

Sumitomo Mitsui Financial Group, Inc.

**Public Disclosure of SMFG's Proposal for Integration**

Tokyo, August 11, 2004 -- Sumitomo Mitsui Financial Group, Inc. ("SMFG", President and CEO: Yoshifumi Nishikawa) today publicly disclosed the written "Proposal for Integration" sent to UFJ Holdings, Inc. and UFJ Bank Limited ("UFJ") on August 6, 2004 (please see the attached appendix). SMFG strongly believes the integration between SMFG and UFJ is the best alternative for both groups' shareholders, customers and employees and will continue to propose integration with UFJ in a transparent way. In the cases such as requested by UFJ, SMFG will consider presenting concrete and specific proposal on the integration ratio.

## **1. Basic concept of the integration**

### **1.1 Integration with spirit of equals**

Through the integration of UFJ group and SMFG with spirit of equals, we jointly aim to create Japan's No.1 and a leading global comprehensive financial group by maximizing each of the two institutions' strengths.

### **1.2 Placing top priority on speed**

Based on the common management attitude between UFJ and SMFG, which places an emphasis on speed, we will aim to achieve prompt integration, promote smooth assimilation of the two institutions and aim for fast realization of the integration benefits.

### **1.3 Emphasis on economic rationales**

The integration ratio will be decided based on the stock prices taking into consideration the synergy effects of the integration etc. We firmly believe that the benefits of the integration between UFJ group and SMFG will well surpass those of UFJ group and Mitsubishi Tokyo Financial Group, Inc. ("MTFG").

We will also decide the members of the board of directors, the information system, the organization structure, and the branch network etc from the viewpoint of the economic rationales.

### **1.4 Equal and fair human resources policy**

We thoroughly carry out the equal and fair human resources policy based on each individual's abilities and achievements, without being biased by the origin bank of such individual. From the beginning of the merger between the former Sakura Bank and the former Sumitomo Bank, SMFG has united the personnel system and carried out an equal and fair human resources policy. Accordingly, we have promptly realized assimilation of the two institutions and sense of unity, and achieved significant results in boosting the morale of the employees and improving the productivity.

### **1.5 Reinforcement of the focused business areas**

We aim to establish Japan's No.1 position in the growing business areas such as small and medium-sized enterprises, consumer banking including that for mass clients, consumer finance, credit cards, and international business in Asia.

### **1.6 Establishment of tripolar franchise in Tokyo metropolitan, Tokai and Osaka metropolitan districts**

We aim to establish and maintain the overwhelming position in each of Tokyo metropolitan, Tokai, and Osaka metropolitan districts. We will consider the most appropriate organizational structure, headquarter functions, allocation of the management resources, placement of the executives and so on for the smooth operation of tripolar structure.

### **1.7 Reinforcement of the trust banking business**

We assume that the trust banking business of UFJ Trust Bank will be integrated with the Sumitomo Trust & Banking along with the integration with UFJ group and SMFG. We believe that we can provide the advanced and specialized trust banking services to the clients of both banks by collaborating with the top trust bank emerged by this trust banking integration.

## **2. Basic integration structure**

### **2.1 Estimated schedule**

End of March or beginning of April 2005:	Integration of holding companies (UFJ Holdings and SMFG)
October 2005:	Integration of subsidiary banks (UFJ Bank and SMBC)

### **2.2 Capital enhancement**

We will provide UFJ with the necessary amount of capital by the end of September 2004 for a smooth integration of the two groups. We are willing to provide the amount of ¥500 billion or more.

- Although we believe due diligence needs to be conducted in order for SMFG's board to fulfill its fiduciary duty to its shareholders, we will provide capital by the end of September 2004 by efficiently conducting due diligence. Even in the event the exclusive negotiation right of MTFG remains effective until the end of August 2004, we will provide capital by the end of September 2004.
- For transparent consideration and setting of the integration ratio, at the present, we are considering providing capital in the form of preferred stock and not common stock, but we will be flexible upon further discussion with UFJ.

### 3. Merits of integration between UFJ Group and SMFG

#### 3.1 Increase in shareholders value through higher profitability derived from significant synergy benefits

- (a) We estimate the average annual benefit from rationalization of operations to be ¥200 billion. We strongly believe reinvesting resources derived from cost synergies into new strategic businesses coupled with other synergies will deliver further benefits of the integration.

