

IV. Consolidated Financial Statements

Significant Accounting Policies for Consolidated Financial Statements

1. Scope of consolidation

(1) Consolidated subsidiaries 162 companies

Principal companies:

Sumitomo Mitsui Banking Corporation
 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 Finance Service Co., Ltd.
 SMBC Friend Securities Co., Ltd.
 The Japan Research Institute, Limited
 SMBC Capital Markets, Inc.

Changes in consolidated subsidiaries in the fiscal year are as follows:

Twenty companies including The Japan Research Institute (Shanghai) Solution Co., Ltd. were newly consolidated due to establishment and other reason.

Thirteen companies including WAKASHIO OFFICE SERVICE Co., Ltd. were excluded from the scope of consolidation because they were no longer subsidiaries due to liquidation and other reason. Also, twelve companies including SMLC CENTAURUS CO., LTD. were excluded from the scope of consolidation and became unconsolidated subsidiaries that are not accounted for by the equity method because they became silent partnerships for lease transactions.

(2) Unconsolidated subsidiaries

Principal company:

SBCS Co., Ltd.

One hundred and twenty-one 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 have been excluded from the scope of consolidation pursuant to Article 5 Paragraph 1 Item 2 of Consolidated Financial Statements Regulations.

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

2. Application of the equity method

(1) Unconsolidated subsidiaries accounted for by the equity method 3 companies

Principal company:

SBCS Co., Ltd.

In the fiscal year, SBL Holdings Limited was excluded from the scope of unconsolidated subsidiaries accounted for by the equity method because it was no longer a subsidiary due to liquidation.

(2) Affiliates accounted for by the equity method 60 companies

Principal companies:

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

Changes in affiliates accounted for by the equity method are as follows:

Fifteen companies including former NIF Ventures Co., Ltd. (current name: NIF SMBC Ventures Co., Ltd.) newly

became affiliated companies accounted for by the equity method due to acquisition of shares.

Four companies including P.T.Perjahl Leasing Indonesia were excluded from the scope of affiliated companies accounted for by the equity method because they were no longer affiliated companies due to sale of shares.

(3) Unconsolidated subsidiaries and affiliates that are not accounted for by the equity method

One hundred and twenty-one 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 have not been accounted for by the equity method pursuant to Article 10 Paragraph 1 Item 2 of Consolidated Financial Statements Regulations.

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

3. The balance sheet dates of consolidated subsidiaries

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

June 30	2	companies
September 30	5	companies
October 31	1	company
November 30	2	companies
December 31	64	companies
January 31	1	company
February 28	2	companies
March 31	85	companies

A consolidated overseas subsidiary changed its balance sheet date from December 31 to March 31 from this fiscal year. Therefore, SMFG's consolidated financial statements include the subsidiary's profit or loss for the period from January 1, 2005 to March 31, 2006. However, this change had no material impact on the consolidated financial statements.

(2) The subsidiaries whose balance sheet dates are June 30, September 30 and November 30 are consolidated after the accounts were provisionally closed as of March 31 for the purpose of consolidation. As for the subsidiary whose balance sheet date is October 31, its financial statements are consolidated based on the provisional financial statements closed as of January 31. A consolidated subsidiary (established in January 2006) whose balance sheet date is December 31 is consolidated after the accounts were provisionally closed as of March 31 for the purpose of consolidation. The other companies are consolidated on the basis of their respective balance sheet dates.

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

4. Accounting policies

Please refer to the "Notes to Consolidated Balance Sheet" and "Notes to Consolidated Statement of Income."

5. Valuation of consolidated subsidiaries' assets and liabilities

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

6. Amortization of goodwill

Goodwill on Sumitomo Mitsui Card Company, Limited and SMBC Leasing Company, Limited is amortized using the straight-line method over five years and goodwill on other companies is charged or credited to income directly when incurred.

7. Appropriation of retained earnings

"Consolidated Statement of Capital Surplus and Retained Earnings" reflects the appropriation of retained earnings made during the consolidated fiscal year.

8. Scope of "Cash and cash equivalents" on Consolidated Statements of Cash Flows

Please refer to the "Notes to Consolidated Statement of Cash Flows."