

CSR REPORT 2006

Sumitomo Mitsui Financial Group
CSR Report



SMFG SUMITOMO MITSUI
FINANCIAL GROUP

Corporate Philosophy

- To provide optimum added-value to our customers and together with them achieve growth
- To create sustainable shareholder value through business growth
- To provide a challenging and professionally rewarding work environment for our dedicated employees

Group Outline

Sumitomo Mitsui Financial Group ("SMFG") is the holding company for the core Group subsidiaries Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Card Company, Limited, SMBC Leasing Company, Limited, The Japan Research Institute, Limited and SMBC Friend Securities Co., Ltd. The Group is a comprehensive financial services group providing banking, credit card, leasing and other financial services. The Group also has strong, functional alliances with Daiwa Securities Group Inc. Promise Co., Ltd. and NTT DoCoMo, Inc.—leaders in their respective business sectors—through which it provides securities, consumer finance and other services to meet the increasingly diverse and sophisticated needs of its customers.

Terminology

In this report, the term 'SMFG' refers to the holding company Sumitomo Mitsui Financial Group, Inc. 'The Group' refers to the holding company Sumitomo Mitsui Financial Group, Inc. and its consolidated subsidiaries, as well as other companies treated as subsidiaries according to the Japanese Banking Law and other ancillary businesses.

Corporate Outline (as of March 31, 2006)

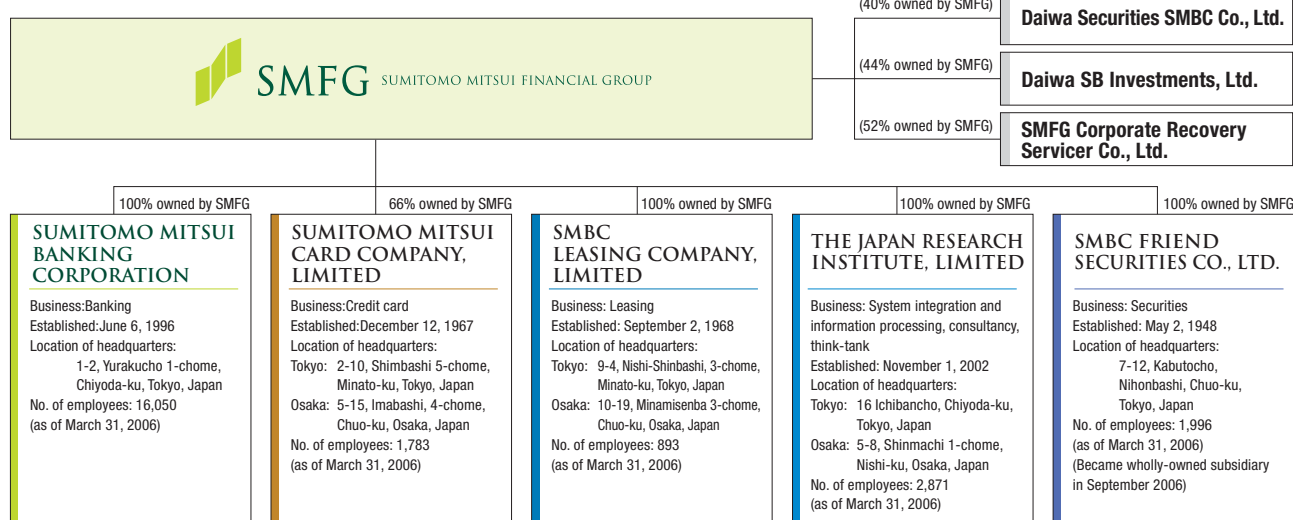
Company name:	Sumitomo Mitsui Financial Group, Inc.
Established:	December 2, 2002
Location of headquarters:	1-2, Yurakucho 1-chome, Chiyoda-Ku, Tokyo, Japan
Chairman of the Board and Representative Director:	Masayuki Oku (also President of Sumitomo Mitsui Banking Corporation)
President and Representative Director:	Teisuke Kitayama (also Chairman of the Board of Sumitomo Mitsui Banking Corporation)
Capital Stock:	1,420.8 billion yen
No. of Group Employees:	40,681 (SMFG consolidated base)
Business aims:	To manage the affairs of subsidiary banks and other companies treated as subsidiaries according to the Japanese Banking Law, as well as other ancillary business.
Listed exchanges:	Tokyo Stock Exchange (First Section) Osaka Securities Exchange (First Section) Nagoya Stock Exchange (First Section)

■ Segmental Operating Income (Fiscal 2005)

Operating Income by Business Type		Operating Income by Geographical Location	
Millions of yen/percentage of total		Millions of yen/percentage of total	
Banking:	2,530,334 (63.7%)	Japan	3,326,774 (86.3%)
Leasing:	773,640 (19.5%)	America	217,558 (5.6%)
Others:	668,823 (16.8%)	Europe	128,188 (3.3%)
Total:	3,972,798	Asia and Oceania	182,956 (4.7%)
		Total	3,855,478

* As figures for operating income by business type and geographical location include inter-segmental sales, the totals differ.

■ Structure of Sumitomo Mitsui Financial Group



Editorial

In December 2005, Sumitomo Mitsui Banking Corporation ("SMBC")—a core company of the SMFG Group—was issued a cease and desist order by the Japanese Fair Trade Commission for breaching the Antimonopoly Act with respect to the manner in which it had marketed interest rate swaps to a number of corporate borrowers in the past, and in April 2006 the company received administrative orders from the FSA regarding the same matter, based on Section 26 of the Japanese Banking Act. In the wake of this incident, we have undertaken a revision of the nature of our customer-focused product planning and sales structure, as well as our compliance structure and performance evaluation systems. Pages 7-14 of this Corporate Social Responsibility ("CSR") Report detail these improvements to provide stakeholders with an understanding of the whole picture.

This report also presents the policies and activities of the Group regarding the environment, nurturing small- and medium-sized companies, social contributions, and other aspects of the Group's efforts toward the creation of a sustainable society.

This report will be published annually and, by continuing to disclose data and listen to the opinions of our stakeholders, we intend to develop our CSR activities in a manner that reflects our position as a financial group.

Scope of this Report

The companies covered by this report are:

- Sumitomo Mitsui Financial Group, Inc.
- Sumitomo Mitsui Banking Corporation
- Sumitomo Mitsui Card Company, Limited
- SMBC Leasing Company, Limited
- The Japan Research Institute, Limited
- SMBC Friend Securities Co., Ltd.
- Other Group companies, including Minato Bank, The Bank of Kansai and others

Period Covered by this Report

April 1, 2005 to March 31, 2006 ("Fiscal 2005").

Note: Certain items in this report refer to activities taking place after April 2006.

Publication Date of Original Japanese Document

November 2006 (next report to be published July 2007)

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Newspaper Advertisement

世の中の、幸せの入口になろうと思う。

入口

銀行には、もっといろんな窓口があっていいと思います。ある人がよくご存じのお金を貸す窓口だけではなく、
他業のために、銀行として貢献できることを考え、活動する窓口。そんな、世の中の、幸せの窓口になる。そして、それを銀行の役割にしようと思ってきました。
実は、これまでも、銀行だからできることを、少しずつですが事業に取り組みしています。
たとえば、夢をかなえるためにがんばっている中小企業を応援する融資の融資だったり、電力や太陽光などの自然エネルギーによる発電を推進する
環境配慮型の企業や事業への融資の支援だったり、また、約1万人の希望者が毎年100円ずつ募金して、災害や経済的な困難に苦しむ人々に
寄付をするボランティア募金だったり、そして、まだまだやっと思いませんが、ある人がイメージする銀行とはちょっと違うことも力をつけています。
企業もひとりの人間として、会社の幸せだけでなく、お客さまの幸せ、働く社員が幸せ、地域社会や国際社会の幸せ、地球環境の幸せまで考えていくことが、
必要なのではないでしょうか。私たちは、この役割として、そう考えています。これまでも、そして、これからも、世の中の、幸せの窓口になろうと思ひます。三井住友銀行。

CORPORATE (企業が) SOCIAL (社会のために) RESPONSIBILITY (できること)

SMFG 三井住友銀行

Advertisement Translation

We want to be a gateway to happiness, around the world

We think that banks should be more than just a place for customer transactions. We'd like our bank to be a starting point for actions that contribute to society: a gateway for happiness, around the world. So we've made that our task.

In fact, we've already started—step by step, using our capabilities as a bank to do things that only a bank can do. Like providing unsecured loans to small companies working hard to turn their dreams into reality. And funding eco-friendly businesses that promote the production of electricity through renewable resources such as solar or wind power. Our employees are helping too, through more than 10,000 individual contributions of ¥100 a month from their salaries in a voluntary fund-raising effort for victims of natural disasters and people afflicted by poverty. We're determined to build on these small beginnings, making an effort in areas that are perhaps a little different than you expect from a bank. Because we believe that companies should have wider concerns than their own. The happiness and health of our customers, employees, local and international communities and the environmental is more important than anything else. As a bank we are united in this belief. As we have been, and as we will be: a gateway for happiness, around the world.

CSR
Corporate Social Responsibility
Sumitomo Mitsui Banking Corporation

Outline of Group Business

The Group operates under a holding company structure in which each group company, starting with SMBC, carries out the management of its business whilst SMFG, the holding company, develops Group strategy and is involved in the executive management of each Group company. The following provides overviews of the structure of the holding company and the businesses of the main Group companies.

The Holding Company Structure

The Group operates under a holding company structure.

SMFG, the holding company develops Group strategy and carries out executive management of Group companies. Group companies such as Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Card Company, Limited, SMBC Leasing Company, Limited, The Japan Research Institute, Limited and SMBC Friend Securities Co., Ltd. carry out a range of businesses according to the management strategies of SMFG. The largest company is SMBC, which forms the core of the Group.

In partnership with Daiwa Securities Group Inc., SMFG partly owns the corporate securities company Daiwa Securities SMBC Co.Ltd., and the asset management company Daiwa SB Investments Ltd. Further, in a joint venture with Goldman Sachs Ltd., Daiwa Securities SMBC Principal Investment Co. Ltd. and Development Bank of Japan, SMFG has established SMFG Corporate Recovery Servicer Co., Ltd., which provides support for corporate recoveries.

Consolidated Business Results of Sumitomo Mitsui Financial Group

(Unit: Millions of yen)

	FY 2002	FY 2003	FY 2004	FY 2005
Operating income	3,506,386	3,552,510	3,580,796	3,705,136
Operating profit (loss)	(515,749)	342,844	(30,293)	963,554
Net income (loss)	(465,359)	330,414	(234,201)	686,841
Total assets	104,607,449	102,215,172	99,731,858	107,010,575

Business Overview of the Five Main Group Companies

Sumitomo Mitsui Banking Corporation

As the core company of the Group, Sumitomo Mitsui Banking Corporation ("SMBC") provides banking services, centering on savings, loans, and foreign and domestic currency operations to corporate and retail customers both in Japan and overseas.

For retail customers, SMBC is expanding the network of SMBC Consulting Plazas, which operate during non-regular office hours, to provide consulting services centering on asset management and loan advice, and is actively responding to the shift from a savings-oriented financial management approach to an investment-oriented approach.

For leading mid-sized companies and small- and medium-sized enterprises, SMBC provides financial solutions appropriate to the growth stage of the client. In particular, in addition to its *Business Select Loan*, which does not require collateral or third-party guarantors, the Bank has launched the *SMBC Crecer Loan*, mainly targeted at clients with annual sales of less than ¥3.0 billion.

For large enterprise customers, such as listed companies, SMBC advises on a range of business solutions such as mergers and acquisitions,



strategic capital and business alliances, and business separations of divisions or subsidiaries, and is able to respond precisely to sophisticated and diverse customer needs.

■ Sumitomo Mitsui Card Company, Limited

The pioneer of VISA cards in Japan, Sumitomo Mitsui Card Company, Limited (“Sumitomo Mitsui Card”) utilizes its accumulated comprehensive credit card business development expertise to provide credit-focused payment and finance services tailored to customer needs.

Recently, as well entering a joint venture with NTT DoCoMo, Inc. through the launch of *Mitsui Sumitomo Card iD*[®]*, a new electronic payment service utilizing the NTT DoCoMo Mobile Wallet (“*Osaifu-Keitai*”[®]), Sumitomo Mitsui Card has been providing an ever wider range of new payment services, such as being entrusted with the system management for *PiTaPa*, the Surutto Kansai (Osaka) non-contact IC card transport and shopping payment service. The Company is making efforts to provide ‘safe, convenient and unique’ cards in areas that affect customers’ daily lives—for example utilities, health care and road tolls.

* *Mitsui Sumitomo Card iD*[®] is an easy and convenient payment method that can be used by passing a mobile phone (specifically NTT DoCoMo Mobile Wallet (“*Osaifu-Keitai*”[®])) over the reader device in shops that carry the iD mark.



■ SMBC Leasing Company, Limited

SMBC Leasing Company, Limited (“SMBC Leasing”) specializes in providing tailor-made solutions for corporate customers’ large-scale capital investment needs. The company offers a broad spectrum of leasing products—ranging from PCs and other IT equipment, to manufacturing facilities and machine tools—for commercial properties (shops, factories, and warehouses) along with overseas facilities for Japanese companies expanding abroad.

Further, SMBC Leasing is playing a role in reducing customers’ energy consumption, utility costs and production of greenhouse gases through leasing environmental protection facilities and equipment, as well as energy reducing equipment. Via initiatives such as selling end-of-lease equipment on the second-hand sales website *Lease-up Eco Town* (<http://www.e-let.jp/>) in support of the so-called *Three Environmental Rs*—Reduce, Reuse, Recycle—SMBC Leasing is conducting its business in a way that contributes to environmental protection.



■ The Japan Research Institute, Limited

The Japan Research Institute, Limited (“JRI”) is a comprehensive information services company that seamlessly combines the three functions of systems integration through planning and setting up information systems and outsourcing, consulting, and fulfilling think-tank functions by analysis of economic surveys and making policy recommendations. The cornerstone of JRI’s business is to engage in ‘knowledge engineering’ activities to generate a value-creation chain involving a wide spectrum of economic and social elements. JRI has created the *CSR Archives*, Japan’s first comprehensive CSR information site and, as well as helping promote CSR at companies through the dissemination of this information, carries out Eco-Consulting to support corporate environmental activities.



■ SMBC Friend Securities Co., Ltd.

SMBC Friend Securities Co., Ltd. (“SMBC Friend Securities”) is a consumer securities company engaging mainly in face-to-face customer services. To respond to wider customer demands arising from the shift from a savings-oriented financial management approach to an investment-oriented approach, SMBC Friend Securities has further deepened its relationship with SMBC to provide asset management consulting to its consumer customers.



Commitment from the Top

Earning a High Level of Trust through CSR



Looking Towards the Next 100 years

In April 2005 we set up the 'Group CSR Committee' at SMFG in order to fully develop CSR activities. This committee, which comprises members from SMFG, SMBC, Sumitomo Mitsui Card, SMBC Leasing, JRI and SMBC Friend Securities, meets to deliberate on CSR activities across the Group.

Driven by this committee, in fiscal 2005 the Group planned and promoted initiatives aimed at creating a CSR foundation at SMFG and Group companies. Concretely, this took the form of a project team of mid-level and younger staff being formed as a subordinate organization to the Group CSR Committee, tasked with identifying CSR activities that the Group should be involved in from now on. The conclusions reached by this project team were recorded in the form of specific goals in the previous CSR. This report was distributed to a wide range of people and employees involved in Group operations, including part-time staff, but was not released outside the Group. This is because we believed that it was of primary important that our employees fully understood the true nature of CSR. Having published the report and carried out a number of study groups based on it, we believe that the Group's Corporate Philosophy, Basic CSR Policy and shared CSR Philosophy have been taken to heart across the Group.

Now, a year on from the first report, and with the establishment of our CSR foundation well underway, we have made the CSR Report 2006 available outside the Group for the firsttime. As well as communicating our CSR activities to society, we also wish to affirm our commitment to them.

Whilst the term CSR is perhaps a new one, the concept of corporate social responsibility is one that has long existed at Japanese companies, and CSR is certainly not new to SMFG. 'Mitsui' and 'Sumitomo', the key elements of Sumitomo Mitsui Financial Group's name, were established around 400 years ago, and only through continuous efforts to fulfill our responsibilities to society, whether as 'Mitsui' or 'Sumitomo', have we been able to sustain our business over a long period of time and earned the ongoing support of many people. I believe that it is the duty of us as employees to take pride in the company and lay the foundations for the next 100 years and beyond of 'Mitsui' and 'Sumitomo'.

FSA Administrative Order and Regaining Trust

However, the core company of the Group, SMBC, was recently involved in an incident where it abused its dominant position and was the subject of hearings before the Japanese Fair Trade Commission ("JFTC"), as well as receiving an administrative order from the Japanese Financial Services Agency ("FSA"). This has been a deep source of regret for us.

Regarding this incident, SMBC has established and implemented a business improvement plan as well as measures to prevent a recurrence, but this is not a problem that only affects SMBC. The entire Group must seriously think about this incident, as well as reaffirm the meaning of CSR amongst its employees. This spirit must be applied in our daily business and we have to regain the trust of society as quickly as possible.

Promoting CSR through Our Business

The Group wants to be involved in CSR activities that allow us to make optimal use of our capabilities as a comprehensive financial group and contribute to society through our business. Of course it is important for a company to carry out activities such as volunteer and charitable initiatives that contribute to society and we are naturally involved in them. However, the CSR activities that the Group is aiming for are those that tackle environmental and societal issues through our business, and are uniquely SMFG.

It is important that profitable growth is balanced by our commitment to quality. We must therefore interest ourselves in socially significant activities, continue to consider our wide range of stakeholders, and commit ourselves to corporate activities that play a role in society. The Group is promoting and developing its CSR activities with these principles in mind.

The Group is working towards its corporate goal of being a high-quality comprehensive financial group that receives the highest level of trust from its customers, shareholders and the market, and society. I believe



President, Teisuke Kitayama

that having every employee involving themselves in continued activities, no matter how small, is the quickest way to achieve this goal.

November 2006

Sumitomo Mitsui Financial Group, Limited

Teisuke Kitayama
President

A handwritten signature in black ink, reading "T. Kitayama".

Regaining Trust

SMBC President's Message

Interest Rate Swap Sales Issue

Business Improvement Plan

SMBC President's Message

SMBC has fully investigated the causes of the incident and is working to regain society's trust by implementing measures to prevent a recurrence.

■ Interest Rate Swap Sales Issue

In December 2005, SMBC was issued a cease and desist order by the Japanese Fair Trade Commission, followed by administrative orders from the Japanese Financial Services Agency in April 2006. We would like to apologize for any inconvenience or concern that we may have caused to our customers, shareholders and everyone else concerned.

This situation arose because we were judged to have abused our dominant position when marketing interest rate swaps to our corporate customers.

Specifically, whilst arranging loans, we suggested that the customer also purchase interest rate swaps and made this a condition of the loan. Further, we openly stated or suggested that not purchasing interest rate swaps would result in complications with the loan. As a result of this, the purchase of interest rate swaps became a requirement when taking out a loan.

■ Balancing Business Execution and Administration

A detailed analysis of the causes of the incident can be found on pages 9-10 of this report, and measures to prevent a recurrence are outlined on pages 11-14. However, if I were to give one reason for the problem, then it would be the loss of balance between business execution and administration.

In the harsh financial and economic environment following the 1990s, cleaning up the balance sheet became a major management issue for banks. As a private company, revenues are obviously a priority, but this should be based on the assumption of a relationship of trust and equality between the bank and its customers. Consequently, whilst we did have the intention to continuously emphasize compliance and customer satisfaction (CS) within the bank, the results obviously show that we had been unable to maintain a proper balance between business execution and administration—a situation that we deeply regret.

As a result of this, and to prevent a recurrence, we are working on measures to establish a customer-oriented sales and compliance structure.

Specifically, through such initiatives as establishing a 'Business Monitoring Committee' and improving our rating system we have become more aware of our sales activities, revised our products and services, and have also adjusted our administrative methods and functions such as compliance, auditing and monitoring.

Pursuing a Customer-Oriented Approach

In order to regain the trust of its customers and the confidence of the market and society, SMBC is steadily implementing each of these measures.

However, as the saying goes, 'it takes three years to build a castle and one day to destroy it', and regaining that trust and confidence is not something that will happen overnight. There is no other way to do it than for each employee to reconsider our Corporate Philosophy and to be honest in placing customers first.

SMBC considers its stakeholders to be its customers, shareholders and the market, society and the environment, and its employees, and positions its CSR activities as those that provide the highest value to these stakeholders.

Naturally, we place equal importance on each group of stakeholders but I believe that customers must be the starting point and this is the reason that I have pushed a customer-oriented policy since assuming the position of President.

Whilst it seems obvious that any company operating in the service industry should adopt a customer-oriented policy, SMBC must take the recent incident seriously. We must not allow our efforts to stop at being sorry, but instead must maintain the momentum to review our problems and issues and reconsider our purpose as a company. We must ensure that, in seeking to grow as a profitable company, our



President, Masayuki Oku

focus remains firmly on protecting the quality of everything we do.

I am convinced that building up a customer-oriented mindset in our daily business is the best way to regain trust, and I hope that each employee will remember this in carrying out customer-oriented business activities.

November 2006

Sumitomo Mitsui Banking Corporation

Masayuki Oku
President

Interest Rate Swap Sales Issue

In December 2005, Sumitomo Mitsui Banking Corporation, a core company of the Group, received a cease and desist order from the Fair Trade Commission of Japan (JFTC), and in April 2006, administrative orders from the Financial Services Agency (FSA), with respect to the manner in which it had marketed interest rate swaps to a number of corporate borrowers in the past.

A summary of the issue and its causes are provided below, in addition to a report on the business improvement plan developed following the incident.

Summary of Events

In December 2005, SMBC was cited by the JFTC for 'having openly stated or suggested during loan procedures with a number of corporate clients that the purchase of interest rate swaps was a condition for receiving loans from the bank', and this was judged to be an abuse of dominant bargaining position, as prohibited under Japanese anti-trust legislation.

On April 27, 2006, the FSA issued directives partially suspending operations, including suspending corporate business offices from engaging in the marketing of interest rate derivative products for six months, and prohibiting the opening of new corporate business offices for one year. The Company was also issued with a severe administrative order requiring the improvement of business administration, internal control and legal compliance frameworks.

The SMBC Group would like to take this opportunity to apologize sincerely to all customers and shareholders of the Group, as well as all other stakeholders, for the worry and inconvenience that this chain of events undoubtedly caused.

Special Investigation Committee and Thorough Investigation

An inquiry into the causes of the incident was carried out by the Special Investigation Committee established by SMBC on December 14, 2005. The committee was chaired by the Senior Executive Officer in charge of compliance, and comprised five members in total, including three internal members and one third party (a lawyer). A sub-committee was also established, consisting of six lawyers, including the above-mentioned third-party lawyer, as well as SMBC investigative staff from the Antimonopoly Monitoring Office independent of the operations division. All six lawyers are external lawyers with no advisory contracts with SMBC.

Investigations into the causes of the issue were conducted on the basis of maintaining transparency, through reviewing material submitted by the relevant departments, as well as interviewing relevant directors and heads of departments. Investigations into individual cases were implemented in the following manner.

(1) SMBC sent surveys to each of the 18,162 clients who had interest

rate swap agreements with SMBC since April 2001, including those who had cancelled the agreements, except those who had already contacted us before this investigation. The survey investigated the clients' perception of possible abuse of dominant bargaining positions when SMBC sold or marketed interest rate swaps, and in the case of those who regarded our actions as questionable, requested that they provide an outline of the relevant facts.

