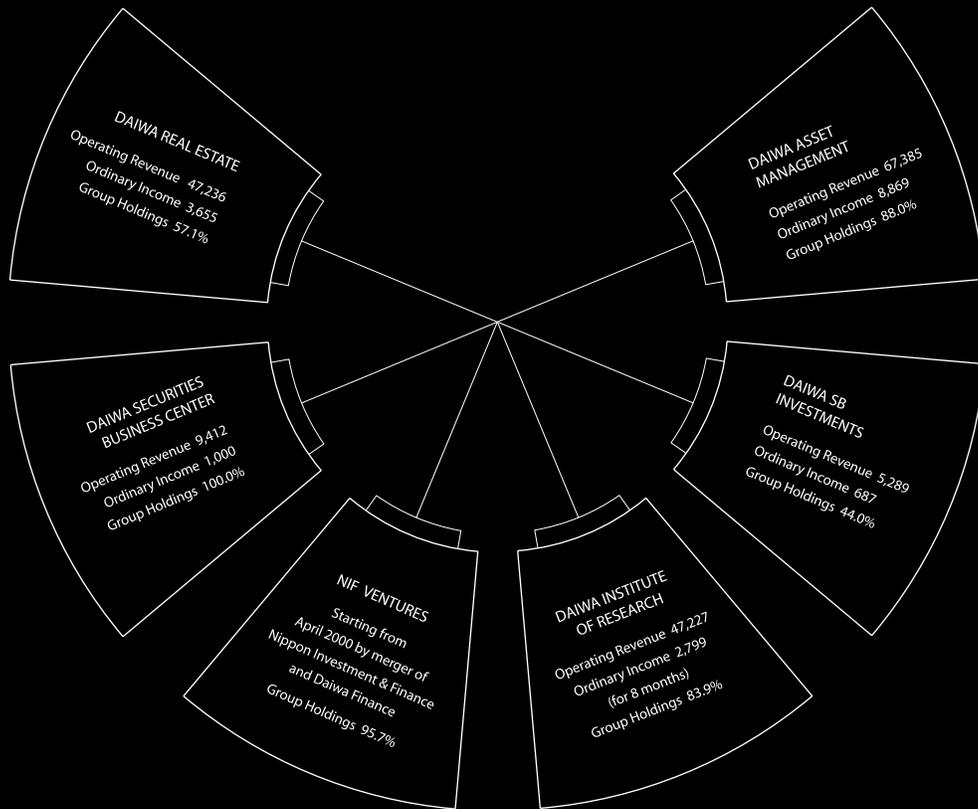


OTHER MAIN GROUP COMPANIES

daiwa asset management co. ltd. · daiwa sb investments ltd.

daiwa institute of research ltd. · nif ventures co., ltd.

daiwa securities business center co. ltd. · the daiwa real estate co., ltd.



Units: Millions of yen
Data for FY 1999

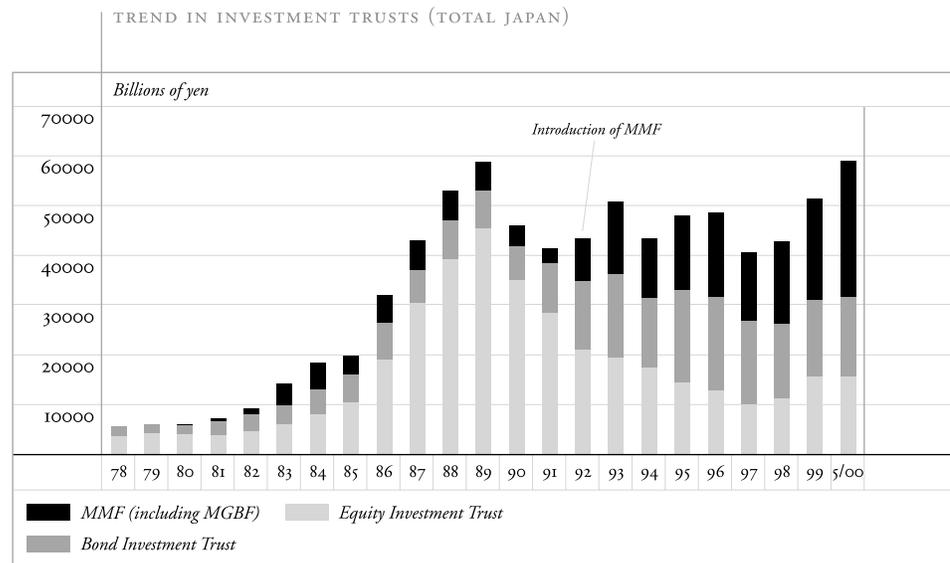
The Daiwa Securities Group includes two distinct asset management companies. Daiwa Asset Management Co. Ltd., 88% owned by the Holding Company and a consolidated subsidiary and Daiwa SB Investments Ltd., a 44% owned joint venture with Sumitomo Bank, T. Rowe Price (10%) and Sumitomo Trust & Banking (2%).

