

# Financial Results in FY2004 & Management Policies and Strategies

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June 1, 2005



**SMFG** SUMITOMO MITSUI  
FINANCIAL GROUP

Provisional translation of  
Japanese version

# Agenda

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  - (5) Expenses
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# 1. Summary of financial results in FY04

(SMFG consolidated, SMBC non-consolidated, Billions of yen)

		SMFG consolidated			SMBC non-consolidated		
		FY03	FY04	Year change	FY03	FY04	Year change
P/L	Gross profit	2,069.5	2,025.0	(44.5)	1,584.1	1,522.9	(61.2)
	Marketing Units	-	-	-	1,216.6	1,294.8	+108.2 *
	Treasury Unit	-	-	-	375.8	222.8	(153.0)
	Expenses	(866.5)	(852.7)	+13.8	(584.0)	(582.4)	+1.6
	Consolidated net business profit / Banking profit**	1,090.6	1,014.4	(76.2)	1,000.1	940.5	(59.6)
	Total credit cost	(956.6)	(1,196.8)	(240.2)	(803.4)	(954.8)	(151.4)
	Gains (losses) on stocks	101.5	(101.9)	(203.4)	103.9	(118.7)	(222.6)
	Net income (loss)	330.4	(234.2)	(564.6)	301.1	(136.8)	(437.9)
		04/3	05/3	Year change	04/3	05/3	Year change
B/S	Problem assets***	3,336.2	2,323.0	(1,013.2)	2,811.2	1,824.6	(986.6)
	Problem asset ratio	5.6%	3.9%	(1.7%)	5.0%	3.3%	(1.7%)
	Equity portfolio**** (Acquisition cost)	2,234.6	1,992.7	(241.9)	2,152.2	1,922.8	(229.4)
	Capital ratio	11.37%	9.94%	(1.43%)	11.36%	11.32%	(0.04%)

\* Year change: Managerial accounting basis on which fluctuations in interest rate and foreign exchange rate are adjusted

\*\* Before provision for general reserve for possible loan losses

\*\*\* Problem assets based on the Financial Reconstruction Law

\*\*\*\* Stocks with market value, categorized in "Other securities"

## 2. Top-line (1) Income analysis on financial accounting basis

(SMFG consolidated, SMBC non-consolidated, billions of yen)

	SMFG consolidated (a)	Year change	SMBC non-consolidated (b)	Difference (a) - (b)		Difference between SMFG consolidated and SMBC non-consolidated results			
Gross profit	2,025.0	(44.5)	1,522.9	502.1		(1) Minato Bank:	approx. 48		
Net interest income	1,171.3	(109.7)	972.5	198.8	(1)	Kansai Urban Banking Co.:	approx. 47		
Trust fees	2.6	+ 2.3	2.6	-		Sumitomo Mitsui Card:	approx. 30		
Net fees and commissions	516.1	+ 91.9	298.1	218.0	(2)	(2) Sumitomo Mitsui Card:	approx. 96		
Net trading income	144.4	(159.7)	131.6	12.8		SMBC Friend Securities:	approx. 40		
Net other operating income	190.5	+130.7	118.1	72.5	(3)	(3) SMBC Leasing:	approx. 73		
General and administrative expenses	(852.7)	+ 13.8	(582.4)	(270.3)	(4)	(4) Sumitomo Mitsui Card:	approx. (92)		
Total credit cost	(1,196.8)	(240.2)	(954.8)	(242.0)	(5)	SMBC Friend Securities:	approx. (34)		
Equity in earnings of affiliates	27.1	+ 11.4	-	27.1	(6)	(5) Loan guarantee subsidiaries:	approx. (180)		
Ordinary profit (loss)	(30.3)	(373.1)	(71.7)	41.4		Minato Bank:	approx. (15)		
Extraordinary gains (losses)	(78.2)	(140.3)	(28.4)	(49.8)		SMBC Leasing:	approx. (15)		
Net income (loss)	(234.2)	(564.6)	(136.8)	(97.4)	(7)	(6) Daiwa Securities SMBC:	approx. 22		
						Promise:	approx. 6		
						(7) Loan guarantee subsidiaries	approx.(160)		
<b>Consolidated net business profit / Banking profit</b>	<b>1,014.4</b>	<b>(76.2)</b>	<b>940.5</b>	<b>73.9</b>		<b>Financial results of major subsidiaries and affiliates</b>			
							Ordinary profit	Net income	
						<Non-consolidated>	Sumitomo Mitsui Card	23.1	18.6
							SMBC Leasing	20.2	12.5
							Japan Research Institute	6.3	2.6
						<Consolidated>	Daiwa Securities SMBC	85.2	54.0
							Promise	130.8	75.4

(Note) Consolidated net business profit = (SMBC non-consolidated banking profit)

+ (Other consolidated subsidiaries' ordinary profit) + (Affiliates' ordinary profit) X (Ownership ratio) - (Internal transactions (dividends, etc.))

## 2. Top-line (2) Performance by business unit

(SMBC non-consolidated, billions of yen)

		FY04	Year change*		Major factors for year-over-year change in Gross banking profit*
Consumer Banking Unit	Gross banking profit	357.5	+ 31.1	(1)	(1) Consumer Banking: +31.1
	Expenses	(239.5)	+ 4.6		
	<b>Banking profit</b>	<b>118.0</b>	<b>+ 35.7</b>		Investment trusts, pension-type insurance related fees +16.0
Middle Market Banking Unit	Gross banking profit	654.2	+ 58.3	(2)	(2) Middle Market Banking: +58.3
	Expenses	(173.2)	+ 3.4		
	<b>Banking profit</b>	<b>481.0</b>	<b>+ 61.7</b>		Income related to loan syndication +16.8
Corporate Banking Unit	Gross banking profit	186.8	+ 11.1	(3)	(3) Corporate Banking: +11.1
	Expenses	(26.3)	+ 1.6		
	<b>Banking profit</b>	<b>160.5</b>	<b>+ 12.7</b>		Income related to derivatives products sales + 9.1
International Banking Unit	Gross banking profit	84.4	+ 6.5	(4)	(4) International Banking: + 6.5
	Expenses	(37.8)	+ 1.2		
	<b>Banking profit</b>	<b>46.6</b>	<b>+ 7.7</b>		Non-interest income + 4.2
Community Banking Unit	Gross banking profit	11.9	+ 1.2	(5)	(5) Treasury: (153.0)
	Expenses	(7.7)	+ 0.7		
	<b>Banking profit</b>	<b>4.2</b>	<b>+ 1.9</b>		ALM operations (162.5)
Marketing Units	Gross banking profit	1,294.8	+108.2	(6)	(6) Headquarters: (16.4)
	Expenses	(484.5)	+ 11.5		
	<b>Banking profit</b>	<b>810.3</b>	<b>+119.7</b>		Effect of reduction in problem assets etc.
Treasury Unit	Gross banking profit	222.8	(153.0)	(5)	(5) Treasury: (153.0)
	Expenses	(17.8)	+0.6		
	<b>Banking profit</b>	<b>205.0</b>	<b>(152.4)</b>		ALM operations (162.5)
Headquarters**	Gross banking profit	5.3	(16.4)	(6)	(6) Headquarters: (16.4)
	Expenses	(80.1)	(10.5)		
	<b>Banking profit</b>	<b>(74.8)</b>	<b>(26.9)</b>		Effect of reduction in problem assets etc.
Total	Gross banking profit	1,522.9	(61.2)		
	Expenses	(582.4)	+ 1.6		
	<b>Banking profit</b>	<b>940.5</b>	<b>(59.6)</b>		

\* Managerial accounting basis on which fluctuations in interest rates and foreign exchange rates are adjusted. Those changes are included in the Headquarters' account.

\*\*Includes Asset Restructuring Unit.

## 2. Top-line (3) Lending business (a) Loan balance, loan spread

(SMBC non-consolidated, trillions of yen, %)

Loan balance					Interest spread of Domestic units' deposits and loans				
	Term-end balance		Average balance		(Financial accounting basis)	FY04		Year change	
	05/3	Year change	FY04	Year change		Average balance	Yield	Average balance	Yield
Total lendings	50.1	(0.7)	50.8	(3.4)	Loans**	45.7	1.78	(3.7)	+0.03
Overseas lendings	3.4	+0.5	3.9	+0.2	Loans to the Government	0.3	0.03	(1.7)	(0.01)
Domestic lendings	46.7	(1.2)	46.9	(3.6)	Excluding loans to the Government	45.4	1.79	(2.0)	(0.03)
Domestic lendings (Managerial accounting basis)					Deposits, etc.	58.4	0.02	+1.6	0.00
Domestic Marketing Units	43.6	+0.8	42.6	+0.2	Interest spread	-	1.76	-	+0.03
Individual clients	14.2	+0.4	13.9	+0.2	Loan spread				
Small- and medium-sized enterprises*	20.7	+0.2	19.8	+0.2	(Managerial accounting basis)	Term-end loan spread		FY04	
Large corporations*	8.4	+0.1	8.5	(0.2)		05/3	Year change	Average	Year change
					Small- and medium-sized enterprises*	151bp	(7bp)	153bp	(3bp)
					Large corporations*	77bp	(12bp)	86bp	(7bp)

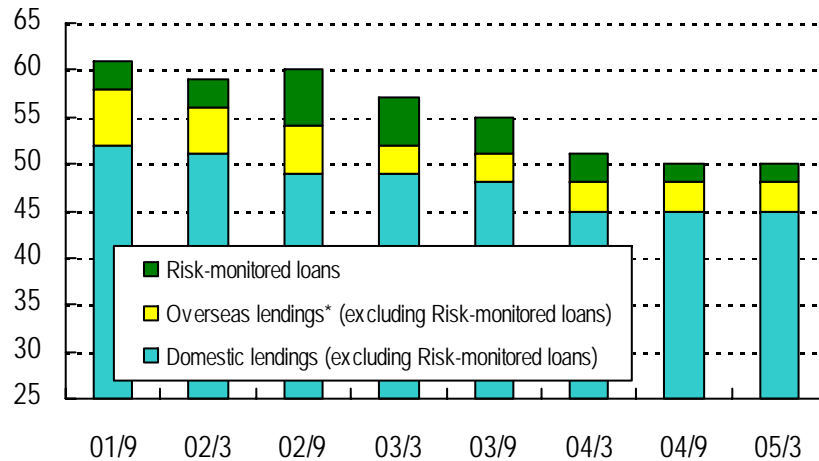
\* "Small- and medium-sized enterprises": Middle Market Banking Unit, "Large corporations": Corporate Banking Unit

\*\*Excluding financial institutions

## 2. Top-line (3) Lending business (b) Origination and balance

(SMBC non-consolidated, trillions of yen)