(2) Detailed investigations were made where the clients responded or separately requested us to do so by other means including by telephone. Specifically, (i) the investigation staff of the subcommittee interviewed the related marketing staff and inspected the related documents in accordance with the guidelines set through consultation with the lawyers; (ii) the lawyers in the subcommittee conducted preliminary judgment on whether there existed any abuse of dominant bargaining position based on the reports by the investigation staff; and (iii) the Committee conducted the final judgment based on the result of the preliminary judgment by the subcommittee.

The results of this investigation were published in our April 27, 2006 press release, 'Sumitomo Mitsui Banking Corporation Issued Administrative Orders By the Financial Services Agency'.

Survey Results Indicate Four Contributing Organizational Factors

(1) Sales Promotion System

Profit targets at the SMBC Middle Market Banking Unit were established based on performance in the previous fiscal year. However, because there was not sufficient verification of profits in the previous fiscal year by the Planning Department in head office, or the processes by which they were obtained, there was a tendency for profit targets to be decided based solely on performance in the previous fiscal year. As a result, there were instances where some Corporate Business Offices were assigned relatively high profit targets by head office.

In such circumstances we believe that in many instances Corporate Business Offices, which consider the relatively slow-performing area of loans to small and medium enterprises to be an important source of clients, promoted interest rate swap transactions where profits

Interest Rate Swap

An interest rate swap is a financial derivative product exchanged between traders, which uses different types of interest rates (for example, floating interest rates and fixed interest rates) calculated against a notional principle (decided purely for the purposes of interest calculations).

For example, in the case of a client receiving funding at a floating interest rate, by purchasing an interest rate swap whereby the client receiving a floating rate from a financial institution actually pays a fixed rate of interest, it is possible for the client to avoid the risk that the floating rate on funding from the financial institution may rise. The effective result is as if the client had switched from a floating rate to a fixed interest rate loan.

Abuse of Dominant Bargaining Position as Prohibited Under Japanese Antimonopoly Act.

Abuse of Dominant Bargaining Position as prohibited under Japanese antitrust legislation refers to utilizing a superior trading position to the counterparty, and in the light of normal commercial practices, to unfairly and continuously force the counterparty to purchase products and services other than those related to the transaction in question.

Corporate Business Offices

SMBC outlets include 'branches,' which are responsible mainly for transactions with individual clients, 'sales divisions,' which handle transactions with major corporate clients, and 'Corporate Business Offices' responsible for dealing with small- and medium-sized companies.

are collectively booked at the time of purchase, and, by extension, that some offices carried out excessive marketing activities resulting in abuses of dominant bargaining positions.

Guidance given to Corporate Business Offices by the Planning Department in head office emphasized business promotion and monitoring their progress in achieving their targets, with insufficient attention paid to examining the profit or actual business promotion in detail.

In addition, in the evaluation system more importance was attached to earnings in a single fiscal year than to medium to long-term targets including growth of customer base, and the Committee considered this as one of the organizational factors behind the incidents.

(2) Compliance System

SMBC had established sales rules based on compliance as it relates to interest rate swaps, but these rules focused on the explanation of interest rate swaps, which are derivative products with complicated mechanisms, and unfortunately there was insufficient consideration of reminders and inhibitory rules that take into consideration the perspective of clients.

SMBC had formulated a series of regulations from the perspective of compliance with laws and ordinances (including a Compliance Manual) that staff should comply with when conducting business. Regulations on abuse of dominant bargaining positions were also included in the manual and elsewhere but, as cited by the relevant authorities on this occasion, the repeated canvassing of companies on the SMBC loan book by SMBC staff, along with departmental superiors, was not specifically stated as falling into the category of violation of the Antimonopoly Act.

In addition to assisting departmental and branch managers to maintain compliance, the Compliance Officers deployed at each SMBC department and branch were also tasked with the prevention of activities likely to violate laws and ordinances or social norms, and to create adequate responses to infringements if they occurred. We regret to say, however, that said officers were not totally independent of operations, and there were instances where compliance considerations and measures related to business planning and development were lacking. We believe that this hindered prevention of the incident.

(3) Monitoring and Auditing System

SMBC monitored complaints concerning interest rate swaps at head office, emphasizing individual response to each complaint on a case-by-case basis, but no provisions were made for responses from a macro-based standpoint pertaining to the products or the sales systems themselves. Regular Customer Satisfaction (CS) Surveys were also carried out for corporate clients, but such analysis was insufficient.

SMBC conducted audits of Corporate Business Offices and interest rate swaps, but no provision was made to investigate further and verify actual sales and marketing conditions from the standpoint of compliance with the Antimonopoly Act. Audits at headquarters did not include any audit items pertaining to the abuse of dominant bargaining positions.

Furthermore, there were instances when monitoring and auditing by SMFG, which is responsible for the business management of SMBC, was also found to be lacking.

(4) Structure of the Bank

While each department independently created measures for items that they were responsible for in accordance with the revised FSA operational guidelines, and the Report on the Survey of Trade Practices between Banks and Firms, published by the JFTC, no review was made of the overall sales system, nor was any in-depth response made.

Summary of Causes

As outlined above, it is our belief that there were problems at both head office and our Corporate Business Offices in relation to interest rate swap sales, and a combination of these issues caused the incidents. In short, we are aware that we established and promoted profit targets on the one hand, whilst failing to offer adequate business management or preventative functions.

SMBC and the entire Group have had a corporate philosophy of being customer-oriented, but based on the experiences gained from this situation, it is clear that development of awareness of customer perspectives was lacking, and this is a major issue for the Group.

Business Improvement Plan

Following the administrative orders received by SMBC from the Financial Services Agency as outlined in detail on pages 9 and 10, in June 2006 we submitted a business improvement plan to the FSA. Through the implementation of this plan, SMFG and SMBC intend to make all necessary efforts to recover the trust of society, beginning with our customers and shareholders.

The following is an overview of the business improvement plan.

Customer-Oriented Operating and Compliance Structure

Management and Inspection Functions at SMFG

Aware of the fact that as a holding company, SMFG had not been fulfilling its business management functions sufficiently, our first task was to strengthen the management and inspection functions of SMFG as a holding company. In concrete terms, we established a Group Business Management Department to verify the appropriateness of SMFG compliance, customer satisfaction (CS), product quality and corporate social responsibility (CSR) related operational management from the multifaceted standpoint of the holding company. The Group Business Management Department monitors the progress of the SMBC business improvement plan, and is following up on the steady execution of the plan.

SMFG has also enhanced the supervisory functions of the auditing divisions throughout the Group. Previously, the auditing departments have verified the appropriateness and effectiveness of internal control systems at each Group company via the monitoring of audit results by the auditing divisions at each Group company, but from now on they will also be tasked with verifying previous data from the audits of each Group company, and conducting on-site inspections at companies undergoing audits.

Activities at SMBC

SMBC has always emphasized customer oriented operations and compliance, but following the recent incident we have, reinforced our principles of customer oriented operations systems and compliance systems, while on the organizational front have responded by restructuring the Middle Market Business Unit along with establishing a Quality Management Department and an Anti-monopoly Law Monitoring Department. We will make all efforts to regain the trust of society, with management leading the way in the implementation of the measures set out below.

Further, in order to ensure effective promotion of these measures, and ensure the appropriateness of overall operations, we have also

decided to submit ourselves to a wide range of external opinions. In addition to adding a further external board member in June 2006, we have also enhanced our external check systems by creating a mechanism that includes external experts and outside directors.

(1) Business Monitoring Committee

SMBC has established a Business Monitoring Committee in order to objectively consider measures related to compliance, CS and product quality. The composition of the committee has been designed to ensure objective discussion, as it is chaired by an external expert, and has an external director as vice-chairman. More than half of the other nine positions are filled by five external experts or directors. The first committee session to discuss the business improvement plan was held on September 11, 2006.

(2) CS and Product Quality Improvement Committee

Previously, CS measures at SMBC were promoted by the CS committee. Now, however, in order to more clearly clarify our commitment to operations aimed at achieving a customer-oriented operating structure, the CS committee has been dissolved so that a better organization could be formed, and in its place the Company established a 'CS and Quality Improvement Committee' with all the directors sitting on the management committee serving as members.

In principle the CS and Quality Improvement Committee meets every month, with all directors in attendance, and discusses matters regarding customer-oriented operations. As well as periodically inviting external experts to attend meetings and give their opinions, the committee makes efforts towards the qualitative improvement of operations, based on customer comments and proposals from our employees.

We have also set up cross-sectional working groups and project teams reporting to the committee, and are forging ahead with concrete working level discussions on the development of a system to gather customer opinions and apply them to company operations. Our ultimate aim is to become a company at the cutting edge of CS activities in not just the financial sector, but the overall service industry.

(3) CCF Action Plan

As one undertaking aimed at developing and firmly establishing customer-oriented operational and compliance systems, the company has decided to establish a CCF Action Plan at each operational division to run each fiscal year. CCF is short for both 'Customer Comes First' and 'Compliance Comes First', and the action plan positions customer-oriented operations and compliance as primary issues in operational management.

Each operational division will draw up a practical plan reflecting the characteristics of each individual division, and ensure high-level effectiveness in line with the policy of the divisional director relating to customer-oriented operations and compliance.

(4) Operating Level Monitoring

SMBC is strengthening the monitoring of overall operations, including products and services. For example, we have decided to broadly implement operations-related monitoring at each location, not just departments responsible for supervision and compliance, but also those controlling operational divisions and product development departments. Reporting monitoring results in a concrete form at operational level will help deepen the involvement of management in the operational process.

over the Medium-Term', and 'Base Operations (Customer Oriented Systems and Compliance)'. We will also carry out stage-by-stage reviews of individual staff assessments, ensuring that our customer-oriented structure has been firmly taken to heart, both at the organizational and individual level.

(2) Establishment of Proper Business Guidelines/ Guidelines for Drawing up Business Plans

In order to secure a sound compliance system at each operational division and to pursue proper business activities, SMBC has established its 'Proper Business Guidelines', and 'Operations Branch Business Administration Guidelines'. The company has also established a set of 'Guidelines for Drawing up Business Plans', to ensure that plans are sound as well as being representative of specific market characteristics when operational divisions are engaged in creating business plans.

■ Operational Review

In addition to firmly anchoring an awareness of customer-oriented operating and compliance structure among our employees, we have taken the following measures on the operational front to ensure that awareness is reflected in actual business activities.

(1) Revision of the Assessment System

We believe that revising the assessment system is important in making our employees more aware when carrying out their business activities. To date, our 'Reported Profits for the Single Fiscal Year in Question,' has been evaluated highly relative to other assessments, but we have made major revisions to the performance assessment system, and have decided to award equal evaluation to 'Reported Profits for the Single Fiscal Year in Question', 'Franchise Building

■ Reviews of Products and Services

SMBC has also carried out the following activities to ensure that the details and sales structure of products and services not only comply with relevant laws and ordinances, but are also based on an awareness of customer oriented systems.

(1) Product and Service Quality Control Rules

The company has established a series of Product and Service Quality Control Regulations to ensure that its products and services are truly based on the needs of customers. These rules set the standards for product planning and development based on objective analysis of needs related to financial products and services, sales and marketing in line with the status of the knowledge, experience and assets of each individual client, as well as for creating explanatory materials that are easily understood by customers.

(2) Criteria for Product and Service Reviews

Based on opinions and comments from customers, the company periodically assesses product content guidelines, along with sales and marketing in order to ensure and maintain a sound sales and marketing system. The Criteria for Product and Service Reviews have been established as the standards for assessment.

(3) Product and Service Training

SMBC is also working to enhance products and services-related training in order to be able to carry out appropriate sales and marketing based on accurate product knowledge. We have also launched such operations as checking the level of understanding of training contents, and temporary suspension of the sales and marketing of products by officers who have failed to attain specific levels.

Middle Market Banking Unit: Compliance Officer SMBC



Planning Dept., Corporate Banking Unit &
Middle Market Banking Unit:
Senior Development Officer
Area Compliance Officer
Mitsuru Sakai

At each of the regional operating head-
quarters SMBC has allocated nine Area

Compliance Officers responsible for controlling regional corporate operations bases, as a response to the recent administrative orders and to prevent a recurrence. My role is to coordinate these initiatives. When looking at the causes of the incident from that perspective, I feel there are points to be considered from both the compliance and customer satisfaction angles. In concrete terms, I can point to shortfalls in target setting by headquarters, operational activity based compliance and a failure to ensure that the proper checks were carried out. CS awareness among our staff, and systems designed to reflect customer comments and opinions in company measures, were also insufficient.

With this in mind, my first action was to try to bring the Area Compliance Officers closer to staff so that people from the operations

branches could come and talk without hesitation. That was because I felt that in order to carry out effective guidance and supervision of the operations branches it was important to reduce the distance between headquarters and those branches, and make it easier to hear the voices and opinions of those in the field. As a result of these activities, field reports are now being relayed to headquarters more smoothly than before. In addition to the Area Compliance Officers periodically visiting the branches they are responsible for, and ensuring that all employees are firmly aware that compliance always takes precedence over business development, these officers are also going to great pains to make themselves open to various concerns and problems.

SMBC has also conducted a review of performance assessment systems and has decided to assess not just profits, but to make equivalent assessments of compliance and CS. Each officer will play a role in this, and I want to work towards the steady penetration of compliance and CS awareness by accurately reflecting field activities in those assessments. Every month we meet to share case studies and plan efforts to see that good business practices spread throughout Japan. Through these activities, and by revamping the communication between headquarters and branches and between the branches themselves, it is my hope that we can take an honest approach to resolving any remaining issues.

Consumer Banking Unit: Compliance Officer SMBC

Planning Dept., Consumer Banking Unit:
Senior Development Officer
Compliance Promotion Officer for the Senju and Joban Area
Norihiisa Tanaka

In order to strengthen the compliance system for individual customers, from July 2006, SMBC has allocated HQ staff level Compliance Promotion Officers at our operations branches. At present, a Compliance Promotion Officer has been allocated to each of the 35 business blocks in Japan. The blocks are made up of an operations branch which controls multiple branches, with between 10 to 20 outlets to a block. My block is made up of 12 branches and, as well as keeping in contact by telephone and email, I make an effort to visit each branch once a month. I would say that SMBC starting to handle risk products that offer no guarantee over the principle is one reason why individual client compliance has become so important. In the face of this change, there

are times when branches have difficulty arriving at the correct decision on points that require attention when making sales to senior citizens or first time customers, or when explaining products. When this happens, the Compliance Promotion Officer carries out concrete guidance and supervision and provides advice.



It has only been three months since the Compliance Promotion Officers were put into position, but I think that awareness that we must not condone higher profits if that means sacrificing the customer is definitely increasing at SMBC. From the standpoint of the Compliance Promotion Officer, it is easy to see the staff that are performing the best are the ones that are most aware of compliance. This is because those employees have the best understanding of the rules, sufficiently understand the needs of the customer, and carefully explain the issues. I intend to continue to make every possible effort to ensure that these positive changes continue to spread throughout the company.

Column 2

■ Reviewing Administration

In order to ensure that administrative functions are consistent with our operations, and to ensure that a similar incident does not arise in any of our products and services, SMBC will review its compliance, monitoring and audit functions, as well as the methods by which they operate.

(1) Strengthening Compliance

• Revision and Strengthening of Compliance Systems

As well as involving the Compliance Department in the establishment of business plans and business development at operating divisions, in the Middle Market Banking Unit, SMBC has appointed Area Compliance Officers to each regional operating headquarters. These officers are completely independent of any front-line departments and oversee compliance functions such as directing compliance officers in their allocated region, and provide guidance and supervision of independent compliance activities at operations branches. (Please see column 1).

In the Consumer Banking Unit, the company has also allocated Compliance Promotion Officers that are independent of any front-line departments. The compliance Promotion officer is allocated to important operational bases and provides guidance on compliance issues. (Please see column 2).

• Establishment of the 'SMBC Alarm Line'

In order to facilitate the early detection of problematic incidents,

including infractions of laws and ordinances, SMBC has established the 'SMBC Alarm Line' operating structure, an institutional internal whistle-blowing system which includes an intake channel for receiving whistle-blowing notifications that is run by lawyers.

• Antimonopoly Law Monitoring Department

SMBC has developed a system for directly receiving inquiries and opinions from customers in relation to antimonopoly law at the Antimonopoly Law Monitoring Department, and is moving to enhance those functions.

(2) Gathering and Applying Customer Opinions

In the Quality Management Department, SMBC has implemented measures including those aimed at ensuring customer comments and opinions are collected and appropriate explanations and responses made to individual complaints, as well as proposals for improvements to each division at headquarters. (For more details, please see page 25, Together with Customers.)

(3) 'Customer-Oriented Training'

SMBC is reviewing training programs and methods, and introducing 'Customer-Oriented Training,' adopting a discussion format to ensure a high-level of Customer-Oriented awareness. Also, in addition to implementing staff surveys and monitoring the penetration of that awareness, the company aims to come up with further improvements based on an analysis of the results.

SMBC will investigate and respond seriously to all enquiries concerning interest rate swap contracts.

Please contact the interest swap customer information desk at 0120-321-076 (free-dial) Monday to Friday from 09:00 to 17:00.

CSR Initiatives at SMFG

We believe that fulfilling our responsibility to society effectively defines SMFG.

We aim to contribute to the sustainable development of society as a whole, and are actively and seriously engaged in promoting CSR.

The Sustainable Development of Society

Since the 1990s, there have been increasing demands for companies to demonstrate that they conduct their activities in ways that are eco-friendly, socially aware and ethically sound. These increasing demands have arisen in the context of heightened awareness of the impact of corporate activities on global warming, and a wave of corporate scandals. In times such as these, becoming a company that can be trusted by society and that can fulfill the expectations of stakeholders—including customers, shareholders and employees—is a condition of survival held in common by all companies, not only those in the financial industry.

As a comprehensive financial group, we aim to conduct our business activities in a way that earns the highest possible levels of trust from our stakeholders—including our customers, our shareholders, the markets and communities we operate in, and our employees. Central to this is to fulfill our social responsibilities and meet the expectations of society.

Earning a high level of trust requires that we provide value to all these stakeholders, as well as consider the environment and society. It is essential that our activities contribute to the sustainable development of society; and this is what we see as our corporate social responsibility.

Basic CSR Policy

In order to promote our CSR activities, we have created an internal definition of CSR, as well as establishing our Business Ethics as a shared CSR philosophy.

◆ Definition of CSR at SMFG

CSR refers to the activities undertaken in the course of our business through which we provide enhanced value to customers, shareholders and the market, the environment and society, and our employees, and in doing so, contribute to the sustainable development of society as a whole.

◆ Shared CSR Philosophy of SMFG -Business Ethics

1. Satisfactory Customer Services

We intend to be a financial services complex that has the trust and support of our customers. For this purpose, we will always provide services that meet the true needs of our customers in order to obtain their satisfaction and confidence in the Group.

2. Sound Management

We intend to be a financial services complex which maintains fair, transparent and sound management based on the principle of self-responsibility. For this purpose, along with obtaining the firm confidence of our shareholders, our customers and the general public, we take a long-term view of our business and operate it efficiently, and actively disclose accurate business information about the Group. Through these procedures, we will maintain continuous growth and a solid financial basis.

3. Contribution to Social Development

We intend to be a financial services complex which contributes to the healthy development of society. For this purpose, we recognize the importance of our mission to serve as a crucial part of the public infrastructure and also our social responsibilities. With such recognition, we undertake business operations that contribute to the steady development of Japan and the rest of the world, and endeavor, as a good corporate citizen, to make a positive contribution to society.

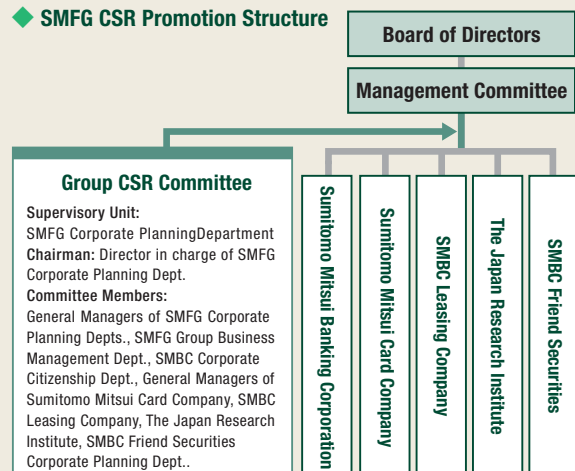
4. Free and Active Business Environment

We intend to be a financial services complex for which all officers and other employees work proudly and with great spirit. For this purpose, we respect people, and train and produce employees with professional knowledge and ability, thereby creating a free and active business environment.

5. Compliance

We intend to be a financial services complex that always keeps in mind the importance of compliance. For this purpose, we constantly reflect our awareness of these Business Ethics in our business activities. In addition, we respond promptly to directives from auditors and inspectors. Through these actions, we observe all laws and regulations, and uphold moral standards in our business practices.

◆ SMFG CSR Promotion Structure



CSR within the Group is led by this committee, which draws on feedback from business areas engaging directly with customers, and from other sources, to develop and pursue CSR activities.

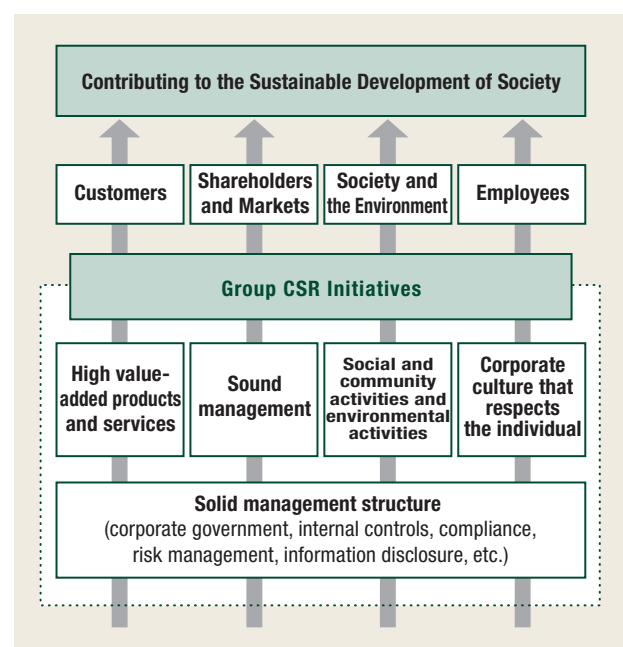
Key Elements of SMFG's CSR Initiatives

The first key element of our CSR initiatives is maintaining sound management by further enhancing our capabilities in corporate governance, internal controls, compliance, risk management and other aspects of our business.

The second key element is finding ways to offer higher value to our four main stakeholder groups: customers, shareholders, society and the environment, and employees.

- We seek to prosper together with our customers by offering high value-added products and services.
- We are striving to maintain sound management and increase value for shareholders through the establishment of internal systems and the appropriate disclosure of information.
- We are committed to making continuous efforts in social contribution activities and environmental initiatives, to realize a better society and help preserve the integrity of the environment.
- We are promoting a free and unrestricted working environment that emphasizes respect for individuals and allows employees to realize their full potential.

The ultimate aim of these activities is to contribute to the sustainable development of society as a whole.



CSR and Our Business Growth Strategy

We believe that CSR is the foundation of our business growth strategy, and that our CSR initiatives should be fully integrated with our initiatives for business growth.

