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# Accelerating Value Creation for Shareholders

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- ✓ **Keywords for accelerating value creation for shareholders**
  - ✓ **Further reinforcement of competitive advantages**
  - ✓ **Expansion of marketing channels & customer base**
    - **Marketing channels for SMEs and individuals**
  - ✓ **Establishment of new business model – Consumer finance**
  - ✓ **Further strengthening of group synergies**
- ✓ **Proposal for integration with UFJ Group**
- ✓ **Closing**

# Keywords for accelerating value creation for shareholders



## Reinforcement & establishment of strategic business

- ✓ Further reinforcement of competitive advantages
  - New type unsecured loans to SMEs
  - Investment banking business
  - Financial consulting business for individuals

- ✓ Establishment of new business model
  - Consumer finance (Further risk-taking in mass segment for individuals)



## SMFG's competitive advantage

Spirit of innovation and transformation

Speed in taking actions

High efficiency

Integration with UFJ Group

## Expansion of business franchise

- ✓ Expansion of marketing channels & customer base

- ✓ Further strengthening of group synergies
  - Collaboration among group companies
  - Strategic alliance

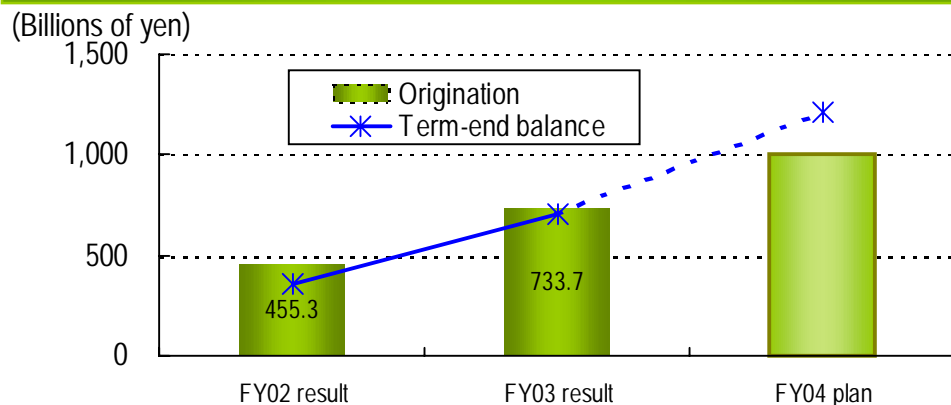
# Further reinforcement of competitive advantages

