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Merrill Lynch Japan Conference 2005
Growth Strategy for the “New Stage”
-Value Creation through Retail Financial Services Business-
<Presentation Summary>

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My name is Kitayama, President of Sumitomo Mitsui Financial Group.
Thank you very much for giving us an opportunity to make a presentation today.
I would also like to thank the Merrill Lynch team for organizing this conference.

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Today, I would like to present our growth strategy, focusing on the “retail” financial services business.

(P2)

During the “intensive resolution period” of up to fiscal 2004, SMFG completed the “intensive improvement in asset quality”, and reinforced its earnings base by establishing competitive advantages in focus areas and entered a “New stage” of development from this fiscal year.

In the “New stage”, we will formulate and implement business strategies to achieve our fundamental goal which is to “become a globally competitive top bank with the highest trust of our customers, our shareholders, market and society”.

With the foundation for sustainable growth set firmly last fiscal year, our missions in the “New stage” are two: to further reinforce our group’s profitability through creation of new customer value on group basis, and to establish a stronger financial base by fortifying the capital base.

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We have set four targets to be achieved in fiscal 2008, the final year of our 4-year-medium-term plan: consolidated ROE of more than 15%, consolidated net income of more than 650 billion yen, and a capital ratio of approximately 11% and

Tier I ratio of approximately 7%, based on Basel II standards to be implemented.

To achieve these targets, we will further enhance our profitability by further strengthening existing business lines with competitive advantages and creating new business lines.

Enhanced profitability will lead to further strengthening of our financial base, especially by fortifying our capital base both qualitatively and quantitatively. As for public fund preferred shares, we plan to establish the foundation for fully repaying the amount in the three years by fiscal 2007.

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Next, I would like to explain about the competitive advantage and growth potential of SMFG that will enable us to achieve the targets.

First, SMBC, our core banking subsidiary, has the top share in a number of growth markets. Anchored with high productivity and efficiency, SMBC has the highest profitability, specifically, banking profit or pre-provision profit, of the Japanese banks. It also has a top-class customer base and business network.

Second, as for SMFG's growth potential, I would like to emphasize that we have strong alliances with a number of leading companies in growth markets, such as Daiwa Securities Group in investment banking business, Promise in consumer finance business and NTT DoCoMo in credit card business.

(P.5)

Now, let me explain about my thoughts on our growth strategy as a new financial services complex.

There are two points: first, to further strengthen and expand the solid business portfolios of our group companies including SMBC, and second, to accelerate growth on group basis by actively forging cross-industrial alliances.

With the continuing advances in deregulation, customers in Japan will have an increasingly wider range of financial services to choose from. The flip side of the coin is that financial institutions will be chosen on whether they can provide new

value to customers.

Therefore, I believe that horizontal and vertical alliances, reorganization and integration in the financial industry and cross industrial alliances, will increase just as they did in the United States and Europe.

In preparation for this “paradigm shift”, we have been promoting value creation on group basis, by forging alliances with leading companies not just in the financial industry but also in other industries, such as NTT DoCoMo in the credit card business.

There are many more opportunities for such alliances. We will make every effort to further improve our capability to create customer value as a financial services complex.

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In our medium-term plan, the targeted consolidated net business profit in fiscal 2008 is approximately 1.5 trillion yen, a 450 billion yen increase compared with fiscal 2004, excluding possible profit increase led by a future interest rate rise.

This 450 billion yen profit increase consists of two parts: 300 billion yen by SMBC, and 150 billion yen by other group companies. A large part of SMBC’s profit will be generated by the Consumer Banking Unit and the Middle Market Banking Unit, which is in charge of small and medium-sized companies. On the other hand, a large portion of the group companies’ profit will be generated by Sumitomo Mitsui Card and Promise in the consumer banking business, and Daiwa Securities SMBC and others in the corporate banking business.

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Today, I would like to present you the driver of our profit increase in the medium-term plan, specifically, the “retail” financial services business including the four strategic businesses in the consumer and SME markets, which will be strengthened intensively.

They are the mass market businesses in which superiority of business model is the key success factor. Some are businesses in which a group strategy approach, such as cross industrial alliances, will boost competitive advantages, and others are businesses in which changes in the business environment lead to expanded opportunities. They are the core businesses in our growth strategy.

Now, I would like to touch upon our achievements in the “retail” financial services business so far.

(P.8)

First, on the fee front, SMBC is No.1 in the asset management consulting for individuals. As can be seen in the slide, we lead in sales of investment trusts and pension-type insurances among the Japanese banks, and the fee income from these businesses has been growing steadily.

Thanks to the growth of the “retail” financial services business, SMBC is the top among the Japanese mega-banks in terms of growth in net fees and commissions.

(P.9)

Second, on the lending front too, the “retail” financial services business has been contributing substantially.

As you can see on this slide, the balance and the volume of both mortgage loans and new-type unsecured loans to small enterprises, namely “Business Select Loans”, have been growing steadily. As a result, the proportion of loans to individual clients and SMEs, which are highly profitable, in SMBC’s loan portfolio, is high. This is one of the reasons for our higher interest spread.

In summary, the competitive advantages in the “retail” financial services business directly explain our high profitability.

(P.10)

As I mentioned before, a superior business model is critical for competing in the “retail” market, and this is why we have the competitive edge in this market.

Our “retail” business models are the culmination of our quest for the answers to the questions: “What is true customer value?” and “What kind of operation creates such customer value most effectively?”, and our steadfast pursuit of products, channels and professionals in line with the answers to these questions.

