



# Financial Presentation for Interim, FY2007

---

November 13, 2007

Japan Securities Finance Co.,Ltd

This document is the English translation for non-Japanese investors convenience. Although Japan Securities Finance intend to faithfully translate the Japanese documents into English, the accuracy and correctness of translation are not guaranteed, so you are kindly encouraged to refer to the original Japanese documents.



# Financial Presentation

---

# Financial Summary for Interim FY2007

Y mil

	Parent			Consolidated		
	FY2007 Interim	FY2006 Interim	Change	FY2007 Interim	FY2006 Interim	Change
Operating Revenues	<b>21,130</b>	16,232	+4,898 (+30.2%)	<b>26,597</b>	20,357	+6,240 (+30.7%)
EX Premium Charges	<b>17,255</b>	13,388	+3,866 (+28.9%)	<b>22,722</b>	17,514	+5,208 (+29.7%)
Operating Profit	<b>4,682</b>	4,972	▲289 (▲5.8%)	<b>5,365</b>	5,157	+207 (+4.0%)
Recurring Income	<b>5,006</b>	5,727	▲721 (▲12.6%)	<b>6,306</b>	5,134	+1,172 (+22.8%)
Net Income	<b>3,143</b>	4,329	▲1,185 (▲27.4%)	<b>4,083</b>	2,854	+1,228 (+43.0%)

# Operating Revenues by Each Business

	Ymil	
	Sep2006	Sep2007
<b>Margin Loan Business</b>	<b>10,625</b>	<b>13,081</b>
	(52.2%)	(49.2%)
Interest on Loans	5,644	6,652
Interest on collateral money of securities procured	353	814
Fees on Lending Securities	4,301	5,320
Premium Charges	2,843	3,874
Lending Fees	1,457	1,446
<b>General Loans and Bond Financing Business</b>	<b>586</b>	<b>728</b>
	(2.9%)	(2.7%)
Bond Financing	2	0
General Loans	462	499
Loans for Negotiable Margin Transactions	120	227
<b>Securities Lending Business</b>	<b>2,441</b>	<b>3,721</b>
	(12.0%)	(14.0%)
General Stock Lending	922	483
Bond Lending	1,518	3,237
<b>Trust Business</b>	<b>3,089</b>	<b>5,003</b>
	(15.2%)	(18.8%)
Interest on Loans	1,428	1,667
Trust Charges	90	100
Bond Trading	1,333	2,498
<b>Real Estate Management Business</b>	<b>456</b>	<b>559</b>
	(2.2%)	(2.1%)
<b>Others</b>	<b>3,158</b>	<b>3,504</b>
	(15.5%)	(13.2%)
Bond Trading (Parent only)	2,413	3,074
<b>Operating Revenues</b>	<b>20,357</b>	<b>26,597</b>
<b>(exclude Premium Charges)</b>	<b>17,514</b>	<b>22,722</b>

## 【Margin Loan】

- Loan Balance decreased, but Interest on Loans increased because of the hike of loan rate.
- Premium charges increased because over-lent issues increased.

## 【General Loan and Bond Financing】

- Loans for Negotiable Margin Transactions extended well.

## 【Securities Lending】

- Bond lending business extended because lending rate was hiked.
- Stock lending was sluggish as stock borrowing demands declined.

## 【Trust Bank】

- Loan Balance decreased, while loan rate was hiked because of the rise of short-term interest rate.

## 【Others】

- Increased because of the rise of JGB (FB/TB) coupon

# Financial Highlights

## 1 Margin Loan Balance decreased, YoY.

- Avg. Margin Loan Balance for 1H, FY2007: Y1,157bn (▲Y556bn, YoY)  
Avg. Stock Loan Balance for 1H, FY2007 : Y680bn (▲Y7bn, YoY)

## 2 Profit Margin expanded because the loan rate was hiked.

- Margin Loan Rate : Sep2006 0.86% → Sep2007 1.11%

## 3 Improvement of Gain/Loss in Equity Method

Equity Method Companies' performance improved

Interim, FY2007: Gain in Equity Method +Y658mil

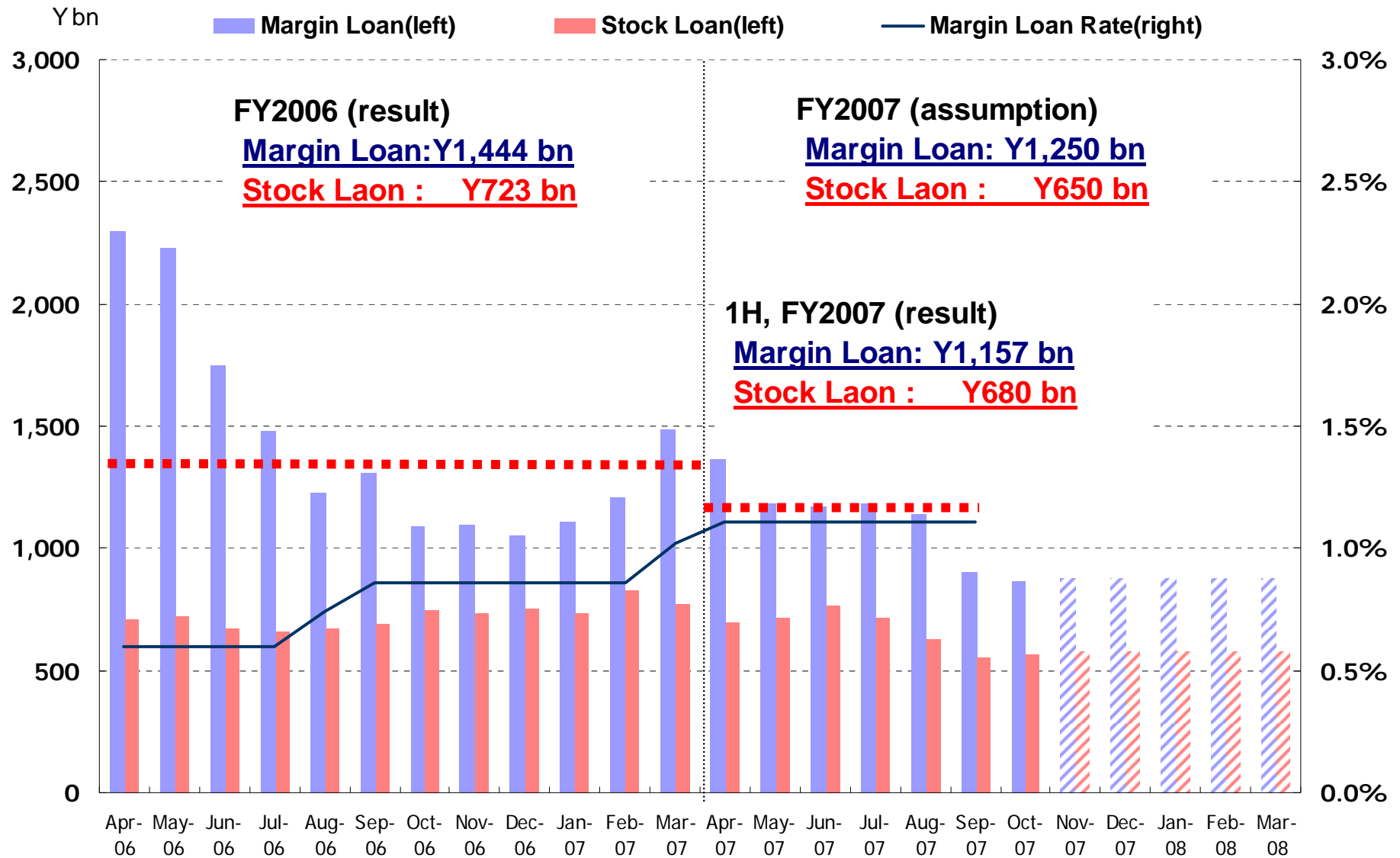
Interim, FY2006: Loss in Equity Method ▲Y197mil

## 4 Special Factors of last term disappeared

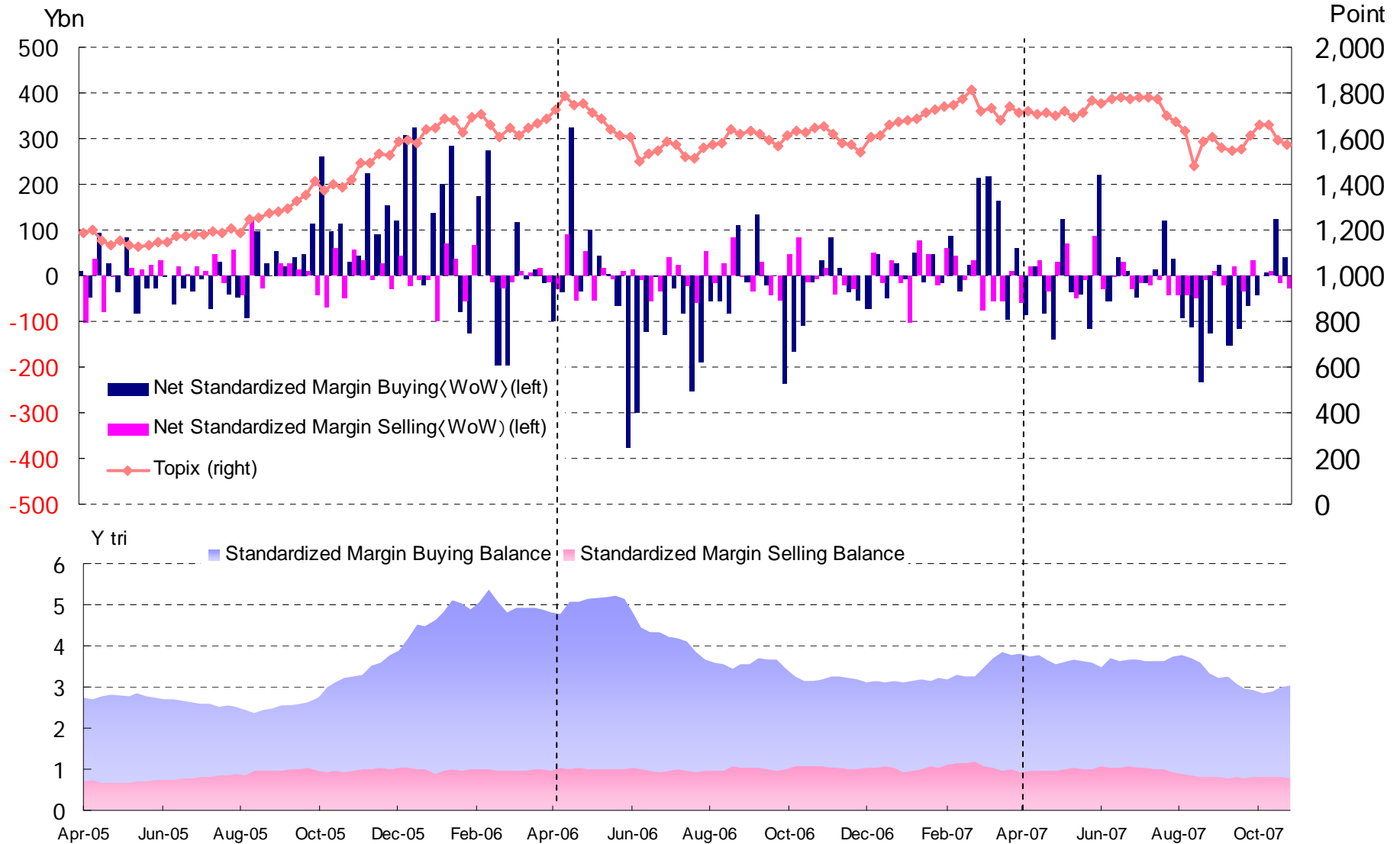
- <Parent> Decrease of dividends received and gain on sale of subsidiary equity
- <Parent/Con> Decrease of Reversal of Allowance for Doubtful Receivables
- <Con> Decrease of Dilution loss in equity method

