

## Sumitomo Mitsui Financial Group, Inc. (SMFG)

### Financial Results for the Six Months ended September 30, 2007

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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 Payment of Interim Dividends: December 7, 2007

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

#### 1. Consolidated Financial Results (for the six months ended September 30, 2007)

##### (1) Operating Results

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

	Ordinary Income		Ordinary Profit		Net Income		Net Income per Share	Net Income per Share (Diluted)
Six Months ended								
September 30, 2007	¥ 2,077,552	13.8 %	¥ 353,237	(1.1)%	¥ 170,592	(30.0)%	¥ 21,694.19	¥ 20,840.67
September 30, 2006	1,825,751	3.9	357,136	(23.0)	243,660	(37.9)	32,782.19	27,514.41
Fiscal Year ended								
March 31, 2007	3,901,259		798,610		441,351		57,085.83	51,494.17

Notes: 1. Equity in earnings (losses) of affiliates

(a) for the six months ended September 30, 2007 : ¥19,030 million (b) for the six months ended September 30, 2006 : ¥(32,344) million

(c) for the fiscal year ended March 31, 2007 : ¥(104,170) million

2. Percentages shown in Ordinary Income, Ordinary Profit and Net Income are the increase (decrease) from the previous interim period.

##### (2) Financial Position

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

	Total Assets	Net Assets	Stockholders' Equity to Total Assets	Net Assets per Share	Capital Ratio
September 30, 2007	¥ 105,927,629	¥ 5,268,853	3.6 %	¥ 460,168.95	(Preliminary) 10.60%
September 30, 2006	102,551,964	4,622,792	3.5	394,556.25	10.07
March 31, 2007	100,858,309	5,331,279	3.9	469,228.59	11.31

Notes: 1. Stockholders' equity

(a) as of September 30, 2007: ¥3,847,897 million (b) as of September 30, 2006: ¥3,560,841 million (c) as of March 31, 2007: ¥3,922,986 million

2. Capital ratio as of March 31, 2007 and thereafter is calculated using the method stipulated in "Standards for Bank Holding Company to Examine the Adequacy of Its Capital Based on Assets, etc. Held by It and Its Subsidiaries Pursuant to Article 52-25 of the Banking Law" (Notification No.20 issued by the Japanese Financial Services Agency in 2006). Capital ratio as of September 30, 2006 was calculated using 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 period-end
Six Months ended				
September 30, 2007	¥ 1,237,836	¥ (668,677)	¥ (63,688)	¥ 2,452,448
September 30, 2006	(4,330,906)	2,883,317	(1,234,728)	2,478,784
Fiscal Year ended				
March 31, 2007	(6,760,740)	4,769,454	(1,244,945)	1,927,024

#### 2. Dividends on Common Stock

(Yen)

	Dividends per Share		
	Interim	Year-End	Annual
Fiscal Year ended March 31, 2007	¥ -	¥ 7,000	¥ 7,000
Fiscal Year ending March 31, 2008	5,000		10,000
Fiscal Year ending March 31, 2008 (Forecast)		5,000	

(Note) 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
Fiscal Year ending March 31, 2008	¥ 4,300,000	10.2%	¥ 940,000	17.7%	¥ 570,000	29.1%	¥ 73,635.36

(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 no change in significant consolidated subsidiary in the interim period.

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

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

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

(Note) The details are reported in Notes to Interim Consolidated Balance Sheet (notes 6, 13, 35 and 36) on page 13, 14 and 17.

(3) Number of common shares issued

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

(i) as of September 30, 2007: 7,733,653 shares (ii) as of September 30, 2006: 7,733,653 shares (iii) as of March 31, 2007: 7,733,653 shares

(b) Number of treasury shares

(i) as of September 30, 2007: 168,789 shares (ii) as of September 30, 2006: 116,137 shares (iii) as of March 31, 2007: 168,630 shares

(Note) Number of shares used in calculating "Net income per share" (on a consolidated basis) is reported on page 34.

## [Reference] Parent Company Only Financial Information

## 1. Non-consolidated Financial Results (for the six months ended September 30, 2007)

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

	Operating Income	Operating Profit	Ordinary Profit	Net Income
Six Months ended				
September 30, 2007	¥ 23,936 (92.6)%	¥ 20,602 (93.6)%	¥ 11,655 (96.3)%	¥ 9,366 (97.1)%
September 30, 2006	321,340 –	319,772 –	319,112 –	318,223 728.0
Fiscal Year ended				
March 31, 2007	376,479 –	372,838 –	364,477 –	363,535 –

	Net Income per Share
Six Months ended	
September 30, 2007	¥ 376.60
September 30, 2006	42,605.28
Fiscal Year ended	
March 31, 2007	46,326.41

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

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

	Total Assets	Net Assets	Net Assets Ratio	Net Assets per Share
September 30, 2007	¥ 4,001,470	¥ 2,940,122	73.5 %	¥ 335,711.01
September 30, 2006	3,929,752	3,252,213	82.8	349,036.81
March 31, 2007	3,959,444	2,997,898	75.7	342,382.75

(Note) Stockholders' equity

(a) as of September 30, 2007: ¥2,940,122 million (b) as of September 30, 2006: ¥3,252,213 million (c) as of March 31, 2007: ¥2,997,898 million

## 2. Earnings Forecast on a Non-consolidated Basis (for the fiscal year ending March 31, 2008)

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

	Operating Income	Operating Profit	Ordinary Profit
Fiscal Year ending March 31, 2008	¥ 110,000 (70.8)%	¥ 105,000 (71.8)%	¥ 90,000 (75.3)%
	Net Income	Net Income per Share	
Fiscal Year ending March 31, 2008	¥ 80,000 (78.0)%	¥ 8,746.04	

(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 Period-End	Year-End	Annual	
Preferred stock (1st to 12th series type 4)	Fiscal Year ended March 31, 2007	–	¥ 135,000	¥ 135,000	¥ 6,763
	Fiscal Year ending March 31, 2008	¥ 67,500		135,000	6,763
	Fiscal Year ending March 31, 2008 (forecast)		67,500		
Preferred stock (1st series type 6)	Fiscal Year ended March 31, 2007	–	88,500	88,500	6,195
	Fiscal Year ending March 31, 2008	44,250		88,500	6,195
	Fiscal Year ending March 31, 2008 (forecast)		44,250		

## Calculation for Index

- Forecasted Net Income Per Share:

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

## **I. Operating and Financial Review**

### **1. Consolidated Operating Results for the Six Months Ended September 30, 2007**

#### (1) Operating Results

In the six months ended September 30, 2007, SMFG endeavored to “fortify platform for supporting sustainable growth,” and “strengthen targeted growth business areas” as the first step toward achieving the goals of “LEAD THE VALUE” Plan.

Ordinary income increased 13.8% to ¥2,077.5 billion due mainly to increases in (a) interest income from higher overseas loan balance, (b) interest income on loans from higher interest rates in Japan, and (c) other income resulting from an improvement in business performance of affiliated companies. Ordinary expenses increased 17.4% to ¥1,724.3 billion due mainly to increases in interest expenses, such as interest on deposits, and other expenses, including credit costs and losses on impairment of stockholdings, though other operating expenses decreased due mainly to a considerable improvement in bond-related losses.

As a result, Ordinary profit amounted to ¥353.2 billion. Net income, after adjusting Ordinary profit by Extraordinary gains or losses, was ¥170.5 billion.

#### (2) Segment Information

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

##### By business

Ordinary income		
Banking business	66%	(up 2 points from the previous interim period)
Leasing business	19%	(down 1 point)
Other business	15%	(down 1 point)

##### By region

Ordinary income		
Japan	80%	(down 2 points from the previous interim period)
The Americas	8%	(up 1 point)
Europe and Middle East	6%	(up 1 point)
Asia and Oceania	6%	(up 0 point)

#### (3) Earnings Forecast

Based on the medium-term management 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 ¥4,300 billion, ¥940 billion, and ¥570 billion, respectively.

On a non-consolidated basis, Operating income, Operating profit, Ordinary profit and Net income are expected to amount to ¥110 billion, ¥105 billion, ¥90 billion, and ¥80 billion, respectively.

### **2. Consolidated Financial Position as of September 30, 2007**

#### (1) Assets and Liabilities

Deposits amounted to ¥72,925.7 billion, an increase of ¥769.5 billion from the previous fiscal year-end and Negotiable certificates of deposit amounted to ¥2,528.2 billion, a decrease of ¥60.9 billion.

Loans and bills discounted amounted to ¥60,193.5 billion, an increase of ¥1,504.2 billion, due mainly to an increase in overseas lending to companies with high credit ratings and overseas project finance.

Total assets amounted to ¥105,927.6 billion, an increase of ¥5,069.3 billion.

#### (2) Net Assets

Stockholders' equity amounted to ¥2,846.2 billion, an increase of ¥104.6 billion from the previous fiscal year-end, as a result of recording Net income. On the other hand, Net unrealized gains on other securities decreased ¥196.2 billion to ¥1,065.8 billion. As a result, Net assets decreased ¥62.4 billion to ¥5,268.8 billion as compared with the previous fiscal year-end.

## (3) Cash Flows

SMFG generated ¥1,237.8 billion of “Cash flows from operating activities,” used ¥668.6 billion of “Cash flows from investing activities,” and used ¥63.6 billion of “Cash flows from financing activities.”

Consequently, Cash and cash equivalents amounted to ¥2,452.4 billion, an increase of ¥525.4 billion.

## (4) Capital Ratio (preliminary)

Capital ratio was 10.60% on a consolidated basis.

**3. Dividend Policy and Dividends for the Fiscal Year Ending March 31, 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 a sound financial position.

Under the medium-term management plan, SMFG 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 of ¥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]	

(Note) The forecast on dividends remains unchanged from May 2007.

## 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 185 consolidated subsidiaries and 66 companies accounted for by the equity method.

