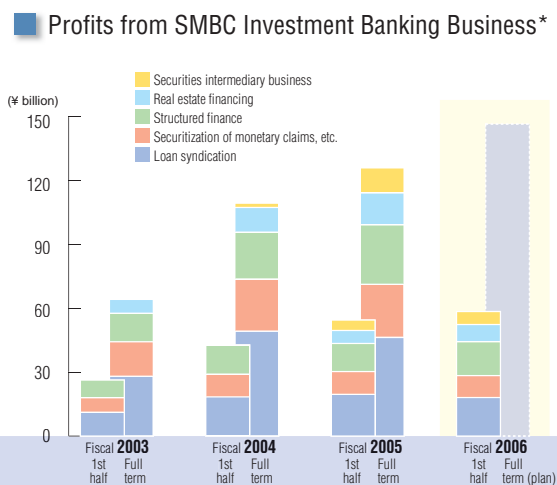


Investment Banking

SMFG uses the resources of SMBC's Investment Banking Unit and other Group companies to provide corporate clients with solutions to their diverse and sophisticated management issues, such as financing, asset management, M&A, risk hedging, and settlement. In every case, the highest priority is placed on providing solutions best suited to increasing corporate value for clients.

Backed by our expertise in these main investment banking activities, SMFG offers the highest caliber of services in Japan. For example, SMBC has staff skilled in structured finance, loan syndications and other fields. Clients can also benefit from the expertise of Daiwa Securities SMBC Co., Ltd. in stock and bond underwriting, M&A advisory services and other fields. Innovation in investment banking further distinguishes SMFG due to its commitment to, and track record in, developing new products and starting new businesses. SMFG is determined to continue meeting customers' expectations through the speedy provision of value-added services.



Topics

Synthetic ESOP

SMBC has developed a financial instrument named "Synthetic ESOP" (employee stock ownership plan) based on similar systems in the U.S. for employee retirement benefits. In this system, the method of securitization is employed for two purposes: firstly, to ensure a consistent supply of shares for ESOP members over the long term; and secondly, to strengthen the role of employees in corporate governance. As an unprecedented concept in Japan, SMBC's Synthetic ESOP has earned high marks from customers.

Mezzanine Finance

Demand for mezzanine finance, such as preferred stock and subordinated loans, is growing as a result of customers seeking to change their capital structure, as well as higher financing needs for buyouts accompanying the growth in the M&A market. SMBC is an active participant in the mezzanine finance market, primarily through a mezzanine fund established jointly with the Development Bank of Japan.

International Banking

Primarily through SMBC's overseas network, SMFG serves corporate clients with global operations, working in close cooperation with other Group companies and alliance partners to accommodate specific requirements without being limited by geographic restrictions. We have also drawn up a strategy for proactively capitalizing on business opportunities in emerging markets.

In Asia, we are working to provide even more closely tailored services to support Japanese corporate customers expanding their operations in growing economies such as China and Vietnam. In North America, we are strengthening our business relationships with major players in the U.S., while acquiring greater expertise in cutting-edge financial technology. In addition to the longstanding member countries of the E.U. in Western Europe, we are extending our business operations into Central and Eastern Europe, not to mention Russia, as well as in neighboring regions such as the Middle East. In this way, we aim to provide services globally in order to fully satisfy our customers' requirements.



View of Shanghai

Topics

Expansion of Service Network

SMBC seeks to strengthen its service network by opening specialized branches that target the specific characteristics of each market. Viewing Italy as a promising market for structured finance products, Sumitomo Mitsui Banking Corporation Europe Limited opened a branch in Milan in October 2006. In addition, SMBC is preparing to open a branch in Dubai in March 2007, as well as representative offices in China in the Binhai New District of Tianjin and in the Suzhou Industrial Park in the city of Suzhou, Jiangsu Province.

Establishment of China Division

SMBC has established a China Division, and within this division it has created a Planning Department with the aim of unifying oversight of operations in China. The two new units will allow SMBC to respond even faster to deregulation, market liberalization and other events in China's rapidly growing markets. Through these organizational changes, the bank expects to achieve even higher levels of customer satisfaction through the provision of products and services that meet specific needs, as well as the further reinforcement of risk management and compliance systems.

Support for Customers Starting Overseas Operations

During the six-month period under review, we signed a memorandum of agreement with Amata Corporation, a leading manager of industrial estates in Thailand, and are inviting Japanese companies to set up operations in industrial estates in Thailand and Vietnam. This is just one of the ways in which we provide support to Japanese enterprises in their efforts to open factories and other business bases overseas.

Treasury Markets

SMFG aims to provide its clients with world-class support services for their market transaction needs through the Treasury Unit of SMBC. The Treasury Unit undertakes operations in the money, foreign exchange, bond, and derivatives markets. Based on a careful evaluation of each client's needs, we design financial products and services that deliver optimal value-added solutions.

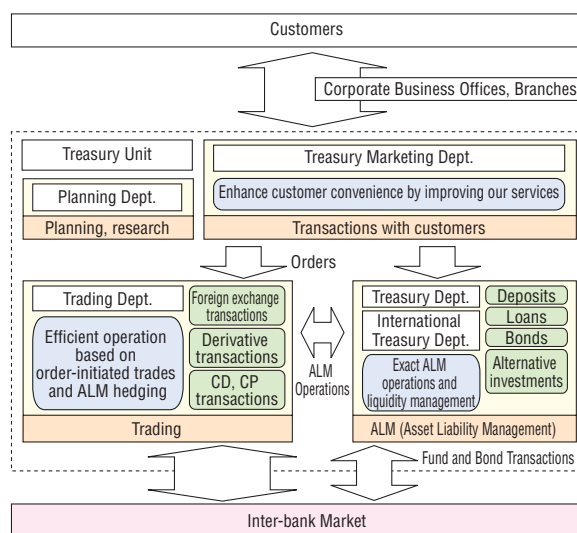
The Treasury Unit focuses on expanding transaction volume, strengthening ALM operations and diversifying fund management channels through the accurate assessment of domestic and overseas market trends to further strengthen profitability, while effectively managing risk.

The Treasury Unit will continue working to fulfill all our

customers' market transaction needs by providing comprehensive support services of the highest level.

Through its asset liability management (ALM) and trading operations, the Treasury Unit strives to control market and liquidity risks while maximizing earnings. To do this, it uses an expanded array of investment techniques, including alternative investments, leading to a more diversified investment portfolio and increased arbitrage investment opportunities.

We will continue to pursue optimal capital allocation with a level of risk exposure appropriate to market conditions, with the aim of securing stable profits.



Topics

Expanding Support Systems to Meet User Needs

To further increase customer convenience, SMBC periodically enhances the functions of *i-Deal*, a system that allows customers to conclude foreign exchange contracts and other transactions over the Internet.

We are responding promptly and effectively to the diversification of our customers' needs by such means as expanding our systems for providing foreign exchange risk hedging to customers engaging in large-scale capital transactions such as M&As, and our system for promoting Asian business for Japanese clients through our offices in the ASEAN nations, Hong Kong, and Shanghai.

Diversified Investment and Efficient Use of ALM

The Treasury Unit has been utilizing alternative investments, in addition to derivatives linked to interest rate and foreign exchange movements, thereby diversifying and expanding our menu of investment options. The Treasury Unit also effectively employs ALM operations in response to market movements.