DAIWA ASSET MANAGEMENT CO. LTD.

Daiwa Asset Management (DAM) is one of Japan's leading investment trust companies. During the year to March 2000, investment trust net assets managed by DAM grew by approximately 31% to 14.6 trillion yen representing a market share of some 27% of all outstanding investment trusts in Japan. For FY 1999, DAM recorded ordinary income of 8.8 billion yen on operating revenues of 67.3 billion yen.

DAM is particularly strong in bond investment trusts where it maintains a market share in excess of 30% principally due to an extremely strong position in MMF (Money Management Fund), which is regarded as a strategic product by the Daiwa Securities Group and where it boasts a market share of over 40%. DAM also enjoys a strong position in equity investment trusts, maintaining a high ranking in the industry.

Starting with "Musashi" which was launched in November 1998, DAM has launched four flagship equity investment trusts to date. They are "0101" focused on IT stocks, "Daiwa Daisuke" investing in small to medium sized companies and "Sokojikara" targeting value stocks. Together, these four equity investment trusts had outstanding assets under management of over one trillion yen as of the end of March 2000.



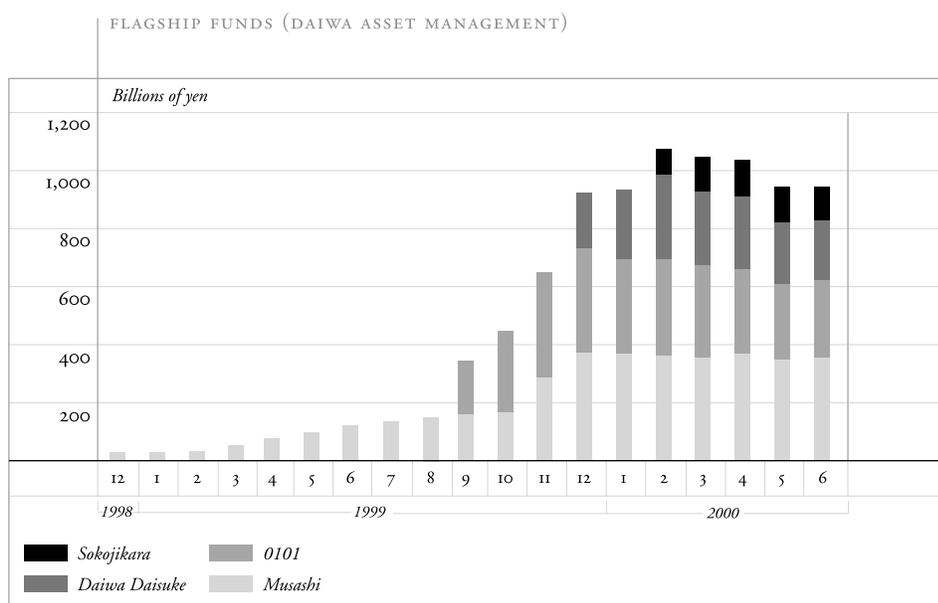
* Source: The Investment Trusts Association, Japan

The company maintains a broad range of investment trusts and is not identified with any particular investment style. However, DAM believes that it has a competitive edge in active equity and quantitative style investing. The company operates using a wide investment universe consisting of all quoted vehicles but excluding certain stocks which are felt to exhibit unnecessarily high financial risk or where corporate governance is felt to be lacking. Formal asset allocation policies are decided centrally but interpreted by each fund manager in light of the specific constraints applicable to each individual fund.

