

President's Message

I would like to thank you for your continued interest in and support for the Sumitomo Mitsui Financial Group (SMFG). As the new president of SMFG, I would like to explain our policy for moving the company forward.

Fiscal 2004 Highlights:

Completion of intensive improvement in asset quality and acceleration of offensive in strategic businesses

Looking at the financial and economic environment in fiscal 2004, the U.S. economy stayed firm, supported by a strong household sector, and the Asian economies continued their growth track led by China. Meanwhile, the Japanese economic situation was mixed—corporate earnings and private capital investment gradually grew, but there were inventory adjustments in the IT-related sectors and exports started slowing down—and, overall, the pace of economic recovery was very slow.

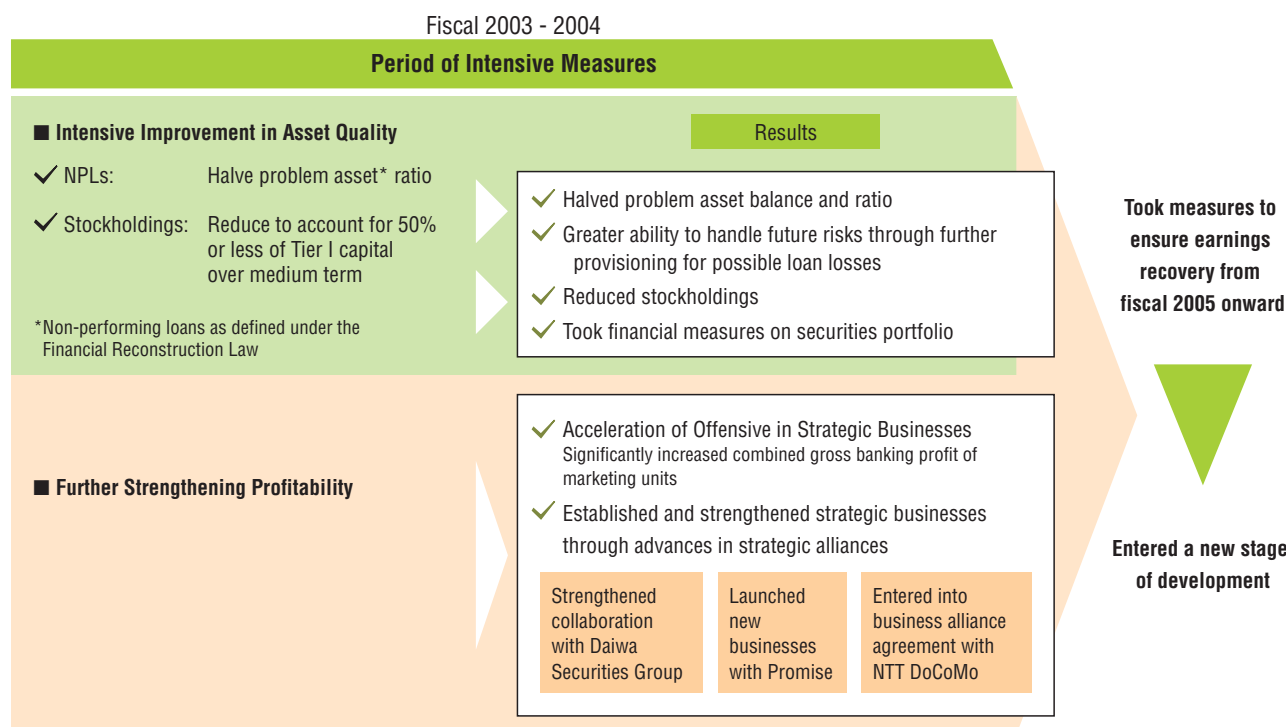
In that environment, SMFG had set completing “the intensive improvement in asset quality” and enhancing profitability by “accelerating the offensive in strategic businesses” as the primary imperatives for fiscal 2004, and took a number of initiatives to achieve these goals.

To complete the intensive improvement in asset quality in order to ensure earnings recovery from fiscal 2005 onward, we took further financial measures both for our non-performing loans and securities portfolio. As a result, we regrettably posted a

consolidated net loss of ¥234.2 billion, but were able to greatly reduce future risk factors. Meanwhile, to strengthen profitability, we accelerated our offensive in financial consulting for individuals, new-type unsecured loans to small and medium-sized enterprises (SMEs), investment banking business and other strategic businesses, thereby significantly boosting gross banking profits of the Consumer Banking Unit, Middle Market Banking Unit and other marketing units. In addition, we made advances in strategic alliances with other sectors' leading companies such as Daiwa Securities Group, Promise Co., Ltd. and NTT DoCoMo, Inc.

Hand in hand with further enhancing strategic businesses which are contributing significantly to our profit base as earnings drivers with competitive market advantages, we were able to steadily establish new businesses as future earnings drivers.