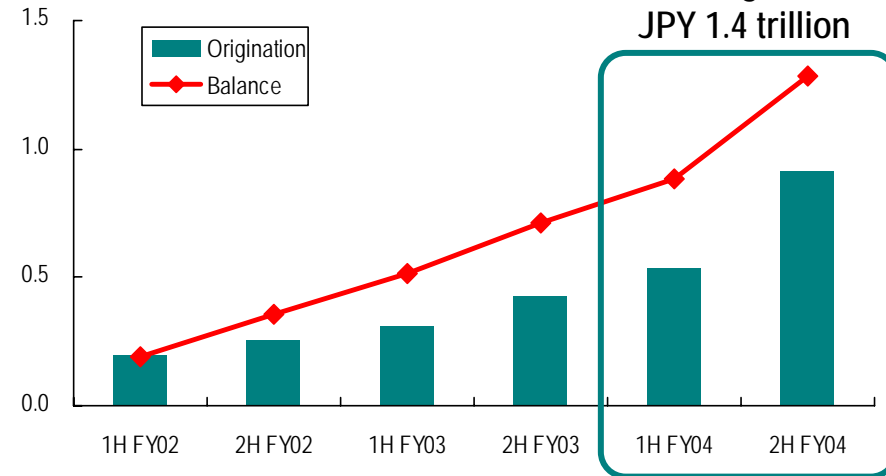
### Loan balance



\*Overseas offices and Japan off-shore banking accounts

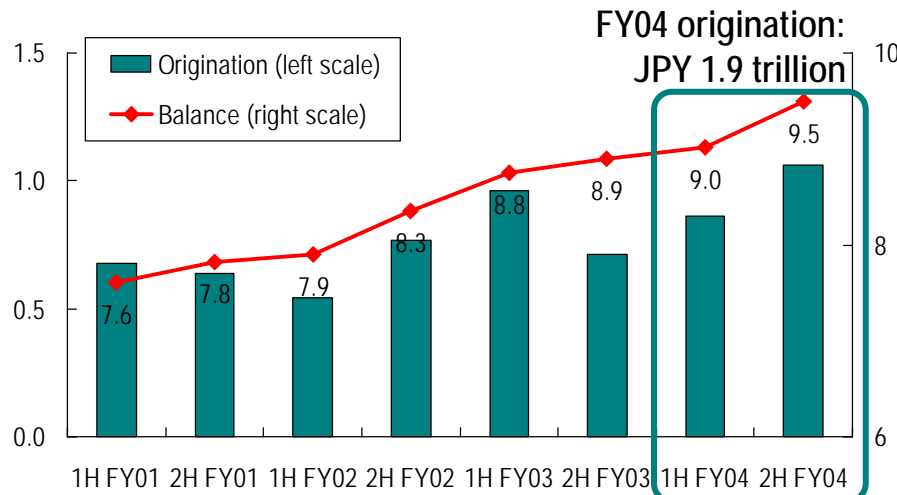
### New-type unsecured loans

#### Business Select Loans ("BSL")



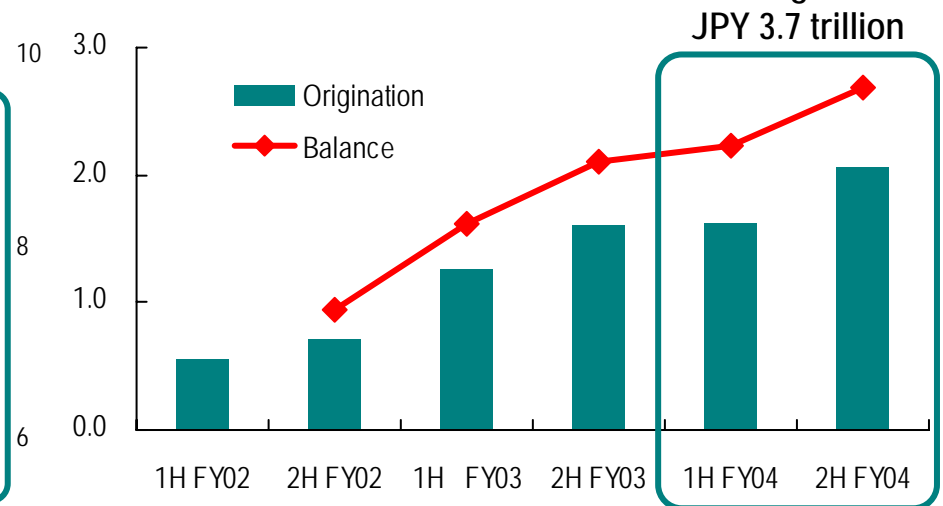
FY04 origination:  
JPY 1.4 trillion

### Mortgage loans\*\*



FY04 origination:  
JPY 1.9 trillion

### Total new-type unsecured loans\*\*\*



FY04 origination:  
JPY 3.7 trillion

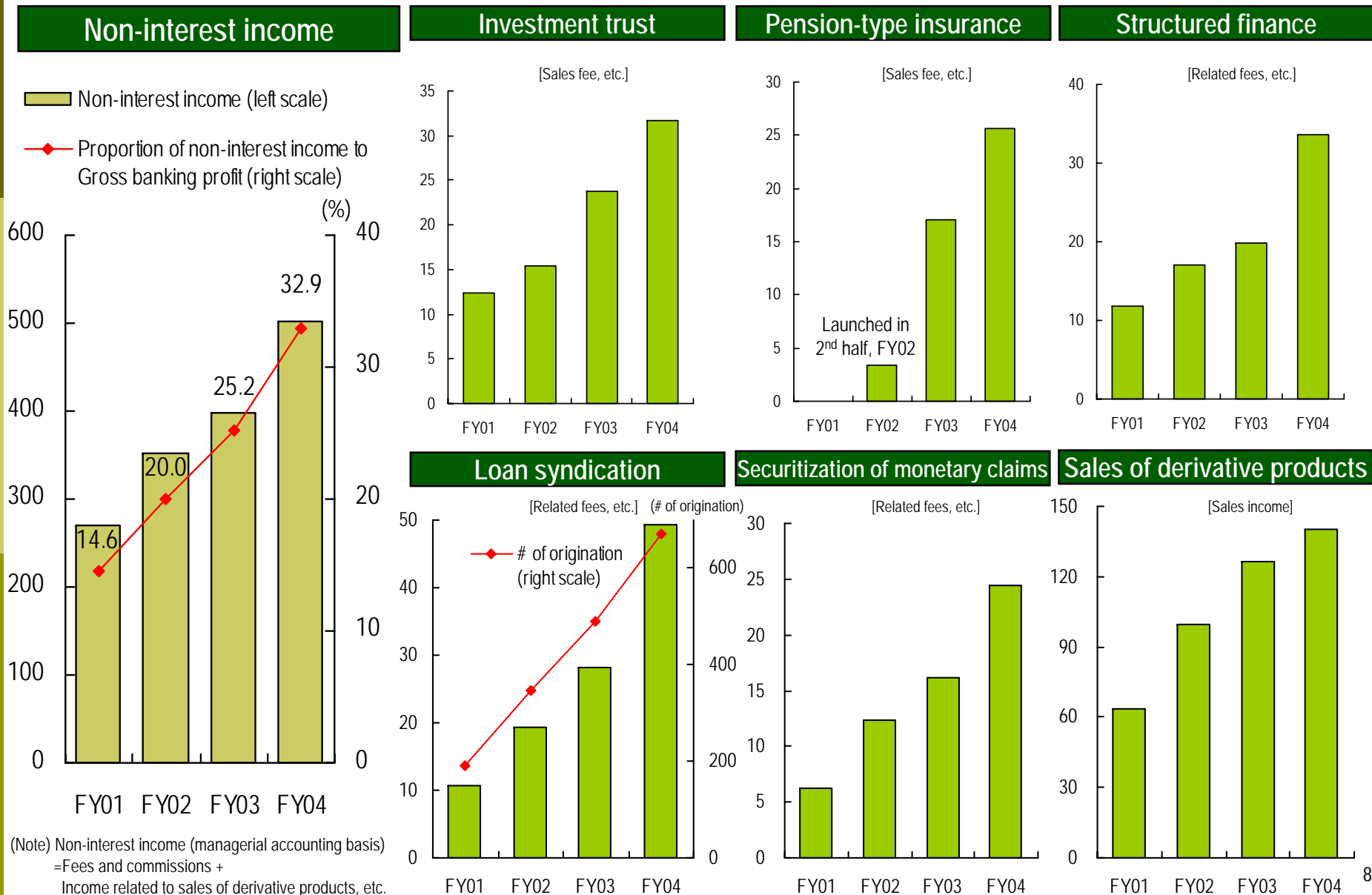
\*\*Residential purpose. Origination excludes bridge loans to HLC's loans.

\*\*\*BSL, N-fund loan, SMBC-CLO, V-fund loan, etc.

## 2. Top-line

### (4) Asset management consulting, investment banking business

(SMBC non-consolidated, billions of yen)

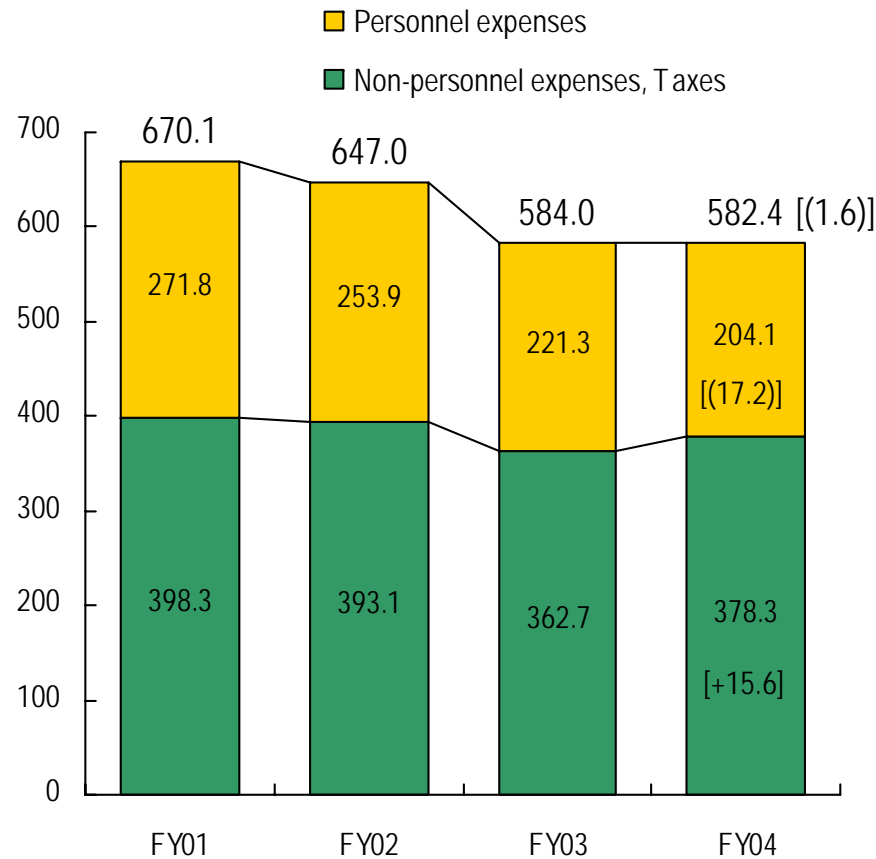




## 2. Top-line (5) Expenses

(SMBC non-consolidated, billions of yen)

### Expenses



Overhead ratio

36.2%\*

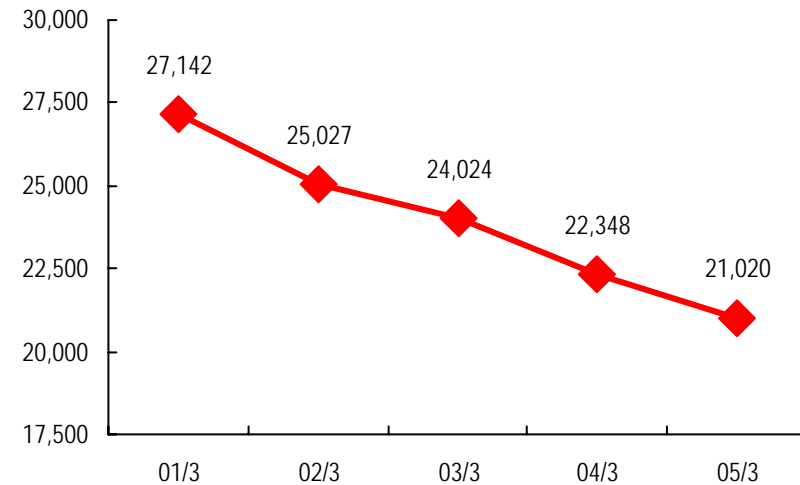
36.7%

36.9%

38.2%

\*41.0% when excluding extraordinary factors (dividend income from subsidiaries, etc.: approx. JPY 220 billion)

