

Message from Management

We would like to thank you for your continued support and patronage. In the beginning of this interim financial report, we briefly explain the initiatives implemented in the first six months ended September 30 of the fiscal 2010, and our management policies for the remaining six months of the fiscal 2010.

Principal Initiatives in the First Six Months

We have 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 we have taken various initiatives to secure a resilient capital base and reinforce our business portfolio to achieve sustainable growth.

In the first six months of fiscal 2010, SMFG, as well as SMBC, achieved its record-high half-year net income since the formation of SMBC as a result of the merger of Sakura Bank and Sumitomo Bank in April 2001. SMFG's consolidated ordinary profit of ¥540.6 billion and net income of ¥417.4 billion were due mainly to an increase in SMBC's banking profit attributable to gains on bonds by quickly responding to declines in interest rates; a decrease in SMBC's total credit costs as a result of personalized responses given to each of our borrowers to improve their business performance, and the earnings contributed by Nikko Cordial Securities. This performance represented an increase of ¥318.3 billion in ordinary profit and an increase of ¥293.9 billion in net income, compared to the corresponding period of the previous fiscal year.

We also consistently made progress to achieve mid- to long-term growth, by upgrading our organizational structure to facilitate providing continuous support and services to our clients, while integrating our operations in Japan and overseas; expanding our

business networks in Asia and other regions; strengthening our alliances with major overseas banks; enhancing the operations of Nikko Cordial Securities; and making Cedyna a wholly-owned subsidiary.

Management Policies in the Second Six Months

The business environment surrounding financial institutions continues to be uncertain, unclear and unstable. Even under these circumstances, we will continue to focus on securing a resilient capital base and reinforcing our business portfolio to achieve sustainable growth.

(1) Securing a resilient capital base

We strengthened our capital base in quality and quantity, mainly through the new issues of common stock in the last fiscal year. We will focus on accumulating retained earnings and reducing stock price fluctuation risks associated with our equity holdings, to maintain our consolidated Tier I ratio over around 10%.

(2) Reinforcing our business portfolio to achieve sustainable growth

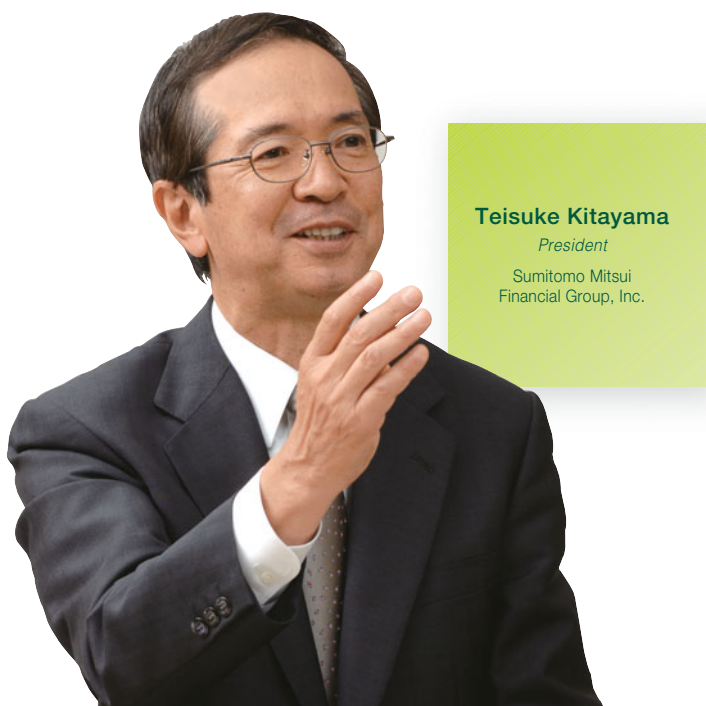
1. Fortify bottom-line profit through reexamining profitability of existing business lines

Positioning facilitating loans as one of our priorities, we have taken various measures for our financial operations including establishing consulting desks for SMEs and retail clients to address their financing needs and concerns. Meanwhile, we remain committed to controlling and reducing credit costs and expenses, and rebalancing our asset portfolio to improve our risk-return profile, in order to fortify our bottom-line profit.

