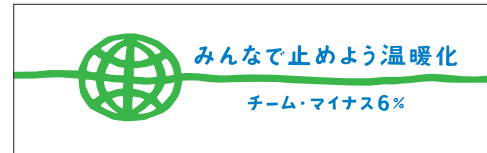


# Environmental Preservation Initiatives

The Group recognizes environmental preservation to be one of its most important management issues. Based on our Group Environmental Policy, we are implementing initiatives to preserve and achieve harmony with the natural environment in our corporate activities. 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.



## 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

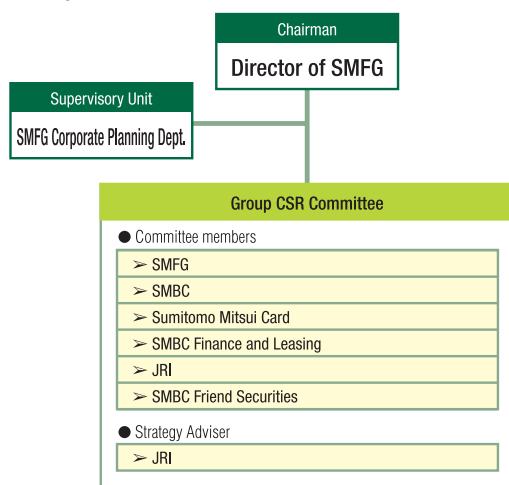
President

Sumitomo Mitsui Financial Group, Inc.

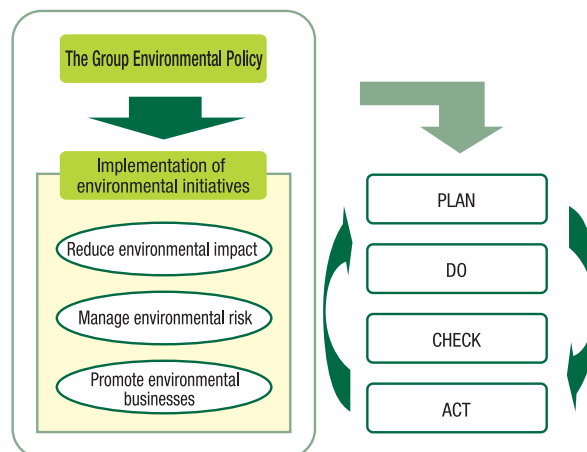
## Three Pillars of Group's Activities

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 have obtained ISO 14001 certification, the international standard for environmental management systems.

## Group CSR Committee



## Environmental Action Plan and the PDCA Cycle



## ● Major Initiatives by Group Companies

Objectives and Initiatives		SMBC	Sumitomo Mitsui Card	SMBC Finance and Leasing	JRI	SMBC Friend Securities
Reduce environmental impact	Reducing energy consumption					
	Promoting green procurement					
	Providing training on environmental issues					
Manage environmental risk	Dealing with environmental risk in lending activities		—		—	—
	Promoting sale of items for reuse	—	—		—	—
Promote environmental businesses	Providing funding and lease financing for environment-friendly businesses, etc.		—		—	—
	Promoting carbon credits business		—			—
	Providing environmental policy consulting	—	—	—		—
	Promoting environment-conserving businesses, such as energy service companies (ESCOs) and energy service providers (ESPs)	—	—			—
	Providing information, suggestions for policies and measures		—	—		—

## Reducing Environmental Impact

SMFG sets objectives each year for the reduction in use of electric power and other sources of energy and is actively engaged in reaching these energy conservation goals. We conduct “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 SMBC Finance and Leasing has reached this status for its Tokyo Head Office, both through the purchase of carbon credits.

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

## Managing Environmental Risk

### ● Dealing with Soil Contamination and Asbestos Risk

To deal with the risk that land pledged as collateral by borrowers may be contaminated, SMBC requires contamination risk assessment for land 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.

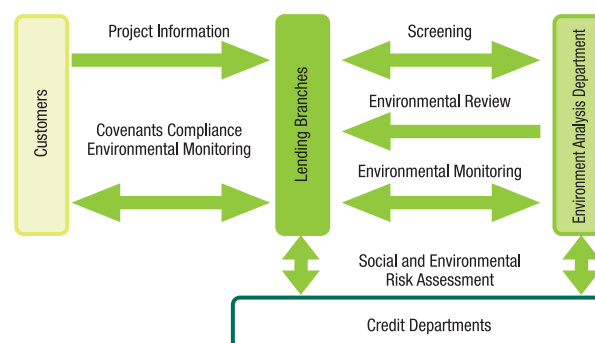
In addition, similar measures are taken regarding asbestos risk. When there is a concern about possible asbestos pollution, risk assessments are conducted for asset collateral meeting certain criteria, and SMBC encourages its customers to implement assessment surveys of such risk. Regarding its own premises, SMBC conducts surveys of asbestos risk and takes appropriate removal measures.

