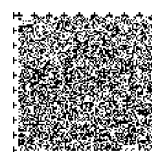


CSR REPORT 2007

Sumitomo Mitsui Financial Group
CSR Report
Booklet



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 Finance & 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. NTT Docomo, Inc. and Sumitomo Corporation—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 primary consolidated subsidiaries in Japan and overseas, as well as other companies treated as subsidiaries according to the Japanese Banking Law and other ancillary businesses.

Corporate Outline (as of March 31, 2007)

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:	1,420.9 billion yen
No. of Group Employees:	41,428 (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 businesses
Listed exchanges:	Tokyo Stock Exchange (First Section) Osaka Securities Exchange (First Section) Nagoya Stock Exchange (First Section)

■ Segmental Operating Income (Fiscal 2006)

Operating Income by Business Type

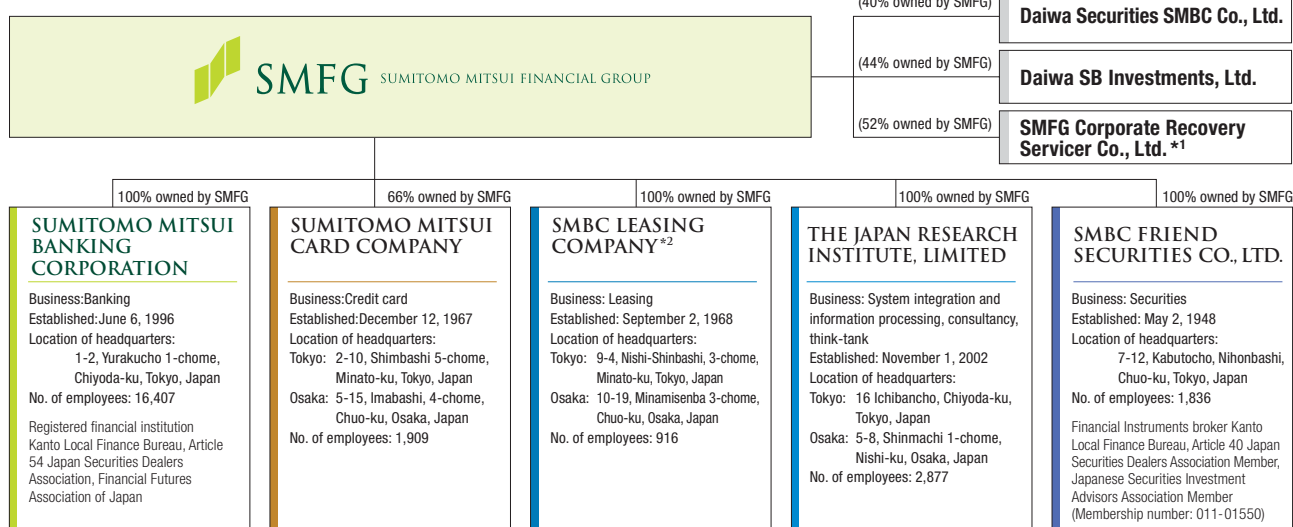
Millions of yen/ percentage of total	
Banking:	2,742,800 (65.3%)
Leasing:	803,951 (19.2%)
Others:	649,421 (15.5%)
Total:	4,196,173

Operating Income by Geographical Location

Millions of yen/ percentage of total	
Japan	3,337,094 (81.1%)
America	294,042 (7.1%)
Europe	213,559 (5.2%)
Asia and Oceania	271,892 (6.6%)
Total	4,116,589

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

■ Structure of Sumitomo Mitsui Financial Group (as of March 31, 2007)



*1 SMFG Corporate Recovery Servicer Co., Ltd was dissolved in July 2007.

*2 SMBC Leasing Company merged with Sumisho Lease Co., Ltd. to become Sumitomo Mitsui Finance and Leasing Co., Ltd. In this report, the former SMBC Leasing Company is referred to as Sumitomo Mitsui Finance and Leasing Co., Ltd. unless noted. Accordingly, SMFG's investment ratio was changed to 55%. Furthermore, SMBC Auto Leasing Company, Limited merged with Sumitomo Auto Leasing Corporation to become Sumitomo Mitsui Auto Service Company, Limited and Sumitomo Mitsui Financial Group renewed their investment ratio of 40% to make Sumitomo Mitsui Auto Service Company an equity method affiliate.

Contents CSR Report Booklet

■ Corporate Outline	1
■ Commitment from the Top	3
■ Stakeholders Dialogue	5
■ SMFG and Sustainability	9
■ CSR at SMFG	13
■ Regaining Trust	17
■ Group Management System	19
■ Together with Customers	23
■ Together with Employees	26
■ Social Contribution Activities	28
■ Environmental Activity Report	29
■ Opinion from a Third Parties	30

Editorial Policy

This report has been created in an effort to convey to our stakeholders the variety of initiatives we are undertaking and roles the Group is fulfilling as we aim to become a sustainable corporation.

In consideration of the environment, the main report will only be available on the Internet as a measure to reduce the number of paper copies printed. However, in response to a wide number of readers, we have also made a printed booklet, which contains a digest of the primary sections of the report. This English translation is based on the digest version and is not available in print.

Through our CSR reporting activities, we are pleased to be able to inform an even wider number of stakeholders about the Group's activities and our approach to CSR.

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, 2006 to March 31, 2007("Fiscal 2006")

Note: Certain items in this report refer to activities taking place after April 2007.

Publication Date of Original Japanese Document

November 2007 (next report to be published July 2008)

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In October 2006, Sumitomo Mitsui Financial Group (SMFG) completed the repayment of public funds, bringing the nonperforming loan problem to a conclusion and finally enabling us to embark on a new stage in our business. From this position, we have renewed our Group aim to be “a globally competitive financial services group with the highest trust,” and formulated our three-year medium-term management plan, LEAD THE VALUE. LEAD THE VALUE specifies in concrete terms our strategy for meeting the expectations of our customers, shareholders, society and other stakeholders, while also achieving growth. This is the very essence of corporate social responsibility, and by carrying out this plan we hope to contribute to the sustainable growth of society.

Aiming to be “a globally competitive financial services group with the highest trust”

1. CSR activities

The Group's CSR activities began in earnest with the establishment in April 2005 of a Group CSR Committee within SMFG.

The Group CSR Committee includes members from SMFG, Sumitomo Mitsui Banking Corporation (SMBC), Sumitomo Mitsui Card, Sumitomo Mitsui Finance & Leasing, and the Japan Research Institute, and discusses what approach the Group as a whole should take in its CSR activities.

With this committee playing a central role, in fiscal 2005 we focused on developing and improving the Group's CSR framework. First, in June 2005, we created an internal definition of CSR and a shared Group CSR philosophy as our Basic CSR Policy (see pages 13 to 14 for details).

In July of the same year we formed a project team consisting of young and mid-level employees from each Group company and head office division to discuss what approach the Group should take to future CSR activities, based on the Basic CSR Policy. This CSR Report presents the team's findings as and indicates in a quantifiable manner the progress made each year. We also conduct yearly reviews of specific CSR policies.

2. Regaining the trust of society

In April 2006, SMBC, the core company of the Group, received an administrative order from the Japanese Financial Services Agency in connection with the marketing of interest rate swaps to our corporate customers. The Group squarely recognizes that this incident stemmed from an insufficiently customer-oriented mindset, and it is a source of

deep regret for us.

In June 2006 SMBC formulated a business improvement plan and devised various measures aimed at developing and improving its customer-oriented marketing and compliance frameworks in order to regain the trust of our customers and society. We are continuing to further inculcate a customer-oriented mindset throughout the entire Group, based on the various measures outlined in the business improvement plan.

3. Implementing LEAD THE VALUE, our medium-term management plan

As mentioned above, SMFG formulated and announced the LEAD THE VALUE plan in April 2007. LEAD THE VALUE sets out the course for ensuring that we continue to implement the customer-oriented approach and provide true value for our customers amid the ever-changing financial environment by leveraging our Group strengths and the professional capability of our individual employees.

To achieve this we are developing a system that enables employees to use their abilities, and actively breathe new life into both our internal and external communications.

It is worth noting that the word “customer” here refers not merely to existing customers, but also to potential customers with whom we may have business in the future, and also includes the very society surrounding them. It is particularly important that banks, as corporations of a highly public nature, contribute to the sustainable growth of society as a whole.



President, Teisuke Kitayama

Environmental activities present one example of this. The impact of global warming caused by increased CO₂ emissions affects the entire world, and places the sustainability of the entire global environment in jeopardy. In response to such issues, we not only engage in our own environmental initiatives, but also actively provide support for the environmental initiatives of our customers through financing. Specific examples of such financing include our SMBC-ECO loan for companies aiming to acquire ISO14001 and other certifications, and our creation of the first emissions trust by a major city bank in Japan. Going forward, we will make further efforts to advance our environmental and other CSR initiatives.

4. Developing a sustainable society

Looking back at the road we have traveled, it has been three hundred years since the start of financial business by our predecessors and one hundred years since that business was reborn as a modern bank. Using funds generated by their Group businesses, Mitsui and Sumitomo both became key entities at a time when the financial and capital market was still in its infancy in Japan. To adapt to the changing times, we adjusted the form and content of our operations, as well as making other changes such as shifting our role and position.

Amid all this evolution, the spirit of the kind of company that we aim to be remains unchanged—though the words to describe it may have changed over time. What was known in the past as “house precepts” is now referred to as the “management philosophy” or “CSR policy”; but the fundamental idea of fulfilling corporate social responsibility remains

unchanged.

Through continuous efforts to fulfill our responsibilities to society, whether as ‘Mitsui’ or ‘Sumitomo’, We have earned the support of many people, including our customers, shareholders and investors, and employees. This very support has enabled us to sustain our business for so long.

This report covers the CSR activities of SMBC and other Group companies. We hope that each individual officer and employee will inherit the spirit that flows through Mitsui and Sumitomo, so that our Group can work together in its commitment to CSR activities that contribute to the development of a sustainable society.

November 2007

Sumitomo Mitsui Financial Group, Limited

Finding Solutions to Environmental Problems—The Role of Sumitomo Mitsui Financial Group

What is the role of Sumitomo Mitsui Financial Group (SMFG) in finding solutions to global warming and other problems facing society? We invited experts from a range of fields to a stakeholders' dialogue held on July 13, 2007 and heard their frank observations on matters such as the role that society expects SMFG and other banks to fulfill. Around 30 Group employees also attended. The proposals and topics raised at the dialogue were brought back to each department for use as themes of future discussions.

Japan's Lack of a Sense of Crisis Uncertainty over the Future of Environmental Technology

sueyoshi: I feel a sense of crisis concerning two aspects of the problem of global warming. One concern is the potential for the worsening problem of climate change itself to escalate beyond control. The second concern is the worrying extent to which, despite this imminent threat, Japan lags behind in taking action.

Takami: Environmental initiatives by the EU have now advanced to an unprecedented level, with a system currently taking shape there that reduces CO₂ levels using taxation, banking and the movement of funds to urge companies and people to take action. Japan has no such framework in place, and as a result is falling further and further behind. I'm worried that, as a result of this, we may be unable to make use of advanced environmental technology.

Ikuma: In 2003, Japan accounted for half of the global share of solar panel production, but in the following two years that fell to around 10%. There's a widespread view that semiconductors could follow the same path.

Fujiyama: Compared to a decade ago, awareness among companies of the seriousness of climate change and environmental issues has increased substantially. But I think that the question of how to reflect this in business activities (with regard to matters such as crisis control and consistency

with profitability, for example) has not yet been given adequate consideration.