### Number of employees



### Marketing channels

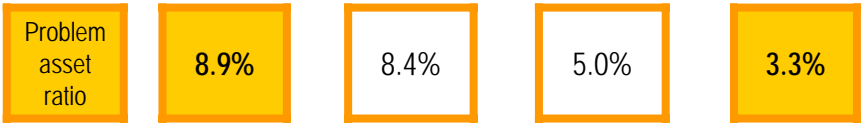
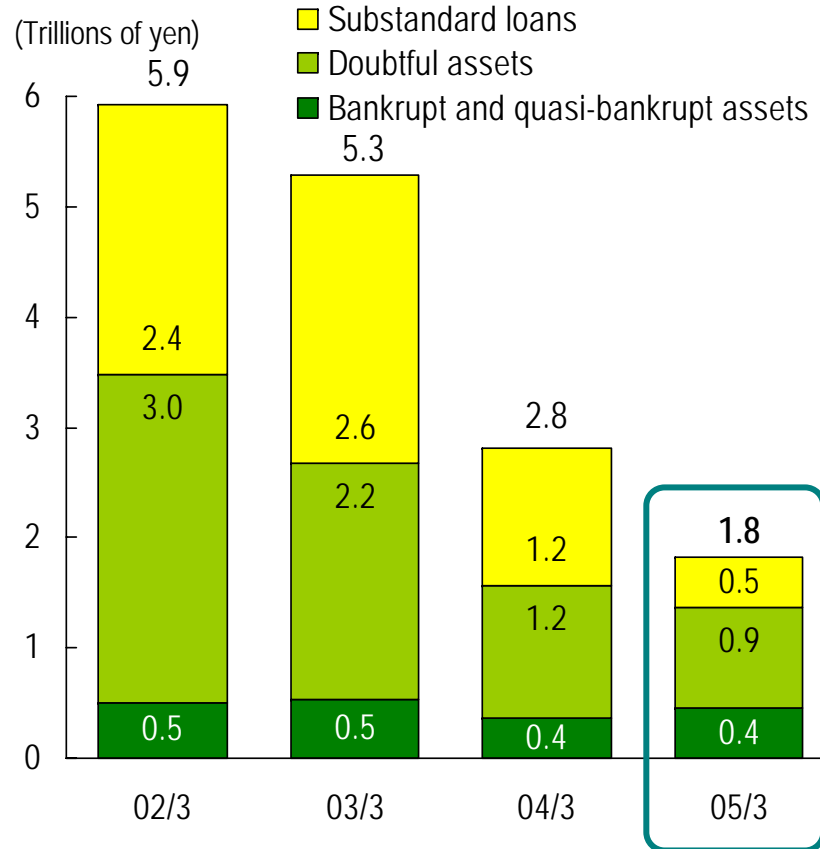
	04/3	05/3
Consumer Banking Unit:		
Branches	435	425
SMBC Consulting Plazas	6	45
Loan Promotion Offices	109	108
Middle Market Banking Unit:		
Corporate Business Offices	184	183
Business Support Offices	46	32
Corporate Sales Offices, Business Support Offices & sub-offices	42	42
Corporate Sales Desks	0	34

# 3. Disposal of Non-performing loans

## (1) Problem assets, credit cost

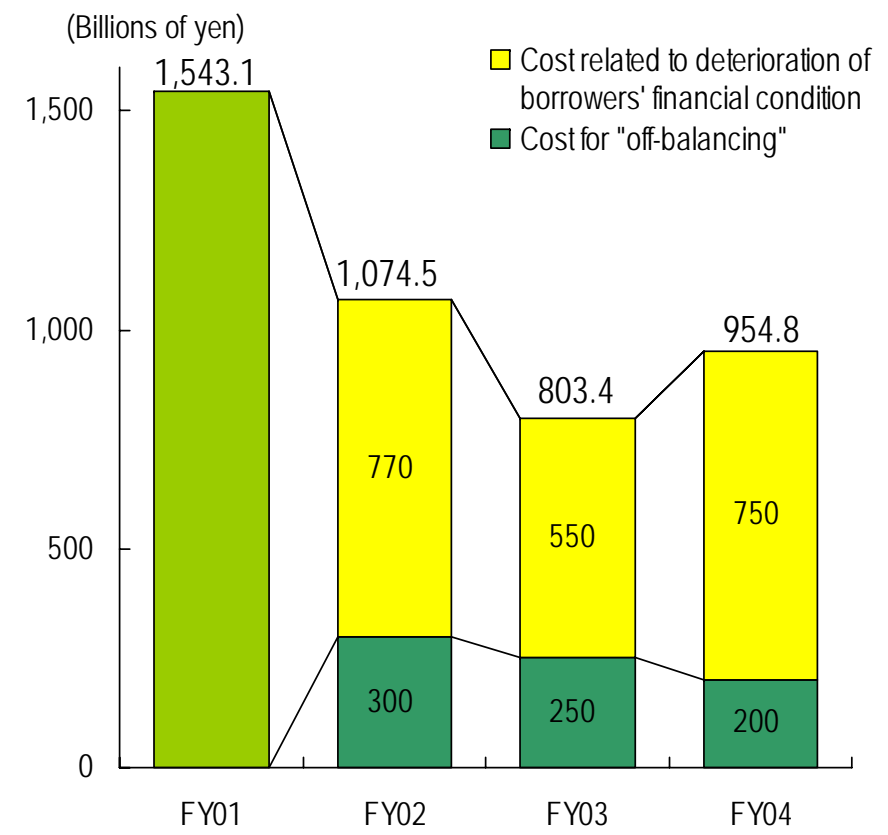
(SMBC non-consolidated)

### Balance of non-performing loans\*



**Achieved the target to halve** →

### Credit cost



Cost related to deterioration of borrowers' financial condition:  
 Cost related to downward migration from borrowers requiring caution, including Substandard borrowers, or upper

Cost for "off-balancing":  
 Cost for "off-balancing" of claims to Potentially bankrupt borrowers or lower

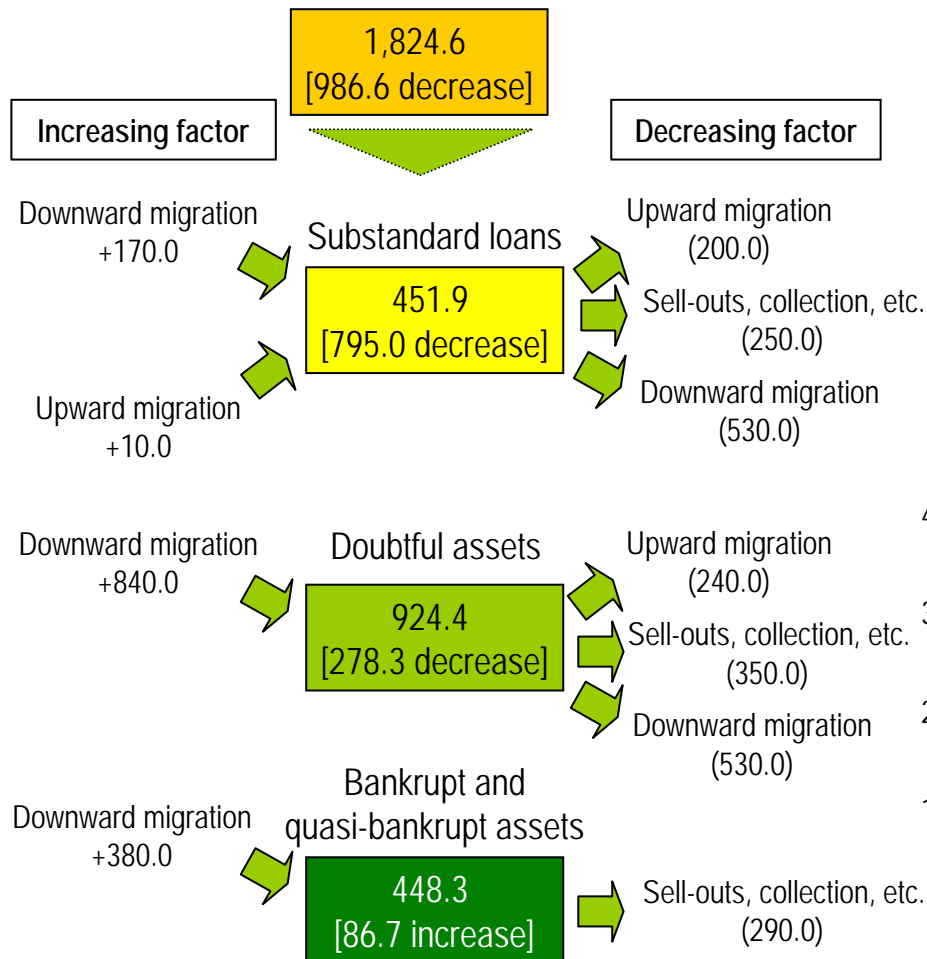
\*Problem assets based on the Financial Reconstruction Law (excluding Normal assets)

# 3. Disposal of Non-performing loans (2) Migrations, reserves

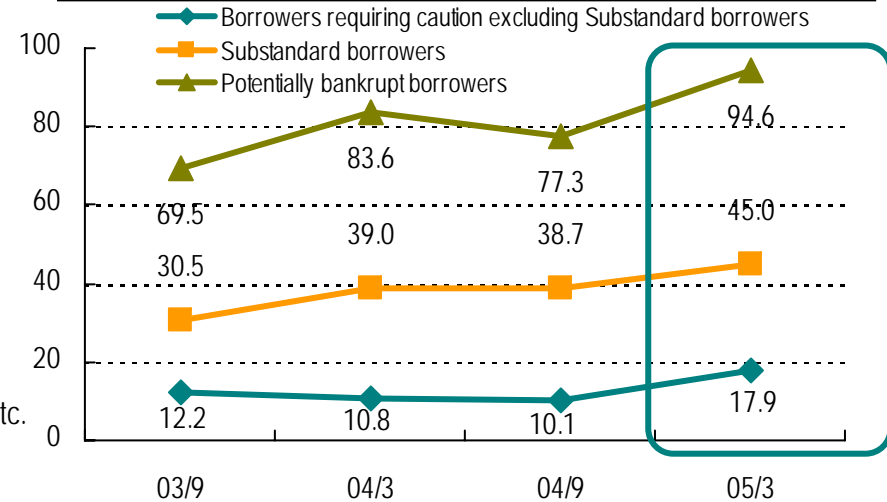
(SMBC non-consolidated, billions of yen)

## Major factors for year-over-year change

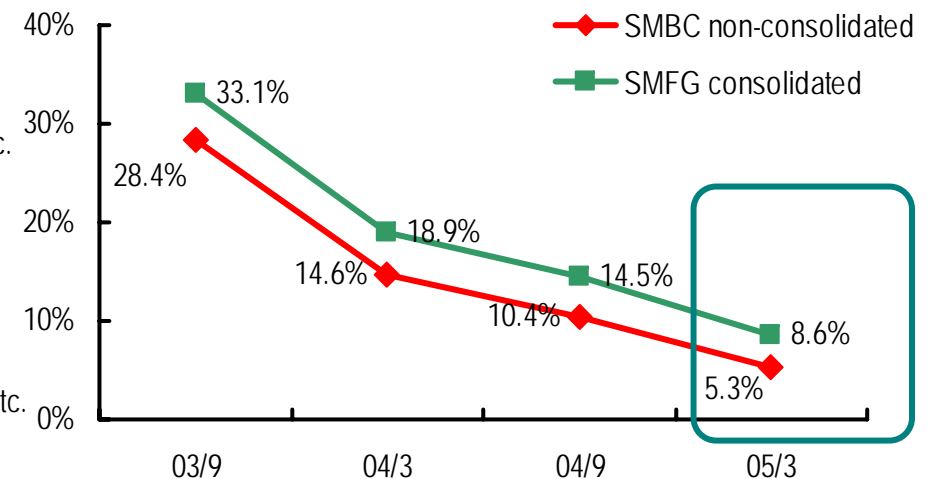
Problem assets based on the Financial Reconstruction Law (excluding Normal assets)



