

Message from the Management

We would like to thank you for your continued support and patronage. In this annual report, we review the initiatives implemented in fiscal 2009, ended March 31, 2010, and explain our management policies for fiscal 2010.

Principal Initiatives in Fiscal 2009

Having designated fiscal 2009 as the year for “establishing the next foundation for future growth, while continuing to strengthen business consistent with our philosophy of ‘Follow the Basics,’” we have been implementing initiatives to control expenses, credit costs and risk-adjusted assets in the core operation of our group companies. Additionally, to achieve growth over the medium and long term, we continued to focus on two strategic initiatives: “realizing a solid financial base as a global player” and “strengthening targeted growth business areas.”

Specifically, at SMBC we reinforced our efforts to reduce expenses during fiscal 2009, and kept the overhead ratio to below 50%. We also took measures to reduce credit costs mainly through measures tailored to the business circumstances of our corporate borrowers. SMFG took steps to strengthen its capital base during fiscal 2009, principally through a common equity offering totaling ¥861.0 billion completed in July 2009, followed by another offering totaling ¥973.0 billion completed in February 2010. Consequently, our consolidated Tier I ratio at the end of March 2010 was 11.15%, an increase of 2.93% compared with the end of March 2009. In addition, in October 2009 we laid the foundation for the next stage of strong growth by consolidating Nikko Cordial Securities into the Group as a wholly-owned subsidiary of SMBC.

As a result of these initiatives, consolidated ordinary profit for fiscal 2009 was ¥558.7 billion, a year-on-year increase of ¥513.4 billion, while consolidated net income also increased, by ¥645.0 billion year on year, to ¥271.5 billion. In view of the public nature of our business, while enhancing the Group's capital to maintain a sound financial position, we have set a fundamental

policy of increasing dividends stably and continuously through sustainable growth in enterprise value and achieving a dividend payout ratio of over 20% on a consolidated net income basis. As SMFG recorded consolidated net income in fiscal 2009 versus consolidated net loss of the previous fiscal year and the amount was higher than the forecast announced in November 2009, we have decided to increase the annual dividend for common shares by ¥10 to ¥100 per share.

Regarding our medium-term management plan, or “LEAD THE VALUE” plan that ended in March 2010, the macroeconomic reality has diverged substantially from the plan's original assumptions, particularly since fiscal 2008, amid increasingly uncertain business environment in domestic and overseas markets. Accordingly, we were unable to attain the originally targeted level of earnings for fiscal 2009. We, however, have been making steady progress in realizing the strategic initiatives – strengthening targeted growth business areas, and fortifying platforms to support sustainable growth.

Management Policies in Fiscal 2010

The business environment surrounding financial institutions is changing greatly amid the global discussion about financial regulatory and supervisory reform to prevent another financial crisis. Under these circumstances, we have designated 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, so as to secure a resilient capital base and reinforce our business portfolio to achieve sustainable growth.

(1) Securing a resilient capital base

During fiscal 2009 we took steps to establish a resilient capital base through the issuance of new shares, among other measures. Moving forward, our focus will shift to steps such as reducing stock price fluctuation risks associated with our stockholdings, and building up retained earnings by reinforcing a business portfolio to achieve sustainable growth. Through these measures, we aim to maintain over around 10% of consolidated Tier I ratio.

Meanwhile, as a result of the common equity offerings executed during fiscal 2009, the number of SMFG's ordinary shares issued reached approximately 1.4 billion shares, or more than 90% of the authorized ordinary shares of 1.5 billion stipulated in SMFG's Articles of Incorporation. We believe that securing strategic flexibility, which will enable us to further strengthen our targeted growth business areas, is essential to enhancing SMFG's medium- to long-term enterprise value. For this reason,



Teisuke Kitayama

President

Sumitomo Mitsui
Financial Group, Inc.

at the ordinary general shareholders meeting held in June 2010, we proposed and received approval to increase the number of authorized ordinary shares to 3.0 billion.

