

## Sumitomo Mitsui Financial Group, Inc. (SMFG)

### Consolidated Financial Results for the Six Months ended September 30, 2006

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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 Financial Results by the Board of Directors: November 22, 2006

#### 1. Financial Results (for the six months ended September 30, 2006)

Amounts less than one million yen have been omitted.

##### (1) Operating Results

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

	Ordinary Income		Ordinary Profit		Net Income		Net Income per Share	Net Income per Share (Diluted)
Six Months ended September 30, 2006	¥ 1,825,751	3.9 %	¥ 357,136	(23.0)%	¥ 243,660	(37.9)%	¥ 32,782.19	¥ 27,514.41
ended September 30, 2005	1,757,879	(1.1)	463,768	306.5	392,327	635.1	57,635.51	44,223.66
Fiscal Year ended March 31, 2006	3,705,136		963,554		686,841		94,733.62	75,642.94

Notes: 1. Equity in earnings (losses) of affiliates

 (a) for the six months ended September 30, 2006 : (32,344) million yen (b) for the six months ended September 30, 2005 : 14,081 million yen  
 (c) for the fiscal year ended March 31, 2006 : 31,887 million yen

2. Average number of common stocks outstanding (consolidated)

 (a) for the six months ended September 30, 2006 : 7,432,709 shares (b) for the six months ended September 30, 2005 : 6,807,052 shares  
 (c) for the fiscal year ended March 31, 2006 : 6,978,978 shares

3. There is no change in accounting methods.

4. Percentages shown in Ordinary Income, Ordinary Profit and Net Income are the increase (decrease) from the previous interim term.

##### (2) Financial Position

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

	Total Assets	Net Assets	Net Assets Ratio	Net Assets per Share	Capital Ratio
September 30, 2006	¥ 102,551,964	¥ 4,622,792	3.5 %	¥ 394,556.25	(Preliminary) 10.07%
September 30, 2005	102,233,832	3,262,340	3.2	261,250.37	11.00
March 31, 2006	107,010,575	4,454,399	4.2	400,168.90	12.39

Notes: 1. Number of common stocks outstanding (consolidated)

(a) as of September 30, 2006: 7,617,516 shares (b) as of September 30, 2005: 6,897,741 shares (c) as of March 31, 2006: 7,417,865 shares

2. Net assets ratio = (Net assets as of term-end – Stock acquisition rights as of term-end – Minority interests as of term-end) / Total assets as of term-end

##### (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 term-end
Six Months ended September 30, 2006	¥ (4,330,906)	¥ 2,883,317	¥ (1,234,728)	¥ 2,478,784
ended September 30, 2005	(952,729)	888,242	171,555	3,039,507
Fiscal Year ended March 31, 2006	2,208,354	(662,482)	679,464	5,159,822

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

(a) Number of consolidated subsidiaries : 176

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

(c) Number of affiliated companies accounted for by the equity method : 58

##### (5) Changes in Scope of Consolidation and Application of the Equity Method (change from March 2006)

Consolidation: Newly consolidated	22	Equity method: Newly applied	3
Excluded	8	Excluded	5

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

(Millions of yen)

	Ordinary Income	Ordinary Profit	Net Income
Fiscal Year ending March 31, 2007	3,700,000	950,000	570,000

(Reference) Forecasted net income per share for the fiscal year ending March 31, 2007 is 74,322.94 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 material: 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 term (year) (consolidated)

	For the Six Months ended September 30, 2006	For the Six Months ended September 30, 2005	For the Fiscal Year ended March 31, 2006
Common stock	7,432,709	6,807,052	6,978,978
Preferred stock (type 1)	5,833	35,000	35,000
Preferred stock (type 2)	61,333	100,000	100,000
Preferred stock (type 3)	611,666	695,000	695,000
Preferred stock (1st to 12th series type 4)	50,100	50,100	50,100
Preferred stock (13th series type 4)	–	9,496	4,748
Preferred stock (1st series type 6)	70,001	70,001	70,001

## Number of shares outstanding as of term (year)-end (consolidated)

	As of September 30, 2006	As of September 30, 2005	As of March 31, 2006
Common stock	7,617,516	6,897,741	7,417,865
Preferred stock (type 1)	–	35,000	35,000
Preferred stock (type 2)	–	100,000	100,000
Preferred stock (type 3)	195,000	695,000	695,000
Preferred stock (1st to 12th series type 4)	50,100	50,100	50,100
Preferred stock (1st series type 6)	70,001	70,001	70,001

## Calculation for Index

- Forecasted Net Income Per Share:

Forecasted net income – Forecasted preferred stock dividends

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Forecasted average number of common stocks issued during the year (excluding treasury stock) (\*)

(\*) On October 17, 2006, SMFG acquired 60,466 own shares of common stock in accordance with the resolution of the meeting of the Board of Directors held on October 13, 2006. Therefore, forecasted net income per share is calculated assuming that forecasted average number of common stocks issued is 7,494,879.

## 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 176 consolidated subsidiaries and 61 companies accounted for by the equity method.

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

(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 increasing dividends stably and continuously through a sustainable growth of corporate value while enhancing its Group's capital to maintain sound financial position.

From viewpoint of returning profits to shareholders, SMFG has revised the forecast of cash dividends on common stock per share for the fiscal year ending March 31, 2007 to be 7,000 yen, an increase by 3,000 yen compared with the previous forecast announced in May 2006 and an year-on-year increase by 4,000 yen.

(Appendix) Dividends payout ratio on a consolidated basis (common stock)

	Result for the fiscal year ended March 31, 2006	Forecast for the fiscal year ending March 31, 2007
Dividends payout ratio (consolidated basis)	3.4%	Approximately 9.5%

(\*) Dividends payout ratio (consolidated basis)

$$= \frac{\text{Aggregate amount of dividends on common stock}}{\text{Consolidated net income} - \text{Aggregate amount of dividends on preferred stock}}$$

### **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

### **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

Having designated fiscal 2006 as the year for establishing the framework for realizing sustainable growth, continuously in the second half, we will further provide value-added products and services to our customers and establish a solid platform for supporting business growth on a group basis.

### 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 at Sumitomo Mitsui Banking Corporation (SMBC) 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 incorporate customer opinions into our services even more. For instance, going forward, while we will start providing new investment products and services such as fund wrap service in collaboration with SMBC Friend Securities, and “Daiwa SMA” in collaboration with Daiwa Securities, we will further promote loan products matching customer needs such as the highly popular mortgage loan with insurance for repayment of outstanding loan balance in the case the borrower is diagnosed with serious diseases such as cancer and heart attack. 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 qualified consultants with expert knowledge, in order to improve customer convenience and better respond to customer needs. Furthermore, we will expand services through collaboration with leading companies in various industries. Specifically, we will further promote services such as consumer loans provided through the SMBC-Promise collaboration, “Mitsui Sumitomo Card iD” provided through the Sumitomo Mitsui Card - NTT DoCoMo collaboration, new Internet financial services business provided through the Japan Net Bank - Yahoo Japan collaboration, and walk-in insurance agency services provided through the SMBC - Mitsui Life Insurance - Sumitomo Life Insurance collaboration.

In corporate business, we will further improve our capability to provide financial solutions to our corporate customers. For large and medium-sized corporations, we will provide optimal solutions for solving their management issues such as business expansion and reorganization by M&A through the Corporate Advisory Division, which was established within SMBC this April, and the collaboration with Daiwa Securities SMBC. Also, we will respond to their ever-diversifying financing needs by providing loan syndication, structured finance and so on. For small and medium-sized corporations, at the same time as responding to their various financing and settlement needs by providing unsecured loan products such as Business Select Loan and Internet banking service, we will promote advisory services to solve their management issues such as business succession. In addition, we will further promote group-wide solution providing: SMBC Leasing in various types of leasing; and Japan Research Institute in core systems development and IT consulting. In October this year, we reached a basic agreement with the Sumitomo Corporation group to pursue strategic joint businesses in leasing and auto leasing. Through two mergers scheduled in October next year, SMBC Leasing with Sumisho Lease and SMBC Auto Leasing with Sumisho Auto Lease, we will leverage the know-how of both parties and provide customers with value-added products and services. Moreover, outside Japan, we will respond to customers’ aggressive needs for business expansion overseas and needs for global money settlement by establishing channels and further strengthening cooperation between our domestic and overseas networks. Also, we will further strengthen businesses with competitive edge such as project finance. In treasury market business, while continuing to endeavor to improve customer convenience, 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.

April this year, SMBC was issued administrative orders in respect to the manner in which it marketed interest rate swaps at its Corporate Business Offices, by the Financial Services Agency of Japan. We deeply regret this situation, and initiatives to further improve our internal control systems will be continuously implemented to prevent reoccurrence and regain the trust of all concerned. Specifically, we will further strengthen compliance with laws, regulations and other rules through the Compliance Unit which was established within SMBC this April. Also, through the newly established Quality Management Department, we will actively incorporate customer opinions and requests in our management policies and business

operations even more. Initiatives on compliance, customer satisfaction and quality management will be objectively deliberated at the newly organized Business Monitoring Committee which members are mainly outside experts and directors. 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 this fiscal year. Moreover, we will further strengthen internal auditing to verify more thoroughly that these initiatives are effective. Also, we will introduce a better balanced business performance evaluation system including customers' standpoint and medium-to long-term view. Furthermore, we will take initiatives to improve human resources management to realize an organization in which employees can exercise their abilities even more.

