

Sumitomo Mitsui Financial Group, Inc. (SMFG)

Consolidated Financial Results for the Fiscal Year ended March 31, 2006

Head Office: 1-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan

Stock Exchange Listings: Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya Stock Exchange (code: 8316)

URL: <http://www.smfg.co.jp>

President: Teisuke Kitayama

Date of Approval of the Consolidated Financial Statements by the Board of Directors: May 23, 2006

(Note) Amounts less than one million yen have been omitted.

1. Financial Results (for the fiscal year ended March 31, 2006)

(1) Operating Results

(Millions of yen, except per share data and percentages)

	Ordinary Income		Ordinary Profit (Loss)		Net Income (Loss)	
Fiscal year ended March 31, 2006	¥ 3,705,136	3.5 %	¥ 963,554	- %	¥ 686,841	- %
ended March 31, 2005	3,580,796	0.8	(30,293)	-	(234,201)	-

	Net Income (Loss) per Share	Net Income (Loss) per Share (Diluted)	Return on Common Stockholders' Equity	Ordinary Profit (Loss) on Total Assets	Ordinary Profit (Loss) on Ordinary Income
Fiscal year ended March 31, 2006	¥ 94,733.62	¥ 75,642.94	33.2 %	0.9 %	26.0 %
ended March 31, 2005	(44,388.07)	-	(23.0)	(0.0)	(0.8)

Notes: 1. Equity in earnings of affiliates

(a) for the fiscal year ended March 31, 2006: 31,887 million yen (b) for the fiscal year ended March 31, 2005: 27,142 million yen

2. Average number of common stocks outstanding (consolidated)

(a) for the fiscal year ended March 31, 2006: 6,978,978 shares (b) for the fiscal year ended March 31, 2005: 5,879,572 shares

3. There is no change in accounting methods.

4. Percentages shown in Ordinary Income, Ordinary Profit (Loss) and Net Income (Loss) are the increase (decrease) from the previous fiscal year.

(2) Financial Position

(Millions of yen, except per share data and percentages)

	Total Assets	Stockholders' Equity	Stockholders' Equity to Total Assets	Stockholders' Equity per Share	Capital Ratio
March 31, 2006	¥ 107,010,575	¥ 4,454,399	4.2 %	¥ 400,168.90	(Preliminary) 12.39 %
March 31, 2005	99,731,858	2,775,728	2.8	164,821.09	9.94

Note: Number of common stocks outstanding (consolidated)

(a) as of March 31, 2006: 7,417,865 shares (b) as of March 31, 2005: 5,869,288 shares

(3) Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at year-end
Fiscal Year ended March 31, 2006	¥ 2,208,354	¥ (662,482)	¥ 679,464	¥ 5,159,822
ended March 31, 2005	(3,280,122)	2,623,525	54,199	2,930,645

(4) Scope of Consolidation and Application of the Equity Method

(a) Number of consolidated subsidiaries : 162

(b) Number of unconsolidated subsidiaries accounted for by the equity method: 3

(c) Number of affiliated companies accounted for by the equity method : 60

(5) Changes in Scope of Consolidation and Application of the Equity Method (change from the previous fiscal year)

Consolidation: Newly consolidated 20, Excluded 25 Equity method: Newly applied 15, Excluded 5

2. Earnings Forecast (for the fiscal year ending March 31, 2007)

(Millions of yen)

	Ordinary Income	Ordinary Profit	Net Income
For the six months ending September 30, 2006	¥ 1,750,000	¥ 440,000	¥ 260,000
For the fiscal year ending March 31, 2007	3,700,000	1,010,000	570,000

(Reference) Forecasted net income per share for the fiscal year ending March 31, 2007 is 72,745.13 yen.

This document contains certain forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may materially differ from those contained in the forward-looking statements as a result of various factors.

The following items are among the factors that could cause actual results to differ materially from the forward-looking statements in this document: business conditions in the banking industry, the regulatory environment, new legislation, competition with other financial services companies, changing technology and evolving banking industry standards and similar matters.

Average number of shares outstanding during the fiscal year (consolidated)

	For the Fiscal Year ended March 31, 2006	For the Fiscal Year ended March 31, 2005
Common stock	6,978,978	5,879,572
Preferred stock (type 1)	35,000	48,333
Preferred stock (type 2)	100,000	100,000
Preferred stock (type 3)	695,000	738,750
Preferred stock (1st to 12th series type 4)	50,100	50,100
Preferred stock (13th series type 4)	4,748	112,352
Preferred stock (1st series type 6)	70,001	575

Number of shares outstanding at fiscal year-end (consolidated)

	As of March 31, 2006	As of March 31, 2005
Common stock	7,417,865	5,869,288
Preferred stock (type 1)	35,000	35,000
Preferred stock (type 2)	100,000	100,000
Preferred stock (type 3)	695,000	695,000
Preferred stock (1st to 12th series type 4)	50,100	50,100
Preferred stock (13th series type 4)	–	107,087
Preferred stock (1st series type 6)	70,001	70,001

Calculation for Indices

- Return on Common Stockholders' Equity:

$$\frac{\text{Net income} - \text{Preferred stock dividends}}{\{(\text{Stockholders' equity at beginning of year} - \text{Number of preferred stocks outstanding at beginning of year} \times \text{Issue price}) + (\text{Stockholders' equity at year-end} - \text{Number of preferred stocks outstanding at year-end} \times \text{Issue price})\} / 2} \quad \times 100$$

- Forecasted Net Income Per Share:

$$\frac{\text{Forecasted net income} - \text{Forecasted preferred stock dividends}}{\text{Forecasted average number of common stocks issued during the year (excluding treasury stock)} (*)}$$

(*) Number of common stock is expected to increase by 249,015 due to the share exchange scheduled in September 2006. Therefore, the forecasted net income per share is calculated assuming that forecasted average number of common stocks issued is 7,500,302.

I. Overview of SMFG Group

SMFG Group conducts primary banking business through the following financial services: leasing, securities, credit card business, investment banking, loans and venture capital.

SMFG has 162 consolidated subsidiaries and 63 companies accounted for by the equity method.

Sumitomo Mitsui Financial Group, Inc.	Banking business	<p>Principal subsidiaries</p> <p>Domestic</p> <ul style="list-style-type: none"> * Sumitomo Mitsui Banking Corporation * THE MINATO BANK, LTD. (Listed on the First Section of Tokyo Stock Exchange and Osaka Securities Exchange) * Kansai Urban Banking Corporation (Listed on the First Section of Tokyo Stock Exchange and Osaka Securities Exchange) * The Japan Net Bank, Limited (Internet banking) * SMBC Guarantee Co., Ltd. (Credit guarantee) <p>Overseas</p> <ul style="list-style-type: none"> * Sumitomo Mitsui Banking Corporation Europe Limited * Manufacturers Bank * Sumitomo Mitsui Banking Corporation of Canada * Banco Sumitomo Mitsui Brasileiro S.A. * PT Bank Sumitomo Mitsui Indonesia
	Leasing business	<p>Principal subsidiaries</p> <p>Domestic</p> <ul style="list-style-type: none"> * SMBC Leasing Company, Limited * SMBC Auto Leasing Company, Limited <p>Overseas</p> <ul style="list-style-type: none"> * SMBC Leasing and Finance, Inc.
	Other business	<p>Principal subsidiaries and affiliated companies</p> <p>Domestic</p> <ul style="list-style-type: none"> * Sumitomo Mitsui Card Company, Limited (Credit card services) * SAKURA CARD CO., Ltd. (Credit card services) * SMBC Consulting Co., Ltd. (Management consulting and information services) * SMBC Finance Service Co., Ltd. (Loans, factoring and collecting agent) * Financial Link Company, Limited (Data processing service and consulting) * SMBC Friend Securities Co., Ltd. (Securities) (Listed on the First Section of Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange) * The Japan Research Institute, Limited (System development, data processing, management consulting and economic research) * Sakura KCS Corporation (System engineering and data processing) (Listed on the Second Section of Osaka Securities Exchange) * Sakura Information Systems Co., Ltd. (System engineering and data processing) * SMFG Corporate Recovery Servicer Co., Ltd. (Consulting on corporate recovery and servicer) ** Promise Co., Ltd. (consumer finance) (Listed on the First Section of Tokyo Stock Exchange) ** At-Loan Co., Ltd. (Consumer loans) ** QUOQ Inc. (Shopping credit and credit card business) ** Daiwa Securities SMBC Co. Ltd. (Securities and derivatives) ** NIF SMBC Ventures Co., Ltd. (Venture capital) (Listed on the JASDAQ Securities Exchange) ** Daiwa SB Investments Ltd. (Investment advisory and investment trust management) ** Sumitomo Mitsui Asset Management Company, Limited (Investment advisory and investment trust management) ** Japan Pension Navigator Co., Ltd. (Operational management of defined contribution pension plans) <p>Overseas</p> <ul style="list-style-type: none"> * SMBC Capital Markets, Inc. (Derivatives and investments) * SMBC Capital Markets Limited (Derivatives) * SMBC Securities, Inc. (Securities) * Sumitomo Mitsui Finance Australia Limited (Investments)

(Note) (*) means a consolidated subsidiary and (**) means an affiliated company accounted for by the equity method.

