

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 the first half of fiscal 2004, the six-month period ended September 30, 2004.

1. Operating Results

Business results for the first half of fiscal 2004 include the results of 166 consolidated subsidiaries (120 in Japan and 46 overseas) and 50 subsidiaries and affiliates accounted for by the equity method (22 in Japan and 28 overseas).

Gross profit showed a year-on-year decrease of ¥29.1 billion, to ¥1,019.9 billion, primarily attributable to a decline in net interest income. After factoring in general and administrative expenses, total credit cost and gains on stocks, ordinary profit showed a year-on-year decrease of ¥51.4 billion to ¥114.1 billion. Net income decreased by ¥90.1 billion to ¥53.4 billion, due in part to the posting of extraordinary losses of ¥17.4 billion and income taxes of ¥14.3 billion under tax-effect accounting.

Deposits (excluding negotiable certificates of deposit) as of September 30, 2004, stood at ¥67,619.9 billion, a ¥2,286.5 billion increase compared with the previous fiscal year-end. Negotiable certificates of deposit stood at ¥3,038.3 billion, a decrease of ¥481.1 billion over the same period.

Loans and bills discounted increased ¥39.2 billion to ¥55,422.0 billion, while securities decreased ¥2,976.7 billion to ¥24,073.1 billion.

Stockholders' equity decreased ¥50.0 billion during the first-half period to ¥3,020.9 billion due to a decrease in the net unrealized gains on other securities (available-for-sale securities).

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

September 30, 2004 and 2003, and March 31, 2004

	Sept. 30, 2004	Sept. 30, 2003	Mar. 31, 2004
Consolidated subsidiaries.....	166	169	165
Subsidiaries and affiliates accounted for by the equity method.....	50	48	48

Income Summary

Six months ended September 30, 2004 and 2003, and year ended March 31, 2004

	Millions of yen		
	Six months ended Sept. 30, 2004	Six months ended Sept. 30, 2003	Year ended Mar. 31, 2004
Consolidated gross profit.....	¥1,019,955	¥1,049,121	¥2,069,501
Net interest income.....	595,790	663,237	1,281,070
Trust fees.....	729	84	334
Net fees and commissions.....	235,379	195,190	424,176
Net trading income.....	30,322	163,904	304,094
Net other operating income.....	157,732	26,704	59,825
General and administrative expenses.....	(423,612)	(448,094)	(866,549)
Total credit cost.....	(612,826)	(441,522)	(971,455)
Write-off of loans.....	(391,236)	(388,924)	(660,382)
Provision for specific reserve.....	(408,321)	(244,860)	—
Provision for general reserve for possible loan losses.....	240,215	228,302	—
Others.....	(53,482)	(36,041)	(311,072)
Gains on stocks.....	48,817	20,604	101,496
Equity in earnings of affiliates.....	12,893	8,044	15,700
Other income (expenses).....	68,873	(22,644)	(5,848)
Ordinary profit.....	114,100	165,508	342,844
Extraordinary gains (losses).....	(17,385)	21,371	62,049
Income before income taxes and minority interests.....	96,715	186,880	404,894
Income taxes:			
Current.....	(17,079)	(22,436)	(24,289)
Refund.....	8,104	—	—
Deferred.....	(5,277)	5,137	(8,593)
Minority interests in net income.....	(29,090)	(26,087)	(41,596)
Net income.....	¥ 53,372	¥ 143,492	¥ 330,414
[Reference]			
Consolidated banking profit (Billions of yen).....	¥ 544.9	¥ 532.7	¥ 1,090.6

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

September 30, 2004 and 2003, and March 31, 2004

	Millions of yen		
	Sept. 30, 2004	Sept. 30, 2003	Mar. 31, 2004
Assets	¥101,054,242	¥100,725,500	¥102,215,172
Loans and bills discounted	55,422,034	59,666,363	55,382,800
Securities	24,073,122	22,451,050	27,049,901
Liabilities	97,015,765	96,974,137	98,150,534
Deposits	67,619,961	63,142,263	65,333,426
Negotiable certificates of deposit	3,038,333	3,379,610	3,519,464
Minority interests	1,017,565	1,005,886	993,696
Stockholders' equity	3,020,911	2,745,476	3,070,942

2. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities at September 30, 2004 amounted to ¥478.9 billion, which was a decrease of ¥89.3 billion from the previous fiscal year-end. Net unrealized gains on other securities (including "other money held in trust"), changes in which are directly charged to stockholders' equity, decreased by ¥91.5 billion over the same period, to ¥484.2 billion.

