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Accelerating Value Creation for Shareholders

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I am Yoshifumi Nishikawa, President & Chief Executive Officer of Sumitomo Mitsui Financial Group.

I am grateful for today's opportunity to give a presentation and would like to thank Merrill Lynch who hosts the conference.

Agenda

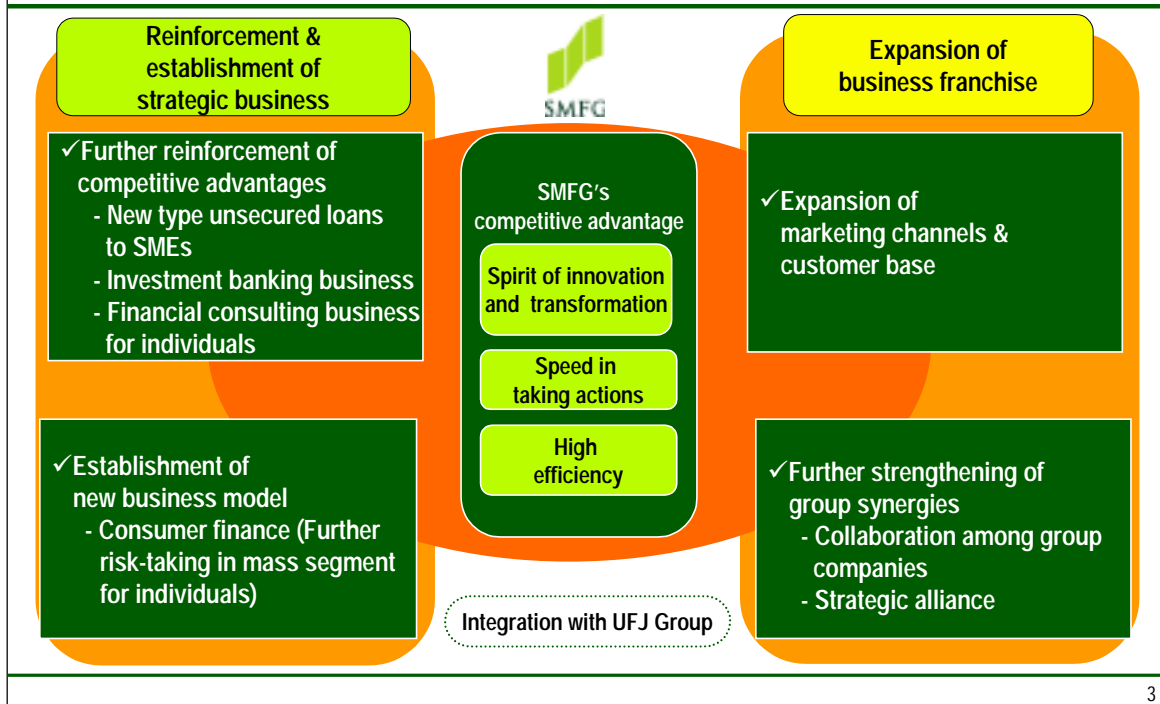


- ✓ Keywords for accelerating value creation for shareholders
 - ✓ Further reinforcement of competitive advantages
 - ✓ Expansion of marketing channels & customer base
 - Marketing channels for SMEs and individuals
 - ✓ Establishment of new business model – Consumer finance
 - ✓ Further strengthening of group synergies
- ✓ Proposal for integration with UFJ Group
- ✓ Closing

Today, I would like to explain how SMFG will accelerate value creation for shareholders hereafter, introducing its present strategies and actions.

The agenda is as shown.

Keywords for accelerating value creation for shareholders



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I am always mindful of following four points as keywords for accelerating value creation for shareholders. They are:

- Further reinforcement of competitive advantages
- Establishment of new business model
- Expansion of marketing channels & customer base
- Further strengthening of group synergies

And, we have implemented various measures leveraging the sources of SMFG's competitive advantage which are:

- Spirit of innovation and transformation
- Speed in taking actions
- High efficiency

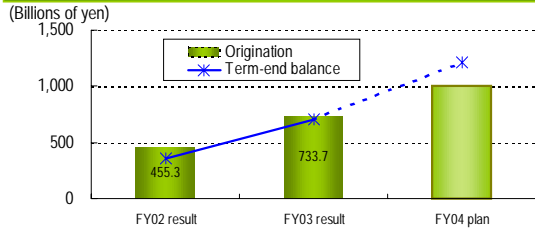
Further reinforcement of competitive advantages

Business for corporate clients



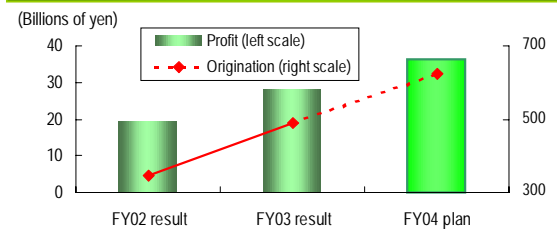
New type unsecured loans to SMEs

Origination of "Business Select Loan"

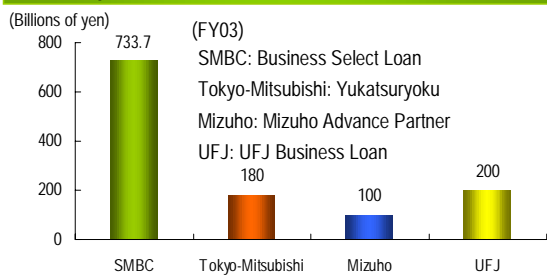


Investment banking business

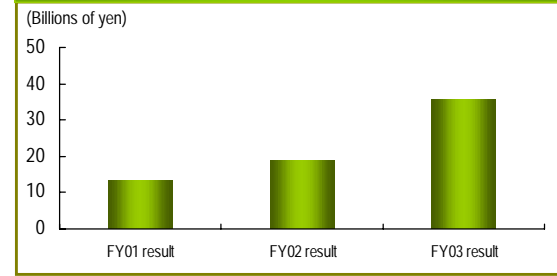
Profits related to loan syndication



Peer comparison (Origination of new type unsecured loans to SMEs)



Profits through collaboration with Daiwa Securities SMBC*



(Note) Peer companies' figure: the Nikkan Kogyo Shimbun dated Apr. 30, 04.