Tsutsumi: Thanks to the active support of the bank, we have developed the equipment needed to improve our recycling percentage for industrial waste from construction. Working at full capacity we can now recycle up to eighty or ninety percent, which has boosted the added value of our business. On the other hand, there is room for improvement in the area of CO₂ emissions, as we have yet to tackle the issues of emissions control and distribution. Numerous solutions are possible for addressing the problem of CO₂, such as the use of biomass and logistics solutions in the areas of emissions control and distribution respectively. Once we have developed a strong framework and set it in motion, it will not be difficult to recycle resources in a way that is environmentally sound. I think it is essential that society at large—and not just the financial sector—make demands for this.

Sustainability as the Unity of Society, Environment and Economy CSR as a Way of Understanding the Needs of Society

Takami: If CSR is taken to mean a contribution to the development of a sustainable society, then society, the environment and the economy must each be sustainable. In Japan, however, while there is a focus on social issues, it seems that environmental and economic matters operate

〈Experts〉



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Asia Pacific Region



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Safety & Quality Management
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Sachiko Takami
Executive Director
The Natural Step (Japan)



in isolation from these. Tackling the problem of global warming is extremely important not just in its own right, but also as a means to unify these areas.

Asano: There's a certain predetermined harmony in the idea of making a profit by using finance as a means to tackle environmental issues, but in practice I think it is quite difficult. Despite this, I feel that banks have an obligation engage in this practice. Just as "actively doing good things" is one aspect of CSR, there is also the corresponding side of "not doing bad things"; considerable regret was expressed in last year's report with regard to the incidence of misconduct. Tackling environmental issues is a worthwhile undertaking, but this does not justify complacency.

Sueyoshi: On the subject of obligation, I think obligations have emerged that are different from those of the past. That is to say, there has been a change both in obligations as they are perceived internally by the bank and the obligations that arise from external demands made of the bank. I think CSR is a way of understanding what the outside world requires of the bank. So in terms of the question of obligation for whom, we are standing at a major crossroads: we must choose between settling for conventional environmental measures and pursuing the kind of CSR that society truly requires.

Fujiyama: Speaking from a business perspective, I hope that by reducing

our environmental impact as much as possible we can contribute to the creation of a sustainable society while at the same time finding the seeds of new business in this. In this respect, I think there are many tasks that can be performed in cooperation with banks.

Sato: When addressing such major issues, there is a limit to what a single company can do on its own. I feel that it is essential that we all create a framework that draws on knowledge from the industrial, academic, public and private sectors and puts this into practice.

**Not Investing in Environmentally Harmful Activities:
Another Form of Environmental Measure
Importance of Incorporating an
Environmental Perspective in Loans and Investments**

Asano: While investing to reduce climate change is one way for SMFG to address environmental problems, so too is not investing in business activities that have an impact on the global environment. For example, it should be standard practice not to invest in companies that do not make an effort to reduce their environmental impact.

Sueyoshi: This kind of field has started to emerge in the Equator Principles, hasn't it?

Kudo: That's right. The Equator Principles are a financial industry benchmark that allows banks to determine, assess and manage

〈 Sumitomo Mitsui Financial Group 〉



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SMBC Sumitomo Mitsui Banking
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Atsushi Sato
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Sumitomo Mitsui Banking Corporation

environmental and social risks from the point of view of a lender when involved in large-scale project finance overseas. Based on this standard, banks must assess the environmental and social impact of the project prior to engaging in it. If it is determined that there would be substantial impact, appropriate measures must be taken such as providing recommendations for improvement. Sumitomo Mitsui Banking Corporation has also adopted the Principles.

Tsutsumi: Taking the same kind of standpoint as the Equator Principles, when a waste-producing company consults with a bank, the subject arises as to the kind of waste processing conducted by that company. I would like for banks to use this opportunity to convey to companies that they can help to address global warming and reduce the burden and risk they pose to the environment by assessing, according to strict criteria whether their waste management is environmentally sound in terms of its content and quality and CO₂ emissions. We expect that such efforts will lead to a gradual change in attitudes throughout society.

Sueyoshi: I would like to see the true needs of both global and Japanese society taken into account in funding decisions. Banks could make significant recommendations when providing loans. For example, in the case of a company that imports food from overseas, the bank could recommend that information be displayed upon sale to inform the consumer of the food mileage involved.

Supporting Environmentally Friendly Businesses Urgent Need to Spread Awareness among Employees

Fujisaki: We have a product called the Business Select Loan targeting our medium-ranking SME clients, which has been received well. We implement preferential interest rates of up to 0.5% less for clients with environmental certifications such as ISO14001 and the Ministry of the Environment's Eco Action 21. We aim to use this experience as a basis for creating further products that support environmentally friendly clients. Once we have made clear what we will do to ensure that the bank is environmentally friendly and to link the role of the bank with the environment, we will work to spread awareness among all employees of the bank and ensure that they are environmentally conscious.

Asano: Is this raising of awareness among employees the intention of top management?

Fujisaki: The president of the bank is himself promoting a message of "actively tackling environmental issues" while at the same time a special unit is assessing specific actions for the bank to take. So the initiative is both top-down and bottom-up.

Kudo: Management has a clear vision that acknowledges the need to address environmental issues, but I feel strongly that a change in attitudes among our employees is crucial.

Asano: During my time as prefectural governor of Miyagi, there was an incidence of illegal dumping of industrial waste, and although the company in question folded, in effect they evaded punishment. I see the need for a framework to prevent similar evasions by other companies.

Fujisaki: Yes, banks have responsibility in this area, don't they? Because after all, the money they use to extend loans originates with the money they receive from all their depositors. It is important to create a framework that carefully examines the borrower so as to prevent bad debts as much as possible. One of the advantages that a bank has is its contact with a variety of customers; using accumulated information to carefully select the best customers for loans is an important function of the bank.

From Depositors in Japan to Developing Countries Raising Environmental Awareness through Bank Operations

Kudo: I think that when engaged in large-scale project finance in a developing country, assessing and managing each proposal in accordance with standards of the Equator Principles helps to spread environmental awareness in that country. This is also something that banks can assist with. In our emission rights business, we are mostly involved with small-scale companies that lack overseas contacts; our scheme uses the global network of SMFG to trade the emission rights of developing countries.

Takami: I think emissions trading will become extremely important. That applies to individuals also. I feel extremely guilty about the fact that I travel between Sweden and Japan three or four times a year, so—although it's not quite emissions trading as such—I buy CO₂ emissions rights from a trust company in the U.K. called Climate Care. I think the number of people



engaging in this will increase as time goes on.

Sueyoshi: I think it is such a shame that depositors in Japan that want to use their deposits to make contributions can't do so because banks have not provided the necessary means for them to do so. In Europe and the U.S., there are numerous mechanisms of this kind. I feel that banks have a duty to develop and offer financial products that provide choice to individual depositors and not just large companies. Doing so would surely provide a business chance for banks.

Takami: I completely agree with Mr. Matsuyoshi. A survey has shown that 95% of housewives in Japan say they are concerned about global warming, but do not take any action. Surely this is because they have no option available to them even if they want to take action? This is why I think the question of what kind of products and services to offer is a really important issue. Awareness of global warming is high in Japan now, so I think it's a good opportunity.

Manabe: I'm involved with consumer banking, and the total financial assets of individual depositors in Japan is 1,500 trillion yen. Banks have an extremely weighty responsibility in relation to how this money is distributed and where it is invested. As direct financing continues to evolve, banks have a responsibility to create a society in which consumers choose to recognize that investing money in these areas has an importance beyond risk and return.



High Expectations — SMFG's Power Meeting Expectations will Lead to Growth

environment was merely an accessory... But it's for this very reason that compliance is so important. It takes three years to build a castle and only three days to destroy it— [the environment could also] be destroyed in no time at all. We've heard a really positive message here today; I hope that everyone involved will work diligently and not neglect these initiatives.

Sueyoshi: The reason why we need environmental finance is, to put it simply, that society has started to become concerned. Say, for example, a bank lends funds to support some business activity, which in turn causes destruction of a large tropical forest. Environmental finance originated with people who were concerned about incidences such as this and wanted to find a valid way of ensuring that banks deliberate more carefully. The expectation from society is even greater than people in banks realize. Viewed from the outside, banks have an extremely large presence and enormous power. We hope that you will realize the extent of that power and think carefully about what you would like to use it for. I firmly believe that this will lead directly to business growth, and I wish you all the best in your efforts.

Ikuma: Today's discussion was very informative. I think we've highlighted the need for action to be taken and the role that banks must perform in this. Although we are only on the threshold, we have learned about the younger generation at SMFG that has high aspirations in regard to environmental issues. I got a strong impression that the question of how to keep a firm footing going forward will be an extremely important issue. Thank you very much.

Afterword

Thank you for your valuable observations. It made me realize how important the role of the bank is in finding solutions to environmental problems such as climate change and global warming.

Thirty people from the relevant departments in Group companies and the bank attended the dialogue. Rather than limiting the debate to a few individuals, the aim was to spread awareness of the issues among as many people as possible.

Looking ahead, based on the points highlighted by all our stakeholders,

we aim to combine financial expertise and information from each Group company and work toward activation of this to develop projects and new products targeting solutions to environmental problems.

The fusion of environment and finance is no simple matter, but we will use the combined strength of the Group to address this issue. In doing so, we will fulfill our corporate social responsibility (CSR).

Sumitomo Mitsui Financial Group
Koji Sato General Manager, Corporate Planning Dept. Group CSR Dept.

Achieving a Sustainable Society- The Role of Financial Institutions

Public Nature and Responsibility as a Financial Institution

Financial institutions conduct business with a highly public nature—financial intermediation through settlement and deposits and lending—and fulfill an important social infrastructure function. There is a saying in Japan that “companies are the public organs of society,” and as SMFG is a comprehensive financial group and a core financial institution, we believe that we must further strengthen awareness of our role as a “public organ.”

Our Group has always received broad support from society through injections of public funds, and we sincerely accept that this also leads to expectations on us to fulfill a role as a public organ.

The first thing that we should do to fulfill this public role is to strictly maintain sound business management. Next is to stably provide our customers with services with more value. As one of Japan’s leading comprehensive financial groups, and as a company bearing the names Mitsui and Sumitomo, each with nearly 400 years of history, we believe that our responsibility must extend beyond that to include an active role in ensuring the sustainable development of society as a whole.

The Role of SMFG in Resolving the Issues Facing Humanity

In its long history, the human race has achieved remarkable development in the areas of politics, economics and culture. Nevertheless, at the beginning of the 21st century, humanity is facing serious new challenges, and achieving sustainable development is becoming a major issue.

On the environmental front, for instance, the advance of global warming and other environmental deterioration is recognized as an urgent issue for humankind that must be resolved. In addition to this, the widening gap between rich and poor, infringement on human rights, international terrorism, the increase in crime, and the declining birthrate and aging of the population, among others, are other issues requiring a response from society as a whole. If we neglect these issues, future generations may not be able to inherit a planet rich in nature and a society in which they can live with peace of mind.

So what kinds of contributions are possible from our position as a comprehensive financial group to help resolve the various issues facing humankind? Our Group’s corporate social responsibility is to ask ourselves this question and act based on our conclusions.

Contributing to the Development of a Sustainable Society Through Our Business

SMFG defines CSR as “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.”

