Major Questions and Answers about the Financial Results for Fiscal 2003

1. SMBC's Earnings Results for Fiscal 2003

Q. What are the reasons for the year-over-year decrease of JPY 113.5 billion in Banking profit?

A. Gross banking profit decreased JPY 176.5 billion from the drop in profits of the Treasury Unit, which had posted high performance in the previous fiscal year by effectively capitalizing on the decline in interest rates in the Japanese and overseas markets. On the other hand, expenses were JPY 63.0 billion lower thanks to the continued streamlining of the workforce and a further reduction in bonuses, as well as the effect of rationalization of the domestic branch network and IT system integration completed in FY2002. Consequently, though Banking profit exceeded JPY 1.0 trillion for three consecutive years since the merger, it was JPY 113.5 billion lower compared to a year earlier.

Q. What is the situation for the balance of loans?

A. The term-end loan balance decreased by approximately JPY 6.5 trillion compared with a year earlier. The main factors of the decrease were as follows: approximately JPY 5.8 trillion decrease in domestic loans because of the substantial progress in reducing loans to problematic borrowers and decrease in loans to the national treasury (Special Account for Distribution of Local Allocation and Shared Taxes, etc.), and approximately JPY 600 billion decrease in overseas loans mainly due to the yen appreciation.

On the other hand, the balance of loans of domestic marketing units turned positive in the second half of FY2003 on successful origination of unsecured loans to small- and medium-sized enterprises (SMEs) and mortgage loans.

2. SMBC's Asset Quality

Q. What are the reasons for overachieving the plan to reduce Problem assets based on the Financial Reconstruction Law to JPY 3.9 trillion by March 31, 2004 by more than JPY 1 trillion?

A. We designated FY2003 and FY2004 as the "intensive resolution period", and total Problem assets based on the Financial Reconstruction Law on March 31, 2004 amounted to JPY 2,811.2 billion, a large decrease of JPY 2,450.1 billion compared with March 31, 2003, and the Problem asset ratio decreased 3.4% year-over-year to 5.0% as a result of our continuous effort in "off-balancing", proactive engagement in revitalization of Substandard borrowers, and implementing initiatives for preventing further deterioration of borrowers under the recovering economic environment. Specifically, the amount of Doubtful Assets decreased by JPY 926.8 billion and the amount of Substandard Loans decreased by JPY 1,360.0 billion.

Q. Please give the reasons for and the breakdown of the JPY 100.0 billion increase in total credit cost to JPY 803.4 billion, compared with the original plan of JPY 700.0 billion announced in November 2003.

A. Total credit cost in the second half was higher than originally planned because we further accelerated the disposal of non-performing loans (NPLs) in order to achieve the goal of halving the Problem asset ratio by the end of FY2004 compared with the end of FY2001 level, as well as increasing the reserves for Potentially bankrupt borrowers and Substandard borrowers. We recognized approximately JPY 250 billion in cost for "off-balancing" and approximately JPY 550 billion in cost for reserves for deteriorated borrowers.

Q. What are the reserve ratios for Substandard borrowers and Borrowers requiring caution?

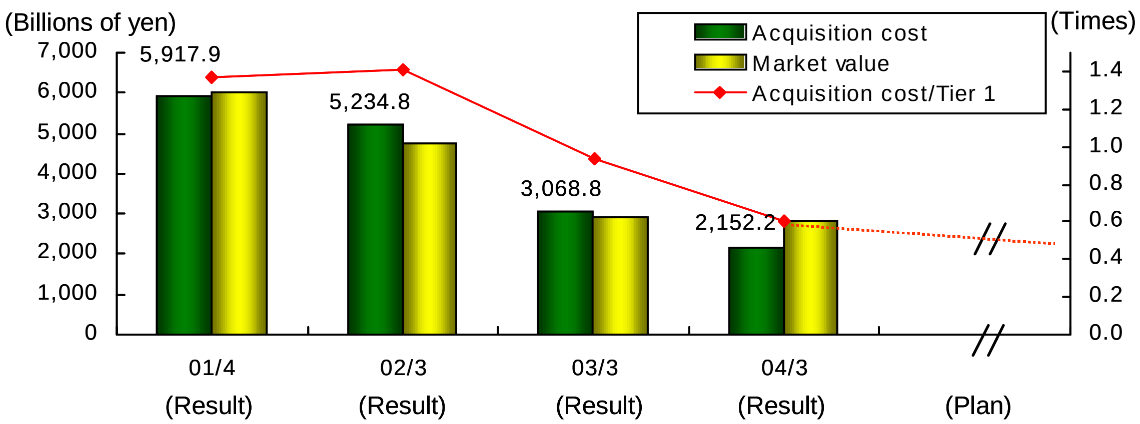
A. The reserve ratio of unsecured claims (excluding the portion secured by collateral or guarantees, etc.) to all Substandard Borrowers, including borrowers to whom DCF method has been applied, was 39.0%, an year-over-year increase of 5.3%, which we believe is a sufficient level. The reserve ratio for unsecured claims to Borrowers Requiring Caution excluding claims to Substandard Borrowers was 10.8%, a 2.0% decrease compared with a year earlier.

