# Notes to Consolidated Interim Financial Statements (Unaudited)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries
Six months ended September 30, 2003

## I. Significant Accounting Policies

### 1. Scope of consolidation

(1) Consolidated subsidiaries: 169 companies

Principal companies:

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 Service Co., Ltd.
SMBC Friend Securities Co., Ltd.
The Japan Research Institute, Limited
SMBC Capital Markets, Inc.

From this interim term:

— three companies including The Kansai Sawayaka Bank, Limited were newly consolidated due to acquirement of shares, and five companies including SMBC Leasing Investment L.L.C. were newly consolidated due to establishment.

— five companies including Sakura Friend Securities Co., Ltd., Mitsui Finance Service Co., Ltd. and Sakura Finance Service Co., Ltd. were excluded from the scope of consolidation due to merger, and Sakura Global Capital Asia Limited was excluded from the scope of consolidation due to liquidation.

— three companies including SMBCL CEPHEUS CO., LTD. became silent partnerships for lease transactions, and became nonconsolidated subsidiaries that are not accounted for by the equity method.

(2) Nonconsolidated subsidiaries

Principal company:

SBCS Co., Ltd.

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

Total assets, ordinary income, net income and retained earnings of other nonconsolidated subsidiaries have no significant impact on the consolidated interim financial statements.

### 2. Application of the equity method

(1) Nonconsolidated subsidiaries accounted for by the equity method: 4 companies

Principal company:

SBCS Co., Ltd.

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

Principal companies:

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

From this interim term:

— two companies including Hokkaido Mother Land Capital, Ltd. were newly applied due to establishment

— Daiwa Europe (Deutschland) GmbH was excluded due to liquidation.

(3) Nonconsolidated subsidiaries and affiliates that are not accounted for by the equity method:

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

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

Principal company:

Daiwa SB Investments (USA) Ltd.

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

### 3. The interim balance sheet dates of consolidated subsidiaries

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

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

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

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

### 4. Accounting methods

(1) **Standards for recognition and measurement of trading assets and liabilities**

Transactions for trading purposes (seeking gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market related indices or from variation among markets) are included in "Trading assets" or "Trading liabilities" on the consolidated balance sheet on a contract date basis. Relevant income or expenses on trading-purpose transactions are recognized as "Trading profits" or "Trading losses" in the consolidated statement of operations.

Securities and monetary claims purchased for trading purposes are stated at the interim term-end market value, and financial derivatives such as swaps, futures and options are stated at amounts that would be settled if the transactions were terminated at the consolidated interim balance sheet date.

Adjustments are made to interest income or expenses for recognition of trading profits or losses in the amounts of changes in valuation of securities and monetary claims or gains or losses resulting from any change in the value of derivatives between the previous fiscal year-end and this interim term-end, assuming they were settled at this interim term-end.

A consolidated subsidiary, SMBC formerly accounted for foreign currency translation differences arising from currency swaps for trading purposes as "Other assets" or "Other liabilities" on the balance sheet on a net basis. From this interim term, SMBC accounts for such foreign currency differences as "Trading assets" and "Trading liabilities" on a gross basis, pursuant to the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No.25). Consequently, "Other liabilities" decreased by ¥83,790 million ($753 million), and "Trading assets" and "Trading liabilities" increased by ¥47,405 million ($426 million) and ¥131,196 million ($1,179 million), respectively.

(2) **Standards for recognition and measurement of securities**

(a) Held-to-maturity debt securities are debt securities that consolidated subsidiaries have the positive intent and ability to hold to maturity, and are carried at amortized cost (straight-line method) using the moving-average method.

Investments in 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 nonconsolidated subsidiaries and affiliates are classified as "other securities" (available-for-sale securities). Stocks in other securities that have market value are carried at the average market prices during the final month of the interim term, and bonds and others that have market prices are carried at their interim term-end market prices (cost of securities sold is calculated using primarily the moving-average method). Other securities with no available market prices are carried at cost or amortized cost using the moving-average method. Net unrealized gains (losses) on other securities, net of income taxes, are included in "Stockholders' equity," after deducting the amount that is reflected in the interim term's earnings because of application of fair value hedge accounting.

(b) Securities included in "Money held in trust" are carried in the same way as in Notes I. 4. (1) and (2) (a).

(3) **Standards for recognition and measurement of 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 their local accounting standards.

(4) **Depreciation**

(a) Depreciation of premises, equipment and lease assets

Premises and equipment owned by Sumitomo Mitsui Financial Group, Inc. ("SMFG") and SMBC are depreciated using the straight-line method for premises and the declining-balance method for equipment. For the six months ended September 30, 2003, SMBC calculated the depreciation cost by proportionally allocating the estimated annual costs to the interim term. The estimated useful lives of major items are as follows:

| | |
|---|---|
| Buildings: | 7 to 50 years |
| Equipment: | 2 to 20 years |

Other consolidated subsidiaries depreciate premises and equipment, and lease assets primarily using the straight-line method over the estimated useful lives of the respective assets and the straight-line method over the lease term based on the residual value of assets at the end of the lease term, respectively.

(b) Depreciation of capitalized software

Capitalized software for internal use owned by SMFG and its consolidated domestic subsidiaries is depreciated using the straight-line method over its estimated useful life (basically five years).

(5) **Reserve for possible loan losses**

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

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

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

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

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 in 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 rules 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 ratios, and for doubtful claims in the amount deemed uncollectible based on assessment of each claim.

For collateralized or guaranteed claims on bankrupt borrowers and effectively bankrupt borrowers, the amount exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and charged off against the total outstanding amount of the claims. The amount of write-off was ¥1,693,302 million ($15,221 million).

(6) **Reserve for employee bonuses**
Reserve for employee bonuses is provided, in provision for payment of bonuses to employees, in the amount of estimated bonuses, which are attributable to this interim term.

(7) **Reserve for employee retirement benefits**
Reserve for employee retirement benefits is provided, in provision for payment of retirement benefits to employees, in the amount deemed accrued at interim term-end, based on the projected retirement benefit obligation and fair value of plan assets at the fiscal year-end.