## Business for corporate clients



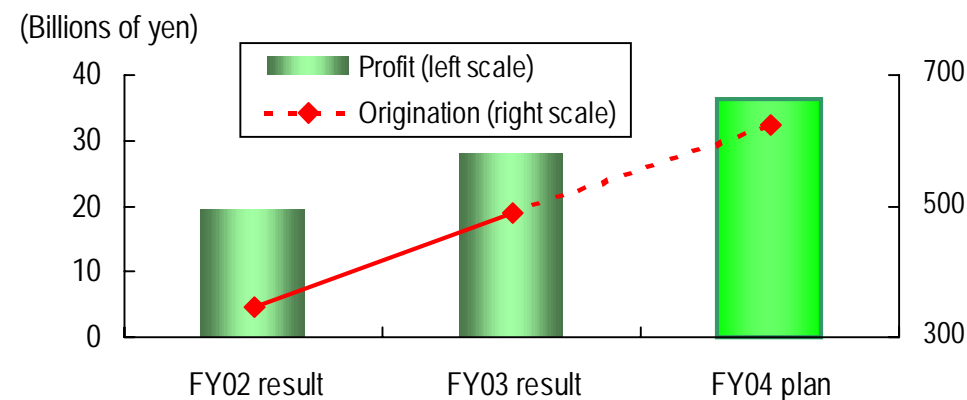
### New type unsecured loans to SMEs

#### Origination of "Business Select Loan"

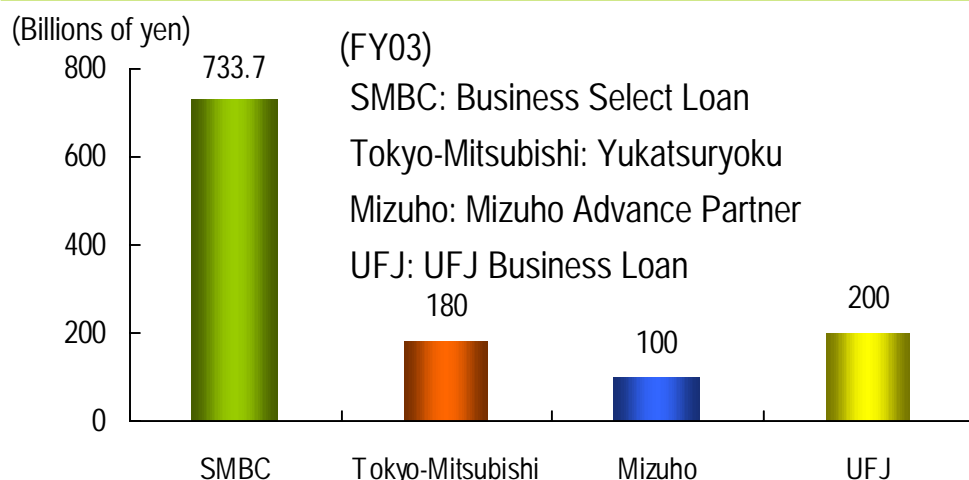


### Investment banking business

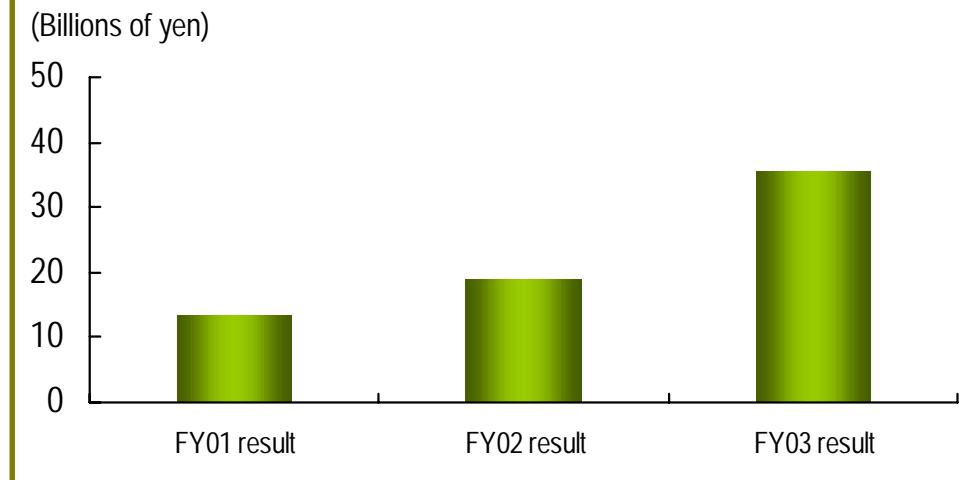
#### Profits related to loan syndication



### Peer comparison (Origination of new type unsecured loans to SMEs)



### Profits through collaboration with Daiwa Securities SMBC\*



(Note) Peer companies' figure: the Nikkan Kogyo Shimbun dated Apr. 30, 04.

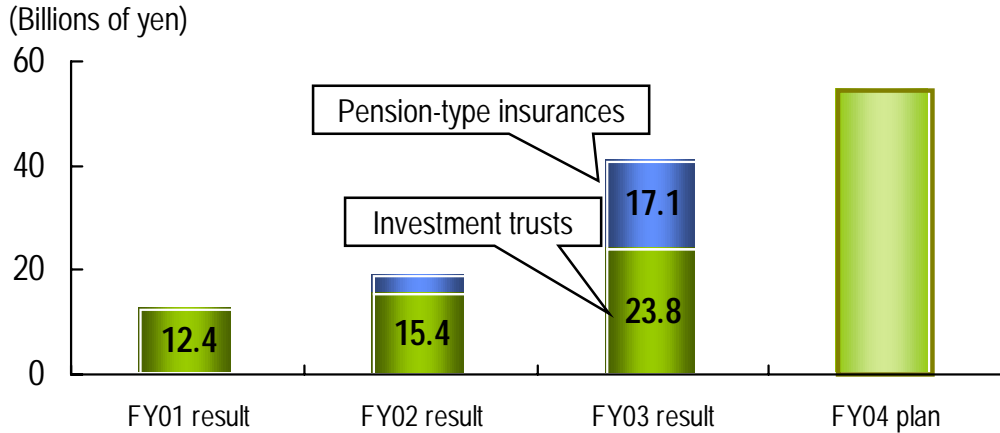
\*SMBC's managerial accounting basis (Sum of the profits of SMBC and Daiwa SMBC)

# Further reinforcement of competitive advantages

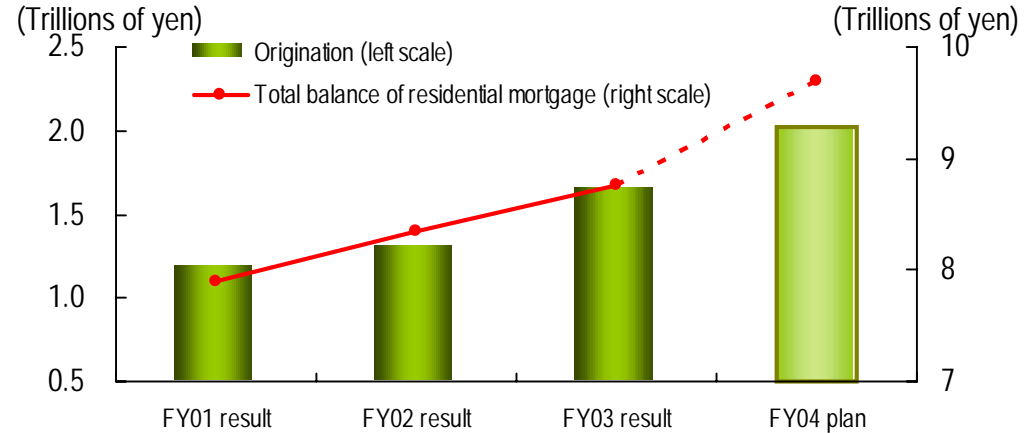
## Financial consulting business for individuals



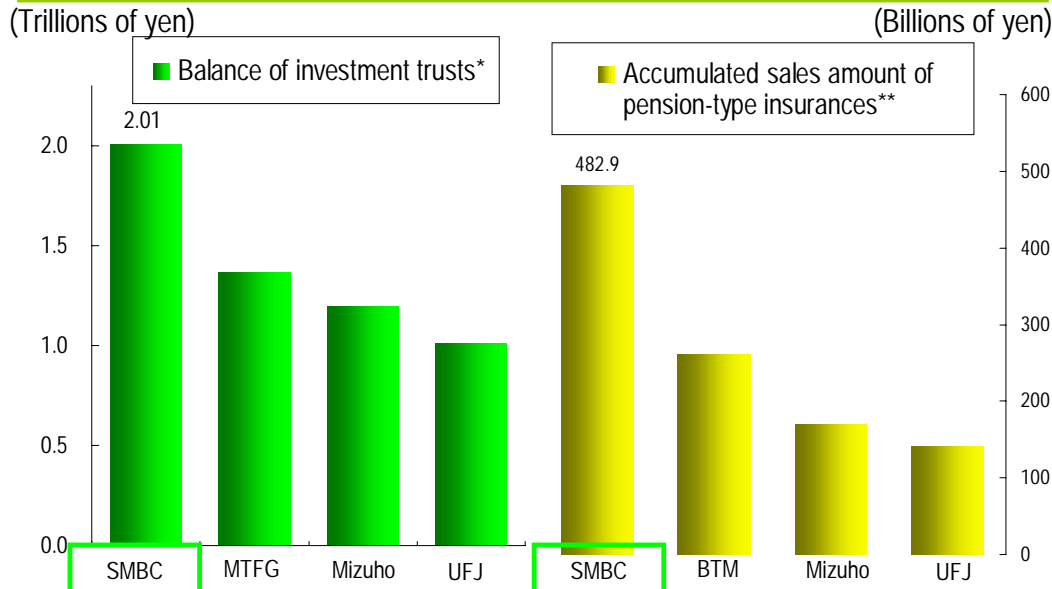
### Related Profits (Investment trusts and pension-type insurances)



