



SMFG SUMITOMO MITSUI
FINANCIAL GROUP

FISCAL YEAR **2004** INTERIM FINANCIAL REPORT

APRIL 1 — SEPTEMBER 30, 2004

SUMITOMO MITSUI FINANCIAL GROUP
SUMITOMO MITSUI BANKING CORPORATION

Our Mission

The Groupwide management philosophy is as follows:

- To provide optimum added value to our customers and together with them achieve growth
- To create sustainable shareholder value through business growth
- To provide a challenging and professionally rewarding work environment for our dedicated employees

Profile (as of September 30, 2004)

Company Name:	Sumitomo Mitsui Financial Group, Inc.	Capital Stock:	¥1,247.7 billion
Head Office:	1-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-0006, Japan	Business Description:	Management of the affairs of subsidiaries and relevant ancillary functions
Chairman of the Board:	Akishige Okada (Concurrent Chairman of the Board at Sumitomo Mitsui Banking Corporation)	Stock Exchange Listings:	Tokyo Stock Exchange (First Section) Osaka Securities Exchange (First Section) Nagoya Stock Exchange (First Section)
President & CEO:	Yoshifumi Nishikawa (Concurrent President and CEO at Sumitomo Mitsui Banking Corporation)		

Shares Issued and Outstanding:	Type 4 Preference Shares (2nd series):	4,175	Type 4 Preference Shares (8th series):	4,175
Ordinary Shares:	Type 4 Preference Shares (3rd series):	4,175	Type 4 Preference Shares (9th series):	4,175
Type 1 Preference Shares:	Type 4 Preference Shares (4th series):	4,175	Type 4 Preference Shares (10th series):	4,175
Type 2 Preference Shares:	Type 4 Preference Shares (5th series):	4,175	Type 4 Preference Shares (11th series):	4,175
Type 3 Preference Shares:	Type 4 Preference Shares (6th series):	4,175	Type 4 Preference Shares (12th series):	4,175
Type 4 Preference Shares (1st series):	Type 4 Preference Shares (7th series):	4,175	Type 4 Preference Shares (13th series):	114,202

Credit Ratings

Credit ratings for applicable companies within SMFG as of January 31, 2005 are as follows:

● Sumitomo Mitsui Banking Corporation			● Sumitomo Mitsui Card Company, Limited			● SMBC Leasing Company, Limited		
	Long-term	Short-term		Long-term	Short-term		Long-term	Short-term
Moody's	A1	P-1	JCR	A+	J-1+	JCR	A	J-1
S&P	A-	A-1						
Fitch	A-	F1						
R&I	A	a-1						
JCR	A+	J-1+						

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This material contains certain forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may materially differ from those contained in the forward-looking statements as a result of various factors. Important factors that might cause such a material difference include, but are not limited to, those economic conditions referred to in this material as assumptions.

In addition, the following items are among the factors that could cause actual results to differ materially from the forward-looking statements in this material: business conditions in the banking industry, the regulatory environment, new legislation, competition with other financial services companies, changing technology and evolving banking industry standards and similar matters.

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Sumitomo Mitsui Banking Corporation
Public Relations Department
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Tokyo 100-0006, Japan
TEL: +81-3-3501-1111

February 2005



We are pleased to present to you the Fiscal Year 2004 Interim Financial Report, summarizing our activities and results in the first half of fiscal 2004.

Our core priorities are providing greater value-added products and services that meet the diversified and increasingly sophisticated needs of our customers, and strengthening our financial base and profitability to further improve our financial results. Through the accomplishment of these priorities, we aim to further solidify the trust of our customers and the market.

We look forward to your continued support and encouragement as we take steps toward the next stage of our development.

February 2005

Handwritten signature of Akishige Okada.

Akishige Okada
Chairman of the Board

Handwritten signature of Yoshifumi Nishikawa.

Yoshifumi Nishikawa
President and Chief Executive Officer

| President's Message |

Review of the First Half of Fiscal 2004

In the first half of fiscal 2004, the Japanese economy continued to accelerate on higher exports and capital investment, though there were some adjustments in inventory. Short-term interest rates remained near zero, and long-term interest rates declined due to the wariness about the economic outlook after a rise at the beginning of August. The stock market at the end of September was slightly weaker compared with the March-end level which had recovered sharply.

In this business environment, in the first half, we made progress in our two business policies in fiscal 2004: completion of intensive improvement in asset quality, and enhancement of profitability by accelerating the offensive in strategic businesses.

Firstly, to complete intensive improvement in asset quality, Sumitomo Mitsui Banking Corporation (SMBC) reduced the non-performing loan (NPL) balance by approximately ¥330 billion to approximately ¥2.48 trillion, and the NPL ratio to 4.4% at the end of September. As a result, SMBC achieved the target of halving the March-end 2002 NPL ratio of 8.9% by the end of March 2005 six months ahead of schedule. On stockholdings, though SMBC had already substantially reduced the balance to below the level required under the restrictions on banks' stockholdings, it sold approximately ¥200 billion in the first half to further reduce stock price fluctuation risk.

Secondly, to enhance profitability by accelerating the offensive in strategic businesses, SMBC further reinforced businesses with competitive advantage, and recorded banking profit of approximately ¥470 billion in the first half, exceeding the original forecast. The breakdown of the result by business is as follows. In new-type unsecured loans to small and medium-sized enterprises (SMEs), new origination of main products, such as *Business Select Loan* and *N-Fund Loan*, totaled approximately ¥1.6 trillion, a year-over-year increase of approximately 30%. In financial consulting for individuals, origination of mortgage loans, balance of investment trusts under SMBC account, and accumulated sales amount of pension-type insurances increased steadily. As for the investment banking business, main businesses such as loan syndication, structured finance and securitization of money claims generated significantly higher profits year over year. Moreover, profits related to the collaboration with Daiwa Securities SMBC Co., Ltd., such as in equity and bond underwriting and sales of investment products, rose steadily.

Business Policy in the Second Half of Fiscal 2004

In the second half, in addition to the completion of the intensive improvement in asset quality, we will proactively take a Groupwide approach to accelerate the offensive in strategic businesses to strengthen Group profitability.

1. Completion of Intensive Improvement in Asset Quality

As for the completion of intensive improvement in asset quality, SMBC plans to further reduce the NPL balance to less than ¥2 trillion and the NPL ratio to less than 4% by the end of this fiscal year through further efforts for corporate recoveries, prevention of deterioration of borrowers' financial conditions and off-balancing. Also, SMBC will continue to reduce its stockholdings.

2. Acceleration of the Offensive in Strategic Businesses

As for the acceleration of the offensive in strategic businesses, SMBC will continue to reinforce businesses with competitive advantages. In addition, it will promote the early establishment of a solid earnings base in some strategic business areas.

New-Type Unsecured Loans to SMEs

SMBC will additionally expand marketing channels and improve products to further increase loan volume of new-type unsecured loans to SMEs. Specifically, SMBC will expand specialized marketing channels for the *Business Select Loan*, and re-examine interest rate structure of the *N-Fund Loan* to improve its price competitiveness.

Financial Consulting for Individuals

SMBC will continue to expand the specialized marketing channel, SMBC Consulting Plazas, of which 37 were newly opened in the first half, and reinforce consultancy capability by providing a wider lineup of investment products, such as foreign currency bonds, occasioned by the lifting of the ban on securities intermediary business for individuals in last December.

Investment Banking Business

SMBC will further enhance its solution providing ability, and provide loan syndication, structured finance and other products to a wider range of customers to grow profit in the investment banking business.

Overseas Businesses

For the early establishment of an earnings base, SMBC will continue to strengthen Asian business centered on China, and strategically allocate

business resources in the Americas and Europe to increase business volume.

3. Enhancement of Group Profitability

To enhance Group profitability, we will proactively reinforce Group companies through their collaboration, and promote strategic alliance with leading companies.

Reinforcement of Group Companies through Collaboration

We will further promote collaboration among Group companies including SMBC to strengthen their businesses. We will enhance collaboration and strengthen Group profitability with initiatives such as reinforcement of credit card and consumer finance business by Sumitomo Mitsui Card Company, Limited, development of small and medium-sized customers by SMBC Leasing Company, Limited, and development of IT business opportunities utilizing financial system know-how by the Japan Research Institute, Limited.

Promotion of Strategic Alliance with Leading Companies

As the alliance strategy, we will further reinforce collaboration with the Daiwa Securities Group in investment banking business, and promote strategic alliance with Promise Co., Ltd. in consumer finance.

Daiwa Securities SMBC, established five years ago, has been steadily increasing profits related to the collaboration with SMBC under the established collaboration systems. The securities intermediary business for corporate customers which was started last December will be the opportunity to further strengthen the collaboration. The new specialized department, whose staff includes approximately 30 experts from the Daiwa Securities Group, was established, and sales of foreign bonds and structured bonds are being promoted.

With the strategic alliance with Promise announced last June, SMBC's marketing channels and customer base, and Promise's expertise and know-how are being leveraged to establish a new business model. New-type automatic contract machines will be installed at 400 SMBC branches, and three types of consumer loans will be launched this April under the business alliance agreed last September. Preparations to start the new business will be further accelerated.

4. Repayment of Public Fund

Last November, we repaid ¥201 billion of public fund



preferred stocks owned by the government. The repayment of the public fund was scheduled to start next fiscal year, but was moved up thanks to the buildup of retained earnings and steady improvement in profitability as a result of our recent efforts. We are aiming for an early repayment of the remaining ¥1.1 trillion by further boosting profitability.

In Closing

We have made progress in our two key issues: the intensive improvement in asset quality, and the further enhancement of profitability through our concentrated efforts. We have entered the final stage of completion of the intensive improvement in asset quality, and developed a number of strategic businesses with competitive advantages into pillars of earnings through offensive measures, mainly the expansion of marketing channels.

Henceforth, we will boldly and dynamically allocate and invest human resources, capital, assets and other resources toward achieving sustainable growth. We will implement various initiatives with speed, our strength, to enhance profits, thereby further accelerating the increase of corporate value.

Yoshifumi Nishikawa
President and Chief Executive Officer
Sumitomo Mitsui Financial Group, Inc.

February 2005



www.smbc.co.jp/global/

SUMITOMO MITSUI BANKING CORPORATION

Sumitomo Mitsui Banking Corporation (SMBC) was established in April 2001 through the merger of two leading banks, The Sakura Bank, Limited and The Sumitomo Bank, Limited. In December 2002, Sumitomo Mitsui Financial Group, Inc. was established through a stock transfer as a holding company, under which SMBC became a wholly owned subsidiary. SMBC boasts a number of competitive advantages, including a strong customer base, the quick implementation of strategies, and an extensive lineup of financial products that leverage the expertise of strategic Group companies in specialized areas.

As a pivotal member of SMFG, SMBC works closely with other Group companies to offer customers highly sophisticated, comprehensive financial services.



Company Name: Sumitomo Mitsui Banking Corporation
Business Profile: Banking
Establishment: June 6, 1996
Head Office: 1-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo

President & CEO: Yoshifumi Nishikawa
Number of Employees: 22,431
 (as of September 30, 2004)

Network:
 (as of September 30, 2004)
Domestic: 1,416 locations*
 Branches 477 (including 28 specialized deposit account branches)
 Subbranches 134
 Offices handling nonbanking business 15
 Automated service centers 790
Overseas: 37 locations
 Branches 20
 Subbranches 3
 Representative offices 14

*Excluding the number of ATMs installed at corporate client facilities and convenience stores

Consolidated

	Billions of yen			
	Sept. 30, 2004	Mar. 31, 2004	Mar. 31, 2003	Mar. 31, 2002
For the Interim Term (Year):				
Total income	¥ 1,355.0	¥ 2,843.5	¥ 3,561.8	¥ 3,809.1
Income (loss) before income taxes and minority interests ...	65.1	356.3	(542.6)	(604.3)
Net income (loss)	31.3	301.6	(429.3)	(463.8)
At Interim Term- (Year-) End:				
Total stockholders' equity	¥ 2,695.7	¥ 2,722.1	¥ 2,142.5	¥ 2,912.6
Total assets	98,632.8	99,843.2	102,394.6	108,005.0



www.smbc-card.com*

SUMITOMO MITSUI CARD COMPANY, LIMITED

Sumitomo Mitsui Card Company, Limited was established in December 1967 as The Sumitomo Credit Service Company, Limited. As the pioneer in the issuance of the Visa Card in Japan after starting operations in June 1968, it has been supported by many customers and continues to hold the leading position in the domestic card industry. Its name was changed to Sumitomo Mitsui Card Company, Limited in April 2001. In July of that year, the company integrated the Visa and MasterCard operations of Sakura Card Co., Ltd. Revenue for the year ended March 31, 2004 came to ¥3,258 billion, with the number of cardholders reaching over 12 million.

Committed to being a world-class leader in its field, Sumitomo Mitsui Card provides its customers with the most convenient and user-friendly card services.



Company Name: Sumitomo Mitsui Card Company, Limited
Business Profile: Credit card services
Establishment: December 26, 1967

Head Office:
 Tokyo Head Office 5-2-10, Shimbashi, Minato-ku, Tokyo
 Osaka Head Office 4-5-15, Imahashi, Chuo-ku, Osaka

President & CEO: Michiyoshi Kuriyama
Number of Employees: 1,701
 (as of September 30, 2004)

*Currently in Japanese only

	Billions of yen			
	Sept. 30, 2004	Mar. 31, 2004	Mar. 31, 2003	Mar. 31, 2002
For the Interim Term (Year):				
Revenues from credit card operations	¥1,741.4	¥3,258.4	¥3,035.5	¥2,813.1
Operating revenue	63.9	126.3	122.1	116.4
Operating profit	10.0	18.5	16.0	9.6
At Interim Term- (Year-) End:				
Number of cardholders (in thousands)	13,091	12,758	12,118	11,708
Number of merchant outlets (in thousands)	2,987	2,892	2,699	2,531



www.smbcleasing.co.jp*

SMBC LEASING COMPANY, LIMITED

SMBC Leasing Company, Limited, and its subsidiaries specialize in providing tailor-made solutions for corporate customers' large-scale capital investment needs. The company and its subsidiaries combine a broad spectrum of leasing products such as energy-saving equipment, commercial real estate properties (shops, factories and warehouses), overseas facilities for Japanese companies expanding abroad, and all types of medical equipment for clinics. In addition, they provide online leasing services, including support for the sales activities of manufacturers and dealers.

SMBC Leasing offers the "Select Lease" service, which is designed to enable prompt response to the needs of small and medium-sized businesses. The company and its subsidiaries also engage in the leasing of motor vehicles (for personal as well as commercial use) and operate a rental business focused on instruments, PCs and other IT equipment, as well as various measuring instruments.

In recent years, the extremely fast pace of technological progress and the need for companies to greatly improve efficiency have made leasing a highly effective option for plant and equipment investment. SMBC Leasing is both a pioneer and a leading player in this industry, and to maintain its position, the company's management constantly seeks to ensure ever-higher levels of quality in the services it provides.



Company Name: SMBC Leasing Company, Limited
Business Profile: Leasing
Establishment: September 2, 1968
Head Office:
Tokyo Head Office 3-9-4, Nishishimbashi, Minato-ku, Tokyo
Osaka Head Office 3-10-19, Minamimemba, Chuo-ku, Osaka
President & CEO: Youhei Shiraga
Number of Employees: 939
(as of September 30, 2004)

*Currently in Japanese only

Billions of yen

	Sept. 30, 2004	Mar. 31, 2004	Mar. 31, 2003	Mar. 31, 2002
For the Interim Term (Year):				
Revenues from leasing operations	¥258.0	¥555.7	¥466.4	¥443.6
Operating revenue	287.8	553.0	515.0	479.0
Operating profit	13.4	23.2	20.4	16.9



www.jri.co.jp/english/

The Japan Research Institute, Limited

The Japan Research Institute, Limited (JRI) is a "knowledge engineering" company that offers comprehensive high-value-added services, effectively combining the three functions of information systems integrator, consultant, and think-tank. Targeting customers in a wide range of sectors, JRI offers services such as the design and development of strategic information systems, and the provision of outsourced services. The institute particularly enjoys a high reputation in the development of IT systems for the financial services industry. It is also active in research and analysis of both domestic and overseas economies, formulation of policy recommendations and management innovation, and IT-related consulting. JRI also assists in the incubation of new markets and businesses.

JRI plays a key role as the core IT specialist within the Group, and we are leveraging the merits offered by SMBC's computer system resources, related expertise, and greater scale to enable us to provide still more sophisticated solutions and become the top player in this field.



Company Name: The Japan Research Institute, Limited
Business Profile: Systems engineering, data processing, management consulting, and economic research
Establishment: November 1, 2002
Head Office:
Tokyo Head Office 16, Ichibancho, Chiyoda-ku, Tokyo
Osaka Head Office 1-5-8, Shimmachi, Nishi-ku, Osaka
President & CEO: Shunichi Okuyama
Number of Employees: 3,159
(as of September 30, 2004)

Billions of yen

	Sept. 30, 2004	Mar. 31, 2004	Mar. 31, 2003	Mar. 31, 2002
For the Interim Term (Year):				
Operating revenue	¥52.8	¥105.1	¥70.2	¥67.4
Operating profit	0.9	7.6	7.6	7.5

Fiscal 2004: Major Initiatives and Financial Products

Note: Bold=new product updates; Green=corporate strategy initiatives

May	<p>Arranged international syndicated loan to finance a major redevelopment project in Indonesia</p> <p>Participated in the Trade Finance Facilitation Program (TFFP) sponsored by the Asian Development Bank</p> <p>Conducted <i>Web Passbook</i> advertising campaign</p> <p>Launched the <i>Branch Navi Service</i>, an Internet-based appointment service for bank branches</p>
June	<p>Opened SMBC Shinagawa Consulting Plaza</p> <p>Started marketing Japan Sovereign Open Fund</p> <p>Arranged syndicated loan to provide non-recourse financing for the Tokyo Mid-Town Project (redevelopment of the former Defense Agency site in Roppongi, Tokyo)</p> <p>Agreed to form a strategic alliance with Promise Co., Ltd.</p>
July	<p>Commenced expansion of the SMBC Consulting Plaza network</p> <p>Provided project financing for Tokyo Waterfront Recycle & Electric Generating Project, which utilizes industrial waste as fuel</p> <p>Provided financing for two large PFIs—housing development projects for civil servants in Nagoya</p>
August	<p>Launched e-mail Notification Service</p>
September	<p>Established tie-ups with four universities to promote industry-academia cooperation</p> <p>Signed a business alliance agreement with Promise Co., Ltd.</p> <p>Commenced marketing of GS (Goldman Sachs) High-yield Bond Fund</p>
October	<p>Opened SMBC Futakotamagawa Consulting Plaza</p> <p>Introduced cash card service with adjustable withdrawal ceiling</p> <p>Established Consumer Finance Department</p> <p>Commenced marketing <i>Reciente</i>, an insurance annuity</p> <p>Started providing special business loans to corporate customers to aid their recovery from damages caused by the Niigata earthquake on October 23, 2004</p>
November	<p>Converted At-Loan Co., Ltd. into a wholly owned subsidiary</p> <p>Started developing plans for a joint venture business centered on At-Loan Co., Ltd.</p> <p>Started offering special low-interest housing loans to victims of the Niigata earthquake</p> <p>Began marketing medical institution bonds</p> <p>Made partial repayment of public fund (preferred stocks) and repurchased own shares</p>
December	<p>Established Securities Marketing Department and entered the securities intermediary business</p> <p>Launched a campaign offering housing loans with fixed interest (for the entire loan-repayment period)</p> <p>Started marketing <i>Business Select CLO Loans</i> (guaranteed by Japan Finance Corporation for Small and Medium Enterprise)</p> <p>Opened Hanoi Representative Office</p> <p>Opened Hangzhou Branch</p>

Financial Highlights

Sumitomo Mitsui Financial Group

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

Consolidated

	Millions of yen		
	Sept. 30, 2004	Sept. 30, 2003	Mar. 31, 2004
For the Interim Term (Year):			
Total income	¥ 1,780,844	¥ 1,802,256	¥ 3,669,531
Total expenses.....	1,684,128	1,615,376	3,264,636
Net income	53,372	143,492	330,414
At Interim Term- (Year-) End:			
Total stockholders' equity	¥ 3,020,911	¥ 2,745,476	¥ 3,070,942
Total assets.....	101,054,242	100,725,500	102,215,172
Risk-monitored loans.....	2,868,696	4,422,255	3,297,981
Reserve for possible loan losses.....	1,222,391	1,699,431	1,422,486
Net unrealized gains on other securities	484,076	303,629	575,612
Capital ratio (BIS guidelines)	10.93%	10.95%	11.37%
Number of employees	42,339	43,813	42,014
Per Share (Yen):			
Stockholders' equity	¥230,491.11	¥165,291.87	¥215,454.83
Net income	9,119.40	24,993.09	52,314.75
Net income — diluted	5,245.69	15,608.81	35,865.20

Notes: 1. Unrealized gains on other securities represent the difference between the market prices and acquisition costs (or amortized costs) of "other securities." In principle, the values of stocks are calculated using the average market prices during the final month of the respective reporting period. For details, please refer to page 10.

2. Number of employees has been reported on the basis of full-time workers. Number of employees includes locally hired overseas staff members but excludes contract employees and temporary staff.

Nonconsolidated

	Millions of yen		
	Sept. 30, 2004	Sept. 30, 2003	Mar. 31, 2004
For the Interim Term (Year):			
Operating income	¥ 205,265	¥ 7,146	¥ 55,515
Operating expenses	1,312	1,508	3,044
Net income	202,194	4,829	50,505
Capital stock	1,247,650	1,247,650	1,247,650
Number of shares issued			
Preferred stock.....	994,302	1,132,099	1,132,099
Common stock.....	6,205,379	5,796,010	5,796,010
At Interim Term- (Year-) End:			
Total stockholders' equity	¥3,328,039	¥3,127,494	¥3,172,721
Total assets.....	3,558,800	3,357,722	3,403,007
Number of employees	99	98	97
Per Share (Yen):			
Stockholders' equity	¥279,738.68	¥229,727.04	¥232,550.74
Dividends:			
Common stock.....	—	—	3,000
Preferred stock (Type 1)	—	—	10,500
Preferred stock (Type 2)	—	—	28,500
Preferred stock (Type 3)	—	—	13,700
Preferred stock (1st series Type 4).....	—	—	135,000
Preferred stock (2nd series Type 4).....	—	—	135,000
Preferred stock (3rd series Type 4)	—	—	135,000
Preferred stock (4th series Type 4).....	—	—	135,000
Preferred stock (5th series Type 4).....	—	—	135,000
Preferred stock (6th series Type 4).....	—	—	135,000
Preferred stock (7th series Type 4).....	—	—	135,000
Preferred stock (8th series Type 4).....	—	—	135,000
Preferred stock (9th series Type 4).....	—	—	135,000
Preferred stock (10th series Type 4).....	—	—	135,000
Preferred stock (11th series Type 4).....	—	—	135,000
Preferred stock (12th series Type 4).....	—	—	135,000
Preferred stock (13th series Type 4).....	—	—	67,500
Net income	34,489.13	833.45	3,704.49

Note: All SMFG employees are on secondment assignment from SMBC and another Group company.