DAM relies on the Daiwa Securities Group, including both the retail and wholesale companies for distribution of approximately 80% of its products. The balance is distributed through various securities companies and financial institutions such as banks as well as via direct marketing through the Internet. The balance of investment trusts under custody at banks has been steadily increasing ever since banks commenced sales activities for these products through their branch network. DAM regards this distribution channel as a particularly attractive one in terms of long-term potential.

During FY 1999, the Japanese investment trust industry saw considerable demand especially through the retail channel. This demand, which can partially attributed to the upward trend in the equity market, was wide-ranging but was particularly notable for equity investment trusts which recorded a 38% year-on-year or a 4.6 trillion yen increase. Demand was also firm for fixed income investment trust products such as MMF and medium term JGB funds (MGBF) which provide returns that are higher than bank deposits and are more convenient. Outstanding balances of such products rose by 24% or 7.5 trillion yen during the year.

Over the next several years, DAM expects demand for investment trusts, particularly for equity investment trusts to remain at high levels. This growth will be fueled by redemption



of postal savings which will amount to over 100 trillion yen over the next two years, the introduction of 401(k) style defined contribution pension plans and the ending of unlimited deposit insurance coverage on bank accounts.

Given the excellent growth prospects of the industry, the number of investment trust firms active in Japan has increased by around five times to a little over 70 in number over the last ten years as major domestic and foreign financial institutions have entered the market. Maintaining a leadership position will involve advanced product development capabilities as well as timely provision of information.

Investment performance is likely to increase in importance within the Japanese investment trust industry. Internally, DAM uses a range of performance measures appropriate to the characteristics of the product concerned, including ratings from investment trust rating agencies. Although the company's performance has been superior within the industry, DAM intends to consolidate this lead in the following ways:

- 1) Strengthening the buy-side analytical function of the company by upgrading the overall capacity of its teams of inhouse fund managers, analysts and economists.
- 2) Making use of information from Group companies to plan and develop products that are responsive to the needs of investors.
- 3) Strengthening sales support to the Group's two securities companies. Developing new sales channels. Increasing direct sales through the call center and the Internet.
- 4) Developing products for 401(k) together with Daiwa Securities and Daiwa SBCM.
- 5) Improving DAM's brand recognition through increasing marketing including TV commercials and advertisements in newspapers and magazines.

DAIWA SB INVESTMENTS LTD.

This company was formed on April 1, 1999 through the merger of Daiwa International Capital Management Co., Ltd., SB Investment Management Co., Ltd. and SBIM Investment Trust Management Co., Ltd. In addition, at its inception, T. Rowe Price and the UK asset manager Robert Fleming formed a joint venture outside of Japan, with the goal of managing the non-Japanese portion of investment trust products for customers of the company in Japan. Daiwa SB Investments Ltd. is included in Daiwa Securities Group consolidated accounts as an equity method affiliate. For FY 1999 it recorded ordinary income of 687 million yen on operating revenues of 5.2 billion yen.

As of March 2000, Daiwa SB Investments had outstanding funds under management amounting to approximately 3 trillion yen. Of this amount, approximately 1.7 trillion yen related mainly to domestic pension contracts, 870 billion yen to overseas contracts and 200 billion yen to investment trusts under management. With the implementation of the

401(k), it seems likely that pension fund money will flow into the investment trust market. Daiwa SB Investments aims to take advantage of this trend to increase investment trust assets under management. Investment trusts are thus slated to become a major pillar of earnings growth over the next three years.

