March 15, 1999

Preferred Shares of The Sumitomo Bank, Limited and the Plan for the Strengthening of the Financial Base of the Bank

Tokyo, The Sumitomo Bank, Limited (the "Bank") announced the submission by the Bank to the Financial Reconstruction Commission ("FRC") of an application for the subscription by The Resolution and Collection Bank, Limited ("RCB") of 501 billion yen in preferred shares to be issued by the Bank in accordance with Article 7 of the Law Concerning Emergency Measures for the Early Strengthening of the Functions of the Financial System, and of the Plan for the Strengthening of the Financial Base of the Bank on March 4, 1999.

The approach of the Bank with respect to the aforementioned application for public funds and to the Plan for the Strengthening of the Financial Base of the Bank is as outlined hereunder.

1. Approach of the Bank towards the Application for Public Funds

Following the bursting of the "Bubble Economy", Japan has been assailed by a series of adverse internal and external events ranging from the convulsions in the currency and financial markets of Asian and other emerging markets, the failure of Japanese financial institutions and a sharp rise in domestic corporate bankruptcies. These factors have aggravated the economic situation and have led to the prolonging of the current recessionary environment. In response, the Japanese government has introduced measures to restore the stability of the Japanese financial system and to move the economy towards recovery. Such measures include the enactment of The Law Concerning Emergency Measures for the Revitalization of the Functions of the Financial System in October 1998 and the announcement of the Economic Stimulation Plan in the following month.

In recognition of the social responsibility and the public mission of the banking industry, the Bank is committed to restoring internal and external confidence in the Japanese financial system as well as stimulating corporate economic activity through the easing of the tight credit situation. The Bank sees the solution of the two core problems of (a) the early resolution of the problem loan issue through the acceleration of write-off measures and the strict implementation of preventative measures and (b) a pro-active response to private sector demand for funds, as pre-requisites to achieving these goals. Consequently from the standpoint of taking forward looking and preventative action, the Bank will post a credit cost of 1,050 billion yen to avoid a deterioration in the quality of its assets this fiscal year, ending March 31, 1999 ("FY98").

It is, therefore, necessary to strengthen the Bank's capital base, which will be weakened by the large loss to be recorded this fiscal year. As a self-help measure, the Bank has raised 340 billion yen from private placements of preferred securities to reinforce its capital base. The Bank's capital ratio as of March-end 1999 is seen as being 8.23%, excluding the in-take of public funds.

In addition, competition within the financial industry is also intensifying with the continuing implementation of Japan's Big Bang and the resultant opening of this market to foreign financial institutions. Given this environment, the Bank recognizes the need to maintain its capital ratio at over 10% in order to remain a major player in the global financial markets. For the aforementioned reasons, the Bank has decided to apply for a capital increase of 501 billion yen through the in-take of public funds. Pursuant to the receipt of such funds, the Bank's capital ratio is expected to be 10.27% as of March-end 1999.

The 501 billion yen will be allocated mainly to increase loans to healthy medium- and small sized corporations as well as to individuals.

2. Plan for the Strengthening of the Financial Base of the Bank

(1) Rationalization Policy

The Bank's perspective of the each sector of the Japanese financial market is outlined below:

First, with respect to the consumer sector, personal financial assets are expected to increase by 300 trillion yen by the end of fiscal year 2005 ("FY2005"). This is seen as resulting from the diversification of financial asset management methods deriving from the expansion of the range of products handled by banks and the deregulation of asset management industry regulations. While the participation of foreign financial institutions in this market is seen as increasing competition, the asset management market for areas such as investment trusts and pension funds is also expected to expand significantly.

