





OTHER MAIN GROUP COMPANIES

daiwa asset management co. ltd.
daiwa institute of research ltd.
daiwa sb investments ltd.
daiwa securities business center co., ltd.
the daiwa real estate co., ltd.
nif ventures co., ltd.

OTHER Main Group Companies

OTHER MAIN GROUP COMPANIES (FY 2000)

(Millions of Yen)

	Daiwa Asset Management	Daiwa Institute of Research	Daiwa SB Investments	Daiwa Securities Business Center	Daiwa Real Estate	NIF Ventures
Operating Revenues	66,980	78,027	6,495	9,973	44,832	12,097
Operating Expenses	57,909	71,592	5,754	8,837	37,926	7,493
Operating Income	9,071	6,435	740	1,136	6,906	4,604
Ordinary Income	10,314	6,014	833	1,145	2,227	4,809
Group Holdings	88.0%	84.4%	44.0%	100.0%	57.4%	95.6%

Daiwa Asset Management

Daiwa Asset Management (DAM) is one of the asset management companies within the Daiwa Securities Group. As of March 31 2001, the company had net assets under management of approximately 12.0 trillion yen, a decline of roughly 2.5 trillion yen from the previous year. DAM saw a decline in all major product lines, including equity investment trusts, bond investment trusts, and money management funds (MMFs). Equity investment trust assets under management fell by 0.6 trillion yen to 1.7 trillion yen. Although DAM saw a net inflow into equity investment trusts amounting to 376 billion yen during the year, the largest amount recorded by any asset management company in Japan, the decline in equity prices

offset the gains resulting in a fall in assets under management. In common with its major competitors, the company's main flagship equity fund Musashi underperformed the main equity market indices. On the other hand, the company's strong capability was underscored when its CB Fund was one of eight funds chosen out of a field of 594 as a domestic Investment Fund of the Year for 2000 by an influential investment trust rating company.

The balance of assets under management in bond investment trusts also fell to 10.3 trillion yen, some 2 trillion yen below the year-earlier figure. DAM has traditionally held a very strong position in MMFs due to a strong track record in providing superior returns. During FY 2000 this

position was reinforced, with the company maintaining an over 40% market share. However, the year was marked by a de facto lifting of the BoJ's zero interest rate policy, which in turn caused rate-sensitive holders, particularly institutional investors, to withdraw funds. Overall, the total balance of MMFs at the end of the year fell by approximately 1.4 trillion yen.

Conversely, the balance of investment in medium-term government bond funds, one of DAM's most important bond fund products, surged by more than 0.6 trillion yen due to its higher return relative to other financial products. Nevertheless, the fund was unable to match headline returns offered by its major competitor, which managed to boost assets under management in this segment to a greater extent during the year.

The potential for increasing retail participation in the investment trust market has attracted a large number of new competitors. In particular, recent years have seen various foreign asset management companies set up or reinforce their operations in Japan.

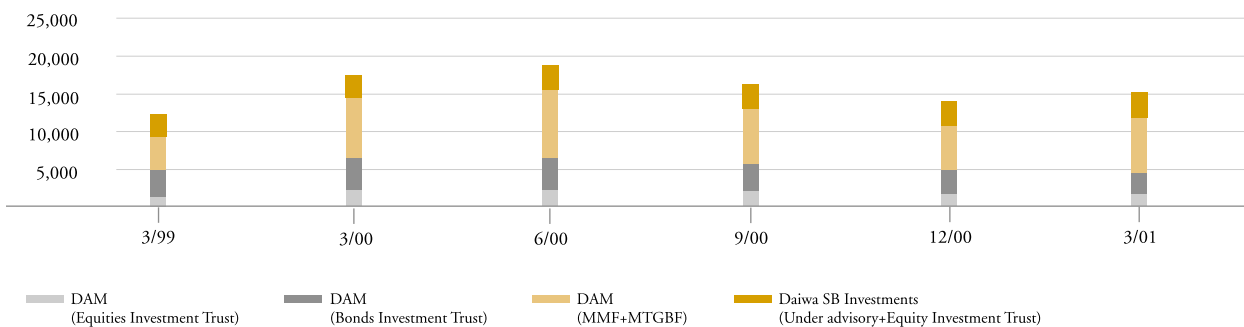
DAM has responded to the challenges of FY 2000 by revamping its internal organization to enhance monitoring and control of fund performance.

DAM is also working to exploit new channels of distribution. Currently, the majority of all products are distributed through Daiwa Securities and Daiwa Securities SMBC, within the Daiwa Securities Group. Alternative routes being addressed include other securities companies, and banks.

