May 21, 2007

# Sumitomo Mitsui Financial Group, Inc. (SMFG)

Financial Results for the Fiscal Year ended March 31, 2007

Head Office: 1-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan
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 Ordinary General Meeting of Shareholders: June 28, 2007
Date of Payment of Year-End Dividends: June 28, 2007

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

## 1. Consolidated Financial Results (for the fiscal year ended March 31, 2007)

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

| | Ordinary Income | | Ordinary Profit | | Net Income | |
|---|---|---|---|---|---|---|
| Fiscal Year | | | | | | |
| ended March 31, 2007 | ¥ 3,901,259 | 5.3 % | ¥ 798,610 | (17.1) % | ¥ 441,351 | (35.7) % |
| ended March 31, 2006 | 3,705,136 | 3.5 | 963,554 | – | 686,841 | – |

| | Net Income per Share | Net Income per Share (Diluted) | Return on Net Assets | Ordinary Profit on Total Assets | Ordinary Profit on Ordinary Income |
|---|---|---|---|---|---|
| Fiscal Year | | | | | |
| ended March 31, 2007 | ¥ 57,085.83 | ¥ 51,494.17 | 13.1 % | 0.8 % | 20.5 % |
| ended March 31, 2006 | 94,733.62 | 75,642.94 | 33.2 | 0.9 | 26.0 |

(Notes)
1. Equity in earnings (losses) of affiliates
(a) for the fiscal year ended March 31, 2007: ¥ (104,170) million (b) for the fiscal year ended March 31, 2006: ¥31,887 million
2. Percentages shown in Ordinary Income, Ordinary Profit and Net Income are the increase (decrease) from the previous fiscal year.

(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 |
|---|---|---|---|---|---|
| March 31, 2007 | ¥ 100,858,309 | ¥ 5,331,279 | 3.9 % | ¥ 469,228.59 | (Preliminary) 11.31 % |
| March 31, 2006 | 107,010,575 | 4,454,399 | 4.2 | 400,168.90 | 12.39 |

(Notes)
1. Stockholders' equity
(a) as of March 31, 2007: ¥ 3,922,986 million (b) as of March 31, 2006: ¥ – million
2. Net assets ratio = {(Net assets as of year-end – Stock acquisition rights as of year-end – Minority interests as of year-end) / Total assets as of year-end} X 100
3. Capital ratio as of March 31, 2007 is calculated under Basel II. Capital ratio as of March 31, 2006 was calculated under the former method.

(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 year-end |
|---|---|---|---|---|
| Fiscal Year | | | | |
| ended March 31, 2007 | ¥ (6,760,740) | ¥ 4,769,454 | ¥ (1,244,945) | ¥ 1,927,024 |
| ended March 31, 2006 | 2,208,354 | (662,482) | 679,464 | 5,159,822 |

## 2. Dividends on Common Stock

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

| | Dividends per Share | | | Total Dividends (Annual) | Dividend Payout Ratio | Ratio of Dividends to Net Assets |
|---|---|---|---|---|---|---|
| | Interim | Year-End | Annual | | | |
| Fiscal Year | | | | | | |
| ended March 31, 2006 | ¥ – | ¥ 3,000 | ¥ 3,000 | ¥ 22,253 | 3.4 % | 1.1 % |
| ended March 31, 2007 | – | 7,000 | 7,000 | 53,660 | 12.5 | 1.6 |
| ending March 31, 2008 (Forecast) | 5,000 | 5,000 | 10,000 | 76,657 | 14.5 | |

(Notes)
1. Dividend Payout Ratio and Ratio of Dividends to Net Assets are reported on a consolidated basis.
2. Dividends on unlisted preferred stock are reported on page 3.

## 3. Earnings Forecast on a Consolidated Basis (for the fiscal year ending March 31, 2008)

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

| | Ordinary Income | | Ordinary Profit | | Net Income | | Net Income per Share |
|---|---|---|---|---|---|---|---|
| Six Months ending September 30, 2007 | ¥ 1,950,000 | 6.8% | ¥ 400,000 | 12.0% | ¥ 220,000 | (9.7)% | ¥ 28,224.73 |
| Fiscal Year ending March 31, 2008 | 4,100,000 | 5.1 | 980,000 | 22.7 | 540,000 | 22.4 | 69,668.19 |

(Note)
Percentages shown in Ordinary Income, Ordinary Profit and Net Income are the increase (decrease) from the results of the previous fiscal year.

4. Other Information

(1) There was a change in significant consolidated subsidiary in the fiscal year

Newly consolidated : 2 companies (SMFG Preferred Capital USD 1 Limited and one other company)

Excluded : None

(Note) The details are reported on page 6, "Overview of SMFG Group."

(2) Change in significant accounting principles, policies and presentation

(a) There was a change due to revision of accounting standards.

(b) There was a change due to other reason.

(Note) The details are reported in Notes to Consolidated Balance Sheet (notes 12 and 34 to 38) on page 14 and 17 and Notes to Consolidated Statement of Cash Flows (note 4) on page 24.

(3) Number of common stocks issued

(a) Number of shares issued (including treasury shares)

(i) as of March 31, 2007: 7,733,653 shares (ii) as of March 31, 2006: 7,424,172 shares

(b) Number of treasury shares

(i) as of March 31, 2007: 168,630 shares (ii) as of March 31, 2006: 6,307 shares

(Note) Number of shares used in calculating "Net income per share" (on a consolidated basis) is reported on page 36.

[Reference] Parent Company Only Financial Information on a Nonconsolidated Basis

1. Nonconsolidated Financial Results (for the fiscal year ended March 31, 2007)

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

| | Operating Income | | Operating Profit | | Ordinary Profit | | Net Income | |
|---|---|---|---|---|---|---|---|---|
| Fiscal Year | | | | | | | | |
| ended March 31, 2007 | ¥ 376,479 | 578.6 % | ¥ 372,838 | 613.1 % | ¥ 364,477 | 655.2 % | ¥ 363,535 | 395.2 % |
| ended March 31, 2006 | 55,482 | (78.6) | 52,285 | (79.6) | 48,264 | (81.0) | 73,408 | (70.9) |

| | Net Income per Share | Net Income per Share (Diluted) |
|---|---|---|
| Fiscal Year | | |
| ended March 31, 2007 | ¥ 46,326.41 | ¥ 41,973.46 |
| ended March 31, 2006 | 6,836.35 | 6,737.46 |

(Note) Percentages shown in Operating Income, Operating Profit, Ordinary Profit and Net Income are the increase (decrease) from the previous fiscal year.

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

| | Total Assets | Net Assets | Net Assets Ratio | Net Assets per Share |
|---|---|---|---|---|
| March 31, 2007 | ¥ 3,959,444 | ¥ 2,997,898 | 75.7 % | ¥ 342,382.75 |
| March 31, 2006 | 4,166,332 | 3,935,426 | 94.5 | 330,206.27 |

(Note) Stockholders' equity

(a) as of March 31, 2007: ¥2,997,898 million (b) as of March 31, 2006: ¥ – million

2. Earnings Forecast on a Nonconsolidated Basis (for the fiscal year ending March 31, 2008)

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

| | Operating Income | | Operating Profit | | Ordinary Profit | |
|---|---|---|---|---|---|---|
| Six months ending September 30, 2007 | ¥ 24,000 | (92.5)% | ¥ 22,000 | (93.1)% | ¥ 17,000 | (94.7)% |
| Fiscal year ending March 31, 2008 | 105,000 | (72.1) | 100,000 | (73.2) | 90,000 | (75.3) |

| | Net Income | | Net Income per Share |
|---|---|---|---|
| Six months ending September 30, 2007 | ¥ 14,000 | (95.6)% | ¥ 981.07 |
| Fiscal year ending March 31, 2008 | 85,000 | (76.6) | 9,397.77 |

(Note) Percentages shown in Operating Income, Operating Profit, Ordinary Profit and Net Income are the increase (decrease) from the results of the previous fiscal year.

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 document: 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.

Dividends on Preferred Stock

(Millions of yen, except per share data)

| Type | Record Date | Cash Dividends per Share | | | Aggregate Amount of Dividends |
|---|---|---|---|---|---|
| | | Interim Term-end | Year-end | Annual | |
| Preferred stock (type 1) | Fiscal year ended March 31, 2006 | ¥ – | ¥ 10,500 | ¥ 10,500 | ¥ 367 |
| | Fiscal year ended March 31, 2007 | – | – | – | – |
| | Fiscal year ended March 31, 2008 (forecast) | – | – | – | – |
| Preferred stock (type 2) | Fiscal year ended March 31, 2006 | – | 28,500 | 28,500 | 2,850 |
| | Fiscal year ended March 31, 2007 | – | – | – | – |
| | Fiscal year ended March 31, 2008 (forecast) | – | – | – | – |
| Preferred stock (type 3) | Fiscal year ended March 31, 2006 | – | 13,700 | 13,700 | 9,521 |
| | Fiscal year ended March 31, 2007 | – | – | – | – |
| | Fiscal year ended March 31, 2008 (forecast) | – | – | – | – |
| Preferred stock (1st to 12th series type 4) | Fiscal year ended March 31, 2006 | – | 135,000 | 135,000 | 6,763 |
| | Fiscal year ended March 31, 2007 | – | 135,000 | 135,000 | 6,763 |
| | Fiscal year ended March 31, 2008 (forecast) | 67,500 | 67,500 | 135,000 | 6,763 |
| Preferred stock (1st series type 6) | Fiscal year ended March 31, 2006 | – | 88,500 | 88,500 | 6,195 |
| | Fiscal year ended March 31, 2007 | – | 88,500 | 88,500 | 6,195 |
| | Fiscal year ended March 31, 2008 (forecast) | 44,250 | 44,250 | 88,500 | 6,195 |

Calculation for Indices

- Return on Net Assets:

$$\frac{\text{Net income} - \text{Dividends on preferred stock}}{\{(\text{Stockholders' equity at beginning of year} - \text{Number of preferred stocks issued at beginning of year} \times \text{Issue price}) + (\text{Stockholders' equity at year-end} - \text{Number of preferred stocks issued at year-end} \times \text{Issue price})\} / 2} \times 100$$

- Dividend Payout Ratio:

$$\frac{\text{Dividends on common stock}}{\text{Net income} - \text{Dividends on preferred stock}} \times 100$$

- Ratio of Dividends to Net Assets:

$$\frac{\text{Dividends on common stock}}{\{(\text{Stockholders' equity at beginning of year} - \text{Number of preferred stocks issued at beginning of year} \times \text{Issue price}) + (\text{Stockholders' equity at year-end} - \text{Number of preferred stocks issued at year-end} \times \text{Issue price})\} / 2} \times 100$$

- Forecasted Net Income Per Share:

$$\frac{\text{Forecasted net income} - \text{Forecasted preferred stock dividends}}{\text{Number of common stocks issued at year-end (excluding treasury stock)}}$$

# I. Operating and Financial Review

## 1. Consolidated Operating Results for the Fiscal Year Ended March 31, 2007

(1) Operating Results

In fiscal 2006 ended March 31, 2007, SMFG endeavored to "establish a solid platform for supporting business growth," establish an earnings structure of high quality and further strengthen its financial base.

Ordinary income increased 5.3% to ¥3,901.2 billion mainly due to an increase in interest income. This was attributable mainly to increases in interest on loans and discounts, due to higher loan balance and interest rates, and dividend income from holding equities. However, this was partially offset by a decrease in other income, mainly due to lower gains on sale of stocks, and equity in losses of equity method affiliates.

Ordinary expenses increased 13.2% to ¥3,102.6 billion mainly due to increases in interest expenses, such as interest on deposits, and other operating expenses, including bond related losses. However, other expenses decreased because of a substantial decrease in credit costs.

As a result, Ordinary profit amounted to ¥798.6 billion. Net income, after adjusting ordinary profit by extraordinary gains or losses such as gains on return of employee retirement benefits trust and losses on impairment of fixed assets, was ¥441.3 billion.