Personal Financial Assets

(Trillions of yen)

	Mar.31,1998	Share	Mar.31,2006 (Forecast)	Share	Increase between 1998 - 2006	Share
Cash	41	3.4%	46	3.1%	5	1.6%
Deposits	682	56.1%	698	46.4%	16	5.7%
Postal Savings	241	19.8%	247	16.4%	6	2.2%
Deposits at Private Financial Institutions	441	36.3%	451	30.0%	10	3.4%
Trusts	41	3.3%	45	3.0%	4	1.3%
Government Bonds	3	0.2%	17	1.1%	14	5.0%
Bank Debentures, Industrial Bonds and others	11	0.9%	22	1.5%	11	3.9%
Investment Trusts	**26**	**2.1%**	**100**	**6.6%**	**74**	**25.6%**
Stocks	92	7.6%	110	7.3%	18	6.1%
Insurance	**307**	**25.3%**	**419**	**27.8%**	**111**	**38.4%**
Life Insurance	284	23.4%	393	26.1%	109	37.7%
(of which Pension Insurance)	**(79)**	**(6.5%)**	**(131)**	**(8.7%)**	**(52)**	**(17.8%)**
Non-Life Insurance	23	1.9%	26	1.7%	2	0.8%
Investments in Foreign Securities	4	0.3%	36	2.4%	32	11.2%
Others	9	0.8%	13	0.9%	4	1.3%
Total	1,216	100.0%	1,505	100.0%	289	100.0%

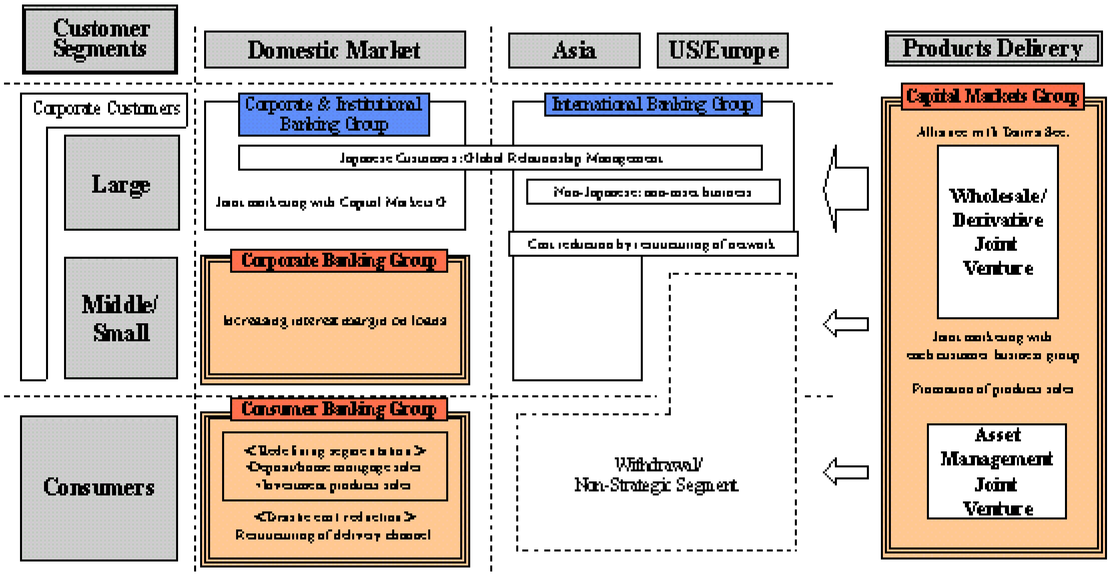
In terms of the corporate sector, market deregulation is seen as stimulating demand for funds relating to M&A and other such activities. In addition, the multi-media, health care and other growth industries are expected to require funds to fuel development and expansion. As enhancement of capital markets functions is seen as accompanying market deregulation, fund raising by large and medium-sized corporations on the capital markets is expected to expand sharply.

Furthermore, concurrent with market deregulation, rapid advances in contemporary information technology (“IT”) will provide banks with new methods and tools to further rationalize administrative and other procedures, thereby reduce costs. At the same time, the Bank is maximizing opportunities offered by new delivery channels such as the Internet, enhancing its database marketing, developing complex financial products and implementing other means of differentiating its proprietary services from those of competitors.

