

Message from Top Management

Dear Fellow Stakeholders,

We sincerely thank you for your continued support and patronage. In this annual report, we would like to present our initiatives implemented in fiscal 2011 (fiscal year ended March 2012) and our management policies going forward.

In fiscal 2011, SMFG's consolidated net income increased by ¥42.6 billion to ¥518.5 billion with a ROE of 10.4%. Fiscal 2011 was the first year of our medium-term management plan, and we made a good start toward achieving its targets, including better-than-expected results on financial targets (Table 1). Going forward, we will continue to focus on international business and synergies between SMBC and SMBC Nikko as our growth drivers and on the 3C – cross-selling, credit control, and cost control.

Principal Initiatives in Fiscal 2011

In fiscal 2011, the U.S. and European economies started to decelerate in the summer of 2011, primarily due to the European debt crisis triggered by the financial problems in Greece and tight monetary policies adopted in emerging countries, but there were signs of recovery in the U.S. economy towards the fiscal year-end. Meanwhile, despite setbacks in the aftermath of the March 2011 earthquake and tsunami, the Japanese economy showed some signs of recovery last summer as manufacturing activities recovered nearly to their pre-disaster levels. However, the pace of recovery slowed down thereafter due to factors such as the stagnant global economy, consistent strong yen and damages caused by floods in Thailand.

Against this backdrop, we dedicated ourselves to facilitating financing to our clients and ensuring the smooth operation of our payment and settlement platform to help spur the post-disaster recovery. In addition, we launched our medium-term management plan for the three-year period from fiscal 2011 to fiscal 2013, with the twin management targets of achieving top quality in strategic business areas, and a solid financial base and corporate infrastructure to meet the challenges of financial regulations and highly competitive environment (Table 2). We have been proactively strengthening initiatives in order to achieve these targets.

As a result, SMFG's consolidated ordinary profit increased by ¥110.1 billion to ¥935.6 billion, net income increased by ¥42.6 billion to ¥518.5 billion with a ROE of 10.4%, due mainly to the following achievements:

- an increase in gross banking profit of SMBC's Marketing Units led by International Banking Unit
- a high level of profit generated by SMBC's Treasury Unit as in the previous fiscal year
- a decrease in total credit cost from an improvement in asset quality by SMBC and group companies

At the same time, we made steady progress towards achieving the financial targets of the medium-term management plan.



Koichi Miyata

President
Sumitomo Mitsui Financial Group, Inc.

**Table 1: Progress of financial targets
in the medium-term management plan**

Core Tier I ratio* ¹ (pro-forma)	FY3/2011	FY3/2012	FY3/2014 Target
Based on the definition as at the full implementation of Basel III* ²	above 6%	nearly 7.5%	8%
Based on the definition as at the initial implementation of Basel III	above 8%	above 9%	

	FY3/2011	FY3/2012	FY3/2014 Target
Consolidated net income RORA	0.8%	0.9%	0.8%
Consolidated overhead ratio	52.5%	53.5%	50%-55%
SMBC non-consolidated overhead ratio	45.6%	46.9%	45%-50%
Overseas banking profit ratio* ³	23.3%	26.0%	30%

*¹ Common Equity Tier 1 ratio under Basel III. SMFG consolidated

*² Regulatory adjustments are fully deducted

*³ Based on the medium-term management plan – exchange rate assumption
of 1USD=JPY85 for FY3/2012 to FY3/2014

On strategic initiatives, we have implemented the following measures. In the international business, we expanded our network and headcount in emerging markets, mainly in Asia, to support the development of SMBC's business. We also enhanced our group's overseas business portfolio. SMBC and Sumitomo Mitsui Finance and Leasing, in a joint effort with Sumitomo Corporation, executed an agreement to acquire the aircraft leasing business of The Royal Bank of Scotland Group in the U.K. In synergies between SMBC and SMBC Nikko, we enhanced Nikko's wholesale securities business capabilities for handling Japanese corporations' requirements for cross-border M&A, through a business and capital alliance with Moelis & Company, and global equity offerings. In addition, we further strengthened the cooperation between SMBC and SMBC Nikko in securities intermediary business. In the consumer finance/credit card business, we implemented full measures to deal with refund claims and increased SMFG's stakes in SMBC Consumer Finance (formerly Promise) and Cedyne to 100% to increase the flexibility of business management.