<b>Sumitomo Mitsui Financial Group, Inc.</b>	<b>Banking business</b>	<p>Principal subsidiaries</p> <p>Domestic</p> <ul style="list-style-type: none"> <li>* Sumitomo Mitsui Banking Corporation</li> <li>* THE MINATO BANK, LTD. (Listed on the First Section of Tokyo Stock Exchange and Osaka Securities Exchange)</li> <li>* Kansai Urban Banking Corporation (Listed on the First Section of Tokyo Stock Exchange and Osaka Securities Exchange)</li> <li>* The Japan Net Bank, Limited (Internet banking)</li> <li>* SMBC Guarantee Co., Ltd. (Credit guarantee)</li> </ul> <p>Overseas</p> <ul style="list-style-type: none"> <li>* Sumitomo Mitsui Banking Corporation Europe Limited</li> <li>* Manufacturers Bank</li> <li>* Sumitomo Mitsui Banking Corporation of Canada</li> <li>* Banco Sumitomo Mitsui Brasileiro S.A.</li> <li>* PT Bank Sumitomo Mitsui Indonesia</li> </ul>
	<b>Leasing business</b>	<p>Principal subsidiaries</p> <p>Domestic</p> <ul style="list-style-type: none"> <li>* SMBC Leasing Company, Limited (Note 2)</li> <li>* SMBC Auto Leasing Company, Limited (Note 3)</li> </ul> <p>Overseas</p> <ul style="list-style-type: none"> <li>* SMBC Leasing and Finance, Inc.</li> </ul>
	<b>Other business</b>	<p>Principal subsidiaries and affiliated companies</p> <p>Domestic</p> <ul style="list-style-type: none"> <li>* Sumitomo Mitsui Card Company, Limited (Credit card services)</li> <li>* SAKURA CARD CO., Ltd. (Credit card services)</li> <li>* QUOQ Inc. (Consumer installment credit and credit card services)</li> <li>* SMBC Consulting Co., Ltd. (Management consulting and information services)</li> <li>* SMBC Finance Service Co., Ltd. (Loans, factoring and collecting agent)</li> <li>* Financial Link Company, Limited (Data processing service and consulting)</li> <li>* SMBC Friend Securities Co., Ltd. (Securities)</li> <li>* The Japan Research Institute, Limited (System development, data processing, management consulting and economic research)</li> <li>* JRI Solutions Ltd. (System development and data processing)</li> <li>* Sakura KCS Corporation (System engineering and data processing) (Listed on the Second Section of Osaka Securities Exchange)</li> <li>* Sakura Information Systems Co., Ltd. (System engineering and data processing)</li> <li>** Promise Co., Ltd. (Consumer finance) (Listed on the First Section of Tokyo Stock Exchange)</li> <li>** At-Loan Co., Ltd. (Consumer loans)</li> <li>** Sanyo Shinpan Finance Co., Ltd. (Consumer finance)</li> <li>** POCKET CARD CO., LTD. (Consumer installment credit and credit card services) (Listed on the First Section of Tokyo Stock Exchange and Osaka Securities Exchange)</li> <li>** Central Finance Co., Limited (Credit card services and consumer installment credit) (Listed on the First Section of Tokyo Stock Exchange and Nagoya Stock Exchange)</li> <li>** Daiwa Securities SMBC Co. Ltd. (Securities and derivatives)</li> <li>** NIF SMBC Ventures Co., Ltd. (Venture capital) (Listed on the JASDAQ Securities Exchange)</li> <li>** Daiwa SB Investments Ltd. (Investment advisory and investment trust management)</li> <li>** Sumitomo Mitsui Asset Management Company, Limited (Investment advisory and investment trust management)</li> <li>** Japan Pension Navigator Co., Ltd. (Operational management of defined contribution pension plans)</li> </ul> <p>Overseas</p> <ul style="list-style-type: none"> <li>* SMBC Capital Markets, Inc. (Derivatives and investments)</li> <li>* SMBC Capital Markets Limited (Derivatives)</li> <li>* SMBC Securities, Inc. (Securities)</li> </ul>

(Notes) 1. (\*) means a consolidated subsidiary and (\*\*) means an affiliated company accounted for by the equity method.

2. SMBC Leasing Company, Limited and Sumisho Lease Co., Ltd. merged on October 1, 2007.

(New company name: Sumitomo Mitsui Finance and Leasing Company, Limited)

3. SMBC Auto Leasing Company, Limited and Sumisho Auto Leasing Corporation merged on October 1, 2007.

(New company name: Sumitomo Mitsui Auto Service Company, Limited) The merged company became an equity method affiliated company.

### **III. Management Policy**

#### **1. Our Mission**

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**

This fiscal year, SMFG launched a medium-term management plan, "LEAD THE VALUE" Plan, for the three years until fiscal 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 year for taking "the first step towards accomplishing the medium-term management plan," in the second half, SMFG will continue to 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" specified in the medium-term plan.

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

In consumer business, financial consulting by Sumitomo Mitsui Banking Corporation (SMBC) will be upgraded further to establish a business model for offering "one stop shopping" of various financial products and services. Specifically, SMBC will provide new products and services which meet the diversifying needs of our customers and changing business environment including deregulation. SMBC will further expand its lineup of investment products including investment trusts, pension-type insurances and "SMBC Fund Wrap," an asset management service in which customers entrust their investments to SMBC Friend Securities, and prepare for the deregulation of full-range sales of insurance products by banks scheduled in December this year. Also, SMBC will expand and refine its branch network and increase the number of financial consultants.

On consumer finance business, in order to establish "the number one credit card group in Japan," SMFG reached a basic agreement on a strategic alliance with Central Finance and Mitsui & Co., and another with OMC Card in April and July this year, respectively. Going forward, alliance partners including Sumitomo Mitsui Card and QUOQ will combine each company's expertise, customer base, network and brand in order to provide quality products and services that accurately respond to customer needs. Also, collaborative business with Promise will be further promoted through measures such as increasing the number of automatic contract machines in order to meet the sound cashing needs of consumers who have a variety of life styles. Meanwhile, SMBC will continue to implement initiatives to improve user convenience and security on payment and settlement services, such as revision of ATM fees and increasing the number of biometrics authentication ATMs and ATMs for the visually impaired.

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

In corporate business, solution providing by SMBC will be expanded further. Specifically, SMBC will strengthen coverage in business areas where needs of individual customers and corporate customers co-exist, such as business succession consulting, private banking and workplace banking, through a Private Advisory Department which was established this April. Also, business with high growth companies, public institutions and local financial institutions, and environmental business will be enhanced further.

In addition, investment banking, which provides various financing techniques, such as syndicated loan and structured finance, and financial solutions for solving clients' managerial issues, including 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. For example, various types of leasing and auto leasing will be provided by the two companies newly established based on a strategic alliance with SMFG and Sumitomo Corporation group: (a) Sumitomo Mitsui Finance and Leasing, established through the merger between SMBC Leasing and Sumisho Lease, and (b) Sumitomo Mitsui Auto Service, established through the merger between SMBC Auto Leasing and Sumisho Auto Leasing. Also, IT system development service and IT consulting will be provided by JRI Solutions.



- “Focused business areas in global markets”

In global markets, SMFG will provide various services responding to globalization of corporate customers. At the same time, SMFG 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. Specifically, SMFG will further expand business franchises and establish a global business promotion organization which will enable it to realize cross-regional operation.

- “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 structured products to investors.

(2) Fortify platform for supporting sustainable growth

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

Specifically, SMFG will further strengthen compliance both in Japan and overseas. For example, SMFG fortified user protection in accordance with the Financial Instruments and Exchange Law, which was implemented in September of this year. Also, SMFG will strengthen compliance with anti-money laundering and other overseas laws and regulations through initiatives through an International Compliance Department and a Compliance Department, Americas Division, which were established within SMBC this April.

In addition, SMFG will take initiatives for (a) reinforcing recruitment of highly qualified professionals in growth business areas such as investment banking and focused business areas in global markets, (b) reinforcing operational infrastructure including IT systems and branch facilities, (c) fortifying risk management and ALM, and (d) improving customer satisfaction.

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, and half the amount will be paid as interim dividend. SMFG will continue to actively examine measures to strengthen shareholder return as progress is made in achieving the targets of the medium-term management plan.

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

## **IV. Interim Consolidated Financial Statements**

### Significant Accounting Policies for Interim Consolidated Financial Statements

#### **1. Scope of consolidation**

- (1) Consolidated subsidiaries      185 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  
 QUOQ Inc.  
 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 six months ended September 30, 2007 are as follows:

Thirteen companies including QUOQ Inc. were newly consolidated due mainly to an increase in voting rights.

SMFG Corporate Recovery Servicer Co., Ltd. was excluded from the scope of consolidation because it was no longer a subsidiary due to liquidation. Also, eight companies including SMLC ANTLIA 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 operators of silent partnerships for lease transactions.

- (2) Unconsolidated subsidiaries

Principal company:

SBCS Co., Ltd.

One hundred and twenty-seven subsidiaries including SMLC MAHOGANY CO., LTD. are operators of 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 Interim 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.

Information on the fourteen special purpose entities, which are not regarded as subsidiaries pursuant to Article 8 Paragraph 7 of the Financial Statements Regulations, is reported on page 33.

"Implementation Guidance on Disclosures about Certain Special Purpose Entities" (ASBJ Guidance No. 15, issued on March 29, 2007) is effective from the fiscal year beginning on or after April 1, 2007, and SMFG has applied the guidance from this interim period.

#### **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      63 companies

Principal companies:

Promise Co., Ltd.  
 Central Finance Co., Ltd.  
 Daiwa Securities SMBC Co. Ltd.  
 NIF SMBC Ventures Co., Ltd.  
 Daiwa SB Investments Ltd.  
 Sumitomo Mitsui Asset Management Company, Limited

Changes in affiliates accounted for by the equity method in the six months ended September 30, 2007 are as follows:

Ten companies including Central Finance Co., Ltd. newly became affiliated companies accounted for by the equity method due mainly to acquisition of shares.

