

Helping Shape a New Era



Currently, mankind faces a range of social problems, of which the most important on a global scale is environmental protection, in particular prevention of global warming and maintenance of biodiversity.

However, environmental protection is not the only challenge. For example, Japan faces demographic change of a unprecedented kind—a falling birth rate combined with an ever increasing elderly population—which together are creating new problems.

Against this backdrop, what kind of services should a comprehensive financial group such as ourselves offer to resolve social problems, and what contribution should we make to help shape the new era? Here we report on our initiatives in four priority areas: (1) Creation of a low carbon society, (2) Maintenance of biodiversity, (3) Socializing the benefits of research at universities and other institutions, and (4) Measures to deal with a super-aging population.

(1) Creation of a low carbon society

The need for financial institutions to address environmental issues

SMFG regards environmental protection as an area where a comprehensive financial group can effectively bring its various roles to bear and perform its social responsibilities through its core business operations. While pursuing its commercial operations, the Group has designated environmental businesses as channels through which it can best contribute to society and the global community. For example, the Groupwide cross-organizational Eco-Biz Promotion Council (centered on SMBC) has met regularly since fiscal 2005, developing advanced and effective products and services for protective and remedial measures for the global environment.

◆ Products and services for environment-friendly businesses

Financial intermediary role

●Fostering and supporting environmental businesses

- SMBC-ECO Loan
- Global ECOBIZ Assist
- Environmental advisory services
- eco japan cup

●Carbon-credit related businesses

- Introduction of purchasing of carbon credits
- Small-lot carbon credits purchase service
- Carbon-neutral leases

●Eco-products/services for individuals

- Carbon-offset mortgage loans
- Carbon-offset JGBs
- Web Meisai (online monthly statements)

PR role

- Publishing SAFE environmental magazine
- Arranging environmental seminars and hands-on environmental events
- Environmental business matching
- Issuing CSR reports (disclosure)



Financing for Environmental Protection

SMBC SMFL JRI

In partnership with Japan Research Institute (JRI) and other Group members, SMBC makes available various forms of environmental financing, to expand funding to customers that show environmental or social concern. Particular emphasis is laid on support for environmental initiatives by SMEs. Sumitomo Mitsui Finance and Leasing (SMFL) also encourages installation of environmental and energy-saving facilities at customers through its leasing operations.

◆ Environmental financing: total commitments

		FY2007	FY2008
SMBC	Loan products* for environmental businesses	¥20.6 billion	¥36.1 billion
SMFL	Leasing for environmental and energy-saving facilities/equipment	¥10.4 billion	¥10.5 billion

* SMBC-ECO Loan and SMBC Environmental Friendliness Assessment Loan products

◆ ECO Loan products

●KES Support Loan (December 2007)

Local ECO Loan offered with non-profit organization

The KES Support Loan, a Business Select Loan-type product offered in conjunction with the non-profit KES Environmental Organization, is provided to companies that have qualified for and obtained KES Environmental Management System Standard certification. In addition to the reductions on loan interest rates of 0.5% under the SMBC-ECO Loan program, recipients have commissions reduced.

●Eco value up (October 2008)

Joint ECO Loans arranged with major companies for their suppliers

Eligibility for this reduced-rate loan depends on acquisition of environmental management certification, not only by third-party organizations but also under large companies' proprietary standards when the borrower is a company in their supply chain. As a first step, this new loan is being offered to companies that have been certified under the Fujitsu Group Environmental Management System. Eligible borrowers can get a reduction of up to 0.25% on loan rates (up to 0.5% with SMBC-ECO Loans).

◆ SMBC Environmental Friendliness Assessment Loan (October 2008) / Private placement bonds (June 2009)

Funding conditional on appraisal of borrowers' environmental track record

Terms of this loan depend on the results of an assessment of a company's environment-friendliness using standards prepared by JRI. After the assessment, JRI notifies the borrower of its basic judgment of areas where the company's environmental management can be further improved. This enables the customer to identify future environmental problem areas, and also helps promote the company's environmental image.

Support for environmental venture businesses

SMBC SMFL JRI

The scale of the environmental business sector in Japan is expected to total over ¥100 trillion in 2015. Identifying and nurturing promising businesses is one of the most important roles of financial institutions, and they are also irreplaceable as providers of support for environmental businesses. In addition to environmental financing activities, SMBC, SMFL and JRI jointly organize the eco japan cup, a contest aimed at identifying and fostering "seed" environmental businesses of the future, and other initiatives such as environmental business matching.



