

Notes to Consolidated Financial Statements

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Years ended March 31, 2008 and 2007

1. Basis of Presentation

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

SMFG has prepared the accompanying consolidated financial statements in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

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

The accompanying consolidated financial statements have been restructured and translated into English 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.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2008, which was ¥100.19 to US\$1. The convenience translations should not be construed as representations that the Japanese yen amounts 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 when 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

The number of consolidated subsidiaries is as follows:

March 31	2008	2007
Consolidated subsidiaries	268	181

Principal companies:

Sumitomo Mitsui Banking Corporation
THE MINATO BANK, LTD.
Kansai Urban Banking Corporation
Sumitomo Mitsui Banking Corporation Europe Limited
Manufacturers Bank
Sumitomo Mitsui Finance and Leasing Company, Limited
Sumitomo Mitsui Card Company, Limited
QUOQ Inc.

SMBC Finance Service Co., Ltd.

SMBC Friend Securities Co., Ltd.

The Japan Research Institute, Limited

SMBC Capital Markets, Inc.

Changes in consolidated subsidiaries in the fiscal year ended March 31, 2008 are as follows:

Thirty-three companies including QUOQ Inc. were newly consolidated due mainly to an increase in the shareholding ratio. Seventy-six companies including MG Leasing Corporation were also consolidated due to a merger between SMBC Leasing Company, Limited and Sumisho Lease Co., Ltd.

Six companies including SMFG Corporate Recovery Servicer Co., Ltd. were excluded from the scope of consolidation because they were no longer subsidiaries due to liquidation and other reasons. Also, sixteen companies including SMLC ANTILIA Co., Ltd. were excluded from the scope of consolidation and became unconsolidated subsidiaries that are not accounted for by the equity method because they became operators of silent partnerships for lease transactions.

(ii) Unconsolidated subsidiaries

Principal company:

SBCS Co., Ltd.

Two hundred and thirty-eight subsidiaries including SMLC MAHOGANY Co., Ltd. are operators of silent partnerships for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, they have been excluded from the scope of consolidation pursuant to Article 5 Paragraph 1 Item 2 of the Consolidated Financial Statements Regulations.

Other unconsolidated subsidiaries are also excluded from the scope of consolidation because their total amounts in terms of total assets, ordinary income, net income and retained earnings are so immaterial that they do not hinder a rational judgment of SMFG's financial position and results of operations when excluded from the scope of consolidation.

Information on the fourteen special purpose entities, which are not regarded as subsidiaries pursuant to Article 8 Paragraph 7 of the Financial Statements Regulations, is reported in Note 35. "Implementation Guidance on Disclosures about Certain Special Purpose Entities" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 15, issued on March 29, 2007) is effective from the fiscal year beginning on or after April 1, 2007, and SMFG has applied the guidance from the fiscal year ended March 31, 2008.

(b) Application of the equity method

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

(i) Unconsolidated subsidiaries accounted for by the equity method

The number of unconsolidated subsidiaries accounted for by the equity method is as follows:

March 31	2008	2007
Unconsolidated subsidiaries	3	3

Principal company:

SBCS Co., Ltd.

(ii) Affiliates accounted for by the equity method

The number of affiliates accounted for by the equity method is as follows:

March 31	2008	2007
Affiliates	71	59

Principal companies:

Sumitomo Mitsui Auto Service Company, Limited
 Promise Co., Ltd.
 Central Finance Co., Ltd.
 OMC Card, Inc.
 Daiwa Securities SMBC Co. Ltd.
 NIF SMBC Ventures Co., Ltd.
 Daiwa SB Investments Ltd.

Sumitomo Mitsui Asset Management Company, Limited

Changes in affiliates accounted for by the equity method in the fiscal year ended March 31, 2008 are as follows:

Twenty-five companies including Central Finance Co., Ltd. newly became affiliated companies accounted for by the equity method due mainly to acquisition of shares.

Three companies including QUOQ Inc. were excluded from the scope of affiliated companies accounted for by the equity method because they became consolidated subsidiaries. Ten companies including NIF Capital Management Co., Ltd. were also excluded due mainly to merger.

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

Two hundred and thirty-eight subsidiaries including SMLC MAHOGANY Co., Ltd. are operators of silent partnerships for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, they have not been accounted for by the equity method pursuant to Article 10 Paragraph 1 Item 2 of the Consolidated Financial Statements Regulations.

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

Principal company:

Daiwa SB Investments (USA) Ltd.

Affiliates that are not accounted for by the equity method are excluded from the scope of equity method because their total amounts in terms of net income and retained earnings are so immaterial that they do not hinder a rational judgment of SMFG's financial position and results of operations when excluded from the scope of equity method.

(c) The balance sheet dates of consolidated subsidiaries

(i) The balance sheet dates of the consolidated subsidiaries are as follows:

March 31	2008	2007
June 30	6	2
July 31	2	1
September 30	7	7
October 31	2	2
November 30	2	2
December 31	122	70
January 31	7	1
February 28/29	6	3
March 31	114	93

(ii) The subsidiaries whose balance sheet dates are July 31, September 30, November 30 and January 31 are

consolidated after the accounts were provisionally closed as of March 31 for the purpose of consolidation. In case of the subsidiaries whose balance sheet dates are June 30, they are consolidated after the accounts were provisionally closed as of December 31 or March 31. As for the subsidiaries whose balance sheet dates are October 31, their financial statements are consolidated based on the provisional financial statements closed as of January 31 or March 31, respectively. The other subsidiaries are consolidated on the basis of their respective balance sheet dates.

Appropriate adjustments are made for material transactions during the periods from their respective balance sheet dates to the consolidated balance sheet date.

(2) Trading assets/liabilities and trading profits/losses

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 sheets on a trade date basis. Profits and losses on trading-purpose transactions are recognized on a trade date basis, and recorded as "Trading profits" or "Trading losses."

Securities and monetary claims purchased for trading purposes are stated at the fiscal year-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 balance sheet date.

"Trading profits" and "Trading losses" include interest received or paid during the fiscal year. The year-on-year valuation differences of securities and monetary claims are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the year-on-year valuation differences are also recorded in the above-mentioned accounts.

(3) Securities

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

Investments in unconsolidated 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 securities and investments in unconsolidated subsidiaries and affiliates are classified as "other securities" (available-for-sale securities). Stocks in other securities that have market prices are carried at their 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 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 "Net assets."

(b) Securities included in money held in trust are carried in the same method as for securities mentioned above.

(4) Derivative transactions

Derivative transactions, other than 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.

(5) Depreciation

(a) Tangible fixed assets and lease assets

Tangible fixed assets are generally stated at cost less accumulated depreciation. Depreciation of tangible fixed assets and equipment owned by SMFG and SMBC is calculated using the straight-line method and the declining-balance method over the estimated useful lives of the respective assets, respectively. The estimated useful lives of major items are as follows:

Buildings: 7 to 50 years

Equipment: 2 to 20 years

Other consolidated subsidiaries depreciate their tangible fixed assets 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.

In accordance with the amendment of the corporate tax laws in the fiscal year ended March 31, 2008, the tangible fixed assets acquired on or after April 1, 2007 are depreciated based on the depreciation method under the amended corporate tax laws. This accounting change had no material impact on the consolidated financial statements for the fiscal year ended March 31, 2008.

As for the tangible fixed assets acquired before April 1, 2007, from the fiscal year ended March 31, 2008, their residual values are depreciated over five years using the straight-line method after the fiscal year in which the depreciable limit is reached. This accounting change had no material impact on the consolidated financial statements for the fiscal year ended March 31, 2008.

(b) Intangible fixed assets

Depreciation of intangible fixed assets is calculated using the straight-line method.

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).

(6) Reserve for possible loan losses

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

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 for 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 perceived to have a high risk of falling into bankruptcy ("potentially bankrupt borrowers"), a reserve is provided for 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.

Discounted Cash Flows ("DCF") method is used for claims on borrowers whose cash flows from collection of principals and interest can be rationally estimated, and SMBC applies it to claims on large potentially bankrupt borrowers and claims on large borrowers requiring close monitoring that have been classified as "Past due loans (3 months or more)" or "Restructured loans" whose total loans from SMBC 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 certain specific overseas 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, reviews their assessment. The reserves are provided for based on the results of these assessments.

Reserve for possible loan losses of other consolidated subsidiaries for general claims is provided for 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 written off against the total outstanding amount of the claims. The amount of write-off was ¥518,594 million (\$5,176 million) and ¥490,123 million at March 31, 2008 and 2007, respectively.

(7) Reserve for employee bonuses

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

(8) Reserve for executive bonuses

Reserve for executive bonuses is provided for payment of bonuses to executives, in the amount of estimated bonuses, which are attributable to the respective fiscal year.

(9) Reserve for employee retirement benefits

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

Unrecognized prior service cost is amortized using the straight-line method, primarily over nine years, over the employees' estimated average remaining service period at incurrence.

Unrecognized net actuarial gain (loss) is amortized using

the straight-line method, primarily over nine years within the employees' average remaining service period, commencing from the next fiscal year of incurrence.

(10) Reserve for executive retirement benefits

Reserve for executive retirement benefits is provided for payment of retirement benefits to directors, corporate auditors and other executive officers, in the amount deemed accrued at the fiscal year-end based on the internal regulations.

(11) Reserve for reimbursement of deposits

Reserve for reimbursement of deposits which were derecognized as liabilities under certain conditions is provided for the possible losses on the future claims of withdrawal based on the historical reimbursement experience. Formerly, deposits which had been derecognized as liabilities were expensed when they were actually reimbursed. However, from the fiscal year ended March 31, 2008, such reserve is provided for in the estimated amount as described above in accordance with the "Treatment for Auditing of Reserve under Special Taxation Measures Law, Reserve under Special Laws and Reserve for Retirement Benefits to Directors and Corporate Auditors" (Japanese Institute of Certified Public Accountants ("JICPA") Audit and Assurance Practice Committee Report No. 42) of April 13, 2007.

As a result, "Income before income taxes and minority interests" for the fiscal year ended March 31, 2008 decreased by ¥10,417 million (\$104 million) as compared with the former method.

(12) Reserve under special laws

Reserve under special laws is a reserve for contingent liabilities from financial instruments transactions pursuant to Article 46-5 and Article 48-3 of the Financial Instruments and Exchange Law. Reserve for contingent liabilities from financial futures and securities transactions, which were formerly recognized in accordance with Article 81 of the Financial Futures Transactions Law and Article 51 of the Securities and Exchange Law, respectively, are stated as Reserve for contingent liabilities from financial instruments transactions from the fiscal year ended March 31, 2008 in accordance with the enforcement of the Financial Instruments and Exchange Law on September 30, 2007.

(13) Translation of foreign currency assets and liabilities

Assets and liabilities of SMFG and SMBC denominated in foreign currencies and accounts of SMBC overseas branches 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.

(14) 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 method as operating leases.

Standards for recognizing lease-related 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 contractual amount of lease fees per month.

(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.

(15) 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 at March 31, 2008, and deferred hedge accounting or fair value hedge accounting at March 31, 2007.

SMBC applies deferred hedge accounting stipulated in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24) to portfolio hedges on groups of large-volume, small-value monetary claims and debts.

As for the portfolio hedges to offset market fluctuation, SMBC assesses the effectiveness of such hedges by classifying the hedged items (such as deposits and loans) and the hedging instruments (such as interest rate swaps) by their maturity. As for the portfolio hedges to fix cash flows, SMBC assesses the effectiveness of such hedges by verifying the correlation between the hedged items and the hedging instruments.

As for the individual hedges, SMBC also assesses the effectiveness of such individual hedges at March 31, 2008. At March 31, 2007, SMBC basically applied deferred hedge accounting, but applied fair value hedge accounting to hedging transactions for reducing the market volatility of bonds classified as other securities that were held for the purpose of Asset and Liability Management.

As a result of the application of JICPA Industry Audit Committee Report No. 24, SMBC discontinued the application of hedge accounting or applied fair value hedge accounting to a portion of the hedging instruments using "macro hedge," which had been applied in order to manage 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 pursuant to "Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 15). The deferred hedge losses and gains related to such a portion of hedging instruments are charged to "Interest income" or "Interest expenses" over a 12-year period (maximum) according to their maturity from the fiscal year ended March 31, 2004. Gross amounts of deferred hedge losses and gains on "macro hedge" (before deducting tax effect) at March 31, 2008 were ¥17,608 million (\$176 million) and ¥13,358 million (\$133 million), respectively. The respective amounts at March 31, 2007 were ¥41,522 million and ¥29,583 million.

(b) Hedging against currency fluctuations

SMBC applies deferred hedge accounting stipulated in “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry” (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 non-arbitrary and 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 apply 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 “Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Leasing Industry” (JICPA Industry Audit Committee Report No. 19).

(16) Consumption taxes

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

(17) Valuation of consolidated subsidiaries' assets and liabilities

Assets and liabilities of consolidated subsidiaries including the portion attributable to the minority stockholders are valued for consolidation at fair value when SMFG acquires control.

(18) Goodwill

Goodwill on Sumitomo Mitsui Finance and Leasing Company, Limited is amortized using the straight-line method over 20 years. Goodwill on SMBC Friend Securities Co., Ltd. and SMBC Leasing Company, Limited is amortized using the straight-line method over 20 years and 5 years, respectively. Goodwill on other companies is charged or credited to income directly when incurred or benefited.

(19) Statements of cash flows

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

(20) New accounting standards

(a) From the fiscal year ended March 31, 2008, SMFG has applied Article 30-2 of the “Accounting Practices for Tax Effect Accounting on Consolidated Financial Statements” (JICPA Accounting Practice Committee Report No. 6, issued on March 29, 2007) to sales of investments such as shares of subsidiaries within the group companies. As a result, net income for the fiscal year ended March 31, 2008 decreased by ¥18,939 million (\$189 million) compared with the former method.

(b) Provisions on the scope of securities stipulated by regulations such as the “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10) and the “Accounting Practices for Financial Instruments” (JICPA Accounting Practice Committee Report No. 14) were partially revised on June 15 and July 4, 2007, respectively, and became effective from the fiscal year ending on and after the implementation day of the Financial Instruments and Exchange Law. SMFG, accordingly, has applied the revised accounting standards and practices from the fiscal year ended March 31, 2008.

3. Trading Assets

Trading assets at March 31, 2008 and 2007 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Trading securities.....	¥ 230,442	¥ 53,288	\$ 2,300
Derivatives of trading securities.....	3,043	373	31
Derivatives of securities related to trading transactions.....	10,440	2,344	104
Trading-related financial derivatives.....	2,995,314	2,125,214	29,896
Other trading assets.....	884,370	1,096,664	8,827
	¥4,123,611	¥3,277,885	\$41,158

4. Securities

Securities at March 31, 2008 and 2007 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Japanese government bonds*1	¥ 9,339,978	¥ 7,640,069	\$ 93,223
Japanese local government bonds.....	439,228	571,103	4,384
Japanese corporate bonds.....	3,880,773	4,066,497	38,734
Japanese stocks*1, 2	3,749,762	4,747,601	37,426
Other*2.....	6,107,758	3,512,228	60,962
	¥23,517,501	¥20,537,500	\$234,729

*1 Unsecured loaned securities for which borrowers have the right to sell or pledge in the amount of ¥81,071 million (\$809 million) and ¥2,188 million are included in Japanese government bonds and Japanese stocks at March 31, 2008 and 2007, respectively.