This means that in pursuing our strategy for growth, we are constantly assessing our activities against the standards outlined in SMFG's Basic CSR Policy, so that we can determine whether the strategy is progressing in accordance with our management goal of earning the highest levels of trust in the Group and its businesses. We also aim to ensure that our CSR activities reflect any further requests from our customers or society at large that may arise during the promotion of our business growth strategy.

As already mentioned, we believe that fulfilling our responsibility to society effectively defines our company, and that engaging sincerely in CSR activities is the best way to achieve our management goals.

◆ Relationship between the Basic CSR Policy and Growth Strategies



Previous Activities and Issues for the Future

● The Ideal State of SMFG

Customers

SMFG has always responded to customer needs by offering cutting-edge products and services in a range of sectors. However, our aim is to be an advanced CS company that is closely engaged in initiatives to raise customer satisfaction as a highly convenient bank that also provides a high sense of security.

Shareholders and the Market

SMFG currently operates systems for information disclosure and internal control that comply with legal requirements. Our aim going forward is to further enhance these systems and procedures, strengthening our relationships with shareholders and the market in ways that help build our reputation as a trusted financial Group.

Society and the Environment

SMFG places great emphasis on social contribution and environmental activities, and is involved in their proactive implementation.

We aim to pursue social and environmental activities to become an eco-friendly Group that is also considerate to senior citizens, by taking measures for clear disclosure of the details of activities, responding to environmental risk, promoting environmentally friendly business and dealing effectively with an aging society.

Employees

At SMFG we have made every effort to allow employees to express their ability and individuality to the fullest extent possible. Recognizing the various lifestyles and values of our employees, we aim to address such issues as work/life balance and gender equality, as a dynamic financial group.

Governance and Compliance

We have positioned corporate governance and compliance as the cornerstones of management and our CSR activities, and are making efforts to strengthen internal controls.

Communication

Due to the importance of maintaining two-way communication with stakeholders such as customers and employees, we will hold stakeholder meetings.

		Previous Activities
Customers		<input type="checkbox"/> Customer-oriented activities 1) Structure <ul style="list-style-type: none"> Established Corporate Advisory Headquarters, SME Business Department and Product Quality Management Department 2) Products and services <ul style="list-style-type: none"> Responded to approval support Promoted environmentally-friendly loan support Made solution proposals for new market sectors
		<input type="checkbox"/> Improved services tailored to customer needs <ul style="list-style-type: none"> Introduced barrier free accessibility measures in branches Strengthened advanced measures on illegal activities
Shareholders and the Market		<input type="checkbox"/> Active information disclosure <ul style="list-style-type: none"> Published the Annual Report Improved information disclosure via the website Held investor seminars Published the Corporate Governance Report
Society and the Environment	Society	<input type="checkbox"/> Welfare activities <input type="checkbox"/> International cooperation <input type="checkbox"/> Supported volunteer activities <input type="checkbox"/> Supported education about finance and economics <input type="checkbox"/> Introduced and improved Corporate Philosophy and CSR training
	Environment	<input type="checkbox"/> Social activities <ul style="list-style-type: none"> Established Environmental Policy and acquired ISO certification <input type="checkbox"/> Activities through our business <ul style="list-style-type: none"> Signed the UNEP Statement by Financial Institutions <input type="checkbox"/> Distribution of environment-related information <ul style="list-style-type: none"> Held environmental seminars Published the environmental magazine SAFE <input type="checkbox"/> Established environmental investigatory body for project finance <ul style="list-style-type: none"> Adopted equator principles
Employees		<input type="checkbox"/> Introduced employee support system <input type="checkbox"/> Introduced recruitment system <input type="checkbox"/> Established Gender Equality Department <input type="checkbox"/> Supported the balance between home and work <ul style="list-style-type: none"> Bolstered the employee support system Improved the short-time system
Governance and Compliance		<input type="checkbox"/> Established Auditing Committee and Internal Auditing Committee <input type="checkbox"/> Created the Compliance Manual <input type="checkbox"/> Upgraded internal controls <ul style="list-style-type: none"> Improved internal reporting
Communication		<input type="checkbox"/> Published the environmental magazine SAFE <input type="checkbox"/> Placed CSR advertisements in the media <input type="checkbox"/> Produced CSR Report

Page		Issues for the Future
P.23 § 28	Customers	<input type="checkbox"/> Upgrade services to respond to customer needs <ul style="list-style-type: none"> Investigate the acquisition of ISO9001 <input type="checkbox"/> Improve customer service education <ul style="list-style-type: none"> Increase the importance of customer evaluation in performance evaluations <input type="checkbox"/> Upgrade services to respond to the needs of society <ul style="list-style-type: none"> Increase barrier-free branches
P.29	Shareholders and the Market	<input type="checkbox"/> Further improve transparency in information disclosure <ul style="list-style-type: none"> Hold seminars aimed at SRI and research companies Increase voluntary disclosure items Increase IR publications aimed at individual investors <input type="checkbox"/> Other <ul style="list-style-type: none"> Investigate adoption of CSR accounting
P.33 § 36	Society and the Environment	<input type="checkbox"/> Activities outside our business <ul style="list-style-type: none"> Introduce commendation system for branches that make contributions to local communities <input type="checkbox"/> Introduce CSR standards into credit-screening processes
P.37 § 42		<input type="checkbox"/> Reduce environmental burden <ul style="list-style-type: none"> Carbon neutral Reduce volume of paper used (such as seminar materials) Enhance green procurement <input type="checkbox"/> Other <ul style="list-style-type: none"> Enhance environmental education Investigate adoption of environmental accounting <input type="checkbox"/> Implement environmental volunteering <input type="checkbox"/> Promote environmental business <ul style="list-style-type: none"> Introduce environmental standards into credit-screening process Eco-consulting Develop and sell eco-friendly products
P.30 § 32	Employees	<input type="checkbox"/> Leverage the abilities of employees <ul style="list-style-type: none"> Establish 'Basic Education Policy' Increase opportunities for training and diversify training Improve recruitment system <input type="checkbox"/> Promote gender equality
P.19 § 21	Governance and Compliance	<input type="checkbox"/> Conform to Japanese Sarbanes-Oxley Act (SOX)
ALL	Communication	<input type="checkbox"/> Implement stakeholder meetings <input type="checkbox"/> Gain insights and receive advice from external experts <input type="checkbox"/> Strengthen the structure of the business continuity plan

Corporate Governance

The strengthening and enhancing of our Corporate Governance is the foundation of the Group's management and CSR activities. An essential element of corporate social responsibility is to establish corporate governance to increase the transparency of management.

The SMFG Corporate Governance System

SMFG employs a corporate governance system in which statutory auditors oversee the execution of business by the directors. At SMFG, we have five corporate auditors, of whom three are outside auditors. The auditors monitor the execution of the business operations of SMFG and its subsidiaries by attending meetings of the Board of Directors. They also peruse documents relating to important decisions and are reported to by staff members of the internal audit departments, representatives of subsidiaries of SMFG, and independent CPAs. The Chairman of SMFG serves as the Chairman of the Board of Directors of SMFG. This is to separate the role of the president of SMFG, whose responsibility is to exercise overall supervision of business activities of SMFG and other Group companies, from the role of supervising management.

Table 1

◆ Four Committees

Auditing Committee

Issues relating to Groupwide internal auditing

Risk Management Committee:

Issues relating to Groupwide risk management and compliance

Compensation Committee:

Remuneration of Board members and executive officers of SMFG and SMBC

1. Issues related to salaries and incentive programs
2. Other remuneration issues

Nominating Committee:

Appointment of directors of SMFG and SMBC

1. Issues related to the selection of candidates for the Board
2. Issues related to the appointment of managing directors having specific responsibilities, and issues related to the appointment of representative directors
3. Other major personnel issues related to directors

We also have outside directors to improve the effectiveness of the Board, as well as the four committees displayed in table 1—the Auditing Committee, the Risk Management Committee, the Compensation Committee, and the Nominating Committee—to improve its oversight function. Outside directors are appointed to all these committees to facilitate corporate governance from an objective perspective. As the need for objectivity is particularly acute in the case of the Auditing Committee and the Compensation Committee, the chairmanship of these committees is assigned to outside directors.

To ensure that the execution of the Group's business operations is in conformity both with the law and with generally accepted practice, the outside directors are chosen from among the ranks of specialists (CPAs, lawyers, and consultants). The committees report to the Board on the issues set out in table 1.

SMFG has created the Management Committee, under the direct supervision of the Board of Directors and chaired by the president of SMFG, as the top decision-making body of the entire Group. The committee, composed of directors chosen by the president, considers matters relating to the execution of business, and the president has the authority to make the final decision, in accordance with the basic policy determined by the Board of Directors.

SMFG also has a Group Strategy Committee, to serve as a forum for the top management staff of all Group companies to exchange opinions and information on their respective business plans.

SMFG has nine directors, of whom three are outside directors. Of these, eight (including the three outside directors) concurrently serve as directors of SMBC. In this way, SMFG is able to constantly monitor the execution of day-to-day business operations at SMBC.

With regard to the three Group companies Sumitomo Mitsui Card, SMBC Leasing, and JRI, the director in charge of each subsidiary serves as a part-time director of these companies to strengthen SMFG's supervision of their operations.

Key Elements of SMFG's CSR Initiatives

As mentioned previously, at SMFG, the Auditing Committee, which reports to the Board of Directors, was established in June 2005. To further raise the profile of internal auditing and facilitate the more effective conduct of audits, we also established the Internal Auditing Committee, which reports to the Group Management Committee. The Internal Auditing



Committee meets every quarter, and the members discuss important matters related to internal auditing based on reports prepared by the departments responsible for internal audits. Under this system, the Audit Department of SMFG has been functioning as an internal auditing entity independent from the operating departments of the Group.

With the objective of helping realize optimal management and business operations of the Group and ensuring the soundness of the Group's assets, the Audit Department conducts internal audits of the operations of all units and departments. The audits have the additional aim of verifying that the Group's internal control system, including compliance and risk management, is appropriate and effective. The Auditing Department is also responsible for supervising the internal auditing systems of each Group company. It monitors the implementation of internal audits at each company and carries out its own audits directly when deemed necessary. By these means we are able to verify the appropriateness and effectiveness of each Group company.

Moreover, with the aim of strengthening the supervisory functions of the holding company, we are using the recent business improvement plan as a starting point to review the status of internal auditing at each Group company, by both using existing monitoring techniques and by strengthening auditing capabilities through following up on back up data and samples gathered through on site investigation.

Based on the results of these audits, suggestions are made and/or guidance provided as necessary to sections or departments of SMFG or to Group companies.

Enhancing Efficiency of the Internal Auditing Process

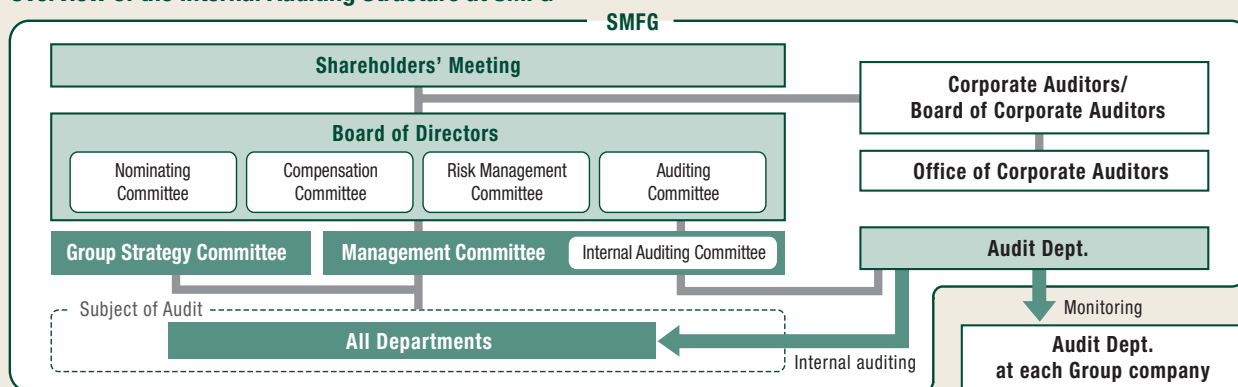
The Audit Department has adopted auditing methods in line with the standards of the Institute of Internal Auditors (IIA*), an international body. It conducts risk-based audits and spreads the concepts and methods to Group companies.

Additionally, to effectively fulfill its role as the central body for internal auditing, the staff of the Audit Department constantly work to collect the latest information on internal auditing from within and outside Japan, and to distribute it to all Group companies. They also organize training courses, which are conducted by outside experts, for all the staff of Group companies, and encourage the staff to obtain international qualifications to raise their level of specialist expertise in internal auditing. To improve the effectiveness of auditing still further, we are also taking active steps to ensure that our internal auditing standards are in line with those set forth by the IIA, and these auditing standards are being introduced on a graduated basis at all Group companies.

Issues for the Future

In the future, in response to the introduction of internal controls relating to financial information, we will strive to further strengthen SMFG internal controls.

Overview of the Internal Auditing Structure at SMFG



* The Institute of Internal Auditors, Inc. (IIA), was founded in 1941 in the United States as an organization dedicated to helping raise the level of specialization and professionalism of internal auditing staff. In addition to conducting theoretical and practical research, the IIA administers examinations for Certified Internal Auditor (CIA), which is the globally accepted qualification in the field.

Compliance

Under the Group's basic policy concerning compliance, compliance is listed as one of the fundamental principles of social responsibility we follow in our Business Ethics (please see page 15)—and the strengthening of the compliance system is positioned as one of the Group's management priorities.

Group Management from the Perspective of Compliance

As we have explained in the feature on pages 7-14, SMBC, the core company of the Group, received a cease-and-desist order from the JFTC and administrative orders from the FSA, and we are deeply regretful of the situation. The Group is taking this incident very seriously and is working to strengthen compliance. By doing so, we are aiming to become an outstanding global corporate group.

As part of its mandate as a financial holding company to carry out sound and appropriate business management across the Group, SMFG is establishing or improving the systems necessary to appropriately direct, guide and monitor compliance of Group companies.

Legal Risk

Legal risk, which refers to the possibility of loss arising from acts that break the law or violate the conditions of contracts, principally as a result of failure to sufficiently examine the legal implications before taking action, has become a matter requiring even greater attention in recent years, owing to the widespread deregulation of the financial sector.

Consequently, SMFG has laid down procedures for managing legal risk, collecting information on business laws and ordinances and examining the legal implications of new products, services and contracts under consideration. In these ways, SMFG is enhancing legal risk management.

The Compliance Structure at SMBC

The Compliance Manual details specific Rules of Conduct. These Rules of Conduct comprise 60 items describing relevant laws and regulations, as well as providing procedural guidelines and specific examples of conduct that must be followed by all directors, officers and employees of SMBC. Further, each fiscal year the bank creates a concrete compliance program and promotes the establishment of a compliance structure. Following the interest-rate swaps incident, in fiscal 2006 we carried out the following large-scale revisions to the compliance structure:

1. Establishment of a Compliance Department

With the aim of strengthening the compliance structure, we have established a Compliance Unit composed of the General Affairs Department and the Legal Department. The department will strengthen the functions of the General Affairs Department, which is currently responsible for compliance, and seek to contribute actively to our business operations.

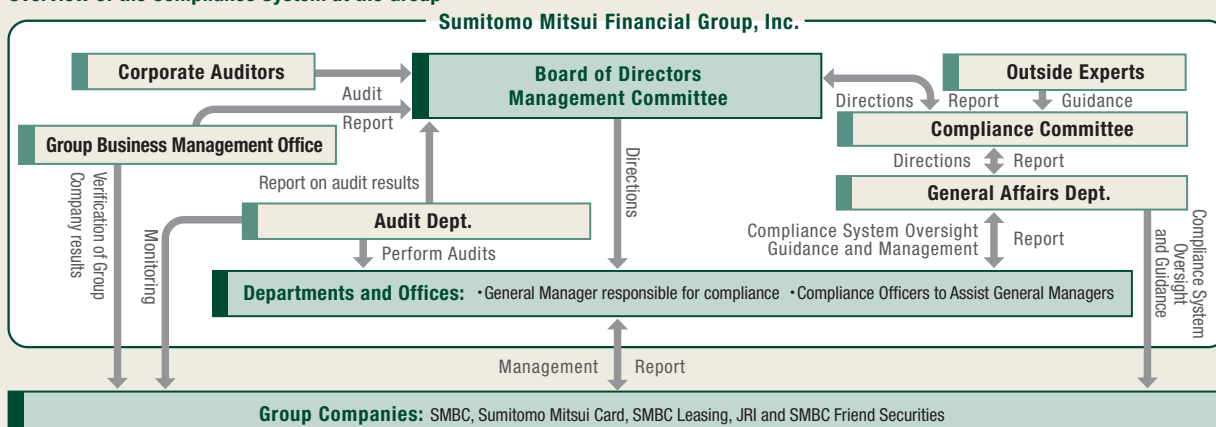
2. Appointment of Area Compliance Officers and Compliance Promotion Officers

In addition to the compliance officers appointed from among the staff of each department and branch, we have established Overall Compliance Officers and Compliance Promotion Officers at the offices of the Middle Market Banking Unit and Consumer Banking Unit. These officers are completely independent of any front-line department.

3. Established a Business Monitoring Committee

We have established a Business Monitoring Committee, whose members consist principally of outside directors and other external experts, to enhance the bank's monitoring of compliance and customer satisfaction and ensure objective assessments of performance in these matters.

Overview of the Compliance System at the Group



Risk Management

Financial and economic deregulation, globalization, and advances in IT are generating new business opportunities for financial institutions and the risks accompanying these new business opportunities are not only increasing in number but also growing in diversity and complexity. Accordingly, identifying, measuring and controlling risks have never been more important for the Group.

Basic Risk Management Policy

SMFG has encapsulated the basic principles to be employed in risk management in the manual entitled Regulations on Risk Management. In the manual, we have specified the basic policies for risk management. These policies: 1). Establish SMFG's Groupwide basic policies for risk management after specifying the categories of risk to which these policies apply; 2). Provide all necessary guidance to Group companies to enable them to follow the basic risk management policies set forth by SMFG and set up their own appropriate risk management systems; 3). Allow for monitoring of implementation of risk management by all Group companies to ensure that their practices meet the relevant standards.

Types of Risk and The Risk Management System

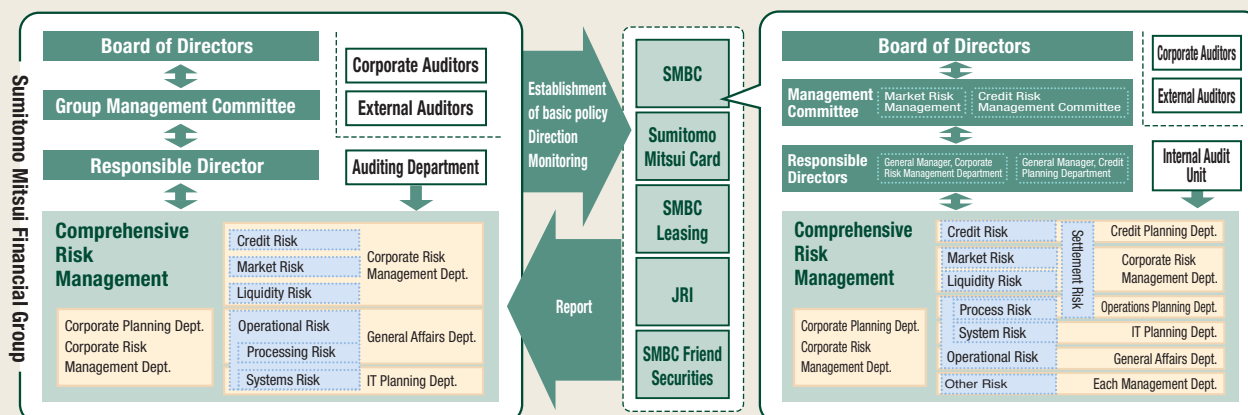
At SMFG, we classify risk into the following categories: (1) credit risk, (2) market risk, (3) liquidity risk, (4) operational risk (including processing risk and systems risk). Risk categories are constantly reviewed and new categories may be added in response to changes in the operating environment. In order to carry out overall Groupwide management of these categories, we have established the Corporate Risk Management Department to manage risk across the entire Group and work with the Corporate Planning Department to comprehensively

and systematically manage each type of risk.

Further, reflecting the importance of risk management, top management plays an active role in determining SMFG's Groupwide policies for risk management. Under this system, the basic policies for risk management are determined by the Management Committee before being authorized by the Board. The Management Committee, the designated Board members, and the relevant risk management departments perform risk management according to the basic policies. Risk management systems are in place at the individual Group companies in accordance with SMFG's Groupwide basic policies for risk management. For example, at SMBC, specific departments have been appointed to oversee the handling of the four risk categories listed above, in addition to risks associated with settlement. Each risk category is managed taking into account the particular characteristics of that category. In addition, the Corporate Risk Management Department—independent of the operating units—comprehensively and systematically manages all categories of risk in cooperation with the Corporate Planning Department.

SMFG's Groupwide basic policies for risk management stipulate the basic risk management regulations that must be followed, and spell out risk management procedures from various perspectives. These include: managing risk on a consolidated accounting basis, managing risk using quantification methods, ensuring consistency with business strategies, setting up a system of checks and balances, contingency planning for emergencies and serious situations, and verifying of preparedness to handle all conceivable risk situations. In addition, there are specific operational policies for implementing appropriate management of risk by all Group companies.

Overview of the Group Risk Management



Together with Customers

At the Group, we listen to our customers in order to develop and provide the best products and services we can in response to their diverse needs. We believe that by ensuring high levels of customer satisfaction and earning their trust we can realize our corporate philosophy of achieving growth together with our customers. This section outlines our activities in this regard.

Satisfying - Customers and Developing the Economy and Society

We are meeting the diverse needs of our customers by developing and providing sophisticated and convenient products and services.

At the same time, we are enhancing security and accessibility*¹ so that customers can use our services with total peace of mind.

Strengthening Services for Corporate Customers

● Improving Services for Small-and Medium-Sized Enterprises ~Establishment of Small and Medium Enterprises Business Promotion Dept.~

In April 2006, SMBC established a SME department to provide integrated support for small-and medium-sized enterprises. Product development functions for these customers are concentrated in this department, and the department is aiming to strengthen the Bank's ability to develop products that reflect key management issues and the changing business environment faced by operators of SMEs. The four main business pillars of the SME department are as follows.

1. Support for Growing Businesses

Activities undertaken here include appraising companies that are seeking to grow and assisting them in their IPOs, and providing support for entry into environment-related businesses and other new markets.

2. Business Succession-Related Support

Increasingly, our SME customers are finding it difficult to plan for business succession as existing management reaches retirement or as other circumstances change. The reasons for this difficulty vary, and an obvious successor may not be available despite the customer base, capital equipment, technical know-how and other management resources held by the business. For these customers, we provide tailor-made solutions to facilitate the successful transfer of valuable business resources, after gaining a thorough understanding of the situation and the particular needs arising in each case.

3. Expanding the Capital Base of Growth Businesses through Enhanced Collaboration with NIF SMBC Ventures Co., Ltd.

NIF SMBC Ventures Co., Ltd.*² and SMBC work closely together to secure capital for growing businesses. Businesses these days are using a broader range of funding sources, and SMFG Group is supporting SMEs as they use new share issues to procure funding in addition to other sources such as bank loans and bond issuance.

4. Lending to Environmentally-Friendly Businesses

We provide additional support to companies with ISO14001 or other such recognition of active involvement in environmental protection, through preferential interest rates on business loans. We also provide similar support to companies that don't yet have accreditation but are working towards earning ISO14001, EcoAction21 or related qualifications as part of their commitment to the environment. In this way we are promoting environmental consideration among a wide range of small- and medium-sized businesses.

