

Sumitomo Mitsui Financial Group, Inc.
(Securities Code: 8316)
Sumitomo Mitsui Banking Corporation

Acquisition of Nikko Cordial Securities Inc. and Other Businesses

Tokyo, May 1, 2009 --- Sumitomo Mitsui Financial Group, Inc. (“SMFG”, President: Teisuke Kitayama) and Sumitomo Mitsui Banking Corporation (“SMBC”, President: Masayuki Oku), a subsidiary of SMFG, hereby announce that SMBC has reached an agreement with Nikko Citi Holdings Inc. (“Nikko Citi HD”), a wholly owned subsidiary of Citigroup Inc. (“Citigroup”, Chairman and CEO: Vikram Pandit), and other related entities wherein SMBC would acquire 1) all shares in New Nikko Securities (tentative name; the shares referred to hereinafter as “New Nikko Securities Stock”) which will succeed to all operations of Nikko Cordial Securities Inc. (“Nikko Cordial”), which engages mainly in the retail securities business (excluding selected assets and liabilities; the “Retail Business”), and some businesses including the domestic debt and equity underwriting and other businesses of Nikko Citigroup Limited (“Nikko Citi”), which engages mainly in the wholesale securities business (the “Wholesale Business”; the Retail Business and the Wholesale Business collectively referred to hereinafter as the “Target Businesses”), 2) shares or partnership interests in affiliates and Civil Law partnerships relating to the Target Businesses (“Affiliates, etc.”; the shares referred to hereinafter as “Affiliate Stock, etc.”) and 3) other assets (such as trademarks relating to the “Nikko” brand and shares held for strategic reasons; hereafter “Other Assets”; New Nikko Securities Stock, Affiliate Stock, etc., and Other Assets collectively referred to hereinafter as “Target Shares, etc.”), all of which are either directly or indirectly owned by Nikko Citi HD, pursuant to approval of relevant authorities, as follows.

1. Objectives of the Acquisition of Target Shares, etc.

The Japanese and global economies are currently facing a continued slowdown. Although measures for economic recovery and financial stabilization are being taken on a global basis, the uncertainty of the global economy going forward has not been removed. While personal financial assets total ¥1,400 trillion in Japan, the flow “from savings to investments” has been stifled. Further, the business model of investment banks that encouraged excessive risk-taking and highly leveraged transactions has been undergoing a transformation as a result of the worsening economic crisis, which started after the bankruptcy of Lehman Brothers in September 2008.

On the other hand, despite weakness in the equity markets, the recent increase in financial literacy and the need for diversified financial products have led to heightened needs for foreign bonds and subordinated bonds for individuals. Thus, individual customers without a doubt still need investment opportunities, which are not impacted by trends in a single market.

As uncertainty continues in the economic environment, the needs of the customers in our wholesale business on management issues are changing. We believe that the investment banking business model is reverting to a traditional customer-oriented business.

Under the circumstances, SMFG has decided to acquire New Nikko Securities, one of the Big 3 securities firms in Japan, in its efforts to establish as quickly as possible the next foundation for its future growth while SMFG continues and strengthens businesses consistent with the principles of a commercial bank on the keyword “follow the basics”. SMFG’s growth principle is to offer valuable services based on “Spirit of innovation,” “Speed,” and “Solution & Execution” to expand the customer base as a financial services group centered on a commercial bank. Through this transaction, SMFG plans to create a new leading financial services group and increase potential growth by combining stability and reliability that a commercial bank holds with New Nikko Securities’ high-quality customer services.

When SMFG, which has as its corporate mission “provide optimum added value to customers and together with them achieve growth,” acquires New Nikko Securities, which has as its corporate mission “think and act with a customer focus,” it will be able to provide stable and sustainable high-quality services through the broad combined network under “One Flag” as “a leading financial services group focused on its long-term relationships with its customers.”

2. Strategic Rationale in Each Business Area

(1) Retail Business

SMFG has traditionally positioned its “financial consulting for individuals,” which consists of providing investment products such as investment trusts and pension-type insurance and loan products such as housing loans to individual customers, to be one of the growth business areas, and has engaged in efforts to provide new products and services through SMBC and SMBC Friend Securities Co., Ltd. which rapidly reflect the diversification of the needs of their customers and structural changes such as deregulation. Further, the company has been aiming to achieve “total consulting” services to serve as a one-stop shop for all financial services by expanding its branch office network and by recruiting more consultants.

By adding New Nikko Securities based on Nikko Cordial as a new group partner, SMFG will gain access not only to Nikko Cordial's ¥24 trillion in financial assets under account, but also will be able to add approximately 3,000 high-quality sales personnel who serve as the foundation for its advanced consulting services, a branch office network with 109 locations nationwide, and a reputable online trading channel. As a result, SMFG's retail platform will expand to ¥64 trillion in financial assets under account, approximately 9,800 sales personnel, and approximately 600 locations nationwide, taking the company one step closer to its goal of providing "total consulting" services.

