

# Business Strategies

## OVERVIEW

### Operating Environment

The fabric of Japan's economy is undergoing a fundamental transformation. The Bank is implementing a master strategy designed to maximize the opportunities emerging from the new operating environment and to secure a position of leadership in the global financial markets.

The consumer banking segment plays an important role in Japan's financial structure, one that is expected to grow in the years ahead. During the period from fiscal year 1997, ended March 31, 1998, through fiscal year 2005, ending March 31, 2006, personal financial assets are expected to expand by ¥300 trillion as a result of the increase in the range of financial products offered by financial institutions under the deregulatory reforms of the market, notably the removal of barriers between financial markets. Notwithstanding intensification in competition from both foreign and Japanese market players, the anticipated expansion in the market offers many opportunities, especially in the investment trust, pension and other segments of the asset management market.

Complementing the deregulatory measures, advances in information technologies are assisting banks to lower costs and to develop new service delivery channels, such as the Internet. These technologies will also enable financial institutions to increase the sophistication of database marketing and to develop new composite products that will provide more opportunities for service differentiation.

In the corporate banking segment, the deregulation of the legislative environment is expected to spur mergers and acquisitions (M&A) in the industrial sector, creating increased demand for finance. In addition, multimedia, health care and other new fields are expected to grow, which, coupled with liberalization and the heightened liquidity of the financial market, will further stimulate capital market activity by large and growing medium-sized corporations.

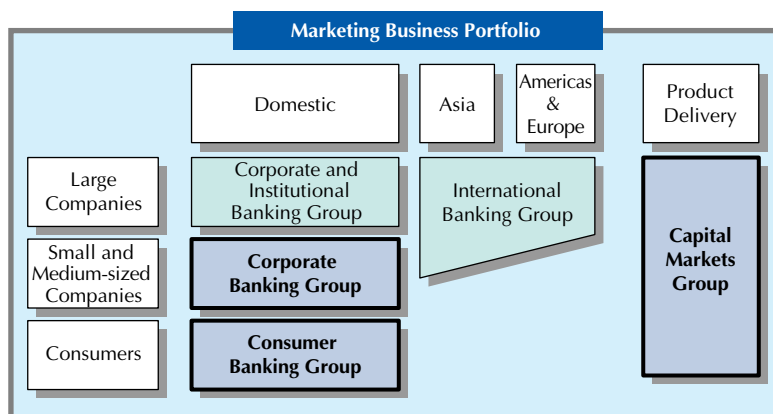
### Marketing Positioning and Business Portfolio

Based on this perception of the new and emerging market environment, we are strategically restructuring our business portfolio to respond to the increasingly diverse and sophisticated demands of customers. As the core strategy of this approach, the Bank is seeking optimum efficiency in the utilization of management resources. This is being achieved by allocating the resources required to ensure our leadership in profit-generating areas where we maintain a competitive edge, while withdrawing from businesses that are unprofitable and hold no promise of superiority. At the same time, we are seeking alliances whose synergies will strengthen and enhance our competencies in existing businesses and our ability to create and innovate new services and products.

Reflecting this concept, we are focusing on three main segments: consumers, small and medium-sized companies in Japan, and the global capital markets. In addition to concentrating our human and financial resources in these fields, we are optimizing the efficiencies of all of our management resources.

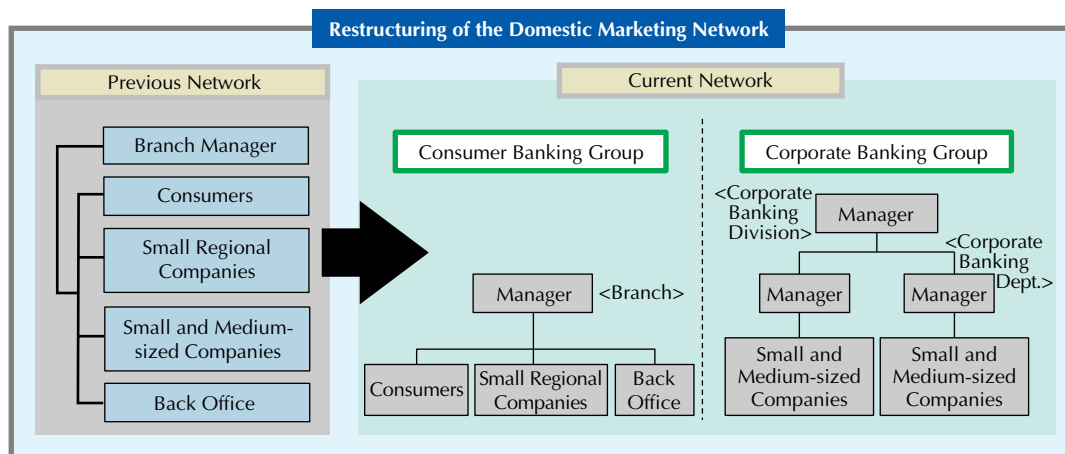
To implement this strategy, we have restructured our branch network along market lines into consumer and corporate customer segments. To promote the allocation of management resources to our areas of market prominence, we have sold Banca del Gottardo in Switzerland and have withdrawn from the retail and middle market in the United States through the divestiture of the Sumitomo Bank of California. In addition, as a major departure from past strategy, following the creation of a strategic alliance with the Daiwa Securities Group in 1998, the Bank established two joint ventures, which commenced operations in April 1999.

