

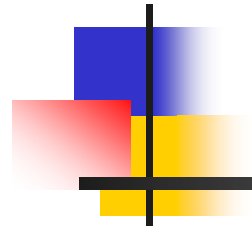


# Financial Presentation for 1Q, FY2014

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Japan Securities Finance Co., Ltd.

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# Financial Summary

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# Financial Summary for 1Q, FY2014

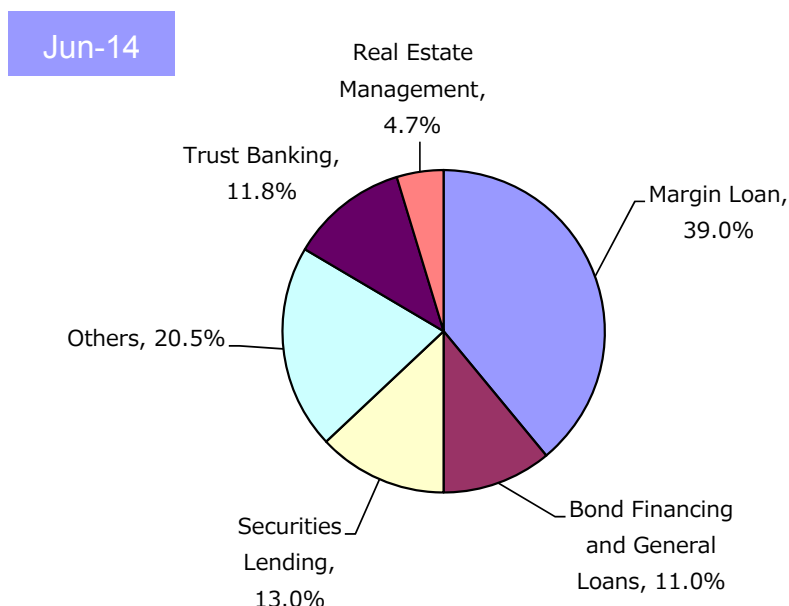
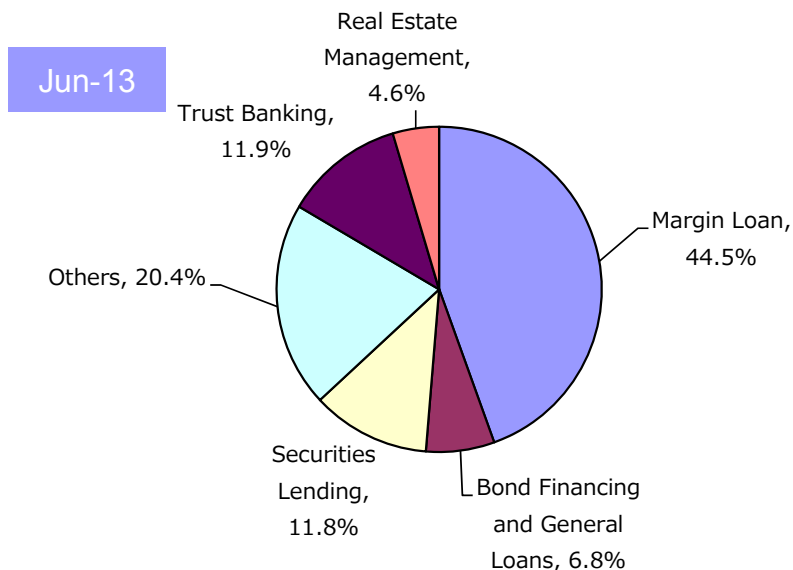
¥ mil

		Parent			Consolidated		
		FY2013 1Q	FY2014 1Q	Change	FY2013 1Q	FY2014 1Q	Change
Operating Revenues		<b>3,969</b>	3,942	▲26 (▲0.7%)	<b>4,738</b>	4,713	▲25 (▲0.5%)
	EX Premium Charges	3,194	3,333	139 (4.4%)	3,963	4,104	140 (3.5%)
Operating Expenses		1,787	1,654	▲132	2,052	1,941	▲111
General & Administrative Expenses		1,571	1,638	67	2,189	1,651	▲538
Operating Profit		<b>610</b>	648	38 (6.2%)	<b>496</b>	1,121	624 (125.7%)
Gain or Loss in Equity-Method		—	—	-	36	▲62	▲98
Recurring Income		<b>803</b>	1,048	245 (30.5%)	<b>630</b>	1,352	722 (114.7%)
Extraordinary Profit or Loss		—	—	—	▲3	—	▲3
Net Income		<b>544</b>	770	226 (41.5%)	<b>319</b>	1,015	695 (217.3%)

※Comprehensive income: 986¥mil (Jun-14) ▲1,692¥mil (Jun-13)

# Breakdown of Operating Revenues by business

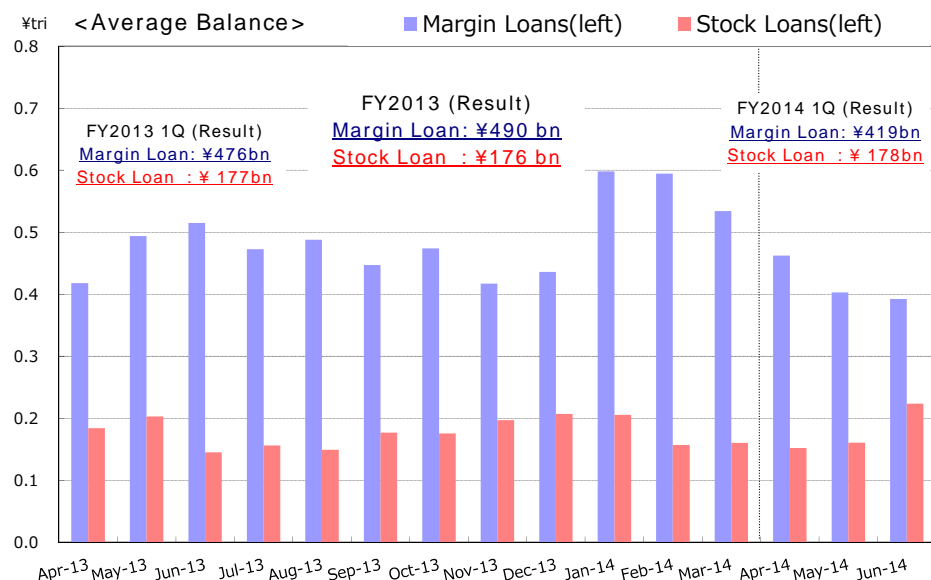
	¥ mil	
	Jun-13	Jun-14
<b>Securities Finance Business</b>	<b>3,958</b>	<b>3,936</b>
Margin Loan Business	2,111	1,839
	(44.5%)	(39.0%)
Interest on Loans	983	851
Interest on collateral money of securities	95	130
Fees on Lending Securities	968	799
Premium Charges	774	609
Lending Fees	193	190
<b>Bond Financing and General Loans Business</b>	<b>320</b>	<b>521</b>
	(6.8%)	(11.0%)
Bond financing & General Loans	129	317
Loans for Negotiable Margin Transactions	74	66
<b>Securities Lending Business</b>	<b>561</b>	<b>608</b>
	(11.8%)	(13.0%)
General Stock Lending	100	148
Bond Lending	460	459
<b>Others</b>	<b>964</b>	<b>967</b>
	(20.4%)	(20.5%)
Bond Investment (Parent only)	937	938
<b>Trust Banking Business</b>	<b>564</b>	<b>555</b>
	(11.9%)	(11.8%)
Interest on Loans	101	56
Trust Charges	112	124
Bond Investment	344	367
<b>Real Estate Management Business</b>	<b>215</b>	<b>221</b>
	(4.6%)	(4.7%)
<b>Operating Revenues</b>	<b>4,738</b>	<b>4,713</b>
(excluded Premium Charges)	3,963	4,104



