

Environmental Preservation Initiatives

SMFG and Environmental Issues

SMFG assigns a high management priority to environmental issues. We have drawn up the Group Environmental Policy to serve as the Group's basic action guidelines and have also formed the Group Environmental Committee. Through these initiatives, we promote coordinated, Groupwide environmental activities.

The Group Environmental Policy

Basic Concepts

Recognizing the importance of realizing a sustainable society, SMFG is making continuous efforts to harmonize environmental preservation and corporate activities, so as both to support the economy and contribute to the general well-being of society as a whole.

Specific Environmental Policies

- We provide environment-friendly financial products, information, and solutions that help our customers in their own efforts to preserve the eco-system
- We devise ways to reduce levels of environmental risk posed by our own activities and those of society at large
- We are determined to fulfill our social responsibilities through the conservation of resources, energy saving, and the reduction of waste
- We enforce a policy of strict adherence to environment-related laws and regulations
- We practice a high level of disclosure of information relating to the Group's environmental activities, and make ceaseless efforts to improve our contribution to environmental preservation, incorporating the views of our own staff and concerned persons from outside the Group
- We place a high priority on thoroughly educating our staff in our environmental principles, and in ensuring that they conform to these principles in the performance of their work
- These policies are published on the Group's website, and are also available in printed form upon request

June 1, 2003
 Yoshifumi Nishikawa
 President & Chief Executive Officer
 Sumitomo Mitsui Financial Group, Inc.

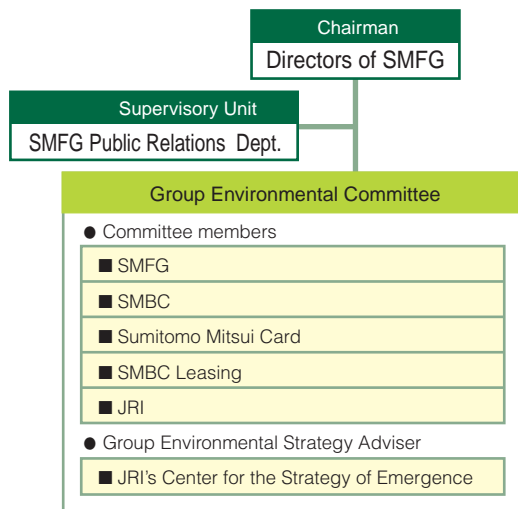
SMFG's Environmental Action Plan

We have formed a Group Environmental Committee to promote coordinated Groupwide environmental activities. Based on our Group Environmental Policy, we have developed a three-pronged action plan focusing on:

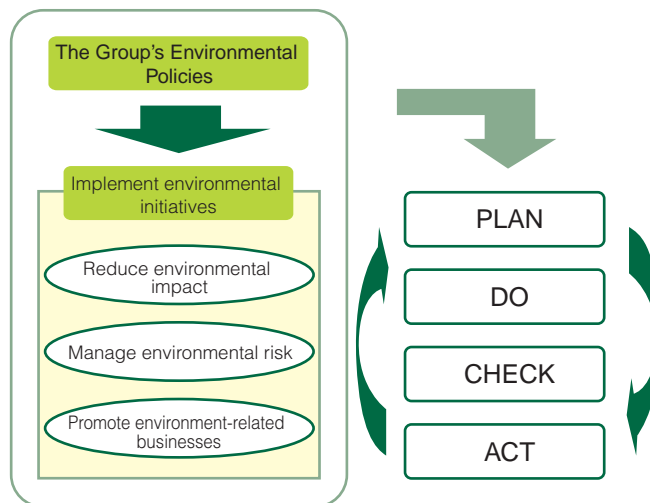
- 1) The reduction of environmental impact (fulfilling social responsibilities)
- 2) The practice of environmental risk management
- 3) The promotion of environment-related businesses

The Group Environment Committee systematically follows the PDCA cycle of planning, performing, checking and improving in pursuing environmental activities centered on these three areas.