Three companies including QUOQ Inc. were excluded from the scope of affiliated companies accounted for by the equity method because they became consolidated subsidiaries. Three companies including NIF Capital Management Co., Ltd. were also excluded due mainly to merger.

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

One hundred and twenty-seven subsidiaries including SMLC MAHOGANY CO., LTD. are operators of 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 7 Paragraph 1 Item 2 of Interim 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 interim balance sheet dates of consolidated subsidiaries

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

December 31	4	companies
January 31	1	company
March 31	8	companies
April 30	2	companies
May 31	2	companies
June 30	71	companies
July 31	5	companies
August 31	4	companies
September 30	88	companies

(2) The subsidiaries whose interim balance sheet dates are December 31 are consolidated after the accounts were provisionally closed as of June 30 or August 31 for the purpose of consolidation. In case of the subsidiary whose interim balance sheet date is January 31, it is consolidated after the accounts were provisionally closed as of July 31. As for the subsidiaries whose interim balance sheet dates are March 31, May 31 and July 31, their financial statements are consolidated based on the provisional financial statements closed as of September 30. The subsidiaries whose interim balance sheet dates are April 30 are consolidated based on the accounts closed as of July 31 or September 30 for the purpose of consolidation. 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 interim balance sheet dates to the interim consolidated balance sheet date.

### 4. Accounting policies

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

### 5. 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 or benefited.

### 6. Scope of "Cash and cash equivalents" on Interim Consolidated Statement of Cash Flows

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

**Interim Consolidated Balance Sheet**

September 30, 2007

(Millions of yen)

**Assets:**

Cash and due from banks	5,944,160
Call loans and bills bought	1,383,235
Receivables under resale agreements	371,109
Receivables under securities borrowing transactions	1,064,257
Commercial paper and other debt purchased	1,102,863
Trading assets	3,491,395
Money held in trust	2,627
Securities	20,599,844
Loans and bills discounted	60,193,566
Foreign exchanges	926,162
Other assets	3,900,851
Tangible fixed assets	819,772
Intangible fixed assets	232,682
Lease assets	1,014,350
Deferred tax assets	915,876
Customers' liabilities for acceptances and guarantees	4,895,451
Reserve for possible loan losses	(930,577)
<b>Total assets</b>	<b>105,927,629</b>

**Liabilities:**

Deposits	72,925,766
Negotiable certificates of deposit	2,528,292
Call money and bills sold	2,191,690
Payables under repurchase agreements	143,980
Payables under securities lending transactions	2,747,480
Trading liabilities	2,165,097
Borrowed money	4,395,401
Foreign exchanges	341,203
Short-term bonds	438,300
Bonds	4,030,059
Due to trust account	45,893
Other liabilities	3,622,023
Reserve for employee bonuses	25,754
Reserve for employee retirement benefits	37,594
Reserve for executive retirement benefits	6,995
Reserve for reimbursement of deposits	11,716
Reserve under special law	1,137
Deferred tax liabilities	55,589
Deferred tax liabilities for land revaluation	49,347
Acceptances and guarantees	4,895,451
<b>Total liabilities</b>	<b>100,658,776</b>

**Net assets:**

Capital stock	1,420,877
Capital surplus	57,869
Retained earnings	1,491,378
Treasury stock	(123,855)
<b>Total stockholders' equity</b>	<b>2,846,269</b>
Net unrealized gains on other securities	1,065,875
Net deferred losses on hedges	(93,158)
Land revaluation excess	37,339
Foreign currency translation adjustments	(8,428)
<b>Total valuation and translation adjustments</b>	<b>1,001,628</b>
Stock acquisition rights	27
Minority interests	1,420,928
<b>Total net assets</b>	<b>5,268,853</b>
<b>Total liabilities and net assets</b>	<b>105,927,629</b>

## Notes to Interim Consolidated Balance Sheet

1. Amounts less than one million yen have been omitted.
2. Transactions for trading purposes (seeking gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market related indices or from variation among markets) are included in “Trading assets” or “Trading liabilities” on the interim consolidated balance sheet on a trade date basis.  
Securities and monetary claims purchased for trading purposes are stated at the interim period-end market value, and financial derivatives such as swaps, futures and options are stated at amounts that would be settled if the transactions were terminated at the interim consolidated balance sheet date.
3. Debt securities that consolidated subsidiaries have the positive intent and ability to hold to maturity are classified as held-to-maturity securities and are carried at amortized cost (straight-line method) using the moving-average method.  
Investments in unconsolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost using the moving-average method.  
Securities other than trading purpose securities, held-to-maturity securities and investments in unconsolidated subsidiaries and affiliates are classified as “other securities” (available-for-sale securities). Stocks in other securities that have market prices are carried at their average market prices during the final month of the interim period, and bonds and others that have market prices are carried at their interim period-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.”
4. Securities included in money held in trust are carried in the same method as in Notes 2 and 3.
5. Derivative transactions, excluding those classified as trading derivatives, are carried at fair value, though some consolidated overseas subsidiaries account for derivative transactions in accordance with their local accounting standards.
6. Tangible fixed assets owned by Sumitomo Mitsui Financial Group, Inc. (“SMFG”) and its consolidated subsidiary, Sumitomo Mitsui Banking Corporation (“SMBC”) are depreciated using the straight-line method. Equipments are depreciated using the declining-balance method. They calculated the depreciation cost for the interim period by proportionally allocating the estimated annual cost to the interim period. 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.  
In accordance with the amendment of the corporate tax laws in this fiscal year, the tangible fixed assets acquired on or after April 1, 2007 are depreciated based on the depreciation method under the amended corporate tax laws. This accounting change had no material impact on the consolidated financial statements of this interim period.  
As for the tangible fixed assets acquired before April 1, 2007, from this interim period, their residual values are depreciated over five years using the straight line method after the fiscal year in which the depreciable limit is reached. This accounting change had no material impact on the interim consolidated financial statements of this interim period.
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 interim consolidated balance sheet date, with the exception of stocks of subsidiaries and affiliates translated at rates prevailing at the time of acquisition.  
Other consolidated subsidiaries’ assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at their respective balance sheet dates.
9. Reserve for possible loan losses of major consolidated subsidiaries is provided as detailed below in accordance with the internal standards for write-offs and provisions.  
For claims on borrowers that have entered into bankruptcy, special liquidation proceedings or similar legal proceedings (“bankrupt borrowers”) or borrowers that are not legally or formally insolvent but are regarded as substantially in the same situation (“effectively bankrupt borrowers”), a reserve is provided based on the amount of claims, after the write-off stated below, net of the expected amount of recoveries from collateral and guarantees.  
For claims on borrowers that are not currently bankrupt but are perceived to have a high risk of falling into bankruptcy (“potentially bankrupt borrowers”), a reserve is provided in the amount deemed necessary based on an overall solvency assessment of the claims, net of the expected amount of recoveries from collateral and guarantees.

Discounted Cash Flows (“DCF”) method is used for claims on borrowers whose cash flows from collection of principals and interest can be rationally estimated and SMBC applies it to claims on large potentially bankrupt borrowers and claims on large borrowers requiring close monitoring that have been classified as “Past due loans (3 months or more)” or “Restructured loans,” whose total loans from SMBC exceed a certain amount. SMBC establishes a reserve for possible loan losses using the DCF method for such claims in the amount of the difference between the present value of principal and interest (calculated using the rationally estimated cash flows discounted at the initial contractual interest rate) and the book value.

For other claims, a reserve is provided based on the historical loan-loss ratio.

For claims originated in specific overseas countries, an additional reserve is provided in the amount deemed necessary based on the assessment of political and economic conditions.

Branches and credit supervision departments assess all claims in accordance with the internal rules for self-assessment of assets, and the Credit Review Department, independent from these operating sections, audits their assessment. The reserves are provided based on the results of these assessments.

Reserve for possible loan losses of other consolidated subsidiaries for general claims is provided in the amount deemed necessary based on the historical loan-loss ratios, and for doubtful claims in the amount deemed uncollectible based on assessment of each claim.

For collateralized or guaranteed claims on bankrupt borrowers and effectively bankrupt borrowers, the amount exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and written off against the total outstanding amount of the claims. The amount of write-off was ¥517,426 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 interim period.
11. Reserve for employee retirement benefits is provided for payment of retirement benefits to employees, in the amount deemed accrued at the interim period-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 interim period-end based on our internal regulations.
13. Reserve for reimbursement of deposits which were derecognized as liabilities under certain conditions is provided for the possible losses on the future claims of withdrawal based on the historical reimbursement experience. Formerly, deposits which were derecognized as liabilities were expensed when they were actually reimbursed. However, from this interim period, such reserve is provided in the estimated amount as described above in accordance with the “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) of April 13, 2007.
  - As a result, Ordinary profit and Income before income taxes and minority interests decreased by ¥11,716 million each as compared with the former method.
14. 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.
15. 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.
  - 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 assesses the effectiveness of such individual hedges.
  - 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 interim period-end, gross amounts of deferred hedge losses and gains on “macro hedge” (before deducting tax effect) were ¥28,190 million and ¥20,294 million, respectively.

16. 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.
17. 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).
18. National and local consumption taxes of SMFG and its consolidated domestic subsidiaries are accounted for using the tax-excluded method.
19. Reserve under special law is as follows:  
Reserve for contingent liabilities from financial instruments transactions: ¥1,137 million  
This is the reserve pursuant to Article 46-5, Paragraph 1 and Article 48-3, Paragraph 1 of the Financial Instruments and Exchange Law. Reserve for contingent liabilities from financial futures and securities transactions, which were formerly recognized in accordance with Article 81 of the Financial Futures Transactions Law and Article 51 of the Securities and Exchange Law, respectively, are stated as Reserve for contingent liabilities from financial instruments transactions from this interim period in accordance with the enforcement of the Financial Instruments and Exchange Law on September 30, 2007.
20. Securities included stocks of unconsolidated subsidiaries and affiliates of ¥438,588 million and investments of ¥5,012 million.
21. Accumulated depreciation on tangible fixed assets and accumulated depreciation on lease assets amounted to ¥568,380 million and ¥1,605,376 million, respectively.
22. Deferred gain on real property deductible for tax purposes amounted to ¥67,070 million.
23. Bankrupt loans and Non-accrual loans were ¥59,904 million and ¥533,325 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 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.
24. Past due loans (3 months or more) totaled ¥31,769 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.”
25. Restructured loans totaled ¥441,944 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).”
26. The total amount of Bankrupt loans, Non-accrual loans, Past due loans (3 months or more) and Restructured loans was ¥1,066,944 million. The amounts of loans presented in Notes 23 to 26 above are the amounts before deduction of reserve for possible loan losses.
27. 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 ¥867,838 million.

