser. GCA was asked to calculate and give advice with respect to the value of the Shares of the Common Stock. The Target received advice from MHM, GCA and others and held extensive discussions and negotiations with Citigroup as to the terms and conditions of the Tender Offer and the Alliance Agreement. On March 6, 2007, the board of directors of the Target approved the Alliance Agreement taking into account the terms and conditions of the Alliance Agreement, the current circumstances of the business of the Target's group, the advice of its advisors, and all other relevant facts and circumstances. On March 13, 2007, GCA rendered its opinion that the Tender Offer Price for the Shares of Common Stock was fair, from a financial point of view, to the shareholders of the Target. Taking into account the terms and conditions of the Tender Offer and all other relevant facts and circumstances, the board of directors of the Target determined that the Tender Offer was the best of the available alternatives in terms of the corporate value of the Target and was in the common interests of the shareholders of the Target. The board of directors of the Target resolved to endorse the Tender Offer at its meeting held on March 14, 2007.

On March 6, 2007, the parties announced their agreement to a price of ¥1,350 per Share and prices for the Rights to Subscribe for New Shares and the Share Purchase Warrants, which were determined, among other things, in the context of the possible delisting of the Shares from the Tokyo, Osaka and Nagoya stock exchanges. Once the three stock exchanges announced their decisions not to delist the Shares and to return the Shares to normal trading, an important uncertainty regarding the business prospects of the Target was removed, and the parties negotiated and agreed to a revised price of ¥1,700 per share pursuant to authority given to Citigroup Inc. by its board of directors and to the Tender Offeror by its board of managers on March 12, 2007 and pursuant to authority given to the Target by its board of directors on March 13, 2007.

(b) Right to Subscribe for New Shares

Pursuant to authority given to Citigroup Inc. by its board of directors and to the Tender Offeror by its board of managers on March 12, 2007 (EST), the Tender Offeror and Citigroup determined the Tender Offer Price by taking into consideration that, upon conducting the valuation analysis of the rights to subscribe for new shares, none of the rights to subscribe for new shares are transferable under Article 280-20 of the Commercial Code prior to the amendment in November, 2001 and Article 6, Paragraph 1 of supplementary provisions to the Amendment of the Commercial Code (Law No. 128 of 2001), and therefore the Tender Offeror cannot acquire shares by exercising the rights.

(c) Share Purchase Warrant

Pursuant to authority given to Citigroup Inc. by its board of directors and to the Tender Offeror by its board of managers on March 12, 2007 (EST), the Tender Offeror and Citigroup determined the Tender Offer Price by taking into consideration the terms and conditions of the Share Purchase Warrants to be exercised as follows:

Since the Tender Offeror intends to acquire all of the issued shares, etc. of the Target in the Tender Offer, any Share Purchase Warrants in the 1st and 2nd Series acquired by the Tender Offeror will be exercised immediately following the Tender Offer Period. Therefore, the Share Purchase Warrants should have almost no time value from the Tender Offeror's perspective, and the value of those rights is the same as the intrinsic value. Therefore, the Tender Offeror and Citigroup have calculated the purchase price of the Share Purchase Warrants at the Tender Offer Price for the Shares of Common Stock less the exercise price of each Share Purchase Warrant times the number of Shares (500 shares) of Common Stock to be assigned to each Share Purchase Warrant.

The Tender Offeror and Citigroup determined the Tender Offer Price for the 2003, 2004, 2005 and 2006 Share Purchase Warrants, taking into consideration that all Share Purchase Warrants were issued in conjunction with a stock option compensation plan, and since under a condition to exercise the Share Purchase Warrants, it is required that the holder of the Share Purchase Warrants is required to cease to be a director (or an executive officer) of the Target or cease to be a director or executive officer of Nikko Cordial Securities Inc., it is possible that the exercise of rights may be limited to those who were directors or executive officers of the Target, or directors or executive officers of Nikko Cordial Securities Inc., and it is therefore unclear whether the Tender Offeror would be allowed to exercise the purchased Share Purchase Warrants.