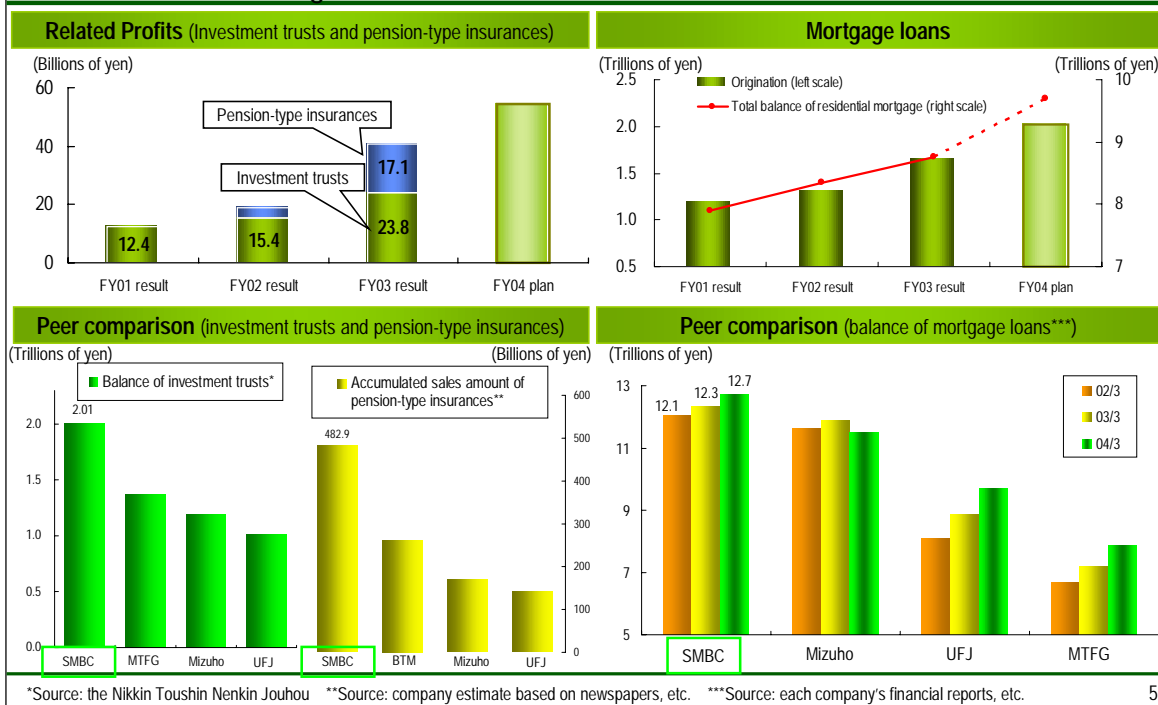
*SMBC's managerial accounting basis (Sum of the profits of SMBC and Daiwa SMBC)

Let me show specifically the results so far.

First, in business for corporate clients, as can be seen, new type unsecured loans to SMEs and investment banking business have been growing steadily. Particularly in new type unsecured loans to SMEs, we have an overwhelming leading position over the other mega banks.

Further reinforcement of competitive advantages

Financial consulting business for individuals



Second, in business for individuals, we have several competitive business models based on the concept of consulting. The business models are sales of investment trusts and pension-type insurances, and mortgage loans, and these businesses have been growing steadily, as you can see.

Especially, profit from sales of investment trusts and pension type insurances exceeded JPY40 billion in fiscal 2003, becoming one of the core businesses of our profit base.

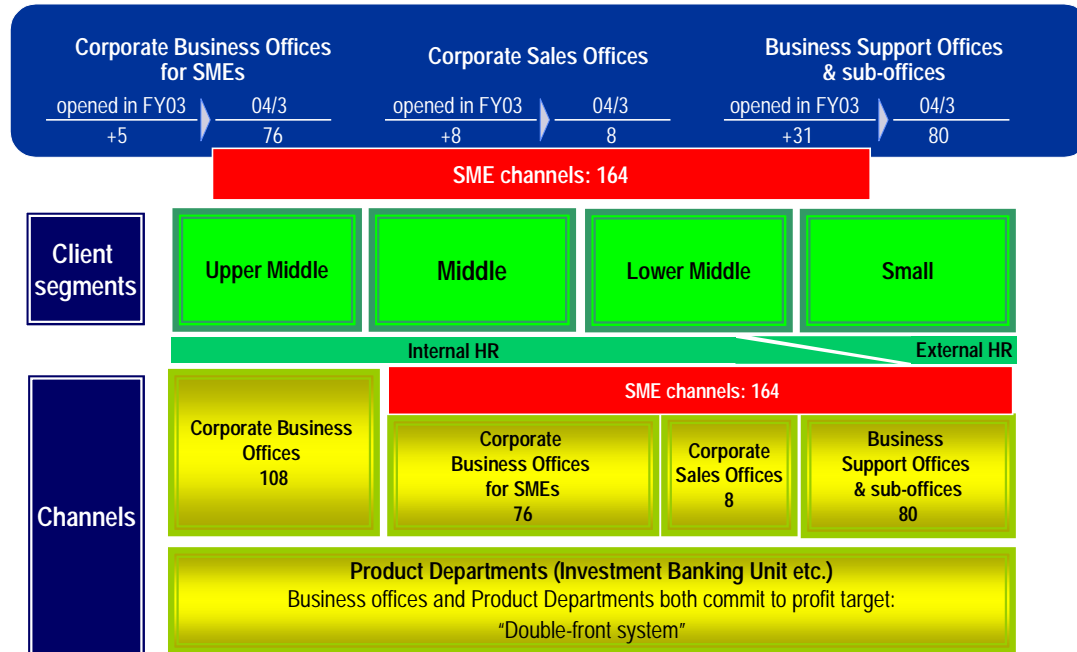
In each of these businesses, you can see our high competitive advantage if you compare to our peers.

