

Investment Banking

In its investment banking operations, SMFG provides a variety of financing methods such as loan syndication, asset financing, and capital market financing through debt and equity markets as well as proposing financial solutions such as M&As and asset securitization.

SMFG meets the diverse financing needs of corporate customers by proposing solutions that draw on the combined know-how of Group companies with expertise in investment banking, such as SMBC's Investment Banking Unit and Daiwa Securities SMBC Co. Ltd.

A solid record of accomplishments was registered in the first half of fiscal 2003 in a variety of fields, including loan syndication and project finance by SMBC, and the underwriting of IPOs and bonds by Daiwa Securities SMBC. We also worked to nurture the loan syndication market through debt IR* activities.

We will continue working toward our goal of becoming a leading player in our investment banking business area. Simultaneously, through strengthened collaboration among Group companies centered on Daiwa Securities SMBC, we will strengthen our ability to design comprehensive solutions to the whole range of our customers' financing requirements.

*Debt IR refers to investor relations activities by bank customers (borrowers) targeting their creditors (such as other lending institutions and holders of their debentures), as well as the credit rating agencies.

Major Accomplishments

- Value of loan syndications arranged by SMBC on domestic market up 15% over the same period of previous year
- SMBC held 21 debt IR meetings
- Daiwa Securities SMBC ranked No.1 in IPO underwriting by *Nikkei Bonds & Financial Weekly*

Key Goals

- Expand share of the syndicated loan market and promote asset securitization
- Continue bolstering our marketing power in cutting-edge financial services, such as M&As and asset securitization

Asset Restructuring

SMFG actively works to meet the corporate revitalization needs of its customers, primarily through SMBC's Asset Restructuring Unit.

By assigning numerous specialists in corporate revitalization, as well as professionals with accounting and legal expertise to the Asset Restructuring Unit, we have enabled the active promotion of customers' revitalization and reorganization, as well as the off-balancing of our non-performing loans. Through such measures, we have reduced approximately ¥1.4 trillion of problem assets during the first half of fiscal 2003, bringing the balance of problem assets down below the ¥3.9 trillion target well before the initially scheduled date of March 31, 2004.

To fully participate in the corporate revitalization business as well as to enjoy adequate returns, we enlisted the cooperation of leading investment banks—both Japanese and foreign—in designing a number of revitalization programs employing different methods to meet the requirements of each borrower (for further details see "Topics" on Page 6).

Committed to speedily and completely resolving the issue of non-performing loans, we are continuing to work on revitalizing SMBC's customers through the Asset Restructuring Unit while utilizing the abovementioned programs as well as working closely with government organizations such as the Industrial Revitalization Corporation of Japan (IRCJ) and the Resolution and Collection Corporation (RCC).

The primary objective of these programs is to reduce the balance of SMBC's non-performing loans. In the long term, however, we aim to grow this business into a new source of earnings, while applying the skills and the know-how we are acquiring through the practice of the corporate revitalization business to other business opportunities. We intend to pursue this new field

of activity aggressively in the belief that its success will be the key to ensuring our future competitiveness.

Major Accomplishments

- Substantially reduced balance of problem assets
 - Reached the target of ¥3.9 trillion for the balance of problem assets at the end of September 2003, six months ahead of schedule
 - Succeeded in upgrading the borrower categories of many customers by providing support for their revitalization
 - Successfully helped reduce borrowers' excess liabilities through the sell-off of real estate put up as collateral for those who are unlikely to recover in the near future
 - Made steady progress in off-balancing through the sale of non-performing loan assets
 - Succeeded in normalizing loan conditions and strengthened our efforts to improve our risk-return profile
- Devised corporate revitalization plans
 - Enhanced overall support capabilities for corporate revitalization through the establishment of funds for purchasing non-performing loans, including the Daystar Fund, as well as the joint establishment of a company dedicated to corporate revitalization

Key Goals

- Accelerate further the reduction of the non-performing loan balance through active employment of a wide variety of corporate revitalization plans
- Grow the corporate revitalization business into a profit-making operation