

IV. Consolidated Financial Statements

Significant Accounting Policies for Consolidated Financial Statements

1. Scope of consolidation

(1) Consolidated subsidiaries 165 companies

Principal companies

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

From this fiscal year, twelve companies including SMFG Corporate Recovery Servicer Co., LTD. were newly consolidated due to establishment.

Former The Kansai Sawayaka Bank, Limited (“Sawayaka”) was consolidated due to acquirement of shares in this fiscal year. However, Sawayaka was merged with former The Bank of Kansai, Ltd. and excluded from the scope of consolidation during this fiscal year. (The Bank of Kansai, Ltd. changed its name to Kansai Urban Banking Corporation at the time of the merger).

From this fiscal year, six companies including Sakura Friend Securities Co., Ltd. and four companies including Sakura Global Capital Asia Limited were excluded from the scope of consolidation due to merger and liquidation, respectively.

From this fiscal year, seven companies including SMBCL CEPHEUS CO., LTD. became non-consolidated subsidiaries that are not accounted for by the equity method because they became silent partnerships for lease transactions.

(2) Non-consolidated subsidiaries

Principal company

SBCS Co., Ltd.

One hundred and eleven subsidiaries including S.B.L. Mercury Co., Ltd. are silent partnerships 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 the scope of consolidation.

Total assets, ordinary income, net income and retained earnings of other non-consolidated subsidiaries have no material impact on the consolidated financial statements.

2. Application of the equity method

(1) Non-consolidated subsidiaries accounted for by the equity method 4 companies

Principal company

SBCS Co., Ltd.

(2) Affiliates accounted for by the equity method 44 companies

Principal companies

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

From this fiscal year, three companies including Hokkaido Mother Land Capital, Ltd. were newly applied due to

establishment.

From this fiscal year, two companies including DLJ direct SFG Securities Inc. were excluded due to liquidation.

(3) Non-consolidated subsidiaries and affiliates that are not accounted for by the equity method

One hundred and eleven subsidiaries including S.B.L. Mercury Co., Ltd. are silent partnerships 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 non-consolidated subsidiaries and affiliates that are not accounted for by the equity method have no material impact on the consolidated financial statements.

3. The balance sheet dates of consolidated subsidiaries

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

September 30	5	Companies
October 31	1	Company
December 31	65	Companies
January 31	2	Companies
March 31	92	Companies

A consolidated domestic subsidiary changed its balance sheet date from December 31 to March 31 from this fiscal year. Therefore, SMFG's consolidated financial statements include the subsidiary's profit or loss for the period from January 1, 2003 to March 31, 2004. However, this change had no material impact on the consolidated financial statements.

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

Appropriate adjustments were made for material 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 Income."

5. Valuation of consolidated subsidiaries' assets and liabilities

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.

6. Amortization of goodwill

Goodwill on Sumitomo Mitsui Card Company, Limited and SMBC Leasing 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

"Consolidated Statement of Capital Surplus and 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."