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**Merrill Lynch
Japanese Financial Service Conference**

**Path for the sustainable growth
(Further strengthening of No.1 businesses)**

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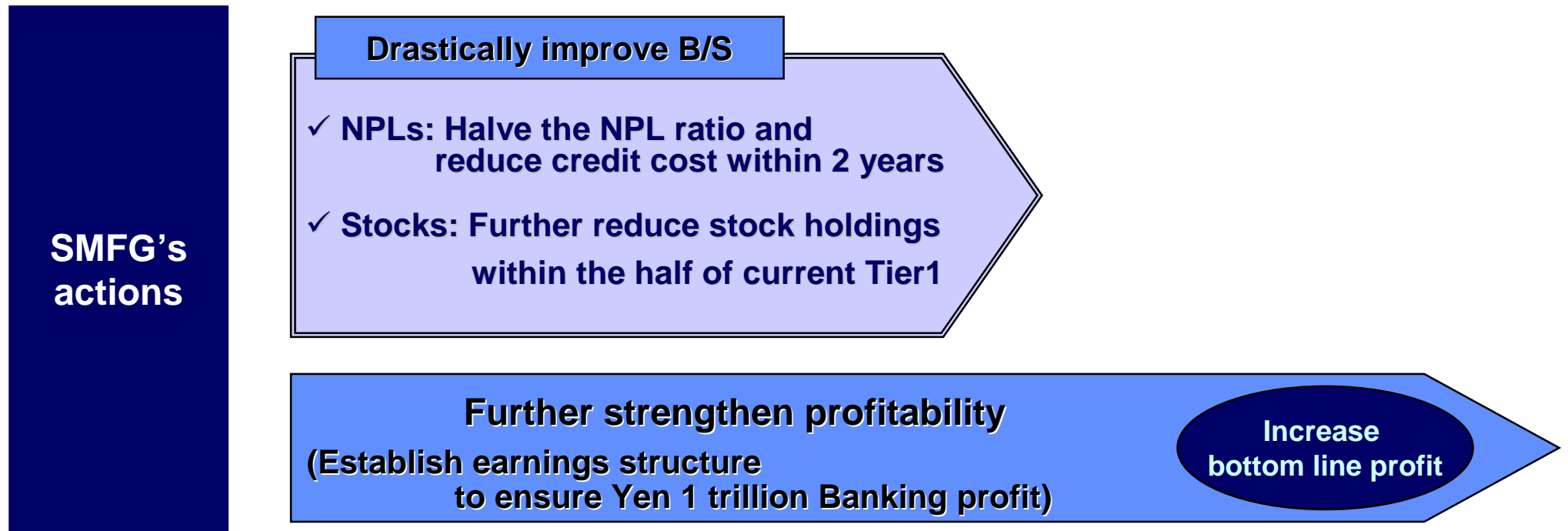
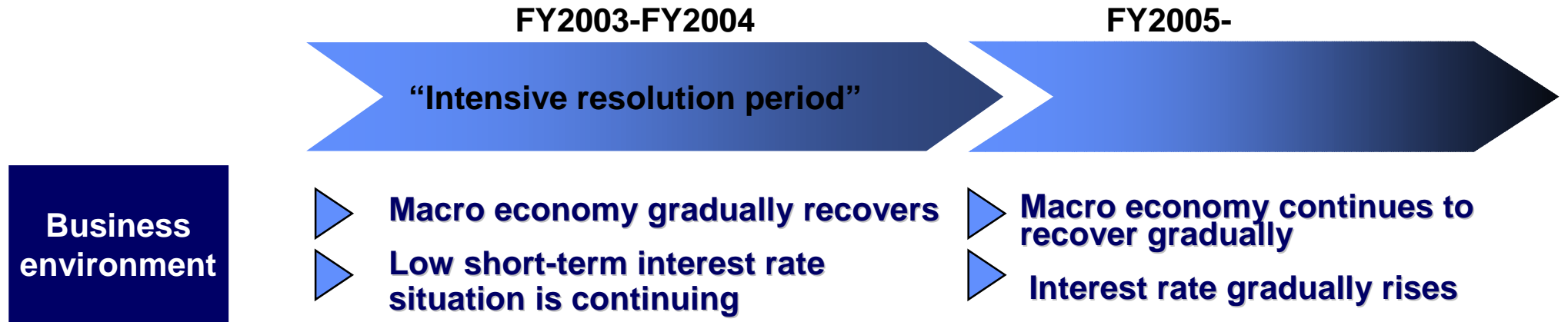
President & Chief Executive Officer



SMFG SUMITOMO MITSUI
FINANCIAL GROUP

- ✓ **Management view on SMFG's road map**
- ✓ **Management policy**
- ✓ **Management views on macro economy for mid-term plan**
- ✓ **Mid-term plan submitted to the government**
- ✓ **Strengthening of Marketing Units**
 - **Significant change in earnings structure**
- ✓ **Principles of SMBC's strategic actions**
- ✓ **Overview of strategic actions**
- ✓ **Financial Consulting business**
- ✓ **Mortgage Loan business**
- ✓ **SME Loan business**
- ✓ **To establish the new No.1 businesses**