3. SMBC's Balance Sheet

Q. Is the reduction of cross-shareholdings progressing? What's your strategy hereafter?

A. We sold approximately JPY 560 billion in the first half and continued to reduce the book value of stocks in the second half, for a total JPY 930 billion sales of cross-shareholdings in FY2003. We remain committed to reducing our exposure to stock price fluctuations by selling stocks at optimal opportunities. Our mid-term target is to reduce the book value of stocks to within half of Tier 1 capital.

<Reduction of stockholdings>



Q. What is the amount of deferred tax assets? What is your policy in recognizing valuation allowance?

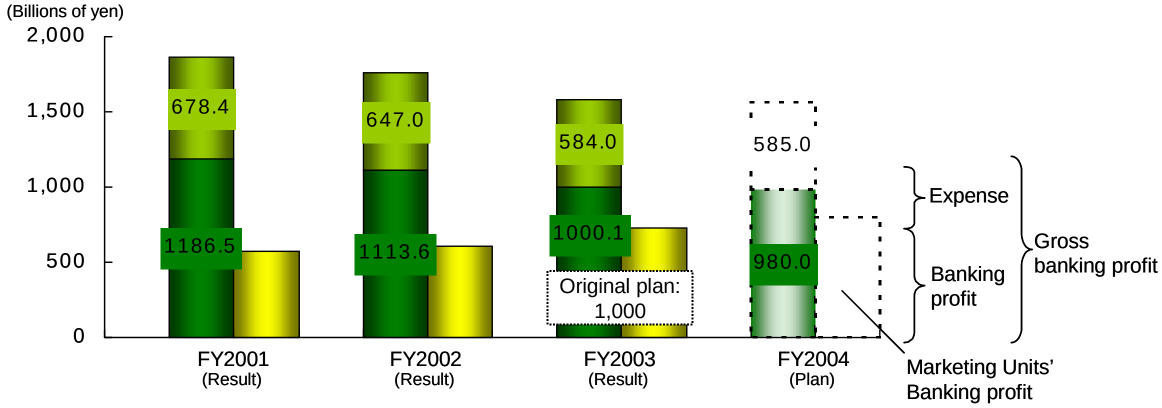
A. The amount of deferred tax assets as at March 31, 2004 was JPY 1,590.5 billion, a JPY 224.1 billion decrease from the previous fiscal year end, mainly attributable to revaluation of “Other securities” resulting in unrealized gains. The amount of valuation allowance was JPY 357.3 billion, an year-over-year decrease of JPY 97.5 billion because of the reduction in Temporary differences from recording of profit in FY2003.

4. SMBC’s Earnings Forecasts for FY2004

Q. What is your Banking profit forecast for FY2004?

A. We expect the Gross banking profit to decrease JPY 20 billion compared to FY2003 as we believe the increases in the marketing units’ profits will not be enough to off-set the Treasury Unit’s approximately JPY 100 billion decrease in the profit from the expected increase in long-term interest rates in the Japanese and overseas markets. Though we will continue to reduce costs through further rationalization, etc., we expect expenses to remain flat as we will aggressively allocate resources to strategic business lines such as loans to SMEs and mortgage loans to enhance profitability. Consequently, we expect Banking profit to decrease JPY 20 billion to JPY 980 billion.

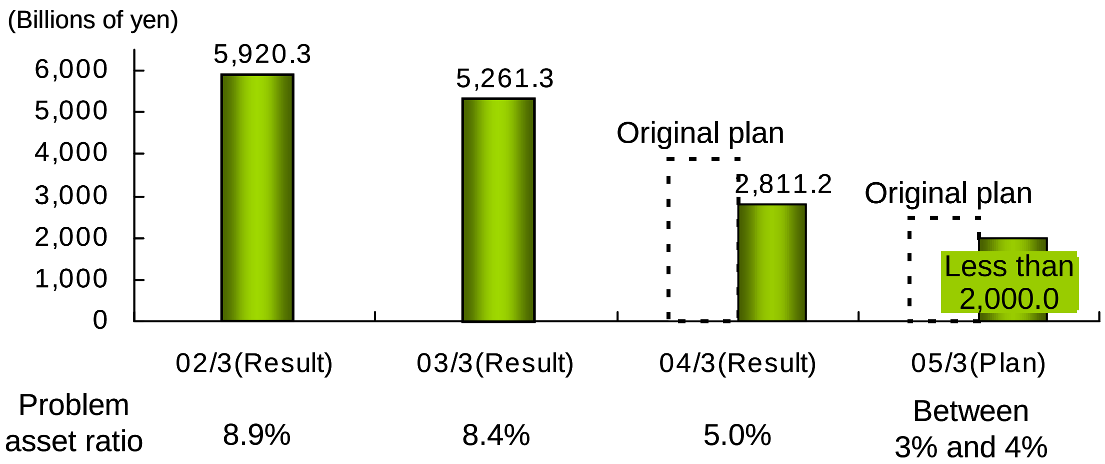
<Banking profit>



Q. What is the plan for the disposal of NPLs?

A. We believe we will be able to reduce the amount of Problem assets based on the Financial Reconstruction Law to less than JPY 2 trillion and the Problem asset ratio to between 3% and 4% by the end of FY2004, thereby putting the NPL problem behind us, by continuing to make progress in "off-balancing", revitalizing borrowers' businesses, and preventing a further deterioration in asset quality.

