Notes to Interim Consolidated Financial Statements (Unaudited)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries
Six months ended September 30, 2006

I. Significant Accounting Policies

1. Scope of consolidation

(1) Consolidated subsidiaries: 176 companies

Principal companies:

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

Changes in consolidated subsidiaries in the six months ended September 30, 2006 are as follows:

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

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

(2) Unconsolidated subsidiaries

Principal company:

SBCS Co., Ltd.

One hundred and nineteen 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, they were excluded from the scope of consolidation pursuant to Article 5 Paragraph 1 Item 2 of the Interim Consolidated Financial Statements Regulations.

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

2. Application of the equity method

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

Principal company:

SBCS Co., Ltd.

(2) Affiliates accounted for by the equity method: 58 companies

Principal companies:

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

Changes in affiliates in the six months ended September 30, 2006 are as follows:

Three companies, including NIF SMBC-V2006 S1 Investment Enterprise Partnership newly became affiliated companies accounted for by the equity method owing to establishment and other reasons.

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

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

One hundred and nineteen 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, they are not treated as affiliated companies accounted for by the equity method pursuant to Article 7 Paragraph 1 Item 2 of the Interim Consolidated Financial Statements Regulations.

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

Principal company:

Daiwa SB Investments (USA) Ltd.

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

3. The interim balance sheet dates of consolidated subsidiaries

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

December 31:	2 Companies
March 31:	5 Companies
April 30:	2 Companies
May 31:	2 Companies
June 30:	73 Companies
July 31:	1 Company
August 31:	5 Companies
September 30:	86 Companies

A consolidated overseas subsidiary changed its interim balance sheet date from June 30 to September 30 from this fiscal year. Therefore, SMFG's consolidated financial statements include the subsidiary's profit or loss for the period from January 1, 2006 to September 30, 2006. However, this change had no material impact on the interim consolidated financial statements.

(2) As for the companies whose interim balance sheet dates are March 31 and May 31, the accounts are provisionally closed for the purpose of consolidation as of September 30. As for the companies whose interim balance sheet dates are December 31, the accounts are provisionally closed for the purpose of consolidation as of June 30. As for the companies whose interim balance sheet dates are April 30, the accounts are provisionally closed for the purpose of consolidation as of July 31 and September 30. The other companies are consolidated on the basis of their respective interim balance sheet dates.

A consolidated subsidiary (established in August 2006) whose interim balance sheet date is June 30 is consolidated after the accounts were provisionally closed as of September 30 for the purpose of consolidation.

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

4. Accounting methods

(1) **Standards for recognition and measurement of 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 interim consolidated balance sheet on a trade date basis. Profits and losses on trading-purpose transactions are recognized on a trade date basis, and recorded as "Trading profits" and "Trading losses."

Securities and monetary claims purchased for trading purposes are stated at the interim period-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 interim consolidated balance sheet date.

"Trading profits" and "Trading losses" include interest received or paid during the interim period. The valuation differences of securities and money claims between the previous fiscal year-end and this interim period-end are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the valuation differences between the previous fiscal year-end and this interim period-end are also recorded in the above-mentioned accounts.

(2) **Standards for recognition and measurement of securities**

(a) Debt securities that consolidated subsidiaries have the positive intent and ability to hold to maturity are classified as held-to-maturity securities and are carried at amortized cost (straight-line method) using the moving-average method.

Investments in unconsolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost using the moving-average method.

Securities other than trading purpose securities, held-to-maturity securities and investments in unconsolidated subsidiaries and affiliates are classified as "other securities" (available-for-sale securities). Stocks in other securities that have market prices are carried at their average market prices during the final month of the interim period, and bonds and others that have market prices are carried at their interim period-end market prices (cost of securities sold is calculated using primarily the moving-average method). Other securities with no available market prices are carried at cost or amortized cost using the moving-average method. Net unrealized gains (losses) on other securities, net of income taxes, are included in "Net assets," after deducting the amount that is reflected in the interim period's earnings by applying fair value hedge accounting.

(b) Securities included in money held in trust are carried in the same method as for securities mentioned above.

(3) **Standards for recognition and measurement of 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.

(4) **Depreciation**

(a) Depreciation of tangible fixed assets and lease assets

Tangible fixed assets owned by SMFG and SMBC are depreciated using the straight-line method. Equipment is depreciated using the declining-balance method. The depreciation cost for the interim period is calculated by proportionally allocating the estimated annual cost to the interim period. The estimated useful lives of major items are as follows:

Buildings:	7 to 50 years
Equipment:	2 to 20 years

Other consolidated subsidiaries depreciate tangible fixed assets and lease assets primarily using the straight-line method over the estimated useful lives of the respective assets and the straight-line method over the lease term based on the residual value of assets at the end of the lease term, respectively.

(b) Depreciation of intangible fixed assets

Intangible fixed assets are depreciated using the straight-line method. Capitalized software for internal use owned by SMFG and its consolidated domestic subsidiaries is depreciated using the straight-line method over its estimated useful life (basically five years).

(5) **Reserve for possible loan losses**

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

For claims on borrowers that have entered into bankruptcy, special liquidation proceedings or similar legal proceedings ("bankrupt borrowers") or borrowers that are not legally or formally insolvent but are regarded as substantially in the same situation ("effectively bankrupt borrowers"), a reserve is provided based on the amount of claims, after the write-off stated below, net of the expected amount of recoveries from collateral and guarantees.

For claims on borrowers that are not currently bankrupt but are perceived to have a high risk of falling into bankruptcy ("potentially bankrupt borrowers"), a reserve is provided in the amount deemed necessary based on an overall solvency assessment of the claims, net of the expected amount of recoveries from collateral and guarantees.

Discounted Cash Flows (DCF) method is used for claims on borrowers whose cash flows from collection of principals and interest can be rationally estimated, and SMBC applies it to claims on large potentially bankrupt borrowers and claims on large borrowers requiring close monitoring that have been classified as "Past due loans (3 months or more)" or "Restructured loans," whose total loans from SMBC exceed a certain amount. SMBC establishes a reserve for possible loan losses using the DCF method for such claims in the amount of the difference between the present value of principal and interest (calculated using the rationally estimated cash flows discounted at the initial contractual interest rate) and the book value.

For other claims, a reserve is provided based on the historical loan-loss ratio.

For claims originated in certain specific countries, an additional reserve is provided in the amount deemed necessary based on the assessment of political and economic conditions.

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

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

For collateralized or guaranteed claims on bankrupt borrowers and effectively bankrupt borrowers, the amount exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and written off against the total outstanding amount of the claims. The amount of write-off was ¥750,546 million ($6,366 million) at September 30, 2006.

(6) **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 this interim period.

(7) **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 interim period-end, based on the projected retirement benefit obligation and the fair value of plan assets at this fiscal year-end.

Unrecognized prior service cost for the six months ended September 30, 2006 is amortized using the straight-line method, primarily over 9 years within the employees' average remaining service period at incurrence.

Unrecognized net actuarial gain (loss) for the six months ended September 30, 2006 is amortized using the straight-line method, primarily over 9 years within the employees' average remaining service period, commencing from the next fiscal year of incurrence.

