



Increased opportunities to diversify and pursue new business models afforded by deregulation and advances in information technology (IT) have made consumer banking one of the most attractive markets for 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 currently ranks No. 1 in consumer banking in Japan in investment trust balance, individual loan balance, and number of individual customer accounts*. We intend to leverage this advantageous position to offer higher value-added financial services. To sustain our lead, we will continue to draw upon our formidable product and service expertise, our channel development capabilities, and our highly skilled financial consultants.

Our frontline operations are positioned in line with our main customer segments: asset building, asset management, and private banking. For each of these segments, we have developed sophisticated business models. Our Block Consumer Business Offices, branch network, Consumer Loan Promotion Offices, and Call Centers provide the most appropriate channels and processes to meet each customer's needs.

* As of March 31, 2002, the investment trust balance for individuals was ¥1.4 trillion, loans to individuals stood at ¥13.5 trillion, and the number of ordinary bank accounts held by individuals was 27 million.

Brand Strategy

The central theme of SMBC's consumer banking operations is "One's Next," which refers to our goal of helping customers develop the next step of their financial plans according to stage of life. To implement a detailed brand-building strategy, in fiscal 2002, the year ending March 31, 2003, we began assigning brand managers to all branches. With a brand-value-enhancing strategy that focuses on providing individualized customer attention, we aim to make SMBC the most trusted of the leading banks.

One's Next

Strategic Transformation of the Manned Branch Network

We have been strategically transforming the Bank's branches from operational processing centers to marketing and sales bases by reviewing the branch network from the perspective of market location, nature, and scale to determine the most suitable functions and configuration. In fiscal 2001, we reduced 14 branches. In addition, prior to the completion of IT systems integration of our domestic branch network in July 2002, in an area with overlapping branches, we relocated the excess branches to a core branch, and now have joint-branches at 20 locations. By continuing our strategy of consolidating overlapping branches, we intend to reduce the number of branches from 578 as of the merger in April 2001 to 401.



Broad Lineup of Products and Services

To enhance convenience and meet the needs of customers at each stage of life, SMBC offers a wide-ranging lineup of products and services.

SMBC provides numerous savings and investment products, including the most extensive selection of investment trusts of any Japanese bank. We introduced two new trusts in fiscal 2001—one in June 2001 and another in January 2002—and enhanced our investment trust sales capabilities. As a result, investment trust sales to individuals totaled ¥1,485.3 billion as of March 31, 2002. As of June 30, 2002, our roster comprised 53 investment trusts managed by 25 companies.

We also offer a diverse array of time deposits that match individual customers' savings plans. Our introduction of a new type of time deposit, offered in combination with other financial product such as investment trust or foreign currency deposit, met with extremely favorable customer response, recording sales of approximately ¥670.0 billion in fiscal 2001. We also offer foreign currency time deposits bearing high interest rates (1.0 percentage point higher than our normal rates for such products when customers participate via SMBC's online service, and 0.8 percentage point higher when these deposits are initiated at branches) for a limited six-month campaign running through September 2002.

In July 2001, we introduced the *Comprehensive Report Service* as part of the *Monthly Voice* newsletter. These monthly reports contain all information related to individual customers' SMBC accounts, including data on the distribution of assets, account balances, deposits and withdrawals, and investment gains and losses.

Drawing on the latest advances in financial IT, the Bank provides services to increase customer convenience in day-to-day banking transactions. A highly popular example is our *One's Direct* online service, which allows registered customers to access such services as fund transfers, balance inquiries, time deposit and foreign currency deposit transactions, and investment trust transactions via the telephone, Internet, or Internet-accessible mobile phone. In March 2002, *One's Direct* logged 2.4 million hits, a year-on-year increase of 900,000 hits.

SMBC also provides a lineup of loan products corresponding to customers' changing financial requirements at different stages of life. Our Consumer Loan Promotion Office network plays a key role by matching information and loan proposals to individual requirements. As a result of our individualized approach and comprehensive offerings, the Bank's loans to individuals totaled ¥13,472.5 billion as of March 31, 2002. In April 2002, we introduced a loan for newly built housing featuring preferential interest rates, attracting a growing number of home buyers. We intend to continue offering consumer banking products and services that set SMBC apart from the competition.



Consumer Loan Promotion Office

Asset-Building Segment

The asset-building segment is primarily composed of customers with relatively long-term horizons, that is, customers accumulating assets either for down payments on housing loans or for retirement. We offer a flexible range of service delivery options to accommodate our customers' diverse lifestyles, from manned branches and Call Centers, the Bank's marketing and sales promotion hubs, to telephone banking, Internet banking, and other remote channels. To increase flexibility and promptness in meeting customers' requirements, SMBC began assigning an Area Marketing Officer to each Block Consumer Business Office in fiscal 2002.

