

July 31, 2024

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 2023**

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 2023.

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## Key Metrics (at consolidated group level)

### KM1: Key Metrics

(Unit: 1 Million Yen,%)

		Fourth Quarter in Fiscal Year 2023	Third Quarter in Fiscal Year 2023	Second Quarter in Fiscal Year 2023	First Quarter in Fiscal Year 2023	Fourth Quarter in Fiscal Year 2022
<b>Consolidated liquidity coverage ratio</b>						
15	Total high-quality liquid assets	2,886,208	2,930,477	2,933,588	2,729,197	2,902,501
16	Total net cash outflows	2,134,431	2,229,082	2,242,910	2,077,052	2,135,355
17	Consolidated liquidity coverage ratio	135.2%	131.4%	130.7%	131.3%	135.9%
<b>Consolidated net stable funding ratio</b>						
18	Total available stable funding	9,328,809	9,790,218	9,800,455	9,170,359	8,127,042
19	Total required stable funding	6,591,832	6,311,045	6,583,224	6,323,935	5,920,309
20	Consolidated net stable funding ratio	141.5%	155.1%	148.8%	145.0%	137.2%

## 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 Risk 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 2,886,208 million yen, a decrease of 44,269 million yen from the previous quarter.

Cash outflows related to unsecured wholesale funding were 1,739,456 million yen, a decrease of 24,279 million yen from the previous quarter. Cash outflows related to derivative exposures, loss of funding on debt products, committed credit and liquidity facilities were 378,956 million yen, a decrease of 26,530 million yen. Cash outflows related to other contractual funding obligations were 1,404,219 million yen, an increase of 225,956 million yen. And cash inflows related to other cash inflows were 1,373,694 million yen, an increase of 240,193 million yen, thus total net cash outflows were 2,134,431 million yen, a decrease of 94,651 million yen.

As a result of the above-mentioned conditions, the Group's consolidated Liquidity Coverage Ratio was 135.2%, an increase of 3.8 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 9,328,809 million yen, a decrease of 461,409 million yen from the previous quarter. Funding from retail and small business customers was 1,880,404 million yen, a decrease of 23,907 million yen. And wholesale funding was 5,437,827 million yen, a decrease of 454,116 million yen.

Total Required Stable Funding (RSF) was 6,591,832 million yen, an increase of 280,787 million yen. High-quality liquid assets were 447,991 million yen, an increase of 37,742 million yen. Loans, repo transactions-related assets, securities and other similar assets were 3,596,851 million yen, an increase of 178,598 million yen. And other assets were 2,414,003 million yen, an increase of 59,993 million yen.

As a result of the above-mentioned conditions, the Group's consolidated Net Stable Funding Ratio was 141.5%, a decrease of 13.6 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 2023		Third Quarter in Fiscal Year 2023	
<b>High-Quality Liquid Assets (1)</b>					
1	Total high-quality liquid assets	2,886,208		2,930,477	
<b>Cash Outflows (2)</b>					
		Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
2	Retail deposits and deposits from small business customers	2,115,561	211,556	2,099,700	209,970
3	Stable deposits	-	-	-	-
4	Less stable deposits	2,115,561	211,556	2,099,700	209,970
5	Unsecured wholesale funding	3,117,023	1,739,456	3,096,315	1,763,735
6	Operational deposits	-	-	-	-
7	Unsecured wholesale funding other than operational deposits and unsecured debt	2,934,919	1,557,352	2,922,562	1,589,982
8	Unsecured debt	182,104	182,104	173,752	173,752
9	Secured funding	12,466,372	579,387	12,255,800	588,128
10	Outflows related to derivative exposures, loss of funding on debt products, committed credit and liquidity facilities	392,457	378,956	418,081	405,486
11	Outflows related to derivative exposures	365,738	365,738	392,515	392,515
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Outflows related to credit and liquidity facilities	26,719	13,218	25,566	12,971
14	Other contractual funding obligations	7,194,005	1,404,219	6,635,694	1,178,263
15	Other contingent funding obligations	78,493	67,367	86,993	75,769
16	Total cash outflows	4,380,944		4,221,353	
<b>Cash Inflows (3)</b>					
		Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
17	Secured lending	10,801,366	234,894	9,485,853	240,235
18	Inflows from fully performing exposures	703,070	637,924	683,256	618,533
19	Other cash inflows	6,458,695	1,373,694	5,880,651	1,133,501
20	Total cash inflows	2,246,512		1,992,271	
<b>Consolidated Liquidity Coverage Ratio (4)</b>					
21	Total high-quality liquid assets	2,886,208		2,930,477	
22	Total net cash outflows	2,134,431		2,229,082	
23	Consolidated liquidity coverage ratio	135.2%		131.4%	
24	Number of data used for calculation of average value	58		62	