Moreover, further deregulation in Japan will enable us to expand our business lines even more. For example, we will be able to handle securities related products after lifting of the ban on securities intermediation which is scheduled in this December.

We intend to firmly grasp this business opportunity, for example by utilizing our platform for consulting business for individuals, and are now making preparations to enter the business as soon as the ban is lifted.

Expansion of marketing channels & Customer base

Marketing channels for SMEs



*Business Support Offices: Mainly deal with Business Select Loan. Number of channels in the figures is as of March 2004.

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We are increasing our business volume through enhancement of business franchise, such as marketing channels and customer base, to further reinforce our strategic businesses with competitive advantage.

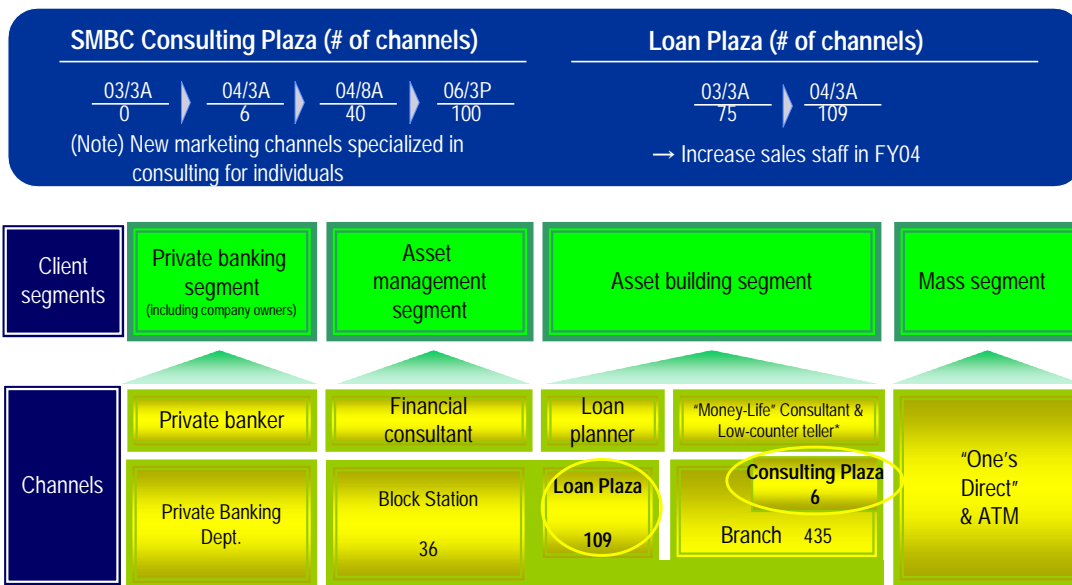
Let me explain specifically our actions to expand marketing channels.

With regard to marketing channels for corporate clients, last fiscal year, we changed our policy of streamlining channels and intensively expanded small and specialized channels targeting SMEs. We are proactively utilizing external human resources, and efficiently expanding channels with thorough cost control.

As a result, origination of new type unsecured loans to SMEs substantially exceeded the original target.