II. Principles and Management

1. Management Policy

SMFG's groupwide management philosophy is as follows:

- To provide optimum added value to our customers and together with them achieve growth
- To create sustainable shareholder value through business growth
- To provide a challenging and professionally rewarding work environment for our dedicated employees

In line with this philosophy, SMFG and the group companies will put their collective energy into becoming "a globally competitive top bank with the highest trust of our customers, our shareholders, market and society".

2. Dividend Policy

SMFG subscribes to a fundamental policy of distributing appropriate dividends while enhancing its Group's capital to maintain sound financial position.

Though the Corporation Law became effective on May 1, 2006, SMFG is not expected to propose an amendment of the Articles of Incorporation so that the Board of Directors can determine whether to make distributions of surplus pursuant to Article 459 of the Corporation Law at the ordinary general meeting of shareholders to be held on June 29, 2006.

3. Policy concerning Lowering of Minimum Stock Investment Amount

After taking into account various factors such as stock price, number of shareholders, liquidity of shares and cost-effectiveness, we do not believe there is a need to lower the minimum amount for purchasing SMFG's common stock at this time.

4. Management Index to be Achieved

SMFG has established a medium-term plan spanning the four years from fiscal 2005 and has set the following four management indices as the target to be achieved in fiscal 2008, the final year of the plan.

- | | |
|-------------------------------|---------------------------|
| - Consolidated ROE | More than 15% |
| - Consolidated net income | More than 650 billion yen |
| - Consolidated capital ratio* | Approximately 11% |
| - Consolidated Tier I ratio* | Approximately 7% |

*At March 31, 2009

With regard to public funds, we aim to fully repay them by the end of fiscal 2006, subject to the approval of the regulatory authorities, taking into consideration such factors as our financial condition, stock market and macro-economy.

5. Mid- to Long-term Management Strategy

To realize high profitability and growth, and thereby raising corporate value sustainably, it is essential for us to earn "the highest trust of our customers, our shareholders, market and society". In other words, we must

- (i) respond accurately to the ever-changing needs of customers and provide superior products and services;
- (ii) steadily grow profits and establish solid financial base by being highly business-minded; and
- (iii) fulfill our social responsibility by contributing widely to the Japanese economy and society through our business activities.

Grounded on these recognitions, we have set the five core strategies in the medium-term plan spanning the four years from fiscal 2005 as follows and will implement initiatives to achieve our goals.

- First, to grow top-line profit and achieve sufficient growth by challenging new types of risks, new regions and new business areas.
- Second, to strengthen strategic business areas by aggressively allocating resources, while continuing to improve efficiency of existing businesses further.
- Third, to improve capital efficiency and thereby maximizing profitability and growth, by improving risk-return profile of each business and by reallocating capital and risk-weighted assets.
- Fourth, to actively forge alliances lead to raise our corporate value.
- Fifth, to improve corporate governance in order to raise corporate value and fulfill our social responsibility (CSR).

6. Issues to be Addressed

Last December, Sumitomo Mitsui Banking Corporation (“SMBC”), a banking subsidiary, received a recommendation issued by the Fair Trade Commission of Japan for several violations of the Antimonopoly Act, particularly, “abuse of dominant bargaining position of unfair trade practices”, with respect to the manner in which it marketed interest rate swaps to its corporate clients in the past. Also, on April 27, 2006, SMBC was issued administrative orders (Business Suspension Order and Business Improvement Order) in respect to the manner in which it marketed interest rate swaps at its Corporate Business Offices, by the Financial Services Agency of Japan, pursuant to Article 26 (1) of the Banking Law. All of us, the directors, officers and employees deeply regret this situation, and strict measures will be implemented to prevent reoccurrence and regain the trust of all concerned.

In fiscal 2006, we will further provide value-added products and services to our customers and establish a solid platform for supporting business growth, thereby establishing a framework for realizing sustainable growth.

Further provide value-added products and services to our customers

First, to realize sustainable growth as a “leading financial services group”, we will provide more customer-focused and value-added products and services.

In consumer business, financial consulting will be upgraded further. At the same time we will develop and provide new products responding to the diversifying needs of our customers and changing business environment, such as deregulation, we will provide services incorporating customer opinions even more. Also, we will increase the number of specialized marketing channels such as SMBC Consulting Plazas, which are open also on weekday nights and weekends, and highly qualified consultants with expert knowledge, in order to better respond to customer needs and to improve customer convenience. Furthermore, we will expand services through collaboration with leading companies and group companies. Specifically, while promoting consumer loans provided through the collaboration of SMBC and Promise, and “Mobile Phone Credit Service” provided through the collaboration of Sumitomo Mitsui Card and NTT DoCoMo, we will quickly launch new businesses such as an Internet financial service to be provided through the collaboration of Japan Net Bank and Yahoo Japan, and asset management service to be provided through the collaboration of SMBC and SMBC Friend Securities that were announced this March.

In corporate business, this April, SMBC established a Corporate Advisory Division to which information and know-how of SMBC will be concentrated. The division will be the driver of improvement in our capability to provide solutions to various management issues of customers, such as business expansion and M&A, and thereby contribute to raise customers’ corporate value. Also, we will accurately respond to our customers’ ever-diversifying financing needs by continuously promoting Business Select Loan, a popular unsecured loan product for small-sized enterprises, loan syndication and securitization. In addition, we will further promote group-wide solution providing: SMBC Leasing in services such as product leasing and real-estate leasing; Japan Research Institute in core systems development and IT consulting; and Daiwa Securities SMBC in investment banking. Moreover, at outside Japan, we will respond to customers’ global financial needs by establishing channels in regions with sharp economic growth; further strengthening businesses with competitive edge such as project finance; and further strengthen cooperation between domestic and overseas networks. In treasury market business, while continuously endeavor to improve customer convenience by utilizing Internet business models, we will enhance ALM and diversify investment instruments under appropriate risk management.

Establish solid platform to support business growth

Second, we will establish a more solid platform for supporting our sustainable growth.

We will improve our internal control systems, such as compliance, risk management and internal audit. In response to the recommendation by the Fair Trade Commission of Japan in December last year, SMBC established a Compliance Unit this April to strengthen compliance with laws, regulations and other rules. And through a newly established Quality Management Department, we will actively incorporate customer opinions and requests in our management policies and business operations even more. Also, SMBC will further strengthen prevention of financial crimes which have been increasing recently. On risk management, we will further reinforce it on a group basis in order to effectively control risk as our business activities diversify further and in response to the Basel II accord which is scheduled to be implemented at the end of fiscal 2006. Moreover, we will further strengthen internal auditing to verify more thoroughly that compliance and risk management are effective. We will also take initiatives to improve human resources management. For example, we will introduce a system to nurture talented staff, taking a longer term view, and establish an organization in which female employees can exercise their abilities even more.

Also, we will grow capital both in terms of quality and in quantity by establishing a sustainable earnings structure. With regard to public funds, we aim to fully repay them by the end of fiscal 2006, in order to increase our flexibility in allocating

resources to strategic business areas and in capital policy including profit distribution to shareholders, subject to the approval of the regulatory authorities, taking into consideration such factors as our financial condition, stock market and macro-economy.

We aim to further improve the overall evaluation of SMFG by “our customers, our shareholders, market and society” by showing steady results in these initiatives this fiscal year.

7. Parent company

SMFG has no parent company.

III. Operating Results and Financial Position

1. Overview of Consolidated Operating Results and Financial Position as of and for the Fiscal Year Ended March 31, 2006

(1) Operating Results

In fiscal 2005 ended March 31, 2006, SMFG took various measures in the strategic business fields and endeavored to strengthen profitability in order to “secure a solid profit level.”

Ordinary income increased 3.5% to 3,705.1 billion yen as a result of increases in interest income, fees and commissions and other operating income, although other income including gains on sale of stocks and trading profits decreased. Ordinary expenses decreased 24.1% to 2,741.5 billion yen even though interest expenses including interest on deposits increased. This was a result of huge decreases in other expenses resulting from additional provisioning for possible loan losses executed in 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 963.5 billion yen and 686.8 billion yen, respectively.

(2) Assets and Liabilities

Deposits amounted to 70,834.1 billion yen, an increase of 2,359.2 billion yen from the previous fiscal year-end and Negotiable certificates of deposit amounted to 2,708.6 billion yen, a decrease of 4.6 billion yen.

Loans and bills discounted amounted to 57,267.2 billion yen, an increase of 2,467.3 billion yen.

Total assets amounted to 107,010.5 billion yen, an increase of 7,278.7 billion yen.

(3) Stockholders' Equity

Stockholders' equity increased by 1,678.6 billion yen from the previous fiscal year-end to 4,454.3 billion yen, mainly due to recording of net income, increase in net unrealized gains on other securities and the issuance of shares, disposal of treasury shares and offering for sale of shares.

(4) Cash Flows

SMFG generated 2,208.3 billion yen of “Cash flows from operating activities,” an increase of 5,488.4 billion yen, used 662.4 billion yen of “Cash flows from investing activities,” a decrease of 3,286.0 billion yen and generated 679.4 billion yen of “Cash flows from financing activities,” an increase of 625.2 billion yen.

Consequently, Cash and cash equivalents amounted to 5,159.8 billion yen, an increase of 2,229.1 billion yen.

