



Sumitomo Mitsui Financial Group, Inc. (SMFG)

Consolidated Financial Results for the Six Months ended September 30, 2003

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Stock Exchange Listings: Tokyo, Osaka, Nagoya (code: 8316)
URL: <http://www.smfg.co.jp>
President & CEO: Yoshifumi Nishikawa
Date of Approval by the Board of Directors: November 25, 2003

1. Financial Results (for the Six Months ended September 30, 2003)

Amounts less than one million yen have been omitted.

Amounts as of and for the six months ended Sept. 30, 2002 are those of the former SMBC.

(1) Operating Results

	Ordinary Income		Ordinary Profit (Loss)		Net Income (Loss)		Net Income (Loss) per Share	Net Income per Share (Diluted)
	¥ million	%	¥ million	%	¥ million	%	¥	¥
Six Months ended September 30, 2003	1,760,835	(0.1)	165,508	10.4	143,492	160.2	24,993.09	15,608.81
ended September 30, 2002	1,762,535	(2.2)	149,856	30.9	55,145	61.3	9.67	7.01
Fiscal Year ended March 31, 2003	3,506,386		(515,749)		(465,359)		(84,324.99)	—

Notes: 1. Equity in earnings of affiliates

(a) for the six months ended September 30, 2003 : 8,044 million yen (b) for the six months ended September 30, 2002 : 2,807 million yen
(c) for the fiscal year ended March 31, 2003 : 5,718 million yen

2. Average number of common stocks outstanding (consolidated)

(a) for the six months ended September 30, 2003: 5,741,297 shares (b) for the six months ended September 30, 2002: 5,702,239,307 shares
(c) for the fiscal year ended March 31, 2003 : 5,707,451 shares

3. There is a change in accounting methods. (Please refer to Notes to Consolidated Interim Balance Sheet, 14)

4. Percentages shown in Ordinary Income, Ordinary Profit (Loss) and Net Income (Loss) are the increase (decrease) from the previous interim term.

(2) Financial Position

	Total Assets	Stockholders' Equity	Stockholders' Equity to Total Assets	Stockholders' Equity per Share	Capital Ratio (BIS Guidelines)
	¥ million	¥ million	%	¥	%
September 30, 2003	100,725,500	2,745,476	2.7	165,291.87	(Preliminary) 10.95
September 30, 2002	104,396,997	2,690,010	2.6	243.57	10.37
March 31, 2003	104,607,449	2,424,074	2.3	106,577.05	10.10

Note: Number of common stocks outstanding (consolidated)

(a) as of September 30, 2003 : 5,742,447 shares (b) as of September 30, 2002 : 5,702,816,487 shares (c) as of March 31, 2003: 5,740,942 shares

(3) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at term-end
	¥ million	¥ million	¥ million	¥ million
Six Months ended September 30, 2003	(1,753,848)	1,711,298	77,465	2,934,143
ended September 30, 2002	2,562,490	(2,734,949)	(222,546)	1,731,413
Fiscal Year ended March 31, 2003	5,443,200	(4,623,917)	(43,919)	2,900,991

(4) Scope of Consolidation and Application of the Equity Method

(a) Number of consolidated subsidiaries : 169
(b) Number of unconsolidated subsidiaries accounted for by the equity method: 4
(c) Number of affiliated companies accounted for by the equity method : 44

(5) Changes in Scope of Consolidation and Application of the Equity Method (change from March 2003)

Consolidation: Newly consolidated 8 Equity method: Newly applied 2
Excluded 9 Excluded 1

2. Earnings Forecast (Fiscal Year ending March 31, 2004)

(Millions of yen)

	Ordinary Income	Ordinary Profit	Net Income
For the fiscal year ending March 31, 2004	3,500,000	320,000	230,000

(Reference) Forecasted net income per share for the fiscal year ending March 31, 2004 is 34,995.63 yen.

This document contains certain forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may materially differ from those contained in the forward-looking statements as a result of various factors.

The following items are among the factors that could cause actual results to differ materially from the forward-looking statements in this material: business conditions in the banking industry, the regulatory environment, new legislation, competition with other financial services companies, changing technology and evolving banking industry standards and similar matters.

Average number of shares outstanding during the term (year) (consolidated)

	For the Six Months ended September 30, 2003	For the Six Months ended September 30, 2002	For the Fiscal Year ended March 31, 2003
Common stock	5,741,297	5,702,239,307	5,707,451
Preferred stock (type 1) [Preferred stock (first series type 1)]	67,000	67,000,000	67,000
Preferred stock (type 2) [Preferred stock (second series type 1)]	100,000	100,000,000	100,000
Preferred stock (type 3) [Preferred stock (type 5)]	800,000	800,000,000	800,000
Preferred stock (1st to 12th series type 4)	50,100	–	7,138
Preferred stock (13th series type 4)	114,999	–	6,301

(Notes)

1. As for the average numbers of shares outstanding for the fiscal year ended March 31, 2003, former SMBC's stock before establishment of SMFG is included.
2. The average numbers of shares outstanding for the six months ended September 30, 2002 are those of the former SMBC.
3. Names of former SMBC's preferred stocks are shown in square brackets.

Number of shares outstanding as of term (year)-end (consolidated)

	As of September 30, 2003	As of September 30, 2002	As of March 31, 2003
Common stock	5,742,447	5,702,816,487	5,740,942
Preferred stock (type 1) [Preferred stock (first series type 1)]	67,000	67,000,000	67,000
Preferred stock (type 2) [Preferred stock (second series type 1)]	100,000	100,000,000	100,000
Preferred stock (type 3) [Preferred stock (type 5)]	800,000	800,000,000	800,000
Preferred stock (1st to 12th series type 4)	50,100	–	50,100
Preferred stock (13th series type 4)	114,999	–	115,000

(Notes)

1. The numbers of shares outstanding as of September 30, 2002 are those of the former SMBC.
2. Names of former SMBC's preferred stocks are shown in square brackets.

Calculation for Index

- Forecasted Net Income Per Share:

$$\frac{\text{Forecasted net income} - \text{Forecasted preferred stock dividends}}{\text{Number of common stocks outstanding as of the interim term-end (excluding treasury stock)}}$$

I. Overview of SMFG Group

SMFG Group conducts primary banking business through the following financial services: leasing, securities, credit card business, investment banking, financing and venture capital.

SMFG has 169 consolidated subsidiaries and 48 companies accounted for by the equity method.

Sumitomo Mitsui Financial Group, Inc.	Banking Business	<p>Principal subsidiaries</p> <p>Domestic</p> <ul style="list-style-type: none"> * Sumitomo Mitsui Banking Corporation * THE MINATO BANK, LTD. (Listed on the First Section of Tokyo Stock Exchange and Osaka Securities Exchange) * The Bank of Kansai, Ltd. (Listed on the First Section of Osaka Securities Exchange) * The Kansai Sawayaka Bank, Limited * The Japan Net Bank, Limited (Internet banking) * SMBC Guarantee Co., Ltd. (Credit guarantee) <p>Overseas</p> <ul style="list-style-type: none"> * Sumitomo Mitsui Banking Corporation Europe Limited * Manufacturers Bank * Sumitomo Mitsui Banking Corporation of Canada * Banco Sumitomo Mitsui Brasileiro S.A. * PT Bank Sumitomo Mitsui Indonesia
	Leasing	<p>Principal subsidiaries</p> <p>Domestic</p> <ul style="list-style-type: none"> * SMBC Leasing Company, Limited * SMBC Auto Leasing Company, Limited <p>Overseas</p> <ul style="list-style-type: none"> * SMBC Leasing and Finance, Inc.
	Other	<p>Principal subsidiaries and affiliated companies</p> <p>Domestic</p> <ul style="list-style-type: none"> * Sumitomo Mitsui Card Company, Limited (Credit card services) * SAKURA CARD CO., Ltd. (Credit card services) * At-Loan Co., Ltd. (Consumer loans) * SMBC Capital Co., Ltd. (Venture capital) * SMBC Consulting Co., Ltd. (Management consulting) * SMBC Finance Service Co., Ltd. (Loans, factoring and collecting agent) * Financial Link Company, Limited (Data processing service and consulting) * SMBC Friend Securities Co., Ltd. (Securities) (Listed on the First Section of Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange) * The Japan Research Institute, Limited (System engineering, data processing, management consulting and economic research) * Sakura KCS Corporation (System engineering and data processing) (Listed on the Second Section of Osaka Securities Exchange) * Sakura Information Systems Co., Ltd. (System engineering and data processing) ** Daiwa Securities SMBC Co. Ltd. (Wholesale securities) ** Daiwa SB Investments Ltd. (Investment advisory and investment trust management) ** Sumitomo Mitsui Asset Management Company, Limited (Investment advisory and investment trust management) ** DLJ direct SFG Securities Inc. (Securities via internet) ** Japan Pension Navigator Co., Ltd. (Operational management of defined contribution pension plans) ** QUOQ Inc. (Purchase of monetary assets and credit guarantee) <p>Overseas</p> <ul style="list-style-type: none"> * SMBC Capital Markets, Inc. (Investments and derivatives) * SMBC Capital Markets Limited (Derivatives) * SMBC Securities, Inc. (Securities) * Sumitomo Mitsui Finance Australia Limited (Investments)

(Note) (*) means a consolidated subsidiary and (**) means an affiliated company accounted for by the equity method.

II. Principles and Management

1. Management Policy

SMFG's group-wide management philosophy is as follows:

- To provide optimum added value to our customers and together with them achieve growth
- To create sustainable shareholder value through business growth
- To provide a challenging and professionally rewarding work environment for our dedicated employees

In line with this philosophy, SMFG's management policy is to strengthen the Group's earnings power, to fortify its financial base, and to raise its net worth.

2. Dividend Policy

SMFG subscribes to a fundamental policy of distributing appropriate dividends while enhancing its Group's capital to maintain sound financial position.

3. Management Index to be Achieved

SMFG, while maintaining its BIS capital ratio of over 10%, will buildup its retained earnings for early repayment of its public funds by enhancing its profitability.

4. Mid- to Long-term Management Strategy

SMFG has been accelerating its effort to improve SMBC's asset quality in order to achieve the goal of halving the non-performing loan ("NPL") ratio before the end of FY2004. It has been proactively slashing cross-shareholdings, and reducing NPLs by "off-balancing" and improving clients' financial performance.

Moreover, SMFG has been rationalizing its management system based on the following policy for strengthening its earnings power:

- To expand business scale by grasping clients' unmet needs, and filling such needs with high-quality services built on the group-wide capability
- To raise capital efficiency by improving the risk-return profile of businesses and allocating resources to profitable areas
- To strengthen cost efficiency through thorough implementation of low-cost operation

Anchored by this policy, SMFG will continue to strengthen its profitability and steadily build up its retained earnings.

5. Issues to be Addressed

- NPLs

Not satisfied with achieving the full-term NPL balance target of 3.9 trillion yen in the six-month period ended September 30, 2003, through "off-balancing" and revitalizing borrowers, SMBC will further reduce NPLs utilizing measures such as the joint venture for corporate recovery and the loan purchasing fund established with Goldman Sachs, Daiwa SMBC Principal Investments, and Development Bank of Japan in November 2003.

- Cross-shareholdings

FY2003 target for cross-shareholdings is 700 billion yen, but SMBC has already sold about 80% of this amount in the six-month period ended September 30, 2003. It will continue its effort to reduce risks from stock-price fluctuation.

- Profitability

In addition to the various "Business Reform" initiatives, SMBC has implemented the following to improve profitability:

(a) Corporate banking

SMBC, while further re-examining its domestic lending practices, is working to expand its lineup of loan products. Just in the six-month period ended September 30, 2003, SMBC exceeded the planned origination of 2.3 trillion yen in Business Select Loan and other new unsecured loan products. It also standardized and rationalized its credit supervision system. In the six-month period ended March 31, 2004, it will originate more new loan products, increase the volume of loans with better spreads, and continue to expand solution-providing businesses, such as loan syndication and investment banking for middle to large corporate clients, by strengthening cooperation with Daiwa Securities SMBC and through other measures.

(b) Consumer banking

SMBC will reinforce its prominent competitive advantage in sales of investment trusts, pension-type insurances and mortgage loans by establishing new business models such as financial consulting business. FY 2003 targets for investment trusts, pension-type insurances and mortgage loans are higher than the FY 2002 targets, but SMBC was able to exceed its goals for the six-month period ended September 30, 2003.