Group Environmental Committee



SMFG's Environmental Action Plan and the PDCA Cycles



SMFG Group Initiatives

We have been focusing on providing information to our customers to raise their awareness of environmental issues. The major initiatives are as follows.

Publication of Environmental Magazine SAFE

This magazine, through which we provide environment-related information to our corporate clients, has been published on a bimonthly basis since 1996. Current circulation is approximately 4,000 copies, and it is sent to clients of our Group companies as well as customers that have participated in past “Environmental Seminars” (described later) and others.

Each issue of this publication includes interviews with the top management of companies at the forefront of the environmental preservation movement. It also introduces environmental technologies, highlights trends in legal regulations, and examines other current topics.

SMFG Environmental Seminars

The second SMFG environmental seminar was held on March 3, 2004, with the attendance of 350 participants from around the country, primarily clients of Group companies. Lecture topics included case studies of industrial soil pollution and the establishment of a system of environmental information disclosure.

A survey of participants indicated that they would like SMFG to provide information on environment-related issues. In the future, we intend to continue to support our customers’ environmental projects by holding more seminars, issuing magazines and periodicals, and publishing books.

Signatory to the UNEP Statement by Financial Institutions

The United Nations Environment Programme (UNEP), a UN organization dedicated to advancing environmental issues, has established a support structure for the promotion of the environmental preservation movement within each industry. Our company is a signatory to the UNEP Statement by Financial Institutions. SMFG provided information that contributed to the success of the annual UNEP conference, held in October 2003 in Tokyo.

Inclusion of SMFG Shares in SRI* Index Funds

SMFG’s stock is included in three of the world’s five major global indexes of socially responsible companies, reflecting SMFG’s excellent reputation for environmental preservation initiatives and social contribution activities (described later).

* SRI (Socially Responsible Investment) refers to investment in companies that demonstrate responsible business conduct.

Included in:

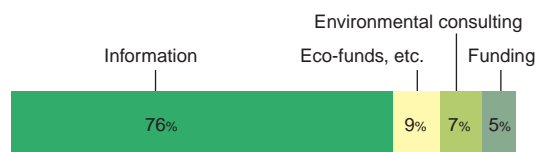
FTSE 4 Good Global Index
Ethibel Sustainability Index Global
Morningstar Socially Responsible Investment Index

An Overview of SAFE Magazine

1st edition: April 1996
 Published by:
 SMFG Public Relations Department
 Circulation:
 Approximately 4,000 per edition
 Major recipients:
 Clients of each company
 Central and local government offices, etc.
 Available on SMFG’s Japanese-language website only



Environmental Initiatives Demanded of SMFG



Major Initiatives by Group Companies

The chart below shows the various environment-related initiatives of Group companies, centered around the three prongs of our Environmental Action Plan:

1. The reduction of environmental impact (fulfilling social responsibilities)
2. The practice of environmental risk management
3. The promotion of environment-related businesses

Objectives	Initiatives	Sumitomo Mitsui Banking Corporation	Sumitomo Mitsui Card Company	SMBC Leasing Company, Limited	The Japan Research Institute, Limited
Reduce environmental impact	Reducing energy usage, such as electric power and water usage				
	Promoting green purchasing				
	Reducing paper consumption				
	Providing training on environmental issues				
Practice environmental risk management	Establishing credit rules on companies with high environmental risk				
	Selling items that can be reused				
	Proposing policies and measures related to the environment				
Promote environment-related businesses	Promoting soil decontamination and helping companies apply for ISO certification				
	Promoting energy-conserving projects, such as ESCOs and ESPs				
	Providing information (publishing books, etc.)				

Reducing Environmental Impact

Activities such as energy conservation in the office and reduction of paper consumption directly alleviate the environmental impact of business activities. Specific measures focus on conserving natural resources by curbing the use of energy and paper, rationalizing office work and minimizing expenses. In addition, each Group company has set certain targets for curbing the usage of electricity and other forms of energy (described later on pages 58-59).

