

notes to consolidated financial statements

the sumitomo bank, limited and subsidiaries

March 31, 2000, 1999 and 1998

1. basis of financial statements

The Sumitomo Bank, Limited (the "Bank"), a Japanese corporation, maintains its records and prepares its financial statements in Japanese yen.

The Bank and its consolidated domestic subsidiaries maintain their accounts and records in accordance with accounting principles and prevailing practices generally accepted in Japan, which are different from accounting and disclosure requirements of the International Accounting Standards.

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

In preparing the accompanying consolidated financial statements, certain re-classifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated statements of shareholders' equity have been prepared for the purpose of inclusion of such statements in the consolidated financial statements, although such statements are not required in Japan. The consolidated statements of cash flows for 1999 and 1998 have been prepared for the purpose of inclusion in the consolidated financial statements although such statements were not required in Japan prior to 2000.

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.

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 ¥106.15 to US\$1, the exchange rate prevailing at March 31, 2000. The translations should not be construed as a representation that Japanese yen have been or could have been converted into U.S. dollars at that rate.

2. significant accounting policies

(a) Consolidation

The consolidated financial statements include the accounts of the Bank and its significant subsidiaries. All significant intercompany balances and transactions have been eliminated.

Effective April 1, 1998, a new accounting standard on consolidated financial statements (the "New Standard") has been adopted in Japan. The New Standard required a company to consolidate any subsidiaries of which the company substantially controls the operations, even if it is not a majority owned subsidiary. Control exists where the company has (a) a power to appoint or remove the majority of the numbers of the board of directors or equivalent governing body; or (b) a power to cast the majority votes at meetings of the board of directors or equivalent governing body, etc.

The consolidated financial statements include the accounts of consolidated subsidiaries, of which the fiscal year ends on or after December 31. In case that these subsidiaries have a significant transaction during the period from their fiscal year-end to March 31, the Bank makes an adjustment to the consolidated financial statements to be comprehensive.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Bank acquired control of the respective subsidiaries.

The difference at the time of acquisition between the cost of an investment in a consolidated subsidiary and the underlying equity in its net assets is, in general, charged or credited to income directly.

Investments in major affiliated companies are accounted for by the equity method. Net losses from such investments, recorded as other expenses, were ¥35,549 million and ¥3,456 million for 2000 and 1999, respectively.

(b) Statements of cash flows

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

Starting from fiscal 1999, the definition of due from banks has been changed to include all the non-interest bearing deposits.

The Bank prepared the 2000 consolidated statements of cash flows as required by and in accordance with the "Standards for Preparation of Consolidated Cash Flow Statements, etc." effective from the year ended March 31, 2000. The 1999 and 1998 consolidated statements of cash flows, which were voluntarily prepared for the purpose of inclusion in the consolidated financial statements in a form familiar to readers outside Japan, have not been restated. One of the significant differences between the consolidated statements of cash flows in 2000 and the

previous years is the use of pretax income in 2000 instead of net income in 1999 and 1998.

Additionally, some of the classification of activities, such as loans (previously classified as investing) and deposits (previously classified as financing), have been changed to the operating activities.

(c) Trading assets and liabilities

Financial instruments, such as derivatives and trading securities, which are held for the short term in anticipation of market gains, are recorded at fair value. Such gains and losses are included in trading profits or losses on the consolidated statements of income.

Trading assets and liabilities are accounted for based on a trading date .

(d) Securities

Securities, including stocks, corporate bonds, Japanese national and local government bonds, are stated at cost, basis of which is calculated using the moving-average method.

Securities included in money held in trust account are also recorded at moving-average cost.

Securities held by the consolidated overseas subsidiaries are carried at cost using primarily the specific identification method.

(e) Nonaccrual loans

Prior to April 1, 1998, loans which were overdue for more than six months were generally placed on nonaccrual status based on the Corporate Tax Law.

Effective April 1, 1998, the Bank changed the above policy and loans are generally placed on nonaccrual status when such loans are classified as, "Bankrupt and Quasi-Bankrupt" and "Doubtful (potentially bankrupt)" by the self-assessment rule (see "Reserve for possible loan losses").

(f) Premises and equipment

Premises and equipment are generally stated at cost less accumulated depreciation. The Bank computes depreciation for premises other than buildings and equipment using the declining-balance method over the estimated useful lives of the respective assets. The depreciation for buildings and equipment is computed using the straight-line method over the estimated useful lives of the respective assets.

Prior to April 1, 1998, the Bank computed depreciation for buildings by the declining-balance method. Effective April 1, 1998, the Corporate Tax Law requires the adoption of the straight-line method of depreciation for newly obtained buildings. Accordingly, the Bank decided to use the same depreciation method for all of its existing buildings as well as the newly obtained ones.

Due to the change in depreciation method for the year ended March 31, 1999, loss before income taxes and minority interests decreased by ¥3,982 million.

Depreciation of premises and equipment owned by consolidated domestic subsidiaries is mainly computed using the declining-balance method, while depreciation of those owned by consolidated overseas subsidiaries is mainly computed using the straight-line method, over the estimated useful lives of respective assets.

(g) Software costs

In accordance with the provisional rule of the Japanese Institute of Certified Public Accountants' Accounting Committee Report, the Bank depreciates software using the straight-line method over the estimated useful lives (five years).

The Bank includes software in other assets.

(h) Reserve for possible loan losses

Based on the self-assessment rule for the credit quality of assets ("self-assessment rule"), the Bank and its major subsidiaries classify a loan into the following four risk categories according to the borrower's credit risk: "Bankrupt and Quasi-Bankrupt", "Doubtful (potentially bankrupt)", "Substandard", and "Normal". Classification is determined at first by loan officers; subsequently the Credit Review Department evaluates the classification independently.

