



Sumitomo Mitsui Financial Group, Inc. (SMFG)

Financial Results for the Fiscal Year ended March 31, 2007

May 21, 2007



Head Office: 1-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan
 Stock Exchange Listings: Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya Stock Exchange (code: 8316)
 URL: <http://www.smfg.co.jp>
 President: Teisuke Kitayama
 Date of Ordinary General Meeting of Shareholders: June 28, 2007
 Date of Payment of Year-End Dividends: June 28, 2007

(Note) Amounts less than one million yen have been omitted.

1. Consolidated Financial Results (for the fiscal year ended March 31, 2007)

(1) Operating Results (Millions of yen, except per share data and percentages)

	Ordinary Income		Ordinary Profit		Net Income	
Fiscal Year ended March 31, 2007	¥ 3,901,259	5.3 %	¥ 798,610	(17.1) %	¥ 441,351	(35.7) %
ended March 31, 2006	3,705,136	3.5	963,554	–	686,841	–

	Net Income per Share	Net Income per Share (Diluted)	Return on Net Assets	Ordinary Profit on Total Assets	Ordinary Profit on Ordinary Income
Fiscal Year ended March 31, 2007	¥ 57,085.83	¥ 51,494.17	13.1 %	0.8 %	20.5 %
ended March 31, 2006	94,733.62	75,642.94	33.2	0.9	26.0

(Notes)

- Equity in earnings (losses) of affiliates
 (a) for the fiscal year ended March 31, 2007: ¥ (104,170) million (b) for the fiscal year ended March 31, 2006: ¥ 31,887 million
- Percentages shown in Ordinary Income, Ordinary Profit and Net Income are the increase (decrease) from the previous fiscal year.

(2) Financial Position (Millions of yen, except per share data and percentages)

	Total Assets	Net Assets	Net Assets Ratio	Net Assets per Share	Capital Ratio
March 31, 2007	¥ 100,858,309	¥ 5,331,279	3.9 %	¥ 469,228.59	(Preliminary) 11.28 %
March 31, 2006	107,010,575	4,454,399	4.2	400,168.90	12.39

(Notes)

- Stockholders' equity
 (a) as of March 31, 2007: ¥ 3,922,986 million (b) as of March 31, 2006: ¥ – million
- Net assets ratio = {(Net assets as of year-end – Stock acquisition rights as of year-end – Minority interests as of year-end) / Total assets as of year-end} X 100
- Capital ratio as of March 31, 2007 is calculated under Basel II. Capital ratio as of March 31, 2006 was calculated under the former method.

(3) Cash Flows (Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at year-end
Fiscal Year ended March 31, 2007	¥ (6,760,740)	¥ 4,769,454	¥ (1,244,945)	¥ 1,927,024
ended March 31, 2006	2,208,354	(662,482)	679,464	5,159,822

2. Dividends on Common Stock (Millions of yen, except per share data and percentages)

	Dividends per Share			Total Dividends (Annual)	Dividend Payout Ratio	Ratio of Dividends to Net Assets
	Interim	Year-End	Annual			
Fiscal Year ended March 31, 2006	¥ –	¥ 3,000	¥ 3,000	¥ 22,253	3.4 %	1.1 %
ended March 31, 2007	–	7,000	7,000	53,660	12.5	1.6
ending March 31, 2008 (Forecast)	5,000	5,000	10,000	76,657	14.5	

(Notes)

- Dividend Payout Ratio and Ratio of Dividends to Net Assets are reported on a consolidated basis.
- Dividends on unlisted preferred stock are reported on page 3.

3. Earnings Forecast on a Consolidated Basis (for the fiscal year ending March 31, 2008)

(Millions of yen, except per share data and percentages)

	Ordinary Income		Ordinary Profit		Net Income		Net Income per Share
Six Months ending September 30, 2007	¥ 1,950,000	6.8%	¥ 400,000	12.0%	¥ 220,000	(9.7)%	¥ 28,224.73
Fiscal Year ending March 31, 2008	4,100,000	5.1	980,000	22.7	540,000	22.4	69,668.19

(Note)

Percentages shown in Ordinary Income, Ordinary Profit and Net Income are the increase (decrease) from the results of the previous fiscal year.

4. Other Information

(1) There was a change in significant consolidated subsidiary in the fiscal year

Newly consolidated : 2 companies (SMFG Preferred Capital USD 1 Limited and one other company)

Excluded : None

(Note) The details are reported on page 6, "Overview of SMFG Group."

(2) Change in significant accounting principles, policies and presentation

(a) There was a change due to revision of accounting standards.

(b) There was a change due to other reason.

(Note) The details are reported in Notes to Consolidated Balance Sheet (notes 12 and 34 to 38) on page 14 and 17 and Notes to Consolidated Statement of Cash Flows (note 4) on page 24.

(3) Number of common stocks issued

(a) Number of shares issued (including treasury shares)

(i) as of March 31, 2007: 7,733,653 shares (ii) as of March 31, 2006: 7,424,172 shares

(b) Number of treasury shares

(i) as of March 31, 2007: 168,630 shares (ii) as of March 31, 2006: 6,307 shares

(Note) Number of shares used in calculating "Net income per share" (on a consolidated basis) is reported on page 36.

[Reference] Parent Company Only Financial Information on a Nonconsolidated Basis

1. Nonconsolidated Financial Results (for the fiscal year ended March 31, 2007)

(1) Operating Results

(Millions of yen, except per share data and percentages)

	Operating Income		Operating Profit		Ordinary Profit		Net Income	
Fiscal Year								
ended March 31, 2007	¥ 376,479	578.6 %	¥ 372,838	613.1 %	¥ 364,477	655.2 %	¥ 363,535	395.2 %
ended March 31, 2006	55,482	(78.6)	52,285	(79.6)	48,264	(81.0)	73,408	(70.9)

	Net Income per Share	Net Income per Share (Diluted)
Fiscal Year		
ended March 31, 2007	¥ 46,326.41	¥ 41,973.46
ended March 31, 2006	6,836.35	6,737.46

(Note) Percentages shown in Operating Income, Operating Profit, Ordinary Profit and Net Income are the increase (decrease) from the previous fiscal year.

(2) Financial Position

(Millions of yen, except per share data and percentages)

	Total Assets	Net Assets	Net Assets Ratio	Net Assets per Share
March 31, 2007	¥ 3,959,444	¥ 2,997,898	75.7 %	¥ 342,382.75
March 31, 2006	4,166,332	3,935,426	94.5	330,206.27

(Note) Stockholders' equity

(a) as of March 31, 2007: ¥ 2,997,898 million (b) as of March 31, 2006: ¥ – million

2. Earnings Forecast on a Nonconsolidated Basis (for the fiscal year ending March 31, 2008)

(Millions of yen, except per share data and percentages)

	Operating Income		Operating Profit		Ordinary Profit	
Six months ending September 30, 2007	¥ 24,000	(92.5)%	¥ 22,000	(93.1)%	¥ 17,000	(94.7)%
Fiscal year ending March 31, 2008	105,000	(72.1)	100,000	(73.2)	90,000	(75.3)

	Net Income	Net Income per Share
Six months ending September 30, 2007	¥ 14,000 (95.6)%	¥ 981.07
Fiscal year ending March 31, 2008	85,000 (76.6)	9,397.77

(Note) Percentages shown in Operating Income, Operating Profit, Ordinary Profit and Net Income are the increase (decrease) from the results of the previous fiscal year.

This document contains certain forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may materially differ from those contained in the forward-looking statements as a result of various factors.

The following items are among the factors that could cause actual results to differ materially from the forward-looking statements in this document: business conditions in the banking industry, the regulatory environment, new legislation, competition with other financial services companies, changing technology and evolving banking industry standards and similar matters.

Dividends on Preferred Stock

(Millions of yen, except per share data)

Type	Record Date	Cash Dividends per Share			Aggregate Amount of Dividends
		Interim Term-end	Year-end	Annual	
Preferred stock (type 1)	Fiscal year ended March 31, 2006	¥ –	¥ 10,500	¥ 10,500	¥ 367
	Fiscal year ended March 31, 2007	–	–	–	–
	Fiscal year ended March 31, 2008 (forecast)	–	–	–	–
Preferred stock (type 2)	Fiscal year ended March 31, 2006	–	28,500	28,500	2,850
	Fiscal year ended March 31, 2007	–	–	–	–
	Fiscal year ended March 31, 2008 (forecast)	–	–	–	–
Preferred stock (type 3)	Fiscal year ended March 31, 2006	–	13,700	13,700	9,521
	Fiscal year ended March 31, 2007	–	–	–	–
	Fiscal year ended March 31, 2008 (forecast)	–	–	–	–
Preferred stock (1st to 12th series type 4)	Fiscal year ended March 31, 2006	–	135,000	135,000	6,763
	Fiscal year ended March 31, 2007	–	135,000	135,000	6,763
	Fiscal year ended March 31, 2008 (forecast)	67,500	67,500	135,000	6,763
Preferred stock (1st series type 6)	Fiscal year ended March 31, 2006	–	88,500	88,500	6,195
	Fiscal year ended March 31, 2007	–	88,500	88,500	6,195
	Fiscal year ended March 31, 2008 (forecast)	44,250	44,250	88,500	6,195

Calculation for Indices

- Return on Net Assets:

$$\frac{\text{Net income} - \text{Dividends on preferred stock}}{\{(\text{Stockholders' equity at beginning of year} - \text{Number of preferred stocks issued at beginning of year} \times \text{Issue price}) + (\text{Stockholders' equity at year-end} - \text{Number of preferred stocks issued at year-end} \times \text{Issue price})\} / 2} \times 100$$

- Dividend Payout Ratio:

$$\frac{\text{Dividends on common stock}}{\text{Net income} - \text{Dividends on preferred stock}} \times 100$$

- Ratio of Dividends to Net Assets:

$$\frac{\text{Dividends on common stock}}{\{(\text{Stockholders' equity at beginning of year} - \text{Number of preferred stocks issued at beginning of year} \times \text{Issue price}) + (\text{Stockholders' equity at year-end} - \text{Number of preferred stocks issued at year-end} \times \text{Issue price})\} / 2} \times 100$$

- Forecasted Net Income Per Share:

$$\frac{\text{Forecasted net income} - \text{Forecasted preferred stock dividends}}{\text{Number of common stocks issued at year-end (excluding treasury stock)}}$$

I. Operating and Financial Review

1. Consolidated Operating Results for the Fiscal Year Ended March 31, 2007

(1) Operating Results

In fiscal 2006 ended March 31, 2007, SMFG endeavored to “establish a solid platform for supporting business growth,” establish an earnings structure of high quality and further strengthen its financial base.

Ordinary income increased 5.3% to ¥3,901.2 billion mainly due to an increase in interest income. This was attributable mainly to increases in interest on loans and discounts, due to higher loan balance and interest rates, and dividend income from holding equities. However, this was partially offset by a decrease in other income, mainly due to lower gains on sale of stocks, and equity in losses of equity method affiliates.

Ordinary expenses increased 13.2% to ¥3,102.6 billion mainly due to increases in interest expenses, such as interest on deposits, and other operating expenses, including bond related losses. However, other expenses decreased because of a substantial decrease in credit costs.

As a result, Ordinary profit amounted to ¥798.6 billion. Net income, after adjusting ordinary profit by extraordinary gains or losses such as gains on return of employee retirement benefits trust and losses on impairment of fixed assets, was ¥441.3 billion.

(2) Segment Information

The breakdown of Total assets and Ordinary income before elimination of internal transactions is as follows:

By business

Ordinary income

Banking business	65%	(up 1 point from the previous fiscal year)
Leasing business	19%	(down 0 point)
Other business	16%	(down 1 point)

Total assets

Banking business	93%	(down 0 point from the previous fiscal year-end)
Leasing business	2%	(up 0 point)
Other business	5%	(down 0 point)

By Region

Ordinary income

Japan	81%	(down 5 points from the previous fiscal year)
The Americas	7%	(up 1 point)
Europe and Middle East	5%	(up 2 points)
Asia and Oceania	7%	(up 2 points)

Total assets

Japan	87%	(down 2 points from the previous fiscal year-end)
The Americas	6%	(up 1 point)
Europe and Middle East	3%	(up 0 point)
Asia and Oceania	4%	(up 1 point)

(3) Earnings Forecast

Fiscal 2007 is the first year of the new medium-term management plan, “LEAD THE VALUE” Plan*. SMFG intends to improve its corporate value through sustainable growth and realize a solid financial base as a global player.

As for earnings forecast on a consolidated basis, Ordinary income, Ordinary profit and Net income are expected to amount to ¥4,100 billion, ¥980 billion, and ¥540 billion, respectively.

On a non-consolidated basis, Operating income, Operating profit, Ordinary profit and Net income are expected to amount to ¥105 billion, ¥100 billion, ¥90 billion, and ¥85 billion, respectively.

* “LEAD THE VALUE” Plan* is described in “III. Principles and Management, 3. Medium- to Long-term Management Strategy.”

2. Consolidated Financial Position as of March 31, 2007

(1) Assets and Liabilities

Deposits amounted to ¥72,156.2 billion, an increase of ¥1,322.0 billion from the previous fiscal year-end and Negotiable certificates of deposit amounted to ¥2,589.2 billion, a decrease of ¥119.4 billion.

Loans and bills discounted amounted to ¥58,689.3 billion, an increase of ¥1,422.1 billion, mainly due to an increase in overseas lending to companies with high credit ratings and overseas project finance.

Total assets amounted to ¥100,858.3 billion, a decrease of ¥6,152.2 billion.

(2) Net Assets

Net Assets amounted to ¥5,331.2 billion, ¥2,741.6 billion of which was stockholders' equity as a result of recording net income, partially offset by acquiring and retiring treasury shares related to repayment of public fund.

(3) Cash Flows

SMFG used ¥6,760.7 billion of "Cash flows from operating activities," generated ¥4,769.4 billion of "Cash flows from investing activities," and used ¥1,244.9 billion of "Cash flows from financing activities."

