

■ 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.

Topics

Expanding our Service Network

We are continuing to expand our network of branches. Fiscal 2006 saw the opening of the Milan Branch of Sumitomo Mitsui Banking Corporation Europe Ltd., and the Dubai Branch of SMBC (the first Japanese bank branch to open in Dubai). Following the opening of an office in the Binhai New Area of Tianjin in March 2007, we opened an office in the Industrial Park of the city of Suzhou, Jiangsu Province in April, thereby providing our customers in China with a wider variety of professional financial services.

Collaboration with Local Banks in East Asia

We have commenced a collaborative arrangement, including capital participation, with the Vietnam Export Import Bank (Eximbank). Within Vietnam's rapidly growing financial markets, SMBC will work together with Eximbank to more effectively meet the financing needs of Japanese companies operating in or planning to set up a business in Vietnam. The collaboration is also aimed at facilitating SMBC's entry into the local retail banking market. We expect this arrangement to give us a valuable foothold in the Vietnamese market, yielding new business opportunities. In Taiwan, similarly, we have signed a collaboration agreement with the First Commercial Bank. These tieups represent the first steps in a long-term strategy of expanding our operations across a broad spectrum of financial business sectors in Asian countries.

Creating a Global Service System

To further strengthen its competitive advantage in the development of financial products and services, SMBC has constructed a new system that facilitates seamless collaboration between different regions of the world in the marketing of certain products—such as trade financing and shipbuilding financing instruments. In June 2007, SMBC set up the Trade Finance Business Department, a dedicated marketing section for trade financing products.

■ Treasury Markets

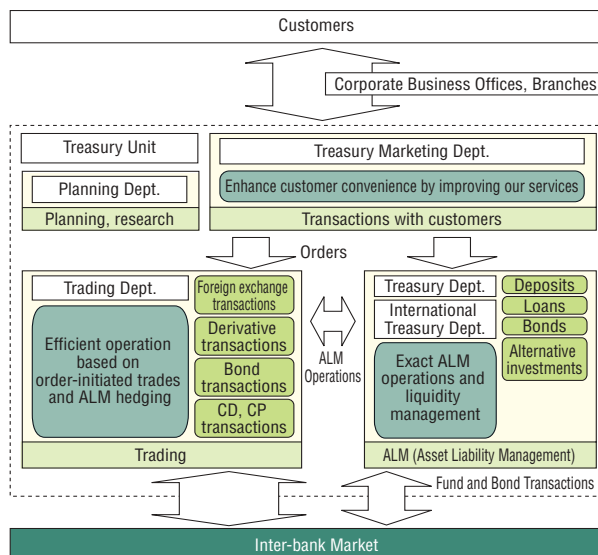
SMFG aims to provide its clients with world-class support services for their market transaction needs through the Treasury Unit of SMBC. The Treasury Unit undertakes operations in

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, diversifying fund management channels, and realizing an optimal selection of investments in its fund portfolio management. It achieves these aims 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), strategic fund investments, 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. During the first half of fiscal 2007 we upgraded the One's *Direct* system to offer a new service (available 24-hours-a-day on weekdays) enabling individuals to conduct foreign exchange transactions in real time.

Diversifying Investment Vehicles and Introducing Greater Flexibility into Portfolio Management

Investment operations linked to interest rates, equities and alternative investment vehicles have been centralized in one section of the Treasury Unit, thereby enabling increased flexibility and a broader selection of investment targets.