

## Middle Market Banking Unit



Leveraging the largest banking customer base in Japan, the Middle Market Banking Unit is focused on building a solutions-driven business capable of quickly addressing the diversifying needs of customers by deploying the resources of the Bank's Head Office departments and branches, and by further enhancing competitiveness.

### Solutions-Driven Marketing

Experts at Corporate Business Offices throughout Japan and the Bank's Head Office specialists function as a unified team to offer sophisticated financial services to small and medium-sized enterprises. Our solutions-driven marketing activities respond quickly to a broad spectrum of management and financial needs, including derivatives, electronic banking (EB), overseas business support, M&A, MBO, factoring, securitization, syndication, and initial public offerings (IPO).

In fiscal 2001, the year ended March 31, 2002, the Business Reengineering Department, within the Business Promotion Department, was established to provide assistance to the rapidly growing number of small and medium-sized companies restructuring their businesses amid the protracted recession in Japan by advising them on strategies for increasing corporate net worth. To this end, in addition to our core banking services including securitization and syndication, we draw on the resources of Group companies to provide financial advice and consulting services.

SMBC's Head Office departments, branches, and Group companies will continue to focus their collective resources on solutions-driven marketing to firmly reinforce the SMBC brand.

## Serving Growth Enterprises

Creating new businesses and industries is required to revitalize the Japanese economy. Within the Business Promotion Department, the New Business Promotion Department focuses on developing business with customers in such high-growth fields as IT, biotechnology, environmental services, and health care. Drawing on the Bank's extensive knowledge and experience, our staff first analyze and evaluate a company's technological capabilities, marketability, and growth prospects and then suggest appropriate sources of capital such as a new business support fund, an unsecured financing system. The Group's venture-capital wing, SMBC Capital Co., Ltd., actively supports companies in the start-up stages with their capital requirements. For clients planning to take their companies public, our IPO specialists join forces with Daiwa Securities SMBC Co. Ltd. to advise on and implement appropriate capital-raising strategies and to offer other services.

## Services for Small Businesses

SMBC's Business Support Offices exclusively serve small and medium-sized companies and sole proprietorships in Japan. This focus enables us to provide products and services that accurately target the needs of these clients.

In fiscal 2001, in addition to offering loans guaranteed by credit guarantee corporations, we particularly promoted two loan products that facilitate quick responses to small and medium-sized companies' funding needs: the *Business Select Loan* and the *Business Fast Loan*.



Business Support Office

We developed an in-house credit risk assessment model designed especially for small and medium-sized businesses. Our promotion of the *Business Select Loan*, backed by enhanced credit risk evaluation capabilities and attractive features such as an increased loan ceiling of ¥50 million and a lengthened maximum repayment period of three years for unsecured loans, was particularly fruitful. During the March–May 2002 period, we conducted a promotional campaign consisting of TV commercials and newspaper advertisements aimed at increasing customer brand recognition of the *Business Select Loan*. As a result, the combined balance of the *Business Select Loan* and the *Business Fast Loan* as of March 31, 2002, stood at ¥45.9 billion, a year-on-year increase of ¥30.8 billion.

Another theme is identifying the special needs of small and medium-sized businesses and sole proprietorships participating in franchise chains. SMBC's Business Owner Banking Department offers fund-raising arrangements that are in line with the business structure of each franchising operation.

SMBC will continue to expand the services provided by Business Support Offices, as well as enhance the *Business Select Loan* to attract more small and medium-sized business clients.



Poster promoting SMBC to small and medium-sized businesses



Advertisement for *Business Select Loan*

## Spearheading the Development of Efficient Settlement Systems

Our settlement and cash management professionals deliver sophisticated solutions to meet the requirements of individual businesses.

In February 2000, we were granted a patent on the business model for our *Perfect* reconciliation support service, which entails establishing incoming remittance accounts for the collection of trade receivables and using account number information instead of names to confirm incoming payments, thereby greatly expediting the account reconciliation process. This service has been well received since its launch, with the number of companies using the service rising to approximately 3,400 as of March 31, 2002, a year-on-year increase of some 1,000 companies. To facilitate further innovations, we have established the e-Business Patent Department within the Electronic Commerce Banking Department.

We also established the Global Cash Management Department within the Electronic Commerce Banking Department to enhance our cash management services for global corporate groups seeking to improve the efficiency of their cash management operations. We offer a range of solutions based on our conviction that effective group management begins with cash management.