Consequently, Cash and cash equivalents amounted to ¥1,927.0 billion, a decrease of ¥3,232.7 billion.

(4) Capital Ratio (preliminary)

Capital ratio was 11.28% on a consolidated basis.

3. Dividend Policy and Dividends for the Fiscal Years Ended March 31, 2007 and 2008

SMFG subscribes to a fundamental policy of increasing dividends stably and continuously through a sustainable growth of corporate value while enhancing its Group's capital to maintain sound financial position.

From viewpoint of returning profits to shareholders, SMFG has decided to pay dividends per share for the fiscal year ended March 31, 2007 as follows:

Common stock	¥7,000	(year-on-year increase by ¥4,000)
Preferred stock (1st to 12th series type 4)	¥135,000	
Preferred stock (1st series type 6)	¥ 88,500	

(*) Interim dividends were not paid in the fiscal year ended March 31, 2007.

SMFG has launched a new medium-term management plan, "LEAD THE VALUE" Plan. It is aiming for a payout ratio of over 20% on a consolidated net income basis in the fiscal year ending March 31, 2010, and will increase return to shareholders in step with the progress made in achieving the goals of the plan. Dividends on common stock for the fiscal year ending March 31, 2008 are expected to be as follows. Dividends on preferred stocks will be paid as prescribed.

Common stock	¥10,000 per share	(year-on-year increase by ¥3,000)
[interim dividends]	[5,000]	
Preferred stock (1st to 12th series type 4)	¥135,000 per share	
[interim dividends]	[67,500]	
Preferred stock (1st series type 6)	¥ 88,500 per share	
[interim dividends]	[44,250]	

II. Overview of SMFG Group

SMFG group conducts primary banking business through the following financial services: leasing, securities, credit card business, investment banking, loans and venture capital. SMFG has 181 consolidated subsidiaries and 62 companies accounted for by the equity method.

Sumitomo Mitsui Financial Group, Inc.	Banking business	<p>Principal subsidiaries</p> <p>Domestic</p> <ul style="list-style-type: none"> * Sumitomo Mitsui Banking Corporation * THE MINATO BANK, LTD. (Listed on the First Section of Tokyo Stock Exchange and Osaka Securities Exchange) * Kansai Urban Banking Corporation (Listed on the First Section of Tokyo Stock Exchange and Osaka Securities Exchange) * The Japan Net Bank, Limited (Internet banking) * SMBC Guarantee Co., Ltd. (Credit guarantee) <p>Overseas</p> <ul style="list-style-type: none"> * Sumitomo Mitsui Banking Corporation Europe Limited * Manufacturers Bank * Sumitomo Mitsui Banking Corporation of Canada * Banco Sumitomo Mitsui Brasileiro S.A. * PT Bank Sumitomo Mitsui Indonesia
	Leasing business	<p>Principal subsidiaries</p> <p>Domestic</p> <ul style="list-style-type: none"> * SMBC Leasing Company, Limited * SMBC Auto Leasing Company, Limited <p>Overseas</p> <ul style="list-style-type: none"> * SMBC Leasing and Finance, Inc.
	Other business	<p>Principal subsidiaries and affiliated companies</p> <p>Domestic</p> <ul style="list-style-type: none"> * Sumitomo Mitsui Card Company, Limited (Credit card services) * SAKURA CARD CO., Ltd. (Credit card services) * SMBC Consulting Co., Ltd. (Management consulting and information services) * SMBC Finance Service Co., Ltd. (Loans, factoring and collecting agent) * Financial Link Company, Limited (Data processing service and consulting) * SMBC Friend Securities Co., Ltd. (Securities) * The Japan Research Institute, Limited (System development, data processing, management consulting and economic research) * JRI Solutions Ltd. (System development and data processing) * Sakura KCS Corporation (System engineering and data processing) (Listed on the Second Section of Osaka Securities Exchange) * Sakura Information Systems Co., Ltd. (System engineering and data processing) * SMFG Corporate Recovery Servicer Co., Ltd. (Consulting on corporate recovery and servicer) ** Promise Co., Ltd. (consumer finance) (Listed on the First Section of Tokyo Stock Exchange) ** At-Loan Co., Ltd. (Consumer loans) ** QUOQ Inc. (Shopping credit and credit card business) ** Daiwa Securities SMBC Co. Ltd. (Securities and derivatives) ** NIF SMBC Ventures Co., Ltd. (Venture capital) (Listed on the JASDAQ Securities Exchange) ** Daiwa SB Investments Ltd. (Investment advisory and investment trust management) ** Sumitomo Mitsui Asset Management Company, Limited (Investment advisory and investment trust management) ** Japan Pension Navigator Co., Ltd. (Operational management of defined contribution pension plans) <p>Overseas</p> <ul style="list-style-type: none"> * SMBC Capital Markets, Inc. (Derivatives and investments) * SMBC Capital Markets Limited (Derivatives) * SMBC Securities, Inc. (Securities) * Sumitomo Mitsui Finance Australia Limited (Investments)

(Note) (*) means a consolidated subsidiary and (**) means an affiliated company accounted for by the equity method.

The details of changes in specific subsidiaries in the fiscal year are as follows:

Name	Address	Capital (in thousand)	Business	Percentage of SMFG's Voting Rights (*)
SMFG Preferred Capital USD 1 Limited	George Town, Grand Cayman, Cayman Islands	\$1,650,350	Other business (Finance)	100%
SMBC Preferred Capital USD 1 Limited	George Town, Grand Cayman, Cayman Islands	\$1,664,000	Other business (Finance)	100% (100%)

(*) The figure in parenthesis indicates a voting right held indirectly via subsidiary.

III. Principles and Management

1. Management Policy

SMFG's group-wide management philosophy is 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

In line with this philosophy, SMFG and the group companies will put their collective energy into becoming "a globally competitive financial services group with the highest trust".

2. Management Indices to be Achieved

SMFG has established a medium-term management plan, "LEAD THE VALUE" Plan, spanning the three years from fiscal 2007 and has set the following four management indices as the financial targets to be achieved in fiscal 2009, the final year of the plan.

- Consolidated net income ¥650 billion
- Consolidated Tier I ratio Approximately 8%
- Consolidated net income RORA * Approximately 1%
- Overhead Ratio (SMBC non-consolidated basis) 40 - 45%

* Return on Risk-adjusted Assets

In addition, in order to increase return to shareholders, SMFG is aiming for a payout ratio of over 20% on a consolidated net income basis in fiscal 2009. During the period of the plan, SMFG expects ROE to be 10 - 15% on a consolidated net income basis.

3. Medium- to Long-term Management Strategy

SMFG has launched a new medium-term management plan, "LEAD THE VALUE" Plan, for the coming three years from fiscal 2007 to 2009 given the completion of repayment of public funds last October and in response to the greatly changed business environment, including the economic situation and competitive environment.

In the plan, the basic policy of SMFG is to aim for "a globally competitive financial services group with the highest trust" by maximizing its strengths – "Spirit of Innovation," "Speed" and "Solution & Execution." Under this basic policy, SMFG has set the following three goals.

1. Aim for top quality in growth business areas
2. Realize solid financial base as a global player
3. Increase return to shareholders.

Under the plan, SMFG will implement strategic initiatives centered on "strengthening targeted growth business areas" and "fortifying platform for supporting sustainable growth."

(1) Strengthen targeted growth business areas

SMFG will focus on business areas with high growth potential and achieve top quality in such areas by creating added values that exceed customers' expectations, thereby realizing sustainable growth. SMFG will especially strengthen the following seven growth areas.

- A) Financial consulting for individuals
- B) Solution providing for corporations
- C) Focused business areas in global markets
- D) Payment & settlement services, consumer finance
- E) Investment banking and trust business
- F) Proprietary investment
- G) Credit derivative trading & distribution

(2) Fortify platform for supporting sustainable growth

SMFG will maximize its ability to provide added value by (a) implementing an internal business performance evaluation system centered on medium-term targets and strategic measures, (b) establishing a framework for developing highly qualified professionals capable of challenging and achieving top quality in growth business areas, (c) reinforcing IT and operational infrastructure to support SMFG's business in a flexible manner, (d) strengthening compliance, and (e) improving ALM and risk management system.

SMFG and the group companies will make every effort to achieve the goals of the plan in order to realize sustainable growth and higher corporate value.

4. Issues to be Addressed

Having designated fiscal 2007 as "the first step towards accomplishing the new medium-term management plan," SMFG will strengthen targeted growth business areas and fortify the platform for supporting sustainable growth on a group basis.

(1) Strengthen targeted growth business areas

First, SMFG will strengthen "seven growth areas" targeted in the plan.

- "Financial consulting for individuals," "Payment & settlement services, consumer finance"

In consumer business, financial consulting will be upgraded further. SMFG will develop and provide new products, such as "SMBC Fund Wrap," launched in January of this year, provided through the collaboration between Sumitomo Mitsui Banking Corporation (SMBC) and SMBC Friend Securities, which meet the diversifying needs of our customers and changing business environment including deregulation. Also, SMFG will expand its channel network and increase the number of financial consultants. Through these initiatives, SMFG aims to establish a business model for offering "one stop shopping" of various financial products and services including investment trusts, insurance products and securities.

Also, payment and settlement services utilizing credit cards and electronic money will be expanded. Specifically, SMFG will promote "SMBC First Pack," a set of packaged services of deposit, Internet banking and credit card, which was launched in March of this year. Another example is "Mitsui Sumitomo Card iD," a collaborative service provided by Sumitomo Mitsui Card and NTT DoCoMo. In addition, in consumer finance, the collaboration with Promise will be further promoted through measures such as increasing the number of loan contract machines. This April, SMFG, SMBC, Sumitomo Mitsui Card and QUOQ reached an agreement with Central Finance and Mitsui & Co. to establish a comprehensive capital and business alliance in consumer finance. The alliance partners aim to provide quality products and services that meet customer needs exactly. To this end, they will leverage this comprehensive partnership, utilize each other's special features, know-how and experience, brands, customer base, etc., which they have developed separately in their respective businesses of "consumer installment credit," "credit card," "banking" and "trade."

- "Solution providing for corporations," "Investment banking and trust business"

In corporate business, solution providing will be expanded further. Specifically, SMFG will strengthen coverage in business areas where needs of individual customers and corporate customers co-exist, such as business succession consulting and private banking, through a Private Advisory Department which was newly established within SMBC this April. Also, its capability to nurture growth companies will be enhanced through a newly established Merchant Banking Department. In addition, investment banking, which provides various financing techniques, such as syndicated loan and structured finance, and financial solutions for solving clients' managerial issues, such as business expansion and

reorganization through M&A, will be strengthened further through various initiatives by the Corporate Advisory Division within SMBC and the collaboration between SMBC and Daiwa Securities SMBC. Moreover, SMFG will further promote group-wide solution providing: SMBC Leasing in various types of leasing, and Japan Research Institute in core systems development and IT consulting. In October of this year, SMBC Leasing and SMBC Auto Leasing are scheduled to merge with Sumisho Lease and Sumisho Auto Lease, respectively, under an agreement between SMFG and the Sumitomo Corporation group to pursue strategic joint businesses in leasing and auto leasing. By leveraging the know-how of both parties, value-added products and services will be provided to their customers.

- “Focused business areas in global markets”

In global markets, at the same time SMFG will provide various services responding to globalization of corporate customers, it will further strengthen initiatives in (a) specific growth industries in which fund raising and business consolidation needs are expected to expand globally, (b) Asia, a region which continues to demonstrate a remarkable economic growth, and (c) specific products and services with global competitive advantages, such as project finance and ship finance, by further expanding business franchises and establishing a global business promotion system.

- “Proprietary investment,” “Credit derivative trading & distribution”

In addition, SMFG will strengthen proprietary investments in mezzanine, equity, fund and so on. Also, credit derivative trading and distribution will be reinforced by improving its capability to structure risks on SMBC’s balance sheet and distributing such risks to investors.

(2) Fortify platform for supporting sustainable growth

Second, SMFG will fortify its platform for supporting sustainable growth.

Specifically, SMFG will take initiatives such as (a) business administration based on internal business performance evaluation system centered on medium-term targets, (b) establishment of a framework for securing and developing professionals in various business areas, (c) reinforcement of IT and operational infrastructure, and (d) further fortification of risk management and compliance. Especially, SMFG will further strengthen compliance to establish a more solid organization both in Japan and overseas. As a part of this, SMFG will take initiatives responding to enforcement of the Financial Instruments and Exchange Law in Japan, and complying with anti-money laundering.

With the aim of increasing return to shareholders, SMFG forecasts dividend per common share of ¥10,000 for fiscal 2007, which is a ¥3,000 increase compared with fiscal 2006. SMFG will continue to actively examine measures to strengthen shareholder return.

In fiscal 2007, through such initiatives, SMFG aims to take a solid first step towards accomplishing the medium-term management plan, and further improve the overall evaluation of SMFG by its customers, shareholders, markets and society.

IV. Consolidated Financial Statements

Significant Accounting Policies for Consolidated Financial Statements

1. Scope of consolidation

(1) Consolidated subsidiaries 181 companies

Principal companies:

Sumitomo Mitsui Banking Corporation
 THE MINATO BANK, LTD.
 Kansai Urban Banking Corporation
 Sumitomo Mitsui Banking Corporation Europe Limited
 Manufacturers Bank
 SMBC Leasing Company, Limited
 Sumitomo Mitsui Card Company, Limited
 SMBC Finance Service Co., Ltd.
 SMBC Friend Securities Co., Ltd.
 The Japan Research Institute, Limited
 SMBC Capital Markets, Inc.

Changes in consolidated subsidiaries in the fiscal year ended March 31, 2007 are as follows:

Forty-two companies including JRI Solutions Ltd. were newly consolidated due to establishment and other reason.

Four companies including SUMIGIN GUARANTEE COMPANY, LIMITED were excluded from the scope of consolidation because they were no longer subsidiaries due to merger and other reason. Also, nineteen companies including SMLC MAHOGANY CO., LTD. were excluded from the scope of consolidation and became unconsolidated subsidiaries that are not accounted for by the equity method because they became silent partnerships for lease transactions.