Expansion of marketing channels & customer base

Marketing channels for individuals

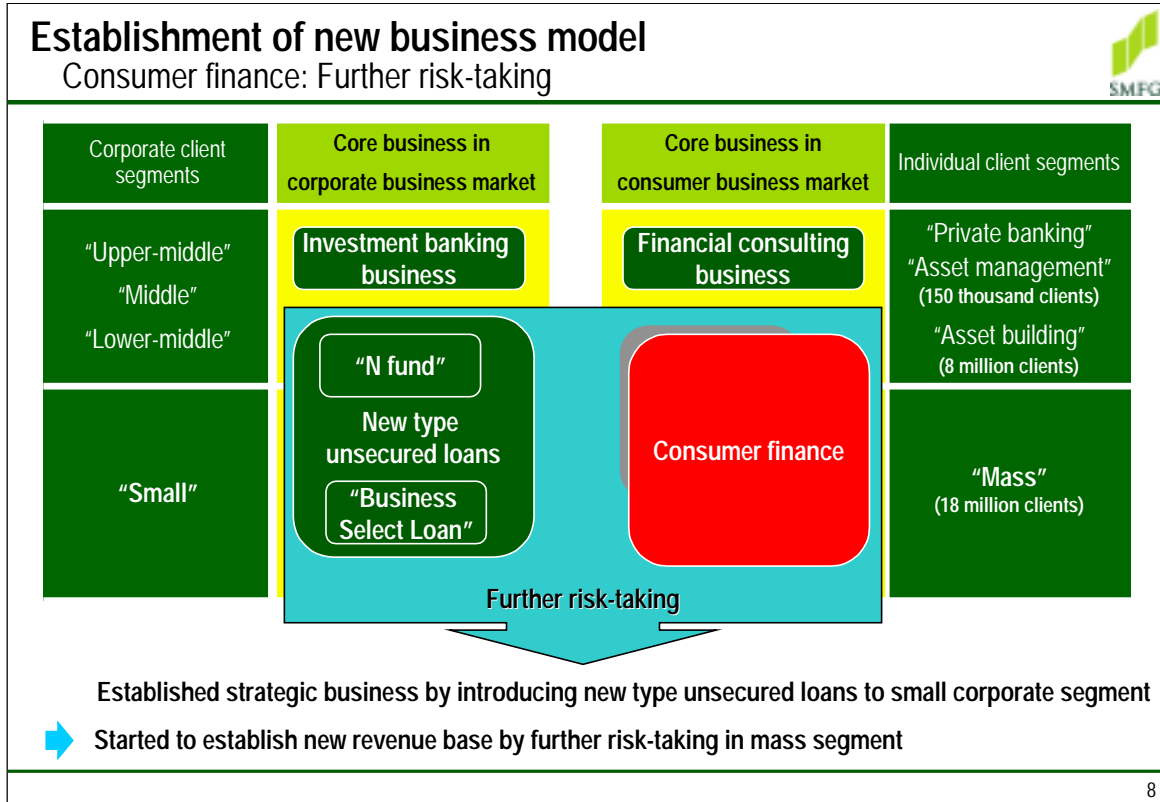


* "Low-counter teller" is a teller who serves customers at low counters in branches to provide more personal services.
Number of channels in the figures is as of March 2004.

In marketing to individual clients, the greatest characteristic of SMBC is that we were early in implementing a more refined market segmentation based on customer attributes.

We have expanded marketing channels and human allocation corresponding to each client segment.

Especially, we have been expanding the number of SMBC Consulting Plaza, the new channel specialized in consulting business for individuals, at a fast clip since its first opening in March. There are currently 40 Consulting Plazas and we intend to increase the number to 100 in the next fiscal year.



Next, I would like to explain how we will strengthen consumer finance business as "establishment of business model".

In "small" corporate segment, we were early in successfully establishing a business model in which we manage diversified unsecured loans on a portfolio basis called "Business Select Loan".

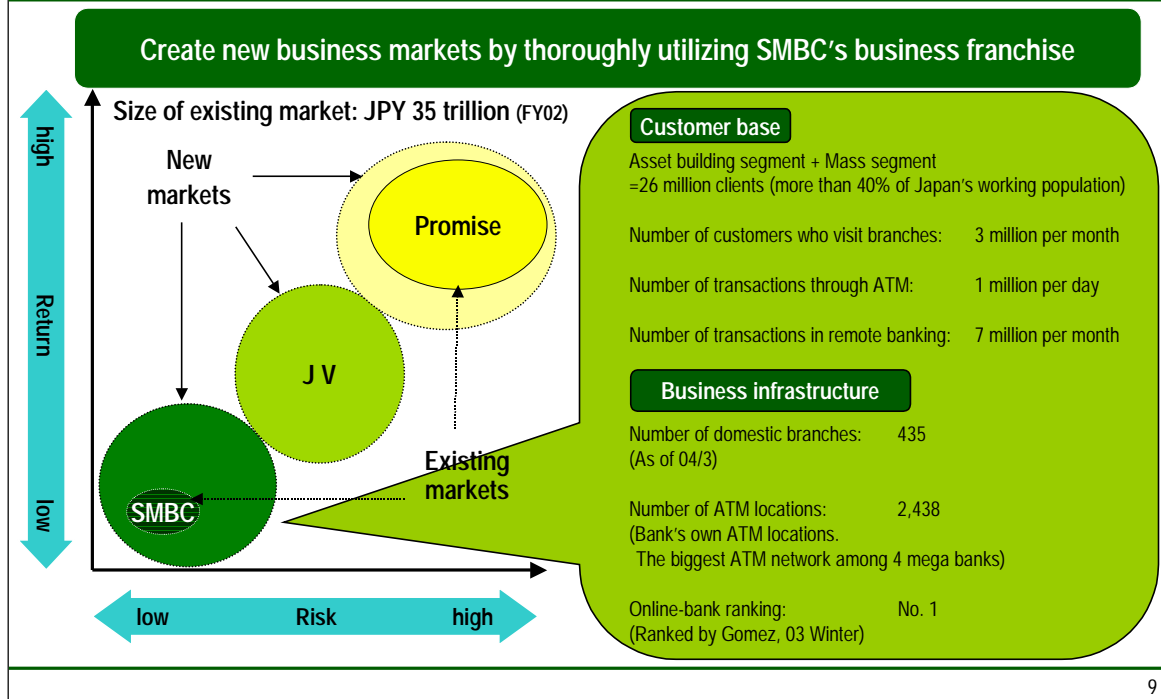
This time, we intend to establish a new revenue base in mass consumer segments by expanding risk taking to dramatically strengthening our consumer finance business.

The consumer finance business is expected to grow further as it changes significantly, and we have been promoting our initiatives for this business by strengthening the collaboration among four group companies: SMBC, Sumitomo Mitsui Card, At-Loan, and QUOO.

