

Message from the Management

We would like to thank you for your continued support and patronage. In this annual report, we review the initiatives implemented in fiscal 2008, ended March 31, 2009, and explain our management policies for fiscal 2009.

Principal Initiatives in Fiscal 2008

Having designated fiscal 2008 as the year for “taking a step forward to accomplish medium- and long-term growth, while coping with uncertainty in business environment,” we continued to focus on two initiatives: “strengthening targeted growth business areas” and “fortifying platform for supporting sustainable growth.”

In the period under review, uncertainty in the business environment intensified as the global economic downturn, caused by the financial crisis sparked by the September 2008 failure of Lehman Brothers, deepened. Against this backdrop, SMBC increased its nonconsolidated banking profit by ¥3.7 billion, chiefly through an increase in net interest income in international operations and an improvement in losses on bonds. However, to our great regret, SMFG reported a consolidated net loss of ¥373.5 billion in fiscal 2008 mainly because impairment losses on stocks and the increase in credit cost were higher than we had anticipated. Other factors include measures — such as an additional loan loss provision in preparation for further economic deterioration and a more conservative recognition of deferred tax assets — to quickly adapt to these changes in our business environment and promote a steady recovery of our earnings from fiscal 2009. Meanwhile, SMFG’s consolidated Tier I ratio at the end of March 2009 was above 8% — 8.22%, up 1.28% from the previous year — due primarily

to the issuance of preferred securities and a decrease in risk-adjusted assets resulting from the implementation of the Advanced Internal Ratings Based (AIRB) approach under the Basel II framework, the new BIS capital standards.

We also steadily implemented initiatives for future growth, including establishing an intermediate holding company for our credit card business, entering into capital and business alliances with overseas commercial banks, and continuously upgrading our risk management systems.

Fiscal 2009 Management Policies

The business environment is expected to remain uncertain while various initiatives and efforts to structure a new regulatory framework are being implemented globally to stabilize the financial system. Under these circumstances, we have designated fiscal 2009 as a year for “establishing the next foundation for future growth, while continuing to strengthen businesses consistent with our philosophy of ‘following the basics.’” In the core operations of Group companies, we will maintain stringent control of expenses, credit cost, and risk-adjusted assets, while “realizing a solid financial base as a global player” and “strengthening targeted growth business areas” for medium- to long-term growth.

(1) Control expenses, credit cost and risk-adjusted assets

Our aim is to consistently sustain an overhead ratio of less than 50% for SMBC on a nonconsolidated basis. To this end, we are prioritizing expenditures based on scale, timing, effect and other factors, in order to better allocate our limited resources to growth business areas and increase business efficiency.

To control credit cost, we are further enhancing our ability to identify and quantify risk in order to spot and rectify potential problems and conduct business with a thorough focus on the bottom-line profit. We have been making steady progress in complying with Basel II capital standards. We started using the Advanced Measurement Approach (AMA) to measure operational risk from the end of March 2008. We continuously strive to establish a more sophisticated risk management framework as shown in the implementation of the AIRB approach to measure credit



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risk from the end of March 2009. Furthermore, SMBC has been reinforcing its overseas credit risk management framework, including upgrading the status of the Credit Management Dept. within the International Banking Unit in April 2009. It also established in April 2009 the Risk Management Unit to more holistically manage risks (market, liquidity, credit and operational) borne by financial institutions.

In controlling risk-adjusted assets, we are dedicated to maintaining SMFG's consolidated Tier I ratio at around 8%, one of our medium- and long-term financial goals. We are stepping up initiatives to ensure a return that reflects the associated risks in the current uncertain business environment, while fulfilling our mission as a financial institution to supply funds to our creditworthy customers smoothly and efficiently by working even harder on performing financial intermediary services in an appropriate yet proactive manner.

We aim to establish the next foundation for our future growth by constantly strengthening operations in line with the fundamental principles of commercial banking under the keyword "follow the basics." Moreover, we will further reinforce our platform to support sustainable growth through a variety of measures, including continuously ensuring that the domestic and overseas compliance systems operate effectively with regard to relevant laws and regulations. We are also upgrading the system for gathering and utilizing customer opinions and requests in order to enhance customer satisfaction and product and service quality.

(2) Realize a solid financial base as a global player

Enhancement of our capital base, both in terms of quality and quantity, is required to maintain competitiveness and realize sustainable growth in a new global financial order that will emerge in the future. In May 2009, we issued over ¥800 billion in new shares. We are very grateful for the support of shareholders and investors for this successful offering. Although this capital increase diluted the value of existing shares, in addition to a more smooth and efficient supply of funds for customers, our core mission as a commercial bank, the reinforced capital base will support our efforts to increase our competitiveness and realize sustainable

growth, thereby increasing shareholder value over the medium and long term.

We will also continue to examine the listing of SMFG stock on the New York Stock Exchange to strengthen our corporate base for globalizing operations and other purposes.

(3) Strengthening targeted growth business areas

● Solution providing for corporations, Investment banking, trust business

SMFG is dedicated to meeting the financing needs of corporate clients and formulating optimal solutions to their management issues.

For our corporate customers, we are continually taking measures to strengthen our financial intermediary functions, thereby enhancing our ability to fulfill our social responsibility as a financial institution to provide customers with sufficient funds. We are proactively responding to the financing needs of SMEs in particular through a variety of loan products offered by SMBC. *Business Select Loan* is a loan that requires no collateral or third-party guarantee used by more than 40,000 companies — SMBC was the first to develop this type of loan — and new loan products such as *Wide Support Loan* and *Asset Value* allow SMEs to use various assets to secure loans. We also support SMEs by extending loans backed by credit guarantee corporations,

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including the emergency credit guarantee system.