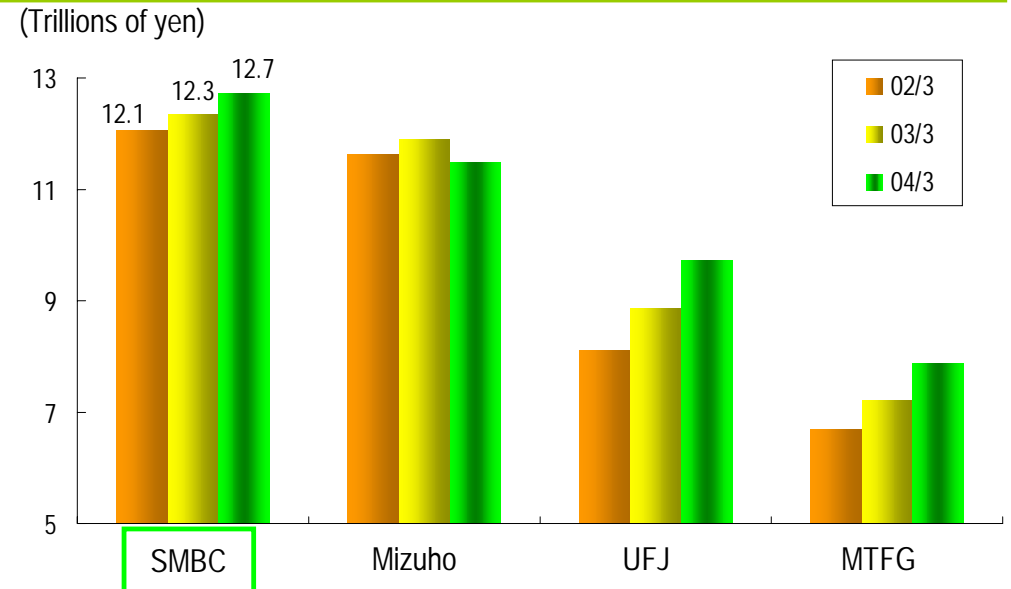
### Mortgage loans



### Peer comparison (investment trusts and pension-type insurances)



### Peer comparison (balance of mortgage loans\*\*\*)



\*Source: the Nikkin Toushin Nenkin Jouhou

\*\*Source: company estimate based on newspapers, etc.

\*\*\*Source: each company's financial reports, etc.

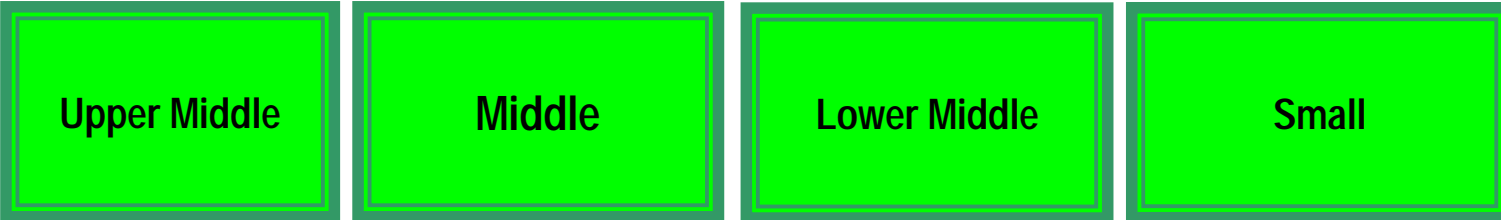
# Expansion of marketing channels & Customer base

## Marketing channels for SMEs



**SME channels: 164**

**Client segments**



Internal HR | External HR

**Channels**



**Product Departments (Investment Banking Unit etc.)**  
Business offices and Product Departments both commit to profit target:  
"Double-front system"

\*Business Support Offices: Mainly deal with Business Select Loan. Number of channels in the figures is as of March 2004.

