

August 2, 2000

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## INFORMATION REGARDING THE ISSUANCE OF BONDS WITH WARRANTS

(Introduction of an incentive plan for directors and selected employees of the Daiwa Securities Group)

Daiwa Securities Group Inc. ("Company") has resolved the domestic issue of the 1<sup>st</sup> Series Unsecured Bonds with Warrants at the meeting of the Board of Directors held on August 2, 2000.

### 1. Purpose of the issuance of Bonds with Warrants

The purpose of issuance of the unsecured Bonds with Warrants is to offer warrants to the board members and selected employees of the Daiwa Securities Group as incentives linked to the performance of the Company's stock price.

This is the first year of the Company's Medium Term Management Plan. The Warrants which will be linked to the medium to long term performance of the Company's share price will act as an incentive to increase Group board members and employees awareness of Group management, and to maximize Group corporate value.

### 2. Outline of grant of Warrants

Board members and selected employees of the Daiwa Securities Group listed below [\*] will qualify to receive Warrants. The number of shares to be issued using the present subscription price is 6,216,000 shares.

[\*]

Daiwa Securities Co. Ltd., Daiwa Securities SB Capital Markets Co. Ltd.,  
Daiwa Asset Management Co. Ltd., Daiwa Institute of Research Ltd.,  
Daiwa SB Investments Ltd., The Daiwa Real Estate Co., Ltd, NIF Ventures Co., Ltd., Daiwa Securities Business Center Co. Ltd, Daiwa Investors Relations Co., Ltd.,  
Daiwa Card Service Co., Ltd. and Daiwa Securities Group Inc.

The terms and conditions of the Bond with Warrants is as following:

#### 1. Name of the Bonds;

The 1<sup>st</sup> Series Unsecured Bonds with Warrants of Daiwa Securities Group Inc.

#### 2. Aggregate Amount of the Issue;

¥ 8,400,000,000

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3. Denomination;  
¥ 100,000,000
4. Form of the Bonds;  
Bearer Bonds with Coupons attached
5. Issue Price;  
105,971,800 yen per 100,000,000 face value  
(Bond portion is 100 yen per face value 100 yen. Warrant portion is 6 yen per 100 yen allotted to the Warrant)
6. Redemption Price at Maturity;  
¥ 100 per ¥ 100 of a value
7. Interest Rate;  
Between 0.9% and 1.9% per annum (Preliminary rate)  
(To be decided on August 10, 2000 in light of the demands based on the preliminary rate.)
8. Period of Subscription for Bonds with Warrants  
From August 10, 2000 to August 11, 2000.
9. Date of Closing  
August 24, 2000
10. Method of Offering;  
(1)Bond: Public Offering  
(2)Warrant: Offering will be limited to the board members and selected employees of the Daiwa Securities Group.
11. Security or Guarantee;  
No security or guarantee is created for the benefit of the Bonds and no specific asset is reserved therefor.
12. Special Financial Covenant;  
Certain negative pledge is provided.
13. Method of Redemption;  
(1) The Company should redeem the aggregate principal amount of the Bonds on August 24, 2004.  
(2) In the case where the maturity date falls on a bank holiday, such redemption shall be made on the first preceding day which is a bank business day.  
(3) The Company may purchase and cancel the Bonds at any time on and after the issue date of the Bonds as long as the total issue price of the common stock represented by the outstanding amount of the Warrants does not exceed the outstanding amount of the Bonds.
14. Method of Interest Payment;  
(1) Interest will accrue from the day after the issuance date to the redemption date. The Company shall pay the interest on February 24th and August 24th of each year with the first payment date being February 24, 2001.  
(2) In the case where the date for interest payment falls on a bank holiday, such redemption shall be made on the first preceding day which is a bank business day.  
(3) When calculating interest for a period of less than 6 months, such interest shall be calculated on the basis of actual days in the half year.  
(4) Each Bond will cease to bear interest from the due date for redemption.