# Financial Highlights for FY2014, 1Q ①

## 1 Margin Loan Balance for 1Q, FY2014

	Avg. Margin Loan	Avg. Stock Loan	Loan Rate (as of Jun)		Jun-13	Jun-14	Change
	bn	bn	%				
FY2014 1Q	419	178	0.77	Margin Loan Business	2,111	1,839	12.9%
FY2013 1Q	476	177	0.77	Interest on Loans	983	851	▲13.4%
(change)	▲57	1	—	Interest on collateral money of securities borrowed	95	130	36.5%
【Reference】				Fees on Lending Securities	968	799	▲17.4%
FY2013	490	176	0.77	Premium Charges	774	609	▲21.4%
				Lending Fees	193	190	▲1.5%



- ◆ Margin Loans balance decreased by 57 billion yen in comparison with the same period a year ago. Stock Loans balance was the same level as the same period a year ago.
- ◆ Interest on loans and Premium Charges decreased. Therefore, Operating Revenues of this business decreased 12.9% in comparison with the same period a year ago.

# Financial Highlights for FY2014, 1Q ②

## 2 General Loans increased

- ◆ Loans to Brokers increased by making loan conditions more flexible
- ◆ Loan to individual Investors or Firms increased by the Merger with OSF

### 【Loan Lineup】

Loan to  
Brokers

Loan to  
individual  
Investors or  
Firms

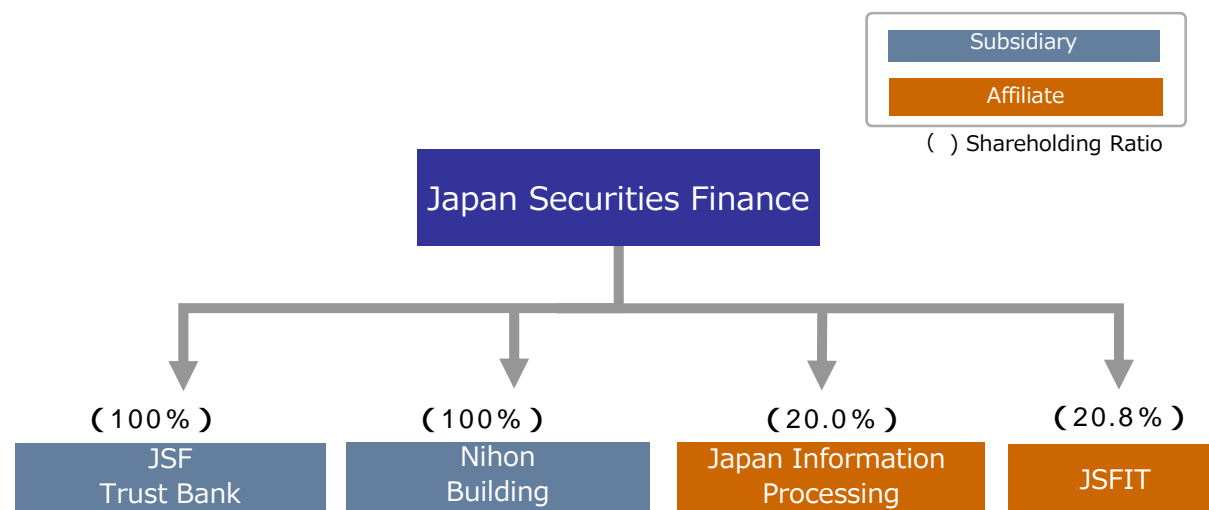
- ◆ General Loans
- ◆ Bond Financing
- ◆ Loans for Negotiable margin Transaction
- ◆ Stabilizing fund loan
- ◆ Equity Repo (Cash-secured Stock Lending Transaction)
- ◆ COM-STOCK Loan
- ◆ Secured Loans on Securities

## 3 G&A expenses decreased by reversal of Allowance for doubtful receivables

- ◆ Reversal of allowance of doubtful receivables was posted due to repayment of a debt from one obligor of JSF Trust Bank.

		¥mil		
		FY2013 1Q	FY2014 1Q	change
General & Administrative Expenses		2,189	1,651	▲538
Allowance for Doubtful Receivables	Provision	327	—	▲327
	Reversal	-	▲344	▲344

# Financial Results of Group Companies



¥ mil

	Shareholding Ratio	FY2014,1Q Results			(Reference) FY2013 1Q Net Income
		Operating Revenues	Recurring Income	Net Income	
Consolidated		4,713	1,352	1,015	319
JSF	-	3,942	1,048	770	544
JSF Trust Bank	100%	839*	332	332	▲229
Nihon Building	100%	319	177	118	79
Equity-method	Gain or Loss in Equity-Method			▲62	36

\* Figure of JSF Trust Bank is Recurring Revenues.

