

# Notes to Consolidated Financial Statements

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Year ended March 31, 2004 and 2003

## 1. Basis of Presentation

Sumitomo Mitsui Financial Group, Inc. ("SMFG") was established on December 2, 2002 as a holding company for the SMFG group through a statutory share transfer (*kabushiki iten*) of all of the outstanding equity securities of the former Sumitomo Mitsui Banking Corporation ("former SMBC") in exchange for SMFG's newly issued securities. SMFG is a joint stock corporation with limited liability (*Kabushiki Kaisha*) incorporated under the Commercial Code. Upon formation of SMFG and completion of the statutory share transfer, the former SMBC became a direct wholly owned subsidiary of SMFG.

SMFG merged with The Japan Research Institute Holdings, Ltd. ("JRIH") on February 1, 2003 and The Japan Research Institute, Ltd. became a direct wholly owned subsidiary of SMFG. As a result, SMFG succeeded JRIH's assets of ¥39,852 million and issued 86,576.53 common stocks.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of stockholders' equity) from the consolidated financial statements of SMFG prepared in accordance with Japanese GAAP.

Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Amounts less than one million yen have been omitted. As a result, the totals in Japanese yen shown in the financial statements do not necessarily agree with the sum of the individual amounts.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2004, which was ¥105.69 to US\$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at that rate.

## 2. Significant Accounting Policies

### (1) Consolidation and equity method

#### (a) Scope of consolidation

Japanese accounting standards on consolidated financial statements require a company to consolidate any subsidiaries of which the company substantially controls the operations, even if it is not a majority owned subsidiary. Control is defined as the power to govern the decision making body of an enterprise.

#### (i) Consolidated subsidiaries

Number of consolidated subsidiaries is as follows:

March 31	2004	2003
Consolidated subsidiaries .....	165	170

### Principal subsidiaries:

Sumitomo Mitsui Banking Corporation ("SMBC")  
 THE MINATO BANK, LTD. ("Minato")  
 Kansai Urban Banking Corporation  
 Sumitomo Mitsui Banking Corporation Europe Limited  
 Manufacturers Bank  
 SMBC Leasing Company, Limited  
 Sumitomo Mitsui Card Company, Limited  
 SMBC Capital Co., Ltd.  
 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, 2004 are as follows:

Twelve companies including SMFG Corporate Recovery Servicer Co., LTD. were newly consolidated due to establishment.

The former The Kansai Sawayaka Bank, Limited was consolidated due to acquirement of shares. However, it was merged with the former The Bank of Kansai, Ltd. and was excluded from the scope of consolidation. (The Bank of Kansai, Ltd. changed its name to Kansai Urban Banking Corporation at the time of the merger.)

Six companies including Sakura Friend Securities Co., Ltd. and four companies including Sakura Global Capital Asia Limited were excluded from the scope of consolidation due to merger and liquidation, respectively.

Seven companies including SMBCL CEPHEUS CO., LTD. became nonconsolidated subsidiaries that are not accounted for by the equity method because they became silent partnerships for lease transactions.

### (ii) Nonconsolidated subsidiaries

#### Principal company:

SBCS Co., Ltd.

One hundred and eleven subsidiaries including S.B.L. Mercury Co., Ltd. are silent partnerships for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, pursuant to Article 5 Paragraph 1 Item 2 of Consolidated Financial Statements Regulation, they were excluded from consolidation.

Other nonconsolidated subsidiaries' total assets, ordinary income, net income and retained earnings have no material impact on the consolidated financial statements.

### (b) Application of the equity method

Japanese accounting standards also require any nonconsolidated subsidiaries and affiliates on which SMFG is able to exercise material influence over their financial and operating policies to be accounted for by the equity method.

#### (i) Nonconsolidated subsidiaries accounted for by the equity method

Number of nonconsolidated subsidiaries accounted for by the equity method is as follows:

March 31	2004	2003
Nonconsolidated subsidiaries .....	4	4

#### Principal company:

SBCS Co., Ltd.

(ii) Affiliates accounted for by the equity method

Number of affiliates accounted for by the equity method is as follows:

March 31	2004	2003
Affiliates .....	44	43

Principal companies:

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

In the fiscal year ended March 31, 2004, three companies including Hokkaido Mother Land Capital, Ltd. were newly applied due to establishment and two companies including DLJ direct SFG Securities Inc. were excluded due to sale of stocks.

(iii) Nonconsolidated subsidiaries that are not accounted for by the equity method

One hundred and eleven subsidiaries including S.B.L. Mercury Co., Ltd. are silent partnerships for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, pursuant to Article 10 Paragraph 1 Item 2 of Consolidated Financial Statements Regulation, they are not treated as affiliated companies accounted for by the equity method.

(iv) Affiliates that are not accounted for by the equity method

Principal company:

- Daiwa SB Investments (USA) Ltd.

Net income and retained earnings of nonconsolidated subsidiaries and affiliates that are not accounted for by the equity method have no material impact on the consolidated financial statements.

(c) The balance sheet dates of consolidated subsidiaries

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

March 31	2004	2003
September 30 .....	5	5
October 31 .....	1	1
December 31 .....	65	62
January 31 .....	2	2
March 31 .....	92	100

A consolidated domestic subsidiary changed its balance sheet date from December 31 to March 31 from the fiscal year ended March 31, 2004. Therefore, SMFG's consolidated financial statements include the subsidiary's profit or loss for the period from January 1, 2003 to March 31, 2004. However, this change had no material impact on the consolidated financial statements.

(ii) As for the companies whose balance sheet dates are September 30 and October 31, the accounts were provisionally closed as of March 31 and January 31 for the purpose of consolidation, respectively. The other companies were consolidated on the basis of their respective balance sheet dates.

As for the consolidated overseas subsidiary that was established in February 2003 and whose balance sheet date

is December 31, the accounts were provisionally closed as of March 31 for the purpose of consolidation.

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

(d) Application of pooling-of-interests method

As mentioned above, SMFG was established on December 2, 2002 as the holding company through a statutory share transfer of all of the outstanding equity securities of the former SMBC in exchange for SMFG's newly issued securities. The accounts were consolidated using the pooling-of-interests method, assuming that the Group's economics were not changed, pursuant to "Consolidation Procedures for Full Parent-subsidiary Relationship Established Utilizing Share Exchange and Transfer System" (JICPA Accounting Committee Report No. 6).

(e) Valuation of consolidated subsidiaries' assets and liabilities  
Assets and liabilities of consolidated subsidiaries including the portion attributable to the minority shareholders are valued for consolidation at fair value when SMFG acquires control.

(f) Amortization of goodwill

Goodwill on Sumitomo Mitsui Card Company, Limited and SMBC Leasing Company, Limited is amortized using the straight-line method over five years and goodwill on other companies is charged or credited to income directly when incurred.

(2) Statements of cash flows

For the purposes of the consolidated statements of cash flows, cash and cash equivalents represent cash and due from banks.

(3) Trading assets/liabilities and trading profits/losses

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 contract date basis. Profits and losses on trading-purpose transactions are recognized as "Trading profits" and "Trading losses."

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.

Trading profits and losses include interest received or paid during the fiscal year and the year-over-year valuation differences of securities, monetary claims, and derivatives, the latter assuming settlement is made in cash.

SMBC formerly accounted for foreign currency translation differences arising from currency swaps for trading purposes as "Other assets" or "Other liabilities" on the balance sheet on a net basis. Effective April 1, 2003, SMBC accounts for such foreign currency differences as "Trading assets" or "Trading liabilities" on a gross basis, pursuant to the "Treatment of Accounting and Auditing Concerning Accounting for Foreign

Currency Transactions in Banking Industry” (JICPA Industry Audit Committee Report No. 25). Consequently, “Other liabilities” decreased by ¥61,077 million (\$578 million), and “Trading assets” and “Trading liabilities” increased by ¥19,741 million (\$187 million) and ¥80,818 million (\$765 million), respectively.

(4) Securities

As for securities other than trading purposes, debt securities that consolidated subsidiaries have the intent and ability to hold to maturity (held-to-maturity securities) are carried at amortized cost (straight-line method) using the moving-average method.

Investments in nonconsolidated 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 nonconsolidated subsidiaries and affiliates are classified as “other securities” (available-for-sale securities). Stocks in other securities that have market price 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 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 “Stockholders’ equity,” after deducting the amount that is reflected in the fiscal year’s earnings because of application of fair value hedge accounting.

Securities included in money held in trust account are carried in the same manner as for securities mentioned above.

(5) Derivative transactions

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) Hedge accounting

(a) Hedging against interest rate changes

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.

In the fiscal year ended March 31, 2003, SMBC applied the temporary treatment stipulated in the “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Report No. 24) to the “macro hedge,” which is the management of 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 (“risk adjusted approach”). The risk adjusted approach satisfied the following requirements stipulated in the Industry Audit Committee Report No. 15 “Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments

in Banking Industry” issued by JICPA:

(i) Loans, deposits and other interest-earning assets and interest-bearing liabilities as a whole shall be recognized as the hedged portfolio.

(ii) Derivatives as hedging instruments shall effectively reduce the interest rate exposure of the hedged portfolio.

(iii) Effectiveness of hedging activities shall be evaluated on a quarterly basis.

Effective April 1, 2003, SMBC applies the basic provisions of JICPA Industry Audit Committee Report No. 24 to hedges on groups of large-volume, small-value monetary claims and debts with similar risk characteristics. SMBC assesses the effectiveness of such hedges in offsetting fluctuation in fair value arising from changes in interest rates, by classifying the hedged items (such as deposits and loans) and the hedging instruments (such as interest rate swaps) by their maturity. As for cash flow hedges, SMBC assesses the effectiveness of such hedges in fixing cash flows by verifying the correlation between the hedged items and the hedging instruments. SMBC also assesses the effectiveness of individual hedges.

As for the accounting method, SMBC formerly applied deferred hedge accounting for hedging against interest rate risk arising from financial assets and liabilities. Effective April 1, 2003, SMBC applies fair value hedge accounting to hedging transactions for reducing the exposure to market volatility of bonds classified as other securities that are held for the purpose of Asset and Liability Management in order to more properly reflect the effectiveness of hedging transactions in the financial statements. Consequently, “Other assets” and “Net unrealized gains on other securities” at March 31, 2004 decreased by ¥28,948 million (\$274 million) and ¥13,923 million (\$132 million), respectively and “Deferred tax assets” at March 31, 2004 increased by ¥9,528 million (\$90 million) compared with the former method.

A portion of deferred hedge losses and gains, which was previously under the macro hedge, is no longer subject to hedge accounting. The deferred hedge losses and gains related to hedging instruments to which SMBC discontinued the application of hedge accounting or applied fair value hedge accounting as a result of the change mentioned above are recognized as “Interest income” or “Interest expenses” over a 12-year period (maximum) from the fiscal year ended March 31, 2004 according to their maturity. Gross amounts of deferred hedge losses and gains on “macro hedge” at March 31, 2004 were ¥320,513 million (\$3,033 million) and ¥293,837 million (\$2,780 million), respectively.

(b) Hedging against currency fluctuations

SMBC applies deferred hedge accounting stipulated in the basic provisions of 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.

(c) Transactions between consolidated subsidiaries

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.

Some of the other consolidated subsidiaries apply the deferred hedge accounting or the short-cut method (exceptional treatment for interest rate swaps).

(7) Non-accrual loans

Loans are generally placed on non-accrual status when their borrowers are classified as Bankrupt, Effectively Bankrupt or Potentially Bankrupt under the self-assessment rule (see (11) Reserve for possible loan losses).

(8) Bills discounted

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24. SMBC and 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 at March 31, 2004 and 2003 was ¥1,023,057 million (\$9,680 million) and ¥1,078,333 million, respectively.

(9) Premises and equipment

Premises and equipment owned by SMFG and SMBC are generally stated at cost less accumulated depreciation. Depreciation of premises is computed using the straight-line method over the estimated useful lives of the respective assets. The depreciation of equipment is computed using the declining-balance method over the estimated useful lives of the respective assets. The estimated useful lives of major items are as follows:

Buildings: 7 to 50 years

Equipment: 2 to 20 years

Depreciation of premises and equipment owned by other consolidated subsidiaries is mainly computed using the straight-line method over the estimated useful lives of respective assets.

(10) Software costs

Capitalized software for internal use is depreciated using the straight-line method over its estimated useful life (mainly five years) at consolidated domestic subsidiaries, and is included in "Other assets."

(11) Reserve for possible loan losses

Reserve for possible loan losses of SMBC and other major consolidated subsidiaries is provided as detailed below in accordance with the internal standards for write-offs and reserves.

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 likely to become bankrupt in the future, 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.

Of the claims on borrowers requiring close monitoring, SMBC applies the Discounted Cash Flows method ("DCF method") to the claims on borrowers, all or some of whose loans are classified as "Past due loans (3 months or more)" or "Restructured loans" and whose total loans 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 countries, an additional reserve is provided for 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 rule 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 charged off against the total outstanding amount of the claims. The amount of write-off was ¥1,236,148 million (\$11,696 million) and ¥1,324,459 million at March 31, 2004 and 2003, respectively.