Daiwa SB Investments main goals are to achieve a competitive track record in investment performance, to provide customers with a superior level of service and to increase profitability by developing and marketing attractive investment trusts. For this purpose the company will:

- 1) Introduce small fund management teams based on investment style and product line. Increase fund management performance and ranking by strengthening research capabilities.
- 2) Maintain its current position as one of Japan's premier asset management companies in terms of pension and public fund money under management. This will be achieved through joint marketing efforts with Daiwa SBCM and Sumitomo Bank, and by leveraging the capabilities of Daiwa Institute of Research and The Japan Research Institute, which is the think tank within the Sumitomo Bank Group.
- 3) Expand its presence in the investment trust industry by introducing various products such as long-term focused investment funds in preparation for 401(k) and by concentrating management resources on the development of investment trust products.

DAIWA INSTITUTE OF RESEARCH LTD.

Daiwa Institute of Research Ltd. (DIR) takes responsibility for research, systems development and consulting within the Daiwa Securities Group and also serves as the Group's think tank. DIR also provides services to non-group companies drawing on its accumulated know-how. During the financial year to March 2000 (DIR changed from an end July to an end March financial year in FY 1999, thus figures for the year under consideration are in respect of eight months only), DIR recorded ordinary income of 2.7 billion yen on operating revenues of 47.2 billion yen.

Although the Daiwa Securities Group had been a major source of revenue, historically DIR had acted with a considerable degree of autonomy and was responsible for developing its own business plan. Under the "Medium-Term Management Plan", DIR has been redefined as the Group's core research and systems company and its mission is now aligned more closely with the overall objectives of the Group. In this respect DIR will endeavor to increase its presence and pursue opportunities in a wide range of business areas with the aim of contributing to the maximization of group corporate value. As part of this process, the Holding Company is presently negotiating with outside shareholders to acquire the outstanding minority stake in this company. As of the end of March 2000, the Group maintained a holding of 83.9% but wishes to increase this to 100%.

The major tasks allocated to DIR under the recently announced three year plan are as follows:

- 1) Focusing on areas of competitive strength through concentration of effort in key fields. DIR's areas of endeavor will be rationalized and prioritized taking into account their value to the group as a whole as well as such basic criteria as profitability and growth potential.
- 2) Utilizing accumulated knowledge and experience to establish a pro-active internal think tank function capable of providing group management with high quality advice and proposals in strategic, financial and IT related issues. DIR will also be responsible for provision of state of the art technology as the Group's core company in IT related businesses.
- 3) Increasing its contribution to group corporate value by increasing capacity and recognition in research, systems and consulting.
- 4) Contributing to consolidated profits by improving the profitability of sales to non-group companies and the efficiency of system investments.

DIR operates in four related markets. These are research, systems development for Group companies, consultancy and systems marketing to non-group companies as described below.

Research

The Research Division of the Daiwa Institute of Research employs a total of 101 professional staff including 65 analysts, 24 economists, 7 strategists and 5 quantitative analysts as of the end of March 2000. In addition DIR has 10 overseas offices with 63 research staff. In terms of size, this ranks DIR among the largest research organizations in Japan. DIR has started to work increasingly closely with both the trading and investment banking arms of Daiwa Securities SB Capital Markets Co. Ltd. (Daiwa SBCM) as well as continuing to provide research support to the retail securities company, Daiwa Securities Co. Ltd. (Daiwa Securities).

DIR ranks among the top ten research houses in Japan according to most independent surveys of analyst excellence. However, this ranking is regarded as inadequate and considerable effort will be made over the next several years to improve the external perception of DIR's research ability with a view to eventually establishing a leadership position. This will be achieved by upgrading personnel through external hiring, graduate recruitment and internal recruitment from other Group companies; by revamping the evaluation system to better reflect performance; and by laying a firm foundation for information gathering activities. Regarding the evaluation system, an incentive system where Daiwa SBCM will reward analysts based on the analyst's contribution to generating income on IPO, M&A and equity offerings has already been implemented.