SMBC and the Japan Research Institute (JRI) are aiming for a paperless office through the widespread use of IT and the implementation of business process reviews. Through the creation of databases, they are computerizing their in-house administrative operations. In addition, SMBC has adopted Japan Natural Energy Company Limited's Green Power Certification System to conserve energy and formulate environmental countermeasures. Electricity generated from April 2003 through March 2004 amounted to 855,000kWh.

Green Power Certification System

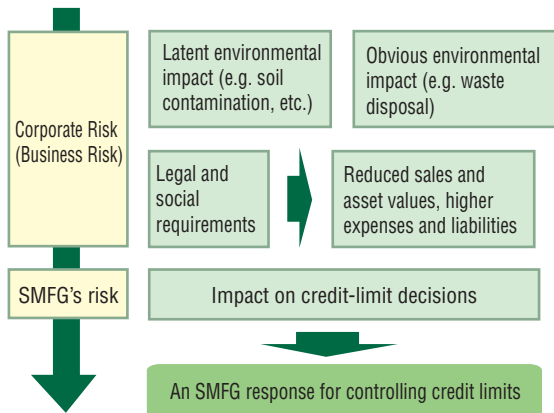


The Certificate of Green Power represents, in concrete form, the merit of reducing the use of fossil fuels and CO₂ emissions, and increasing the use of natural forms of energy. SMBC has adopted this certificate system as part of its voluntary energy conservation and environmental countermeasures.

Practicing Environmental Risk Management

Energy consumption and waste disposal are the immediate, obvious detrimental effects of business activities on the environment. A less obvious impact is soil contamination. When the environmental impact of business activities becomes substantial enough to attract public attention, companies will have to face increased expenses and liabilities, such as declining sales and asset values as a result of legal and social requirements. As our clients are exposed to greater risks, these risks pose greater risks to SMFG as well, and there is the possibility that the bank will have to make a decision to limit the credit it can extend to a client company. It is necessary for financial institutions to take such considerations into account when making credit decisions.

Environmental Risks



In March 2004, SMBC concluded an “Environmental Inquiry Written Agreement” with the Japan Bank for International Cooperation (JBIC) to assist in strengthening environmental assessments. Under this agreement, when SMBC undertakes co-financing with JBIC, SMBC can have access to JBIC’s environmental assessment data.

JRI sounds the alarm about the environmental impact of corporate and household activities through media interviews and articles, involvement in the activities of government and municipal committees, and by making announcements at various events. Moreover, JRI advises on policies related to these effects on the environment and recommends ways for coping with environmental risks as part of the wide range of activities it undertakes to raise awareness about the environment.

Promoting Environment-Related Businesses

Making use of each subsidiary’s special characteristics, SMFG conducts various environment-related business activities. Through these activities, we are planning to further strengthen relationships with our clients.

Types of Environmental Businesses

Environmental businesses	Main target products/services
Funding environment-related corporations (Project finance, syndicated loans, etc.)	Introduction of environmental equipment, e.g. introduction of eco-cars Wind power generation, bio-mass power generation, etc.
Risk hedging for bad weather	Weather derivatives
Providing investment products and operations-related services	Eco-fund / <i>Web Passbook</i>
Consulting	Addressing soil contamination, facilitating the acquisition of ISO certification
Incubating environment-related projects and services	Soil decontamination, ESCO/ESP projects, etc.
Providing information	Publishing informational periodicals; holding seminars

