

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.