The Plan for the Strengthening of the Financial Base of the Bank

December 2000

The Sakura Bank, Limited
The Sumitomo Bank, Limited
(Sumitomo Mitsui Banking Corporation)

Table of Contents

1. Purpose of the Merger 2

2. Financial Targets 3

3. Corporate Strategy of The New Bank 6

- **(1) Operating Environment**
- **(2) Strategy in Each Business Segment**
  - **(a) Consumer Banking**
  - **(b) Middle Market Banking**
  - **(c) Corporate and International Banking**
  - **(d) Investment Banking**
  - **(e) e-Business**
  - **(f) Subsidiaries and Affiliates**

4. Restructuring Plan 18

5. Measures to Establish Responsible Management System 20

- **(1) Mission of the New Bank**
- **(2) Management System**
- **(3) Disclosure Policy**

6. Policy on Capital Management 24

- **(1) Basic Policy**
- **(2) Information on Preferred Stock**
- **(3) Policy on Redemption and Repayment of Public Funds**
- **(4) Policy on Dividends, Remuneration and Bonus for Directors**

7. Lending Plan 26

8. Measures to Maintain Financial Strength and Operational Soundness 26

Figures and Tables 32

Note: This document is an edited English translation of an original Japanese document. The contents are edited, intended for the convenience of readers in the investment community, by eliminating redundant or trivial portions of the original document and by streamlining the structure of chapters and sentences.

The Sakura Bank, Limited and The Sumitomo Bank, Limited, which are planning to merge in April 2001, revise with this plan the Plan for the Strengthening of the Financial Base of the Bank which each of the two banks submitted in March 1999.

1. Purpose of the Merger

With the 21st century close at hand, economic and financial globalization and progress in Japan's Big Bang financial reform have intensified competition among financial institutions across industries and borders as well as among Japanese banks. Rapid progress in information technology (IT) has brought about big changes in the banking business. In order to secure customers' convenience and meet their needs exactly, it is essential to make use of IT.

Under these situations, we agreed to realize the merger as early as possible and create a new bank fit for a new era in order to provide customers with more value-added financial services and to meet shareholders' expectations.

Specifically, Sumitomo Mitsui Banking Corporation (the "new bank" hereunder) will make every effort to realize the following synergies from the merger.

[Strengthening and Broadening Customer Base]

Firstly, the new bank will be able to acquire a high market share, which enables the new bank to have a competitive advantage in strategic markets such as retail customers and small- and medium-sized companies, by strengthening and broadening the customer base of each of the two banks. Also, the new bank will aim to play an active role internationally by taking advantage of its broad customer base both inside and outside Japan.

Large synergies of the merger are expected to come from each bank's complementary strengths in different markets and large corporate customer bases, which each bank has gained through its own histories and traditions in developing its business since its inception. The new bank will be able to have a strong customer base, which is geographically balanced between Eastern and Western parts of Japan.

[Integration of Advanced Abilities to Provide Financial Solutions]

Secondly, by integrating each bank's advanced abilities to provide sophisticated financial solutions, the new bank will be able to provide more value-added services and to meet more and more diversified and demanding customers' needs. The new bank will continue to make every effort to provide new products and services through delivery channels fit for each customer's needs by promoting cutting-edge financial services such as new financing schemes beyond traditional indirect financing, as well as M&A advisory services, sales of investment trusts and development of new financial e-business opportunities.

[Maximization of Effects from Restructuring]

Thirdly, the new bank will maximize the effects from business restructuring through elimination of duplicate investments in branches and computer systems of the two banks and significant reduction of employees, which each bank alone would not have been able to achieve. By improving cost-competitiveness through fundamental changes of its cost structure, the new bank will be able to secure profits under fierce competition among competitors including new entrants from other industries.

[Aggressive Utilization of IT]

Lastly, the investment capacity saved by eliminating duplicate investments will be allocated to strategic information systems. Elaborate marketing research and capabilities of product development and risk analysis by using IT are essential to analyze customers' needs and to promptly provide financial products and services best fit for their needs through the most appropriate delivery channels

2. Financial Targets

The financial plan of the new bank in the period during fiscal years 2001 through 2004 is set out in **Table 1** with the actual results in fiscal year 1999 and expected results in fiscal year 2000. Earnings target by unit is set out in **Table 2**.

The new bank will repay the public funds as soon as possible and aim to earn 950 billion yen in core banking profit and 420 billion yen in net income in fiscal year 2004 by executing the business restructuring plan described in the following sections.

(a) Expenses

Besides executing the restructuring plans which Sakura Bank and Sumitomo Bank each set in their own original plans earlier than the original schedule, the new bank will realize the synergies of the merger in reduction of expenses as well as more aggressively increasing the strategic investments in IT. By fiscal year 2004, the new bank will cut the expenses by 100 billion yen or by 13% (compared to the aggregate expenses of the two banks in fiscal year 1998). With such efforts, total expenses will be lower than 680 billion yen and the overhead ratio (total expense / gross banking profit less profits and losses from sales and redemption of bonds) will be around 42% in fiscal year 2004, which was 54% in fiscal year 1998.

In the original plan of each bank, during the period from March 1998 to March 2003, a reduction of 6,300 employees and a reduction of 151 domestic and 32 overseas branches were planned and as a result 78.2 billion yen expenses would be saved on an aggregate basis of the two banks. Besides executing these original plans one year earlier than the original schedule, the new bank will cut 3,000 more overlapping staffs and 100 more domestic and 12 more overseas branches as an additional rationalization which will be achieved by the merger. The annual savings in expenses from all these rationalizations will be 60 billion yen, including the savings from eliminating duplicate investment in IT.

By March 2004, the new bank will reduce employees by 9,300 or by 29%, domestic branches by 265 or by 36% and overseas branches by 38 or by 63% compared to the levels of March 1998.

The new bank will aggressively increase its strategic investments in IT, which will make the new bank even more competitive. Such investments will be allocated to a sophisticated database marketing system for consumer banking, network platforms for small- and medium-sized corporate customers, financial contents and infrastructure related to e-business, a management information system and risk management system (which make it possible to realize sophisticated corporate management and risk management) and an in-house information and communication network to improve productivity. Also in the course of system integration, by eliminating duplicate investments and maintenance cost incurred by the two banks separately, a significant amount of money will be saved and the new bank will invest such savings in strategic information systems.

The one time charge for the merger will be 23.3 billion yen in fiscal year 2001. Loss from disposition of computer systems and branches will be 51.5 billion yen in total during the period from fiscal year 2001 to fiscal year 2003. Expenses for integrating computer systems of the two banks will be 128.4 billion yen in total during the period from fiscal year 2001 to fiscal year 2004.

(b) Asset Quality

The new bank expects total credit costs to be within 200 billion yen annually after fiscal year 2001, by having Sakura Bank and Sumitomo Bank each make precautionary reserves against future credit cost during fiscal year 2000 with the aim to reduce credit costs as much as possible after the merger, although such expectations depend on an overall economic recovery.

(c) Net Income

The new bank plans to achieve 420 billion yen in net income by fiscal year 2004 in which no one time costs associated with the merger are charged.

(d) ROE

The new bank sets the goal to achieve higher than 10% ROE by fiscal year 2004.

(e) Capital Ratio

Table 3 sets out the capital ratio after fiscal year 2001. Besides constructing more sophisticated risk management systems, the new bank will accumulate internal capital by rationalizing its businesses and strengthening profitability and maintain a sufficient capital ratio to manage every foreseeable risk.

On the other perspective, to strengthen the new bank's financial position, it is important to manage risk adjusted assets with liquidation and securitization of existing assets and reduction of the portfolio of cross shareholdings, non-performing assets and low-profit assets. The 71,500 billion yen risk assets in total of the two banks (expected as at the end of fiscal year 2000) will be reduced to 68,000 billion yen by fiscal year 2004. The new bank will steadily maintain a BIS capital ratio above 10%, which will be required for an internationally operating bank, and achieve a Tier I ratio above 7% and a BIS capital ratio above 11% by fiscal year 2004.

(f) Scenario Analysis

Table 4 set out earnings plan in the period from fiscal year 2001 to fiscal year 2004 and scenario analysis based on expected scenarios.

<Expected Scenarios>

[Optimistic Scenario]

(1) Economic growth slightly higher than expected in the main scenario led by private sectors

(2) More demand for capital and over-achievement of the volume of new loans made for corporations and individuals

(3) Improvement in corporate earnings and more demand for capital making it possible to increase the loan spread intended for covering credit risks
(4) Improvement in profitability of liquid deposits due to the rise in the short-term interest rate
(5) Decrease in profits from treasury operations in Yen due to the rise in the short-term interest rate

[Pessimistic Scenario]

(1) Slowdown of economic recovery in fiscal year 2001 and economic growth lower than expected thereafter
(2) Failure to achieve the loan volume set in the original plan due to a decrease in demand for capital both in corporate and individual sectors
(3) Slower improvement in loan spread due to low corporate earnings and low demand for capital
(4) Decrease in profitability of liquid deposits due to a steadily low short-term interest rate
(5) Improvement in profits from treasury operations in Yen due to a steadily low short-term interest rate

3. Corporate Strategy of The New Bank

(1) Operating Environment

Significant changes in the environment surrounding Japanese banks have been brought on by progress in deregulation such as the financial Big Bang and globalization of economy. Such changes can be summarized into two aspects, "changes in competition" and "changes in customers' needs," both of which are accelerated by progress in deregulation in every aspect of business and dramatic progress in IT as represented by the Internet.

On the competition side, cross-border M&A's and alliances among financial institutions, including movement to reorganize Japanese financial institutions from 1999, are accelerating, which are partly driven by dramatic progress in IT. This is because the Internet, which has become an indispensable part of the financial business infrastructure, is forcing financial businesses to reform themselves, and investments needed for such technologies, which force financial businesses to make revolutionary changes and are one of the most indispensable infrastructures for financial institutions, are too huge for a sole financial institution.

New entrants from other industries, including retailers and manufacturers, and from foreign countries also add significant changes to the environment. Especially, new entrants from other industries will be strong competitors, since they have broad customer bases, strong corporate brand identities and price competitiveness.

Changes in customers' needs follows in terms of individual and corporate customers.

(a) Individual Customers

In Japan, the population over 65 years old will continue to increase while younger people will continue to decrease. Such demographic change will make it difficult to maintain the traditional Japanese social pension system which depends on intergeneration support and make people interested in actively managing their financial assets by themselves for their retirement instead of depending on social pension systems. As a result, new financial businesses which help such people build their assets are expected to significantly grow.

Meanwhile, the long-lasting low interest rate environment is changing people's notion about the relationship between risks and returns of various financial instruments and the way of building personal assets. In particular, banks have been able to sell investment trusts at their branches since December 1998. As a result the market of investment trust has grown and financial assets of individuals have been more and more diversified. The amount of investment trusts sold through bank branches is 6,500 billion yen on a balance basis in September 2000 or 11.7% of all investment trusts sold as shown in **Figure 1**. Such a result proves that bank branches have obtained the position as one of the most important delivery channels of investment trusts.

IT enables new delivery channels such as Internet banking and on-line brokerage services, which are completely different from traditional ones in the sense that new channels have no time and spatial constraints. Such new channels have begun penetrating into every segment of customers. Progress in IT has brought significant changes in customers' needs and perceptions for financial services.

As we have seen, needs of individual customers require us to provide various services, products and delivery channels best fit for their purposes and life planning. Insurance will be expected to be sold through bank branches in the near future and products provided by banks will be expanding, which increases the importance of the new bank being able to meet these customers' needs.

(b) Corporate Customers

With globalization of the economy and progress in deregulation, demand from corporate customers for capital associated with IT investments and M&A is continuously arising. Furthermore, rapid internationalization in accounting principles, laws and regulations makes corporations require more and more diversified and sophisticated financial services. Also, after several financial crises in international capital markets, Japanese corporations are expected to again expand their international operations and accordingly require cutting edge financial services from us beyond traditional commercial banking services.

In order to meet these needs, the new bank has to provide solutions for corporate customers' challenges, which are not only the traditional indirect financing services but also new financing schemes, M&A advisory services and cooperation in new business opportunities. There is a trend for corporations to have business with only a few banks which are able to provide solutions fit for their needs as they have fewer needs for traditional commercial banking businesses.

(c) IT

The changes in customers' needs as we have seen in the previous sections will further be accelerated by the continuing revolution in IT. Utilization of IT will enable the new bank to differentiate itself from competitors through developments of complex financial products, construction of new delivery channels such as the Internet, rationalization of business operations and sophistication of database marketing.

Revolutionary progress in IT is accelerating developments of e-commerce in B2B, B2C and C2C. Financial services have a good fit with such e-commerce and the new bank will best exploit new business opportunities in every stage of e-commerce. The new bank will accelerate development of business models in such areas, not only Internet banking and online brokerage services but also Internet shopping malls where financial and commercial transactions are combined.

(d) Corporate Strategies

The new bank's strategy has to meet these environmental changes proactively and flexibly and make it possible to provide high-quality services efficiently. Without such a strategy the new bank would not qualify as a most reliable top-tier bank.

The new bank, which is a combination of Sakura Bank, which has a strong market position in the Tokyo Metropolitan area and Hyogo prefecture, and Sumitomo Bank, which has a strong market position in Osaka, will be able to have a geographically balanced customer base and an advantageous position among major financial groups in terms of both quality and quantity. Especially in the strategic areas of retail customers and small- and medium-sized corporations, the new bank will be able to obtain a critical mass of market share, giving the new bank significant competitive advantages. The two banks have a complementary large corporate customer base, since Sakura Bank has a large customer base in the Mitsui group and Sumitomo Bank has a large base in the Sumitomo group. Therefore cross selling of each bank's products can generate significant synergies. The ability to develop new delivery channels such as banking services in convenience stores and e-business will be highly strengthened.

Besides making the best use of merits from the merger and the corporate brand value of "Mitsui" and "Sumitomo," the new bank will integrate and reorganize each bank's highly sophisticated ability to provide financial solutions, products, services and various delivery channels, that make it possible for the new bank to provide more value-added financial services and develop as a conglomerate financial group in the 21st century.

The new bank's strategies in the next five years to fiscal year 2004 can be summarized by the following points.

(1) Expansion of profits from individual customers through focused customer segmentation, broadening of profitable products and services and low cost operations
(2) Promotion of businesses with domestic and overseas corporations through establishment of asset efficient business models
(3) Expansion of overseas operations by reformulating strategies in each geographic area
(4) Strategic investments in IT with the aim of strengthening marketing ability and network platforms for small- and medium-sized corporate customers
(5) Establishment of the leading position in e-business

(2) Strategy in Each Business Segment

(a) Consumer Banking

Besides having an advantageous position* from the starting point of the new bank in the industry, it will make the best use of its ability to develop new products, services and delivery channels and the ability of bank staffs to provide consultation, both of which have been obtained through each bank's experiences in these areas.

* No. 1 in balance of investment trusts sold, housing loans outstanding and the number of personal accounts on an aggregate basis of the two banks

The organizational structure of marketing of the new bank will inherit the organization of each bank, which separately segments consumer and corporate businesses. The new bank will define customer segments and provide products, services and delivery channels, all of which are best fit for each customer segment. More detailed strategy will follow.