● Resolving Key Management Issues ~Establishment of a Corporate Advisory Division~

In April 2006, SMBC established a Corporate Advisory Division ("CA Division") to advise corporate customers on how to deal most effectively with key issues regarding the management of their businesses. Within the CA Division, groups have been established by type of industry to concentrate necessary information and resources, and through collaboration with various SMBC departments, Daiwa Securities SMBC Co. Ltd. and other such entities, the Bank is seeking to understand the precise needs of customers and advise on optimal solutions.



*¹ Accessibility: Refers to the ease with which information and other services can be accessed. SMBC uses a number of methods to ensure that its website, ATMs and other services can be used by as broad a range of customers as possible.

*² NIF SMBC Ventures Co., Ltd.: A venture capital business established in October 2005 through the merger of NIF Ventures (Daiwa Securities Group) and SMBC Capital (SMFG Group).

Services for Corporate Customers

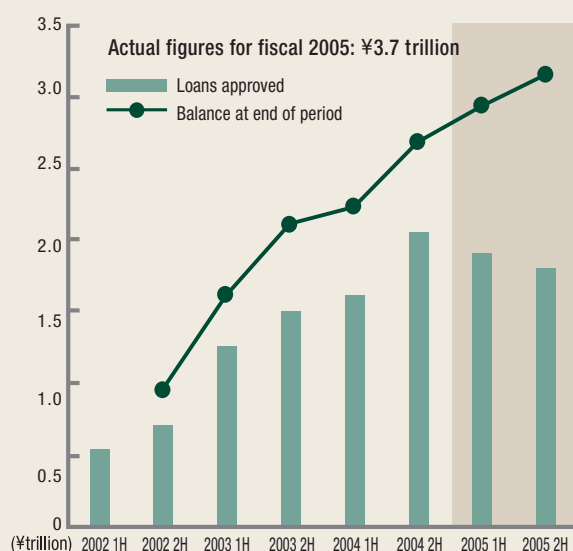
● Non-Collateralized Loans for SMEs

SMBC is focusing on providing finance for small- and medium-sized enterprises, as we believe that the sound development of these businesses contributes to the growth of the Japanese economy. Our *Business Select Loans* provide SMEs with non-collateralized loans of up to three years. The approval process is rapid, and the product is receiving strong customer support. Other products offered by the Bank include *V-Fund*, through which we finance venture businesses with advanced technologies or innovative business models, and *V-Fund AGRI*, which is a new form of finance for venture businesses in the agricultural sector.

In fiscal 2005 we added to our existing product lineup by offering the *SMBC Crecer Loan* for businesses with annual turnover of up to ¥3.0 billion, as part of measures to create a service structure that meets the needs of customers operating businesses of various sizes.

Through measures of this nature, our intention is to provide responsive, finely tuned services that meet the financing needs of the broadest possible range of small- and medium-sized enterprises.

Balance of outstanding non-collateralized* loans to SMEs



*Business Select Loans, SMBC Crecer Loans, N-Fund, SMBC-CLO, V-Funds, etc.

A Wide Range of High Quality Services for Consumer Customers

● The Shift from 'Savings' to 'Investment'

We have recently witnessed a diversification in lifestyles, and are moving steadily towards the time when the individual will be obliged to consider fund management options on his or her own initiative. At SMFG we aim not only to develop and provide optimal products and services in response to the financial needs of our customers, but also to actively engage in efforts to help those customers become capable of adapting to the shift from a 'savings' financial management approach to an 'investing' approach. Our activities in this area are taking place under the slogan, "One's Next—the individualized service approach for the future".

SMBC is actively recruiting Consumer Service (CS) officers—a specialized consulting post aimed at helping individuals—and is expanding the SMBC Consulting Plaza and the SMBC Consulting Office network. As of September 2006 there were 67 SMBC Consulting Plaza outlets in operation and 16 SMBC Consulting Office outlets. At these locations, customers are able to receive high quality consulting services from qualified financial planners and other professionally accredited staff.



We are also enhancing our asset management-related product and service lineup, with entry into securities intermediation and testamentary trust operations*³, and the introduction of new investment trust and other products. In March 2006 we began offering a Six Asset Balanced Fund, known as *Double Wing*, an investment product targeting long-term asset growth through diversified investment in domestic and overseas shares, bonds and REITs. This product was jointly developed by SMBC's development team for women's products (the Next W-ing Project Department – see page 27) and female staff at Daiwa Asset Management Co. Ltd. The Six Asset Balanced Fund, in its share management activities, makes use of the Japan Research Institute and social and environmental research information produced by Oekom Research AG, and is managed from a viewpoint that includes reference to Socially Responsible Investing.

*³ Testamentary trust operations: Business involving the management of estate assets and implementation of wills.

Five Major Diseases +5 Loan Insurance

As well as including cancer, acute cardiac conditions and stroke, this insurance, with certain conditions, means that customers suffering from high blood pressure, diabetes, chronic liver failure, chronic pancreatitis, or liver cirrhosis are covered for all further payments on the applicable loan with SMBC — helping provide peace of mind.



Net de Home

Net de Home is a home loan service under which customers in nearly all areas of Japan can apply for a home loan over the internet, 24 hours a day. It's ideal for people that cannot easily visit a bank branch, and each application is followed up over the phone by a specialist consultant.



One's Next Club 50

This new membership service supports customers in their 50s as they approach post-retirement life, offering not only financial life planning support but also a range of information and opportunities relating to travel, sports, pastimes and healthcare.



● Forming Alliances to Provide a Broader Range of Services

Our Group actively seeks alliances with leading companies from other business areas in order to respond to the broad financial product needs of individual customers.

For example, in April 2005 SMBC started offering loan products to individuals jointly with At-Loan Co., Ltd and Promise Co., Ltd. In October 2005 SMFG entered into a strategic alliance with East Japan Railway Company to integrate *View Suica* with a cash card, aiming for reciprocal ATM access. Further, in December 2005 SMFG began offering Sumitomo Mitsui Card iD, a credit settlement service using mobile phones based on an alliance between SMFG, SMBC, Sumitomo Mitsui Card Company, limited. and NTT DoCoMo, Inc.

We expect to form further alliances as we continue expanding our customer services.

Initiatives to Increase Customer Satisfaction

As part of measures to increase customer satisfaction (CS), SMBC has introduced a monitoring system that makes use of an external appraisal institution, and invites feedback from customers via a postal survey. In fiscal 2005 SMBC implemented a branched-based customer survey system. This customer feedback is assessed and actions taken to improve customer service and boost service quality by the CS Committee, which is tasked with incorporating customer feedback into improved products and services.

In April 2006, we created a Quality Management Department, with the aim of utilizing customer feedback and viewpoints to improve operations and management.

The Quality Management Department not only incorporates customers' feedback and wishes into initiatives to improve SMBC's products and services retrospectively, but also checks back with customers during the initial development of products and services, helping to maximize product quality as part of our comprehensive approach to customer satisfaction.

Moreover, since 2005 SMBC has been shifting to a new branch management system, also in pursuit of higher levels of customer satisfaction. Under this new system, the existing branch network has been separated into a 'Branches', which bear the responsibility for services for individual customers, and a 'Branch Service office', which bears the responsibility for operational services and administration. The Branch Service office is tasked with ensuring high quality operations and services to improve customer satisfaction.

In fiscal 2006, the Branch Service office, under the slogan *Great service with no waiting*, undertook a Customer Satisfaction Contest with the aim of planning and implementing activities to improve customer satisfaction on a branch-by-branch basis. By recognizing locations with particularly excellent service approaches, the Bank is promoting the adoption of excellence in customer satisfaction throughout the organization.

Women in Environmental Businesses: Networking Meeting

Attended by:

Chihiro Kodama, President, EcoTest KK

Yuko Sakita, Environment counselor, journalist

Atsuko Suzuki, Head of NPO Environmental Relations /
President Environmental Business Agency KK

Sachiko Zenyoji, President First-class architect, Organic Table

Ayako Sonoda, President Cre-en Inc.

Yuko Mori, President, Hachioh KK,

Etsuko Yasui, President Grace KK



In April 2006, the members of SMBC's Next W-ing Project Department organized a meeting to network and exchange information with members of the group Women in Environmental Businesses. Women in Environmental Businesses is an organization under the discussion body established by Koike Yuriko, former minister for the environment, as a forum for women involved in environmental businesses to discuss issues and formulate policies. The seven businesswomen from this group that attended the information exchange meeting offered the following opinions on the role financial institutions should play in society.



- "If finance and the environment are properly linked, environmental awareness should grow and the environmental sector should become enlivened. There's a large role for banks to play in this." (Atsuko Suzuki)
 - "Rather than just creating products that are profitable, I'd like to see products developed from the point of view of empathy with the businesses concerned." (Sachiko Zenyoji)
 - "Businesses grow when they are linked with enthusiastic investors. Increasing the number of such investors and increasing the flow of money into environmental businesses will give rise to synergies, so I want financial institutions to become involved in that." (Yuko Sakita)
 - "I want SMBC to establish an environmental business. Understanding the gap between reality and the ideal is a business opportunity." (Ayako Sonoda)
 - "As environmental problems become more serious in China, people are starting to hesitate about investing there. Individuals can't easily gain access to information about foreign companies, so I'd like financial institutions here to develop ecofunds covering China and other countries." (Chihiro Kodama)
 - "Even if you're not a specialist yourself, you can create business opportunities as a coordinator. I'd like banks to be very involved in that capacity." (Yuko Mori)
 - "Environmental business matching will succeed when an environmentally sound approach becomes mandatory. I want banks to be firmly aware of this and actively promote such information to counterparties." (Etsuko Yasui)
- SMBC will continue to listen to the opinions of stakeholders, and will determine the actions the Bank can take to help create the future demanded by society.



SMBC's Shirogane Takanawa Consulting Office

New Products and Services for Women

The financial needs of women have been diversifying in recent years, with more women seeking asset management, loans and other services in reflection of higher female participation in the workforce and the increasing economic power of women.

Because of this, in May 2005 SMBC established a Women's Task Force, comprising 11 female employees tasked with considering products and services from the female point of view. Based on the recommendations of this task force, the Next W-ing Project Department was established in October 2005, staffed entirely by women, from the department chief down, with the aim of proactively utilizing the perspectives of women.

◆ Products and Services Driven by the Next W-ing Project Department

(1) Paired Asset Building Set (November 22, 2005~March 31, 2006)

- Featuring a special initial annual interest rate of 3% for three months on fixed-term deposits when two or more people apply at the same time for the *Asset Building Set* product.

(2) Double Wing Six Asset Balanced Fund Investment Trust (Since March 14, 2006)

- A product jointly developed with female professionals from Daiwa Asset Management Co. Ltd. Designed to produce long-term growth through diversified investment in six asset classes (domestic and foreign shares, bonds and REITs)
- Allows switching between two structures—a distributive type with monthly settlement, and a growth type that aims to capture value increases. Share investment is targeted toward companies with potential for sustainable growth.

(3) Woman PLUS, a home loan service for women (Since March 14, 2006)

- Developed by women, for women, with enhanced services to meet the specific needs of women. Provides value and security by including features such as allowing loans to contract employees, enabling loans on single-person properties of 30m² or more, and eliminating processing fees for additional loan repayments by internet.

(4) Paired Asset Building Set W Campaign (April 1, 2006~June 30, 2006)

- Featuring a special initial annual interest rate of 2% for three months on fixed-term deposits when two or more people apply at the same time for the *Asset Building Set* product, along with VISA gift cards for all participants.

(5) One's Next Club Woman membership service (Since April 3, 2006)

- Targeting a wide range of female members. Offers financial services along with lifestyle-related aspects of travel, gourmet food, beauty and other areas.

This department development products and services from the point of view of women's needs. For example, in March 2006 the department commercialized the *Woman PLUS* home loan product, a packaged service that flexibly accommodates the diverse needs of women in the area of home loans. And in May 2006, the SMBC Shirogane Takanawa Consulting Office opened, designed in collaboration with THE CONRAN SHOP*.

Safe and Secure Services

● Actions to Improve Security

As outlined in the chart below, we have been taking a number of steps to improve cash card security—an area that has become a social issue in recent times. One action we have taken is to introduce biometric IC

Examples of measures SMBC has implemented to improve cash card security

PIN security improvement measures

- ☐ PIN alteration service at ATMs
- ☐ Cautionary notices on ATM screens
- ☐ "Back-mirrors" at all ATM locations
- ☐ Privacy coatings on dividing panels at ATM booths
- ☐ Polarized light filters at all ATM locations
- ☐ Random keyboard function for PIN code entry
- ☐ Single-use password function for internet banking

Cash card anti-counterfeiting measures and customer identification measures

- ☐ IC chip-equipped cash cards
- ☐ Biometric customer identification system

Damage limitation measures

- ☐ Enhanced monitoring of irregular transactions
- ☐ Self-locking doors at ATM locations
- ☐ Cash card usage limit service
- ☐ ATM cash withdrawal notification service
- ☐ Lower cash card withdrawal limits

Compensation measures for victims of cash card fraud

- ☐ Products with counterfeiting and theft insurance
- ☐ Compensation for cash card counterfeiting and theft:
 - Announced response policy in February 2005
 - Established "counterfeit cash card trouble hotline" in March 2005
 - Reorganized as "card trouble hotline" in November 2005

* A home furnishing store with eight branches in six cities worldwide, established by English designer Terence Conran and featuring carefully selected interior items from around the globe.

Cash Cards. In November 2005, we revised our card-related policy and established a compensation system for cardholders impacted by illegal withdrawals resulting from fake or stolen cards.

In February 2006, we established a Financial Crime Prevention Department, concomitant with the implementation of the Savings Protection Law, to assist victims of illegal transactions and strengthen overall security policies. We also continue to utilize first-class security measures for our internet banking services.

● Measures to Improve Accessibility

We have taken a number of steps with regard to our ATM, website and other services, to ensure that the elderly, the disabled and other users can reliably access our services.

Approximately 94% of our ATMs (excluding those at am/pm convenience stores) are equipped with handsets that allow the visually impaired to use voice commands to carry out transactions. Our website, internet banking and other such services are compatible with text reading software and browser user-assist functions.

In March 2006 we became the first bank to offer a voice service for our product pamphlets, printing SP codes on certain pamphlets that are used with text reading equipment to provide aural descriptions of our products and services.



Barrier-free Branches



Money life Consultants at SMBC's Chigasaki Branch

SMBC's new Chigasaki Branch, in Kanagawa Prefecture, opened in June 2006. This branch has been specially designed to facilitate use by the elderly and the disabled. Along with the physical structure of the branch, employees have been earning Service Care Attendant qualifications via special training on how to provide appropriate services for elderly, customers with young children, and the disabled. In this way, the Bank is endeavoring to create a truly barrier-free branch from both the 'hard' (physical) and 'soft' (service) points of view.

The branch features full wheelchair access to lobbies, elevators and services counters, along with directional indicators for the visually impaired to guide customers into the branch. Bathroom facilities have been designed with careful consideration of wheelchair access and ease of use for customers accompanied by infants.

Three staff have received the Service Care Attendant qualification, each of whom is a female employee in charge of customer consulting. As part of the training for this qualification, these consultants experienced for themselves what it is like to enter a branch and conduct banking business with various disabilities. This included wearing restrictive clothing, placing casts on various joints, inserting earplugs, wearing special glasses to limit vision, and other such measures to simulate potential difficulties.

Comments from the trainees included: "I hadn't really known how to deal appropriately with elderly customers, but now I feel I have a real understanding of their needs and of things to watch for in terms of stairs, level changes and so on." "I've realized such things as how hard it is to read forms written in red ink, and think I will be able to act with much more consideration now." "I want to put this training into practice and provide great service."

Plans are now underway for all of SMBC's approximately 1,100 lobby attendants nationwide to obtain the Service Care Attendant qualification.



Training to simulate challenges faced by the elderly

Together with Shareholders and the Markets

The Group is working towards securing financial health through sound decision making and fair and proper business management as well as carrying out appropriate and accurate disclosure of corporate data to shareholders and the markets. Such activities not only allow SMFG to be better understood and assessed, but also contribute to healthy market and economic development.

Full Disclosure

SMFG voluntarily discloses corporate and management data so that the Company can be correctly understood and evaluated by its stakeholders.

Communicating with the markets and shareholders through these disclosure activities—and building market assessment feedback into the management process—is essential to the sound development of SMFG. In order to attain higher levels of trust from our stakeholders, we have drawn up the following Disclosure Policy. SMFG has also established a Disclosure Committee, which outlines the timely and appropriate disclosure of information through annual reports, disclosure documents, websites and other such avenues.

◆ Disclosure Policy

1. Disclosure of critical data*1

SMFG seeks to provide timely and appropriate disclosure of critical data to our customers, shareholders and investors, while abiding by the Securities and Exchange Laws and other relevant rules and regulations, including stock exchange regulations.

2. Voluntary disclosure of data

In addition to the disclosure of critical data, we also seek to improve the voluntary disclosure of data related to the composition of our finances, management policies and operational strategy to ensure that our customers, shareholders and investors are more accurately informed about the status of the Company and in a better position to make judgments.

3. Fair disclosure

When disclosing information, we are careful not to provide selective disclosure to specific individuals and make every effort to ensure fair disclosure practices.

4. Development of in-house systems

SMFG seeks to develop and improve in-house systems in order to carry out appropriate information disclosure.

Inclusion in SRI Indexed Funds

SMFG shares have been adopted by four of the world's five major SRI*2 indices. We believe this is a high appraisal of our environmental activities and social contribution.

We aim to further enhance our CSR activities to facilitate the inclusion of our shares in the Dow Jones Sustainability World Index.

Indices that have included SMFG:

- FTSE4Good Global Index
- FTSE4Good Global 100 Index
- Ethibel Sustainability Index Global

Earning a Deeper Level of Trust

To date, SMFG has sought to carry out disclosure in accordance with relevant laws and regulations and has sought to develop a system to achieve that aim. To further cement our relationships with our shareholders and the market, however, we believe it is necessary to make further efforts to upgrade and expand our disclosure and communication.

1. Upgrading and expanding disclosure

Amidst a wave of corporate scandals—including some in which companies have announced inaccurate corporate data—companies are increasingly being called upon to take a more proactive stance on disclosure. SMFG seeks to actively disclose data deemed to be valuable from the market standpoint, and will consider additional disclosure items as appropriate.

2. Strengthening communication

In recent years we have witnessed overseas institutional investors and individual investors increase their shareholdings in SMFG, which has served to bring about major changes in shareholder composition. We aim to be increasingly attentive to the changing voice of our shareholders, and intend to further examine communication with our shareholders to make sure their opinions are reflected in SMFG management.

*1 Critical data refers to corporate data required for timely disclosure purposes in cases when decisions are made relating to the company or its subsidiaries, or if key events arise as designated by the Securities and Exchange Law or regulations laid down by the securities exchange where securities are listed, as well as corporate data required for disclosure under the provisions of other laws and regulations.

*2 SRI stands for Socially Responsible Investment; an assessment-oriented management method for corporate CSR activities.

Together with Employees

The Group seeks to develop the skills and individuality of each of its highly skilled staff. Allowing our staff to fully display and utilize their individuality and potential will help us attain the highest level of trust from society, from customers to shareholders and the market.

A Company that Nurtures its Staff

The main asset of any company is its staff. By respecting human dignity and cultivating a free and dynamic corporate culture SMFG aims to foster the development of highly skilled personnel, and create a workplace where such personnel can thrive.

In particular, SMFG is actively promoting gender equality in the workplace, while also improving company-based support systems in order to help employees upgrade their skills and career goals.

The following is an overview of activities at SMBC, the core company of the Group.

Developing a Team of Financial Professionals

SMFG has put in place a human resources and training system to develop a team of financial professionals able to meet the demands of advances in financial technology and diversifying financial products and services.

Human Resources

With the aim of carrying out our management principles, our human resources system has been created based on the following four principles:

1. To promote the strengthening of a management culture that is competitive with global business peers
2. To train highly specialized personnel capable of providing high value-added services to customers
3. To improve the vitality of our staff through self-realization and emphasis of the individual
4. To create a corporate culture tailored to SMBC and its innovation and creativity

The human resource system is characterized by its configuration into occupational and course-based systems in response to operational diversification, specialization of job duties and the diversification of value systems. For example, we are putting considerable effort into developing highly specialized staff in a range of areas that build on the sophisticated knowledge and abilities contained within our organization, as well as running master courses (occupational courses within careerist positions). SMBC makes efforts to realize the appropriate blend of results with appropriateness and ability, as well as providing transparent and convincing benefits and value.

Training

The basic policy for HR development is to cultivate staff with specialized skills, in line with our management policy of providing customers with high value-added services. Based on this, we take the fostering of competitive professionals as our educational policy and implement a range of training programs that provide practical and executive skills that complement on-the-job training. These programs fall into two categories: training for specific jobs and seniority-based training. Training for specific jobs is aimed at teaching the necessary skills and knowledge to for each job and falls under either the Middle Banking or Consumer Banking Unit. Seniority-based training is targeted at employees at the same level and age. Training is therefore categorized as either providing the required understanding and expertise to fulfill the responsibilities and role of each job, or training to develop the career and abilities of employees, specific to level and age. In addition to this kind of comprehensive training, we are also establishing systems to support those employees who have taken it upon themselves to gain further skills and expertise. This includes e-learning and correspondence courses, support for attaining qualifications and an examination system within the bank.

Open Recruitment System

One of the main objectives of the human resources system is to increase the capabilities of each employee as a financial professional. The career system within the SMBC human resources system is based on the ideal of autonomous career design, aimed at helping each and every member of our staff understand their potential and anticipate their future career after ascertaining their own skills and aptitudes. As an example of the kind of mechanism that supports that realization of this ideal, the company has implemented an open recruitment system based on post-entry, job entry and training entry.

We intend to make this open recruitment approach a key component of an operational system that can be a more effective mechanism that is closely aligned with our employees, and aim to further expand on this system with the cooperation of the various departments involved. In fiscal 2005, we carried out public recruitment for 125 jobs and seven different types of post.

Chart 1 SMBC Recruitment System

Post Entry: A system that offers chances to individuals with the ability and desire to apply for posts such as branch manager, section chief and group leader.
Job Entry: A system that recruits for entry to such assignments as the fund management business, planning staff, dealers, and investment banking. A tool for achieving career designs.
Training Entry: A system that recruits for training deemed necessary for forward looking career formation for individuals looking to develop their own career. Includes chances for overseas assignment as a trainee, along with graduate school study, and cross-industry exchange opportunities.



SMBC
Planning Department,
International Banking Unit
Planning Group III
Noritaka Kudou

◆ The Open Recruitment System at Work

When I was younger I spent a long time overseas. I have always wanted to work for an international company, so five years ago I joined and became the representative for two domestic branches. However, in August of 2005, I learned that the Planning Department of the International Banking Unit was hiring, so I sent in my resume and attended an interview, leading to me transferring in October 2005. When I was at the domestic branches I obviously worked as hard as I could but there were times when I didn't feel very motivated. The Open Recruitment System has really helped me in allowing me to actively involve myself in work that I really want to do. Currently I am able to enjoy working to the full extent of my capacity, and I would love to try working at an overseas sales or planning branch in the future.

