Notes to Interim Consolidated Financial Statements (Unaudited)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries
Six months ended September 30, 2007

I. Significant Accounting Policies

1. Scope of consolidation

(1) Consolidated subsidiaries: 185 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
QUOQ Inc.
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, 2007 are as follows:

Thirteen companies including QUOQ Inc. were newly consolidated due mainly to an increase in shareholding ratio.

SMFG Corporate Recovery Servicer Co., Ltd. was excluded from the scope of consolidation because it was no longer a subsidiary due to liquidation. Eight companies including SMLC ANTLIA CO., LTD. became unconsolidated subsidiaries that are not accounted for by the equity method because they became operators of silent partnerships for lease transactions.

(2) Unconsolidated subsidiaries

Principal company:

SBCS Co., Ltd.

One hundred and twenty-seven subsidiaries including SMLC MAHOGANY CO., LTD. are operators of silent partnerships for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, they have been excluded from the scope of consolidation pursuant to Article 5 Paragraph 1 Item 2 of 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 the financial position and results of operations of Sumitomo Mitsui Financial Group, Inc. (SMFG) when excluded from the scope of consolidation.

Information on the fourteen special purpose entities, which are not regarded as subsidiaries pursuant to Article 8 Paragraph 7 of the Financial Statements Regulations, is reported in Note X.

"Implementation Guidance on Disclosures about Certain Special Purpose Entities" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 15, issued on March 29, 2007) is effective from the fiscal year beginning on or after April 1, 2007, and SMFG has applied the guidance from the six months ended September 30, 2007.

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: 63 companies

Principal companies:

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

Changes in affiliates in the six months ended September 30, 2007 are as follows:

Ten companies including Central Finance Co., Ltd. newly became affiliated companies accounted for by the equity method due mainly to acquirement of shares.

Three companies including QUOQ Inc. were excluded from the scope of affiliated companies accounted for by the equity method because they became consolidated subsidiaries. Three companies including NIF Capital Management Co., Ltd. were also excluded due mainly to merger.

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

One hundred and twenty-seven subsidiaries including SMLC MAHOGANY CO., LTD. are operators of silent partnerships for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, they have not been accounted for by the equity method pursuant to Article 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:

September 30, 2007	
December 31	4
January 31	1
March 31	8
April 30	2
May 31	2
June 30	71
July 31	5
August 31	4
September 30	88

(2) The subsidiaries whose interim balance sheet dates are December 31 are consolidated after the accounts were provisionally closed as of June 30 or August 31 for the purpose of consolidation. In case of the subsidiary whose interim balance sheet date is January 31, it is consolidated after the accounts were provisionally closed as of July 31. As for the subsidiaries whose interim balance sheet dates are March 31, May 31 and July 31, their financial statements are consolidated based on the provisional financial statements closed as of September 30. The subsidiaries whose interim balance sheet dates are April 30 are consolidated based on the accounts closed as of July 31 or September 30 for the purpose of consolidation. The other subsidiaries are consolidated on the basis of their respective interim balance sheet dates.

Appropriate adjustments are 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 monetary 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."

(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. Equipments are 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.

In accordance with the amendment of the corporate tax laws in this fiscal year, the tangible fixed assets acquired on or after April 1, 2007 are depreciated based on the depreciation method under the amended corporate tax laws. This accounting change had no material impact on the interim consolidated financial statements.

As for the tangible fixed assets acquired before April 1, 2007, from this interim period, their residual values are depreciated over five years using the straight-line method after the fiscal year in which the depreciable limit is reached. This accounting change had no material impact on the interim consolidated financial statements.

(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 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 specific overseas countries, an additional reserve is provided in the amount deemed necessary based on the assessment of political and economic conditions.

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

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

For collateralized or guaranteed claims on bankrupt borrowers and effectively bankrupt borrowers, the amount exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and written off against the total outstanding amount of the claims. The amount of write-off was ¥517,426 million ($4,481 million) at September 30, 2007.

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

Unrecognized prior service cost for the six months ended September 30, 2007 is amortized using the straight-line method, primarily over nine years within the employees' average remaining service period at incurrence.

Unrecognized net actuarial gain (loss) for the six months ended September 30, 2007 is amortized using the straight-line method, primarily over nine years within the employees' average remaining service period, commencing from the next fiscal year of incurrence.

(8) Reserve for executive retirement benefits

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

Retirement benefits to directors, corporate auditors and other executive officers were formerly expensed when they were paid, but SMFG started recording "reserve for executive retirement benefits" in the second half of the year ended March 31, 2007. As a result, "Income before income taxes and minority interests" for the six months ended September 30, 2006 were excessively recorded by ¥6,241 million as compared with the revised method.

(9) Reserve for reimbursement of deposits

Reserve for reimbursement of deposits which were derecognized as liabilities under certain conditions is provided for the possible losses on the future claims of withdrawal based on the historical reimbursement experience. Formerly, deposits which had been derecognized as liabilities were expensed when they were actually reimbursed. However, from the six months ended September 30, 2007, such reserve is provided in the estimated amount as described above in accordance with the "Treatment for Auditing of Reserve under Special Taxation Measures Law, Reserve under Special Laws and Reserve for Retirement Benefits to Directors and Corporate Auditors" (JICPA Audit and Assurance Practice Committee Report No. 42) of April 13, 2007.

As a result, Income before income taxes and minority interests decreased by ¥11,716 million ($101 million) as compared with the former method.