SMBC has the right to sell or pledge, some of the unsecured borrowed securities, securities under resale agreements and securities borrowed with cash collateral. Of them, ¥1,758,728 million (\$17,554 million) of securities are pledged, and ¥504,363 million (\$5,034 million) of securities are held in hand at March 31, 2008. The respective amounts at March 31, 2007 were ¥2,088,859 million and ¥154,192 million.

*2 Japanese stocks and other include investments in unconsolidated subsidiaries and affiliates of ¥494,129 million (\$4,932 million) and ¥430,090 million at March 31, 2008 and 2007, respectively.

5. Loans and Bills Discounted

(1) Loans and bills discounted at March 31, 2008 and 2007 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Bills discounted.....	¥ 360,859	¥ 454,164	\$ 3,602
Loans on notes.....	3,241,541	3,781,841	32,354
Loans on deeds.....	50,169,292	46,485,666	500,741
Overdrafts	8,373,180	7,967,649	83,573
	¥62,144,874	¥58,689,322	\$620,270

(2) Loans and bills discounted included the following "Risk-monitored loans" stipulated in the Banking Law:

March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Risk-monitored loans:			
Bankrupt loans*1.....	¥ 73,472	¥ 60,715	\$ 733
Non-accrual loans*2	607,226	507,289	6,061
Past due loans (3 months or more)*3.....	26,625	22,018	266
Restructured loans*4	385,336	477,362	3,846
	¥1,092,661	¥1,067,386	\$10,906

*1 "Bankrupt loans" are loans, after write-off, to legally bankrupt borrowers as 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) and on which accrued interest income is not recognized as there is substantial doubt about the ultimate collectability of either principal or interest because they are past due for a considerable period of time or for other reasons.

*2 "Non-accrual loans" are loans on which accrued interest income is not recognized, excluding "Bankrupt loans" and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.

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

*4 "Restructured loans" are loans on which terms and conditions have been amended in favor of the borrowers (e.g., reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt forgiveness) in order to support the borrowers' recovery from financial difficulties, excluding "Bankrupt loans," "Non-accrual loans" and "Past due loans (3 months or more)."

- (3) 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 at March 31, 2008 and 2007 was ¥807,712 million (\$8,062 million) and ¥915,318 million, respectively.
- (4) 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 at March 31, 2008 and 2007 was ¥40,694,898 million (\$406,177 million) and ¥40,947,052 million, respectively, and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time at March 31, 2008 and 2007 was ¥34,502,051 million (\$344,366 million) and ¥34,769,824 million, respectively.

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 the contracts are made.

6. Other Assets

Other assets at March 31, 2008 and 2007 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Prepaid expenses.....	¥ 39,901	¥ 38,293	\$ 398
Accrued income.....	296,130	280,115	2,956
Deferred assets.....	1,423,253	725,893	14,205
Financial derivatives	1,492,890	702,211	14,901
Other	1,699,412	1,603,435	16,962
	¥4,951,587	¥3,349,949	\$49,422

7. Tangible Fixed Assets

Tangible fixed assets at March 31, 2008 and 2007 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Buildings	¥235,729	¥226,593	\$2,353
Land*	463,225	476,059	4,623
Construction in progress.....	3,755	703	37
Other tangible fixed assets.....	117,700	114,211	1,175
Total	¥820,411	¥817,567	\$8,188
Accumulated depreciation	¥557,958	¥555,288	\$5,569

* Includes land revaluation excess referred to in Note 17.

8. Intangible Fixed Assets

Intangible fixed assets at March 31, 2008 and 2007 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Software	¥141,419	¥123,151	\$1,412
Goodwill	178,645	100,850	1,783
Other intangible fixed assets.....	12,460	10,894	124
	¥332,525	¥234,896	\$3,319

9. Lease Assets

Lease assets at March 31, 2008 and 2007 were as follows:

March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Equipment and others	¥ 3,781,960	¥ 2,593,445	\$ 37,748
Accumulated depreciation	(2,356,863)	(1,592,098)	(23,524)
	¥ 1,425,097	¥ 1,001,346	\$ 14,224

10. Assets Pledged as Collateral

Assets pledged as collateral at March 31, 2008 and 2007 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Assets pledged as collateral:			
Cash and due from banks, and Deposits with banks	¥ 158,679	¥ 104,328	\$ 1,584
Trading assets	673,261	202,292	6,720
Securities	8,334,432	3,043,253	83,186
Loans and bills discounted	952,137	934,423	9,503
Other assets (installment account receivable, etc.)	3,008	1,946	30
Liabilities corresponding to assets pledged as collateral:			
Deposits	25,381	20,588	253
Call money and bills sold	1,135,000	1,335,000	11,328
Payables under repurchase agreements	1,714,479	128,695	17,112
Payables under securities lending transactions	5,379,076	1,250,450	53,689
Trading liabilities	150,283	84,532	1,500
Borrowed money	1,447,744	1,112,257	14,450
Other liabilities	14,499	23,207	145
Acceptances and guarantees	140,917	167,153	1,406

In addition to the assets presented above, the following assets were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes at March 31, 2008 and 2007:

March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Cash and due from banks, and Deposits with banks	¥ 7,745	¥ 6,761	\$ 77
Trading assets	601,560	500,158	6,004
Securities	3,344,984	3,946,194	33,386
Commercial paper and other debt purchased	427	—	4
Loans and bills discounted	888,532	535,770	8,868

At March 31, 2008, other assets included surety deposits of ¥85,979 million (\$858 million) and initial margins of futures markets of ¥11,546 million (\$115 million). At March 31, 2007, other assets included surety deposits and intangibles of ¥94,129 million and variation margins of futures markets of ¥3,140 million.

11. Deposits

Deposits at March 31, 2008 and 2007 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Current deposits.....	¥ 6,070,443	¥ 6,631,965	\$ 60,589
Ordinary deposits.....	33,876,958	33,667,482	338,127
Savings deposits	867,515	933,026	8,659
Deposits at notice.....	4,668,292	5,364,306	46,594
Time deposits.....	23,133,834	22,279,749	230,900
Negotiable certificates of deposit.....	3,078,149	2,589,217	30,723
Other deposits.....	4,073,580	3,279,695	40,659
	¥75,768,773	¥74,745,441	\$756,251

12. Trading Liabilities

Trading liabilities at March 31, 2008 and 2007 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Trading securities sold for short sales.....	¥ 20,046	¥ 16,415	\$ 200
Derivatives of trading securities.....	3,881	288	39
Derivatives of securities related to trading transactions.....	10,196	1,975	102
Trading-related financial derivatives.....	2,637,192	1,924,294	26,322
	¥2,671,316	¥1,942,973	\$26,663

13. Borrowed Money

Borrowed money at March 31, 2008 and 2007 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars	Average interest rate* ¹	Due
	2008	2007	2008	2008	
Bills rediscounted	¥ —	¥ —	\$ —	—%	—
Other borrowings* ²	4,279,034	3,214,137	42,709	1.36	Jan. 2008–Perpetual
	¥4,279,034	¥3,214,137	\$42,709	1.36%	

*¹ Average interest rate represents the weighted average interest rate based on the balances and rates at the respective year-end of SMBC and other consolidated subsidiaries.

*² Includes subordinated debt of ¥523,500 million (\$5,225 million) and ¥559,500 million at March 31, 2008 and 2007, respectively.

The repayment schedule over the next five years on borrowed money at March 31, 2008 was as follows:

March 31	Millions of yen	Millions of U.S. dollars
	2008	2008
Within 1 year.....	¥2,716,753	\$2,711
After 1 year through 2 years	345,299	3,446
After 2 years through 3 years.....	297,834	2,973
After 3 years through 4 years.....	179,362	1,790
After 4 years through 5 years.....	183,480	1,831

14. Bonds

Bonds at March 31, 2008 and 2007 consisted of the following:

March 31					
Issuer	Millions of yen*1		Millions of U.S. dollars	Interest rate*2 (%)	Due
Description	2008	2007	2008		
SMBC:					
Straight bonds, payable in Yen	¥1,484,978 [389,700]	¥1,692,060 [405,500]	\$14,822	0.52–2.60	April 2008-May 2025
Straight bonds, payable in Euroyen	26,900	38,900	268	0.10–5.48686	Mar. 2012-Feb. 2037
Subordinated bonds, payable in Yen	599,873	519,880	5,987	1.71–2.62	Jun. 2010-Dec. 2017
Subordinated bonds, payable in Euroyen	813,500	731,300	8,120	0.92–2.99875	May 2012-Perpetual
Subordinated bonds, payable in U.S. dollars	297,415 (\$2,968,509 thousand)	350,461 (\$2,967,747 thousand)	2,969	5.625–8.15	Nov. 2011-Perpetual
Subordinated bonds, payable in British pound sterling ...	2,402 (£12,000 thousand)	2,782 (£12,000 thousand)	24	6.98	Perpetual
Subordinated bonds, payable in Euro	109,889 (€694,888 thousand)	109,261 (€694,207 thousand)	1,097	4.375	Perpetual
Subordinated bonds, payable in Euro	197,436 (€1,248,489 thousand)	196,341 (€1,247,482 thousand)	1,971	4.375	Oct. 2014
Other consolidated subsidiaries:					
Straight bonds, payable in Yen	173,044 [80,000]	174,504 [64,902]	1,727	0.26–3.19375	Apr. 2008-Jul. 2017
Straight bonds, payable in U.S. dollars	1,141 (\$10,000 thousand)	2,382 (\$20,000 thousand)	11	7.00	May 2009
Straight bonds, payable in British pound sterling	1,811 (£8,000 thousand)	1,866 (£8,000 thousand)	18	3.95	Oct. 2008
Subordinated bonds, payable in Yen	[1,811] 160,725	155,694	1,604	1.45-4.95	Sep. 2008-Perpetual
Subordinated bonds, payable in U.S. dollars	[5,000] 100,190	[500] 118,090	1,000	8.50	Jun. 2009
Short-term bonds.....	(\$1,000,000 thousand) 769,100	(\$1,000,000 thousand) 439,600	7,676	0.695–1.20	Apr. 2008-Jul. 2008
	[769,100]	[439,600]			
	¥4,738,408	¥4,533,125	\$47,294		

*1 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.

*2 Interest rates indicate nominal interest rates which are applied at the consolidated balance sheet dates. Therefore, they may differ from actual interest rates.

The redemption schedule over the next five years on bonds at March 31, 2008 was as follows:

March 31	Millions of yen	Millions of U.S. dollars
	2008	2008
Within 1 year.....	¥1,245,611	\$12,432
After 1 year through 2 years	553,484	5,524
After 2 years through 3 years	317,052	3,165
After 3 years through 4 years	273,004	2,725
After 4 years through 5 years	341,942	3,413

15. Other Liabilities

Other liabilities at March 31, 2008 and 2007 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Accrued expenses.....	¥ 235,326	¥ 169,803	\$ 2,349
Unearned income	192,974	180,374	1,926
Income taxes payable	56,772	56,292	567
Financial derivatives	1,404,616	868,169	14,019
Other	2,026,738	1,707,075	20,229
	¥3,916,427	¥2,981,714	\$39,090

16. Reserve Under Special Laws

Reserve under special laws at March 31, 2008 and 2007 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Reserve for contingent liabilities from financial instruments transactions	¥1,118	¥ —	\$11
Reserve for contingent liabilities from financial futures transactions	—	18	—
Reserve for contingent liabilities from securities transactions.....	—	1,118	—
	¥1,118	¥ 1,137	\$11

17. 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 “Net assets”.

Certain other consolidated subsidiaries revaluated their own land for business activities in accordance with the Law. 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 “Net assets.”

Date of the revaluation

SMBC:

March 31, 1998 and March 31, 2002

Certain other 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 other consolidated subsidiaries:

Fair values were determined based on the values stipulated in Article 2-3 and 2-5 of the Enforcement Ordinance No. 119.

18. Minority Interests

SB Treasury Company L.L.C.*, a subsidiary of SMBC, issued noncumulative perpetual preferred securities, totaling \$1,800 million in February 1998. SB Equity Securities (Cayman), Limited, a subsidiary of SMBC, issued noncumulative perpetual preferred securities, totaling ¥340,000 million in February and March 1999. Sakura Preferred Capital (Cayman) Limited, a subsidiary of SMBC, issued noncumulative perpetual preferred securities, totaling ¥283,750 million in December 1998 and March 1999. SMFG

Preferred Capital USD 1 Limited and SMFG Preferred Capital GBP 1 Limited, subsidiaries of SMFG, issued noncumulative perpetual preferred securities, totaling \$1,650 million and £500 million, respectively, in December 2006. SMFG Preferred Capital JPY 1 Limited, subsidiaries of SMFG, issued noncumulative perpetual preferred securities, totaling ¥135,000 million in February 2008. These subsidiaries are consolidated and the preferred securities are accounted for as minority interests.

* See Note 38.

19. Capital Stock

Capital stock consists of common stock and preferred stock. Common stock and preferred stock at March 31, 2008 and 2007 were as follows:

March 31	Number of shares			
	2008		2007	
	Authorized	Issued	Authorized	Issued
Common stock	15,000,000	7,733,653.77	15,000,000	7,733,653.77
Preferred stock (Type 1).....	—	—	35,000	—
Preferred stock (Type 2).....	—	—	100,000	—
Preferred stock (Type 3).....	—	—	695,000	—
Preferred stock (Type 4).....	50,100	50,100	135,000	50,100
Preferred stock (Type 5).....	167,000	—	250,000	—
Preferred stock (Type 6).....	70,001	70,001	300,000	70,001
Preferred stock (Type 7).....	167,000	—	—	—
Preferred stock (Type 8).....	115,000	—	—	—
Preferred stock (Type 9).....	115,000	—	—	—
Total	15,684,101	7,853,754.77	16,515,000	7,853,754.77

* See Note 27

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

In the event that SMFG pays dividends, SMFG shall pay to holders of shares of its preferred stock, in preference to the holders of its common stock, cash dividends in the amounts as described below. If preferred interim dividends stipulated in the Articles of Incorporation of SMFG were paid during the relevant fiscal year, the amount of such preferred interim dividends shall be subtracted from such amount of annual preferred dividends. Preferred stock (Type 4) bears an annual noncumulative dividend of ¥135,000 per share and, in the event SMFG pays an interim dividend, holders are entitled to receive ¥67,500 in preference to common shareholders.

Preferred stock (Type 6) bears an annual noncumulative dividend of ¥88,500 per share and, in the event SMFG pays an interim dividend, holders are entitled to receive ¥44,250 in preference to common shareholders. Holders of preferred stock are not entitled to any further dividends in excess of the amount as described above.

In the event of SMFG's voluntary or involuntary liquidation, holders of its preferred stock will be entitled, equally in rank as among themselves and in preference over shares of its common stock,

to receive out of SMFG's residual assets upon liquidation a distribution of ¥3,000,000 per share for Type 4 and Type 6 preferred stock. Holders of preferred stock are not entitled to any further dividends or other participation or distribution of SMFG's residual assets upon SMFG's liquidation.

SMFG may, subject to the requirements provided in the Company Law, purchase any shares of the preferred stock then outstanding at any time and retire such preferred stock out of distributable amounts of SMFG. SMFG may also, subject to the requirements provided in the Company Law, redeem all or some of preferred stock (Type 6) out of distributable amounts of SMFG at any time on and after March 31, 2011 at a price of ¥3,000,000 per share.