During fiscal 1998, the Bank started writing off the unsecured portion of Bankrupt and Quasi-Bankrupt loans rather than recording reserves. For the year ended March 31, 2000 and 1999, the Bank and the consolidated subsidiaries wrote off ¥978,443 million and ¥508,906 million, respectively.

The Bank provides specific reserves individually for Doubtful loans. A reserve amount for a Doubtful loan is generally determined considering the collateral and other pertinent indicators specific to the borrower.

The Bank also provides general reserve for Substandard and Normal loans collectively. The ratio of the general reserve is determined based on the Bank's loan loss experience and current economic condition.

The Bank provides additional reserve for the loans originated in certain countries based on management's assessment of economic or political conditions of such countries.

The other consolidated subsidiaries have been providing reserves for possible loan losses in the amounts considered adequate to provide for losses that can be reasonably anticipated on the basis of management's assessment of loan portfolios.

Due to the revision of accounting rules, the Bank has changed presentation of reserve for possible loan losses from on account of liabilities to a contra account of assets in fiscal 1999.

Due to this change, total assets and total liabilities decreased by ¥950,499 million.

(i) Reserve for loss on loans sold

Reserve for loss on loans sold provides for contingent losses arising from decline of market value of underlying collateral for loans sold to the Cooperative Credit Purchasing Company, Limited.

(j) Reserve for retirement allowances and pension plans

Under the terms of the Bank's retirement plan, substantially all employees are entitled to a lump-sum payment at the time of retirement. The amount of the retirement allowance is, in general, based on length of service, basic salary at the time of retirement and reason for retirement. The liability for lump-sum payments is stated, at the amount which would be required to be paid by the Bank if all eligible employees voluntarily retired at the balance sheet date.

In addition, the Bank has defined benefit pension plans which substantially cover all employees. Annual contributions, which consist of normal costs and amortization of prior service costs, are included in general and administrative expenses. Unamortized prior service costs of the Bank amounting to ¥88,609 million (\$835 million) at March 31, 1999 (the most recent valuation date), are to be amortized over a period of 3 years and 11 month.

Several consolidated subsidiaries have pension plans for employees.

(k) Translation of foreign currencies

- (i) The foreign currency financial statements are translated into Japanese yen at the exchange rate prevailing at respective year-ends, except for the shareholders' equity accounts which are translated at historical rates.
- (ii) (a) Foreign currency assets and liabilities of the Bank are translated into Japanese yen at the exchange rate prevailing at the date of the consolidated balance sheets, except for certain special investment accounts, as approved by the Japanese regulatory authorities which are translated at their historical rates.
- (b) Foreign currency accounts held by the consolidated subsidiaries are translated into the currency of the subsidiary at the exchange rate prevailing at the respective year-ends.

(l) Lease transactions

Finance leases where the ownership of the property is deemed to be transferred to the lessee are capitalized, while other finance leases are allowed to be accounted for in the same manner as operating leases.

Lease assets are depreciated using the straight-line method over the lease term with estimated salvage value.

(m) Income taxes

Effective April 1, 1998, a new accounting standard for income tax accounting has been adopted in Japan. According to this new standard, deferred tax assets and liabilities are recognized for the future tax effects derived from temporary differences and carry-forwards with appropriate valuation reserve, if necessary. The cumulative effect of this accounting change was included in the "Income taxes-Deferred" in the consolidated statements of income for the year ended March 31, 1999, and decreased the net loss by ¥27,234 million.

(n) Amounts per share

Net income (loss) per share is computed by deducting dividends for preferred stock from net income (loss), divided by the weighted average number of shares of common stock, excluding treasury shares and parent company's shares held by subsidiaries, outstanding during each fiscal year.

Declared dividends represent the cash dividends declared applicable to respective years, including dividends to be paid after the end of the year.

(o) Re-classifications

Certain prior year amounts have been reclassified in conformity with the 2000 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

3. trading assets

Trading assets at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Trading securities	¥ 301,522	¥ 722,726	\$ 2,840
Derivatives on trading securities	18	655	0
Derivatives on securities related to trading transactions	57	25	1
Trading-related financial derivatives	591,008	777,476	5,568
Other trading assets*	852,817	1,176,559	8,034
	¥ 1,745,425	¥ 2,677,442	\$ 16,443

* Other trading assets include certificates of deposit and commercial paper in trading account.

4. securities

Securities at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Japanese government bonds	¥ 3,488,594	¥ 1,425,259	\$ 32,865
Japanese local government bonds	358,977	361,144	3,382
Japanese corporate bonds	714,032	619,953	6,727
Japanese stocks	3,396,547	2,950,536	31,997
Other securities	1,010,700	1,285,995	9,521
	¥ 8,968,853	¥ 6,642,890	\$ 84,492

5. loans and bills discounted

Loans and bills discounted at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Bills discounted	¥ 448,000	¥ 509,122	\$ 4,220
Loans on notes and deeds	24,414,229	26,672,490	229,998
Overdrafts	8,078,649	8,408,167	76,106
	¥32,940,880	¥35,589,779	\$ 310,324

The following summarizes the nonaccrual loans of the Bank and consolidated subsidiaries at March 31, 2000 and 1999.

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Loans to borrower under legal bankruptcy procedure	¥ 87,296	¥ 208,327	\$ 823
Other nonaccrual loans	1,661,933	1,678,401	15,656
Total nonaccrual loans	¥ 1,749,230	¥ 1,886,728	\$ 16,479

In addition to the nonaccrual loans, the Bank and consolidated subsidiaries also classify loans overdue by three months or longer as substandard loans, and such loan balances as of March 31, 2000 and 1999, were ¥79,208 million and ¥170,936 million respectively.

