



Message from Top Management

We extend our deepest sympathies and heartfelt condolences to all those who have suffered and the families and friends of those who tragically lost their lives in the Great East Japan Earthquake which struck Northeastern Japan in March 2011. We pray for the earliest recovery for the affected people and areas.

We would like to thank all of our stakeholders for your continued support and patronage.

We, Koichi Miyata and Takeshi Kunibe, succeeded the management in April 2011, and assumed the positions of President of Sumitomo Mitsui Financial Group and President and CEO of Sumitomo Mitsui Banking Corporation, respectively. In this annual report, we would like to present our initiatives implemented in fiscal 2010 and our management policies going forward.

Principal Initiatives in Fiscal 2010

In fiscal 2010, we implemented our initiatives to secure a resilient capital base and enhance our business portfolio in order to achieve sustainable growth in accordance with the following two management policies: 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 our asset quality and thoroughly control expenses and credit costs.

SMFG's consolidated ordinary profit increased by ¥266.7 billion to ¥825.4 billion and net income increased by ¥204.3 billion to ¥475.9 billion. This significant increase was due mainly to:

- an increase in SMBC's banking profit due to an increase in gains on sale of bonds by successfully managing interest-rate fluctuation,
- a decrease in total credit cost as a result of tailored efforts to assist clients to improve their businesses and financial condition, and,
- an earnings contribution of SMBC Nikko Securities (formerly Nikko Cordial Securities), in addition to the improved

earnings of consolidated subsidiaries such as Kansai Urban Banking Corporation and Cedyne.

Also, in order to achieve medium- to long-term growth, we made steady progress in strengthening our focused business areas by enhancing collaboration between SMBC's domestic and overseas branches, expanding our overseas channel network especially in Asia, strengthening alliances with major local banks, and improving capabilities of SMBC Nikko Securities. To accelerate our business development as a global player, we listed on the New York Stock Exchange in November 2010.

Management Policies Going Forward — Overview of the Medium-term Management Plan —

In May 2011, we launched our medium-term management plan starting from fiscal 2011 and ending in 2013, for the first three years of the second decade of our business operations; our group was originally formed at the establishment of SMBC in 2001.