The style and focus of research is also being reorganized as this effects the overall ranking of DIR. A major objective will be to refocus on activities supporting two key areas of the business of the Daiwa Securities Group - research driven sales and investment banking operations including M&A and the venture capital business. Present research methods will be reviewed with a view to focusing on core micro and macro issues. Furthermore, coverage of companies will be reviewed to increase research depth on core stocks, information management will be systematized to increase productivity and dissemination, and global research functions will be restructured. Also, a system to reflect feedback from Group companies has been put in place to better meet their needs.

Systems Development

As mentioned earlier, DIR is the Group's system development arm, which is responsible for the majority of the Group's IT development and acts to implement Group IT initiatives. Headcount is being increased in this area as described in the section on the Holding Company.

The securities industry is faced with the necessity of investing heavily in systems development to cope with T+1 settlement, the introduction of defined contribution pension plans (Japanese version of 401(k) pension plan) and increased transaction volume over the Internet. To face these challenges the Group must utilize state of the art IT in constructing systems infrastructure to strengthen its competitiveness. As the company responsible for the Group's system infrastructure, DIR will play an important role in dealing with these issues.

DIR aims to add corporate value to the Daiwa Securities Group by establishing systems infrastructure that can meet the demanding requirements resulting from the rapidly changing business environment. This will be realized by providing Group companies with overall services such as strategic planning, development and maintenance. Consequently, there will be a significant increase in the number of people engaged in supporting these areas as well as in advisory functions to provide high quality services. As a further innovation, DIR is promoting pro-active monitoring functions designed to anticipate rather than react to system problems.

The company regards it as important to promote a greater openness in its development of settlement systems in order to conform to global standards. The establishment of standards within the Japanese securities industry is a priority, not only for the Group itself, but also for the competitiveness of the Japanese securities industry as a whole given the very large sums that will need to be spent by the industry.

Consultancy

The consultancy business has been largely focused on the public sector, particularly related to certain organizations affiliated to the Ministry of Foreign Affairs. Establishing areas of strength and pursuit of profitability are key issues DIR faces in establishing its position as a top-ranked consultancy firm.

Areas that are regarded as strategic for this division include the promotion of joint projects between universities and industry.

Consultancy operations regarding pension business will be integrated into the Group's overall strategy in preparation for the expected introduction of the Japanese version of 401(k).

Systems Marketing to Non-Group companies

Marketing activities to non-group companies are being reviewed with a view to profitability. DIR will continue to pursue attractive and profitable business opportunities in areas such as e-commerce and areas related to the prevailing demographic trends in Japan.

One example of such business is a JV with NEC Corporation that was announced in April 2000. This JV, owned 45% each by DIR and NEC (10% by outside parties), will have a paid-in-capital of 490 million yen and was established as an application service provider (ASP) for services related to online trading systems and other securities transactions.

NIF VENTURES CO., LTD.

NIF Ventures Co., Ltd. (NIF) serves as the venture capital arm of the Daiwa Securities Group and is the second largest Japanese venture capital company. NIF was formed from the merger of the former Nippon Investment & Finance Co. Ltd. and Daiwa Finance Co. Ltd. on April 1, 2000 and will focus on venture capital business. At the time of merger, the credit card operations of Daiwa Finance were transferred to Daiwa Card Services Co., Ltd.

NIF employs around 150 professional staff in total. Of these, 15 are located overseas in Taiwan, Singapore and in Silicon Valley in the United States. In addition to the Tokyo Headquarters, domestic offices are located in Osaka, Nagoya and Fukuoka. Furthermore NIF has established venture capital companies and funds on a joint venture basis in North America, Europe and various Asian countries.

The promotion of a thriving venture capital industry in Japan has been made a priority by the government and is widely regarded as a prerequisite for long term recovery of the national economy. New bourses including the TSE Mothers market and Nasdaq-Japan of the Osaka Stock Exchange have been opened specifically to allow venture companies access to early-stage equity funding.

NIF raises money from investors and together with its own funds forms investment partnerships to invest in various venture companies. There are also occasions where NIF invests its own funds directly.