## Reserve ratio\* (%)



## Net problem assets to Tier I capital\*\*



\*The proportion of the reserve to unsecured portion

\*\* (Problem assets based on the Financial Reconstruction Law – secured portion [reserve for possible loan losses + collateral or guarantees, etc.] / Tier I capital (SMFG consolidated))

## 4. B/S (1) Overview

(SMBC non-consolidated, billions of yen)

	04/3	05/3	Year change		Major factors for year-over-year change
<b>Assets</b>	<b>94,109.1</b>	<b>91,129.8</b>	<b>(2,979.3)</b>		
Securities	26,592.6	23,676.7	(2,915.9)	(1)	(1) Foreign currency denominated bonds: JPY 2.7 trillion decrease
Loans and bills discounted	50,810.1	50,067.6	(742.5)	(2)	JGBs: JPY 0.9 trillion decrease
Deferred tax assets	1,590.5	1,502.2	(88.3)	(3)	Domestic corporate bonds: JPY 0.6 trillion increase
<b>Liabilities</b>	<b>91,238.2</b>	<b>88,377.1</b>	<b>(2,861.2)</b>		
Deposits	60,067.4	62,788.3	+2,720.9	(4)	(2) Risk-monitored loans: JPY 1.0 trillion decrease
NCDs	3,589.4	2,803.3	(786.1)		(3) See page 16
Payables under securities lending transactions	5,946.3	3,838.0	(2,108.3)	(5)	(4) Domestic deposits: JPY 1.9 trillion increase (including liquid deposits: JPY 1.7 trillion increase)
Other liabilities	2,368.8	1,143.2	(1,225.6)		
<b>Stockholders' equity</b>	<b>2,870.9</b>	<b>2,752.7</b>	<b>(118.2)</b>		(5) Decrease in market funding
Capital stock	560.0	665.0	+105.0	}	(6) Issuance of non-dilutive preferred stock, etc.
Capital surplus	1,237.3	1,367.5	+130.2		
Retained earnings	676.1	291.3	(384.8)	(7)	(7) Dividends to SMFG, Net loss
Land revaluation excess	81.2	42.3	(38.9)		
Net unrealized gains (losses) on Other securities	316.3	386.6	+70.3	(8)	(8) Improvement in unrealized gains (losses) on bonds and stocks

## 4. B/S (2) Stocks

(SMBC non-consolidated, billions of yen)

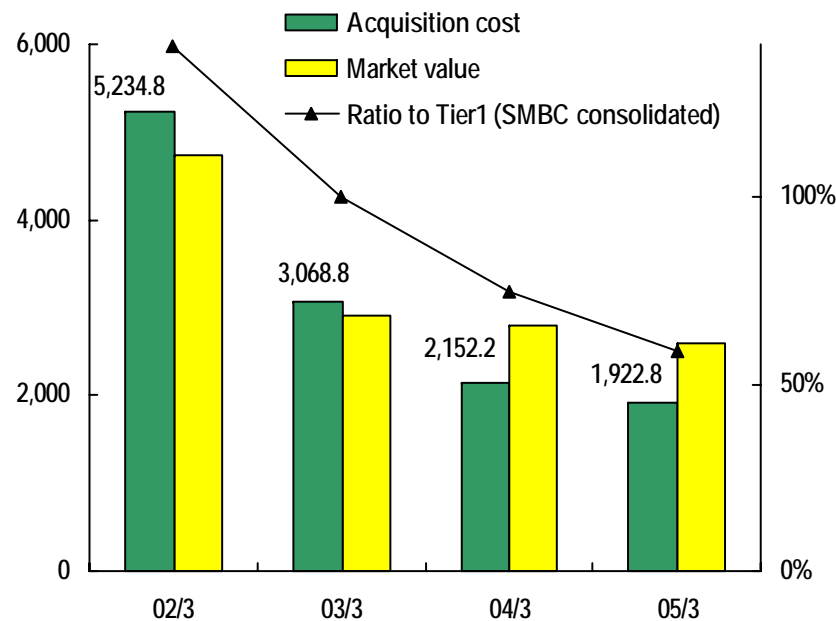
### Gains (losses) on stocks

	FY03	FY04
Total	103.9	(118.7)
Gains on sales of stocks	151.2	113.1
Losses on sales of stocks	(36.6)	(4.2)
Losses on devaluation of stocks	(10.7)	(227.6)

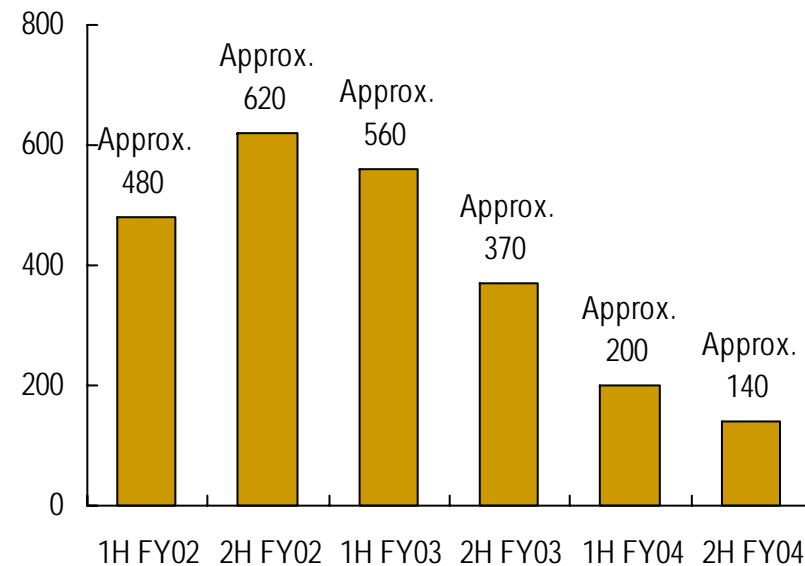
### Unrealized gains (losses) on Other securities

	04/3	05/3
Total	556.1	651.4
Stocks	651.1	667.3
Bonds	(101.9)	7.7
Others	6.9	(23.6)

### Balance of listed and OTC stocks classified as Other securities



### Sales of stockholdings



## 4. B/S (3) Bond portfolio

(SMBC non-consolidated, billions of yen)

Gains (losses) on bonds			Unrealized gains (losses) on Other securities			Average duration of JGB portfolio*		
	FY03	FY04		04/3	05/3	(years)		
Total	22.7	(21.6)	Total	556.1	651.4	3.5	2.9	3.0
Gains on sales	126.9	80.8	Stocks	651.1	667.3			
Losses on sales	(104.1)	(102.3)	Bonds	(101.9)	7.7			
Gains on redemption	0.1	0.2	Others	6.9	(23.6)			
Losses on redemption	(0.1)	(0.1)						
Losses on devaluation	(0.1)	(0.2)						

\* Excluding JGBs held to maturity and JGBs for which fair value hedge accounting is applied

### Balance of other securities with maturities and held-to-maturity bonds, classified by maturity

As of 05/3	1 year or less		More than 1 year to 5 years		More than 5 years to 10 years		More than 10 years		Total	
		Year change		Year change		Year change		Year change		Year change
Bonds	2,986.3	+276.3	8,540.1	(426.3)	2,115.8	(1,789.2)	2,735.0	+1,629.7	16,377.2	(309.5)
JGBs	2,759.5	+172.8	6,154.5	(852.7)	1,383.9	(1,817.4)	2,702.5	+1,600.7	13,000.4	(896.6)
Japanese local government bonds	2.5	+1.3	204.3	+10.0	193.4	(28.5)	0.5	(0.0)	400.7	(17.2)
Japanese corporate bonds	224.3	+102.2	2,181.3	+416.4	538.5	+56.7	32.0	+29.0	2,976.1	+604.3
Others	492.9	+191.5	1,487.3	(2,632.2)	230.4	(196.0)	561.8	+175.7	2,772.4	(2,461.0)
Total	3,479.2	+467.8	10,027.4	(3,058.5)	2,346.2	(1,985.2)	3,296.8	+1,805.4	19,149.6	(2,770.5)

## 4. B/S (4) Derivatives

(SMBC non-consolidated, billions of yen)

### Derivative transactions on deferred hedge accounting basis

As of 05/3		Net assets		Net deferred gains (losses)
		Assets	Liabilities	
Total	(2.0)	66.3	68.3	(59.3)
Interest rate swaps	4.8	57.7	52.9	(74.2)
Currency swaps	(8.6)	1.1	9.7	2.8
Others	1.8	7.5	5.7	12.1

### Contract amount of interest rate swaps (on deferred hedge accounting basis), classified by maturity

As of 05/3	1 year or less		More than 1 year to 5 years		More than 5 years		Total	
		Year change		Year change		Year change		Year change
Total contract amount	8,409.5	+3,774.6	23,394.6	(476.3)	6,491.9	(2,326.9)	38,296.0	+971.4
Receivable fixed rate / payable floating rate ---(a)	7,304.7	+3,535.8	16,947.2	(3,220.8)	3,170.8	(1,136.8)	27,422.7	(821.8)
Receivable floating rate / payable fixed rate ---(b)	949.8	+84.8	5,995.4	+2,905.5	3,270.3	(1,190.1)	10,215.5	+1,800.2
Receivable floating rate / payable floating rate	155.0	+154.0	452.0	(161.0)	50.8	0.0	657.8	(7.0)
Net Receivable fixed rate (a) - (b)	6,354.9	+3,451.0	10,951.8	(6,126.3)	(99.5)	+53.3	17,207.2	(2,622.0)

## 5. Deferred tax assets (DTAs)

(SMBC non-consolidated, billions of yen)

Recognition based on non-deductible expenses and operating loss carryforwards on tax accounting basis

	05/3	Year change
Subtotal of deferred tax assets	2,379.1	+ 182.2 (1)
Reserve for possible loan losses	315.4	(113.9)
Write-off of loans	562.1	+ 279.3
Write-off of securities	533.0	+ 154.4
Net operating loss carryforwards	822.8	(128.6)
Valuation allowance	553.3	+ 196.0 (2)
Total deferred tax liabilities	323.6	+ 74.5 (3)
Net unrealized gains on Other securities	264.5	+ 48.0
Net deferred tax assets (B/S amount) (1)-(2)-(3)	1,502.2	(88.3)

Estimation based on future taxable income

	Estimation of next 5 years
Banking profit*	5,211.0
A. Income before income taxes	2,961.0
B. Adjustments to taxable income**	1,208.6
Taxable income before adjustments (A+B)	4,169.6
	<b>Effective tax rate (40.63%)</b>
	Year change
DTAs corresponding to the taxable income before adjustments	1,694.1 (35.5)
Amount to be realized after more than a certain period	72.6 (4.8)
Amount corresponding to Net unrealized gains on Other securities in Deferred tax liabilities	(264.5) (48.0)
Net deferred tax assets (B/S amount)	1,502.2 (88.3)

\* Before provision for general reserve for possible loan losses  
 \*\*Excluding reversal of temporary differences as of Mar. 31, 2005

Income of final return for the last 5 years

Income of final return (before deducting operating loss carryforwards)

FY00	FY01	FY02	FY03	FY04
(176.0)	241.9	(745.5)	(1,437.8)	316.9

(Note) The figures above include amounts arising from "extraordinary factors" that are specified in the Practical Guideline. Taxable income has been reported each year when these amounts are excluded.