# Financial Results of JSF Trust Bank

¥mil

	FY2013 1Q	FY2014 1Q	change
<b>Recurring Revenues</b>	<b>565</b>	<b>839</b>	273
Trust charges	112	124	11
Reversal of Allowance for Doubtful Receivables	-	283	283
<b>Ordinary Expenses</b>	<b>794</b>	<b>507</b>	▲287
Provision of Allowance for Doubtful Receivables	315	-	▲315
<b>Recurring Income</b>	<b>▲228</b>	<b>332</b>	561
<b>Net Income</b>	<b>▲229</b>	<b>332</b>	561
<b>Equity Ratio</b>	<b>44.77%</b>	<b>71.36%</b>	

## Financial Highlights for 1Q, FY2014

- ◆ Trust charges increased compared with the year-earlier period. The main reason was an increase of trustee balance.
- ◆ Interest on Loans decreased, because loan balance decreased and loan spread narrowed.
- ◆ Posted reversal for Allowance for Doubtful Receivables due to repayment of a debt from one obligor.
- ◆ Therefore, Recurring Income and Net Income turned a profit.



# Estimated Figures for FY2014

## Precondition Balance of Margin Loans

FY2014 Precondition	
Over-lent Margin Loan ¥280bn	Over-lent Stock Loan ¥80bn
Matching ¥140bn	
Margin Loan ¥420bn	Stock Loan ¥220bn

(Reference)  
1Q FY2014 Results

Over-lent Margin Loan ¥308bn	Over-lent Stock Loan ¥67bn
Matching ¥110bn	
Margin Loan ¥419bn	Stock Loan ¥178bn

¥mil

	FY2014 Estimated Figures			(Reference) FY2013 Net Income
	Operating Income	Recurring Income	Net Income	
Consolidated	2,600 (+31)	3,500 (+380)	2,900 (▲3,311)	6,211
JSF	1,800 (▲152)	2,500 (+126)	2,100 (▲3,592)	5,692
JSF Trust Bank	—	550 (+374)	510 (+358)	151
Nihon Building	450 (▲13)	510 (+7)	340 (+40)	299

※( ) is change from FY2013.

### Preconditions

- Loan Rate : 0.77%
- Interest on Collateral Money : 0%
- Lending Fee : 0.40%

➤ **The influence of the interest rate change of August 6, 2014 (0.77%→0.64%) is not taken into account of this estimates.**

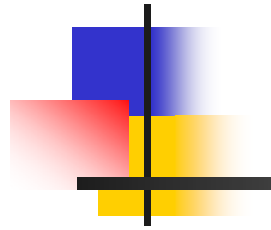
# Estimated Figures for FY2014 (Full year, 1Q-2Q)

¥mil

	Parent			Consolidated		
	FY2014 1Q Results	FY2014 1Q-2Q	FY2014 1Q-4Q	FY2014 1Q Results	FY2014 1Q-2Q	FY2014 1Q-4Q
Operating Profit	648	1,000 (+100)	1,800 (▲200)	1,121	1,600 (+400)	2,600 (-)
Recurring Income	1,048	1,500 (+300)	2,500 (-)	1,352	2,100 (+700)	3,500 (+300)
Net Income	770	1,200 (+300)	2,100 (-)	1,015	1,600 (+600)	2,900 (+300)
EPS (Yen)	7.21	11.36	19.99	9.50	15.14	27.60
Preconditions	Margin Loan balance:¥420bn(▲110bn), Stock Loan balance:¥220bn(+60bn) Loan Rate:0.77%, Interest on Collateral Money:0%, Lending Fee:0.40%					

※( ) is change from Estimated Figures released on May 12.

➤ The influence of the interest rate change of August 6, 2014 (0.77%→0.64%) is not taken into account of this estimates.



# Appendix

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# Dividend

## ➤ Dividend Policy

Our dividend policy is to return profits to shareholders basically in accordance with the “consolidated payout ratio” as a standard that reflects our business performance, but also taking account of the “dividend on equity ratio”.

FY2014 Forecast : Annual ¥14 (Interim ¥7, year-end ¥7)

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Forecast
Annual Dividend per share	¥20	¥14	¥14	¥14	¥14	¥14	¥14
(year-end)	¥10	¥7	¥7	¥7	¥7	¥7	¥7
(interim)	¥10	¥7	¥7	¥7	¥7	¥7	¥7
<Consolidated> : EPS	¥▲80.3	¥38.6	¥37.7	¥8.4	¥19.1	¥60.4	¥27.6
: DPR	-	36.5%	37.1%	166.3%	73.3%	23.2%	50.7%
: DOE	1.7%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
<Parent> : EPS	¥28.3	¥27.0	¥17.3	¥13.2	¥11.0	¥55.3	¥20.0
: DPR	70.7%	51.9%	80.7%	106.0%	127.1%	25.3%	70.0%

# Share Buyback Program

The first share buyback program (announced on May12, 2014)

- ◆ Number of shares to be acquired : up to 7.5million shares
- ◆ Ratio to total shares issued\* : 6.9%
- ◆ Total value to be acquired : Y4.5bn
- ◆ Schedule : from May 13,2014 to Jul.29,2014

The second share buyback program(announced on July30, 2014)

- ◆ Number of shares to be acquired : up to 4.5million shares
- ◆ Ratio to total shares issued\* : 4.3%
- ◆ Total value to be acquired : Y2.8bn
- ◆ Schedule : from Jul.31,2014 to Sept.26,2014 \* excluding treasury stocks