In our medium-term management plan released in April 2007, we announced “LEAD THE VALUE” as our corporate motto, which encapsulates our promise to customers, the market and society.

This motto embodies our determination to contribute to our customers and society through our business, “increasing the quality and comprehensive strength (value) of the entire Group by every one of us maximizing our strengths (value)-Spirit of Innovation, Speed, and Solution and Execution, and aiming to continue to lead the development of our customers and society by providing value for our customers and society.” Through these independent initiatives, we aim to raise the sustainability and corporate value of our Group.

The “value” that we are seeking is that with the ultimate aim of developing a sustainable society. We are pursuing various initiatives for achieving this goal. We are focusing our efforts particularly on environmental business, an area in which we can fulfill our functions as a comprehensive financial group to maximum effect.

We would like to organically create business that can assist in improving the environment, by supporting the nurturing of business seeds that can contribute to regions, the nation and society as a whole, by using the world’s vast information networks, and by promoting inter-company and industry-university-government information exchange and collaboration.

Contributing to the Development of a Sustainable Society Through Our Business

Promoting Environmental Business

We believe that addressing environmental problems allows us to fully exercise our functions as a comprehensive financial group and most effectively fulfill our corporate social responsibility, and we are focusing our efforts on this area in particular.

We envisage environmental business as an undertaking to contribute to society and the world while pursuing business. SMBC, in particular, has been regularly holding, since fiscal 2005, meetings of its cross-departmental Eco-Biz Promotion Council, which carries out ongoing discussions aimed at the development of innovative and effective products and services that can contribute to maintaining and improving the global environment.

Using Financial Technology and Expertise for Environmental Measures

● Intermediary Services for Emissions Trading

With Banco Sumitomo Mitsui Brasileiro S.A. ("SMBC Brazil") playing a central role, SMFG has been providing intermediary services for Japanese companies aiming to acquire emission rights arising in Brazil. In July 2006, SMBC Brazil formed an alliance with Banco do Brasil, Brazil's largest commercial bank, strengthening our capacity to identify potential Clean Development Mechanism (CDM) projects. In December 2006, we acted as intermediary for the purchase of emission rights equivalent to 1.5 million tons of CO₂ by The Chugoku Electric Power Co., Inc. This intermediary project was the only project of a Japanese bank to be nominated for an award at the 2007 FT Sustainable Banking Awards sponsored by the Financial Times and others.

We established the Global Environment Division at SMBC Brazil in January 2007, and the Environmental Products Department at SMBC in October 2007, with the Group as a whole planning to further expand its emission rights-related business.



ARAPUCEL-
Small Hydroelectric Power Plants Project

● Emissions Trusts

In June 2007, SMBC developed its Emissions Trust Products, which package greenhouse gas emission rights as trust assets, and launched the first such trust.

The use of trust functions has enabled us to meet a broad range of emission rights requirements, including companies' small-lot purchase needs.

● Ethanol Derivatives/Palm Oil Derivatives

In March 2007, SMBC developed financial products that stabilize the purchase price of ethanol and palm oil. Through these products we will contribute to stabilizing and increasing trading in biofuels.

● Clean Fund

In April 2007, SMBC created the Clean Fund, a fund for supporting environmental measures using a trust. This fund uses funds invested by Sumitomo Forestry Co., Ltd., for leasing of environmental equipment by small and medium enterprises via NEC Leasing, Ltd., and is expected to have the effect of supporting and accelerating environmental measures among SMEs.

● Environmental Advisory Business

The Japan Research Institute is also focusing on environmental advisory business, such as outsourcing of the management, maintenance and supervision of facilities used for environmental measures. To date, the institute has been involved in several projects that were the first of their kind in Japan, mainly in infrastructure such as waste processing facilities.

● Research / Information Provision Business

The Japan Research Institute is providing Japanese and overseas financial institutions with information about companies for the purpose of socially responsible investment (SRI). Dr. Eco, the eco fund of UBS Global Asset Management (Japan) Ltd., is one such case, with the Japan Research Institute commissioned to conduct research for the fund, and SMBC contracted to sell it. The Japan Research Institute donates part of the earnings received for research for Dr. Eco to the World Wide Fund for Nature Japan.

Supporting Environmentally Friendly Companies

● SMBC-ECO Loan

In February 2007, SMBC began to offer the SMBC-ECO Loan to SMEs that have received environmental certifications, with a maximum 0.5% reduction in interest rates on non-collateralized non-guaranteed loans. As well as ISO14001 and Eco Action 21, the product also applies to the environmental certifications of regional governments, which can be comparatively easier for SMEs to obtain. By encouraging more SMEs to avail of the product, we are helping to raise environmental awareness among SMEs.

● ESCO Lease

Sumitomo Mitsui Finance and Leasing offers the ESCO Lease in partnership with a variety of energy service companies (ESCOs). Under this arrangement, Sumitomo Mitsui Finance and Leasing provides leases for facilities and equipment used by ESCOs to support customers in energy conservation activities.

● Business Support for Environmental Businesses

We have established the Small and Medium Enterprise Marketing Dept. New Business Group in SMBC and the Environment Solutions Operations Division in the Kansai Urban Bank and are providing business support to environmentally friendly businesses.

Kansai Urban Bank also operates Shintenchikai ("New World Association") with the object of supporting SMEs and venture businesses, mainly in the following five areas: new medicine, new energy, bio-businesses, the environment, and high-tech. Among its other functions, Shintenchikai facilitates an information exchange with sponsor companies, allowing SMEs to introduce their own technologies and business models.

● Promoting the Use of Natural Materials in Housing

At Minato Bank, we have partnered with Mutenka House Inc., to promote the use of natural materials in housing in order to help prevent sick house syndrome by providing housing loans with preferred interest rates to customers who build or purchase a Mutenka standard house.

Creating Environmental Businesses

● Biogas Businesses

Gas from biodegradable materials such as manure, sewage and decomposing foods is a promising new source of energy. The Japan Research Institute is proceeding with preparations for establishing as a limited liability company an operating body to offer biogas as a substitute carbon energy for municipal gas to hospitals, factories, restaurants, and other establishments. Projects supplying biogas to livestock farms are already underway in Hokkaido and Kagoshima, where livestock farms are plentiful.

● ESP Business (Energy Service Providers)

ESPs make proposals toward ensuring the optimal use of energy in business activities. The Japan Research Institute established E-cubic Co., Ltd., Japan's first ESP company, in conjunction with several partner companies. E-cubic has developed a system that automatically collects and analyzes electricity consumption data and creates management reports, thus rendering energy consumption more "visible". By facilitating an accurate understanding of energy consumption the company delivers its support of energy conservation with precision.

● ESCO Business

ESCOs provide a full range of services required to reduce the energy consumption of buildings and facilities including technology, facilities, human resources and financing, as well as a comprehensive energy service to utilize the benefits of energy reduction.

The Japan Research Institute, in collaboration with several partner companies, established FESCO Company, Limited, Japan's first energy services company. FESCO offers a comprehensive range of services ranging from energy conservation solutions (in lighting, air conditioning, transfer of electricity, power) to energy distributions and supply (engine cogeneration, fuel cells and biomass power).

Supporting Environmental Venture Businesses eco japan cup

A contest that showcases environmental business plans and environmental artwork, eco japan cup was held for the first time in 2006 in association with SMBC, the Ministry of the Environment, several nonprofit organizations and Environment Business Women.

The business plans competition (Environmental Business Venture Open) judged the plans on a wide range of issues including effectiveness at solving environmental problems, originality, feasibility and growth potential. As a result, two companies were awarded prizes for outstanding achievement and one company won the SMBC award.

In the current fiscal year, we will continue the competition on a larger scale with eco japan 2007 with the aim of becoming the gateway to success for environmental businesses. In September 2007, Tokyo University and Keio University agreed on an industry-university affiliation based on the eco japan cup that aims to foster environmental businesses.

eco japan cup 2006

Award for Outstanding Achievement

e-plat Co., Ltd.

e-plat submitted a business plan for their ESCO business which utilizes EcoBino, an information system to execute energy conservation distribution and service industry franchises, which are known for their high energy consumption. Their client- and environment-specific business plans were highly commended for being clear and easy to comprehend.

Award for Outstanding Achievement

Eco-Energy Lab Co., Ltd.

Eco-Energy Lab provides the HOME E-forest, a savings and loan service for domestic timber housing, an "information- and interest-bearing" financial product that provides savers with information on domestic lumber and reliable construction companies using savings for residential mortgages as funds to support domestic forest protection. The product was commended for its concept of incorporating into a financial production a solution to the important and immediate environmental problem of forest protection.

SMBC Award

NPO Green Garbage Bank

This project is a collaboration with stores in Ginza's shopping district in an effort to achieve zero emissions. The scheme was commended for its strategic use of the "Ginza" brand in a move to influence society, and for its potential to spread its vision beyond Ginza to other districts and the world at large.

● Environment Business Networking Event

In March 2007, SMBC and SMBC Consulting held the "Environment Business Networking Event—With Team Minus 6%", which was sponsored by the Ministry of the Environment. 623 companies were represented with a total attendance of around 1,600 people and about 600 business meetings took place. There are plans to hold similar business events on a regular basis in the future.

Responding to Environmental Risks

● Adopting the Equator Principles

In December 2005, SMBC adopted the Equator Principles,* a commitment to society to examine thoroughly the potential impact on communities and the environment when engaging in project finance for large-scale development projects. In January 2006, the Environmental Analysis Department was set up to develop an evaluation system for assessing risks to communities and the environment.

*The Equator Principles were jointly developed by the International Financial Corporation of the World Bank and private banks as a benchmark for taking into consideration communities and the environment when engaging in project finance.

● Tackling Soil Contamination

Following a strengthening in legislation relating to soil contamination, SMBC conducts routine checks to monitor the risk of soil contamination posed by corporate borrowers. In the case of collateral properties deemed to have high risk of soil pollution, assessment of the collateral is reduced in proportion to the degree of risk.

By August 2007, SMBC had surveyed around 2,000 collateral properties and deducted points for soil contamination accordingly.

● Asbestos

SMBC explains about asbestos risk to borrowers where there are concerns about asbestos risk for collateral properties and makes recommendations for the implementation of surveys.

CSR Initiatives at SMFG

The Sustainable Development of Society

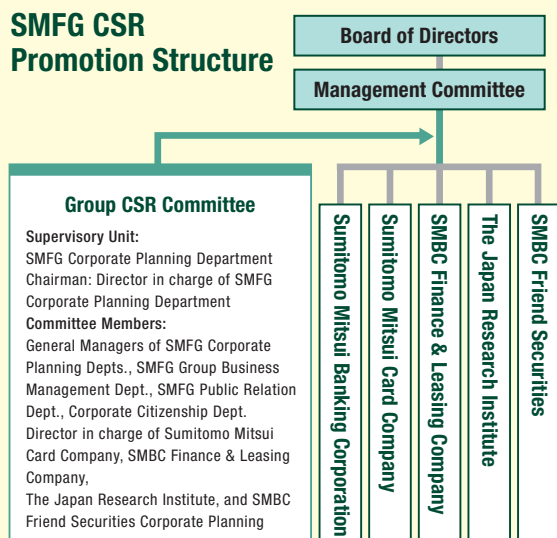
Since the 1990s, there have been increasing demands for companies to demonstrate that they conduct their activities in ways that are environmentally friendly, socially aware and ethically sound.

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 our aim 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.

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.

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 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 that 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 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 that 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.

