

# CSR REPORT 2008

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, Sumitomo Mitsui Finance and Leasing Co., Ltd., 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 the Group provides securities, consumer finance and other services to meet the increasingly diverse and sophisticated needs of its customers.

\*Throughout this report, "SMFG" refers to the holding company alone, whereas "the Group" refers to the holding company and its primary domestic and international subsidiaries and affiliates.

## Corporate Outline (as of March 31, 2008)

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:	46,429 (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 2007)

### Operating Income by Business Type

Unit: Millions of yen / percentage of total

Banking:	3,243,171 (65.5%)
Leasing:	965,837 (19.5%)
Others:	742,324 (15.0%)
Total:	4,951,333

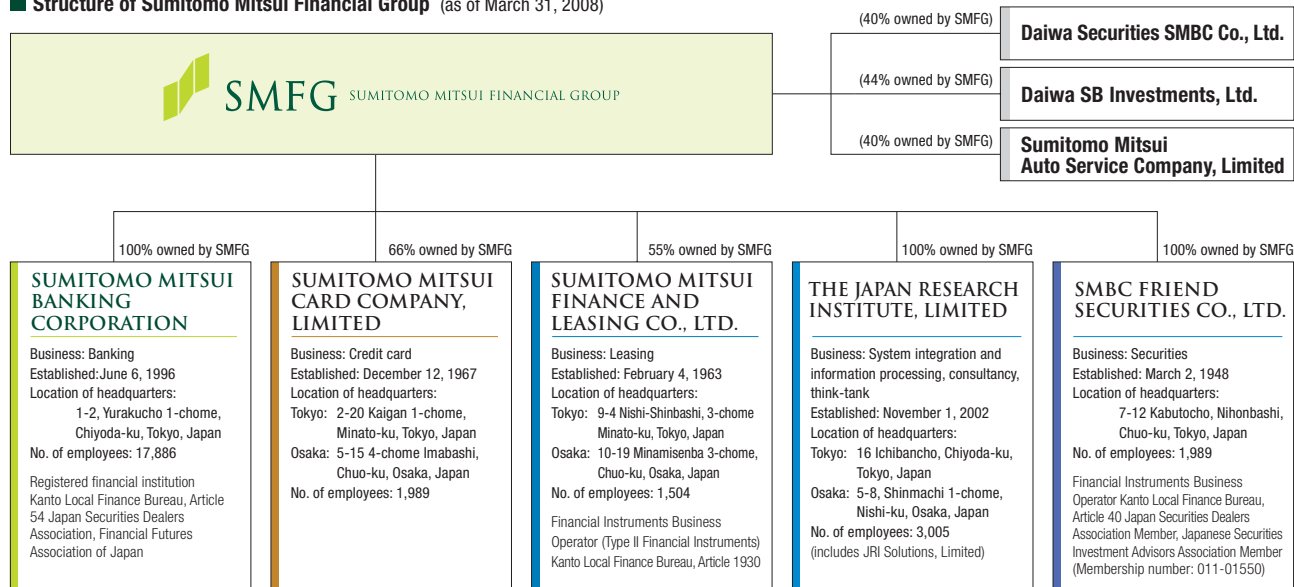
### Operating Income by Geographical Location

Unit: Millions of yen / percentage of total

Japan	4,033,692 (83.1%)
America	339,994 (7.0%)
Europe	260,321 (5.4%)
Asia and Oceania	220,826 (4.5%)
Total	4,854,834

\*As figures for operating income by business type and geographical location are those recorded prior to exclusion of inter-segmental sales, the totals are not comparable.

## Structure of Sumitomo Mitsui Financial Group (as of March 31, 2008)



## Editorial Policy

This report has been created in an effort to convey to our stakeholders the variety of our initiatives and the roles the Group is fulfilling as we work to create a sustainable society. In the Features section, we have presented dialogues with various stakeholders both in and outside of the Group. We have aimed to present the information clearly so that readers may understand our attitude that the fulfillment of CSR is the essence of business itself, and our initiatives to act upon this. We welcome any comments and impressions you may have.

## Disclosure of CSR Information

Information about our CSR is available in a printed booklet (digest version; Japanese only) and on our website. This English report is a translation of the digest version.



URL <http://www.smfg.co.jp/responsibility/>

Since fiscal 2007, the main report has been published on the SMFG website, while the main items have been compiled into a digest version for printing in booklet form. Information that could not be printed in the booklet is indicated by the Web mark shown on the right (Japanese only). The "GRI Guideline Balance Sheet" is shown on the website.



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## Reference Guidelines

Global Reporting Initiative: International organization established in 1997 with the aim of formulating and promoting globally shared guidelines for sustainability reports

## Scope of this Report

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

## Period Covered by this Report

April 1, 2007 to March 31, 2008 ("Fiscal 2007")  
Note: Certain items in this report refer to activities taking place after April 2008.

## Publication Date of Original Japanese Document

September 2008 (last report published November 2007; next report due to be published July 2009)

## Contact

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# Aiming to “LEAD THE VALUE” for Society

In April 2007 Sumitomo Mitsui Financial Group (SMFG) established LEAD THE VALUE, our medium-term management plan. In fiscal 2007, which corresponded to the first year of the plan, SMFG proceeded to make sure and steady steps towards achieving this plan while responding appropriately to an increasingly unclear and uncertain business environment due to turmoil in the financial markets stemming from the subprime loan crisis.

The LEAD THE VALUE plan is designed to fulfill the expectations of our stakeholders, such as customers, shareholders and society, while growing together. This concept remains unshakeable under any conditions. The Group will pursue the LEAD THE VALUE plan as a single unit integrating our operations with CSR, and aiming to become “a globally competitive financial services group with the highest trust.”

## Global Issues:

### The Role of Japan and the Role of the SMFG Group

At present, the world is facing numerous grave issues, including the surge in resource and energy prices, increasing concerns of an economic slowdown, the widening wealth disparity, and human rights and environmental problems. Each presents a serious challenge, and how we respond to these challenges will undoubtedly determine the future of the world. In particular, Japan is ahead of the rest of the world in facing a progressively declining birthrate and the graying of society, increases in waste materials, and the increasingly serious issue of energy and resource conservation. At the same time, however, Japan has cutting-edge environmental technology and industrial technology that will show the way forward with solutions to these challenges and is thus also ahead in solving problems.

We aim to become “a financial services group capable of competing on the world stage,” and I hope we can continue to reflect on our role as a financial institution in proposing concrete solutions to the challenges



Sumitomo Mitsui Financial Group, Inc.

Teisuke Kitayama  
President

A handwritten signature in cursive script, reading "T. Kitayama".

facing society.

As a financial institution, it is naturally our role to offer financial solutions to our customers. The starting point of our CSR approach, however, is in transcending that role and proposing “social solutions” to society. The correct state of business operations is in being needed by our customers and society at large, in working for the good of society, and in making profits as a company needed by society. We must go beyond merely balancing our operations with CSR to instead integrate our operations and CSR and coordinate them as a single unit. I believe this is the precondition to our becoming a financial services group capable of competing on the world stage.

### **The Imagination and Creativity to Read One Step Ahead and Advance One Step Ahead: Environmental Business, Financial and Economic Education, Diversity**

In order to change society it is necessary to provide concrete solutions, not just ideas. And to do this, both imagination and creativity are needed to read global trends and advance one step ahead of them.

For example, environmental issues are a top priority issue requiring the most urgent response on a global level. For that reason, the Group positions environmental business as a CSR activity focus where we can exhibit our function as a financial institution to the greatest possible extent, and we are widely promoting this business.

We are not only engaged in company-based environmental activities, such as reacquiring ISO14001 accreditation on a group-wide basis, but we have also made proposals to society based on our view of what the nature of social solutions offered by a financial institution should be, by being among the first to offer eco-loans, priority services targeting environmental technology companies, emission related businesses, and carbon offset-type financial products.

We are also proposing a variety of solutions in areas other than the environmental business in order to meet the expectations of society and resolve various challenges. In the area of financial and economic education we have developed a number of programs, including issuing “What Does BANK Do?” (an educational cartoon booklet), hosting a bank study tour for elementary school students, a children’s summer vacation bank expedition team, and setting up a virtual bank study tour on our website. In the area of diversity, we have established the “Next W-ing Project Department,” comprised solely of members gathered from among female staff at Sumitomo Mitsui Banking Corporation. In addition to gender equality and promoting financial product planning from the female standpoint, in fiscal year 2008, we also established the “Diversity and Inclusion Department”, aiming to achieve work-life

balance and diversity in the workplace.

Sumitomo Mitsui Banking Corporation also recently made the decision to invest in the iPS cell project of Kyoto University in conjunction with Daiwa Securities Group Inc., and we position this as an initiative for reading social trends one step ahead and thereby advancing one step ahead.

Of course, the ability to read one step ahead and advance one step ahead is also important in terms of protection. That is because it is impossible to take a step forward unless we properly establish a solid footing based on a hard look at future risks. The Financial Instruments and Exchange Law was implemented in fiscal 2007, necessitating the development of an internal control system governing the explanation of investment products, system of soliciting, and financial reporting. Although the subprime crisis had only limited impact on the Group, it caused great concern among the public as a problem confronting the entire financial industry. The Group has responded appropriately to these issues, but we will constantly be mindful of protection, secured in the form of risk control and compliance, so that we may earn the highest trust from society and our customers as we move forward.

### **Dialogue with our Stakeholders: For Innovation, Speed, Solution and Execution**

Our stance of reading one step ahead and advancing one step ahead is the embodiment of the LEAD THE VALUE plan advocating the spirit of “Innovation, Speed, Solution and Execution” which are the fundamental strengths of our Group, and the very essence of CSR. That is because the values the Group intends to lead are the values of society.

The Group has received the support of the members of society to date and maintained our activities as a company, but in order for us to continue and expand those activities we must constantly be in a position to understand what those social values are.

To achieve this, we will not only actively disclose our Group initiatives and activities, but also believe it is important to conduct a dialogue with all our stakeholders, including our customers, shareholders and the market, society and the environment and our employees, and listen to their voices with a sincere attitude.

This CSR report is intended to illustrate the initiatives and activities of the Group, and in addition to reading the report we would be grateful for your frank views and guidance. The Group will use this feedback as “signposts” for recognizing and understanding the “values” of society as we move forward.

September 2008

# SMFG's Basic Stance on Sustainability

## Contributing to the Sustainable Development of Society

Financial institutions conduct business of a highly public nature, including financial intermediation through settlement and deposits and lending, fulfilling an important social infrastructure function. There is a saying in Japan that “companies are the public institutions of society,” and as SMFG is a comprehensive financial group based on core financial institutions, we believe it is necessary for us to become more highly aware of our role as a public institution.

The first thing that the Group must do to fulfill this public role is to firmly maintain sound business management, and then provide our customers with higher value products and services on a stable basis. SMFG ranks among Japan's representative comprehensive financial groups, and as a company bearing the names Mitsui and Sumitomo, each with nearly 400 years of history, we believe it is our responsibility to fulfill an active role towards ensuring the sustainable development of society as a whole.

At present, humanity is facing new and serious challenges, including the advance of global warming and other deterioration of the environment, and these pose major threats the sustainable development of society. What kind of contribution can we make as a comprehensive financial group to resolve the various issues facing humanity? We believe that continually asking ourselves this question and acting upon the answers is the essence of our corporate social responsibility (CSR).

## Basic CSR Policy

As a basis for implementing its CSR activities, SMFG has formulated a definition of CSR and a set of business ethics that articulate its basis principles for the Group.

### ◆ Definition of CSR at SMFG

In the conduct of its business activities, SMFG fulfills its social responsibilities by contributing to the sustainable development of society as a whole through offering higher added value to (i) customers, (ii) shareholders and the market, (iii) the environment and society, and (iv) employees.

## ◆ Common SMFG CSR Philosophy: Business Ethics

### 1. Satisfactory Customer Services

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

### 2. Sound Management

We intend to be a financial services group that maintains fair, transparent, and sound management based on the principle of self-responsibility. For this purpose, along with earning the firm confidence of our shareholders, our customers, and the general public, we take a long-term view of our business and operate it efficiently, and actively disclose accurate business information about the Group. Through these activities, we work to maintain continued growth based on a sound financial position.

### 3. Contributing 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 group for which all officers and employees work with pride and commitment. For this purpose, we respect people and develop employees with extensive professional knowledge and capabilities, thereby creating a free and active business environment.