# Expansion of marketing channels & customer base

## Marketing channels for individuals



### SMBC Consulting Plaza (# of channels)

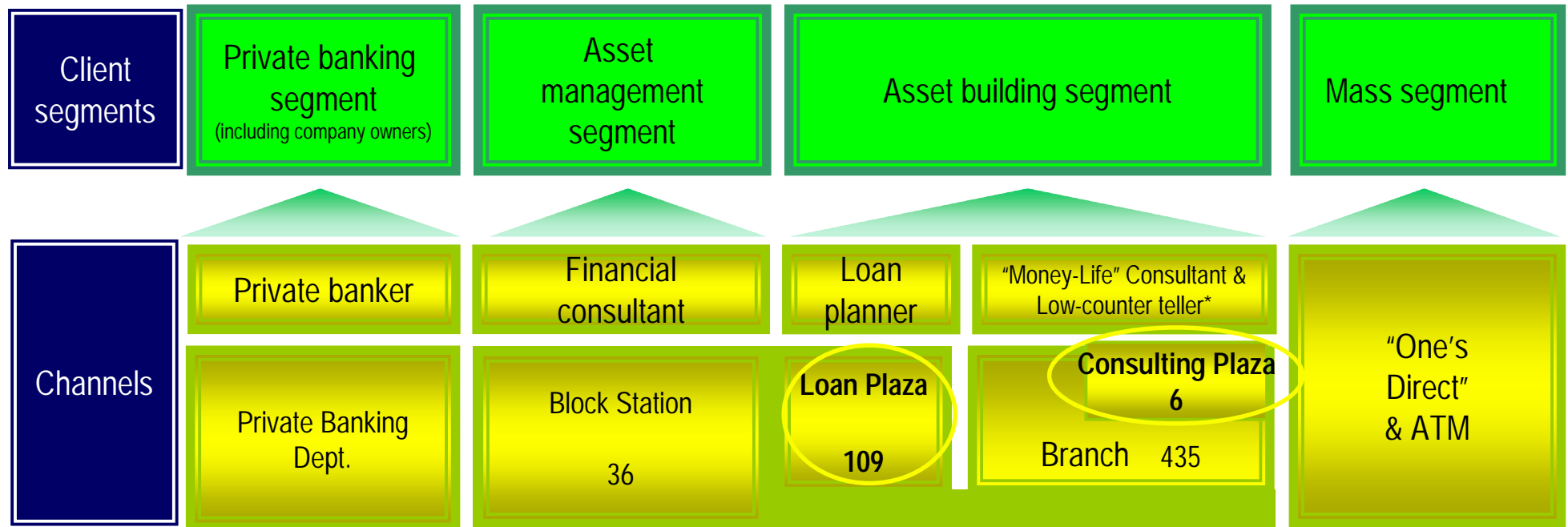


(Note) New marketing channels specialized in consulting for individuals

### Loan Plaza (# of channels)



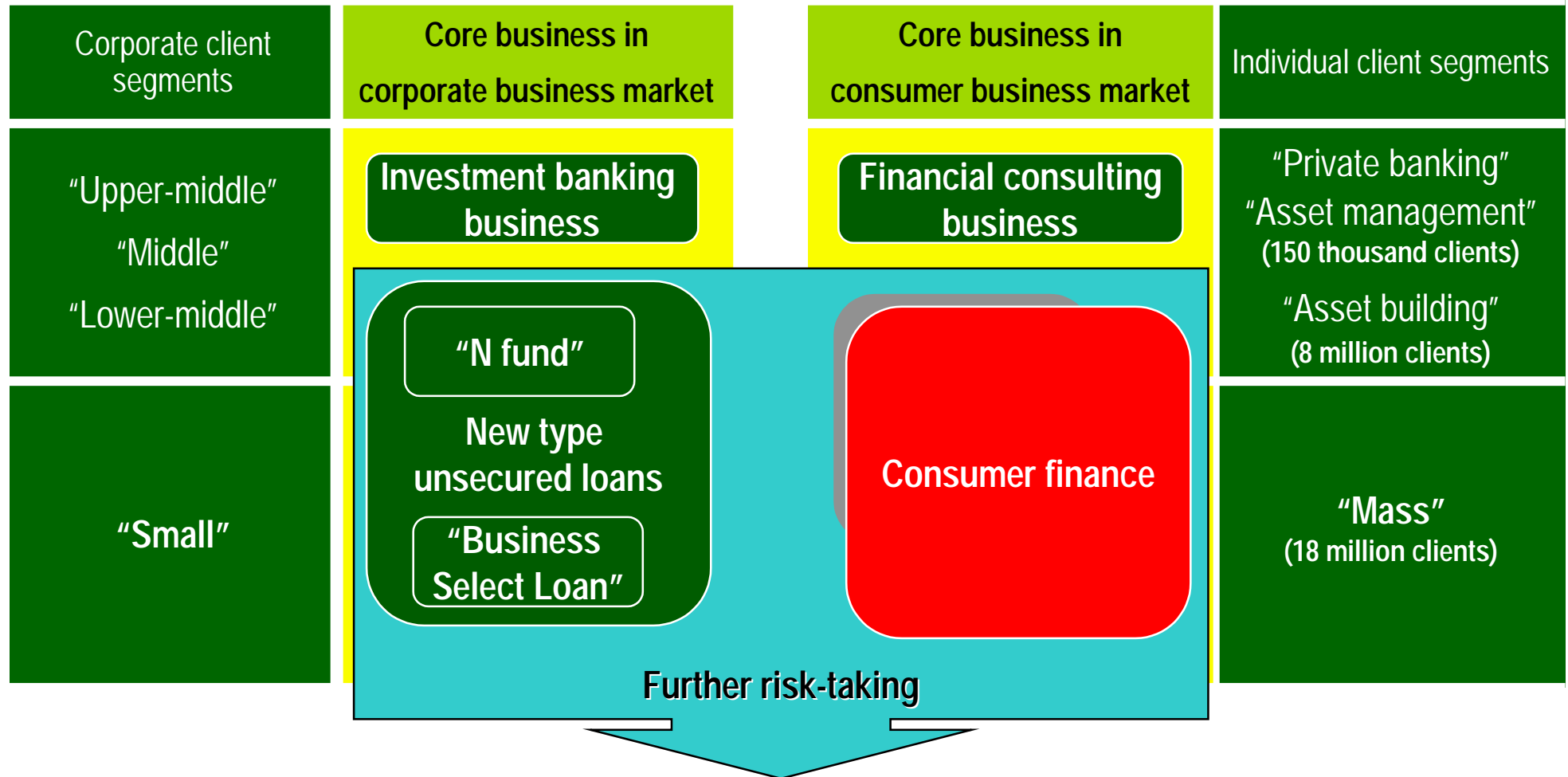
→ Increase sales staff in FY04



\* "Low-counter teller" is a teller who serves customers at low counters in branches to provide more personal services. Number of channels in the figures is as of March 2004.