[Asset Building Customers]

The segment of asset building customers is expected to grow significant mainly due to the demographic change as we described before and mainly consists of working and retired households. Making the best use of the new bank's No. 1 position in terms of its retail customer base, the new bank will establish itself as a "lifetime main bank" through face-to-face consultation at Consumer Loan Promotion Offices and other special counters at branches, sales promotion via a call center and efficient and unique services through remote channels which is a combination of telephone banking and Internet banking.

At manned sites (branches), staffs who have expertise in personal finance will offer consultation services fit for each customer's needs and life planning in both investment and financing, including investment trusts, foreign currency deposits, housing loans and education loans with the use of marketing database systems. The new bank will continue to set housing loan origination as one of its strategic areas by developing new housing loan products to meet various customers' demands, increasing the number of Consumer Loan Promotion Offices and strengthening their functions.

[High Net Worth and Investing Customers]

This segment consists mainly of business owners and other high net-worth customers who require sophisticated unbiased financial advice. To meet these customers' needs, private bankers will give advice about customers' portfolios with the new bank's broad line-up of financial products and manage assets and liabilities of the customers.

Especially for newly emerging business owners, staffs with experience as branch general managers or expertise in financial products will work as their private bankers and provide tailor-made products and services to meet their needs.

With these strategies, the new bank will establish itself as "Sumitomo Mitsui for investment services.”

[Mass Retail Customers]

This segment has limited needs for banks such as financial settlement, but maintaining a relationship with them makes them potential asset building customers or high net worth customers. This segment consists mainly of young people or customers who have other main banks.

For these customers, the new bank will provide convenience through the development of remote banking channels including telephone banking, Internet banking and mobile banking using i-mode. Aggressive development of banking services in convenience stores will enable the new bank to provide highly convenient banking services best fit for mass retail customers and reduce operating expenses at the same time.

@BANK, which is a convenience store ATM network operated under the alliance with “am/pm Japan”, a convenience store chain operator, has ATM machines in more than 1,000 locations, which are operating 24 hours a day. As for Internet banking, the two banks have opened more than 200,000 accounts in total and maintain the No. 1 position among Japanese banks.

The company for the credit card businesses of the two banks will be renamed “Sumitomo Mitsui Card” in April 2001 and will continue to be a core business of retail banking of the new bank. Sumitomo Mitsui Card will strengthen the relationship with newly incorporated group companies, Sakura Loan Partner and Japan Net Bank, and provide broader services including financing and settlement services such as credit cards and unsecured card loans. These services will be a new business model of the new bank group for mass retail customers and will be promoted aggressively.

Functions of remote channels will be strengthened so that they are recognized as the main delivery channels of everyday transactions and at the same time complementary functions of remote channels and manned sites will be strengthened.

[Low Cost Operation]

Besides rationalization of branch networks, the new bank will establish low cost operation by making branch operations more efficient with the use of IT. Immediately after the system integration of the two banks, which is expected to be completed in July 2002, overlapping branches will be closed taking into consideration customers’ convenience, their locations and targeted markets.

(b) Middle Market Banking

Sakura Bank and Sumitomo Bank have already reorganized their marketing organization from full banking through domestic branch networks to a consumer- and corporate-segment focused organization.

The new bank will construct a co-operating structure between bankers in Corporate Business Offices throughout the country with expertise to provide sophisticated financial services and product staffs in head office and very aggressively promote businesses with corporate customers. The new bank will continue to make efforts to strengthen cost competitiveness through integration of business operations of the two banks.

[Solution Provider]

For small- and medium-sized corporations, the so called core-middle market, the new bank will construct an organization which is able to provide solutions for such customers' challenges promptly and establish itself as "Sumitomo Mitsui in the middle market." The new bank will extensively analyze each customer's needs and provide sophisticated financial services beyond traditional corporate lending in a timely manner, such as IPOs, asset securitization, foreign exchange services and derivative products, all of which will differentiate the new bank from its peer competitors.

During the course of recent deregulation, new businesses in multimedia, healthcare, logistics and environmental services have been growing and they will be expected to continue their growth. A New Business Promotion Department will be newly organized in the Tokyo head office and segmented based on targeted industries so that corporate business offices and head offices can cooperate in promoting businesses with targeted customers in these new areas.

As an incubation business for companies which are expected to rapidly grow, the new bank will provide services which help them conduct IPOs under cooperation with the group venture capital company which will be formed in April 2001 by combining SB Investment Co., Ltd. and Sakura Capital Co., Ltd.

[Small Business]

For small businesses with annual sales under 1 billion yen, the new bank will provide new businesses using IT networks, or a packaged personal computer services to totally support small businesses, including loan application, management consulting, information provider services and settlement through the Internet.

To appropriately meet needs of small businesses, the new bank will provide loans guaranteed by credit guarantee associations and standardized unsecured small loans which are developed by making use of credit scoring systems. The new bank will set up a “Business Support Office” which specializes in small businesses.

(c) Corporate and International Banking

[Corporate Banking]

The new bank will have a broad customer base in top-tier big companies mainly in the Mitsui and Sumitomo groups. Under the current low economic growth environment, these companies have various needs in every aspect of their businesses, which include direct financing, fundamental restructuring of their businesses, alliances beyond their industry walls, network businesses using IT and international cash settlement. In order to exactly meet and provide high quality solutions to these needs, the new bank will be organized to make sure the Corporate Banking Unit, International Banking Unit and Investment Banking Unit work closely together, thereby making the strong relationship with big companies, which Sakura Bank and Sumitomo Bank have each developed, even stronger.

Since big companies have direct access to capital markets, the new bank will provide comprehensive financial services to meet their needs for investment banking services by co-operating with group companies such as Daiwa Securities SMBC. The new bank will very aggressively develop its debt capital market business as one of the most strategically important businesses both domestically and internationally, including loan syndication, loan securitization, structured finance and project finance, all of which the new bank expects to replace traditional lending businesses. The new bank will make efforts to capture as many current deposits as possible and increase fee incomes by providing cash settlement and cash management services, which meet customers’ requirements for more efficient use of cash.

The new bank will establish new business models which enable the new bank to promote corporate businesses without increasing its assets and strengthen profitability mainly in fee incomes, thereby improve ROA and ROE.

[International Banking]

The new bank will set up three regional business divisions: the Asia Pacific Division, the

Americas Division and the Europe Division. It will reorganize and expand its international operations by clearly formulating strategies fit for each area where the new bank's management resources will be intensively allocated. Such efforts to restructure its international banking businesses will enable the new bank to accurately and promptly meet customers' needs for international banking services.

The new bank will integrate overlapping overseas offices of the two banks as soon as possible. In the Asia Pacific region where the new bank has a regional advantage over US and European financial institutions, the new bank will strengthen its branch network and customer base including both Japanese companies and local companies as one of its strategically most important business targets, thereby being able to have a big presence in that region. Also making the maximized use of these networks, the new bank will capture various needs associated with US and European companies' advance into these regions and provide advanced services beyond traditional commercial banking. By strategically reallocating management resources saved by elimination of overlapping offices, the new bank will develop businesses, including alliances with overseas financial institutions, to be able to compete with top-tier US and European financial institutions.

To top-tier Japanese companies including companies in the Mitsui and Sumitomo groups, the new bank will meet their needs for financial settlement services such as international cash management services. The new bank will promote advisory services and structured finance arrangement for blue-chip overseas companies advancing in the Asia Pacific region and at the same time make efforts to strengthen the new bank's presence in the US and Europe, thereby establishing a truly global corporate brand of Sumitomo Mitsui.

(d) Investment Banking

The Investment Banking Unit will systematically cooperate with other business units and provide a wide range of financial services to customers belonging to each business unit.

[Wholesale Securities Business]

The new bank will make its strong competitive edge in investment banking businesses even stronger by positioning Daiwa Securities SMBC as a principal vehicle of the new banking group, which will be newly organized in April 2001 by integrating Daiwa Securities SB Capital Markets (Daiwa SBCM), one of the major wholesale securities companies, and Sakura Securities, Sakura Bank's subsidiary.

Daiwa SBCM, a joint venture of Daiwa Securities Group and Sumitomo Bank, has been doing very well since its inception in April 1999 and has accomplished significant achievements, including a No. 2 market share in underwriting of straight bonds, a No. 2 share in underwriting of IPO's in the first half of its second fiscal year, fiscal year 2000, and co-arrangement of an M&A transaction for the first time with Lazzard Frere, with which Daiwa SBCM has an alliance. Also, synergies of this joint venture have begun to be realized by taking advantage of the customer base of Sumitomo Bank. In particular, in IPO transactions, Daiwa SBCM increasingly acquires positions as a lead underwriter with an introduction of customers from Sumitomo Bank.

Sakura Securities has accomplished significant achievements in underwriting straight bonds and ABS to meet customers' requirements to improve their balance sheet, and has begun to develop its equity business on a full scale. The new bank will be able to establish the strongest wholesale securities business capability in Japan which can provide financial services with high customer satisfaction to the broadest customer base including current customers of Daiwa Securities SB Capital Markets and Sakura Bank.

[Asset Management]

The new bank will establish an organization which is able to provide first-class products in investment trusts and pension business as a new group. The new bank will continuously examine investment business structures to provide high-quality products as well as make use of know-how in investment management of Sakura Investment Management Co., Ltd., a Sakura Bank's affiliate, and Daiwa SB Investments Ltd., a joint venture of Sumitomo Bank and Daiwa Securities group (with 10% of capital provided by T. Rowe Price).

For defined contribution pension plan businesses, eight companies in the Mitsui and Sumitomo groups have established Japan Pension Navigator, a co-operated institution to administer defined contribution pension plans, in September 2000. The new bank will make the best use of this institution, aiming to be a market leader in this area by aggressively obtaining contracts of pension plan administration mainly with small- and medium-sized companies.

(e) e-Business

The new bank will aim to be a leader in financial e-business, including Internet banking, e-brokerage and financial portal sites, as a conglomerate financial institution in the highly advanced informational society of the 21st century by making alliances with various partners who have strengths in every aspect of e-business such as IT, content, networking and customer base.

In the Internet, Japan Net Bank (capitalization of 20 billion yen, 50% provided by Sakura Bank, 10% each by Sumitomo Bank, Fujitsu and Nippon Life Insurance Company and 5% each by The Tokyo Electric Power Company, Mitsui Corporation, NTT Docomo and NTT East) started its business on October 12, 2000 as the first Internet bank in Japan. Based on its broad customer base, including customers of @nifty of Fujitsu and i-mode of NTT Docomo, Japan Net Bank will enjoy the first mover advantage and keep broadening its customer base. Japan Net Bank will support from the financial side the smooth development of an Internet society by providing convenient and inexpensive settlement functions for a variety of e-commerce. It has the strength of the convenience of 24-hour and 365-day services, in addition to the high interest rate on deposits and cheap fees for its services allowed by its efficient operation. Japan Net Bank aims at establishing itself as the de facto standard as an Internet specialized bank in Japan at its early stage.

On the e-brokerage business side, DLJdirect SFG Securities (capitalization of 3 billion yen, 50% provided by DLJdirect, 11.25% by Sumitomo Bank, 10% by Sakura Bank, 6.25% each by Sumitomo Corporation, Sumitomo Life Insurance Company and Internet Initiative Japan and 5% each by Sumitomo Marine and Fire Insurance and Sumitomo Trust and Banking) has started in June 1999 as a joint venture with DLJdirect, Inc., one of the major on-line discount brokerage companies in the US. The number of accounts opened since its inception has reached 62,000.

Other alliances in the B2C and B2B areas include:

1. B2C Area
    a. “Money Park”, a portal site launched in June 2000 under the consortium of Sakura Bank, Nomura Securities, Nippon Life Insurance Company, Mitsui Marine and Fire Insurance, Chuo Mitsui Trust and Banking and Mitsui Corporation to provide one-stop shopping services in a wide range of financial products to employees of member companies.
    b. “Shopping Square”, an e-commerce site launched in November 2000 with around 90 corporate participants where settlement with net-debit is available.
    c. “PAY WEB”, a provider of multiple means of settlement on the Internet to individual customers, including Internet banking.
2. B2B Area
    a. “NETdeBIZ.com”, a comprehensive management support portal site to small- and

medium-sized companies launched in April 2000 under the consortium of Sumitomo Bank, NEC, Sumitomo Marine and Fire Insurance, Sumitomo Trust and Banking, Sumitomo Life Insurance Company, NTT Communications, Askul and other companies. Since September 2000, it has been operated and continuously developed by 34 companies/organizations including the cooperation of the Tokyo Stock Exchange and Industrial Structure Improvement Fund.

b. Investment in “Japan Bex”, a B2B system vender, with Mitsui Corporation and Toshiba.

c. “Complete”, a provider of settlement services in the B2B marketplace.

Also, the new bank will focus on adaptation to digital broadcasting and smart cards in the course of the IT revolution.

The new bank will not only provide convenient products and services both to individual and corporate customers but also take care of security of settlement on the net, thereby providing a safe environment for customers on the Internet.

Moreover, in the e-business fields mentioned above, as well as in other financially related business fields, the new bank, aiming at offering comprehensive financial services in the best form, will consider various kinds of alliances with Japanese and non-Japanese financial institutions and other companies.

(f) Subsidiaries and Affiliates

Table 5 sets out consolidated earnings targets. **Table 6** sets out the new bank’s subsidiaries and affiliates (the “Group Companies”). The Group Companies of the two banks will be integrated under the principle of “one company for one business” and strengthened by the focused allocation of management resources of the group.

Companies in the new bank’s strategic area which will be able to immediately realize effects from integration will be integrated in April 2001. Such integration include Sakura Card Co., Ltd. and The Sumitomo Credit Service Company, Limited in the credit card business; Sakura Securities Co., Ltd. and Daiwa Securities SB Capital Markets Co. Ltd. in investment banking; Sakura Capital Co., Ltd. and SB Investment Co., Ltd. in the venture capital business; and Sakura Institute of Research Inc. and The JRI Business Consulting, Limited, both of which operate various membership and consulting businesses. The new bank plans to integrate other group companies engaged in clerical works as soon as possible (in the first half of fiscal year

2001).

4. Restructuring Plan

The new bank will execute the original restructuring plan which Sakura Bank and Sumitomo Bank each set in The Plan for the Strengthening of the Financial Base of the Bank (the "Original Plan") earlier than the original schedules. Moreover, the new bank will execute an additional restructuring plan and reallocate its management resources. Through these efforts, the new bank will improve efficiency and profitability. **Table 7** sets out specific plans of the new bank.

Under these efforts, the new bank plans to reduce expenses in fiscal year 2004 to 680 billion yen, a 100 billion yen reduction (13% reduction) from fiscal year 1998.

(1) Personnel Expenses

In the Original Plan, the number of employees of the two banks in March 2003 was planned to be reduced to 26,200 employees in total, a 6,300 employee reduction from March 1998. The new bank will achieve this plan by March 2002, one year earlier than the original schedule. As an additional employee reduction, the new bank will reduce 3,000 more employees in fiscal year 2002 and 2003 in total and the number of employees in March 2004 is expected to be 23,200, a 9,331 employee reduction from March 1998.

