Notes to Consolidated Balance Sheet

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

2. Standards for recognition and measurement of trading assets and liabilities are as follows:
   Recognition:
   Trading account positions relating to transactions 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 or Trading liabilities on the consolidated 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 consolidated balance sheet date.

3. As for securities other than those in trading portfolio, debt securities that Sumitomo Mitsui Banking Corporation (the 'Bank') and its consolidated subsidiaries have the positive intent and ability to hold to maturity (held-to-maturity securities) are carried at amortized cost, 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 excluding those classified as trading securities, held-to-maturity securities or investments in unconsolidated subsidiaries and affiliates that are not accounted for by the equity method are defined as '*other securities*.' Stocks classified as *other securities* that have market value are carried at the average market value during the final month of the fiscal year, and *other securities* excluding the marketable stocks that have market value are carried at market value at the consolidated balance sheet date (cost of product sold is calculated mainly by moving-average method). *Other securities* that do not have market value are carried at cost or amortized cost, using the moving-average method. Net unrealized gains (losses) on *other securities* are recognized, net of applicable income taxes, as a separate component of stockholders' equity.

4. Securities included in money held in trust account are carried in the same way as mentioned in Notes 2 and 3.

5. 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.

6. Depreciation of premises and equipment owned by the Bank is computed by the straight-line method (the declining-balance method is used as for equipment). The estimated useful lives of major items are as follows:
   Buildings: 7 to 50 years
   Equipment: 3 to 20 years
   As for consolidated subsidiaries, depreciation for premises and equipment is computed mainly using the straight-line method over the estimated useful lives of the respective assets and depreciation of lease assets is computed mainly using the straight-line method over the lease term based on the residual value of assets at the end of the lease term.

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

8. The Bank'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 balance sheet date, with the exception of stocks of subsidiaries and affiliates translated at rates prevailing at the time of acquisition.
   Formerly, the Bank applied 'the accounting standards for foreign currency transactions in banking industry' introduced in 1990. From this fiscal year, the Bank applies the revised accounting standards for foreign currency transactions ('Opinion Concerning Revision of Accounting Standard for Foreign Currency Transactions' issued by Business Accounting Deliberation Council on October 22, 1999) with the exception of when 'Temporary Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry' (JICPA Industry Audit Committee Report No.20) is applied.
   Financial swap transactions are accounted for pursuant to the JICPA Industry Audit Committee Report No.20 as follows:
   (1) Initial exchange cash flows are assumed as principal of claim and debt and are reported on the consolidated balance sheet at the exchange rate prevailing at the consolidated balance sheet date in the net amount.
   (2) The difference of the initial and final exchange cash flows by currency, which are the reflection of the difference in the yield between the currencies, are assumed as interest and are accounted for on an accrual basis on the consolidated balance sheet and the consolidated statement of income.
   Financial swap transactions are foreign exchange transactions that are contracted for the purpose of lending or borrowing funds in different currencies. These transactions consist of spot foreign exchange either bought or sold and forward foreign exchange either bought or sold. The spot foreign exchange bought or sold is the swap transaction for borrowing or lending the principal equivalent of the fund. The forward foreign exchange bought or sold is the swap

transaction of the foreign currency equivalent including the principal and corresponding interest to be paid or received, the amount and due date of which are predetermined.

Consolidated subsidiaries' assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at their respective balance sheet date.

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

For claims on borrowers that are legally bankrupt ('bankrupt borrowers') or borrowers that are regarded as substantially in the same situation ('effectively bankrupt borrowers'), a reserve is provided based on the amount of claims net of the expected amount of recoveries from collateral and guarantees net of the deducted amount mentioned below.

For claims on borrowers that are not currently in the status of bankrupt but are likely to become bankrupt in future, 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 Specific Taxation Measures Law) is provided by the amount deemed necessary based on assessment of political and economic conditions in such countries under the name of 'loan loss reserve for specific overseas countries' as a component of reserve for possible loan losses.