Prior service cost is amortized using the straight-line method, primarily over 10 years within the employees' average remaining service period at incurrence.

Unrecognized net actuarial gain (loss) is amortized using the straight-line method, primarily over 10 years within the employees' average remaining service period, commencing from the next fiscal year of incurrence.

Unrecognized net transition obligation from the initial application of the new accounting standard for employee retirement benefits is amortized using the straight-line method over five years and is charged 50% of the annual amortized cost to its income for the six months ended September 30, 2003.

(8) **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. This reserve is provided in accordance with Article 43 of the Ordinance of the Commercial Code.

(9) **Reserve for exhibition at World Exposition**
SMBC accounts for the exhibition expenses related to "The 2005 World Exposition, Aichi, Japan," which will be held in Aichi Prefecture in 2005 as "Reserve for exhibition at World Exposition." This reserve is stipulated in Article 43 of the Ordinance of the Commercial Code and includes the reserve that is stipulated in Article 57-2 of the Specific Taxation Measures Law.

(10) **"Other reserves" required by special laws**
Other reserves required by special laws are reserve for contingent liabilities from financial futures transaction (¥18 million ($0 million)) in accordance with Article 82 of the Financial Futures Transaction Law, and reserve for contingent liabilities from securities transactions (¥513 million ($5 million)) in accordance with Article 51 of Securities Exchange Law.

(11) **Translation of foreign currency assets and liabilities**
SMBC's assets and liabilities denominated in foreign currencies and overseas branches' accounts are translated into Japanese yen mainly at the exchange rate prevailing at the consolidated interim balance sheet date, with the exception of stocks of subsidiaries and affiliates translated at rates which are prevailing at the time of acquisition.

As for the accounting method of foreign currency transactions, in the previous fiscal year, domestic consolidated banking subsidiaries applied the temporary treatment stipulated in JICPA Industry Audit Committee Report No.25 to currency swaps and foreign exchange swaps for the purpose of lending or borrowing funds in different currencies. From this interim term, they apply the hedge accounting pursuant to the full treatment of JICPA Industry Audit Committee Report No.25.

Consequently, for the six-month period, the domestic consolidated banking subsidiaries have valuated such foreign exchange swaps at fair value and included their fair-valued assets and liabilities in the consolidated balance sheet. Previously, profits or losses on the foreign exchange swaps were charged to income by periodical allocation. As a result, "Other assets" and "Other liabilities" each increased by ¥2,846 million ($26 million). However, this accounting change had no impact on profit or loss.

Foreign currency translation differences arising from currency swaps and forward foreign exchange transactions were formerly accounted for as "Other assets" or "Other liabilities" on a net basis, but from this interim term they are accounted for as "Other assets" or "Other liabilities" on a gross basis pursuant to JICPA Industry Audit Committee Report No.25. Consequently, "Other assets" and "Other liabilities" increased by ¥737,724 million ($6,631 million) each.

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

(12) **Accounting method for lease transactions**
Financing leases of SMFG and its consolidated domestic subsidiaries, excluding those in which the ownership of the property is transferred to the lessee, are accounted for in the same manner as operating leases.

Standards for recognizing rental income on lease transactions and income/expenses on installment sales are as follows:

(a) Recognition of lease-related income on lease transactions
Primarily, lease-related income is recognized on a straight-line basis over the full term of the lease, based on the monthly rent revenue.

(b) Recognition of income and expenses on installment sales
Primarily, installment-sales-related income and installment-sales-related expenses are recognized on a due-date basis over the full term of the installment sales.

(13) **Hedge accounting**

(a) Hedging against interest rate changes
As for the hedge accounting method applied to hedging transactions for interest rate risk arising from financial assets and liabilities, SMBC applies deferred hedge accounting or fair value hedge accounting.

In the previous fiscal year, SMBC applied the temporary treatment stipulated in the "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No.24) to the "macro hedge," which is the management of interest rate risk arising from large-volume transactions in loans, deposits and other interest-earning assets and interest-bearing liabilities as a whole using derivatives. From this interim term, SMBC applies the full treatment of JICPA Industry Audit Committee Report No.24 to hedges on groups of large-volume, small-value monetary claims and debts with similar risk characteristics. SMBC assesses the effectiveness of such hedges in offsetting movement of the fair value by the changes in interest rates, by classifying the hedged items (such as deposits and loans) and the hedging instruments (such as interest rate swaps) by their maturity. As to the cash flow hedges, SMBC assesses the effectiveness of such hedges in fixing cash flows by verifying the correlation between the hedged items and the hedging instruments. As to the individual hedges, SMBC also assesses the effectiveness of such hedges.

As a result of changing the designation of hedge relationship pursuant to JICPA Industry Audit Committee Report No.24, SMBC applies fair value hedge accounting to hedging transactions for reducing the exposure to market volatility of bonds classified as other securities that are held for the purpose of Asset and Liability Management in order to more properly reflect the effectiveness of hedging transactions in the financial statements. Consequently, "Other assets" and "Net unrealized gains on other securities" decreased by ¥21,462 million ($193 million) and ¥13,521 million ($122 million), respectively and "Deferred tax assets" increased by ¥8,507 million ($76 million).

A portion of deferred hedge losses and gains, which was previously under the macro hedge, is no longer subject to hedge accounting. The deferred hedge losses and gains related to hedging instruments to which SMBC discontinued the application of hedge accounting or applied fair value hedge accounting as a result of the change mentioned above are charged to "Interest income" or "Interest expenses" over a 12-year period (maximum) from this interim term according to their maturity. At September 30, 2003 gross amounts of deferred hedge losses and gains on "macro hedge" were ¥422,999 million ($3,802 million) and ¥410,931 million ($3,694 million), respectively.

(b) Hedging against currency fluctuations

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

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

In order to hedge risk arising from volatility of exchange rates for stocks of subsidiaries and affiliates and other securities (excluding bonds) denominated in foreign currencies, SMBC applies deferred hedge accounting or fair value hedge accounting, on the conditions that the hedged securities are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged securities denominated in the same foreign currencies.