- (12) Reserve for possible losses on loans sold  
Reserve for possible losses on loans sold is provided for contingent losses arising from decline of market value of underlying collateral for loans sold to the Cooperative Credit Purchasing Company, Limited.
- (13) Reserve for expenses related to EXPO 2005 Japan  
SMBC accounts for the exhibition expenses related to “The 2005 World Exposition, Aichi, Japan” that will be held in Aichi Prefecture in 2005 as “Reserve for expenses related to EXPO 2005 Japan,” which includes the reserve that is stipulated in Article 57-2 of the Specific Taxation Measures Law.
- (14) Reserve for employee bonuses  
Reserve for employee bonuses is provided for payment of bonuses to employees, in the amount of estimated bonuses, which are attributable to the respective fiscal year.
- (15) Reserve for employee retirement benefits  
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 over certain years (mainly 10 years) within the employees’ average remaining service period at incurrence. Unrecognized net actuarial gain or loss is amortized from the next fiscal year using the straight-line method over certain years (mainly 10 years) within the average remaining service period of active employees. Unrecognized net obligation from initial application of the new accounting standard for employee retirement benefits is amortized using the straight-line method mainly over five years.
- (16) Other reserves  
Reserves required by special laws are provided as follows:  
(a) Reserve for contingent liabilities from financial futures transactions is provided in accordance with Article 82 of the Financial Futures Transaction Law, in order to cover losses arising from financial futures transactions.  
(b) Reserve for contingent liabilities from securities transactions is provided in accordance with Article 51 of the Securities and Exchange Law in provision for losses arising from securities transactions.
- (17) Translation of foreign currencies  
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.  
As for the accounting method of foreign currency transactions, in the fiscal year ended March 31, 2003, SMBC and other domestic consolidated banking subsidiaries applied the temporary treatment stipulated in JICPA Industry Audit Committee Report No. 25 to currency swaps and foreign exchange swaps for the purpose of lending or borrowing funds in different currencies. Effective April 1, 2003, they apply the

hedge accounting pursuant to the basic provisions of JICPA Industry Audit Committee Report No. 25.

Consequently, for the fiscal year ended March 31, 2004, such foreign exchange swaps, whose profits or losses were formerly charged to income by periodical allocation, are valued at fair value and their fair-valued assets and liabilities are recognized on the consolidated balance sheet. As a result, “Other assets” and “Other liabilities” each increased by ¥1,035 million (\$10 million). However, this accounting change had no impact on their profits or losses.

Foreign currency translation differences arising from currency swaps and forward foreign exchange transactions were formerly accounted for as “Other assets” or “Other liabilities” on a net basis, but effective April 1, 2003, they are accounted for as “Other assets” or “Other liabilities” on a gross basis pursuant to JICPA Industry Audit Committee Report No. 25. Consequently, “Other assets” and “Other liabilities” increased by ¥450,929 million (\$4,267 million) each.

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.

(18) Lease transactions

Financing leases where the ownership of the property is deemed to be transferred to the lessee are capitalized, while other financing leases are allowed to be accounted for in the same manner as operating leases.

Lease assets are depreciated using the straight-line method over the lease term with estimated salvage value.

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.

(19) Appropriation of retained earnings

The consolidated statement of stockholders’ equity reflects the appropriation of retained earnings approved by the board of directors and/or the general meeting of shareholders.

(20) Amounts per share

Net income (loss) per share is computed by deducting dividends for preferred stock from net income (loss), divided by the weighted average number of shares of common stock, excluding treasury stock outstanding during each fiscal year.

Diluted net income (loss) per share reflects the potential dilution that could occur if preferred stocks and other contracts to issue common stocks were exercised.

Declared dividends represent the cash dividends declared applicable to respective fiscal years, including dividends to be paid after the end of the fiscal year.

(21) Change in presentation of financial statements

Effective April 1, 2003, amortization of bond discount, which was formerly included in “Other interest expenses,” is included in “Interest on bonds and bonds with stock acquisition rights” pursuant to the revision of the Ordinance of the Banking Law.

### 3. Trading Assets

Trading assets at March 31, 2004 and 2003 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Trading securities .....	¥ 80,766	¥ 225,610	\$ 764
Derivatives of trading securities .....	139	81	1
Derivatives of securities related to trading transactions .....	595	121	5
Trading-related financial derivatives .....	2,135,318	3,060,803	20,204
Other trading assets .....	1,089,960	1,208,779	10,313
	<b>¥3,306,780</b>	<b>¥4,495,396</b>	<b>\$31,287</b>

### 4. Securities

Securities at March 31, 2004 and 2003 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Japanese government bonds* .....	¥14,448,940	¥12,901,646	\$136,711
Japanese local government bonds .....	506,263	375,204	4,790
Japanese corporate bonds .....	2,651,971	2,370,553	25,092
Japanese stocks** .....	3,637,892	3,474,463	34,420
Other** .....	5,804,833	4,996,652	54,923
	<b>¥27,049,901</b>	<b>¥24,118,520</b>	<b>\$255,936</b>

\* Japanese government bonds at March 31, 2004 include ¥15,849 million (\$150 million) of unsecured loaned securities for which borrowers have the right to sell or pledge and ¥99 million (\$1 million) of loaned securities for which borrowers only have the right to pledge and not to sell. 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, ¥1,022,170 million (\$9,671 million) of securities are pledged, and ¥165,047 million (\$1,562 million) of securities are held in hand at March 31, 2004. SMBC may pledge the borrowed securities as well. The respective amounts at March 31, 2003 were ¥999 million, ¥140 million, ¥2,084,632 million, and ¥99,624 million.

\*\* Japanese stocks and other include investments in nonconsolidated subsidiaries and affiliates of ¥208,201 million (\$1,970 million) and ¥196,317 million at March 31, 2004 and 2003, respectively.

### 5. Loans and Bills Discounted

Loans and bills discounted at March 31, 2004 and 2003 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Bills discounted .....	¥ 644,002	¥ 735,614	\$ 6,093
Loans on notes .....	6,296,717	7,697,374	59,577
Loans on deeds .....	40,919,508	45,037,597	387,166
Overdrafts .....	7,522,572	7,612,359	71,176
	<b>¥55,382,800</b>	<b>¥61,082,946</b>	<b>\$524,012</b>

Loans and bills discounted includes the following "Risk-monitored loans" stipulated in the Banking Law:

March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Risk-monitored loans:			
Bankrupt loans*1 .....	¥ 96,413	¥ 201,392	\$ 912
Non-accrual loans*2 .....	1,767,862	2,710,164	16,727
Past due loans (3 months or more)*3 .....	51,538	130,353	488
Restructured loans*4 .....	1,382,168	2,728,791	13,077
	<b>¥3,297,981</b>	<b>¥5,770,700</b>	<b>\$31,204</b>

\*1 "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.

\*2 "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.

\*3 "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."

\*4 "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)."

The amounts above include the trusted amount with the Resolution and Collection Corporation of ¥7,522 million (\$71 million) and ¥40,811 million at March 31, 2004 and 2003, respectively, which is treated as off-balancing.

## 6. Other Assets

Other assets at March 31, 2004 and 2003 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Prepaid expenses.....	¥ 37,943	¥ 30,933	\$ 359
Accrued income.....	238,454	214,055	2,256
Deferred assets.....	518,913	485,874	4,910
Financial derivatives* .....	1,010,355	995,702	9,559
Other.....	1,228,515	1,492,443	11,624
	<b>¥3,034,182</b>	<b>¥3,219,009</b>	<b>\$28,708</b>

\* Net amount of deferred unrealized losses on hedging instruments to which deferred hedge accounting is applied is reported as deferred losses on hedge and is included in "Financial derivatives." Gross deferred unrealized losses and gains on hedging instruments before netting were ¥663,546 million (\$6,278 million) and ¥564,122 million (\$5,338 million), respectively, at March 31, 2004.

## 7. Premises and Equipment

Premises and equipment at March 31, 2004 and 2003 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Land* .....	¥ 513,874	¥ 515,975	\$ 4,862
Buildings.....	534,250	537,041	5,055
Equipment and others .....	523,115	585,009	4,950
Total .....	¥1,571,240	¥1,638,026	\$14,867
Accumulated depreciation .....	(587,180)	(630,121)	(5,556)
	<b>¥ 984,060</b>	<b>¥1,007,905</b>	<b>\$ 9,311</b>

\* Includes land revaluation excess for land referred to in Note 16.

## 8. Lease Assets

Lease assets at March 31, 2004 and 2003 were as follows:

March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Equipment and others .....	¥2,520,092	¥2,487,066	\$23,844
Accumulated depreciation .....	(1,528,311)	(1,490,721)	(14,460)
	<b>¥ 991,781</b>	<b>¥ 996,344</b>	<b>\$ 9,384</b>

## 9. Assets Pledged as Collateral

Assets pledged as collateral at March 31, 2004 and 2003 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Assets pledged as collateral			
Cash and due from banks and Deposits with banks.....	¥ 112,778	¥ 75,268	\$ 1,067
Trading assets.....	540,579	990,965	5,115
Securities .....	10,723,663	11,458,018	101,463
Loans and bills discounted.....	1,375,426	4,738,320	13,014
Other assets .....	1,056	1,140	10
Premises and equipment.....	524	535	5
Liabilities corresponding to assets pledged as collateral			
Deposits .....	15,276	21,038	145
Call money and bills sold.....	5,175,669	7,952,599	48,970
Payables under repurchase agreements .....	1,055,508	4,107,615	9,987
Payables under securities lending transactions .....	5,700,206	4,189,794	53,933
Trading liabilities.....	203,599	136,975	1,926
Borrowed money .....	4,451	2,885	42
Other liabilities .....	1,122	18,548	11
Acceptances and guarantees .....	141,835	41,108	1,342

In addition to the assets presented above, the following assets were pledged as collateral for exchange settlements, initial margins of futures markets and certain other purposes at March 31, 2004 and 2003:

March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Cash and due from banks and Deposits with banks .....	¥ 42,537	¥ 54,370	\$ 402
Trading assets .....	3,908	13,937	37
Securities .....	6,801,910	4,624,346	64,357
Loans and bills discounted .....	55,000	781,138	520

Premises and equipment included surety deposits and intangibles of ¥112,628 million (\$1,066 million) and ¥121,725 million at March 31, 2004 and 2003, respectively. Other assets included initial margins of futures markets of ¥8,130 million (\$77 million) and ¥14,814 million at March 31, 2004 and 2003, respectively.

## 10. Deposits

Deposits at March 31, 2004 and 2003 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Current deposits .....	¥ 5,382,068	¥ 5,069,107	\$ 50,923
Ordinary deposits .....	29,299,240	27,462,251	277,219
Savings deposits .....	1,206,013	1,336,725	11,411
Deposits at notice .....	3,800,841	3,616,958	35,962
Time deposits .....	20,870,829	21,179,611	197,472
Negotiable certificates of deposit .....	3,519,464	4,853,017	33,300
Other deposits .....	4,774,432	4,266,353	45,174
	<b>¥68,852,890</b>	<b>¥67,784,025</b>	<b>\$651,461</b>

## 11. Trading Liabilities

Trading liabilities at March 31, 2004 and 2003 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Trading securities sold for short sales .....	¥ 32,658	¥ 9,806	\$ 309
Derivatives of trading securities .....	242	78	2
Derivatives of securities related to trading transactions .....	940	423	9
Trading-related financial derivatives .....	1,839,404	2,840,629	17,404
Other trading liabilities .....	—	454	—
	<b>¥1,873,245</b>	<b>¥2,851,391</b>	<b>\$17,724</b>

## 12. Borrowed Money

Borrowed money at March 31, 2004 and 2003 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars	Average interest rate*	Due
	2004	2003	2004		
Bills rediscounted .....	¥ —	¥ —	\$ —	—%	—
Other borrowings** .....	2,360,474	2,580,135	22,334	1.72	Jan. 2004—perpetual
	<b>¥2,360,474</b>	<b>¥2,580,135</b>	<b>\$22,334</b>	<b>1.72%</b>	

\* Average interest rate represents the weighted average interest rate based on the balances and rates at respective year-end of SMBC and other consolidated subsidiaries.

\*\* Includes subordinated debt obligation of ¥770,003 million (\$7,285 million) and ¥877,609 million at March 31, 2004 and 2003, respectively.



The repayment schedule within five years on borrowed money at March 31, 2004 was as follows:

March 31	Millions of yen	Millions of U.S. dollars
	2004	2004
1 year or less .....	¥894,359	\$8,462
More than 1 year to 2 years .....	317,809	3,007
More than 2 years to 3 years .....	187,407	1,773
More than 3 years to 4 years .....	122,704	1,161
More than 4 years to 5 years .....	98,464	932

### 13. Bonds

Bonds at March 31, 2004 and 2003 consisted of the following:

March 31	Issuer	Description	Millions of yen*		Millions of U.S. dollars	Interest rate (%)	Due
			2004	2003	2004		
SMBC:							
		Straight bonds, payable in Yen	¥2,070,089 [366,976]	¥1,827,734 [30,000]	\$19,586	0.51—1.982	Oct. 2004—Mar. 2013
		Straight bonds, payable in Euro Yen	5,000	5,000	47	3.00	Mar. 2012
		Straight bonds, payable in U.S. dollars	73,983 (\$700,000 thousand)	144,240 (\$1,200,000 thousand)	700	4.32—6.02	May 2005—Sep. 2005
		Subordinated bonds, payable in Yen	350,000	240,000	3,312	1.71—2.62	Jun. 2010—Feb. 2014
		Subordinated bonds, payable in Euro Yen	483,100	286,800	4,571	0.6015—2.72	Sep. 2009—perpetual
		Subordinated bonds, payable in U.S. dollars	171,640 (\$1,624,000 thousand)	108,059 (\$899,000 thousand)	1,624	5.93—8.15	Nov. 2011—perpetual
		Subordinated bonds, payable in British pound sterling	2,317 (£12,000 thousand)	—	22	6.98	Perpetual
Other consolidated subsidiaries:							
		Straight bonds, payable in Yen	181,753 [92,403]	189,798 [87,685]	1,720	0.04—3.63	Mar. 2004—Aug. 2022
		Straight bonds, payable in U.S. dollars	5,270 (\$48,000 thousand)	9,354 (\$78,000 thousand)	50	1.67—7.66	Jul. 2004—May 2009
		Straight bonds, payable in Australian dollars	113 (A\$2,000 thousand)	113 (A\$2,000 thousand)	1	7.00	Oct. 2005
		Straight bonds, payable in other foreign currency	4,872 [1,990]	4,484	46	3.90—5.61	May 2004—Jun. 2018
		Subordinated bonds, payable in Yen	546,491 [12,000]	636,660	5,171	0.00—5.98	Mar. 2005—perpetual
		Subordinated bonds, payable in U.S. dollars	108,332 (\$1,025,000 thousand)	129,215 (\$1,075,000 thousand)	1,025	2.29—8.50	Jun. 2009—perpetual
		Subordinated bonds, payable in other foreign currency	—	2,293	—	—	—
			¥4,002,965	¥3,583,754	\$37,875		

\* Figures in ( ) are the balances in the original currency of the foreign currency denominated bonds, and figures in [ ] are the amounts to be redeemed within one year.

