

June 29, 2016

Daiwa Securities Group Inc.

**Report Regarding Consolidated Liquidity Coverage Ratio**

**Situation of Soundness in Liquidity Management as of Fourth Quarter in Fiscal Year 2015**

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 2015.

## Quantitative disclosure of consolidated liquidity coverage ratio

(Unit :1 Million Yen,%)

Items		Fourth Quarter in Fiscal Year 2015		Third Quarter in Fiscal Year 2015	
<b>High Quality Liquid Assets (1)</b>					
1	Total high quality liquid assets	2,034,543		2,120,214	
<b>Cash Outflows (2)</b>		Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
2	Retail deposits and deposits from small business customers	1,745,930	174,593	1,808,518	180,851
3	Stable deposits	-	-	-	-
4	Less stable deposits	1,745,930	174,593	1,808,518	180,851
5	Unsecured wholesale funding	1,511,475	729,428	1,503,951	702,453
6	Operational deposits	-	-	-	-
7	Unsecured wholesale funding other than operational deposits and unsecured debt	1,391,770	609,724	1,330,424	528,925
8	Unsecured debt	119,704	119,704	173,527	173,527
9	Secured funding	7,445,052	429,652	8,603,307	488,221
10	Outflows related to derivative exposures, loss of funding on debt products, committed credit and liquidity facilities	361,879	361,879	308,747	308,747
11	Outflows related to derivative exposures	351,055	351,055	298,084	298,084
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Outflows related to credit and liquidity facilities	10,823	10,823	10,663	10,663
14	Other contractual funding obligations	5,354,435	983,370	5,607,674	1,018,803
15	Other contingent funding obligations	164,856	164,363	150,250	149,743
16	Total cash outflows	2,843,287		2,848,821	
<b>Cash Inflows (3)</b>		Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
17	Secured lending	4,927,749	134,707	5,969,088	121,662
18	Inflows from fully performing exposures	352,963	351,658	422,258	421,053
19	Other cash inflows	5,594,446	1,054,471	5,784,576	1,032,208
20	Total cash inflows	1,540,838		1,574,924	
<b>Consolidated Liquidity Coverage Ratio (4)</b>					
21	Total high quality liquid assets	2,034,543		2,120,214	
22	Total net cash outflows	1,302,449		1,273,897	
23	Consolidated liquidity coverage ratio	156.2 %		166.4 %	
24	Number of data used for calculation of average value	3		3	

## Qualitative disclosure of consolidated liquidity coverage ratio

### 1. Changes in the consolidated liquidity coverage ratio over previous quarter

Daiwa Securities Group Inc.'s (the group) total High Quality Liquid Asset (HQLA) was 2,034,543 million Yen. From the previous quarter, amount has decreased by 85,671 million Yen.

Cash outflow related to secured transaction was 429,652 million Yen. From the previous quarter, amount has decreased by 58,569 million Yen.

Cash outflows related to derivative exposures, loss of funding on debt products, committed credit and liquidity facilities were 361,879 million Yen. From the previous quarter, amount has increased by 53,132 million Yen.

Cash inflows from fully performing exposures were 351,658 million Yen. From the previous quarter, amount has decreased by 69,395 million Yen.

Total net cash out flow was 1,302,449 million Yen. From the previous quarter, amount has increased by 28,552 million Yen.

As a result of above mentioned conditions, Daiwa Securities Group Inc.'s consolidated liquidity coverage ratio was 156.2%, the ratio has decreased by 10.2 points.

### 2. Evaluation of the company'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 wheatear 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 the 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 financing activities are engaged in principle of maintaining sufficient level of liquidity in stable and efficient manner to maintain continuous business operations. The Group proactively secures stable financing amount from ordinary time in order to prevent business operations to be disrupted under severe change in market circumstances. The Group has established the group-level liquidity management framework by utilizing its own short to long-term liquidity management indicators.

### 2. Liquidity risk management indicators

The Group confirms daily if sufficient liquidity portfolio is maintained, and the Group computes expected cash outflow related to unsecured financing of that matures within 90 days period as well as particular stress event that may occur during same time period by applying various stress scenarios. In addition, the Group monitors sufficiency of long-term finance that is engaged in order to maintain asset held under assumption of stress circumstance to be continued in a long period of time of more than one year.

3. Other issues related to the consolidated liquidity management.

There is no significant item for disclosure.

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