

SMFG's Strengths and Challenges

The following pages examine the strengths of the Sumitomo Mitsui Financial Group as well as the efforts we have made to overcome the challenges we face to further increase the Group's corporate value.

■ SMFG's Strengths

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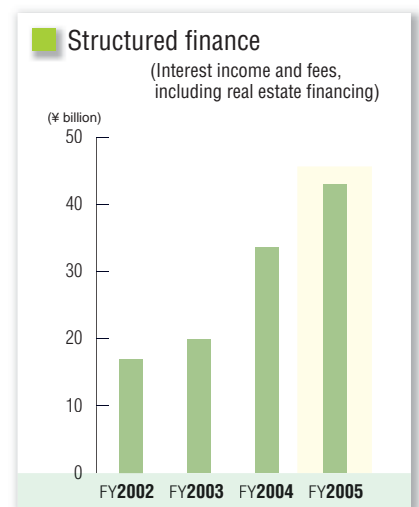
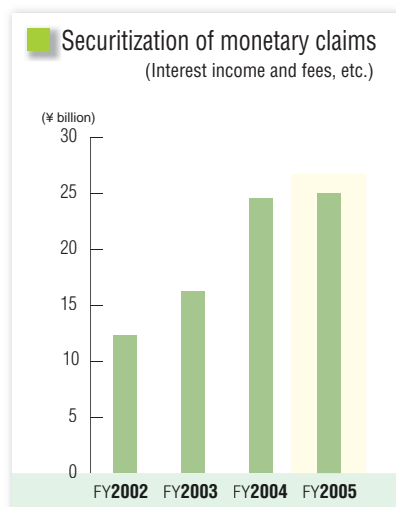
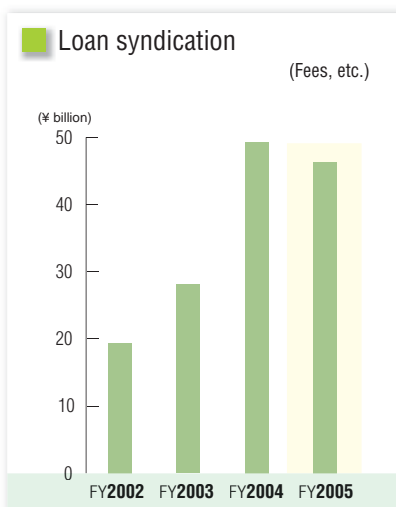
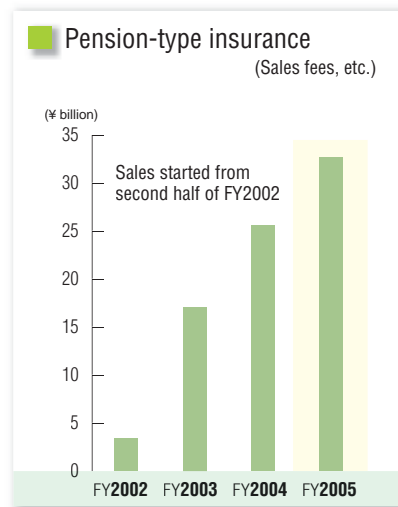
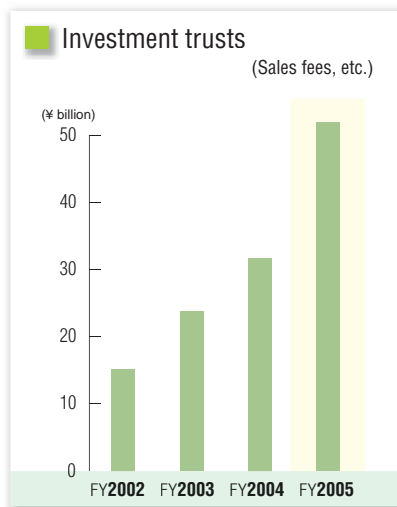
▶ Speed, Efficiency, and Profitability

Speed in Making Businesses Profitable (SMBC)

By placing priority on acting quickly, SMBC has developed highly competitive businesses in many markets.

We are confident that we have 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 ¥50 billion each. These businesses include financial consulting for individuals (primarily sales of investment trusts and pension-type insurance products) and the investment banking business (loan syndication, securitization of monetary claims and structured finance).