(8) **Other reserves required by special laws**

Other reserves required by special laws are reserve for contingent liabilities from financial futures transactions in accordance with Article 81 of the Financial Futures Transaction Law of ¥18 million ($0 million) and reserve for contingent liabilities from securities transactions in accordance with Article 51 of the Securities and Exchange Law of ¥1,118 million ($9 million).

(9) **Translation of foreign currency assets and liabilities**

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 interim consolidated balance sheet date, with the exception of stocks of subsidiaries and affiliates translated at rates prevailing at the time of acquisition.

Other consolidated subsidiaries' assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at their respective interim balance sheet dates.

(10) **Accounting method for lease transactions**

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

Standards for recognizing lease-related income on lease transactions and income/expenses on installment sales are as follows:

(a) Recognition of lease-related income on lease transactions
Primarily, lease-related income is recognized on a straight-line basis over the full term of the lease, based on the contractual amount of lease fees per month.

(b) Recognition of income and expenses on installment sales
Primarily, installment-sales-related income and installment-sales-related expenses are recognized on a due-date basis over the full period of the installment sales.

(11) 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.

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

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

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

As a result of the application of JICPA Industry Audit Committee Report No. 24, SMBC discontinued the application of hedge accounting or applied fair value hedge accounting to a portion of the hedging instruments using "macro hedge," which had been applied in order to manage interest rate risk arising from large-volume transactions in loans, deposits and other interest-earning assets and interest-bearing liabilities as a whole using derivatives pursuant to "Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 15). The deferred hedge losses and gains related to such a portion of hedging instruments are charged to "Interest income" or "Interest expenses" over a 12-year period (maximum) according to their maturity from the fiscal year ended March 31, 2004. Gross amounts of deferred hedge losses and gains on "macro hedge" (before deducting tax effect) at September 30, 2006 were ¥60,758 million ($515 million) and ¥44,682 million ($379 million), respectively.

(b) Hedging against currency fluctuations

SMBC applies deferred hedge accounting stipulated in "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25) to currency swap and foreign exchange swap transactions executed for the purpose of lending or borrowing funds in different currencies.

Pursuant to JICPA Industry Audit Committee Report No. 25, SMBC assesses the effectiveness of currency swap and foreign exchange swap transactions executed for the purpose of offsetting the risk of changes in currency exchange rates by verifying that there are foreign-currency monetary claims and debts corresponding to the foreign-currency positions.

In order to hedge risk arising from volatility of exchange rates for stocks of subsidiaries and affiliates and other securities (excluding bonds) denominated in foreign currencies, SMBC applies deferred hedge accounting or fair value hedge accounting, on the conditions that the hedged securities are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged securities denominated in the same foreign currencies.

(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.

Certain other consolidated subsidiaries use the deferred hedge accounting or the special treatment for interest rate swaps. A consolidated domestic subsidiary (a leasing company) partly applies the accounting method that is permitted by "Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Leasing Industry" (JICPA Industry Audit Committee Report No. 19).

(12) Consumption tax

National and local consumption taxes of SMFG and its consolidated domestic subsidiaries are accounted for by using the tax-excluded method.

(13) Tax effect accounting

On the premise that transfer to and from the reserve for losses on overseas investments will be conducted through appropriation of retained earnings (deficit) at the end of this fiscal year of SMFG and its consolidated domestic subsidiaries, current and deferred income taxes are recorded in the amount corresponding to the interim consolidated period.

(14) Amortization of goodwill

Goodwill on SMBC Friend Securities Co., Ltd. and SMBC Leasing Company, Limited is amortized using the straight-line method over twenty years and five years, respectively. Other goodwill is amortized when incurred.

5. Application of new accounting standards

(1) **Accounting Standard for Presentation of Net Assets in the Balance Sheet**

"Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5, issued on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8, issued on December 9, 2005) were applicable from this fiscal year and SMFG changed its consolidated balance sheet presentation as follows:

(a) Former "Stockholders' equity" was renamed as "Net assets," which consisted of stockholders' equity, valuation and translation adjustments, stock acquisition rights and minority interests. The amount corresponding to former stockholders' equity at September 30, 2006 was ¥3,648,921 million ($30,949 million).

(b) "Minority interests" which had been presented below liabilities section were presented in net assets.

(c) Deferred unrealized losses or gains on hedging instruments which had been previously included in "Other assets" or "Other liabilities" on a net basis were presented as "Net deferred gains (losses) on hedges" in valuation and translation adjustments after deducting tax effect on a net basis.

(2) **Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations**

"Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" (Practical Issues Task Force No. 20, issued by the ASBJ on September 8, 2006) was applicable from on and after the fiscal period ending September 8, 2006 and SMFG applied the new accounting pronouncement. This accounting change had no material impact on the interim consolidated financial statements.

(3) **Accounting Standard for Share-based Payment**

SMFG applied "Accounting Standard for Share-based Payment" (ASBJ Statement No. 8, issued on December 27, 2005) and "Guidance on Accounting Standard for Share-based Payment" (ASBJ Guidance No. 11, issued on May 31, 2006) from the fiscal year beginning on April 1, 2006. This accounting change had no material impact on the interim consolidated financial statements.

(4) **Accounting Standards for Business Combinations and Business Divestiture**

"Accounting Standards for Business Combinations" ("Opinion Concerning Establishment of Accounting Standards for Business Combinations," issued by the Business Accounting Council ("BAC") on October 31, 2003), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on December 27, 2005) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on December 27, 2005) were applicable from the fiscal year beginning on April 1, 2006. Effective April 1, 2006, SMFG applied the new accounting standards.

(5) **Revision of Accounting Standards for Financial Instruments**

On August 11, 2006, "Accounting Standard for Financial Instruments" (issued by the BAC on January 22, 1999) was revised by ASBJ Statement No. 10, "Accounting Standards for Financial Instruments," and the revised accounting standards were applicable from on and after the fiscal period ending August 11, 2006. SMFG applied the revised accounting standards and bonds were carried at the amounts calculated based on amortized cost (straight-line method) on the interim consolidated balance sheet. As a result, deferred bond discounts in "Other assets" and "Bonds" each decreased by ¥2,400 million ($20 million) compared with the former method.

Deferred bond discounts, which were recognized on the consolidated balance sheet as of March 31, 2006, were accounted for by the former method pursuant to "Tentative Solution on Accounting for Deferred Assets" (Practical Issues Task Force No. 19, issued by the ASBJ on August 11, 2006) and amortized over the redemption periods and the unamortized balances have been deducted from bonds balances.

6. Statements of cash flows

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

7. Others

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 September 30, 2006, which was ¥117.90 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.

II. Changes in Presentation

The Enforcement Ordinance of the Banking Law was revised on April 28, 2006 and applicable from the fiscal year beginning on and after April 1, 2006. Effective April 1, 2006, SMFG changed its consolidated balance sheet presentation as follows:

(1) **Balance sheet**

(a) "Premises and equipment" were separately presented as "Tangible fixed assets," "Intangible fixed assets" and "Other assets."

(b) Software which had been included in "Other assets" was included in "Intangible fixed assets."

(c) "Goodwill" which had been separately presented in assets section was included in "Intangible fixed assets."

(2) **Statement of income**

Amortization of goodwill which had been accounted for as "Other expenses" in "Expenses" was accounted for as amortization of intangible fixed assets and included in "General and administrative expenses."

