

# Financial Review

## Sumitomo Mitsui Financial Group (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

The following is a summary of SMFG's consolidated financial results for fiscal 2004 ended March 31, 2005.

### 1. Operating Results

Business results for fiscal 2004 include the results of 167 consolidated subsidiaries (120 in Japan and 47 overseas) and 53 subsidiaries and affiliates accounted for by the equity method (25 in Japan and 28 overseas).

Gross profit showed a year-on-year decrease of ¥44.5 billion, to ¥2,024.9 billion, primarily attributable to declines in net interest income and net trading income, which more than offset increases in net fees and commissions and net other operating income.

Ordinary loss totaled ¥30.3 billion, compared with ¥342.8 billion in ordinary profit in fiscal 2003, a year-on-year deterioration of ¥373.1 billion, which is attributable to measures taken to dispose of non-performing loans and write-down securities with the aim of ensuring an earnings recovery in fiscal 2005 onward.

Extraordinary gains (losses), income taxes, and minority interests resulted in a net loss of ¥234.2 billion, compared

with a ¥330.4 billion gain in the previous term, a year-on-year deterioration of ¥564.6 billion.

Deposits (excluding negotiable certificates of deposit) as of March 31, 2005, stood at ¥68,474.8 billion, a ¥3,141.4 billion increase compared with the previous fiscal year-end. Negotiable certificates of deposit stood at ¥2,713.2 billion, a decrease of ¥806.1 billion over the same period. Loans and bills discounted decreased ¥582.9 billion to ¥54,799.8 billion, while securities decreased ¥2,816.2 billion to ¥24,233.7 billion.

During the term, stockholders' equity decreased ¥295.2 billion to ¥2,775.7 billion, due to the posting of a net loss, as well as the repayment of public funds in the form of buybacks of shares held by the government, which more than offset a capital increase through private placement of shares.

### Number of Consolidated Subsidiaries, and Subsidiaries and Affiliates Accounted for by the Equity Method

March 31	2005 (A)	2004 (B)	Increase (decrease) (A) – (B)
Consolidated subsidiaries .....	167	165	2
Subsidiaries and affiliates accounted for by the equity method .....	53	48	5

## Income Summary

Year ended March 31	Millions of yen		
	2005 (A)	2004 (B)	Increase (decrease) (A) – (B)
Consolidated gross profit .....	<b>¥2,024,990</b>	¥2,069,501	¥ (44,511)
Net interest income.....	<b>1,171,342</b>	1,281,070	(109,728)
Trust fees .....	<b>2,609</b>	334	2,275
Net fees and commissions .....	<b>516,109</b>	424,176	91,933
Net trading income .....	<b>144,387</b>	304,094	(159,707)
Net other operating income .....	<b>190,540</b>	59,825	130,715
General and administrative expenses .....	<b>(852,715)</b>	(866,549)	13,834
Total credit cost.....	<b>(1,196,797)</b>	(971,455)	(225,342)
Write-off of loans.....	<b>(759,399)</b>	(660,382)	(99,017)
Provision for specific reserve.....	<b>(493,947)</b>	—	(493,947)
Provision for general reserve for possible loan losses .....	<b>201,216</b>	—	201,216
Others .....	<b>(144,666)</b>	(311,072)	166,406
Gains (losses) on stocks.....	<b>(101,918)</b>	101,496	(203,414)
Equity in earnings of affiliates .....	<b>27,142</b>	15,700	11,442
Other income (expenses) .....	<b>69,005</b>	(5,848)	74,853
Ordinary profit (loss) .....	<b>(30,293)</b>	342,844	(373,137)
Extraordinary gains (losses) .....	<b>(78,242)</b>	62,049	(140,291)
Income (loss) before income taxes and minority interests.....	<b>(108,535)</b>	404,894	(513,429)
Income taxes:			
Current .....	<b>(30,638)</b>	(24,289)	(6,349)
Refund .....	<b>8,869</b>	—	8,869
Deferred.....	<b>(52,912)</b>	(8,593)	(44,319)
Minority interests in net income (loss) .....	<b>(50,983)</b>	(41,596)	(9,387)
Net income (loss) .....	<b>¥ (234,201)</b>	¥ 330,414	¥(564,615)
[Reference]			
Consolidated banking profit (Billions of yen).....	<b>¥ 1,014.4</b>	¥ 1,090.6	¥ (76.2)

Notes: 1. Consolidated gross profit = (Interest income – Interest expenses) + Trust fees + (Fees and commissions (income) – Fees and commissions (expenses)) + (Trading profits – Trading losses) + (Other operating income – Other operating expenses)  
 2. Consolidated banking profit = SMBC's nonconsolidated banking profit (before provision for general reserve for possible loan losses) + SMFG's ordinary profit + Other subsidiaries' ordinary profit (excluding nonrecurring factors) + Equity method affiliates' ordinary profit  
 x Ownership ratio – Internal transactions (dividends, etc.)

