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Presentation at the Merrill Lynch Japan Conference 2007

"Short Term View / Long Term View"

Teisuke Kitayama, President

Sumitomo Mitsui Financial Group Inc.

＜Presentation Summary＞

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(Cover page)

Good afternoon, ladies and gentlemen.

I am Kitayama, President of Sumitomo Mitsui Financial Group.

It is my great pleasure to be here with you this afternoon and I am very excited about this opportunity to make a presentation.

I would also like to thank Merrill Lynch for organizing this conference.

(P.1)

Today, in accordance with the theme of this conference, I would like to present you SMFG's medium-term and short-term strategies, focusing on several topics that I believe investors are concerned about the most. They are:

- Overview of SMFG's medium-term management plan,
- Strategy on consumer finance,
- Strategy in the current fiscal year and its progress, and
- Our view on the "subprime loan problem."

(P2)

First of all, I would like to explain the key points of SMFG's three year management plan, which was started this fiscal year.

The basic policy of the plan is to aim for "a globally competitive financial services group with the highest trust" by maximizing SMFG's three strengths of "Spirit of Innovation," "Speed" and "Solution & Execution." Under this policy and by focusing on targeted growth business areas, SMFG will aim for top quality in the growth business areas, realize a solid financial base as a global player, and increase return to our shareholders.

Financial targets in fiscal 2009, the final year of the plan, are shown in the bottom right. They are:

- 650 billion yen in consolidated net income,
- Approximately 1% in consolidated net income RORA,
- Approximately 8% in consolidated Tier I ratio, and
- 40 to 45% in overhead ratio, or cost-to-income ratio, on SMBC non-consolidated basis.

Also, during the period of the plan, we expect ROE to be in a range of 10 to 15% on a consolidated net income basis.

(P.3)

This slide shows an overview of our capital strategy and shareholder return. As explained, increasing shareholder return is one of our focuses in the medium-term plan, and we plan to increase the payout ratio to over 20% in fiscal 2009, which is almost double the figure of fiscal 2006.

I do not believe, however, that this 20% in payout ratio is sufficient over the long term.

As the three years of the plan is the period for SMFG to further strengthen the growth business areas and establish a platform for leaping forward thereafter, our capital strategy is weighted on expanding investments and further strengthening our financial base.

In the next stage, however, when a sufficient amount of capital has been secured for additional investments for both organic and inorganic growth, and our capital base has been adequately reinforced, we will further increase return to our shareholders through a higher payout ratio or other means.

(P.4)

This is a summary of SMFG's scenario for top-line profit growth during the three years of the plan.

We are determined to realize 14% compounded annual growth rate in consolidated net business profit to achieve 1,360 billion yen in fiscal 2009, which is about a 440 billion yen increase compared with fiscal 2006. To achieve this, we will strengthen what we call the "seven growth areas," which will be touched upon later, by increasing investments and so on.

In addition, we will seek for opportunities to realize inorganic growth through strategic alliances including M&As in growth areas.

(P.5)

This is a breakdown of the 440 billion yen increase in consolidated net business profit in the next three years.

Assuming two more increases in the Bank of Japan's policy interest rate within the next three years, a 25 basis point hike next January and another of the same size next June, we forecast SMBC's domestic deposit will generate an additional 220 billion yen in gross profit. On the other hand, we forecast that further tightening of credit spreads on SMBC's domestic loans led by such factors as fierce competition, although we will make efforts to prevent it, may cause a negative impact of 30 billion yen.

With regard to gross profit of SMBC's Marketing Units, which are, Consumer Banking Unit, Middle Market Banking Unit, Corporate Banking Unit and International Banking Unit, when we exclude profits from deposits and loans, we expect an annual average growth of 5%, with a higher growth rates in the focal areas such as sales of investment products to individuals and investment banking business.

Also, we will reinforce SMBC's Treasury Unit's profit and group companies' profits.

(P.6)

These are the "seven growth areas," which we have targeted to strengthen further in the three years. They are:

- Financial consulting for individuals,
- Solution providing for corporations,
- Payment & settlement service, and consumer finance,
- Investment banking and trust business,
- Focused business areas in global markets,
- Proprietary investment, and
- Credit derivative trading and distribution.