(5) Segment Information

The breakdown of Total assets and Ordinary income before the elimination of internal transactions is as follows:

By business

Total assets

Banking business	93%	(down 0 point from the previous fiscal year-end)
Leasing business	2%	(down 0 point)
Other business	5%	(up 0 point)

Ordinary income

Banking business	64%	(down 1 point from the previous fiscal year)
Leasing business	19%	(up 0 point)
Other business	17%	(up 1 point)

By Region

Total assets

Japan	89%	(down 1 point from the previous fiscal year-end)
The Americas	5%	(up 0 point)
Europe	3%	(up 1 point)
Asia and Oceania	3%	(up 0 point)

Ordinary income

Japan	86%	(down 5 points from the previous fiscal year)
The Americas	6%	(up 2 points)
Europe	3%	(up 1 point)
Asia and Oceania	5%	(up 2 points)

(6) Capital Ratio (preliminary)

Capital ratio was 12.39% on a consolidated basis.

2. Earnings and Dividend Forecast for the Fiscal Year Ending March 31, 2007

(1) Earnings Forecast

In fiscal 2006, SMFG will try to establish a solid platform for supporting sustainable business growth, develop a sustainable earnings structure, and further strengthens its financial base.

As for earnings forecast on a consolidated basis, Ordinary income, Ordinary profit and Net income are expected to amount to 3,700 billion yen, 1,010 billion yen, and 570 billion yen, respectively. On a non-consolidated basis, Operating income, Ordinary profit and Net income are expected to amount to 360 billion yen, 355 billion yen, and 355 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	4,000 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

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 May 23, 2006.

IV. Consolidated Financial Statements

Significant Accounting Policies for Consolidated Financial Statements

1. Scope of consolidation

(1) Consolidated subsidiaries 162 companies

Principal companies:

Sumitomo Mitsui Banking Corporation
 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 fiscal year are as follows:

Twenty companies including The Japan Research Institute (Shanghai) Solution Co., Ltd. were newly consolidated due to establishment and other reason.

Thirteen companies including WAKASHIO OFFICE SERVICE Co., Ltd. were excluded from the scope of consolidation because they were no longer subsidiaries due to liquidation and other reason. Also, twelve companies including SMLC CENTAURUS CO., LTD. were excluded from the scope of consolidation and 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 twenty-one 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 have been excluded from the scope of consolidation pursuant to Article 5 Paragraph 1 Item 2 of 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.

In the fiscal year, SBL Holdings Limited was excluded from the scope of unconsolidated subsidiaries accounted for by the equity method because it was no longer a subsidiary due to liquidation.

(2) Affiliates accounted for by the equity method 60 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 accounted for by the equity method are as follows:

Fifteen companies including former NIF Ventures Co., Ltd. (current name: NIF SMBC Ventures Co., Ltd.) newly

became affiliated companies accounted for by the equity method due to acquisition of shares.

Four companies including P.T.Perjahl Leasing Indonesia were excluded from the scope of affiliated companies accounted for by the equity method because they were no longer affiliated companies due to sale of shares.

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

One hundred and twenty-one 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 have not been accounted for by the equity method pursuant to Article 10 Paragraph 1 Item 2 of Consolidated Financial Statements Regulations.

Other 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 balance sheet dates of consolidated subsidiaries

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

June 30	2	companies
September 30	5	companies
October 31	1	company
November 30	2	companies
December 31	64	companies
January 31	1	company
February 28	2	companies
March 31	85	companies

A consolidated overseas subsidiary changed its balance sheet date from December 31 to March 31 from this fiscal year. Therefore, SMFG's consolidated financial statements include the subsidiary's profit or loss for the period from January 1, 2005 to March 31, 2006. However, this change had no material impact on the consolidated financial statements.

(2) The subsidiaries whose balance sheet dates are June 30, September 30 and November 30 are consolidated after the accounts were provisionally closed as of March 31 for the purpose of consolidation. As for the subsidiary whose balance sheet date is October 31, its financial statements are consolidated based on the provisional financial statements closed as of January 31. A consolidated subsidiary (established in January 2006) whose balance sheet date is December 31 is consolidated after the accounts were provisionally closed as of March 31 for the purpose of consolidation. The other companies are consolidated on the basis of their respective balance sheet dates.

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

4. Accounting policies

Please refer to the "Notes to Consolidated Balance Sheet" and "Notes to Consolidated Statement of Income."

5. Valuation of consolidated subsidiaries' assets and liabilities

Assets and liabilities of consolidated subsidiaries including the portion attributable to minority shareholders are valued for consolidation at fair value when SMFG acquires their control.

6. Amortization of goodwill

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

7. Appropriation of retained earnings

"Consolidated Statement of Capital Surplus and Retained Earnings" reflects the appropriation of retained earnings made during the consolidated fiscal year.

8. Scope of "Cash and cash equivalents" on Consolidated Statements of Cash Flows

Please refer to the "Notes to Consolidated Statement of Cash Flows."

CONSOLIDATED BALANCE SHEET

March 31, 2006	(Millions of yen)
Assets:	
Cash and due from banks	7,107,469
Call loans and bills bought	651,905
Receivables under resale agreements	117,474
Receivables under securities borrowing transactions	1,956,650
Commercial paper and other debt purchased	633,760
Trading assets	4,078,025
Money held in trust	2,912
Securities	25,505,861
Loans and bills discounted	57,267,203
Foreign exchanges	947,744
Other assets	3,403,832
Premises and equipment	806,369
Lease assets	999,915
Deferred tax assets	1,051,609
Goodwill	6,612
Customers' liabilities for acceptances and guarantees	3,508,695
Reserve for possible loan losses	(1,035,468)
Total assets	<u>107,010,575</u>
Liabilities:	
Deposits	70,834,125
Negotiable certificates of deposit	2,708,643
Call money and bills sold	8,016,410
Payables under repurchase agreements	396,205
Payables under securities lending transactions	2,747,125
Commercial paper	10,000
Trading liabilities	2,908,158
Borrowed money	2,133,707
Foreign exchanges	447,722
Short-term bonds	383,900
Bonds	4,241,417
Due to trust account	318,597
Other liabilities	2,625,594
Reserve for employee bonuses	25,300
Reserve for employee retirement benefits	36,786
Other reserves	1,141
Deferred tax liabilities	49,484
Deferred tax liabilities for land revaluation	50,133
Acceptances and guarantees	3,508,695
Total liabilities	<u>101,443,151</u>
Minority interests	<u>1,113,025</u>
Stockholders' equity:	
Capital stock	1,420,877
Capital surplus	1,229,225
Retained earnings	992,064
Land revaluation excess	38,173
Net unrealized gains on other securities	819,927
Foreign currency translation adjustments	(41,475)
Treasury stock	(4,393)
Total stockholders' equity	<u>4,454,399</u>
Total liabilities, minority interests and stockholders' equity	<u>107,010,575</u>

Notes to Consolidated Balance Sheet

1. Amounts less than one million yen have been omitted.
2. Transactions for trading purposes (seeking gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market related indices or from variation among markets) are included in “Trading assets” or “Trading liabilities” on the consolidated balance sheet on a trade date basis.

Securities and monetary claims purchased for trading purposes are stated at the fiscal year-end market value, and financial derivatives such as swaps, futures and options are stated at amounts that would be settled if the transactions were terminated at the consolidated balance sheet date.
3. 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 fiscal year, and bonds and others that have market prices are carried at their fiscal year-end market prices (cost of securities sold is calculated using primarily the moving-average method). Other securities with no 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 “Stockholders’ equity,” after deducting the amount that is reflected in the fiscal year’s earnings by applying fair value hedge accounting.
4. Securities included in money held in trust are carried in the same method as in Notes 2 and 3.
5. Derivative transactions, excluding those classified as trading derivatives, are carried at fair value, though some consolidated overseas subsidiaries account for derivative transactions in accordance with their local accounting standards.
6. Premises and equipment owned by Sumitomo Mitsui Financial Group, Inc. (SMFG) and its consolidated subsidiary, Sumitomo Mitsui Banking Corporation (SMBC) are depreciated using the straight-line method for premises and the declining-balance method for equipment. The estimated useful lives of major items are as follows:

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

Other consolidated subsidiaries depreciate premises and equipment, 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.
7. 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).
8. SMBC’s assets and liabilities denominated in foreign currencies and overseas branches’ accounts are translated into Japanese yen mainly at the exchange rate prevailing at the consolidated balance sheet date, with the exception of stocks of subsidiaries and affiliates translated at rates prevailing at the time of acquisition.

Other consolidated subsidiaries’ assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at their respective balance sheet dates.
9. 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 799,143 million yen.

10. Reserve for employee bonuses is provided for payment of bonuses to employees, in the amount of estimated bonuses, which are attributable to the fiscal year.
11. Reserve for employee retirement benefits is provided for payment of retirement benefits to employees, in the amount deemed accrued at the fiscal year-end, based on the projected retirement benefit obligation and the fair value of plan assets at the fiscal year-end.

Unrecognized prior service cost is amortized using the straight-line method, primarily over 10 years within the employees' average remaining service period at incurrence.