An Energetic and Safe Work place for all Employees

● Various Systems to Promote Gender Equality

In April 2005 SMBC introduced the following plans as part of its employee support program to assist employees in leading fulfilling lives at work and at home:

1. System for Rehiring Employees

SMBC has a system under which employees who have resigned due to marriage, childbirth, or caring for children or parents can apply to be rehired within three years of their resignations. Further, from January 2007, the period during those who resigned due to their spouse changing jobs may be rehired during will be extended to up to 5 years.

2. Childcare Leave

From fiscal 2005, SMFG has allowed employees to take childcare leave until the child reaches one and a half years old. Also, in cases where the spouse of an SMBC employee has taken a year's leave to care for children, it is possible for the employee to take the remaining six months of leave in their place. Further,

Chart 2
Number of Employees Taking Childcare Leave

Fiscal year	Number of employees taking leave
2003	61
2004	70
2005	89

from January 2007, it will be possible to return to a work environment with more flexible working hours after having taken leave to care for children. As shown by Chart 2, 89 employees took leave to care for children in fiscal 2005.

Moreover, from April 2006, we will hold monthly briefing sessions to keep those on leave up-to-date with the company in order to support a smooth return to work.



3. Short-term Childcare Leave

From January 2007, we will establish a system for paid short-term childcare leave of up to two weeks, in addition to current unpaid childcare leave. A core part of the system includes providing an opportunity for employees who do not qualify for childcare leave under the current system.

4. Shorter Working Hours

SMBC offers the possibility of shorter working hours to employees who need to take children to daycare facilities and collect them at the end of the day. There are two possible shortened working schedules: one that allows employees to specify working hours, and one that allows employees to specify one day of holiday. In fiscal 2005, 13 employees took part in this system.

In January 2007 we will introduce a half-day holiday system.



SMBC
Takahatafudosan Branch
Customer Support
Mayumi Nishikawa

◆ Returning to Work After Using Childcare Leave

I returned to work in March 2006 after taking a year off to take care of my child. At first I was concerned about my absence from work and considered taking only half a year, but I realized that I would only have this one chance and I am glad that I took the whole year. After having my own child I now think I have a better

understanding of the needs of customers with children and I think that will help my work too. My branch colleagues also showed tremendous concern for me—just one example of this is the monthly report I received from the branch manager while I was off work, keeping me up to date with events at the branch. Thanks to these efforts, I really didn't feel like I had been away after I returned to work. I think this system really does contribute to employee satisfaction.

5. Support for Childcare/Healthcare

To reduce the expense and economic burden of parenting for our employees, SMBC's support system offers child daycare, baby-sitting, nursing, health-related assistance and other services at a discount through outsourced benefit service providers.

Further, separate from these services is the 'Next W-ing Project Department' (See page 27) which makes proposals on measures likely to lead to an improvement in the working environment for female staff. Going forward, we hope to create a working environment where male and female staff can work together in a more active fashion, not only in the Middle Market Banking Unit, but also throughout the Group.

6. Daycare Subsidy Program

From April 2007, we will be introducing a program to subsidize extended use of daycare facilities necessitated by overtime and other work-related causes. The subsidy will be a maximum of ¥50,000 per month.

7. Regular and Consumer Service Job Transfers

In January 2007 we will be introducing a system whereby under certain conditions, consumer service employees and general employees will be able to change their transfer location should a long-distance transfer be impossible. This will mean that employees will be able to continue their careers with the company even if their spouses are transferred to a new location.

● Human Rights Promotion Activities

SMBC is engaged in human rights promotion activities in line with our stated action principle of respecting the dignity of our customers and corporate officers, and we have taken on the following activities in an effort to heighten the awareness of human rights across the Group.

1. Collective Training

SMBC conducts a series of rank-based training seminars, including workshops for the branch managers and department heads responsible for implementing human rights promotion activities, new employees, and newly appointed managers.

2. In-house Seminars

In-house seminars lead by the branch manager or department head are conducted twice a year at all branches and departments. In order to increase the awareness of participants, various topics are introduced as case studies, including issues related to the physically challenged, sexual

harassment, superstitious beliefs and language, as well as personal information protection law and human rights.

3. Recruiting Mottos and Slogans

SMBC has challenged all members of staff to take part in the preparation of mottos and slogans designed to improve human rights awareness on the shop floor. Staff from group companies and contractors are also encouraged to take part in both house seminars and in the submission of ideas for slogans and mottos alongside regular staff.

● Expanding Employment Opportunities for the Physically Challenged

SMBC is actively engaged in expanding employment opportunities for people with physical disabilities, and has established "SMBC Green Service Co., Ltd.," a special subsidiary aimed at promoting employment of the physically challenged. SMBC has been recognized for its contribution to improving employment opportunities for the disabled, as well as boosting retention ratios, and in the fiscal year begun April 1, 2005 was awarded the Company Contribution Prize by the Osaka Company Award System.

Through active involvement in such initiatives, the percentage of physically challenged employees in fiscal 2005 reached 1.9%, above the 1.8% required by law. We intent to continue efforts to further improve this percentage.



● Employee Health Management Promotion Activities

To help our employees realize a full and active life, SMBC is establishing three health development centers, including one in head office, as well as introducing a routine health care system that offers consultations with a health care specialist or registered nurse at the work place. For health examinations, we are working together with the health insurance union to carry out complete medical checkups that include assessments for ailments associated with the elderly on top of the statutory examinations. For mental health care, we have introduced a stress-check system on our intranet in an effort to support self-care. Further, we provide free consultations and interviews by telephone as a part of our operations with the health insurance union.

Social Contribution Activities

As a responsible corporate citizen, the Group is aware of its shared mission and corporate responsibility and is undertaking a wide range of activities to contribute to the welfare of society as a whole.

Social Welfare Activities

By placing particular emphasis on social welfare activities and international cooperation and working with NPOs that specialize in these areas, we are making efforts to contribute to the development of prosperous societies worldwide. Volunteer activities play an important part in maintaining and improving society as a whole, and we actively support the volunteer activities of our employees as they deepen their understanding of society.

Welfare Activities

Group companies participate in a wide range of social welfare activities.

● Donating Spoilt Postcards, Unused Telephone Cards, Used Stamps and Pre-paid Cards

SMFG companies collect voided or otherwise unusable postcards from their employees, exchange them for new postal stamps, and donate these stamps to volunteer organizations. SMBC also collects unused telephone cards, used stamps and prepaid cards for donation.

● Special SMBC Account for Disaster Relief Funds

SMBC has set up a special relief fund account with no transfer fees, to receive donations from our customers at times of major disasters in Japan or overseas. SMBC and The Japan Research Institute Ltd. also collect donations from staff.

● SMBC Volunteer Fund

SMBC employees make a voluntary contribution of ¥100 each month from their salaries. About 10,000 employees were participating in the program as of September 2006.

We were involved in the following initiatives in fiscal 2005.

- * SMBC helped purchase medical equipment used by hospitals in Cambodia to provide free medical care and medicines for disadvantaged children.



- * SMBC also donated to a project in Bangladeshi agricultural villages that supports literacy education, sanitation and economic growth.



- * SMBC donated funds to Cambodia, to cover publishing costs for a book of folktales entitled *The Khmer Kroma*, as well teaching materials, as books for children are extremely scarce in Cambodia.



- * SMBC donated funds for a water resources development project aimed at providing safe water to ethnic minorities on Palawan Island in the Philippines.



- * SMBC donated funds to cover scholarships for girls in rural China who cannot afford to go to school.



- * SMBC donated funds to cover the medical costs of people in northern Afghanistan who have suffered injuries in fighting or as a result of land mines.



- * SMBC donated scholarship funds for children of elementary school age in Laos and Cambodia who cannot afford to go to school.



- * SMBC donated the operating fees for health centers in slum areas of the Republic of Haiti where infectious diseases, including malaria and TB, are rife.



- * SMBC donated the operating fees for Lao cultural centers, where children's books are in very short supply. These centers set up school libraries and carry out cultural enrichment.



- * SMBC donated funds to cover self-support projects that operate tractor unions for repatriated refugee households in Eritrea where the mother is the key bread earner.



- * SMBC donated the funds to cover self-support projects relating to health, hygiene and literacy for women in Myanmar, along with providing training in sewing techniques.



- * As part of emergency disaster relief, SMBC also made donations to the disaster victims of US hurricanes in August 2005, Typhoon 14 in September 2005, the Pakistan earthquake of October 2005, the Java earthquake of May 2006, and torrential rains in Japan in July 2006.

● Charity Concert "A Toy Box of Classic Songs"

In May 2006, SMBC held a charity concert in support of children around the world that have been affected by wars and disasters. A choral group, chamber ensemble and brass band gathered together from in-house music societies at SMBC performed a wide variety of musical pieces, from classics to theme tunes from animated cartoons, to be enjoyed by both adults and children. As well as accepting donations, a charity bazaar was held, and pictures drawn by children from all over the world were displayed in the foyer of the concert hall.



● In-house Charity Drive Selling Goods Made by the Physically Challenged

SMBC holds in-house charity drives, selling cakes and everyday goods made by people with disabilities.



International Cooperation

● Support for UNICEF

As a corporate member of the United Nations Children's Fund (UNICEF) *Foreign Coin Collection executive committee*, SMBC helps with donation drives by placing foreign coin collection boxes at SMBC branches and offices in Japan. The collected coins are sorted by currency with the cooperation of SMBC Green Service, one of our Group companies, before being sent to UNICEF. Since these activities began in 1992, total donations of ¥530 million have been made through the executive committee.

SMBC also handles a special UNICEF account, known as the *UNICEF Ainokoza*, which is designed to donate after-tax interest on ordinary accounts to UNICEF, with the bank matching customer donations.

● Support for Educational Fields

The SMBC Global Foundation was established with the main objective of providing educational grants to university students from the Asian nations, and in the ten years since it was founded has supported in excess of 5,000 Asian students. The foundation is also actively involved in regional activities, including educational and cultural pursuits.

The SMBC International Cooperation Foundation was founded 15 years ago, with the aim of developing human resources deemed likely to contribute to the economic development of emerging regions, and has also provided scholarships to a total of 34 international students from Asia. The Foundation also aids research facilities and researchers involved in work related to emerging nations.

Supporting Volunteer Activities by SMBC Staff

● Activities at the In-House Volunteer Organization - YUI

SMBC actively supports *YUI*, an in-house volunteer organization. Since fiscal 2002, *YUI* has carried out computer classes twice a year at primary schools attended by children with hearing problems, using both writing and sign language to teach children how to use computers. Since 2001, *YUI* has also been holding an annual bazaar, selling items collected from employees. Proceeds are donated to volunteer organizations. *YUI* also carries out a variety of other activities, including, since 2002, organizing annual events at which senior citizens from residential care facilities take their place in the spotlight to perform their favorite songs.

● Sign Language Workshop

SMBC has held sign language workshops every year since 1997, aimed at promoting a better understanding of people with hearing problems and contributing to society by



improving counter service to customers. In fiscal 2005, around 126 in-house volunteers attended the workshop. From 2005 the bank has also hosted workshops with sign language interpreting, run by a hearing-impaired instructor, to help participants understand how the hearing-impaired perceive the world around them. About 450 volunteers

attended a workshop held in April 2006. Following the workshop, these volunteers have been using what they have learned to communicate with customers and in other volunteer activities.

● Volunteer Workshops

SMBC hosts events where staff can take part in volunteer activities in their own time, such as after work or on their days off. The following activities occurred in fiscal 2005.

- * An event for parents and children aimed at increasing their understanding of guide dogs, and learning how to support people with physical and mental challenges, through demonstrations of guide dogs and dogs trained to assist people with various other disabilities.



- * An international cooperation seminar for parents and children to learn about children around the world who have suffered through disasters, wars or economic problems, along with an explanation of the activities of the UNICEF Foreign Coin Collection.



- * In conjunction with other companies, SMBC hosted an event to train 'listening volunteers'—a form of volunteering in which people who are skilled in listening offer acceptance and provide comfort to people with problems or worries.



● Local Cleanup Campaigns

In April 2006, approximately 180 employees took part in a cleanup held along the banks of the Arakawa River in Tokyo. Participants also tested the quality of the water as part of the event. At SMBC Leasing Company, employees at the Osaka headquarters made extensive efforts to beautify the surrounding area.



Economic Education

We believe that it is becoming increasingly important for children and young adults to learn about work and how to spend and save money sensibly, along with developing a broad understanding of finance and economics, so that they can help construct a responsible society. For this reason, the Group is closely involved in financial and economic education programs.

◆ Family Day for Employees' Children

In August 2006, SMBC held special open days for employees' children, giving them the opportunity to see for themselves their parent's workplace and learn about the Bank. Held at the Hibiya main branch and the Kobe head office building, 33 children visited bank vaults and ATMs and experienced working with customers. They also visited their parents' desks, opening up a whole new opportunity for family communication.

For Primary School Children

◆ Children's Summer Holiday Bank Explorer

In August 2006, SMBC's Tokyo sales division held *Children's Summer Holiday Bank Explorer*, a bank experience and study trip for 25 primary school children and their parents. Participants in this program learned about the kind of work banks do, gaining firsthand experience of how bank tellers operate, along with visiting ATMs and bank vaults as part of their study. The Bank intends to continue offering this in future years.



◆ Sponsor of 'Finance Park'

Finance Park is an economic education program for junior high school and high school students, run by Junior Achievement Japan, an educational organization that teaches youth about free enterprise, and Shinagawa Ward Office. SMBC is one of the sponsors of this program, which makes use of unused classrooms in Shinagawa Ward to host simulated finance, restaurant, supermarket and other businesses that allow students to get hands-on experience of economic activities. Approximately 2,000 students from Shinagawa and elsewhere participated during fiscal 2005, many of which visited the SMBC branch to experience taking out a home loan or other such activities.



For Junior High School and High School Students

◆ Company Visits

In June 2006, SMBC hosted 17 students from Takamatsu High School, Kagawa Prefecture, on a company visit. Takamatsu High School organizes this kind of study trip every year, and centered on graduates of the college that now work at the bank, SMBC has become a regular supporter. Participants this year broadened their knowledge of banking by visiting sales branches, dealing rooms and other areas of the Bank's Tokyo operations. Separately, the Bank's Osaka office supports the Junior High School Summer Seminar program run by the Osaka Education Committee, taking groups of 15 students on study days that introduce them to the role of banking in society through lectures, internet banking demonstrations, and branch and vault visits. The Bank also supports a number of other educational institutions, including Otsu-Nakano High School and Sagami Women's University.

◆ Sponsor of Kidzania Tokyo

Kidzania is a work experience town for children, which opened in October 2006 in Koto-ku, Tokyo. The 'town' comprises around 50 simulated branches of sponsoring businesses and institutions—including banks, hospitals and television stations—amongst which children experience work and spend money using a fabricated currency (the *Kidzo*). SMBC is a sponsoring bank of *Kidzania* and, by providing children with the experience of opening accounts and saving money, is offering a fun way to learn about finance.



For University Students

◆ University Internships

In August 2006, SMBC welcomed six students from Hitotsubashi University on an internship program. These internships take the form of approximately two weeks' on-the-job training during the summer vacation, designed to heighten students' appreciation of the working world. The six students of the 2006 intake, which included three students from overseas, experienced a range of activities with the Bank, including small- and medium-sized business planning, international operations, structured finance and trading in the markets.

Environmental Activities

At the Group, we regard environmental issues to be one of our key management issues. Based on our 'Group Environmental Policy', we are involved in conservation activities in line with our corporate activities. SMFG is a signatory to the United Nations Environment Program (UNEP) Statement by Financial Institutions on the Environment & Sustainable Development, and is also participating in the Team Minus 6% national campaign led by the Japanese government.

SMFG's Environmental Action Plan



Based on our Group Environmental Policy, we have a three-pronged action plan focusing on: the reduction of environmental impact, the practice of environmental risk management, and the promotion of environment-related business. Led by the Group CSR Committee, we systematically follow the PDCA (Plan, Do, Check, Act) cycle in pursuing environmental activities centered on these three areas. Further, SMBC and JRI have acquired the Environmental Management System (EMS) ISO14001 global standard certification.

Main Activities of Group Companies

Objectives	Initiatives	SMBC	Sumitomo Mitsui Card	SMBC Leasing	JRI
Reduce environmental impact	Reducing energy and paper usage	○	○	○	○
	Promoting green purchasing	○	○	○	○
	Providing training on environmental issues	○	○	○	○
Practise environmental risk management	Selling items that can be reused			○	
	Establishing credit rules on companies with high environmental risk	○		○	
Promote environment-related businesses	Providing funds for environment-friendly projects	○			
	Promoting soil decontamination and helping companies apply for ISO certification	○			○
	Promoting energy-conserving projects, such as ESCOs and ESPs			○	○
	Proposing policies and measures related to the environment				○
	Providing information (publishing books, etc.)				○

The Group Environmental Policy

◆ 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

Initiatives for Reducing Environmental Impact

Activities such as energy conservation in the office directly decrease the environmental impact of business activities. (For details of each Group company's environmental impact, please see pages 41-42.)

● Towards a Paperless Office

The Group is aiming for a paperless office through the use of IT and the implementation of business process reviews. Through the creation of databases, they are computerizing their in-house administrative operations. In October 2001, for example, SMBC switched to electronic forms for bank branches. Through these initiatives, the Group had reduced its paper consumption by 80.5% as of March 31, 2006. In addition, the bank offers the *Web Passbook*,* a virtual bank passbook that allows customers to check their transactions via the Internet, and is promoting the use of the *Web21* system of Internet banking for corporate clients.

* Web Passbooks: 970,000 accounts as of the end of March 2006 (contributed to the reduction of four million A4 sheets).

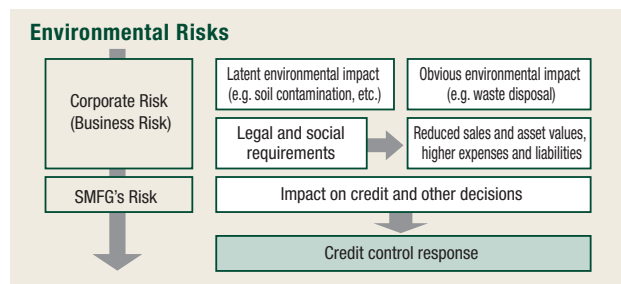
● Environmental Education

It is important to heighten employee awareness about environmental activities if we are to make progress in reducing environmental burdens. Group companies include instruction on environmental management systems (EMS) as part of their annual training programs, while also operating periodic training sessions, and environmental education that makes use of e-learning systems.

Environmental Risk Management

Possible environmental risks for companies operating in the financial industry include soil contamination by real estate held by the company as collateral. SMBC is aware of the importance of factoring in environmental risks when carrying out credit assessments, and has included specific references to credit-based environmental risk in its Credit Policy, which serves as the basic credit operation standard. As well as stipulating the assessment of soil contamination risk of prospective collateral that fulfills specific conditions as real estate collateral. SMBC also identifies asbestos risk as an environmental credit risk, and in cases where there are concerns about asbestos risk for properties put up as collateral, we explain the credit risk to the borrowers and encourage them to implement a survey.

SMBC Leasing is engaged in elimination and recycling of waste material through 'Increasing Leasing in Eco-Town', a website for the sale of equipment on which leases have expired, and is appropriately dealing with such property and equipment through the use of electronic manifests.



● Business System Based on the Equator Principles

In December 2005 SMBC adopted the Equator Principles,^{*1} and in January 2006 the Environment Analysis Department was set up in the International Banking Unit and an environmental evaluation system in project financing^{*2} was developed. SMBC also re-adopted the Equator Principles upon their revision in July 2006.

*1 Equator Principles: Standards for ensuring that consideration is given to the environment and local communities by business operators involved in the implementation of project financing.

*2 Project financing: Financing for a particular specified project. Differs from standard corporate financing. Financing is provided after evaluation of the cash flow and viability of the project, not the creditworthiness and amount of collateral of the borrowing companies.

Environment-Related Information Across the Group

● The Environmental Magazine *SAFE*

Since 1996, SMFG has been publishing the bimonthly environmental information magazine *SAFE* to provide environment-related information

to corporate clients. This magazine includes interviews with the top management of companies in the forefront of environmental issues, as well as information on regulatory trends. *SAFE* is sent to Group clients and any customers that have attended SMFG Environmental seminars.

● SMFG Environmental Seminars

The fourth SMFG Environmental Seminar was held on July 4, 2006. The SMFG Environment Seminar is an annual event for the purpose of providing environment-related information.



Results of Seminar Survey: What are Your Expectations of SMFG?

Provision of overall environment information	Emission credits-related information and services	Provision of environment related financing, others
32.7%	15.9%	12.9%
	11.9%	26.6%
Environment business matching		Provision of investment products such as SRI funds

Theme: "The environment and CSR and the role of financial institutions"

Participants: 363 (Combined total of Tokyo and Osaka event participants)

● Signatory to Carbon Disclosure Project (CDP)

SMFG became a signatory to the Carbon Disclosure Project (CDP) in February 2005. The CDP serves a secretariat function in a process whereby institutional investors and financial institutions concerned over the issue of climate change cooperate in requesting global corporations to disclose their worldwide policies and initiatives on environmental issues. The information is then gathered in a report. At present, over 200 financial institutions around the world are participating, and their total loan balance is US\$31 trillion. There are currently 1,800 companies disclosing requested information in Japan, the United States, Europe and elsewhere.

Information Disclosure

The Group is an active participant in environmental activities. We believe that we need to ensure our activities are implemented effectively, and at the same time we believe it is necessary to disclose information about the content of those activities that is both accurate and comprehensive. As a result, we aim to conduct concrete investigations into the refinement and sophistication of collation methods for environmentally-related data via systemization and automation. In the future, we also intend to consider the adoption of environmental accounting and CSR accounting to evaluate our environmental activities.

Socially Responsible Environmental Business in Core Operations

The Group believes that the most effective way to express its social responsibilities with regard to the environment is to support environmental business through core business operations. Environmental businesses are those that offer products, services or information that help maintain or improve the global environment, and are an area of particular focus for the Group.

◆ Environmental Business Growth

- **Market size (Environment Ministry estimates):**
¥30 trillion (2000)→ ¥58 trillion (2020)
- **Customers' needs:**
Broader sales channels in environmental business, alliances, etc.
- **Societal influences:**
Kyoto treaty (enacted February 2005; greenhouse gases to be reduced 6% by 2012); Law on Home Appliance Recycling; Basic Law for Establishing a Recycling-Based society, etc.

● Eco-Biz Promotion Council

By providing a source of finance, financial institutions have an important role to play in fostering the existence of environmental businesses and in supporting the introduction of environmentally friendly equipment and other business assets. Accordingly, since fiscal 2005, SMBC has been holding regular meetings of its cross-departmental organization, the Eco-Biz Promotion Council, with the aim of effectively promoting environmental business activities across the entire Bank.

Specific initiatives have included providing information to companies operating in Japan regarding the acquisition of emission rights since 2005, and forming an agreement with the Development Bank of Japan in November 2005 to supplement the Bank's capacity in the area of environmental ratings of corporations.

In February 2006, the Bank broadened its product range with the addition of an Environmentally Responsible Company Support Loan (details on page 23), and again in March 2006 with the launch of a Six Asset Balanced Fund known as *Double Wing* (details on page 27) that includes CSR assessment in its selection criteria.

Further, to reflect the important role that financial institutions have not only in providing finance but also in facilitating business matching

between companies, the Bank has been organizing networking events for companies operating in the environmental arena. Other activities include hosting business contests for businesses specializing in the environment, and promoting environment-related industry/academic learning alliances.

SMBC Leasing is also promoting environmental businesses, and having received the highest level of environmental rating from the Japan Development Bank has now formed an operating agreement with that bank to promote environmentally friendly corporate capital expenditure.