# Establishment of new business model

Consumer finance: Further risk-taking



Established strategic business by introducing new type unsecured loans to small corporate segment



Started to establish new revenue base by further risk-taking in mass segment

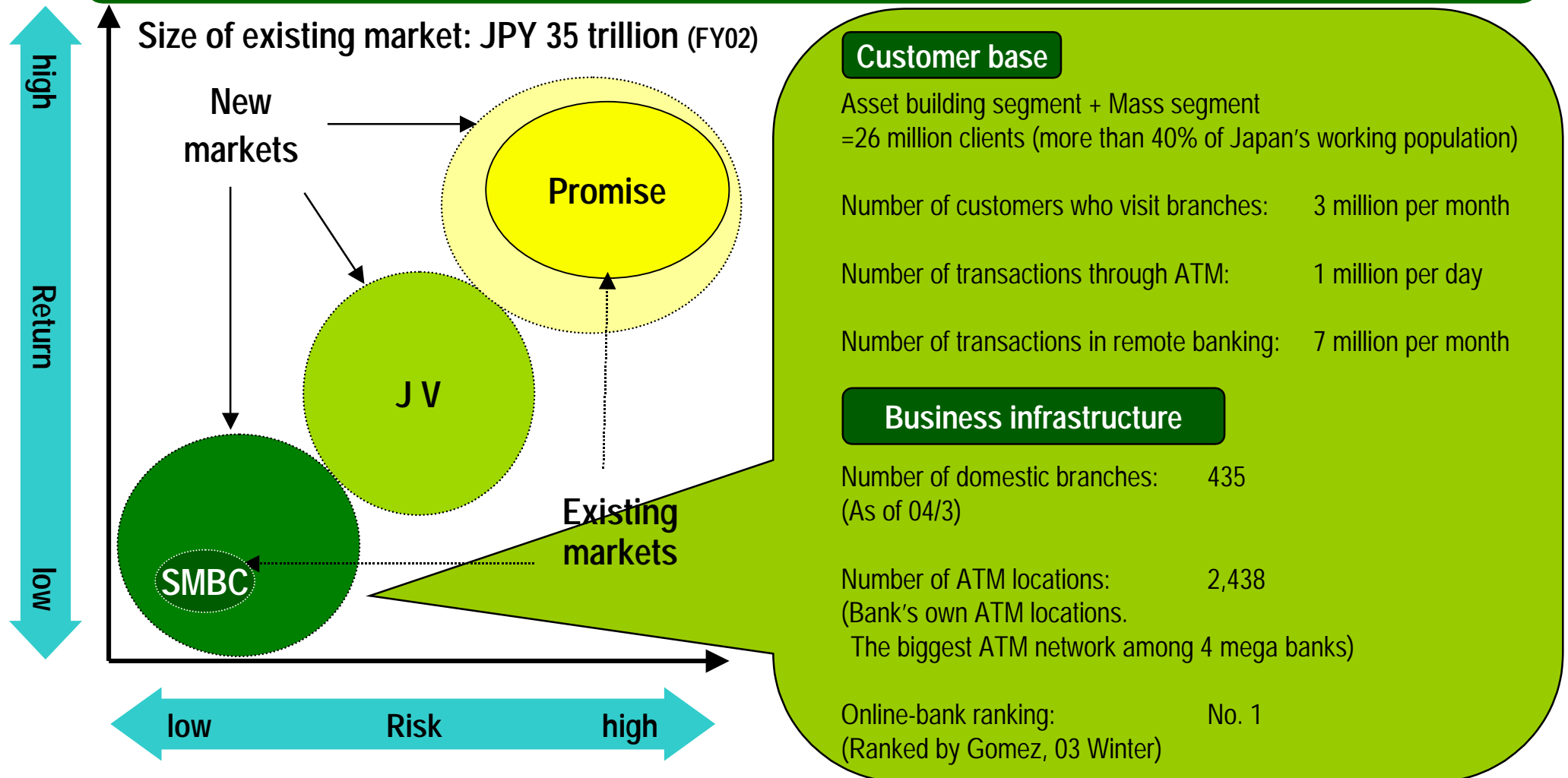


# Establishment of new business model

Consumer finance: Creation of new business markets