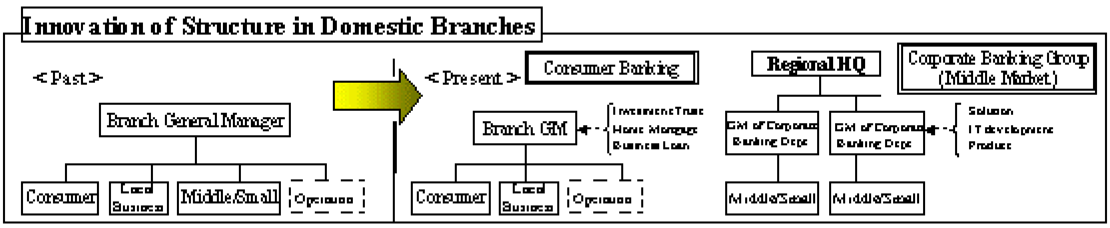
New Business Plan for the Restructuring of The Bank’s Operations

In recognition of the aforementioned operating environment and as a means of responding to the expected diversification and sophistication of customers’ needs, the Bank is discarding its traditional practices of emphasizing non-consolidated results and its “Go It Alone” philosophy. It will also withdraw from non-strategic and unprofitable sectors. By combining these measures with a forward-looking reallocation of management resources to profit-generating areas where it has a competitive edge, the Bank intends to proactively review its business portfolio and implement “Differentiation by Strategy” and the “Differentiation by Being First In the Market”.

The Bank is already implementing its “New Business Plan for the 21st Century”. As part of the new plan, the Bank has reorganized its domestic branch structure along market segment lines, separating the individual business and corporate business areas. In addition, the cooperative structure based on the strategic alliance with Daiwa Securities Co. Ltd. (“Daiwa”) is gaining shape and will commence operations from April this year. On the other hand, the Bank has withdrawn from the middle and small markets in the US with its sale of Sumitomo Bank of California and other related measures. The management resources obtained from such spin-offs and from the sale of Banca del Gottardo are being reallocated to strategic and profit-generating areas.

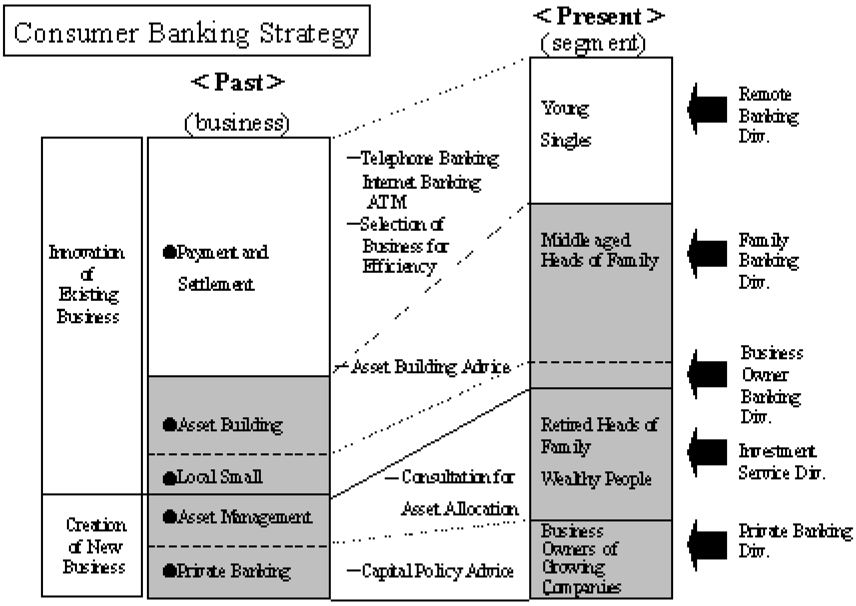


Ahead of the 21st century, the Bank has identified three areas as core strategic business areas: (1) consumer business, (2) domestic middle/small market business and (3) capital markets business. Personnel and other management resources will be focused strategically on these areas to achieve greater effectiveness in resource allocation.



Consumer Business

In the Consumer Business segment, the Bank has clearly identified target segments such as the "asset-building segment", the "asset management segment" and the "wealthy individuals segment" based on the life stage of consumers. Asset building and asset management related financial advisory services are being enhanced and capable professionals have been positioned in customer interfacing positions. At the same time, the Bank is moving to reduce costs through the rationalization of branch operations and the restructuring of delivery channels.