Management view on SMFG's road map



Management policy <Reduction of NPLs>

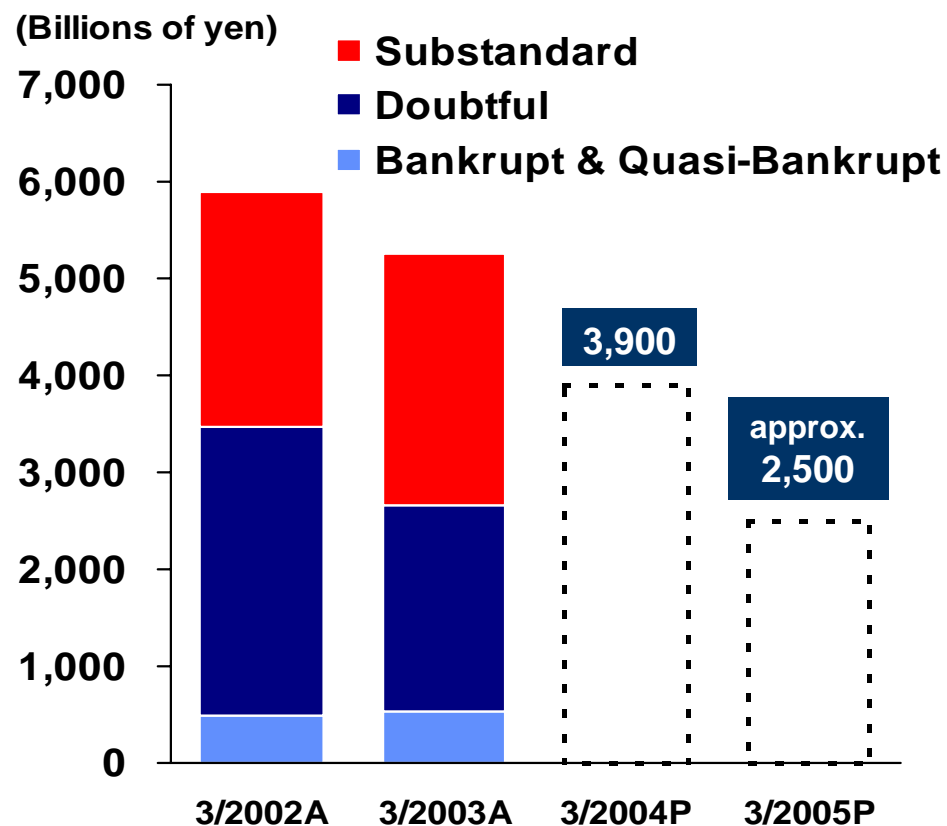


✓ Accelerate “Off-balancing”

✓ Utilize new measures

- Corporate revitalization corporation
- Real estate fund to sell out collaterals
- Corporate revitalization fund

NPLs Reduction Plan



NPL ratio 8.9% 8.4% approx. 6% approx. 4%

Management policy <Reduction of holding stocks>

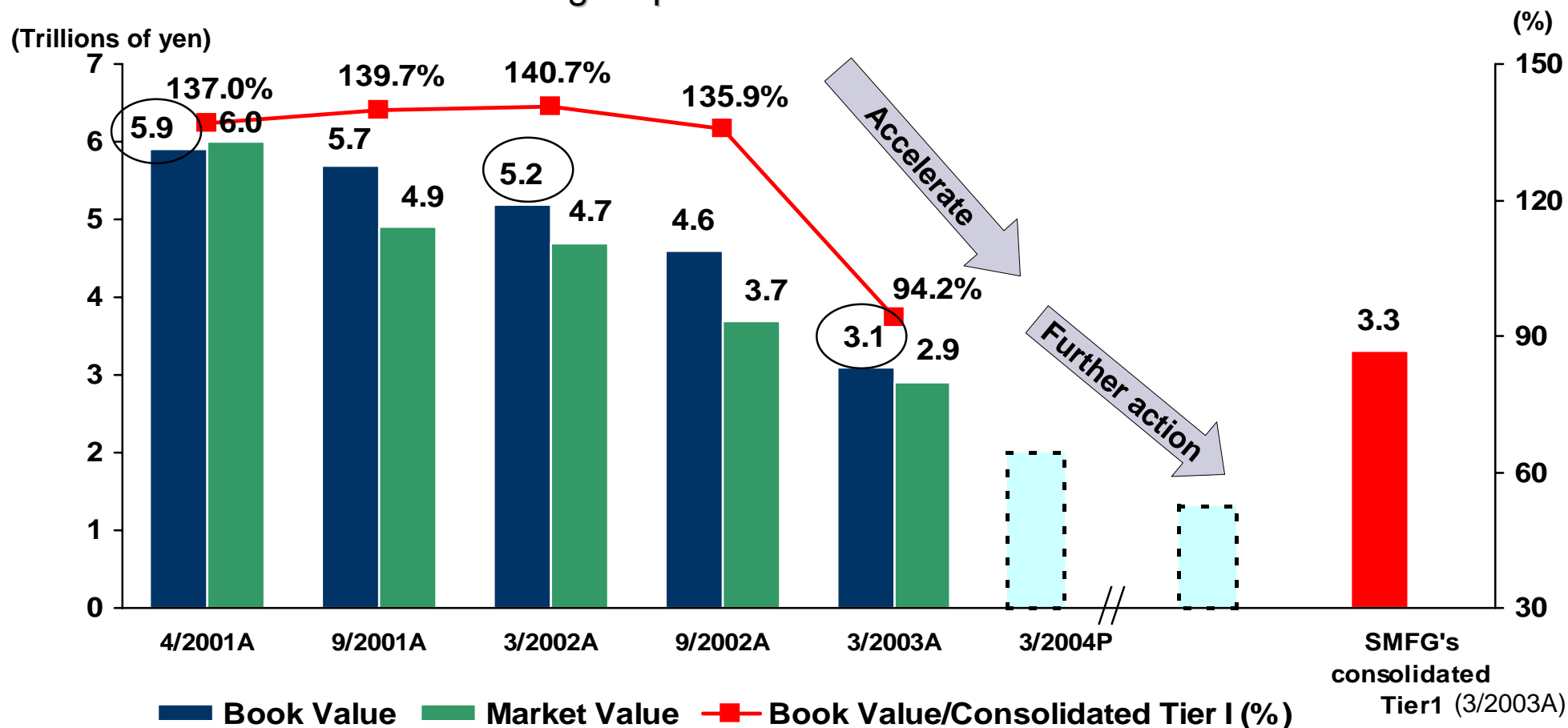


✓ Sales of holding stocks:

Amount with clients' consent to sell as of Apr. '03 = Yen 700 billion

→ sold approximately 80% during first half of FY03

→ revises the annual target upwards



Management views on macro environment for mid-term plan



Mid-term plan submitted to the government

Main scenario:

- ✓ Gradual rise of domestic interest rates reflecting gradual recovery of domestic macro economy

	FY02A	FY03	FY04	FY05	FY06
Real GDP growth (%)	1.6	0.6	0.9	1.3	1.5
TIBOR 3M (%)	0.09	0.10	0.30	0.50	0.70
Yen-\$ (yen)	120.2	120	120	120	120

Not depending on improvement of profit from deposit due to rise of interest rates

“Strengthen profitability of Marketing Units to improve the volume and the stability”
→ to realize profit increase in and after FY03

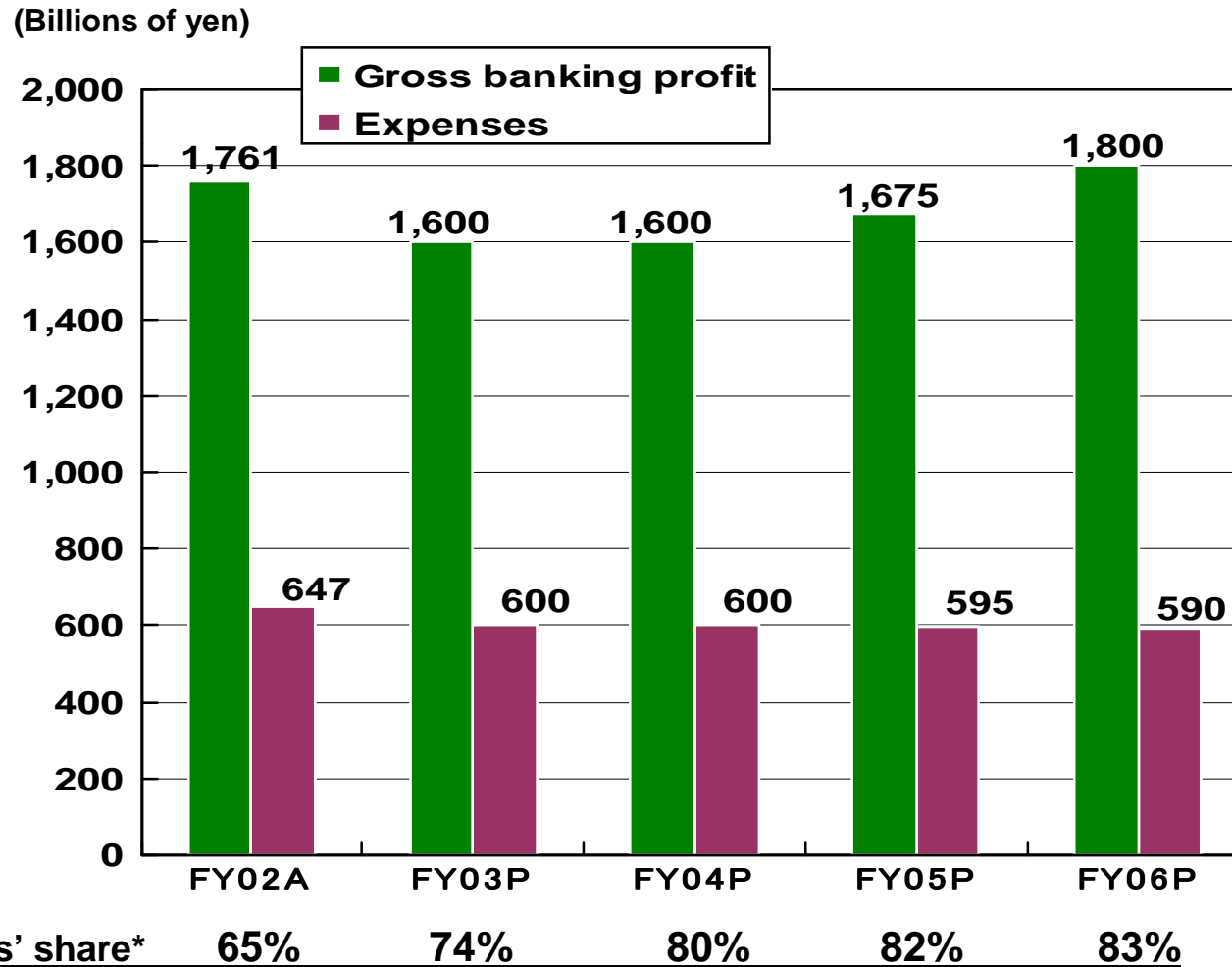
	(Billions of yen)		
	FY01	FY02	FY03P
Banking profit of Marketing Units	572.1	605.1	682.9

Further strengthen retail business preparing for the future rise in interest rates to lead increase in profit from deposits

SMBC's deposit business

	(Trillions of yen)		
	3/2001	3/2002	3/2003
Domestic	48.8	54.6	56.5
Individual	28.3	30.1	31.2
Corporate	20.5	24.5	25.3

Mid-term plan submitted to the government (SMBC: Gross banking profit, Expenses)



*Gross banking profit of Marketing Units / (Gross banking profit of Marketing Units + Gross banking profit of Treasury Unit)

Strengthening of Marketing Units

→ Significant change in earnings structure



Marketing Units

Consumer Banking, Middle Market Banking,
Corporate Banking, International Banking,
Community Banking

Gross profit increase (4 years) :
approx. + Yen 300 billion (Note)

- **Loan business** approx. 80%*
(Loans to SMEs, mortgage loans, etc.)
- **Other than loan business**
approx. 20%
(Sales of investment trust & pension type
insurance, Investment banking services, etc.)