(c) Transactions between consolidated subsidiaries

As for derivative transactions between consolidated subsidiaries or internal transactions between trading accounts and other accounts (or among internal sections), SMBC manages the interest rate swaps and currency swaps that are designated as hedging instruments in accordance with the strict criteria for external transactions stipulated in JICPA Industry Audit Committee Report No.24 and No.25. Therefore, SMBC accounts for the gains or losses that arise from interest rate swaps and currency swaps in its earnings or defers them, rather than eliminating them.

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

(14) **Consumption tax**

National and local consumption taxes of SMFG and its consolidated domestic subsidiaries are accounted for using the tax-excluded method.

(15) **Tax effect accounting**

On the premise that transfer to and from the reserve for losses on overseas investments will be conducted through appropriation of retained earnings (deficit) at the end of this fiscal year of SMFG and its consolidated domestic subsidiaries, current and deferred income taxes are recorded in the amount corresponding to the consolidated interim term.

### 5. Scope of "cash and cash equivalents" on consolidated statement of cash flows

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represents cash and due from banks.

## II. Notes to Consolidated Balance Sheet

1. Securities include ¥200,137 million ($1,799 million) of stocks of nonconsolidated subsidiaries and affiliates and ¥1,614 million ($15 million) of investments.
2. "Japanese government bonds" as a sub-account of "Securities" include ¥6,002 million ($54 million) of unsecured loaned

securities for which borrowers have the right to sell or pledge and ¥119 million ($1 million) of loaned securities for which borrowers only have the right to pledge and not to sell.

As for the unsecured borrowed securities for which SMBC has the right to sell or pledge and the securities which SMBC purchased under resale agreements, that are permitted to be sold or pledged without restrictions, ¥654,394 million ($5,882 million) in securities are pledged, and ¥136,090 million ($1,223 million) in securities are held in hand as of the consolidated interim balance sheet date.

3. "Bankrupt loans" and "Non-accrual loans" were ¥179,497 million ($1,613 million) and ¥2,287,238 million ($20,559 million), respectively. These amounts include trusts with The Resolution and Collection Corporation, a measure regarded as off-balancing, in the amount of ¥38,941 million ($350 million).

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

4. "Past due loans (3 months or more)" totaled ¥101,630 million ($914 million).

"Past due loans (3 months or more)" are loans other than "Bankrupt loans" and "Non-accrual loans" on which the principal or interest is past due for three months or more.

5. "Restructured loans" totaled ¥1,853,890 million ($16,664 million).

"Restructured loans" are loans other than "Bankrupt loans," "Non-accrual loans" and "Past due loans (3 months or more)" for which consolidated subsidiaries have relaxed lending terms, such as reduction of the original interest rate, forbearance of interest payments or principal repayments or have made agreements in favor of borrowers such as debt forgiveness, to support the borrowers' recovery from financial difficulties.

6. The total amount of Bankrupt loans, Non-accrual loans, Past due loans (3 months or more) and Restructured loans was ¥4,422,255 million ($39,751 million). This amount includes trusts with The Resolution and Collection Corporation, a measure regarded as off-balancing, in the amount of ¥38,941 million ($350 million).

The amounts of loans presented in 3. to 6. above are the amounts before deduction of reserve for possible loan losses.

7. Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No.24. SMFG's banking subsidiaries have rights to sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The total face value was ¥966,761 million ($8,690 million).

8. Assets pledged as collateral were as follows:

| September 30, 2003 | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| Assets pledged | | |
| Cash and due from banks and Deposits with banks | ¥ 124,638 | $ 1,120 |
| Trading assets | 570,857 | 5,131 |
| Securities | 9,794,664 | 88,042 |
| Loans and bills discounted | 3,760,959 | 33,806 |
| Other assets (installment account receivable, etc.) | 1,180 | 11 |
| Premises and equipment | 529 | 5 |
| Liabilities corresponding to assets pledged | | |
| Deposits | ¥ 14,910 | $ 134 |
| Call money and bills sold | 7,054,900 | 63,415 |
| Payables under repurchase agreements | 1,857,026 | 16,692 |
| Payables under securities lending transactions | 4,355,513 | 39,151 |
| Trading liabilities | 144,062 | 1,295 |
| Borrowed money | 4,216 | 38 |
| Other liabilities | 10,979 | 99 |
| Acceptances and guarantees | 149,297 | 1,342 |

In addition, Cash and due from banks and Deposits with banks of ¥44,798 million ($403 million), Trading assets of ¥4,204 million ($38 million), Securities of ¥3,966,901 million ($35,658 million), Loans and bills discounted of ¥968,383 million ($8,705 million) were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes.

Premises and equipment include surety deposits and intangible of ¥118,028 million ($1,061 million), and Other assets include initial margins of futures markets of ¥7,036 million ($63 million).

9. Commitment line contracts on overdrafts and loans are agreements to lend to customers up to a prescribed amount, as long as there is no violation of any condition established in the contracts. The amount of unused commitments was ¥29,801,082 million ($267,875 million), and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time was ¥27,261,498 million ($245,047 million). 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 include clauses under which SMBC and other consolidated subsidiaries can reject an application from customers or reduce the contract amounts in the event that economic conditions change, SMBC and other consolidated subsidiaries need to secure claims, or other events occur. In addition, SMBC and other consolidated subsidiaries may request the customers to pledge collateral such as premises and securities at the time of the contracts, and take necessary measures such as monitoring customers' financial positions, revising contracts when need arises and securing claims after contracts are made.

10. Net amount of deferred unrealized gains (losses) on hedging instruments to which deferred hedge accounting is applied is reported as deferred loss on hedge and are included in "Other assets." Gross deferred unrealized losses and gains on hedging instruments were ¥1,735,996 million ($15,604 million) and ¥1,609,388 million ($14,466 million), respectively.
11. SMBC revaluated its own land for business activities in accordance with the "Law Concerning Land Revaluation" (the "Law") effective March 31, 1998 and the law concerning amendment of the Law effective March 31, 2001. The income taxes corresponding to the net unrealized gains are deferred and reported in "Liabilities" as "Deferred tax liabilities for land revaluation," and the net unrealized gains, net of deferred taxes, are reported as "Land revaluation excess" in "Stockholders' equity."