In fiscal 2004, we took measures to ensure earnings recovery from fiscal 2005 onward, and thus, we have now entered a new stage of development.



Business Environment:

Gradual economic recovery, intensifying competition in growth markets and advances in deregulation

Since the inception of SMBC four years ago, our business environment has been difficult to an unprecedented degree, but recently there have been signs of a gradual economic recovery and business activities, such as private capital investments, have been picking up slowly.

Looking at the sectors across the board, cross-sectional and cross-border competition in a wide range of growth markets is expected to intensify further. In the financial sector, besides the implementation of new rules such as Basel II, advances in deregulation are expected to lower business barriers, creating business opportunities but at the same time lowering obstacles for newcomers and intensifying competition.

Under such a business environment, in the Japanese financial industry, horizontal and vertical integration is expected to accelerate further in the same manner as in the U.S. and Europe, and alliances with companies in other sectors with potential synergy are expected to increase also.

Business Mission:

Become a globally competitive top bank with the highest trust of our customers, our shareholders, the market and society

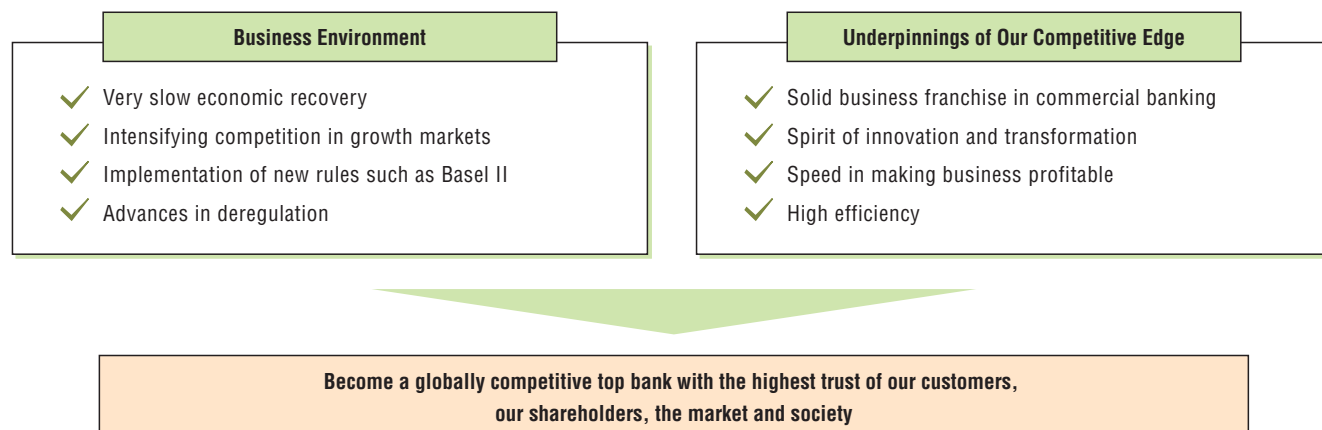
Our competitive edge derives from our four strengths of (a) solid business franchise in commercial banking, (b) spirit of innovation and transformation, (c) speed in making business profitable, and (d) high efficiency. Under the above business environment, in order to leverage our strengths, grasp the ever-changing needs of our customers and further grow our business, we reflected on what kind of organization we should be and the direction we should take.



Teisuke Kitayama
President

The obvious answer was “to become a globally competitive top bank with the highest trust of our customers, our shareholders, the market and society.” We will formulate and implement our business strategies guided by this mission.

We will, however, be flexible in our business management, adjusting strategies in light of current and future situations: continuously predict changes in business environment, establish hypotheses, and examine our businesses in view of the hypotheses.



Medium-Term Management Plan Targets

We have established a medium-term management plan, spanning the four years from fiscal 2005, to realize the mission. We will make every effort to achieve the following targets in fiscal 2008, the last year of the plan: on a consolidated basis, ROE of more than 15%, net income of more than ¥650 billion, and a capital ratio of about 11%, of which Tier I capital will account for about 7%. By achieving these targets, we hope to raise the market's evaluation of our profitability and growth potential and realize a market capitalization worthy of "the top bank" designation—more than ¥10 trillion.