The new bank will eliminate overlapping corporate staff in fiscal year 2001, the first fiscal year after the merger, and rationalize staff in branches and Corporate Business Offices mainly by reexamining staffs that are responsible for overlapping customers of the two banks in fiscal year 2002 and 2003 when the systems integration are expected to be finished and domestic branch networks to be integrated. In overseas branches and local subsidiaries, through the integration and rationalization of overlapping offices, the new bank will drastically reduce staffs transferred to overseas branches and subsidiaries and locally employed staffs. In addition, the new bank will plan to continue and expand the job change support programs for middle-aged employees which Sakura Bank and Sumitomo Bank have each already introduced.

With these plans, personnel expenses in fiscal year 2004 will be 268 billion yen, a 19% reduction from fiscal year 1998.

The number of directors, currently 44 on an aggregate basis, will be swiftly reduced after the merger aiming at a 20% reduction by fiscal year 2003.

(2) Non-personnel Expenses

The new bank will continue to cut non-personnel expenses through the restructuring plan which each of two banks have executed and additional restructuring associated with the merger.

(a) Domestic Branches

The two banks will complete the plan to reduce domestic branches to 584 branches in total of the two banks by fiscal year 2000, two years earlier than the original schedule. In March 2001, the number of domestic branches of Sakura Bank will be 316 branches (a reduction of 36 more branches in addition to the original plan) and the number of domestic branches of Sumitomo Bank will be 262 branches (a reduction of 8 more branches in addition to the original plan).

The new bank will integrate geographically overlapping branches of the two banks. In addition to that, the new bank will expand the variety of remote channels to meet customers' needs and enrich their complementary functions to manned site channels. In the new bank's specific plan, during the one year after the completion of the system integration of the two banks planned in July 2002, the domestic branch network will be integrated mainly through the elimination of geographically overlapping branches and movement and integration into branches in areas with market potential. In sum, the number of the new bank's domestic branches is planned to be 470 branches (265 branches reduction from March 1998) by March 2004.

(b) Overseas Branches

In the original plan the aggregate number of overseas offices of the two banks was set at 28 offices in March 2001, but the new plan of the new bank to restructure and expand its overseas operation under region-specific strategies expects there will be 33 branches in March 2001, a 5 branch increase from the original plan.

To realize synergies from the merger, besides integrating 12 overlapping overseas branches, the new bank will also rationalize existing overseas networks and develop new overseas offices at the same time to strengthen the new bank's overseas networks. The new bank will focus on and accurately and promptly meet the needs of both Japanese companies which are expected to expand their overseas businesses again and overseas companies doing business in Asia including Japan, since economies in these areas where the new bank has competitive advantages are expected to stabilize.

(c) Others

The new bank will continuously reexamine procurement methods and costs to cut further expenses.

Due to these efforts, non-personnel expenses are expected to be 377 billion yen in fiscal year 2004, a reduction of 14.2% from fiscal year 1998 when merger expenses are excluded.

5. Measures to Establish Responsible Management System

(1) Mission of the New Bank

The management of the new bank will be based on its mission as follows:

-To provide optimum added value to our customers and together with them achieve growth.
-To create sustainable shareholder value through business growth.
-To provide a challenging and professionally rewarding work environment for our dedicated employees.

(2) Management System

The following is an overview of the management system of the new bank.

(a) Corporate Governance

The new bank will strictly separate the function of business execution from the function of supervising the execution process.

(i) Supervisory System

The new bank will establish a system to effectively supervise the business execution.

First, the new bank is planning to select several outside directors.

Secondly, the following internal committees will be set up in order to complement the function of the board of directors:

Nominating Committee: to discuss the selection of candidates for new directors, appointment of representative directors, etc.
Compensation Committee: to discuss evaluation and compensation of, including the stock option program for, directors and executive officers
Risk Management Committee: to discuss risk management and compliance issues

Thirdly, the Chairman of the Board will not have duties in the capacity of an executive officer and will mainly take responsibility for supervising the business execution.

(ii) Business Execution System

The Management Committee will be established as the new bank's decision-making body, where important agendas on business execution will be discussed and determined. Management Committee will be chaired by the President and composed of executive officers appointed by the President.

Executive officers will be evaluated and compensated on the basis of achievement. The new bank will expand the stock option program to motivate executive officers to enhance shareholder value. The stock option program will be introduced to certain qualified employees as well and will be expanded by degrees in order to direct employees toward improving business results on a long-term basis.

Details of committees other than the Management Committee are currently under consideration (see **Table 8**).

(b) Organizational Structure and Management

As shown in **Figure 2**, the new bank will have 6 business units (Consumer Banking Unit, Middle Market Banking Unit, Corporate Banking Unit, International Banking Unit, Treasury Unit, and Investment Banking Unit) and 3 corporate units (Corporate Staff Unit, Corporate Service Unit, and Internal Audit Unit).

In order to expedite the decision making process, organizations within each unit will be designed to have minimum steps for obtaining approval. At the same time, each unit will be given the necessary authority to carry out its missions, such as authority for investment, expenses and credit approval.

(i) Business Units

Five business units, that is, the Consumer Banking Unit, Middle Market Banking Unit, Corporate Banking Unit, International Banking Unit, and Treasury Unit will be set up in accordance with market segments, and the Investment Banking Unit will provide advanced financial products across all markets.

The domestic franchise will be divided into “Branches,” which address the needs of consumers, and “Corporate Business Offices,” which provide products and services to middle and small companies.

We are planning to introduce a new management control system which measures the business performance of each business unit by net income adjusted by the cost of risk capital. The new system is expected to enable the new bank to pursue profit expansion under a controlled risk profile and consequently lead to sustainable enhancement of shareholder value.

Net income adjusted by cost of risk capital is defined as net income after risk capital amount multiplied by cost of capital. The risk capital amount is the amount of capital necessary to cover expected loss to be incurred from each business.

(ii) Internal Audit Unit

The new bank will establish an Internal Audit Unit, which is completely independent from the other units, and assign it the responsibilities for monitoring business operations to ensure fairness and appropriateness of our business practices. The Internal Audit Unit consists of the Audit Department, Inspection Department, Credit Review Department and so on.

(c) Human Resource Management System

Human resource management system of the new bank is now under thorough consideration by a special project team consisting of members of both Sumitomo Bank and Sakura Bank. Based on the results of investigation of human resource management systems introduced in the top-ranking companies and financial institutions in the United States and Europe, the new system is designed to enhance global competitiveness of the new bank.

The objectives of the new system are focused on the followings:

1. To establish a powerful management system for the survival of the new bank in global competition
2. To develop human resources with a high degree of expertise to provide valuable services to

customers

3. To motivate employees to pursue self-realization in carrying out their jobs
4. To create corporate culture to respect and encourage progressiveness and originality

In order to achieve these objectives, we are planning to establish a human resource management system with three components: a compensation system, an evaluation system and a human resource management system. Each component system will be designed to realize the basic principles as follows:

Compensation System: to introduce a performance-oriented system in harmony with a position-based system

Evaluation System: to establish a system which can measure competency and performance in accordance with fair and transparent procedures

Human Resource Management System: to optimize manpower allocation and to develop human resources with expertise and competitiveness

(3) Disclosure Policy

(a) Basic Policy

One of the missions of the new bank is to create sustainable shareholder value through business growth. In order to fulfill this mission, the new bank will establish a corporate governance system which puts shareholder value at the center of its management goals.

We assume that enhancement of shareholder value cannot be achieved without appropriate disclosure of corporate and financial information. We also recognize that it is crucial, from the standpoint of accountability of management to shareholders as well as others with an interest in the bank, to improve disclosure activities while being careful about selective disclosure issues.

It is one of the most important themes of the new bank to expand, on its own initiative, disclosure of information about its financial condition, management policy and business strategy in addition to the information available through regulatory disclosure. Our disclosure activities are based on four principles, that is, “fair,” “timely,” “continuous” and “easy to understand.”

Also, we believe it is indispensable to reflect the feedback from market participants in the management of the bank for the purpose of orienting the management in the right direction.

(b) Measures to Enhance Disclosure

The new bank will use a variety of channels, such as IR meetings, annual reports and other publications, to help investors understand the new bank.

We will provide shareholders, depositors and other customers both in and out of Japan with quick and easy access to corporate and financial information through our website and other Internet-related media. We will also review our policy on IR activities to ensure that the four principles mentioned above will be fully complied with.

6. Policy on Capital Management

(1) Basic Policy

The first and foremost objective of our capital management policy is to improve Tier I capital in terms of both size and quality through accumulation of retained earnings with a view to redeeming the preferred stock held by the government. We are aiming at achieving a Tier I capital ratio of more than 7% as well as reducing public funds to half by the end of fiscal year 2004.

We will constantly maintain a BIS ratio of more than 10% and make it over 11% by the end of fiscal year 2004.

As for Tier II capital, our target is to reduce dependence on Tier II capital. We will raise Tier II capital only to the extent that we can constantly maintain a BIS capital ratio of more than 10%. As a consequence, refinance needs of the new bank for subordinated debt will be in the range of 100 billion yen to 300 billion yen per year.

According to our plan, approximately 100 billion yen will be raised every year in the domestic market by issuing “Benchmark Subordinated Notes.”

If the refinance needs exceed 100 billion yen per year, we will issue subordinated notes in overseas markets to expand our investor base and to diversify our funding sources among the domestic, United States and Euro markets.

(2) Information on Preferred Stock

(a) Transfer of Sakura's Preferred Stock to the New Bank

The new bank will take over the preferred stock and the perpetual subordinated notes issued by Sakura Bank in the amount of 800 billion yen and 100 billion yen, respectively, in addition to those issued by Sumitomo Bank.

(b) Amount and Terms

The public funds that the new bank will owe to the government are preferred stock in the amount of 1,301 billion yen, which was issued under the Financial Revitalization Law, and perpetual subordinated notes in the amount of 200 billion yen, which were issued under the Early Stabilization Law. The terms of preferred stock issued by Sumitomo Bank will remain unchanged, while the terms of the preferred stock to be allotted to the existing holders of the preferred stock of Sakura Bank will be changed as shown in **Table 9**. The terms of the perpetual subordinated notes issued by Sakura Bank will remain unchanged.

(3) Policy on Redemption and Repayment of Public Funds

Our target is to reduce the public funds that the new bank owes to the government to half by the end of fiscal year 2004.

Specifically, we will exercise the call option in March 2003 to redeem perpetual subordinated notes in the amount of 200 billion yen. As for preferred stock, 550 billion yen will be redeemed by using retained earnings during the three fiscal years starting fiscal year 2002. Consequently, 750 billion will be repaid and public funds will be reduced to half by the end of fiscal year 2004. Even after the repayment, we expect that retained earnings at the end of fiscal year 2004 will amount to more than 950 billion yen as shown in **Table 10** and the BIS capital ratio and Tier I ratio will exceed 11% and 7%, respectively. We will seek for possible repayment of the remainder of the public funds within fiscal year 2004 as well as fiscal year 2005 and beyond.

(4) Policy on Dividends, Remuneration and Bonus for Directors

Our policy on dividend payments will become more and more shareholder-oriented provided that the new bank achieves sufficient profitability and a strong capital base.

Specifically, we will determine the amount of dividend based on a payout ratio if we are assured that profitability of the new bank improves to the point of continuously earning about 200 billion yen in net income, which we deem sufficient and appropriate for the new bank.

Also, remuneration and bonus for directors will depend upon the business environment, the level of retained earnings, and the middle-term prospect for business results. The amount to be paid will be decided in consultation with a compensation committee consisting of board members, including outside directors.

7. Lending Plan

In line with the aim of the Law Concerning Emergency Measures for Early Strengthening of Function of the Financial System ("Early Strengthening Law"), Sakura Bank and Sumitomo Bank have made continuous efforts to increase loans in the domestic market through various measures. Especially, from the standpoint of facilitating the smooth supply of credit, the two banks actively responded to satisfy the loan demand of small- and medium- sized companies. In fiscal year 1999, the two banks increased their loans to small- and medium- sized companies by 661.2 billion yen (excluding euro-yen impact loans, after adjusting the effect of reduction in problem assets, etc.). Detailed lending statistics are set out in **Table 11**.

The new bank's fundamental policy is to continue increasing the volume of credit available, recognizing our social responsibilities. As long as the new bank is able to maintain the soundness of its loan portfolio, we will strive to lend to sound small- and medium-sized companies and to consumers.

8. Measures to Maintain Financial Strength and Operational Soundness

(1) Risk Management

(a) Basic Policy

The new bank places top priority on risk management. It will manage many types of risks on an integrated basis. Each risk will have its respective risk management department independent of the front office. The relevant departments will implement appropriate risk control, considering the specific characteristics of the risk. They will also determine the basic policies and procedures of risk management. The new bank will adopt active risk management, hedging and diversifying risks by utilizing quantitative measurement methods.

(b) Structure of Risk Management

The structure of risk management is shown in **Table 12**. In addition to this, the following departments will be supervising risk management as follows:

i) The Audit Department will supervise market risk, liquidity risk and system risk management, and compliance.

ii) The Credit Review Department will supervise credit risk management.

iii) The Inspection Department will supervise operational risk management.

To make this monitoring system effective, these supervisory departments will belong to the Internal Audit Unit, which is independent from the front office as well as risk management departments.

(2) Credit Approval Procedure

The new bank will delegate authority on credit approvals according to the borrower's rank in the internal obligor grading system. For example, credit departments will have hands-on control over low graded borrowers, while branch managers will have authority on loan approvals to high graded borrowers. Credit to borrowers with more risk than a certain level will need authorization of two or more executives, and it will also be reported to the Management Committee if necessary.

Managing credit concentration risk is one of the most important issues for the new bank. To meet this objective, the new bank will adopt a "Loan Review System." In the Loan Review System, we periodically report to the Management Committee the current situation of specific borrowers to which we have large exposures, in order to determine credit policies and exposure limits to them.

Furthermore, to maintain soundness of asset quality and to emphasize transparency of management, the new bank will establish a Credit Review Department, which will supervise the credit risk management system, asset quality, daily operation of credit management, etc.

By establishing credit authorization system and supervisory system as mentioned above, the new bank will continuously improve its risk management system and pursue efficient operations.

(3) Obligor Grading and Facility Grading

(a) Obligor Grading

To enhance credit risk management by standardizing and refining the evaluation method of borrowers, the new bank will adopt an obligor grading system, which will comprehensively evaluate financial condition of obligors. In addition to the static analysis of financial ratios, we evaluate their repayment ability by analyzing their cash-flow movements. We will also adopt a grading outlook system, which indicates outlook for a grading considering factors such as the obligor's grading history, earnings projections, management quality, and business operations.

The obligor grading system considers the total status of the obligor. It is based on a quantitative model calculated from financial data of the obligor, and it also takes into account obligor's unrealized gains and losses off the balance sheet, consolidated financial statement as a group, and the bank's classification of the obligor in the self-assessment. We will also use an obligor monitoring system. If we find unusual movement in the financial ratios of the obligor, we put it on the monitoring list and reexamine the obligor's grade by reinvestigating the obligor's management problems and financial status. The result will be reflected on our credit policy to the obligor.

There will be many uses of the obligor grading system, such as in a quantitative measurement of the credit risk of our whole loan portfolio, in analyzing credit concentration risk, in active portfolio management, in measuring net income adjusted by cost of risk capital, and in estimating proper provisioning level.

