

Sumitomo Mitsui Banking Corporation

Business Improvement Plan Submitted to FSA

Tokyo, June 2, 2006 --- Sumitomo Mitsui Banking Corporation (SMBC; President: Masayuki Oku) announced today the submission to the Financial Services Agency of Japan (FSA) of the Business Improvement Plan prepared pursuant to the business improvement orders issued by the agency on April 27, 2006 (FSA Supervisory Bureau Memorandum No. 1032).

We deeply apologize for causing concern to our customers, shareholders and other stakeholders for the abuse of dominant bargaining position in marketing interest rate swaps by the Corporate Business Offices.

We accept the gravity of the situation with sincerity and will strictly implement the Business Improvement Plan in order to ensure proper marketing of all financial products. At the same time, we will conduct a sweeping review of business management, internal control and compliance on an ongoing basis from the customer's viewpoint so that we may regain the trust of our customers, shareholders and the public.

Outline of the Business Improvement Plan and measures to be taken against those responsible for the violations are as follows.

1. Outline of the Business Improvement Plan

(1) Clarification of Management's Position on Improving Business Conduct and Compliance from Customer's Viewpoint

Since last fiscal year, in addition to the reinforcement of customer-centric mindset and strict adherence to the compliance manual, the management implemented organizational initiatives, including the reorganization of the Middle Market Banking Unit; and establishment of Quality Management Dept. and Antimonopoly Law Monitoring Dept. The management will continue to take steps, such as below, on its own initiative.

Further, from the perspective of ensuring proper conduct of all businesses, checking and monitoring by experts and directors from the outside and the holding company

Sumitomo Mitsui Financial Group (SMFG) will be strengthened also.

(a) Establishment of Business Monitoring Committee

A “Business Monitoring Committee” will be established, chaired by an outside expert and sub-chaired by an outside director (of the nine members, including the chairman, five will be outside experts and directors) to objectively deliberate on issues such as measures on compliance, and customer satisfaction (CS) and quality improvement management. The committee will also review the progress in implementing and realizing the objectives of the Business Improvement Plan. The Board of Directors will deliberate and decide on such measures, giving due consideration to the committee’s decisions.

Further, a new outside director will be added to the Board of Directors (from June 29) in order to strengthen its supervisory function.

(b) Establishment of CS and Quality Improvement Committee

A “CS and Quality Improvement Committee”, comprising all Management Committee members, will be established with the aim of clarifying the management’s commitment to customer-centric mindset. The committee will endeavor to improve business quality by periodically invite outside experts to obtain their opinions, as well as incorporating customers’ and employees’ suggestions.

(c) Establishment and Implementation of CCF Action Plan

As an initiative for improving and firmly establishing the customer-centric mindset, compliance, etc., the Board of Directors will deliberate on each marketing unit’s “CCF* Action Plan” every fiscal year, determine the plans’ progress and results, and give clear and precise instructions.

* “CCF” stands for, at the same time, “Customer Comes First” and “Compliance Comes First”. Customer-centric mindset and compliance are the fundamental principles of business management, and the CCF Action Plan is the plan for realizing the principles.

(d) Strengthening of Monitoring at Management Level

At the same time as ensuring compliance, monitoring of all SMBC businesses will be strengthened and promoted at the management level in order to manage and improve the quality of all aspects of business, including products and services,

Further, in order to improve its oversight function, SMFG, as the holding company, will establish a “Group Business Management Dept.” to check whether SMBC’s businesses are being conducted properly and instruct SMBC’s Management Committee members in charge of specific departments. SMFG will also expand and improve on-site monitoring by its Audit Dept. in order to strengthen the department’s audit function.

(2) Review of Business

The following measures will be implemented to firmly establish in the employees’ minds the customer-centric thinking and compliance so that they will be reflected in their business activities.

(a) Revision of Performance Evaluation Scale

We will firmly establish the customer-centric mindset by changing the performance evaluation scale for marketing units so that “fiscal year’s revenues”, “mid and long term branch business plan and its implementation” and “branch management (compliance, customer-centric mindset, etc.)” will have equal weighting.

(b) Establishment of Business Plan Preparation Guidelines

“Business Plan Preparation Guidelines” will be established so that each marketing unit can prepare a proper business plan based on detailed analysis of market characteristics, etc.

(c) Establishment of Business Office Management Guidelines and Proper Business Guidelines

“Business Office Management Guidelines” and “Proper Business Guidelines” will be established to ensure that all business offices of the marketing units comply with laws and regulations and conduct business activities properly.

(d) Strengthening of Monitoring of Business Conduct

Customer monitoring system, performance monitoring system and other systems will be established at each marketing unit in order to ensure proper business conduct.

(3) Review of Products and Services

The following measures will be implemented to establish customer-centric mindset and ensure that products, services and their marketing activities comply with laws and regulations.

