

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

In fiscal 2007, 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 October 2006 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 derivatives, trading & distribution

(2) Fortify platform to support 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 and cope with changes in business environment properly in order to realize sustainable growth and higher corporate value.

4. Issues to be Addressed

In the recent business environment with the continuing turmoil in financial markets and the growing concern over slowdown of both foreign and domestic economies, SMFG has designated fiscal 2008 as the year for taking a step forward to accomplishing the medium-term management plan, while coping with uncertainty in business environment. SMFG continues to maximize its core strengths, "Spirit of Innovation," "Speed" and "Solution & Execution," and thereby strengthen targeted growth business areas and fortify the platform for supporting sustainable growth.

(1) Strengthen targeted growth business areas**- "Financial consulting for individuals," "Payment & settlement services, consumer finance"**

For consumer customers, financial consulting business at Sumitomo Mitsui Banking Corporation (SMBC) will be upgraded further. SMBC will expand its product lineup to meet diversifying needs of its customers. Specifically, SMBC started to sell six kinds of insurance products such as whole life, term and medical insurance, when full-range sales of insurance products by banks were deregulated in December 2007. In addition, SMFG will fortify its lineup of investment trusts, pension-type insurances and an asset management service in which customers entrust their investments to SMBC Friend Securities. Also, SMBC will increase the number of financial consultants and enhance consultants' skills through trainings, and expand various types of channels such as branches, SMBC consulting plazas and SMBC consulting offices.

Next, in credit card business, according to the strategy announced in February 2008, Central Finance, OMC Card and QUOQ plan to merge in April 2009. Centered on the merged company and Sumitomo Mitsui Card, going forward, SMFG group aims for establishing "the number one credit card group in Japan" by leveraging allied companies' strength to maximize top-line synergies and by seeking economies of scale. 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 customers with a variety of life styles.

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

For corporate customers, high quality solution will be provided further to meet customers' diversified needs. Specifically, SMBC will provide various financing techniques, such as syndicated loan and structured finance, and financial solutions for solving clients' managerial issues, such as business expansion and reorganization through M&A, through cooperation between marketing front and Corporate Advisory Division as well as collaboration with Daiwa Securities SMBC. Meanwhile, SMBC will further strengthen coverage in business areas where needs of individual customers and corporate customers co-exist, such as business succession consulting and workplace banking, through cooperation between marketing offices and Private Advisory Dept. Also, SMBC will promote collaboration between domestic and overseas channels through Global Advisory Dept. established in April 2008 and enhance solution providing capability for customers' needs of overseas expansion. Moreover, SMBC continues to strengthen measures in growth business areas such as businesses with growth companies, public institutions and local financial institutions, and environment-related businesses.

In leasing business, Sumitomo Mitsui Finance and Leasing was established through the merger of SMBC Leasing and Sumisho Lease in October 2007, based on a strategic alliance with SMFG and Sumitomo Corporation group. Going forward, Sumitomo Mitsui Finance and Leasing will provide more value added products and services leveraging the know-how of bank related leasing and trading company related leasing. Also, group-wide solution providing such as IT system development and IT consulting provided by JRI Solutions will be promoted further.

- “Focused business areas in global markets”

In global markets, SMFG designates Asia, expected to demonstrate a strong economic growth, as one of the most important market, and established an Asia Pacific Division within SMBC in April 2008 in order to respond flexibly and quickly to local business requirements in the region. Also, SMBC will strengthen initiatives in Asia by leveraging strategic alliances with local banks, such as Vietnam Export Import Commercial Joint Stock Bank and First Commercial Bank in Taiwan, agreed since last year. In addition, SMBC will further expand business franchises in growing market such as Middle-East, and further strengthen specific products which SMBC has competitive advantages, such as project finance and ship finance.

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

In “Proprietary investment” such as mezzanine, equity and fund investments, and in “Credit derivatives, trading & distribution,” under which we structure and distribute various types of risk taken through businesses such as corporate lending, SMFG will establish business platform to cope with changes in business environment flexibly and promptly, and capture business opportunities accurately.

(2) Fortify platform for supporting sustainable growth

SMFG continues to fortify its platform for supporting sustainable growth.

SMFG will further strengthen compliance through complying appropriately with both domestic and overseas laws and regulations. Also, SMFG will further strengthen function to reflect customer opinions and requests, thereby further improving customer satisfaction and service quality.

In addition, SMFG will strengthen risk management framework complying with the Basel II accord, which came into effect on March 31, 2007. Also, SMBC will enhance credit risk management further, through initiatives including the establishment of Credit Monitoring Dept. in April 2008, which provides support and guidance on credit risk management at corporate business offices.

Also, in the area of human resource management, SMFG will provide its dedicated and high motivated employees with opportunities to challenge higher positions and to broaden their coverage, thereby establishing a platform to provide customers with higher quality services.

Moreover, as one of our initiatives for becoming “a globally competitive financial services group with the highest trust,” SMFG began considering future listing on the New York Stock Exchange.

With the aim of increasing return to shareholders, SMFG plans to increase dividend per common share for fiscal 2008 by ¥2,000 compared with the dividend paid for fiscal 2007, to ¥14,000. (of which ¥7,000 per common share will be paid as interim dividend.) SMFG will continue to actively examine measures to further increase return to shareholders according to the progress in the medium-term management plan.

In fiscal 2008, through these initiatives, SMFG will take a step forward to accomplish the medium-term plan, and further increase SMFG’s value to its customers, shareholders, markets and society.