

July 31, 2023

Daiwa Securities Group Inc.

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

**Situation of Soundness in Liquidity Management as of Fourth Quarter in Fiscal Year 2022**

In accordance with the Financial Instruments and 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 the fourth quarter in fiscal year 2022.

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## Key Metrics (at consolidated group level)

### KM1: Key Metrics

(Unit: 1 Million Yen,%)

		Fourth Quarter in Fiscal Year 2022	Third Quarter in Fiscal Year 2022	Second Quarter in Fiscal Year 2022	First Quarter in Fiscal Year 2022	Fourth Quarter in Fiscal Year 2021
<b>Consolidated liquidity coverage ratio</b>						
15	Total high-quality liquid assets	2,902,501	2,757,599	2,593,166	2,447,045	2,642,117
16	Total net cash outflows	2,135,355	1,974,833	1,802,474	1,733,889	1,772,313
17	Consolidated liquidity coverage ratio	135.9%	139.6%	143.8%	141.1%	149.0%
<b>Consolidated net stable funding ratio</b>						
18	Total available stable funding	8,127,042	7,974,379	9,154,147	8,629,425	8,480,413
19	Total required stable funding	5,920,309	5,619,064	6,211,679	6,045,794	5,713,587
20	Consolidated net stable funding ratio	137.2%	141.9%	147.3%	142.7%	148.4%

## Disclosure of Consolidated Liquidity Risk Management

### 1. Overview of Liquidity Risk Management Policy and Procedure

Daiwa Securities Group Inc. (“the Group”)’s funding activities focus on the principle of maintaining a sufficient level of liquidity in a stable and efficient manner to ensure continuous business operations.

The treasury department is designated as a division to manage the Group’s funding and takes action proactively to secure a stable funding amount during ordinary times in order to prevent business operations being disrupted in the event of severe changes occurring in the markets, and also manages to diversify maturities and sources of the procurement funds assuming a liquidity crisis when new funding or roll-over is difficult.

The risk management department is designated as a division to manage the Group’s liquidity risk and monitors the liquidity risk and reports to the board daily by utilizing the risk appetite indicators and liquidity stress test.

The Group strives to construct an appropriate liquidity risk management structure to be able to grasp the situation of the liquidity risk in a timely manner. In addition, the Group developed a contingency funding plan in order to make an appropriate response when liquidity risk becomes evident.

### 2. Liquidity Risk Management Indicators and other issues related to consolidated Liquidity Management

#### A) Risk appetite indicators

The Group defines the Liquidity Coverage Ratio and Net Stable Funding Ratio as liquidity risk appetite indicators at the board.

#### B) Liquidity Stress Test

The Group defines various stress scenarios and monitors daily that the liquidity portfolio covers the cash outflow prediction in the case where a certain amount of unsecured funding comes to maturity and stress occurs at the same time. Thus, even in the case where unsecured funding is not available for one year, the Group can continue its business operations.

#### C) Early Warning Indicator (“EWI”)

The Group sets certain thresholds for the indicators and monitors them as EWI to detect quickly if a liquidity risk becomes evident, and seeks to manage the forward-looking funding and liquidity risk.

#### D) Contingency Funding Plan

The Group recognizes that the occurrence of liquidity risk will have a direct impact on the business failure of financial institutions. Therefore, the Group defines a contingency funding plan in order to make an appropriate response during the time of liquidity crisis. The plan specifies policies of reporting lines and of the securement of funding according to the level of the tightness of the stress due to the internal factors such as the deterioration of the Group’s credit, and/or the external factors such as a disturbance in the financial markets.

## Qualitative Disclosure (Consolidated)

### 1. Qualitative disclosure of consolidated Liquidity Coverage Ratio

#### A) Changes in consolidated Liquidity Coverage Ratio over previous quarter

The Group's total High-Quality Liquid Asset (HQLA) was 2,902,501 million yen, an increase of 144,902 million yen from the previous quarter.

