

**Basic Agreement Regarding Merger between NIF Ventures and SMBC Capital,
And Notice of Possible Future Losses from Sales of Loans Receivable in
conjunction with the merger**

NIF Ventures Co., Ltd. (NIF Ventures) has, subject to the approval of our shareholders and relevant authorities, reached a basic agreement to merger with SMBC Capital Co., Ltd. (SMBC Capital) today. Following the merger, we plan to sell certain loans receivable outstanding and so on. This follows our policy to scale down our loan operations from which we are planning to withdraw entirely and our ongoing efforts to reduce interest-bearing debts. We expect to incur future losses in conjunction with the event. Details are as follows.

1. Purpose of Merger

NIF Ventures will merge with SMBC Capital and aim to become the NO.1 Venture Capital Firm in Asia by utilizing the search network and expertise of both the Daiwa Securities Group and Sumitomo Mitsui Financial Group in addition to tapping into the venture capital expertise of the two firms.

2. Structure of the Merger

The merger is targeted for completion by October 1, 2005, and NIF Ventures will be the surviving entity.

3. Outline of The New Company

Trade name	NIF SMBC Ventures Co., Ltd. (tentative)
Location of head office	1-2-1, Kyobashi, Chuo-ku, Tokyo
Representative	Michihiro Matsuda, Chairman Shin-ichi Yamamura, President & CEO
Stock Capitalization	TBA
Date of Merger	October 1, 2005 (tentative)
Ratio of Merger	TBA
Stock Exchange listings	Jasdaq Securities Exchange

Subsequent to the merger, investments outstanding of the new company will total 112.6 billion yen (number of companies: 1,324) as of the end of December 2004.

4. Allocation of New Shares to a Third Parties

In order to enhance the capital base for future business expansion, NIF Ventures is planning to issue and allocate shares to Daiwa Securities Group Inc., and/or Sumitomo Mitsui Financial Group, Inc., Sumitomo Mitsui Banking Corporation prior to the merger.

We will announce the details when they are determined.

5. Outline of Each Company (as of the end of March 2004)

Trade name	NIF Ventures Co., Ltd. (Surviving)	SMBC Capital Co., Ltd. (Dissolved)
Business	Venture capital investments, Buy out investments, Fund establishment and management, Loan business	Venture capital investments, Buy out investments
Date of establishment	October 20, 1983	August 1, 1995
Location of head office	1-2-1, Kyobashi, Chuo-ku, Tokyo	2-7-9 Nihonbashi, Chuo-ku, Tokyo
Representative	Shin-ichi Yamamura, President & CEO	Michihiro Matsuda, President
Stock Capitalization	11,267 million yen	2,500 million yen
Number of shares outstanding	289,000 shares	50,000 shares
Shareholder's equity	22,195 million yen	2,808 million yen
Total assets	80,595 million yen	14,112 million yen
Closing date	March 31	March 31
Number of employees	163	37
Investment Target	Prospective private companies at home and abroad etc	Prospective private companies at home and abroad etc
Shareholders	Daiwa Securities Group Inc. 73.40% Daiwa Institute of Research Ltd. 3.81% Daiwa Asset Management Co.Ltd.2.01% Kissei Pharmaceutical Co., Ltd. 1.61% Daiwa Securities SMBC Hong Kong Limited. 0.65%	Sumitomo Mitsui Banking Corporation 39.80% QUOQ Inc. 30.20% SMBC Mortgage Co., Ltd. 20.00% The Japan Research Institute, Limited 10.00%
Main Bank	Sumitomo Mitsui Banking Corporation	Sumitomo Mitsui Banking Corporation
Relation between the companies	At present, there is no relation with regards to ownership, staff, and business.	
Business results	Net Sales 15,636 million yen Ordinary Profit 502 million yen Net Income 554 million yen	Net Sales 3,491 million yen Ordinary Profit 617 million yen Net Income 371 million yen

Amount of investment	83.6 billion yen (the end of December, 2004)	29 billion yen (the end of December, 2004)
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Note) Shareholder's equity, Total assets, Number of employees and Business results of NIF Ventures are consolidated.

II. Expected losses in conjunction with the Write-off of loans receivable, and etc

Following our decision to withdraw from loan operations, we have been reducing the amount of loans receivables on our balance sheet. We will write off all long-term loans receivable and reduce loans receivable or less prior to the merger by selling and providing allowance for doubtful accounts,. As a result, we expect to record losses of 8 billion yen ~ 9 billion yen as extraordinary losses in fiscal 2004.

In addition, although losses such as unrealized losses might be recorded on assets other than loans receivable in the course of due diligence for the merger, details of the amount and timing are undetermined at this moment.

(A) Possible Losses of Loans Receivable as of the end of March 2005	8,000~9,000 million yen
(B) Shareholder's Equity as of the end of March 2004	21,793 million yen
(A) / (B) × 100	36.7%~41.3%
(C) Ordinary Profit for the fiscal year ending March 2004	465 million yen
(A) / (C) × 100	1,719.3~1,934.2%
(D) Net Income for the fiscal year ending March 2004	555 million yen
(A) / (D) × 100	1,439.0~1,618.9%

End