(5) Number of Share Certificates, Etc. Scheduled for Tender Offer

| | Minimum Number of Shares to be Purchased on Fully Diluted Basis | Number of Shares that may be Purchased in Excess of Minimum on Fully Diluted Basis |
|---|---|---|
| Common stock | 455,486,648 | — |
| Share Purchase Warrant | — | — |
| Total | 455,486,648 | — |

(Note 1) If the total number of tendered shares, etc., is less than the minimum number of shares to be purchased (455,486,648 shares), none of the tendered shares, etc., will be purchased.

(Note 2) If the total number of tendered shares, etc. equals or exceeds the minimum number of shares to be purchased, all of the tendered shares, etc. will be purchased.

(Note 3) The Tender Offeror will not purchase any of the treasury shares held by the Target through the Tender Offer.

(Note 4) Shares constituting less than one unit are also subject to the Tender Offer. However, Tendering Shareholders, etc. are required to deposit share certificates at the time of tendering the shares (if shares constituting less than one unit are held by Japan Securities Depository Center, Inc. (the "JASDEC") through the tender offer agent or sub-agent, Tendering Shareholders, etc. are not required to deposit share certificates). However, pursuant to the Company Law, when a shareholder exercises his rights to claim for the repurchase of shares held in units smaller than the minimum trading unit, the Target may by following the procedures laid out in the ordinance repurchase its own shares during the Tender

Offer Period. In this case, the Target would conduct the repurchase at market price.

(Note 5) There is a possibility that any right to subscribe for new shares or share purchase warrant could be exercised by the end of the Tender Offer period. Shares of the Target's common stock issued or transferred upon the exercise of such right or warrant are also subject to the Tender Offer.

(6) Proportion of Ownership of Shares Certificate after the Tender Offer

| | | |
|---|---|---|
| Number of Voting Rights Represented by Shares, etc., Owned by the Tender Offeror before Tender Offer | - | (Percentage of Ownership of Shares, etc., before Tender Offer)<br>- % |
| Number of Voting Rights Represented by Shares, etc. to be Purchased | 910,973 | (Percentage of Ownership of Shares, etc., after Tender Offer)<br>47.26% |
| Total Number of Voting Rights of the Shareholders of the Target | 1,922,664 | — |

(Note 1) "Number of Voting Rights with respect to Shares, etc. to be Purchased" is the number of voting rights represented by the 455,486,648 shares to be purchased under the Tender Offer.

(Note 2) "Total Number of Voting Rights of the Shareholders of the Target" is based on the total number of voting rights of the shareholders as of September 30, 2006, as stated in the Semi-annual Report for the 66th period filed by the Target on February 1, 2007. However, since shares constituting less than one unit and cross-held shares are subject to the Tender Offer, for the purposes of calculation of the "Percentage of Ownership of Shares, etc., after Tender Offer, etc.," the "Total Number of Voting Rights of the Shareholders of the Target" is 1,927,634, including the number of voting rights represented by shares constituting less than one unit (3,520 voting rights represented by the shares (1,760,059) as calculated by deducting the number of shares constituting less than one unit held by the Target (190 shares) that are not subject to the Tender Offer from the aggregate number of shares constituting less than one unit (1,760,249 shares)) and the number of voting rights (1,450 voting rights) represented by the cross-held shares (725,000) as of September 30, 2006 as stated in the above-mentioned Semi-annual Report (the number of shares constituting one unit is 500 in the Target).

(Note 3) Since the Tender Offeror purchases all the tendered shares, etc. even if the total number of tendered shares, etc. exceeds the number of shares to be purchased, there is a possibility that "Percentage of Ownership of Shares, etc., after Tender Offer." is equal to or exceeds 47.26%.

(Note 4) "Percentage of Ownership of Shares, etc., before/after Tender Offer" are rounded to two decimal points.