(2) Unconsolidated subsidiaries

Principal company:

SBCS Co., Ltd.

One hundred and twenty-four subsidiaries including S.B.L. Jupiter Co., Ltd. are silent partnerships for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, they have been excluded from the scope of consolidation pursuant to Article 5 Paragraph 1 Item 2 of Consolidated Financial Statements Regulations.

Other unconsolidated subsidiaries are also excluded from the scope of consolidation because their total amounts in terms of total assets, ordinary income, net income and retained earnings are so immaterial that they do not hinder a rational judgment of SMFG's financial position and results of operations when excluded from the scope of consolidation.

2. Application of the equity method

(1) Unconsolidated subsidiaries accounted for by the equity method 3 companies

Principal company:

SBCS Co., Ltd.

(2) Affiliates accounted for by the equity method 59 companies

Principal companies:

Promise Co., Ltd.
 Daiwa Securities SMBC Co. Ltd.
 NIF SMBC Ventures Co., Ltd.
 Daiwa SB Investments Ltd.
 Sumitomo Mitsui Asset Management Company, Limited
 QUOQ Inc.

Changes in affiliates accounted for by the equity method in the fiscal year are as follows:

Four companies including NIFSMBC-V2006S1 Investment Enterprise Partnership newly became affiliated companies accounted for by the equity method due to establishment and other reason.

Five companies including SMFC Holdings (Cayman) Limited were excluded from the scope of affiliated companies accounted for by the equity method because they were no longer affiliated companies due to liquidation and other reason.

(3) Unconsolidated subsidiaries and affiliates that are not accounted for by the equity method

One hundred and twenty-four subsidiaries including S.B.L. Jupiter Co., Ltd. are silent partnerships for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, they have not been accounted for by the equity method pursuant to Article 10 Paragraph 1 Item 2 of Consolidated Financial Statements Regulations.

Affiliates that are not accounted for by the equity method are also excluded from the scope of equity method because their total amounts in terms of net income and retained earnings are so immaterial that they do not hinder a rational judgment of SMFG's financial position and results of operations when excluded from the scope of equity method.

3. The balance sheet dates of consolidated subsidiaries

(1) The balance sheet dates of the consolidated subsidiaries are as follows:

June 30	2	companies
July 31	1	company
September 30	7	companies
October 31	2	companies
November 30	2	companies
December 31	70	companies
January 31	1	company
February 28	3	companies
March 31	93	companies

A consolidated overseas subsidiary changed its balance sheet date from December 31 to March 31 from this fiscal year. Therefore, SMFG's consolidated financial statements include the subsidiary's earnings for the 15 month period from January 1, 2006 to March 31, 2007. However, this change had no material impact on the consolidated financial statements.

(2) The subsidiaries whose balance sheet dates are June 30, September 30 and November 30 are consolidated after the accounts were provisionally closed as of March 31 for the purpose of consolidation. In case of the subsidiaries whose balance sheet dates are July 31, they are consolidated after the accounts were provisionally closed as of January 31. As for the subsidiaries whose balance sheet dates are October 31, their financial statements are consolidated based on the provisional financial statements closed as of January 31 and March 31, respectively. The other companies are consolidated on the basis of their respective balance sheet dates.

Appropriate adjustments are made for material transactions during the periods from their respective balance sheet dates to the consolidated balance sheet date.

4. Accounting policies

Please refer to the "Notes to Consolidated Balance Sheet" and "Notes to Consolidated Statement of Income."

5. Valuation of consolidated subsidiaries' assets and liabilities

Assets and liabilities of consolidated subsidiaries including the portion attributable to minority shareholders are valued for consolidation at fair value when SMFG acquires their control.

6. Amortization of goodwill

Goodwill on SMBC Friend Securities Co., Ltd. and SMBC Leasing Company, Limited is amortized using the straight-line method over 20 years and 5 years, respectively. Goodwill on other companies is charged or credited to income directly when incurred.

7. Scope of "Cash and cash equivalents" on Consolidated Statement of Cash Flows

Please refer to the "Notes to Consolidated Statement of Cash Flows."

Consolidated Balance Sheet

March 31, 2007

(Millions of yen)

Assets:	
Cash and due from banks	4,036,856
Call loans and bills bought	1,107,078
Receivables under resale agreements	76,551
Receivables under securities borrowing transactions	2,276,894
Commercial paper and other debt purchased	963,916
Trading assets	3,277,885
Money held in trust	2,924
Securities	20,537,500
Loans and bills discounted	58,689,322
Foreign exchanges	881,436
Other assets	3,349,949
Tangible fixed assets	817,567
Buildings	226,593
Land	476,059
Construction in progress	703
Other tangible fixed assets	114,211
Intangible fixed assets	234,896
Software	123,151
Goodwill	100,850
Other intangible fixed assets	10,894
Lease assets	1,001,346
Deferred tax assets	887,224
Customers' liabilities for acceptances and guarantees	3,606,050
Reserve for possible loan losses	(889,093)
Total assets	<u>100,858,309</u>
Liabilities:	
Deposits	72,156,224
Negotiable certificates of deposit	2,589,217
Call money and bills sold	2,286,698
Payables under repurchase agreements	140,654
Payables under securities lending transactions	1,516,342
Trading liabilities	1,942,973
Borrowed money	3,214,137
Foreign exchanges	323,890
Short-term bonds	439,600
Bonds	4,093,525
Due to trust account	65,062
Other liabilities	2,981,714
Reserve for employee bonuses	27,513
Reserve for employee retirement benefits	34,424
Reserve for executive retirement benefits	7,371
Other reserves	1,137
Deferred tax liabilities	50,953
Deferred tax liabilities for land revaluation	49,536
Acceptances and guarantees	3,606,050
Total liabilities	<u>95,527,029</u>
Net assets:	
Capital stock	1,420,877
Capital surplus	57,773
Retained earnings	1,386,436
Treasury stock	(123,454)
Total stockholders' equity	<u>2,741,632</u>
Net unrealized gains on other securities	1,262,135
Net deferred losses on hedges	(87,729)
Land revaluation excess	37,605
Foreign currency translation adjustments	(30,656)
Total valuation and translation adjustments	<u>1,181,353</u>
Stock acquisition rights	14
Minority interests	1,408,279
Total net assets	<u>5,331,279</u>
Total liabilities and net assets	<u>100,858,309</u>

Notes to Consolidated Balance Sheet

1. Amounts less than one million yen have been omitted.
2. Transactions for trading purposes (seeking gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market related indices or from variation among markets) are included in “Trading assets” or “Trading liabilities” on the consolidated balance sheet on a trade date basis.
Securities and monetary claims purchased for trading purposes are stated at the fiscal year-end market value, and financial derivatives such as swaps, futures and options are stated at amounts that would be settled if the transactions were terminated at the consolidated balance sheet date.
3. Debt securities that consolidated subsidiaries have the positive intent and ability to hold to maturity are classified as held-to-maturity securities and are carried at amortized cost (straight-line method) using the moving-average method.
Investments in unconsolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost using the moving-average method.
Securities other than trading purpose securities, held-to-maturity securities and investments in unconsolidated subsidiaries and affiliates are classified as “other securities” (available-for-sale securities). Stocks in other securities that have market prices are carried at their average market prices during the final month of the fiscal year, and bonds and others that have market prices are carried at their fiscal year-end market prices (cost of securities sold is calculated using primarily the moving-average method). Other securities with no available market prices are carried at cost or amortized cost using the moving-average method. Net unrealized gains (losses) on other securities, net of income taxes, are included in “Net assets,” after deducting the amount that is reflected in the fiscal year’s earnings by applying fair value hedge accounting.
4. Securities included in money held in trust are carried in the same method as in Notes 2 and 3.
5. Derivative transactions, excluding those classified as trading derivatives, are carried at fair value, though some consolidated overseas subsidiaries account for derivative transactions in accordance with their local accounting standards.
6. Tangible fixed assets owned by Sumitomo Mitsui Financial Group, Inc. (SMFG) and its consolidated subsidiary, Sumitomo Mitsui Banking Corporation (SMBC) are depreciated using the straight-line method. Equipments are depreciated using the declining-balance method. The estimated useful lives of major items are as follows:
Buildings: 7 to 50 years
Equipment: 2 to 20 years
Other consolidated subsidiaries depreciate tangible fixed assets and lease assets primarily using the straight-line method over the estimated useful lives of the respective assets and the straight-line method over the lease term based on the residual value of assets at the end of the lease term, respectively.
7. Intangible fixed assets are depreciated using the straight-line method. Capitalized software for internal use owned by SMFG and its consolidated domestic subsidiaries is depreciated over its estimated useful life (basically five years).
8. SMBC’s assets and liabilities denominated in foreign currencies and overseas branches’ accounts are translated into Japanese yen mainly at the exchange rate prevailing at the consolidated balance sheet date, with the exception of stocks of subsidiaries and affiliates translated at rates prevailing at the time of acquisition.
Other consolidated subsidiaries’ assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at their respective balance sheet dates.
9. Reserve for possible loan losses of major consolidated subsidiaries is provided as detailed below in accordance with the internal standards for write-offs and provisions.
For claims on borrowers that have entered into bankruptcy, special liquidation proceedings or similar legal proceedings (“bankrupt borrowers”) or borrowers that are not legally or formally insolvent but are regarded as substantially in the same situation (“effectively bankrupt borrowers”), a reserve is provided based on the amount of claims, after the write-off stated below, net of the expected amount of recoveries from collateral and guarantees.
For claims on borrowers that are not currently bankrupt but are perceived to have a high risk of falling into bankruptcy (“potentially bankrupt borrowers”), a reserve is provided in the amount deemed necessary based on an overall solvency assessment of the claims, net of the expected amount of recoveries from collateral and guarantees.
Discounted Cash Flows (DCF) method is used for claims on borrowers whose cash flows from collection of principals and interest can be rationally estimated and SMBC applies it to claims on large potentially bankrupt borrowers and claims on large borrowers requiring close monitoring that have been classified as “Past due loans (3 months or more)” or “Restructured loans,” whose total loans from SMBC exceed a certain amount. SMBC establishes a reserve for possible loan losses using the DCF method for such claims in the amount of the difference between the present value of principal and interest (calculated using the rationally estimated cash flows discounted at the initial contractual interest rate) and the book value.
For other claims, a reserve is provided based on the historical loan-loss ratio.
For claims originated in specific overseas countries, an additional reserve is provided in the amount deemed necessary based on the assessment of political and economic conditions.

Branches and credit supervision departments assess all claims in accordance with the internal rules for self-assessment of assets, and the Credit Review Department, independent from these operating sections, audits their assessment. The reserves are provided based on the results of these assessments.

Reserve for possible loan losses of other consolidated subsidiaries for general claims is provided in the amount deemed necessary based on the historical loan-loss ratios, and for doubtful claims in the amount deemed uncollectible based on assessment of each claim.

For collateralized or guaranteed claims on bankrupt borrowers and effectively bankrupt borrowers, the amount exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and written off against the total outstanding amount of the claims. The amount of write-off was ¥490,123 million.

10. Reserve for employee bonuses is provided for payment of bonuses to employees, in the amount of estimated bonuses, which are attributable to the fiscal year.

11. Reserve for employee retirement benefits is provided for payment of retirement benefits to employees, in the amount deemed accrued at the fiscal year-end, based on the projected retirement benefit obligation and the fair value of plan assets at the fiscal year-end.

Unrecognized prior service cost is amortized using the straight-line method, primarily over 9 years within the employees' average remaining service period at incurrence.

Unrecognized net actuarial gain (loss) is amortized using the straight-line method, primarily over 9 years within the employees' average remaining service period, commencing from the next fiscal year of incurrence.

12. Reserve for executive retirement benefits is provided for payment of retirement benefits to directors, corporate auditors and other executive officers, in the amount deemed accrued at the fiscal year-end based on our internal regulations.

Retirement benefits to directors, corporate auditors and other executive officers were formerly expensed when they were paid. "Treatment for Auditing of Reserve under Special Taxation Measures Law and Reserve under Special Laws" (JICPA Audit Committee Report No.42, issued on September 21, 1982) was revised and "Treatment for Auditing of Reserve under Special Taxation Measures Law, Reserve under Special Laws and Reserve for Retirement Benefits to Directors and Corporate Auditors" (JICPA Audit and Assurance Practice Committee Report No.42) was announced on April 13, 2007. In accordance with this accounting change, from March 31, 2007, SMFG recorded reserve for executive retirement benefits in order to make periodic gain or loss more proper by allocating the estimated retirement benefits to tenure of the relevant executives. As a result, "Ordinary profit" and "Income before income taxes and minority interests" each decreased by ¥7,371 million as compared with the former method.

Interim consolidated financial statements for the six months ended September 30, 2006 were accounted for under the former method because this accounting change was announced on April 13, 2007. Accordingly, "Ordinary profit" and "Income before income taxes and minority interests" for the six months were excessively recorded by ¥6,241 million as compared with the revised method.

13. Financing leases of SMFG and its consolidated domestic subsidiaries, excluding those in which the ownership of the property is transferred to the lessee, are accounted for in the same method as operating leases.

14. As for the hedge accounting method applied to hedging transactions for interest rate risk arising from financial assets and liabilities, SMBC applies deferred hedge accounting or fair value hedge accounting.

SMBC applies deferred hedge accounting stipulated in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No.24) to portfolio hedges of large-volume, small-value monetary claims and debts.

As for the portfolio hedges to offset market fluctuation, SMBC assesses the effectiveness of such hedges by classifying the hedged items (such as deposits and loans) and the hedging instruments (such as interest rate swaps) by their maturity. As for the portfolio hedges to fix cash flows, SMBC assesses the effectiveness of such hedges by verifying the correlation between the hedged items and the hedging instruments.

