Major Questions and Answers
(From the Financial Results Presentations held on December 3, 2002)

Q. How much will the balance of problem assets based on the Financial Reconstruction Law as of Mar. 31, 2003 decrease compared with the balance as of Mar. 31, 2002?

A. By promoting off-balancing of problem assets, we plan to reduce the balance approximately 1 to 1.5 trillion yen in a year.

Q. What is your policy regarding unrealized losses on securities while you had large unrealized losses on “other securities (stocks)” of 933.1billion yen as of Sep. 30, 2002?

A. Basically, we strictly observe the criteria for the impairment of stocks, and continue to pare down cross-shareholdings. We plan to continue selling stocks as market conditions permit, and will also consider selling to the Bank of Japan under their stock acquisition program.

Q. What is the most effective policy for SMBC to regain greater shareholders’ value?

A. We believe improving the asset quality is the most effective way. Our basic profitability has been significantly reinforced, including the effect of restructuring. The improvement of asset quality will further push up our bottom line.

Q. What is the loan market size of small-sized enterprises, a target segment of “Business Select Loan”? How much is the amount of loan per deal?

A. It is difficult to gauge the size of the whole market. City Banks, Regional Banks, Credit Unions and Credit Associations are the players in the loan market to small-sized enterprises. As we could not develop the business in the market so effectively up to now, we are trying to increase the balance of loans to small-sized enterprises by carving out our new business model. We plan to newly initiate “Business Select Loan” of 400 billion yen in fiscal 2002 utilizing the credit scoring model and marketing effectively through exclusive channels. The average amount of loan per deal is 20 million yen, and the maximum facility of the loan is 50 million yen.

Q. How is SMBC promoting to increase loans to small and medium-sized enterprises, while working to improve the loan spread?

A. Loans to small and medium-sized enterprises including individuals are our main business field accounting for approximately 70% of the overall domestic loan amount and we are firmly commited to this market. In order to expand business in this area, we have changed our business model to what allows us to take risks through the following initiatives: to the small-sized enterprises, by newly launching “Business Select Loan” and to the middle market, by charging returns in accordance with the risks borne .

In order to charge appropriate returns, we are commited to providing financial restructuring plans and solutions to customers by sharing mutual recognition of the customers’ credit risk.

We believe that our customers will value a bank that accepts the credit risk, and that sharing mutual recognition of the credit risk enhances our business. We believe that this initiative will be the starting point for changing the lending business to an “originate & distribute” type hereafter from a “buy & hold” type up to now.

Q. What is the process for forming the holding company structure under which SMFG will have Sumitomo Mitsui Card Company, SMBC Leasing Company, and The Japan Research Institute as its wholly-owned subsidiaries, and have Daiwa Securities SMBC and Daiwa SB Investments as its directly-invested companies?

A. The Japan Research Institute will become a wholly-owned subsidiary of SMFG by the merger of the two holding companies (SMFG and The Japan Research Institute Holdings) scheduled on February 1, 2003. In the process, The Japan Research Institute Holdings’ shares of Sumitomo Mitsui Card Company and SMBC Leasing Company, cash, and surplus will be transferred to SMFG.

On the same day, Sumitomo Mitsui Card Company, and SMBC Leasing Company will also become wholly-owned subsidiaries of SMFG, and Daiwa Securities SMBC and Daiwa SB Investments will become directly-invested companies. The management business of these four subsidiaries will be transferred from SMBC to SMFG through corporate split, and SMFG will purchase the shares held by group companies other than SMBC, and by outside investors at market price.

This scheme was formulated from the following perspectives: to minimize SMFG’s liabilities, to maintain financial soudness through the reduction of stocks’ book value, etc.

Q. How will you differenciate SMFG from other financial groups?

A. SMFG has its own characteristics and strengths through its non-banking subsidiaries of Sumitomo Mitsui Card Company, SMBC Leasing Company, and The Japan Research Institute. This is SMFG’s advantage compared with other major financial groups. SMFG will improve such characteristics and strengths and will gain greater contribution from those companies to the group as a whole through synergy effects. Regarding SMBC, the banking entity, while it has already gained its advantage in terms of considerable cost reductions, we will enhance our commitment to the bank-wide Business Reforms in order to realize a better outcome in the future.