(10) Reserve under special law

Reserve under special law is a reserve for contingent liabilities from financial instruments transactions of ¥1,137 million ($10 million) pursuant to Article 46-5 and Article 48-3 of the Financial Instruments and Exchange Law.

Reserve for contingent liabilities from financial futures and securities transactions, which were formerly recognized in accordance with Article 81 of the Financial Futures Transactions Law and Article 51 of the Securities and Exchange Law, respectively, are stated as Reserve for contingent liabilities from financial instruments transactions from the six months ended September 30, 2007 in accordance with the enforcement of the Financial Instruments and Exchange Law on September 30, 2007.

(11) Translation of foreign currency assets and liabilities

SMFG and 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.

(12) 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.

(13) 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.

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 assesses the effectiveness of such individual hedges.

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, 2007 were ¥28,190 million ($244 million) and ¥20,294 million ($176 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 non-arbitrary and strict criteria for external transactions stipulated in JICPA Industry Audit Committee Report No. 24 and No. 25. Therefore, SMBC accounts for the gains or losses that arise from interest rate swaps and currency swaps in its earnings or defers them, rather than eliminating them.

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

(14) **Consumption tax**

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

(15) **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.

(16) **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. Goodwill on other companies is charged or credited to income directly when incurred or benefited.

(17) **Application of new accounting standards**

(a) From the six months ended September 30, 2007, SMFG has applied Article 30-2 of the "Accounting Practices for Tax Effect Accounting on Consolidated Financial Statements" (JICPA Accounting Practice Committee Report No. 6, issued on March 29, 2007) to sales of investments such as shares of subsidiaries within the group companies. As a result, net income decreased by ¥18,925 million ($164 million) compared with the former method.

(b) Provisions on the scope of securities stipulated by regulations such as the "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10) and the "Accounting Practices for Financial Instruments" (JICPA Accounting Practice Committee Report No. 14) were partially revised on June 15 and July 4, 2007, respectively, and became effective from the fiscal year and interim period ending on and after the implementation day of the Financial Instruments and Exchange Law. SMFG, accordingly, has applied the revised accounting standards and practices from this interim period.

5. Statements of cash flows

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

6. 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, 2007, which was ¥115.46 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. Notes to Consolidated Balance Sheet

1. Securities include ¥438,588 million ($3,799 million) of stocks of unconsolidated subsidiaries and affiliates and ¥5,012 million ($43 million) of investments.
2. Japanese government bonds and stocks as sub-accounts of Securities include ¥78,271 million ($678 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, ¥913,839 million ($7,915 million) of securities are pledged, and ¥451,439 million ($3,910 million) of securities are held in hand as of the interim consolidated balance sheet date.
3. Bankrupt loans and Non-accrual loans were ¥59,904 million ($519 million) and ¥533,325 million ($4,619 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 ¥31,769 million ($275 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 ¥441,944 million ($3,828 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 ¥1,066,944 million ($9,241 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 ¥867,838 million ($7,516 million).

8. Assets pledged as collateral were as follows:

September 30, 2007	Millions of yen	Millions of U.S. dollars
Assets pledged as collateral:		
Cash and due from banks and Deposits with banks	¥ 106,326	$ 921
Trading assets	617,814	5,351
Securities	4,993,694	43,250
Loans and bills discounted	223,360	1,935
Other assets (installment account receivable, etc.)	2,922	25
Liabilities corresponding to assets pledged as collateral:		
Deposits	¥ 20,529	$ 178
Call money and bills sold	1,065,000	9,224
Payables under repurchase agreements	142,939	1,238
Payables under securities lending transactions	2,431,734	21,061
Trading liabilities	165,806	1,436
Borrowed money	1,865,904	16,161
Other liabilities	22,643	196
Acceptances and guarantees	163,430	1,415

In addition, Cash and due from banks and Deposits with banks of ¥7,188 million ($62 million), Trading assets of ¥272,293 million ($2,358 million), Securities of ¥2,779,447 million ($24,073 million) and Loans and bills discounted of ¥591,044 million ($5,119 million) were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes.

At September 30, 2007, other assets included surety deposits of ¥84,093 million ($728 million) and variation margins of futures markets of ¥6,765 million ($59 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, 2007 was ¥40,096,806 million ($347,279 million), and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time at September 30, 2007 was ¥33,680,296 million ($291,705 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 (stipulated in Article 3-3 of the Law):

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

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

11. Accumulated depreciation on tangible fixed assets and accumulated depreciation on lease assets amounted to ¥568,380 million ($4,923 million) and ¥1,605,376 million ($13,904 million), respectively.

12. Deferred gain on tangible fixed assets deductible for tax purposes amounted to ¥67,070 million ($581 million).

13. The balance of subordinated debt included in "Borrowed money" was ¥521,500 million ($4,517 million).

14. The balance of subordinated bonds included in "Bonds" was ¥2,255,632 million ($19,536 million).

Ⅲ. Notes to Consolidated Statement of Income

1. "Other income" included gains on sales of stocks and other securities of ¥14,293 million ($124 million), equity in earnings of affiliates of ¥19,030 million ($165 million), gains on disposal of fixed assets of ¥1,163 million ($10 million) and gains on collection of written-off claims of ¥386 million ($3 million).
2. "Other expenses" included write-off of loans of ¥65,014 million ($563 million), write-off of stocks of ¥60,350 million ($523 million), losses on impairment of fixed assets of ¥3,205 million ($28 million) and losses on disposal of fixed assets of ¥1,247 million ($11 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, 2007

Area	Purpose of use	Type	Millions of yen	Millions of U.S. dollars
Tokyo metropolitan area	Branches (4 branches)	Land and premises etc.	¥ 41	$ 0
	Idle assets (11 items)		280	3
Kinki area	Branches (1 branch)	Land and premises etc.	51	1
	Idle assets (8 items)		2,553	22
Other	Branches (9 branches)	Land and premises etc.	17	0
	Idle assets (8 items)		262	2

At SMBC, a consolidated subsidiary of SMFG, 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.

