

April 27, 2018

Press Release

Daiwa Securities Group Inc.

Notice Regarding Granting Stock Options Utilizing Stock Acquisition Rights

Attention

This document is an unofficial translation of a press release announced on April 27, 2018 by Daiwa Securities Group Inc. The original press release is in Japanese.

Daiwa Securities Group Inc. (hereinafter, “Company”) resolved at a meeting of its Board of Directors held today to propose the delegation of the decision on the terms of issuance for stock acquisition rights, pursuant to Articles 236, 238, and 239 of the Companies Act, to the Board of Directors of the Company, and to the executive officers to whom the determination has been delegated by a resolution of the Board of Directors of the Company. The stock acquisition rights will be issued to employees of the Company and its subsidiaries and affiliates, directors and executive officers (hereinafter, “Executives”) of the Company’s subsidiaries and affiliates for the purpose of granting stock options. The proposal will be made at the Company’s 81st Ordinary General Meeting of Shareholders to be held on June 27, 2018 (hereinafter, “Ordinary General Meeting of Shareholders”). Details are as outlined below:

1. Reasons for Selecting Candidates to Receive Common Stock Acquisition Rights at Particularly Favorable Terms

The Company will issue the following stock acquisition rights stated in 2. below (hereinafter, “Common Stock Acquisition Rights”) without consideration as stock options to employees of the Company and its subsidiaries and affiliates and to Executives of the Company’s subsidiaries and affiliates as an incentive to contribute towards increasing consolidated performance and to enable recruiting of talented personnel.

Common Stock Acquisition Rights are granted to employees of the Company and its subsidiaries and affiliates and to Executives of the Company’s subsidiaries and affiliates. The amount to be paid in per share upon exercise shall be determined based on the market price of shares of Common Stock on the allotment date of Common Stock Acquisition Rights. The allotment date (hereinafter, “Allotment Date”) implies the date on which stock acquisition rights shall be allotted.

Common Stock Acquisition Rights will not be granted to outside directors of the Company.

2. Terms, Amount to be Paid In and Maximum Number of Common Stock Acquisition Rights to be Resolved Pursuant to the Resolution of the Ordinary General Meeting of Shareholders

(1) Maximum Number of Common Stock Acquisition Rights to be Resolved Pursuant to the Delegation

Not exceeding 75,000 common stock acquisition rights set according to (3) below.

The aggregate number of shares to be issued upon exercise of Common Stock Acquisition Rights shall not exceed 7,500,000. If the number of granted shares is adjusted pursuant to (3) (a) below, such aggregate number of shares to be issued shall be calculated by multiplying the maximum number of Common Stock Acquisition Rights to be issued by the number of granted shares after adjustment.

(2) Amount to be Paid In upon Issuance of Common Stock Acquisition Rights to be Resolved Pursuant to the Delegation

Common Stock Acquisition Rights shall be issued without consideration and require no payment.

(3) Terms of Common Stock Acquisition Rights to be Resolved Pursuant to the Delegation

(a) Class and Number of Shares to be Issued upon Exercise of Common Stock Acquisition Rights

The class and number of shares to be issued upon exercise of one (1) Common Stock Acquisition Right (hereinafter, "Number of Granted Shares") shall be 100 shares of Common Stock.

If the Company splits or consolidates the shares of Common Stock after the date of resolution of the Ordinary General Meeting of Shareholders (hereinafter, the "Resolution Date"), the Number of Granted Shares shall be adjusted in accordance with the following formula. An adjustment shall be made only with respect to the Number of Granted Shares for the Common Stock Acquisition Rights, which has not been exercised at the time of the adjustment. Any fraction less than one (1) share resulting from the adjustment shall be disregarded.

$$\begin{array}{l} \text{Number of Granted Shares} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{Number of Granted Shares} \\ \text{before adjustment} \end{array} \times \text{Ratio of split or consolidation}$$

In addition, in the case of a merger with any other companies, corporate split or capital reduction of the Company, or in any other case similar thereto where an adjustment of the Number of Granted Shares shall be required, in each case after the Resolution Date, the Number of Granted Shares shall be appropriately adjusted to the extent reasonable.