Restructured loans are loans for which the Bank and the consolidated subsidiaries have adjusted the terms of the loans in favor of borrowers as a means of financial assistance. These restructured loans are also classified as substandard, which amounted to ¥374,880 million and ¥282,965 million at March 31, 2000 and 1999, respectively.

6. other assets

Other assets at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Accrued income and prepaid expenses	¥ 501,086	¥ 420,997	\$ 4,721
Other	1,924,191	2,498,091	18,127
	¥ 2,425,278	¥ 2,919,089	\$ 22,848

7. premises and equipment

Premises and equipment at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Land*	¥ 428,300	¥ 451,421	\$ 4,035
Buildings	282,938	277,712	2,665
Equipment and others	331,076	281,650	3,119
	¥ 1,042,315	¥ 1,010,783	\$ 9,819
Accumulated depreciation	(361,980)	(324,704)	(3,410)
	¥ 680,334	¥ 686,079	\$ 6,409

* Land included revaluation reserve for land referred to in Note 17.

8. lease assets

Lease assets at March 31, 2000 and 1999 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Equipment and others	¥ 2,148,685	¥ 2,182,991	\$ 20,242
Accumulated depreciation	(1,324,826)	(1,348,590)	(12,481)
	¥ 823,859	¥ 834,401	\$ 7,761

9. assets pledged

Assets pledged as collateral at March 31, 2000 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000		2000
Assets pledged			
Commercial paper and other debt purchased	¥ 10,615		\$ 100
Securities	803,881		7,573
Loans and bills discounted	1,532,634		14,438
Premises and equipment	471		4
Liabilities corresponding to assets pledged			
Deposits	168,240		1,585
Call money	1,495,300		14,087
Trading liabilities	5,473		52
Borrowed money	24,354		229
Acceptances and guarantees	36,303		342

In addition, deposits of ¥52,799 million, securities of ¥799,307 million and other assets (securities in custody) of ¥26,115 million were pledged as collateral for foreign exchange settlements, derivative transactions and certain other purpose.

Premises and equipment include surety deposits and intangible of ¥72,244 million, and other assets include initial margins of futures markets of ¥7,301 million and pledged money for securities borrowing transactions of ¥170,826 million.

10. deposits

Deposits at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Current deposits	¥ 1,750,499	¥ 1,825,084	\$ 16,491
Savings deposits	7,721,902	6,132,728	72,745
Deposits at notice	4,397,254	3,912,643	41,425
Time deposits	12,666,726	13,254,186	119,328
Other deposits	1,825,681	2,973,222	17,199
Certificates of deposit	6,869,258	5,810,931	64,713
	¥35,231,324	¥33,908,797	\$ 331,901

11. trading liabilities

Trading liabilities at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Millions of
	2000	1999	U.S. Dollars
Trading securities sold for short sales	¥ 327,165	¥ 702,061	\$ 3,082
Derivatives on trading securities	17	4	0
Derivatives on securities related to trading transactions	26	68	1
Trading-related financial derivatives	625,440	677,768	5,892
	¥ 952,649	¥ 1,379,903	\$ 8,975

12. borrowed money

Borrowed money at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Millions of
	2000	1999	U.S. Dollars
Bills rediscounted	¥ 22,027	¥ 36,064	\$ 208
Subordinated debt obligation	684,151	726,000	6,445
Borrowings from The Bank of Japan and other financial institutions	1,812,521	2,055,744	17,075
	¥ 2,518,700	¥ 2,817,809	\$ 23,728

13. bonds

Bonds included subordinated bonds of ¥1,067,255 million (\$10,054 million) and ¥971,165 million at March 31, 2000 and 1999 respectively.

14. convertible bonds

Convertible bonds at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Millions of
	2000	1999	U.S. Dollars
Convertible bond payable in U.S. dollars:			
3 1/8% due 2004, convertible into common stock at ¥3,606.90 per share	¥ 1,106	¥ 1,106	\$ 10
Convertible bond payable in Japanese yen:			
3/8% due 2001, convertible into common stock at ¥1,239.00 per share	100,000	100,000	942
	¥ 101,106	¥ 101,106	\$ 952

15. other liabilities

Other liabilities at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Millions of
	2000	1999	U.S. Dollars
Accrued expenses and unearned income	¥ 283,443	¥ 324,632	\$ 2,670
Income taxes	17,206	10,362	162
Employees' deposits	43,832	43,459	413
Cash collateral on bonds lent	3,288,365	2,122,487	30,979
Trading-related accounts payable	607,318	1,138,321	5,721
Other	1,830,310	2,142,858	17,243
	¥ 6,070,477	¥ 5,782,119	\$ 57,188

16. acceptances and guarantees

Acceptances and guarantees at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Millions of
	2000	1999	U.S. Dollars
Guarantees	¥ 1,016,059	¥ 1,276,730	\$ 9,568
Letters of credit	525,101	651,040	4,952
Acceptances	19,276	20,073	180
	¥ 1,560,437	¥ 1,947,843	\$ 14,700

Guarantees and standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The Bank is obliged to pay the third party upon presentation of a claim that meets the conditions of the commitment. The Bank also issues letters of credit for import transactions in international operations. These contingent liabilities are accounted for in "Acceptances and guarantees," with a corresponding amount recorded in the customers' account for contingent claim of a guarantor's right of indemnity in "Customers' liabilities for acceptances and guarantees."

17. revaluation reserve for land

Pursuant to the Enforcement Ordinance for the Law concerning Revaluation Reserve for Land (the "Law"), effective March 31, 1998, the Bank and one of its domestic banking subsidiaries recorded their own land at the fair value at March 31, 1998 and March 31, 1999, respectively. According to the Law, net unrealized gains are reported in a separate component of shareholders' equity net of applicable income taxes as "Revaluation reserve for land, net of tax", and the related deferred tax liabilities are reported in liabilities as "Deferred tax liabilities for revaluation reserve for land". According to the Law, the Bank is not permitted to revalue the land at any time, even in case the fair value of the land declines. Such unrecorded revaluation loss as of March 31, 2000 and 1999 were ¥56,692 million and ¥25,025 million, respectively.