On the other hand, to further strengthen our financial base, we completed the repayment of all the public funds provided in October of this year. We would like to express our sincerest appreciation for the support in the form of public fund provision since March 1998. Going forward, at the same time as growing capital both in terms of quality and in quantity, we plan to begin vigorously injecting more of our business resources into growth areas in order to improve our corporate value over the medium-to long-term. Also, we will actively examine establishing a more effective policy on shareholder return.

We aim to further improve the overall evaluation of us by "our customers, our shareholders, the 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 Six Months Ended September 30, 2006**

##### (1) Operating Results

In the first half of fiscal 2006, SMFG endeavored to “establish a solid platform to support business growth,” build a sustainable earnings structure and furthermore strengthen its financial base.

Ordinary income increased 3.9% to 1,825.7 billion yen as a result of increases in interest on loans and bills discounts arising from increase in loan balances, partially offset by decrease in other income due to decline in gains on sale of stocks. Ordinary expenses increased 13.5% to 1,468.6 billion yen due mainly to increase in interest expenses such as interest on deposits, partially offset by a decrease in other expenses arising from decline in credit cost.

As a result, Ordinary profit and Net income (after adjusting extraordinary gains/losses and other factors) amounted to 357.1 billion yen and 243.6 billion yen, respectively.

##### (2) Assets and Liabilities

Deposits amounted to 72,165.5 billion yen, an increase of 1,331.4 billion yen from the previous fiscal year-end and Negotiable certificates of deposit amounted to 2,492.3 billion yen, a decrease of 216.2 billion yen.

Loans and bills discounted amounted to 59,184.4 billion yen, an increase of 1,917.2 billion yen.

Total assets amounted to 102,551.9 billion yen, a decrease of 4,458.6 billion yen.

##### (3) Net Assets

Net Assets amounted to 4,622.7 billion yen, 2,835.6 billion yen of which was stockholders' equity as a result of recording net income, partially offset by acquiring and retiring treasury shares related to repayment of public fund.

##### (4) Cash Flows

SMFG used 4,330.9 billion yen of “Cash flows from operating activities,” generated 2,883.3 billion yen of “Cash flows from investing activities” and used 1,234.7 billion yen of “Cash flows from financing activities.”

Consequently, Cash and cash equivalents amounted to 2,478.7 billion yen, a decrease by 2,681.0 billion yen compared with the previous fiscal year-end.

##### (5) Segment Information

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

###### By business

###### Ordinary income

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

###### By country

###### Ordinary income

Japan	82%	(down 6 points from the previous interim term)
The Americas	7%	(up 2 points)
Europe	5%	(up 2 points)
Asia and Oceania	6%	(up 2 points)

##### (6) Capital Ratio (preliminary)

Capital ratio was 10.07% on a consolidated basis.

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

### (1) Earnings Forecast

In fiscal 2006, SMFG will endeavor to “establish a solid platform to support business growth,” build a sustainable earnings structure and furthermore strengthen its financial base.

As for earnings forecast for the fiscal year ending March 31, 2007 on a consolidated basis, Ordinary income, Ordinary profit and Net income are expected to amount to 3,700 billion yen, 950 billion yen, and 570 billion yen, respectively.

On a non-consolidated basis, Operating income, Ordinary profit and Net income are expected to amount to 370 billion yen, 365 billion yen, and 365 billion yen, respectively.

### (2) Dividend Forecast

SMFG will pay the following fiscal year-end dividends on common stock and preferred stock in accordance with the basic dividends policy. SMFG will not pay interim dividends.

Common stock	7,000 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

Dividends on common stock are forecasted to increase by 3,000 yen per share compared with the previous forecast announced in May 2006. Dividends on preferred stock remain unchanged from the previous forecast.

## 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 in case such events do occur.

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

(Note) SMFG recognizes the risk factors shown above on November 22, 2006.



## **IV. Interim Consolidated Financial Statements**

### Significant Accounting Policies for Interim Consolidated Financial Statements

#### 1. Scope of consolidation

##### (1) Consolidated subsidiaries 176 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.

From this interim term, twenty-two companies including JRI Solutions Ltd. were newly consolidated due to establishment and other reason.

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

##### (2) Unconsolidated subsidiaries

###### Principal company

SBCS Co., Ltd.

One hundred and nineteen subsidiaries including S.B.L. Mercury Co., Ltd. are silent partnerships for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, they were excluded from the scope of consolidation pursuant to Article 5 Paragraph 1 Item 2 of Interim Consolidated Financial Statements Regulations.

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

#### 2. Application of the equity method

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

###### Principal company

SBCS Co., Ltd.

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

###### Principal companies

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

From this interim term, three companies including NIFSMBC-V2006S1 Investment Enterprise Partnership newly became affiliated companies accounted for by the equity method due to establishment and other reasons.

From this interim term, five companies including SMFC Holdings (Cayman) Limited was excluded from the scope of affiliated companies accounted for by the equity method because it was no longer an affiliated company due to liquidation and other reasons.

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

One hundred and nineteen subsidiaries including S.B.L. Mercury Co., Ltd. are silent partnerships for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, they are not treated as affiliated companies accounted for by the equity method pursuant to Article 7 Paragraph 1 Item 2 of Interim 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 interim balance sheet dates of consolidated subsidiaries

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

December 31	2	companies
March 31	5	companies
April 30	2	companies
May 31	2	companies
June 30	73	companies
July 31	1	company
August 31	5	companies
September 30	86	companies

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

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

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

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

## 4. Accounting policies

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

## 5. Amortization of goodwill

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

## 6. Scope of "Cash and cash equivalents" on Interim Consolidated Statement of Cash Flows

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

**Interim Consolidated Balance Sheet**

September 30, 2006	(Millions of yen)
<b>Assets:</b>	
Cash and due from banks	4,010,986
Call loans and bills bought	1,462,077
Receivables under resale agreements	110,257
Receivables under securities borrowing transactions	1,178,045
Commercial paper and other debt purchased	940,702
Trading assets	3,404,589
Money held in trust	2,820
Securities	22,351,635
Loans and bills discounted	59,184,457
Foreign exchanges	929,490
Other assets	3,257,139
Tangible fixed assets	706,702
Intangible fixed assets	228,885
Lease assets	991,699
Deferred tax assets	1,023,325
Customers' liabilities for acceptances and guarantees	3,748,150
Reserve for possible loan losses	(978,999)
<b>Total assets</b>	<b><u>102,551,964</u></b>
<b>Liabilities:</b>	
Deposits	72,165,553
Negotiable certificates of deposit	2,492,353
Call money and bills sold	2,562,041
Payables under repurchase agreements	805,915
Payables under securities lending transactions	3,141,635
Trading liabilities	1,932,323
Borrowed money	3,061,744
Foreign exchanges	329,273
Short-term bonds	405,100
Bonds	4,155,770
Due to trust account	50,733
Other liabilities	2,920,902
Reserve for employee bonuses	22,868
Reserve for employee retirement benefits	33,864
Other reserves	1,136
Deferred tax liabilities	49,876
Deferred tax liabilities for land revaluation	49,929
Acceptances and guarantees	3,748,150
<b>Total liabilities</b>	<b><u>97,929,171</u></b>
<b>Net assets:</b>	
Capital stock	1,420,877
Capital surplus	276,570
Retained earnings	1,188,399
Treasury stock	(50,178)
<b>Total stockholders' equity</b>	<b><u>2,835,668</u></b>
Net unrealized gains on other securities	823,213
Net deferred losses on hedges	(88,079)
Land revaluation excess	37,948
Foreign currency translation adjustments	(47,909)
<b>Total valuation and translation adjustments</b>	<b><u>725,173</u></b>
Stock acquisition rights	4
Minority interests	1,061,946
<b>Total net assets</b>	<b><u>4,622,792</u></b>
<b>Total liabilities and net assets</b>	<b><u>102,551,964</u></b>