### 5. Compliance

We intend to be a financial services group that always keeps in mind the importance of compliance. For this purpose, we reflect our awareness of Business Ethics in our business activities at all times. 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 Points of CSR Activities

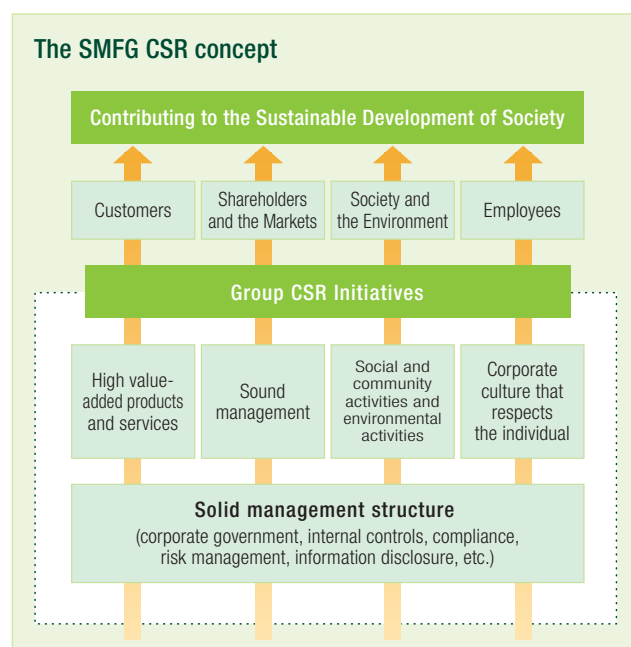
The key points of our CSR activities are as follows. First of all, we have created a solid management framework, including corporate governance, internal auditing, compliance, and risk management systems. Second, we offer higher added value to our four major stakeholder groups in the following ways.

- We endeavor to develop and prosper with our customers by offering

top-quality, high value-added products and services.

- We maintain sound management through disclosing appropriate information, designing and operating robust internal control systems, and managing to increase shareholder value.
- We implement initiatives on a continuing and active basis to contribute to society and preserve the natural environment.
- We work to foster a free and active business environment that emphasizes respect for individuals and allows employees to realize their full potential.

Finally, we ultimately contribute to the continuing development of society as a whole through all these activities.



## LEAD THE VALUE, Our Medium-Term Management Plan

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.

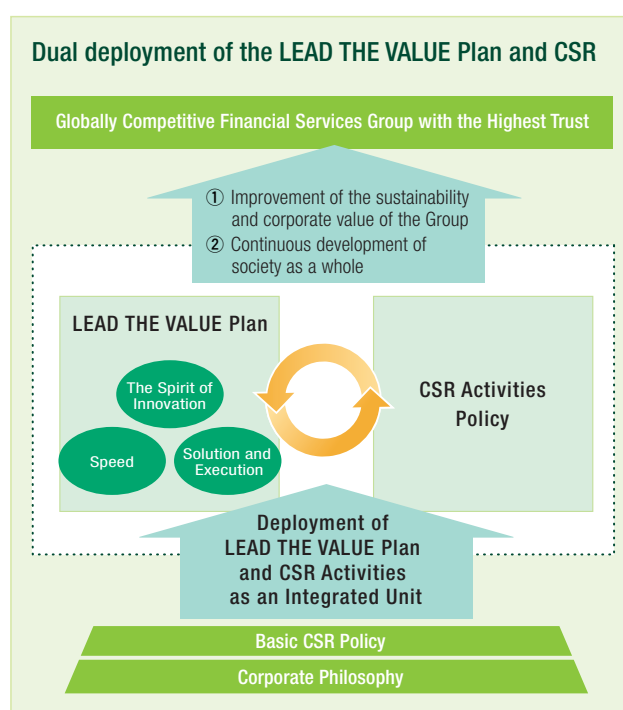
This motto embodies our determination to contribute to our customers and society through our business, “increasing the quality and comprehensive strength (value) of the entire Group by every one of us maximizing our strengths (value)-Spirit of Innovation, Speed, and Solution and Execution, and aiming 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.

## Deploying CSR and Business Growth Strategy as a Single Integrated Unit

At SMFG, while we believe CSR is the foundation of our business growth strategy, we also position CSR as an integrated unit with that business growth strategy, in order to achieve our business objectives. This means that in pursuing our business growth strategy, our concept is to check whether the direction in which we are progressing matches our business objective of “winning the highest trust,” and constantly assessing our activities against the standards outlined in SMFG’s Basic CSR Policy, while also ensuring that the customer and social needs we are made aware of in the promotion of our business growth strategy are reflected in our CSR activities.

We believe fulfilling our CSR imperatives is “the very essence of our business,” and seriously engaging in CSR the shortest path to achieving our business objectives.



## 1

## Stakeholders Dialogue

## The Role of Finance in the Creation of a Low-Carbon-Emission Society

We are now in the first commitment period of the Kyoto Protocol and there is growing concern over the issue of global warming, and people all over the world, particularly in Europe, are now starting to do something about this issue. Financial institutions have an important role to play in developing products and offering services that will support the efforts of other companies. With this in mind, SMFG has to ask itself what it should do and what its goals should be. On May 19th 2008, SMFG held a Stakeholders Dialogue that was attended by experts from various sectors, as well as managers in companies that have had practical experience in “green business practices”. At the event, the participants freely exchanged opinions from many perspectives.

#### ■ How do we create a low-carbon-emission economy? Turning risks into opportunities

**Sueyoshi:** I think that Japan, along with the rest of the world, is at a major turning-point in its struggle to deal with the global warming problem. Europe and the United States are taking an early lead in efforts to create a society that emits less carbon dioxide, and I think that the competition to achieve this goal is going to become a lot more fierce. I believe that the framework for such a low-carbon society is a low-carbon economy, but there are questions that need to be answered. How will Japan create a low-carbon economy? How will financial institutions, SMFG in particular, know what their responsibilities are? How will they carry out their roles? This issue is so serious that its outcome will determine the very survival of SMFG itself.

**Kawakami:** Before I joined SMBC in November last year, I worked at an independent administrative agency affiliated with the Ministry of Economy, Trade and Industry that was involved with the transfer of energy-conserving environmentally friendly technologies to developing countries. You need funds if you want to do anything. And financial institutions play a vital role in society by offering working capital finance.

**Sueyoshi:** The world has already started to change. If we assume that limits will be placed on CO<sub>2</sub> emissions, we have to ask ourselves what preparations will we make, and what kinds of financial solutions should we offer.

I think that creating good solutions will present us with new opportunities.

**Kawamura:** Maybe because there are a lot of conservative groups in the Japanese financial sector, it generally doesn't react until the overall picture is pretty clear. This is a bad trait of the industry. When no one has the courage to set an example, there are no clear trends to follow. I'm not saying that business will only be about eco-loans and emission trading; I would like a mega-bank like SMBC to set a major trend that others can follow.

#### ■ Towards 2020, a time when we need to see results

**Kawamura:** Twelve years have passed since ISO14001 was officially unveiled. And twelve years from now it will be the year 2020. Twelve years ago it was a wonderful thing to be involved with environmentally friendly management practices, but in the next twelve years I am hoping that we shall see some results as we head towards 2020. Even financial institutions, if they don't specify some tangible goals, such as reducing CO<sub>2</sub> emissions by 30% in ten years' time, will end up simply trading in emissions. The time for feeling good about saying “we are dealing with the problem” has ended; now people are taking a hard look at actual results. Financial institutions must talk about how they can achieve their goals through each of them working as hard as they possibly can—because if they don't, then no one will trust financial institutions any more.

**Ayukawa:** I also think that the medium-term targets of 2020 are

#### 〈Experts〉



**Takejiro Sueyoshi**  
UNEP FI Special Advisor,  
Asia Pacific Region



**Masahiko Kawamura**  
Chief Senior Researcher,  
NLI Research Institute



**Yurika Ayukawa**  
Vice Chairperson,  
2008 Japan G8 Summit NGO Forum

#### 〈Guests〉



**Shuichi Tsuchiya**  
Planning Team,  
Suzuyo Holdings



**Noriyuki Bessho**  
General Manager, Sales Department,  
Sagawa Express Co., Ltd.



extremely important. It was reported that the Prime Minister will soon be announcing the long-term targets for 2050, but that won't include the interim goals. Japan hasn't spelled out its medium-term or even its long-term targets—not even once—so I think that even setting long-term targets will be a really big step. But we really need medium-term targets for 2050, which should be achieved by about 2020. Without them, all we will be talking about will be dreams.

**Ikuma:** I also think that we need medium-and long-term targets.

**Ayukawa:** Establishing medium-term targets involves talking about the policies that will be required, but there is a lot of resistance among companies, so I guess the government is not saying much about the issue at the moment. I would like the companies to tell the government that policies to achieve these goals are needed. Corporations can fulfil their corporate responsibilities if they change their behaviour in this way.

### ■ The work of Suzuyo Holdings and Sagawa Express

**Sato:** I'd like you to tell us about the steps that Suzuyo Holdings and Sagawa Express have taken in dealing with these issues. Both these companies have already put environmentally friendly management practices into effect, and more recently have taken on new challenges using a framework for reducing emission levels.

**Tsuchiya:** Our relationship with SMFG began in the fall of 2007. We

realised that we could carry out our social responsibility by communicating messages to citizens through our partner, the socially influential Shimizu S-Pulse soccer team. So we purchased an emission quota on behalf of S-Pulse. We got a really positive response from the S-Pulse fans. Discussions between S-Pulse and the emission framework vendors have begun, and I feel quite happy about that.

**Den:** Our client is a soccer team, and we thought that given Brazil's status as a soccer superpower, the use of its emissions quota would appeal to our client, so we made arrangements to use the emissions quota of a Brazilian hydropower station. And it just so happens that the power station is in the same part of Brazil as the hometown of soccer player Marcos Aurelio who joined S-Pulse from the famous Santos Football Club of Brazil. This incredible sense of commonality was really well received by both the Brazilian side and the soccer fans.

**Bessho:** Since we are in the transportation business we operate vehicles, so our efforts have tended to focus on reducing emissions of greenhouse gases and levels of energy consumption. In the fall of 2007 we launched our home delivery "Eco Point System". At about that time, SMFG contacted us. We had several meetings and study sessions, and realised that this was a program that consumers could support, and so at the end of February 2008 we announced our "courier home-delivery service with CO<sub>2</sub> emission credits".

### 〈Sumitomo Mitsui Financial Group〉



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## Feature 1

### Stakeholders Dialogue

# The Role of Finance in the Creation of a Low-Carbon-Emission Society



**Kakita:** The development of Sagawa Express and Suzuyo Holdings products that incorporate emissions frameworks began around the spring of 2007. At that time, customer reaction was still a little sluggish, but from the second half of 2007 onwards there was a great surge in inquiries and we learned a whole lot about our customers' needs.

**Ikuma:** It's important to take an approach that appeals to the consumer. A business model that appeals individual consumers, say through the Shimizu S-Pulse team or via a home delivery service, ultimately through the choice of the people of Japan, will lead to a very important path that will determine the future direction that this country will take.

#### ■ Japanese corporations, where the gap between businesses is tremendous

**Kagawa:** The leading companies in Japan all study very hard, and we are always inspired by the intensity of their efforts. They really keep their eyes on the future as they conduct business. On the other hand, I feel that many other companies are struggling along, far behind. The gap between the leaders and the less successful companies is incredibly wide. While it is important to discuss the approaches we can take to achieve our medium-term emission targets, the first thing that we need to do is to firm up our footing, in other words: eliminate this gap. In that regard, we financial institutions have a really important role to play.

**Bessho:** We have developed a courier home-delivery service with CO<sub>2</sub> emission credits and are talking to various businesses about this customer participation program. The demand for the program as a business is very high; nevertheless, I do feel that there is a slight gap between this and the basic objective of trying to help the environment by reducing CO<sub>2</sub> emission levels.

**Ayukawa:** I think that gap is the responsibility of the Japanese government. It really hasn't done anything since signing up to the Kyoto Protocol in 1997. And all of a sudden it says that by the year 2020 we have to meet targets of CO<sub>2</sub> emissions of 20% or 30%—it's just not possible. The government's sudden announcement of these unrealistic targets without any preceding legislation just goes to show how out of touch it is. An emissions framework bill will have to be introduced in order to meet these targets. I really want Japanese companies to stand up and make their frustration known.

**Ikuma:** I think there are different kinds of business that financial institutions can offer to companies with different needs: one type for the front-runners, another for those in the middle, and then a different sort for those who haven't yet left the starting line.

**Sato:** Using that kind of approach, we have to communicate with the players in many different fields. You can't solve environmental problems all by yourself; you have to work with others to open up a path through.

**Kagawa:** I think that everyone should take part in measures to help prevent global warming. Our department covers a wide range of corporate clients. We listen to what they tell us and we supply them with information, and then all of us think about the issues. All of us together have to achieve the targets.

#### ■ Preparing for the transformation: the costs are investments in the future

**Sueyoshi:** The important thing is not to talk about what we are going to do fifty years from now but to discuss what we are going to do five, ten or fifteen years in the future. If the end targets are high, then of course the targets at the midway point will also need to be high, so we need to prepare ourselves for the really tough targets that we will face when we are halfway toward achieving our end targets.