We will show the structure of the new bank's obligor grading system in **Table 13**. It will be used both in domestic and international operations, and will be consistent with the classification in our self-assessment.

(b) Facility Grading

The potential loss of each facility will vary depending on its terms and conditions, even if we lend to the same obligor.

Therefore, we will use a facility grading system, which evaluates the credit risk of each facility. Facility grading is based on the obligor grading of the borrower. In addition to this, facility grading will consider the following conditions:

i) availability of guarantee
ii) maturity
iii) quality of collateral
iv) other conditions effective in collecting the loan

When authorizing a credit, we evaluate its risk by facility grading. We also check that we obtain appropriate return for the risk we are taking.

(4) Asset Quality

(a) Problem Assets under Financial Revitalization Law
In accordance with the Financial Revitalization Law, we classify our assets into four categories, namely “Bankruptcy, etc.,” “In Danger of Bankruptcy,” “Special Attention” and “Normal.”

Table 14 shows the two bank’s respective amount of assets classified in each category, as well as our reserving policy for the first half of fiscal year 2000.

(b) Risk Monitored Loans
Table 15 shows the two bank’s respective amount of risk monitored loans as of September 30, 2000.

(5) Policy for Write-offs and Reserves

(a) Basic Policy
Write-offs and reserves are based on the results of a semi-annual self-assessment. We make our self-assessment manual in compliance with relevant laws and rules, such as guidelines issued by the Japan Institute of Certified Public Accountants and the Financial Services Agency’s Financial Inspection Manual.

We are on our way to integrating the self-assessment manual of each bank. The two banks will basically assess their respective assets under the same self-assessment rule, in the second half of fiscal year 2000.

(b) Methods of Write-offs
The new bank’s self-assessment rule will assess the obligor’s credit status from various viewpoints. It will be based on a quantitative measurement of the obligor’s financial conditions

including hidden gains/losses, and will also regard qualitative evaluations, such as trends in the obligor’s business and support from the parent company and/or group companies. The basic methods of write-offs and reserves for each category are as follows:

Normal Customers and Needs Caution Customers:
We will apply general reserves to these categories based on the expected credit loss ratio. The expected credit loss ratio is determined by obligor grading distribution probabilities, which are calculated from historical movements of grades.

Possible Bankruptcy Customers:
We will establish sufficient specific reserves on the portion of assets excluding amounts recoverable by collateral or guarantees. The reserve ratio will vary depending on the repayment ability of the borrower.

Legal Bankruptcy Customers and Virtual Bankruptcy Customers:
We will fully write-off or reserve assets considered to be uncollectible.

The two bank’s credit costs and corresponding earnings and surpluses are shown in **Tables 16 and 17**.

(c) Basic Policy for Debt Forgiveness

Our Policy for debt forgiveness is based on economic rationality. That is, we will choose a method that will minimize our losses, comparing various measures such as debt forgiveness and legal bankruptcy settlement. But we also believe that we should avoid creating a moral hazard on the part of the forgiven company. From these standpoints, we will allow debt forgiveness only if all of the following three conditions are satisfied:

i) The collection of remaining debt is expected to be certain due to the restructuring plan of the company being highly feasible by forgiving the debt.

ii) The restructuring plan should be fair, not representing the benefit of a specific group.

iii) The rationale of debt forgiveness should be accepted as fair according to common sense. The company’s responsibility should be clarified in ways such as drastic personnel reduction.

(d) Policy for Collecting Loans

The new bank will establish departments specialized in dealing with problem assets, and will concentrate our expertise there. There, we will clarify our policy for each borrower depending on its situation.

As for Legal Bankruptcy Customers and Virtual Bankruptcy Customers, we will maximize our collection of loans. We will establish a Credit Administration Department to determine loan collection policy and to monitor the progress of collection. To improve efficiency and to shorten the period of collection, we will utilize Sakura Servicing Co. Ltd. (a servicer) as a front office to support the corporate banking department in charge.

As for Possible Bankruptcy Customers and Needs Caution Customers, we will minimize our credit cost by reinforcing the monitoring of companies with relatively large exposures. We will establish specific corporate banking departments for those companies, consisting of staffs well-experienced in credit assessment. We will also establish specific credit departments to deal with problem customers.

(e) Bulk-sales of Problem Loans

Sakura and Sumitomo have actively used bulk-sales of problem loans for the past few years, and the new bank will stand on the same policy. The new bank will continue to work on exploring new investors and diversifying the scheme of bulk-sales, in order to proceed in disposing problem loans.

(f) Bankruptcies Occurred, by Obligor Grade

The numbers and amounts of bankruptcies occurred in the first half of fiscal year 2000, by each obligor grade, are shown in **Table 18**.

(6) Unrealized Gains and Losses

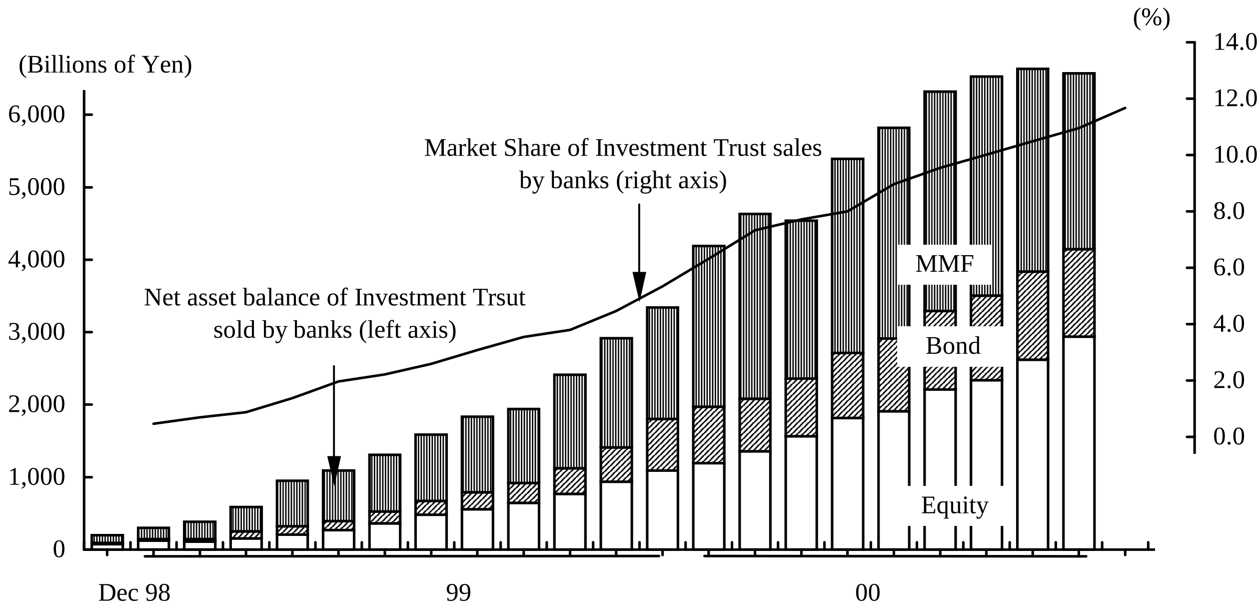
Unrealized gains and losses of each bank, as of September 30, 2000, are shown in **Table 19**.

(7) Derivative Transactions and Others

Contract amount, notional principal, and credit risk equivalent amount of off-balance sheet transactions are shown in **Table 20**.

Estimation of credit cost and risk amount for marked-to-market exposures in off-balance sheet transactions, by counterparty's credit rating, is shown in **Table 21**.

(Figure 1) <Balance of Investment Trust Sold by Japanese Banks>



(Figure 2) Organization (as of Apr 1, 2001)

Shareholders' Meeting

Board of Directors

Corporate Auditors
Board of Corporate Auditors

Corporate Auditor Office

Management Committee

Internal Audit Unit

Audit Dept.
Audit Dept. for the Americas
Audit Dept. for Europe
Inspection Dept.
Credit Review Dept.

Corporate Staff Unit

Public Relations Dept.
  Corporate Citizenship Dept.
Corporate Planning Dept.
  Investor Relations Dept.
  Financial Research Dept.
Financial Accounting Dept.
Subsidiaries and Affiliates Dept.
Portfolio Management Dept.
  Equity Portfolio Management Dept.
Corporate Risk Management Dept.
  Market Risk Management Dept.
  Risk Management Systems Dept.
Credit Risk Management Dept.
General Affairs Dept.
Kobe General Affairs Dept.
Legal Dept.
Customer Relations Dept.
Human Resources Dept.
  Training Institute
  Counseling Dept.
Human Resources Development Dept.

Consumer Banking Unit

Branch
Public Institutions Operations Office
Consumer Investment Services Office
Consumer Loan Promotion Office
Call Center

Block Consumer Business Office

Planning Dept., Consumer Banking Unit
  Subsidiaries and Affiliates Dept., Consumer Banking Unit
  Sales Channel Planning Dept., Consumer Banking Unit
Branch Banking Dept., Consumer Banking Unit
Products and Marketing Dept., Consumer Banking Unit
Private Banking Dept.
Asset Management Services Dept., Consumer Banking Unit
Consumer Business Dept.
  Consumer Loan Business Dept.
Investment Products Business Dept., Consumer Banking Unit
Operations and Systems Dept., Consumer Banking Unit
Credit Dept., Consumer Banking Unit

Middle Market Banking Unit

Corporate Business Office
Public Institutions Business Office
Business Support Office

Middle Market Banking Division

Planning Dept., Middle Market Banking Unit
  Operations and Systems Dept., Middle Market Banking Unit
Business Promotion Dept., Middle Market Banking Unit
  International Business Promotion Dept., Middle Market Banking Unit
  New Business Promotion Dept., Middle Market Banking Unit
Public Institutions Banking Dept.
Kobe Public Institutions Banking Dept.
Business Owner Banking Dept.
Credit Dept. I, Middle Market Banking Unit
Credit Dept. II, Middle Market Banking Unit
Credit Dept. III, Middle Market Banking Unit
Credit Supervision Dept. I, Middle Market Banking Unit
Credit Supervision Dept. II, Middle Market Banking Unit

Corporate Banking Unit

Corporate Banking Office

Tokyo Corporate Banking Division I
Tokyo Corporate Banking Division II
Osaka Corporate Banking Division
Nagoya Corporate Banking Division

Planning Dept., Corporate Banking Unit
Credit Dept. I, Corporate Banking Unit
Credit Dept. II, Corporate Banking Unit
Credit Dept. III, Corporate Banking Unit

International Banking Unit

Global Client Business Office
Branch/Representative Office in Asia Pacific
Departments of the Americas Division
Departments of Europe Division

Asia Pacific Division
  Asia Pacific Dept.
The Americas Division
  Planning Dept., The Americas Division
  Credit Dept., The Americas Division
Europe Division
  Planning Dept., Europe Division
  Credit Dept., Europe Division

Planning Dept., International Banking Unit
  Operations and Systems Dept., International Banking Unit
International Business Dept.
Global Investors Services Dept.
Credit Dept., International Banking Unit

Treasury Unit

Planning Dept., Treasury Unit
Treasury Dept.
International Treasury Dept.
Trading Dept.
Treasury Marketing Dept.

Investment Banking Unit

e-Business, Media and Telecom Office

Planning Dept., Investment Banking Unit
  Structured Finance Credit Dept.
  Asset Management Planning Dept., Investment Banking Unit
Structured Finance Dept.
  Financial Solutions Dept., Investment Banking Unit
Derivatives and Financial Engineering Dept.
Syndication Dept.
Mergers & Acquisitions Dept.
Corporate Finance Services Dept.

Corporate Services Unit

Administrative Services Dept.
  Secretariat
IT Planning Dept.
Systems Development Dept. I
Systems Development Dept. II
International and Market Systems Dept.
Operations Planning Dept.
  International and Market Operations Dept.
  Settlement and Clearing Services Dept.
e-Business Planning Dept.
Electronic Commerce Banking Dept.
  Global Cash Management Dept.
  e-Business Patent Dept.
Corporate Research Dept.
Credit Administration Dept.

Operations Supporting Dept.
Loan Administration and Operations Dept.
Consumer Loan Administration and Operations Dept.
International Business Operations Dept.
Capital Markets and Treasury Operations Dept.
Corporate Accounting Operations Dept.

(Table 1) Trend and Plan of Income

	FY99	FY00 initial plan	FY00 estimation	FY01 plan	FY02 plan *2	FY03 plan *2	FY04 plan *2
(Scale)<Average balance for Assets and Liabilities, balance as of balance sheet day for Stockholders' Equity> *1							billions of yen
Total Assets	97,774.7	102,550.0	99,000.0	96,200.0	95,500.0	94,800.0	94,000.0
Loans and Bill Discounted	65,283.1	68,372.2	63,100.0	62,800.0	62,800.0	62,800.0	62,600.0
Securities	15,105.3	13,671.3	18,400.0	16,100.0	15,600.0	15,100.0	14,600.0
Deferred Income Taxes (as of balance sheet day)	1,208.1	0.0	1,020.0	890.0	730.0	560.0	450.0
Total Liabilities	93,952.2	98,604.8	95,100.0	92,200.0	91,200.0	90,400.0	89,500.0
Deposits, NCD	68,110.1	70,394.8	66,900.0	65,800.0	66,000.0	66,200.0	66,400.0
Deferred Income Tax Liabilities for Land Revaluation (as of balance sheet day)	142.8	0.0	135.5	132.0	126.3	117.5	116.1
Total Stock Holders' Equity	4,132.9	4,098.4	4,273.9	4,698.4	4,752.4	4,842.5	5,007.2
Capital Stock	1,795.6	1,795.3	1,795.6	1,326.6	1,326.6	1,326.6	1,326.6
Capital Surplus	1,542.6	1,542.7	1,542.6	2,111.5	2,111.5	2,111.5	2,111.5
Legal reserve	227.4	239.7	238.9	246.1	256.3	267.3	278.3
Land Revaluation Excess	216.3	0.0	216.4	210.9	201.8	187.7	185.4
Earned Surplus	351.0	520.7	480.4	653.3	706.2	799.4	955.4
Evaluation Excess	0.0	0.0	0.0	150.0	150.0	150.0	150.0
(Income)							
Gross Banking Profit	1,430.4	1,420.1	1,385.0	1,428.0	1,485.0	1,560.0	1,630.0
Interest	1,214.0	1,212.1	1,143.0	1,170.0	1,197.0	1,241.0	1,277.0
Fees and Commissions	129.4	143.1	140.0	157.0	177.0	200.0	226.0
Trading	41.3	37.9	46.0	53.0	57.0	59.0	61.0
Other Operating	45.7	27.0	56.0	48.0	54.0	60.0	66.0
Gains / (Losses) on Bonds	(1.4)	3.9	0.0	0.0	0.0	0.0	0.0
Expenses	727.6	730.6	715.0	728.0	715.0	690.0	680.0
Personnel	303.7	302.0	295.9	294.0	285.0	274.0	268.0
Non-personnel	386.3	383.7	383.8	399.0	395.0	381.0	377.0
Net addition to General Reserve for Possible Loan Losses (a)	24.2	(3.5)	(160.0)	0.0	0.0	0.0	0.0
Core Banking Profit	678.6	693.0	830.0	700.0	770.0	870.0	950.0
Core Banking Profit before (a)	702.8	689.5	670.0	700.0	770.0	870.0	950.0
Loan Losses	1,106.4	210.0	730.0	200.0	200.0	150.0	150.0
Loan Losses including (a)	1,130.6	206.5	570.0	200.0	200.0	150.0	150.0
Gains (Losses) on Stocks and Other Securities	828.4	(30.0)	444.5	0.0	0.0	0.0	0.0
External-standard Enterprise taxes *3	0.0	0.0	15.5	24.0	25.0	26.0	27.0
Operating Profit	336.4	393.0	505.0	445.0	540.0	690.0	770.0
Extraordinary Profit	2.9	5.0	0.0	0.0	0.0	0.0	0.0
Extraordinary Loss	36.8	31.0	84.0	71.0	95.0	90.0	67.0
Income Taxes (Current)	10.6	156.1	209.0	164.0	190.0	255.0	283.0
Income Taxes (Deferred)	186.0						
Net Income	105.9	210.9	212.0	210.0	255.0	345.0	420.0
					change from the previous term, billions of yen		
Cut down on expenses by restructuring	40.5	28.4	27.5	12.6	21.6	19.4	7.3
Increase in Gross Profit by intensifying operational base	18.6	23.2	28.5	27.4	25.7	30.1	31.2
(Dividend)							
Profit available for dividend	292.5	433.9	450.1	544.5	588.5	666.1	796.2
Dividend *4	58.0	59.6	58.1	48.6	53.3	56.6	53.8
Rate of distribution	12	12	12	12	14	16	16
Payout Ratio *5	47.52	22.25	22.04	17.44	16.48	13.63	11.05
(Indicator)							
Yield on Total Funds(A)	3.27	3.61	2.45	2.59	2.74	2.93	3.13
Interest Earned on Loans (B)	2.27	2.66	2.34	2.50	2.68	2.89	3.10
Interest Earned on Securities	1.68	2.37	1.63	1.64	1.65	1.74	1.81
Cost of Funds (C)	2.84	3.21	2.05	2.17	2.29	2.40	2.55
Cost of Deposits (Including NCD) (D)	0.65	1.16	0.79	0.85	0.93	1.09	1.21
Expense Ratio (E)	1.06	1.03	1.06	1.09	1.07	1.03	1.02
Overall Interest Spread (A)-(C)	0.43	0.41	0.40	0.42	0.45	0.53	0.58
Interest Spread (B)-(D)-(E)	0.56	0.47	0.49	0.56	0.68	0.77	0.87
ROE (Core Banking Profit / Shareholders' Equity)	16.54	17.22	19.74	15.60	16.29	18.13	19.28
ROA (Core Banking Profit / Total Assets)	0.69	0.67	0.84	0.72	0.80	0.91	1.01

