

Middle Market Banking Unit

● Business Strategies

SMBC has retained the organizational improvements made by both founding banks to the traditional full banking branch model. Under these changes, the frontline organization for small and medium-sized businesses was separated from that for individual clients, allowing a speedier, more appropriate response to their growing needs. We can now serve our business clientele, the largest in the country, with well-balanced teams consisting of knowledgeable branch staff and corporate finance specialists at our headquarters. This structure is allowing us to lower costs while improving service.



■ Key Objectives

1. Create an organization capable of a nimble response to business needs (establish the SMBC brand among business clients)
2. Cater to growth enterprises
3. Develop network-based services and loans for small and medium-sized enterprises
4. Lead in the development of efficient settlement systems
5. Leverage the Group's total strength

● Creating a Responsive Organization— The SMBC Keyword

To establish the SMBC brand among business clients, we are building an organization capable of responding rapidly to the changing needs of small and medium-sized enterprises under the SMBC banner. The S stands for the three Ss, representing the provision of *specialized, speedy solutions*; the M stands for a customer-driven *marketing* approach; the B is short for becoming the customer's *best partner*; and the C symbolizes *cooperation* between the Middle Market Banking Unit, headquarters and the other banking units.

To achieve these organizational goals, we have stationed specialists in derivatives, capital markets, foreign business, electronic banking and other fields in the 10 regional headquarters that manage their own Middle Market Banking divisions. In the Unit's Business Promotion Department, and in the other departments, we have also assembled experts in numerous other fields—including mergers and acquisitions (M&A), management buyouts, factoring and securitization, loan syndication, public offerings and investment management—to assist in providing first-rate customer solutions.



● Catering to Growth Enterprises

Within the Business Promotion Department, we have established the New Business Promotion Department, which comprises the New Business Promotion Group and IPO Promotion Group desks, to focus on winning more business with customers in growth fields, such as semiconductors, biotechnology, IT, environmental services and health care. Drawing on their proprietary knowledge, the seasoned staff at the New Business Promotion Group desk analyze and evaluate a company's technologies, marketability and growth prospects, and introduce to it the appropriate capital sources, such as the new business support fund, an unsecured financing system. The Group's venture capital wing, SMBC Capital Co., Ltd., also assists companies in the start-up stages with their capital requirements.

At the IPO Promotion Group desks, account executives experienced with public offerings, particularly initial public offerings, work with affiliate Daiwa Securities SMBC Co., Ltd., to advise on and help implement capital strategies.

● Developing Network-Based Services and Loans for Small and Medium-Sized Enterprises

SMBC has the largest clientele of small and medium-sized businesses in Japan. We are upgrading service to these enterprises by establishing dedicated Business Support Plazas around the country. As of June 30, 2001, the number of Business Support Plazas totaled 123.

These plazas are focusing on sales of *Value Door*, a PC-based service package that offers online settlement services, financing and business information. We are promoting *Value Door* as the flagship product of our remote channel for



Business Support Plaza

business users, with the ultimate goal of stimulating greater demand for our solutions business among small and medium-sized enterprises. In May 2001, we inaugurated the *Value Door Site* for *Value Door* subscribers. This web site allows us to offer each service to businesses on a one-to-one basis according to the company's individual circumstances.

To better serve the financing requirements of small and medium-sized businesses, we are shortening the time required for loan approvals by offering loans with credit guarantees by the Credit Guarantee Association and by offering unsecured loans based on scoring model analyses. We are also boosting our loan business by accepting applications for unsecured loans over the Internet analyzed with scoring models to complement the initiatives at our manned Business Support Plazas.

The Business Owner Banking Department is a new department within the Middle Market Banking Unit, set up to plan and promote new products and services specific to small and medium-sized businesses. In the department, the Business Development Group teams up with convenience store chains and similar businesses to offer innovative financing packages, including regular loans, to their franchisees. This is just one example of how we are tapping new demand using highly effective, low-cost methods.

● Leading the Development of Efficient Settlement Systems

Our settlement and cash management professionals deliver solutions at the appropriate level of sophistication to meet the requirements of individual businesses. In February 2000 we were granted a patent on the business model for our *Perfect* reconciliation service, which involves setting up numerous collection accounts for the receivables of a business in advance and using account number information instead of names to process incoming payments, thereby greatly expediting the account reconciliation process. Since we launched this service, it has been well received.

To facilitate innovations of this nature, we set up the e-Business Patent Department within the Electronic Commerce Banking Department.