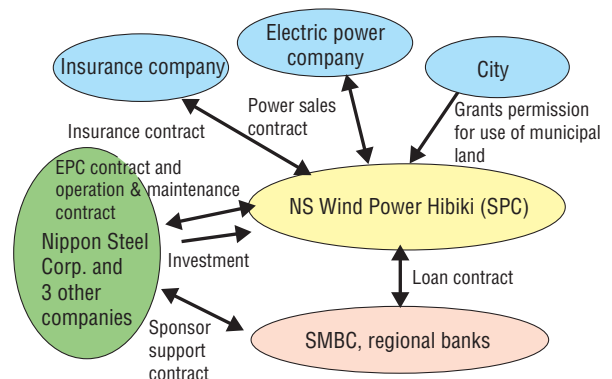
SMBC's Activities

Funding (Project Finance)

There is a growing interest in the generation of power using natural energy sources, such as wind power and solar power. In March 2003, SMBC supported funding of a wind-power generation project in the Hibikinada area of Kitakyushu City through the project finance method.

This project has two special features. Firstly, it is the largest wind-power generation project in Western Japan, and the first large-scale wind-power generation project in the whole country to be located close to a major urban area. Secondly, this is the first time that a domestic wind-power generation project has been supported through the cooperation of city banks and regional banks.

Project Structure

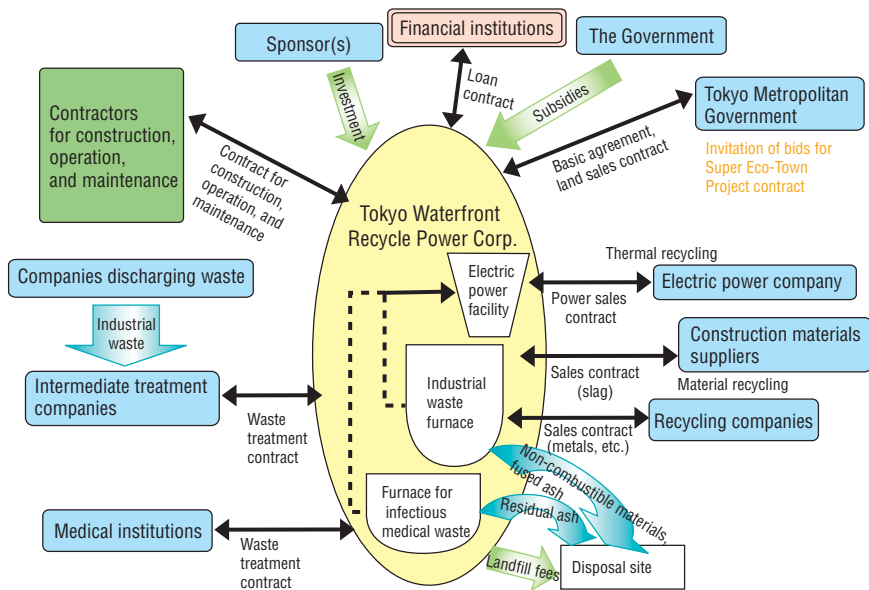


On July 6, 2004 SMBC, as one of the lead arrangers, announced project financing worth ¥23 billion for a power generation project on the shore of Tokyo Bay that utilizes recycled industrial waste as fuel, and is part of the Super Eco-Town Project sponsored by the Tokyo Metropolitan Government.

The power generation project is the largest of its kind in Japan. The initial investment is scheduled to be recouped principally from waste treatment fees charged to the companies discharging the waste. This is the first case in Japan of the project finance method being employed by banks to fund the construction and operation of a waste treatment facility, which is subject to the full range of market risks.

SMBC will continue to provide strong support to companies engaged in building the infrastructure of a sustainable society, such as alternative energy sources like wind power and the combustion of waste materials, for which demand is expected to rise steeply over the foreseeable future.

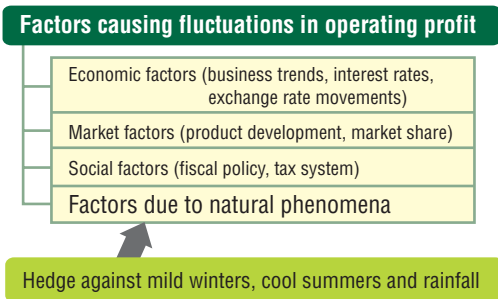
Project Structure



Weather Derivatives

SMBC's product lineup includes weather derivatives. Weather derivatives are derivative instruments based on weather conditions such as temperature, rainfall, snowfalls, etc. They are used to hedge the risk of deterioration in operating profit resulting from unseasonable and extraordinary weather caused by global warming, etc.