We will strengthen these areas in view of "mega trends" in the domestic and global markets, such as tide of generational change, both deregulation and tightening of regulations in the Japanese market, and economic and financial globalization.

(P.7)

In the next two slides, I would like to touch upon the planned increases in investments and expenses in order to strengthen the targeted business areas and realize profit growth.

First, on the investment front, as seen on this slide, the budgeted investments in IT systems and operational infrastructure at SMBC, such as for expansion of marketing channels and improvement in customer services, will be much higher than the average of the past three years. Specifically, the total amounts of IT investments and operational infrastructure investments in the three years of the plan will be 220 billion yen and 135 billion yen, respectively.

(P.8)

Second, on the expense front, we will increase expenses sufficiently to strengthen human resources and other operational platforms at SMBC. Specifically, expenses in fiscal 2009 will be increased by 115 billion yen compared with fiscal 2006.

Despite the significant expense increase, we will maintain our cost competitiveness and operational efficiency, and have targeted an overhead ratio of 40 to 45% for the next three years.

(P.9)

This slide shows our comprehensive alliance strategies in various growth areas.

For example, we have established alliances in credit cards, consumer finance and Internet banking in consumer banking, and investment banking and leasing in corporate banking.

We will continue to aggressively seek opportunities to forge alliances with major players in the focal areas with leading-edge expertise and business franchises to increase SMFG's corporate value as "a leading financial services group."

Also, we will make every effort to launch collaborative businesses with these partners as quick as possible in order to maximize alliance synergies.

(P.10)

From here, I would like to present you our consumer finance strategy. As touched upon earlier, consumer finance is one of the "seven growth areas" that SMFG will focus on strengthening in the medium term.

As you are aware, we have accelerated the alliance strategy in this field recently, such as the strategic alliances with OMC Card and Central Finance. Today, I would like to explain the rationale behind the strategy. That is, in short, we see clear opportunities in the market.

Specifically, as described here, the credit card market in Japan is expected to grow steadily and we are aiming to capture growth opportunities by forging alliances with companies with different expertise, customer base and network, thereby becoming “the number-one credit card group in Japan.”

Meanwhile, in the mono-line consumer finance market, despite the current severe adverse wind, in the medium term, there are opportunities for us in the “medium-risk medium-return segment” as sound borrowing needs of consumers remain. We will continue to promote collaboration with Promise Company (Ltd.) to further solidify our competitiveness in the market.

From the next page, I would like to explain these in more detail.

(P.11)

This slide shows the current credit card market situation and our expectations moving forward.

As shown in the left, the market size, illustrated in blue line, has been growing and is expected to remain in the uptrend, supported by the diversification of settlement technologies in Japan, and growth in service acceptances such as for settlement of public utility charges and taxes.

At the same time, as shown in the right, the business environment surrounding the industry is dramatically changing, led by such factors as increase in system-related investments due to developments in technologies and services such as E-money and greater fortification of user security. Also, changes in laws such as revision of the Money Lending Business Control and Regulation Law, and review of the Installment Sales Law are pushing the industry toward a major turning point.

Under such circumstance, players in the market must increase their competitive edges and managerial efficiencies. This is the reason behind the alliance strategy of SMFG, recently accelerated aiming for addressing such management issues quickly and capturing group-wide growth opportunities.

(P.12)

SMFG, aiming to establish “the number-one credit card group in Japan,” is pursuing full-scale alliances with major players in the credit card market.

This is an illustration of the organization that SMFG established through the alliances with OMC Card and Central Finance. SMFG is now a strong group that has major three types of players, which are divided by their business origin and have different types of competitive edges. Specifically, we have (a) Sumitomo Mitsui Card and Sakura Card, bank related credit card companies, that have extensive customer base, strong brand, vast member store network and

IT development capabilities, (b) OMC Card, a retailer related company, that has realized the best-in-class usage ratio by acquiring consumer-oriented know-how in increasing cardholders, marketing and business models, and (c) Central Finance and QUOQ, installment sales related companies, that have finely segmented member store networks.

