

I. Operating and Financial Review

1. Consolidated Operating Results for the Fiscal Year Ended March 31, 2008

(1) Operating Results

In fiscal 2007 ended March 31, 2008, SMFG endeavored to “strengthen targeted growth business areas” and “fortify platform for supporting sustainable growth” as the first step toward achieving the goals of the medium-term management plan titled “LEAD THE VALUE” Plan.

Ordinary income increased 18.5% to ¥4,623.5 billion. This was attributable mainly to increases in (a) interest income on loans and discounts due to higher overseas loan balance and higher interest rates in Japan, (b) other operating income reflecting a record of gains on sale of bonds and an increase in lease-related income as a result of mergers of leasing subsidiaries.

Ordinary expenses increased 22.2% to ¥3,792.3 billion. This was attributable mainly to increases in (a) other operating expenses reflecting an increase in lease-related expenses as a result of mergers of leasing subsidiaries, (b) credit cost reflecting a sub-prime related losses and an unanticipated loss provision for loans to certain borrowers and (c) other expenses reflecting an impairment of holding stocks amid declining stock markets.

As a result, Ordinary profit amounted to ¥831.1 billion. Net income, after adjusting ordinary profit by extraordinary gains or losses such as gains on change in equity due to merger of leasing subsidiaries, was ¥461.5 billion.

(2) Segment Information

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

By business

Ordinary income		
Banking business	65%	(up 0 point from the previous fiscal year)
Leasing business	20%	(up 1 point)
Other business	15%	(down 1 point)
Total assets		
Banking business	92%	(down 1 point from the previous fiscal year-end)
Leasing business	2%	(up 0 point)
Other business	6%	(up 1 point)

By Region

Ordinary income		
Japan	83%	(up 2 points from the previous fiscal year)
The Americas	7%	(down 0 point)
Europe and Middle East	5%	(up 0 point)
Asia and Oceania	5%	(down 2 points)
Total assets		
Japan	84%	(down 3 points from the previous fiscal year-end)
The Americas	7%	(up 1 point)
Europe and Middle East	4%	(up 1 point)
Asia and Oceania	5%	(up 1 point)

(3) Earnings Forecast

SMFG has designated fiscal 2008 as the year for taking a step forward to accomplishing the medium-term management plan, while coping with uncertainty in business environment.

As for earnings forecast on a consolidated basis, Ordinary income, Ordinary profit and Net income are expected to amount to ¥3,900 billion, ¥850 billion, and ¥480 billion, respectively.

On a non-consolidated basis, Operating income, Operating profit, Ordinary profit and Net income are expected to amount to ¥150 billion, ¥145 billion, ¥130 billion, and ¥125 billion, respectively.

2. Consolidated Financial Position as of March 31, 2008

(1) Assets and Liabilities

Deposits amounted to ¥72,690.6 billion, an increase of ¥534.4 billion from the previous fiscal year-end and Negotiable certificates of deposit amounted to ¥3,078.1 billion, an increase of ¥488.9 billion.

Loans and bills discounted amounted to ¥62,144.8 billion, an increase of ¥3,455.5 billion, mainly due to an increase in overseas lending to companies with high credit ratings and overseas project finance.

Total assets amounted to ¥111,955.9 billion, an increase of ¥11,097.6 billion.

(2) Net Assets

Stockholders' equity amounted to ¥3,095.3 billion, an increase of ¥353.6 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 ¥711.4 billion to ¥550.6 billion. As a result, Net assets decreased ¥107.2 billion to ¥5,224.0 billion as compared with the previous fiscal year-end.

(3) Cash Flows

SMFG generated ¥5,782.5 billion of "Cash flows from operating activities," used ¥5,086.5 billion of "Cash flows from investing activities," and generated ¥102.1 billion of "Cash flows from financing activities."

Consequently, Cash and cash equivalents amounted to ¥2,736.7 billion, an increase of ¥809.7 billion.

(4) Capital Ratio (preliminary)

Capital ratio was 10.56% on a consolidated basis.

3. Dividend Policy and Dividends for the Fiscal Years Ended March 31, 2008 and 2009

SMFG has a basic policy of increasing profit distribution stably and continuously through a sustainable growth of its corporate value while enhancing its capital for maintaining financial soundness. Under the medium-term management plan titled "LEAD THE VALUE" Plan, SMFG aims for realizing payout ratio of over 20% on a consolidated net income basis in the fiscal year ending March 31, 2010 from the viewpoint of increasing return to shareholders.

In line with such policy, SMFG has determined to pay the following year-end dividends, considering the operating results for the fiscal year ended March 31, 2008. Dividends on preferred stocks will be paid as prescribed.

Common stock

Year-end dividends	¥ 7,000 per share	
Annual (of which ¥5,000 per share was paid as interim dividend)	12,000	(year-on-year increase by ¥5,000)

[Dividend payout ratio (on a consolidated basis): 20.5%]

Preferred stock (type 4)

Year-end dividends	¥ 67,500
Annual (of which ¥67,500 per share was paid as interim dividend)	135,000

Preferred stock (type 6)

Year-end dividends	¥44,250
Annual (of which ¥44,250 per share was paid as interim dividend)	88,500

Under the above-mentioned policy, SMFG expects to increase return to shareholders and pay the following dividends for fiscal 2008, considering the earnings forecast. Dividends on preferred stocks will be paid as prescribed.

Common stock	¥14,000 per share	(year-on-year increase by ¥2,000)
[interim dividends]	[7,000]	
Preferred stock (type 4)	¥135,000 per share	
[interim dividends]	[67,500]	
Preferred stock (type 6)	¥88,500 per share	
[interim dividends]	[44,250]	