IV. 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, 2007	March 31, 2007	Increase	Decrease	September 30, 2007
Shares issued				
Common stock	7,733,653.77	—	—	**7,733,653.77**
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	7,853,754.77	—	—	**7,853,754.77**
Treasury shares				
Common stock	168,630.95	583.58*1	424.62*2	**168,789.91**
Total	168,630.95	583.58	424.62	**168,789.91**

*1 Increase in number of treasury shares (common stock) of 583.58 due to purchase of fractional shares

*2 Decrease in number of treasury shares (common stock) of 130.62 due to sale of fractional shares and delivery of shares in connection with exercising of stock options and 294 shares due to sale of shares of SMFG's common stock owned by subsidiaries.

2. Information on stock acquisition rights

			Number of shares				Millions of yen	Millions of U.S. dollars
	Detail of stock acquisition rights	Type of shares	March 31, 2007	Increase	Decrease	September 30, 2007	Balance at September 30, 2007	Balance at September 30, 2007
SMFG	Stock options	—	—	—	—	—	¥ —	$ —
Consolidated subsidiary	—	—	—	—	—	—	27	0
Total							¥ 27	$ 0

3. Information on dividends

(1) Following dividends were paid in the six months ended September 30, 2007:

Type of shares	Millions of yen Amount of dividends	Yen Cash dividends per share
Shares issued		
Common stock	¥53,660	¥ 7,000
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 28, 2007.
2. Record date of all type of stock was March 31, 2007.
3. Effective date of all type of stock was June 28, 2007.

(2) Following dividends will be paid in the second half of the fiscal year ending March 31, 2008:

Type of shares	Millions of yen Amount of dividends	Source of dividends	Yen Cash dividends per share
Shares issued			
Common stock	¥38,326	Retained earnings	¥ 5,000
Preferred stock (1st series type 4)	281	Retained earnings	67,500
Preferred stock (2nd series type 4)	281	Retained earnings	67,500
Preferred stock (3rd series type 4)	281	Retained earnings	67,500
Preferred stock (4th series type 4)	281	Retained earnings	67,500
Preferred stock (5th series type 4)	281	Retained earnings	67,500
Preferred stock (6th series type 4)	281	Retained earnings	67,500
Preferred stock (7th series type 4)	281	Retained earnings	67,500
Preferred stock (8th series type 4)	281	Retained earnings	67,500
Preferred stock (9th series type 4)	281	Retained earnings	67,500
Preferred stock (10th series type 4)	281	Retained earnings	67,500
Preferred stock (11th series type 4)	281	Retained earnings	67,500
Preferred stock (12th series type 4)	281	Retained earnings	67,500
Preferred stock (1st series type 6)	3,097	Retained earnings	44,250

Notes: 1. Date of the resolution of the meeting of the Board of Directors was November 19, 2007.
2. Record date of all type of stock was September 30, 2007.
3. Effective date of all type of stock was December 7, 2007.

V. Notes to Consolidated Statement of Cash Flows

Significant non-money transactions consisted of the followings:

QUOQ Inc. and two other companies became consolidated subsidiaries of SMFG due to increases in voting rights in the six months ended September 30, 2007. Their major assets and liabilities are as follows:

September 30, 2007	Millions of yen	Millions of U.S. dollars
Assets	¥1,504,288	$13,029
Other assets	548,428	4,750
Customers' liabilities for acceptances and guarantees	891,593	7,722
Liabilities	¥1,471,831	$12,748
Borrowed money	436,628	3,782
Acceptances and guarantees	891,593	7,722

VI. 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, 2007 was as follows:

(1) Lessee side

	Millions of yen		
September 30, 2007	Equipment	Other	Total
Acquisition cost	¥12,941	¥664	¥13,605
Accumulated depreciation	5,647	440	6,088
Net book value	¥ 7,293	¥224	¥ 7,517

	Millions of U.S. dollars		
September 30, 2007	Equipment	Other	Total
Acquisition cost	$112	$6	$118
Accumulated depreciation	49	4	53
Net book value	$ 63	$2	$ 65

Future minimum lease payments excluding interests at September 30, 2007 were as follows:

September 30, 2007	Millions of yen	Millions of U.S. dollars
Due within one year	¥3,431	$30
Due after one year	4,215	36
Total	¥7,646	$66

Total lease expenses for this interim period were ¥1,755 million ($15 million).

Assumed depreciation for this interim period amounted to ¥1,677 million ($15 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 ¥82 million ($1 million).