(7) Funds, Etc. Required for the Tender Offer, Etc.

| | |
|---|---|
| Purchase Price (yen) | 774,327,301,600 |

(Note 1) The "Purchase Price (yen)" section shows an estimated amount to be spent by the Tender Offeror if the shares, etc. to be purchased (455,486,648 shares) are purchased at the Tender Offer Price per Share of Common Stock (1,700 yen) by the Tender Offeror. The amount of total purchase price is 1,676,678,973,300 yen if the Tender Offeror purchases the total (986,281,749 shares) of the number of issued shares (975,581,749 shares) described in the Semi-annual Statement for the 66th period filed by the Target on February 1, 2007 and the maximum number of shares potentially issued or transferred upon the exercise of share purchase warrants and rights to subscribe for new shares by the end of the Tender Offer Period, including shares issued or transferred upon the exercise of share purchase warrants or rights to subscribe for new shares during the period between October 1, 2006 and the date of filing of this Statement (10,700,000 shares).

(Note 2) The above amounts do not include consumption tax.

(8) Commencement Date of Settlement

(i) Name and Location of Head Office of Securities Company, Bank, etc. to Settle the Tender Offer.

Nikko Citigroup Limited — 2-20, Akasaka 5-chome, Minato-ku, Tokyo

Nikko Cordial Securities Inc. — 3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo

(ii) Commencement Date of Settlement

Wednesday, May 9, 2007

(iii) Settlement Procedure

A written notice of settlement will be mailed to the address or location of each Tendering Shareholder, etc. (or the address of the standing proxy in the case of a Non-Japanese Shareholder) without delay after the expiration of the Tender Offer Period.

The Tender Offer shall be settled in cash. The tender offer agent or the sub-agent will remit to the place designated by each Tendering Shareholder, etc. the sales price with regard to the shares purchased in accordance with the instructions given by the Tendering Shareholders, etc. without delay on or after the commencement date of settlement.

(9) Other Conditions and Procedures Relating to the Tender Offer.

(i) Existence (or Non-existence) and Details of Conditions Listed in the Items of Paragraph 4 of Article 27-13 of the Law

If the total number of tendered shares, etc. is less than the minimum number to be purchased (455,486,648 shares), none of the tendered shares, etc. will be purchased. If the total number of tendered shares, etc. equals or exceeds the number of shares to be purchased, all the tendered shares, etc. will be purchased.

(ii) Existence of Conditions for Withdrawal, etc. of the Tender Offer, Details thereof, and Manner of Disclosure of Withdrawal, etc.

Upon the occurrence of any event listed in Article 14, Paragraph 1, Items 1(a) through 1(i), 1(l) through 1(r), Item 2, Items 3(a) through 3(h), Item 4, Item 5, and Article 14, Paragraph 2, Items 3 through 6 of the Enforcement Order, the Tender Offeror may withdraw the Tender Offer.

When withdrawing the Tender Offer, the Tender Offeror will give an electronic public notice and announce in *The Nihon Keizai Shimbun* newspaper that such public notice has been given; provided, however, if it is deemed difficult to give such public notice by the last day of the Tender Offer Period, a public announcement pursuant to Article 20 of the Cabinet Office Ordinance shall be made, and public notice shall be given promptly thereafter.

(iii) Existence of Conditions for Reducing Tender Offer Price., Details thereof, and Manner of Disclosure of Reduction

If the Target engages in any act stipulated in Article 13, Paragraph 1 of the Enforcement Order pursuant to Article 27-6, Paragraph 1, Item 1 of theLaw during the Tender Offer

Period, the Tender Offeror may reduce the Tender Offer Price as set forth in Article 19, Paragraph 1 of the Cabinet Office Ordinance Concerning Disclosure of the Tender Offer of Shares, Etc., by Non-Issuer (the "Cabinet Office Ordinance").