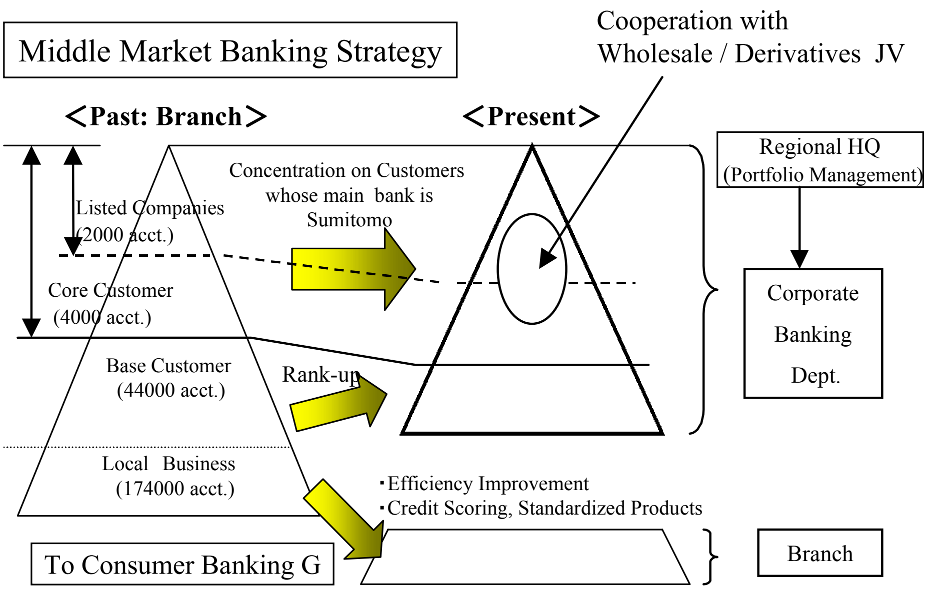
Through the strengthening of its advisory services to meet the individual needs of each target segment, the Bank intends to firmly establish its brand image of as "Sumitomo Bank for Investment Trusts" and "Sumitomo Bank for Financial Advice".

The Bank is also acting to improve the convenience and availability of its diverse services and to minimize costs through the optimization of remote banking, using financial IT developments in the use of telephone services, the Internet and ATMs.

Middle/Small Market Business

Business with medium and small sized companies has been promoted through 284 traditional branches, each offering a full range of services. However, the combination of revolutionary developments in financial technology and the diversification of customers' needs has stretched the ability of individual branches to completely satisfy the needs of customers to the limit. In order to strengthen and enhance the customer servicing capacities of branches, the Bank will discard the traditional branch concept, replacing it with around 110 Corporate Banking Departments to provide customized financial services to strong medium- and small-sized companies.

A New Business Banking Dept. has been set up within the Corporate Banking Group to respond positively to the financial needs of new industries and growth businesses.



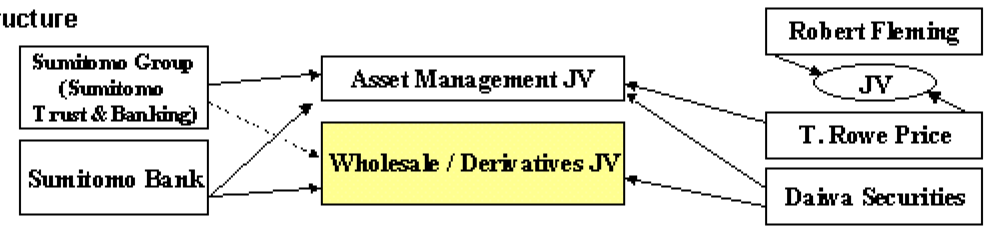
Capital Markets Business

As stated above, the Bank has already abandoned its traditional practices of emphasizing non-consolidated results and its “Go It Alone” philosophy. This is illustrated very clearly in its strategic alliance with Daiwa in the wholesale securities, derivatives and asset management businesses.