### ● Adoption of the “Equator Principles”

SMBC has 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 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 EAD keeps updating its risk assessment operation.

### ■ Flow Chart of SMBC's Social and Environmental Risk Assessment



## Promoting Environmental Businesses

The Group considers providing assistance to companies engaged in environmental business as an effective way to provide assistance to society and the international community through its business activities.

SMBC, in particular, formed the Eco-Biz Promotion Council in fiscal 2005 to discuss periodically the development of sophisticated and efficient products and services that contribute to environmental maintenance and improvement.

### <Outline of SMFG's Environmental Businesses>

Financial intermediary functions	Information-dissemination functions
<ul style="list-style-type: none"> <li>● Nurturing, supporting, and creating environmental businesses</li> <li>● Supporting carbon credits business, etc.</li> </ul>	<ul style="list-style-type: none"> <li>● Publishing SAFE, an environmental information magazine</li> <li>● Holding of environmental seminars</li> <li>● Making suggestions for policies, etc.</li> </ul>

## Nurturing and Supporting Environmental Businesses

### ● SMBC Eco-Loans

SMBC began to offer loan products with preferential interest rates to companies that have obtained various types of environmental certifications in February 2007 with the aim of encouraging small and medium-sized enterprises (SMEs) to engage in more environmentally friendly activities.

Features of Eco-Loans: To enhance the convenience of these loans for SMEs, we have expanded the list of environmental certifications beyond ISO 14001 to include a total of more than 20 NPOs and local government entities in Japan that have their own environmental certifications.

Outstanding balance: As of March 31, 2008, 475 Eco-Loans had been made in the total amount of ¥30 billion.



### ● Global ECOBIZ Assist

Begun by SMBC in March 2008, this program offers preferential interest rates and fees to support the trade activities and entry into overseas markets of SMEs that manufacture and develop environmental equipment activities.

Objectives of ECOBIZ Assist: This program is intended to provide assistance in the globalization of Japanese SMEs that have superior environmental technologies and disseminate information about Japan's environmental technology to the rest of the world.

Eligibility: SMEs that are engaged in manufacturing and developing environmental equipment in the fields of water, waste materials, new energy, the atmosphere, energy conservation, and other areas (soil pollution remediation, greening, recovery of natural areas, etc.)

### ● Environmental Advisory Business

In the environmental field, Group company JRI is emphasizing the provision of outsourcing services for the operation, maintenance, and management of environmental facilities as well as environmental advisory services.

### ● eco japan cup

Since fiscal 2006, SMBC and Japan's Ministry of the Environment have jointly sponsored the "eco japan cup," which is a contest for selecting the best environment business plans and ideas. This contest has the aim of promoting the development of a recycling-oriented economy and society that are symbiotic with the natural environment.

One of the ideas behind this contest is to nurture venture companies in the environmental field and support the development of

environmental technologies. Separately from the eco japan cup contest, SMBC works with universities in Japan to select those venture companies that have potential to commercialize their technologies. SMBC gives assistance to them jointly with the universities and thereby provides support for their R&D activities.



### ● THE 5TH ECO-PRODUCTS INTERNATIONAL FAIR

THE 5TH ECO-PRODUCTS INTERNATIONAL FAIR is a comprehensive event that showcases a wide range of products and services that are environmentally friendly. The fair planned for March 2009 will be the fifth annual event in this series. The fair held in March 2008 was presented in Hanoi, Vietnam, and participants included 91 companies and organizations from nine countries, including Japan.

The press conference held on June 10, 2008, in the Philippines to announce THE 5TH ECO-PRODUCTS INTERNATIONAL FAIR was attended by key members of the planning committee for the fair, including Teisuke Kitayama, chairman of SMBC, Shigeo Takenaka, Secretary-General of the Asian Productivity Organization (APO), and the chair of the advisory committee for the fair Amelita Ramos, wife of a former president of the Philippines.