Unrecognized net actuarial gain (loss) is amortized using the straight-line method, primarily over 10 years within the employees' average remaining service period, commencing from the next fiscal year of incurrence.
12. 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 in the same method as operating leases.
13. 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 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. At the fiscal year-end, gross amounts of deferred hedge losses and gains on "macro hedge" were 100,159 million yen and 78,635 million yen, respectively.
14. 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.
15. 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 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).

16. National and local consumption taxes of SMFG and its consolidated domestic subsidiaries are accounted for using the tax-excluded method.
17. 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 yen, and reserve for contingent liabilities from securities transactions in accordance with Article 51 of the Securities and Exchange Law of 1,122 million yen.
18. Accumulated depreciation on premises and equipment and accumulated depreciation on lease assets amounted to 546,672 million yen and 1,564,686 million yen, respectively.
19. Deferred gain on real property deductible for tax purposes amounted to 65,269 million yen.
20. Bankrupt loans and Non-accrual loans were 59,332 million yen and 714,366 million yen, 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.
21. Past due loans (3 months or more) totaled 24,571 million yen.
 “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.”
22. Restructured loans totaled 444,889 million yen.
 “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).”
23. The total amount of Bankrupt loans, Non-accrual loans, Past due loans (3 months or more) and Restructured loans was 1,243,160 million yen. The amounts of loans presented in Notes 20 to 23 above are the amounts before deduction of reserve for possible loan losses.
24. 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 891,160 million yen, and bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought that were rediscounted by the banking subsidiaries accounted for 2,918 million yen of the total amount.

25. Assets pledged as collateral were as follows:

	(Millions of yen)
Assets pledged as collateral	
Cash and due from banks	79,117
Trading assets	114,551
Securities	9,229,645
Loans and bills discounted	1,552,435
Other assets (installment account receivable etc.)	1,131
Liabilities corresponding to assets pledged as collateral	
Deposits	19,111
Call money and bills sold	6,996,598
Payables under repurchase agreements	383,597
Payables under securities lending transactions	2,543,261
Trading liabilities	196,137
Borrowed money	27,019
Other liabilities	36,317
Acceptances and guarantees	157,658

In addition, Cash and due from banks of 6,729 million yen, Trading assets of 665,395 million yen and Securities of 4,072,275 million yen were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes.

Premises and equipment include surety deposits and intangible of 97,162 million yen, and Other assets include initial margins of futures markets of 14,631 million yen.

26. Net amount of deferred unrealized gains (losses) on hedging instruments to which deferred hedge accounting is applied is reported as deferred losses on hedge and is included in "Other assets." Gross deferred unrealized losses and gains on hedging instruments were 610,517 million yen and 436,183 million yen, respectively.

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

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

Date of the revaluation

SMBC:

March 31, 1998 and March 31, 2002

Certain other consolidated subsidiaries:

March 31, 1999 and March 31, 2002

Method of revaluation (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.

The total fair value of land used for business activities at the fiscal year-end, whose book value had been revaluated pursuant to Article 10 of the Law, was 15,253 million yen lower than the book value.

28. The balance of subordinated debt included in "Borrowed money" was 622,500 million yen.

29. The balance of subordinated bonds included in "Bonds" was 2,132,066 million yen.

30. Stockholders' equity per share was 400,168.90 yen.

31. Market value and unrealized gains (losses) on securities are shown as below:

The amounts shown in the following tables include trading securities and short-term bonds classified as "Trading assets," negotiable certificates of deposit bought classified as "Cash and due from banks," and beneficiary claims on commodity investment trusts classified as "Commercial paper and other debt purchased," in addition to "Securities" stated in the consolidated balance sheet. This definition is applied up to Notes 34.

(1) Securities classified as trading purposes

As of March 31, 2006	(Millions of yen)
Consolidated balance sheet amount	1,088,599
Valuations gains (losses) included in the earnings for the fiscal year	(648)

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

As of March 31, 2006	(Millions of yen)				
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	750,204	730,568	(19,635)	306	19,942
Japanese local government bonds	96,892	93,527	(3,365)	-	3,365
Japanese corporate bonds	379,614	371,560	(8,053)	-	8,053
Other	19,619	19,893	274	274	-
Total	1,246,330	1,215,549	(30,781)	580	31,361

(3) Other securities with market value

As of March 31, 2006	(Millions of yen)				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	1,903,193	3,605,884	1,702,690	1,722,129	19,438
Bonds	12,683,880	12,386,646	(297,233)	988	298,222
Japanese government bonds	11,083,609	10,815,889	(267,720)	173	267,894
Japanese local government bonds	525,076	510,885	(14,191)	282	14,473
Japanese corporate bonds	1,075,194	1,059,872	(15,321)	532	15,854
Other	4,194,178	4,162,057	(32,120)	48,052	80,172
Total	18,781,252	20,154,589	1,373,337	1,771,170	397,833

Net unrealized gains on other securities shown above include losses of 3,193 million yen that is recognized in the fiscal year's earnings by applying fair value hedge accounting. As a result, the amount to be recorded in stockholders' equity is 1,376,530 million yen.

"Net unrealized gains on other securities" includes 819,757 million yen which is the sum of the following items:

		(Millions of yen)
Net unrealized gains to be included in stockholders' equity, as a result of applying fair value hedge accounting		(a) 1,376,530
(-)	Deferred tax liabilities	(b) 559,416
(c) = (a) - (b)		817,114
(-)	Minority interests corresponding to	8,343
(+)	SMFG's interests of net unrealized gains on valuation of other securities held by affiliates accounted for by the equity method	10,986
Total		819,757

Other securities with market value are considered as impaired if the market value decreases materially below the acquisition cost and such decline is not considered as recoverable. The market value is recognized as the consolidated balance sheet amount and the amount of write-down is accounted for as valuation loss for the fiscal year. Valuation loss for the fiscal year was 97 million yen. 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

32. The amount of other securities sold during the fiscal year is as follows:

Year ended March 31, 2006		(Millions of yen)
Sales amount	Gains on sales	Losses on sales
33,089,259	138,964	78,609

33. Summary information on securities with no available market value is as follows:

As of March 31, 2006	(Millions of yen)
	Consolidated balance sheet amount
Bonds classified as held-to-maturity	
Unlisted foreign securities	269
Other	3,758
Other securities	
Unlisted stocks (excluding OTC stocks)	402,747
Unlisted bonds	2,518,691
Unlisted foreign securities	457,953
Other	309,303

34. Redemption schedule of other securities with maturities and held-to-maturity bonds is as follows:

As of March 31, 2006	(Millions of yen)			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Bonds	5,841,530	4,784,630	2,468,673	3,037,217
Japanese government bonds	5,339,631	2,060,842	1,239,560	2,926,058
Japanese local government bonds	32,135	252,239	322,956	445
Japanese corporate bonds	469,763	2,471,547	906,156	110,713
Other	870,175	1,564,473	682,146	848,570
Total	6,711,706	6,349,103	3,150,820	3,885,788

35. Information on money held in trust is as follows:

Other money held in trust

As of March 31, 2006		(Millions of yen)		
Acquisition cost	Consolidated balance sheet amount	Net unrealized gains	Unrealized gains	Unrealized losses
2,703	2,912	209	209	–

Net unrealized gains on other money held in trust of 124 million yen (after the deduction of 84 million yen in deferred tax liabilities from the above 209 million yen in net unrealized gains) are included in “Net unrealized gains on other securities.”

36. Japanese government bonds and Stocks as a sub-account of Securities include 1,331 million yen 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, that are permitted to be sold or pledged without restrictions, 1,713,027 million yen of securities are pledged, and 199,720 million yen of securities are held in hand as of the consolidated balance sheet date.

37. 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 was 38,176,896 million yen, and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time was 32,754,665 million yen. 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.

38. Information on projected benefit obligation and others at the fiscal year-end is shown as follows:

	(Millions of yen)
Projected benefit obligation	(909,802)
Plan assets (fair value)	1,236,535
Unfunded projected benefit obligation	326,733
Unrecognized net actuarial gain or loss	(126,816)
Unrecognized prior service costs (net)	(59,727)
Net amount recorded on the consolidated balance sheet	140,189
Prepaid pension cost	176,976
Reserve for employee retirement benefits	(36,786)

39. Effective April 1, 2005, SMFG applied “Accounting Standards for Impairment of Fixed Assets” (“Opinion Concerning Establishment of Accounting Standard for Impairment on Fixed Assets,” issued by the Business Accounting Council on August 9, 2002) and “Guidelines on Implementation of Accounting Standard for Impairment of Fixed Assets” (Guidelines on Implementation of Business Accounting Standard No.6, issued on October 31, 2003). As a result, net income before income taxes and minority interests decreased by 11,523 million yen compared with the former method.

In the banking industry, fixed assets are stated at cost less accumulated depreciation pursuant to the Enforcement Ordinance of the Banking Law. Accumulated impairment loss is also deducted from the book value of each asset.

