

January 28, 2022

Daiwa Securities Group Inc.

**Report Regarding Consolidated Liquidity Coverage Ratio
and Consolidated Net Stable Funding Ratio**

Situation of Soundness in Liquidity Management as of Second Quarter in Fiscal Year 2021

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 the situation of soundness in liquidity management as of second quarter in fiscal year 2021.

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Key Metrics (at consolidated group level)

KM1: Key Metrics

(Unit :1 Million Yen,%)

		Second Quarter in Fiscal Year 2021	First Quarter in Fiscal Year 2021	Fourth Quarter in Fiscal Year 2020	Third Quarter in Fiscal Year 2020	Second Quarter in Fiscal Year 2020
Consolidated liquidity coverage ratio						
15	Total high quality liquid assets	2,666,490	2,673,653	2,760,821	2,832,922	2,716,787
16	Total net cash outflows	1,709,909	1,749,312	1,712,430	1,683,954	1,639,682
17	Consolidated liquidity coverage ratio	155.9%	152.8%	161.2%	168.2%	165.6%
Consolidated net stable funding ratio						
18	Total available stable funding	8,815,759				
19	Total required stable funding	5,490,069				
20	Consolidated net stable funding ratio	160.5%				

Qualitative Disclosure (Consolidated)

1. Qualitative disclosure of consolidated Liquidity Coverage Ratio

A) Changes in consolidated Liquidity Coverage Ratio over previous quarter

Daiwa Securities Group Inc.'s (the group) total High Quality Liquid Asset (HQLA) was 2,666,490 million Yen, which decreased by 7,163 million Yen from the previous quarter.

Cash outflows related to derivative exposures, loss of funding on debt products, committed credit and liquidity facilities was 230,215 million Yen, which decreased by 20,711 million Yen from the previous quarter. Cash outflow related to other contractual funding obligations was 1,002,118 million Yen, which decreased by 110,661 million Yen from the previous quarter. Cash inflow related to other cash inflows was 1,027,341 million Yen, which decreased by 97,266 million Yen from the previous quarter. And total net cash out flow was 1,709,909 million Yen, which decreased by 39,403 million Yen from the previous quarter.

As a result of above mentioned conditions, the group's consolidated Liquidity Coverage Ratio was 155.9%, which increased by 3.1 points. For the past two years, changes in the ratio were relatively stable.

B) 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 sufficiently above the minimum requirement.

C) Composition of HQLA

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

D) Other issues related to the consolidated Liquidity Coverage Ratio

There is no significant item for disclosure.

2. Qualitative disclosure of consolidated Net Stable Funding Ratio

A) Changes in consolidated Net Stable Funding Ratio

Daiwa Securities Group Inc.'s (the group) total Available Stable Funding (ASF) was 8,815,759 million Yen. Capital before the application of capital deductions was 1,538,266 million Yen, Funding from retail and small business customers was 1,847,284 million Yen, and Wholesale funding was 5,023,975 million Yen.

Total Required Stable Funding (RSF) was 5,490,069 million Yen. Loans, repo transactions-related assets, securities and other similar assets were 2,806,974 million Yen, and Other assets were 2,196,173 million Yen.

As a result of above mentioned conditions, the group's consolidated Net Stable Funding Ratio was 160.5%, which is sufficiently above the minimum requirement.

B) Application of Exception for Interdependent Asset and Liability

Not applicable.

C) Other issues related to the consolidated Net Stable Funding Ratio

There is no significant item for disclosure.

Quantitative Disclosure (Consolidated)

1. Quantitative disclosure of consolidated Liquidity Coverage Ratio

(Unit :1 Million Yen,%)

