

### **III. Management Policy**

#### **1. Our Mission**

Our 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 its group companies put their collective energy into becoming “a globally competitive financial services group with the highest trust.”

#### **2. Targeted Management Indices**

We will proactively implement initiatives to “secure a resilient capital base” and “reinforce our business portfolio to achieve sustainable growth,” in order to remain competitive under new regulatory and competitive environment and early capture growth opportunities. We aim to maintain over around 10% of consolidated Tier I ratio, while targeting around 10% of consolidated ROE in the medium term.

#### **3. Medium- to Long-term Management Strategy**

The business environment of financial institutions is changing radically as regulators discuss the global reform of financial regulations in order to prevent another financial crisis, but our core mission remains unchanged, namely, to become a “globally competitive financial services group with the highest trust” by maximizing our strengths of “Spirit of Innovation,” “Speed” and “Solution & Execution.”

We will also further enhance our enterprise value by taking steps to “secure a resilient capital base” and make every effort to implement measures to “reinforce our business portfolio to achieve sustainable growth” through reviewing current businesses and allocating more capital and resources into targeted growth business areas as we decipher long-term changes in our business environment.

#### **4. Issues to be Addressed**

We designated our management policy for fiscal 2010 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.” We will also continue to promote initiatives to “secure a resilient capital base” and “reinforce our business portfolio to achieve sustainable growth.” In addition, we will establish a good balance between investing and funding in view of the ongoing discussions on liquidity standards.

##### **(1) Securing a resilient capital base**

We completed a ¥861.0 billion common equity offering in July 2009 and another ¥973.0 billion in February 2010, and repurchased and cancelled preferred securities issued by overseas special purpose companies and perpetual subordinated bonds issued by Sumitomo Mitsui Banking Corporation (SMBC) through an overseas tender offering to optimize the capital structure and enhance capital quality. We further increased our capital quality in January 2010 by issuing common shares to The Goldman Sachs Inc., based on an agreement, in exchange for all the preferred shares held by Goldman Sachs and its subsidiary. Going forward, we aim to maintain over around 10% of consolidated Tier I ratio while taking measures to reduce risks to our capital posed by volatility in equity holdings.

With respect to listing on the New York Stock Exchange, we are making final preparations for listing in fiscal 2010.

##### **(2) Reinforcing business portfolio to achieve sustainable growth**

We will fortify our bottom-line profit by reviewing current businesses as well as pursue profitability by focusing on targeted growth business areas. We will also strive to enhance customer responsiveness by leveraging advisory functions and further increase productivity by improving business processes.

##### **(i) Fortify bottom-line profit by reviewing current businesses**

Meeting financial needs of customers is financial institutions’ social responsibility and we work to fulfill our function as a financial intermediary optimally and actively. SMBC has been proactively delivering optimal products and services

based on understanding of customers' needs and issues. However, taking into account the enactment of the "Act Concerning Temporary Measures to Facilitate Financing to SMEs, etc.," we are intensifying our customer responsiveness by establishing a framework for handling requests for facilitating financing from SMEs and individual customers and so on.

At the same time as meeting the financial needs of customers as above, we will fortify our bottom-line profit by focusing on control and reduction of credit costs and improve risk-return profile by rebalancing our asset portfolio towards assets with high growth potential from assets with low yields.

(ii) Pursue profitability by focusing on targeted growth business areas

- "Nikko Cordial Securities Inc."

In March 2010, Nikko Cordial Securities Inc., which became a wholly-owned subsidiary of SMBC in October 2009, launched its medium-term management plan, spanning the three years until fiscal 2012, with the view to "becoming the No.1 general securities company in Japan which is excellent both in quality and quantity and globally competitive." Maintaining low-cost operations based on IT, etc., Nikko Cordial Securities will take measures such as promoting sustainable expansion of existing business centering on retail business, creating new business centering on the wholesale business, actively employing personnel and enhancing personnel development programs, increasing system investment, and improving the organizational structure of the head office in response to full-line business operations.

- "Overseas business centered on Asia"

In the Asia-Pacific region, we have been responding flexibly and quickly to local business requirements through SMBC's Asia Pacific Division. Additionally, for the purpose of enabling further flexible and quick response to the diversified and sophisticated needs of corporate customers, SMBC have newly established the Financial Products Marketing Dept. in May 2010 by integrating certain functions of its Investment Banking Unit in Australia and Asia, aiming to provide solutions more speedily and optimally. In China, we have been developing business through Sumitomo Mitsui Banking Corporation (China) Limited which was established in April 2009. In April 2010, in order to deliver cross-border services and products more tailored to the individual needs of these customers, we established a framework to facilitate support for Japanese corporate customers in a globally integrated manner by transferring functions related to business with Japanese corporate customers, including planning and management, from SMBC's Planning Dept., International Banking Unit to its Planning Dept., Corporate Banking Unit & Middle Marketing Banking Unit. In addition, we have been taking steps to further strengthen our business in Asia by leveraging SMBC's business and capital alliances with leading financial institutions in the region, such as Kookmin Bank of South Korea, First Commercial Bank of Taiwan, Vietnam Eximbank of Vietnam, Bank of East Asia of Hong Kong, and Bank Central Asia of Indonesia.

