

CAPITAL MARKETS GROUP

Business Strategy

Japan's capital markets are expected to see rapid growth in response to the ongoing implementation of Big Bang deregulation and the increase in the direct financing requirements of market participants. Enormous rewards will accrue to the victors in this business segment. To meet the expanding needs of our customers for funding and asset management in the capital markets, and in recognition of the importance and potential of this market, the Bank has selected and focused on this business as a strategic area, allocating significant levels of management resources to it.

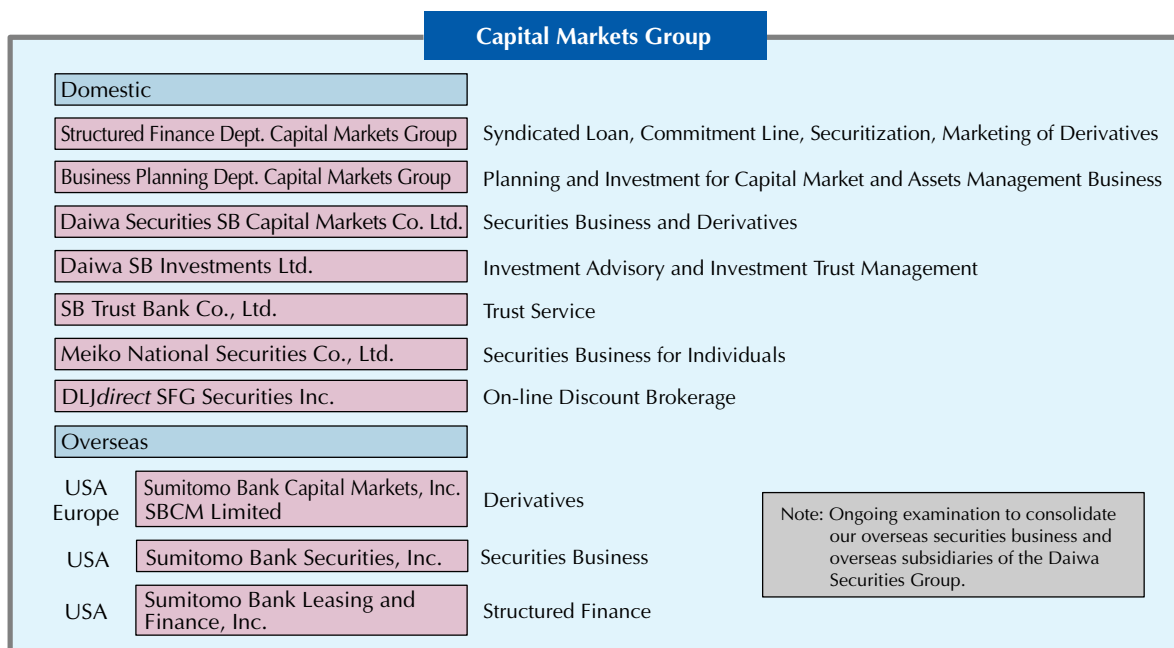
Through Sumitomo Capital Securities Co., Ltd., Sumitomo Bank Capital Markets, Inc., SBCM Limited, Sumitomo Finance International plc., SB Investment Management Co., Ltd., and other subsidiaries and affiliates, the Bank has established a foothold in the global capital markets. The Bank has gained experience in the securities and asset management businesses, which constitute the nuclei of our capital business activities. To strengthen our capabilities in this area and to maximize the business opportunities of the new operating environment in as short a time frame as possible, the Bank forged a strategic alliance with Daiwa Securities Co. Ltd. on July 28, 1998.

The synergies of this alliance with a leading Japanese securities company put the Bank in a better position to provide customers with cutting-edge financial services and products, to respond promptly and accurately to market movements and to take advantage of cost efficiency benefits. Daiwa Securities SB Capital Markets Co. Ltd. and Daiwa SB Investments Ltd., the two joint-venture companies established as a result of the alliance, commenced operations in April 1999 and are focusing on the wholesale securities, derivatives and asset management businesses. At the same time, the Bank will emphasize and strengthen our syndicated loan business, securitization of short-term assets, marketing of derivatives products through our proprietary network, and other capital market businesses that are closely related to banking business.

The Bank has also taken other forward-looking measures to position itself for a premier role in the capital markets of Japan. The primary aim of these measures, which include an increase of our shareholding in the recently merged Meiko National Securities Co., Ltd., and the establishment of a strategic partnership with DLJdirect SFG Securities Inc., is to expand and strengthen our network in the retail securities market.

