

# **I. Operating and Financial Review**

## **1. Consolidated Operating Results for the Fiscal Year Ended March 31, 2010 (Fiscal 2009)**

### **(1) Operating Results**

Sumitomo Mitsui Financial Group, Inc. (“SMFG”) designated fiscal 2009 as the year for “establishing the next foundation for future growth, while continuing to strengthen businesses consistent with our philosophy of ‘Following the Basics,’” and continued to focus on implementing “strengthening targeted growth business areas” and “fortifying the platform for supporting sustainable growth.”

In fiscal 2009, ordinary income decreased ¥386.3 billion year on year to ¥3,166.4 billion. This was attributable mainly to a decrease in interest income such as interest on loans and bills discounts due to lower interest rates in Japan and overseas.

Ordinary expenses decreased ¥899.8 billion year on year to ¥2,607.6 billion. This is mainly attributable to a decrease in interest expenses such as interests on deposits and a decrease in credit cost by SMBC resulting from the government’s economic stimulus package, measures tailored to borrowers’ business and financial conditions and improvement in overseas markets.

As a result of the factors mentioned above, SMFG recorded ordinary profit of ¥558.7 billion, a year-on-year increase of ¥513.4 billion, and net income of ¥271.5 billion, a year-on-year increase of ¥645.0 billion

### **(2) Segment Information**

The breakdown of ordinary income and total assets before elimination of internal transactions is as follows:

#### By business

##### Ordinary income

Banking business	67%	(down 5 points from the previous fiscal year)
Leasing business	10%	(up 1 point)
Other business	23%	(up 4 points)

##### Total assets

Banking business	87%	(down 4 points from the previous fiscal year-end)
Leasing business	2%	(down 0 point)
Other business	11%	(up 4 points)

#### By Region

##### Ordinary income

Japan	83%	(up 4 points from the previous fiscal year)
The Americas	9%	(up 1 point)
Europe and Middle East	4%	(down 3 points)
Asia and Oceania	4%	(down 2 points)

##### Total assets

Japan	85%	(up 2 points from the previous fiscal year-end)
The Americas	7%	(down 1 point)
Europe and Middle East	4%	(down 1 point)
Asia and Oceania	4%	(up 0 point)

### **(3) Earnings Forecast for the fiscal year ending March 31, 2011 (Fiscal 2010)**

In fiscal 2010, SMFG has designated its management policy as “transforming our business model to grow steadily under a new regulatory and competitive environment through a forward-looking approach” and “emphasizing return on risks and costs, in order to improve asset quality and thoroughly control expenses and credit costs,” and will continue to focus on “securing a resilient capital base” and “reinforcing our business portfolio to achieve sustainable growth.”

As for earnings forecast on a consolidated basis, ordinary income, ordinary profit and net income are expected to amount to ¥3,400 billion, ¥690 billion, and ¥340 billion, respectively.

On a non-consolidated basis, operating income, operating profit, ordinary profit and net income are expected to amount to ¥220 billion, ¥200 billion, ¥190 billion, and ¥190 billion, respectively.

## 2. Consolidated Financial Position as of March 31, 2010

### (1) Assets and Liabilities

Deposits were ¥78,648.5 billion, an year-on-year increase of ¥3,079.0 billion and negotiable certificates of deposit were ¥6,995.6 billion, a decrease of ¥465.6 billion.

Loans and bills discounted decreased, in both domestic and overseas markets, to ¥62,701.0 billion, a year-on-year decrease of ¥2,434.2 billion despite efforts to supply funds efficiently.

Total assets were ¥123,159.5 billion, an increase of ¥3,522.2 billion.

### (2) Net Assets

Net assets were ¥7,000.8 billion, an year-on-year increase of ¥2,389.0 billion. Stockholders' equity was ¥4,644.6 billion, an year-on-year increase of ¥2,045.4 billion as a result of the issuance of new shares totaling ¥1,834.0 billion and recording of net income.

### (3) Cash Flows

SMFG used ¥1,880.9 billion of "Cash flows from operating activities," used ¥157.6 billion of "Cash flows from investing activities," and generated ¥1,451.0 billion of "Cash flows from financing activities."

Consequently, Cash and cash equivalents amounted to ¥3,371.1 billion, a decrease of ¥429.6 billion.

### (4) Capital Ratio (preliminary)

Capital ratio was 15.02% on a consolidated basis.

## 3. Dividend Policy and Dividends for Fiscal 2009 and 2010

SMFG has a basic policy of steadily increasing returns to shareholders through the sustainable growth of its enterprise value, while enhancing its capital to maintain financial soundness in light of the public nature of its business as a bank holding company, and aims to realize a payout ratio of over 20% on a consolidated net income basis.

In line with this policy, SMFG decided to pay the following year-end dividends on common stocks, in view of the fiscal 2009 operating results. Dividends on preferred stocks will be paid as prescribed.

#### Common stock:

Year-end dividends	¥ 55 per share	
Annual (including interim dividend)	¥100	(year-on-year increase of ¥10)

#### Preferred stock (type 6):

Year-end dividends	¥44,250
Annual (including interim dividend)	¥88,500

SMFG intends to pay the following dividends for fiscal 2010, based on the earnings forecast, level of dividend payout ratio and policy of maintaining stable dividend payment. Dividends on preferred stocks will be paid as prescribed.

Common stock	¥100 per share	(the same as fiscal 2009)
[interim dividends]	[50]	
Preferred stock (type 6)	¥88,500 per share	
[interim dividends]	[44,250]	

#### 4. Risk Factors

Principal risk factors that could materially affect SMFG's operating results and financial position are as follows. SMFG takes necessary measures to prevent/mitigate the risk of such events from occurring, and responds quickly and appropriately when such events do occur.

- Risk of economic and financial environment deteriorating
- Risk of SMFG's strategy failing
- Risk of joint venture, alliance, investment, merger and acquisition failing
- Risk of overseas expansion failing
- Risk of non-performing loans and credit costs increasing
- Risks associated with equity portfolio
- Risks associated with trading business and investment activities
- Risks associated with foreign exchange trading
- Risk of capital ratio declining
- Risk related to changes in laws, regulations, regimes, and other regulatory matters

(Note) The above risk factors are as of May 14, 2010.