(2) Lessor side

	Millions of yen		
September 30, 2007	Equipment	Other	Total
Acquisition cost	¥1,792,478	¥698,312	¥2,490,791
Accumulated depreciation	1,187,591	391,384	1,578,975
Net book value	¥ 604,886	¥306,928	¥ 911,815

	Millions of U.S. dollars		
September 30, 2007	Equipment	Other	Total
Acquisition cost	$15,525	$6,048	$21,573
Accumulated depreciation	10,286	3,390	13,676
Net book value	$ 5,239	$2,658	$ 7,897

Future lease payments receivable excluding interests at September 30, 2007 were as follows:

September 30, 2007	Millions of yen	Millions of U.S. dollars
Due within one year	¥299,404	$2,593
Due after one year	616,676	5,341
Total	¥916,081	$7,934

At September 30, 2007, future lease payments receivable shown above included subleases of ¥5,351 million ($46 million) (due within one year: ¥2,673 million ($23 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 ¥199,622 million ($1,729 million).

Depreciation for this interim period amounted to ¥163,515 million ($1,416 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 ¥25,759 million ($223 million).

2. Operating leases

(1) Lessee side

Future minimum lease payments at September 30, 2007 were as follows:

September 30, 2007	Millions of yen	Millions of U.S. dollars
Due within one year	¥13,688	$119
Due after one year	50,951	441
Total	¥64,639	$560

(2) Lessor side

Future lease payments receivable at September 30, 2007 were as follows:

September 30, 2007	Millions of yen	Millions of U.S. dollars
Due within one year	¥ 24,179	$210
Due after one year	87,766	760
Total	¥111,946	$970

Future lease payments receivable amounting to ¥40,396 million ($350 million) on the lessor side referred to in 1. and 2. above were pledged as collateral for borrowings.

Ⅶ. Market Value Information

1. Securities

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

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

	Millions of yen			Millions of U.S. dollars		
September 30, 2007	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)
Japanese government bonds	¥ 629,520	¥ 624,234	¥(5,285)	$5,452	$5,406	$(46)
Japanese local government bonds	97,206	95,885	(1,321)	842	831	(11)
Japanese corporate bonds	386,456	383,881	(2,575)	3,347	3,325	(22)
Other	5,630	5,633	2	49	49	0
Total	¥1,118,814	¥1,109,634	¥(9,179)	$9,690	$9,611	$(79)

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

(2) Other securities with market value

	Millions of yen			Millions of U.S. dollars		
September 30, 2007	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)
Stocks	¥ 1,954,559	¥ 3,683,628	¥1,729,068	$ 16,928	$ 31,904	$14,976
Bonds	7,907,468	7,744,228	(163,239)	68,487	67,073	(1,414)
Japanese government bonds	6,742,468	6,592,972	(149,495)	58,397	57,102	(1,295)
Japanese local government bonds	437,521	430,861	(6,659)	3,789	3,732	(57)
Japanese corporate bonds	727,478	720,394	(7,083)	6,301	6,239	(62)
Other	3,731,231	3,690,266	(40,964)	32,316	31,961	(355)
Total	¥13,593,259	¥15,118,124	¥1,524,864	$117,731	$130,938	$13,207

Notes: 1. Interim 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 ¥69,485 million ($602 million). The rule for determining "material decline" is as follows and is based on the classification of issuers 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

	Millions of yen	Millions of U.S. dollars
September 30, 2007	Consolidated balance sheet amount	Consolidated balance sheet amount
Bonds classified as held-to-maturity		
Unlisted foreign securities	¥ 17	$ 0
Other	1,236	11
Other securities		
Unlisted stocks (excluding OTC stocks)	396,824	3,437
Unlisted bonds	2,715,372	23,518
Unlisted foreign securities	694,951	6,019
Other	628,856	5,447

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, 2007	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains
Other money held in trust	¥2,549	¥2,627	¥78	$22	$23	$1

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, 2007	Millions of yen	Millions of U.S. dollars
Net unrealized gains	¥1,525,150	$13,209
Other securities	1,525,072	13,208
Other money held in trust	78	1
(–) Deferred tax liabilities	461,506	3,997
Net unrealized gains on other securities (before following adjustment)	1,063,644	9,212
(–) Minority interests	6,982	60
(+) SMFG's interest in net unrealized gains on valuation of other securities held by affiliates accounted for by the equity method	9,213	80
Net unrealized gains on other securities	¥1,065,875	$ 9,232

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, 2007	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Transactions listed on exchange:						
Interest rate futures	¥119,270,426	¥ 2,088	¥ 2,088	$1,033,002	$ 18	$ 18
Interest rate options	111,548	0	0	966	0	0
Over-the-counter transactions:						
Forward rate agreements	4,584,433	(17)	(17)	39,706	(0)	(0)
Interest rate swaps	434,857,771	84,028	84,028	3,766,307	728	728
Interest rate swaptions	8,237,708	19,422	19,422	71,347	168	168
Caps	45,458,961	(13,767)	(13,767)	393,720	(119)	(119)
Floors	6,222,614	(1,335)	(1,335)	53,894	(12)	(12)
Other	7,231,835	22,013	22,013	62,635	191	191
Total	⁄	¥112,433	¥112,433	⁄	$974	$974

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

(2) Currency derivatives

	Millions of yen			Millions of U.S. dollars		
September 30, 2007	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Over-the-counter transactions:						
Currency swaps	¥22,172,586	¥ 43,571	¥106,074	$192,037	$ 378	$ 919
Currency swaptions	1,571,635	9,699	9,699	13,612	84	84
Forward foreign exchange	58,249,263	(131,622)	(131,622)	504,497	(1,140)	(1,140)
Currency options	11,459,954	(48,197)	(48,197)	99,255	(418)	(418)
Total	⁄	¥(126,549)	¥ (64,046)	⁄	$(1,096)	$ (555)

Note: The above transactions are valuated at market value and the valuation gains (losses) are accounted for in the interim 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 interim 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.