    Certain consolidated subsidiaries revaluated their own land for business activities in accordance with the Law. The income taxes corresponding to the net unrealized gains (losses) are deferred and reported in "Liabilities" or "Assets" as "Deferred tax liabilities for land revaluation" or "Deferred tax assets for land revaluation," and the net unrealized gains (losses), net of deferred taxes, are reported as "Land revaluation excess" in "Stockholders' equity."

    Date of the revaluation:

    | | |
    |---|---|
    | SMBC: | March 31, 1998 and March 31, 2002 |
    | Certain consolidated subsidiaries: | March 31, 1999 and March 31, 2002 |

    Method of revaluation (stipulated in Article 3-3 of the Law):

    SMBC: Fair values were determined by applying appropriate adjustments for land shape and timing of appraisal to the values stipulated in Article 2-3, 2-4 or 2-5 of the Enforcement Ordinance of the Law Concerning Land Revaluation (the Enforcement Ordinance No.119) effective March 31, 1998.

    Certain consolidated subsidiaries: Fair values were determined based on the values specified in Article 2-3 and 2-5 of the Enforcement Ordinance No.119.
12. Accumulated depreciation on premises and equipment and accumulated depreciation on lease assets amounted to ¥604,089 million ($5,430 million) and ¥1,508,565 million ($13,560 million), respectively.
13. The balance of subordinated debt included in "Borrowed money" was ¥811,510 million ($7,294 million).
14. The balance of subordinated bonds included in "Bonds" was ¥1,583,839 million ($14,237 million).

## III. Notes to Consolidated Statement of Operations

1. "Other income" includes gains on sales of stocks and other securities of ¥56,039 million ($504 million), the tax refund from the Tokyo Metropolitan Government of ¥38,236 million ($344 million) and the interest on the tax refund of ¥2,097 million ($19 million).
2. "Other expenses" includes write-off of loans in the amount of ¥388,924 million ($3,496 million), amortized cost of unrecognized net obligation from initial application of the new accounting standard for employee retirement benefits of ¥11,021 million ($99 million) and losses on disposal of premises and equipment of ¥8,408 million ($76 million).

## IV. Notes to Consolidated Statement of Cash Flows

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represents cash and due from banks.

Reconciliation of the opening balance and the cash payment (net) for acquisition of three companies including The Kansai Sawayaka Bank, Limited is as follows:

| | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| Assets | ¥ 800,118 | $ 7,192 |
| Loans and bills discounted | 593,042 | 5,331 |
| Liabilities | ¥(724,759) | $(6,514) |
| Deposits | (682,774) | (6,137) |
| Minority interests | (23,450) | (211) |
| Goodwill | (13,136) | (118) |
| Acquisition costs for the three companies' stocks (a) | ¥ 38,773 | $ 349 |
| The three companies' cash and cash equivalents (b) | (29,773) | (268) |
| (a) – (b) Net cash payment for acquisition of the three companies | ¥ 8,999 | $ 81 |

## V. 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 September 30, 2003 was as follows:

**(1) Lessee side**

| | Millions of yen | | |
|---|---|---|---|
| September 30, 2003 | Equipment | Other | Total |
| Acquisition cost | ¥10,937 | ¥213 | ¥11,150 |
| Accumulated depreciation | 5,977 | 116 | 6,094 |
| Net book value | ¥ 4,959 | ¥ 97 | ¥ 5,056 |

| | Millions of U.S. dollars | | |
|---|---|---|---|
| September 30, 2003 | Equipment | Other | Total |
| Acquisition cost | $98 | $2 | $100 |
| Accumulated depreciation | 54 | 1 | 55 |
| Net book value | $44 | $1 | $ 45 |

Future minimum lease payments excluding interests at September 30, 2003 were as follows:

| September 30, 2003 | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| Due within one year | ¥1,876 | $17 |
| Due after one year | 3,316 | 30 |
| Total | ¥5,193 | $47 |

Total lease expenses for this interim term were ¥1,152 million ($10 million).

Assumed depreciation expenses for this interim term amounted to ¥1,082 million ($10 million).

Assumed depreciation is calculated using the straight-line method over the lease term of the respective assets.

The difference between the minimum lease payments and the acquisition costs of the lease assets represents interest expense. The allocation of such interest expense over the lease term is computed using the effective interest method. Interest expense for this interim term amounted to ¥76 million ($1 million).

**(2) Lessor side**

| September 30, 2003 | Millions of yen | | |
|---|---|---|---|
| | Equipment | Other | Total |
| Acquisition cost | ¥1,942,876 | ¥548,854 | ¥2,491,730 |
| Accumulated depreciation | 1,203,109 | 299,931 | 1,503,041 |
| Net book value | ¥ 739,766 | ¥248,922 | ¥ 988,689 |

| September 30, 2003 | Millions of U.S. dollars | | |
|---|---|---|---|
| | Equipment | Other | Total |
| Acquisition cost | $17,464 | $4,934 | $22,398 |
| Accumulated depreciation | 10,814 | 2,696 | 13,510 |
| Net book value | $ 6,650 | $2,238 | $ 8,888 |

Future lease payment receivables excluding interests for this interim term-end were as follows:

| September 30, 2003 | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| Due within one year | ¥ 322,445 | $2,898 |
| Due after one year | 709,410 | 6,377 |
| Total | ¥1,031,856 | $9,275 |

Lease income for this interim term was ¥205,211 million ($1,845 million).

Depreciation expense for this interim term was ¥165,475 million ($1,487 million).

Assumed interest income was calculated on the basis of the allocation of excess amount of total lease income and estimated residual value over the acquisition cost of leased assets.

The allocation of such assumed interest income over the lease term is computed using the effective interest method. Assumed interest income for this interim term was ¥34,173 million ($307 million).

### 2. Operating leases

Operating leases at September 30, 2003 consisted of the following:

**(1) Lessee side**

Future minimum lease payments at September 30, 2003 were as follows:

| September 30, 2003 | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| Due within one year | ¥ 18,679 | $ 168 |
| Due after one year | 98,100 | 882 |
| Total | ¥116,780 | $1,050 |

**(2) Lessor side**

Future lease payment receivables at September 30, 2003 were as follows:

| September 30, 2003 | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| Due within one year | ¥ 630 | $ 6 |
| Due after one year | 1,497 | 13 |
| Total | ¥2,128 | $19 |

Future lease payment receivables of ¥94,692 million ($851 million) included in the amounts above 1. and 2. were pledged as collateral for borrowing transactions.