Notes to Interim Consolidated Balance Sheet
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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 interim consolidated balance sheet on a trade date basis.  
 Securities and monetary claims purchased for trading purposes are stated at the interim term-end market value, and financial derivatives such as swaps, futures and options are stated at amounts that would be settled if the transactions were terminated at the interim consolidated balance sheet date.
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 interim term, and bonds and others that have market prices are carried at their interim term-end market prices (cost of securities sold is calculated using primarily the moving-average method). Other securities with no available market prices are carried at cost or amortized cost using the moving-average method. Net unrealized gains (losses) on other securities, net of income taxes, are included in “Net assets,” after deducting the amount that is reflected in the interim term’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. Tangible fixed assets owned by Sumitomo Mitsui Financial Group, Inc. (SMFG) and its consolidated subsidiary, Sumitomo Mitsui Banking Corporation (SMBC) are depreciated using the straight-line method. Equipments are depreciated using the declining-balance method. They calculated the depreciation cost for the interim term by proportionally allocating the estimated annual cost to the interim term. The estimated useful lives of major items are as follows:  
 Buildings: 7 to 50 years  
 Equipment: 2 to 20 years  
 Other consolidated subsidiaries depreciate tangible fixed assets and lease assets primarily using the straight-line method over the estimated useful lives of the respective assets and the straight-line method over the lease term based on the residual value of assets at the end of the lease term, respectively.
7. Intangible fixed assets are depreciated using the straight-line method. Capitalized software for internal use owned by SMFG and its consolidated domestic subsidiaries is depreciated over its estimated useful life (basically five years).
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 interim consolidated balance sheet date, with the exception of stocks of subsidiaries and affiliates translated at rates prevailing at the time of acquisition.  
 Other consolidated subsidiaries’ assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at their respective 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 750,546 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 this interim term.
11. Reserve for employee retirement benefits is provided for payment of retirement benefits to employees, in the amount deemed accrued at interim term-end, based on the projected retirement benefit obligation and the fair value of plan assets at this fiscal year-end.
  - Unrecognized prior service cost is amortized using the straight-line method, primarily over 9 years within the employees' average remaining service period at incurrence.
  - Unrecognized net actuarial gain (loss) is amortized using the straight-line method, primarily over 9 years within the employees' average remaining service period, commencing from the next fiscal year of incurrence.
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 this interim term-end, gross amounts of deferred hedge losses and gains on "macro hedge" (before deducting tax effect) were 60,758 million yen and 44,682 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 non-arbitrary and strict hedging criteria for transactions with third parties 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 1,118 million yen.
18. Accumulated depreciation on tangible fixed assets and accumulated depreciation on lease assets amounted to 561,404 million yen and 1,583,375 million yen, respectively.
19. Deferred gain on real property deductible for tax purposes amounted to 64,987 million yen.
20. Bankrupt loans and Non-accrual loans were 64,857 million yen and 638,385 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 36,865 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 407,927 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 1,148,036 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 885,675 million yen, and bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought that were rediscounted by the banking subsidiaries accounted for 884 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	103,547
Trading assets	53,278
Securities	5,842,395
Loans and bills discounted	557,311
Other assets (installment account receivable etc.)	1,936
Liabilities corresponding to assets pledged as collateral	
Deposits	16,352
Call money and bills sold	1,340,000
Payables under repurchase agreements	791,883
Payables under securities lending transactions	3,003,162
Trading liabilities	139,666
Borrowed money	930,197
Other liabilities	26,247
Acceptances and guarantees	167,064

In addition, Cash and due from banks of 9,108 million yen, Trading assets of 848,721 million yen, Securities of 4,092,185 million yen, Commercial paper and other debt purchased of 38,898 million yen and Loans and bills discounted of 1,621,611 million yen were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes.

Other assets include surety deposits of 87,964 million yen and initial margins of futures markets of 4,737 million yen.

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

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

Date of the revaluation

SMBC:

March 31, 1998 and March 31, 2002

Certain other consolidated subsidiaries:

March 31, 1999 and March 31, 2002

Method of revaluation (stipulated in Article 3-3 of the Law)

SMBC:

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

Certain other consolidated subsidiaries:

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

27. The balance of subordinated debt included in “Borrowed money” was 617,500 million yen.

28. The balance of subordinated bonds included in “Bonds” was 2,138,556 million yen.

29. Net assets per share were 394,556.25 yen.

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

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

The amounts shown in the following tables include negotiable certificates of deposit bought classified as “Cash and due from banks,” and beneficiary claims on loan trust classified as “Commercial paper and other debt purchased,” in addition to “Securities” stated in the interim consolidated balance sheet. This definition is applied up to Notes 31.

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

As of September 30, 2006	(Millions of yen)		
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)
Japanese government bonds	749,983	740,068	(9,915)
Japanese local government bonds	96,997	94,594	(2,403)
Japanese corporate bonds	379,928	375,829	(4,099)
Other	9,917	10,139	222
Total	1,236,826	1,220,630	(16,195)

(2) Other securities with market value

As of September 30, 2006	(Millions of yen)		
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)
Stocks	1,970,424	3,569,347	1,598,922
Bonds	9,328,374	9,152,122	(176,252)
Japanese government bonds	7,874,690	7,719,254	(155,436)
Japanese local government bonds	512,392	501,778	(10,613)
Japanese corporate bonds	941,292	931,089	(10,202)
Other	4,175,904	4,141,168	(34,736)
Total	15,474,703	16,862,637	1,387,933

“Net unrealized gains on other securities” includes 823,088 million yen which is the sum of the following items:

		(Millions of yen)
Net unrealized gains on other securities	(a)	1,387,933
(-) Deferred tax liabilities	(b)	563,532
	(c) = (a) - (b)	824,401
(-) Minority interests corresponding to (c)		7,123
(+) SMFG's interests of net unrealized gains on valuation of other securities held by affiliates accounted for by the equity method		5,811
Total		823,088

Other securities with market value are considered as impaired if the market value decreases materially below the acquisition cost and such decline is not considered as recoverable. The market value is recognized as the interim consolidated balance sheet amount and the amount of write-down is accounted for as valuation loss for the interim term. Valuation loss for the interim term was 1,247 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.

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

As of September 30, 2006	(Millions of yen)
	Consolidated balance sheet amount
Bonds classified as held-to-maturity	
Unlisted foreign securities	26
Other	8,267
Other securities	
Unlisted stocks (excluding OTC stocks)	421,099
Unlisted bonds	2,729,834
Unlisted foreign securities	475,506
Other	409,421

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

As of September 30, 2006	(Millions of yen)		
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains
Other money held in trust	2,602	2,820	217

Net unrealized gains on other money held in trust of 129 million yen (after deducting 88 million yen in deferred tax liabilities from the above 217 million yen in net unrealized gains) are included in "Net unrealized gains on other securities."

33. Japanese government bonds and stocks as sub-accounts of "Securities" include 34,361 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, 857,892 million yen of securities are pledged, and 185,462 million yen of securities are held in hand as of the interim consolidated balance sheet date.

34. 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 39,240,098 million yen, and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time was 33,373,534 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.



35. “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Statement No.5, issued on December 9, 2005) and “Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Guidance No.8, issued on December 9, 2005) were applicable from the fiscal period ending on or after May 1, 2006, the implementation date of the Company Law. As a result, the Enforcement Ordinance of the Banking Law was revised on April 28, 2006 and applicable from the fiscal year beginning on and after April 1, 2006. Effective April 1, 2006, SMFG changed its consolidated balance sheet presentation as follows:
- (1) Former “Stockholders’ equity” was renamed as “Net assets,” which consisted of stockholders’ equity, valuation and translation adjustments, stock acquisition rights and minority interests. The amount corresponding to former stockholders’ equity at September 30, 2006 was 3,648,921 million yen.
  - (2) Deferred unrealized losses or gains on hedging instruments which had been included in “Other assets” or “Other liabilities” on a net basis were presented as “Net deferred gains (losses) on hedges” in valuation and translation adjustments after deducting tax effect on a net basis.
  - (3) “Minority interests” which had been presented below liabilities section were presented in net assets.
  - (4) “Premises and equipment” were separately presented as “Tangible fixed assets,” “Intangible fixed assets” and “Other assets.”
  - (5) Software which had been included in “Other assets” was included in “Intangible fixed assets.”
  - (6) “Goodwill” which had been separately presented in assets section was included in “Intangible fixed assets.” As a result, amortization of goodwill which had been accounted for as “Other expenses” in “Expenses” were accounted for as amortization of intangible fixed assets and included in “General and administrative expenses.”
36. “Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations” (Practical Issues Task Force No.20, issued on September 8, 2006) was applicable from on and after the fiscal period ending September 8, 2006, the announcement date, and SMFG applied the new accounting pronouncement. This accounting change had no material impact on the interim consolidated financial statements.
37. “Accounting Standard for Share-based Payment” (ASBJ Statement No.8, issued on December 27, 2005) and “Guidance on Accounting Standard for Share-based Payment” (ASBJ Guidance No.11, issued on May 31, 2006) were applicable to the stock options, own share options and delivered own shares which are granted on and after May 1, 2006. As a result, SMFG applied the new accounting standards from the fiscal year beginning on April 1, 2006. This accounting change had no material impact on the interim consolidated financial statements.
38. SMFG previously recognized deferred bond discounts as assets and amortized them over the redemption periods. On August 11, 2006, “Accounting Standard for Financial Instruments” (issued by the Business Accounting Council (BAC) on January 22, 1999) was revised by ASBJ Statement No.10 “Accounting Standards for Financial Instruments,” and the revised accounting standards were applicable from on and after the fiscal period ending August 11, 2006. SMFG applied the revised accounting standards and bonds were carried at the amounts calculated based on amortized cost (straight-line method) on the interim consolidated balance sheet. As a result, deferred bond discounts in “Other assets” and “Bonds” each decreased by 2,400 million yen compared with the former method.
- Deferred bond discounts, which were recognized on the consolidated balance sheet as of March 31, 2006, were accounted for by the former method pursuant to “Tentative Solution on Accounting for Deferred Assets” (Practical Issues Task Force No.19, issued on August 11, 2006) and amortized over the redemption periods and the unamortized balances have been deducted from bonds balances.
39. “Accounting Standards for Business Combinations” (“Opinion Concerning Establishment of Accounting Standards for Business Combinations,” issued by the BAC on October 31, 2003), “Accounting Standard for Business Divestitures” (ASBJ Statement No.7, issued on December 27, 2005) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, issued on December 27, 2005) were applicable from the fiscal year beginning on April 1, 2006. Effective April 1, 2006, SMFG applied the new accounting standards.
40. Amount of stock options to be expensed  
General and administrative expenses: 4 million yen
41. Transactions under common control
- (1) Combined entity’s name and business
    - (i) Name and business of combined entity  
SMBC Friend Securities Co., Ltd. (“SMBC Friend Securities”)  
Securities business
    - (ii) Form of reorganization  
Exchange of shares
    - (iii) Name of the entity after the reorganization  
Sumitomo Mitsui Financial Group, Inc.
    - (iv) Outline and purpose of the transaction  
In accordance with the stabilization of the Japanese financial system, Japanese households’ portfolios have shown clear signs of a shift from savings to investment, and their investment needs are expected to become further diversified. At the same time, we believe that new types of asset management services will become popular among individual investors who

improve their financial knowledge and have an increased interest in portfolio management based on asset allocation concepts.

