May 16, 2022

To Shareholders:

Company: Japan Securities Finance Co., Ltd.
Representative Executive Officer & President: Shigeki Kushida
(Code No. 8511, Tokyo Stock Exchange Prime)
Contact: Kentaro Hibi, General Manager, Corporate Governance Office
(E-mail : info@jsf.co.jp)

Notice Regarding Board of Directors' Opinion on Shareholder Proposal

Japan Securities Finance Co., Ltd. (hereinafter, "JSF") received a document (hereinafter, the "Shareholder Proposal Document") stating that its shareholders INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP and Strategic Capital, Inc. (hereinafter, collectively, the "Proposing Shareholders") would engage in a shareholder proposal (hereinafter, "Shareholder Proposal") for a resolution at the 112th Ordinary General Meeting of Shareholders scheduled to be convened on June 23, 2022 (hereinafter, the "Ordinary General Meeting of Shareholders"), however at its Board of Directors resolved to oppose the Shareholder Proposal at a meeting convened today, and as such JSF provides notice as follows.

I. Content and Reason for Shareholder Proposal

1. Agenda Items
   (1) Partial amendments to the Articles of Incorporation with regard to Disclosure of Individual Remuneration for Representative Executive Officer & President
   (2) Partial amendments to the Articles of Incorporation with regard to Disclosure of Individual Remuneration for Officers Coming from Bank of Japan
   (3) Establishment of Special Advisors
   (4) Partial amendments to the Articles of Incorporation with regard to Cross-Shareholdings
   (5) Partial amendments to the Articles of Incorporation with regard to Sale of Shares and Unlisted REIT Held for Net Investment Purposes
   (6) Partial amendments to the Articles of Incorporation with regard to Disclosure of Results of Exercise of Voting Rights

2. Summary of Proposal and Reason for Proposing

As set forth in the Exhibit.

II. Board of Directors’ Opinion on Shareholder Proposal

JSF, as a securities finance company that takes on an infrastructural function in securities markets, has obtained a license under the Financial Instruments and Exchange Act and abides by laws, ordinances and other regulations. JSF, with a strong recognition of the public role its existence plays, formulated a “Medium-term Management Policy” in November of 2021, with the aim of becoming a company that maintains a high degree of financial soundness, and realizes both the sustainable growth expected as a listed company and the medium to long-term enhancement of its corporate value. Here, our management goal is to achieve an ROE of 5% which exceeds our cost of equity by FY 2025.

To date, under its Sixth Medium-term Management Plan, JSF has advanced the strengthening of security financing and its revenue base otherwise, and has aggressively worked to address a variety of corporate governance related issues through such efforts as appointing officers in line with its revised Corporate Governance Code, building an incentive program with respect to remuneration, and addressing overall sustainability. The appointment of the officers from the Bank of Japan, which called into question by the Proposing Shareholders has been conducted in consideration of the nature of JSF and amid its efforts related to appointment and remuneration, on personal character basis in an effort to secure the talent required by JSF.

These efforts are manifesting results, in fact JSF has maintained steady growth in ROE, and amid efforts to enhance shareholder returns, total shareholder return has exceeded the average for listed companies in recent years.

The JSF Board of Directors believes that the maintenance and strengthening of these past efforts will lead to improve corporate value at JSF of the medium to long-term, and as the result of careful consideration of the Shareholder Proposal, it has decided to oppose the Shareholder Proposal in its entirety as set forth in section “2. Opinion of JSF Board of Directors Regarding Individual Agenda Items in Shareholder Proposal.”

We sincerely hope that our shareholders will understand in depth our policies, rationale and achievements.

Hereunder, we will provide a specific explanation regarding the efforts undertaken by JSF to date and the results thereof.

1. JSF Medium-term Management Policy and Efforts in Corporate Governance

(1) JSF Management Policy and Vision of the Future

JSF, with a strong recognition of the public role it plays as a securities finance company that takes on an infrastructural function in securities markets, aims to become a company that maintains a high degree of financial soundness, and realizes both the sustainable growth expected as a listed company and the medium to long-term enhancement of its corporate value.

