

SMFG provides various solutions to small and medium-sized companies, leveraging its Groupwide strength to meet their diversifying needs.

During the past year, we have focused especially on: (1) ensuring a steady supply of funds, realizing our function as a capital market intermediary; and (2) fostering closer business relationships with customers through the provision of tailored solutions to enhance their net worth. In fiscal 2003, we aim to provide speedier, higher value-added services that improve customer convenience, thus firmly reinforcing the SMFG brand in this business area.

Providing a Steady Supply of Funds and Intermediary Services

To ensure a steady supply of funds as a capital market intermediary, thereby forging ever-stronger bonds of trust with customers, we have actively promoted a novel approach to banking relationships, placing special emphasis on:

- (1) Developing a flexible system that enables us to respond more effectively to customer needs
- (2) Explaining clearly to customers the way we set interest rates at the level appropriate for each loan, taking into account the customer's financial condition and the repayment period, and advising customers on ways to improve their financial condition and business performance
- (3) Responding promptly to loan applications

Under this approach, implemented mainly through SMBC's nationwide branch network, we have made progress in building a lending system that enables credit risk-taking based on appropriate returns and affords greater flexibility in catering to the financing needs of small and medium-sized companies in particular.

Specifically, we have assigned specialists to the branches to proactively market an extensive lineup of loan products based on a proprietary credit rating system specially designed for small and medium-sized businesses. Such loan products include our *Business Select Loan*, an unsecured loan allowing qualified customers to borrow up to ¥50 million without a third-party guarantee.

Responding to the needs of a wide range of middle market customers, we extended 41,000 such loans, with a total value of ¥1,250 billion. In particular, our strong advertising campaign comprising television commercials and newspaper advertisements enabled us to register 24,000 *Business Select Loans* with a total value of ¥450 billion.

During fiscal 2002, we were able to extend loans to 14,000 first-time customers, with a total loan amount of ¥980 billion.

Enhancing Customers' Net Worth

At SMFG, through the proposal of solutions to customers for increasing their net worth, we have developed closer ties with customers and won the level of trust necessary for becoming the first choice for their banking needs.

Specifically, experts at each of SMBC's Corporate Business Offices and specialists at Head Office collaborate closely to offer customers highly sophisticated financial services in a timely manner.

As a result, we have secured a large market share in domestic exchange transactions and increased the number of foreign exchange transactions.

We provide services such as securitization and loan syndication to help customers improve their capital efficiency, and propose business matching, M&As, and expansion into overseas markets as means of increasing profitability. We have assigned teams of specialists to further enhance the implementation of these solutions and have many customers using our service.

Regarding syndicated loans, we have realized a substantial rise in the number of contracts compared with the previous fiscal year, having successfully communicated the advantages of loan syndication as a new means of fund procurement for small and medium-sized corporate customers. M&As and other restructuring solutions we have developed jointly with Daiwa Securities SMBC Co. Ltd. have also been well received.

We have also enjoyed much positive feedback on the China Seminars we offered 23 times during fiscal 2002, which were attended by 1,600 companies interested in establishing a presence in China, as well as three business matching events held by SMBC Consulting Co., Ltd. for 1,700 companies.

Increasing Customers' Trust

In fiscal 2003, we will continue to meet customers' expectations on financing at all branches and offices by offering higher added-value services and responding more quickly to customer needs.

To make our loans more accessible, we will expand the scope of requirements for loan eligibility beyond the current routine screening. To speed up our response to loan applications, we will transfer more authority to our branches.

We are making full efforts to meet the diversifying needs of small and medium-sized companies. Such efforts include the introduction of a streamlined credit rating system for foreign exchange transactions and increased support for customers considering initial public offerings. We will also continue to invest our energies into providing solutions that enhance our customers' net worth.

A growing number of public enterprises are privatizing and becoming independent. To meet the special needs of this new client sector we are creating project teams tasked with improving existing business solutions. Regarding business matching, for which we earned considerable recognition in the previous term, we will increase the number of matches by focusing on region and business type.

In loan syndication, which is gaining wide acceptance as a fund-procurement method, SMBC has pioneered debt IR* activities in the domestic market, thereby expanding fund procurement opportunities. Thus, the Group is providing support for the smooth and reliable supply of funds. To improve customer convenience through the rationalization of the settlement process, we released *Web21*, an electronic banking currency exchange service, and the *Global e-Trade Service* for electronic trade transactions.

Through these initiatives and approaches, we aim to win increased trust and support for our solution-driven marketing, thereby continuing to develop stronger relationships with our customers.

* Debt IR refers to Investor Relations activities targeting our creditors (such as other banks with whom we conduct business and holders of our debentures) and credit rating agencies.



The Corporate Business Office



The Business Support Office