(3) **Statement of cash flows**

(a) In accordance with the change in presentation of "Premises and equipment" in the interim consolidated balance sheet, "Depreciation of premises and equipment and others" was presented as "Depreciation of fixed assets." "Net (gains) losses from disposal of premises and equipment" was also renamed as "Net (gains) losses from disposal of fixed assets." In addition, "Purchases of premises and equipment" and "Proceeds from sale of premises and equipment" were presented as "Purchases of tangible fixed assets" and "Proceeds from sale of tangible fixed assets," respectively.

(b) In accordance with the change in presentation of interim consolidated balance sheet, software which had been included in "Other assets" was included in "Intangible fixed assets." Therefore, payments or proceeds from purchase or sale of software which had been included in "Other" in "Net cash (used in) provided by operating activities" were included in "Purchases of intangible fixed assets" and "Proceeds from sale of intangible fixed assets."

(c) "Proceeds from sale of treasury stock" of ¥42 million ($0 million) was included in "Proceeds from disposal of treasury stock" from this interim period.

Ⅲ. Notes to Consolidated Balance Sheet

1. Securities include ¥489,178 million ($4,149 million) of stocks of unconsolidated subsidiaries and affiliates and ¥948 million ($8 million) of investments.
2. Japanese government bonds and stocks as sub-accounts of Securities include ¥34,361 million ($291 million) of unsecured loaned securities for which borrowers have the right to sell or pledge.

   As for the unsecured borrowed securities for which SMBC has the right to sell or pledge and the securities which SMBC purchased under resale agreements and borrowed with cash collateral, that are permitted to be sold or pledged without restrictions, ¥857,892 million ($7,276 million) of securities are pledged, and ¥185,462 million ($1,573 million) of securities are held in hand as of the interim consolidated balance sheet date.
3. Bankrupt loans and Non-accrual loans were ¥64,857 million ($550 million) and ¥638,385 million ($5,414 million), respectively.

   "Bankrupt loans" are loans, after write-off, to legally bankrupt borrowers as defined in Article 96-1-3 and 96-1-4 of the Enforcement Ordinance No. 97 of the Japanese Corporate Tax Law (issued in 1965) and on which accrued interest income is not recognized as there is substantial doubt about the ultimate collectability of either principal or interest because they are past due for a considerable period of time or for other reasons. "Non-accrual loans" are loans on which accrued interest income is not recognized, excluding "Bankrupt loans" and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.
4. Past due loans (3 months or more) totaled ¥36,865 million ($313 million).

   "Past due loans (3 months or more)" are loans on which the principal or interest is past due for three months or more, excluding "Bankrupt loans" and "Non-accrual loans."
5. Restructured loans totaled ¥407,927 million ($3,460 million).

   "Restructured loans" are loans on which terms and conditions have been amended in favor of the borrowers (e.g. reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt forgiveness) in order to support the borrowers' recovery from financial difficulties, excluding "Bankrupt loans," "Non-accrual loans" and "Past due loans (3 months or more)."
6. The total amount of Bankrupt loans, Non-accrual loans, Past due loans (3 months or more) and Restructured loans was ¥1,148,036 million ($9,737 million).

   The amounts of loans presented in 3. to 6. above are the amounts before deduction of reserve for possible loan losses.
7. Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24. SMFG's banking subsidiaries have rights to sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The total face value was ¥885,675 million ($7,512 million), and bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought that were rediscounted by the banking subsidiaries accounted for ¥884 million ($7 million) of the total amount.
8. Assets pledged as collateral were as follows:

September 30, 2006	Millions of yen	Millions of U.S. dollars
Assets pledged as collateral:		
Cash and due from banks and Deposits with banks	¥ 103,547	$ 878
Trading assets	53,278	452
Securities	5,842,395	49,554
Loans and bills discounted	557,311	4,727
Other assets (installment account receivable, etc.)	1,936	16
Liabilities corresponding to assets pledged as collateral:		
Deposits	¥ 16,352	$ 139
Call money and bills sold	1,340,000	11,366
Payables under repurchase agreements	791,883	6,717
Payables under securities lending transactions	3,003,162	25,472
Trading liabilities	139,666	1,185
Borrowed money	930,197	7,890
Other liabilities	26,247	223
Acceptances and guarantees	167,064	1,417

In addition, Cash and due from banks and Deposits with banks of ¥9,108 million ($77 million), Commercial paper and other debt purchased of ¥38,898 million ($330 million), Trading assets of ¥848,721 million ($7,199 million), Securities of ¥4,092,185 million ($34,709 million) and Loans and bills discounted of ¥1,621,611 million ($13,754 million) were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes.

At September 30, 2006, other assets included surety deposits of ¥87,964 million ($746 million) and variation margins of futures markets of ¥4,737 million ($40 million).

9. 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 September 30, 2006 was ¥39,240,098 million ($332,825 million), and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time at September 30, 2006 was ¥33,373,534 million ($283,066 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 contracts are made.

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

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

    Date of the revaluation:

    SMBC: March 31, 1998 and March 31, 2002

    Certain other consolidated subsidiaries: March 31, 1999 and March 31, 2002

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

11. Accumulated depreciation on tangible fixed assets and accumulated depreciation on lease assets amounted to ¥561,404 million ($4,762 million) and ¥1,583,375 million ($13,430 million), respectively.

12. Deferred gain on tangible fixed assets deductible for tax purposes amounted to ¥64,987 million ($551 million).

13. The balance of subordinated debt included in "Borrowed money" was ¥617,500 million ($5,237 million).

14. The balance of subordinated bonds included in "Bonds" was ¥2,138,556 million ($18,139 million).

IV. Notes to Consolidated Statement of Income

1. "Other income" includes gains of return of securities from employee retirement benefits trust of ¥36,330 million ($308 million), gains on sales of stocks and other securities of ¥17,987 million ($153 million), gains of reversal of reserve for possible loan losses of ¥6,470 million ($55 million) and gains on change in equity of a subsidiary of ¥4,226 million ($36 million).

2. "Other expenses" includes write-off of loans of ¥57,626 million ($489 million), losses on delinquent loans sold of ¥5,545 million ($47 million), equity in losses of affiliates of ¥32,344 million ($274 million), write-off of stocks of ¥7,051 million ($60 million), losses on impairment of fixed assets of ¥2,006 million ($17 million) and losses on disposal of fixed assets of ¥2,037 million ($17 million).

3. The difference between the recoverable amount and the book value of the following assets is recognized as "Losses on impairment of fixed assets" and included in "Other expenses" in this interim period.

Six months ended September 30, 2006

Area	Purpose of use	Type	Millions of yen	Millions of U.S. dollars
Tokyo metropolitan area	Idle assets (27 items)	Land and premises etc.	¥873	$7
Kinki area	Branches (13 branches)	Land and premises etc.	349	3
	Idle assets (18 items)		410	4
Other	Idle assets (12 items)	Land and premises etc.	373	3

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

On assets which investments are not expected to be recovered, SMBC and other consolidated subsidiaries reduced the carrying amounts of idle assets, in the case of SMBC, and those of idle assets and branches, in the case of SMFG and other consolidated subsidiaries, to their recoverable amounts and recognized the relevant losses as "losses on impairment of fixed assets," which is included in "Other expenses." Recoverable amounts are calculated using net realizable value which is based on appraisal value in accordance with the Real Estate Appraisal Standard less the expected sale costs.