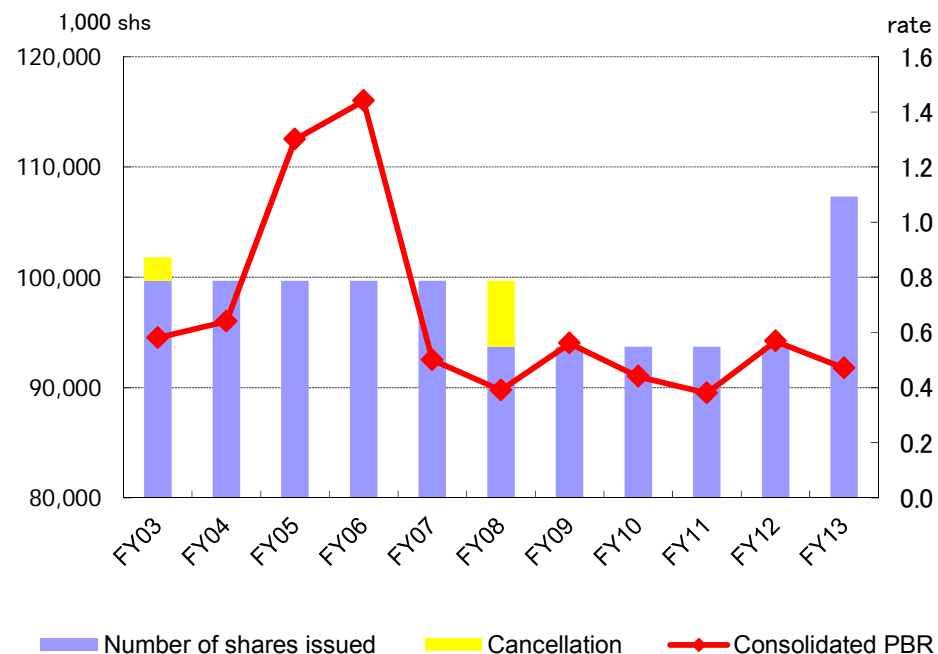
## [Results]

	start	end	total shares purchased	amount	cancellation	shares issued
			shs	¥ mil	shs	shs
FY2014	2014/5/13	2014/7/29	2,822,500	1,743	0	107,307,763
			2,822,500	1743		107,307,763

# Share Buyback Program

	start	end	total shares purchased shs	amount ¥ mil	cancellation shares shs	shares issued shs
FY2008	2008/4/1	2008/4/18	4,312,800	2,999		99,704,000
	2008/5/15	2008/6/11	978,900	999		99,704,000
	2008/6/27	2008/7/25	1,000,000	881		99,704,000
	2008/9/24				6,004,000	93,700,000
			6,291,700	4,881		

	Number of shares issued	Cancellation
FY03	99,704	2,106
FY04	99,704	—
FY05	99,704	—
FY06	99,704	—
FY07	99,704	—
FY08	93,700	6,004
FY09	93,700	-
FY10	93,700	-
FY11	93,700	-
FY12	93,700	-
FY13	107,307	-



# Breakdown of Operating Revenues by business (historical)

	Mar-10	Mar-11	Mar-12	Mar-13	Jun-13	Mar-14	Jun-14
	¥ mil						
Securities Finance Business	20,817	17,558	15,186	14,093	3,958	<b>16,363</b>	3,936
Margin Loan Business	12,954	8,922	6,756	6,625	2,111	<b>9,240</b>	1,839
	(46.5%)	(39.0%)	(33.4%)	(37.5%)	(44.5%)	(47.2%)	(39.0%)
Interest on Loans	3,324	2,809	1,783	1,760	983	4,012	851
Interest on collateral money of securities borrowed	1,774	826	639	652	95	436	130
Fees on Lending Securities	7,337	4,807	3,957	3,746	968	4,132	799
Premium Charges	5,773	3,811	3,147	2,957	774	3,371	609
Lending Fees	1,563	996	809	789	193	761	190
Bond Financing and General Loans Business	1,234	1,047	827	810	320	<b>1,959</b>	521
	(4.4%)	(4.6%)	(4.1%)	(4.6%)	(6.8%)	(10.0%)	(11.0%)
Bond financing & General Loans	767	659	492	440	129	1,149	317
Loans for Negotiable Margin Transactions	204	200	189	175	74	323	66
Securities Lending Business	1,454	1,754	1,701	1,862	561	<b>2,217</b>	608
	(5.2%)	(7.7%)	(8.4%)	(10.5%)	(11.8%)	(11.3%)	(13.0%)
General Stock Lending	308	331	219	289	100	425	148
Bond Lending	1,146	1,422	1,482	1,573	460	1,791	459
Others	5,174	5,834	5,901	4,794	964	<b>2,946</b>	967
	(18.6%)	(25.5%)	(29.2%)	(27.1%)	(20.4%)	(15.1%)	(20.5%)
Bond Investment (Parent only)	5,077	5,754	5,824	4,719	937	2,838	938
Trust Banking Business	6,016	4,360	4,224	2,762	564	<b>2,322</b>	555
	(21.6%)	(19.1%)	(20.9%)	(15.6%)	(11.9%)	(11.9%)	(11.8%)
Interest on Loans	1,330	1,079	741	590	101	317	56
Trust Charges	249	308	300	338	112	485	124
Bond Investment	4,342	2,657	3,134	1,808	344	1,494	367
Real Estate Management Business	1,034	930	818	819	215	<b>880</b>	221
	(3.7%)	(4.1%)	(4.0%)	(4.7%)	(4.6%)	(4.5%)	(4.7%)
Operating Revenues	27,868	22,848	20,229	17,675	4,738	<b>19,566</b>	4,713
(excluded Premium Charges)	22,095	19,037	17,082	14,718	3,963	<b>16,195</b>	4,104