The company is also centrally involved in the Daiwa Securities Group's thrust to exploit the potential of the defined contribution 401(k) pensions market, as described earlier in this report. While significant revenues will probably not be seen in the short term, this area is regarded as being of crucial importance. DAM has established the Defined Contribution Business Planning Department as a special planning section to provide 401(k) products and to coordinate with other group companies, including Daiwa Pensions Consulting.

ASSETS UNDER MANAGEMENT

(Billions of yen)



Daiwa Institute of Research

Daiwa Institute of Research Ltd. (DIR) supports the various companies in the Daiwa Securities Group by taking responsibility for research, systems development, and consulting within the Daiwa Securities Group and serving as the Group's think tank. DIR also provides services to non-Group companies by drawing on its accumulated know-how.

Since implementation of the Group's Medium-Term Management Plan from April 2000, the company has reoriented its operations to focus on increasing the enterprise value of the Daiwa Securities Group as a whole. Consequently, during FY 2000 each of the main divisions — research, systems development, and consulting — has undertaken a wide-ranging review of its current operations. This process was significantly enhanced during FY 2000 by improvements made to the company's internal management accounting systems, which has enabled management to more accurately assess profitability by line of business.

In line with the corporate goals set in the Medium-Term Management Plan, DIR is gradually reviewing its business with entities outside of the Daiwa Securities Group with the goal of maximizing the efficiency of its resource deployment and profitability. One visible result of this policy during FY 2000 was an increase of 90 systems staff members engaged in internal projects and a retreat from unprofitable business areas in system sales and consulting.

In the Research Division, DIR employs approximately 150 professional staff members domestically and approximately 60 overseas. In numerical terms this makes DIR one of the largest research organizations in Japan. However, external perceptions of the company's expertise

does not reflect this fact and remains an important issue that must be addressed.

During FY 2000, the company took various steps to increase client satisfaction. For example, the number of institutional client visits made by analysts and economists increased, while an internal reorganization has made flexible cooperation between analysts covering unlisted and OTC-listed corporations possible. Furthermore, the number of analysts employed has been increased by actively recruiting from external sources.

The Systems Division is the core in the planning, development and operation of each of the Group companies' information systems. The division engaged in the development of Internet and next generation terminals for Daiwa Securities and preparation for T+1 trading in accordance with the Group's aggressive IT investment strategy. In addition, the External Sales Division was able to increase revenue from a wide range of financial institutions and corporations despite the focus on strengthening services provided to Group companies.

DIR's consulting operations have been refocused on areas of strategic importance to the Daiwa Securities Group. Areas of particular concern include the provision of consulting services to clients of Daiwa Securities SMBC, the 401(k) pensions business, where DIR works closely with other members of the Group, and internal education, where DIR is responsible for the curriculum and training of the Daiwa Management Academy considered earlier in this report.

Daiwa SB Investments

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, an alliance with the U.S. investment management firm T. Rowe Price was formed, 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 the Daiwa Securities Group consolidated accounts as an equity method affiliate, the Group owning a 44% stake in the company.

As a center for asset management businesses for both the Daiwa Securities Group and Sumitomo Mitsui Banking Corporation, Daiwa SB Investments has moved quickly to establish itself as Japan's leading investment advisory firm for pension assets. The company also develops investment trusts. As of March 2001, Daiwa SB Investments had funds under management amounting to approximately 3 trillion yen. Of this amount, 1.9 trillion yen consisted of pension funds under management, the largest amount in the industry. The company actively applies knowledge gained in the management of pension funds to the development of investment trusts. During FY 2000, the company successfully launched "Global Biotechnology Fund (Mr. Gene)" and the "Japan Equity Growth Fund (Uminokuni)" recording the highest growth in assets under management of any asset management company.

Daiwa Securities Business Center

Daiwa Securities Business Center Co., Ltd. (DSC) is a wholly-owned subsidiary of the Daiwa Securities Group Inc. DSC provides securities back office support to the Daiwa Securities Group as well as to a number of non-

Group companies. The company also provides temporary staff for securities-related businesses.

During FY 2000 this company became the first securities back office service provider to be certified under the internationally recognized ISO9001 standard.

This reflects the credibility the company has gained from its clients. For the Group companies, DSC will continue to provide professional and efficient services while helping to cut administration costs.

Daiwa Real Estate

The Daiwa Real Estate Co., Ltd. is mainly involved with the holding and renting of the Daiwa Securities Group's office premises, housing, dormitories and other properties. 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 Securities Group's branches and offices. The mission of this company is to promote efficient asset utilization across the entire Group.