Weather Derivatives



Weather Derivative Needs

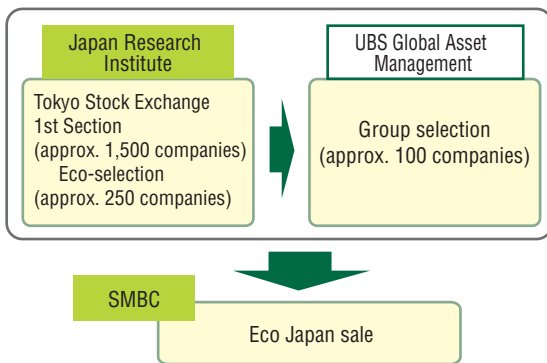
Industry	Major risk	Hedge basis
Gas	Temperature	Consumption declines due to fierce heat in summers and mild winters
Electric power		
Air conditioning manufacturing & sales		
Food and drink	Rainfall Temperature	Sales declines due to cool summers and mild winters
Food service industry		
Department store	Rainfall Temperature Snowfall	Fewer customers due to bad weather Slump in sales of seasonal products
Tourism and leisure industries		
Outdoor theme parks		
Agriculture-related	Rainfall Temperature	Poor crops due to low or high rainfall, fierce heat or cool summers

Sales of Eco-Funds

SMBC's investment trust product lineup includes the equity eco-fund "Eco Japan," which is managed by UBS Global Asset Management (Japan) Ltd.

The eco-fund is an investment trust that targets companies with excellent environmental management. JRI has been consigned the research for this fund, and donates a part of the profit relating to the research contract from the UBS eco-fund to the Japan Committee of the World Wide Fund for Nature (WWF).

Eco Japan Structure



"Web Passbook" Promotion

Instead of issuing an ordinary bank passbook, SMBC has started dealing with the "Web Passbook," which allows for checking the content of transactions via the Internet. This has helped the bank to greatly reduce its paper consumption. The system has yielded the benefit that the bank and passbook user simultaneously contribute to the preservation of the environment. A "Web Passbook" campaign was held from May–July 2004, during which period ¥10 was donated to the WWF for each customer who applied for a "Web Passbook."

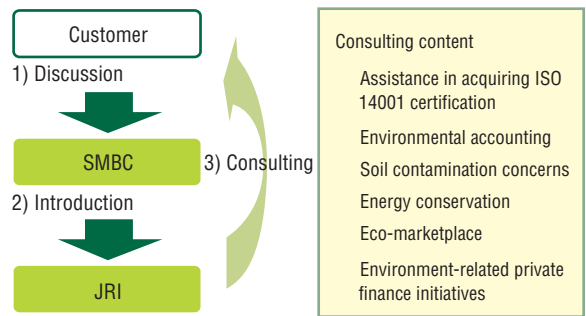


Eco-Consulting

Through collaboration between SMBC and JRI, SMFG undertakes eco-consulting, providing client companies with comprehensive support for dealing with environmental management issues. Depending on the client's needs, SMBC will

introduce JRI, which employs staff with a broad range of specialties to help the client. Such a system enables an appropriate and high-level response to customers' diverse and sophisticated needs.