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

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

For claims on 'bankrupt borrowers' and 'effectively bankrupt borrowers,' the amount exceeding the estimated value of collateral and guarantees is deducted, as deemed uncollectible, directly from those claims. The deducted amount is 1,824,274 million yen.

10. Reserve for employee bonuses is provided, in provision for payment of bonuses to employees, by the amount of estimated bonuses, which are attributable to this consolidated fiscal year. Accrued bonuses to employees were formerly recognized on accrued expenses in 'Other liabilities,' but 'Reserve for employee bonuses' is reported from this consolidated fiscal year in accordance with 'Concerning Financial Statement Titles to be used for Accrued Bonuses for Employees' (Research Center Review Information No.15 issued by JICPA). Consequently, accrued expenses in 'Other liabilities' decreased by 21,606 million yen and 'Reserve for employee bonuses' increased by the same amount.

11. Reserve for employee retirement benefits (prepaid pension cost) is provided, in provision for payment of retirement benefits to employees, by the amount deemed necessary, based on the projected retirement benefit obligation and plan assets at the consolidated balance sheet date.

Prior service cost is amortized using the straight-line method over the certain years (10 years) within the employees' average remaining service period at the incurrence.

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

Unrecognized net transition obligation is amortized using the straight-line method mainly over 5 years.

12. Reserve for possible losses on loans sold is provided 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 provided in accordance with Article 287-2 of the Commercial Code.

13. Financing 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.

14. 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, the Bank applies 'the risk adjustment approach' as a hedge accounting (Macro hedge), abiding by the following requirements:

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

The Bank applies deferred hedge accounting.

In order to hedge the risk arising from the volatility of exchange rates for the stocks of subsidiaries and affiliates and other securities (excluding bonds) denominated in foreign currency, the Bank applies deferred hedge accounting on the conditions that the hedged security is specified in advance and that enough on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged security pursuant to 'Temporary Treatment of Accounting and

Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry' (JICPA Industry Audit Committee Report No.20).

Certain derivatives for the purpose of hedging are recorded on a cost basis using the short-cut method (exceptional treatment for interest rate swaps) in view of consistency with the risk management policy.

Some consolidated subsidiaries use the deferred hedge accounting or the short-cut method (exceptional treatment for interest rate swaps) and one of the consolidated domestic subsidiaries in leasing industry partly applies the accounting method that are permitted by 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.

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

16. 'Other reserve' required by Special Law is stated as follows:
Reserve for contingent liabilities from financial futures transaction that was provided in accordance with Article 82 of the Financial Futures Transaction Law is recorded at 18 million yen.
Reserve for contingent liabilities from securities transaction that was provided in accordance with Article 51 of Securities Exchange Law is recorded at 318 million yen.

17. Accumulated depreciation of premises and equipment amounts to 661,047 million yen.
Accumulated depreciation of lease assets amounts to 1,403,481 million yen.

18. Bankrupt loans and Non-accrual loans are 227,484 million yen and 3,599,750 million yen respectively.
'Bankrupt loans' consist of loans on which the Bank and/or its consolidated subsidiaries do not currently accrue interest income due to the nonpayment status or other credit conditions of the borrower and which meet certain conditions defined in Article 96-1-3 or 96-1-4 of the Enforcement Ordinance No.97 of the Japanese Corporate Tax Law, issued in 1965.
'Non-accrual loans' is defined as loans on which the Bank and/or its consolidated subsidiaries do not currently accrue interest income but excluding 'Bankrupt loans' and loans for which the Bank and/or its consolidated subsidiaries are forbearing interest payments to support the borrowers' recovery from financial difficulty.

19. 'Past due loans (3 months or more)' are 102,762 million yen.
'Past due loans (3 months or more)' consist of loans of which the principal and/or interest is past due for three months or more but exclude Bankrupt loans and Non-accrual loans.

