

Consumer Banking Unit

Business Strategies

Both the asset and liability sides of the Japanese consumer banking market have grown, and with the opportunities afforded by information technology (IT) to diversify and pursue new business models, this market has become one of the most attractive to banks in recent years. At the same time, competition has intensified as a result of financial group mergers and entrants from other sectors. With these factors at play, it is significant that SMBC ranks first in consumer banking in terms of investment trust balances, loan balances and customer accounts.¹ We are starting out with an advantageous position that we will leverage to offer even higher value-added financial services. To sustain our lead, we will draw upon our already formidable product and service expertise, our channel development capabilities and our staff of highly skilled financial consultants.

Organizationally, we have the pieces in place to pursue this market. Our frontline operations are positioned around three main customer segments: private banking clients, asset management clients and long-term asset building clients.

Our Block Consumer Business Offices,² branch network, Consumer Investment Services Offices, Consumer Loan Promotion Offices and call centers provide the most appropriate channels and processes for the products and services that meet each individual's needs.

Achieving low-cost operations is a key objective in this market. While we continue to consolidate and rationalize our conventional branch network, we are also aggressively employing IT within branches to heighten teller efficiency and centralize back office administration. At our manned branches, we are concentrating on the products and services requiring in-depth consultation. We are encouraging customers to use our remote channels as the main conduit for everyday transactions to complement our manned branches.

Our call centers are a strategically important and effective channel for developing the consumer market. Utilizing large volumes of data and needs analyses, we are achieving a high rate of success by approaching customers with service and product suggestions over the telephone. In the last half of

fiscal 2000 alone, call centers logged two million outbound calls, offering customers that opened new accounts additional services or such products as investment trusts and mortgages.

We aim to secure our position as the leading bank in the consumer banking market. To this end, we are building up brand recognition with the slogan, *One's Next* (we help plan the *next* step of *one's* financial plan according to his/her life stage), expressing the underlying reliability and convenience we offer customers.



Notes: 1. As of March 31, 2001, the investment trust balance for individuals was ¥1.2 trillion, loans to individuals reached ¥13.5 trillion and the number of ordinary bank accounts for individuals totaled 27 million.

2. A Block Consumer Business Office is a frontline operation covering several branches and Consumer Investment Services Offices in a district.

Key Objectives

1. Improve profitability in consumer banking through refined customer segmentation, increase sales of profitable products and services via an extensive network and enhance operational efficiency
2. Establish the SMBC Group as the market-leading financial service brand for individuals



Call center

● Asset Building Segment

The asset building segment is primarily composed of people with relatively long-term horizons—accumulating assets for their retirement or to use as down payments to secure housing loans. We offer a flexible range of service delivery options to accommodate their diverse lifestyles, starting with our manned branches and call centers, which form the market hub for sales promotions. These are supplemented by telephone banking, Internet banking and other remote channels.

As of June 30, 2001, we had set up 135 MC Desks (Money Lifestyle Consulting Desks) manned by consultants specializing in helping customers manage their money according to their lifestyles. They offer comprehensive one-stop financial counseling to promote sales of investment and savings products, such as investment trusts and foreign currency instruments, as well as loan products, such as primary or secondary mortgages, loans for rebuilding or renovation, and loans for education. When a customer comes to us for advice, we provide a personalized service that employs database-marketing techniques and offers the right combination of sales promotions and remote-channel access to match the customer profile and stage of life.



Money Lifestyle Consulting Desk

As measured by loan balances, we are the leader in the housing loan market. To develop this market, we have developed a large product lineup and a network of specialized Consumer Loan Promotion Offices that have direct tie-ups with real estate agencies and housing developers. As of June 30, 2001, we already had 63 offices in place and we plan to further expand this network and its functions.

With these channels serving the needs of asset builders at every stage, we are confident we can ensure SMBC is the main, lifelong bank for our customers.



Loan Plaza

● Asset Management Segment

We have positioned highly trained financial consultants in each Block Consumer Business Office and Consumer Investment Services Office, the specialized asset management service outlets that totaled 21 in number as of June 30, 2001. For customers seeking sophisticated, objective investment product consulting, these financial consultants offer tailor-made financial solutions for their assets and debts based on our *Total Portfolio Plan for Financial Assets*.

We offer one of the largest selections of investment trust units among the Japanese banks. As of June 30, 2001, our roster included 55 funds managed by 26 companies. To make it easier for customers to match funds to their needs, we grouped 26 of these funds, based on their performance, under the SMBC Fund Selection umbrella.

By satisfying a broad range of customer needs while providing individualized service, we aim to establish SMBC as the leading brand for asset management services.



Consumer Investment Services Office

● Private Banking Segment

In the private banking segment, we cater to high-net-worth individuals and the owners of high-growth businesses, such as those that are planning or have already completed public offerings or listings. We offer these individuals business-owner-specific, long-term consulting with strategic capital plans and investment management components.

In the strategic capital planning business, we advise on public offerings, succession planning and the many other requirements of high-net-worth individuals, drawing on our staff of private bankers with experience in complex corporate transactions and advanced international product knowledge.

On the asset management side, we develop and provide customized products and services based on each customer's market perspective.

Our services for both private banking areas are premised on building a long-term relationship and becoming the customer's trusted partner.

● Payment and Settlement Services

The way individuals settle their financial obligations has changed with rapid technological progress in the information and communications fields and the adoption of increasingly diverse lifestyles. In response, we are bolstering our remote channels to include a full slate of telephone and Internet banking services as well as mobile banking services for mobile telephones. We are also forging ahead with convenience store ATMs to lower operating costs and enhance customer convenience.

Through our alliance with the am/pm Japan Co., Ltd., a convenience store chain operator, we have already established a network of 1,100 @BANK terminals accessible 24 hours a day. In addition, our *One's Direct* service, which bundles our remote channel banking services together, has met with enthusiastic market response, attracting 3.73 million subscribers by fiscal year-end. Our goal is to make SMBC known as the brand offering the highest degree of convenience for everyday banking.

● Drawing on the Financial Service Capabilities of the SMBC Group

SMBC reorganized its credit card business first in April 2001, changing the name of The Sumitomo Credit Service Company, Limited, to Sumitomo Mitsui Card Company, Limited. Then in July, it transferred the UC Card division of Sakura Card Co., Ltd., to Sumitomo Mitsui Card. Having now reorganized both the former Sumitomo and Sakura Banks' credit card subsidiaries, we are ready to pursue the credit card business as a central component of our consumer banking operations.

In October 2000, we inaugurated the Japan Net Bank, Ltd., the country's first exclusively Internet-based financial institution. It combines the merits of year-round, 24-hour access



Japan Net Bank

ibility with high interest rates on deposits and low service charges. Together with our joint-venture partners and other allied service providers, we will employ the advantages of the Internet and IT to make Japan Net Bank so convenient it will become the main bank of choice for Internet customers and a banking model for the 21st century.

The Sakura Loan Partner, Ltd., a joint venture founded in June 2000 with am/pm Japan Co., Ltd., Sanyo Shinpan Finance Co., Ltd., and Nippon Life Insurance Company, opened its doors in July 2000 to begin offering the precedent-setting @Loan product group of small-sum, unsecured loans for individuals. At the same time, the joint venture began deploying its highly versatile and advanced loan consultation terminals, called @Loan Boxes, at am/pm convenience stores in the Tokyo metropolitan area. By June 30, 2001, the @Loan Box network extended to 333 locations.

We will continue to implement new business models in such fields as credit cards, unsecured loans, and payment and settlements, to develop fresh opportunities and enhance the value of the SMBC Group as a whole.



@Loan Box and @BANK