

## (2) Changes of Accounting Procedures and Presentation

## (a) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

“Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18, issued on May 17, 2006) became effective from the fiscal year beginning on and after April 1, 2008. Accordingly, SMFG has applied it from this fiscal year. This accounting method has decreased retained earnings at the beginning of this fiscal year by ¥3,132 million, but has no material impact on the profit or loss for the six months ended September 30, 2008.

## (b) Accounting Standard for Lease Transactions

Non-transfer ownership finance leases had been accounted for using the same method as for operating leases. However, “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, issued on March 30, 2007) and “Implementation Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16, issued on March 30, 2007) became effective from the fiscal year beginning on and after April 1, 2008. Accordingly, SMFG has applied them from this fiscal year. Furthermore, the lease assets of lessees were depreciated using the straight-line method with “lease term = expected lifetime” and “salvage value = zero”.

As for non-transfer ownership finance lease transactions which commenced before April 1, 2008, their treatment was as follows:

## (i) Lessee side

Taking future minimum lease payment, excluding interest portion, at March 31, 2008 as acquisition cost, the amounts are recorded as “Tangible fixed assets” or “Intangible fixed assets,” assuming they had been acquired at the beginning of the fiscal year.

## (ii) Lessor side

Appropriate book value (excluding depreciation) of lease assets at March 31, 2008 was recorded as the beginning balance of “Lease receivables and investment assets.”

Accordingly, this accounting change has the following impact on the interim consolidated financial statements as compared with the previous accounting method:

	(Millions of yen)
Lease receivables and investment assets	¥ 2,039,354
Tangible fixed assets	2,427
Intangible fixed assets	460
Loans and bills discounted	(167,292)
Lease assets	(1,268,233)
Other assets	(673,062)
Other liabilities	(66,963)
Interest income	¥ 34,311
Interest expenses	(416)
Other ordinary income	(385,533)
Other ordinary expenses	(351,378)
General and administrative expenses	(50)

As a result, it does not have material impact on ordinary profit and income before income taxes.

## (c) Additional Information

Floating-rate Japanese government bonds which SMFG held as “Other securities – AFS securities” had been carried on the consolidated balance sheet at market values. From the six months ended September 30, 2008, such bonds have been carried at their reasonably estimated amounts in accordance with the “Practical Solution on Measurement of Fair Value of Financial Assets” (Accounting Standard Board of Japan Practical Issues Task Force No. 25, issued on October 28, 2008). As a result of this accounting change, compared with the former accounting method, “Securities,” “Valuation difference on available-for-sale securities” and “Minority interests” increased by ¥153,847 million, ¥88,504 million and ¥3,287 million, respectively, and “Deferred tax assets” decreased by ¥62,055 million.