(3) Equity derivatives

September 30, 2007	Millions of yen			Millions of U.S. dollars		
	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Transactions listed on exchange:						
Equity price index futures	¥164,235	¥(2,024)	¥(2,024)	$1,422	$(18)	$(18)
Over-the-counter transactions:						
Equity options	517,185	0	0	4,479	0	0
Total	⁄	¥(2,024)	¥(2,024)	⁄	$(18)	$(18)

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

(4) Bond derivatives

September 30, 2007	Millions of yen			Millions of U.S. dollars		
	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Transactions listed on exchange:						
Bond futures	¥3,717,113	¥ 7	¥ 7	$32,194	$ 0	$ 0
Bond futures options	10,000	27	27	87	0	0
Over-the-counter transactions:						
Forward bond agreements	69,716	1,731	1,731	604	15	15
Total	⁄	¥1,766	¥1,766	⁄	$15	$15

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

(5) Commodity derivatives

September 30, 2007	Millions of yen			Millions of U.S. dollars		
	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Transactions listed on exchange:						
Commodity futures	¥ 430	¥ 43	¥ 43	$ 4	$ 0	$ 0
Over-the-counter transactions:						
Commodity swaps	556,848	83,587	83,587	4,823	724	724
Commodity options	49,973	5,147	5,147	433	45	45
Total	⁄	¥88,777	¥88,777	⁄	$769	$769

Notes: 1. The above transactions are valuated at market value and the valuation gains (losses) are accounted for in the interim 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

September 30, 2007	Millions of yen			Millions of U.S. dollars		
	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Over-the-counter transactions:						
Credit default options	¥3,294,459	¥1,257	¥1,257	$28,533	$11	$11
Other	85	0	0	1	0	0
Total	⁄	¥1,257	¥1,257	⁄	$11	$11

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

VIII. Stock Option

SMFG recorded stock option expenses in “General and administrative expenses” of ¥12 million ($0 million) in the six months ended September 30, 2007.

IX. Segment Information

1. Business segment information

Six months ended September 30, 2007	Banking business (Millions of yen)	Leasing business	Other business	Total	Elimination	Consolidated
Ordinary income						
(1) External customers	¥1,452,779	¥409,593	¥215,180	¥2,077,552	¥ —	¥2,077,552
(2) Intersegment	26,932	10,133	125,849	162,915	(162,915)	—
Total	1,479,711	419,727	341,029	2,240,468	(162,915)	2,077,552
Ordinary expenses	1,215,669	401,701	252,145	1,869,516	(145,202)	1,724,314
Ordinary profit	¥ 264,042	¥ 18,025	¥ 88,883	¥ 370,951	¥ (17,713)	¥ 353,237

Six months ended September 30, 2007	Banking business (Millions of U.S. dollars)	Leasing business	Other business	Total	Elimination	Consolidated
Ordinary income						
(1) External customers	$12,582	$3,547	$1,864	$17,993	$ —	$17,993
(2) Intersegment	234	88	1,090	1,412	(1,412)	—
Total	12,816	3,635	2,954	19,405	(1,412)	17,993
Ordinary expenses	10,529	3,479	2,184	16,192	(1,258)	14,934
Ordinary profit	$ 2,287	$ 156	$ 770	$ 3,213	$ (154)	$ 3,059

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.
4. As mentioned in Note I.4.(8), retirement benefits to directors, corporate auditors and other executive officers were formerly expensed when they were paid, but SMFG started recording "reserve for executive retirement benefits" in the second half ended March 31, 2007. As a result, "Ordinary profit" of "Banking business," "Leasing business" and "Other business" for the six months ended September 30, 2006 were excessively recorded by ¥4,556 million, ¥188 million and ¥1,496 million, respectively, as compared with the revised method.
5. As mentioned in Note I.4.(9), deposits which were derecognized as liabilities were expensed when they were actually reimbursed, but from the six months ended September 30, 2007, such reserve is provided in the estimated amount based on the historical reimbursement experience in accordance with the "Treatment for Auditing of Reserve under Special Taxation Measures Law, Reserve under Special Laws and Reserve for Retirement Benefits to Directors and Corporate Auditors" (JICPA Audit and Assurance Practice Committee Report No. 42) of April 13, 2007. As a result, "Ordinary profit" of "Banking business" for the six months ended September 30, 2007 decreased by ¥11,716 million ($101 million) as compared with the former method.

