Figures in the charts are round numbers. Figures in parenthesis indicate loss or decrease.

February 28, 2005

Explanation of "Notice regarding Revision of Consolidated Earnings and Dividends Forecasts for the Fiscal Year Ending March 31, 2005"

Point

We would now like to explain about the points of the "Notice regarding Revision of Consolidated Earnings and Dividends Forecasts for the Fiscal Year Ending March 31, 2005."

1. Revision of consolidated earnings forecast for fiscal 2004

SMFG set this fiscal year as the year to complete intensive improvement in asset quality, and has made intensive efforts centering on reduction of non-performing loans ("NPLs"). Furthermore, in order to ensure improvement in financial results in the following fiscal years by completely settling NPL problem and considerably minimizing the sources of future risks, we have decided to take further financial measures with regard to NPLs and securities portfolio.

According to this, SMFG revised its consolidated earnings forecast for fiscal 2004.

Please look at the Figure 1 below.

Consolidated ordinary loss and net loss is expected to be 40 billion yen and 240 billion yen, a 510 billion yen and a 420 billion yen decrease compared with the previous forecasts respectively.

< Figure 1 > Revision of consolidated earnings forecast for fiscal 2004

(Billions of yen)

	Previous forecast (announce in Nov. 2004) <A>	Revised forecast <B>	Change <B> - <A>
Ordinary income	3,450	3,450	0
Ordinary Profit (loss)	470	(40)	(510)
Net Income (loss)	180	(240)	(420)

2. Revision of dividends forecast for fiscal 2004 (Common stock)

Next, we would like to explain about revision of SMFG's dividends forecast. Please look at the table at the Figure 2 below.

According to the revision of earnings forecast, SMFG regrettably decided to decrease the year-end cash dividend on common stock for fiscal 2004 by 1,000 yen compared with the previous forecast, to 3,000 yen, the same level of the previous year's result.

< Figure 2 > Revision of dividends forecast for fiscal 2004 (Common stock)

(Yen per share)

	Previous forecast (announced in Nov. 2004) <A>	Revised forecast <B>	Change <B> - <A>	<Reference> Result of fiscal 2003
Year-end	4,000	3,000	(1,000)	3,000
Annual	4,000	3,000	(1,000)	3,000

Considering its public nature as the bank holding company, SMFG decided to restrain outflow of earnings because of its earnings forecast in red, in order to maintain financial stability. However, SMFG will maintain the same level of dividend as the previous year, because we expect that SMFG can secure enough distributable profits and that SMFG's financial results will surely recover in the following fiscal years as a result of minimizing the sources of future risks due to the financial treatments in this fiscal year.

Meanwhile, dividends for preferred stocks are expected to remain unchanged.

Next, we would like to explain about the revision of SMBC's non-consolidated earnings forecast. Please go on to the figure 3.

1. SMBC's earnings forecast (Non-consolidated)

In order to ensure improvement in financial results in the following fiscal years by completely settling the NPL problem and considerably minimizing the sources of future risks, SMBC has decided to take further financial measures with regard to NPLs and securities portfolio.

In detail, SMBC revised its earnings forecast as follows:

- SMBC forecasts that banking profit (before provision for general reserve for possible loan losses) will decrease by 60 billion yen compared with the previous forecast, to 920 billion yen.
- SMBC forecasts that it will record ordinary loss of 70 billion yen, a decrease of 510 billion yen compared with the previous forecast.
- SMBC forecasts that it will record net loss of 130 billion yen, a decrease of 380 billion yen compared with the previous forecast.

< Figure 3 > SMBC's earnings forecast for fiscal 2004 (Non-consolidated)

(Billions of yen)

	Previous forecast <a>	Revised Forecast <b>	Change <b> – <a>
Banking profit (before provision for general reserve for possible loan losses)	980	920	(60)
Ordinary profit (loss)	440	(70)	(510)
Net income (loss)	250	(130)	(380)
Total credit cost	(650)	(950)	(300)

In addition, SMBC forecasts that total credit cost will increase by approximately 300 billion yen compared with the previous forecast, to 950 billion yen.

SMBC forecasts that banking profit (before provision for general reserve for possible loan losses) will decrease by 60 billion yen mainly because, in order to construct a portfolio resilient to interest rate risks as well as credit risks, SMBC will dispose of unrealized losses on bonds, minimizing the sources of future risks.

However, SMBC's core earnings excluding the disposal of unrealized losses are expected to remain almost unchanged from the previous forecast.

As for the reduction of NPLs, SMBC decided to further prepare for future credit risks and work out NPLs with more conservative stance, in order to achieve the target of halving the problem asset ratio by this fiscal year-end and surely reduce credit costs of the following fiscal years to a normalized level. Accordingly, total credit cost is expected to be approximately 950 billion yen, an increase of approximately 300 billion yen compared with the previous forecast.

