

Attention

This is an unofficial translation of a press release announced on August 9, 2019 by Daiwa Securities Group Inc. The original press release is in Japanese.

August 9, 2019

Press Release

Daiwa Securities Group Inc.

Notice of Subscription for Third-Party Allotment of Investment Equities Issued by Samty Residential Investment Corporation and Making Samty Residential Investment Corporation a Consolidated Subsidiary

We announce as follows that Daiwa Securities Group Inc. (“DSGI”) decided at the meeting of DSGI’s Executive Management Committee on August 9, 2019 to enter into a Subscription Agreement for New Investment Equities with Samty Residential Investment Corporation (“SRR”) and Samty Asset Management Co., Ltd. (“SAM”), the asset management company of SRR, to acquire 55,319 additional investment equities in SRR through a subscription for a third-party allotment and to make SRR a consolidated subsidiary of DSGI by acquiring 1,663 additional investment equities through open-market purchases after completion of the third-party allotment (hereinafter collectively referred to as the “Additional Acquisitions”).

**1. Background and Reasons for the Additional Acquisitions**

The Daiwa Securities Group aims to provide “New Value” as an “Integrated Securities Group with a Hybrid Business Model” by leveraging its traditional securities business and by expanding and strengthening the external networks and neighboring business areas, as planned in the medium-term management plan, “Passion for the Best’ 2020”, which was put into action from April 2018, and has set expansion of alternative investment products by diversifying assets under management in the asset management business for real estate and infrastructure as one of the corporate strategies.

Under the Daiwa Securities Group, Daiwa Real Estate Asset Management Co. Ltd. currently manages five investment corporations, and the total assets under management of the investment corporations is approximately 900 billion JPY. DSGI also acquired shares of SAM, the asset management company of SRR, in addition to subscribing for a third-party allotment of investment equities in SRR in February 2018. In June 2019, DSGI also entered into a capital and business alliance agreement with Samty Co., Ltd. (“Samty”) in order to pursue growth and increase the corporate value of both companies through new expansion in domestic and foreign real estate markets.

DSGI intends to subscribe for the third-party allotment and make SRR a subsidiary as part of further expansion and strengthening the asset management business and expanding assets under management. DSGI will be actively involved in improving the value of investment equities by providing property information, supplying funds to bridge funds, and reducing the financial expenses of SRR, and will cooperate to increase the value of SRR.

In order to expand contact points with customers and accurately grasp their changing needs, DSGI is implementing structural reforms to streamline real estate ownership, such as opening new sales offices and integrating existing offices. Through the capital alliance with Samty, it will be possible to develop DSGI's real estate utilizing the real estate development function of Samty, and it will be possible to build a value chain including sales to SRR.

Additionally, the capital and business alliance agreement between DSGI and Samty includes collaboration in the areas of real estate sales to the wealthy and crowdfunding. Therefore, it will be possible to provide attractive real estate investment opportunities to DSGI's customers when SRR provides real estate to the market.

Because the efforts in this case will lead to the development of regional economies through promoting activities such as the development of housing and hotels outside of major cities, it will also contribute to “decent work and economic growth” and “sustainable cities and communities,” which are included in the Sustainable Development Goals (SDGs) set out by the United Nations.

Under the idea of “partnerships for goals” for the SDGs, the Daiwa Securities Group will continue to examine external alliances with various professional partners in the future and will aim to provide “New Value” and achieve the SDGs as an “Integrated Securities Group with a Hybrid Business Model”.

## 2. Outline of SRR

(1) Name	Samty Residential Investment Corporation	
(2) Address	1-8-3, Marunouchi, Chiyoda-ku, Tokyo	
(3) Name and title of the representative person	Executive Director Masafumi Takahashi	
(4) Asset management company	Samty Asset Management Co., Ltd.	
(5) Business description	Investment management for specified assets	
(6) Total amount of Equity	44,376 million yen (as of January 31, 2019)	
(7) Date of establishment	March 16, 2015	
(8) Major Equityholders and Percentage Ownership (as of January 31, 2019)	Daiwa Securities Group Inc.	33.73%
	The Master Trust Bank of Japan, Ltd. (Trust Account)	6.10%
	Samty Co., Ltd.	5.00%
	Japan Trustee Services Bank, Ltd. (Trust Account)	4.97%
	Kinki Sangyo Credit Union	3.65%
	Daiwa PI Partners Co. Ltd.	2.15%
	Nomura Trust and Banking Co., Ltd. (Trust Account)	2.02%
	Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	1.77%
	Daido Shinyo Kumiai	1.18%
	Osaka co-sei Shinkin Bank	1.15%