Through the alliances with these companies, we can leverage different types of expertise, channel network and brand to realize top-line synergy, and we are aiming to achieve cost synergy by promoting shared services in the areas of IT systems, middle and back office functions and so on.

Moreover, access to a wide range of customers and settlement functions that we acquire through the alliances, would increase SMFG's group-wide growth potential in other types of businesses than credit cards, through cross-selling of financial products and so on.

(P.13)

Here, I would like to touch upon our alliances with OMC Card and Central Finance in more detail.

In the strategic alliance with OMC Card, which was announced this July, SMFG and OMC Card agreed to inaugurate discussions on sharing of management resources and operational bases of both parties. We will discuss brand strategy, card issuing, member-store acquiring, consolidation and strengthening of processing, and reorganization of group related businesses.

Meanwhile, in the strategic alliance with Central Finance, which was announced this April, SMFG, Central Finance and Mitsui & Company will be leveraging expertise in credit card business and customer base of SMFG, expertise in installment finance and network of member retailers of Central Finance, and retail business franchise of Mitsui & Company.

We will develop group-wide medium to long-term strategy to maximize alliance synergies and thereby establishing "the number-one credit card group in Japan."

(P.14)

Next, I would like to explain our view and strategy in the mono-line consumer finance market.

A market size of consumer finance is shown on the left. The darkest and the lowest part is the share of mono-line consumer finance companies. Though the overall market is expected to shrink because of the current drastic changes in the business environment, the "medium-risk medium-return market segment" with lending rates less than 20% is sure to remain firm supported by the sound borrowing needs of consumers.

As shown on the right, the regulatory reform of the industry, such as revision of the upper limit on lending rates and introduction of limits on total amount of borrowing, and overpayment refund claims by the borrowers will affect consumer finance companies negatively in the short-term.

Consumer finance companies must quickly fortify their competitiveness in the "medium-risk medium-return segment." They are facing the necessity in changing their business model: strengthen cost competitiveness and brand strategy, acquire and retain high quality customers, refine channel network, and diversify earnings sources.

(P.15)

In accordance with these factors and with the aim of establishing a solid competence in "medium-risk medium-return segment," we will continue to develop our strategic alliance with Promise Company (Ltd).

Brand and channel network of SMBC, and credit know-how of Promise are being leveraged to promote consumer loans with lending rates under 18%, and the results so far is steady as shown in the left.

Last fiscal year, we suffered a substantial loss amid an adverse wind in the industry. However, we firmly believe that after the current turmoil, the consumer finance business will surely be one of our pillars of earnings. We will continue to make every effort to build up a solid edge in the market.

On the right, the overview of a proposed management integration of Promise and Sanyo Shinpan announced this July is described for your reference. The two companies aim for establishing a competitive business model with a larger earnings base and improved cost structure. We share the same view and rationale of this strategy, and we believe that this will raise SMFG's corporate value in the medium term.

(P.16)

I would now like to explain SMFG's management plan in the current fiscal year and its progress so far. Shown on the left are this fiscal year's policies under the medium-term plan, summarized into four groups. They are:

- Increase in top-line profit,

- Strategic front-loaded investment in growth business areas,
- Development of group strategy, and
- Increase in shareholder return.

As shown on the right, 1st Quarter- top line-profit increased steadily year over year, which will be touched upon later. Also, to support profit growth, we are actively allocating resources in the strategic areas such as financial consulting for individuals and overseas business. In addition, we have been implementing initiatives to quickly realize synergy of our strategic alliances.

(P.17)

Next, using several slides, I would like to explain this fiscal year's 1st Quarter results. As described at the top, the overall result was generally in line with the original plan.

The top-line profit steadily increased year over year, led by the increases in net interest income, net fees and commissions and decrease in losses on bond portfolio. I will touch upon these later.

There was a slight increase in expenses, because we increased investments for strengthening the growth business areas as originally planned.

Total credit cost may seem high when we divide the annual target, 90 billion yen, by four. However, because credit cost of the 1st Half is originally expected to be 70 billion yen, 1st Quarter result is pretty much in line with the plan.

Net income fell slightly year over year. However, if we exclude one-time extraordinary gains of the last year, which was 36 billion yen in "return of securities from retirement benefits trust," the bottom line profit shows an year over year increase.