18. minority interests

SB Treasury Company, L.L.C., a subsidiary of the Bank, issued noncumulative preferred securities, totaling \$1.8 billion in February 1998. SB Equity Securities (Cayman), Limited, a subsidiary of the Bank, issued floating noncumulative preferred securities, totaling ¥340 billion in March 1999. Both subsidiaries are consolidated and the preferred securities are accounted for as minority interests.

19. shareholders' equity

Under the Banking Law of Japan, the Bank is required to appropriate as a legal reserve an amount equal to at least 20 percent of cash disbursements in each period until the legal reserve equals 100 percent of the common stock. The capital surplus and legal reserve are not available for distribution as dividends but may be used to reduce a deficit by resolution of the shareholders or may be capitalized by resolution

of the Board of Directors.

In accordance with the new disclosure requirements effective from the year ended March 31, 1999, legal reserve is included in retained earnings.

The Commercial Code of Japan provides that at least one-half of the proceeds from shares issued at prices in excess of par value be included in common stock. In conformity therewith, the Bank has divided the paid-in amount of the stock issued upon conversion of bonds and notes into common stock equally between common stock and capital surplus.

In accordance with the law concerning Emergency Measures for the Early Strengthening of the Functions of the Financial System, the Bank issued a series of noncumulative preferred stock in the aggregate amount of ¥501 billion (the first issuance of 67 million shares at ¥201 billion and the second issuance of 100 million shares at ¥300 billion). All of the preferred stocks were subscribed by The Resolution and Collection Bank, Limited, on March 30, 1999. The noncumulative preferred stocks are redeemable at the option of the Bank at any time. The initial ¥201 billion in Preferred Shares is convertible into common stock of the Bank at any time from May 1, 2002, until February 26, 2009, while the subsequent ¥300 billion in Preferred Shares is convertible into common stock of the Bank at any time from August 1, 2005, until February 26, 2009, in each case subject to certain adjustments to the conversion period.

20. fees and commissions

Fees and commissions in the period ended March 31, 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars	
	2000		2000	
Fees and commissions (income)	¥	182,637	\$	1,721
Deposits and loans		20,013		189
Remittances and transfers		47,162		444
Securities-related business		6,639		63
Agency		8,351		79
Safe deposits		2,820		27
Guarantees		12,175		115
Credit card business		62,499		589
Fees and commissions (expenses)	¥	36,775	\$	346
Remittances and transfers		12,033		113

21. trading income

Trading income in the period ended March 31, 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars	
	2000		2000	
Trading profits	¥	69,760	\$	657
Gains on trading securities		36,460		343
Gains on securities related to trading transactions		-		-
Gains on trading-related financial derivatives		30,063		283
Other		3,235		31
Trading losses	¥	22,853	\$	215
Losses on trading account securities		6,839		64
Losses on securities related to trading transactions		944		9
Losses on trading-related financial derivatives		14,590		137
Other		479		5

22. other operating income

Other operating income for each of the three years in the period ended March 31, 2000 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2000	1999	1998	2000
Gains on foreign exchange transactions	¥ 27,854	¥ 11,588	¥ 12,988	\$ 262
Gains on sale of bonds	38,202	110,753	60,405	360
Gains on redemption of bonds	4,565	3,803	2,955	43
Lease-related income	483,612	467,129	450	4,556
Other	35,403	22,651	1,105	334
	¥ 589,638	¥ 615,925	¥ 77,904	\$ 5,555

23. other income

Other income for each of the three years in the period ended March 31, 2000 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2000	1999	1998	2000
Gains on sale of stocks and other securities	¥ 589,185	¥ 13,265	¥ 202,757	\$ 5,551
Gains on money held in trust	1,528	1,716	3,768	14
Gains on dispositions of premises and equipment	1,710	69,168	19,197	16
Recoveries of written-off claims	979	2,453	506	9
Gains on sales of majority interest of the Sumitomo Bank of California and Banca del Gottardo	–	78,440	–	–
Gain on sale of business operation	8,000	–	–	75
Other	42,146	23,074	81,530	397
	¥ 643,550	¥ 188,119	¥ 307,760	\$ 6,062

24. other operating expenses

Other operating expenses for each of the three years in the period ended March 31, 2000 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2000	1999	1998	2000
Losses on sale of bonds	¥ 33,793	¥ 30,654	¥ 28,018	\$ 319
Losses on redemption of bonds	15,251	8,593	10,146	144
Losses on devaluation of bonds	986	5,661	813	9
Lease-related expenses	421,338	402,818	88	3,969
Other	39,063	18,691	24,243	368
	¥ 510,433	¥ 466,419	¥ 63,309	\$ 4,809

25. other expenses

Other expenses for each of the three years in the period ended March 31, 2000 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2000	1999	1998	2000
Write-off of loans	¥ 439,122	¥ 369,481	¥ 66,373	\$ 4,137
Losses on sale of stocks and other securities	37,071	30,336	49,994	349
Losses on devaluation of stocks and other securities	36,522	33,891	16,076	344
Losses on money held in trust	2,288	5,253	2,290	22
Losses on dispositions of premises and equipment	10,016	7,547	8,140	94
Transfer to other reserves	-	-	2	-
Other*	116,392	332,221	109,303	1,096
	¥ 641,414	¥ 778,729	¥ 252,178	\$ 6,042

* Other included the following:

	Millions of Yen			Millions of U.S. Dollars
	2000	1999	1998	2000
Losses on sale of loans to the Cooperative Credit Purchasing Co., Ltd.	¥ 7,692	¥ 60,269	¥ 57,591	\$ 72
Transfer to reserve for loss on loans sold	18,407	79,169	42,242	173
Losses on financial assistance for affiliates	-	-	33,400	-
Loss on delinquent loans sold	23,065	105,293	43,221	217
Additional contribution to pension fund	21,460	22,660	-	202
Tax expense (credit) on enterprise tax	-	-	(77,479)	-

26. income taxes

Income taxes consisted of corporation and inhabitants' taxes for the year ended March 31, 1998, and the applicable statutory tax rate was approximately 45.3%.

