

Business Combinations

Transactions under common control in the year ended March 31, 2007

1. Outline of the transactions

- (1) Name and business of combined entity

SMBC Friend Securities Co., Ltd. (“SMBC Friend Securities”)
Securities business

- (2) Form of reorganization

Exchange of shares

- (3) Name of the entity after the reorganization

Sumitomo Mitsui Financial Group, Inc.

- (4) Outline and purpose of the transaction

In accordance with the stabilization of the Japanese financial system, Japanese households’ portfolios have shown clear signs of a shift from savings to investment, and their investment needs are expected to become further diversified. At the same time, we believe that new types of asset management services will become popular among individual investors who improve their financial knowledge and have an increased interest in portfolio management based on asset allocation concepts.

In view of these trends, SMFG will further strengthen cooperation among group companies by making SMBC Friend Securities a wholly-owned subsidiary, establishing a new business model distinct from the conventional one by combining banking and securities businesses and maximizing synergies between them. With such initiatives, SMFG will try to make every effort to enhance the enterprise value of the whole group.

2. Accounting method

SMFG applied the following accounting treatments stipulated by the Accounting Standard for Business Combinations to the consolidated and nonconsolidated financial statements:

“Chapter 3 Accounting Standard for Business Combinations, Article 4 Accounting treatment for the transactions under common control,” Paragraph 2 Transactions with minority shareholders.”

3. Additional acquisition of subsidiary’s shares

- (1) Acquisition cost

Common shares	221,365 million yen
<u>Expenses for acquiring the common shares</u>	<u>160 million yen</u>
Acquisition cost	221,525 million yen

- (2) Share exchange ratio, its basis for determination, number of shares delivered and its values

- (a) Type of shares and share exchange ratio

Common shares

SMFG 1: SMBC Friend Securities 0.0008

- (b) Basis for determination of share exchange ratio

SMFG appointed Goldman Sachs (Japan) Ltd. as its financial advisor and SMBC Friend Securities appointed Merrill Lynch Japan Securities Co., Ltd. as its financial advisor. SMFG and SMBC Friend Securities comprehensively considered numerous factors including results of the analyses provided by their respective financial advisors, and discussed and agreed to the above.

- (c) Number of shares delivered and values

249,015 shares

221,525 million yen

- (3) Goodwill, reason for recognizing goodwill, amortization method and amortization term

- (a) Amount of goodwill

99,995 million yen

- (b) Reason for recognizing goodwill

SMFG accounted for the difference between the acquisition cost to acquire shares of common stock of SMBC Friend Securities additionally and the amount of minority interests decreased as goodwill.

- (c) Method and term to amortize goodwill

Straight-line method over 20 years