

September 23, 2016
SMBC Nikko Securities Inc.

Summary of the Message from President Shimizu
at the Autumn 2016 Meeting of Department Heads and Branch Managers

I would like to express my appreciation to everyone for their perseverance despite the tough business climate during the first half of FY2016.

Let me start off by discussing the progress we have made thus far with respect to our key initiatives for FY2016. In terms of continuing our strategic positioning of personnel, we have allocated employees earlier this month to various front office departments. We have also been successful in substantively improving our profit. While we will continue to reduce expenses, we will be proactively making essential investments that contribute to the growth of our top line.

In October 2016, SMBC Nikko is scheduled to become a direct subsidiary of Sumitomo Mitsui Financial Group. I have repeatedly mentioned that SMBC Nikko must become one of the twin-turbo of the SMFG engine, together with Sumitomo Mitsui Banking Corporation. With this organizational change, we will aim to achieve this in form as well as substance.

In addition, we plan to merge with SMBC Friend Securities in January 2018. The objective is to strengthen the securities business of SMFG and to enhance our competitiveness by integrating the two securities companies. In preparing for this integration with mutual respect, we should recognize each other's strengths and good business practice.

We plan to launch a new Mid-term Management Plan, starting from FY2017. In the current plan, our goal is to become Japan's leading full-line securities company. As a step towards this final goal, we aim to become a strong No.2 in the industry by FY2019, the final year of our next plan, thus securing our foothold towards becoming Japan's No. 1.

I envision us as a strong company, where all of us are able to strive towards a common goal. To achieve this objective, the capability to address issues as an organization and the management of the organization are crucial. I expect all of the directors and employees of SMBC Nikko should share the same vision for the company, and for all of you to demonstrate the leadership necessary to fulfill our mission.

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