

Notes to Interim Consolidated Statement of Income

1. Amounts less than one million yen have been omitted.
2. 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 period. The valuation differences of securities and money claims between the previous fiscal year-end and this interim period-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.
3. 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.
4. “Other income” included gains on sales of stocks and other securities of ¥14,293 million and equity in earnings of affiliates of ¥19,030 million.
5. “Other expenses” included provision for reserve for possible loan losses of ¥73,113 million, write-off of loans of ¥65,014 million and losses on devaluation of stocks and other securities of ¥60,350 million.
6. “Extraordinary gains” included gains on disposal of fixed assets of ¥1,163 million and gains on collection of written-off claims of ¥386 million.
7. “Extraordinary losses” were losses on disposal of fixed assets of ¥1,247 million and losses on impairment of fixed assets of ¥3,205 million.
8. 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 the interim period.

				(Millions of yen)
Area	Purpose of use		Type	Impairment loss
Tokyo metropolitan area	Branches	4 branches	Land and premises etc.	¥ 41
	Idle assets	11 items		280
Kinki area	Branches	1 branch	Land and premises etc.	51
	Idle assets	8 items		2,553
Other	Branches	9 branches	Land and premises etc.	17
	Idle assets	8 items		262

A consolidated subsidiary, SMBC, continuously manages every branch and determines its income and expenses. SMBC considers each branch as the smallest unit of asset group for recognition and measurement of impairment loss. Fixed assets (such as corporate headquarters facilities, training institutes, business and system centers, and health and recreational facilities) which do not have identifiable cash flows 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.

In case investments in idle assets and branches (only idle assets in the case of SMBC) are not expected to be recovered, SMBC and other consolidated subsidiaries reduced the book values to their recoverable amounts and recognized the relevant losses as “losses on impairment of fixed assets,” which were included in “Extraordinary losses” in the interim period.

Recoverable amounts 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.