40. On January 31, 2006, SMFG issued 80,000 new shares of common stock at 1,130,500 yen per share (issue price) for final allocation by underwriters at 1,166,200 yen per share (offer price). Furthermore, in connection with the over-allotment of 40,700 shares of common stock offered for sale at 1,166,200 yen per share (sales price) in the public offering, SMFG issued on February 28, 2006 the same number of new shares of common stock at 1,130,500 yen per share (issue price) through third-party allocation to the underwriter who conducted the over-allotment. The purchase agreement for the offering prescribes that the total amount of issue price be treated as the total amount of subscription price and no underwriting commission be paid. Accordingly, Other expenses do not include the amount equivalent to the underwriting commission for the offering. Out of the issue price per share, 565,250 yen is accounted for as capital stock and 565,250 yen as capital surplus.

Also, on January 31, 2006, SMFG disposed of 400,000 shares of treasury stock at 1,130,500 yen per share (disposal price) for final allocation by underwriters at 1,166,200 yen per share (sales price). The purchase agreement for the offering prescribes that the total amount of disposal price be treated as the total amount of subscription price and no underwriting commission be paid. Accordingly, Other expenses do not include the amount equivalent to the underwriting commission for the offering. The difference between the disposal price and the book value of the treasury stock sold in the offering is accounted for as Other capital surplus.

41. On April 27, 2006, SMBC was issued administrative orders (business suspension order and business improvement order) in respect to the manner in which it marketed interest rate swaps at its Corporate Business Offices, by the Financial Services Agency, pursuant to Article 26-1 of the Banking Law.

42. On April 28, 2006, SMFG resolved to make SMBC Friend Securities Co., Ltd. ("Friend Securities") into a wholly-owned subsidiary of SMFG through a share exchange, subject to regulatory approval, in order to establish a new business model distinct from the conventional one by combining banking and securities businesses and maximizing synergies between them, and signed a share exchange agreement whose effective date is September 1, 2006 with Friend Securities.

43. SMFG resolved to repurchase shares of Type 1 preferred stock and Type 2 preferred stock owned by the Resolution and Collection Corporation and retire such shares at the meeting of the Board of Directors held on May 12, 2006, and carried it out on May 17, 2006 as described below. The repurchase of the preferred shares was executed within SMFG's own stock repurchase limit pursuant to Article 210 of the former Commercial Code. The amount of retired shares was deducted from Capital surplus.

Details of repurchase and retirement

1. Type 1 preferred stock

(1) Number of shares to be repurchased: 35,000 shares

(2) Total amount of repurchase: 141,960,000,000 yen

2. Type 2 preferred stock

(1) Number of shares to be repurchased: 33,000 shares

(2) Total amount of repurchase: 133,956,900,000 yen

CONSOLIDATED STATEMENT OF INCOME

Year ended March 31, 2006	(Millions of yen)
Ordinary income:	3,705,136
Interest income	1,662,600
Interest on loans and discounts	1,214,142
Interest and dividends on securities	317,352
Interest on call loans and bills bought	14,330
Interest on receivables under resale agreements	6,767
Interest on receivables under securities borrowing transactions	613
Interest on deposits with banks	59,875
Other interest income	49,519
Trust fees	8,631
Fees and commissions	703,928
Trading profits	32,807
Other operating income	1,144,147
Lease-related income	429,274
Installment-related income	238,537
Other	476,335
Other income	153,021
Ordinary expenses:	2,741,582
Interest expenses	500,993
Interest on deposits	266,648
Interest on negotiable certificates of deposit	12,877
Interest on call money and bills sold	5,969
Interest on payables under repurchase agreements	7,447
Interest on payables under securities lending transactions	58,292
Interest on commercial paper	69
Interest on borrowed money	29,016
Interest on short-term bonds	375
Interest on bonds	86,010
Other interest expenses	34,285
Fees and commissions	84,336
Other operating expenses	876,635
Lease-related expenses	385,307
Installment-related expenses	219,026
Other	272,301
General and administrative expenses	853,796
Other expenses	425,819
Provision for reserve for possible loan losses	163,549
Other	262,269
Ordinary profit	963,554
Extraordinary gains	97,952
Gains on disposal of premises and equipment	5,794
Collection of written-off claims	31,584
Other extraordinary gains	60,574
Extraordinary losses	18,144
Losses on disposal of premises and equipment	5,242
Losses on impairment of fixed assets	12,303
Provision for reserve for contingent liabilities from securities transactions	47
Other extraordinary losses	551
Income before income taxes and minority interests	1,043,362
Income taxes	
Current	69,818
Deferred	226,901
Minority interests in net income	59,800
Net income	686,841

Notes to Consolidated Statement of Income

1. Amounts less than one million yen have been omitted.
2. Net income per share was 94,733.62 yen.
3. Net income per share (diluted) was 75,642.94 yen.
4. Profits and losses on trading-purpose transactions are recognized on a trade date basis, and recorded as “Trading profits” and “Trading losses.” Both accounts include interest received or paid during the fiscal year. The year-on-year valuation differences of securities and money claims are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the year-on-year valuation differences are also recorded in the above-mentioned accounts.
5. Standards for recognizing lease-related income on lease transactions and income/expenses on installment sales are as follows:
 - (1) 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.
 - (2) 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 term of the installment sales.
6. “Other income” included gains on sales of stocks and other securities of 93,433 million yen and equity in earnings of affiliates of 31,887 million yen.
7. “Other” in “Other expenses” included write-off of loans of 69,355 million yen, losses on devaluation of stocks and other securities of 32,345 million yen and losses on delinquent loans sold of 100,666 million yen.
8. “Other extraordinary gains” included gains on sale of a subsidiary’s shares and change in equity of the subsidiary of 60,574 million yen.
9. 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 “Extraordinary losses” in the fiscal year.

				(Millions of yen)
Area	Purpose of use		Type	Impairment loss
Tokyo metropolitan area	Idle assets	47 items	Land and premises etc.	5,277
Kinki area	Branches	15 branches	Land and premises etc.	4,668
	Idle assets	29 items		2,022
Other	Idle assets	15 items	Land and premises etc.	334

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, this interim term, 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 “Extraordinary losses.”

Recoverable amounts of some of the branches are calculated based on future cash flows using a discount rate of 5-6%. Recoverable amounts of other assets 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.

**CONSOLIDATED STATEMENT OF
CAPITAL SURPLUS AND RETAINED EARNINGS**

Year ended March 31, 2006

(Millions of yen)

Capital surplus

Capital surplus at beginning of year	974,346
Increase of capital surplus	254,878
Issuance of stocks due to capital increase	68,225
Gains on disposal of treasury stock	186,653
Capital surplus at end of year	<u>1,229,225</u>

Retained earnings

Retained earnings at beginning of year	329,963
Increase of retained earnings	706,506
Net income	686,841
Increase due to increase of consolidated subsidiaries	3
Increase due to decrease of consolidated subsidiaries	11
Increase due to transfer of land revaluation excess	19,649
Decrease of retained earnings	44,405
Dividends paid	44,389
Decrease due to increase of consolidated subsidiaries	5
Decrease due to decrease of consolidated subsidiaries	10
Retained earnings at end of year	<u>992,064</u>

(Note) Amounts less than one million yen have been omitted.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2006

(Millions of yen)

1. Cash flows from operating activities:	
Income before income taxes and minority interests	1,043,362
Depreciation of premises, equipment and others	82,671
Depreciation of lease assets	336,871
Losses on impairment of fixed assets	12,303
Amortization of goodwill	6,270
Equity in earnings of affiliates	(31,887)
Gains on sale of subsidiaries' shares and gains on change in equity of subsidiary	(63,257)
Net change in reserve for possible loan losses	(241,530)
Net change in reserve for employee bonuses	1,403
Net change in reserve for employee retirement benefits	1,993
Net change in reserve for expenses related to EXPO 2005 Japan	(231)
Interest income	(1,662,600)
Interest expenses	500,993
Net (gains) losses on securities	(27,853)
Net (gains) losses from money held in trust	(13)
Net exchange (gains) losses	(175,815)
Net (gains) losses from disposal of premises and equipment	(551)
Net (gains) losses from disposal of lease assets	(3,235)
Net change in trading assets	(225,005)
Net change in trading liabilities	746,642
Net change in loans and bills discounted	(2,311,499)
Net change in deposits	2,210,634
Net change in negotiable certificates of deposit	(8,026)
Net change in borrowed money (excluding subordinated debt)	90,612
Net change in deposits with banks	175,960
Net change in call loans and bills bought and others	342,387
Net change in receivables under securities borrowing transactions	(1,388,310)
Net change in call money and bills sold and others	3,027,037
Net change in commercial paper	(364,100)
Net change in payables under securities lending transactions	(1,120,876)
Net change in foreign exchanges (assets)	(46,473)
Net change in foreign exchanges (liabilities)	(31,381)
Net change in short-term bonds (liabilities)	382,900
Issuance and redemption of bonds (excluding subordinated bonds)	(365,646)
Net change in due to trust account	268,140
Interest received	1,691,320
Interest paid	(509,760)
Other, net	(104,996)
Subtotal	2,238,450
Income taxes paid	(30,096)
Net cash provided by operating activities	2,208,354
2. Cash flows from investing activities:	
Purchases of securities	(43,620,790)
Proceeds from sale of securities	33,089,259
Proceeds from maturity of securities	10,164,213
Purchases of money held in trust	(2,851)
Proceeds from sale of money held in trust	3,789
Purchases of premises and equipment	(43,066)
Proceeds from sale of premises and equipment	17,733
Purchases of lease assets	(380,894)
Proceeds from sale of lease assets	55,186
Proceeds from sale of stocks of subsidiaries	54,937
Net cash used in investing activities	(662,482)
3. Cash flows from financing activities:	
Proceeds from issuance of subordinated debt	103,000
Repayment of subordinated debt	(215,884)
Proceeds from issuance of subordinated bonds and bonds with stock acquisition rights	431,458
Repayment of subordinated bonds and bonds with stock acquisition rights	(198,800)
Proceeds from issuance of stocks	136,451
Dividends paid	(44,373)
Proceeds from minority stockholders	59,640
Dividends paid to minority stockholders	(42,366)
Purchases of treasury stock	(2,209)
Proceeds from sale of treasury stock	452,549
Net cash provided by financing activities	679,464
4. Effect of exchange rate changes on cash and cash equivalents	3,840
5. Net change in cash and cash equivalents	2,229,177
6. Cash and cash equivalents at beginning of year	2,930,645
7. Change in cash and cash equivalents due to exclusion of consolidated subsidiaries	(0)
8. Cash and cash equivalents at end of year	5,159,822