V. Notes to Consolidated Statement of Changes in Net Assets

1. Type and number of shares issued and treasury shares

	Number of shares			
Six months ended September 30, 2006	March 31, 2006	Increase	Decrease	September 30, 2006
Shares issued				
Common stock	7,424,172.77	309,481[(1)]	—	**7,733,653.77**
Preferred stock (type 1)	35,000	—	35,000[(2)]	—
Preferred stock (type 2)	100,000	—	100,000[(3)]	—
Preferred stock (type 3)	695,000	—	500,000[(4)]	**195,000**
Preferred stock (1st series type 4)	4,175	—	—	**4,175**
Preferred stock (2nd series type 4)	4,175	—	—	**4,175**
Preferred stock (3rd series type 4)	4,175	—	—	**4,175**
Preferred stock (4th series type 4)	4,175	—	—	**4,175**
Preferred stock (5th series type 4)	4,175	—	—	**4,175**
Preferred stock (6th series type 4)	4,175	—	—	**4,175**
Preferred stock (7th series type 4)	4,175	—	—	**4,175**
Preferred stock (8th series type 4)	4,175	—	—	**4,175**
Preferred stock (9th series type 4)	4,175	—	—	**4,175**
Preferred stock (10th series type 4)	4,175	—	—	**4,175**
Preferred stock (11th series type 4)	4,175	—	—	**4,175**
Preferred stock (12th series type 4)	4,175	—	—	**4,175**
Preferred stock (1st series type 6)	70,001	—	—	**70,001**
Total	8,374,273.77	309,481	635,000	**8,048,754.77**
Treasury shares				
Common stock	6,307.15	109,907.81[(5)]	77.62[(5)]	**116,137.34**
Preferred stock (type 1)	—	35,000[(2)]	35,000[(2)]	—
Preferred stock (type 2)	—	100,000[(3)]	100,000[(3)]	—
Preferred stock (type 3)	—	500,000[(4)]	500,000[(4)]	—
Total	6,307.15	744,907.81	635,077.62	**116,137.34**

Notes: 1. Increase in number of common shares issued:
- 60,466 shares due to exercising of rights to request acquisition of common shares with respect to preferred stock (type 3)
- 249,015 shares due to issuance of new shares related to the share exchange with SMBC Friend Securities Co., Ltd.

2. Increase in number of treasury shares of preferred stock (type 1):
- 35,000 shares due to acquisition of own shares on May 17, 2006 pursuant to the resolution of the ordinary general meeting of shareholders

Decreases in numbers of shares issued and treasury shares of preferred stock (type 1):
- 35,000 shares due to retirement of treasury shares on May 17, 2006

3. Increase in number of treasury shares of preferred stock (type 2):
- 100,000 shares due to acquisition of own shares on May 17 and September 6, 2006 pursuant to the resolution of the ordinary general meeting of shareholders

Decreases in numbers of shares issued and treasury shares of preferred stock (type 2):
- 100,000 shares due to retirement of treasury shares on May 17 and September 6, 2006

4. Increase in number of treasury shares of preferred stock (type 3):
- 450,000 shares due to acquisition of own shares on September 29, 2006 pursuant to the resolution of the ordinary general meeting of shareholders
- 50,000 shares due to acquisition of own shares as a result of exercising of rights to request acquisition of common shares

Decreases in numbers of shares issued and treasury shares of preferred stock (type 3):
- 500,000 shares due to retirement of treasury shares on September 29, 2006

5. Increase in number of treasury common shares:
- 702.81 shares due to purchase of fractional shares
- 109,205 shares owned by consolidated subsidiaries and affiliates in connection with the share exchange with SMBC Friend Securities Co., Ltd.

Decrease in number of treasury common shares:
- 77.62 shares due to sale of fractional shares and delivery of shares in connection with exercising of stock options

2. Information on stock acquisition rights

	Detail of stock acquisition rights	Type of shares	Number of shares: March 31, 2006	Increase	Decrease	September 30, 2006	Millions of yen: Balance at September 30, 2006
SMFG	Stock acquisition rights as stock options	—	—	—	—	—	¥—
Consolidated subsidiaries	—	—	—	—	—	—	4
Total							¥ 4

3. Information on dividends

Following dividends were paid in the six months ended September 30, 2006:

Type of shares	Millions of yen: Amount of dividends	Yen: Cash dividends per share
Shares issued		
Common stock	¥22,253	¥ 3,000
Preferred stock (type 1)	367	10,500
Preferred stock (type 2)	2,850	28,500
Preferred stock (type 3)	9,521	13,700
Preferred stock (1st series type 4)	563	135,000
Preferred stock (2nd series type 4)	563	135,000
Preferred stock (3rd series type 4)	563	135,000
Preferred stock (4th series type 4)	563	135,000
Preferred stock (5th series type 4)	563	135,000
Preferred stock (6th series type 4)	563	135,000
Preferred stock (7th series type 4)	563	135,000
Preferred stock (8th series type 4)	563	135,000
Preferred stock (9th series type 4)	563	135,000
Preferred stock (10th series type 4)	563	135,000
Preferred stock (11th series type 4)	563	135,000
Preferred stock (12th series type 4)	563	135,000
Preferred stock (1st series type 6)	6,195	88,500

Notes: 1. Date of the resolution of the ordinary general meeting of shareholders was June 29, 2006.
2. Record date of all type of stock was March 31, 2006.
3. Effective date of all type of stock was June 29, 2006.

VI. Notes to Consolidated Statement of Cash Flows

Significant non-money transactions consisted of the followings:

Capital surplus increased by ¥221,365 million ($1,878 million) because SMFG made SMBC Friend Securities Co., Ltd. into a wholly-owned subsidiary through a share exchange in the six months ended September 30, 2006 and delivered common stocks.

VII. 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 September 30, 2006 was as follows:

(1) Lessee side

	Millions of yen		
September 30, 2006	Equipment	Other	Total
Acquisition cost	¥10,528	¥278	¥10,806
Accumulated depreciation	3,775	172	3,948
Net book value	¥ 6,752	¥105	¥6,858

	Millions of U.S. dollars		
September 30, 2006	Equipment	Other	Total
Acquisition cost	$89	$2	$91
Accumulated depreciation	32	1	33
Net book value	$57	$1	$58

Future minimum lease payments excluding interests at September 30, 2006 were as follows:

September 30, 2006	Millions of yen	Millions of U.S. dollars
Due within one year	¥2,679	$23
Due after one year	4,292	36
Total	¥6,971	$59

Total lease expenses for this interim period were ¥1,256 million ($11 million).

Assumed depreciation for this interim period amounted to ¥1,166 million ($10 million).

Assumed depreciation 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 calculated using the effective interest method. Interest expenses for this interim period amounted to ¥106 million ($1 million).