Preferred stock (Type 4) is convertible to common stock at any time through February 7, 2028. Such preferred stock is convertible at a conversion price, which is ¥318,800 as of March 31, 2008, subject to anti-dilution adjustment, and to downward reset if the market price of SMFG's common stock at the time of conversion is less than the then-applicable conversion price. The reset is subject to a floor price, which is ¥105,100 as of March 31, 2008 and is subject to anti-dilution adjustment. Preferred stock (Type 4) outstanding on the last day of the applicable conversion period will be mandatorily converted into shares of its common stock on the immediately following day.

Preferred stock (Type 6) is non-convertible.

20. Fees and Commissions

Fees and commissions for the fiscal years ended March 31, 2008 and 2007 consisted of the following:

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Fees and commissions (income):			
Deposits and loans	¥ 73,822	¥ 65,698	\$ 737
Remittances and transfers	133,645	132,836	1,334
Securities-related business	35,118	48,650	351
Agency	16,028	16,581	160
Safe deposits	7,144	7,322	71
Guarantees	47,117	45,961	470
Credit card business	128,575	117,197	1,283
Investment trusts	72,376	77,971	723
Other	190,455	193,778	1,901
	¥704,283	¥705,998	\$7,030
Fees and commissions (expenses):			
Remittances and transfers	¥ 31,612	¥ 27,200	\$ 315
Other	60,677	69,612	606
	¥ 92,289	¥ 96,812	\$ 921

21. Trading Income

Trading income for the fiscal years ended March 31, 2008 and 2007 consisted of the following:

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Trading profits:			
Gains on trading securities	¥ 21,406	¥ 15,109	\$ 214
Gains on securities related to trading transactions	2,934	—	29
Gains on trading-related financial derivatives	438,365	109,208	4,375
Other	6,865	3,244	69
	¥469,571	¥127,561	\$4,687
Trading losses:			
Losses on securities related to trading transactions	¥ —	¥ 1,936	\$ —
	¥ —	¥ 1,936	\$ —

22. Other Operating Income

Other operating income for the fiscal years ended March 31, 2008 and 2007 consisted of the following:

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Gains on sale of bonds	¥ 108,350	¥ 28,180	\$ 1,081
Gains on redemption of bonds	88	1,119	1
Lease-related income	893,448	744,881	8,918
Gains on foreign exchange transactions	—	56,800	—
Gains on financial derivatives	1,099	—	11
Other	209,648	172,649	2,092
	¥1,212,635	¥1,003,632	\$12,103

23. Other Operating Expenses

Other operating expenses for the fiscal years ended March 31, 2008 and 2007 consisted of the following:

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Losses on sale of bonds	¥ 29,380	¥ 139,302	\$ 293
Losses on redemption of bonds	35,860	3,534	358
Losses on devaluation of bonds	67,045	—	669
Bond issuance costs	756	799	8
Lease-related expenses	794,468	674,662	7,930
Losses on foreign exchange transactions	254,927	—	2,544
Losses on financial derivatives	—	22,809	—
Other	209,651	163,262	2,093
	¥1,392,089	¥1,004,370	\$13,895

24. Other Income

Other income for the fiscal years ended March 31, 2008 and 2007 consisted of the following:

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Gains on sale of stocks and other securities	¥ 61,509	¥ 62,793	\$ 614
Gains on money held in trust	250	0	2
Gains on disposal of fixed assets	10,988	4,730	110
Collection of written-off claims	1,355	1,236	14
Gains on change in equity due to mergers of subsidiaries	103,133	—	1,029
Gains on return of securities from retirement benefits trust	—	36,330	—
Gains on sale of a subsidiary's shares and change in equity of the subsidiary	—	4,226	—
Other	26,108	18,700	261
	¥203,346	¥128,017	\$2,030

25. Other Expenses

Other expenses for the fiscal years ended March 31, 2008 and 2007 consisted of the following:

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Write-off of loans	¥141,750	¥ 81,415	\$1,415
Losses on sale of stocks and other securities	5,737	1,499	57
Losses on devaluation of stocks and other securities	62,835	16,562	627
Losses on money held in trust	23	—	0
Losses on sale of delinquent loans	35,300	39,302	352
Equity in losses of affiliates	41,760	104,170	417
Losses on disposal of fixed assets	12,538	7,798	125
Losses on impairment of fixed assets*	5,161	30,548	52
Other	35,355	33,876	353
	¥340,463	¥315,175	\$3,398

* Losses on impairment of fixed assets consisted of the following:

Year ended March 31	Area	Purpose of use 2008	Type	Millions of yen		Millions of U.S. dollars
				2008	2007	2008
Tokyo metropolitan area		Branches (4 branches)	Land and premises, etc.	¥ 41	¥25,799	\$ 0
		Idle assets (27 items)		1,196	1,782	12
		Other (2 items)		69	—	1
Kinki area.....		Branches (5 branches)	Land and premises, etc.	298	839	3
		Idle assets (18 items)		3,086	443	31
Other.....		Branches (9 branches)	Land and premises, etc.	17	—	0
		Idle assets (13 items)		451	1,683	5

At the consolidated subsidiary SMBC, every branch, which continuously manages and determines income and expenses, is the smallest unit of the asset group for recognition and measurement of impairment loss. Assets such as corporate headquarters facilities, training facilities, data and system centers, and health and recreational facilities which do not produce cash flows that can be attributed to individual assets are treated as common-use assets. As for idle assets, impairment loss is measured individually. At other consolidated subsidiaries, a branch is generally the smallest asset grouping unit.

SMBC and other subsidiaries reduced the carrying amounts of

long-lived assets, of which investments are not expected to be fully recovered—SMBC reduced the carrying amounts of idle assets and other consolidated subsidiaries reduced the carrying amounts of long-lived assets of their branches and idle assets—to their recoverable amounts, and recognized the losses as “losses on impairment of fixed assets,” which is included in “Other expenses.” The recoverable amount is calculated using net realizable value which is basically determined by subtracting the expected disposal cost from the appraisal value based on the Real Estate Appraisal Standard.

26. Income Taxes

(1) Significant components of deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Net operating loss carryforwards	¥ 863,604	¥1,170,595	\$ 8,620
Write-off of securities.....	332,355	284,084	3,317
Reserve for possible loan losses	212,043	191,150	2,117
Write-off of loans	104,729	101,611	1,045
Reserve for employee retirement benefits.....	66,012	75,582	659
Deferred gain or loss on hedges	51,455	60,247	514
Depreciation.....	8,730	9,256	87
Other	127,474	120,304	1,272
Subtotal	1,766,405	2,012,833	17,631
Valuation allowance	(491,685)	(457,174)	(4,908)
Total deferred tax assets.....	1,274,720	1,555,659	12,723
Deferred tax liabilities:			
Net unrealized gains on other securities.....	(191,661)	(569,723)	(1,913)
Leveraged lease.....	(62,256)	(60,724)	(621)
Gains on securities contributed to employee retirement benefits trust...	(42,263)	(42,408)	(422)
Securities returned from employee retirement benefits trust	(20,282)	(20,312)	(202)
Undistributed earnings of subsidiaries.....	(12,506)	(10,600)	(125)
Other	(12,268)	(15,619)	(123)
Total deferred tax liabilities.....	(341,238)	(719,388)	(3,406)
Net deferred tax assets	¥ 933,481	¥ 836,270	\$ 9,317

(2) SMFG and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, would result in an effective statutory tax rate of approximately 40.69% for the years ended March 31, 2008

and 2007. A reconciliation of the effective income tax rate reflected in the accompanying consolidated statements of income to the statutory tax rate for the years ended March 31, 2008 and 2007 was as follows:

	2008	2007
Statutory tax rate	40.69%	40.69%
Valuation allowance	2.10	(6.94)
Equity in losses of affiliates.....	1.83	5.25
Gains on changes in equity.....	(4.52)	—
Unrealized gains.....	3.04	—
Other	(1.54)	(1.00)
Effective income tax rate	41.60%	38.00%

27. Changes in Net Assets

(1) Type and number of shares issued and treasury shares are as follows:

Year ended March 31, 2008	Number of shares			March 31, 2008
	March 31, 2007	Increase	Decrease	
Shares issued				
Common stock	7,733,653.77	—	—	7,733,653.77
Preferred stock (1st series Type 4)	4,175	—	—	4,175
Preferred stock (2nd series Type 4)	4,175	—	—	4,175
Preferred stock (3rd series Type 4).....	4,175	—	—	4,175
Preferred stock (4th series Type 4).....	4,175	—	—	4,175
Preferred stock (5th series Type 4).....	4,175	—	—	4,175
Preferred stock (6th series Type 4).....	4,175	—	—	4,175
Preferred stock (7th series Type 4).....	4,175	—	—	4,175
Preferred stock (8th series Type 4).....	4,175	—	—	4,175
Preferred stock (9th series Type 4).....	4,175	—	—	4,175
Preferred stock (10th series Type 4).....	4,175	—	—	4,175
Preferred stock (11th series Type 4).....	4,175	—	—	4,175
Preferred stock (12th series Type 4).....	4,175	—	—	4,175
Preferred stock (1st series Type 6)	70,001	—	—	70,001
Total	7,853,754.77	—	—	7,853,754.77
Treasury shares				
Common stock	168,630.95	895.01 ^{*1}	528.55 ^{*2}	168,997.41
Total	168,630.95	895.01	528.55	168,997.41

^{*1} Increase in number of treasury common shares:

- 895.01 shares due to purchase of fractional shares

^{*2} Decrease in number of treasury common shares:

- 234.55 shares due to sale of fractional shares and delivery of shares in connection with exercising of stock options
- 294 shares due to sale of shares of SMFG's common stock owned by subsidiaries

Year ended March 31, 2007	Number of shares			
	March 31, 2006	Increase	Decrease	March 31, 2007
Shares issued				
Common stock	7,424,172.77	309,481 ^{*1}	—	7,733,653.77
Preferred stock (Type 1)	35,000	—	35,000 ^{*2}	—
Preferred stock (Type 2)	100,000	—	100,000 ^{*3}	—
Preferred stock (Type 3)	695,000	—	695,000 ^{*4}	—
Preferred stock (1st series Type 4)	4,175	—	—	4,175
Preferred stock (2nd series Type 4)	4,175	—	—	4,175
Preferred stock (3rd series Type 4)	4,175	—	—	4,175
Preferred stock (4th series Type 4)	4,175	—	—	4,175
Preferred stock (5th series Type 4)	4,175	—	—	4,175
Preferred stock (6th series Type 4)	4,175	—	—	4,175
Preferred stock (7th series Type 4)	4,175	—	—	4,175
Preferred stock (8th series Type 4)	4,175	—	—	4,175
Preferred stock (9th series Type 4)	4,175	—	—	4,175
Preferred stock (10th series Type 4)	4,175	—	—	4,175
Preferred stock (11th series Type 4)	4,175	—	—	4,175
Preferred stock (12th series Type 4)	4,175	—	—	4,175
Preferred stock (1st series Type 6)	70,001	—	—	70,001
Total	8,374,273.77	309,481	830,000	7,853,754.77
Treasury shares				
Common stock	6,307.15	170,936.41 ^{*5}	8,612.61 ^{*5}	168,630.95
Preferred stock (Type 1)	—	35,000 ^{*2}	35,000 ^{*2}	—
Preferred stock (Type 2)	—	100,000 ^{*3}	100,000 ^{*3}	—
Preferred stock (Type 3)	—	695,000 ^{*4}	695,000 ^{*4}	—
Total	6,307.15	1,000,936.41	838,612.61	168,630.95

^{*1} Increase in number of common shares issued:

- 249,015 shares due to issuance of new shares related to the share exchange with SMBC Friend Securities Co., Ltd. on September 1, 2006
- 60,466 shares due to exercising of rights to request acquisition of common shares with respect to preferred stock (Type 3) on September 29, 2006

^{*2} Increase in number of treasury shares of preferred stock (Type 1):

- 35,000 shares due to acquisition of own shares on May 17, 2006 pursuant to the resolution of the ordinary general meeting of shareholders held on June 29, 2005

Decrease in number of shares issued and treasury shares of preferred stock (Type 1):

- 35,000 shares due to retirement of treasury shares on May 17, 2006

^{*3} Increase in number of treasury shares of preferred stock (Type 2):

- 100,000 shares due to acquisition of own shares on May 17 and September 6, 2006 pursuant to the resolution of the ordinary general meetings of shareholders held on June 29, 2005 and June 29, 2006

Decrease in number of shares issued and treasury shares of preferred stock (Type 2):

- 100,000 shares due to retirement of treasury shares on May 17 and September 6, 2006

^{*4} Increase in number of treasury shares of preferred stock (Type 3):

- 645,000 shares due to acquisition of own shares on September 29 and October 11, 2006 pursuant to the resolution of the ordinary general meeting of shareholders held on June 29, 2006

- 50,000 shares due to acquisition of own shares on September 29, 2006 as a result of exercising of rights to request acquisition of common shares

Decrease in number of shares issued and treasury shares of preferred stock (Type 3):

- 695,000 shares due to retirement of treasury shares on September 29 and October 11, 2006

^{*5} Increase in number of treasury common shares:

- 60,466 shares due to acquisition of own shares on October 17, 2006 pursuant to the resolution of the ordinary general meeting of shareholders held on June 29, 2006
- 1,265.41 shares due to purchase of fractional shares

- 109,205 shares owned by consolidated subsidiaries and affiliates in connection with the share exchange with SMBC Friend Securities Co., Ltd.