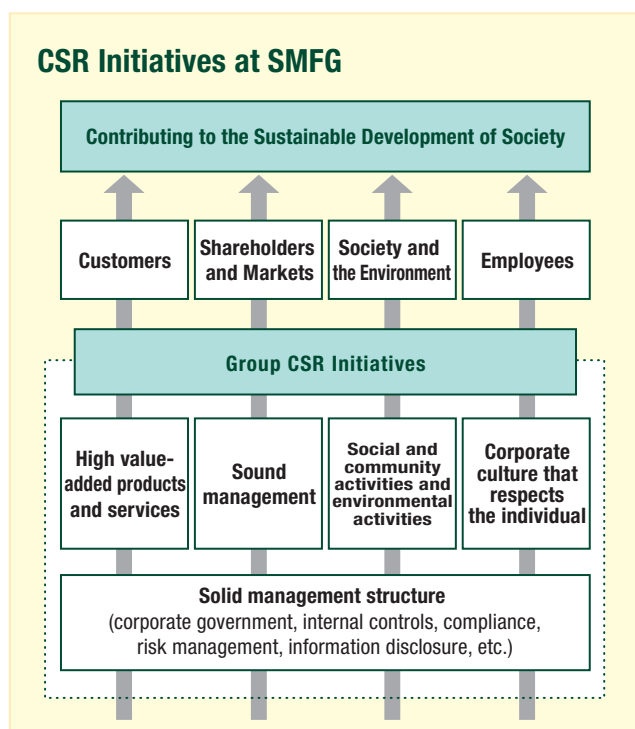
Key Elements of SMFG's CSR Initiatives

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:

- 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.

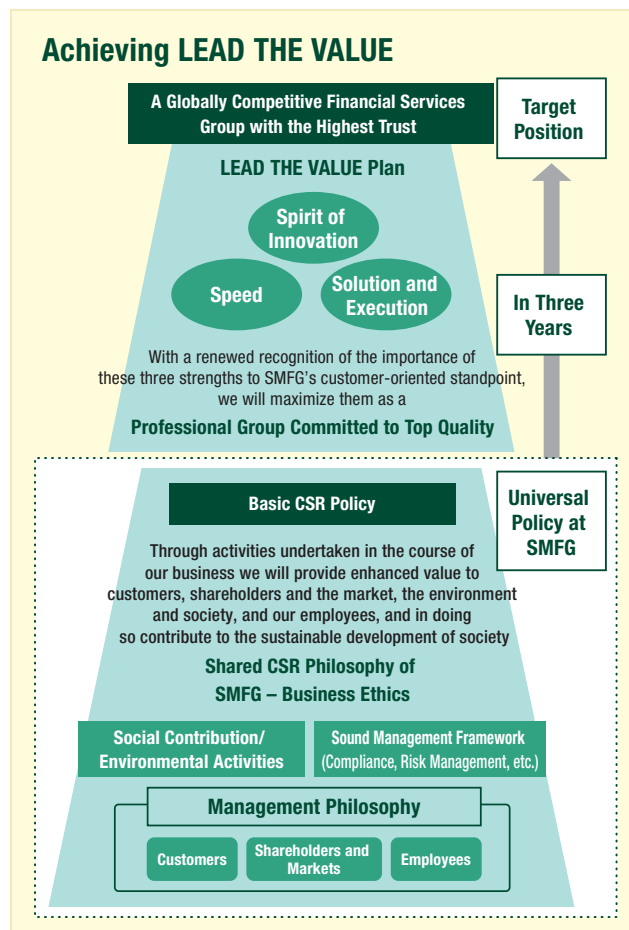


CSR and Our Business Growth Strategy

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.



Previous Activities and Issues for the Future

● SMFG's Target Identity

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 by being the financial group with the highest levels of convenience and reliability.

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 has always placed great emphasis on social contribution and environmental activities, and remains committed to their implementation.

We aim to ensure clear disclosure of the details of these activities, promote environmental business and initiatives to respond to environmental risks, and address the needs of an aging society. Through active engagement in social contribution and environmental activities in the course of our business, we will aim to be an environmentally sound financial group.

Employees

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

Governance and Compliance

We have positioned corporate governance and compliance as the cornerstones of management and our CSR activities, and will strive to further strengthen our internal controls.

Communication

We will continue to hold stakeholder meetings and other events in our effort to maintain two-way communication with stakeholders such as customers and employees.

		Previous Activities
Customers		<input type="checkbox"/> Cultivating a corporate culture that values customer feedback <input type="checkbox"/> Developing a system for using customer feedback to improve our business and services <ul style="list-style-type: none"> Established Quality Management Department, CS and Quality Improvement Committee, Group CS Committee Formulated CCF Action Plan Introduced full-scale customer service education Developed system to provide solutions based on customer needs (established bank CA headquarters/ PA headquarters)
		<input type="checkbox"/> Providing products and services that customers can use with greater confidence <ul style="list-style-type: none"> Introduced cutting-edge security measures Upgraded customer survey, CRM Incorporated customer evaluations into performance evaluations Developed user protection framework
Shareholders and the Market		<input type="checkbox"/> Highly transparent information disclosure <ul style="list-style-type: none"> Published the Annual Report Published the Annual Report Improved information disclosure via the website
Society and the Environment	Society	<input type="checkbox"/> Initiatives through our business <ul style="list-style-type: none"> Conducted education about finance and economics (bank tours, publication of booklet What Do Banks Do?) <input type="checkbox"/> Corporate citizenship <ul style="list-style-type: none"> Contributed to welfare activities, local and international communities, environmental activities, contribution in fields of culture, art and education Established barrier-free branches Employees acquired Service Care Contributed to local communities and society through retail branches <input type="checkbox"/> Promoting awareness among directors and employees <ul style="list-style-type: none"> Supported volunteer activities by employees Introduced CSR and Corporate Philosophy training Introduced commendation system for branches that make contributions to local communities
	Environment	<input type="checkbox"/> Reducing our environmental burden <ul style="list-style-type: none"> Achieved ISO14001 certification on a Group basis Implemented green procurement Head office building became carbon neutral <input type="checkbox"/> Distributing environment-related information <ul style="list-style-type: none"> Held environmental seminar Published the environmental magazine SAFE <input type="checkbox"/> Responding to environmental risks <ul style="list-style-type: none"> Adopted Equator Principles Established Environmental Analysis Department Engaged in initiatives to address problems of soil contamination and asbestos <input type="checkbox"/> Other <ul style="list-style-type: none"> Signed the UNEP Statement by Financial Institutions Participated in carbon disclosure projects Employees conducted voluntary SMFG Clean-up Day at beaches <input type="checkbox"/> Environmental business <ul style="list-style-type: none"> Applied financial technology in environmental measures (emission rights introductions and trusts, ethanol derivatives, clean funds, etc.) Supported environmentally friendly companies (SMBC-ECO Loan, ESCO Lease, etc.) Developed environmental projects (ESPs, ESCOs, biogas projects, etc.) Supported environmental businesses (held eco japan cup, held environmental business networking event)
Employees		<input type="checkbox"/> Work/life balance support <input type="checkbox"/> Gender equality <ul style="list-style-type: none"> Established Next W-ing Project Section (dedicated to promoting gender equality) Established employees support program (part-time employment framework to support work/life balance) <input type="checkbox"/> Actively leveraging the abilities of employees and raising skill level <ul style="list-style-type: none"> Improved recruitment system Held SMBC Job Forum
Governance/ Compliance		<input type="checkbox"/> Upgrading internal controls <ul style="list-style-type: none"> Formulated internal control regulations, compliance manual Improved internal reporting Implemented response to Financial Instruments and Exchange Law (including strengthening internal control framework in relation to financial statements) <input type="checkbox"/> Established Auditing Committee and Internal Auditing Committee, Business Management Committee
Communication		<input type="checkbox"/> Strengthening communication with stakeholders <ul style="list-style-type: none"> Published CSR Report Implemented stakeholders dialogue

		Issues for the Future	Medium-term Management Plan LEAD THE VALUE
P.23- P.25	Customers	<ul style="list-style-type: none"> □ Cultivating a corporate culture that values customer feedback □ Developing a system for using customer feedback to improve our business and services <ul style="list-style-type: none"> • Promote customer satisfaction framework on a Group basis • Investigate the acquisition of certifications such as ISO9001 • Increase the importance of customer evaluation in performance evaluations □ Providing products and services that customers can use with greater confidence <ul style="list-style-type: none"> • Continuously upgrade security measures • Further reinforce user protection framework 	<ul style="list-style-type: none"> Financial consulting for individuals Solution providing for corporations Performance evaluation enhancement
	Shareholders and the Market	<ul style="list-style-type: none"> □ Highly transparent information disclosure <ul style="list-style-type: none"> • Expand voluntary disclosure items • Improve IR publications aimed at individual investors • Investigate adoption of environmental / CSR accounting 	Enhancement of internal and external communication
P.24- P.28	Society and the Environment	<ul style="list-style-type: none"> □ Initiatives through our business <ul style="list-style-type: none"> • Improve education about finance and economics • Introduce CSR standards into credit-screening processes □ Corporate citizenship <ul style="list-style-type: none"> • Increase contributions to welfare activities, local and international communities, environmental activities, contributions in fields of culture, art and education • Increase barrier-free branches, employees with Service Care Attendant qualification • Increase contributions made to local communities and society using retail branches □ Spreading awareness among directors and employees <ul style="list-style-type: none"> • Improve and expand volunteer activities by employees 	<ul style="list-style-type: none"> Financial consulting for individuals Solution providing for corporations Performance evaluation enhancement Enhancement of internal and external communication
P.10- P.12 P.29		<ul style="list-style-type: none"> □ Reducing our environmental burden <ul style="list-style-type: none"> • Reinforce measures toward carbon neutrality • Reduce paper consumption (e.g. meeting documents, etc.) • Expand green procurement □ Responding to environmental risks <ul style="list-style-type: none"> • Introduce environmental standards into credit-screening process □ Environmental business <ul style="list-style-type: none"> • Improve environmentally friendly products and services • Initiate full-scale emission rights business □ Distributing environment-related information <ul style="list-style-type: none"> • Improve content of environmental seminars and environmental magazine SAFE □ Other <ul style="list-style-type: none"> • Improve environmental education • Investigate adoption of environmental/CSR accounting • Improve environmental volunteer activities by employees 	Focused business areas in global markets
P.26- P.27	Employees	<ul style="list-style-type: none"> □ Work/life balance support □ Gender equality <ul style="list-style-type: none"> • Improve work environment • Expand and promote employees support program □ Actively leveraging the abilities of employees and raising skill level <ul style="list-style-type: none"> • Increase opportunities for training and diversify training • Improve recruitment system 	Development of framework to secure and cultivate professional human resources
P.17- P.22	Governance/ Compliance	<ul style="list-style-type: none"> □ Upgrading internal controls <ul style="list-style-type: none"> • Steadily implement business improvement • Promote internal reporting • Promote response to Financial Instruments and Exchange Law (including strengthening internal control framework in relation to financial statements) • Formulate business continuity plan 	Strengthening compliance
ALL	Communication	<ul style="list-style-type: none"> □ Strengthening communication with stakeholders <ul style="list-style-type: none"> • Incorporate views expressed in stakeholders dialogue into business operation • Strengthen measures to improve corporate brand • Actively develop CSR initiatives • Further enhance communication within the organization 	Enhancement of internal and external communication

Regaining Trust

Customer-Oriented Operating and Compliance Structure

● Management and Inspection Functions at SMFG

Aware of the fact that SMFG had not been fulfilling its business management functions as a holding company sufficiently, our first task was to strengthen the management and inspection functions of SMFG as a holding company.

