

# Notes to Consolidated Financial Statements

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Year ended March 31, 2003

## 1. Basis of Financial Statements

Sumitomo Mitsui Financial Group, Inc. ("SMFG") was established on December 2, 2002 as the holding company for the SMFG group through a statutory share transfer (*kabushiki iten*) of all of the outstanding equity securities of the former Sumitomo Mitsui Banking Corporation ("former SMBC") in exchange for SMFG's newly issued securities. SMFG is a joint stock corporation with limited liability (*Kabushiki Kaisha*) incorporated under the Commercial Code. Upon formation of SMFG and completion of the statutory share transfer, the former SMBC became a direct wholly owned subsidiary of SMFG.

SMFG merged with The Japan Research Institute Holdings, Ltd. ("JRIH") on February 1, 2003 and The Japan Research Institute, Ltd. became a direct wholly owned subsidiary of SMFG. As a result, SMFG succeeded JRIH's assets of ¥39,852 million (\$332 million) and issued 86,576.53 common stocks.

SMFG and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen, and in accordance with the provisions set forth in the Japanese Commercial Code and accounting principles and practices generally accepted in Japan ("Japanese GAAP").

The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of stockholders' equity) from the consolidated financial statements of SMFG prepared in accordance with Japanese GAAP.

Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Amounts less than one million yen have been omitted. As a result, the totals in Japanese yen shown in the financial statements do not necessarily agree with the sum of the individual amounts.

For the convenience of the readers, the accompanying U.S. dollar financial statements have been translated from Japanese yen, as a matter of arithmetical computation only, at the rate of ¥120.20 to US\$1, the exchange rate prevailing at March 31, 2003. The translations should not be construed as a representation that Japanese yen have been, could have been, or could in the future be, converted into U.S. dollars at that rate.

## 2. Significant Accounting Policies

### (1) Consolidation and equity method

#### (a) Scope of consolidation

Japanese accounting standards on consolidated financial statements require a company to consolidate any subsidiaries of which the company substantially controls the operations, even if it is not a majority owned subsidiary. Control is defined as the power to govern the decision making body of an enterprise.

#### (i) Consolidated subsidiaries

SMFG has 170 consolidated subsidiaries and principal subsidiaries are as follows:

Sumitomo Mitsui Banking Corporation ("SMBC")

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 Co., Ltd.

Sakura Friend Securities Co., Ltd.

Meiko National Securities Co., Ltd.

The Japan Research Institute, Limited

SMBC Capital Markets, Inc.

SMBC Finance Co., Ltd., Mitsui Finance Service Co., Ltd., and Sakura Finance Service Co., Ltd. merged and formed SMBC Finance Services Co., Ltd. on April 1, 2003.

Sakura Friend Securities Co., Ltd. and Meiko National Securities Co., Ltd. merged and formed SMBC Friend Securities Co., Ltd. on April 1, 2003.

#### (ii) Nonconsolidated subsidiaries

Principal company

SBCS Co., Ltd.

Ninety-nine 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 Consolidated Financial Statements Regulation, they were excluded from consolidation.

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

#### (b) Application of the equity method

Japanese accounting standards also require any nonconsolidated subsidiaries and affiliates on which SMFG is able to exercise material influence over their financial and operating policies are to be accounted for by the equity method.

#### (i) Nonconsolidated subsidiaries accounted for by the equity method — 4 companies

Principal company

SBCS Co., Ltd.

#### (ii) Affiliates accounted for by the equity method — 43 companies

Principal companies

Daiwa Securities SMBC Co. Ltd.

Daiwa SB Investments Ltd.

Sumitomo Mitsui Asset Management Company, Limited  
QUOQ Inc.

(iii) Nonconsolidated subsidiaries that are not accounted for by the equity method

Ninety-nine 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 10 Paragraph 1 Item 2 of Consolidated Financial Statements Regulation, they are not treated as affiliated companies accounted for by the equity method.

(iv) Affiliates that are not accounted for by the equity method

Principal company

Daiwa SB Investments (USA) Ltd.

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

(c) The balance sheet dates of consolidated subsidiaries

(i) The dates of year-end account closing of consolidated subsidiaries are as follows:

September 30	5 Companies
October 31	1 Company
December 31	62 Companies
January 31	2 Companies
March 31	100 Companies

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

As for the consolidated overseas subsidiary that was established in February 2003 and whose balance sheet date is December 31, the accounts were provisionally closed as of March 31 for the purpose of consolidation.

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

(d) Application of pooling-of-interests method

As mentioned above, SMFG was established on December 2, 2002 as the holding company through a statutory share transfer of all of the outstanding equity securities of the former SMBC in exchange for SMFG's newly issued securities. The accounts were consolidated using the pooling-of-interests method, assuming that the Group's economics were not changed, pursuant to "Accounting for the consolidation of the holding company established by Stock Exchange or Stock Transfers" (JICPA Accounting Committee Report No. 6).

(e) Valuation of consolidated subsidiaries' assets and liabilities

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to the minority stockholders, are evaluated using the fair value at the time SMFG acquired control of the respective subsidiaries.

(f) Amortization of goodwill

Goodwill on Sumitomo Mitsui Card Company, Limited is amortized using the straight-line method over five years and goodwill on other companies is charged or credited to income directly when incurred.

(2) Statement of cash flows

For the purposes of the consolidated statement of cash flows, cash and cash equivalents represent cash and due from banks.

Reconciliation of the opening balance at the time of consolidation with respect to acquisition of the five companies including Meiko National Securities Co., Ltd. and MITSUI AUTO LEASING, LTD. were as follows:

	Millions of yen	Millions of U.S. dollars
Assets .....	¥ 191,318	\$ 1,592
Lease assets.....	82,346	685
Liabilities.....	¥(150,698)	\$(1,254)
Borrowed money .....	(96,817)	(805)
Minority interests.....	(26,881)	(224)
Goodwill.....	5,013	42
Acquisition costs for the five companies' stocks (a) .....	¥ 18,751	\$ 156
Cash and due from banks of the five companies (b).....	(3,306)	(27)
(a) - (b) Cash expenditure for acquisition of the five companies.....	¥ 15,444	\$ 129

(3) Trading assets and liabilities

Financial instruments, such as derivatives and trading securities, which are held for the short term in anticipation of market gains, are recorded at fair value. Such gains and losses are included in trading profits or losses on the consolidated statement of operations. Trading assets and liabilities are recorded at trade date.

(4) Securities

As for securities other than trading purposes, debt securities that consolidated subsidiaries have the intent and ability to hold to maturity (held-to-maturity securities) are carried at amortized cost (straight-line method) using the moving-average method.

Investments in nonconsolidated 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 subsidiaries and affiliates are classified as "other securities" (available-for-sale securities). Stocks in other securities that have market price are carried at the average market prices during the final month of the fiscal year, and bonds and others that have market prices are carried at their fiscal year-end market prices (cost of securities sold is calculated using primarily the moving-average method). Other securities with no 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."

Securities included in money held in trust account are carried in the same manner as for securities mentioned above.

- (5) **Derivative transactions**  
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 local accounting standards.
- (6) **Hedge accounting**  
Pursuant to the temporary treatment regulated by “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Report No. 24), SMBC applies “the risk adjustment approach” to hedging (Macro hedge) in accordance with the Industry Audit Committee Report No. 15 “Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” issued by JICPA, abiding by the following requirements:
- (a) Loans, deposits and other interest-earning assets and interest-bearing liabilities as a whole shall be recognized as the hedged portfolio.
- (b) Derivatives as hedging instruments shall effectively reduce the interest rate exposure of the hedged portfolio.
- (c) Effectiveness of hedging activities shall be evaluated on a quarterly basis.
- SMBC applies deferred hedge accounting.
- 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 specified 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.
- Certain interest swaps for the purpose of hedging are recorded on an accrual basis using the short-cut method (exceptional treatment for interest rate swaps) in view of consistency with the risk management policy.
- Certain consolidated subsidiaries use the deferred hedge accounting or the short-cut method. A consolidated domestic subsidiary (a leasing company) 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.
- Net amount of deferred unrealized gains on hedging instruments to which hedge accounting is applied is recognized as deferred profit on hedge and is included in “Other liabilities.” Gross deferred unrealized losses and gross deferred unrealized gains on hedging instruments at March 31, 2003, were ¥952,712 million (\$7,926 million) and ¥1,095,321 million (\$9,112 million), respectively.
- (7) **Non-accrual loans**  
Loans are generally placed on non-accrual status when such loans are classified as Bankrupt, Effectively Bankrupt or Potentially Bankrupt by the self-assessment rule (see (10) Reserve for possible loan losses).
- (8) **Premises and equipment**  
Premises and equipment owned by SMFG and SMBC are generally stated at cost less accumulated depreciation. Depreciation for premises is computed using the straight-line method over the estimated useful lives of the respective assets. The depreciation for equipment is computed using the declining-balance method over the estimated useful lives of the respective assets. The estimated useful lives of major items are as follows:  
Buildings: 7 to 50 years  
Equipment: 2 to 20 years  
Depreciation of premises and equipment owned by other consolidated subsidiaries is mainly computed using the straight-line method over the estimated useful lives of respective assets.
- (9) **Software costs**  
Capitalized software for internal use is depreciated using the straight-line method over its estimated useful life (mainly five years) at consolidated domestic subsidiaries, and is included in “Other assets.”
- (10) **Reserve for possible loan losses**  
Reserve for possible loan losses of SMBC and 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 charge-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.
- Pursuant to “Audit considerations with respect to the discounted cash flow method used to determine allowance for credit losses by banks and other financial institutions” (issued by JICPA on February 24, 2003), SMBC provides reserve for possible loan losses using the Discounted Cash Flows method as follows for claims to large borrowers of “Past due loans (3 months or more)” or “Restructured loans”:
- (a) SMBC rationally estimates the cash flows of principal and interest, and measures their present values by discounting the cash flows using the initial contractual interest rate.
- (b) SMBC recognizes the difference between the present value and its book value as estimated losses and provides reserve for possible loan losses.
- 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 ¥1,324,459 million (\$11,019 million).