**Tsuchiya:** I am a member of Shizuoka City's Environmental Model City council and we are telling the government that we are now at the point where the government, companies and citizens need to get ready. If each of these groups simply tries to reduce emissions within the scope of their abilities, then there is a real danger that we will not be able to reach the targets. I really think that tough sacrifices will have to be made in some cases. We can't tiptoe around the issues and expect to come up with meaningful results. Financial resources may be stretched at the moment, but let's invest our money; and let's ensure that corporations clarify their position regarding anti-global-warming measures. If we're going to try to achieve the emission reduction targets, then first of all we have to change our stance.

**Ikuma:** What we need is reform—not mere improvement. Do you see this as a crisis or an opportunity? During the Industrial Revolution 200 years ago, the high-carbon-emission society came into being. This time we will see a major industrial revolution to enable the transformation into a low-carbon-



emission society, and we will see the creation of new industries as a result. One really big problem is that we don't have any evidence in Japan of this kind of positive attitude to change.

**Sueyoshi:** You've said exactly what I was thinking. We talk about the cost of these environmental protection measures, but they aren't really costs: they are forms of demand; they represent future employment and income. They are an investment in the future.

### ■ The role of the financial industry in the creation of a low-carbon-emitting society

**Ayukawa:** At present, almost all companies are only concerned with their own corporate social responsibilities. I would like them to think about CSR as it relates to the whole of Japan. This would be of benefit to the entire nation, and I would also like them to look at CSR in terms of their social responsibility to the larger world. I think that Japanese industry needs to re-read the 4th report of the IPCC that was published last year, realise just how dangerous the situation is and understand that a large-scale reduction in CO<sub>2</sub> emissions is absolutely essential.

**Kawamura:** In Europe and the United States, private industry participants are drawing up their own rules for emission control, but in Japan the bureaucratic system defines even the rules that the private sector work by. Mega-banks must draw up some basic industry rules concerning the objectives and approaches to achieve a low-carbon society—"The Mega-bank Carbon Fundamental Rules," or something along those lines. They should motivate and involve their clients by asking them if they want to sign up. Doing so would raise their clients' potential to make a difference. I think that there is a clear need for this kind of major initiative.

**Ayukawa:** That's a wonderful idea. I think it will lead to a really successful public campaign.

**Sueyoshi:** I think that the society surrounding financial institutions will judge them more critically in future. The financial system is a critical social infrastructure component. From society's perspective it is only natural to call on financial institutions to use this important system to overcome the most difficult problems facing society. If you can't accept and deal with society's demands, then you can't hope to make rapid progress. I'd like for people to understand that making funds available when society needs it the most is the social responsibility of financial institutions. I believe that this is the quickest path to becoming a financial group that society will support.

**Kagawa:** When there are clear numerical targets and we know we have to achieve them, then we will act. This is Japan, we are Japanese and a Japanese corporation, so I'm no way pessimistic about our capabilities in this. We have the intelligence to know that we have to act, we have the desire to achieve our goals, and a sense of moral obligation. As a financial institution, I want to help people and show them the way.



**Sueyoshi:** What I heard in today's discussion that lifted my spirits was not so much peoples' thoughts as bank employees, but their thoughts as individuals. The problem that we are currently facing is a social problem and a citizens' problem before it is a business problem. As a citizen, in confronting this problem what should you think? If you take your personal ideas and integrate them into your work I think that SMBC can become the greatest bank in the world. And that is the message that I want to leave you with here today.

**Ikuma:** We are at a critical turning point, and as a company with a tremendous influence (as we are a representative Japanese financial group) how should we respond? I understand that the business decisions and supply of products that take into account the values and structure of a society that is about to undergo great change. This year or next year will be the time when we pave the way for 2030 and 2050. Once again I want us to be the financial company that keeps an eye on both the short- and long-term view. I'd like to thank you all.

### Afterword

I'd like to thank all of you for your valuable opinions. Once again I recognized the importance of the role that finance has to play in the creation of a low-carbon-emission society. At last year's Stakeholders Dialogue, we had the chance to hear a lot of really good opinions concerning the need for financial products and services that can make a social contribution, and some of these helped us in product development (including a project with a leasing company)—although I must say that we still have a way to go.

Starting with the roughly 30 members who are present here today, it is important to share the awareness of these issues with as many of our associates as possible. By focusing and utilizing the financial know-how and information that we have across our Group companies and within the related departments in SMBC, I want us to carry out our responsibility to overcome environmental problems as a financial institution and in a way that people can actually see.

We welcome any opinions or requests you may have concerning any of the matters raised in today's Dialogue.

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

## 2

## Communicating with Our Employees

## Achieving Self-directed Career Design

**Kaori Seki**

Vice President  
Planning Group Planning Dept., Treasury Unit  
Sumitomo Mitsui Banking Corporation

"It started with my desire to become a researcher. I want to become more skilled in macroeconomic analysis so that I can both broaden the scope and enhance the quality of my work."

**Yuji Kawasaki**

Vice President  
Global Trade Finance Dept.  
Sumitomo Mitsui Banking Corporation

"I want to be a banker on a par with those of the world's top banks. I want to accumulate broad knowledge and experience so that in the future I can do business anywhere in the world."

**Self-directed career design gives strength to an organization. Sumitomo Mitsui Financial Group uses the Job Entry\* in-house staff recruitment system, based on the principle of creating a workplace in which hardworking and motivated employees can exercise their abilities to the full. As part of our efforts to enhance our career design approach, we asked five employees to recount their experiences and impressions of the recruitment system at a discussion on May 30, 2008.**

\* A system allowing employees to apply for jobs of their choice in order to facilitate self-directed career development

#### ■ Career awareness through contact with senior colleagues

**Sato:** What prompted you to become more aware of your career development?

**Kawai:** I had an opportunity to work with a senior colleague, helping out with recruitment activities for new hires. During that time I heard about the kind of career path that my colleague had travelled so far, and it occurred to me that I too should focus more on my own career direction.

**Nagao:** As part of the recruitment process I spoke to university students and this made me think about the way I used to think as a university student, as well as about my current job. I also drew a lot of inspiration from a senior colleague of mine in the Corporate Research Department.

**Kikkawa:** I'm sure everyone else is the same, but it's the feeling of

achievement on finishing one operation that drives me to focus on what needs to be done next.

**Seki:** Yes, I agree with that. When I was still inexperienced I was so focused on my job at the time that I couldn't think about the next step. But seeing colleagues volunteering for traineeships and study programs overseas was one thing that stimulated me to change.

**Kawasaki:** For me it was the career planning course in my third year after joining SMBC. The instructor emphasized the importance of learning about our global operations, and this really encouraged me as I already felt that I wanted to improve my sales ability. In my seventh year after joining SMBC I thought that, for the next step, I would like to contribute to strengthening SMBC's presence in the world, which is why I decided to take part in the system.

#### ■ The recruitment system provides an equal opportunity for everyone

**Sato:** Do you think there is sufficient awareness of the recruitment system?

**Kikkawa:** In such a big organisation it is inevitable that when you look at the entire workforce in terms of deployment, imbalances emerge. In light of this, the recruitment system presents an equal opportunity for everyone; it's an extremely valuable system for stimulating people to think about what they would like to do next.

**Kawai:** That's right. There is a really high number of young employees

**Eiichi Sekiguchi**

Joint General Manager  
Human Resources Dept.  
Sumitomo Mitsui Banking Corporation

**Hironori Kurata**

Vice President  
Human Resources Dept.  
Sumitomo Mitsui Banking Corporation

**Koji Sato**

General Manager  
Group CSR Dept.  
Sumitomo Mitsui Financial Group





**Soichiro Kikkawa**

Solution Group (Osaka)  
Planning Dept., Corporate Banking Unit & Middle Market Banking Unit  
Sumitomo Mitsui Banking Corporation

"Urban redevelopment is essential to regional economic revitalization. I want to assist with changing the city through large-scale real estate projects."



**Nobuhiro Kawai**

BIS Planning Group  
Corporate Risk Management Dept.  
Sumitomo Mitsui Banking Corporation

"I wanted to join the Risk Management Dept. from the time that I first joined SMBC. I want to engage in the full range of the bank's risk management operations, with a focus on credit risk."



**Taku Nagao**

Research Group V  
Corporate Research Dept. (Osaka)  
Sumitomo Mitsui Banking Corporation

"I have wanted to join the Corporate Research Department ever since my job-hunting days. It really impressed me to hear one of my senior colleagues speak about the important role that the Corporate Research Department plays in deciding the management policy of the bank."

in our departments now, and they've come to focus intently on their own careers. This system is a way of responding to their needs.

**Sato:** How did those around you react when you applied to join the system?

**Nagao:** My group manager said, "Do you really want to do this? If you do, then go for it." So I think this shows just how important it is to communicate well with your supervisor on a daily basis.

**Seki:** I had already talked about my future career plan with the general manager at my interview, so when I talked about the recruitment system, the response I got was, "This is exactly the kind of job you were hoping for." So I was fortunate in being able to get approval very easily.

**Kawai:** You can apply via the intranet, so I applied without any particular discussion with my supervisor. But my supervisor understood because it was something that I had written on my career sheet before that. I did find, though, that it's extremely difficult to find time to actually fill in the application form in the workplace, so I think there's room for improvement of the intranet in this respect.

**Kawasaki:** I also applied without any prior consultation. I think it would be helpful if you could enter in the data not just from the company intranet but also by logging on from home via the internet.

#### ■ Self-directed career design adds strength to an organization

**Kurata:** Many of the applicants to the recruitment system are in around their fifth year of employment with the bank, with very few applications from those who have been with the bank for over ten years. The Human Resources Department would like to see more recruits from the middle ranks. I wonder what your opinions are on this?

**Kawasaki:** I'm in my ninth year with SMBC, and to be honest, I think I'm at about the limit. Participating in the system means having to completely start over as a new recruit, so it takes a lot of resolve on the part of the individual, and it's difficult without the full

understanding of the receiving department.

**Seki:** I applied in my tenth year. By that time I had built up an environment that was easy to work in, thanks to the interpersonal relationships I had developed and the experience I'd built up in the department I was in up until then. Taking part in the system means setting all of that back to zero, so I really had to be prepared for this.

**Kawai:** I think the recruitment system is really beneficial to people who have a clear idea of the kind of job they want to do. However, it seems to me that there are a lot of people who have only a vague, tacit idea that they want to go to such-and-such a department.

**Sekiguchi:** If you don't have the motivation to develop your own career yourself, I don't think that things will go well in a new position.



**Kikkawa:** If you don't understand what kind of work you're doing and in what kind of department, you won't be able to think about your career. Although to a certain extent you can learn in training, there is another side to the job that you can only understand by actually doing it.

**Nagao:** I think that if you don't interact directly with customers at a branch or corporate business office, you won't be able to achieve much at head office. I'm very glad to have experienced working in sales.

**Sekiguchi:** Thanks very much for your comments today. We will certainly keep your ideas in mind as we develop a range of channels toward improving our recruitment system, as well as our personnel system as a whole.

## 3

## Specialists Explain the Product Development Process

## Finding Solutions to Social Problems

## (1) New products designed to provide solutions to social problems



\*From left: Toshiaki Esaki (Vice President, Planning Group Quality Management Dept., Sumitomo Mitsui Banking Corporation); Hiroki Tani (Vice President, Business Promotion Group Consumer Loan Dept., Consumer Banking Unit); Ayako Takayama (Business Development Group, Consumer Loan Dept., Consumer Banking Unit, Sumitomo Mitsui Banking Corporation); Takeaki Tsunoda (Vice President, Business Management Group, Consumer Loan Dept., Consumer Banking Unit, Sumitomo Mitsui Banking Corporation); Tomoyuki Hayakawa (Vice President, CSR Dept., Sumitomo Mitsui Banking Corporation)

**What can we do as a financial institution to help create a society in which people can live in safety and security? On May 2, 2008 we met with some employees who are involved in developing financial products designed to help solve social problems. Tomoyuki Hayakawa of the CSR Department spoke to them about their efforts and their hopes for the future.**

#### ■ Products represent our desire to support our customers

**Hayakawa:** Recently, financial institutions have been focusing on products that provide customers with peace of mind and products that lead to the creation of a better society, and at SMBC we are also advancing a broad array of efforts in this area. Could you provide some background to product development in this respect?

**Tsunoda:** With the development of medical technology, many ailments can now be cured, and the conventional combination of life insurance with a mortgage loan is no longer adequate for an increasing number of customers. For example, we have had feedback from customers facing difficulties with their mortgage payments because of medical treatment costs, and in a survey many respondents said that they wanted to be prepared for illness even if this involved a slight increase in monthly payments. Taking this situation into account, we developed a mortgage loan that provides insurance for loan balance repayment in the event of a diagnosis of one of three major medical conditions\*. Last year, 25% of customers forming new mortgage loan contracts chose this loan. This product offers customers the benefit of being able, in the event of an illness, to focus on medical treatment without the worry of their mortgage. A further advantage is that the coverage is more affordable for customers than it would be on an individual contract, because SMBC has a group contract with the insurance company involved.