(2) Lessor side

	Millions of yen		
September 30, 2006	Equipment	Other	Total
Acquisition cost	¥1,825,326	¥679,721	¥2,505,048
Accumulated depreciation	1,186,645	378,023	1,564,668
Net book value	¥ 638,681	¥301,698	¥ 940,379

	Millions of U.S. dollars		
September 30, 2006	Equipment	Other	Total
Acquisition cost	$15,482	$5,765	$21,247
Accumulated depreciation	10,065	3,206	13,271
Net book value	$ 5,417	$2,559	$ 7,976

Future lease payments receivable excluding interests at September 30, 2006 were as follows:

September 30, 2006	Millions of yen	Millions of U.S. dollars
Due within one year	¥305,531	$2,591
Due after one year	649,941	5,513
Total	¥955,472	$8,104

At September 30, 2006, future lease payments receivable shown above included subleases of ¥4,577 million ($39 million) (due within one year: ¥1,785 million ($15 million)) on the lessor side. The amount on the lessee side was almost the same and was included in the future minimum lease payments shown in (1).

Total lease income for this interim period was ¥202,388 million ($1,717 million).

Depreciation for this interim period amounted to ¥162,851 million ($1,381 million).

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 calculated using the effective interest method. Interest income for this interim period amounted to ¥27,193 million ($231 million).

2. Operating leases

(1) Lessee side

Future minimum lease payments at September 30, 2006 were as follows:

September 30, 2006	Millions of yen	Millions of U.S. dollars
Due within one year	¥ 19,046	$162
Due after one year	83,714	710
Total	¥102,760	$872

(2) Lessor side

Future lease payments receivable at September 30, 2006 were as follows:

September 30, 2006	Millions of yen	Millions of U.S. dollars
Due within one year	¥14,873	$126
Due after one year	38,086	323
Total	¥52,960	$449

Future lease payments receivable amounting to ¥51,157 million ($434 million) on the lessor side referred to in 1. and 2. above were pledged as collateral for borrowings.

Ⅷ. Market Value Information

1. Securities

Note: The market value of securities at September 30, 2006 was as follows:

The amounts shown in the following tables include negotiable certificates of deposit bought classified as "Deposits with banks," and beneficiary claims on loan trust classified as "Commercial paper and other debt purchased," in addition to "Securities" stated in the interim consolidated balance sheets.

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

September 30, 2006	Millions of yen: Consolidated balance sheet amount	Millions of yen: Market value	Millions of yen: Net unrealized gains (losses)	Millions of U.S. dollars: Consolidated balance sheet amount	Millions of U.S. dollars: Market value	Millions of U.S. dollars: Net unrealized gains (losses)
Japanese government bonds	¥ 749,983	¥ 740,068	¥ (9,915)	$ 6,361	$ 6,277	$ (84)
Japanese local government bonds	96,997	94,594	(2,403)	823	802	(20)
Japanese corporate bonds	379,928	375,829	(4,099)	3,222	3,188	(35)
Other	9,917	10,139	222	84	86	2
Total	¥1,236,826	¥1,220,630	¥(16,195)	$10,490	$10,353	$(137)

Note: Market value is calculated by using market prices at the interim period-end.

(2) Other securities with market value

September 30, 2006	Millions of yen: Acquisition cost	Millions of yen: Consolidated balance sheet amount	Millions of yen: Net unrealized gains (losses)	Millions of U.S. dollars: Acquisition cost	Millions of U.S. dollars: Consolidated balance sheet amount	Millions of U.S. dollars: Net unrealized gains (losses)
Stocks	¥ 1,970,424	¥ 3,569,347	¥1,598,922	$ 16,713	$ 30,274	$13,562
Bonds	9,328,374	9,152,122	(176,252)	79,121	77,626	(1,495)
Japanese government bonds	7,874,690	7,719,254	(155,436)	66,791	65,473	(1,318)
Japanese local government bonds	512,392	501,778	(10,613)	4,346	4,256	(90)
Japanese corporate bonds	941,292	931,089	(10,202)	7,984	7,897	(87)
Other	4,175,904	4,141,168	(34,736)	35,419	35,125	(295)
Total	¥15,474,703	¥16,862,637	¥1,387,933	$131,253	$143,025	$11,772

Notes: 1. Consolidated balance sheet amount is calculated as follows:

Stocks — Average market prices during one month before the interim period-end

Bonds and other — Market prices at the interim period-end

2. Other securities with market value are considered as impaired if the market value decreases materially below the acquisition cost, and such decline is not considered as recoverable. The market value is recognized as the interim consolidated balance sheet amount, and the amount of write-down is accounted for as valuation loss for this interim period. Valuation loss for this interim period was ¥1,247 million ($11 million). The rule for determining "material decline" is as follows and is based on the classification of issuing company under self-assessment of assets.

Bankrupt/Effectively bankrupt/Potentially bankrupt issuers: Market value is lower than acquisition cost.

Issuers requiring caution: Market value is 30% or more lower than acquisition cost.

Normal issuers: Market value is 50% or more lower than acquisition cost.

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

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

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

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

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

(3) Securities with no available market value

September 30, 2006	Millions of yen: Consolidated balance sheet amount	Millions of U.S. dollars: Consolidated balance sheet amount
Bonds classified as held-to-maturity		
Unlisted foreign securities	¥ 26	$ 0
Other	8,267	70
Other securities		
Unlisted stocks (excluding OTC stocks)	421,099	3,572
Unlisted bonds	2,729,834	23,154
Unlisted foreign securities	475,506	4,033
Other	409,421	3,473

2. Money held in trust

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

There are no corresponding transactions.

(2) Other money held in trust

	Millions of yen			Millions of U.S. dollars		
September 30, 2006	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains
Other money held in trust	¥2,602	¥2,820	¥217	$22	$24	$2

Note: Interim consolidated balance sheet amount is calculated using market prices at the interim period-end.

3. Net unrealized gains on other securities and other money held in trust

September 30, 2006	Millions of yen	Millions of U.S. dollars
Net unrealized gains	¥1,388,146	$11,774
Other securities	1,387,928	11,772
Other money held in trust	217	2
(–) Deferred tax liabilities	563,620	4,781
Net unrealized gains on other securities (before following adjustment)	824,525	6,993
(–) Minority interests	7,123	60
(+) SMFG's interest in net unrealized gains on valuation of other securities held by affiliates accounted for by the equity method	5,811	49
Net unrealized gains on other securities	¥ 823,213	$ 6,982

Note: Net unrealized gains included foreign currency translation adjustments on nonmarketable securities denominated in foreign currency.

4. Derivative transactions

(1) Interest rate derivatives

	Millions of yen			Millions of U.S. dollars		
September 30, 2006	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Transactions listed on exchange:						
Interest rate futures	¥104,551,884	¥ (951)	¥ (951)	$ 886,784	$ (8)	$ (8)
Over-the-counter transactions:						
Forward rate agreements	10,103,047	(516)	(516)	85,692	(4)	(4)
Interest rate swaps	430,354,032	95,199	95,199	3,650,161	807	807
Interest rate swaptions	5,418,113	23,650	23,650	45,955	201	201
Caps	24,281,152	(23,902)	(23,902)	205,947	(203)	(203)
Floors	4,672,579	1,316	1,316	39,632	11	11
Other	4,316,614	22,838	22,838	36,613	194	194
Total	⁄	¥117,634	¥117,634	⁄	$998	$998

Note: The above transactions are valuated at market value and the valuation gains (losses) are accounted for in the consolidated statement of income.
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 losses amounted to ¥183 million ($2 million).