Decrease in number of treasury common shares:

- 182.61 shares due to sale of fractional shares and delivery of shares in connection with exercising of stock options
- 8,430 shares due to sale of shares of SMFG's common stock owned by subsidiaries and affiliates

(2) Information on stock acquisition rights is as follows:

Year ended March 31, 2008	Detail of stock acquisition rights	Type of shares	Number of shares			March 31, 2008	Millions of yen	Millions of U.S. dollars
			March 31, 2007	Increase	Decrease		March 31, 2008	March 31, 2008
SMFG	Stock options	—	—	—	—	—	¥—	\$—
Consolidated subsidiaries	—	—	—	—	—	—	43	0
Total							¥43	\$ 0

Year ended March 31, 2007	Detail of stock acquisition rights	Type of shares	Number of shares			March 31, 2007	Millions of yen	
			March 31, 2006	Increase	Decrease		March 31, 2007	
SMFG	Stock options	—	—	—	—	—	¥—	
Consolidated subsidiaries	—	—	—	—	—	—	14	
Total							¥14	

(3) Information on dividends is as follows:

(a) Dividends paid in the fiscal year ended March 31, 2007

Type of shares	Aggregate amount of dividends	Cash dividends per share	Millions of yen, except per share amount	
			Record date	Effective date
Common stock	¥22,253	¥ 3,000	March 31, 2006	June 29, 2006
Preferred stock (Type 1)	367	10,500	March 31, 2006	June 29, 2006
Preferred stock (Type 2)	2,850	28,500	March 31, 2006	June 29, 2006
Preferred stock (Type 3)	9,521	13,700	March 31, 2006	June 29, 2006
Preferred stock (1st series Type 4)	563	135,000	March 31, 2006	June 29, 2006
Preferred stock (2nd series Type 4)	563	135,000	March 31, 2006	June 29, 2006
Preferred stock (3rd series Type 4)	563	135,000	March 31, 2006	June 29, 2006
Preferred stock (4th series Type 4)	563	135,000	March 31, 2006	June 29, 2006
Preferred stock (5th series Type 4)	563	135,000	March 31, 2006	June 29, 2006
Preferred stock (6th series Type 4)	563	135,000	March 31, 2006	June 29, 2006
Preferred stock (7th series Type 4)	563	135,000	March 31, 2006	June 29, 2006
Preferred stock (8th series Type 4)	563	135,000	March 31, 2006	June 29, 2006
Preferred stock (9th series Type 4)	563	135,000	March 31, 2006	June 29, 2006
Preferred stock (10th series Type 4)	563	135,000	March 31, 2006	June 29, 2006
Preferred stock (11th series Type 4)	563	135,000	March 31, 2006	June 29, 2006
Preferred stock (12th series Type 4)	563	135,000	March 31, 2006	June 29, 2006
Preferred stock (1st series Type 6)	6,195	88,500	March 31, 2006	June 29, 2006

Date of resolution: Ordinary general meeting of shareholders held on June 29, 2006

(b) Dividends paid in the fiscal year ended March 31, 2008

Type of shares	Aggregate amount of dividends	Cash dividends per share	Millions of yen, except per share amount	
			Record date	Effective date
Common stock	¥53,660	¥ 7,000	March 31, 2007	June 28, 2007
Preferred stock (1st series Type 4)	563	135,000	March 31, 2007	June 28, 2007
Preferred stock (2nd series Type 4)	563	135,000	March 31, 2007	June 28, 2007
Preferred stock (3rd series Type 4)	563	135,000	March 31, 2007	June 28, 2007
Preferred stock (4th series Type 4)	563	135,000	March 31, 2007	June 28, 2007
Preferred stock (5th series Type 4)	563	135,000	March 31, 2007	June 28, 2007
Preferred stock (6th series Type 4)	563	135,000	March 31, 2007	June 28, 2007
Preferred stock (7th series Type 4)	563	135,000	March 31, 2007	June 28, 2007
Preferred stock (8th series Type 4)	563	135,000	March 31, 2007	June 28, 2007
Preferred stock (9th series Type 4)	563	135,000	March 31, 2007	June 28, 2007
Preferred stock (10th series Type 4)	563	135,000	March 31, 2007	June 28, 2007
Preferred stock (11th series Type 4)	563	135,000	March 31, 2007	June 28, 2007
Preferred stock (12th series Type 4)	563	135,000	March 31, 2007	June 28, 2007
Preferred stock (1st series Type 6)	6,195	88,500	March 31, 2007	June 28, 2007

Date of resolution: Ordinary general meeting of shareholders held on June 28, 2007

Millions of yen, except per share amount				
Type of shares	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
Common stock.....	¥38,326	¥ 5,000	September 30, 2007	December 7, 2007
Preferred stock (1st series Type 4).....	281	67,500	September 30, 2007	December 7, 2007
Preferred stock (2nd series Type 4).....	281	67,500	September 30, 2007	December 7, 2007
Preferred stock (3rd series Type 4).....	281	67,500	September 30, 2007	December 7, 2007
Preferred stock (4th series Type 4).....	281	67,500	September 30, 2007	December 7, 2007
Preferred stock (5th series Type 4).....	281	67,500	September 30, 2007	December 7, 2007
Preferred stock (6th series Type 4).....	281	67,500	September 30, 2007	December 7, 2007
Preferred stock (7th series Type 4).....	281	67,500	September 30, 2007	December 7, 2007
Preferred stock (8th series Type 4).....	281	67,500	September 30, 2007	December 7, 2007
Preferred stock (9th series Type 4).....	281	67,500	September 30, 2007	December 7, 2007
Preferred stock (10th series Type 4).....	281	67,500	September 30, 2007	December 7, 2007
Preferred stock (11th series Type 4).....	281	67,500	September 30, 2007	December 7, 2007
Preferred stock (12th series Type 4).....	281	67,500	September 30, 2007	December 7, 2007
Preferred stock (1st series Type 6).....	3,097	44,250	September 30, 2007	December 7, 2007

Date of resolution: Meeting of the Board of Directors held on November 19, 2007

(c) Dividends to be paid in the fiscal year ending March 31, 2009

Millions of yen, except per share amount					
Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Common stock.....	¥53,655	Retained earnings	¥ 7,000	March 31, 2008	June 27, 2008
Preferred stock (1st series Type 4).....	281	Retained earnings	67,500	March 31, 2008	June 27, 2008
Preferred stock (2nd series Type 4).....	281	Retained earnings	67,500	March 31, 2008	June 27, 2008
Preferred stock (3rd series Type 4).....	281	Retained earnings	67,500	March 31, 2008	June 27, 2008
Preferred stock (4th series Type 4).....	281	Retained earnings	67,500	March 31, 2008	June 27, 2008
Preferred stock (5th series Type 4).....	281	Retained earnings	67,500	March 31, 2008	June 27, 2008
Preferred stock (6th series Type 4).....	281	Retained earnings	67,500	March 31, 2008	June 27, 2008
Preferred stock (7th series Type 4).....	281	Retained earnings	67,500	March 31, 2008	June 27, 2008
Preferred stock (8th series Type 4).....	281	Retained earnings	67,500	March 31, 2008	June 27, 2008
Preferred stock (9th series Type 4).....	281	Retained earnings	67,500	March 31, 2008	June 27, 2008
Preferred stock (10th series Type 4).....	281	Retained earnings	67,500	March 31, 2008	June 27, 2008
Preferred stock (11th series Type 4).....	281	Retained earnings	67,500	March 31, 2008	June 27, 2008
Preferred stock (12th series Type 4).....	281	Retained earnings	67,500	March 31, 2008	June 27, 2008
Preferred stock (1st series Type 6).....	3,097	Retained earnings	44,250	March 31, 2008	June 27, 2008

Date of resolution: Ordinary general meeting of shareholders held on June 27, 2008

28. Cash Flows

(1) Fiscal year ended March 31, 2008

(a) QUOQ Inc. and two other companies became consolidated subsidiaries of SMFG due to increases in the voting rights in the fiscal year ended March 31, 2008. Their major assets and liabilities are as follows:

	Millions of yen	Millions of U.S. dollars
Assets.....	¥1,504,288	\$15,014
Other assets.....	548,428	5,474
Customers' liabilities for acceptances and guarantees.....	891,593	8,899
Liabilities.....	¥1,471,831	\$14,690
Borrowed money.....	436,628	4,358
Acceptances and guarantees.....	891,593	8,899

(b) The major assets and liabilities which were acquired due to a merger between SMBC Leasing Company, Limited and Sumisho Lease Co., Ltd. are as follows:

	Millions of yen	Millions of U.S. dollars
Assets	¥1,392,490	\$13,898
Lease assets	632,224	6,310
Loans and bills discounted	329,069	3,284
Liabilities	¥1,249,703	\$12,473
Borrowed money	571,741	5,707
Short-term bonds	393,000	3,923

(c) SMBC Auto Leasing Company, Limited and one other company were excluded from the scope of consolidation due to a merger with Sumisho Auto Leasing Corporation in the fiscal year ended March 31, 2008. Their major assets and liabilities are as follows:

	Millions of yen	Millions of U.S. dollars
Assets	¥305,751	\$3,052
Lease assets	221,725	2,213
Liabilities	¥289,379	\$2,888
Borrowed money	144,561	1,443
Short-term bonds	106,000	1,058

(2) Fiscal year ended March 31, 2007

Capital surplus increased by ¥221,365 million due to the fact that SMFG made SMBC Friend Securities into a wholly-owned subsidiary through a share exchange and delivered common stocks in the fiscal year ended March 31, 2007.

29. Employee Retirement Benefits

(1) Outline of employee retirement benefits

Consolidated subsidiaries in Japan have contributory funded defined benefit pension plans such as employee pension plans, qualified pension plans and lump-sum severance indemnity plans. A consolidated subsidiary in Japan adopts the defined-contribution pension plan. Certain domestic consolidated subsidiaries have a general type of employee pension plans.

They may grant additional benefits in cases where certain requirements are met when employees retire.

Some overseas consolidated subsidiaries adopt defined-benefit pension plans and defined-contribution pension plans. SMBC and some consolidated subsidiaries in Japan contributed some of their marketable equity securities to employee retirement benefits trust.

(2) Projected benefit obligation

		Millions of yen		Millions of U.S. dollars
March 31		2008	2007	2008
Projected benefit obligation	(A)	¥ (919,082)	¥ (910,139)	\$ (9,174)
Plan assets	(B)	975,920	1,186,060	9,741
Unfunded projected benefit obligation	(C)=(A)+(B)	56,838	275,921	567
Unrecognized net actuarial gain or loss	(D)	153,949	(83,905)	1,537
Unrecognized prior service cost	(E)	(37,118)	(48,257)	(370)
Net amount recorded on the consolidated balance sheet	(F)=(C)+(D)+(E)	173,669	143,757	1,734
Prepaid pension cost	(G)	212,370	178,182	2,120
Reserve for employee retirement benefits	(F) – (G)	¥ (38,701)	¥ (34,424)	\$ (386)

Notes : 1. Some consolidated subsidiaries adopt the simple method in calculating the projected benefit obligation.

2. Plan assets related to the general type of the welfare pension plan at March 31, 2007 amounted to ¥19,648 million, and were not included in the "Plan assets" shown above.

(3) Pension expenses

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Service cost.....	¥ 19,947	¥ 20,082	\$ 199
Interest cost on projected benefit obligation	22,414	22,325	224
Expected return on plan assets	(32,407)	(30,184)	(323)
Amortization of unrecognized net actuarial gain or loss	4,546	3,305	45
Amortization of unrecognized prior service cost	(11,182)	(11,175)	(112)
Other (nonrecurring additional retirement allowance paid and other)	2,544	3,254	26
Pension expenses	¥ 5,863	¥ 7,607	\$ 59
Gains on return of employee retirement benefits trust	—	(36,330)	—
Total	¥ 5,863	¥(28,722)	\$ 59

Notes: 1. Pension expenses of consolidated subsidiaries which adopt the simple method are included in "Service cost."

2. Premium paid to defined-contribution pension is included in "Other."

(4) Assumptions

The principal assumptions used in determining benefit obligation and pension expenses at or for the fiscal years ended March 31, 2008 and 2007 were as follows:

Year ended March 31	2008	2007
Discount rate.....	1.4% to 2.5%	1.4% to 2.5%
Expected rate of return on plan assets	0% to 4.5%	0% to 4.5%

Estimated amounts of retirement benefits are allocated to each period by the straight-line method.

Unrecognized prior service cost is amortized using the straight-line method within the employees' average remaining service period at incurrence, over mainly 9 years for the fiscal years ended March 31, 2008 and 2007.

Unrecognized net actuarial gain or loss is amortized using the straight-line method within the employees' average remaining service period, commencing from the next fiscal year of incurrence, over mainly 9 years for the fiscal years ended March 31, 2008 and 2007.

30. 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, 2008 and 2007 was as follows:

(a) Lessee side

	Millions of yen						Millions of U.S. dollars		
	2008			2007			2008		
March 31	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Equipment.....	¥14,741	¥6,544	¥8,196	¥11,843	¥5,188	¥6,654	\$147	\$65	\$82
Other	483	313	170	721	423	298	5	3	2
Total	¥15,224	¥6,858	¥8,366	¥12,564	¥5,612	¥6,952	\$152	\$68	\$84

Future minimum lease payments excluding interest at March 31, 2008 and 2007 were as follows:

March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Due within one year	¥4,007	¥3,006	\$40
Due after one year.....	4,791	4,205	48
	¥8,798	¥7,212	\$88

Total lease expenses for the years ended March 31, 2008 and 2007 were ¥3,914 million (\$39 million) and ¥3,046 million, respectively. Assumed depreciation for the years ended March 31, 2008 and 2007 amounted to ¥3,702 million (\$37 million) and ¥2,690 million, respectively. Assumed depreciation is calculated using the straight-line method over the lease term of the respective assets without residual 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 calculated using the effective interest method. Interest expenses for the years ended March 31, 2008 and 2007 amounted to ¥177 million (\$2 million) and ¥179 million, respectively.

(b) Lessor side

March 31	Millions of yen						Millions of U.S. dollars		
	2008			2007			2008		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Equipment.....	¥3,111,499	¥2,021,324	¥1,090,174	¥1,812,599	¥1,186,663	¥625,936	\$31,056	\$20,175	\$10,881
Other.....	557,804	322,065	235,739	692,551	384,134	308,416	5,567	3,214	2,353
Total.....	¥3,669,303	¥2,343,389	¥1,325,914	¥2,505,150	¥1,570,797	¥934,353	\$36,623	\$23,389	\$13,234

Future lease payments receivable excluding interest at March 31, 2008 and 2007 were as follows:

March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Due within one year	¥ 446,616	¥307,152	\$ 4,458
Due after one year.....	928,716	629,981	9,269
	¥1,375,333	¥937,133	\$13,727

At March 31, 2008 and 2007, future lease payments receivable shown above included subleases of ¥6,693 million (\$67 million) and ¥5,057 million (due within one year: ¥3,331 million (\$33 million) and ¥2,214 million) on the lessor side, respectively. The amount on the lessee side was almost the same and was included in the future minimum lease payments shown in (a).

Total lease income for the years ended March 31, 2008 and 2007 was ¥478,069 million (\$4,772 million) and ¥403,316 million, respectively. Depreciation for the years ended March

31, 2008 and 2007 amounted to ¥392,325 million (\$3,916 million) and ¥324,614 million, respectively. Interest income represents the difference between the sum 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 calculated using the effective interest method. Interest income for the years ended March 31, 2008 and 2007 amounted to ¥68,576 million (\$684 million) and ¥52,856 million, respectively.

(2) Operating leases

(a) Lessee side

Future minimum lease payments at March 31, 2008 and 2007 were as follows:

March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Due within one year	¥14,287	¥14,164	\$143
Due after one year.....	63,723	55,124	636
	¥78,010	¥69,288	\$779

(b) Lessor side

Future lease payments receivable at March 31, 2008 and 2007 were as follows:

March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Due within one year	¥12,848	¥18,861	\$128
Due after one year.....	42,130	53,625	421
	¥54,978	¥72,487	\$549

Future lease payments receivable at March 31, 2008 and 2007 amounting to ¥36,396 million (\$363 million) and ¥47,816 million, respectively, on the lessor side referred to in (1) and (2) above were pledged as collateral for borrowings.

31. Market Value of Marketable Securities and Money Held in Trust

(1) Securities

The amounts shown in the following tables include trading securities and short-term bonds classified as “Trading assets,” negotiable certificates of deposit bought classified as “Deposits with banks,” and beneficiary claims on loan trusts classified as “Commercial paper and other debt purchased,” in addition to “Securities” stated in the consolidated balance sheets.