**Takayama:** Another product that supports the peace of mind of our customers is a mortgage loan with a special provision that temporarily suspends a portion of loan repayment following natural disasters. This is

the first loan of this type in the banking industry in Japan. In recent years, many houses have been damaged by earthquakes and typhoons, which has increased the concern of customers in relation to natural disasters. Should their homes be damaged by such disasters, some customers may face the expense of rent for temporary accommodation in addition to their loan repayments. We felt that a system allowing loan repayments to be reduced for a set period would make it easier for these customers to take steps to restore their lives to normality. Also, while earthquake insurance costs vary between regions, this special contract uses an interest rate increase of 0.1% that is uniform across the country.

**Tani:** The Fight Global Warming Campaign that I am involved in began with our desire to help customers act on their concerns for environmental problems. We developed a system whereby customers who want to actively help prevent global warming can choose environmentally friendly housing, and we purchase carbon credits and transfer them to the Japanese government on their behalf. The purchase of carbon credits is of course a form of social contribution in itself, but this system also provides an opportunity to spread awareness of carbon offsetting as a means of global warming prevention, as it is still not very well known.

#### ■ Satisfying customers by being *first* with innovation

**Hayakawa:** How do you go about developing these advanced products?

**Esaki:** We have a system in the Quality Management Department to coordinate this, which is based on collating all the complaints and queries received at branch offices and the Customer Relations Department, along with any related requests branch offices have made to the various departments at head office. We divide these by product and content and return them to the management of each department.

We then feed back the management findings to our branch offices. Every month there are some 2,000 complaints and queries, with the subject matter ranging widely from issues such as the visibility of ATM screens to, for example, a customer seeking the addition of a new special

\*Cancer, apoplexy, acute myocardial infarction

contract to a mortgage loan formed ten years ago. Customers come to us because they have some kind of problem, and this often gives us a hint toward improving our product development and management policies. Since many complaints and queries originate with a misunderstanding, it is important to ensure clarity in product design and naming.

**Takayama:** I think it is very important to make things clear for the customer. In developing the mortgage loan with a special provision that temporarily suspends a portion of loan repayment following natural disasters, we based our research on a vast quantity of regional estimate data drawn from a range of simulations. One process that was almost as difficult as this was thinking of a product name that would be easily understood. Because we decided to give priority to preventing misunderstanding and making the name easily understood, we added the phrase “partial reduction”, which resulted in a somewhat long product name.

**Tsunoda:** In our mortgage loan that provides insurance for the three major medical conditions, the insurance premium comes in the form of an interest rate increase, so it was extremely difficult to draw a line between the price of the insurance and the contents. Also, it gets complicated if there are a lot of different types of special provisions, so we used the simple frame that the procedure can be started as soon as the diagnosis is made. We're glad that, as a result, our customers were pleased with the straightforward design of the product.

**Tani:** Attempting something new calls for the hard work of cutting a new path. The Fight Global Warming Campaign that we developed is used not as a product but as a package, and it's an attempt to produce results as part of the global carbon offset system. In the pamphlet we emphasized that the package enables customers to make a contribution to global warming prevention, and explained the social background in detail.

### ■ Creating products that make our customers happy

**Hayakawa:** What are your hopes for the future?

**Tani:** Products that are genuinely good for our customers are also good for us as a bank. Just as money is said to be “the blood of economic society,” improving the flow of money also improves society itself. For a private company to be able to continue doing business, it's important not just to create profits but also to ensure that everyone is able to be happy. For example, if we provide support for the purchase of environmentally friendly housing, then this gives momentum to natural energy use, energy conservation, the selection of low environmental impact construction materials, and various other environmentally conscious choices. This in turns leads to structural improvements in companies' business models. Looking ahead, I hope that we can advance our product development with this kind of wider connection in mind.

**Tsunoda:** I also believe that because of the very fact that we are a bank,

we need to work to contribute to society. Society's expectation of us increases further when we receive the kind of positive reception that we received for our mortgage loan that provides insurance for the three major medical conditions. Being able to reflect customer feedback into the actual product gave me a tremendous sense of personal satisfaction, and I want to channel this feeling into my efforts toward the next challenge.

**Takayama:** When I'm planning products, I keep the customer's point of view in mind. I always try to remain sensitive to the inspiration that can be found in everyday life, when some experience gives rise to the thought, “if only there was this kind of product”. I think that it's this kind of attitude that enables us to help our customers to overcome anxiety and hardship.

**Esaki:** Compared with investment funds, I think that one strength that Japanese banks have is their direct contact with a wide range of customers. There is a lot to be learned from the highly balanced perceptions of customers. Looking ahead, I hope that we can continue to share customers' complaints and queries—firstly at the frontline level, and then among management and development departments—and from these steadily work to produce positive outcomes.

#### ◆ Mortgage loan that provides insurance for the three major medical conditions

This mortgage loan includes a guarantee that in the event of a diagnosis of one of the three major diseases of cancer, apoplexy, or acute myocardial infarction, the balance of the mortgage loan will be reduced to zero. The loan requires the addition of a 0.3% premium to the standard mortgage loan interest rate. Starting with the applications received from August 2006, we have also added insurance for the following illnesses: hypertension, diabetes, chronic renal failure, cirrhosis hepatis, chronic pancreatitis.

#### ◆ Mortgage loan with a special provision that temporarily suspends a portion of loan repayment following natural disasters

In the event of damage from earthquake, flood, typhoon, or some other natural disaster being caused to a house covered by this mortgage loan, the repayment burden is reduced for a specified period. Pending certification issued by local government, the amount of loan repayments is reduced for 24 months, 12 months, or 6 months in the cases of total destruction, major destruction, and partial destruction respectively. This product was launched in April 2008.

#### ◆ Mortgage loan providing support for the Fight Global Warming Campaign (Carbon Offset)

This campaign was initiated in 2008 to coincide with the start of the first commitment period of the Kyoto protocol, which stipulates reductions in greenhouse gas emissions.

As a means to provide to customers support for an environmentally friendly housing purchase, SMBC purchases one ton of carbon credits for each household and transfers them to the Japanese government. The application period ran from April 1 to September 30, 2008.

## Specialists Discuss the Product Development Process Finding Solutions to Social Problems

### (2) Exploring the potential of trust business



\*From left: Katsunori Takahashi (Senior Vice President, CSR Dept., Sumitomo Mitsui Banking Corporation); Takahiro Shinya (Senior Vice President, Tokyo Corporate Banking Dept. III, Sumitomo Mitsui Banking Corporation); Naoko Miyoshi (Securitization & Clearing Products Group II, Asset Finance Dept., Sumitomo Mitsui Banking Corporation); Yasuhiro Fuma (Senior Vice President, Securitization & Clearing Products Group II, Asset Finance Dept., Sumitomo Mitsui Banking Corporation)

In recent years a problem has emerged in which consumers are unable to avail of services that they have paid for in advance because the company providing them has gone bankrupt. Katsunori Takahashi of the CSR Department heard from some of our product specialists about a recent SMBC initiative that uses the trust business system to protect the consumer.

#### ■ Using the trust business as an instrument for consumer protection

**Takahashi:** How did you go about creating the system, in which SMBC takes on the cost of outstanding services in the form of trust assets?

**Fuma:** At around the time that we started examining what we could do in the way of consumer protection, we received a consultation from ZWEI Co., Ltd., a company that provides a marriage partner introduction service.

**Shinya:** ZWEI had already been administering the fees received from its members using SMBC accounts, but the company's management felt that it hadn't done enough to ensure the protection of its customers—or, by extension, to secure their trust.

**Fuma:** The management of advance payments as trust assets is by no means a new approach, but I'm glad that we've been able to refine the system to make it easy to apply to customer protection. Customer inquiries are on the increase in business sectors that involve advance payments, so we can expect to see rising demand for similar trust asset contracts in the future.

#### ■ Creating products that society will trust

**Takahashi:** Why is there such renewed interest in the trust business now—given that it was already in existence 100 years ago?

**Fuma:** The background to this is the 2007 revisions to legislation established in 1922. The revisions make it easier to apply the legislation in the modern day system. SMBC is a trust bank, having acquired a trust business licence in October 2002, and we're leveraging this strength, particularly in our exploration of new fields within the trust business.

**Shinya:** Customers have a wide range of needs, and in this age it's not as easy as it used to be to conduct deals based on loans. That is why we are engaging in projects that incorporate social and environmental perspectives, such as carbon credits business, for example. I think that

the need for us to share ideas with our customers in creating new products—as we did in this case—is going to increase further.

**Miyoshi:** In the Asset Finance Department, we are carrying out in-depth discussions into ways of developing products and services to respond to specific social issues. Given the ongoing issues of the declining birth rate and an aging population, and the promotion of women in the workplace, there are likely to be further calls from society for new initiatives.

**Shinya:** We expect an increase in needs relating to environment conservation and food safety. As a unified bank, or "One Bank", SMBC combines a broad range of services into a single consultation channel, and we are always looking for ways to use this strength to increase the corporate value of customers who have a direct relationship with consumers.

#### ◆ Protective measures for advance payments

SMBC concluded a contract with ZWEI Co., Ltd. of the Aeon Group in February 2008, which created a protective measure for customer fees received for services outstanding. This contract makes it possible to assuage customer anxiety concerning the advance payment of service fees.

#### An innovative barometer for safety and peace of mind

Our services operate using a system involving advance payment of a lump sum by customers for future services. There has been mounting public concern regarding this system, due in part to the sudden bankruptcy of a certain English language school, so we began looking to ensure that the money we had received from our customers was properly protected.



**Akira Ikeda**  
Senior Management Director,  
ZWEI Co., Ltd.

Although the protection of advance payments is required by the Act on Specified Commercial Transactions, there is no specific protection scheme in place. After considering various options, we decided that, as the leader and the only publicly listed company in our industry, we should adopt a scheme based on the trust business.

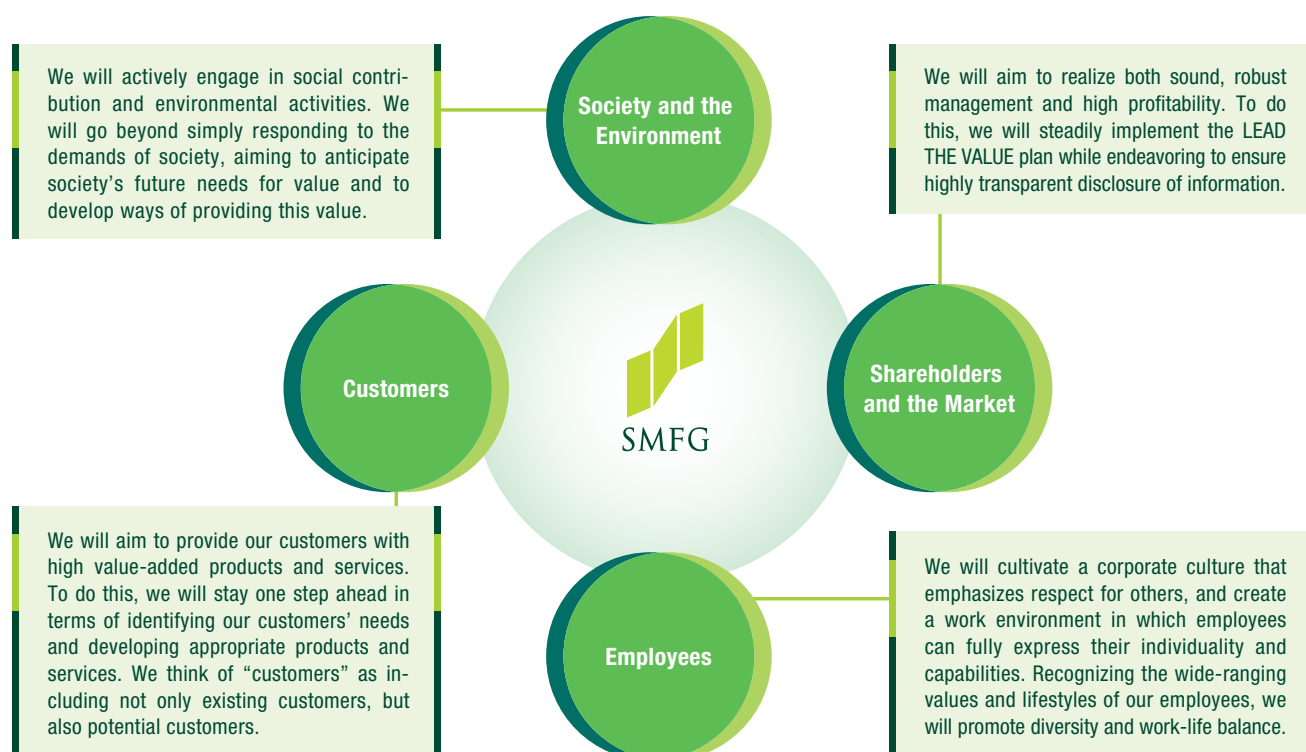
With this scheme we had the unique conceptual input that only SMBC—and not a conventional trust bank—can provide, and I think that was what made it possible. There has been a very positive response to the introduction of the scheme. It's a financial service that contributes to consumer protection and to the enhancement of the trustworthiness of the industry as a whole, so it really has true meaning in society.

