

Dear Customers

March 2005
Amendment as of April 13, 2005
Amendment as of August 1, 2006
Amendment as of September 30, 2007
Amendment as of March 31, 2008

Nikko Citigroup Limited

Best Execution Policy

Pursuant to the provision of Article 40-2-1 of Financial Instruments and Exchange Law (“FIEL”), this Best Execution Policy (the “Policy”) provides the policy and method for the execution of clients’ orders in a manner to achieve the most favorable conditions for the trades.

Nikko Citigroup Limited (NCL) will execute clients’ orders in accordance with the method outlined below when client orders are received in securities specified in 1. below, unless we receive any specific instruction from the client in relation to the method of execution.

1. Scope of the securities covered by the Policy
 - (i) The listed securities as defined in Article 16-6 of the Enforcement Order of FIEL (“Listed Securities”) and (ii) the “*Toriatsukai Yuka-shoken*” securities as defined in Article 67-18-4 (Green-sheet or Phoenix stock, Green-sheet or Phoenix CB, and those unlisted “*Tento Toriatsukai*” stock, CB, etc. issued by listed companies).
2. Method for executing orders in a manner to achieve the most favorable conditions for the trades.
 - (1) Listed Securities (excluding foreign equities listed on Japanese financial instruments exchanges)

When we receive clients’ orders in Listed Securities, we will execute the orders as agency orders in the auction market on Japanese financial instruments exchanges (“stock exchanges”) unless we receive any specific instruction from the client.

① Execution in the auction market on stock exchanges

When we receive clients’ orders, unless we receive any specific instruction from the client, we will commence the execution or brokerage immediately after receiving the orders in the exchange specified below if there is no problem in terms of the laws and regulations relevant to the transaction. If there is any problem, we will take appropriate action including postponing or suspending the execution.

- (a) The exchange where the security is listed, if the security is listed on only one exchange in Japan
- (b) The exchange which is designated by QUICK as the main market of the security (the “Main Market”) considering the liquidity and market environment, if the security is listed on multiple exchanges in Japan

If NCL does not have a membership on the exchange determined by (a) or (b) above, NCL acts as a broker to place the orders to Nikko Cordial Securities Inc. to execute the orders on the exchange.

② Execution of Listed Securities in the non-auction market on stock exchanges

When we receive clients' orders in Listed Securities to be executed in the non-auction market on stock exchanges, we take into consideration the limitations such as listed exchange, transaction time and transaction price, choose an efficient market in light of the order price and quantity designated by the clients, and execute them.

With regard to orders in the non-auction market on stock exchanges, for which the client has agreed on the specific price and quantity with another client or with NCL, we execute the orders at the price and quantity that has been agreed on.

③ Execution of the Listed Securities in the off-exchange market

When we receive clients' orders to be executed off-exchange, the transactions are executed at the terms agreed on between NCL and the client upon confirming the conditions in relation to the trade.

Except for the cases described in (4) below, we do not place orders on a PTS.

(2) Foreign equities listed on Japanese stock exchanges

Unless we receive any specific instruction from the client, we will execute them in the following manner.

Except for those names that are listed solely on a Japanese stock exchange, orders for foreign equities listed on a Japanese exchange are placed to foreign brokers that deal with the name. We do not execute orders over-the-counter in Japan or place the orders to the Japanese exchange. With regard to those names that are listed solely on a Japanese stock exchange, we place the orders to the auction market on the Japanese exchange where the name is listed.

(3) “*Toriatsukai Yuka-shoken*” (Green-sheet names, Phoenix names and those unlisted “*Tento Toriatsukai*” securities issued by listed companies)

Unless we receive any specific instruction from the client, we will execute them in the following manner.

In principle, we do not receive orders for Green-sheet names, among “*Toriatsukai Yuka-shoken*”.

However, orders for those categorized in Phoenix names (i.e. those names delisted from the exchange) are placed to the broker that is soliciting the names and is quoting the best indication. Depending on the name, we may not be able to accept orders.

We will execute the orders for those unlisted “*Tento Toriatsukai*” securities issued by listed companies on the over-the-counter market. Depending on the name, we may not be able to accept orders.

