

Message from the Management

On behalf of all the management and staff of the Sumitomo Mitsui Financial Group, we would like to thank you for your continued interest in and support for SMFG. Hereunder, we outline the Group's business performance in the first half of fiscal 2007, and provide an explanation of the measures being taken in the second half of the fiscal year, as well as our policies for the future.

Fiscal 2007 First-Half Highlights

At the start of fiscal 2007 SMFG launched a medium-term management plan — under the name of LEAD THE VALUE — covering the fiscal 2007-2009 three-year period. Under this plan, we have placed priority on business operations in seven fields we believe to possess significant growth potential, i.e. financial consulting for individuals, solution providing for corporations, focused business areas in global markets, payment and settlement services and consumer finance, investment banking and trust business, proprietary investment, and credit derivatives, trading & distribution. We believe that this focused priority policy will enable us to build the foundations of a corporate group capable of long-term sustainable growth.

Looking at the business performance of the Group over the first half of fiscal 2007, our principal subsidiary SMBC recorded an increase in banking profit, thanks to improved gains on sale of bonds, particularly JGBs, as well as a widening of the loan to deposit spread. Conversely, increased credit costs and the posting of an impairment loss on shareholdings led to a year-on-year decline in ordinary profit. As a result, SMFG recorded an ordinary profit of ¥353.2 billion on a consolidated basis, down ¥3.9 billion

year-on-year, and posted a ¥73.1 billion decrease in net income for the six-month period, at ¥170.5 billion.

Plans for the Future

Priority on targeted growth business areas

In the allocation of management resources, we will continue to place priority on growth business areas.

In consumer banking, SMBC will introduce more advanced financial consulting techniques so as to be able to offer one-stop “total consulting” services to meet the diverse needs of today's customers. Specifically, we will improve the quality of our lineup of existing services such as investment trusts, personal pension plans, and a discretionary asset management service offered by SMBC Friend Securities. In addition, we aim to continue expanding our lineup with the addition of new service categories that have recently been deregulated and which we commenced in December 2007, such as whole life and time insurance, medical insurance, and a wide variety of other new insurance packages. We will also continue to expand our network of branches and increase the number of qualified financial consultants in our workforce.

In the field of consumer finance services, including payment and settlement, in the reporting six-month period the Group reached basic agreements to form strategic alliances with both Central Finance and OMC Card. We aim to become the No. 1 credit card business group in Japan by leveraging the expertise, customer base, business network, and brand image of each of our alliance partners, including our subsidiaries Sumitomo Mitsui Card and QUOQ, and by offering superior financial products and services that fully meet customers' needs.

We will continue to promote our business collaboration with the consumer loan company Promise, including the installation of more automatic contract machines in the branches of SMBC, which will enable us to provide consumer loans to meet customers' various lifestyle-related needs, taking the repayment capability of borrowers carefully into consideration.



Teisuke Kitayama
President
Sumitomo Mitsui
Financial Group, Inc.

For our corporate customers, we are taking steps to further expand SMBC's solution providing business. Specifically, making full use of the Private Advisory Department set up in April 2007, SMBC will further strengthen its coverage in business areas where the needs of individual customers and corporate customers overlap, such as business succession consulting, private banking, and workplace banking. We are also working to enhance our activities in the fields of venture business incubation, as well as transactions with public bodies, semigovernmental corporations, and local financial institutions, and in environmental project financing.

We intend to further strengthen our capabilities in the field of investment banking, which includes various products such as syndicated loans and structured finance, as well as financial solutions to clients' managerial issues, notably business expansion and reorganization through M&A. This will be achieved through initiatives by the Corporate Advisory Division within SMBC, as well as through collaboration between SMBC and Daiwa Securities SMBC. SMFG also aims to further promote the group-wide provision of solutions. For example, a wide selection of leasing and auto-leasing services will be offered by two new companies established in October 2007 under a strategic alliance between SMFG and the Sumitomo Corporation Group — Sumitomo Mitsui Finance and Leasing, and Sumitomo Mitsui Auto Service. JRI Solutions, our knowledge engineering group company, will offer IT system development and operations services in addition to IT consulting.

Preparing for sustainable growth

SMFG continues to work to build the foundations of a corporate group capable of long-term sustainable growth.

Specifically, we are enhancing our legal compliance, for example, by strengthening our protection of customers in line with the provisions of the Financial Instruments and Exchange Law, which came into force in September 2007. We are also stepping up our proactive compliance with laws and government initiatives in overseas operations to prevent money laundering.

SMFG is also actively hiring more highly qualified professionals in investment banking and other growth areas, as well as in specific business fields in the global market. Other initiatives taken by SMFG include modernizing our infrastructure by upgrading our IT hardware and software, and by renovating many of our branch facilities; introducing more sophisticated ALM and risk management systems; and implementing a range of measures aimed at improving customer satisfaction.

For the fiscal 2007 full term, on a consolidated basis, SMFG forecasts ordinary profit of ¥940 billion, an increase of ¥140 billion over the previous term, and net income of ¥570 billion for an increase of ¥130 billion.

In line with our policy of increasing return to shareholders, at the present time we intend to pay an annual dividend per common share of ¥10,000, which would represent an increase of ¥3,000 per share over the dividend paid for the previous term. Half of this figure has already been paid as interim dividend. We will continue to actively examine our options for strengthening shareholder return, in reflection of the steady progress we expect to make in attaining the targets set under our current medium-term management plan.

By the means described above, we expect to move closer to achieving the goals of our medium-term management plan and fulfilling our obligations to our stakeholders. It is our sincere hope that you will give SMFG even stronger support and encouragement in the years to come.

February 2008



Teisuke Kitayama

President

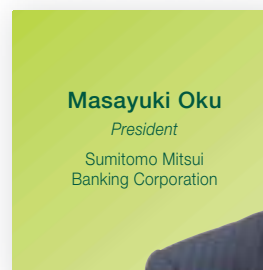
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