Cash outflows related to unsecured wholesale funding were 1,668,096 million yen, an increase of 91,948 million yen from the previous quarter. Cash outflows related to derivative exposures, loss of funding on debt products, committed credit and liquidity facilities were 447,984 million yen, a decrease of 62,698 million yen. Cash outflows related to other contractual funding obligations were 1,083,395 million yen, a decrease of 89,403 million yen. And Cash outflows related to other contingent funding obligations were 148,387 million yen, a decrease of 14,237 million yen, thus total net cash outflows were 2,135,355 million yen, an increase of 160,522 million yen.

As a result of the above-mentioned conditions, the Group's consolidated Liquidity Coverage Ratio was 135.9%, a decrease of 3.7 percent. For the past two years, changes in the ratio have been relatively stable.

#### B) Evaluation of the Group's consolidated Liquidity Coverage Ratio

The Group defines "The Rule of Regulatory Liquidity Management", and not only manages to keep the Liquidity Coverage Ratio above the regulatory limit, but also sets an internal alert level, and periodically reviews whether 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 the composition of HQLA over the 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 over previous quarter

The Group's total Available Stable Funding (ASF) was 8,127,042 million yen, an increase of 152,663 million yen from the previous quarter. Funding from retail and small business customers was 1,724,942 million yen, a decrease of 79,935 million yen. Wholesale funding was 4,421,241 million yen, an increase of 308,825 million yen. And other liabilities were 382,858 million yen, a decrease of 78,047 million yen.

Total Required Stable Funding (RSF) was 5,920,309 million yen, an increase of 301,245 million yen. High-quality liquid assets were 392,137 million yen, an increase of 87,310 million yen. And loans, repo transactions-related assets, securities and other similar assets were 2,903,861 million yen, an increase of 200,151 million yen.

As a result of the above-mentioned conditions, the Group's consolidated Net Stable Funding Ratio was 137.2%, a decrease of 4.7 percent. The ratio 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		Fourth Quarter in Fiscal Year 2022		Third Quarter in Fiscal Year 2022	
<b>High-Quality Liquid Assets (1)</b>					
1	Total high-quality liquid assets	2,902,501		2,757,599	
<b>Cash Outflows (2)</b>					
		Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
2	Retail deposits and deposits from small business customers	1,986,334	198,633	2,011,028	201,102
3	Stable deposits	-	-	-	-
4	Less stable deposits	1,986,334	198,633	2,011,028	201,102
5	Unsecured wholesale funding	2,858,222	1,668,096	2,868,498	1,576,148
6	Operational deposits	-	-	-	-
7	Unsecured wholesale funding other than operational deposits and unsecured debt	2,708,959	1,518,833	2,759,503	1,467,153
8	Unsecured debt	149,262	149,262	108,994	108,994
9	Secured funding	10,126,929	372,093	11,557,511	353,066
10	Outflows related to derivative exposures, loss of funding on debt products, committed credit and liquidity facilities	459,052	447,984	522,364	510,682
11	Outflows related to derivative exposures	438,832	438,832	503,207	503,207
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Outflows related to credit and liquidity facilities	20,220	9,152	19,157	7,475
14	Other contractual funding obligations	5,258,603	1,083,395	4,525,069	1,172,798
15	Other contingent funding obligations	159,219	148,387	173,557	162,624
16	Total cash outflows	3,918,593		3,976,423	
<b>Cash Inflows (3)</b>					
		Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
17	Secured lending	8,249,489	207,780	8,149,241	222,042
18	Inflows from fully performing exposures	561,585	531,003	620,159	562,033
19	Other cash inflows	4,860,509	1,044,454	4,220,862	1,217,514
20	Total cash inflows	1,783,238		2,001,590	
<b>Consolidated Liquidity Coverage Ratio (4)</b>					
21	Total high-quality liquid assets	2,902,501		2,757,599	
22	Total net cash outflows	2,135,355		1,974,833	
23	Consolidated liquidity coverage ratio	135.9%		139.6%	
24	Number of data used for calculation of average value	60		62	

## 2. Quantitative disclosure of consolidated Net Stable Funding Ratio

(Unit: 1 Million Yen, %)