		Sep07	Sep06
		Y mil	Y mil
·Dividends	Parent	274	709
·Reversal of Allowance for Doubtful Receivables	Parent	173	818
	Con	58	811
·Dilution Loss in equity interest	Con	-	-333

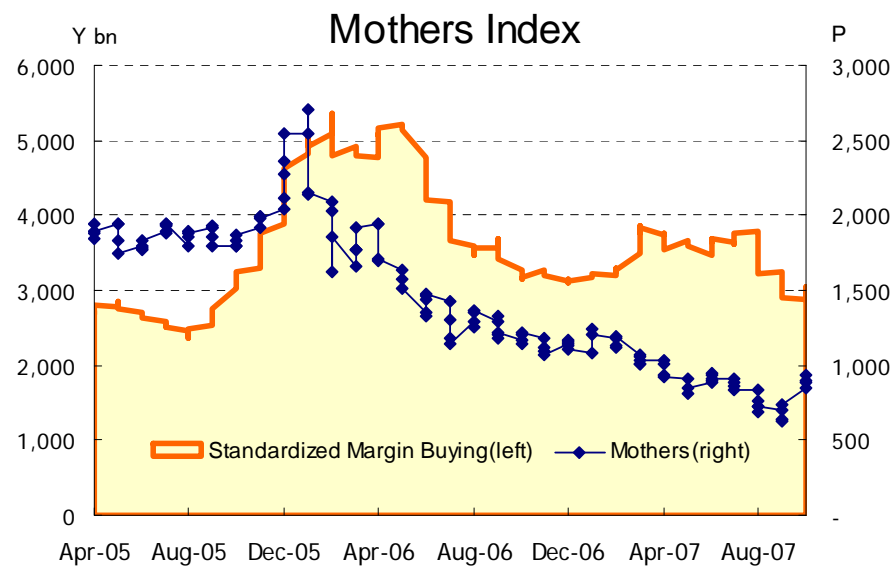
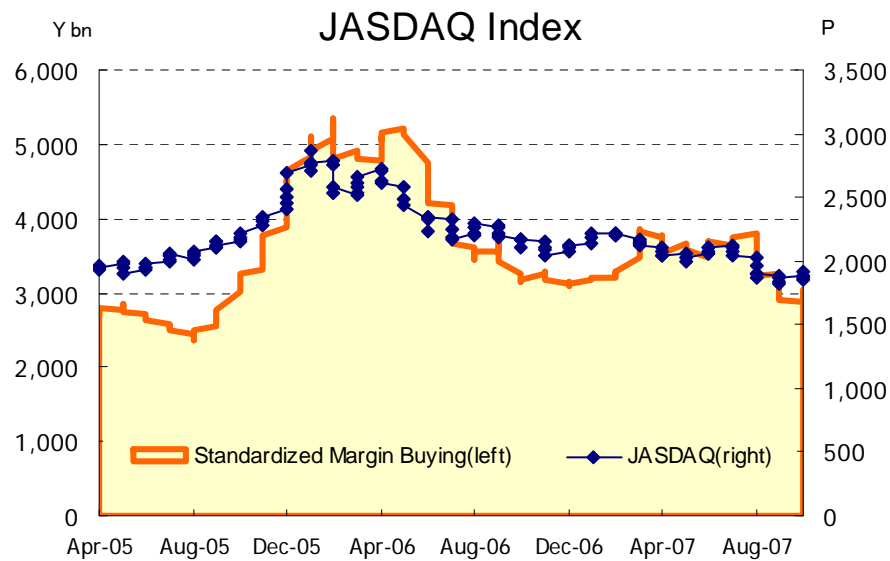
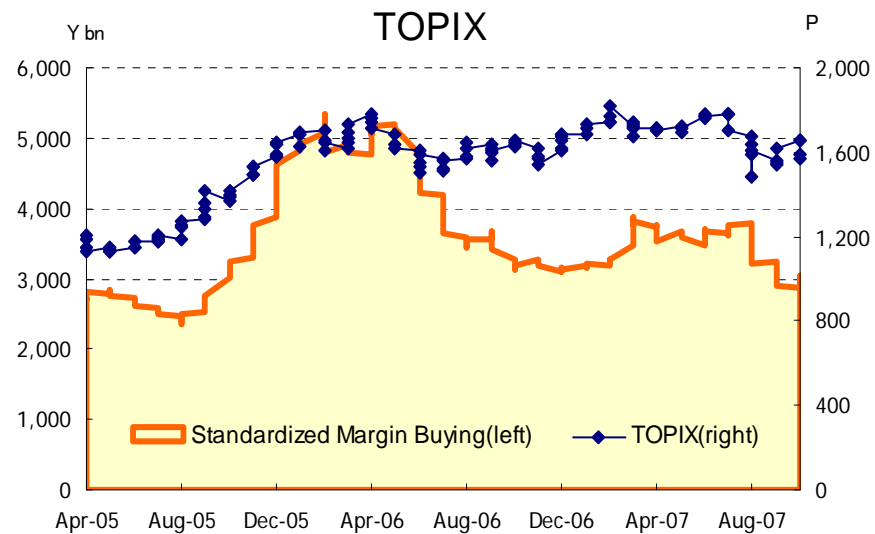
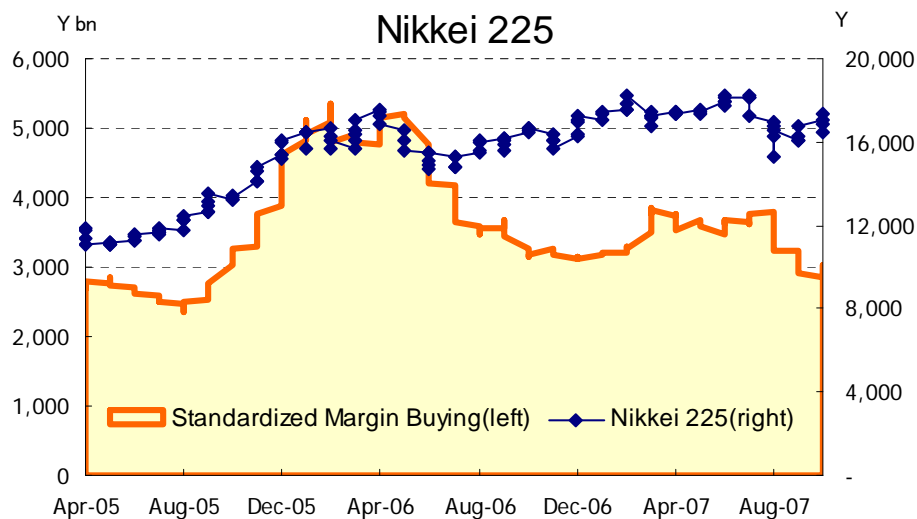
# Avg. Balance of Margin Loans and Stock Loans (TSE+JDQ)



