

## Significant Accounting Policies for Nonconsolidated Financial Statements

1. Valuation of securities  
Investments in subsidiaries and affiliates, and other securities without market value are carried at cost using the moving-average method.
2. Depreciation of fixed assets
  - (1) Tangible fixed assets  
SMFG adopts the declining-balance method. Buildings are depreciated using the straight-line method.
  - (2) Intangible assets  
SMFG computes depreciation for capitalized software for internal use using the straight-line method over its estimated useful life (five years).
3. Reserve for employee bonuses  
Reserve for employee bonuses is provided for payment of bonuses to employees, in the amount of estimated bonuses attributable to this interim term.
4. Lease transactions  
Financing leases, excluding those in which the ownership of the property is transferred to the lessee, are accounted for in the same manner as operating leases.
5. Consumption taxes  
National and local consumption taxes are accounted for using the tax-excluded method.

## Changes in Significant Accounting Policies

1. Accounting Standard for Presentation of Net Assets in the Balance Sheet  
Effective April 1, 2006, SMFG applied “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Accounting Standards Board of Japan (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), and changed its balance sheet presentation as follows:
  - (1) Former “Stockholders’ equity” was renamed as “Net assets.” The amount corresponding to former stockholders’ equity at September 30, 2006 was 3,252,213 million yen.
  - (2) “Voluntary reserve” and “Unappropriated retained earnings” which had been included in “Retained earnings” was presented as “Voluntary reserve” and “Retained earnings brought forward” in “Other retained earnings,” respectively.
2. Accounting Standard for Share-based Payment  
Effective April 1, 2006, SMFG applied “Accounting Standard for Share-based Payment” (ASBJ Statement No.8, issued on December 27, 2005) and “Guidance on Accounting Standard for Stock Options” (ASBJ Guidance No.11, issued on May 31, 2006). This accounting change had no impact on the interim statement of income.
3. Accounting Standards for Business Combinations  
Effective April 1, 2006, SMFG applied “Accounting Standards for Business Combinations” (“Opinion Concerning Establishment of Accounting Standards for Business Combinations,” issued by the Business Accounting Council 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).

## Notes to Nonconsolidated Balance Sheet

1. Amounts less than one million yen have been omitted.
2. Accumulated depreciation of premises and equipment was 2 million yen.
3. Contingent liabilities  
SMFG has guaranteed the Deposit Protection Fund within the Association of German Banks for the return of up to 95,475 million yen in customers’ deposits at SMBC’s Düsseldorf Branch.

## Notes to Nonconsolidated Statement of Income

1. Amounts less than one million yen have been omitted.
2. Nonoperating income includes interest on loans of 208 million yen.
3. Nonoperating expenses include interest on borrowings of 550 million yen, fees and commissions of 179 million yen and amortization of organization costs of 150 million yen.
4. Depreciation cost is as follows:
 

Tangible fixed assets	0 million yen
Intangible fixed assets	6 million yen

## Notes to Nonconsolidated Statement of Changes in Net Assets

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

	Number of treasury shares at the previous fiscal year-end	Increase in numbers of shares in the interim term	Decrease in numbers of shares in the interim term	Number of treasury shares at the interim term-end
Treasury shares				
Common stock	6,307.15	(*1) 702.81	(*2) 77.62	6,932.34
Preferred stock (type 1)	—	(*3) 35,000	(*3) 35,000	—
Preferred stock (type 2)	—	(*4) 100,000	(*4) 100,000	—
Preferred stock (type 3)	—	(*5) 500,000	(*5) 500,000	—
Total	6,307.15	635,702.81	635,077.62	6,932.34

(Notes)

**\*1. Increase in number of treasury shares:**

- 702.81 shares due to purchase of fractional shares

**2. Decrease in number of treasury shares:**

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

**3. Increase in number of treasury shares:**

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

**Decrease in number of treasury shares:**

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

**4. Increase in number of treasury shares:**

- 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

**Decrease in number of treasury shares:**

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

**5. Increase in number of treasury shares:**

- 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 rights to request acquisition of common shares on September 29, 2006.

**Decrease in number of treasury shares:**

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

## Securities

SMFG has no investments in subsidiaries and affiliates that have market value.

## Business Combinations

Transactions under common control

Please refer to note 41 in Notes to Interim Consolidated Balance Sheet.

## Subsequent Events

1. 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
  - Preferred stock (type 3)
    - (1) Number of shares to be acquired: 195,000 shares
    - (2) Total amount to be acquired: 222,241,500,000 yen
2. 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 of 50,000 shares of preferred stock (type 3) (total amount: 50,000 million yen) on September 29, 2006, at 76,791,820,000 yen.