

Middle Market Banking

SMFG, primarily through SMBC's Middle Market Banking Unit, provides various solutions to midsized companies and small and medium-sized enterprises ("SMEs"), leveraging its Groupwide strength to meet their increasingly diversified needs.

With the goal of reinforcing the SMFG brand in the middle market banking field, we are strengthening our relationships with our customers by responding positively to requests for loans while working to provide high-quality and speedy services.

Proactive Stance on Loans to Midsized Companies and SMEs

At SMBC, to proactively and speedily meet the funding needs of customers, we have been reinforcing our capabilities in the following three ways.

- (1) We are actively marketing our *Business Select Loan*, an unsecured loan not requiring a third-party guarantee, which is targeted mainly at companies with annual sales of under ¥1 billion, as well as the *Client Support Loan*, a new product developed jointly with the Japan Federation of Certified Public Tax Accountants' Associations. We are also marketing *N-Fund Loans* (a loan of up to ¥5 billion) and similar products to companies with annual sales of ¥1 billion or more.*
- (2) We have greatly speeded up the credit screening process through the delegation of more authority for making lending decisions to our branch office staff and the standardization of procedures.
- (3) We have set up five new branches dedicated to middle market banking in parts of Japan where there is a particularly high concentration of SMEs, and have opened eight branches in areas where this service was previously not available. Thus, we have increased the total number of branches dedicated to meeting the needs of SMEs by 35 during fiscal 2003.

As a result of the foregoing steps, the combined number of *Business Select Loans* and *Client Support Loans* made during fiscal 2003 rose by 13,000 from the previous business term, to 37,000 loans amounting to ¥700 billion, a year-on-year increase of ¥250 billion. The number of *N-Fund Loans* and similar products* for the year more than doubled, from 18,000 to 42,000 loans, amounting to ¥2,100 billion, an increase of ¥1,300 billion over the previous term.

Through these loan services, we succeeded in meeting the funding needs of a wide range of companies, and were able to extend loans to 17,000 first-time customers, with a total loan amount of ¥1,400 billion.

Offering a High-Quality Financial Service

To meet the manifold needs of our customers, the staff at each of SMBC's Corporate Business Offices and Business Support Offices make maximum use of collaboration with various specialists from the head office as well as with other Group companies, offering sophisticated, speedy financial services.

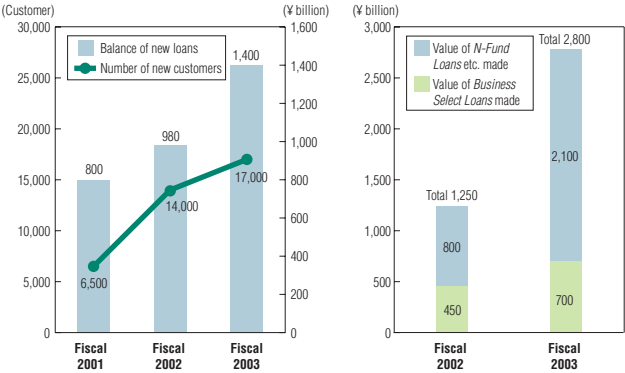
Settlement Service

To help our customers streamline their settlement processes, centered on foreign and domestic exchange transactions, we became the first Japanese bank to offer an online overseas trade service, the *Global e-Trade Service*. For domestic exchange business, we offer *Exchange EB (Electronic Banking) Services* as part of our *Web21* electronic banking services. These services have been receiving high ratings from our customers, enabling us to enjoy a large market share within Japan.

Diversification of Fund Procurement

We have been further promoting loan syndication through Debt IR** activities, which SMBC pioneered in the domestic market. As a result, a wide spectrum of our customers utilize syndicated loans, recognizing them to be a useful fund-procurement method.

We are also meeting the diversifying fund-procurement needs of our customers through active development and marketing of our support services for private bond placement, the securitization of receivables, and the extension of commitment lines.