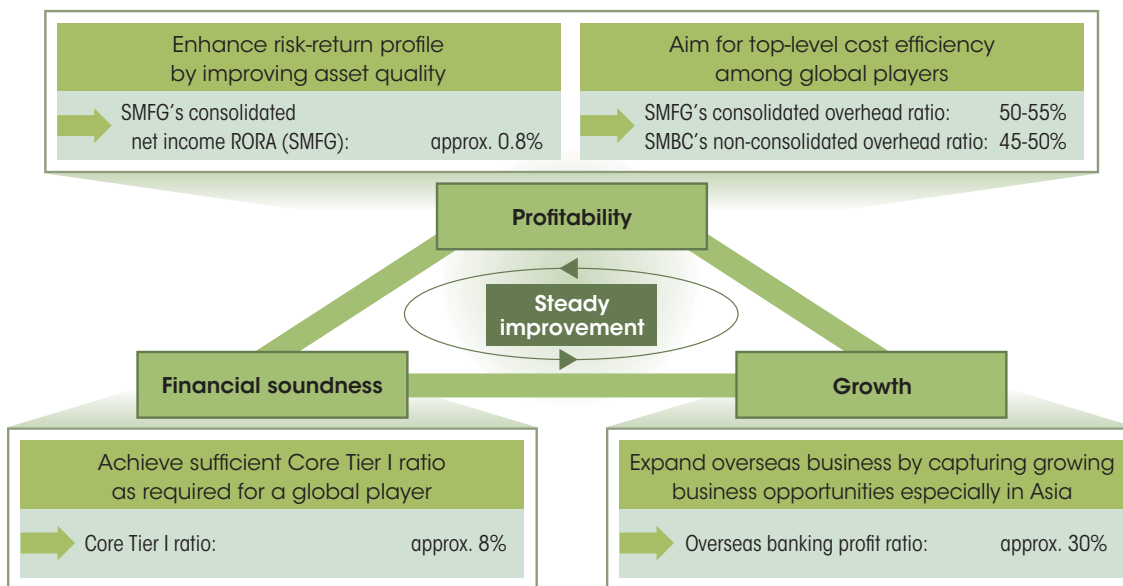


I sincerely believe that my mission as President of SMFG is to orchestrate the group in its next stage of development by further strengthening cooperation among our group companies and improving our ability to act with speed, leveraging our existing business platform and corporate infrastructure we have created as a leading financial services group.

We, the SMFG group, strive to enhance our capabilities to comprehensively provide our clients with diverse and sophisticated financial products and services, including broker/dealer services in addition to our core commercial banking services.

Koichi Miyata

President
Sumitomo Mitsui Financial Group, Inc.



*The figures in the chart are targeted goals for fiscal 2013.
 Core Tier I ratio: Calculated based on the definition under Basel III in 2019; all regulatory adjustments are deducted, excluding net unrealized gains (losses) on other securities (SMFG consolidated).
 Overseas banking profit ratio: Managerial accounting basis.

In order to implement our new medium-term management plan, first of all, we will proactively strive to facilitate our financial intermediary services to fulfill our corporate social responsibility as a leading financial services group in Japan, which is faced with unprecedented difficult challenges resulting from the Great East Japan Earthquake last March. We firmly support Japan's reconstruction financially, and are making every effort as a financial institution to put our economy back on track for sustainable growth of the global economy.

Having that in mind, we will strive to further accommodate our clients' financial needs in a timely and effective manner in Japan, our geographic original domain, and establish a globally competitive business platform, financial base and corporate infrastructure by focusing on our five strategic business areas, while addressing new financial regulations and other issues.

My mission as President and CEO of SMBC is to move the company forward quickly and steadily for the next level of growth, building on our business franchise, capital foundation and sense of unity, which we have created and strengthened in the first decade of our operations.

“Provide the most sophisticated products and services to our clients,” “Act with global perspective” and “Constantly innovate, proactively respond to the changes in business environment and stay ahead of the times” — these are my principles for SMBC.

Takeshi Kunibe
 President and CEO
 Sumitomo Mitsui Banking Corporation



◎ Management Targets

For the first three years of the second decade of the SMBC and SMFG group, we set two management targets in order to accomplish our basic policy of becoming a globally competitive financial services group with the highest trust of our clients and stakeholders by maximizing our strengths of “Spirit of Innovation,” “Speed” and “Solution & Execution.” The first target is to achieve top quality in strategic business areas, and the second target is to establish a solid financial base and corporate infrastructure to be able to address the new financial regulations and competitive business environment.

◎ Financial Targets

In order to appropriately address the strengthening of financial regulations globally, we are required to focus further on enhancement of risk-return and cost-return profiles and steadily expand bottom-line profit. Therefore, we need to capture overseas business opportunities especially in rapidly growing Asian markets in addition to sustaining and further strengthening our solid business operations in Japan.

Having this in mind, we strive to achieve well-balanced and steady improvement of “financial soundness,” “profitability” and “growth,” and we have set the following four objectives for the next three fiscal years:

- Achieve sufficient Core Tier I ratio as required for a global player
- Enhance risk-return profile by improving asset quality
- Aim for top-level cost efficiency among global players
- Expand overseas business by capturing growing business opportunities especially in Asia

◎ Strategic Initiatives

In order to achieve the aforementioned management and financial targets, we have designated the following five business areas as critical strategic businesses for management:

- Financial consulting for individuals
- Solution providing for corporations
- Commercial banking in emerging markets, especially in Asia
- Broker-dealer/Investment banking
- Non-asset business such as payment & settlement services and asset management

The growth of these business areas will be driven under two main initiatives of pursuing “synergies between SMBC and SMBC Nikko Securities” and “global expansion.” We will execute these initiatives on a group-wide basis, and also establish a solid financial base and corporate infrastructure that support these initiatives.