(4) Non-resident clients

In principle, orders from non-resident clients are executed according to the policies described in (1) through (3) above. However, taking the time difference into account, we may execute the orders, based on the instruction from the clients, in the non-Main Market, non-auction market on stock exchanges, the off-exchange market (including PTS), or by asking our overseas affiliate brokers to execute them, regardless of (1) through (3) above, unless we are instructed to execute in a specified method.

3. Reasons for choosing the above method

(1) Listed Securities (excluding foreign equities listed on Japanese stock exchanges)

① Execution of the Listed Securities in the auction market on stock exchanges;

The majority of the investors' interest is concentrated on the exchange market, which is better, in comparison to the off-exchange market, in terms of the liquidity, possibility of execution and speed of execution. It is considered reasonable to execute the clients' orders here.

In the case of a name that is listed on multiple exchanges, it is considered reasonable to execute the orders on the Main Market.

② Execution of Listed Securities in the non-auction market on stock exchanges

In the non-auction market on stock exchanges, orders are executed at the price and with the quantity instructed by the clients in advance, and the selection of the exchange does not affect the execution result. It is considered reasonable to choose a more effective exchange taking into account the execution time zone and the rules relating to the execution prices provided by each exchange.

③ Execution of Listed Securities in the off-exchange market

When we are instructed by the clients to execute the orders off-exchange, or when we are given an instruction that is available only in an off-exchange market, it is considered reasonable to execute them off-exchange based on the instructions.

(2) Foreign equities listed on Japanese stock exchanges

The home market of a foreign stock is the market with a high liquidity where a large portion of the investors' interest is concentrated, and it is considered that the price formation is more reasonable.

(3) “*Toriatsukai Yuka-shoken*” (Green-sheet, Phoenix names and those unlisted “*Tento Toriatsukai*” securities issued by listed companies)

We do not conduct solicitation of Green-sheet names and Phoenix names. Placing the Phoenix names orders to a broker that conducts such solicitation will ensure more opportunity for order execution, and enhance the possibility to satisfy the clients' needs.

Execution of those unlisted “*Tento Toriatsukai*” securities issued by listed companies must be, under the rules of Japan Securities Dealers Association, on the over-the-counter market.

(4) Non-resident clients

As many of the clients give orders with the benchmark VWAP etc., the possibility of ensuring the execution that the clients intend to obtain will be higher if the orders in the same names are executed against the matching orders (if any) of other client's or our proprietary, at VWAP price etc. in the non-auction market on stock exchanges, off-exchange market, or by our overseas affiliate brokers, than placing the orders on the exchange. Placing orders to a PTS or to a non-Main Market is considered reasonable for the purpose of enhancing the possibility of execution in accordance with the client's needs.

4. Other points

(1) Specific instruction from the client

When we receive any specific instruction from the client in relation to the method of execution, the instruction has priority over the method described in 2 above.

- (2) Discretionary Orders and orders with execution instructions that are exceptionally accepted under the relevant law (“Discretionary Orders”)

Discretionary orders from clients (including, without limiting to those listed here, VWAP-target, CD, OB, Contingent, Quantity defined by total money amount, Volume-restriction, or any combination of these) are executed within such discretion given to us by the clients in relation to the timing of execution, price and execution quantity (including the execution using our execution system).

- (3) Errors in handling orders and system problems

When the orders are not executed in accordance with the client’s instruction due to NCL’s errors in handling orders or system problems, we will notify the client immediately to discuss the necessary action. Upon agreeing on a reasonable price, and following the relevant laws and regulations, we will execute a corrective transaction (including “Kago-teisei” provided by the exchange, corrective trade in the non-auction market on stock exchanges or in the off-exchange market).

- (4) Odd-lot shares

Orders for odd-lot shares will be placed to the brokers dealing with odd-lot share trading.

- (5) Closing trade of a Seido margin trade

In executing a closing order of a Seido margin trade, when the main market differs from the exchange where the open order was executed, the order is placed on the exchange where the open order was executed, instead of the main market.

- (6) Disaster, calamity, etc.

The clients’ orders may not be received, or may not be executed in accordance with the policy, due to the situations such as disaster, calamity or regulatory requirements, etc.

Best Execution Rule requires the broker to execute orders taking various factors into consideration, such as transaction costs, speed, availability of execution, etc., but not just the price. Therefore, if the execution turned out to be not the best in terms of the price, the fact alone does not always mean that the order was executed without complying with the Best Execution Rule.