Notes to Interim Consolidated Balance Sheet

1. Amounts less than one million yen have been omitted.

2. Transactions for trading purposes (seeking gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market related indices or from variation among markets) are included in "Trading assets" or "Trading liabilities" on the 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
Expenses for acquiring the common shares	160 million yen
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.