Notes to Consolidated Statement of Cash Flows

1. Amounts less than one million yen have been omitted.
2. For the purposes of presenting the consolidated statement of cash flows, “Cash and cash equivalents” are cash on hand and non-interest earning deposits with banks.
3. Reconciliation of “Cash and due from banks” of the consolidated balance sheet to “Cash and cash equivalents” at the fiscal year-end is as follows:

<u>March 31, 2006</u>	<u>(Millions of yen)</u>
Cash and due from banks	7,107,469
<u>Interest-earning deposits</u>	<u>(1,947,647)</u>
Cash and cash equivalents	<u>5,159,822</u>

COMPARATIVE CONSOLIDATED BALANCE SHEETS (CONDENSED)

	March 31,		(Millions of yen)
	2006 (A)	2005 (B)	Change (A-B)
Assets:			
Cash and due from banks	7,107,469	4,989,814	2,117,655
Call loans and bills bought	651,905	1,004,512	(352,607)
Receivables under resale agreements	117,474	124,856	(7,382)
Receivables under securities borrowing transactions	1,956,650	568,340	1,388,310
Commercial paper and other debt purchased	633,760	606,032	27,728
Trading assets	4,078,025	3,769,073	308,952
Money held in trust	2,912	3,832	(920)
Securities	25,505,861	24,233,701	1,272,160
Loans and bills discounted	57,267,203	54,799,805	2,467,398
Foreign exchanges	947,744	895,586	52,158
Other assets	3,403,832	3,110,454	293,378
Premises and equipment	806,369	836,053	(29,684)
Lease assets	999,915	1,007,015	(7,100)
Deferred tax assets	1,051,609	1,598,158	(546,549)
Goodwill	6,612	13,381	(6,769)
Customers' liabilities for acceptances and guarantees	3,508,695	3,444,799	63,896
Reserve for possible loan losses	(1,035,468)	(1,273,560)	238,092
Total assets	107,010,575	99,731,858	7,278,717
Liabilities:			
Deposits	70,834,125	68,474,861	2,359,264
Negotiable certificates of deposit	2,708,643	2,713,270	(4,627)
Call money and bills sold	8,016,410	4,971,462	3,044,948
Payables under repurchase agreements	396,205	405,671	(9,466)
Payables under securities lending transactions	2,747,125	3,868,001	(1,120,876)
Commercial paper	10,000	374,100	(364,100)
Trading liabilities	2,908,158	2,110,473	797,685
Borrowed money	2,133,707	2,142,873	(9,166)
Foreign exchanges	447,722	478,482	(30,760)
Short-term bonds	383,900	1,000	382,900
Bonds	4,241,417	4,339,497	(98,080)
Due to trust account	318,597	50,457	268,140
Other liabilities	2,625,594	2,363,786	261,808
Reserve for employee bonuses	25,300	23,816	1,484
Reserve for employee retirement benefits	36,786	34,792	1,994
Reserve for expenses related to EXPO 2005 Japan	–	231	(231)
Other reserves	1,141	1,093	48
Deferred tax liabilities	49,484	45,259	4,225
Deferred tax liabilities for land revaluation	50,133	90,994	(40,861)
Acceptances and guarantees	3,508,695	3,444,799	63,896
Total liabilities	101,443,151	95,934,927	5,508,224
Minority interests	1,113,025	1,021,203	91,822
Total stockholders' equity	4,454,399	2,775,728	1,678,671
Total liabilities, minority interests and stockholders' equity	107,010,575	99,731,858	7,278,717

(Note) Amounts less than one million yen have been omitted.

COMPARATIVE CONSOLIDATED STATEMENTS OF OPERATIONS (CONDENSED)

	Year ended March 31,		(Millions of yen)
	2006 (A)	2005 (B)	Change (A-B)
Ordinary income:	3,705,136	3,580,796	124,340
Interest income	1,662,600	1,521,728	140,872
Interest on loans and discounts	1,214,142	1,145,653	68,489
Interest and dividends on securities	317,352	256,396	60,956
Trust fees	8,631	2,609	6,022
Fees and commissions	703,928	596,086	107,842
Trading profits	32,807	144,587	(111,780)
Other operating income	1,144,147	1,058,289	85,858
Other income	153,021	257,495	(104,474)
Ordinary expenses:	2,741,582	3,611,089	(869,507)
Interest expenses	500,993	350,385	150,608
Interest on deposits	266,648	131,498	135,150
Fees and commissions	84,336	79,976	4,360
Trading losses	–	199	(199)
Other operating expenses	876,635	867,748	8,887
General and administrative expenses	853,796	852,715	1,081
Other expenses	425,819	1,460,064	(1,034,245)
Ordinary profit (loss)	963,554	(30,293)	993,847
Extraordinary gains	97,952	9,074	88,878
Extraordinary losses	18,144	87,316	(69,172)
Income (loss) before income taxes and minority interests	1,043,362	(108,535)	1,151,897
Income taxes			
Current	69,818	30,638	39,180
Refund	–	8,869	(8,869)
Deferred	226,901	52,912	173,989
Minority interests in net income	59,800	50,983	8,817
Net income (loss)	686,841	(234,201)	921,042

(Note) Amounts less than one million yen have been omitted.

**COMPARATIVE CONSOLIDATED STATEMENTS OF
CAPITAL SURPLUS AND RETAINED EARNINGS (CONDENSED)**

	Year ended March 31,		(Millions of yen)
	2006	2005	Change
	(A)	(B)	(A-B)
<u>Capital surplus</u>			
Capital surplus at beginning of year	974,346	865,282	109,064
Increase of capital surplus	<u>254,878</u>	<u>109,064</u>	<u>145,814</u>
Capital surplus at end of year	<u><u>1,229,225</u></u>	<u><u>974,346</u></u>	<u><u>254,879</u></u>
<u>Retained earnings</u>			
Retained earnings at beginning of year	329,963	611,189	(281,226)
Increase of retained earnings	706,506	3,863	702,643
Decrease of retained earnings	<u>44,405</u>	<u>285,088</u>	<u>(240,683)</u>
Retained earnings at end of year	<u><u>992,064</u></u>	<u><u>329,963</u></u>	<u><u>662,101</u></u>

(Note) Amounts less than one million yen have been omitted.