(2) Segment Information

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

<u>By business</u>

| | | |
|---|---|---|
| Ordinary income | | |
| Banking business | 65% | (up 1 point from the previous fiscal year) |
| Leasing business | 19% | (down 0 point) |
| Other business | 16% | (down 1 point) |
| Total assets | | |
| Banking business | 93% | (down 0 point from the previous fiscal year-end) |
| Leasing business | 2% | (up 0 point) |
| Other business | 5% | (down 0 point) |

<u>By Region</u>

| | | |
|---|---|---|
| Ordinary income | | |
| Japan | 81% | (down 5 points from the previous fiscal year) |
| The Americas | 7% | (up 1 point) |
| Europe and Middle East | 5% | (up 2 points) |
| Asia and Oceania | 7% | (up 2 points) |
| Total assets | | |
| Japan | 87% | (down 2 points from the previous fiscal year-end) |
| The Americas | 6% | (up 1 point) |
| Europe and Middle East | 3% | (up 0 point) |
| Asia and Oceania | 4% | (up 1 point) |

(3) Earnings Forecast

Fiscal 2007 is the first year of the new medium-term management plan, "LEAD THE VALUE" Plan*. SMFG intends to improve its corporate value through sustainable growth and realize a solid financial base as a global player.

As for earnings forecast on a consolidated basis, Ordinary income, Ordinary profit and Net income are expected to amount to ¥4,100 billion, ¥980 billion, and ¥540 billion, respectively.

On a non-consolidated basis, Operating income, Operating profit, Ordinary profit and Net income are expected to amount to ¥105 billion, ¥100 billion, ¥90 billion, and ¥85 billion, respectively.

* "LEAD THE VALUE" Plan* is described in "III. Principles and Management, 3. Medium- to Long-term Management Strategy."

## 2. Consolidated Financial Position as of March 31, 2007

(1) Assets and Liabilities

Deposits amounted to ¥72,156.2 billion, an increase of ¥1,322.0 billion from the previous fiscal year-end and Negotiable certificates of deposit amounted to ¥2,589.2 billion, a decrease of ¥119.4 billion.

Loans and bills discounted amounted to ¥58,689.3 billion, an increase of ¥1,422.1 billion, mainly due to an increase in overseas lending to companies with high credit ratings and overseas project finance.

Total assets amounted to ¥100,858.3 billion, a decrease of ¥6,152.2 billion.

(2) Net Assets

Net Assets amounted to ¥5,331.2 billion, ¥2,741.6 billion 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.

(3) Cash Flows

SMFG used ¥6,760.7 billion of "Cash flows from operating activities," generated ¥4,769.4 billion of "Cash flows from investing activities," and used ¥1,244.9 billion of "Cash flows from financing activities."

Consequently, Cash and cash equivalents amounted to ¥1,927.0 billion, a decrease of ¥3,232.7 billion.

(4) Capital Ratio (preliminary)

Capital ratio was 11.31% on a consolidated basis.

## 3. Dividend Policy and Dividends for the Fiscal Years Ended March 31, 2007 and 2008

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 decided to pay dividends per share for the fiscal year ended March 31, 2007 as follows:

| | | |
|---|---|---|
| Common stock | ¥7,000 | (year-on-year increase by ¥4,000) |
| Preferred stock (1st to 12th series type 4) | ¥135,000 | |
| Preferred stock (1st series type 6) | ¥ 88,500 | |

(*) Interim dividends were not paid in the fiscal year ended March 31, 2007.

SMFG has launched a new medium-term management plan, "LEAD THE VALUE" Plan. It is aiming for a payout ratio of over 20% on a consolidated net income basis in the fiscal year ending March 31, 2010, and will increase return to shareholders in step with the progress made in achieving the goals of the plan. Dividends on common stock for the fiscal year ending March 31, 2008 are expected to be as follows. Dividends on preferred stocks will be paid as prescribed.

| | | |
|---|---|---|
| Common stock | ¥10,000 per share | (year-on-year increase by ¥3,000) |
| [interim dividends] | [5,000] | |
| Preferred stock (1st to 12th series type 4) | ¥135,000 per share | |
| [interim dividends] | [67,500] | |
| Preferred stock (1st series type 6) | ¥ 88,500 per share | |
| [interim dividends] | [44,250] | |

# II. 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 181 consolidated subsidiaries and 62 companies accounted for by the equity method.

**Sumitomo Mitsui Financial Group, Inc.**

| Business | Companies |
| --- | --- |
| Banking business | Principal subsidiaries<br>Domestic<br>* Sumitomo Mitsui Banking Corporation<br>* THE MINATO BANK, LTD. (Listed on the First Section of Tokyo Stock Exchange and Osaka Securities Exchange)<br>* Kansai Urban Banking Corporation (Listed on the First Section of Tokyo Stock Exchange and Osaka Securities Exchange)<br>* The Japan Net Bank, Limited (Internet banking)<br>* SMBC Guarantee Co., Ltd. (Credit guarantee)<br>Overseas<br>* Sumitomo Mitsui Banking Corporation Europe Limited<br>* Manufacturers Bank<br>* Sumitomo Mitsui Banking Corporation of Canada<br>* Banco Sumitomo Mitsui Brasileiro S.A.<br>* PT Bank Sumitomo Mitsui Indonesia |
| Leasing business | Principal subsidiaries<br>Domestic<br>* SMBC Leasing Company, Limited<br>* SMBC Auto Leasing Company, Limited<br>Overseas<br>* SMBC Leasing and Finance, Inc. |
| Other business | Principal subsidiaries and affiliated companies<br>Domestic<br>* Sumitomo Mitsui Card Company, Limited (Credit card services)<br>* SAKURA CARD CO., Ltd. (Credit card services)<br>* SMBC Consulting Co., Ltd. (Management consulting and information services)<br>* SMBC Finance Service Co., Ltd. (Loans, factoring and collecting agent)<br>* Financial Link Company, Limited (Data processing service and consulting)<br>* SMBC Friend Securities Co., Ltd. (Securities)<br>* The Japan Research Institute, Limited (System development, data processing, management consulting and economic research)<br>* JRI Solutions Ltd. (System development and data processing)<br>* Sakura KCS Corporation (System engineering and data processing) (Listed on the Second Section of Osaka Securities Exchange)<br>* Sakura Information Systems Co., Ltd. (System engineering and data processing)<br>* SMFG Corporate Recovery Servicer Co., Ltd. (Consulting on corporate recovery and servicer)<br>** Promise Co., Ltd. (consumer finance) (Listed on the First Section of Tokyo Stock Exchange)<br>** At-Loan Co., Ltd. (Consumer loans)<br>** QUOQ Inc. (Shopping credit and credit card business)<br>** Daiwa Securities SMBC Co. Ltd. (Securities and derivatives)<br>** NIF SMBC Ventures Co., Ltd. (Venture capital) (Listed on the JASDAQ Securities Exchange)<br>** Daiwa SB Investments Ltd. (Investment advisory and investment trust management)<br>** Sumitomo Mitsui Asset Management Company, Limited (Investment advisory and investment trust management)<br>** Japan Pension Navigator Co., Ltd. (Operational management of defined contribution pension plans)<br>Overseas<br>* SMBC Capital Markets, Inc. (Derivatives and investments)<br>* SMBC Capital Markets Limited (Derivatives)<br>* SMBC Securities, Inc. (Securities)<br>* Sumitomo Mitsui Finance Australia Limited (Investments) |

(Note) (*) means a consolidated subsidiary and (**) means an affiliated company accounted for by the equity method.

The details of changes in specific subsidiaries in the fiscal year are as follows:

| Name | Address | Capital (in thousand) | Business | Percentage of SMFG's Voting Rights (*) |
|---|---|---|---|---|
| SMFG Preferred Capital USD 1 Limited | George Town, Grand Cayman, Cayman Islands | $1,650,350 | Other business (Finance) | 100% |
| SMBC Preferred Capital USD 1 Limited | George Town, Grand Cayman, Cayman Islands | $1,664,000 | Other business (Finance) | 100% (100%) |

(*) The figure in parenthesis indicates a voting right held indirectly via subsidiary.

# III. Principles and Management

## 1. Management Policy

SMFG's group-wide 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 financial services group with the highest trust".

## 2. Management Indices to be Achieved

SMFG has established a medium-term management plan, "LEAD THE VALUE" Plan, spanning the three years from fiscal 2007 and has set the following four management indices as the financial targets to be achieved in fiscal 2009, the final year of the plan.

| | |
|---|---|
| - Consolidated net income | ¥650 billion |
| - Consolidated Tier I ratio | Approximately 8% |
| - Consolidated net income RORA * | Approximately 1% |
| - Overhead Ratio (SMBC non-consolidated basis) | 40 - 45% |

* Return on Risk-adjusted Assets

In addition, in order to increase return to shareholders, SMFG is aiming for a payout ratio of over 20% on a consolidated net income basis in fiscal 2009. During the period of the plan, SMFG expects ROE to be 10 - 15% on a consolidated net income basis.

## 3. Medium- to Long-term Management Strategy

SMFG has launched a new medium-term management plan, "LEAD THE VALUE" Plan, for the coming three years from fiscal 2007 to 2009 given the completion of repayment of public funds last October and in response to the greatly changed business environment, including the economic situation and competitive environment.

In the plan, the basic policy of SMFG is to aim for "a globally competitive financial services group with the highest trust" by maximizing its strengths – "Spirit of Innovation," "Speed" and "Solution & Execution." Under this basic policy, SMFG has set the following three goals.

1. Aim for top quality in growth business areas
2. Realize solid financial base as a global player
3. Increase return to shareholders.

Under the plan, SMFG will implement strategic initiatives centered on "strengthening targeted growth business areas" and "fortifying platform for supporting sustainable growth."

**(1) Strengthen targeted growth business areas**

SMFG will focus on business areas with high growth potential and achieve top quality in such areas by creating added values that exceed customers' expectations, thereby realizing sustainable growth. SMFG will especially strengthen the following seven growth areas.

A) Financial consulting for individuals
B) Solution providing for corporations
C) Focused business areas in global markets
D) Payment & settlement services, consumer finance
E) Investment banking and trust business
F) Proprietary investment
G) Credit derivative trading & distribution

**(2) Fortify platform for supporting sustainable growth**

SMFG will maximize its ability to provide added value by (a) implementing an internal business performance evaluation system centered on medium-term targets and strategic measures, (b) establishing a framework for developing highly qualified professionals capable of challenging and achieving top quality in growth business areas, (c) reinforcing IT and operational infrastructure to support SMFG's business in a flexible manner, (d) strengthening compliance, and (e) improving ALM and risk management system.

SMFG and the group companies will make every effort to achieve the goals of the plan in order to realize sustainable growth and higher corporate value.

## 4. Issues to be Addressed

Having designated fiscal 2007 as "the first step towards accomplishing the new medium-term management plan," SMFG will strengthen targeted growth business areas and fortify the platform for supporting sustainable growth on a group basis.

**(1) Strengthen targeted growth business areas**

First, SMFG will strengthen "seven growth areas" targeted in the plan.

- "Financial consulting for individuals," "Payment & settlement services, consumer finance"

In consumer business, financial consulting will be upgraded further. SMFG will develop and provide new products, such as "SMBC Fund Wrap," launched in January of this year, provided through the collaboration between Sumitomo Mitsui Banking Corporation (SMBC) and SMBC Friend Securities, which meet the diversifying needs of our customers and changing business environment including deregulation. Also, SMFG will expand its channel network and increase the number of financial consultants. Through these initiatives, SMFG aims to establish a business model for offering "one stop shopping" of various financial products and services including investment trusts, insurance products and securities.

Also, payment and settlement services utilizing credit cards and electronic money will be expanded. Specifically, SMFG will promote "SMBC First Pack," a set of packaged services of deposit, Internet banking and credit card, which was launched in March of this year. Another example is "Mitsui Sumitomo Card iD," a collaborative service provided by Sumitomo Mitsui Card and NTT DoCoMo. In addition, in consumer finance, the collaboration with Promise will be further promoted through measures such as increasing the number of loan contract machines. This April, SMFG, SMBC, Sumitomo Mitsui Card and QUOQ reached an agreement with Central Finance and Mitsui & Co. to establish a comprehensive capital and business alliance in consumer finance. The alliance partners aim to provide quality products and services that meet customer needs exactly. To this end, they will leverage this comprehensive partnership, utilize each other's special features, know-how and experience, brands, customer base, etc., which they have developed separately in their respective businesses of "consumer installment credit," "credit card," "banking" and "trade."