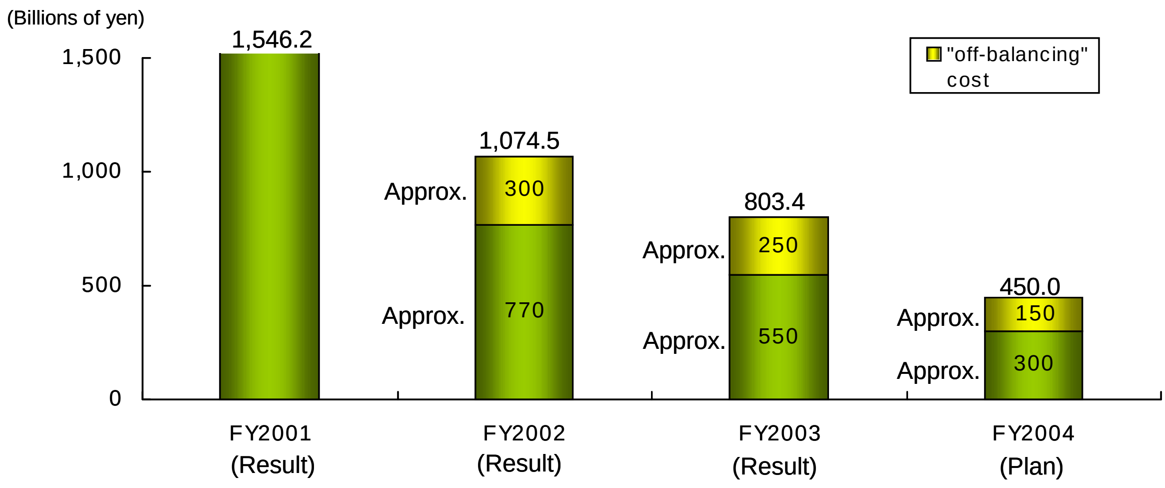
<Problem assets based on the Financial Reconstruction Law >



Q. What is the plan for credit cost this fiscal year?

A. We expect total credit cost of approximately JPY 450 billion, consisting of approximately JPY 150 billion for "off-balancing" and approximately JPY 300 billion for a potential increase in reserve for deteriorated borrowers.

<Credit cost>



5. SMFG

Q. What is the consolidated earnings forecast of SMFG for FY2004?

A. We expect Ordinary profit of JPY 650 billion and Net income of JPY 330 billion on a consolidated basis, and on a non-consolidated basis, Ordinary profit of JPY 255 billion and Net income of JPY 255 billion.

<Earnings Forecast for FY2004>

Sumitomo Mitsui Financial Group, Inc.

<Non-consolidated> (Billions of yen)

	FY2004 Six-month period ending Sep. 30, 2004	**FY2004 Forecast**	FY2003 Result
Operating income	205.0	260.0	55.5
Ordinary profit	200.0	255.0	51.2
Net income	200.0	255.0	50.5

(Billions of yen)

	FY2004 Six-month period ending Sep. 30, 2004	**FY2004 Forecast**	FY2003 Result
Total dividend	-	52.2	46.4

Dividend per share forecast (Yen)

		FY2004 Six-month period ending Sep. 30, 2004	**FY2004 Forecast**	FY2003 Result
Common stock		-	4,000	3,000
Type 1 Preferred stock		-	10,500	10,500
Type 2 Preferred stock		-	28,500	28,500
Type 3 Preferred stock		-	13,700	13,700
Type 4 Preferred stock	1st - 12th series	-	135,000	135,000
	13th series	-	67,500	67,500

<Consolidated> (Billions of yen)

	FY2004 Six-month period ending Sep. 30, 2004	**FY2004 Forecast**	FY2003 Result
Ordinary income	1,700.0	3,400.0	3,552.5
Ordinary profit	270.0	650.0	342.8
Net income	150.0	330.0	330.4

(Reference)
Sumitomo Mitsui Banking Corporation

<Non-consolidated> (Billions of yen)

	FY2004 Six-month period ending Sep. 30, 2004	**FY2004 Forecast**	FY2003 Result
Gross banking profit	755.0	1,565.0	1,584.1
Expenses	(295.0)	(585.0)	(584.0)
Banking profit (excluding transfer to general reserve for possible loan losses)	460.0	980.0	1,000.1
Ordinary profit	200.0	500.0	185.1
Net income	130.0	280.0	301.1

Total credit cost (*)	(250.0)	(450.0)	(803.4)

(*) (Transfer to general reserve for possible loan losses) + (Credit cost included in non-recurring losses)