(a) Establishment of Rules on Quality Management of Products and Services

“Rules on Quality Management of Products and Services” will be established to ensure marketing of products and services based on customers’ needs. It will set forth, for example, marketing standards with emphasis on customer protection and product suitability, and rules on preparing and presenting materials on products and services that do not mislead customers.

(b) Preparation of Criteria for Reviewing Products and Services

“Criteria for Reviewing Products and Services” will be prepared annually from the perspective of ensuring and maintaining proper marketing activities based on customers’ opinions, and it will be used to review marketing rules periodically.

(c) Expansion and Improvement of Training Programs on Products and Services

Training programs on products and services will be expanded and improved in order to ensure proper conduct of promotion and marketing activities that are based on accurate knowledge of products and services. Further, in order to ensure the effectiveness of each program, employees will be checked on how well they understand the matters covered in the program, and those who fail to reach a certain level will be temporarily prevented from marketing the products or services covered in the program.

(4) Review of Business Management

In order to ensure that the frameworks for managing businesses have been structured properly and functioning effectively, compliance, monitoring and auditing methods will be reviewed and the following measures will be taken in order to prevent recurrence of the violation with respect to all our products and services.

(a) Revision and Strengthening of Compliance Framework

Marketing units will be required to involve the Compliance Unit when establishing business plans, promoting business, etc. In addition, the Middle Market Banking Unit will assign a “Chief Compliance Office” who is not directly involved in marketing activities at each of its regional head offices, Middle Market Banking Divisions. The Chief Compliance Officer will supervise and

direct the activities of the compliance officers of the Corporate Business Offices in his/her region to ensure that their offices observe laws and regulations on their own initiatives.

(b) Establishment of SMBC Alarm Line Framework

“SMBC Alarm Line Framework” has been established for early detection of illegal activities and other unacceptable conduct. The framework includes an outside lawyer as a contact person.

(c) Establishment of Customer First Training

“Customer First Training”, a discussion-based training method, will be incorporated in the employee training programs to establish customer-centric mindset, and employee surveys will be conducted to monitor how well the customer-centric mindset has permeated throughout SMBC. The survey results will be used to make further improvements.

(d) Concentration and Incorporation of Customers’ Opinions

All customers’ requests, opinions and complaints will be sent to the Quality Management Dept. so that such information can be centrally processed, including proper handling of individual complaints, and used by the department to make improvement proposals to head-office departments.

(e) Strengthening of Antimonopoly Law Monitoring Dept.

The function of the Antimonopoly Law Monitoring Dept. will be expanded to include receiving and handling of customers’ inquiries and opinions related to the Antimonopoly Law.

(f) Strengthening of Audits

A broad-based review of auditing scope and methods will be conducted in order to strengthen supervision of head-office departments and business offices.

2. Measures to be Taken Against Persons Responsible for the Violations

As you will see from the Appendix, measures will be taken against the persons responsible for the violations, including requests to be made to directors who have already resigned.

3. Response to Customers’ Inquiries, Etc.

Customers who have entered into interest rate swap contracts and have made inquiries or demands with respect to their contracts will be individually explained with sincerity the results of the investigation by the Special Investigation Committee.

Specifically, our policy with respect to interest rate swap contracts of which abuse of dominant bargaining position have been recognized is to pay the fee for canceling the contracts and compensate the customers for the amounts they have already paid plus the legal interest rate. With respect to other contracts with possibility of abuse of dominant bargaining position or insufficient explanation of product, our policy is to examine individual cases and take appropriate measures such as paying the fee for canceling the contracts.

Further, on contracts entered into prior to April 2001, we will respond with sincerity to any claims made by the customers.

End

Measures to be Taken against Persons Responsible

1. Executives (as of December 2005) ---- a reduction in monthly salary

Teisuke Kitayama, Chairman of the Board and Masayuki Oku, President

--- a 40% cut for six months

Three deputy presidents

--- a 30% cut for three months

Ten other members of Management Committee

--- a 10% - 20% cut for three months

Nine other involved executive officers, etc.

--- a 5% - 10% cut for three months

The persons who had already resigned when the orders were issued by the FSA will pay back the same amounts.

2. Employees

The general managers of the head-office departments and the Corporate Business Offices, who are responsible for the violations, will be strictly reprimanded in accordance with concerned internal rules.

Further, the below retired directors will be requested to pay back the followings:

Akishige Okada, the former Chairman of the Board and Yoshifumi Nishikawa, the former President and CEO

--- 50% of the monthly salary for six months

Michiyoshi Kuriyama and Toichiro Mizushima, the former Deputy Presidents (*)

--- 30% of the monthly salary for six months

(*)They held the positions of Head of Middle Market Banking Unit after the fiscal year 2001.