*1 Assumptions: Balances of Assets and Liabilities of Sakura Bank will be transferred to the new bank at the book value as the end of FY2000.
As they have not been settled, figures in the plan are changeable.
*2 Reduction in preferred stock (public funds) by using retained earnings: Reduction by Y150 bil. in FY2002, Y200 bil. in FY2003 and Y200 bil. in FY2004.
*3 External-standard enterprise taxes = External-standard enterprise taxes by Tokyo and Osaka governments are taken into account.
(The ordinances are pending.)
*4 Dividend for FY2000 = Including distribution due to merger
*5 Payout ratio for FY2000 = Dividend and distribution due to merger for ordinary share / (Net Income - Dividend and distribution due to merger for preference share)

（Table 2） Earnings Target by Unit

(Billion Yen)

	FY99 Actual	FY00 Estimation	FY01 Plan	FY04 Plan
Net Interest Income	289.0	294.0	306.0	369.0
Fees and Commissions + Foreign Exchange	24.0	41.0	53.0	80.0
Consumer Banking Unit	313.0	335.0	359.0	449.0
Net Interest Income	460.0	467.0	484.0	557.0
Fees and Commissions + Foreign Exchange	100.0	118.0	130.0	160.0
Middle Market Banking Unit	560.0	585.0	614.0	717.0
Net Interest Income	103.0	106.0	105.0	96.0
Fees and Commissions + Foreign Exchange	39.0	43.0	47.0	71.0
Corporate Banking Unit	142.0	149.0	152.0	167.0
Marketing	73.0	77.5	81.5	92.0
Treasury	5.0	5.5	5.5	6.0
International Banking Unit	79.0	83.0	87.0	98.0
Banking	283.0	172.0	175.0	160.0
Treasury	27.0	38.0	45.0	50.0
Treasury Unit	302.0	202.0	210.0	200.0
Other Unit	34.4	31.0	6.0	(1.0)
Gross Banking Profit	1,430.4	1,385.0	1,428.0	1,630.0
Expenses	(727.6)	(715.0)	(728.0)	(680.0)
Core Banking Profit (before including net addition to general reserve)	702.8	670.0	700.0	950.0

(Table 3) Consolidated Capital Ratio (BIS Guidelines)

(billions of yen)

	Mar 31, 00 Result	Mar 31, 01 Initial Plan	Mar 31, 01 Estimation	Mar 31, 02 Plan	Mar 31, 03 Plan	Mar 31, 04 Plan	Mar 31, 05 Plan
Capital Stock	1,781.1	1,782.1	1,781.1	1,312.2	1,312.2	1,312.2	1,312.2
Common Stock (*1)	1,127.9	1,131.6	1,127.9	661.7	736.7	836.7	936.7
Preferred Stock (Non-accumulative)	653.2	650.5	653.2	650.5	575.5	475.5	375.5
Preferred Securities	814.8	814.8	821.7	821.7	821.7	821.7	821.7
Capital Surplus	1,542.6	1,542.6	1,542.6	2,111.5	2,111.5	2,111.5	2,111.5
Earned Surplus (*2)	422.7	614.2	566.7	773.5	889.3	1,066.9	1,320.4
Foreign Currency Translation Adjustments	-	-	(92.0)	(92.0)	(92.0)	(92.0)	(92.0)
Others (*3)	83.3	65.4	138.3	146.3	167.3	194.3	228.3
Total Tier I	4,644.5	4,819.1	4,758.4	5,073.2	5,210.0	5,414.6	5,702.1
<Tax Effect>	<1,312.9>	< - >	<1,100.0>	<970.0>	<800.0>	<640.0>	<530.0>
Perpetual Subordinated Bonds	1,232.8	1,301.5	1,028.1	753.5	402.1	380.2	335.2
Perpetual Subordinated Loans							
Unrealized Gains on Securities	(-)	(-)	(-)	189.0	189.0	189.0	189.0
Unrealized Appreciation of Land	177.9	193.6	173.2	169.2	162.3	151.7	150.0
Reserve for Possible Loan Losses	592.8	542.2	420.6	420.6	420.6	420.6	420.6
Total Upper Tier II	2,003.5	2,037.3	1,621.9	1,532.3	1,174.0	1,141.5	1,094.8
Subordinated Bonds	1,802.3	1,729.5	1,797.5	1,723.6	1,580.9	1,393.7	1,227.8
Subordinated Loans							
Total Lower Tier II	1,802.3	1,729.5	1,797.5	1,723.6	1,580.9	1,393.7	1,227.8
Total Tier II	3,805.8	3,766.8	3,419.4	3,255.9	2,754.9	2,535.2	2,322.6
Subtraction Item	1.0	(-)	101.6	181.1	263.8	288.8	316.0
Total Capital	8,449.3	8,585.9	8,076.2	8,148.0	7,701.1	7,661.0	7,708.7

(billions of yen)

	Mar 31, 00 Result	Mar 31, 01 Initial Plan	Mar 31, 01 Estimation	Mar 31, 02 Plan	Mar 31, 03 Plan	Mar 31, 04 Plan	Mar 31, 05 Plan
Risk-Adjusted Assets	70,198.3	73,200.0	71,500.0	71,000.0	70,000.0	69,000.0	68,000.0
On-Balance-Sheet Items	65,421.5	65,700.0	66,700.0	66,200.0	65,200.0	64,200.0	63,200.0
Off-Balance-Sheet Items	4,335.0	6,700.0	4,350.0	4,350.0	4,350.0	4,350.0	4,350.0
Market Risk Equivalent Assets	441.8	800.0	450.0	450.0	450.0	450.0	450.0

(%)

	Mar 31, 00 Result	Mar 31, 01 Initial Plan	Mar 31, 01 Estimation	Mar 31, 02 Plan	Mar 31, 03 Plan	Mar 31, 04 Plan	Mar 31, 05 Plan
Capital Ratio	12.03	11.72	11.29	11.47	11.00	11.10	11.33
Tier I Ratio	6.61	6.58	6.65	7.14	7.44	7.84	8.38

	Mar 31, 00 Result	Mar 31, 01 Initial Plan	Mar 31, 01 Estimation	Mar 31, 02 Plan	Mar 31, 03 Plan	Mar 31, 04 Plan	Mar 31, 05 Plan
Evaluation Method on Listed Stocks	Cost method	Cost method	Cost method	Market method	Market method	Market method	Market method

(*1) After deduction of treasury shares and shares held by subsidiaries

(*2) Consolidated Earned Surplus minus Expected Outflows

(*3) Minority Interests in Consolidated Subsidiaries minus Preferred Securities

<Assumptions>

-Capital ratio projections are based on the assumption that balances of assets and liabilities of Sakura Bank are transferred at book value as of end of FY1999.

-Reduction in preferred stock (public funds) by using retained earnings: Reduction by 150 bil. in FY2002, 200 bil. in FY2003, 200 bil. in FY2004.

(Table 4) Earnings Targets (Core Banking Profit excluding transfer to General Reserves)

(billions of yen)

	FY00	FY01	FY02	FY03	FY04
Main Scenario (A)	670.0	700.0	770.0	870.0	950.0

Major Economic Assumptions

	FY00	FY01	FY02	FY03	FY04
Real GDP growth (%)	1.5	1.7	1.8	1.9	2.1
3 months TIBOR (yearly average) (%)	0.35	0.50	0.75	1.00	1.20
10 years JGB (yearly average) (%)	1.80	2.20	2.40	2.60	2.80
Foreign exchange rate (FY end) (Yen)	110	110	110	110	110
Stock Index, Nikkei 225 (FY end) (Yen)	15,747	15,747	15,747	15,747	15,747
Real Estate Prices	Prices hitting the bottom in FY 2000, then remaining flat				

Fluctuations from Main Scenario

(billions of yen)

	FY00	FY01	FY02	FY03	FY04
Optimistic Scenario(B)	n.a.	736.0	831.0	959.0	1,050.0
Change (B)-(A)	n.a.	36.0	61.0	89.0	100.0
Pessimistic Scenario (C)	n.a.	659.0	703.0	788.0	850.0
Change (C)-(A)	n.a.	(41.0)	(67.0)	(82.0)	(100.0)

(Table 5) Consolidated Earnings Targets

(billions of yen)

	FY99	FY00	FY04	
	Result	Estimation	Plan	Change from FY99
Consolidated Core Banking Profit	788.2	730.0	1,150.0	361.8
Consolidated Net Income	124.4	197.0	505.0	380.6

Consolidated Core Banking Profit = Non - consolidated Core Banking Profit + Operating Profit of Consolidated Subsidiaries

+ (Operating Profit of Affiliated Companies × % ownership) - Intercompany Eliminations (dividends, etc)

(Table 6)Subsidiaries and Affiliates (*1) [Sakura Bank]

(JPY Billion or Million local currency(*1))

Company Name	Main Business	Latest Fiscal Term	Total Asset	Total Borrowing	(*2) Sakura's portion	Equity	Sakura's portion	Operating Profit	Net Income	Consolidated/ Equity Method
Sakura Finance Service Co., Ltd.	Collecting agent, factoring	Sep. 00	98.6	38.4	22.0	0.9	0.0	0.6	0.7	Consolidated
Mitsui Finance Service Co., Ltd.	Collecting agent, factoring	Sep. 00	132.7	40.0	40.0	1.9	0.1	1.2	0.8	Consolidated
Sakura Card Co., Ltd.	Credit card services	Sep. 00	397.9	106.3	34.6	13.2	10.7	2.1	1.2	Consolidated
Sakura Mortgage Co., Ltd.	Mortgage certificate operations	Sep. 00	424.2	311.3	272.0	1.9	33.5	2.7	(10.9)	Consolidated
Sakura Leasing Co., Ltd.	Leasing	Sep. 00	172.5	155.0	122.6	0.5	0.0	0.5	0.3	Consolidated
Sakura K.C.S. Corporation	Computations, data processing	Sep. 00	20.3	2.5	1.4	11.3	0.2	0.6	0.3	Equity Method
Sakura Information Systems Co., Ltd.	Computations, data processing	Sep. 00	21.8	8.9	5.8	7.5	0.1	0.3	0.4	Consolidated
Sakura Capital Co., Ltd.	Venture capital investment and related services	Sep. 00	7.1	5.9	5.9	0.6	-	0.3	0.3	Equity Method
The Wakashio Bank, Ltd.	Commercial banking	Sep. 00	561.1	93.3	0.2	26.4	40.0	0.2	0.7	Consolidated
Sakura Securities Co., Ltd.	Securities business	Sep. 00	1,849.5	56.1	20.0	39.9	40.0	(0.2)	(0.2)	Consolidated
Sakura Friend Securities Co., Ltd.	Securities business	Sep. 00	220.1	29.5	21.5	45.2	21.2	3.4	3.2	Consolidated
The Minato Bank, Ltd.	Commercial banking	Sep. 00	2,343.3	67.3	20.0	83.9	37.7	5.1	2.6	Consolidated
S.G. Kanri Co., Ltd.	Real estate rental and manage	Sep. 00	339.6	288.6	288.6	4.1	-	2.1	2.1	Consolidated
Kobe Tochi Tatemono Co., Ltd.	Real estate rental, Sales of goods	Sep. 00	4.2	0.8	0.8	0.4	-	0.2	0.1	Equity Method
Yoyu Inc.	Real estate rental, Sales of goods	Sep. 00	5.4	3.2	2.1	1.5	0.0	0.8	0.8	Equity Method
Keihanshin Enterprise Co., Ltd.	Real estate sales, mediation and consulting	Sep. 00	28.1	27.8	24.7	(1.4)	0.0	0.2	0.1	Equity Method
Yoei Taiyo Housing Co., Ltd.	Real estate sales, mediation	Sep. 00	56.2	44.4	25.5	5.0	0.0	1.9	2.1	Equity Method
Muromachi Co., Ltd.	Real estate rental	Sep. 00	29.0	18.1	13.9	0.5	-	0.7	0.4	Equity Method
Muromachi Real Estate Co., Ltd.	Real estate rental, mediation	Sep. 00	27.0	25.0	25.0	0.9	-	0.4	0.2	Equity Method
Muromachi Create Co., Ltd.	Real estate consulting	Sep. 00	10.6	6.9	6.9	0.4	-	(0.1)	(0.1)	Equity Method
Kobe Birukanri Co., Ltd.	Building manage	Sep. 00	1.7	0.3	0.3	1.1	-	0.1	0.2	Equity Method

(JPY Billion or Million local currency(*1))