2. Geographic segment information

Six months ended September 30, 2007	Japan (Millions of yen)	The Americas	Europe and Middle East	Asia and Oceania	Total	Elimination	Consolidated
Ordinary income							
(1) External customers	¥1,695,995	¥137,724	¥130,801	¥113,030	¥2,077,552	¥ —	¥2,077,552
(2) Intersegment	53,655	28,300	7,890	24,455	114,300	(114,300)	—
Total	1,749,650	166,025	138,691	137,485	2,191,853	(114,300)	2,077,552
Ordinary expenses	1,475,840	128,653	122,810	102,507	1,829,812	(105,498)	1,724,314
Ordinary profit	¥ 273,810	¥ 37,371	¥ 15,880	¥ 34,977	¥ 362,040	¥ (8,802)	¥ 353,237

Six months ended September 30, 2007	Japan (Millions of U.S. dollars)	The Americas	Europe and Middle East	Asia and Oceania	Total	Elimination	Consolidated
Ordinary income							
(1) External customers	$14,689	$1,193	$1,133	$ 978	$17,993	$ —	$17,993
(2) Intersegment	465	245	68	212	990	(990)	—
Total	15,154	1,438	1,201	1,190	18,983	(990)	17,993
Ordinary expenses	12,783	1,114	1,064	887	15,848	(914)	14,934
Ordinary profit	$ 2,371	$ 324	$ 137	$ 303	$ 3,135	$ (76)	$ 3,059

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 and Middle East 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.

4. As mentioned in Note I.4.(8), retirement benefits to directors, corporate auditors and other executive officers were formerly expensed when they were paid, but SMFG started recording "reserve for executive retirement benefits" in the second half ended March 31, 2007. As a result, "Ordinary profit" of "Japan" for the six months ended September 30, 2006 were excessively recorded by ¥6,241 million as compared with the revised method.
5. As mentioned in Note I.4.(9), deposits which were derecognized as liabilities were expensed when they were actually reimbursed, but from the six months ended September 30, 2007, such reserve is provided in the estimated amount based on the historical reimbursement experience in accordance with the "Treatment for Auditing of Reserve under Special Taxation Measures Law, Reserve under Special Laws and Reserve for Retirement Benefits to Directors and Corporate Auditors" (JICPA Audit and Assurance Practice Committee Report No. 42) of April 13, 2007. As a result, "Ordinary profit" of "Japan" for the six months ended September 30, 2007 decreased by ¥11,716 million ($101 million) as compared with the former method.

3. Ordinary income from overseas operations

Six months ended September 30, 2007	Millions of yen	Millions of U.S. dollars
Consolidated ordinary income from overseas operations (A)	¥ 381,556	$ 3,305
Consolidated ordinary income (B)	2,077,552	17,993
(A) / (B)	18.4%	18.4%

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.

X. Special Purpose Entities

SMBC, a consolidated subsidiary of SMFG, provides credit lines, liquidity lines and loans to fourteen special purpose entities ("SPEs") for their fund needs and issuing of commercial papers. The SPEs are engaged in purchases of monetary claims such as receivables from SMBC customers, and incorporated under the laws of the Cayman Islands or as intermediate corporations with limited liabilities.

The combined assets and liabilities of the fourteen SPEs as of their most recent closing dates were ¥2,865,600 million ($24,819 million) and ¥2,865,738 million ($24,820 million), respectively. SMBC has no voting rights in the SPEs and sends no directors or employees.

The amounts of principal transactions with these SPEs in the six months ended September 30, 2007 are as follows:

As of and six months ended September 30, 2007 — Millions of yen

Balances		Income	
Loans and bills discounted	¥2,158,322	Interest on loans and discounts	¥3,950
Credit lines	859,423	Fees and commissions	1,541
Liquidity lines	429,459	—	—

As of and six months ended September 30, 2007 — Millions of U.S. dollars

Balances		Income	
Loans and bills discounted	$18,693	Interest on loans and discounts	$34
Credit lines	7,443	Fees and commissions	13
Liquidity lines	3,720	—	—

XI. Per Share Data

September 30, 2007	Yen	U.S. dollars
Net assets per share	¥460,168.95	$3,985.53
Net income per share	21,694.19	187.89
Net income per share (diluted)	20,840.67	180.50

Notes: 1. Net income per share and net income per share (diluted) are calculated based on the followings:

Six months ended September 30, 2007	Millions of yen except number of shares	Millions of U.S. dollars
Net income per share		
Net income	¥170,592	$1,477
Amount not attributable to common stockholders	6,479	56
[preferred stock dividends]	[6,479]	[56]
Net income attributable to common stock	164,113	1,421
Average number of common stock during the six months (in thousand)	7,564	/
Net income per share (diluted)		
Adjustment for net income	3,376	29
[preferred stock dividends]	[3,381]	[29]
[stock acquisition rights issued by subsidiaries and affiliates]	[(4)]	[(0)]
Increase in number of common stock (in thousand)	471	/
[preferred stock]	[471]	/
[stock acquisition rights]	[0]	/
Outline of dilutive securities which were not included in the calculation of "net income per share (diluted)" because they do not have dilutive effect:	—	—

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

September 30, 2007	Millions of yen except number of shares	Millions of U.S. dollars
Net assets	¥5,268,853	$45,634
Amounts excluded from net assets	1,787,738	15,484
[preferred stock]	[360,303]	[3,121]
[preferred stock dividends]	[6,479]	[56]
[stock acquisition rights]	[27]	[0]
[minority interests]	[1,420,928]	[12,307]
Net assets attributable to common stock at the interim period-end	3,481,115	30,150
Number of common stock at the interim period-end used for the calculation of net assets per share (in thousand)	7,564	/

XII. Subsequent Events (up to December 5, 2007)

SMFG, SMBC Leasing Company, Limited ("SMBC Leasing") and SMBC Auto Leasing Company, Limited ("SMBC Auto Leasing") reached a final agreement with Sumitomo Corporation, Sumisho Lease Co., Ltd. ("Sumisho Lease") and Sumisho Auto Leasing Corporation ("Sumisho Auto Lease") on July 30, 2007 concerning strategic joint businesses in leasing and auto leasing business and mergers of two businesses (a merger between SMBC Leasing and Sumisho Lease, and a merger between SMBC Auto Leasing and Sumisho Auto Lease). They also concluded "Basic Agreement Concerning the Joint Business" and "Merger Agreement" with respect to the two businesses. In accordance with the merger agreements, SMBC Leasing and Sumisho Lease merged on October 1, 2007, and SMBC Auto Leasing and Sumisho Auto Lease also merged on the same day.