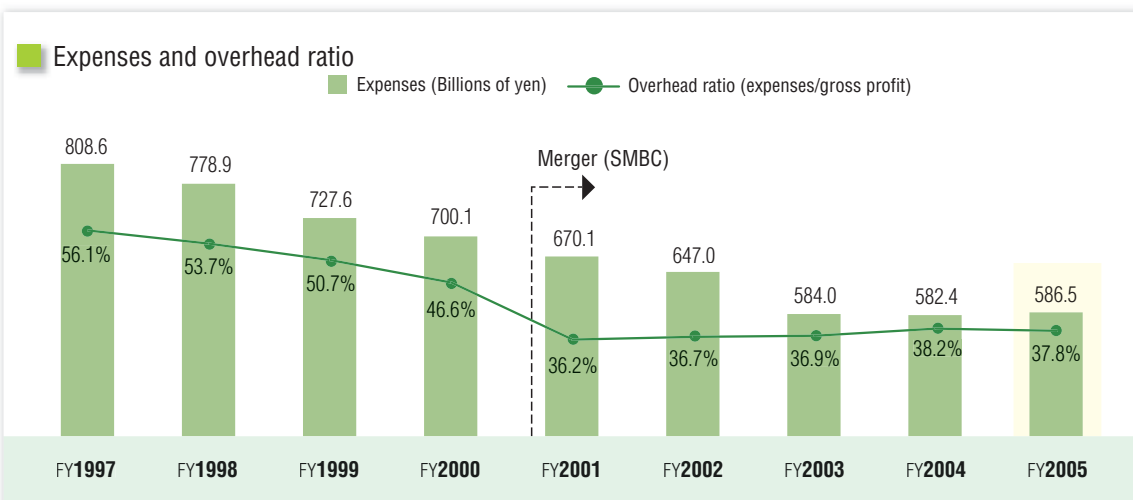


High Efficiency (SMBC)

SMBC has substantially reduced expenses by integrating branches whose marketing areas overlap, and streamlining its workforce.

As a result, SMBC's overhead ratio, an important indicator of efficiency, is below 40%. This figure, which expresses expenses as a percentage of gross banking profit, indicates a high level of efficiency, not just by domestic standards but also by global standards.

We are dedicated to working even harder to provide products and services that create value for our customers. To accomplish this, we will allocate substantial resources to strategic fields, such as financial consulting for individuals and unsecured loans to SMEs, and to other initiatives, including expanding our service network. At the same time, we will continue our efforts to maintain a high level of efficiency, which is one of our greatest strengths.



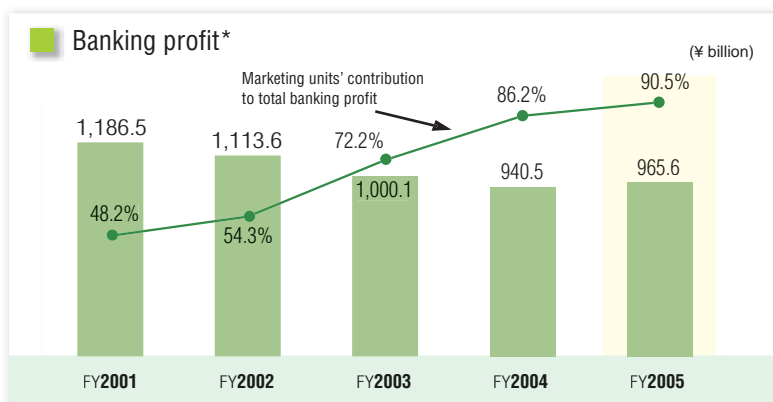
Strength in Profitability (SMBC)

In fiscal 2005, SMBC's banking profit—the fundamental indicator of a bank's profitability—increased ¥25.1 billion to ¥965.6 billion.

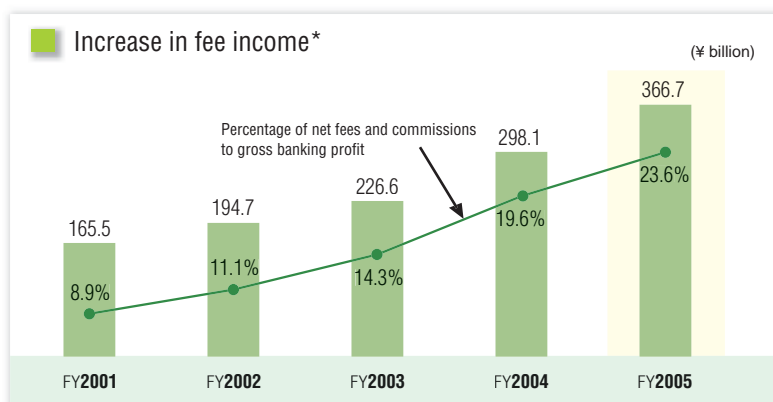
SMBC's banking profit comprises the profits of marketing units, such as Consumer Banking and Middle Market Banking. The marketing units' profit consists of interest income from deposit-taking and lending transactions and fee income from various businesses. The marketing units' profits have continued to grow, and their contribution to total banking profit has been rising steadily. Thus, SMBC's banking profit ranks among the highest of Japanese

banks, and it has also created a stable earnings base that will not be substantially affected by interest rate fluctuations or other capital market trends.