Company Name	Main Business	Latest Fiscal Term	Total Asset	Total Borrowing	(*2) Sakura's portion	Equity	Sakura's portion	Operating Profit	Net Income	Consolidated/ Equity Method
Muromachi Building Service Co., Ltd.	Building manage	Sep. 00	7.4	4.1	2.3	2.1	-	0.3	0.2	Equity Method
Keihanshin Insurance Agency Co., Ltd.	Insurance agency	Sep. 00	2.2	0.5	0.5	1.1	0.0	0.1	0.1	Equity Method
Muromachi Shoji Co., Ltd.	Sales of goods and catering	Sep. 00	0.5	0.1	0.1	0.2	-	0.0	0.0	Equity Method
Career Promote Co., Ltd.	Employment agency	Sep. 00	0.3	0.1	0.1	0.1	-	0.0	0.0	Equity Method
Sakura Finance International Limited (UK)	Securities, finance	Jun. 00	39.2	19.6	15.1	5.9	10.0	0.0	0.0	Consolidated
Sakura Global Capital, Inc. (USA)	Swaps, options market making	Jun. 00	263.5	81.2	81.2	7.9	10.9	0.1	0.1	Consolidated
Sakura Dellsher, Inc. (USA)	Futures commission merchant	Jul. 00	17.2	0.7	0.7	1.4	1.3	0.2	0.1	Consolidated
Sakura Capital Funding (Cayman) Limited	Medium- and long-term finance	Jun. 00	407.6	402.5	402.5	0.0	0.0	0.0	0.0	Consolidated
Sakura Finance (Cayman) Limited	Medium- and long-term finance	Jun. 00	324.1	340.7	340.7	0.0	0.0	0.0	0.0	Consolidated
China United International Leasing Co., Ltd. (PRC)	Leasing	Jun. 00	3.0	2.0	0.5	0.9	0.1	0.0	0.0	Equity Method
Sakura Finance Asia Limited (Hong Kong)	Finance	Sep. 00	17.4	1.1	1.1	6.9	6.6	0.8	0.8	Consolidated
Bangkok Sakura Leasing Co., Limited (Thailand)	Leasing	Jun. 00	70.3	51.3	30.4	6.1	0.6	7.3	5.1	Equity Method
Thai Sakura Finance Co., Ltd. (Thailand)	Finance	Jun. 00	142.6	123.9	8.4	15.8	7.3	0.8	0.8	Consolidated
Sakura Finance Australia Limited (Australia)	Commercial banking	Jun. 00	100.2	23.5	23.5	8.2	5.4	0.5	0.3	Consolidated
P.T. Bank Sakura Swadharma (Indonesia)(*3)	Commercial banking	Jun. 00	232.9	123.8	123.8	24.1	21.8	1.1	1.1	Consolidated
P.T. Perjahl Leasing Indonesia (Indonesia)(*3)	Leasing	Jun. 00	10.1	7.2	1.4	2.8	0.6	0.0	0.0	Equity Method

(*1) This table includes all the subsidiaries and affiliates which were consolidated in the Sep. 2000 intermediary financial account.
(Excluding the companies to which Sakura Bank provides credit of no more than Yen 100mil)
Financial data of overseas companies (Sakura Finance International and below) are denominated in local currency.
Each figure is rounded off to the nearest whole number.
(*2) Sakura's portion of the total borrowing includes guarantee.
(*3) Financial data of Indonesian subsidiaries are denoted in billion Rupiah

Domestic Subsidiaries and Affiliates [Sumitomo Bank]

(JPY Billion)

Company Name	Main Business	Latest Fiscal Term	Total Asset	Total Borrowing	(*1) Sumitomo's portion	Equity	Sumitomo's portion	Operating Profit	Net Income	Consolidated/ Equity Method
SB Leasing Company, Limited	Leasing business	Sep. 00	1,741.8	1,276.0	101.0	32.0	30.2	0.9	0.1	Consolidated
The Sumitomo Credit Service Company, Limited	Credit card business	Sep. 00	672.7	261.7	28.8	44.0	0.2	6.9	4.0	Consolidated
Sumigin General Finance Company, Limited	Mortgage securities, factoring and loan business	Sep. 00	747.5	416.2	98.8	18.0	30.0	-2.4	-2.6	Consolidated
Sumigin Guarantee Company, Limited	Credit guarantee business	Sep. 00	4,744.8	80.3	70.9	2.7	0.0	0.0	0.0	Consolidated
SB Investment Co., Ltd.	Venture capital business	Sep. 00	6.7	4.4	4.4	2.2	1.7	0.1	0.1	Consolidated
The Bank of Kansai, Ltd.	Commercial banking business	Sep. 00	1,156.3	18.0	18.0	40.7	37.4	4.2	2.3	Consolidated
The Japan Research Institute, Limited	Economic research, system engineering and management consulting	Sep. 00	52.0	23.0	9.5	16.9	0.2	1.9	1.0	Equity Method
QUOQ Inc.	Purchase of monetary assets and credit guarantee business	Sep. 00	1,474.0	900.3	162.7	28.3	0.1	2.6	1.4	Equity Method
Daiwa Securities SB Capital Markets Co. Ltd.	Securities business and derivatives	Sep. 00	6,569.6	781.4	60.0	358.3	163.2	61.8	34.9	Equity Method
Daiwa SB Investments Ltd.	Investment advisory and investment trust business	Sep. 00	11.4	0.0	0.0	8.4	5.6	0.4	0.2	Equity Method
DLJdirect SFG Securities Inc.	On-line discount brokerage services	Sep. 00	62.3	4.1	1.0	3.3	0.7	-1.1	-1.1	Equity Method
Meiko National Securities Co., Ltd.	Securities business	Sep. 00	186.1	1.3	0.3	60.0	8.5	3.3	3.0	Equity Method

(*1) Total borrowing includes bonds and commercial papers. Sumitomo's portion of the total borrowing includes guarantee.

Overseas Subsidiaries and Affiliates(*1) < Sumitomo Bank >

(Million local currency(*1))

Company Name	Main Business	Currency	Latest Fiscal Term	Total Asset	Total Borrowing	(*2) Sumitomo's portion	Equity	Sumitomo's portion	Operating Profit	Net Income	Consolidated/ Equity Method
Sumitomo Bank Capital Markets, Inc.	Investment and derivative business	US$	Jun. 00	4,451	377	377	918	500	35	22	Consolidated
Sumitomo Bank Leasing and Finance, Inc.	Leasing business	US$	Jun. 00	1,048	305	290	642	590	27	15	Consolidated
Sumitomo Bank Securities, Inc.	Securities business	US$	Jun. 00	2,979	2,931	2,025	43	40	1	1	Consolidated
Sumitomo Finance (Bermuda) Limited	Investment business	US$	Jun. 00	1,813	740	100	1,073	1,000	31	31	Consolidated
SFVI Limited	Investment business	US$	Jun. 00	781	260	65	521	500	20	20	Consolidated
The Sumitomo Bank of Canada	Commercial banking business	CAN$	Jul. 00	750	143	101	78	52	3	2	Consolidated
Banco Sumitomo Brasileiro S.A.	Commercial banking business	R$	Jun. 00	925	660	510	202	109	15	11	Consolidated
Sumitomo Finance International plc	Investment and loan business	STG	Jun. 00	865	538	384	96	200	12	12	Consolidated
Sumitomo Finance (Dublin) Limited	Investment and loan business	US$	Jul. 00	120	98	107	21	12	0	0	Consolidated
Sumitomo Finance (Asia) Limited	Investment and loan business	US$	Jun. 00	78	16	16	28	38	1	1	Consolidated
PT Bank Sumitomo Indonesia	Commercial banking business	RPIAH	Jun. 00	4,197	350	419	413	743	83	57	Consolidated
Sumitomo International Finance Australia Limited	Loan business	A$	Jun. 00	1,214	1,005	7	102	65	6	4	Consolidated

(*1) Financial data of foreign subsidiaries and affiliates are denoted by local currency (in millions, except Indonesia (in billions)).

(*2) Total borrowing includes bonds and commercial papers. Sumitomo's portion of the total borrowing includes guarantee.

(Table 7) Restructuring Plan

	Mar 31,00 (non-consolidated)	Mar 31,01 initial plan	Mar 31,01 estimation	Mar 31,02 plan	Mar 31,03 plan	Mar 31,04 plan	Mar 31,05 plan
(Number of Employees and Directors)							
Directors *1	42	59	44	38	38	36	36
Employees *2	29,324	28,000	27,500	26,200	24,800	23,200	23,200

*1 Directors = Those of commercial law (including auditors and non-standing directors)
We consider that the number of directors in this plan is the upper limit, and we are planning to consider it from now on.
*2 Employees = Registered base (excluding directors, executive officers, contract employees, temporary and overseas recruited)

(Number of Offices)

	Mar 31,00 (non-consolidated)	Mar 31,01 initial plan	Mar 31,01 estimation	Mar 31,02 plan	Mar 31,03 plan	Mar 31,04 plan	Mar 31,05 plan
Domestic Offices *1	653	622	578	573	513	470	470
Overseas Offices *2	36	28	33	23	22	22	22
(Ref.) Overseas Subsidiaries *3	42	40	34	30	28	27	27

*1 Domestic Offices = Excluding sub-branches, agencies and virtual branches
*2 Overseas Offices = Excluding sub-branches and representative offices
*3 Overseas Subsidiaries = Excluding those with ownership ratio less than 50%

(Personnel Expenses) millions of yen

	FY99 (non-consolidated)	FY00 initial plan	FY00 estimation	FY01 plan	FY02 plan	FY03 plan	FY04 plan
Personnel Expenses *	303,697	302,000	295,900	294,000	285,000	274,000	268,000

* Personnel Expenses = Followings are included.
-Salaries and Bonuses for employees, those contracted and overseas recruited
-Salaries and Bonuses as employees for directors and executive officers
-Expense for Retirement Benefit

(Non-personnel Expenses) millions of yen

	FY99 (non-consolidated)	FY00 initial plan	FY00 estimation	FY01 plan	FY02 plan	FY03 plan	FY04 plan
Non-personnel Expenses	386,312	383,700	383,800	399,000	395,000	381,000	377,000
For Computerization	70,611	73,500	92,100	104,500	103,900	96,900	93,500
(figures with the new bank's definition)*	88,170	89,100					

* The new bank's definition = Adjusted for the differences in the definitions of the present banks.

(Table 8) Committees

Name	Chairman	Member	Purpose
Board of Directors	Chairman of the Board	Directors and Auditors	Decision making of important issue and supervising management execution
Nominating Committee	Chairman of the Board	President, Director in charge of Human Resources Dept. and Outside Directors	Consideration of issues related to election of candidates of Directors, Managing Directors and representing Directors
Compensation Committee	Outside Directors	Chairman of the Board, President, Director in charge of Human Resources Dept. and Outside Directors	Consideration of compensation of Directors and Executive Officers
Risk Management Committee	Chairman of the Board	President, Directors in charge of Corporate Risk Management Dept., Credit Risk Management Dept., Corporate Planning Dept. and General Affairs Dept. and Outside Directors	Consideration of issues related to risk management policy
Management Committee	President	Executive officers appointed by the President	Discussion and determination of important issues for business execution including subsidiaries and affiliates
Market Risk Management Committee	President	Members of the Management Committee, General Manager of Planning Dept., Investment Banking Unit, General Managers of departments of Treasury Unit, General Manager of Corporate Planning Dept., General Manager of Corporate Risk Management Dept. and General Manager of Audit Dept.	Discussion and determination of basic policy of market and liquidity risk management
Credit Risk Management Committee	President	Members of the Management Committee, General Manager of Corporate Planning Dept., General Manager of Credit Risk Management Dept., General Manager of Corporate Risk Management Dept., General Manager of Audit Dept. and General Manager of Credit Review Dept.	Discussion and determination of basic policy of credit risk management including the criteria of self assessment and write off
IT Strategy Committee	President	Members of the Management Committee, General Manager of Corporate Planning Dept., General Manager of IT Planning Dept., General Manager of Operations Planning Dept., and General Managers of Planning Departments of each Unit.	Discussion and determination of source allocation and priority for IT development
Executive Officer's Meeting	-	Executive officers except overseas resident	Communication among executive officers including notifying the result of Board Meeting and Management Committee
ALM Committee	Directors in charge of Corporate Risk Management Dept. and Treasury Unit	Director in charge of Corporate Planning Dept., General Managers of Planning Departments of each Unit. General Managers of departments of Treasury Unit, General Manager of Corporate Planning Dept., General Manager of Corporate Risk Management Dept. and General Manager of Subsidiaries and Affiliates Dept.	Consideration and report of issues related to ALM

Note: Details of committees of the new bank, including name and member, are currently under discussion based on the table above. Establishment of other committees, such as Internal Rating Committee, and Compliance Committee, are under consideration also.

(Table 9) < Changes in Contents of the Preferred Stock by the Public Fund >

	Sakura Bank		Sumitomo Bank	
	Former → New		No Changes occur from the Merger	
Type	Type 2 (Series III)	Category V	Category I (Series I)	Category I (Series II)
Exchange Ratio	1 : 1		-	
Issued Amount	JPY 800 Bil.	JPY 800 Bil.	JPY 201 Bil.	JPY 300 Bil.
Liquidation Preference	JPY 1,000	JPY 1,000	JPY 3,000	JPY 3,000
Amount to be Built into Capital	JPY 500	JPY 500	JPY 1,500	JPY 1,500
Preferred Dividend	JPY13.7	JPY 13.7	JPY 10.5	JPY 28.5
Preferred Dividend Ratio	1.37%	1.37%	0.35%	0.95%
Preferred Interim Dividend	JPY 6.85	JPY 6.85	JPY 5.25	JPY 14.25
Initial Conversion Price	Market Price(*1) at Oct.1, 2002	Market Price(*1) at Oct.1, 2002	JPY 1,400 (Market Price of the Issue Date)	Market Price(*1) at Aug.1, 2005
Conversion Period	Oct.1, 2002 -Sep.30, 2009	Oct.1, 2002 -Sep.30, 2009	May 1, 2002 -Feb.26, 2009	Aug.1, 2005 -Feb.26, 2009
Reset of the Conversion Price (Both Downwards and Upwards)	To the Market Price (*1) at Oct.1 each year (During the Conversion Period)	To the Market Price (*1) at Oct.1 each year (During the Conversion Period)	To the Market Price (*1) at Aug.1 each year (During the Conversion Period)	To the Market Price (*1) at Aug.1 each year (During the Conversion Period)
Floor Price (*2) of Conversion	JPY 155	JPY 258.33	JPY 980	JPY 980
Final Mandatory Conversion Date	Oct.1, 2009	Oct.1, 2009	Feb.27, 2009	Feb.27, 2009
Floor Price (*2) at the Final Mandatory Conversion Date	JPY 155	JPY 258.33	JPY 500	JPY 500

(*1) Market Price is the average of closing prices of 30 trading days starting from the 45 trading days prior to the date of determination.

(*2) Floor Price = Initial conversion price ÷ 0.6 (0.6 = Merger ratio of the common stock)

(Table 10) <Plan for Earned Surplus Increase>

Billions of Yen

	FY00 estimation	FY01 plan	FY02 plan	FY03 plan	FY04 plan	FY05 trial calculation	FY06 trial calculation
Earned Surplus	480.4	653.3	706.2	799.4	955.4	1,311.7	1,668.8

Note: Reduction in public funds by using retained earnings:
FY2002 Y150 bil.
FY2003 Y200 bil.
FY2004 Y200 bil.
As for FY2005 and FY2006, assumptions are the same as for FY2004,
but do not take into account the reduction in public funds by using retained earnings .