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

(2) Accounting method

SMFG applied the following accounting treatments stipulated by the Accounting Standard for Business Combinations to the consolidated and nonconsolidated financial statements:

“Chapter 3 Accounting Standard for Business Combinations, Article 4 Accounting treatment for the transactions under common control,” Paragraph 2 Transactions with minority shareholders.”

(3) Additional acquisition of subsidiary's shares

(i) Acquisition cost

Common shares	221,365 million yen
<u>Expenses for acquiring the common shares</u>	<u>160 million yen</u>
Acquisition cost	221,525 million yen

(ii) Ratio of share exchange, its basis for determination, number of shares delivered and its values

(a) Type of shares and share exchange ratio

Common shares SMFG 1: SMBC Friend Securities 0.0008

(b) Basis for determination of share exchange ratio

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

(c) Shares delivered and values

249,015 shares 221,525 million yen

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

(a) Amount of goodwill

99,995 million yen

(b) Reason for recognizing goodwill

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

(c) Method and term to amortize goodwill

Straight-line method over 20 years

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

Details of acquisition and retirement

Type 3 preferred stock

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

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

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

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

(i) Acquisition of SMFG's own stock in accordance with the resolution at the ordinary general meeting of shareholders held on June 29, 2006

(a) Type of stock to be acquired: Common stock

(b) Number of shares to be acquired: 60,466 shares (upper limit)

(c) Amount of cash to be tendered in exchange for the acquired stock: 79,639,200,000 yen (upper limit)

(d) Acquisition period: From October 16, 2006 to December 29, 2006

(ii) The limit for acquiring SMFG's own stock established pursuant to Article 8 of the Articles of Incorporation

(a) Type of stock to be acquired: Common stock

(b) Number of shares to be acquired: 6,700 shares (upper limit)

(c) Amount of cash to be tendered in exchange for the acquired stock: 10,000,000,000 yen (upper limit)

(d) Acquisition period: From October 16, 2006 to December 29, 2006

(2) Acquisition of own shares

(i) Type of shares acquired: Common shares

(ii) Number of shares acquired: 60,466 shares (upper limit)

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

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

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

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

**Interim Consolidated Statement of Income**

Six months ended September 30, 2006	(Millions of yen)
<b>Ordinary income</b>	
Interest income:	909,808
Interest on loans and discounts	651,018
Interest and dividends on securities	157,718
Trust fees	1,416
Fees and commissions	337,322
Trading profits	54,496
Other operating income	501,121
Other income	21,586
<b>Total ordinary income</b>	<b>1,825,751</b>
<b>Ordinary expenses</b>	
Interest expenses:	350,193
Interest on deposits	199,933
Fees and commissions	53,927
Trading losses	2,883
Other operating expenses	511,352
General and administrative expenses	432,705
Other expenses	117,553
<b>Total ordinary expenses</b>	<b>1,468,614</b>
<b>Ordinary profit</b>	<b>357,136</b>
<b>Extraordinary gains</b>	<b>48,284</b>
<b>Extraordinary losses</b>	<b>4,118</b>
<b>Income before income taxes and minority interests</b>	<b>401,302</b>
Income taxes:	
Current	42,273
Deferred	86,218
<b>Minority interests in net income</b>	<b>29,149</b>
<b>Net income</b>	<b>243,660</b>

Notes to Interim Consolidated Statement of Income
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1. Amounts less than one million yen have been omitted.
2. Net income per share was 32,782.19 yen.
3. Net income per share (diluted) was 27,514.41 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 interim term. The valuation differences of securities and money claims between the previous fiscal year-end and this interim term-end are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the valuation differences between the previous fiscal year-end and this interim term-end 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” includes gains on sales of stocks and other securities of 17,987 million yen.
7. “Other expenses” includes write-off of loans of 57,626 million yen, losses on devaluation of stocks of 7,051 million yen, losses on sale of delinquent loans of 5,545 million yen and equity in losses of affiliates of 32,344 million yen.
8. “Extraordinary gains” includes gains on return of securities from retirement benefits trust of 36,330 million yen, gains on reversal of reserve for possible loan losses of 6,470 million yen and gains on change in equity of a subsidiary due to the subsidiary’s capital increase of 4,226 million yen.
9. “Extraordinary losses” includes losses on disposal of fixed assets of 2,037 million yen and losses on impairment of fixed assets of 2,006 million yen.
10. 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 this interim term.

				(Millions of yen)
Area	Purpose of use		Type	Impairment loss
Tokyo metropolitan area	Idle assets	27 items	Land and premises etc.	873
	Branches	13 branches		349
Kinki area	Idle assets	18 items	Land and premises etc.	410
	Other	Idle assets		12 items

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 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.

**Interim Consolidated Statement of Changes in Net Assets**

Six months ended September 30, 2006

(Millions of yen)

	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance at March 31, 2006	1,420,877	1,229,225	992,064	(4,393)	3,637,773
Changes in the six months					
Increase due to exchange of shares		221,365			221,365
Cash dividends			(47,951)		(47,951)
Net income			243,660		243,660
Acquisition of own shares				(1,219,877)	(1,219,877)
Disposal of treasury shares		15		56	71
Retirement of treasury shares		(1,174,036)		1,174,036	—
Increase due to increase of subsidiaries			391		391
Increase due to decrease of subsidiaries			11		11
Decrease due to increase of subsidiaries			(6)		(6)
Decrease due to decrease of subsidiaries			(2)		(2)
Transfer from land revaluation excess			231		231
Net changes in the items other than stockholder's equity in the six months					
Net changes in the six months	—	(952,655)	196,335	(45,785)	(802,105)
Balance at September 30, 2006	1,420,877	276,570	1,188,399	(50,178)	2,835,668

(Millions of yen)

	Valuation and translation adjustments					Stock acquisition rights	Minority interests	Total net assets
	Net unrealized gains on other securities	Net deferred losses on hedges	Land revaluation excess	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance at March 31, 2006	819,927	—	38,173	(41,475)	816,625	—	1,113,025	5,567,424
Changes in the six months								
Increase due to exchange of shares								221,365
Cash dividends								(47,951)
Net income								243,660
Acquisition of own shares								(1,219,877)
Disposal of treasury shares								71
Retirement of treasury shares								—
Increase due to increase of subsidiaries								391
Increase due to decrease of subsidiaries								11
Decrease due to increase of subsidiaries								(6)
Decrease due to decrease of subsidiaries								(2)
Transfer from land revaluation excess								231
Net changes in the items other than stockholder's equity in the six months	3,285	(88,079)	(224)	(6,434)	(91,452)	4	(51,078)	(142,526)
Net changes in the six months	3,285	(88,079)	(224)	(6,434)	(91,452)	4	(51,078)	(944,631)
Balance at September 30, 2006	823,213	(88,079)	37,948	(47,909)	725,173	4	1,061,946	4,622,792

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

## Notes to Interim Consolidated Statement of Changes in Net Assets

- Amounts less than one million yen have been omitted.
- Type and number of shares issued and treasury shares are as follows:

	Number of shares as of the previous fiscal year-end	Number of shares increased in the six months	Number of shares decreased in the six months	Number of shares as of the interim term-end
Shares issued				
Common stock	7,424,172.77	(*1) 309,481	—	7,733,653.77
Preferred stock (type 1)	35,000	—	(*2) 35,000	—
Preferred stock (type 2)	100,000	—	(*3) 100,000	—
Preferred stock (type 3)	695,000	—	(*4) 500,000	195,000
Preferred stock (1st series type 4)	4,175	—	—	4,175
Preferred stock (2nd series type 4)	4,175	—	—	4,175
Preferred stock (3rd series type 4)	4,175	—	—	4,175
Preferred stock (4th series type 4)	4,175	—	—	4,175
Preferred stock (5th series type 4)	4,175	—	—	4,175
Preferred stock (6th series type 4)	4,175	—	—	4,175
Preferred stock (7th series type 4)	4,175	—	—	4,175
Preferred stock (8th series type 4)	4,175	—	—	4,175
Preferred stock (9th series type 4)	4,175	—	—	4,175
Preferred stock (10th series type 4)	4,175	—	—	4,175
Preferred stock (11th series type 4)	4,175	—	—	4,175
Preferred stock (12th series type 4)	4,175	—	—	4,175
Preferred stock (1st series type 6)	70,001	—	—	70,001
Total	8,374,273.77	309,481	635,000	8,048,754.77
Treasury shares				
Common stock	6,307.15	(*5) 109,907.81	(*5) 77.62	116,137.34
Preferred stock (type 1)	—	(*2) 35,000	(*2) 35,000	—
Preferred stock (type 2)	—	(*3) 100,000	(*3) 100,000	—
Preferred stock (type 3)	—	(*4) 500,000	(*4) 500,000	—
Total	6,307.15	744,907.81	635,077.62	116,137.34

## (\*) 1. Increase in number of common shares issued:

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

## 2. Increase in number of treasury shares of preferred stock (type 1):

- 35,000 shares due to acquisition of own shares on May 17, 2006 pursuant to the resolution of the ordinary general meeting of shareholders

## Decreases in numbers of shares issued and treasury shares of preferred stock (type 1):

- 35,000 shares due to retirement of treasury shares on May 17, 2006

## 3. Increase in number of treasury shares of preferred stock (type 2):

- 100,000 shares due to acquisition of own shares on May 17 and September 6, 2006 pursuant to the resolution of the ordinary general meeting of shareholders

## Decreases in numbers of shares issued and treasury shares of preferred stock (type 2):

- 100,000 shares due to retirement of treasury shares on May 17 and September 6, 2006

## 4. Increase in number of treasury shares of preferred stock (type 3):

- 450,000 shares due to acquisition of own shares on September 29, 2006 pursuant to the resolution of the ordinary general meeting of shareholders

- 50,000 shares due to acquisition of own shares as a result of exercising of rights to request acquisition of common shares

## Decreases in numbers of shares issued and treasury shares of preferred stock (type 3):

- 500,000 shares due to retirement of treasury shares on September 29, 2006.

## 5. Increase in number of treasury common shares:

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

## Decrease in number of treasury common shares:

- 77.62 shares due to sale of fractional shares and delivery of shares in connection with exercising of stock options

## 3. Information on stock acquisition rights is as follows:

	Detail of stock acquisition rights	Type of shares	Number of shares				Balance as of the interim term-end (Millions of yen)
			Previous fiscal year-end	Increase in the six months	Decrease in the six months	Interim term-end	
SMFG	Stock acquisition rights as stock options						–
Consolidated subsidiaries							4
Total							4

## 4. Information on dividends is as follows:

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

Date of resolution	Type of shares	Amount of dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 29, 2006	Shares issued				
	Common stock	22,253	3,000	March 31, 2006	June 29, 2006
	Preferred stock (type 1)	367	10,500	March 31, 2006	June 29, 2006
	Preferred stock (type 2)	2,850	28,500	March 31, 2006	June 29, 2006
	Preferred stock (type 3)	9,521	13,700	March 31, 2006	June 29, 2006
	Preferred stock (1st series type 4)	563	135,000	March 31, 2006	June 29, 2006
	Preferred stock (2nd series type 4)	563	135,000	March 31, 2006	June 29, 2006
	Preferred stock (3rd series type 4)	563	135,000	March 31, 2006	June 29, 2006
	Preferred stock (4th series type 4)	563	135,000	March 31, 2006	June 29, 2006
	Preferred stock (5th series type 4)	563	135,000	March 31, 2006	June 29, 2006
	Preferred stock (6th series type 4)	563	135,000	March 31, 2006	June 29, 2006
	Preferred stock (7th series type 4)	563	135,000	March 31, 2006	June 29, 2006
	Preferred stock (8th series type 4)	563	135,000	March 31, 2006	June 29, 2006
	Preferred stock (9th series type 4)	563	135,000	March 31, 2006	June 29, 2006
	Preferred stock (10th series type 4)	563	135,000	March 31, 2006	June 29, 2006
Preferred stock (11th series type 4)	563	135,000	March 31, 2006	June 29, 2006	
Preferred stock (12th series type 4)	563	135,000	March 31, 2006	June 29, 2006	
	Preferred stock (1st series type 6)	6,195	88,500	March 31, 2006	June 29, 2006



**Interim Consolidated Statement of Cash Flows**

Six months ended September 30, 2006

(Millions of yen)

<b>1. Cash flows from operating activities:</b>	
Income before income taxes and minority interests	401,302
Depreciation of fixed assets	38,389
Depreciation of lease assets	167,651
Losses on impairment of fixed assets	2,006
Amortization of goodwill	2,070
Equity in (earnings) losses of affiliates	32,344
Gains on sale of subsidiaries' shares and gains on change in equity of subsidiary	(5,121)
Net change in reserve for possible loan losses	(56,241)
Net change in reserve for employee bonuses	(2,512)
Net change in reserve for employee retirement benefits	(3,200)
Interest income	(909,808)
Interest expenses	350,193
Net (gains) losses on securities	56,013
Net (gains) losses from money held in trust	(0)
Net exchange (gains) losses	(41,522)
Net (gains) losses from disposal of fixed assets	1,327
Net (gains) losses from disposal of lease assets	(473)
Net change in trading assets	628,566
Net change in trading liabilities	(965,531)
Net change in loans and bills discounted	(1,909,796)
Net change in deposits	1,332,022
Net change in negotiable certificates of deposit	(222,330)
Net change in borrowed money (excluding subordinated debt)	934,051
Net change in deposits with banks	410,829
Net change in call loans and bills bought and others	(981,573)
Net change in receivables under securities borrowing transactions	778,605
Net change in call money and bills sold and others	(5,047,597)
Net change in commercial paper	(10,000)
Net change in payables under securities lending transactions	394,509
Net change in foreign exchanges (assets)	18,596
Net change in foreign exchanges (liabilities)	(118,530)
Net change in short-term bonds (liabilities)	21,200
Issuance and redemption of bonds (excluding subordinated bonds)	(95,170)
Net change in due to trust account	(267,864)
Interest received	905,873
Interest paid	(324,296)
Other, net	240,032
<b>Subtotal</b>	<b>(4,245,985)</b>
Income taxes paid	(84,921)
<b>Net cash used in operating activities</b>	<b>(4,330,906)</b>
<b>2. Cash flows from investing activities:</b>	
Purchases of securities	(18,563,216)
Proceeds from sale of securities	11,389,367
Proceeds from maturity of securities	10,257,301
Purchases of tangible fixed assets	(24,041)
Proceeds from sale of tangible fixed assets	3,545
Purchases of intangible fixed assets	(23,957)
Proceeds from sale of intangible fixed assets	4
Purchases of lease assets	(180,717)
Proceeds from sale of lease assets	21,565
Proceeds from sale of stocks of subsidiaries	3,468
<b>Net cash provided by investing activities</b>	<b>2,883,317</b>
<b>3. Cash flows from financing activities:</b>	
Proceeds from issuance of subordinated debt	10,000
Repayment of subordinated debt	(15,000)
Proceeds from issuance of subordinated bonds and bonds with stock acquisition rights	120,000
Repayment of subordinated bonds and bonds with stock acquisition rights	(126,829)
Dividends paid	(47,904)
Proceeds from minority stockholders	30,740
Dividends paid to minority stockholders	(30,883)
Purchases of treasury stock	(1,174,922)
Proceeds from disposal of treasury stock	71
<b>Net cash used in financing activities</b>	<b>(1,234,728)</b>
<b>4. Effect of exchange rate changes on cash and cash equivalents</b>	<b>1,279</b>
<b>5. Net change in cash and cash equivalents</b>	<b>(2,681,038)</b>
<b>6. Cash and cash equivalents at beginning of year</b>	<b>5,159,822</b>
<b>7. Change in cash and cash equivalents due to newly consolidated subsidiaries</b>	<b>0</b>
<b>8. Cash and cash equivalents at end of interim term</b>	<b>2,478,784</b>

Notes to Interim Consolidated Statement of Cash Flows
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1. Amounts less than one million yen have been omitted.
2. For the purposes of presenting the interim 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 interim consolidated balance sheet to "Cash and cash equivalents" at the interim term-end is as follows:

<u>September 30, 2006</u>	<u>(Millions of yen)</u>
Cash and due from banks	4,010,986
<u>Interest-earning deposits</u>	<u>(1,532,202)</u>
Cash and cash equivalents	<u>2,478,784</u>

4. The Enforcement Ordinance of the Banking Law was revised on April 28, 2006 and applicable from the fiscal year beginning on and after April 1, 2006. Effective April 1, 2006, SMFG changed its presentation of consolidated statement of cash flows as follows:
  - (1) "Amortization of consolidation goodwill" was included in "Amortization of goodwill."
  - (2) In accordance with the change in presentation of "Premises and equipment" in the interim consolidated balance sheet, "Depreciation of premises and equipment" was presented as "Depreciation of fixed assets." "Net (gains) losses from disposal of premises and equipment" was also renamed as "Net (gains) losses from disposal of fixed assets." In addition, "Purchases of premises and equipment" and "Proceeds from sale of premises and equipment" were presented as "Purchases of tangible fixed assets" and "Proceeds from sale of tangible fixed assets," respectively.
  - (3) In accordance with the change in presentation of interim consolidated balance sheet, software which had been included in "Other assets" was included in "Intangible fixed assets." Therefore, payments or proceeds from purchase or sale of software which had been included in "Other" in "Net cash (used in) provided by operating activities" were included in "Purchases of intangible fixed assets" and "Proceeds from sale of intangible fixed assets."
5. Significant non-money transactions consisted of the followings:  
Capital surplus increased by 221,365 million yen because SMFG made SMBC Friend Securities Co., Ltd. into a wholly-owned subsidiary through an exchange of shares in the six months ended September 30, 2006 and delivered common stocks.