(1) Group Business Management Department

In July 2006, SMFG established a Group Business Management Department with the aim of creating a system that allowed SMFG, as the holding company, to monitor the appropriateness of operations at SMBC and other group companies.

In fiscal 2006, monitoring activities were implemented with respect to SMBC and SMBC Friend Securities. From fiscal 2007 onward, monitoring is being expanded to include: Sumitomo Mitsui Card; Sumitomo Mitsui Finance and Leasing; and The Japan Research Institute.

(2) SMFG Audit Department

Previously, the Audit Department assessed 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. This system has now been revised so that auditing by SMFG's Audit Department includes additional elements, such as examination of data supporting the audit outcomes of Group companies and direct auditing activities at companies.

From 2007 onward we are making a renewed commitment to customer-oriented operations, in line with our LEAD THE VALUE medium-term business plan. Management has made a strong commitment to reaching external audiences with this message, and through a range of measures is continuing to pursue customer-oriented operational systems and strengthen compliance.

● Activities at SMBC

Although the business improvement plan of June 2006 was formulated in response to the interest rate swap sales issue, our review of operations extended broadly throughout our business, rather than focusing only on the interest rate swap sales system.

Moreover, we have been steadily engaging in measures designed to make certain that our reviews continue to be effective, aiming to create a reformed mindset that enables a rapid realization of our goal of ensuring that our customer-oriented management philosophy is reflected in and becomes an inherent part of our overall operations and management.

(1) Clear Communication from Management

We have taken a number of steps to communicate management messages throughout our business, including holding branch manager meetings attended by managers of all branches nationwide at which the key topic has been reforming the mindset and actions of all employees of the Group to realize a customer-first business approach.

(2) 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 eight committee members are external experts. Meetings have been held every quarter since the establishment of the committee in July 2006, with members deliberating on progress on the business improvement plan.

(3) CS and Quality Improvement Committee

The CS and Quality Improvement Committee comprises all the members of the management committee. It is chaired by the president of SMBC, and in principle meets every month. This committee is a forum for the management team to deliberate on customer-oriented business matters, and is periodically attended by external experts in this field.

(4) CCF Action Plan

Each operational division follows an annual CCF Action Plan (Customer Comes First & Compliance Comes First), which provides a framework for pursuing customer-oriented business and maintaining compliance. The action plans for fiscal 2007 contain specific initiatives that reflect the characteristics of each operating division, and are being pursued with periodic progress checks

Operational Review

(1) Revision of the Assessment System

We are highly cognizant of the fact that the performance assessments of each operations branch can have a significant influence on the actions of branch employees. Accordingly, in fiscal 2006 we introduced an assessment system for the operations branches of our Middle Market Banking Unit under which the following items are awarded equal evaluation: 'Reported Profits for the Single Fiscal Year in Question'; 'Franchise Building over the Medium-Term'; and 'Base Operations (Customer-oriented Systems and Compliance)'. The same system is used in the Corporate Banking Unit, the International Banking Unit, and the Investment Banking Unit. For

Following the administrative orders received by SMBC in April 2006 from the Financial Services Agency (FSA) with regard to the abuse of a dominant bargaining position in the sale of interest rate swaps, in June 2006 we submitted a business improvement plan to the FSA. Since that time SMFG and SMBC have been implementing the business improvement plan, making every effort to recover the trust of society, beginning with customers and shareholders. The following is an overview of progress to date.

fiscal 2007 a similar approach has been adopted for the Consumer Banking Unit, whereby assessments of operations branches are based on equal weighting of the above three categories.

Individual staff assessments have also been modified to reflect the operations branch assessment system, as a means of promoting the adoption of our customer-oriented approach at the individual level as well as on an organizational basis.

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

To ensure that the business plans for each operating division and operations branch sufficiently reflect the specific characteristics of each market and are formulated to an appropriate standard, we have established Guidelines for Drawing up Business Plans for head office and operating branches. Moreover, with the aim of preventing excessive sales practices, we have established Rules for Revising Business Plans so that, under specific circumstances where achieving business plan targets become difficult, operations branches are able to request a change in a business plan.

In addition, each operational division also operates under Proper Business Guidelines, designed to promote appropriate business practices, and Operations Branch Business Administration Guidelines, which include a head office monitoring system.

Reviews of Products and Services

(1) Product and Service Quality Rules / Criteria for Product and Service Reviews

In fiscal 2006, the company established Product and Service Quality Rules covering the planning, development and review of products and services. The company also formulated the 2006 Criteria for Product and Service Reviews, as a framework for carrying out periodic reviews of the sales systems for products and services. The 2006 framework included the assessment of more than 100 checklist items for each product and service offered by each division, covering aspects such as merchantability, usage, and sales and marketing documentation.

(2) Operations Branches Product and Service Assessments

In January 2007 SMBC implemented new Operations Branches Product and Service Assessments for all products and services, with the aim of reflecting the point of view of sales managers at each operations branch. The feedback and requests received from each branch are being assimilated, reviewed and actioned as appropriate by each division at head office.

Through the initiatives outlined, sales managers and the divisions responsible for each product are jointly engaging in the product development and review process, with the resulting unity of head office and operations branches facilitating an even greater application of customers' viewpoints to the improvement of products and services.

Review of Administration

(1) Strengthening Compliance

1. Appointment of Area Compliance Officers

In fiscal 2006, Area Compliance Officers were appointed in the Middle Market Banking Unit to each of the regional operating main offices. These officers operate independently of any front-line departments, and are tasked with providing guidance and supervision of autonomous compliance activities at operations branches. In the Consumer Banking Unit, the appointment of Compliance Promotion Officers had been completed by fiscal 2006, and in fiscal 2007 these positions were renamed Area Compliance Officers.

Area Compliance Officers are stationed at each regional main office, providing instruction and monitoring with respect to compliance and customer-oriented operations.

In April 2007, the Area Compliance Officer system was expanded to include the Corporate Banking Unit, the International Banking Unit, and the Corporate Services Unit.

2. The 'SMBC Alarm Line'

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 whistle-blowing system that includes a channel for receiving whistle-blowing notifications that is managed by outside lawyers.

3. Antimonopoly Law Monitoring Department

SMBC has developed and is continuing to improve a system for directly receiving inquiries and opinions from customers in relation to antimonopoly laws at the Antimonopoly Law Monitoring Department.

(2) Gathering, Analyzing and Actioning Customer Opinions

Through the Quality Control Department, SMBC ensures that customer comments and opinions are collected and any individual complaints are addressed appropriately. The department also analyzes customer feedback, and issues proposals for improvements to each head office division.

(3) Continuous Focus on Customer-Oriented Training

SMBC has introduced a Customer-Oriented Training program based on a discussion format, with the aim of ensuring a high level of customer focus. In addition to this program, in February and March of 2007 the company held study groups for the corporate and retail divisions of each branch, as part of ongoing training initiatives.

Corporate Governance System

Our Stance on Corporate Governance

SMFG and its Group companies adhere to the SMFG management philosophy as a universal ideal for group management. This management philosophy serves as an anchor for corporate actions group-wide. We regard the fully effective functioning of corporate governance as one of the top priorities of management for realizing the objectives advocated in our management philosophy.

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 business operations of SMFG and its subsidiaries by attending meetings of the Board of Directors and other important meetings. 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. We also have outside directors to improve the effectiveness of the Board, as well as four committees—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).

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 important 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. In addition, with regard to the three Group companies Sumitomo Mitsui Card, Sumitomo Mitsui Finance and Leasing, and JRI, the director in charge of each subsidiary serves as a part-time director of these companies to strengthen the supervision of SMFG over their operations.

Furthermore, to maintain the soundness of management, SMFG has established an internal regulation system to ensure appropriate performance of duties in accordance with the Japanese Company Law. Maintenance of an internal control system, which is integral to the construction of a consolidated management system, ranks among our top management priorities.

◆ Board of Directors-Internal Committees

● Auditing Committee

Considers issues relating to group-wide internal auditing

● Risk Management Committee

Considers issues relating to group-wide risk management and compliance

● Compensation Committee

Considers issues relating to compensation of Board members and executive officers of SMFG and SMBC, such as:

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

● Nominating Committee

Considers issues relating to the appointment of directors of SMFG and SMBC

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

Internal Audit System

An Outline of the Internal Audit System

At SMFG, in addition to the existing Auditing Committee, which reports to the Board of Directors, we established the Internal Auditing Committee, which reports to the Group Management Committee, to further raise the profile of internal auditing and facilitate the more effective conduct of audits. 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 Audit Department is also responsible for supervising the internal audit systems of each Group company. It monitors the adequacy and effectiveness of the internal audit system at each Group company through the review or audit of relevant issues. 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.

At SMBC, we have set up auditing departments independent of bank units involved in marketing activities. We established the Internal Audit Department and the Credit Review Department within the Internal Audit Unit. As at SMFG, the bank has set up the Internal Auditing Committee, which reports to the Management Committee. The committee receives reports on important matters from the auditing departments and deliberates on them.

The Internal Audit Department is responsible for auditing the state of

legal compliance, and the management of market, liquidity, operation, and systems risks at SMBC's head office departments and domestic and overseas branches, and at all other business offices of SMBC subsidiaries in Japan and overseas.

Auditing of operations at each head office department focuses on the crucial themes that arise in the management of specific business operations and risk categories and emphasizes verification of "Target Audits" across the whole of the bank's organization. Moreover, audits of branches and offices include the verification of compliance and operational risk management frameworks, as well as the checking of operations, and recommendations are made in the case of problems.

The Credit Review Department audits credit risk management, including the accuracy of ratings and self-assessment.

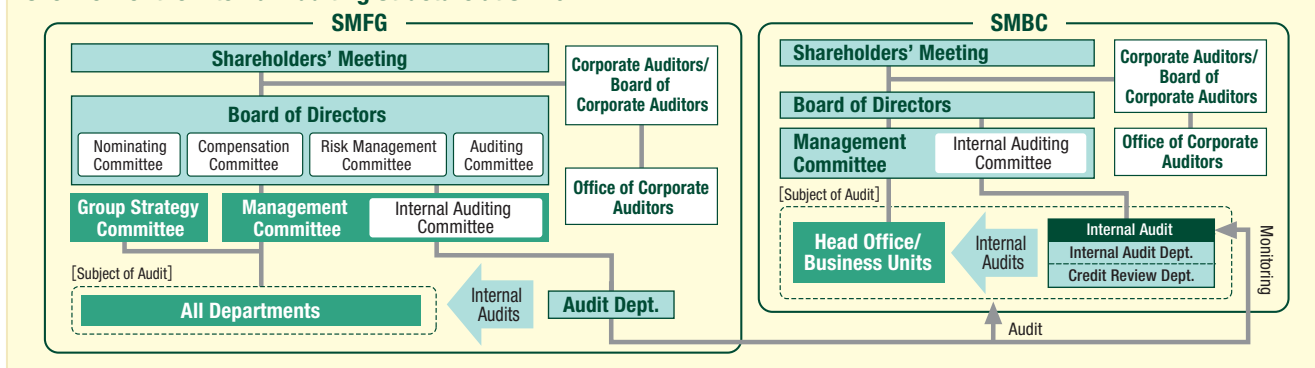
Internal auditing departments have been set up other Group companies, according to the respective nature of company's line of business.

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 throughout the Group to ensure that our internal auditing standards are in line with those set forth by the IIA.

