



## Message from the Management

First, we would like to express our sincere gratitude for your support and patronage. In this message, we explain the operating environment and our strategic initiatives during the first half of fiscal 2009, and our management policies for the second half.

### Strategic Initiatives during the First Half

Having designated fiscal 2009 as the year for establishing the next foundation for future growth, while continuing to strengthen businesses consistent with our philosophy of "Follow the Basics," we have been striving to control expenses, credit costs and risk-adjusted assets in the core operations of our group companies. Additionally, to achieve growth over the medium and long term, we have been concentrating on two initiatives: "realizing a solid financial base as a global player" and "fortifying targeted growth business areas."

Consolidated gross profit in the first half of fiscal 2009 was ¥1,066.0 billion, broadly in line with the performance in the first half of fiscal 2008. The result was due in part to gains on bonds at SMBC as the bank responded quickly to fluctuation in market interest rates. General and administrative expenses were down ¥5.9 billion year over year to ¥533.0 billion as we stepped up measures to cut costs. Consolidated total credit costs decreased ¥33.6 billion to ¥268.4 billion mainly because of a ¥67.2 billion decline year over year at SMBC. As a result, consolidated ordinary profit increased ¥31.2 billion to ¥222.2 billion and consolidated net income increased ¥40.2 billion to ¥123.5 billion; we are making steady progress toward achieving sustainable growth.

We also improved the quantity and quality of our capital base through a common equity offering and other measures. In addition, in order to fortify targeted growth business areas, we have been steadily taking various initiatives such as

purchasing and making Nikko Cordial Securities into a wholly-owned subsidiary of SMBC in October, 2009.

### Management Policies for the Second Half

In the second half of fiscal 2009, we will move forward toward the goal of achieving medium- to long-term growth by continuing to place priority on controlling expenses, credit costs and risk-adjusted assets, realizing a solid financial base as a global player and fortifying targeted growth business areas.

#### (1) Controlling expenses, credit costs and risk-adjusted assets

With the outlook for the economy still uncertain, we will continue to work on controlling expenses in order to maintain SMBC's non-consolidated overhead ratio at below 50%. To control credit costs, we will further enhance our ability to identify and quantify risks and rectify potential problems, and conduct business with a thorough focus on the bottom-line profit. In controlling risk-adjusted assets, we are continuing to make efforts to ensure an appropriate risk-return profile. Supplying sufficient funds to customers is the social responsibility of financial institutions, and we are dedicated to fulfilling our role as a financial intermediary in an appropriate and proactive manner.

#### (2) Realizing a solid financial base as a global player

We have been focusing on continuously maintaining a consolidated Tier I ratio of around 8%, which was targeted in our Lead the Value medium-term management plan announced in April 2007. At the same time, enhancement of our capital base, both in terms of quality and quantity, is required to maintain competitiveness and realize sustainable growth in a new global financial order that will emerge in the future. This is why we decided in May 2009 to issue new common shares. By July, we had raised ¥861.0 billion in total through common equity offerings. In addition, we issued preferred securities in Japan through an overseas special-purpose subsidiary of SMFG in September and October. The issuance of these securities completed refinancing of the preferred securities that were issued about ten years ago.

Meanwhile, the recent financial crisis has sparked a global discussion about financial regulatory and supervisory reform to prevent another crisis. In September 2009, a "comprehensive response to the global banking crisis" was announced by the Group of Central Bank Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision. In December, this committee released its paper "Strengthening the resilience of the banking sector — consultative document."



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As these developments shed light on the framework that will be used to impose tighter international capital adequacy requirements, we are determined to remain competitive and achieve sustainable growth under the new regulatory and competitive landscape by quickly establishing a resilient capital base and reinforcing our business portfolio. One of the activities in the roadmap was the January 2010 offering of common shares. We also decided to conduct tender offers in overseas markets to repurchase and retire non-cumulative perpetual preferred securities issued by special-purpose subsidiaries of SMFG, and perpetual subordinated bonds issued by SMBC in order to optimize our capital structure and improve its quality. We will also review the status of our outstanding preferred shares. Furthermore, we are examining measures to make our capital less vulnerable to market risk.

All of these measures are expected to enable SMFG to secure a consolidated Tier I ratio of around 10% by fiscal 2012, the current target year for enforcing the new capital standards. Moreover, we will enhance medium- to long-term shareholder value by further strengthening the targeted growth business areas, the drivers of growth, as well as the capital base, the underpinning of growth.

We will also continue to examine the listing of SMFG stock on the New York Stock Exchange to strengthen our corporate base for globalizing operations and other purposes.

### (3) Fortifying targeted growth business areas

#### ● Solution providing for corporations / Investment banking, trust business

We are dedicated to fulfilling our role as a financial intermediary — supplying sufficient funds to customers — in an appropriate and proactive manner.

SMBC is dedicated to helping small and medium-sized enterprises (SMEs) grow and prosper, and has always worked hard on supplying best-fit products and services to SMEs that reflect a thorough understanding of their needs and issues. Further, pursuant to the law on temporary measures to facilitate the smoothly supply funds to SMEs, which was enacted in November 2009, we are enhancing our capability to meet their needs, including establishing consulting desks for SMEs and individuals to address their funding concerns.

