

III. Operating Results and Financial Position

1. Overview of Consolidated Operating Results and Financial Position as of and for the Year Ended March 31, 2005

(1) Operating Results

In fiscal 2004, SMFG addressed “Enhancement of group profitability” and “Completion of improvement in asset quality” as the most important business challenge.

Ordinary income increased 0.8% to 3,580.7 billion yen as a result of increase in fees and commissions and other operating income though interest income and trading profits decreased. Ordinary expenses increased 12.5% to 3,611.0 billion yen mainly due to increases in interest expenses and other expenses arising from further reductions in non-performing loans and securities portfolio implemented to ensure an earnings recovery in fiscal 2005 onward.

As a result, Ordinary loss and Net loss (after adjusting extraordinary gains/losses and other factors) amounted to 30.2 billion yen and 234.2 billion yen, respectively.

(2) Assets and Liabilities

Deposits amounted to 68,474.8 billion yen (up 3,141.4 billion yen from the previous fiscal year-end) and Negotiable certificates of deposit amounted to 2,713.2 billion yen (down 806.1 billion yen).

Loans and bills discounted amounted to 54,799.8 billion yen (down 582.9 billion yen).

Total assets amounted to 99,731.8 billion yen (down 2,483.3 billion yen).

(3) Stockholders' Equity

Stockholders' equity decreased by 295.2 billion yen from the previous fiscal year-end to 2,775.7 billion yen, mainly due to recording of net loss and repayment of the public fund in the form of repurchase of preferred stock, in spite of a capital increase through allocation of new shares to third parties.

(4) Cash Flows

SMFG used 3,280.1 billion yen of Cash flows from operating activities, generated 2,623.5 billion yen of Cash flows from investing activities and generated 54.1 billion yen of Cash flows from financing activities.

Consequently, Cash and cash equivalents amounted to 2,930.6 billion yen.

(5) Segments

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

By business

Total assets

Banking business	93%	(down 0 point from the previous fiscal year-end)
Leasing business	2%	(up 0 point)
Other business	5%	(down 0 point)

Ordinary income

Banking business	65%	(down 2 points from the previous fiscal year)
Leasing business	19%	(up 1 point)
Other business	16%	(up 1 point)

By country

Total assets

Japan	90%	(down 1 point from the previous fiscal year-end)
The Americas	5%	(up 0 point)
Europe	2%	(up 0 point)
Asia and Oceania	3%	(up 1 point)

Ordinary income

Japan	91%	(up 1 point from the previous fiscal year)
The Americas	4%	(down 1 point)
Europe	2%	(down 0 point)
Asia and Oceania	3%	(down 0 point)

(6) Capital Ratio (BIS Guidelines) (preliminary)

Capital ratio was 9.94% on a consolidated basis.

2. Earnings and Dividend Forecast for the Fiscal Year Ending March 31, 2006

(1) Earnings Forecast

In fiscal 2005, SMFG will enhance group profitability by strengthening businesses and further promoting collaboration among the group companies in order to “secure a solid profit level.”

As for earnings forecast on a consolidated basis, Ordinary income, Ordinary profit and Net income are expected to amount to 3,300 billion yen, 780 billion yen, and 460 billion yen, respectively. On a non-consolidated basis, Operating income, Ordinary profit and Net income are expected to amount to 54 billion yen, 48 billion yen, and 70 billion yen, respectively.

(2) Dividend Forecast

SMFG will pay the following fiscal year-end dividends on common stock and preferred stock according to the level of retained earnings. SMFG will not pay interim dividends.

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 (1st series type 6)	88,500 yen per share

3. Risk Factors

Principal risk factors that could materially affect SMFG’s operating results and financial position are as follows. SMFG takes necessary measures to prevent such events from occurring, and responds quickly and appropriately when such events do occur.

- Risk related to increase in problem loans and credit costs
- Risk related to equity portfolio
- Risk related to trading business and holding bonds
- Risk related to foreign currency exchange rate
- Risk related to decline in BIS capital ratio
- Risk related to downgrade in SMFG group’s debt ratings
- Risk related to failure of SMFG’s strategy
- Risk related to failure of joint venture, alliance and acquisition
- Risk related to regulatory amendment of laws, rules and accounting rules etc.

(Note) SMFG recognizes the risk factors shown above on the day of announcement of financial results.