**(11) Reserve for possible losses on loans sold**

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.

**(12) Reserve for employee bonuses**

Reserve for employee bonuses is provided, in provision for payment of bonuses to employees, by the amount of estimated bonuses, which are attributable to the respective fiscal year.

**(13) Reserve for employee retirement benefits**

Under the terms of SMBC and consolidated subsidiaries' retirement plan, substantially all employees are entitled to a lump-sum payment at the time of retirement. The amount of the lump-sum payment is, in general, calculated based on length of service, basic salary at the time of retirement and reason for retirement. In addition, SMBC and consolidated subsidiaries have defined benefit pension plans which cover substantially all employees.

Reserve for employee retirement benefits is recorded based on an actuarial computation, which uses the present value of the projected benefit obligation and pension assets, due to employee's credited years of services at the balance sheet date. Unrecognized prior service costs are amortized using the straight-line method over certain years (mainly 10 years) within the average remaining service period of active employees. Unrecognized net actuarial gain or loss is amortized from the next fiscal year using the straight-line method over certain years (mainly 10 years) within the average remaining service period of active employees. Unrecognized net obligation from initial application of the new accounting standard for employee retirement benefits is amortized using the straight-line method mainly over five years.

Some domestic consolidated subsidiaries received an approval from Minister of Health, Labor and Welfare for exemption from future retirement benefit obligations with respect to the entrusted portion of the employee pension fund, in accordance with the implementation of the "Defined benefit enterprise pension plan law." They apply the temporary treatment that is regulated by Article 47-2 of "Practical Guidelines of Accounting for Retirement Benefits (Interim

Report)" (JICPA's Accounting Committee Report No. 13), and derecognize retirement benefit liabilities on the entrusted portion and plan assets equivalent to the amount to be returned. The equivalent amount of return of plan assets was ¥23,906 million (\$199 million) as of the fiscal year-end.

**(14) Other reserves**

Other reserves required by special laws are reserve for contingent liabilities from financial futures transaction of ¥18 million (\$0 million) in accordance with Article 82 of the Financial Futures Transaction Law, and reserve for contingent liabilities from securities transaction of ¥631 million (\$5 million) in accordance with Article 51 of the Securities Exchange Law.

**(15) Translation of foreign currencies**

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 balance sheet date, with the exception of stocks of subsidiaries and affiliates translated at rates prevailing at the time of acquisition.

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.

**(16) Lease transactions**

Financing leases where the ownership of the property is deemed to be transferred to the lessee are capitalized, while other financing leases are allowed to be accounted for in the same manner as operating leases.

Lease assets are depreciated using the straight-line method over the lease term with estimated salvage value.

Lease-related income is recognized on a straight-line basis over the full term of the lease, based on the contractual amount of lease fees per month.

**(17) Appropriation of retained earnings**

The consolidated statement of stockholders' equity reflects the appropriation of retained earnings approved by the board of directors and/or the general meeting of shareholders.

**(18) Amounts per share**

Net income (loss) per share is computed by deducting dividends for preferred stock from net income (loss), divided by the weighted average number of shares of common stock, excluding treasury stock outstanding during each fiscal year.

Declared dividends represent the cash dividends declared applicable to respective years, including dividends to be paid after the end of the year.

**3. Trading Assets**

Trading assets at March 31, 2003 consisted of the following:

March 31, 2003	Millions of yen	Millions of U.S. dollars
Trading securities .....	¥ 225,610	\$ 1,877
Derivatives of trading securities .....	81	1
Derivatives of securities related to trading transactions .....	121	1
Trading-related financial derivatives .....	3,060,803	25,464
Other trading assets .....	1,208,779	10,056
	<u>¥4,495,396</u>	<u>\$37,399</u>



#### 4. Securities

Securities at March 31, 2003 consisted of the following:

March 31, 2003	Millions of yen	Millions of U.S. dollars
Japanese government bonds*	¥12,901,646	\$107,335
Japanese local government bonds	375,204	3,121
Japanese corporate bonds	2,370,553	19,722
Japanese stocks**	3,474,463	28,906
Other**	4,996,652	41,569
	<u>¥24,118,520</u>	<u>\$200,653</u>

\* Includes ¥999 million (\$8 million) of unsecured loaned securities for which borrowers have the rights to sell or pledge and loaned securities of ¥140 million (\$1 million) 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, ¥2,084,632 million (\$17,343 million) of securities are pledged, ¥99,624 million (\$829 million) of securities are held in hand as of the consolidated balance sheet date. SMBC may pledge the borrowed securities as well.

\*\* Japanese stocks and other include investments in nonconsolidated subsidiaries and affiliates of ¥196,317 million (\$1,633 million).

#### 5. Loans and Bills Discounted

Loans and bills discounted at March 31, 2003 consisted of the following:

March 31, 2003	Millions of yen	Millions of U.S. dollars
Bills discounted	¥ 735,614	\$ 6,120
Loans on notes	7,697,374	64,038
Loans on deeds	45,037,597	374,689
Overdrafts	7,612,359	63,331
	<u>¥61,082,946</u>	<u>\$508,178</u>

The following summarizes the non-accrual loans at March 31, 2003:

March 31, 2003	Millions of yen	Millions of U.S. dollars
Bankrupt loans	¥ 201,392	\$ 1,676
Non-accrual loans	2,710,164	22,547
Total non-accrual loans	<u>¥2,911,556</u>	<u>\$24,223</u>

The amounts above include the trusted amount with the Resolution and Collection Corporation of ¥40,811 million (\$340 million), which will be treated as off-balancing.

In addition to the non-accrual loans, SMBC and major consolidated subsidiaries also classify past due loans (3 months or more) as substandard loans, and such loan balances at March 31, 2003 were ¥130,353 million (\$1,084 million).

Restructured loans are loans for which SMBC and major consolidated subsidiaries have adjusted the terms of the loans in favor of borrowers as a means of financial assistance. These restructured loans are also classified as substandard and amounted to ¥2,728,791 million (\$22,702 million) at March 31, 2003.

#### 6. Other Assets

Other assets at March 31, 2003 consisted of the following:

March 31, 2003	Millions of yen	Millions of U.S. dollars
Prepaid expenses	¥ 30,933	\$ 258
Accrued income	214,055	1,781
Deferred assets	485,874	4,042
Financial derivatives	995,702	8,284
Other	1,492,443	12,416
	<u>¥3,219,009</u>	<u>\$26,781</u>

#### 7. Premises and Equipment

Premises and equipment at March 31, 2003 consisted of the following:

March 31, 2003	Millions of yen	Millions of U.S. dollars
Land*	¥ 515,975	\$ 4,292
Buildings	537,041	4,468
Equipment and others	585,009	4,867
Total	<u>¥1,638,026</u>	<u>\$13,627</u>
Accumulated depreciation	(630,121)	(5,242)
	<u>¥1,007,905</u>	<u>\$ 8,385</u>

\* Includes land revaluation excess for land referred to in Note 15.

#### 8. Lease Assets

Lease assets at March 31, 2003 were as follows:

March 31, 2003	Millions of yen	Millions of U.S. dollars
Equipment and others	¥2,487,066	\$20,691
Accumulated depreciation	(1,490,721)	(12,402)
	<u>¥ 996,344</u>	<u>\$ 8,289</u>

#### 9. Assets Pledged as Collateral

Assets pledged as collateral at March 31, 2003 consisted of the following:

March 31, 2003	Millions of yen	Millions of U.S. dollars
Assets pledged as collateral		
Cash and due from banks and Deposits with banks	¥ 75,268	\$ 626
Trading assets	990,965	8,244
Securities	11,458,018	95,325
Loans and bills discounted	4,738,320	39,420
Other assets	1,140	9
Premises and equipment	535	4
Liabilities corresponding to assets pledged as collateral		
Deposits	21,038	175
Call money and bills sold	7,952,599	66,161
Payables under repurchase agreements	4,107,615	34,173
Payables under securities lending transactions	4,189,794	34,857
Trading liabilities	136,975	1,140
Borrowed money	2,885	24
Other liabilities	18,548	154
Acceptances and guarantees	41,108	342

In addition to the assets presented above, the following assets were pledged as collateral for exchange settlements, initial margins of futures markets and certain other purposes at March 31, 2003:

March 31, 2003	Millions of yen	Millions of U.S. dollars
Cash and due from banks and Deposits with banks	¥ 54,370	\$ 452
Trading assets	13,937	116
Securities	4,624,346	38,472
Loans and bills discounted	781,138	6,499

Premises and equipment included surety deposits and intangibles of ¥121,725 million (\$1,013 million) at March 31, 2003. Other assets included initial margins of futures markets of ¥14,814 million (\$123 million) at March 31, 2003.

