



Sumitomo Mitsui Financial Group, Inc.

### Revision of Earnings Forecasts for Fiscal 2007

TOKYO, October 26, 2007 --- Sumitomo Mitsui Financial Group, Inc. (“SMFG”) today announced a revision of its earnings forecasts for the first half and full year 2007 announced in May 2007.

SMFG hereby revises its earnings forecasts for the first half and full year 2007, which were previously announced in May 2007 (“previous forecast”), as shown below.

#### 1. Earnings forecast on a consolidated basis

(Billions of yen, except percentages)

	Six months ended September 30, 2007			Fiscal year ending March 31, 2008		
	Ordinary income	Ordinary profit	Net income	Ordinary income	Ordinary profit	Net income
Previous forecast	¥ 1,950	¥ 400	¥ 220	¥ 4,100	¥ 980	¥ 540
<b>Revised forecast</b>	<b>2,075</b>	<b>353</b>	<b>170</b>	<b>4,300</b>	<b>940</b>	<b>570</b>
Change	125	(47)	(50)	200	(40)	30
Percentage change	6.4%	(11.8)%	(22.7)%	4.9%	(4.1)%	5.6%

#### 2. Earnings forecast on a non-consolidated basis

(Billions of yen, except percentages)

	Six months ended September 30, 2007				Fiscal year ending March 31, 2008			
	Ordinary income	Operating profit	Ordinary profit	Net income	Ordinary income	Operating profit	Ordinary profit	Net income
Previous forecast	¥ 24	¥ 22	¥ 17	¥ 14	¥ 105	¥ 100	¥ 90	¥ 85
<b>Revised forecast</b>	<b>24</b>	<b>20</b>	<b>11</b>	<b>9</b>	<b>110</b>	<b>105</b>	<b>90</b>	<b>80</b>
Change	–	(2)	(6)	(5)	5	5	–	(5)
Percentage change	–	(9.1)%	(35.3)%	(35.7)%	4.8%	5.0%	–	(5.9)%

## I. Revision of earnings forecast (SMFG, Consolidated)

(Billions of yen)

	Six months ended Sept. 30, 2007	Change from the previous forecast	Fiscal year ending Mar. 31, 2008	Change from the previous forecast
Ordinary profit	¥ 353	¥ (47)	¥ 940	¥ (40)
Net income	170	(50)	570	30
Total credit cost	(143)			

**<First Half>**

As described hereinbelow, Sumitomo Mitsui Banking Corporation (“SMBC”), a major consolidated subsidiary of SMFG, expects banking profit (before provision for general reserve for possible loan losses) to be ¥25 billion above the previous forecast, and credit cost and write-downs on shares to be higher than previously expected. As a result, SMFG expects ordinary profit to be approximately ¥353 billion, ¥47 billion below the previous forecast. Net income will be approximately ¥170 billion, a decrease from the previous forecast of ¥50 billion.

**<Full Year>**

Ordinary profit is expected to be ¥940 billion, ¥40 billion below the previous forecast, due mainly to the profit decline in the first half. However, net income will be approximately ¥570 billion, ¥30 billion above the previous forecast, due mainly to recording of extraordinary gains (“gains on change in equity”) of ¥100 billion as a result of mergers of leasing subsidiaries in the second half of fiscal 2007.

(For more details, please refer to Appendix 2.)

## II. Revision of earnings forecast (SMFG, Non-consolidated)

(Billions of yen)

	Six months ended Sept. 30, 2007	Change from the previous forecast	Fiscal year ending Mar. 31, 2008	Change from the previous forecast
Ordinary profit	¥ 11	¥ (6)	¥ 90	¥ –
Net income	9	(5)	80	(5)

**<First Half>**

Ordinary profit is expected to be approximately ¥11 billion, ¥6 billion below the previous forecast. Net income is expected to be approximately ¥9 billion, a shortfall of ¥5 billion. This is mainly attributable to impairment on shares of an affiliated company.

**<Full Year>**

Net income will be ¥80 billion, due mainly to the profit decline in the first half.

### III. Revision of earnings forecast (SMBC, Non-consolidated)

(Billions of yen)

	Six months ended Sept. 30, 2007	Change from the previous forecast	Fiscal year ending Mar. 31, 2008	Change from the previous forecast
Banking profit (before provision for general reserve for possible loan losses)	¥ 390	¥ 25	¥ 830	¥ —
Ordinary profit	157	(103)	600	(100)
Net income	63	(87)	315	(95)
Total credit cost	(115)	(45)	(110)	(20)
Losses on stocks, net	(104)			

\* Earnings forecast for the fiscal year ending March 31, 2008 is calculated based on the stock prices as of September 30, 2007.