Breakdown of the increase of credit costs from the previous forecast is as follows:

(a) Preparation for future credit risks : Approximately 250 billion yen

(b) Off-balancing related costs due to the work-out of NPLs etc. : Approximately 50 billion yen

Breakdown of approximately 250 billion yen increase due to the preparation for future credit risks are as follows: (1) approx. 130 billion yen increase of credit costs related to conservatively downgrading borrowers' categories etc. and (2) approx. 120 billion yen increase of provision (raise of reserve ratio) for claims to borrowers requiring caution etc., aiming at normalizing credit costs for the following fiscal years.

As a result of the disposal of NPLs mentioned above, the sources of future risks related to loan portfolio are expected to decrease considerably, and credit costs for the following fiscal years will materially and surely decrease to a normalized level.

Meanwhile, preferred shares that SMBC previously acquired for supporting borrowers' financial conditions are expected to incur costs to reduce future risks.

With the factors shown above, net loss is expected to be 130 billion yen, a decrease of 380 billion yen compared with the previous forecast.

As mentioned above, SMFG revised its consolidated earnings forecast mainly due to the decrease in earnings on SMBC non-consolidated basis. As shown in the Figure 4 below, SMFG estimates that it will record net loss of 240 billion yen, greater than SMBC's non-consolidated net loss by over 100 billion yen, mainly because SMFG additionally made provisions for loan losses at the subsidiaries engaged in loan guarantees, in order to improve SMFG's financial soundness on a consolidated basis.

< Figure 4 > Difference between SMFG's consolidated forecast and SMBC's non-consolidated forecast

(Billions of yen)

	SMBC non-consolidated <A>	SMFG consolidated <B>	Difference <B> - <A>
Ordinary profit (loss)	(70)	(40)	30
Net income (loss)	(130)	(240)	(110)
Total credit cost	(950)	(1,200)	(250)

Please see the Figure 5.

2. Estimate of the balance of problem assets based on the Financial Reconstruction Law (SMBC, Non-consolidated)

Next, we would like to explain about the estimate of the balance of problem assets based on the Financial Reconstruction Law on SMBC non-consolidated basis.

As a result of further disposal of NPLs, SMBC's problem assets on non-consolidated basis as of March 31, 2005 are expected to decrease by approximately 800 billion yen from March 31, 2004, to approximately 2 trillion yen, and problem asset ratio as of March 31, 2005 is expected to decline to approximately mid 3%.

Problem asset ratio as of March 2005 is expected to decline by approximately 60%, excessively achieving the target of halving the problem asset ratio since March 2002.

Moreover, claims to borrowers requiring caution excluding substandard loans, which are not categorized into problem assets based on the Financial Reconstruction Law, are also expected to decrease to 2.5 trillion yen, declining 5.5 trillion yen (70% decrease in volume) since March 2002. Accordingly, credit risks of the whole loan portfolio decrease substantially.

< Figure 5> Estimate of problem assets based on the Financial Reconstruction Law (SMBC, Non-consolidated)

(Billions of yen, %)

		March 31, 2005 (Estimate)	Sept. 30, 2004 (Result)	March 31, 2004 (Result)	March 31, 2003 (Result)	March 31, 2002 (Result)
Problem assets based on the Financial Reconstruction Law		Approximately 2,000.0	2,484.4	2,811.2	5,261.3	5,920.3
	Problem asset ratio	Mid 3%	4.4 %	5.0 %	8.4 %	8.9 %

3. Estimate of net unrealized gains on other securities (SMBC, Non-consolidated)

Please look at the Figure 6.

On the basis of the recent market prices etc., SMBC's unrealized gains on other securities (non-consolidated basis) are expected to increase by approx. 30 billion yen from March 31, 2004 and by approx. 130 billion yen from September 30, 2004, to approx. 590 billion yen, due to the steady stock markets, regardless of the disposal of unrealized losses on bonds for reducing future risks. Please note that those figures are estimated on the basis of the recent market prices and hence can be changed.

< Figure 6> Estimate of net unrealized gains on other securities (SMBC, Non-consolidated)

(Billions of yen)

	March 31, 2005 (Estimate)	Sept. 30, 2004 (Result)	March 31, 2004 (Result)
Net unrealized gains (losses) on other securities	590.0	457.6	556.3
Stocks	600.0	558.9	651.1
Bonds	0.0	(62.2)	(101.9)
Others	(10.0)	(39.1)	7.1

(*) Figures for March 2005 (after impairment) are estimated on the basis of the recent market prices and hence can be changed.

4. Estimate of Capital ratio (SMFG, Consolidated)

Finally, please look at the Figure 7.

SMFG's consolidated capital ratio as of March 31, 2005 is expected to temporarily decline to the level more than 9% due to the expected net loss for fiscal 2004. However, the sources of future risks will considerably decrease owing to the financial treatments with regard to NPL and securities portfolio as explained above, and SMFG forecasts that its financial results in the following years will surely recover. Consequently, consolidated capital ratio will soon recover to more than 10% level.

< Figure 7 > Estimate of Capital ratio (SMFG, Consolidated)

	March 31, 2005 (Estimate)	Sept. 30, 2004 (Result)	March 31, 2004 (Result)
Consolidated capital ratio	More than 9 %	10.93 %	11.37 %

These are the points of our explanation on the revision of consolidated earnings and dividends forecasts.

(END)