An “unpredictable,” “uncertain,” and “unstable” business environment still remains, due mainly to the diverse implications of the Great East Japan Earthquake to the Japanese economy, as well as fiscal deficits in the developed countries and soaring commodity prices. Furthermore, the global strengthening of financial regulations requires banks, in the private sector, to achieve more efficient asset allocation, higher capital efficiency and more stringent liquidity management.

On the other hand, business opportunities are expanding rapidly in emerging countries especially in Asia, where financial needs are increasing as their economies substantially grow and Japanese companies are developing their businesses.

Against this backdrop, we will move forward responding proactively and flexibly to the continuously evolving environment, making every effort to increase our shareholders’ value and striving to become a top-tier global financial services group.

Basic policies
 Become a globally competitive financial services group with the highest trust of our stakeholders by maximizing our strengths of "Spirit of Innovation," "Speed" and "Solution & Execution."

Corporate slogan:
LEAD THE VALUE

Management plan for coming three years

Strongly support Japan's reconstruction on the financial front

Medium-term management plan (fiscal 2011 - 2013)

<p>Management targets</p> <ul style="list-style-type: none"> ● Aim for top quality in strategic business areas ● Establish a financial base and corporate infrastructure strong enough to address the new financial regulations and competitive environment 	<p>Fiscal 2013 targets</p> <table border="1"> <tr> <td>Core Tier I ratio:</td> <td>approx. 8%</td> </tr> <tr> <td>Consolidated net income RORA</td> <td>approx. 0.8%</td> </tr> <tr> <td>Consolidated overhead ratio</td> <td>50-55%</td> </tr> <tr> <td>Overhead ratio</td> <td>45-50%</td> </tr> <tr> <td>Overseas banking profit ratio</td> <td>approx. 30%</td> </tr> </table>	Core Tier I ratio:	approx. 8%	Consolidated net income RORA	approx. 0.8%	Consolidated overhead ratio	50-55%	Overhead ratio	45-50%	Overseas banking profit ratio	approx. 30%
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<p>Financial objectives</p> <p>Well-balanced and steady improvement of "financial soundness," "profitability" and "growth"</p> <ul style="list-style-type: none"> ● Achieve sufficient Core Tier I ratio as required for a global player ● Enhance risk-return profile by improving asset quality ● Aim for top-level cost efficiency among global players ● Expand overseas business by capturing growing business opportunities especially in Asia 											
<p>Key initiatives to achieve management and financial targets</p>											
<p>Strategic initiatives</p> <p>Strategic business areas</p> <ul style="list-style-type: none"> ● Financial consulting for individuals ● Solution providing for corporations ● Commercial banking in emerging markets, especially in Asia ● Broker-dealer/Investment banking ● Non-asset business such as payment & settlement services and asset management 	<p>Corporate base</p> <ul style="list-style-type: none"> ● Strengthen group-wide management capabilities ● Strengthen corporate infrastructure to support our global expansion ● Pursue efficient operation 										

Business environment

Macroeconomic trends	Market trends	Global regulatory trends
<ul style="list-style-type: none"> ● Continuing low growth rate in domestic market and yen appreciation ● Continuing high growth rates in emerging markets including Asia ● Risks associated with fiscal deficits in developed countries and inflation in emerging countries 	<ul style="list-style-type: none"> ● Decreasing financing needs in domestic market and accelerating global expansion by Japanese corporations ● Increasing financial needs in overseas markets, especially in emerging countries ● Changing investment and borrowing practices of individuals as a result of an aging population in domestic market 	<ul style="list-style-type: none"> ● Implementation of new capital regulations (Basel III) ● Proposals for additional capital requirements for "Systematically Important Financial Institutions"

◎ Two main initiatives for strategic business areas

• Initiatives to pursue synergies between SMBC and SMBC Nikko Securities

SMBC Nikko Securities, which is the principal business operation of our securities business, has been consistently earning profits from its established retail business and increasing its market share in the wholesale business. While strengthening its cross-sell with SMBC, SMBC Nikko Securities has fortified its wholesale business by installing a market transaction system, enhancing its equity sales capabilities targeting institutional investors by establishing the Equity Research Division and developing its overseas operations by commencing business operations in London, New York, Hong Kong and Shanghai.

