2. Principles of Management

The Sakura Bank, Limited (the Bank) merged with The Sumitomo Bank, Limited on April 1, 2001 and changed its corporate name to Sumitomo Mitsui Banking Corporation (SMBC).

1. Basic Principles of Management

The Bank's basic management principles are as follows:

- To provide higher value-added services 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.

Under these principles, the Bank will endeavor to meet customer and market expectations and its economic and social responsibilities in order to acquire solid "customer credibility" and "market credibility".

2. Dividend Policy

With respect to the interest of shareholders, the Bank subscribes to a fundamental policy of conducting appropriate dividends, with certain outlook for enriching capital and preserving sound management basis.

As for the delivered money due to bank , the Bank decided the amount for common share as 3.00 yen per share (6.00 yen on annual basis) and for Series-II preferred share as 7.50 yen per share (15.00 yen on annual basis), and for Series-III preferred share (Type 2) as 6.85 yen per share (13.70 yen on annuall basis).

Upon merger, the Bank issued 2,470,846,767 par value common shares (par value of 50 yen per share) and allotted these common shares to each of Sakura's shareholders (including the real shareholders; the same shall apply hereinafter) listed in Sakura's final shareholders' registration (including the real shareholders' registration; the same shall apply hereinafter) in the ratio of 1 to 0.6 of Sakura's common share to Sumitomo's common share.

Upon merger, the Bank issued 2,577 thousand of non-par-value Type 6 preferred shares and allotted these Type 6 preferred shares to each shareholder listed in Sakura's final shareholders' registration on the day immediately preceding the appointed date of merger in the ratio of 1 to 1 of Sakura's Series-II preferred share to Sumitomo's Type 6 preferred share.

Upon merger, the Bank issued 800 million non-par-value Type 5 preferred shares and allotted these Type 5 shares to each shareholder listed in Sakura's final shareholders' registration on the day immediately preceding the appointed date of merger in the ratio of 1 to 1 of Sakura's Series-III preferred share (Type 2) to Sumitomo's Type 5 preferred share.

3. Management Strategy

The Bank will improve its earning power by fully and quickly realizing benefits of the merger in terms of gross banking profit and expenses. In addition to effectively utilizing the greatly expanded customer base, the Bank will establish a solid earning base by moving beyond conventional banking business models.

Besides realizing benefits of the merger and effectively utilizing name recognition and loyalty built up over the years by the two predecessor banks, the Bank will provide higher value-added financial services by enhancing its ability to provide sophisticated financial solutions, expanding and improving its product and service line-ups, and integrating and upgrading networks to achieve further growth.

Details of the plan for each business are as follows:

(a) Improving profitability in consumer banking

The Bank will improve profitability in consumer banking through refined customer segmentation, increased sales of profitable products and services, and enhanced operational efficiency.

(b) Achieving higher asset efficiency in corporate finance

The Bank will endeavor to achieve higher asset efficiency by increasing fee income from financial solutions that meet the specific needs of clients and strengthening "market-driven financial intermediation" such as loan syndication, etc.

(c) Renewed initiatives in international banking business

As for international banking business, management resources will be aggressively allocated based on selective regional focus and targeted strategies.

In specific terms, the Bank will strengthen its business in Asia by leveraging both geographic advantage and the combined customer base with rationalized branch network of the two predecessor banks.

(d) Strategic investment in IT

In order to heighten its competitiveness, the Bank will aggressively invest in strategic IT areas. For example, the Bank will further increase investment in improvement of database marketing in consumer banking.

(e) Displaying leadership in Internet-related financial business.

As a new financial services complex, the Bank will pursue alliances with various partners and strive to be the leader in Internet-related financial businesses.

4. Issues to be Addressed

(a) Further strengthening balance sheet

In order to be able to respond to the drastically changing business environment and to establish a firm foundation for future growth, a strong financial base is essential. To this end, the Bank will accelerate the final resolution of bad-loan problems. Furthermore, the Bank will reduce its cross-shareholdings to reduce the volatility risk of its stock portfolio. In addition to these asset-side developments, the Bank will improve its capital by increasing retained earnings through enhanced earning power and paying back publicly funded loans.

(b) Cost reduction through early realization of merger benefits

The Bank will accelerate the pace of cost reduction implemented by the two predecessor banks. Unconstrained by conventional ideas, the Bank will carry out a wide range of cost cutting measures from streamlining branch network and reviewing products and services to restructuring of business.

(c) Improving gross banking profit

The Bank will greatly expand gross banking profit by establishing new business models at an early date and enhancing customer credibility. In consumer banking, the Bank will increase transactions by providing optimum services and convenience that match individual customer's life style and cycle based on understanding of each customer's situation. In corporate banking, the Bank will provide solutions tailored for each company based on a thorough examination of its management and financial needs. In international banking, the Bank will fine-tune its strategy for each region to enhance profitability.

5. Financial Targets

The Bank aims to achieve banking profit (excluding transfer to general reserve) of 950.0 billion yen and consolidated ROE of more than 10% in FY2004 through business restructuring and strengthening of earning power. The Bank intends to pay back half of the public funds by FY2004, but will strive to accelerate this schedule as much as possible.

6. Pursuit of Enlightened Corporate Governance

The Bank has two principal institutions for corporate governance: the Board of Directors and Executive Officers. This division aims to clearly define the responsibility between "providing strategic direction and oversight for its operations" and "policy implementation".

The role of the Board of Directors to supervise the Bank's operation from the view point of the interest of shareholders has come to be more emphasized than before, and the day-to-day running of the Bank is in the Executive Officers' charge. In addition, Risk Management Committee, Compensation Committee, and Personnel Committee have been constituted from within the Board of Directors. These committees include directors from outside the Bank and have been established in order to deliberate from a broad and objective perspective matters such as risk management, compliance, compensation and personnel affairs of members of the Board of Directors and Executive Officers

To supplement the functions of the Board of Directors, the Bank will establish an advisory board consisting of members such as former directors of blue-chip companies, leading management consultants, and academics, to provide wide-ranging and unhindered management advices.