## 6. Capital ratio

(SMFG consolidated, billions of yen)

	04/3	05/3 <Preliminary>	Year change
<b>Tier I</b>	3,571.6	3,262.3	(309.3)
Capital stock & Capital surplus <Preferred stock>	2,112.9	2,327.0	+ 214.1 (1)
Retained earnings	<1,796.3>	<1,781.6>	<(14.7)>
Preferred securities issued by overseas SPCs	564.8	285.6	(279.2) (2)
Treasury stock	814.0	816.9	+ 2.9
	(3.0)	(269.9)	(266.9) (3)
<b>Tier II*</b>	3,416.5	3,262.3	(154.2)
45% of unrealized gains on other securities	249.4	317.1	+ 67.7
45% of land revaluation excess	68.5	67.1	(1.4)
General reserve for possible loan losses	740.1	633.5	(106.6)
Perpetual subordinated debt	755.6	880.0	+ 124.4
Dated subordinated debt	1,603.0	1,657.3	+ 54.3
Sub total	3,416.5	3,555.0	+ 138.5
Deduction	(250.8)	(504.4)	(253.6) (4)
Total capital	6,737.4	6,020.1	(717.3)
Risk-adjusted assets	59,204.0	60,552.6	+1,348.6 (5)
<b>Capital ratio</b>	11.37%	9.94%	(1.43%)
<b>Tier I ratio</b>	6.03%	5.38%	(0.65%)

\*Amount counted as capital

### Tier I

- |   |         |
|---|---------|
| (1) Capital raising (non-dilutive preferred stock,<br>issued in March 2005) | +210.0  |
| (2) Net loss  | (234.2) |
| (3) Repurchase of capital stock<br>(held as treasury stock)                 | (267.7) |
- \* Accumulated amount of Overseas SPV preferred stock  
(total: 345.0) converted into common stock:  
As of Mar. 31, 2005: approx. 23.8 [6.9%]  
As of Apr. 30, 2005: approx. 233.0 [67.5%]

### Deduction

- |                           |         |
|---------------------------|---------|
| (4) Investment in Promise | (154.3) |
| Investment in Biwako Bank | (40.0)  |

### Risk-adjusted assets

- |   |                    |
|---|--------------------|
| (5) Mortgage loans, unsecured loan products for<br>SMEs | + JPY 1.0 trillion |
| Private placement bonds, commitment lines               | + JPY 1.0 trillion |
| Loans to overseas clients                               | + JPY 0.7 trillion |
| Disposal of NPLs  | (JPY 1.3 trillion) |

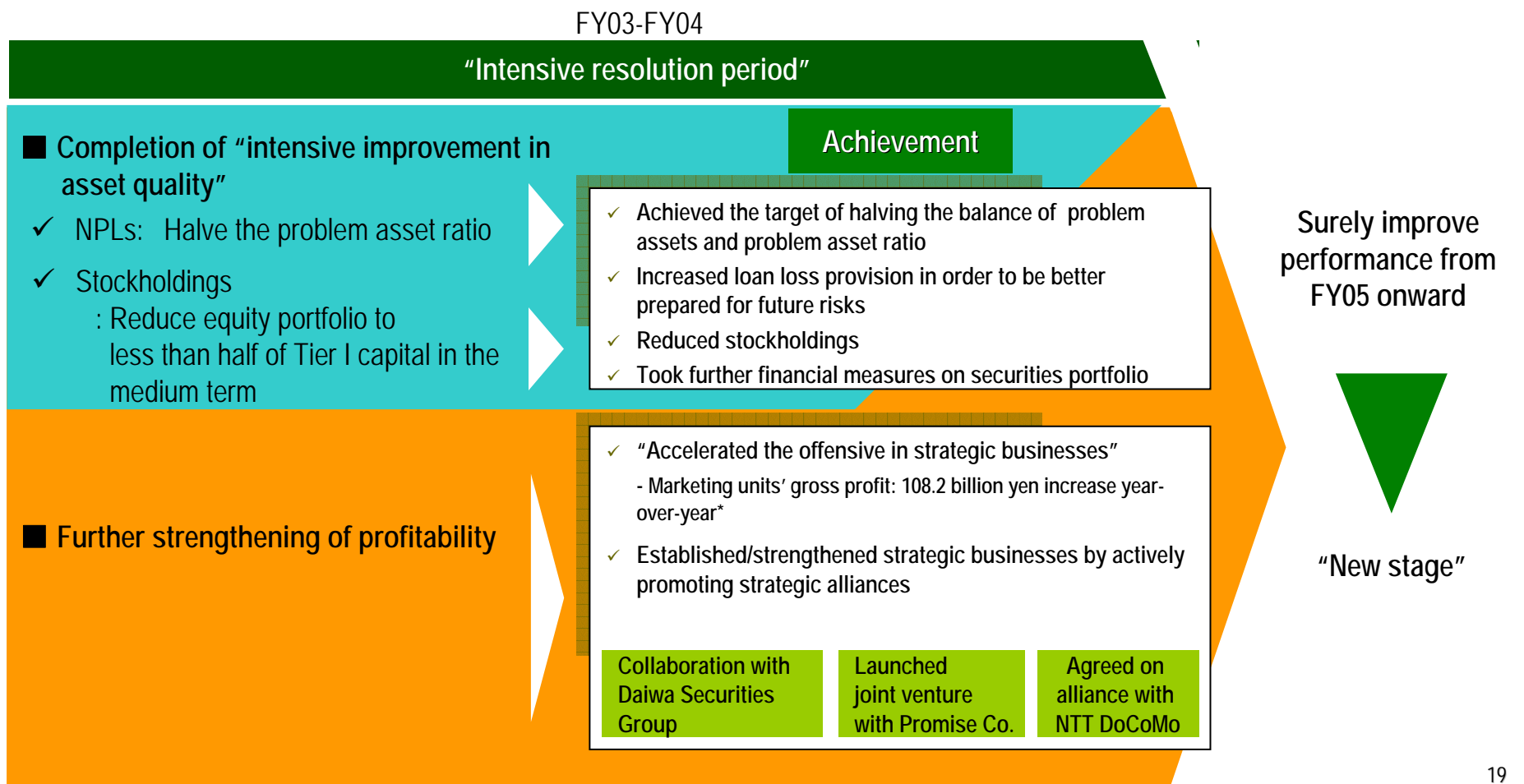
## Part II: SMFG's new road map

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1. Overview of FY04
2. Management policy for the “new stage”
3. Business growth strategy
  - (1) Key concepts
  - (2) Major actions in focus areas and approach to each strategic business
4. Strategic allocation of management resources
5. Approaches in focus areas
  - (1) Consumer finance
  - (2) Financial consulting for individuals
  - (3) Financial consulting for corporations
6. “Medium Term Management Plan” Targets
  - (1) Top-line earnings (a)
  - (2) Top-line earnings (b)
  - (3) SMFG's new road map
  - (4) Fortify capital base both quantitatively and qualitatively
7. Plan for FY05
  - (1) Earnings forecast
  - (2) Commitment

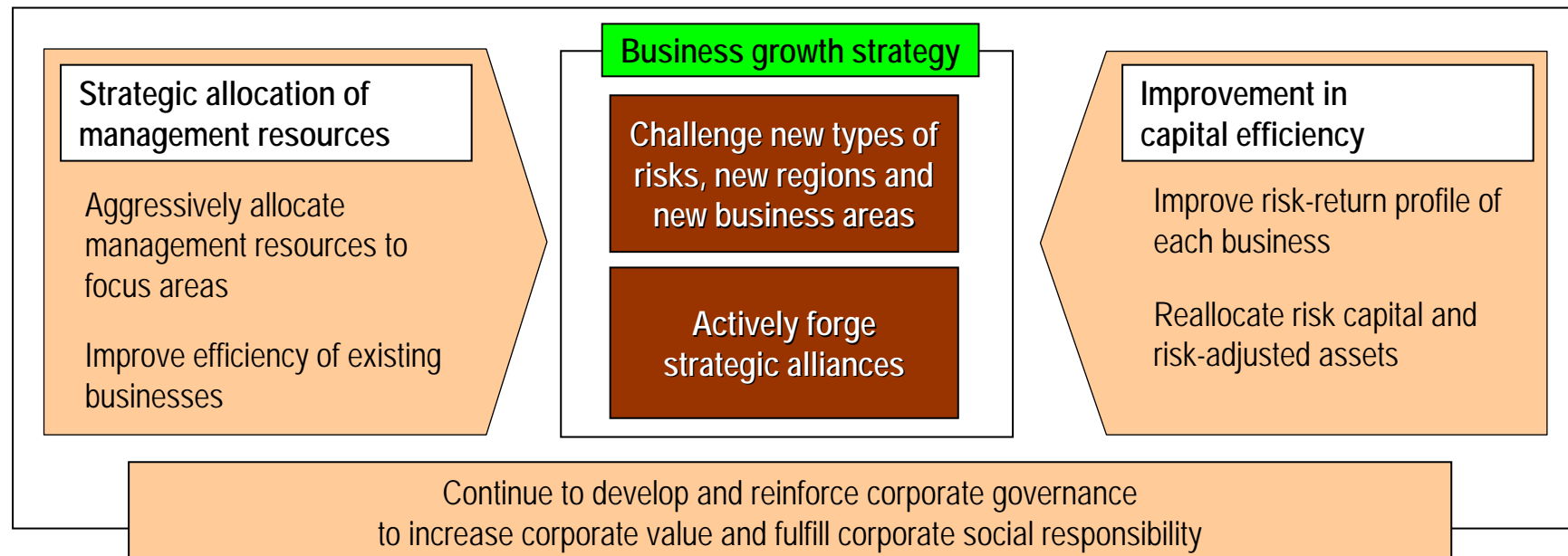
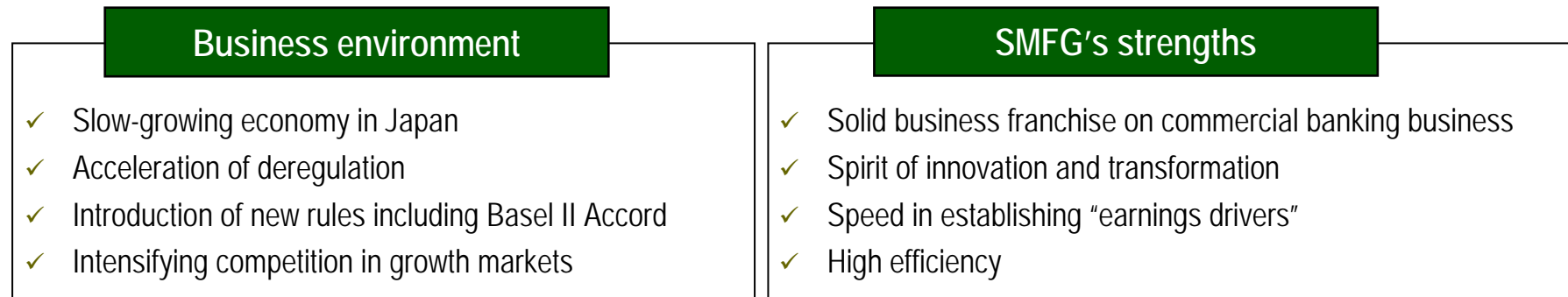
# 1. Overview of FY04

