

III. Operating Results and Financial Position

1. Overview of Consolidated Operating Results and Financial Position as of and for the Six Months Ended September 30, 2005

(1) Operating Results

In the first half of fiscal 2005, SMFG took various measures in the strategic business fields and endeavored to strengthen profitability in order to “secure a solid profit level.”

Ordinary income decreased 1.1% to 1,757.8 billion yen as a result of decreases in other income and trading profits, although interest income, fees and commissions and other operating income increased. Ordinary expenses decreased considerably (22.2%) to 1,294.1 billion yen even though interest expenses increased. This was a result of huge decreases in other expenses resulting from additional provisioning for possible loan losses executed in the first half of fiscal 2004 in order to further prepare for future credit risks.

As a result, Ordinary profit and Net income (after adjusting extraordinary gains/losses and other factors) amounted to 463.7 billion yen and 392.3 billion yen, respectively.

(2) Assets and Liabilities

Deposits amounted to 69,242.5 billion yen, an increase of 767.6 billion yen from the previous fiscal year-end and Negotiable certificates of deposit amounted to 2,529.7 billion yen, a decrease of 183.4 billion yen.

Loans and bills discounted amounted to 56,095.0 billion yen, an increase of 1,295.2 billion yen.

Total assets amounted to 102,233.8 billion yen, an increase of 2,501.9 billion yen.

(3) Stockholders' Equity

Stockholders' equity increased by 486.6 billion yen from the previous fiscal year-end to 3,262.3 billion yen, mainly due to recording of net income and increase in net unrealized gains on other securities.

(4) Cash Flows

SMFG used 952.7 billion yen of “Cash flows from operating activities,” generated 888.2 billion yen of “Cash flows from investing activities” and generated 171.5 billion yen of “Cash flows from financing activities.”

Consequently, Cash and cash equivalents amounted to 3,039.5 billion yen.

(5) Segment Information

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

By business

Ordinary income

Banking business	64%	(down 1 point from the previous interim term)
Leasing business	20%	(up 1 point)
Other business	16%	(up 0 point)

By country

Ordinary income

Japan	88%	(down 3 points from the previous interim term)
The Americas	5%	(up 1 point)
Europe	3%	(up 1 point)
Asia and Oceania	4%	(up 1 point)

(6) Capital Ratio (preliminary)

Capital ratio was 11.00% on a consolidated basis.

2. Earnings and Dividend Forecasts for the Fiscal Year Ending March 31, 2006

(1) Earnings Forecast

In fiscal 2005, SMFG will enhance group profitability by strengthening businesses and further promoting collaboration among the group companies in order to “secure a solid profit level.”

As for earnings forecast on a consolidated basis, Ordinary income, Ordinary profit and Net income are expected to amount to 3,500 billion yen, 850 billion yen, and 550 billion yen, respectively.

On a non-consolidated basis, Operating income, Ordinary profit and Net income are expected to amount to 54 billion yen, 48 billion yen, and 70 billion yen, respectively.

(2) Dividend Forecast

SMFG will pay the following fiscal year-end dividends on common stock and preferred stock according to the level of retained earnings. SMFG will not pay interim dividends.

Common stock	3,000 yen per share
Preferred stock (type 1)	10,500 yen per share
Preferred stock (type 2)	28,500 yen per share
Preferred stock (type 3)	13,700 yen per share
Preferred stock (1st series to 12th series type 4)	135,000 yen per share
Preferred stock (1st series type 6)	88,500 yen per share

* The dividend forecast remains unchanged from the previous forecast announced in May 2005.

3. Risk Factors

Principal risk factors that could materially affect SMFG’s operating results and financial position are as follows. SMFG takes necessary measures to prevent such events from occurring, and responds quickly and appropriately when such events do occur.

- Risk related to increase in non-performing loans and credit costs
- Risk related to equity portfolio
- Risk related to trading business and holding bonds
- Risk related to foreign currency exchange rate
- Risk related to decline in capital ratio
- Risk related to downgrade in SMFG group’s debt ratings
- Risk related to failure of SMFG’s strategy
- Risk related to failure of joint venture, alliance, merger and acquisition
- Risk related to regulatory amendment of laws, rules and accounting rules etc.

(Note) SMFG recognizes the risk factors shown above on November 22, 2005.