Consulting Structure



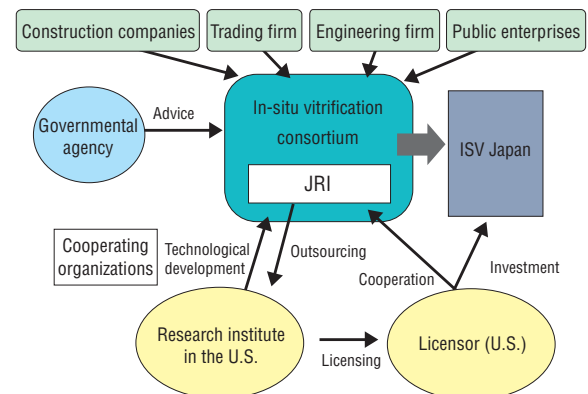
JRI's Activities

Apart from the aforementioned eco-consulting, JRI is actively promoting the incubation of environment-related start-ups.

Soil Decontamination Initiatives

JRI has introduced into Japan an in-situ vitrification technology from the U.S. that sequesters vitrified subterranean contaminants. With the cooperation of government administrators, it has established a consortium with a number of construction-related companies and established ISV Japan, Ltd., a special-purpose company specializing in soil decontamination, in 1995. This technology uses just four electrodes producing high temperatures from 1,400°C to 2,000°C to dissolve contaminants, and thereby turns contaminated soil into harmless glass. This technology allows for the safe cleanup of contaminants, and has been assessed by Japanese government departments such as the Ministry of the Environment and the Ministry of Agriculture, Forestry and Fisheries as being particularly effective against dioxins, PCBs and agricultural chemicals that remain in the soil.

In-Situ Vitrification Consortium



Energy Service Provider (ESP) Initiatives

An ESP provides energy conservation services for changing electricity charges from a fixed to a variable cost. The company E-cubic Co., Ltd., established by the JRI consortium, is Japan's first ESP company. It uses as its main tools the gathering and analysis of electric power consumption data, and has developed a system that automatically draws up management reports to enable the "visualization" of energy consumption.

This company's corporate customers can obtain an accurate grasp of their daily levels of electricity consumption, and it is possible for them to produce precise guidelines to identify and improve energy wastage. Moreover, the service fees are paid for by the savings on energy costs. The potential market for this service, which targets mainly private-sector clients, is estimated at ¥100 billion (US\$909 million).

Energy Service Company (ESCO) Initiatives

An ESCO is an integrated energy service company that carries out energy conservation audits of a building or facility, draws up conservation proposals, plans, designs and builds energy conservation facilities and also guarantees energy reduction amounts.

The First Energy Service Company, Limited (FESCO) was established by the JRI consortium, and is the first energy service company in Japan. It proposes measures for demand-side energy reductions ranging from lighting, air-conditioning, transformers and motive power to the supply of energy from dispersed sources (such as energy co-generation from all types of engines, fuel cells, biomass generation, etc).

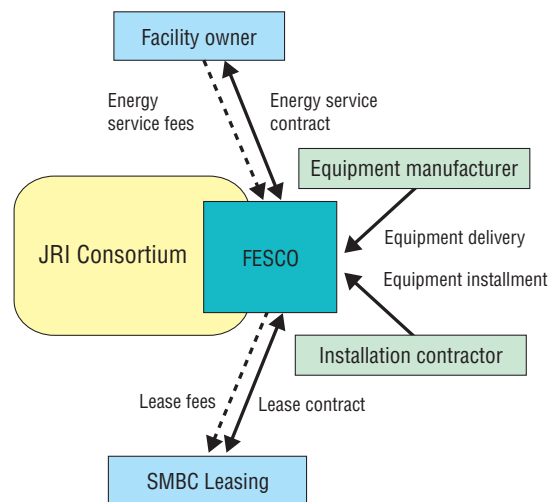
ESCO corporations are a type of enterprise that have not existed in Japan until now, though in the U.S. they have formed a market that is valued in excess of ¥100 billion (US\$909 million). The Ministry of Economy, Trade and Industry estimates that the market in Japan will expand to ¥130 billion (US\$1.2 billion) in 10 years.

