

June 25, 2020

Press Release

Daiwa Securities Group Inc.

Notice Concerning the Disposal of Treasury Shares for Restricted Stock Compensation

Attention

This document is an unofficial translation of a press release announced on June 25, 2020 by Daiwa Securities Group Inc. The original release is in Japanese.

Daiwa Securities Group Inc. (“Company”) hereby announces that its Executive Management Committee, having authority delegated by its Board of Directors, resolved at a meeting to dispose of its treasury shares for the purpose of Restricted Stock compensation (“Disposal of Treasury Shares” or “Disposal”). The details of the said resolution are as follows:

1. Overview of the Disposal of Treasury Shares

(1) Class and number of shares to be disposed	Common Shares of the Company: 2,144,200shares
(2) Disposal price	448 JPY per share
(3) Total disposal value	960,601,600 JPY
(4) Recipients of allocation	Directors and Corporate Executive Officers of the Company: 18 persons, 482,900 shares Executive Officers, etc. of the Company: 6 persons, 91,200 shares Directors of the Company’s subsidiaries: 54 persons, 807,300 shares Executive Officers, etc. of the Company’s subsidiaries: 62 persons, 762,800 shares
(5) Disposal date	July 22, 2020
(6) Other	The Company has submitted the Securities Registration Statement regarding the Disposal of Treasury Shares in accordance with the Financial Instruments and Exchange Act.

2. Purpose of and Reasons for the Disposal

In 2018, the Company resolved at a meeting of its Compensation Committee to introduce the Restricted Stock Compensation Plan (“Plan”) for the Company’s and its subsidiaries’ directors, corporate executive officers, executive officers, etc. (“Eligible Officers, etc.”) in order to incentivize Eligible Officers, etc. to contribute towards the sustainable enhancement of performance in the medium and long term and further promote shared interests between the Eligible Officers, etc. and shareholders.

The number of shares to be disposed in the Disposal of Treasury Shares is 2,144,200 common shares, and the ratio of such shares to the total number of issued and outstanding shares (1,699,378,772 common shares (including treasury stock)) is 0.13%. The Company has judged that the dilution due to the Disposal of Treasury Shares is reasonable in consideration of the above

purpose of the Plan.

An overview of the Plan is shown below.

<Overview of the Plan>

The Plan consists of “Stock Compensation Plan I” and “Stock Compensation Plan II”.

“Stock Compensation Plan I” will grant Restricted Stock, the value of which corresponds to a certain percentage of base compensation. In order to function as an incentive to enhance long-term performance, the period during which an Eligible Officer, etc. will be prohibited from transferring, creating any security interest on, or otherwise disposing of the Restricted Stock (“Transfer Restriction Period”) is from the date of allocation to the time when such Eligible Officer, etc. loses status as an Eligible Officer, etc. of the Company or the Company’s subsidiaries and affiliates.

“Stock Compensation Plan II” will set an upper limit on performance-based cash compensation, and the part of the cash compensation which exceeds the upper limit will be replaced by the grant of Restricted Stock. The Transfer Restriction Period of the Restricted Stock is 3 years. Restricted Stock will function as deferred compensation when performance-based cash compensation exceeds the upper limit.

The Eligible Officers, etc. will pay as property contributed in kind all the monetary compensation claims granted based on the Plan, and receive the common shares of the Company (Restricted Stock). The monetary compensation for the Company’s Directors and Corporate Executive Officers will be determined by the Compensation Committee of the Company.

When issuing and disposing of common shares of the Company pursuant to the Plan, the Company will enter into a Restricted Stock allotment contract with the Eligible Officers, etc. (“Allocation Agreement”).

The Disposal of Treasury Shares is the disposal of common shares of the Company pursuant to “Stock Compensation Plan I” and there is no issuance or disposal of common shares of the Company pursuant to “Stock Compensation Plan II” at this time.

<Overview of the Allocation Agreement (regarding “Stock Compensation Plan I”)>

With the Disposal of Treasury Shares, the Company and each of the Eligible Officers, etc. shall enter into individual Allocation Agreements. The overview of the Allocation Agreements is as follows:

(1) Transfer Restriction Period

From July 22, 2020 (the date of disposal) to the time when the Eligible Officer, etc. loses status as an officer, etc. of the Company or the Company’s subsidiaries and affiliates.

(2) Conditions for lifting transfer restriction

The Company will lift the transfer restrictions for all of the Company’s common shares allotted to an Eligible Officer, etc. (“Allotted Stock”) upon expiration of the Transfer Restriction Period, on the condition that such Eligible Officer, etc. has remained in the post of Director, Corporate Executive Officer, or Executive Officer, etc. of the Company or the Company’s subsidiaries or affiliates continuously from April 1, 2020 to March 31, 2021. In case, however, the Eligible Officer, etc. loses status as Director, Corporate Executive Officer, and Executive Officer, etc. of the

Company and the Company's subsidiaries and affiliates for personal reasons, the Company shall lift the transfer restriction for the number of the Allotted Stock apportioned by the calculation set forth in the Allocation Agreement immediately after the Eligible Officer, etc. loses such status.

(3) The Company's acquisition of Allotted Stock without compensation

At the end of the Transfer Restriction Period, the Company shall automatically acquire without compensation all of the Allotted Stock for which transfer restrictions are not then lifted.

(4) Management of stock

In order to prevent Eligible Officers, etc. from transferring, creating a security interest on, or otherwise disposing of Allotted Stock during the Transfer Restriction Period, the Allotted Stock shall be managed in dedicated accounts opened by Eligible Officers, etc. at Daiwa Securities Co. Ltd.

(5) Treatment during reorganization, etc.

If during the Transfer Restriction Period a merger agreement in which the Company will be the disappearing company, a share exchange agreement or share transfer plan in which the Company will be the wholly-owned subsidiary, or other reorganization, etc. is approved at the Company's Shareholders Meeting (or by the Company's Board of Directors or Executive Management Committee if the approval of the Shareholders is not required for such reorganization, etc.), the transfer restrictions on the Allotted Stock shall be lifted immediately prior to the business day preceding the effective date of such reorganization, etc. by a resolution of the Executive Management Committee.

3. Basis of Calculation and Specific Details for the Disposal Value

The Disposal of Treasury Shares shall be made by way of an in-kind contribution of the monetary compensation claims granted to Eligible Officers, etc. under the Plan. To avoid disposing of shares based on arbitrary decisions about value, the disposal value of the shares shall be 448 JPY per share, which is the average closing price of the Company's common shares on the Tokyo Stock Exchange for the thirty-business-days period ending on June 24, 2020 (the business day immediately prior to the date of the resolution by the Executive Management Committee). As the price is the average closing price of the adjacent period prior to the date of the resolution by the Executive Management Committee, the Company believes that this is a reasonable and not especially favorable price.

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