(Table 11) Loans and Bills Discounted

[Sakura Bank]

(Balance) billions of yen

		Mar 31,00 *3	Sep 30,00 (A)	Ratio *2	Mar 31,01 Plan *3
Domestic	including Impact Loans	30,343.6	29,744.0	100.2%	30,493.6
	excluding Impact Loans	28,809.7	28,378.9	100.5%	28,959.7
Small and Medium-sized enterprises *1	including Impact Loans	14,756.1	14,523.5	101.8%	14,686.1
	excluding Impact Loans	14,326.7	14,115.0	101.9%	14,256.7
Loans with guarantee of Credit Guarantee Corporation		1,867.5	1,773.4	100.8%	1,867.5
Individuals (excluding business loans)		6,704.3	6,676.2	100.5%	7,079.3
Housing Loan		5,502.5	5,554.0	100.7%	5,877.5
Others		8,883.2	8,544.2	97.5%	8,728.2
Overseas *4		1,596.3	1,488.5	100.4%	1,691.3
Total		31,939.9	31,232.5	100.2%	32,184.9

(Actual Conditions <excluding factors shown below>)

		Mar 31,00 *3	Sep 30,00 (A)+(B)	Mar 31,01 Plan *3
Domestic	including Impact Loans	30,343.6	29,989.3	30,793.6
	excluding Impact Loans	28,809.7	28,624.2	29,259.7
Small and Medium-sized enterprises *1	including Impact Loans	14,756.1	14,741.1	14,856.1
	excluding Impact Loans	14,326.7	14,332.6	14,426.7

*1 Small and Medium-sized enterprises = Loans to following enterprises.
-Wholesaling enterprise whose capital is Y100 mil. or less or number of employees is 100 or less
-Services enterprise whose capital is Y50 mil. or less or number of employees is 100 or less
-Retailing enterprise whose capital is Y 50mil. or less or number of employees is 50 or less
-Other enterprise whose capital is Y300 mil. or less or number of employees is 300 or less
-Unincorporated enterprise
*2 Ratio = Balance as of the end of the month / average balance of the month
*3 Source: Report on Status of Performance for FY1999
*4 Overseas = Based on the exchange rate on the balance sheet day

(Factors for reduction in loans) (billions of yen)

	1st Half FY00 (B)	1st Half FY00 Small and Medium-sized enterprises	FY00 Plan *2	FY00 Plan Small and Medium-sized enterprises
Direct Write-offs	5.2	5.2	90.0	30.0
Sales of loans to CCPC	0.0	0.0	0.0	0.0
Other sales and securitization of loans	30.1	49.8	100.0	90.0
Change of accounting method *1	205.7	158.5	100.0	50.0
Sales of loans to RCC	4.0	4.0	0.0	0.0
Others	0.3	0.1	10.0	0.0
Total	245.3	217.6	300.0	170.0

*1 Partial direct reduction, etc.
*2 Source: Report on Status of Performance for FY1999

[Sumitomo Bank]

(Balance)

billions of yen

		Mar 31,00 *3	Sep 30,00 (A)	Ratio *2	Mar 31,01 Plan *3
Domestic	including Impact Loans	28,411.5	28,603.2	100.1%	28,061.5
	excluding Impact Loans	27,445.1	27,922.0	102.2%	27,245.1
Small and Medium-sized enterprises *1	including Impact Loans	14,074.1	14,029.3		13,834.1
	excluding Impact Loans	13,756.2	13,843.1		13,606.2
Loans with guarantee of Credit Guarantee Corporation		1,289.9	1,220.2		1,339.9
Individuals (excluding business loans)		6,180.2	6,001.3		6,230.2
Housing Loan		5,216.8	5,096.0		5,316.8
Others		8,157.2	8,572.6		7,997.2
Overseas *4		2,947.1	3,187.6	98.9%	3,197.1
Total		31,358.6	31,790.8	101.4%	31,258.6

(Actual Conditions <excluding factors shown below>)

		Mar 31,00 *3	Sep 30,00 (A)+(B)	Mar 31,01 Plan *3
Domestic	including Impact Loans	28,411.5	28,678.8	28,311.5
	excluding Impact Loans	27,445.1	27,997.6	27,495.1
Small and Medium-sized enterprises *1	including Impact Loans	14,074.1	14,173.9	14,084.1
	excluding Impact Loans	13,756.2	13,987.7	13,856.2

*1 Small and Medium-sized enterprises = Loans to following enterprises.
-Wholesaling enterprise whose capital is Y100mil. or less or number of employees is 100 or less
-Services enterprise whose capital is Y50mil. or less or number of employees is 100 or less
-Retailing enterprise whose capital is Y50mil. or less or number of employees is 50 or less
-Other enterprise whose capital is Y300mil. or less or number of employees is 300 or less
-Unincorporated enterprise

*2 Ratio = Balance as of the end of the month / average balance of the month

*3 Source: Report on Status of Performance for FY99

*4 Overseas = Including domestic foreign currency loans and offshore loans
Based on the exchange rate on the balance sheet day

(Factors for reduction in loans)

(billions of yen)

	1st Hal FY00 (B)	1st Hal FY00 Small and Medium-sized enterprises	FY00 Plan *2	FY00 Plan Small and Medium-sized enterprises
Other sales and securitization of loans	(100.6)	0.0	0.0	0.0
Direct Write-offs	40.6	36.0		
Sales of loans to CCPC	41.8	41.8	250.0	250.0
Change of accounting method *1	31.5	15.8		
Sales of loans to RCC	4.0	4.0		
Others	58.3	47.0		
Total	75.6	144.6	250.0	250.0

*1 Partial direct reduction, etc.

*2 Source: Report on Status of Performance for FY99

(Table 12) Risk Management System of the New Bank

Risk Category	Department in Charge	Management System
Credit Risk	Credit Risk Management Dept.	• "Credit Policy" is periodically enacted by the Board of Directors as the fundamental rule of the credit. Credit risk management follows the Policy. • The following basic items are also enacted: "Credit Risk Model" to watch credit risk comprehensively, "Credit Supervising Process" to realize effective operation and "Portfolio Management" to pursue optimum portfolio.
Market Risk	Corporate Risk Management Dept.	• Fundamental policy of risk management is periodically enacted by the Board of Directors. Risk management and operation follow the policy.
Liquidity Risk	Corporate Risk Management Dept.	• Fundamental policy of risk management is periodically enacted by the Board of Directors. Risk management and opeation follow the policy. (similar to market risk management) • Contingency Plan is enacted.
Operational Risk	Operations Planning Dept.	• "Fundamental Operation Rule" is enacted as basic policy and principle for risk management system, running of operation and execution of operation. • Based on the Rule, basic policy is periodically enacted by the Board of Directors. Risk management and operaton follow the policy.
System Risk	IT planning Dept.	• Fundamental policy of risk management is periodically enacted by the Board of Directors. Risk management and operation follow the policy. • Security policy of information system is enacted and the organization revised accordingly.
Compliance (including Legal Risk)	General Affairs Dept.	• "Compliance Manual" is enacted by the Board of Directors as the principles of all the Directors and employees. "Compliance Program" is also enacted as an annual action plan.

(Table 13) <Obligor Grading System>

<table>
<tr><th>Grading</th><th>Definition</th><th>Self-Assessment/ Borrower Categories</th></tr>
<tr><td>1</td><td>A very high degree of certainty regarding the discharge of debt.</td><td rowspan="6">Normal</td></tr>
<tr><td>2</td><td>A high degree of certainty regarding the discharge of debt.</td></tr>
<tr><td>3</td><td>An adequate degree of certainty regarding the discharge of debt.</td></tr>
<tr><td>4</td><td>An acceptable degree of certainty regarding the discharge of debt, but possible to be affected by a major change in business environment.</td></tr>
<tr><td>5</td><td>No problem for the present in the degree of certainty regarding the discharge of debt, but possible to be affected by a change in business environment.</td></tr>
<tr><td>6</td><td>No problem at present in the degree of certainty regarding the discharge of debt. However, possible problem in the future in the degree of certainty regarding the discharge of debt, as some key components uncertain.</td></tr>
<tr><td>7</td><td>Problem in some key components, and needs attention to monitoring.</td><td>Needs Caution</td></tr>
<tr><td>8</td><td>Not bankruptcy at present, but in difficult condition, insufficient performance in rehabilitation plan, and in danger of bankruptcy.</td><td>Possible Bankruptcy</td></tr>
<tr><td>9</td><td>Not legally bankrupt, but in serious condition, no positive outlook for rehabilitation, and in effect bankrupt.</td><td>Virtual Bankruptcy</td></tr>
<tr><td>10</td><td>Legal bankruptcy.</td><td>Legal Bankruptcy</td></tr>
</table>

Note: Gradings will be subdivided for more detailed management.

(Table 14) The Results of Asset Audits in compliance with Article 3.2 of the Financial Revitalization Law

[Sakura] (billions of yen)

	Mar 31, 00 Non-consolidated	Sep 30, 00 Non-consolidated	Policy for Write-Offs and Reserves
Bankruptcy, etc.	394.7	439.9	Based on self-assessment, All of Class IV is written off, and 100% specific reserve is provided for unsecured portion of Class III.
In Danger of Bankruptcy	880.8	729.1	Amounts corresponding to 70% or more of the unsecured portions of individual assets are set aside as specific reserve
Special Attention	448.0	215.0	General reserve amounting to 15%, equivalent to U.S. standards, of the unsecured portions of the special attention borrowers is set aside.
Normal	33,184.9	32,757.5	Other caution categories excluding special attention are divided into two sub-categories. General reserve amounting to expected losses calculated by the each default probability correlated to the average length of time to maturity for the respective sub-categories. As for normal category, general reserve is set aside in proportion to the expected losses over the next 12 months based on credit risk quantification.

Reserve for Possible Loan Losses (billions of yen)

	Mar 31, 00 Non-consolidated	Sep 30, 00 Non-consolidated
General Reserve	198.8	182.0
Specific Reserve	454.0	316.2
Reserve for Loans to Restructuring Countries	7.6	10.8
Sub-total	660.4	509.0
Reserve for Possible Losses from Loans Sold to CCPC	94.8	70.2
Total	755.3	579.3

[Sumitomo] (billions of yen)

	Mar 31, 00 Non-consolidated	Sep 30, 00 Non-consolidated	Policy for Write-Offs and Reserves
Bankruptcy, etc.	190.8	181.8	100% write-off (including direct reduction) or 100% reserves provided for the portion excluding amounts recoverable.
In Danger of Bankruptcy	1,351.2	1,838.7	Various reserve ratio applied to respective assets for the portion excluding amounts recoverable, based on their overall solvency.
Special Attention	375.0	144.0	Amount of future expected loss is reserved, based on historical credit loss ratio and average life of respective assets. 15% of entire exposure is covered by reserves.
Normal	32,849.8	32,987.9	Amount of future expected loss is reserved based on historical credit loss ratio according to the classification in self-assessment. As for customers requiring caution, different reserve categories are applied based on each customer's financial condition, credit history and credit rating.

Reserve for Possible Loan Losses (billions of yen)

	Mar 31, 00 Non-consolidated	Sep 30, 00 Non-consolidated
General Reserve	357.6	229.7
Specific Reserve	539.1	717.5
Reserve for Loans to Restructuring Countries	12.3	11.6
Sub-total	909.0	958.8
Reserve for Possible Losses from Loans Sold to CCPC	111.6	65.4
Total	1,020.6	1,024.3

(Table 15) Risk-Monitored Loans

[Sakura] (billions of yen,%)

	Mar 31, 00 Non-consolidated	Sep 30, 00 Non-consolidated	Sep 30, 00 Consolidated
In Legal Bankruptcy (A)	156.6	165.6	195.5
Decrease by the Change of Accounting Standards (*)	360.5	377.3	479.6
Past Due Loans (B)	1,067.7	965.8	1,210.3
Decrease by the Change of Accounting Standards (*)	441.8	549.8	729.4
Past Due Loans (3 Months or more) (C)	35.2	53.5	62.7
Restructured Loans (D)	412.7	161.5	187.5
(1)Reduction of the original interest rate	103.2	102.1	104.8
(2)Forbearance of interest payments	0.0	0.0	0.0
(3)Loans to supported companies	282.7	34.3	34.3
(4)Forbearance of principal repayments	26.7	18.2	41.4
(5)Others	0.0	6.8	6.8
Total (E)=(A)+(B)+(C)+(D)	1,672.3	1,346.6	1,656.0
Ratio (E)/ Total Loans	5.24	4.31	4.96

[Sumitomo] (billions of yen,%)

	Mar 31, 00 Non-consolidated	Sep 30, 00 Non-consolidated	Sep 30, 00 Consolidated
In Legal Bankruptcy (A)	73.0	75.0	92.1
Decrease by the Change of Accounting Standards (*)	161.2	169.4	226.9
Other Non-accrual (B)	1,436.1	1,894.0	2,098.0
Decrease by the Change of Accounting Standards (*)	544.6	575.3	739.0
Past Due Loans (3 Months or more) (C)	40.3	24.9	67.4
Decrease by the Change of Accounting Standards (*)	-	-	4.1
Restructured Loans (D)	334.7	119.1	165.1
(1)Reduction of the original interest rate	180.2	46.6	84.7
(2)Forbearance of interest payments	0.0	0.0	1.7
(3)Loans to supported companies	6.3	6.9	6.9
(4)Forbearance of principal repayments	148.2	58.7	60.2
(5)Others	-	6.9	11.6
Total (E)=(A)+(B)+(C)+(D)	1,884.1	2,113.0	2,422.6
Ratio (E)/ Total Loans	6.01	6.64	7.26

(*) Partial direct deduction of claims by change in accounting standards.