Strengthening Group strategy to create new value

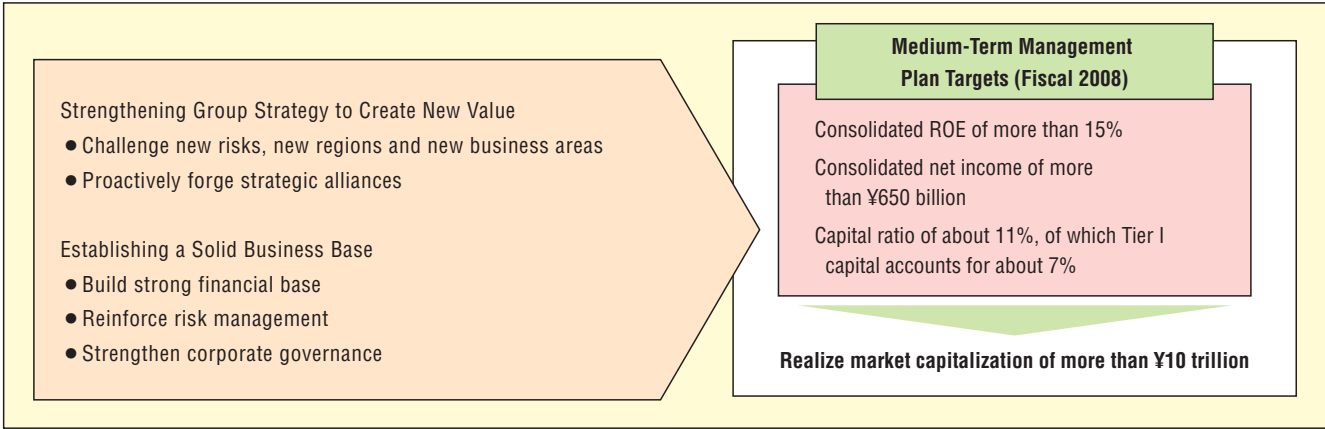
"Strengthening Group strategy in order to create new value" encompasses not just further boosting the profitability of existing businesses, but also establishing new business lines in order to enhance our business portfolio by challenging new risks, new regions, and new business areas and proactively forging strategic alliances.

We will also strengthen strategic businesses in focus areas on a group basis through strategic investment of resources and improvement in capital efficiency, and thereby achieve ¥1.5 trillion in consolidated net business profit in fiscal 2008.

Establishment of solid business base

We will establish a solid business base upon which above business developments will take place. Specifically, based on our Group's high top-line earnings power, we aim to expand our bottom-line profits by normalizing credit cost, and reinforce our financial base by strengthening our capital both qualitatively and quantitatively by building up retained earnings. Regarding the remaining ¥1.1 trillion in public funds, we will complete the foundation for repaying the amount completely in the three years to fiscal 2007.

Of course, hand in hand with developing businesses, we will further develop and evolve more effective compliance and internal audit systems in order to reinforce risk management, a prerequisite for taking new risks, and corporate governance for checking whether expanding businesses are suitable and that businesses are being conducted properly.



Fiscal 2005 Business Policy:

Secure solid profit level in fiscal 2005; establish and strengthen new strategic businesses

During fiscal 2005, the first year of the medium-term management plan, we aim to secure a solid profit level. Specifically, we intend to achieve net income of ¥350 billion on a SMBC non-consolidated basis and ¥460 billion on a SMFG consolidated basis, through revenue growth based on proactive allocation of resources in the focus areas and normalization of credit cost.

Regarding non-performing loans, we are targeting to reduce outstanding balance of problem assets, nonperforming loans as defined under the Financial Reconstruction Law, to the ¥1 trillion level and ratio of problem assets to total assets to the 2% level as our targets.

As for “establishing and strengthening new strategic businesses,” we will further reinforce the investment banking business, further develop the alliances with Promise and NTT DoCoMo, and seek various opportunities to form alliances that increase our corporate value regardless of which industries potential partners operate in.

In Closing

Amid intensifying competition, it is becoming increasingly difficult to maintain a competitive edge. Nevertheless, we intend to realize a sustainable increase in corporate value through speedy business development—a combination of enhancement of existing strategic businesses and establishment of new strategic business—based on our medium-and-long-term perspectives. We aim to meet the expectations of our customers, our shareholders, the market and society by steadily producing results.

Teisuke Kitayama

President

Sumitomo Mitsui Financial Group, Inc.

August 2005

Fiscal 2005 Plan

Secure solid profit level in the first year of the medium-term management plan

- Grow revenues through proactive investment of resources in focus areas

	Fiscal 2004 Results	Fiscal 2005 Plan
SMFG consolidated net income	– ¥234.2 billion	¥460.0 billion
SMBC non-consolidated net income	– ¥136.8 billion	¥350.0 billion

- Normalization of credit cost

	Fiscal 2004 Results	Fiscal 2005 Plan
SMBC non-consolidated credit cost	¥954.8 billion	¥300.0 billion
SMBC non-consolidated problem asset* balance (term end)	¥1.8 trillion	¥1 trillion level
SMBC non-consolidated problem asset ratio (term end)	3.3%	2% level

*Non-performing loans as defined under the Financial Reconstruction Law

Establish and strengthen new strategic businesses

- Further enhance investment banking business: Corporate revitalization, business restructuring, real estate finance
Further collaboration with Daiwa Securities SMBC
- Quickly establish new business lines: Make business with Promise profitable, early launching of business with NTT DoCoMo
- Accelerate alliance strategies