We were early – one or two steps ahead of our peers – in taking such an approach to developing the market, and have accumulated a great number of know-how. As competition intensifies, our competitors may be able to imitate parts of our business models, but not all. Each part of our business model is a part of an organic whole, a platform that is continuously refined and enhanced through our daily operation. This is the source of our competitive advantage.

(P.11)

This slide shows how the channels and human resources are structured in our “retail” business models.

SMBC led the industry in implementing different business promotion logistics for consumer business and corporate business, and has been improving efficiency and productivity by establishing optimal channels, such as small-scale branches, corresponding to each customer segment and by actively employing outside workforce.

(P.12)

So far, I have explained our competitive advantages in the “retail” financial services business. I strongly believe that this business will become one of our drivers of earnings growth in view of the continuing advances in deregulation, developments in information technology, and the growth potential and our market share of each business.

Now, I would like to touch upon the growth potential of each business:

- The size of the asset management consulting is expected to grow substantially as the “baby-boomers”, who were born during the period from 1947 to 1949 start retiring within several years.
- In the mortgage loan business, though the size of the market is expected to remain about the same, a new generation of customers will flow into the market as the “junior baby-boomers,” in their thirties, enter their home

purchasing stage within several years.

- Meanwhile, in the consumer finance and SME loan businesses, there is still much room for us to increase our market shares.
- As for the credit card business, the use of credit cards has expanded to account for approximately 10% of personal purchases, but it can be increased further by looking at customers' settlement needs from a wider perspective and providing greater opportunities for consumers to use credit cards, such as for small-amount payments.

(P.13)

This is a summary of each business's growth potential and our market share.

Our approaches to creating profit opportunities are as follows:

- First, aggressively allocate resources in asset management consulting and mortgage loan,
- Second, create new markets through alliances with companies with expertise or huge infrastructure and customer base in consumer finance and credit card business, and
- Third, apply new products with competitive business model to new client segment in SME lending.

(P.14)

I would like to briefly explain the approach and target for each business. First of all, I will explain about financial consulting for individuals.

In asset management consulting and mortgage loan lending, we believe our consulting approach can create added-value for our customers. Accordingly, main points in further strengthening these business lines are the following two: one is "to reinforce dedicated marketing channels that attract a lot of customers," and the other is to increase the number of our consulting staff.

We will surely create profit opportunities by expanding the financial consulting channels such as "SMBC Consulting Plazas" and "SMBC Consulting Offices" significantly, and by increasing the number of financial consultants by one thousand in the next four years.

This fiscal year, we will especially accelerate the expansion of marketing channels, and we would like to show you a much better record in sales of investment products as well as in mortgage loan lending than last fiscal year's.

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Next, let's move on to the consumer finance business. The joint venture with Promise aims to integrate Promise's expertise and SMBC's business franchise, that is to say, SMBC's customer base, branch network, and the brand in order to create new markets and to further expand both companies businesses.

I would like to emphasize here the speed of business development. The business alliance agreement was signed just last September, but the new business was launched this April, and SMBC has already installed 493 of "Automatic Contract Machines" at its nationwide branch network.

Such a speedy development was possible because both parties' cultures stress "speed" and any other combination would not have worked as effectively as we did.

Aiming at increasing the loan balance to 500 billion yen within 3 years, we will accelerate our efforts further.

(P.16)

Next, I would like to talk about the credit card business.

The competitive edge of Sumitomo Mitsui Card, SMFG's credit card business subsidiary, is underpinned by its business expertise and settlement infrastructure that connects 13 million cardholders and more than 3 million member retail stores.

The purpose of the alliance with NTT DoCoMo is to develop a new settlement infrastructure in the small money settlement market in which annual transaction volume is estimated to be around 30 trillion yen, by integrating Sumitomo Mitsui Card's network and know-how in the business and NTT DoCoMo's settlement tool, namely the "Mobile-wallet handset" technology. This new infrastructure will open up our access to NTT Docomo's customer base of 49 million, and then, we could grow business volume further and develop the consumer finance business. This business has a huge potential.

(P.17)

In addition, Sumitomo Mitsui Card announced an alliance with China Unionpay this June. The alliance aims to develop a settlement infrastructure that will allow 800 million debit cards issued by China Unionpay to be used at Sumitomo Mitsui Card's member retail stores in Japan to benefit the annual visitors of more than 600 thousand from China.

Thus, the SMFG group can make a stride in the credit card business by capitalizing on all kinds of opportunities presented in our mission of creating new values for our customers.

(P.18)

Lastly, I would like to present new-types of unsecured loans to SMEs.

As shown earlier, SMBC has an excellent record in the field of new-type unsecured lending to small enterprises. This is because we provided new added-value to our customers such as “no collateral,” “speedy screening and response” by establishing a unique business model comprising of telemarketing, original credit scoring model, and low-cost small-scale marketing channels.

Our theme for this fiscal year is “to apply our business models to new client segments.” We have gained the marketing and credit risk management know-how through Business Select Loan, BSL. By applying BSL's business model, this year, we launched another new-type unsecured loan product for the client segment of Lower-Middle companies with 1 billion to 3 billion yen in annual sales to quickly increase business volume.

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Today I explained SMFG's growth strategy, focusing on the “retail” financial services business.

In order to achieve a sustainable growth in a fiercely competitive environment, we must develop and create business models that lead to value creation for our customers and shareholders. We have made dominant achievements in establishing attractive business models in the growth markets, but our capabilities will be severely tested as the competition intensifies even more.

In particular, fiscal 2005 is a very important year for us as the first year in our “New stage”. We will make every effort to reach our goal, and a year later, I would like to give a presentation to you on our progress.

Thank you very much, and now I would be happy to answer your questions.