Leveraging the Group's Overall Capabilities

By promoting active interchange of personnel between SMBC and other Group companies, SMFG has been laying the groundwork for the sharing of expertise among the whole Group, making possible the provision of more advanced and effective financial solutions.

In response to our clients' needs for credit enhancement, SMBC Finance Service Co., Ltd. purchases trade receivables and also offers guarantees for payments. Customer needs regarding the administrative processing for settlements and the rationalization of fund management are met by the outsourcing services provided by Financial Link Company, Limited, while leasing needs are handled by SMBC Leasing Company, Limited. The Japan Research Institute, Limited provides consulting services, and our customers are able to enjoy high-quality investment services provided through the collaboration between SMBC and Daiwa Securities SMBC Co., Ltd. In this way, Group companies complement each other through the provision of various specialized services.

SMBC Consulting Co., Ltd. operates on a membership basis, with 40,000 registered corporate members. It is Japan's leading bank-owned management consulting company. In addition to management consulting services, SMBC Consulting conducts management training seminars, assists in staff training, and provides all varieties of information to members' staff. Particularly notable is the Trade Meeting & Exhibition for China Business 2004, an exchange meeting for businessmen hosted by SMBC Consulting in March 2004 and attended by 1,700 businessmen from 900 companies, which drew great praise from the business community.

In addition to the above, SMFG took aggressive measures to harvest the new business opportunities that accompanied the change in the legal status of Japan's national universities from April 1, 2004, under which they have acquired greater autonomy in the management of their finances. Headed by a specialist project team, the Group made numerous proposals to these universities regarding their asset management and other financial needs, consequently winning the status of designated financial institution from 34 universities, among which 22 universities, including the University of Tokyo and Kyoto University, designated SMBC as their main bank.

Further Strengthening SMFG's Middle Market Banking Brand Image

In fiscal 2004, we will continue to proactively address our customers' fund procurement needs. We intend to bolster our capability to provide new financial services, as well as to propose solutions aimed at raising customers' corporate value.

In April 2004, we launched new products such as a performance recovery loan (*Turnaround Loan*)—whereby funds

are made available to companies deemed to have good prospects of achieving a recovery in business performance—and a special loan targeting companies that wish to employ their trade receivables in fund procurement. We will also be opening more branches especially dedicated to meeting the fund procurement needs of midsized companies and SMEs.

Our plans also call for establishing the SMFG brand name at the forefront of banking services for venture businesses. For example, we have started offering *V-Fund Loans* to venture businesses set up by colleges and universities. Eligible businesses will be those in the early stages after establishment, and the lending will be predicated on an evaluation of the proprietary technology of the venture business and the viability of its business model. We are committed to firmly establishing SMFG's brand value in this field through the cooperation of SMBC and SMBC Capital Co., Ltd., which engages in the venture capital business.

In response to the growing demand among customers for services tailored to realizing operational restructuring and business revitalization through the sell-off or spin-off of non-core businesses, or to cope with the adoption of impairment accounting, we have put in place a system whereby staff at our head office collaborate with front-line marketing staff in designing and proposing solutions aimed at raising customers' corporate value.

At SMFG, through the various efforts and initiatives described above, and by raising the profile of our brand name in the middle market banking field, we will continue our efforts to earn the trust and esteem of our customers.

* Thanks to the speeding up of the credit screening process through the standardization of criteria, we are now able to offer *N-Fund Loans* up to a maximum of ¥5 billion, compared with ¥2 billion in the previous term. "*N-Fund Loans* and similar products" ("*N-Fund Loans*, etc." in graphs) refers to the *N-Fund Loan* itself, in addition to the *Middle II Fund*, *Middle I Fund*, and *SMBC-CLO*.

**Debt IR refers to investor relations activities targeting customers' creditors (such as other banks with whom we conduct business and holders of customers' debentures) and credit rating agencies.

