

SMFG's Strengths and Challenges

Below, we provide a brief explanation of the strengths of SMFG, and of SMBC in particular, as well as the challenges we currently face in our drive to raise our corporate value.

SMFG's Strengths

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SMFG's Challenges

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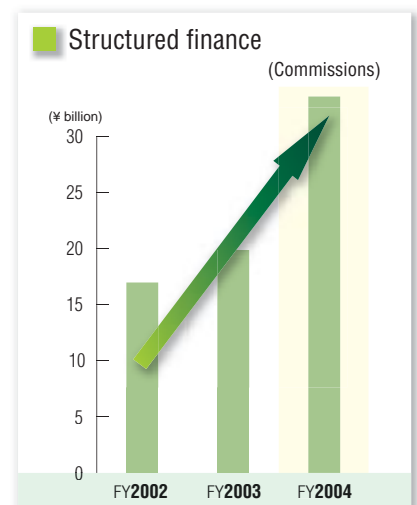
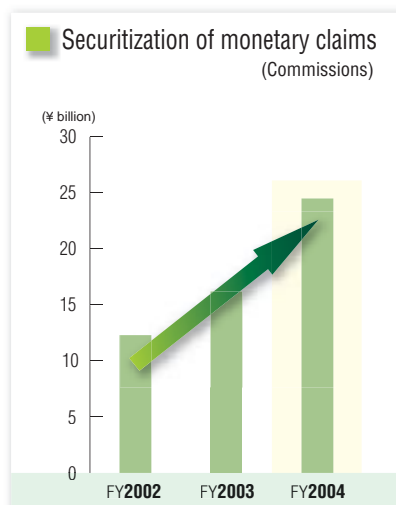
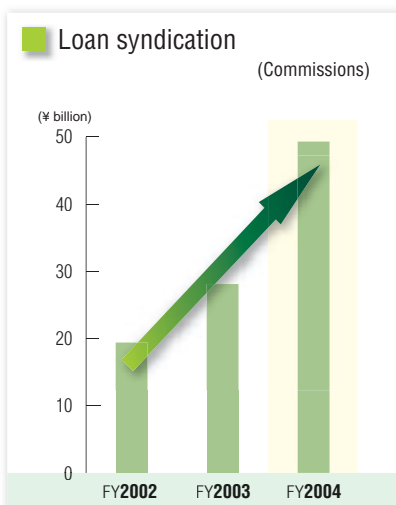
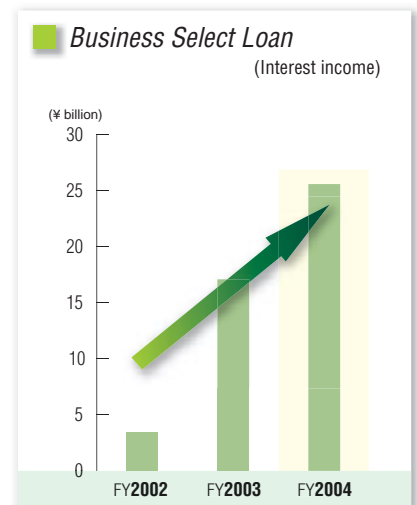
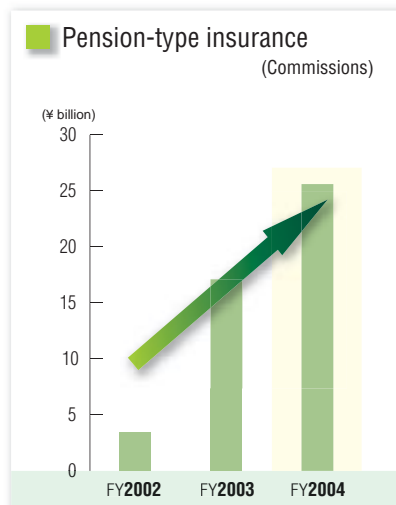
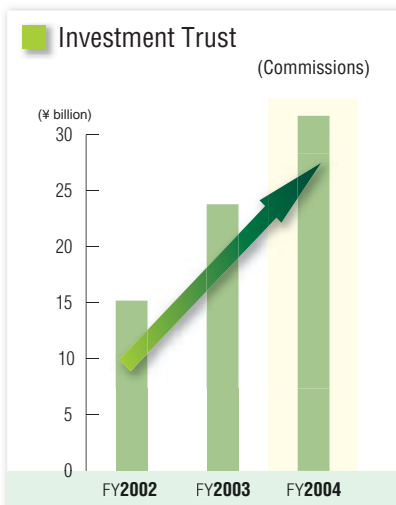
► Speed, Efficiency, and Profitability (SMBC)

Speed in Making Businesses Profitable

SMBC is working to accelerate the growth of numerous businesses into key earnings drivers, thereby creating one of the best business portfolios among Japanese banks.