2. Pursue profitability by focusing on targeted growth business areas

● Overseas business especially in Asia

In May 2010, we set up the Financial Products Marketing Department for the Asia-Pacific region, consolidating certain functions previously managed by the representative unit of several departments under the Investment Banking Unit. This is part of our efforts to provide prompt and optimized solutions to clients whose financial needs are becoming more diversified and sophisticated. As for the operations in China, effective April 2010, the responsibilities to plan and manage business development with Japanese corporate clients were transferred from the Planning Department, International Banking Unit, to the Planning Department, Corporate Banking Unit & Middle Market Banking Unit. This structural change will enable us to provide even better and personal financial solutions and services to clients with global business operations. Having opened two new offices in China during the first six months of fiscal 2010, we have gained approval



Teisuke Kitayama
President
Sumitomo Mitsui
Financial Group, Inc.

to open two additional offices. Furthermore, in June 2010, we gained approval to incorporate in Malaysia, and we are currently in the process of opening a subsidiary in the first six months of fiscal 2011. In addition to the expansion of our business networks, we are further strengthening our alliances with some of the leading banks in Asia, such as Kookmin Bank of Korea, Eximbank of Vietnam, the Bank of East Asia of Hong Kong and Kotak Mahindra Bank of India, to enable us to offer exceptional services to our clients.

In the European and American markets, we will continue to enhance our competitive products and services including project financing. In order to gain business opportunities such as project financing in Latin America, we have established a representative office in Bogota in Colombia and formed a business alliance with Banco de Bogota. In addition, in South Africa, we provide enhanced services to Japanese corporations and other clients doing business locally, through a business alliance with a subsidiary of Barclays PLC, the major British financial services provider.

Furthermore, we are currently taking steps to ensure more stable funding and investment in foreign currencies while observing the discussions on the implementation of liquidity regulations.

● Nikko Cordial Securities

Nikko Cordial Securities has strengthened its wholesale business framework, including overseas operations. Since October 2010, Nikko Cordial Securities has steadily increased its business operations in the security markets in London, New York and Hong Kong. In addition, in January 2011, it began to offer advisory services to Japanese and Chinese companies in Shanghai for exploring cross-border M&A transactions. It continues to make consistent progress toward becoming a full-service securities company, while strengthening cross-selling businesses with SMBC. In April 2011, Nikko Cordial Securities will change its name to "SMBC Nikko Securities Inc.," to further emphasize its position as a member of the SMFG group while maintaining synergies with Group companies to provide exceptional financial services to our clients.

● Payment & settlement services, Consumer finance

In the credit card business, we have established a "two-company" system of Cedyna and Sumitomo Mitsui Card within the Group. Cedyna became a consolidated subsidiary in May 2010 and it will become a wholly-owned subsidiary in May 2011 subject to the resolution at Cedyna's extraordinary general shareholders meeting. Our goal is to become "the number one credit card business entity in Japan," and we will strive to maximize the synergy generated by the combined strength of both companies.

As for the consumer finance business, we strive to provide our individual clients with improved services to better accommodate their financial needs while strategically working with group companies to increase efficiency. As part of this strategic plan, we re-evaluated our "cascaded" business structure of three companies of SMBC, Promise and At-Loan in March 2010. Having

re-evaluated such business structure, At-Loan is scheduled to be merged into Promise in this coming April 2011.

3. 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 precisely targeted for the diversified management issues. SMBC provides support and solutions to better accommodate the sensitive needs of the corporate clients. Specifically, SMBC has a group of departments, Corporate Advisory Division, Private Advisory Department and Global Advisory Department, that operate across the consumer, corporate and overseas business segments and share the concept of "V-KIP" which stands for "Value, Knowledge, Information and Profit." Sumitomo Mitsui Finance and Leasing further develops its aircraft leasing business, the strategical business operations jointly operated and managed with the Sumitomo Corporation, and it also provides financial/sales solutions to both users and suppliers while enhancing the leasing/rental businesses jointly operated and managed with Sony Corporation under the agreement in August 2010. Furthermore, Japan Research Institute will strengthen its existing businesses of providing consultations for management reforms and IT related operations; planning and building of strategic information systems; providing comprehensive economic research and analysis; and proposing of business policies and solutions, operated by the JRI Institute for International Strategy established in October 2010.