SMBC Leasing's Activities

ESCO Enterprise Initiatives

SMBC Leasing supports ESCO companies indirectly, by proposing leases at a time when energy-conservation equipment is being phased in as a result of FESCO's energy-conservation proposals. SMBC Leasing is proposing programs in which the energy service fee and the lease fee are fixed within the range of cost-savings, and would therefore produce no additional cash-flow burden for clients.

ESCO Business Model



Acquisition of ISO 14001 Certification

SMBC and JRI have acquired ISO 14001 certification, the international standard for environmental management systems.



SMBC
(ISO certified:
Hibiya headquarters,
Osaka Head Office,
Otemachi Head Office and
Kobe Head Office)

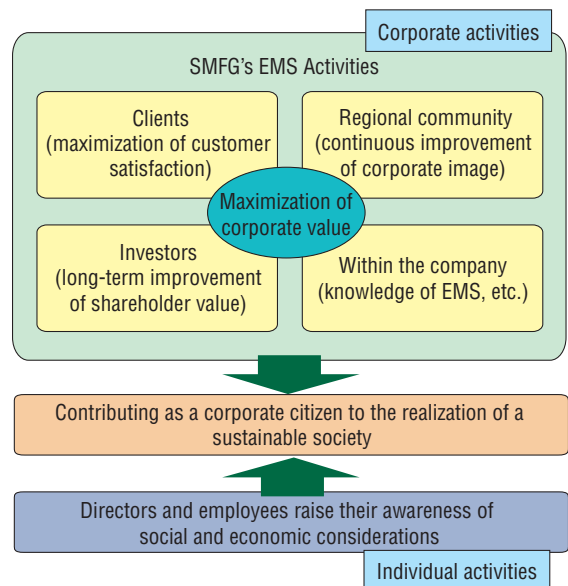


Toward a Sustainable Society

At SMBC and JRI, instruction on environmental management systems (EMS) is included as part of the annual training program. Other Group companies are also investigating the introduction of such a training program.

Corporate actions and individual actions must both function effectively if a sustainable society is to be achieved. We are pursuing a wide range of activities to enhance the effectiveness of corporate and individual initiatives for achieving a sustainable society.

Aiming at a Sustainable Society



SMBC and JRI, which have obtained ISO 14001 certification, undertook the following activities and initiatives in fiscal 2003:

Fiscal 2003 Major Environmental Objectives and Results

SMBC

Items		Environmental Objectives	Actual Results/Main Policies	
Reduction of environmental impact	Energy usage	Reduce power, natural gas, water usage (4 HQ buildings) by 4% from the 2001 base value	☺	Strict adherence to power, water usage rules (Target: Offices in Hibiya, Otemachi, Osaka, and Kobe)
	Paper consumption	Reduce paper consumption by 2% compared to the base value (each department in HQ)	☺	Strict adherence to paper consumption rules. Each department promotes its own initiatives for the reduction of paper consumption
	Green purchasing	Expand green purchasing of stationery	☺	Promoted procurement of eco-friendly goods and services
	Employee training	Train employees on how to deal with environmental issues and promote awareness of environmental issues	☺	Implemented EMS training at all branches, and also conducted EMS training on a seniority-basis
Environmental risk counter-measures	Reduce the impact of clients' environmental risk on the bank's credit risk	Implement policies to reduce the bank's and clients' environmental risk through the control of environmental-related credit risk	☺	Revised the bank's internal credit limit rules and promoted their enforcement
Environment-related businesses	Client support	Support the acquisition of ISO 14001 certification and provide funding to environmentally aware companies, etc.	☺	Devised a soil contamination consulting program; promoting environment-related loans