The decrease in unrealized gains on other securities was attributable to a decline in gains on stocks of ¥88.0 billion, which more than offset a decline in unrealized losses on bonds of ¥45.1 billion.

Unrealized Gains (Losses) on Securities

September 30, 2004 and March 31, 2004

	Sept. 30, 2004				Mar. 31, 2004		
	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses
Held-to-maturity securities	¥ (5,289)	¥ 2,136	¥ 2,365	¥ 7,655	¥ (7,425)	¥ 2,840	¥ 10,266
Other securities	484,076	(91,536)	664,737	180,661	575,612	787,517	211,904
Stocks	581,686	(88,098)	637,425	55,738	669,784	736,878	67,094
Bonds	(58,118)	45,138	18,409	76,527	(103,256)	18,590	121,847
Others	(39,492)	(48,576)	8,902	48,395	9,084	32,047	22,963
Other money held in trust	154	33	271	116	121	222	100
Total	478,941	(89,367)	667,374	188,433	568,308	790,580	222,271
Stocks	581,686	(88,098)	637,425	55,738	669,784	736,878	67,094
Bonds	(63,966)	47,817	20,093	84,060	(111,783)	20,330	132,113
Others	(38,778)	(49,085)	9,855	48,634	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 commercial papers as well as beneficiary claims on loan trusts in "Commercial paper and other debt purchased."
2. Unrealized gains (losses) on stocks are mostly calculated with the average market price during the final month of the interim 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 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.
- Of "Unrealized gains (losses) on other securities" as of September 30, 2004 shown above, ¥22,199 million is included in this interim term's earnings because of the application of fair value hedge accounting. Consequently, the base amount used in the calculation of the amount to be charged to stockholders' equity has decreased by ¥22,199 million. Similarly, as of March 31, 2004, ¥23,452 million is included in fiscal 2003's earnings because of the application of fair value hedge accounting. Consequently, the base amount used in the calculation of the amount to be charged to stockholders' equity has decreased by ¥23,452 million.

3. Consolidated Capital Ratio (BIS Guidelines)

SMFG's consolidated capital ratio (BIS guidelines) at September 30, 2004 was 10.93%.

Total capital, which constitutes the numerator in the capital ratio calculation equation, was ¥6,621.4 billion, representing a ¥115.9 billion decrease from the previous fiscal year-end.

On the other hand, risk-adjusted assets, the denominator in the equation, increased ¥1,335.1 billion to ¥60,539.1 billion from the previous fiscal year-end. This was mainly attributable to the active marketing of housing loans and new type unsecured loans to mid-sized companies and small and medium-sized companies.

Consolidated Capital Ratio (BIS Guidelines)

September 30, 2004 and 2003, and March 31, 2004

	Millions of yen		
	Sept. 30, 2004	Sept. 30, 2003	Mar. 31, 2004
Tier I capital (A)	¥ 3,645,613	¥ 3,468,838	¥ 3,571,604
Tier II capital included as qualifying capital (B)	3,419,442	3,235,345	3,416,547
Deductions (C)	(443,633)	(244,075)	(250,754)
Total capital (D) = (A) + (B) – (C)	¥ 6,621,422	¥ 6,460,108	¥ 6,737,397
Risk-adjusted assets (E)	¥60,539,127	¥58,991,970	¥59,204,015
Capital ratio (BIS guidelines) = (D) / (E) × 100.....	10.93%	10.95%	11.37%