As for the individual hedges, SMBC also basically applies deferred hedge accounting. But, SMBC applies fair value hedge accounting to hedging transactions for reducing the market volatility of bonds classified as other securities that are held for the purpose of Asset and Liability Management.

As a result of the application of JICPA Industry Audit Committee Report No.24, SMBC discontinued the application of hedge accounting or applied fair value hedge accounting to a portion of the hedging instruments using "macro hedge," which had been applied in order to manage interest rate risk arising from large-volume transactions in loans, deposits and other interest-earning assets and interest-bearing liabilities as a whole using derivatives pursuant to "Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No.15). The deferred hedge losses and gains related to such a portion of hedging instruments are charged to "Interest income" or "Interest expenses" over a 12-year period (maximum) according to their maturity from the fiscal year ended March 31, 2004. At the fiscal year-end, gross amounts of deferred hedge losses and gains on "macro hedge" (before deducting tax effect) were ¥41,522 million and ¥29,583 million, respectively.

15. SMBC applies deferred hedge accounting stipulated in “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry” (JICPA Industry Audit Committee Report No.25) to currency swap and foreign exchange swap transactions executed for the purpose of lending or borrowing funds in different currencies. Pursuant to JICPA Industry Audit Committee Report No.25, SMBC assesses the effectiveness of currency swap and foreign exchange swap transactions executed for the purpose of offsetting the risk of changes in currency exchange rates by verifying that there are foreign-currency monetary claims and debts corresponding to the foreign-currency positions. In order to hedge risk arising from volatility of exchange rates for stocks of subsidiaries and affiliates and other securities (excluding bonds) denominated in foreign currencies, SMBC applies deferred hedge accounting or fair value hedge accounting, on the conditions that the hedged securities are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged securities denominated in the same foreign currencies.
16. As for derivative transactions between consolidated subsidiaries or internal transactions between trading accounts and other accounts (or among internal sections), SMBC manages the interest rate swaps and currency swaps that are designated as hedging instruments in accordance with the strict criteria for external transactions stipulated in JICPA Industry Audit Committee Report No.24 and No.25. Therefore, SMBC accounts for the gains or losses that arise from interest rate swaps and currency swaps in its earnings or defers them, rather than eliminating them. Certain other consolidated subsidiaries apply the deferred hedge accounting or the special treatment for interest rate swaps. A consolidated domestic subsidiary (a leasing company) partly applies the accounting method that is permitted by “Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Leasing Industry” (JICPA Industry Audit Committee Report No.19).
17. National and local consumption taxes of SMFG and its consolidated domestic subsidiaries are accounted for using the tax-excluded method.
18. Other reserves required by special laws are reserve for contingent liabilities from financial futures transactions in accordance with Article 81 of the Financial Futures Transaction Law of ¥18 million, and reserve for contingent liabilities from securities transactions in accordance with Article 51 of the Securities and Exchange Law of ¥1,118 million.
19. Securities included stocks of unconsolidated subsidiaries and affiliates of ¥425,873 million and investments of ¥4,216 million.
20. Accumulated depreciation on tangible fixed assets and accumulated depreciation on lease assets amounted to ¥555,288 million and ¥1,592,098 million, respectively.
21. Deferred gain on real property deductible for tax purposes amounted to ¥67,070 million.
22. Bankrupt loans and Non-accrual loans were ¥60,715 million and ¥507,289 million, respectively. “Bankrupt loans” are loans, after write-off, to legally bankrupt borrowers as defined in Article 96-1-3 and 96-1-4 of the Enforcement Ordinance No.97 of the Japanese Corporate Tax Law (issued in 1965) and on which accrued interest income is not recognized as there is substantial doubt about the ultimate collectability of either principal or interest because they are past due for a considerable period of time or for other reasons. “Non-accrual loans” are loans on which accrued interest income is not recognized, excluding “Bankrupt loans” and loans on which interest payments are deferred in order to support the borrowers’ recovery from financial difficulties.
23. Past due loans (3 months or more) totaled ¥22,018 million. “Past due loans (3 months or more)” are loans on which the principal or interest is past due for three months or more, excluding “Bankrupt loans” and “Non-accrual loans.”
24. Restructured loans totaled ¥477,362 million. “Restructured loans” are loans on which terms and conditions have been amended in favor of the borrowers (e.g. reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt forgiveness) in order to support the borrowers’ recovery from financial difficulties, excluding “Bankrupt loans,” “Non-accrual loans” and “Past due loans (3 months or more).”
25. The total amount of Bankrupt loans, Non-accrual loans, Past due loans (3 months or more) and Restructured loans was ¥1,067,386 million. The amounts of loans presented in Notes 22 to 25 above are the amounts before deduction of reserve for possible loan losses.
26. Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No.24. SMFG’s banking subsidiaries have rights to sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The total face value was ¥915,318 million.

27. Assets pledged as collateral were as follows:

	(Millions of yen)
Assets pledged as collateral	
Cash and due from banks	¥ 104,328
Trading assets	202,292
Securities	3,043,253
Loans and bills discounted	934,423
Other assets (installment account receivable etc.)	1,946
Liabilities corresponding to assets pledged as collateral	
Deposits	¥ 20,588
Call money and bills sold	1,335,000
Payables under repurchase agreements	128,695
Payables under securities lending transactions	1,250,450
Trading liabilities	84,532
Borrowed money	1,112,257
Other liabilities	23,207
Acceptances and guarantees	167,153

In addition, Cash and due from banks of ¥6,761 million, Trading assets of ¥500,158 million, Securities of ¥3,946,194 million and Loans and bills discounted of ¥535,770 million were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes.

Other assets include surety deposits and intangible of ¥94,129 million and variation margins of futures markets of ¥3,140 million.

28. SMBC revaluated its own land for business activities in accordance with the “Law Concerning Land Revaluation” (the “Law”) effective March 31, 1998 and the law concerning amendment of the Law effective March 31, 2001. The income taxes corresponding to the net unrealized gains are deferred and reported in “Liabilities” as “Deferred tax liabilities for land revaluation,” and the net unrealized gains, net of deferred taxes, are reported as “Land revaluation excess” in “Net assets.”

Certain other consolidated subsidiaries revaluated their own land for business activities in accordance with the Law. The income taxes corresponding to the net unrealized gains are deferred and reported in “Liabilities” as “Deferred tax liabilities for land revaluation” and the net unrealized gains, net of deferred taxes, are reported as “Land revaluation excess” in “Net assets.”

Date of the revaluation

SMBC:

March 31, 1998 and March 31, 2002

Certain other consolidated subsidiaries:

March 31, 1999 and March 31, 2002

Method of revaluation (stipulated in Article 3-3 of the Law)

SMBC:

Fair values were determined by applying appropriate adjustments for land shape and timing of appraisal to the values stipulated in Article 2-3, 2-4 or 2-5 of the Enforcement Ordinance of the Law Concerning Land Revaluation (the Enforcement Ordinance No.119) effective March 31, 1998.

Certain other consolidated subsidiaries:

Fair values were determined based on the values stipulated in Article 2-3 and 2-5 of the Enforcement Ordinance No.119.

29. The balance of subordinated debt included in “Borrowed money” was ¥559,500 million.

30. The balance of subordinated bonds included in “Bonds” was ¥2,183,810 million.

31. The amount guaranteed by banking subsidiaries to privately-placed bonds (stipulated by Article 2-3 of Securities and Exchange Law) in “Securities” was ¥2,421,446 million.

32. Japanese government bonds and Stocks as a sub-account of Securities include ¥2,188 million of unsecured loaned securities for which borrowers have the right to sell or pledge.

As for the unsecured borrowed securities for which SMBC has the right to sell or pledge and the securities which SMBC purchased under resale agreements, that are permitted to be sold or pledged without restrictions, ¥2,088,859 million of securities are pledged, and ¥154,192 million of securities are held in hand as of the consolidated balance sheet date.

33. Commitment line contracts on overdrafts and loans are agreements to lend to customers up to a prescribed amount, as long as there is no violation of any condition established in the contracts. The amount of unused commitments was ¥40,947,052 million and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time was ¥34,769,824 million. Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments include clauses under which SMBC and other consolidated subsidiaries can reject an application from customers or reduce the contract amounts in the event that economic conditions change, SMBC and other consolidated subsidiaries need to secure claims, or other events occur. In addition, SMBC and other consolidated subsidiaries may request the customers to pledge collateral such as premises and securities at the time of the contracts, and take necessary measures such as monitoring customers' financial positions, revising contracts when need arises and securing claims after contracts are made.
34. "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No.5, issued on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No.8, issued on December 9, 2005) were applicable from the fiscal year ending on or after May 1, 2006, the implementation date of the Company Law. As a result, the Enforcement Ordinance of the Banking Law was revised on April 28, 2006 and applicable from the fiscal year beginning on and after April 1, 2006. Effective April 1, 2006, SMFG changed its consolidated balance sheet presentation as follows:
- (1) Former "Stockholders' equity" was renamed as "Net assets," which consisted of stockholders' equity, valuation and translation adjustments, stock acquisition rights and minority interests. The amount corresponding to former stockholders' equity at March 31, 2007 was ¥4,010,715 million.
 - (2) Deferred unrealized losses or gains on hedging instruments which had been included in "Other assets" or "Other liabilities" on a net basis were presented as "Net deferred gains (losses) on hedges" in valuation and translation adjustments after deducting tax effect on a net basis.
 - (3) "Minority interests" which had been presented below liabilities section were presented in net assets.
 - (4) "Premises and equipment" were separately presented as "Tangible fixed assets," "Intangible fixed assets" and "Other assets."
 - (a) Land, buildings and equipment in "Premises and equipment" were separately presented as "Land," "Buildings" and "Other tangible fixed assets" in "Tangible fixed assets," and suspense payments for constitutions unfinished were presented as "Construction in progress" in "Tangible fixed assets."
 - (b) Foregifts were included in and presented as "Other intangible fixed assets" in "Intangible fixed assets," and guarantee deposits were included in "Other assets."
 - (c) Software which had been included in "Other assets" was included as "Software" in "Intangible fixed assets."
 - (5) "Goodwill" which had been separately presented in assets section was included in "Intangible fixed assets." As a result, amortization of goodwill which had been accounted for as "Other expenses" in "Expenses" were accounted for as amortization of intangible fixed assets and included in "General and administrative expenses."
35. "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" (Practical Issues Task Force No.20, issued on September 8, 2006) was applicable from on and after the fiscal year ending September 8, 2006, the announcement date, and SMFG applied the new accounting pronouncement. This accounting change had no material impact on the consolidated financial statements.
36. "Accounting Standard for Share-based Payment" (ASBJ Statement No.8, issued on December 27, 2005) and "Guidance on Accounting Standard for Share-based Payment" (ASBJ Guidance No.11, issued on May 31, 2006) were applicable to the stock options, own share options and delivered own shares which are granted on and after May 1, 2006. As a result, SMFG applied the new accounting standards from the fiscal year beginning on April 1, 2006. This accounting change had no material impact on the consolidated financial statements.
37. SMFG previously recognized deferred bond discounts as assets and amortized them over the redemption periods. On August 11, 2006, "Accounting Standard for Financial Instruments" (issued by the Business Accounting Council (BAC) on January 22, 1999) was revised by ASBJ Statement No.10 "Accounting Standards for Financial Instruments," and the revised accounting standards were applicable from on and after the fiscal year ending August 11, 2006. SMFG applied the revised accounting standards and bonds were carried at the amounts calculated based on amortized cost (straight-line method) on the consolidated balance sheet. As a result, deferred bond discounts in "Other assets" and "Bonds" each decreased by ¥2,308 million compared with the former method.
- Deferred bond discounts, which were recognized on the consolidated balance sheet as of March 31, 2006, were accounted for by the former method pursuant to "Tentative Solution on Accounting for Deferred Assets" (Practical Issues Task Force No.19, issued on August 11, 2006) and amortized over the redemption periods and the unamortized balances have been deducted from bonds balances.
38. "Accounting Standards for Business Combinations" ("Opinion Concerning Establishment of Accounting Standards for Business Combinations," issued by the BAC on October 31, 2003), "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, issued on December 27, 2005) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, issued on December 27, 2005) were applicable from the fiscal year beginning on April 1, 2006. Effective April 1, 2006, SMFG applied the new accounting standards.

Consolidated Statements of Income

Year ended March 31, 2007	(Millions of yen)
Ordinary income:	3,901,259
Interest income	1,979,069
Interest on loans and discounts	1,375,851
Interest and dividends on securities	369,770
Interest on call loans and bills bought	28,208
Interest on receivables under resale agreements	7,098
Interest on receivables under securities borrowing transactions	4,857
Interest on deposits with banks	96,763
Other interest income	96,517
Trust fees	3,508
Fees and commissions	705,998
Trading profits	127,561
Other operating income	1,003,632
Lease-related income	426,154
Installment-related income	277,405
Other	300,072
Other income	81,489
Ordinary expenses:	3,102,649
Interest expenses	810,476
Interest on deposits	457,078
Interest on negotiable certificates of deposit	43,476
Interest on call money and bills sold	18,807
Interest on payables under repurchase agreements	18,354
Interest on payables under securities lending transactions	60,856
Interest on commercial paper	1
Interest on borrowed money	32,175
Interest on short-term bonds	1,503
Interest on bonds	89,719
Other interest expenses	88,502
Fees and commissions	96,812
Trading losses	1,936
Other operating expenses	1,004,370
Lease-related expenses	376,098
Installment-related expenses	258,606
Other	369,666
General and administrative expenses	888,561
Other expenses	300,491
Provision for reserve for possible loan losses	23,663
Other	276,827
Ordinary profit	798,610
Extraordinary gains	46,527
Gains on disposal of premises and equipment	4,730
Collection of written-off claims	1,236
Gains on reversal of reserve for contingent liabilities from securities transactions	3
Other extraordinary gains	40,556
Extraordinary losses	38,347
Losses on disposal of fixed assets	7,798
Losses on impairment of fixed assets	30,548
Income before income taxes and minority interests	806,790
Income taxes	
Current	87,818
Deferred	218,770
Minority interests in net income	58,850
Net income	441,351

Notes to Consolidated Statement of Income

1. Amounts less than one million yen have been omitted.
2. Profits and losses on trading-purpose transactions are recognized on a trade date basis, and recorded as “Trading profits” and “Trading losses.” Both accounts include interest received or paid during the fiscal year. The year-on-year valuation differences of securities and money claims are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the year-on-year valuation differences are also recorded in the above-mentioned accounts.
3. Standards for recognizing lease-related income on lease transactions and income/expenses on installment sales are as follows:
 - (1) Recognition of lease-related income on lease transactions
Primarily, lease-related income is recognized on a straight-line basis over the full term of the lease, based on the contractual amount of lease fees per month.
 - (2) Recognition of income and expenses on installment sales
Primarily, installment-sales-related income and installment-sales-related expenses are recognized on a due-date basis over the full term of the installment sales.
4. “Other income” included gains on sales of stocks and other securities of ¥62,793 million.
5. “Other expenses” included write-off of loans of ¥81,415 million, losses on devaluation of stocks and other securities of ¥16,562 million, losses on delinquent loans sold of ¥39,302 million and equity in losses of affiliates of ¥104,170 million.
6. “Other extraordinary gains” included gains on return of securities from retirement benefits trust of ¥36,330 million and gains on change in equity of a subsidiary due to the subsidiary’s capital increase of ¥4,226 million.
7. The difference between the recoverable amount and the book value of the following assets is recognized as “Losses on impairment of fixed assets” and included in “Extraordinary losses” in the fiscal year.