SMFG will put its effort to improve profitability of payment and settlement services, as well as remote banking.

(c) Expenses

SMBC moved up its goal of establishing a 600-billion-yen-annual-cost structure one year ahead to FY2003. In the six-month period ended September 30, 2003, it successfully cut expenses through reduction of personnel cost, etc. and will continue to take measures such as rationalization of procurement process in the six-month period ended March 31, 2004.

(d) Group-wide effort

In April 2003, SMBC transferred and integrated its systems-related function to Japan Research Institute. In November 2003, SMBC and Sumitomo Mitsui Card launched their cooperatively developed new service for individual customers in their 20s and 30s, "One's Style". Group companies will continue to collaborate to reap significant synergies, and through such steadfast initiatives, SMFG intends to raise the group-wide earnings potential by capitalizing on the intrinsic strengths of each Group company.

6. Corporate Governance Policy and Structure

SMFG employs a corporate auditor system and three of the five auditors are outside auditors. Moreover, to enhance the management's transparency and soundness, SMFG has outside directors.

The Board of Directors consists of eight directors including two outside directors, and under the Board are three subcommittees to reinforce its oversight functions: the Risk Management Committee, which considers Group-wide risk management and compliance, the Compensation Committee, and the Nominating Committee. The two outside directors, one a certified public accountant and the other a lawyer, are members of all the committees, and the accountant is the Chairman of the Compensation Committee. This system allows supervision of our operations to be conducted from a suitably objective perspective.

In addition to the above committees, SMFG has the following committees:

(a) Management Committee

Chaired by the president of SMFG, the committee acts as the top decision-making body on business administration and management supervision of the entire Group. The committee, composed of directors chosen by the president, considers important matters relating to the execution of business, and the president has the authority to make the final decision after considering the committee's recommendations.

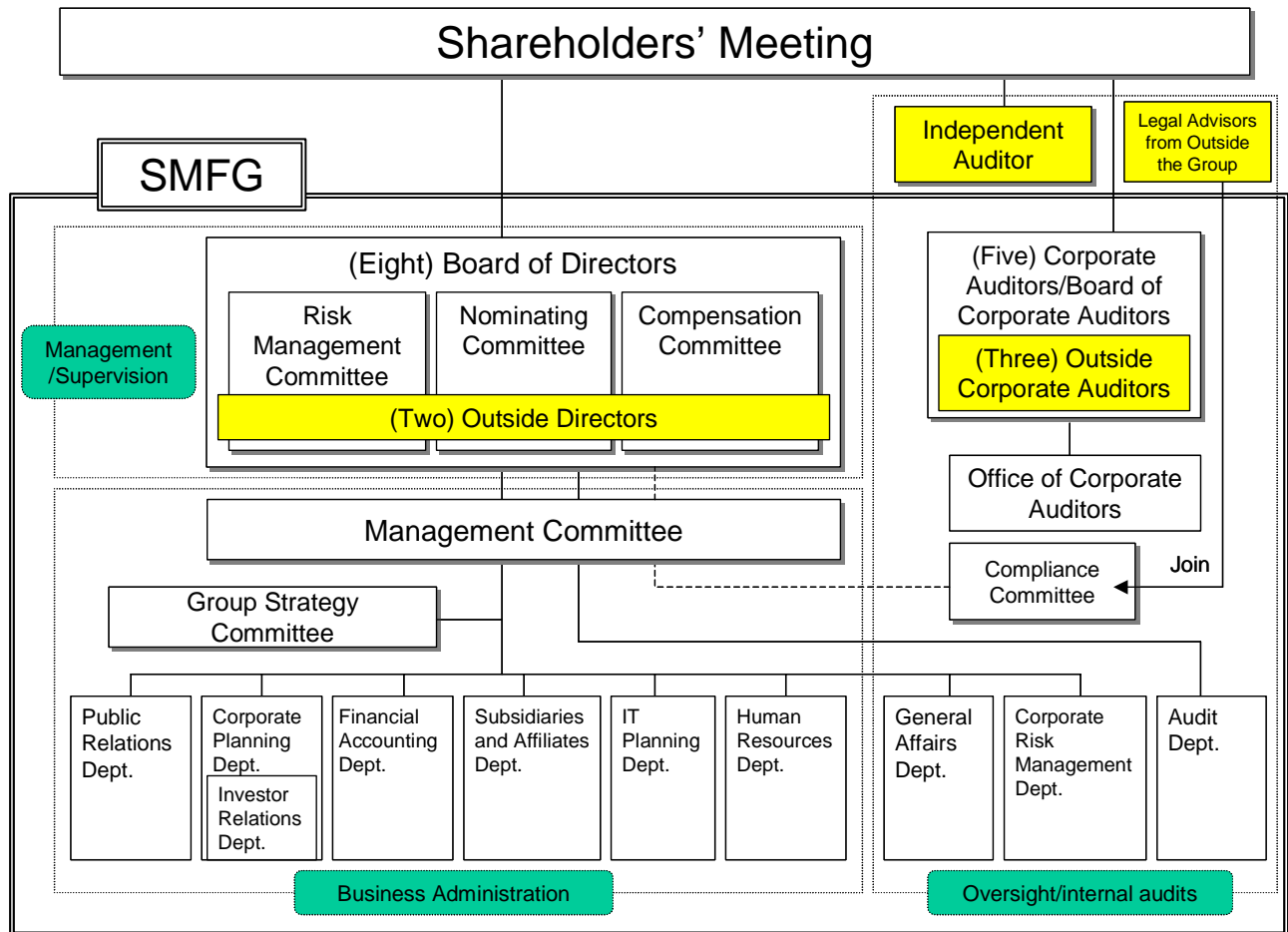
(b) Group Strategy Committee

The committee serves as a forum for the top management staff of all Group companies to exchange opinions and information on their respective business plans.

(c) Compliance Committee

The committee reinforces the Group-wide compliance system, and comprises of the designated Board member responsible for compliance issues, the heads of departments involved with compliance matters, and legal advisors

from outside the Group.



III. Operating Results and Financial Position

Amounts for the six months ended September 30, 2002 are those of the former SMBC.

1. Overview of Consolidated Operating Results and Financial Position as of and for the Six Months Ended September 30, 2003

(1) Operating Results

SMFG has continued to strengthen profitability through business restructuring and reduce expenses by pursuing efficiency in the six months ended September 30, 2003.

Interest expenses decreased mainly due to lower interest on deposits, and there were decreases in other expenses. However, interest income also fell because of lower interest on loans. Consequently, Ordinary income dropped 0.1% year-over-year to 1,760.8 billion yen and Ordinary expense dropped 1.1 % year-over-year to 1,595.3 billion yen.

As a result, Ordinary profit and Net income (after adjusting for extraordinary gains/losses and other factors) amounted to 165.5 billion yen (up 10.4% from the previous interim term) and 143.4 billion yen (up 160.2%), respectively.

(2) Assets and Liabilities

Deposits amounted to 63,142.2 billion yen (up 211.2 billion yen from the previous fiscal year-end) and Negotiable certificates of deposit amounted to 3,379.6 billion yen (down 1,473.4 billion yen).

Loans and bills discounted amounted to 59,666.3 billion yen (down 1,416.5 billion yen).

Total assets amounted to 100,725.5 billion yen (down 3,881.9 billion yen).

(3) Stockholders' Equity

Stockholders' equity increased by 321.4 billion yen from the fiscal year-end to 2,745.4 billion yen due mainly to recording of net income for this interim term and the increase in Net unrealized gains on other securities.

(4) Cash Flows

SMFG used 1,753.8 billion yen of Cash flows from operating activities, and generated 1,711.2 billion yen of Cash flows from investing activities and 77.4 billion yen of Cash flows from financing activities.

Consequently, Cash and cash equivalents amounted to 2,934.1 billion yen.

(5) Segments

The breakdown of Ordinary income before the elimination of internal transactions is as follows:

By business

Banking business	69%	(down 2 points from the previous interim term)
Leasing business	17%	(up 2 points)
Other business	14%	(up 0 point)

By country

Japan	90%	(up 6 points from the previous interim term)
The Americas	5%	(down 1 point)
Europe	3%	(down 3 points)
Asia and Oceania	2%	(down 2 points)

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

Capital ratio was 10.95% on a consolidated basis.

2. Earnings and Dividends Forecast for the Fiscal Year Ending March 31, 2004

(1) Earnings Forecast

In fiscal 2003, SMFG will continue to strengthen its financial base by reducing the balance of non-performing loans through off balancing of problem assets and revival of debt-ridden companies, and further reducing stockholdings. Furthermore, SMFG aims to enhance profitability and achieve greater operational efficiency.

As for earnings forecast on a consolidated basis, Ordinary income, Ordinary profit and Net income are expected to amount to 3,500 billion yen, 320 billion yen, and 230 billion yen, respectively. On a non-consolidated basis, Ordinary income, Ordinary profit and Net income are expected to amount to 55 billion yen, 50 billion yen, and 50 billion yen, respectively.

(2) Dividends Forecast

SMFG will not pay interim dividends on common stock and preferred stock this fiscal year mainly because of uncertain economic and stock market outlook. SMFG will pay year-end dividends according to the level of retained earnings, as follows:

Common stock	3,000 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
Preferred stock (1st series to 12th series type 4)	135,000 yen per share
Preferred stock (13th series type 4)	67,500 yen per share

IV. Consolidated Interim Financial Statements

Significant Accounting Policies for Consolidated Interim Financial Statements

1. Scope of consolidation

(1) Consolidated subsidiaries 169 companies

Principal companies

Sumitomo Mitsui Banking Corporation
 THE MINATO BANK, LTD.
 The Bank of Kansai, Ltd.
 Sumitomo Mitsui Banking Corporation Europe Limited
 Manufacturers Bank
 SMBC Leasing Company, Limited
 Sumitomo Mitsui Card Company, Limited
 SMBC Capital Co., Ltd.
 SMBC Finance Service Co., Ltd.
 SMBC Friend Securities Co., Ltd.
 The Japan Research Institute, Limited
 SMBC Capital Markets, Inc.

From this interim term:

- three companies including The Kansai Sawayaka Bank, Limited were newly consolidated due to acquirement of shares, and five companies including SMBC Leasing Investment L.L.C. were newly consolidated due to establishment
- five companies including Sakura Friend Securities Co., Ltd., Mitsui Finance Service Co., Ltd. and Sakura Finance Service Co., Ltd. were excluded from consolidation due to merger, and Sakura Global Capital Asia Limited was excluded from consolidation due to liquidation
- three companies including SMBCL CEPHEUS CO., LTD. became silent partnership for lease transactions, and became non-consolidated subsidiaries that are not accounted for by the equity method.

(2) Non-consolidated subsidiaries

Principal company

SBCS Co., Ltd.

105 subsidiaries including S.B.L. Mercury Co., Ltd. are silent partnership for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, pursuant to Article 5 Paragraph 1 Item 2 of Interim Consolidated Financial Statements Regulation, they were excluded from consolidation.

Other non-consolidated subsidiaries' total assets, ordinary income, net income and retained earnings have no significant impact on the consolidated interim financial statements.

2. Application of the equity method

(1) Non-consolidated subsidiaries accounted for by the equity method 4 companies

Principal company

SBCS Co., Ltd.

(2) Affiliates accounted for by the equity method 44 companies

Principal companies

Daiwa Securities SMBC Co. Ltd.
 Daiwa SB Investments Ltd.
 Sumitomo Mitsui Asset Management Company, Limited
 QUOQ Inc.

From this interim term:

- two companies including Hokkaido Mother Land Capital, Ltd. were newly applied due to establishment
- Daiwa Europe (Deutschland) GmbH was excluded due to liquidation.

(3) Non-consolidated subsidiaries and affiliates that are not accounted for by the equity method

105 subsidiaries including S.B.L. Mercury Co., Ltd. are silent partnership for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, pursuant to Article 7 Paragraph 1 Item 2 of Interim Consolidated Financial Statements Regulation, they are not treated as affiliated companies accounted for by the equity method.

Net income and retained earnings of other non-consolidated subsidiaries and affiliates that are not accounted for by the equity method have no significant impact on the consolidated interim financial statements.

