

| SMFG's New Plan for Strengthening the Financial Base |

Background

In December 2000, SMBC published "The Plan for Strengthening the Financial Base of the Bank" (the Plan). However, two events necessitated the revision of the Plan—now published by SMFG under the name "Plan for Strengthening the Financial Base" (the New Plan) and covering the entire Group—in accordance with the Financial Reconstruction Commission guideline on reassessment of banks' plans for strengthening their financial bases (issued September 30, 1999) and Article 1.2 of the Enforcement Ordinance of the Law Concerning Emergency Measures for the Revitalization of the Functions of the Financial System. First, there was a major change in the management structure with the establishment of SMFG, in December 2002, through the transfer of shares from SMBC, which then became its wholly owned subsidiary. Second, two years had passed since the establishment of the Plan.

SMFG has encapsulated its Groupwide management philosophy under the following three mission statements: (1) to provide optimum added value to our customers and together with them achieve growth; (2) to create sustainable shareholder value through business growth; and (3) to provide a challenging and professionally rewarding work environment for our dedicated employees. Guided by this philosophy, we are committed to enhancing profitability and strengthening the financial base of the Group, and thereby achieving higher shareholder value.

Accordingly, under the New Plan, covering the period until March 31, 2007, we have set performance targets for each business term, drawn up a plan for the reorganization of the Group's business operations, and devised specific measures for raising the Group's earnings capability and reinforcing its financial position.

Business Restructuring Plan

SMFG intends to pursue business rationalization through the implementation of three basic policies: (1) expand business volume by utilizing the unified Groupwide capabilities to provide higher value-added services that match customers' needs; (2) increase capital efficiency by improving the risk-return profile, and channel resources into high-profit businesses; and (3) strengthen cost efficiency by reinforcing low-cost operation.

With these aims in view, we are taking steps to build on the synergistic benefits of the merger that we have already realized by effecting reforms in two areas: Business Reform and Structural Reform. Firstly, at the level of actual operations, we are radically reforming the way we conduct commercial banking business on a full-scale basis. Secondly, with regard to Groupwide structural reform, we are working to realize the potential of important Group companies by enhancing the quality of their products and services, and strengthening their financial bases. A number of measures will be implemented to speed up the completion of these two reform processes.

We are confident that by meeting the targets specified in the New Plan the combined surplus (capital surplus plus retained earnings) of SMFG and its wholly owned subsidiaries by fiscal 2006 will reach ¥2,600 billion, of which retained earnings will amount to at least ¥1,700 billion. This will enable SMFG to repay the ¥1,301 billion in public funds received by the two founding banks with a comfortable safety margin.

To ensure SMFG's continued financial soundness, as well as sound and appropriate business operation, SMFG is working to halve its NPL ratio (problem assets under the Financial Reconstruction Law as a percentage of total assets) by the end of fiscal 2004, in line with the objectives of the government's Program for Financial Revival. With this goal in view, we are taking active steps to remove problem assets from our balance sheets, as well as other measures to enhance the soundness of our financial position.

Principal Performance Targets through FY2006 (SMBC Nonconsolidated)

	Billions of yen				
	FY02 Actual	FY03 Target	FY04 Target	FY05 Target	FY06 Target
Gross banking profit	¥1,760.6	¥1,600.0	¥1,600.0	¥1,675.0	¥1,800.0
Expenses	647.0	600.0	600.0	595.0	590.0
Banking profit (Note 1)	1,113.6	1,000.0	1,000.0	1,080.0	1,210.0
Total credit cost (Note 2)	1,074.5	650.0	450.0	300.0	300.0
Gains (losses) on stocks	(635.7)	(110.0)	0	0	0
Ordinary profit (loss)	(597.2)	170.0	480.0	710.0	840.0
Net income (loss)	(478.3)	100.0	250.0	400.0	470.0
OHR	36.74%	37.50%	37.50%	35.52%	32.77%

Notes: 1. This figure excludes transfers to general reserve for possible loan losses.

2. This figure represents the sum of the credit cost and transfers to general reserve for possible loan losses.

Reference: SMFG

(SMBC, Sumitomo Mitsui Card, SMBC Leasing and JRI)

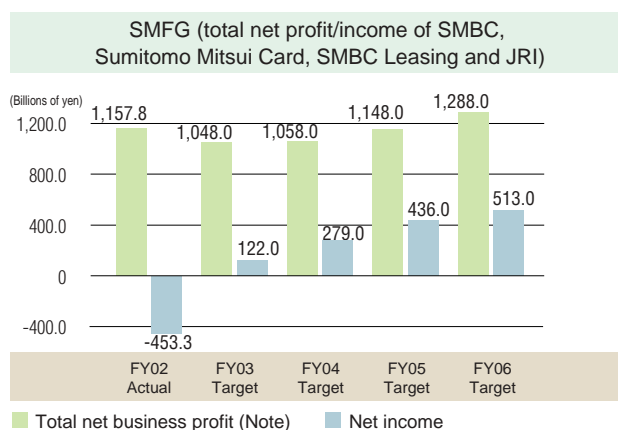
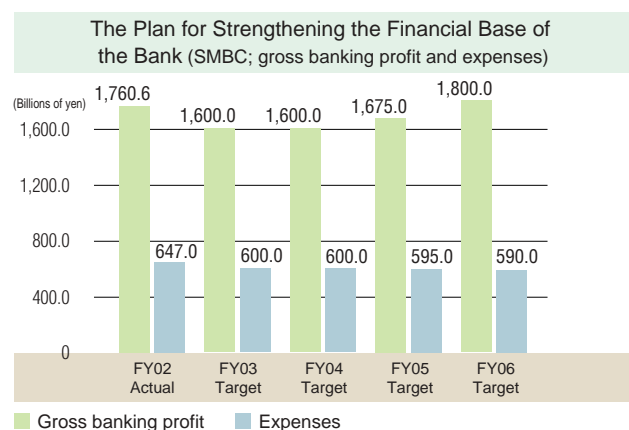
	Billions of yen				
	FY02 Actual	FY03 Target	FY04 Target	FY05 Target	FY06 Target
Total net business profit (Note)	¥1,157.8	¥1,048.0	¥1,058.0	¥1,148.0	¥1,288.0
Ordinary income	(563.7)	209.0	531.0	773.0	913.0
Net income	(453.3)	122.0	279.0	436.0	513.0

Note: This figure represents the sum of SMBC's banking profit (excluding transfers to general reserve for possible loan losses) and operating profit of Sumitomo Mitsui Card, SMBC Leasing and JRI.

Buildup of Retained Earnings

	Billions of yen				
	FY02 Actual	FY03 Target	FY04 Target	FY05 Target	FY06 Target
Retained earnings (Note)	¥1,013.0	¥1,590.6	¥1,798.3	¥2,179.9	¥2,633.4
Other capital surplus	413.9	898.5	898.5	898.5	898.5

Note: This figure represents the sum of retained earnings of SMFG, SMBC, Sumitomo Mitsui Card, SMBC Leasing and JRI.



Note: This figure represents the sum of SMBC's banking profit (excluding transfers to the general reserve for possible loan losses) and operating profit of Sumitomo Mitsui Card, SMBC Leasing and JRI.