(2) Reinforcing our business portfolio to achieve sustainable growth

We will focus on targeted growth business areas to pursue profitability, as well as review current businesses to fortify the bottom-line profit. At the same time, we will further enhance customer responsiveness by leveraging advisory functions and increase productivity by improving business processes.

● Fortify bottom-line profit by reviewing current businesses

Facilitating financing to customers in an appropriate and proactive manner is one of our management priorities.

SMBC has always worked hard on delivering optimal products and services to customers based on a thorough understanding of their needs and issues. Further, pursuant to the "Act concerning Temporary Measures to Facilitate Financing for SMEs, etc.," which took effect in December 2009, we are enhancing our capability to meet their needs, including establishing consulting desks for SMEs and retail customers to address their financing concerns.

In addition to meeting customers' financing needs, we will continue to control and reduce credit costs and expenses and rebalance our asset portfolio for more growth and profitability in order to improve the risk-return profile and fortify bottom-line profit.

The economic situation in Europe remains uncertain, but our credit exposure in Portugal, Italy, Ireland, Greece, and Spain as of March 31, 2010 totaled approximately ¥300 billion and was mainly to large corporations and project-finance related. In the case of Greece, where the economic situation is a particularly serious cause for concern, the amount of exposure is not so large and is mostly secured by collateral. We therefore believe that the associated risks from this source are limited.

● Pursue profitability by focusing on targeted growth business areas

Nikko Cordial Securities

Nikko Cordial Securities in March 2010 drew up a three-year medium-term management plan, up to the end of fiscal 2012, with a prospect of "becoming a No. 1 general securities company in Japan, which is excellent both in quality and in quantity and globally competitive." Maintaining a low-cost operation using IT, Nikko Cordial Securities aims for sustainable expansion of its businesses centered on the retail business, and creation of new businesses centered on the wholesale business. It has also adopted an active stance on employment of personnel and enhancement of personnel development programs, while increasing system investment and improving the organizational structure of the head office in response to the full-line business operation.

Overseas operations, centered on Asia

Regarding SMFG's operations in the Asia-Pacific region, in May 2010 we established the Financial Products Marketing Dept., which has taken charge of certain functions hitherto performed by the representative offices of individual departments of SMBC's Investment Banking Unit. This is part of our efforts to offer fast and appropriate solutions to customers whose financial needs are becoming more diversified and sophisticated. Regarding our operations in China, in April 2009 we established Sumitomo Mitsui Banking Corporation (China) Limited to facilitate even more closely tailored individual solutions for customers who operate globally. With effect from April 2010, the responsibility for planning and management of business with Japanese corporate customers was transferred from the Planning Dept., International Banking Unit, to the Planning Dept., Corporate Banking Unit & Middle Market Banking Unit. This change allows us to offer seamless services both inside and outside Japan. In addition, in June 2010, we received permission to establish a subsidiary in Malaysia, and preparation is currently underway for its establishment in the first half of 2011. As well as expanding our network of business base in this way, we have also formed alliances with leading banks in Asia to enable us to offer even higher value-added services. These banks include Kookmin Bank in Korea, First Commercial Bank in Taiwan, Eximbank in Vietnam, The Bank of East Asia in Hong Kong, Bank Central Asia in Indonesia, and Kotak Mahindra Bank in India.

In European and American markets, we will continue to bolster our competitive-edge products, including project finance. Through a business alliance with a South African subsidiary of the major British financial institution Barclays PLC, we are strengthening our ability to provide services to Japanese companies operating in South Africa.

Masayuki Oku

President

Sumitomo Mitsui
Banking Corporation



We also take into account the discussions being held on the introduction of liquidity standards, and are taking steps to ensure more stable funding and investment in foreign currencies.

Payment & settlement services, and Consumer finance

In the credit card business, we have established a two-company system within the Group, centered on Sumitomo Mitsui Card and Cedyna. Our aim is to become “the number one credit card business entity in Japan,” and we will continue to pursue economies of scale while leveraging the strengths of each company to maximize top-line synergy.

