

The Role of Finance and the Business of the Daiwa Securities Group

The role of finance

Banks, securities companies, insurance companies: although the financial industry is all around us, it is not always easy to understand just what these companies do. Following is a brief explanation of the role of finance and the business conducted by the Daiwa Securities Group, which is a part of the financial world.

Finance is the act of providing funds. But specifically, where does the money come from and where does it go? Who provides funds to whom?

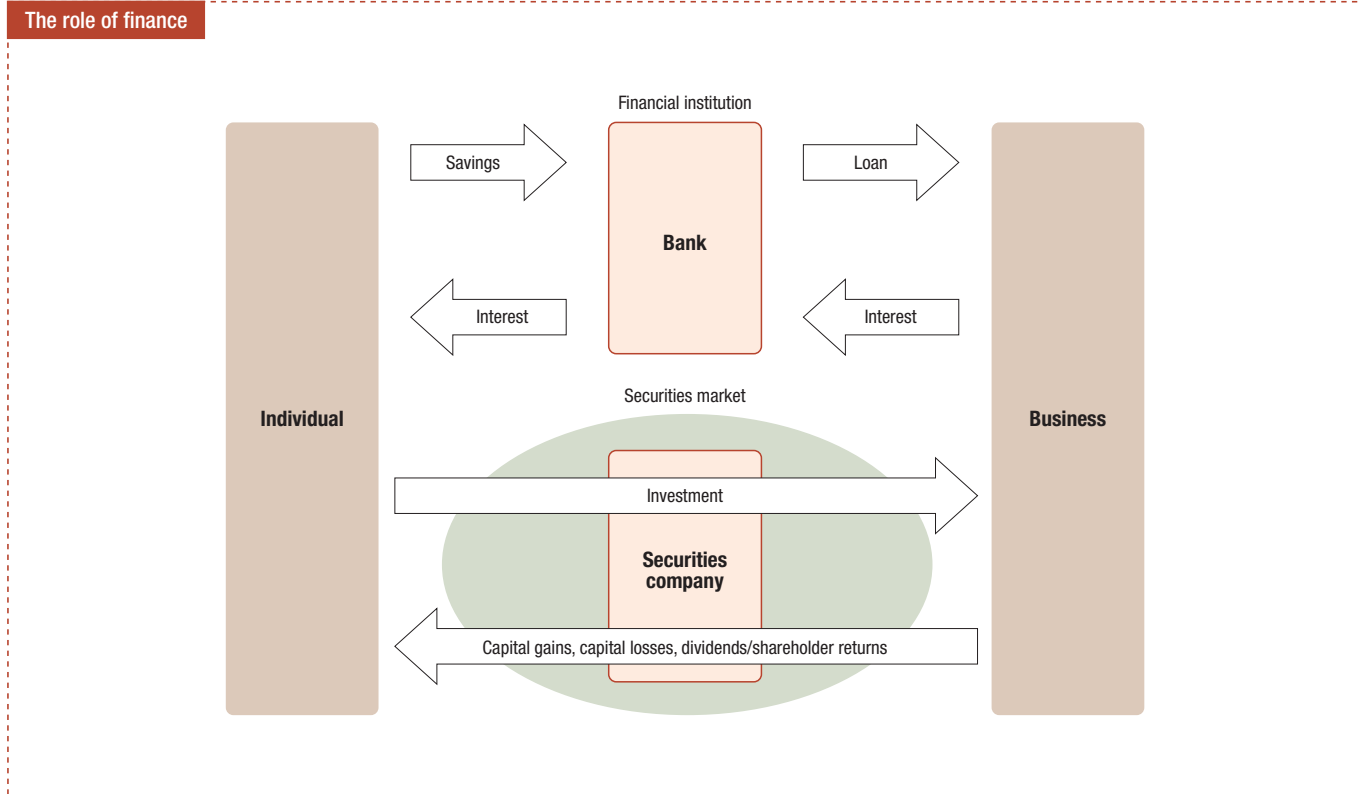
Most people keep some money in a bank account. The bank lends this money to different businesses, as they need it, in the form of everyday loans.

In other words, individuals' money is lent to businesses. In this transaction, the bank acts as a bridge supplying money from individuals

to businesses. In return for the money it lends, the bank collects interest from borrowing companies. In turn, individuals keeping their money at the bank earn interest from the bank.

Now let's consider the securities company. Like a bank, the securities company serves as a bridge between individuals and businesses. The difference is that when the bank is acting as a bridge, the bank itself selects the businesses it lends to, whereas when the securities company is the bridge, the individual chooses the businesses that receive the money. "Investment" is the act in which the individual buys shares in a company, which is expressed as the individual's choice of company in which to invest. In this act, the role of the securities company is to serve as an agent when the individual purchases shares on the market. When an individual lends money directly to a business, the return he or she gets is dividends. The securities company gets a commission called a brokerage fee from the individual making the transaction.

This summarizes the financing roles played respectively by banks and securities companies.



The business of the Daiwa Securities Group

The Daiwa Securities Group consists of a number of companies performing securities-related tasks and working together to provide customers with comprehensive financial services. Following is a summary of the roles played by the nine major Group companies.