Many of SMBC's businesses are growing—now generating an annual gross profit of between ¥20 billion and ¥30 billion. These businesses include financial

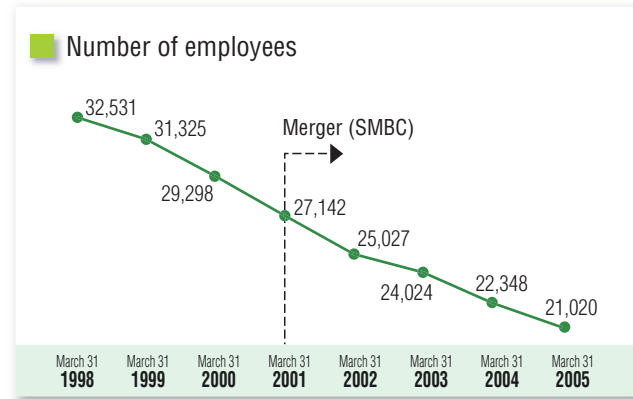
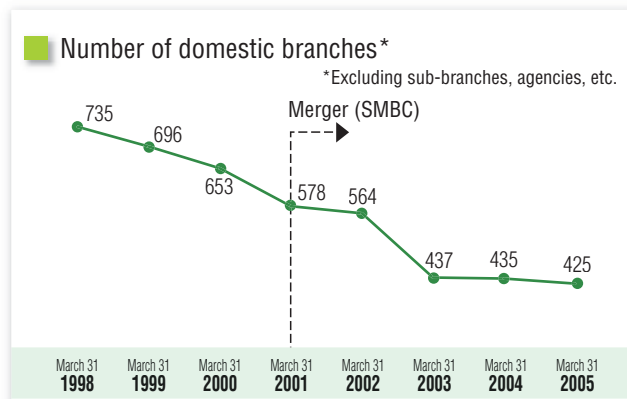
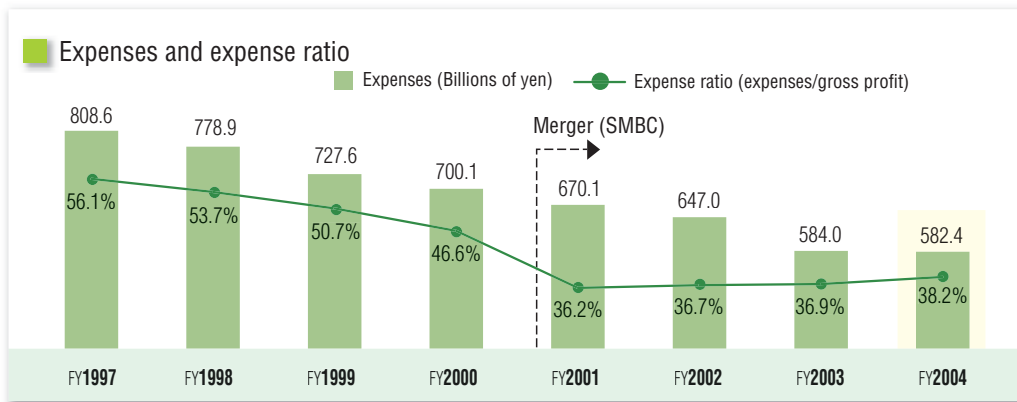
consulting for individuals (primarily sales of investment trusts and pension-type insurance products), new-type unsecured loans (the *Business Select Loan*) to small and medium-sized enterprises (SMEs), and the investment banking business (loan syndication, securitization of monetary claims and structured finance).



High Efficiency

To enhance the value of our products and services targeting individual and corporate customers, and to more precisely meet their specific needs, SMBC has made its investment priority the expansion of specialized marketing channels in strategic business areas, such as financial consulting for individuals and new-type unsecured loans to SMEs.

At the same time, we were able to substantially curb expenses by integrating overlapping marketing territories and streamlining the workforce. As a result, SMBC's expense ratio, an important indicator of efficiency, is less than 40%. This shows a high level of efficiency, not only by domestic standards but also by global standards.