# Present Condition of Standardized Margin Transactions(1)

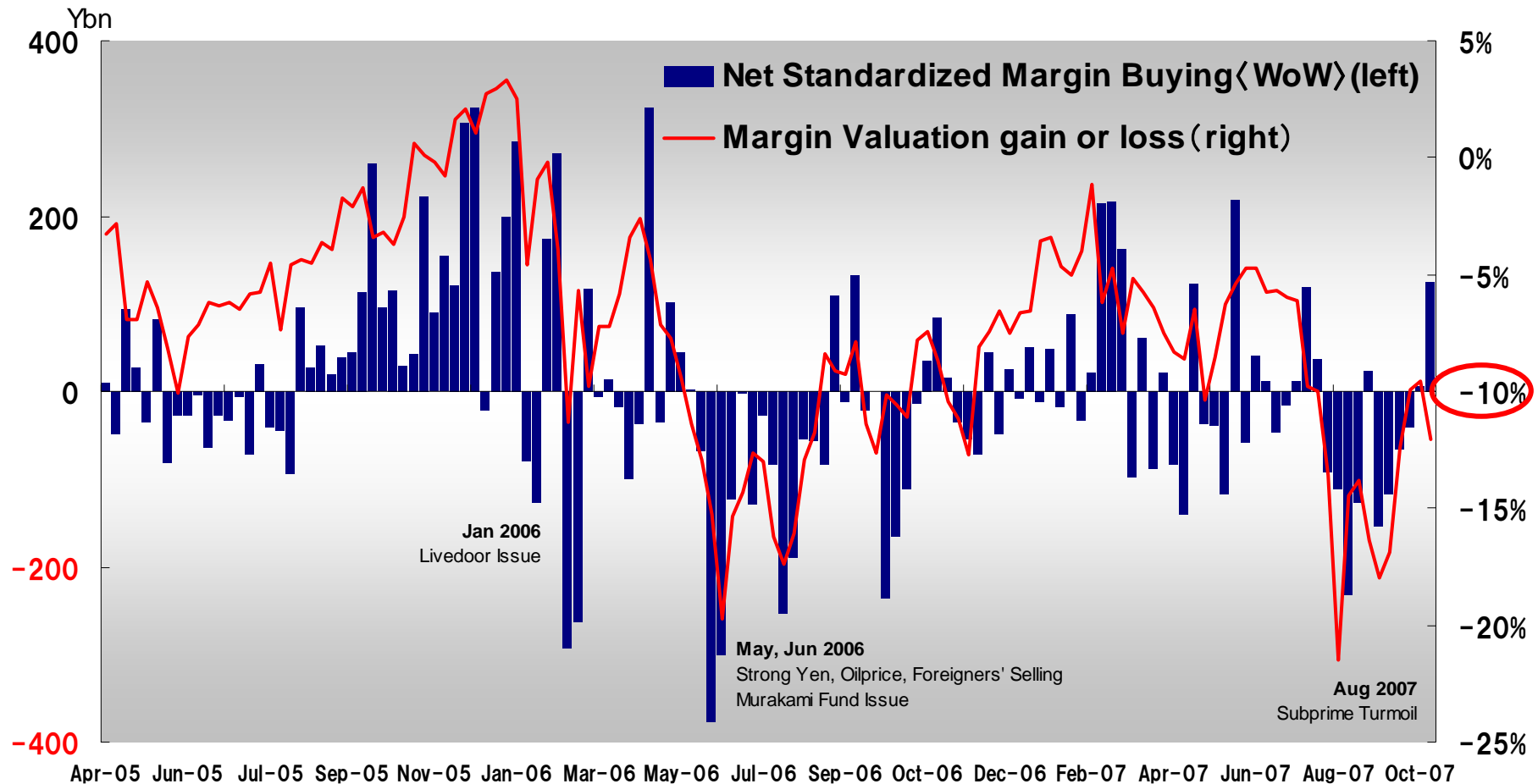


# Present Condition of Standardized Margin Transactions(2)

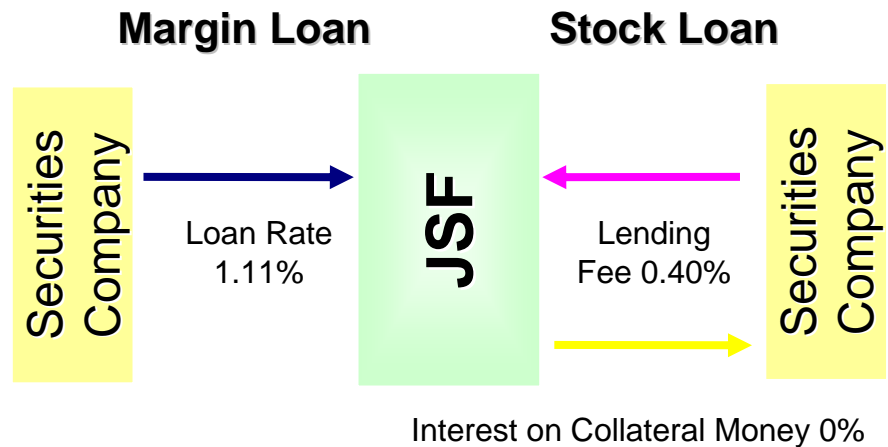


# Present Condition of Standardized Margin Transactions (3)

- ◆ Margin Valuation Gain or Loss of -10% is a borderline of increase or decrease.
- ◆ Margin Valuation Gain or Loss of -20% is on the same level as when Nikkei 225 fell below Y8,000 in Nov 2002.



# Margin Loan Rates

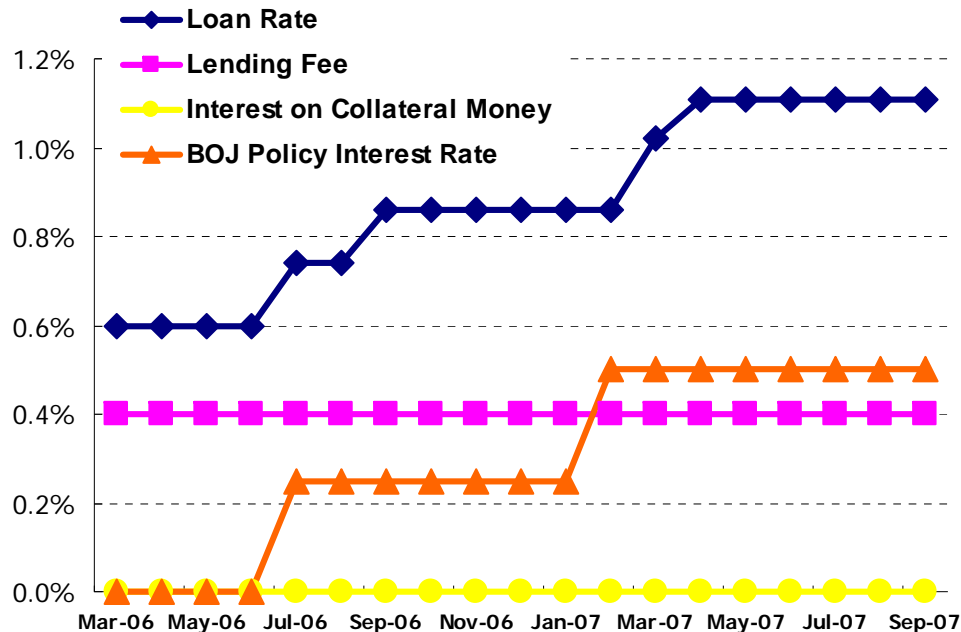


## BOJ Policy Interest Rate

- Jul 2006 Uncollateralized O/N Call Rate : **0.25%**
- Feb 2007 Uncollateralized O/N Call Rate : **0.50%**

## Change of Margin Loan Rate

- 27/Jul/2006 **0.74% (+0.14%)**
- 22/Sep/2006 **0.86% (+0.12%)**
- 15/Mar/2007 **1.02% (+0.16%)**
- 05/Apr/2007 **1.11% (+0.09%)**



◆ Margin Loan Rates are decided by reflecting the change of market rates and BOJ's Policy Interest Rate.

# Financial Results of JSF Trust Bank (1)

## Financial Results Interim FY2007

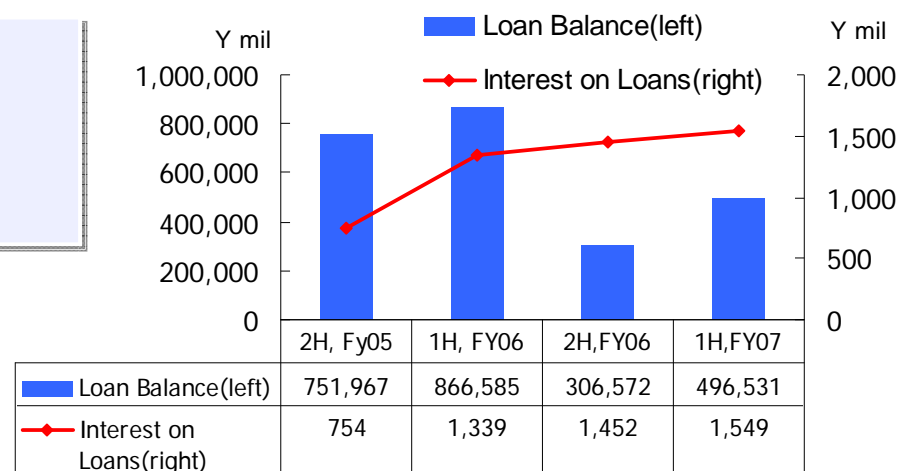
Recurring Revenues : Y5,371mil (+Y2,214mil, +70.1%, YoY)

Recurring Income : Y387mil (+Y219mil, +130.9%, YoY)

Net Income : Y228mil (+Y122mil, +115.7%, YoY)

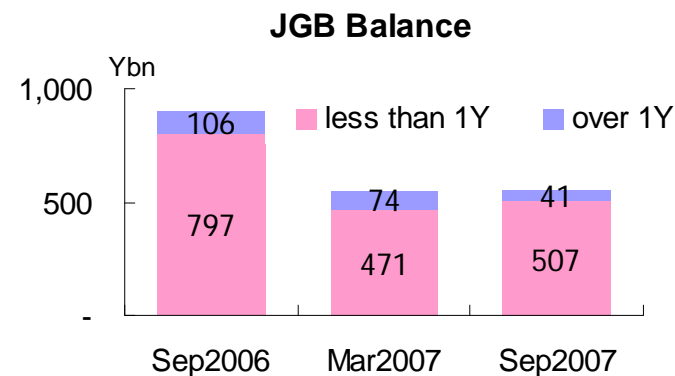
### Business Development Department

- Loan business, mainly syndicated loan
- Increase loan balance to government because loan rate were hiked



### Treasury Department

- Investment, mainly in JGB
- Decrease the balance of JGB and shorten its duration



# Financial Results of JSF Trust Bank (2)

## Financial Instruments Department

- Investment in Equity , Structured Bond and Investment Fund with adequate risk control

## Securities Account

	Sep06	Sep07
	Y mil	Y mil
JGB	903,688	548,277
Short Term Bond	64,978	5,993
Corporate Bond	16,697	28,592
Equity	4	2,763
Other Security	126	43,575
<b>Total</b>	<b>985,494</b>	<b>629,201</b>

## ◆ Amendment of Forecast for Mar2008

	Mar 2008		
	Revision	before	change
Recurring Revenues	12,000	13,000	▲1,000
Recurring Income	440	700	▲260
Net Income	260	400	▲140

Y mil

# JBIS Holdings

Japan Information Processing 「IT Management Business」  
 Japan Securities Agents 「Business Process Outsourcing  
 Business」



● Results of Management Integration

➢ Integration of securities operating business

- Combined to JIP's system (SIGMA21)
- Booked extra-ordinary loss for replacement cost and impairment of software at JSA

➢ Integration of Management Sources

- Sale of JIP's head office building to readjust head office function
- Booked extra-ordinary profit

Y mil

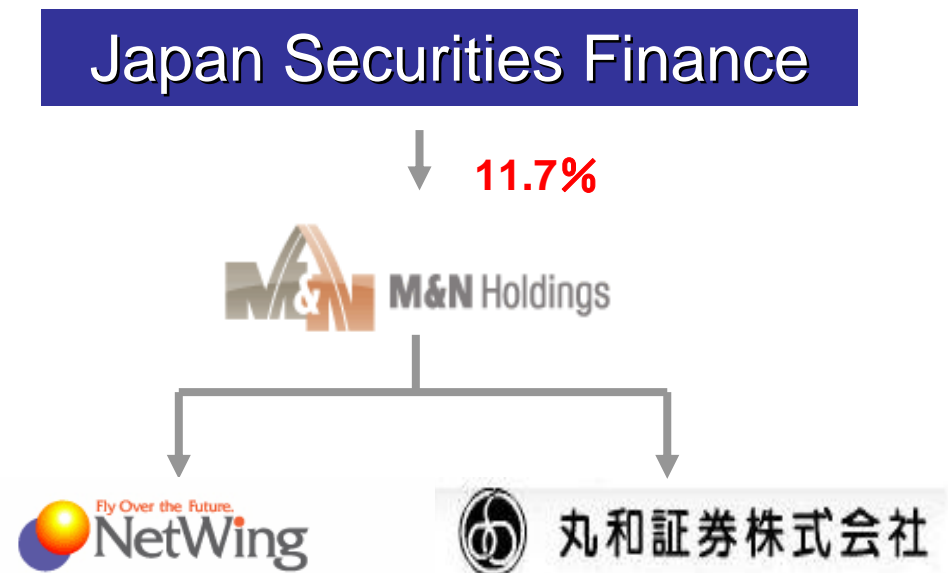
	Consolidated		Non-consolidated	
	Mar 2008 Forecast	Interim Results	Mar 2008 Forecast	Interim Results
Operating Revenues	49,000	21,445	920	457
Recurring Income	2,000	649	460	233
Net Income	3,200	3,007	460	231