◆ **Round-table session: “A Grassroots Green New Deal”**

The Green New Deal movement, considered a platform for environment- and energy-centered economic policymaking, is spreading around the world. Looking beyond the short-term need to spur recovery and employment, what measures are needed on the business frontlines to achieve the long-term goal of nurturing new enviro-businesses to support the Japanese economy?

To answer this, on March 12, 2009, we organized a round-table session titled “Frontline opinion on environmental businesses: A Grassroots New Green Deal,” with a panel of eco japan cup* prizewinners.



*The eco japan cup is a contest, jointly organized by SMBC with the Ministry of the Environment, the Ministry of Internal Affairs and Communications, Development Bank of Japan Inc. and Environmental Business Women, designed to identify and nurture promising environmental business plans, art works and other initiatives. We are also encouraging participating companies to form partnerships with industrial and academic organizations. In this way, we plan to continue staging such events to create a “gateway” to success in environmental businesses.

Source: *Green New Deal, Perfect Review*
 Author and editor: Takejiro Sueyoshi, United Nations Environment Programme Finance Initiative special adviser
 Kankyoshimbunsha Co., Ltd., June 2009

Event participants and excerpts of discussions

Fumi Miyata (Annex Co., Ltd., Gobaimidori Division)

“For example, green businesses should be subject to diversified appraisals, in terms of their impact on people and scenery, contribution to energy-saving through the cooling effect of greenery, biodiversity and other green performance yardsticks. It is necessary to create a framework for long-term business nurturing.”

Tetsuyuki Murai (Environment Consulting Organization)

“The ultimate purpose of the Green New Deal policy should not be to create employment, but to bring about the shift to a low carbon society. We should create a working framework of global appeal, starting with small breakthroughs and developing these nationwide, with industry, government, academia and ordinary citizens uniting in this endeavor.”

Michihiko Iwamoto (JEPLAN Co., Ltd.)

“We started our business to help foster emergence of a zero-waste society, but as things stand, legal obstacles are blocking our progress. Take the example of textile products. Without simple over-the-counter recovery procedures, return of raw materials is not possible. I would ask particularly that local government supports businesses that produce locally, for local consumption.”

Takeshi Hori (PICO ADA Co., Ltd.)

“There is no system for appraisal of energy-saving technological capabilities, and there are many cases in which the value of technology capabilities for manufacturing environmental products goes unrecognized. I believe it is necessary for suitable standards to be created for household and commercial consumption volumes of water, electricity and gas.”

Yuko Sakita (Environmental Business Women)

“The notion of building a prosperous next-generation economy primarily around environmental protection has given strong momentum to those involved in environmental businesses. We need to create a pathway toward a new future harnessing environmental technologies and ideas while changing people’s lifestyles.”

Promotion of carbon credit businesses



In fiscal 2005, SMFG began promoting its carbon credit* business. To contribute to reduction of the greenhouse gases and prevention of global warming worldwide, we have strengthened our ability to identify projects

that meet customers’ diversifying needs with regards to carbon credits. In addition to the conventional Kyoto mechanism for carbon credits, we are also participating in a national offset scheme, which encourages a flow of funding within Japan.

◆ **Carbon offsets with year-end gift-giving**

● **Support for Aeon in buying carbon credits**

Based on its environmental policy compiled in August 2008, Aeon Co., Ltd. is implementing a carbon offset program jointly with its business partners for the delivery of year-end gift-giving (oseibo). SMBC has provided Aeon with support for carbon credit purchases in an amount equivalent to the carbon emission volume at the time of delivery (Aeon continued this initiative in the 2009 summer gift-giving season as well).



◆ **Climate & Children Supporters**

● **Tackling cause and result in environmental issues**

Food retailer Radishbo-ya Co., Ltd. and Sony Bank Inc. have purchased carbon credits through SMBC, the former to offset carbon dioxide emitted during delivery activities, and Sony Bank to support customers with environmental investment trust products in their environmental activities. In addition to using carbon credits for global-warming initiatives, the two companies also participate in SMBC and UNICEF’s joint Climate & Children Supporters program, aiding children in developing countries affected by disasters due to global warming.



◆ **Carbon offsets for carpet tile maker**

● **Support for carbon credit procurement by Kawashima Selkon Textiles**

In April 2008, Kawashima Selkon Textiles Co., Ltd. launched the textile sector’s first carbon-offset initiatives with the sale of environment-friendly carpet tiles. By recycling these products, the company has reduced its carbon dioxide emissions by approximately 18%*, and at the same time, by purchasing carbon credits, it offsets 32%* of its carbon emissions. As a result, Kawashima Selkon Textiles has halved carbon dioxide emission volumes given off by its carpet production processes.