The redemption schedule within five years on bonds at March 31, 2004 was as follows:

March 31	Millions of yen	Millions of U.S. dollars
	2004	2004
1 year or less .....	¥474,579	\$4,490
More than 1 year to 2 years .....	613,829	5,808
More than 2 years to 3 years .....	408,687	3,867
More than 3 years to 4 years .....	416,348	3,939
More than 4 years to 5 years .....	408,337	3,864

## 14. Other Liabilities

Other liabilities at March 31, 2004 and 2003 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Accrued expenses.....	¥ 111,725	¥ 128,611	\$ 1,057
Unearned income.....	172,066	169,268	1,628
Income taxes payable.....	27,490	48,328	260
Financial derivatives*.....	897,731	737,426	8,494
Other.....	2,382,804	1,475,322	22,546
	<b>¥3,591,818</b>	<b>¥2,558,956</b>	<b>\$33,985</b>

\* Net amount of deferred unrealized gains on hedging instruments to which deferred hedge accounting is applied is reported as deferred gains on hedge and is included in "Financial derivatives." Gross deferred unrealized losses and gains on hedging instruments before netting were ¥952,712 million and ¥1,095,321 million, respectively, at March 31, 2003.

## 15. Other Reserves

Other reserves at March 31, 2004 and 2003 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Reserve for contingent liabilities from financial futures transactions.....	¥ 18	¥ 18	\$0
Reserve for contingent liabilities from securities transactions.....	843	631	8
	<b>¥862</b>	<b>¥649</b>	<b>\$8</b>

## 16. Land Revaluation Excess

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 "Stockholders' equity."

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 (losses) are deferred and reported in "Liabilities" or "Assets" as "Deferred tax liabilities for land revaluation" or "Deferred tax assets for land revaluation" and the net unrealized gains (losses), net of deferred taxes, are reported as "Land revaluation excess" in "Stockholders' equity."

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 (provided 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 specified 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 specified in Article 2-3 and 2-5 of the Enforcement Ordinance No. 119.

Total fair value of land used for business activities at March 31, 2004, whose book value had been revaluated pursuant to Article 10 of the Law, was ¥16,497 million (\$156 million) lower than the book value.

## 17. Minority Interests

SB Treasury Company L. L. C., a subsidiary of SMBC, issued floating noncumulative preferred securities, totaling \$1,800 million in February 1998. SB Equity Securities (Cayman), Limited, a subsidiary of SMBC, issued floating noncumulative preferred securities, totaling ¥340,000 million in February and March 1999. Sakura Preferred

Capital (Cayman) Limited, a subsidiary of SMBC, issued noncumulative preferred securities, totaling ¥283,750 million in December 1998 and March 1999. These subsidiaries are consolidated and the preferred securities are accounted for as minority interests.

## 18. Stockholders' Equity

Capital stock consists of common stock and preferred stock. Common stock and preferred stock at March 31, 2004 and 2003 were as follows:

March 31	Number of shares			
	2004		2003	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
Common stock.....	15,000,000	5,796,010.53	15,000,000	5,796,000.92
Preferred stock (Type 1).....	67,000	67,000	67,000	67,000
Preferred stock (Type 2).....	100,000	100,000	100,000	100,000
Preferred stock (Type 3).....	800,000	800,000	800,000	800,000
Preferred stock (Type 4).....	249,999	165,099	250,000	165,100
Preferred stock (Type 5).....	250,000	—	250,000	—
Preferred stock (Type 6).....	300,000	—	300,000	—
Total.....	16,766,999	6,928,109.53	16,767,000	6,928,100.92

All of the preferred stock is noncumulative and nonparticipating for dividend payments, and shareholders of preferred stock are not entitled to vote at a general meeting of shareholders except when the proposal to pay the prescribed dividends to shareholders is not submitted to the general meeting of shareholders or is rejected at the general meeting of shareholders.

Annual dividends per share of preferred stock (Type 1, Type 2, Type 3, First to Twelfth series Type 4 and Thirteenth series Type 4) are paid to shareholders by ¥10,500, ¥28,500, ¥13,700, ¥135,000 and ¥67,500, respectively.

In cases of liquidation distribution, shareholders of preferred stock (Type 1, Type 2, Type 3 and Type 4) will receive ¥3,000,000, ¥3,000,000, ¥1,000,000 and ¥3,000,000 per share, respectively, and will not have the right to participate in any further liquidation distribution.

SMFG may, at any time, purchase and retire preferred stocks out of earnings available for distribution to the shareholders.

Shareholders of preferred stock may request SMFG to convert their preferred stocks into common stocks. The period during which the conversion may be requested (the "conversion period") and the terms and conditions of conversion with respect to preferred stock (Type 1, Type 2 and Type 3) were determined by the resolution made in accordance with the provisions of Article 365 of the Commercial Code, of a shareholders meeting of SMBC. The conditions of conversion of preferred stock (First to Twelfth series Type 4 and Thirteenth series Type 4) were determined by the resolution of the board of directors relating to the issuance of the relevant preferred stocks. The conversion period and conversion price\* of each type of preferred stock are as follows:

Preferred stock (Type 1):

December 2, 2002 to February 26, 2009

¥947,100

Preferred stock (Type 2):

August 1, 2005 to February 26, 2009

Initial conversion price will be determined by a formula based on the average of the daily closing prices per share of common stock in regular transactions at the Tokyo Stock Exchange on each of the 30 consecutive trading days (excluding any day on which the closing price is not available) commencing on the 45th trading day prior to August 1, 2005. (Initial conversion floor price: ¥947,100)

Preferred stock (Type 3):

December 2, 2002 to September 30, 2009

¥349,600

Preferred stock (First to Twelfth series Type 4):

February 8, 2003 to February 7, 2028

¥322,300

Preferred stock (Thirteenth series Type 4):

April 14, 2003 to July 12, 2005

¥312,000

\* Conversion prices are reset and adjusted pursuant to the appointed rules governing conversion of the preferred stocks.

Any preferred stock (Type 1, Type 2, Type 3 and Type 4) with respect to which conversion has not been requested during the conversion period shall be mandatorily converted, as of the date immediately following the last day of the conversion period (the "mandatory conversion date"), into such number of common stocks as is obtained by dividing the corresponding amount set forth below by the average of the daily closing prices per share of common stock in regular transactions at the Tokyo Stock Exchange on each of the 30 consecutive trading days (excluding any day on which the closing price is not available) commencing on the 45th trading day preceding the mandatory conversion date. If such average price is less than ¥500,000, in the case of preferred stock (Type 1, Type 2 and Type 4), or less than ¥258,300, in the case of preferred stock (Type 3), then the preferred stock shall be converted into such number of common stocks as is obtained by dividing the corresponding amount set forth below by the relevant amount described above:

Preferred stock (Type 1): ¥3,000,000 per share

Preferred stock (Type 2): ¥3,000,000 per share

Preferred stock (Type 3): ¥1,000,000 per share

Preferred stock (Type 4): ¥3,000,000 per share

SMFG granted the following stock option to directors and employees at March 31, 2004:

March 31	2004
Number of shares granted .....	1,620 shares
Type of stock.....	Common stock
Issue price .....	¥673,000 per share
Amount capitalized	
when issuing shares .....	¥337,000 per share
Exercise period of stock options.....	From June 28, 2004 to June 27, 2012

The stock option had been issued by former SMBC pursuant to the resolution of the ordinary general meeting of shareholders held on June 27, 2002. SMFG succeeded the obligation related to the stock option at the time of establishment pursuant to the resolution of the preferred shareholders' meetings held on September 26, 2002 and the extraordinary shareholders' meeting held on September 27, 2002.

## 19. Fees and Commissions

Fees and commissions for the years ended March 31, 2004 and 2003 consisted of the following:

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
<b>Fees and commissions (income):</b>			
Deposits and loans .....	¥ 34,587	¥ 29,797	\$ 327
Remittances and transfers .....	118,444	113,396	1,121
Securities-related business .....	43,883	30,822	415
Agency .....	16,239	15,325	154
Safe deposits .....	5,927	4,978	56
Guarantees .....	33,503	28,462	317
Credit card business.....	90,506	86,145	857
Investment trusts.....	35,214	18,349	333
Other .....	122,722	96,961	1,161
	<b>¥501,028</b>	<b>¥424,238</b>	<b>\$4,741</b>
<b>Fees and commissions (expenses):</b>			
Remittances and transfers .....	¥ 23,553	¥ 21,789	\$ 223
Other .....	53,298	49,549	504
	<b>¥ 76,851</b>	<b>¥ 71,338</b>	<b>\$ 727</b>

## 20. Trading Income

Trading income for the years ended March 31, 2004 and 2003 consisted of the following:

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
<b>Trading profits:</b>			
Gains on trading securities .....	¥ 6,735	¥ 9,190	\$ 64
Gains on trading-related financial derivatives .....	298,275	196,924	2,822
Other .....	—	381	—
	<b>¥305,011</b>	<b>¥206,496</b>	<b>\$2,886</b>
<b>Trading losses:</b>			
Losses on securities related to trading transactions .....	¥ 904	¥ 725	\$ 9
Other .....	11	—	0
	<b>¥ 916</b>	<b>¥ 725</b>	<b>\$ 9</b>

## 21. Other Operating Income

Other operating income for the years ended March 31, 2004 and 2003 consisted of the following:

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Gains on foreign exchange transactions .....	¥ —	¥ 12,868	\$ —
Gains on financial derivatives .....	11,472	10,971	108
Gains on sale of bonds .....	132,651	179,757	1,255
Gains on redemption of bonds .....	65	61	1
Lease-related income.....	654,218	606,405	6,190
Other.....	148,066	136,892	1,401
	<b>¥946,474</b>	<b>¥946,957</b>	<b>\$8,955</b>

## 22. Other Income

Other income for the years ended March 31, 2004 and 2003 consisted of the following:

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Gains on sale of stocks and other securities .....	¥159,037	¥ 54,004	\$1,505
Gains on money held in trust.....	338	540	3
Equity in earnings of affiliates .....	15,700	5,718	148
Gains on disposal of premises and equipment .....	1,545	5,578	15
Collection of written-off claims.....	1,147	1,833	11
Gains on return of the entrusted portion of employee pension fund.....	59,095	4,413	559
Tax refund from the Tokyo Metropolitan Government .....	38,236	—	362
Interest on the tax refund from the Tokyo Metropolitan Government .....	2,127	—	20
Gains on reversal of reserve for possible loan losses.....	14,378	—	136
Gains on reversal of reserve for possible losses on loans sold .....	489	—	5
Other.....	33,247	51,594	314
	<b>¥325,344</b>	<b>¥123,683</b>	<b>\$3,078</b>

## 23. Other Operating Expenses

Other operating expenses for the years ended March 31, 2004 and 2003 consisted of the following:

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Losses on sale of bonds.....	¥107,950	¥ 39,140	\$1,022
Losses on redemption of bonds.....	764	351	7
Losses on devaluation of bonds.....	110	2,362	1
Bond issuance costs.....	1,070	1,767	10
Lease-related expenses.....	588,504	543,386	5,568
Losses on foreign exchange transactions .....	56,960	—	539
Other.....	131,288	134,125	1,242
	<b>¥886,649</b>	<b>¥721,134</b>	<b>\$8,389</b>

## 24. Other Expenses

Other expenses for the years ended March 31, 2004 and 2003 consisted of the following:

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Write-off of loans .....	¥ 660,382	¥ 364,605	\$ 6,248
Losses on sale of stocks and other securities.....	38,016	167,906	360
Losses on devaluation of stocks and other securities.....	19,524	507,624	185
Losses on money held in trust .....	962	4,017	9
Transfer to reserve for possible losses on loans sold.....	—	16,672	—
Losses on sale of delinquent loans.....	269,059	162,494	2,546
Losses on disposal of premises and equipment .....	32,242	38,880	305
Amortization of unrecognized net transition obligation for employee retirement benefits .....	21,348	23,158	202
Transfer to reserve for contingent liabilities from securities transactions .....	212	—	2
Other*.....	81,653	69,295	772
	<b>¥1,123,401</b>	<b>¥1,354,655</b>	<b>\$10,629</b>

\* Other for the year ended March 31, 2003 included losses on disposal of software of ¥15,014 million.



