23. Deferred Tax Assets

(1) Deferred Tax Assets on the Balance Sheet

(Billions of yen)

<SMBC Non-consolidated>			Mar. 31, 2008	Change from Mar. 31, 2007	Mar. 31, 2007	(Reference) Temporary differences Mar. 31, 2008
(a) Total deferred tax assets	(b-c)	1	1,094.1	(295.2)	1,389.3	
(b) Subtotal of deferred tax assets		2	1,763.5	(161.5)	1,925.0	4,303.7
Reserve for possible loan losses		3	99.3	19.8	79.5	244.4
Write-off of loans		4	104.6	3.1	101.5	257.5
Write-off of securities		5	576.8	150.9	425.9	1,419.6
Reserve for employee retirement benefits		6	47.1	(10.7)	57.8	115.8
Depreciation		7	6.3	(0.5)	6.8	15.5
Reserve for possible losses on investments		8	5.2	(26.3)	31.5	12.8
Net unrealized losses on other securities		9	-	-	-	-
Net deferred losses on hedges		10	51.4	(8.4)	59.8	126.5
Net operating loss carryforwards		11	813.5	(298.8)	1,112.3	1,965.6
Other		12	59.3	9.4	49.9	146.0
(c) Valuation allowance		13	669.4	133.7	535.7	
(d) Total deferred tax liabilities		14	270.8	(374.9)	645.7	935.9
Gains on securities contributed to employee retirement benefits trust		15	41.6	(0.1)	41.7	102.3
Net unrealized gains on other securities		16	197.6	(375.8)	573.4	755.7
Net deferred gains on hedges		17	-	-	-	-
Other		18	31.6	1.0	30.6	77.9
Net deferred tax assets (Balance sheet amount)	(a-d)	19	823.3	79.7	743.6	
Amount corresponding to the deferred tax assets shown in line 10	(*1)	20	51.4	(8.4)	59.8	126.5
Amount corresponding to the deferred tax liabilities shown in line 16	(*2)	21	(197.6)	375.8	(573.4)	(755.7)
Net deferred tax assets excluding the amount shown in line 20 and 21		22	969.5	(287.7)	1,257.2	2,390.3

Effective income tax rate		23	40.63%	-	40.63%

<Consolidated>

(e) Net deferred tax assets		24	933.5	97.2	836.3
(f) Tier I		25	4,381.5	478.2	3,903.3
Net deferred tax assets/Tier I	(e/f)	26	21.3%	(0.1%)	21.4%

(*1) Companies may consider net deferred losses on hedges to be collectable, in case they assess the collectability of deferred tax assets on the basis of their future taxable income as stipulated in examples (4) proviso of the practical guidelines on assessing the collectability of deferred tax assets issued by the JICPA. ["Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No.8)].

(*2) Deferred tax assets are recognized on the balance sheet on a net basis after offsetting against deferred tax liabilities arising from net unrealized gains on other securities. But the collectability is assessed for the gross deferred tax assets, before offsetting against deferred tax liabilities.
(JICPA Auditing Committee Report No.70 "Auditing Treatment Regarding Application of Tax Effect Accounting to Valuation Differences on Other Securities and Losses on Impairment of Fixed Assets")

(2) Reason for Recognition of Deferred Tax Assets

(a) Recognition Criteria

Practical Guideline, examples (4) proviso

(1) SMBC has significant tax loss carryforwards resulting from taking the measures described below in order to quickly strengthen its financial base, and are accordingly judged to be attributable to extraordinary factors. As a result, with regard to temporary differences which are considered to be reversible, SMBC recognized deferred tax assets within the limits of the estimated future taxable income for the period (approximately 5 years) pursuant to the practical guidelines on assessing the collectability of deferred tax assets issued by the JICPA ("Practical Guidelines") (*1).

