



‘BE UNIQUE. BE A PIONEER’ - JSF’S VISION FOR THE FUTURE OF SECURITIES FINANCE

Mr. Yutaka Okada
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Japan Securities Finance Co., Ltd. (“JSF”) is the only securities finance company in Japan. JSF’s core business is securities financing (lending funds and securities to financial institutions, etc.), which is centered on loans for margin transactions.

Recently, lending of High-Quality Liquid Assets (HQLA), mainly JGB, and transactions to provide yen and US dollars secured by Asian stocks, including Japanese stocks, have been expanding globally, and JSF is expanding its presence as a leading company in Japan in this field.

We interviewed Yutaka Okada, Senior Managing Executive Officer in charge of corporate planning for JSF.

Congratulations on winning the Best Corporate Governance Practices (Finance) Award. How would you analyze the reasons why you achieved this victory for the second time?

We are very pleased to have received this honorable award two years in a row. We maintain a keen awareness of business strategy initiatives and the strengthening of corporate governance in order to achieve sustainable growth and the enhancement of corporate value.

We attribute this to proactive initiatives on critical issues, including the enhancement of the function of the Board of Directors and the appointment of management. These initiatives have been effectively carried out under the organizational design of a company with a

nominating committee, etc. We believe that these efforts have been highly evaluated.

Could you share some specific initiatives regarding corporate governance?

Regarding the Board of Directors, we have structured a skill matrix through discussions within the Nominating Committee to ensure the board’s composition aligns with its responsibilities, including effective oversight and the formulation of medium- to long-term management policies in line with the Company’s business portfolio.

In addition, the Chairman of the Board of Directors and the Chairpersons of the Nominating Committee, the Remuneration Committee, and the Audit

Committee are all independent outside directors. To add more layers of expertise to the board’s skill set, the number of outside directors was increased in 2022.

The approach to the appointment of the management team and the succession plan for the Representative Executive Officer & President has been determined through discussions within the Nominating Committee, guided by our business portfolio strategy. Discussions on the long list of candidates are currently underway. We established the Corporate Governance Office to strengthen the secretariat function supporting the Board of Directors.

This office enhances board deliberations by providing directors with background briefings ahead of board meetings, sharing pertinent information, and facilitating opportunities for outside directors to exclusively exchange views.

Furthermore, we are actively advancing our disclosure of information to promote dialogue with shareholders and investors. In 2022, we began publishing an integrated report, and we have strived to improve the content of the report each year since then. In the autumn of 2024, we also completely renewed our corporate website and our Loans for Margin Transactions information site to enhance usability.

Thank you. I have a better understanding of the efforts to strengthen corporate governance. Can you share another initiative, in terms of business strategy, which serves as a major pillar of your efforts?

We have focused on diversifying our revenue streams and the factors that bring about fluctuations in these streams in an effort to build a business portfolio that supports stable, consistent growth. In the midst of these efforts, the segment showing the fastest growth has been securities financing, encompassing equity repo, bond repo and gensa-ki transactions, which originated from loans for margin transactions.

Securities financing is a relatively recent venture launched in the early 2010s, and we have actively fostered relationships with institutional investors and financial institutions in Japan. As to the global market, we have participated in securities lender forums, starting in



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Asia, to broaden our network of business partners and gain insights into diverse transaction needs. In recent years, there has been a notable rise in global demand for borrowing high-quality securities, primarily as collateral, driven by an increased emphasis on settlement security and financial regulations.

In response to this environment, we have steadily enhanced our performance over the past several years, further refining our ability to bridge liquidity between domestic and international markets, with a particular emphasis on securities.

While these attributes are also present in loans for margin transactions, securities financing is unique in that it is affected not only by securities market trends but also by the interest rate fluctuations. We anticipate that if interest rates have a greater function in Japan’s financial markets, this evolving environment will have a positive impact on our business operations.

Lastly, please offer a message to the readers.

Since transitioning to a company with a nominating committee, etc. in 2019, over the past five years

we have actively engaged in management and organizational reforms. In an effort to communicate our vision to both internal and external stakeholders, we have crafted a new corporate message, **“Be unique. Be a pioneer.”**

This message expresses what we want to be—a company that, as Japan’s only securities finance company, agilely and flexibly addresses the financing needs of securities and financial market participants while incorporating advances in financial technology in a constantly changing environment thereby pioneering the future of both the markets and JSF.

As a leading company in the securities finance industry, including loans for margin transactions, we aim to grow in tandem with the development of the financial and securities markets, responding swiftly to the evolving needs of markets that are increasingly shaped by the complexities of financial globalization.

In the future as well, we will continue to contribute to the realization of a sustainable society through various measures and initiatives aimed at enhancing market liquidity.