* including fee income from loan syndication

Treasury Unit

ALM (Asset Liability Management)

Gross profit decrease (4 years) :
approx. -Yen 300 billion

profit related to ALM to be declined
as interest rates rise

(Note) Excluding effects of profit
improvement from deposit due to the
rise of interest rates



Significant change in earnings structure

Principles of SMBC's strategic actions

- ✓ **Allocate management resources intensively to strategic business lines**
- ✓ **Establish competitive advantage**
 - **Speed in taking actions**
 - **"Business Reform" to pursue best practices**
 - **Low-cost operation**

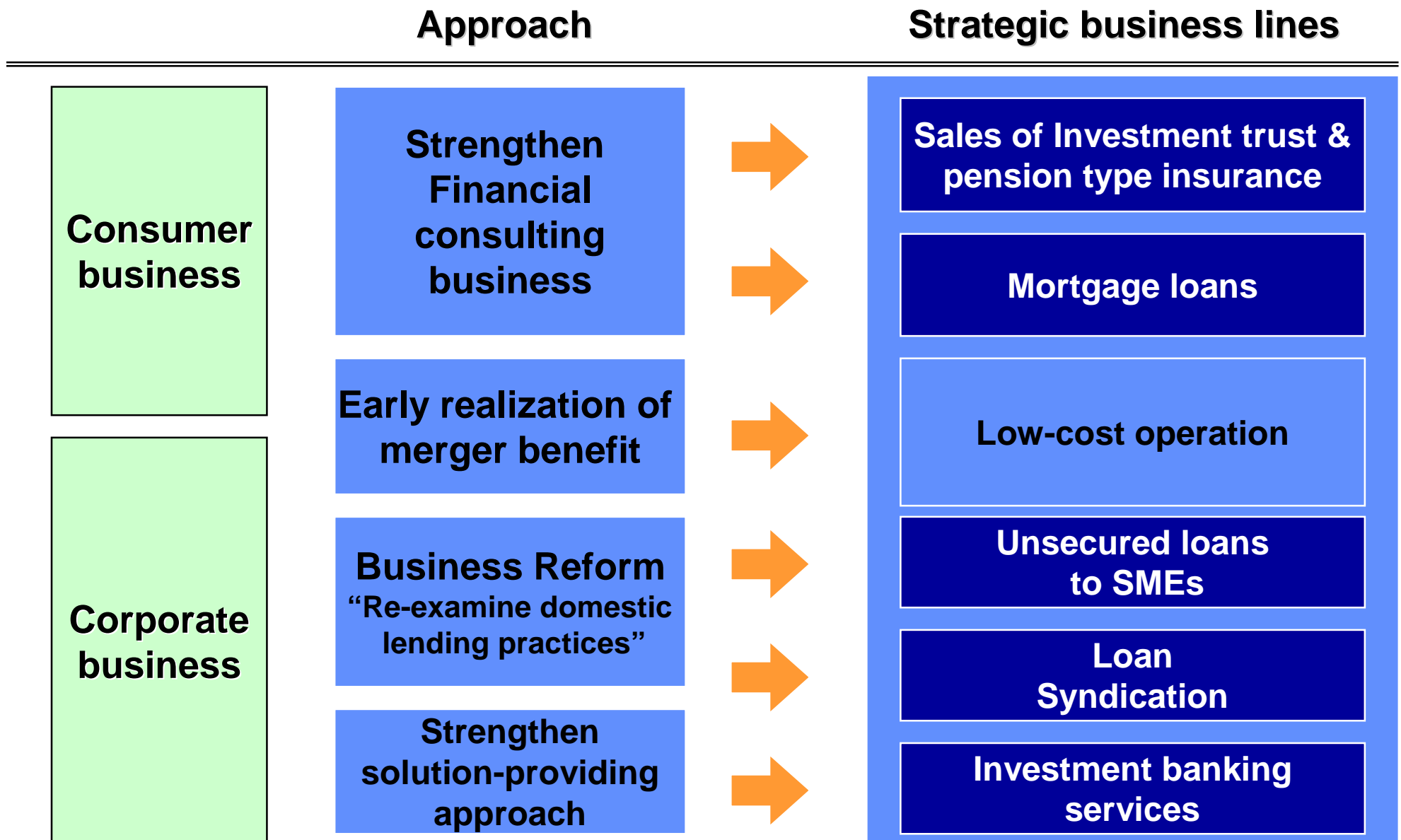


Establish business models with real competitive edge

Establish leading business portfolio in various fields

Overview of strategic actions

< Best business portfolio among Japanese banks >



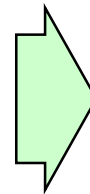
Financial consulting business

< Sales of Investment Trust & Pension-type Insurance >



SMBC's Financial consulting business

Business model, where we thoroughly stand on customers' side and earn profit as a seller, not as a product provider.