Sumitomo Mitsui Banking Corporation

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

Consolidated

	Millions of yen		
	Sept. 30, 2004	Sept. 30, 2003	Mar. 31, 2004
For the Interim Term (Year):			
Total income	¥ 1,355,055	¥ 1,408,367	¥ 2,843,502
Total expenses	1,289,905	1,239,610	2,487,197
Net income	31,379	132,388	301,664
At Interim Term- (Year-) End:			
Total stockholders' equity	¥ 2,695,749	¥ 2,482,647	¥ 2,722,161
Total assets	98,632,829	98,449,957	99,843,258
Risk-monitored loans	2,808,404	4,352,301	3,229,219
Reserve for possible loan losses	1,183,025	1,652,181	1,375,921
Net unrealized gains on other securities	474,107	302,671	568,407
Capital ratio (BIS guidelines)	11.03%	11.21%	10.89%
Number of employees	34,284	35,547	33,895
Per Share (Yen):			
Stockholders' equity	¥28,901.73	¥21,558.27	¥25,928.02
Net income	571.79	2,415.33	5,238.85
Net income — diluted	544.38	2,335.62	5,231.31

Notes: 1. Unrealized gains on other securities represent the difference between the market prices and acquisition costs (or amortized costs) of "other securities." In principle, the values of stocks are calculated using the average market prices during the final month of the respective reporting period.

2. Number of employees has been reported on the basis of full-time workers. Number of employees includes locally hired overseas staff members but excludes contract employees and temporary staff.

Nonconsolidated

	Millions of yen		
	Sept. 30, 2004	Sept. 30, 2003	Mar. 31, 2004
For the Interim Term (Year):			
Total income	¥ 1,140,745	¥ 1,232,071	¥ 2,489,187
Total expenses	1,027,674	1,089,082	2,170,341
Net income	118,554	139,659	301,113
(Appendix)			
Gross banking profit (A)	¥ 762,716	¥ 795,339	¥ 1,584,127
Banking profit	821,314	499,308	1,000,132
Banking profit (before provision for general reserve for possible loan losses)	471,580	499,308	1,000,132
Expenses (excluding nonrecurring losses) (B)	291,136	296,030	583,995
Expense ratio (B) / (A)	38.2%	37.2%	36.9%
At Interim Term- (Year-) End:			
Total stockholders' equity	¥ 2,756,776	¥ 2,611,621	¥ 2,870,870
Total assets	92,742,940	92,779,975	94,109,074
Deposits	65,250,782	61,201,211	63,656,771
Loans and bills discounted	50,723,607	55,153,522	50,810,144
Securities	23,524,899	21,847,113	26,592,584
Risk-monitored loans	2,390,768	3,833,032	2,774,889
Problem assets based on the Financial Reconstruction Law	2,484,350	3,866,611	2,811,234
Reserve for possible loan losses	962,583	1,518,988	1,250,751
Net unrealized gains on other securities	457,372	306,912	556,146
Capital stock	¥ 559,985	¥ 559,985	¥ 559,985
Capital ratio (BIS guidelines)	11.35%	11.52%	11.36%
Return on Equity	14.65%	24.34%	22.49%
Number of employees	17,658	18,792	17,546
Per Share (Yen):			
Stockholders' equity	¥30,007.03	¥23,911.29	¥28,641.10
Dividends:			
Common stock	683	528	4,177
Preferred stock (Type 1)	10,500	10,500	10,500
Preferred stock (Type 2)	28,500	28,500	28,500
Preferred stock (Type 3)	13,700	13,700	13,700
Net income	2,160.29	2,547.97	5,228.80

Notes: 1. Please refer to page 60 for the definitions of risk-monitored loans and problem assets based on the Financial Reconstruction Law.

2. Unrealized gains on other securities represent the difference between the market prices and acquisition costs (or amortized costs) of "other securities." In principle, the values of stocks are calculated using the average market prices during the final month of the respective reporting period. For details, please refer to page 14.

3. Interim dividends for fiscal 2004 will be paid to stockholders and registered pledgees as of December 31, 2004. The maximum payable amounts are shown in the table above. The actual amounts and other details will be decided at a meeting of Board of Directors to be held after January 2005.

4. Number of employees has been reported on the basis of full-time workers. Number of employees includes locally hired overseas staff members but excludes contract employees, temporary staff, and executive officers who are not also Board members.

Financial Review

Sumitomo Mitsui Financial Group (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

The following is a summary of SMFG's consolidated financial results for the first half of fiscal 2004, the six-month period ended September 30, 2004.

1. Operating Results

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

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

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

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

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

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

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

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

Income Summary

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

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

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

Assets, Liabilities and Stockholders' Equity

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

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

2. Unrealized Gains (Losses) on Securities

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

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

Unrealized Gains (Losses) on Securities

September 30, 2004 and March 31, 2004

	Sept. 30, 2004				Mar. 31, 2004		
	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses
Held-to-maturity securities	¥ (5,289)	¥ 2,136	¥ 2,365	¥ 7,655	¥ (7,425)	¥ 2,840	¥ 10,266
Other securities	484,076	(91,536)	664,737	180,661	575,612	787,517	211,904
Stocks	581,686	(88,098)	637,425	55,738	669,784	736,878	67,094
Bonds	(58,118)	45,138	18,409	76,527	(103,256)	18,590	121,847
Others	(39,492)	(48,576)	8,902	48,395	9,084	32,047	22,963
Other money held in trust	154	33	271	116	121	222	100
Total	478,941	(89,367)	667,374	188,433	568,308	790,580	222,271
Stocks	581,686	(88,098)	637,425	55,738	669,784	736,878	67,094
Bonds	(63,966)	47,817	20,093	84,060	(111,783)	20,330	132,113
Others	(38,778)	(49,085)	9,855	48,634	10,307	33,371	23,063

- Notes: 1. The figures above include unrealized gains (losses) on negotiable certificates of deposit in "Deposits with banks" and commercial papers as well as beneficiary claims on loan trusts in "Commercial paper and other debt purchased."
2. Unrealized gains (losses) on stocks are mostly calculated with the average market price during the final month of the interim period. The rest of the securities are valued at the market price as of the balance sheet date.
3. "Other securities" and "Other money held in trust" are valued and recorded on the consolidated balance sheet at market prices. The figures in the table above indicate the differences between the acquisition costs (or amortized costs) and the balance sheet amounts. Of "Unrealized gains (losses) on other securities" as of September 30, 2004 shown above, ¥22,199 million is included in this interim term's earnings because of the application of fair value hedge accounting. Consequently, the base amount used in the calculation of the amount to be charged to stockholders' equity has decreased by ¥22,199 million. Similarly, as of March 31, 2004, ¥23,452 million is included in fiscal 2003's earnings because of the application of fair value hedge accounting. Consequently, the base amount used in the calculation of the amount to be charged to stockholders' equity has decreased by ¥23,452 million.

3. Consolidated Capital Ratio (BIS Guidelines)

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

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

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

Consolidated Capital Ratio (BIS Guidelines)

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

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

Sumitomo Mitsui Banking Corporation (Nonconsolidated)

Sumitomo Mitsui Banking Corporation

The following is a summary of SMBC's nonconsolidated financial results for the first half of fiscal 2004, the six-month period ended September 30, 2004.

1. Operating Results

Banking profit (before provision for general reserve for possible loan losses) for the first half of fiscal 2004 decreased ¥27.7 billion to ¥471.6 billion year-on-year, as a result of a ¥32.6 billion decrease in gross banking profit to ¥762.7 billion and a ¥4.9 billion decrease in expenses (excluding nonrecurring losses) to ¥291.1 billion.

Ordinary profit, calculated by adjusting banking profit (before provision for general reserve for possible loan losses) for nonrecurring items such as reversal of general reserve for possible loan losses, total credit cost and gains on stocks, increased ¥20.0 billion to ¥125.2 billion.

Net income came to ¥118.6 billion, a year-on-year decrease of ¥21.0 billion.

2. Income Analysis

Gross Banking Profit

Gross banking profit for the first half of fiscal 2004 declined ¥32.6 billion year-on-year to stand at ¥762.7 billion. In domestic operations, gross banking profit increased ¥31.1 billion year-on-year, to ¥590.1 billion. This was a result of a

¥17.5 billion increase in gains on bond transactions, mainly JGBs, as well as a ¥22.4 billion increase in net revenue from fees and commissions on private pension insurance and loan syndications, which more than offset a ¥19.3 billion decrease in interest income, in line with a decline in the loan balance.

Regarding international operations, gross banking profit decreased ¥63.7 billion year-on-year to ¥172.6 billion, mainly due to a ¥58.5 billion drop in interest income resulting from Treasury Unit's weaker performance compared with the previous first-half period. However, net revenue from fees and commissions increased by ¥5.4 billion.

Expenses

Expenses (excluding nonrecurring losses) decreased ¥4.9 billion year-on-year, to ¥291.1 billion. This was mainly due to a ¥9.7 billion decline in personnel expenses resulting from workforce downsizing, offsetting an increase in taxes of ¥2.9 billion that reflects the impact of the nationwide adoption of a pro forma standard corporation tax, a local corporation tax that would be imposed from fiscal 2004.

Banking Profit

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

	Millions of yen		
	Six months ended Sept. 30, 2004	Six months ended Sept. 30, 2003	Year ended Mar. 31, 2004
Gross banking profit.....	¥762,716	¥795,339	¥1,584,127
Gross banking profit (excluding gains (losses) on bonds)	736,053	776,567	1,561,386
Net interest income.....	490,868	568,597	1,087,060
Trust fees.....	729	84	334
Net fees and commissions	127,021	99,330	226,568
Net trading income	21,150	149,824	280,729
Net other operating income	122,946	(22,497)	(10,565)
Gross domestic banking profit.....	590,117	558,967	1,135,616
Gross international banking profit.....	172,598	236,371	448,510
Provision for general reserve for possible loan losses	349,734	—	—
Expenses (excluding nonrecurring losses)	(291,136)	(296,030)	(583,995)
Personnel expenses	(104,320)	(113,967)	(221,284)
Nonpersonnel expenses.....	(168,549)	(166,697)	(332,238)
Taxes	(18,266)	(15,365)	(30,472)
Banking profit.....	¥821,314	¥499,308	¥1,000,132
Banking profit (before provision for general reserve for possible loan losses)	471,580	499,308	1,000,132
Banking profit (before provision for general reserve for possible loan losses and gains (losses) on bonds)	444,917	480,536	977,391

<Reference>

Banking Profit by Business Unit

Six months ended September 30, 2004

	Billions of yen							
	Consumer Banking Unit	Middle Market Banking Unit	Corporate Banking Unit	International Banking Unit	Community Banking Unit	Treasury Unit	Others	Total
Banking profit (losses) (before provision for general reserve for possible loan losses).....	¥48.7	¥219.2	¥72.5	¥22.1	¥2.1	¥142.1	¥(35.1)	¥471.6
Year-on-year increase (decrease).....	18.9	14.1	5.4	4.2	1.4	(64.8)	(6.9)	(27.7)

Notes: 1. Year-on-year comparisons are those used for internal reporting and exclude changes due to interest rate and foreign exchange rate fluctuations.

2. "Others" consists of (1) financing costs on preferred securities and subordinated debt, (2) profit earned on investing the Bank's own capital, and (3) adjustment of inter-unit transactions, etc.

Banking Profit

Banking profit (before provision for general reserve for possible loan losses) decreased ¥27.7 billion year-on-year, to ¥471.6 billion.

Nonrecurring Losses (Credit Costs, etc.)

Nonrecurring losses amounted to ¥696.1 billion. This was mainly attributable to disposal of non-performing loans in an amount of ¥805.5 billion, which was partially offset by gains on the sale of stocks.

Total credit cost amounted to ¥455.8 billion, consisting of credit cost in the amount of ¥805.5 billion, net of a ¥349.7 billion gain resulting from reversal of general reserve for possible loan losses. (Please refer to the "Asset Quality" section beginning on page 17 for more information on problem assets and progress in reducing such assets.)

Ordinary Profit

As a result of the foregoing, ordinary profit increased ¥20.0 billion year-on-year to ¥125.2 billion.

Extraordinary Gains and Losses

Net extraordinary losses amounted to ¥12.1 billion, compared with a ¥37.8 billion gain in the previous first-half period.

Extraordinary gains in the previous first-half period were mainly due to the refund of a revenue-based enterprise tax imposed by the Tokyo Metropolitan Government and interest on the refund. In addition, reversal of reserve for possible loan losses exceeded the relevant provisions, and the resultant gains were also recorded as extraordinary gains. There were no such one-time gains during the period under review.

Net Income

Net income decreased ¥21.0 billion to ¥118.6 billion year-on-year, including an income tax refund of ¥7.4 billion. This decline in net income is due in part to deferred income tax of ¥0.2 billion.

Ordinary Profit and Net Income

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

	Millions of yen		
	Six months ended Sept. 30, 2004	Six months ended Sept. 30, 2003	Year ended Mar. 31, 2004
Banking profit (before provision for general reserve for possible loan losses)	¥471,580	¥499,308	¥1,000,132
Provision for general reserve for possible loan losses (A).....	349,734	—	—
Banking profit.....	¥821,314	¥499,308	¥1,000,132
Nonrecurring gains (losses)	(696,116)	(394,133)	(814,994)
Credit cost (B).....	(805,505)	(373,597)	(869,234)
Write-off of loans.....	(348,769)	(337,901)	(566,344)
Provision for specific reserve.....	(403,866)	—	—
Losses on loans sold to CCPC.....	/	(740)	(806)
Losses on sale of delinquent loans	(55,707)	(34,955)	(302,083)
Provision for loan loss reserve for specific overseas countries	2,838	—	—
Gains on stocks	44,819	18,783	103,867
Gains on sale of stocks	60,005	50,910	151,170
Losses on sale of stocks	(434)	(24,720)	(36,577)
Losses on devaluation of stocks.....	(14,751)	(7,406)	(10,724)
Others	64,570	(39,319)	(49,627)
Ordinary profit.....	125,198	105,175	185,138
Extraordinary gains (losses)	(12,127)	37,813	133,707
Gains (losses) on disposal of premises and equipment	(3,991)	(6,404)	(11,853)
Amortization of net transition obligation from initial application of the new accounting standard for employee retirement benefits	(8,000)	(10,083)	(19,473)
Reversal of reserve for possible loan losses (C)	—	13,787	65,342
Reversal of reserve for possible losses on loans sold (D).....	/	393	488
Tax refund from the Tokyo government and interest on the tax refund	/	40,333	40,363
Gains on return of the entrusted portion of employee pension fund.....	—	—	59,095
Income taxes:			
Current.....	(1,645)	(12,573)	(12,752)
Refund	7,405	—	—
Deferred.....	(276)	9,244	(4,980)
Net income.....	¥118,554	¥139,659	¥ 301,113
Total credit cost (A) + (B) + (C) + (D)	¥455,771	¥359,415	¥ 803,403

3. Assets, Liabilities and Stockholders' Equity

Assets

SMBC's total assets as of September 30, 2004 stood at ¥92,742.9 billion on a nonconsolidated basis, a ¥1,366.2 billion decrease compared with the previous fiscal year-end. This decline is mainly due to a ¥3,067.7 billion decrease in securities corresponding to interest rate movements, offsetting a ¥612.0 billion increase in receivables under securities borrowing transactions as well as a ¥413.5 billion increase in cash and due from banks.

Liabilities

Liabilities at September 30, 2004 decreased ¥1,252.1 billion

to ¥89,986.1 billion from the previous fiscal year-end. This decline was attributable to a ¥2,137.2 billion decrease in bills sold and a ¥1,375.2 billion decrease in payables under securities lending transactions in line with a decline in assets, offsetting a ¥1,944.1 billion increase in deposits.

Stockholders' Equity

Although the bank posted ¥118.6 billion in net income, stockholders' equity decreased by ¥114.1 billion over the March 31, 2004 level to ¥2,756.8 billion at September 30, 2004. This decrease was primarily due to a dividend payment of ¥200.0 billion to SMFG, SMBC's holding company, and a decrease in net unrealized gains on other securities.

Assets, Liabilities and Stockholders' Equity

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

	Millions of yen		
	Sept. 30, 2004	Sept. 30, 2003	Mar. 31, 2004
Assets	¥92,742,940	¥92,779,975	¥94,109,074
Loans and bills discounted	50,723,607	55,153,522	50,810,144
Securities	23,524,899	21,847,113	26,592,584
Liabilities	89,986,163	90,168,353	91,238,204
Deposits	62,011,605	57,746,253	60,067,417
Negotiable certificates of deposit	3,239,176	3,454,958	3,589,354
Stockholders' equity	2,756,776	2,611,621	2,870,870

4. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities at September 30, 2004 amounted to ¥488.9 billion, which was a decrease of ¥101.4 billion from the previous fiscal year-end. Net unrealized gains on other securities (including "other money held in trust"), changes in which are directly charged to stockholders' equity, decreased by ¥98.7 billion over the same

period, to ¥457.6 billion.

The decrease in unrealized gains on other securities was attributable to a decline in gains on stocks of ¥92.2 billion, which more than offset a decline in unrealized losses on bonds of ¥39.7 billion.

Unrealized Gains (Losses) on Securities

September 30, 2004 and March 31, 2004

	Millions of yen						
	Sept. 30, 2004				Mar. 31, 2004		
	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses
Held-to-maturity securities	¥ (5,174)	¥ 2,472	¥ 2,360	¥ 7,534	¥ (7,646)	¥ 2,618	¥ 10,265
Stocks of subsidiaries and affiliates	36,574	(5,122)	37,269	694	41,696	41,696	—
Other securities	457,372	(98,774)	628,287	170,915	556,146	757,072	200,925
Stocks	558,882	(92,219)	607,708	48,826	651,101	711,514	60,413
Bonds	(62,191)	39,699	13,255	75,446	(101,890)	16,211	118,101
Others	(39,318)	(46,253)	7,323	46,642	6,935	29,346	22,410
Other money held in trust	154	33	271	116	121	222	100
Total	488,927	(101,391)	668,188	179,261	590,318	801,610	211,291
Stocks	595,456	(97,342)	644,977	49,521	692,798	753,211	60,413
Bonds	(68,040)	42,376	14,938	82,978	(110,416)	17,950	128,366
Others	(38,488)	(46,425)	8,272	46,761	7,937	30,448	22,510

Notes: 1. The figures above include unrealized gains (losses) on negotiable certificates of deposit in "Deposits with banks" and commercial papers as well as beneficiary claims on loan trusts in "Commercial paper and other debt purchased."

2. Unrealized gains (losses) on stocks are mostly calculated with the average market price during the final month of the interim period. The rest of the securities are valued at the market price as of the balance sheet date.

3. "Other securities" and "Other money held in trust" are valued and recorded on the consolidated balance sheet at market prices. The figures in the table above indicate the differences between the acquisition costs (or amortized costs) and the balance sheet amounts.

Of "Unrealized gains (losses) on other securities" as of September 30, 2004 shown above, ¥22,199 million is included in this interim term's earnings because of the application of fair value hedge accounting. Consequently, the base amount used in the calculation of the amount to be charged to stockholders' equity has decreased by ¥22,199 million. Similarly, as of March 31, 2004, ¥23,452 million is included in fiscal 2003's earnings because of the application of fair value hedge accounting. Consequently, the base amount used in the calculation of the amount to be charged to stockholders' equity has decreased by ¥23,452 million.

5. Deferred Tax Assets

Deferred Tax Assets on the Balance Sheet

SMBC has registered deferred tax assets in an amount based on reasonable estimates of the size of tax benefits on collectibility of assets in question in the future in line with Accounting Standards for Tax Effect Accounting (issued by the Business Accounting Deliberation Council dated October 30, 1998) and related practical guidelines. Moreover, SMBC has adopted more conservative estimates for the recognition of deferred tax assets from the viewpoint of maintaining a sound financial position, taking into full consideration the opinions expressed in the "Strict Audit to Major Banks" (issued by the Japanese

Institute of Certified Public Accountants (JICPA); February 24, 2003).

At September 30, 2004, net deferred tax assets amounted to ¥1,631.6 billion on a nonconsolidated basis, a ¥41.1 billion increase from the previous term-end. This increase was mainly attributable to a decline in deferred tax liabilities corresponding to a decrease in unrealized gains on "other securities." In addition, the valuation allowance (which was not included in the scope of outstanding deferred tax assets due to conservative estimates) amounted to ¥426.0 billion at September 30, 2004.

		Billions of yen			(Reference)
		Sept. 30, 2004	Change from Mar. 31, 2004	Change from Sept. 30, 2003	Temporary differences Sept. 30, 2004
(A) Total deferred tax assets (B) – (C)	1	¥1,866.3	¥ 26.7	¥ 13.8	
(B) Subtotal of deferred tax assets	2	2,292.3	95.4	41.2	¥5,638.1
Reserve for possible loan losses	3	304.7	(124.6)	(228.9)	749.9
Write-off of loans	4	511.3	228.5	23.5	1,258.4
Reserve for possible losses on loans sold	5	—	—	(0.1)	—
Write-off of securities	6	466.2	87.6	30.8	1,147.4
Reserve for employee retirement benefits	7	79.9	(2.4)	(26.9)	196.6
Depreciation	8	6.7	(0.4)	(0.9)	16.4
Net unrealized losses on other securities	9	—	—	—	—
Net operating loss carryforwards	10	862.3	(89.1)	233.0	2,105.1
Other	11	61.2	(4.2)	10.8	164.3
(C) Valuation allowance	12	426.0	68.7	27.4	
(D) Total deferred tax liabilities	13	¥ 234.7	¥ (14.4)	¥ 93.9	¥ 577.6
Gains on securities contributed to employee retirement benefits trust	14	53.0	27.5	27.4	130.6
Net unrealized gains on other securities	15	176.9	(39.6)	66.9	435.4
Other	16	4.8	(2.3)	(0.4)	11.6
Net deferred tax assets (balance sheet amount) (A) – (D)	17	¥1,631.6	¥ 41.1	¥ (80.1)	
Amounts corresponding to the estimated taxable income before adjustments	18	1,733.4	3.8	1.7	
Amounts to be realized after more than a certain period (Note 1)	19	75.1	(2.3)	(14.9)	
Amount corresponding to the deferred tax liabilities shown in 15 above (Note 2)	20	(176.9)	39.6	(66.9)	
Effective income tax rate	21	40.63%	—	0.17%	

- Notes: 1. Deferred tax assets arising from temporary differences that are expected to be reversed after more than five years (such as reserve for employee retirement benefits and depreciation of buildings) may be recognized if there is a high likelihood of such tax benefits being realized. (JICPA Auditing Committee Report No.66 "Auditing Treatment Regarding Judgment of Realizability of Deferred Tax Assets")
2. Deferred tax assets are recognized on the balance sheet on a net basis after offsetting against deferred tax liabilities arising from net unrealized gains on other securities. But the collectability is assessed for the gross deferred tax assets, before offsetting against deferred tax liabilities. (JICPA Auditing Committee Report No.70 "Auditing Treatment Regarding Application of Tax Effect Accounting to Valuation Differences of Other Securities and Losses on Impairment of Fixed Assets")

Reason for Recognition of Deferred Tax Assets on the Balance Sheet

(a) Recognition Criteria

Practical Guideline 5 (1), examples (4) proviso

- (1) SMBC has significant operating loss carryforwards on the tax base. These operating loss carryforwards are due to SMBC taking the below measures in order to quickly strengthen its financial base under the prolonged deflationary pressure, and are accordingly judged to be attributable to extraordinary factors. As a result, SMBC recognized deferred tax assets to the limit of the estimated future taxable income for the period (approximately 5 years) pursuant to the practical guideline on assessing the collectability of deferred tax assets issued by JICPA ("Practical Guideline") (*).
- (a) Disposal of Non-performing Loans
SMBC established internal standards for write-offs and reserves based on self-assessment in accordance with the "Prompt Corrective Action" adopted in Fiscal 1998 pursuant to the law concerning the maintenance of sound management of financial institutions (June 1996).
SMBC has been aggressively disposing non-performing loans and bolstering provisions in order to reduce the risk of asset deterioration under the severe business environment of a prolonged sluggish economy. As a result, taxable disposal of non-performing loans (**) amounted to approximately ¥2 trillion as of September 30, 2004.
In addition, pursuant to the "Program for Financial Revival" of October 2002, SMBC has accelerated disposal of non-performing loans in order to reduce the problem asset ratio to half by Fiscal 2004. As a result, SMBC has achieved this target earlier than planned in the first half of Fiscal 2004. In the process, taxable disposals that were made in the past have been realized, while taxable disposals have been newly recognized.
- (b) Disposal of Unrealized Losses on Stocks
SMBC has been accelerating its effort to reduce stockholdings in order to reduce the risk of stock price fluctuations, and early meet the regulation limiting stockholdings that was adopted in Fiscal 2001.
During Fiscal 2002, SMBC reduced the balance of stocks by approximately ¥1.1 trillion through stocks sales and also disposed all at once unrealized losses on stocks of approximately ¥1.2 trillion by writing off impaired stocks and using the gains on the merger. Consequently, SMBC met the regulation limiting stockholdings at the end of Fiscal 2002, before the deadline.
As a result, balances of taxable write-off on securities (**) increased temporarily (approximately ¥1.5 trillion as of March 31, 2003; approximately ¥0.1 trillion as of March 31, 1999). On the other hand, taxable write-off of securities carried out in the past is now being realized through accelerated selling of stocks (result for the first half of Fiscal 2004 was approximately ¥70 billion).
- (2) Consequently, operating loss carryforwards on the tax base amounted to approximately ¥2.1 trillion as of September 30, 2004 and they are certain to be offset by their carry-over period by the taxable income that will be generated in the future. No material operating loss carryforwards on the tax base have expired in the past.