Takeshi Kunibe

President and CEO
Sumitomo Mitsui Banking Corporation

Management Policies in Fiscal 2012

Fiscal 2012, the second year of the medium-term management plan, is the year for us to move forward steadily toward the achievement of the plan by fully capturing opportunities with proactive ideas and actions. While maintaining our focus on the development of international business and synergies between SMBC and SMBC Nikko as our growth drivers and on the 3C, we will continue to strengthen initiatives in strategic business areas and to establish a solid financial base and corporate infrastructure.

◎ Strengthening initiatives in strategic business areas

We will further strengthen initiatives in the five strategic business areas: financial consulting for retail customers; tailor-made solutions for corporate clients; commercial banking in emerging markets, especially Asia; broker-dealer/investment banking; and non-asset businesses including payment & settlement services and asset management.

● Financial consulting for retail customers

We will fully identify the needs and desire of each customer segment and offer the optimal set of products and services. Specifically, we will continue to make every effort to improve our financial consulting capabilities for retail customers, whose needs are diversifying, through initiatives including expanding the product line-up of securities intermediary



business and reinforcing the insurance business of SMBC. At the same time, we will strengthen our client base by promoting collaboration between Middle Market Banking Unit and Consumer Banking Unit of SMBC; and cross-selling on a group-wide basis. In addition, we will offer products and services addressing customers' important life events. We will also enhance transaction services and consumer finance business for retail customers on a group-wide basis by consolidating the management function of group companies engaged in these businesses into the newly established Consumer Finance & Transaction Business Department.

● Tailor-made solutions for corporate clients

In our business for domestic corporate clients, against a backdrop of changing external business climate, we are seeing a rise in the number of corporations seriously considering business restructuring including M&As and MBOs. In order to fully address our corporate clients' needs and management challenges, we will reinforce our solution providing capabilities and lending business by evolving organizational framework for marketing and optimizing staff allocation.

● Commercial banking in emerging markets, especially Asia

In the emerging markets, we will capture business opportunities by accommodating Japanese clients' needs, including supporting their international business development, more effectively and in a more integrated manner; and reinforcing growth businesses including infrastructure finance and trade finance. We will do so by expanding our global network, promoting collaboration between domestic and overseas offices and between business units, and strengthening marketing functions for investment banking business in Asia. In addition, we will secure stable foreign-currency funding sources to accommodate increases in overseas assets.

● Broker-dealer/Investment banking

In order to more effectively address the diversified needs of clients, we will reinforce SMBC Nikko Securities, the principal driver of our securities business. We will continue to expand its established retail business by offering products accommodating the changing market conditions and investor sentiment. We will also strengthen its wholesale business to enhance its ability to address the requirements of our corporate clients for cross-border M&As, by leveraging the alliance with Moelis & Company, global equity offerings and

issuing of Euro/Yen convertible bonds. In addition, we will further promote SMBC Nikko Securities' collaboration with SMBC.

● Non-asset businesses including payment & settlement services and asset management

Transaction services is a profitable business that does not require the use of assets and is effective in improving our risk return profile. In April of this year, we established Transaction Business Planning Department that devises long-term, integrated transaction services business strategies for our group and manages settlement risk, and Transaction Business Division that promotes transaction services businesses for corporate clients. Moving forward, we will enhance the transaction services business by accommodating the transaction services needs and accompanying financing needs of corporate clients the world over in a more integrated and flexible manner. Regarding our asset management business, we will reinforce the collaboration within our group and with overseas asset management companies.

◎ Establish a solid financial base and corporate infrastructure

In order to strengthen our corporate infrastructure to support the sustainable development of our international business, we will upgrade our risk management system, develop human resources with international business capabilities and promote national staff. We will also upgrade our group-wide management capabilities by diversifying and enhancing business portfolio while reinforcing strategic business areas; and pursuing operational efficiency through business process re-engineering. Regarding compliance, we will address the changing regulatory environment and further strengthen our group-wide compliance and control system.

Capital and Shareholder Return Policies

In the medium-term management plan, we have set a Core Tier I ratio (Common Equity Tier I ratio under Basel III)* target of 8% as of March 31, 2014. This means that we will aim to achieve a Core Tier I ratio of approximately 1 percentage point higher than the Basel III required level of 7% five years earlier than the Basel III full implementation deadline of March 2019. The Core Tier I ratio as of March 31, 2012 was nearly 7.5%.