3. The interim balance sheet dates of consolidated subsidiaries

(1) The interim account closing dates of the consolidated subsidiaries are as follows:

March 31	5	Companies
April 30	1	Company
June 30	65	Companies
July 31	2	Companies
September 30	96	Companies

(2) As for companies whose balance sheet dates are March 31 and April 30, the accounts are provisionally closed for the purpose of consolidation as of September 30 and July 31, respectively. The other companies are consolidated on the basis of their respective balance sheet dates.

Appropriate adjustments were made for significant transactions during the periods from their respective balance sheet dates to the consolidated interim closing date.

4. Accounting policies

Please refer to the “Notes to Consolidated Interim Balance Sheet” and “Notes to Consolidated Interim Statement of Income.”

5. Scope of “Cash and cash equivalents” on Consolidated Interim Statements of Cash Flows

Please refer to the “Notes to Consolidated Interim Statement of Cash Flows.”

CONSOLIDATED INTERIM BALANCE SHEET

September 30, 2003	(Millions of yen)
Assets:	
Cash and due from banks	3,898,506
Call loans and bills bought	654,263
Receivables under resale agreements	90,979
Receivables under securities borrowing transactions	625,010
Commercial paper and other debt purchased	444,540
Trading assets	3,485,349
Money held in trust	27,498
Securities	22,451,050
Loans and bills discounted	59,666,363
Foreign exchanges	774,597
Other assets	3,349,993
Premises and equipment	988,386
Lease assets	1,006,315
Deferred tax assets	1,845,975
Deferred tax assets for land revaluation	723
Goodwill	12,733
Customers' liabilities for acceptances and guarantees	3,102,644
Reserve for possible loan losses	(1,699,431)
Total assets	<u>100,725,500</u>
Liabilities:	
Deposits	63,142,263
Negotiable certificates of deposit	3,379,610
Call money and bills sold	8,019,874
Payables under repurchase agreements	1,897,172
Payables under securities lending transactions	4,624,779
Commercial paper	247,500
Trading liabilities	2,046,766
Borrowed money	2,476,833
Foreign exchanges	448,316
Bonds	3,779,852
Due to trust account	24,944
Other liabilities	3,551,051
Reserve for employee bonuses	20,908
Reserve for employee retirement benefits	93,220
Reserve for possible losses on loans sold	2,628
Reserve for exhibition at World Exposition	57
Other reserves	531
Deferred tax liabilities	58,494
Deferred tax liabilities for land revaluation	56,685
Acceptances and guarantees	3,102,644
Total liabilities	<u>96,974,137</u>
Minority interests	<u>1,005,886</u>
Stockholders' equity:	
Capital stock	1,247,650
Capital surplus	854,798
Retained earnings	423,309
Land revaluation excess	97,914
Net unrealized gains on other securities	176,225
Foreign currency translation adjustments	(41,189)
Treasury stock	(13,231)
Total stockholders' equity	<u>2,745,476</u>
Total liabilities, minority interests and stockholders' equity	<u>100,725,500</u>

Notes to Consolidated Interim Balance Sheet

1. Amounts less than one million yen have been omitted.
2. Transactions for trading purposes (seeking gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market related indices or from variation among markets) are included in "Trading assets" or "Trading liabilities" on the consolidated interim balance sheet on a contract date basis.
 Securities and monetary claims purchased for trading purposes are stated at the interim term-end market value, and financial derivatives such as swaps, futures and options are stated at amounts that would be settled if the transactions were terminated at the consolidated interim balance sheet date.
 A consolidated subsidiary, Sumitomo Mitsui Banking Corporation ("SMBC") formerly accounted for foreign currency translation differences arising from currency swaps for trading purposes as "Other assets" or "Other liabilities" on the balance sheet on a net basis. From this interim term, SMBC accounts for such foreign currency differences as "Trading assets" and "Trading liabilities" on a gross basis, pursuant to the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No.25). Consequently, "Other liabilities" decreased by 83,790 million yen, and increased "Trading assets" and "Trading liabilities" by 47,405 million yen and 131,196 million yen, respectively, compared with the former manner.
3. Held-to-maturity debt securities are debt securities that consolidated subsidiaries have the positive intent and ability to hold to maturity, and are carried at amortized cost (straight-line method) using the moving-average method.
 Investments in non-consolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost using the moving-average method.
 Securities other than trading purpose securities, held-to-maturity debt securities and investments in non-consolidated subsidiaries and affiliates are classified as "other securities" (available-for-sale securities). Stocks in other securities that have market value are carried at the average market prices during the final month of the interim term, and bonds and others that have market prices are carried at their interim term-end market prices (cost of securities sold is calculated using primarily the moving-average method). Other securities with no available market prices are carried at cost or amortized cost using the moving-average method. Net unrealized gains (losses) on other securities, net of income taxes, are included in "Stockholders' equity," after deducting the amount that is reflected in the interim term's earnings because of application of fair value hedge accounting.
4. Securities included in "Money held in trust" are carried in the same way as in Notes 2 and 3.
5. Derivative transactions, excluding those classified as trading derivatives, are carried at fair value, though some consolidated overseas subsidiaries account for derivative transactions in accordance with their local accounting standards.
6. Premises and equipment owned by Sumitomo Mitsui Financial Group, Inc. ("SMFG") and SMBC are depreciated using the straight-line method for premises and the declining-balance method for equipment. For the six months ended September 30, 2003, SMBC calculated the depreciation cost by proportionally allocating the estimated annual costs to the interim term. The estimated useful lives of major items are as follows:
 Buildings: 7 to 50 years
 Equipment: 2 to 20 years
 Other consolidated subsidiaries depreciate premises and equipment, and lease assets primarily using the straight-line method over the estimated useful lives of the respective assets and the straight-line method over the lease term based on the residual value of assets at the end of the lease term, respectively.
7. Capitalized software for internal use owned by SMFG and its consolidated domestic subsidiaries is depreciated using the straight-line method over its estimated useful life (basically five years).
8. SMBC's assets and liabilities denominated in foreign currencies and overseas branches' accounts are translated into Japanese yen mainly at the exchange rate prevailing at the consolidated interim balance sheet date, with the exception of stocks of subsidiaries and affiliates translated at rates prevailing at the time of acquisition.
 As for the accounting method of foreign currency transactions, in the previous fiscal year, domestic consolidated banking subsidiaries applied the temporary treatment stipulated in JICPA Industry Audit Committee Report No.25 to currency swaps and foreign exchange swaps for the purpose of lending or borrowing funds in different currencies. From this interim term, they apply the hedge accounting pursuant to the full treatment of JICPA Industry Audit Committee Report No.25.
 Consequently, for this interim term, the domestic consolidated banking subsidiaries valued such foreign exchange swaps, for which profits or losses for the term were formerly accounted for, at fair value and included their fair-valued claims and debts on the consolidated interim balance sheet. As a result, "Other assets" and "Other liabilities" each increased by 2,846 million yen as compared with the former manner. On the other hand, this accounting change had no impact on profit or loss.
 Foreign currency translation differences arising from currency swaps and forward foreign exchange transactions were formerly accounted for as "Other assets" or "Other liabilities" on a net basis, but from this interim term they are

accounted for as “Other assets” or “Other liabilities” on a gross basis pursuant to JICPA Industry Audit Committee Report No.25. Consequently, “Other assets” and “Other liabilities” increased by 737,724 million yen each.

Other consolidated subsidiaries’ assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at their respective balance sheet dates.

9. Reserve for possible loan losses of SMBC and other major consolidated subsidiaries is provided as detailed below in accordance with the internal standards for write-offs and reserves.

For claims on borrowers who have entered into bankruptcy, special liquidation proceedings or similar legal proceedings (“bankrupt borrowers”) or borrowers that are not legally or formally insolvent but are regarded as substantially in the same situation (“effectively bankrupt borrowers”), a reserve is provided based on the amount of claims, after the write-off stated below, net of the expected amount of recoveries from collateral and guarantees.

For claims on borrowers that are not currently bankrupt but are likely to become bankrupt in the future, a reserve is provided in the amount deemed necessary based on an overall solvency assessment of the claims, net of the expected amount of recoveries from collateral and guarantees.

Of the claims on borrowers requiring close monitoring, SMBC applies the Discounted Cash Flows method (“DCF method”) to the claims on borrowers whose all or some of the loans are classified as “Past due loans (3 months or more)” or “Restructured loans” and whose total loans exceed a certain amount. SMBC establishes reserve for possible loan losses using the DCF method for such claims in the amount of the differences between their present values of principals and interests (calculated by discounting the rationally estimated cash flows at the initial contractual using the interest rate) and their book values.

For other claims, a reserve is provided based on the historical loan-loss ratio.

For claims originated in specific countries, an additional reserve is provided for by the amount deemed necessary based on the assessment of political and economic conditions.

Branches and credit supervision departments assess all claims in accordance with the internal rule for self-assessment of assets, and the Credit Review Department, independent from these operating sections, audits their assessment. The reserves are provided based on the results of these assessments.

Reserve for possible loan losses of other consolidated subsidiaries for general claims is provided in the amount deemed necessary based on the historical loan-loss ratio, and for doubtful claims in the amount deemed uncollectible based on assessment of each claim.

For collateralized or guaranteed claims on bankrupt borrowers and effectively bankrupt borrowers, the amount exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and charged off against the total outstanding amount of the claims. The amount of write-off was 1,693,302 million yen.

10. Reserve for employee bonuses is provided, in provision for payment of bonuses to employees, by the amount of estimated bonuses, which are attributable to this interim term.
11. Reserve for employee retirement benefits is provided, in provision for payment of retirement benefits to employees, by the amount deemed accrued at interim term-end, based on the projected retirement benefit obligation and fair value of plan assets at the fiscal year-end.
- Prior service cost is amortized using the straight-line method over primarily 10 years within the employees’ average remaining service period at incurrence.
- Unrecognized net actuarial gain (loss) is amortized using the straight-line method over primarily 10 years within the employees’ average remaining service period, commencing from the next fiscal year of incurrence.
- Unrecognized net transition obligation from initial application of the new accounting standard for employee retirement benefits is amortized using the straight-line method over five years and is charged 50% of the annual amortized cost to its income for the six months ended September 30, 2003.
12. Reserve for possible losses on loans sold is provided for contingent losses arising from decline of market value of underlying collateral for loans sold to the Cooperative Credit Purchasing Company, Limited. This reserve is provided in accordance with Article 43 of the Ordinance of the Commercial Code.
13. Financing leases of SMFG and its consolidated domestic subsidiaries, excluding those in which the ownership of the property is transferred to the lessee, are accounted for in the same manner as operating leases.
14. As for the hedge accounting method applied to hedging transactions for interest rate risk arising from financial assets and liabilities, SMBC applies deferred hedge accounting or fair value hedge accounting.
- In the previous year, SMBC applied the temporary treatment stipulated in the “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Report No.24) to the “macro hedge,” which is management of interest rate risk arising from huge transactions in loans, deposits and other interest-earning assets and interest-bearing liabilities as a whole using derivatives. From this interim term, SMBC applies the full treatment of JICPA Industry Audit Committee Report No.24 to hedges on groups of large-volume, small-value monetary claims and debts with similar risk characteristics. SMBC assesses the effectiveness of such hedge for offsetting changes in interest rate, by classifying the hedged items (such as deposits and loans) and the hedging instruments (such as interest rate swaps) by their maturity. SMBC assesses the effectiveness of such hedges for fixing cash flows by verifying the correlation between the hedged items and the hedging instruments. SMBC also assesses the effectiveness of individual hedges.

As a result of changing the designation of hedge relationship pursuant to JICPA Industry Audit Committee Report No.24, SMBC applies fair value hedge accounting to hedging transactions for reducing the exposure to market volatility of bonds classified as other securities that are held for the purpose of Asset and Liability Management in order to more properly reflect the effectiveness of hedging transactions in the financial statements. Consequently, “Other assets” and “Net unrealized gains on other securities” decreased by 21,462 million yen and 13,521 million yen, respectively and “Deferred tax assets” increased by 8,507 million yen, compared with the former manner.

Of the deferred hedge losses and gains on macro hedge, the amounts related to hedging instruments to which SMBC discontinued applying hedge accounting or applied fair value hedge accounting as a result of the change mentioned above are allocated to “Interest income” or “Interest expenses” over a 12-year period (maximum) from this interim term according to their maturity. Gross amounts of deferred hedge losses and gains on “macro hedge” are 422,999 million yen and 410,931 million yen, respectively.

