

Financial Review

Sumitomo Mitsui Financial Group (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

The following is a summary of SMFG's consolidated financial results for fiscal 2003 ended March 31, 2004.

1. Operating Results

Consolidated results for fiscal 2003 include the results of 165 consolidated subsidiaries (120 in Japan and 45 overseas) and 48 subsidiaries and affiliates accounted for by the equity method (21 in Japan and 27 overseas).

Consolidated gross profit showed a year-on-year decrease of ¥114.5 billion, to ¥2,069.5 billion, primarily attributable to a decline in net interest income and net other operating income. However, total credit cost declined, and stock trading turned in gains versus previous fiscal year's losses. Therefore, ordinary profit came to ¥342.8 billion, which was an improvement of ¥858.5 billion. Extraordinary gains (losses), income taxes, and minority interests resulted in a net income of ¥330.4 billion, which was an improvement of ¥795.7 billion.

Deposits (excluding negotiable certificates of deposit) as of March 31, 2004, stood at ¥65,333.4 billion, a ¥2,402.4 billion increase compared with a year earlier. Negotiable certificates of deposit stood at ¥3,519.4 billion, a year-on-year decrease of ¥1,333.5 billion. Loans and bills discounted declined ¥5,700.1 billion from the previous fiscal year-end to ¥55,382.8 billion, while securities increased ¥2,931.3 billion to ¥27,049.9 billion.

Stockholders' equity increased ¥646.8 billion over the previous fiscal year-end to ¥3,070.9 billion due to the posting of net income as well as an improvement in the net unrealized gains (losses) on other securities (available-for-sale securities).

Number of Consolidated Subsidiaries, and Subsidiaries and Affiliates Accounted for by the Equity Method

March 31	2004 (A)	2003 (B)	Increase (decrease) (A) – (B)
Consolidated subsidiaries	165	170	(5)
Subsidiaries and affiliates accounted for by the equity method	48	47	1

Income Summary

Year ended March 31	Millions of yen		Increase (decrease) (A) – (B)
	2004 (A)	2003 (B)	
Consolidated gross profit	¥2,069,501	¥2,184,006	¥(114,505)
Net interest income	1,281,070	1,399,504	(118,434)
Trust fees	334	7	327
Net fees and commissions	424,176	352,900	71,276
Net trading income	304,094	205,770	98,324
Net other operating income	59,825	225,823	(165,998)
General and administrative expenses	¥ (866,549)	¥ (889,237)	¥ 22,688
Total credit cost	(971,455)	(1,200,904)	229,449
Write-off of loans	(660,382)	(364,605)	(295,777)
Transfer to specific reserve	—	(407,963)	407,963
Transfer to general reserve for possible loan losses	—	(250,636)	250,636
Others	(311,072)	(177,698)	(133,374)
Gains (losses) on stocks	¥ 101,496	¥ (621,526)	¥ 723,022
Equity in earnings of affiliates	15,700	5,718	9,982
Other income (expenses)	(5,848)	6,193	(12,041)
Ordinary profit (loss)	¥ 342,844	¥ (515,749)	¥ 858,593
Extraordinary gains (losses)	62,049	(75,164)	137,213
Income (loss) before income taxes and minority interests	404,894	(590,914)	995,808
Income taxes, current	(24,289)	(66,068)	41,779
deferred	(8,593)	225,190	(233,783)
Minority interests in net income (loss)	(41,596)	(33,567)	(8,029)
Net income (loss)	¥ 330,414	¥ (465,359)	¥ 795,773
[Reference]			
Consolidated banking profit (Billions of yen)	¥ 1,090.6	¥ 1,131.0	¥ (40.4)

Notes: 1. Consolidated gross profit = (Interest income – Interest expenses) + Trust fees + (Fees and commissions (income) – Fees and commissions (expenses)) + (Trading profits – Trading losses) + (Other operating income – Other operating expenses)
 2. Consolidated banking profit = SMBC's nonconsolidated banking profit (excluding transfer to general reserve for possible loan losses) + SMFG's ordinary profit + Other subsidiaries' ordinary profit (excluding nonrecurring factors) + Equity method affiliates' ordinary profit x Ownership ratio – Internal transactions (dividends, etc.)