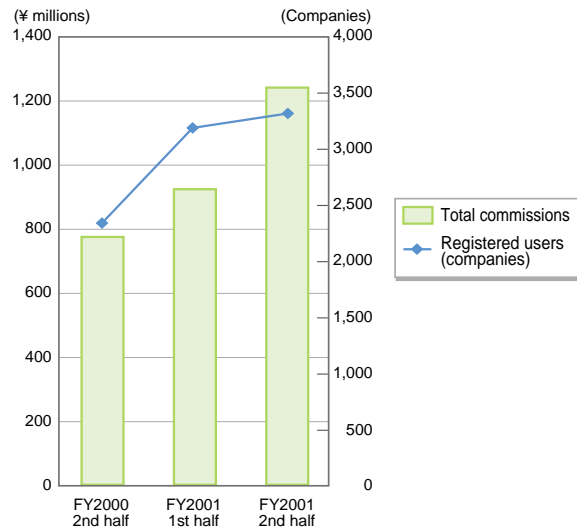
More than ever before, domestic businesses are also working to raise the efficiency of their payment systems. To tap into this demand, we have assembled a full lineup of PC-based banking services that meet the needs of various business scales.

In autumn 2001, we introduced the *PC Navi Web*, an Internet banking system that is being warmly received by the market for its 24-hour accessibility. As of March 31, 2002, approximately 9,000 companies were using this service.

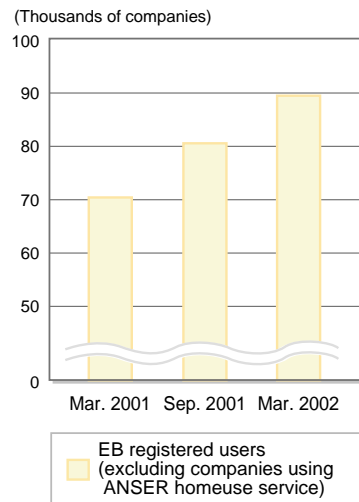
To promote business-to-business (B2B) e-commerce, SMBC in cooperation with the Japan Research Institute, Limited (JRI), set up the *SMBC Global e-Trade Consortium* in December 2001. After conducting initial field tests, we are now considering commercializing this system in cooperation with approximately 150 participating companies.

Furthermore, plans for fiscal 2002, the year ending March 31, 2003, call for the establishment of an electronic authentication bureau compliant with Identrus, an international provider of digital identities, to develop various digital certification and settlement systems for e-commerce as well as electronic data interchange services for international trade finance.

## Perfect Reconciliation Support Service Performance



## EB Registered Users



## Leveraging the Group's Total Strengths

SMBC is strengthening cooperation among Group companies and pooling the Group's financial resources to deliver sophisticated solutions to meet customer needs and maximize the Group's consolidated income.

SMBC Finance Co., Ltd., and SMBC FACTORS CO., LTD., for instance, are enhancing their factoring services to meet the growing need among corporations for credit-enhancing instruments. Group companies showed strong performances in the factoring business in fiscal 2001, with the client base tripling and the balance of guarantees doubling to ¥53.0 billion compared with the previous fiscal year. Group companies are continuing to strive ahead in fiscal 2002 by providing quick responses to customers' factoring needs, including payment guarantees for hedging the risk of possible losses on trade receivables and debt securitization to meet their off-balancing needs.

Furthermore, we are deepening our cooperation with SMBC Consulting Co., Ltd., the largest bank-affiliated management consulting firm in Japan, with some 35,000 member clients. SMBC Consulting provides quick and value-added solutions to all problems concerning corporate management by offering management consulting and information services for everything from simple management issues to human resource development support, in addition to holding management seminars for client companies.

Close ties with SMBC Capital enable SMBC to meet growing businesses' full range of needs, from financial support to the development of IPO strategies.

Our strategic subsidiary Financial Link Company, Limited, is a one-stop source of financial services such as outsourcing services for settlement and cash management, areas taking on increasing importance in line with the growth in B2B and business-to-consumer (B2C) e-commerce. Our goal is to coordinate SMBC and Group companies' resources to provide a complete range of optimal settlement services for diverse customer needs.

In addition to the above, JRI provides management consulting services; SMBC Leasing Company, Limited, handles customers' leasing needs; and Mitsui Finance Service Co., Ltd., Sakura Finance Service Co., Ltd., and QUOQ Inc. serve as collection agents. Finally, through Daiwa Securities SMBC, the Bank provides top-flight investment banking services.

Acting as a single unit, SMBC and Group companies provide a comprehensive range of products and services for consistently meeting all of our customers' needs.



Corporate Business Office