(*) JICPA Auditing Committee Report No.66 "Auditing Treatment Regarding Judgment of Realizability of Deferred Tax Assets"

(**) Corresponds to "(Reference) Temporary differences" (upper right corner) of the previous page's table.

(Reference 1) Outline of Practical Guideline 5 (1), examples (4)

When a company has material operating loss carryforwards on the tax base as of term-end, deferred tax assets may be considered to be collectable to the extent of the estimated taxable income for the next fiscal year and relating to the temporary differences expected to be reversed in the next fiscal year.

However, when operating loss carryforwards are due to the company's restructuring efforts, changes in laws, and/or other extraordinary factors, the deferred tax assets may be considered to be collectable to the extent of the estimated taxable income for the estimation period (approximately 5 years) and relating to the temporary differences expected to be reversed over the estimation period.

(b) Period for Future Taxable Income to be Estimated: 5 years

(c) Accumulated Amount of Estimated Future Taxable Income before Adjustments for the Next 5 Years

Billions of yen		
Estimates of next 5 years		
Banking profit (before provision for general reserve for possible loan losses)	1	¥5,572.0
A Income before income taxes	2	3,424.8
B Adjustments to taxable income (excluding reversal of temporary differences as of Sept. 30, 2004)	3	841.5
C Taxable income before adjustments (A + B)	4	¥4,266.3
⇩		
Deferred tax assets corresponding to taxable income before adjustments	5	¥1,733.4

(corresponding to line 18 of the table on the previous page)

Basic Policy

- (1) Estimate when the temporary differences will be reversed
- (2) Conservatively estimate the taxable income before adjustments for the next 5 years
 - (a) Rationally make earnings projection for up to the first half of Fiscal 2009 based on the "Plan for strengthening the financial base (up to Fiscal 2006)"
 - (b) Reduce an amount reflecting the uncertainty of the projected amount from the projected amount.
 - (c) Add the adjustments to the above amount
- (3) Apply the effective tax rate to the above amount and record the amount as "deferred tax assets"

(Reference 2) Income of final return (before deducting operating loss carryforwards) for the last 5 years

	Billions of yen					
	1st half FY 2004	FY 2003	FY 2002	FY 2001	FY 2000	FY 1999
Income of final return (before deducting operating loss carryforwards)....	¥224.2	¥(1,437.8)	¥(745.5)	¥241.9	¥(176.0)	¥327.3

Notes: 1. Income of final return (before deducting operating loss carryforwards) = Taxable income before adjustments for each fiscal year – Temporary differences to be reversed for each fiscal year

2. The figures above include amounts arising from "extraordinary factors" that are specified in the Practical Guideline. Taxable income has been reported each year when these amounts are excluded.

3. The figures for September 30, 2004 were estimated in interim closing.

| Asset Quality |

Current Status of Problem Assets

SMBC has implemented various initiatives to strengthen its financial base. Initiatives range from reducing the amount of non-performing loans (NPLs) on our balance sheets to giving higher priority to the revitalization and reconstruction of our corporate clients. As a result, we were able, six months ahead of schedule, to achieve our goal of a 50% reduction in the NPL ratio, which is advocated in the government's Program for Financial Revival. While making steady progress in resolving our NPL problem, we will continue efforts to bolster our financial base.

I. Self-Assessment, Write-Offs, and Reserves

1. Self-Assessment

SMBC conducts rigorous self-assessment of asset quality using criteria based on the *Financial Inspection Manual* of the Financial Services Agency and the *Practical Guideline* published by the Japanese Institute of Certified Public Accountants. Self-assessment is the latter stage of the obligor grading process for determining the borrower's ability to fulfill debt obligations, and the obligor grade criteria are consistent with the categories used in self-assessment.

At the same time, self-assessment is a preparatory task for ensuring SMBC's asset quality and calculating the appropriate level of write-offs and reserves. Each asset is assessed individually for its security and collectibility. Depending on the borrower's current situation, the borrower is assigned to one of five categories: Normal Borrowers, Borrowers Requiring Caution, Potentially Bankrupt Borrowers, Effectively Bankrupt Borrowers, and Bankrupt Borrowers. Based on the borrower's category, claims on the borrower are classified into Classification I, II, III, and IV assets according to their default and impairment risk levels, taking into account such factors as collateral and guarantees. As part of our efforts to bolster risk management throughout the Group, our consolidated subsidiaries carry out self-assessment in substantially the same manner.

Borrower Categories, Defined

Normal Borrowers	Borrowers with good business performance and in good financial standing without identified problems
Borrowers Requiring Caution	Borrowers identified for close monitoring
Potentially Bankrupt Borrowers	Borrowers perceived to have a high risk of falling into bankruptcy
Effectively Bankrupt Borrowers	Borrowers that may not have legally or formally declared bankruptcy but are essentially bankrupt
Bankrupt Borrowers	Borrowers that have been legally or formally declared bankrupt

Asset Classifications, Defined

Classification I	Assets not classified under Classifications II, III, or IV
Classification II	Assets perceived to have an above-average risk of noncollectibility
Classification III	Assets for which final collection or asset value is very doubtful and which pose a high risk of incurring a loss
Classification IV	Assets assessed as uncollectible or worthless

2. Asset Write-Offs and Reserves

In cases where claims have been determined to be uncollectible, or deemed to be uncollectible, write-offs signify the recognition of losses on the account books with respect to such claims. Write-offs can be made either in the form of loss recognition by offsetting uncollectible amounts against corresponding balance sheet items, referred to as a direct write-off, or else by recognition of a loan loss provision on a contra-asset account in the amount

deemed uncollectible, referred to as an indirect write-off. Recognition of indirect write-offs is generally known as provision of reserves.

SMBC's write-off and reserve criteria for each self-assessment borrower category are shown in the table below. As part of our overall measures to strengthen risk management throughout the Group, all consolidated subsidiaries use substantially the same standards as SMBC for write-offs and reserves.

Self-Assessment Borrower Categories		Standards for Write-Offs and Reserves
Normal Borrowers		Amounts are recorded as general reserves in proportion to the expected losses over the next 12 months based on the historical bankruptcy rate for each obligor grading.
Borrowers Requiring Caution		These assets are divided into groups according to the risk of default. Amounts are recorded as general reserves in proportion to the expected losses based on the historical bankruptcy rate for each group. The groups are "claims to substandard borrowers," and "claims to other borrowers requiring caution" excluding claims to substandard borrowers. For the latter, the borrower's financial position and credit situation are additionally taken into account for establishing sub-groups. Additionally, SMBC uses the discounted cash flow (DCF) method to calculate the amount of reserve for possible losses on large-scale claims.
Potentially Bankrupt Borrowers		SMBC sets specific reserves for possible loan losses on the portion of Classification III assets (calculated for each borrower) not secured by collateral, guarantee, or other means. In addition, SMBC applies the discounted cash flow (DCF) method to large-scale claims for calculating individual amounts on the condition of rational estimates of future cash flows.
Effectively Bankrupt/Bankrupt Borrowers		SMBC calculates the amount of Classification III assets and Classification IV assets for each borrower, and writes off the full amount of Classification IV assets (deemed to be uncollectible or of no value) and sets aside specific reserves for possible loan losses against the full amount of Classification III assets.
Notes	General reserve	Provisions made in accordance with general inherent default risks of loans, unrelated to specific individual loans or other claims
	Specific reserve	Provisions made for claims that have been found uncollectable in part or in total (individually evaluated claims)

Discounted Cash Flow Method

SMBC utilizes the discounted cash flow (DCF) method to calculate the amount of reserves required to cover possible losses on large-scale claims to substandard borrowers and potentially bankrupt borrowers. The DCF method is applied in cases where it is reasonable to estimate the future cash inflow of the borrower that can be used for repayment of the principal and the payment of interest on the debt. SMBC then makes provisions equivalent to the excess of the book value of the claims over the said cash inflow, discounted by the initial contractual interest rate or the effective interest rate at the time of origination. In this way, we provide sufficient reserves against the risk of a future deterioration in asset quality.

One of the major advantages of the DCF method over conventional methods of calculating the amount of reserves required to cover possible loan losses is that it enables effective

evaluation of each individual borrower. In the case of this method, the required amount of reserves may vary according to the basic data used in applying the DCF method, such as estimated future cash flow based on the borrower's business reconstruction plan, the applied discount rate, and the probability of the borrower going into bankruptcy.

Thus, SMBC makes every effort to utilize timely and appropriate data to realize the most accurate estimates possible. The use of the DCF method for large-scale substandard borrowers was first introduced in fiscal 2002.

Having become accustomed to the practical application of the DCF method, SMBC extended its use to large-scale potentially bankrupt borrowers from the fiscal 2004 interim book closing. The DCF method was applied to approximately 60% of claims on potentially bankrupt borrowers, and the reserve ratio for the said claims stood at 68.1% as of the end of September 2004.

II. Credit Cost

The amount required for the disposal of NPLs—known as “credit cost”—refers to the additional provision for loan losses in the case of provisioning, and the difference between the amount of

uncollectible loans and provisions already made in the case of write-offs. The credit cost for the first half of fiscal 2004 is shown in the table below.

■ Credit Cost (SMBC Nonconsolidated; six months ended September 30, 2004)

(Billions of yen)

Credit cost	¥ 805.5
Write-off of loans	348.8
Provision for specific reserve	403.8
Losses on loans sold to CCPC	—
Losses on sale of loans	55.7
Provision for loan loss reserve for specific overseas countries	(2.8)
Provision for general reserve for possible loan losses	(349.7)
Total credit cost	¥ 455.8
Reserve for possible loan losses	¥ 962.6
Amount of direct reduction	¥1,409.2

■ Credit Cost (SMFG Consolidated; six months ended September 30, 2004)

(Billions of yen)

Total credit cost	¥ 612.8
Reserve for possible loan losses	¥1,222.4
Amount of direct reduction	¥1,774.0

■ Reserve for Possible Loan Losses (September 30, 2004)

(Billions of yen)

	SMBC (Nonconsolidated)	SMFG (Consolidated)
Reserve for possible loan losses	¥962.6	¥1,222.4
General reserve	419.3	601.7
Specific reserve	538.4	615.8
Loan loss reserve for specific overseas countries	4.9	4.9

To completely resolve the issue of NPLs in fiscal 2004, SMBC made progress in off-balancing NPLs, and increased reserves for possible loan losses in order to become more resilient to risk. As a result, on a nonconsolidated basis, SMBC recorded credit cost in the amount of ¥455.8 billion.

We are not satisfied with halving the NPL ratio. We will continue efforts to improve asset quality with the ultimate objective of establishing a strong financial base that will enable the Group to weather any adverse business conditions, no matter how severe.

III. Disclosure of Problem Assets and Off-Balancing

1. Disclosure of Problem Assets

Problem assets are loans and other claims of which recovery of either principal or interest appears doubtful, and are disclosed in accordance with the Banking Law (in which they are referred to as “risk-monitored loans”) and the Financial Reconstruction Law

(where they are referred to as “problem assets”). Problem assets are classified based on the borrower categories assigned during self-assessment. The following tables explain the asset classification stipulated by the Financial Reconstruction Law and the differences between risk-monitored loans and problem assets.

Classification of Problem Assets Based on the Financial Reconstruction Law

Bankrupt and quasi-bankrupt assets	This category is defined as the sum of claims on Bankrupt Borrowers and Effectively Bankrupt Borrowers under self-assessment, excluding Classification IV assets, which are fully written off. Classification III assets are fully covered by reserves, and Classification I and II assets, the collectible portion, are secured by collateral, guarantees, or other means.
Doubtful assets	This category is defined as claims on Potentially Bankrupt Borrowers under self-assessment. Specific reserves are set aside for Classification III assets, and Classification I and II assets, the collectible portion, are secured by collateral, guarantees, or other means.
Substandard loans	This category is defined as claims on Borrowers Requiring Caution under self-assessment. This category comprises past due loans (three months or more) and restructured loans.
Normal assets	This category is defined as the term-end sum of loans, securities lending, import and export, accrued interest, suspense payments, and customers' liabilities for acceptances and guarantees that are not included in the other three categories.

Note: Based on the borrower's category under self-assessment, claims on the borrower are categorized as Classification I, II, III, and IV assets according to their default and impairment risk levels. (Please refer to page 17 for the asset classification table.)

□ Problem Assets Based on the Financial Reconstruction Law, and Risk-Monitored Loans

Category of borrowers under self-assessment	Problem assets based on the Financial Reconstruction Law		Risk-monitored loans	
	Total loans	Other assets	Total loans	Other assets
Bankrupt Borrowers	Bankrupt and quasi-bankrupt assets		Bankrupt loans	(C)
Effectively Bankrupt Borrowers			Non-accrual loans	
Potentially Bankrupt Borrowers	Doubtful assets	Past due loans (3 months or more)		
Borrowers Requiring Caution	Substandard loans	Restructured loans		
		(Normal assets)		
Normal Borrowers				
	(A)		(B)	= (C)

The disclosure of risk-monitored loans corresponds exactly to the disclosure of problem assets based on the Financial Reconstruction Law, except for such non-loan assets as securities lending, import and export, accrued interest, suspense payments, and customers' liabilities for acceptances and guarantees, which are not subject to disclosure.

Since overdue interest from borrowers classified under self-assessment as Potentially Bankrupt Borrowers, Effectively Bankrupt Borrowers, and Bankrupt Borrowers is, as a rule, not recognized as accrued interest, the amount is not included in the problem assets disclosed on the basis of the Financial Reconstruction Law.

2. Problem Asset Disclosure Amounts

The amounts, as of September 30, 2004, of risk-monitored loans and problem assets are shown on the following page. As we have pledged to make fiscal 2004 the year for the complete resolution of the issue of NPLs, we took proactive measures to dispose of problem assets while simultaneously facilitating the revitalization and reconstruction of our borrowers. By these means, we

achieved our goal of reducing the NPL ratio by 50%. As a result, the balance of problem assets as defined in the Financial Reconstruction Law was ¥2,484.4 billion, down ¥326.8 billion from the end of March 2004. The NPL ratio improved to 4.4% from 8.9% at the end of March 2002, marking the attainment of a 50% reduction six months ahead of schedule.

■ Problem Assets Based on the Financial Reconstruction Law (September 30, 2004)

(Billions of yen)

	SMBC (Nonconsolidated)	Compared with March 31, 2004	SMFG (Consolidated)
Bankrupt and quasi-bankrupt assets	¥ 581.1	¥ 219.5	¥ 707.3
Doubtful assets	1,124.1	(78.6)	1,313.3
Substandard loans	779.2	(467.7)	945.0
Subtotal	¥ 2,484.4	¥(326.8)	¥ 2,965.6
Normal assets	53,673.4	799.0	57,067.8
Total	¥56,157.8	¥ 472.2	¥60,033.4
Amount of direct reduction	¥ 1,409.2		¥ 1,774.0

■ Risk-Monitored Loans (September 30, 2004)

(Billions of yen)

	SMBC (Nonconsolidated)	Compared with March 31, 2004	SMFG (Consolidated)
Bankrupt loans	¥ 59.2	¥ (8.0)	¥ 87.0
Non-accrual loans	1,552.4	91.6	1,844.1
Past due loans (3 months or more)	46.8	(0.8)	52.9
Restructured loans	732.4	(466.9)	884.7
Total	¥2,390.8	¥(384.1)	¥2,868.7
Amount of direct reduction	¥1,383.5		¥1,715.8

■ Classification under Self-Assessment, Disclosure of Problem Assets, and Write-Offs/Reserves (SMBC Nonconsolidated; September 30, 2004)

(Billions of yen)

Category of borrowers under self-assessment	Problem assets based on the Financial Reconstruction Law	Classification under self-assessment				Reserve for possible loan losses	Reserve ratio		
		Classification I	Classification II	Classification III	Classification IV				
Bankrupt Borrowers	Bankrupt and quasi-bankrupt assets (1) ¥581.1	Portion of claims secured by collateral or guarantees, etc. (5) ¥561.6	Fully reserved ¥19.5	Direct write-offs (Note 1)	Specific reserve ¥26.1 (Note 2)	100% (Note 3)			
Effectively Bankrupt Borrowers									
Potentially Bankrupt Borrowers	Doubtful assets (2) ¥1,124.1	Portion of claims secured by collateral or guarantees, etc. (6) ¥461.6	Necessary amount reserved ¥662.5		General reserve ¥512.3 (Note 2)	77.3% (Note 3)			
Borrowers Requiring Caution	Substandard loans (3) ¥779.2	Portion of substandard loans secured by collateral or guarantees, etc. (7) ¥381.9	Claims to borrowers requiring caution, excluding claims to substandard borrowers		General reserve ¥160.6	38.7% (Note 3)	3.8% [10.1%] (Note 4)	19.1% (Note 3)	
	(Claims to substandard borrowers)								
Normal Borrowers	Normal assets ¥53,673.4	Claims to normal borrowers			General reserve ¥419.3	0.1% (Note 4)			
					Loan loss reserve for specific overseas countries	¥4.9			
Total (4) ¥56,157.8		NPL ratio (A) / (4) 4.4% (Note 5)		Total reserve for possible loan losses ¥962.6		Reserve ratio (B) / (D) 64.8% (Note 6)			
(A) = (1) + (2) + (3) ¥2,484.4		Portion secured by collateral or guarantees, etc. (C) = (5) + (6) + (7) ¥1,405.1		Unsecured portion (D) = (A) - (C) ¥1,079.3					
					Coverage ratio [(B) + (C)] / (A)	84.7%			

Notes: 1. Includes amount of direct reduction totaling ¥1,409.2 billion.

2. Includes reserves for assets that are not subject to disclosure under the Financial Reconstruction Law. (Bankrupt/Effectively Bankrupt Borrowers: ¥6.6 billion; Potentially Bankrupt Borrowers: ¥10.0 billion)

3. Reserve ratios for claims on Bankrupt/Effectively Bankrupt Borrowers, Potentially Bankrupt Borrowers, Substandard Borrowers, and Borrowers Requiring Caution: The proportion of each category's total unsecured claims covered by reserve for possible loan losses.

4. Reserve ratios for claims on Normal Borrowers and Borrowers Requiring Caution (excluding claims to Substandard Borrowers): The proportion of each category's total claims covered by reserve for possible loan losses. The reserve ratio for unsecured claims on Borrowers Requiring Caution (excluding claims to Substandard Borrowers) is shown in brackets.

5. Ratio of problem assets to total assets subject to Financial Reconstruction Law

6. Reserve ratio = (Specific reserve + General reserve for substandard loans) ÷ (Bankrupt and quasi-bankrupt assets + Doubtful assets + Substandard loans - Portion secured by collateral or guarantees, etc.)

3. Off-Balancing Problem Assets

In the term under review, we continued to focus on off-balancing problem assets, and succeeded in off-balancing ¥904.0 billion worth of problem assets. In April 2001, the Japanese government passed the Emergency Economic Package, with the objective of simultaneously revitalizing the financial system and industry.

Specific measures contained in the package include “the radical disposal of problem assets.” This provision requires Japan’s major banks to dispose of loans categorized as “claims to potentially bankrupt borrowers” and worse. From fiscal 2001 onward, existing loans must be off-balanced within two years, and new loans within three years, and steady progress is being made.

■ Breakdown of Off-Balancing (SMBC Nonconsolidated; September 30, 2004)

	March 31, 2003 ①	Fiscal 2003		March 31, 2004 ②	First half of fiscal 2004		September 30, 2004 ③
		New occurrences	Off-balanced		New occurrences	Off-balanced	
Bankrupt and quasi-bankrupt assets	¥ 524.9	¥ 125.7	¥ (289.0)	¥ 361.6	¥ 169.7	¥ 49.8	¥ 581.1
Doubtful assets	2,129.5	1,227.9	(2,154.7)	1,202.7	875.2	(953.8)	1,124.1
Total	¥2,654.4	¥1,353.6	¥(2,443.7)	¥ 1,564.3	¥1,044.9	¥(904.0)	¥1,705.2
				Increase/Decrease (②-①)			Increase/Decrease (③-②)
Bankrupt and quasi-bankrupt assets				¥ (163.3)			¥ 219.5
Doubtful assets				(926.8)			(78.6)
Total				¥(1,090.1)			¥ 140.9

4. Problem Assets by Region and Industry

■ Problem Assets by Domicile of Borrowers (SMBC Nonconsolidated; September 30, 2004)

	Financial Reconstruction Law Basis (Excluding normal assets)		Risk-Monitored Loans	
	Percentage		Percentage	
Domestic	97.8%	¥2,429.0	98.0%	¥2,343.4
Overseas	2.2%	55.4	2.0%	47.4
Asia	0.6%	17.0	0.5%	12.9
Indonesia	0.1%	3.1	0.1%	3.1
Hong Kong	0.1%	2.9	0.1%	2.8
India	0.1%	2.3	0.1%	1.7
China	0.0%	0.4	0.0%	0.4
Others	0.3%	8.3	0.2%	4.9
North America	1.2%	28.8	1.2%	27.2
Central and South America	0.1%	2.8	0.0%	0.5
Western Europe	0.3%	6.8	0.3%	6.8
Eastern Europe	—	—	—	—
Total	100.0%	¥2,484.4	100.0%	¥2,390.8

Note: “Domestic” means the total for domestic branches, excluding the special account for international financial transactions. “Overseas” means the total for overseas branches, including the special account for international financial transactions. The above countries and areas are categorized by the obligor’s domicile.

