

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.