When reducing the Tender Offer Price, the Tender Offeror will give an electronic public notice and announce in *The Nihon Keizai Shimbun* newspaper that such public notice has been given; provided, however, if it is deemed difficult to give such public notice by the last day of the Tender Offer Period, a public announcement pursuant to Article 20 of the Cabinet Office Ordinance shall be made, and public notice shall be given promptly thereafter. If the Tender Offer Price is so reduced, all shares tendered both on and prior to the date of such public notice shall be purchased at the reduced prices.

(iv) Matters regarding Right of Tendering Shareholders, etc. to Cancel Agreement

Tendering Shareholders, etc. may cancel any agreement concerning the Tender Offer at any time during the Tender Offer Period. Any such agreement must be cancelled in accordance with "(2) Procedure for Canceling Agreement" of "7. Procedure for Tendering Shares and Canceling Agreement" in the Tender Offer Registration Statement.

The Tender Offeror will not seek monetary damages or civil penalties against Tendering Shareholders, etc. who cancel agreements relating to the Tender Offer. The Tender Offeror will be responsible for all expenses incurred in returning the deposited Share Certificates, etc.

(v) Manner of Disclosure in case of a Modification of the Conditions, etc. of Tender Offer

The Tender Offeror may modify the conditions, etc., of the Tender Offer except as prohibited in Article 27-6, Paragraph 1 of the Law.

When modifying the conditions, etc. of the Tender Offer, the Tender Offeror will give public notice providing the details of such modification electronically and announce in *The Nihon Keizai Shimbun* newspaper that such public notice has been given; provided, however, if it is deemed difficult to give such public notice by the last day of the Tender Offer Period, a public announcement pursuant to Article 20 of the Cabinet Office Ordinance shall be made, and public notice shall be given promptly thereafter. If any of the conditions, etc. of the Tender Offer is modified, all shares, etc. tendered both on and prior to the date of such public notice shall be purchased in accordance with the modified conditions, etc. of the Tender Offer.

(vi) Manner of Disclosure upon the Filing of Amendment to Registration Statement

If the Tender Offeror files any Amendment to this Registration Statement with the Director General of the Kanto Local Finance Bureau, the Tender Offeror shall promptly make a public announcement regarding such Amendment to the extent that it relates to any information contained in the public notice of the commencement of the Tender Offer pursuant to Article 20 of the Cabinet Office Ordinance. The Tender Offeror shall immediately amend the Tender Offer Explanatory Statement and provide the amended Tender Offer Explanatory Statement to the Tendering Shareholders, etc. who have received the original Tender Offer Explanatory Statement. However, if only limited amendments are made, instead of providing an amended Tender Offer Explanatory Statement, the Tender Offeror shall prepare and provide a document stating the reasons for such amendments, the items that have been amended, and the amended information.

(vii) Manner of Disclosure of Results of the Tender Offer

The results of the Tender Offer will be publicly announced pursuant to Article 9-4 of the Enforcement Order and in Article 30-2 of the Cabinet Office Ordinance on the date immediately following the last day of the Tender Offer Period.

(10) Date of Public Notice

March 15, 2007 (Thursday)

The Tender Offeror has given electronic public notice and published the fact that such electronic public notice has been given in *The Nihon Keizai Shimbun* newspaper.

(https://info.edinet.go.jp/EdiHtml/main.htm)

(11) Tender Offer Agent

Nikko Citigroup Limited 2-20, Akasaka 5-chome, Minato-ku, Tokyo

The tender offer agent appointed the following sub-agent and delegated part of its business:

Nikko Cordial Securities Inc. 3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo

## 3 Other

(1) Existence of Agreements Between the Offeror and the Target Company or its Directors and the Details of any such Agreements

The board of directors of the Target resolved to endorse the Tender Offer on March 14, 2007.

