

**DAIWA SECURITIES and SUMITOMO BANK
reached the final agreement over establishment
of the wholesale joint venture company**

December 18, 1998

Following the basic agreement on July 28th, 1998, Daiwa Securities Co. Ltd. (“Daiwa”) and The Sumitomo Bank, Limited (“Sumitomo”) have today reached a final agreement to form a wholesale joint venture securities company including derivatives divisions.

The new company will take the wholesale business divisions to be transferred from Daiwa and Sumitomo Capital Securities Co., Ltd., a wholly-owned subsidiary of Sumitomo. At the same time, Sumitomo will transfer the part of its operation to the joint venture company. This alliance could effectively combine the customer bases, brands and financial techniques of Daiwa and Sumitomo. That should enable us to satisfy the more diversified and demanding customers’ needs.

This company is scheduled to start in April, 1999, subject to the approval by Daiwa’s shareholders and by the concerned government regulators.

1. Outlines of the wholesale J.V. company (scheduled)

- *Name:* Daiwa Securities SB Capital Markets Co. Ltd
- *Address:* 3-5, Yaesu 1-chome, Chuoh-ku, Tokyo
- *Businesses:* Underwriting of equity/bonds, trading, M&A, derivatives
or other investment banking operations
- *Equity capital:* ¥300 billion
- *Equity ownership:* Daiwa: 60%, Sumitomo: 40%
- *Start of business:* April 5, 1999
- *Board:* President: Akira Kiyota (Deputy President of Daiwa)
Deputy President: Akira Kondoh (Managing Director of Sumitomo)
Deputy President: Kenji Ebihara (Senior Managing Director of Daiwa)
with executive officers to be introduced

2. Timetable

● **1998**

Dec. 18 Reach the final agreement with The Sumitomo Bank, Limited

● **1999**

Early Feb. Hold the extraordinary shareholders meeting of Daiwa Securities Co. Ltd.

Shareholders meeting of Daiwa Securities SB Capital Markets Co. Ltd.

Apr. 5 Start of the business (scheduled)

3. Summary of business transfer

Daiwa and Sumitomo Capital Securities Co., Ltd. will transfer the business concerned to the new wholesale company.

●Business transfer value : ¥ 508 billion

(Daiwa: ¥ 500 billion, Sumitomo Capital Securities Co., Ltd.: ¥ 8 billion)

●Date of the transfer (scheduled) : April 5, 1999

Fin.

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