

Environmental Activities

Performance in fiscal 2008 and measures for fiscal 2009

Policy	Performance in fiscal 2008	Measures for fiscal 2009
<p>Initiatives through core operations (promotion of environmental businesses, environmental risk measures, etc)</p> <p>Initiatives as a good corporate citizen (reduction of environmental impact, external awareness-raising activities, etc)</p> <p>Awareness-raising among employees</p>	<ul style="list-style-type: none"> Won Fuji Sankei Communications Group Prize for excellence in developing advanced environmentally responsible products and services Won Nikkei Veritas Award for Superiority in the 2008 Nikkei Superior Products and Services Awards, for sales of JGBs to individuals with environmental protection provisions Developed environment-friendly financial products (with total value of ¥36.1 billion) Promoted leasing business for environmental and energy-saving facilities Expanded carbon-credit trading business (utilizing the national offset scheme, and taking intermediary roles, etc) Sponsored eco japan cup contest, cooperation with international environmental exhibitions Organized biodiversity seminar Published environmental magazine SAFE Environmental risk-based credit-screening (publicizing environmental regulations, etc) Encouraged the "visualization" of environmental impact 	<ul style="list-style-type: none"> Strengthen relationships in environmental area (among Group companies, and through alliances with industry and academia) Strengthen environment-friendly financial product development (total target amount: ¥55.0 billion) Promote leasing business for environmental and energy-saving facilities Expand carbon-credit trading business (utilizing the national offset scheme, and launch of trading operations, etc) Sponsor eco japan cup contest Respond to biodiversity issues (including possible establishment of a financing program) Expand activities overseas (other Asian countries) Environmental risk-based credit-screening (including possible compilation of environmental risk checklist) Encourage the "visualization" of environmental impact (including measures for amended Act on the Rational Use of Energy)

The Group Environmental Policy

- 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.

SMFG is a signatory to the "Statement by Financial Institutions on the Environment and Sustainable Development" of the United Nations Environment Programme (UNEP) and participates in the national movement "Team Minus 6%," which is sponsored by the Japanese government.

Three Pillars of Group's Activities

SMBC SMCC SMFL JRI FRIEND

The three pillars of our environmental action plan are to "reduce environmental impact," "manage environmental risk," and "promote environmental businesses." The Group CSR Committee systematically sets environmental objectives for various activities and follows the PDCA (plan, do, check, and act) cycle in these environmental activities. SMFG and principal Group companies (SMBC, Sumitomo Mitsui Card, SMFL, JRI and SMBC Friend Securities) have obtained ISO 14001 certification, the international standard for environmental management systems. In 1998,

SMBC became the first Japanese bank to obtain such certification.

Reducing environmental impact

SMFG sets objectives each year for the reduction in its use of electric power and other sources of energy and is actively engaged in reaching these energy conservation goals. We carry out "Is conservation visible?" campaigns to lower energy use along with autonomous energy-use reduction efforts. In addition, SMBC has made its Head Office "carbon neutral" through the procurement of "green" sources of energy and purchases of carbon credits. Moreover, Sumitomo Mitsui Card has attained carbon neutral status for its Osaka Head Office, and SMFL has reached this status for its Tokyo Head Office, both through the purchase of carbon credits.

Estimated SMBC energy consumption (electricity, utility gas) (t-CO₂)

	FY2005	FY2006	FY2007	FY2008
Four head office buildings	11,984	11,863	11,761	11,045
Other	92,929	91,266	91,424	91,021
Total	104,913	103,129	103,185	102,066

Basis for estimation: domestic energy and utility gas consumption (based on volume consumed and energy expenditures). CO₂ emissions figures used are 0.418 for electricity (TEPCO guideline figure, fiscal 2008) and 2.08 for utility gas (Law Concerning the Promotion of Measures to Cope with Global Warming).

Managing environmental risk

To deal with the risk that land or assets pledged as collateral by borrowers may be contaminated or contain asbestos, SMBC requires contamination risk assessments meeting certain criteria. When the risk is judged to be high, the assessed value of the potential risk is subtracted from the value of the collateral. SMBC has also adopted the Equator Principles, which are a set of guidelines for financial institutions to conduct assessment and management of social and environmental impacts related to the financing of large-scale development projects. The Environment Analysis Department (EAD) has established its own internal procedures for social and environmental risk assessment in accordance with the Equator Principles, and the EAD continually updates its risk assessment operation. Meanwhile, SMFL appropriately remarks or disposes of off-lease items using electronic manifests.

Environmental Activities

■ Environmental businesses

Please see Pages 7 and 8, Special Feature: Creation of a low carbon society, and page 24, Environmental Initiatives by Group Companies, for an overview of our basic approach and initiatives in this area.