Through an alliance with the Japan Research Institute, SMBC is offering an eco-consulting service to support the environmentally sound management of companies. The Bank has also joined the Voluntary Domestic Emissions Trading System run by the Ministry of the Environment^{*1}, and engages in emission rights trading as part of the Clean Development Mechanism^{*2} project.

Environment-related Social Contributions

SMBC supports the SMBC Creative Conservation Club Furano Nature School being promoted by TV and movie scriptwriter So Kuramoto. This project involves volunteers restoring the forest cover on a former golf course. As part of the project, areas are being created to



allow people to experience nature through their senses—for example, by walking barefoot along leaf-strewn paths, or by listening to the sounds of the forest. In June 2006, approximately 30 employees and their families took part in activities at the site.



^{*1} A system under which companies advise the Ministry of the Environment of their target reductions in CO₂ emissions, and then trade emission rights with other participating companies in line with progress towards the targets.

^{*2} A system under which developed nations and businesses support the development of energy-efficient projects in emerging countries, and are then able to trade any emission rights gained from the resulting reduction of greenhouse gas emissions.

Environment Business

◆ Businesses in Japan

- Environment-Related Projects

In July 2004, SMBC acted as lead arranger to secure project financing of ¥23 billion for a Tokyo Coastal Recycling Power Generation Project being developed by the Tokyo Metropolitan Government as part of its Tokyo Metropolis Super Eco-Town project. This power plant was completed in August 2006 and is now in operation. The Bank is also contributing to the construction of a sustainable society through supporting other environment-related projects, such as the syndicated loan with local financial institutions for *Iwakuni Wood Power*, a wood-fired biomass power plant*3 in Iwakuni City, Yamaguchi Prefecture.

- Environmental Business Networking Event

With the support of the Ministry of the Environment, in March 2006 SMBC held the “Environmental Business Networking Event—With Team Minus 6%”. This event was attended by 1,200 participants from around 550 companies, and hosted more than 600 business discussions.



- Eco Japan Cup 2006

SMBC, in seeking to contribute to the environment as a bank that fosters businesses in its core operations, has organized the Eco Japan Cup 2006 in collaboration with the Ministry of the Environment and others, for businesses that have specialized in the environment. Awards for this contest are being announced in December, as part of which SMBC is supporting the business appraisal process and sponsoring certain prizes.

- Industrial and Academic Collaboration

SMBC, in seeking to contribute to the resolution of environmental and energy-related problems, is supporting projects at Keio University. The Elica Project is to develop a high-performance electric vehicle with low CO₂ emissions. The L-Square™ Project, meanwhile, aims to promote increased usage and lower prices of lithium-ion storage batteries, which use electricity very efficiently. Two SMBC employees have been seconded to the project office, and the Bank is part of the advisory board for the L-Square™ Project.



◆ Businesses Overseas

- Greenhouse Gas Emission Trading Rights in Brazil

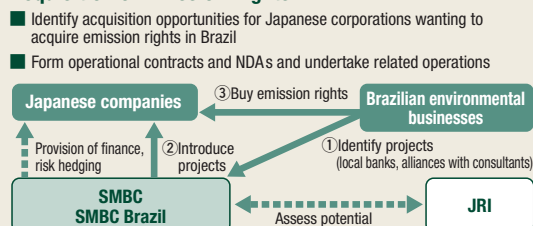
One of the key roles of a financial institution is to provide a range of management-related and other information to businesses. Through the core businesses of the Group we are actively supporting a reduction in the emission of CO₂ and other greenhouse gases. A particular focus is on using the Clean Development Mechanism (CDM) established in the Kyoto treaty to intermediate for Japanese corporations in the acquisition of greenhouse gas emission rights from local entities, in developing countries, that are engaged in energy efficiency or environmental improvement businesses.

In fiscal 2005 we began intermediary services for Japanese corporations wanting to acquire emission rights for Brazil. In July 2006 we formed an alliance with Banco do Brasil, Brazil's largest bank, strengthening our capacity to identify potential CDM projects. We intend to engage the entire Group in this business, for example

with SMBC Brazil identifying candidate projects, Japan Research Institute assessing their potential, and SMBC providing long term finance for the construction of power generation plants and other large-scale projects.

Our plan is to adopt a similar model for use in other countries in Asia and other regions and, by meeting the needs of Japanese corporate customers seeking to acquire greenhouse gas emissions rights, engage in the issue of global warming.

Acquisition of Emission Rights



*3 The use of organic matter as fuel to generate power. Biomass power generation can reduce the release into the atmosphere of the greenhouse gas CO₂.

Fiscal 2005 Results and Fiscal 2006 Targets for the Group's Main 4 Companies

○...Achieved △...Efforts were effective but target not achieved (achieved 80% or more where measurable) ×...Target not achieved

Company name	Item	Fiscal 2005 Results	Fiscal 2006 Targets
Mitsui Sumitomo Bank	Reduce environmental impact	Energy consumption (Reduction of CO ₂ emissions) Established fixed-volume targets on 4 suitable head office buildings for electricity, water and gas (Target: 6% reduction over 2001) ① Reduced electricity by 9.1% ② Reduced water by 9.1% ③ Reduced gas by 2.4% (not achieved)	△ Reduce CO ₂ emissions by 6% over 2001 *Reduce CO ₂ by establishing fixed-volume targets on 4 suitable head office buildings for electricity, water and gas Reduce CO ₂ emissions through use of Green Power etc.
		Reducing impact of waste Reduced volume of waste from operations by 2% in each head office building →Total reduction for 4 buildings: 8.3%	○ Reduce final paper waste by 2% more than in 2005 at headquarters building
		Paperless work Each head office employee reduced paper consumption (Target: 2% reduction over 2004)→Achieved 3.9% reduction	○ Reduce volume used in each of the 4 head office buildings by 6% over 2001
		Paperless reception duties →Reduced paper applications by using MC Stations Achieved 138.4% of target (Reduced A4 paper consumption by 714,000 sheets)	○ Reduce paper consumption through paperless operations →Reduce paper applications by using MC Stations
		Paperless card loan statements →Implemented non-issuing of statements	○ Paperless card loan statements →Implement non-issuing of statements
		Environmentally friendly distributed goods ① Used environmentally friendly advertising materials →Continue to supervise ratio of recyclable paper and distributed environmentally friendly items ② Used environmentally friendly envelopes for mail advertisements. →Used about 1.65 million envelopes of glassine paper	○ Implement use of recyclable materials for advertising
		Employee training Thorough awareness of environmental issues through general EMS training ① Introduced e-learning at all branches ② Performed CSR training for all new hires	○ Thorough awareness of environmental issues through general EMS training
	Environmental risk management	Environmental credit risk ① Established awareness of land contamination risk ①-1 Enhanced land contamination investigation system for real estate mortgages ①-2 Established measures regarding asbestos ①-3 Conducted e-learning at all branches ② Adopted The Equator Principles (Dec. 2005)	○ ① Beginning with land contamination risk, reflect the value of credit environment risk in mortgages ② Develop environmental investigation system and standards regarding project finance
	Environmental business	Business partner, Product line-up ① Released environment related reports ② Supported environmentally friendly businesses ②-1 Implemented eco-consulting ②-2 Constructed emission rights related information provision scheme (Aug. 2005) ②-3 Implemented environment-related syndicate loans ③ Held environment business interchange meetings ④ Expanded number of environmentally friendly products (Mar. 2006) ④-1 Began tie-up with Development Bank of Japan (Nov. 2005) ④-2 Established loans to support environmentally friendly businesses (Feb. 2006)	○ ① Send environment related information reports to environmentally friendly businesses ② Expand number of environmentally friendly products
		Service offerings Implemented 'Web Passbook' Achieved 72% of target for fiscal 2005	× Promote "Web Passbook"
		Implemented 'Web 21' Achieved 156% of fiscal 2005 target	○ Promote "Web 21"
	Reporting activities, etc.	Internal communications ① Increased the level of awareness of environmental issues in the bank ② Supported operations, improved presence through external reports and advertising →Disclosed information through internal communications, SAFE magazine and the Annual Report	○ ① Implement environment- related social contribution activities ② Review new plans for environment- related social contribution activities ③ Prepare information for disclosure
		Environment related social contribution activities and new policies ① Volunteered for environment related activities →River bank, seaside clean-up (April 10, 2005) ② Examined new plans for environment- related social contribution activities, etc. ②-1 Attended the Ministry of Environment 's Voluntary Emissions Trading Scheme (May 2005) ②-2 Sponsored the Creative Conservation Club's Furano Nature School (Oct. 2005)	○

Company name	Item		Fiscal 2005 Results		Fiscal 2006 Targets	
Sumitomo Mitsui Card	Reduce environmental impact	Energy consumption (Reduction of CO ₂ emissions)	Electricity: 11.5% reduction over fiscal 2002 Water: 34% reduction over fiscal 2002 (Target: 6% reduction of each over fiscal 2002)	○	Reduce CO ₂ emissions by 8% over 2002 Electricity: 8% reduction over fiscal 2002 Water: 10% reduction over fiscal 2002	
		Paper consumption	Reduction of 13.8% over fiscal 2002 (Target: 2% reduction)	○	Reduction of 6% over fiscal 2002	
		Green purchasing	Increased green purchasing of stationery →Apply to other forms of purchases	○	Increase green purchasing of stationery	
		Employee training	Continued company-wide training seminars →Implemented employee training to leverage intranet	○	Continue company-wide training seminars	
	Environmental business	Service offerings	Promoted web-based statements • Promoted use of home page • Promoted use of direct mail and e-mail • Implemented points campaign	○	Promote web-based statements	
SMBC Leasing	Reduce environmental impact	Energy consumption (Reduction of CO ₂ emissions)	Reduced usage of electricity and water (Target: 20% reduction per person over fiscal 2001) Electricity: 23.7% reduction Water: 29.1% reduction	○	Reduce CO ₂ emissions(water and electricity) by 25% over 2001 Per person at Tokyo head office: Electricity: 25% reduction over fiscal 2001 Water: 30% reduction over fiscal 2001	
		Paper consumption	Reduced usage of paper (Target: 20% reduction per person over fiscal 2001) Reduced usage of paper by 23.9% per person over fiscal 2001	○	Reduce usage of paper by 25% over fiscal 2001 (Per person at Tokyo head office)	
		Green purchasing	Increased green purchasing of stationery →Increased the ratio of environmentally friendly products Fiscal 2004: 33% ⇒ Fiscal 2005: 61%	○	Improve the ratio of environmentally friendly products (Ratio = environmentally friendly products /number of all products)	
		Employee training	Thorough awareness of environmental issues through training →Waste management dept. representative instructed basic operational training and examined ways to leverage the banks e-learning assets	○	Thorough awareness of environmental issues through training	
	Environmental risk management	Promote reusing	Reduced the rate of disposal of buildings with mature leases over the previous year→Mature-lease building disposal rate*: 13.8% (0.2% lower than previous year) * =Initial value of disposed buildings/initial value of buildings with matured lease	○	Reduce the 'Mature-leased building disposal rate' over last year	
	Environmental business	Vendor support	Promoted leases of environmentally friendly facilities (Target: increase over last year)	△	Increase rate of leases for energy efficient facilities and machines	
			Promoted environmental alliances Tokyo: signed a Voluntary Emissions Trading Scheme related lease	○		
The Japan Research Institute	Reduce environmental impact	Energy consumption (Reduction of CO ₂ emissions)	Reduced public energy consumption (Target: 5% reduction over fiscal 2002 by unit area) →Reduced 6.7% over base year Achieved 134%	○	CO ₂ emissions: previous year or less CO ₂ emissions (consumption rate): previous year or less Consumption rate: operating income (sales)	
		Paper consumption	Reduced consumption of copy paper per person(Target: reduce 6% over fiscal 2002)→Reduced 11.3% over base year	○	Reduce consumption of copy paper per person (Reduce 3% over fiscal 2005)	
		Green purchasing	Continued to promote green purchasing of stationery, PC's etc. (Target: 99% achievement rate or more) →Achievement rate: 99.2% average for applicable items	○	Continue to promote green purchasing of stationery, PC's etc. (99% achievement rate or more)	
		Employee training	Continued environmental training and distribution of environmental information for all employees →Implemented training leveraging the Web for all employees Held training and educational activities as planned	○	Continue environmental training and distribution of environmental information and education for all employees	
	Environmental business	Propose measures and policies	Proposed environment-related measures and policies through various media and other opportunities→Achievement rate: 36.8%	×	Propose environment-related measures and policies (trial on a new basis)	
		Information disclosure	Published environment-related books and gave lectures Hold informative seminars, etc.	○	Publish environment-related books and give lectures and hold informative seminars, etc. (trial on a new basis)	
		Vendor support	Promoted operations and creation of operations in the environmental field→Achievement rate: 131.7%	○	Promote and create operations in the environmental field Promote environmentally friendly projects(trial on a new basis)	

CSR Activities at Group Companies

Sumitomo Mitsui Card Company, Limited

CSR Activities Through Credit Card Business

One example of card-based CSR activities is the work carried out by the VISA JAPAN Group, beginning with Sumitomo Mitsui Card Company, which has established a 'contributing to UNICEF' corner on its World Present Menu, which works by making contributions in 200-point (or approximately 1,000 yen units), and receives subscriptions from numerous card members each year. Since its establishment in 1992, subscriptions have totaled ¥250 million, which are channeled through UNICEF, and used to help children all over the world.

Sumitomo Mitsui Card Company also operates 13 types of cards that contribute to society by passing a portion of the amount billed to organizations, including NPOs, for use in a variety of areas, including social welfare, international cooperation, the global environment and sports promotion.

◆ Cards Linked to Social Contribution

Card name	Partner Organization
UNICEF Visa Card	UNICEF Association of Japan
JOC Sportsman's Card	Japan Olympic Committee
JASA Sportsman's Card	Japan Sports Association
Phoenix Plan Card	Hanshin-Awaji Great Earthquake Reconstruction Fund
YMCA Visa Card	YMCA Japan
CCC Visa Card	Creative Conservation Club
JAWS VISA Card	Japan Animal Welfare Society
AWF Visa Card	Japan African Wildlife Conservation Fund
SO Visa Card	Special Olympics Nippon
Red Feather Card	Central Community Chest of Japan
<i>Ayumi no Hako</i> VISA Card	<i>Ayumi no Hako</i>
Global Environment Card	Earth Water & Green Foundation
Marine Blue 21 Visa Card	Marine Blue 21

Environmental Activities

● Sumitomo Mitsui Card Environmental Policy

At Sumitomo Mitsui Card we consider that creating a sustainable society is a priority, and are engaged in ongoing activities in order to link the preservation of the global environment with corporate activities, while positioning contributions to society and the economy as a fundamental philosophy of our environmental activities.

◆ Environmental Policy

- 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.

● Promoting Web-Based Statements

-Working with Customers to Reduce Paper Use-

Instead of paper statements, Sumitomo Mitsui Card provides webbased statements that allow customers to confirm their card usage via the internet*.

Sumitomo Mitsui Card is actively promoting the web-based statement to allow the company to work with customers to reduce paper-use.

三井住友VISAカード - Microsoft Internet Explorer

三井住友VISAカード

WEB明細書

2004年9月10日のお支払明細

お名前: 国際 太郎 様

お支払日: 2004年9月10日 (金)

お支払金額: 100,000円

会員番号 (VISAカード): 4980-1234-5678-9*** VISAカード

口座番号: 1234 X X X 口座種別: 普通

お支払金額: 100,000円

ご利用日	ご利用店名	ご利用金額	支払区分	今日返済	お支払金額	(お支払金額)	(お支払金額)	返済日	返済日
04/07/15	三井住友石油	10,000			10,000	東京SS			
04/07/19	三井住友石油	10,000			10,000	大阪SS			
04/07/24	香取商店	10,000			10,000				
04/07/29	三井住友石油	10,000			10,000	東京SS			
04/07/29	東北サービスご利用料	10,000			10,000				
04/07/31	消費税ご利用代金	10,000			10,000				
04/07/31	三井住友石油	10,000			10,000	東京SS			
04/08/08	平成ストア	10,000			10,000				
04/08/12	三井住友石油	10,000			10,000	大阪SS			
04/08/24	ABC CO. (ABC CO.)	10,000			10,000	10,000 JPY	1,000	08/06	
お支払金額合計					100,000				

* Web statement screen

CSR Promotion Activities

Sumitomo Mitsui Card CSR Promotion System

Sumitomo Mitsui Card Company employs a range of methods and outlets to respond to customer enquiries, such as the *For You call center*, as well as branch-based counters and service centers. In June 2004, the company made it easier for customers to provide feedback by establishing the customer's voice desk dedicated call center.

The customer opinions and comments picked up through these channels are collated and then utilized to both improve existing products and services and develop new ones.

In concrete terms, the customer's voice desk registers customer feedback and the CS Promotion Division then analyzes the data and identifies trends. In the case that changes are deemed necessary, the relevant division is notified by the CS Improvement Committee, which is chaired by the CEO.

Responding Customer Opinions

Sumitomo Mitsui Card provides feedback on customer opinions gathered by the customer's voice desk in the information magazine VISA as well as on the company's website.

「お客さまの声」にお応えて
「三井住友カードID」が最短30分で利用可能になりました!

お客さまの声
Vpassで「三井住友カードID」を追加申し込みしましたが、まだ通知書が届かずアクセスコードがわかりません。早く「三井住友カードID」を利用したいのですが、何か方法はないですか?

お答えしました
～「アクセスコード照会サービス」がスタート～
「三井住友カードID」のご利用には、利用される携帯電話 (NTTドコモの「おサイフケータイ」) に事前にご本人様確認のための「アクセスコード」を入力して「カード情報」を登録する必要があります。
この「アクセスコード」は、従来「三井住友カードID」のお申し込みから数週間後にお届けする「カード情報に紐づく秘密の番号」でお知らせしていましたが、より早くご利用いただけるようVpassで「最短30分」でご通知いただけるようになりました。これにより、お申し込みからすぐに「カード情報」を登録して「三井住友カードID」をご利用いただけます。さらに便利になった「三井住友カードID」を、ぜひお申し込みください。
※「三井住友カードID」は、一度の登録完了後、3ヶ月間有効です。有効期限が満了した場合は、再度お申し込みが必要です。
※「三井住友カードID」は、一度の登録完了後、3ヶ月間有効です。有効期限が満了した場合は、再度お申し込みが必要です。
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★お電話・ご来店など「お客さまの声」をお寄せください。お電話とEメールにて承ります。
お電話では 0120-956-857 (通話料無料) 受付時間: 平日 9:00～17:00 (土・日・祝日)
Eメールでは koe-desk@smbc-card.com

A Forum for Staff Proposals on Improvement that Focus on Customers

Sumitomo Mitsui Card is endeavoring to improve products and services, which includes the introduction of the 'CS proposal system,' which allows our employees to make proposals that focus on customers on points that require improvement.

Staff Social Contribution Activities

Sumitomo Mitsui Card promotes social contribution activities by staff. At present, voluntary activities include cooperating with blood donations; as well donating used stamps and telephone cards to social welfare organizations.

Participating in Blood Donation Drives

Every year since fiscal 2002, Sumitomo Mitsui Card staff have voluntarily taken part in blood donation drives. In recognition of this, in October 2005 The Tokyo Metropolitan Red Cross Blood Center awarded Sumitomo Mitsui Card a certificate of appreciation from the head of the donation center.

CSR Activities at Group Companies

SMBC Leasing Company, Limited

CSR Activities

SMBC Leasing believes it has a corporate responsibility to contribute to the sustainable development of society through the provision of higher value to its customers, shareholders and the market, society and the environment, as well as its staff, in conducting its business. To that end, we established a CSR Promotion Committee in November 2005, and are forging ahead with compliance-oriented management conforming to our Business Ethics—a common philosophy prevalent in all CSR activities carried out by SMFG.

SMBC Leasing Environmental Policy

SMBC Leasing believes that it has a responsibility to tackle environmental issues as its duty to society, and has established the following environmental policy.

◆ SMBC Leasing Environmental Policy

1. We are fully involved in activities aimed at preserving the global environment and preventing pollution, and link these efforts with our corporate activities, while endeavoring to make a contribution to society and the economy through our business.
2. We carry out lease and rental operations oriented towards reducing the environmental burden. We also recycle and dispose of plant and equipment appropriately at the end of leasing periods, and support customer responses to environmental issues through the provision of products, information and solutions.
3. We carry out activities such resource saving, energy saving and the reduction, reuse and recycling of waste materials in order to reduce our environmental burden.
4. We comply with environment-related laws, ordinances and regulations.
5. We set environmental objectives and targets each business year, as well as conducting periodic reviews of these objectives and targets.
6. We ensure that all our staff are thoroughly aware of this policy, as well as documenting these efforts and publishing them outside the company.

Our Eco-Friendly Equipment Lease Business

SMBC Leasing offers an eco-friendly equipment lease business, which helps customers reduce energy consumption and expenses on utilities, as well as cutting down emission of greenhouse gases. Apart from precluding the need for start-up costs, the wide range of equipment we use gives our customers the benefits of energy and cost savings as soon as they lease our eco-friendly equipment. (This does not apply to certain facilities and equipment, such as new energy generators).

Eco-Friendly Equipment List

Major classification	Minor Classification	Equipment
(1) Reducing greenhouse gases	Energy saving industrial equipment	1. Cogeneration (gas and heavy oil fuels) 2. New energy generation a. Wind generated power b. Solar power c. Biomass power 3. Fuel conversion boilers (heavy oil to natural gas) 4. Energy saving of heat sources a. High efficiency renewal of centrifugal chillers b. Ice thermal storage systems 5. Electricity and gas heating pumps
	Energy saving office equipment	1. Energy saving lighting, stabilizers and converters 2. Energy saving air conditioners 3. Top runner equipment*
	Energy saving on a category specific basis	1. Entire supermarkets 2. Entire hospitals 3. Multi-outlet restaurant chains 4. Multi-outlet mass merchandisers 5. Equipment for agricultural corporations a. Micro hydro power generators b. Warm air heaters for horticultural uses 6. Transportation Fuel cell vehicles, hydrogen fuelled vehicles and hybrid vehicles Exhaust gas normalizing device
(2) Reducing ozone depleting substances	Category based	1. Office buildings (Hotels and hospitals) Air conditioning systems which do not use chlorofluorocarbons Refrigerators (Top runner equipment) 2. Industrial equipment Units for processing ozone depleting substances, recovery units, and incinerator units.
(3) Protecting the environment	Reducing waste materials (waste water)	1. Energy saving involving water a. Water saving toilets b. Well water purification units c. Waste water processing units d. Pure water production units 2. Waste disposal equipment, raw material waste disposal equipment (dry type and perishable processing,) industrial waste material crusher (Galapagos,) Vehicle mounted medical waste processing unit
(4) Reducing noise and vibration	Reducing noise and vibration	Plant-related equipment Sound dampeners, soundproof walls and anti-vibration work.

* Top runner equipment: A vision aimed at reducing CO₂ and other greenhouse gases, by providing commercial 'top running' equipment that outperforms standard automobile fuel efficiency targets and energy saving standards for electrical equipment (such as home appliances and office equipment). There are 18 such items at present, including automobiles, home appliances and kitchen equipment, with that number expected to rise further.

● Environmentally - Friendly Equipment

Environmental impact refers to greenhouse gases, substances harmful to the ozone layer, waste materials (waste water), along with noise and vibration, and SMBC Leasing offers four main types of environmentally-friendly equipment and technology to reduce the level of each.