(9) Relationship between SRR, SAM and DSGI			
Capital relationship (as of January 31, 2019)	DSGI owns 170,075 investment equities of SRR. DSGI's subsidiary, Daiwa PI Partners Co. Ltd. ("Daiwa PIP"), owns 10,858 investment equities of SRR.		
Personal relationship	There is no personal relationship to be noted between SRR and DSGI. As of today, DSGI has dispatched one part-time director to SAM.		
Business relationship	DSGI has entered into a Sponsor Support Agreement with SRR and SAM.		
Applicability of Affiliated Party definition	DSGI does not fall under the definition of Affiliated Party in regards to SRR. DSGI also does not fall under the definition of Interested Persons, etc. under the Act on Investment Trusts and Investment Corporations.		
(10) Operating Results and Financial Status in previous three (3) years			
Accounting period	Fiscal year ending January 2018	Fiscal year ending July 2018	Fiscal year ending January 2019
Operating revenue	1,834 million JPY	2,888 million JPY	3,216 million JPY
Operating profit	789 million JPY	1,404 million JPY	1,606 million JPY
Ordinary profit	620 million JPY	1,011 million JPY	1,321 million JPY
Current net income	619 million JPY	1,010 million JPY	1,320 million JPY
Total assets	55,202 million JPY	87,122 million JPY	95,797 million JPY
Net assets	26,126 million JPY	41,483 million JPY	45,696 million JPY

### 3. Number of investment equities acquired through the Additional Acquisitions and status of owned investment equities before and after the Additional Acquisitions

- (1) Number of acquired investment equities: 56,982  
(Third-Party Allotment: 55,319, additional acquisition in the market: 1,663)

- (2) Status of owned investment equities before and after the acquisition  
(Before Additional Acquisitions)

	DSGI	Daiwa PIP	Total
(1) Owned investment equities	170,075	10,858	180,933
(2) Percentage ownership of issued investment equities	33.73%	2.15%	35.88%

Note: The above numbers of owned investment equities, percentage ownership of the issued investment equities and equityholder rankings are the figures as of January 31, 2019.

(After the Third-Party Allotment (planned))

	DSGI	Daiwa PIP	Total
(1) Owned investment equities	225,394	10,858	236,252
(2) Percentage ownership of issued investment equities	38.03%	1.83%	39.86%

Note: The total subscription price for the Third-Party Allotment will be 6,461,259,200 JPY.

(After the acquisitions in the market (planned))

	DSGI	Daiwa PIP	Total
(1) Owned investment equities	227,057	10,858	237,915
(2) Percentage ownership of issued investment equities	38.32%	1.83%	40.15%

Note: The estimated total amount of additional acquisitions in the market is 190 million JPY. (Estimated using the closing price on August 8, 2019 of 116,800 JPY)

#### 4. Schedule (\*)

August 9, 2019 (Fri)	Execution of the Subscription Agreement for New Investment Equities
August 26, 2019 (Mon)	Payment for the third party allotment of investment equities issued by SRR
September, 2019	Completion of acquisition of investment equities of SRR in the market (planned)

(\*) This schedule is subject to change by the discussion among the relevant parties.

#### 5. Future Outlook

After the Additional Acquisitions, the aggregate number of investment equities of SRR owned by DSGI and Daiwa PIP will be 237,915 units and the proportion of the issued investment equities owned by DSGI and Daiwa PIP will be 40.15%. In addition, the proportion of the investment equities owned by DSGI, Daiwa PIP and their close party, Samty will exceed 50%. Therefore, DSGI is planning to treat SRR as a consolidated subsidiary in DSGI's consolidated financial statements from the second quarter of FY 2019.

If DSGI treats SRR as a consolidated subsidiary, SRR's assets and liabilities will be subject to accounting treatment based on their fair market value in accordance with "Accounting Standards for Consolidated Financial Statements". Moreover, SRR's performance would be expected to be reflected in DSGI's consolidated performance after the end of quarter during which the Additional Acquisitions took place. DSGI is reviewing the impact of these factors on DSGI's consolidated performance.

If the above-mentioned schedule is significantly changed or the Additional Acquisitions have a significant impact on DSGI's consolidated performance, DSGI will make disclosure appropriately.

The Additional Acquisitions are not expected to be in conflict with the so-called conduit requirements (doukansei-yoken) (Article 67-15 of the Act on Special Measures Concerning Taxation) of SRR, since the proportion of the investment equities in SRR owned by DSGI (including Daiwa PIP and any other third party with a special relationship set forth in Article 39-32-3, paragraph (5) of the Order for Enforcement of the Act on Special Measures Concerning Taxation) is not expected to exceed 50%.

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