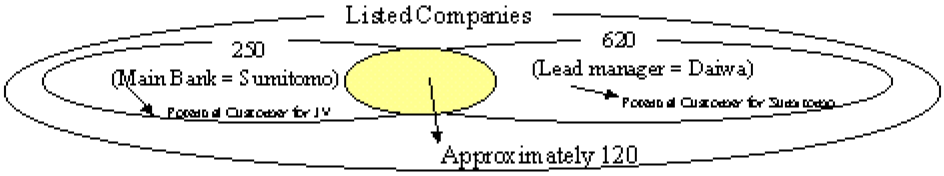
Specifically, Daiwa Securities SB Capital Markets (“Daiwa SBCM”) will commence operations on April 5 as the Bank’s joint venture in the wholesale securities and derivatives businesses. Daiwa SBCM will be launched as a leading wholesale securities company in Japan, with a shareholders’ equity of 408 billion yen (capital: 205.5 billion yen, capital surplus: 202.5 billion yen) and staffed by 1,400 financial specialists. Further augmenting this strong financial base and professional workforce, Daiwa SBCM will be able to draw on the customer bases, product development capabilities, marketing abilities, the financial know-how and creditability that each joint venture partner has built up over many years. Through the strategic utilization and consolidation of these resources, the Bank believes that Daiwa SBCM will be “the Strongest Japanese Player in the Wholesale Securities Market”, providing diverse financial services to the largest customer base in Japan.

In terms of the asset management business, Daiwa SB Investments, Ltd. (“DSI”) will be established as a result of the merger of Daiwa International Capital Management Co., Ltd., SB Investment Management Co., Ltd. and SBIM Investment Trust Management Co., Ltd. T. Rowe Price and Robert Fleming, both world-renowned leaders in asset management, will also acquire equity interests in DSI, enhancing its capabilities in investment trusts and pension fund management. In addition, the four financial institutions of the Sumitomo Group, Daiwa and the four financial institutions of the Mitsubishi Group are currently negotiating the establishment of a joint venture to engage in the defined contribution pension (Japan’s version of the so-called “401k plan”) business.

Structure



Client Base and Market Share for Wholesale/Derivatives JV



(2) Restructuring Plan

The Bank’s restructuring plan is focused on a forward-looking scheme designed to dramatically increase the Bank’s cost competitiveness through a bold reallocation of management resources based on the New Business Plan. Through the strict implementation of this plan, the Bank will improve its profitability. Details of the current restructuring plan through to fiscal year 2001, ending March 31, 2002

("FY2001") are as provided in the tables below. The plan will create a lean and strong business structure, and position the Bank for success in the post-Big Bang era.

The number of employees will be significantly cut through the reorganization of business operations and re-allocations. Over the period from April 1, 1999 through to March 31, 2002, the Bank will reduce its payroll by 2,000 through the introduction of sophisticated equipment, the introduction of an early retirement incentive system, increased efficiency through the restructuring of the corporate business area.

Pursuant to a comprehensive review of the traditional branch type, which conducts a full range of banking operations, and with the segmentation of the consumer and corporate markets, the Bank has adopted a scrap and build program to introduce specialized branches that focus on the needs of specific customer segments. As a consequence of this program, a total of 40 traditional style domestic branches will be closed by March 31, 2002 compared with March 31, 1998. Due to the increased efficiency achieved through the concentration and reorganization of branches along market segment lines in the Americas and Europe, the number of overseas branches will be cut by 22 as of March 31, 2001, compared with March 31, 1998.

In addition, as a result of a thorough review of the Bank's welfare and recreational facilities for employees, the Bank has adopted various measures including the sale of the bank's two athletic fields and 10 recreational facilities throughout Japan, and the termination of subsidies of internal social and interest group activities.