## 25. Income Taxes

(1) Significant components of deferred tax assets and liabilities at March 31, 2004 and 2003 were as follows:

March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Deferred tax assets:			
Net operating loss carryforwards .....	¥1,030,860	¥ 451,408	\$ 9,754
Reserve for possible loan losses .....	549,411	952,503	5,198
Write-off of securities .....	351,143	569,077	3,322
Write-off of loans .....	286,808	324,328	2,714
Reserve for employee retirement benefits.....	95,722	112,694	906
Net unrealized losses on other securities .....	—	11,853	—
Depreciation .....	8,642	10,042	82
Reserve for possible losses on loans sold.....	—	8,335	—
Other .....	114,996	119,670	1,088
Subtotal .....	2,437,585	2,559,913	23,064
Valuation allowance .....	(441,060)	(540,074)	(4,174)
Total deferred tax assets .....	1,996,524	2,019,839	18,890
Deferred tax liabilities:			
Net unrealized gains on other securities .....	(225,246)	—	(2,131)
Leveraged lease.....	(50,522)	(48,754)	(478)
Gains on securities contributed to employee retirement benefits trust ...	(26,808)	(25,328)	(253)
Undistributed earnings of subsidiaries.....	(11,818)	(10,614)	(112)
Other .....	(15,724)	(22,969)	(149)
Total deferred tax liabilities .....	(330,119)	(107,666)	(3,123)
Net deferred tax assets .....	¥1,666,405	¥1,912,172	\$15,767

(2) A reconciliation of the effective income tax rate reflected in the accompanying consolidated statements of operations to the statutory tax rate for the years ended March 31, 2004 and 2003 was as follows:

	2004	2003
Statutory tax rate.....	42.05%	42.05%
Valuation allowance .....	(18.93)	(25.92)
Change in the effective statutory tax rate due to the revision of the local tax law .....	(5.15)	10.40
Difference in the effective statutory tax rate between SMFG and consolidated domestic banking subsidiaries .....	(2.70)	—
Dividends exempted for income tax purposes .....	(2.67)	—
Equity in earnings of affiliates.....	(1.47)	—
Other.....	(3.02)	0.39
Effective income tax rate .....	8.12%	26.93%

(3) Amendment of deferred tax assets and deferred tax liabilities due to change in income tax rate was as follows:

With the implementation of the “Revision of the Local Tax Law” (Legislation No. 9, 2003) on March 31, 2003, the tax basis of enterprise taxes, which was stipulated as “taxable income and liquidation income” by the 12th paragraph of Article 72 of the Local Tax Law before the revision, is to be a combination of “amount of added value,” “amount of capital” and “taxable income and liquidation income” from the fiscal year starting April 1, 2004. The enterprise taxes that have tax bases of the “amount of added value” and the “amount of capital” are not pertinent to the enterprise taxes that have tax bases of income-related amounts. The “Revision of the Local Tax Law” also stipulates that the metropolitan ordinance and the municipal ordinance are to be abolished from the fiscal year starting April 1, 2004.

In connection with the “Revision of the Local Tax Law,” the effective statutory tax rate that domestic consolidated subsidiaries use in the calculations of deferred tax assets and liabilities from the fiscal year starting April 1, 2004 was

changed, and thus, there was an increase in “Deferred tax assets” of ¥63,905 million and a decrease in “Income taxes, deferred” of ¥64,127 million for the year ended March 31, 2003. There was also an increase in “Deferred tax liabilities for land revaluation” of ¥2,609 million and a decrease in “Land revaluation excess” of ¥2,618 million at March 31, 2003.

As for SMBC, the effective statutory tax rate used in the calculations of deferred tax assets and liabilities at March 31, 2003 was changed from 38.62% to 40.46%. As a result, there was an increase in “Deferred tax assets” of ¥67,657 million and a decrease in “Income taxes, deferred” of the same amount. There was also an increase in “Deferred tax liabilities for land revaluation” of ¥2,634 million and a decrease in “Land revaluation excess” of the same amount.

Because some local governments decided to apply a higher tax rate than the standard rate to the enterprise taxes during the fiscal year ended March 31, 2004, the statutory tax rate used in calculation of deferred tax assets and liabilities at March 31, 2004 changed. As a result, “Deferred tax assets” and “Deferred tax liabilities” at March 31, 2004 increased by

¥7,193 million (\$68 million) and ¥0 million (\$0 million), respectively, and “Income taxes, deferred” for the year ended March 31, 2004 decreased by ¥8,095 million (\$77 million). “Deferred tax assets for land revaluation” and “Deferred tax liabilities for land revaluation” increased by ¥3 million (\$0 million) and ¥232 million (\$2 million), respectively, and “Land revaluation excess” and “Net unrealized gains on other securities” decreased by ¥230 million (\$2 million) and ¥938 million (\$9 million), respectively. The effective tax rate that SMBC uses for calculation of deferred tax assets and liabilities at March 31, 2004 changed from 40.46% (used in the previous fiscal year) to 40.63%. Consequently, “Deferred tax assets” increased by ¥6,654 million (\$63 million) and “Income taxes, deferred” decreased by ¥7,560 million (\$72 million). In addition, “Deferred tax liabilities for land revaluation” increased by ¥232 million (\$2 million) and “Land revaluation excess” decreased by the same amount and “Net unrealized gains on other securities” decreased by ¥905 million (\$9 million).

- (4) Enterprise taxes by the Tokyo Metropolitan Government and the Osaka Prefectural Government made the following impact on the consolidated financial statements for the year ended March 31, 2003:

With the implementation of the “Metropolitan ordinance regarding the imposition of enterprise taxes through external standards taxation on banks in Tokyo” (Tokyo Metropolitan Ordinance No. 145, April 1, 2000) (“the metropolitan ordinance”), enterprise taxes that were hitherto levied on taxable income are now levied on gross banking profit.

On October 18, 2000, Sakura Bank and Sumitomo Bank filed a lawsuit with the Tokyo District Court against the Tokyo metropolitan government and the Governor of Tokyo seeking to void the metropolitan ordinance. They won the case eventually entirely on March 26, 2002 with a decision of the Tokyo District Court in the Bank’s favor, on the grounds that the metropolitan ordinance was illegal. The District Court ordered the metropolitan government to return to the Banks advance tax payments of ¥16,633 million and also awarded to the Banks damages of ¥200 million. On March 29, 2002, the metropolitan government lodged an appeal with the Tokyo High Court against the decision, and on April 9, 2002, the plaintiff banks at the first trial including the Bank also lodged an appeal. The Bank won the second-trial case eventually on January 30, 2003 with a decision of the Tokyo High Court in SMBC’s favor, on the grounds that the metropolitan ordinance was illegal. The High Court ordered the metropolitan government to return to SMBC advance tax payments of ¥36,175 million. On February 10, 2003, the metropolitan government lodged a final appeal with the Supreme Court against the decision, and on February 13, 2003, the plaintiff banks at the first trial including SMBC also lodged a final appeal.

With the implementation of the metropolitan ordinance, enterprise taxes relating to banks in Tokyo were recorded in “Other expenses” in the amounts of ¥16,833 million for the year ended March 31, 2001 (sum of Sakura Bank and Sumitomo Bank), ¥19,862 million for the year ended March

31, 2002 and ¥18,269 million for the year ended March 31, 2003. There is no impact on “Income taxes, current” as compared with the previous standards under which enterprise taxes were levied on taxable income. Consequently, stockholders’ equity decreased by ¥32,495 million at March 31, 2003. Since the enterprise taxes in question are not included in the calculations for accounting for tax effects, there was a decrease in “Deferred tax assets” of ¥98,703 million at March 31, 2003 as compared with the amount that would have been included if the enterprise taxes had been levied on taxable income instead of gross profits. There was also a decrease in “Deferred tax liabilities for land revaluation” of ¥3,236 million, and consequently stockholders’ equity decreased by ¥95,467 million at March 31, 2003 (See Note 22. Other Income).

With the implementation of the “Municipal Ordinance regarding the imposition of enterprise taxes through external standards taxation on banks in Osaka” (Osaka Municipal Ordinance No. 131, June 9, 2000) (“the municipal ordinance”), enterprise taxes which were hitherto levied on taxable income are now levied on gross banking profit.

On April 4, 2002, SMBC filed a lawsuit with the Osaka District Court against the Osaka municipal government and the Governor of Osaka seeking to void the municipal ordinance. With the implementation of the “Revision of Municipal Ordinance regarding the imposition of enterprise taxes through external standards taxation on banks in Osaka” (Osaka Municipal Ordinance No. 77, 2002) (“the revised municipal ordinance 2002”) on May 30, 2002, and the implementation of the “Revision of Municipal Ordinance regarding the imposition of enterprise taxes through external standards taxation on banks in Osaka” (Osaka Municipal Ordinance No. 14, 2003) (“the revised municipal ordinance 2003”) on April 1, 2003, the special treatment regarding the tax basis is to be applicable from the fiscal year starting on April 1, 2003. Since the enterprise taxes in question are not included in the calculations for accounting for tax effects, there was a decrease in “Deferred tax assets” of ¥48,699 million at March 31, 2003 as compared with the amount that would have been included if the enterprise taxes had been levied on taxable income instead of gross profits. At March 31, 2003, there was also a decrease in “Deferred tax liabilities for land revaluation” of ¥1,575 million, and consequently stockholders’ equity decreased by ¥47,124 million.

## 26. 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 cases where certain requirements are met when employees retire.

SMBC received an approval from the Minister of Health, Labor and Welfare for exemption from future retirement benefit obligations with respect to the entrusted portion of employees pension fund in the fiscal year ended March 31, 2004. SMBC and some consolidated subsidiaries in Japan contributed some of their marketable equity securities to employee retirement benefit trusts.

### (2) Projected benefit obligation

March 31		Millions of yen		Millions of
		2004	2003	U.S. dollars
				2004
Projected benefit obligation	(A) .....	¥(892,421)	¥(1,164,570)	\$(8,444)
Plan assets	(B) .....	709,353	723,175	6,712
Unfunded projected benefit obligation	(C)=(A)+(B) .....	(183,068)	(441,395)	(1,732)
Unrecognized net obligation from initial application of the new accounting standard	(D) .....	17,876	44,087	169
Unrecognized net actuarial gain or loss	(E) .....	215,420	349,118	2,038
Unrecognized prior service cost	(F) .....	(78,022)	(53,218)	(738)
Net amount recorded on the consolidated balance sheet	(G)=(C)+(D)+(E)+(F) .....	(27,792)	(101,408)	(263)
Prepaid pension cost (other assets)	(H) .....	13,049	—	123
Reserve for employee retirement benefits	(G)-(H) .....	¥ (40,842)	¥ (101,408)	\$ (386)

In the fiscal year ended March 31, 2003, some domestic consolidated subsidiaries received the approval from the Minister of Health, Labor and Welfare for exemption from future retirement benefit obligations with respect to the entrusted portion of the employees pension fund, in accordance with the implementation of the "Defined benefit enterprise pension plan law." They applied the temporary treatment stipulated in Article 47-2 of "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" (JICPA's Accounting Committee Report No. 13), and derecognized retirement benefit liabilities on the entrusted portion and plan assets equivalent to the amount to be returned. The equivalent amount of expected return of plan assets was ¥23,906 million at March 31, 2003.

On January 26, 2004, SMBC received the approval from the Minister of Health, Labor and Welfare for exemption from future retirement benefit obligations with respect to the entrusted portion of the employee pension fund, in accordance with the implementation of the "Defined benefit enterprise pension plan law." As a result, SMBC applied the temporary treatment stipulated in Article 47-2 of "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" (JICPA's Accounting Committee Report No. 13), and derecognized retirement benefit liabilities on the entrusted portion and plan assets equivalent to the amount to be returned on the day of approval. The amount of expected return of plan assets (minimum legal reserves) was ¥184,014 million (\$1,741 million) at March 31, 2004.

Plan assets related to the general type of welfare pension plan at March 31, 2004 and 2003, amounted to ¥32,501 million (\$308 million) and ¥27,306 million, respectively, and were not included in the "Plan assets" shown above.

### (3) Pension expenses

Year ended March 31	Millions of yen		Millions of
	2004	2003	U.S. dollars
			2004
Service cost .....	¥25,748	¥26,163	\$244
Interest cost on projected benefit obligation .....	32,702	34,772	309
Expected return on plan assets .....	(23,033)	(32,219)	(218)
Amortization of unrecognized net obligation from initial application of the new accounting standard .....	21,348	23,158	202
Amortization of unrecognized net actuarial gain or loss .....	35,785	24,547	338
Amortization of unrecognized prior service cost .....	(6,062)	(6,583)	(57)
Other (nonrecurring additional retirement allowance paid and other) .....	6,953	9,811	66
Pension expenses .....	93,442	79,650	884
Gains on return of the entrusted portion of employee pension fund .....	(59,095)	(4,413)	(559)
Total .....	¥34,347	¥75,237	\$325

(4) Assumptions

The principal assumptions used in determining benefit obligation and pension expenses at or for the years ended March 31, 2004 and 2003 were as follows:

Year ended March 31	2004	2003
Discount rate .....	1.5% to 2.5%	1.7% to 3.0%
Expected rate of return on plan assets .....	0.0% to 4.0%	0.0% to 5.0%
Allocation of estimated amount of retirement benefits .....	Allocated to each period by the straight-line method	Allocated to each period by the straight-line method
Term to amortize unrecognized prior service cost .....	Mainly 10 years	Mainly 10 years
Term to amortize unrecognized net actuarial gain or loss .....	Mainly 10 years	Mainly 10 years
Term to amortize unrecognized net obligation from initial application of new accounting standard .....	Mainly 5 years	Mainly 5 years

## 27. Cash Flows

Assets and liabilities of the companies that were newly consolidated through acquisition of stocks were as follows:

(1) March 31, 2004

Assets and liabilities at the time of consolidation and the expense (net) for acquisition with respect to acquisition of the three companies including former The Kansai Sawayaka Bank, Limited were as follows:

March 31	Millions of yen	Millions of U.S. dollars
	2004	2004
Assets .....	¥800,118	\$7,570
Loans and bills discounted .....	593,042	5,611
Liabilities .....	(724,759)	(6,857)
Deposits .....	(682,774)	(6,460)
Minority interests .....	(23,450)	(222)
Goodwill .....	(13,136)	(124)
Acquisition costs for the three companies' stocks (a) .....	38,773	367
Cash and due from banks of the three companies (b) .....	(29,773)	(282)
Cash expenditure for acquisition of the three companies (a) – (b) .....	¥ 8,999	\$ 85

(2) March 31, 2003

Assets and liabilities at the time of consolidation and the expense (net) for acquisition with respect to acquisition of the five companies including Meiko National Securities Co., Ltd. and MITSUI AUTO LEASING, LTD. were as follows:

March 31	Millions of yen
	2003
Assets .....	¥191,318
Lease assets .....	82,346
Liabilities .....	(150,698)
Borrowed money .....	(96,817)
Minority interests .....	(26,881)
Goodwill .....	5,013
Acquisition costs for the five companies' stocks (a) .....	18,751
Cash and due from banks of the five companies (b) .....	(3,306)
Cash expenditure for acquisition of the five companies (a) – (b) .....	¥ 15,444

## 28. Lease Transactions

(1) Financing leases

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value for financing leases without transfer of ownership at March 31, 2004 and 2003 was as follows:

(a) Lessee side

March 31	Millions of yen						Millions of U.S. dollars		
	2004			2003			2004		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Equipment .....	¥11,705	¥6,848	¥4,856	¥17,591	¥7,078	¥10,512	\$111	\$65	\$46
Other .....	606	357	249	253	146	106	5	3	2
Total .....	¥12,312	¥7,206	¥5,106	¥17,844	¥7,225	¥10,618	\$116	\$68	\$48

Future minimum lease payments excluding interests at March 31, 2004 and 2003 were as follows:

March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Due within one year.....	¥2,070	¥ 3,020	\$19
Due after one year .....	3,251	7,328	31
	<b>¥5,322</b>	<b>¥10,348</b>	<b>\$50</b>

Total lease expenses for the years ended March 31, 2004 and 2003 were ¥2,296 million (\$22 million) and ¥3,738 million, respectively. Assumed depreciation charges for the years ended March 31, 2004 and 2003 amounted to ¥2,132 million (\$20 million) and ¥3,440 million, respectively. Assumed depreciation charges is calculated using the straight-line method over the lease term of the respective assets without salvage values. The difference between the minimum lease payments and the acquisition costs of the lease assets represents interest expenses. The allocation of such interest expenses over the lease term is computed using the effective interest method. Interest expenses for the years ended March 31, 2004 and 2003 amounted to ¥162 million (\$2 million) and ¥279 million, respectively.