Assets, Liabilities and Stockholders' Equity

March 31	Millions of yen		
	2004 (A)	2003 (B)	Increase (decrease) (A) – (B)
Assets	¥102,215,172	¥104,607,449	¥(2,392,277)
Loans and bills discounted	55,382,800	61,082,946	(5,700,146)
Securities	27,049,901	24,118,520	2,931,381
Liabilities	98,150,534	101,186,654	(3,036,120)
Deposits	65,333,426	62,931,007	2,402,419
Negotiable certificates of deposit	3,519,464	4,853,017	(1,333,553)
Minority interests	993,696	996,720	(3,024)
Stockholders' equity	3,070,942	2,424,074	646,868

2. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities at March 31, 2004 amounted to ¥568.3 billion, which was an improvement of ¥593.1 billion from the previous fiscal year-end. Net unrealized gains on other securities (including “other money held in trust”), which is included in stockholders' equity, amounted to ¥575.7 billion, which was an improvement of ¥606.4 billion.

The substantial increase in unrealized gains on other securities was attributable to a turnaround from unrealized losses to gains on stocks, an improvement of ¥835.2 billion against the backdrop of a stock market recovery, which was more than enough to compensate for the deterioration in bonds (mainly JGBs) from unrealized gains to losses, on higher long-term interest rates in Japan.

Unrealized Gains (Losses) on Securities

March 31	Millions of yen						
	2004				2003		
	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses
Held-to-maturity securities	¥ (7,425)	¥ (13,307)	¥ 2,840	¥ 10,266	¥ 5,882	¥ 5,988	¥ 105
Other securities	575,612	606,255	787,517	211,904	(30,643)	272,943	303,587
Stocks	669,784	835,226	736,878	67,094	(165,442)	112,952	278,395
Bonds	(103,256)	(214,420)	18,590	121,847	111,164	117,093	5,928
Others	9,084	(14,550)	32,047	22,963	23,634	42,897	19,263
Other money held in trust	121	165	222	100	(44)	510	555
Total	568,308	593,113	790,580	222,271	(24,805)	279,443	304,248
Stocks	669,784	835,226	736,878	67,094	(165,442)	112,952	278,395
Bonds	(111,783)	(227,799)	20,330	132,113	116,016	121,945	5,928
Others	10,307	(14,313)	33,371	23,063	24,620	44,545	19,925

- Notes: 1. The figures above include unrealized gains (losses) on negotiable certificates of deposit in “Deposits with banks” and commercial papers as well as beneficiary claims on loan trusts in “Commercial paper and other debt purchased.”
2. In principle, the values of stocks are calculated using their average market prices during the final month of the respective reporting period. The values of bonds and others are calculated using the market prices at the end of the respective reporting period.
3. “Other securities” and “Other money held in trust” are valued at market prices. Consequently, the figures in the table above indicate the differences between the acquisition costs (or amortized costs) and the balance sheet amounts.
- Of “Unrealized gains (losses) on other securities” as of March 31, 2004, ¥23,452 million is included in this term's profit because of the application of fair value hedge accounting. Consequently, the base amount used in the calculation of the amount to be charged to stockholders' equity has been decreased by ¥23,452 million.

3. Consolidated Capital Ratio (BIS Guidelines)

SMFG's consolidated capital ratio (BIS guidelines) at the fiscal year-end was 11.37%. (Please refer to the "Capital Ratio" section on page 120 for more information.)

Total capital, which constitutes the numerator in the capital ratio calculation equation, was ¥6,737.3 billion, representing a ¥758.4 billion increase from the previous fiscal year-end.

Risk-adjusted assets, the denominator in the equation,

also increased slightly to ¥59,204.0 billion from the previous fiscal year-end. This was the mixed result of a decline due to the effect of the yen's appreciation on foreign-currency dominated assets, as well as the accelerated disposal of non-performing loans and the sale of stockholdings on the one hand, and the active marketing of housing loans and higher-interest-bearing loan products for small and medium-sized enterprises on the other.

Consolidated Capital Ratio (BIS Guidelines)

March 31	Millions of yen		
	2004 (A)	2003 (B)	Increase (decrease) (A) – (B)
Tier I capital (A)	¥ 3,571,604	¥ 3,255,936	¥315,668
Tier II capital included as qualifying capital (B)	3,416,547	2,961,619	454,928
Deductions (C)	(250,754)	(238,633)	(12,121)
Total capital (D) = (A) + (B) – (C)	¥ 6,737,397	¥ 5,978,922	¥758,475
Risk-adjusted assets (E)	¥59,204,015	¥59,166,864	¥ 37,151
Capital ratio (BIS guidelines) = (D) / (E) × 100	11.37%	10.10%	1.27%

4. Dividend Policy

Given the public nature of its business and respecting the stockholders' interests, SMFG subscribes to a fundamental policy of paying dividends as deemed appropriate in view of the need to increase capital and preserve sound operation.

After appropriating retained earnings to increase capital, SMFG paid an annual dividend of ¥3,000 per share of

common stock. Annual dividends for preferred stock were paid in the predetermined amounts for each category of preferred stock.

SMFG did not pay an interim dividend for the reporting term.