Environmental Business Topics for Fiscal 2008

SMBC SMFL JRI

● SMBC receives Fuji Sankei Global Environmental Award

At the ceremony for the 18th Global Environmental Awards, sponsored by the Fuji Sankei Group, SMBC received the Fuji Sankei Communications Group Prize for excellence in developing advanced environmentally responsible products and services. This was the first time a major bank has received this award, which is one of Japan's most prestigious honors in the environmental field.

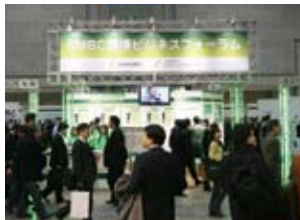


Award ceremony



● SMBC Environmental Business Forum in Eco-Products 2008

In partnership with SMBC Consulting, SMFL and JRI, SMBC held the SMBC Environmental Business Forum in Eco-Products 2008, one of Japan's largest environmental exhibitions. Forty-three SMEs that are SMBC customers set up booths. The business-matching service arranged a total of 540 matches for environmental businesses during the forum. Our customers also conducted presentations to explain their most advanced environmental initiatives, and university researchers explained the results of their studies. Going well beyond the normal scope of an exhibition, the SMBC Environmental Business Forum attracted some 2,000 visitors over the three days.



SMBC's booth



The business-matching attracted hundreds of companies.



A stakeholder seminar

● Eco-Products International Fair 2009

The Fifth Eco-Products International Fair 2009 took place in March 2009 in the Philippines. SMFG President Teisuke Kitayama chaired the preparations committee and assisted in the operation of the fair.

This international fair is held every year for the purposes of contributing to the growth of environmental businesses in the Asia-Oceania region and making these businesses more competitive. In 2009, 36 Japanese companies took part along with 128 companies and associations from the Philippines, Singapore and Malaysia, setting a new record for participation. More than merely a business exhibition, the fair was an international conference that brought together government representatives, including ministers, and prominent members of the academic and business communities—key front-line players in politics and economics.



President Kitayama explains SMBC's environmental programs to President Arroyo.



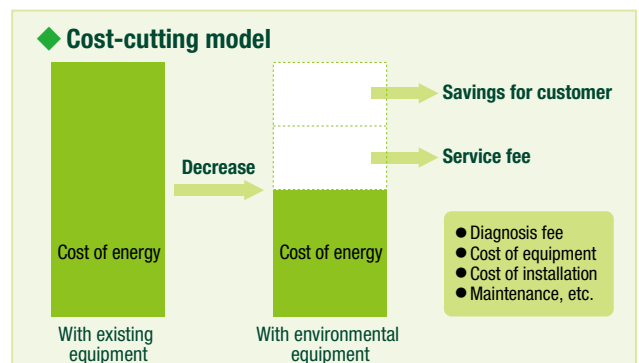
The second-day conference

At the second-day conference, with the theme of "the environment and the finance sector," SMFG President Kitayama was among the panelists, and Eiichiro Adachi, Head of ESG Research Center, JRI, was involved in the coordination of the event.

● Preparing for the amended Act on the Rational Use of Energy

There are signs of increased capital investment in environmental and energy conservation measures ahead of the entry into effect of the amended Act on the Rational Use of Energy in April 2010.

SMFL is offering customers comprehensive energy-saving proposals centered on methods for lowering energy-consumption levels. It also provides leases for environment-friendly and energy-saving equipment that cuts greenhouse gas emissions and saves energy. It is involved in promotion of energy-saving through Energy Service Company (ESCO) leasing, and provides extensive advice on legally mandated environmental reporting. Leasing eliminates the lump-sum initial investment required for equipment purchases, and the leased equipment reduces emissions, energy consumption and operating expenses from day one.