## 10. Deposits

Deposits at March 31, 2003 consisted of the following:

March 31, 2003	Millions of yen	Millions of U.S. dollars
Current deposits.....	¥ 5,069,107	\$ 42,172
Ordinary deposits.....	27,462,251	228,471
Savings deposits.....	1,336,725	11,121
Deposits at notice.....	3,616,958	30,091
Time deposits.....	21,179,611	176,203
Negotiable certificates of deposit.....	4,853,017	40,375
Other deposits.....	4,266,353	35,494
	<u>¥67,784,025</u>	<u>\$563,927</u>

## 11. Trading Liabilities

Trading liabilities at March 31, 2003 consisted of the following:

March 31, 2003	Millions of yen	Millions of U.S. dollars
Trading securities sold for short sales.....	¥ 9,806	\$ 82
Derivatives of trading securities.....	78	1
Derivatives of securities related to trading transactions.....	423	3
Trading-related financial derivatives.....	2,840,629	23,632
Other trading liabilities.....	454	4
	<u>¥2,851,391</u>	<u>\$23,722</u>

## 13. Bonds

Bonds at March 31, 2003 consisted of the following:

March 31, 2003

Issuer	Description	Millions of yen*	Millions of U.S. dollars	Interest rate (%)	Due
SMBC:	Straight bonds, payable in Yen	¥1,827,734 [30,000]	\$15,206	0.51—1.74	May 2003—Mar. 2013
	Straight bonds, payable in Euro Yen	5,000	41	3.00	Mar. 2012
	Straight bonds, payable in U.S. dollars	144,240 (\$1,200,000 thousand)	1,200	4.32—6.10	Nov. 2003—Sep. 2005
	Subordinated bonds, payable in Yen	240,000 [60,100]	1,997	1.95—2.62	Jun. 2010—Jun. 2012
	Subordinated bonds, payable in Euro Yen	286,800	2,386	0.6125—2.72	Sep. 2008—perpetual
	Subordinated bonds, payable in U.S. dollars	108,059 (\$899,000 thousand)	899	5.93—8.10	Mar. 2009—Jun. 2012
Other consolidated subsidiaries:	Straight bonds, payable in Yen	189,798 [87,685]	1,579	0—10.00	Jan. 2003—Aug. 2022
	Straight bonds, payable in U.S. dollars	9,354 (\$78,000 thousand)	78	2.05—7.35	Jul. 2004—Jun. 2011
	Straight bonds, payable in Australian dollars	113 (A\$2,000 thousand)	1	7.00	Oct. 2005
	Straight bonds, payable in other foreign currency	4,484	37	4.35—5.61	May 2004—Jul. 2015
	Subordinated bonds, payable in Yen	636,660	5,297	0—5.98	Mar. 2005—perpetual
	Subordinated bonds, payable in U.S. dollars	129,215 (\$1,075,000 thousand)	1,075	2.86—8.50	Jun. 2009—perpetual
	Subordinated bonds, payable in other foreign currency	2,293	19	5.49—7.50	Perpetual
		<u>¥3,583,754</u>	<u>\$29,815</u>		

\* Figures in ( ) are the balances in the original currency of the foreign currency denominated bonds, and figures in [ ] are the amounts to be redeemed within one year.

The redemption schedule within five years on bonds at March 31, 2003 is shown as follows:

Millions of yen				
1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
¥177,785	¥399,921	¥630,049	¥411,024	¥429,088
Millions of U.S. dollars				
1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
\$1,479	\$3,327	\$5,242	\$3,420	\$3,570

## 12. Borrowed Money

Borrowed money at March 31, 2003 consisted of the following:

March 31, 2003	Millions of yen	Millions of U.S. dollars	Average interest rate*	Due
Bills rediscounted.....	¥ —	\$ —	—%	—
Other borrowings*** ...	2,580,135	21,465	1.81	Jan. 2003—perpetual
	<u>¥2,580,135</u>	<u>\$21,465</u>	<u>1.81%</u>	<u>—</u>

\* Average interest rate represents the weighted average interest rate based on the balances and rates at respective year-end of SMBC and other consolidated subsidiaries.

\*\* Includes subordinated debt obligation of ¥877,609 million (\$7,301 million).

The repayment schedule within five years on borrowed money at March 31, 2003 is shown as follows:

Millions of yen				
1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
¥852,139	¥424,176	¥287,872	¥108,200	¥111,601
Millions of U.S. dollars				
1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
\$7,089	\$3,529	\$2,395	\$900	\$928

## 14. Other Liabilities

Other liabilities at March 31, 2003 consisted of the following:

March 31, 2003	Millions of yen	Millions of U.S. dollars
Accrued expenses .....	¥ 128,611	\$ 1,070
Unearned income .....	169,268	1,408
Income taxes payable .....	48,328	402
Financial derivatives .....	737,426	6,135
Other .....	1,475,322	12,274
	<u>¥2,558,956</u>	<u>\$21,289</u>

## 15. Land Revaluation Excess

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 (provided 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 specified 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.

## 16. Minority Interests

SB Treasury Company L. L. C., a subsidiary of SMBC, issued floating noncumulative preferred securities, totaling \$1,800 million in February 1998. SB Equity Securities (Cayman), Limited, a subsidiary of SMBC, issued floating noncumulative preferred securities, totaling ¥340,000 million in February and March 1999. Sakura Preferred Capital (Cayman) Limited, a subsidiary of SMBC, issued noncumulative preferred securities, totaling ¥283,750 million in December 1998 and March 1999. These subsidiaries are consolidated and the preferred securities are accounted for as minority interests.

## 17. Stockholders' Equity

Capital stock consists of common stock and preferred stock. Common stock and preferred stock at March 31, 2003 are as follows:

Number of shares	Authorized	Issued and outstanding
Common stock .....	15,000,000	5,796,000.92
Preferred stock (Type 1) .....	67,000	67,000
Preferred stock (Type 2) .....	100,000	100,000
Preferred stock (Type 3) .....	800,000	800,000
Preferred stock (Type 4) .....	250,000	165,100
Preferred stock (Type 5) .....	250,000	—
Preferred stock (Type 6) .....	300,000	—
Total .....	<u>16,767,000</u>	<u>6,928,100.92</u>

All of the preferred stock is noncumulative and nonparticipating for dividend payments, and shareholders of preferred stock are not entitled to vote at a general meeting of shareholders except when the bill to pay the prescribed dividends to shareholders is not submitted to the general meeting of shareholders or the bill to pay the prescribed dividends to shareholders is rejected at the general meeting of shareholders.

Annual dividends per share of preferred stock (Type 1, Type 2, Type 3, First to Twelfth series Type 4 and Thirteenth series Type 4) are paid to shareholders by ¥10,500, ¥28,500, ¥13,700, ¥135,000 and ¥67,500, respectively.

As for liquidation distribution, shareholders of preferred stock (Type 1, Type 2, Type 3 and Type 4) receive ¥3,000,000, ¥3,000,000, ¥1,000,000 and ¥3,000,000 per share, respectively, and do not have the right to participate in any further liquidation distribution.

SMFG may, at any time, purchase and retire them out of earnings available for distribution to the shareholders.

Shareholders of preferred stock may request SMFG to convert their preferred stocks into common stocks. The period during which the conversion may be requested (the "Conversion period") and the terms and conditions of conversion shall be determined by resolution made in accordance with the provisions of Article 365 of the Commercial Code, of a shareholders meeting of SMBC as for preferred stock (Type 1, Type 2 and Type 3) and by resolution of the board of directors relating to the issuance of the relevant preferred stocks as for preferred stock (Type 4). The Conversion period of each preferred stock is as follows:

Preferred stock (Type 1):

December 2, 2002 to February 26, 2009

Preferred stock (Type 2):

August 1, 2005 to February 26, 2009

Preferred stock (Type 3):

December 2, 2002 to September 30, 2009

Preferred stock (First to Twelfth series Type 4):

February 8, 2003 to February 7, 2028

Preferred stock (Thirteenth series Type 4):

April 14, 2003 to July 12, 2005

Any preferred stock (Type 1, Type 2, Type 3 and Type 4) with respect to which conversion has not been requested during the Conversion period shall be mandatorily converted, as of the date immediately following the last day of the Conversion period (the "Mandatory conversion date"), into such number of common stocks as is obtained by dividing the corresponding amount set forth below by the average of the daily closing prices per share of common stock in regular transactions at the Tokyo Stock Exchange for a certain period prior to the Mandatory conversion date. If such average price is less than, in the case of the preferred stock (Type 1, Type 2 and Type 4), ¥500,000 or in the case of preferred stock (Type 3), ¥258,330, then a preferred stock shall be converted into such number of common stocks as is obtained by dividing the corresponding amount set forth below by the relevant amount described above:

Preferred stock (Type 1): ¥3,000,000 per share  
 Preferred stock (Type 2): ¥3,000,000 per share  
 Preferred stock (Type 3): ¥1,000,000 per share  
 Preferred stock (Type 4): ¥3,000,000 per share

## 18. Fees and Commissions

Fees and commissions for the year ended March 31, 2003 consisted of the following:

Year ended March 31, 2003	Millions of yen	Millions of U.S. dollars
Fees and commissions (income):		
Deposits and loans .....	¥ 29,797	\$ 248
Remittances and transfers .....	113,396	943
Securities-related business .....	30,822	256
Agency .....	15,325	127
Safe deposits .....	4,978	41
Guarantees .....	28,462	237
Credit card business .....	86,145	717
Investment trusts .....	18,349	153
Other .....	96,961	807
	<u>¥424,238</u>	<u>\$3,529</u>
Fees and commissions (expenses):		
Remittances and transfers .....	¥ 21,789	\$ 181
Other .....	49,549	412
	<u>¥ 71,338</u>	<u>\$ 593</u>

## 19. Trading Income

Trading income for the year ended March 31, 2003 consisted of the following:

Year ended March 31, 2003	Millions of yen	Millions of U.S. dollars
Trading profits:		
Gains on trading securities .....	¥ 9,190	\$ 77
Gains on trading-related financial derivatives .....	196,924	1,638
Other .....	381	3
	<u>¥206,496</u>	<u>\$1,718</u>
Trading losses:		
Losses on securities related to trading transactions .....	¥ 725	\$ 6

## 20. Other Operating Income

Other operating income for the year ended March 31, 2003 consisted of the following:

Year ended March 31, 2003	Millions of yen	Millions of U.S. dollars
Gains on foreign exchange transactions .....	¥ 12,868	\$ 107
Gains on financial derivatives .....	10,971	91
Gains on sale of bonds .....	179,757	1,495
Gains on redemption of bonds .....	61	1
Lease-related income .....	606,405	5,045
Other .....	136,892	1,139
	<u>¥946,957</u>	<u>\$7,878</u>

## 21. Other Income

Other income for the year ended March 31, 2003 consisted of the following:

Year ended March 31, 2003	Millions of yen	Millions of U.S. dollars
Gains on sale of stocks and other securities .....	¥ 54,004	\$ 449
Gains on money held in trust .....	540	5
Equity in earnings of affiliates .....	5,718	48
Gains on disposition of premises and equipment .....	5,578	46
Collection of written-off claims .....	1,833	15
Gains on return of the entrusted portion of employee pension fund .....	4,413	37
Other .....	51,594	429
	<u>¥123,683</u>	<u>\$1,029</u>

## 22. Other Operating Expenses

Other operating expenses for the year ended March 31, 2003 consisted of the following:

Year ended March 31, 2003	Millions of yen	Millions of U.S. dollars
Losses on sale of bonds .....	¥ 39,140	\$ 325
Losses on redemption of bonds .....	351	3
Losses on devaluation of bonds .....	2,362	19
Bond issuance costs .....	1,767	15
Lease-related expenses .....	543,386	4,521
Other .....	134,125	1,116
	<u>¥721,134</u>	<u>\$5,999</u>

## 23. Other Expenses

Other expenses for the year ended March 31, 2003 consisted of the following:

Year ended March 31, 2003	Millions of yen	Millions of U.S. dollars
Write-off of loans .....	¥ 364,605	\$ 3,033
Losses on sale of stocks and other securities .....	167,906	1,397
Losses on devaluation of stocks and other securities .....	507,624	4,223
Losses on money held in trust .....	4,017	33
Transfer to reserve for possible losses on loans sold .....	16,672	139
Losses on delinquent loans sold .....	162,494	1,352
Losses on disposition of premises and equipment .....	38,880	323
Amortization of unrecognized net transition obligation for employee retirement benefits .....	23,158	193
Losses on disposal of software .....	15,014	125
Other .....	54,280	452
	<u>¥1,354,655</u>	<u>\$11,270</u>



## 24. Income Taxes

- (1) Significant components of deferred tax assets and liabilities at March 31, 2003 were as follows:

March 31, 2003	Millions of yen	Millions of U.S. dollars
Deferred tax assets:		
Reserve for possible loan losses .....	¥ 952,503	\$ 7,924
Write-off of securities .....	569,077	4,734
Net operation loss carryforwards .....	451,408	3,755
Write-off of loans .....	324,328	2,698
Reserve for employee retirement benefits .....	112,694	938
Net unrealized losses on other securities .....	11,853	99
Depreciation .....	10,042	84
Reserve for possible losses on loans sold .....	8,335	69
Other .....	119,670	996
Subtotal .....	2,559,913	21,297
Valuation allowance .....	(540,074)	(4,493)
Total deferred tax assets .....	¥2,019,839	\$16,804
Deferred tax liabilities:		
Leveraged lease .....	¥ (48,754)	\$ (406)
Gains on securities contributed to employee retirement benefits trust .....	(25,328)	(211)
Undistributed earnings of subsidiaries .....	(10,614)	(88)
Other .....	(22,969)	(191)
Total deferred tax liabilities .....	(107,666)	(896)
Net deferred tax assets .....	¥1,912,172	\$15,908

- (2) A reconciliation of the effective income tax rate reflected in the accompanying consolidated statement of operations to the statutory tax rate for the year ended March 31, 2003 was as follows:

Statutory tax rate .....	42.05%
Valuation allowance .....	(25.92)%
Change of the effective statutory tax rate due to the revision of the local tax law .....	10.40%
Other .....	0.39%
Effective income tax rate .....	26.93%

- (3) With the implementation of the "Metropolitan ordinance regarding the imposition of enterprise taxes through external standards taxation on banks in Tokyo" (Tokyo Metropolitan Ordinance No. 145, April 1, 2000) ("the metropolitan ordinance"), enterprise taxes that were hitherto levied on taxable income are now levied on gross banking profit.

On October 18, 2000, Sakura Bank and Sumitomo Bank filed a lawsuit with the Tokyo District Court against the Tokyo metropolitan government and the Governor of Tokyo seeking to void the metropolitan ordinance. They won the case eventually entirely on March 26, 2002 with a decision of the Tokyo District Court in the Bank's favor, on the grounds that the metropolitan ordinance was illegal. The District Court ordered the metropolitan government to return to the Banks advance tax payments of ¥16,633 million (\$138 million) and also awarded to the Banks damages of ¥200 million (\$2 million). On March 29, 2002, the metropolitan government lodged an appeal with the Tokyo High Court against the decision, and on April 9, 2002, the plaintiff banks at the first trial including the Bank also lodged an appeal. The Bank won the second-trial case eventually on January 30, 2003 with a decision of the Tokyo High Court in SMBC's favor, on the grounds that the metropolitan ordinance was illegal. The High Court ordered the metropolitan government to return to

SMBC advance tax payments of ¥36,175 million (\$301 million). On February 10, 2003, the metropolitan government lodged a final appeal with the Supreme Court against the decision, and on February 13, 2003, the plaintiff banks at the first trial including SMBC also lodged a final appeal.

It is the opinion of SMBC that the metropolitan ordinance is both unconstitutional and illegal. SMBC has asserted this opinion in the courts and the matter is still in litigation. The fact that during this fiscal year SMBC has applied the same treatment as in the previous year, accounting for enterprise taxes through external standards taxation on banks in Tokyo in accordance with the metropolitan ordinance, is because SMBC has deemed it appropriate at this stage to continue with the same accounting treatment as before. This accounting treatment does not constitute in any way an admission on the part of SMBC either of the constitutionality or of the legality of the metropolitan ordinance.

With the implementation of the metropolitan ordinance, enterprise taxes relating to banks in Tokyo were recorded in "Other expenses" in the amounts of ¥16,833 million (\$140 million) for the year ended March 31, 2001 (sum of Sakura Bank and Sumitomo Bank), ¥19,862 million (\$165 million) for the year ended March 31, 2002 and ¥18,269 million (\$152 million) for the year ended March 31, 2003. As a result, "Income (loss) before income taxes" for the each fiscal year decreased (increased) by the corresponding amount as compared with the previous standards under which enterprise taxes were levied on taxable income. There is no impact on "Income taxes, current" as compared with the previous standards under which enterprise taxes were levied on taxable income. Consequently, stockholders' equity decreased by ¥32,495 million (\$270 million). Since the enterprise taxes in question are not included in the calculations for accounting for tax effects, there was a decrease in "Deferred tax assets" of ¥98,703 million (\$821 million) as compared with the amount that would have been included if the enterprise taxes had been levied on taxable income instead of gross profits. There was also a decrease in "Deferred tax liabilities for land revaluation" of ¥3,236 million (\$27 million), and consequently stockholders' equity decreased by ¥95,467 million (\$794 million).

With the implementation of the "Municipal Ordinance regarding the imposition of enterprise taxes through external standards taxation on banks in Osaka" (Osaka Municipal Ordinance No. 131, June 9, 2000) ("the municipal ordinance"), enterprise taxes which were hitherto levied on taxable income are now levied on gross banking profit.