## 28. Assets pledged as collateral were as follows:

	(Millions of yen)
Assets pledged as collateral	
Cash and due from banks	¥ 106,326
Trading assets	617,814
Securities	4,993,694
Loans and bills discounted	223,360
Other assets (installment account receivable etc.)	2,922
Liabilities corresponding to assets pledged as collateral	
Deposits	¥ 20,529
Call money and bills sold	1,065,000
Payables under repurchase agreements	142,939
Payables under securities lending transactions	2,431,734
Trading liabilities	165,806
Borrowed money	1,865,904
Other liabilities	22,643
Acceptances and guarantees	163,430

In addition, Cash and due from banks of ¥7,188 million, Trading assets of ¥272,293 million, Securities of ¥2,779,447 million and Loans and bills discounted of ¥591,044 million were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes.

Other assets include surety deposits and intangibles of ¥84,093 million and variation margins of futures markets of ¥6,765 million.

29. 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.

## 30. The balance of subordinated debt included in “Borrowed money” was ¥521,500 million.

## 31. The balance of subordinated bonds included in “Bonds” was ¥2,255,632 million.

## 32. The amount guaranteed by banking subsidiaries to privately-placed bonds (stipulated by Article 2-3 of Financial Instruments and Exchange Law) in “Securities” was ¥2,258,816 million.

## 33. Japanese government bonds and Stocks as a sub-account of Securities include ¥78,271 million of unsecured loaned securities for which borrowers have the right to sell or pledge.

SMBC has the right to sell or pledge some of the unsecured borrowed securities, securities under resale agreements and securities borrowed with cash collateral. Of them, ¥913,839 million of securities are pledged and ¥451,439 million of securities are held in hand as of the interim consolidated balance sheet date.

## 34. Commitment line contracts on overdrafts and loans are agreements to lend to customers up to a prescribed amount, as long as there is no violation of any condition established in the contracts. The amount of unused commitments was ¥40,096,806 million and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time was ¥33,680,296 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.

35. From this interim period, SMFG has applied Article 30-2 of the "Accounting Practices for Tax Effect Accounting on Consolidated Financial Statements" (JICPA Accounting Practice Committee Report No. 6, issued on March 29, 2007) to sales of investments such as shares of subsidiaries within the group companies. As a result, net income decreased by ¥18,925 million compared with the former method.
36. Provisions on the scope of securities stipulated by regulations such as the "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10) and the "Accounting Practices for Financial Instruments" (JICPA Accounting Practice Committee Report No. 14) were partially revised on June 15 and July 4, 2007, respectively, and became effective from the fiscal year and interim period ending on and after the implementation day of the Financial Instruments and Exchange Law. SMFG, accordingly, applied the revised accounting standards and practices from this interim period.

**Interim Consolidated Statement of Income**

Six months ended September 30, 2007	(Millions of yen)
<b>Ordinary income</b>	
Interest income:	1,082,577
Interest on loans and discounts	771,407
Interest and dividends on securities	167,526
Trust fees	2,262
Fees and commissions	346,671
Trading profits	118,362
Other operating income	488,686
Other income	38,991
<b>Total ordinary income</b>	<b>2,077,552</b>
<b>Ordinary expenses</b>	
Interest expenses:	483,002
Interest on deposits	276,767
Fees and commissions	53,232
Other operating expenses	479,774
General and administrative expenses	477,357
Other expenses	230,947
<b>Total ordinary expenses</b>	<b>1,724,314</b>
<b>Ordinary profit</b>	<b>353,237</b>
<b>Extraordinary gains</b>	<b>1,549</b>
<b>Extraordinary losses</b>	<b>4,453</b>
<b>Income before income taxes and minority interests</b>	<b>350,334</b>
Income taxes:	
Current	53,951
Deferred	89,270
<b>Minority interests in net income</b>	<b>36,519</b>
<b>Net income</b>	<b>170,592</b>

## Notes to Interim 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 interim period. The valuation differences of securities and money claims between the previous fiscal year-end and this interim period-end are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the valuation differences between the previous fiscal year-end and this interim term-end 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 ¥14,293 million and equity in earnings of affiliates of ¥19,030 million.
5. “Other expenses” included provision for reserve for possible loan losses of ¥73,113 million, write-off of loans of ¥65,014 million and losses on devaluation of stocks and other securities of ¥60,350 million.
6. “Extraordinary gains” included gains on disposal of fixed assets of ¥1,163 million and gains on collection of written-off claims of ¥386 million.
7. “Extraordinary losses” were losses on disposal of fixed assets of ¥1,247 million and losses on impairment of fixed assets of ¥3,205 million.
8. 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 interim period.

				(Millions of yen)
Area	Purpose of use		Type	Impairment loss
Tokyo metropolitan area	Branches	4 branches	Land and premises etc.	¥ 41
	Idle assets	11 items		280
Kinki area	Branches	1 branch	Land and premises etc.	51
	Idle assets	8 items		2,553
Other	Branches	9 branches	Land and premises etc.	17
	Idle assets	8 items		262

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 interim period.

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.

## Interim Consolidated Statement of Changes in Net Assets

Six months ended September 30, 2007

(Millions of yen)

	Stockholders' equity				Total stockholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at March 31, 2007	1,420,877	57,773	1,386,436	(123,454)	2,741,632
Changes in the six months					
Cash dividends			(65,911)		(65,911)
Net income			170,592		170,592
Acquisition of own shares				(641)	(641)
Disposal of treasury shares		96		240	337
Increase due to increase in subsidiaries			1		1
Increase due to decrease in subsidiaries			4		4
Decrease due to increase in subsidiaries			(6)		(6)
Decrease due to decrease in subsidiaries			(3)		(3)
Transfer from land revaluation excess			263		263
Net changes in the items other than stockholders' equity in the six months					
Net changes in the six months	—	96	104,941	(400)	104,636
Balance at September 30, 2007	1,420,877	57,869	1,491,378	(123,855)	2,846,269

(Millions of yen)

	Valuation and translation adjustments					Stock acquisition rights	Minority interests	Total net assets
	Net unrealized gains on other securities	Net deferred losses on hedges	Land revaluation excess	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance at March 31, 2007	1,262,135	(87,729)	37,605	(30,656)	1,181,353	14	1,408,279	5,331,279
Changes in the six months								
Cash dividends								(65,911)
Net income								170,592
Acquisition of own shares								(641)
Disposal of treasury shares								337
Increase due to increase in subsidiaries								1
Increase due to decrease in subsidiaries								4
Decrease due to increase in subsidiaries								(6)
Decrease due to decrease in subsidiaries								(3)
Transfer from land revaluation excess								263
Net changes in the items other than stockholders' equity in the six months	(196,259)	(5,428)	(265)	22,228	(179,725)	12	12,649	(167,063)
Net changes in the six months	(196,259)	(5,428)	(265)	22,228	(179,725)	12	12,649	(62,426)
Balance at September 30, 2007	1,065,875	(93,158)	37,339	(8,428)	1,001,628	27	1,420,928	5,268,853

## Notes to Interim Consolidated Statement of Changes in Net Assets

- Amounts less than one million yen have been omitted.
- 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 interim period	Number of shares decreased in the interim period	Number of shares as of the interim period-end
Shares issued				
Common stock	7,733,653.77	—	—	7,733,653.77
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	7,853,754.77	—	—	7,853,754.77
Treasury shares				
Common stock	168,630.95	(*1) 583.58	(*2) 424.62	168,789.91
Total	168,630.95	583.58	424.62	168,789.91

- (\*1) Increase in number of treasury shares (common stock) of 583.58 due to purchase of fractional shares
- (\*2) Decrease in number of treasury shares (common stock) of 130.62 due to sale of fractional shares and delivery of shares in connection with exercising of stock options and 294 shares due to sale of shares of SMFG's common stock owned by subsidiaries and affiliates

- Information on stock acquisition rights is as follows:

	Detail of stock acquisition rights	Type of shares	Number of shares				Balance as of the interim period-end (Millions of yen)
			Previous fiscal year-end	Increase in the interim period	Decrease in the interim period	Interim period-end	
SMFG	Stock acquisition rights as stock options						¥ —
Consolidated subsidiaries							27
Total							¥ 27

## 4. Information on dividends is as follows:

## (1) Dividends paid in the six months ended September 30, 2007

(Millions of yen, except per share amounts)

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 28, 2007	Common stock	¥53,660	¥ 7,000	March 31, 2007	June 28, 2007
	Preferred stock (1st series type 4)	563	135,000		
	Preferred stock (2nd series type 4)	563	135,000		
	Preferred stock (3rd series type 4)	563	135,000		
	Preferred stock (4th series type 4)	563	135,000		
	Preferred stock (5th series type 4)	563	135,000		
	Preferred stock (6th series type 4)	563	135,000		
	Preferred stock (7th series type 4)	563	135,000		
	Preferred stock (8th series type 4)	563	135,000		
	Preferred stock (9th series type 4)	563	135,000		
	Preferred stock (10th series type 4)	563	135,000		
	Preferred stock (11th series type 4)	563	135,000		
	Preferred stock (12th series type 4)	563	135,000		
	Preferred stock (1st series type 6)	6,195	88,500		

## (2) Dividends to be paid in the second half of the fiscal year ending March 31, 2008

(Millions of yen, except per share amounts)