Enterprise tax was also charged on income and is deductible for corporation and inhabitant taxes when paid. The statutory enterprise tax rate for the year ended March 31, 1998 was 12.6%. Enterprise tax expense was included in "Other expenses" in the accompanying consolidated statement of income, and enterprise tax payable was included in "Other liabilities" in the accompanying consolidated balance sheet.

Effective April 1, 1998, a new accounting standard for income tax accounting was adopted in Japan. According to this new standard, income taxes consist of current and deferred corporation, inhabitants' and enterprise taxes.

On March 30, 2000, the Tokyo Metropolitan Government passed and established the Special Ordinance Concerning Taxation Standards for Enterprise Taxes in Relation to Banks in the Tokyo Metropolis (Tokyo Metropolitan Ordinance 145 of April 1, 2000). The measure has changed the effective statutory tax rate used by the Bank to calculate deferred tax assets and deferred tax liabilities from 41.98% in the previous consolidated accounting period to 39.83%. As a result of this change, the deferred tax assets were reduced by ¥34,218 million, and an equivalent increase in the corporate income tax adjustment shown in the accounts for the current accounting period. Further, as deferred tax liabilities for revaluation reserve for land decreased by ¥5,980 million due to this change, revaluation reserve for land increased by the same amount.

Significant components of deferred tax assets and liabilities as of March 31, 2000 and 1999 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Deferred tax assets:			
Reserve for possible loan losses	¥ 346,890	¥ 441,701	\$ 3,268
Write-off of loans	208,099	108,607	1,960
Net operating loss carryforwards	59,510	146,348	561
Reserve for loss on loans sold	46,389	58,672	437
Other	96,989	95,190	914
Subtotal	¥ 757,879	¥ 850,518	\$ 7,140
Valuation allowance	(28,744)	(20,363)	(271)
Total deferred tax assets	¥ 729,135	¥ 830,155	\$ 6,869
Deferred tax liabilities:			
Leveraged lease	¥ 18,705	¥ 20,790	\$ 176
Other	9,134	9,817	86
Total deferred tax liabilities	¥ 27,839	¥ 30,607	\$ 262
Net deferred tax asset	¥ 701,295	¥ 799,548	\$ 6,607

A reconciliation of the effective income tax rate reflected in the accompanying consolidated statements of income to the effective statutory tax rate for the year ended March 31, 2000 was as follows:

	2000
The effective statutory tax rate	41.98%
Change of tax rates	15.80
Loss from unconsolidated entities by equity method	6.89
Other	3.31
The effective income tax rate	67.98

On June 9, 2000, the Osaka Prefecture Government promulgated the Special Ordinance Concerning Taxation Standards, for Enterprise Taxes in Relation to Banks, in Osaka Prefecture (Osaka Prefectural Ordinance 131 of June 9, 2000), which will apply in business years starting on or after April 1, 2001. The effect of this measure is to change the effective statutory tax rate used by the Bank to calculate deferred tax assets and deferred tax liabilities from 39.83% to 38.05%.

Due to this change, the deferred tax assets and deferred tax liabilities for revaluation reserves for land might have been reduced by ¥28,331 million and ¥4,951 million respectively.

As the actual amounts of the effect due to the change will be calculated based on the conditions as of March 31, 2001, they may differ from the amounts above.

27. Lease Transactions

Financing leases without transfer of ownership as of March 31, 2000 and 1999 consisted of the following:

(a) Lessee side

<i>As of March 31, 2000</i>	Millions of Yen			Millions of U.S. Dollars		
	Acquisition Cost	Accumulated Depreciation	Net Book Value	Acquisition Cost	Accumulated Depreciation	Net Book Value
Equipment	¥ 6,321	¥ 2,350	¥ 3,970	\$ 59	\$ 22	\$ 37
Other	—	—	—	—	—	—
	¥ 6,321	¥ 2,350	¥ 3,970	\$ 59	\$ 22	\$ 37

<i>As of March 31, 1999</i>	Millions of Yen		
	Acquisition Cost	Accumulated Depreciation	Net Book Value
Equipment	¥ 6,029	¥ 3,217	¥ 2,811
Other	9	1	8
	¥ 6,038	¥ 3,218	¥ 2,819

Future minimum lease payments as of March 31, 2000 and 1999 including interest under such leases, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Due within one year	¥ 1,144	¥ 1,018	\$ 11
Due after one year	2,920	1,878	27
	¥ 4,064	¥ 2,897	\$ 38

The total lease expenses for the year ended March 31, 2000 and 1999 were ¥1,190 million and ¥982 million, respectively.

The depreciation expense for the year ended March 31, 2000 and 1999 amounted to ¥1,106 million and ¥921 million, respectively. The depreciation is calculated using the straight-line method over the lease term of the respective assets.

The difference between the minimum lease payments and the acquisition costs of the lease assets represents the interest expense. The allocation of such interest expense over the lease term is computed using the effective interest method. The interest expense for the year ended March 31, 2000 and 1999 were ¥78 million and ¥79 million, respectively.

