

III. Management Policy

1. Our Mission

SMFG's group-wide management philosophy is as follows:

- To provide optimum added value to our customers and together with them achieve growth
- To create sustainable shareholder value through business growth
- To provide a challenging and professionally rewarding work environment for our dedicated employees

In line with this philosophy, SMFG and the group companies will put their collective energy into becoming "a globally competitive financial services group with the highest trust".

2. Management Indices to be Achieved

SMFG has established a medium-term management plan, "LEAD THE VALUE" Plan, spanning the three years from fiscal 2007 and has set the following four management indices as the financial targets to be achieved in fiscal 2009, the final year of the plan.

- Consolidated net income	¥650 billion
- Consolidated Tier I ratio	Approximately 8%
- Consolidated net income RORA *	Approximately 1%
- Overhead ratio (SMBC non-consolidated basis)	40 - 45%

* Return on Risk-adjusted Assets

In addition, in order to increase return to shareholders, SMFG is aiming for a payout ratio of over 20% on a consolidated net income basis in fiscal 2009. During the period of the plan, SMFG expects ROE to be 10 - 15% on a consolidated net income basis.

3. Medium- to Long-term Management Strategy

This fiscal year, SMFG launched a medium-term management plan, "LEAD THE VALUE" Plan, for the three years until fiscal 2009 given the completion of repayment of public funds last October and in response to the greatly changed business environment, including the economic situation and competitive environment.

In the plan, the basic policy of SMFG is to aim for "a globally competitive financial services group with the highest trust" by maximizing its strengths – "Spirit of Innovation," "Speed" and "Solution & Execution." Under this basic policy, SMFG has set the following three goals.

1. Aim for top quality in growth business areas
2. Realize solid financial base as a global player
3. Increase return to shareholders.

Under the plan, SMFG will implement strategic initiatives centered on "strengthening targeted growth business areas" and "fortifying platform for supporting sustainable growth."

(1) Strengthen targeted growth business areas

SMFG will focus on business areas with high growth potential and achieve top quality in such areas by creating added values that exceed customers' expectations, thereby realizing sustainable growth. SMFG will especially strengthen the following seven growth areas.

- A) Financial consulting for individuals
- B) Solution providing for corporations
- C) Focused business areas in global markets
- D) Payment & settlement services, consumer finance
- E) Investment banking and trust business
- F) Proprietary investment
- G) Credit derivative, trading & distribution

(2) Fortify platform for supporting sustainable growth

SMFG will maximize its ability to provide added value by (a) implementing an internal business performance evaluation system centered on medium-term targets and strategic measures, (b) establishing a framework for developing highly qualified professionals capable of challenging and achieving top quality in growth business areas, (c) reinforcing IT and operational infrastructure to support SMFG's business in a flexible manner, (d) strengthening compliance, and (e) improving ALM and risk management system.

SMFG and the group companies will make every effort to achieve the goals of the plan in order to realize sustainable growth and higher corporate value.

4. Issues to be Addressed

Having designated fiscal 2007 as the year for taking "the first step towards accomplishing the medium-term management plan," in the second half, SMFG will continue to strengthen targeted growth business areas and fortify the platform for supporting sustainable growth on a group basis.

(1) Strengthen targeted growth business areas

First, SMFG will strengthen "seven growth areas" specified in the medium-term plan.

- "Financial consulting for individuals," "Payment & settlement services, consumer finance"

In consumer business, financial consulting by Sumitomo Mitsui Banking Corporation (SMBC) will be upgraded further to establish a business model for offering "one stop shopping" of various financial products and services. Specifically, SMBC will provide new products and services which meet the diversifying needs of our customers and changing business environment including deregulation. SMBC will further expand its lineup of investment products including investment trusts, pension-type insurances and "SMBC Fund Wrap," an asset management service in which customers entrust their investments to SMBC Friend Securities, and prepare for the deregulation of full-range sales of insurance products by banks scheduled in December this year. Also, SMBC will expand and refine its branch network and increase the number of financial consultants.