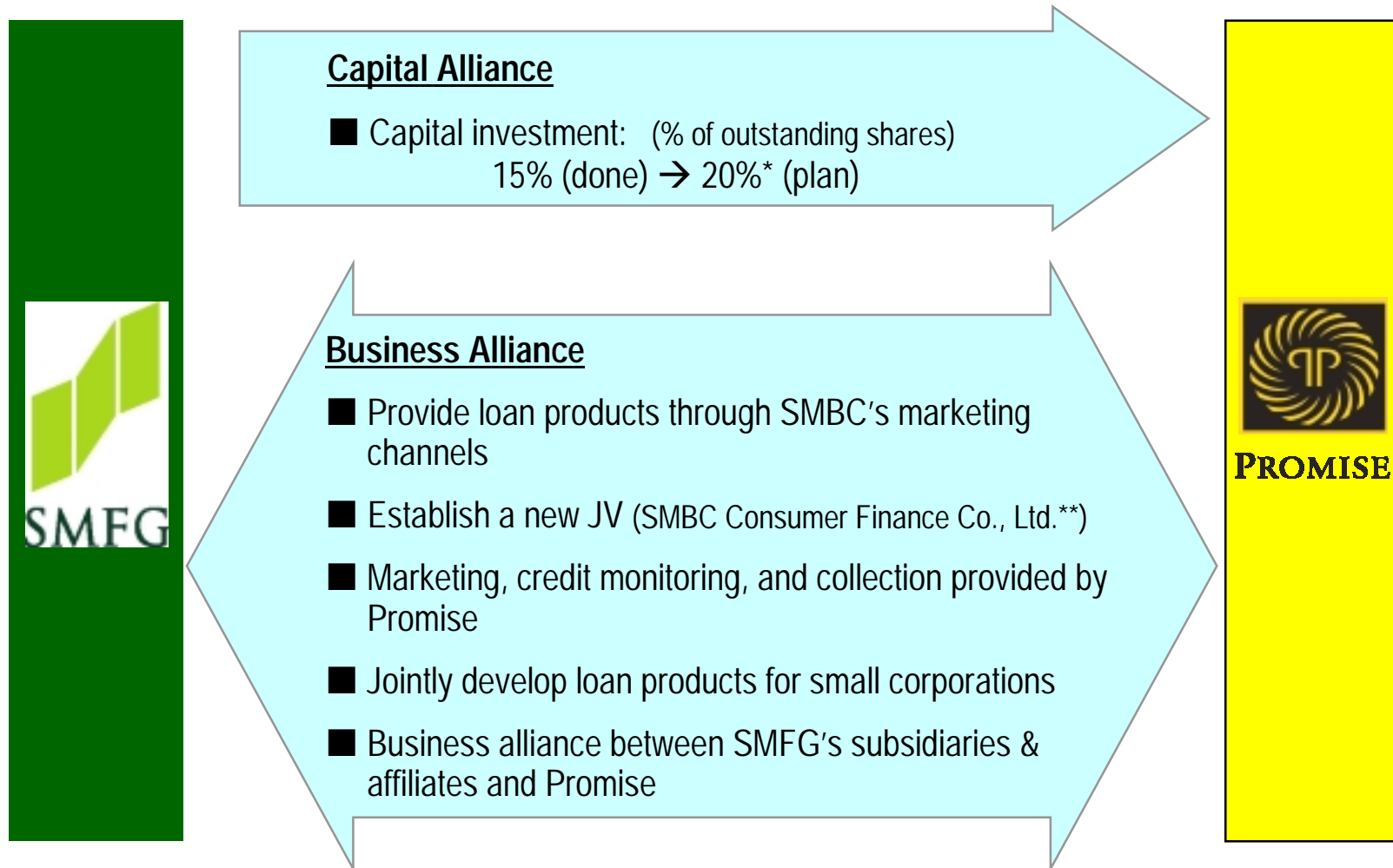


Create new business markets by thoroughly utilizing SMBC's business franchise



# Establishment of new business model

## Consumer finance: Overview of strategic alliance with Promise



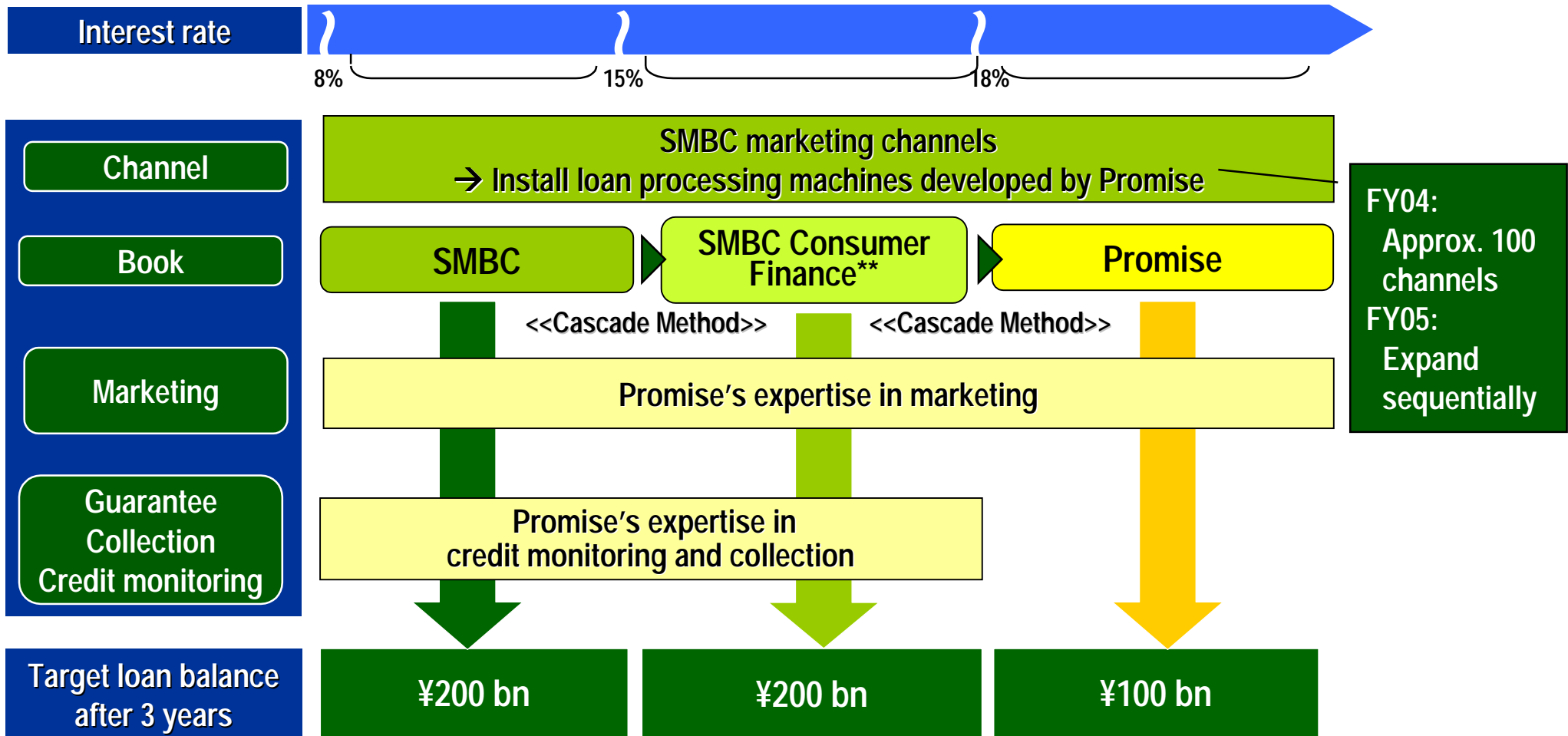
\* Plans to acquire additional Promise shares in appropriate ways, up to 20% of total outstanding shares. \*\*Tentative name