#### <First Half>

Banking profit (before provision for general reserve for possible loan losses):

SMBC expects banking profit to be approximately ¥390 billion, ¥25 billion above the previous forecast. This increase is mainly attributable to recording of gains on bond-related transactions of the Treasury Unit amid declining interest rates in domestic and overseas markets and an increase in revenue from foreign currency-related transactions reflecting customers' hedging needs under the sharp appreciation of the Japanese yen since this summer.

Total credit cost:

SMBC expects total credit cost to be approximately ¥115 billion, ¥45 billion above the previous forecast, due mainly to a loss provision for U.S. subprime loan related exposure of approximately ¥11 billion and an unanticipated loss provision for loans to certain borrowers.

Ordinary profit:

SMBC expects ordinary profit to be approximately ¥157 billion, ¥103 billion below the previous forecast. This shortfall is mainly attributable to losses on stocks of ¥104 billion as a result of impairment on shares of equity method affiliates reflecting the decline in stock markets, as well as the factors mentioned above.

Net income:

SMBC expects net income to be approximately ¥63 billion, ¥87 billion below the previous forecast, due mainly to the lower-than-expected ordinary profit.

#### <Full Year>

Total credit cost:

For the second half of fiscal 2007, SMBC expects to record a gain on reversal of provisions for credit losses of approximately ¥100 billion due mainly to a decrease in the historical loan loss ratio. As a result, total credit cost for the full year 2007 is expected to be ¥110 billion, ¥20 billion above the previous forecast. Ratio of total credit cost to total claims will be less than 0.2%.

Ordinary profit and Net income:

Ordinary profit will be ¥600 billion, ¥100 billion below the previous forecast. Net income will be ¥315 billion, a ¥95 billion decrease from the previous forecast. This is attributable mainly to impairment on shares of affiliated companies.

IV. Estimate of problem assets based on the Financial Reconstruction Law (SMBC, Non-consolidated)

(Billions of yen, except percentages)

	September 30, 2007 (Estimate)	March 31, 2007 (Result)	Change
Problem assets based on the Financial Reconstruction Law	¥ 774.0	¥ 738.7	¥ 35.3
Problem asset ratio	1.2 %	1.2 %	—

Problem assets are expected to be ¥774 billion as of September 30, 2007. Problem asset ratio will remain at a low-level of 1.2%.

V. Estimate of net unrealized gains on other securities (SMBC, Non-consolidated)

(Billions of yen)

	September 30, 2007 (Estimate)	March 31, 2007 (Result)	Change
Net unrealized gains (losses) on other securities	¥ 1,517.0	¥ 1,833.2	¥ (316.2)
Stocks	1,716.0	1,978.7	(262.7)
Bonds	(158.0)	(151.4)	(6.6)
Others	(41.0)	5.9	(46.9)

(Appendix 1)

### Subprime-related exposure and its impact on the business results for the first half of fiscal 2007

- SMBC had approximately ¥95 billion in exposure related to subprime mortgage loans in the United States as of September 30, 2007, about 0.1% of total investments and loans.
- SMBC sold securitized products such as RMBSs and ABSCDOs of approximately ¥350 billion and recorded a loss on sale of these products of around ¥4 billion in the first half of fiscal 2007. SMBC wrote off some of the remaining products with fair value below 50% of face value as of September 30, 2007. Write-offs totaled approximately ¥17 billion and the book value after the write-offs was about ¥70 billion as of September 30, 2007.  
 SMBC provided warehousing loans of approximately ¥40 billion in the United States as of September 30, 2007, and ¥25 billion of this amount is collateralized with subprime loan related assets. Consequently, SMBC has established loss provisions for such loans in the amount of approximately ¥11 billion, using the discounted cash flow method.  
 However, the above loss on sale and credit cost totaling ¥32 billion was offset by an increase in Treasury Unit's profits including bond related gains amid declining interest rates in domestic and overseas markets arising from the subprime loans issues.  
 SMBC held net unrealized losses on RMBSs and ABSCDOs, etc. of ¥18 billion as of September 30, 2007, against book value of ¥70 billion.
- Subsidiaries other than SMBC had no subprime-related exposure as of September 30, 2007. Most of the assets held by ABCP programs which SMBC sponsors are receivables of corporate clients and do not include subprime loan related assets.

#### Loan portfolio (¥55 trillion)

Domestic operations ¥47.0 trillion	Overseas operations ¥8.0 trillion
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#### Sub-prime loan related exposures as of Sept. 30, 2007

Warehousing loans  
(approximately ¥25 billion)

- \* Warehousing loans are credit facilities to investment banks creating securitization products that are provided until the products are sold.
- \* SMBC held warehousing loans of ¥40 billion in the U.S., of which ¥25 billion is collateralized with subprime loan related assets. SMBC posted ¥11 billion in loss provision for such loans, reflecting the sharp drop in collateral value.