- "Solution providing for corporations," "Investment banking and trust business"

In corporate business, solution providing will be expanded further. Specifically, SMFG will strengthen coverage in business areas where needs of individual customers and corporate customers co-exist, such as business succession consulting and private banking, through a Private Advisory Department which was newly established within SMBC this April. Also, its capability to nurture growth companies will be enhanced through a newly established Merchant Banking Department. In addition, investment banking, which provides various financing techniques, such as syndicated loan and structured finance, and financial solutions for solving clients' managerial issues, such as business expansion and reorganization through M&A, will be strengthened further through various initiatives by the Corporate Advisory Division within SMBC and the collaboration between SMBC and Daiwa Securities SMBC. Moreover, SMFG 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 of this year, SMBC Leasing and SMBC Auto Leasing are scheduled to merge with Sumisho Lease and Sumisho Auto Lease, respectively, under an agreement between SMFG and the Sumitomo Corporation group to pursue strategic joint businesses in leasing and auto leasing. By leveraging the know-how of both parties, value-added products and services will be provided to their customers.

- “Focused business areas in global markets”

In global markets, at the same time SMFG will provide various services responding to globalization of corporate customers, it will further strengthen initiatives in (a) specific growth industries in which fund raising and business consolidation needs are expected to expand globally, (b) Asia, a region which continues to demonstrate a remarkable economic growth, and (c) specific products and services with global competitive advantages, such as project finance and ship finance, by further expanding business franchises and establishing a global business promotion system.

- “Proprietary investment,” “Credit derivative trading & distribution”

In addition, SMFG will strengthen proprietary investments in mezzanine, equity, fund and so on. Also, credit derivative trading and distribution will be reinforced by improving its capability to structure risks on SMBC’s balance sheet and distributing such risks to investors.

**(2) Fortify platform for supporting sustainable growth**

Second, SMFG will fortify its platform for supporting sustainable growth.

Specifically, SMFG will take initiatives such as (a) business administration based on internal business performance evaluation system centered on medium-term targets, (b) establishment of a framework for securing and developing professionals in various business areas, (c) reinforcement of IT and operational infrastructure, and (d) further fortification of risk management and compliance. Especially, SMFG will further strengthen compliance to establish a more solid organization both in Japan and overseas. As a part of this, SMFG will take initiatives responding to enforcement of the Financial Instruments and Exchange Law in Japan, and complying with anti-money laundering.

With the aim of increasing return to shareholders, SMFG forecasts dividend per common share of ¥10,000 for fiscal 2007, which is a ¥3,000 increase compared with fiscal 2006. SMFG will continue to actively examine measures to strengthen shareholder return.

In fiscal 2007, through such initiatives, SMFG aims to take a solid first step towards accomplishing the medium-term management plan, and further improve the overall evaluation of SMFG by its customers, shareholders, markets and society.

# IV. Consolidated Financial Statements

## Significant Accounting Policies for Consolidated Financial Statements

1. Scope of consolidation

(1) Consolidated subsidiaries 181 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.

Changes in consolidated subsidiaries in the fiscal year ended March 31, 2007 are as follows:

Forty-two companies including JRI Solutions Ltd. were newly consolidated due to establishment and other reason.

Four 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. Also, nineteen companies including SMLC MAHOGANY CO., LTD. were excluded from the scope of consolidation and 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 twenty-four subsidiaries including S.B.L. Jupiter Co., Ltd. are silent partnerships for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, they have been excluded from the scope of consolidation pursuant to Article 5 Paragraph 1 Item 2 of 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 59 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.

Changes in affiliates accounted for by the equity method in the fiscal year are as follows:

Four companies including NIFSMBC-V2006S1 Investment Enterprise Partnership newly became affiliated companies accounted for by the equity method due to establishment and other reason.

Five companies including SMFC Holdings (Cayman) Limited were excluded from the scope of affiliated companies accounted for by the equity method because they were no longer affiliated companies due to liquidation and other reason.

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

One hundred and twenty-four subsidiaries including S.B.L. Jupiter Co., Ltd. are silent partnerships for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, they have not been accounted for by the equity method pursuant to Article 10 Paragraph 1 Item 2 of Consolidated Financial Statements Regulations.

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 balance sheet dates of consolidated subsidiaries

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

| | | |
|---|---|---|
| June 30 | 2 | companies |
| July 31 | 1 | company |
| September 30 | 7 | companies |
| October 31 | 2 | companies |
| November 30 | 2 | companies |
| December 31 | 70 | companies |
| January 31 | 1 | company |
| February 28 | 3 | companies |
| March 31 | 93 | companies |

A consolidated overseas subsidiary changed its balance sheet date from December 31 to March 31 from this fiscal year. Therefore, SMFG's consolidated financial statements include the subsidiary's earnings for the 15 month period from January 1, 2006 to March 31, 2007. However, this change had no material impact on the consolidated financial statements.

(2) The subsidiaries whose balance sheet dates are June 30, September 30 and November 30 are consolidated after the accounts were provisionally closed as of March 31 for the purpose of consolidation. In case of the subsidiaries whose balance sheet dates are July 31, they are consolidated after the accounts were provisionally closed as of January 31. As for the subsidiaries whose balance sheet dates are October 31, their financial statements are consolidated based on the provisional financial statements closed as of January 31 and March 31, respectively. The other companies are consolidated on the basis of their respective balance sheet dates.

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

4. Accounting policies

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

5. Valuation of consolidated subsidiaries' assets and liabilities

Assets and liabilities of consolidated subsidiaries including the portion attributable to minority shareholders are valuated for consolidation at fair value when SMFG acquires their control.

6. Amortization of goodwill

Goodwill on SMBC Friend Securities Co., Ltd. and SMBC Leasing Company, Limited is amortized using the straight-line method over 20 years and 5 years, respectively. Goodwill on other companies is charged or credited to income directly when incurred.

7. Scope of "Cash and cash equivalents" on Consolidated Statement of Cash Flows

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

# Consolidated Balance Sheet

| March 31, 2007 | (Millions of yen) |
|---|---|
| **Assets:** | |
| Cash and due from banks | 4,036,856 |
| Call loans and bills bought | 1,107,078 |
| Receivables under resale agreements | 76,551 |
| Receivables under securities borrowing transactions | 2,276,894 |
| Commercial paper and other debt purchased | 963,916 |
| Trading assets | 3,277,885 |
| Money held in trust | 2,924 |
| Securities | 20,537,500 |
| Loans and bills discounted | 58,689,322 |
| Foreign exchanges | 881,436 |
| Other assets | 3,349,949 |
| Tangible fixed assets | 817,567 |
| Buildings | 226,593 |
| Land | 476,059 |
| Construction in progress | 703 |
| Other tangible fixed assets | 114,211 |
| Intangible fixed assets | 234,896 |
| Software | 123,151 |
| Goodwill | 100,850 |
| Other intangible fixed assets | 10,894 |
| Lease assets | 1,001,346 |
| Deferred tax assets | 887,224 |
| Customers' liabilities for acceptances and guarantees | 3,606,050 |
| Reserve for possible loan losses | (889,093) |
| **Total assets** | **100,858,309** |
| **Liabilities:** | |
| Deposits | 72,156,224 |
| Negotiable certificates of deposit | 2,589,217 |
| Call money and bills sold | 2,286,698 |
| Payables under repurchase agreements | 140,654 |
| Payables under securities lending transactions | 1,516,342 |
| Trading liabilities | 1,942,973 |
| Borrowed money | 3,214,137 |
| Foreign exchanges | 323,890 |
| Short-term bonds | 439,600 |
| Bonds | 4,093,525 |
| Due to trust account | 65,062 |
| Other liabilities | 2,981,714 |
| Reserve for employee bonuses | 27,513 |
| Reserve for employee retirement benefits | 34,424 |
| Reserve for executive retirement benefits | 7,371 |
| Other reserves | 1,137 |
| Deferred tax liabilities | 50,953 |
| Deferred tax liabilities for land revaluation | 49,536 |
| Acceptances and guarantees | 3,606,050 |
| **Total liabilities** | 95,527,029 |
| **Net assets:** | |
| Capital stock | 1,420,877 |
| Capital surplus | 57,773 |
| Retained earnings | 1,386,436 |
| Treasury stock | (123,454) |
| **Total stockholders' equity** | 2,741,632 |
| Net unrealized gains on other securities | 1,262,135 |
| Net deferred losses on hedges | (87,729) |
| Land revaluation excess | 37,605 |
| Foreign currency translation adjustments | (30,656) |
| **Total valuation and translation adjustments** | **1,181,353** |
| Stock acquisition rights | 14 |
| Minority interests | 1,408,279 |
| **Total net assets** | **5,331,279** |
| **Total liabilities and net assets** | **100,858,309** |

## Notes to 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 consolidated balance sheet on a trade date basis.
   Securities and monetary claims purchased for trading purposes are stated at the fiscal year-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 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 fiscal year, and bonds and others that have market prices are carried at their fiscal year-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 fiscal year'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. 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. Assets and liabilities of SMFG and SMBC denominated in foreign currencies and accounts of SMBC overseas branches are translated into Japanese yen mainly at the exchange rate prevailing at the 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 ¥490,123 million.

10. Reserve for employee bonuses is provided for payment of bonuses to employees, in the amount of estimated bonuses, which are attributable to the fiscal year.

11. Reserve for employee retirement benefits is provided for payment of retirement benefits to employees, in the amount deemed accrued at the fiscal year-end, based on the projected retirement benefit obligation and the fair value of plan assets at the 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. Reserve for executive retirement benefits is provided for payment of retirement benefits to directors, corporate auditors and other executive officers, in the amount deemed accrued at the fiscal year-end based on our internal regulations.

Retirement benefits to directors, corporate auditors and other executive officers were formerly expensed when they were paid. However, "Treatment for Auditing of Reserve under Special Taxation Measures Law and Reserve under Special Laws" (JICPA Audit Committee Report No.42, issued on September 21, 1982) was revised and "Treatment for Auditing of Reserve under Special Taxation Measures Law, Reserve under Special Laws and Reserve for Retirement Benefits to Directors and Corporate Auditors" (JICPA Audit and Assurance Practice Committee Report No.42) was announced on April 13, 2007. In accordance with this accounting change, from March 31, 2007, SMFG started recording "reserve for executive retirement benefits" in order to recognize periodic gains (losses) more proper by allocating the estimated retirement benefits to the tenure of the relevant executives. As a result, "Ordinary profit" and "Income before income taxes and minority interests" each decreased by ¥7,371 million as compared with the former method.

Interim consolidated financial statements for the six months ended September 30, 2006 were accounted for under the former method because this accounting change was announced on April 13, 2007. Accordingly, "Ordinary profit" and "Income before income taxes and minority interests" for the six months were excessively recorded by ¥6,241 million as compared with the revised method.

13. 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.

14. 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 the fiscal year-end, gross amounts of deferred hedge losses and gains on "macro hedge" (before deducting tax effect) were ¥41,522 million and ¥29,583 million, respectively.

15. 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.

16. 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 strict criteria for external transactions 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).

17. National and local consumption taxes of SMFG and its consolidated domestic subsidiaries are accounted for using the tax-excluded method.

18. 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, and reserve for contingent liabilities from securities transactions in accordance with Article 51 of the Securities and Exchange Law of ¥1,118 million.

19. Securities included stocks of unconsolidated subsidiaries and affiliates of ¥425,873 million and investments of ¥4,216 million.

20. Accumulated depreciation on tangible fixed assets and accumulated depreciation on lease assets amounted to ¥555,288 million and ¥1,592,098 million, respectively.

21. Deferred gain on real property deductible for tax purposes amounted to ¥67,070 million.

22. Bankrupt loans and Non-accrual loans were ¥60,715 million and ¥507,289 million, 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.