# Establishment of new business model

Consumer finance: Loan business model by alliance with Promise

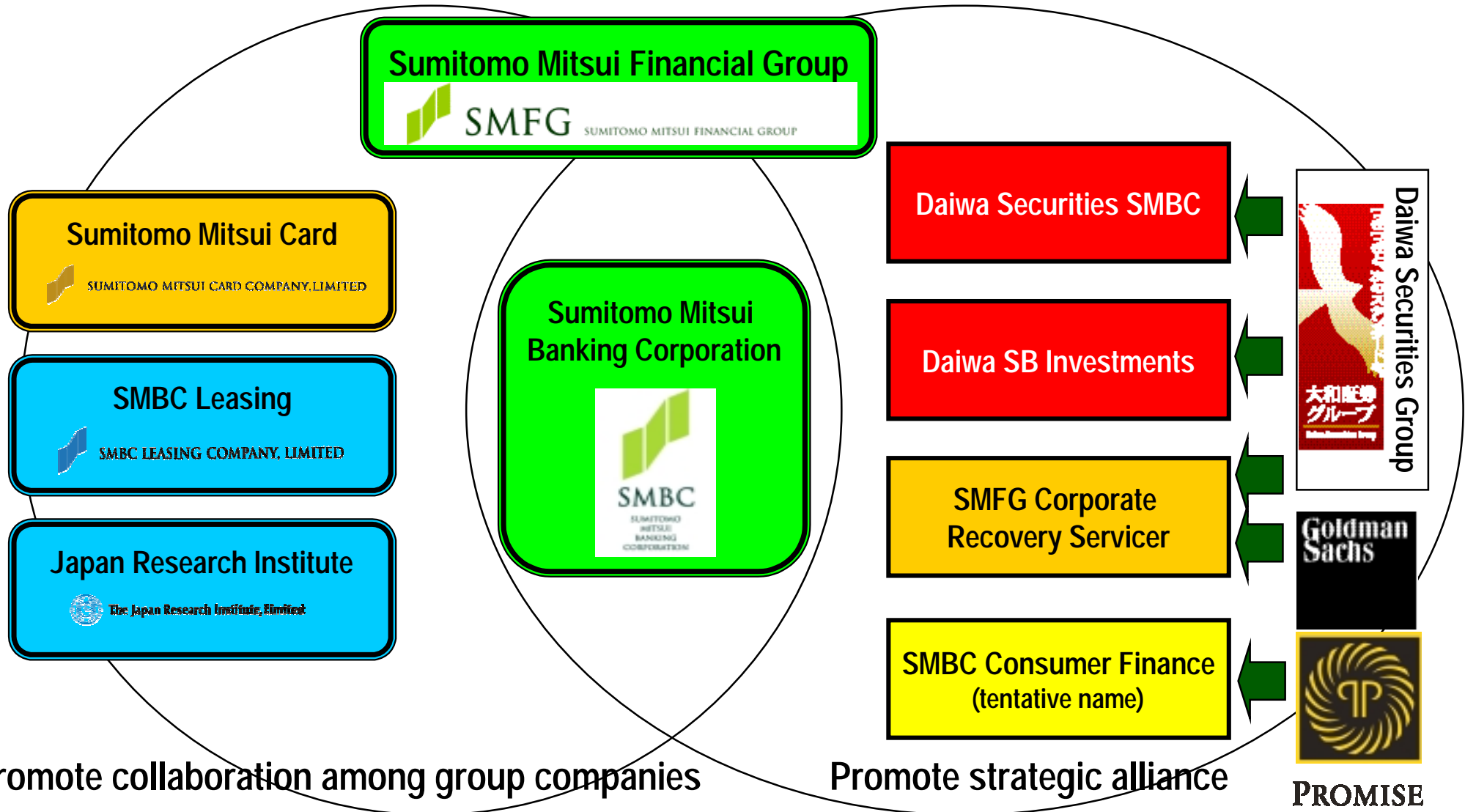


**SMBC's business franchise + Promise's expertise**  
 ▶ Target loan balance of approx. 500 billion yen\* after 3 years



\* Jointly by SMFG and Promise. \*\* Tentative name.

# Further strengthening of group synergies



# Proposal for integration with UFJ Group

## Strategic significance

- Dominant revenue base and business franchise through the integration
  - Realize dominant market share & competitiveness in the strategic businesses

## Impact on further value creation

To reinforce revenue base through the dominant market share in the focused high-growth business areas

To steadily realize rationalization effects (¥200bn) at an early date

Most profitable bank in Japan with banking profit reaching ¥2 tn and net income reaching ¥1 tn

Integration ratio = 1:1

EPS accretion

Further value creation for SMFG shareholders

# Proposal for integration with UFJ Group

## Outline



### Basic Concepts of the Integration

Integration with spirit of equals

Smooth and speedy integration

Emphasis on economic rationales

Equal and fair human resources policy

Reinforcement of the focused business areas

Establishment of tripolar franchise in Tokyo, Tokai, Osaka metropolitan districts

