

Management Issues

IT Systems Integration

Initial Merger Date Advanced

The initial plan of the merger agreement between the two former banks called for the implementation of the merger, including the integration of the two banks' IT systems, by the beginning of April 2002. After considering the need to realize the merger benefits as quickly as possible and succeed in the competitive global financial services market, the management decided to advance the initial plan's schedule by one year, to April 1, 2001.

To implement the integration of the main systems at all domestic branches, we adopted a two-phased program: phase 1 to install a provisional computer relay system, and phase 2 to achieve full IT systems integration. Regarding the systems for international banking and treasury businesses, we had already completed their integration during the first half of fiscal 2001, the year ended March 31, 2002.

Phase 1: Provisional Connection of the Two Banks' Existing IT Systems

In the first phase, we configured a provisional computer relay system to connect the two former banks' existing IT systems. From the Bank's first day of operation, this relay system was up

and running smoothly at all domestic branches, supporting SMBC's seamless service and continuous convenience to all customers. After the merger and throughout fiscal 2001, we worked on systems development and on formulating plans for integrating the two former banks' operational procedures with the aim of safely and efficiently achieving full IT systems integration.

Phase 2: Full Integration

After making all necessary preparations, we then proceeded to the second phase, the full integration of the main systems at all domestic branches. With a view to minimizing the risk of disruptions to our customer service during the second phase, we followed a seven-part integration schedule, with the first integration taking place on April 8 and the last on July 22. As scheduled, we gradually phased out the relay system connecting the two former IT systems and have fully configured them into a unified system.

Systems peripheral to our main system are scheduled to be integrated in stages from August to September 2002.