- ✓ Completed “intensive improvement in asset quality,” and considerably reduced the source of future risks
- ✓ Increased Marketing Units’ profit by “accelerating the offensive in strategic businesses”
- ✓ Established platform for sustainable growth by realizing several strategic alliances



\* Managerial accounting basis on which fluctuations in interest rate and foreign exchange rate are adjusted

## 2. Management policy for the “new stage”



Become the No. 1 bank with “the highest trust of customers, markets, and society”

### 3. Business growth strategy (1) Key concepts

✓ Challenge new types of risks, new regions and new business areas

#### Diversify and refine risk-taking approach

- ✓ Corporate revitalization and reorganization business
- ✓ Lending based on portfolio-based credit management approach
- ✓ Integration of real estate market and financial market
- ✓ Asset financing
- ✓ Mezzanine financing
- ✓ Private equity investment

#### Increase market share by upgrading business models

- ✓ New-type unsecured loans to SMEs
- ✓ Mortgage loans

#### Strengthen and build business franchise by taking advantage of market expansion and changes

- ✓ Asset management consulting for individuals
- ✓ Business solution for corporations
  - Asset management consulting
  - Loan syndication
  - Investment banking business
- ✓ Asian business
- ✓ Deregulation

#### Create new markets

- ✓ Consumer finance business using bank's marketing channels
- ✓ Integration of new social infrastructure such as mobile phones and SMFG's financial services

Actively forge strategic alliances

# 3. Business growth strategy

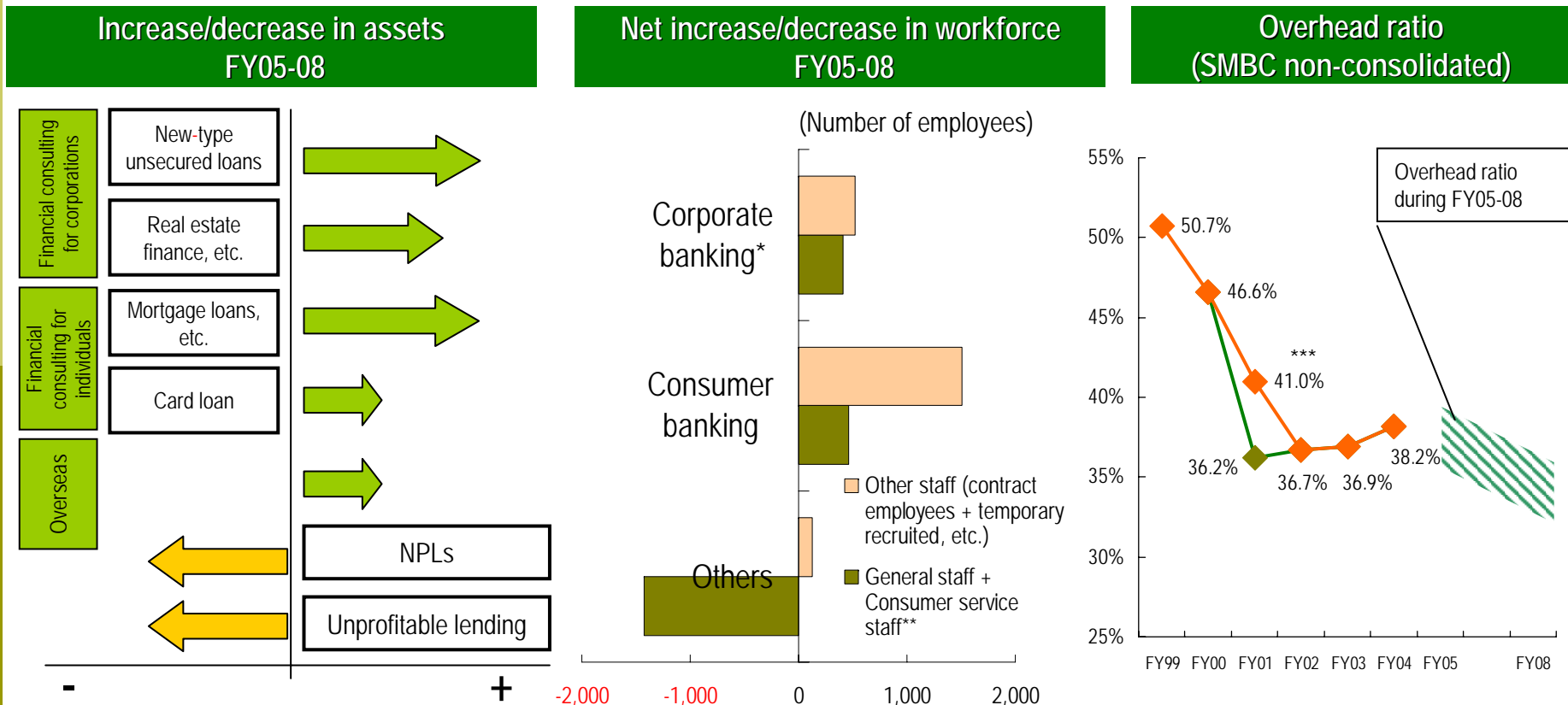
## (2) Major actions in focus areas and approach to each strategic business

- ✓ Further bolstering already-established “earnings drivers”
  - ✓ Creating new business lines
  - Strengthening a number of strategic businesses as future “earnings drivers”
- (a) : Strategic businesses already established as “earnings drivers”  
 (b) : Strategic businesses to be strengthened as future “earnings drivers”  
 (c) : Candidates for strategic businesses

Focus areas	Major actions	Approach to each strategic business			
		Strengthening profitability of existing businesses		Creating new business lines	
Consumer finance	Establishing new businesses through alliances with leading companies of other industries			Alliance with Promise	Alliance with NTT DoCoMo
Financial consulting for individuals	-Expanding customer-base by reinforcing promotion to “mass affluent” segment, etc. -Providing expanded line-up of products	Mortgage loans	Sales of investment trusts & pension-type insurances	Securities intermediary business for individuals	Sales of insurance products
Financial consulting for corporations	-Improving risk-taking capability -Reinforcing proposal-and-solution approaches	New-type unsecured loans	Securitization business		Finance for super-small companies
		Loan syndication	Structured finance	Real estate finance	Corporate revitalization and reorganization business
			Collaboration with Daiwa Securities SMBC	Securities intermediary business for corporations	Financing arrangement business
Overseas businesses	Reinforcing initiatives for Asian market		Asian business		Non-relationship business (in the U.S. and Europe)

## 4. Strategic allocation of management resources

- ✓ Allocate assets to focus areas with emphasis on capital efficiency
- ✓ Aggressively allocate workforce to focus areas
- ✓ Invest in systems to strengthen initiatives in focus areas and improve productivity:  
Approx. JPY 200 billion (FY05-08)
- ✓ Maintain overhead ratio (on SMBC non-consolidated basis) at below 40%



\* "Corporate banking" includes Middle Market Banking Unit, Corporate Banking Unit and Investment Banking Unit

\*\* Consumer service staff: employees specializing in consumer banking

\*\*\*Excluding extraordinary factors (dividend income from subsidiaries, etc.: approx. JPY 220 billion)

# 5. Approaches in focus areas (1) Consumer finance

✓ Expand new business lines through alliance with leading companies in other industries

## Alliance with Promise

### Start joint venture (Apr. 05)

#### Outline of business:

- Provide 3 types of loan products with different interest rates through common marketing channels

SMBC	At-Loan	Promise
8 - 12%	15 - 18%	18 - 25.55%

- Call center in Shiodome: 500-staff\* operating structure
- Install automatic contract machines ("ACMs"): 427

#### Outline of profit plan:

\*The sum of group companies

- Increase loan balance to JPY 500 billion and turn a profit within 3 years in the whole joint venture

SMBC	At-Loan	Promise
JPY 200 billion	JPY 200 billion	JPY 100 billion

### Business alliance between "QUOO" and "Plat" (Agreed in Mar. 05)

- Fusion of shopping credit network of "QUOO" (SMBC group) and loan products of "Plat" (Promise group)

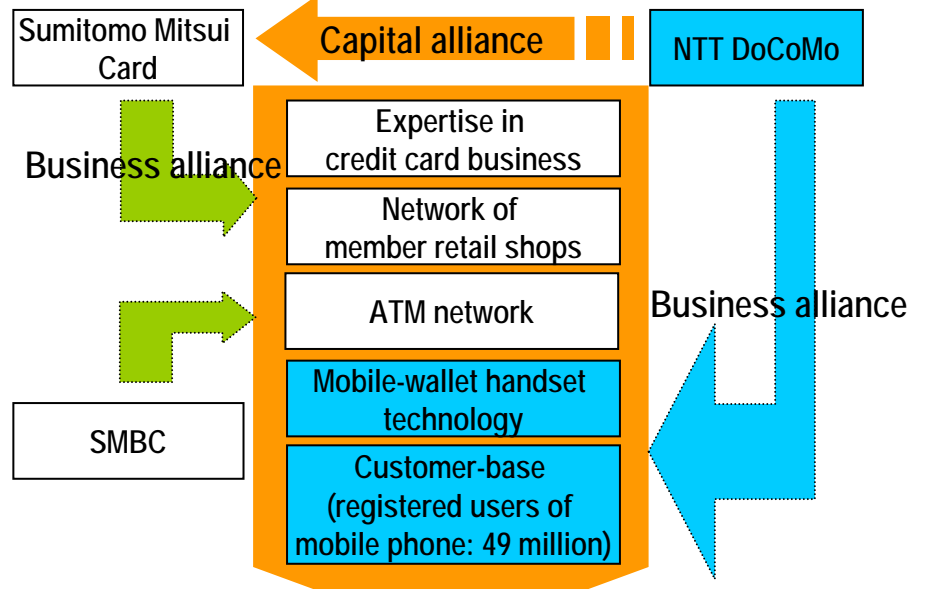
### Reinforce organization for developing consumer finance

- Consumer Business Planning Dept. (Apr. 05 in SMFG)
- Group-wide initiative through HR exchanges

Create new consumer finance market

## Alliance with NTT DoCoMo

### Outline of basic agreement (Apr. 05)



Launch a new credit brand, develop a new credit-payment platform

- Specifics of the joint venture plan to be discussed hereafter
- Launch a new credit brand as soon as possible and develop a new credit card business

Offer new credit-payment service

Create new credit card market

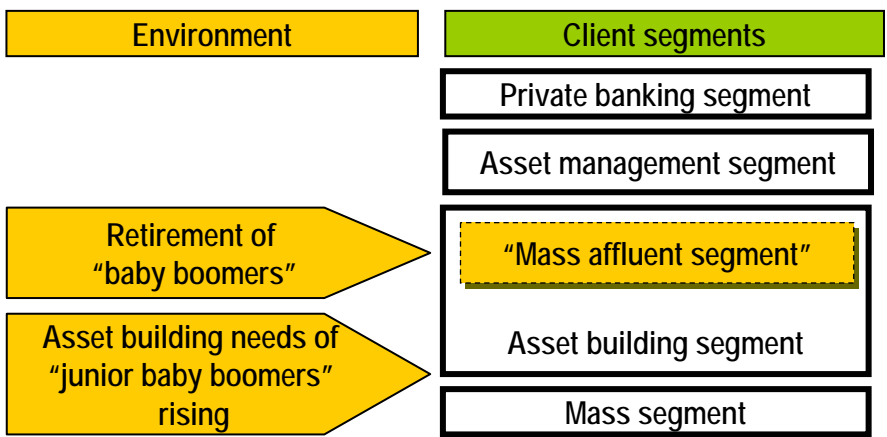


# 5. Approaches in focus areas (2) Financial consulting for individuals

- ✓ Expand customer-base by reinforcing promotion to "mass affluent" segment, etc.
- ✓ Provide expanded line-up of products

