

The international banking operations of SMFG, centering on SMBC's International Banking Unit, serve all customers outside Japan, including Japanese and foreign companies, financial institutions, sovereign governments, and public entities, as well as offices and subsidiaries of multinational corporations in Japan.

Fiscal 2002—SMFG's first year of operation—marked the beginning of a period of fundamental reforms. We have reexamined our business approach, and now stand ready to promote a full-scale program for realizing more efficient and strategic international operations. Major accomplishments in fiscal 2002, the year ended March 31, 2003, and key goals for fiscal 2003 are outlined below.

Major Accomplishments

(1) Improved ROA and expanded fee-based business

By strategically deploying resources to businesses that are not asset-based, such as cash management service (CMS) contracts, clearing, custody and exchange services, we serve a broad range of our customers' financial requirements while simultaneously realizing more efficient asset management for the Group as a whole.

(2) Strengthened liabilities-related services

Liabilities-related services are another priority. Through close cooperation between SMBC's International Banking Unit and the Treasury Unit, we expanded our deposit base to ensure a stable source of funds. In particular, we emphasized liabilities-related services, which mainly entailed marketing our CMS business, especially in Asia, to increase deposits.

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

We aggressively restructured operations to utilize our network more efficiently and flexibly. Simultaneously, we invested in strategic regions while making further staff reductions and undertook an exhaustive review of business methods. We also took steps to further enhance the quality of our services.

Especially in China-related business, we set up new support systems both in Japan and overseas, upgrading the all-embracing support provided to Japanese companies operating in China and others planning to enter that market.

We also established Sumitomo Mitsui Banking Corporation Europe Limited, a wholly owned subsidiary of SMBC, in March 2003 to centralize operations in Europe and thereby raise efficiency.

Key Goals

(1) Expand our service lineup through tie-ups with Japanese and overseas partners

In Asia, and particularly China, which has been posting remarkable growth in recent years, SMFG provides comprehensive services to

Japanese companies entering these markets through the newly established China Business Promotion Department within the Middle Market Banking Unit of SMBC, SMBC branches in China, The Japan Research Institute, Limited, and SMBC Leasing Company, Limited. Through such collaborations, we provide information on local markets, assist in local fund procurement, conduct transactions with local banks, and settle payments within China and overseas.

Meanwhile, SMBC's Global Client Business Department, which serves foreign companies operating in Japan, is working more closely with overseas bases in Europe and the Americas. This enables us to provide international clients with customized services for their operations in Japan and Asia, drawing on the Group's worldwide resources.

(2) Provide a full line of financial services

SMFG provides a wide range of financial services, including CMS, trade finance, and securities-related services. To ensure the highest quality CMS support, we will introduce new CMS products and services, and make extensive use of alliances with local banks. In trade finance, we launched a comprehensive Internet service for foreign exchange transactions. In securities, we are working to supply Japanese and foreign institutional investors with optimal solutions for dealing with the reform of the Japanese securities settlement system. We are in the process of creating an all-round securities-related business that goes well beyond the traditional custody business.

(3) Review of credit-related services

Loans and other credit-related services remain a major source of earnings for SMFG. To increase our service diversity, we will augment our capabilities for conducting credit checks and credit management, as well as review all other related activities to raise the efficiency of asset management while simultaneously promoting our credit-related business. We will efficiently expand our credit business with foreign companies in Europe and the Americas through our credit extension facility for the Goldman Sachs Group and by other innovative initiatives.

We will pursue differentiated strategies in the Americas, Europe and Asia for the future development of SMFG's international banking operations. Our international business encompasses both Japanese companies operating in overseas markets and foreign companies doing business in Japan. In line with this, SMFG will continue to emphasize service formats that are not asset-based. To this end, SMFG companies will not only intensify cooperation among themselves, they will also form ties with overseas financial institutions to offer more extended services.