(Millions of yen)

Area	Purpose of use	Type	Impairment loss
Tokyo metropolitan area	Branches 2 branches	Land and premises etc.	¥25,799
	Idle assets 32 items		1,782
Kinki area	Branches 19 branches	Land and premises etc.	839
	Idle assets 22 items		443
Other	Idle assets 18 items	Land and premises etc.	1,683

A consolidated subsidiary, SMBC, continuously manages every branch and determines its income and expenses. SMBC considers each branch as the smallest unit of asset group for recognition and measurement of impairment loss. Fixed assets (such as corporate headquarters facilities, training institutes, business and system centers, and health and recreational facilities) which do not have identifiable cash flows are grouped with other assets. As for idle assets, impairment loss on each asset is measured individually. At other consolidated subsidiaries, a branch is generally considered as the smallest grouping unit.

In case investments in idle assets and branches (only idle assets in the case of SMBC) are not expected to be recovered, SMBC and other consolidated subsidiaries reduced the book values to their recoverable amounts and recognized the relevant losses as “losses on impairment of fixed assets,” which were included in “Extraordinary losses” in the fiscal year.

Recoverable amounts are calculated using net realizable value which is based on appraisal value in accordance with the Real Estate Appraisal Standard less the expected sale costs.

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2007

(Millions of yen)

	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance at March 31, 2006	1,420,877	1,229,225	992,064	(4,393)	3,637,773
Changes in the year					
Increase due to exchange of shares		221,365			221,365
Cash dividends			(47,951)		(47,951)
Net income			441,351		441,351
Acquisition of own shares				(1,519,599)	(1,519,599)
Disposal of treasury shares		3,459		4,260	7,720
Retirement of treasury shares		(1,396,277)		1,396,277	—
Increase due to increase of subsidiaries			396		396
Increase due to decrease of subsidiaries			22		22
Decrease due to increase of subsidiaries			(16)		(16)
Decrease due to decrease of subsidiaries			(5)		(5)
Transfer from land revaluation excess			575		575
Net changes in the items other than stockholders' equity in the year					
Net changes in the year	—	(1,171,452)	394,372	(119,061)	(896,141)
Balance at March 31, 2007	1,420,877	57,773	1,386,436	(123,454)	2,741,632

(Millions of yen)

	Valuation and translation adjustments					Stock acquisition rights	Minority interests	Total net assets
	Net unrealized gains on other securities	Net deferred losses on hedges	Land revaluation excess	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance at March 31, 2006	819,927	—	38,173	(41,475)	816,625	—	1,113,025	5,567,424
Changes in the year								
Increase due to exchange of shares								221,365
Cash dividends								(47,951)
Net income								441,351
Acquisition of own shares								(1,519,599)
Disposal of treasury shares								7,720
Retirement of treasury shares								—
Increase due to increase of subsidiaries								396
Increase due to decrease of subsidiaries								22
Decrease due to increase of subsidiaries								(16)
Decrease due to decrease of subsidiaries								(5)
Transfer from land revaluation excess								575
Net changes in the items other than stockholders' equity in the year	442,207	(87,729)	(568)	10,818	364,728	14	295,254	659,996
Net changes in the year	442,207	(87,729)	(568)	10,818	364,728	14	295,254	(236,144)
Balance at March 31, 2007	1,262,135	(87,729)	37,605	(30,656)	1,181,353	14	1,408,279	5,331,279

Notes to Consolidated Statement of Changes in Net Assets

- Amounts less than one million yen have been omitted.
- Type and number of shares issued and treasury shares are as follows:

	Number of shares as of the previous fiscal year-end	Number of shares increased in the fiscal year	Number of shares decreased in the fiscal year	Number of shares as of the fiscal year-end
Shares issued				
Common stock	7,424,172.77	(*1) 309,481	—	7,733,653.77
Preferred stock (type 1)	35,000	—	(*2) 35,000	—
Preferred stock (type 2)	100,000	—	(*3) 100,000	—
Preferred stock (type 3)	695,000	—	(*4) 695,000	—
Preferred stock (1st series type 4)	4,175	—	—	4,175
Preferred stock (2nd series type 4)	4,175	—	—	4,175
Preferred stock (3rd series type 4)	4,175	—	—	4,175
Preferred stock (4th series type 4)	4,175	—	—	4,175
Preferred stock (5th series type 4)	4,175	—	—	4,175
Preferred stock (6th series type 4)	4,175	—	—	4,175
Preferred stock (7th series type 4)	4,175	—	—	4,175
Preferred stock (8th series type 4)	4,175	—	—	4,175
Preferred stock (9th series type 4)	4,175	—	—	4,175
Preferred stock (10th series type 4)	4,175	—	—	4,175
Preferred stock (11th series type 4)	4,175	—	—	4,175
Preferred stock (12th series type 4)	4,175	—	—	4,175
Preferred stock (1st series type 6)	70,001	—	—	70,001
Total	8,374,273.77	309,481	830,000	7,853,754.77
Treasury shares				
Common stock	6,307.15	(*5) 170,936.41	(*5) 8,612.61	168,630.95
Preferred stock (type 1)	—	(*2) 35,000	(*2) 35,000	—
Preferred stock (type 2)	—	(*3) 100,000	(*3) 100,000	—
Preferred stock (type 3)	—	(*4) 695,000	(*4) 695,000	—
Total	6,307.15	1,000,936.41	838,612.61	168,630.95

(*) 1. Increase in number of common shares issued:

- 249,015 shares due to issuance of new shares related to the share exchange with SMBC Friend Securities Co., Ltd. on September 1, 2006
- 60,466 shares due to exercising of rights to request acquisition of common shares with respect to preferred stock (type 3) on September 29, 2006

2. Increase in number of treasury shares of preferred stock (type 1):

- 35,000 shares due to acquisition of own shares on May 17, 2006 pursuant to the resolution of the ordinary general meeting of shareholders held on June 29, 2005

Decreases in number of shares issued and treasury shares of preferred stock (type 1):

- 35,000 shares due to retirement of treasury shares on May 17, 2006

3. Increase in number of treasury shares of preferred stock (type 2):

- 100,000 shares due to acquisition of own shares on May 17 and September 6, 2006 pursuant to the resolution of the ordinary general meetings of shareholders held on June 29, 2005 and June 29, 2006

Decreases in number of shares issued and treasury shares of preferred stock (type 2):

- 100,000 shares due to retirement of treasury shares on May 17 and September 6, 2006

4. Increase in number of treasury shares of preferred stock (type 3):

- 645,000 shares due to acquisition of own shares on September 29 and October 11, 2006 pursuant to the resolution of the ordinary general meeting of shareholders held on June 29, 2006

- 50,000 shares due to acquisition of own shares on September 29, 2006 as a result of exercising of rights to request acquisition of common shares

Decreases in number of shares issued and treasury shares of preferred stock (type 3):

- 695,000 shares due to retirement of treasury shares on September 29 and October 11, 2006

5. Increase in number of treasury common shares:

- 60,466 shares due to acquisition of own shares on October 17, 2006 pursuant to the resolution of the ordinary general meeting of shareholders held on June 29, 2006
- 1,265.41 shares due to purchase of fractional shares
- 109,205 shares owned by consolidated subsidiaries and affiliates in connection with the share exchange with SMBC Friend Securities Co., Ltd.

Decrease in number of treasury common shares:

- 182.61 shares due to sale of fractional shares and delivery of shares in connection with exercising of stock options
- 8,430 shares due to sale of shares of SMFG's common stock owned by subsidiaries and affiliates

3. Information on stock acquisition rights is as follows:

	Detail of stock acquisition rights	Type of shares	Number of shares				Balance as of the fiscal year-end (Millions of yen)
			Previous fiscal year-end	Increase in the fiscal year	Decrease in the fiscal year	Fiscal year-end	
SMFG	Stock acquisition rights as stock options					¥ -	
Consolidated subsidiaries						14	
Total						¥ 14	

4. Information on dividends is as follows:

(1) Dividends paid in the fiscal year (Millions of yen, except per share amount)

Date of resolution	Type of shares	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
Ordinary general meeting of shareholders held on June 29, 2006	Common stock	¥22,253	¥ 3,000	March 31, 2006	June 29, 2006
	Preferred stock (type 1)	367	10,500	March 31, 2006	June 29, 2006
	Preferred stock (type 2)	2,850	28,500	March 31, 2006	June 29, 2006
	Preferred stock (type 3)	9,521	13,700	March 31, 2006	June 29, 2006
	Preferred stock (1st series type 4)	563	135,000	March 31, 2006	June 29, 2006
	Preferred stock (2nd series type 4)	563	135,000	March 31, 2006	June 29, 2006
	Preferred stock (3rd series type 4)	563	135,000	March 31, 2006	June 29, 2006
	Preferred stock (4th series type 4)	563	135,000	March 31, 2006	June 29, 2006
	Preferred stock (5th series type 4)	563	135,000	March 31, 2006	June 29, 2006
	Preferred stock (6th series type 4)	563	135,000	March 31, 2006	June 29, 2006
	Preferred stock (7th series type 4)	563	135,000	March 31, 2006	June 29, 2006
	Preferred stock (8th series type 4)	563	135,000	March 31, 2006	June 29, 2006
	Preferred stock (9th series type 4)	563	135,000	March 31, 2006	June 29, 2006
	Preferred stock (10th series type 4)	563	135,000	March 31, 2006	June 29, 2006
	Preferred stock (11th series type 4)	563	135,000	March 31, 2006	June 29, 2006
Preferred stock (12th series type 4)	563	135,000	March 31, 2006	June 29, 2006	
Preferred stock (1st series type 6)	6,195	88,500	March 31, 2006	June 29, 2006	

(2) Dividends to be paid in the next fiscal year

(Millions of yen, except per share amount)

Date of resolution	Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Ordinary general meeting of shareholders held on June 28, 2007	Common stock	¥53,660	Retained earnings	¥ 7,000	March 31, 2007	June 28, 2007
	Preferred stock (1st series type 4)	563	Retained earnings	135,000	March 31, 2007	June 28, 2007
	Preferred stock (2nd series type 4)	563	Retained earnings	135,000	March 31, 2007	June 28, 2007
	Preferred stock (3rd series type 4)	563	Retained earnings	135,000	March 31, 2007	June 28, 2007
	Preferred stock (4th series type 4)	563	Retained earnings	135,000	March 31, 2007	June 28, 2007
	Preferred stock (5th series type 4)	563	Retained earnings	135,000	March 31, 2007	June 28, 2007
	Preferred stock (6th series type 4)	563	Retained earnings	135,000	March 31, 2007	June 28, 2007
	Preferred stock (7th series type 4)	563	Retained earnings	135,000	March 31, 2007	June 28, 2007
	Preferred stock (8th series type 4)	563	Retained earnings	135,000	March 31, 2007	June 28, 2007
	Preferred stock (9th series type 4)	563	Retained earnings	135,000	March 31, 2007	June 28, 2007
	Preferred stock (10th series type 4)	563	Retained earnings	135,000	March 31, 2007	June 28, 2007
	Preferred stock (11th series type 4)	563	Retained earnings	135,000	March 31, 2007	June 28, 2007
	Preferred stock (12th series type 4)	563	Retained earnings	135,000	March 31, 2007	June 28, 2007
	Preferred stock (1st series type 6)	6,195	Retained earnings	88,500	March 31, 2007	June 28, 2007

Consolidated Statement of Cash Flows

Year ended March 31, 2007

(Millions of yen)