(a) Securities classified as trading purposes

March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Consolidated balance sheet amount.....	¥1,114,812	¥1,149,952	\$11,127
Valuation gains included in the earnings for the fiscal year.....	313	438	3

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

March 31	Millions of yen				
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	¥ 614,281	¥ 625,028	¥10,747	¥12,035	¥1,287
Japanese local government bonds	97,311	98,903	1,591	1,591	—
Japanese corporate bonds	390,070	394,679	4,608	4,752	143
Other.....	9,178	8,985	(192)	—	192
Total.....	¥1,110,841	¥1,127,597	¥16,755	¥18,379	¥1,623

March 31	Millions of yen				
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	¥ 629,762	¥ 621,717	¥ (8,045)	¥ 20	¥ 8,065
Japanese local government bonds	97,102	95,307	(1,794)	—	1,794
Japanese corporate bonds	380,142	376,735	(3,406)	—	3,406
Other.....	5,445	5,626	180	180	—
Total.....	¥1,112,452	¥1,099,387	¥ (13,065)	¥ 200	¥13,266

March 31	Millions of U.S. dollars				
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	\$ 6,131	\$ 6,238	\$107	\$120	\$13
Japanese local government bonds	971	987	16	16	—
Japanese corporate bonds	3,893	3,939	46	47	1
Other.....	92	90	(2)	—	2
Total.....	\$11,087	\$11,254	\$167	\$183	\$16

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

(c) Other securities with market value

Millions of yen					
2008					
March 31	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	¥ 1,954,723	¥ 2,890,952	¥936,228	¥ 999,414	¥ 63,186
Bonds	9,864,246	9,731,353	(132,892)	18,645	151,537
Japanese government bonds	8,858,202	8,725,687	(132,515)	16,924	149,439
Japanese local government bonds	342,677	341,916	(760)	308	1,069
Japanese corporate bonds	663,366	663,750	383	1,412	1,028
Other	5,295,371	5,237,455	(57,915)	24,469	82,385
Total	¥17,114,341	¥17,859,762	¥745,420	¥1,042,530	¥297,109
Millions of yen					
2007					
March 31	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	¥ 1,953,767	¥ 3,926,414	¥1,972,647	¥1,987,337	¥ 14,689
Bonds	8,481,507	8,324,140	(157,367)	1,805	159,173
Japanese government bonds	7,150,792	7,010,306	(140,485)	1,182	141,668
Japanese local government bonds	482,555	474,001	(8,554)	119	8,674
Japanese corporate bonds	848,158	839,831	(8,327)	503	8,830
Other	2,754,061	2,763,949	9,888	42,977	33,089
Total	¥13,189,336	¥15,014,504	¥1,825,168	¥2,032,120	¥206,952
Millions of U.S. dollars					
2008					
March 31	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	\$ 19,510	\$ 28,854	\$9,344	\$ 9,975	\$ 631
Bonds	98,456	97,130	(1,326)	186	1,512
Japanese government bonds	88,415	87,092	(1,323)	169	1,492
Japanese local government bonds	3,420	3,413	(7)	3	10
Japanese corporate bonds	6,621	6,625	4	14	10
Other	52,853	52,275	(578)	244	822
Total	\$170,819	\$178,259	\$7,440	\$10,405	\$2,965

Notes: 1. Consolidated balance sheet amount is calculated as follows:

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

2. Other securities with market value are considered as impaired if the market value declines materially below the acquisition cost and such decline is not considered as recoverable. In such a case, the market value is recognized as the consolidated balance sheet amount and the amount of the write-down is accounted for as a valuation loss for the fiscal year. Valuation losses for the fiscal years ended March 31, 2008 and 2007 were ¥96,455 million (\$963 million) and ¥7,296 million, respectively.

The rule for determining "material decline" is as follows and is based on the classification of the 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 not bankrupt now, but 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) Held-to-maturity bonds sold during the years ended March 31, 2008 and 2007

There are no corresponding transactions.

(e) Other securities sold during the year

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Sales amount	¥35,013,724	¥21,543,637	\$349,473
Gains on sales	169,352	87,911	1,690
Losses on sales	33,521	141,143	335

(f) Securities with no available market value

March 31	Millions of yen		Millions of U.S. dollars
	Consolidated balance sheet amount		Consolidated balance sheet amount
	2008	2007	2008
Bonds classified as held-to-maturity			
Unlisted foreign securities	¥ 7	¥ 17	\$ 0
Other	11,672	5,422	116
Other securities			
Unlisted stocks (excluding OTC stocks)	377,123	402,141	3,764
Unlisted bonds	2,826,953	2,846,521	28,216
Unlisted foreign securities	724,557	595,286	7,232
Other	567,374	476,942	5,663

(g) Change of classification of securities

There are no corresponding transactions.

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

Millions of yen				
2008				
March 31	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Bonds	¥2,572,065	¥ 7,672,897	¥1,675,020	¥1,739,846
Japanese government bonds.....	1,919,514	5,205,946	521,200	1,693,316
Japanese local government bonds.....	142,310	142,937	153,582	398
Japanese corporate bonds.....	510,240	2,324,013	1,000,238	46,131
Other	825,298	3,847,580	580,263	562,258
Total	¥3,397,364	¥11,520,477	¥2,255,284	¥2,302,105

Millions of yen				
2007				
March 31	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Bonds	¥3,564,060	¥4,284,559	¥2,346,081	¥2,082,953
Japanese government bonds.....	2,824,945	1,872,346	956,640	1,986,136
Japanese local government bonds.....	101,824	161,564	307,293	421
Japanese corporate bonds.....	637,290	2,250,648	1,082,146	96,396
Other	665,251	495,728	701,134	956,785
Total	¥4,229,311	¥4,780,288	¥3,047,215	¥3,039,739

Millions of U.S. dollars				
2008				
March 31	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Bonds	\$25,672	\$ 76,583	\$16,718	\$17,365
Japanese government bonds.....	19,159	51,961	5,202	16,901
Japanese local government bonds.....	1,420	1,426	1,533	4
Japanese corporate bonds.....	5,093	23,196	9,983	460
Other	8,237	38,403	5,792	5,612
Total	\$33,909	\$114,986	\$22,510	\$22,977

(2) Money held in trust

(a) Money held in trust classified as trading purposes

Millions of yen			Millions of U.S. dollars
March 31	2008	2007	2008
Consolidated balance sheet amount.....	¥1,488	—	\$15
Valuation gains included in the earnings for the fiscal year	3	—	0

(b) Money held in trust classified as held-to-maturity

There are no corresponding transactions.

(c) Other money held in trust

Millions of yen			Millions of U.S. dollars
March 31	2008	2007	2008
Acquisition cost	¥ 5,870	¥2,602	\$ 58
Consolidated balance sheet amount	5,841	2,924	58
Net unrealized gains (losses)	(29)	322	(0)
Unrealized gains	—	322	—
Unrealized losses	29	—	0

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

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

March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Net unrealized gains.....	¥745,330	¥1,825,564	\$7,439
Other securities	745,359	1,825,242	7,439
Other money held in trust	(29)	322	(0)
(-) Deferred tax liabilities	192,478	567,845	1,921
Net unrealized gains on other securities (before following adjustment).....	552,851	1,257,719	5,518
(-) Minority interests	1,632	8,589	16
(+) SMFG's interest in net unrealized gains on valuation of other securities held by affiliates accounted for by the equity method.....	(570)	13,004	(6)
Net unrealized gains on other securities.....	¥550,648	¥1,262,135	\$5,496

Note: Net unrealized gains include foreign currency translation adjustments on non-marketable securities denominated in foreign currency.

32. Derivative Transactions

(1) Interest rate derivatives

	Millions of yen			
	2008			
	Contract amount			
March 31	Total	Over 1 year	Market value	Valuation gains (losses)
Transactions listed on exchange				
Interest rate futures:				
Sold	¥ 28,529,253	¥ 1,219,498	¥ (79,013)	¥ (79,013)
Bought.....	31,429,238	2,102,835	84,575	84,575
Interest rate options:				
Sold	411,164	—	(49)	(49)
Bought.....	411,164	—	51	51
Over-the-counter transactions				
Forward rate agreements:				
Sold	—	—	—	—
Bought.....	5,487,572	189,577	31	31
Interest rate swaps:				
Receivable fixed rate/payable floating rate	431,702,347	306,921,182	171,368	171,368
Receivable floating rate/payable fixed rate	204,294,602	148,030,995	1,948,325	1,948,325
Receivable floating rate/payable fixed rate	204,725,780	143,672,565	(1,770,092)	(1,770,092)
Receivable floating rate/payable floating rate	22,565,295	15,101,309	(1,749)	(1,749)
Interest rate swaptions:				
Sold	3,948,380	2,108,111	(62,141)	(62,141)
Bought.....	3,332,135	2,261,063	66,519	66,519
Caps:				
Sold	31,659,913	20,654,248	(13,437)	(13,437)
Bought.....	15,801,704	9,592,055	7,195	7,195
Floors:				
Sold	3,612,695	1,156,798	(10,171)	(10,171)
Bought.....	5,876,742	2,307,702	2,566	2,566
Other:				
Sold	2,366,908	1,161,375	(23,224)	(23,224)
Bought.....	4,965,301	3,143,768	59,900	59,900
Total.....	/	/	¥ 204,169	¥ 204,169

	Millions of yen			
	2007			
	Contract amount		Market value	Valuation gains (losses)
March 31	Total	Over 1 year		
Transactions listed on exchange				
Interest rate futures:				
Sold	¥ 60,107,669	¥ 3,490,131	¥ 4,557	¥ 4,557
Bought.....	58,921,496	3,573,504	(3,229)	(3,229)
Interest rate options:				
Sold	118,090	—	(20)	(20)
Bought.....	—	—	—	—
Over-the-counter transactions				
Forward rate agreements:				
Sold	400,000	—	278	278
Bought.....	11,162,242	125,008	(35)	(35)
Interest rate swaps:	445,985,618	333,381,100	57,891	57,891
Receivable fixed rate/payable floating rate	213,209,584	162,321,475	(292,629)	(292,629)
Receivable floating rate/payable fixed rate	212,837,074	156,710,751	342,402	342,402
Receivable floating rate/payable floating rate	19,815,084	14,229,818	13,821	13,821
Interest rate swaptions:				
Sold	3,163,737	1,550,186	(40,755)	(40,755)
Bought.....	3,380,799	2,002,072	61,695	61,695
Caps:				
Sold	21,500,368	14,937,062	(27,574)	(27,574)
Bought.....	12,022,208	8,260,827	16,947	16,947
Floors:				
Sold	842,962	709,538	(2,931)	(2,931)
Bought.....	3,569,523	2,042,491	1,342	1,342
Other:				
Sold	1,950,131	1,368,826	(11,465)	(11,465)
Bought.....	4,049,334	2,440,410	27,040	27,040
Total.....	/	/	¥ 83,740	¥ 83,740

	Millions of U.S. dollars			
	2008			
	Contract amount		Market value	Valuation gains (losses)
March 31	Total	Over 1 year		
Transactions listed on exchange				
Interest rate futures:				
Sold	\$ 284,752	\$ 12,172	\$ (789)	\$ (789)
Bought.....	313,696	20,988	844	844
Interest rate options:				
Sold	4,104	—	(0)	(0)
Bought.....	4,104	—	1	1
Over-the-counter transactions				
Forward rate agreements:				
Sold	—	—	—	—
Bought.....	54,772	1,892	0	0
Interest rate swaps:	4,308,837	3,063,391	1,710	1,710
Receivable fixed rate/payable floating rate.....	2,039,072	1,477,503	19,446	19,446
Receivable floating rate/payable fixed rate.....	2,043,375	1,434,001	(17,667)	(17,667)
Receivable floating rate/payable floating rate	225,225	150,727	(17)	(17)
Interest rate swaptions:				
Sold	39,409	21,041	(620)	(620)
Bought.....	33,258	22,568	664	664
Caps:				
Sold	315,999	206,151	(134)	(134)
Bought.....	157,717	95,739	72	72
Floors:				
Sold	36,058	11,546	(102)	(102)
Bought.....	58,656	23,033	26	26
Other:				
Sold	23,624	11,592	(232)	(232)
Bought.....	49,559	31,378	598	598
Total.....	/	/	\$ 2,038	\$ 2,038

Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statements of income. Derivative transactions to which the deferred hedge accounting method is applied are not included in the amounts above.

2. Market value of transactions listed on exchange is calculated using the closing prices on the Tokyo Financial Exchange and others.

Market value of OTC transactions is calculated using discounted present value and option pricing models.

(2) Currency derivatives

March 31	Millions of yen			
	2008			
	Contract amount		Market value	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Currency swaps	¥22,379,597	¥13,103,269	¥ (43,029)	¥ 160,284
Currency swaptions:				
Sold	829,741	824,731	(10,592)	(10,592)
Bought.....	930,422	908,013	27,161	27,161
Forward foreign exchange	56,377,725	5,755,015	140,241	140,241
Currency options:				
Sold	6,126,597	2,706,432	(289,853)	(289,853)
Bought.....	5,963,302	2,662,166	315,610	315,610
Total.....	/	/	¥ 139,537	¥ 342,851

March 31	Millions of yen			
	2007			
	Contract amount		Market value	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Currency swaps	¥20,642,376	¥12,660,922	¥ 42,405	¥ 55,918
Currency swaptions:				
Sold	866,633	863,798	3,489	3,487
Bought.....	896,229	890,206	4,146	4,149
Forward foreign exchange	61,066,579	5,056,679	(104,438)	(104,438)
Currency options:				
Sold	4,501,193	2,381,131	(159,703)	(159,703)
Bought.....	4,344,112	2,195,492	98,237	98,237
Total.....	/	/	¥ (115,862)	¥ (102,349)

March 31	Millions of U.S. dollars			
	2008			
	Contract amount		Market value	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Currency swaps	\$ 223,372	\$ 130,784	\$ (429)	\$ 1,600
Currency swaptions:				
Sold	8,282	8,232	(106)	(106)
Bought.....	9,287	9,063	271	271
Forward foreign exchange	562,708	57,441	1,400	1,400
Currency options:				
Sold	61,150	27,013	(2,893)	(2,893)
Bought.....	59,520	26,571	3,150	3,150
Total.....	/	/	\$ 1,393	\$ 3,422

- Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statements of income. The amounts above do not include the following:
- (a) Derivative transactions to which the deferred hedge accounting method is applied;
 - (b) Those that are allotted to financial assets/liabilities denominated in foreign currencies and whose market values are already reflected to the consolidated balance sheets; and
 - (c) Those that are allotted to financial assets/liabilities denominated in foreign currencies, and the financial assets/liabilities are eliminated in the process of consolidation.
2. Market value is calculated using discounted present value and option pricing models.

(3) Equity derivatives

	Millions of yen			
	2008			
	Contract amount		Market value	Valuation gains (losses)
March 31	Total	Over 1 year		
Transactions listed on exchange				
Equity price index futures:				
Sold	¥ 86,574	¥ —	¥ 64	¥ 64
Bought.....	41,498	—	151	151
Over-the-counter transactions				
Equity options:				
Sold	260,068	260,068	(32,730)	(32,730)
Bought.....	260,068	260,068	32,730	32,730
Total.....	/	/	¥ 216	¥ 216

	Millions of yen			
	2007			
	Contract amount		Market value	Valuation gains (losses)
March 31	Total	Over 1 year		
Transactions listed on exchange				
Equity price index futures:				
Sold	¥ 13,146	¥ —	¥(150)	¥(150)
Bought.....	19,646	—	403	403
Over-the-counter transactions				
Equity options:				
Sold	17,000	17,000	587	587
Bought.....	252,092	105,043	(587)	(587)
Total.....	/	/	¥ 252	¥ 252

	Millions of U.S. dollars			
	2008			
	Contract amount		Market value	Valuation gains (losses)
March 31	Total	Over 1 year		
Transactions listed on exchange				
Equity price index futures:				
Sold	\$ 864	\$ —	\$ 1	\$ 1
Bought.....	414	—	1	1
Over-the-counter transactions				
Equity options:				
Sold	2,596	2,596	(327)	(327)
Bought.....	2,596	2,596	327	327
Total.....	/	/	\$ 2	\$ 2

Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statements of income.
Derivative transactions to which the deferred hedge accounting method is applied are not included in the amounts above.
2. Market value of transactions listed on exchange is calculated using the closing prices on the Tokyo Stock Exchange and others.
Market value of OTC transactions is calculated using option pricing models.