#### Securities portfolio (¥20 trillion)

Domestic bonds ¥10.5 trillion	Domestic equities ¥4.4 trillion	Others ¥4.9 trillion
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Investment balances of RMBSs and ABSCDOs  
(approximately ¥70 billion)

- \* SMBC sold ¥350 billion and recorded loss on sale of ¥4 billion in the first half.
- \* SMBC holds ¥70 billion as of September 30, 2007 (book value basis, after write-offs totaling ¥17 billion).
- \* Valuation loss was ¥18 billion as of September 30, 2007.

(Note) Balances of SMBC on a non-consolidated basis as of Sept. 30, 2007

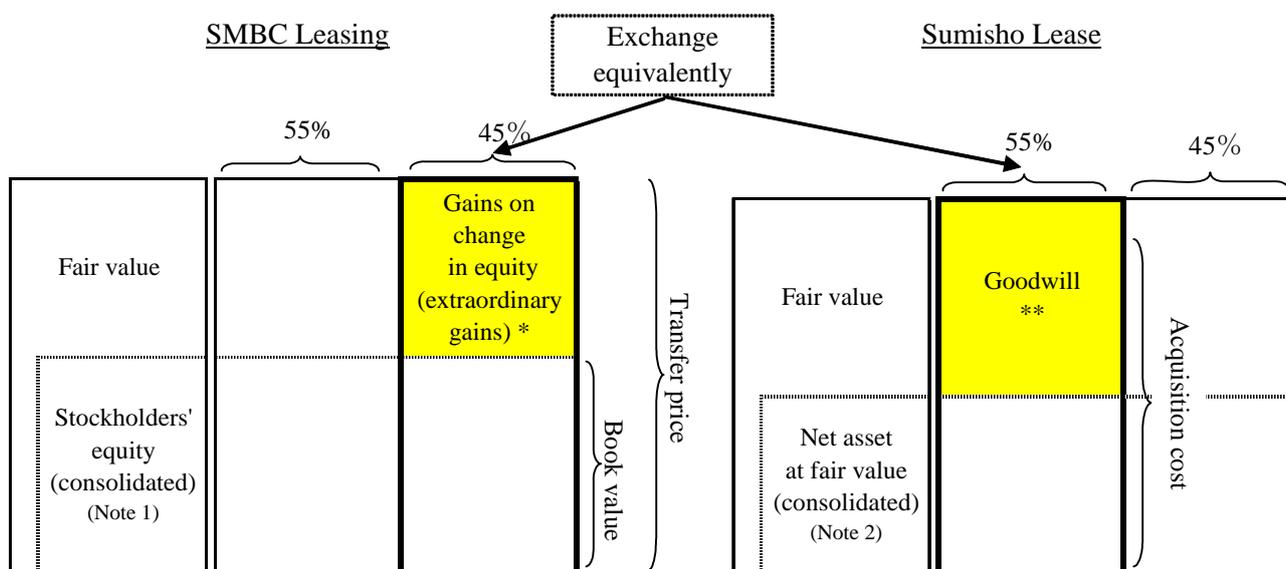
(Appendix 2)

**Outline of “Gains on change in equity”**

As announced on July 30, 2007 in the press release, “Final Agreement concerning Strategic Joint Business in Leasing and Auto Leasing Businesses and Merger Agreement of the Two Businesses,” SMFG will apply the purchase method stipulated in the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestures (Accounting Standards Board of Japan’s Guidance No. 10) to the merger between SMBC Leasing Company, Limited and Sumisho Lease Co., Ltd. (October 1, 2007), and the assets and liabilities that will be succeeded are valued at their fair values.

As a result, SMFG acquired 55% of the fair value of Sumisho Lease and transferred 45% of the shares of SMBC Leasing, equivalent in value to the acquired Sumisho Lease shares. Consequently, the difference between the transfer price of the shares of SMBC Leasing and 45% of SMBC Leasing’s stockholders’ equity is recognized as “Gains on change in equity” and recorded as extraordinary gains. In addition, the difference between the acquisition cost of shares of Sumisho Lease and the amount of 55% of Sumisho Lease’s assets less liabilities, for which fair value is estimated individually, is recognized as goodwill and will be amortized on a straight-line method over 20 years from the second half of fiscal 2007.

<< Concept of Gains on Change in Equity >>



Shareholding ratios after the merger are 55% for SMFG and 45% for Sumitomo Corporation.

(Notes) 1. Stockholders' equity (consolidated)

= Net assets – Valuation and translation adjustments – Stock acquisition rights – Minority interests

2. The difference between assets and liabilities which fair values can be individually estimated.

Gains on change in equity (\*) and goodwill (\*\*) will be recognized also for the merger between Sumisho Auto Leasing Corporation and SMBC Auto Leasing Company Limited on October 1, 2007 in accordance with the ASBJ Guidance No. 10.

\* Total amount of gains on change in equity on the two mergers is expected to be approximately ¥100 billion.

\*\* Amount of goodwill will be determined based on the consolidated net assets at fair value.

This press release 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.

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.