Other certain consolidated subsidiaries use the deferred hedge accounting or the special treatment for interest rate swaps. A consolidated domestic subsidiary (a leasing company) partly applies the accounting method that is permitted by the Industry Audit Committee Report No.19 “Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Leasing Industry” issued by JICPA.

15. SMBC applies deferred hedge accounting stipulated in the full treatment of JICPA Industry Audit Committee Report No.25 to currency swap and foreign exchange swap transactions executed for the purpose of lending or borrowing funds in different currencies.

Pursuant to JICPA Industry Audit Committee Report No.25, SMBC assesses the effectiveness of currency swap and foreign exchange swap transactions executed for the purpose of offsetting the risk of changes in currency exchange rates by verifying that there are foreign-currency monetary claims and debts corresponding to the foreign-currency positions.

In order to hedge risk arising from volatility of exchange rates for stocks of subsidiaries and affiliates and other securities (excluding bonds) denominated in foreign currency, SMBC applies deferred hedge accounting or fair value hedge accounting, on the conditions that the hedged security is designated in advance and that enough on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged security in foreign currency base.
16. As for derivative transactions between consolidated subsidiaries or internal transactions between trading accounts and other accounts (or among internal sections), SMBC manages the interest rate swaps and currency swaps that are designated as hedging instruments in accordance with the strict criteria for external transactions stipulated in JICPA Industry Audit Committee Report No.24 and No.25. Therefore, SMBC accounts for the gains or losses that arise from interest rate swaps and currency swaps in its earnings or defers them, rather than eliminating them.
17. National and local consumption taxes of SMFG and its consolidated domestic subsidiaries are accounted for using the tax-excluded method.
18. SMBC accounts for the exhibition expenses related to “The 2005 World Exposition, Aichi, Japan” that will be held in Aichi Prefecture in 2005 as “Reserve for exhibition at World Exposition.” This reserve is stipulated in the Article 43 of the Ordinance of the Commercial Code and includes the reserve that is stipulated in Article 57-2 of the Specific Taxation Measures Law.
19. Other reserves required by special laws are reserve for contingent liabilities from financial futures transaction (18 million yen) in accordance with Article 82 of the Financial Futures Transaction Law, and reserve for contingent liabilities from securities transaction (513 million yen) in accordance with Article 51 of the Securities Exchange Law.
20. Accumulated depreciation on premises and equipment and accumulated depreciation on lease assets were 604,089 million yen and 1,508,565 million yen, respectively.
21. Bankrupt loans and non-accrual loans were 179,497 million yen and 2,287,238 million yen, respectively. These amounts include trust with The Resolution and Collection Corporation, a measure regarded as off-balancing, of 38,941 million yen.

“Bankrupt loans” are loans on which consolidated subsidiaries do not currently accrue interest income, as substantial doubt is judged to exist as to the ultimate collectability of either principal or interest as they are past due for a considerable period of time or for other reasons, and meet conditions defined in Article 96-1-3 and 96-1-4 of the Enforcement Ordinance No.97 of the Japanese Corporate Tax Law, issued in 1965. “Non-accrual loans” are loans on which consolidated subsidiaries do not currently accrue interest income, excluding bankrupt loans and loans for which consolidated subsidiaries are forbearing interest payments to support the borrowers’ recovery from financial difficulties.
22. Past due loans (3 months or more) totaled 101,630 million yen.

Past due loans (3 months or more) are loans other than “Bankrupt loans” and “Non-accrual loans” on which the principal or interest is past due for three months or more.
23. Restructured loans totaled 1,853,890 million yen.

Restructured loans are loans other than “Bankrupt loans,” “Non-accrual loans” and “Past due loans (3 months or more)” for which consolidated subsidiaries have relaxed lending terms, such as reduction of the original interest rate,

forbearance of interest payments or principal repayments or has made agreements in favor of borrowers such as debt forgiveness, to support the borrowers' recovery from financial difficulties.

24. The total amount of bankrupt loans, non-accrual loans, past due loans (3 months or more) and restructured loans was 4,422,255 million yen. This amount includes trust with The Resolution and Collection Corporation, a measure regarded as off-balancing, of 38,941 million yen.

The amounts of loans presented in Notes 21 to 24 are amounts before deduction of reserve for possible loan losses.

25. Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No.24. SMFG's banking subsidiaries have rights to sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The total face value was 966,761 million yen.

26. Assets pledged as collateral were as follows:

	(Millions of yen)
Assets pledged	
Cash and due from banks	124,638
Trading assets	570,857
Securities	9,794,664
Loans and bills discounted	3,760,959
Other assets (installment account receivable etc.)	1,180
Premises and equipment	529
Liabilities corresponding to assets pledged	
Deposits	14,910
Call money and bills sold	7,054,900
Payables under repurchase agreements	1,857,026
Payables under securities lending transactions	4,355,513
Trading liabilities	144,062
Borrowed money	4,216
Other liabilities	10,979
Acceptances and guarantees	149,297

In addition, cash and due from banks of 44,798 million yen, trading assets of 4,204 million yen, securities of 3,966,901 million yen, loans and bills discounted of 968,383 million yen were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes.

Premises and equipment include surety deposits and intangible of 118,028 million yen, and other assets include initial margins of futures markets of 7,036 million yen.

27. Net amount of deferred unrealized gains (losses) on hedging instruments to which deferred hedge accounting is applied is reported as deferred loss on hedge and are included in "Other assets." Gross deferred unrealized losses and gross deferred unrealized gains on hedging instruments were 1,735,996 million yen and 1,609,388 million yen, respectively.
28. SMBC revaluated its own land for business activities in accordance with the "Law Concerning Land Revaluation" (the "Law") effective March 31, 1998 and the law concerning amendment of the Law effective March 31, 2001. The income taxes corresponding to the net unrealized gains are deferred and reported in "Liabilities" as "Deferred tax liabilities for land revaluation," and the net unrealized gains, net of deferred taxes, are reported as "Land revaluation excess" in "Stockholders' equity."
- Certain consolidated subsidiaries revaluated their own land for business activities in accordance with the Law. The income taxes corresponding to the net unrealized gains (losses) are deferred and reported in "Liabilities" or "Assets" as "Deferred tax liabilities for land revaluation" or "Deferred tax assets for land revaluation," and the net unrealized gains (losses), net of deferred taxes, are reported as "Land revaluation excess" in "Stockholders' equity."
- | | |
|--|---|
| Date of the revaluation | |
| SMBC | March 31, 1998 and March 31, 2002 |
| Certain consolidated subsidiaries | March 31, 1999 and March 31, 2002 |
| Method of revaluation (stipulated in Article 3-3 of the Law) | |
| SMBC: | Fair values were determined by applying appropriate adjustments for land shape and timing of appraisal to the values stipulated in Article 2-3, 2-4 or 2-5 of the Enforcement Ordinance of the Law concerning Land Revaluation (the Enforcement Ordinance No.119) effective March 31, 1998. |
| Certain consolidated subsidiaries: | Fair values were determined based on the values specified in Article 2-3 and 2-5 of the Enforcement Ordinance No.119. |
29. The balance of subordinated debt included in "Borrowed money" was 811,510 million yen.

30. The balance of subordinated bonds included in “Bonds” was 1,583,839 million yen.

31. Stockholders’ equity per share was 165,291.87 yen.

32. Market value and unrealized gains (losses) on securities are shown as below:

In addition to “Securities” in the consolidated interim balance sheet, trading securities, commercial paper and short-term corporate bonds (electronic commercial paper) classified as “Trading assets,” negotiable certificates of deposit bought classified as “Cash and due from banks,” and commercial paper and beneficiary claim on loan trust classified as “Commercial paper and other debt purchased” are also included in the amounts of the following tables. This definition is applied up to Notes 37.

(1) Securities classified as trading purposes

As of and the six months ended September 30, 2003	(Millions of yen)
Consolidated interim balance sheet amount	1,205,895
Valuations gains (losses) included in profit/loss during the interim term	(1,705)

(2) Bonds classified as held-to-maturity with market value

As of September 30, 2003	(Millions of yen)				
	Consolidated balance sheet amount	Market Value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	510,142	498,990	(11,152)	884	12,037
Other	21,329	22,379	1,049	1,166	117
Total	531,472	521,369	(10,103)	2,051	12,155

(3) Other securities with market value

As of September 30, 2003	(Millions of yen)				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	2,606,121	3,077,101	470,979	578,166	107,187
Bonds	12,436,715	12,281,842	(154,872)	6,597	161,470
Japanese government bonds	11,240,557	11,103,803	(136,754)	2,865	139,619
Japanese local government bonds	413,692	403,548	(10,143)	924	11,067
Japanese corporate bonds	782,465	774,489	(7,975)	2,808	10,783
Other	4,187,030	4,174,553	(12,477)	20,171	32,649
Total	19,229,867	19,533,496	303,629	604,936	301,307

Of the total net unrealized gains shown above, 22,029 million yen is included in this term’s profit because of the application of fair value hedge accounting.

“Net unrealized gains on other securities” includes 176,269 million yen that is the sum of the following items:

	(Millions of yen)
Net unrealized gains to be included in stockholders’ equity, as a result of applying fair value hedge accounting (a)	281,599
(–) Deferred tax liabilities (b)	110,395
(c) = (a) – (b)	171,203
(–) Minority interests corresponding to (c)	(4,343)
(+) SMFG’s interests of net unrealized gains (losses) on other securities held by affiliates accounted for by the equity method	722
Total	176,269

Other securities with market value are considered as impaired if the market value decreases significantly below the acquisition cost and such decline is not considered as recoverable. The market value is recognized as the consolidated interim balance sheet amount and the amount of write-down is accounted for as valuation loss (impaired) for this interim term. Valuation loss for this interim term was 530 million yen. The rule for determining “significant decline” is as follows and is based on the classification of issuing company under self-assessment of assets.

Bankrupt/ Effectively bankrupt/ Potentially bankrupt issuers:	Market value is lower than acquisition cost.
Issuers requiring caution:	Market value is 30% or more lower than acquisition cost.
Normal issuers:	Market value is 50% or more lower than acquisition cost.

Bankrupt issuers: issuers that are legally bankrupt or formally declared bankrupt

Effectively bankrupt issuers: issuers that are not legally bankrupt but regarded as substantially bankrupt

Potentially bankrupt issuers: issuers that are not bankrupt now, but are perceived to have a high risk of falling into bankruptcy

Issuers requiring caution: issuers that are identified for close monitoring

Normal issuers: issuers other than the above four categories of issuers

33. Held-to-maturity bonds sold during the interim term is as follows:

Six months ended September 30, 2003		(Millions of yen)		
	Acquisition Cost	Sales Amount	Gains on sales	Reason for sales
Japanese government bonds	21,063	21,709	645	A consolidated subsidiary, THE MINATO BANK, LTD. ("Minato") changed its investment policy
Japanese local government bonds	23,060	23,796	736	
Total	44,123	45,506	1,382	

34. The amount of other securities sold during the interim term is as follows:

Six months ended September 30, 2003		(Millions of yen)
Sales amount	Gains on sales	Losses on sales
15,761,524	145,995	95,693

35. Summary information on securities that do not have market value is as follows:

As of September 30, 2003		(Millions of yen)
		Consolidated balance sheet amount
Bonds classified as held-to-maturity		
Unlisted foreign securities		5,411
Other		10,112
Other securities		
Unlisted stocks (except for OTC stocks)		338,389
Unlisted bonds		1,457,321
Unlisted foreign securities		325,123
Other		109,236

36. Minato changed its investment policy and sold some of the held-to-maturity bonds during this interim term. As a result, Minato changed the classification of the remaining bonds that Minato holds, 28,281 million yen, from "held-to-maturity" to "other securities" pursuant to Article 83 of the "Practical Guidelines for Accounting for Financial Instruments" (JICPA Accounting Committee Report No.14). According to this change of classification, "Securities" increased by 66 million yen and "Deferred tax assets" decreased by 26 million yen, and "Minority interests" and "Net unrealized gains on other securities" increased by 36 million yen and 2 million yen, respectively, compared with the former classification of bonds.