- ✓ Customer segment oriented approaches
- ✓ Provide services both from investment-side and funding-side
- ✓ Wide product line-ups

SMBC's customer base

Total # of customers: approx. 27 million

of customers with deposits more than Yen 1 million: approx. 5 million

of customers visiting branches (counters):
approx. 3 million / month



Financial consulting business

of investment trust customers:
approx. 200 thousand

of mortgage loan customers:
approx. 500 thousand

of customer visit to "MC desks"*:
approx. 50 thousand / month

*Money-life consulting desk

Financial consulting business

< Sales of Investment Trust & Pension-type Insurance >

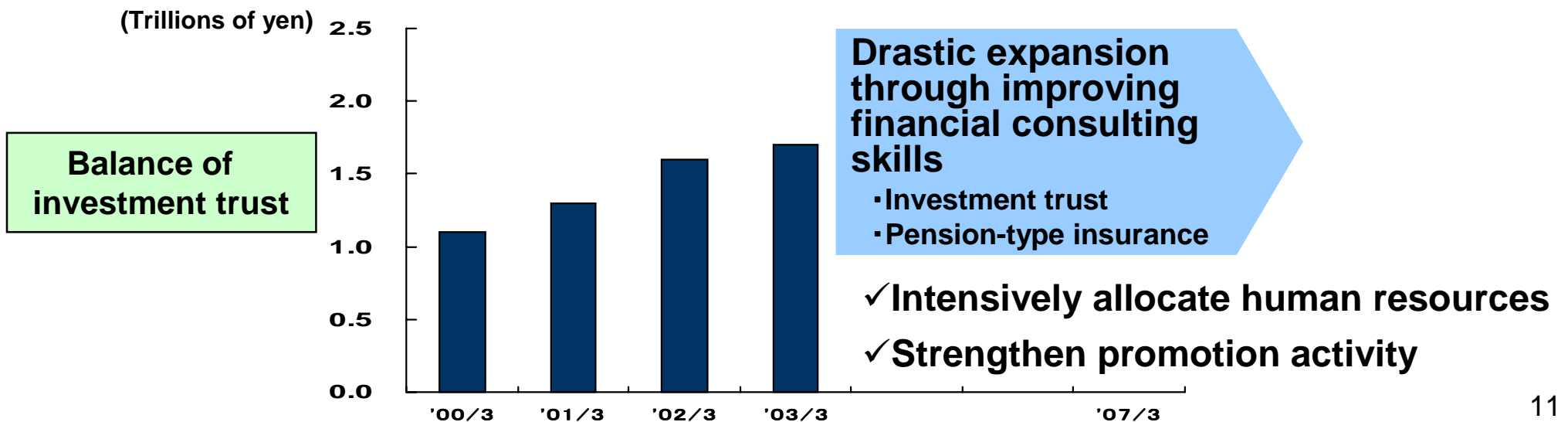


Leading position among Japanese banks

Further actions toward a big leap

< Balance of investment trust >			(Trillions of yen)		
Position	Banks	Balance (03/3)	Position	All financial institutions (Retail units)	Balance (03/3)
No.1	SMBC	1.7	No.1	Securities A	8.9
No.2	Bank A	0.8	No.2	Securities B	3.3
No.3	Bank B	0.6	No.3	Securities C	3.1
No.4	Bank C	0.6	No.4	SMBC	1.7
No.5	Bank D	0.4	No.5	Securities D	1.3

(Sources: Nikkin, and other documents from the companies)



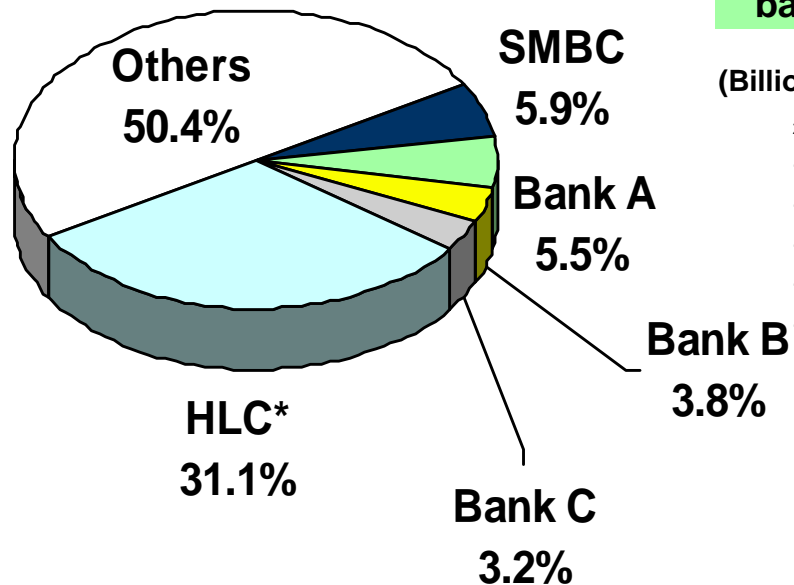
Mortgage Loan business

Mortgage loan

= Financial consulting business + one of the core initiatives to strengthen loan businesses

Breakdown of Japanese mortgage loan market: FY2002 Yen 207 trillion*

*SMBC's estimation



*Housing Loan Corporation

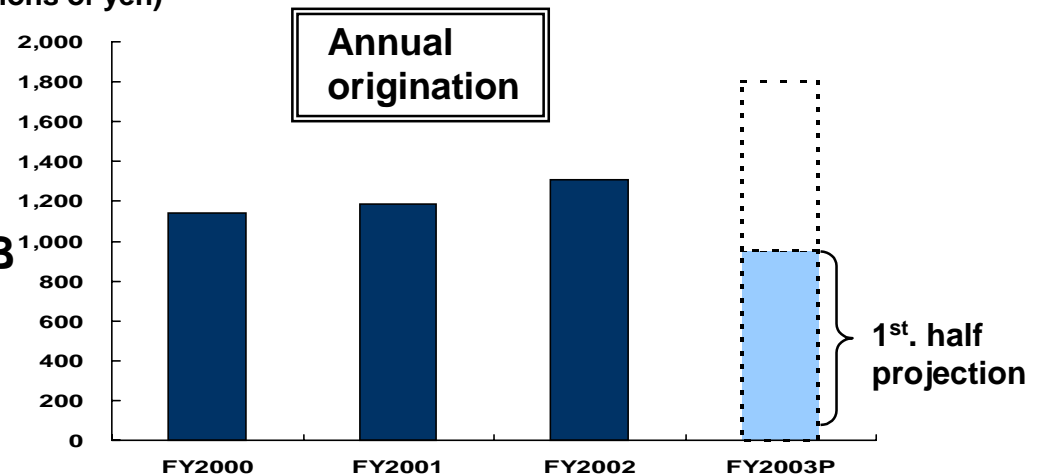
FY2002 business strategy

- Implement credit approval standard based on credit grade
- Launch new products, etc.