Furthermore, we entered into a strategic alliance with Promise, one of the leaders in the industry, in order to dramatically accelerate the development of consumer finance as a new strategic business.

Establishment of new business model

Consumer finance: Creation of new business markets



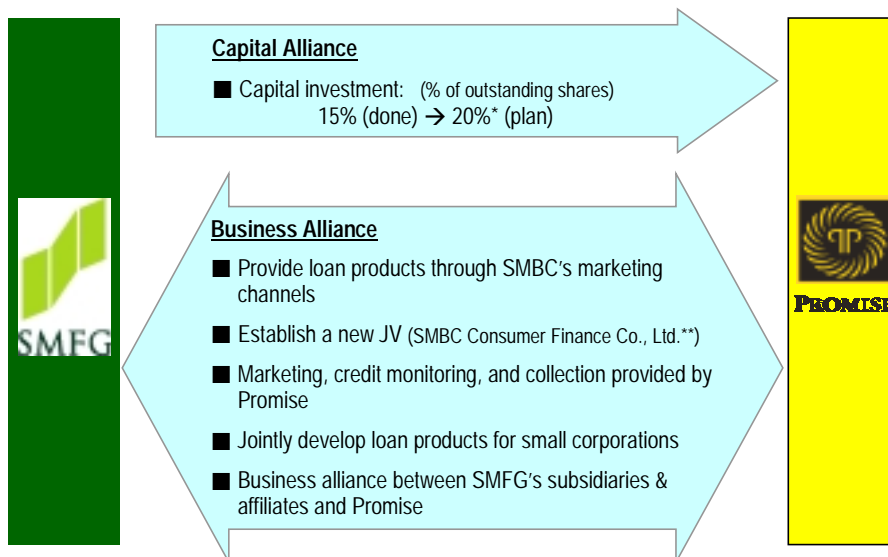
The basic concept of the business alliance is to utilize Promise's expertise to fully leverage SMBC's franchise to create new consumer finance markets.

SMBC's franchise is very strong, as you can see on the slide, consisting of a customer base with 26 million individual customers, 1 million transactions per day through ATMs, 7 million transactions per month through remote banking, and of a business infrastructure with sufficient ATM locations and a top-ranked online banking.

By leveraging the customer base and the business infrastructure, we will dramatically strengthen our existing business for low risk segment of instant cash needs in small amount. In addition, we will capture the potential needs in middle risk segment, which so far has been captured only by credit sales, and credit card companies.

Establishment of new business model

Consumer finance: Overview of strategic alliance with Promise



* Plans to acquire additional Promise shares in appropriate ways, up to 20% of total outstanding shares. **Tentative name

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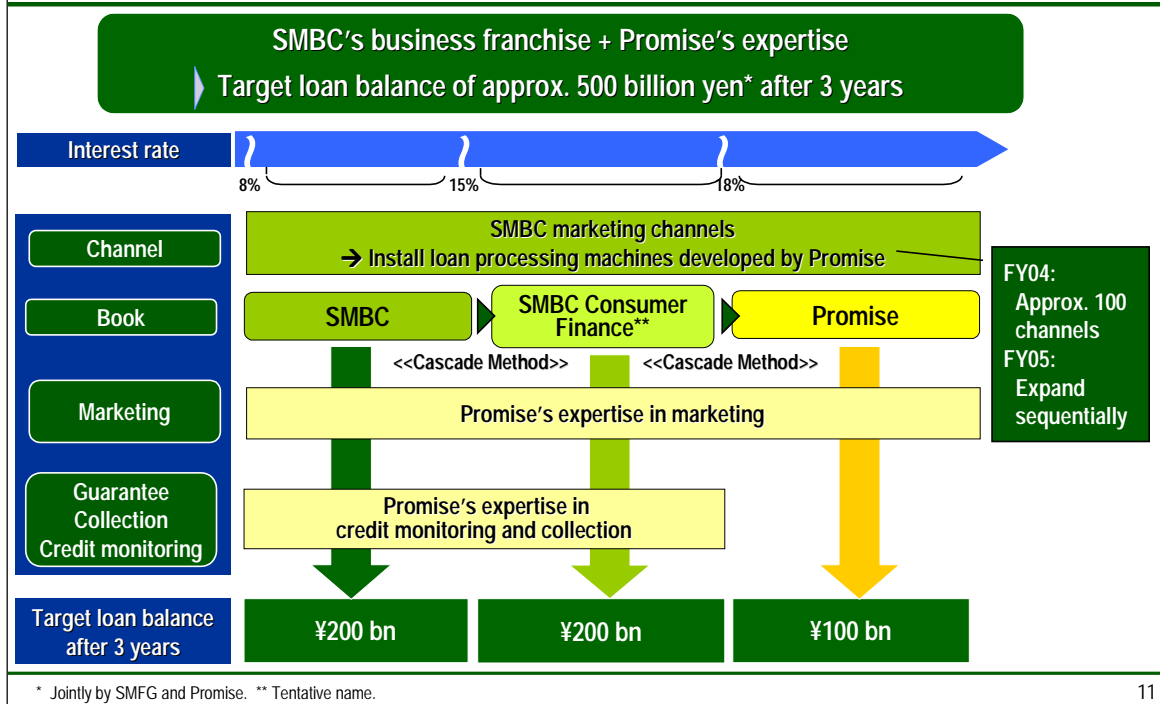
Now, I would like to explain the outline of our strategic alliance with Promise.

This is a full-scale alliance comprising both capital and business alliances. In capital alliance, we have already acquired 15% of Promise's shares, and we plan to increase our share to up to around 20%.

