Sumitomo Mitsui Financial Group, Inc.

Major Questions and Answers on the Revision of Earnings Forecasts for Fiscal 2007

The followings are frequently asked questions and answers to them on the revision of earnings forecasts for the first half and the full year of fiscal 2007 ending March 31, 2008, which was announced on October 26, 2007.

Q. What was the reason for the higher banking profit (before provision for general reserve for possible loan losses) of Sumitomo Mitsui Banking Corporation (SMBC) in the first half, compared with the previous forecast announced in May of this year? Were there losses on sale and impairment of securitized products related to U.S. subprime mortgage loans?

A. SMBC's banking profit in the first half is expected to be approximately JPY 390 billion, which is JPY 25 billion above the previous forecast.

This increase is mainly due to recording of gains on bond-related transactions of SMBC's Treasury Unit amid declining interest rates in domestic and overseas markets, increase in revenue from foreign currency-related transactions reflecting customer's hedging needs under the sharp appreciation of the Japanese yen since this summer, and increase in revenue from loans as SMBC aggressively increased overseas lending mainly for high-graded companies.

Information on SMBC's investments in securitized products related to U.S. subprime mortgage loans are described at "Appendix 1" in the press release of October 26, 2007, titled "Revision of Earnings Forecasts for Fiscal 2007." As shown there, in the first half, SMBC reduced such exposure and recorded losses on sale of approximately JPY 4 billion. Also, SMBC impaired approximately JPY 17 billion of the remaining securitized products with fair value below 50% of face value as of September 30, 2007. Such profit depressing factors are expected to be fully offset by the increase in profit of the

Treasury Unit and so on to realize a first half banking profit that is JPY 25 billion higher than the previous forecast.

Q. Please explain about the exposure and the unrealized gains/ losses of securitized products related to U.S. subprime mortgage loans. Also, please explain about the balance of loans other than investments related to U.S. subprime mortgage loans. What is the possibility of additional losses on such exposure?

A. SMBC's exposure on securitized products related to U.S. subprime mortgage loans after the impairment in the first half was approximately JPY 70 billion. SMBC holds approximately JPY 18 billion of net unrealized losses on such exposure. Total securities categorized as "other securities" which SMBC holds on a non-consolidated basis, however, have JPY 1,517 billion of net unrealized gains.

Meanwhile, SMBC provided warehousing loans of approximately JPY 40 billion yen in the U.S. as of September 30, 2007, and JPY 25 billion of this amount was collateralized with U.S. subprime mortgage loan related assets. Consequently, SMBC has established loss provisions for such portion of loans in the amount of approximately JPY 11 billion in the first half.

Henceforth, SMBC intends to reduce the U.S. subprime related exposure according to market situation. Since SMBC had impaired and established provisions for a part of the U.S. subprime related exposure, we believe that the additional costs which may be incurred on the remaining exposure in the future will be limited, so that an adverse impact on our financial performance by such exposure will be limited as well.

Q. Are assumptions on interest rates and foreign exchange rates which were used to formulate earnings forecasts for the full year 2007 changed from the previous forecasts?

A. No. There are no material changes on such assumptions on the full year earnings forecast.

	Fiscal 2007
Nominal GDP Growth (annual)	2.5%
3 months TIBOR	0.72%
10 years Yen Swap Rate*	1.87%
Yen/Dollar Exchange Rate**	115 yen

* Average rate during each fiscal year ** Rate at the end of each term

Q. Please explain in more details about SMBC's losses on stocks of JPY 104 billion, attributable to such factors as impairment of shares of equity method affiliates. Also, how were these impairment reflected in SMFG's consolidated P/L?

A. SMBC impaired shares mainly of alliance partners on consumer finance business, whose share prices as of September 2007 fell below 50% of their acquisition costs, reflecting the decline in the stock market.

A rough breakdown of the losses on stocks is as follows. (i) Approximately JPY 46 billion for shares of Promise Co., Ltd., after netting reserve for possible losses on investments, (ii) approximately JPY 44 billion for shares and trust beneficiary interests of OMC Card, Inc., and (iii) Approximately JPY 6 billion for shares of Central Finance Co., Ltd. Shares of Central Finance are held by Sumitomo Mitsui Financial Group (SMFG), a holding company of SMBC, as well. Accordingly, approximately JPY 4 billion of impairment is booked on SMFG's non-consolidated P/L.

Among these three companies, impairment of shares of Promise and Central Finance that are equity method affiliated companies, do not affect SMFG's consolidated P/L, as they are reversed according to the accounting rules for consolidated financial statements.

Financial results of such equity method affiliated companies are reflected in SMFG's consolidated P/L. Specifically, the portion of each company's net income, which is equivalent to SMFG's stake of each company, is booked as equity in earnings/ losses of affiliates.

OMC Card is currently not SMFG's equity method affiliated company. Therefore, approximately JPY 44 billion of impairment of the company's shares and trust beneficiary interests on SMBC's non-consolidated P/L are directly reflected in SMFG's consolidated P/L in the first half.

Q. What was the reason for the higher total credit cost of SMBC compared with the previous forecast? Was there an increase in the balance of non-performing loans?

A. The balance of problem assets based on the Financial Reconstruction Law as of September 30, 2007 was JPY 774 billion, a JPY 35.3 billion increase compared with March 31, 2007. Problem asset ratio was 1.2%, however, unchanged from March-end and still at a low level.

Q. What is the reason for total credit cost not achieving the first half and full year forecasts: JPY 45 billion above for the first half, and JPY 20 billion above for the full year?

A. SMBC's total credit cost in the first half is expected to be JPY 45 billion above the previous forecast, due mainly to a loss provision for U.S. subpime loan related exposure and an unanticipated loss provision for loans to certain borrowers.

On the other hand, for the second half, SMBC expects to record a gain on reversal of provisions for credit losses of approximately JPY 100 billion due mainly to a decrease in the historical loan loss ratio. As a result, total credit cost for the full year is expected to be JPY 20 billion yen above the previous forecast.

Q. Please explain about SMFG's full year consolidated earnings forecast. Why is the first half net income expected to be JPY 50 billion below the previous forecast at JPY 170 billion, and the full year net income expected to be JPY 30 billion above the previous forecast at JPY 570 billion?

A. This difference is due to such factors as recording of extraordinary gains which is gains on change in equity of approximately JPY 100 billion as a result of mergers of leasing subsidiaries in the second half of fiscal 2007. (For more details on the change in equity, please refer to "Appendix 2" in the press release of October 26, 2007, titled "Revision of Earnings Forecasts for Fiscal 2007.")

(End)