

September 27, 2021

To all whom it may concern

Company Name: Daiwa Securities Group Inc.

Representative: Seiji Nakata

President and CEO

Stock Code: 8601 TSE and NSE First Section

Attention

This is an unofficial translation of a press release announced on September 27, 2021 by The Shikoku Bank, Ltd. and Daiwa Securities Group Inc. The original press release is in Japanese.

The Shikoku Bank, Ltd. and Daiwa Securities Co. Ltd. Sign MOU for Comprehensive Business Alliance to Build a New Model of Collaboration

The Shikoku Bank, Ltd. (Director and President: Fumiaki Yamamoto; "Shikoku Bank") and Daiwa Securities Co. Ltd. (President and CEO: Seiji Nakata; "Daiwa Securities"), a wholly-owned subsidiary of Daiwa Securities Group Inc. (President and CEO: Seiji Nakata), today announced that the two companies have signed a memorandum of understanding (the "MOU") for a comprehensive business alliance (the "alliance") aimed to build a new model of collaboration which is to provide higher value-added financial services and solutions to customers in areas centered on Kochi Prefecture.

Today, the boards of directors of each of the two companies resolved to conclude the MOU.

The two companies will proceed with further discussions and considerations regarding the alliance with the aim of concluding a final agreement by the end of March, 2022. The following contents are planned at the time of the conclusion of the MOU, and may be changed as a result of discussions and considerations between the two companies toward the final agreement of the alliance. If the two companies conclude a final agreement related to the alliance, we will promptly

inform you of the details.

1. Background and purpose of the alliance

Shikoku Bank, since April 2013, has implemented various measures to realize its 10-year vision as "Best Reliable Bank, the first to be consulted and contributes to the development of the region". In particular, in the retail field, the bank has assigned "Retail Associates" to meet a wide range of individual customer needs, and has been serving closely with its customers through consultation on assets under custody such as investment trusts and insurance products centered on deposit transactions, consultation on inheritance, and consultation on loans such as mortgages.

Daiwa Securities has accelerated the transformation of its business model in pursuit of "the customers' best interests" through measures such as developing goal-based approach tools to realize comprehensive asset management consulting for customers covering their assets managed with other financial institutions, expanding fund wrap services that charge fees based on the balance of customers' assets under custody, and introducing investment trust flex plans.

In what has been called "an age of 100-year life," there has been increasing importance of asset building and asset management. Particularly in Kochi Prefecture, where the aging of the population is advanced in Japan as the population ratio over 65 years old reached 35.2% (national average 28.4%)¹, the two companies believe that financial advice will become more important for a wide range of customers, from the asset-building generation to the retired, in order to realize a longer affluent life.

Through the implementation of the alliance, the two companies aim to create a new brokerage business model which provides Shikoku Bank's customers with a wider range of financial product and service lineup and Daiwa Securities' customers with more attentive consulting opportunities, by combining Daiwa Securities' knowledge, experience, and platform in the securities business with Shikoku Bank's community-based support system.

¹ "Annual Report on the Ageing Society: 2021" Cabinet Office

In addition to financial intermediary services, the two companies also aim to create an advanced consulting framework to provide enhanced proposal solution such as inheritance and business succession as well as proposals related to non-financial assets.

Capitalizing on the synergies unlocked by the respective strength, the two companies plan to provide customers with asset building and asset management services more accessible and to build a new collaborative model that can meet the increasing expectations of regional customers at a high level. In so doing, the two companies intend to contribute to the realization of a better quality of life for customers and the development of regional economy.

2. Contents of the alliance

The details of the alliance planned as of the conclusion of the MOU are as follows.