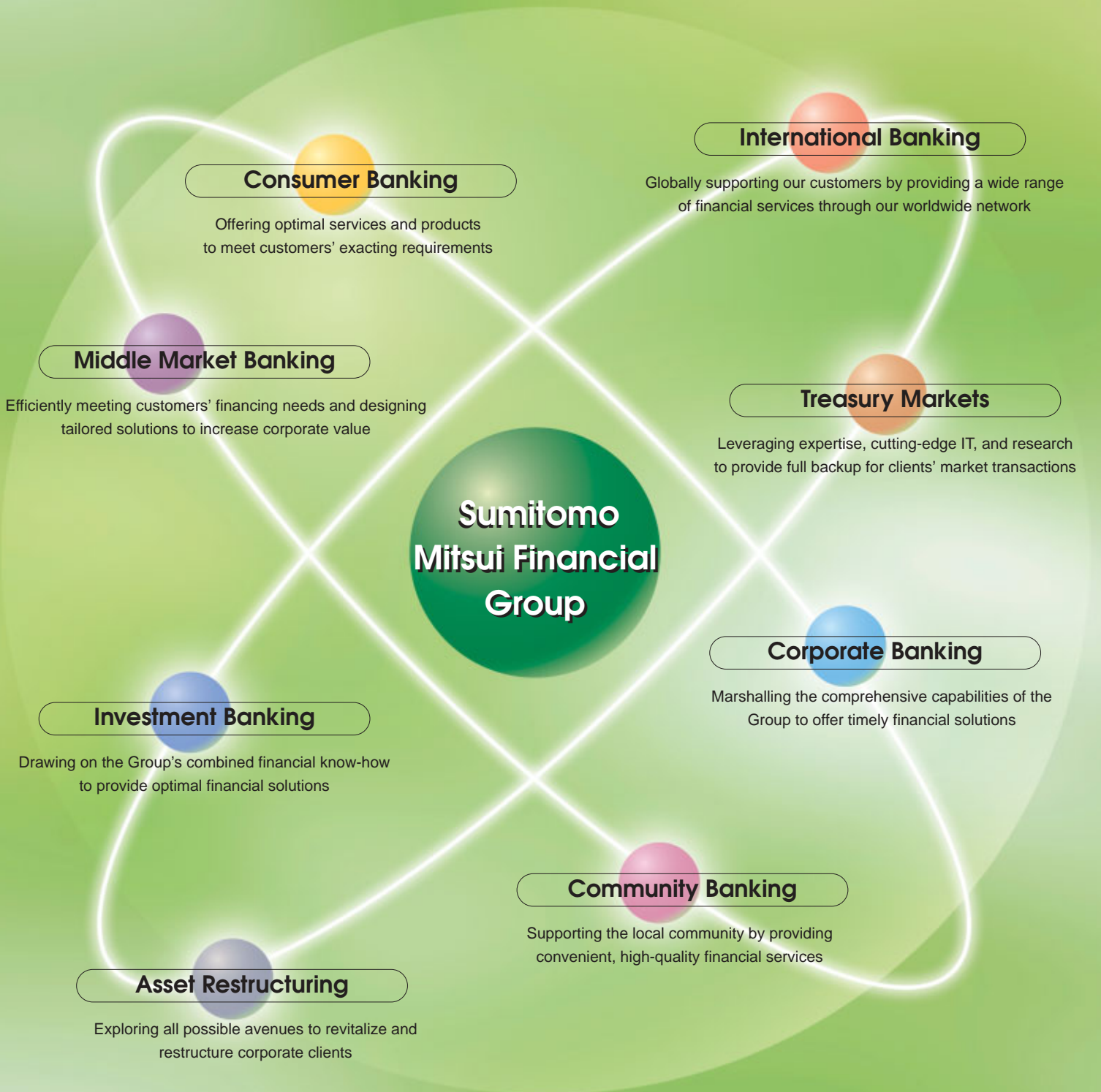
■ Problem Assets by Type of Borrowers (SMBC Nonconsolidated; September 30, 2004)

	Financial Reconstruction Law Basis (Excluding normal assets)		Risk-Monitored Loans	
	Percentage		Percentage	
Domestic	97.8%	¥2,429.0	98.0%	¥2,343.4
Manufacturing	3.3%	81.5	3.4%	80.3
Agriculture, forestry, fishery and mining	0.0%	0.9	0.0%	0.9
Construction	14.6%	361.3	12.7%	303.6
Transportation, communications, and other public enterprises	3.5%	87.4	3.5%	84.4
Wholesale and retail	12.1%	300.8	12.5%	298.4
Finance and insurance	1.9%	47.6	1.9%	46.1
Real estate	36.2%	899.6	37.1%	885.9
Services	16.8%	417.4	17.3%	413.9
Municipalities	—	—	—	—
Others	9.4%	232.5	9.6%	229.9
Overseas	2.2%	¥ 55.4	2.0%	¥ 47.4
Public sector	0.0%	0.1	0.0%	0.1
Financial institutions	0.1%	2.5	0.0%	0.3
Commerce and industry	2.1%	52.8	2.0%	47.0
Others	—	—	—	—
Total	100.0%	¥2,484.4	100.0%	¥2,390.8

Note: “Domestic” means the total for domestic branches, excluding the special account for international financial transactions. “Overseas” means the total for overseas branches, including the special account for international financial transactions.

The Financial Services Complex

Maximizing Synergies, Customizing Solutions



Consumer Banking

SMFG, principally through the Consumer Banking Unit of its banking subsidiary SMBC, offers high-value-added financial services under the brand name “One’s Next.” This reflects the emphasis we place on helping customers determine the next step of their financial plans according to their stage of life. By basing all our services on customers’ needs, we are working to make SMFG into the industry’s No. 1 financial group in consumer financial services.

Consulting Business

SMBC’s Consumer Banking Unit deploys a wide range of specialist staff, including professional financial consultants and “Money-Life” consultants, to meet the needs of individual customers. We offer a comprehensive array of financial products and services to address the asset management and fund procurement needs of our individual customers.

SMBC has introduced a number of measures to broaden its selection of asset management products, including expanding its lineup of securities-related products with the launch of a securities intermediary business and the introduction of fixed annuities for individuals.

In response to requests from customers unable to visit branches during their working hours, or due to other time restrictions, the bank launched the SMBC Consulting Plaza network in March 2004. At these dedicated service outlets, SMBC provides consulting services in the evenings as well as on weekends and national holidays, allowing married couples to visit the bank together. The network now encompasses 45 outlets.

We have expanded our lineup of mortgage loans and services to meet the diverse range of customer needs. For example, we now offer loan consultation services on weekday evenings, weekends and national holidays to accommodate customers’ busy schedules. In addition, SMBC has made repayment of mortgage loans easier than ever—accounts at other banks can now be debited for repayment of SMBC loans. In this way, SMBC is working to make its services even more convenient for customers.

Consumer Finance

In the consumer finance business, cooperation is being pursued among the Group companies involved—principally SMBC, At-Loan Co., Ltd., Promise Co., Ltd., and Sumitomo Mitsui Card Company, Limited.

Leveraging its alliance with Promise, SMFG is combining Promise’s experience and know-how in the field of consumer finance with SMFG’s broad customer base and extensive marketing channels to offer financial products and services that each individual company would not have been able to offer on its own. This collaboration will enable us to realize greater efficiency, and thereby raise the effectiveness of our consumer finance operations.



One’s Next TV commercial



SMBC poster for settlement accounts



SMBC poster for securities intermediary business

Major Accomplishments

- Offered increasingly sophisticated products and services in our consulting business, which have been well received by customers. As of the end of September 2004, assets in investment trusts for individuals rose to ¥2,062.3 billion, assets in annuity insurance increased to ¥268.3 billion and mortgage loans outstanding reached ¥12,842.2 billion
- Increased the number of One’s Direct online banking customers to 5.34 million as of the end of September 2004, up 530,000 from the beginning of the fiscal year

Key Goals

- Strengthen the consumer finance business by implementing bold initiatives, leveraging the business alliance with Promise (See Topics)
- Identify opportunities created by deregulation for expanding our lineup of products and services, such as by starting a securities intermediary business, and offer even more sophisticated consulting services
- Start handling designated accounts for securities transactions (January 2005)
- Begin offering settlement accounts (February 2005)

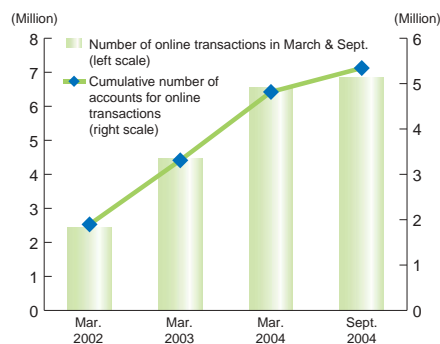
Settlement Services

SMBC is working on ways to make its services even more convenient. New initiatives include the launch of an e-mail notification service, whereby customers receive e-mail messages when a payment has been made into an account, or when an amount has been debited as payment to a third-party.

Reinforcing Low-Cost Operations

We believe that cost-effective operations are a vitally important source of our competitive strength in the consumer finance business. Accordingly, we plan to conduct an extensive review of operations and implement strict cost-cutting measures further to reduce our administrative and management costs and improve the cost-effectiveness of our operations.

One's Direct Online Transactions



Topics

SMBC Forms Business Alliance with Promise

SMBC and Promise concluded an agreement on a strategic alliance in September 2004. The bank and Promise plan to begin offering consumer loans by April 2005, and to implement bold initiatives aimed at bolstering their consumer finance businesses.

Terms of the Alliance

1. Promise, SMBC and a joint venture to be formed by Promise and SMBC will offer consumer loans in the following interest rate categories. (Regarding the joint venture, a separate agreement has been reached for making At-Loan, which is currently a wholly owned subsidiary of SMBC, into a joint venture with Promise, but the details have yet to be decided.)

	Interest rate	Collateral/Guarantee
SMBC	8%~12%	Unsecured/Guaranteed by Promise
Joint venture	15%~18%	Unsecured/Guaranteed by Promise
Promise	18%~25.55%	Unsecured/Guaranteed by Promise



PROMISE

2. Promise will guarantee the loans of SMBC and the joint venture, and the Promise Group will provide comprehensive credit control services ranging from credit screenings to the management and recovery of loans.
3. SMBC will install Promise automated contract machines at its branches and offices (68 machines by March 2005).
4. SMBC will install at its branches and offices new automated contract machines that can accept applications for all three of the above consumer loans. (By April 2005, when these loans are to be introduced, 400 machines will be in operation, rising to 580 machines by March 2006.)

Middle Market Banking

Aware of the importance of the sound development of mid-sized companies and small and medium-sized enterprises (SMEs) to the recovery of Japan's economy, all members of SMFG are strongly committed to extending services that will help their customers to maintain financial soundness while implementing strategies for the expansion of their operations.

SMBC, for example, offers to mid-sized companies and SMEs unsecured loans that do not require a third-party guarantee. During the first half of fiscal 2004, SMBC extended more than ¥500 billion worth of *Business Select Loans*, unsecured loans targeted mainly at companies with annual sales of under ¥1 billion. SMBC also extended more than ¥1 trillion worth of *N-Fund Loans* to companies with annual sales of ¥1 billion or more.

Expanding Loans to Customers with Promising Technologies and New Business Models

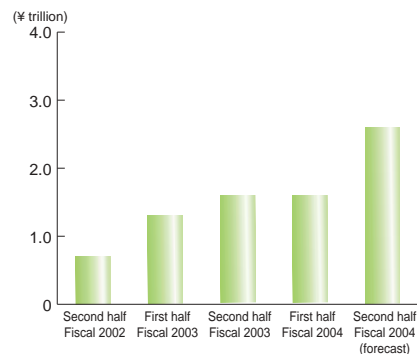
With a view to further expanding our loans and fostering the growth of mid-sized companies and SMEs, SMBC introduced a new type of loan called the *V-Fund Loan*. Lending decisions depend on the borrower's technologies and business model, key factors for measuring a company's growth potential.

To better meet the fund requirements of growing companies, our new evaluation system replaces the conventional performance- and collateral-based credit screening process with an evaluation of other aspects of a company's operations. Under this system, SMBC uses quantitative methods to assess the strength of a venture business' proprietary technology, the viability of its business model, and the effectiveness of its business plan, management skills and other factors. Developed jointly by SMBC and credit rating agencies, the system incorporates more than 100 items, evaluating the company at three different stages—the start-up phase, the commencement-of-sales stage, and the growth phase. *V-Fund Loans* already have been extended to more than 100 customers.

To assist corporate clients in achieving their growth targets, SMFG also provides a full array of services (shown below) to meet the financing needs of customers at their specific stage of growth, to help with preparations for an IPO, and to provide solutions for launching new businesses.

SMFG will continue to enhance its lineup of products and services that help mid-sized companies and SMEs to pursue financially sound methods of realizing growth.

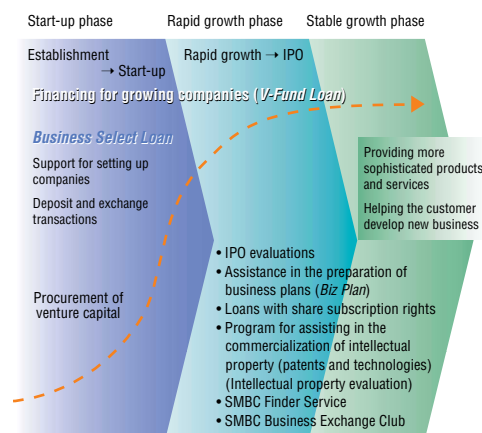
Loans to Middle Market Customers*



*Primarily *Business Select Loans* and *N-Fund Loans*

A Start-Up Company's Stages of Development, and SMFG's Product Lineup

SMFG offers a variety of products and services precisely tailored to meet the needs of companies at every stage of their development.



SMFG's Services for Mid-sized Companies and SMEs

- Venture capital investments (SMBC Capital Co., Ltd.)
- "Biz Plan"—Help in the preparation of business plans (SMBC Consulting Co., Ltd.)
- Evaluations of intellectual property—A program to support the commercialization of intellectual property, specifically patents and technologies (SMBC Consulting Co., Ltd.)
- Loans with share subscription rights
- IPO evaluations (SMBC Consulting Co., Ltd.)
- SMBC Finder Service (matching customers and suppliers)
- SMBC Business Exchange Club (SMBC Consulting Co., Ltd.)

Actively Supporting CLOs Issued by Local Governments

At SMBC's Middle Market Banking Unit, our highest priority is to increase loans to SMEs. As part of this drive, SMBC is also providing extensive support for issuances of collateralized loan obligations (CLOs) by local governments throughout Japan.

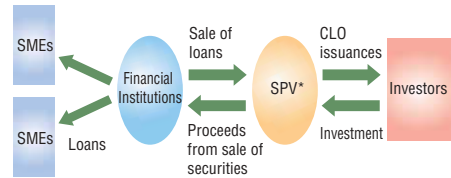
CLO issuances by local governments use securitization to facilitate smooth fund-raising for SMEs. Financial institutions extend loans to local companies and create subscription pools for these loans. Securities backed by the loans are then issued and sold to investors.

The Tokyo Metropolitan Government was the first local authority to use CLOs for mediating loans to SMEs. Other local governments soon followed suit, leading to a diversification in CLO structures.

In fiscal 2004, SMBC arranged a number of public-sector-led CLO issuances, including one for municipal governments in the Chubu region and a joint issuance by the cities of Yokohama, Osaka and Kobe. This service opens the door to a new fund procurement channel for local governments and SMEs.

Momentous changes are occurring that affect the role of local governments in Japan. These changes include a proposed shift in taxation from central to local government, and the granting of greater autonomy to the local authorities. To respond to these changes, SMBC is leveraging its expertise in securitization, with a view to supplying services that promote the growth of regional industries and SMEs, while strengthening ties with local governments and regional financial institutions.

Structure of Typical Collateralized Loan Obligation (CLO)



*Note: A SPV (special purpose vehicle) is a company or a trust established for the purpose of issuing securities, with the proceeds being used to purchase assets, such as loans.

Major Accomplishments

- Extended a total of ¥1,613.2 billion in *Business Select Loans*, *N-Fund Loans*, and similar loan products in the first half
- Extended ¥78.2 billion in *Client Support Loans*, a type of *Business Select Loan* launched in the previous fiscal year
- Extended ¥840.0 billion in loans to 11,000 new corporate clients

Key Goals

- Continue to actively respond to the fund procurement needs of SMEs by offering a diverse lineup of loan products, including *Business Select Loans* (partially guaranteed by Osaka Prefecture), *Business Select CLO Loans* (guaranteed by Japan Finance Corporation for Small and Medium Enterprise) and *Members' Business Loans* for members of The Tokyo Chamber of Commerce and Industry

Topics

SMBC reorganized its network in the following manner to more precisely address the needs of mid-sized companies and SMEs.

- Established three marketing offices in central Tokyo exclusively to serve SMEs
- Integrated operations of SMBC's 16 suburban Business Support Offices with SMBC's Corporate Business Offices in order to assure seamless transition of customers to *Business Select Loans* and *N-Fund Loans* as they enter higher growth phases



Corporate Banking

SMFG, primarily through SMBC's Corporate Banking Unit, provides a broad range of financial services to Japan's top-tier corporations and their group companies to respond to their sophisticated and diversified needs.

In the first half of fiscal 2004, we continued to propose comprehensive solutions that address these customers' broad range of management and financial issues, thereby helping raise their enterprise value.

Particularly in the case of corporate groups operating on a global scale, SMFG's extensive network of business bases in Japan and overseas acts as an integrated organization, offering our customers the same high level of support wherever they do business.

We will continue to draw on Group members' wealth of expertise further to enhance activities that will increase our clients' enterprise value.



Major Accomplishments

- Strengthened our capabilities in project finance and structured finance
 - Were actively involved in making numerous project finance and structured finance arrangements, designing various financing plans to suit our customers' individual requirements
- Further enhanced risk management services
 - Offered an extensive lineup of derivatives products to hedge customers against the myriad of risks to which their businesses are exposed

Key Goals

- Augment capabilities in securities market business
 - Further strengthen collaboration between SMBC and Daiwa Securities SMBC Co., Ltd. to enable a more precise response to customer needs related to the securities market
- Bolster solutions capability through expansion of lineup of derivatives products
 - Enhance ability to provide optimal solutions by more fully utilizing SMFG's extensive resources and expanding lineup of products

Community Banking

SMFG provides a wide range of financial services tailored to the needs of customers—principally small businesses and individuals—in the Tokyo Metropolitan Area, through SMBC's Community Banking Unit*.

The central mission of the Community Banking Unit, successor to Wakashio Bank, is to provide support to the local community by offering convenient, high-quality financial services to mid-sized companies and small and medium-sized enterprises (SMEs) and individual customers.

The Community Banking Unit places great emphasis on the cultivation of a close relationship with the local community. We are taking a customer-oriented approach to provide comprehensive financial services with even higher added value and improved convenience, drawing on the Group's extensive expertise to deliver swift and effective solutions to meet our customers' diverse needs.

*Note: SMFG established the Community Banking Unit upon the merger on March 17, 2003 of SMBC and THE WAKASHIO BANK, LTD. As successor to the branches and head-office functions of Wakashio Bank, the Community Banking Unit began operating as a new unit of SMBC, in charge of 33 branches, mostly within central Tokyo.



Major Accomplishments

- Successfully marketed business loans to mid-sized companies and SMEs, as well as to sole proprietorships, under the brand names *Business Quick Loan* and *Triple III Fund*, attracting many new customers
- Met the fund procurement requirements of mid-sized companies and SMEs by offering a more diverse lineup of products and services, including privately placed bonds, collateralized loan obligations (CLOs), commitment lines, and Japanese leveraged leases

Key Goals

- Restructure branch operations, adopting a market-segment focus, to better meet the increasingly diverse and sophisticated needs of customers. Specifically, establish Corporate Business Offices devoted exclusively to the needs of corporate clients, allowing branches to focus solely on serving individuals. We have organized operations according to customer segments better to focus our expertise, with the aim of developing a system that provides services of an even higher quality.

International Banking

Primarily through SMBC's overseas network, SMFG serves corporate groups with global operations, working in close cooperation with other Group companies and alliance partners to accommodate specific requirements without being limited by geographic restrictions.

In Asia, SMFG is expanding its network in China and other growing markets to offer clients a wide selection of services. In the Americas, the focus is on developing and selling products in the world's most advanced financial markets, and expanding customer relations. In Europe, SMFG is offering high-caliber services that will help customers to capitalize on business opportunities resulting from the expansion of the EU.



Newspaper advertisement announcing the opening of the Hangzhou and Hanoi offices

Major Accomplishments

- Expanded SMBC branch network in Asia
 - Opened Hangzhou Branch and Hanoi Representative Office in December 2004
- In Europe, heightened market presence in structured finance market
 - Ranked No. 1* among Japanese banks as lead manager of PFIs (Private Finance Initiatives) in the U.K.
- Introduced the *SMAR&TS-Trade*, an import-export support system in Asia

*Note: *Dealogic Project Finance Review Western Europe*, (PFI-PPP, January-September 2004)

Key Goals

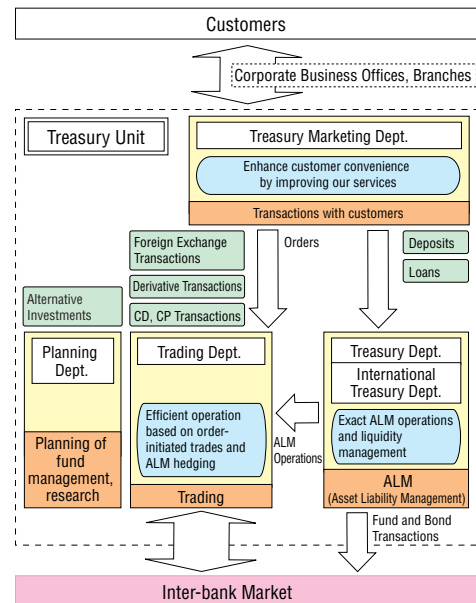
- Build an even more powerful global support framework for customers
- Expand operations in emerging and growing markets

We will expand our business, focusing principally on Europe, the Americas, and Asia. We intend to seize every business opportunity, leveraging the strong position we have achieved in Japan, to drive the growth of SMFG's international business as a whole.

Treasury Markets

SMFG meets customers' market transaction needs through the operations of SMBC's Treasury Unit in the fields of fund procurement, foreign exchange, bonds and derivatives. By these means, SMFG is able to offer customers high-value-added services. Additionally, through its asset liability management and trading operations, the Treasury Unit strives to maximize earnings by investing in diversified portfolios and conducting well-timed arbitrage operations while efficiently managing market risk and liquidity risk.

During the first half of fiscal 2004, SMBC's marketing units and the Treasury Unit worked together to enhance customer convenience. Initiatives include the promotion of NDF (non-deliverable forward) transactions and deposits with foreign exchange forward contracts for individuals. In another move, we expanded the number of currencies handled by the *i-Deal* Internet-based dealing system. The Treasury Unit will continue to offer high-level support services for all our customers' market transaction needs.



