

Notes to Interim Consolidated Statement of Income

1. Amounts less than one million yen have been omitted.
2. Net income per share is 57,635.51 yen.
3. Net income per share (diluted) is 44,223.66 yen.
4. Profits and losses on trading-purpose transactions are recognized on a trade date basis, and recorded as “Trading profits” and “Trading losses.” Both accounts include interest received or paid during the interim term. The valuation differences of securities and money claims between the previous fiscal year-end and this interim term-end are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the valuation differences between the previous fiscal year-end and this interim term-end are also recorded in the above-mentioned accounts.
5. Standards for recognizing lease-related income on lease transactions and income/expenses on installment sales are as follows:
 - (1) Recognition of lease-related income on lease transactions
Primarily, lease-related income is recognized on a straight-line basis over the full term of the lease, based on the contractual amount of lease fees per month.
 - (2) Recognition of income and expenses on installment sales
Primarily, installment-sales-related income and installment-sales-related expenses are recognized on a due-date basis over the full term of the installment sales.
6. “Other income” includes gains on sales of stocks and other securities of 46,383 million yen.
7. “Other expenses” includes provision for reserve for possible loan losses of 104,118 million yen, write-off of loans of 42,681 million yen and losses on delinquent loans sold of 29,725 million yen.
8. “Extraordinary gains” includes gains on sale of a subsidiary’s shares and change in equity of the subsidiary of 57,509 million yen and gains on disposal of fixed assets of 3,514 million yen.
9. “Extraordinary losses” includes losses on impairment of fixed assets of 10,580 million yen and losses on disposal of premises and equipment of 3,239 million yen.
10. The difference between the recoverable amount and the book value of the following assets is recognized as “Losses on impairment of fixed assets” and included in “Extraordinary losses” in this interim term.

(Millions of yen)				
Area	Purpose of use		Type	Impairment loss
Tokyo metropolitan area	Idle assets	41 items	Land and premises etc.	4,388
	Branches	12 branches		3,985
Kinki area	Idle assets	23 items	Land and premises etc.	1,966
	Branches	12 branches		3,985
Other	Idle assets	13 items	Land and premises etc.	240

At the consolidated subsidiary, SMBC, every branch, which continuously manages and determines income and expenses, is the smallest unit of asset group for recognition and measurement of impairment loss. Fixed assets which do not have identifiable cash flows (such as corporate headquarters facilities, training institutes, business and system centers, and health and recreational facilities) are grouped with other assets. As for idle assets, impairment loss on each asset is measured individually. At other consolidated subsidiaries, a branch is generally considered as the smallest grouping unit.

On assets which investments are not expected to be recovered, this interim term, SMBC and other consolidated subsidiaries reduced the carrying amounts of idle assets, in the case of SMBC, and those of idle assets and branches, in the case of SMFG and other consolidated subsidiaries, to their recoverable amounts and recognized the relevant losses as “losses on impairment of fixed assets,” which is included in “Extraordinary losses.”

Recoverable amounts of some of the branches are calculated based on future cash flows using a discount rate of 5-6%. Recoverable amounts of other assets are calculated using net realizable value which is based on appraisal value in accordance with the Real Estate Appraisal Standard less the expected sale costs.