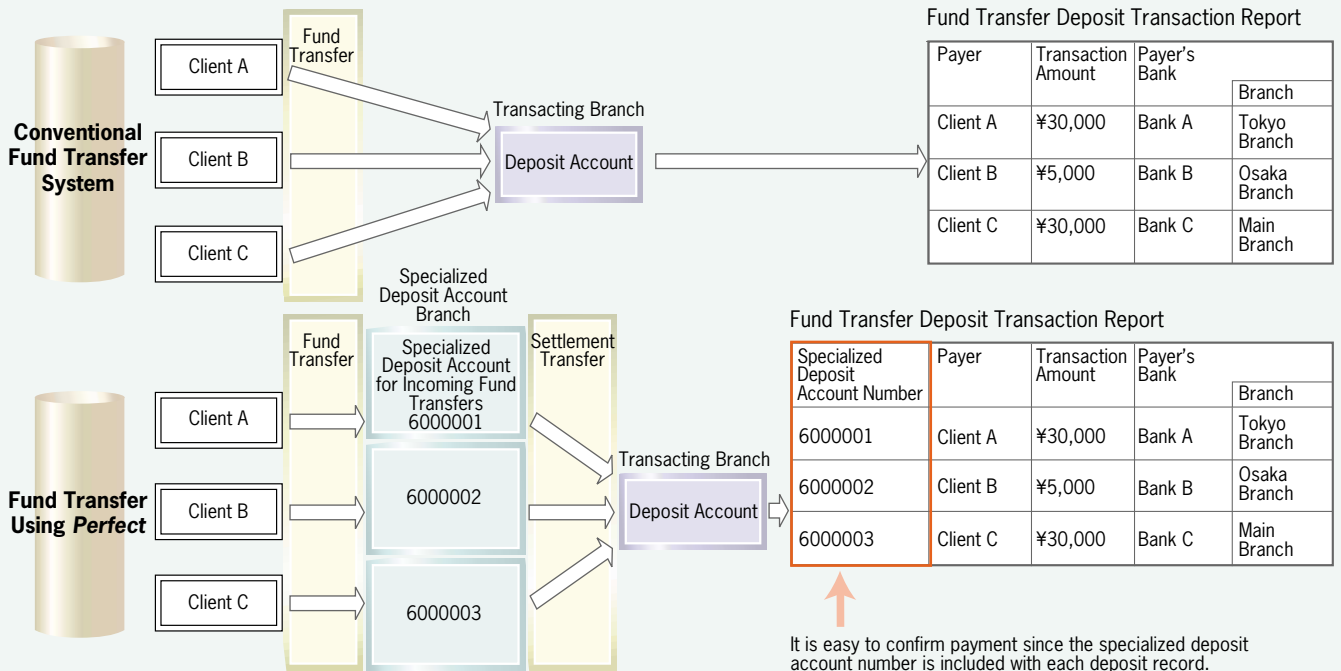
We also established the Global Cash Management Department in the Electronic Commerce Banking Department to

enhance our cash management services for global corporate groups. We offer a range of solutions based on the concept that group management begins with cash management.

Now more than ever, domestic businesses are working to make their payment systems more efficient. To tap this demand, we have assembled a full lineup of PC-based banking services, which have gained a warm market welcome for their superior functionality and easy operation.

In the burgeoning field of business-to-business (B2B) electronic commerce, SMBC was one of the originators of PAYWEB, an Internet-based settlement system encompassing bank transfers, payments at convenience stores and payments by credit cards. We are also a participant in the IDENTRUS consortium, an international provider of digital identities. We are continuing to develop various authentication and payment systems for electronic commerce as well as electronic data interchange (EDI) services for trade finance.

Perfect Reconciliation Support Service



Leveraging the Group's Total Strength

In the solutions business, it is becoming increasingly important to respond to customer needs with the entire might of the Group. In view of this, we are strengthening the cooperation between Group companies to deliver comprehensive financial services as a single unit and enhance the value provided to each customer. SMBC Capital, for instance, supports the funding requirements of fast growing enterprises, while SB Leasing Co., Ltd. (on September 1, 2001, the corporate name will become SMBC Leasing Co., Ltd.), handles their leasing demands. Sumigin General Finance Co., Ltd., and

Sakura Factors Co., Ltd., take care of their factoring needs, and SMBC Consulting Co., Ltd., and The Japan Research Institute, Ltd., provide management information consulting. Mitsui Finance Service Co., Ltd., Sakura Finance Service Co., Ltd., and QUOQ Inc. serve as collection agents. Affiliate Daiwa Securities SMBC Co., Ltd., a joint venture with Daiwa Securities Group Inc., offers top-flight investment banking services. Taken together, the Group constitutes a formidable presence in financial markets, which we are using to the greatest advantage of our clients and the Group itself.