(4) Bond derivatives

	Millions of yen			
	2008			
	Contract amount		Market value	Valuation gains (losses)
March 31	Total	Over 1 year		
Transactions listed on exchange				
Bond futures:				
Sold	¥1,659,033	¥ —	¥ 173	¥ 173
Bought.....	1,635,163	—	(762)	(762)
Bond futures options:				
Sold	—	—	—	—
Bought.....	14,500	—	65	65
Over-the-counter transactions				
Forward bond agreements:				
Sold	—	—	—	—
Bought.....	59,577	57,239	1,246	1,246
Bond options:				
Sold	240,000	—	(425)	(425)
Bought.....	240,000	—	975	975
Total.....	/	/	¥1,272	¥1,272

	Millions of yen			
	2007			
	Contract amount		Market value	Valuation gains (losses)
March 31	Total	Over 1 year		
Transactions listed on exchange				
Bond futures:				
Sold	¥667,769	¥ —	¥1,895	¥1,895
Bought.....	655,089	—	(1,680)	(1,680)
Over-the-counter transactions				
Forward bond agreements:				
Sold	—	—	—	—
Bought.....	69,970	65,498	1,575	1,575
Total.....	/	/	¥1,791	¥1,791

	Millions of U.S. dollars			
	2008			
	Contract amount		Market value	Valuation gains (losses)
March 31	Total	Over 1 year		
Transactions listed on exchange				
Bond futures:				
Sold	\$16,559	\$ —	\$ 2	\$ 2
Bought.....	16,321	—	(8)	(8)
Bond futures options:				
Sold	—	—	—	—
Bought.....	145	—	1	1
Over-the-counter transactions				
Forward bond agreements:				
Sold	—	—	—	—
Bought.....	595	571	12	12
Bond options:				
Sold	2,395	—	(4)	(4)
Bought.....	2,395	—	10	10
Total.....	/	/	\$13	\$13

- Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statements of income. Derivative transactions to which the deferred hedge accounting method is applied are not included in the amounts above.
2. Market value of transactions listed on exchange is calculated using the closing prices on the Tokyo Stock Exchange and others. Market value of OTC transactions is calculated using discounted present value and option pricing models.

(5) Commodity derivatives

	Millions of yen			
	2008			
	Contract amount		Market value	Valuation gains (losses)
March 31	Total	Over 1 year		
Transactions listed on exchange				
Commodity futures:				
Sold	¥ —	¥ —	¥ —	¥ —
Bought.....	208	—	2	2
Over-the-counter transactions				
Commodity swaps:				
Receivable fixed price/payable floating price	296,505	267,523	(137,666)	(137,666)
Receivable floating price/payable fixed price	220,340	193,772	213,001	213,001
Commodity options:				
Sold	18,211	7,165	(2,011)	(2,011)
Bought.....	38,455	26,786	6,595	6,595
Total	/	/	¥ 79,921	¥ 79,921

	Millions of yen				
	2007				
	Contract amount			Market value	Valuation gains (losses)
March 31	Total	Over 1 year			
Transactions listed on exchange					
Commodity futures:					
Sold	¥ 237	¥ —	¥ (3)	¥ (3)	
Bought.....	359	—	6	6	
Commodity futures options:					
Sold	949	—	(43)	(43)	
Bought.....	949	—	43	43	
Over-the-counter transactions					
Commodity swaps:					
Receivable fixed price/payable floating price	359,881	311,948	(69,212)	(69,212)	
Receivable floating price/payable fixed price	259,581	209,132	157,000	157,000	
Receivable fixed price/payable fixed price.....	17,821	—	29	29	
Commodity options:					
Sold	7,624	7,058	(945)	(945)	
Bought.....	38,356	30,957	6,304	6,304	
Total.....	/	/	¥ 93,180	¥ 93,180	

	Millions of U.S. dollars			
	2008			
	Contract amount		Market value	Valuation gains (losses)
March 31	Total	Over 1 year		
Transactions listed on exchange				
Commodity futures:				
Sold	\$ —	\$ —	\$ —	\$ —
Bought.....	2	—	0	0
Over-the-counter transactions				
Commodity swaps:				
Receivable fixed price/payable floating price	2,959	2,670	(1,374)	(1,374)
Receivable floating price/payable fixed price	2,199	1,934	2,126	2,126
Commodity options:				
Sold	182	72	(20)	(20)
Bought.....	384	267	66	66
Total	/	/	\$ 798	\$ 798

- Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statements of income.
Derivative transactions to which the deferred hedge accounting method is applied are not included in the amounts above.
2. Market value of transactions listed on exchange is calculated using the closing prices on the New York Mercantile Exchange and others.
Market value of OTC transactions is calculated based on factors such as price of the relevant commodity and contract term.
3. Commodity derivatives are transactions on fuel and metal.

(6) Credit derivative transactions

Millions of yen				
2008				
March 31	Contract amount		Market value	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Credit default options:				
Sold	¥1,421,367	¥1,302,732	¥(39,531)	¥(39,531)
Bought.....	1,912,377	1,710,521	77,378	77,378
Other:				
Sold	10	—	(2)	(2)
Bought.....	10	—	2	2
Total.....	/	/	¥ 37,846	¥ 37,846

Millions of yen				
2007				
March 31	Contract amount		Market value	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Credit default options:				
Sold	¥1,322,651	¥1,295,611	¥2,628	¥2,628
Bought.....	1,514,279	1,509,279	(1,816)	(1,816)
Other:				
Sold	40	—	(3)	(3)
Bought.....	40	—	3	3
Total.....	/	/	¥ 812	¥ 812

Millions of U.S. dollars				
2008				
March 31	Contract amount		Market value	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Credit default options:				
Sold	\$14,187	\$13,003	\$(395)	\$(395)
Bought.....	19,088	17,073	773	773
Other:				
Sold	0	—	(0)	(0)
Bought.....	0	—	0	0
Total.....	/	/	\$ 378	\$ 378

Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statements of income.

Derivative transactions to which the deferred hedge accounting method is applied are not included in the amounts above.

2. Market value is calculated using discounted present value and option pricing models.

3. "Sold" represents transactions in which the credit risk is accepted; "Bought" represents transactions in which the credit risk is transferred.

33. Stock Options

SMFG applied the “Accounting Standard for Share-based Payment” and the related guidance from the fiscal year beginning on April 1, 2006. These accounting standards require companies to recognize compensation expense for stock acquisition rights based on the fair value at the grant date and over the vesting periods for stock acquisition rights newly granted on and after May 1, 2006. Share-based compensation expense of ¥29 million (\$0 million) and ¥14 million are accounted for as general and administrative expenses in the fiscal year ended March 31, 2008 and 2007, respectively.

Outline of stock options and changes are as follows:

(1) SMFG

(a) Outline of stock options

Date of resolution	June 27, 2002
Title and number of grantees.....	Directors and employees of SMFG and SMBC: 677
Number of stock options.....	Common shares: 1,620
Grant date.....	August 30, 2002
Condition for vesting.....	N.A.
Requisite service period.....	N.A.
Exercise period.....	June 28, 2004 to June 27, 2012

(b) Stock options granted and changes

Number of stock options	
Date of resolution	June 27, 2002
Before vested	
Previous fiscal year-end.....	—
Granted.....	—
Forfeited.....	—
Vested.....	—
Outstanding.....	—
After vested	
Previous fiscal year-end.....	1,116
Vested.....	—
Exercised.....	35
Forfeited.....	—
Exercisable.....	1,081

Price information (Yen)

Date of resolution	June 27, 2002
Exercise price.....	¥ 669,775
Average exercise price.....	1,188,285
Fair value at the grant date.....	—

(2) A consolidated subsidiary, Kansai Urban Banking Corporation

(a) Outline of stock options

Date of resolution	June 28, 2001	June 27, 2002	June 27, 2003	June 29, 2004	June 29, 2005
Title and number of grantees.....	Directors and employees 45	Directors and employees 44	Directors and employees 65	Directors and employees 174	Directors and employees 183
Number of stock options.....	Common shares 238,000	Common shares 234,000	Common shares 306,000	Common shares 399,000	Common shares 464,000
Grant date.....	July 31, 2001	July 31, 2002	July 31, 2003	July 30, 2004	July 29, 2005
Condition for vesting.....	N.A.	N.A.	N.A.	N.A.	N.A.
Requisite service period.....	N.A.	N.A.	N.A.	N.A.	N.A.
Exercise period.....	June 29, 2003 to June 28, 2011	June 28, 2004 to June 27, 2012	June 28, 2005 to June 27, 2013	June 30, 2006 to June 29, 2014	June 30, 2007 to June 29, 2015
Date of resolution	June 29, 2006	June 29, 2006	June 28, 2007	June 28, 2007	
Title and number of grantees.....	Directors 9	Officers not doubling as directors 14 Employees 46	Directors 10	Officers not doubling as directors 14 Employees 48	
Number of stock options.....	Common shares 162,000	Common shares 115,000	Common shares 174,000	Common shares 112,000	
Grant date.....	July 31, 2006	July 31, 2006	July 31, 2007	July 31, 2007	
Condition for vesting.....	N.A.	N.A.	N.A.	N.A.	
Requisite service period.....	N.A.	N.A.	N.A.	N.A.	
Exercise period.....	June 30, 2008 to June 29, 2016	June 30, 2008 to June 29, 2016	June 29, 2009 to June 28, 2017	June 29, 2009 to June 28, 2017	

(b) Stock options granted and changes

Number of stock options

Date of resolution	June 28, 2001	June 27, 2002	June 27, 2003	June 29, 2004	June 29, 2005
Before vested					
Previous fiscal year-end	—	—	—	—	464,000
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	—	—	—	464,000
Outstanding	—	—	—	—	—
After vested					
Previous fiscal year-end	174,000	174,000	256,000	363,000	—
Vested	—	—	—	—	464,000
Exercised	52,000	16,000	26,000	33,000	13,000
Forfeited	—	—	—	—	—
Exercisable	122,000	158,000	230,000	330,000	451,000
Date of resolution	June 29, 2006	June 29, 2006	June 28, 2007	June 28, 2007	
Before vested					
Previous fiscal year-end	162,000	115,000	—	—	
Granted	—	—	174,000	112,000	
Forfeited	—	—	—	—	
Vested	—	—	—	—	
Outstanding	162,000	115,000	174,000	112,000	
After vested					
Previous fiscal year-end	—	—	—	—	
Vested	—	—	—	—	
Exercised	—	—	—	—	
Forfeited	—	—	—	—	
Exercisable	—	—	—	—	

Price information (Yen)

Date of resolution	June 28, 2001	June 27, 2002	June 27, 2003	June 29, 2004	June 29, 2005
Exercise price	¥155	¥131	¥179	¥202	¥313
Average exercise price	¥415	¥358	¥360	¥380	¥335
Fair value at the grant date	—	—	—	—	—
Date of resolution	June 29, 2006	June 29, 2006	June 28, 2007	June 28, 2007	
Exercise price	¥490	¥490	¥461	¥461	
Average exercise price	—	—	—	—	
Fair value at the grant date	¥138	¥138	¥ 96	¥ 96	

(c) Valuation technique used for valuating fair value of stock options

Stock options granted in the fiscal year ended March 31, 2008 were valued using the Black-Scholes option pricing model and the principal parameters were as follows:

Date of resolution	June 28, 2007
Expected volatility* ¹	36.91%
Average expected life* ²	5 years
Expected dividends* ³	¥5 per share
Risk-free interest rate* ⁴	1.39%

*¹ Calculated based on the actual stock prices during the five years from June 2002 to June 2007.

*² The average expected life could not be estimated rationally due to an insufficient amount of data. Therefore, it was estimated assuming that the options were exercised at the midpoint of the exercise period.

*³ The actual dividends on common stock for the fiscal year ended March 31, 2007.

*⁴ Japanese government bond yield corresponding to the average expected life.

(d) Method of estimating number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the actual number of stock options that will be forfeited in the future.

34. Segment Information

(1) Business segment information

Millions of yen						
2008						
Year ended March 31	Banking business	Leasing business	Other business	Total	Elimination	Consolidated
I. Ordinary income						
(1) External customers	¥ 3,185,057	¥ 945,193	¥ 493,293	¥ 4,623,545	¥ —	¥ 4,623,545
(2) Intersegment	58,113	20,644	249,030	327,788	(327,788)	—
Total	3,243,171	965,837	742,324	4,951,333	(327,788)	4,623,545
Ordinary expenses	2,501,702	921,338	669,064	4,092,105	(299,720)	3,792,384
Ordinary profit	¥ 741,469	¥ 44,499	¥ 73,259	¥ 859,228	¥ (28,067)	¥ 831,160
II. Assets, depreciation, losses on impairment of fixed assets and capital expenditure						
Assets	¥107,336,930	¥3,020,106	¥6,707,715	¥117,064,752	¥(5,108,833)	¥111,955,918
Depreciation	61,223	399,910	25,972	487,106	16	487,122
Losses on impairment of fixed assets	4,740	109	310	5,161	—	5,161
Capital expenditure	99,277	458,002	36,007	593,286	3	593,290

Millions of yen						
2007						
Year ended March 31	Banking business	Leasing business	Other business	Total	Elimination	Consolidated
I. Ordinary income						
(1) External customers	¥ 2,689,086	¥ 783,119	¥ 429,052	¥ 3,901,259	¥ —	¥ 3,901,259
(2) Intersegment	53,714	20,831	220,369	294,914	(294,914)	—
Total	2,742,800	803,951	649,421	4,196,173	(294,914)	3,901,259
Ordinary expenses	1,993,893	759,103	609,781	3,362,779	(260,130)	3,102,649
Ordinary profit	¥ 748,907	¥ 44,847	¥ 39,640	¥ 833,394	¥ (34,784)	¥ 798,610
II. Assets, depreciation, losses on impairment of fixed assets and capital expenditure						
Assets	¥97,525,686	¥2,241,572	¥5,663,614	¥105,430,874	¥(4,572,564)	¥100,858,309
Depreciation	59,908	336,712	17,630	414,251	16	414,268
Losses on impairment of fixed assets	4,661	—	25,887	30,548	—	30,548
Capital expenditure	216,612	390,455	27,565	634,633	13	634,647

Millions of U.S. dollars						
2008						
Year ended March 31	Banking business	Leasing business	Other business	Total	Elimination	Consolidated
I. Ordinary income						
(1) External customers	\$ 31,791	\$ 9,434	\$ 4,923	\$ 46,148	\$ —	\$ 46,148
(2) Intersegment	580	206	2,486	3,272	(3,272)	—
Total	32,371	9,640	7,409	49,420	(3,272)	46,148
Ordinary expenses	24,970	9,196	6,678	40,844	(2,992)	37,852
Ordinary profit	\$ 7,401	\$ 444	\$ 731	\$ 8,576	\$ (280)	\$ 8,296
II. Assets, depreciation, losses on impairment of fixed assets and capital expenditure						
Assets	\$1,071,334	\$30,144	\$66,950	\$1,168,428	\$(50,991)	\$1,117,436
Depreciation	611	3,992	259	4,862	0	4,862
Losses on impairment of fixed assets	47	1	3	52	—	52
Capital expenditure	991	4,571	359	5,922	0	5,922

Notes: 1. The business segmentation is classified based on SMFG's internal management purpose. Ordinary income and ordinary profit are presented as counterparts of sales and operating profit of companies in other industries.

