

December 22, 2005

To whom it may concern

Mizuho Securities Co., Ltd.

**Re: Business Improvement Order on Mizuho Securities**

We deeply regret that we have brought confusion to the market due to the erroneous order we have placed regarding the brokerage of an agency order in the shares of J-COM Co., Ltd. (hereafter referred to as "J-COM") We also regret that we have caused a lot of inconvenience to J-COM, our clients, investors, and various market-related parties.

Today, Mizuho Securities Co., Ltd (hereafter referred to as "the Company") has received a Business Improvement Order from the Financial Services Agency (hereafter referred to as "FSA") pursuant to Paragraph 1 of Article 56 under the Securities and Exchange Law, based on the FSA's acknowledgement that the Company is in a "status where the management of the electronic information processing regarding securities operations is deemed not sufficient" as provided for in Item (11), Article 10 of the Ordinance of Cabinet Office Concerning Regulation, etc. of Conducts of Securities Company which is founded on Item (2), Article 43 of the Securities and Exchange Law.

We acknowledge this administrative order with great seriousness. All executives and employees of the Company are determined to prevent the future recurrence of similar errors to the best of our abilities.

**<Details of the Business Improvement Order>**

- (1) Promptly draft a plan necessary for the improvement of designing and maintaining the ordering systems for equity-related products, subsequent to an overall inspection of the current status of such systems, and securely implement such a plan.
- (2) Assess necessary improvement measures including the establishment of preparedness in terms of crisis management in order to swiftly and appropriately cope with emergency situations such as the placement of an large scale erroneous order in the securities market, and securely implement such measures
- (3) Implement and ensure the continuation of responsive measures for the time being (until drastic improvement measures referred to in items (1) and (2) above have been assessed and implemented), such as setting rules for reconfirmation of system entries for orders of IPO shares by someone other than the person who receives the order, restricting the deactivation of alarm messages to staffs other than the person entering the order into the ordering system, and the segregation of the sales function and the order executing function. Such responsive measures for the time being shall be executed while being reviewed for improvement as necessary.
- (4) Identify the locus of responsibility regarding the placement of the recent erroneous order, as well as enhance business management and internal management controls including the clarification of responsibility sharing regarding the placement of orders in equity-related products
- (5) Report in written form to the FSA by January 20, 2006, the status of assessment of the improvement plan and measures for items (1) and (2) above, and the status of progress for items (3) and (4) above. Furthermore, as to items (1) and (2), report in written form the details of the improvement plan when it is finalized, and thereafter, regularly report the status of progress of the plan every quarter.

The placement of the erroneous order concerned was a result of a staff conversely entering the figures for “price” and “amount” into the ordering system and subsequently deactivating the alarm emitted by the system without anyone else being involved in the process. Several causes which have been cited were the insufficient development of the various infrastructures regarding the equities business to efficiently support the expansion of the business, inadequate system configurations and procedures for deactivating the alarm, and other issues regarding crisis management and business management.

The Company is currently assessing the following preventive measures.

- (1) Preventive measures against the placement of erroneous orders
  - Improvement of the ordering system in terms of preventing the placement of orders regarding abnormal transactions
  - Review of operational flows
- (2) Measures regarding operations management
  - Segregation of the sales function and the ordering function (shifting the responsibility of placing orders to more experienced staffs/departments)
  - Enhancement of the training/education system
- (3) Enhancement of internal audit
- (4) Reassessment of measures for crisis management
- (5) Enhancement of business management

Furthermore, additional preventive measures will be assessed based on the findings of the “Special Committee” (already established) mainly composed of external knowledgeable people.

While the preventive measures under assessment will be implemented as they are established, continuous assessment will be conducted to establish comprehensive measures in accordance with the purport of the Business Improvement Order. Measures requiring the development of IT systems are expected to be completed by the end of March 2006. Review and reinforcement of the preventive measures will be conducted as necessary.

Total loss of approximately JPY40.7bil has been incurred in relation to the erroneous order concerned. As to our regulatory capital ratio requirements, the capital ratio has stably remained above the 300% level, thus evidencing the soundness of our financial status from the viewpoint of regulatory capital ratio requirements.

We once again express our deepest regrets for the inconveniences caused to the parties concerned, and commit to give forth our very best efforts to steadily assess and implement the preventive measures.

Makoto Fukuda  
President

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