(b) Lessor side

<i>As of March 31, 2000</i>	Millions of Yen			Millions of U.S. Dollars		
	Acquisition Cost	Accumulated Depreciation	Net Book Value	Acquisition Cost	Accumulated Depreciation	Net Book Value \$
Equipment	¥1,917,876	¥1,207,576	¥ 710,300	\$ 18,068	\$ 11,376	\$ 6,692
Other	215,680	114,937	100,743	2,032	1,083	949
	¥2,133,557	¥1,322,514	¥ 811,043	\$ 20,100	\$ 12,459	\$ 7,641

<i>As of March 31, 1999</i>	Millions of Yen		
	Acquisition Cost	Accumulated Depreciation	Net Book Value
Equipment	¥1,967,997	¥1,245,549	¥ 722,448
Other	197,390	100,811	96,579
	¥2,165,387	¥1,346,360	¥ 819,027

Future lease payments receivables as of March 31, 2000 and 1999 including interest under such leases were as follows:

	Millions of Yen		Millions of
	2000	1999	U.S. Dollars
Due within one year	¥ 258,438	¥ 282,446	\$ 2,434
Due after one year	586,246	633,233	5,523
	¥ 844,684	¥ 915,679	\$ 7,957

The lease income for the year ended March 31, 2000 and 1999 were ¥334,157 million and ¥342,771 million, respectively.

The depreciation expense for the year ended March 31, 2000 and 1999 amounted to ¥270,809 million and ¥274,828 million, respectively. The depreciation is calculated using the straight-line method over the lease term of the respective assets without salvage values.

The difference between the minimum lease payments receivables and the acquisition costs of the lease assets represents the interest income. The allocation of such interest income over the lease term is computed using the effective interest method. The interest income for the year ended March 31, 2000 and 1999 were ¥63,593 million and ¥68,500 million, respectively.

Operating leases at March 31, 2000 and 1999 consisted of the following:

(a) Lessee side

Future minimum lease payments as of March 31, 2000 and 1999 were as follows:

	Millions of Yen		Millions of
	2000	1999	U.S. Dollars
Due within one year	¥ 7,758	¥ 10,340	\$ 73
Due after one year	50,143	61,537	472
	¥ 57,901	¥ 71,878	\$ 545

(b) Lessor side

Future lease payments receivables as of March 31, 2000 and 1999 were as follows:

	Millions of Yen		Millions of
	2000	1999	U.S. Dollars
Due within one year	¥ 207	¥ 200	\$ 2
Due after one year	787	3,881	7
	¥ 994	¥ 4,081	\$ 9

28. segment information

(a) Business segment information

Year ended March 31, 2000	Millions of Yen					
	Banking Business	Leasing	Other Businesses	Total	Elimination	Consolidated
I. Adjusted operating income						
(1) External customers	¥ 2,208,367	¥ 522,953	¥ 271,602	¥ 3,002,923	¥ –	¥ 3,002,923
(2) Intersegment	36,596	4,869	99,933	141,398	[141,398]	–
Total	¥ 2,244,963	¥ 527,822	¥ 371,535	¥ 3,144,322	¥ [141,398]	¥ 3,002,923
Adjusted operating expenses	2,062,769	506,429	332,282	2,901,481	[135,843]	2,765,637
Adjusted operating profit (loss)	¥ 182,194	¥ 21,393	¥ 39,253	¥ 242,841	¥ [5,555]	¥ 237,285
II. Assets	¥52,348,529	¥1,479,808	¥4,548,267	¥58,376,605	¥[4,609,101]	¥53,767,504
Depreciation	45,077	329,348	4,989	379,415	–	379,415
Capital expenditure	33,033	272,749	4,581	310,363	–	310,363

Year ended March 31, 1999	Millions of Yen					
	Banking Business	Leasing	Other Businesses	Total	Elimination	Consolidated
I. Adjusted operating income						
(1) External customers	¥ 1,928,162	¥ 485,485	¥ 264,273	¥ 2,677,921	¥ –	¥ 2,677,921
(2) Intersegment	118,947	14,327	107,339	240,614	[240,614]	–
Total	¥ 2,047,110	¥ 499,812	¥ 371,612	¥ 2,918,536	¥ [240,614]	¥ 2,677,921
Adjusted operating expenses	2,800,845	483,826	484,590	3,769,261	[214,019]	3,555,242
Adjusted operating profit (loss)	¥ (753,734)	¥ 15,986	¥ (112,977)	¥ (850,725)	¥ [26,595]	¥ (877,321)
II. Assets	¥52,897,384	¥1,438,027	¥5,276,695	¥59,612,107	¥[4,638,235]	¥54,973,872
Depreciation	17,366	280,444	2,009	299,820	–	299,820
Capital expenditure	31,490	303,134	8,152	342,777	–	342,777

Year ended March 31, 2000	Millions of U.S. Dollars					
	Banking Business	Leasing	Other Businesses	Total	Elimination	Consolidated
I. Adjusted operating income						
(1) External customers	\$ 20,804	\$ 4,926	\$ 2,559	\$ 28,289	\$ –	\$ 28,289
(2) Intersegment	345	46	941	1,332	[1,332]	–
Total	\$ 21,149	\$ 4,972	\$ 3,500	\$ 29,621	\$ [1,332]	\$ 28,289
Adjusted operating expenses	19,433	4,771	3,130	27,334	[1,280]	26,054
Adjusted operating profit (loss)	\$ 1,716	\$ 201	\$ 370	\$ 2,287	\$ [52]	\$ 2,235
II. Assets	\$ 493,156	\$ 13,941	\$ 42,847	\$ 549,944	\$ [43,420]	\$ 506,524
Depreciation	424	3,103	47	3,574	–	3,574
Capital expenditure	311	2,570	43	2,924	–	2,924

- Notes:**
- The above tables show business segment information on adjusted operating income, adjusted operating expenses, adjusted operating profit (loss) and assets of the Bank and its consolidated subsidiaries.
 - The business segmentation is determined based on the Bank's internal administrative purpose. The primary businesses of each segments are as follows:
"Other Businesses" includes securities, non-bank business and credit card business.
 - Adjusted operating income represents total income excluding "Gains on dispositions of premises and equipment", "Recoveries of written-off claims", "Gains on sales of majority interest of subsidiaries", "Gain on sale of business operation" and reversals of "Other reserves".
Adjusted operating expenses represents total expenses excluding "Losses on dispositions of premises and equipment" and other extraordinary expenses.