▶ Aim for No. 1 market share for major products and seek for high profitability

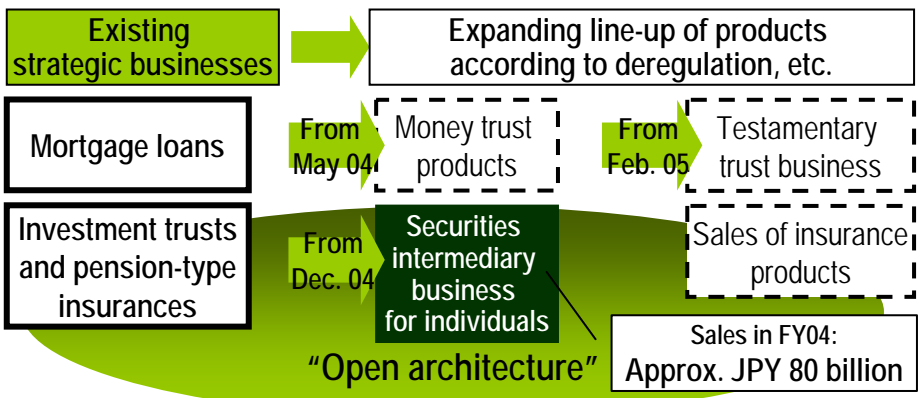
## Growth of market



## Expansion of customer-base through allocation of management resources

- **Expand marketing channels**
  - SMBC Consulting Plaza:
    - Increase locations to 100 (from 45 as of 05/3)
    - Establish new small, specialized branches: +50
  - Loan Promotion Office, etc.:
    - Development Center: Strengthen ability to meet customers' demand associated with large-scale development projects
    - Apartment Loan Promotion Office: Strengthen channel to apartment builders
    - Promotion in regional areas
  - Reinforce and expand mass promotion and direct channels
- **Aggressive allocation of human resources**
  - Consultants: +approx. 1,000
  - Staff at other special channels, etc.: +approx. 800
  - Seek for rationalization through effective re-allocation

## Provide expanded line-up of products



# 5. Approaches in focus areas

## (3) Financial consulting for corporations (a)

✓ Improve risk-taking capability

No. 1 share in SME loan market

Further strengthen new-type unsecured loans to SMEs

Diversify risk-taking approach

### □ Product strategy:

- Improving risk-control capability
- Refining marketing approaches

➔ Introduction of new products (Apr. 05\*)

\*New unsecured loan product launched in Apr. 05:

- Main target: SMEs with annual sales of JPY 1 - 3 billion
- Business model:  
Portfolio-based credit management approach, same as BSL
- Marketing: Mass promotion

### □ Channel strategy:

- Expanding channels providing Business Select Loans
  - Metropolitan area and regional market
- Accelerating the utilization of external workforces

### □ Expanding business scope for SME market

- Expanding into regional markets and cultivating new routes
  - Open new marketing offices, collaborate with local governments, and cultivate new clients through relationship with tax accountants

### □ Reinforcing services for high-growth companies

- Further promoting "V-fund loan" (new-type unsecured loan)
- Strengthening collaboration with venture capital subsidiaries [SMBC Capital: to be merged with NIF Ventures (Daiwa Securities group) in Oct. 05]

Establish No. 1 position in SME loan market

# 5. Approaches in focus areas

## (3) Financial consulting for corporations (b)

✓ Reinforce proposal-and-solution approaches

No. 1 profitability in investment banking business based on commercial banking

### Further strengthening investment banking business

- Further bolstering "earnings drivers"
- Creating future "earnings drivers"
- Improving product-developing and new-business cultivating capability
  - Established R&D Dept.

Further bolster "earnings drivers"

Create future "earnings drivers"



Promoting standardization

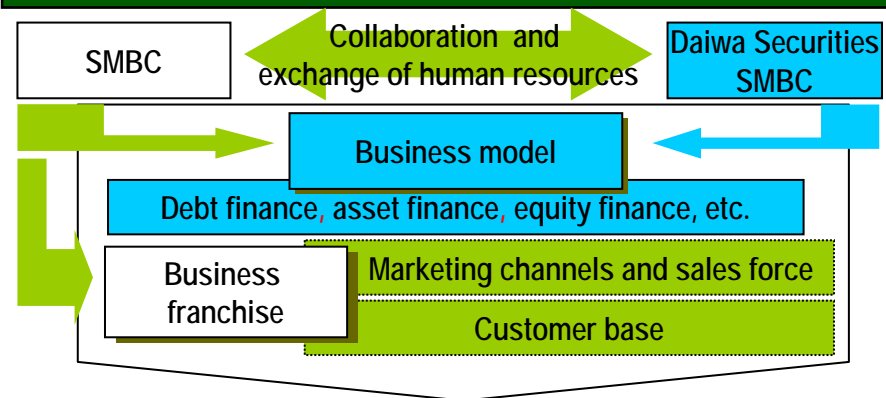
Promoting new products  
ex.) Asset-based lending

New risk-taking

Effectively use skilled staff of the former Asset Restructuring Unit

Improving product-developing and new-business cultivating capability

### Further reinforcing collaboration with Daiwa Securities SMBC



Accelerate growth of business volume

- Profits through collaboration\* in existing businesses  
\*More than JPY 50 billion in FY04 (more than 40% year-over-year increase)
- Reinforce new collaboration

■ Securities intermediary business for corporations

- Strengthen Securities Marketing Dept.
- Further improve securities compliance management system

■ Financing arrangement business

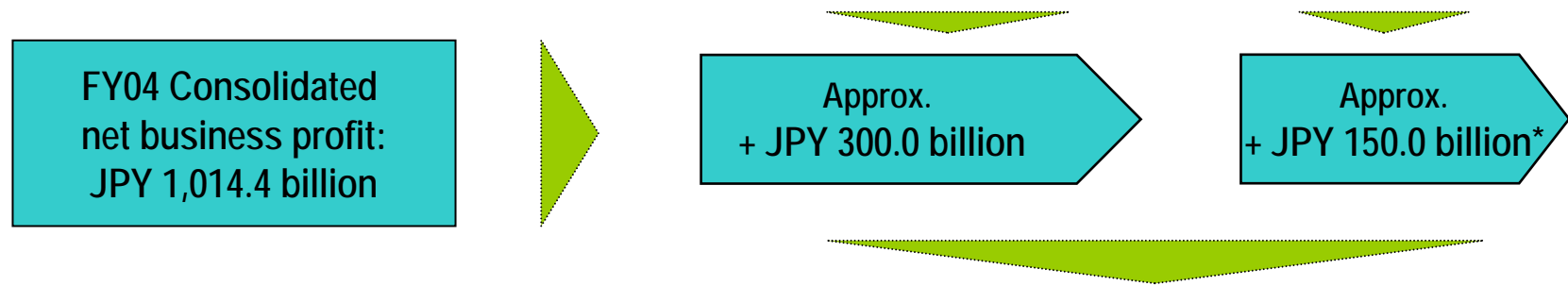
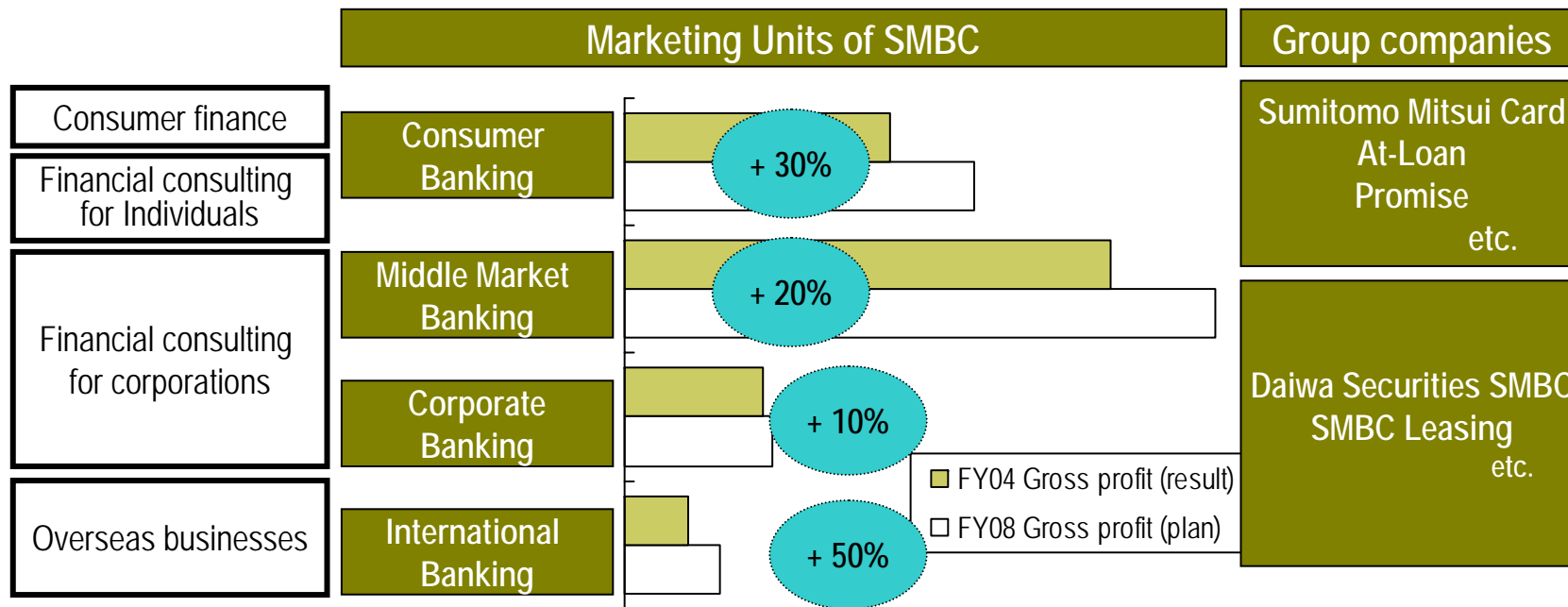
■ Reinforce collaboration in venture capital business

- Merger between SMBC Capital and NIF Ventures

(Daiwa Securities group)

# 6. "Medium Term Management Plan" Targets

## (1) Top-line earnings (a)



○ : growth rate compared to FY04  
▶ : growth amount compared to FY04

**Target JPY 1.5 trillion of Consolidated net business profit**

\* Includes recovery of profitability in group companies (including loan guarantee subsidiaries)