20. Restructured loans are 2,554,371 million yen.
'Restructured loans' are loans for which the Bank and its consolidated subsidiaries relax lending terms, such as reduction of the original interest rate, forbearance of interest payments or principal repayments to support the borrowers' recovery from financial difficulty, but excluding Bankrupt loans, Non-accrual loans and Past due loans (3 months or more).

21. The total amount of Bankrupt loans, Non-accrual loans, Past due loans (3 months or more) and Restructured loans is 6,484,367 million yen as of the consolidated balance sheet date.
The amounts of loans presented in Notes 18 to 21 are amounts before reserve for possible loan losses is deducted.

22. The total face value of Bank acceptance bought, Commercial bills discounted and Documentary bills is 1,300,264 million yen.

23. Assets pledged as collateral as of the consolidated balance sheet date are as follows:

	(Millions of yen)
Assets pledged	
Cash and due from banks	63,325
Trading assets	621,047
Securities	9,062,227
Loans and bills discounted	3,239,033
Other assets (installment account receivable etc.)	1,311
Premises and equipment	547
Liabilities corresponding to assets pledged	
Deposits	9,621
Call money and Bills sold	8,394,800
Payables under repurchase agreements	1,118,531
Trading liabilities	39,986
Borrowed money	117,463
Pledged money for securities lending transactions	2,517,123
Other liabilities	10,888
Acceptances and guarantees	45,571

In addition, Cash and due from banks of 101,722 million yen, Trading assets of 296 million yen, Securities of 2,880,100 million yen and Loans and bills discounted of 58,095 million yen 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 125,258 million yen, and Other assets include Initial margins of futures markets of 20,984 million yen.

24. Net amount of deferred unrealized gains (losses) on hedging instruments to which hedge accounting is applied is reported as deferred profit on hedge which are included in Other liabilities. Gross deferred unrealized losses and gross deferred unrealized gains on hedging instruments are 1,071,749 million yen and 1,156,384 million yen respectively.

25. Pursuant to the Law concerning Land Revaluation (the Law) effective March 31, 1998, the Bank and some of its consolidated subsidiaries revaluated their own land for business activities. 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.

Date of the revaluation

The Bank	March 31,1998
Some of consolidated subsidiaries	March 31,1999

Method of revaluation (provided in Article 3-3 of the Law)

The Bank:

The fair values are determined by applying appropriate adjustments for land shape and timing of appraisal to the values specified in any of the Article 2-3, 2-4 or 2-5 of the Enforcement Ordinance of the Law concerning Land Revaluation (the Enforcement Ordinance) effective March 31, 1998.

Some consolidated subsidiaries:

The fair values are determined based on the values specified in the Article 2-5 of the Enforcement Ordinance.

The total amount of values of the land for business activities, as of the consolidated balance sheet date, which were revaluated pursuant to the Article 10 of the Law, is lower by 91,507 million yen than the total amount of book value after the land revaluation.

Pursuant to the Law and the law concerning amendment of the Law effective March 31, 2001, the Bank revaluated the land for business activities that was succeeded due to merger with SMBC Property Management Service Co., Ltd. The equivalent of income taxes corresponding to the revaluated losses is deducted from 'Deferred tax liabilities for land revaluation' and the revaluated losses, net of the corresponding taxes, are deducted from 'Land revaluation excess.' In addition, a consolidated subsidiary revaluated its land for business activities and the the equivalent amount of income taxes corresponding to the revaluated losses is recognized as 'Deferred tax assets for land revaluation' and the revaluated losses, net of the corresponding taxes, are deducted from 'Land revaluation excess.'

Date of the revaluation: March 31, 2002

Book value of the land for business activities before revaluation:

The Bank	248,659 million yen
Some of consolidated subsidiaries	4,280 million yen

Book value of the land for business activities after revaluation:

The Bank	169,520 million yen
Some of consolidated subsidiaries	2,541 million yen

Method of revaluation (provided in Article 3-3 of the Law):

The Bank ----- The fair values are determined by applying appropriate adjustments for land shape and analysis on the appraisal specified in any of the Article 2-3 or 2-4 of the Enforcement Ordinance of the Law concerning Land Revaluation (the Enforcement Ordinance) effective March 31, 1998.