## VI. Others

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, all items have been translated from Japanese yen to U.S. dollars at the rate of ¥111.25 to US$1, the exchange rate prevailing on September 30, 2003.

## VII. Per Share Data

| September 30, 2003 | Yen | U.S. dollars |
|---|---|---|
| Stockholders' equity per share | ¥165,291.87 | $1,485.77 |
| Net income per share | 24,993.09 | 224.66 |
| Net income per share — diluted | 15,608.81 | 140.30 |

1. Consolidated stockholders' equity per share is calculated by deducting from stockholders' equity the number of preferred stocks issued as of the end of the interim term multiplied by the issue price, divided by the number of common stocks issued at the interim term-end (excluding "treasury stock").
2. Consolidated net income per share is calculated by deducting total preferred stock dividends from net income, divided by the average number of common stocks outstanding during the interim term (excluding "treasury stock").

## VIII. Subsequent Events (up to December 16, 2003)

There have been no subsequent events of material importance after September 30, 2003.

## IX. Market Value Information

### 1. Market value of marketable securities

Note: In addition to "Securities" stated in the consolidated balance sheet, the amounts below include trading securities, commercial paper and short-term corporate bonds classified as "Trading assets," negotiable certificates of deposit bought classified as "Cash and due from banks" and commercial paper and beneficiary claims on loan trusts classified as "Commercial paper and other debt purchased."

**(1) Securities classified as trading purposes**

| September 30, 2003 | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| Consolidated balance sheet amount | ¥1,205,895 | $10,840 |
| Valuation gains (losses) included in profit/loss during the term | (1,705) | (15) |

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

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

| | Millions of U.S. dollars | | | | |
|---|---|---|---|---|---|
| September 30, 2003 | Consolidated balance sheet amount | Market value | Net unrealized gains (losses) | Unrealized gains | Unrealized losses |
| Japanese government bonds | $4,585 | $4,485 | $(100) | $ 8 | $108 |
| Japanese local government bonds | — | — | — | — | — |
| Japanese corporate bonds | — | — | — | — | — |
| Other | 192 | 201 | 9 | 10 | 1 |
| Total | $4,777 | $4,686 | $ (91) | $18 | $109 |

Note: Market value is calculated using the market prices at the interim term-end.

**(3) Other securities with market value**

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

| | Millions of U.S. dollars | | | | |
|---|---|---|---|---|---|
| September 30, 2003 | Acquisition cost | Consolidated balance sheet amount | Net unrealized gains (losses) | Unrealized gains | Unrealized losses |
| Stocks | $ 23,426 | $ 27,659 | $ 4,233 | $5,197 | $ 964 |
| Bonds | $111,791 | $110,399 | $(1,392) | $ 59 | $1,451 |
| Japanese government bonds | 101,039 | 99,810 | (1,229) | 26 | 1,255 |
| Japanese local government bonds | 3,719 | 3,627 | (92) | 8 | 100 |
| Japanese corporate bonds | 7,033 | 6,962 | (71) | 25 | 96 |
| Other | $ 37,636 | $ 37,524 | $ (112) | $ 182 | $ 294 |
| Total | $172,853 | $175,582 | $ 2,729 | $5,438 | $2,709 |

Notes: 1. Of the total net unrealized gains shown above, ¥22,029 million ($198 million) is included in this term's profit because of the application of fair value hedge accounting.

2. Market value is calculated as follows:

| | |
|---|---|
| Stocks | Average market price during one month before the interim term-end |
| Bonds and others | Market prices at the interim term-end |

3. 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 used for the consolidated interim balance sheet amount and the amount of write-down is accounted for as valuation loss (impaired) for the current interim term. Valuation loss (impaired) for the current interim term was ¥530 million ($5 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.

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

| | Millions of yen | | | Millions of U.S. dollars | | |
|---|---|---|---|---|---|---|
| Six months ended September 30, 2003 | Acquisition cost | Sales amount | Gains on sales | Acquisition cost | Sales amount | Gains on sales |
| Japanese government bonds | ¥21,063 | ¥21,709 | ¥ 645 | $189 | $195 | $ 6 |
| Japanese local government bonds | 23,060 | 23,796 | 736 | 207 | 214 | 7 |
| Total | ¥44,123 | ¥45,506 | ¥1,382 | $396 | $409 | $13 |

Note: Reason for sales: A consolidated subsidiary, THE MINATO BANK, LTD. ("Minato") changed its investment policy.

**(5) Other securities sold during the interim term**

| | Millions of yen | | | Millions of U.S. dollars | | |
|---|---|---|---|---|---|---|
| Six months ended September 30, 2003 | Sales amount | Gains on sales | Losses on sales | Sales amount | Gains on sales | Losses on sales |
| Other securities | ¥15,761,524 | ¥145,995 | ¥95,693 | $141,677 | $1,312 | $860 |

**(6) Securities with no available market value**

| | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| September 30, 2003 | Consolidated balance sheet amount | Consolidated balance sheet amount |
| Bonds classified as held-to-maturity | | |
| Unlisted foreign securities | ¥ 5,411 | $ 49 |
| Other | 10,112 | 91 |
| Other securities | | |
| Unlisted stocks (except OTC trading stocks) | ¥ 338,389 | $ 3,042 |
| Unlisted bonds | 1,457,321 | 13,100 |
| Unlisted foreign securities | 325,123 | 2,922 |
| Other | 109,236 | 982 |

**(7) Change of classification of securities**

Minato changed its investment policy and sold some of the held-to-maturity bonds during this interim term. As a result, Minato changed the classification of the remaining bonds that Minato holds, ¥28,281 million ($254 million), from "held-to-maturity" to "other securities" pursuant to Article 83 of the "Practical Guidelines for Accounting for Financial Instruments" ( JICPA Accounting Committee Report No.14). According to this change of classification, "Securities" increased by ¥66 million ($1 million) and "Deferred tax assets" decreased by ¥26 million ($0 million), and "Minority interests" and "Net unrealized gains on other securities" increased by ¥36 million ($0 million) and ¥2 million ($0 million), respectively, compared with the former classification of bonds.