# CSR Management

## SMFG's stakeholders and target identity

We have classified the stakeholders of the Group into four categories: (i) customers, (ii) shareholders and the market, (iii) society and the environment, and (iv) employees. Through our CSR activity we aim to provide added value while balancing the interests of these stakeholders.

To do this, it is essential to appreciate and understand the concerns and needs of our stakeholders, and that is why we actively maintain two-way communication with our stakeholders.



## ◆ Comments from our stakeholders requesting CSR initiatives and SMFG's responses to these

In publishing the CSR Report 2007, we received a lot of suggestions through our stakeholders' dialogue, the third-party opinion, and our readers' questionnaire. Based on these comments and suggestions we have pursued the following initiatives.

Comments in CSR Report 2007	Actions presented in this Report	Page no.
Stakeholders' dialogue (p.7) <i>"I feel that banks have a duty to develop and offer financial products that provide choice to individual depositors with regard to contribution to the environment."</i>	Feature 3: Specialists Explain the Product Development Process—Finding Solutions to Social Problems	13-14
Third Party Opinions (p.30) <i>"A more detailed progress report should be published on the website throughout the year."</i>	CSR Management: Previous Activities (Further details available on website [Japanese only])	17-18
Third Party Opinions (p.30) <i>"Commentary on specific themes and data analysis relating to the CCF Action Plan, and CS and Quality Improvement Committee should be added in the website version."</i>	Together with Society and Customers: Customer-Centric Business Framework and Compliance Framework (Further details available on website [Japanese only])	21-22
Third Party Opinions (p.30) <i>"The website version should provide more information about actual compliance measures that are underway."</i>	Together with Society and Customers: Customer-Centric Business Framework and Compliance Framework (Further details available on website [Japanese only])	22

We will continue to use this CSR Report as a tool for communication with our stakeholders, and as a basis for future SMFG activities.

## Management Approach to Achieve Targets

We have established a Group CSR Committee, administrated by the Group CSR Department, to assess the CSR implementation plans of the entire Group, and manage their progress.

Specifically, departments are assigned responsibility for each target, and the Group CSR Department and assigned departments jointly conduct annual reviews of progress made in these initiatives. The results of these reviews are reported to the Group CSR Committee. The Group CSR Department and assigned departments also conduct a joint examination of plans for the following financial year, the findings of which are subsequently assessed by the Group CSR Committee.

In this way, we use the PDCA cycle in our CSR initiatives.

### ◆ SMFG CSR Promotion Structure



The Group pursues CSR activities led by the Group CSR committee, which are drawn on feedback from branches engaging directly with customers, and from other sources.

## Previous Activities and Issues for the Future

		Previous Activities
Customers	Cultivating a corporate culture that values customer feedback	<ul style="list-style-type: none"> <li>Introduced 1:1:1 performance evaluation system</li> <li>Implemented customer-centric training</li> </ul>
	Developing a system for using customer feedback to improve our business and services	<ul style="list-style-type: none"> <li>Established Group CS Committee for SMFG</li> <li>Established Quality Management Department, CS and Quality Improvement Committee, Group CS Committee</li> <li>Formulated CCF Action Plan</li> <li>Developed system to provide solutions based on customer needs</li> </ul>
	Providing products and services that customers can use with greater confidence	<ul style="list-style-type: none"> <li>Introduced cutting-edge security measures</li> <li>Developed user protection framework</li> </ul>
Shareholders and the Market	Highly transparent information disclosure	<ul style="list-style-type: none"> <li>Published the Annual Report</li> <li>Held investor seminars</li> <li>Improved information disclosure via the website</li> </ul>
Society	Initiatives through our business	<ul style="list-style-type: none"> <li>Supported issuing of a booklet entitled <i>What Does BANK Do?</i></li> <li>Bank tours</li> </ul>
	Corporate citizenship	<ul style="list-style-type: none"> <li>Social contribution activities</li> <li>Established barrier-free branches</li> <li>Encouraged employees to acquire Service Care Attendant qualification</li> <li>Contributed to local communities and society through retail branches (equipped branches with AEDs and emergency maps)</li> </ul>
	Promoting awareness among directors and employees	<ul style="list-style-type: none"> <li>Supported volunteer activities by employees</li> <li>Introduced commendation system for branches that make contributions to local communities</li> <li>Implemented CSR and Corporate Philosophy training</li> </ul>
Environment	Reducing our environmental burden	<ul style="list-style-type: none"> <li>Achieved ISO14001 certification on a Group basis</li> <li>Implemented green procurement</li> <li>Head office building became carbon neutral</li> </ul>
	Responding to environmental risks	<ul style="list-style-type: none"> <li>Adopted Equator Principles</li> <li>Engaged in initiatives to address problems of soil contamination and asbestos</li> </ul>
	Environmental business	<ul style="list-style-type: none"> <li>Applied financial technology in environmental measures</li> <li>Supported environmentally friendly companies, environmental technology companies</li> <li>Developed environmental projects</li> <li>Supported the cultivation of environmental business</li> </ul>
	Distributing environment-related information	<ul style="list-style-type: none"> <li>Held environmental seminar</li> <li>Published the environmental magazine <i>SAFE</i></li> </ul>
	Other	<ul style="list-style-type: none"> <li>Signed the UNEP Statement by Financial Institutions</li> <li>Participated in carbon disclosure projects</li> <li>Participated in Team Minus 6%</li> <li>Employees conducted voluntary SMFG Clean-up Day at beaches</li> </ul>
Employees	Work/life balance support	<ul style="list-style-type: none"> <li>Established Next W-ing Project Section</li> <li>Established Diversity and Inclusion Dept.</li> <li>Established employee support program</li> <li>Held seminars to help employees returning to work following parental leave</li> <li>Held bank tours (tours of the workplace by the children of employees)</li> </ul>
	Promoting diversity	
	Actively leveraging the abilities of employees and raising skill level	<ul style="list-style-type: none"> <li>Improved in-house recruitment system</li> <li>Held SMBC Job Forum</li> <li>Created operational field-specific basic education program (Rising Rookie Program, Retail Banking College)</li> </ul>
Communication		<ul style="list-style-type: none"> <li>Published CSR Report</li> <li>Implemented stakeholders dialogue</li> </ul>
Governance/Compliance		<ul style="list-style-type: none"> <li>Formulated internal control regulations, compliance manual</li> <li>Established Auditing Committee and Internal Auditing Committee</li> <li>Improved internal reporting</li> <li>Implemented response to Financial Instruments and Exchange Law</li> <li>Formulated CCF Action Plan</li> </ul>



Issues for the Future	Fiscal 2008 Targets	Department Responsible
<ul style="list-style-type: none"> <li>Continue performance evaluation system</li> <li>Enhance, widely implement customer-centric training</li> </ul>	<ul style="list-style-type: none"> <li>(1) Create a system to present details of response to customer feedback on website</li> <li>(2) Strengthen education of new recruits through Retail Banking College</li> <li>(3) Implement project to improve communication at all branches</li> </ul>	<ul style="list-style-type: none"> <li>(1) SMBC Quality Management Dept.</li> <li>(2) SMBC Training Institute</li> <li>(3) SMBC Planning Dept., Consumer Banking Unit</li> </ul>
<ul style="list-style-type: none"> <li>Promote customer satisfaction framework on a Group basis</li> <li>Examine effects of improvement measures</li> <li>Enhance analysis of customer feedback</li> </ul>		
<ul style="list-style-type: none"> <li>Continuously upgrade security measures</li> <li>Further reinforce user protection framework</li> </ul>		
<ul style="list-style-type: none"> <li>Expand voluntary disclosure items</li> <li>Improve publications aimed at individual investors</li> <li>Examine adoption of environmental/ CSR accounting</li> </ul>	<ul style="list-style-type: none"> <li>(1) Introduce environmental accounting. Conduct examination with a view to possible implementation at SMBC during fiscal 2009</li> <li>(2) Conduct examination with a view to possible future listing on NYSE</li> </ul>	<ul style="list-style-type: none"> <li>(1) SMBC CSR Dept.,</li> <li>(2) Strategic Financial Planning Dept.</li> </ul>
<ul style="list-style-type: none"> <li>Expand education about finance and economics</li> <li>Consider introduction of CSR standards into credit-screening processes</li> </ul>	<ul style="list-style-type: none"> <li>(1) Increase number of Service Care Attendants to over 1,000</li> <li>(2) Formulate social contribution plan based on Global Compact, U.N. Millennium Development Goals, etc.</li> <li>(3) Hold bank tours and CSR seminars in Nagoya area</li> </ul>	<ul style="list-style-type: none"> <li>(1) SMBC Planning Dept., Consumer Banking Unit</li> <li>(2) SMBC CSR Dept.,</li> <li>(3) SMBC CSR Dept.</li> </ul>
<ul style="list-style-type: none"> <li>Expand social contribution activities</li> <li>Increase barrier-free branches, employees with Service Care Attendant qualification</li> <li>Increase contributions made to local communities and society using branches</li> </ul>		
<ul style="list-style-type: none"> <li>Improve and expand volunteer activities by employees</li> </ul>		
<ul style="list-style-type: none"> <li>Reinforce measures toward carbon neutrality</li> <li>Reduce paper consumption (e.g. meeting documents, etc.)</li> <li>Expand green procurement</li> </ul>	<ul style="list-style-type: none"> <li>(1) Implement initiative to make environmental burden visible (through quantitative measurement of energy consumption). (Consider implementation at overseas SMBC locations and Group companies)</li> <li>(2) Introduce environmental accounting. Conduct examination with a view to possible implementation at SMBC during fiscal 2009</li> <li>(3) Increase SMBC-ECO loans to 50 billion yen</li> </ul>	<ul style="list-style-type: none"> <li>(1) SMBC CSR Dept.</li> <li>(2) SMBC CSR Dept.</li> <li>(3) SMBC Small and Medium Enterprises Marketing Dept.</li> </ul>
<ul style="list-style-type: none"> <li>Consider full-fledged introduction environmental standards into credit-screening process</li> </ul>		
<ul style="list-style-type: none"> <li>Expand environmentally friendly products and services</li> <li>Initiate full-scale carbon credits business</li> <li>Cooperate with eco japan cup</li> <li>Hold environmental business networking event</li> </ul>		
<ul style="list-style-type: none"> <li>Improve content of environmental seminars and environmental magazine <i>SAFE</i></li> </ul>		
<ul style="list-style-type: none"> <li>Improve environmental education</li> <li>Consider introduction of environmental/CSR accounting</li> <li>Improve environmental volunteer activities by employees</li> </ul>		
<ul style="list-style-type: none"> <li>Improve work environment</li> <li>Expand and promote employee support program</li> </ul>	<p>Create Work-Life Balance Guidebook in cooperation with Group companies, and disclose to employees of Group companies (other than SMBC) within fiscal 2009</p>	<p>Human Resources Dept.</p>
<ul style="list-style-type: none"> <li>Improve in-house recruitment system</li> <li>Increase opportunities for training and diversify training</li> </ul>		
<ul style="list-style-type: none"> <li>Hold wide ranging stakeholders' dialogue</li> </ul>	<p>Hold dialogues during fiscal 2008 that incorporate the perspectives of customers and employees in addition to the environment</p>	<p>Group CSR Dept. Public Relations Dept.</p>
<ul style="list-style-type: none"> <li>Steadily implement business improvement</li> <li>Promote whistleblowing system</li> <li>Promote compliance with Financial Instruments and Exchange Law</li> <li>Formulate business continuity plan</li> </ul>	<p>See Developing a Customer-centric Business Framework and Compliance Framework, page 21</p>	<p>Corporate Planning Dept. General Affairs Dept., etc.</p>

# Together with Customers and Society

## 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.

## Corporate Clients

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 clients, particularly SMEs.

### ■ Responding to the globalization needs of customers

Japanese direct investment overseas has been growing steadily since 2004, and an increasing number of SME customers are seeking to expand and strengthen their overseas businesses, particularly in Asia. In order to address the overseas business development needs of these customers, SMFG established the Global Advisory Department in April 2008, a unit that straddles three units governing corporate business both in Japan and overseas, namely Corporate Banking Unit & Middle Market Banking Unit & International Banking Unit. Headquartered in Tokyo, this department has strengthened our capabilities for offering solutions, increasing staff, mainly in China and elsewhere in Asia, and gathering information locally at overseas locations. As a result of this, we have a system that enables us to provide even higher quality assistance to companies that are entering overseas markets and those corporate clients that wish to expand their existing operations.