## Comparative Consolidated Balance Sheets (Condensed)

(Millions of yen)

	September 30			March 31	
	2006 (A)	2005 (B)	Change (A-B)	2006 (C)	Change (A-C)
September 30, 2006 and 2005, and March 31, 2006					
<b>Assets:</b>					
Cash and due from banks	4,010,986	5,076,696	(1,065,710)	7,107,469	(3,096,483)
Call loans and bills bought	1,462,077	789,440	672,637	651,905	810,172
Receivables under resale agreements	110,257	138,675	(28,418)	117,474	(7,217)
Receivables under securities borrowing transactions	1,178,045	2,165,749	(987,704)	1,956,650	(778,605)
Commercial paper and other debt purchased	940,702	612,330	328,372	633,760	306,942
Trading assets	3,404,589	3,627,610	(223,021)	4,078,025	(673,436)
Money held in trust	2,820	811	2,009	2,912	(92)
Securities	22,351,635	23,579,596	(1,227,961)	25,505,861	(3,154,226)
Loans and bills discounted	59,184,457	56,095,034	3,089,423	57,267,203	1,917,254
Foreign exchanges	929,490	892,413	37,077	947,744	(18,254)
Other assets	3,257,139	3,348,723	(91,584)	3,403,832	(146,693)
Premises and equipment	–	807,079	(807,079)	806,369	(806,369)
Tangible fixed assets	706,702	–	706,702	–	706,702
Intangible fixed assets	228,885	–	228,885	–	228,885
Lease assets	991,699	1,005,761	(14,062)	999,915	(8,216)
Deferred tax assets	1,023,325	1,414,656	(391,331)	1,051,609	(28,284)
Goodwill	–	9,408	(9,408)	6,612	(6,612)
Customers' liabilities for acceptances and guarantees	3,748,150	3,707,061	41,089	3,508,695	239,455
Reserve for possible loan losses	(978,999)	(1,037,217)	58,218	(1,035,468)	56,469
Total assets	<u>102,551,964</u>	<u>102,233,832</u>	<u>318,132</u>	<u>107,010,575</u>	<u>(4,458,611)</u>
<b>Liabilities:</b>					
Deposits	72,165,553	69,242,541	2,923,012	70,834,125	1,331,428
Negotiable certificates of deposit	2,492,353	2,529,775	(37,422)	2,708,643	(216,290)
Call money and bills sold	2,562,041	6,137,278	(3,575,237)	8,016,410	(5,454,369)
Payables under repurchase agreements	805,915	508,598	297,317	396,205	409,710
Payables under securities lending transactions	3,141,635	3,651,048	(509,413)	2,747,125	394,510
Commercial paper	–	7,500	(7,500)	10,000	(10,000)
Trading liabilities	1,932,323	1,786,166	146,157	2,908,158	(975,835)
Borrowed money	3,061,744	2,087,187	974,557	2,133,707	928,037
Foreign exchanges	329,273	433,654	(104,381)	447,722	(118,449)
Short-term bonds	405,100	460,500	(55,400)	383,900	21,200
Bonds	4,155,770	4,329,026	(173,256)	4,241,417	(85,647)
Due to trust account	50,733	42,260	8,473	318,597	(267,864)
Other liabilities	2,920,902	2,817,197	103,705	2,625,594	295,308
Reserve for employee bonuses	22,868	22,018	850	25,300	(2,432)
Reserve for employee retirement benefits	33,864	35,893	(2,029)	36,786	(2,922)
Reserve for expenses related to EXPO 2005 Japan	–	284	(284)	–	–
Other reserves	1,136	1,092	44	1,141	(5)
Deferred tax liabilities	49,876	47,422	2,454	49,484	392
Deferred tax liabilities for land revaluation	49,929	50,466	(537)	50,133	(204)
Acceptances and guarantees	3,748,150	3,707,061	41,089	3,508,695	239,455
Total liabilities	<u>97,929,171</u>	<u>97,896,973</u>	<u>32,198</u>	<u>101,443,151</u>	<u>(3,513,980)</u>
Minority interests	–	1,074,517	(1,074,517)	1,113,025	(1,113,025)
Total stockholders' equity	–	3,262,340	(3,262,340)	4,454,399	(4,454,399)
Total liabilities, minority interests and stockholders' equity	<u>–</u>	<u>102,233,832</u>	<u>(102,233,832)</u>	<u>107,010,575</u>	<u>(107,010,575)</u>
Total net assets	<u>4,622,792</u>	–	<u>4,622,792</u>	–	<u>4,622,792</u>
Total liabilities and net assets	<u>102,551,964</u>	–	<u>102,551,964</u>	–	<u>102,551,964</u>

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

**Comparative Consolidated Statements of Income (Condensed)**

Six months ended September 30, 2006 and 2005, and Year ended March 31, 2006	Six months ended September 30			(Millions of yen) Year ended March 31
	<b>2006</b> (A)	2005 (B)	Change (A-B)	2006
<b>Ordinary income</b>	<b>1,825,751</b>	<b>1,757,879</b>	<b>67,872</b>	<b>3,705,136</b>
Interest income:	909,808	769,316	140,492	1,662,600
Interest on loans and discounts	651,018	588,151	62,867	1,214,142
Interest and dividends on securities	157,718	120,932	36,786	317,352
Trust fees	1,416	4,285	(2,869)	8,631
Fees and commissions	337,322	327,875	9,447	703,928
Trading profits	54,496	12,448	42,048	32,807
Other operating income	501,121	576,540	(75,419)	1,144,147
Other income	21,586	67,412	(45,826)	153,021
<b>Ordinary expenses</b>	<b>1,468,614</b>	<b>1,294,111</b>	<b>174,503</b>	<b>2,741,582</b>
Interest expenses:	350,193	215,601	134,592	500,993
Interest on deposits	199,933	114,236	85,697	266,648
Fees and commissions	53,927	49,167	4,760	84,336
Trading losses	2,883	189	2,694	—
Other operating expenses	511,352	403,592	107,760	876,635
General and administrative expenses	432,705	421,626	11,079	853,796
Other expenses	117,553	203,933	(86,380)	425,819
<b>Ordinary profit</b>	<b>357,136</b>	<b>463,768</b>	<b>(106,632)</b>	<b>963,554</b>
<b>Extraordinary gains</b>	<b>48,284</b>	<b>61,397</b>	<b>(13,113)</b>	<b>97,952</b>
<b>Extraordinary losses</b>	<b>4,118</b>	<b>13,872</b>	<b>(9,754)</b>	<b>18,144</b>
<b>Income before income taxes and minority interests</b>	<b>401,302</b>	<b>511,293</b>	<b>(109,991)</b>	<b>1,043,362</b>
Income taxes:				
Current	42,273	32,367	9,906	69,818
Deferred	86,218	60,672	25,546	226,901
<b>Minority interests in net income</b>	<b>29,149</b>	<b>25,925</b>	<b>3,224</b>	<b>59,800</b>
<b>Net income</b>	<b>243,660</b>	<b>392,327</b>	<b>(148,667)</b>	<b>686,841</b>

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

**Comparative Consolidated Statements of  
Capital Surplus and Retained Earnings (Condensed)**

Six months ended September 30, 2005 and Year ended March 31, 2006	Six months ended September 30, 2005	(Millions of yen) Year ended March 31, 2006
<b><u>Capital surplus</u></b>		
Capital surplus at beginning of year	974,346	974,346
Increase in capital surplus	<u>2</u>	<u>254,878</u>
Capital surplus at end of term (year)	<u><u>974,349</u></u>	<u><u>1,229,225</u></u>
<b><u>Retained earnings</u></b>		
Retained earnings at beginning of year	329,963	329,963
Increase in retained earnings	412,337	706,506
Decrease in retained earnings	<u>44,396</u>	<u>44,405</u>
Retained earnings at end of term (year)	<u><u>697,905</u></u>	<u><u>992,064</u></u>