Restructuring Plan

	Mar 31, 1998 Result	Mar 31, 1999 Forecast	Mar 31, 2000 Plan	Mar 31, 2001 Plan	Mar 31, 2002 Plan	Mar 31, 2003 Plan
(Number of Directors and Employees)						
Number of Directors (*)	47	43	41	38	38	38
Number of Employees	15,111	15,000	14,400	13,600	13,000	13,000

(*) including five auditors

(Number of Branches)						
Number of Domestic Branches	305	284	276	270	265	265
Number of Overseas Branches	37	23	16	15	15	15
Number of Overseas Subsidiaries	27	24	22	21	21	21

(3) Medium Term Business Plan

For FY2002 ending March 31, 2003, the Bank expects to record gross operating profit and core banking profit of around 700 billion yen and 360 billion, respectively. By reducing credit costs to a maximum of 100 billion, net profit is projected at 125 billion yen, while consolidated ROE should exceed 7%.

Gross Operating Profit

At 700 billion yen, FY2002 gross operating profit is 55 billion less than that recorded for FY98. This can be mainly attributed to a 160 billion decrease in treasury profit including profit from the sale, redemption and depreciation of bonds, and a decline in dividend income from overseas subsidiaries and affiliates. However, marketing profit is expected to increase by a total of 100 billion yen, supported by 30 billion yen from the consumer business and 70 billion yen from the corporate business.

Expenses

Total estimated expenses for FY2002 of 340 billion yen are expected to be 25 billion lower than that for FY98. As the aforementioned Restructuring Plan will be brought forward as much as possible, the Bank intends to achieve the target of a decline of 37 billion yen (a more than 10% cut) on the figure recorded for FY97 by the end of March 2002, as previously announced. Increases in recurring expenses from FY2002 are expected to reflect new expenditure designed to strengthen strategic areas and are based on the steady recovery of the Bank's performance.

Problem Loans

The speed of economic recovery will significantly affect the Bank's treatment of problem loans. Nonetheless, the Bank believes that it will virtually complete all measures for such problem loans by the end of the current fiscal year through the posting of a 1,050 billion credit cost, which covers all problem loans existing at this point of time, as well as increase total general reserve to 300 billion yen. Furthermore, credit costs for FY99, FY2000 and FY2001 are estimated at roughly 120 billion yen, 110 billion yen and 100 billion yen, respectively.

Net Income

As a result of the above measures, the Bank expects full-term profit to stabilize in the 100 billion yen level and business performance to recover steadily from FY2001.

Risk-Adjusted Assets and Capital Ratio

As of March 31, 2003, the Bank's risk-adjusted assets are estimated to be 38.5 trillion yen. In addition, due to the contribution of an increase in Tier I capital deriving from an increase in retained earnings, BIS-defined capital is expected to reach the 4.6 trillion yen level. Subsequently, the Bank's capital ratio is seen as reaching around 12%.

Furthermore, due to the introduction of deferred tax accounting on a non-consolidated basis, the increase in the Bank's shareholders' equity will be 710 billion yen for this fiscal year.

(4) Capital Policy

Dividends

Given the nature of the banking business, normally dividend policy is based on a stable dividend amount. However, the Bank will consider a shift in the current dividend policy to one which places greater emphasis on shareholders' interests (specifically, the shift to a dividend payout amount determined by net income) in line with global standards following the early recovery in the Bank's profit levels and capital base.

As a result of the Bank's planned in-take of public funds, the annual dividend payout for this fiscal year will be 6 yen, down 2.5 yen from the preceding fiscal year.

Stance Towards Redemption of Preferred Shares

A capital ratio of over 10% and a Tier I ratio of over 6% have been set as management targets in the Medium Term Business Plan. Assuming the risk-adjusted assets necessary for the Bank's operations are 40 trillion yen and a 2.6 trillion yen level is regarded as appropriate for Tier I capital from the perspective of maintaining sound management. From this perspective, the build-up in profits resulting from the recovery of business performance will enable the Bank to redeem the preferred shares from FY2002.