(2) Currency derivatives

	Millions of yen			Millions of U.S. dollars		
September 30, 2006	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Over-the-counter transactions:						
Currency swaps	¥20,049,596	¥ 90,413	¥ 45,307	$170,056	$ 767	$ 384
Currency swaptions	2,100,318	8,382	8,382	17,814	71	71
Forward foreign exchange	48,858,917	(54,204)	(54,204)	414,410	(460)	(460)
Currency options	7,624,342	(61,336)	(61,336)	64,668	(520)	(520)
Total	⁄	¥(16,745)	¥(61,851)	⁄	$(142)	$(525)

Note: The above transactions are valuated at market value and the valuation gains (losses) are accounted for in the consolidated statement of income. The amounts above do not include the following:
(a) Derivative transactions to which the deferred hedge accounting method is applied;
(b) 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

(c) 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 gains amounted to ¥74 million ($1 million).

(3) Equity derivatives

	Millions of yen			Millions of U.S. dollars		
September 30, 2006	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Transactions listed on exchange:						
Equity price index futures	¥ 90,675	¥(20)	¥(20)	$ 769	$(0)	$(0)
Over-the-counter transactions:						
Equity options	183,359	0	0	1,555	0	0
Total	⁄	¥(20)	¥(20)	⁄	$(0)	$(0)

Note: The above transactions are valuated at market value and the valuation gains (losses) are accounted for in the consolidated statement of income.
Derivative transactions to which deferred hedge accounting method is applied are not included in the amounts above.

(4) Bond derivatives

	Millions of yen			Millions of U.S. dollars		
September 30, 2006	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Transactions listed on exchange:						
Bond futures	¥1,861,839	¥ (542)	¥ (542)	$15,792	$ (4)	$ (4)
Over-the-counter transactions:						
Forward bond agreements	68,993	1,693	1,693	585	14	14
Bond options	104,000	(12)	(12)	882	(0)	(0)
Total	⁄	¥1,137	¥1,137	⁄	$10	$10

Note: The above transactions are valuated at market value and the valuation gains (losses) are accounted for in the consolidated statement of income.
Derivative transactions to which deferred hedge accounting method is applied are not included in the amounts above.

(5) Commodity derivatives

	Millions of yen			Millions of U.S. dollars		
September 30, 2006	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Transactions listed on exchange:						
Commodity futures	¥ 14,496	¥ (268)	¥ (268)	$ 123	$ (2)	$ (2)
Over-the-counter transactions:						
Commodity swaps	560,099	90,463	90,463	4,751	767	767
Commodity options	43,822	5,768	5,768	372	49	49
Total	⁄	¥95,963	¥95,963	⁄	$814	$814

Notes: 1. The above transactions are valuated at market value and the valuation gains (losses) are accounted for in the consolidated statement of income.
Derivative transactions to which deferred hedge accounting method is applied are not included in the amounts above.
2. Commodity derivatives are transactions on fuel and metal.

(6) Credit derivative transactions

	Millions of yen			Millions of U.S. dollars		
September 30, 2006	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Over-the-counter transactions:						
Credit default options	¥1,321,566	¥1,118	¥1,118	$11,209	$9	$9
Other	175	(0)	(0)	1	(0)	(0)
Total	⁄	¥1,117	¥1,117	⁄	$9	$9

Note: The above transactions are valuated at market value and the valuation gains (losses) are accounted for in the consolidated statement of income.
Derivative transactions to which deferred hedge accounting method is applied are not included in the amounts above.

IX. Stock Option

SMFG recorded stock option expenses in "General and Administrative expenses" of ¥4 million ($0 million) in the six months ended September 30, 2006.

X. Segment Information

1. Business segment information

Six months ended September 30, 2006	Banking business	Leasing business	Other business	Total	Elimination	Consolidated
	Millions of yen					
Ordinary income						
(1) External customers	¥1,227,836	¥390,901	¥207,013	¥1,825,751	¥ —	¥1,825,751
(2) Intersegment	22,937	9,729	101,444	134,111	(134,111)	—
Total	1,250,773	400,631	308,458	1,959,863	(134,111)	1,825,751
Ordinary expenses	933,478	379,804	273,075	1,586,359	(117,744)	1,468,614
Ordinary profit	¥ 317,295	¥ 20,826	¥ 35,382	¥ 373,504	¥ (16,367)	¥ 357,136

Six months ended September 30, 2006	Banking business	Leasing business	Other business	Total	Elimination	Consolidated
	Millions of U.S. dollars					
Ordinary income						
(1) External customers	$10,414	$3,316	$1,756	$15,486	$ —	$15,486
(2) Intersegment	195	82	860	1,137	(1,137)	—
Total	10,609	3,398	2,616	16,623	(1,137)	15,486
Ordinary expenses	7,918	3,221	2,316	13,455	(998)	12,457
Ordinary profit	$ 2,691	$ 177	$ 300	$ 3,168	$ (139)	$ 3,029

Notes: 1. The business segmentation is classified based on SMFG's internal administrative purpose.
Ordinary income and ordinary profit are presented as counterparts of sales and operating profit of companies in other industries.
2. "Other business" includes securities, credit card, investment banking, loans, venture capital, system development and information processing.
3. Ordinary income represents total income excluding gains on disposal of fixed assets, collection of written-off claims, gains on return of securities from employee retirement benefits trust and other extraordinary gains.
Ordinary expenses represent total expenses excluding losses on disposal of fixed assets, losses on impairment of fixed assets and other extraordinary expenses.

2. Geographic segment information

Six months ended September 30, 2006	Japan	The Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
	Millions of yen						
Ordinary income							
(1) External customers	¥1,532,565	¥119,112	¥81,932	¥ 92,141	¥1,825,751	¥ —	¥1,825,751
(2) Intersegment	45,146	21,838	2,909	27,607	97,501	(97,501)	—
Total	1,577,711	140,951	84,841	119,748	1,923,253	(97,501)	1,825,751
Ordinary expenses	1,290,105	101,982	68,373	95,788	1,556,249	(87,634)	1,468,614
Ordinary profit	¥ 287,606	¥ 38,968	¥16,468	¥ 23,960	¥ 367,003	¥ (9,867)	¥ 357,136

Six months ended September 30, 2006	Japan	The Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
	Millions of U.S. dollars						
Ordinary income							
(1) External customers	$12,999	$1,011	$695	$ 781	$15,486	$ —	$15,486
(2) Intersegment	383	185	25	234	827	(827)	—
Total	13,382	1,196	720	1,015	16,313	(827)	15,486
Ordinary expenses	10,943	865	580	812	13,200	(743)	12,457
Ordinary profit	$ 2,439	$ 331	$140	$ 203	$ 3,113	$ (84)	$ 3,029

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. Ordinary income represents total income excluding gains on disposal of fixed assets, collection of written-off claims, gains on return of securities from employee retirement benefits trust and other extraordinary gains.
Ordinary expenses represent total expenses excluding losses on disposal of fixed assets, losses on impairment of fixed assets and other extraordinary expenses.