### ■ 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 management reaching retirement age 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 the Succession Business Department and main consultation desk.

### ■ Engaging Growth Markets

Venture companies and growing businesses that use advanced technology and innovative business models have increasingly diverse funding procurement needs. 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.

## Providing Our Customers with Reliable Services

### ■ 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 Office 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 Fraud Action 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, thanks to the introduction of new EV SSL server certification.

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.

### ■ Compensating victims of illegitimate withdrawals

SMBC provides compensation to people that have, through no fault of their own, fallen victim to illegitimate withdrawals such as those made with a stolen bank passbook or an abuse of online banking. We have also established an illegitimate payment hotline through which we receive inquiries relating not only to incidences of illegal withdrawals made using counterfeit or stolen cash cards, but also those carried out using passbooks or online banking.

### ■ 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.

As of the end of March 2008, we had 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, access 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, 2008, 230 branches out of a total of 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 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	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 “Unauthorized Withdrawal Hotline” February 2008)
	Cash card anti-counterfeiting and customer identification	Internet banking	<input type="checkbox"/> Notification message for passwords remaining unchanged for long periods <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 <input type="checkbox"/> Distribution of notification emails upon acceptance of transactions <input type="checkbox"/> Adoption of service for immediate closure of phishing sites <input type="checkbox"/> Adoption of EV SSL server certification
Damage limitation	<input type="checkbox"/> 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		

# Together with Customers and Society

## Developing a Customer-centric Business Framework and Compliance Framework

At SMFG, we have positioned Business Ethics as the underlying principle of our corporate social responsibility (CSR). We have established a sound business foundation and endeavor to provide value that balances the interests of our various stakeholders. We have been focusing particular

attention on our compliance system since the administrative order that SMBC received in fiscal 2006 relating to the sale of interest rate swap transactions.

The status of initiatives undertaken in fiscal 2007 is shown below.

### ◆ Initiatives toward Developing a Customer-centric Business Framework and Compliance Framework

Initiative		Status
SMFG	Audit Dept.	Examined appropriateness and efficacy of internal control systems based on results of Group company audits
	Group Business Management Dept.	Examined, from the planning stage, the customer-centric business framework of Group companies, as well as a full range of measures relating to compliance framework maintenance
	Group CS Committee	Studied the CS promotion systems of each Group company and analysis of customer feedback, etc.
SMBC	Business Monitoring Committee	Inspected progress of business improvement plan relating to the interest rate swap issue, using a committee whose majority is comprised of external members
	CCF Action Plan	Advanced a full range of measures toward promoting customer-centric operations and compliance based on implementation plans formulated by each operational department
	CS and Quality Improvement Committee	Convened generally on a monthly basis. Reported customer complaints and factors in their increase or decrease each month, while also reporting to management on a full range of topics and initiatives.
	Evaluation system	Implemented administration that evaluates the three items of branch administration / customer-centric operations, sustainable growth, fiscal-year revenue and income as 1:1:1, in order to establish an evaluation system that evaluates branch administration, and CS and compliance at the same level as business promotion
	Review of products and services	Established specific measures relating to revisions to legislation, customer usage, etc; reviewed products and services
	Branch office evaluation of products and services	Reviewed products and services based on requests for improvement from sales clerks in branch offices, in order to reflect feedback from customers and branch offices. Received over 1,000 recommendations from branch offices; improvement measures currently being studied at head office
	Use of customer feedback	Actively gathered comments from customers: installed a Communication Box at branch offices; gathered over 800,000 questionnaires; also implemented CS surveys, etc. Reported customer feedback to CS and Quality Improvement Committee, and conveyed approximately 1,000 contributions of customers feedback to the relevant departments of head office
	Customer-centric training	Implemented customer-centric training at all branch locations between July and August 2007; also carried out the same training in level-specific training



See our website for details of key issues and actions in each division (Japanese only).



See our website for details of topics covered by this committee (Japanese only).

\*The Business Management Committee, an organization set up in August 2006 with the aim of assessing the progress of business management plans from an external perspective, was dissolved in February 2008, having achieved its directives. Its functions were incorporated into the Compliance Committee and CS and Quality Management Committee.



## ■ CS and Quality Improvement Committee

The CS and Quality Improvement Committee was established at SMBC in July 2006. The purpose of the Committee is to provide concrete solutions to the challenges facing management by developing CS and quality improvement-oriented measures that incorporate customer feedback and suggestions from employees following clarification of the commitments of top management.

The Committee is chaired by the president of SMBC, with the full Management Committee as members. The Committee meets periodically, and invites external specialists to provide customer satisfaction-related advice twice per year.

The CS and Quality Improvement Committee convened ten times during fiscal 2007, and, in addition to reports at each meeting relating to factors behind increases and decreases in the volume of customer complaints, the Committee discussed the following issues.

- Analysis and examination of investment products (investment trusts, individual pensions, securities intermediation, etc.) based on the Financial Instruments and Exchange Law established in fiscal 2007
- Analysis and examination of recent customer feedback relating to issues such as improvement of employee manners and inquires relating to the Law on Remedies for Remittance Solicitation Fraud
- Analysis and examination of trials to assess level of risk of complaints and areas requiring further examination

As a result of these deliberations, we have formulated and are advancing the following initiatives.

Improving use of customer feedback	<b>Collection of feedback</b> <ul style="list-style-type: none"> <li>• Enhancing Voice of the Customer (VOC) Database (improve general functionality, links with other IT systems, improve customer feedback data entry)</li> <li>• Conducting regular reports of customer feedback from vendors and overseas locations; discuss and formulate rules for collection</li> </ul>
	<b>Analysis and formulation of initiatives</b> <ul style="list-style-type: none"> <li>• Analyzing and implementing improvement measures relating to priority issues (e.g. explanations of loans, inquiries and complaints regarding mortgage loans, etc.)</li> <li>• Formulating and implementing on a trial basis rules to assess the level of severity of complaints</li> <li>• Routinizing requests for improvement to head office; conveying findings of assessments of measures to branch offices</li> </ul>
Cultivating and strengthening customer-centric mindset	<ul style="list-style-type: none"> <li>• Creating a "Customer-centric Business Case Studies Booklet" based on 110 actual cases of previous shortcomings</li> <li>• Implementing, through head office, full range of monitoring of operations</li> <li>• Conducting and analyzing surveys relating to customer satisfaction and compliance (CCF surveys) from employees</li> </ul>
Strengthening customer protection framework	<ul style="list-style-type: none"> <li>• Analyzing complaints relating to investment products following enforcement of Financial Instruments and Exchange Law</li> <li>• Analyzing customer explanation-related complaints, etc.</li> </ul>

## ■ Compliance Study Sessions

SMBC conducts monthly study sessions at all offices concerning important compliant issues. These study sessions use visual educational

materials such as DVDs to increase the understanding of participants. Intranet-based review quizzes improve the efficacy of the sessions by enabling us to check the level of comprehension among participants. The following are the themes covered by compliance study sessions in fiscal 2007.

Month held	Theme
April 2007	<ul style="list-style-type: none"> <li>• Code of conduct</li> <li>• Anti money laundering-related procedures</li> <li>• Investment trust solicitation and sales: judging appropriateness</li> <li>• Key points of the Financial Instruments and Exchange Law and Revised Financial Instruments Sales Law</li> </ul>
May 2007	<ul style="list-style-type: none"> <li>• Outline of SMBC compliance system (Financial Instruments and Exchange Law seminar carried out separately)</li> </ul>
June 2007	<ul style="list-style-type: none"> <li>• Code of conduct</li> <li>• Business with non-residents and the foreign exchange law</li> <li>• Firewall regulations</li> </ul>
July 2007 August 2007	<ul style="list-style-type: none"> <li>• Code of conduct</li> <li>• Information management</li> <li>• New sales and solicitation rules based on Financial Instruments and Exchange Law</li> <li>• Management of important information and corporate customer information (July and August combined on account of summer vacation)</li> </ul>
September 2007	<ul style="list-style-type: none"> <li>• Financial Instruments and Exchange Law (new sales and solicitation rules)</li> </ul>
October 2007	<ul style="list-style-type: none"> <li>• Prohibited conduct—case studies (ban on engagement in other business areas)</li> <li>• Transactions involving suspicion of money laundering</li> </ul>
November 2007	<ul style="list-style-type: none"> <li>• Prohibited conduct—case studies (the arm's length principle)</li> </ul>
December 2007	<ul style="list-style-type: none"> <li>• Firewall regulations</li> <li>• Compliance in regard to the sale of insurance products</li> </ul>
January 2008	<ul style="list-style-type: none"> <li>• Prohibited conduct—case studies (the 5% rule)</li> <li>• Customer identification</li> </ul>
February 2008	<ul style="list-style-type: none"> <li>• Prohibited conduct—case studies (banking agencies, etc.)</li> </ul>
March 2008	<ul style="list-style-type: none"> <li>• Management of important information and corporate customer information</li> <li>• Customer feedback in regard to Financial Instruments and Exchange Law</li> </ul>

## ◆ Risk management (response to the subprime issue)

During fiscal 2007, against the background of the subprime loan crisis that emerged in the United States, concern about a credit crunch mounted in the financial markets of Europe and the United States due to the massive losses reported by some financial institutions as a result of the subprime loan problem.

In light of this situation, we took decisive measures to cope with the unpredictability and uncertainty in the business environment that followed the subprime loan crisis.

We substantially reduced subprime-related exposure to approximately ¥5.5 billion after write-offs and provisions.

We therefore believe the impact of this level of exposure will have only a marginal impact on the Group's financial position.

# Together with our Employees

SMFG and the Group companies strive to create a workplace for their human resources where each and every employee can take pride in and be highly motivated about his or her work. In the following pages, we would like to introduce some of SMBC's initiatives in the human resources area.

## Four Goals of SMBC's Human Resource Management

- (1) To promote the creation of an even more powerful business culture and practices that will enable SMBC to compete in global markets
- (2) Develop staff with specialized professional skills who can provide customers with value-added services
- (3) Motivate employees even more strongly by respecting their individuality and encouraging them to seek personal fulfillment
- (4) Foster a corporate culture that encourages a forward-looking and creative attitude

## Creating a Corporate Culture that Derives Strength from Diversity

### ■ Employing a Diversity of Human Resources

SMBC is implementing initiatives to create a workplace where gender, nationality, and other superficial characteristics are not an issue and where a diversity of personnel can make active contributions. The ratio of women newly hired for the year beginning in April 2008 for generalist and consumer services positions exceeded 40%, and the number of women holding managerial positions has increased substantially. In April 2007, we appointed two non-Japanese officers as executive directors to strengthen our investment banking services in Europe and the Americas, and, in Japan, we are also actively hiring individuals of foreign nationality.

In fiscal 2008, the current fiscal year, we will establish a Diversity and Inclusion Department within our Human Resources Dept. and implement other initiatives for creating a corporate culture that derives strength from diversity.

### ■ Employing Physically Challenged Persons

We have established a special corporation, SMBC Green Service Co., Ltd., that promotes the employment of persons with disabilities. We make arrangements for many physically challenged persons and representatives from other companies with an interest in employing persons with disabilities to visit SMBC and participate in practical training. As a result, we have received awards from many sources for our significant contributions to the employment of the physically challenged. In addition, we encourage our personnel to participate actively in skill competitions for the disabled that are sponsored by city and local governments in Japan.

In the past, we have sent a number of our physically challenged employees to participate in the National Skill Competition for the Disabled (known as the "Abilympic"). Please note that, as of March 2008, 2.05% of our employees had physical disabilities, which is well above the 1.8% required under relevant legal provisions.

### ■ Providing Support for a Good Work-Life Balance

In fiscal 2007, SMBC established its Child-Care Subsidy Fund, and we are listening to the needs of our employees and working to further enhance our support systems toward achieving a good balance between work and household requirements. To date, more than 20 male employees have made use of our system for allowing husbands to take short periods of about two weeks off to assist with child rearing. In addition, our monthly lectures to provide support for employees planning to return to work after time off for child rearing have entered their third year, and more than 450 persons have attended these sessions. To promote communication between employees and their families, we sponsor our SMBC Children's Visitation Program, which allows



Work-Life Balance Guidebook



A session of SMBC Children's Visitation Program

children to visit their mothers or fathers at work. These visits also provide an opportunity for educating family members about the work of SMBC and about finance and economics.

## Training Staff with Specialized Professional Skills

### ■ Training for Younger Employees

To provide a high level of motivation for growth and development among younger personnel, SMBC has instituted its Rising Rookie Program and the SMBC Retail Banking College. Instruction in business knowledge and skills, which formerly was conducted over several years, has now been concentrated into a period of six months and is conducted efficiently by combining on-the-job training and classroom courses. In addition, we have built new training facilities in Nagoya, Tokyo, and Osaka to meet the growing need for training courses.