37. Redemption schedule of other securities that have maturities and bonds classified as held-to-maturity is as follows:

As of September 30, 2003		(Millions of yen)			
	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	Over 10 years	
Bonds	2,916,076	6,936,933	3,780,495	615,803	
Japanese government bonds	2,717,215	5,160,392	3,125,480	610,858	
Japanese local government bonds	6,726	197,435	198,853	533	
Japanese corporate bonds	192,133	1,579,106	456,162	4,411	
Other	471,659	2,977,811	434,399	606,081	
Total	3,387,735	9,914,745	4,214,895	1,221,884	

38. Information on money held in trust is as follows:

Money held in trust classified as trading purposes

As of and the six months ended September 30, 2003		(Millions of yen)
Consolidated interim balance sheet amount		7,443
Valuation gains included in profit/loss during the interim term		-

Other money held in trust

As of September 30, 2003			(Millions of yen)	
Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
20,070	20,054	(16)	249	265

Net unrealized losses of 9 million yen (after the deduction of 6 million yen in deferred tax assets from the above 16 million yen in net unrealized losses) are included in “Net unrealized gains on other securities.”

39. “Japanese Government Bonds” as a sub-account of “Securities” include 6,002 million yen of unsecured loaned securities for which borrowers have the rights to sell or pledge and loaned securities of 119 million yen for which borrowers only have the rights to pledge and not to sell.

As for the unsecured borrowed securities for which SMBC has the rights to sell or pledge and the securities which SMBC purchased under resale agreements, that are permitted to sell or pledge without restrictions, 654,394 million yen of securities are pledged, 136,090 million yen of securities are held in hand as of the consolidated interim balance sheet date.

40. Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing, to a prescribed amount, as long as there is no violation of any condition established in the contracts. The amount of unused commitments was 29,801,082 million yen, and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time was 27,261,498 million yen. Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses that SMBC and other consolidated subsidiaries can reject an application from customers or reduce the contract amounts in case economic conditions are changed, SMBC and other consolidated subsidiaries need to secure claims or other events occur. In addition, SMBC and other consolidated subsidiaries request the customers to pledge collateral such as premises and securities at the conclusion of the contracts, and take necessary measures such as grasping customers’ financial positions, revising contracts when need arises and securing claims after the conclusion of the contracts.

CONSOLIDATED INTERIM STATEMENT OF INCOME

Six months ended September 30, 2003

(Millions of yen)

Ordinary income:

Interest income	826,407
Interest on loans and discounts	585,813
Interest and dividends on securities	138,520
Trust fees	84
Fees and commissions	237,159
Trading profits	163,904
Other operating income	459,685
Other income	73,594
Total ordinary income	1,760,835

Ordinary expenses:

Interest expenses	163,169
Interest on deposits	56,717
Fees and commissions	41,969
Other operating expenses	432,980
General and administrative expenses	448,094
Other expenses	509,112
Total ordinary expenses	1,595,326

Ordinary profit 165,508**Extraordinary gains** 41,421**Extraordinary losses** 20,050**Income before income taxes and minority interests** 186,880**Income taxes, Current** 22,436**Income taxes, Deferred** (5,137)**Minority interests in net income** 26,087**Net income** 143,492

Notes to Consolidated Interim Statement of Income

1. Amounts less than one million yen have been omitted.
2. Net income per share is 24,993.09 yen.
3. Net income per share (diluted) is 15,608.81 yen.
4. Profits and losses on trading transactions are recognized on a trade date basis, and recorded as "Trading profits" and "Trading losses." Both accounts include interest received or paid during the interim term. The valuation differences of securities and money claims between the previous fiscal year-end and this interim term-end are recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the valuation differences between this interim term-end and the previous fiscal year-end are recorded in the above-mentioned accounts.
5. Standards for recognizing rental income on lease transactions and income/expenses on installment sales are as follows:
 - (1) Recognition of lease-related income on lease transactions
Primarily, lease-related income is recognized on a straight-line basis over the full term of the lease, based on the monthly rent revenue.
 - (2) Recognition of income and expenses on installment sales
Primarily, installment-sales-related income and installment-sales-related expenses are recognized on a due-date basis over the full term of the installment sales.
6. "Other income" includes gains on sales of stocks and other securities of 56,039 million yen.
7. "Other expenses" includes write-off of loans of 388,924 million yen.
8. "Extraordinary gains" include the tax refund from Tokyo Metropolitan Government of 38,236 million yen and the interest on the tax refund of 2,097 million yen.
9. "Extraordinary losses" include amortized cost of unrecognized net obligation from initial application of the new accounting standard for employee retirement benefits of 11,021 million yen and losses on disposition on premises and equipment of 8,408 million yen.

CONSOLIDATED INTERIM STATEMENT OF RETAINED EARNINGS

Six months ended September 30, 2003

(Millions of yen)

Capital surplus:

Capital surplus at beginning of term	856,237
Decrease of capital surplus	1,439
Losses on disposition of treasury stocks	1,439
Capital surplus at end of interim term	<u>854,798</u>

Retained earnings:

Retained earnings at beginning of term	311,664
Increase of retained earnings	147,018
Net income	143,492
Increase due to transfer of land revaluation excess	3,525
Decrease of retained earnings	35,373
Dividends paid	33,306
Decrease due to merger of consolidated subsidiaries	2,066
Retained earnings at end of interim term	<u>423,309</u>

(Note) Amounts less than one million yen have been omitted.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

Six months ended September 30, 2003

(Millions of yen)

1. Cash flows from operating activities:	
Income before income taxes and minority interests	186,880
Depreciation of premises, equipment and others	41,894
Depreciation of lease assets	167,285
Amortization of goodwill	4,191
Equity in earnings of affiliates	(8,044)
Net change in reserve for possible loan losses	(550,977)
Net change in reserve for possible losses on loans sold	(18,036)
Net change in reserve for employee bonuses	(1,134)
Net change in reserve for employee retirement benefits	7,969
Net change in reserve for exhibition at World Exposition	57
Interest income	(826,407)
Interest expenses	163,169
Net (gains) losses on securities	(40,431)
Net (gains) loss from money held in trust	1,007
Net exchange (gains) losses	221,477
Net (gains) losses from disposition of premises and equipment	7,985
Net (gains) losses from disposition of lease assets	49
Net change in trading assets	1,003,098
Net change in trading liabilities	(802,432)
Net change in loans and bills discounted	1,985,803
Net change in deposits	(428,206)
Net change in negotiable certificates of deposit	(1,479,196)
Net change in borrowed money (excluding subordinated debt)	(51,542)
Net change in deposits with banks	(432,383)
Net change in call loans, bills bought and receivables under resale agreements	(508,664)
Net change in receivables under securities borrowing transactions	1,356,233
Net change in call money, bills sold and payables under repurchase agreements	(3,181,690)
Net change in commercial paper	59,700
Net change in payables under securities lending transactions	(182,466)
Net change in foreign exchanges (Assets)	(24,440)
Net change in foreign exchanges (Liabilities)	50,442
Issuance and redemption of bonds (excluding subordinated bonds)	8,655
Net change in due to trust account	18,990
Interest received	856,081
Interest paid	(174,330)
Other, net	809,744
Subtotal	(1,759,666)
Income taxes paid	5,817
Net cash used in operating activities	(1,753,848)
2. Cash flows from investing activities:	
Purchases of securities	(23,707,428)
Proceeds from sale of securities	15,807,610
Proceeds from maturity of securities	9,806,287
Purchases of money held in trust	(21,111)
Proceeds from sale of money held in trust	17,268
Purchases of premises and equipment	(22,248)
Proceeds from sale of premises and equipment	17,330
Purchases of lease assets	(192,936)
Proceeds from sale of lease assets	15,526
Purchases of stocks of subsidiaries	(8,999)
Net cash provided by investing activities	1,711,298
3. Cash flows from financing activities:	
Proceeds from issuance of subordinated debt	34,500
Repayment of subordinated debt	(95,500)
Proceeds from issuance of subordinated bonds, bonds with subscription rights for shares	238,362
Repayment of subordinated bonds, bonds with subscription rights for shares	(42,962)
Dividends paid	(33,330)
Dividends paid to minority stockholders	(24,388)
Purchases of treasury stock	(152)
Proceeds from sale of treasury stock	936
Net cash provided by financing activities	77,465
4. Foreign currency translation adjustments on cash and cash equivalents	(1,763)
5. Net change in cash and cash equivalents	33,151
6. Cash and cash equivalents at beginning of term	2,900,991
7. Change in cash and cash equivalents due to exclusion of consolidated subsidiaries	(0)
8. Cash and cash equivalents at end of term	2,934,143

Notes to Consolidated Interim Statement of Cash Flows

1. Amounts less than one million yen have been omitted.
2. For the purposes of presenting the consolidated interim statement of cash flows, “Cash and cash equivalents” are cash on hand and non-interest earning deposits with banks.
3. Reconciliation of “Cash and due from banks” of the consolidated interim balance sheet to “Cash and cash equivalents” at this interim term-end is as follows:

September 30, 2003

	(Millions of yen)
Cash and due from banks	3,898,506
<u>Interest-earning deposits</u>	<u>(964,363)</u>
Cash and cash equivalents	<u><u>2,934,143</u></u>

4. Reconciliation of the opening balance and the expense (net) for acquisition with respect to acquisition of three companies including The Kansai Sawayaka Bank, Limited is as follows:

	(Millions of yen)	
Assets	800,118	[including Loans and bills discounted of 593,042 million yen]
Liabilities	(724,759)	[including Deposits of (682,774) million yen]
Minority interests	(23,450)	
<u>Goodwill</u>	<u>(13,136)</u>	
Acquisition costs for the three companies' stocks	(a) 38,773	
<u>The three companies' Cash and cash equivalents</u>	<u>(b) (29,773)</u>	
(a) – (b) Expense for acquisition of the three companies	<u><u>8,999</u></u>	

COMPARATIVE CONSOLIDATED BALANCE SHEETS (CONDENSED)

(Millions of yen)

	September 30			March 31	
	2003	2002 [SMBC]	Difference	2003	Difference
September 30, 2003 and 2002, and March 31, 2003	(A)	(B)	(A-B)	(C)	(A-C)
Assets:					
Cash and due from banks	3,898,506	2,905,651	992,855	3,442,523	455,983
Call loans and bills bought	654,263	474,150	180,113	187,563	466,700
Receivables under resale agreements	90,979	82,218	8,761	109,710	(18,731)
Receivables under securities borrowing transactions	625,010	2,186,491	(1,561,481)	1,981,243	(1,356,233)
Commercial paper and other debt purchased	444,540	307,755	136,785	363,981	80,559
Trading assets	3,485,349	3,442,097	43,252	4,495,396	(1,010,047)
Money held in trust	27,498	44,106	(16,608)	24,629	2,869
Securities	22,451,050	22,650,667	(199,617)	24,118,520	(1,667,470)
Loans and bills discounted	59,666,363	62,553,278	(2,886,915)	61,082,946	(1,416,583)
Foreign exchanges	774,597	922,640	(148,043)	749,974	24,623
Other assets	3,349,993	3,302,344	47,649	3,219,009	130,984
Premises and equipment	988,386	1,172,058	(183,672)	1,007,905	(19,519)
Lease assets	1,006,315	930,418	75,897	996,344	9,971
Deferred tax assets	1,845,975	1,999,075	(153,100)	1,956,103	(110,128)
Deferred tax assets for land revaluation	723	726	(3)	724	(1)
Goodwill	12,733	19,031	(6,298)	30,031	(17,298)
Customers' liabilities for acceptances and guarantees	3,102,644	3,453,755	(351,111)	3,084,383	18,261
Reserve for possible loan losses	(1,699,431)	(2,049,472)	350,041	(2,243,542)	544,111
Total assets	100,725,500	104,396,997	(3,671,497)	104,607,449	(3,881,949)
Liabilities:					
Deposits	63,142,263	61,438,332	1,703,931	62,931,007	211,256
Negotiable certificates of deposit	3,379,610	4,846,529	(1,466,919)	4,853,017	(1,473,407)
Call money and bills sold	8,019,874	12,739,570	(4,719,696)	8,953,084	(933,210)
Payables under repurchase agreements	1,897,172	1,946,489	(49,317)	4,144,735	(2,247,563)
Payables under securities lending transactions	4,624,779	3,842,595	782,184	4,807,245	(182,466)
Commercial paper	247,500	185,500	62,000	187,800	59,700
Trading liabilities	2,046,766	2,599,491	(552,725)	2,851,391	(804,625)
Borrowed money	2,476,833	2,721,278	(244,445)	2,580,135	(103,302)
Foreign exchanges	448,316	438,643	9,673	397,666	50,650
Bonds	3,779,852	3,582,598	197,254	3,583,754	196,098
Due to trust account	24,944	—	24,944	5,953	18,991
Other liabilities	3,551,051	2,645,968	905,083	2,558,956	992,095
Reserve for employee bonuses	20,908	21,216	(308)	22,079	(1,171)
Reserve for employee retirement benefits	93,220	148,116	(54,896)	101,408	(8,188)
Reserve for possible losses on loans sold	2,628	47,190	(44,562)	20,665	(18,037)
Reserve for exhibition at World Exposition	57	—	57	—	57
Other reserves	531	255	276	649	(118)
Deferred tax liabilities	58,494	34,507	23,987	43,930	14,564
Deferred tax liabilities for land revaluation	56,685	62,693	(6,008)	58,788	(2,103)
Acceptances and guarantees	3,102,644	3,453,755	(351,111)	3,084,383	18,261
Total liabilities	96,974,137	100,754,733	(3,780,596)	101,186,654	(4,212,517)
Minority interests	1,005,886	952,253	53,633	996,720	9,166
Total stockholders' equity	2,745,476	2,690,010	55,466	2,424,074	321,402
Total liabilities, minority interests and stockholders' equity	100,725,500	104,396,997	(3,671,497)	104,607,449	(3,881,949)