FY2002 achievements

- No.1 origination of residential mortgage among Japanese banks (1.3 trillion yen)

(Billions of yen)



FY2003 actions

- Expand specialized office network
- New credit assessment model launched
- New product launched, etc.

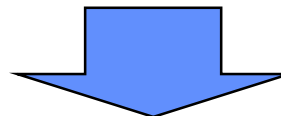
SME Loan business

SME market = huge potential

	Companies with no borrowing from SMBC		
	Number of companies (a) (thousand)	Total debt* (Trillions of yen)	
		(a) / total number of companies	
Upper-middle	9	64%	90
Middle	21	76%	53
Lower-middle	55	83%	35
Small	641	94%	80
Domestic total	725	-	257

(Source) SMBC's estimation of "bankable customer" under SMBC's definition

* excluding bonds



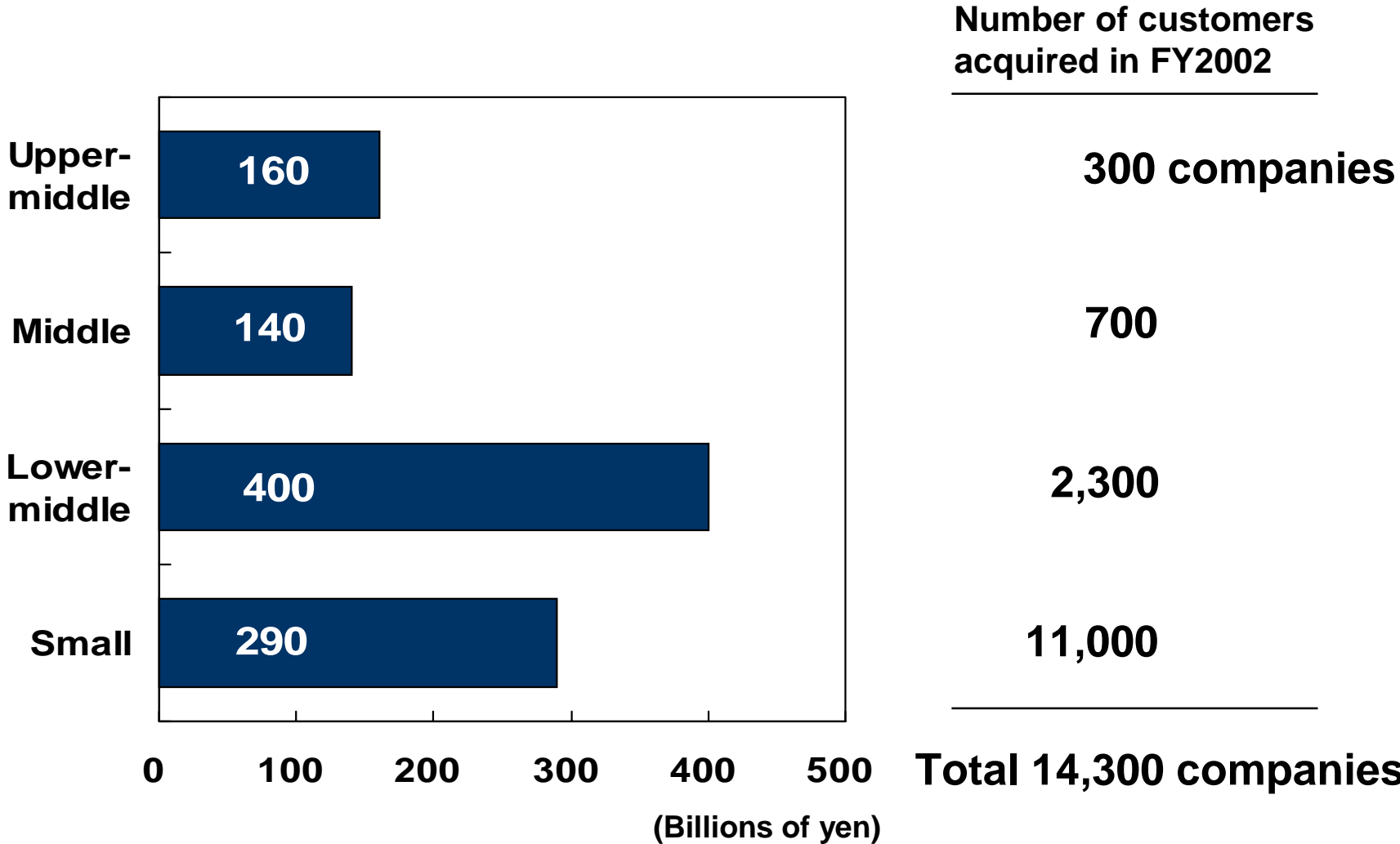
SME market (especially Lower-middle & Small)

= "Strategic market with huge potential"

SMBC's progress in market penetration (SME)



Loans to new customers in FY02 = almost Yen 1 trillion



New risk-taking loan products and channel mix

<p>Small corporate segment</p>	<ul style="list-style-type: none"> ✓ Small amount of loans per customer ✓ Face-to-face approach necessary ✓ Close credit monitoring necessary
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Mega banks' former approach

“Can not make this segment profitable because costly operation is needed.”