Masayuki Oku

President

Sumitomo Mitsui
Banking Corporation



● Financial consulting for individuals

Our goal is to establish the position as one of the leading banks in providing comprehensive financial services to individual clients. To achieve this goal, we are improving user-friendliness for our clients through the enhancement of Internet related services, striving to realize the "total consulting services" to be the one and only place for the individual clients to come for diversified financial consultations and services, leveraging capabilities of the Group. In April 2010, SMBC expanded its securities intermediary business for individual clients by making Nikko Cordial Securities our securities agent in April 2010 to provide retail securities businesses to our individual clients. In June 2010, SMBC also began marketing single-premium permanent life insurance policies developed jointly with Nikko Cordial Securities.

In June 2010, SMBC, Nikko Cordial Securities, and Barclays PLC reached an agreement to begin joint operations in private banking in Japan. The individual clients of SMBC are referred to "SMBC Barclays Wealth Division," set up within Nikko Cordial Securities to provide investment solutions taking advantage of the knowledge and information accumulated by Barclays Wealth of Barclays Group.

Furthermore, in October 2010, Nikko Cordial Securities became a bank agent of SMBC in the six prefectures located in the northeastern Honshu (Honshu is the largest island of Japan) and all of the four prefectures in Shikoku (Shikoku is the island of Japan located south of Honshu). Having the banking services and products of SMBC will enable Nikko Cordial Securities to meet a wider range of clients' diversified financial needs on a one-stop basis.

In January 2011, the securities related business for individual clients jointly managed by SMBC and SMBC Friend Securities was integrated into the services provided by Nikko Cordial Securities. Meanwhile, SMBC Friend Securities will focus on diversifying its services by expanding its product portfolio and conducting investment seminars and other events to assist and support more clients.

4. Further increase productivity by improving business processes

We strive to maintain SMBC's non-consolidated ratio of expenses to gross banking profit below 50% by prioritizing expenses based on their size, timing, and effectiveness with emphasis on growth businesses, and the consolidation of head-office operations through the recent headquarters relocation.

These prioritization measures will be implemented in accordance with the laws and regulations to ensure full compliance in our business structure. We will also take measures to mitigate potential conflicts of interest, completely avoid any transactions involving anti-social organizations, and avoid being involved in any money-laundering transactions.

As for client satisfaction and the improvement of client services, we intend to enhance our services so that clients' requests are properly reflected.

In November 2010, SMFG was listed on the New York Stock Exchange. We aim to accelerate our business development as one of the global players by further pursuing financial

transparency and improving convenience for investors, expanding and diversifying our investor foundation through participation and involvement in the world's largest securities market. SMFG has submitted its consolidated financial statements based on International Financial Reporting Standards (IFRS) to the U.S. Securities and Exchange Commission.

Outlook for Fiscal 2010 and Policies Going Forward

● Outlook for Fiscal 2010

In November 2010, we upwardly revised our full-term forecasts released in May 2010. We now expect consolidated ordinary profit of ¥870 billion and consolidated net income of ¥540 billion. We also forecast an annual dividend per share of ¥100, the same as the previous fiscal year and unchanged from the forecasts published in May 2010. The interim dividend of ¥50 per share, half of the forecasted annual dividend, was distributed to our shareholders. In midst of current uncertain financial market trends and economic conditions in Japan and overseas, making no change to the dividend reflects our policy of considering the necessity to build up retained earnings to comply with stricter global capital regulations and securing sufficient level of return to shareholders from the perspective of payout ratio.

● Improving enterprise value for mid- to long-term

Despite the continuing uncertainty, unclarity and unstableness in our business environment, we strive to continuously increase enterprise value and meet intentions of our stakeholders by securing a resilient capital base, anticipating future changes and consistently transforming our business model. We look forward to your continued understanding and support in our endeavor.

February 2011



Teisuke Kitayama
President

Sumitomo Mitsui
Financial Group, Inc.



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President

Sumitomo Mitsui
Banking Corporation