# Business Integration of NetWing Securities and Maruwa Securities

**October 1, 2007**

## **Establish M & N Holdings with transfer of Equity Interest**

- ◆ Net Wing Securities will be out of equity-method company from 3Q.  
(Shareholding Ratio: 25.3%→11.7%)
- ◆ Dilution loss from changes in equity interest for about Y1bn will be booked.  
(included in consolidated forecast)



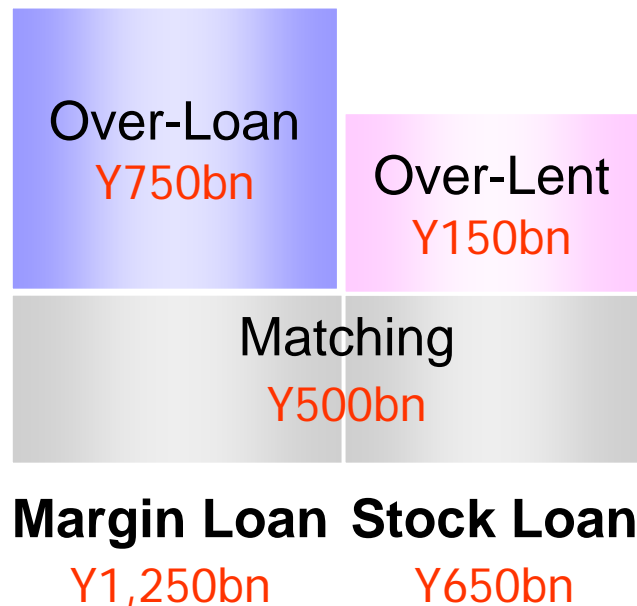
# Revision of Forecast for Mar 2008

Y mil

	Parent			Consolidated		
	Mar08 Revision	before	change	Mar08 Revision	before	change
Operating Revenues	<b>40,000</b>	<b>43,000</b>	▲3,000 (▲7.0%)	<b>53,000</b>	<b>57,000</b>	▲4,000 (▲7.0%)
Operating profit	<b>8,300</b>	<b>10,300</b>	▲2,000 (▲19.4%)	<b>9,300</b>	<b>11,600</b>	▲2,300 (▲19.8%)
Recurring Income	<b>8,800</b>	<b>10,700</b>	▲1,900 (▲17.8%)	<b>9,800</b>	<b>13,000</b>	▲3,200 (▲24.6%)
Net Income	<b>5,400</b>	<b>6,500</b>	▲1,100 (▲16.9%)	<b>5,000</b>	<b>7,100</b>	▲2,100 (▲29.6%)
EPS	<b>54.35</b>	<b>65.42</b>		<b>50.57</b>	<b>71.81</b>	
Main Factor	<ul style="list-style-type: none"> <li>Decline of Margin Loan Balance</li> </ul>			<ul style="list-style-type: none"> <li>Extraordinary loss by equity-method company (Japan Securities Agents)</li> </ul>		

# Assumption Balance of Loans for Margin Transactions

## Original Assumption



## Amended Assumption

### Margin Loan

▲ Y250bn



### Margin Loan Stock Loan

Y1,000bn

Y650bn

### Preconditions

- Loan Rate: 1.11%
- Interest on Collateral Money: 0%
- Lending Fee: 0.40%

# Forecast of Group Companies

	Shareholding Ratio	Interim, FY2007 Results			Mar 2008 Forecast		
		Operating Revenues*1	Recurring Income	Net Income	Operating Revenues	Recurring Income	Net Income
<b>Consolidated</b>		<b>26,597</b>	<b>6,306</b>	<b>4,083</b>	<b>53,000</b>	<b>9,800</b>	<b>5,000</b>
JSF	-	21,130	5,006	3,143	40,000	8,800	5,400
JSF Trust Bank	100%	5,371	387	228	12,000	440	260
Nihon Building	100%	741	386	236	1,480	570	330
JBIS Holdings	32.7%	457	233	231	920	460	460
NetWing Securities *2	25.3%	1,339	-91	-202	not consolidated		

\*1 Figure of JSF Trust Bank is Recurring Revenues.

\*2 NetWing Securities integrated with Maruwa Securities in Oct 2007, and out of Equity-Method from 3Q



# Management Matters

---

# Mid-term Management Plan

## Management Achievement (released in Mar06)

➤ Achieve Recurring Income **Y 12 billion** in FY2008

### Preconditions

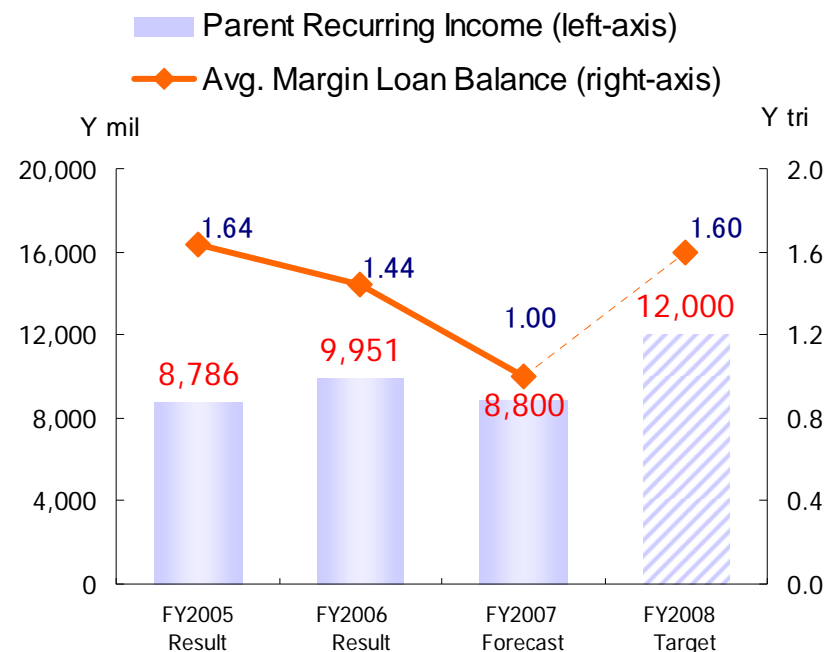
- ✓ Avg. Balance of Margin Loans for Y1.6tri in FY2008
- ✓ Short-term interest rate rise by 0.50%\* (\*0% in Mar2006 when planned)

### Preconditions

	FY2007	MMP FY2008
Avg. Margin Loan Balance	<b>Y1.00tri</b>	<b>Y1.60tri</b>
Short-term Interest Rate	<b>0.50%</b>	<b>0.50%</b>

## Business Strategy

1. Strengthen Margin Loan Business
2. Expand secured loan and stock loan through JSFNET
3. Boost Loans for Negotiable Margin Transactions and Loans to individuals through internet facility
4. Offer low-priced and good quality service by strengthening cash funding sources and effecting organization and business operation
5. Active action for Securities Settlement Systems Reform
6. Strengthen Corporate Governance and Risk Management, and Enhance Compliance Program
7. Review capital tie-up with group companies for synergy and unrestricted management

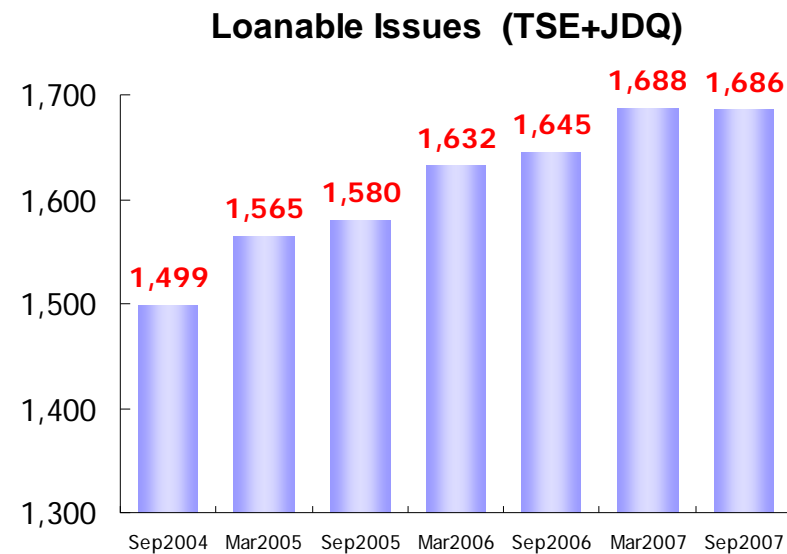
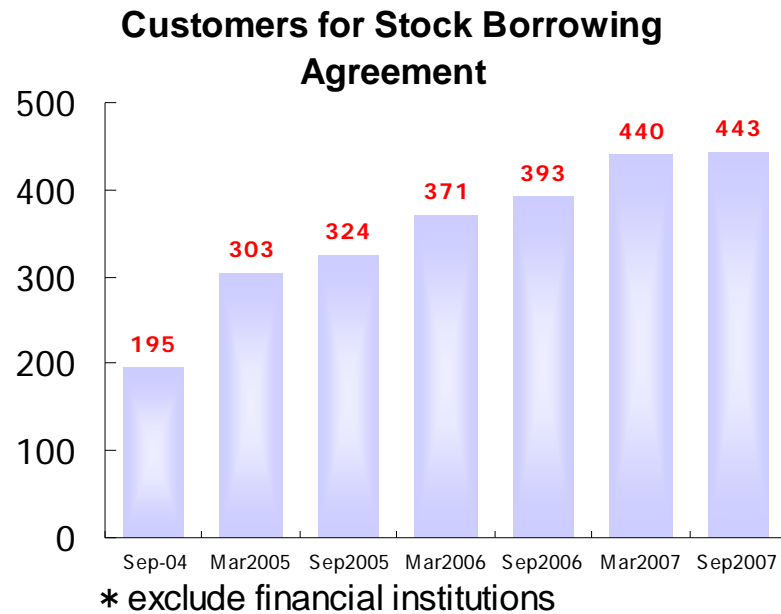


# Increase the number of Loanable Issues

- ◆ Improve the convenience of Loans for Margin Transactions by increasing the number of loanable issues

→ Increase the customers for borrowing stock certificates  
(443 customers as of Sep2007)

The number of Loanable issues 1,686 (▲2 from Mar07, +41 from Sep06)