(b) Amount to be Paid In upon Exercise of Common Stock Acquisition Rights

The amount to be paid in upon exercise of Common Stock Acquisition Rights shall be the amount to be paid in per share (hereinafter, "Exercise Price") multiplied by the Number of Granted Shares.

The Exercise Price shall be 1.05 times the higher price of the following (i) or (ii). Any fraction less than one (1) yen resulting from the adjustment shall be rounded up to the nearest one (1) yen.

(i) The average of the closing prices of Common Stock in the trading thereof on the Tokyo Stock Exchange (each, "Closing Price") for trading days (excluding days on which there is no Closing Price) during the month prior to the month containing the Allocation Date of Common Stock Acquisition Rights, or

(ii) The Closing Price on the Allocation Date of Common Stock Acquisition Rights (if

there is no Closing Price on such date, the Closing Price for the immediate preceding trading day).

If the Company splits or consolidates the shares of Common Stock after the Allocation Date, the Exercise Price shall be adjusted in accordance with the following formula, and any fraction less than one (1) yen resulting from the adjustment shall be rounded up to the nearest one (1) yen.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

The Exercise Price shall be adjusted using the following formula, in the event the Company issues shares of Common Stock at below-market price (except in the case of conversion of securities to be converted or that can be converted to Common Stock of the Company, or exercise of common stock acquisition rights (including those attached to bonds with common stock acquisition rights) which can claim issuance of Common Stock of the Company). Any fraction less than one (1) yen resulting from the adjustment shall be rounded up to the nearest one (1) yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Outstanding number of shares} + \frac{\text{Number of newly issued shares} \times \text{Payment for one share}}{\text{Market price of one share}}}{\text{Outstanding number of shares} + \text{Number of newly issued shares}}$$

“Outstanding number of shares” is the number of shares issued being subtracted by the number of treasury stocks of Common Stock.

Other than above, in the case of a merger with any other companies, corporate split or capital reduction of the Company, or in any other case similar thereto where an adjustment of the Exercise Price shall be required, in each case after the Allocation Date, the Exercise Price shall be appropriately adjusted to the extent reasonable.

- (c) Period during which Common Stock Acquisition Rights may be Exercised
 - A period between July 1, 2023, to June 26, 2028.
- (d) Terms Regarding Increase in Capital Stock and Additional Paid-in Capital upon Exercise of Common Stock Acquisition Rights
 - 1) The amount of capital stock to be increased upon issuance of Common Stock due to exercise of Common Stock Acquisition Rights shall be half of the limit of capital increase calculated according to Clause 1 of Article 17 of the Rules of Corporate Accounting. Any fraction less than one (1) yen resulting from the calculation shall be rounded up to the nearest one (1) yen.
 - 2) The amount of additional paid-in capital to be increased upon issuance of Common Stock due to exercise of Common Stock Acquisition Rights shall be the difference between the limit of capital increase and the increase in capital stock, both stated in 1) above.

(e) Restriction on Transfer of Common Stock Acquisition Rights

Common Stock Acquisition Rights are non-transferable unless the Board of Directors of the Company approves such transfer.

(f) Conditions for Exercise of Common Stock Acquisition Rights

- 1) Each Common Stock Acquisition Rights cannot be exercised in part.
- 2) Other conditions for exercise shall be set forth in the Stock Acquisition Rights Allocation Agreement between the Company and a holder of Common Stock Acquisition Rights.

(g) Terms and Conditions of Acquisition of Common Stock Acquisition Rights

The Company may acquire Common Stock Acquisition Rights without consideration when a holder loses all qualifications for exercising Common Stock Acquisition Rights or waives all or part of his/her Common Stock Acquisition Rights.

(h) Treatment of Fractional Shares Less Than One Share

Any fraction less than one (1) share of Common Stock issued upon exercise of Common Stock Acquisition Rights shall be disregarded.

End