3. Ordinary income from overseas operations

Six months ended September 30, 2006	Millions of yen	Millions of U.S. dollars
Consolidated ordinary income from overseas operations (A)	¥ 293,186	$ 2,487
Consolidated ordinary income (B)	1,825,751	15,486
(A) / (B)	16.1%	16.1%

Notes: 1. Consolidated ordinary income from overseas operations is presented as a counterpart of overseas sales of companies in other industries.
2. The above table shows ordinary income from transactions of overseas branches of SMBC and transactions of overseas consolidated subsidiaries, excluding internal income. These extensive transactions are not categorized by transaction party and the geographic segment information is not presented because such information is not available.

XI. Notes Related to Business Combination (Transactions under Common Control)

1. Outline of the transactions

(1) Name and business of combined entity

SMBC Friend Securities Co., Ltd. ("SMBC Friend Securities")
Securities business

(2) Form of reorganization

Exchange of shares

(3) Name of the entity after the reorganization

Sumitomo Mitsui Financial Group, Inc.

(4) Outline and purpose of the transaction

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

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

2. Accounting method

SMFG applied the following accounting treatments stipulated by the Accounting Standard for Business Combinations to the consolidated and nonconsolidated financial statements:
"Chapter 3 Accounting Standard for Business Combinations, Article 4 Accounting treatment for the transactions under common control, Paragraph 2 Transactions with minority shareholders."

3. Additional acquisition of subsidiary's shares

(1) Acquisition cost

	Millions of yen	Millions of U.S. dollars
Common shares	¥221,365	$1,878
Expenses for acquiring the common shares	160	1
Acquisition cost	¥221,525	$1,879

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

(a) Type of shares and share exchange ratio

Common shares
SMFG 1: SMBC Friend Securities 0.0008

(b) Basis for determination of share exchange ratio

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

(c) Number of shares delivered and values

249,015 shares
¥221,525 million ($1,879 million)

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

(a) Amount of goodwill

¥99,995 million ($848 million)

(b) Reason for recognizing goodwill

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

(c) Method and term to amortize goodwill

Straight-line method over 20 years

XII. Per Share Data

September 30, 2006	Yen	U.S. dollars
Net assets per share	¥394,556.25	$3,346.53
Net income per share	32,782.19	278.05
Net income per share (diluted)	27,514.41	233.37

The ASBJ revised "Guidance on Accounting Standard for Earnings per Share" (ASBJ Guidance No. 4, issued on September 25, 2002) on January 31, 2006, and the revised Guidance was applicable from the fiscal period ending on and after May 1, 2006, the implementation date of the Company Law. Effective April 1, 2006, SMFG applied the revised Guidance and calculated net assets per share by including net deferred gains (losses) on hedges. This accounting change decreased net assets per share by ¥11,562.77 ($98.07) compared with the former method.

XIII. Subsequent Events (up to December 5, 2006)

1. SMFG resolved to acquire and retire shares of preferred stock (type 3) owned by the Resolution and Collection Corporation ("RCC") at the meeting of the Board of Directors held on October 5, 2006, and carried it out on October 11, 2006 as described below. The acquisition of the preferred shares was executed within SMFG's own stock acquisition limit pursuant to Article 155-3 and 156-1 of the Company Law.

   Details of acquisition and retirement

   Type 3 preferred stock

   (1) Number of shares to be acquired and retired: 195,000 shares

   (2) Total amount to be acquired: ¥222,241,500,000

2. SMFG resolved to establish the limit for acquiring own shares at the meeting of the Board of Directors held on October 13, 2006, and carried it out on October 17, 2006.

   (1) Resolution of the Board of Directors regarding establishment of the limit for acquiring own shares

   (a) Acquisition of SMFG's own stock in accordance with the resolution at the ordinary general meeting of shareholders held on June 29, 2006
   - Type of stock to be acquired: Common stock
   - Number of shares to be acquired: 60,466 shares (upper limit)
   - Amount of cash to be tendered in exchange for the acquired stock: ¥79,639,200,000 (upper limit)
   - Acquisition period: From October 16, 2006 to December 29, 2006

   (b) The limit for acquiring SMFG's own stock established pursuant to Article 8 of the Articles of Incorporation
   - Type of stock to be acquired: Common stock
   - Number of shares to be acquired: 6,700 shares (upper limit)
   - Amount of cash to be tendered in exchange for the acquired stock: ¥10,000,000,000 (upper limit)
   - Acquisition period: From October 16, 2006 to December 29, 2006

   (2) Acquisition of own shares

   (a) Type of shares acquired: Common stock

   (b) Number of shares acquired: 60,466 shares

   (c) Acquisition price (total amount): ¥1,270,000 per share (total amount: ¥76,791,820,000)

   (d) Method of acquisition: Acquisition through ToSTNet-2 (closing price orders), operated by Tokyo Stock Exchange, Inc.

   On October 17, 2006, Deposit Insurance Corporation of Japan announced that RCC sold 60,466 shares of common stock of SMFG, all of which SMFG delivered to RCC under the request for acquiring common shares in exchange for 50,000 shares of preferred stock (type 3) (total amount: ¥50,000 million) on September 29, 2006, at ¥76,791,820,000.

3. On October 13, 2006, SMFG, SMBC Leasing Company, Limited ("SMBC Leasing") and SMBC Auto Leasing Company, Limited ("SMBC Auto Leasing") agreed to pursue strategic joint businesses in leasing and auto leasing with Sumitomo Corporation, Sumisho Lease Co., Ltd. ("Sumisho Lease") and Sumisho Auto Leasing Corporation ("Sumisho Auto Lease"). Upon the basic agreement, SMBC Leasing and Sumisho Lease plan to merge on October 1, 2007 and the new leasing company is expected to become a consolidated subsidiary of SMFG (55% of voting rights held). This merger is regarded as an acquisition under the Accounting Standard for Business Combinations, and upon this merger taking effect, SMFG plans to recognize goodwill for purposes of its consolidated financial statements. However, the amount of goodwill to be recognized has not yet been determined at present. In addition, SMBC Auto Leasing and Sumisho Auto Lease also plan to merge on October 1, 2007.

4. SMFG resolved at the meeting of the Board of Directors held on December 4, 2006 to issue preferred securities through overseas special purpose subsidiaries and establish wholly-owned subsidiaries in Cayman Island so as to strengthen capital to support SMFG's implementation of its growth strategies. The preferred securities to be issued are as follows:

Issuer	SMFG Preferred Capital USD 1 Limited	SMFG Preferred Capital GBP 1 Limited
	Each issuer is an overseas special purpose subsidiary established in the Cayman Islands, the voting rights of which are wholly owned by SMFG	
Type of securities	U.S. Dollar denominated Non-cumulative Perpetual Preferred Securities	British pound sterling denominated Non-cumulative Perpetual Preferred Securities
	The preferred securities are not convertible or exchangeable into common stock of SMFG	
Total issue amount	To be determined	To be determined
Use of proceeds	To be provided to SMBC, a banking subsidiary of SMFG, as perpetual subordinated loans	
Ranking	The preferred securities rank, as to rights to liquidation preferences, effectively pari passu with preferred stock of SMFG	
Method of offering	Offered in the U.S. market through private placement to qualified institutional investors. Also offered in the euro market	
Listing	Singapore Exchange Securities Trading Limited (to be determined)	

Note: The above description is prepared on the assumptions that SMFG performs necessary filings and obtains the approval required under the relevant laws.