### ■ Training at Overseas Offices

We are also devoting resources to the training of international staff. In fiscal 2007, we newly formed the Asia Pacific Training Department within our Planning Dept., International Banking Unit, and established a training room



Local staff participating in a training session in Singapore

in Singapore. For employees in the Asia and Oceania region, we conduct various types of training programs, focused on business training and development of capabilities and skills. Through these activities we are taking the initiative in developing our human resources on a global scale.



## Personnel Systems

### ■ Expanding In-House Recruitment Systems

One of the systems that SMBC has created to support employees in designing their own careers on their own initiative is the in-house recruitment system, which has three entry points: namely, the training entry point, the job entry point, and the post-entry point.

In the case of the job entry point, SMBC holds its SMBC Job Forum, which is an in-house seminar where 50 or more departments introduce their work and appeal to other employees to join them. This forum not only increases interest in the in-house recruitment system but also improves understanding among staff about a wide range of jobs within the bank, thus providing employees with the opportunity to think about their career design. In fiscal 2007, a total of more than 1,000 young to mid-career employees, in eastern and western Japan together, attended these seminars.



An SMBC Job Forum

### ■ Establishing a New Business Career Path

Beginning in fiscal 2008, we will realign our existing support staff career track by establishing the Business Career Path, which will expand the range of work activities and raise interest among employees in different career opportunities. Among job types, we will introduce a "corporate course" and an "operation course" among work and career paths. We will also create managerial levels and, valuing the lifestyles and career views of motivated employees, open up fields where they can make even greater contributions. In addition, from among temporary and contract employees working at our branches, we hired about 2,000 of these staff as regular employees to go on the Business Career Path.

## Heightening Awareness of Individual Rights

At SMBC, we have included in our principles of action the concepts that "we will respect the individual human dignity of our customers and employees" and "we will not permit discrimination of any kind." We are implementing the following initiatives to heighten the awareness of all employees regarding individual rights.

- Conducting training meetings for manager level staff (once a year), and personnel newly appointed to management positions and staff who have recently joined the bank
- Holding study meetings to discuss individual rights issues, with manager level personnel leading these sessions (twice a year)
- Soliciting slogans promoting individual rights from management and staff (once a year)

In fiscal 2007, SMBC began to participate in the United Nations Global Compact, thereby agreeing to embrace, support and enact 10 principles in the areas of human rights, labor standards, the environment, and anti-corruption.



### ◆ SMBC Among the Best 25 Companies in Japan as "A Great Place to Work"

In January 2008, SMBC was selected as one of the best companies in Japan as a place to work in the survey conducted by Great Place to Work® Institute Japan.

\* Great Place to Work® Institute, Inc., a U.S. company, is a survey organization that supplies data for the annual list of the "100 Best Places to Work" published by Fortune magazine. The survey has two major components: a survey of the internal systems and corporate culture of respondent companies, and a questionnaire survey of the employees of these companies. The results of the survey of employees receive a weighting of two-thirds in determining the final results.



### ◆ SMBC Receives Award for Promotion of Gender Equality and Work Home Compatibility from Japan's Ministry of Health, Labor and Welfare.

SMBC received an award for excellence in the gender equality promotion section of the award given by the Tokyo Labor Department as part of the fiscal 2007 corporate awards for gender equality and work-home compatibility sponsored by the Ministry of Health, Labor and Welfare. We received this award as "a company taking active initiatives to draw fully on the abilities of female employees." SMBC was cited for having "a wide range of departments that promote the employment of women" and "having support systems for attaining a balance between work and home responsibilities. SMBC was one of two companies chosen for the award.

## SMBC Staff Profile

	March 31, 2006	March 31, 2007	March 31, 2008
Number of employees *1	20,322	19,723	20,273
Male	13,955	13,424	13,457
Female	6,367	6,299	6,816
Average age	39.0	39.0	38.7
Male	41.3	41.2	40.10
Female	34.0	34.5	34.2
Average years of service	16.9	16.8	15.11
Male	18.4	18.2	17.5
Female	13.4	13.7	12.11
Ratio of employees with disabilities (% of total) *2	1.99%	2.03%	2.05%

\*1 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, temporary staff employees, and local staff at overseas branches.

\*2 As of March 1 of the respective years

April 1	2004	2005	2006	2007	2008
Number of newly employed female graduates *3	143	208	252	380	518
Ratio of newly employed females to total new employees	36.2%	38.1%	36.3%	40.0%	41.3%

\*3 Includes key employees, which includes generalist staff and consumer service staff. General office employees are excluded.

Fiscal	2003	2004	2005	2006	2007
Number of women in managerial positions *4	167	193	235	280	354
Number taking leave for child rearing	61	70	89	126	163
Men taking such leaves	—	—	—	6	22
Number of career hires	7	88	181	156	500

\*4 As of the end of the fiscal year

# Social Contribution Activities

## Fundamental approach to social contribution activities

SMFG and its Group companies, in consideration of the public service nature of the financial services industry, recognize the importance of using 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. We maintain an extensive social contribution program by planning and executing social contribution activities at the corporate level, as well as encouraging employees to volunteer for worthwhile activities with the following sectors as the core fields for social contributions: social welfare; local and international communities; the environment; and culture, art and education.

## Activities Contributing to Social Welfare

Group companies undertake a wide range of social welfare activities that contribute to creating a more affluent society.

### ■ Donation of Voided Postcards

SMFG collects voided postcards from Group employees, exchanges them for new postal stamps, and donates the stamps to volunteer organizations to help them cover their postal costs.

### ■ Sign-Language Courses and Volunteer Seminars

To assist employees in communicating with and providing high level services to aurally challenged customers, SMBC has offered sign-language courses to its employees each year. SMBC also provides volunteer seminars on weekends and after hours for employees and their families to learn about supporting physically challenged persons through communication with service dogs, and first-aid methods using arm slings, automated external defibrillators (AEDs).



### ■ Donations to Organizations Assisting Senior Citizens

SMBC Friend Securities has launched an investment trust that invests in companies that respond to the needs of Japan's senior citizens, and in March 2008, donated a portion of the income from the marketing of this trust to organizations that help 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 in Japan, and international communities overseas.

### ■ SMBC Volunteer Fund

The SMBC Volunteer Fund makes contributions to volunteer organizations, including those described below. Funds are raised from SMBC employees who volunteer to have ¥100 deducted from their salaries each month. As of May 2008, about 10,000 employees were participating in the program. In fiscal 2007, contributions were made to 17 organizations, handling initiatives including the repair of school facilities in Cambodia, a water hygiene improvement project at schools in Sudan in Africa, and construction of a school for hearing-impaired children; emergency donations were also raised for seven large-scale natural disasters.



### ■ Opening of accounts for donations to disaster victims

When major natural disasters occur, SMBC will open special accounts to collect donations for relief, and allows anyone wishing to make donations to the accounts to do so without fund transfer charges. During fiscal 2007, donations were made from the six accounts to offer relief following disasters including the offshore earthquake in Niigata-Chuetsu, Northern Japan and the cyclone in Bangladesh. Donations were also made available from two accounts in April 2008 to provide assistance for damage following the cyclone in Myanmar and the major earthquake in the Sichuan region of China. SMBC also solicits donations for such causes from its employees and those of Group company Japan Research Institute (JRI).

### ■ Activities of YUI, SMBC's Volunteer Organization

SMBC's in-house volunteer organization YUI conducts various welfare activities, such as holding charity bazaars selling items donated by employees, social events for children attending schools for the hearing-impaired, and events to provide opportunities for senior citizens to sing their favorite songs, as well as sending picture books to children in Laos.



### ■ SMBC Program for Contributing to Local Communities

Beginning in fiscal 2007, SMBC has begun to promote activities that are planned by its branches and other offices in Japan to contribute to local communities. Thus far, these activities have included cleanup activities for areas in the vicinity of SMBC branches and the outdoors, the

planting of trees and flowers around SMBC branches, sign-language study classes, and exhibitions of children's art from around the world in branch lobbies.



### ■ Support for UNICEF

SMBC places coin collection boxes in its branches and offices in Japan. The coins collected are sorted by currency before being delivered to the Japan Committee for UNICEF. SMBC also cooperates with the Japan Committee for UNICEF by implementing the UNICEF Donation Account program. This program enables customers to donate their interest earnings after tax to UNICEF, with SMBC providing a matching donation. Sumitomo Mitsui Card and VJA group companies collect donations from VISA cardholders every year through its World Present point service for member companies of the VISA Japan Association. Sumitomo Mitsui Card also issues social contribution cards, such as the UNICEF VISA Card.

## Environmental Activities

We also sponsor activities that contribute to the preservation of the natural environment.

### ■ SMBC's Environmental Program NPO C.C.C Furano Field

SMBC provides support to an environmental project implemented by screenwriter Sou Kuramoto in the Furano area of Hokkaido. Activities under this project include enlisting the assistance of volunteers in planting seedlings in golf courses that have gone out of business, with the goal of restoring these former forest areas to their once pristine condition. This project also sponsors environmental education activities that enable persons to experience nature with their five senses. SMBC and its employees with an interest in this project and their families participate in and help conduct tours in the area to experience and enable others to experience nature firsthand.



### ■ Neighborhood Cleanup Programs

SMFG sets aside one day a year as "SMFG Cleanup Day," and its employees participate in cleanup events at beach areas. During fiscal 2007, around 200 employees participated in these events. At Group companies, interested employees continually participate in cleanup activities in the vicinity of their offices and river-side areas, typified by the regular



early-morning neighborhood cleanups conducted along Midotsuji Street by volunteer employees of Sumitomo Mitsui Finance and Leasing.

### ■ Contributions to Private Nature Conservation Groups

JRI donates to private sector nature conservation groups part of the fees received for research conducted to select companies appropriate for the Eco Fund.

## Contributing to Cultural, Artistic, and Education Activities

We also sponsor cultural, artistic and educational events.

### ■ Sponsoring of Charity Concert, "A Toy Box of Favorite Works"

Each year, SMBC raises funds by sponsoring employee music society performances and a charity concert run on a voluntary basis by SMBC staff to provide support for children in different parts of the world who have been injured by wars, natural disasters, or other misfortune.



### ■ Children's Illustration Contest

Since fiscal 2007, SMBC has sponsored an illustration contest for primarily schoolchildren on the theme "The Kind of Work I Would Like to Do". About 3,000 illustrations were submitted for the first year's contest. We prepared an original bank passbook featuring the works of winners in the contest. In addition, the winning works were placed on display in SMBC's branches nationwide.



### ■ Financial and Economic Education

SMBC engages in a range of educational activities to promote the understanding of finance and economics. For example, the bank supported the publishing of a book entitled "What Does BANK do?" and provides a section on its website called "Exciting Exploration of Banking Activities." SMBC is also a sponsor of the Kidzania Tokyo job-experience theme park for children and offers bank tours for primary school students during summer vacation entitled "Summer Vacation Fun! Let's Explore Banking Activities!" Among other educational activities, SMBC also supports the "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 similar programs.



# Environmental Preservation Initiatives

## Environmental Preservation Initiatives



The Group recognizes environmental preservation to be one of its most important management issues. Based on our Group Environmental Policy, we are implementing initiatives to preserve and achieve harmony with the natural environment in our corporate activities. SMFG is a signatory to the "Statement by Financial Institutions on the Environment and Sustainable Development" of the United Nations Environment Programme (UNEP) and participates in the national movement "Team Minus 6%," which is sponsored by the Japanese government.

## Three Pillars of Group's Activities

The three pillars of our environmental action plan are to "reduce environmental impact," "manage environmental risk," and "promote environmental businesses." The Group CSR Committee systematically sets environmental objectives for various activities and follows the PDCA (plan, do, check, and act) cycle in these environmental activities. SMFG and principal Group companies have obtained 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.

## The 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.

## Reducing Environmental Impact

SMFG sets objectives each year for the reduction in use of electric power and other sources of energy and is actively engaged in reaching these energy conservation goals. In addition, SMBC has made its Head Office "carbon neutral" through the procurement of "green" sources of energy and purchases of carbon credits. Moreover, Sumitomo Mitsui Card has attained carbon neutral status for its Osaka Head Office, and SMFG Finance and Leasing has reached this status for its Tokyo Head Office, both through the purchase of carbon credits.

Estimated SMBC energy consumption (electricity, utility gas) (t-CO<sub>2</sub>)

	2005	2006	2007
Four head office buildings	12,142	11,869	11,918
Other	94,375	91,319	92,850
Total	106,517	103,188	104,768

Basis for estimation: domestic energy and utility gas consumption (based on volume consumed and energy expenditures). CO<sub>2</sub> emissions figures used are 0.425 for electricity (TEPCO guideline figure, fiscal 2007) and 2.08 for utility gas (Law Concerning the Promotion of Measures to Cope with Global Warming). In fiscal 2007, the impact of increases in the number of business locations caused a slight increase over the previous year. However through promotion of initiatives such as the move to make consumption more "visible," we continue to endeavor to achieve reductions.