We will continue to strengthen the wholesale capabilities of SMBC Nikko Securities and promote its cooperation with other group companies including SMBC.

Specifically in the wholesale business, we are enhancing the capabilities of SMBC Nikko Securities to accommodate the needs of Japanese corporate clients for tapping into global capital markets and cross-boarder M&As by increasing its overseas staff, while improving its sales and trading capabilities for institutional investors in Japan, other Asian countries, the U.S. and Europe.

Concurrently, we are accelerating the alignment of SMBC and SMBC Nikko Securities through the redeployment of human resources and greater collaboration, in order to respond to the growing and diversifying need for wealth management of Japanese individual clients and provide advanced financial solutions for Japanese corporate clients. We strive to further strengthen our solid business operations in Japan by implementing these initiatives.

Strengthen wholesale securities business of SMBC Nikko Securities

- Increase overseas personnel and business operations
 - ✓ Global offerings
 - ✓ Cross-border M&As, etc.
- Strengthen sales and trading capabilities for institutional investors in Japan, other Asia countries, the U.S. and Europe

Strengthen cross-sell among SMBC Nikko Securities, SMBC and other group companies

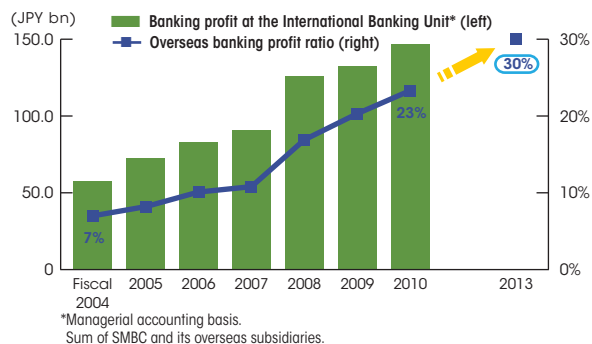
Meeting clients' diversifying needs

• Initiatives for global expansion

Our competitors of top-tier financial institutions develop their business operations globally, while sustaining their solid business operations in their home countries. We similarly strive to develop a platform for achieving top quality in commercial banking operations in emerging markets mainly in Asia where higher growth is expected to capture expanding business opportunities, while sustaining and further strengthening our solid business operations in Japan.

Specifically, we are strengthening our business operations by enhancing our channel network and allocating human resources focusing on Asia. We will also proactively respond to the needs for deposits, foreign exchange and other services related to payment and settlement which are expected to grow in emerging countries experiencing high economic growth and to the increasing demand for infrastructure financing in emerging countries. We are also expanding the collaboration of business operations and redeployment of human resources between SMBC's domestic and overseas offices in order to effectively and quickly accommodate the needs of our corporate clients in Japan for their global business expansion.

Through such initiatives, we strive to increase our overseas banking profit ratio to 30% in fiscal 2013 from 23% in fiscal 2010 and grow our banking profits in Asia by 50% in fiscal 2013 compared with fiscal 2010.



◎ Establish a solid financial base and corporate infrastructure

Our group has been rapidly expanding our business operations as each group company has been growing to become a major player in its business area and we have increased the number of group companies through acquisitions, including SMBC Nikko Securities. Also, in order to meet the global strengthening of financial regulations, we are required to focus further on the enhancement of our risk-return and cost-return profiles and steadily expand our bottom-line profit. Therefore, we will strengthen our group management capabilities including risk management, control consolidated overhead ratio at 50-55% and develop human resources required for global business expansions.