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

(Unit: 1 Million Yen, %)

Items		Fourth Quarter in Fiscal Year 2023					Third Quarter in Fiscal Year 2023				
		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	-	-	-	1,693,385	1,693,385	-	-	-	1,666,572	1,666,572
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	-	-	-	1,693,385	1,693,385	-	-	-	1,666,572	1,666,572
3	Other capital instruments that are not included in the above category	-	-	-	-	-	-	-	-	-	-
4	Funding from retail and small business customers	2,089,338	-	-	-	1,880,404	2,115,901	-	-	-	1,904,311
5	Stable deposits	-	-	-	-	-	-	-	-	-	-
6	Less stable deposits	2,089,338	-	-	-	1,880,404	2,115,901	-	-	-	1,904,311
7	Wholesale funding	1,530,173	10,798,165	501,373	3,015,407	5,437,827	1,277,511	12,248,138	373,705	3,045,502	5,891,943
8	Operational deposits	-	-	-	-	-	-	-	-	-	-
9	Other wholesale funding	1,530,173	10,798,165	501,373	3,015,407	5,437,827	1,277,511	12,248,138	373,705	3,045,502	5,891,943
10	Liabilities with matching interdependent assets	-	-	-	-	-	-	-	-	-	-
11	Other liabilities	86,334	5,726,708	11,531	620,425	317,192	81,808	5,166,671	10,665	568,329	327,391
12	Derivative liabilities	-	-	-	-	-	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	86,334	5,726,708	11,531	620,425	317,192	81,808	5,166,671	10,665	568,329	327,391
14	Total available stable funding	-	-	-	-	9,328,809	-	-	-	-	9,790,218
<b>Required Stable Funding (RSF) (2)</b>											
15	High-quality liquid assets	-	-	-	-	447,991	-	-	-	-	410,249
16	Deposits held at financial institutions for operational purposes	55,997	5,299	-	-	33,297	59,373	4,964	-	-	34,650
17	Loans, repo transactions-related assets, securities and other similar assets	642,825	10,371,632	920,779	2,248,185	3,596,851	549,997	11,091,604	824,056	2,190,760	3,418,253
18	Loans to and repo transactions with financial institutions (secured by level 1 assets)	-	6,987,506	38,058	1,551	45,977	-	7,842,677	3,422	1,024	34,020
19	Loans to and repo transactions with financial institutions (not included in item 18)	642,825	1,327,771	161,271	837,262	1,222,406	549,997	1,331,606	30,068	789,312	1,093,580
20	Loans to and repo transactions-related assets (not included in items 18, 19 and 22)	-	1,996,957	235,871	524,839	1,298,174	-	1,861,883	332,842	525,944	1,283,204
21	With a risk weight of less than or equal to 35% under the Standardized Approach for credit risk	-	1,730,955	138,325	11,609	631,090	-	1,607,029	240,974	11,608	626,410
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	59,398	485,579	884,533	1,030,294	0	55,438	457,724	874,480	1,007,449
25	Assets with matching interdependent liabilities	-	-	-	-	-	-	-	-	-	-
26	Other assets	44,907	446,735	-	2,433,304	2,414,003	41,961	436,937	-	2,378,623	2,354,010
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)	-	-	-	223,062	189,602	-	-	-	221,469	188,248
29	Derivative assets	-	-	-	492,212	492,212	-	-	-	408,070	408,070
30	Derivative liabilities (before deduction of variation margin posted)	-	-	-	28,027	28,027	-	-	-	23,224	23,224
31	All other assets not included in the above categories	44,907	446,735	-	1,690,003	1,704,162	41,961	436,937	-	1,725,860	1,734,468
32	Off-balance sheet items	-	-	-	132,370	99,684	-	-	-	130,735	93,878
33	Total required stable funding	-	-	-	-	6,591,832	-	-	-	-	6,311,045
34	Consolidated net stable funding ratio (NSFR)	-	-	-	-	141.5%	-	-	-	-	155.1%