*For Color Bank Multi carpet tiles

◆ **Carbon neutral lease for data-storage facilities**

● **Launch of eco-rental operations by EMC Japan K.K.**

In September 2008, the Japanese unit of the world’s largest data-storage company, EMC Corporation of the United States, launched the EMC eco-rental program in partnership with SMFL. When EMC storage facilities are rented, carbon credits equivalent to the volume of carbon dioxide emitted by storage systems are allotted for the systems.

* Carbon credits are also referred to as “Kyoto credits,” “emission allowances,” and “Certified Emission Reductions.” In this report, we use “carbon credits” to refer to these and the other concepts recognized under the Kyoto Protocol.

Helping Shape a New Era

(2) Maintenance of biodiversity

SMBC SMFL JRI

Along with global warming, maintenance of biodiversity is a worldwide problem shared by all mankind. The Group believes that channeling funding to businesses that help to uphold biodiversity is one of the important roles that financial institutions can play in helping to shape the new era.

To support companies that have been awarded prizes in the eco japan cup contest, the Group has forged alliances with industry and academia to encourage businesses that protect community woodland. We intend to continue supporting such initiatives in future.



Community woodland care

Meanwhile, in a further biodiversity initiative, SMBC in 2005 adopted the Equator Principles, which are a set of guidelines for managing social and environmental impacts related to the financing of large-scale development projects.

◆ Seminar report: Seminar on corporate green space: Sustainable corporate activities and green space for biodiversity

Ahead of the 10th Conference of the Parties to the Convention on Biological Diversity (COP 10) to be held in Nagoya in 2010, the Group plans to organize biodiversity seminars on an ongoing basis in partnership with other businesses. In March 2009, SMBC organized the first such seminar in Nagoya. Representatives of companies involved in corporate greening activities, and



Some 80 people from enterprises and government organizations attended the event, which was oversubscribed.

corporate greening consultants and other experts, were invited to the podium and panel, to give speeches on and discuss their initiatives.

Attendees

Coordinator

Makoto Haraguchi
(InterRisk Research Institute & Consulting, Inc.)

Panelists

Yoriyuki Yamada (Kajima Corporation)
Hiromi Ikegami (Toyota Motor Corporation)
Makoto Kaga (Sony EMCS Corporation)
Ichiro Nomura (Daido Steel Co., Ltd.)
Toshiya Ito (Sumitomo Forestry Landscaping Co., Ltd.)
Koji Sato (Sumitomo Mitsui Banking Corporation)

(3) Socializing the benefits of research at universities and other institutions

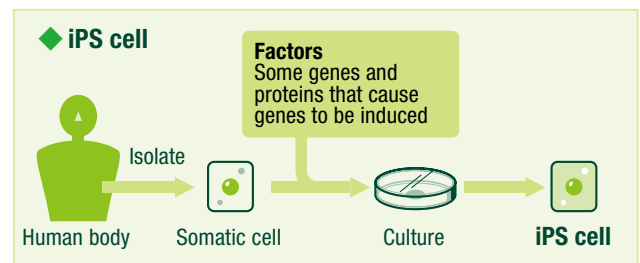
SMBC

The Group believes it is essential to transfer technology to industry to enable the channeling of the benefits of academic research back into the community. To encourage this process, it is extremely important to strengthen intellectual property management and usage frameworks. A case in point is SMBC's backing for commercialization of induced pluripotent stem (iPS) cell research, through which it is channeling the fruits of research into the community and contributing to society.

What is iPS cell research?

In a process created by Professor Shinya Yamanaka and his colleagues at Kyoto University in 2006, iPS cells are a new kind of stem cell based on reprogramming of human adult cells. They are termed pluripotent (multifunctional) due to their potential for generating any kind of cells for, in theory, any part of the body from the nervous system to the heart.

If technology can be established enabling iPS cells to be taken from the patient, benefits will include the possibility of transplants without rejection. iPS cells hold out high promise in areas such as a regenerative medicine, new drug development and pathology.



Background

Meanwhile, in iPS cell research too, awareness has grown of the need to create specific mechanisms to transfer technologies to industry and ensure the benefits are enjoyed by society at large. In that connection, in June 2008, SMBC teamed up with Kyoto University, Daiwa Securities Group Inc., NIF SMBC Ventures Co., Ltd. (now Daiwa SMBC Capital Co., Ltd.) to set up the preparatory company iPS Holdings and iPS Academia Japan, Inc., which handles intellectual property (IP) management and applications. Through its multifaceted support in terms of funding and marketing know-how for these two companies, SMBC aims to help commercialize the successes of iPS cell research.

