

SMFG, led by SMBC's new Asset Restructuring Unit, will continue making strenuous efforts to promote corporate revitalization.

Major Accomplishments

To enable a more effective focus on the restructuring and reengineering of the businesses of corporate customers, the Asset Restructuring Unit was established in December 2002 through the integration of existing departments, as shown below.

- (1) Credit Administration Department (transferred from the Corporate Services Unit)
- (2) Tokyo Credit Business Departments I–VI, Osaka Credit Business Departments I–III, and Kobe Credit Business Department (transferred from the Middle Market Banking Unit)
- (3) Credit Departments I–IV (transferred from the Corporate Banking Unit)

To supervise and support these departments, we set up a Planning Department within the Asset Restructuring Unit. The department is staffed by specialists in the tools for corporate revitalization—such as securitization, corporate restructuring, and the creation of corporate revitalization funds—as well as professionals with accounting and legal expertise drawn from throughout the bank.

The Asset Restructuring Unit has authority over approximately eighty percent of SMBC's problem assets disclosed under the Financial Reconstruction Law.

The Unit's first major task was to get the Japan Revival Fund up and running. The Fund was jointly set up by SMBC, The Bank of Tokyo-Mitsubishi, Ltd. and 13 regional banks, and began operations in the second half of fiscal 2002. These operations consist primarily of the purchase from financial institutions of claims on companies in need of rehabilitation, and equity investment in these companies.

SMBC's securitization of nonperforming loans increased from ¥467.4 billion in fiscal 2001 to ¥1,124.5 billion in fiscal 2002, of which ¥931.1 billion was achieved in the second half. In this way, the establishment of the Asset Restructuring Unit has enabled us to accelerate the off-balancing of problem assets.

Key Goals

From here on, we intend to put even more effort into the restructuring and reengineering of the business of corporate customers, as well as speed up the final disposal (off-balancing) of problem assets. To achieve these aims, we will make increasing use of approaches and methods developed by investment banks. We also plan to work with government organizations such as the Industrial Revitalization Corporation of Japan and the Resolution and Collection Corporation, with foreign-owned financial institutions, and with property management companies and other experts in the field. In this way, we are preparing for the early realization of a sounder loan portfolio in line with the introduction of the new BIS standards.

To achieve optimal results in corporate revitalization requires the focusing of extensive expertise, as well as the courage and ability to make swift decisions in critical situations. It is thus a very difficult line of business, but it offers tremendous opportunities for the development of new business, such as M&As. Moreover, the current moves toward the securitization of loan assets and real estate, and the creation of corporate revitalization funds could well lead to further major changes in the structure of Japan's financial market.

We will actively undertake these initiatives, as we seek ways to improve performance in response to the ongoing structural reforms of Japanese industry and ensure our future prosperity.

