NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Sumitomo Bank, Limited, and Subsidiaries
September 30, 2000

1. Scope of Consolidation

(a) Consolidated subsidiaries 71 companies

The Sumitomo Credit Service Company, Limited
SB Leasing Company, Limited
Sumigin General Finance Company Limited
Sumigin Guarantee Company, Limited
SB Investment Co., Ltd.
The Bank of Kansai, Ltd.
Sumitomo Bank Capital Markets, Inc. and others

As SB Trust Bank Co., Ltd was sold and Sumitomo Bank (Deutschland) GmbH was liquidated, they were excluded from consolidation.

(b) Nonconsolidated subsidiaries

Forty-eight subsidiaries, such as S.B.L. Management Company Limited, are anonymous partnerships for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, based on Article 5 Paragraph 1 Item 2 of the Consolidated Interim Financial Statements Regulations, they were not treated as consolidated subsidiaries.

Assets, income, net income and surplus of other nonconsolidated subsidiaries have no significant impact on the consolidated financials.

2. Application of the Equity Method

(a) Subsidiaries accounted for under the equity method

None

(b) Affiliates accounted for under the equity method 39 companies

Daiwa Securities SB Capital Markets Co. Ltd
QUOQ Inc.
The Japan Research Institute, Limited and others

As a share of Japan Pension Navigator Co., Ltd was obtained, it was newly included in affiliates accounted for under the equity method.

(c) Nonconsolidated subsidiaries not accounted for under the equity method

Forty-eight subsidiaries such as S.B.L. Management are anonymous partnerships for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, based on Article 7 Paragraph 1 Item 2 of the Consolidated Interim Financial Statements Regulations, they were not treated as subsidiaries accounted for under the equity method.

(d) Affiliates not accounted for under the equity method

Sumigin Metro Investment Corporation

Net income and surplus of other nonconsolidated subsidiaries and affiliates which are not accounted for under the equity method have no significant impact on the consolidated financials.

3. Balance Sheet Dates of Consolidated Subsidiaries

(a) The dates of interim account closing of consolidated subsidiaries are as follows:

April 30	1 company
June 30	32 companies
July 31	1 company
September 30	37 companies

(b) As for the company whose balance sheet date is April 30, account closing for consolidation was done provisionally as of July 31, 2000. The other companies are consolidated on the basis of their respective balance sheet dates. Appropriate adjustments were made for any significant transactions during the periods from their respective balance sheet dates to September 30, 2000.

4. Accounting Policies

(a) Standards for recognition and measurement of trading assets and liabilities

Standards for recognition and measurement of trading assets and liabilities are as follows:

Recognition: Trading account positions relating to trades made for the purposes of 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 and trading liabilities on the consolidated interim balance sheet on a contract date basis.

Measurement:
Trading securities and monetary claims purchased for trading purposes are stated at market value, and financial derivatives such as swaps, futures and options, are at the amounts that would be settled if the transactions were terminated at the interim term end date.
Trading profits and trading losses include interest received/paid and the amount of change in valuation gains/losses for securities, monetary claims and derivatives as of the consolidated interim term end date compared with that at the end of the previous term. The amounts of change of valuation gains/losses for derivatives are measured using the estimated settlement price assuming settlement in cash at the consolidated interim term end date.

(b) Standard for recognition and measurement of securities

As for securities other than those of the trading portfolio, debt securities which the Bank and consolidated domestic subsidiaries have the intent and ability to hold to maturity (held-to-maturity securities) are carried at amortized cost, using the moving-average method.
Debt securities excluding those classified as held-to-maturity or trading securities (available-for-sale debt securities) are carried at amortized cost, using the moving-average method. Equity securities are carried at cost, using the moving-average method.
Debt securities and equity securities held by consolidated overseas subsidiaries are mainly carried at cost, using the specific-identification method.
Securities included in money held in trust accounts are carried in the same way as (a) and above.

(c) Standard 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 local accounting standards.

(d) Depreciation

(i) Depreciation for premises, equipment and lease assets
Depreciation for premises and equipment owned by the Bank is computed as follows:
Buildings: The straight-line method over the estimated useful lives of the respective assets at the rate prescribed by the Japanese Corporate Tax Law.
Equipment: The declining-balance method over the estimated useful lives of the respective assets at the rate prescribed by the Japanese Corporate Tax Law.
Other: In accordance with the Japanese Corporate Tax Law.
For the six-month period ended September 30, 2000, the Bank charged 50% of the annual depreciation costs to its income. As for consolidated domestic subsidiaries, depreciation for premises and equipment is computed mainly using the declining-balance method over the estimated useful lives of the respective assets at the rate prescribed by the Japanese Corporate Tax Law, and depreciation for lease assets is computed mainly using the straight-line method over the lease term based on the value of assets that will remain at the end of the lease term.
As for consolidated overseas subsidiaries, depreciation for premises and equipment is computed mainly using the straight-line method over the estimated useful lives of the respective assets.

(ii) Capitalized software
Capitalized software for internal use is depreciated using the straight-line method over its estimated useful life (mainly 5 years) at the Bank or consolidated domestic subsidiaries.