(Notes)

1. Amounts as of September 30, 2002 are those of the former SMBC.

2. Amounts less than one million yen have been omitted.

COMPARATIVE CONSOLIDATED STATEMENTS OF OPERATIONS (CONDENSED)

(Millions of yen)

Six months ended September 30, 2003 and 2002, and Year ended March 31, 2003	Six months ended September 30			Year ended March 31
	2003 (A)	2002 [SMBC] (B)	Difference (A-B)	2003
Ordinary income:				
Interest income	826,407	954,856	(128,449)	1,816,908
Interest on loans and discounts	585,813	639,943	(54,130)	1,262,092
Interest and dividends on securities	138,520	140,090	(1,570)	268,261
Trust fees	84	–	84	7
Fees and commissions	237,159	204,619	32,540	424,238
Trading profits	163,904	110,534	53,370	206,496
Other operating income	459,685	444,096	15,589	946,957
Other income	73,594	48,429	25,165	111,776
Total ordinary income	1,760,835	1,762,535	(1,700)	3,506,386
Ordinary expenses:				
Interest expenses	163,169	220,912	(57,743)	417,404
Interest on deposits	56,717	83,905	(27,188)	152,373
Fees and commissions	41,969	42,195	(226)	71,338
Trading losses	–	718	(718)	725
Other operating expenses	432,980	333,888	99,092	721,134
General and administrative expenses	448,094	446,103	1,991	889,237
Other expenses	509,112	568,862	(59,750)	1,922,296
Total ordinary expenses	1,595,326	1,612,679	(17,353)	4,022,136
Ordinary profit (loss)	165,508	149,856	15,652	(515,749)
Extraordinary gains	41,421	2,942	38,479	11,906
Extraordinary losses	20,050	42,448	(22,398)	87,071
Income (loss) before income taxes and minority interests	186,880	110,349	76,531	(590,914)
Income taxes, Current	22,436	26,700	(4,264)	66,068
Income taxes, Deferred	(5,137)	10,333	(15,470)	(225,190)
Minority interests in net income	26,087	18,170	7,917	33,567
Net income (loss)	143,492	55,145	88,347	(465,359)

(Notes)

1. Amounts for the six months ended September 30, 2002 are those of the former SMBC.
2. Amounts less than one million yen have been omitted.

COMPARATIVE CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (CONDENSED)

(Millions of yen)

Six months ended September 30, 2003 and 2002, and Year ended March 31, 2003	Six months ended September 30			Year ended March 31
	2003 (A)	2002 [SMBC] (B)	Difference (A-B)	2003
Capital surplus:				
Capital surplus at beginning of term	856,237	1,684,373	(828,136)	1,684,373
Capital reserve at beginning of term	–	1,326,758	(1,326,758)	1,326,758
Other capital surplus at beginning of term	–	357,614	(357,614)	357,614
Increase of capital surplus	–	–	–	577,465
Decrease of capital surplus	1,439	476	963	1,405,601
Capital surplus at end of term (year)	854,798	1,683,896	(829,098)	856,237
Retained earnings:				
Retained earnings at beginning of term	311,664	117,743	193,921	117,743
Increase of retained earnings	147,018	58,431	88,587	696,631
Decrease of retained earnings	35,373	37,351	(1,978)	502,710
Retained earnings at end of term (year)	423,309	138,823	284,486	311,664

(Notes)

1. Amounts for the six months ended September 30, 2002 are those of the former SMBC.
2. Amounts less than one million yen have been omitted.

COMPARATIVE CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Six months ended September 30			Year ended March 31
	2003 (A)	2002 [SMBC] (B)	Difference (A-B)	2003
Six months ended September 30, 2003 and 2002, and Year ended March 31, 2003				
1. Cash flows from operating activities:				
Income (loss) before income taxes and minority interests	186,880	110,349	76,531	(590,914)
Depreciation of premises, equipment and others	41,894	44,208	(2,314)	89,414
Depreciation of lease assets	167,285	149,071	18,214	312,562
Amortization of goodwill	4,191	2,773	1,418	10,171
Equity in earnings of affiliates	(8,044)	(2,807)	(5,237)	(5,718)
Net change in reserve for possible loan losses	(550,977)	(109,670)	(441,307)	82,688
Net change in reserve for possible losses on loans sold	(18,036)	(39,180)	21,144	(65,706)
Net change in reserve for employee bonuses	(1,134)	(402)	(732)	(140)
Net change in reserve for employee retirement benefits	7,969	147	7,822	(47,563)
Net change in reserve for exhibition at World Exposition	57	-	57	-
Interest income	(826,407)	(954,856)	128,449	(1,816,908)
Interest expenses	163,169	220,912	(57,743)	417,404
Net (gains) losses on securities	(40,431)	107,763	(148,194)	471,528
Net (gains) losses from money held in trust	1,007	3,703	(2,696)	4,003
Net exchange (gains) losses	221,477	154,537	66,940	170,155
Net (gains) losses from disposition of premises and equipment	7,985	11,034	(3,049)	33,301
Net (gains) losses from disposition of lease assets	49	2,020	(1,971)	1,505
Net change in trading assets	1,003,098	(216,670)	1,219,768	(1,253,569)
Net change in trading liabilities	(802,432)	321,258	(1,123,690)	569,881
Net change in loans and bills discounted	1,985,803	1,008,160	977,643	2,472,161
Net change in deposits	(428,206)	(3,532,384)	3,104,178	(2,024,876)
Net change in negotiable certificates of deposit	(1,479,196)	(1,813,399)	334,203	(1,806,894)
Net change in borrowed money (excluding subordinated debt)	(51,542)	(71,036)	19,494	(261,965)
Net change in deposits with banks	(432,383)	2,294,589	(2,726,972)	2,947,705
Net change in call loans, bills bought and receivables under resale agreements	(508,664)	1,071,737	(1,580,401)	1,280,173
Net change in receivables under securities borrowing transactions	1,356,233	834,028	522,205	1,039,276
Net change in call money, bills sold and payables under repurchase agreements	(3,181,690)	2,490,237	(5,671,927)	902,660
Net change in commercial paper	59,700	(982,000)	1,041,700	(979,700)
Net change in payables under securities lending transactions	(182,466)	667,795	(850,261)	1,632,445
Net change in foreign exchanges (assets)	(24,440)	(129,163)	104,723	42,144
Net change in foreign exchanges (liabilities)	50,442	139,635	(89,193)	99,013
Issuance and redemption of bonds (excluding subordinated bonds)	8,655	182,702	(174,047)	457,319
Net change in due to trust account	18,990	-	18,990	5,953
Interest received	856,081	1,049,827	(193,746)	1,956,975
Interest paid	(174,330)	(243,453)	69,123	(464,798)
Other, net	809,744	(171,533)	981,277	(100,004)
Subtotal	(1,759,666)	2,599,937	(4,359,603)	5,579,686
Income taxes paid	5,817	(37,447)	43,264	(136,485)
Net cash provided by (used in) operating activities	(1,753,848)	2,562,490	(4,316,338)	5,443,200
2. Cash flows from investing activities:				
Purchases of securities	(23,707,428)	(27,644,498)	3,937,070	(49,938,065)
Proceeds from sale of securities	15,807,610	20,817,747	(5,010,137)	37,711,992
Proceeds from maturity of securities	9,806,287	4,256,509	5,549,778	7,907,363
Purchases of money held in trust	(21,111)	(14,621)	(6,490)	(14,622)
Proceeds from sale of money held in trust	17,268	4,026	13,242	23,624
Purchases of premises and equipment	(22,248)	(30,911)	8,663	(69,884)
Proceeds from sale of premises and equipment	17,330	28,219	(10,889)	73,677
Purchases of lease assets	(192,936)	(162,426)	(30,510)	(336,512)
Proceeds from sale of lease assets	15,526	14,875	651	33,900
Purchases of stocks of subsidiaries	(8,999)	(3,924)	(5,075)	(15,444)
Proceeds from sale of stocks of subsidiaries	-	53	(53)	53
Net cash provided by (used in) investing activities	1,711,298	(2,734,949)	4,446,247	(4,623,917)
3. Cash flows from financing activities:				
Proceeds from issuance of subordinated debt	34,500	117,000	(82,500)	165,000
Repayment of subordinated debt	(95,500)	(204,500)	109,000	(286,500)
Proceeds from issuance of subordinated bonds, bonds with subscription rights for shares	238,362	152,687	85,675	223,950
Repayment of subordinated bonds, bonds with subscription rights for shares	(42,962)	(226,871)	183,909	(565,522)
Proceeds from issuance of stocks	-	-	-	495,300
Dividends paid	(33,330)	(37,313)	3,983	(37,348)
Proceeds from minority stockholders	-	220	(220)	220
Dividends paid to minority stockholders	(24,388)	(25,147)	759	(39,621)
Purchases of treasury stock	(152)	(3,588)	3,436	(7,875)
Proceeds from sale of treasury stock	936	4,968	(4,032)	8,479
Net cash provided by (used in) financing activities	77,465	(222,546)	300,011	(43,919)
4. Foreign currency translation adjustments on cash and cash equivalents	(1,763)	(2,325)	562	(2,629)
5. Net change in cash and cash equivalents	33,151	(397,329)	430,480	772,734
6. Cash and cash equivalents at beginning of term (year)	2,900,991	2,128,742	772,249	2,128,742
7. Change in cash and cash equivalents due to merger of consolidated subsidiaries	-	0	(0)	0
8. Change in cash and cash equivalents due to exclusion of consolidated subsidiaries	(0)	-	(0)	(486)
9. Cash and cash equivalents at end of term (year)	2,934,143	1,731,413	1,202,730	2,900,991

(Notes)

1. Amounts for the six months ended September 30, 2002 are those of the former SMBC.

2. Amounts less than one million yen have been omitted.

V. SEGMENT INFORMATION

(1) Business segment information

Six months ended September 30, 2003

(Millions of yen)

	Banking business	Leasing	Other	Total	Elimination and unallocated corporate assets	Consolidated
Ordinary income						
(1) External customers	1,276,476	317,650	166,708	1,760,835	–	1,760,835
(2) Intersegment	14,913	9,527	90,622	115,063	(115,063)	–
Total	1,291,389	327,177	257,331	1,875,898	(115,063)	1,760,835
Ordinary expenses	1,168,804	313,395	220,912	1,703,112	(107,786)	1,595,326
Ordinary profit (loss)	122,584	13,782	36,418	172,785	(7,277)	165,508

(Notes)

1. The business segmentation is classified based on SMFG's internal administrative purpose.

Ordinary income and ordinary profit are presented as counterparts of sales and operating profit of companies in other industries.

2. "Other" includes securities, credit card, investment banking, loans, venture capital, system development and information processing.

Six months ended September 30, 2002 [Sumitomo Mitsui Banking Corporation]

(Millions of yen)

	Banking Business	Leasing	Other	Total	Elimination and unallocated corporate assets	Consolidated
Ordinary income						
(1) External customers	1,305,946	294,373	162,215	1,762,535	–	1,762,535
(2) Intersegment	8,788	2,774	88,547	100,110	(100,110)	–
Total	1,314,735	297,148	250,762	1,862,646	(100,110)	1,762,535
Ordinary expenses	1,212,810	284,870	216,456	1,714,138	(101,459)	1,612,679
Ordinary profit (loss)	101,924	12,277	34,305	148,507	1,348	149,856

(Note) Amounts for the six months ended September 30, 2002 are those of the former SMBC.

