

III. Operating Results and Financial Position

Amounts for the fiscal year ended March 31, 2002 are those of former SMBC.

1. Overview of Consolidated Operating Results and Financial Position for the Fiscal Year Ended March 31, 2003

(1) Profit and Loss

SMBC has managed to strengthen profitability by pursuing its efficiency and reducing expenses through business restructuring during the fiscal year ended March 31, 2003.

In spite of these our effort, Ordinary loss and Net loss amounted 467.5 billion yen and 429.3 billion yen, respectively mainly due to losses on stocks arising from the sluggish stock market and disposal of non-performing loans.

Ordinary income amounted to 3,549.9 billion yen (down 6.1% from the previous year ended March 31, 2002) and Ordinary expense amounted to 4,017.4 billion yen (down 7.8%).

(2) Assets and Liabilities

Deposits amounted to 62,996.0 billion yen (down 1,989.9 billion yen from the previous year ended March 31, 2002) and Negotiable certificates of deposit amounted to 4,889.0 billion yen (down 1,773.0 billion yen).

Loans and bills discounted amounted to 61,219.6 billion yen (down 2,425.9 billion yen).

Total assets amounted to 102,394.6 billion yen (down 5,610.3 billion yen).

(3) Stockholders' Equity

Though SMBC increased capital by 570.3 billion yen to allot all shares to SMFG, stockholders' equity decreased 770.0 billion yen, compared with March 31, 2002, to 2,142.5 billion yen mainly due to the following reasons: (a) in reorganizing the group structure, management control business of the four subsidiaries, such as Sumitomo Mitsui Card Company, Limited and SMBC Leasing Company, Limited, was split and transferred to SMFG; (b) Unrealized losses of other securities were disposed at the merger; (c) Net loss was incurred mainly due to realized losses on stocks.

(4) Cash Flows

SMBC generated 5,490.1 billion yen of Cash flows from operating activities, used 4,622.2 billion yen of Cash flows from investing activities and used 92.5 billion yen of Cash flows from financing activities.

Consequently, Cash and cash equivalents as of March 31, 2003 amounted to 2,895.9 billion yen.

(5) Segments

As for business segments, the percentage of total assets before elimination of internal transactions was 95% (up 2 points from the previous year ended March 31, 2002) for banking business, 0% (down 1 point) for leasing business, and 5% (down 1 point) for other business. The percentage of ordinary income before elimination of internal transactions was 69% (down 1 point) for banking business, 17% (up 3 points) for leasing business, and 14% (down 2 points) for other business.

As for geographic segments, the percentage of total assets before elimination of internal transactions was 90% (up 3 points from the previous year ended March 31, 2002) for Japan, 6% (down 1 point) for the Americas, 2% (down 1 point) for Europe, and 2% (down 1 point) for Asia and Oceania. The percentage of ordinary income before elimination of internal transactions becomes 84% (up 10 points from the previous year ended March 31, 2002) for Japan, 6% (down 5 points) for the Americas, 6% (down 2 points) for Europe, and 4% (down 3 points) for Asia and Oceania.

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

Capital ratio was 10.38% on a consolidated basis, and 10.49% on a nonconsolidated basis.