

# **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:

#### By business

##### 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)

#### By Region

##### 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]	