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15. Paying Agent;  
The Sumitomo Bank, Limited, Daiwa Securities SB CapitalMarkets Co. Ltd. and Daiwa Securities Co. Ltd
16. Fiscal Agent  
The Sumitomo Bank, Limited.
17. Recording Agent;  
The Sumitomo Bank, Limited.
18. Underwriting;  
Daiwa Securities SB Capital Markets Co. Ltd.
19. Conditions of the Warrants
  - (1) The Warrants are issued in the denomination of ¥ 1,345,000 and have the right to subscribe to an equal total issue amount of fully-paid commons shares. The total issue amount of fully-paid common shares at the exercise of the Warrants will be 8,360,520,000 yen per face value of 8,400,000,000 yen of bonds.
  - (2) The aggregated issue amount of common shares to be issued upon exercise of the Warrants is 8,360,520,000 yen.
  - (3) Shares Issued upon Exercise of Warrants;  
Par value shares of common stock (par value Yen 50 per share) ; provided that if shares to be issued upon subscription of the Warrants become non-par value shares, non-par value shares of common stock .
  - (4) Conditions for exercise of the Warrants
    - I The issue price of one common share to be issued upon exercise of the Warrants (“subscription price”) is 1,345 yen. (12.55% above the closing price of the Company’s common share on the Tokyo Stock Exchange on August 1, 2000) and the total number of common shares to be issued through the exercise of the Warrants will be:

Total number of shares =  
Total amount of Warrants submitted to exercise rights of acquiring new shares / subscription price

Number shall be rounded down for any fraction of shares .

II The subscription price shall be adjusted using the following formula (market price method), in the event the Company issues shares below market price after issuance of the here mentioned Bonds with Warrants.

Subscription price after adjustment =  
Subscription price before adjustment x 
$$\frac{\text{number of newly issued shares} \times \text{payment for one share}}{\text{outstanding number of shares} + \frac{\text{market price}}{\text{outstanding number of shares} + \text{number of newly issued shares}}}$$

Furthermore, the subscription price shall be adjusted for stock splits, consolidation of shares as well as for issuance of securities with convertible prices or warrant subscription prices

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below market price. But in the event the shares issued at the subscription of the Warrants herefore mentioned are common shares with par value, the subscription price after adjustment shall not be less than the par value of the Company's par value common shares.

(5) Subscription period of Warrants;

From September 2, 2002 to August 23, 2004.

(6) Partial subscription of the Warrants

The Warrants can not be subscribed partially.

(7) Amount of the portion of the subscription price (the adjusted subscription price in the event of (4)II) which is not transferred to the capital;

The amount of the portion of the subscription price which is not transferred to the capital shall be the amount of the relevant subscription price less the amount to be transferred to the capital. The amount to be transferred to the capital shall be the amount which is the relevant subscription price (in the case where any adjustment of subscription price occurs, the adjusted subscription price shall be applicable) multiplied by 0.5, with any fractions less than one Yen resulting therefrom being counted as a full Yen. Provided that in case where the shares to be issued upon execution are par value shares of common stock of the Company, the amount transferred to the capital should not be less than the par value.

(8) Transfer of Warrants

The bonds and warrants can be transferred separately. Notwithstanding the foregoing, board members and qualifying employees of the Daiwa Securities Group shall be limited to transfer the Warrants under and subject to the memorandum separately agreed upon subscription of the Bonds with Warrants.

(9) Substitution of the subscription

None.

(10) Effect of the exercising the Warrants

Subscription of the Warrants can be effective only when the receipt of Warrants, the relevant documents for subscription and the relevant subscription money is confirmed by the Paying Agent.

(11) Dividends for shares issued on the subscription of warrants

First profit dividends for common shares issued on the subscription of Warrants will be paid as if the subscription of the Warrants took place at the beginning of the fiscal year when the subscription period becomes effective. In the event the Company amends its articles of incorporation to pay semi-annual dividends based on article 293-5, clause 1 of the Commercial Code, semi-annual dividends will not be paid in the event the effective date of exercising the Warrants falls after the record date for paying the semi-annual dividends but will be paid as if the subscription occurred the day after the record date for semi-annual dividend payments.

(12) The method of issuance of shares

Shares will be issued by Chuo Mitsui Trust and Banking Corp as soon as the necessary procedures for exercising the Warrants are completed. The shares for odd lot will not be issued.

(13) Place for subscription;

The Head office of Daiwa Securities SB Capital Markets Co.Ltd.

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- (14) Place of payment of subscription money  
The Sumitomo Bank, Limited.
- 20. Others  
All terms necessary including the setting of interest in connection with the issue of the Bonds are to be decided by the President of the Company.
- 21. The terms aforesaid are conditional upon the Securities Registration Statement becoming effective pursuant to the Securities and Exchange Law.

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