◎ Capital Policy and Returns for Shareholders

In the medium-term management plan, we have set a management goal to achieve Core Tier I ratio* of approximately 8% on March 31, 2014. This means that we will strive to achieve a capital ratio of approximately 1% higher than the Basel III required level of 7% by five years earlier than the Basel III full implementation deadline of March 2019.

* Calculated based on the definition under Basel III in 2019; all regulatory adjustments are deducted from Common Equity Tier I, excluding net unrealized gains (losses) on other securities (SMFG consolidated).

Meanwhile, our basic policy on returns to shareholders is to increase returns consistently and continuously through the sustainable growth of enterprise value, by sustaining a consolidated payout ratio of over 20%, while prudently managing the level of retained earnings to maintain our financial soundness in view of the public nature of banking business operations.

In order to achieve these two goals, we will proactively allocate risk-adjusted assets into strategic business areas while controlling aggregate volume of risk-adjusted assets by reducing low-yielding assets, and strengthen our capital base by consistently accumulating retained earnings. We will consider any increases of shareholders returns, by taking into account the level of our regulatory capital, payout ratio and dividends.

We shall sincerely and faithfully pursue these initiatives to meet the expectations of our stakeholders.

September 2011

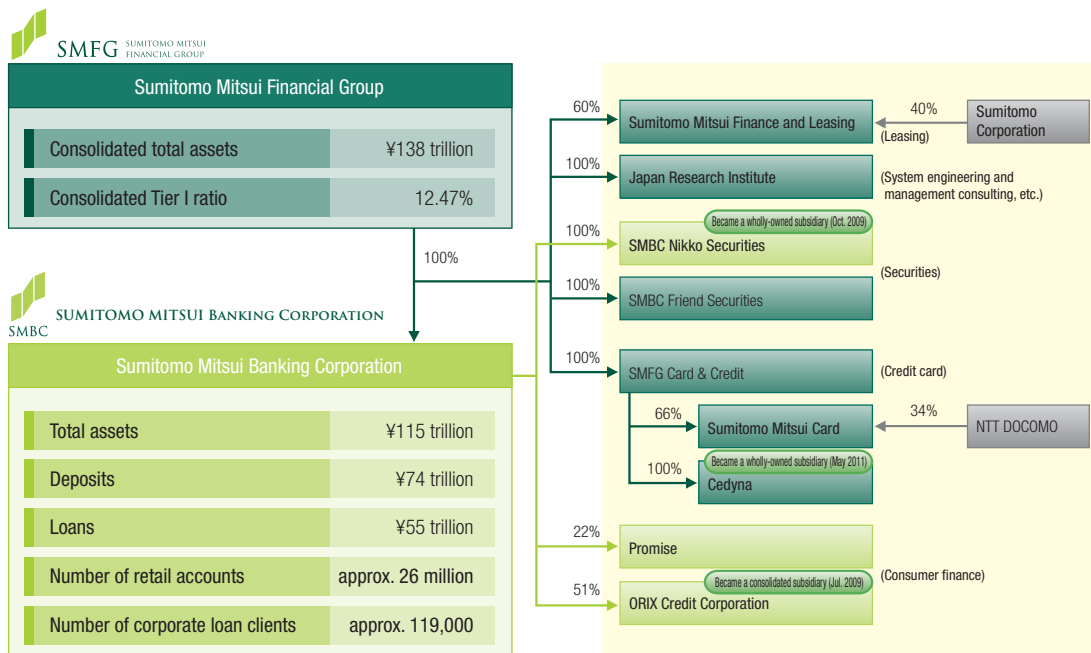


Koichi Miyata
President
Sumitomo Mitsui
Financial Group, Inc.



Takeshi Kunibe
President and CEO
Sumitomo Mitsui
Banking Corporation

◎ Group Structure*



* As of Jun. 30, 2011 for shareholding ratio and as of Mar. 31, 2011 for other figures.