COMPARATIVE CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended March 31,		(Millions of yen)
	2006 (A)	2005 (B)	Change (A-B)
1. Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	1,043,362	(108,535)	1,151,897
Depreciation of premises, equipment and others	82,671	84,120	(1,449)
Depreciation of lease assets	336,871	340,777	(3,906)
Losses on impairment of fixed assets	12,303	-	12,303
Amortization of goodwill	6,270	10,017	(3,747)
Equity in earnings of affiliates	(31,887)	(27,142)	(4,745)
Gains on sale of subsidiaries' shares and gains on change in equity of subsidiary	(63,257)	-	(63,257)
Net change in reserve for possible loan losses	(241,530)	(140,104)	(101,426)
Net change in reserve for employee bonuses	1,403	1,497	(94)
Net change in reserve for employee retirement benefits	1,993	134,819	(132,826)
Net change in reserve for expenses related to EXPO 2005 Japan	(231)	114	(345)
Interest income	(1,662,600)	(1,521,728)	(140,872)
Interest expenses	500,993	350,385	150,608
Net (gains) losses on securities	(27,853)	102,784	(130,637)
Net (gains) losses from money held in trust	(13)	(0)	(13)
Net exchange (gains) losses	(175,815)	(105,603)	(70,212)
Net (gains) losses from disposal of premises and equipment	(551)	63,973	(64,524)
Net (gains) losses from disposal of lease assets	(3,235)	(3,345)	110
Net change in trading assets	(225,005)	(468,577)	243,572
Net change in trading liabilities	746,642	246,434	500,208
Net change in loans and bills discounted	(2,311,499)	468,339	(2,779,838)
Net change in deposits	2,210,634	3,137,797	(927,163)
Net change in negotiable certificates of deposit	(8,026)	(806,192)	798,166
Net change in borrowed money (excluding subordinated debt)	90,612	(180,888)	271,500
Net change in deposits with banks	175,960	(245,726)	421,686
Net change in call loans and bills bought and others	342,387	(743,218)	1,085,605
Net change in receivables under securities borrowing transactions	(1,388,310)	440,987	(1,829,297)
Net change in call money and bills sold and others	3,027,037	(2,013,905)	5,040,942
Net change in commercial paper	(364,100)	91,400	(455,500)
Net change in payables under securities lending transactions	(1,120,876)	(2,078,345)	957,469
Net change in foreign exchanges (assets)	(46,473)	(151,254)	104,781
Net change in foreign exchanges (liabilities)	(31,381)	(94,405)	63,024
Net change in short-term bonds (liabilities)	382,900	1,000	381,900
Issuance and redemption of bonds (excluding subordinated bonds)	(365,646)	130,498	(496,144)
Net change in due to trust account	268,140	14,424	253,716
Interest received	1,691,320	1,553,995	137,325
Interest paid	(509,760)	(336,234)	(173,526)
Net change in payable on trading and securities contracts	-	(1,020,879)	1,020,879
Other, net	(104,996)	(350,488)	245,492
Subtotal	2,238,450	(3,223,208)	5,461,658
Income taxes paid	(30,096)	(56,914)	26,818
Net cash provided by (used in) operating activities	2,208,354	(3,280,122)	5,488,476
2. Cash flows from investing activities:			
Purchases of securities	(43,620,790)	(46,309,832)	2,689,042
Proceeds from sale of securities	33,089,259	36,134,383	(3,045,124)
Proceeds from maturity of securities	10,164,213	13,118,211	(2,953,998)
Purchases of money held in trust	(2,851)	-	(2,851)
Proceeds from sale of money held in trust	3,789	0	3,789
Purchases of premises and equipment	(43,066)	(56,945)	13,879
Proceeds from sale of premises and equipment	17,733	93,474	(75,741)
Purchases of lease assets	(380,894)	(396,497)	15,603
Proceeds from sale of lease assets	55,186	43,702	11,484
Proceeds from sale of stocks of subsidiaries	54,937	-	54,937
Purchases of stocks of subsidiaries	-	(2,970)	2,970
Net cash provided by (used in) investing activities	(662,482)	2,623,525	(3,286,007)
3. Cash flows from financing activities:			
Proceeds from issuance of subordinated debt	103,000	36,000	67,000
Repayment of subordinated debt	(215,884)	(72,212)	(143,672)
Proceeds from issuance of subordinated bonds and bonds with stock acquisition rights	431,458	440,237	(8,779)
Repayment of subordinated bonds and bonds with stock acquisition rights	(198,800)	(234,983)	36,183
Proceeds from issuance of stocks	136,451	210,003	(73,552)
Dividends paid	(44,373)	(46,463)	2,090
Proceeds from minority stockholders	59,640	21,024	38,616
Dividends paid to minority stockholders	(42,366)	(39,457)	(2,909)
Purchases of treasury stock	(2,209)	(269,012)	266,803
Proceeds from sale of treasury stock	452,549	9,063	443,486
Net cash provided by financing activities	679,464	54,199	625,265
4. Effect of exchange rate changes on cash and cash equivalents	3,840	(378)	4,218
5. Net change in cash and cash equivalents	2,229,177	(602,776)	2,831,953
6. Cash and cash equivalents at beginning of year	2,930,645	3,529,479	(598,834)
7. Change in cash and cash equivalents due to merger of consolidated subsidiaries	-	3,941	(3,941)
8. Change in cash and cash equivalents due to exclusion of consolidated subsidiaries	(0)	-	(0)
9. Cash and cash equivalents at end of year	5,159,822	2,930,645	2,229,177

(Note) Amounts less than one million yen have been omitted.

V. SEGMENT INFORMATION**(1) Business segment information**

Year ended March 31, 2006 (Millions of yen)

	Banking business	Leasing business	Other business	Total	Elimination and unallocated corporate assets	Consolidated
Ordinary income						
(1) External customers	2,485,470	755,137	464,529	3,705,136	–	3,705,136
(2) Intersegment	44,864	18,503	204,294	267,661	(267,661)	–
Total	2,530,334	773,640	668,823	3,972,798	(267,661)	3,705,136
Ordinary expenses	1,764,055	728,363	487,692	2,980,111	(238,529)	2,741,582
Ordinary profit	766,278	45,277	181,130	992,686	(29,131)	963,554
Assets	103,026,827	2,056,078	6,083,193	111,166,100	(4,155,524)	107,010,575
Depreciation	62,886	337,345	21,274	421,505	13	421,519
Losses on impairment of fixed assets	7,435	620	4,247	12,303	–	12,303
Capital expenditure	62,482	384,370	22,859	469,711	0	469,711

(Notes)

- 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.
- "Other business" includes securities, credit card business, investment banking, loans, venture capital, system development and information processing.
- Amount of assets that are included in "Elimination and unallocated corporate assets" is 4,214,877 million yen, most of which are stocks of SMFG's subsidiaries and affiliates.

Year ended March 31, 2005 (Millions of yen)

	Banking business	Leasing business	Other business	Total	Elimination and unallocated corporate assets	Consolidated
Ordinary income						
(1) External customers	2,447,122	706,860	426,813	3,580,796	–	3,580,796
(2) Intersegment	41,862	19,723	190,226	251,812	(251,812)	–
Total	2,488,984	726,583	617,040	3,832,609	(251,812)	3,580,796
Ordinary expenses	2,643,533	684,652	505,793	3,833,979	(222,889)	3,611,089
Ordinary profit (loss)	(154,548)	41,931	111,246	(1,370)	(28,922)	(30,293)
Assets	96,420,384	1,924,019	5,649,310	103,993,713	(4,261,855)	99,731,858
Depreciation	60,568	343,134	24,248	427,951	14	427,966
Capital expenditure	66,189	400,119	27,112	493,421	9	493,430

(2) Geographic segment information

Year ended March 31, 2006						(Millions of yen)	
	Japan	The Americas	Europe	Asia and Oceania	Total	Elimination and unallocated corporate assets	Consolidated
Ordinary income							
(1) External customers	3,256,730	176,443	125,351	146,611	3,705,136	–	3,705,136
(2) Intersegment	70,044	41,114	2,836	36,345	150,341	(150,341)	–
Total	3,326,774	217,558	128,188	182,956	3,855,478	(150,341)	3,705,136
Ordinary expenses	2,482,510	152,350	103,720	136,967	2,875,548	(133,966)	2,741,582
Ordinary profit	844,264	65,208	24,468	45,988	979,929	(16,375)	963,554
Assets	97,046,578	5,034,350	2,825,039	3,856,601	108,762,570	(1,751,994)	107,010,575

(Notes)

- 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.
- 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.
- Amount of assets that are included in "Elimination and unallocated corporate assets" is 4,214,877 million yen, most of which are stocks of SMFG's subsidiaries and affiliates.

Year ended March 31, 2005						(Millions of yen)	
	Japan	The Americas	Europe	Asia and Oceania	Total	Elimination and unallocated corporate assets	Consolidated
Ordinary income							
(1) External customers	3,331,194	109,639	62,959	77,003	3,580,796	–	3,580,796
(2) Intersegment	59,278	46,789	6,189	26,013	138,270	(138,270)	–
Total	3,390,472	156,429	69,148	103,016	3,719,067	(138,270)	3,580,796
Ordinary expenses	3,494,330	107,027	63,254	60,692	3,725,305	(114,215)	3,611,089
Ordinary profit (loss)	(103,857)	49,401	5,894	42,323	(6,238)	(24,055)	(30,293)
Assets	91,564,408	4,704,584	2,462,266	3,253,758	101,985,019	(2,253,160)	99,731,858

(3) Ordinary income from overseas operations

(Millions of yen)			
	Consolidated ordinary income from overseas operations (A)	Consolidated ordinary income (B)	(A) / (B)
Year ended March 31, 2006	448,406	3,705,136	12.1 %
Year ended March 31, 2005	249,602	3,580,796	7.0 %

(Notes)

- Consolidated ordinary income from overseas operations are presented as counterparts of overseas sales of companies in other industries.
- 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.

VI. Products, Orders and Sales

This information is not available because of the specialty of banking business.

[Supplemental Information]

Market Value of Securities and Money Held in Trust

[1] Securities

1. As of March 31, 2006

(Notes)

- The amounts shown in the following tables include trading securities and short-term bonds classified as "Trading assets," negotiable certificates of deposit bought classified as "Cash and due from banks," and commercial paper and beneficiary claims on commodity investment trusts classified as "Commercial paper and other debt purchased," in addition to "Securities" stated in the consolidated balance sheet.
- Stocks of subsidiaries and affiliates that have market value are presented in notes to nonconsolidated financial statements.

(1) Securities classified as trading purposes

As of March 31, 2006	(Millions of yen)	
	Consolidated balance sheet amount	Valuations gains (losses) included in the earnings for the fiscal year
Securities classified as trading purposes	1,088,599	(648)

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

As of March 31, 2006	(Millions of yen)				
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	750,204	730,568	(19,635)	306	19,942
Japanese local government bonds	96,892	93,527	(3,365)	-	3,365
Japanese corporate bonds	379,614	371,560	(8,053)	-	8,053
Other	19,619	19,893	274	274	-
Total	1,246,330	1,215,549	(30,781)	580	31,361

(Note) Market value is calculated using market prices at the fiscal year-end.