(b) Geographic segment information

<i>Year ended March 31, 2000</i>	Millions of Yen						
	Japan	The Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
I. Adjusted operating income							
(1) External customers	¥ 2,388,478	¥ 296,813	¥ 128,364	¥ 189,267	¥ 3,002,923	¥ -	¥ 3,002,923
(2) Intersegment	86,088	53,410	54,999	28,352	222,851	[222,851]	-
Total	¥ 2,474,567	¥ 350,224	¥ 183,363	¥ 217,619	¥ 3,225,775	¥ [222,851]	¥ 3,002,923
Adjusted operating expenses	2,344,476	264,258	168,449	206,969	2,984,153	[218,516]	2,765,637
Adjusted operating profit (loss)	¥ 130,090	¥ 85,966	¥ 14,914	¥ 10,650	¥ 241,621	¥ [4,335]	¥ 237,285
II. Assets	¥49,196,165	¥ 4,039,567	¥ 1,756,961	¥ 2,647,550	¥57,640,245	¥[3,872,740]	¥53,767,504

<i>Year ended March 31, 1999</i>	Millions of Yen						
	Japan	The Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
I. Adjusted operating income							
(1) External customers	¥ 1,935,665	¥ 275,513	¥ 283,885	¥ 182,856	¥ 2,677,921	¥ -	¥ 2,677,921
(2) Intersegment	222,218	63,646	185,815	35,784	507,464	[507,464]	-
Total	¥ 2,157,884	¥ 339,159	¥ 469,701	¥ 218,640	¥ 3,185,385	¥ [507,464]	¥ 2,677,921
Adjusted operating expenses	2,969,212	330,531	477,805	254,077	4,031,626	[476,383]	3,555,242
Adjusted operating profit (loss)	¥ (811,327)	¥ 8,627	¥ (8,104)	¥ (35,436)	¥ (846,240)	¥ [31,080]	¥ (877,321)
II. Assets	¥50,019,620	¥ 4,653,637	¥ 1,850,022	¥ 3,778,091	¥60,301,370	¥[5,327,498]	¥54,973,872

<i>Year ended March 31, 2000</i>	Millions of U.S. Dollars						
	Japan	The Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
I. Adjusted operating income							
(1) External customers	\$ 22,501	\$ 2,796	\$ 1,209	\$ 1,783	\$ 28,289	\$ -	\$ 28,289
(2) Intersegment	811	504	518	267	2,100	[2,100]	-
Total	\$ 23,312	\$ 3,300	\$ 1,727	\$ 2,050	\$ 30,389	\$ [2,100]	\$ 28,289
Adjusted operating expenses	22,086	2,490	1,587	1,950	28,113	[2,059]	26,054
Adjusted operating profit (loss)	\$ 1,226	\$ 810	\$ 140	\$ 100	\$ 2,276	\$ [41]	\$ 2,235
II. Assets	\$ 463,459	\$ 38,055	\$ 16,552	\$ 24,942	\$ 543,008	\$ [36,484]	\$ 506,524

- Notes:** 1. The above tables show geographic segment information on adjusted operating income, adjusted operating expenses, adjusted operating profit (loss) and assets of the Bank's head office, branches and its consolidated subsidiaries.
2. The geographic segmentation is decided based on the degrees of the following factors: geographic proximity, similarity of economic activities and relationship of business activities among regions. In the above tables, the Americas includes the United States, Brazil and others; Europe includes the United Kingdom, France and others; and Asia and Oceania includes Hong Kong, Singapore and others except Japan.
3. Adjusted operating income represents total income excluding "Gains on dispositions of premises and equipment", "Recoveries of written-off claims", "Gains on sales of majority interest of subsidiaries", "Gain on sale of business operation" and reversals of "Other reserves."
- Adjusted operating expenses represents total expenses excluding "Losses on dispositions of premises and equipment" and other extraordinary expenses.

(c) Adjusted operating income from foreign operations

	Millions of Yen		
	Adjusted Operating Income from Foreign Operations (A)	Consolidated Adjusted Operating Income (B)	(A)/(B)
Year ended March 31, 2000	¥ 614,445	¥ 3,002,923	20.5%

	Millions of U.S. Dollars		
	Adjusted Operating Income from Foreign Operations (A)	Consolidated Adjusted Operating Income (B)	(A)/(B)
Year ended March 31, 2000	\$ 5,788	\$ 28,289	20.5%

Note: The above table shows operating income from transactions of the Bank's overseas branches and transactions of overseas consolidated subsidiaries, excluding internal income.

29. subsequent events***(a) Appropriations of retained earnings***

The following appropriations of retained earnings of the Bank at March 31, 2000, were approved by the ordinary meeting of shareholders held on June 29, 2000.

	Millions of Yen	Millions of U.S. Dollars
Cash dividends, ¥3.00 per share on common stocks	¥ 9,423	\$ 89
¥5.25 per share on preferred stocks (first series type1)	351	3
¥14.25 per share on preferred stocks (second series type1)	1,425	13

(b) Contract of Merger between Sakura Bank and Sumitomo Bank

The Sakura Bank, Limited and the Bank have signed a contract of merger on May 22, 2000 and the terms of the merger were approved at the ordinary general meeting of shareholders and the general meetings of class shareholders held on June 29, 2000 and June 28, 2000, respectively.