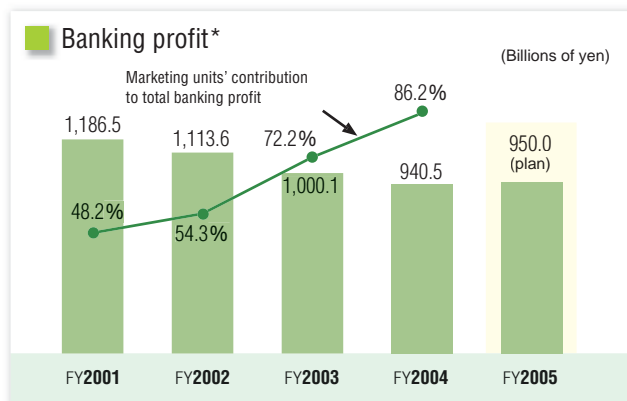
Strength in Profitability

SMBC was the only Japanese bank to achieve more than ¥1 trillion in banking profit—the fundamental indicator of a bank’s profitability—for three consecutive years up to fiscal 2003. (This figure is before provisions to the general reserve for possible loan losses.) In fiscal 2004, SMBC’s banking profit was approximately ¥940 billion, which was the best result among Japanese banks.

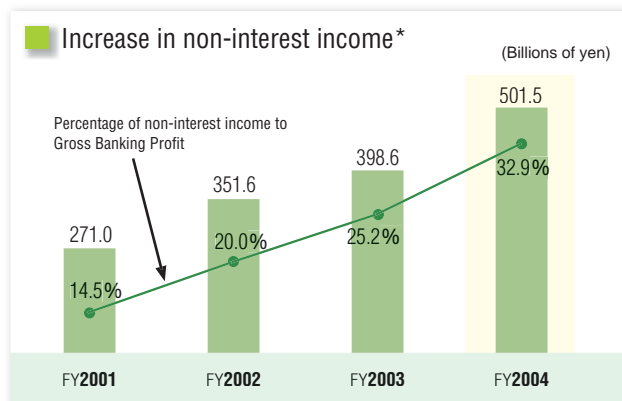
Banking profit comprises the profits of marketing units (the Consumer Banking, Middle Market Banking, Corporate Banking, and International Banking Units) and the Treasury Unit. Interest income from lending and deposit-taking and fee income from various businesses make up the marketing units’ profits. Activities such as ALM operations to control interest rate risk, etc., and trading operations generate the Treasury Unit’s profits. The main factor behind the year-on-year decline in SMBC’s banking profit was a decrease in the Treasury Unit’s profit, which had been high from ALM operations amid falling domestic and overseas interest rates. On the other hand, the marketing units’ profits have continued to grow, and

their contribution to total banking profit has been rising steadily. Thus, SMBC not only achieved the highest banking profit among Japanese banks, it has also created a stable earnings base that shows a resilient response to fluctuations in interest rates and other capital market trends.

Moreover, SMBC is establishing an earnings base that is not wholly dependent on interest income derived from lending and deposit-taking, as non-interest income has been growing steadily. This is mainly due to the increase in fee income generated by providing optimal solutions that meet customers’ needs in businesses such as financial consulting for individuals and the investment banking business.



* Before provisions to general reserve for possible loan losses

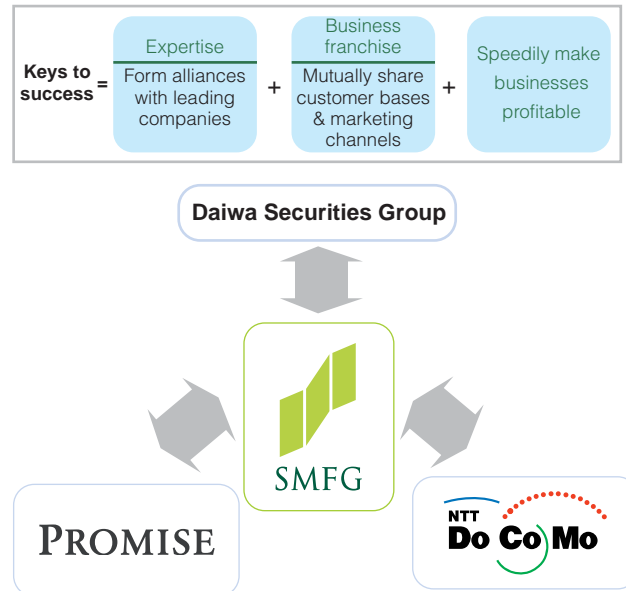


* Non-interest income: Fees and commissions, income related to sales of derivative products, etc.