Some of consolidated subsidiaries ----- The fair values are determined based on the values specified in the Article 2-5 of the Enforcement Ordinance.

26. The balance of subordinated debt included in Borrowed money is 1,001,047 million yen.

27. The balance of subordinated bonds included in Bonds is 1,780,041 million yen.

28. Stockholders' equity per share is 282.85 yen.

29. Market value and unrealized gains (losses) on securities are shown as below:
These amounts include 'Securities,' trading securities, negotiable certificates of deposit bought and commercial paper within 'Trading assets,' negotiable certificates of deposit bought within 'Due from banks,' and commercial paper and beneficiary claim on loan trust within 'Commercial paper and other debt purchased.' This definition is applied up to Note 32.

(1) Securities classified as trading

	(Millions of yen)
Consolidated balance sheet amount	986,563
Gains included in profit/loss during this fiscal year	(15,011)

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

(Millions of yen)

	Consolidated balance sheet amount	Market Value	Net unrealized gains (losses)	Gains	Losses
Japanese government bonds	157,807	158,223	415	493	77
Japanese local government bonds	23,330	23,089	(240)	-	240
Other	32,980	33,697	717	769	52
Total	214,118	215,011	892	1,262	370

(3) *Other securities* that have market value

(Millions of yen)

	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Gains	Losses
Stocks	5,364,801	4,855,495	(509,305)	192,620	701,926
Bonds	11,265,202	11,301,661	36,459	58,810	22,351
Japanese government bonds	9,919,406	9,956,064	36,658	41,284	4,626
Japanese local government bonds	468,707	476,721	8,013	9,887	1,873
Corporate bonds	877,088	868,875	(8,212)	7,638	15,851
Other	3,039,987	3,017,326	(22,661)	8,610	31,271
Total	19,669,991	19,174,483	(495,507)	260,042	755,549

The total amount of 302,541 million yen consisted of the followings is included in 'Net unrealized losses on other securities.'

	Net unrealized losses (a)	(495,507) million yen
(+)	Deferred tax assets (b)	189,538 million yen
	(c) = (a) + (b)	(305,968) million yen
(-)	Minority interests corresponding to (c)	(4,225) million yen
(+)	Parent company's interests of net unrealized gain (losses) on other securities held by affiliated companies accounted for by the equity method	(797) million yen
	Total	(302,541) million yen

Other securities with market value, whose market value extremely declines as compared with its acquisition cost, are, in principle, considered that their market value will not recover to the acquisition cost. The market value is recognized as the balance sheet amount and the valuation loss is charged off (impaired) for the current fiscal year. The amount of impairment for this fiscal year is 114,804 million yen. The rule to determine that market value 'extremely declines' is regulated by the classification of securities' issuers based on the self-assessment of assets as follows:

Bankrupt/ Effectively bankrupt/ Potentially bankrupt issuers	Market value is lower than acquisition cost
Issuers requiring caution	Market value has decreased 30% or more of the acquisition cost
Normal issuers	Market value has decreased 50% or more of the 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 excluding Bankrupt/ Effectively bankrupt/ Potentially bankrupt issuers and Issuers requiring caution

30. The amount of *other securities* sold during this fiscal year is as follows:

(Millions of yen)

Sales amount	Gains on sales	Losses on sales
32,067,887	321,317	95,118

31. Summary information on securities that have no market value is shown as follows:

	Consolidated balance sheet amount (Millions of yen)
Bonds classified as held-to-maturity	
Unlisted foreign securities	13,080
Other	18,246
Other securities	
Unlisted bonds	561,512
Unlisted foreign securities	349,227
Unlisted stocks (except for OTC stocks)	179,961
Other	109,478

32. Redemption schedule on *other securities* that have maturities and bonds classified as held-to-maturity is shown as follows:

(Millions of yen)