XIV. Parent Company

1. Nonconsolidated balance sheets (unaudited)

Sumitomo Mitsui Financial Group, Inc.
September 30, 2006 and 2005, and March 31, 2006

	Millions of yen			Millions of U.S. dollars
	September 30		March 31	September 30
	2006	2005	2006	**2006**
Assets				
Current assets	**¥ 81,894**	¥ 65,176	¥ 579,372	**$ 695**
Cash and due from banks	**18,458**	54,252	561,862	**157**
Other current assets	**63,436**	10,923	17,509	**538**
Fixed assets	**3,847,707**	3,587,526	3,586,657	**32,635**
Tangible fixed assets	**9**	2	1	**0**
Intangible fixed assets	**26**	34	28	**0**
Investments and other assets	**3,847,671**	3,587,489	3,586,627	**32,635**
Investments in subsidiaries and affiliates	**3,847,651**	3,586,045	3,586,045	**32,635**
Other	**20**	1,443	582	**0**
Deferred charges	**150**	452	301	**1**
Total assets	**¥3,929,752**	¥3,653,155	¥4,166,332	**$33,331**
Liabilities				
Current liabilities	**¥ 677,539**	¥ 340,469	¥ 230,905	**$ 5,747**
Short-term borrowings	**620,000**	340,000	230,000	**5,259**
Reserve for employees bonuses	**76**	61	70	**1**
Other current liabilities	**57,463**	407	835	**487**
Total liabilities	**677,539**	340,469	230,905	**5,747**
Stockholders' equity				
Capital stock	**—**	1,352,651	1,420,877	**—**
Capital surplus	**—**	1,852,296	2,105,396	**—**
Capital reserve	**—**	1,352,764	1,420,989	**—**
Other capital surplus	**—**	499,532	684,406	**—**
Retained earnings	**—**	378,572	413,546	**—**
Voluntary reserve	**—**	30,420	30,420	**—**
Unappropriated retained earnings	**—**	348,152	383,126	**—**
Treasury stock	**—**	(270,834)	(4,393)	**—**
Total stockholders' equity	**—**	3,312,686	3,935,426	**—**
Total liabilities and stockholders' equity	**—**	¥3,653,155	¥4,166,332	**—**
Net assets				
Stockholders' equity				
Capital stock	**1,420,877**	—	—	**12,052**
Capital surplus	**1,152,740**	—	—	**9,777**
Capital reserve	**642,355**	—	—	**5,448**
Other capital surplus	**510,385**	—	—	**4,329**
Retained earnings	**683,818**	—	—	**5,800**
Other retained earnings				
Voluntary reserve	**30,420**	—	—	**258**
Retained earnings brought forward	**653,398**	—	—	**5,542**
Treasury stock	**(5,223)**	—	—	**(45)**
Total stockholders' equity	**3,252,213**	—	—	**27,584**
Total net assets	**3,252,213**	—	—	**27,584**
Total liabilities and net assets	**¥3,929,752**	—	—	**$33,331**

2. Nonconsolidated statements of income (unaudited)

Sumitomo Mitsui Financial Group, Inc.

Six months ended September 30, 2006 and 2005, and year ended March 31, 2006

	Millions of yen			Millions of U.S. dollars
	Six months ended September 30		Year ended March 31	Six months ended September 30
	2006	2005	2006	**2006**
Operating income	**¥321,340**	¥16,206	¥55,482	**$2,725**
Dividends on investments in subsidiaries and affiliates	**317,486**	12,039	46,432	**2,693**
Fees and commissions received from subsidiaries	**3,854**	4,155	9,038	**32**
Interest income on loans to subsidiaries and affiliates	**—**	11	11	**—**
Operating expenses	**1,567**	1,737	3,196	**13**
General and administrative expenses	**1,567**	1,737	3,196	**13**
Operating profit	**319,772**	14,468	52,285	**2,712**
Nonoperating income	**219**	66	138	**2**
Nonoperating expenses	**880**	2,111	4,159	**7**
Ordinary profit	**319,112**	12,424	48,264	**2,707**
Extraordinary gains	**—**	27,579	27,579	**—**
Income before income taxes	**319,112**	40,004	75,844	**2,707**
Income taxes:				
Current	**345**	1	3	**3**
Deferred	**542**	1,567	2,431	**5**
Net income	**¥318,223**	¥38,435	¥73,408	**$2,699**

3. Nonconsolidated statement of changes in net assets (unaudited)

Sumitomo Mitsui Financial Group, Inc.

Six months ended September 30, 2006

	Millions of yen									
	Stockholders' equity									
		Capital surplus			Retained earnings					
					Other retained earnings					
	Capital stock	Capital reserve	Other capital surplus	Total capital surplus	Voluntary reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total stockholders' equity	Net assets
Balance at March 31, 2006	¥1,420,877	¥1,420,989	¥ 684,406	¥2,105,396	¥30,420	¥383,126	¥413,546	¥ (4,393)	¥3,935,426	¥3,935,426
Changes in the six months:										
Transfer of capital reserve to other capital surplus		(1,000,000)	1,000,000	—					—	—
Increase due to exchange of shares		221,365		221,365					221,365	221,365
Cash dividends						(47,951)	(47,951)		(47,951)	(47,951)
Net income						318,223	318,223		318,223	318,223
Acquisition of own shares								(1,174,922)	(1,174,922)	(1,174,922)
Disposal of treasury shares			15	15				56	71	71
Retirement of treasury shares			(1,174,036)	(1,174,036)				1,174,036	—	—
Net changes in the six months	—	(778,634)	(174,021)	(952,655)	—	270,272	270,272	(830)	(683,213)	(683,213)
Balance at September 30, 2006	¥1,420,877	¥ 642,355	¥ 510,385	¥1,152,740	¥30,420	¥653,398	¥683,818	¥ (5,223)	¥3,252,213	¥3,252,213

	Millions of U.S. dollars									
	Stockholders' equity									
		Capital surplus			Retained earnings					
					Other retained earnings					
	Capital stock	Capital reserve	Other capital surplus	Total capital surplus	Voluntary reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total stockholders' equity	Net assets
Balance at March 31, 2006	$12,052	$12,052	$5,805	$17,857	$258	$3,250	$3,508	$ (38)	$33,379	$33,379
Changes in the six months:										
Transfer of capital reserve to other capital surplus		(8,482)	8,482	—					—	—
Increase due to exchange of shares		1,878		1,878					1,878	1,878
Cash dividends						(407)	(407)		(407)	(407)
Net income						2,699	2,699		2,699	2,699
Acquisition of own shares								(9,965)	(9,965)	(9,965)
Disposal of treasury shares			0	0				0	0	0
Retirement of treasury shares			(9,958)	(9,958)				9,958	—	—
Net changes in the six months	—	(6,604)	(1,476)	(8,080)	—	2,292	2,292	(7)	(5,795)	(5,795)
Balance at September 30, 2006	$12,052	$ 5,448	$4,329	$ 9,777	$258	$5,542	$5,800	$ (45)	$27,584	$27,584