JRI

Items		Environmental Objectives	Actual Results/Main Policies	
Reduction of environmental impact	Energy usage	Reduce ordinary power usage: curb the usage per square meter to below 2002 base levels	☺	Check usage on a quarterly basis and promote the introduction of low-energy PCs
	Paper consumption	Reduce the per-person consumption of copy paper by 3% from 2002 base levels	☹	Strict enforcement of copying on both sides, and introduction to each division of management rules for the ordering of copy paper
	Green purchasing	Promote continuous green purchasing of stationery and PCs	☺	Each division is asked to chart the green purchasing process, which is inspected quarterly
	Employee training	Perform environmental training for the whole company and each unit	☹	Send information through the company intranet, hold regular meetings of the whole company, form regular study groups at the unit level; working to develop means for checking results
Environmental risk counter-measures	Proposal of policies and measures	Propose policies and publicize environment-related performance through various media announcements and events	☺	Publicize events and activities through the publication of articles in newspapers and magazine interviews; announce activities at government and municipal committee meetings
Environment-related businesses	Client support	Establish projects in environment-related fields. Actively promote projects related to the environment	☺	Established E-cubic Co., Ltd. Helping companies acquire ISO certification, etc.; conducting a range of environmental management consulting
	Provision of information	Provide information through the publication of books on environment-related topics	☺	Holding a range of lectures and seminars Publish books on environment-related topics

【Appraisal standard】

- ☺ Reached the objective
- ☹ Did not reach target but results have improved (over 80% of fixed numerical targets reached)
- ☹ Did not reach objectives

Fiscal 2004 Major Objectives

In fiscal 2004, each Group company has set targets as follows, and is promoting environmental activities.

SMBC

Items		Environmental Objectives
Reduction of environmental impact	Energy usage	Reduce power, natural gas, water usage by 6% compared to 2001 base levels (Target: Headquarter buildings in Hibiya, Otemachi, Osaka, and Kobe)
	Paper consumption	Each department in headquarters will reduce its paper consumption by 2%
	Green purchasing	Expand green purchasing of stationery
	Employee training	Train employees on how to deal with environmental issues and raise awareness of environmental issues
Environmental risk countermeasures	Reduce the impact of clients' environmental risk on the bank's credit risk	Implement policies to reduce the bank's and clients' environmental risk through the control of environmental-related credit risk
Environment-related businesses	Client support	Support the acquisition of ISO 14001 certification and provide funding to environmentally aware companies, etc.
	Provision of services	Promote the <i>Web Passbook</i>

Sumitomo Mitsui Card Company, Limited

Items		Environmental Objectives
Reduction of environmental impact	Energy usage	Reduce power usage per square meter by 2% compared to 2002 base levels Reduce the per-employee water usage by 2% compared to 2002 base levels (excluding branches and service centers)
	Paper consumption	Reduce the per-person consumption of copy paper from 2002 base levels
	Green purchasing	Introduce the exclusive usage of recycled paper
	Employee training	Conduct ongoing environment-related training for employees and distribute information on the environment

SMBC Leasing Company, Limited

Items		Environmental Objectives
Reduction of environmental impact	Energy usage	Reduce water, power usage by 8% per employee from 2001 figures
	Paper consumption	Reduce paper consumption by 8% per employee from 2001 figures
	Green purchasing	Increase green purchasing of stationery
	Employee training	Train employees on how to deal with environmental issues and raise awareness of environmental issues
Environmental risk countermeasures	Recycling promotion	Increase reuse of objects on which the lease period has expired
Environment-related businesses	Client support	Promote types of leases that contribute to energy conservation

JRI

Items		Environmental Objectives
Reduction of environmental impact	Energy usage	Reduce ordinary power usage: reduce the usage per square meter by 3% from the 2002 base levels
	Paper consumption	Reduce per-person consumption of copy paper by 6% from 2002 base levels
	Green purchasing	Promote continuous green purchasing of stationery and PCs
	Employee training	Conduct ongoing environmental training for employees and distribute environment-related information
Environmental risk countermeasures	Proposal of policies and measures	Propose policies and publicize environment-related performance through various media announcements and events
Environment-related businesses	Client support	Establish projects in environmental fields; actively promote projects related to the environment
	Provision of information	Provide information through the publication of books on environmental issues, lectures and the hosting of seminars