Moreover, SMBC is establishing an earnings base that is not wholly dependent on interest income derived from deposit-taking and lending transactions, as fee income (net fees and commissions) 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



* Net fees and commissions

Creation of New Business Lines through Alliances

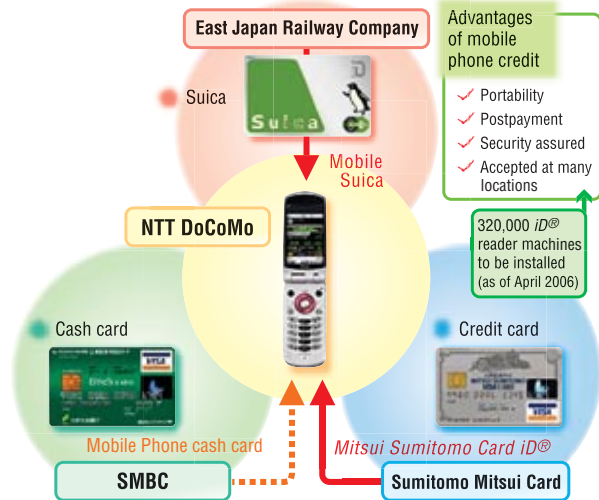
Mobile Phone Credit Service

In April 2005, SMFG, SMBC and Sumitomo Mitsui Card agreed to form a business and capital alliance with NTT DoCoMo. The main purpose was to jointly operate a new credit-payment service that uses mobile phones. Based on the agreement, in December 2005, we established a new service—the *Mitsui Sumitomo Card iD*®—and started providing the new credit-payment service utilizing the *Mobile Wallet* (“Osaifu-Keitai®”) handset of NTT DoCoMo.

Offering the advantages of portability and security, the *Mobile Wallet* handset not only acts as a *Mitsui Sumitomo Card iD*® and DCMX credit card, but also as a means of storing and using Suica and other types of e-money. In the future, we plan to add SMBC’s cash card and other functions to mobile phones.

By responding to the many credit settlement needs of mobile phone users, we are determined to develop the Mobile Phone Credit Service into one of the primary means in Japan of making small cash purchases electronically.

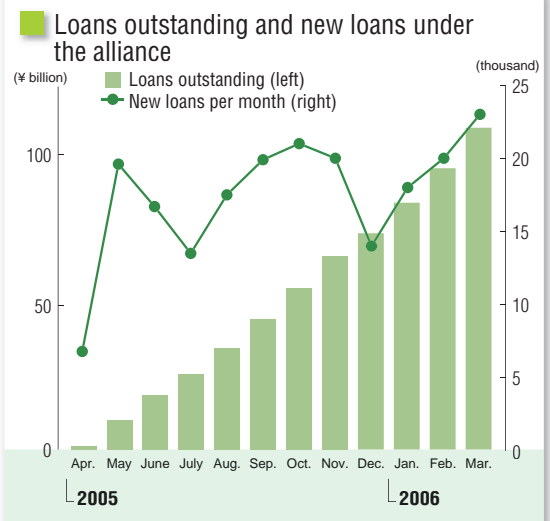
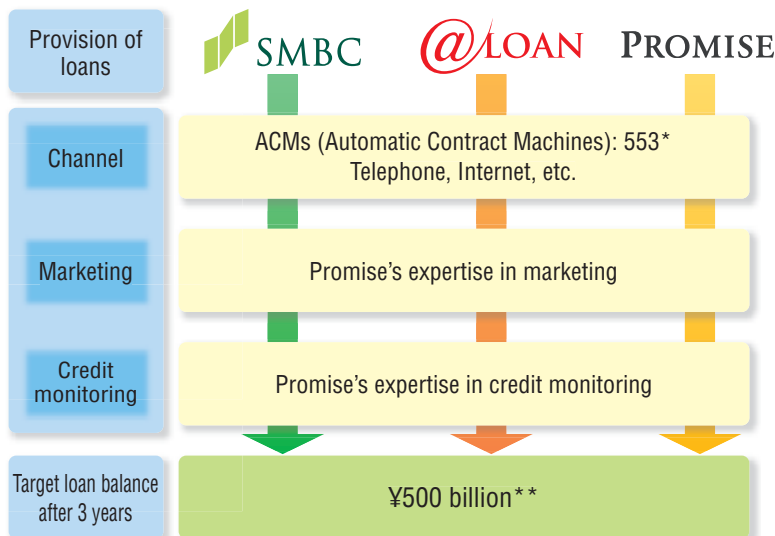
- Incorporating numerous functions into mobile phones, an indispensable item for daily life