1. Equipment and technology designed to contribute to a reduction in the use of water and energy, such as electricity, gas and other fuels.
2. Equipment and technology designed to contribute to a reduction in substances harmful to the ozone layer.
3. Equipment and technology designed to contribute to a reduction in environmentally harmful waste materials (waste water).
4. Equipment and technology designed to contribute to a reduction in noise and vibration.

● Energy and Cost Savings Via ESCO Lease

SMBC Leasing has formed strategic alliances with a variety of Energy Service Companies (ESCO) that support energy conservation efforts, as well as providing ESCO leases to support the energy and cost saving efforts of our customers.

This is achieved through leasing facilities and equipment to be used by ESCOs to support customers in energy conservation activities. The customer can then take advantage of the following benefits:

1. Decreased initial costs due to the elimination of start-up costs,
2. The effects of energy reduction based on the ESCO contract,
3. Outsourcing of the assets required for energy saving measures.

We offer two schemes: a shared scheme and a guarantee scheme.

Reducing Environmental Burden Through Disposal of Equipment and Property at End of its Lease

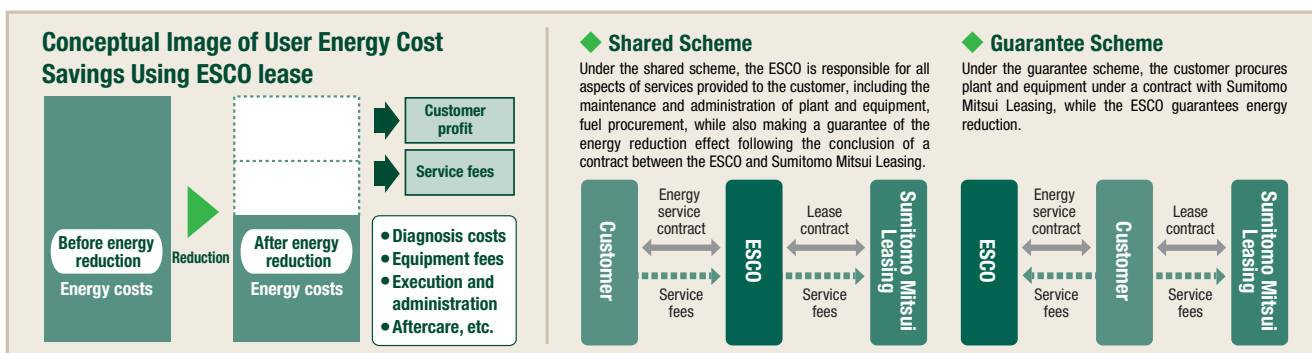
SMBC Leasing operates *Lease-up Eco Town* (LET) a sales information site for objects and property where the lease period has come to an end. The site was jointly established with Diamond Lease Co., Ltd., Fuyo General Lease Co., Ltd., and Kogin Lease Co., Ltd., with the aim of making a contribution to environmental preservation by reusing, as far as possible, equipment and property where the lease period is over, including machine tools, industrial machinery and commercial facilities. SMBC Leasing promotes *Three Environmental Rs* – Reduce*¹, Reuse*² and Recycle*³ through the appropriate disposal of equipment and property where the lease period has finished.

Social Improvement Activities

● Student Education on Operating Leases Based on Financial Analysis

In September 2006, SMBC Leasing conducted a lecture on operating leases based on financial analysis for university students studying lease accounting, in order to provide them with the opportunity to master lease accounting and get a grasp of the fundamental points of the leasing business by actually operating leases.

Approximately 15 students from four universities in the Kansai area participated. The students listened to a lease-related lecture by SMBC Leasing operational officers, and engaged in group work, including financial analysis and credit judgments based on actual company financial reports.



*1 Reduce: Manufacturing, processing, selling and marketing goods in order to reduce the amount of waste materials generated.

*2 Reuse: Reusing materials without disposing of them.

*3 Recycle: Reclaiming and recycling secondary materials discarded as unfit for reuse.

CSR Activities at Group Companies

The Japan Research Institute, Limited

Environmental Efforts

Following its principle of jointly creating value for customers through knowledge engineering, the JRI considers actively engaging in global environmental issues to be a priority, as well as positioning as a fundamental principle of its environmental activities the creation of a sustainable recycling-oriented society through the business activities of each employee.

◆ JRI Environmental Policy

1. We fully utilize our knowledge, technology and personnel to make proposals related to environmental issues, and promote eco-projects.
2. We promote environmentally sensitive business activities at our think-tank, research, consulting and information system divisions.
3. We engage in activities including energy and resource saving, and the reduction of waste materials, as we work to preserve the environment and prevent pollution.
4. We adhere to environmental objectives and targets in order to realize these policies, and implement a series of systems and protocols to achieve those environmental targets. We also conduct annual reviews and make ongoing improvements.
5. Our business activities comply with environment-related regulations, ordinances and agreements.
6. We educate our staff in the maintenance of activities that comply with the aforementioned fundamental principles, with the aim of heightening environmental awareness.

● Developing Eco-Business

① ESP Business

ESPs (Energy Service Providers) make proposals on the appropriate use of energy in corporate activities.

E-cubic Co., Ltd. was established by JRI in conjunction with several partner companies as the first Japanese ESP business corporation. E-cubic has developed a system for automatically collecting and analyzing data on the electricity consumption of major plant and equipment, as well as creating management reports that help customers visualize their energy consumption.

As a result, customers are able to get an accurate understanding of their in-house electricity consumption (demand side management) and make targeted directions for behavioral improvements concerning wasteful energy consumption.

② ESCO Business

ESCOs (Energy Service Companies) are comprehensive energy service companies, which offer comprehensive packages including technology, equipment, personnel and funding necessary for conserving energy in buildings and facilities. ESCOs receive a portion of the cost benefits from energy saving as compensation for guaranteeing results from energy saving to their customers.

The First Energy Service Company Limited was established by JRI in conjunction with a number of partner companies as the first Japanese ESCO, and offers comprehensive services ranging from proposals on demand side energy saving efforts (lighting, air conditioning, as well as substations and power) to diversified energy supply (co-generation via various types of engines, fuel cells, and biomass power generation).

In the USA, the ESCO business format, which did not previously exist in Japan, has grown into a market in excess of ¥100 billion annually. The Ministry of Economy, Trade and Industry (METI) has calculated that Japan represents a market potentially worth around ¥130 billion per annum.

③ Bio Net Consortium Business

According to the Kyoto Protocol, Japan is required to reduce greenhouse gases by 6%. In order to achieve this ambitious target, it is imperative that Japan promotes new energy, including wind power, solar power and biomass, as well as saving energy.

The Biogas Network Consortium (Bio Net Consortium) creates the infrastructure necessary to extract biogases from livestock manure, sewage sludge and food waste materials, and supply them to facilities such as hospitals, factories, and restaurants. Biogas is a carbon neutral fuel that does not increase the CO₂ in the atmosphere, and is regarded as the new energy with the greatest possibilities.

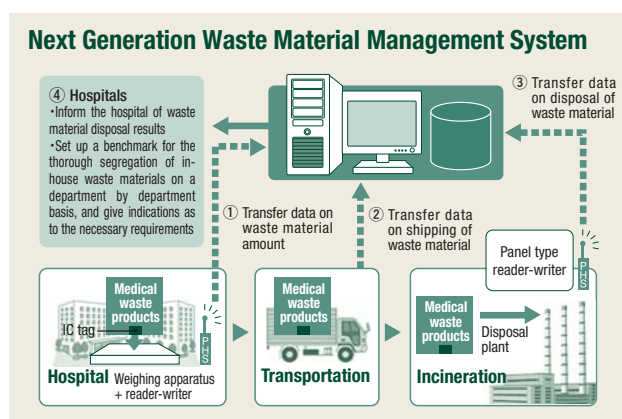
The Bio Net Consortium is conducting demonstration studies in Hokkaido, which has a large number of cattle farms. The consortium plans to create a network of cattle farming, food factories and waste water treatment plants in the Tohoku, Kanto and Kyushu districts based on the Hokkaido study results.

④ Recycling Business

Along with reducing greenhouse gas emissions, the Company is also engaged in efforts to promote the 3 Rs-Reduce, Reuse and Recycle.

Main efforts include improving the recycling ratio of waste products generated by hospitals and construction sites. IC tags are used to manage waste materials in the smallest units possible when they travel from the point of emission to recycling or disposal facilities. By making it

possible to precisely evaluate the level of waste separation at each point of emission and submit concrete improvement measures to site representatives, recycle promotion PDCA can be carried out in a systematic manner. Verification tests were conducted at a hospital in Saitama prefecture in fiscal year 2005, and operations commenced in the following fiscal year. Home builders are also planning to carry out verification tests. We will promote this business model in the future.



⑤ Environmental Advisory Business

The Company is also fully engaged in its environmental advisory business, mainly in the areas of Private Finance Initiatives (PFI) and Public Private Partnerships (PPP), and has successfully pioneered many projects in Japan, particularly in the area of waste product disposal facilities. Looking ahead, we plan to actively promote our advisory business, including the outsourcing of the operation and maintenance of existing facilities based on the expertise we have accumulated.

⑥ Providing Research and Information

In 1999 we launched a company research service for eco-funds in the environmental and financial sectors. In fiscal 2005, we then began to offer financial institutions both in Japan and overseas a company information service for Socially Responsible Investments (SRI), which is used to manage investment trusts and company pensions.

JRI has also been commissioned to carry out surveys for government agencies, and provides information to private sector companies based on CSR-related trend analysis collated both here in Japan and overseas. In order to promote CSR concepts, the Company operates a *CSR Archives* at <http://www.csrljapan.jp/>. JRI provides a large number of companies with information regarding the efforts of cutting edge companies, overseas case studies and basic CSR-related knowledge.

● Increasing Staff Environmental Awareness

JRI considers actively engaging in environmental issues to be a priority for the Company, and promotes environmental activities through the introduction of an eco-management system. As it is important that each and every member of our staff increases their understanding of the environment in order to promote our environmental activities, we also conduct ongoing staff education programs and provide relevant information.

As part of our staff training, we hold workshops related to environmental management systems for entry-level and mid-career hires. We also carry out periodic tests of understanding of those systems via our company intranet.

Information is included in environmental reports in the monthly company magazine. A section on the environment has also been included on the intranet, and is used to introduce environmental topics both in-house and outside the company.

Social Action Programs

● Supporting NGOs through Eco-Fund Commissions

JRI has been commissioned to carry out research for the UBS Japan Equity Eco-fund (*Eco Hakase*), a fund managed by UBS Global Asset Management. We also donate part of the revenue from survey commissions to the World Wide Fund for Nature Japan (WWF-J).

● Internships

In recent time student work experience has become more recognized as a means of raising work consciousness, and is aimed at the younger generation as a way of helping them prepare to enter the workforce. In that respect the internship system is subject to increasingly high expectations.

JRI has been offering internships since 1999, and has accepted approximately 300 interns to date. We have placed interns into a variety of company divisions, from systems and consulting to the think-tank, and have been in a position to offer opportunities for work experience covering a broad range of themes and contents.

CSR Activities at Group Companies

SMBC Friend Securities Co., Ltd.

Management Principals and Charter of Ethics

SMBC Friend Securities aims to become a high quality securities company which represents Japan in the retail market, and has drawn up a set of management principles in order to realize that aim. We have also established a charter of ethics to secure an unwavering social trust. In addition to top management taking a leading role in complying with the word and the spirit of the charter, we have taken a variety of measures to ensure the charter and its ideals become firmly entrenched in company life and that all employees understand the meaning of the charter and apply it in their day-to-day duties.

◆ Corporate Philosophy

1. We carry out management offering high-quality service, allowing the Company to prosper along with our customers, and win their trust.
2. We endeavor to achieve sound finances and enhance shareholder value.
3. We strive in our efforts for human resource development and to maintain a balance between enthusiasm and results.
4. We comply with laws, ordinances and rules, and manage operations in a fair manner, while aiming to become a securities house that contributes to the development of society.

◆ Corporate Ethics

1. We remain amply aware of our social responsibility and public mission as a securities house, and seek to establish unwavering trust through sound operational management.
2. We contribute to the development of the economy and society through our higher quality financial products and services in addition to contributing to the prosperity of our customers.
3. We pursue honest and fair corporate activities that do not infringe upon social norms and ethics and rigorously comply with all laws, ordinances and rules.
4. We firmly oppose anti-social forces that threaten the order and safety of civil society.
5. We ensure the transparency of company management through the disclosure of management information in a timely and appropriate manner and strive to communicate with broader society.

Promoting Compliance

● Code of Conduct and Compliance Manual

SMBC Friend Securities has established a code of conduct as a fundamental compliance guideline for all employees to practice the Management Philosophy and Charter of Ethics. We have also created a compliance manual as a guidebook for the concrete application of those ideals.

We believe that the appropriate soliciting of securities investment to customers is a key issue in the promotion of compliance. In response to this, SMBC Friend Securities has established a soliciting policy along with basic policies on investment soliciting, and soliciting techniques and timing. We have also moved to enforce measures aimed at ensuring fairness throughout the company, and in particular through our sales officers at each branch, by strengthening our in-house training and internal control systems.

● Compliance Systems

SMBC Friend Securities has established a compliance system with a core compliance committee chaired by the director responsible for internal control (assumed by the Representative Director and Corporate Officer Responsible for Internal Control). Apart from discussing important items related to compliance, the committee is also designed to establish and follow up on in-house compliance promotion programs, as well as to ensure the effectiveness of those programs through close coordination with other committees and departments.

The Compliance Department, which serves as the executive arm of the Compliance Committee, consists of: a planning and control group for general compliance planning; a customer service group for handling enquiries and complaints from customers and providing feedback to the relevant sales branch after an appropriate response has been provided; an assessment group for assessment of sales based on quantitative data; a guidance group for conducting overall compliance related guidance; and a legal bureau that handles legal enquiries and checks. A compliance officer has been attached to the guidance group, and works to enhance team play between sales branches and head office by visiting selected sales departments and conducting on-site guidance.

The internal control system at sales branches operates through the officer responsible for internal control at branches, who checks the activities of on-site staff at each branch while conferring with the department or branch head (the officer responsible for operations) and reporting to the compliance department.

Better Products and Services

● Customer Satisfaction Surveys

SMBC Friend Securities uses customer surveys to ensure that customer voices and opinions are reflected in daily service improvements. Customer questionnaires are designed to gauge customer satisfaction levels and to elicit frank customer feedback. Representative questionnaire items enquire about SMBC Friend Securities sales representatives, over the counter and telephone manners of SMBC Friend Securities staff other than sales representatives, the overall image of SMBC Friend Securities, service contents, the SMBC Friend Securities product line up, SMBC Friend Securities TV commercials, and an overall assessment of SMBC Friend Securities.

Comprehensive assessment of SMBC Friend Securities (FY 2004 results)

Satisfied	Somewhat satisfied	Neutral	Somewhat dissatisfied	Dissatisfied
8%	36%	38%	13%	5%

*Based on 5,250 valid responses of a survey sent randomly to 23,460 customers in January 2005.

Extracts from the Fiscal 2005 Customer Survey for Business Improvement Items

(For more detail, please see <http://www.smbc-friend.co.jp/company/cs.html>)

Customer voice 1
<p>“I was not told that my account representative had changed”</p> <p>Improvements such as issuing a Notification of Change in Account Representative from head office when representatives are changed. (October 2005)</p>
Customer voice 2
<p>“I want the documents sent to me to be easier to read”</p> <p>Improvements made to the transaction statement, which reports customers' withdrawals and deposits, include 1. altering the format, 2. using easier-to-understand terminology, and 3. including more detailed entries than previously used. (July 2005)</p>
Customer voice 3
<p>“I am concerned about the increase in credit card-based crime”</p> <p>We have strengthened SMBC Friend Securities Card security. Specifically, in addition to allowing users to freely set their own withdrawal limits in ¥10,000 increments from ¥0 to ¥2 million, the company has enabled users to freely set withdrawal time periods.</p>

● The “Graying Society Japanese Equity Fund”

SMBC Friend Securities offers an investment trust designed to invest in companies catering to the aging society. This investment trust focuses on investing in the shares of companies that offer products and services that support senior citizens in living healthy and comfortable lives. We

focus on key words such as ‘relaxation’, ‘wealth’, ‘medical’ and ‘clothing, food and housing’ in our stock selection. In principle, we will include up to 50 companies chosen from those seen as likely to grow by capitalizing on opportunities as the environment for the aging society changes, and share performance and values are carefully considered.



SMBC Friend Securities also donates part of the profits from trust fees acquired through the investment trust, to causes supporting the welfare and care for the aged.

Business Segments key Words

Relaxation	Travel, leisure, sports, pets, education and culture
Wealth	Asset management, insurance, endowments, inheritance, human resources, etc.
Medical	Pharmaceuticals, medical equipment/nursing equipment/care services, hospitals/welfare institutions
Clothing, food and housing	Fashion, grooming, health foods, luxury foodstuffs, eating out (restaurants), barrier free, security, home electrics, furniture, gardening, etc.

Activities Contributing to Society

● Sponsoring Art Exhibitions

As part of its efforts to support cultural and artistic activities, SMBC Friend Securities actively supports exhibitions of art at the Yamatane Museum of Art, which includes a range of early modern and modern Japanese paintings in a collection gathered over a period of many years by the late Taneji Yamazaki, who was also the founder of Yamatane Securities, the predecessor of our present company. SMBC Friend Securities was a special supporter of ‘The Sound of Water Exhibition’ in fiscal 2005.

● Donating Used Stamps and Prepaid Cards

At SMBC Friend Securities we appeal to our staff to help in gathering stamps and prepaid cards in order to support countries lacking in adequate medical and educational facilities, and to assist with welfare facilities to care for the elderly.

In 2005, the Company donated the stamps and cards it had gathered to the Japan Overseas Christian Medical Cooperative Service. This organization raises money from the stamps and cards with the help of concerned collectors to fund projects that dispatch doctors and nurses to developing nations.

CSR Activities at Group Companies

THE MINATO BANK ,LTD

Head Office: 1-1, Sannomiya-cho
2-chome, Chuo-ku, Kobe,
hyogo, Japan
Paid in capital: ¥29.4 billion
Deposit balance: ¥2.5014 trillion
Outstanding loans: ¥2.1166 trillion
Number of outlets: 108
Total employees: 1,764
SMFG share of voting rights: 50.02%
(As of March 31, 2006)

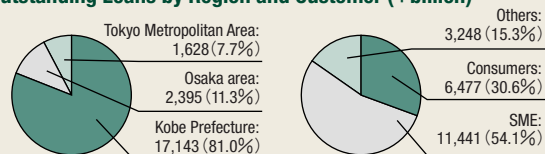
Financing for SMEs and Individual Customers

Minato Bank is committed to contributing to local communities by catering to the wide range of funding needs of local companies, owner-operators, and individual customers.

As a result of this, the regional breakdown of the ¥2.1166 trillion we held in outstanding loans as of March 31, 2006 showed that ¥1.7143 trillion, or 81%, of those loans were to enterprises and individuals in Kobe prefecture, compared to the ¥239.5 billion, or 11.3%, in the Osaka area, and ¥162.8 billion, or 7.7%, in the Tokyo metropolitan area.

84.7% of those outstanding loans were to smaller companies and individuals.

Outstanding Loans by Region and Customer (¥billion)



Supporting Venture Businesses

Minato Bank provides both investment and financing support to venture businesses looking for growth via new technologies and business models.

Investing in Venture Business – The Minato Genki Fund

In fiscal 2004, Minato Bank established The *Minato Genki Fund* as a reconstruction support project to mark the tenth anniversary of The Great Hanshin-Awaji Earthquake. The fund is a publicly offered investment fund supporting venture businesses in Kobe Prefecture. In the following fiscal year, Minato Bank set up The *Minato Genki Fund II*. Both funds were jointly established with Development Bank of Japan, and Minato Capital*, with each holding ¥120 million in funds under management.

These funds are designed to invest up to ¥10 million per company, upon business plans submitted through an open selection process passing a business assessment carried out with the cooperation of Kobe University and The New Industry Research Organization, which are responsible for

selecting suitable companies to invest in. The *Minato Genki Fund II* has been designed to invest in corporations and individuals actively engaging in second stage business creation*² based on new technology or that have innovative and original business plans, as well as corporations and individuals which have set up new businesses in the environmental and energy sectors, or that are planning to do so with the aim of carrying out an IPO in the future. In total the two funds are currently investing in 25 venture companies.

Financing Venture Business

– Business Creation Support through Loan Fund

The Minato Bank operates a loan fund to support the creation of new business as funding-based support for venture businesses in Kobe Prefecture. This fund was designed to provide up to ¥30 million per company, on an uncollateralized basis, to venture businesses and enterprises aiming to expand into the second stage of business creation. Financing is conditional on the business or enterprise meeting specific assessment standards from external business and technological assessment organizations such as The Hyogo Smaller Business Technological Evaluation System run by The Hyogo Center for the Promotion of Small and Medium Enterprise.

Non - Collateral - Based Financing

At present, it is extremely difficult for venture businesses to borrow funds from financial institutions if they do not have an adequate credit rating. Minato Bank is engaged in fund raising support via such financing techniques as providing finance collateralized with intellectual property, including patents, and warrants-based financing*³. In fiscal 2005, Minato Bank, in conjunction with the Development Bank of Japan, offered a syndicated loan with warrants aimed at providing the development funding for a series of IC tag mounted devices at Hallys Corporation located in Akashiya City, Kobe prefecture.

Housing Loans in CSR

Preferred Interest Rates for *Mutenka House*

Minato Bank aims to promote user- and environmentally-friendly housing via its basic financing function. To achieve this, we have partnered with Mutenka

*1 Minato Capital: An investment company which, as a consolidated subsidiary of Minato Bank, provides funding for venture businesses by underwriting warrants and convertible bonds.

*2 Second stage business creation: When entrepreneurs, who have already established a business, develop products or services fundamentally different than those involved in an existing business which are designed to stay abreast of changing times, and pioneer new markets as a result.

*3 Financing with warrants: A financing technique in which a financial institution signs a financing contract with a venture business along with an agreement allowing the financial institution to purchase newly issued shares at a predetermined price (warrants). Following this, in the case that the business that received the loan carries out an IPO and share prices rise, the financial institution receives profits from the sale of warrants.

House Inc., located in Nishinomiya City, Kobe prefecture, which promotes housing that makes full use of natural materials to prevent sick house syndrome^{*4}. This scheme works by providing housing loans with preferred interest rates to customers who build or purchase a Mutenka standard house. We aim to continue our support for local companies and individuals involved in user- and environmentally-friendly undertakings.

For further information, please see the Mutenka House Inc. website:
<http://www.mutenkahouse.jp>.

● Preferential Interest Rates for Housing Using Hyogo Products

As a locally based financial institution, Minato Bank offers housing loans at preferred interest rates to fund the purchase of owner-occupied housing located at *La View Gakuen Minami Osokudai*, and sold by the Hyogo Prefectural Housing Corporation, in order to support the purchase of houses built with materials from Hyogo prefecture, as promoted by the prefecture.

La View Gakuen Minami Osokudai is a site where plots of land are sold for building homes (subject to specific zoning conditions) by housing companies that have been selected based on their proposals regarding locally produced housing. With this initiative, the prefectural authorities are looking to promote the use of locally made products, including lumber, to boost local housing related industries.

As a financial institution Minato Bank actively supports local industry, by supporting house building that uses locally made products.