## Assets, Liabilities and Stockholders' Equity

March 31	Millions of yen		
	2005 (A)	2004 (B)	Increase (decrease) (A) – (B)
Assets .....	<b>¥99,731,858</b>	¥102,215,172	¥(2,483,314)
Loans and bills discounted .....	<b>54,799,805</b>	55,382,800	(582,995)
Securities .....	<b>24,233,701</b>	27,049,901	(2,816,200)
Liabilities .....	<b>95,934,927</b>	98,150,534	(2,215,607)
Deposits.....	<b>68,474,861</b>	65,333,426	3,141,435
Negotiable certificates of deposit.....	<b>2,713,270</b>	3,519,464	(806,194)
Minority interests.....	<b>1,021,203</b>	993,696	27,507
Stockholders' equity.....	<b>2,775,728</b>	3,070,942	(295,214)

## 2. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities at March 31, 2005 amounted to ¥694.7 billion, which is an increase of ¥126.4 billion from the previous fiscal year-end. Net unrealized gains on other securities (including “other money held in

trust”), changes in which are directly credited to stockholders' equity, increased by ¥120.8 billion over the same period, to ¥696.5 billion, mainly attributable to an improvement in the valuation of bonds.

## Unrealized Gains (Losses) on Securities

	Millions of yen						
	2005				2004		
March 31	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses
Held-to-maturity securities.....	¥ (1,818)	¥ 5,607	¥ 2,114	¥ 3,933	¥ (7,425)	¥ 2,840	¥ 10,266
Other securities .....	696,339	120,727	801,356	105,017	575,612	787,517	211,904
Stocks.....	705,053	35,269	750,480	45,426	669,784	736,878	67,094
Bonds .....	14,961	118,217	34,971	20,010	(103,256)	18,590	121,847
Others.....	(23,675)	(32,759)	15,903	39,579	9,084	32,047	22,963
Other money held in trust .....	204	83	300	95	121	222	100
Total.....	694,724	126,416	803,771	109,046	568,308	790,580	222,271
Stocks.....	705,053	35,269	750,480	45,426	669,784	736,878	67,094
Bonds .....	12,621	124,404	36,554	23,932	(111,783)	20,330	132,113
Others.....	(22,950)	(33,257)	16,735	39,686	10,307	33,371	23,063

Notes: 1. The figures above include unrealized gains (losses) on negotiable certificates of deposit in "Deposits with banks" and claims on loan trusts in "Commercial paper and other debt purchased."  
2. Unrealized gains (losses) on stocks are mainly calculated using the average market price during the final month of the respective reporting period. The rest of the securities are valued at the market price as of the balance sheet date.  
3. "Other securities" and "Other money held in trust" are valued at and recorded on the consolidated balance sheet at market prices. The figures in the table above indicate the differences between the acquisition costs (or amortized costs) and the balance sheet amounts.  
"Unrealized gains (losses) on other securities" as of March 31, 2005 include gains of ¥469 million that were recognized as income by applying fair value hedge accounting and valuation gains of ¥82 million on embedded financial instruments in their entirety that were recorded as income because their embedded derivatives are not measured separately. Therefore, ¥551 million was excluded from the amount to be directly included in stockholders' equity. "Unrealized gains (losses) on other securities" as of March 31, 2004 include gains of ¥23,452 million recognized as income by applying fair value hedge accounting, which are excluded from the amount to be directly included in stockholders' equity.

## 3. Consolidated Capital Ratio

SMFG's consolidated capital ratio at March 31, 2005 was 9.94%. (Please refer to "Capital Ratio" section on page 132 for more information.)

Total capital, which constitutes the numerator in the capital ratio calculation equation, was ¥6,020.0 billion, representing a ¥717.3 billion decrease from the previous fiscal year-end. This is mainly attributable to the posting of a net loss, as well as the repayment of public funds in the form of buybacks of shares held by the government, which

more than offset a capital increase through private placement of newly issued shares.

On the other hand, risk-adjusted assets, the denominator in the equation, increased ¥1,348.6 billion to ¥60,552.6 billion from the previous fiscal year-end. This was mainly attributable to the active marketing of mortgage loans and new-type unsecured loans to mid-sized companies and small and medium-sized enterprises.

## Consolidated Capital Ratio

	Millions of yen		
	2005 (A)	2004 (B)	Increase (decrease) (A) – (B)
March 31			
Tier I capital (A) .....	¥ 3,262,250	¥ 3,571,604	¥ (309,354)
Tier II capital included as qualifying capital (B) .....	3,262,250	3,416,547	(154,297)
Deductions (C) .....	(504,430)	(250,754)	(253,676)
Total capital (D) = (A) + (B) – (C) .....	¥ 6,020,069	¥ 6,737,397	¥ (717,328)
Risk-adjusted assets (E) .....	¥60,552,620	¥59,204,015	¥1,348,605
Capital ratio = (D) / (E) × 100 .....	9.94%	11.37%	(1.43)%

## 4. Dividend Policy

Given the public nature of its business and respecting the stockholders' interests, SMFG subscribes to a fundamental policy of paying dividends as deemed appropriate in view of the need to increase capital and preserve sound operation.

After appropriating retained earnings to increase capital, SMFG paid an annual dividend of ¥3,000 per share of

common stock. Annual dividends for preferred stock were paid in the predetermined amounts for each category of preferred stock.

SMFG did not pay an interim dividend for the reporting term.