

Business Combinations

A merger of leasing companies and a merger of auto leasing companies

SMFG, SMBC Leasing Company, Limited (“SMBC Leasing”) and SMBC Auto Leasing Company, Limited (“SMBC Auto Leasing”) reached a final agreement with Sumitomo Corporation, Sumisho Lease Co., Ltd. (“Sumisho Lease”) and Sumisho Auto Leasing Corporation (“Sumisho Auto Lease”) on July 30, 2007 concerning strategic joint businesses in leasing and auto leasing business and mergers of two businesses (a merger between SMBC Leasing and Sumisho Lease, and a merger between SMBC Auto Leasing and Sumisho Auto Lease). They also concluded “Basic Agreement Concerning the Joint Business” and “Merger Agreement” with respect to the two businesses. In accordance with the merger agreements, SMBC Leasing and Sumisho Lease merged on October 1, 2007, and SMBC Auto Leasing and Sumisho Auto Lease also merged on the same day.

<Purchase method>

A merger of leasing companies

1. Outline of the business combination of leasing companies

(1) Name and business of the acquired company

Sumisho Lease (Leasing business)

(2) Reason for the business combination

SMBC Leasing and Sumisho Lease have merged with the aim of achieving the highest leasing volume in Japan by leveraging the blue-chip customer bases of both the SMFG Group and the Sumitomo Corporation Group, and to create a high quality leasing company that can respond accurately and timely to market needs which are becoming increasingly sophisticated, by combining and blending the finance know-how of SMBC Leasing as a subsidiary of a bank and the product and distribution know-how of Sumisho Lease as a subsidiary of a trading company, thereby promoting diversification and differentiation of products and providing more value-added products going beyond traditional approaches.

(3) Date of the business combination

October 1, 2007

(4) Legal form of business combination

The merger was a merger procedure by absorption with Sumisho Lease as the surviving company and SMBC Leasing was dissolved.

(Name of the merged company: Sumitomo Mitsui Finance and Leasing Company, Limited)

(5) Name of the entity after the business combination

Sumitomo Mitsui Financial Group, Inc.

(6) Percentage share of voting rights SMFG has acquired

55%

2. Period of the acquired company’s financial results included in the consolidated financial statements

From October 1, 2007 to March 31, 2008

3. Acquisition cost of the acquired company

45% of the fair value of SMBC Leasing’s common stock	¥140,648 million
45% of the fair value of SMBC Leasing’s preferred stock	24,750 million
Acquisition cost	¥165,398 million

4. Merger ratio, calculation method, number of shares delivered and valuation

(1) Merger ratio

Common stock	Sumisho Lease	1 :	SMBC Leasing	1.4859 (*)
Preferred stock	Sumisho Lease	1 :	SMBC Leasing	5.7050 (*)

(*) The amounts are rounded down to the nearest ten-thousandth.

(2) Basis for calculation of the merger ratio

In order to ensure the fairness and reasonableness of the merger ratio (hereinafter referred to as the “merger ratio”), SMBC Leasing and Sumisho Lease conducted negotiation and discussion based on the analysis of the merger ratio provided by each financial advisor, Daiwa Securities SMBC Co. Ltd., appointed by SMBC Leasing, and Nomura Securities Co., Ltd., appointed by Sumisho Lease, respectively.

(3) Number of shares delivered and value

52,422,762 shares of common stock of Sumisho Lease were allocated for 31,375,000 shares (30,000,000 shares of common stock and 1,375,000 shares of preferred stock) of SMBC Leasing (44,578,289 shares of Sumisho Lease’s common stock for SMBC Leasing’s common stock and 7,844,473 shares of Sumisho Lease’s common stock for SMBC Leasing’s preferred stock). Total estimated value amounted to ¥367,552 million.

5. Goodwill, reason for recognizing goodwill, amortization method and amortization period

(1) Amount of goodwill

¥88,090 million

(2) Reason for recognizing goodwill

SMFG accounted for the difference between the acquisition cost and the increased amount of interest in Sumisho Lease as goodwill.

(3) Method and term to amortize goodwill

Straight-line method over 20 years

6. Amounts of assets and liabilities acquired on the day of the business combination

(1) Assets

Total assets	¥1,392,490 million
Lease assets	632,224 million
Loans and bills discounted	329,069 million

(2) Liabilities

Total liabilities	¥1,249,703 million
Borrowed money	571,741 million
Short-term bonds	393,000 million

7. Approximate amounts of impact on the consolidated statement of income for the fiscal year ended March 31, 2008 assuming that the business combinations had completed on the commencement date of the fiscal year

(1) The difference between the estimated ordinary income and other income information assuming that the business combinations had completed on the commencement date of the fiscal year and the actual ordinary income and other income information which is recorded in the consolidated statement of income is as follows.

Ordinary income	¥277,442 million
Ordinary profit	35,319 million
Net income	30,938 million

(2) Calculation method of the approximate amounts and material assumptions

The approximate amounts are calculated retroactively to the commencement date of the fiscal year based on the amounts stated in Sumisho Lease’s statement of income for the period from April 1, 2007 to September 30, 2007. However, such amounts do not indicate the results of operations in case the business combinations actually completed on the commencement date of the fiscal year.

The estimated information mentioned above has not been audited by KPMG AZSA & Co.

<Business combination of consolidated subsidiary>

A merger of auto leasing companies

1. Outline of the business combination of auto leasing companies

(1) Name and business of the companies

Combining company: Sumisho Auto Lease (Auto leasing business)

Combined company: SMBC Auto Leasing (Auto leasing business)

(2) Reason for the business combination

Sumisho Auto Lease and SMBC Auto Leasing have merged to survive and thrive in the auto leasing industry that is becoming increasingly competitive and to establish a structure to capture the number one market share by capitalizing on the high-quality customer bases of both the Sumitomo Corporation Group and the SMFG Group and combining the high-value-added services of Sumisho Auto Lease based on its value chain and business network of SMBC Auto Leasing. Another aim of the merger is to achieve better customer satisfaction by combining and blending the product and distribution know-how of Sumisho Auto Lease as a subsidiary of a trading company, and the finance know-how of SMBC Auto Leasing as a subsidiary of a bank, thereby pursuing various services.

(3) Date of the business combination

October 1, 2007

(4) Legal form of business combination

The merger was a merger procedure by absorption with Sumisho Auto Leasing as the surviving company, and SMBC Auto Leasing was dissolved.

(Name of the merged company: Sumitomo Mitsui Auto Service Company, Limited)

2. Outline of accounting method

As a result of the merger between Sumisho Auto Leasing and SMBC Auto Leasing, SMBC Auto Leasing was excluded from the scope of affiliated company and the combined company became an equity method affiliated company of SMFG. SMFG will apply the accounting procedures stipulated by Article 20 of the “Accounting Standard for Business Divestitures” (ASBJ Statement No.7).

3. Name of the business segment, in which the subsidiary was included, in the segment information

Leasing business

4. Consolidated statement of income for the fiscal year included the following earnings of SMBC Auto Leasing: (approximate amounts)

Ordinary income	¥69,752 million
Ordinary profit	2,237 million
Net income	1,254 million

5. Status after the business combination

SMBC Auto Leasing and its subsidiaries are excluded from the scope of consolidation, and Sumitomo Mitsui Auto Service Company, Limited and its subsidiaries have become affiliated companies accounted for by the equity method.