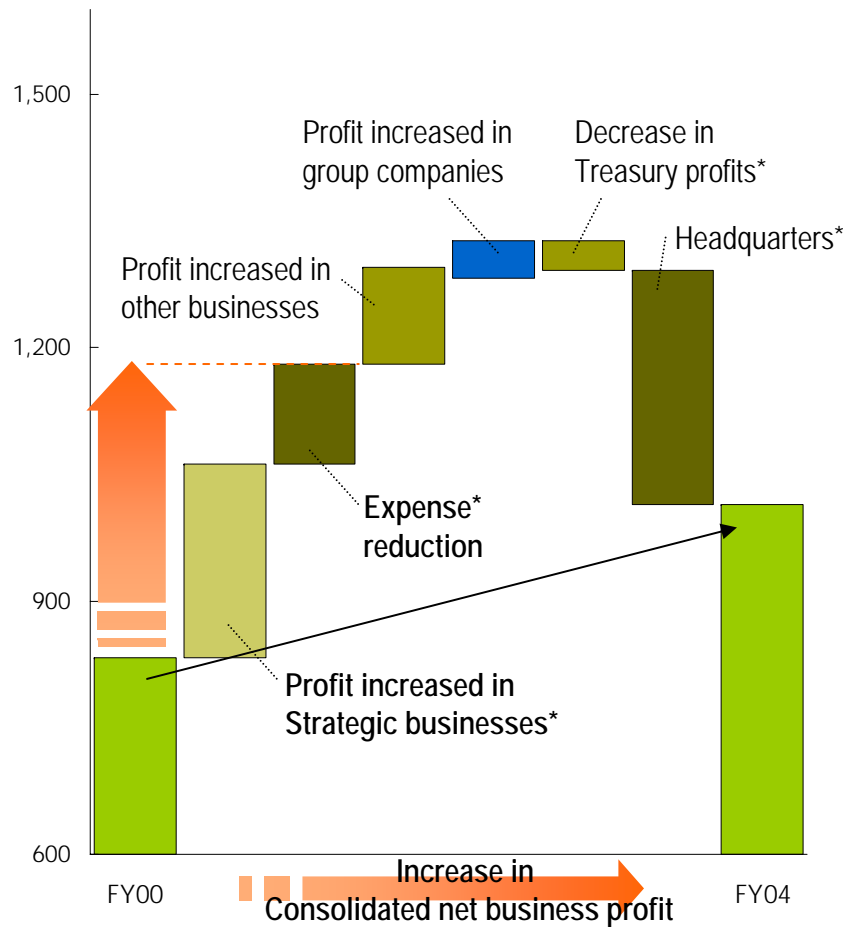
# 6. "Medium Term Management Plan" Targets

## (2) Top-line earnings (b)

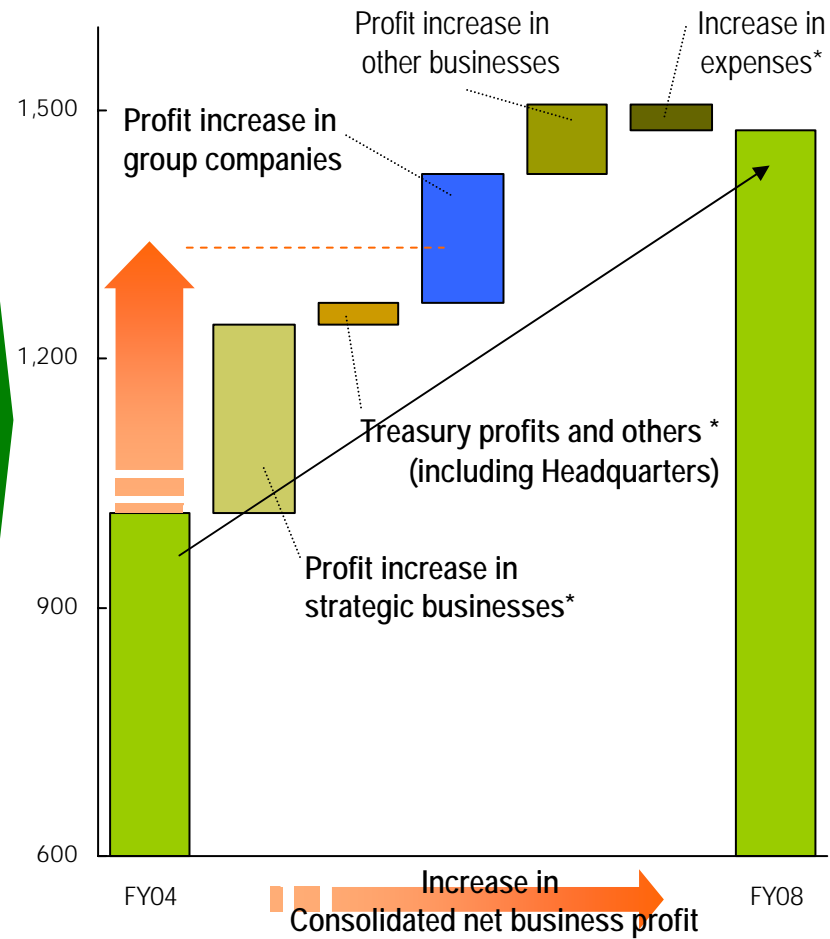
(billions of yen)

✓ At the "new stage," aim to reproduce the earnings contribution of strategic initiatives in the past 4 years

### FY01-04



### "Medium Term Management Plan": FY05-08



\* SMBC basis

## 6. "Medium Term Management Plan" Targets (3) SMFG's new road map

"New Stage": FY05 - 08

### ■ Realize high profitability and growth

Raise market capitalization to JPY 10 trillion and above

#### Target for FY08

- ✓ Consolidated ROE: 15% and above
- ✓ Consolidated net income: JPY 650 billion and above
- ✓ Consolidated capital ratio: Approx. 11%
- ✓ Consolidated Tier I ratio: Approx. 7%

Sustainable Increase in corporate value

### ■ Further strengthen financial base

- ✓ Decrease credit cost to a normalized level
- ✓ Boost bottom-line profit

✓ Fortify capital base both qualitatively and quantitatively → Repay public funds

### ■ Improve management structure and reinforce corporate governance

- ✓ Prepare for Basel II → Established Credit Risk Management Dept. and Operational Risk Management Dept.
- ✓ Improve securities compliance system → Established Securities Compliance Dept.
- ✓ Strengthen CSR initiatives → Established Group CSR Committee

# 6. "Medium Term Management Plan" Targets

## (4) Fortify capital base both quantitatively and qualitatively

✓ Boost bottom-line profit by decreasing credit cost to a normalized level



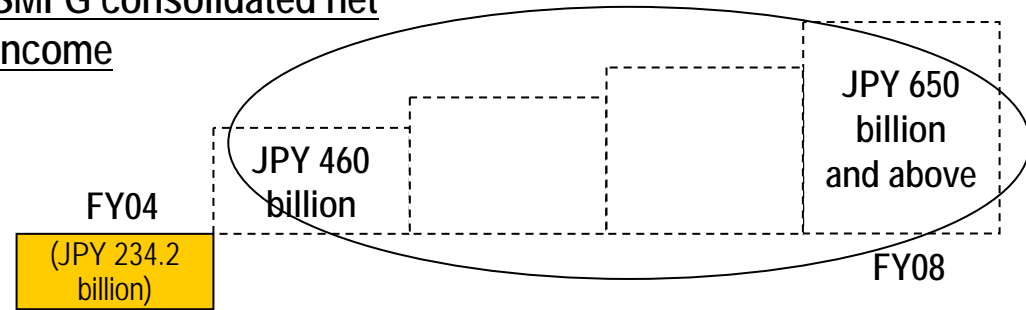
Fortify capital base both quantitatively and qualitatively

- Establish financial base to repay the public funds in 3 years
- Reduce the amount of deferred tax assets to the level around 10% of Tier I capital at the end of FY08 by steadily collecting with income each year

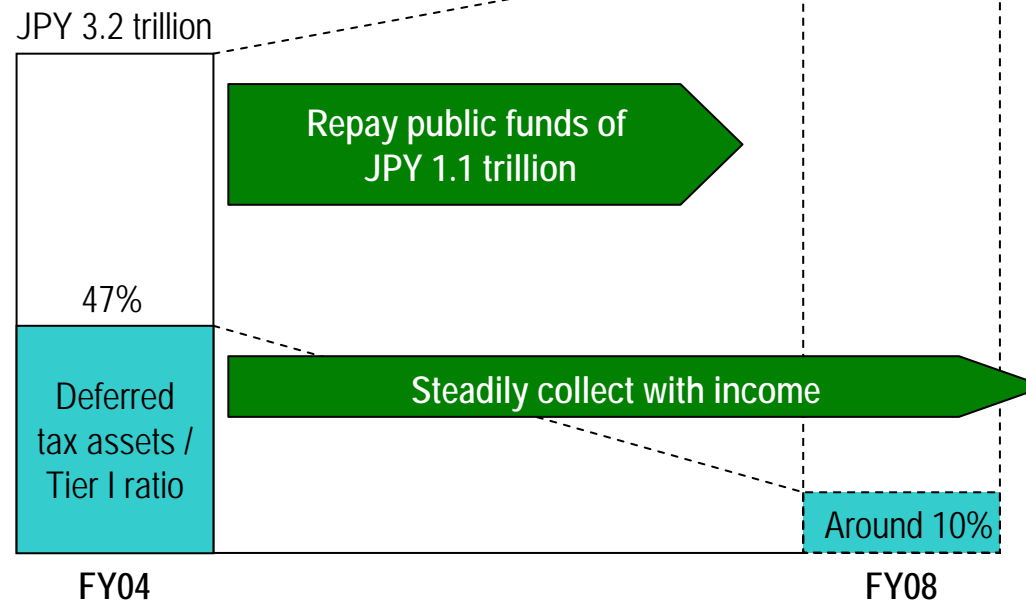
✓ Maximize profitability and growth potential of businesses while fortifying capital base both quantitatively and qualitatively

- Consolidated ROE: 15% and above (FY08)

SMFG consolidated net income



SMFG consolidated Tier I



## 7. Plan for FY05 (1) Earnings forecast

(Billions of yen)

### Earnings forecast for FY05

SMBC non-consolidated	FY04	FY05	Year change
Gross banking profit	1,522.9	1,545.0	+ 22.1
Expenses	(582.4)	(595.0)	(12.6)
Banking profit	940.5	950.0	+ 9.5
Credit cost	(954.8)	(300.0)	+654.8
Ordinary profit (loss)	(71.7)	610.0	+681.7
Net income (loss)	(136.8)	350.0	+486.8

SMFG consolidated	FY04	FY05	Year change
Ordinary income	3,580.8	3,300.0	(280.8)
Ordinary profit (loss)	(30.3)	780.0	+810.3
Net income (loss)	(234.2)	460.0	+694.2

### Plan to increase Banking profit

SMBC non-consolidated	FY05	Year change
Banking profit	950.0	+ 9.5
Gross banking profit of Marketing units	1,370.0	Approx. + 50.0
Gross banking profit of Treasury unit	230.0	Approx. + 5.0
Headquarters	(55.0)	Approx. (35.0)
Expenses	(595.0)	(12.6)

### Target in "earnings drivers"

- Sales of load-type investment trusts: JPY 1.0 trillion  
[+13% year-over-year]
- Sales of pension-type insurances: JPY 0.7 trillion  
[+20% year-over-year]
- Origination of mortgage loans: JPY 2.1 trillion  
[+9% year-over-year]
- Origination of new-type unsecured loans: JPY 4.0 trillion  
[+9% year-over-year]
- Profit related to investment banking businesses: maintain at high level<sup>32</sup>

In order to have the flexibility to repay public fund, a 300 billion yen limit for repurchasing capital stock (within the amount of 460 billion yen minus planned amount of total dividend payment) will be established



## 7. Plan for FY05 (2) Commitment

- ✓ Secure solid profit level in the first year of Medium Term Management Plan

- ✓ Further strengthen profitability through aggressive allocation of management resources to focus areas

	<FY04 result>	<FY05 forecast>
SMFG consolidated Net income	(JPY 234.2 billion)	JPY 460.0 billion
SMBC non-consolidated Net income	(JPY 136.8 billion)	JPY 350.0 billion

- ✓ Decrease credit cost to a normalized level

SMBC non-consolidated Credit cost	JPY 954.8 billion	JPY 300.0 billion
Problem assets	JPY 1.8 trillion	Level at or above JPY 1 trillion
Problem asset ratio	3.3%	Level at or above 2%

- ✓ Establish and strengthen new strategic businesses

- ✓ Further strengthen investment banking business

- ✓ Reinforce corporate revitalization and reorganization business, etc, real estate finance, collaboration with Daiwa Securities SMBC

- ✓ Early establish new business lines

- ✓ Quickly realize profit through alliance with Promise, early establish new business through alliance with NTT DoCoMo

- ✓ Accelerate alliance strategy



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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.