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

## Comparative Consolidated Statements of Cash Flows

Six months ended September 30, 2006 and 2005, and Year ended March 31, 2006	(Millions of yen)			
	Six months ended September 30		Year ended March 31	
	2006 (A)	2005 (B)	Change (A-B)	
<b>1. Cash flows from operating activities:</b>				
Income before income taxes and minority interests	401,302	511,293	(109,991)	1,043,362
Depreciation of premises, equipment and others	-	40,218	(40,218)	82,671
Depreciation of fixed assets	38,389	-	38,389	-
Depreciation of lease assets	167,651	166,592	1,059	336,871
Losses on impairment of fixed assets	2,006	10,580	(8,574)	12,303
Amortization of goodwill	2,070	3,469	(1,399)	6,270
Equity in (earnings) losses of affiliates	32,344	(14,081)	46,425	(31,887)
Gains on sale of subsidiaries' shares and gains on change in equity of subsidiary	(5,121)	(60,192)	55,071	(63,257)
Net change in reserve for possible loan losses	(56,241)	(238,154)	181,913	(241,530)
Net change in reserve for employee bonuses	(2,512)	(1,857)	(655)	1,403
Net change in reserve for employee retirement benefits	(3,200)	1,101	(4,301)	1,993
Net change in reserve for expenses related to EXPO 2005 Japan	-	53	(53)	(231)
Interest income	(909,808)	(769,316)	(140,492)	(1,662,600)
Interest expenses	350,193	215,601	134,592	500,993
Net (gains) losses on securities	56,013	(64,257)	120,270	(27,853)
Net (gains) losses from money held in trust	(0)	(13)	13	(13)
Net exchange (gains) losses	(41,522)	(62,513)	20,991	(175,815)
Net (gains) losses from disposal of premises and equipment	-	(275)	275	(551)
Net (gains) losses from disposal of fixed assets	1,327	-	1,327	-
Net (gains) losses from disposal of lease assets	(473)	(666)	193	(3,235)
Net change in trading assets	628,566	163,674	464,892	(225,005)
Net change in trading liabilities	(965,531)	(347,755)	(617,776)	746,642
Net change in loans and bills discounted	(1,909,796)	(1,213,748)	(696,048)	(2,311,499)
Net change in deposits	1,332,022	688,527	643,495	2,210,634
Net change in negotiable certificates of deposit	(222,330)	(186,912)	(35,418)	(8,026)
Net change in borrowed money (excluding subordinated debt)	934,051	(13,469)	947,520	90,612
Net change in deposits with banks	410,829	55,542	355,287	175,960
Net change in call loans and bills bought and others	(981,573)	200,494	(1,182,067)	342,387
Net change in receivables under securities borrowing transactions	778,605	(1,597,409)	2,376,014	(1,388,310)
Net change in call money and bills sold and others	(5,047,597)	1,262,966	(6,310,563)	3,027,037
Net change in commercial paper	(10,000)	(366,600)	356,600	(364,100)
Net change in payables under securities lending transactions	394,509	(216,953)	611,462	(1,120,876)
Net change in foreign exchanges (assets)	18,596	6,635	11,961	(46,473)
Net change in foreign exchanges (liabilities)	(118,530)	(45,233)	(73,297)	(31,381)
Net change in short-term bonds (liabilities)	21,200	459,500	(438,300)	382,900
Issuance and redemption of bonds (excluding subordinated bonds)	(95,170)	(269,880)	174,710	(365,646)
Net change in due to trust account	(267,864)	(8,196)	(259,668)	268,140
Interest received	905,873	803,273	102,600	1,691,320
Interest paid	(324,296)	(208,281)	(116,015)	(509,760)
Other, net	240,032	129,264	110,768	(104,996)
Subtotal	(4,245,985)	(966,978)	(3,279,007)	2,238,450
Income taxes paid	(84,921)	14,248	(99,169)	(30,096)
<b>Net cash (used in) provided by operating activities</b>	<b>(4,330,906)</b>	<b>(952,729)</b>	<b>(3,378,177)</b>	<b>2,208,354</b>
<b>2. Cash flows from investing activities:</b>				
Purchases of securities	(18,563,216)	(29,777,298)	11,214,082	(43,620,790)
Proceeds from sale of securities	11,389,367	24,077,266	(12,687,899)	33,089,259
Proceeds from maturity of securities	10,257,301	6,696,817	3,560,484	10,164,213
Purchases of money held in trust	-	(750)	750	(2,851)
Proceeds from sale of money held in trust	-	3,789	(3,789)	3,789
Purchases of premises and equipment	-	(13,389)	13,389	(43,066)
Purchases of tangible fixed assets	(24,041)	-	(24,041)	-
Proceeds from sale of premises and equipment	-	11,107	(11,107)	17,733
Proceeds from sale of tangible fixed assets	3,545	-	3,545	-
Purchases of intangible fixed assets	(23,957)	-	(23,957)	-
Proceeds from sale of intangible fixed assets	4	-	4	-
Purchases of lease assets	(180,717)	(192,899)	12,182	(380,894)
Proceeds from sale of lease assets	21,565	28,661	(7,096)	55,186
Proceeds from sale of stocks of subsidiaries	3,468	54,937	(51,469)	54,937
<b>Net cash provided by investing activities</b>	<b>2,883,317</b>	<b>888,242</b>	<b>1,995,075</b>	<b>(662,482)</b>
<b>3. Cash flows from financing activities:</b>				
Proceeds from issuance of subordinated debt	10,000	33,000	(23,000)	103,000
Repayment of subordinated debt	(15,000)	(82,343)	67,343	(215,884)
Proceeds from issuance of subordinated bonds and bonds with stock acquisition rights	120,000	408,038	(288,038)	431,458
Repayment of subordinated bonds and bonds with stock acquisition rights	(126,829)	(162,800)	35,971	(198,800)
Proceeds from issuance of stocks	-	-	-	136,451
Dividends paid	(47,904)	(44,355)	(3,549)	(44,373)
Proceeds from minority stockholders	30,740	48,025	(17,285)	59,640
Dividends paid to minority stockholders	(30,883)	(27,034)	(3,849)	(42,366)
Purchases of treasury stock	(1,174,922)	(1,001)	(1,173,921)	(2,209)
Proceeds from sale of treasury stock	-	26	(26)	452,549
Proceeds from disposal of treasury stock	71	-	71	-
<b>Net cash provided by financing activities</b>	<b>(1,234,728)</b>	<b>171,555</b>	<b>(1,406,283)</b>	<b>679,464</b>
<b>4. Effect of exchange rate changes on cash and cash equivalents</b>	<b>1,279</b>	<b>1,794</b>	<b>(515)</b>	<b>3,840</b>
<b>5. Net change in cash and cash equivalents</b>	<b>(2,681,038)</b>	<b>108,861</b>	<b>(2,789,899)</b>	<b>2,229,177</b>
<b>6. Cash and cash equivalents at beginning of year</b>	<b>5,159,822</b>	<b>2,930,645</b>	<b>2,229,177</b>	<b>2,930,645</b>
<b>7. Change in cash and cash equivalents due to newly consolidated subsidiaries</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>(0)</b>
<b>8. Change in cash and cash equivalents due to exclusion of consolidated subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0)</b>
<b>9. Cash and cash equivalents at end of term (year)</b>	<b>2,478,784</b>	<b>3,039,507</b>	<b>(560,723)</b>	<b>5,159,822</b>

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

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

Six months ended September 30, 2006 (Millions of yen)

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

(Notes)

1. The business segmentation is classified based on SMFG's internal administrative purpose.

Ordinary income and ordinary profit are presented as counterparts of sales and operating profit of companies in other industries.

2. "Other business" includes securities, credit card, investment banking, loans, venture capital, system development and information processing.

Six months ended September 30, 2005 (Millions of yen)

	Banking business	Leasing business	Other business	Total	Elimination	Consolidated
Ordinary income						
(1) External customers	1,183,343	367,078	207,456	1,757,879	–	1,757,879
(2) Intersegment	20,798	9,443	97,699	127,940	(127,940)	–
Total	1,204,141	376,522	305,155	1,885,819	(127,940)	1,757,879
Ordinary expenses	824,108	355,085	228,575	1,407,770	(113,658)	1,294,111
Ordinary profit	380,033	21,436	76,579	478,049	(14,281)	463,768

Year ended March 31, 2006 (Millions of yen)

	Banking business	Leasing business	Other business	Total	Elimination	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

## (2) Geographic segment information

Six months ended September 30, 2006 (Millions of yen)

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

(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 and France and others; Asia and Oceania includes Hong Kong, Singapore, Australia and others except Japan.

Six months ended September 30, 2005 (Millions of yen)

	Japan	The Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
Ordinary income							
(1) External customers	1,579,894	77,007	46,224	54,752	1,757,879	–	1,757,879
(2) Intersegment	29,904	20,784	1,724	16,207	68,621	(68,621)	–
Total	1,609,798	97,792	47,949	70,960	1,826,501	(68,621)	1,757,879
Ordinary expenses	1,208,124	68,063	40,756	38,992	1,355,936	(61,825)	1,294,111
Ordinary profit	401,674	29,728	7,192	31,968	470,564	(6,795)	463,768

Year ended March 31, 2006 (Millions of yen)

	Japan	The Americas	Europe	Asia and Oceania	Total	Elimination	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

## (3) Ordinary income from overseas operations

(Millions of yen)

	Consolidated ordinary income from overseas operations (A)	Consolidated ordinary income (B)	(A) / (B)
Six months ended September 30, 2006	293,186	1,825,751	16.1 %
Six months ended September 30, 2005	177,984	1,757,879	10.1 %
Year ended March 31, 2006	448,406	3,705,136	12.1 %

(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 September 30, 2006

(Notes)

- The amounts shown in the following tables include negotiable certificates of deposit bought classified as “Cash and due from banks,” and beneficiary claims on trust such as receivables classified as “Commercial paper and other debt purchased,” in addition to “Securities” stated in the interim consolidated balance sheet.
- Stocks of subsidiaries and affiliates that have market value are presented in notes to interim nonconsolidated financial statements.