Major Accomplishments

- Expanded transaction volume by improving customer convenience
 - Offered NDF transactions and deposits with foreign exchange forward contracts
 - Achieved a further increase in online transaction volume by adding new functions to our *i-Deal* dealing system
 - Continued building a service network in China under the direction of Treasury Unit personnel assigned to the Shanghai Branch
- Created more diversified investment portfolios
 - Promoted alternative investments, in addition to interest rate and foreign exchange trading

Key Goals

- Further enhance the convenience of our services by tailoring them to meet customers' specific needs
- Realize risk allocations that more closely reflect market conditions

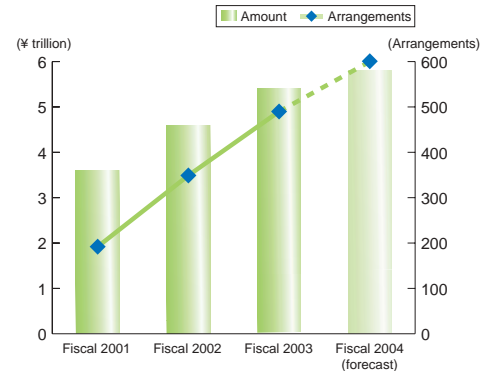
Investment Banking

SMFG delivers innovative and optimal financial investment solutions to meet a wide range of client needs. Drawing on the resources of the Investment Banking Unit of SMBC and of other Group companies, we offer everything from fund procurement and asset management to risk hedging and M&A, thereby increasing our customers' enterprise value.

SMFG ranks among the leaders in Japan in investment banking. Specifically, SMBC's Investment Banking Unit leads the industry in the loan syndication and structured finance business, while Daiwa Securities SMBC Co., Ltd. ranks first in stock and bond underwriting services in Japan. In addition, collaboration between SMBC and Daiwa Securities SMBC is steadily expanding.

SMFG will continue working to achieve outstanding results in the field of investment banking.

Loan Syndication Arrangements



Major Accomplishments

- SMBC's Investment Banking Unit and Daiwa Securities SMBC both reported surges in business profit for the first half of the fiscal year
 - SMBC was selected as the financial adviser in the construction of Japan's largest waste-into-electricity facility, which is a key component of the Super Eco-Town Project sponsored by the Tokyo Metropolitan Government
 - Daiwa Securities SMBC was ranked No. 1 in the league tables for secondary public equity offerings and corporate straight bond underwriting by Thomson Financial
- As a result, our market performance in investment banking was stronger than ever.

Key Goals

- Provide optimal solutions, by working much more closely with Group companies to meet the specific needs of each corporate client and contribute to increasing their enterprise value

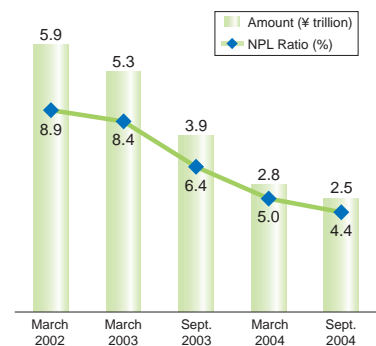
Asset Restructuring

SMFG, primarily through SMBC's Asset Restructuring Unit, is actively promoting corporate revitalization. The unit was established in December 2002 to provide comprehensive support for customers' revitalization and business restructuring. Since its establishment, the Asset Restructuring Unit has written off (off-balanced) loans to potentially bankrupt borrowers, while utilizing the Industrial Revitalization Corporation of Japan and the process set out in the *Guideline for Multi-Creditor Out-of-Court Workouts* established by the Japanese Bankers Association, especially for loans to large borrowers.

Through these measures, we have worked to accelerate the disposal of non-performing loans (NPLs) and strengthened efforts to promote customers' revitalization.

As shown by the large number of corporate revitalization funds recently established, the level of activity in the corporate revitalization market is rising. Recognizing the business opportunities provided by corporate revitalization, we are striving to maximize our profitability. To this end, SMBC will not limit its efforts to the off-balancing of NPLs of borrowers categorized as potentially or effectively bankrupt, and will team up with corporate revitalization funds to revive substandard borrowers whose businesses are deemed capable of revitalization.

Problem Assets Based on Financial Reconstruction Law (SMBC Nonconsolidated)



Major Accomplishments

- Six months ahead of schedule, SMBC achieved its goal of a 50% reduction in the NPL ratio*
 - Corporate revitalization funds in which SMBC made investments in fiscal 2003 are showing a strong performance, with loan recoveries exceeding initial investments for some funds

*Note: The ratio of problem assets as a percentage of assets subject to disclosure under the Financial Reconstruction Law

Key Goals

- SMBC will continue its corporate revitalization activities with the aim of further reducing the balance of NPLs by the end of March 2005
 - SMBC will shift its priority from disposal of NPLs to the revitalization of corporate clients. A number of corporate revitalization funds have recently been established, and, to take advantage of this business opportunity, we have begun actively investing in these funds with the aim of contributing to corporate revitalization, not only as a lender but also as an investor.

Financial Section

Consolidated Balance Sheets (Unaudited)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries
September 30, 2004 and 2003, and March 31, 2004

	Millions of yen			Millions of U.S. dollars
	Sept. 30, 2004	Sept. 30, 2003	Mar. 31, 2004	Sept. 30, 2004
Assets				
Cash and due from banks	¥ 3,327,694	¥ 2,934,143	¥ 3,529,479	\$ 29,966
Deposits with banks	2,518,706	964,363	1,799,471	22,681
Call loans and bills bought	406,571	654,263	360,509	3,661
Receivables under resale agreements	125,306	90,979	152,070	1,128
Receivables under securities borrowing transactions	1,621,384	625,010	1,009,328	14,601
Commercial paper and other debt purchased	521,454	444,540	480,847	4,696
Trading assets	3,274,740	3,485,349	3,306,780	29,489
Money held in trust	3,783	27,498	3,749	34
Securities	24,073,122	22,451,050	27,049,901	216,777
Loans and bills discounted	55,422,034	59,666,363	55,382,800	499,073
Foreign exchanges	964,066	774,597	743,957	8,681
Other assets	2,919,297	3,349,993	3,034,182	26,288
Premises and equipment	946,685	988,386	984,060	8,525
Lease assets	991,190	1,006,315	991,781	8,926
Deferred tax assets	1,743,246	1,845,975	1,706,586	15,698
Deferred tax assets for land revaluation	75	723	706	1
Goodwill	17,544	12,733	21,706	158
Customers' liabilities for acceptances and guarantees	3,399,727	3,102,644	3,079,738	30,614
Reserve for possible loan losses	(1,222,391)	(1,699,431)	(1,422,486)	(11,008)
Total assets	¥101,054,242	¥100,725,500	¥102,215,172	\$909,989
Liabilities, minority interests and stockholders' equity				
Liabilities				
Deposits	¥ 70,658,295	¥ 66,521,873	¥ 68,852,890	\$636,275
Call money and bills sold	4,823,293	8,019,874	6,292,495	43,434
Payables under repurchase agreements	720,461	1,897,172	1,098,449	6,488
Payables under securities lending transactions	4,602,167	4,624,779	5,946,346	41,442
Commercial paper	352,000	247,500	282,700	3,170
Trading liabilities	1,780,073	2,046,766	1,873,245	16,029
Borrowed money	2,213,432	2,476,833	2,360,474	19,932
Foreign exchanges	533,545	448,316	572,755	4,804
Bonds	4,480,668	3,779,852	4,002,965	40,348
Due to trust account	42,202	24,944	36,032	380
Other liabilities	3,250,878	3,551,051	3,591,818	29,274
Reserve for employee bonuses	21,548	20,908	22,226	194
Reserve for employee retirement benefits	31,282	93,220	40,842	282
Reserve for possible losses on loans sold	—	2,628	—	—
Reserve for expenses related to EXPO 2005 Japan	172	57	116	2
Other reserves	1,093	531	862	10
Deferred tax liabilities	46,821	58,494	40,181	422
Deferred tax liabilities for land revaluation	58,100	56,685	56,391	523
Acceptances and guarantees	3,399,727	3,102,644	3,079,738	30,614
Total liabilities	97,015,765	96,974,137	98,150,534	873,623
Minority interests	1,017,565	1,005,886	993,696	9,163
Stockholders' equity				
Capital stock	1,247,650	1,247,650	1,247,650	11,235
Capital surplus	866,870	854,798	865,282	7,806
Retained earnings	612,438	423,309	611,189	5,515
Land revaluation excess	99,514	97,914	96,527	896
Net unrealized gains on other securities	270,252	176,225	325,013	2,434
Foreign currency translation adjustments	(73,509)	(41,189)	(71,764)	(662)
Treasury stock	(2,303)	(13,231)	(2,956)	(21)
Total stockholders' equity	3,020,911	2,745,476	3,070,942	27,203
Total liabilities, minority interests and stockholders' equity	¥101,054,242	¥100,725,500	¥102,215,172	\$909,989

See accompanying notes to consolidated interim financial statements.

Consolidated Statements of Income (Unaudited)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

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

	Millions of yen			Millions of U.S. dollars
	Six months ended Sept. 30, 2004	Six months ended Sept. 30, 2003	Year ended Mar. 31, 2004	Six months ended Sept. 30, 2004
Income				
Interest income:	¥ 752,495	¥ 826,407	¥1,591,338	\$ 6,776
Interest on loans and discounts.....	569,704	587,789	1,171,663	5,130
Interest and dividends on securities.....	121,740	138,520	256,600	1,096
Trust fees	729	84	334	7
Fees and commissions	281,955	237,159	501,028	2,539
Trading profits	30,927	163,904	305,011	278
Other operating income	551,794	459,685	946,474	4,969
Other income	162,942	115,015	325,344	1,467
Total income	1,780,844	1,802,256	3,669,531	16,036
Expenses				
Interest expenses:	156,704	163,169	310,267	1,411
Interest on deposits.....	54,555	58,893	108,180	491
Fees and commissions	46,575	41,969	76,851	419
Trading losses.....	605	—	916	5
Other operating expenses.....	394,061	432,980	886,649	3,549
General and administrative expenses.....	423,612	448,094	866,549	3,815
Provision for reserve for possible loan losses.....	165,267	14,529	—	1,488
Other expenses.....	497,301	514,633	1,123,401	4,478
Total expenses	1,684,128	1,615,376	3,264,636	15,165
Income before income taxes and minority interests	96,715	186,880	404,894	871
Income taxes:				
Current	17,079	22,436	24,289	154
Refund.....	8,104	—	—	73
Deferred	5,277	(5,137)	8,593	47
Minority interests in net income.....	29,090	26,087	41,596	262
Net income	¥ 53,372	¥ 143,492	¥ 330,414	\$ 481
Per share data:				
Net income	¥9,119.40	¥24,993.09	¥52,314.75	\$82.12
Net income — diluted	5,245.69	15,608.81	35,865.20	47.24

See accompanying notes to consolidated interim financial statements.

Consolidated Statements of Stockholders' Equity (Unaudited)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

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

	Millions of yen							
	Capital stock	Capital surplus	Retained earnings	Land revaluation excess	Net unrealized gains (losses) on other securities	Foreign currency translation adjustments	Treasury stock	Total
Balance at March 31, 2003	¥1,247,650	¥856,237	¥311,664	¥101,440	¥ (24,197)	¥(53,515)	¥(15,204)	¥2,424,074
Merger of subsidiaries			(2,066)					(2,066)
Change due to decrease of affiliates			54					54
Gains on disposal of treasury stock		9,044						9,044
Transfer of land revaluation excess			4,428	(4,428)				—
Change in tax rate and others				(484)				(484)
Cash dividends paid			(33,306)					(33,306)
Net income			330,414					330,414
Change in net unrealized gains on other securities					349,211			349,211
Change in foreign currency translation adjustments						(18,248)		(18,248)
Change in treasury stock							12,248	12,248
Balance at March 31, 2004	1,247,650	865,282	611,189	96,527	325,013	(71,764)	(2,956)	3,070,942
Merger of subsidiaries			2					2
Change due to decrease of affiliates			(2,719)					(2,719)
Gains on disposal of treasury stock		1,588						1,588
Transfer of land revaluation excess			(2,985)	2,985				—
Change in tax rate and others				0				0
Cash dividends paid			(46,421)					(46,421)
Net income			53,372					53,372
Change in net unrealized gains on other securities					(54,761)			(54,761)
Change in foreign currency translation adjustments						(1,745)		(1,745)
Change in treasury stock							652	652
Balance at September 30, 2004	¥1,247,650	¥866,870	¥612,438	¥ 99,514	¥270,252	¥(73,509)	¥ (2,303)	¥3,020,911

	Millions of U.S. dollars							
	Capital stock	Capital surplus	Retained earnings	Land revaluation excess	Net unrealized gains (losses) on other securities	Foreign currency translation adjustments	Treasury stock	Total
Balance at March 31, 2004	\$11,235	\$7,792	\$5,504	\$869	\$2,927	\$(646)	\$(27)	\$27,654
Merger of subsidiaries			0					0
Change due to decrease of affiliates			(25)					(25)
Gains on disposal of treasury stock		14						14
Transfer of land revaluation excess			(27)	27				—
Change in tax rate and others				0				0
Cash dividends paid			(418)					(418)
Net income			481					481
Change in net unrealized gains on other securities					(493)			(493)
Change in foreign currency translation adjustments						(16)		(16)
Change in treasury stock							6	6
Balance at September 30, 2004	\$11,235	\$7,806	\$5,515	\$896	\$2,434	\$(662)	\$(21)	\$27,203

See accompanying notes to consolidated interim financial statements.

Consolidated Statements of Cash Flows (Unaudited)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

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

	Millions of yen			Millions of U.S. dollars
	Six months ended Sept. 30, 2004	Six months ended Sept. 30, 2003	Year ended Mar. 31, 2004	Six months ended Sept. 30, 2004
1. Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 96,715	¥ 186,880	¥ 404,894	\$ 871
Depreciation of premises, equipment and others	41,082	41,894	82,464	370
Depreciation of lease assets.....	168,782	167,285	336,271	1,520
Amortization of goodwill.....	4,280	4,191	(4,260)	39
Equity in earnings of affiliates	(12,893)	(8,044)	(15,700)	(116)
Net change in reserve for possible loan losses	(200,035)	(550,977)	(824,917)	(1,801)
Net change in reserve for possible losses on loans sold.....	—	(18,036)	(20,665)	—
Net change in reserve for employee bonuses	(855)	(1,134)	221	(8)
Net change in reserve for employee retirement benefits	131,309	7,969	(40,069)	1,182
Net change in reserve for expenses related to EXPO 2005 Japan	55	57	116	0
Interest income	(752,495)	(826,407)	(1,591,338)	(6,776)
Interest expenses	156,704	163,169	310,267	1,411
Net (gains) losses on securities.....	(74,018)	(40,431)	(67,928)	(667)
Net (gains) losses from money held in trust	—	1,007	(121)	—
Net exchange (gains) losses	(172,849)	221,477	407,340	(1,557)
Net (gains) losses from disposal of premises and equipment	8,716	7,985	30,697	78
Net (gains) losses from disposal of lease assets.....	(1,143)	49	(1,870)	(10)
Net change in trading assets	37,897	1,003,098	1,131,864	341
Net change in trading liabilities	(98,289)	(802,432)	(929,787)	(885)
Net change in loans and bills discounted	(18,373)	1,985,803	6,198,239	(165)
Net change in deposits	2,245,859	(428,206)	1,829,914	20,224
Net change in negotiable certificates of deposit	(478,870)	(1,479,196)	(1,338,888)	(4,312)
Net change in borrowed money (excluding subordinated debt) ...	(142,894)	(51,542)	(112,211)	(1,287)
Net change in deposits with banks	(683,001)	(432,383)	(1,299,305)	(6,150)
Net change in call loans, bills bought and receivables under resale agreements.....	(59,546)	(508,664)	(318,516)	(536)
Net change in receivables under securities borrowing transactions.....	(612,055)	1,356,233	971,914	(5,512)
Net change in call money, bills sold and payables under repurchase agreements	(1,845,325)	(3,181,690)	(5,704,903)	(16,617)
Net change in commercial paper	69,300	59,700	94,900	624
Net change in payables under securities lending transactions....	(1,344,179)	(182,466)	1,139,101	(12,104)
Net change in foreign exchanges (assets)	(219,887)	(24,440)	5,016	(1,980)
Net change in foreign exchanges (liabilities)	(39,119)	50,442	175,444	(352)
Issuance and redemption of bonds (excluding subordinated bonds).....	279,933	8,655	152,514	2,521
Net change in due to trust account	6,169	18,990	30,078	56
Interest received	797,421	856,081	1,636,935	7,181
Interest paid	(158,410)	(174,330)	(336,704)	(1,427)
Net change in payable on trading and securities contracts	—	—	1,188,672	—
Other, net.....	(332,096)	809,744	27,099	(2,991)
Subtotal	(3,202,113)	(1,759,666)	3,546,782	(28,835)
Income taxes paid.....	(28,614)	5,817	(24,664)	(258)
Net cash provided by (used in) operating activities.....	(3,230,728)	(1,753,848)	3,522,118	(29,093)

(Continued)

	Millions of yen			Millions of U.S. dollars
	Six months ended Sept. 30, 2004	Six months ended Sept. 30, 2003	Year ended Mar. 31, 2004	Six months ended Sept. 30, 2004
2. Cash flows from investing activities:				
Purchases of securities	¥(21,283,083)	¥(23,707,428)	¥(47,305,660)	\$(191,653)
Proceeds from sale of securities	16,679,189	15,807,610	30,688,033	150,195
Proceeds from maturity of securities	7,674,230	9,806,287	13,967,819	69,106
Purchases of money held in trust	—	(21,111)	(21,225)	—
Proceeds from sale of money held in trust	0	17,268	42,259	0
Purchases of premises and equipment	(22,183)	(22,248)	(80,932)	(200)
Proceeds from sale of premises and equipment	28,080	17,330	20,839	253
Purchases of lease assets	(185,819)	(192,936)	(368,159)	(1,673)
Proceeds from sale of lease assets	18,991	15,526	37,678	171
Purchases of stocks of subsidiaries	(2,970)	(8,999)	(8,999)	(27)
Net cash provided by (used in) investing activities	2,906,435	1,711,298	(3,028,346)	26,172
3. Cash flows from financing activities:				
Proceeds from issuance of subordinated debt	20,000	34,500	89,500	180
Repayment of subordinated debt	(22,240)	(95,500)	(195,000)	(200)
Proceeds from issuance of subordinated bonds and bonds with stock acquisition rights	237,275	238,362	436,453	2,137
Repayment of subordinated bonds and bonds with stock acquisition rights	(48,000)	(42,962)	(150,713)	(432)
Dividends paid	(46,447)	(33,330)	(33,360)	(418)
Proceeds from minority stockholders	—	—	25	—
Dividends paid to minority stockholders	(26,171)	(24,388)	(33,196)	(236)
Purchases of treasury stock	(502)	(152)	(632)	(5)
Proceeds from sale of treasury stock	3,936	936	24,058	35
Net cash provided by financing activities	117,850	77,465	137,134	1,061
4. Effect of exchange rate changes on cash and due from banks ...	716	(1,763)	(2,417)	7
5. Net change in cash and due from banks	(205,726)	33,151	628,488	(1,853)
6. Cash and due from banks at beginning of period	3,529,479	2,900,991	2,900,991	31,783
7. Change in cash and due from banks due to merger of consolidated subsidiaries	3,941	—	—	36
8. Change in cash and due from banks due to decrease of consolidated subsidiaries	—	(0)	(0)	—
9. Cash and due from banks at end of period	¥ 3,327,694	¥ 2,934,143	¥ 3,529,479	\$ 29,966

See accompanying notes to consolidated interim financial statements.

Notes to Consolidated Interim Financial Statements (Unaudited)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries
Six months ended September 30, 2004

I. Significant Accounting Policies

1. Scope of consolidation

- (1) Consolidated subsidiaries: 166 companies

Principal companies:

Sumitomo Mitsui Banking Corporation (“SMBC”)
THE MINATO BANK, LTD.
Kansai Urban Banking Corporation
Sumitomo Mitsui Banking Corporation Europe Limited
Manufacturers Bank
SMBC Leasing Company, Limited
Sumitomo Mitsui Card Company, Limited
SMBC Capital Co., Ltd.
SMBC Finance Service Co., Ltd.
SMBC Friend Securities Co., Ltd.
The Japan Research Institute, Limited
SMBC Capital Markets, Inc.

From this interim term, eight companies including SMBC Financial Business Planning Co., Ltd. were newly consolidated due to establishment.

From this interim term, Minato Card Co., Ltd. was excluded from the scope of consolidation because it was no longer a subsidiary due to merger.

From this interim term, six companies including SMLC Indus Co., Ltd. became unconsolidated subsidiaries that are not accounted for by the equity method because they became silent partnerships for lease transactions.

- (2) Unconsolidated subsidiaries

Principal company:

SBCS Co., Ltd.

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

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

2. Application of the equity method

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

Principal company:

SBCS Co., Ltd.

- (2) Affiliates accounted for by the equity method: 46 companies

Principal companies:

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

From this interim term, five companies including Promise Co., Ltd. newly became affiliated companies accounted for by the equity method due to acquirement of shares.

From this interim term, three companies including Sony Bank Incorporated were excluded from the scope of affiliated companies due to decrease in ratio of voting share ownership and other reasons.

- (3) Unconsolidated subsidiaries that are not accounted for by the equity method:

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

- (4) Affiliates that are not accounted for by the equity method
Principal company:

Daiwa SB Investments (USA) Ltd.

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

3. The interim balance sheet dates of consolidated subsidiaries

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

March 31:	6 Companies
April 30:	1 Company
June 30:	66 Companies
July 31:	2 Companies
September 30:	91 Companies

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

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

4. Accounting methods

- (1) Standards for recognition and measurement of trading assets/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 interim balance sheet on a contract date basis. Profits and losses on trading-purpose transactions are recognized on a trade date basis, and recorded as “Trading profits” and “Trading losses.”

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

“Trading profits” and “Trading losses” include interest received or paid during the interim term. The valuation differences of securities and money claims between the previous fiscal year-end and this interim term-end are recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the valuation differences between the previous fiscal year-end and this interim term-end are recorded in the above-mentioned accounts.

(2) Standards for recognition and measurement of securities

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

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

(3) Standards for recognition and measurement of derivative transactions

Derivative transactions, excluding those classified as trading derivatives, are carried at fair value, though some consolidated overseas subsidiaries account for derivative transactions in accordance with their local accounting standards.

(4) Depreciation

(a) Depreciation of premises, equipment and lease assets
Premises and equipment owned by Sumitomo Mitsui Financial Group, Inc. (SMFG) and SMBC are depreciated using the straight-line method for premises and the declining-balance method for equipment. They calculated the depreciation cost for the interim term by proportionally allocating the estimated annual cost to the interim term. The estimated useful lives of major items are as follows:

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

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

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

(5) Reserve for possible loan losses

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

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

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

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 specific countries, an additional reserve is provided in the amount deemed necessary based on the assessment of political and economic conditions.

Branches and credit supervision departments assess all claims in accordance with the internal rules for self-assessment of assets, and the Credit Review Department, independent from these operating sections, audits their assessment. The reserves are provided based on the results of these assessments.

Reserve for possible loan losses of other consolidated subsidiaries for general claims is provided in the amount deemed necessary based on the historical loan-loss ratios, and for doubtful claims in the amount deemed uncollectible based on assessment of each claim.