Daiwa Securities Group Inc., first of all, functions to oversee and direct the overall Group by holding shares in each Group company. Specifically, it writes business strategy and sets targets for the Group as a whole and oversees the execution of the strategies.

Daiwa Securities Co. Ltd. and Daiwa Securities SMBC Co. Ltd. play large roles as the heart of the Daiwa Securities Group.

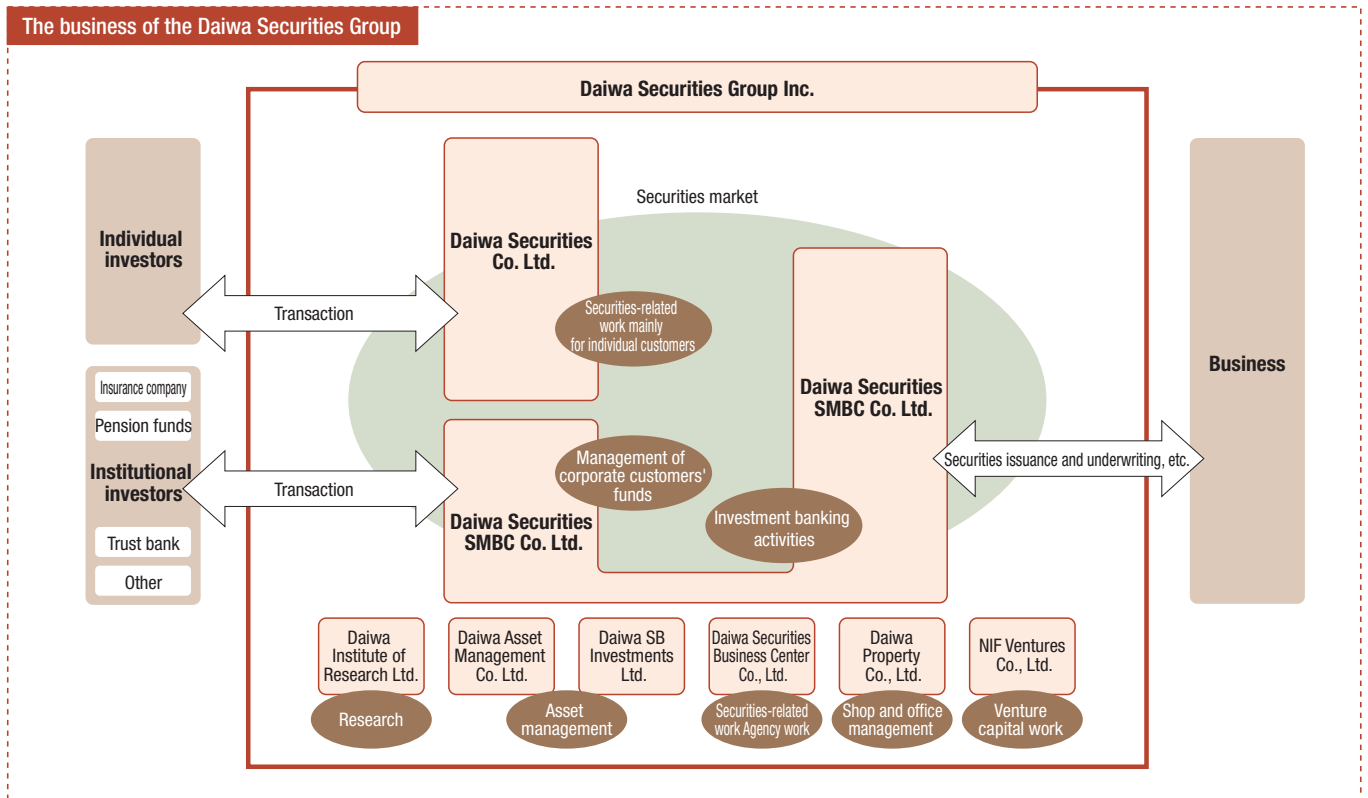
In the financial industry, the role of the securities company is to serve as a bridge between investors and businesses; Daiwa Securities primarily assists individual investors to invest in securities. Daiwa Securities SMBC, on the other hand, mainly helps corporations and other in-

stitutional investors to manage their funds. From the investor's point of view, finance is essentially funds management, but in the eyes of the company invested in, finance is funds procurement. In the field of investment banking activities, Daiwa Securities SMBC also helps companies with funds procurement.

The major Group companies listed below support these two securities companies as they play their differing roles.

Daiwa Institute of Research Ltd. is engaged in research, consulting and system development. Daiwa Asset Management Co. Ltd. and Daiwa SB Investments Ltd. work in asset management, overseeing investment trusts and pension funds. Daiwa Securities Business Center Co., Ltd. is an agent for performing securities-related work, Daiwa Property Co., Ltd. manages Group shop and administrative offices, and NIF Ventures Co., Ltd. performs venture capital work.

Group companies join their strengths so that the Daiwa Securities Group can provide a smooth flow of funds supporting economic activities day after day.



* For details about individual companies in the Daiwa Securities Group, visit the Group's website at <http://www.daiwa.jp/ir/english/>.