Consumer Finance

In April 2005, SMBC, At-Loan and Promise began offering three types of consumer loans, leveraging a strategic alliance formed in June 2004. The volume of these loans has increased steadily to the point where the combined

loans outstanding of the three companies stood at ¥106.4 billion at the end of March 2006. By installing more loan contract machines, among other measures, we will continue to meet the financing needs of our customers.



* As of March 31, 2006 ** Total for SMBC, At-Loan (including loans originally booked by At-Loan before the start of the alliance) and Promise

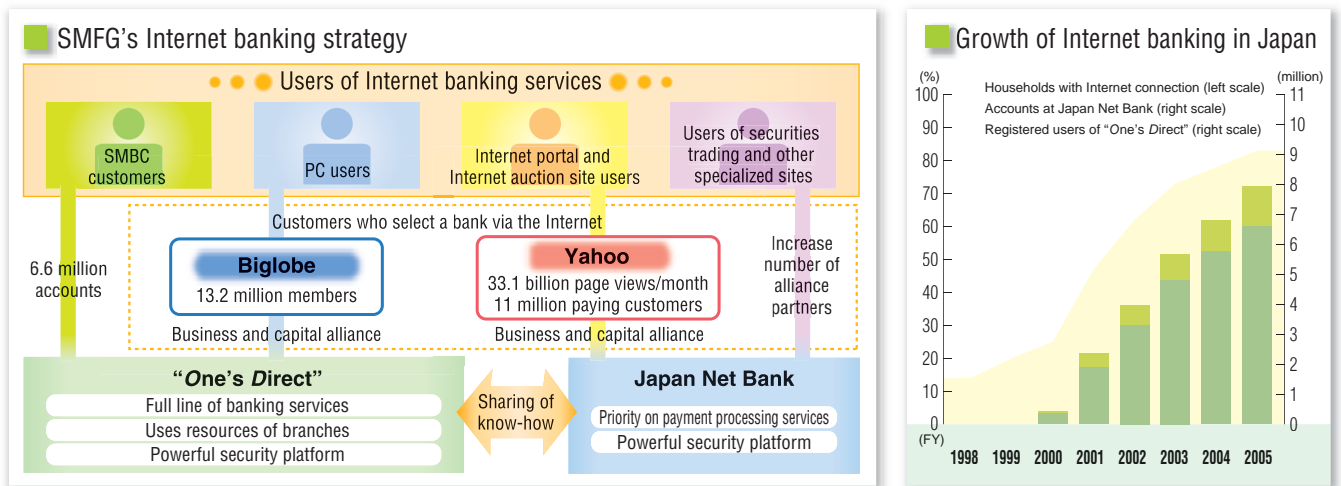
Internet Banking

In March 2006, SMBC, Japan Net Bank (SMBC's Internet banking subsidiary) and Yahoo Japan agreed to form a business and capital alliance. The objective is to create and develop a new type of Internet financial services business by combining the Internet banking business of Japan

Net Bank and the Internet portal business of Yahoo Japan. The agreement was signed in June 2006.

Combining this new business with SMBC's "One's Direct"* and other services, we aim to develop Internet banking into one of our growth business bases by precisely meeting the wide-ranging needs of Internet users.

* An Internet banking service which enables customers to make remittances and deposits, among other services, 24 hours a day. SMBC ranked first in Gomez's "On-line Banking Service Ranking" (in June 2006) and "Mobile Banking Site Ranking" (in May 2006).



New Asset Management Service for Individuals

In March 2006, SMFG decided to make SMBC Friend Securities a wholly owned subsidiary, subject to the approval of regulatory authorities. This will permit greater collaboration between SMBC and SMBC Friend Securities in order to strengthen financial services for individuals. Collaboration will include the joint development and provision of fund wrap services for individuals.

cooperate in services for individuals. This will include the provision by SMBC of "Daiwa SMA," Japan's leading brand in the separately managed account (SMA) market.

Through these collaborations, we plan to further upgrade our financial consulting services and private banking services for individuals. We are committed to meeting the increasingly sophisticated and diverse asset management needs of our customers.

In May 2006, SMBC and Daiwa Securities agreed to