Cedyna is now implementing initiatives for investment in new businesses and system development to increase enterprise value and speed up cost restructuring. To accelerate such initiatives, and to further clarify the positioning of Cedyna as one of the Group’s core business entities in the credit card business and enhance Cedyna’s capital base, the intermediate holding company SMFG Card & Credit acquired new shares issued by Cedyna through a third-party allotment in May 2010.

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 strategic alliances of Group companies to capture market share and thereby become more efficient. As part of this strategy, ORIX Credit Corporation became a consolidated subsidiary of SMBC in July 2009. In March 2010 we reviewed the consumer finance business model, which we call “cascade strategy,” jointly operated by SMBC, Promise and At-Loan, and the three companies reached a basic agreement on the absorption-type merger between Promise and At-Loan with Promise as the surviving company. Through these moves, we aim

to further raise our profile in Japan’s evolving consumer finance market and target an even broader array of customer needs.

● Further enhance customer responsiveness by leveraging advisory functions

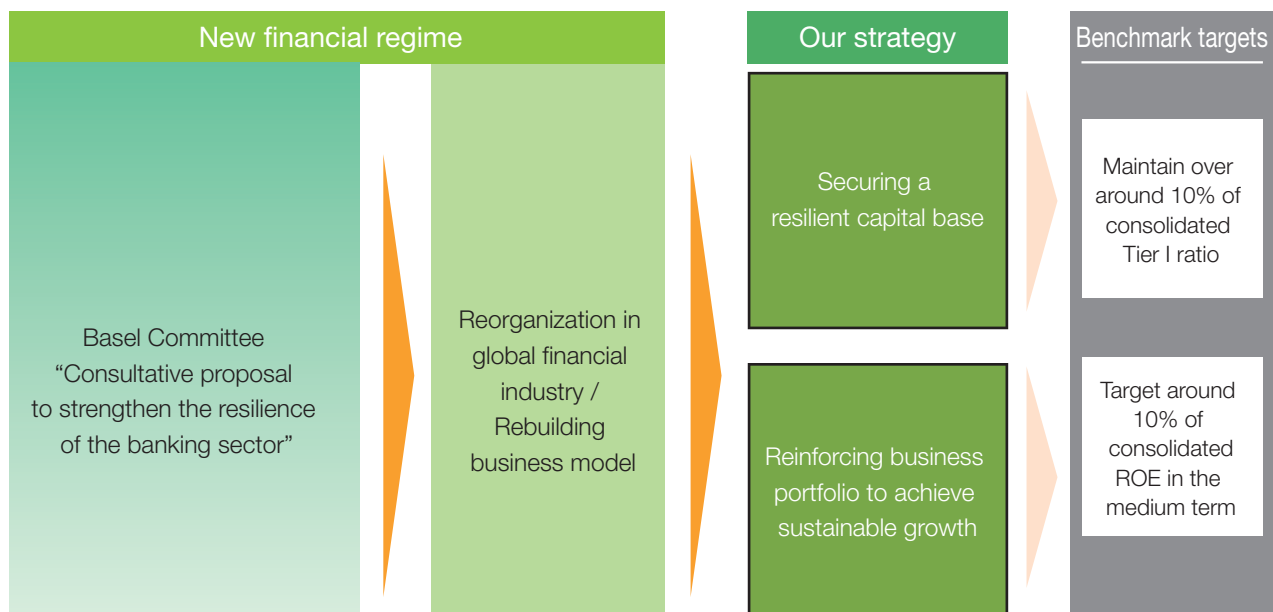
Solution providing for corporations, investment banking and trust businesses

We remain strongly committed to delivering to our corporate clients high-quality solutions that precisely target a broad range of management issues. Specifically, SMBC has three specialized departments, Corporate Advisory Division, Private Advisory Department and Global Advisory Department, that operate cross-sectionally across business segments — consumer, corporate and overseas. This structure facilitates the pooling among these departments of “V-KIP” — value, knowledge, information and profits. As a result, we can deliver more tailored support to corporate clients and upgrade our ability to provide solutions. Sumitomo Mitsui Finance and Leasing is engaged in aircraft operating lease business, 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, Japan Research Institute offers a lineup of high value-added services by continuously strengthening services that range from consulting for managerial innovation and IT utilization to the planning and creation of strategic IT systems.