In Europe and the United States, the Bank will focus on business with large corporations and on capital markets business. Concurrently, the Bank has reinforced our ability to service large corporate customers in Japan through our strategic alliance with the Daiwa Securities Group. This mutual cooperation will strengthen the services we are able to offer in the capital markets area, a field that is expected to grow steadily into the future.



## Restructuring Our Marketing Network

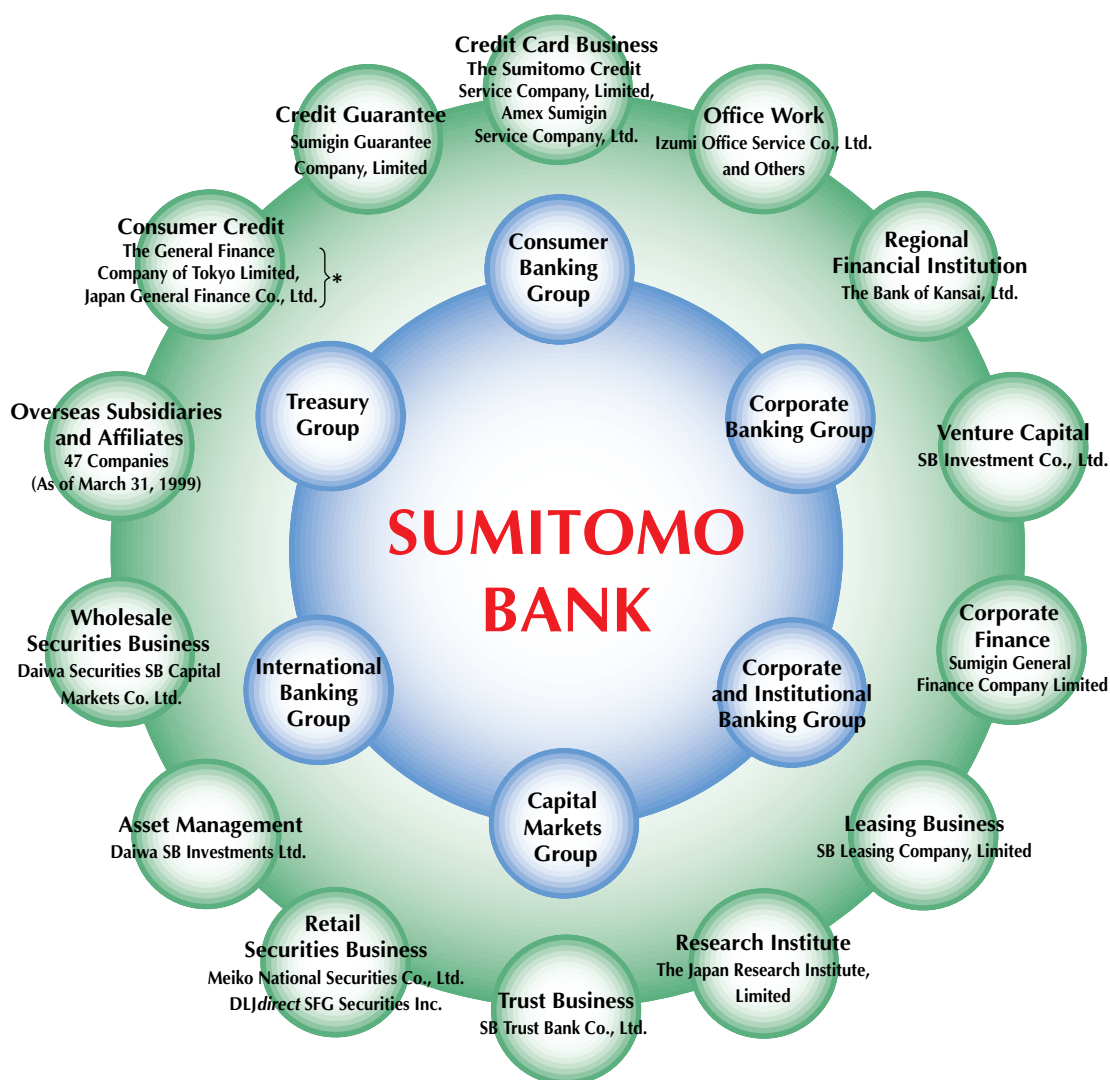
Following on from the restructuring of our U.S. and European operations, the Bank reorganized our domestic structure in April 1999. We reorganized our branch network along customer segments in place of the previous structure, in which each branch provided a full range of banking services to both individual and corporate clients. Subsequently, the accounts of consumers and small regional companies are being handled by 284 branches operating under the Consumer Banking Group, while small and medium-sized company accounts are managed by 116 Corporate Banking departments and 14 Corporate Banking divisions under the Corporate Banking Group. This new market-focused structure is strengthening our ability to offer products and services that are fine-tuned to the ever-changing needs of our domestic customers.



## **Closer Group Integration**

Networking and cooperation between consolidated members of the Sumitomo Bank Group is being enhanced as a complement to the organizational changes implemented to create market-segment-based business units, integrate related functions and accelerate decision-making. These measures have assumed added importance with the recent inclusion of more subsidiaries in the consolidated financial accounts as a result of changes to Japan's accounting standards. Most importantly, we expect these improvements to contribute to our focus on being "a creator of value for both shareholders and the Bank" through the creation of customer value based on the provision of high-quality financial services.

To enhance competitiveness of the overall group, we will be strengthening the cohesion and effectiveness of each arm of the group to ensure leadership in each respective market.



\*To be merged as of October 1, 1999.