Key Priorities

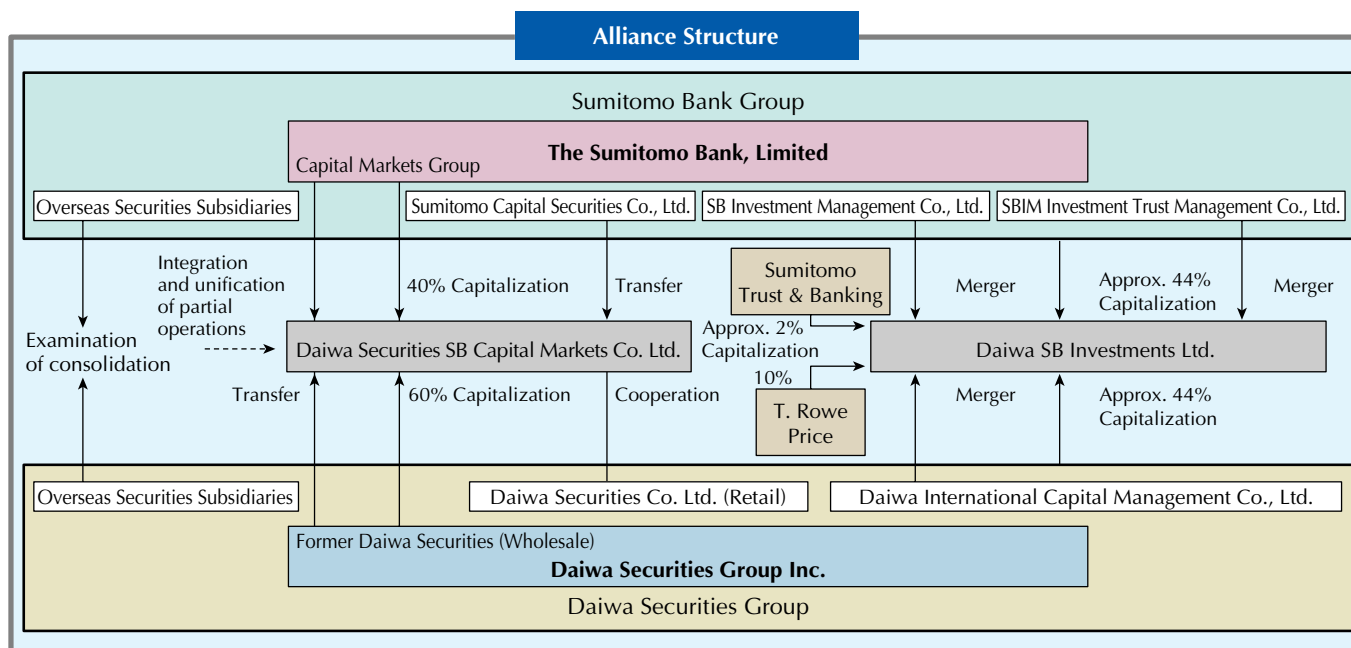
- **Strengthening of Daiwa Securities SB Capital Markets Co. Ltd. and Daiwa SB Investments Ltd.**
- **Enhancement of syndicated loan and commitment line businesses**



Daiwa Securities SB Capital Markets Co. Ltd.

Daiwa Securities SB Capital Markets is the first Japanese wholesale securities company of its kind, founded to focus on the diverse and sophisticated needs of institutional investors and corporations. To this end, the company has assumed the wholesale securities business of the former Daiwa Securities Co. Ltd., and Sumitomo Capital Securities Co., Ltd., in addition to some of the capital markets activities of the Bank, such as the M&A and derivatives businesses. The integration of these services in the new joint venture is designed to promote greater efficiency and to facilitate the provision of custom-tailored, cutting-edge products and services.

Innovation is the order of the day at Daiwa Securities SB Capital Markets, with the introduction of truly global standards of management styles and the use of new financial technology in combination with the best in Japanese practices. Clearly, Daiwa Securities SB Capital Markets Co. Ltd. is moving forward to establish itself as the leading institution in the market and to satisfy the ever-evolving needs of its customers by providing world-class services.



Daiwa SB Investments Ltd.

The Sumitomo Bank Group, the Daiwa Securities Group, T. Rowe Price Associates, Inc., a leading U.S. asset management company, and the Sumitomo Trust and Banking Group are joint-venture partners in Daiwa SB Investments Ltd., which was created through the merger of Daiwa International Capital Management Co., Ltd., SB Investment Management Co., Ltd., and SBIM Investment Trust Management Co., Ltd.

A strategic alliance has also been formed with a joint venture of T. Rowe Price Associates and Robert Fleming Holdings Limited, one of oldest financial groups in the world, for the management of non-Japanese assets. Backed by such a global reach and world-class asset management expertise, Daiwa SB Investments Ltd. offers its customers the highest quality services and products in the market.

Enhancement of Syndicated Loan and Commitment Line Businesses

Demand for syndicated loans, commitment lines and other means of funding and liquidity enhancement have increased to unprecedented levels, fueled by the tighter credit situation which emerged in 1997 and by changes in the legislative environment. With vision and foresight, the Bank has acted decisively to ensure its place as a market leader. We will continue to enhance and strengthen our capabilities by allocating the management resources necessary to meet the challenges and opportunities presented by the dramatic changes in the market and to respond to the needs of our customers swiftly and with value-added products and services.