1. Purchase method

(1) Outline of the business combination of leasing companies

(a) Name and business of the acquired company

Sumisho Lease (Leasing business)

(b) Reason for the business combination

SMBC Leasing and Sumisho Lease have merged with the aim of achieving the highest leasing volume in Japan by leveraging the blue-chip customer bases of both the SMFG Group and the Sumitomo Corporation Group, and to create a high quality leasing company that can respond accurately and timely to market needs which are becoming increasingly sophisticated, by combining and blending the finance know-how of SMBC Leasing as a subsidiary of a bank and the product and distribution know-how of Sumisho Lease as a subsidiary of a trading company, thereby promoting diversification and differentiation of products and providing more value-added products going beyond traditional approaches.

(c) Date of the business combination

October 1, 2007

(d) Legal form of business combination

The merger was a merger procedure by absorption with Sumisho Lease as the surviving company and SMBC Leasing was dissolved.

(Name of the merged company: Sumitomo Mitsui Finance and Leasing Company, Limited)

(e) Name of the entity after the business combination

Sumitomo Mitsui Financial Group, Inc.

(f) Percentage share of voting rights SMFG has acquired

55%

2. Business combination of consolidated subsidiary

(1) Outline of the business combination of auto leasing companies

(a) Name and business of the companies

Combining company:

Sumisho Auto Lease (Auto leasing business)

Combined company:

SMBC Auto Leasing (Auto leasing business)

(b) Reason for the business combination

Sumisho Auto Lease and SMBC Auto Leasing have merged to survive and thrive in the auto leasing industry that is becoming increasingly competitive and to establish a structure to capture the number one market share by capitalizing on the high-quality customer bases of both the Sumitomo Corporation Group and the SMFG Group and combining the high-value-added services of Sumisho Auto Lease based on its value chain and business network of SMBC Auto Leasing. Another aim of the merger is to achieve better customer satisfaction by combining and blending the product and distribution know-how of Sumisho Auto Lease as a subsidiary of a trading company, and the finance know-how of SMBC Auto Leasing as a subsidiary of a bank, thereby pursuing various services.

(c) Date of the business combination

October 1, 2007

(d) Legal form of business combination

The merger was a merger procedure by absorption with Sumisho Auto Lease as the surviving company, and SMBC Auto Leasing was dissolved.

(Name of the merged company: Sumitomo Mitsui Auto Service Company, Limited)

(2) Outline of accounting method

As a result of the merger between Sumisho Auto Lease and SMBC Auto Leasing, SMBC Auto Leasing was excluded from the scope of affiliated company and the combined company became an equity method affiliated company of SMFG. SMFG will apply the accounting procedures stipulated by Article 20 of the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7).

(3) Name of the business segment, in which the subsidiary was included, in the segment information

Leasing business

(4) Interim consolidated statement of income for the interim period included the following earnings of SMBC Auto Leasing: (approximate amounts)

Ordinary income:	¥69,752 million	($604 million)
Ordinary profit:	¥2,237 million	($19 million)
Net income:	¥1,254 million	($11 million)

(5) Status after the business combination

SMBC Auto Leasing and its subsidiaries are excluded from the scope of consolidation, and Sumitomo Mitsui Auto Service Company, Limited and its subsidiaries have become affiliated companies accounted for by the equity method.

XIII. Parent Company

1. Nonconsolidated balance sheets (unaudited)

Sumitomo Mitsui Financial Group, Inc.
September 30, 2007 and 2006, and March 31, 2007

	Millions of yen			Millions of U.S. dollars
	September 30		March 31	September 30
	2007	2006	2007	2007
Assets				
Current assets	¥ 48,785	¥ 81,894	¥ 109,364	$ 423
Cash and due from banks	46,052	18,458	37,073	399
Other current assets	2,732	63,436	72,291	24
Fixed assets	3,952,685	3,847,707	3,850,079	34,234
Tangible fixed assets	6	9	7	0
Intangible fixed assets	14	26	20	0
Investments and other assets	3,952,663	3,847,671	3,850,052	34,234
Investments in subsidiaries and affiliates	3,950,934	3,847,651	3,847,716	34,219
Other	1,728	20	2,336	15
Deferred charges	—	150	—	—
Total assets	¥4,001,470	¥3,929,752	¥3,959,444	$34,657
Liabilities				
Current liabilities	¥1,061,168	¥ 677,539	¥ 961,372	$ 9,191
Short-term borrowings	1,059,030	620,000	959,030	9,172
Reserve for employees bonuses	82	76	83	1
Other current liabilities	2,055	57,463	2,258	18
Fixed liabilities	178	—	174	1
Reserve for executive retirement benefits	178	—	174	1
Total liabilities	1,061,347	677,539	961,546	9,192
Net assets				
Stockholders' equity				
Capital stock	1,420,877	1,420,877	1,420,877	12,306
Capital surplus	930,429	1,152,740	930,469	8,059
Capital reserve	642,355	642,355	642,355	5,564
Other capital surplus	288,073	510,385	288,113	2,495
Retained earnings	671,876	683,818	729,129	5,819
Other retained earnings				
Voluntary reserve	30,420	30,420	30,420	263
Retained earnings brought forward	641,456	653,398	698,709	5,556
Treasury stock	(83,060)	(5,223)	(82,578)	(719)
Total stockholders' equity	2,940,122	3,252,213	2,997,898	25,465
Total net assets	2,940,122	3,252,213	2,997,898	25,465
Total liabilities and net assets	¥4,001,470	¥3,929,752	¥3,959,444	$34,657

