

### **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