

**Notice Regarding Issuance of Stock Options Utilizing Stock Acquisition Rights****Attention**

This document is an unofficial translation of a press release announced on August 23, 2010 by Daiwa Securities Group Inc. The original press release is in Japanese.

Daiwa Securities Group Inc. (hereinafter "Company") resolved to issue stock acquisition rights pursuant to Articles 236, 238, and 239 of the Companies Act for the purpose of granting stock options, at an Executive Committee held today. The delegation to decide the terms of issuance of stock acquisition rights was authorized at the Company's 73<sup>rd</sup> Ordinary General Meeting of Shareholders held on June 26, 2010. The terms are as outlined below.

**1. Name of Common Stock Acquisition Rights**

Series 7 Stock Acquisition Rights

**2. Number of Common Stock Acquisition Rights to be Issued**

7,399 Stock Acquisition Rights set according to (4) below.

The aggregate number of shares to be issued upon exercise of Common Stock Acquisition Rights shall not exceed 7,399,000. If the number of granted shares is adjusted pursuant to (4) ① below, the maximum number of Common Stock Acquisition Rights I to be issued shall be multiplied by the number of granted shares after the adjustment.

**3. Amount to be Paid In upon Issuance of Common Stock Acquisition Rights**

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

**4. Terms of Common Stock Acquisition Rights****① Class and Number of Shares to be Issued upon Exercise of Common Stock Acquisition Rights**

The number of shares to be issued upon exercise of one (1) Common Stock Acquisition Rights (hereinafter, "Number of Granted Shares") shall be 1,000 shares of Common Stock. If the Company splits (including gratis issue of shares, same onwards) or consolidates the shares of Common Stock after the date of resolution of the Ordinary General Meeting of Shareholders (hereinafter, "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 have not been exercised at the time of the adjustment. Any fraction less than one (1) share resulting from the adjustment shall be disregarded.

$$\text{Number of Granted Shares after adjustment} = \frac{\text{Number of Granted Shares before adjustment}}{\text{Ratio of split or consolidation}}$$

In addition, in the case of a merger with any other company, 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.

② 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 of 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 to 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.

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

The Exercise Price shall be adjusted using the following formula, in the event the

Company issues shares 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 subtracting any treasury stocks of Common Stock.

Other than the above, in the case of a merger with any other company, 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.

③ Exercise Period of Common Stock Acquisition Rights

From July 1, 2015 to June 25, 2020

④ 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 increase upon issuance of Common Stock due to exercise of Common Stock Acquisition Rights shall be half of the limit of the capital increase calculated according to Paragraph 1 of Article 17 of the Accounting Regulation Ordinance. 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 increase upon issuance of Common Stock due to exercise of Common Stock Acquisition Rights shall be the difference between the limit of the capital increase and the increase in capital stock, both stated in 1) above.

⑤ 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.

⑥ Conditions for Exercise of Common Stock Acquisition Rights

1) Common Stock Acquisition Rights cannot be exercised in part.

2) Other conditions for exercise shall be set forth in Stock Acquisition Rights Allocation Agreement between the Company and the holder of Common Stock Acquisition Rights.

⑦ 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.

⑧ 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.

**5. Date of Allocation of Stock Acquisition Rights**

September 1, 2010

**6. Reason for issuance of Common Stock Acquisition Rights and allocating those non-shareholders at Especially Favorable Terms, and Persons to whom Common Stock Acquisition Rights shall be Allocated, and the Number of Common Stock Acquisition Rights being Allocated**

The Company will issue Stock Acquisition Rights as stock options to a total of 2,340 persons out of employees of the Company and employees, directors and executive officers of subsidiaries and affiliates of the Company, as an incentive to contribute towards increasing consolidated performance. Details of to whom and the number of Stock Acquisition Rights being allocated shall be in accordance with the resolution of CEO of the Company.

**7. Inquiries about the soliciting candidates to subscribe Common Stock Acquisition Rights, and the issuance and acquisition of Common Stock Acquisition Rights shall be in accordance with the resolution of CEO of the Company.**