Overview of the Internal Auditing Structure at SMFG



*The Institute of Internal Auditors (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

Compliance at SMFG

● Basic Compliance Policies

To effectively carry out its mission as an important part of the nation's public infrastructure and fulfill its social responsibilities as a comprehensive financial services group, SMFG will intensify its efforts to strictly obey the principles of compliance. We believe that by so doing, SMFG will have opened the way to becoming an outstanding global corporate group.

At SMFG, compliance is one of the pillars of our Business Ethics, which serve as the basic principles of corporate social responsibility that we follow, and strengthening compliance has been positioned as one of our top management priorities.

● Group Management of the Compliance System

As a financial holding company, SMFG works to sustain a system that monitors and also provides appropriate direction and guidance for each Group company's compliance system to ensure the sound and proper conduct of business activities throughout the entire Group.

Specifically, we oversee the state of compliance at major Group companies by holding regular meetings attended by representatives of all Group companies, as well as individual meetings with Group companies.

In fiscal 2007, the current business term, we are focusing on: (1) Ensuring strict compliance with the Antimonopoly Law (2) Monitoring the state of compliance with newly enacted legal statutes (3) Strengthening preventive measures against conflicts of interest

In these ways, we are working to make certain that all Group members fully uphold our high standards of compliance.

● Management of Legal Risk

Legal risk, which refers to the possibility of loss (including reputational loss) arising from violations of laws or contractual obligations, 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.

SMFG has established rules 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.

Compliance at SMBC

● Compliance System and Management

SMBC employs a dual structure whereby, firstly, each department and office is individually responsible for ensuring that its conduct complies with laws and regulations, and secondly, an independent auditing unit conducts rigorous audits of department and branch compliance.

To improve the effectiveness of this dual system, dedicated staff from the Compliance Unit, composed of the General Affairs Department and the Legal Department, carry out all necessary planning and supervision to ensure efficient function of the compliance system. Under the basic compliance policies drawn up by the bank's management, these compliance specialists supervise all departments and branches and conduct monitoring. They also provide assistance to branch staff in making compliance-related decisions. SMBC has also implemented the following measures to enable this compliance system to function effectively.

- Formulation of a Compliance Manual
- Development of a Compliance Program
- Assignment of Compliance Officers
- Establishment of a Compliance Committee and Other Committees

● Savings Account Name Identification

In accordance with the Deposit Insurance Law, SMBC conducts training of its employees regarding the deposit insurance system and promotes name identification of customers with savings accounts. The bank will continue to work toward improving its information on savings account holders.

● Firm Stance Against Anti-social Forces

SMBC has always taken a firm stance against anti-social forces. We accept the guidelines for businesses to prevent damage by anti-social forces that were announced at a recent ministerial meeting on fighting crime. As part of our ongoing commitment in relation to this matter, we are working to ensure that all employees gain a full understanding of these guidelines.

In January 2007, SMBC and its New York branch consented to a Written Agreement or business improvement order issued by U.S. financial regulators regarding improvements to the anti-money laundering framework at its New York branch. The agreement contains obligations to improve the anti-money laundering framework at the New York branch and provide monthly progress reports on the improvements. The relevant departments at head office and at the New York branch will continue to work with external advisors and maintain a dialogue with financial regulators to comply with the requirements of the Written Agreement.

Risk Management System

Basic Principles

Financial and economic deregulation, globalization, and advances in IT are generating new business opportunities for financial institutions. 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 in the management of a financial holding company. 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: 1) Set forth SMFG's group-wide 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) Monitor the implementation of risk management by all Group companies to ensure that their practices meet the relevant standards.

Types of Risk, and Risk Management System

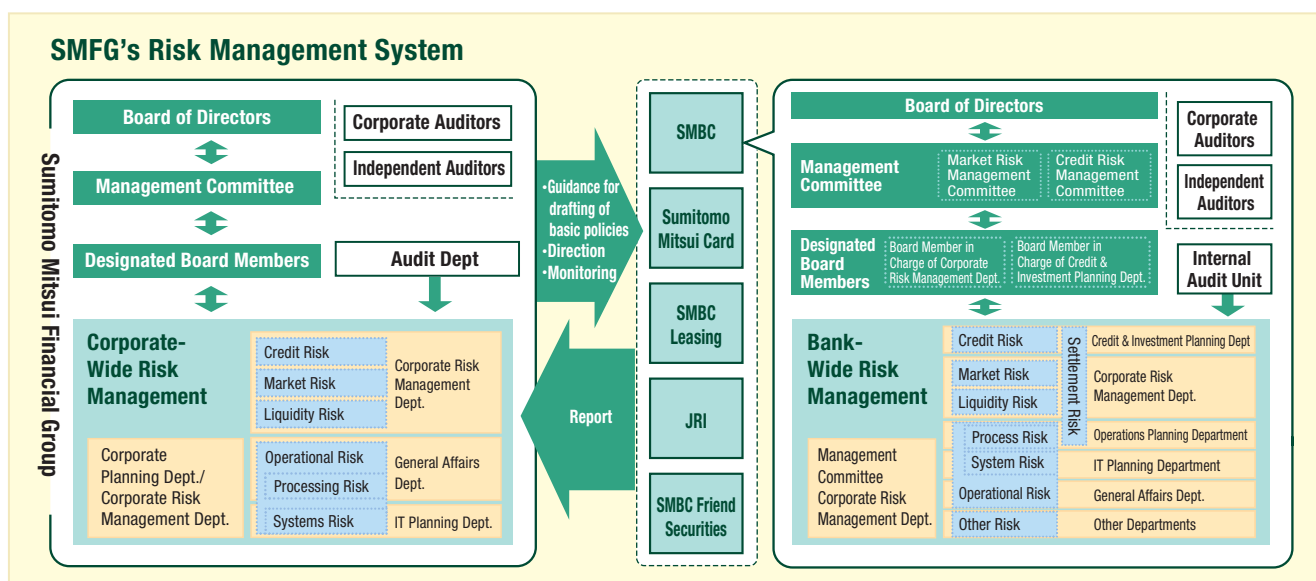
At SMFG, we classify risk into the following categories: (1) credit risk, (2) market risk, (3) liquidity risk and (4) operational risk (including processing

risk and systems risk). In addition, we provide individually tailored guidance to help Group companies identify categories of risk that need to be addressed. Risk categories are constantly reviewed, and new categories may be added in response to changes in the operating environment. The Corporate Risk Management Department works with the Corporate Planning Department to comprehensively and systematically manage all these categories of risk across the entire Group.

Top management plays an active role in determining SMFG's group-wide basic policies for risk management. The system works as follows: 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 Methods

SMFG's group-wide 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 system verification. In addition, there are specific operational policies for implementing appropriate management of risk by all Group companies.



Together with Customers

Corporate Borrowers —Improving Services for Small- and Medium-sized Enterprises

SMFG is committed to providing extensive services and products that emphasize social and environmental perspectives while also responding to the varied funding procurement needs of corporate borrowers, particularly SMEs.

● Enhancing Business Succession Services

An increasing number of our SME customers face difficulty in planning for business succession despite having sufficient customer base capital equipment, technical expertise and other management resources. A lack of successors to replace retiring management is among the reasons for this. To address the issue, SMBC established in April 2007 the Private Advisory Department, which straddles the Corporate Banking Unit and the Consumer Banking Unit. The Department includes a Succession Business Department, and main consultation desk.

● Strengthening Marketing

To further improve its development of products relevant the needs of SME customers as well as respond to other management issues, SMBC expanded the former SME Department to create the Small and Medium Enterprises Marketing Department. Specialist groups have been newly set up within the Department to address tasks such as supporting business expansion through business matching, and dealing with hospitals and schools.

● Engaging Growth Markets

Venture companies and growing businesses have increasingly diverse funding procurement needs due to the advanced technology and innovative business models they use. We believe, therefore, that it is essential that we address both funding and investment in our approach to our customers.

In addition to the V-Fund Loan, in which evaluation is based on growth potential, SMBC established in April 2007 the Merchant Banking Department to improve our cultivation of and investment support for growth companies through equity investment.

Individual Customers—Accommodating Diverse Values and Lifestyles

SMFG develops and provides highly convenient cutting-edge products and services to support the increasingly diverse values and lifestyles

of our individual customers.

● ATM Commissions Revised

Starting from March 2007, after-hours transactions at E-net, Lawson and Seven Bank convenience store ATMs were made commission-free for all One's Direct transactions involving transfers to SMBC branches (excluding procedures involving a telephone operator). Commission-free after-hours transactions had previously been limited to transactions with SMBC made by SMBC customers on the One's plus contract at SMBC branch ATMs and @BANK ATMs at am/pm convenience stores.

Furthermore, from October 2007, we also introduced the following: commission-free after-hours weekday transactions at branch and @BANK ATMs for customers with over ¥100,000 in their account at the time of transaction; commission-free transactions at Japan Post Bank ATMs and East Japan Railway Company ATMs; and commission-free after-hours card-loan transactions.

Providing Our Customers with Reliable Services

● Improving CS and Quality

To improve CS and quality, SMBC holds discussions by its CS and Quality Improvement Committee, whose members are comprised of the chairman and all managing directors of SMBC and which analyzes feedback from customers, using it to enhance products and services.

We conduct surveys both at our branches and by post in order to receive more feedback from our customers; we also implement training and education of our employees to raise the level of customer satisfaction in our services, as part of a wide range of initiatives.

We established the Group CS Committee in April 2007 to engage in a group-wide effort. The committee reports on and monitors the CS frameworks at each Group company and the status of customer feedback analyses.

● Upgrading Security

As outlined in the chart on the right, we have been taking numerous measures to improve the security of cash cards, which has become an issue of some concern to the public in recent times. One action we have taken is to introduce biometric IC cash cards. In November 2005, we revised our card-related policy and established a compensation system for cardholders affected by illegal withdrawals resulting from counterfeit or stolen cards.

In February 2006, we established a Financial Crime Prevention

Department concomitant with the implication 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 introducing innovations such as single-use passwords and the addition of electronic signatures to emails.

● Strengthening Measures Against Phishing and Internet Crime

SMBC not only provides anti-fraud protection to clients but has also adopted the RSA FraudAction service to quickly shut down phishing sites (i.e. false websites posing as the SMBC homepage). This makes it possible to take the necessary measures against phishing sites in Japan and overseas, 24 hours a day 365 days a year.

Customers using Internet Explorer 7 on Windows Vista™ can now more easily gain visual verification that the website they are viewing is genuinely our website.

Without requiring the new installation of software, the function changes the browser address bar to green and displays the site operator name, providing a simple way to visually distinguish our website from phishing sites.

● Improving 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.

By the end of March 2008, we will have installed handset phones

at all SMBC branch ATMs (excluding ATMs at am/pm convenience stores) in order to allow visually impaired customers to carry out voice-operated transactions. On our homepage, including internet banking, we are introducing features to accommodate voice detection software and accessibility functions. In March 2006, we became the first bank to offer product pamphlets in audio format, printing SP codes on certain pamphlets for use with text reading devices to provide aural descriptions of our products.

Our initiative to develop barrier-free branches is advancing on both the “hard” (physical) and “soft” (service) fronts. On the physical side, as part of modifications being implemented at all staffed branches sequentially since April 2007, slopes, automatic doors, and Braille plates have been installed to make facilities more accessible for elderly and physically disabled customers.

In terms of service, we are advancing plans for SMBC lobby attendants at all our branches nationwide to obtain the Service Care Attendant qualification. As of March 31, 2007, 140 stores out of a total 400 were staffed by qualified attendants.