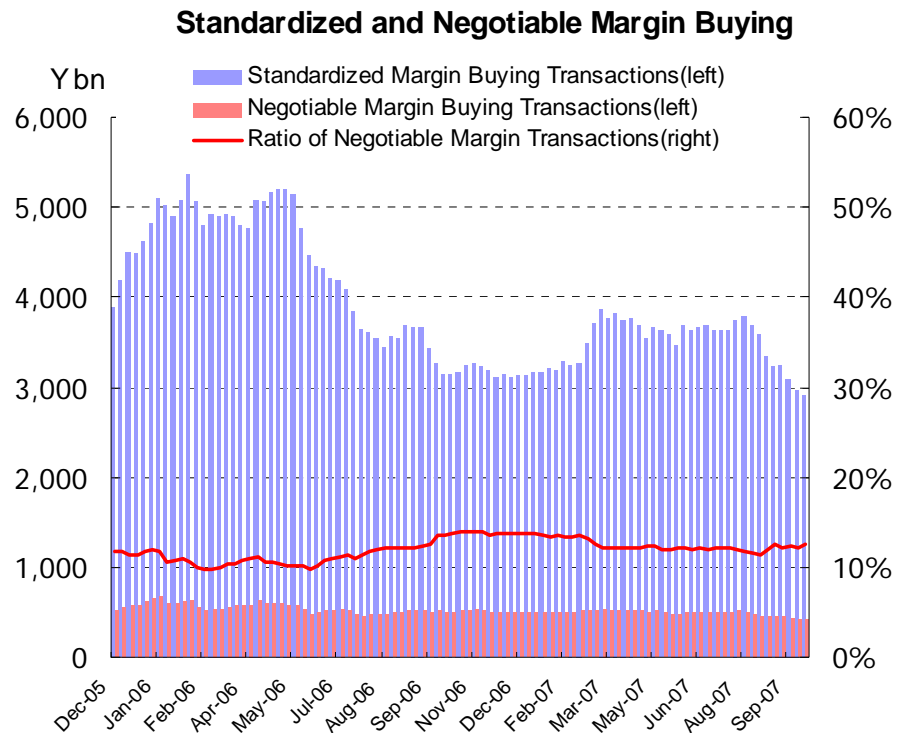
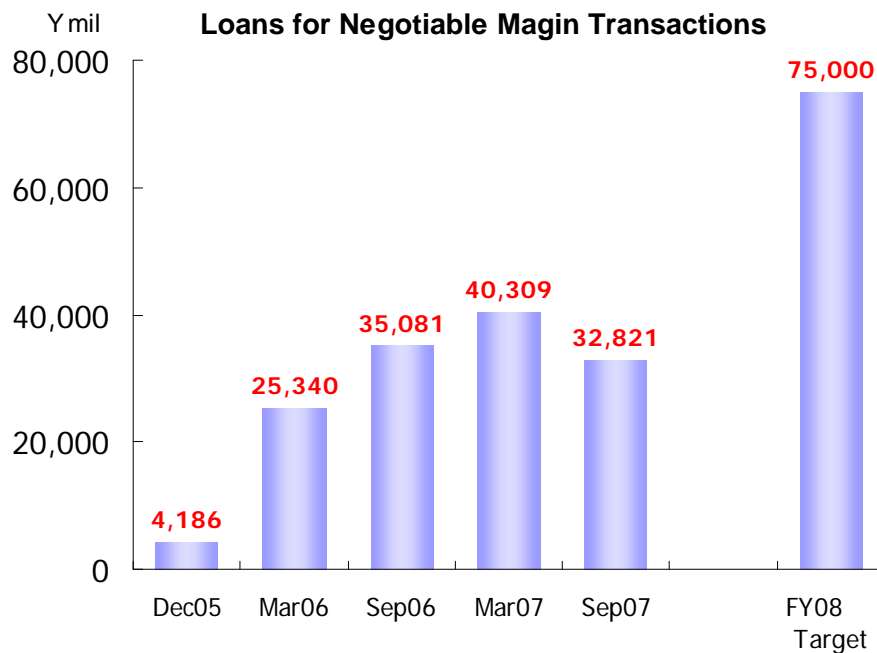


# Loans for Negotiable Margin Transactions

Target Avg. Loan Balance for FY08 : Y75bil

Outstanding Loan Balance as of Sep07 : Y32bil  
(contact with 11 securities companies)

- ✓ Negotiable Margin Buying Balance are stagnant due to sluggish stock market



# Expand Secured Loan

- ◆ Alliance for large amount secured loans on securities to customers
  - ◆ Offer low rate loan on securities to customers who have safekeeping deposit in securities companies
  - ◆ Effective funding for listed company owners to utilize company's own stocks
- ★ Alliance with Nomura Securities (announced on April 27)
- ★ Alliance with Shinko Securities (announced on July 23)

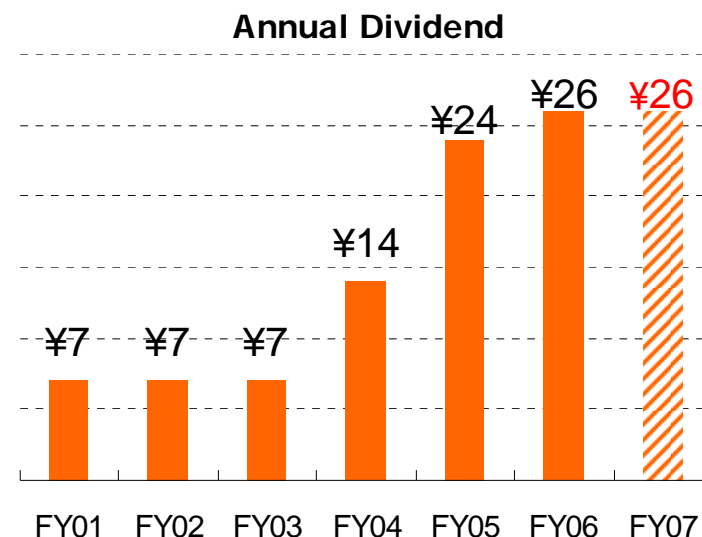
# Dividend Policy

## ◆ Dividend Policy

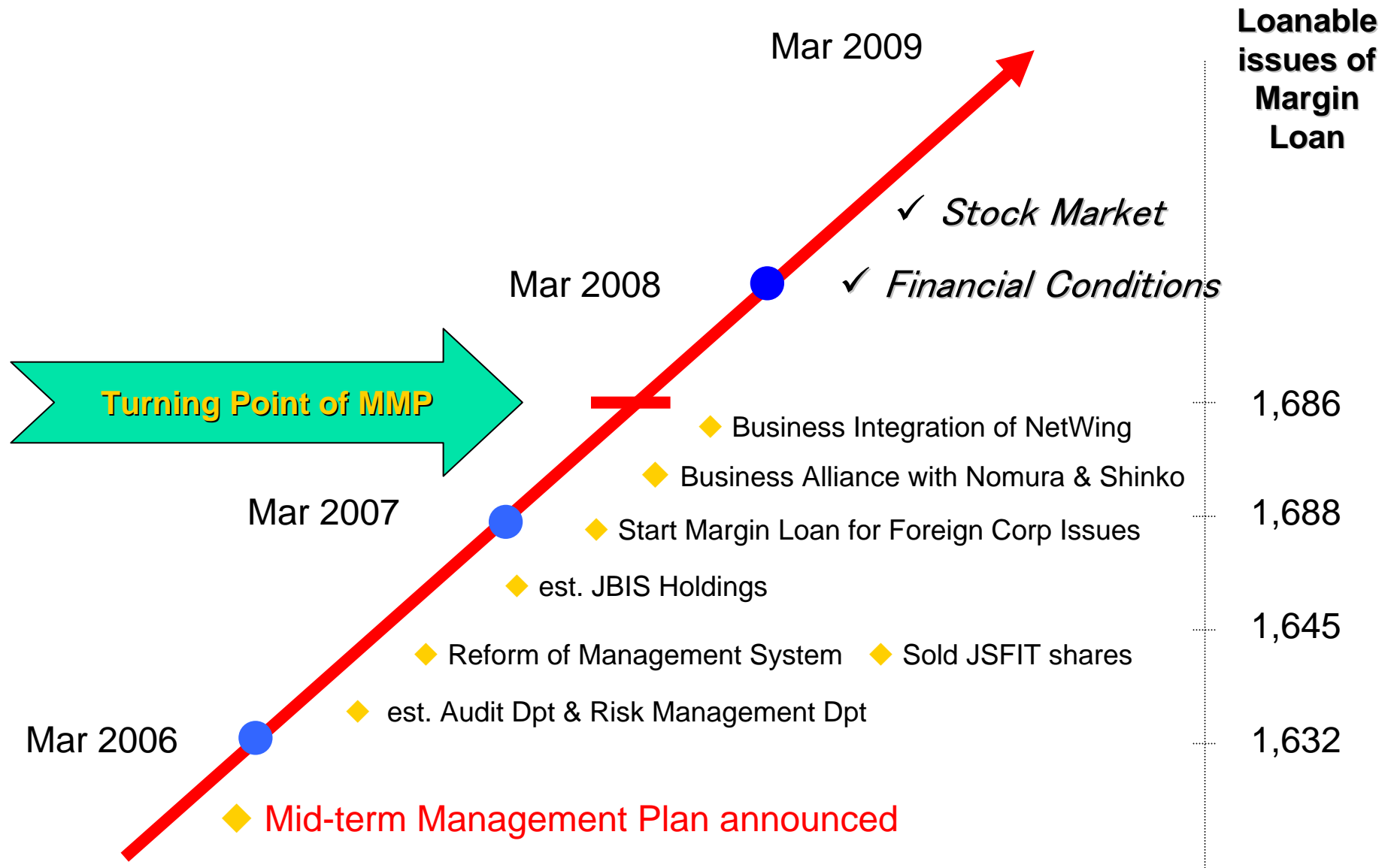
Basically, Dividend Payout Ratio of about 40% on Parent Financial Results, and considering Consolidated DPR or Dividend on Equity (DOE) Ratio

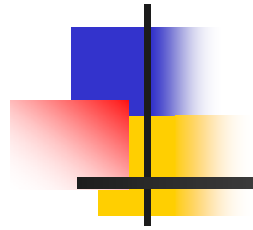
FY2007 (Forecast) : Annual Y26 (Interim Y13、year-end Y13)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Annual Dividend per share	Y7	Y14	Y24	Y26	Y26
(year-end)	Y7	Y14	Y14	Y14	Y13
(interim)	—	—	Y10	Y12	Y13
Parent : DPR	40.7%	41.8%	38.1%	38.1%	47.8%
Consolidated : DPR	18.1%	25.9%	49.0%	61.8%	51.4%
Consolidated : DOE	0.60%	1.14%	1.92%	2.05%	