23. Past due loans (3 months or more) totaled ¥22,018 million.
"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."

24. Restructured loans totaled ¥477,362 million.
"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)."

25. The total amount of Bankrupt loans, Non-accrual loans, Past due loans (3 months or more) and Restructured loans was ¥1,067,386 million. The amounts of loans presented in Notes 22 to 25 above are the amounts before deduction of reserve for possible loan losses.

26. 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 ¥915,318 million.

27. Assets pledged as collateral were as follows:

| | (Millions of yen) |
|---|---|
| Assets pledged as collateral | |
| Cash and due from banks | ¥ 104,328 |
| Trading assets | 202,292 |
| Securities | 3,043,253 |
| Loans and bills discounted | 934,423 |
| Other assets (installment account receivable etc.) | 1,946 |
| Liabilities corresponding to assets pledged as collateral | |
| Deposits | ¥ 20,588 |
| Call money and bills sold | 1,335,000 |
| Payables under repurchase agreements | 128,695 |
| Payables under securities lending transactions | 1,250,450 |
| Trading liabilities | 84,532 |
| Borrowed money | 1,112,257 |
| Other liabilities | 23,207 |
| Acceptances and guarantees | 167,153 |

In addition, Cash and due from banks of ¥6,761 million, Trading assets of ¥500,158 million, Securities of ¥3,946,194 million and Loans and bills discounted of ¥535,770 million were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes.

Other assets include surety deposits and intangible of ¥94,129 million and variation margins of futures markets of ¥3,140 million.

28. 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.

29. The balance of subordinated debt included in “Borrowed money” was ¥559,500 million.

30. The balance of subordinated bonds included in “Bonds” was ¥2,183,810 million.

31. The amount guaranteed by banking subsidiaries to privately-placed bonds (stipulated by Article 2-3 of Securities and Exchange Law) in “Securities” was ¥2,421,446 million.

32. Japanese government bonds and Stocks as a sub-account of Securities include ¥2,188 million 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, ¥2,088,859 million of securities are pledged, and ¥154,192 million of securities are held in hand as of the consolidated balance sheet date.

33. 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 ¥40,947,052 million and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time was ¥34,769,824 million. 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.

34. "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 year 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 March 31, 2007 was ¥4,010,715 million.
(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."
(a) Land, buildings and equipment in "Premises and equipment" were separately presented as "Land," "Buildings" and "Other tangible fixed assets" in "Tangible fixed assets," and suspense payments for constitutions unfinished were presented as "Construction in progress" in "Tangible fixed assets."
(b) Foregifts were included in and presented as "Other intangible fixed assets" in "Intangible fixed assets," and guarantee deposits were included in "Other assets."
(c) Software which had been included in "Other assets" was included as "Software" in "Intangible fixed assets."
(5) "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."

35. "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 year ending September 8, 2006, the announcement date, and SMFG applied the new accounting pronouncement. This accounting change had no material impact on the consolidated financial statements.

36. "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 consolidated financial statements.

37. 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 year 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 consolidated balance sheet. As a result, deferred bond discounts in "Other assets" and "Bonds" each decreased by ¥2,308 million 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.

38. "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.

## Consolidated Statement of Income

| Year ended March 31, 2007 | (Millions of yen) |
|---|---|
| **Ordinary income:** | **3,901,259** |
| Interest income | 1,979,069 |
| Interest on loans and discounts | 1,375,851 |
| Interest and dividends on securities | 369,770 |
| Interest on call loans and bills bought | 28,208 |
| Interest on receivables under resale agreements | 7,098 |
| Interest on receivables under securities borrowing transactions | 4,857 |
| Interest on deposits with banks | 96,763 |
| Other interest income | 96,517 |
| Trust fees | 3,508 |
| Fees and commissions | 705,998 |
| Trading profits | 127,561 |
| Other operating income | 1,003,632 |
| Lease-related income | 426,154 |
| Installment-related income | 277,405 |
| Other | 300,072 |
| Other income | 81,489 |
| | |
| **Ordinary expenses:** | **3,102,649** |
| Interest expenses | 810,476 |
| Interest on deposits | 457,078 |
| Interest on negotiable certificates of deposit | 43,476 |
| Interest on call money and bills sold | 18,807 |
| Interest on payables under repurchase agreements | 18,354 |
| Interest on payables under securities lending transactions | 60,856 |
| Interest on commercial paper | 1 |
| Interest on borrowed money | 32,175 |
| Interest on short-term bonds | 1,503 |
| Interest on bonds | 89,719 |
| Other interest expenses | 88,502 |
| Fees and commissions | 96,812 |
| Trading losses | 1,936 |
| Other operating expenses | 1,004,370 |
| Lease-related expenses | 376,098 |
| Installment-related expenses | 258,606 |
| Other | 369,666 |
| General and administrative expenses | 888,561 |
| Other expenses | 300,491 |
| Provision for reserve for possible loan losses | 23,663 |
| Other | 276,827 |
| **Ordinary profit** | **798,610** |
| **Extraordinary gains** | **46,527** |
| Gains on disposal of premises and equipment | 4,730 |
| Collection of written-off claims | 1,236 |
| Gains on reversal of reserve for contingent liabilities from securities transactions | 3 |
| Other extraordinary gains | 40,556 |
| **Extraordinary losses** | **38,347** |
| Losses on disposal of fixed assets | 7,798 |
| Losses on impairment of fixed assets | 30,548 |
| **Income before income taxes and minority interests** | **806,790** |
| Income taxes | |
| Current | 87,818 |
| Deferred | 218,770 |
| **Minority interests in net income** | **58,850** |
| **Net income** | **441,351** |

## Notes to Consolidated Statement of Income

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

2. 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 fiscal year. The year-on-year valuation differences of securities and money claims are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the year-on-year valuation differences are also recorded in the above-mentioned accounts.

3. 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.

4. “Other income” included gains on sales of stocks and other securities of ¥62,793 million.

5. “Other expenses” included write-off of loans of ¥81,415 million, losses on devaluation of stocks and other securities of ¥16,562 million, losses on delinquent loans sold of ¥39,302 million and equity in losses of affiliates of ¥104,170 million.

6. “Other extraordinary gains” included gains on return of securities from retirement benefits trust of ¥36,330 million and gains on change in equity of a subsidiary due to the subsidiary’s capital increase of ¥4,226 million.

7. 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 the fiscal year.

(Millions of yen)

| Area | Purpose of use | | Type | Impairment loss |
|---|---|---|---|---|
| Tokyo metropolitan area | Branches | 2 branches | Land and premises etc. | ¥25,799 |
| | Idle assets | 32 items | | 1,782 |
| Kinki area | Branches | 19 branches | Land and premises etc. | 839 |
| | Idle assets | 22 items | | 443 |
| Other | Idle assets | 18 items | Land and premises etc. | 1,683 |

A consolidated subsidiary, SMBC, continuously manages every branch and determines its income and expenses. SMBC considers each branch as the smallest unit of asset group for recognition and measurement of impairment loss. Fixed assets (such as corporate headquarters facilities, training institutes, business and system centers, and health and recreational facilities) which do not have identifiable cash flows 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.

In case investments in idle assets and branches (only idle assets in the case of SMBC) are not expected to be recovered, SMBC and other consolidated subsidiaries reduced the book values to their recoverable amounts and recognized the relevant losses as “losses on impairment of fixed assets,” which were included in “Extraordinary losses” in the fiscal year.

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.

# Consolidated Statement of Changes in Net Assets

Year ended March 31, 2007 (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 year | | | | | |
| Increase due to exchange of shares | | 221,365 | | | 221,365 |
| Cash dividends | | | (47,951) | | (47,951) |
| Net income | | | 441,351 | | 441,351 |
| Acquisition of own shares | | | | (1,519,599) | (1,519,599) |
| Disposal of treasury shares | | 3,459 | | 4,260 | 7,720 |
| Retirement of treasury shares | | (1,396,277) | | 1,396,277 | ― |
| Increase due to increase of subsidiaries | | | 396 | | 396 |
| Increase due to decrease of subsidiaries | | | 22 | | 22 |
| Decrease due to increase of subsidiaries | | | (16) | | (16) |
| Decrease due to decrease of subsidiaries | | | (5) | | (5) |
| Transfer from land revaluation excess | | | 575 | | 575 |
| Net changes in the items other than stockholders' equity in the year | | | | | |
| Net changes in the year | ― | (1,171,452) | 394,372 | (119,061) | (896,141) |
| Balance at March 31, 2007 | 1,420,877 | 57,773 | 1,386,436 | (123,454) | 2,741,632 |

(Millions of yen)

| | Valuation and translation adjustments | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Net unrealized gains on other securities | Net deferred losses on hedges | Land revaluation excess | Foreign currency translation adjustments | Total valuation and translation adjustments | Stock acquisition rights | Minority interests | Total net assets |
| Balance at March 31, 2006 | 819,927 | ― | 38,173 | (41,475) | 816,625 | ― | 1,113,025 | 5,567,424 |
| Changes in the year | | | | | | | | |
| Increase due to exchange of shares | | | | | | | | 221,365 |
| Cash dividends | | | | | | | | (47,951) |
| Net income | | | | | | | | 441,351 |
| Acquisition of own shares | | | | | | | | (1,519,599) |
| Disposal of treasury shares | | | | | | | | 7,720 |
| Retirement of treasury shares | | | | | | | | ― |
| Increase due to increase of subsidiaries | | | | | | | | 396 |
| Increase due to decrease of subsidiaries | | | | | | | | 22 |
| Decrease due to increase of subsidiaries | | | | | | | | (16) |
| Decrease due to decrease of subsidiaries | | | | | | | | (5) |
| Transfer from land revaluation excess | | | | | | | | 575 |
| Net changes in the items other than stockholders' equity in the year | 442,207 | (87,729) | (568) | 10,818 | 364,728 | 14 | 295,254 | 659,996 |
| Net changes in the year | 442,207 | (87,729) | (568) | 10,818 | 364,728 | 14 | 295,254 | (236,144) |
| Balance at March 31, 2007 | 1,262,135 | (87,729) | 37,605 | (30,656) | 1,181,353 | 14 | 1,408,279 | 5,331,279 |

## Notes to Consolidated Statement of Changes in Net Assets

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

2. 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 fiscal year | Number of shares decreased in the fiscal year | Number of shares as of the fiscal year-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) 695,000 | – |
| 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 | 830,000 | 7,853,754.77 |
| Treasury shares | | | | |
| Common stock | 6,307.15 | (*5) 170,936.41 | (*5) 8,612.61 | 168,630.95 |
| 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) 695,000 | (*4) 695,000 | – |
| Total | 6,307.15 | 1,000,936.41 | 838,612.61 | 168,630.95 |

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

- 249,015 shares due to issuance of new shares related to the share exchange with SMBC Friend Securities Co., Ltd. on September 1, 2006
- 60,466 shares due to exercising of rights to request acquisition of common shares with respect to preferred stock (type 3) on September 29, 2006

**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 held on June 29, 2005

**Decreases in number 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 meetings of shareholders held on June 29, 2005 and June 29, 2006

**Decreases in number 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):**

- 645,000 shares due to acquisition of own shares on September 29 and October 11, 2006 pursuant to the resolution of the ordinary general meeting of shareholders held on June 29, 2006
- 50,000 shares due to acquisition of own shares on September 29, 2006 as a result of exercising of rights to request acquisition of common shares

**Decreases in number of shares issued and treasury shares of preferred stock (type 3):**

- 695,000 shares due to retirement of treasury shares on September 29 and October 11, 2006

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

- 60,466 shares due to acquisition of own shares on October 17, 2006 pursuant to the resolution of the ordinary general meeting of shareholders held on June 29, 2006
- 1,265.41 shares due to purchase of fractional shares
- 109,205 shares owned by consolidated subsidiaries and affiliates in connection with the share exchange with SMBC Friend Securities Co., Ltd.