On April 4, 2002, the Bank filed a lawsuit with the Osaka District Court against the Osaka municipal government and the Governor of Osaka seeking to void the municipal ordinance. With the implementation of the "Revision of Municipal Ordinance regarding the imposition of enterprise taxes through external standards taxation on banks in Osaka" (Osaka Municipal Ordinance No. 77, 2002) ("the revised municipal ordinance 2002") on May 30, 2002, and the implementation of the "Revision of Municipal Ordinance regarding the imposition of enterprise taxes through external standards

taxation on banks in Osaka” (Osaka Municipal Ordinance No. 14, 2003) (“the revised municipal ordinance 2003”) on April 1, 2003, the special treatment regarding the tax basis is to be applicable from the fiscal year starting on April 1, 2003. The enterprise taxes which the banks should pay to Osaka municipal government this term are subject to the supplementary provision 2 of the revised municipal ordinance 2003, which provides the banks shall pay the enterprise taxes based on the lesser of gross banking profit or taxable income. SMBC, therefore, is planning to file and pay the enterprise taxes based on taxable income. The fact that SMBC is planning to file and pay the enterprise taxes according to the revised municipal ordinance does not constitute in any way an admission on the part of SMBC either of the constitutionality or of the legality of the revised municipal ordinance 2002 and 2003 as well as the municipal ordinance. Since the enterprise taxes in question are not included in the calculations for accounting for tax effects, there was a decrease in “Deferred tax assets” of ¥48,699 million (\$405 million) as compared with the amount that would have been included if the enterprise taxes had been levied on taxable income instead of gross profits. There was also a decrease in “Deferred tax liabilities for land revaluation” of ¥1,575 million (\$13 million), and consequently stockholders’ equity decreased by ¥47,124 million (\$392 million).

- (4) With the implementation of the “Revision of the Local Tax Law” (Legislation No. 9, 2003) on March 31, 2003, the tax basis of enterprise taxes, which was stipulated as “taxable income and liquidation income” by the 12th paragraph of Article 72 of the Local Tax Law before the revision, is to be a combination of “amount of added value,” “amount of capital” and “taxable income and liquidation income” from the fiscal year starting April 1, 2004. The enterprise taxes that have tax bases of the “amount of added value” and the “amount of capital” are not pertinent to the enterprise taxes that have tax bases of income-related amounts. The “Revision of the Local Tax Law” also stipulates that the metropolitan ordinance and the municipal ordinance are to be abolished from the fiscal year starting April 1, 2004.

In connection with the “Revision of the Local Tax Law,” the effective statutory tax rate that domestic consolidated subsidiaries use in the calculations of deferred tax assets and liabilities from the fiscal year starting April 1, 2004 was changed, and thus, there was an increase in “Deferred tax assets” of ¥63,905 million (\$532 million) and a decrease in “Income taxes, deferred” of ¥64,127 million (\$534 million). There was also an increase in “Deferred tax liabilities for land revaluation” of ¥2,609 million (\$22 million) and a decrease in “Land revaluation excess” of ¥2,618 million (\$22 million).

As for SMBC, the effective statutory tax rate used in the calculations of deferred tax assets and liabilities was changed from 38.62% to 40.46%. As a result, there was an increase in “Deferred tax assets” of ¥67,657 million (\$563 million) and a decrease in “Income taxes, deferred” of the same amount. There was also an increase in “Deferred tax liabilities for land revaluation” of ¥2,634 million (\$22 million) and a decrease in “Land revaluation excess” of the same amount.

## 25. Employee Retirement Benefits

### (1) Outline of employee retirement benefits

Consolidated subsidiaries in Japan have contributory funded defined benefit pension plans such as welfare pension plans, qualified pension plans and lump-sum severance indemnity plans. They may grant additional benefits in cases where certain requirements are met when employees retire. Some domestic consolidated subsidiaries received an approval from Minister of Health, Labor and Welfare for exemption from future retirement benefit obligations with respect to the entrusted portion of employee pension fund. SMBC and some consolidated subsidiaries in Japan contributed certain marketable equity securities to an employee retirement benefit trust.

### (2) Projected benefit obligation

March 31, 2003		Millions of yen	Millions of U.S. dollars
Projected benefit obligation	(A) .....	¥(1,164,570)	\$ (9,688)
Plan assets	(B) .....	723,175	6,016
Unfunded projected benefit obligation	(C)=(A)+(B) .....	¥ (441,395)	\$ (3,672)
Unrecognized net obligation from initial application of the new accounting standard	(D) .....	44,087	367
Unrecognized net actuarial gain or loss	(E) .....	349,118	2,904
Unrecognized prior service costs	(F) .....	(53,218)	(443)
Net amount recorded on the consolidated balance sheet	(G)=(C)+(D)+(E)+(F)...	¥ (101,408)	\$ (844)
Prepaid pension cost (other assets)	(H) .....	—	—
Reserve for employee retirement benefits	(G)-(H) .....	¥ (101,408)	\$ (844)

Plan assets related to the general type of welfare pension plan amounted to ¥27,306 million (\$227 million) and were not included in “Plan assets” shown above.

### (3) Pension expenses

Year ended March 31, 2003	Millions of yen	Millions of U.S. dollars
Service cost .....	¥26,163	\$218
Interest cost on projected benefit obligation .....	34,772	289
Expected return on plan assets .....	(32,219)	(268)
Amortization of unrecognized net obligation from initial application of the new accounting standard .....	23,158	193
Amortization of unrecognized net actuarial gain or loss .....	24,547	204
Amortization of unrecognized prior service costs .....	(6,583)	(55)
Other (nonrecurring additional retirement allowance paid and other) .....	9,811	82
Pension expenses .....	¥79,650	\$663
Gains on return of the entrusted portion of employee pension fund .....	(4,413)	(37)
Total .....	¥75,237	\$626

### (4) Assumptions

The principal assumptions used in determining benefit obligation and pension expenses at or for the year ended March 31, 2003 were as follows:

- Discount rate: 1.7% to 3.0%
- Expected rate of return on plan assets: 0.0% to 5.0%
- Allocation of estimated amount of retirement benefits: Allocated to each period by the straight-line method

- (d) Term to amortize unrecognized prior service costs: Mainly 10 years
- (e) Term to amortize unrecognized net actuarial gain or loss: Mainly 10 years
- (f) Term to amortize unrecognized net obligation from initial application of new accounting standard: Mainly 5 years

## 26. Lease Transactions

### (1) Financing leases

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value for financing leases without transfer of ownership at March 31, 2003 was as follows:

#### (a) Lessee side

March 31, 2003	Millions of yen		
	Equipment	Other	Total
Acquisition cost.....	¥17,591	¥253	¥17,844
Accumulated depreciation...	7,078	146	7,225
Net book value.....	¥10,512	¥106	¥10,618

March 31, 2003	Millions of U.S. dollars		
	Equipment	Other	Total
Acquisition cost.....	\$146	\$2	\$148
Accumulated depreciation...	59	1	60
Net book value.....	\$ 87	\$1	\$ 88

Future minimum lease payments excluding interests at March 31, 2003 were as follows:

March 31, 2003	Millions of	
	Millions of yen	U.S. dollars
Due within one year .....	¥ 3,020	\$25
Due after one year .....	7,328	61
	¥10,348	\$86

Total lease expenses for the year ended March 31, 2003 were ¥3,738 million (\$31 million). Assumed depreciation charges for the year ended March 31, 2003 amounted to ¥3,440 million (\$29 million). Assumed depreciation charges is calculated using the straight-line method over the lease term of the respective assets without salvage values. The difference between the minimum lease payments and the acquisition costs of the lease assets represents interest expenses. The allocation of such interest expenses over the lease term is computed using the effective interest method. Interest expenses for the year ended March 31, 2003 amounted to ¥279 million (\$2 million).

#### (b) Lessor side

March 31, 2003	Millions of yen		
	Equipment	Other	Total
Acquisition cost.....	¥1,949,522	¥503,639	¥2,453,161
Accumulated depreciation...	1,203,855	273,477	1,477,332
Net book value.....	¥ 745,667	¥230,161	¥ 975,828

March 31, 2003	Millions of U.S. dollars		
	Equipment	Other	Total
Acquisition cost.....	\$16,219	\$4,190	\$20,409
Accumulated depreciation...	10,015	2,276	12,291
Net book value.....	\$ 6,204	\$1,914	\$ 8,118

Future lease payments receivable excluding interests at March 31, 2003 were as follows:

March 31, 2003	Millions of	
	Millions of yen	U.S. dollars
Due within one year .....	¥ 312,772	\$2,602
Due after one year .....	702,955	5,848
	¥1,015,727	\$8,450

Total lease income for the year ended March 31, 2003 was ¥374,816 million (\$3,118 million). Depreciation charges for the year ended March 31, 2003 amounted to ¥306,999 million (\$2,554 million). Interest income represents the difference between the additional amount of the lease payments receivable and estimated salvage values, and the acquisition costs of the lease assets. The allocation of such interest income over the lease term is computed using the effective interest method. Interest income for the year ended March 31, 2003 amounted to ¥70,330 million (\$585 million).