2. "Other business" includes securities, credit card, investment banking, loans, venture capital, system development and information processing.

3. Assets in Elimination include unallocated corporate assets of ¥4,101,536 million (\$40,938 million) and ¥4,012,414 million at March 31, 2008 and 2007, respectively, which mainly consist of investments in subsidiaries and affiliates.

4. Ordinary income represents total income excluding gains on disposal of fixed assets, collection of written-off claims, gains on change in equity due to mergers of subsidiaries, gains on return of securities from employee retirement benefits trust and others.

Ordinary expenses represent total expenses excluding losses on disposal of fixed assets, losses on impairment of fixed assets and others.

5. As mentioned in Note 2. (11), formerly, deposits which were derecognized as liabilities were expensed when they were actually reimbursed. However, from the fiscal year ended March 31, 2008, such reserve is provided in the estimated amount based on the historical reimbursement experience in accordance with the "Treatment for Auditing of Reserve under Special Taxation Measures Law, Reserve under Special Laws and Reserve for Retirement Benefits to Directors and Corporate Auditors" (JICPA Audit and Assurance Practice Committee Report No. 42) of April 13, 2007. As a result, Ordinary profit of "Banking business" for the year ended March 31, 2008 decreased by ¥10,417 million (\$104 million) each as compared with the former method.

(2) Geographic segment information

Millions of yen							
2008							
Year ended March 31	Japan	The Americas	Europe and Middle East	Asia and Oceania	Total	Elimination	Consolidated
I. Ordinary income							
(1) External customers..	¥ 3,911,887	¥ 280,556	¥ 249,321	¥ 181,780	¥ 4,623,545	¥ —	¥ 4,623,545
(2) Intersegment	121,804	59,437	11,000	39,046	231,289	(231,289)	—
Total	4,033,692	339,994	260,321	220,826	4,854,834	(231,289)	4,623,545
Ordinary expenses	3,359,217	240,378	249,869	156,831	4,006,298	(213,913)	3,792,384
Ordinary profit	¥ 674,474	¥ 99,615	¥ 10,451	¥ 63,994	¥ 848,536	¥ (17,375)	¥ 831,160
II. Assets	¥ 96,694,481	¥ 7,590,359	¥ 4,875,150	¥ 5,501,957	¥ 114,661,949	¥ (2,706,030)	¥ 111,955,918
Millions of yen							
2007							
Year ended March 31	Japan	The Americas	Europe and Middle East	Asia and Oceania	Total	Elimination	Consolidated
I. Ordinary income							
(1) External customers..	¥ 3,238,374	¥ 247,208	¥ 203,585	¥ 212,090	¥ 3,901,259	¥ —	¥ 3,901,259
(2) Intersegment	98,720	46,833	9,974	59,802	215,330	(215,330)	—
Total	3,337,094	294,042	213,559	271,892	4,116,589	(215,330)	3,901,259
Ordinary expenses	2,686,461	222,992	177,377	202,955	3,289,786	(187,137)	3,102,649
Ordinary profit	¥ 650,633	¥ 71,049	¥ 36,182	¥ 68,937	¥ 826,802	¥ (28,192)	¥ 798,610
II. Assets	¥ 89,301,196	¥ 5,775,716	¥ 3,190,553	¥ 4,514,648	¥ 102,782,115	¥ (1,923,805)	¥ 100,858,309
Millions of U.S. dollars							
2008							
Year ended March 31	Japan	The Americas	Europe and Middle East	Asia and Oceania	Total	Elimination	Consolidated
I. Ordinary income							
(1) External customers..	\$ 39,045	\$ 2,801	\$ 2,488	\$ 1,814	\$ 46,148	\$ —	\$ 46,148
(2) Intersegment	1,215	593	110	390	2,308	(2,308)	—
Total	40,260	3,394	2,598	2,204	48,456	(2,308)	46,148
Ordinary expenses	33,528	2,400	2,494	1,565	39,987	(2,135)	37,852
Ordinary profit	\$ 6,732	\$ 994	\$ 104	\$ 639	\$ 8,469	\$ (173)	\$ 8,296
II. Assets	\$ 965,111	\$ 75,760	\$ 48,659	\$ 54,915	\$ 1,144,445	\$ (27,009)	\$ 1,117,436

- Notes: 1. The geographic segmentation is classified based on the degrees of the 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 and the Middle East includes the United Kingdom, Germany, France and others; Asia and Oceania includes Hong Kong, Singapore, Australia and others except Japan.
3. Assets in Elimination include unallocated corporate assets of ¥4,101,536 million (\$40,938 million) and ¥4,012,414 million at March 31, 2008 and 2007, respectively, which mainly consist of investments in subsidiaries and affiliates.
4. Ordinary income represents total income excluding gains on disposal of fixed assets, collection of written-off claims, gains on change in equity due to mergers of subsidiaries, gains on return of securities from employee retirement benefits trust and others.
- Ordinary expenses represent total expenses excluding losses on disposal of fixed assets, losses on impairment of fixed assets and others.
5. As mentioned in Note 2. (11), formerly, deposits which were derecognized as liabilities were expensed when they were actually reimbursed. However, from the fiscal year ended March 31, 2008, such reserve is provided in the estimated amount based on the historical reimbursement experience in accordance with the "Treatment for Auditing of Reserve under Special Taxation Measures Law, Reserve under Special Laws and Reserve for Retirement Benefits to Directors and Corporate Auditors" (JICPA Audit and Assurance Practice Committee Report No. 42) of April 13, 2007. As a result, Ordinary profit of "Japan" for the year ended March 31, 2008 decreased by ¥10,417 million (\$104 million) each as compared with the former method.

(3) Ordinary income from overseas operations

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Consolidated ordinary income from overseas operations (A)	¥ 711,657	¥ 662,884	\$ 7,103
Consolidated ordinary income (B).....	4,623,545	3,901,259	46,148
(A) / (B).....	15.4%	17.0%	15.4%

Notes: 1. Consolidated ordinary income from overseas operations is presented as a counterpart of overseas sales of companies in other industries.

2. The above table shows ordinary income from transactions of overseas branches of domestic consolidated banking subsidiaries 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.

35. Special Purpose Entities

SMBC, a consolidated subsidiary of SMFG, provides loans, credit lines and liquidity lines to fourteen special purpose entities (“SPEs”) for their fund needs and issuing of commercial papers. The SPEs are engaged in purchases of monetary claims such as receivables from SMBC customers, and incorporated under the laws of the Cayman Islands or as intermediate corporations with limited liabilities.

The combined assets and liabilities of the fourteen SPEs as of their

most recent closing dates were ¥3,219,524 million (\$32,134 million) and ¥3,219,835 million (\$32,137 million), respectively. SMBC has no voting rights in the SPEs and sends no directors or employees.

The amounts of principal transactions with these SPEs in the year ended March 31, 2008 are as follows:

As of and year ended March 31		Millions of yen	
		2008	
	Balances		Income
Loans and bills discounted	¥1,803,952	Interest on loans and discounts.....	¥25,194
Credit lines.....	905,533	Fees and commissions	2,509
Liquidity lines	326,074	—	—

As of and year ended March 31		Millions of U.S. dollars	
		2008	
	Balances		Income
Loans and bills discounted	\$18,005	Interest on loans and discounts.....	\$251
Credit lines.....	9,038	Fees and commissions	25
Liquidity lines	3,255	—	—

36. Business Combinations

Fiscal year ended March 31, 2008

<A merger of leasing companies and a merger of auto leasing companies>

SMFG, SMBC Leasing Company, Limited (“SMBC Leasing”) and SMBC Auto Leasing Company, Limited (“SMBC Auto Leasing”) reached a final agreement with Sumitomo Corporation, Sumisho Lease Co., Ltd. (“Sumisho Lease”) and Sumisho Auto Leasing Corporation (“Sumisho Auto Lease”) on July 30, 2007 concerning strategic joint businesses in leasing and auto leasing business and mergers of two businesses (a merger between SMBC Leasing and

Sumisho Lease, and a merger between SMBC Auto Leasing and Sumisho Auto Lease). They also concluded “Basic Agreement Concerning the Joint Business” and “Merger Agreement” with respect to the two businesses. In accordance with the merger agreements, SMBC Leasing and Sumisho Lease merged on October 1, 2007, and SMBC Auto Leasing and Sumisho Auto Lease also merged on the same day.

<Purchase method>

A merger of leasing companies

1. Outline of the business combination of leasing companies

(1) Name and business of the acquired company
Sumisho Lease (Leasing business)

(2) Reason for the business combination

SMBC Leasing and Sumisho Lease have merged with the aim of achieving the highest leasing volume in Japan by leveraging the blue-chip customer bases of both the SMFG Group and the Sumitomo Corporation Group, and to create a high quality leasing company that can respond accurately and timely to market needs which are becoming

increasingly sophisticated, by combining and blending the finance know-how of SMBC Leasing as a subsidiary of a bank and the product and distribution know-how of Sumisho Lease as a subsidiary of a trading company, thereby promoting diversification and differentiation of products and providing more value-added products going beyond traditional approaches.

(3) Date of the business combination

October 1, 2007

(4) Legal form of business combination

The merger was a merger procedure by absorption with Sumisho Lease as the surviving company and SMBC Leasing was dissolved.
(Name of the merged company: Sumitomo Mitsui Finance and Leasing Company, Limited)

(5) Name of a controlling entity after the business combination

Sumitomo Mitsui Financial Group, Inc.

(6) Percentage share of voting rights SMFG has acquired

55%

2. Period of the acquired company's financial results included in the consolidated financial statements

From October 1, 2007 to March 31, 2008

3. Acquisition cost of the acquired company

	Millions of yen	Millions of U.S. dollars
45% of the fair value of SMBC Leasing's common stock.....	¥ 140,648	\$ 1,404
45% of the fair value of SMBC Leasing's preferred stock	24,750	247
Acquisition cost	¥ 165,398	\$ 1,651

4. Merger ratio, calculation method, number of shares delivered and valuation

(1) Merger ratio

Common stock

Sumisho Lease 1 : SMBC Leasing 1.4859*

Preferred stock

Sumisho Lease 1 : SMBC Leasing 5.7050*

* The amounts are rounded down to the nearest ten-thousandth.

(2) Basis for calculation of the merger ratio

In order to ensure the fairness and reasonableness of the merger ratio (hereinafter referred to as the "merger ratio"), SMBC Leasing and Sumisho Lease conducted negotiation and discussion based on the analysis of the merger ratio provided by each financial advisor, Daiwa Securities SMBC Co. Ltd., appointed by SMBC Leasing, and Nomura Securities Co., Ltd., appointed by Sumisho Lease, respectively.

(3) Number of shares delivered and value

52,422,762 shares of common stock of Sumisho Lease were allocated for 31,375,000 shares (30,000,000 shares of common stock and 1,375,000 shares of preferred stock) of SMBC Leasing (44,578,289 shares of Sumisho Lease's common stock for SMBC Leasing's common stock and 7,844,473 shares of Sumisho Lease's common stock for SMBC Leasing's preferred stock). Total estimated value amounted to ¥367,552 million (\$3,669 million).

5. Goodwill, reason for recognizing goodwill, amortization method and amortization period

(1) Amount of goodwill

¥88,090 million (\$879 million)

(2) Reason for recognizing goodwill

SMFG accounted for the difference between the acquisition cost and the increased amount of interests in Sumisho Lease as goodwill.

(3) Method and term to amortize goodwill

Straight-line method over 20 years

6. Amounts of assets and liabilities acquired on the day of the business combination

(1) Assets

	Millions of yen	Millions of U.S. dollars
Total assets	¥1,392,490	\$13,898
Lease assets	632,224	6,310
Loans and bills discounted	329,069	3,284

(2) Liabilities

	Millions of yen	Millions of U.S. dollars
Total liabilities	¥1,249,703	\$12,473
Borrowed money	571,741	5,707
Short-term bonds	393,000	3,923

7. Approximate amounts of impact on the consolidated statement of income for the fiscal year ended March 31, 2008, assuming that the business combinations had been completed on the commencement date of the fiscal year.

- (1) The difference between the pro-forma ordinary income and other income information assuming that the business combinations had been completed on the commencement date of the fiscal year and the actual ordinary income and other income information which is recorded in the consolidated statement of income is as follows.

	Millions of yen	Millions of U.S. dollars
Ordinary income	¥277,442	\$2,769
Ordinary profit	35,319	353
Net income	30,938	309

(2) Calculation method of the pro-forma amounts and material assumptions

The pro-forma amounts are calculated retroactively to the commencement date of the fiscal year based on the amounts stated in Sumisho Lease's statement of income for the period from April 1, 2007 to September 30, 2007. However, such amounts do not indicate the results of operations in case the business combinations are actually completed on the commencement date of the fiscal year.

The pro-forma information mentioned above has not been audited by KPMG AZSA & Co.

<Business combination of consolidated subsidiary>

A merger of auto leasing companies

1. Outline of the business combination of auto leasing companies

(1) Name and business of the companies

Acquiring company: Sumisho Auto Lease (Auto leasing business)

Acquired company: SMBC Auto Leasing (Auto leasing business)

(2) Reason for the business combination

Sumisho Auto Lease and SMBC Auto Leasing have merged to survive and thrive in the auto leasing industry that is becoming increasingly competitive and to establish a structure to capture the number one market share by capitalizing on the high-quality customer bases of both the Sumitomo Corporation Group and the SMFG Group and combining the high-value-added services of Sumisho Auto

Lease based on its value chain and business network of SMBC Auto Leasing. Another aim of the merger is to achieve better customer satisfaction by combining and blending the product and distribution know-how of Sumisho Auto Lease as a subsidiary of a trading company, and the finance know-how of SMBC Auto Leasing as a subsidiary of a bank, thereby pursuing various services.

(3) Date of the business combination

October 1, 2007

(4) Legal form of business combination

The merger was a merger procedure by absorption with Sumisho Auto Leasing as the surviving company, and SMBC Auto Leasing was dissolved. (Name of the merged company: Sumitomo Mitsui Auto Service Company, Limited)

2. Outline of accounting method

SMFG will apply the accounting procedures stipulated by Article 20 of the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7).

3. Name of the business segment, in which the subsidiary was included, in the segment information
Leasing business

4. Consolidated statement of income for the fiscal year included the following earnings of SMBC Auto Leasing: (approximate amounts)

	Millions of yen	Millions of U.S. dollars
Ordinary income	¥69,752	\$ 696
Ordinary profit	2,237	22
Net income	1,254	13

5. Status after the business combination

SMBC Auto Leasing and its subsidiaries are excluded from the scope of consolidation, and Sumitomo Mitsui Auto Service Company, Limited and its subsidiaries have become affiliated companies accounted for by the equity method.

