

### **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.