	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	More than 10 years
Bonds	2,315,514	7,488,398	1,966,674	273,699
Japanese government bonds	2,179,224	6,340,438	1,324,773	269,435
Japanese local government bonds	25,647	130,937	342,159	1,307
Japanese corporate bonds	110,643	1,017,022	299,741	2,956
Other	469,356	2,044,658	153,680	517,756
Total	2,784,871	9,533,057	2,120,354	791,456

33. Information on money held in trust is shown as follows:

Money held in trust classified as trading

	(Millions of yen)
Balance sheet amount	3,715
Gains included in profit/loss during this fiscal year	–

Other money held in trust

(Millions of yen)

Acquisition Cost	Consolidated balance sheet amount	Net unrealized gains (loss)	Gains	Losses
33,969	30,144	(3,825)	135	3,960

'Net unrealized losses on *other securities*' include the total amount of (2,348) million yen, which is consisted of the net unrealized losses shown above of (3,825) million yen and deferred tax assets of 1,477 million yen.

34. 'Japanese Government Bonds' as a sub-account of 'Securities' includes 999 million yen of unsecured loans of securities for which borrowers have rights of sale or pledge. 'Japanese Government Bonds' as a sub-account of 'Securities' includes 827 million yen of loaned securities for which borrowers have rights of pledge but no rights of sale.

As for the unsecured borrowed securities for which the Bank have rights of sale or pledge and the securities which the Bank purchased under resale agreements, that are permitted to sell or pledge without restrictions, 3,534,532 million yen of securities are pledged, 533,241 million yen of securities are held in hand as of the balance sheet date. The Bank may pledge the borrowed securities as well.

Unsecured loaned securities and securities under repurchase agreements were recognized as 'Securities in custody' in Other assets and 'Trading account securities borrowed' or 'Securities borrowed' in Other liabilities by the same amounts. From this fiscal year, they are not reported on the consolidated balance sheet in accordance with the revision of the accounting standards for financial instruments. Consequently, Other assets and Other liabilities decreased by 3,098,200 million yen as compared with the former manner.

35. Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing, to the prescribed amount as long as there is no violation of any condition established in the contracts. The amount of unused commitments upon is 27,038,063 million yen, and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time is 24,508,364 million yen. 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 have clauses that the Bank and consolidated subsidiaries can reject the application from customers or reduce the contract amounts in case economic conditions are changed, the Bank and consolidated subsidiaries need to secure claims or others occur. In addition, the

Bank and consolidated subsidiaries request the customers to pledge collateral such as premises and securities at conclusion of the contracts, and take necessary measures such as grasping customers' financial positions, revising contracts when need arises and securing claims after conclusion of the contracts.

36. Information on projected benefit obligation and others at this fiscal year-end is shown as follows:

	(Millions of yen)
Projected benefit obligation	(1,175,959)
Pension assets (fair value)	777,088
Unfunded projected benefit obligation	(398,871)
Unrecognized net transition obligation	70,280
Unrecognized net actuarial differences	241,353
Unrecognized prior service cost (net)	(60,707)
Net amount recorded on the consolidated balance sheet	(147,944)
Prepaid pension cost	27
Reserve for employee retirement benefits	(147,972)

37. Pursuant to the Article 289-2 of the Commercial Code and the Article 18-2 of the Banking Law, the Bank transferred legal reserves to retained earnings during this fiscal year. Consequently, Capital surplus decreased by 357,614 million yen and Retained earnings increased by the same amount.

38. In accordance with the application of accounting standards for financial instruments, from this fiscal year 'Net unrealized losses on *other securities'* is reported by the amount of valuation losses, net of taxes, which is arising from evaluating *other securities* and other money held in trust at the fair value.

39. With the implementation of the "Metropolitan ordinance regarding the imposition of enterprise taxes through external standards taxation on banks in Tokyo" (Tokyo Metropolitan Ordinance No.145, April 1, 2000) ('the metropolitan ordinance'), enterprise taxes which were hitherto levied on income are now levied on gross banking profit.