Pursuant to the terms of the merger, the Sakura Bank will merge with the Bank on April 1, 2001, and the Bank will be the legal surviving entity of the merger. Concurrently, the Bank will change its corporate name to "Sumitomo Mitsui Banking Corporation."

Each share of Sakura Bank's common stock, par value ¥50 per share, will be exchanged for 0.6 shares of the common stock of the Bank.

30. parent company

Financial information of the Sumitomo Bank, Limited, the parent company, is presented below:

Balance sheets

*The Sumitomo Bank, Limited
As of March 31, 2000 and 1999*

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
assets:			
Cash and due from banks	¥ 1,280,533	¥ 822,529	\$ 12,063
Deposits with banks	2,502,386	819,961	23,574
Call loans	202,615	491,952	1,909
Commercial paper and other debt purchased	84,494	101,741	796
Trading assets	1,445,843	2,004,010	13,621
Money held in trust	108,888	84,481	1,026
Securities	8,982,244	6,679,892	84,618
Loans and bills discounted	31,358,560	33,716,858	295,418
Foreign exchanges	352,971	374,151	3,325
Other assets	1,540,495	1,993,150	14,513
Premises and equipment	591,187	598,148	5,569
Deferred tax assets	624,585	719,913	5,884
Customers' liabilities for acceptances and guarantees	2,923,570	3,124,504	27,542
Reserve for possible loan losses	(909,039)	–	(8,564)
total assets	¥51,089,338	¥51,531,297	\$ 481,294
liabilities:			
Deposits	¥34,229,831	¥33,001,309	\$ 322,467
Call money	2,739,363	3,351,490	25,806
Commercial paper	110,200	215,500	1,038
Trading liabilities	603,424	867,950	5,685
Borrowed money	2,461,252	2,506,236	23,186
Foreign exchanges	165,145	155,493	1,556
Bonds	432,343	148,068	4,073
Convertible bonds	101,106	101,106	952
Other liabilities	5,173,303	4,856,861	48,736
Reserve for possible loan losses	–	1,052,958	–
Reserve for retirement allowances	46,764	49,524	441
Reserve for loss on loans sold	111,588	134,753	1,051
Other reserves	8	9	0
Deferred tax liabilities for revaluation reserve for land	110,798	119,060	1,044
Acceptances and guarantees	2,923,570	3,124,504	27,542
total liabilities	¥49,208,701	¥49,684,827	\$ 463,577
shareholders' equity:			
Preferred stock, no par value; Authorized 500,000 thousand shares and issued 167,000 thousand shares in 2000 and 1999	¥ 250,500	¥ 250,500	\$ 2,360
Common stock, par value ¥50 per share; Authorized 7,500,000 thousand shares and issued 3,141,062 thousand shares in 2000 and 1999	502,348	502,348	4,733
Capital surplus	643,080	643,080	6,058
Legal reserve	103,319	99,179	973
Revaluation reserve for land, net of tax	167,379	164,551	1,577
Retained earnings	214,008	186,810	2,016
total shareholders' equity	¥ 1,880,637	¥ 1,846,470	\$ 17,717
total liabilities and shareholders' equity	¥51,089,338	¥51,531,297	\$ 481,294

Statements of income

The Sumitomo Bank, Limited
Years ended March 31, 2000, 1999 and 1998

	Millions of Yen			Millions of U.S. Dollars
	2000	1999	1998	2000
income:				
Interest income:				
Interest on loans and discounts	¥ 766,285	¥ 971,144	¥ 1,083,057	\$ 7,219
Interest and dividends on securities	142,745	175,223	174,435	1,345
Other interest income	507,548	499,542	710,841	4,781
Fees and commissions	106,565	104,338	106,868	1,004
Trading profits	34,227	37,156	18,433	322
Other operating income	61,072	115,264	66,021	575
Other income	565,902	170,659	254,419	5,332
total income	¥ 2,184,348	¥ 2,073,328	¥ 2,414,077	\$ 20,578
expenses:				
Interest expenses:				
Interest on deposits	¥ 282,160	¥ 506,237	¥ 812,818	\$ 2,658
Interest on borrowings and rediscounts	109,784	121,920	123,300	1,034
Other interest expenses	421,157	414,857	446,470	3,968
Fees and commissions	37,306	43,159	38,007	352
Trading losses	944	542	3,408	8
Other operating expenses	49,091	69,729	28,251	462
General and administrative expenses	350,791	366,369	387,623	3,305
Transfer to reserve for possible loan losses	292,209	566,279	829,464	2,753
Other expenses	492,402	617,656	328,697	4,639
total expenses	¥ 2,035,847	¥ 2,706,752	¥ 2,998,041	\$ 19,179
Income (loss) before income taxes	¥ 148,500	¥ (633,423)	¥ (583,963)	\$ 1,399
Income taxes:				
Current	¥ 6,634	¥ 20,812	¥ 37,731	\$ 62
Deferred	93,047	(280,112)	–	877
net income (loss)	¥ 48,818	¥ (374,123)	¥ (621,695)	\$ 460

	Yen			U.S. Dollars
	2000	1999	1998	2000
per share data:				
Net income (loss)	¥ 14.41	¥ (119.11)	¥ (197.93)	\$ 0.14
Net income-diluted	14.12	–	–	0.13
Declared dividend on common stocks	6.00	6.00	8.50	0.06
Declared dividend on preferred stocks (first series type1)	10.50	0.03	–	0.10
Declared dividend on preferred stocks (second series type1)	28.50	0.08	–	0.27