# Outstanding Loan Balance (Period average and term-end balance)

¥ mil

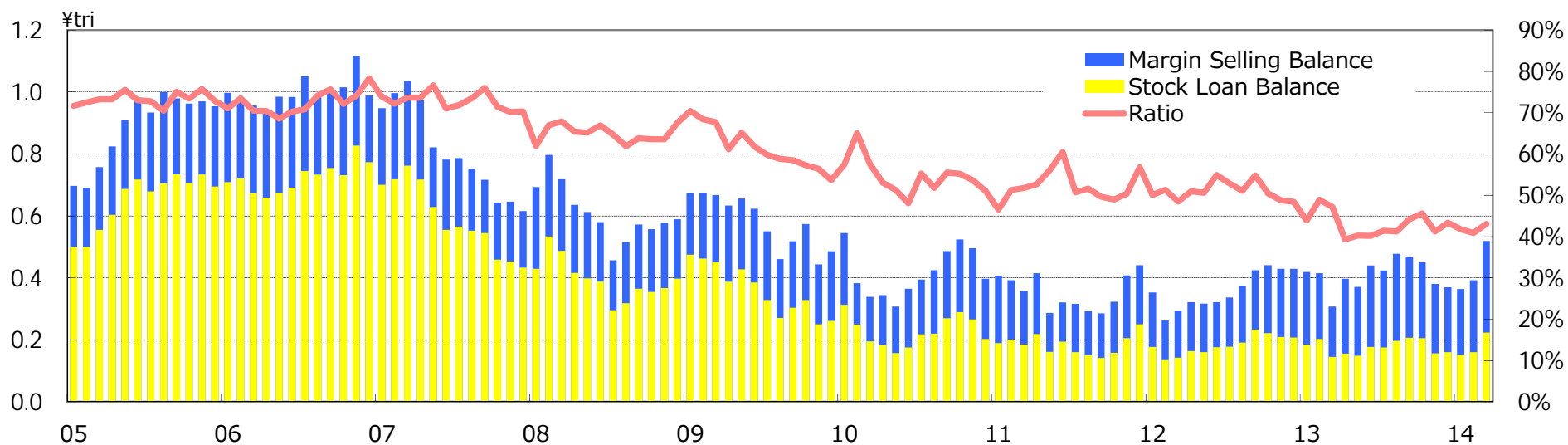
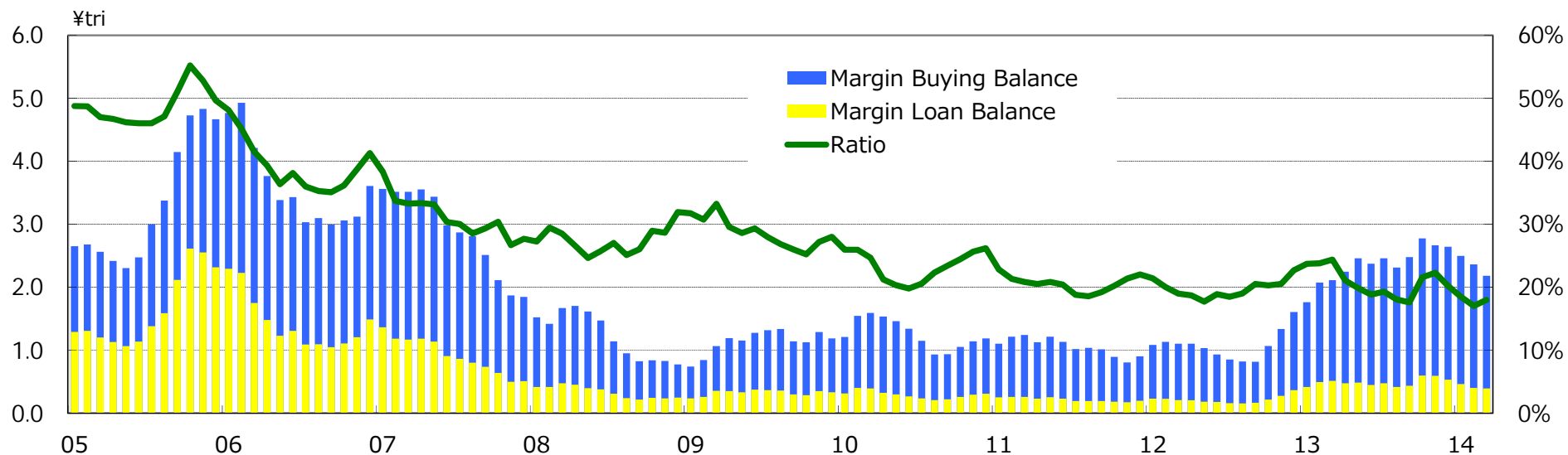
		FY2009	FY2010	FY2011	FY2012	FY2013 1Q	FY2013	FY2014 1Q
Margin Loans	avg.	324,205	293,429	218,059	214,164	476,158	490,635	419,140
	term-end	328,755	305,083	241,035	502,322	507,868	601,206	439,391
Bond Financing & General Loans	avg.	46,863	45,850	50,893	55,865	125,447	157,232	188,524
	term-end	51,448	39,782	96,488	122,011	129,119	201,076	183,254
Loans for negotiable margin	avg.	17,173	18,405	20,330	18,472	35,097	36,223	34,759
	term-end	20,944	18,143	25,727	34,380	36,258	48,103	30,065
Trust Bank Loans	avg.	215,308	303,778	141,310	101,094	96,781	77,612	64,359
	term-end	260,862	211,527	98,260	78,641	78,766	63,043	62,290
Others	avg.	14,500	14,423	12,530	13,213	15,898	23,092	32,500
	term-end	14,500	12,500	18,000	29,500	27,600	32,500	32,500
Total	avg.	601,180	657,481	422,793	384,338	714,285	748,572	704,523
	term-end	655,567	568,893	453,784	732,475	743,354	897,825	717,436

Stock Loans	avg.	361,388	228,050	184,698	183,013	177,475	176,476	178,425
	term-end	306,394	196,442	259,058	216,206	136,219	198,781	222,811



# Margin Transactions & Margin Loans



# Features of Balance Sheet (Non-Consolidated)

## Features of Assets

### (1) Fluctuation of Loan Balance

Loan balance moves everyday because margin loan is over-night loan

### (2) Holding JGBs for flexible cash funding

Holding certain amount of JGBs to fund money flexibly in short-term money market

Assets	Jun-14	
◆ Call Loans	20,000	
◆ Short-term Loans Receivable	655,146	<ul style="list-style-type: none"> <li>·Margin Loan</li> <li>·Loans for negotiable margin transactions</li> <li>·Bond financing &amp; General Loans</li> </ul>
◆ Short-term Investments	297,361	<ul style="list-style-type: none"> <li>·JGBs, its duration is less than 1 year</li> </ul>
◆ Collateral Money of Securities Borrowed	1,192,671	<ul style="list-style-type: none"> <li>·Collateral money of bond borrowing</li> <li>·Collateral money of excess of Stock Loan</li> </ul>
Investments in Securities	681,347	<ul style="list-style-type: none"> <li>·Mainly JGBs, its duration is over 1 year</li> </ul>

## Features of Liabilities

### (1) Fluctuation of money funding amount

Need to response flexibly to fluctuating cash demands, because of the fluctuation of margin loan balance

### (2) Dependent on market

Cash funding structure is not stable and depends on money market, because no deposits like banks

