July 30, 2025

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 2024

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 2024.

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Key Metrics (at consolidated group level)

KM1: Key Metrics

（Unit: 1 Million Yen,%）

		Fourth Quarter in Fiscal Year 2024	Third Quarter in Fiscal Year 2024	Second Quarter in Fiscal Year 2024	First Quarter in Fiscal Year 2024	Fourth Quarter in Fiscal Year 2023
Consolidated liquidity coverage ratio						
15	Total high-quality liquid assets	2,815,464	2,799,297	2,632,609	2,635,423	2,886,208
16	Total net cash outflows	1,970,118	1,957,762	1,926,313	2,009,218	2,134,431
17	Consolidated liquidity coverage ratio	142.9%	142.9%	136.6%	131.1%	135.2%
Consolidated net stable funding ratio						
18	Total available stable funding	10,617,314	10,872,710	10,476,558	10,009,914	9,328,809
19	Total required stable funding	6,687,791	6,985,630	6,850,600	7,228,496	6,591,832
20	Consolidated net stable funding ratio	158.7%	155.6%	152.9%	138.4%	141.5%

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, and regularly monitors the status of compliance.

B) Liquidity Stress Test

The Group has established a liquidity risk management structure centered on liquidity stress testing in order to ensure that business operations can be maintained even if unsecured funding is not available for a certain period.

As a verification of the sufficiency of short-term unsecured funding, the Group assumes various stress scenarios and confirms on a daily basis that the liquidity portfolio covers the projected cash outflows.

As a verification of the sufficiency of long-term unsecured funding, the Group regularly monitors the amount of stable funding against less-liquid assets during periods of stress.

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 2,815,464 million yen, an increase of 16,167 million yen from the previous quarter.

Cash outflows related to unsecured wholesale funding were 1,498,963 million yen, a decrease of 38,148 million yen from the previous quarter. Cash outflows related to secured funding were 708,947 million yen, a decrease of 58,856 million yen. Cash outflows related to other contractual funding obligations were 1,615,841 million yen, an increase of 72,550 million yen. And cash inflows related to secured lending were 345,729 million yen, a decrease of 28,948 million yen, thus total net cash outflows were 1,970,118 million yen, an increase of 12,356 million yen.

As a result of the above-mentioned conditions, the Group's consolidated Liquidity Coverage Ratio was 142.9%. 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 10,617,314 million yen, a decrease of 255,396 million yen from the previous quarter. Funding from retail and small business customers was 1,775,371 million yen, a decrease of 77,031 million yen. And wholesale funding was 6,699,895 million yen, a decrease of 131,784 million yen.

Total Required Stable Funding (RSF) was 6,687,791 million yen, a decrease of 297,839 million yen. High-quality liquid assets were 432,744 million yen, a decrease of 146,417 million yen. Loans, repo transactions-related assets, securities and other similar assets were 3,698,949 million yen, an increase of 65,377 million yen. And other assets were 2,443,170 million yen, a decrease of 200,724 million yen.

As a result of the above-mentioned conditions, the Group's consolidated Net Stable Funding Ratio was 158.7%, an increase of 3.1 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 2024		Third Quarter in Fiscal Year 2024	
High-Quality Liquid Assets (1)						
1	Total high-quality liquid assets		2,815,464		2,799,297	
Cash Outflows (2)			Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
2	Retail deposits and deposits from small business customers		2,005,755	200,575	1,944,641	200,833
3		Stable deposits	-	-	-	-
4		Less stable deposits	2,005,755	200,575	1,944,641	200,833
5	Unsecured wholesale funding		2,812,765	1,498,963	2,746,290	1,537,111
6		Operational deposits	-	-	-	-
7		Unsecured wholesale funding other than operational deposits and unsecured debt	2,644,437	1,330,635	2,570,767	1,356,195
8		Unsecured debt	168,328	168,328	175,523	180,916
9	Secured funding		15,379,596	708,947	14,749,548	767,803
10	Outflows related to derivative exposures, loss of funding on debt products, committed credit and liquidity facilities		401,284	387,896	379,627	377,314
11		Outflows related to derivative exposures	358,797	358,797	341,808	351,865
12		Outflows related to loss of funding on debt products	-	-	-	-
13		Outflows related to credit and liquidity facilities	42,487	29,099	37,819	25,449
14	Other contractual funding obligations		7,696,666	1,615,841	7,787,057	1,543,291
15	Other contingent funding obligations		75,676	64,379	74,942	64,038
16	Total cash outflows			4,476,604		4,490,394
Cash Inflows (3)			Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
17	Secured lending		12,750,186	345,729	12,684,557	374,677
18	Inflows from fully performing exposures		669,663	613,131	713,909	636,334
19	Other cash inflows		6,941,302	1,547,624	6,648,202	1,521,619
20	Total cash inflows			2,506,486		2,532,631
Consolidated Liquidity Coverage Ratio (4)						
21	Total high-quality liquid assets			2,815,464		2,799,297
22	Total net cash outflows			1,970,118		1,957,762
23	Consolidated liquidity coverage ratio			142.9%		142.9%
24	Number of data used for calculation of average value		57		63	