SMBC's new approach

“Make this segment profitable under new business model”
“Enjoy first mover advantage!”

Product

- New product “Business Select Loan (BSL)”**
- for customers of annual sales less than Yen 1 billion
 - credit risk control for diversified portfolio
 - @Yen 50 million / 3 years (max)
 - no collateral or third-party guarantee required
 - quick assessment by unique credit scoring model

Delivery channel

- ✓ Promotion by call center
- ✓ Small specialized channels
- ✓ Expansion of network to regional area

Achievement in FY2002 & FY2003 plan

Loan volume

New unsecured SME loans (origination)

FY2002A

BSL +Yen 455 billion
others +Yen 798 billion
Total +Yen 1,253 billion



FY2003P

+Yen 600 billion
+Yen 1,700 billion
+Yen 2,300 billion



Actions to further increase SME loan volume

- ✓ Reform of credit supervision system
- ✓ Expansion of area coverage

Loan spread

FY2002A

(term end basis)	volume	spread	change
	(Trillions of Yen)		
SMEs	20.4	165bp	+24bp
Large co.	8.5	95bp	+13bp
Total	28.9	144bp	+22bp

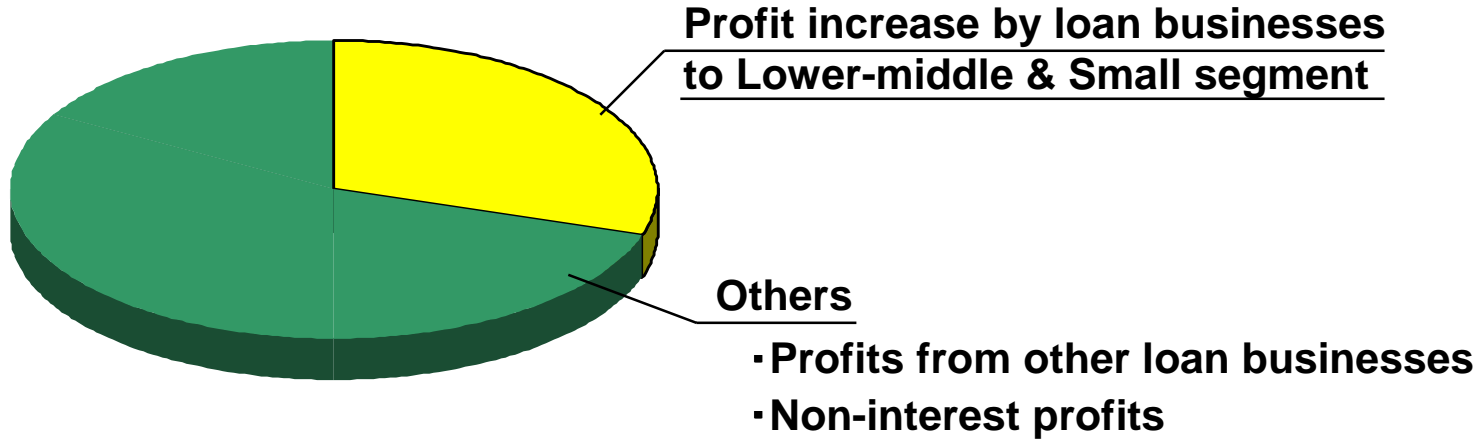


FY2003P

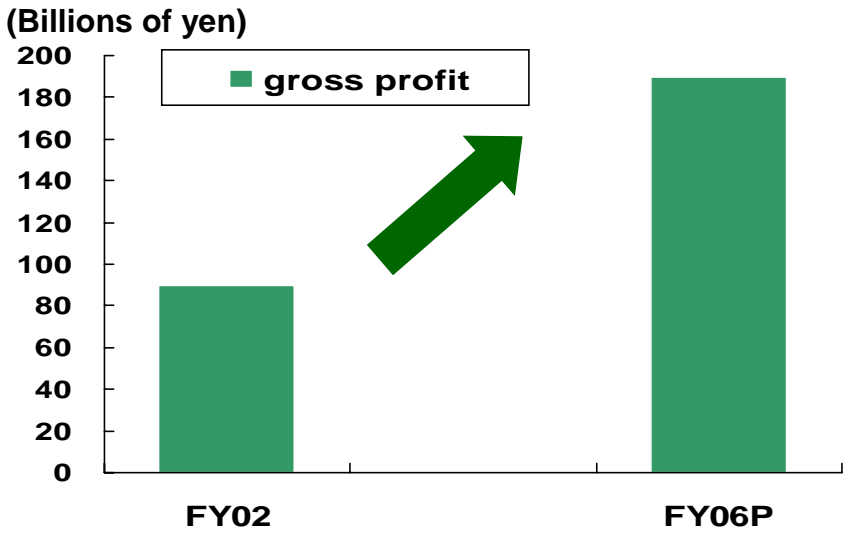
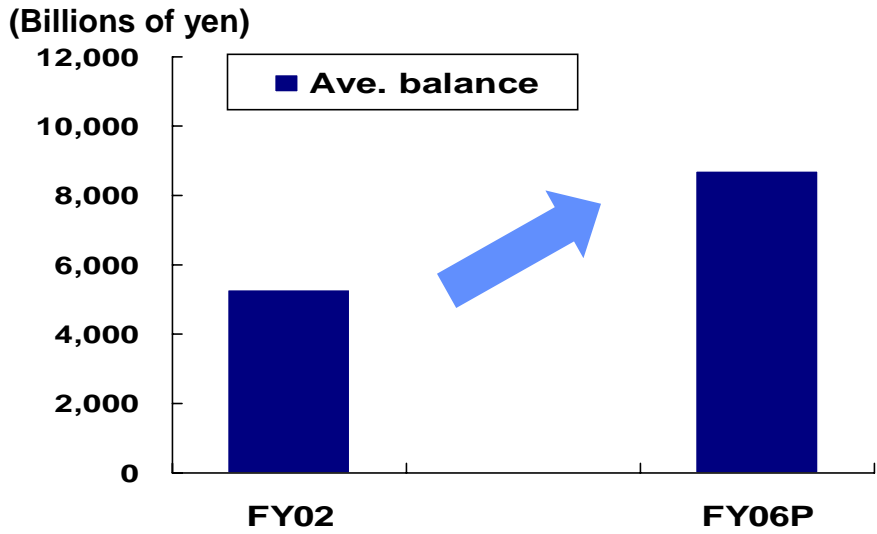
Spread increase
 +16bp (+40bp in 2 years)