For collateralized or guaranteed claims on bankrupt borrowers and effectively bankrupt borrowers, the amount exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and written off against the total outstanding amount of the claims. The amount of write-off was ¥1,774,043 million (\$15,975 million).

(6) 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 this interim term.

(7) 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 interim term-end, based on the projected retirement benefit obligation and the fair value of plan assets at this fiscal year-end.

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

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

Unrecognized net transition obligation from the initial application of the new accounting standard for employee retirement benefits is amortized primarily using the straight-line method over five years and is charged 50% of the annual amortized cost to its income for the six months ended September 30, 2004.

(8) Reserve for expenses related to EXPO 2005 Japan

SMBC accounts for the exhibition expenses related to "The 2005 World Exposition, Aichi, Japan" that will be held in Aichi Prefecture in 2005 as "Reserve for expenses related to EXPO 2005 Japan," which includes the reserve that is stipulated in Article 57-2 of the Specific Taxation Measures Law.

(9) Other reserves required by special laws

Other reserves required by special laws are reserve for contingent liabilities from financial futures transactions in accordance with Article 82 of the Financial Futures Transaction Law of ¥18 million (\$0 million), and reserve for contingent liabilities from securities transactions in accordance with Article 51 of the Securities and Exchange Law of ¥1,075 million (\$10 million).

(10) Translation of foreign currency assets and liabilities

SMBC's assets and liabilities denominated in foreign currencies and overseas branches' accounts are translated into Japanese yen mainly at the exchange rate prevailing at the consolidated interim balance sheet date, with the exception of stocks of subsidiaries and affiliates translated at rates 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 interim balance sheet dates.

(11) Accounting method for lease transactions

Financing leases of SMFG and its consolidated domestic subsidiaries, excluding those in which the ownership of the property is transferred to the lessee, are accounted for in the same 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.

(12) Hedge accounting

(a) Hedging against interest rate changes

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

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 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 basically applies deferred hedge accounting. But, SMBC applies fair value hedge accounting to hedging transactions for reducing the market volatility of bonds classified as other securities that are 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. At this interim term-end, gross amounts of deferred hedge losses and gains on “macro hedge” were ¥254,000 million (\$2,287 million) and ¥221,851 million (\$1,998 million), respectively.

(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 strict criteria for external transactions stipulated in JICPA Industry Audit Committee Report No.24 and No.25. Therefore, SMBC accounts for the gains or losses that arise from interest rate swaps and currency swaps in its earnings or defers them, rather than eliminating them.

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

(13) Consumption tax

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

(14) Tax effect accounting

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

5. Scope of “cash and cash equivalents” on consolidated statement of cash flows

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

II. Additional Information

With the implementation of the “Revision of the Local Tax Law” (Legislation No.9, 2003) on March 31, 2003, a part of the tax basis of enterprise taxes comprises “amount of added value” and “amount of capital” from the fiscal year commenced April 1, 2004. As a result, SMFG and its consolidated domestic subsidiaries calculate enterprise taxes based on “amount of added value” and “amount of capital” and they are included in “General and administrative expenses” from this interim term pursuant to “Practical Treatment for Presentation of External Based-Corporate Enterprise Taxes in the Statement of Income” (Accounting Standards Board, Practical Solution Report No.12).

III. Notes to Consolidated Balance Sheet

1. Securities include ¥352,247 million (\$3,172 million) of stocks of unconsolidated subsidiaries and affiliates and ¥1,492 million (\$13 million) of investments.
2. Japanese government bonds as a sub-account of Securities include ¥16,294 million (\$147 million) of unsecured loaned securities for which borrowers have the right to sell or pledge.

As for the unsecured borrowed securities for which SMBC has the right to sell or pledge and the securities which SMBC purchased under resale agreements, that are permitted to be sold or pledged without restrictions, ¥1,579,675 million (\$14,225 million) of securities are pledged, and ¥167,303 million (\$1,507 million) of securities are held in hand as of the consolidated interim balance sheet date.

3. Bankrupt loans and Non-accrual loans were ¥86,972 million (\$783 million) and ¥1,844,061 million (\$16,606 million), respectively. These amounts include the trusted amount with The Resolution and Collection Corporation of ¥3,792 million (\$34 million), which is treated as off-balancing.

“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. “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.

4. Past due loans (3 months or more) totaled ¥52,918 million (\$477 million).

“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.”

5. Restructured loans totaled ¥884,745 million (\$7,967 million).

“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).”

6. The total amount of Bankrupt loans, Non-accrual loans, Past due loans (3 months or more) and Restructured loans was ¥2,868,696 million (\$25,832 million). This amount includes the trusted amount with The Resolution and Collection Corporation of ¥3,837 million (\$35 million), which is treated as off-balancing.

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

7. Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No.24. SMFG’s banking subsidiaries have rights to sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The total face value was ¥1,031,613 million (\$9,290 million).

8. Assets pledged as collateral were as follows:

September 30, 2004	Millions of yen	Millions of U.S. dollars
Assets pledged		
Cash and due from banks and		
Deposits with banks.....	¥ 90,583	\$ 816
Trading assets	651,906	5,870
Securities	7,457,751	67,157
Loans and bills discounted	1,465,657	13,198
Other assets (installment account		
receivable, etc.)	1,030	9
Liabilities corresponding to		
assets pledged		
Deposits.....	¥ 10,528	\$ 95
Call money and bills sold	3,655,999	32,922
Payables under repurchase		
agreements.....	715,530	6,443
Payables under securities		
lending transactions	4,460,991	40,171
Trading liabilities	125,597	1,131
Borrowed money.....	3,893	35
Other liabilities	14,617	132
Acceptances and guarantees	149,029	1,342

In addition, Cash and due from banks and Deposits with banks of ¥50,227 million (\$452 million), Trading assets of ¥1,663 million (\$15 million), Securities of ¥6,962,079 million (\$62,693 million), and Loans and bills discounted of ¥581,956 million (\$5,240 million) were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes.

Premises and equipment include surety deposits and intangible of ¥110,928 million (\$999 million), and Other assets include initial margins of futures markets of ¥9,216 million (\$83 million).

9. Commitment line contracts on overdrafts and loans are agreements to lend to customers up to a prescribed amount, as long as there is no violation of any condition established in the contracts. The amount of unused commitments was ¥34,368,593 million (\$309,488 million), and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time was ¥30,841,376 million (\$277,725 million). Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments include clauses under which SMBC and other consolidated subsidiaries can reject an application from customers or reduce the contract amounts in the event that economic conditions change, SMBC and other consolidated subsidiaries need to secure claims, or other events occur. In addition, SMBC and other consolidated subsidiaries may request the customers to pledge collateral such as premises and securities at the time of the contracts, and take necessary measures such as monitoring customers’ financial positions, revising contracts when need arises and securing claims after contracts are made.

10. Net amount of deferred unrealized gains (losses) on hedging instruments to which deferred hedge accounting is applied is reported as deferred loss on hedge and is included in "Other assets." Gross deferred unrealized losses and gains on hedging instruments were ¥573,789 million (\$5,167 million) and ¥457,780 million (\$4,122 million), respectively.
11. SMBC revaluated its own land for business activities in accordance with the "Law Concerning Land Revaluation" (the "Law") effective March 31, 1998 and the law concerning amendment of the Law effective March 31, 2001. The income taxes corresponding to the net unrealized gains are deferred and reported in "Liabilities" as "Deferred tax liabilities for land revaluation," and the net unrealized gains, net of deferred taxes, are reported as "Land revaluation excess" in "Stockholders' equity."
- Certain other consolidated subsidiaries revaluated their own land for business activities in accordance with the Law. The income taxes corresponding to the net unrealized gains (losses) are deferred and reported in "Liabilities" or "Assets" as "Deferred tax liabilities for land revaluation" or "Deferred tax assets for land revaluation," and the net unrealized gains (losses), net of deferred taxes, are reported as "Land revaluation excess" in "Stockholders' equity."

Date of the revaluation:

SMBC: March 31, 1998 and March 31, 2002
 Certain 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.

12. Accumulated depreciation on premises and equipment and accumulated depreciation on lease assets amounted to ¥588,735 million (\$5,302 million) and ¥1,550,472 million (\$13,962 million), respectively.
13. The balance of subordinated debt included in "Borrowed money" was ¥771,570 million (\$6,948 million).
14. The balance of subordinated bonds included in "Bonds" was ¥1,861,560 million (\$16,763 million).

IV. Notes to Consolidated Statement of Income

1. "Other income" includes gains on sales of stocks and other securities of ¥65,914 million (\$594 million), gains on securities contributed to employee retirement benefit trusts of ¥75,275 million (\$678 million), gains on disposal of premises and equipment of ¥2,185 million (\$20 million) and collection of written-off claims of ¥485 million (\$4 million).

2. "Other expenses" includes write-off of loans of ¥391,236 million (\$3,523 million), losses on delinquent loans sold of ¥56,321 million (\$507 million), amortized cost of unrecognized net transition obligation from initial application of the new accounting standard for employee retirement benefits of ¥8,938 million (\$80 million) and losses on disposal of premises and equipment of ¥10,901 million (\$98 million).

V. Lease Transactions

1. Financing leases

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value for financing leases without transfer of ownership at September 30, 2004 was as follows:

(1) Lessee side

September 30, 2004	Millions of yen		
	Equipment	Other	Total
Acquisition cost	¥9,772	¥472	¥10,244
Accumulated depreciation	5,572	267	5,839
Net book value	¥4,200	¥204	¥ 4,404

September 30, 2004	Millions of U.S. dollars		
	Equipment	Other	Total
Acquisition cost	\$88	\$4	\$92
Accumulated depreciation	50	2	52
Net book value	\$38	\$2	\$40

Future minimum lease payments excluding interests at September 30, 2004 were as follows:

September 30, 2004	Millions of U.S. dollars	
	Millions of yen	U.S. dollars
Due within one year	¥1,788	\$16
Due after one year	2,760	25
Total	¥4,549	\$41

Total lease expenses for this interim term were ¥1,018 million (\$9 million).

Assumed depreciation expenses for this interim term amounted to ¥948 million (\$9 million).

Assumed depreciation expenses are calculated using the straight-line method over the lease term of the respective assets without salvage values.

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

(2) Lessor side

September 30, 2004	Millions of yen		
	Equipment	Other	Total
Acquisition cost	¥1,920,975	¥588,826	¥2,509,801
Accumulated depreciation	1,216,807	327,019	1,543,827
Net book value	¥ 704,167	¥261,807	¥ 965,974

September 30, 2004	Millions of U.S. dollars		
	Equipment	Other	Total
Acquisition cost	\$17,298	\$5,303	\$22,601
Accumulated depreciation	10,957	2,945	13,902
Net book value	\$ 6,341	\$2,358	\$ 8,699

Future lease payment receivables excluding interests at September 30, 2004 were as follows:

September 30, 2004	Millions of yen	Millions of
		U.S. dollars
Due within one year	¥314,280	\$2,830
Due after one year	657,713	5,923
Total	¥971,993	\$8,753

Total lease income for this interim term was ¥205,622 million (\$1,852 million).

Depreciation expense for this interim term was ¥166,435 million (\$1,499 million).

Assumed 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 assumed interest income over the lease term is calculated using the effective interest method. Assumed interest income for this interim term was ¥31,891 million (\$287 million).

2. Operating leases

(1) Lessee side

Future minimum lease payments at September 30, 2004 were as follows:

September 30, 2004	Millions of yen	Millions of
		U.S. dollars
Due within one year	¥17,172	\$155
Due after one year	76,766	691
Total	¥93,939	\$846

(2) Lessor side

Future lease payment receivables at September 30, 2004 were as follows:

September 30, 2004	Millions of yen	Millions of
		U.S. dollars
Due within one year	¥ 5,340	\$ 48
Due after one year	11,128	100
Total	¥16,468	\$148

Future lease payments receivable amounting to ¥86,071 million (\$775 million) on the lessor side referred to above 1. and 2. were pledged as collateral for borrowings.

VI. Others

Amounts less than one million yen have been omitted. As a result, the totals in Japanese yen shown in the financial statements do not necessarily agree with the sum of the individual amounts. The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at September 30, 2004, which was ¥111.05 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.

VII. Per Share Data

September 30, 2004	Yen	U.S. dollars
Stockholders' equity per share	¥230,491.11	\$2,075.56
Net income per share	9,119.40	82.12
Net income per share — diluted	5,245.69	47.24

1. Stockholders' equity per share is calculated by deducting from stockholders' equity the number of preferred stocks issued as of the end of the interim term multiplied by the issue price, divided by the number of common stocks issued at the interim term-end (excluding "treasury stock").
2. Net income per share is calculated by deducting dividends for preferred stock from net income, divided by the weighted average number of shares of common stock, excluding treasury stock outstanding during the interim term.
3. Net income per share (diluted) reflects the potential dilution that could occur if preferred stocks and other contracts to issue common stocks were exercised.

VIII. Subsequent Events (up to December 13, 2004)

SMFG repurchased its own shares on November 2, 2004 pursuant to the resolution of the Board of Directors meeting held on September 30, 2004 as follows:

- (1) Type of capital stock repurchased: SMFG's common stock
- (2) Total number of shares repurchased: 400,805 shares
- (3) Repurchase price: ¥668,000 (\$6,015) per share
Total amount: ¥267,737,740,000 (\$2,411 million)
- (4) Method of repurchase: Through ToSTNet-2 (closing price orders) of Tokyo Stock Exchange

Deposit Insurance Corporation of Japan announced that The Resolution and Collection Corporation (RCC) sold 401,705.31 shares* of SMFG's common stock at ¥268,339,153,590 (\$2,416 million) on November 2, 2004.

*RCC converted 32,000 shares of preferred stock (type 1) worth ¥96,000 million (\$864 million) and 105,000 shares of preferred stock (type 3) worth ¥105,000 million (\$946 million) on September 30, 2004.

IX. Market Value Information

1. Securities

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

(1) Securities classified as trading purposes

September 30, 2004	Millions of yen	Millions of U.S. dollars
Consolidated balance sheet amount	¥1,209,190	\$10,889
Valuation losses included in the earnings for the interim term	2,548	23

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

September 30, 2004	Millions of yen				
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	¥508,400	¥502,551	¥(5,848)	¥1,684	¥7,533
Japanese local government bonds	—	—	—	—	—
Japanese corporate bonds	—	—	—	—	—
Other	36,235	36,794	558	681	122
Total	¥544,636	¥539,346	¥(5,289)	¥2,365	¥7,655

September 30, 2004	Millions of U.S. dollars				
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	\$4,578	\$4,525	\$(53)	\$15	\$68
Japanese local government bonds	—	—	—	—	—
Japanese corporate bonds	—	—	—	—	—
Other	326	331	5	6	1
Total	\$4,904	\$4,856	\$(48)	\$21	\$69

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

(3) Other securities with market value

September 30, 2004	Millions of yen				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	¥ 2,035,061	¥ 2,616,748	¥581,686	¥637,425	¥ 55,738
Bonds	13,744,918	13,686,800	(58,118)	18,409	76,527
Japanese government bonds	12,421,472	12,371,625	(49,846)	13,933	63,780
Japanese local government bonds	504,080	497,812	(6,267)	1,094	7,361
Japanese corporate bonds	819,366	817,362	(2,003)	3,381	5,385
Other	4,079,116	4,039,623	(39,492)	8,902	48,395
Total	¥19,859,096	¥20,343,172	¥484,076	¥664,737	¥180,661

September 30, 2004	Millions of U.S. dollars				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	\$ 18,326	\$ 23,564	\$5,238	\$5,740	\$ 502
Bonds	123,772	123,249	(523)	166	689
Japanese government bonds	111,855	111,406	(449)	125	574
Japanese local government bonds	4,539	4,483	(56)	10	66
Japanese corporate bonds	7,378	7,360	(18)	31	49
Other	36,732	36,376	(356)	80	436
Total	\$178,830	\$183,189	\$4,359	\$5,986	\$1,627

Notes: 1. Of the total net unrealized gains shown above, ¥22,199 million (\$200 million) is included in this term's earnings because of the application of fair value hedge accounting.

2. Stocks are carried on the consolidated balance sheet mainly at their average market prices during the final month of the interim term.

Bonds and others are carried on the consolidated balance sheet at their interim term-end market prices.

3. Other securities with market value are considered as impaired if the market value decreases materially below the acquisition cost and such decline is not considered as recoverable. The market value is recognized as the consolidated interim balance sheet amount and the amount of write-down is accounted for as valuation loss (impaired) for this interim term. Valuation loss (impaired) for this interim term was ¥39 million (\$0 million). The rule for determining "material decline" is as follows and is based on the classification of issuing company under self-assessment of assets.

Bankrupt/Effectively bankrupt/Potentially bankrupt issuers: Market value is lower than acquisition cost.
 Issuers requiring caution: Market value is 30% or more lower than acquisition cost.
 Normal issuers: Market value is 50% or more lower than acquisition cost.
 Bankrupt issuers: Issuers that are legally bankrupt or formally declared bankrupt.
 Effectively bankrupt issuers: Issuers that are not legally bankrupt but regarded as substantially bankrupt.
 Potentially bankrupt issuers: Issuers that are 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.

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

There are no corresponding transactions.

(5) Other securities sold during the interim term

Six months ended September 30, 2004	Millions of yen			Millions of U.S. dollars		
	Sales amount	Gains on sales	Losses on sales	Sales amount	Gains on sales	Losses on sales
Other securities	¥16,678,701	¥117,923	¥27,549	\$150,191	\$1,062	\$248

(6) Securities with no available market value

September 30, 2004	Millions of yen	Millions of U.S. dollars
	Consolidated balance sheet amount	Consolidated balance sheet amount
Bonds classified as held-to-maturity		
Unlisted foreign securities.....	¥ 3,492	\$ 31
Other	11,290	102
Other securities		
Unlisted stocks (excluding OTC stocks).....	580,961	5,232
Unlisted bonds.....	1,768,325	15,924
Unlisted foreign securities.....	394,347	3,551
Other	150,646	1,357

(7) Change of classification of securities

There are no corresponding transactions.

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

September 30, 2004	Millions of yen			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Bonds	¥2,927,449	¥ 7,891,459	¥2,987,501	¥2,157,117
Japanese government bonds	2,701,723	5,793,773	2,234,942	2,149,585
Japanese local government bonds	13,233	252,642	231,433	503
Japanese corporate bonds.....	212,492	1,845,044	521,125	7,028
Other	378,578	2,956,785	417,839	511,709
Total.....	¥3,306,028	¥10,848,244	¥3,405,341	¥2,668,827

September 30, 2004	Millions of U.S. dollars			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Bonds	\$26,362	\$71,062	\$26,902	\$19,425
Japanese government bonds	24,329	52,173	20,125	19,357
Japanese local government bonds	119	2,275	2,084	5
Japanese corporate bonds.....	1,914	16,614	4,693	63
Other	3,409	26,626	3,763	4,608
Total.....	\$29,771	\$97,688	\$30,665	\$24,033

2. Money held in trust

(1) Money held in trust classified as trading purposes

There are no corresponding transactions.

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

There are no corresponding transactions.

(3) Other money held in trust

September 30, 2004	Millions of yen				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Other money held in trust	¥3,628	¥3,783	¥154	¥271	¥116

September 30, 2004	Millions of U.S. dollars				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Other money held in trust	\$33	\$34	\$1	\$2	\$1

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

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

September 30, 2004	Millions of yen	Millions of U.S. dollars
Net unrealized gains	¥462,018	\$4,160
Other securities	461,863	4,159
Other money held in trust	154	1
(-) Deferred tax liabilities	187,970	1,692
Net unrealized gains on other securities (before following adjustment)	274,048	2,468
(-) Minority interests	4,981	45
(+) SMFG's interest in net unrealized gains on valuation of other securities held by affiliates accounted for by the equity method	1,185	11
Net unrealized gains on other securities	¥270,252	\$2,434

Notes: 1. Of the total net unrealized gains shown above, ¥22,199 million (\$200 million) is included in this term's earnings because of the application of fair value hedge accounting.

2. Net unrealized gains included foreign currency translation adjustments on non-marketable securities denominated in foreign currency.

4. Derivative transactions

(1) Interest rate derivatives

September 30, 2004	Millions of yen			Millions of U.S. dollars		
	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Transactions listed on exchange:						
Interest rate futures	¥108,923,645	¥ (4,995)	¥ (4,995)	\$ 980,852	\$ (45)	\$ (45)
Interest rate options	698,705	(57)	(57)	6,292	(1)	(1)
Over-the-counter transactions:						
Forward rate agreements	10,371,517	(1,315)	(1,315)	93,395	(12)	(12)
Interest rate swaps	393,687,431	224,757	224,757	3,545,137	2,024	2,024
Interest rate swaptions	4,942,071	4,760	4,760	44,503	43	43
Caps	11,419,502	(3,700)	(3,700)	102,832	(33)	(33)
Floors	669,925	43	43	6,033	0	0
Other	580,420	6,512	6,512	5,227	59	59
Total	/	¥226,005	¥226,005	/	\$2,035	\$2,035

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

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

Some consolidated overseas subsidiaries account for interest rate derivatives in accordance with local accounting standards. Such transactions are not included in the amounts above. Net unrealized losses amounted to ¥1,754 million (\$16 million).

(2) Currency derivatives

September 30, 2004	Millions of yen			Millions of U.S. dollars		
	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Over-the-counter transactions:						
Currency swaps.....	¥17,436,346	¥ 75,832	¥67,322	\$157,013	\$683	\$606
Currency swaptions	2,010,789	16,647	16,647	18,107	150	150
Forward foreign exchange	45,668,088	9,614	9,614	411,239	87	87
Currency options	5,150,486	(2,005)	(2,005)	46,380	(18)	(18)
Other	2,852	29	29	26	0	0
Total	/	¥100,118	¥91,608	/	\$902	\$825

Note: The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of income. The amounts above do not include the following:

- Derivative transactions to which deferred hedge accounting method is applied;
- Those that are allotted to financial assets/liabilities denominated in foreign currency and whose market values are already reflected to the consolidated balance sheet; and
- Those that are allotted to financial assets/liabilities denominated in foreign currency and the financial assets/liabilities are eliminated in the process of consolidation.

Some consolidated overseas subsidiaries account for currency derivatives in accordance with local accounting standards. Such transactions are not included in the amounts above. Net unrealized losses amounted to ¥164 million (\$1 million).