1. Cash flows from operating activities:	
Income before income taxes and minority interests	806,790
Depreciation of fixed assets	78,869
Depreciation of lease assets	335,399
Losses on impairment of fixed assets	30,548
Amortization of goodwill	4,858
Equity in (earnings) losses of affiliates	104,170
Gains on sale of subsidiaries' shares and gains on change in equity of subsidiary	(5,072)
Net change in reserve for possible loan losses	(146,971)
Net change in reserve for employee bonuses	2,128
Net change in reserve for employee retirement benefits	(2,639)
Net change in reserve for executive retirement benefits	7,371
Interest income	(1,979,069)
Interest expenses	810,476
Net (gains) losses on securities	71,686
Net (gains) losses from money held in trust	(0)
Net exchange (gains) losses	(103,541)
Net (gains) losses from disposal of fixed assets	3,067
Net (gains) losses from disposal of lease assets	(1,364)
Net change in trading assets	767,067
Net change in trading liabilities	(969,090)
Net change in loans and bills discounted	(1,376,693)
Net change in deposits	1,307,266
Net change in negotiable certificates of deposit	(136,304)
Net change in borrowed money (excluding subordinated debt)	1,141,752
Net change in deposits with banks	(157,092)
Net change in call loans and bills bought and others	(612,297)
Net change in receivables under securities borrowing transactions	(320,243)
Net change in call money and bills sold and others	(5,994,528)
Net change in commercial paper	(10,000)
Net change in payables under securities lending transactions	(1,230,782)
Net change in foreign exchanges (assets)	66,917
Net change in foreign exchanges (liabilities)	(124,047)
Net change in short-term bonds (liabilities)	55,700
Issuance and redemption of bonds (excluding subordinated bonds)	(198,091)
Net change in due to trust account	(253,534)
Interest received	1,966,949
Interest paid	(774,678)
Other, net	197,841
Subtotal	(6,637,179)
Income taxes paid	(123,561)
Net cash used in operating activities	(6,760,740)
2. Cash flows from investing activities:	
Purchases of securities	(35,085,809)
Proceeds from sale of securities	21,544,154
Proceeds from maturity of securities	18,886,454
Purchases of tangible fixed assets	(193,614)
Proceeds from sale of tangible fixed assets	8,474
Purchases of intangible fixed assets	(57,506)
Proceeds from sale of intangible fixed assets	6
Purchases of lease assets	(383,526)
Proceeds from sale of lease assets	48,392
Proceeds from sale of stocks of subsidiaries	3,745
Purchases of stocks of subsidiaries	(1,317)
Net cash provided by investing activities	4,769,454
3. Cash flows from financing activities:	
Proceeds from issuance of subordinated debt	20,000
Repayment of subordinated debt	(83,000)
Proceeds from issuance of subordinated bonds and bonds with stock acquisition rights	196,951
Repayment of subordinated bonds and bonds with stock acquisition rights	(181,283)
Dividends paid	(47,926)
Proceeds from minority stockholders	360,362
Dividends paid to minority stockholders	(46,724)
Purchases of treasury stock	(1,474,644)
Proceeds from disposal of treasury stock	11,320
Net cash used in financing activities	(1,244,945)
4. Effect of exchange rate changes on cash and cash equivalents	3,434
5. Net change in cash and cash equivalents	(3,232,797)
6. Cash and cash equivalents at beginning of year	5,159,822
7. Change in cash and cash equivalents due to exclusion of consolidated subsidiaries	0
8. Cash and cash equivalents at end of year	1,927,024

Notes to Consolidated Statement of Cash Flows

1. Amounts less than one million yen have been omitted.
2. For the purposes of presenting the consolidated statement of cash flows, “Cash and cash equivalents” are cash on hand and non-interest earning deposits with banks.
3. Reconciliation of “Cash and due from banks” of the consolidated balance sheet to “Cash and cash equivalents” at the fiscal year-end is as follows:

March 31, 2007	(Millions of yen)
Cash and due from banks	¥ 4,036,856
Interest-earning deposits	(2,109,831)
Cash and cash equivalents	<u>¥ 1,927,024</u>

4. The Enforcement Ordinance of the Banking Law was revised on April 28, 2006 and applicable from the fiscal year beginning on and after April 1, 2006. Effective April 1, 2006, SMFG changed its presentation of consolidated statement of cash flows as follows:
 - (1) “Amortization of consolidation goodwill” was included in “Amortization of goodwill.”
 - (2) In accordance with the change in presentation of “Premises and equipment” in the consolidated balance sheet, “Depreciation of premises and equipment and others” was presented as “Depreciation of fixed assets.” “Net (gains) losses from disposal of premises and equipment” was also renamed as “Net (gains) losses from disposal of fixed assets.” In addition, “Purchases of premises and equipment” and “Proceeds from sale of premises and equipment” were presented as “Purchases of tangible fixed assets” and “Proceeds from sale of tangible fixed assets,” respectively.
 - (3) In accordance with the change in presentation of consolidated balance sheet, software which had been included in “Other assets” was included in “Intangible fixed assets.” Therefore, payments or proceeds from purchase or sale of software which had been included in “Other” in “Net cash (used in) provided by operating activities” were included in “Purchases of intangible fixed assets” and “Proceeds from sale of intangible fixed assets.”
5. Significant non-money transactions consisted of the followings:
Capital surplus increased by ¥221,365 million because SMFG made SMBC Friend Securities Co., Ltd. into a wholly-owned subsidiary through a share exchange and delivered common stocks in the fiscal year.

Comparative Consolidated Balance Sheets (Condensed)

	(Millions of yen)		
March 31,	2007 (A)	2006 (B)	Change (A-B)
Assets:			
Cash and due from banks	4,036,856	7,107,469	(3,070,613)
Call loans and bills bought	1,107,078	651,905	455,173
Receivables under resale agreements	76,551	117,474	(40,923)
Receivables under securities borrowing transactions	2,276,894	1,956,650	320,244
Commercial paper and other debt purchased	963,916	633,760	330,156
Trading assets	3,277,885	4,078,025	(800,140)
Money held in trust	2,924	2,912	12
Securities	20,537,500	25,505,861	(4,968,361)
Loans and bills discounted	58,689,322	57,267,203	1,422,119
Foreign exchanges	881,436	947,744	(66,308)
Other assets	3,349,949	3,403,832	(53,883)
Premises and equipment	–	806,369	(806,369)
Tangible fixed assets	817,567	–	817,567
Intangible fixed assets	234,896	–	234,896
Lease assets	1,001,346	999,915	1,431
Deferred tax assets	887,224	1,051,609	(164,385)
Goodwill	–	6,612	(6,612)
Customers' liabilities for acceptances and guarantees	3,606,050	3,508,695	97,355
Reserve for possible loan losses	(889,093)	(1,035,468)	146,375
Total assets	100,858,309	107,010,575	(6,152,266)
Liabilities:			
Deposits	72,156,224	70,834,125	1,322,099
Negotiable certificates of deposit	2,589,217	2,708,643	(119,426)
Call money and bills sold	2,286,698	8,016,410	(5,729,712)
Payables under repurchase agreements	140,654	396,205	(255,551)
Payables under securities lending transactions	1,516,342	2,747,125	(1,230,783)
Commercial paper	–	10,000	(10,000)
Trading liabilities	1,942,973	2,908,158	(965,185)
Borrowed money	3,214,137	2,133,707	1,080,430
Foreign exchanges	323,890	447,722	(123,832)
Short-term bonds	439,600	383,900	55,700
Bonds	4,093,525	4,241,417	(147,892)
Due to trust account	65,062	318,597	(253,535)
Other liabilities	2,981,714	2,625,594	356,120
Reserve for employee bonuses	27,513	25,300	2,213
Reserve for employee retirement benefits	34,424	36,786	(2,362)
Reserve for executive retirement benefits	7,371	–	7,371
Other reserves	1,137	1,141	(4)
Deferred tax liabilities	50,953	49,484	1,469
Deferred tax liabilities for land revaluation	49,536	50,133	(597)
Acceptances and guarantees	3,606,050	3,508,695	97,355
Total liabilities	95,527,029	101,443,151	(5,916,122)
Minority interests	–	1,113,025	(1,113,025)
Total stockholders' equity	–	4,454,399	(4,454,399)
Total liabilities, minority interests and stockholders' equity	–	107,010,575	(107,010,575)
Total net assets	5,331,279	–	5,331,279
Total liabilities and net assets	100,858,309	–	100,858,309

(Note) Amounts less than one million yen have been omitted.

Comparative Consolidated Statements of Income (Condensed)

	(Millions of yen)		
Year ended March 31,	2007	2006	Change
	(A)	(B)	(A-B)
Ordinary income:	3,901,259	3,705,136	196,123
Interest income	1,979,069	1,662,600	316,469
Interest on loans and discounts	1,375,851	1,214,142	161,709
Interest and dividends on securities	369,770	317,352	52,418
Trust fees	3,508	8,631	(5,123)
Fees and commissions	705,998	703,928	2,070
Trading profits	127,561	32,807	94,754
Other operating income	1,003,632	1,144,147	(140,515)
Other income	81,489	153,021	(71,532)
Ordinary expenses:	3,102,649	2,741,582	361,067
Interest expenses	810,476	500,993	309,483
Interest on deposits	457,078	266,648	190,430
Fees and commissions	96,812	84,336	12,476
Trading losses	1,936	-	1,936
Other operating expenses	1,004,370	876,635	127,735
General and administrative expenses	888,561	853,796	34,765
Other expenses	300,491	425,819	(125,328)
Ordinary profit	798,610	963,554	(164,944)
Extraordinary gains	46,527	97,952	(51,425)
Extraordinary losses	38,347	18,144	20,203
Income before income taxes and minority interests	806,790	1,043,362	(236,572)
Income taxes			
Current	87,818	69,818	18,000
Deferred	218,770	226,901	(8,131)
Minority interests in net income	58,850	59,800	(950)
Net income	441,351	686,841	(245,490)

(Note) Amounts less than one million yen have been omitted.

Comparative Consolidated Statements of Cash Flows

	(Millions of yen)		
Year ended March 31,	2007	2006	Change
	(A)	(B)	(A-B)
1. Cash flows from operating activities:			
Income before income taxes and minority interests	806,790	1,043,362	(236,572)
Depreciation of premises, equipment and others	-	82,671	(82,671)
Depreciation of fixed assets	78,869	-	78,869
Depreciation of lease assets	335,399	336,871	(1,472)
Losses on impairment of fixed assets	30,548	12,303	18,245
Amortization of goodwill	4,858	6,270	(1,412)
Equity in losses (earnings) of affiliates	104,170	(31,887)	136,057
Gains on sale of subsidiaries' shares and gains on change in equity of subsidiary	(5,072)	(63,257)	58,185
Net change in reserve for possible loan losses	(146,971)	(241,530)	94,559
Net change in reserve for employee bonuses	2,128	1,403	725
Net change in reserve for employee retirement benefits	(2,639)	1,993	(4,632)
Net change in reserve for executive retirement benefits	7,371	-	7,371
Net change in reserve for expenses related to EXPO 2005 Japan	-	(231)	231
Interest income	(1,979,069)	(1,662,600)	(316,469)
Interest expenses	810,476	500,993	309,483
Net (gains) losses on securities	71,686	(27,853)	99,539
Net (gains) losses from money held in trust	(0)	(13)	13
Net exchange (gains) losses	(103,541)	(175,815)	72,274
Net (gains) losses from disposal of premises and equipment	-	(551)	551
Net (gains) losses from disposal of fixed assets	3,067	-	3,067
Net (gains) losses from disposal of lease assets	(1,364)	(3,235)	1,871
Net change in trading assets	767,067	(225,005)	992,072
Net change in trading liabilities	(969,090)	746,642	(1,715,732)
Net change in loans and bills discounted	(1,376,693)	(2,311,499)	934,806
Net change in deposits	1,307,266	2,210,634	(903,368)
Net change in negotiable certificates of deposit	(136,304)	(8,026)	(128,278)
Net change in borrowed money (excluding subordinated debt)	1,141,752	90,612	1,051,140
Net change in deposits with banks	(157,092)	175,960	(333,052)
Net change in call loans and bills bought and others	(612,297)	342,387	(954,684)
Net change in receivables under securities borrowing transactions	(320,243)	(1,388,310)	1,068,067
Net change in call money and bills sold and others	(5,994,528)	3,027,037	(9,021,565)
Net change in commercial paper	(10,000)	(364,100)	354,100
Net change in payables under securities lending transactions	(1,230,782)	(1,120,876)	(109,906)
Net change in foreign exchanges (assets)	66,917	(46,473)	113,390
Net change in foreign exchanges (liabilities)	(124,047)	(31,381)	(92,666)
Net change in short-term bonds (liabilities)	55,700	382,900	(327,200)
Issuance and redemption of bonds (excluding subordinated bonds)	(198,091)	(365,646)	167,555
Net change in due to trust account	(253,534)	268,140	(521,674)
Interest received	1,966,949	1,691,320	275,629
Interest paid	(774,678)	(509,760)	(264,918)
Other, net	197,841	(104,996)	302,837
Subtotal	(6,637,179)	2,238,450	(8,875,629)
Income taxes paid	(123,561)	(30,096)	(93,465)
Net cash (used in) provided by operating activities	(6,760,740)	2,208,354	(8,969,094)
2. Cash flows from investing activities:			
Purchases of securities	(35,085,809)	(43,620,790)	8,534,981
Proceeds from sale of securities	21,544,154	33,089,259	(11,545,105)
Proceeds from maturity of securities	18,886,454	10,164,213	8,722,241
Purchases of money held in trust	-	(2,851)	2,851
Proceeds from sale of money held in trust	-	3,789	(3,789)
Purchases of premises and equipment	-	(43,066)	43,066
Purchases of tangible fixed assets	(193,614)	-	(193,614)
Proceeds from sale of premises and equipment	-	17,733	(17,733)
Proceeds from sale of tangible fixed assets	8,474	-	8,474
Purchases of intangible fixed assets	(57,506)	-	(57,506)
Proceeds from sale of intangible fixed assets	6	-	6
Purchases of lease assets	(383,526)	(380,894)	(2,632)
Proceeds from sale of lease assets	48,392	55,186	(6,794)
Proceeds from sale of stocks of subsidiaries	3,745	54,937	(51,192)
Purchases of stocks of subsidiaries	(1,317)	-	(1,317)
Net cash provided by (used in) investing activities	4,769,454	(662,482)	5,431,936
3. Cash flows from financing activities:			
Proceeds from issuance of subordinated debt	20,000	103,000	(83,000)
Repayment of subordinated debt	(83,000)	(215,884)	132,884
Proceeds from issuance of subordinated bonds and bonds with stock acquisition rights	196,951	431,458	(234,507)
Repayment of subordinated bonds and bonds with stock acquisition rights	(181,283)	(198,800)	17,517
Proceeds from issuance of stocks	-	136,451	(136,451)
Dividends paid	(47,926)	(44,373)	(3,553)
Proceeds from minority stockholders	360,362	59,640	300,722
Dividends paid to minority stockholders	(46,724)	(42,366)	(4,358)
Purchases of treasury stock	(1,474,644)	(2,209)	(1,472,435)
Proceeds from sale of treasury stock	11,320	452,549	(441,229)
Net cash (used in) provided by financing activities	(1,244,945)	679,464	(1,924,409)
4. Effect of exchange rate changes on cash and cash equivalents	3,434	3,840	(406)
5. Net change in cash and cash equivalents	(3,232,797)	2,229,177	(5,461,974)
6. Cash and cash equivalents at beginning of year	5,159,822	2,930,645	2,229,177
7. Change in cash and cash equivalents due to merger of consolidated subsidiaries	0	-	0
8. Change in cash and cash equivalents due to exclusion of consolidated subsidiaries	-	(0)	0
9. Cash and cash equivalents at end of year	1,927,024	5,159,822	(3,232,798)

(Note) Amounts less than one million yen have been omitted.