The Target and Citigroup have agreed in the Alliance Agreement to the following:

- Directors:

  At the 2007 annual general meeting of shareholders of the Target, subject to certain conditions, the Target will make a proposal including, among other things, the election of its board of directors comprising between nine and thirteen members, at least four of whom shall be independent directors who have knowledge of Japanese business practices, and the election of Citigroup-nominated candidates to serve as directors of the Target (the number of such Citigroup nominees will be between two and four and will be determined based on Citigroup's ownership interest in the Target and the size of the board).

- Managers Dispatched from the Target:

  It is intended that the Target will, among other things, send a member to Citigroup's global management committee and select one non-executive director to the board of directors of Citigroup's wholly-owned banking subsidiary located in Japan. Other managers of the Target may be offered other key positions with Citigroup's other subsidiaries.

- Dividend Cap:

  The Target will not propose any agenda item for the 2007 annual general meeting of shareholders other than the declaration of a dividend on shares not to exceed 50% of the Target's consolidated net income, excluding any extraordinary tax gains, rounded to the nearest yen per share (nor will the board of directors of the Target authorize the Target to pay any dividend in excess of that amount for which the record date is prior to June 30, 2007);

- Non-Solicitation:

  The Target has agreed that it will not solicit or engage in negotiations of other offers to acquire stock or assets of the Target or of certain of its significant subsidiaries for a certain period except in small amounts and other than as required by Japanese law to allow the directors of the Target to satisfy their duties under Japanese law.

- Termination Fee:

  In the case that the Target wishes to terminate the Alliance Agreement in accordance with provisions thereof to accept a superior proposal or in certain other cases, the Target shall pay to Citigroup a termination fee of JPY 5 billion.

- Disposal of Significant Subsidiaries:

  The Target agrees to consult with Citigroup in advance concerning the disposal of shares, etc. of significant subsidiaries of the Target such as Nikko Cordial Securities and NPI and to offer Citigroup an opportunity to acquire such shares, etc. in accordance with provisions set forth in the Alliance Agreement.

- Anti-Dilution Protection Provision:

  Citigroup will have the right to be offered the opportunity to prevent dilution so that Citigroup will have the ability to maintain its ownership ratio in the Target.

- Certain Regulatory Conditions:

  The Target has many licenses and approvals for its business from governmental entities in various countries. In connection with the transaction, the parties have agreed to use reasonable best efforts to obtain from governmental authorities all necessary consents, licenses, permits, waivers, authorizations, notices, applications or other approvals. In certain off-shore jurisdictions such as the United Kingdom and others, certain acquisitions or accumulations of shares in the Target by persons or groups of persons necessitates prior governmental approval.

(2) Other information that is useful for investors to conclude the application

The Target filed a Semi-annual Report on February 1, 2007. According to this Semi-annual Report, the Target's interim results for the period indicated are as follows:

(i) Profit and Loss

(in million yen)

| Interim Accounting Period Ended | September 2006 (the 66th Period) |
|---|---|
| Operating Revenues | 38,422 |
| Financial Costs | 2,938 |
| Selling and General Administrative Expenses | 6,172 |
| Non-operating Revenues | 1,575 |
| Non-operating Expenses | 1,869 |
| Interim Net Profit | 32,362 |

(ii) Status per Share

(in yen)

| Interim Accounting Period Ended | September 2006 (the 66th Period) |
|---|---|
| Net Profit or Loss per Share | 33.58 |
| Dividend per Share | 12.00 |
| Net Asset per Share | 706.06 |

(3) Contact information for tender procedures (individual investors only)

Phone number 0120-593-179 (toll-free)

Period March 15, 2007 ~ May 31, 2007

Office hours weekday 9:00 ~ 18:00

Saturday 9:00 ~ 17:00

(i) Closed on Sunday and national holidays

(ii) For Shareholders who are listed companies or institutional investors, please contact Nikko Citigroup Limited or your relationship manager at Nikko Cordial Securities Inc.

(iii) For Shareholders who are other kinds of corporations, please contact branch offices of Nikko Cordial Securities.