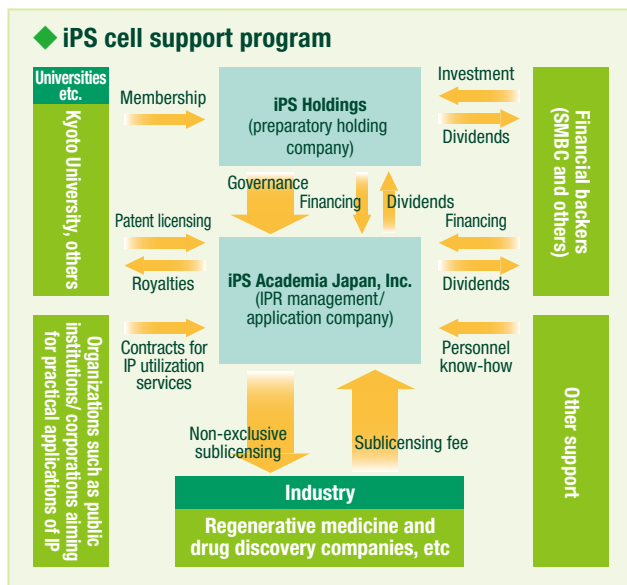
Through its intermediary role enabling the benefits of academic research to flow into industry in a win-win partnership, the Group is proud to be contributing to medical and scientific progress on the road to a more sustainable society.

Measures for commercialization

In March 2009, iPS Academia Japan Inc., handling iPS cell intellectual property management and applications, signed its first patent license agreement relating to the technology since its establishment. This was also the first time Kyoto University had signed such an agreement in Japan, and formed the first step in its program of transfer of technology to the business world.

Adoption by commercial companies

As of April 2009, ReProCELL, Inc. and Takara Bio Inc. have been developing iPS cell businesses under licensing. ReProCELL, which aims to develop iPS cell-based treatment applications, has begun new drug development in addition to launching sales of cardiac muscle cells based on iPS cells. Takara Bio, which handles genetic treatments, is now manufacturing and marketing test drugs for research and conducting research on an outsourcing basis.



(4) Measures to deal with a super-aging population

SMBC SMCC FRIEND

By 2050, 35% of the population of Japan will be 65 years old or over.* An aging population is an issue for many countries, but Japan is set to be the first nation in the world to experience a demographic structure in which over 20% of the population is 65 or over.

This situation requires measures to ensure more easily accessible services for the aged, so as to cater to the needs of all customers. At SMBC, we have responded to this issue in hardware terms in the 1990s by installing ATMs that can be operated by the disabled, and opening a barrier-free branch in 2006 in Chigasaki. In recent years, we have also taken steps to improve staff services too, with deployment in all our

branches of Service Care Attendants trained to anticipate customer needs. Over 1,200 members of our staff have obtained this qualification (March 2009).

Future plans include consideration of not only better customer reception but also adoption of “universal design” and “universal service” principles in all our products and services.

*Estimates for Japan’s population in the year 2050 from National Institute of Population and Social Security Research

◆ Report on Roundtable Session What “universal services” are banks expected to provide?

What can banks do to make their services more accessible to the disabled and the elderly? These questions were discussed at a seminar held by SMBC on February 26, 2009.

After Shigeki Inoue of Hakuodo Inc. discussed the current global trend toward “universal design” and “universal services,” briefings were given regarding initiatives undertaken by Shonan Block and various individual branches.



Participants and excerpts from panelist comments

Shigeki Inoue (Hakuodo Inc.)

“I believe it is essential for corporations in an aging society to improve services to provide more value derived from new perspectives, based on a commitment to the happiness to the customer.”

Keiichi Tanaka (Japan Consulting Institute for the Betterment of Retail-Businesses)

“Recently, even regional banks have begun to adopt the perspectives and show awareness of “universal services”—that is, taking the customer’s viewpoint.”

Shinichiro Takiguchi (General Manager, Shonan Block)

“I decided to introduce qualifications for Service Care Attendants to foster a more caring attitude to others, and now staff have begun to come up voluntarily with initiatives.”

Seiji Morohara (Koganei Branch)

“We are taking steps to offer more accessible services after being impressed by a question from an elementary school student brought to our branch on a field trip, who asked if the bank is nice to its customers.”

Yoko Yoshida (Kojimachi Branch)

“In the past, we were unsure whether or not we were responding adequately to the needs of the disabled, but after training, we are now able to advise such customers with a natural smile.”

Keiko Nomura (Nakano Branch)

“Because slips for time deposits and ordinary deposits are easily mixed up, we have made wording on pad racks much clearer.”