### ● Environmental Business Networking Event

Beginning in 2006, responding to the need to expand distribution channels to potential customers of companies supplying environmental products and services, SMBC and SMBC Consulting jointly have held Environmental Business Networking Events. About 500 companies have attended, and about 600 business discussions have been held at these events.

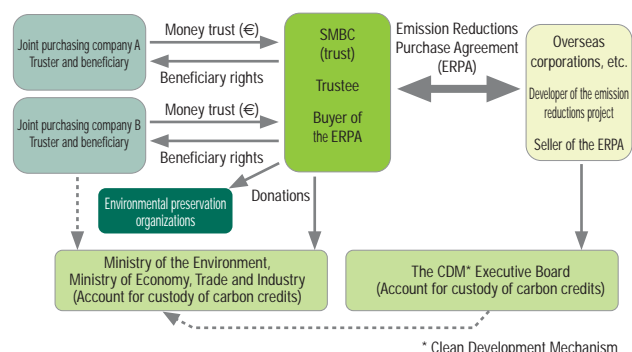


## Carbon Credits Related Business Activities

The Group has engaged in business activities related to carbon credits, including introductions of available carbon credits to potential buyers since 2005.

### ● Small-Lot Carbon Credits Purchase Service

Beginning in June 2007, SMBC began to offer a service for purchase of small-lot carbon credits (joint purchase by several companies is acceptable) making use of money trust scheme. Further, to enhance the buyer's CSR activities, the buyer can choose whether to receive or donate the deposit interest earned on the trust assets between the period of the start of the money trust and the settlement of carbon credit purchase.



### ● Carbon Offsetting through Housing Loans

Beginning in April 2008, SMBC began a campaign to provide support for carbon offsetting to prevent global warming through housing loans made to individual customers. Under this program, home buyers purchase environmentally friendly houses with loans provided by SMBC, and, for customers who agree to take steps to reduce greenhouse gases, SMBC purchases carbon credits equivalent to one ton of greenhouse gases per household. These credits are then transferred to the Japanese government, thus making possible carbon offsetting through the joint efforts of customers and the bank.



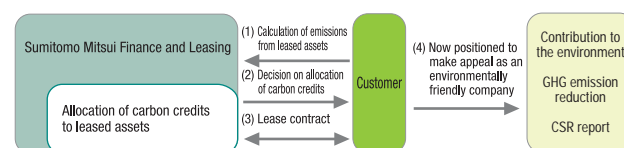
### ● "Fight Global Warming" Campaign for Marketing Japanese Government Bonds for Individual Investors

Starting in June 2008, SMBC has conducted its "Fight Global Warming" campaign for marketing Japanese government bonds (JGB) for individual investors. Under this campaign, which is designed to contribute to greenhouse gas (GHG) emission reduction as part of its efforts to fight global warming, for every individual investor who purchases Japanese government bonds worth one million yen or more, SMBC will buy carbon credits worth 500 kilograms of carbon dioxide (CO<sub>2</sub>). Two thousand tons of car-

bon credits SMBC purchases under the campaign will be transferred to the Japanese government for free to help the nation reach its target under the Kyoto protocol.

### ● Carbon Neutral Leases

Sumitomo Mitsui Finance and Leasing has been contributing to the environment by offering lease financing for energy-conserving machinery and equipment in collaboration with ESCO enterprises. In August 2007, it introduced carbon neutral leases. This is a new service that renders the greenhouse gases released by leased assets neutral through the allocation of carbon credits to these assets. As a result of the implementation of this service, we are in a much better position to support the activities of companies that want to take the initiative in conducting environmentally friendly business activities.



## Information Provision and Dissemination

### ● Publication of Environmental Magazine SAFE

SMFG has published this magazine on a bimonthly basis to provide information on the environment to its customers and other parties since 1996. Content includes interviews with the top management of companies that conduct sophisticated environmental activities and information on environmental regulatory trends. In addition, a related "Environmental Seminar" is held each year to provide additional information on the environment.



<http://www.smfg.co.jp/responsibility/csrinfo/safe.html>

### ● Signatory to the Carbon Disclosure Project (CDP)

SMFG is a signatory to the Carbon Disclosure Project (CDP). Today, institutional investors and financial institutions with an interest in climate change around the globe are requiring information disclosure related to the stance of companies and others as well as their initiatives related to environmental issues. The CDP aims to gather this information and make the results available.