(b) Lessor side

March 31	Millions of yen						Millions of U.S. dollars		
	2004			2003			2004		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Equipment .....	¥1,908,945	¥1,197,471	¥711,474	¥1,949,522	¥1,203,855	¥745,667	\$18,061	\$11,330	\$6,731
Other .....	580,899	323,580	257,319	503,639	273,477	230,161	5,496	3,061	2,435
Total .....	<b>¥2,489,845</b>	<b>¥1,521,051</b>	<b>¥968,794</b>	<b>¥2,453,161</b>	<b>¥1,477,332</b>	<b>¥975,828</b>	<b>\$23,557</b>	<b>\$14,391</b>	<b>\$9,166</b>

Future lease payments receivable excluding interests at March 31, 2004 and 2003 were as follows:

March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Due within one year.....	¥318,916	¥ 312,772	\$3,017
Due after one year .....	674,752	702,955	6,384
	<b>¥993,669</b>	<b>¥1,015,727</b>	<b>\$9,401</b>

Total lease income for the years ended March 31, 2004 and 2003 was ¥410,953 million (\$3,888 million) and ¥374,816 million, respectively. Depreciation charges for the years ended March 31, 2004 and 2003 amounted to ¥331,032 million (\$3,132 million) and ¥306,999 million, respectively. Interest income represents the difference between the sum of the lease payments receivable and estimated salvage values, and the acquisition costs of the lease assets. The allocation of such interest income over the lease term is computed using the effective interest method. Interest income for the years ended March 31, 2004 and 2003 amounted to ¥60,905 million (\$576 million) and ¥70,330 million, respectively.

(2) Operating leases

(a) Lessee side

Future minimum lease payments at March 31, 2004 and 2003 were as follows:

March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Due within one year.....	¥ 17,136	¥ 18,646	\$162
Due after one year .....	83,638	101,035	791
	<b>¥100,774</b>	<b>¥119,681</b>	<b>\$953</b>

(b) Lessor side

Future lease payments receivable at March 31, 2004 and 2003 were as follows:

March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Due within one year.....	¥ 4,189	¥233	\$ 39
Due after one year .....	9,804	482	93
	<b>¥13,993</b>	<b>¥716</b>	<b>\$132</b>

Future lease payments receivable at March 31, 2004 and 2003 amounting to ¥87,900 million (\$832 million) and ¥108,886 million, respectively, on the lessor side referred to in (1) and (2) above were pledged as collateral for borrowings.



## 29. Loan Commitments

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 at March 31, 2004 and 2003 was ¥32,634,541 million (\$308,776 million) and ¥31,475,362 million, respectively, and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time at March 31, 2004 and 2003 was ¥29,806,280 million (\$282,016 million) and ¥28,769,561 million, respectively.

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 the contracts are made.

## 30. Market Value of Securities and Money Held in Trust

### (1) Securities

The market value of securities at March 31, 2004 and 2003 was as follows:

In addition to "Securities" in the consolidated balance sheet, trading securities, negotiable certificates of deposit bought, commercial paper and short-term corporate bonds in "Trading assets," negotiable certificates of deposit bought in "Deposits with banks," and commercial paper and beneficiary claims on loan trust in "Commercial paper and other debt purchased" are included in the amounts of following tables.

#### (a) Securities classified as trading purposes

March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Consolidated balance sheet amount .....	¥1,170,727	¥1,434,190	\$11,077
Valuation losses included in profit/loss during the year .....	1,707	1,096	16

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

March 31	Millions of yen				
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds.....	¥509,458	¥500,930	¥(8,527)	¥1,739	¥10,266
Japanese local government bonds.....	—	—	—	—	—
Japanese corporate bonds.....	—	—	—	—	—
Other .....	17,272	18,374	1,101	1,101	—
<b>Total .....</b>	<b>¥526,731</b>	<b>¥519,305</b>	<b>¥(7,425)</b>	<b>¥2,840</b>	<b>¥10,266</b>

  

March 31	Millions of yen				
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds.....	¥311,391	¥315,414	¥4,023	¥4,023	¥ —
Japanese local government bonds.....	23,091	23,920	828	828	—
Japanese corporate bonds.....	—	—	—	—	—
Other .....	42,413	43,444	1,030	1,136	105
<b>Total .....</b>	<b>¥376,896</b>	<b>¥382,779</b>	<b>¥5,882</b>	<b>¥5,988</b>	<b>¥105</b>

  

March 31	Millions of U.S. dollars				
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds.....	\$4,821	\$4,740	\$(81)	\$16	\$97
Japanese local government bonds.....	—	—	—	—	—
Japanese corporate bonds.....	—	—	—	—	—
Other .....	163	174	11	11	—
<b>Total .....</b>	<b>\$4,984</b>	<b>\$4,914</b>	<b>\$(70)</b>	<b>\$27</b>	<b>\$97</b>

Note: Market value is calculated by using market prices at the fiscal year-end.

## (c) Other securities with market value

		Millions of yen				
		2004				
March 31	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses	
Stocks .....	¥ 2,234,577	¥ 2,904,362	¥ 669,784	¥736,878	¥ 67,094	
Bonds .....	15,604,771	15,501,515	(103,256)	18,590	121,847	
Japanese government bonds.....	14,028,689	13,939,482	(89,207)	14,225	103,432	
Japanese local government bonds.....	515,362	506,263	(9,098)	1,075	10,173	
Japanese corporate bonds.....	1,060,720	1,055,769	(4,950)	3,289	8,240	
Other .....	5,354,322	5,363,406	9,084	32,047	22,963	
<b>Total .....</b>	<b>¥23,193,672</b>	<b>¥23,769,285</b>	<b>¥ 575,612</b>	<b>¥787,517</b>	<b>¥211,904</b>	

  

		Millions of yen				
		2003				
March 31	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses	
Stocks.....	¥ 3,167,955	¥ 3,002,513	¥(165,442)	¥112,952	¥278,395	
Bonds.....	14,024,014	14,135,179	111,164	117,093	5,928	
Japanese government bonds.....	12,516,061	12,590,255	74,193	79,479	5,286	
Japanese local government bonds.....	342,798	352,112	9,314	9,415	101	
Japanese corporate bonds.....	1,165,153	1,192,811	27,657	28,197	540	
Other .....	4,479,136	4,502,770	23,634	42,897	19,263	
<b>Total .....</b>	<b>¥21,671,106</b>	<b>¥21,640,463</b>	<b>¥ (30,643)</b>	<b>¥272,943</b>	<b>¥303,587</b>	

  

		Millions of U.S. dollars				
		2004				
March 31	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses	
Stocks.....	\$ 21,143	\$ 27,480	\$6,337	\$6,972	\$ 635	
Bonds.....	147,647	146,670	(977)	176	1,153	
Japanese government bonds.....	132,735	131,891	(844)	135	979	
Japanese local government bonds.....	4,876	4,790	(86)	10	96	
Japanese corporate bonds.....	10,036	9,989	(47)	31	78	
Other .....	50,660	50,746	86	303	217	
<b>Total .....</b>	<b>\$219,450</b>	<b>\$224,896</b>	<b>\$5,446</b>	<b>\$7,451</b>	<b>\$2,005</b>	

Notes: 1. Of the total net unrealized gains for 2004, ¥23,452 million (\$222 million) is included in the earnings for the year ended March 31, 2004 because of the application of fair value hedge accounting.

2. Market value is calculated as follows:

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

3. 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 (impaired) for the current fiscal year. Valuation loss for the fiscal years ended March 31, 2004 and 2003 was ¥5,625 million (\$53 million) and ¥494,815 million, respectively. 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 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.

## (d) Held-to-maturity bonds sold during the years ended March 31, 2004 and 2003

Year ended March 31	Millions of yen						Millions of U.S. dollars		
	2004			2003			2004		
	Cost of securities sold	Sales amount	Gains on sales	Cost of securities sold	Sales amount	Gains on sales	Cost of securities sold	Sales amount	Gains on sales
Japanese government bonds .....	¥21,063	¥21,709	¥ 645	¥—	¥—	¥—	\$199	\$205	\$ 6
Japanese local government bonds...	23,060	23,796	736	—	—	—	218	225	7
Total .....	¥44,123	¥45,506	¥1,382	¥—	¥—	¥—	\$417	\$430	\$13

## Reason for sales:

A consolidated subsidiary, Minato, changed its investment policy.

## (e) Other securities sold during the years ended March 31, 2004 and 2003

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Sales amount .....	¥30,640,639	¥37,709,925	\$289,910
Gains on sales .....	281,085	231,862	2,660
Losses on sales .....	154,031	190,364	1,457

## (f) Securities with no available market value

March 31	Millions of yen		Millions of U.S. dollars
	Consolidated balance sheet amount	2003	Consolidated balance sheet amount
Bonds classified as held-to-maturity			
Unlisted foreign securities .....	¥ 3,371	¥ 4,105	\$ 32
Other .....	9,713	6,463	92
Other securities			
Unlisted stocks (excluding OTC stocks) .....	532,446	281,888	5,038
Unlisted bonds .....	1,596,199	1,176,885	15,103
Unlisted foreign securities .....	316,217	363,282	2,992
Other .....	144,433	137,050	1,367

## (g) Change of classification of securities

During the fiscal year ended March 31, 2004, Minato changed its investment policy and sold some of the held-to-maturity bonds before their maturities. As a result, Minato changed the classification of the remaining bonds that Minato holds, ¥28,281 million (\$268 million), from "held-to-maturity" to "other securities" pursuant to Article 83 of the "Practical Guidelines for Accounting for Financial Instruments" (JICPA Accounting Committee Report No. 14). In addition, ¥12,063 million (\$114 million) in reclassified bonds were sold during the fiscal year and net gains on sale of ¥18 million (\$0 million) were recorded.

As a result of this change of classification, "Securities" increased by ¥35 million (\$0 million) and "Deferred tax assets" decreased by ¥14 million (\$0 million), and "Minority interests" and "Net unrealized gains on other securities" increased by ¥19 million (\$0 million) and ¥1 million (\$0 million), respectively, compared with the former classification of bonds.

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

March 31	Millions of yen			
	2004			
	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	Over 10 years
Bonds .....	¥2,879,079	¥ 9,470,889	¥3,999,979	¥1,257,227
Japanese government bonds .....	2,706,787	7,223,369	3,266,491	1,252,292
Japanese local government bonds .....	7,759	263,194	234,789	519
Japanese corporate bonds .....	164,531	1,984,324	498,698	4,415
Other .....	441,373	4,212,911	457,429	538,094
Total .....	¥3,320,453	¥13,683,800	¥4,457,409	¥1,795,322

	Millions of yen			
	2003			
	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	Over 10 years
March 31				
Bonds .....	¥3,482,943	¥ 8,134,230	¥3,769,404	¥ 260,826
Japanese government bonds.....	3,303,635	6,306,161	3,034,984	256,865
Japanese local government bonds .....	11,935	138,933	223,723	612
Japanese corporate bonds.....	167,372	1,689,135	510,695	3,349
Other.....	355,161	2,886,041	765,581	880,974
Total.....	¥3,838,104	¥11,020,271	¥4,534,985	¥1,141,800
	Millions of U.S. dollars			
	2004			
	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	Over 10 years
March 31				
Bonds .....	\$27,241	\$ 89,610	\$37,846	\$11,896
Japanese government bonds.....	25,611	68,345	30,906	11,849
Japanese local government bonds .....	73	2,490	2,221	5
Japanese corporate bonds.....	1,557	18,775	4,719	42
Other.....	4,176	39,861	4,328	5,091
Total.....	\$31,417	\$129,471	\$42,174	\$16,987

(2) Money held in trust

(a) Money held in trust classified as trading purposes

March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Consolidated balance sheet amount .....	¥—	¥1,629	\$—
Valuation gains included in profit/loss during the year .....	—	12	—

(b) Money held in trust classified as held-to-maturity  
There are no corresponding transactions.

