

III. Operating Results and Financial Positions

1. Overview of Consolidated Operating Results for the First Half of Fiscal 2002 Ended September 30, 2002

(1) Profit and Loss

During the first half of Fiscal 2002, SMBC aimed for an early realization of merger benefits and endeavored to increase profitability and reduce expenses through business restructuring.

Operating income was 1,762.5 billion yen (a term-over-term decrease of 22%) and Operating expense was 1,612.6 billion yen (a year-over-year decrease of 4.4%) mainly due to lower of interest income and expenses, lower gains on sale

of stocks and the drastic disposal of non-performing loans.

Consequently, Operating profit was 149.8 billion yen (a year-over-year increase of 30.9%) and Net income (after adjusting Extraordinary gains/losses) was 55.1 billion yen (a year-over-year increase of 61.3%).

(2) Assets and Liabilities

Deposits decreased 3,547.6 billion yen to 61,438.3 billion yen and Negotiable certificates of deposit decreased 1,815.5 billion yen to 4,846.5 billion yen compared with March 31, 2002.

Loans and bills discounted decreased 1,092.3 billion yen to 62,553.2 billion yen compared with March 31, 2002.

Total assets decreased 3,608.0 billion yen to 104,396.9 billion yen compared with March 31, 2002.

(3) Stockholders' Equity

Stockholders' equity decreased 222.6 billion yen to 2,690.0 billion yen compared with March 31, 2002 mainly due to increase of net unrealized losses on other securities.

(4) Cash Flows

Net cash provided by operating activities was 2,562.4 billion yen, net cash used in investing activities was 2,734.9 billion yen, and net cash used in financing activities was 222.5 billion yen.

Consequently, the amount of cash and cash equivalents as of September 30, 2002 was 1,731.4 billion yen.

(5) Segment Information

As for business segments, banking, leasing and other business accounted for 71% (up 1 point), 16% (up 2 points) and 13% (down 3 points) of operating income before elimination of internal transactions compared with the first half of Fiscal 2001, respectively.

In terms of geographic segments, shares of operating income before elimination of internal transactions were 84% (up 12 points from the first half of Fiscal 2001) for Japan, 6% (down 6 points) for the Americas, 5% (down 3 points) for Europe, and 5% (down 3 point) for Asia and Oceania.

(6) Capital Ratio (BIS Guideline) (preliminary)

Capital ratio was 10.37% on a consolidated basis, and 11.52% on a nonconsolidated basis.

(Note) Capital ratio was calculated by deducting the maximum amount (124.0 billion yen) of the estimated interim dividends to be paid to Sumitomo Mitsui Financial Group, Inc. (SMFG) from Tier I. (In December, a holding company SMFG will be established.) Capital ratio without the deduction of the estimated interim dividends is as follows:

Consolidated basis : 10.58%

Nonconsolidated basis: 11.73%

2. Sumitomo Mitsui Financial Group's Earnings Forecast for Fiscal 2002 Ending March 31, 2003

(1) Earnings Forecast

Please refer to the press release 'Sumitomo Mitsui Financial Group's Earnings Forecast for Fiscal 2002 Ending March 31, 2003

(2) Forecast of Dividends

Sumitomo Mitsui Financial Group, Inc. that will be established as a holding company by transferring SMBC's shares on December 2, 2002 will pay the year-end dividend by the following amounts that are equivalent to the SMBC's dividends for Fiscal 2001:

Common stock 4,000 yen per share

Preferred stock (type 1) 10,500 yen per share

Preferred stock (type 2) 28,500 yen per share

Preferred stock (type 3) 13,700 yen per share