

IV. Consolidated Financial Statements

Significant Accounting Policies

1. Scope of consolidation

(1) Consolidated subsidiaries 114 companies

Principal companies

THE MINATO BANK, LTD.
The Bank of Kansai, Ltd.
Sumitomo Mitsui Banking Corporation Europe Limited
Manufacturers Bank
SMBC Capital Co., Ltd.
SMBC Finance Co., Ltd.
Sakura Friend Securities Co., Ltd.
Meiko National Securities Co., Ltd.
SMBC Capital Markets, Inc.

Three companies including Meiko National Securities Co., Ltd. and eight companies including Sumitomo Mitsui Banking Corporation Europe Limited are consolidated from this fiscal year due to acquisition of shares and establishment, respectively.

Twenty-nine companies including SMBC Leasing Company, Limited, Sumitomo Mitsui Card Company, Limited and The Japan Research Institute, Limited are excluded from consolidation from this fiscal year mainly due to corporate split and transfer of management business to Sumitomo Mitsui Financial Group, Inc. Also, five companies including SAKURA INVESTMENT MANAGEMENT CO., LTD. and seven companies including Sumitomo Mitsui Finance Australia (Securities) Limited are excluded from consolidation from this fiscal year due to merger and liquidation, respectively.

(2) Nonconsolidated subsidiaries

Principal company

SBCS Co., Ltd.

Nonconsolidated subsidiaries' total assets, operating income, net income and retained earnings have no significant impact on the consolidated financial statements.

2. Application of the equity method

(1) Nonconsolidated subsidiaries accounted for by the equity method 4 companies

Principal company

SBCS Co., Ltd.

Bangkok SMBC Systems Ltd. was excluded from nonconsolidated subsidiaries accounted for by the equity method due to liquidation.

(2) Affiliates accounted for by the equity method 12 companies

Principal companies

Sumitomo Mitsui Asset Management Company, Limited
QUOQ Inc.

Sumitomo Mitsui Asset Management Company, Limited became an affiliated company accounted for by the equity method from this fiscal year because SAKURA INVESTMENT MANAGEMENT CO., LTD. merged.

Nineteen companies including Daiwa Securities SMBC Co. Ltd. and Daiwa SB Investments Ltd. are excluded from affiliated companies accounted for by the equity method from this fiscal year due to corporate split and transfer of management business to Sumitomo Mitsui Financial Group, Inc. China United International Leasing Co., Ltd. was excluded from affiliated companies because it was sold. Also, Meiko National Securities Co., Ltd. was excluded from affiliated companies accounted for by the equity method because it became SMBC's consolidated subsidiary due to acquisition of shares.

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

Nonconsolidated subsidiaries' net income and retained earnings have no significant impact on the consolidated financial statements.

3. The balance sheet dates of consolidated subsidiaries

(1) The dates of year-end account closing of consolidated subsidiaries are as follows:

September 30	5	Companies
October 31	1	Company
December 31	44	Companies
January 31	1	Company
March 31	63	Companies

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

As for the overseas subsidiary that was established in February 2003 and whose balance sheet date is December 31, the accounts were provisionally closed as of March 31 for the purpose of consolidation.

Appropriate adjustments were made for 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 'Notes to Consolidated Statement of Operations.'

5. Valuation of consolidated subsidiaries' assets and liabilities

All assets and liabilities of consolidated subsidiaries including the portion attributable to minority shareholders are valued for consolidation at fair value when SMBC 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 goodwill on other companies is charged or credited to income directly when incurred.

7. Appropriation of retained earnings

The consolidated statement of 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.'