(c) Other money held in trust

March 31	Millions of yen				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Other money held in trust .....	¥3,628	¥3,749	¥121	¥222	¥100
March 31	Millions of yen				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Other money held in trust .....	¥23,044	¥23,000	¥(44)	¥510	¥555
March 31	Millions of U.S. dollars				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Other money held in trust .....	\$34	\$35	\$1	\$2	\$1

(3) Net unrealized gains (losses) on other securities and other money held in trust

March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Net unrealized gains (losses).....	¥552,271	¥(30,758)	\$5,226
Other securities.....	552,149	(30,713)	5,225
Other money held in trust.....	121	(44)	1
(-) Deferred tax liabilities .....	225,309	—	2,132
(+) Deferred tax assets .....	—	2,004	—
Net unrealized gains (losses) on other securities (before following adjustment).....	326,962	(28,754)	3,094
(-) Minority interests .....	3,207	(4,557)	31
(+) SMFG's interest in net unrealized gains (losses) on valuation of other securities held by affiliates accounted for by the equity method.....	1,258	(1)	12
Net unrealized gains (losses) on other securities.....	¥325,013	¥(24,197)	\$3,075

Notes: 1. Of the total unrealized gains for 2004, ¥23,452 million (\$222 million) is included in the earnings for the year ended March 31, 2004 because of the application of fair value hedge accounting.

2. Net unrealized gains (losses) included foreign currency translation adjustments on nonmarketable securities denominated in foreign currency.

## 31. Derivative Transactions

### (1) Interest rate derivatives

March 31	Millions of yen			
	2004			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
<b>Transactions listed on exchange</b>				
Interest rate futures:				
Sold.....	¥ 87,393,679	¥ 2,662,913	¥ (111,937)	¥ (111,937)
Bought.....	91,880,414	3,624,247	110,424	110,424
Interest rate options:				
Sold.....	554,768	267,333	(218)	(218)
Bought.....	984,778	267,333	241	241
<b>Over-the-counter transactions</b>				
Forward rate agreements:				
Sold.....	3,576,364	430,000	952	952
Bought.....	13,028,083	1,640,000	(2,001)	(2,001)
Interest rate swaps:				
Receivable fixed rate/payable floating rate.....	385,010,824	290,122,316	235,969	235,969
Receivable floating rate/payable fixed rate.....	184,435,337	138,971,508	1,624,354	1,624,354
Receivable floating rate/payable fixed rate.....	178,700,873	135,278,747	(1,380,548)	(1,380,548)
Receivable floating rate/payable floating rate.....	21,727,688	15,792,166	518	518
Swaptions:				
Sold.....	2,224,743	968,959	(37,880)	(37,880)
Bought.....	2,589,152	1,173,273	41,346	41,346
Caps:				
Sold.....	5,408,280	3,469,422	(6,543)	(6,543)
Bought.....	3,602,677	2,345,784	5,628	5,628
Floors:				
Sold.....	224,688	190,319	(5,321)	(5,321)
Bought.....	302,366	240,371	5,040	5,040
Other:				
Sold.....	—	—	—	—
Bought.....	306,408	72,854	4,402	4,402
Total.....	/	/	¥ 240,101	¥ 240,101

Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.

Derivative transactions to which deferred hedge accounting method is applied are not included in the amounts above.

Some consolidated overseas subsidiaries account for interest rate derivatives in accordance with local accounting standards. Such transactions are not included in the amounts above. Net unrealized gains amounted to ¥13 million (\$0 million).

2. Market value of transactions listed on exchange is calculated mainly using the closing prices on the Tokyo International Financial Futures Exchange and others.

Market value of OTC transactions is calculated mainly using discounted present value and option pricing models.

March 31	Millions of yen			
	2003			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
<b>Transactions listed on exchange</b>				
Interest rate futures:				
Sold.....	¥ 59,749,099	¥ 4,547,691	¥ (103,623)	¥ (103,623)
Bought.....	57,633,988	5,676,922	109,474	109,474
Interest rate options:				
Sold.....	1,230,739	—	76	76
Bought.....	600,964	205,802	(99)	(99)
<b>Over-the-counter transactions</b>				
Forward rate agreements:				
Sold.....	13,389,231	590,000	1,076	1,076
Bought.....	3,469,855	455,000	(500)	(500)
Interest rate swaps:				
Receivable fixed rate/payable floating rate.....	305,031,482	214,079,553	250,498	250,498
Receivable floating rate/payable fixed rate.....	146,600,794	101,347,568	3,300,127	3,300,127
Receivable floating rate/payable fixed rate.....	139,298,388	98,710,883	(3,040,142)	(3,040,142)
Receivable floating rate/payable floating rate.....	18,990,156	13,890,272	850	850
Swaptions:				
Sold.....	1,720,503	798,669	(35,707)	(35,707)
Bought.....	1,523,512	1,106,731	26,355	26,355
Caps:				
Sold.....	5,352,002	3,331,808	(4,194)	(4,194)
Bought.....	3,616,992	2,536,627	6,682	6,682
Floors:				
Sold.....	317,281	207,279	(7,673)	(7,673)
Bought.....	351,199	195,322	9,027	9,027
Other:				
Sold.....	42,316	36,551	(6,526)	(6,526)
Bought.....	250,660	92,669	6,603	6,603
Total.....	/	/	¥ 251,467	¥ 251,467



- Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations. Derivative transactions to which hedge accounting method is applied are not included in the amounts above. Some consolidated overseas subsidiaries account for interest rate derivatives in accordance with local accounting standards. Such transactions are not included in the amounts above. Net unrealized gains amounted to ¥818 million.
2. Market value of transactions listed on exchange is calculated mainly using the closing prices on the Tokyo International Financial Futures Exchange and others. Market value of OTC transactions is calculated mainly using discounted present value and option pricing models.

March 31	Millions of U.S. dollars			
	2004		Market value	Valuation gains (losses)
	Contract amount			
	Total	Over 1 year		
<b>Transactions listed on exchange</b>				
Interest rate futures:				
Sold .....	\$ 826,887	\$ 25,196	\$ (1,059)	\$ (1,059)
Bought .....	869,339	34,291	1,045	1,045
Interest rate options:				
Sold.....	5,249	2,529	(2)	(2)
Bought .....	9,318	2,529	2	2
<b>Over-the-counter transactions</b>				
Forward rate agreements:				
Sold .....	33,838	4,069	9	9
Bought.....	123,267	15,517	(19)	(19)
Interest rate swaps:				
Receivable fixed rate/payable floating rate .....	3,642,831	2,745,031	2,233	2,233
Receivable floating rate/payable fixed rate .....	1,745,059	1,314,897	15,369	15,369
Receivable floating rate/payable floating rate.....	1,690,802	1,279,958	(13,062)	(13,062)
Swaptions:	205,579	149,420	5	5
Sold .....	21,050	9,168	(358)	(358)
Bought.....	24,498	11,101	391	391
Caps:				
Sold .....	51,171	32,826	(62)	(62)
Bought .....	34,087	22,195	53	53
Floors:				
Sold .....	2,126	1,801	(50)	(50)
Bought.....	2,861	2,274	48	48
Other:				
Sold .....	—	—	—	—
Bought.....	2,899	689	41	41
Total.....	/	/	\$ 2,272	\$ 2,272

## (2) Currency derivatives

March 31	Millions of yen			
	2004			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
<b>Over-the-counter transactions</b>				
Currency swaps .....	¥16,317,980	¥10,396,658	¥ 82,675	¥131,136
Currency swaptions				
Sold.....	646,230	623,671	(16,259)	(16,259)
Bought .....	1,135,123	1,112,563	40,495	40,495
Forward foreign exchange .....	33,748,772	1,368,595	(38,814)	(38,814)
Currency options				
Sold .....	2,911,936	898,824	(90,113)	(90,113)
Bought.....	2,883,999	907,272	107,026	107,026
Other				
Sold .....	7,957	882	51	51
Bought.....	—	—	—	—
<b>Total .....</b>	<b>/</b>	<b>/</b>	<b>¥ 85,060</b>	<b>¥133,521</b>

- Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations. The amounts above do not include the following:
- Derivative transactions to which deferred hedge accounting method is applied;
  - Those that are allotted to financial assets/liabilities denominated in foreign currency and whose market values are already reflected to the consolidated balance sheet; and
  - Those that are allotted to financial assets/liabilities denominated in foreign currency and the financial assets/liabilities are eliminated in the process of consolidation.
- Some consolidated overseas subsidiaries account for currency derivatives in accordance with local accounting standards. Such transactions are not included in the amounts above. Net unrealized losses amounted to ¥442 million (\$4 million).
2. Market value is calculated mainly using discounted present value.
3. Forward foreign exchange and currency options that were formerly revaluated at the fiscal year-end are included in the table above from the fiscal year ended March 31, 2004.

March 31	Millions of yen			
	2003			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
<b>Over-the-counter transactions</b>				
Currency swaps .....	¥16,433,656	¥8,831,238	¥(39,389)	¥(39,389)
Currency swaptions				
Sold.....	330,238	330,238	(3,173)	(3,173)
Bought .....	865,005	865,005	13,724	13,724
Forward foreign exchange .....	2,935,846	547,699	1,518	1,518
Currency options				
Sold .....	56,586	13,166	(1,375)	(1,375)
Bought.....	60,441	21,575	1,585	1,585
Other				
Sold .....	15,310	2,855	153	153
Bought.....	—	—	—	—
<b>Total .....</b>	<b>/</b>	<b>/</b>	<b>¥(26,956)</b>	<b>¥(26,956)</b>

- Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations. Derivative transactions to which hedge accounting method is applied and the transaction shown in Note 3 below, are not included in the amounts above. Some consolidated overseas subsidiaries account for currency derivatives in accordance with local accounting standards. Such transactions are not included in the amounts above. Net unrealized gains amounted to ¥371 million.
2. Market value is calculated mainly using discounted present value.
3. Forward foreign exchange and currency options which are of the following types are not included in the amounts above:
- Those that are revaluated at fiscal year-end and the revaluation gains (losses) are accounted for in the consolidated statement of operations.
  - Those that are allotted to financial assets/liabilities denominated in foreign currency and whose market values are already reflected in the amount of the financial assets/liabilities on the consolidated balance sheet.
  - Those that are allotted to financial assets/liabilities denominated in foreign currency and the financial assets/liabilities are eliminated in the process of consolidation.
4. The contract amount of currency derivatives which are revaluated at the consolidated balance sheet date are as follows:

March 31, 2003	Millions of yen	
	Contract amount	
<b>Transactions listed on exchange</b>		
Currency futures:		
Sold.....	¥	—
Bought.....		—
Currency options:		
Sold.....		—
Bought.....		—
<b>Over-the-counter transactions</b>		
Forward foreign exchange.....		37,271,679
Currency options:		
Sold.....		3,001,518
Bought.....		3,195,840

March 31	Millions of U.S. dollars			
	2004			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
<b>Over-the-counter transactions</b>				
Currency swaps .....	\$154,395	\$98,369	\$ 782	\$1,240
Currency swaptions				
Sold .....	6,114	5,901	(154)	(154)
Bought .....	10,740	10,527	383	383
Forward foreign exchange .....	319,318	12,949	(367)	(367)
Currency options				
Sold .....	27,552	8,504	(852)	(852)
Bought .....	27,287	8,584	1,013	1,013
Other				
Sold .....	75	8	0	0
Bought .....	—	—	—	—
<b>Total .....</b>	<b>/</b>	<b>/</b>	<b>\$ 805</b>	<b>\$1,263</b>

(3) Equity derivatives

March 31	Millions of yen			
	2004			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
<b>Transactions listed on exchange</b>				
Equity price index futures:				
Sold .....	¥ —	¥ —	¥ —	¥ —
Bought .....	3,349	—	63	63
Equity price index options:				
Sold .....	—	—	—	—
Bought .....	—	—	—	—
<b>Over-the-counter transactions</b>				
Equity options:				
Sold .....	—	—	—	—
Bought .....	—	—	—	—
Equity price index swaps:				
Receivable equity index/payable floating rate .....	—	—	—	—
Receivable floating rate/payable equity index .....	—	—	—	—
Other:				
Sold .....	4,791	—	(231)	(231)
Bought .....	7,336	3,005	311	311
<b>Total .....</b>	<b>/</b>	<b>/</b>	<b>¥143</b>	<b>¥143</b>

- Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations. Derivative transactions to which deferred hedge accounting method is applied are not included in the amounts above.
2. Market value of transactions listed on exchange is calculated mainly using the closing prices on the Tokyo Stock Exchange. Market value of OTC transactions is calculated mainly using discounted present value and option pricing models.

March 31	Millions of yen			
	2003			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
<b>Transactions listed on exchange</b>				
Equity price index futures:				
Sold.....	¥ —	¥ —	¥ —	¥ —
Bought.....	—	—	—	—
Equity price index options:				
Sold.....	—	—	—	—
Bought.....	—	—	—	—
<b>Over-the-counter transactions</b>				
Equity options:				
Sold.....	0	—	0	0
Bought.....	0	—	(0)	(0)
Equity price index swaps:				
Receivable equity index/payable floating rate .....	—	—	—	—
Receivable floating rate/payable equity index .....	—	—	—	—
Other:				
Sold.....	477	—	0	0
Bought.....	477	—	0	0
<b>Total.....</b>	<b>/</b>	<b>/</b>	<b>¥ 0</b>	<b>¥ 0</b>

Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations. Derivative transactions to which hedge accounting method is applied are not included in the amounts above.  
2. Market value of transactions listed on exchange is calculated mainly using the closing prices on the Tokyo Stock Exchange. Market value of OTC transactions is calculated mainly using discounted present value and option pricing models.