2. Nonconsolidated statements of income (unaudited)

Sumitomo Mitsui Financial Group, Inc.

Six months ended September 30, 2007 and 2006, and year ended March 31, 2007

	Millions of yen			Millions of U.S. dollars
	Six months ended September 30		Year ended March 31	Six months ended September 30
	2007	2006	2007	2007
Operating income	¥23,936	¥321,340	¥376,479	$207
Dividends on investments in subsidiaries and affiliates	15,022	317,486	366,680	130
Fees and commissions received from subsidiaries	8,913	3,854	9,798	77
Operating expenses	3,333	1,567	3,641	29
General and administrative expenses	3,333	1,567	3,641	29
Operating profit	20,602	319,772	372,838	178
Nonoperating income	282	219	234	3
Nonoperating expenses	9,228	880	8,594	80
Ordinary profit	11,655	319,112	364,477	101
Income before income taxes	11,655	319,112	364,477	101
Income taxes:				
Current	1,583	345	2,918	14
Deferred	706	542	(1,975)	6
Net income	¥ 9,366	¥318,223	¥363,535	$ 81

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

Sumitomo Mitsui Financial Group, Inc.

Six months ended September 30, 2007 and 2006, and year ended March 31, 2007

	Millions of yen									
	Stockholders' equity									
		Capital surplus			Retained earnings					
					Other retained earnings					
Six months ended September 30, 2007	Capital stock	Capital reserve	Other capital surplus	Total capital surplus	Voluntary reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total stockholders' equity	Total net assets
Balance at March 31, 2007	¥1,420,877	¥642,355	¥288,113	¥930,469	¥30,420	¥698,709	¥729,129	¥(82,578)	¥2,997,898	¥2,997,898
Changes in the six months:										
Cash dividends						(66,619)	(66,619)		(66,619)	(66,619)
Net income						9,366	9,366		9,366	9,366
Acquisition of own shares								(641)	(641)	(641)
Disposal of treasury shares			(39)	(39)				158	119	119
Net changes in the six months	—	—	(39)	(39)	—	(57,253)	(57,253)	(482)	(57,775)	(57,775)
Balance at September 30, 2007	¥1,420,877	¥642,355	¥288,073	¥930,429	¥30,420	¥641,456	¥671,876	¥(83,060)	¥2,940,122	¥2,940,122

	Millions of U.S. dollars									
	Stockholders' equity									
		Capital surplus			Retained earnings					
					Other retained earnings					
Six months ended September 30, 2007	Capital stock	Capital reserve	Other capital surplus	Total capital surplus	Voluntary reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total stockholders' equity	Total net assets
Balance at March 31, 2007	$12,306	$5,564	$2,495	$8,059	$263	$6,052	$6,315	$(715)	$25,965	$25,965
Changes in the six months:										
Cash dividends						(577)	(577)		(577)	(577)
Net income						81	81		81	81
Acquisition of own shares								(5)	(5)	(5)
Disposal of treasury shares			(0)	(0)				1	1	1
Net changes in the six months	—	—	(0)	(0)	—	(496)	(496)	(4)	(500)	(500)
Balance at September 30, 2007	$12,306	$5,564	$2,495	$8,059	$263	$5,556	$5,819	$(719)	$25,465	$25,465

	Millions of yen									
	Stockholders' equity									
		Capital surplus			Retained earnings					
					Other retained earnings					
Six months ended September 30, 2006	Capital stock	Capital reserve	Other capital surplus	Total capital surplus	Voluntary reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total stockholders' equity	Total 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 yen									
	Stockholders' equity									
		Capital surplus			Retained earnings					
					Other retained earnings					
Year ended March 31, 2007	Capital stock	Capital reserve	Other capital surplus	Total capital surplus	Voluntary reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total stockholders' equity	Total 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 year										
Transfer of capital reserve to other capital surplus		(1,000,000)	1,000,000	—					—	—
Increase due to exchange of shares		221,365		221,365					221,365	221,365
Cash dividends						(47,951)	(47,951)		(47,951)	(47,951)
Net income						363,535	363,535		363,535	363,535
Acquisition of own shares								(1,474,644)	(1,474,644)	(1,474,644)
Disposal of treasury shares			(15)	(15)				182	167	167
Retirement of treasury shares			(1,396,277)	(1,396,277)				1,396,277	—	—
Net changes in the year	—	(778,634)	(396,292)	(1,174,927)	—	315,583	315,583	(78,184)	(937,527)	(937,527)
Balance at March 31, 2007	¥1,420,877	¥ 642,355	¥ 288,113	¥ 930,469	¥30,420	¥698,709	¥729,129	¥ (82,578)	¥2,997,898	¥2,997,898