

Dear Customers:

Principles Concerning Allocation of Equity Securities Subject to Public Offerings to Customers

Established on December 31, 2003
(Last Amendment: September 30, 2007)

Nikko Citigroup Limited

1. The Company, when allocating Equity Securities subject to the underwriting of public or secondary offerings, the handling of public or secondary offerings or the secondary offerings (hereinafter referred to as the “Public Offerings”), aims to perform its business to provide customers with appropriate and various products by precisely understanding customers’ various investment needs at the same time complying with the market mechanism.
2. The Company, when allocating Equity Securities, makes it a basic policy to handle Public Offerings in an appropriate manner as well as to allocate Equity Securities in a fair and equitable manner, by endeavoring to comprehend customer demands in advance.
3. The Company specializes in the wholesale business and does not make any allocation to retail customers. Therefore, the Company will not make any allocation by lottery in principle. The Company determines how to allocate Equity Securities among each business division after comprehending customer needs through making inquiries into customer demand for each Public Offering, fixing the terms and conditions, and adjusting quantities so as to establish a reasonable price. The actual amount of Equity Securities each business division of the Company allocates is determined after giving consideration to customer needs in an appropriate manner with attention to thorough application of “principles of suitability”, which places emphasis on investors’ suitability in terms of their knowledge, experience and assets concerning securities investments, and taking all of the following matters concerning each customer into account: conditions, if any, to the customer’s final commitment to the subscription, response to demand forecast, willingness to subscribe, awareness of the product risk, business relations with the Company (frequency of trading, period of trade history, whether the customer is new to the Company), investment philosophy (whether the customer intends to hold the relevant securities for a long period of time, whether the allocation contributes to the formation of a healthy secondary market, etc.).
4. In principle, the Company will make an allocation to those customers who declared their demands in the book building process. However, if the declared quantities do not amount to the Company’s scheduled allocation volume, then the Company may make allocations to those customers who have not declared their demands upon confirmation of their intentions to subscribe for the relevant securities through solicitation after reviewing the customers’ transaction history with the Company.
5. The declaration of demands and the application for subscription are accepted in person or via telephone at each business division.
6. The specific guidelines concerning book building process for each IPO transaction, such as the demand declaration acceptance period, method of acceptance, provisional terms and conditions, etc. are set out in the Security Registration Statement and the prospectus prepared by the issuer of each transaction. Furthermore, such guidelines together with the Company’s allocation terms will be posted on the Company’s website (<http://www.nikkocitigroup.com/japanese/>) during the period from the commencement of the book building process and the expiration of the application period.
7. If the Company conducts a book building process or an allocation under a policy different from those expressed in paragraphs 1 through 5 above, then the Company will publish such effect together with the reason for the change.

8. The Company, as a matter of course, complies with the Financial Instruments and Exchange Law and rules of self-regulatory organizations which include prohibition of allocation of Equity Securities with an intention to compensate customers' losses or add customers' profits. The Company further prescribes for in its internal rules its policies for making allocations and endeavors to comply therewith, which include the prohibition to allocate Equity Securities to 1) such persons as designated by an issuer, 2) officers and employees of the Company, 3) persons who may give a rise to a sense of unfairness among the public as, by way of example, the persons are in a position to provide the Company with special benefits and 4) racketeers, persons associated with racketeers, and persons who harm public interests, including persons so-called *sokaiya* (hired toughs to keep order at a shareholders meeting), and the obligation not to overcentralize the number of shares allocated to one customer or not to make any unfair allocation such as to allocate IPO shares as a condition for a purchase of other additional products. Furthermore, if the Company becomes aware of the fact that any demand declaration or application for subscription is made from any customer who is subject to the above prohibition, then the Company will not accept such declaration or application.
9. The Company believes that its mission is to contribute to the development of the securities market by realizing fair allocation of Equity Securities in accordance with the principles concerning allocations mentioned above.