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

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

| | Millions of U.S. dollars | | | |
|---|---|---|---|---|
| September 30, 2003 | 1 year or less | More than 1 year to 5 years | More than 5 years to 10 years | Over 10 years |
| Bonds | $26,212 | $62,354 | $33,982 | $ 5,535 |
| Japanese government bonds | 24,424 | 46,385 | 28,094 | 5,491 |
| Japanese local government bonds | 61 | 1,775 | 1,788 | 5 |
| Japanese corporate bonds | 1,727 | 14,194 | 4,100 | 39 |
| Other | $ 4,240 | $26,767 | $ 3,905 | $ 5,448 |
| Total | $30,452 | $89,121 | $37,887 | $10,983 |

## 2. Money held in trust

**(1) Money held in trust classified as trading purposes**

| September 30, 2003 | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| Consolidated balance sheet amount | ¥7,443 | $67 |
| Valuation gains included in profit/loss during the term | — | — |

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

There are no corresponding transactions.

**(3) Other money held in trust**

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

| | Millions of U.S. dollars | | | | |
|---|---|---|---|---|---|
| September 30, 2003 | Acquisition cost | Consolidated balance sheet amount | Net unrealized gains (losses) | Unrealized gains | Unrealized losses |
| Other money held in trust | $180 | $180 | $(0) | $2 | $2 |

Note: Consolidated interim balance sheet amount is calculated using the market prices at the interim term-end.

## 3. Net unrealized gains (losses) on other securities

| September 30, 2003 | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| Net unrealized gains | ¥281,549 | $2,531 |
| Other securities | 281,565 | 2,531 |
| Other money held in trust | (16) | (0) |
| (+) Deferred tax assets | (110,389) | (992) |
| Net unrealized gains on other securities (before following adjustment) | ¥171,159 | $1,539 |
| (–) Minority interests | ¥ (4,343) | $ (39) |
| (+) SMFG's interest in net unrealized gains on valuation of other securities held by affiliates accounted for by the equity method | 722 | 6 |
| Net unrealized gains on other securities | ¥176,225 | $1,584 |

Notes: 1. Of the total net unrealized gains shown above, ¥22,029 million ($198 million) is included in this term's profit because of the application of fair value hedge accounting.
2. Net unrealized gains included foreign currency translation adjustments on non-marketable securities denominated in foreign currency.

## 4. Derivative transactions

**(1) Interest rate derivatives**

| | Millions of yen | | | Millions of U.S. dollars | | |
|---|---|---|---|---|---|---|
| September 30, 2003 | Contract amount | Market value | Valuation gains (losses) | Contract amount | Market value | Valuation gains (losses) |
| Transactions listed on exchange: | | | | | | |
| Interest rate futures | ¥213,646,304 | ¥ 7,059 | ¥ 7,059 | $1,920,416 | $ 63 | $ 63 |
| Interest rate options | 2,815,783 | (314) | (314) | 25,310 | (3) | (3) |
| Over-the-counter transactions: | | | | | | |
| Forward rate agreements | ¥ 19,588,774 | ¥ 764 | ¥ 764 | $ 176,079 | $ 7 | $ 7 |
| Interest rate swaps | 378,671,001 | 286,193 | 286,193 | 3,403,784 | 2,573 | 2,573 |
| Interest rate swaptions | 6,857,851 | (30,654) | (30,654) | 61,644 | (276) | (276) |
| Caps | 8,861,038 | 1,313 | 1,313 | 79,650 | 12 | 12 |
| Floors | 506,180 | (888) | (888) | 4,550 | (8) | (8) |
| Other | 249,262 | 2,642 | 2,642 | 2,241 | 24 | 24 |
| Total | / | ¥266,116 | ¥266,116 | / | $2,392 | $2,392 |

Note: The above transactions are valuated at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.
Derivative transactions to which deferred hedge accounting is applied are excluded from the amounts above.
Interest-related transactions that some consolidated overseas subsidiaries account for in accordance with their local accounting standards are excluded from the amounts above. Their net unrealized gains amount to ¥78 million ($1 million).

**(2) Currency derivatives**

| September 30, 2003 | Millions of yen Contract amount | Market value | Valuation gains (losses) | Millions of U.S. dollars Contract amount | Market value | Valuation gains (losses) |
|---|---|---|---|---|---|---|
| Over-the-counter transactions: | | | | | | |
| Currency swaps | ¥16,370,428 | ¥ 65,930 | ¥149,520 | $147,150 | $ 593 | $1,344 |
| Currency swaptions | 1,563,973 | 20,038 | 20,038 | 14,058 | 180 | 180 |
| Forward foreign exchange | 33,529,491 | (125,004) | (125,004) | 301,389 | (1,124) | (1,124) |
| Currency options | 6,553,725 | (7,407) | (7,407) | 58,910 | (66) | (66) |
| Other | 18,119 | 46 | 46 | 163 | 0 | 0 |
| Total | / | ¥ (46,397) | ¥ 37,193 | / | $ (417) | $ 334 |

Notes: 1. The above transactions are valuated at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.
The following types of forward foreign exchange and currency options are not included in the above amounts.
(a) Derivative transactions to which deferred hedge accounting is applied
(b) Those that are allotted to financial assets/liabilities denominated in foreign currency and whose market value are already reflected in the amount of the financial assets/liabilities on the consolidated balance sheet.
(c) Those that are allotted to financial assets/liabilities denominated in foreign currency and the financial assets/liabilities are eliminated in the process of consolidation.
Currency-related transactions that some consolidated overseas subsidiaries account for in accordance with their local accounting standards are excluded from the amounts above. Their net unrealized losses amount to ¥178 million ($2 million).
2. The forward foreign exchange and currency options that were formerly revaluated are included in the amounts from this interim term.