- (1) Integration of customers' securities related accounts
 - The customers' securities accounts in Shikoku Bank related to public bonds and investment trusts will be transferred to Daiwa Securities. The transfer is planned to be by the absorption-type split and details will be disclosed as soon as they are decided.
 - Daiwa Securities, in addition to the above accounts, will integrate and manage both the accounts related to financial intermediary contracts which had already been concluded between Shikoku Bank and Daiwa Securities and the accounts of Daiwa Securities' Kochi Branch (excluding the accounts of listed corporations and financial corporations).
- (2) Entrustment of financial instruments intermediary business and other businesses from Daiwa Securities to Shikoku Bank
 - Regarding the integrated account stated above in "(1) Integration of customers' securities related accounts", Daiwa Securities entrusts to Shikoku Bank financial instruments intermediary business including stocks, bonds, investment trusts, and foreign exchange transactions, as well as business related to mediation of discretionary investment contracts such as fund wraps.
 - Shikoku Bank will establish a new organization within the bank to address financial instruments intermediary business and will facilitate cooperation between the new organization and the existing

organization within the Bank. In so doing, Shikoku Bank will put the organizations in place to effectively carry out the above-mentioned entrusted business from Daiwa Securities. Shikoku Bank also provides customers with proposals regarding asset building and asset management, sales of financial products, after-sales follow-up, and also perform internal management and other operations.

(3) Seconded employees from Daiwa Securities

- Daiwa Securities will send employees to Shikoku Bank, and the seconded employees, along with employees of Shikoku Bank, will engage in the entrusted businesses stated above in “(2) Entrustment of financial instruments intermediary business and other businesses from Daiwa Securities to Shikoku Bank”.

3. Overview of the two companies involved with the alliance

(1) Overview of Shikoku Bank (as of March 31, 2021)

Name	The Shikoku Bank, Ltd.		
Address	1-1-1, Minami Harimaya-cho, Kochi-shi, Kochi		
Representative	Director and President: Fumiaki Yamamoto		
Business	Commercial banking		
Capital	25,000 million yen		
Date of foundation	October 17, 1878		
Major shareholders and shareholding ratio	Custody Bank of Japan, Ltd. (Trust Account)		5.70%
	Meiji Yasuda Life Insurance Co.		4.35%
	Custody Bank of Japan, Ltd. (Trust Account 4)		2.81%
	Nichia Corp.		2.37%
	The Master Trust Bank of Japan Ltd. (Trust Account)		2.34%
	Shikoku Bank Employee Stock Ownership Plan		2.17%
	Nippon Life Insurance Co.		1.85%
	Sompo Japan Insurance Inc.		1.54%
	DFA INTL SMALL CAP VALUE PORTFOLIO		1.42%
	Shiginsogo lease, Ltd.		1.13%
Consolidated operating results and financial position for the last three years (millions of yen, except per share amounts)			
Fiscal year	FY2018	FY2019	FY2020
Net assets	148,041	138,003	158,537

Total assets	3,078,883	2,997,845	3,330,943
Net assets per share	3,483.19 yen	3,243.76 yen	3,810.73 yen
Recurring revenues	45,227	42,970	41,502
Ordinary income	9,586	3,097	9,482
Profit attributable to owners of parent	6,221	3,096	6,641
Earnings per share	145.80 yen	72.92 yen	156.80 yen
Dividends per share	35.00 yen	30.00 yen	30.00 yen

(2) Overview of Daiwa Securities (as of March 31, 2021)

Name	Daiwa Securities Co. Ltd.		
Address	9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo		
Representative	President and CEO: Seiji Nakata		
Business	Securities Business		
Capital	100,000 million yen		
Date of foundation	April 26, 1999		
Major shareholders and shareholding ratio	Daiwa Securities Group Inc.		100%
Operating results and financial position for the last three years (millions of yen, except per share amounts)			
Fiscal year	FY2018	FY2019	FY2020
Net assets	772,281	744,927	794,415
Total assets	9,832,825	11,980,325	13,097,445
Net assets per share	953,198.18 yen	919,436.73 yen	980,517.50 yen
Operating revenues	332,374	298,652	315,179
Ordinary income	53,710	29,788	66,283
Net income	38,297	11,646	41,393
Earnings per share	47,269.49 yen	14,374.46 yen	51,091.03 yen
Dividends per share	79,531 yen	47,269 yen	14,374 yen

4. Implementation Schedule

- (1) Boards of directors and resolution on the MOU (each of the two companies):
September 27, 2021 (Today)
- (2) Conclusion of the final agreement: By the end of March, 2022
- (3) Launch of a new operational structure under the alliance: During 2023

5. Future Outlook

The planned alliance will have marginal impact on the consolidated financial results of each Shikoku Bank and Daiwa Securities Group Inc. We will immediately issue an announcement if the possibility of a material impact arises.

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