



Environmental Preservation Initiatives

SMFG and Environmental Issues

Protecting the global environment is one of the most critical issues of our time. In view of the public nature of financial institutions and the social responsibilities they bear, they naturally have a duty to earnestly address the issue of environmental preservation.

SMFG assigns a high management priority to environmental issues. Our Group Environmental Policy sets out the Group's basic action guidelines. We also have a Group CSR Committee which promotes 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, in order 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 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 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
- We actively and effectively conduct environmentally aware management, and make continuous efforts to improve our system for tackling environmental issues, including by setting targets for each business term and reviewing them when deemed advisable
- These policies are published on the Group's website, and are also available in printed form upon request

June 29, 2005
 Teisuke Kitayama
 President
 Sumitomo Mitsui Financial Group, Inc.

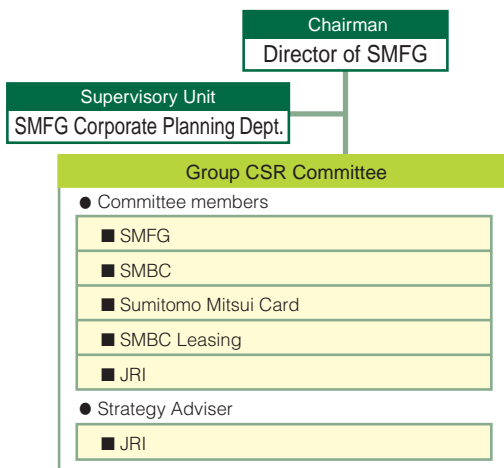
SMFG's Environmental Action Plan

Based on our Group Environmental Policy, we have a three-pronged action plan focusing on:

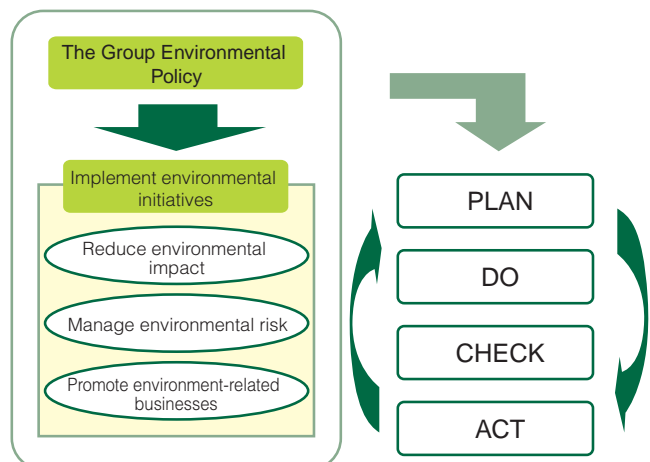
- 1) The reduction of environmental impact
- 2) The practice of environmental risk management
- 3) The promotion of environment-related businesses

The Group CSR Committee systematically follows the PDCA cycle of planning, performing, checking and improving in pursuing environmental activities centered on these three areas. SMBC and JRI have acquired ISO 14001 certification, the international standard for environmental management systems.

Group CSR Committee



SMFG's Environmental Action Plan and the PDCA Cycle



Major Initiatives by Group Companies

| Objectives | Initiatives | SMBC | Sumitomo Mitsui Card | SMBC Leasing | JRI |
|--|--|------|----------------------|--------------|-----|
| Reduce environmental impact | Reducing consumption of energy and paper | | | | |
| | Promoting green purchasing | | | | |
| | Providing training on environmental issues | | | | |
| Practice environmental risk management | Selling items that can be reused | — | — | | — |
| | Proposing policies and measures related to the environment | — | — | — | |
| | Establishing credit rules on companies with high environmental risk | | — | | — |
| Promote environment-related businesses | Providing funds for environment-friendly projects | | — | — | — |
| | Promoting soil decontamination and helping companies apply for ISO certification | | — | — | |
| | Promoting energy-conserving projects, such as ESCOs and ESPs | — | — | | |
| | Providing information (publishing books, etc.) | — | — | — | |

Acquisition of ISO 14001 (Certification for SMBC and JRI)

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

Reducing Environmental Impact

Activities such as energy conservation in the office and reduction of paper consumption directly decrease the environmental impact of business activities.