Year ended March 31, 2003

(Millions of yen)

	Banking business	Leasing	Other	Total	Elimination and unallocated corporate assets	Consolidated
Ordinary income						
(1) External customers	2,530,217	640,529	335,639	3,506,386	–	3,506,386
(2) Intersegment	31,282	5,563	163,790	200,636	(200,636)	–
Total	2,561,499	646,093	499,429	3,707,023	(200,636)	3,506,386
Ordinary expenses	3,130,721	622,237	447,163	4,200,122	(177,986)	4,022,136
Ordinary profit (loss)	(569,221)	23,855	52,265	(493,099)	(22,650)	(515,749)

(2) Geographic segment information

Six months ended September 30, 2003

(Millions of yen)

	Japan	The Americas	Europe	Asia and Oceania	Total	Elimination and unallocated corporate assets	Consolidated
Ordinary income							
(1) External customers	1,606,056	71,757	43,371	39,649	1,760,835	–	1,760,835
(2) Intersegment	21,629	19,230	2,464	6,062	49,386	(49,386)	–
Total	1,627,685	90,988	45,836	45,712	1,810,221	(49,386)	1,760,835
Ordinary expenses	1,521,296	56,531	37,252	25,388	1,640,469	(45,143)	1,595,326
Ordinary profit (loss)	106,388	34,456	8,583	20,323	169,752	(4,243)	165,508

(Notes)

- The geographic segmentation is classified based on the degrees of following factors:
geographic proximity, similarity of economic activities and relationship of business activities among regions.
Ordinary income and ordinary profit are presented as counterparts of sales and operating profit of companies in other industries.
- The Americas includes the United States, Brazil, Canada and others; Europe includes the United Kingdom, Germany and France and others; Asia and Oceania includes Hong Kong, Singapore, Australia and others except Japan.

Six months ended September 30, 2002 [Sumitomo Mitsui Banking Corporation]

(Millions of yen)

	Japan	The Americas	Europe	Asia and Oceania	Total	Elimination and unallocated corporate assets	Consolidated
Ordinary income							
(1) External customers	1,525,550	93,262	78,696	65,026	1,762,535	–	1,762,535
(2) Intersegment	31,186	22,033	14,828	17,164	85,213	(85,213)	–
Total	1,556,736	115,296	93,525	82,191	1,847,749	(85,213)	1,762,535
Ordinary expenses	1,513,742	67,790	68,621	52,553	1,702,707	(90,028)	1,612,679
Ordinary profit (loss)	42,993	47,506	24,903	29,638	145,042	4,814	149,856

(Note) Amounts for the six months ended September 30, 2002 are those of the former SMBC.

Year ended March 31, 2003

(Millions of yen)

	Japan	The Americas	Europe	Asia and Oceania	Total	Elimination and unallocated corporate assets	Consolidated
Ordinary income							
(1) External customers	3,033,860	173,224	174,353	124,948	3,506,386	–	3,506,386
(2) Intersegment	66,249	48,741	32,144	26,912	174,048	(174,048)	–
Total	3,100,110	221,966	206,498	151,860	3,680,435	(174,048)	3,506,386
Ordinary expenses	3,804,777	149,894	134,985	82,652	4,172,309	(150,172)	4,022,136
Ordinary profit (loss)	(704,666)	72,071	71,512	69,208	(491,873)	(23,876)	(515,749)

(3) Ordinary income from overseas operations

(Millions of yen)

	Consolidated ordinary income from overseas operations (A)	Consolidated ordinary income (B)	(A) / (B)
Six months ended September 30, 2003	154,778	1,760,835	8.8 %
Six months ended September 30, 2002 [SMBC]	236,985	1,762,535	13.4 %
Year ended March 31, 2003	472,525	3,506,386	13.5 %

(Notes)

- Consolidated ordinary income from overseas operations are presented as counterparts of overseas sales of companies in other industries.
- The above table shows ordinary income from transactions of overseas branches of SMBC and transactions of overseas consolidated subsidiaries, excluding internal income. These extensive transactions are not categorized by transaction party and the geographic segment information is not presented because such information is not available.
- Amounts for the six months ended September 30, 2002 are those of the former SMBC.

VI. Products, Orders and Sales

This information is not available because of the specialty of banking business.

[Supplemental Information]

Market Value Information on Securities

[1] Securities

1. As of September 30, 2003

(Notes)

- In addition to "Securities" stated in the consolidated interim balance sheet, the amounts below include trading securities, commercial paper and short-term corporate bonds (electronic commercial paper) classified as "Trading assets," negotiable certificates of deposit bought classified as "Cash and due from banks" and commercial paper and beneficiary claim on loan trust classified as "Commercial paper and other debt purchased."
- Stocks of subsidiaries and affiliates that have market value are presented in notes to non-consolidated interim financial statements.

(1) Securities classified as trading purposes

As of and for the six months ended September 30, 2003 (Millions of yen)

	Consolidated balance sheet amount	Valuation gains (losses) included in profit/loss during the term
Securities classified as trading purposes	1,205,895	(1,705)

(2) Bonds classified as held-to-maturity with market value

As of September 30, 2003 (Millions of yen)

	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	510,142	498,990	(11,152)	884	12,037
Japanese local government bonds	—	—	—	—	—
Japanese corporate bonds	—	—	—	—	—
Other	21,329	22,379	1,049	1,166	117
Total	531,472	521,369	(10,103)	2,051	12,155

(Note) Market value is calculated using the market price at the interim term-end.

(3) Other securities with market value

As of September 30, 2003 (Millions of yen)

	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	2,606,121	3,077,101	470,979	578,166	107,187
Bonds	12,436,715	12,281,842	(154,872)	6,597	161,470
Japanese government bonds	11,240,557	11,103,803	(136,754)	2,865	139,619
Japanese local government bonds	413,692	403,548	(10,143)	924	11,067
Japanese corporate bonds	782,465	774,489	(7,975)	2,808	10,783
Other	4,187,030	4,174,553	(12,477)	20,171	32,649
Total	19,229,867	19,533,496	303,629	604,936	301,307

(Notes)

- Of the total net unrealized gains shown above, 22,029 million yen is included in this term's profit because of the application of fair value hedge accounting.
- Market value is calculated as follows:

Stocks	Average market price during one month before the interim term-end
Bonds and others	Market price at the interim term-end
- Other securities with market value are considered as impaired if the market value decreases significantly below the acquisition cost and such decline is not considered as recoverable. The market value is recognized as the consolidated interim balance sheet amount and the amount of write-down is accounted for as valuation loss (impaired) for the current interim term. Valuation loss for the current interim term was 530 million yen. The rule for determining "significant decline" is as follows and is based on the classification of issuing company under self-assessment of assets.

Bankrupt/ Effectively bankrupt/ Potentially bankrupt issuers	: Market value is lower than acquisition cost.
Issuers requiring caution	: Market value is 30% or more lower than acquisition cost.
Normal issuers	: Market value is 50% or more lower than acquisition cost.

Bankrupt issuers: Issuers that are legally bankrupt or formally declared bankrupt
 Effectively bankrupt issuers: Issuers that are not legally bankrupt but regarded as substantially bankrupt
 Potentially bankrupt issuers: Issuers that are perceived to have a high risk of falling into bankruptcy
 Issuers requiring caution: Issuers that are identified for close monitoring
 Normal issuers: Issuers other than the above four categories of issuers

(4) Held-to-maturity bonds sold during the interim term

Six months ended September 30, 2003	(Millions of yen)			Reason for sales
	Acquisition cost	Sales amount	Gains on sales	
Japanese government bonds	21,063	21,709	645	A consolidated subsidiary, THE MINATO BANK, LTD. ("Minato") changed its investment policy.
Japanese local government bonds	23,060	23,796	736	
Total	44,123	45,506	1,382	

(5) Other securities sold during the interim term

Six months ended September 30, 2003	(Millions of yen)		
	Sales amount	Gains on sales	Losses on sales
Other securities	15,761,524	145,995	95,693

(6) Securities with no available market value

As of September 30, 2003	(Millions of yen)
	Consolidated balance sheet amount
Bonds classified as held to maturity	
Unlisted foreign securities	5,411
Other	10,112
Other securities	
Unlisted stocks (except OTC trading stocks)	338,389
Unlisted bonds	1,457,321
Unlisted foreign securities	325,123
Other	109,236

(7) Change of classification of securities

Minato changed its investment policy and sold some of the held-to-maturity bonds during this interim term. As a result, Minato changed the classification of the remaining bonds that Minato holds, 28,281 million yen, from "held-to-maturity" to "other securities" pursuant to Article 83 of the "Practical Guidelines for Accounting for Financial Instruments" (JICPA Accounting Committee Report No.14). According to this change of classification, "Securities" increased by 66 million yen and "Deferred tax assets" decreased by 26 million yen, and "Minority interests" and "Net unrealized gains on other securities" increased by 36 million yen and 2 million yen, respectively, compared with the former classification of bonds.

(8) Redemption schedule of other securities with maturities and bonds classified as held-to-maturity

As of September 30, 2003	(Millions of yen)			
	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	over 10 years
Bonds	2,916,076	6,936,933	3,780,495	615,803
Japanese government bonds	2,717,215	5,160,392	3,125,480	610,858
Japanese local government bonds	6,726	197,435	198,853	533
Japanese corporate bonds	192,133	1,579,106	456,162	4,411
Other	471,659	2,977,811	434,399	606,081
Total	3,387,735	9,914,745	4,214,895	1,221,884

(4) Held-to-maturity bonds sold during the fiscal year

There are no corresponding transactions.

(5) Other securities sold during the fiscal year

Year ended March 31, 2003	(Millions of yen)		
	Sales amount	Gains on sales	Losses on sales
Other securities	37,709,925	231,862	190,364

(6) Securities with no available market value

As of March 31, 2003	(Millions of yen)
	Consolidated balance sheet amount
Bonds classified as held-to-maturity	
Unlisted foreign securities	4,105
Other	6,463
Other securities	
Unlisted foreign securities	363,282
Unlisted bonds	1,176,885
Unlisted stocks (except OTC trading stocks)	281,888
Other	137,050

(7) Change of classification of securities

There are no corresponding items.

(8) Redemption schedule of other securities with maturities and bonds classified as held-to-maturity

As of March 31, 2003	(Millions of yen)			
	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	over 10 years
Bonds	3,482,943	8,134,230	3,769,404	260,826
Japanese government bonds	3,303,635	6,306,161	3,034,984	256,865
Japanese local government bonds	11,935	138,933	223,723	612
Japanese corporate bonds	167,372	1,689,135	510,695	3,349
Other	355,161	2,886,041	765,581	880,974
Total	3,838,104	11,020,271	4,534,985	1,141,800

[2] Money Held in Trust

1. As of September 30, 2003

(1) Money held in trust classified as trading purposes

As of and for the six months ended September 30, 2003	(Millions of yen)	
	Consolidated balance sheet amount	Valuation gains (losses) included in profit/loss during the term
Money held in trust classified as trading purposes	7,443	-

(2) Money held in trust classified as held-to-maturity

There are no corresponding transactions.

(3) Other money held in trust

As of September 30, 2003	(Millions of yen)				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Other money held in trust	20,070	20,054	(16)	249	265

(Note) Consolidated interim balance sheet amount is calculated using the market price at the interim term-end.

2. As of March 31, 2003

(1) Money held in trust classified as trading purposes

As of and for the year ended March 31, 2003	(Millions of yen)	
	Consolidated balance sheet amount	Valuation gains (losses) included in profit/loss during the year
Money held in trust classified as trading purposes	1,629	12

(2) Money held in trust classified as held-to-maturity

There are no corresponding transactions.

(3) Other money held in trust

As of March 31, 2003	(Millions of yen)				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Other money held in trust	23,044	23,000	(44)	510	555

(Note) Market value is calculated by using market prices at the fiscal year-end.