SME Loan business - profit driver for next 4 years

Profit increase by Marketing Units – Yen 300 billion in 4 years



Plan to increase profit from businesses with Lower-middle & Small



To establish the new No.1 businesses

	Interest income business	Fee income business
Retail business	<p>Mortgage loans</p> <p>Consumer finance</p>	<p>Sales of Investment trust & pension type insurance</p>
Corporate business	<p>Loans to SMEs</p> <p>Loan Syndication</p>	<p>Investment banking services</p>

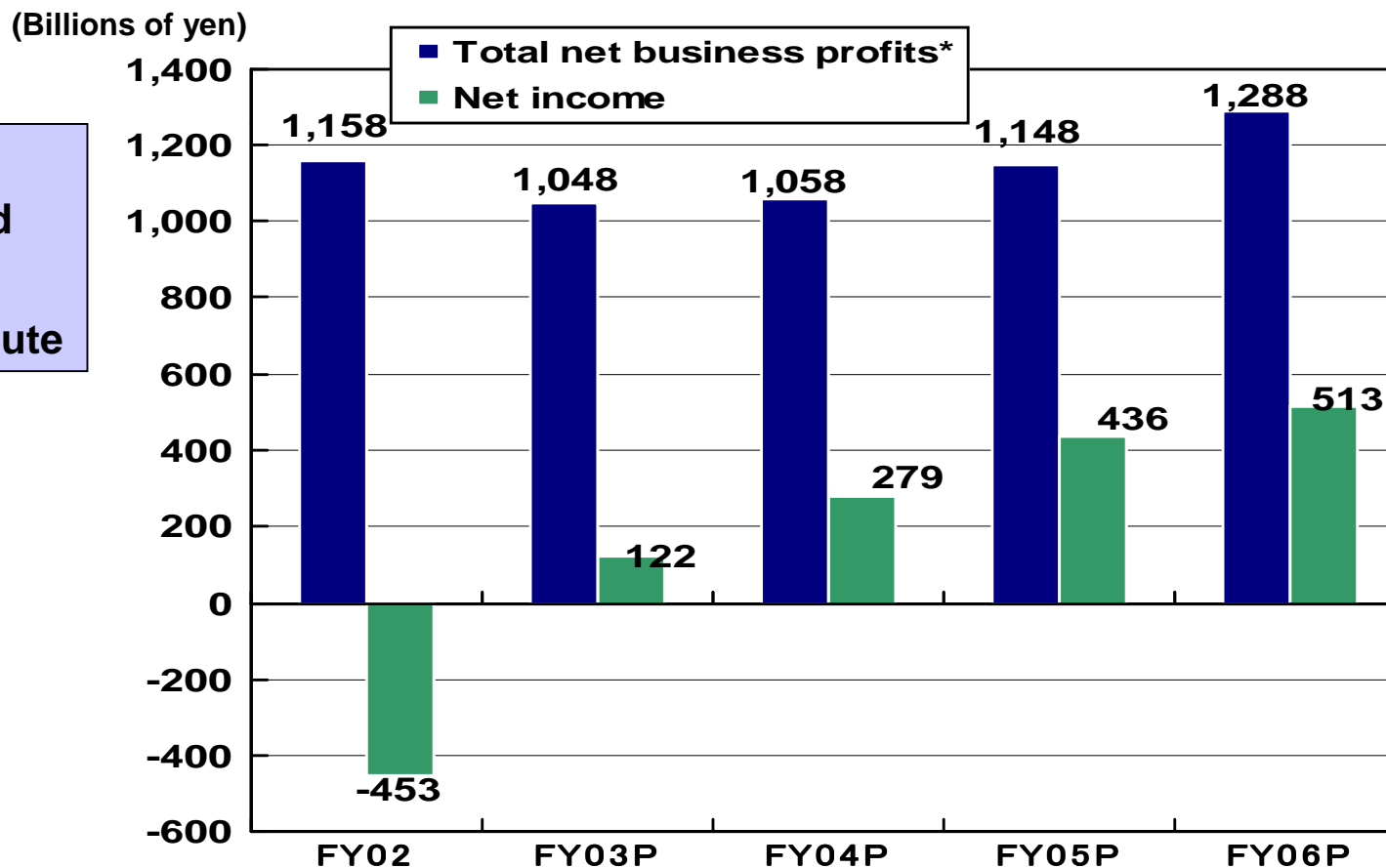
Closing



Combined basis of 4 subsidiaries *

* 4 Subsidiaries

- SMBC
- Sumitomo Mitsui Card
- SMBC Leasing
- Japan Research Institute



* Banking profit of SMBC + Operating profit of the other three companies



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The following items are among the factors that could cause actual results to differ materially from the forward-looking statements in this material: business conditions in the banking industry, the regulatory environment, new legislation, competition with other financial services companies, changing technology and evolving banking industry standards and similar matters.