As of the end of May 2000, NIF had an accumulated 43 investment partnerships/funds with an accumulated balance of 158.8 billion yen. This includes the biggest investment

partnership formed to date of 20.4 billion yen which was closed in March and May. One of the characteristics of this fund is that the main investors are smaller financial institutions such as regional banks, shinkin banks and credit cooperatives investing in this type of fund for the first time. The fund will allocate 50% of funds to Japan and the rest mainly to the US, Europe, Taiwan and Israel. In addition to the IT related industry, investments in the environment and biotechnology sectors are expected. Furthermore, NIF believes that the health care business is an area of growth and will also put an emphasis on investing in this sector.

A decision to invest in a given company is made at weekly investment committee meetings based on a wide range of factors, including details of the business plan and quality of management.

During the year to March 2000 around 60% of the investments made by NIF were directed to early-stage companies. Holdings in IT related, biotechnology and service related companies make up approximately 90% of all domestic investments. NIF believes that it has a competitive edge in investment into technology companies which are a particular strength of the company. A lot of this strength stems from access to a network of technical advisors consisting of professionals and academics. In addition, the company maintains close contact with companies located in the so-called "Bit Valley" area located in the Shibuya region of Tokyo.

Exit strategies used by NIF currently consist almost entirely of IPOs although other exit strategies including M&A and MBO have been employed and may be employed more actively in future. Of course, as with all venture capital firms, there are cases when companies fail and investments cannot be recovered. NIF works closely with various securities companies, including of course the other members of the Daiwa Securities Group where appropriate, in preparing companies for the IPO process.

Although the major securities companies and banks continue to dominate the venture capital business in Japan, there has recently been a major increase in the number of companies active in this area including corporations from outside of the financial industry and many foreign-capital affiliated firms. NIF believes that it has the experience, track record and the client base that the new entrants lack. Furthermore, the network it has created among promising companies, the efficiency achieved from outsourcing and the building of a strong support system differentiates it from existing competitors.

NIF maintains a strong investment presence overseas and a superior ability to manage global investments leveraging the resources not only of its own overseas offices but also those of the Daiwa Securities Group. NIF intends to promote further development of its functions on a global basis with expansion into North America, Asia and Europe. To this end the company will be expanding its full time headcount and will give consideration to establishing new offices in areas such as the East Coast of the United States and in Europe.

NIF's first target laid down in the second Medium-Term Management Plan is a return on equity of 30%. This target will be achieved by improving efficiency in investment activities, as well as strengthening network and support functions. Fund raising activities taking advantage of the favorable market and regulatory environment will be stepped up together with active investment of its own funds. The target IRR for investment partnerships has been set at 30%.

The second target is to go public in FY 2001. By going public, NIF will raise its profile at the same time as becoming subject to the discipline of the markets to increase credibility. This in turn will provide opportunities to expand its client base.

DAIWA SECURITIES BUSINESS CENTER CO. LTD.

Daiwa Securities Business Center Co. Ltd. is a fully-owned subsidiary of the Daiwa Securities Group Inc. Aimed at providing reliable, high-quality services, the company is responsible for providing comprehensive securities back-office operations mainly for the Group companies, as well as dispatchment of personnel specializing in securities-related operations. In FY 1999 Daiwa Securities Business Center recorded ordinary income of 1.0 billion yen on sales of 9.4 billion yen. These results reflect substantial rationalization measures taken during FY 1999 including integration of 3 offices previously maintained in the Tokyo area into one and streamlining of certain internal functions to achieve efficiency gains.

The main goals for this company going forward are to reduce costs while continuing to provide strong back-office support to the Group, and to provide shared infrastructure allowing the Group to minimize personnel and capital costs.

THE DAIWA REAL ESTATE CO., LTD.

The Daiwa Real Estate Co., Ltd. is mainly involved with the holding and renting of the Daiwa Group's office premises, housing, dormitories and other properties. This company is 57.1% owned by the Group companies. For FY 1999 it recorded ordinary income of 3.6 billion yen on operating revenue of 47.2 billion yen. The company has already made a decision to withdraw from housing development and now concentrates on rental and leasing businesses, mainly concerned with the Daiwa Group's branches and offices. The mission of this company is to promote efficient asset utilization across the entire Group.