Looking ahead, Global Systemically Important Financial Institutions (G-SIFIs) may be required to have additional loss absorption capacity in the form of a capital surcharge. We believe we will be able to secure a sufficient level of capital for the possible G-SIFI capital surcharge by implementing the initiatives in our medium-term management plan and maintaining our globally top-level operational efficiency, thereby steadily building up retained earnings.

* SMFG consolidated; pro forma; all regulatory adjustments are deducted.

Meanwhile, SMFG's basic shareholder return policy is to secure a consolidated payout ratio of over 20% through the stable and consistent distribution of profit, while enhancing retained earnings to maintain financial soundness in light of the public nature of our business as a bank holding company; and to achieve sustainable growth of enterprise value.

For fiscal 2012, we forecast consolidated ordinary profit of ¥910 billion and net income of ¥480 billion. Meanwhile, the annual cash dividend per share forecast for fiscal 2012 is ¥100, unchanged from the previous fiscal year, and the half of which, ¥50, will be paid as an interim dividend. We have not changed our cash dividend forecast because we continue to focus on building up retained earnings to meet new global capital regulations and are confident of securing an appropriate consolidated dividend payout ratio.

The outlook for the Japanese and overseas economies remains unclear, uncertain, and unstable. However, we believe that we can meet your expectations through the initiatives we have described. We hope that we can continue to count on your understanding and support in the years ahead.

September 2012



Koichi Miyata
President
Sumitomo Mitsui
Financial Group, Inc.



Takeshi Kunibe
President and CEO
Sumitomo Mitsui
Banking Corporation

Table 2: Overview of the medium-term management plan (Announced May 2011)

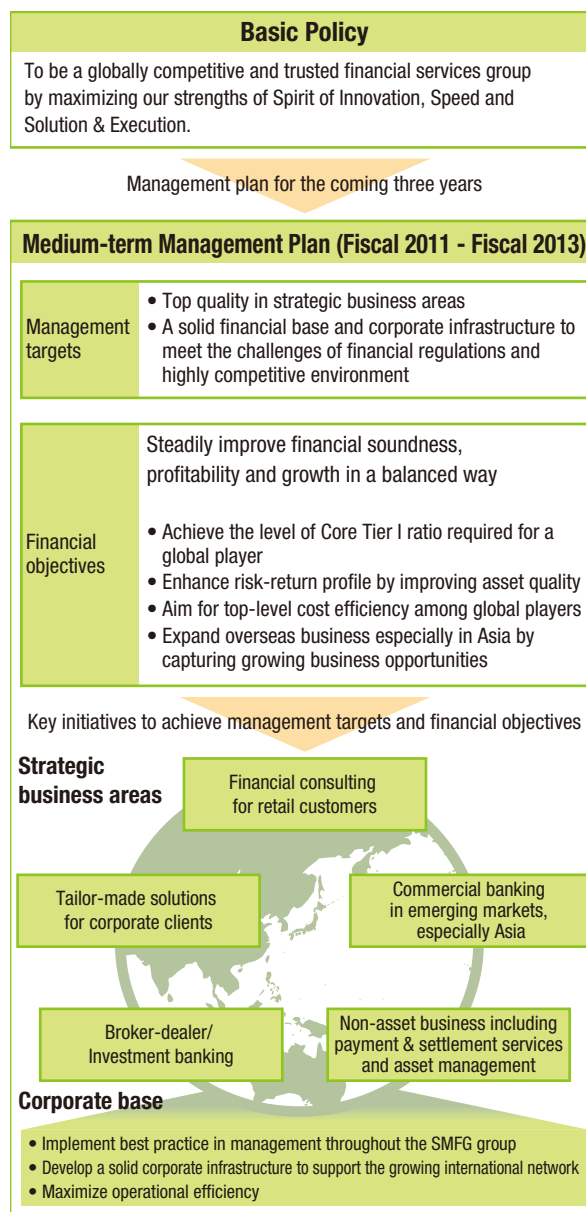


Table 3: Management Principles: 3C

Team SMFG, Team SMBC	
●	Cross-Selling
●	Credit Control
●	Cost Control