March 31	Millions of U.S. dollars			
	2004			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
<b>Transactions listed on exchange</b>				
Equity price index futures:				
Sold.....	\$—	\$—	\$—	\$—
Bought.....	32	—	0	0
Equity price index options:				
Sold.....	—	—	—	—
Bought.....	—	—	—	—
<b>Over-the-counter transactions</b>				
Equity options:				
Sold.....	—	—	—	—
Bought.....	—	—	—	—
Equity price index swaps:				
Receivable equity index/payable floating rate .....	—	—	—	—
Receivable floating rate/payable equity index .....	—	—	—	—
Other:				
Sold.....	45	—	(2)	(2)
Bought.....	69	28	3	3
<b>Total.....</b>	<b>/</b>	<b>/</b>	<b>\$ 1</b>	<b>\$ 1</b>

## (4) Bond derivatives

March 31	Millions of yen			
	2004			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
<b>Transactions listed on exchange</b>				
Bond futures:				
Sold.....	¥1,485,848	¥ —	¥ 5,213	¥ 5,213
Bought.....	3,473,003	—	(16,918)	(16,918)
Bond futures options:				
Sold.....	333,500	—	(769)	(769)
Bought.....	5,000	—	66	66
<b>Over-the-counter transactions</b>				
Forward bond agreements:				
Sold.....	296,334	273,251	1,746	1,746
Bought.....	—	—	—	—
Bond options:				
Sold.....	2,821,954	14,114	(6,020)	(6,020)
Bought.....	2,420,812	2,972	18,216	18,216
Total.....	/	/	¥ 1,533	¥ 1,533

- Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations. Derivative transactions to which deferred hedge accounting method is applied are not included in the amounts above.
2. Market value of transactions listed on exchange is calculated mainly using the closing prices on the Tokyo Stock Exchange. Market value of OTC transactions is calculated mainly using option pricing models.

March 31	Millions of yen			
	2003			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
<b>Transactions listed on exchange</b>				
Bond futures:				
Sold.....	¥119,032	¥ —	¥(388)	¥(388)
Bought.....	129,712	—	(67)	(67)
Bond futures options:				
Sold.....	4,000	—	(8)	(8)
Bought.....	—	—	—	—
<b>Over-the-counter transactions</b>				
Bond options:				
Sold.....	16,010	15,617	0	0
Bought.....	4,719	3,125	0	0
Total.....	/	/	¥(463)	¥(463)

- Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations. Derivative transactions to which hedge accounting method is applied are not included in the amounts above.
2. Market value of transactions listed on exchange is calculated mainly using the closing prices on the Tokyo Stock Exchange. Market value of OTC transactions is calculated mainly using option pricing models.

March 31	Millions of U.S. dollars			
	2004			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
<b>Transactions listed on exchange</b>				
Bond futures:				
Sold.....	\$14,059	\$ —	\$ 49	\$ 49
Bought.....	32,860	—	(160)	(160)
Bond futures options:				
Sold.....	3,155	—	(7)	(7)
Bought.....	47	—	1	1
<b>Over-the-counter transactions</b>				
Forward bond agreements:				
Sold.....	2,804	2,585	17	17
Bought.....	—	—	—	—
Bond options:				
Sold.....	26,700	134	(57)	(57)
Bought.....	22,905	28	172	172
Total.....	/	/	\$ 15	\$ 15

## (5) Commodity derivatives

March 31	Millions of yen			
	2004			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
<b>Over-the-counter transactions</b>				
Commodity swaps:				
Receivable fixed price/payable floating price .....	¥86,127	¥84,270	¥(5,742)	¥(5,742)
Receivable floating price/payable fixed price .....	87,038	84,985	9,932	9,932
Commodity options:				
Sold.....	4,457	4,318	(1,645)	(1,645)
Bought.....	4,448	4,309	1,667	1,667
Total.....	/	/	¥ 4,211	¥ 4,211

- Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.  
Derivative transactions to which deferred hedge accounting method is applied are not included in the amounts above.  
2. Market value is calculated based on factors such as price of the relevant commodity and contract term.  
3. Commodity derivatives are transactions on fuel and metal.

March 31	Millions of yen			
	2003			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
<b>Over-the-counter transactions</b>				
Commodity swaps:				
Receivable fixed price/payable floating price .....	¥31,049	¥27,358	¥(1,607)	¥(1,607)
Receivable floating price/payable fixed price .....	31,049	27,358	2,376	2,376
Commodity options:				
Sold.....	6,369	4,063	(1,493)	(1,493)
Bought.....	6,369	4,063	1,521	1,521
Total.....	/	/	¥ 797	¥ 797

- Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.  
Derivative transactions to which hedge accounting method is applied are not included in the amounts above.  
2. Market value is calculated based on factors such as price of the relevant commodity and contract term.  
3. Commodity derivatives are transactions on oil and metal.

March 31	Millions of U.S. dollars			
	2004			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
<b>Over-the-counter transactions</b>				
Commodity swaps:				
Receivable fixed price/payable floating price .....	\$815	\$797	\$(54)	\$(54)
Receivable floating price/payable fixed price .....	824	804	94	94
Commodity options:				
Sold.....	42	41	(16)	(16)
Bought.....	42	41	16	16
Total.....	/	/	\$ 40	\$ 40

## (6) Credit derivative transactions

March 31	Millions of yen			
	2004			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
<b>Over-the-counter transactions</b>				
Credit default options:				
Sold.....	¥38,891	¥36,213	¥ (826)	¥ (826)
Bought.....	57,308	52,627	1,580	1,580
Other:				
Sold.....	1,504	—	(23)	(23)
Bought.....	1,389	—	27	27
Total.....	/	/	¥ 757	¥ 757

- Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.  
Derivative transactions to which deferred hedge accounting method is applied are not included in the amounts above.  
2. Market value is calculated based on factors such as the price of the reference assets and contract term.  
3. "Sold" represents transactions in which the credit risk is accepted; "Bought" represents transactions in which the credit risk is transferred.



March 31	Millions of yen			
	2003			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
<b>Over-the-counter transactions</b>				
Credit default options:				
Sold.....	¥39,823	¥22,790	¥(1,767)	¥(1,767)
Bought.....	35,625	18,592	3,153	3,153
Other:				
Sold.....	5,722	1,099	4,915	4,915
Bought.....	86,567	79,546	276	276
Total.....	/	/	¥ 6,578	¥ 6,578

- Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations. Derivative transactions to which hedge accounting method is applied are not included in the amounts above.
2. Market value is calculated based on factors such as price of the reference assets and contract term.
3. "Sold" represents transactions in which the credit risk is accepted; "Bought" represents transactions in which the credit risk is transferred.

March 31	Millions of U.S. dollars			
	2004			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
<b>Over-the-counter transactions</b>				
Credit default options:				
Sold.....	\$368	\$343	\$ (8)	\$ (8)
Bought.....	542	498	15	15
Other:				
Sold.....	14	—	(0)	(0)
Bought.....	13	—	0	0
Total.....	/	/	\$ 7	\$ 7

## 32. Segment Information

### (1) Business segment information

Year ended March 31	Millions of yen					
	2004					
	Banking business	Leasing	Other	Total	Elimination and unallocated corporate assets	Consolidated
<b>I. Ordinary income</b>						
(1) External customers .....	¥ 2,492,168	¥ 674,243	¥ 386,098	¥ 3,552,510	¥ —	¥ 3,552,510
(2) Intersegment .....	26,911	18,466	182,955	228,333	(228,333)	—
Total .....	2,519,079	692,709	569,054	3,780,844	(228,333)	3,552,510
Ordinary expenses .....	2,295,451	658,092	472,737	3,426,281	(216,616)	3,209,665
Ordinary profit .....	¥ 223,627	¥ 34,616	¥ 96,317	¥ 354,562	¥ (11,717)	¥ 342,844
<b>II. Assets, depreciation and capital expenditure</b>						
Assets .....	¥99,062,021	¥1,815,963	¥5,940,301	¥106,818,286	¥(4,603,113)	¥102,215,172
Depreciation .....	66,809	336,392	19,043	422,245	9	422,255
Capital expenditure .....	91,870	371,350	28,906	492,127	33	492,161

- Notes: 1. The business segmentation is classified based on SMFG's internal administrative purpose.
2. "Other" includes securities, credit card, investment banking, loans, venture capital, system development and information processing.
3. As for assets, unallocated corporate assets that were included in "Elimination and unallocated corporate assets" mainly consisted of investments in affiliates of ¥3,409,122 million (\$32,256 million).
4. Ordinary income represents total income excluding gains on disposal of premises and equipment, collection of written-off claims and reversals of other reserves. Ordinary expenses represent total expenses excluding losses on disposal of premises and equipment, amortization of unrecognized net transition obligation for employee retirement benefits and other extraordinary expenses.
5. As mentioned in "2. Significant Accounting Policies, (3) Trading assets/liabilities and trading profits/losses," SMBC formerly accounted for foreign currency translation differences arising from currency swaps for trading purposes as "Other assets" or "Other liabilities" on the balance sheet on a net basis. Effective April 1, 2003, SMBC accounts for such foreign currency translation differences as "Trading assets" or "Trading liabilities" on a gross basis, pursuant to the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25). Consequently, Assets of "Banking business" increased by ¥19,741 million (\$187 million) as compared with the former manner.
6. As for the accounting method of foreign currency transactions, as mentioned in "2. Significant Accounting Policies, (17) Translation of foreign currencies," in the previous fiscal year, SMBC and domestic consolidated banking subsidiaries applied the temporary treatment stipulated in JICPA Industry Audit Committee Report No. 25 to currency swaps and foreign exchange swaps for the purpose of lending or borrowing funds in different currencies. Effective April 1, 2003, they apply the hedge accounting pursuant to the basic provisions of JICPA Industry Audit Committee Report No. 25. Consequently, for the fiscal year ended March 31, 2004, such foreign exchange swaps, whose profits or losses were formerly charged to income by periodical allocation, are valued at fair value and their fair-valued assets and liabilities are recognized on the consolidated balance sheet. As a result, Assets of "Banking business" increased by ¥1,035 million (\$10 million) as compared with the former manner. Foreign currency translation differences arising from currency swaps and forward foreign exchange transactions were formerly accounted for as "Other assets" or "Other liabilities" on a net basis, but effective April 1, 2003, they are accounted for as "Other assets" or "Other liabilities" on a gross basis pursuant to JICPA Industry Audit Committee Report No. 25. Consequently, Assets of "Banking business" increased by ¥450,929 million (\$4,267 million) as compared with the former manner.

7. As for the hedge accounting method applied to hedging transactions for interest rate risk arising from financial assets and liabilities, as mentioned in "2. Significant Accounting Policies, (6) Hedge accounting," SMBC formerly applied deferred hedge accounting. Effective April 1, 2003, SMBC applies fair value hedge accounting to hedging transactions for reducing the exposure to market volatility of bonds classified as other securities that are held for the purpose of Asset and Liability Management in order to more properly reflect the effectiveness of hedging transactions in the financial statements. Consequently, Assets of "Banking business" decreased by ¥19,420 million (\$184 million).
8. As mentioned in Note 25 "Income Taxes," the effective tax rate used in calculating deferred tax assets and liabilities was changed with the implementation of the "Revision of the Local Tax Law" (Legislation No. 9, 2003) on March 31, 2003. As a result, Assets of "Banking business," "Leasing," "Other" and "Elimination and unallocated corporate assets" increased by ¥6,657 million (\$63 million), ¥114 million (\$1 million), ¥402 million (\$4 million) and ¥22 million (\$0 million), respectively, as compared with the assets that were calculated using the former effective tax rate.

Year ended March 31	Millions of yen					
	2003					Elimination and unallocated corporate assets
	Banking business	Leasing	Other	Total		
<b>I. Ordinary income</b>						
(1) External customers .....	¥ 2,530,217	¥ 640,529	¥ 335,639	¥ 3,506,386	¥ —	¥ 3,506,386
(2) Intersegment .....	31,282	5,563	163,790	200,636	(200,636)	—
Total .....	2,561,499	646,093	499,429	3,707,023	(200,636)	3,506,386
Ordinary expenses .....	3,130,721	622,237	447,163	4,200,122	(177,986)	4,022,136
Ordinary profit (loss).....	¥ (569,221)	¥ 23,855	¥ 52,265	¥ (493,099)	¥ (22,650)	¥ (515,749)
<b>II. Assets, depreciation and capital expenditure</b>						
Assets .....	¥102,058,264	¥1,789,697	¥6,158,720	¥110,006,682	¥(5,399,232)	¥104,607,449
Depreciation .....	73,505	329,478	18,908	421,892	1	421,894
Capital expenditure .....	85,829	319,716	30,145	435,690	29	435,720

- Notes: 1. The business segmentation is classified based on SMFG's internal administrative purpose.
2. "Other" includes securities, credit card, investment banking, loans, venture capital, system development and information processing.
3. As for assets, unallocated corporate assets that were included in "Elimination and unallocated corporate assets" mainly consisted of investments in affiliates of ¥3,373,529 million.
4. Ordinary income represents total income excluding gains on disposal of premises and equipment, collection of written-off claims and reversals of other reserves. Ordinary expenses represent total expenses excluding losses on disposal of premises and equipment, amortization of unrecognized net transition obligation for employee retirement benefits and other extraordinary expenses.
5. As mentioned in Note 25 "Income Taxes," the effective tax rate was changed with the implementation of the "Revision of the Local Tax Law" (Legislation No. 9, 2003) on March 31, 2003. As a result, Assets of "Banking business" increased by ¥65,769 million, and Assets of "Leasing" and "Other" decreased by ¥753 million and ¥1,109 million, respectively as compared with the assets that were calculated using the former effective tax rate.

