April 27, 2018

Daiwa Securities Group Inc.

Report Regarding Consolidated Liquidity Coverage Ratio
Situation of Soundness in Liquidity Management as of Fourth Quarter in Fiscal Year 2017

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 2017.

Quantitative disclosure of consolidated Liquidity Coverage Ratio

(Unit :1 Million Yen,%)

Items		Fourth Quarter in Fiscal Year 2017		Third Quarter in Fiscal Year 2017	
High Quality Liquid Assets (1)					
1	Total high quality liquid assets	2,687,674		2,532,823	
Cash Outflows (2)		Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
2	Retail deposits and deposits from small business customers	1,808,090	180,809	1,740,436	174,043
3	Stable deposits	-	-	-	-
4	Less stable deposits	1,808,090	180,809	1,740,436	174,043
5	Unsecured wholesale funding	2,455,439	1,437,045	2,316,960	1,299,461
6	Operational deposits	-	-	-	-
7	Unsecured wholesale funding other than operational deposits and unsecured debt	2,380,519	1,362,125	2,259,509	1,242,009
8	Unsecured debt	74,919	74,919	57,451	57,451
9	Secured funding	6,438,264	419,051	6,664,430	414,602
10	Outflows related to derivative exposures, loss of funding on debt products, committed credit and liquidity facilities	228,464	228,464	223,100	223,100
11	Outflows related to derivative exposures	217,954	217,954	212,854	212,854
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Outflows related to credit and liquidity facilities	10,510	10,510	10,246	10,246
14	Other contractual funding obligations	3,848,840	1,328,920	3,732,993	1,295,677
15	Other contingent funding obligations	150,725	150,307	146,440	145,826
16	Total cash outflows		3,744,602		3,552,712
Cash Inflows (3)		Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
17	Secured lending	6,037,256	170,172	5,586,882	156,558
18	Inflows from fully performing exposures	408,081	406,668	429,979	428,649
19	Other cash inflows	3,587,632	1,334,882	3,490,344	1,267,433
20	Total cash inflows		1,911,723		1,852,641
Consolidated Liquidity Coverage Ratio (4)					
21	Total high quality liquid assets		2,687,674		2,532,823
22	Total net cash outflows		1,832,879		1,700,070
23	Consolidated liquidity coverage ratio		146.6%		148.9%
24	Number of data used for calculation of average value	59		62	

(Unit :1 Million Yen,%)

		Fourth Quarter in Fiscal Year 2017	Third Quarter in Fiscal Year 2017	Second Quarter in Fiscal Year 2017	First Quarter in Fiscal Year 2017	Fourth Quarter in Fiscal Year 2016
Consolidated liquidity coverage ratio						
15	Total high quality liquid assets	2,687,674	2,532,823	2,627,529	2,499,543	2,365,828
16	Total net cash outflows	1,832,879	1,700,070	1,808,991	1,714,293	1,627,730
17	Consolidated liquidity coverage ratio	146.6%	148.9%	145.2%	145.8%	145.3%

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 2,687,674 million Yen, which has increased by 154,851 million Yen from the previous quarter.

Cash outflow related to unsecured wholesale funding was 1,437,045 million Yen, which has increased by 137,584 million Yen from the previous quarter. Cash outflow related to other contractual funding obligations was 1,328,920 million Yen, which has increased by 33,243 million Yen from the previous quarter. Cash inflow related to other cash inflows was 1,334,882 million Yen, which has increased by 67,449 million Yen from the previous quarter. And total net cash out flow was 1,832,879 million Yen, which has increased by 132,809 million Yen from the previous quarter.

As a result of above mentioned conditions, Daiwa Securities Group Inc.'s consolidated Liquidity Coverage Ratio was 146.6%, which has decreased by 2.3 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

Primary components of consolidated Liquidity Coverage Ratio for the last five consecutive quarters have been added from this quarter.

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.
In addition, the group revises the liquidity Gap indicator to Liquidity Coverage Ratio in fiscal year 2018.

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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