# In Conclusion





# Appendix

---

# Operating Revenues by Each Business

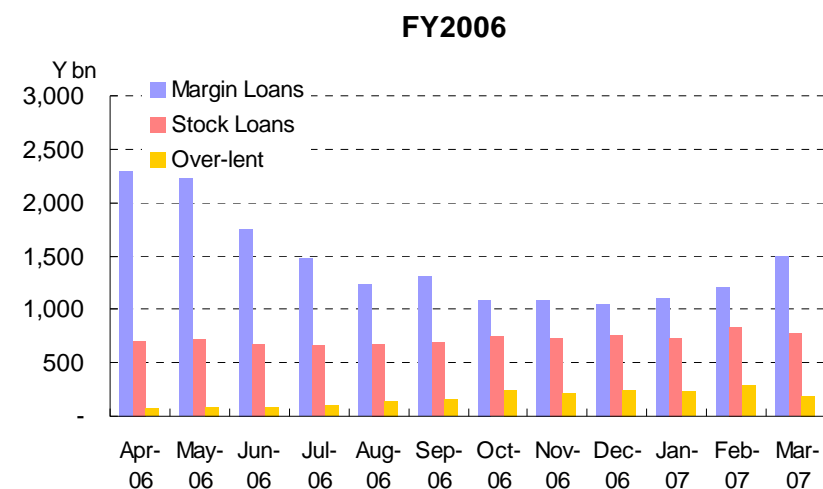
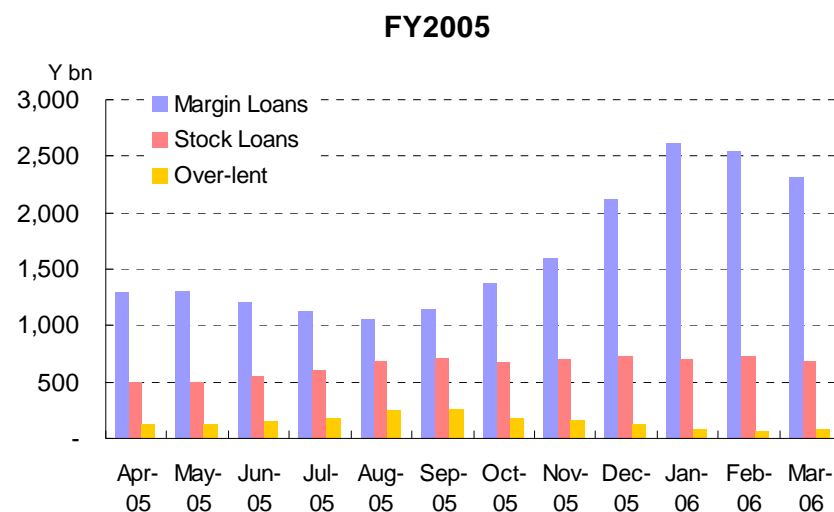
	Mar2005	Mar2006	Sep2006	Mar2007	Sep2007
					Ymil
<b>Margin Loan Business</b>	<b>17,309</b>	<b>22,993</b>	<b>10,625</b>	<b>23,186</b>	<b>13,081</b>
	(47.9%)	(61.8%)	(52.2%)	(53.3%)	(49.2%)
Interest on Loans	6,794	10,158	5,644	10,954	6,652
Interest on collateral money of securities procured	889	892	353	1,345	814
Fees on Lending Securities	9,040	11,226	4,301	10,224	5,320
Premium Charges	6,773	8,468	2,843	7,168	3,874
Lending Fees	2,267	2,757	1,457	3,056	1,446
<b>General Loans and Bond Financing Business</b>	<b>887</b>	<b>864</b>	<b>586</b>	<b>1,254</b>	<b>728</b>
	(2.5%)	(2.3%)	(2.9%)	(2.9%)	(2.7%)
Bond Financing	14	7	2	3	0
General Loans	873	835	462	934	499
Loans for Negotiable Margin Transactions	-	22	120	315	227
<b>Securities Lending Business</b>	<b>1,926</b>	<b>2,699</b>	<b>2,441</b>	<b>5,093</b>	<b>3,721</b>
	(5.3%)	(7.3%)	(12.0%)	(11.7%)	(14.0%)
General Stock Lending	1,015	1,465	922	1,441	483
Bond Lending	910	1,234	1,518	3,651	3,237
<b>Trust Business</b>	<b>8,205</b>	<b>4,286</b>	<b>3,089</b>	<b>6,981</b>	<b>5,003</b>
	(22.7%)	(11.5%)	(15.2%)	(16.0%)	(18.8%)
Interest on Loans	1,067	1,382	1,428	2,964	1,667
Trust Charges	227	161	90	177	100
Bond Trading	6,424	2,210	1,333	3,095	2,498
<b>Real Estate Management Business</b>	<b>938</b>	<b>871</b>	<b>456</b>	<b>1,014</b>	<b>559</b>
	(2.6%)	(2.3%)	(2.2%)	(2.3%)	(2.1%)
<b>Others</b>	<b>3,910</b>	<b>2,517</b>	<b>3,158</b>	<b>5,993</b>	<b>3,504</b>
	(10.8%)	(6.8%)	(15.5%)	(13.8%)	(13.2%)
Bond Trading (Parent only)	3,738	2,328	2,413	5,038	3,074
<b>Operating Revenues</b>	<b>36,145</b>	<b>37,226</b>	<b>20,357</b>	<b>43,523</b>	<b>26,597</b>
<b>(exclude Premium Charges)</b>	<b>29,372</b>	<b>28,757</b>	<b>17,514</b>	<b>36,355</b>	<b>22,722</b>

# Avg. & Outstanding Loan Balance

		FY2005	FY2006 Interim	FY2006	FY2007 Interim
Margin Loans	avg.	1,637,698	1,714,300	1,444,347	1,157,854
	term-end	2,328,082	1,360,073	1,634,700	938,923
Bond Financing	avg.	1,831	1,531	830	121
	term-end	19,029	28	27	20
General Loans	avg.	44,605	76,283	78,595	80,688
	term-end	78,269	75,831	79,832	74,658
Loans for negotiable margin transactions	avg.	2,559	28,978	33,770	38,267
	term-end	25,340	35,081	40,309	32,821
Sales under repurchase agreement	avg.	53,865	4,386	8,923	55,634
	term-end	12,000	39,972	-	-
Trust Bank Loans	avg.	1,016,474	813,509	711,937	389,259
	term-end	751,967	866,585	306,572	496,531
Others	avg.	5,578	7,102	7,300	7,500
	term-end	5,578	7,500	7,500	7,500
Total	avg.	2,760,053	2,617,114	2,251,934	1,691,058
	term-end	3,194,928	2,349,992	2,028,633	1,517,633
Stock Loans	avg.	651,097	688,103	723,840	680,602
	term-end	686,971	649,288	702,702	522,951

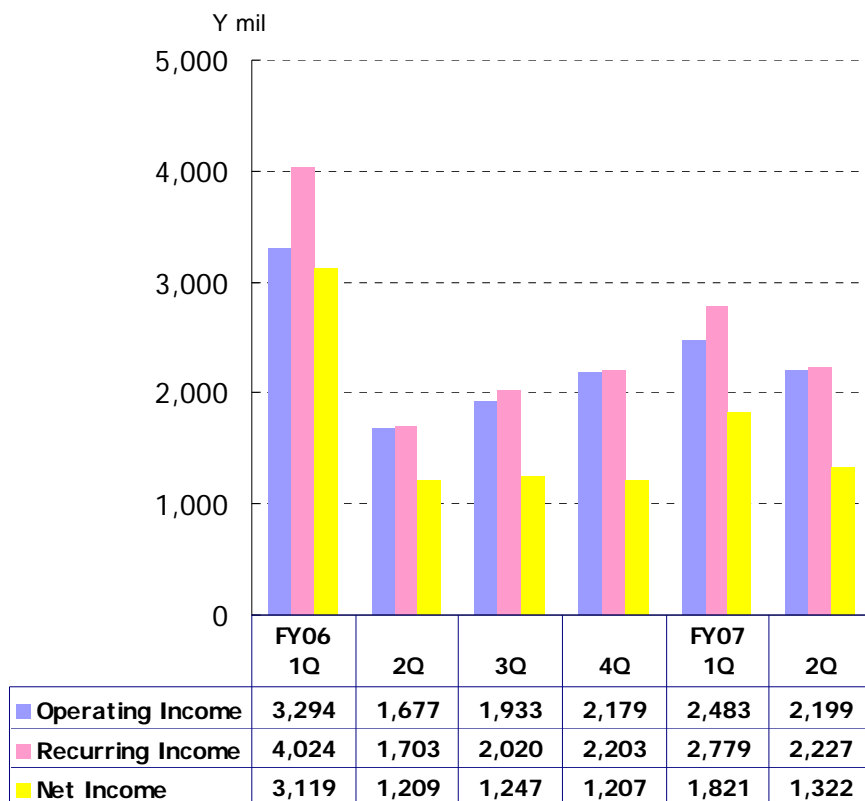
# Avg. Outstanding Balance of Loans for Margin Transactions (TSE+JDQ)

Avg. Outstanding Balance of Loans for Margin Transactions			
	Margin Loans	Stock Loans	Over-lent
	Ymil	Ymil	Ymil
Apr-05	1,292,532	499,829	127,463
May-05	1,305,067	499,983	123,740
Jun-05	1,204,245	555,151	155,245
Jul-05	1,129,026	603,556	185,565
Aug-05	1,063,898	686,895	243,755
Sep-05	1,138,582	717,519	260,159
Oct-05	1,379,057	678,944	178,868
Nov-05	1,589,823	705,198	164,850
Dec-05	2,114,206	734,854	122,397
Jan-06	2,611,080	706,533	79,309
Feb-06	2,551,836	734,126	69,810
Mar-06	2,316,552	694,530	85,632
<b>FY2005</b>	<b>1,637,513</b>	<b>651,097</b>	<b>150,092</b>
Apr-06	2,294,542	708,695	75,874
May-06	2,229,296	721,095	87,682
Jun-06	1,748,999	674,312	80,837
Jul-06	1,481,506	658,691	101,626
Aug-06	1,229,058	674,969	140,631
Sep-06	1,308,239	691,172	151,350
Oct-06	1,091,038	744,862	242,487
Nov-06	1,093,410	733,064	220,904
Dec-06	1,050,376	754,347	239,771
Jan-07	1,105,548	731,699	227,184
Feb-07	1,207,793	826,589	284,189
Mar-07	1,489,599	773,684	187,771
<b>FY2006</b>	<b>1,444,227</b>	<b>723,840</b>	<b>169,501</b>
Apr-07	1,365,354	700,067	167,136
May-07	1,183,300	718,665	167,657
Jun-07	1,169,562	762,655	171,847
Jul-07	1,184,015	717,193	155,468
Aug-07	1,138,913	629,082	128,628
Sep-07	904,412	555,178	134,789