## Managing Environmental Risk

### ■ Dealing with Soil Contamination and Asbestos Risk

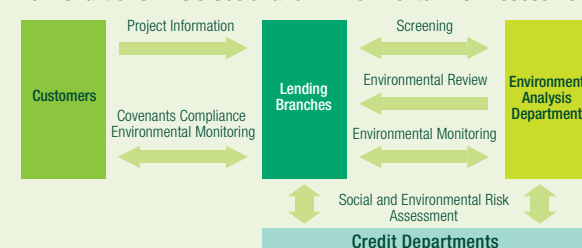
To deal with the risk that land pledged as collateral by borrowers may be contaminated, SMBC requires contamination risk assessment for land meeting certain criteria. When the risk is judged to be high, the assessed value of the potential risk is subtracted from the value of the collateral.

Regarding its own premises, SMBC branch offices conduct their own surveys of asbestos risk and takes appropriate removal measures.

### ■ Adoption of the "Equator Principles"

SMBC has adopted the Equator Principles which are a set of guidelines for financial institutions to conduct assessment and management of social and environmental impacts related to financing of large-scale development projects. The Environment Analysis Department (EAD) has established its own internal procedures for social and environmental risk assessment in accordance with the Equator Principles, and EAD keeps updating its risk assessment operation.

## Flow Chart of SMBC's Social and Environmental Risk Assessment



## Environmental Business

The Group considers providing assistance to companies engaged in environmental business as an effective way to provide assistance to society and the international community through its business activities.

SMBC, in particular, formed the Eco-Biz Promotion Council in fiscal 2005 to discuss periodically the development of sophisticated and efficient products and services that contribute to environmental maintenance and improvement.

### ■ Nurturing and Supporting Environmental Businesses

#### SMBC Eco-Loans (SMBC)

SMBC offers loan products with preferential interest rates to companies that have obtained ISO 14001, Eco Action 21, and other environmental certifications.



#### Global ECOBIZ Assist (SMBC)

This program offers preferential interest rates and fees to support the trade activities and entry into overseas markets of SMEs that manufacture and develop environmental equipment.

#### Environmental Advisory Business (JRI)

This business provides environment-related research, advisory, and consulting services to government and industry.

#### eco japan cup (SMBC)

SMBC and Japan's Ministry of the Environment and Ministry of Internal Affairs and Communications jointly sponsor the "eco japan cup", a contest for selecting the best environment business plans and ideas. This contest has the aim of promoting the development of a recycling-oriented economy and a society that is in tune with the natural environment.



#### Cooperation with the 5th Eco-Products International Fair (SMBC)

Teisuke Kitayama, chairman of SMBC, is the chairman of the planning committee for the 5th Eco-Products International Fair, the showcase of environmental products and services that is slated for March 2009.



#### Environmental Business Networking Event (SMBC)

Responding to the need to expand distribution channels to potential customers of companies supplying environmental products and services, SMBC and SMBC Consulting jointly have held Environmental Business Networking Events.

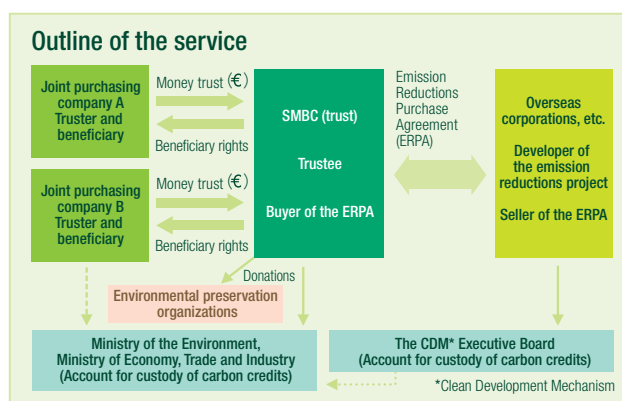


### ■ Carbon Credits Business

The Group has engaged in business activities related to carbon credits, including introductions of available carbon credits to potential buyers since 2005.

#### Small-Lot Carbon Credits Purchase Service (SMBC)

Since June 2007, SMBC has been offering a service for the purchase of small-lot carbon credits (joint purchase by several companies is acceptable) making use of money trust scheme.



#### Fight Global Warming Campaign for Marketing Japanese Government Bonds for Individual Investors

SMBC implemented a month-long Fight Global Warming campaign for marketing Japanese government bonds (JGB) for individual investors in June 2008. Please see the next page for details.

#### Carbon Offsetting through Mortgage Loans

SMBC has initiated a campaign to provide support for carbon offsetting to prevent global warming, through mortgage loans made to individual customers. Please see Feature 3 (pages 13 and 14) for details.

#### Carbon Neutral Leases

Sumitomo Mitsui Finance and Leasing has introduced carbon neutral leases, a new service that renders the greenhouse gases released by leased assets neutral through the allocation of carbon credits to these assets.

### ■ Publication of Environmental Magazine SAFE

SMFG publishes an environmental information magazine on a bimonthly basis. In addition, we are also enhancing the environmental awareness of our corporate clients through our environmental seminars and by becoming a signatory to the Carbon Disclosure Project (CDP).

<SAFE magazine> <http://www.smfg.co.jp/responsibility/csrinfo/safe.html>





## ◆ Environmental business initiatives

Company	Target	Name of product, etc.	Outline
SMFG	Corporate	Publication of Environmental Magazine SAFE	SMFG has published this magazine on a bimonthly basis to provide information about the environment to its customers and other parties since 1996.
		Environmental seminars	SMFG conducts annual environmental seminars aimed at providing environmental information.
		Signatory to the Carbon Disclosure Project	Institutional investors and financial institutions with an interest in climate change around the globe now require information disclosure related to the stance of companies and others as well as their initiatives related to environmental issues. The CDP aims to gather this information and make the results available.
SMBC	Corporate	SMBC Eco-Loans	SMBC began offering these loan products in February 2007. To enhance the convenience of these loans for SMEs, we have expanded the list of environmental certifications beyond ISO 14001 to include a total of more than 20 NPOs and local government entities in Japan that have their own environmental certifications. Outstanding balance: as of March 31, 2008, approximately 500 Eco-Loans had been made in the total amount of ¥30 billion.
		Global ECOBIZ Assist	This program is intended to provide assistance in the globalization of Japanese SMEs that have superior environmental technologies and disseminate information about Japan's environmental technology to the rest of the world. The program targets SMEs that are engaged in manufacturing and developing environmental equipment in the fields of water, waste materials, new energy, the atmosphere, energy conservation, and other areas (soil pollution remediation, greening, recovery of natural areas, etc.)
		eco japan cup	In this contest, the companies that have the most useful technology and ideas are selected, and SMBC provides assistance in collaboration with the universities as a means to support for their R&D activities.
		Cooperation with the Eco-Products International Fair	Teisuke Kitayama, chairman of SMBC, is the chairman of the planning committee for the 5th Eco Products International Fair.
		Environmental Business Networking Event	About 500 companies have attended at these events, and about 600 business discussions have been held.
		Small-Lot Carbon Credits Purchase Service	This service enables the buyer to choose whether to receive or donate to an environmental preservation organization the deposit interest earned on the trust assets between the period of the start of the money trust and the settlement of carbon credit purchase.
	Individuals	"Fight Global Warming" Campaign for Marketing Japanese Government Bonds for Individual Investors	As a contribution to global warming prevention, SMBC buys carbon credits worth 500 kilograms of carbon dioxide (CO <sub>2</sub> ) for every individual investor who purchases Japanese government bonds worth one million yen or more. Two thousand tons of carbon credits SMBC purchases under the campaign will be transferred to the Japanese government for free.
		Carbon Offsetting through Mortgage Loans	See Feature 3 (pages 13 to 14).
SMFL	Corporate	Carbon Neutral Leases	SMFL introduced this service In August 2007, adding to its existing contributions to the environment via lease financing for energy-conserving machinery and equipment in collaboration with ESCO enterprises. As a result of the implementation of this service, we are in a much better position to support the activities of companies that want to take the initiative in conducting environmentally friendly business activities.
JRI	Corporate	Environmental Advisory Business	JRI undertakes a wide range of environmental advisory projects, mainly relating to the infrastructure of environmental facilities.

## ◆ SMBC environmental financing (FY2007)

	(billions of yen)
Corporate/environmental business	210.1
Of which SMBC Eco-Loans	20.9
Individual	30.9
Total	241.0

1. "Corporate/ environmental business" refers to loans provided to environmentally conscious companies, in accordance with OECD guidelines (including SMBC Eco-Loans).
2. "Individual" refers to loans for environmentally friendly housing. Criteria are reviewed on an ongoing basis.

## ◆ SMBC Eco funds

	(billions of yen)
FY2007 sales	Balance as of Mar. 2008
34.1	70.5

3. "Sales" figure is based on contracted amounts/ individuals

## ◆ Environmental accounting

SMFG continues to examine evaluation criteria for adoption in environmental and CSR accounting.

# Third Party Opinions



## Kanji Tanimoto

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

SMFG's report for this year has evolved in comparison with the report for last year. This not due to any change in SMFG's CSR-centric management initiatives; it results instead from more proactive disclosure of the various activities the Group has been pursuing since last year.

In last year's third-party opinion, I wrote that, while specific action plans had been established in the various business units and divisions, and CSR initiatives were being carried out in line with the start of the medium-term management plan entitled "LEAD THE VALUE" Plan, the report only provided outlines of these initiatives. I also wrote that, given the CSR report's role as a non-financial report, more detailed disclosure on the progress of these initiatives needed to be provided by using the website as a means of ensuring accountability. The report has changed greatly this year in this respect.

That is to say, this year the website version of the CSR report contained detailed disclosure about various initiatives that have been undertaken since last year in pursuit of improved customer-centric business and compliance frameworks. Each section of this report contains subsections entitled "Previous activities" and "Issues for the future," which outline the initiatives carried out in fiscal 2007 and the challenges for 2008. The coverage of the CCF Action Plan is also more comprehensive, moving beyond simply highlighting initiatives, as in last year's report, to explaining what has been done and what is being attempted. Providing targets and issues to be addressed on an annual basis for each area covered is perhaps the cornerstone of CSR reporting.

Next, placing importance on relationships with stakeholders, meeting

their expectations and growing together with them, as discussed in "Commitment from the Top," is an important theme. The "Customer-centric Business Case Studies Booklet", which is compiled internally based on an analysis of feedback gathered from customers, is a good example of this process. The question is how to obtain stakeholders' opinions from various perspectives in regard to important management themes, and reflect this in the company's management. On the road ahead, as engagement with stakeholders becomes increasingly important, the challenge will be how to frame this, how to come up with better methods to achieve it, how to feed back into the company's management opinions and ideas (obtained from inside and outside the company) and how to develop the systems required for this process.

Another point I would like to make is that, if SMFG is emphasizing the importance of communicating with society in its social contribution activities, I would expect it to go beyond simply outlining the activities it has carried out and the projects to which it has contributed or donated; and an account should also be provided of the benefit they had for society and how society viewed them. I also hope that SMFG will close the gaps between different departments with regard to disclosure.

My final comment concerns the degree to which SMFG should disclose non-financial information and how this information should be disclosed. As a financial institution that is trusted by society, the important points are to: check every year what initiatives are underway at the Group's various related divisions and departments, based on the corporate philosophy, the basic CSR policy and the medium-term management plan; organize the reporting into themes so that data is provided each year on important aspects; and disclose this information annually in a report. There is an expectation that SMFG will contribute, together with its stakeholders, to the development of a sustainable society, through the pursuit of responsible activities. I hope that this report on SMFG's activities with regard to the environment, the society and the economy will continue to evolve in a way that can live up to the expectations of its stakeholders.

## Response to the Third Party Opinions

### Takeshi Kunibe

Director of CSR, Sumitomo Mitsui Financial Group



This year marks the fourth year since SMFG established the CSR Department at SMBC and began fully-fledged CSR activities. During that time, we have worked as a group to strengthen our CSR system by instilling a customer-centric mindset, enhancing our internal control framework, and steadily implementing our CCF Action Plan. Based on Professor Tanimoto's recommendations last year, we gave a great deal of thought to what we disclosed in this year's report and how we disclosed it, and I believe that we have achieved greater accountability as

a result. We received positive feedback on the report, and we hope that it can serve as a first step toward further improvement of our disclosure with respect to our CSR activities.

We see ensuring effective, open communication channels as a key future challenge, so that we can seek out the opinions of all our stakeholders, reflect these opinions in our management, and ensure that they are known and shared by employees. And as a comprehensive financial group with a highly public nature, we intend to further enhance our CSR initiatives in order to live up to society's expectations.

[www.smfg.co.jp](http://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.