(3) Equity derivatives

September 30, 2004	Millions of yen			Millions of U.S. dollars		
	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Transactions listed on exchange:						
Equity price index futures	¥ 1,597	¥ (50)	¥ (50)	\$ 14	\$(0)	\$(0)
Equity price index options.....	110	1	1	1	0	0
Over-the-counter transactions:						
Equity options.....	34,000	0	0	306	0	0
Equity price index swaps	—	—	—	—	—	—
Other	46,416	1,685	1,685	418	15	15
Total	/	¥1,636	¥1,636	/	\$15	\$15

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

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

(4) Bond derivatives

September 30, 2004	Millions of yen			Millions of U.S. dollars		
	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Transactions listed on exchange:						
Bond futures.....	¥1,148,958	¥6,188	¥6,188	\$10,346	\$56	\$56
Bond futures options	155,100	492	492	1,397	5	5
Over-the-counter transactions:						
Forward bond agreements.....	285,136	1,818	1,818	2,568	16	16
Bond options.....	3,608,653	(8,542)	(8,542)	32,496	(77)	(77)
Total	/	¥ (42)	¥ (42)	/	\$(0)	\$(0)

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

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

(5) Commodity derivatives

September 30, 2004	Millions of yen			Millions of U.S. dollars		
	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Over-the-counter transactions:						
Commodity swaps	¥218,243	¥7,201	¥7,201	\$1,965	\$65	\$65
Commodity options.....	16,420	231	231	148	2	2
Total	/	¥7,432	¥7,432	/	\$67	\$67

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

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

2. Commodity derivatives are transactions on fuel and metal.

(6) Credit derivative transactions

September 30, 2004	Millions of yen			Millions of U.S. dollars		
	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Over-the-counter transactions:						
Credit default options.....	¥111,843	¥840	¥840	\$1,007	\$8	\$8
Other	1,708	23	23	15	0	0
Total	/	¥864	¥864	/	\$8	\$8

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

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

X. Segment Information

1. Business segment information

Six months ended September 30, 2004	Millions of yen					
	Banking business	Leasing	Other	Total	Elimination and unallocated corporate assets	Consolidated
Ordinary income						
(1) External customers	¥1,226,811	¥344,806	¥206,554	¥1,778,173	¥ —	¥1,778,173
(2) Intersegment	15,719	10,000	95,613	121,334	(121,334)	—
Total.....	1,242,531	354,807	302,168	1,899,507	(121,334)	1,778,173
Ordinary expenses.....	1,210,191	333,222	232,405	1,775,819	(111,747)	1,664,072
Ordinary profit	¥ 32,340	¥ 21,584	¥ 69,763	¥ 123,688	¥ (9,587)	¥ 114,100

Six months ended September 30, 2004	Millions of U.S. dollars					
	Banking business	Leasing	Other	Total	Elimination and unallocated corporate assets	Consolidated
Ordinary income						
(1) External customers	\$11,047	\$3,105	\$1,860	\$16,012	\$ —	\$16,012
(2) Intersegment	142	90	861	1,093	(1,093)	—
Total.....	11,189	3,195	2,721	17,105	(1,093)	16,012
Ordinary expenses.....	10,898	3,000	2,093	15,991	(1,006)	14,985
Ordinary profit	\$ 291	\$ 195	\$ 628	\$ 1,114	\$ (87)	\$ 1,027

Notes: 1. The business segmentation is classified based on SMFG's internal administrative purpose.

Ordinary income and ordinary profit are presented as counterparts of sales and operating profit of companies in other industries.

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

3. Ordinary income represents total income excluding gains on disposal of premises and equipment, collection of written-off claims and reversals of other reserves.

Ordinary expenses represent total expenses excluding losses on disposal of premises and equipment, amortization of unrecognized net transition obligation for employee retirement benefits and other extraordinary expenses.

2. Geographic segment information

Six months ended September 30, 2004	Millions of yen					Elimination and unallocated corporate assets	Consolidated
	Japan	The Americas	Europe	Asia and Oceania	Total		
Ordinary income							
(1) External customers	¥1,654,502	¥56,534	¥31,188	¥35,947	¥1,778,173	¥ —	¥1,778,173
(2) Intersegment	21,527	24,310	2,143	12,142	60,123	(60,123)	—
Total.....	1,676,029	80,844	33,331	48,090	1,838,296	(60,123)	1,778,173
Ordinary expenses.....	1,609,260	48,580	28,499	31,670	1,718,011	(53,939)	1,664,072
Ordinary profit	¥ 66,768	¥32,264	¥ 4,832	¥16,419	¥ 120,284	¥ (6,184)	¥ 114,100

Six months ended September 30, 2004	Millions of U.S. dollars					Elimination and unallocated corporate assets	Consolidated
	Japan	The Americas	Europe	Asia and Oceania	Total		
Ordinary income							
(1) External customers	\$14,899	\$509	\$281	\$323	\$16,012	\$ —	\$16,012
(2) Intersegment	194	219	19	110	542	(542)	—
Total.....	15,093	728	300	433	16,554	(542)	16,012
Ordinary expenses.....	14,492	437	257	285	15,471	(486)	14,985
Ordinary profit	\$ 601	\$291	\$ 43	\$148	\$ 1,083	\$ (56)	\$ 1,027

Notes: 1. The geographic segmentation is classified based on the degrees of following factors:

geographic proximity, similarity of economic activities and relationship of business activities among regions.

Ordinary income and ordinary profit are presented as counterparts of sales and operating profit of companies in other industries.

2. The Americas includes the United States, Brazil, Canada and others; Europe includes the United Kingdom, Germany, France and others; Asia and Oceania includes Hong Kong, Singapore, Australia and others except Japan.

3. Ordinary income represents total income excluding gains on disposal of premises and equipment, collection of written-off claims and reversals of other reserves.

Ordinary expenses represent total expenses excluding losses on disposal of premises and equipment, amortization of unrecognized net transition obligation for employee retirement benefits and other extraordinary expenses.

3. Ordinary income from overseas operations

Six months ended September 30, 2004	Millions of yen	Millions of U.S. dollars
Consolidated ordinary income from overseas operations (A).....	¥ 123,670	\$ 1,114
Consolidated ordinary income (B)	1,778,173	16,012
(A) / (B)	7.0%	7.0%

Notes: 1. Consolidated ordinary income from overseas operations are presented as counterparts of overseas sales of companies in other industries.

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

XI. Parent Company

1. Nonconsolidated balance sheets (unaudited)

Sumitomo Mitsui Financial Group, Inc.

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

	Millions of yen			Millions of U.S. dollars
	Sept. 30, 2004	Sept. 30, 2003	Mar. 31, 2004	Sept. 30, 2004
Assets				
Current assets	¥ 108,191	¥ 65,455	¥ 110,948	\$ 974
Cash and due from banks	27,259	61,841	98,159	245
Current portion of long-term loans to subsidiaries and affiliates	40,000	—	—	360
Other current assets	40,931	3,613	12,789	369
Fixed assets	3,449,854	3,291,210	3,291,153	31,066
Premises and equipment	3	0	0	0
Intangible assets	48	34	47	1
Investments and other assets	3,449,803	3,291,175	3,291,105	31,065
Investments in subsidiaries and affiliates	3,446,462	3,246,072	3,246,462	31,035
Long-term loans to subsidiaries and affiliates	—	40,000	40,000	—
Deferred tax assets	3,340	5,102	4,642	30
Deferred charges	754	1,056	905	7
Total assets	¥3,558,800	¥3,357,722	¥3,403,007	\$32,047
Liabilities				
Current liabilities	¥ 230,761	¥ 230,228	¥ 230,286	\$ 2,078
Short-term borrowings	230,000	230,000	230,000	2,071
Reserve for employees bonuses	54	76	84	1
Other current liabilities	706	151	201	6
Total liabilities	230,761	230,228	230,286	2,078
Stockholders' equity				
Capital stock	1,247,650	1,247,650	1,247,650	11,235
Capital surplus	1,747,286	1,747,263	1,747,273	15,734
Capital reserve	1,247,762	1,247,762	1,247,762	11,236
Other capital surplus	499,524	499,501	499,510	4,498
Retained earnings	334,493	133,044	178,720	3,012
Voluntary reserve	30,420	30,420	30,420	274
Unappropriated retained earnings	304,073	102,624	148,300	2,738
Treasury stock	(1,390)	(463)	(921)	(12)
Total stockholders' equity	3,328,039	3,127,494	3,172,721	29,969
Total liabilities and stockholders' equity	¥3,558,800	¥3,357,722	¥3,403,007	\$32,047

2. Nonconsolidated statements of income (unaudited)

Sumitomo Mitsui Financial Group, Inc.

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

	Millions of yen			Millions of U.S. dollars
	Six months ended Sept. 30, 2004	Six months ended Sept. 30, 2003	Year ended Mar. 31, 2004	Six months ended Sept. 30, 2004
Operating income	¥205,265	¥7,146	¥55,515	\$1,849
Dividends on investments in subsidiaries and affiliates	201,285	3,020	47,332	1,813
Fees and commissions received from subsidiaries	3,558	3,707	7,341	32
Interest income on loans to subsidiaries and affiliates	420	419	841	4
Operating expenses	1,312	1,508	3,044	12
General and administrative expenses	1,312	1,508	3,044	12
Operating profit	203,953	5,637	52,470	1,837
Nonoperating income	113	109	121	1
Nonoperating expenses	947	712	1,403	9
Ordinary profit	203,119	5,035	51,188	1,829
Income before income taxes	203,119	5,035	51,188	1,829
Income taxes:				
Current	1	1	3	0
Refund	329	—	—	3
Deferred	1,252	204	679	11
Net income	¥202,194	¥4,829	¥50,505	\$1,821

Supplemental Information

Nonconsolidated Balance Sheets (Unaudited)

Sumitomo Mitsui Banking Corporation

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

	Millions of yen			Millions of U.S. dollars
	Sept. 30, 2004	Sept. 30, 2003	Mar. 31, 2004	Sept. 30, 2004
Assets				
Cash and due from banks	¥ 3,106,175	¥ 2,749,623	¥ 3,355,519	\$ 27,971
Deposits with banks	2,174,307	673,756	1,511,401	19,579
Call loans and bills bought	296,119	559,636	287,262	2,667
Receivables under resale agreements	106,419	61,204	130,337	958
Receivables under securities borrowing transactions	1,621,384	625,010	1,009,328	14,600
Commercial paper and other debt purchased	120,322	103,627	133,081	1,083
Trading assets	2,986,863	2,984,076	2,958,990	26,897
Money held in trust	3,783	27,493	3,749	34
Securities	23,524,899	21,847,113	26,592,584	211,841
Loans and bills discounted	50,723,607	55,153,522	50,810,144	456,764
Foreign exchanges	910,803	755,924	720,840	8,202
Other assets	1,365,753	1,865,874	1,480,776	12,299
Premises and equipment	671,495	681,442	688,325	6,047
Deferred tax assets	1,631,561	1,711,738	1,590,518	14,692
Customers' liabilities for acceptances and guarantees	4,462,028	4,498,916	4,086,964	40,180
Reserve for possible loan losses	(962,583)	(1,518,988)	(1,250,751)	(8,668)
Total assets	¥92,742,940	¥92,779,975	¥94,109,074	\$835,146
Liabilities and stockholders' equity				
Liabilities				
Deposits	¥65,250,782	¥61,201,211	¥63,656,771	\$587,580
Call money and bills sold	4,631,578	7,918,579	6,204,833	41,707
Payables under repurchase agreements	704,384	1,868,451	1,071,114	6,343
Payables under securities lending transactions	4,571,110	4,624,779	5,946,346	41,163
Trading liabilities	1,505,855	1,608,728	1,504,465	13,560
Borrowed money	2,441,850	2,648,173	2,531,973	21,989
Foreign exchanges	534,408	449,941	576,958	4,812
Bonds	3,699,055	2,884,076	3,177,741	33,310
Due to trust account	42,202	24,944	36,032	380
Other liabilities	2,076,868	2,309,751	2,368,824	18,702
Reserve for employee bonuses	8,598	8,569	8,752	77
Reserve for employee retirement benefits	—	66,096	11,748	—
Reserve for possible losses on loans sold	—	222	—	—
Reserve for expenses related to EXPO 2005 Japan	172	57	116	2
Other reserves	18	18	18	0
Deferred tax liabilities for land revaluation	57,250	55,835	55,541	516
Acceptances and guarantees	4,462,028	4,498,916	4,086,964	40,180
Total liabilities	89,986,163	90,168,353	91,238,204	810,321
Stockholders' equity				
Capital stock	559,985	559,985	559,985	5,043
Capital surplus	1,262,546	1,237,307	1,237,307	11,369
Retained earnings	592,112	557,289	676,064	5,332
Land revaluation excess	83,656	82,165	81,158	753
Net unrealized gains on other securities	258,476	174,873	316,354	2,328
Total stockholders' equity	2,756,776	2,611,621	2,870,870	24,825
Total liabilities and stockholders' equity	¥92,742,940	¥92,779,975	¥94,109,074	\$835,146

Notes: 1. Amounts less than one million yen have been omitted.

2. For the convenience of the readers, the accompanying U.S. dollar financial statements have been translated from Japanese yen, as a matter of arithmetical computation only, at the rate of ¥111.05 to US\$1, the exchange rate prevailing at September 30, 2004.

Nonconsolidated Statements of Income (Unaudited)

Sumitomo Mitsui Banking Corporation

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

	Millions of yen			Millions of U.S. dollars
	Six months ended Sept. 30, 2004	Six months ended Sept. 30, 2003	Year ended Mar. 31, 2004	Six months ended Sept. 30, 2004
Income				
Interest income	¥ 646,974	¥ 729,620	¥1,392,322	\$ 5,826
Trust fees	729	84	334	6
Fees and commissions	181,243	150,162	322,075	1,632
Trading profits	21,755	152,104	283,611	196
Other operating income	150,886	88,276	149,209	1,359
Other income	139,155	111,822	341,633	1,253
Total income	1,140,745	1,232,071	2,489,187	10,272
Expenses				
Interest expenses	156,108	161,039	305,284	1,406
Fees and commissions	54,221	50,831	95,506	488
Trading losses	605	2,279	2,881	5
Other operating expenses	27,939	110,774	159,774	252
General and administrative expenses	300,276	315,168	623,098	2,704
Provision for reserve for possible loan losses	49,489	—	—	446
Other expenses	439,034	448,988	983,795	3,953
Total expenses	1,027,674	1,089,082	2,170,341	9,254
Income before income taxes	113,070	142,988	318,846	1,018
Income taxes:				
Current	1,645	12,573	12,752	15
Refund	7,405	—	—	67
Deferred	276	(9,244)	4,980	2
Net income	¥ 118,554	¥ 139,659	¥ 301,113	\$ 1,068

Notes: 1. Amounts less than one million yen have been omitted.

2. For the convenience of the readers, the accompanying U.S. dollar financial statements have been translated from Japanese yen, as a matter of arithmetical computation only, at the rate of ¥111.05 to US\$1, the exchange rate prevailing at September 30, 2004.

Income Analysis (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Operating Income, Classified by Domestic and Overseas Operations

Six months ended September 30, 2004 and 2003

Millions of yen

	Sept. 30, 2004				Sept. 30, 2003			
	Domestic operations	Overseas operations	Elimination and unallocated corporate assets	Total	Domestic operations	Overseas operations	Elimination and unallocated corporate assets	Total
Interest income	¥668,794	¥104,023	¥(20,323)	¥752,495	¥711,326	¥134,190	¥(19,110)	¥826,407
Interest expenses	124,791	47,536	(15,625)	156,702	125,002	54,615	(16,465)	163,152
Net interest income	544,003	56,487	(4,697)	595,792	586,324	79,574	(2,644)	663,254
Trust fees	¥ 729	¥ —	¥ —	¥ 729	¥ 84	¥ —	¥ —	¥ 84
Fees and commissions (income)	¥262,498	¥ 19,534	¥ (77)	¥281,955	¥222,815	¥ 14,595	¥ (251)	¥237,159
Fees and commissions (expenses)	44,441	2,228	(93)	46,575	39,882	2,365	(278)	41,969
Net fees and commissions	218,057	17,306	16	235,379	182,933	12,229	26	195,190
Trading profits	¥ 27,282	¥ 7,739	¥ (4,094)	¥ 30,927	¥153,718	¥ 13,100	¥ (2,915)	¥163,904
Trading losses	2,112	2,587	(4,094)	605	2,193	721	(2,915)	—
Net trading income	25,170	5,151	—	30,322	151,525	12,379	—	163,904
Other operating income	¥544,292	¥ 8,048	¥ (546)	¥551,794	¥446,111	¥ 13,830	¥ (256)	¥459,685
Other operating expenses	392,639	1,867	(444)	394,061	420,639	12,406	(65)	432,980
Net other operating income	151,652	6,181	(101)	157,732	25,471	1,424	(191)	26,704

- Notes: 1. Domestic operations comprise the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.
2. Income and expenses resulting from money held in trust are included in "Other income" and "Other expenses." Therefore, "Interest expenses" are shown after deduction of expenses (first half of fiscal 2004, ¥1 million; first half of fiscal 2003, ¥16 million) related to the management of money held in trust.
3. Intersegment transactions are reported in "Elimination and unallocated corporate assets" column.

Average Balance, Interest and Earnings Yield of Interest-Earning Assets and Interest-Bearing Liabilities

Six months ended September 30, 2004 and 2003

Domestic Operations

Millions of yen

	Sept. 30, 2004			Sept. 30, 2003		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets	¥78,638,471	¥668,794	1.70%	¥80,904,257	¥711,326	1.76%
Loans and bills discounted	51,278,263	506,829	1.98	54,619,544	521,345	1.91
Securities	23,794,963	113,132	0.95	23,738,285	118,891	1.00
Call loans and bills bought	656,016	1,470	0.45	388,832	716	0.37
Receivables under resale agreements	96,652	3	0.01	29,137	2	0.02
Receivables under securities borrowing transactions	779,344	77	0.02	659,019	71	0.02
Deposits with banks	1,090,730	8,261	1.51	668,518	2,533	0.76
Interest-bearing liabilities	¥83,832,839	¥124,791	0.30%	¥85,135,275	¥125,002	0.29%
Deposits	62,347,109	28,001	0.09	59,740,859	27,716	0.09
Negotiable certificates of deposit	3,526,673	383	0.02	4,244,403	434	0.02
Call money and bills sold	5,368,095	540	0.02	7,489,079	536	0.01
Payables under repurchase agreements	744,310	12	0.00	2,103,516	66	0.01
Payables under securities lending transactions	4,557,841	22,096	0.97	4,867,352	24,556	1.01
Commercial paper	286,656	99	0.07	160,083	105	0.13
Borrowed money	2,991,227	33,338	2.23	3,309,960	36,489	2.20
Bonds	3,438,848	26,610	1.55	2,779,101	20,824	1.50

- Notes: 1. Domestic operations comprise the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries.
2. In principle, average balances are calculated by using daily balances. However, some domestic consolidated subsidiaries use weekly, monthly or semiannual balances instead.
3. "Interest-earning assets" are shown after deduction of the average balance of noninterest earning deposits (first half of fiscal 2004, ¥1,934,432 million; first half of fiscal 2003, ¥1,043,589 million).
4. Income and expenses resulting from money held in trust are included in "Other income" and "Other expenses." Therefore, "Interest-earning assets" are shown after deduction of the average balance of money held in trust (first half of fiscal 2004, ¥3,628 million; first half of fiscal 2003, ¥33,861 million). "Interest-bearing liabilities" are shown after deduction of amounts equivalent to the average balance of money held in trust (first half of fiscal 2004, ¥3,628 million; first half of fiscal 2003, ¥33,861 million) and corresponding interest (first half of fiscal 2004, ¥1 million; first half of fiscal 2003, ¥16 million).

Overseas Operations

	Millions of yen					
	Sept. 30, 2004			Sept. 30, 2003		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets.....	¥7,553,574	¥104,023	2.75%	¥7,868,913	¥134,190	3.41%
Loans and bills discounted.....	4,999,903	74,743	2.99	5,279,586	80,147	3.04
Securities	931,760	13,271	2.85	1,205,801	22,273	3.69
Call loans and bills bought	133,816	1,151	1.72	106,562	1,259	2.36
Receivables under resale agreements	148,035	1,277	1.73	129,285	1,482	2.29
Receivables under securities borrowing transactions.....	—	—	—	—	—	—
Deposits with banks	913,247	6,454	1.41	748,807	3,454	0.92
Interest-bearing liabilities	¥5,276,218	¥ 47,536	1.80%	¥5,184,006	¥ 54,615	2.11%
Deposits	3,832,756	26,040	1.36	3,432,379	29,787	1.74
Negotiable certificates of deposit	109,785	1,298	2.37	138,530	1,741	2.51
Call money and bills sold	137,739	748	1.09	122,188	770	1.26
Payables under repurchase agreements ...	247,421	1,545	1.25	471,962	2,953	1.25
Payables under securities lending transactions	—	—	—	—	—	—
Commercial paper.....	—	—	—	—	—	—
Borrowed money	104,414	1,399	2.68	116,137	1,697	2.92
Bonds.....	828,954	15,355	3.70	881,456	16,621	3.77

- Notes: 1. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.
2. In principle, average balances are calculated by using daily balances. However, some overseas consolidated subsidiaries use weekly, monthly or semiannual balances instead.
3. "Interest-earning assets" are shown after deduction of the average balance of noninterest earning deposits (first half of fiscal 2004, ¥37,164 million; first half of fiscal 2003, ¥27,755 million).

Total of Domestic and Overseas Operations

	Millions of yen					
	Sept. 30, 2004			Sept. 30, 2003		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets.....	¥85,419,596	¥752,495	1.76%	¥87,606,658	¥826,407	1.89%
Loans and bills discounted.....	55,497,980	567,082	2.04	58,998,690	585,813	1.99
Securities	24,897,108	121,740	0.98	24,944,087	138,520	1.11
Call loans and bills bought	789,832	2,621	0.66	495,395	1,975	0.80
Receivables under resale agreements	244,687	1,280	1.05	158,423	1,484	1.87
Receivables under securities borrowing transactions.....	779,344	77	0.02	659,019	71	0.02
Deposits with banks	1,841,541	13,547	1.47	1,151,314	5,201	0.90
Interest-bearing liabilities	¥88,166,118	¥156,702	0.36%	¥89,152,422	¥163,152	0.37%
Deposits	66,017,335	52,872	0.16	62,906,880	56,717	0.18
Negotiable certificates of deposit	3,636,459	1,682	0.09	4,382,933	2,176	0.10
Call money and bills sold	5,505,835	1,289	0.05	7,611,268	1,306	0.03
Payables under repurchase agreements ...	991,732	1,558	0.31	2,575,479	3,019	0.23
Payables under securities lending transactions	4,557,841	22,096	0.97	4,867,352	24,556	1.01
Commercial paper.....	286,656	99	0.07	160,083	105	0.13
Borrowed money	2,315,441	20,278	1.75	2,525,657	22,508	1.78
Bonds.....	4,267,803	41,965	1.97	3,660,558	37,446	2.05

- Notes: 1. The figures above comprise totals for domestic and overseas operations after intersegment eliminations.
2. In principle, average balances are calculated by using daily balances. However, some consolidated subsidiaries use weekly, monthly or semiannual balances instead.
3. "Interest-earning assets" are shown after deduction of the average balance of noninterest earning deposits (first half of fiscal 2004, ¥1,971,503 million; first half of fiscal 2003, ¥1,070,997 million).
4. Income and expenses resulting from money held in trust are included in "Other income" and "Other expenses." Therefore, "Interest-earning assets" are shown after deduction of the average balance of money held in trust (first half of fiscal 2004, ¥3,628 million; first half of fiscal 2003, ¥33,861 million). "Interest-bearing liabilities" are shown after deduction of amounts equivalent to the average balance of money held in trust (first half of fiscal 2004, ¥3,628 million; first half of fiscal 2003, ¥33,861 million) and corresponding interest (first half of fiscal 2004, ¥1 million; first half of fiscal 2003, ¥16 million).