**Decrease in number of treasury common shares:**

- 182.61 shares due to sale of fractional shares and delivery of shares in connection with exercising of stock options
- 8,430 shares due to sale of shares of SMFG's common stock owned by subsidiaries and affiliates

3. Information on stock acquisition rights is as follows:

| | Detail of stock acquisition rights | Type of shares | Number of shares: Previous fiscal year-end | Number of shares: Increase in the fiscal year | Number of shares: Decrease in the fiscal year | Number of shares: Fiscal year-end | Balance as of the fiscal year-end (Millions of yen) |
|---|---|---|---|---|---|---|---|
| SMFG | Stock acquisition rights as stock options | | | | | | ¥ – |
| Consolidated subsidiaries | | | | | | | 14 |
| Total | | | | | | | ¥ 14 |

4. Information on dividends is as follows:

(1) Dividends paid in the fiscal year (Millions of yen, except per share amount)

| Date of resolution | Type of shares | Aggregate amount of dividends | Cash dividends per share | Record date | Effective date |
|---|---|---|---|---|---|
| Ordinary general meeting of shareholders held on June 29, 2006 | 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 |

(2) Dividends to be paid in the next fiscal year

(Millions of yen, except per share amount)

| Date of resolution | Type of shares | Aggregate amount of dividends | Source of dividends | Cash dividends per share | Record date | Effective date |
|---|---|---|---|---|---|---|
| Ordinary general meeting of shareholders held on June 28, 2007 | Common stock | ¥53,660 | Retained earnings | ¥ 7,000 | March 31, 2007 | June 28, 2007 |
| | Preferred stock (1st series type 4) | 563 | Retained earnings | 135,000 | March 31, 2007 | June 28, 2007 |
| | Preferred stock (2nd series type 4) | 563 | Retained earnings | 135,000 | March 31, 2007 | June 28, 2007 |
| | Preferred stock (3rd series type 4) | 563 | Retained earnings | 135,000 | March 31, 2007 | June 28, 2007 |
| | Preferred stock (4th series type 4) | 563 | Retained earnings | 135,000 | March 31, 2007 | June 28, 2007 |
| | Preferred stock (5th series type 4) | 563 | Retained earnings | 135,000 | March 31, 2007 | June 28, 2007 |
| | Preferred stock (6th series type 4) | 563 | Retained earnings | 135,000 | March 31, 2007 | June 28, 2007 |
| | Preferred stock (7th series type 4) | 563 | Retained earnings | 135,000 | March 31, 2007 | June 28, 2007 |
| | Preferred stock (8th series type 4) | 563 | Retained earnings | 135,000 | March 31, 2007 | June 28, 2007 |
| | Preferred stock (9th series type 4) | 563 | Retained earnings | 135,000 | March 31, 2007 | June 28, 2007 |
| | Preferred stock (10th series type 4) | 563 | Retained earnings | 135,000 | March 31, 2007 | June 28, 2007 |
| | Preferred stock (11th series type 4) | 563 | Retained earnings | 135,000 | March 31, 2007 | June 28, 2007 |
| | Preferred stock (12th series type 4) | 563 | Retained earnings | 135,000 | March 31, 2007 | June 28, 2007 |
| | Preferred stock (1st series type 6) | 6,195 | Retained earnings | 88,500 | March 31, 2007 | June 28, 2007 |

## Consolidated Statement of Cash Flows

| Year ended March 31, 2007 | (Millions of yen) |
|---|---|
| **1. Cash flows from operating activities:** | |
| Income before income taxes and minority interests | 806,790 |
| Depreciation of fixed assets | 78,869 |
| Depreciation of lease assets | 335,399 |
| Losses on impairment of fixed assets | 30,548 |
| Amortization of goodwill | 4,858 |
| Equity in (earnings) losses of affiliates | 104,170 |
| Gains on sale of subsidiaries' shares and gains on change in equity of subsidiary | (5,072) |
| Net change in reserve for possible loan losses | (146,971) |
| Net change in reserve for employee bonuses | 2,128 |
| Net change in reserve for employee retirement benefits | (2,639) |
| Net change in reserve for executive retirement benefits | 7,371 |
| Interest income | (1,979,069) |
| Interest expenses | 810,476 |
| Net (gains) losses on securities | 71,686 |
| Net (gains) losses from money held in trust | (0) |
| Net exchange (gains) losses | (103,541) |
| Net (gains) losses from disposal of fixed assets | 3,067 |
| Net (gains) losses from disposal of lease assets | (1,364) |
| Net change in trading assets | 767,067 |
| Net change in trading liabilities | (969,090) |
| Net change in loans and bills discounted | (1,376,693) |
| Net change in deposits | 1,307,266 |
| Net change in negotiable certificates of deposit | (136,304) |
| Net change in borrowed money (excluding subordinated debt) | 1,141,752 |
| Net change in deposits with banks | (157,092) |
| Net change in call loans and bills bought and others | (612,297) |
| Net change in receivables under securities borrowing transactions | (320,243) |
| Net change in call money and bills sold and others | (5,994,528) |
| Net change in commercial paper | (10,000) |
| Net change in payables under securities lending transactions | (1,230,782) |
| Net change in foreign exchanges (assets) | 66,917 |
| Net change in foreign exchanges (liabilities) | (124,047) |
| Net change in short-term bonds (liabilities) | 55,700 |
| Issuance and redemption of bonds (excluding subordinated bonds) | (198,091) |
| Net change in due to trust account | (253,534) |
| Interest received | 1,966,949 |
| Interest paid | (774,678) |
| Other, net | 197,841 |
| **Subtotal** | **(6,637,179)** |
| Income taxes paid | (123,561) |
| **Net cash used in operating activities** | **(6,760,740)** |
| **2. Cash flows from investing activities:** | |
| Purchases of securities | (35,085,809) |
| Proceeds from sale of securities | 21,544,154 |
| Proceeds from maturity of securities | 18,886,454 |
| Purchases of tangible fixed assets | (193,614) |
| Proceeds from sale of tangible fixed assets | 8,474 |
| Purchases of intangible fixed assets | (57,506) |
| Proceeds from sale of intangible fixed assets | 6 |
| Purchases of lease assets | (383,526) |
| Proceeds from sale of lease assets | 48,392 |
| Proceeds from sale of stocks of subsidiaries | 3,745 |
| Purchases of stocks of subsidiaries | (1,317) |
| **Net cash provided by investing activities** | **4,769,454** |
| **3. Cash flows from financing activities:** | |
| Proceeds from issuance of subordinated debt | 20,000 |
| Repayment of subordinated debt | (83,000) |
| Proceeds from issuance of subordinated bonds and bonds with stock acquisition rights | 196,951 |
| Repayment of subordinated bonds and bonds with stock acquisition rights | (181,283) |
| Dividends paid | (47,926) |
| Proceeds from minority stockholders | 360,362 |
| Dividends paid to minority stockholders | (46,724) |
| Purchases of treasury stock | (1,474,644) |
| Proceeds from disposal of treasury stock | 11,320 |
| **Net cash used in financing activities** | **(1,244,945)** |
| **4. Effect of exchange rate changes on cash and cash equivalents** | **3,434** |
| **5. Net change in cash and cash equivalents** | **(3,232,797)** |
| **6. Cash and cash equivalents at beginning of year** | **5,159,822** |
| **7. Change in cash and cash equivalents due to newly consolidated subsidiaries** | **0** |
| **8. Cash and cash equivalents at end of year** | **1,927,024** |

## Notes to Consolidated Statement of Cash Flows

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

2. For the purposes of presenting the 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 consolidated balance sheet to “Cash and cash equivalents” at the fiscal year-end is as follows:

| March 31, 2007 | (Millions of yen) |
|---|---|
| Cash and due from banks | ¥ 4,036,856 |
| Interest-earning deposits | (2,109,831) |
| Cash and cash equivalents | ¥ 1,927,024 |

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 consolidated balance sheet, “Depreciation of premises and equipment and others” 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 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 because SMFG made SMBC Friend Securities Co., Ltd. into a wholly-owned subsidiary through a share exchange and delivered common stocks in the fiscal year.

## Comparative Consolidated Balance Sheets (Condensed)

(Millions of yen)

| March 31, | **2007** (A) | 2006 (B) | Change (A-B) |
|---|---|---|---|
| **Assets:** | | | |
| Cash and due from banks | 4,036,856 | 7,107,469 | (3,070,613) |
| Call loans and bills bought | 1,107,078 | 651,905 | 455,173 |
| Receivables under resale agreements | 76,551 | 117,474 | (40,923) |
| Receivables under securities borrowing transactions | 2,276,894 | 1,956,650 | 320,244 |
| Commercial paper and other debt purchased | 963,916 | 633,760 | 330,156 |
| Trading assets | 3,277,885 | 4,078,025 | (800,140) |
| Money held in trust | 2,924 | 2,912 | 12 |
| Securities | 20,537,500 | 25,505,861 | (4,968,361) |
| Loans and bills discounted | 58,689,322 | 57,267,203 | 1,422,119 |
| Foreign exchanges | 881,436 | 947,744 | (66,308) |
| Other assets | 3,349,949 | 3,403,832 | (53,883) |
| Premises and equipment | – | 806,369 | (806,369) |
| Tangible fixed assets | 817,567 | – | 817,567 |
| Intangible fixed assets | 234,896 | – | 234,896 |
| Lease assets | 1,001,346 | 999,915 | 1,431 |
| Deferred tax assets | 887,224 | 1,051,609 | (164,385) |
| Goodwill | – | 6,612 | (6,612) |
| Customers' liabilities for acceptances and guarantees | 3,606,050 | 3,508,695 | 97,355 |
| Reserve for possible loan losses | (889,093) | (1,035,468) | 146,375 |
| **Total assets** | **100,858,309** | **107,010,575** | **(6,152,266)** |
| | | | |
| **Liabilities:** | | | |
| Deposits | 72,156,224 | 70,834,125 | 1,322,099 |
| Negotiable certificates of deposit | 2,589,217 | 2,708,643 | (119,426) |
| Call money and bills sold | 2,286,698 | 8,016,410 | (5,729,712) |
| Payables under repurchase agreements | 140,654 | 396,205 | (255,551) |
| Payables under securities lending transactions | 1,516,342 | 2,747,125 | (1,230,783) |
| Commercial paper | – | 10,000 | (10,000) |
| Trading liabilities | 1,942,973 | 2,908,158 | (965,185) |
| Borrowed money | 3,214,137 | 2,133,707 | 1,080,430 |
| Foreign exchanges | 323,890 | 447,722 | (123,832) |
| Short-term bonds | 439,600 | 383,900 | 55,700 |
| Bonds | 4,093,525 | 4,241,417 | (147,892) |
| Due to trust account | 65,062 | 318,597 | (253,535) |
| Other liabilities | 2,981,714 | 2,625,594 | 356,120 |
| Reserve for employee bonuses | 27,513 | 25,300 | 2,213 |
| Reserve for employee retirement benefits | 34,424 | 36,786 | (2,362) |
| Reserve for executive retirement benefits | 7,371 | – | 7,371 |
| Other reserves | 1,137 | 1,141 | (4) |
| Deferred tax liabilities | 50,953 | 49,484 | 1,469 |
| Deferred tax liabilities for land revaluation | 49,536 | 50,133 | (597) |
| Acceptances and guarantees | 3,606,050 | 3,508,695 | 97,355 |
| **Total liabilities** | **95,527,029** | **101,443,151** | **(5,916,122)** |
| **Minority interests** | – | **1,113,025** | **(1,113,025)** |
| **Total stockholders' equity** | – | **4,454,399** | **(4,454,399)** |
| **Total liabilities, minority interests and stockholders' equity** | – | **107,010,575** | **(107,010,575)** |
| **Total net assets** | **5,331,279** | – | **5,331,279** |
| **Total liabilities and net assets** | **100,858,309** | – | **100,858,309** |