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

As of September 30, 2006	(Millions of yen)		
	Consolidated balance sheet	Market value	Net unrealized gains (losses)
Japanese government bonds	749,983	740,068	(9,915)
Japanese local government bonds	96,997	94,594	(2,403)
Japanese corporate bonds	379,928	375,829	(4,099)
Other	9,917	10,139	222
<b>Total</b>	<b>1,236,826</b>	<b>1,220,630</b>	<b>(16,195)</b>

(Note) Market value is calculated using market prices at the interim term-end.

## (2) Other securities with market value

As of September 30, 2006	(Millions of yen)		
	Acquisition cost	Consolidated balance sheet	Net unrealized gains (losses)
Stocks	1,970,424	3,569,347	1,598,922
Bonds	9,328,374	9,152,122	(176,252)
Japanese government bonds	7,874,690	7,719,254	(155,436)
Japanese local government bonds	512,392	501,778	(10,613)
Japanese corporate bonds	941,292	931,089	(10,202)
Other	4,175,904	4,141,168	(34,736)
<b>Total</b>	<b>15,474,703</b>	<b>16,862,637</b>	<b>1,387,933</b>

(Notes)

- Consolidated balance sheet amount is calculated as follows:

Stocks	Average market prices during one month before the interim term-end
Bonds and other	Market prices at the interim term-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 interim consolidated balance sheet amount and the amount of write-down is accounted for as valuation loss for the interim term. Valuation loss for this interim term was 1,247 million yen. The rule for determining “material decline” is as follows and is based on the classification of issuing company under self-assessment of Bankrupt/ Effectively bankrupt/ Potentially bankrupt issuers : Market value is lower than acquisition cost.  
 Issuers requiring caution : Market value is 30% or more lower than acquisition cost.  
 Normal issuers : Market value is 50% or more lower than acquisition cost.  
 Bankrupt issuers: Issuers that are legally bankrupt or formally declared bankrupt.  
 Effectively bankrupt issuers: Issuers that are not legally bankrupt but regarded as substantially bankrupt.  
 Potentially bankrupt issuers: Issuers that are not bankrupt now, but are perceived to have a high risk of falling into bankruptcy.  
 Issuers requiring caution: Issuers that are identified for close monitoring.  
 Normal issuers: Issuers other than the above four categories of issuers.

## (3) Securities with no available market value

As of September 30, 2006	(Millions of yen)
	Consolidated balance sheet
<b>Bonds classified as held-to-maturity</b>	
Unlisted foreign securities	26
Other	8,267
<b>Other securities</b>	
Unlisted stocks (excluding OTC stocks)	421,099
Unlisted bonds	2,729,834
Unlisted foreign securities	475,506
Other	409,421

## 2. As of September 30, 2005

(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 claim on loan trust classified as "Commercial paper and other debt purchased," in addition to "Securities" stated in the interim consolidated balance sheet.
- Stocks of subsidiaries and affiliates that have market value are presented in notes to interim nonconsolidated financial statements.

## (1) Securities classified as trading purposes

As of September 30, 2005	(Millions of yen)	
	Consolidated balance sheet amount	Valuation gains (losses) included in the earnings for the term
Securities classified as trading purposes	1,589,914	(1,296)

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

As of September 30, 2005	(Millions of yen)				
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	659,835	653,970	(5,865)	948	6,813
Japanese local government bonds	58,545	57,397	(1,148)	-	1,148
Japanese corporate bonds	69,747	68,907	(840)	-	840
Other	27,678	28,120	441	441	-
Total	815,806	808,394	(7,411)	1,390	8,802

(Note) Market value is calculated using market prices at the interim term-end.

## (3) Other securities with market value

As of September 30, 2005	(Millions of yen)				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	1,904,528	2,897,259	992,730	1,031,519	38,788
Bonds	12,400,547	12,317,414	(83,132)	4,822	87,955
Japanese government bonds	10,723,139	10,649,794	(73,345)	1,207	74,552
Japanese local government bonds	540,423	534,633	(5,790)	939	6,729
Japanese corporate bonds	1,136,983	1,132,986	(3,997)	2,676	6,673
Other	3,878,943	3,866,998	(11,944)	34,002	45,947
Total	18,184,018	19,081,672	897,653	1,070,345	172,691

(Notes)

- Net unrealized gains on other securities shown above include losses of 557 million yen that is recognized in the interim term's earnings by applying fair value hedge accounting and valuation losses of 400 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 interim term-end
Bonds and other	Market prices at the interim term-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 interim consolidated balance sheet amount and the amount of write-down is accounted for as valuation loss for the interim term. Valuation loss for this interim term was 212 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 interim term

There are no corresponding transactions.

## (5) Other securities sold during the interim term

Six months ended September 30, 2005	(Millions of yen)		
	Sales amount	Gains on sales	Losses on sales
Other securities	24,077,266	88,639	13,991

## (6) Securities with no available market value

As of September 30, 2005	(Millions of yen)
	Consolidated balance sheet amount
Bonds classified as held-to-maturity	
Unlisted foreign securities	2,531
Other	5,271
Other securities	
Unlisted stocks (excluding OTC stocks)	417,028
Unlisted bonds	2,264,800
Unlisted foreign securities	425,527
Other	267,941

## (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 September 30, 2005	(Millions of yen)			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Bonds	2,338,479	7,357,651	2,618,161	3,056,053
Japanese government bonds	1,968,207	4,729,637	1,621,591	2,990,192
Japanese local government bonds	26,564	277,662	288,476	475
Japanese corporate bonds	343,707	2,350,350	708,093	65,385
Other	453,001	2,087,818	565,488	802,079
Total	2,791,480	9,445,469	3,183,649	3,858,132

## 3. 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	Valuation 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
<b>Bonds classified as held-to-maturity</b>	
Unlisted foreign securities	269
Other	3,758
<b>Other securities</b>	
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 items.

## (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
<b>Total</b>	<b>6,711,706</b>	<b>6,349,103</b>	<b>3,150,820</b>	<b>3,885,788</b>

## [2] Money Held in Trust

## 1. As of September 30, 2006

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

There are no corresponding transactions.

## (2) Other money held in trust

As of September 30, 2006	(Millions of yen)		
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains
Other money held in trust	2,602	2,820	217

(Note) Interim consolidated balance sheet amount is calculated using market prices at the interim term-end.

## 2. As of September 30, 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 September 30, 2005	(Millions of yen)				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains	Unrealized gains	Unrealized losses
Other money held in trust	602	811	209	209	-

(Note) Interim consolidated balance sheet amount is calculated using market prices at the interim term-end.

## 3. 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	Unrealized gains	Unrealized losses
Other money held in trust	2,703	2,912	209	209	-

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

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

## 1. As of September 30, 2006

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

As of September 30, 2006	(Millions of yen)
Net unrealized gains	1,388,146
Other securities	1,387,928
Other money held in trust	217
(-) Deferred tax liabilities	563,620
Net unrealized gains on other securities (before following adjustment)	824,525
(-) Minority interests	7,123
(+) SMFG's interest in net unrealized gains on valuation of other securities held by affiliates accounted for by the equity method	5,811
Net unrealized gains on other securities	823,213

(Note)

Net unrealized gains included foreign currency translation adjustments on non-marketable securities denominated in foreign currency.

## 2. As of September 30, 2005

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

As of September 30, 2005	(Millions of yen)
Net unrealized gains	898,836
Other securities	898,626
Other money held in trust	209
(-) Deferred tax liabilities	364,380
Net unrealized gains on other securities (before following adjustment)	534,455
(-) Minority interests	10,029
(+) SMFG's interest in net unrealized gains on valuation of other securities held by affiliates accounted for by the equity method	8,645
Net unrealized gains on other securities	533,070

(Notes)

1. Net unrealized gains on other securities shown above include losses of 557 million yen that is recognized in the interim term's earnings by applying fair value hedge accounting and valuation losses of 400 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.

## 3. 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)	817,283
(-) Minority interests	8,343
(+) SMFG's interest in net unrealized gains on valuation of other securities held by affiliates accounted for by the equity method	10,986
Net unrealized gains on other securities	819,927

(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.

## **Market Value Information on Derivative Transactions**

Please refer to EDINET system (<https://info.edinet.go.jp/EdiHtml/main.htm>) after the middle of December 2006 (available in Japanese).

SMFG will also disclose derivative information on our Interim Financial Report that will be issued in February 2007. (<http://www.smfg.co.jp/english/index.html>)