

IV. Consolidated Financial Statements

Significant Accounting Policies

1. Scope of consolidation

(1) Consolidated subsidiaries 144 companies

Principal companies

THE MINATO BANK, LTD.
The Bank of Kansai, Ltd.
Manufacturers Bank
SMBC Leasing Company, Limited
Sumitomo Mitsui Card Company, Limited
SMBC Capital Co., Ltd.
SMBC Finance Co., Ltd.
Sakura Friend Securities Co., Ltd.
The Japan Research Institute, Limited
SMBC Capital Markets, Inc.

Due to merger with The Sakura Bank, Limited, seventy-three companies (including THE MINATO BANK, LTD.) are consolidated from this fiscal year. Also, due to capital investments, five companies (including Sansei Guarantee Co., Ltd.) are consolidated from this fiscal year. Eighteen companies including Sakura Securities Co., Ltd. are excluded from consolidation due to liquidation from this fiscal year.

(2) Nonconsolidated subsidiaries

Principal company

SBCS Co., Ltd.

112 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, in accordance with the Article 5 Paragraph 1 Item 2 of Consolidated Financial Statements Regulation, they are not treated as consolidated subsidiaries.

Assets, operating income, net income and retained earnings of other nonconsolidated subsidiaries have no significant impact on the consolidated financial statements.

2. Application of the equity method

(1) Nonconsolidated subsidiaries accounted for by the equity method 5 companies

Principal company

SBCS Co., Ltd.

Five companies including SBCS Co., Ltd. are newly included in subsidiaries accounted for by the equity method due to merger with The Sakura Bank, Limited.

(2) Affiliates accounted for by the equity method 33 companies

Principal companies

Daiwa Securities SMBC Co. Ltd.
QUOQ Inc.

Two companies including Sony Bank Inc. and five companies including BSL Leasing Company, Ltd. (former name: Bangkok SMBC Leasing Co., Ltd.) are newly included in affiliates accounted for by the equity method from this fiscal year, due to acquirement of shares and merger with The Sakura Bank, Limited, respectively.

Three affiliates, including Daiwa Securities SMBC Capital Markets Europe Investment Services (Jersey) Ltd. (former name: Daiwa Securities SB Capital Markets Europe Investment Services (Jersey) Ltd.), that were accounted for by the equity method are excluded from affiliates accounted for by the equity method due to liquidation.

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

112 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, in accordance with the Article 10 Paragraph 1 Item 2 of Consolidated Financial Statements Regulation, they were not treated as affiliates accounted for by the equity method.

Net income and retained earnings of other non-consolidated subsidiaries and affiliates that are not accounted for by the equity method have no significant impact on the consolidated financial statements.

3. The balance sheet dates of consolidated subsidiaries

(1) The dates of accounts closing of consolidated subsidiaries are as follows:

September 30	5	Companies
October 31	1	Company
December 31	54	Companies
January 31	1	Company
March 31	83	Companies

From the current year ended March 31, 2002, a consolidated overseas subsidiary changed its closing date from January 31 to March 31 and the profit and loss for 14 months (from February 1, 2001 to March 31, 2002) of the subsidiary was recognized on the consolidated financial statements. This treatment has little impact on the consolidated financial statements.

(2) As for the companies whose balance sheet dates are September 30 and October 31, the account closing was done provisionally as of March 31 and January 31 for consolidation, respectively. The other companies are consolidated on the basis of their respective balance sheet date.

Appropriate adjustment was made for any significant transactions during the periods from their respective balance sheet dates to the consolidated closing date.

4. Accounting policies

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

5. Evaluation of consolidated subsidiaries' assets and liabilities

All assets and liabilities of consolidated subsidiaries are evaluated for consolidation at fair value when the Bank acquires their control.

6. Amortization of goodwill

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

7. Appropriation of profit

The consolidated statement of retained earnings reflects the appropriation of profit 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.

(Reference)

- Net Income per Share:

$$\frac{\text{Net income} - \text{Preferred stock dividends}}{\text{Average number of common stocks outstanding during Fiscal 2001 (*)}}$$

- Return on Stockholders' Equity:

$$\frac{\text{Net income} - \text{Preferred stock dividends}}{\{(\text{Stockholders' equity at beginning of year} - \text{Number of preferred stocks outstanding at beginning of year X Issue price}) + (\text{Stockholders' equity at year end} - \text{Number of preferred stocks outstanding at year end X Issue price})\} / 2} \times 100$$

- Stockholders' Equity per Share:

$$\frac{\text{Stockholders' equity at year end} - \text{Number of preferred stocks outstanding at year end X Issue price}}{\text{Number of common stocks outstanding at year end (*)}}$$

- Forecasted Net Income per Share:

$$\frac{\text{Forecasted net income} - \text{Forecasted preferred stock dividends}}{\text{Number of common stocks outstanding at year end (*)}}$$

(Notes)

1. As for the average number of common stocks outstanding and the number of common stocks as of the year-end, Treasury stock and the Bank's stock held by consolidated subsidiaries are excluded.
2. As for the average number of preferred stocks outstanding and the number of preferred stocks as of the year-end, see 'Nonconsolidated Financial Results for Fiscal 2001 ended March 31, 2002.'