Annual earnings forecast, which was announced in May, remains unchanged.

(P.18)

From here, I would like to give a breakdown of 1st Quarter's top-line profit.

First, net interest income, shown in the left, increased by about 7% year over year due to such factors as increases in loan balance and loan to deposit-spread.

As shown in the middle, the loan balance as of June-end 2007 increased by approximately 200 billion yen compared with March-end. A decrease in domestic loans led by the decrease in loans to the Government was fully offset by the increase in overseas loans mainly to high credit-quality companies.

Also, as shown in the right, the loan-to-deposit spread widened in the 1st Quarter.

This was an effect of the second policy rate-rise done by the Bank of Japan in February this year. More precisely, the effect of the increase in loan yield, which normally follows the increase in deposit yield, surfaced in the 1st Quarter.

(P.19)

This slide shows the situation of fee income.

As shown in the left, net fees and commissions increased slightly year over year. The change in fee income by product is shown in the middle. As you can see, sales of investment trusts were strong in the 1st Quarter.

(P.20)

This is a sum of "net trading income" and "net other operating income."

As shown in the left, the figure in the 1st Quarter of the previous year was negative due to a substantial loss on bonds, incurred as we decreased our bond exposure to reduce interest rate risks, in view of the domestic and overseas market interest rate situations.

Because risk profile of our bond exposure improved due to such operations in the last fiscal year, bond loss in the 1st Quarter this year was small as shown in the right. Therefore, the sum figure turned positive.

(P.21)

Next, using two slides, I would like to present you our view on the "subprime loan problem."

In this slide, our general view on changes in the market, effects on SMFG's portfolio and business operations are summarized.

In the short term, as shown, on one hand, the "subprime loan problem" would have negative financial impacts such as possible loss provisions for subprime related exposures, and business impacts such as lower business volumes of leveraged financing led by malfunction of the market. I have to highlight, however, that we would enjoy positive impacts on the other hand, such as higher price of on-book JGBs and US Treasuries, and greater sales of derivative products for our clients' hedging purposes led by increased volatility of forex market.

I would like to add that financial impacts on SMFG would be limited, taking a size of SMFG's subprime related exposure into consideration.

Meanwhile, it is essential to have a clear view and strategy going forward. The market may move into "a process of adjustment in asset pricing," and I believe this process would be opportunities for SMFG. Specifically, this would promote broadening of frontier of our investments and loans to alternative fields, which we intend in the medium-term management plan. Also, this would be an opportunity for SMFG, which has strength as a commercial bank that could use its balance sheet, to increase high-quality assets with better risk-return profile. Going forward, we will take initiatives to capture these opportunities.

(P.22)

This illustrates the possible effects on our business, investment banking business in particular, a little more in detail.

On the left, starting from the rise in delinquency ratio of US subprime mortgages, the effects spread into the investment banking market shown in the middle. Such effects are summarized in three, which are, (a) sales of derivative products, (b) sponsoring of securitization such as ABCP program, and (c) leveraged financing.

First, as mentioned earlier, increased sales of derivative products are positive for us, of course.

Second, the total amount of ABCP of which SMBC is sponsoring is approximately 1 trillion yen both in Japan and the US. The most part of them accounts for securitized assets of clients' trade receivables, and none of subprime related assets are included. We are seeing some clients changing their funding source from ABCP programs to bank loans. We are not concerned about the credits of such loans, and do not have any problem in funding.

At last, as noted, origination of leveraged financing has decreased, and this will give us a certain negative impact on related profits. We will carefully watch whether this trend spreads to the rest of the structured finance market.

(P.23)

At the end of this presentation, I would like to leave you with a message.

The current turbulence in the market led by the "subprime loan problem" may not negatively affect SMFG in a substantial manner. I believe that the associated risks are fully manageable for SMFG.

Thus, It would be disappointing if this problem adversely affected our recent stock price substantially. I hope you will understand that this should not affect medium to long-term corporate value of SMFG.

We will continue to take strong, steady steps this fiscal year and thereafter toward our target of realizing sustainable growth and fulfilling your expectations.

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

(End)