23. Deferred Tax Assets

(1) Deferred Tax Assets on the Balance Sheet

(Billions of yen)

<SMBC Non-consolidated>

			Sep. 30, 2009	Change from Mar. 31, 2009	Change from Sep. 30, 2008	Mar. 31, 2009	(Reference) Temporary differences Sep. 30, 2009
(a) Total deferred tax assets	(b-c)	1	739.2	(21.3)	(346.4)	760.5	
(b) Subtotal of deferred tax assets		2	1,618.8	(157.2)	(28.2)	1,776.0	3,931.3
Reserve for possible loan losses		3	202.4	43.5	102.8	158.9	498.3
Write-off of loans		4	159.9	18.9	21.8	141.0	393.6
Taxable write-off of securities		5	526.3	(62.2)	70.5	588.5	1,295.3
Reserve for employee retirement benefits		6	51.7	3.7	3.9	48.0	127.2
Depreciation		7	7.4	0.1	1.7	7.3	18.2
Reserve for possible losses on investments		8	0.9	0.1	(5.0)	0.8	2.3
Net unrealized losses on other securities		9	27.7	(47.0)	27.7	74.7	68.1
Net deferred losses on hedges		10	14.8	0.8	(63.2)	14.0	36.3
Net operating loss carryforwards		11	564.3	(112.2)	(191.0)	676.5	1,335.9
Others		12	63.4	(2.9)	2.6	66.3	156.1
(c) Valuation allowance		13	879.6	(135.9)	318.2	1,015.5	
(d) Total deferred tax liabilities		14	221.4	129.2	(5.8)	92.2	545.1
Gain on securities contributed to employee retirement benefits trust		15	41.6	-	-	41.6	102.3
Net unrealized gains on other securities		16	159.6	133.5	4.1	26.1	392.7
Net deferred gains on hedges		17	-	-	-	-	-
Others		18	20.2	(4.3)	(9.9)	24.5	50.1
Net deferred tax assets (Balance sheet amount)	(a-d)	19	517.8	(150.5)	(340.6)	668.3	
Amount corresponding to the deferred tax assets shown in line 10	(*1)	20	14.8	0.8	(63.2)	14.0	36.3
Amount corresponding to the deferred tax liabilities shown in line 16	(*2)	21	(150.2)	(140.4)	5.3	(9.8)	(563.5)
Net deferred tax assets excluding the amount shown in line 20 and 21		22	653.2	(10.9)	(282.7)	664.1	1,630.2

Effective income tax rate		23	40.63%	-	-	40.63%

<Consolidated>

(e) Net deferred tax assets		24	672.0	(158.4)	(331.2)	830.4
(f) Tier I		25	5,295.2	960.1	803.9	4,335.1
Net deferred tax assets/Tier I	(e/f)	26	12.7%	(6.5%)	(9.6%)	19.2%

(*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 under the prolonged deflationary pressure, 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 of the increased amount of the taxable disposal due to the credit cost, the realized amount of taxable disposals also increased steadily.

(b) Disposal of Unrealized Loss 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 yen, and also disposed in lump sum unrealized loss on stocks of approximately 1.2 trillion yen by writing off impaired stocks and using the gain 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 of securities (*2) increased temporarily (from approximately 0.1 trillion yen as of March 31, 1999 to approximately 1.5 trillion yen as of March 31, 2003). Afterwards, despite of the increased amount of the taxable disposal resulting from the reducing the balance of the stocks and securities, taxable write-offs of securities carried out in the past were realized through the sales of the securities stocks.

(2) Consequently, tax loss carryforwards (*2) amounted to approximately 1.34 trillion yen as of September 30, 2009. 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	3,800.2
A	Income before income taxes	2	1,458.0
B	Adjustments to taxable income (excluding reversal of temporary differences as of Sep. 30, 2009)	3	550.2
C	Taxable income before adjustments (A+B)	4	2,008.2

Deferred tax assets corresponding to taxable income before adjustments	5	815.9

[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 the next five years, based on internal management plans.

(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)

	FY3/2005	FY3/2006	FY3/2007	FY3/2008	FY3/2009	1st half FY3/2010
Income of final return (before deducting operating loss carryforwards)	317.2	(652.4)	(67.0)	746.7	350.4	277.3

(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. 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.

3. This figures for September 30, 2009 were estimated in interim closing.