Market Value of Securities and Money Held in Trust

1. Securities

(Note)

The amounts shown in the following tables include trading securities, commercial paper and short-term bonds classified as "Trading assets," negotiable certificates of deposit bought classified as "Cash and due from banks" and beneficiary claims on loan trusts classified as "Commercial paper and other debt purchased," in addition to "Securities" stated in the consolidated balance sheet.

(1) Securities classified as trading purposes

As of March 31, 2007	(Millions of yen)	
	Consolidated balance sheet amount	Valuations gains (losses) included in the earnings for the fiscal year
Securities classified as trading purposes	1,149,952	438

(2) Bonds classified as held-to-maturity with market value

As of March 31, 2007	(Millions of yen)				
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	629,762	621,717	(8,045)	20	8,065
Japanese local government bonds	97,102	95,307	(1,794)	-	1,794
Japanese corporate bonds	380,142	376,735	(3,406)	-	3,406
Other	5,445	5,626	180	180	-
Total	1,112,452	1,099,387	(13,065)	200	13,266

(Note) Market value is calculated using market prices at the fiscal year-end.

(3) Other securities with market value

As of March 31, 2007	(Millions of yen)				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	1,953,767	3,926,414	1,972,647	1,987,337	14,689
Bonds	8,481,507	8,324,140	(157,367)	1,805	159,173
Japanese government bonds	7,150,792	7,010,306	(140,485)	1,182	141,668
Japanese local government bonds	482,555	474,001	(8,554)	119	8,674
Japanese corporate bonds	848,158	839,831	(8,327)	503	8,830
Other	2,754,061	2,763,949	9,888	42,977	33,089
Total	13,189,336	15,014,504	1,825,168	2,032,120	206,952

(Notes)

1. Consolidated balance sheet amount is calculated as follows:

Stocks	Average market prices during one month before the fiscal year-end
Bonds and other	Market prices at the fiscal year-end

2. Other securities with market value are considered as impaired if the market value decreases materially below the acquisition cost and such decline is not considered as recoverable. The market value is recognized as the consolidated balance sheet amount and the amount of write-down is accounted for as valuation loss for the fiscal year. Valuation loss for the fiscal year was 7,296 million yen. The rule for determining "material decline" is as follows and is based on the classification of issuing company under self-assessment of assets.

Bankrupt/ Effectively bankrupt/ Potentially bankrupt issuers	: Market value is lower than acquisition cost.
Issuers requiring caution	: Market value is 30% or more lower than acquisition cost.
Normal issuers	: Market value is 50% or more lower than acquisition cost.

Bankrupt issuers: Issuers that are legally bankrupt or formally declared bankrupt.

Effectively bankrupt issuers: Issuers that are not legally bankrupt but regarded as substantially bankrupt.

Potentially bankrupt issuers: Issuers that are not bankrupt now, but are perceived to have a high risk of falling into bankruptcy.

Issuers requiring caution: Issuers that are identified for close monitoring.

Normal issuers: Issuers other than the above four categories of issuers.

(4) Held-to-maturity bonds sold during the fiscal year

There are no corresponding transactions.

(5) Other securities sold during the fiscal year

Year ended March 31, 2007	(Millions of yen)		
	Sales amount	Gains on sales	Losses on sales
Other securities	21,543,637	87,911	141,143

(6) Securities with no available market value

As of March 31, 2007	(Millions of yen)
	Consolidated balance sheet amount
Bonds classified as held-to-maturity	
Unlisted foreign securities	17
Other	5,422
Other securities	
Unlisted stocks (excluding OTC stocks)	402,141
Unlisted bonds	2,846,521
Unlisted foreign securities	595,286
Other	476,942

(7) Change of classification of securities

There are no corresponding transactions.

(8) Redemption schedule of other securities with maturities and held-to-maturity bonds

As of March 31, 2007	(Millions of yen)			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Bonds	3,564,060	4,284,559	2,346,081	2,082,953
Japanese government bonds	2,824,945	1,872,346	956,640	1,986,136
Japanese local government bonds	101,824	161,564	307,293	421
Japanese corporate bonds	637,290	2,250,648	1,082,146	96,396
Other	665,251	495,728	701,134	956,785
Total	4,229,311	4,780,288	3,047,215	3,039,739

2. Money Held in Trust

(1) Money held in trust classified as trading purposes

There are no corresponding transactions.

(2) Money held in trust classified as held-to-maturity

There are no corresponding transactions.

(3) Other money held in trust

As of March 31, 2007	(Millions of yen)				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Other money held in trust	2,602	2,924	322	322	-

(Note) Consolidated balance sheet amount is calculated using market prices at the fiscal year-end.

3. Net Unrealized Gains on Other Securities and Other Money Held in Trust

Net unrealized gains on other securities that is reported on the consolidated balance sheet is shown as follows:

As of March 31, 2007	(Millions of yen)
Net unrealized gains	1,825,564
Other securities	1,825,242
Other money held in trust	322
(-) Deferred tax liabilities	567,845
Net unrealized gains on other securities (before following adjustment)	<u>1,257,719</u>
(-) Minority interests	8,589
(+) SMFG's interest in net unrealized gains on valuation of other securities held by affiliates accounted for by the equity method	<u>13,004</u>
Net unrealized gains on other securities	<u><u>1,262,135</u></u>

(Note)

Net unrealized gains included foreign currency translation adjustments on non-marketable securities denominated in foreign currency.

Employee Retirement Benefits

1. Outline of employee retirement benefits

Consolidated subsidiaries in Japan have contributory funded defined benefit pension plans such as employee pension plans, qualified pension plans and lump-sum severance indemnity plans. Some domestic consolidated subsidiaries have general type of employee pension plans. They may grant additional benefits in case where certain requirements are met when employees retire.

A consolidated subsidiary in Japan adopts defined-contribution pension plan.

SMBC and some consolidated subsidiaries in Japan contributed some of their marketable equity securities to employee retirement benefit trusts.

2. Projected benefit obligation

As of March 31, 2007		(Millions of yen)
Projected benefit obligation	(A)	(910,139)
Plan assets	(B)	1,186,060
Unfunded projected benefit obligation	(C) = (A)+(B)	275,921
Unrecognized net actuarial gain or loss	(D)	(83,905)
Unrecognized prior service cost	(E)	(48,257)
Net amount recorded on the consolidated balance sheet	(F) = (C)+(D)+(E)	143,757
Prepaid pension cost	(G)	178,182
Reserve for employee retirement benefits	(F)-(G)	(34,424)

(Notes)

- Some consolidated subsidiaries adopt simple method in calculating projected benefit obligation.
- Plan assets related to the general type of welfare pension plan at March 31, 2007 amounted to ¥19,648 million and were not included in the "Plan assets" shown above.

3. Pension expenses

Year ended March 31, 2007		(Millions of yen)
Service cost		20,082
Interest cost on projected benefit obligation		22,325
Expected return on plan assets		(30,184)
Amortization of unrecognized net actuarial gain or loss		3,305
Amortization of unrecognized prior service cost		(11,175)
Other (nonrecurring additional retirement allowance paid and other)		3,254
Pension expenses		7,607
Gains on return of employee retirement benefit trusts		(36,330)
Total		(28,722)

(Note)

Pension expenses of consolidated subsidiaries which adopt simple method are included in "Service cost."

4. Assumptions

Year ended March 31, 2007

(1) Discount rate	1.4% - 2.5%
(2) Expected rate of return on plan assets	0% - 4.5%
(3) Allocation of estimated amount of retirement benefits	Allocated to each period by the straight-line method
(4) Term to amortize unrecognized prior service cost	Mainly 9 years (amortized using the straight-line method, within the employees' average remaining service period at incurrence)
(5) Term to amortize unrecognized net actuarial gain or loss	Mainly 9 years (amortized using the straight-line method, primarily over 9 years within the employees' average remaining service period, commencing from the next fiscal year of incurrence)

Stock Options

1. Amount of stock options to be expensed in the fiscal year

General and administrative expenses 14 million yen

2. Outline of stock options and changes

(1) SMFG

(a) Outline of stock options

Date of resolution	June 27, 2002
Title and number of grantees	Directors and employees of SMFG and SMBC 677
Number of stock options	Common shares 1,620
Grant date	August 30, 2002
Condition for vesting	N.A.
Requisite service period	N.A.
Exercise period	June 28, 2004 to June 27, 2012

(b) Stock options granted and changes

Number of stock options

Date of resolution	June 27, 2002
Before vested	
Previous fiscal year-end	–
Granted	–
Forfeited	–
Vested	–
Outstanding	–
After vested	
Previous fiscal year-end	1,215
Vested	–
Exercised	99
Forfeited	–
Exercisable	1,116

Price information (Yen)

Date of resolution	June 27, 2002
Exercise price	¥669,775
Average exercise price	¥1,188,686
Fair value at the grant date	–

(2) A consolidated subsidiary, Kansai Urban Banking Corporation

(a) Outline of stock options

Date of resolution	June 28, 2001	June 27, 2002	June 27, 2003	June 29, 2004
Title and number of grantees	Directors and employees 45	Directors and employees 44	Directors and employees 65	Directors and employees 174
Number of stock options	Common shares 238,000	Common shares 234,000	Common shares 306,000	Common shares 399,000
Grant date	July 31, 2001	July 31, 2002	July 31, 2003	July 30, 2004
Condition for vesting	N.A.	N.A.	N.A.	N.A.
Requisite service period	N.A.	N.A.	N.A.	N.A.
Exercise period	June 29, 2003 to June 28, 2011	June 28, 2004 to June 27, 2012	June 28, 2005 to June 27, 2013	June 30, 2006 to June 29, 2014

Date of resolution	June 29, 2005	June 29, 2006	June 29, 2006
Title and number of grantees	Directors and employees 183	Directors 9	Officers not doubling as directors 14 Employees 46
Number of stock options	Common shares 464,000	Common shares 162,000	Common shares 115,000
Grant date	July 29, 2005	July 31, 2006	July 31, 2006
Condition for vesting	N.A.	N.A.	N.A.
Requisite service period	N.A.	N.A.	N.A.
Exercise period	June 30, 2007 to June 29, 2015	June 30, 2008 to June 29, 2016	June 30, 2008 to June 29, 2016

(b) Stock options granted and changes

Number of stock options

Date of resolution	June 28, 2001	June 27, 2002	June 27, 2003	June 29, 2004
Before vested				
Previous fiscal year-end	–	–	–	399,000
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	399,000
Outstanding	–	–	–	–
After vested				
Previous fiscal year-end	220,000	204,000	282,000	–
Vested	–	–	–	399,000
Exercised	46,000	30,000	26,000	36,000
Forfeited	–	–	–	–
Exercisable	174,000	174,000	256,000	363,000

Date of resolution	June 29, 2005	June 29, 2006	June 29, 2006
Before vested			
Previous fiscal year-end	464,000	–	–
Granted	–	162,000	115,000
Forfeited	–	–	–
Vested	–	–	–
Outstanding	464,000	162,000	115,000
After vested			
Previous fiscal year-end	–	–	–
Vested	–	–	–
Exercised	–	–	–
Forfeited	–	–	–
Exercisable	–	–	–

Price information

(Yen)

Date of resolution	June 28, 2001	June 27, 2002	June 27, 2003	June 29, 2004
Exercise price	¥155	¥131	¥179	¥202
Average exercise price	¥488	¥489	¥486	¥487
Fair value at the grant date	–	–	–	–

Date of resolution	June 29, 2005	June 29, 2006	June 29, 2006
Exercise price	¥313	¥490	¥490
Average exercise price	–	–	–
Fair value at the grant date	–	¥138	¥138

(c) Valuation technique used for valuating fair value of stock options

Stock options granted in the fiscal year were valuated using the following valuation technique.

(i) Valuation technique: Black-Scholes option-pricing model

(ii) Principal parameters used in the option-pricing model

Date of resolution	June 29, 2006
Expected volatility (*1)	38.84%
Average expected life (*2)	5 years
Expected dividends (*3)	4 yen per share
Risk-free interest rate (*4)	1.40%

(*1) 1. Calculated based on the actual stock prices during the five years from June 2001 to June 2006.

2. The average expected life could not be estimated rationally due to insufficient amount of data.

Therefore, it was estimated assuming that the options were exercised at the mid point of the exercise period.

3. The actual dividends on common stock for the fiscal year ended March 31, 2006.

4. Japanese government bond yield corresponding to the average expected life.

(d) Method of estimating number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the actual number of stock options that will be forfeited in the future.