(Table 16) Disposition of Problem Loans

[Sakura] (billions of yen)

	Non-consolidated		Consolidated	
	FY99	FY00 1st half	FY99	FY00 1st half
Loan Losses (A)	464.5	115.4	538.3	186.4
Direct Write-offs	113.3	74.7	122.3	90.6
Net Addition to Specific Reserves	194.7	13.1	256.7	67.9
Losses on Sales of Loans to CCPC	92.5	24.1	93.0	24.2
Losses on Sales of Loans to RCC (*1)	0.2	0.1	0.5	0.1
Losses on Bulk Sales	13.9	0.0	13.9	0.3
Others	49.6	3.2	51.7	3.2
Net Addition to General Reserves (B)	(14.6)	(16.7)	(15.3)	(30.6)
Total (A)+(B)	449.9	98.6	523.0	155.8

[Sumitomo] (billions of yen)

	Non-consolidated		Consolidated	
	FY99	FY00 1st half	FY99	FY00 1st half
Loan Losses (A)	641.9	327.2	704.3	362.0
Direct Write-offs	347.4	54.5	439.1	73.3
Net Addition to Specific Reserves	253.0	266.5	219.1	281.5
Losses on Sales of Loans to CCPC (*2)	2.6	-	2.6	-
Losses on Sales of Loans to RCC (*1)	0.8	0.2	0.8	0.2
Losses on Bulk Sales	18.8	3.0	22.3	4.0
Net Addition to Reserves for Loans to Restructuring Countries	(3.1)	(0.7)	(3.1)	(0.7)
Others	22.4	3.7	23.5	3.7
Net Addition to Reserves for Possible Losses from Loans Sold to CCPC	22.4	3.7	23.5	3.7
Others	-	-	-	-
Net Addition to General Reserves (B)	38.8	(127.9)	29.2	(133.8)
Total (A)+(B)	680.7	199.3	733.5	228.1

(*1) Losses on Sales of Loans to the Resolution and Collection Corporation, based on Financial Revitalization Law Article 53.
(*2) Losses on Sales of Loans to CCPC : Primary Loss
Net Addition to Reserves for Possible Losses from Loans Sold to CCPC: Secondary losses and net addition to reserves from loans sold to CCPC

(Table 17) Resources for disposition of problem loans

[Sakura] (billions of yen)

	Non-consolidated		Consolidated	
	FY99	FY00 1st half	FY99	FY00 1st half
Core Banking Profit before General Reserve for Possible Loan Losses*	313.4	166.8	313.4	166.8
Gains on Bonds	2.4	(1.3)	3.6	(0.5)
Gains on Stocks	341.7	(16.5)	342.9	(9.1)
Gains on Disposition of Premises and Equipment	(6.1)	(3.9)	(12.2)	(2.4)
Others, Income Taxes (Deferred)	-	-	-	0.6
Total	649.0	146.4	644.1	155.8

(*) For expediency, Consolidated Core Banking Profits = Non-consolidated Core Banking Profits

[Sumitomo] (billions of yen)

	Non-consolidated		Consolidated	
	FY99	FY00 1st half	FY99	FY00 1st half
Core Banking Profit before General Reserve for Possible Loan Losses*	389.4	203.6	389.4	203.6
Gains on Bonds	(4.0)	(0.8)	(4.0)	(0.8)
Gains on Stocks	486.7	139.5	515.6	252.3
Gains on Disposition of Premises and Equipment	(6.9)	(6.3)	(8.3)	(6.4)
Others**	-	-	89.9	22.5
Total	869.2	336.8	986.6	472.0

(*) For expediency, Consolidated Core Banking Profits = Non-consolidated Core Banking Profits

(**) Includes operating profit of subsidiaries.

(Table 18) Bankruptcies in 1st half, FY2000

[Sakura Bank] (billions of yen)

Internal Grading One Year Before the Bankruptcy	Number of Bankruptcies	Amount
1	0	0.0
1-II	0	0.0
2	0	0.0
3	0	0.0
4a	0	0.0
4b	0	0.0
4c	1	0.4
5a	1	0.2
5b	4	1.5
5c	4	0.4
6a	10	1.4
6b	7	0.4
6c	11	1.1
7	6	0.7

Notes: 1. Small items (credit = less than Y50 mil.) are excluded.
2. Amount = Credit as of Sep 30, 2000

[Sumitomo Bank] (billions of yen)

Internal Grading One Year Before the Bankruptcy	Number of Bankruptcies	Amount
A	0	0.0
B+	0	0.0
B	1	0.1
B-	0	0.0
C	7	1.3
C-	37	22.4
D	47	16.7
E	36	12.4

Notes: 1. Small items (credit = less than Y50 mil.) are excluded.
2. Amount = Credit at bankruptcy

(Table19) Unrealized Gains / Losses

[Sakura Bank] Billions of Yen

	Mar 31, 00 (Non-consolidated)				
	Book Value	Market Value	Net Gain/Loss	Gain	Loss
Securities *1	6,911.6	7,574.4	662.7	1,103.8	441.0
Bond	2,394.0	2,366.1	(27.8)	7.2	35.1
Stock	3,546.3	4,229.2	682.9	1,075.6	392.6
Other	971.2	978.9	7.7	21.0	13.2
Money Held in Trust *1	72.3	72.6	0.3	0.5	0.2
Land Revaluation Excess *3	40.9	121.9	81.0	87.5	6.5
Unrealized Gains / Losses of Premises	-	-	-	-	-
Unrealized Gains / Losses of Other Assets *4			246.7		

	Sep 30, 00 (Non-consolidated)				
	Book Value	Market Value	Net Gain/Loss	Gain	Loss
Securities *1,2	7,307.1	7,381.6	74.4	547.9	473.5
Bond	2,745.8	2,718.7	(27.1)	5.8	32.9
Stock	3,554.1	3,679.0	124.9	538.6	413.7
Other	1,007.1	983.8	(23.3)	3.5	26.8
Money Held in Trust *1	50.0	50.6	0.6	0.8	0.1
Land Revaluation Excess *3	39.6	117.3	77.6	84.2	6.5
Unrealized Gains / Losses of Premises	-	-	-	-	-
Unrealized Gains / Losses of Other Assets *4			(72.4)		

	Mar 31, 00 (Consolidated)				
	Book Value	Market Value	Net Gain/Loss	Gain	Loss
Securities *1	6,928.7	7,583.5	654.7	1,109.4	454.6
Bond	2,456.8	2,430.1	(26.6)	8.8	35.5
Stock	3,515.8	4,196.3	680.5	1,083.3	402.8
Other	956.1	957.0	0.9	17.2	16.3
Money Held in Trust *1	72.5	72.8	0.3	0.5	0.2
Land Revaluation Excess *3	380.4	495.2	114.8	121.4	6.5
Unrealized Gains / Losses of Premises	-	-	-	-	-
Unrealized Gains / Losses of Other Assets *4			247.4		

	Sep 30, 00 (Consolidated)				
	Book Value	Market Value	Net Gain/Loss	Gain	Loss
Securities *1,2	7,668.8	7,723.8	54.9	555.4	500.4
Bond	3,146.7	3,118.2	(28.4)	7.6	36.0
Stock	3,471.3	3,581.6	110.2	544.2	434.0
Other	1,050.7	1,023.9	(26.8)	3.5	30.3
Money Held in Trust *1	50.0	50.6	0.6	0.8	0.1
Land Revaluation Excess *3	380.7	492.2	111.4	118.0	6.5
Unrealized Gains / Losses of Premises	-	-	-	-	-
Unrealized Gains / Losses of Other Assets *4			(77.4)		

*1 Market value was calculated as follows;
Securities and Money Held in Trust with market value: Market prices as of balance sheet date
The Others: Book value
But for the stocks (Sep 30, 2000, excluding stocks of subsidiaries and affiliates), market value was based on the average market prices of Sep 2000.

*2 Securities of Sep 30, 2000: Including CP in "Commercial Paper and Other Debt Purchased" and negotiable money deposited in "Cash and Due from Banks"

*3 Land Revaluation Excess: Based on revaluation at fair value as of Mar 31, 1998 under the Revaluation Act of Land Properties
Book Value: Book value before the revaluation
Market Value: Book value after the revaluation

*4 Unrealized Gains / Losses of Other Assets: Evaluation Gains / Losses for Derivative financial instruments
Securities and Derivative financial instruments that were included in trading account were not shown here because these transactions were valued at their fair market prices and evaluation gain/(loss) was included in the Statements of Income.
As for Sep 30, 2000, we indicated Evaluation Gains / Losses for Currency swaps to which reckoning of periodic profit-and-loss method was applied under the “Treatment for the Time Being in an Audit When the 'New Principle of Accounting for Foreign Exchange' is Continuously Applied in the Banking Business (Japanese Institute of Certified Public Accountants, Apr 10, 2000).”

[Sumitomo Bank]

Billions of Yen

	Mar 31, 00 (Non-consolidated)				
	Book Value	Market Value	Net Gain/Loss		
				Gain	Loss
Securities *1	8,982.2	9,883.6	901.3	1,259.2	357.9
Bond	4,421.1	4,420.5	(0.5)	33.6	34.2
Stock	3,427.2	4,331.7	904.4	1,221.9	317.4
Other	1,133.8	1,131.3	(2.5)	3.6	6.1
Money Held in Trust *1	108.8	108.8	0.0	0.0	-
Land Revaluation Excess *3	96.2	374.4	278.1	304.7	26.5
Unrealized Gains / Losses of Premises	-	-	-	-	-
Unrealized Gains / Losses of Other Assets *4	(2.6)	138.3	140.9		

	Sep 30, 00 (Non-consolidated)				
	Book Value	Market Value	Net Gain/Loss		
				Gain	Loss
Securities *1,2	11,402.5	11,807.9	405.3	777.1	371.7
Bond	6,780.1	6,755.0	(25.0)	13.7	38.8
Stock	3,255.6	3,694.1	438.4	760.8	322.3
Other	1,366.7	1,358.7	(8.0)	2.5	10.5
Money Held in Trust *1	61.2	58.1	(3.1)	0.5	3.6
Land Revaluation Excess *3	96.1	371.4	275.3	301.8	26.5
Unrealized Gains / Losses of Premises	-	-	-	-	-
Unrealized Gains / Losses of Other Assets	-	-	-	-	-

	Mar 31, 00 (Consolidated)				
	Book Value	Market Value	Net Gain/Loss		
				Gain	Loss
Securities *1	8,968.8	10,148.3	1,179.4	1,553.7	374.2
Bond	4,561.6	4,560.8	(0.8)	34.2	35.0
Stock	3,396.5	4,311.2	914.7	1,242.2	327.5
Other	1,010.7	1,276.2	265.5	277.2	11.7
Money Held in Trust *1	109.0	108.9	(0.0)	0.0	0.0
Land Revaluation Excess *3	98.6	378.9	280.3	307.5	27.1
Unrealized Gains / Losses of Premises	-	-	-	-	-
Unrealized Gains / Losses of Other Assets *4	(2.7)	128.0	130.7		

	Sep 30, 00 (Consolidated)				
	Book Value	Market Value	Net Gain/Loss		
				Gain	Loss
Securities *1,2	11,384.1	11,982.8	598.7	971.6	372.9
Bond	7,024.6	7,000.0	(24.6)	14.8	39.4
Stock	3,041.3	3,502.6	461.3	779.0	317.6
Other	1,318.2	1,480.2	162.0	177.9	15.9
Money Held in Trust *1	61.3	58.2	(3.2)	0.7	3.9
Land Revaluation Excess *3	98.5	375.9	277.5	304.7	27.2
Unrealized Gains / Losses of Premises	-	-	-	-	-
Unrealized Gains / Losses of Other Assets	-	-	-	-	-

*1 Market value was calculated as follows;
Securities and Money Held in Trust with market value: Market prices as of balance sheet date
The Others: Book value
But for the stocks (Sep 30, 2000, excluding stocks of subsidiaries and affiliates), market value was based on the average market prices of Sep 2000.

*2 Securities of Sep 30,2000: Including CP in "Commercial Paper and Other Debt Purchased" and negotiable money deposited in "Cash and Due from Banks"

*3 Land Revaluation Excess: Based on revaluation at fair value at Mar 31, 1998 under the Revaluation Act of Land Properties.
One of the consolidated domestic subsidiaries in the banking industry recorded their land at fair value as of Mar 31, 1999.
Book Value: Book value before the revaluation
Market Value: Book value after the revaluation

*4 Unrealized Gains / Losses of Other Assets: Evaluation Gains / Losses for Derivative financial instruments
Securities and Derivative financial instruments that were included in trading account were not shown here because those transactions were valued at their fair market prices and evaluation gain/(loss) was included in the Statements of Income.

(Table 20) Derivatives and Foreign Forward Contracts

[Sakura Bank] Billions of Yen

	Contract Value or Nominal Principal Amount			Credit Risk Equivalent Amount		
	Mar 31,99	Mar 31,00	Sep 30,00	Mar 31,99	Mar 31,00	Sep 30,00
Financial Futures Contracts	38,028.5	37,903.3	22,412.8	-	-	-
Interest Rate Swap	85,027.2	76,193.3	64,200.2	1,457.8	1,047.0	916.2
Currency Swap	4,499.5	3,641.9	3,411.3	425.7	434.9	363.6
Foreign Exchange Forward Contracts	11,848.8	7,301.5	10,371.9	336.7	133.0	210.1
Interest Rate Options (Buy)	9,674.2	14,114.7	4,299.1	52.4	45.8	42.5
Currency Options (Buy)	473.5	334.8	420.9	12.5	8.6	14.2
Other Derivative Instruments	22,444.5	31,041.9	9,638.9	64.9	60.5	10.7
Effect of Master Netting Agreements	-	-	-	(1,024.3)	(574.4)	(532.1)
Total	171,996.4	170,531.8	114,755.1	1,325.8	1,155.7	1,025.3

Note: Figures given above were computed according to capital adequacy guidelines set by the BIS. Followings were also added.
- -Listed transactions
- -Options (sell)
- -Transactions for which the original contract has a duration of 14 days or less

[Sumitomo Bank] Billions of Yen

	Contract Value or Nominal Principal Amount			Credit Risk Equivalent Amount		
	Mar 31,99	Mar 31,00	Sep 30,00	Mar 31,99	Mar 31,00	Sep 30,00
Financial Futures Contracts	100,074.9	110,742.7	101,295.5	-	-	-
Interest Rate Swap	92,026.0	92,294.6	91,274.7	1,866.4	1,395.3	1,230.8
Currency Swap	8,706.1	6,939.8	6,838.6	646.1	528.5	475.4
Foreign Exchange Forward Contracts	60,680.3	41,977.9	48,520.6	2,118.5	1,174.1	1,228.2
Interest Rate Options (Buy)	2,658.3	2,003.5	2,354.2	30.9	24.8	25.0
Currency Options (Buy)	829.8	964.6	1,397.5	29.0	27.3	28.6
Other Derivative Instruments	4,640.7	5,850.6	10,805.3	9.7	25.0	56.2
Interest Rate Options (Sell)	3,142.1	2,855.4	3,101.0	-	-	-
Currency Options (Sell)	1,488.3	1,184.8	1,380.9	-	-	-
Effect of Master Netting Agreements	-	-	-	(2,192.2)	(1,301.1)	(1,267.7)
Total	274,246.5	264,813.9	266,968.3	2,508.6	1,873.9	1,776.5

Note: Figures given above were computed according to capital adequacy guidelines set by the BIS. Followings were also added.
- -Listed transactions
- -Options (sell)
- -Transactions for which the original contract has a duration of 14 days or less

(Table 21) Credit Portfolio (as of Sep. 30, 00)

[Sakura Bank] Billions of Yen

	Borrower with rating equivalent to BBB/Baa or over	Borrower with rating equivalent to BB/Ba or lower	Others *	Total
Credit Risk Equivalent	818.8	192.4	14.0	1,025.2
Credit Cost	0.1	0.5	0.0	0.6
Amount of Credit Risk	11.5	32.7	5.0	49.2

* Others = Individuals, customers with no public/internal ratings

[Sumitomo Bank]* Billions of Yen

	Borrower with rating equivalent to BBB/Baa or over	Borrower with rating equivalent to BB/Ba or lower	Others	Total
Credit Risk Equivalent	437.3	10.3	5.5	453.1
Credit Cost	0.2	0.4	0.1	0.7
Amount of Credit Risk	0.7	0.6	0.1	1.4

* Derivative transactions with financial institutions