The ¥200 billion will be derived from the following initiatives:

- Review of branch network (200 overlapping branches)
- Cost reduction through system integration (approximately 20%)
- Transfer of employees at overlapping functions including head-office departments to strategic businesses

- (b) We will have overwhelming market shares in growing business areas such as businesses with small and medium-sized enterprises, investment trusts, pension-type insurance, mortgages loans, etc.

Comparison of integration between UFJ and SMFG and that between UFJ and MTFG is shown below. In these and other businesses, the integration with SMFG will produce business volumes far exceeding those from the integration with MTFG.

	UFJ + SMFG	UFJ + MTFG
Number of corporate clients	320,000	250,000
Number of accounts of individual clients	53 million	40 million
Loans to small and medium-sized enterprises	JPY 63 trillion	JPY 48 trillion
Balance of investment trusts	JPY 2.6 trillion	JPY 1.4 trillion
Annual sales of pension-type insurances	JPY 490 billion	JPY 310 billion
Balance of mortgage loans	JPY 22 trillion	JPY 18 trillion

(SMFG's estimation. Source: Each company's financial reports, etc.)

- (c) Furthermore, through the integration, we will be able to provide greatly enhanced sophisticated financial solutions to our customers, thereby boosting customer satisfaction and profitability. As for overlapping customers, as can be seen below, there is not necessarily a huge overlap, and we should be able to increase profit through the realization of synergies.

<Corporate clients with annual sales of JPY 1 billion or more>

	SMFG	MTFG
Number of corporate clients which are not the clients of UFJ Group	23 thousand	15 thousand
Overlapped corporate clients ratio	44%	44%

(SMFG's estimation. Source: TEIKOKU DATABANK)

- (d) Through the above cost reduction and realization of synergies, we are confident to achieve the highest profitability out of all the Japanese banking groups with banking profit reaching ¥2 trillion level and net income of ¥1 trillion level, resulting in a sizable increase in shareholder value.
- (e) We will also be able to greatly strengthen businesses such as consumer finance, credit cards, leasing, factoring, consulting, settlement services, etc through the integration of group companies of UFJ Group and SMFG. The new group will completely eclipse other groups especially in the consumer finance business, through effective collaboration between Promise, Mobit and At-Loan.

### 3.2 Smooth and speedy integration

Integration experience of both groups will be fully leveraged to achieve a smooth, speedy integration, thereby creating a workplace in which the employees of both groups can fully realize their potential.

A smooth, speedy integration is also possible as both groups apply accounting principles and practices generally accepted in Japan and have not adopted consolidated tax regime.

### 3.3 Consistency in trust and banking businesses

Integration of UFJ Bank and SMBC and that of UFJ Trust Bank and Sumitomo Trust & Banking will not create a problem with respect to trust and banking businesses.

### **3.4 Affinity based on similar corporate culture**

Both groups stress “speed”, “advancement” and “innovation” and, we believe, fundamentally share a common corporate culture. Thus, it is possible to smoothly and speedily make a big leap as the new group.

## **4. Other**

### **4.1 Disposal of non-performing loans (“NPLs”)**

Each group will be responsible to achieve this fiscal year’s NPL reduction targets. Both groups will share and make optimal use of their know-how and skills during the course of this process. Both groups will further utilize their know-how and skills in reducing NPLs after the integration.

### **4.2 Maintaining and improving capital ratio**

The capital base of the UFJ Group will be strengthened by the capital enhancement by SMFG and capital improvement effect through the integration of UFJ Trust Bank and Sumitomo Trust & Banking. As a result, the UFJ Group will be able to maintain and improve its capital ratio in the first half of fiscal 2004 and onward.

### **4.3 Repayment of Public Funds**

We believe the high profitability of the new group will enable us to repay all of public funds before the date of mandatory conversion even in consideration of the expected introduction of the Basel II, etc. Furthermore, acceleration of the repayment of all public funds is also possible through other initiatives such as Tier-I-eligible capital raising. As for deferred tax assets, we will be able to improve the quality of our capital base by steadily reducing the ratio.

We notice that UFJ has officially announced that the negotiation with MTFG will be given the highest priority, but we believe giving due consideration to our proposal serves the interest of UFJ shareholders. It is our hope that we can work together to become Japan’s No.1 and a leading global comprehensive financial group.