▶ Alliances with Leading Companies

SMFG has been enhancing group profitability through full-scale alliances with the Daiwa Securities Group, Promise Co., Ltd., and NTT DoCoMo, Inc., leading companies in the securities, consumer finance, and mobile phone businesses.

We believe the keys to successful alliances are to efficiently utilize expertise, optimally leverage business franchises, and speedily make the business profitable. SMFG's alliances are with leading companies, and are aimed at fully utilizing SMBC's customer base and marketing channels as well as its proven strength in speedily bringing new ventures to the point of commercial profitability.



Alliance with the Daiwa Securities Group

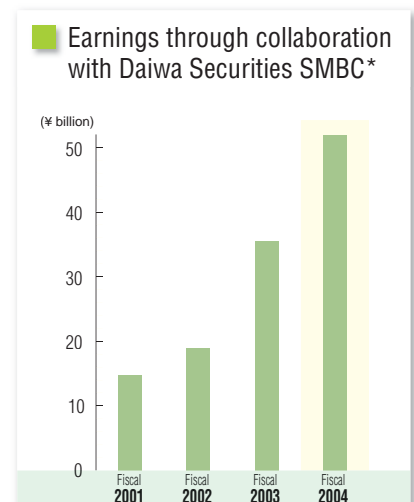
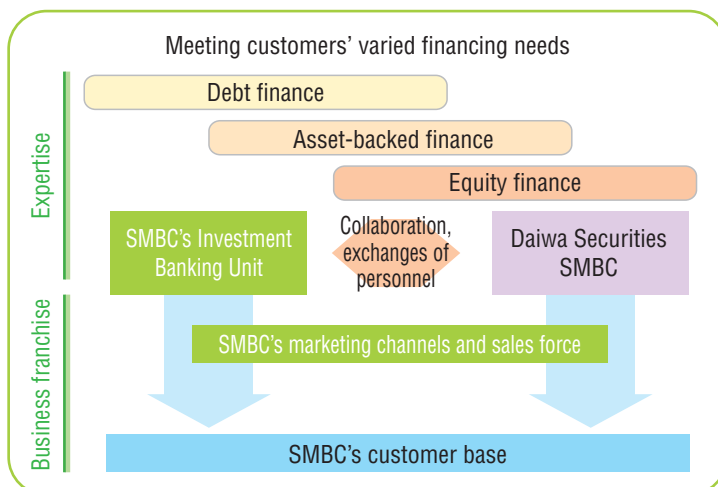
The alliance between SMFG and the Daiwa Securities Group is the only full-scale alliance between a megabank and a major securities company in Japan. Through this collaboration, the two sides have created a framework enabling them to meet the diverse financing needs of corporate customers.

Daiwa Securities SMBC—a wholesale securities company jointly established by SMFG and Daiwa Securities Group, Inc.—started business in April 1999. Over the intervening six years, the two groups have created a solid framework of collaboration through initiatives such as active exchange of personnel and organizational

restructuring. Daiwa Securities SMBC enjoys top-level market shares in Japan in its core businesses—particularly the underwriting of stocks and bonds—and the earnings of Daiwa Securities SMBC achieved through this collaboration have been increasing at a steady pace.

SMBC and Daiwa Securities SMBC continue to seek ways to further strengthen their alliance. For example, in December 2004, SMBC began securities intermediary operations for corporate clients on behalf of Daiwa Securities SMBC. We also reached a basic agreement on collaboration in the private equity investment business in February 2005.

