



Highlights of Fiscal 2001

Upon SMBC's inception, the Investment Banking Unit immediately embarked on building a solid foundation by integrating a highly skilled team of specialists with a lineup of advanced financial products and services. From the start, our goal has been to provide corporate customers with optimal solutions, particularly for the raising of capital, risk-hedging tools, and business restructuring.

During fiscal 2001, the year ended March 31, 2002, SMBC's name value within the investment banking business was firmly established. Of particular note was growth in syndicated loans: SMBC achieved an increase of more than 40% in the total amount of domestic arrangements as compared to fiscal 2000 (the combined figure of the two former banks).

In addition, we made progress in our services for securitizing debt by developing cutting-edge balance sheet management mechanisms. Specifically, leveraging the information-gathering capacity of the Internet we developed a mechanism that simultaneously achieves pooling of small receivables, revolving credit, and consolidation to maximize the benefits of securitization. This mechanism has been particularly well received by our customers.

Nonrecourse loans, where cash flows of a specific business are the sole source of loan repayment, is another strategic field. We are playing a leading role in financing for the Roppongi 6-chome District Redevelopment Project (photo, left), an immense undertaking in metropolitan Tokyo, which demonstrates SMBC's expertise in raising huge funds for large projects.

To meet the critical risk-management needs of clients, our derivatives sales engineers stationed at 11 major operating bases in Japan can propose sophisticated risk-hedging tools based not only on interest rates and currencies but also on weather patterns and commodities. No matter what our customers need, we stand prepared to provide optimal solutions. In the field of weather derivatives, ahead of other banks we have developed small-lot standardized products for each season of the year that meet our customers' requirements for managing weather-related risks in various types of business.

Strategic Focus on Growing Markets

We will continue to position loan syndications as one of our core businesses. In this regard, we are taking steps to achieve further growth in this area in fiscal 2002. The securitization business is another strategic market, as it offers various means to help customers use their capital as efficiently as possible. Accordingly, we will place increasing importance on developing new mechanisms and concomitant systems to bring securitization services to a broader spectrum of customers. In other market sectors where we maintain solid positions, notably, derivatives and corporate

bond trustee services, SMBC will strengthen its standing among leading financial institutions.

Business restructuring is a growing need among corporate customers. In this field, we have been pooling our resources with other Group companies to make further inroads in such areas as M&A advisory services and MBO financings. Another business that we are expanding into is cross-border transactions.

Drawing on Groupwide Resources

Daiwa Securities SMBC Co. Ltd., established through an alliance between SMBC and Daiwa Securities Group Inc., forms the nucleus of our investment banking strategy. The company's activities, ranging from wholesale securities distribution and M&A advisory services to securitization, have more recently expanded into such businesses as principal financing. During fiscal 2001, Daiwa Securities SMBC made steady progress toward firmly establishing itself as Japan's most powerful investment bank. A significant achievement in this regard was the company's first-place ranking in the domestic straight bond league table for fiscal 2001. Building deeper ties with SMBC is likely to be a key factor in Daiwa Securities SMBC's ability to further improve its stature and operating results.

We are responding quickly to opportunities arising from changes in Japan's pension systems. Dramatic changes in pension regulations are currently a pressing management issue for many Japanese companies. In response, Japan Pension Navigator Co., Ltd., formed chiefly by financial companies in the Mitsui and Sumitomo groups, is assisting companies in setting up corporate defined contribution pension plans, now attracting much attention in Japan. Meanwhile, we also serve individuals who are considering the establishment of individual defined contribution pension plans, allowed since January 4, 2002, by providing a full line of information and services, including asset management, at 99 branches throughout Japan.

Investment Banking Unit Organization

Domestic	
Planning Dept., Investment Banking Unit Structured Finance Credit Dept. Asset Management Planning Dept., Investment Banking Unit	<ul style="list-style-type: none"> • Planning for investment banking services • Inspection of investment banking transactions • Planning for defined contribution pension funds, investment management services
Structured Finance Dept. Financial Solutions Dept., Investment Banking Unit	<ul style="list-style-type: none"> • Securitization, project finance, institutional finance, lease financing, leveraged buyouts/management buyouts, nonrecourse loans • Provision of total solution services
Derivatives and Financial Engineering Dept.	<ul style="list-style-type: none"> • Development and sales of derivatives
Syndications Dept.	<ul style="list-style-type: none"> • Syndicated loan origination and placements
Corporate Finance Services Dept.	<ul style="list-style-type: none"> • Corporate bond trustee services
M&A Advisory Services Dept.	<ul style="list-style-type: none"> • Mergers and acquisitions
e-Business, Media and Telecom Dept.	<ul style="list-style-type: none"> • Business support for IT-related companies
Daiwa Securities SMBC Co. Ltd.	<ul style="list-style-type: none"> • Wholesale securities business
Sakura Friend Securities Co., Ltd. Meiko National Securities Co., Ltd.	<ul style="list-style-type: none"> • Securities retailing
DLJdirect SFG Securities Inc.	<ul style="list-style-type: none"> • Online securities retailing
SAKURA INVESTMENT MANAGEMENT CO., LTD. Daiwa SB Investments Ltd.	<ul style="list-style-type: none"> • Investment advisory services, investment trust services
Japan Pension Navigator Co., Ltd.	<ul style="list-style-type: none"> • Consulting on and administration of defined contribution pension plans
Overseas	
Structured Finance Dept. (Americas, Europe and Asia)	<ul style="list-style-type: none"> • Project finance
Syndications Dept. (Americas, Europe and Asia)	<ul style="list-style-type: none"> • Syndication
SMBC Capital Markets, Inc. SMBC Capital Markets Limited SMBC Derivative Products Limited	<ul style="list-style-type: none"> • Derivatives business
SMBC Securities, Inc. Overseas subsidiaries of Daiwa Securities SMBC Co. Ltd.	<ul style="list-style-type: none"> • Wholesale securities business
SMBC Leasing and Finance, Inc.	<ul style="list-style-type: none"> • Lease financing

In investment management services, we have been restructuring our business with the goal of establishing an operation worthy of a leading bank. To this end, in December 2002 we will form Sumitomo Mitsui Asset Management Company, Limited, by combining our 100%-owned subsidiary SAKURA INVESTMENT MANAGEMENT CO., LTD., and four asset-management subsidiaries of Mitsui Mutual Life Insurance Company, Sumitomo Life Insurance Company, and Mitsui Sumitomo Insurance Company, Limited.