We also believe that the business models of the two companies are highly compatible, as both are characterized by a focus on consulting services and the use of an open architecture. In addition, while SMBC's strengths include an advanced training system and low cost operations, Nikko Cordial has also established an efficient operational control structure based on Citigroup's state-of-the-art IT infrastructure, and the policies and structures of the two companies' systems are highly compatible. Thus, we believe that a strong integrated business model consisting of bank and securities operations can be established, allowing the combined entity to provide high-quality consulting services.

(2) Wholesale Business

Since April 1999, SMFG has positioned Daiwa Securities SMBC Co. Ltd. ("Daiwa Securities SMBC"), a joint venture with the Daiwa Securities Group Inc., at the core of its wholesale securities business. As a result of this transaction, SMFG will be able to add to its wholesale securities business Nikko Cordial's corporate transaction function as well as the debt and equity underwriting capacity and a portion of the corporate client coverage at Nikko Citi.

As a result, SMFG will be able to add New Nikko Securities, which has a number of listed underwriting clients and strong distribution capabilities to its existing wholesale securities platform (i.e. Daiwa Securities SMBC), creating significant potential for growth.

While SMFG has already established cooperative relationships with top global player, we believe that the potential to establish a new cooperative relationship with Citigroup through New Nikko Securities will allow SMFG to provide services which enhance customer satisfaction without being limited in terms of product lineup or area by expanding global reach.

Following this transaction, SMFG would like to hold constructive discussions with New Nikko Securities and Daiwa Securities Group in order to establish a partnership which will be beneficial to all three parties.

3. Overview of the Transaction Scheme

The acquisition of New Nikko Securities Stock is expected to consist of Nikko Cordial and Nikko Citi spinning off the Target Businesses to New Nikko Securities, which will be a newly established subsidiary of Nikko Cordial, through demergers (specifically, an absorption-type demergers; the “Demergers”), followed immediately by a transfer of New Nikko Securities Stock from Nikko Cordial to SMBC.

The acquisition of Affiliate Stock, etc. is expected to consist of SMBC acquiring Affiliate Stock, etc. from Nikko Citi HD or Nikko Citi Business Service Inc., and SMBC acquiring Other Assets from Nikko Citi HD. SMBC’s acquisition of the Target Shares, etc. is pursuant to approval from relevant authorities.

4. Overview of New Nikko Securities

There is no data available concerning the net assets, total assets, and operating performance of New Nikko Securities, as this entity has not yet been established. Please refer to <Reference> at the end of this press release for information on the operating performance and financial position of Nikko Cordial (non-consolidated), which will be at the core of New Nikko Securities’ operations. An overview of New Nikko Securities will be provided as soon as details have been determined.

5. Acquisition Price, etc.

(1) Acquisition Price

1) Total Acquisition Value for Target Shares, etc. (excluding Shares held for strategic policy reasons (public stock))	¥545 billion (note that this figure will be adjusted based on net assets, etc. at New Nikko Securities and Affiliates, etc. at the point in time on the effective date)
2) Shares held for strategic reasons (public stock)	95% of the market value of the shares 4 business days (95% of the market value based on closing prices as of March 31, 2009 was ¥28.5 billion)

* Note that ¥201 billion in cash will be excluded from the scope of this transaction, and will be retained by Nikko Cordial instead of being succeeded by New Nikko Securities.

(2) Fund for the Acquisition

Entire amount is expected to be funds on hand

(3) Shares Held and Shareholding Ratio Before and After the Transaction

SMBC currently does not own any New Nikko Securities Stock. While the number of New Nikko Securities Stock to be acquired is unclear as New Nikko Securities is an entity which has not yet been established, SMBC plans to acquire 100% of New Nikko Securities Stock.

6. Overview of the Counterparty to the Acquisition of New Nikko Securities Stock

(1) Corporate Name	Nikko Citi Holdings Inc.
(2) Main Business	Holding company
(3) Headquarters	1-5-1 Marunouchi, Chiyoda-ku, Tokyo
(4) Representative	Douglas L. Peterson
(5) Shareholder Composition	Citigroup Inc. 100%

7. Schedule

May 1, 2009	Board resolution on the acquisition of target businesses
May 1, 2009	Signing date
[October 1, 2009] (tentative)	Effective Date (provided that closing conditions such as the approval of relevant authorities are met)

8. Future Outlook

The impact of this transaction on consolidated performance will be announced, if necessary, at a later date, when details are finalized.

<Reference> Operating Performance and Financial Position of Nikko Cordial Securities Inc.

(Non-consolidated)

	FY ended Mar. 2008	FY ended Mar. 2009
Operating Revenues	¥222,810 million	¥164,135 million
Net Operating Revenues	¥217,878 million	¥158,942 million
Operating Profit	¥50,945 million	¥19,685 million
Ordinary Profit	¥51,182 million	¥22,158 million
Net Income	¥23,890 million	(¥3,626 million)
Net Assets	¥420,600 million	¥393,392 million
Total Assets	¥1,523,908 million	¥1,466,956 million