SMBC is leveraging its nationwide branch infrastructure to ensure the safety of customers and community residents, installing AED* devices and fire emergency guide maps at all staffed card service corners.

*AED (Automated External Defibrillator): A device that uses electrical defibrillation (i.e. the application of an electric shock) to reestablish a normal cardiac rhythm in the event of a cardiac arrest induced by ventricular fibrillation.

SMFG Cash Card Security Upgrades			
PIN security	<input type="checkbox"/> PIN alteration service at ATMs <input type="checkbox"/> Cautionary notices on ATM screens <input type="checkbox"/> Rear-view mirrors at all ATM locations <input type="checkbox"/> Privacy coatings on dividing panels at ATM booths <input type="checkbox"/> Polarized light filters at all ATM locations <input type="checkbox"/> Random keyboard function for PIN code entry <input type="checkbox"/> Preclusion of easy-to-guess PINs from PIN change at ATMs	Damage limitation	<input type="checkbox"/> Enhanced monitoring of irregular transactions <input type="checkbox"/> Self-locking doors at ATM locations <input type="checkbox"/> Cash card usage limit service <input type="checkbox"/> ATM cash withdrawal notification service <input type="checkbox"/> Lower cash card withdrawal limits
		Compensation for victims of cash card fraud	<input type="checkbox"/> Compensation for cash card counterfeiting and theft • Announced response policy in February 2005 • Established “Counterfeit Cash Card Emergency Hotline” in March 2005(Reorganized as “Card Emergency Hotline” November 2005)
Cash card anti-counterfeiting and customer identification	<input type="checkbox"/> IC chip-equipped cash cards <input type="checkbox"/> Biometric customer identification system	Internet banking	<input type="checkbox"/> Notification message for passwords remaining unchanged for long periods, etc. <input type="checkbox"/> Disclosure of explanatory content about security issues (“Beginners Security Class”) <input type="checkbox"/> Introduction of software keyboard <input type="checkbox"/> Introduction of single-use passwords <input type="checkbox"/> Attachment of electronic signatures to emails

Together with Customers

Using women's strengths to target the women's market

Planning products, services and promotions from a female perspective

In October 2005, SMBC established the Next W•ing Project Department, which is staffed entirely by women, to provide precision financial services that are relevant to the diversifying needs of women.

Since many of our retail customers are women, including the female perspective will raise level of satisfaction our customers feel toward the Bank. Previously the Department plan and developed popular products such as the home loan service for women Woman PLUS, One's Next Club Woman membership service, and Double Wing Six Asset Balanced Fund Investment Trust. This planning and development from a female perspective is a manifestation of SMBC's message of "supporting women in their ambitions and financial plans."

Products and Services planned by the Next W•ing Project Department

● Double Wing Six Asset Balanced Fund Investment Trust

A product jointly developed with female professionals from Daiwa Securities Investment Trust. 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 settlements, and a growth type that aims to capture value increases. Share investment is targeted toward companies with potential for sustainable growth.

● Woman PLUS, a home loan service for women

Developed by women for women, with enhanced services to meet women's specific needs. 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 online.

● One's Next Club Woman membership service

Targeting a wide range of female members, this service offers financial services along with lifestyle-related aspects such as travel, gourmet food, and beauty.

Increasing Opportunities for Women in the Workplace

Another important role of SMBC Next W•ing Project Department is proposing measures to create a workplace in which women have greater opportunities to take an active role. With an increasing presence of women in management positions, employees' needs continue to diversify with regard to work-life balance. We are carrying out numerous initiatives to enable women to continue to work in the long term.

Starting in April 2006, we established the NW Post, which gathers diverse ideas and proposals for promoting opportunities for women, in a drive to gain feedback from a wide range of employees. Suggested proposals are considered by the Human Resources Department and other departments, where efforts are made to reflect them in measures carried out. Numerous proposals from fiscal 2006 have been realized in the form of newly introduced programs. These include half-day vacation time, which provides greater flexibility for those needing to tend to sick family members or attend school events, and childcare subsidies, which provides compensation for extended day-care and overtime babysitter fees.



Rie Asayama
Department Chief,
SMBC Customer Banking Unit
Next W•ing Project Department

The Department has a very important role, considering that more than half of our customers are women. By fulfilling its responsibility and increasing the number of long-term female employees able to continue working after marriage and childbirth, the Bank as a whole will be able to diversify its perspectives. I'm confident that this will in turn lead to an increase in customer satisfaction.



SMBC's Work-Life Balance: A Guidebook for Working Women

Together with Employees

SMFG's growth is supported by our greatest asset—our individual employees. We are, therefore, determined to tap fully each employee's invaluable individuality and unique abilities. Here we explain the steps taken by SMBC in this field.

Human Resources

The primary goal of SMBC is to grow and prosper together with its four main stakeholder groups—its customers, shareholders and employees. To achieve this goal, SMBC has established the following four objectives for its HR system.

- 1. Support the building of an even more powerful business base that can successfully compete on a global scale**
- 2. Cultivate staff with specialized skills who can provide customers with value-added services**
- 3. Motivate employees more strongly by respecting their individuality and encouraging them to seek personal fulfillment**
- 4. Foster a corporate culture that rewards a forward-looking and creative attitude**

Nurturing Highly Specialized Human Resources

At SMBC, we nurture highly specialized and professional staff who can provide optimum added value to our customers. In view of the present trend of diversification in the types of business in which we engage, and specialization of banking staff in specific fields, as well as the growing diversity in values held by our staff, we are working to design a system of job categories to more effectively cope with these changing circumstances.

To enhance the effectiveness of our personnel system and reward highly specialized professional staff, we have set up Master Courses for the attainment of higher qualifications within each job category, and have created the new job description of “special expert” for individuals who possess excellent market value in their own specialized fields.

● Entry-level Foundational Training: The Rising Rookie Program

SMBC has a variety of job category-specific basic education programs for newly hired employees, to equip them with standard banking knowledge and skills. The newly introduced “Rising Rookie Program” (RRP) is being offered as an introductory course mainly for newly hired graduates in the corporate banking business. In their first six months, the new employees follow an intensive curriculum, which includes

financial analysis and other practical in-class subjects, mixed with on-the-job training at our corporate offices. By dramatically accelerating their acquisition of basic knowledge and skills that previously took several years to develop, we aim to boost motivation among our entry-level employees.

After completion of the program, instructors follow up on the progress of their students as they work in corporate banking operations. Going one step further, SMBC launched the Senior Director System in fiscal 2006. Workers with 15 to 20 years of experience assist new employees, providing general guidance and support, as well as instructing them on specific matters.

Also for the consumer banking business, SMBC has a number of highly specialized training programs tailored to different career tracks and business fields.

● Support for Personal Career Designing

To develop into financial service professionals, it is vital for all our staff to carefully assess their own skills and aptitudes and to be given the opportunity to decide for themselves what future career development course they wish to pursue.

To support employees' personal efforts to develop their own careers, SMBC operates a hiring system with three entry channels: 1) entry to specific mid-management posts (“post entry”); 2) entry to specific specialist jobs (“job entry”); and 3) entry via career-related training courses (“training entry”). The content of the various jobs offered is revised every year, and in fiscal 2006 we offered openings in seven different posts and 133 job categories.

● The SMBC Job Forum

At the SMBC Job Forum held in January 2007, almost 100 SMBC departments seeking to recruit new employees through the “job entry” channel provided an overview of possible assignments. The forum raised interest among employees in cross-divisional career development by providing insights into the particular activities of many departments. Furthermore, the forum was intended to give employees a chance to think about their career goals and find a means for achieving those goals. Approximately 1,200 SMBC employees gathered from across Japan.



Together with Employees

Tapping a Diverse Workforce

SMBC is committed to providing a workplace that can fully utilize the capabilities of all its staff, who have diverse priorities and lifestyles.

● Helping employees meet responsibilities at work and home

Since April 2005, SMBC has been operating an Employee Support Program to assist employees in maintaining a proper balance between their work and families. The program includes time off and reduced working hours to care for children as well as elderly relatives and others in need of care. To more flexibly accommodate diverse working lifestyles, we significantly expanded the contents of the system in January 2007. We are committed to further promoting work-life balance and gender equality.

Programs to give employees a more flexible work environment

- Leave for taking care of sick children
- Parental leave
- Half-day vacation time
- System for rehiring former employees
- Work relocations
- Shorter working hours
- Leave for taking care of elderly or disabled family members

Programs to give employees a more flexible work environment

- Childcare subsidies
- Other programs

SMBC also has a program to help employees returning to the workplace following parental leave, which involves monthly sessions organized by the Next Working Project Department. Participants in the course are able to obtain up-to-date information on their workplace, exchange information with other participants, and receive advice from colleagues with prior experience of returning to work after parental leave. The program helps to reduce the anxiety that can develop from being away from the workplace for a long period and help employees to prepare for their return to work. Already, almost 300 people have taken part in the program since it started in April 2006.

● Expanding Employment Opportunities for People with Disabilities

SMBC is strongly committed to improving employment opportunities for people with physical disabilities, and has established SMBC Green Service, a special subsidiary dedicated to this purpose. In recognition of SMBC Green Service's significant contribution to improving employment opportunities for people with disabilities, as well as boosting retention ratios, the Osaka Prefectural Government presented the company with an award in fiscal 2005 under its "Compassionate Corporation Program." The percentage of physically challenged SMBC employees in fiscal 2006 reached 2.03%, above the 1.8% required by law.

● The SMBC Open Lounge

SMBC wants an even more diverse range of potential recruits to gain an understanding of banking operations and career opportunities. For this purpose, we conduct activities that are oriented toward university students while separate from the usual job-hunting process. In fiscal 2005, we started a seminar called "Banking College for Women," a program aimed specifically at female university students. This program

attracts a large number of participants every year. Activities like this helped raise the share of women to about 40% of all new graduates that we hired for the banking career track (including consumer service specialists) in April 2007.

In March 2007, SMBC sponsored a one-month event called the SMBC Open Lounge. This event offered university students the chance to speak directly with younger staff members from various units, such as the Consumer Banking, Corporate Banking, International Banking, Investment Banking and Treasury units.

Raising Employee Awareness of Individual Rights

SMBC has laid down as principles to be observed by employees in the course of their work: 1) the requirement to respect the individual human dignity of customers and fellow staff members alike at all times; and 2) a prohibition against discrimination or prejudice of any kind against any person or class of persons.

To increase our employees' knowledge of the issues involved in respecting the rights of individuals, we have initiated group seminars for managers in charge of employee awareness at each department or branch, employees newly promoted to management positions and newly-hired employees. Training sessions presided over by the head of the department or the branch manager are held twice a year at each department or branch, and a wide range of rights-related themes are discussed.

Staff Profile

March 31	2005	2006	2007
Number of employees*	21,020	20,322	19,723
Male	14,635	13,955	13,424
Female	6,385	6,367	6,299
Average age	39.0	39.0	39.0
Male	41.2	41.2	41.1
Female	33.7	34.0	34.4
Average years of service	16.9	16.7	16.6
Male	18.5	18.3	18.1
Female	13.2	13.3	13.5
Ratio of employees with disabilities (% of total)**	2.09%	1.99%	2.03%

* This figure is the number of full-time employees, including employees temporarily dispatched to other companies and organizations. The following have all been excluded from this total: executive officers, employees on short-term contracts, part-time employees, temp-staff employees, and local staff at overseas branches.