In Europe and the Americas, we are continuing to bolster our financial products with a competitive edge, including project finance. In addition, leveraging SMBC's alliance with a South African subsidiary of a leading U.K. financial institution, Barclays plc, we will proactively support our clients such as Japanese corporate customers in the region.

- "Payment and settlement services, consumer finance"

In the credit card business, we have been taking various measures to "establish the number one credit card business entity in Japan" based on a two-company system consisting of Sumitomo Mitsui Card Co., Ltd. (SMCC) and Cedyna Financial Corporation by striving to realize economies of scale for the group as a whole and to maximize top-line synergies by drawing on the strengths of each company.

Cedyna will issue new shares by third-party allotment in May 2010, subject to approval of the relevant authorities and to be subscribed by the intermediary holding company SMFG Card & Credit Inc., in order to (a) accelerate and ensure implementation of management restructuring including investing in new businesses and IT systems and cost restructuring, to increase its enterprise value; (b) further clarify the positioning of Cedyna as a core entity in the credit card business together with SMCC; and (c) further enhance Cedyna's capital base. After the subscription, Cedyna will become a consolidated subsidiary of SMFG.

In the consumer finance business, our goal is to create an even better foundation for meeting the sound financing needs of individual consumers, capitalizing on the strategic alliances of Group companies to capture market shares and enhance efficiency. As part of this strategy, SMBC made ORIX Credit Corporation into its consolidated subsidiary in July 2009. It also reached a basic agreement in March 2010 regarding revision of the business model under the cascade scheme among SMBC, Promise Co. Ltd. and At-Loan Co., Ltd. and a merger of At-Loan Co. Ltd. by Promise Co., Ltd. through absorption-type merger. Through these initiatives, we believe we will be able to further enhance our market presence in the

changing consumer finance market and respond to the needs of a wider range of customers.

(iii) Further enhance customer responsiveness by leveraging advisory functions

- “Solution providing for corporations” and “Investment banking and trust business”

We remain strongly committed to delivering our corporate clients high-quality solutions that precisely address a broad range of management issues. SMBC’s Corporate Advisory Division, Private Advisory Dept. and Global Advisory Dept. are three specialized departments that operate across business segments — consumer, corporate and overseas. This structure facilitates the pooling of “V-KIP” (value, knowledge, information and profits) among these departments. As a result, we can deliver more tailored support to corporate clients and upgrade our ability to provide outstanding solutions.

We are also taking measures to draw on the resources of Group companies to formulate solutions. Sumitomo Mitsui Finance and Leasing is promoting an aircraft operating lease business, which is one of the strategic joint businesses in leasing with Sumitomo Corporation, as well as a variety of other leasing services that offer financial and sales solutions for both users and suppliers. In addition, The Japan Research Institute offers a lineup of high value-added services by continuously strengthening existing services that range from consulting for management reforms and IT utilization to the planning and creation of strategic IT systems.

- “Financial consulting for individuals”

For individual customers, we are increasing the sophistication of our financial consulting services, aiming to realize “total consulting services” which offer customers one-stop services for various financial products and services. Specifically, SMBC offers investment trusts, pension-type insurance, discretionary asset management services and started to deal level-premium insurances at all its branches in August 2009. Further, it has been offering products and services jointly with Nikko Cordial Securities, including a jointly developed investment trust, holding joint seminars and a customer referral service between the two, since October 2009. Moreover, SMBC launched a securities intermediary business for individual customers in April of this year. Leveraging the products lineup and fundamental strength in securities business of Nikko Cordial Securities, we will deliver products and services that meet individual customers’ needs. In addition, we will promote collaboration between securities companies within our group, such as Nikko Cordial Securities providing products to SMBC Friend Securities Co., Ltd. Furthermore, we are exploring avenues of cooperation in wealth management and other areas with Barclays plc.

(iv) Further increase productivity by improving business processes

With regards to controlling expenses, we prioritize expenditures based on their amount, timing and impact in order to better allocate the limited resources to targeted growth business areas. We consistently maintain an overhead ratio of less than 50% for SMBC on a non-consolidated basis by pursuing business efficiency.

The above initiatives are premised on a strong compliance framework; we will establish such a framework and thoroughly comply with both domestic and overseas laws and regulations. Specifically, SMBC is further enhancing its framework for explaining products and services to customers from the viewpoint of customer protection, continuing to manage conflict of interests appropriately, further enhancing preventive measures against transactions with anti-social forces and strengthening anti-money laundering measures. Also, functions to incorporate customer opinions and requests will be reinforced, thereby enhancing customer satisfaction and service quality.

We plan a dividend payment of ¥100 per common share for fiscal 2010, the same as in fiscal 2009, and will continue to actively examine measures to increase return to shareholders.

In fiscal 2010, through these initiatives, we intend to achieve steady results, and further increase its value to its customers and shareholders and in the financial markets and society.