Items		Second Quarter in Fiscal Year 2021		First Quarter in Fiscal Year 2021	
High Quality Liquid Assets (1)					
1	Total high quality liquid assets	2,666,490		2,673,653	
Cash Outflows (2)					
		Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
2	Retail deposits and deposits from small business customers	2,070,002	207,000	2,154,268	215,426
3	Stable deposits	-	-	-	-
4	Less stable deposits	2,070,002	207,000	2,154,268	215,426
5	Unsecured wholesale funding	2,864,118	1,489,859	2,877,908	1,498,701
6	Operational deposits	-	-	-	-
7	Unsecured wholesale funding other than operational deposits and unsecured debt	2,737,248	1,362,989	2,749,720	1,370,514
8	Unsecured debt	126,869	126,869	128,187	128,187
9	Secured funding	8,509,734	251,378	8,660,620	262,821
10	Outflows related to derivative exposures, loss of funding on debt products, committed credit and liquidity facilities	230,215	230,215	250,926	250,926
11	Outflows related to derivative exposures	214,487	214,487	236,122	236,122
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Outflows related to credit and liquidity facilities	15,728	15,728	14,804	14,804
14	Other contractual funding obligations	4,690,418	1,002,118	5,380,937	1,112,779
15	Other contingent funding obligations	192,728	180,953	166,164	154,039
16	Total cash outflows	3,361,524		3,494,695	
Cash Inflows (3)					
		Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
17	Secured lending	6,773,080	122,603	6,600,878	119,089
18	Inflows from fully performing exposures	575,069	501,669	582,138	501,686
19	Other cash inflows	4,304,214	1,027,341	4,843,419	1,124,607
20	Total cash inflows	1,651,614		1,745,383	
Consolidated Liquidity Coverage Ratio (4)					
21	Total high quality liquid assets	2,666,490		2,673,653	
22	Total net cash outflows	1,709,909		1,749,312	
23	Consolidated liquidity coverage ratio	155.9%		152.8%	
24	Number of data used for calculation of average value	61		61	

2. Quantitative disclosure of consolidated Net Stable Funding Ratio

(Unit: 1 Million Yen, %)

Items		Second Quarter in Fiscal Year 2021					First Quarter in Fiscal Year 2021				
		Unweighted Value				Weighted Value	Unweighted Value				Weighted Value
		Indeterminate	< 6months	≥ 6months < 1year	≥ 1year		Indeterminate	< 6months	≥ 6months < 1year	≥ 1year	
Available Stable Funding (ASF) (1)											
1	Capital	-	-	-	1,538,266	1,538,266					
2	Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital (excluding the proportion of Tier 2 instruments with residual maturity of less than one year) before the application of capital deductions	-	-	-	1,538,266	1,538,266					
3	Other capital instruments that are not included in the above category	-	-	-	-	-					
4	Funding from retail and small business customers	2,052,538	-	-	-	1,847,284					
5	Stable deposits	-	-	-	-	-					
6	Less stable deposits	2,052,538	-	-	-	1,847,284					
7	Wholesale funding	1,628,208	7,978,555	877,754	2,246,622	5,023,975					
8	Operational deposits	-	-	-	-	-					
9	Other wholesale funding	1,628,208	7,978,555	877,754	2,246,622	5,023,975					
10	Liabilities with matching interdependent assets	-	-	-	-	-					
11	Other liabilities	102,959	3,608,085	101,158	604,352	406,232					
12	Derivative liabilities	-	-	-	-	-					
13	All other liabilities and equity not included in the above categories	102,959	3,608,085	101,158	604,352	406,232					
14	Total available stable funding					8,815,759					
Required Stable Funding (RSF) (2)											
15	High quality liquid assets					366,573					
16	Deposits held at financial institutions for operational purposes	19,415	3,917	-	-	13,624					
17	Loans, repo transactions-related assets, securities and other similar assets	449,101	6,300,539	617,130	1,860,179	2,806,974					
18	Loans to and repo transactions with financial institutions (secured by level 1 assets)	-	3,807,022	10,313	3,403	57,181					
19	Loans to and repo transactions with financial institutions (not included in item 18)	443,998	879,227	40,257	25,273	255,569					
20	Loans to and repo transactions-related assets (not included in item 18, 19 and 22)	-	1,578,747	207,023	903,964	1,501,149					
21	With a risk weight of less than or equal to 35% under the Standardised Approach for credit risk	-	1,252,781	155,016	5	487,633					
22	Residential mortgages	-	-	-	-	-					
23	With a risk weight of less than or equal to 35% under the Standardised Approach for credit risk	-	-	-	-	-					
24	Securities that are not in default and do not qualify as HQLA and other similar assets	5,103	35,543	359,537	927,539	993,075					
25	Assets with matching interdependent liabilities	-	-	-	-	-					
26	Other assets	35,763	474,370	-	2,229,489	2,196,173					
27	Physical traded commodities including gold	-	-	-	-	-					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs (including those that are not recorded on consolidated balance sheet)				233,832	198,757					
29	Derivative assets				282,669	282,669					
30	Derivative liabilities (before deduction of variation margin posted)				16,233	16,233					
31	All other assets not included in the above categories	35,763	474,370	-	1,696,755	1,698,514					
32	Off-balance sheet items				132,239	106,722					
33	Total required stable funding					5,490,069					
34	Consolidated net stable funding ratio (NSFR)					160.5%					