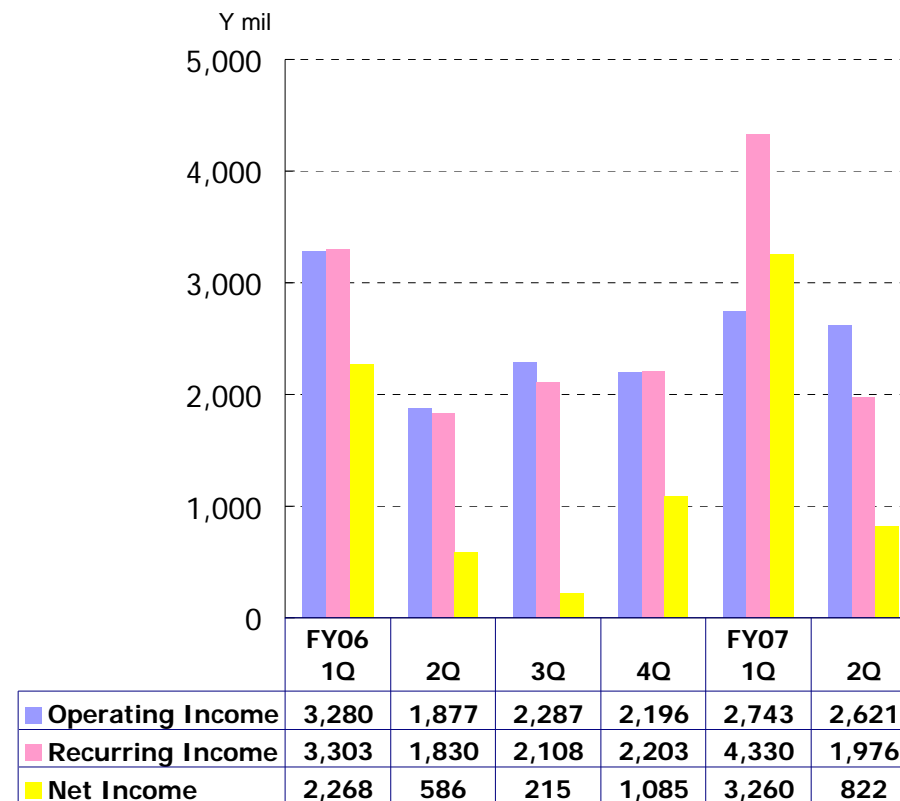


# Quarterly Results

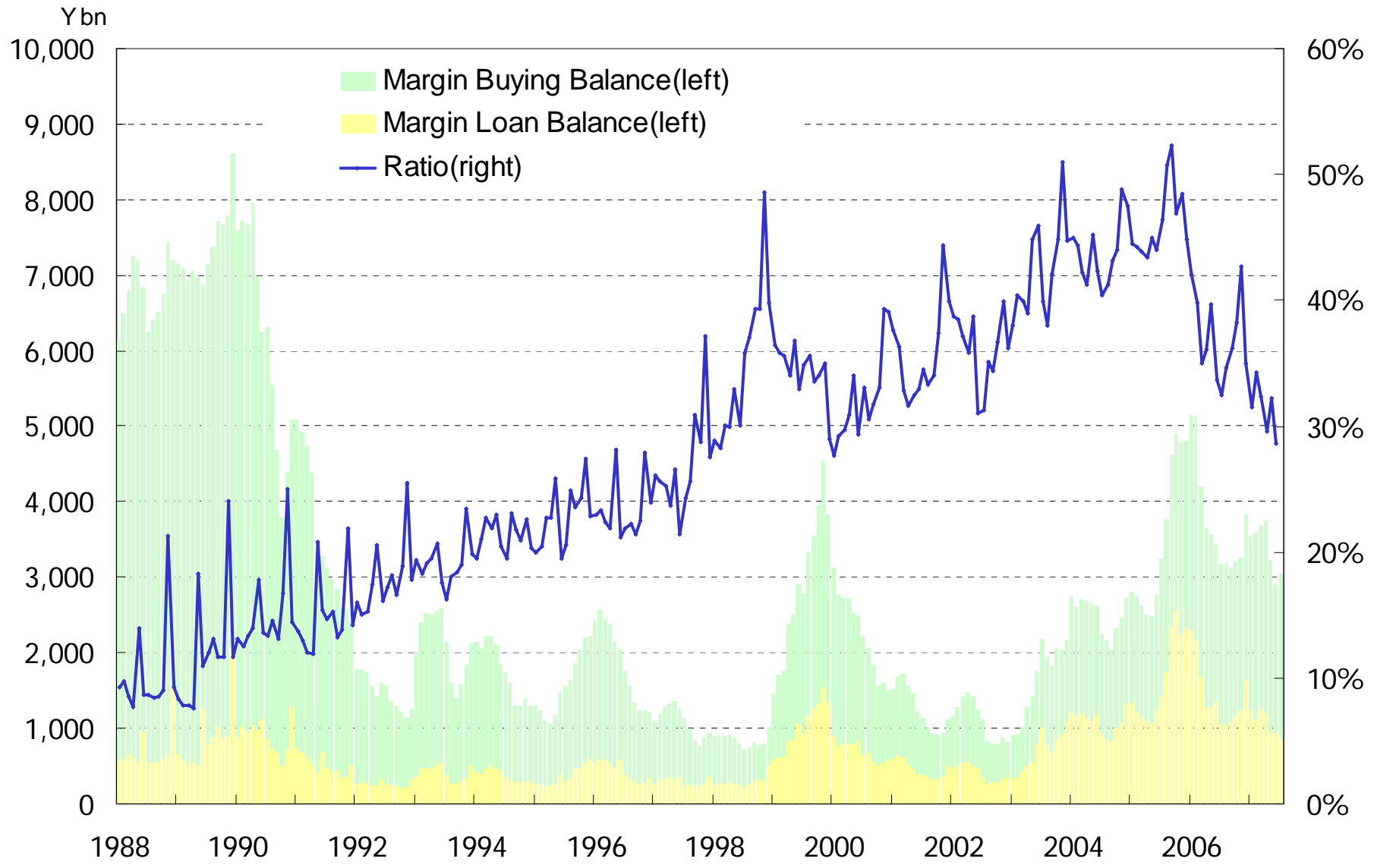
## Parent Income



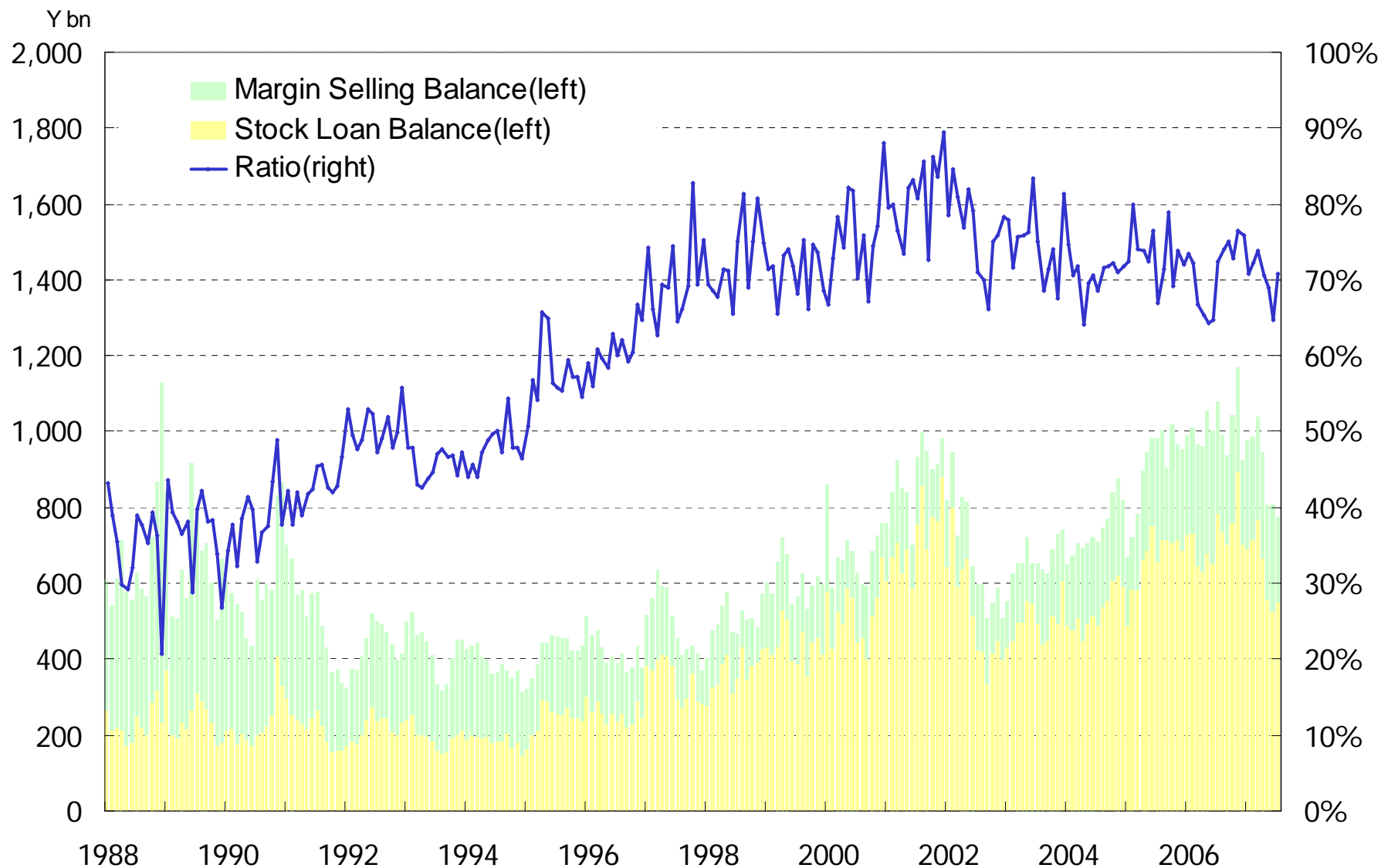
## Consolidated Income



# Margin Buying Transactions & JSF Margin Loans (TSE+JDQ)



# Margin Selling Transactions & JSF Stock Loans (TSE+JDQ)



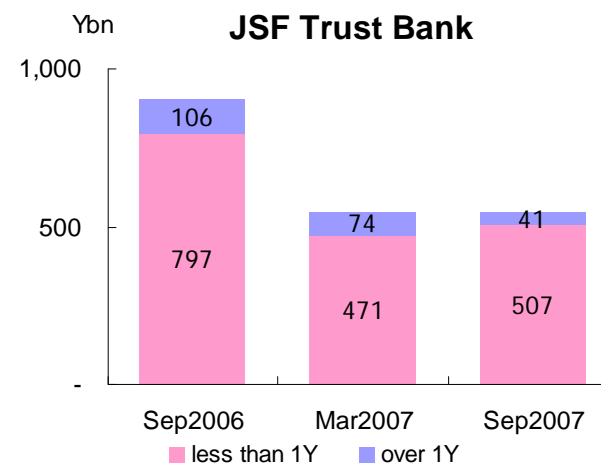
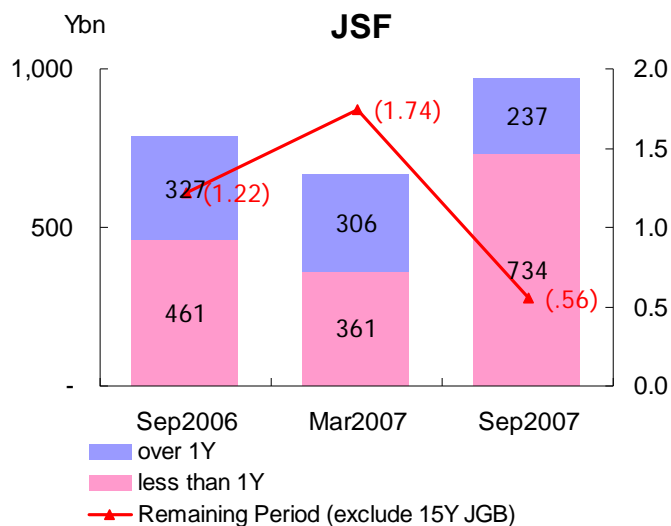
# Securities Account