(3) Other securities with market value

As of March 31, 2006	(Millions of yen)				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	1,903,193	3,605,884	1,702,690	1,722,129	19,438
Bonds	12,683,880	12,386,646	(297,233)	988	298,222
Japanese government bonds	11,083,609	10,815,889	(267,720)	173	267,894
Japanese local government bonds	525,076	510,885	(14,191)	282	14,473
Japanese corporate bonds	1,075,194	1,059,872	(15,321)	532	15,854
Other	4,194,178	4,162,057	(32,120)	48,052	80,172
Total	18,781,252	20,154,589	1,373,337	1,771,170	397,833

(Notes)

- Net unrealized gains on other securities shown above include losses of 3,193 million yen that is recognized in the fiscal year's earnings by applying fair value hedge accounting.
- Consolidated balance sheet amount is calculated as follows:

Stocks	Average market prices during one month before the fiscal year-end
Bonds and other	Market prices at the fiscal year-end
- Other securities with market value are considered as impaired if the market value decreases materially below the acquisition cost and such decline is not considered as recoverable. The market value is recognized as the consolidated balance sheet amount and the amount of write-down is accounted for as valuation loss for the fiscal year. Valuation loss for the fiscal year was 97 million yen. 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.

(4) Held-to-maturity bonds sold during the fiscal year

There are no corresponding transactions.

(5) Other securities sold during the fiscal year

Year ended March 31, 2006	(Millions of yen)		
	Sales amount	Gains on sales	Losses on sales
Other securities	33,089,259	138,964	78,609

(6) Securities with no available market value

As of March 31, 2006	(Millions of yen)
	Consolidated balance sheet amount
Bonds classified as held-to-maturity	
Unlisted foreign securities	269
Other	3,758
Other securities	
Unlisted stocks (excluding OTC stocks)	402,747
Unlisted bonds	2,518,691
Unlisted foreign securities	457,953
Other	309,303

(7) Change of classification of securities

There are no corresponding transactions.

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

As of March 31, 2006	(Millions of yen)			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Bonds	5,841,530	4,784,630	2,468,673	3,037,217
Japanese government bonds	5,339,631	2,060,842	1,239,560	2,926,058
Japanese local government bonds	32,135	252,239	322,956	445
Japanese corporate bonds	469,763	2,471,547	906,156	110,713
Other	870,175	1,564,473	682,146	848,570
Total	6,711,706	6,349,103	3,150,820	3,885,788

2. As of March 31, 2005

(Notes)

- The amounts shown in the following tables include trading securities, commercial paper and short-term bonds classified as "Trading assets," negotiable certificates of deposit bought classified as "Cash and due from banks," and beneficiary claims on loan trust classified as "Commercial paper and other debt purchased," in addition to "Securities" stated in the consolidated balance sheet.
- Stocks of subsidiaries and affiliates that have market value are presented in notes to nonconsolidated financial statements.

(1) Securities classified as trading purposes

As of March 31, 2005	(Millions of yen)	
	Consolidated balance sheet amount	Valuations gains (losses) included in the earnings for the fiscal year
Securities classified as trading purposes	1,325,972	(3,717)

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

As of March 31, 2005	(Millions of yen)				
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	507,342	505,002	(2,339)	1,582	3,922
Japanese local government bonds	-	-	-	-	-
Japanese corporate bonds	-	-	-	-	-
Other	28,859	29,380	520	531	11
Total	536,201	534,382	(1,818)	2,114	3,933

(Note) Market value is calculated using market prices at the fiscal year-end.

(3) Other securities with market value

As of March 31, 2005	(Millions of yen)				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	1,992,711	2,697,765	705,053	750,480	45,426
Bonds	14,734,261	14,749,222	14,961	34,971	20,010
Japanese government bonds	13,116,068	13,129,235	13,167	27,115	13,948
Japanese local government bonds	488,423	486,884	(1,538)	2,061	3,600
Japanese corporate bonds	1,129,770	1,133,102	3,332	5,794	2,462
Other	2,779,971	2,756,295	(23,675)	15,903	39,579
Total	19,506,944	20,203,283	696,339	801,356	105,017

(Notes)

- Net unrealized gains on other securities shown above include gains of 469 million yen that is recognized in the fiscal year's earnings by applying fair value hedge accounting and valuation gains of 82 million yen on embedded financial instruments in their entirety that are recognized in the earnings because their embedded derivatives are not measured separately.
- Consolidated balance sheet amount is calculated as follows:

Stocks	Average market prices during one month before the fiscal year-end
Bonds and other	Market prices at the fiscal year-end
- Other securities with market value are considered as impaired if the market value decreases materially below the acquisition cost and such decline is not considered as recoverable. The market value is recognized as the consolidated balance sheet amount and the amount of write-down is accounted for as valuation loss for the fiscal year. Valuation loss for the fiscal year was 172 million yen. 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.

(4) Held-to-maturity bonds sold during the fiscal year

There are no corresponding transactions.

(5) Other securities sold during the fiscal year

Year ended March 31, 2005	(Millions of yen)		
	Sales amount	Gains on sales	Losses on sales
Other securities	36,133,895	214,022	90,314

(6) Securities with no available market value

As of March 31, 2005	(Millions of yen)
	Consolidated balance sheet amount
Bonds classified as held-to-maturity	
Unlisted foreign securities	2,400
Other	8,566
Other securities	
Unlisted stocks (excluding OTC stocks)	429,658
Unlisted bonds	2,110,338
Unlisted foreign securities	412,118
Other	221,982

(7) Change of classification of securities

There are no corresponding transactions.

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

As of March 31, 2005	(Millions of yen)			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Bonds	3,110,902	9,065,255	2,237,616	2,953,130
Japanese government bonds	2,818,917	6,414,993	1,482,528	2,920,138
Japanese local government bonds	20,003	264,369	202,016	494
Japanese corporate bonds	271,981	2,385,892	553,071	32,497
Other	600,124	1,625,706	258,965	725,965
Total	3,711,027	10,690,962	2,496,581	3,679,096

[2] Money Held in Trust

1. As of March 31, 2006

(1) Money held in trust classified as trading purposes

There are no corresponding transactions.

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

There are no corresponding transactions.

(3) Other money held in trust

As of March 31, 2006	(Millions of yen)				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Other money held in trust	2,703	2,912	209	209	-

(Note) Consolidated balance sheet amount is calculated by using market prices at the fiscal year-end.

2. As of March 31, 2005

(1) Money held in trust classified as trading purposes

There are no corresponding transactions.

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

There are no corresponding transactions.

(3) Other money held in trust

As of March 31, 2005	(Millions of yen)				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Other money held in trust	3,628	3,832	204	300	95

(Note) Consolidated balance sheet amount is calculated by using market prices at the fiscal year-end.

[3] Net Unrealized Gains on Other Securities and Other Money Held in Trust

1. As of March 31, 2006

Net unrealized gains on other securities that is reported on the consolidated balance sheet is shown as follows:

As of March 31, 2006	(Millions of yen)
Net unrealized gains	1,376,785
Other securities	1,376,576
Other money held in trust	209
(-) Deferred tax liabilities	559,501
Net unrealized gains on other securities (before following adjustment)	<u>817,283</u>
(-) Minority interests	<u>8,343</u>
(+) SMFG's interest in net unrealized gains on valuation of other securities held by affiliates accounted for by the equity method	<u>10,986</u>
Net unrealized gains on other securities	<u><u>819,927</u></u>

(Notes)

1. Net unrealized gains on other securities shown above include losses of 3,193 million yen that is recognized in the fiscal year's earnings by applying fair value hedge accounting.
2. Net unrealized gains included foreign currency translation adjustments on non-marketable securities denominated in foreign currency.

2. As of March 31, 2005

Net unrealized gains on other securities that is reported on the consolidated balance sheet is shown as follows:

As of March 31, 2005	(Millions of yen)
Net unrealized gains	695,951
Other securities	695,746
Other money held in trust	204
(-) Deferred tax liabilities	282,389
Net unrealized gains on other securities (before following adjustment)	<u>413,561</u>
(-) Minority interests	<u>7,982</u>
(+) SMFG's interest in net unrealized gains on valuation of other securities held by affiliates accounted for by the equity method	<u>5,074</u>
Net unrealized gains on other securities	<u><u>410,653</u></u>

(Notes)

1. Net unrealized gains on other securities shown above include gains of 469 million yen that is recognized in the fiscal year's earnings by applying fair value hedge accounting and gains of 82 million yen on embedded financial instruments in their entirety that are recognized in the earnings because their embedded derivatives are not measured separately.
2. Net unrealized gains included foreign currency translation adjustments on non-marketable securities denominated in foreign currency.

Market Value Information on Derivative Transactions

Please refer to EDINET system (<https://info.edinet.go.jp/EdiHtml/main.htm>) after June 30, 2006 (available in Japanese).

SMFG will also disclose derivative information on our Annual Report that will be issued in August.
(<http://www.smfg.co.jp/english/index.html>)

Related Party Transactions

There are no material transactions with related parties to be reported for the fiscal year ended March 31, 2006.

There are no material transactions with related parties to be reported for the fiscal year ended March 31, 2005.