April 28, 2017

Daiwa Securities Group Inc.

Report Regarding Consolidated Liquidity Coverage Ratio
Situation of Soundness in Liquidity Management as of Fourth Quarter in Fiscal Year 2016

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 2016.

Quantitative disclosure of consolidated Liquidity Coverage Ratio

（Unit :1 Million Yen,%）

Items			Fourth Quarter in Fiscal Year 2016		Third Quarter in Fiscal Year 2016	
High Quality Liquid Assets (1)						
1	Total high quality liquid assets		2,365,828		2,317,653	
Cash Outflows (2)			Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
2	Retail deposits and deposits from small business customers		1,622,463	162,246	1,600,131	160,013
3		Stable deposits	−	−	−	−
4		Less stable deposits	1,622,463	162,246	1,600,131	160,013
5	Unsecured wholesale funding		2,165,766	1,265,395	2,020,292	1,151,350
6		Operational deposits	−	−	−	−
7		Unsecured wholesale funding other than operational deposits and unsecured debt	2,143,673	1,243,302	1,982,432	1,113,490
8		Unsecured debt	22,092	22,092	37,860	37,860
9	Secured funding		7,147,459	382,625	6,763,254	369,781
10	Outflows related to derivative exposures, loss of funding on debt products, committed credit and liquidity facilities		266,467	266,467	298,109	298,109
11		Outflows related to derivative exposures	255,943	255,943	287,327	287,327
12		Outflows related to loss of funding on debt products	−	−	−	−
13		Outflows related to credit and liquidity facilities	10,524	10,524	10,782	10,782
14	Other contractual funding obligations		5,121,482	1,261,432	5,493,492	1,120,950
15	Other contingent funding obligations		159,840	159,005	157,487	157,032
16	Total cash outflows			3,497,172		3,257,238
Cash Inflows (3)			Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
17	Secured lending		5,516,121	140,248	5,395,501	143,993
18	Inflows from fully performing exposures		419,631	416,459	421,603	420,408
19	Other cash inflows		5,290,561	1,312,732	6,070,538	1,205,688
20	Total cash inflows			1,869,441		1,770,089
Consolidated Liquidity Coverage Ratio (4)						
21	Total high quality liquid assets			2,365,828		2,317,653
22	Total net cash outflows			1,627,730		1,487,148
23	Consolidated liquidity coverage ratio			145.3%		155.8%
24	Number of data used for calculation of average value		61		3	

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 2,365,828 million Yen. From the previous quarter, amount has increased by 48,175 million Yen.

Cash outflow related to unsecured wholesale funding was 1,265,395 million Yen. From the previous quarter, amount has increased by 114,045 million Yen. Cash outflow related to other contractual funding obligations was 1,261,432 million Yen. From the previous quarter, amount has increased by 140,482 million Yen. Cash inflow related to other cash inflows was 1,312,732 million Yen. From the previous quarter, amount has increased by 107,044 million Yen, and total net cash out flow was 1,627,730 million Yen. From the previous quarter, amount has increased by 140,582 million Yen.

As a result of above mentioned conditions, Daiwa Securities Group Inc.'s consolidated Liquidity Coverage Ratio was 145.3%, the ratio has decreased by 10.5 points. Since the first quarter in fiscal year 2015, changes in the ratio are 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

The group discloses daily instead of monthly average of consolidated Liquidity Coverage Ratio. Regarding the treatment of consolidated group companies which are relatively small and their impact to the ratio is limited, the group applies conservative outflow amounts calculated in the simplified approach based upon the most up to date financial statements at the calculation date.

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 Gap for the short term and the Long Term Funding Ratio for the long term liquidity risk appetite indicators and manages/ monitors such indicators.

The Liquidity Gap

The group sets forth the Liquidity Gap indicator in order to comply maintaining regulatory requirements on consolidated Liquidity Coverage Ratio. The Liquidity Gap is the indicator that enables the group to confirm the adequacy of liquidity assets that can be monetized thus business operations can be continued at least more than 90 days under stressful circumstances. Through setting up long term horizon more than regulatory requirements, the group strives to establish stable liquidity risk management structure. Lastly, the group monitors status of liquidity in one year horizon across all currencies, and 30 days horizon across aggregated non- Japanese foreign currencies.

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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