**(3) Equity derivatives**

| September 30, 2003 | Millions of yen Contract amount | Market value | Valuation gains (losses) | Millions of U.S. dollars Contract amount | Market value | Valuation gains (losses) |
|---|---|---|---|---|---|---|
| Transactions listed on exchange: | | | | | | |
| Equity price index futures | ¥ 30 | ¥ 0 | ¥ 0 | $ 0 | $ 0 | $ 0 |
| Equity price index options | 5 | (1) | (1) | 0 | (0) | (0) |
| Over-the-counter transactions: | | | | | | |
| Equity options | ¥ — | ¥ — | ¥ — | $ — | $ — | $ — |
| Equity price index swaps | — | — | — | — | — | — |
| Other | 10,481 | 0 | 0 | 94 | 0 | 0 |
| Total | / | ¥ (0) | ¥ (0) | / | $ (0) | $ (0) |

Note: The above transactions are valuated at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.
Derivative transactions to which deferred hedge accounting is applied are excluded from the amounts above.

**(4) Bond derivatives**

| September 30, 2003 | Millions of yen Contract amount | Market value | Valuation gains (losses) | Millions of U.S. dollars Contract amount | Market value | Valuation gains (losses) |
|---|---|---|---|---|---|---|
| Transactions listed on exchange: | | | | | | |
| Bond futures | ¥ 868,606 | ¥ (848) | ¥ (848) | $ 7,808 | $ (8) | $ (8) |
| Bond futures options | 65,081 | (104) | (104) | 585 | (1) | (1) |
| Over-the-counter transactions: | | | | | | |
| Bond options | ¥2,364,407 | ¥(6,965) | ¥(6,965) | $21,253 | $(62) | $(62) |
| Total | / | ¥(7,919) | ¥(7,919) | / | $(71) | $(71) |

Note: The above transactions are valuated at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.
Derivative transactions to which deferred hedge accounting is applied are excluded from the amounts above.

**(5) Commodity derivatives**

| September 30, 2003 | Millions of yen Contract amount | Market value | Valuation gains (losses) | Millions of U.S. dollars Contract amount | Market value | Valuation gains (losses) |
|---|---|---|---|---|---|---|
| Over-the-counter transactions: | | | | | | |
| Commodity swaps | ¥134,986 | ¥2,680 | ¥2,680 | $1,213 | $24 | $24 |
| Commodity options | 10,426 | 23 | 23 | 94 | 0 | 0 |
| Total | / | ¥2,704 | ¥2,704 | / | $24 | $24 |

Notes: 1. The above transactions are valuated at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.
Derivative transactions to which deferred hedge accounting is applied are excluded from the amounts above.
2. Commodity derivatives are transactions on fuel and metal.

### (6) Credit derivative transactions

| September 30, 2003 | Millions of yen | | | Millions of U.S. dollars | | |
|---|---|---|---|---|---|---|
| | Contract amount | Market value | Valuation gains (losses) | Contract amount | Market value | Valuation gains (losses) |
| Over-the-counter transactions: | | | | | | |
| Credit default options | ¥63,884 | ¥1,096 | ¥1,096 | $574 | $10 | $10 |
| Other | 79,260 | 176 | 176 | 712 | 1 | 1 |
| Total | / | ¥1,272 | ¥1,272 | / | $11 | $11 |

Note: The above transactions are valuated at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.
Derivative transactions to which deferred hedge accounting is applied are excluded from the amounts above.

## X. Segment Information

### 1. Business segment information

| Six months ended September 30, 2003 | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | Banking business | Leasing | Other | Total | Elimination and unallocated corporate assets | Consolidated |
| Ordinary income | | | | | | |
| (1) External customers | ¥1,276,476 | ¥317,650 | ¥166,708 | ¥1,760,835 | ¥ — | ¥1,760,835 |
| (2) Intersegment | 14,913 | 9,527 | 90,622 | 115,063 | (115,063) | — |
| Total | ¥1,291,389 | ¥327,177 | ¥257,331 | ¥1,875,898 | ¥(115,063) | ¥1,760,835 |
| Ordinary expenses | 1,168,804 | 313,395 | 220,912 | 1,703,112 | (107,786) | 1,595,326 |
| Ordinary profit | ¥ 122,584 | ¥ 13,782 | ¥ 36,418 | ¥ 172,785 | ¥ (7,277) | ¥ 165,508 |

| Six months ended September 30, 2003 | Millions of U.S. dollars | | | | | |
|---|---|---|---|---|---|---|
| | Banking business | Leasing | Other | Total | Elimination and unallocated corporate assets | Consolidated |
| Ordinary income | | | | | | |
| (1) External customers | $11,474 | $2,855 | $1,499 | $15,828 | $ — | $15,828 |
| (2) Intersegment | 134 | 86 | 814 | 1,034 | (1,034) | — |
| Total | $11,608 | $2,941 | $2,313 | $16,862 | $(1,034) | $15,828 |
| Ordinary expenses | 10,506 | 2,817 | 1,986 | 15,309 | (969) | 14,340 |
| Ordinary profit | $ 1,102 | $ 124 | $ 327 | $ 1,553 | $ (65) | $ 1,488 |

Notes: 1. The business segmentation is classified based on SMFG's internal administrative purpose.
Ordinary income and ordinary profit are presented as counterparts of sales and operating profit of companies in other industries.
2. "Other" includes securities, credit card, investment banking, loans, venture capital, system development and information processing.
3. 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.