On October 18, 2000 the Bank filed a lawsuit with the Tokyo District Court against the Tokyo metropolitan government and the Governor of Tokyo seeking to void the metropolitan ordinance. The Bank won the case eventually entirely on March 26, 2002 with a decision of the Tokyo District Court in the Bank's favor, on the grounds that the metropolitan ordinance was illegal. The District Court ordered the metropolitan government to return to the Bank advance tax payments of 16,633 million yen and also awarded to the Bank damages of 200 million yen. On March 29, 2002 the metropolitan government lodged an appeal with the Tokyo High Court against the decision.

It is the opinion of the Bank that the metropolitan ordinance is both unconstitutional and illegal. The Bank has asserted this opinion in the courts and the matter is still in litigation. The fact that during this fiscal year the Bank has applied the same treatment as in the previous year, accounting for enterprise taxes through external standards taxation on banks in Tokyo in accordance with the metropolitan ordinance, is because the Bank has deemed it appropriate at this stage to continue with the same accounting treatment as before. This accounting treatment does not constitute in any way an admission on the part of the Bank either of the constitutionality or of the legality of the metropolitan ordinance.

With the implementation of the metropolitan ordinance, enterprise taxes relating to banks in Tokyo were recorded in 'Other expenses' in the amounts of 8,100 million yen (16,833 million yen if the amount that Sakura Bank recorded for the year ended March 31, 2001 is added) in the previous year, and 19,862 million yen this year. As a result, Operating income for the previous year decreased and Operating loss for this year increased by the corresponding amount as compared with the previous standards under which enterprise taxes were levied on income. There is no impact on Current income tax expenses as compared with the previous standards under which enterprise taxes were levied on income. Consequently, stockholders' equity decreased by 21,694 million yen. Since the enterprise taxes in question are not included in the calculations for accounting for tax effects there was a decrease in Deferred tax assets of 96,420 million yen as compared with the amount that it would have been had the enterprise taxes been levied on income instead of gross profits. There was also a decrease in 'Deferred tax liabilities for land revaluation' of 3,694 million yen, and consequently stockholders' equity decreased by 92,726 million yen.

With the implementation of the 'Municipal Ordinance regarding the imposition of enterprise taxes through external standards taxation on banks in Osaka' (Osaka Municipal Ordinance No.131, June 9, 2000) ('the municipal ordinance'), enterprise taxes which were hitherto levied on income are now levied on gross banking profit.

On April 4, 2002, the Bank filed a lawsuit with the Osaka District Court against the Osaka municipal government and the Governor of Osaka seeking to void the municipal ordinance.

It is the opinion of the Bank that the municipal ordinance is both unconstitutional and illegal. The Bank has asserted this opinion in the Osaka District Court and the matter is still in litigation. The fact that during this year the Bank has applied the accounting treatment for enterprise taxes through external standards taxation on banks in Osaka in accordance with the municipal ordinance, is because the Bank has deemed it appropriate at this stage to apply the same accounting treatment to Osaka as to Tokyo. This accounting treatment does not constitute in any way an admission on the part of the Bank either of the constitutionality or of the legality of the municipal ordinance.

With the implementation of the municipal ordinance, enterprise taxes relating to banks in Osaka were recorded in 'Other expenses' in the amounts of 10,137 million yen. As a result, Operating loss for this year increased by the same amount as compared with the previous standards under which enterprise taxes were levied on income. There is no impact on Current income tax expenses as compared with the previous standards under which enterprise taxes were levied on income. Consequently, stockholders' equity decreased by 5,478 million yen. Since the enterprise taxes in question are not included in the calculations for accounting for tax effects there was a decrease in Deferred tax assets of 46,396 million yen as compared with the amount that it would have been had the enterprise taxes been levied on income instead of gross profits. There was also a decrease in Deferred tax liabilities for land revaluation of 1,798 million yen, and consequently stockholders' equity decreased by 44,597 million yen.