

## **IV. Consolidated Financial Statements**

### Significant Accounting Policies

#### 1. Scope of consolidation

##### (1) Consolidated subsidiaries 170 companies

###### Principal companies

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

##### (2) Nonconsolidated subsidiaries

###### Principal company

SBSC Co., Ltd.

Ninety-nine subsidiaries including S.B.L. Mercury, Co., Ltd. are silent partnership for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, pursuant to Article 5 Paragraph 1 Item 2 of Consolidated Financial Statements Regulation, they were excluded from consolidation.

Other nonconsolidated subsidiaries' total assets, ordinary 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

SBSC Co., Ltd.

##### (2) Affiliates accounted for by the equity method 43 companies

###### Principal companies

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

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

Ninety-nine subsidiaries including S.B.L. Mercury Co., Ltd. are silent partnership for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, pursuant to Article 10 Paragraph 1 Item 2 of Consolidated Financial Statements Regulation, they are not treated as affiliated companies accounted for by the equity method.

Net income and retained earnings of other nonconsolidated 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 year-end account closing of consolidated subsidiaries are as follows:

September 30	5	Companies
October 31	1	Company
December 31	62	Companies
January 31	2	Companies
March 31	100	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. Application of Pooling-of-Interests Method

Sumitomo Mitsui Financial Group (SMFG) which is a holding company, was established on December 2, 2002. Upon formation of SMFG, Sumitomo Mitsui Banking Corporation transferred all of its shares. The accounts were consolidated using the pooling-of-interests method, assuming that the Group's economics were not changed, pursuant to 'Accounting for the consolidation of the holding company established by Stock Exchange or Stock Transfers' (JICPA Accounting Committee Report No.6).

5. Accounting policies

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

6. 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 SMFG acquires their control.

7. 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.

8. Appropriation of retained earnings

The consolidated statement of retained earnings reflects the appropriation of retained earnings made during the consolidated fiscal year.

9. Scope of 'Cash and cash equivalents' on Consolidated Statements of Cash Flows

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