Aiming for a paperless office

SMBC and JRI are aiming for a paperless office through the use of IT and the implementation of business process reviews. Through the creation of databases, they are computerizing their in-house administrative operations. SMBC has been switching to electronic forms for bank branches. Through these initiatives, the SMFG Group reduced its paper consumption by 80.5% as of March 31, 2006. In addition, SMBC has taken various measures to facilitate easy customer transactions and reduce the bank's consumption of business forms. The bank has set up "MC (Money-Lifestyle Consulting) Stations" at "MC Desks"; offers the "Web Passbook," a virtual bank passbook that allows customers to check their transactions via the Internet; and is promoting the use of the Web21 system of Internet banking for corporate clients.

Reducing Energy Consumption

SMFG sets new targets each year for consumption of energy (mainly electric power) by the Group, and diligently works to meet these targets. SMFG, SMBC, SMBC Leasing, and JRI are also participating in the Team Minus 6% project being promoted by the Japanese government (which aims to reduce energy consumption in 2012 by 6% compared with the base year of 1990). SMBC has adopted Japan Natural Energy Company Limited's Green

Power Certification System to conserve energy and formulate environmental measures. Electricity generated from April 2005 through March 2006 amounted to 932,000kWh.



Environmental Education

Making staff more aware of environmental issues is regarded as a vital part of SMFG's ongoing efforts to reduce the environmental burden caused by the Group's business operations. Year-long staff education programs, including environmental education to acquaint staff with the concepts behind environmental management systems, are pursued through regular classes and e-learning systems.

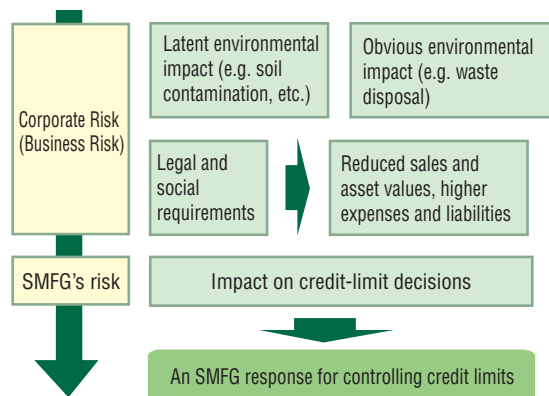


Environmental Risk Management

When the environmental impact of business activities becomes substantial enough, companies face serious adverse effects on their business. Environmental risks involved in the business operations of a borrower company directly affect the credit risk of the lender. Financial institutions therefore need to take such considerations carefully into account when making credit decisions.

SMBC therefore incorporates environmental risk assessments in its credit screening process, and in view of the importance of this factor, in its Credit Policies (a set of regulations governing the bank's lending operations) the bank has clearly stated its stance on environmental risk in relation to collateral taking. Soil contamination risk assessments are mandatory under the bank's regulations for real estate properties put up as collateral that meet certain specified criteria.

Environmental Risks



Promoting Environment-Related Business

SMFG is putting particular emphasis on environment-related business as it is the most effective way for a financial services provider, through its core business operations, to fulfill its corporate social responsibility.

Starting in fiscal 2005, SMBC began regularly holding meetings of the Eco-Biz Promotion Council, whose aim is to oversee the coordination of environment-related business activities carried out by various departments of the bank.

Specifically, the council promotes the marketing of financial products such as: 1) the information service offered since August 2005 to companies operating in Japan with regard to the acquisition of emissions rights (Fig. 1); 2) the *Environmentally Responsible Company Support Loan* offered since February 2006 to provide funds at preferential rates to SMEs with ISO 14001 and Eco-Action 21 certification (Fig. 2); and 3) the *Double Wing*, an SRI (socially responsible investing) investment trust, offered since March 2006 (Fig. 3).

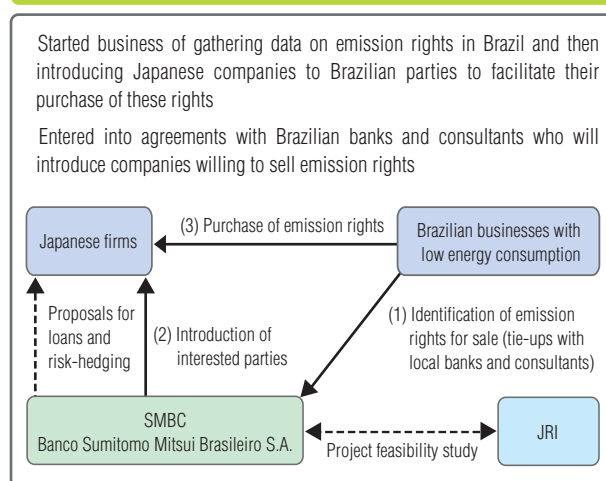
In addition, in November 2005, SMBC concluded an agreement with the Development Bank of Japan regarding the acquisition of the know-how required for rating the environment-related activities of corporate borrowers.