Date of resolution	Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Meeting of Board of Directors held on November 19, 2007	Common stock	¥38,326	Retained earnings	¥ 5,000	September 30, 2007	December 7, 2007
	Preferred stock (1st series type 4)	281		67,500		
	Preferred stock (2nd series type 4)	281		67,500		
	Preferred stock (3rd series type 4)	281		67,500		
	Preferred stock (4th series type 4)	281		67,500		
	Preferred stock (5th series type 4)	281		67,500		
	Preferred stock (6th series type 4)	281		67,500		
	Preferred stock (7th series type 4)	281		67,500		
	Preferred stock (8th series type 4)	281		67,500		
	Preferred stock (9th series type 4)	281		67,500		
	Preferred stock (10th series type 4)	281		67,500		
	Preferred stock (11th series type 4)	281		67,500		
	Preferred stock (12th series type 4)	281		67,500		
	Preferred stock (1st series type 6)	3,097	44,250			

Six months ended September 30, 2006

(Millions of yen)

	Stockholders' equity				Total stockholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at March 31, 2006	1,420,877	1,229,225	992,064	(4,393)	3,637,773
Changes in the six months					
Increase due to exchange of shares		221,365			221,365
Cash dividends			(47,951)		(47,951)
Net income			243,660		243,660
Acquisition of own shares				(1,219,877)	(1,219,877)
Disposal of treasury shares		15		56	71
Retirement of treasury shares		(1,174,036)		1,174,036	—
Increase due to increase of subsidiaries			391		391
Increase due to decrease of subsidiaries			11		11
Decrease due to increase of subsidiaries			(6)		(6)
Decrease due to decrease of subsidiaries			(2)		(2)
Transfer from land revaluation excess			231		231
Net changes in the items other than stockholders' equity in the six months					
Net changes in the six months	—	(952,655)	196,335	(45,785)	(802,105)
Balance at September 30, 2006	1,420,877	276,570	1,188,399	(50,178)	2,835,668

(Millions of yen)

	Valuation and translation adjustments					Stock acquisition rights	Minority interests	Total net assets
	Net unrealized gains on other securities	Net deferred losses on hedges	Land revaluation excess	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance at March 31, 2006	819,927	—	38,173	(41,475)	816,625	—	1,113,025	5,567,424
Changes in the six months								
Increase due to exchange of shares								221,365
Cash dividends								(47,951)
Net income								243,660
Acquisition of own shares								(1,219,877)
Disposal of treasury shares								71
Retirement of treasury shares								—
Increase due to increase of subsidiaries								391
Increase due to decrease of subsidiaries								11
Decrease due to increase of subsidiaries								(6)
Decrease due to decrease of subsidiaries								(2)
Transfer from land revaluation excess								231
Net changes in the items other than stockholders' equity in the six months	3,285	(88,079)	(224)	(6,434)	(91,452)	4	(51,078)	(142,526)
Net changes in the six months	3,285	(88,079)	(224)	(6,434)	(91,452)	4	(51,078)	(944,631)
Balance at September 30, 2006	823,213	(88,079)	37,948	(47,909)	725,173	4	1,061,946	4,622,792

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

Year ended March 31, 2007

(Millions of yen)

	Stockholders' equity				Total stockholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
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					Stock acquisition rights	Minority interests	Total net assets
	Net unrealized gains on other securities	Net deferred losses on hedges	Land revaluation excess	Foreign currency translation adjustments	Total valuation and translation adjustments			
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

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



**Interim Consolidated Statement of Cash Flows**

Six months ended September 30, 2007

(Millions of yen)

<b>1. Cash flows from operating activities:</b>	
Income before income taxes and minority interests	350,334
Depreciation of fixed assets	39,470
Depreciation of lease assets	170,242
Losses on impairment of fixed assets	3,205
Amortization of goodwill	4,182
Equity in (earnings) losses of affiliates	(19,030)
Gains on sale of subsidiaries' shares and gains on change in equity of subsidiary	106
Net change in reserve for possible loan losses	13,038
Net change in reserve for employee bonuses	(2,603)
Net change in reserve for employee retirement benefits	412
Net change in reserve for executive retirement benefits	(444)
Net change in reserve for reimbursement of deposits	11,716
Interest income	(1,082,577)
Interest expenses	483,002
Net (gains) losses on securities	49,784
Net (gains) losses from money held in trust	(245)
Net exchange (gains) losses	36,271
Net (gains) losses from disposal of fixed assets	84
Net (gains) losses from disposal of lease assets	(1,987)
Net change in trading assets	(198,303)
Net change in trading liabilities	206,229
Net change in loans and bills discounted	(1,564,926)
Net change in deposits	818,665
Net change in negotiable certificates of deposit	(62,963)
Net change in borrowed money (excluding subordinated debt)	859,543
Net change in deposits with banks	(1,379,961)
Net change in call loans and bills bought and others	(694,085)
Net change in receivables under securities borrowing transactions	1,212,637
Net change in call money and bills sold and others	(95,414)
Net change in payables under securities lending transactions	1,231,137
Net change in foreign exchanges (assets)	(43,849)
Net change in foreign exchanges (liabilities)	16,960
Net change in short-term bonds (liabilities)	(1,300)
Issuance and redemption of bonds (excluding subordinated bonds)	(135,716)
Net change in due to trust account	(19,169)
Interest received	1,070,519
Interest paid	(454,539)
Other, net	410,817
<b>Subtotal</b>	<b>1,231,246</b>
Income taxes paid	6,590
<b>Net cash provided by operating activities</b>	<b>1,237,836</b>
<b>2. Cash flows from investing activities:</b>	
Purchases of securities	(17,909,744)
Proceeds from sale of securities	10,576,473
Proceeds from maturity of securities	6,891,933
Purchases of money held in trust	(547)
Proceeds from sale of money held in trust	796
Purchases of tangible fixed assets	(24,122)
Proceeds from sale of tangible fixed assets	2,059
Purchases of intangible fixed assets	(23,015)
Proceeds from sale of intangible fixed assets	20
Purchases of lease assets	(200,317)
Proceeds from sale of lease assets	21,044
Proceeds from sale of stocks of subsidiaries	198
Purchases of stocks of subsidiaries	(3,453)
<b>Net cash used in investing activities</b>	<b>(668,677)</b>
<b>3. Cash flows from financing activities:</b>	
Proceeds from issuance of subordinated debt	25,000
Repayment of subordinated debt	(63,000)
Proceeds from issuance of subordinated bonds and bonds with stock acquisition rights	90,000
Repayment of subordinated bonds and bonds with stock acquisition rights	(19,700)
Dividends paid	(65,837)
Proceeds from minority stockholders	3,425
Dividends paid to minority stockholders	(33,704)
Purchases of treasury stock	(641)
Proceeds from disposal of treasury stock	770
<b>Net cash used in financing activities</b>	<b>(63,688)</b>
<b>4. Effect of exchange rate changes on cash and cash equivalents</b>	<b>1,082</b>
<b>5. Net change in cash and cash equivalents</b>	<b>506,553</b>
<b>6. Cash and cash equivalents at beginning of year</b>	<b>1,927,024</b>
<b>7. Change in cash and cash equivalents due to newly consolidated subsidiaries</b>	<b>18,869</b>
<b>8. Cash and cash equivalents at end of interim period</b>	<b>2,452,448</b>

Notes to Interim Consolidated Statement of Cash Flows
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1. Amounts less than one million yen have been omitted.
2. For the purposes of presenting the interim 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 interim period-end is as follows:

September 30, 2007	(Millions of yen)
Cash and due from banks	¥ 5,944,160
Interest-earning deposits	(3,491,711)
Cash and cash equivalents	<u>¥ 2,452,448</u>

4. Significant non-money transactions

QUOQ Inc. and two other companies became consolidated subsidiaries of SMFG due to increases in voting rights. Their major assets and liabilities are as follows:

	(Millions of yen)
Assets	¥ 1,504,288
Other assets	548,428
Customers’ liabilities for acceptances and guarantees	891,593
Liabilities	¥ 1,471,831
Borrowed money	436,628
Acceptances and guarantees	891,593

**Comparative Consolidated Balance Sheets (Condensed)**

(Millions of yen)

