

I. Operating and Financial Review

1. Consolidated Operating Results for the Fiscal Year Ended March 31, 2011 (Fiscal 2010)

(1) Operating Results

Sumitomo Mitsui Financial Group, Inc. (“SMFG”) determined our management policies for fiscal 2010 as 1) “forward looking” — transforming our business model to grow steadily under a new regulatory and competitive environment and 2) emphasizing return on risks and costs, in order to improve asset quality and thoroughly control expenses and credit costs, and took various initiatives to secure a resilient capital base and reinforce our business portfolio to achieve sustainable growth.

In fiscal 2010, interest income such as interest on loans and bills discounted decreased due mainly to lower interest rates in Japan and overseas. However, Sumitomo Mitsui Banking Corporation (“SMBC”) increased gains on sales of bonds by quickly responding to fluctuations in market interest rates, and SMFG’s other operating income increased mainly because of an increase in the number of consolidated subsidiaries. As a result, ordinary income increased by ¥679.3 billion year-on-year to ¥3,845.8 billion.

Ordinary expenses increased by ¥412.7 billion year-on-year to ¥3,020.4 billion. This was mainly attributable to an increase in other operating expenses reflecting the increase in the number of consolidated subsidiaries. Meanwhile, interest expenses such as interests on deposits decreased, and total credit cost of SMBC decreased reflecting the tailored efforts to assist certain debtors to improve their businesses and financial conditions.

As a result of the factors mentioned above, SMFG recorded ordinary profit of ¥825.4 billion, a year-on-year increase of ¥266.6 billion, and net income of ¥475.8 billion, a year-on-year increase of ¥204.3 billion.

(2) Earnings Forecast for the fiscal year ending March 31, 2012 (Fiscal 2011)

Fiscal 2011 is the first year of our new medium-term management plan and SMFG aims to significantly strengthen the strategic business areas and establish a strong portfolio of core businesses supporting our strategies.

As for earnings forecast on a consolidated basis, ordinary income, ordinary profit and net income are expected to amount to ¥4,000 billion, ¥840 billion, and ¥400 billion, respectively.

On a non-consolidated basis, operating income, operating profit, ordinary profit and net income are expected to amount to ¥180 billion, ¥160 billion, ¥150 billion, and ¥150 billion, respectively.

2. Consolidated Financial Position as of March 31, 2011

(1) Assets and Liabilities

Deposits were ¥81,998.9 billion, a year-on-year increase of ¥3,350.3 billion and negotiable certificates of deposit were ¥8,366.3 billion, an increase of ¥1,370.7 billion.

Loans and bills discounted decreased ¥1,352.6 billion to ¥61,348.3 billion year on year. This was mainly attributable to a decrease in domestic lending as a result of the slow economy, despite our efforts to supply funds efficiently.

Total assets were ¥137,803.0 billion, a year-on-year increase of ¥14,643.5 billion.

(2) Net Assets

Net assets were ¥7,132.0 billion, a year-on-year increase of ¥131.2 billion. Of them, stockholders’ equity was ¥4,921.4 billion, a year-on-year increase of ¥276.7 billion as a result of recording of net income.

(3) Cash Flows

SMFG generated ¥13,793.7 billion of “Cash flows from operating activities,” used ¥11,148.2 billion of “Cash flows from investing activities,” and used ¥364.4 billion of “Cash flows from financing activities.”

Consequently, Cash and cash equivalents amounted to ¥5,645.0 billion, an increase of ¥2,273.9 billion.

(4) Capital Ratio (preliminary)

Capital ratio was 16.63% on a consolidated basis.

3. Dividend Policy and Dividends for Fiscal 2010 and 2011

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 2010 operating results. Dividends on preferred stocks will be paid as prescribed.

Common stock:

Year-end dividends	¥ 50 per share	
Annual (including interim dividend)	¥ 100	(the same as fiscal 2009)

Preferred stock (type 6):

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

SMFG intends to pay the following dividends for fiscal 2011, based on the earnings forecast, level of dividend payout ratio and policy of maintaining stable dividend payment.

Common stock	¥ 100 per share	(the same as fiscal 2009)
[interim dividends]	[50]	

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
- Risks resulting from natural disasters
- Risks associated with transactions with counterparties in Iran and other countries designated by the U.S. Department of State as state sponsors of terrorism
- Risks related to changes in laws, regulations, regimes, and other regulatory matters

(Note) The above risk factors are as of May 13, 2011.