### (2) Operating leases

#### (a) Lessee side

Future minimum lease payments at March 31, 2003 were as follows:

March 31, 2003	Millions of	
	Millions of yen	U.S. dollars
Due within one year .....	¥ 18,646	\$155
Due after one year .....	101,035	841
	¥119,681	\$996

#### (b) Lessor side

Future lease payments receivable at March 31, 2003 were as follows:

March 31, 2003	Millions of	
	Millions of yen	U.S. dollars
Due within one year .....	¥233	\$2
Due after one year .....	482	4
	¥716	\$6

Future lease payments receivable of ¥108,886 million (\$906 million) on the lessor side referred to in (1) and (2) above were pledged as collateral for borrowings at March 31, 2003.

## 27. Loan Commitments

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 ¥31,475,362 million (\$261,858 million), and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time was ¥28,769,561 million (\$239,347 million) at March 31, 2003.

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 consolidated subsidiaries can reject an application from customers or reduce the contract amounts in case economic conditions are changed, SMBC and consolidated subsidiaries need to secure claims or other events occur. In addition, SMBC and 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.

## 28. Market Value of Marketable Securities

### (1) Securities

The market value of marketable securities at March 31, 2003 was as follows:

In addition to "Securities" in the consolidated balance sheet, trading securities, negotiable certificates of deposit and commercial paper in "Trading assets," negotiable certificates of deposit in "Deposits with banks," and commercial papers and claims on loan trust in "Commercial paper and other debt purchased" are included in the amounts of following tables.

#### (a) Securities classified as trading purposes

March 31, 2003	Millions of yen	Millions of U.S. dollars
Consolidated balance sheet amount.....	¥1,434,190	\$11,932
Losses included in profit/loss during the year.....	1,096	9

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

March 31, 2003	Millions of yen				
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Gains	Losses
Japanese government bonds.....	¥311,391	¥315,414	¥4,023	¥4,023	¥ —
Japanese local government bonds.....	23,091	23,920	828	828	—
Corporate bonds.....	—	—	—	—	—
Other.....	42,413	43,444	1,030	1,136	105
Total.....	¥376,896	¥382,779	¥5,882	¥5,988	¥105

  

March 31, 2003	Millions of U.S. dollars				
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Gains	Losses
Japanese government bonds.....	\$2,591	\$2,624	\$33	\$33	\$—
Japanese local government bonds.....	192	199	7	7	—
Corporate bonds.....	—	—	—	—	—
Other.....	353	362	9	10	1
Total.....	\$3,136	\$3,185	\$49	\$50	\$ 1

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

#### (c) Other securities with market value

March 31, 2003	Millions of yen				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Gains	Losses
Stocks.....	¥ 3,167,955	¥ 3,002,513	¥(165,442)	¥112,952	¥278,395
Bonds.....	¥14,024,014	¥14,135,179	¥ 111,164	¥117,093	¥ 5,928
Japanese government bonds.....	12,516,061	12,590,255	74,193	79,479	5,286
Japanese local government bonds.....	342,798	352,112	9,314	9,415	101
Corporate bonds.....	1,165,153	1,192,811	27,657	28,197	540
Other.....	¥ 4,479,136	¥ 4,502,770	¥ 23,634	¥ 42,897	¥ 19,263
Total.....	¥21,671,106	¥21,640,463	¥ (30,643)	¥272,943	¥303,587

  

March 31, 2003	Millions of U.S. dollars				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Gains	Losses
Stocks.....	\$ 26,355	\$ 24,979	\$(1,376)	\$ 940	\$2,316
Bonds.....	\$116,673	\$117,597	\$ 924	\$ 974	\$ 50
Japanese government bonds.....	104,127	104,744	617	661	44
Japanese local government bonds.....	2,852	2,929	77	78	1
Corporate bonds.....	9,694	9,924	230	235	5
Other.....	\$ 37,264	\$ 37,461	\$ 197	\$ 357	\$ 160
Total.....	\$180,292	\$180,037	\$ (255)	\$2,271	\$2,526

Notes: 1. Market value is calculated as follows:

Stocks                      Average market price during one month before the fiscal year-end  
 Bonds and other        Market price at the fiscal year-end

2. 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 balance sheet amount and the amount of write-down is accounted for as valuation loss (impaired) for the current fiscal year. Valuation loss for this fiscal year was ¥494,815 million (\$4,117 million). 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.

(d) Bonds sold during the year ended March 31, 2003 that are classified as held-to-maturity  
There are no corresponding items.

(e) Other securities sold during the year ended March 31, 2003

Year ended March 31, 2003	Millions of yen			Millions of U.S. dollars		
	Sales amount	Gains on sales	Losses on sales	Sales amount	Gains on sales	Losses on sales
Other securities .....	¥37,709,925	¥231,862	¥190,364	\$313,726	\$1,929	\$1,584

(f) Securities with no available market value

March 31, 2003	Millions of yen	Millions of U.S. dollars
	Consolidated balance sheet amount	Consolidated balance sheet amount
Bonds classified as held-to-maturity		
Nonlisted foreign securities.....	¥ 4,105	\$ 34
Other .....	6,463	54
Other securities		
Nonlisted foreign securities.....	¥ 363,282	\$3,022
Nonlisted bonds.....	1,176,885	9,791
Nonlisted stocks (excluding OTC stocks).....	281,888	2,345
Other.....	137,050	1,140

(g) Change of classification of securities  
There are no corresponding items.

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

March 31, 2003	Millions of yen			
	1 year or less	1 to 5 years	5 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

March 31, 2003	Millions of U.S. dollars			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Bonds .....	\$28,976	\$67,672	\$31,359	\$2,170
Japanese government bonds.....	27,484	52,464	25,249	2,137
Japanese local government bonds .....	99	1,156	1,861	5
Japanese corporate bonds.....	1,393	14,052	4,249	28
Other.....	\$ 2,955	\$24,011	\$ 6,370	\$7,329
Total.....	\$31,931	\$91,683	\$37,729	\$9,499

(2) Money held in trust

(a) Money held in trust classified as trading purposes

March 31, 2003	Millions of yen	Millions of U.S. dollars
	Consolidated balance sheet amount.....	¥1,629
Gains included in profit/loss during the year .....	12	0

(b) Money held in trust classified as held-to-maturity  
There are no corresponding items.

(c) Other money held in trust

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

  

March 31, 2003	Millions of U.S. dollars				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Gains	Losses
Other money held in trust.....	\$191	\$191	\$(0)	\$4	\$4

(3) Net unrealized gains (losses) on other securities and other money held in trust

March 31, 2003	Millions of yen	Millions of U.S. dollars
	Net unrealized gains (losses) .....	¥(30,758)
Other securities.....	(30,713)	(256)
Other money held in trust.....	(44)	(0)
(+) Deferred tax assets.....	2,004	17
Net unrealized gains (losses) on other securities (before following adjustment).....	¥(28,754)	\$(239)
(-) Minority interests .....	¥ (4,557)	\$ (38)
(+) SMFG's interest in net unrealized gains (losses) on valuation of other securities held by affiliates accounted for by the equity method .....	(1)	(0)
Net unrealized gains (losses) on other securities .....	¥(24,197)	\$(201)

Note: Net unrealized gains (losses) included foreign currency translation adjustments on nonmarketable securities denominated in foreign currency.



## 29. Derivative Transactions

### (1) Interest rate derivatives

March 31, 2003	Millions of yen			
	Contract amount		Market value	Valuation gains (losses)
	Total	Over 1 year		
<b>Transactions listed on exchange</b>				
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)
<b>Over-the-counter transactions</b>				
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.....	¥305,031,482	¥214,079,553	¥ 250,498	¥ 250,498
Receivable floating rate/payable fixed rate.....	146,600,794	101,347,568	3,300,127	3,300,127
Receivable floating rate/payable floating 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
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

March 31, 2003	Millions of U.S. dollars			
	Contract amount		Market value	Valuation gains (losses)
	Total	Over 1 year		
<b>Transactions listed on exchange</b>				
Interest rate futures:				
Sold.....	\$ 497,081	\$ 37,834	\$ (862)	\$ (862)
Bought.....	479,484	47,229	911	911
Interest rate options:				
Sold.....	\$ 10,239	\$ —	\$ 1	\$ 1
Bought.....	5,000	1,712	(1)	(1)
<b>Over-the-counter transactions</b>				
Forward rate agreements:				
Sold.....	\$ 111,391	\$ 4,908	\$ 9	\$ 9
Bought.....	28,867	3,785	(4)	(4)
Interest rate swaps:				
Receivable fixed rate/payable floating rate.....	\$2,537,700	\$1,781,028	\$ 2,084	\$ 2,084
Receivable floating rate/payable fixed rate.....	1,219,641	843,158	27,455	27,455
Receivable floating rate/payable fixed rate.....	1,158,888	821,222	(25,292)	(25,292)
Receivable floating rate/payable floating rate.....	157,988	115,560	7	7
Swaptions:				
Sold.....	\$ 14,314	\$ 6,645	\$ (297)	\$ (297)
Bought.....	12,675	9,207	219	219
Caps:				
Sold.....	\$ 44,526	\$ 27,719	\$ (35)	\$ (35)
Bought.....	30,091	21,103	55	55
Floors:				
Sold.....	\$ 2,640	\$ 1,724	\$ (64)	\$ (64)
Bought.....	2,922	1,625	75	75
Other:				
Sold.....	\$ 352	\$ 304	\$ (54)	\$ (54)
Bought.....	2,085	771	55	55
Total.....	/	/	\$ 2,092	\$ 2,092

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 hedge accounting method 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 (\$7 million).