### (3) Funding with low rate

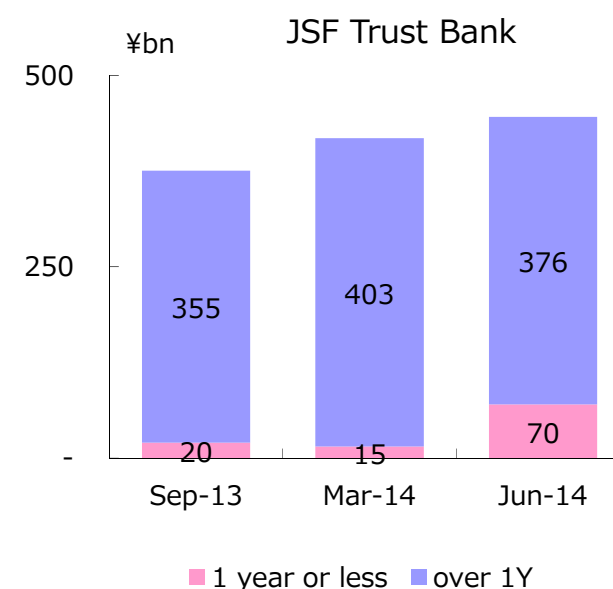
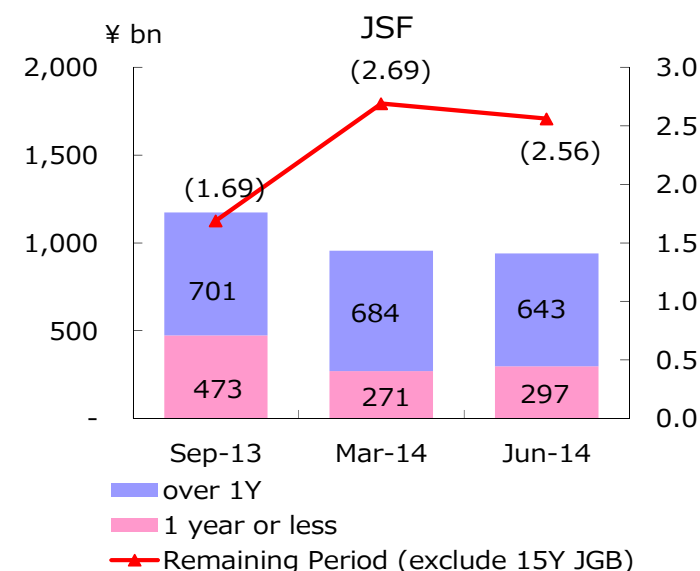
Required to fund in low cost to supply money for securities market stably and flexibly

Liabilities	Jun-14	¥ mil
◆ Call Money	1,176,000	
◆ Short-term Borrowings	317,210	<ul style="list-style-type: none"> <li>·Borrowings from banks</li> <li>·BOJ operation</li> </ul>
◆ Collateral Money of Securities Lent	1,109,802	<ul style="list-style-type: none"> <li>·Collateral money of bond lending</li> <li>·Collateral money of Stock Loan</li> </ul>
◆ Long-term Borrowings	0	<ul style="list-style-type: none"> <li>·Borrowings from financial institutions</li> </ul>
<b>Net Assets</b>	<b>125,889</b>	

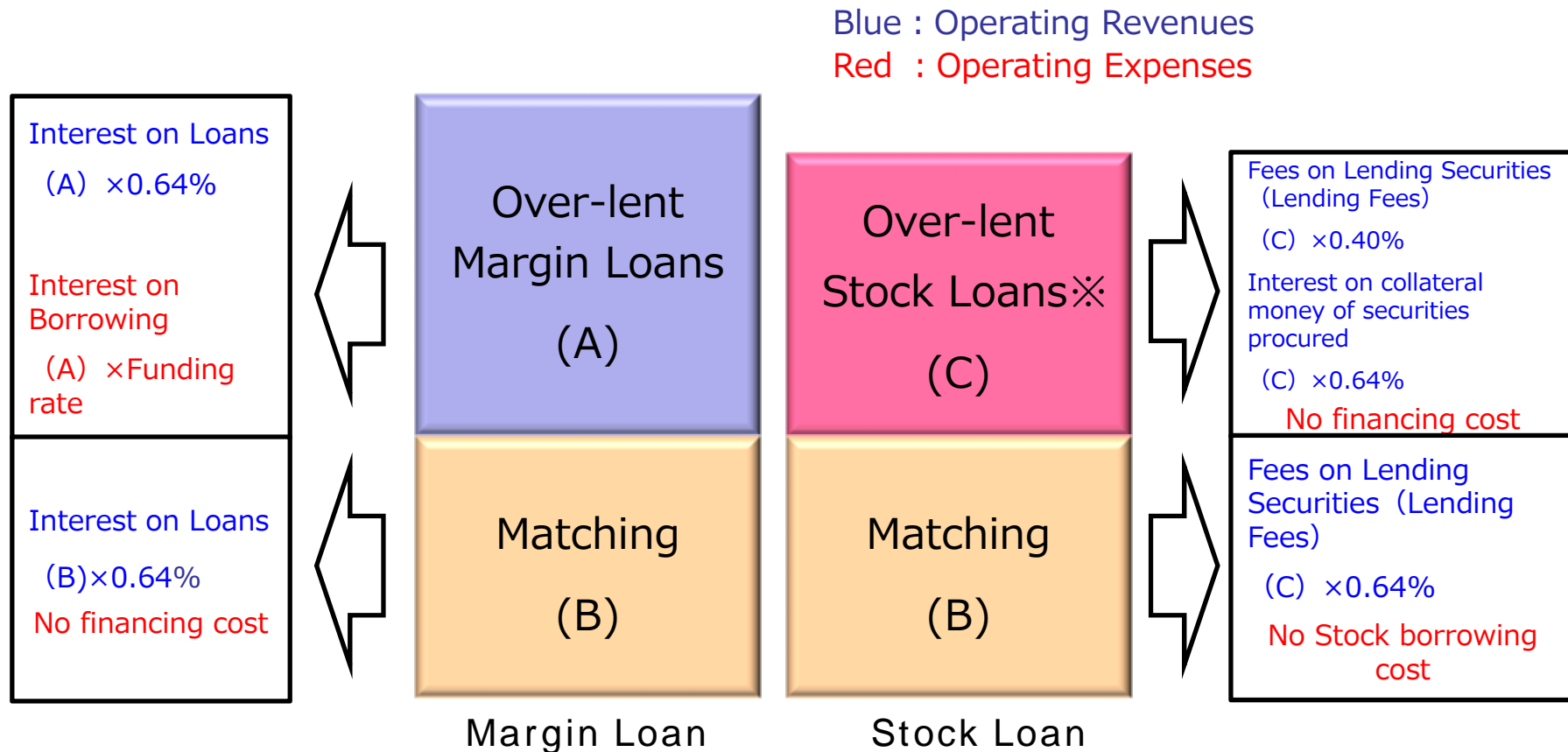
# Balance of JGB held by group companies