NIF Ventures


NIF Ventures is the venture capital arm of the Daiwa Securities Group. The company operates both in Japanese and in overseas venture capital markets. In addition to the Tokyo headquarters, domestic offices are located in Osaka, Nagoya, Fukuoka and Sapporo. The company also has offices in Taiwan, Singapore, and in Silicon Valley in the U.S. Furthermore, NIF has established venture capital companies and funds on a joint venture basis with established venture capital companies in Taiwan, Israel and the UK.


This fiscal year, NIF Ventures invested 13.2 billion yen in 128 companies through investment partnerships managed by itself or consolidated subsidiaries and 9.9 billion yen in 141 companies directly, using its own funds, for a total investment of 23.1 billion yen in 155 companies. As a result, total investments outstanding reached 82.3 billion yen (investment partnerships 39.3 billion yen, direct 43.0 billion yen). Of the total outstanding amount, exposure to the computers and telecommunication sector accounted

for 24%, services 13%, electronics 12%, financial 11% and consumer goods 11%. However, due to a shift into so called new economy companies boasting leading edge technology and business models and having significant potential for future growth, the composition for FY 2000 included computer and telecommunications 24%, services 18% and electronics 11%. Furthermore, approximately 60% of the investment for the fiscal year, as well as for the total outstanding amount was in domestic companies

NIF Ventures	
USA NIF Ventures USA, Inc.	Singapore NIF Management Singapore Pte. Ltd.
USA and France Partech International Co., Ltd.	Taiwan NIF Management Singapore Pte. Ltd., Taiwan Branch
UK Quester Capital Management Limited	Taiwan Hotung Investment Holdings Ltd. Bermuda Hotung International Co., Ltd. (with Chiao Tung Bank, Government Development Bank)
UK Amadeus Capital Partners Limited	Indonesia PT Danareksa-Daiwa NIF Ventures (with PT Danareksa, Government Investment Trust Company)
UK University of Cambridge Entrepreneurship Center	Malaysia BPMB-NIF Modal Teroka Sdn. Bhd. (with Bank Pembangunan Malaysia Bhd. BPMB, Government-Related Development Bank)
France SIPAREX Group	Phillipines All Asia Capital Managers Inc. (with All Asia Capital & Trust Corp and IFC)
Belgium GIMV n.v.	Israel IJT Management Limited (with Evergreen Canada - Israel Investments Ltd.)
Germany VCM Venture Capital Management und Beteiligungsgesellschaft mbH.	

 Local Subsidiary

 Business Partners

 Joint-Venture Venture Capital

As of end of March 2001

with the balance invested overseas. Among investments made overseas the geographic breakdown was Asia 34%, Europe/US 63% and others 3%. Considering that the ratio of total outstanding overseas investment is Asia 63%, Europe /US 34% and others 3%, it can be seen that the portfolio is becoming more globally balanced. This shift in portfolio structure is due to a strategy the company has put in place over the last several years and will continue for the foreseeable future.

As of March 2001, the company had investments in 742 (563 domestic and 179 overseas) companies, among which 27 domestic and 16 overseas companies underwent an IPO during FY 2000.

This fiscal year, NIF Ventures attracted 22.6 billion yen in funds for newly established investment partnerships (including investment of its own funds) such as "NIF New Technology Fund No2-2000," and "NIF21-ONE (Series 1)." As a result, NIF Ventures and its subsidiaries have 30 investment partnerships with total initial paid-in capital of 126.9 billion yen and net assets of 84.8 billion yen under management after distribution of profits of an accumulated 60.1 billion yen. Operating income from managing investment partnerships amounted to 4.6 billion yen of which 2.3 billion yen consisted of success fees.

Further expanding its overseas network where it has already been able to differentiate itself from other venture capital companies in Japan is a corporate priority. The company has strengthened alliances with established venture capitalists, such as Quester Capital Management, Amadeus Capital Partners in the UK, Evergreen Canada -

Israel Investments Ltd. in Israel, France's Siparex Group and Belgium's GIMV, mainly in Europe. Furthermore the company has been chosen as the sole Japanese institution to become a founding member of The University of Cambridge Entrepreneurship Center. These alliances will enhance NIF Venture's capabilities to invest on a global basis.

Another major point of competitive advantage for NIF Ventures in its business is access to a network of external technical advisers whose skills to analyze and evaluate state-of-the-art technology and innovation complement those of company personnel. This year, an advisor on the bio-technology sector was added in to complement the IT section advisor, providing the company with access to the technological knowledge essential to successful investment in these high-potential markets.

Looking forward, it is the intention of the Group to seek an independent listing for NIF during 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.