Segment Information

1. Business segment information

Year ended March 31, 2007	(Millions of yen)					
	Banking business	Leasing business	Other business	Total	Elimination	Consolidated
Ordinary income						
(1) External customers	2,689,086	783,119	429,052	3,901,259	–	3,901,259
(2) Intersegment	53,714	20,831	220,369	294,914	(294,914)	–
Total	2,742,800	803,951	649,421	4,196,173	(294,914)	3,901,259
Ordinary expenses	1,993,893	759,103	609,781	3,362,779	(260,130)	3,102,649
Ordinary profit	748,907	44,847	39,640	833,394	(34,784)	798,610
Assets	97,525,686	2,241,572	5,663,614	105,430,874	(4,572,564)	100,858,309
Depreciation	59,908	336,712	17,630	414,251	16	414,268
Losses on impairment of fixed assets	4,661	–	25,887	30,548	–	30,548
Capital expenditure	216,612	390,455	27,565	634,633	13	634,647

(Notes)

- The business segmentation is classified based on SMFG's internal administrative purpose.
Ordinary income and ordinary profit are presented as counterparts of sales and operating profit of companies in other industries.
- "Other business" includes securities, credit card business, investment banking, loans, venture capital, system development and information processing.
- Amount of assets that are included in "Elimination and unallocated corporate assets" is 4,012,414 million yen, most of which are stocks of SMFG's subsidiaries and affiliates.

2. Geographic segment information

Year ended March 31, 2007	(Millions of yen)						
	Japan	The Americas	Europe and Middle East	Asia and Oceania	Total	Elimination	Consolidated
Ordinary income							
(1) External customers	3,238,374	247,208	203,585	212,090	3,901,259	–	3,901,259
(2) Intersegment	98,720	46,833	9,974	59,802	215,330	(215,330)	–
Total	3,337,094	294,042	213,559	271,892	4,116,589	(215,330)	3,901,259
Ordinary expenses	2,686,461	222,992	177,377	202,955	3,289,786	(187,137)	3,102,649
Ordinary profit	650,633	71,049	36,182	68,937	826,802	(28,192)	798,610
Assets	89,301,196	5,775,716	3,190,553	4,514,648	102,782,115	(1,923,805)	100,858,309

(Notes)

- The geographic segmentation is classified based on the degrees of following factors:
geographic proximity, similarity of economic activities and relationship of business activities among regions.
Ordinary income and ordinary profit are presented as counterparts of sales and operating profit of companies in other industries.
- The Americas includes the United States, Brazil, Canada and others; Europe and Middle East includes the United Kingdom, Germany, France and others; Asia and Oceania includes Hong Kong, Singapore, Australia and others except Japan.
- Amount of assets that are included in "Elimination and unallocated corporate assets" is 4,012,414 million yen, most of which are stocks of SMFG's subsidiaries and affiliates.

3. Ordinary income from overseas operations

Year ended March 31, 2007	(Millions of yen)
Consolidated ordinary income from overseas operations (A)	662,884
Consolidated ordinary income (B)	3,901,259
(A) / (B)	17.0 %

(Notes)

- Consolidated ordinary income from overseas operations are presented as counterparts of overseas sales of companies in other industries.
- The above table shows ordinary income from transactions of overseas branches of SMBC and transactions of overseas consolidated subsidiaries, excluding internal income. These extensive transactions are not categorized by transaction party and the geographic segment information is not presented because such information is not available.

Business Combinations

Transactions under common control in the year ended March 31, 2007

1. Outline of the transactions

(1) Name and business of combined entity

SMBC Friend Securities Co., Ltd. (“SMBC Friend Securities”)
Securities business

(2) Form of reorganization

Exchange of shares

(3) Name of the entity after the reorganization

Sumitomo Mitsui Financial Group, Inc.

(4) Outline and purpose of the transaction

In accordance with the stabilization of the Japanese financial system, Japanese households’ portfolios have shown clear signs of a shift from savings to investment, and their investment needs are expected to become further diversified. At the same time, we believe that new types of asset management services will become popular among individual investors who improve their financial knowledge and have an increased interest in portfolio management based on asset allocation concepts.

In view of these trends, SMFG will further strengthen cooperation among group companies by making SMBC Friend Securities a wholly-owned subsidiary, establishing a new business model distinct from the conventional one by combining banking and securities businesses and maximizing synergies between them. With such initiatives, SMFG will try to make every effort to enhance the enterprise value of the whole group.

2. Accounting method

SMFG applied the following accounting treatments stipulated by the Accounting Standard for Business Combinations to the consolidated and nonconsolidated financial statements:

“Chapter 3 Accounting Standard for Business Combinations, Article 4 Accounting treatment for the transactions under common control,” Paragraph 2 Transactions with minority shareholders.”

3. Additional acquisition of subsidiary’s shares

(1) Acquisition cost

Common shares	221,365 million yen
<u>Expenses for acquiring the common shares</u>	<u>160 million yen</u>
Acquisition cost	221,525 million yen

(2) Share exchange ratio, its basis for determination, number of shares delivered and its values

(a) Type of shares and share exchange ratio

Common shares
SMFG 1: SMBC Friend Securities 0.0008

(b) Basis for determination of share exchange ratio

SMFG appointed Goldman Sachs (Japan) Ltd. as its financial advisor and SMBC Friend Securities appointed Merrill Lynch Japan Securities Co., Ltd. as its financial advisor. SMFG and SMBC Friend Securities comprehensively considered numerous factors including results of the analyses provided by their respective financial advisors, and discussed and agreed to the above.

(c) Number of shares delivered and values

249,015 shares
221,525 million yen

(3) Goodwill, reason for recognizing goodwill, amortization method and amortization term

(a) Amount of goodwill

99,995 million yen

(b) Reason for recognizing goodwill

SMFG accounted for the difference between the acquisition cost to acquire shares of common stock of SMBC Friend Securities additionally and the amount of minority interests decreased as goodwill.

(c) Method and term to amortize goodwill

Straight-line method over 20 years

Per Share Data

	(Yen)
As of and year ended March 31,	2007
Net assets per share	469,228.59
Net income per share	57,085.83
Net income per share (diluted)	51,494.17

(Notes)

1. The Accounting Standards Board of Japan (ASBJ) revised "Guidance on Accounting Standard for Earnings per Share" (ASBJ Guidance No.4, issued on September 25, 2002) on January 31, 2006, and the revised Guidance was applicable from the fiscal year ending on or after May 1, 2006, the implementation date of the Company Law. Effective April 1, 2006, SMFG applied the revised Guidance and calculated net assets per share by including "Net deferred gains (losses) on hedges." This accounting change decreased net assets per share by 11,596.71 yen compared with the former method.

2. Net income per share and Net income per share (diluted) are calculated based on the followings:

Year ended March 31,	(Millions of yen, except number of shares)
2007	
Net income per share	
Net income	441,351
Amount not to attributable to common stockholders [preferred stock dividends]	12,958
Net income attributable to common stock	428,392
Average number of common stock during the fiscal year (in thousand)	7,504
Net income per share (diluted)	
Adjustment for net income [preferred stock dividends]	6,748
[stock acquisition rights issued by subsidiaries and affiliates]	6,763
Increase in number of common stock (in thousand)	(14)
[preferred stock]	945
[stock acquisition rights]	945
Outline of dilutive securities which were not included in the calculation of "Net income per share (diluted)" because they do not have dilutive effect:	0
	—

3. Net assets per share is calculated based on the followings:

March 31,	(Millions of yen, except number of shares)
2007	
Net assets	5,331,279
Amounts excluded from Net assets	1,781,555
[preferred stock]	360,303
[dividends on preferred stock]	12,958
[stock acquisition rights]	14
[minority interests]	1,408,279
Net assets attributable to common stock at the fiscal year-end	3,549,724
Number of common stock at the fiscal year-end used for the calculation of Net assets per share (in thousand)	7,565

Related Party Transactions

There are no material transactions with related parties to be reported for the fiscal year ended March 31, 2007.

Subsequent Events

There are no material subsequent events.

Other Notes

Please refer to EDINET system (<https://info.edinet.go.jp/EdiHtml/main.htm>) after June 30, 2007 (available in Japanese). SMFG will also disclose notes on lease transactions, tax benefit accounting and derivative transactions on our Annual Report that will be issued in August. (<http://www.smfg.co.jp/english/index.html>)

V. Non-Consolidated Financial Statements

1. Nonconsolidated Balance Sheets

March 31,	(Millions of yen)			
	2007		2006	
Assets		%		%
Current assets				
Cash and due from banks	37,073		561,862	
Prepaid expenses	21		21	
Deferred tax assets	265		43	
Accrued income	23		17	
Accrued income tax refunds	71,377		17,371	
Other current assets	603		55	
Total current assets	109,364	2.8	579,372	13.9
Fixed assets				
Tangible fixed assets				
Buildings	0		0	
Equipment	6		0	
Total tangible fixed assets	7	0.0	1	0.0
Intangible fixed assets				
Software	20		28	
Total intangible fixed assets	20	0.0	28	0.0
Investments and other assets				
Investments in securities	20		20	
Investments in subsidiaries and affiliates	3,847,716		3,586,045	
Deferred tax assets	2,315		562	
Total investments and other assets	3,850,052	97.2	3,586,627	86.1
Total fixed assets	3,850,079	97.2	3,586,657	86.1
Deferred charges				
Organization cost	–		301	
Total deferred charges	–	–	301	0.0
Total assets	3,959,444	100.0	4,166,332	100.0
Liabilities				
Current liabilities				
Short-term borrowings	959,030		230,000	
Accounts payable	108		117	
Accrued expenses	48		465	
Income taxes payable	964		36	
Business office taxes payable	4		4	
Reserve for employees bonuses	83		70	
Other current liabilities	1,132		211	
Total current liabilities	961,372	24.3	230,905	5.5
Fixed liabilities				
Reserve for executive retirement benefits	174		–	
Total fixed liabilities	174	0.0	–	–
Total liabilities	961,546	24.3	230,905	5.5

(continued)

March 31,	(Millions of yen)			
	2007		2006	
		%		%
Stockholders' equity				
Capital stock	–	–	1,420,877	34.1
Capital surplus				
Capital reserve	–		1,420,989	
Other capital surplus	–		684,406	
Gains on decrease of capital stock and capital reserve	–		499,503	
Gains on disposal of treasury stock	–		184,902	
Total capital surplus	–	–	2,105,396	50.6
Retained earnings				
Voluntary reserve	–		30,420	
Special voluntary earned reserves	–		30,420	
Unappropriated retained earnings	–		383,126	
Total retained earnings	–	–	413,546	9.9
Treasury stock	–	–	(4,393)	(0.1)
Total stockholders' equity	–	–	3,935,426	94.5
Total liabilities and stockholders' equity	–	–	4,166,332	100.0
Net assets				
Stockholders' equity				
Capital stock	1,420,877	35.9	–	–
Capital surplus				
Capital reserve	642,355		–	
Other capital surplus	288,113		–	
Total capital surplus	930,469	23.5	–	–
Retained earnings				
Other retained earnings				
Voluntary reserve	30,420		–	
Retained earnings brought forward	698,709		–	
Total retained earnings	729,129	18.4	–	–
Treasury stock	(82,578)	(2.1)	–	–
Total stockholders' equity	2,997,898	75.7	–	–
Total net assets	2,997,898	75.7	–	–
Total liabilities and net assets	3,959,444	100.0	–	–

2. Nonconsolidated Statements of Income

Year ended March 31,	(Millions of yen)					
	2007			2006		
			%			%
Operating income						
Dividends on investments in subsidiaries and affiliates	366,680			46,432		
Fees and commissions received from subsidiaries	9,798			9,038		
Interest income on loans to subsidiaries and affiliates	<u>–</u>	376,479	100.0	<u>11</u>	55,482	100.0
Operating expenses						
General and administrative expenses	<u>3,641</u>	<u>3,641</u>	1.0	<u>3,196</u>	<u>3,196</u>	5.8
Operating profit		<u>372,838</u>	99.0		<u>52,285</u>	94.2
Non-operating income						
Interest income on deposits	213			71		
Fees and commissions income	20			27		
Other non-operating income	<u>0</u>	234	0.1	<u>39</u>	138	0.3
Non-operating expenses						
Interest on borrowings	4,311			1,490		
Amortization of organization costs	301			301		
Stock issuance costs	–			739		
Fees and commissions expenses	3,978			1,519		
Other non-operating expenses	<u>3</u>	<u>8,594</u>	2.3	<u>108</u>	<u>4,159</u>	7.5
Ordinary profit		<u>364,477</u>	96.8		<u>48,264</u>	87.0
Extraordinary gains						
Gains on sale of a subsidiary's shares	<u>–</u>	<u>–</u>	–	<u>27,579</u>	<u>27,579</u>	49.7
Income before income taxes		<u>364,477</u>	96.8		<u>75,844</u>	136.7
Income taxes, current	2,918			3		
deferred	<u>(1,975)</u>	<u>942</u>	0.2	<u>2,431</u>	<u>2,435</u>	4.4
Net income		<u>363,535</u>	96.6		<u>73,408</u>	132.3
Unappropriated retained earnings carried forward		<u>–</u>			<u>309,717</u>	
Unappropriated retained earnings at end of year		<u>–</u>			<u>383,126</u>	

3. Nonconsolidated Statement of Changes in Net Assets

Year ended March 31, 2007

(Millions of yen)

	Stockholders' equity									Total net assets
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total stockholders' equity	
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings			
					Voluntary reserve	Retained earnings brought forward				
Balance at March 31, 2006	1,420,877	1,420,989	684,406	2,105,396	30,420	383,126	413,546	(4,393)	3,935,426	3,935,426
Changes in the year										
Transfer of capital reserve to other capital surplus		(1,000,000)	1,000,000	-					-	-
Increase due to exchange of shares		221,365		221,365					221,365	221,365
Cash dividends						(47,951)	(47,951)		(47,951)	(47,951)
Net income						363,535	363,535		363,535	363,535
Acquisition of own shares								(1,474,644)	(1,474,644)	(1,474,644)
Disposal of treasury shares			(15)	(15)				182	167	167
Retirement of treasury shares			(1,396,277)	(1,396,277)				1,396,277	-	-
Net changes in the year	-	(778,634)	(396,292)	(1,174,927)	-	315,583	315,583	(78,184)	(937,527)	(937,527)
Balance at March 31, 2007	1,420,877	642,355	288,113	930,469	30,420	698,709	729,129	(82,578)	2,997,898	2,997,898