		¥ mil		
JSF		Sep-13	Mar-14	Jun-14
JGB Balance		1,173,933	955,037	940,707
	1 year or less	472,803	270,656	297,361
	over 1Y	701,130	684,381	643,345
	(15Y floating JGB)	150,752	150,543	150,586
Net unrealized gain or loss on securities on B/S		5,890	6,908	7,442
Remaining Period (exclude 15Y JGB)		(1.69)	(2.69)	(2.56)

		¥ mil		
JSF Trust Bank		Sep-13	Mar-14	Jun-14
JGB Balance		375,273	418,036	445,557
	1 year or less	20,001	15,133	70,039
	over 1Y	355,272	402,902	375,518
	(15Y floating JGB)	39,909	39,915	39,918
Net unrealized gain or loss on securities on B/S		417	1,129	1,541



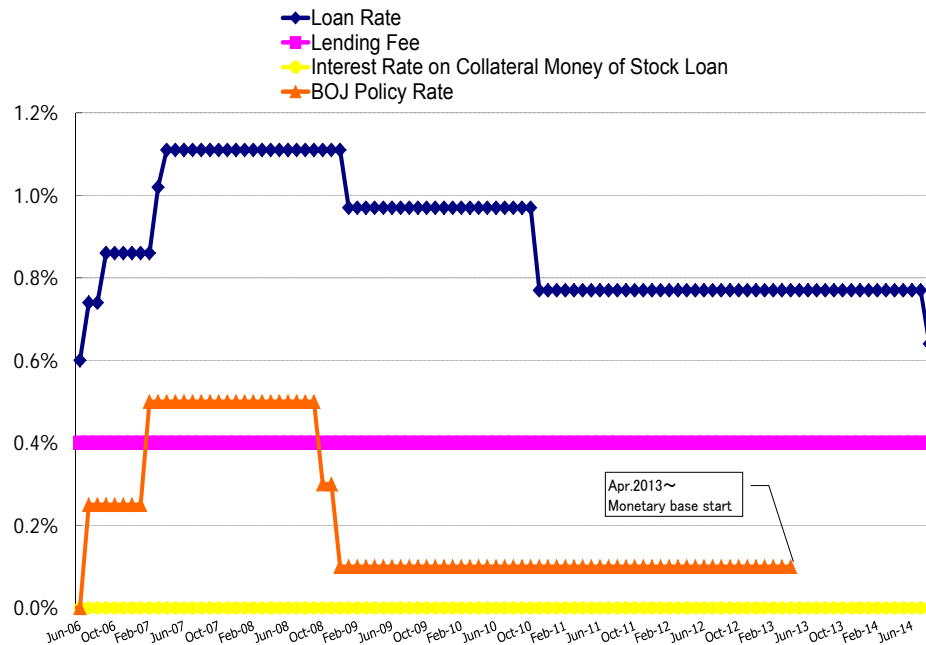
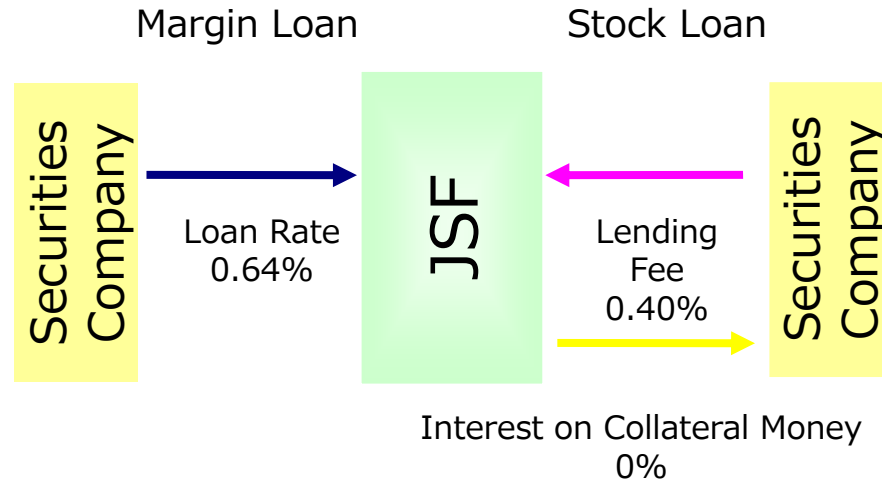
# Revenue Structure of Loans for Margin Transactions



◆ Besides the above, Premium Charges are posted in Operating Revenues (Fees on Lending Securities) in a part of Over-lent Stock Loan. But the same amount are posted in Operating Expenses (Fees of Borrowing Charges), so the amount of Premium Charges does not affect our profit.

➤ Margin Loan Rate was changed (0.77% → 0.64%) on Aug.6, 2014.