	Sep2007	notes
<b>Assets</b>		
	Y mil	
Loans	<b>1,021,101</b>	
Margin Loans	938,923	margin loan
Bond Financing	20	
General Loans	74,658	
Loans for Negotiable Margin Transaction	32,821	
Others	7,500	
Collateral Money of Securities Borrowed	<b>844,367</b>	
Stock Loan	134,914	over-lent
Bond Lending	709,452	
<b>Securities Account</b>		
Securities Lent	<b>536,669</b>	
Loans for Margin Transactions	522,951	stock loan
Bond Lending	5,000	
Securities in Custody	<b>27,470</b>	
Equity	27,470	
Bond	-	
Securities in Deposit	<b>551,824</b>	over-loan
<b>Total of Securities Account</b>	<b>1,115,964</b>	

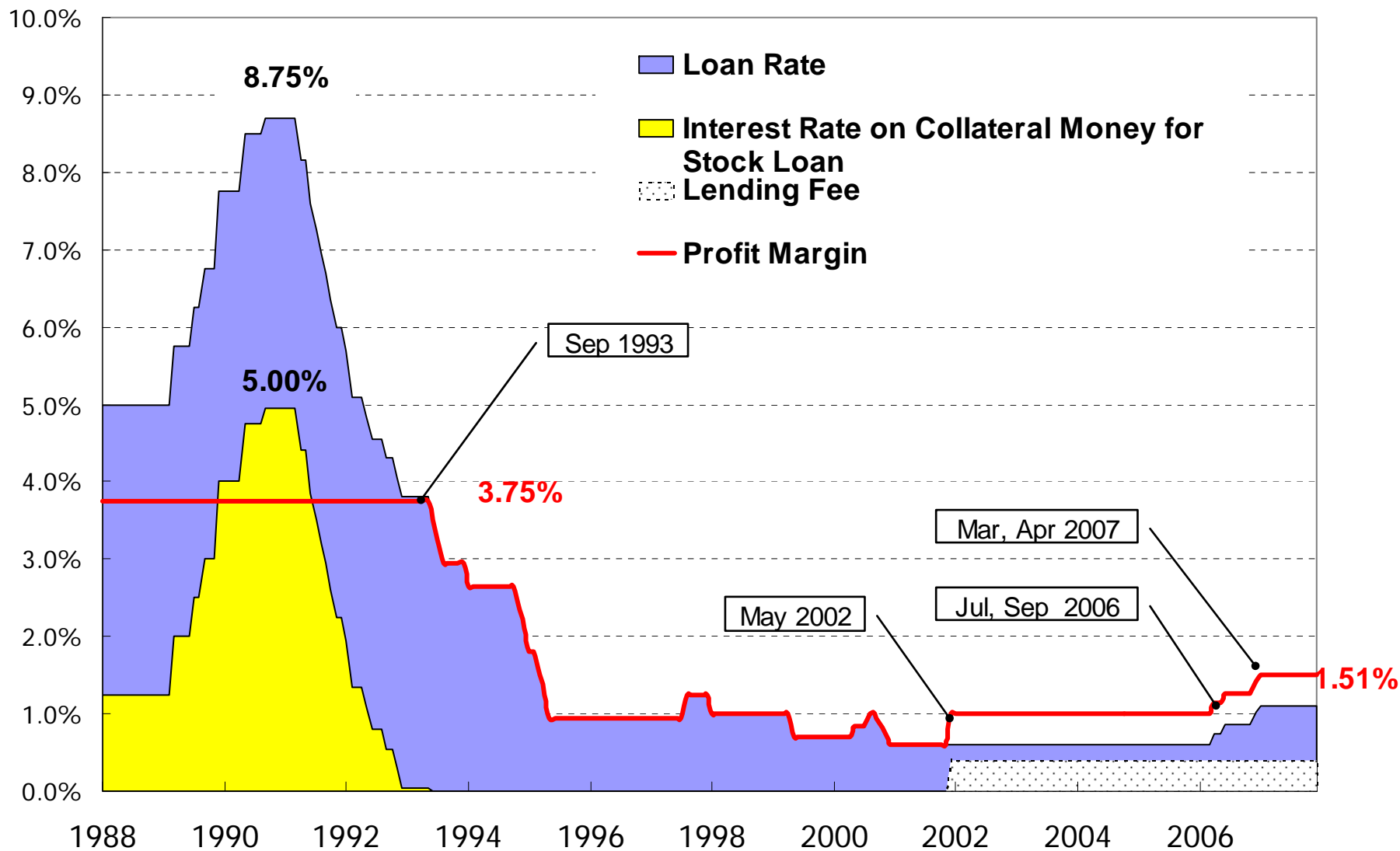
	Sep2007	notes
<b>Liabilities</b>		
Collateral Money of Securities Lent	<b>1,188,900</b>	
Margin Loans	522,951	stock loan
Bond Borrowing	657,922	
<b>Securities Account</b>		
Collateral Securities Deposited	<b>938,923</b>	margin loan
Securities Borrowed	<b>169,450</b>	
Loans for Margin Transactions	135,852	over-lent
Bond Borrowing	5,000	
Others	27,470	
Securities Lent Opposite Account	<b>7,591</b>	
<b>Total of Securities Account</b>	<b>1,115,964</b>	

# JGB Balance

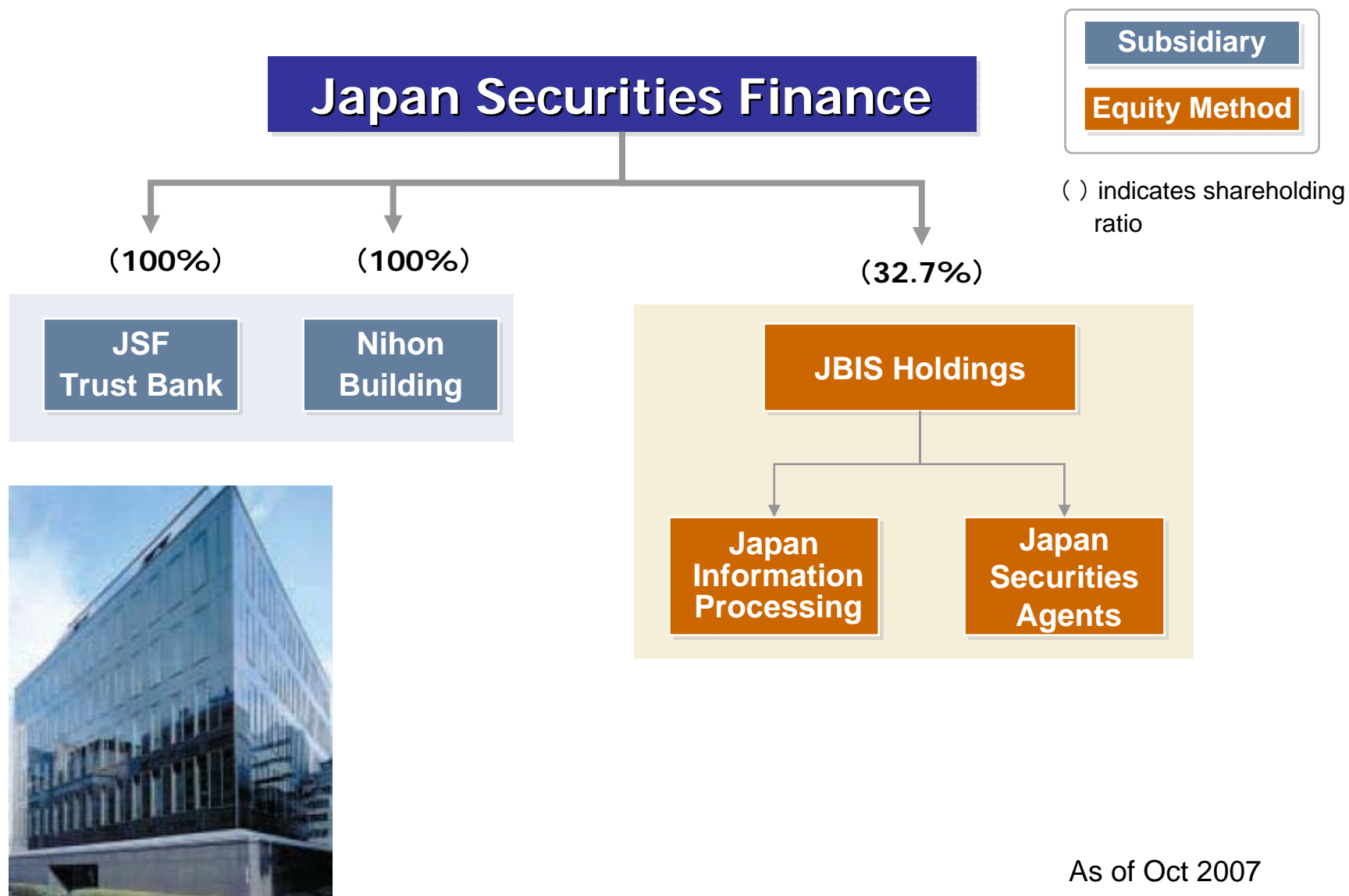
		Y mil		
		Sep2006	Mar2007	Sep2007
<b>JSF</b>	JGB Balance	787,148	666,327	970,887
	less than 1Y	460,647	360,517	733,566
	over 1Y	326,501	305,809	237,320
	(15Y floating JGB)	239,175	218,430	187,040
	Net unrealized gain or loss on securities on B/S	-2,344	-3,139	-3,415
Remaining Period (exclude 15Y JGB)		(1.22)	(1.74)	(.56)
<b>JSF Trust Bank</b>	JGB Balance	903,688	545,365	548,277
	less than 1Y	797,433	471,291	507,262
	over 1Y	106,254	74,074	41,014
	Net unrealized gain or loss on securities on B/S	-1,617	-1,472	-2,596



# Loan Rate of Loans for Margin Transactions



# JSF Group Companies



As of Oct 2007

# Notice

This document includes statements for business forecast. These statements don't guarantee our future achievement and that involve risk or uncertain factors. Our future achievement may be changed drastically up to stock market or financial conditions.