Another priority is offering quality solutions to management issues of corporate customers. Specifically, SMBC established the Business Promotion & Solution Dept. in April 2009, and consolidated branch business promotion and support functions in order to provide corporate clients with more in-depth assistance. In addition, we will enhance our ability to offer solutions for issues related to corporate, private and/or global banking by restructuring the three specialized departments — the Corporate Advisory Div., the Private Advisory Dept. and the Global Advisory Dept. — to further strengthen collaboration and sharing of value, knowledge, information and profits (V-KIP) among these departments. This approach of concentrating resources and know-how is being applied in investment banking likewise to improve the quality of products and services.

We are also taking measures to supply solutions that draw on the resources of all Group companies to formulate solutions. Sumitomo Mitsui Finance and Leasing (SMFL) is developing an aircraft operating lease business, which was added to the strategic joint business in leasing with Sumitomo Corporation in December 2008, as well as a variety of other leasing services that offer financial and sales solutions for both users and supplier. JSOL Corporation (formerly Japan Research Institute Solutions) forged a capital and business alliance with the NTT Data Group in September 2008. JSOL will further expand its services of creating and operating IT systems as well as IT system security consulting by accessing the development resources and methods, and the employee training expertise, of this group.

● Financial consulting for individuals

We are continually upgrading our financial consulting services for individuals to meet a diverse spectrum of needs. The objective is to realize “total consulting services” which offer customers a wide range of one-stop financial services. Specifically, SMBC is fortifying its product/service lineup to include investment trusts, pension-type insurances, discretionary asset management services offered by SMBC Friend Securities and other products. In August 2009, SMBC expanded to all branches the sale of level-premium insurances. We are also training employees to improve their skills in consulting.

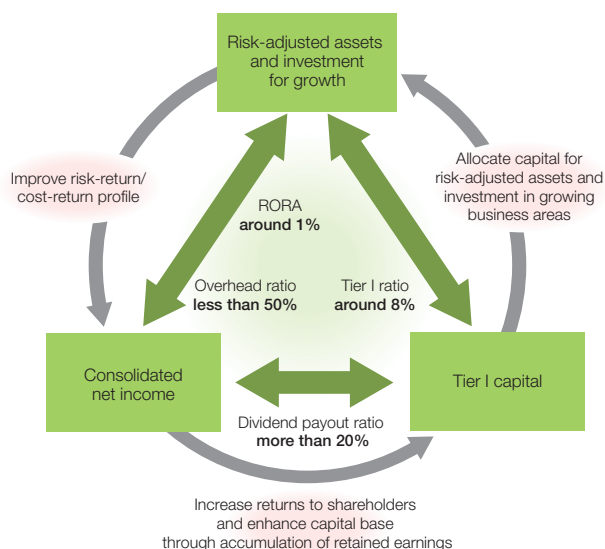
● Payment & settlement services, Consumer finance

In the credit card business, we have established a two-company system within the Group by merging Central Finance Co., Ltd., OMC Card, Inc., and QUOQ Inc. in April 2009 to form Cedyna Financial Corporation to operate along with Sumitomo Mitsui Card Co., Ltd. Our aim is to become “the number one credit card business entity in Japan,” and we will continue to pursue economies of scale while leveraging the strengths of each company to maximize top-line synergy. Further, in May 2009, SMBC and ORIX Corporation reached an agreement concerning the joint business development of ORIX Credit Corporation, which became a consolidated subsidiary of SMBC in July. The alliance will enable us to capture a larger share of the Japanese consumer finance market, and make our consumer finance operations more efficient and responsive to the financing needs of creditworthy consumers.

● Focused business areas in global markets

In global markets, we will continue to bolster our competitive edge products, including project finance. In addition, we view Asia as one of the regions with excellent prospects for strong economic growth. In China, SMBC established a wholly owned subsidiary, Sumitomo Mitsui Banking Corporation (China) Limited, in April 2009 in a move to better respond to our customers' needs in this country. Furthermore, the Asia Pacific Division that SMBC formed in April 2008 has enabled us to get closer to our customers in this region and meet their needs more flexibly. Alliances are another means of business expansion in Asia. SMBC has formed alliances with Kookmin Bank in Korea, First Commercial Bank in Taiwan, The Bank of East Asia in Hong Kong and other Asian banks. With Barclays PLC, a major British financial institution, we are exploring venues of cooperation in wealth management, operations in South Africa and other business fields.

◎ Management Policies for Sustainable Growth



● Acquisition of Nikko Cordial Securities Inc. and other businesses

In May 2009, we reached an agreement with Nikko Citi Holdings Inc. and other related entities to purchase all operations of Nikko Cordial Securities Inc. (excluding selected assets and liabilities) and some businesses of Nikko Citigroup Limited, such as domestic debt and equity underwriting and other assets, pursuant to the approval of relevant authorities. This acquisition gives us the opportunity to create a new leading financial services group and increase our growth potentially by combining the high-quality customer services of Nikko Cordial Securities with the stability and reliability of commercial banking services of SMBC.

We expect nonconsolidated net income of ¥180 billion at SMBC and consolidated net income of ¥220 billion at SMFG for fiscal 2009, and intend to pay a dividend of ¥90 per share of common stock, the same level as in fiscal 2008. "More than 20% of consolidated net income" is our payout ratio goal, and we aim to increase returns to shareholders as our performance recovers in the coming years.

We will continue to focus our energy on maintaining the optimum balance among earnings, capital and risk-adjusted assets; in other words, the balance among enhancing capital base through accumulation of retained earnings, allocating capital for risk-adjusted assets and investment in growth business areas, and improving our risk-return profile, to achieve consistent growth in corporate value. Based on these management policies, we are striving to meet stakeholder expectations through the initiatives outlined in this message. As we proceed with this endeavor, we look forward to your continued support and understanding.

August 2009

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