Profit Plan and Other Indices

	FY1997 Result	FY1998 Forecast	FY1999 Plan	FY2000 Plan	FY2001 Plan	FY2002 Plan
(Non-Consolidated)						(Billions of Yen)
Gross Operating Profit	711.3	755.0	668.0	673.0	685.0	700.0
Profit from Sale & Redemption of Bonds	34.7	55.0	0.0	0.0	0.0	0.0
Expenses	373.7	365.0	358.0	343.0	335.0	340.0
General Reserve Cost	29.5	(a) 158.4	0.0	0.0	0.0	0.0
Core Banking Profit	308.1	231.6	310.0	330.0	350.0	360.0
Core Banking Profit (excluding General Reserve Cost)	337.6	390.0	310.0	330.0	350.0	360.0
Credit Cost	1,043.8	870.0	120.0	110.0	100.0	100.0
Credit Cost (including Precautionary General Reserve Increase)	1,043.8	(b) 1,050.0	120.0	110.0	100.0	100.0
Operating Profit	−617.4	−715.0	170.0	210.0	240.0	250.0
Net Income	−621.7	−375.0	75.0	100.0	115.0	125.0

Notes: (a) including precautionary general reserves increase of 180 billion yen

(b) Credit cost estimated at 800 billion yen in November 1998.

(Change from Previous FY, Billions of Yen)

	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002
Cost cuts achieved by Restructuring	3.7	9.1	15.0	8.5	7.3	−
(Dividends)						
Annual Dividend per Common Share (Yen)	8.5	6	6	6	7	8
Dividend Pay-out Ratio per Common Share	−	−	26.86%	19.79%	20.45%	21.50%
(Capital Ratio)						
Net Interest Margin	0.23%	0.39%	0.35%	0.39%	0.42%	0.43%
Capital Ratio	9.23%	10.27%	10.82%	11.19%	11.62%	12.08%
Tier I Ratio	4.76%	5.32%	5.62%	5.95%	6.58%	6.99%
Tier I Capital (Billions of Yen)	1,948.6	2,209.3	2,219.5	2,333.6	2,559.1	2,691.3

(5) Lending Plan

From the standpoint of facilitating the smooth supply of credit, the Bank plans to increase loans to medium and small sized companies and to consumers.

The Bank's fundamental stance towards the amelioration of the tight credit situation in the corporate sector is to increase substantially the volume of credit available. The Bank will emphasize lending to sound medium and small sized companies and to consumers.

(6) Risk Management

The Bank places a top priority on risk management. The maintenance of risk at a level appropriate to its financial strength and the increased profitability the Bank's core policies. Balanced business strategies are being implemented with equal emphasis on the "maintenance of financial soundness" and the "improvement of profitability".

Problem Loan Amount Based on New Disclosure Standards

Based on the disclosure standards introduced from this fiscal year, the Bank's total problem loans amount to 2 trillion yen after write-off (estimate for March 31, 1999). This term, the Bank will post a credit cost of 1,050 billion yen including the setting up precautionary reserves. Notwithstanding this, the Bank has already satisfied the below write-off and reserve standards stipulated by the Financial Reconstruction Committee in its "Guidelines for Write–offs and Reserves for the Purpose of Strengthening Capital".

Loan Portfolio based on New Disclosure Standards

Loan Classification	Mar.31,1999 Forecast (Billions of Yen)	Policy on Write-offs and Reserves
Bankrupt and Virtually Bankrupt	*230	Write off of all expected loss amount. (* covered with guarantees and collateral after writing off 370 billion for expected loss amount.)
Doubtful	1,470	Reserve amount based on the borrowers' financial condition, after deduction of the expected recovery amount.(Average reserve ratio against uncovered portion: over 70%)
Substandard	300	Reserve for possible future loss amount assessed from historical default rate and average remaining period of loans.(Reserve ratio: over 15%)
Normal	38,500	Reserve for possible future loss amount assessed from historical default rate based on the borrowers' classification (Normal Customers and Customers Requiring Caution) under the self-assessment system.

Risk Monitored Loans

The Bank's risk monitored loan amount as of March 31, 1999 is estimated at 1.91 trillion yen after write-offs. This represents an increase of around 450 billion yen compared with the same figure for March 31, 1998 and can be attributed to the Bank's change in the applied accounting standard for non-accrued interest on loans from a tax law-based standard to the self-assessment standard under which all loans to virtually bankrupt customers, bankrupt customers and potential bankrupt customers are treated as non-accrued.

Some 52% of risk monitored loans are covered by loan loss reserve, while 75% of such loans are covered by specific reserves, guarantees and collateral.