In business alliance, we will complete the design of our action plan by the end of this September and lay the groundwork, including the establishment of a new JV, for starting up a new business model at a fast pitch as we initially planned.

Establishment of new business model

Consumer finance: Loan business model by alliance with Promise



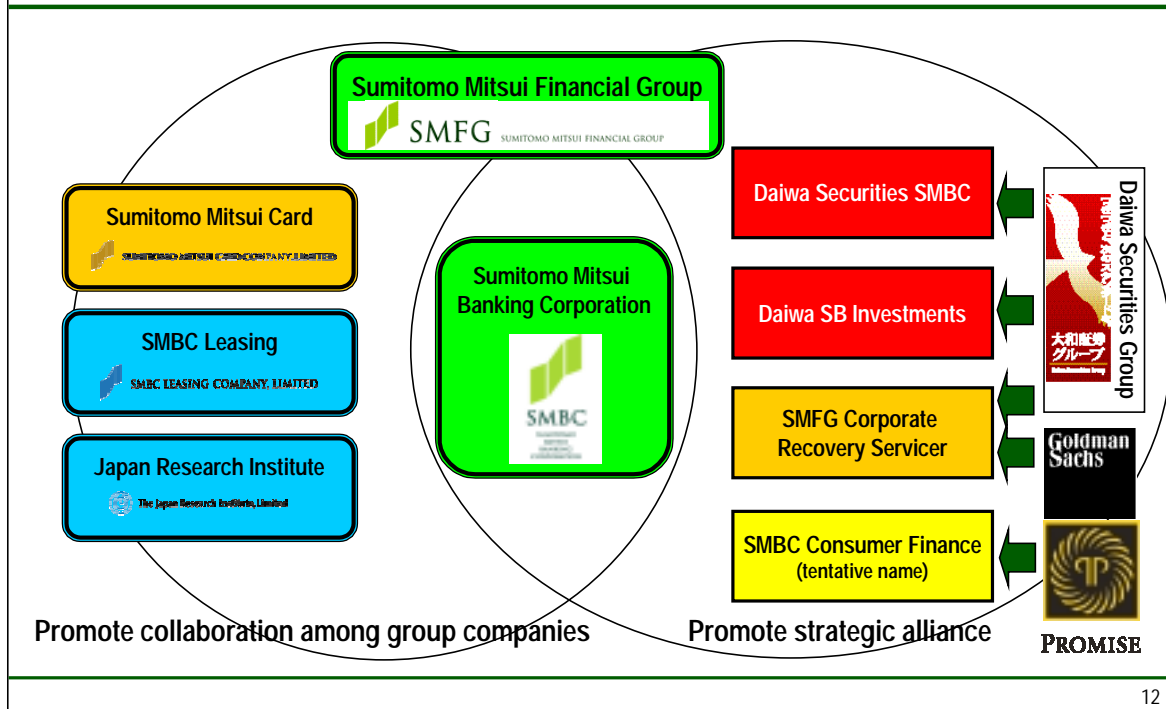
Next, I would like to explain the structure of the new consumer loan business model. The basic concept is to merge and leverage SMFG's franchise and Promise's expertise.

The three entities – SMBC, the joint venture “SMBC Consumer Finance Company”, and Promise – will cover the different range of interest rates and seamlessly capture customers' loan needs utilizing so-called Cascade Method.

An example of our marketing channel strategy is the installment of a loan processing machine developed by Promise at approximately 100 branches by the end of this fiscal year. We will expand the network further next fiscal year.

By taking advantage of the business structure as I have explained, SMFG and Promise aim to expand the combined loan balance of both groups by JPY500 billion after 3 years.

Further strengthening of group synergies



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As can be seen from the strategic alliance with Promise, we will accelerate value creation for shareholders by promoting collaborations among group companies and strategic alliances with outside companies in addition to strengthening our own competitiveness.

In strategic alliance, in particular, we will not stress doing things in our own way but will proactively use the expertise of leading companies in other industries and quickly realize synergies.

Proposal for integration with UFJ Group



Strategic significance

- Dominant revenue base and business franchise through the integration
 - Realize dominant market share & competitiveness in the strategic businesses

Impact on further value creation

To reinforce revenue base through the dominant market share in the focused high-growth business areas

To steadily realize rationalization effects (¥200bn) at an early date

Most profitable bank in Japan with banking profit reaching ¥2 tn and net income reaching ¥1 tn

Integration ratio = 1:1

EPS accretion
Further value creation for SMFG shareholders

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Lastly, I would like to touch on the purpose of our proposal for integration with the UFJ Group. We have made a proposal to the UFJ Group on the integration ratio and terms & condition of capital enhancement in a transparent manner.

Significance of the integration with UFJ Group is not only merely the pursuit of asset scale but also the realization of dominant market shares and competitiveness in the strategic businesses through significant strengthening of the business franchise, such as customer base and marketing channels.

Moreover, together with solid and speedy realization of the rationalization effects, we are confident that this integration is the best choice in terms of enhancing both group's shareholders value.

By realizing the top-line synergy through strengthening of the earnings power through dominant market shares in the strategic businesses and solid and early realization of JPY200 billion benefit of rationalization, we are confident of achieving the highest profitability among all Japanese banking groups, with JPY2.0 trillion in annual banking profit and JPY1.0 trillion in net income.

