

Individual Business Unit Strategies

Major Accomplishments in Fiscal 2001, the Year Ended March 31, 2002, and Key Goals for Fiscal 2002, the Year Ending March 31, 2003

Consumer Banking Unit

Major Accomplishments

- Expanded our network of Money Lifestyle Consulting Desks (MC Desks) offering financial advice geared to the stage of life and lifestyle of individual customers to 240 locations as of March 31, 2002, a year-on-year increase of 122
- Introduced a full range of new and attractive products and services geared to meeting the needs of individual customers
- 2.4 million hits received on our One's Direct online service in March 2002, a year-on-year increase of 900,000

Key Goals

- Strengthen consumer banking profitability by refining customer segmentation, increasing sales of highly profitable products and services, and further improving operational efficiency
- Build the brand value of and enhance customer trust in the SMBC Group by offering the highest level of service in consumer banking
- Reduce the manned branch network from 578 branches at the time of the merger in April 2001 to 401, mainly by consolidating existing branches

Middle Market Banking Unit

Major Accomplishments

- Actively promoted the *Business Select Loan*, a financing product expressly designed for small and medium-sized enterprises
⇒ Outstanding loan balance was ¥45.9 billion as of March 31, 2002, a year-on-year increase of ¥30.8 billion
- Registered corporate users of *Perfect*, SMBC's patented reconciliation support service, increased to 3,400 as of March 31, 2002
⇒ Year-on-year increase of 1,000 companies
- Group companies' factoring and management consulting businesses recorded robust growth
⇒ In factoring, the number of customers tripled and the balance of guarantees nearly doubled to ¥53.0 billion year-on-year
⇒ SMBC Consulting Co., Ltd., became the largest bank-affiliated management consulting firm in Japan, with approximately 35,000 member companies

Key Goals

- Expand solutions-driven marketing backed by the collective resources of Head Office departments, branches, and Group companies
- Actively promote the *Business Select Loan*, backed by an in-house developed credit risk assessment model designed especially for small and medium-sized businesses, with enhanced credit risk evaluation capabilities and rapid processing of unsecured loan applications
- Spearhead the development of efficient settlement systems to meet the rationalization needs of businesses
- Further collaborate with Group companies to expand business
⇒ Promote factoring services as a solution for hedging risks associated with the collection of trade receivables

Corporate Banking Unit

Major Accomplishments

- Unified front-office operations to maximize synergies inherent in the two former banks' combined expertise
⇒ Achieved higher fee-based income, a central goal of the unit, despite the adverse economic climate
- Established an efficient operating structure, with no overlapping functions or resources
⇒ Achieved significant cost reductions as a result
- Completed work on a data management infrastructure
⇒ Introduced customer relationship management (CRM) for corporate customers immediately upon the formation of SMBC, thereby facilitating increased information-sharing

Key Goals

- Enhance our ability to offer solutions for business restructuring by bolstering cooperation with Daiwa Securities SMBC Co. Ltd. and by strengthening the operations of the Financial Solutions Department, Investment Banking Unit
- Strengthen settlement services, particularly cash management services (CMS)
- Further reinforce our prominence in the arrangement of such credit instruments as nonrecourse loans, commitment lines, and syndicated loans, fields where the two former banks already had competitive advantages

International Banking Unit

Major Accomplishments

- Reaped merger benefits at an early stage by quickly consolidating the two former banks' overseas offices and implementing other streamlining initiatives
- Increased business with the overseas offices and subsidiaries of Japanese companies through greater collaboration with the Bank's domestic operations
- Expanded CMS
- Enhanced relationships with the multinational corporations' offices and subsidiaries in Japan

Key Goals

- Further improve return on assets and increase fee-based business
- Enhance liabilities-related services
- Implement "right-sizing" to create a strategic global network

Treasury Unit

Major Accomplishments

- Increased transaction volume by establishing a Treasury Marketing Department
⇒ Significant rise in direct dealing with counterparts and in the number of customers per treasury officer
- Implemented a dynamic operating system to respond more quickly to market trends in Japan and overseas
⇒ Generated a sharp increase in earnings from foreign currency-denominated asset liability management (ALM) operations, and maintained high profitability in yen-denominated ALM and trading operations

Key Goals

- Increase convenience and speed of customer services to expand the volume of transactions
⇒ Proactive use of the Asia Sales Desks, and creation of *i-Deal*, an Internet dealing system for customers
- Manage a broad array of risks, particularly taking into account the difficult market conditions in Japan

Investment Banking Unit

Major Accomplishments

- Offered several new products that meet the demands of our customers, both in Japan and overseas
⇒ Developed quicker, computerized methods of securitizing debt
⇒ Arranged several large-scale nonrecourse loans for real estate financing transactions
⇒ Developed new types of derivatives
- Expanded loan syndications (syndicated loans, transferable loans, and others)
- Daiwa Securities SMBC placed first in the domestic straight bond league table for fiscal 2001

Key Goals

- Further strengthen existing businesses
⇒ Continue to expand loan syndications
⇒ Promote securitization as an integral part of streamlining accounting operations, using such systems as *Notes Captor*, a system that simultaneously processes multiple notes receivable
⇒ Work with other SMBC Group companies to capture more cross-border business
- Cultivate new business fields
⇒ Promote investment management services, particularly for defined contribution pension plans
⇒ Promote services that correspond to corporate restructuring requirements, including management buyout (MBO) financing

[Reference]

■ Banking Profit, by Business Unit

Year ended March 31, 2002	Billions of yen						Total
	Consumer Banking Unit	Middle Market Banking Unit	Corporate Banking Unit	International Banking Unit	Treasury Unit	Others	
Banking Profit (excluding transfer to general reserve for possible loan losses)	¥34.5	¥377.8	¥134.8	¥25.0	¥481.3	¥130.0	¥1,183.4
Year-on-year increase (decrease)	27.3	23.2	7.2	(7.7)	243.5	86.8	380.3

Notes: 1. Year-on-year comparisons are those used for internal reporting and exclude changes due to interest rate and foreign exchange rate fluctuations.
2. "Others" consists of (1) dividend income from subsidiaries and affiliates, (2) financing costs on preferred securities and subordinated debt, (3) profit earned on investing the Bank's own capital, and (4) adjustment of inter-unit transactions, etc.