

## **IV. Consolidated Financial Statements**

### Principles of Consolidation

#### 1. Scope of consolidation

##### (1) Consolidated subsidiaries 155 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.

Seventy-three companies such as THE MINATO BANK, LTD. and two companies including Sansei Guarantee Co., Ltd. are consolidated from this fiscal year, due to merger with The Sakura Bank, Limited and acquirement of shares, respectively. Four companies such as Izumi Center Service Co., Ltd. are excluded from consolidation due to liquidation from this fiscal year.

##### (2) Nonconsolidated subsidiaries

###### Principal company

SBCS Co., Ltd.

107 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 the Article 5 Paragraph 1 Item 2 of Consolidated Interim Financial Statements Regulation, they were not treated as consolidated subsidiaries. Assets, income, net income and surplus 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 such as 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 35 companies

###### Principal companies

Daiwa Securities SMBC Co. Ltd.  
QUOQ Inc.

Two companies such as Sony Bank Inc. and five companies such as 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.

Daiwa Securities SMBC Capital Markets Europe Investment Services (Jersey) Ltd. (former name: Daiwa Securities SB Capital Markets Europe Investment Services (Jersey) Ltd.) that was accounted for by the equity method is 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

107 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 the Article 7 Paragraph 1 Item 2 of Consolidated Interim Financial Statements Regulation, they were not treated as affiliates accounted for by the equity method.

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

3. The interim balance sheet dates of consolidated subsidiaries

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

March 31	5	companies
April 30	1	Company
June 30	60	companies
July 31	1	Company
September 30	88	companies

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

Appropriate adjustment was made for any significant transactions during the periods from their respective interim balance sheet dates.

4. Accounting policies

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

5. 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 :

$$\frac{\text{Net income} - \text{Preferred share dividends}}{\text{Weighted average number of common shares outstanding during the first half of FY2001}}$$

- Stockholders' Equity per Share :

$$\frac{\text{Stockholders' equity at mid term end} - \text{Number of preferred share outstanding at mid term end} \times \text{Issue price}}{\text{Number of common shares outstanding at mid term end}}$$

- Forecasted Net Income per Share :

$$\frac{\text{Forecasted net income} - \text{Forecasted preferred share dividends}}{\text{Number of common shares outstanding at mid term end}}$$

(Notes)

1. As for the average number of shares outstanding and the number of shares as of the term (year)-end, Treasury stock and the Bank's stock held by consolidated subsidiaries are excluded.
2. As for the average number of shares outstanding and the number of shares as of the term (year)-end, see 'Nonconsolidated Financial Results for the First Half of Fiscal 2001 ended September 30, 2001.'