## 2. Geographic segment information

| Six months ended September 30, 2003 | Japan | The Americas | Europe | Asia and Oceania | Total | Elimination and unallocated corporate assets | Consolidated |
|---|---|---|---|---|---|---|---|
| | Millions of yen | | | | | | |
| Ordinary income | | | | | | | |
| (1) External customers ........ | ¥1,606,056 | ¥71,757 | ¥43,371 | ¥39,649 | ¥1,760,835 | ¥ — | ¥1,760,835 |
| (2) Intersegment ................ | 21,629 | 19,230 | 2,464 | 6,062 | 49,386 | (49,386) | — |
| Total.................................. | ¥1,627,685 | ¥90,988 | ¥45,836 | ¥45,712 | ¥1,810,221 | ¥(49,386) | ¥1,760,835 |
| Ordinary expenses................... | 1,521,296 | 56,531 | 37,252 | 25,388 | 1,640,469 | (45,143) | 1,595,326 |
| Ordinary profit ....................... | ¥ 106,388 | ¥34,456 | ¥ 8,583 | ¥20,323 | ¥ 169,752 | ¥ (4,243) | ¥ 165,508 |

| Six months ended September 30, 2003 | Japan | The Americas | Europe | Asia and Oceania | Total | Elimination and unallocated corporate assets | Consolidated |
|---|---|---|---|---|---|---|---|
| | Millions of U.S. dollars | | | | | | |
| Ordinary income | | | | | | | |
| (1) External customers ........ | $14,436 | $645 | $390 | $356 | $15,827 | $ — | $15,827 |
| (2) Intersegment ................ | 194 | 173 | 22 | 55 | 444 | (444) | — |
| Total.................................. | $14,630 | $818 | $412 | $411 | $16,271 | $(444) | $15,827 |
| Ordinary expenses................... | 13,674 | 508 | 335 | 228 | 14,745 | (406) | 14,339 |
| Ordinary profit ....................... | $ 956 | $310 | $ 77 | $183 | $ 1,526 | $ (38) | $ 1,488 |

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.
Ordinary income and ordinary profit are presented as counterparts of sales and operating profit of companies in other industries.
2. The Americas includes the United States, Brazil, Canada and others; Europe includes the United Kingdom, Germany, France and others; Asia and Oceania includes Hong Kong, Singapore, Australia and others except Japan.
3. 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.

## 3. Ordinary income from overseas operations

| Six months ended September 30, 2003 | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| Consolidated ordinary income from overseas operations (A).......................................... | ¥ 154,778 | $ 1,391 |
| Consolidated ordinary income (B) ................................................................................ | 1,760,835 | 15,828 |
| (A) / (B) ........................................................................................................................ | 8.8% | 8.8% |

Note: The above table shows ordinary income from transactions of overseas branches of SMBC and transactions of overseas consolidated subsidiaries, excluding internal income. These extensive transactions are not categorized by transaction party and the geographic segment information is not presented because such information is not available.

## XI. Parent Company

### 1. Nonconsolidated balance sheets (unaudited)

Sumitomo Mitsui Financial Group, Inc.

September 30, 2003 and March 31, 2003

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | Sept. 30, 2003 | Mar. 31, 2003 | Sept. 30, 2003 |
| **Assets** | | | |
| Current assets | ¥ 65,455 | ¥ 106,108 | $ 588 |
| Cash and due from banks | 61,841 | 64,725 | 556 |
| Other current assets | 3,613 | 41,383 | 32 |
| Fixed assets | ¥3,291,210 | ¥3,306,213 | $29,584 |
| Premises and equipment | 0 | 0 | 0 |
| Intangible assets | 34 | 26 | 0 |
| Investments and other assets | 3,291,175 | 3,306,185 | 29,584 |
| Investments in subsidiaries and affiliates | 3,246,072 | 3,260,957 | 29,178 |
| Long-term loans to subsidiaries and affiliates | 40,000 | 40,000 | 360 |
| Deferred tax assets | 5,102 | 5,227 | 46 |
| Deferred charges | ¥ 1,056 | ¥ 1,207 | $ 10 |
| **Total assets** | ¥3,357,722 | ¥3,413,529 | $30,182 |
| **Liabilities** | | | |
| Current liabilities | ¥ 230,228 | ¥ 257,442 | $ 2,070 |
| Short-term borrowings | 230,000 | 256,501 | 2,068 |
| Reserve for employees bonuses | 76 | 83 | 1 |
| Other current liabilities | 151 | 857 | 1 |
| **Total liabilities** | ¥ 230,228 | ¥ 257,442 | $ 2,070 |
| **Stockholders' equity** | | | |
| Capital stock | ¥1,247,650 | ¥1,247,650 | $11,215 |
| Capital surplus | ¥1,747,263 | ¥1,747,266 | $15,705 |
| Capital reserve | 1,247,762 | 1,747,266 | 11,215 |
| Other capital surplus | 499,501 | — | 4,490 |
| Retained earnings | ¥ 133,044 | ¥ 161,521 | $ 1,196 |
| Earned surplus reserve | — | 496 | — |
| Voluntary reserve | 30,420 | 30,420 | 273 |
| Unappropriated retained earnings | 102,624 | 130,605 | 923 |
| Treasury stock | ¥ (463) | ¥ (351) | $ (4) |
| **Total stockholders' equity** | ¥3,127,494 | ¥3,156,086 | $28,112 |
| **Total liabilities and stockholders' equity** | ¥3,357,722 | ¥3,413,529 | $30,182 |

### 2. Nonconsolidated statements of income (unaudited)

Sumitomo Mitsui Financial Group, Inc.

Six months ended September 30, 2003 and year ended March 31, 2003

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | Six months ended Sept. 30, 2003 | Year ended Mar. 31, 2003 | Six months ended Sept. 30, 2003 |
| **Operating income** | ¥ 7,146 | ¥131,519 | $ 64 |
| Dividends on investments in subsidiaries and affiliates | 3,020 | 128,265 | 27 |
| Fees and commissions received from subsidiaries | 3,707 | 3,124 | 33 |
| Interest income on loans to subsidiaries and affiliates | 419 | 128 | 4 |
| **Operating expenses** | ¥ 1,508 | ¥ 971 | $ 14 |
| General and administrative expenses | 1,508 | 971 | 14 |
| Other operating expenses | — | 0 | — |
| **Operating profit** | ¥ 5,637 | ¥130,547 | $ 50 |
| **Nonoperating income** | ¥ 109 | ¥ 13 | $ 1 |
| **Nonoperating expenses** | ¥ 712 | ¥ 10,926 | $ 6 |
| **Ordinary profit** | ¥ 5,035 | ¥119,634 | $ 45 |
| **Income before income taxes** | ¥ 5,035 | ¥119,634 | $ 45 |
| Income taxes: | | | |
| Current | 1 | 156 | 0 |
| Deferred | 204 | (5,259) | 2 |
| **Net income** | ¥ 4,829 | ¥124,738 | $ 43 |