Items		Fourth Quarter in Fiscal Year 2022					Third Quarter in Fiscal Year 2022				
		Unweighted Value				Weighted Value	Unweighted Value				Weighted Value
		Indeterminate	< 6 months	≥ 6 months < 1 year	≥ 1 year		Indeterminate	< 6 months	≥ 6 months < 1 year	≥ 1 year	
<b>Available Stable Funding (ASF) (1)</b>											
1	Capital	-	-	-	1,597,999	1,597,999	-	-	-	1,596,180	1,596,180
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	-	-	-	1,597,999	1,597,999	-	-	-	1,596,180	1,596,180
3	Other capital instruments that are not included in the above category	-	-	-	-	-	-	-	-	-	-
4	Funding from retail and small business customers	1,916,602	-	-	-	1,724,942	2,005,419	-	-	-	1,804,877
5	Stable deposits	-	-	-	-	-	-	-	-	-	-
6	Less stable deposits	1,916,602	-	-	-	1,724,942	2,005,419	-	-	-	1,804,877
7	Wholesale funding	1,137,728	9,329,386	488,891	2,544,086	4,421,241	1,201,973	10,169,639	541,582	2,451,626	4,112,416
8	Operational deposits	-	-	-	-	-	-	-	-	-	-
9	Other wholesale funding	1,137,728	9,329,386	488,891	2,544,086	4,421,241	1,201,973	10,169,639	541,582	2,451,626	4,112,416
10	Liabilities with matching interdependent assets	-	-	-	-	-	-	-	-	-	-
11	Other liabilities	88,131	5,424,644	93,632	684,070	382,858	87,640	4,741,127	126,846	652,250	460,905
12	Derivative liabilities	-	-	-	-	-	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	88,131	5,424,644	93,632	684,070	382,858	87,640	4,741,127	126,846	652,250	460,905
14	Total available stable funding	-	-	-	-	8,127,042	-	-	-	-	7,974,379
<b>Required Stable Funding (RSF) (2)</b>											
15	High-quality liquid assets	-	-	-	-	392,137	-	-	-	-	304,827
16	Deposits held at financial institutions for operational purposes	34,390	4,673	-	-	21,868	32,349	4,644	-	-	20,819
17	Loans, repo transactions-related assets, securities and other similar assets	564,283	8,181,761	682,913	1,948,565	2,903,861	476,277	7,892,053	683,846	1,802,548	2,703,710
18	Loans to and repo transactions with financial institutions (secured by level 1 assets)	-	5,160,485	5,843	2,028	39,413	-	4,733,656	13,016	4,349	36,413
19	Loans to and repo transactions with financial institutions (not included in item 18)	564,283	987,880	20,516	739,434	987,564	476,277	961,372	26,852	705,405	945,401
20	Loans to and repo transactions-related assets (not included in items 18, 19 and 22)	-	1,960,421	243,844	481,894	1,013,002	-	2,134,609	211,434	457,287	927,857
21	With a risk weight of less than or equal to 35% under the Standardized Approach for credit risk	-	1,680,309	162,980	11,607	364,750	-	1,769,936	131,298	11,610	290,972
22	Residential mortgages	-	-	-	-	-	-	-	-	-	-
23	With a risk weight of less than or equal to 35% under the Standardized Approach for credit risk	-	-	-	-	-	-	-	-	-	-
24	Securities that are not in default and do not qualify as HQLA and other similar assets	0	72,975	412,710	725,209	863,882	0	62,416	432,544	635,507	794,039
25	Assets with matching interdependent liabilities	-	-	-	-	-	-	-	-	-	-
26	Other assets	44,817	427,060	-	2,573,683	2,521,300	42,185	397,697	-	2,551,018	2,504,785
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)	-	-	-	258,869	220,038	-	-	-	247,129	210,060
29	Derivative assets	-	-	-	534,600	534,600	-	-	-	517,355	517,355
30	Derivative liabilities (before deduction of variation margin posted)	-	-	-	22,708	22,708	-	-	-	26,690	26,690
31	All other assets not included in the above categories	44,817	427,060	-	1,757,506	1,743,954	42,185	397,697	-	1,759,844	1,750,680
32	Off-balance sheet items	-	-	-	113,113	81,137	-	-	-	115,771	84,917
33	Total required stable funding	-	-	-	-	5,920,309	-	-	-	-	5,619,064
34	Consolidated net stable funding ratio (NSFR)	-	-	-	-	137.2%	-	-	-	-	141.9%