[3] Net Unrealized Gains (Losses) on Other Securities

1. As of September 30, 2003

Net unrealized gains (losses) on other securities that is reported on the consolidated interim balance sheet is as follows:

As of September 30, 2003	(Millions of yen)
Net unrealized gains	281,549
Other securities	281,565
Other money held in trust	(16)
(+) Deferred tax assets	(110,389)
Net unrealized gains (losses) on securities (before following adjustment)	<u>171,159</u>
(-) Minority interests	(4,343)
(+) SMFG's interest in net unrealized gains (losses) on valuation of other securities held by affiliates accounted for by the equity method	<u>722</u>
Net unrealized gains (losses) on other securities	176,225

(Notes)

1. Of the total net unrealized gains shown above, 22,029 million yen is included in this term's profit because of the application of fair value hedge accounting.
2. Net unrealized gains (losses) included foreign currency translation adjustments on non-marketable securities denominated in foreign currency.

2. As of March 31, 2003

Net unrealized gains (losses) on other securities that is reported on the consolidated balance sheet is shown as follows:

As of March 31, 2003	(Millions of yen)
Net unrealized gains	(30,758)
Other securities	(30,713)
Other money held in trust	(44)
(+) Deferred tax assets	2,004
Net unrealized gains (losses) on other securities (before following adjustment)	<u>(28,754)</u>
(-) Minority interests	(4,557)
(+) SMFG's interest in net unrealized gains (losses) on valuation of other securities held by affiliates accounted for by the equity method	<u>(1)</u>
Net unrealized gains (losses) on other securities	(24,197)

(Note) Net unrealized gains (losses) included foreign currency translation adjustments on non-marketable securities denominated in foreign currency.

Market Value Information on Derivative Transactions

1. As of September 30, 2003

(1) Interest Rate Derivatives

As of September 30, 2003	(Millions of yen)		
	Contract amount	Market value	Valuation gains (losses)
Transactions listed on exchange			
Interest rate futures	213,646,304	7,059	7,059
Interest rate options	2,815,783	(314)	(314)
Over-the-counter transactions			
Forward rate agreements	19,588,774	764	764
Interest rate swaps	378,671,001	286,193	286,193
Interest rate swaptions	6,857,851	(30,654)	(30,654)
Caps	8,861,038	1,313	1,313
Floors	506,180	(888)	(888)
Other	249,262	2,642	2,642
Total		266,116	266,116

(Note)

The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated interim statement of income.

Derivative transactions to which deferred hedge accounting is applied are excluded from the amounts above.

Interest-related transactions that some consolidated overseas subsidiaries account for in accordance with their local accounting standards are excluded from the amounts above. Their net unrealized gains amount to 78 million yen.

(2) Currency Derivatives

As of September 30, 2003	(Millions of yen)		
	Contract amount	Market value	Valuation gains (losses)
Over-the-counter transactions			
Currency swaps	16,370,428	65,930	149,520
Currency swaptions	1,563,973	20,038	20,038
Forward foreign exchange	33,529,491	(125,004)	(125,004)
Currency options	6,553,725	(7,407)	(7,407)
Other	18,119	46	46
Total		(46,397)	37,193

(Notes)

1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated interim statement of income.

The following types of forward foreign exchange and currency options are not included in the above amounts.

(a) Derivative transactions to which deferred hedge accounting is applied

(b) Those that are allotted to financial assets/liabilities denominated in foreign currency and whose market value are already reflected in the amount of the financial assets/liabilities on the consolidated interim balance sheet.

(c) Those that are allotted to financial assets/liabilities denominated in foreign currency and the financial assets/liabilities are eliminated in the process of consolidation.

Currency-related transactions that some consolidated overseas subsidiaries account for in accordance with their local accounting standards are excluded from the amounts above. Their net unrealized losses amount to 178 million yen.

2. The forward foreign exchange and currency options that were formerly revaluated are included in the amounts from this interim term.

(3) Equity Derivatives

As of September 30, 2003		(Millions of yen)	
	Contract amount	Market value	Valuation gains (losses)
Transactions listed on exchange			
Equity price index futures	30	0	0
Equity price index options	5	(1)	(1)
Over-the-counter transactions			
Equity options	—	—	—
Equity price index swaps	—	—	—
Other	10,481	0	0
Total		(0)	(0)

(Note)

The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated interim statement of income.

Derivative transactions to which deferred hedge accounting is applied are excluded from the amounts above.

(4) Bond Derivatives

As of September 30, 2003		(Millions of yen)	
	Contract amount	Market value	Valuation gains (losses)
Transactions listed on exchange			
Bond futures	868,606	(848)	(848)
Bond futures options	65,081	(104)	(104)
Over-the-counter transactions			
Bond options	2,364,407	(6,965)	(6,965)
Total		(7,919)	(7,919)

(Note)

The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated interim statement of income.

Derivative transactions to which deferred hedge accounting is applied are excluded from the amounts above.

(5) Commodity Derivatives

As of September 30, 2003		(Millions of yen)	
	Contract amount	Market value	Valuation gains (losses)
Over-the-counter transactions			
Commodity swaps	134,986	2,680	2,680
Commodity options	10,426	23	23
Total		2,704	2,704

(Notes)

1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated interim statement of income.

Derivative transactions to which deferred hedge accounting is applied are excluded from the amounts above.

2. Commodity derivatives are transactions on fuel and metal.

(6) Credit Derivative Transactions

As of September 30, 2003		(Millions of yen)	
	Contract amount	Market value	Valuation gains (losses)
Over-the-counter transactions			
Credit default options	63,884	1,096	1,096
Other	79,260	176	176
Total		1,272	1,272

(Note)

The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated interim statement of income.

Derivative transactions to which deferred hedge accounting is applied are excluded from the amounts above.

2. As of March 31, 2003

(1) Interest Rate Derivatives

As of March 31, 2003	(Millions of yen)			
	Contract amount	(Over 1 year)	Market value	Valuation gains (losses)
Transactions listed on exchange				
Interest rate futures				
sold	59,749,099	4,547,691	(103,623)	(103,623)
bought	57,633,988	5,676,922	109,474	109,474
Interest rate options				
sold	1,230,739	-	76	76
bought	600,964	205,802	(99)	(99)
Over-the-counter transactions				
Forward rate agreements				
sold	13,389,231	590,000	1,076	1,076
bought	3,469,855	455,000	(500)	(500)
Interest rate swaps				
Receivable fixed rate/Payable floating rate	146,600,794	101,347,568	3,300,127	3,300,127
Receivable floating rate/Payable fixed rate	139,298,388	98,710,883	(3,040,142)	(3,040,142)
Receivable floating rate/Payable floating rate	18,990,156	13,890,272	850	850
Interest rate swaptions				
sold	1,720,503	798,669	(35,707)	(35,707)
bought	1,523,512	1,106,731	26,355	26,355
Caps				
sold	5,352,002	3,331,808	(4,194)	(4,194)
bought	3,616,992	2,536,627	6,682	6,682
Floors				
sold	317,281	207,279	(7,673)	(7,673)
bought	351,199	195,322	9,027	9,027
Other				
sold	42,316	36,551	(6,526)	(6,526)
bought	250,660	92,669	6,603	6,603
Total			251,467	251,467

(Notes)

- The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.
Derivative transactions to which deferred hedge accounting is applied are not included in the amounts above.
Some consolidated overseas subsidiaries account for interest rate derivatives in accordance with local accounting standards.
Such transactions are not included in the amounts above, of which their net unrealized gains amount to 818 million yen.
- Market value of transactions listed on exchange is calculated mainly using the closing prices on the Tokyo International Financial Futures Exchange and others.
Market value of OTC transactions is calculated mainly using discounted present value and option pricing models.

(2) Currency Derivatives

As of March 31, 2003	(Millions of yen)			
	Contract amount	(Over 1 year)	Market value	Valuation gains (losses)
Over-the-counter transactions				
Currency swaps				
Currency swaptions				
sold	330,238	330,238	(3,173)	(3,173)
bought	865,005	865,005	13,724	13,724
Forward foreign exchange	2,935,846	547,699	1,518	1,518
Currency options				
sold	56,586	13,166	(1,375)	(1,375)
bought	60,441	21,575	1,585	1,585
Other				
sold	15,310	2,855	153	153
bought	-	-	-	-
Total			(26,956)	(26,956)

(Notes)

1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.

The derivative transactions to which deferred hedge accounting is applied and the transactions shown in Notes 3 are not included in the amounts above.

Some consolidated overseas subsidiaries account for currency derivatives in accordance with local accounting standards. Such transactions are not included in the amounts above, of which their net unrealized gains amount to 371 million yen.

2. Market value is calculated mainly using discounted present value.

3. Forward foreign exchange and currency options which are of the following types are not included in the figures above:

- 1) Those that are revaluated at fiscal year-end and the revaluation gain (loss) is accounted for in the consolidated statement of operations
- 2) Those that are allotted to financial assets/liabilities denominated in foreign currency and whose market values are already reflected in the amount of the financial assets/liabilities on the consolidated balance sheet.
- 3) Those that are allotted to financial assets/liabilities denominated in foreign currency and the financial assets/liabilities are eliminated in the process of consolidation.

The contract amount of currency derivatives which are revaluated at the consolidated balance sheet date are as follows:

As of March 31, 2003	(Millions of yen)
	Contract amount
Transactions listed on exchange	
Currency futures	
sold	-
bought	-
Currency options	
sold	-
bought	-
Over-the-counter transactions	
Forward foreign exchange	37,271,679
Currency options	
sold	3,001,518
bought	3,195,840

(3) Equity Derivatives

As of March 31, 2003	(Millions of yen)			
	Contract amount	(Over 1 year)	Market value	Valuation gains (losses)
Transactions listed on exchange				
Equity price index futures				
sold	-	-	-	-
bought	-	-	-	-
Equity price index options				
sold	-	-	-	-
bought	-	-	-	-
Over-the-counter transactions				
Equity options				
sold	0	-	0	0
bought	0	-	(0)	(0)
Equity price index swaps				
Receivable equity index/Payable floating rate	-	-	-	-
Receivable floating rate/Payable equity index	-	-	-	-
Other				
sold	477	-	0	0
bought	477	-	0	0
Total			0	0

(Notes)

1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.

Derivative transactions to which deferred hedge accounting is applied are not included in the amounts above.

2. Market value of transactions listed on exchange is calculated mainly using the closing prices on the Tokyo Stock Exchange. Market value of OTC transactions is calculated mainly using discounted present value and option pricing models.

(4) Bond Derivatives

As of March 31, 2003		(Millions of yen)			
		Contract amount		Market value	Valuation gains (losses)
			(Over 1 year)		
Transactions listed on exchange					
Bond futures					
sold		119,032	–	(388)	(388)
bought		129,712	–	(67)	(67)
Bond futures options					
sold		4,000	–	(8)	(8)
bought		–	–	–	–
Over-the-counter transactions					
Bond options					
sold		16,010	15,617	0	0
bought		4,719	3,125	0	0
Total				(463)	(463)

(Notes)

- The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.
Derivative transactions to which deferred hedge accounting is applied are not included in the amounts above.
- Market value of transactions listed on exchange is calculated mainly using the closing prices on the Tokyo Stock Exchange.
Market value of OTC transactions is calculated mainly using discounted present value and option pricing models.

(5) Commodity Derivatives

As of March 31, 2003		(Millions of yen)			
		Contract amount		Market value	Valuation gains (losses)
			(Over 1 year)		
Over-the-counter transactions					
Commodity swaps					
Receivable fixed price / Payable floating price		31,049	27,358	(1,607)	(1,607)
Receivable floating price / Payable fixed price		31,049	27,358	2,376	2,376
Commodity options					
sold		6,369	4,063	(1,493)	(1,493)
bought		6,369	4,063	1,521	1,521
Total				797	797

(Notes)

- The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.
Derivative transactions to which deferred hedge accounting is applied are not included in the amounts above.
- Market value is calculated based on factors such as price of the relevant commodity and contract term.
- Commodity derivatives are transactions on oil and metal.

(6) Credit Derivative Transactions

As of March 31, 2003		(Millions of yen)			
		Contract amount		Market value	Valuation gains (losses)
			(Over 1 year)		
Over-the-counter transactions					
Credit default options					
sold		39,823	22,790	(1,767)	(1,767)
bought		35,625	18,592	3,153	3,153
Other					
sold		5,722	1,099	4,915	4,915
bought		86,567	79,546	276	276
Total				6,578	6,578

(Notes)

- The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.
Derivative transactions to which deferred hedge accounting is applied are not included in the amounts above.
- Market value is calculated based on factors such as price of the reference assets and contract term.
- "Sold" represents transactions in which the credit risk is accepted. "Bought" represents transactions in which the credit risk is transferred.