

Employee Retirement Benefits

1. Outline of employee retirement benefits

Consolidated subsidiaries in Japan have contributory funded defined benefit pension plans such as employee pension plans, qualified pension plans and lump-sum severance indemnity plans. Some domestic consolidated subsidiaries have general type of employee pension plans. They may grant additional benefits in case where certain requirements are met when employees retire.

A consolidated subsidiary in Japan adopts defined-contribution pension plan.

SMBC and some consolidated subsidiaries in Japan contributed some of their marketable equity securities to employee retirement benefit trusts.

2. Projected benefit obligation

As of March 31, 2007		(Millions of yen)
Projected benefit obligation	(A)	(910,139)
Plan assets	(B)	1,186,060
Unfunded projected benefit obligation	(C) = (A)+(B)	275,921
Unrecognized net actuarial gain or loss	(D)	(83,905)
Unrecognized prior service cost	(E)	(48,257)
Net amount recorded on the consolidated balance sheet	(F) = (C)+(D)+(E)	143,757
Prepaid pension cost	(G)	178,182
Reserve for employee retirement benefits	(F)-(G)	(34,424)

(Notes)

1. Some consolidated subsidiaries adopt simple method in calculating projected benefit obligation.
2. Plan assets related to the general type of welfare pension plan at March 31, 2007 amounted to ¥19,648 million and were not included in the "Plan assets" shown above.

3. Pension expenses

Year ended March 31, 2007		(Millions of yen)
Service cost		20,082
Interest cost on projected benefit obligation		22,325
Expected return on plan assets		(30,184)
Amortization of unrecognized net actuarial gain or loss		3,305
Amortization of unrecognized prior service cost		(11,175)
Other (nonrecurring additional retirement allowance paid and other)		3,254
Pension expenses		7,607
Gains on return of employee retirement benefit trusts		(36,330)
Total		(28,722)

(Note)

Pension expenses of consolidated subsidiaries which adopt simple method are included in "Service cost."

4. Assumptions

Year ended March 31, 2007	
(1) Discount rate	1.4% - 2.5%
(2) Expected rate of return on plan assets	0% - 4.5%
(3) Allocation of estimated amount of retirement benefits	Allocated to each period by the straight-line method
(4) Term to amortize unrecognized prior service cost	Mainly 9 years (amortized using the straight-line method, within the employees' average remaining service period at incurrence)
(5) Term to amortize unrecognized net actuarial gain or loss	Mainly 9 years (amortized using the straight-line method, primarily over 9 years within the employees' average remaining service period, commencing from the next fiscal year of incurrence)