On consumer finance business, in order to establish "the number one credit card group in Japan," SMFG reached a basic agreement on a strategic alliance with Central Finance and Mitsui & Co., and another with OMC Card in April and July this year, respectively. Going forward, alliance partners including Sumitomo Mitsui Card and QUOQ will combine each company's expertise, customer base, network and brand in order to provide quality products and services that accurately respond to customer needs. Also, collaborative business with Promise will be further promoted through measures such as increasing the number of automatic contract machines in order to meet the sound cashing needs of consumers who have a variety of life styles. Meanwhile, SMBC will continue to implement initiatives to improve user convenience and security on payment and settlement services, such as revision of ATM fees and increasing the number of biometrics authentication ATMs and ATMs for the visually impaired.

- "Solution providing for corporations," "Investment banking and trust business"

In corporate business, solution providing by SMBC will be expanded further. Specifically, SMBC will strengthen coverage in business areas where needs of individual customers and corporate customers co-exist, such as business succession consulting, private banking and workplace banking, through a Private Advisory Department which was established this April. Also, business with high growth companies, public institutions and local financial institutions, and environmental business will be enhanced further.

In addition, investment banking, which provides various financing techniques, such as syndicated loan and structured finance, and financial solutions for solving clients' managerial issues, including business expansion and reorganization through M&A, will be strengthened further through various initiatives by the Corporate Advisory Division within SMBC and the collaboration between SMBC and Daiwa Securities SMBC. Moreover, SMFG will further promote group-wide solution providing. For example, various types of leasing and auto leasing will be provided by the two companies newly established based on a strategic alliance with SMFG and Sumitomo Corporation group: (a) Sumitomo Mitsui Finance and Leasing, established through the merger between SMBC Leasing and Sumisho Lease, and (b) Sumitomo Mitsui Auto Service, established through the merger between SMBC Auto Leasing and Sumisho Auto Leasing. Also, IT system development service and IT consulting will be provided by JRI Solutions.

- “Focused business areas in global markets”

In global markets, SMFG will provide various services responding to globalization of corporate customers. At the same time, SMFG will further strengthen initiatives in (a) specific growth industries in which fund raising and business consolidation needs are expected to expand globally, (b) Asia, a region which continues to demonstrate a remarkable economic growth, and (c) specific products and services with global competitive advantages, such as project finance and ship finance. Specifically, SMFG will further expand business franchises and establish a global business promotion organization which will enable it to realize cross-regional operation.

- “Proprietary investment,” “Credit derivative, trading & distribution”

In addition, SMFG will strengthen proprietary investments in mezzanine, equity, fund and so on. Also, credit derivative, trading and distribution will be reinforced by improving its capability to structure risks on SMBC’s balance sheet and distributing such structured products to investors.

(2) Fortify platform for supporting sustainable growth

Second, SMFG will continue to fortify its platform for supporting sustainable growth.

Specifically, SMFG will further strengthen compliance both in Japan and overseas. For example, SMFG fortified user protection in accordance with the Financial Instruments and Exchange Law, which was implemented in September of this year. Also, SMFG will strengthen compliance with anti-money laundering and other overseas laws and regulations through initiatives through an International Compliance Department and a Compliance Department, Americas Division, which were established within SMBC this April.

In addition, SMFG will take initiatives for (a) reinforcing recruitment of highly qualified professionals in growth business areas such as investment banking and focused business areas in global markets, (b) reinforcing operational infrastructure including IT systems and branch facilities, (c) fortifying risk management and ALM, and (d) improving customer satisfaction.

With the aim of increasing return to shareholders, SMFG forecasts dividend per common share of ¥10,000 for fiscal 2007, which is a ¥3,000 increase compared with fiscal 2006, and half the amount will be paid as interim dividend. SMFG will continue to actively examine measures to strengthen shareholder return as progress is made in achieving the targets of the medium-term management plan.

In fiscal 2007, through these initiatives, SMFG aims to take a solid first step towards accomplishing the medium-term plan, and further improve the overall evaluation of SMFG by its customers, shareholders, markets and society.