Moreover, specially trained professionals at the Bank's Money Lifestyle Consulting Desks (MC Desks) offer financial advice geared to each individual customer's stage of life and lifestyle. As of March 31, 2002, the Bank had established 240 MC Desks, an increase of 122 compared with a year earlier. Located at selected manned branches, MC Desks are a one-stop source of financial counseling and investment and loan vehicles, including investment trusts, foreign currency deposits, and such loan products as primary and secondary mortgages, loans for home renovation, and loans for education and other needs.

By offering suitable products and services tailored to the asset-building needs of individual customers at each stage of life, we are confident of ensuring that SMBC remains the main, lifelong bank for our customers.



Money Lifestyle Consulting Desk

Asset-Management Segment

The Bank assigns highly skilled financial consultants to Block Consumer Business Offices to meet the needs of customers seeking sophisticated, objective investment advice. Our financial consultants employ the Bank's *Total Portfolio Plan for Financial Assets* to offer tailor-made solutions for comprehensive management of each customer's assets and debts.

As of June 30, 2002, SMBC had established a network of 64 Asset Management Plazas as the main channel for offering asset-management services to clients. These facilities feature private consultation spaces, seminar rooms equipped with TV conference systems, and plasma display panels providing financial and promotional information to customers.

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

Private-Banking Segment

In the private-banking segment, the Bank caters chiefly to high net worth individuals and to owners of high-growth businesses who are planning or have already completed public offerings or listings. We offer such individuals customized, long-term consulting with strategic capital planning and investment management components.

In our 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 in all areas of the private-banking business are based on building long-term relationships and becoming each customer's trusted partner.

Payment and Settlement Services

The ways individuals settle their financial obligations are changing in line with rapid technological progress in the information and communications fields and the increasing diversification of lifestyles. In response, we have been enhancing our *One's Direct* online banking service to accommodate customer transactions via remote channels (such as the telephone, Internet, and Internet-accessible mobile phone), and strengthening and expanding remote channel functions to further complement the Bank's traditional branch network. Our customers increasingly use remote channels for everyday banking transactions. As of March 31, 2002, SMBC's remote channel service had 4.6 million registered users.

Through an alliance with convenience store operator am/pm Japan Co., Ltd., we offer our @BANK ATM service, which is now available 24 hours a day at more than 1,100 am/pm outlets throughout Japan. Moreover, as a result of alliances with E-net

Co., Ltd., LAWSON, INC., and IYBANK Co., Ltd, SMBC customers are able to access their bank accounts via a growing number of ATMs located at several convenience store chains throughout Japan. SMBC currently provides round-the-clock cash-withdrawal convenience via a network of ATMs at more than 9,800 convenience stores.

We will continue to proactively expand our ATM network and strengthen the *One's Direct* online service to firmly establish the SMBC brand as the bank offering the highest degree of convenience for everyday banking needs, while at the same time slashing costs.



Call Center

Drawing on the Financial Service Capabilities of the SMBC Group

SMBC first reorganized its credit card business in April 2001, changing the name of the Sumitomo Credit Service Company, Limited, to Sumitomo Mitsui Card Company, Limited. Then in July, we transferred the UC Card Division of Sakura Card CO., Ltd., to Sumitomo Mitsui Card. Having merged our credit card businesses, and, as Japan's pioneering Visa™ card issuer, SMBC now boasts one of the nation's leading credit card operations with its *Mitsui Sumitomo Visa Card*. By offering the most widely accepted credit card in the world, featuring safety, convenience, and reassurance, we will continue to raise the value of the *Mitsui Sumitomo Visa Card* brand.

In October 2000, we inaugurated the Japan Net Bank, Limited, Japan's first exclusively Internet-based bank. Japan Net Bank combines the convenience of 24-hour accessibility seven days a week with high interest rates on deposits and low service charges. Together with our joint-venture partners and affiliated companies, we will leverage the Internet and related IT to maximize the convenience of Japan Net Bank. As a result, we expect Japan Net Bank to become the bank of choice for Internet-based customers, as well as a key banking model for the 21st century.

At-Loan Co., Ltd., SMBC's joint venture (founded in June 2000 and called the Sakura Loan Partner, Limited, until adopting its present name in August 2001) offers the precedent-setting *@Loan* product group of small-sum, unsecured loans for individuals, which differ from traditional bank loans in Japan. To market these loans, Japan Net Bank started deploying *@LoanBOX*, an advanced loan consultation ATM, at am/pm convenience stores in the Tokyo metropolitan area. As of June 30, 2002, the *@LoanBOX* network had expanded to 406 locations. At-Loan plans to continue promoting and enhancing customer recognition of the *@LoanBOX* network via television and other media. At the same time, the *@LoanBOX* network is being extended to the western region of Japan.

SMBC and its Group companies will continue to implement new business models for financing and settlement services, particularly in the areas of credit cards and unsecured loans.



@BANK ATM (left) and @LoanBOX ATM

Remote Channels: Registered Users and Number of Transactions