September 30, 2007 and 2006, and March 31, 2007	September 30			March 31	
	2007 (A)	2006 (B)	Change (A-B)	2007 (C)	Change (A-C)
<b>Assets:</b>					
Cash and due from banks	5,944,160	4,010,986	1,933,174	4,036,856	1,907,304
Call loans and bills bought	1,383,235	1,462,077	(78,842)	1,107,078	276,157
Receivables under resale agreements	371,109	110,257	260,852	76,551	294,558
Receivables under securities borrowing transactions	1,064,257	1,178,045	(113,788)	2,276,894	(1,212,637)
Commercial paper and other debt purchased	1,102,863	940,702	162,161	963,916	138,947
Trading assets	3,491,395	3,404,589	86,806	3,277,885	213,510
Money held in trust	2,627	2,820	(193)	2,924	(297)
Securities	20,599,844	22,351,635	(1,751,791)	20,537,500	62,344
Loans and bills discounted	60,193,566	59,184,457	1,009,109	58,689,322	1,504,244
Foreign exchanges	926,162	929,490	(3,328)	881,436	44,726
Other assets	3,900,851	3,257,139	643,712	3,349,949	550,902
Tangible fixed assets	819,772	706,702	113,070	817,567	2,205
Intangible fixed assets	232,682	228,885	3,797	234,896	(2,214)
Lease assets	1,014,350	991,699	22,651	1,001,346	13,004
Deferred tax assets	915,876	1,023,325	(107,449)	887,224	28,652
Customers' liabilities for acceptances and guarantees	4,895,451	3,748,150	1,147,301	3,606,050	1,289,401
Reserve for possible loan losses	(930,577)	(978,999)	48,422	(889,093)	(41,484)
<b>Total assets</b>	<b>105,927,629</b>	<b>102,551,964</b>	<b>3,375,665</b>	<b>100,858,309</b>	<b>5,069,320</b>
<b>Liabilities:</b>					
Deposits	72,925,766	72,165,553	760,213	72,156,224	769,542
Negotiable certificates of deposit	2,528,292	2,492,353	35,939	2,589,217	(60,925)
Call money and bills sold	2,191,690	2,562,041	(370,351)	2,286,698	(95,008)
Payables under repurchase agreements	143,980	805,915	(661,935)	140,654	3,326
Payables under securities lending transactions	2,747,480	3,141,635	(394,155)	1,516,342	1,231,138
Trading liabilities	2,165,097	1,932,323	232,774	1,942,973	222,124
Borrowed money	4,395,401	3,061,744	1,333,657	3,214,137	1,181,264
Foreign exchanges	341,203	329,273	11,930	323,890	17,313
Short-term bonds	438,300	405,100	33,200	439,600	(1,300)
Bonds	4,030,059	4,155,770	(125,711)	4,093,525	(63,466)
Due to trust account	45,893	50,733	(4,840)	65,062	(19,169)
Other liabilities	3,622,023	2,920,902	701,121	2,981,714	640,309
Reserve for employee bonuses	25,754	22,868	2,886	27,513	(1,759)
Reserve for employee retirement benefits	37,594	33,864	3,730	34,424	3,170
Reserve for executive retirement benefits	6,995	—	6,995	7,371	(376)
Reserve for reimbursement of deposits	11,716	—	11,716	—	11,716
Reserve under special law	1,137	1,136	1	1,137	(0)
Deferred tax liabilities	55,589	49,876	5,713	50,953	4,636
Deferred tax liabilities for land revaluation	49,347	49,929	(582)	49,536	(189)
Acceptances and guarantees	4,895,451	3,748,150	1,147,301	3,606,050	1,289,401
<b>Total liabilities</b>	<b>100,658,776</b>	<b>97,929,171</b>	<b>2,729,605</b>	<b>95,527,029</b>	<b>5,131,747</b>
<b>Total net assets</b>	<b>5,268,853</b>	<b>4,622,792</b>	<b>646,061</b>	<b>5,331,279</b>	<b>(62,426)</b>
<b>Total liabilities and net assets</b>	<b>105,927,629</b>	<b>102,551,964</b>	<b>3,375,665</b>	<b>100,858,309</b>	<b>5,069,320</b>

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

**Comparative Consolidated Statements of Income (Condensed)**

(Millions of yen)

Six months ended September 30, 2007 and 2006, and Year ended March 31, 2007	Six months ended September 30			Year ended March 31
	2007 (A)	2006 (B)	Change (A-B)	2007
<b>Ordinary income</b>	<b>2,077,552</b>	<b>1,825,751</b>	<b>251,801</b>	<b>3,901,259</b>
Interest income:	1,082,577	909,808	172,769	1,979,069
Interest on loans and discounts	771,407	651,018	120,389	1,375,851
Interest and dividends on securities	167,526	157,718	9,808	369,770
Trust fees	2,262	1,416	846	3,508
Fees and commissions	346,671	337,322	9,349	705,998
Trading profits	118,362	54,496	63,866	127,561
Other operating income	488,686	501,121	(12,435)	1,003,632
Other income	38,991	21,586	17,405	81,489
<b>Ordinary expenses</b>	<b>1,724,314</b>	<b>1,468,614</b>	<b>255,700</b>	<b>3,102,649</b>
Interest expenses:	483,002	350,193	132,809	810,476
Interest on deposits	276,767	199,933	76,834	457,078
Fees and commissions	53,232	53,927	(695)	96,812
Trading losses	—	2,883	(2,883)	1,936
Other operating expenses	479,774	511,352	(31,578)	1,004,370
General and administrative expenses	477,357	432,705	44,652	888,561
Other expenses	230,947	117,553	113,394	300,491
<b>Ordinary profit</b>	<b>353,237</b>	<b>357,136</b>	<b>(3,899)</b>	<b>798,610</b>
<b>Extraordinary gains</b>	<b>1,549</b>	<b>48,284</b>	<b>(46,735)</b>	<b>46,527</b>
<b>Extraordinary losses</b>	<b>4,453</b>	<b>4,118</b>	<b>335</b>	<b>38,347</b>
<b>Income before income taxes and minority interests</b>	<b>350,334</b>	<b>401,302</b>	<b>(50,968)</b>	<b>806,790</b>
Income taxes:				
Current	53,951	42,273	11,678	87,818
Deferred	89,270	86,218	3,052	218,770
<b>Minority interests in net income</b>	<b>36,519</b>	<b>29,149</b>	<b>7,370</b>	<b>58,850</b>
<b>Net income</b>	<b>170,592</b>	<b>243,660</b>	<b>(73,068)</b>	<b>441,351</b>

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

## Comparative Consolidated Statements of Cash Flows

(Millions of yen)

Six months ended September 30, 2007 and 2006, and Year ended March 31, 2007	Six months ended September 30		Change (A-B)	Year ended March 31 2007
	2007 (A)	2006 (B)		
<b>1. Cash flows from operating activities:</b>				
Income before income taxes and minority interests	350,334	401,302	(50,968)	806,790
Depreciation of fixed assets	39,470	38,389	1,081	78,869
Depreciation of lease assets	170,242	167,651	2,591	335,399
Losses on impairment of fixed assets	3,205	2,006	1,199	30,548
Amortization of goodwill	4,182	2,070	2,112	4,858
Equity in (earnings) losses of affiliates	(19,030)	32,344	(51,374)	104,170
Gains on sale of subsidiaries' shares and gains on change in equity of subsidiary	106	(5,121)	5,227	(5,072)
Net change in reserve for possible loan losses	13,038	(56,241)	69,279	(146,971)
Net change in reserve for employee bonuses	(2,603)	(2,512)	(91)	2,128
Net change in reserve for employee retirement benefits	412	(3,200)	3,612	(2,639)
Net change in reserve for executive retirement benefits	(444)	–	(444)	7,371
Net change in reserve for reimbursement of deposits	11,716	–	11,716	–
Interest income	(1,082,577)	(909,808)	(172,769)	(1,979,069)
Interest expenses	483,002	350,193	132,809	810,476
Net (gains) losses on securities	49,784	56,013	(6,229)	71,686
Net (gains) losses from money held in trust	(245)	(0)	(245)	(0)
Net exchange (gains) losses	36,271	(41,522)	77,793	(103,541)
Net (gains) losses from disposal of fixed assets	84	1,327	(1,243)	3,067
Net (gains) losses from disposal of lease assets	(1,987)	(473)	(1,514)	(1,364)
Net change in trading assets	(198,303)	628,566	(826,869)	767,067
Net change in trading liabilities	206,229	(965,531)	1,171,760	(969,090)
Net change in loans and bills discounted	(1,564,926)	(1,909,796)	344,870	(1,376,693)
Net change in deposits	818,665	1,332,022	(513,357)	1,307,266
Net change in negotiable certificates of deposit	(62,963)	(222,330)	159,367	(136,304)
Net change in borrowed money (excluding subordinated debt)	859,543	934,051	(74,508)	1,141,752
Net change in deposits with banks	(1,379,961)	410,829	(1,790,790)	(157,092)
Net change in call loans and bills bought and others	(694,085)	(981,573)	287,488	(612,297)
Net change in receivables under securities borrowing transactions	1,212,637	778,605	434,032	(320,243)
Net change in call money and bills sold and others	(95,414)	(5,047,597)	4,952,183	(5,994,528)
Net change in commercial paper	–	(10,000)	10,000	(10,000)
Net change in payables under securities lending transactions	1,231,137	394,509	836,628	(1,230,782)
Net change in foreign exchanges (assets)	(43,849)	18,596	(62,445)	66,917
Net change in foreign exchanges (liabilities)	16,960	(118,530)	135,490	(124,047)
Net change in short-term bonds (liabilities)	(1,300)	21,200	(22,500)	55,700
Issuance and redemption of bonds (excluding subordinated bonds)	(135,716)	(95,170)	(40,546)	(198,091)
Net change in due to trust account	(19,169)	(267,864)	248,695	(253,534)
Interest received	1,070,519	905,873	164,646	1,966,949
Interest paid	(454,539)	(324,296)	(130,243)	(774,678)
Other, net	410,817	240,032	170,785	197,841
Subtotal	1,231,246	(4,245,985)	5,477,231	(6,637,179)
Income taxes paid	6,590	(84,921)	91,511	(123,561)
<b>Net cash provided by (used in) operating activities</b>	<b>1,237,836</b>	<b>(4,330,906)</b>	<b>5,568,742</b>	<b>(6,760,740)</b>
<b>2. Cash flows from investing activities:</b>				
Purchases of securities	(17,909,744)	(18,563,216)	653,472	(35,085,809)
Proceeds from sale of securities	10,576,473	11,389,367	(812,894)	21,544,154
Proceeds from maturity of securities	6,891,933	10,257,301	(3,365,368)	18,886,454
Purchases of money held in trust	(547)	–	(547)	–
Proceeds from sale of money held in trust	796	–	796	–
Purchases of tangible fixed assets	(24,122)	(24,041)	(81)	(193,614)
Proceeds from sale of tangible fixed assets	2,059	3,545	(1,486)	8,474
Purchases of intangible fixed assets	(23,015)	(23,957)	942	(57,506)
Proceeds from sale of intangible fixed assets	20	4	16	6
Purchases of lease assets	(200,317)	(180,717)	(19,600)	(383,526)
Proceeds from sale of lease assets	21,044	21,565	(521)	48,392
Proceeds from sale of stocks of subsidiaries	198	3,468	(3,270)	3,745
Purchases of stocks of subsidiaries	(3,453)	–	(3,453)	(1,317)
<b>Net cash (used in) provided by investing activities</b>	<b>(668,677)</b>	<b>2,883,317</b>	<b>(3,551,994)</b>	<b>4,769,454</b>
<b>3. Cash flows from financing activities:</b>				
Proceeds from issuance of subordinated debt	25,000	10,000	15,000	20,000
Repayment of subordinated debt	(63,000)	(15,000)	(48,000)	(83,000)
Proceeds from issuance of subordinated bonds and bonds with stock acquisition rights	90,000	120,000	(30,000)	196,951
Repayment of subordinated bonds and bonds with stock acquisition rights	(19,700)	(126,829)	107,129	(181,283)
Dividends paid	(65,837)	(47,904)	(17,933)	(47,926)
Proceeds from minority stockholders	3,425	30,740	(27,315)	360,362
Dividends paid to minority stockholders	(33,704)	(30,883)	(2,821)	(46,724)
Purchases of treasury stock	(641)	(1,174,922)	1,174,281	(1,474,644)
Proceeds from disposal of treasury stock	770	71	699	11,320
<b>Net cash used in financing activities</b>	<b>(63,688)</b>	<b>(1,234,728)</b>	<b>1,171,040</b>	<b>(1,244,945)</b>
<b>4. Effect of exchange rate changes on cash and cash equivalents</b>	<b>1,082</b>	<b>1,279</b>	<b>(197)</b>	<b>3,434</b>
<b>5. Net change in cash and cash equivalents</b>	<b>506,553</b>	<b>(2,681,038)</b>	<b>3,187,591</b>	<b>(3,232,797)</b>
<b>6. Cash and cash equivalents at beginning of year</b>	<b>1,927,024</b>	<b>5,159,822</b>	<b>(3,232,798)</b>	<b>5,159,822</b>
<b>7. Change in cash and cash equivalents due to newly consolidated subsidiaries</b>	<b>18,869</b>	<b>0</b>	<b>18,869</b>	<b>0</b>
<b>8. Cash and cash equivalents at end of period (year)</b>	<b>2,452,448</b>	<b>2,478,784</b>	<b>(26,336)</b>	<b>1,927,024</b>