** As of March 1

March 31	2003	2004	2005	2006	2007
No. of new female graduates***	90	143	208	252	380
Proportion of new female graduates (%)	30.4	36.2	38.1	36.3	40

*** Core employees (career-track positions + consumer services positions); excludes general office employees

	FY2002	FY2003	FY2004	FY2005	FY2006
No. of female management	155	167	193	235	280
No. of staff taking child-care leave	--	61	70	89	128
No. of former employees rehired	--	7	88	181	156

Social Contribution Activities

Fundamental Approach to Social Contribution Activities

SMFG and its Group companies, in recognition of the public service nature of the financial services industry, emphasize the use of business operations to contribute to the development of society. In addition to this contribution to society through day-to-day business operations, we must also act as a responsible corporate citizen by engaging in activities that help lay the foundations for a better society in the future. In the spirit of corporate citizenship, SMFG and its Group companies will fulfill their social obligations through a broad range of activities.

Policy on Social Contribution Activities

SMFG and its Group companies understand their role as responsible corporate citizens and undertake activities that contribute to the realization of a prosperous and sustainable society. As well as planning and executing social contribution activities at the corporate level, we encourage employees to volunteer for worthwhile activities. Our social contribution activities are based in the following four sectors: 1) social welfare; 2) local and overseas communities; 3) environment; 4) culture, art and education.

Policy on Social Contribution Activities

Group companies organize and participate in a wide range of social welfare activities, and also support organizations devoted to such causes to help create a more benevolent society.

● Donation of Voided Post Cards

Employees at Group companies collect voided post cards and exchange them for new postal stamps, which are donated to volunteer organizations to cover their correspondence fees.

● Sign Language Courses, Volunteer Workshops

SMBC offers sign language courses annually to its employees to help employees communicate better with hearing-impaired customers and improve service. Seminars are also held with the participation of parents and children to provide assistance to people with disabilities and to increase understanding among members of the public regarding guide dogs. SMBC also holds international goodwill events for parents and their children.



● Donations for Organizations that Assist Seniors

SMBC Friend Securities launched an investment trust in April 2007 with a focus on companies that offer services for Japan's aging population. The company donated part of its earnings from this trust to an organization that helps seniors to lead healthy and fulfilling lives.

Contribution Activities for Local and Overseas Communities

We undertake a variety of activities that contribute to the development of local communities both in Japan and overseas.

● SMBC Volunteer Fund

The SMBC Volunteer Fund makes donations to several volunteer organizations each year. About 11,000 SMBC employees were participating in the program as of September 2007, each making a voluntary contribution of ¥100 each month. In fiscal 2006, donations by the fund help to set up school libraries in Cambodia

and Laos, support medical costs for victims of landmines in Afghanistan, as well provide emergency disaster relief in Japan and overseas.



● Opening of Account for Donations to Disaster Victims

When a major natural disaster happens either in Japan or overseas, SMBC opens a special account and allows anyone wishing to donate money to the victims to make a deposit free of charge. We also solicit donations for such causes from employees of Group companies.

● YUI - an SMBC Volunteer Organization

YUI, an in-house volunteer organization, holds a charity bazaar, selling items collected from employees. Other activities conducted by the organization include computer classes at a school for children with hearing disabilities.



● Supporting UNICEF

Foreign coin collection boxes are placed at SMBC branches, and, after being sorted by currency, the collected coins are sent to UNICEF. Sumitomo Mitsui Card, through its point service for members of the VISA Japan Association, collects donations from VISA cardholders every year and presents them to the Japan Committee for UNICEF.

Environmental Contribution Activities

We conduct numerous environmental preservation activities.

● Neighborhood Cleanup Programs

Employees from Group companies volunteer to take in cleanup activities such as that held by SMBC along the banks of the Arakawa River in April each year, and the trash collection and cleanup event held by Sumitomo Mitsui Finance and Leasing and the Japan Research Institute in May 2007 to celebrate the 70th anniversary of the completion of Midosuji Street. They also carry out other cleanup activities of communities, riverbanks and beaches on an ongoing basis.



● Support for Private Nature Conservation Groups

The Japan Research Institute studies companies to determine their suitability for inclusion in the Eco Fund and donates part of the fees received for performing this research to private nature conservation organizations.

Contribution Activities for Culture, Art and Education

We also sponsor cultural, artistic and educational events.

● Charity Concert for Grown-ups and Kids

In May 2006, SMBC sponsored a charity concert, the proceeds of which went to help children all over the world who have been injured in wars and natural disasters.



● Educational Activities for Finance and Economics

SMBC engages in many educational activities involving finance and economics. The bank issued a book titled What Do Banks Do?; is a sponsor of the Kidzania Tokyo job-experience theme park for children; gives elementary school students tours of bank branches during summer vacation; sponsors Finance Park, an educational program on economics for junior high and high school students in Tokyo's Shinagawa Ward; holds finance and economics seminars at universities; and conducts other programs.



Environmental Activity Report

Environmental Activities



At SMFG Group, we regard the environment as one of our key management issues and harmonize our operating activities and conservation activities based on our Group Environmental Policy. SMFG is a signatory to the United Nations Environment Program (UNEP) Statement by Financial Institutions on the Environment & Sustainable Development, and also participates in the Team Minus 6% national campaign led by the Japanese government.

Our Three Core Activities

The three core elements of SMFG's environmental activities are: 1):The reduction of environmental impact 2):The practice of environmental risk management 3):The promotion of environmental business. The Group CSR Committee sets targets in each of these three areas and systematically follows the PDCA (Plan, Do, Check, Act) cycle in pursuing them. SMFG and its main Group companies have acquired ISO 14001 certification, the international standard for environmental management systems.

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.

Group 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

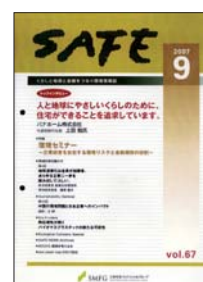
For more details on our Environmental Business activities, see pages 10 to 12.

Distributing information

SMFG continues to promote the distribution of environmental information throughout the Group.

● Publishing environmental information magazine SAFE

With the aim of providing our business partners with environmental information, SMFG Group publishes SAFE, an environmental information magazine that provides information on items such as interviews with top management from leading environmental businesses and detailed information on regulatory trends. The magazine has been published every second month since 1996. Currently, the magazine is delivered to Group company partners and those who have attended our environmental seminars (see below).



<http://www.smfg.co.jp/responsibility/environment/safe.html>

(available in Japanese only)

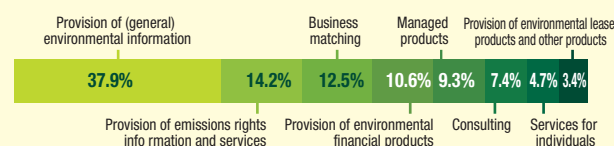
● SMFG Environmental Seminar

The fifth SMFG Environmental Seminar was held on July 2007. The seminars are held on an annual basis with the aim of providing environmental information.



Theme: Environmental Risks that Influence Operations Management and the Role of Financial Institutions

Number of participants: 501 people (Tokyo and Osaka total)
Results of seminar questionnaire "Expectations from SMFG Group"



● Signatory to Carbon Disclosure Project (CDP)

SMFG Group became a signatory to the CDP in February 2005. The CDP is a project in which institutional investors and financial institutions concerned about climate change work together to request disclosure from global firms on their position towards environmental issues and information on their environmental initiatives. The results are then combined into a report. Currently, there are over 300 financial institutions participating globally, with a total of \$41 trillion in outstanding loan assets. The project has requested information from 2,400 companies in Japan, America and Europe and elsewhere.

Opinion from a Third Party



Kanji Tanimoto

Professor, Graduate School of Commerce and Management, Hitotsubashi University
PhD (Business Administration)
Representative Director,
SIJ (Social Innovation Japan)

SMFG's fiscal 2006 report featured an explanation of the administrative orders received from the FSA regarding an "Interest Rate Swap Sales Issue" in the marketing of financial products, the cause of the irregularity and SMFG's response to the orders. With this year's report, it could be said that explanation was necessary regarding the kind of activities the Group had implemented over the year, the extent to which it had conducted reviews of its operations, and how these reviews were progressing. While this digest version of the report outlines the main initiatives being undertaken, I hope to see a more detailed progress report published on the website. At the very least, to ensure accountability, disclosure is required of topics discussed at committees throughout the year, and of the performance and issues of each department.

With the start of the three year medium-term management plan LEAD THE VALUE this year, a detailed CCF Action Plan for the fiscal year was established covering Consumer Business, Middle Market Banking, Corporate Banking, International Banking, Treasury, Investment Banking and other units, as well as administration. Also, having revised its approach to customer satisfaction last year, SMFG has begun creating a customer feedback database in a drive to improve customer satisfaction. A CS and Quality Improvement Committee functions as a panel directed at customer satisfaction in consumer banking and corporate banking. Study

groups have been held at each department and branch. The report should perhaps have given slightly more comprehensive coverage of proactive measures of this kind. There should be a commentary on specific themes and careful analysis of the data, rather than an explanation simply added on in the website version.

For any business, the question of the extent to which a customer-oriented approach and awareness of compliance can be instilled in the workplace is a difficult one. Given the current context of mergers, expansion of business territories and activities, as well as increasing mid-career and temporary staff recruitment, it is particularly important that the management philosophy and CSR policy be understood and shared, and that awareness of compliance is raised through improvements to training and other measures. It is also important to strengthen and maintain the system of checks that are conducted throughout the daily operations at department level. These tasks remain as important issues for management to address going forward.

In addition, I think this report should have explained in greater detail several issues that arose for SMBC during the fiscal period under review—in particular the January 2007 written agreement (i.e. business improvement order) issued by the U.S. financial regulators following their instruction that anti-money laundering controls were inadequate. Also, in relation to compliance, the report focuses mainly on explanation of the system; I hope the website version will provide more information about the actual measures that are underway.

To enhance the reporting, there are many issues that need to be considered such as the scope and extent of disclosure in the CSR report, communication with stakeholders and the input of feedback into management. To address an essentially non-financial matter such as CSR, it is crucial that the Group reflect once again on what accountability to the market and to society actually means.

Response to the Opinion from a Third Party

Takeshi Kunibe
Director of CSR Sumitomo Mitsui Financial Group



This year marks the third year since SMFG established the CSR Department at SMBC and began fully-fledged CSR activities. During that time, we received the administrative order from the Financial Services Agency relating to the sale of interest rate swap transactions. However, we managed to learn from this lesson and have spread awareness of customer satisfaction, upgraded our internal controls and conducted a

group-wide effort to strengthen our CSR framework.

We fully accept Professor Tanimoto's observation about accountability to the market and to society, and recognize the issue as a task in which we continued efforts will be required going forward.

SMFG has established a Group organization to focus on improving communication with stakeholders, upgrading the organization during the first half of fiscal 2007. Looking ahead, we will incorporate Professor Tanimoto's observations into our endeavor to further improve both the internal and external communication of the Group.

www.smfg.co.jp

This report is not intended to explain specific products and as such does not contain detailed information on products. SMFG charges fees and commissions for purchasing, selling and holding risk products in which the principal is not guaranteed.

Risk products contain the risk that the price of the purchased asset will decrease below the original investment, due to changes in various market environments and other factors.

Cancellation of a contract for a risk product before completion of the scheduled term may lead to losses, with the original conditions of the contract at the time of purchase becoming no longer applicable.

For details, please be sure to refer to the various product description pamphlets available at the Group's branches and offices.

