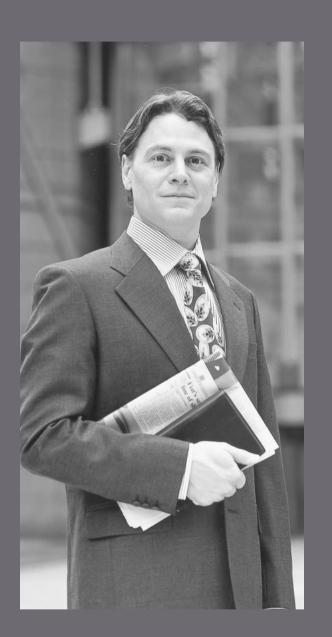
International Banking Unit



The International Banking Unit is responsible mainly for serving two customer segments: (1) all customers outside Japan, including Japanese and non-Japanese companies, financial institutions, sovereign governments, and public entities; and (2) the Japanese offices and subsidiaries of multinational corporations. Major accomplishments in fiscal 2001, the year ended March 31, 2002, and key goals for fiscal 2002 are outlined below.

Major Accomplishments

(1) Reaped merger benefits early on by quickly consolidating the two former banks' overseas offices and implementing other streamlining initiatives

After the merger of the two former banks, we consolidated overseas offices with overlapping functions and raised the efficiency of the resulting operations. At the same time, we consolidated offices and liquidated equity instruments with less strategic significance. As a result, we substantially reduced expenses without sacrificing the quality of our customer service.

(2) Increased business with the overseas offices and subsidiaries of Japanese companies through greater collaboration with the Bank's domestic operations

In an effort to translate SMBC's large, integrated base of blue-chip domestic companies into increased overseas business volume, we worked more closely with the Bank's domestic operations. Specifically, we established an effective information-sharing system with the Bank's Corporate Banking Unit and Middle Market Banking Unit, and created a system for obtaining the support of other business units such as the Investment Banking Unit. As a result, we were able to increase the volume of transactions with Japanese clients overseas, especially in foreign exchange and deposits.

(3) Expanded the cash management service business

In another move to expand our fee-based business, we effectively marketed services for improving corporate cash management, as well as enhanced our processing capabilities. One benefit of these efforts was a large increase in the number of international cash management service (CMS) contracts, particularly in Asia. We were also able to achieve increases in fees and commissions from clearing services and custody business.

(4) Enhanced relationships with multinationals expanding into Japan

To fully leverage our business with multinational corporations based outside Japan, we are prioritizing the promotion of closer ties with their Japanese offices and subsidiaries. The unit's Global Client Business Department, responsible for servicing these offices and subsidiaries, maintains close contact with the Bank's overseas offices serving the head offices of these customers in order to quickly identify their specific needs in Japan, and, in certain cases, directly negotiates with the head offices. By capitalizing on the Bank's global relationships, the Global Client Business Department expanded its volume of transactions.

For the International Banking Unit, fiscal 2001 was a period of great significance. With our rapid implementation of mergerrelated initiatives, we were able to quickly benefit from a newly unified and efficient operating structure, as well as broaden our customer base.

Key Goals

(1) Further improve return on assets and expand feebased business

The International Banking Unit will continue to improve asset efficiency by aggressively restructuring its asset portfolio while proactively strengthening its fee-based business to maximize profits. One important activity is the review of the Bank's lending practices with an eye to realizing returns that are commensurate with associated risks, while rapidly increasing the asset portfolio's liquidity. To build assets that yield higher returns, we are concentrating increasingly on specialized financing products such as trade finance, structured finance, and project finance. To expand our fee-based business, we will continue to invest our management resources in personnel and information management systems in order to enhance our services in such key fields as CMS, clearing, custody, and foreign exchange.

(2) Strengthen liabilities-related services

Liabilities-related services are another priority. In concert with the Treasury Unit, we are expanding our deposit base to ensure stable fund raising. In particular, we are emphasizing liabilitiesrelated services, which mainly entails marketing our CMS business, especially in Asia, to increase the volume of deposits.

(3) Implement "right-sizing" to create a strategic global network

Right-sizing is another important theme of the International Banking Unit. To utilize our network more efficiently and flexibly, we are building an infrastructure that corresponds to the scale of our operations by aggressively allocating our resources into strategic regions, as exemplified by the Bank's recent opening of a branch in Taipei. At the same time, we are reviewing business processes from the perspective of enhancing productivity. Accordingly, we are creating an increasingly strategic and dynamic global service network.



Brochures highlighting SMBC's custodian services

In sum, during fiscal 2002, we will continue to conduct exhaustive reviews of our conventional asset-based businesses and profit structure. Throughout this undertaking, we will remain focused on our goal of significantly raising the Bank's return on assets. At the same time, we will establish a more efficient platform for serving customers worldwide.

Regional Structure and Collaboration with Other Business Units and SMBC Group Companies

The Bank's international banking operation is conducted by three divisions: the Asia Pacific Division, the Americas Division, and the Europe Division. This tripartite structure enables each division to extend services that accurately correspond to the distinctive characteristics and requirements of its market.

In the Americas and in Europe, marketing activities are segmented by business rather than by region. There are three businesses: (1) business with Japanese companies, a diverse sector that includes many blue-chip corporations; (2) business with non-Japanese companies with whom the Bank has developed solid relationships over the years through marketing activities; and (3) marketing of sophisticated financial products. Each business is conducted by a corporate banking department. In each of these businesses, we provide solutions of the highest level by applying our specialized knowledge and by collaborating with other business units and SMBC Group companies.

In the Asia Pacific region, customer needs and associated risks vary greatly from country to country. We maintain the largest presence of all Japanese banks in this region, as we respond to a wide range of demands with speed and agility.

Strategic Outlook

In the medium and long term, the International Banking Unit will continue to focus on building a solid profit structure that is more fee-based. Concurrently, we will pursue new types of business models with a view to contributing to the advancement of such business models throughout SMBC. Finally, we will continue to form alliances with overseas financial institutions offering complementary types of services in an effort to provide an ever-widening range of services to our customers around the world.



Yen Clearing Web Reporting Service Overseas financial institutions holding SMBC Yen Clearing Accounts can access their accounts via the Internet.