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

## [ APPENDIX ]

**Market Value of Securities and Money Held in Trust****1. Securities**

(Note)

The amounts shown in the following tables include negotiable certificates of deposit bought classified as “Cash and due from banks” and beneficiary claims on loan trusts classified as “Commercial paper and other debt purchased,” in addition to “Securities” stated in the interim consolidated balance sheet.

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

As of September 30, 2007	(Millions of yen)		
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)
Japanese government bonds	629,520	624,234	(5,285)
Japanese local government bonds	97,206	95,885	(1,321)
Japanese corporate bonds	386,456	383,881	(2,575)
Other	5,630	5,633	2
<b>Total</b>	<b>1,118,814</b>	<b>1,109,634</b>	<b>(9,179)</b>

(Note) Market value is calculated using market prices at the interim period-end.

## (2) Other securities with market value

As of September 30, 2007	(Millions of yen)		
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)
Stocks	1,954,559	3,683,628	1,729,068
Bonds	7,907,468	7,744,228	(163,239)
Japanese government bonds	6,742,468	6,592,972	(149,495)
Japanese local government bonds	437,521	430,861	(6,659)
Japanese corporate bonds	727,478	720,394	(7,083)
Other	3,731,231	3,690,266	(40,964)
<b>Total</b>	<b>13,593,259</b>	<b>15,118,124</b>	<b>1,524,864</b>

(Notes)

## 1. Consolidated balance sheet amount is calculated as follows:

Stocks	Average market prices during one month before the interim period-end
Bonds and other	Market prices at the interim period-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 interim period. Valuation loss for the interim period was 69,485 million yen. The rule for determining "material decline" is as follows and is based on the classification of issuers 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.

## (3) Securities with no available market value

As of September 30, 2007	(Millions of yen)
	Consolidated balance sheet amount
<b>Bonds classified as held-to-maturity</b>	
Unlisted foreign securities	17
Other	1,236
<b>Other securities</b>	
Unlisted stocks (excluding OTC stocks)	396,824
Unlisted bonds	2,715,372
Unlisted foreign securities	694,951
Other	628,856

## 2. Money Held in Trust

(1) Money held in trust classified as held-to-maturity

There are no corresponding transactions.

(2) Other money held in trust

<u>As of September 30, 2007</u>	<u>(Millions of yen)</u>		
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)
Other money held in trust	2,549	2,627	78

(Note) Consolidated balance sheet amount is calculated using market prices at the interim period-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 interim consolidated balance sheet is shown as follows:

<u>As of September 30, 2007</u>	<u>(Millions of yen)</u>
Net unrealized gains	1,525,150
Other securities	1,525,072
Other money held in trust	78
(-) Deferred tax liabilities	461,506
Net unrealized gains on other securities (before following adjustment)	<u>1,063,644</u>
(-) Minority interests	6,982
(+) SMFG's interest in net unrealized gains on valuation of other securities held by affiliates accounted for by the equity method	9,213
Net unrealized gains on other securities	<u><u>1,065,875</u></u>

(Note)

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

## Stock Options

Amount of stock options to be expensed in the six months:

General and administrative expenses   ¥ 12 million

## Segment Information

### 1. Business segment information

Six months ended September 30, 2007				(Millions of yen)		
	Banking business	Leasing business	Other business	Total	Elimination	Consolidated
Ordinary income						
(1) External customers	1,452,779	409,593	215,180	2,077,552	–	2,077,552
(2) Intersegment	26,932	10,133	125,849	162,915	(162,915)	–
Total	1,479,711	419,727	341,029	2,240,468	(162,915)	2,077,552
Ordinary expenses	1,215,669	401,701	252,145	1,869,516	(145,202)	1,724,314
Ordinary profit	264,042	18,025	88,883	370,951	(17,713)	353,237

(Notes)

- 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.
- "Other business" includes securities, credit card, investment banking, loans, venture capital, system development and information processing.

### 2. Geographic segment information

Six months ended September 30, 2007					(Millions of yen)		
	Japan	The Americas	Europe and Middle East	Asia and Oceania	Total	Elimination	Consolidated
Ordinary income							
(1) External customers	1,695,995	137,724	130,801	113,030	2,077,552	–	2,077,552
(2) Intersegment	53,655	28,300	7,890	24,455	114,300	(114,300)	–
Total	1,749,650	166,025	138,691	137,485	2,191,853	(114,300)	2,077,552
Ordinary expenses	1,475,840	128,653	122,810	102,507	1,829,812	(105,498)	1,724,314
Ordinary profit	273,810	37,371	15,880	34,977	362,040	(8,802)	353,237

(Notes)

- 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.
- 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. Ordinary income from overseas operations

Six months ended September 30, 2007		(Millions of yen)
Consolidated ordinary income from overseas operations (A)		381,556
Consolidated ordinary income (B)		2,077,552
(A) / (B)		18.4 %

(Notes)

- Consolidated ordinary income from overseas operations are presented as counterparts of overseas sales of companies in other industries.
- 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.



## Special Purpose Entities

SMBC, a consolidated subsidiary of SMFG, provides credit lines, liquidity lines and loans to fourteen special purpose entities ("SPEs") for their fund needs and issuing of commercial papers. The SPEs are engaged in purchases of monetary claims such as receivables from SMBC customers, and incorporated under the laws of the Cayman Islands or as intermediate corporations with limited liabilities.

The combined assets and liabilities of the fourteen SPEs as of their most recent closing dates were ¥2,865,600 million and ¥2,865,738 million, respectively. SMBC has no voting rights in the SPEs and sends no directors or employees.

The amounts of transactions with these SPEs in the interim period are as follows:

(Millions of yen)

	Balances of principal transactions as of September 30, 2007	Principal profit or loss for the interim period	
		Item	Amount
Loans and bills discounted	¥ 2,158,322	Interest on loans and discounts	¥ 3,950
Credit lines	859,423	Fees and commissions	1,541
Liquidity lines	429,459	—	—

**Per Share Data**

	<u>(Yen)</u>
<u>As of and six months ended September 30</u>	<u>2007</u>
Net assets per share	460,168.95
Net income per share	21,694.19
Net income per share (diluted)	20,840.67

(Notes)

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

	<u>(Millions of yen, except number of shares)</u>
<u>Six months ended September 30</u>	<u>2007</u>
Net income per share	
Net income	170,592
Amount not to attributable to common stockholders [interim preferred stock dividends]	6,479 6,479
Net income attributable to common stock	164,113
Average number of common stock during the six months (in thousand)	7,564
Net income per share (diluted)	
Adjustment for net income	3,376
[interim preferred stock dividends]	3,381
[stock acquisition rights issued by subsidiaries and affiliates]	(4)
Increase in number of common stock (in thousand)	471
[preferred stock]	471
[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:	—

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

	<u>(Millions of yen, except number of shares)</u>
<u>September 30</u>	<u>2007</u>
Net assets	5,268,853
Amounts excluded from Net assets	1,787,738
[preferred stock]	360,303
[interim preferred stock dividends]	6,479
[stock acquisition rights]	27
[minority interests]	1,420,928
Net assets attributable to common stock at the interim period-end	3,481,115
Number of common stock at the interim period-end used for the calculation of Net assets per share (in thousand)	7,564

## **Subsequent Events**

SMFG, SMBC Leasing Company, Limited (“SMBC Leasing”) and SMBC Auto Leasing Company, Limited (“SMBC Auto Leasing”) reached a final agreement with Sumitomo Corporation, Sumisho Lease Co., Ltd. (“Sumisho Lease”) and Sumisho Auto Leasing Corporation (“Sumisho Auto Lease”) on July 30, 2007 concerning strategic joint businesses in leasing and auto leasing business and mergers of two businesses (a merger between SMBC Leasing and Sumisho Lease, and a merger between SMBC Auto Leasing and Sumisho Auto Lease). And they also concluded “Basic Agreement Concerning the Joint Business” and “Merger Agreement” with respect to the two businesses. In accordance with the merger agreements, SMBC Leasing and Sumisho Lease merged on October 1, 2007, and SMBC Auto Leasing and Sumisho Auto Lease also merged on the same day.