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

## Comparative Consolidated Statements of Income (Condensed)

(Millions of yen)

| Year ended March 31, | 2007 (A) | 2006 (B) | Change (A-B) |
|---|---|---|---|
| **Ordinary income:** | **3,901,259** | **3,705,136** | **196,123** |
| Interest income | 1,979,069 | 1,662,600 | 316,469 |
| Interest on loans and discounts | 1,375,851 | 1,214,142 | 161,709 |
| Interest and dividends on securities | 369,770 | 317,352 | 52,418 |
| Trust fees | 3,508 | 8,631 | (5,123) |
| Fees and commissions | 705,998 | 703,928 | 2,070 |
| Trading profits | 127,561 | 32,807 | 94,754 |
| Other operating income | 1,003,632 | 1,144,147 | (140,515) |
| Other income | 81,489 | 153,021 | (71,532) |
| **Ordinary expenses:** | **3,102,649** | **2,741,582** | **361,067** |
| Interest expenses | 810,476 | 500,993 | 309,483 |
| Interest on deposits | 457,078 | 266,648 | 190,430 |
| Fees and commissions | 96,812 | 84,336 | 12,476 |
| Trading losses | 1,936 | – | 1,936 |
| Other operating expenses | 1,004,370 | 876,635 | 127,735 |
| General and administrative expenses | 888,561 | 853,796 | 34,765 |
| Other expenses | 300,491 | 425,819 | (125,328) |
| **Ordinary profit** | **798,610** | **963,554** | **(164,944)** |
| **Extraordinary gains** | **46,527** | **97,952** | **(51,425)** |
| **Extraordinary losses** | **38,347** | **18,144** | **20,203** |
| **Income before income taxes and minority interests** | **806,790** | **1,043,362** | **(236,572)** |
| Income taxes | | | |
| Current | 87,818 | 69,818 | 18,000 |
| Deferred | 218,770 | 226,901 | (8,131) |
| **Minority interests in net income** | **58,850** | **59,800** | **(950)** |
| **Net income** | **441,351** | **686,841** | **(245,490)** |

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

## Comparative Consolidated Statements of Cash Flows

(Millions of yen)

| Year ended March 31, | 2007 (A) | 2006 (B) | Change (A-B) |
|---|---|---|---|
| **1. Cash flows from operating activities:** | | | |
| Income before income taxes and minority interests | 806,790 | 1,043,362 | (236,572) |
| Depreciation of premises, equipment and others | – | 82,671 | (82,671) |
| Depreciation of fixed assets | 78,869 | – | 78,869 |
| Depreciation of lease assets | 335,399 | 336,871 | (1,472) |
| Losses on impairment of fixed assets | 30,548 | 12,303 | 18,245 |
| Amortization of goodwill | 4,858 | 6,270 | (1,412) |
| Equity in losses (earnings) of affiliates | 104,170 | (31,887) | 136,057 |
| Gains on sale of subsidiaries' shares and gains on change in equity of subsidiary | (5,072) | (63,257) | 58,185 |
| Net change in reserve for possible loan losses | (146,971) | (241,530) | 94,559 |
| Net change in reserve for employee bonuses | 2,128 | 1,403 | 725 |
| Net change in reserve for employee retirement benefits | (2,639) | 1,993 | (4,632) |
| Net change in reserve for executive retirement benefits | 7,371 | – | 7,371 |
| Net change in reserve for expenses related to EXPO 2005 Japan | – | (231) | 231 |
| Interest income | (1,979,069) | (1,662,600) | (316,469) |
| Interest expenses | 810,476 | 500,993 | 309,483 |
| Net (gains) losses on securities | 71,686 | (27,853) | 99,539 |
| Net (gains) losses from money held in trust | (0) | (13) | 13 |
| Net exchange (gains) losses | (103,541) | (175,815) | 72,274 |
| Net (gains) losses from disposal of premises and equipment | – | (551) | 551 |
| Net (gains) losses from disposal of fixed assets | 3,067 | – | 3,067 |
| Net (gains) losses from disposal of lease assets | (1,364) | (3,235) | 1,871 |
| Net change in trading assets | 767,067 | (225,005) | 992,072 |
| Net change in trading liabilities | (969,090) | 746,642 | (1,715,732) |
| Net change in loans and bills discounted | (1,376,693) | (2,311,499) | 934,806 |
| Net change in deposits | 1,307,266 | 2,210,634 | (903,368) |
| Net change in negotiable certificates of deposit | (136,304) | (8,026) | (128,278) |
| Net change in borrowed money (excluding subordinated debt) | 1,141,752 | 90,612 | 1,051,140 |
| Net change in deposits with banks | (157,092) | 175,960 | (333,052) |
| Net change in call loans and bills bought and others | (612,297) | 342,387 | (954,684) |
| Net change in receivables under securities borrowing transactions | (320,243) | (1,388,310) | 1,068,067 |
| Net change in call money and bills sold and others | (5,994,528) | 3,027,037 | (9,021,565) |
| Net change in commercial paper | (10,000) | (364,100) | 354,100 |
| Net change in payables under securities lending transactions | (1,230,782) | (1,120,876) | (109,906) |
| Net change in foreign exchanges (assets) | 66,917 | (46,473) | 113,390 |
| Net change in foreign exchanges (liabilities) | (124,047) | (31,381) | (92,666) |
| Net change in short-term bonds (liabilities) | 55,700 | 382,900 | (327,200) |
| Issuance and redemption of bonds (excluding subordinated bonds) | (198,091) | (365,646) | 167,555 |
| Net change in due to trust account | (253,534) | 268,140 | (521,674) |
| Interest received | 1,966,949 | 1,691,320 | 275,629 |
| Interest paid | (774,678) | (509,760) | (264,918) |
| Other, net | 197,841 | (104,996) | 302,837 |
| **Subtotal** | **(6,637,179)** | **2,238,450** | **(8,875,629)** |
| Income taxes paid | (123,561) | (30,096) | (93,465) |
| **Net cash (used in) provided by operating activities** | **(6,760,740)** | **2,208,354** | **(8,969,094)** |
| **2. Cash flows from investing activities:** | | | |
| Purchases of securities | (35,085,809) | (43,620,790) | 8,534,981 |
| Proceeds from sale of securities | 21,544,154 | 33,089,259 | (11,545,105) |
| Proceeds from maturity of securities | 18,886,454 | 10,164,213 | 8,722,241 |
| Purchases of money held in trust | – | (2,851) | 2,851 |
| Proceeds from sale of money held in trust | – | 3,789 | (3,789) |
| Purchases of premises and equipment | – | (43,066) | 43,066 |
| Purchases of tangible fixed assets | (193,614) | – | (193,614) |
| Proceeds from sale of premises and equipment | – | 17,733 | (17,733) |
| Proceeds from sale of tangible fixed assets | 8,474 | – | 8,474 |
| Purchases of intangible fixed assets | (57,506) | – | (57,506) |
| Proceeds from sale of intangible fixed assets | 6 | – | 6 |
| Purchases of lease assets | (383,526) | (380,894) | (2,632) |
| Proceeds from sale of lease assets | 48,392 | 55,186 | (6,794) |
| Proceeds from sale of stocks of subsidiaries | 3,745 | 54,937 | (51,192) |
| Purchases of stocks of subsidiaries | (1,317) | – | (1,317) |
| **Net cash provided by (used in) investing activities** | **4,769,454** | **(662,482)** | **5,431,936** |
| **3. Cash flows from financing activities:** | | | |
| Proceeds from issuance of subordinated debt | 20,000 | 103,000 | (83,000) |
| Repayment of subordinated debt | (83,000) | (215,884) | 132,884 |
| Proceeds from issuance of subordinated bonds and bonds with stock acquisition rights | 196,951 | 431,458 | (234,507) |
| Repayment of subordinated bonds and bonds with stock acquisition rights | (181,283) | (198,800) | 17,517 |
| Proceeds from issuance of stocks | – | 136,451 | (136,451) |
| Dividends paid | (47,926) | (44,373) | (3,553) |
| Proceeds from minority stockholders | 360,362 | 59,640 | 300,722 |
| Dividends paid to minority stockholders | (46,724) | (42,366) | (4,358) |
| Purchases of treasury stock | (1,474,644) | (2,209) | (1,472,435) |
| Proceeds from sale of treasury stock | 11,320 | 452,549 | (441,229) |
| **Net cash (used in) provided by financing activities** | **(1,244,945)** | **679,464** | **(1,924,409)** |
| **4. Effect of exchange rate changes on cash and cash equivalents** | **3,434** | **3,840** | **(406)** |
| **5. Net change in cash and cash equivalents** | **(3,232,797)** | **2,229,177** | **(5,461,974)** |
| **6. Cash and cash equivalents at beginning of year** | **5,159,822** | **2,930,645** | **2,229,177** |
| **7. Change in cash and cash equivalents due to newly consolidated subsidiaries** | **0** | **–** | **0** |
| **8. Change in cash and cash equivalents due to exclusion of consolidated subsidiaries** | **–** | **(0)** | **0** |
| **9. Cash and cash equivalents at end of year** | **1,927,024** | **5,159,822** | **(3,232,798)** |

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

# Market Value of Securities and Money Held in Trust

## 1. Securities

(Note)
The amounts shown in the following tables include trading securities, commercial paper and short-term bonds classified as "Trading assets," negotiable certificates of deposit bought classified as "Cash and due from banks" and beneficiary claims on loan trusts classified as "Commercial paper and other debt purchased," in addition to "Securities" stated in the consolidated balance sheet.

### (1) Securities classified as trading purposes

As of March 31, 2007 (Millions of yen)

| | Consolidated balance sheet amount | Valuations gains (losses) included in the earnings for the fiscal year |
|---|---|---|
| Securities classified as trading purposes | 1,149,952 | 438 |

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

As of March 31, 2007 (Millions of yen)

| | Consolidated balance sheet amount | Market value | Net unrealized gains (losses) | Unrealized gains | Unrealized losses |
|---|---|---|---|---|---|
| Japanese government bonds | 629,762 | 621,717 | (8,045) | 20 | 8,065 |
| Japanese local government bonds | 97,102 | 95,307 | (1,794) | – | 1,794 |
| Japanese corporate bonds | 380,142 | 376,735 | (3,406) | – | 3,406 |
| Other | 5,445 | 5,626 | 180 | 180 | – |
| Total | 1,112,452 | 1,099,387 | (13,065) | 200 | 13,266 |

(Note) Market value is calculated using market prices at the fiscal year-end.

### (3) Other securities with market value

As of March 31, 2007 (Millions of yen)

| | Acquisition cost | Consolidated balance sheet amount | Net unrealized gains (losses) | Unrealized gains | Unrealized losses |
|---|---|---|---|---|---|
| Stocks | 1,953,767 | 3,926,414 | 1,972,647 | 1,987,337 | 14,689 |
| Bonds | 8,481,507 | 8,324,140 | (157,367) | 1,805 | 159,173 |
| Japanese government bonds | 7,150,792 | 7,010,306 | (140,485) | 1,182 | 141,668 |
| Japanese local government bonds | 482,555 | 474,001 | (8,554) | 119 | 8,674 |
| Japanese corporate bonds | 848,158 | 839,831 | (8,327) | 503 | 8,830 |
| Other | 2,754,061 | 2,763,949 | 9,888 | 42,977 | 33,089 |
| Total | 13,189,336 | 15,014,504 | 1,825,168 | 2,032,120 | 206,952 |

(Notes)

1. 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 |

2. 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 7,296 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, 2007 (Millions of yen)

| | Sales amount | Gains on sales | Losses on sales |
|---|---|---|---|
| Other securities | 21,543,637 | 87,911 | 141,143 |

(6) Securities with no available market value

As of March 31, 2007 (Millions of yen)

| | Consolidated balance sheet amount |
|---|---|
| Bonds classified as held-to-maturity | |
| Unlisted foreign securities | 17 |
| Other | 5,422 |
| Other securities | |
| Unlisted stocks (excluding OTC stocks) | 402,141 |
| Unlisted bonds | 2,846,521 |
| Unlisted foreign securities | 595,286 |
| Other | 476,942 |

(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 March 31, 2007 (Millions of yen)

| | Within 1 year | After 1 year through 5 years | After 5 years through 10 years | After 10 years |
|---|---|---|---|---|
| Bonds | 3,564,060 | 4,284,559 | 2,346,081 | 2,082,953 |
| Japanese government bonds | 2,824,945 | 1,872,346 | 956,640 | 1,986,136 |
| Japanese local government bonds | 101,824 | 161,564 | 307,293 | 421 |
| Japanese corporate bonds | 637,290 | 2,250,648 | 1,082,146 | 96,396 |
| Other | 665,251 | 495,728 | 701,134 | 956,785 |
| Total | 4,229,311 | 4,780,288 | 3,047,215 | 3,039,739 |

## 2. Money Held in Trust

(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, 2007 (Millions of yen)

| | Acquisition cost | Consolidated balance sheet amount | Net unrealized gains (losses) | Unrealized gains | Unrealized losses |
|---|---|---|---|---|---|
| Other money held in trust | 2,602 | 2,924 | 322 | 322 | – |

(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

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

| As of March 31, 2007 | (Millions of yen) |
|---|---|
| Net unrealized gains | 1,825,564 |
| Other securities | 1,825,242 |
| Other money held in trust | 322 |
| (–) Deferred tax liabilities | 567,845 |
| Net unrealized gains on other securities (before following adjustment) | 1,257,719 |
| (–) Minority interests | 8,589 |
| (+) SMFG's interest in net unrealized gains on valuation of other securities held by affiliates accounted for by the equity method | 13,004 |
| Net unrealized gains on other securities | 1,262,135 |

(Note)

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

# Employee Retirement Benefits

### 1. Outline of employee retirement benefits

Consolidated subsidiaries in Japan have contributory funded defined benefit pension plans such as employee pension plans, qualified pension plans and lump-sum severance indemnity plans. Some domestic consolidated subsidiaries have general type of employee pension plans. They may grant additional benefits in case where certain requirements are met when empolyees retire.
A consolidated subsidiary in Japan adopts defined-contribution pension plan.
SMBC and some consolidated subsidiaries in Japan contributed some of their marketable equity securities to employee retirement benefit trusts.