Beyond these initiatives, we remain strongly committed to delivering our corporate clients high-quality solutions that precisely target a broad range of management issues. SMBC's Corporate Advisory Division, Private Advisory Department and Global Advisory Department are three specialized departments that operate across business segments — consumer, corporate and overseas. This structure facilitates the pooling of 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 was added to the strategic joint business in leasing with Sumitomo Corporation in December 2008, 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.

In October 2009, Nikko Cordial Securities became a wholly-owned subsidiary of SMBC. This reflects the enormous changes taking place in the financial services industry. Banks and securities companies worldwide are integrating operations. In Japan, firewall regulations separating banking and securities businesses were relaxed. Collaboration between SMBC and Nikko Cordial Securities will form the basis for establishing an integrated business model for both banking and securities activities. We plan to use this model to supply superior services that draw on banking and securities operations in order to serve customers from global corporations to SMEs. One aspect of this collaboration has already started. In January 2010, SMBC began serving as a financial products intermediary for corporate clients in cooperation with Nikko Cordial Securities. Leveraging the product lineup and strong securities business infrastructure of Nikko Cordial Securities will better enable SMBC to provide products and services that match customers' investment requirements.

#### ● Financial consulting for individuals

SMBC is continually upgrading its financial consulting services for individuals to meet a diverse spectrum of needs. The objective is to realize "total consulting services" which offer customers a wide range of one-stop financial services. Specifically, our aim is to enhance our lineup of products and services such as level-premium insurances that all SMBC branches started selling in August 2009, pension-type

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insurances, the discretionary asset management service of SMBC Friend Securities, and investment trusts, including those jointly developed by SMBC and Nikko Cordial Securities. We are also upgrading employees' consulting skills through training programs and other activities.

Adding Nikko Cordial Securities to our Group has dramatically expanded our retail platform — ¥67 trillion in financial assets under account, and a staff of about 9,800 at approximately 600 offices nationwide. We can further strengthen our retail financial services operations and meet an even wider array of customer needs by combining the proprietary consulting know-how and products and services of SMBC and Nikko Cordial Securities and building on this powerful platform.

#### ● 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 Financial. 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 Financial is now implementing initiatives for investments in new businesses and system development to increase enterprise value and cost restructuring. To accelerate and ensure these initiatives, as well as to further clarify the positioning of Cedyna Financial as one of the Group's core business entities in the credit card business and enhance Cedyna Financial's capital base, the intermediate holding company SMFG Card & Credit will acquire new shares to be issued by Cedyna Financial through a third-party placement in May 2010 (note).

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 shares and thereby become more efficient. ORIX Credit Corporation became a consolidated subsidiary in July 2009, further raising our profile in Japan's evolving consumer finance market. With this company, we can target an even broader array of customer needs.

(Note) Subject to approval at an extraordinary general shareholders' meeting of Cedyna Financial and of regulatory authorities.

#### ● Focused business areas in global markets

In global markets, we will continue to bolster our competitive edge products, including project finance. In addition, we view Asia as one of the regions with excellent prospects for strong economic growth. In China, SMBC established a wholly-owned subsidiary, Sumitomo Mitsui Banking Corporation (China) Limited, in April 2009, in a move to better respond to our

customers' needs in this country. Furthermore, the Asia Pacific Division has enabled us to get closer to our customers in this region and meet their needs more flexibly. Alliances are another means of business expansion in Asia. SMBC has formed alliances with The Bank of East Asia in Hong Kong, Kookmin Bank in Korea, First Commercial Bank in Taiwan, Bank Central Asia in Indonesia, and other Asian banks. With Barclays PLC, a major British financial institution, we are exploring avenues of cooperation in wealth management, operations in South Africa and other business fields.

## Fiscal 2009 outlook and policies going forward

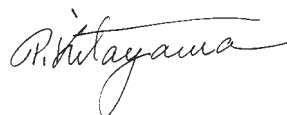
#### ● Outlook for fiscal 2009

We expect consolidated ordinary profit of ¥490 billion, ¥20 billion below the May forecast as shortfalls are anticipated at some Group companies although SMBC is expected to exceed its May non-consolidated net income forecast. On the other hand, we expect consolidated net income to be in line with our May forecast of ¥220 billion. We are planning an annual dividend of ¥90 per share of common stock. Shareholders received an interim dividend of ¥45 per share, which is half of the dividend forecast for the full fiscal year.

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

Although economic conditions remain extremely challenging, our fundamental strategy remains unchanged. We intend to maximize our strength in core commercial banking business to become "a globally competitive financial service group based on the highest level of trust." We will continue to aim for sustainable growth in enterprise value through a well-balanced growth cycle linking profitability, capital base, risk-adjusted assets and investment for growth. Through these initiatives, we are determined to meet the expectations of all stakeholders. We ask for your support and understanding as we continue to take the steps needed to reach our goals.

February 2010



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## Supplementary Information Initiatives for a New Financial Regime

Quickly build the platform which allows us to achieve sustainable growth under the new regulatory and competitive environment as the new capital adequacy framework emerges.