2. 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

March 31, 2003	Millions of yen			
	Contract amount		Market value	Valuation gains (losses)
	Total	Over 1 year		
<b>Over-the-counter transactions</b>				
Currency swaps .....	¥16,433,656	¥8,831,238	¥(39,389)	¥(39,389)
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 .....	—	—	—	—
<b>Total .....</b>	<b>/</b>	<b>/</b>	<b>¥(26,956)</b>	<b>¥(26,956)</b>

March 31, 2003	Millions of U.S. dollars			
	Contract amount		Market value	Valuation gains (losses)
	Total	Over 1 year		
<b>Over-the-counter transactions</b>				
Currency swaps .....	\$136,719	\$73,471	\$(328)	\$(328)
Currency swaptions				
Sold .....	\$ 2,747	\$ 2,747	\$ (26)	\$ (26)
Bought .....	7,196	7,196	114	114
Forward foreign exchange .....	\$ 24,425	\$ 4,557	\$ 13	\$ 13
Currency options				
Sold .....	\$ 471	\$ 110	\$ (11)	\$ (11)
Bought .....	503	179	13	13
Other				
Sold .....	\$ 127	\$ 24	\$ 1	\$ 1
Bought .....	—	—	—	—
<b>Total .....</b>	<b>/</b>	<b>/</b>	<b>\$(224)</b>	<b>\$(224)</b>

- 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 hedge accounting method is applied and the transaction shown in Note 3 below, 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 (\$3 million).
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 amounts above:
- (a) Those that are revaluated at fiscal year-end and the revaluation gains (losses) are accounted for in the consolidated statement of operations.
  - (b) 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.
  - (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.

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

March 31, 2003	Millions of yen	Millions of U.S. dollars
	Contract amount	Contract amount
<b>Transactions listed on exchange</b>		
Currency futures:		
Sold .....	¥ —	\$ —
Bought .....	—	—
Currency options:		
Sold .....	¥ —	\$ —
Bought .....	—	—
<b>Over-the-counter transactions</b>		
Forward foreign exchange .....	¥37,271,679	\$310,081
Currency options:		
Sold .....	¥ 3,001,518	\$ 24,971
Bought .....	3,195,840	26,588

(3) Equity derivatives

March 31, 2003	Millions of yen			
	Contract amount		Market value	Valuation gains (losses)
	Total	Over 1 year		
<b>Transactions listed on exchange</b>				
Equity price index futures:				
Sold.....	¥ —	¥—	¥—	¥—
Bought.....	—	—	—	—
Equity price index options:				
Sold.....	¥ —	¥—	¥—	¥—
Bought.....	—	—	—	—
<b>Over-the-counter transactions</b>				
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
<b>Total.....</b>	<b>/</b>	<b>/</b>	<b>¥ 0</b>	<b>¥ 0</b>

March 31, 2003	Millions of U.S. dollars			
	Contract amount		Market value	Valuation gains (losses)
	Total	Over 1 year		
<b>Transactions listed on exchange</b>				
Equity price index futures:				
Sold.....	\$—	\$—	\$—	\$—
Bought.....	—	—	—	—
Equity price index options:				
Sold.....	\$—	\$—	\$—	\$—
Bought.....	—	—	—	—
<b>Over-the-counter transactions</b>				
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.....	\$ 4	\$—	\$ 0	\$ 0
Bought.....	4	—	0	0
<b>Total.....</b>	<b>/</b>	<b>/</b>	<b>\$ 0</b>	<b>\$ 0</b>

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 hedge accounting method 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

March 31, 2003	Millions of yen			
	Contract amount		Market value	Valuation gains (losses)
	Total	Over 1 year		
<b>Transactions listed on exchange</b>				
Bond futures:				
Sold.....	¥119,032	¥ —	¥(388)	¥(388)
Bought.....	129,712	—	(67)	(67)
Bond futures options:				
Sold.....	¥ 4,000	¥ —	¥ (8)	¥ (8)
Bought.....	—	—	—	—
<b>Over-the-counter transactions</b>				
Bond options:				
Sold.....	¥ 16,010	¥15,617	¥ 0	¥ 0
Bought.....	4,719	3,125	0	0
<b>Total.....</b>	<b>/</b>	<b>/</b>	<b>¥(463)</b>	<b>¥(463)</b>

March 31, 2003	Millions of U.S. dollars			
	Contract amount		Market value	Valuation gains (losses)
	Total	Over 1 year		
<b>Transactions listed on exchange</b>				
Bond futures:				
Sold.....	\$ 990	\$ —	\$ (3)	\$ (3)
Bought.....	1,079	—	(1)	(1)
Bond futures options:				
Sold.....	\$ 33	\$ —	\$ (0)	\$ (0)
Bought.....	—	—	—	—
<b>Over-the-counter transactions</b>				
Bond options:				
Sold.....	\$ 133	\$ 130	\$ 0	\$ 0
Bought.....	39	26	0	0
Total.....	/	/	\$ (4)	\$ (4)

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 hedge accounting method 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 option pricing models.

#### (5) Commodity derivatives

March 31, 2003	Millions of yen			
	Contract amount		Market value	Valuation gains (losses)
	Total	Over 1 year		
<b>Over-the-counter transactions</b>				
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

March 31, 2003	Millions of U.S. dollars			
	Contract amount		Market value	Valuation gains (losses)
	Total	Over 1 year		
<b>Over-the-counter transactions</b>				
Commodity swaps:				
Receivable fixed price/payable floating price .....	\$258	\$228	\$ (13)	\$ (13)
Receivable floating price/payable fixed price .....	258	228	20	20
Commodity options:				
Sold.....	\$ 53	\$ 34	\$ (13)	\$ (13)
Bought.....	53	34	13	13
Total.....	/	/	\$ 7	\$ 7

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 hedge accounting method is applied are not included in the amounts above.  
2. Market value is calculated based on factors such as price of the relevant commodity and contract term.  
3. Commodity derivatives are transactions on oil and metal.

#### (6) Credit derivative transactions

March 31, 2003	Millions of yen			
	Contract amount		Market value	Valuation gains (losses)
	Total	Over 1 year		
<b>Over-the-counter transactions</b>				
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

March 31, 2003	Millions of U.S. dollars			
	Contract amount		Market value	Valuation gains (losses)
	Total	Over 1 year		
<b>Over-the-counter transactions</b>				
Credit default options:				
Sold.....	\$331	\$190	\$(14)	\$(14)
Bought.....	296	155	26	26
Other:				
Sold.....	\$ 48	\$ 9	\$ 41	\$ 41
Bought.....	720	662	2	2
Total.....	/	/	\$ 55	\$ 55

- 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 hedge accounting method is applied are not included in the amounts above.
2. Market value is calculated based on factors such as price of the reference assets and contract term.
3. "Sold" represents transactions in which the credit risk is accepted; "Bought" represents transactions in which the credit risk is transferred.

## 30. Segment Information

### (1) Business segment information

Year ended March 31, 2003	Millions of yen					Elimination and unallocated corporate assets	Consolidated
	Banking business	Leasing	Other	Total			
<b>I. Ordinary income</b>							
(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)	
<b>II. Assets, depreciation and capital expenditure</b>							
Assets .....	¥102,058,264	¥1,789,697	¥6,158,720	¥110,006,682	¥(5,399,232)	¥104,607,449	
Depreciation .....	73,505	329,478	18,908	421,892	1	421,894	
Capital expenditure .....	85,829	319,716	30,145	435,690	29	435,720	

Year ended March 31, 2003	Millions of U.S. dollars					Elimination and unallocated corporate assets	Consolidated
	Banking business	Leasing	Other	Total			
<b>I. Ordinary income</b>							
(1) External customers .....	\$ 21,050	\$ 5,329	\$ 2,792	\$ 29,171	\$ —	\$ 29,171	
(2) Intersegment .....	260	46	1,363	1,669	(1,669)	—	
Total .....	\$ 21,310	\$ 5,375	\$ 4,155	\$ 30,840	\$ (1,669)	\$ 29,171	
Ordinary expenses .....	26,046	5,176	3,720	34,942	(1,480)	33,462	
Ordinary profit (loss) .....	\$ (4,736)	\$ 199	\$ 435	\$ (4,102)	\$ (189)	\$ (4,291)	
<b>II. Assets, depreciation and capital expenditure</b>							
Assets .....	\$849,070	\$14,889	\$51,238	\$915,197	\$(44,919)	\$870,278	
Depreciation .....	612	2,741	157	3,510	0	3,510	
Capital expenditure .....	714	2,660	251	3,625	0	3,625	

- Notes: 1. The business segmentation is classified based on SMFG's internal administrative purpose.
2. "Other" includes securities, credit card, investment banking, loans, factoring, venture capital, system development and information processing.
3. As for assets, unallocated corporate assets that were included in "Elimination and unallocated corporate assets" mainly consisted of investments in affiliates of ¥3,373,529 million (\$28,066 million).
4. Ordinary income represents total income excluding gains on disposition of premises and equipment, collection of written-off claims and reversals of other reserves. Ordinary expenses represent total expenses excluding losses on disposition of premises and equipment, amortized cost of unrecognized net transition obligation for employee retirement benefits and other extraordinary expenses.
5. As mentioned in Note 24 "Income Taxes," the effective tax rate was changed with the implementation of the "Revision of the Local Tax Law" (Legislation No. 9, 2003) on March 31, 2003. As a result, Assets of "Banking business" increased by ¥65,769 million (\$547 million), and Assets of "Leasing" and "Other" decreased by ¥753 million (\$6 million) and ¥1,109 million (\$9 million), respectively as compared with the assets that were calculated using the former effective tax rate.