2. Quantitative disclosure of consolidated Net Stable Funding Ratio

(Unit: 1 Million Yen, %)

Items		Fourth Quarter in Fiscal Year 2024					Third Quarter in Fiscal Year 2024				
		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	
Available Stable Funding (ASF) (1)											
1	Capital	-	-	-	1,808,687	1,808,687	-	-	-	1,839,925	1,839,925
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	-	-	-	1,808,687	1,808,687	-	-	-	1,839,925	1,839,925
3	Other capital instruments that are not included in the above category	-	-	-	-	-	-	-	-	-	-
4	Funding from retail and small business customers	1,972,634	-	-	-	1,775,371	2,058,224	-	-	-	1,852,402
5	Stable deposits	-	-	-	-	-	-	-	-	-	-
6	Less stable deposits	1,972,634	-	-	-	1,775,371	2,058,224	-	-	-	1,852,402
7	Wholesale funding	1,697,942	14,002,089	742,344	2,950,219	6,699,895	1,725,346	15,166,374	574,201	2,876,190	6,831,679
8	Operational deposits	-	-	-	-	-	-	-	-	-	-
9	Other wholesale funding	1,697,942	14,002,089	742,344	2,950,219	6,699,895	1,725,346	15,166,374	574,201	2,876,190	6,831,679
10	Liabilities with matching interdependent assets	-	-	-	-	-	-	-	-	-	-
11	Other liabilities	79,141	5,757,625	18,543	530,302	333,360	78,551	5,896,982	25,961	695,190	348,702
12	Derivative liabilities				-					-	
13	All other liabilities and equity not included in the above categories	79,141	5,757,625	18,543	530,302	333,360	78,551	5,896,982	25,961	695,190	348,702
14	Total available stable funding					10,617,314					10,872,710
Required Stable Funding (RSF) (2)											
15	High-quality liquid assets					432,744					579,161
16	Deposits held at financial institutions for operational purposes	39,575	11,214	-	-	25,394	65,160	8,569	-	-	41,149
17	Loans, repo transactions-related assets, securities and other similar assets	634,349	13,207,335	823,106	2,382,033	3,698,949	554,273	13,268,339	988,331	2,369,924	3,633,572
18	Loans to and repo transations with financial institutions (secured by level 1 assets)	-	10,129,137	6,662	2,718	46,811	-	9,861,100	10,264	3,103	39,480
19	Loans to and repo transations with financial institutions (not included in item 18)	632,765	1,586,449	55,763	771,822	1,138,607	550,999	1,558,763	68,573	887,753	1,246,491
20	Loans to and repo transations-related assets (not included in items 18, 19 and 22)	-	1,474,369	281,742	519,636	1,333,423	-	1,810,895	441,040	513,940	1,262,808
21	With a risk weight of less than or equal to 35% under the Standardized Approach for credit risk	-	1,196,065	133,946	26,197	648,455	-	1,555,468	305,179	26,881	607,688
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	1,584	17,380	478,939	1,087,857	1,180,108	3,274	37,581	468,454	965,128	1,084,793
25	Assets with matching interdependent liabilities	-	-	-	-	-	-	-	-	-	-
26	Other assets	44,358	1,028,699	-	2,488,041	2,443,170	45,043	481,175	-	2,670,714	2,643,894
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)				205,726	174,867				261,606	222,365
29	Derivative assets				366,214	366,214				524,197	524,197
30	Derivative liabilities (before deduction of variation margin posted)				18,193	18,193				25,736	25,736
31	All other assets not included in the above categories	44,358	1,028,699	-	1,897,908	1,883,896	45,043	481,175	-	1,859,175	1,871,596
32	Off-balance sheet items				139,008	87,529				139,970	87,848
33	Total required stable funding					6,687,791					6,985,630
34	Consolidated net stable funding ratio (NSFR)					158.7%					155.6%