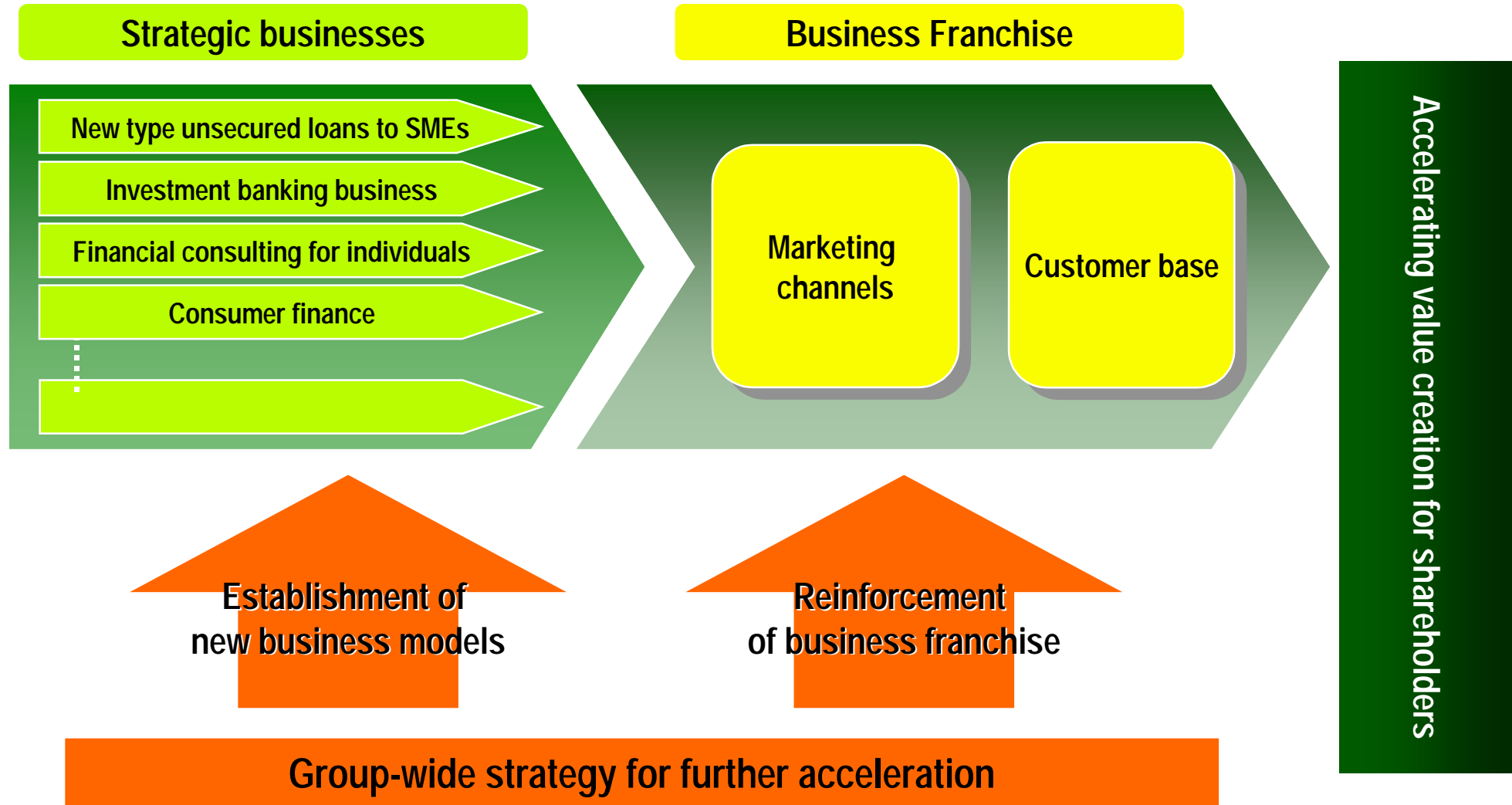
Collaboration with a top tier trust bank\*

### Integration ratio, Capital enhancement

- Integration ratio UFJ : SMFG = 1 share : 1 share
  - ¥200bn average annual pre-tax benefit from rationalization
- Capital enhancement to UFJ by 04/9
  - Willing to provide capital even if capital requirement reaches ¥700bn
  - Able to maintain adequate capital ratio without capital raising

\* Assuming that the trust business of UFJ Trust Bank be integrated to Sumitomo Trust & Banking

# Closing



## Proposal for Integration with UFJ Group

- Rationalization effect of overlapping operation
- Breakdown of rationalization effect
- Source of top-line synergy



# (Appendix) Proposal for Integration with UFJ Group

## Rationalization effect of overlapping operation



- ¥200bn average annual pre-tax benefit from rationalization
- Track record of achieving cost reduction from the integration of former Sakura and former Sumitomo
  - Reduced expenses from ¥700.1bn in FY2000 to ¥584.0bn in FY2003 (-17%)

### Branch Integration

Approx. ¥60bn



366 branches



435 branches

- Approx. 200 overlapping branches



### Workforce Integration

Approx. ¥90bn

- Natural attrition plus restraining recruiting
- Reallocation of human resources from overlapping functions to strategic business areas



### Systems Integration /Others

Approx. ¥50bn

- Experience of systems integration of former Sakura and former Sumitomo

# (Appendix) Proposal for Integration with UFJ Group

## Breakdown of rationalization effect



### Branch Integration

Approx. ¥60bn



UFJ



SMFG

366 branches      435 branches

- Approx. 200 overlapping branches

Tokyo: 100 branches

Osaka: 80 branches

Other areas: 20 branches

- Expenses:

¥0.3 bn reduction per branch

200 branches x (-¥0.3 bn)  
= -Approx. ¥60 bn

### Workforce Integration

Approx. ¥90bn

- Natural attrition plus restraining recruiting  
-Approx. 8,500 workforce  
(Total workforce after integration: Approx. 40,000)
- Reallocation of human resources  
(Overlapping functions → Strategic business areas)  
➡ Reallocation to Business for SMEs, financial consulting business for individuals

Effect of cost reduction in personnel expenses for Approx. 8,500 workforce  
= -Approx. ¥90 bn

### Systems Integration & Others

Approx. ¥50bn

- Achievement of systems integration of former Sakura and former Sumitomo
- Rationalization effect: -25%  
Approx. ¥60 bn x 2 x (-25%)  
(Annual system-related expenses...Estimated)  
= -Approx. ¥30 bn
- Others: -Approx. ¥20 bn




(-¥30 bn) + (-¥20 bn)  
= -Approx. ¥50 bn

# (Appendix) Proposal for Integration with UFJ group

## Source of top-line synergy



Overwhelming business franchise in number of Corporate customers, new type unsecured loans to SMEs, sales of investment trusts & pension-type insurances, and mortgage loans

	SMEs		Financial Consulting for Individuals		
	# of Corporate Customers	New Type Unsecured Loans to SMEs	Balance of Investment Trusts	Annual Sales of Pension-Type Insurances	Balance of Mortgage Loans*
	177,000	¥733.7bn	¥1.9tn	¥380bn	¥12.7tn
	147,000	¥200.0bn	¥0.7tn	¥110bn	¥9.7tn
	104,000	¥180.0bn	¥0.7tn	¥200bn	¥7.9tn
<b>UFJ+SMFG</b>	<b>324,000</b>	<b>¥933.7bn</b>	<b>¥2.6tn</b>	<b>¥490bn</b>	<b>¥22.4tn</b>
<b>UFJ+MTFG</b>	<b>251,000</b>	<b>¥380.0bn</b>	<b>¥1.4tn</b>	<b>¥310bn</b>	<b>¥17.6tn</b>

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