Year ended March 31	Millions of U.S. dollars					
	2004					Elimination and unallocated corporate assets
	Banking business	Leasing	Other	Total		
<b>I. Ordinary income</b>						
(1) External customers .....	\$ 23,580	\$ 6,380	\$ 3,653	\$ 33,613	\$ —	\$ 33,613
(2) Intersegment .....	255	174	1,731	2,160	(2,160)	—
Total .....	23,835	6,554	5,384	35,773	(2,160)	33,613
Ordinary expenses .....	21,719	6,226	4,473	32,418	(2,049)	30,369
Ordinary profit .....	\$ 2,116	\$ 328	\$ 911	\$ 3,355	\$ (111)	\$ 3,244
<b>II. Assets, depreciation and capital expenditure</b>						
Assets .....	\$937,288	\$17,182	\$56,205	\$1,010,675	\$(43,553)	\$967,122
Depreciation .....	632	3,183	180	3,995	0	3,995
Capital expenditure .....	869	3,514	273	4,656	1	4,657

## (2) Geographic segment information

Year ended March 31	Millions of yen						Elimination and unallocated corporate assets	Consolidated
	2004							
	Japan	The Americas	Europe	Asia and Oceania	Total			
I. Ordinary income								
(1) External customers .....	¥ 3,250,452	¥ 135,908	¥ 75,566	¥ 90,582	¥ 3,552,510	¥ —	¥ 3,552,510	
(2) Intersegment .....	50,138	39,129	6,113	11,360	106,742	(106,742)	—	
Total .....	3,300,591	175,038	81,680	101,942	3,659,252	(106,742)	3,552,510	
Ordinary expenses .....	3,067,985	109,837	65,586	59,397	3,302,806	(93,140)	3,209,665	
Ordinary profit .....	¥ 232,606	¥ 65,201	¥ 16,093	¥ 42,545	¥ 356,446	¥ (13,601)	¥ 342,844	
II. Assets .....	¥95,318,870	¥4,826,318	¥2,177,644	¥2,731,299	¥105,054,133	¥(2,838,960)	¥102,215,172	

- Notes: 1. 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.
2. The Americas includes the United States, Brazil, Canada and others; Europe includes the United Kingdom, Germany, France and others; Asia and Oceania includes Hong Kong, Singapore, Australia and others except Japan.
3. As for assets, unallocated corporate assets that were included in "Elimination and unallocated corporate assets" mainly consisted of investments in affiliates of ¥3,409,122 million (\$32,256 million).
4. Ordinary income represents total income excluding gains on disposal of premises and equipment, collection of written-off claims and reversals of other reserves.  
Ordinary expenses represent total expenses excluding losses on disposal of premises and equipment, amortization of unrecognized net transition obligation for employee retirement benefits and other extraordinary expenses.
5. As mentioned in "2. Significant Accounting Policies, (3) Trading assets/liabilities and trading profits/losses," SMBC formerly accounted for foreign currency translation differences arising from currency swaps for trading purposes as "Other assets" or "Other liabilities" on the balance sheet on a net basis. Effective April 1, 2003, SMBC accounts for such foreign currency translation differences as "Trading assets" or "Trading liabilities" on a gross basis, pursuant to the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25). Consequently, Assets of "Japan" increased by ¥19,939 million (\$189 million) and Assets of "Asia and Oceania" decreased by ¥198 million (\$2 million) as compared with the former manner.
6. As for the accounting method of foreign currency transactions, as mentioned in "2. Significant Accounting Policies, (17) Translation of foreign currencies," in the previous fiscal year, SMBC and domestic consolidated banking subsidiaries applied the temporary treatment stipulated in JICPA Industry Audit Committee Report No. 25 to currency swaps and foreign exchange swaps for the purpose of lending or borrowing funds in different currencies. Effective April 1, 2003, they apply the hedge accounting pursuant to the basic provisions of JICPA Industry Audit Committee Report No. 25.  
Consequently, for the fiscal year ended March 31, 2004, such foreign exchange swaps, whose profits or losses were formerly charged to income by periodical allocation, are valued at fair value and their fair-valued assets and liabilities are recognized on the consolidated balance sheet. As a result, Assets of "Japan" and "Asia and Oceania" increased by ¥4 million (\$0 million) and ¥1,030 million (\$10 million), respectively, as compared with the former manner.  
Foreign currency translation differences arising from currency swaps and forward foreign exchange transactions were formerly accounted for as "Other assets" or "Other liabilities" on a net basis, but effective April 1, 2003, they are accounted for as "Other assets" or "Other liabilities" on a gross basis pursuant to JICPA Industry Audit Committee Report No. 25. Consequently, Assets of "Japan," "The Americas," "Europe" and "Asia and Oceania" increased by ¥279,156 million (\$2,641 million), ¥114,960 million (\$1,088 million), ¥1,554 million (\$15 million), ¥55,257 million (\$523 million), respectively, as compared with the former manner.
7. As for the hedge accounting method applied to hedging transactions for interest rate risk arising from financial assets and liabilities, as mentioned in "2. Significant Accounting Policies, (6) Hedge accounting," SMBC formerly applied deferred hedge accounting. Effective April 1, 2003, SMBC applies fair value hedge accounting to hedging transactions for reducing the exposure to market volatility of bonds classified as other securities that are held for the purpose of Asset and Liability Management in order to more properly reflect the effectiveness of hedging transactions in the financial statements. Consequently, Assets of "Japan" decreased by ¥19,420 million (\$184 million).
8. As mentioned in Note 25 "Income Taxes," the effective tax rate used in calculating deferred tax assets and liabilities was changed with the implementation of the "Revision of the Local Tax Law" (Legislation No. 9, 2003) on March 31, 2003. As a result, Assets of "Japan" and Assets of "Elimination and unallocated corporate assets" increased by ¥7,174 million (\$68 million) and ¥22 million (\$0 million), respectively, as compared with the assets that were calculated using the former effective tax rate.

Year ended March 31	Millions of yen						Elimination and unallocated corporate assets	Consolidated
	2003							
	Japan	The Americas	Europe	Asia and Oceania	Total			
I. Ordinary income								
(1) External customers .....	¥ 3,033,860	¥ 173,224	¥ 174,353	¥ 124,948	¥ 3,506,386	¥ —	¥ 3,506,386	
(2) Intersegment .....	66,249	48,741	32,144	26,912	174,048	(174,048)	—	
Total .....	3,100,110	221,966	206,498	151,860	3,680,435	(174,048)	3,506,386	
Ordinary expenses .....	3,804,777	149,894	134,985	82,652	4,172,309	(150,172)	4,022,136	
Ordinary profit (loss) .....	¥ (704,666)	¥ 72,071	¥ 71,512	¥ 69,208	¥ (491,873)	¥ (23,876)	¥ (515,749)	
II. Assets .....	¥96,909,941	¥6,138,645	¥2,167,625	¥2,647,964	¥107,864,176	¥(3,256,726)	¥104,607,449	

- Notes: 1. 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.
2. The Americas includes the United States, Brazil, Canada and others; Europe includes the United Kingdom, Germany, France and others; Asia and Oceania includes Hong Kong, Singapore, Australia and others except Japan.
3. As for assets, unallocated corporate assets that were included in "Elimination and unallocated corporate assets" mainly consisted of investments in affiliates of ¥3,373,529 million.
4. Ordinary income represents total income excluding gains on disposal of premises and equipment, recoveries of written-off claims and reversals of other reserves.  
Ordinary expenses represent total expenses excluding losses on disposal of premises and equipment, amortization of unrecognized net transition obligation for employee retirement benefits and other extraordinary expenses.
5. As mentioned in Note 25 "Income Taxes," the effective tax rate was changed with the implementation of the "Revision of the Local Tax Law" (Legislation No. 9, 2003) on March 31, 2003. As a result, Assets of "Japan" increased by ¥63,905 million as compared with assets that were calculated using the former effective tax rate.

Millions of U.S. dollars							
2004							
Year ended March 31	Japan	The Americas	Europe	Asia and Oceania	Total	Elimination and unallocated corporate assets	Consolidated
I. Ordinary income							
(1) External customers.....	\$ 30,755	\$ 1,286	\$ 715	\$ 857	\$ 33,613	\$ —	\$ 33,613
(2) Intersegment .....	474	370	58	108	1,010	(1,010)	—
Total .....	31,229	1,656	773	965	34,623	(1,010)	33,613
Ordinary expenses .....	29,028	1,039	621	562	31,250	(881)	30,369
Ordinary profit.....	\$ 2,201	\$ 617	\$ 152	\$ 403	\$ 3,373	\$ (129)	\$ 3,244
II. Assets .....	\$901,872	\$45,665	\$20,604	\$25,843	\$993,984	\$(26,862)	\$967,122

(3) Ordinary income from overseas operations

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2004	2003	2004
Ordinary income from overseas operations (A).....	¥ 302,057	¥ 472,525	\$ 2,858
Consolidated ordinary income (B).....	3,552,510	3,506,386	33,613
(A) / (B).....	8.5%	13.5%	8.5%

Note: The above table shows ordinary income from transactions of SMBC's overseas branches and overseas consolidated subsidiaries, excluding internal income.

### 33. Subsequent Event

#### Appropriations of retained earnings

The following appropriations of retained earnings of SMFG at March 31, 2004 were approved by the general meeting of shareholders held on June 29, 2004:

	Millions of yen	Millions of U.S. dollars
Cash dividends, ¥3,000 per share on common stock.....	¥17,381	\$164
¥10,500 per share on preferred stock (Type 1) .....	703	7
¥28,500 per share on preferred stock (Type 2) .....	2,850	27
¥13,700 per share on preferred stock (Type 3) .....	10,960	104
¥135,000 per share on preferred stock (First to Twelfth series Type 4)....	6,763	64
¥67,500 per share on preferred stock (Thirteenth series Type 4) .....	7,762	73

## 34. Parent Company

### (1) Nonconsolidated Balance Sheets Sumitomo Mitsui Financial Group, Inc.

March 31	Millions of yen		Millions of U.S. dollars (Note 1)
	2004	2003	2004
<b>Assets</b>			
Current assets .....	¥ 110,948	¥ 106,108	\$ 1,050
Cash and due from banks .....	98,159	64,725	929
Prepaid expenses .....	21	—	0
Deferred tax assets .....	17	35	0
Accrued income .....	424	315	4
Accrued income tax refunds .....	12,179	40,976	116
Other current assets .....	145	55	1
Fixed assets .....	3,291,153	3,306,213	31,140
Premises and equipment .....	0	0	0
Buildings .....	0	0	0
Intangible assets .....	47	26	1
Software .....	47	26	1
Investments and other assets .....	3,291,105	3,306,185	31,139
Investments in securities .....	76	—	1
Investments in subsidiaries and affiliates .....	3,246,462	3,260,957	30,717
Long-term loans to subsidiaries and affiliates .....	40,000	40,000	378
Deferred tax assets .....	4,565	5,227	43
Other investments .....	—	0	—
Deferred charges .....	905	1,207	8
Organization cost .....	905	1,207	8
<b>Total assets .....</b>	<b>¥3,403,007</b>	<b>¥3,413,529</b>	<b>\$32,198</b>
<b>Liabilities</b>			
Current liabilities .....	¥ 230,286	¥ 257,442	\$ 2,179
Short-term borrowings .....	230,000	256,501	2,177
Accounts payable .....	47	—	0
Accrued expenses .....	97	651	1
Income taxes payable .....	1	1	0
Business office taxes payable .....	5	1	0
Consumption taxes payable .....	—	106	—
Reserve for employees bonuses .....	84	83	1
Other current liabilities .....	48	96	0
<b>Total liabilities .....</b>	<b>230,286</b>	<b>257,442</b>	<b>2,179</b>
<b>Stockholders' equity</b>			
Capital stock .....	1,247,650	1,247,650	11,805
Capital surplus .....	1,747,273	1,747,266	16,532
Capital reserve .....	1,247,762	1,747,266	11,806
Other capital surplus .....	499,510	—	4,726
Retained earnings .....	178,720	161,521	1,691
Earned surplus reserve .....	—	496	—
Voluntary reserve .....	30,420	30,420	288
Special voluntary earned reserves .....	30,420	30,420	288
Unappropriated retained earnings .....	148,300	130,605	1,403
Treasury stock .....	(921)	(351)	(9)
<b>Total stockholders' equity .....</b>	<b>3,172,721</b>	<b>3,156,086</b>	<b>30,019</b>
<b>Total liabilities and stockholders' equity .....</b>	<b>¥3,403,007</b>	<b>¥3,413,529</b>	<b>\$32,198</b>

(2) **Nonconsolidated Statements of Income**  
Sumitomo Mitsui Financial Group, Inc.

Year ended March 31	Millions of yen		Millions of U.S. dollars (Note 1)
	<b>2004</b>	2003	<b>2004</b>
<b>Operating income</b> .....	<b>¥55,515</b>	¥131,519	<b>\$525</b>
Dividends on investments in subsidiaries and affiliates .....	<b>47,332</b>	128,265	<b>448</b>
Fees and commissions received from subsidiaries .....	<b>7,341</b>	3,124	<b>69</b>
Interest income on loans to subsidiaries and affiliates .....	<b>841</b>	128	<b>8</b>
<b>Operating expenses</b> .....	<b>3,044</b>	971	<b>29</b>
General and administrative expenses .....	<b>3,044</b>	971	<b>29</b>
Other operating expenses .....	<b>—</b>	0	<b>—</b>
<b>Operating profit</b> .....	<b>52,470</b>	130,547	<b>496</b>
<b>Nonoperating income</b> .....	<b>121</b>	13	<b>1</b>
Interest income on deposits .....	<b>101</b>	9	<b>1</b>
Fees and commissions income .....	<b>9</b>	4	<b>0</b>
Other nonoperating income .....	<b>11</b>	—	<b>0</b>
<b>Nonoperating expenses</b> .....	<b>1,403</b>	10,926	<b>13</b>
Interest on borrowings .....	<b>874</b>	176	<b>8</b>
Amortization of organization costs .....	<b>301</b>	301	<b>3</b>
Stock issuance costs .....	<b>—</b>	9,994	<b>—</b>
Fees and commissions expenses .....	<b>206</b>	73	<b>2</b>
Other nonoperating expenses .....	<b>21</b>	380	<b>0</b>
<b>Income before income taxes</b> .....	<b>51,188</b>	119,634	<b>484</b>
Income taxes:			
Current .....	<b>3</b>	156	<b>0</b>
Deferred .....	<b>679</b>	(5,259)	<b>6</b>
<b>Net income</b> .....	<b>¥50,505</b>	¥124,738	<b>\$478</b>
	Yen		U.S. dollars (Note 1)
Per share data:			
Net income .....	<b>¥3,704.49</b>	¥18,918.33	<b>\$35.05</b>
Net income — diluted .....	<b>3,690.72</b>	15,691.82	<b>34.92</b>