# Margin Loan Rates



## BOJ Policy Interest Rate

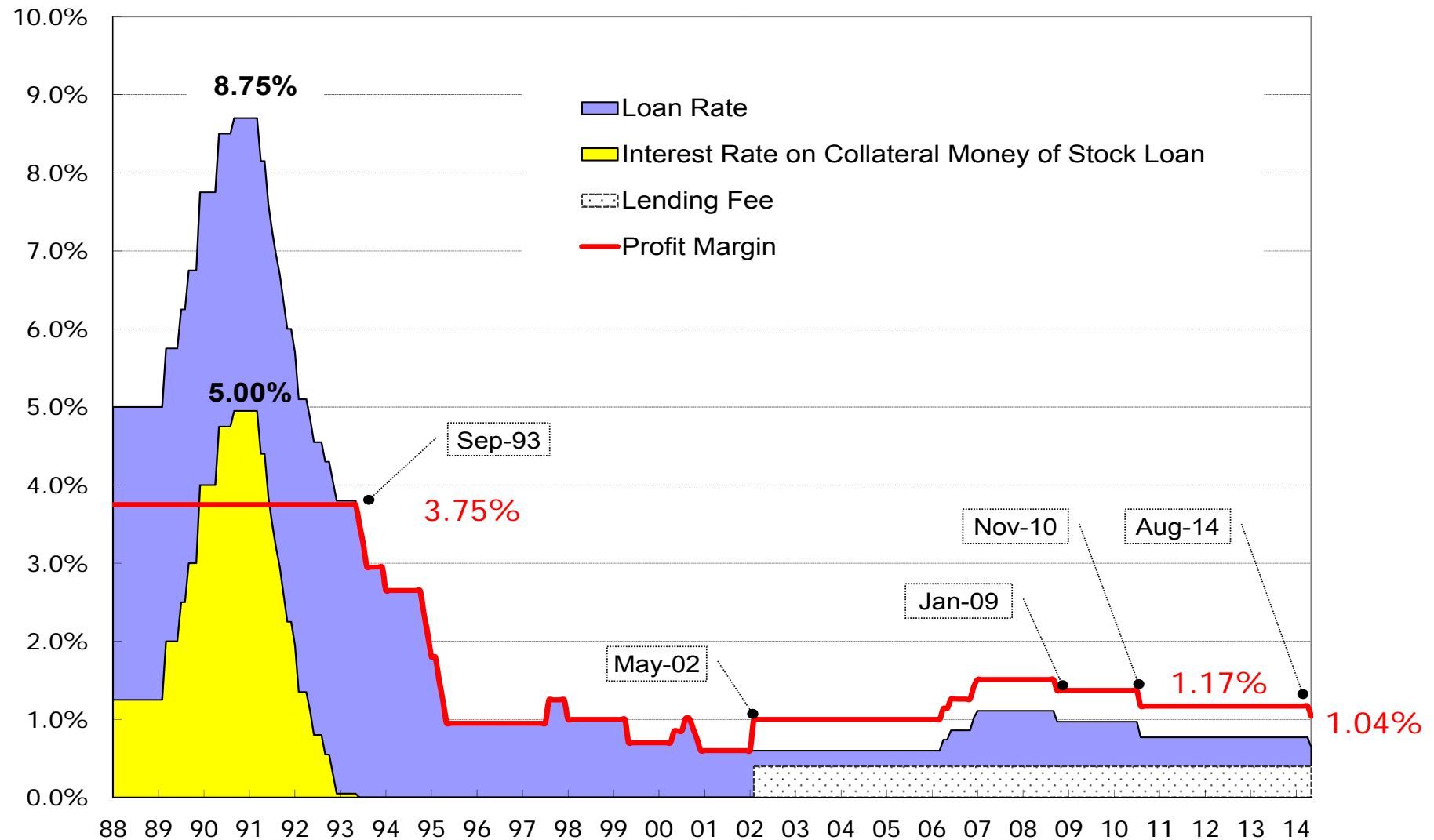
- Jul 2006 Uncollateralized O/N Call Rate: **0.25%**
- Feb 2007 Uncollateralized O/N Call Rate: **0.50%**
- Oct 2008 Uncollateralized O/N Call Rate: **0.30% (▲0.20%)**
- Dec 2008 Uncollateralized O/N Call Rate: **0.10% (▲0.20%)**
- Oct 2010 Uncollateralized O/N Call Rate: **0~0.10%**  
(▲0.10~0%)
- Apr 2013 Switched from interest rate to monetary base

## 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%)**
- 29/Jan/2009 **0.97% (▲0.14%)**
- 22/Nov/2010 **0.77% (▲0.20%)**
- 6/Aug/2014 **0.64% (▲0.13%)**  
Margin Loan Rate was changed

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

# Loan Rates of Loans for Margin Transactions



# The 4th Mid-term Management Plan (FY2014~FY2016)

## Management Policy

- Establish solid credibility
- Retain solid equity capital, stable return of profits to shareholders
- Further solidify the profit base
- Further improve the efficiency of organizational and business management

## Business Strategies for the 4th MMP

1. Expand the Loans for Margin Transactions Business as Key Infrastructure for the Securities Market
2. Responding to the Diversifying Needs of Financial Instruments Companies and Other Customers
3. Strengthening System Infrastructure
4. Other Business Strategies (Strengthen coordination among our group companies, etc.)

## Reinforcing Management Systems for the 4th MMP

1. Enhancing Internal Controls
2. Strengthening Our Business Management Structure
3. Promote Human Resources Development

# JSF Trust Bank (Loan & Securities)

## ● Loan Balance by Industry

	Sep-13		Mar-14		Jun-14	
	Loan Balance	ratio	Loan Balance	ratio	Loan Balance	ratio
Manufacturing	20,828	31.7%	15,809	24.7%	13,640	21.8%
Fishery	0	0.0%	0	0.0%	0	0.0%
Mining	240	0.4%	192	0.3%	192	0.3%
Construction	468	0.7%	367	0.6%	0	0.0%
Energy & Utilities	0	0.0%	0	0.0%	0	0.0%
Communication	640	1.0%	0	0.0%	0	0.0%
Transportation	8,497	12.9%	6,843	10.7%	5,586	8.9%
Wholesale	4,400	6.7%	4,400	6.9%	4,400	7.0%
Retail	0	0.0%	0	0.0%	0	0.0%
Finance & Insurance	7,035	10.7%	5,033	7.9%	5,030	8.0%
Real Estate	9,211	14.0%	8,672	13.5%	8,631	13.8%
Service Industries	1,602	2.4%	1,601	2.5%	1,601	2.6%
Governments	12,800	19.5%	21,133	33.0%	23,581	37.6%
<b>Total</b>	<b>65,723</b>		<b>64,053</b>		<b>62,663</b>	

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## ● Securities Holdings

		Sep-13	Mar-14	Jun-14	Notes
JGB		375,273	418,036	445,557	
	less than 1Y	20,001	15,133	70,039	
	over 1Y	355,272	402,902	375,518	Mainly Mid-term Government Bond
Municipal Bond		80,524	76,860	72,611	
Corporate Bond		152,318	138,682	122,450	Mainly Government Guaranteed Bond
Equity		4	4	4	
Other Securities		202	155	155	
<b>Total</b>		<b>608,322</b>	<b>633,739</b>	<b>640,778</b>	

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# Notice

This document includes statements for business forecast. These statements do not guarantee company's future achievement and they involve risk or uncertain factors. Company's future achievement may be changed drastically up to stock market or financial conditions.