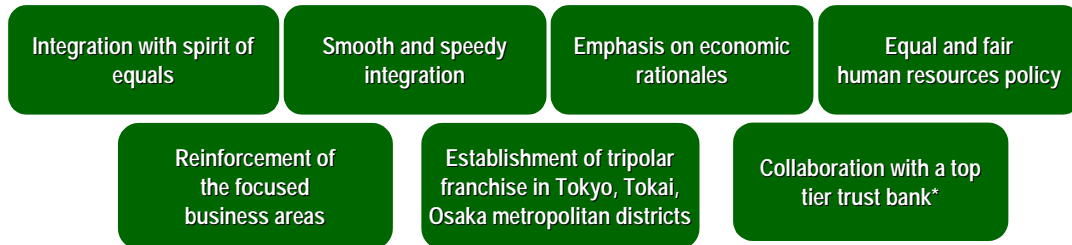
We have presented the integration ratio of 1 SMFG share per 1 UFJ share. We believe this integration ratio is very attractive to shareholders of UFJ and will contribute to value creation for our shareholders, given the integration synergies.

Proposal for integration with UFJ Group

Outline



Basic Concepts of the Integration



Integration ratio, Capital enhancement

- Integration ratio UFJ : SMFG = 1 share : 1 share
 - ¥200bn average annual pre-tax benefit from rationalization
- Capital enhancement to UFJ by 04/9
 - Willing to provide capital even if capital requirement reaches ¥700bn
 - Able to maintain adequate capital ratio without capital raising

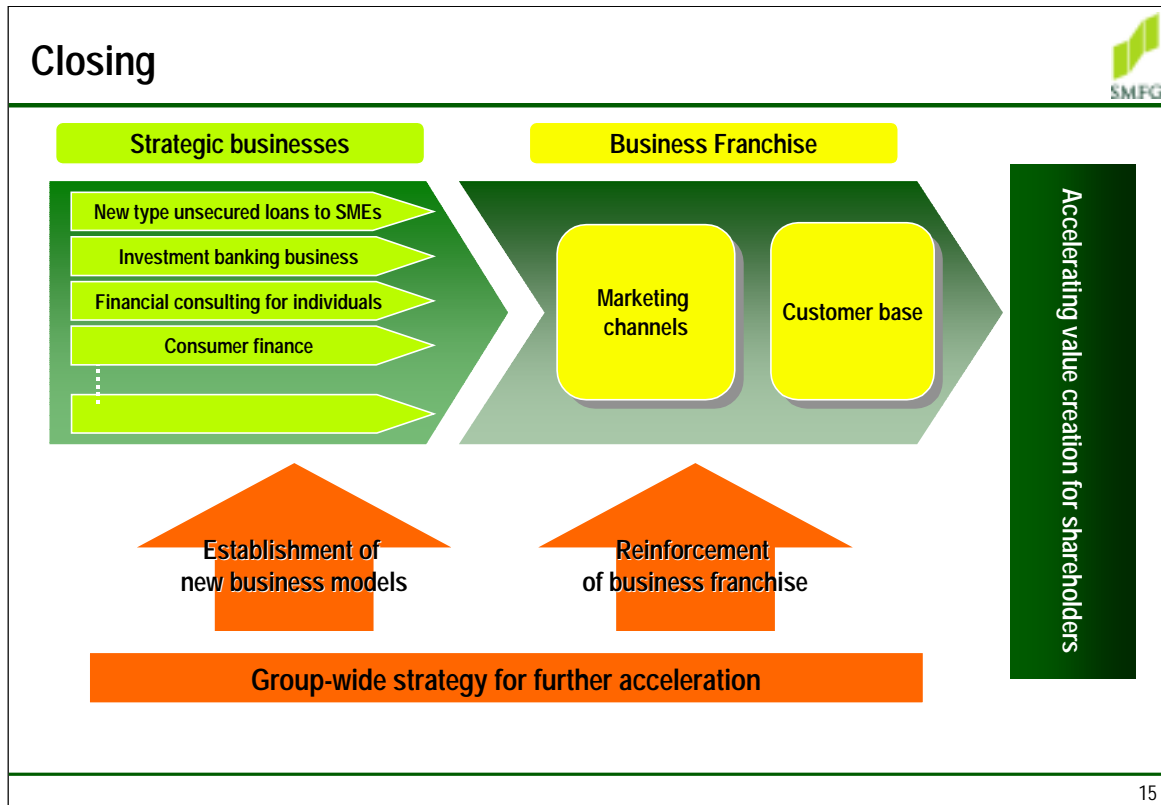
* Assuming that the trust business of UFJ Trust Bank be integrated to Sumitomo Trust & Banking

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Here is the outline of our proposal to the UFJ Group.

Let me make a supplementary explanation. We can firmly achieve the rationalization effects of JPY200 billion on an average annual base, calculated base on our past merger experience.

With regard to capital enhancement to UFJ by the end of September, we can provide capital even if it reaches JPY700 billion, or slightly more, without requiring any capital raising.



I have explained SMFG's strategies and actions for accelerating value creation for shareholders.

I can say without hesitation that the strategic businesses in which we have established competitive advantage will grow to become our core drivers of earnings growth; thereby creating value for shareholders.

However, under the current highly competitive business environment, we must continue to establish new business models and reinforce our business franchises on a group basis if we are to accelerate value creation for shareholders.

Today, I have explained SMFG's strategies and actions centered on the rigorous strengthening of the consumer finance business. Let me state that we are firmly committed to continuing to take a variety of initiatives to accelerate group-wide value creation for shareholders.

Furthermore, it is our hope to successfully integrate with the UFJ Group and establish a dominant presence and competitiveness in the strategic businesses.

This concludes my presentation. I would be pleased to answer any questions you may have. Thank you for your attention.