### 2. Projected benefit obligation

| As of March 31, 2007 | | (Millions of yen) |
|---|---|---|
| Projected benefit obligation | (A) | (910,139) |
| Plan assets | (B) | 1,186,060 |
| Unfunded projected benefit obligation | (C) = (A)+(B) | 275,921 |
| Unrecognized net actuarial gain or loss | (D) | (83,905) |
| Unrecognized prior service cost | (E) | (48,257) |
| Net amount recorded on the consolidated balance sheet | (F) = (C)+(D)+(E) | 143,757 |
| Prepaid pension cost | (G) | 178,182 |
| Reserve for employee retirement benefits | (F)-(G) | (34,424) |

(Notes)
1. Some consolidated subsidiaries adopt simple method in calculating projected benefit obligation.
2. Plan assets related to the general type of welfare pension plan at March 31, 2007 amounted to ¥19,648 million and were not included in the “Plan assets” shown above.

### 3. Pension expenses

| Year ended March 31, 2007 | (Millions of yen) |
|---|---|
| Service cost | 20,082 |
| Interest cost on projected benefit obligation | 22,325 |
| Expected return on plan assets | (30,184) |
| Amortization of unrecognized net actuarial gain or loss | 3,305 |
| Amortization of unrecognized prior service cost | (11,175) |
| Other (nonrecurring additional retirement allowance paid and other) | 3,254 |
| Pension expenses | 7,607 |
| Gains on return of employee retirement benefit trusts | (36,330) |
| Total | (28,722) |

(Note)
Pension expenses of consolidated subsidiaries which adopt simple method are included in "Service cost."

### 4. Assumptions

| Year ended March 31, 2007 | |
|---|---|
| (1) Discount rate | 1.4% - 2.5% |
| (2) Expected rate of return on plan assets | 0% - 4.5% |
| (3) Allocation of estimated amount of retirement benefits | Allocated to each period by the straight-line method |
| (4) Term to amortize unrecognized prior service cost | Mainly 9 years (amortized using the straight-line method, within the employees’ average remaining service period at incurrence) |
| (5)Term to amortize unrecognized net actuarial gain or loss | Mainly 9 years (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) |

# Stock Options

## 1. Amount of stock options to be expensed in the fiscal year

General and administrative expenses 14 million yen

## 2. Outline of stock options and changes

(1) SMFG

(a) Outline of stock options

| | |
|---|---|
| Date of resolution | June 27, 2002 |
| Title and number of grantees | Directors and employees of SMFG and SMBC 677 |
| Number of stock options | Common shares 1,620 |
| Grant date | August 30, 2002 |
| Condition for vesting | N.A. |
| Requisite service period | N.A. |
| Exercise period | June 28, 2004 to June 27, 2012 |

(b) Stock options granted and changes

Number of stock options

| | |
|---|---|
| Date of resolution | June 27, 2002 |
| Before vested | |
| Previous fiscal year-end | – |
| Granted | – |
| Forfeited | – |
| Vested | – |
| Outstanding | – |
| After vested | |
| Previous fiscal year-end | 1,215 |
| Vested | – |
| Exercised | 99 |
| Forfeited | – |
| Exercisable | 1,116 |

Price information (Yen)

| | |
|---|---|
| Date of resolution | June 27, 2002 |
| Exercise price | ¥669,775 |
| Average exercise price | ¥1,188,686 |
| Fair value at the grant date | – |

(2) A consolidated subsidiary, Kansai Urban Banking Corporation

(a) Outline of stock options

| | | | | |
|---|---|---|---|---|
| Date of resolution | June 28, 2001 | June 27, 2002 | June 27, 2003 | June 29, 2004 |
| Title and number of grantees | Directors and employees 45 | Directors and employees 44 | Directors and employees 65 | Directors and employees 174 |
| Number of stock options | Common shares 238,000 | Common shares 234,000 | Common shares 306,000 | Common shares 399,000 |
| Grant date | July 31, 2001 | July 31, 2002 | July 31, 2003 | July 30, 2004 |
| Condition for vesting | N.A. | N.A. | N.A. | N.A. |
| Requisite service period | N.A. | N.A. | N.A. | N.A. |
| Exercise period | June 29, 2003 to June 28, 2011 | June 28, 2004 to June 27, 2012 | June 28, 2005 to June 27, 2013 | June 30, 2006 to June 29, 2014 |

| | | | |
|---|---|---|---|
| Date of resolution | June 29, 2005 | June 29, 2006 | June 29, 2006 |
| Title and number of grantees | Directors and employees 183 | Directors 9 | Officers not doubling as directors 14<br>Employees 46 |
| Number of stock options | Common shares 464,000 | Common shares 162,000 | Common shares 115,000 |
| Grant date | July 29, 2005 | July 31, 2006 | July 31, 2006 |
| Condition for vesting | N.A. | N.A. | N.A. |
| Requisite service period | N.A. | N.A. | N.A. |
| Exercise period | June 30, 2007 to June 29, 2015 | June 30, 2008 to June 29, 2016 | June 30, 2008 to June 29, 2016 |

(b) Stock options granted and changes

Number of stock options

| Date of resolution | June 28, 2001 | June 27, 2002 | June 27, 2003 | June 29, 2004 |
|---|---|---|---|---|
| Before vested | | | | |
| Previous fiscal year-end | – | – | – | 399,000 |
| Granted | – | – | – | – |
| Forfeited | – | – | – | – |
| Vested | – | – | – | 399,000 |
| Outstanding | – | – | – | – |
| After vested | | | | |
| Previous fiscal year-end | 220,000 | 204,000 | 282,000 | – |
| Vested | – | – | – | 399,000 |
| Exercised | 46,000 | 30,000 | 26,000 | 36,000 |
| Forfeited | – | – | – | – |
| Exercisable | 174,000 | 174,000 | 256,000 | 363,000 |

| Date of resolution | June 29, 2005 | June 29, 2006 | June 29, 2006 |
|---|---|---|---|
| Before vested | | | |
| Previous fiscal year-end | 464,000 | – | – |
| Granted | – | 162,000 | 115,000 |
| Forfeited | – | – | – |
| Vested | – | – | – |
| Outstanding | 464,000 | 162,000 | 115,000 |
| After vested | | | |
| Previous fiscal year-end | – | – | – |
| Vested | – | – | – |
| Exercised | – | – | – |
| Forfeited | – | – | – |
| Exercisable | – | – | – |

Price information (Yen)

| Date of resolution | June 28, 2001 | June 27, 2002 | June 27, 2003 | June 29, 2004 |
|---|---|---|---|---|
| Exercise price | ¥155 | ¥131 | ¥179 | ¥202 |
| Average exercise price | ¥488 | ¥489 | ¥486 | ¥487 |
| Fair value at the grant date | – | – | – | – |

| Date of resolution | June 29, 2005 | June 29, 2006 | June 29, 2006 |
|---|---|---|---|
| Exercise price | ¥313 | ¥490 | ¥490 |
| Average exercise price | – | – | – |
| Fair value at the grant date | – | ¥138 | ¥138 |

(c) Valuation technique used for valuating fair value of stock options

Stock options granted in the fiscal year were valuated using the following valuation technique.

(i) Valuation technique: Black-Scholes option-pricing model

(ii) Principal parameters used in the option-pricing model

| Date of resolution | June 29, 2006 |
|---|---|
| Expected volatility (*1) | 38.84% |
| Average expected life (*2) | 5 years |
| Expected dividends (*3) | 4 yen per share |
| Risk-free interest rate (*4) | 1.40% |

(*) 1. Calculated based on the actual stock prices during the five years from June 2001 to June 2006.

2. The average expected life could not be estimated rationally due to insufficient amount of data. Therefore, it was estimated assuming that the options were exercised at the mid point of the exercise period.

3. The actual dividends on common stock for the fiscal year ended March 31, 2006.

4. Japanese government bond yield corresponding to the average expected life.

(d) Method of estimating number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the actual number of stock options that will be forfeited in the future.

# Segment Information

## 1. Business segment information

Year ended March 31, 2007 (Millions of yen)

| | Banking business | Leasing business | Other business | Total | Elimination | Consolidated |
|---|---|---|---|---|---|---|
| Ordinary income | | | | | | |
| (1) External customers | 2,689,086 | 783,119 | 429,052 | 3,901,259 | – | 3,901,259 |
| (2) Intersegment | 53,714 | 20,831 | 220,369 | 294,914 | (294,914) | – |
| Total | 2,742,800 | 803,951 | 649,421 | 4,196,173 | (294,914) | 3,901,259 |
| Ordinary expenses | 1,993,893 | 759,103 | 609,781 | 3,362,779 | (260,130) | 3,102,649 |
| Ordinary profit | 748,907 | 44,847 | 39,640 | 833,394 | (34,784) | 798,610 |
| Assets | 97,525,686 | 2,241,572 | 5,663,614 | 105,430,874 | (4,572,564) | 100,858,309 |
| Depreciation | 59,908 | 336,712 | 17,630 | 414,251 | 16 | 414,268 |
| Losses on impairment of fixed assets | 4,661 | — | 25,887 | 30,548 | – | 30,548 |
| Capital expenditure | 216,612 | 390,455 | 27,565 | 634,633 | 13 | 634,647 |

(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 business, investment banking, loans, venture capital, system development and information processing.
3. Amount of assets that are included in "Elimination and unallocated corporate assets" is 4,012,414 million yen, most of which are stocks of SMFG's subsidiaries and affiliates.

## 2. Geographic segment information

Year ended March 31, 2007 (Millions of yen)

| | Japan | The Americas | Europe and Middle East | Asia and Oceania | Total | Elimination | Consolidated |
|---|---|---|---|---|---|---|---|
| Ordinary income | | | | | | | |
| (1) External customers | 3,238,374 | 247,208 | 203,585 | 212,090 | 3,901,259 | – | 3,901,259 |
| (2) Intersegment | 98,720 | 46,833 | 9,974 | 59,802 | 215,330 | (215,330) | – |
| Total | 3,337,094 | 294,042 | 213,559 | 271,892 | 4,116,589 | (215,330) | 3,901,259 |
| Ordinary expenses | 2,686,461 | 222,992 | 177,377 | 202,955 | 3,289,786 | (187,137) | 3,102,649 |
| Ordinary profit | 650,633 | 71,049 | 36,182 | 68,937 | 826,802 | (28,192) | 798,610 |
| Assets | 89,301,196 | 5,775,716 | 3,190,553 | 4,514,648 | 102,782,115 | (1,923,805) | 100,858,309 |

(Notes)
1. 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.
2. The Americas includes the United States, Brazil, Canada and others; Europe and Middle East includes the United Kingdom, Germany, France and others; Asia and Oceania includes Hong Kong, Singapore, Australia and others except Japan.
3. Amount of assets that are included in "Elimination and unallocated corporate assets" is 4,012,414 million yen, most of which are stocks of SMFG's subsidiaries and affiliates.