### <Purchase method>

#### 1. Outline of the business combination of leasing companies

##### (1) Name and business of the acquired company

Sumisho Lease (Leasing business)

##### (2) Reason for the business combination

SMBC Leasing and Sumisho Lease have merged with the aim of achieving the highest leasing volume in Japan by leveraging the blue-chip customer bases of both the SMFG Group and the Sumitomo Corporation Group, and to create a high quality leasing company that can respond accurately and timely to market needs which are becoming increasingly sophisticated, by combining and blending the finance know-how of SMBC Leasing as a subsidiary of a bank and the product and distribution know-how of Sumisho Lease as a subsidiary of a trading company, thereby promoting diversification and differentiation of products and providing more value-added products going beyond traditional approaches.

##### (3) Date of the business combination

October 1, 2007

##### (4) Legal form of business combination

The merger was a merger procedure by absorption with Sumisho Lease as the surviving company and SMBC Leasing was dissolved.

(Name of the merged company: Sumitomo Mitsui Finance and Leasing Company, Limited)

##### (5) Name of the entity after the business combination

Sumitomo Mitsui Financial Group, Inc.

##### (6) Percentage share of voting rights SMFG has acquired

55%

### <Business combination of consolidated subsidiary>

#### 1. Outline of the business combination of auto leasing companies

##### (1) Name and business of the companies

Combining company: Sumisho Auto Lease (Auto leasing business)

Combined company: SMBC Auto Leasing (Auto leasing business)

##### (2) Reason for the business combination

Sumisho Auto Lease and SMBC Auto Leasing have merged to survive and thrive in the auto leasing industry that is becoming increasingly competitive and to establish a structure to capture the number one market share by capitalizing on the high-quality customer bases of both the Sumitomo Corporation Group and the SMFG Group and combining the high-value-added services of Sumisho Auto Lease based on its value chain and business network of SMBC Auto Leasing. Another aim of the merger is to achieve better customer satisfaction by combining and blending the product and distribution know-how of Sumisho Auto Lease as a subsidiary of a trading company, and the finance know-how of SMBC Auto Leasing as a subsidiary of a bank, thereby pursuing various services.

##### (3) Date of the business combination

October 1, 2007

(4) Legal form of business combination

The merger was a merger procedure by absorption with Sumisho Auto Leasing as the surviving company, and SMBC Auto Leasing was dissolved.

(Name of the merged company: Sumitomo Mitsui Auto Service Company, Limited)

2. Outline of accounting method

As a result of the merger between Sumisho Auto Leasing and SMBC Auto Leasing, SMBC Auto Leasing was excluded from the scope of affiliated company and the combined company became an equity method affiliated company of SMFG. SMFG will apply the accounting procedures stipulated by Article 20 of the “Accounting Standard for Business Divestitures” (ASBJ Statement No.7).

3. Name of the business segment, in which the subsidiary was included, in the segment information

Leasing business

4. Interim consolidated statement of income for the interim period included the following earnings of SMBC Auto Leasing: (approximate amounts)

Ordinary income: ¥ 69,752 million

Ordinary profit: 2,237 million

Net income: 1,254 million

5. Status after the business combination

SMBC Auto Leasing and its subsidiaries are excluded from the scope of consolidation, and Sumitomo Mitsui Auto Service Company, Limited and its subsidiaries have become affiliated companies accounted for by the equity method.

**Other Notes**

Please refer to EDINET system (<https://info.edinet.go.jp/EdiHtml/main.htm>) in December 2007 (available in Japanese).

SMFG will also disclose notes on lease transactions and derivative transactions on the Interim Financial Report that will be issued in February 2008. (<http://www.smfg.co.jp/english/index.html>)

## V. Non-Consolidated Financial Statements

### 1. Non-consolidated Balance Sheets

September 30, 2007 and 2006, and March 31, 2007	September 30		(Millions of yen, %)			
			March 31, 2007			
	2007	2006	(Condensed)			
<b>Assets</b>						
		%		%		
<b>Current assets</b>						
Cash and due from banks	46,052		18,458		37,073	
Other current assets	2,732		63,436		72,291	
<b>Total current assets</b>	<u>48,785</u>	1.2	<u>81,894</u>	2.1	<u>109,364</u>	2.8
<b>Fixed assets</b>						
Tangible fixed assets	6		9		7	
Intangible fixed assets	14		26		20	
Investments and other assets	3,952,663		3,847,671		3,850,052	
Investments in subsidiaries and affiliates	3,950,934		3,847,651		3,847,716	
Other	1,728		20		2,336	
<b>Total fixed assets</b>	<u>3,952,685</u>	98.8	<u>3,847,707</u>	97.9	<u>3,850,079</u>	97.2
<b>Deferred charges</b>	<u>-</u>	-	<u>150</u>	0.0	<u>-</u>	-
<b>Total assets</b>	<u><u>4,001,470</u></u>	100.0	<u><u>3,929,752</u></u>	100.0	<u><u>3,959,444</u></u>	100.0
<b>Liabilities</b>						
<b>Current liabilities</b>						
Short-term borrowings	1,059,030		620,000		959,030	
Reserve for employees bonuses	82		76		83	
Other current liabilities	2,055		57,463		2,258	
<b>Total current liabilities</b>	<u>1,061,168</u>	26.5	<u>677,539</u>	17.2	<u>961,372</u>	24.3
<b>Fixed liabilities</b>						
Reserve for executive retirement benefits	178		-		174	
<b>Total fixed liabilities</b>	<u>178</u>	0.0	<u>-</u>	-	<u>174</u>	0.0
<b>Total liabilities</b>	<u>1,061,347</u>	26.5	<u>677,539</u>	17.2	<u>961,546</u>	24.3
<b>Net assets</b>						
<b>Stockholders' equity</b>						
Capital stock	1,420,877	35.5	1,420,877	36.2	1,420,877	35.9
Capital surplus						
Capital reserve	642,355		642,355		642,355	
Other capital surplus	288,073		510,385		288,113	
<b>Total capital surplus</b>	<u>930,429</u>	23.3	<u>1,152,740</u>	29.3	<u>930,469</u>	23.5
<b>Retained earnings</b>						
Other retained earnings						
Voluntary reserve	30,420		30,420		30,420	
Retained earnings brought forward	641,456		653,398		698,709	
<b>Total retained earnings</b>	<u>671,876</u>	16.8	<u>683,818</u>	17.4	<u>729,129</u>	18.4
<b>Treasury stock</b>	<u>(83,060)</u>	(2.1)	<u>(5,223)</u>	(0.1)	<u>(82,578)</u>	(2.1)
<b>Total stockholders' equity</b>	<u>2,940,122</u>	73.5	<u>3,252,213</u>	82.8	<u>2,997,898</u>	75.7
<b>Total net assets</b>	<u>2,940,122</u>	73.5	<u>3,252,213</u>	82.8	<u>2,997,898</u>	75.7
<b>Total liabilities and net assets</b>	<u><u>4,001,470</u></u>	100.0	<u><u>3,929,752</u></u>	100.0	<u><u>3,959,444</u></u>	100.0

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

## 2. Non-consolidated Statements of Income

Six months ended September 30, 2007 and 2006, and Year ended March 31, 2007	Six months ended September 30						(Millions of yen, %)		
	2007			2006			Year ended March 31, 2007 (Condensed)		
			%			%			%
<b>Operating income</b>									
Dividends on investments in subsidiaries and affiliates	15,022			317,486			366,680		
Fees and commissions received from subsidiaries	8,913	23,936	100.0	3,854	321,340	100.0	9,798	376,479	100.0
<b>Operating expenses</b>									
General and administrative expenses	3,333	3,333	13.9	1,567	1,567	0.5	3,641	3,641	1.0
<b>Operating profit</b>		20,602	86.1		319,772	99.5		372,838	99.0
<b>Nonoperating income</b>		282	1.2		219	0.1		234	0.1
<b>Nonoperating expenses</b>		9,228	38.6		880	0.3		8,594	2.3
<b>Ordinary profit</b>		11,655	48.7		319,112	99.3		364,477	96.8
<b>Income before income taxes</b>		11,655	48.7		319,112	99.3		364,477	96.8
Income taxes:									
Current	1,583			345			2,918		
Deferred	706	2,289	9.6	542	888	0.3	(1,975)	942	0.2
<b>Net income</b>		9,366	39.1		318,223	99.0		363,535	96.6

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

### 3. Non-consolidated Statement of Changes in Net Assets

Six months ended September 30, 2007

(Millions of yen)

	Stockholders' equity									
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total stockholders' equity	Total net assets
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings			
					Voluntary reserve	Retained earnings brought forward				
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
Changes in the six months										
Cash dividends						(66,619)	(66,619)		(66,619)	(66,619)
Net income						9,366	9,366		9,366	9,366
Acquisition of own shares								(641)	(641)	(641)
Disposal of treasury shares			(39)	(39)				158	119	119
Net changes in the six months	-	-	(39)	(39)	-	(57,253)	(57,253)	(482)	(57,775)	(57,775)
Balance at September 30, 2007	1,420,877	642,355	288,073	930,429	30,420	641,456	671,876	(83,060)	2,940,122	2,940,122

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

Six months ended September 30, 2006

(Millions of yen)

	Stockholders' equity									Net assets
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total stockholders' equity	
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings			
					Voluntary reserve	Retained earnings brought forward				
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 six months										
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						318,223	318,223		318,223	318,223
Acquisition of own shares								(1,174,922)	(1,174,922)	(1,174,922)
Disposal of treasury shares			15	15				56	71	71
Retirement of treasury shares			(1,174,036)	(1,174,036)				1,174,036	-	-
Net changes in the six months	-	(778,634)	(174,021)	(952,655)	-	270,272	270,272	(830)	(683,213)	(683,213)
Balance at September 30, 2006	1,420,877	642,355	510,385	1,152,740	30,420	653,398	683,818	(5,223)	3,252,213	3,252,213

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



Year ended March 31, 2007

(Millions of yen)

	Stockholders' equity									
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total stockholders' equity	Total net assets
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings			
					Voluntary reserve	Retained earnings brought forward				
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

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