Proposal for Integration with UFJ Group

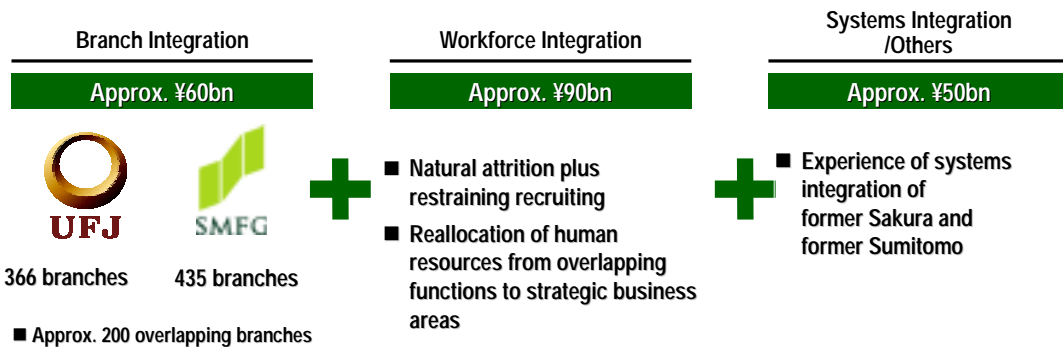
- Rationalization effect of overlapping operation
- Breakdown of rationalization effect
- Source of top-line synergy

(Appendix) Proposal for Integration with UFJ Group

Rationalization effect of overlapping operation

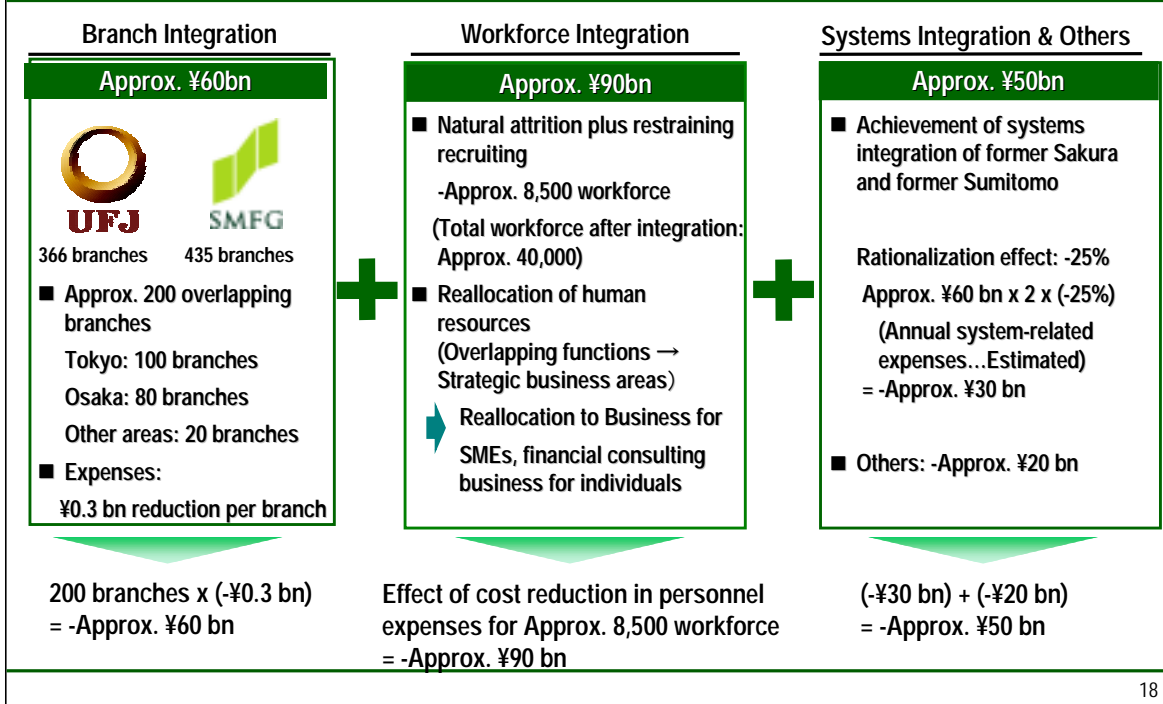


- ¥200bn average annual pre-tax benefit from rationalization
- Track record of achieving cost reduction from the integration of former Sakura and former Sumitomo
 - Reduced expenses from ¥700.1bn in FY2000 to ¥584.0bn in FY2003 (-17%)



(Appendix) Proposal for Integration with UFJ Group

Breakdown of rationalization effect






(Appendix) Proposal for Integration with UFJ group

Source of top-line synergy



Overwhelming business franchise in number of Corporate customers, new type unsecured loans to SMEs, sales of investment trusts & pension-type insurances, and mortgage loans

	SMEs		Financial Consulting for Individuals		
	# of Corporate Customers	New Type Unsecured Loans to SMEs	Balance of Investment Trusts	Annual Sales of Pension-Type Insurances	Balance of Mortgage Loans*
	177,000	¥733.7bn	¥1.9tn	¥380bn	¥12.7tn
	147,000	¥200.0bn	¥0.7tn	¥110bn	¥9.7tn
	104,000	¥180.0bn	¥0.7tn	¥200bn	¥7.9tn
UFJ+SMFG	324,000	¥933.7bn	¥2.6tn	¥490bn	¥22.4tn
UFJ+MTFG	251,000	¥380.0bn	¥1.4tn	¥310bn	¥17.6tn

Source: Company estimate based on IR presentation material * Sum of subsidiary banks' figures.

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