◆ Environmental Initiatives by Group Companies

Type	Initiative	Details	By
Corporate	Publication of environmental magazine SAFE	Started in 1996, this bimonthly magazine contains interviews with top management of companies that are environmental leaders, information on environmental regulations, analyses of business trends and other useful information for corporate environmental activities.	SMFG
	SMBC ECO-Loan	This loan offers reductions on loan interest rates of up to 0.5% for SMEs with environmental management systems certified by any of more than 20 sources, including certification systems of NPOs and local governments. In October 2008, the <i>SMBC-ECO Loan eco value up</i> was added to include environmental certification systems of large companies, to support a broader range of corporate environmental activities. Loans extended: Approximately ¥47 billion to 800 companies (as of March 31, 2009)	
	SMBC Environmental Friendliness Assessment Loan	Terms and conditions of this loan depend on the results of an assessment of a company's environmental friendliness using standards prepared by JRI. Once the loan is provided, JRI submits a simplified diagnosis sheet to notify the borrower of the assessment results. Loans extended: ¥18.5 billion to eight companies (as of March 31, 2009)	
	Global ECOBIZ Assist	This program supports the globalization of Japanese companies with environmental technologies by offering preferential fees and interest rates on loans for international trade. It offers these to midsize and SME companies that develop and manufacture equipment related to water, waste materials, new energy, the atmosphere, energy conservation and other areas (soil pollution remediation, greening, recovery of natural areas, etc).	
	Carbon-credit related business activities (matching, advisory, trust and consulting activities)	SMBC serves customers with needs involving carbon credits by using overseas offices, trust functions and other resources to offer products and services such as introduction of sellers in developing countries, advisory service to support transactions, trust products, and financing. SMBC established a consulting company in Brazil to assist in the creation of Clean Development Mechanism (CDM) projects.	SMBC JRI
	Carbon credit trading	SMBC started direct purchases and sales of carbon credits in June 2009.	
	Assistance in using the domestic credit system	SMBC and Group companies are working on a program for assisting emission reduction activities by using the domestic credit system that began in October 2008.	
	Climate & Children Supporters	SMBC and UNICEF started this donation program to provide water and a healthy living environment for children in a developing country suffering from the effects of global warming. As a measure to combat global warming, participating companies buy carbon credits.	See page 8
	Eco-Products International Fair	At the fifth (March 2009) fair, SMFG president Teisuke Kitayama chaired the planning committees and oversaw various activities. He will have the same role at the 2010 fair.	See page 23
	eco japan cup	This is a contest for selecting companies that have practical environmental technologies and ideas. SMBC gives assistance to those venture companies jointly with Japanese universities and thereby provides support for their R&D activities.	See pages 7-8
	SMBC Environmental Business Forum	SMBC and SMBC Consulting Co., Ltd. jointly held multifunctional events at Eco-Products 2008. This forum combined many types of event, including environmental seminars and business-matching events.	See page 23
	Carbon-neutral leases	Started in August 2007, this is a new service that renders the greenhouse gases released by leased assets neutral through the allocation of carbon credits to these assets. The goal is to provide more support to companies that protect the environment through their own activities.	
	Consulting business for the amended Act on the Rational Use of Energy	SMFL is enhancing environmental advisory services for companies in response to the enactment of Japan's amended Act on the Rational Use of Energy. This includes comprehensive energy conservation proposals that utilize leases.	See page 23
	Individuals	Environmental advisory business	This business is involved in many projects centered on waste treatment and energy. The objective is to combat global warming and support the growth of environmental companies by creating new businesses.
Consulting for construction of Tianjin Eco-city in China		JRI is providing consulting services for a national project near Tianjin, China, to construct an environmentally-friendly city, based on the concept of harmony with the environment, including conserving, recycling and efficient use of resources. This is the first project of its kind in China.	JRI
Environmental campaign using JGBs for individuals		SMBC has been conducting environmental campaigns for every issue of these bonds since June 2008. Starting with the "Fight Global Warming Campaign," for each purchase, SMBC purchases a certain carbon credit and gives the credit to the Japanese government. SMBC also carried out a tree-planting campaign with the cooperation of an NPO, and an "energy of the future" campaign.	SMBC
Carbon offset mortgage loans		Between April and September 2008, SMBC conducted a campaign targeting customers who purchased an environmentally responsible house with loans provided by SMBC. For each household, SMBC purchased a one-ton carbon credit and then gave the credits to the Japanese government.	
Web Meisai Eco-Toku Campaign		By December 2008, over a million people had joined this campaign to cut paper use by distributing credit card statements online.	SMCC

◆ SMBC environmental financing (Japan)

	FY07, ¥ bn	FY08, ¥ bn
For corporate/ environmental businesses	159.8	188.8
Of which environment-related loans	20.6	36.1
For individuals	30.9	38.6
Total	190.7	227.4

1. "Corporate/environmental business" refers to loans provided to environmentally conscious companies, in accordance with OECD guidelines.
2. "Individual" refers to loans for environmentally-friendly housing. Criteria are reviewed on an ongoing basis.

◆ External recognition

- 2007:** Banco Sumitomo Mitsui Brasileiro was runner-up in the 2007 FT Sustainable Banking Award (Achievement in Carbon Finance).
- 2008:** SMBC received the Nikkei Veritas Award for Superiority in the 2008 Nikkei Superior Products and Services Awards, for its "Fight Global Warming Campaign" in which part of the earnings from the sale of JGBs for individuals was used to purchase carbon credits.
- 2009:** SMBC received the Fuji Sankei Communications Group Prize for excellence in the 18th Global Environmental Awards.