(a) Disposal of Non-performing Loans

SMBC established internal standards for write-offs and provisions based on self-assessment in accordance with the "Prompt Corrective Action" adopted in fiscal 1998 pursuant to the law concerning the maintenance of sound management of financial institutions (June 1996). SMBC has been aggressively disposing of non-performing loans and bolstering provisions against the risk of asset deterioration under the severe business environment of a prolonged sluggish economy

In addition, pursuant to the government's "Program for Financial Revival" of October 2002, SMBC accelerated the disposal of non-performing loans in order to reduce the problem asset ratio to half by the end of fiscal 2004. As a result, SMBC achieved this target 6 months ahead of schedule, in the first half of fiscal 2004.

In these processes, the amount of taxable disposals of non-performing loans(*2) increased and accumulated. Afterwards, despite partial increase in taxable disposals led by incurrence of credit cost, taxable disposals have been realized as a whole.

(b) Disposal of Unrealized Losses on Stocks

SMBC has been accelerating its effort to reduce stockholdings in order to lower the risk of stock price fluctuations, and to comply, at an early date, with the regulation limiting stockholdings that was adopted in fiscal 2001.

During fiscal 2002, SMBC sold stocks and reduced the balance by approximately ¥1.1 trillion, and also disposed in lump sum unrealized losses on stocks of approximately ¥1.2 trillion by writing off impaired stocks and using the gains on the March 2003 merger. Consequently, SMBC complied with the regulation limiting stockholdings at the end of fiscal 2002, before the deadline.

As a result, the outstanding balance of taxable write-offs on securities (*2) increased temporarily (from approximately ¥0.1 trillion as of March 31, 1999 to approximately ¥1.5 trillion as of March 31, 2003). Afterwards, while the amount of the taxable disposal resulting from reduction of stocks etc. was added, taxable write-offs of securities carried out in the past were realized through the sales of stocks

(2) Consequently, tax loss carryforwards of corporate income tax amounted to approximately ¥1.97 trillion as of March 31, 2008, but they are to be offset by the end of their carry-over period by the taxable income that will be generated in the future. No material tax loss carryforwards have expired in the past.

(*1) JICPA Auditing Committee Report No.66 "Auditing Treatment Regarding Judgment of Realizability of Deferred Tax Assets"

(*2) Corresponds to "Temporary differences" in the table on the previous page.

(b) Period for Future Taxable Income to be estimated

5 years

(c) Accumulated Amount of Estimated Future Taxable Income before Adjustments for the Next 5 Years

(Billions of yen)

			Estimates of next 5 years
	Banking profit (before provision for general reserve for possible loan losses)	1	3,740.3
A	Income before income taxes	2	2,110.9
B	Adjustments to taxable income (excluding reversal of temporary differences as of Mar. 31, 2008)	3	455.3
C	Taxable income before adjustments (A+B)	4	2,566.2
	Deferred tax assets corresponding to taxable income before adjustments	5	1,042.6

[Basic Policy]

(1) Estimate when the temporary differences will be reversed

(2) Conservatively estimate the taxable income before adjustments for the next 5 years

(a) Rationally make earnings projection for up to the ended March 31, 2012 based on the medium-term management plan (up to fiscal 2009), launched in April 2007.

(b) Reduce the earnings projection by reasonable amount, reflecting the uncertainty of the projection.

(c) Add the necessary adjustments if any.

(3) Calculate and record the amount of "deferred tax assets" by multiplying effective tax rate and the taxable income before adjustments estimated above.

(Reference) Income of final return (before deducting operating loss carryforwards) for the last 5 years

(Billions of yen)

	FY2003	FY2004	FY2005	FY2006	FY2007
Income of final return (before deducting operating loss carryforwards)	(1,437.8)	317.2	(652.4)	(67.0)	744.8

(Notes) 1. (Income of final return before deduction of operating loss carryforwards) = (Taxable income before adjustments for each fiscal year) - (Temporary differences to be reversed for each fiscal year)

2. Since the final declaration for the corporate income tax is done by the end of June, the figures for FY2007 is estimated.

3. The figures above include amounts arising from "extraordinary factors" that are specified in the Practical Guideline. Taxable income has been reported each year when these amounts are excluded.