● Support for Career Women Home Buyers

In July 2006, Minato Bank launched a Ladies Housing Loan to support women who work, including contract and temporary workers. This loan comes with provisions covering the 'three major diseases', i.e. cancer, strokes, and heart attacks, and pays out a benefit equivalent to the amount of the outstanding loan if the policy bearer is diagnosed with any of those conditions. There is also a provision for a one-time payment of ¥100,000 in case of hospitalization for sickness or injury.

Locally Based Social Action Programs

● Support for Kobe Luminaria

As a local financial institution, Minato Bank also supports Kobe Luminaria^{*5}, which has become a winter tradition in Kobe, and is now in its eleventh year.



● Local Cultural Activities

– The Minato Bank Foundation for Culture

The Minato Bank Foundation for Culture was founded in October 1991 under the belief that it is only possible to create an affluent society by fusing culture with economics. The Foundation has sponsored a variety of cultural and sports projects throughout Kobe Prefecture, and aims to contribute to local society. The Foundation has supported a range of events, including art exhibitions, drama performances and little league workshops, and attendance at these events has been pleasing.

For further information, please visit the Foundation's website:
<http://www.minatofc.or.jp>.

● Regional Think Tank

– The Hyogo Economic Research Institute

As well as conducting research into economic and industrial trends focused on Hyogo prefecture, the regional Think Tank provides a range of information to local residents. The Think Tank publishes the 'Quarterly Hyogo Economics Magazine' that takes the local economy, general economy and Prefectural and civic administrative planning as its three core themes. The publication receives timely contributions from intellectuals at universities and in local government administration, which it runs alongside independent research reports. At the start of 2006 the Think Tank published 'Disaster Crisis Management and Application,' which elicited a broad response from people at many different levels of society. This research report systematically brought together field reports that mainly concerned SMEs that had suffered damage in The Great Hanshin-Awaji Earthquake. Other activities at the Think Tank include hosting lectures on economics, speaking at local universities and various economic organizations, and performing research on a contract basis for local government and companies.

For further information about ongoing activities please see
<http://www.heri.or.jp>

● Scholarships - Minato Bank Scholarship Association

The Bank provides support by offering educational funds for university students—the future of Japan—and by educating people so that they can contribute usefully to society. So far, some 850 students have graduated with aid from the Minato Bank Scholarship Association and are now active in society.

^{*4} Sick house syndrome: Caused by the use of hazardous materials, including formaldehyde, contained in chemical adhesives used in manufacturing construction materials and hanging wallpaper. These chemicals can lead to chemical sensitivity if inhaled to excess, stressing the autonomic nerves, and leading to a possible loss of control over bodily organs.

^{*5} Kobe Luminaria: First held in December 1995 as a way of acting as a memorial for the many victims of The Great Hanshin-Awaji Earthquake and also as an expression of the hopes and dreams for the reconstruction and revival of the city. The Luminaria has given the people of Kobe courage and inspiration.

CSR Activities at Group Companies

Kansai Urban Banking Corporation

Head Office: 2-4, Nishi-Shinsaibashi,
1-chome, Chuo-ku,
Osaka Japan

Paid in capital: ¥37.0 billion
Deposit balance: ¥2.2821 trillion
Outstanding loans: ¥2.1314 trillion
Number of outlets: 100
Total employees: 1,717
SMFG share of voting rights: 57.97%

(As of March 31, 2006)

Basic CSR Policy

Kansai Urban Bank defines its CSR as contributing to the development of a sustainable society as a member of local society through the provision of higher value to society and the environment, customers, shareholders and the market, and its employees.

Kansai Urban Bank also maintains the following five items as guidelines that each and every employee should act in accordance with during their daily business activities: contributing to local society; implementing thoroughly customer-oriented business practices; maintaining sound management practices; respecting humanity within a free and vigorous company culture; and ensuring high standards of compliance. These items are explicitly stated as the bank's business ethics, and publicly posted throughout the company.

Based on these fundamental policies, Kansai Urban Bank is engaged in activities as outlined below.

Products and Services Specifically for Local SMEs and Individuals – Developing the Local Economy through Financial Services -

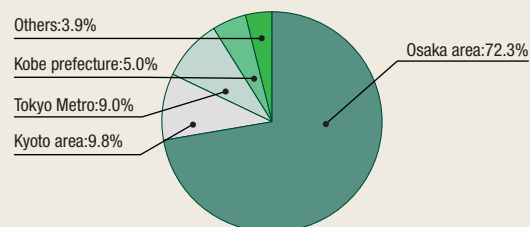
In order to contribute to the sound development of the local economy, Kansai Urban Bank operates under the basic concept of providing forward-looking and finely tuned complete products and services designed specifically with locally based businesses, owner-operators and individual customers in mind, so as to deepen our relationship with our local customers.

● SMEs and Owner-Operator Services

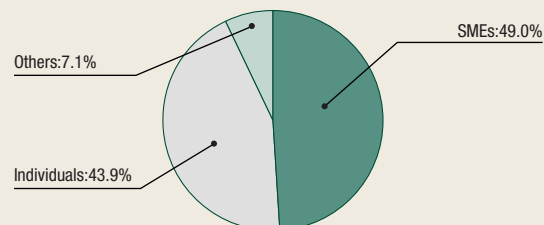
Kansai Urban Bank is contributing to the local economy through such services as *Business Assist Loan*, an uncollateralized loan that uses a scoring system, and the *Financial counseling chart*, used in conducting financial counseling. These and other Kansai Urban Bank services have been developed to facilitate a rapid response by the Bank to the diversifying funding needs of local businesses and owner-operators.

The Bank also hosts seminars run by InterRisk Research Institute & Consulting Inc. on earthquake countermeasures and crisis management for companies, in order to support crisis management at our clients.

Composition of outstanding loans on a regional basis (As of March 31, 2006)



Composition of outstanding loans to SMEs (As of March 31, 2006)



● Individuals Services

Kansai Urban Bank offers a variety of housing loans. One example is the "*Housing Loan With Big-three Insurance*." This is a housing loan with provisions against the three major diseases occurring in the Japanese population, namely cancer, strokes, and heart attacks, and it was Kansai Urban Bank which pioneered the marketing of this product in Japan. With the *Ladies Housing Loan*, the bank also offers a principal repayment deferral service, for customers taking leave for maternity, childcare and nursing purposes.

● Support for Environmental and Venture Businesses

Kansai Urban Bank has established a Business Solutions Operations Division, which offers specialized know-how on a sector-by-sector basis in order to provide finely tuned sales support to its customers. In April 2006, the Bank established an Environmental Solutions Operations Division, to offer business support to eco-friendly businesses. Kansai Urban Bank also operates the '*Shintenchikai* – New world Association', with the object of supporting high-potential SMEs and venture businesses, mainly in the following five areas: new medicine, new energy, bio-businesses, the environment, and high-tech. Shintenchikai is designed as a venue for information exchanges with sponsor companies, in addition to offering opportunities for SMEs to introduce the unique technologies and business models they have developed.

Disclosure Activities Aimed at Shareholders and the Market

Kansai Urban Bank endeavors to undertake timely and appropriate information disclosure, so that shareholders and investors can gain an accurate understanding of business performance at Kansai Urban Bank. The bank also actively implements IR activities.

In addition to its listing on the Osaka Securities Exchange, in April 2005 Kansai Urban Bank listed on the first section of the Tokyo Stock Exchange. The Bank will continue to pursue timely and appropriate disclosure activities so that investors can gain a sound understanding of Kansai Urban Bank.

Regional Social Contribution Activities—Rejuvenating Midosuji

Kansai Urban Bank is the only bank to maintain its headquarters on Midosuji, the business area which runs from Nanba in the south to Umeda in the north of Osaka. The Company has capitalized on that location to set up Urban Navigation, a touch panel plasma display screen plaza on the first floor of its headquarters building. Urban Navigation distributes information related to restaurants, fashion, and events alongside data on financial products. In this way, the Bank has assumed the role of an information distribution base as part of its efforts to rejuvenate the local economy.

The Bank also hosts a twice-weekly Lobby Seminar, which includes free asset consultations for customers. In addition, Kansai Urban Bank provides space for film previews and jazz concerts run by local companies.



The Urban Information Plaza

In another activity aimed at rejuvenating Midosuji, the Bank also participated in the Midosuji Open Festival, hosted by the city of Osaka in November 2005. Apart from providing space for the executive management committee, Kansai Urban Bank also cooperated with the PR leading up to the World Rose Convention, held in Osaka, as part of which the HQ lobby space was decorated with roses.

Strengthening Customer-Related Transaction Security

Kansai Urban Bank is actively engaged in the strengthening of security, so that customers can use cash cards with peace of mind.

In July 2005, in addition to issuing IC cash cards, Kansai Urban Bank also established a four letter alphabetic Personal Identification Number (PIN) code in addition to the existing four-digit code, and introduced an “Alphabetic PIN service” requiring the input of a double PIN code.

Kansai Urban Bank also amended its cash card usage provisions to insure customers for the amount of damages incurred in the event they suffer damages from the illicit withdrawal of deposits via counterfeit or stolen cards.

In April 2006, the Bank launched an electronic mail notification service, which notifies a mobile phone or personal computer designated by the customer whenever an ATM based withdrawal or money transfer is made.

Major Security Enhancement Measures

Measure	Put in effect
Alphabet PIN using variable duplicate PIN	July 2005
ATM Digital PIN Sequence Shuffling Function	July 2005
Issued IC Cash Card	July 2005
Electronic mail notification service	April 2006

Environmental Initiatives

Kansai Urban Bank is engaged in creating an eco-office, through activities including reducing electricity consumption, recycling waste documents, making in-house documents paperless, and Cool Biz (reducing summer air conditioning demand by relaxing the dress code).

In a response to global environmental conservation issues, the Bank also supports projects to revive the tropical rain forest through replanting, carried out by NGOs on a global basis.

Opinions from Third Parties

Kanji Tanimoto

Professor of Business Management Graduate Program, Hitotsubashi University
Professor of Economics,
Representative Director, SIJ (Social Innovation Japan)

Mr. Tanimoto's areas of expertise include corporate system methodology, and "Corporate and Social" methodologies. His published works include: "CSR, considering companies and societies" (NTT Publishing, 2006), "Social Enterprise the rise of CSR" (contributor/editor, Chuo Keizai, 2006), "CSR Economics" (contributor/editor, Chuo Keizai, 2004), "An Introduction to Socially Responsible Investments (SRI)" (contributor/editor, Nihon Keizai Shimbun, 2003).

PROFILE



Kanji Tanimoto

Following the repayment of the public funds received from the government, it is now important that SMFG puts into place socially responsible management systems to become a trusted financial institution. Essentially, the nature of the business of financial institutions is highly public and it is not possible for them to operate without the trust of society and the markets. Whilst globally the debate on financial CSR is progressing on various levels, in Japan, following the collapse of the previous 'convoy system' and internal group networks, we have now entered a period where companies must accept social responsibility to gain a license in order to carry out business activities.

Recognizing this movement, in April 2005, SMFG established a CSR Committee for the Group, as well as a CSR Division in the Corporate Planning Department of SMBC. The first action of this Committee was to assemble a project team of 25 young employees from the Group and SMBC to discuss what the bank is able and unable to do. Following this, SMFG published an internal CSR report and began to concentrate on making sure that the current status of Group and SMBC CSR are fully understood. As well as this, SMFG established its Interim CSR Management Policy and began to engage in CSR activities. This is the first time it has published the CSR Report outside the bank.

However, it was precisely at this time that an abuse of its dominant position regarding the marketing of financial products was discovered, and in April 2006, SMBC received administrative orders from the FSA directing it to carry out more customer-oriented business. In June, SMBC submitted its

Yukiko Furuya

Executive Director, Nippon Association of Consumer Specialists
Special Committee Member, Consumer Oriented Marketing Management Systems

In 1988 Ms. Furuya received accreditation as a Consumer Advisor from the Minister of Economy, Trade and Industry, and as a Senior Consultant from the Risk Managers and Consultants Association of Japan. From 2001 to 2003 she was Chairperson of the Business Commission, as well as working at the East Japan office of the Nippon Association of Consumer Specialists. In 2004, she moved to her current position as Executive Director. From 2003, Ms. Furuya has held dual positions in Consumer Oriented Marketing Systems, both as a Special Committee Member and Chairperson of the Public Relations Department. She is involved in consulting, has lectured widely, and has written a number of articles focusing on CSR, CSR management and compliance management.

business improvement plan. The CSR Report includes an eight page feature on the causes and response to this incident, as well as a serious explanation of its attitudes towards its activities. In particular, the Group has revised its business management and auditing structures, with changes to its evaluation system being one of the most important undertakings.

With these promises, I expect the Group to be rigorous in its future CSR activities. I also believe that there is an urgent need for it understand how the incident occurred—was it not adequately listening to customers' opinions, or to its employees?—and then consider appropriate measures. Communicating with stakeholders is not just a matter of gathering experts and listening to their views, but means listening to the often harsh opinions of people who are involved with the company everyday—such as customers, staff, investors and regional societies—and implementing their ideas in SMFG's everyday business.

This CSR Report provides a clear overview of fundamental targets and issues for SMFG's four main groups of stakeholders—Customers, Shareholders, Society and the Environment and Employees. However, this overview stops at presenting an introduction to its activities and systems. In the next report, I would like an explanation of how the Group will be introducing the opinions (including negative ones) of those in the front line of activities to create value for customers, and how it will approach improving its customer service, as well as following the pattern of the environmental section in the other stakeholder sections by presenting specific targets and results for the fiscal year. Further, whilst it is carrying out meaningful social contribution activities, I think it is necessary for them to explain more fully about why it concentrates on three territories, as well as its basic business philosophies, policies and results and achievements. As far as reporting from each Group company is concerned, it is not sufficient to merely present the topics, and I would like them as far as possible to present unified directions and information across the Group.



Yukiko Furuya

Recently, financial institutions have become much more concerned with CSR. However, there are relatively few that are publishing CSR reports so I would like to give SMBC full credit for issuing this CSR report to demonstrate its commitment to CSR activities.

● Items of Special Note

1. The decision by the Fair Trade Commission and the Financial Services Agency's administrative order regarding SMBC's corporate interest rate swap sales methodology and the facts, causes and prevention methods have been described in the relevant sections. This is not confined just to the President's Message, but SMFG has accurately recorded the opinion of its employees, as well as negative information. This shows the sincerity with which the Group is treating the incident.
2. The report clearly explains how SMFG contributes to the sustainable development of society through CSR as well as Group activities to promote CSR through its business, whilst looking at the issues that lie ahead. I look forward to reading about future activities.
3. Leveraging its core business by providing strong support, such as financial training, for consumers that are not able to properly adjust to the switch from savings to investment, is quite commendable.

● Looking to the Future with Expectation

1. SMFG has strengthened its operations management system regarding compliance and customer service to improve operations aiming to reestablish trust in the company. However, I think that initiatives such as creating procedures regarding rules of conduct and regulations for customer service operations and integrating them into compliance and customer service operations must be the next step.
2. CSR is the response to consumer and social demands and as such a system built to address these needs and expectations is required. Communication activities such as consultations with customers are necessary to build a bridge between the consumer and the business itself.
3. SMFG explains well that it considers CSR to be the undertaking of activities on social issues through its core business. However, the report mainly focuses on consumer and customer needs. I believe that CSR must mean taking on more than social issues and I would like to see SMFG take the lead in building a sound market by dealing with issues relating to security and other key financial issues that could harm the consumer.
4. A CSR report should not be an advertisement for the company. In order to report on the CSR activities undertaken, the report should describe the value and details of the issues that concern stakeholders. In the environment, there is a description of the level of achievements of environmental targets; another example is the results and procedures for improvement from the satisfaction survey on the SMBC Friend Securities page. However, in addition to this, I would like to see the Group build more stakeholder trust by disclosing the specific number and details of customer complaints, along with measures that are being planned in response.

Response to the Opinions from Third Parties

SMBC Financial Group
Director of CSR Junji Tanehashi



In October 2006, SMBC Group completed the repayment all public funds. Looking forward, we will work even harder to be a financial group worthy of the highest levels of trust, and we remain deeply aware of the support and expectations we have received from all citizens

through the public funds. Furthermore, CSR will become a fixture of the company by enforcing compliance and customer service measures in our daily operations based on guidance from Mr. Tanimoto and Ms. Furuya.

Furthermore, we will take a leading role by actively engaging in activities to resolve social issues, and not limit ourselves to responding to customer needs by enhancing products and services. This will, of course, rest upon our balancing our growth as a profitable company with our commitment to the provision of quality products and services.

A thorough account of our results will be provided in the fiscal 2007 report as we actively proceed with our CSR based on the points set out in this report.

Global Reporting Initiative (GRI) Table

This report was created in reference to the 2002 GRI Sustainability Reporting Guidelines and the GRI Financial Services Sector Supplement. The table below lists the page number for each indicator by report and the page number it is referred to in this document.

* GRI Sustainability Reporting Guidelines: Launched as a joint initiative of the U.S. non-governmental organization Coalition for Environmentally Responsible Economies (CERES) and United Nations Environment Program, the guidelines provide a framework for sustainability reporting. For further detail: <http://www.globalreporting.org/>

Item	Indicator	Page
1. Vision and Strategy		
1.1	Statement of the organization's vision and strategy regarding its contribution to sustainable development.	P.15-16
1.2	Statement from the CEO (or equivalent senior manager) describing key elements of the report.	P.7-8
2. Profile		
Organizational Profile		
2.1	Name of reporting organization.	P.1
2.2	Major products and/or services, including brands if appropriate.	P.3-4
2.3	Organizational structure of the organization.	P.1,3
2.4	Description of major divisions, operating companies, subsidiaries and joint ventures.	P.3-4
2.5	Countries in which the organization's operations are located.	P.1
2.6	Nature of ownership: legal form	P.1
2.8	Scale of the reporting organization.	P.1
2.9	List of stakeholders, key attributes of each, and relationship to the reporting organization.	P.15-16
Report Scope		
2.10	Contact person(s) for the report, including email and web addresses.	P.2
2.11	Reporting Period (e.g., fiscal/calendar year) for information provided.	P.2
2.13	Boundaries of report (countries/regions, products/services, divisions/facilities/joint ventures/subsidiaries) and any specific limitations on the scope.	P.2
2.14	Significant changes in size, structure, ownership, or products/services that have occurred since the previous report.	P.1
2.15	Basis for reporting on joint ventures, partially owned subsidiaries, leased facilities, outsourced operations, and other situations that can significantly affect comparability from period to period and/or between reporting organizations.	P.3
Report Profile		
2.20	Policies and internal practices to enhance and provide assurance about the accuracy, completeness, and reliability that can be placed on the sustainability report.	P.57-58
2.22	Means by which report users can obtain additional information and reports about economic, environmental, and social aspects of the organization's activities, including facility-specific information (if available).	P.2
3. Governance Structure and Management Systems		
Structure and Governance		
3.1	Governance structure of the organization, including major committees under the board of directors that are responsible for setting strategy and for oversight of the organization.	P.19-20

Item	Indicator	Page
3.2	Percentage of the Board of Directors (Supervisory Board) that are independent/non-executive directors.	P.19
3.3	Process for determining the expertise board members need to guide the strategic direction of the organization, including issues related to environmental and social risks and opportunities.	P.19
3.4	Board-level processes for overseeing the organization's identification and management of economic, environmental, and social risks and opportunities.	P.19-22
3.6	Organizational structure and key individuals responsible for oversight, implementation, and audit of economic, environmental, social, and related policies.	P.16
3.7	Mission and values statements, internally developed codes of conduct or principles, and policies relevant to economic, environmental, and social performance and the status of implementation.	P.15-16, 29,37
Shareholder Engagement		
3.9	Basis for identification and selection of major stakeholders.	P.15
3.10	Approaches to stakeholder consultation in terms of frequency of consultation by type and by stakeholder group.	P.11,25,26, 38,44,50
3.11	Type of information generated by stakeholder consultants.	P.26,50, 55-56
3.12	Use of information resulting from stakeholder engagements.	P.50
Overarching Policies and Management Systems		
3.14	Externally developed, voluntary economic, environmental, and social charters, sets of principles, or other initiatives to which the organization subscribes or which it endorses.	P.38
3.16	Policies and/or systems for managing upstream and downstream impacts.	P.38
3.17	Reporting organization's approach to managing indirect economic, environmental, and social impacts resulting from its activities.	P.23,38
3.19	Programs and procedures pertaining to economic, environmental, and social performance.	P.23-54
3.20	Status of certification pertaining to economic, environmental, and social management systems.	P.37
4. GRI Content Index		
4.1	A Table identifying location of each element of the GRI Report Content, by section and indicator.	P.57-58
5. Performance Indicators		
Economic Performance Indicators: (Direct Impact: Core indicators)		
● Customers		
EC1	Monetary flow indicator: Net sales.	P.1
EC2	Geographic breakdown of markets	P.1
● Public Sector		
EC10	Donations to community, civil society, and other groups broken down in terms of cash and in-kind donations per type of group.	P.34

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● Energy		
EN17	Initiatives to use renewable energy sources and to increase energy efficiency.	P.41-42
Social Performance Indicators		
Labour Practices and Decent Work: Core Indicators		
● Diversity and Opportunity.		
LA10	Description of equal opportunity policies or programs, as well as monitoring systems to ensure compliance and results of monitoring.	P.31-32
Labour Practices and Decent Work: Additional Indicators		
● Employment		
LA12	Employee benefits beyond those legally mandated.	P.31-32
● Training and Education		
LA16	Description of programs to support the continued employability of employees and to manage career endings.	P.30-32
LA17	Specific policies and programs for skills management or for lifelong learning.	P.30
Human Rights: Core Indicators		
● Strategy and Management		
HR1	Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results.	P.32
● Non-discrimination		
HR4	Description of global policy and procedures/programs preventing all forms of discrimination in operations, including monitoring systems and results of monitoring.	P.32
Human Rights: Additional Indicators		
● Strategy and Management		
HR8	Employee training on policies and practices concerning all aspects of human rights relevant to operations.	P.32
● Disciplinary Practices		
HR9	Description of appeal practices, including, but not limited to, human rights issues.	P.14
HR10	Description of non-retaliation policy and effective, confidential employee grievance system	P.14
Society: Additional Indicators		
● Community		
SO4	Awards received relevant to social, ethical, and environmental performance.	P.32
● Competition and Pricing		
SO6	Court decisions regarding cases pertaining to anti-trust and monopoly regulations.	P.7
SO7	Description of policy, procedures/management systems, and compliance mechanisms for preventing anti-competitive behavior.	P.11-14

Item	Indicator	Page
Product Responsibility: Core Indicators		
● Customer Health and Safety		
PR1	Description of policy for preserving customer health and safety during use of products and services, and extent to which this policy is visibly stated and applied, as well as description of procedures/programs to address this issue, including monitoring systems and results of monitoring.	P.27-28, 54
Product Responsibility: Additional Indicators		
● Products and Services		
PR8	Description of policy, procedures/management systems, and compliance mechanisms related to customer satisfaction, including results of surveys measuring customer satisfaction. Identify geographic areas covered by policy.	P.11-14, 25,50

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Item	Indicator	Page
Social Performance Indicators		
● Corporate Social Responsibility (CSR) Management		
CSR1	CSR policy: Description of social elements of the CSR policy, including corporate definition of CSR.	P.15-16, 36
CSR2	CSR Organization: Description of the structure and relevant CSR responsibilities, including explanation of the installed procedures.	P.15-16
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Environmental Performance Indicators		
F1	Description of environmental policies applied to core business lines.	P.37
F2	Description of process(es) for assessing and screening environmental risks in core business lines.	P.38
F5	Description of process(es) for improving staff competency in addressing environmental risks and opportunities.	P.37
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