Fees and Commissions

Six months ended September 30, 2004 and 2003

	Millions of yen							
	Sept. 30, 2004				Sept. 30, 2003			
	Domestic operations	Overseas operations	Elimination and unallocated corporate assets	Total	Domestic operations	Overseas operations	Elimination and unallocated corporate assets	Total
Fees and commissions (income)	¥262,498	¥19,534	¥(77)	¥281,955	¥222,815	¥14,595	¥(251)	¥237,159
Deposits and loans	11,383	11,450	(11)	22,822	8,561	7,898	(8)	16,452
Remittances and transfers	57,154	3,465	(0)	60,620	55,181	2,843	(0)	58,025
Securities-related business	24,736	0	—	24,736	22,505	0	—	22,505
Agency	9,655	—	—	9,655	7,782	—	—	7,782
Safe deposits	3,181	1	—	3,183	3,119	2	—	3,121
Guarantees	19,439	1,728	(8)	21,159	13,565	1,529	(241)	14,853
Credit card	45,835	—	—	45,835	44,268	—	—	44,268
Fees and commissions (expenses).....	¥ 44,441	¥ 2,228	¥(93)	¥ 46,575	¥ 39,882	¥ 2,365	¥(278)	¥ 41,969
Remittances and transfers	11,208	765	(21)	11,952	10,539	1,081	(0)	11,621

Notes: 1. Domestic operations comprise the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.

2. Intersegment transactions are reported in "Elimination and unallocated corporate assets" column.

Trading Income

Six months ended September 30, 2004 and 2003

	Millions of yen							
	Sept. 30, 2004				Sept. 30, 2003			
	Domestic operations	Overseas operations	Elimination and unallocated corporate assets	Total	Domestic operations	Overseas operations	Elimination and unallocated corporate assets	Total
Trading profits.....	¥27,282	¥7,739	¥(4,094)	¥30,927	¥153,718	¥13,100	¥(2,915)	¥163,904
Gains on trading securities	5,047	—	—	5,047	1,359	1,950	—	3,309
Gains on securities related to trading transactions...	—	—	—	—	286	—	—	286
Gains on trading-related financial derivatives.....	22,042	7,460	(4,094)	25,408	152,045	11,149	(2,915)	160,279
Others	192	279	—	471	28	—	—	28
Trading losses	¥ 2,112	¥2,587	¥(4,094)	¥ 605	¥ 2,193	¥ 721	¥(2,915)	¥ —
Losses on trading securities	—	—	—	—	—	—	—	—
Losses on securities related to trading transactions...	605	—	—	605	—	—	—	—
Losses on trading-related financial derivatives....	1,507	2,587	(4,094)	—	2,193	721	(2,915)	—
Others	—	—	—	—	—	—	—	—

Notes: 1. Domestic operations comprise the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.

2. Intersegment transactions are reported in "Elimination and unallocated corporate assets" column.

Loans (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Loan Portfolio, Classified by Industry

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

	Millions of yen		
	Sept. 30, 2004	Sept. 30, 2003	Mar. 31, 2004
Domestic operations:			
Manufacturing	¥ 5,931,430	¥ 6,267,027	¥ 6,136,783
Agriculture, forestry, fisheries and mining	128,678	175,030	142,576
Construction	1,869,468	2,280,614	1,950,595
Transportation, communications and public enterprises	3,219,370	3,340,128	3,275,122
Wholesale and retail	5,799,267	6,053,439	5,884,109
Finance and insurance	4,506,569	4,013,422	3,828,350
Real estate	7,303,589	8,338,920	7,965,230
Services	5,658,426	6,194,727	6,136,593
Municipalities	500,797	460,983	765,690
Others	16,071,190	18,324,319	15,328,834
Subtotal	¥50,988,790	¥55,448,613	¥51,413,887
Overseas operations:			
Public sector	¥ 52,751	¥ 108,783	¥ 81,737
Financial institutions	381,632	349,711	338,375
Commerce and industry	3,793,835	3,517,803	3,304,282
Others	205,024	241,451	244,516
Subtotal	¥ 4,433,243	¥ 4,217,749	¥ 3,968,912
Total	¥55,422,034	¥59,666,363	¥55,382,800

- Notes: 1. Domestic operations comprise the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries.
2. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.
3. Japan offshore banking accounts are included in overseas operations' accounts.

Risk-Monitored Loans

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

	Millions of yen		
	Sept. 30, 2004	Sept. 30, 2003	Mar. 31, 2004
Bankrupt loans	¥ 86,972	¥ 179,497	¥ 96,413
Non-accrual loans	1,844,061	2,287,238	1,767,862
Past due loans (3 months or more)	52,918	101,630	51,538
Restructured loans	884,745	1,853,890	1,382,168
Total	¥2,868,696	¥4,422,255	¥3,297,981

Notes: Definition of risk-monitored loan categories

1. Bankrupt loans: Credits for which accrued interest is not accounted in revenue; credits extended to borrowers that are undergoing bankruptcy, corporate reorganization and rehabilitation proceedings or debtors receiving orders of disposition by suspension of business at bill clearinghouses
2. Non-accrual loans: Credits for which accrued interest is not accounted in revenue; credits, excluding loans to bankrupt borrowers and loans with grace for interest payment to assist in corporate reorganization or to support business
3. Past due loans (3 months or more): Loans with payment of principal or interest in arrears for more than 3 months, calculated from the day following the contractual due date, excluding borrowers in categories 1. and 2.
4. Restructured loans: Loans to borrowers in severe financial condition given certain favorable terms and conditions to assist in corporate rehabilitation or to support business, excluding borrowers in categories 1. through 3.

Income Analysis (Nonconsolidated)

Sumitomo Mitsui Banking Corporation

Gross Banking Profit, Classified by Domestic and International Operations

Six months ended September 30, 2004 and 2003

	Millions of yen					
	Sept. 30, 2004			Sept. 30, 2003		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Interest income	¥496,311	¥150,957	¥646,974	¥516,611	¥213,167	¥729,620
			[294]			[159]
Interest expenses	33,878	122,522	156,106	34,922	126,259	161,023
			[294]			[159]
Net interest income	462,433	28,435	490,868	481,688	86,908	568,597
Trust fees	¥ 728	¥ 0	¥ 729	¥ 84	¥ —	¥ 84
Fees and commissions (income)	¥148,535	¥ 32,707	¥181,243	¥123,037	¥ 27,124	¥150,162
Fees and commissions (expenses)	47,984	6,237	54,221	44,860	5,971	50,831
Net fees and commissions	100,551	26,470	127,021	78,177	21,152	99,330
Trading profits	¥ 725	¥ 21,029	¥ 21,755	¥ 416	¥151,688	¥152,104
Trading losses	—	605	605	2,279	—	2,279
Net trading income	725	20,424	21,150	(1,863)	151,688	149,824
Other operating income	¥ 49,324	¥104,525	¥150,886	¥ 51,222	¥ 37,054	¥ 88,276
Other operating expenses	23,645	7,257	27,939	50,342	60,431	110,774
Net other operating income	25,678	97,268	122,946	880	(23,377)	(22,497)
Gross banking profit	¥590,117	¥172,598	¥762,716	¥558,967	¥236,371	¥795,339

- Notes: 1. Domestic operations include yen-denominated transactions by domestic branches, while international operations include foreign-currency-denominated transactions by domestic branches and operations by overseas branches.
Yen-denominated nonresident transactions and Japan offshore banking accounts are included in international operations.
2. Interest expenses are shown after deduction of amounts equivalent to interest expenses on money held in trust (first half of fiscal 2004, ¥1 million; first half of fiscal 2003, ¥16 million).
3. Figures in brackets [] indicate interest payments between domestic and international operations.
As net interest figures are shown for interest rate swaps and similar instruments, some figures for domestic and international operations do not add up to their sums.
4. For the six months ended September 30, 2004, figures in "Total" column for "Other operating income" and "Other operating expenses" are lower than the corresponding combined sums under "Domestic operations" and "International operations" by ¥2,963 million in both cases. This is because income figures for financial derivatives are given net.

Average Balance, Interest and Earnings Yield of Interest-Earning Assets and Interest-Bearing Liabilities

Six months ended September 30, 2004 and 2003

Domestic Operations

	Millions of yen					
	Sept. 30, 2004			Sept. 30, 2003		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets	¥67,599,892	¥496,311	1.46%	¥70,975,585	¥516,611	1.45%
Loans and bills discounted	46,817,969	418,172	1.78	50,802,673	442,373	1.73
Securities	19,493,550	63,621	0.65	19,207,937	56,730	0.58
Call loans	135,227	11	0.01	60,803	18	0.06
Receivables under resale agreements	58,866	0	0.00	—	—	—
Receivables under securities borrowing transactions	775,358	75	0.01	659,019	71	0.02
Bills bought	315,379	2	0.00	188,115	2	0.00
Deposits with banks	3,186	0	0.00	53,750	51	0.19
Interest-bearing liabilities	¥70,639,721	¥ 33,878	0.09%	¥72,139,125	¥ 34,922	0.09%
	[1,404,957]	[294]		[630,897]	[159]	
Deposits	53,988,209	6,023	0.02	52,589,296	7,981	0.03
Negotiable certificates of deposit	3,716,009	387	0.02	4,337,991	428	0.01
Call money	2,216,245	29	0.00	2,484,386	37	0.00
Payables under repurchase agreements ...	759,173	13	0.00	2,126,632	66	0.00
Payables under securities lending transactions	1,856,085	96	0.01	1,958,464	111	0.01
Bills sold	2,958,134	90	0.00	4,935,178	319	0.01
Commercial paper	4,098	0	0.00	4,385	0	0.01
Borrowed money	890,541	12,204	2.73	945,358	13,511	2.85
Bonds	2,572,858	14,469	1.12	2,105,112	12,059	1.14

- Notes: 1. "Interest-earning assets" are shown after deduction of the average balance of noninterest earning deposits (first half of fiscal 2004, ¥1,860,644 million; first half of fiscal 2003, ¥981,818 million). "Interest-bearing liabilities" are shown after deduction of amounts equivalent to the average balance of money held in trust (first half of fiscal 2004, ¥3,628 million; first half of fiscal 2003, ¥33,859 million) and corresponding interest (first half of fiscal 2004, ¥1 million; first half of fiscal 2003, ¥16 million).
2. Figures in brackets [] indicate the average balances of interdepartmental lending and borrowing activities between domestic and international operations and related interest expenses.
As net interest figures are shown for interest rate swaps and similar instruments, some figures for domestic and international operations do not add up to their sums.
3. Bond interest includes amortization of discount on bonds.

International Operations

	Millions of yen					
	Sept. 30, 2004			Sept. 30, 2003		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets.....	¥12,813,914 [1,404,957]	¥150,957 [294]	2.34%	¥11,994,973 [630,897]	¥213,167 [159]	3.54%
Loans and bills discounted.....	3,809,705	45,990	2.40	3,989,480	49,492	2.47
Securities	4,564,595	56,295	2.45	5,269,491	75,474	2.85
Call loans	227,675	1,717	1.50	139,012	960	1.37
Receivables under resale agreements	118,792	754	1.26	90,939	359	0.78
Receivables under securities borrowing transactions	—	—	—	—	—	—
Bills bought	—	—	—	—	—	—
Deposits with banks	1,663,321	12,589	1.50	978,761	4,674	0.95
Interest-bearing liabilities	¥12,799,717	¥122,522	1.90%	¥12,107,792	¥126,259	2.07%
Deposits	6,678,460	36,389	1.08	5,763,505	39,101	1.35
Negotiable certificates of deposit	63,675	1,117	3.49	66,829	1,207	3.60
Call money	176,653	1,031	1.16	152,108	949	1.24
Payables under repurchase agreements ...	203,405	1,175	1.15	425,659	2,295	1.07
Payables under securities lending transactions	2,673,475	21,996	1.64	2,898,594	24,444	1.68
Bills sold	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—
Borrowed money	1,641,627	33,067	4.01	1,738,176	33,618	3.85
Bonds	820,162	14,654	3.56	622,821	11,425	3.65

Notes: 1. "Interest-earning assets" are shown after deduction of the average balance of noninterest earning deposits (first half of fiscal 2004, ¥29,042 million; first half of fiscal 2003, ¥27,917 million).

2. Figures in brackets [] indicate the average balances of interdepartmental lending and borrowing activities between domestic and international operations and related interest expenses.

As net interest figures are shown for interest rate swaps and similar instruments, some figures for domestic and international operations do not add up to their sums.

3. Bond interest includes amortization of discount on bonds.

4. The average balance of foreign-currency-denominated transactions by domestic branches in international operations is calculated by the monthly current method, under which the TT middle rate at the end of the previous month is applied to nonexchange transactions of the month concerned.

Total of Domestic and International Operations

	Millions of yen					
	Sept. 30, 2004			Sept. 30, 2003		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets.....	¥79,008,849	¥646,974	1.63%	¥82,339,662	¥729,620	1.76%
Loans and bills discounted.....	50,627,674	464,162	1.82	54,792,153	491,865	1.79
Securities	24,058,145	119,916	0.99	24,477,428	132,204	1.07
Call loans	362,903	1,728	0.95	199,815	978	0.97
Receivables under resale agreements	177,659	754	0.84	90,939	359	0.78
Receivables under securities borrowing transactions	775,358	75	0.01	659,019	71	0.02
Bills bought	315,379	2	0.00	188,115	2	0.00
Deposits with banks	1,666,507	12,589	1.50	1,032,512	4,726	0.91
Interest-bearing liabilities	¥82,034,482	¥156,106	0.37%	¥83,616,020	¥161,023	0.38%
Deposits	60,666,670	42,412	0.13	58,352,802	47,083	0.16
Negotiable certificates of deposit	3,779,685	1,504	0.07	4,404,820	1,635	0.07
Call money	2,392,898	1,061	0.08	2,636,495	986	0.07
Payables under repurchase agreements ...	962,579	1,188	0.24	2,552,292	2,361	0.18
Payables under securities lending transactions	4,529,561	22,092	0.97	4,857,059	24,555	1.00
Bills sold	2,958,134	90	0.00	4,935,178	319	0.01
Commercial paper	4,098	0	0.00	4,385	0	0.01
Borrowed money	2,532,168	45,271	3.56	2,683,535	47,130	3.50
Bonds	3,393,021	29,124	1.71	2,727,933	23,485	1.71

Notes: 1. "Interest-earning assets" are shown after deduction of the average balance of noninterest earning deposits (first half of fiscal 2004, ¥1,889,686 million; first half of fiscal 2003, ¥1,009,736 million). "Interest-bearing liabilities" are shown after deduction of amounts equivalent to the average balance of money held in trust (first half of fiscal 2004, ¥3,628 million; first half of fiscal 2003, ¥33,859 million) and corresponding interest (first half of fiscal 2004, ¥1 million; first half of fiscal 2003, ¥16 million).

2. Figures in the table above indicate the net average balances of amounts adjusted for interdepartmental lending and borrowing activities between domestic and international operations and related interest expenses.

3. Bond interest includes amortization of discount on bonds.

Fees and Commissions

Six months ended September 30, 2004 and 2003

	Millions of yen					
	Sept. 30, 2004			Sept. 30, 2003		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Fees and commissions (income)	¥148,535	¥32,707	¥181,243	¥123,037	¥27,124	¥150,162
Deposits and loans	5,463	11,838	17,302	5,406	7,177	12,584
Remittances and transfers	45,592	11,536	57,129	44,766	10,264	55,030
Securities-related business	8,666	341	9,007	11,610	384	11,995
Agency	8,254	—	8,254	6,529	—	6,529
Safe deposits	2,790	—	2,790	2,740	—	2,740
Guarantees	7,199	2,768	9,968	3,035	2,621	5,656
Fees and commissions (expenses).....	¥ 47,984	¥ 6,237	¥ 54,221	¥ 44,860	¥ 5,971	¥ 50,831
Remittances and transfers	8,819	2,382	11,202	8,314	2,280	10,595

Trading Income

Six months ended September 30, 2004 and 2003

	Millions of yen					
	Sept. 30, 2004			Sept. 30, 2003		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Trading profits	¥725	¥21,029	¥21,755	¥ 416	¥151,688	¥152,104
Gains on trading securities	533	—	533	—	—	—
Gains on securities related to trading transactions	—	—	—	—	286	286
Gains on trading-related financial derivatives	—	21,029	21,029	—	151,402	151,402
Others	192	—	192	416	—	416
Trading losses	¥ —	¥ 605	¥ 605	¥2,279	¥ —	¥ 2,279
Losses on trading securities	—	—	—	2,279	—	2,279
Losses on securities related to trading transactions	—	605	605	—	—	—
Losses on trading-related financial derivatives	—	—	—	—	—	—
Others	—	—	—	—	—	—

Note: Figures represent net gains (losses) after offsetting income against expenses.

Net Other Operating Income

Six months ended September 30, 2004 and 2003

	Millions of yen					
	Sept. 30, 2004			Sept. 30, 2003		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Net other operating income	¥25,678	¥97,268	¥122,946	¥ 880	¥(23,377)	¥(22,497)
Gains (losses) on bonds	19,899	6,764	26,663	2,386	16,385	18,771
Gains (losses) on trading-related financial derivatives	(4,905)	2,963	(1,941)	(1,828)	(670)	(2,499)
Gains (losses) on foreign exchange transactions	—	87,518	87,518	—	(39,042)	(39,042)

Loans (Nonconsolidated)

Sumitomo Mitsui Banking Corporation

Loan Portfolio, Classified by Industry

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

	Millions of yen		
	Sept. 30, 2004	Sept. 30, 2003	Mar. 31, 2004
Domestic offices:			
Manufacturing	¥ 5,582,342	¥ 5,918,501	¥ 5,794,191
Agriculture, forestry, fisheries and mining	120,620	159,085	133,833
Construction	1,654,954	2,011,721	1,717,184
Transportation, communications and public enterprises	3,080,967	3,200,039	3,134,713
Wholesale and retail	5,423,608	5,659,243	5,492,168
Finance and insurance	5,065,594	5,058,907	4,892,526
Real estate	6,340,604	7,422,864	6,995,060
Services	5,541,499	5,581,639	5,470,887
Municipalities	438,500	394,584	688,159
Others	14,271,284	16,673,375	13,632,796
Subtotal	¥47,519,976	¥52,079,963	¥47,951,522
Overseas offices:			
Public sector	¥ 38,221	¥ 88,481	¥ 63,654
Financial institutions	257,118	240,181	227,393
Commerce and industry	2,803,980	2,576,498	2,395,989
Others	104,310	168,398	171,583
Subtotal	¥ 3,203,631	¥ 3,073,559	¥ 2,858,622
Total	¥50,723,607	¥55,153,522	¥50,810,144

Note: Japan offshore banking accounts are included in overseas offices' accounts.

Loans to Individuals/Small and Medium-Sized Corporations

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

	Millions of yen		
	Sept. 30, 2004	Sept. 30, 2003	Mar. 31, 2004
Loans to individuals, and small and medium-sized corporations	¥34,893,305	¥35,937,060	¥35,427,834
Ratio to total loans	73.4%	69.0%	73.9%

Notes: 1. The figures above exclude outstanding balance of loans at overseas branches and of Japan offshore banking accounts.

2. Small and medium-sized corporations are individuals or companies with capital stock of ¥300 million or less, or an operating staff of 300 or fewer employees. (Exceptions to these capital stock and staff restrictions include wholesalers: ¥100 million, 100 employees; retailers: ¥50 million, 50 employees; and service industry companies: ¥50 million, 100 employees.)

Consumer Loans Outstanding

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

	Millions of yen		
	Sept. 30, 2004	Sept. 30, 2003	Mar. 31, 2004
Consumer loans	¥13,908,345	¥13,956,671	¥13,875,878
Housing loans	12,842,232	12,717,977	12,725,041
Residential purpose	9,015,628	8,757,092	8,891,575
Others	1,066,113	1,238,693	1,150,837

Note: Housing loans include general-purpose loans used for housing purposes, as well as housing loans and apartment house acquisition loans.

Risk-Monitored Loans

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

	Millions of yen		
	Sept. 30, 2004	Sept. 30, 2003	Mar. 31, 2004
Bankrupt loans	¥ 59,229	¥ 145,947	¥ 67,183
Non-accrual loans	1,552,410	1,957,746	1,460,787
Past due loans (3 months or more)	46,812	94,513	47,618
Restructured loans	732,317	1,634,826	1,199,301
Total	¥2,390,768	¥3,833,032	¥2,774,889

Notes: Definition of risk-monitored loan categories

1. Bankrupt loans: Credits for which accrued interest is not accounted in revenue; credits extended to borrowers that are undergoing bankruptcy, corporate reorganization and rehabilitation proceedings or debtors receiving orders of disposition by suspension of business at bill clearinghouses
2. Non-accrual loans: Credits for which accrued interest is not accounted in revenue; credits, excluding loans to bankrupt borrowers and loans with grace for interest payment to assist in corporate reorganization or to support business
3. Past due loans (3 months or more): Loans with payment of principal or interest in arrears for more than 3 months, calculated from the day following the contractual due date, excluding borrowers in categories 1. and 2.
4. Restructured loans: Loans to borrowers in severe financial condition given certain favorable terms and conditions to assist in corporate rehabilitation or to support business, excluding borrowers in categories 1. through 3.

Problem Assets Based on the Financial Reconstruction Law

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

	Billions of yen		
	Sept. 30, 2004	Sept. 30, 2003	Mar. 31, 2004
Bankrupt and quasi-bankrupt assets	¥ 581.1	¥ 506.1	¥ 361.6
Doubtful assets	1,124.1	1,631.2	1,202.7
Substandard loans	779.2	1,729.3	1,246.9
Total of problem assets	2,484.4	3,866.6	2,811.2
Normal assets	53,673.4	56,623.8	52,874.4
Total	¥56,157.8	¥60,490.4	¥55,685.6

Notes: Definition of problem asset categories

These assets are disclosed based on the provisions of Article 7 of the Financial Reconstruction Law (Law No.132 of 1998) and classified into the 4 categories based on financial position and business performance of obligors in accordance with Article 6 of the Law. Assets in question include loans and bills discounted, foreign exchanges, accrued interest, and advance payment in "other assets," customers' liabilities for acceptance and guarantees, and securities lent under the loan for consumption or leasing agreements.

1. Bankrupt and quasi-bankrupt assets: Credits to borrowers undergoing bankruptcy, corporate reorganization, and rehabilitation proceedings, as well as claims of a similar nature
2. Doubtful assets: Credits for which final collection of principal and interest in line with original agreements is highly improbable due to deterioration of financial position and business performance, but not insolvency of the borrower
3. Substandard loans: Past due loans (3 months or more) and restructured loans, excluding 1. and 2.
4. Normal assets: Credits to borrowers with good business performance and in financial standing without identified problems and not classified into the three categories above

SMFG Website

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http://www.smfg.co.jp/english/

Links to SMFG Subsidiaries

- Sanbansho Mitsui Banking Corporation (SMBC)
- Sanbansho Mitsui Card Company (SMBC Card)
- SMBC Leasing Company (SMBC Leasing)
- JRI (Japan Research Institute)

Links to SMFG Subsidiaries

- SMBC ► <http://www.smbc.co.jp/global/>
- Sumitomo Mitsui Card* ► <http://www.smbc-card.com>
- SMBC Leasing* ► <http://www.smbcleasing.co.jp>
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About SMFG

Financial Information

	2004	2003	2004
Operating Income	2,579.7	2,024.4	2,664.0
Selling Profit & net	669.0	510.7	714.1
Net Income (net)	601.9	494.8	581.4
Total Shareholders' Equity	2,012.8	2,022.1	2,078.9
Total Return	10.0%	10.0%	10.1%
Dividends	2,028.9	1,719.8	2,028.5
Dividends	14,260.4	10,014.4	10,014.4

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