With the support of the Ministry of the Environment, in March 2006 SMBC held the "Environmental Business Networking Event—With Team Minus 6%" (Fig. 4). This was the largest such business networking event held by the bank, with the participation of 1,200 representatives from 550 companies, and 610 business discussions took place.

In December 2005 the bank adopted the Equator Principles with the aim of integrating an environmental assessment system into the bank's credit screening process. In January 2006 an Environmental Analysis Department was set up within the International Banking Unit. The Equator Principles are a set of voluntary guidelines on environmental and social considerations to be observed when conducting project finance operations. To date, 41 financial institutions around the world have adopted these principles.

(Figure 1)

Information Service Relating to Acquisition of Emission Rights (August 2005)



(Figure 2)

Environmentally Responsible Company Support Loans (started Feb. 2006)

Loans to environment-friendly SMEs
These loans are provided at preferential rates to SMEs with ISO 14001 and Eco-Action 21 certification.

(Figure 3)

Double Wing—Investment trust with due consideration to environmental and CSR issues

This investment trust fund was jointly designed by the Next Wing Project Office, within the Consumer Banking Unit's Planning Department, and the female staff of Daiwa Asset Management Co., Ltd.

Funds are invested in six types of assets, including Japanese and overseas equities, bonds, and REITs (real estate investment trusts).

The notable feature of this investment trust is that environmental and CSR considerations are among the criteria for selecting equities.

The fund is marketed to a wide range of customers, including "investment novices," and investors regularly receive investment performance reports featuring easy-to-understand visual elements.

(Figure 4)

Environmental Business Networking Event (March 2006)

The event was aimed at raising customer satisfaction by helping open up new marketing channels in environment-related businesses for the bank's business partners, as well as introducing them to new suppliers and facilitating business alliances.

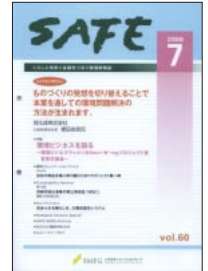
We provided support through business matching services for customers thinking of entering environment-related businesses or incorporating environmental preservation activities into their business plans to raise their corporate value and draw up new management strategies.

The event was attended by Minister of the Environment Yuriko Koike, and a speech was given by Hiroshi Komiya, president of the University of Tokyo. The event, attended by 1,200 representatives from 550 companies, featured 85 booths. Business talks between participants were held on 610 potential deals.



Providing Environment-Related Information
Publication of Environmental Magazine SAFE

SMFG has published this magazine, through which we have been providing environment-related information on a bimonthly basis since 1996. Current circulation is approximately 4,000 copies. Each issue of this publication includes interviews with the top management of companies at the forefront of the environmental preservation movement. It also highlights trends in legal regulations and examines other current topics. The magazine is sent to clients of our Group companies.



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.

Signatory to Carbon Disclosure Project (CDP)

SMFG became a signatory to the Carbon Disclosure Project (CDP) in February 2005. Under the CDP, institutional investors and financial institutions concerned over the issue of climate change cooperate in requesting companies operating on a global scale to submit written reports on their policies and initiatives on environmental issues. The responses received are collated and issued in report form.

Prospective market scale: The Ministry of the Environment estimates the market, which was worth ¥30 trillion in 2000, will expand to ¥58 trillion by 2020.

The bank's customers' needs: More sales channels for environment-related businesses

Background social factors: The Kyoto Protocol to the United Nations Framework Convention on Climate Change is a protocol that came into effect in February 2005. The 2012 target is to reduce emissions of greenhouse gases by 6% compared with the volume emitted in the base year of 1990. Additionally, in Japan, laws have been passed mandating the recycling of electric appliances and promoting the formation of a society based on recycling and the reuse of resources.

Environment-Related Social Contributions

—SMBC's Creative Conservation Club supports the Furano Nature School—

SMBC is supporting the environmental project being pursued by So Kuramoto, a TV and movie scriptwriter, in the city of Furano in Hokkaido. This project involves the replanting of trees by volunteers on one-third of the land of a disused golf

course. Once the area has been restored to its original forested state, fallen leaves will be collected and strewn on the paths. People learn about nature directly through their senses, for instance, by walking along these paths barefoot, identifying the sounds and smells of a forest.



Employees and their families participating in the Furano Nature School in June 2006