(e) Reserves for possible loan losses

Reserves for possible loan losses of the Bank and major consolidated subsidiaries are provided as detailed below, in accordance with the internal standards for write-offs and reserves.
For claims on borrowers who are legally bankrupt or virtually bankrupt, a reserve is provided based on the amount of claims net of the expected amount of recoveries from collateral and guarantees.
For claims on borrowers who are not currently bankrupt but are likely to become bankrupt, a reserve is provided by the amount deemed necessary based on overall solvency assessment, out of the amount of claims net of the expected amount of recoveries from collateral and guarantees.
For other claims, a reserve is provided based on the historical loan-loss ratio.
For claims originated in certain countries, an additional reserve (including a reserve for losses on overseas investments prescribed in Article 55-2 of the Specific Taxation Measures Law) is provided by the amount deemed necessary based on assessment of political and economic conditions in such countries.
All claims are assessed by business units and credit supervision departments in accordance with the internal rule for self-assessment of assets. Subsequently, the Credit Review Department, independent from these operating sections, audits their assessment. The reserve is provided based on these layers of review.
Reserves for possible loan losses of other consolidated subsidiaries are provided for general claims by the amount deemed necessary based on the historical loan-loss ratio, and for doubtful claims by the amount deemed uncollectable based on the respective assessments.
For claims on bankrupt or virtually bankrupt borrowers, the amount exceeding the estimated value of collateral and guarantees is deducted, as deemed uncollectable, directly from those claims. The deducted amount is ¥1,003,996 million.

(f) Reserve for employee retirement benefit

The reserve for employee retirement benefit is recorded based on an actuarial computation, which uses the present value of the projected benefit obligation and plan assets at the balance sheet date. Transitional liability from the initial application of the new accounting standard for employee retirement benefits in Japan of 105,290 million yen is amortized using the straight-line method over 5 years. For the six-month period ended September 30, 2000, the Bank charges 50% of the annual amortized cost to its income.

(g) Reserve for loss on loans sold

The 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. This reserve is established in accordance with Article 287-2 of the Commercial Code.

(h) "Other reserve" required by Special Law

The "Other reserve" required by Special Law is as follows:

A reserve for contingent liabilities from brokering of futures transactions is recorded at 8 million yen.

This reserve was established in accordance with Article 82 of the Financial Futures Transaction Law.

(i) Translation of foreign currency assets and liabilities

Foreign currency assets and liabilities of the Bank are translated into Japanese yen at the exchange rate prevailing at the consolidated interim balance sheet date, though certain items deemed inappropriate to be added to the balance of foreign currency assets and liabilities at the current exchange rate, such as investments in foreign companies (as long as the investments are funded in Japanese yen), are translated at the historical exchange rate. The accounts of overseas branches of the Bank are translated into Japanese yen at the exchange rate prevailing at the consolidated interim balance sheet date. Foreign currency assets and liabilities of consolidated subsidiaries are translated into Japanese yen at the exchange rate prevailing at their respective interim balance sheet dates.

(j) Accounting method for lease transactions

Finance leases of the Bank and consolidated domestic subsidiaries, except for those which transfer the ownership of the property to the lessee, are accounted for in the same manner as operating leases.

(k) Standards for recognition of lease transactions

Standards for recognizing rental revenue of lease transactions and revenue/cost of installment sales are as follows:

(i) Recognition of rental revenue of lease transactions

Basically, rental revenue is recognized on a straight-line basis over the full term of the lease, based on the contractual amount of rental fees per month.

(ii) Recognition of revenue and cost of installment sales

Basically, revenue and cost of installment sales is recognized on a due-date basis over the full term of the installment.

(l) Hedge accounting

In accordance with the Industry Audit Committee Report No. 15 "Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" issued by JICPA in 2000, the Bank decided to apply hedge accounting, abiding by the following requirements:

(i) Loans, deposits and other interest bearing assets and liabilities as a whole shall be recognized as the hedged portfolio.
(ii) Derivatives as hedging instruments shall effectively reduce the interest rate exposure of the hedged portfolio.
(iii) Eligibility of hedging activities shall be evaluated on a quarterly basis.

Certain derivatives managed by some foreign branches are recorded on a cost basis using the short-cut method for interest rate swaps in view of consistency with the risk management policy.

In accordance with the Industry Audit Committee Report No. 19 "Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Leasing Industry" issued by JICPA in 2000, one of the consolidated domestic subsidiaries in the leasing industry applies "Deferred Hedge Accounting Related to Portfolio Hedge on Liabilities."

Other domestic subsidiaries use the deferred hedge accounting or the short-cut method for interest rate swaps.

(m) Consumption tax

Consumption tax and local consumption tax of the Bank and consolidated domestic subsidiaries are accounted for using the tax-excluded method.

(n) Tax effect accounting

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

5. Scope of Cash and Cash Equivalents on Consolidated Interim Statements of Cash Flows

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

6. Others

Amounts less than one million yen have been omitted. As a result, the totals shown in the financial statements do not necessarily agree with the sum of the individual amounts. For the convenience of the readers, all items have been translated from Japanese yen at the rate of ¥108.00 to US$1, the exchange rate prevailing on September 30, 2000.