## 3. Ordinary income from overseas operations

| Year ended March 31, 2007 | (Millions of yen) |
|---|---|
| Consolidated ordinary income from overseas operations (A) | 662,884 |
| Consolidated ordinary income (B) | 3,901,259 |
| (A) / (B) | 17.0 % |

(Notes)
1. Consolidated ordinary income from overseas operations are presented as counterparts of overseas sales of companies in other industries.
2. 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.

## Business Combinations

Transactions under common control in the year ended March 31, 2007

**1. Outline of the transactions**

(1) Name and business of combined entity

SMBC Friend Securities Co., Ltd. ("SMBC Friend Securities")

Securities business

(2) Form of reorganization

Exchange of shares

(3) Name of the entity after the reorganization

Sumitomo Mitsui Financial Group, Inc.

(4) 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**

(1) Acquisition cost

| | |
|---|---|
| Common shares | 221,365 million yen |
| Expenses for acquiring the common shares | 160 million yen |
| Acquisition cost | 221,525 million yen |

(2) Share exchange ratio, 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. 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) Number of shares delivered and values

249,015 shares

221,525 million yen

(3) 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

## Per Share Data

| As of and year ended March 31, | (Yen)<br>2007 |
|---|---|
| Net assets per share | 469,228.59 |
| Net income per share | 57,085.83 |
| Net income per share (diluted) | 51,494.17 |

(Notes)

1. 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 year 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 11,596.71 yen compared with the former method.

2. Net income per share and Net income per share (diluted) are calculated based on the followings:

| Year ended March 31, | (Millions of yen, except number of shares)<br>2007 |
|---|---|
| Net income per share | |
| Net income | 441,351 |
| Amount not to attributable to common stockholders | 12,958 |
| [preferred stock dividends] | 12,958 |
| Net income attributable to common stock | 428,392 |
| Average number of common stock during the fiscal year (in thousand) | 7,504 |
| | |
| Net income per share (diluted) | |
| Adjustment for net income | 6,748 |
| [preferred stock dividends] | 6,763 |
| [stock acquisition rights issued by subsidiaries and affiliates] | (14) |
| Increase in number of common stock (in thousand) | 945 |
| [preferred stock] | 945 |
| [stock acquisition rights] | 0 |
| Outline of dilutive securities which were not included in the calculation of "Net income per share (diluted)" because they do not have dilutive effect: | — |

3. Net assets per share is calculated based on the followings:

| March 31, | (Millions of yen, except number of shares)<br>2007 |
|---|---|
| Net assets | 5,331,279 |
| Amounts excluded from Net assets | 1,781,555 |
| [preferred stock] | 360,303 |
| [dividends on preferred stock] | 12,958 |
| [stock acquisition rights] | 14 |
| [minority interests] | 1,408,279 |
| Net assets attributable to common stock at the fiscal year-end | 3,549,724 |
| Number of common stock at the fiscal year-end used for the calculation of Net assets per share (in thousand) | 7,565 |

## Related Party Transactions

There are no material transactions with related parties to be reported for the fiscal year ended March 31, 2007.

## Subsequent Events

There are no material subsequent events.

## Other Notes

Please refer to EDINET system (https://info.edinet.go.jp/EdiHtml/main.htm) after June 30, 2007 (available in Japanese). SMFG will also disclose notes on lease transactions, tax benefit accounting and derivative transactions on our Annual Report that will be issued in August. (http://www.smfg.co.jp/english/index.html)

# V. Non-Consolidated Financial Statements

## 1. Nonconsolidated Balance Sheets

(Millions of yen)

| March 31, | 2007 | | 2006 | |
|---|---|---|---|---|
| **Assets** | | % | | % |
| **Current assets** | | | | |
| Cash and due from banks | 37,073 | | 561,862 | |
| Prepaid expenses | 21 | | 21 | |
| Deferred tax assets | 265 | | 43 | |
| Accrued income | 23 | | 17 | |
| Accrued income tax refunds | 71,377 | | 17,371 | |
| Other current assets | 603 | | 55 | |
| Total current assets | 109,364 | 2.8 | 579,372 | 13.9 |
| **Fixed assets** | | | | |
| Tangible fixed assets | | | | |
| Buildings | 0 | | 0 | |
| Equipment | 6 | | 0 | |
| Total tangible fixed assets | 7 | 0.0 | 1 | 0.0 |
| Intangible fixed assets | | | | |
| Software | 20 | | 28 | |
| Total intangible fixed assets | 20 | 0.0 | 28 | 0.0 |
| Investments and other assets | | | | |
| Investments in securities | 20 | | 20 | |
| Investments in subsidiaries and affiliates | 3,847,716 | | 3,586,045 | |
| Deferred tax assets | 2,315 | | 562 | |
| Total investments and other assets | 3,850,052 | 97.2 | 3,586,627 | 86.1 |
| Total fixed assets | 3,850,079 | 97.2 | 3,586,657 | 86.1 |
| **Deferred charges** | | | | |
| Organization cost | – | | 301 | |
| Total deferred charges | – | – | 301 | 0.0 |
| **Total assets** | 3,959,444 | 100.0 | 4,166,332 | 100.0 |
| | | | | |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Short-term borrowings | 959,030 | | 230,000 | |
| Accounts payable | 108 | | 117 | |
| Accrued expenses | 48 | | 465 | |
| Income taxes payable | 964 | | 36 | |
| Business office taxes payable | 4 | | 4 | |
| Reserve for employees bonuses | 83 | | 70 | |
| Other current liabilities | 1,132 | | 211 | |
| Total current liabilities | 961,372 | 24.3 | 230,905 | 5.5 |
| **Fixed liabilities** | | | | |
| Reserve for executive retirement benefits | 174 | | – | |
| Total fixed liabilities | 174 | 0.0 | – | – |
| **Total liabilities** | 961,546 | 24.3 | 230,905 | 5.5 |

(continued)

(Millions of yen)

| March 31, | 2007 | % | 2006 | % |
|---|---|---|---|---|
| **Stockholders' equity** | | | | |
| **Capital stock** | – | – | 1,420,877 | 34.1 |
| **Capital surplus** | | | | |
| Capital reserve | – | | 1,420,989 | |
| Other capital surplus | – | | 684,406 | |
| Gains on decrease of capital stock and capital reserve | – | | 499,503 | |
| Gains on disposal of treasury stock | – | | 184,902 | |
| Total capital surplus | – | – | 2,105,396 | 50.6 |
| **Retained earnings** | | | | |
| Voluntary reserve | – | | 30,420 | |
| Special voluntary earned reserves | – | | 30,420 | |
| Unappropriated retained earnings | – | | 383,126 | |
| Total retained earnings | – | – | 413,546 | 9.9 |
| **Treasury stock** | – | – | (4,393) | (0.1) |
| **Total stockholders' equity** | – | – | 3,935,426 | 94.5 |
| **Total liabilities and stockholders' equity** | – | – | 4,166,332 | 100.0 |
| | | | | |
| **Net assets** | | | | |
| **Stockholders' equity** | | | | |
| Capital stock | 1,420,877 | 35.9 | – | – |
| Capital surplus | | | | |
| Capital reserve | 642,355 | | – | |
| Other capital surplus | 288,113 | | – | |
| **Total capital surplus** | 930,469 | 23.5 | – | – |
| **Retained earnings** | | | | |
| Other retained earnings | | | | |
| Voluntary reserve | 30,420 | | – | |
| Retained earnings brought forward | 698,709 | | – | |
| **Total retained earnings** | 729,129 | 18.4 | – | – |
| **Treasury stock** | (82,578) | (2.1) | – | – |
| **Total stockholders' equity** | 2,997,898 | 75.7 | – | – |
| **Total net assets** | 2,997,898 | 75.7 | – | – |
| **Total liabilities and net assets** | 3,959,444 | 100.0 | – | – |

## 2. Nonconsolidated Statements of Income

(Millions of yen)

| Year ended March 31, | 2007 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | | | % | | | % |
| **Operating income** | | | | | | |
| Dividends on investments in subsidiaries and affiliates | 366,680 | | | 46,432 | | |
| Fees and commissions received from subsidiaries | 9,798 | | | 9,038 | | |
| Interest income on loans to subsidiaries and affiliates | – | 376,479 | 100.0 | 11 | 55,482 | 100.0 |
| **Operating expenses** | | | | | | |
| General and administrative expenses | 3,641 | 3,641 | 1.0 | 3,196 | 3,196 | 5.8 |
| **Operating profit** | | 372,838 | 99.0 | | 52,285 | 94.2 |
| **Non-operating income** | | | | | | |
| Interest income on deposits | 213 | | | 71 | | |
| Fees and commissions income | 20 | | | 27 | | |
| Other non-operating income | 0 | 234 | 0.1 | 39 | 138 | 0.3 |
| **Non-operating expenses** | | | | | | |
| Interest on borrowings | 4,311 | | | 1,490 | | |
| Amortization of organization costs | 301 | | | 301 | | |
| Stock issuance costs | – | | | 739 | | |
| Fees and commissions expenses | 3,978 | | | 1,519 | | |
| Other non-operating expenses | 3 | 8,594 | 2.3 | 108 | 4,159 | 7.5 |
| **Ordinary profit** | | 364,477 | 96.8 | | 48,264 | 87.0 |
| **Extraordinary gains** | | | | | | |
| Gains on sale of a subsidiary’s shares | – | – | – | 27,579 | 27,579 | 49.7 |
| **Income before income taxes** | | 364,477 | 96.8 | | 75,844 | 136.7 |
| Income taxes, current | 2,918 | | | 3 | | |
| deferred | (1,975) | 942 | 0.2 | 2,431 | 2,435 | 4.4 |
| **Net income** | | 363,535 | 96.6 | | 73,408 | 132.3 |
| Unappropriated retained earnings carried forward | | – | | | 309,717 | |
| Unappropriated retained earnings at end of year | | – | | | 383,126 | |

## 3. Nonconsolidated Statement of Changes in Net Assets

Year ended March 31, 2007 (Millions of yen)

| | Stockholders' equity | | | | | | | | | Total net assets |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital surplus | | | Retained earnings | | | | | |
| | | | | | Other retained earnings | | | | | |
| | Capital stock | Capital reserve | Other capital surplus | Total capital surplus | Voluntary reserve | Retained earnings brought forward | Total retained earnings | Treasury stock | Total stockholders' equity | |
| Balance at March 31, 2006 | 1,420,877 | 1,420,989 | 684,406 | 2,105,396 | 30,420 | 383,126 | 413,546 | (4,393) | 3,935,426 | 3,935,426 |
| Changes in the year | | | | | | | | | | |
| Transfer of capital reserve to other capital surplus | | (1,000,000) | 1,000,000 | – | | | | | – | – |
| Increase due to exchange of shares | | 221,365 | | 221,365 | | | | | 221,365 | 221,365 |
| Cash dividends | | | | | | (47,951) | (47,951) | | (47,951) | (47,951) |
| Net income | | | | | | 363,535 | 363,535 | | 363,535 | 363,535 |
| Acquisition of own shares | | | | | | | | (1,474,644) | (1,474,644) | (1,474,644) |
| Disposal of treasury shares | | | (15) | (15) | | | | 182 | 167 | 167 |
| Retirement of treasury shares | | | (1,396,277) | (1,396,277) | | | | 1,396,277 | – | – |
| Net changes in the year | – | (778,634) | (396,292) | (1,174,927) | – | 315,583 | 315,583 | (78,184) | (937,527) | (937,527) |
| Balance at March 31, 2007 | 1,420,877 | 642,355 | 288,113 | 930,469 | 30,420 | 698,709 | 729,129 | (82,578) | 2,997,898 | 2,997,898 |