Fiscal year ended March 31, 2007

<Transactions under common control>

1. Outline of the transactions

- (1) Name and business of combined entity

SMBC Friend Securities Co., Ltd. ("SMBC Friend Securities")
Securities business

- (2) Form of reorganization

Exchange of shares

- (3) Name of the entity after the reorganization

Sumitomo Mitsui Financial Group, Inc. ("SMFG")

- (4) Outline and purpose of the transaction

In accordance with the stabilization of the Japanese financial system, Japanese households' portfolios have shown clear signs of a shift from savings to investment, and their investment needs are expected to become further diversified. At the same time, we believe that new types of asset management services will become popular among individual investors who improve their financial knowledge and have an increased interest in portfolio

management based on asset allocation concepts.

In view of these trends, SMFG will further strengthen cooperation among group companies by making SMBC Friend Securities a wholly-owned subsidiary, establishing a new business model distinct from the conventional one by combining banking and securities businesses and maximizing synergies between them. With such initiatives, SMFG will try to make every effort to enhance the enterprise value of the whole group.

2. Accounting method

SMFG applied the following accounting treatments stipulated by the Accounting Standard for Business Combinations to the consolidated and nonconsolidated financial statements:

"Chapter 3 Accounting Standard for Business Combinations, Article 4 Accounting treatment for the transactions under common control, Paragraph 2 Transactions with minority shareholders."

3. Additional acquisition of subsidiary's shares

- (1) Acquisition cost

	Millions of yen
Common shares	¥ 221,365
Expenses for acquiring the common shares	160
Acquisition cost	¥ 221,525

- (2) Share exchange ratio, its basis for determination, number of shares delivered and its values

- (a) Type of shares and share exchange ratio

Common shares

SMFG 1: SMBC Friend Securities 0.0008

- (b) Basis for determination of share exchange ratio

SMFG appointed Goldman Sachs (Japan) Ltd. as its financial advisor and SMBC Friend Securities appointed Merrill Lynch Japan Securities Co., Ltd. as its financial advisor. SMFG and SMBC Friend Securities comprehensively considered numerous factors including results of the analyses provided by their respective financial advisors, and discussed and agreed to the above.

- (c) Number of shares delivered and values

249,015 shares

¥221,525 million

- (3) Goodwill, reason for recognizing goodwill, amortization method and amortization term
- (a) Amount of goodwill
¥99,995 million
- (b) Reason for recognizing goodwill
SMFG accounted for the difference between the acquisition cost of additional shares of common stock of SMBC Friend Securities, and the decrease in minority interests, as goodwill.
- (c) Method and term to amortize goodwill
Straight-line method over 20 years

37. Per Share Data

	Yen		U.S. dollars
March 31	2008	2007	2008
Net assets per share	¥424,546.01	¥469,228.59	\$4,237.41
<hr/>			
	Yen		U.S. dollars
Year ended March 31	2008	2007	2008
Net income per share.....	¥59,298.24	¥57,085.83	\$591.86
Net income per share (diluted)	56,657.41	51,494.17	565.50

Notes: 1. The ASBJ revised "Guidance on Accounting Standard for Earnings per Share" (ASBJ Guidance No. 4, issued on September 25, 2002) on January 31, 2006, and the revised Guidance was applicable from the fiscal year ending on or after May 1, 2006, the implementation date of the Company Law. Effective April 1, 2006, SMFG applied the revised Guidance and calculated net assets per share by including net deferred gains (losses) on hedges. This accounting change decreased net assets per share at March 31, 2007 by ¥11,596.71 compared with the former method.

2. Net income per share and net income per share (diluted) are calculated based on the following:

	Millions of yen, except number of shares		Millions of U.S. dollars
Year ended March 31	2008	2007	2008
Net income per share			
Net income	¥ 461,536	¥441,351	\$4,607
Amount not attributable to common stockholders	12,958	12,958	129
Dividends on preferred stock	12,958	12,958	129
Net income attributable to common stock	448,577	428,392	4,477
Average number of common stock during the year (in thousands)	7,564	7,504	/
Net income per share (diluted)			
Adjustment for net income	6,751	6,748	67
Dividends on preferred stock	6,763	6,763	68
Stock acquisition rights issued by subsidiaries and affiliates.....	(11)	(14)	(0)
Increase in number of common stock (in thousands).....	471	945	/
Preferred stock	471	945	/
Stock acquisition rights	0	0	/

3. Net assets per share is calculated based on the following:

	Millions of yen, except number of shares		Millions of U.S. dollars
March 31	2008	2007	2008
Net assets.....	¥ 5,224,076	¥ 5,331,279	\$52,142
Amounts excluded from Net assets	2,012,532	1,781,555	20,087
Preferred stock	360,303	360,303	3,596
Dividends on preferred stock	6,479	12,958	65
Stock acquisition rights	43	14	0
Minority interests.....	1,645,705	1,408,279	16,426
Net assets attributable to common stock at the fiscal year-end	3,211,544	3,549,724	32,055
Number of common stock at the fiscal year-end used for the calculation of Net assets per share (in thousands).....	7,564	7,565	/

38. Subsequent Events

- (1) The following appropriation of retained earnings of SMFG at March 31, 2008 was approved by the ordinary general meeting of shareholders held on June 27, 2008:

	Millions of yen	Millions of U.S. dollars
Cash dividends, ¥7,000 per share on common stock.....	¥53,655	\$ 536
¥67,500 per share on preferred stock (1st to 12th series Type 4).....	3,381	34
¥44,250 per share on preferred stock (1st series Type 6)	3,097	31

- (2) SMFG resolved at the meeting of the Board of Directors held on April 28, 2008 to authorize the redemption in full of the preferred securities issued by its overseas special purpose subsidiary. The outline of the preferred securities to be redeemed is as follows.

Issuer	SB Treasury Company L.L.C.
Type of securities issued	Non-cumulative perpetual preferred securities
Total redemption amount.....	\$1,800 million
Scheduled redemption date	June 30, 2008
Reason for redemption	Optional redemption

- (3) SMFG resolved at the meeting of the Board of Directors held on April 28, 2008 to issue preferred securities through overseas special purpose subsidiaries and establish wholly-owned subsidiaries in Cayman Island. The preferred securities issued on May 12, 2008 were as follows.

Issuer	SMFG Preferred Capital USD 2 Limited
	An overseas special purpose subsidiary established in the Cayman Islands, the voting rights of which are wholly owned by SMFG
Type of securities.....	U.S. Dollar denominated Non-cumulative Perpetual Preferred Securities
	The preferred securities are not convertible or exchangeable into common stock of SMFG.
Total issue amount	\$1,800 million
Dividends.....	8.75% per annum (fixed rate)
Issue price.....	\$1,000 per preferred security
Use of proceeds.....	To be ultimately provided to SMBC, a banking subsidiary of SMFG, as perpetual subordinated loans
Ranking	The preferred securities rank, as to liquidation preferences, effectively pari passu with preferred stock of SMFG
Method of offering.....	Offered in euro market. Also, offered in the U.S. market through private placement to qualified institutional investors.
Listing	Singapore Exchange Securities Trading Limited
Issue date.....	May 12, 2008

- (4) Fractional shares will be eliminated when the electronic share certificate system is introduced at the same time as the January 2009 implementation of the "Law for Partial Amendment of the Laws Related to Transfer of Bonds, etc., to Streamline Settlement with respect to Transactions of Stock, etc." (Law No. 88 of 2004). In order to eliminate the fractional shares, SMFG resolved to execute a 100 for 1 common stock split and adopt a unit share system, under which the number of shares constituting one unit

will be 100, at the meeting of the Board of Directors held on May 16, 2008, subject to the approval of the amendment of the articles of incorporation at the 6th ordinary general meeting of shareholders and the general meeting of holders of class shares with respect to each class of shares that will be held on June 27, 2008. If the stock split had been implemented on April 1, 2006, per share information for the fiscal years ended March 31, 2008 and 2007 would be as follows.

	Yen		U.S. dollars
Year ended March 31	2008	2007	2008
Net assets per share	¥4,245.46	¥4,692.29	\$42.37
Net income per share	592.98	570.86	5.92
Net income per share (diluted)	566.57	514.94	5.65

39. Parent Company

(1) Nonconsolidated Balance Sheets

Sumitomo Mitsui Financial Group, Inc.

March 31	Millions of yen		Millions of U.S. dollars (Note 1)
	2008	2007	2008
Assets			
Current assets	¥ 68,956	¥ 109,364	\$ 688
Cash and due from banks	53,735	37,073	536
Prepaid expenses	21	21	0
Deferred tax assets	359	265	4
Accrued income	56	23	1
Accrued income tax refunds	14,267	71,377	142
Other current assets	515	603	5
Fixed assets	3,952,260	3,850,079	39,448
Tangible fixed assets	4	7	0
Buildings	0	0	0
Equipment	4	6	0
Intangible fixed assets	9	20	0
Software	9	20	0
Investments and other assets	3,952,246	3,850,052	39,448
Investments in securities	—	20	—
Investments in subsidiaries and affiliates	3,950,642	3,847,716	39,432
Deferred tax assets	1,603	2,315	16
Total assets	¥4,021,217	¥3,959,444	\$40,136
Liabilities and net assets			
Liabilities			
Current liabilities	¥1,052,242	¥ 961,372	\$10,503
Short-term borrowings	1,049,030	959,030	10,470
Accounts payable	223	108	2
Accrued expenses	173	48	2
Income taxes payable	1,539	964	16
Business office taxes payable	4	4	0
Reserve for employee bonuses	81	83	1
Reserve for executive bonuses	74	—	1
Other current liabilities	1,114	1,132	11
Fixed liabilities	225	174	2
Reserve for executive retirement benefits	225	174	2
Total liabilities	1,052,468	961,546	10,505
Net assets			
Stockholders' equity			
Capital stock	1,420,877	1,420,877	14,182
Capital surplus	930,386	930,469	9,286
Capital reserve	642,355	642,355	6,411
Other capital surplus	288,031	288,113	2,875
Retained earnings	700,679	729,129	6,993
Other retained earnings	700,679	729,129	6,993
Voluntary reserve	30,420	30,420	303
Retained earnings brought forward	670,259	698,709	6,690
Treasury stock	(83,194)	(82,578)	(830)
Total stockholders' equity	2,968,749	2,997,898	29,631
Total net assets	2,968,749	2,997,898	29,631
Total liabilities and net assets	¥4,021,217	¥3,959,444	\$40,136

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

Year ended March 31	Millions of yen		Millions of U.S. dollars (Note 1)
	2008	2007	2008
Operating income	¥111,637	¥376,479	\$1,114
Dividends on investments in subsidiaries and affiliates	89,693	366,680	895
Fees and commissions received from subsidiaries	21,944	9,798	219
Operating expenses	6,246	3,641	62
General and administrative expenses	6,246	3,641	62
Operating profit	105,391	372,838	1,052
Non-operating income	466	234	5
Interest income on deposits	298	213	3
Fees and commissions income	14	20	0
Other non-operating income	153	0	2
Non-operating expenses	16,794	8,594	168
Interest on borrowings	11,012	4,311	110
Amortization of organization costs	—	301	—
Fees and commissions expenses	1,263	3,978	13
Losses on devaluation of stocks of affiliate	4,518	—	45
Other non-operating expenses	—	3	—
Ordinary profit	89,063	364,477	889
Income before income taxes	89,063	364,477	889
Income taxes:			
current	5,470	2,918	55
deferred	618	(1,975)	6
Net income	¥ 82,975	¥363,535	\$ 828

	Yen		U.S. dollars (Note 1)
	2008	2007	2008
Per share data:			
Net income	¥9,134.13	¥46,326.41	\$91.17
Net income — diluted	9,133.76	41,973.46	91.16

(3) Nonconsolidated Statements of Changes in Net Assets
Sumitomo Mitsui Financial Group, Inc.

	Millions of yen									
	Stockholders' equity									
	Capital surplus				Retained earnings					
					Other retained earnings					
Year ended March 31, 2008	Capital stock	Capital reserve	Other capital surplus	Total capital surplus	Voluntary reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total stockholders' equity	Total net assets
Balance at March 31, 2007	¥1,420,877	¥642,355	¥288,113	¥930,469	¥30,420	¥ 698,709	¥ 729,129	¥(82,578)	¥2,997,898	¥2,997,898
Changes in the year										
Cash dividends						(111,425)	(111,425)		(111,425)	(111,425)
Net income						82,975	82,975		82,975	82,975
Acquisition of own shares								(901)	(901)	(901)
Disposal of treasury shares			(82)	(82)				285	202	202
Net changes in the year	—	—	(82)	(82)	—	(28,450)	(28,450)	(616)	(29,149)	(29,149)
Balance at March 31, 2008	¥1,420,877	¥642,355	¥288,031	¥930,386	¥30,420	¥ 670,259	¥ 700,679	¥(83,194)	¥2,968,749	¥2,968,749

	Millions of yen									
	Stockholders' equity									
	Capital surplus				Retained earnings			Treasury stock	Total stockholders' equity	Total net assets
	Capital stock	Capital reserve	Other capital surplus	Total capital surplus	Voluntary reserve	Retained earnings brought forward	Total retained earnings			
Year ended March 31, 2007										
Balance at March 31, 2006.....	¥1,420,877	¥1,420,989	¥ 684,406	¥ 2,105,396	¥30,420	¥383,126	¥413,546	¥ (4,393)	¥3,935,426	¥ 3,935,426
Changes in the year										
Transfer of capital reserve to other capital surplus ...		(1,000,000)	1,000,000	—					—	—
Increase due to exchange of shares.....		221,365		221,365					221,365	221,365
Cash dividends						(47,951)	(47,951)		(47,951)	(47,951)
Net income						363,535	363,535		363,535	363,535
Acquisition of own shares								(1,474,644)	(1,474,644)	(1,474,644)
Disposal of treasury shares			(15)	(15)				182	167	167
Retirement of treasury shares.....			(1,396,277)	(1,396,277)				1,396,277	—	—
Net changes in the year	—	(778,634)	(396,292)	(1,174,927)	—	315,583	315,583	(78,184)	(937,527)	(937,527)
Balance at March 31, 2007.....	¥1,420,877	¥ 642,355	¥ 288,113	¥ 930,469	¥30,420	¥698,709	¥729,129	¥ (82,578)	¥2,997,898	¥ 2,997,898

	Millions of U.S. dollars (Note 1)									
	Stockholders' equity									
	Capital surplus				Retained earnings					
					Other retained earnings					
	Capital stock	Capital reserve	Other capital surplus	Total capital surplus	Voluntary reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total stockholders' equity	Total net assets
Year ended March 31, 2008										
Balance at March 31, 2007	\$14,182	\$6,411	\$2,876	\$9,287	\$303	\$ 6,974	\$ 7,277	\$(824)	\$29,922	\$29,922
Changes in the year										
Cash dividends						(1,112)	(1,112)		(1,112)	(1,112)
Net income						828	828		828	828
Acquisition of own shares								(9)	(9)	(9)
Disposal of treasury shares			(1)	(1)				3	2	2
Net changes in the year	—	—	(1)	(1)	—	(284)	(284)	(6)	(291)	(291)
Balance at March 31, 2008	\$14,182	\$6,411	\$2,875	\$9,286	\$303	\$ 6,690	\$ 6,993	\$(830)	\$29,631	\$29,631