Financial consulting for individuals

Our aim is to harness the total capabilities of the Group to establish SMBC as the leading bank in the field of full-line personal financial services for individuals. To this end, we are working to realize even higher levels of customer convenience, principally

◎ Management policy under the new financial regime



by reinforcing our online financial services. We also continue to strive to realize "total consulting services" which offers customers a wide range of one-stop financial services to meet diversifying financial needs of individual customers. For example, in August 2009, all branches of SMBC started selling level-premium insurances, and after making Nikko Cordial Securities SMBC's wholly-owned subsidiary in October 2009, through cooperation with Nikko Cordial Securities, we have commenced a range of new services including the sale of jointly developed investment trusts, joint seminars and financial instruments intermediary service for individuals. In May 2010 we also began handling single-premium type variable permanent life insurances jointly developed with Nikko Cordial Securities.

In June 2010 SMBC, Nikko Cordial Securities, and Barclays PLC reached an agreement to commence joint operation in private banking in Japan. Individual customers of SMBC will be introduced to "SMBC Barclays Wealth Division," which has been set up within Nikko Cordial Securities. The Division will offer investment solutions making use of unique strengths and the know-how of Barclays Wealth, which is a leading global wealth manager and a division of Barclays.

We are pursuing still closer collaboration between SMFG's banking and securities businesses in the field of financial services for individuals, in order to offer a wider lineup of products and services. For this purpose, in addition to the start of the financial instruments intermediary service for individuals by SMBC and Nikko Cordial Securities, by the end of January 2011 Nikko Cordial Securities will take over the services for individuals currently being offered by SMBC Friend Securities in collaboration with SMBC. Meanwhile, with the goal of increasing the number of customers using the services of SMBC Friend Securities, we are expanding the company's product lineup and diversifying its information dissemination channels by holding investment seminars, among other measures.

● Further increase productivity by improving business processes

We aim to maintain SMBC's non-consolidated overhead ratio at below 50%. We will do this by prioritizing expenses based on size, timing, and effectiveness and adopt a stronger focus on our targeted growth business areas in the allocation of the expenses budget, while taking measures to raise operational efficiency.

These measures will be implemented in tandem with our constant efforts to thoroughly comply with laws and regulations both within and outside Japan and create a strong compliance system. Specifically, SMBC aims to ensure consumer protection by enhancing its framework for explaining financial products and services to its customers. SMBC is also taking measures to mitigate potential conflicts of interest and avoid all transactions with anti-social forces, and is pressing forward with the reinforcement of its system for the prevention of money laundering.

With regard to customer satisfaction and the enhancement of service quality, we intend to create a stronger system for ensuring that customers' requests are reflected in our management decisions.

Concerning SMFG's listing on the New York Stock Exchange, we aim to build a framework that will greatly accelerate our drive to develop our business as a global player. Expanding and diversifying our investor base by securing access to the world's largest securities market is a key piece of the framework and, to this end, we are pursuing further financial transparency and greater convenience for investors. We are currently making final-stage preparations for listing on the NYSE within fiscal 2010.

Fiscal 2010 Outlook and Policies Going Forward

Outlook for fiscal 2010

We expect consolidated ordinary profit of ¥690 billion, a year-on-year increase of ¥131.3 billion and consolidated net income of ¥340 billion, a ¥68.5 billion increase from the previous fiscal year. This is based mainly on an increase in profit at SMBC and a steady recovery in earnings of certain subsidiaries and affiliates. We are planning an annual dividend of ¥100 per share of common stock, the same level as the previous fiscal year, and half of the amount (¥50 per share) will be paid as an interim dividend.

Dedicated to medium- to long-term growth in enterprise value

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 basic policy 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." While securing a resilient capital base, we look forward, anticipate future changes and steadily transform our business model. Through such means, we aim for sustainable growth in enterprise value in order to meet the expectations of our stakeholders. We ask for your support and understanding as we endeavor to achieve these goals.

September 2010



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