

Sumitomo Mitsui Financial Group, Inc.
Sumitomo Mitsui Banking Corporation
SMBC Nikko Securities Inc.
SMBC Friend Securities Co., Ltd.

**Memorandum of Understanding on the Merger between
SMBC Nikko Securities and SMBC Friend Securities**

Tokyo, May 12, 2016 --- Sumitomo Mitsui Financial Group, Inc. (SMFG, President: Koichi Miyata), Sumitomo Mitsui Banking Corporation (SMBC, President and CEO: Takeshi Kunibe), SMBC Nikko Securities Inc. (SMBC Nikko, President and CEO: Yoshihiko Shimizu) and SMBC Friend Securities Co., Ltd. (SMBC Friend, President: Koichi Danno, and together with SMBC Nikko, the “Two Securities Companies”) hereby announce that they have approved, in principle, at their respective meetings of the board of directors held today, the basic policies for conducting a merger of SMBC Nikko and SMBC Friend (the “Merger”) subject to approvals and authorizations from the relevant authorities, and they have entered into a memorandum of understanding (the “MoU”) in order to proceed with further considerations and discussions regarding the Merger.

1. Background and Objectives of the Merger

SMFG has been making group-wide efforts to strengthen the SMFG group’s securities businesses, including the commencement of a securities brokerage business at SMBC in December 2004 with SMBC Friend as the consignor (such business was transferred to SMBC Nikko in January 2011), the conversion of SMBC Friend into a wholly owned subsidiary of SMFG in June 2006, and the acquisition of SMBC Nikko’s business in October 2009.

Currently, due to the slowdown in the emerging economies and the plunge of commodity prices coupled with the increase in geopolitical risks, the global economy is in a period of heightened uncertainty and the volatility of the global securities market and financial market has risen. However, the importance of the securities businesses within the SMFG group has dramatically increased. In the wholesale sector, the fundraising through capital markets have continued to diversify and restructurings through M&A have rapidly increased, and in the retail sector, the trend of “from savings to investment” is gaining greater momentum.

Through discussions among the four companies, SMFG, SMBC, SMBC Nikko and SMBC Friend, and considering the above circumstances, it was decided that a further strengthening of the group’s securities businesses through the merger of the Two Securities Companies is essential to improve competitiveness of the group. The Merger will fundamentally strengthen the competitiveness by taking full advantage of synergies from the Merger while capitalizing on the strengths of each of the Two Securities Companies.

Specifically, it is contemplated that the Merger will result in: (1) improved customer satisfaction as a result of the increased product offering and product-related research, the enhancement of sales channels, and the reinforcement of consulting type sales, (2) enhancement of productivity through the optimization of sales personnel staffing as well as the improvement of employee motivation from strengthening of competitiveness and better industry positioning, (3) streamlining of corporate management units which will allow to achieve cost saving synergies resulting from the consolidation of management infrastructure such as overlapping functions, systems, sales channels and others.

In order to realize the synergies from an earlier stage, the implementation of personnel secondments and the supply of certain SMBC Nikko's products to SMBC Friend will be considered prior to the Merger.

2. Outline of the Merger

(1) Contemplated Schedule for the Merger

Approval of the MoU by the relevant boards of directors	May 12, 2016
Execution of the MoU	May 12, 2016
Execution of the merger agreement	In the first half of fiscal year 2016 (tentative)
Effective date of the Merger	January 2018 (tentative)

(2) Structure of the Merger

Upon completion of the Merger, SMBC Nikko will be the surviving company and SMBC Friend will be the absorbed company. Prior to the Merger, in October 2016, SMBC Nikko will become a wholly owned direct subsidiary of SMFG.

(3) Summary of the Merged Company (tentative)

Company name:	SMBC Nikko Securities Inc.
Capital relationship:	Wholly owned subsidiary of SMFG
Location of the head office:	3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo (Currently, the location of SMBC Nikko's head office)
Business Profile:	Securities services

(4) Preparations for the Merger

In order to facilitate preparations for the Merger, the "Merger Preparation Committee" will be established. Sub-committees to be established under the Merger Preparation Committee will conduct individual merger preparations such as front office functions, planning, personnel, office work, system, risk management and compliance and others.

3. Outlook

Details of the impact of the Merger on business results will be announced, where necessary, after the details of the Merger are determined.

[Corporate Profile of the Companies to be merged]

(As of the end of March 2016)

(1) Company Name	SMBC Nikko Securities Inc.	SMBC Friend Securities Co., Ltd.
(2) Location of Head Office	3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo	7-12, Nihonbashi-Kabutocho, Chuo-ku, Tokyo
(3) Title and Name of Representative	Yoshihiko Shimizu, President and CEO	Koichi Danno, President
(4) Business Profile	Securities services	Securities services
(5) Establishment	June 15, 2009	March 2, 1948
(6) Fiscal Year End	March	March
(7) Total Assets (Consolidated)	10,479,163 million yen	306,558 million yen
(8) Net Assets (Consolidated)	697,808 million yen	221,353 million yen
(9) Number of Employees	8,944	1,890
(10) Number of Branches	123 branches	61 branches (58 branches, 3 satellites)

End.