

April 28, 2021

Daiwa Securities Group Inc.

Report Regarding Consolidated Liquidity Coverage Ratio

Situation of Soundness in Liquidity Management as of Fourth Quarter in Fiscal Year 2020

In accordance with the Financial Instruments and the Exchange Act Article 57-17, “Notification, etc. of Documents Describing Status of Soundness in Management”, Daiwa Securities Group Inc. reports situation of soundness in liquidity management as of Fourth quarter in fiscal year 2020.

Quantitative disclosure of consolidated Liquidity Coverage Ratio

(Unit :1 Million Yen,%)

Items		Fourth Quarter in Fiscal Year 2020		Third Quarter in Fiscal Year 2020	
High Quality Liquid Assets (1)					
1	Total high quality liquid assets	2,760,821		2,832,922	
Cash Outflows (2)		Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
2	Retail deposits and deposits from small business customers	2,169,136	216,913	2,003,263	206,748
3	Stable deposits	-	-	-	-
4	Less stable deposits	2,169,136	216,913	2,003,263	206,748
5	Unsecured wholesale funding	2,956,993	1,617,742	2,657,048	1,504,326
6	Operational deposits	-	-	-	-
7	Unsecured wholesale funding other than operational deposits and unsecured debt	2,861,814	1,522,563	2,529,079	1,372,178
8	Unsecured debt	95,178	95,178	127,969	132,147
9	Secured funding	8,344,352	269,574	7,603,460	274,732
10	Outflows related to derivative exposures, loss of funding on debt products, committed credit and liquidity facilities	269,222	269,222	238,982	246,842
11	Outflows related to derivative exposures	253,669	253,669	225,342	232,803
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Outflows related to credit and liquidity facilities	15,553	15,553	13,640	14,039
14	Other contractual funding obligations	5,664,248	1,029,948	5,178,789	1,087,140
15	Other contingent funding obligations	147,277	135,170	141,136	129,244
16	Total cash outflows	3,538,572		3,449,034	
Cash Inflows (3)		Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
17	Secured lending	6,675,874	159,095	5,975,193	150,395
18	Inflows from fully performing exposures	559,774	480,489	526,538	471,151
19	Other cash inflows	5,181,506	1,186,557	4,685,286	1,143,532
20	Total cash inflows	1,826,142		1,765,079	
Consolidated Liquidity Coverage Ratio (4)					
21	Total high quality liquid assets	2,760,821		2,832,922	
22	Total net cash outflows	1,712,430		1,683,954	
23	Consolidated liquidity coverage ratio	161.2%		168.2%	
24	Number of data used for calculation of average value	60		63	

(Unit :1 Million Yen,%)

		Fourth Quarter in Fiscal Year 2020	Third Quarter in Fiscal Year 2020	Second Quarter in Fiscal Year 2020	First Quarter in Fiscal Year 2020	Fourth Quarter in Fiscal Year 2019
Consolidated liquidity coverage ratio						
15	Total high quality liquid assets	2,760,821	2,832,922	2,716,787	2,538,362	2,351,036
16	Total net cash outflows	1,712,430	1,683,954	1,639,682	1,401,920	1,560,663
17	Consolidated liquidity coverage ratio	161.2%	168.2%	165.6%	181.0%	150.6%

Qualitative disclosure of consolidated Liquidity Coverage Ratio

1. Changes in consolidated Liquidity Coverage Ratio over previous quarter

Daiwa Securities Group Inc.'s (the group) total High Quality Liquid Asset (HQLA) was 2,760,821 million Yen, which has decreased by 72,101 million Yen from the previous quarter.

Cash outflow related to unsecured wholesale funding was 1,617,742 million Yen, which has increased by 113,416 million Yen from the previous quarter. Cash outflow related to other contractual funding obligations was 1,029,948 million Yen, which has decreased by 57,192 million Yen from the previous quarter. Cash inflow related to other cash inflows was 1,186,557 million Yen, which has increased by 43,025 million Yen from the previous quarter. And total net cash out flow was 1,712,430 million Yen, which has increased by 28,476 million Yen from the previous quarter.

As a result of above mentioned conditions, Daiwa Securities Group Inc.'s consolidated Liquidity Coverage Ratio was 161.2%, which has decreased by 7.0 points. For the past two years, changes in the ratio were relatively stable.

2. Evaluation of the group's consolidated Liquidity Coverage Ratio

The group sets forth "The Rule of Regulatory Liquidity Management", and not only maintains minimum Liquidity Coverage Ratio, but also sets internal alert level, and periodically reviews as to whether the level of the ratio is above the internal alert level.

The group's consolidated Liquidity Coverage Ratio is above the minimum requirement.

3. Composition of HQLA

There is no significant change in composition of HQLA over previous quarter.

4. Other issues related to the consolidated Liquidity Coverage Ratio

There is no significant item for disclosure.

Disclosure of consolidated liquidity risk management

1. Overview of liquidity risk management policy and procedure

The group's funding activities are engaged in principle of maintaining sufficient level of liquidity in stable and efficient manner to ensure continuous business operations.

The treasury department is designated as the division manages the group's funding, proactively secures stable funding amount from ordinary time in order to prevent business operations to be disrupted under severe changes in market circumstances.

The risk management department is designated as the division manages the group's liquidity risk, monitors status of liquidity risk through utilization of short to long term liquidity management indicators, and reports to the managements daily. The indicators are set forth at the board meeting as a risk appetite indicator, and its compliance is reviewed periodically.

The group strives to grasp status of liquidity risk timely, and constructs appropriate liquidity risk management structure in order to make appropriate response upon the time liquidity risk become evident. For this reason, the group developed a contingency funding plan.

2. Liquidity risk management indicators and other issues related to consolidated liquidity management

I. Risk appetite indicators

The group sets forth the Liquidity Coverage Ratio for the short term and the Long Term Funding Ratio for the long term liquidity risk appetite indicators and manages/ monitors such indicators.

The Long Term Funding Ratio

The group sets forth, manages and monitors the Long Term Funding Ratio in order to test the sufficiency of long term funding, and ensures business operations can be continued even though stressful circumstances to be continued in the long term more than one year.

II. Contingency funding plan

The group recognizes that the occurrence of liquidity risk will have a direct impact to the business failure of financial institutions. Therefore, the group sets forth the contingency funding plan in order to make appropriate response during the time of liquidity crisis. The plan, specifies policy on reporting line, and assures preservation of funding line by scenarios taking account of the level of the stress where liquidity crisis occurs due to internal factors such as the deterioration of the group's credit, and due to external factors such as the turmoil in financial markets. In addition, the group sets forth Early Warning Indicators and monitors liquidity related status. Through this, the group maintains framework that secures liquidity in a flexible manner.

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