● SMBC's collaboration with Daiwa Securities SMBC

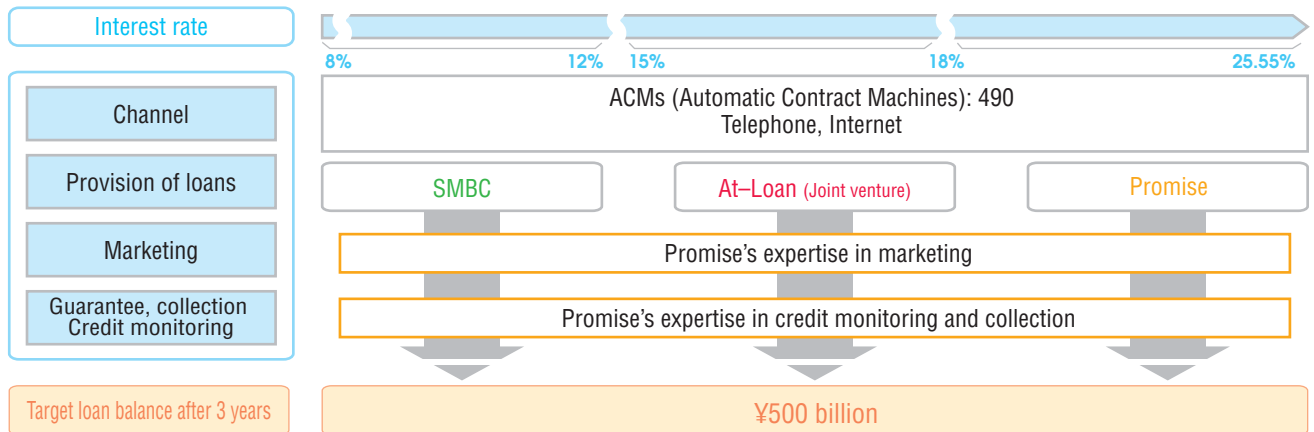


*Earnings of SMBC and Daiwa Securities SMBC through collaboration

Alliance with Promise

SMFG and Promise signed a strategic alliance agreement in June 2004, and a business alliance contract in September 2004. In April 2005, the partners launched three types of consumer loans, provided at different interest rates. These loan products are being offered by SMBC, At-Loan (an SMBC-Promise joint venture) and

Promise. We aim to achieve a loan balance of approximately ¥500 billion* in three years. By leveraging SMBC's marketing channels and customer base and Promise's expertise and know-how, SMFG aims to create new demand and secure the No. 1 position in Japan's consumer finance market.



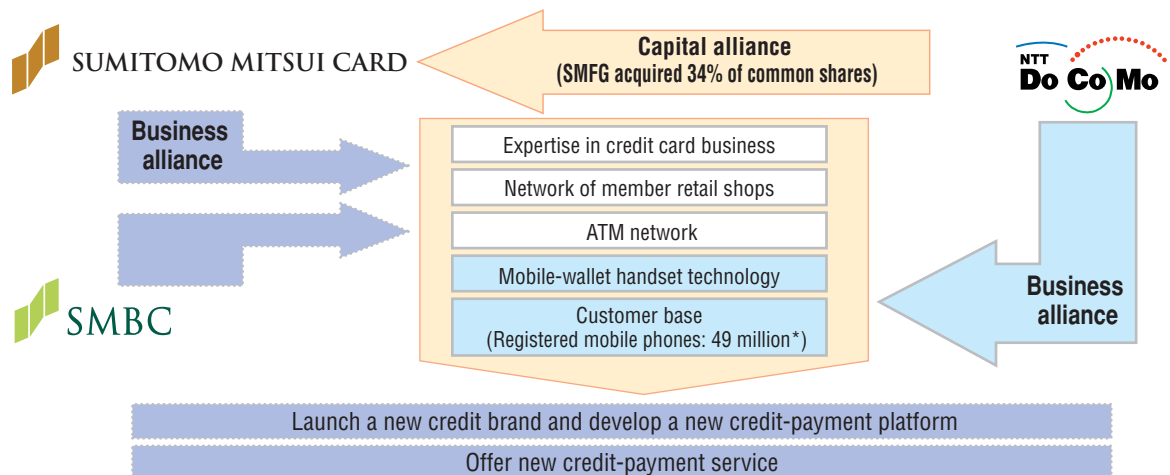
*Total for SMBC, At-Loan and Promise

Alliance with NTT DoCoMo

In April 2005, SMFG, SMBC and Sumitomo Mitsui Card agreed to form capital and business alliances with NTT DoCoMo, centered on a new credit-payment service utilizing DoCoMo "Mobile Wallet" phones. Sumitomo Mitsui

Card and NTT DoCoMo implemented a capital alliance in July 2005.

We aim to create a new credit card market using mobile phones by providing new services leveraging both groups' know-how, brands and customer bases.



*As of May 31, 2005