(2) Geographic segment information

Year ended March 31, 2003	Millions of yen					Elimination and unallocated corporate assets	Consolidated
	Japan	The Americas	Europe	Asia and Oceania	Total		
<b>I. Ordinary income</b>							
(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)
<b>II. Assets .....</b>	<b>¥96,909,941</b>	<b>¥6,138,645</b>	<b>¥2,167,625</b>	<b>¥2,647,964</b>	<b>¥107,864,176</b>	<b>¥(3,256,726)</b>	<b>¥104,607,449</b>

Year ended March 31, 2003	Millions of U.S. dollars					Elimination and unallocated corporate assets	Consolidated
	Japan	The Americas	Europe	Asia and Oceania	Total		
<b>I. Ordinary income</b>							
(1) External customers .....	\$ 25,240	\$ 1,441	\$ 1,451	\$ 1,039	\$ 29,171	\$ —	\$ 29,171
(2) Intersegment .....	551	405	267	225	1,448	(1,448)	—
Total .....	\$ 25,791	\$ 1,846	\$ 1,718	\$ 1,264	\$ 30,619	\$ (1,448)	\$ 29,171
Ordinary expenses .....	31,653	1,247	1,123	688	34,711	(1,249)	33,462
Ordinary profit (loss) .....	\$ (5,862)	\$ 599	\$ 595	\$ 576	\$ (4,092)	\$ (199)	\$ (4,291)
<b>II. Assets .....</b>	<b>\$806,239</b>	<b>\$51,070</b>	<b>\$18,034</b>	<b>\$22,030</b>	<b>\$897,373</b>	<b>\$(27,095)</b>	<b>\$870,278</b>

- Notes: 1. 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.
2. The Americas includes the United States, Brazil and others; Europe includes the United Kingdom, France and others; Asia and Oceania includes Hong Kong, Singapore and others except Japan.
3. As for assets, unallocated corporate assets that were included in "Elimination and unallocated corporate assets" mainly consisted of investments in affiliates of ¥3,373,529 million (\$28,066 million).
4. Ordinary income represents total income excluding gains on disposition of premises and equipment, recoveries of written-off claims and reversals of other reserves. Ordinary expenses represent total expenses excluding losses on disposition of premises and equipment, amortized cost of unrecognized net transition obligation for employee retirement benefits and other extraordinary expenses.
5. As mentioned in Note 24 "Income Taxes," the effective tax rate was changed with the implementation of the "Revision of the Local Tax Law" (Legislation No. 9, 2003) on March 31, 2003. As a result, Assets of "Japan" increased by ¥63,905 million (\$532 million) as compared with assets that were calculated using the former effective tax rate.

(3) Ordinary income from overseas operations

Year ended March 31, 2003	Millions of yen	Millions of U.S. dollars
Ordinary income from overseas operations (A) .....	¥ 472,525	\$ 3,931
Consolidated ordinary income (B) .....	3,506,386	29,171
(A) / (B) .....	13.5%	13.5%

Note: The above table shows ordinary income from transactions of SMBC's overseas branches and overseas consolidated subsidiaries, excluding internal income.

31. Subsequent Event

Appropriations of retained earnings

The following appropriations of retained earnings of SMFG at March 31, 2003 were approved by the general meeting of shareholders held on June 27, 2003:

	Millions of yen	Millions of U.S. dollars
Cash dividends, ¥3,000 per share on common stock .....	¥17,385	\$145
¥10,500 per share on preferred stock (Type 1) .....	703	6
¥28,500 per share on preferred stock (Type 2) .....	2,850	24
¥13,700 per share on preferred stock (Type 3) .....	10,960	91
¥19,500 per share on preferred stock (First to Twelfth series Type 4) .....	976	8
¥3,750 per share on preferred stock (Thirteenth series Type 4) .....	431	3

## 32. Parent Company

### (1) Nonconsolidated Balance Sheet Sumitomo Mitsui Financial Group, Inc.

March 31, 2003	Millions of yen	Millions of U.S. dollars (Note 1)
<b>Assets</b>		
Current assets.....	¥ 106,108	\$ 883
Cash and due from banks .....	64,725	539
Deferred tax assets .....	35	0
Accrued income .....	315	3
Refundable income tax .....	40,976	341
Other current assets.....	55	0
Fixed assets.....	¥3,306,213	\$27,506
Premises and equipment .....	0	0
Buildings.....	0	0
Intangible assets .....	26	0
Software .....	26	0
Investments and other assets .....	3,306,185	27,506
Investments in subsidiaries and affiliates .....	3,260,957	27,129
Long-term loans to subsidiaries and affiliates .....	40,000	333
Deferred tax assets .....	5,227	44
Other investments .....	0	0
Deferred charges .....	1,207	10
Organization cost .....	1,207	10
<b>Total assets .....</b>	<b>¥3,413,529</b>	<b>\$28,399</b>
<b>Liabilities</b>		
Current liabilities .....	¥ 257,442	\$ 2,142
Short-term borrowings.....	256,501	2,134
Accrued expenses.....	651	5
Income taxes payable .....	1	0
Business office taxes payable.....	1	0
Consumption taxes payable.....	106	1
Reserve for employees bonuses.....	83	1
Other current liabilities .....	96	1
<b>Total liabilities .....</b>	<b>¥ 257,442</b>	<b>\$ 2,142</b>
<b>Stockholders' equity</b>		
Capital stock .....	¥1,247,650	\$10,380
Capital surplus .....	¥1,747,266	\$14,536
Capital reserve .....	1,747,266	14,536
Retained earnings.....	¥ 161,521	\$ 1,344
Earned surplus reserve .....	496	4
Voluntary reserve .....	30,420	253
Special voluntary earned reserves .....	30,420	253
Unappropriated retained earnings.....	130,605	1,087
Treasury stock .....	¥ (351)	\$ (3)
<b>Total stockholders' equity .....</b>	<b>¥3,156,086</b>	<b>\$26,257</b>
<b>Total liabilities and stockholders' equity.....</b>	<b>¥3,413,529</b>	<b>\$28,399</b>

(2) **Nonconsolidated Statement of Income**  
Sumitomo Mitsui Financial Group, Inc.

Year ended March 31, 2003	Millions of yen	Millions of U.S. dollars (Note 1)
<b>Operating income</b> .....	<b>¥131,519</b>	<b>\$1,094</b>
Dividends on investments in subsidiaries and affiliates .....	128,265	1,067
Fees and commissions received from subsidiaries .....	3,124	26
Interest income on loans to subsidiaries and affiliates .....	128	1
<b>Operating expenses</b> .....	<b>¥ 971</b>	<b>\$ 8</b>
General and administrative expenses .....	971	8
Other operating expenses .....	0	0
<b>Operating profit</b> .....	<b>¥130,547</b>	<b>\$1,086</b>
<b>Nonoperating income</b> .....	<b>¥ 13</b>	<b>\$ 0</b>
Interest income on deposits .....	9	0
Fees and commissions income .....	4	0
<b>Nonoperating expenses</b> .....	<b>¥ 10,926</b>	<b>\$ 91</b>
Interest on borrowings .....	176	1
Amortization of organization costs .....	301	3
Stock issuance costs .....	9,994	83
Fees and commissions expenses .....	73	1
Other nonoperating expenses .....	380	3
<b>Income before income taxes</b> .....	<b>¥119,634</b>	<b>\$ 995</b>
Income taxes:		
Current .....	156	1
Deferred .....	(5,259)	(44)
<b>Net income</b> .....	<b>¥124,738</b>	<b>\$1,038</b>
	Yen	U.S. dollars (Note 1)
Per share data:		
Net income .....	¥18,918.33	\$157.39
Net income — diluted .....	15,691.82	130.55
Declared dividends on common stock.....	3,000	24.96
Declared dividends on preferred stock (Type 1) .....	10,500	87.35
Declared dividends on preferred stock (Type 2) .....	28,500	237.10
Declared dividends on preferred stock (Type 3) .....	13,700	113.98
Declared dividends on preferred stock (First to Twelfth series Type 4) .....	19,500	162.23
Declared dividends on preferred stock (Thirteenth series Type 4).....	3,750	31.20