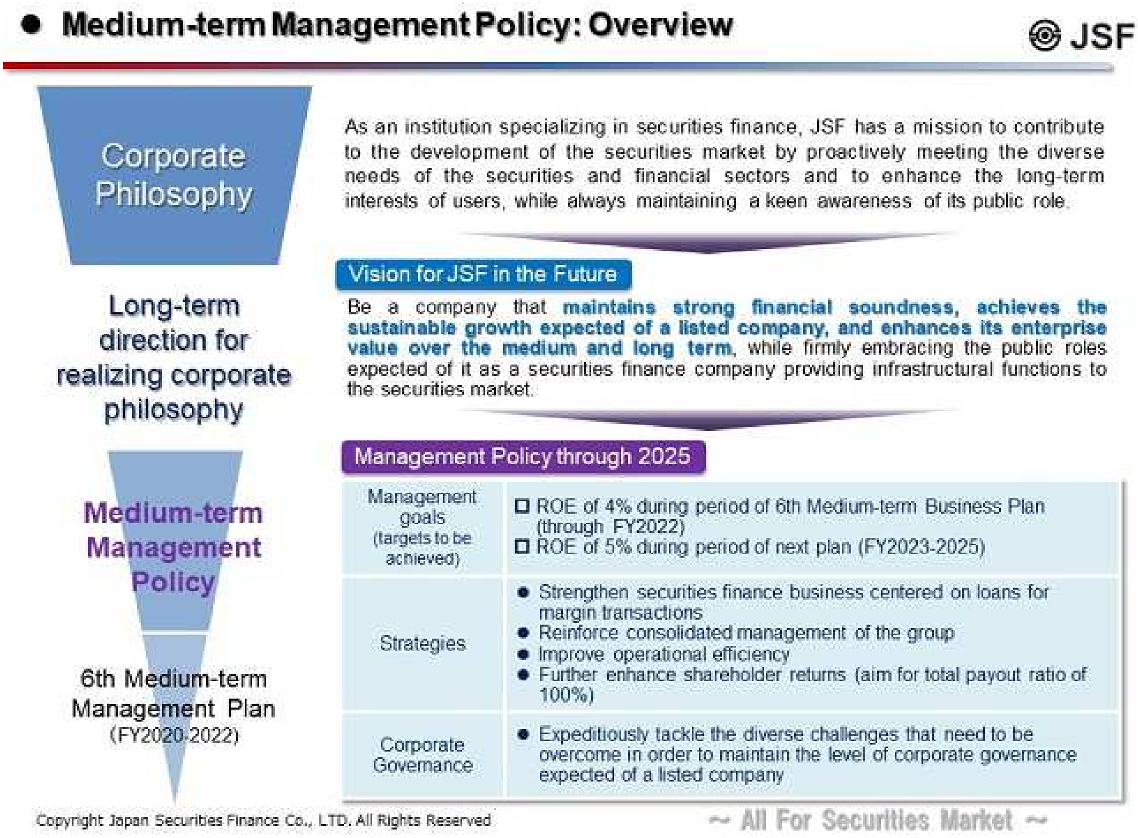
(2) Medium-term Management Policy and Management Goals

Under this rationale, JSF, under the recognition that it is expected to further commit and secure transparency for sustainable growth and the enhancement of medium to long-term corporate value based on a high degree of governance, released a “Medium-term Management Policy” in November of 2021. Under this policy, JSF targets an ROE of 4% in the period of the current medium-term management plan (through FY2022), and an ROE of 5% in the period of the next plan (FY2023 ~ FY2025) as a management goal.

In the formulation of these ROE goals, JSF estimated the cost of equity using objective data and several methods to reach acknowledgement of the mid 4% range, and then set its ROE goal higher at 5%.

Furthermore, as infrastructure in securities market, securities financing companies are unique in that they are subject to restrictions on financial soundness and scope of business under laws, regulations and standards for participation in securities and funds transfer settlement systems, with low business strategy risk and high financial and earnings stability, and as such the cost of equity at JSF is considered to be somewhat lower than the general level.

In addition, based on these features of securities financing companies, JSF is well on track to achieve its ROE goal by FY2025. In that sense, the medium-term management policy does not revise the existing Sixth Medium-term Management Plan, but rather it seeks to accelerate and strengthen this plan.

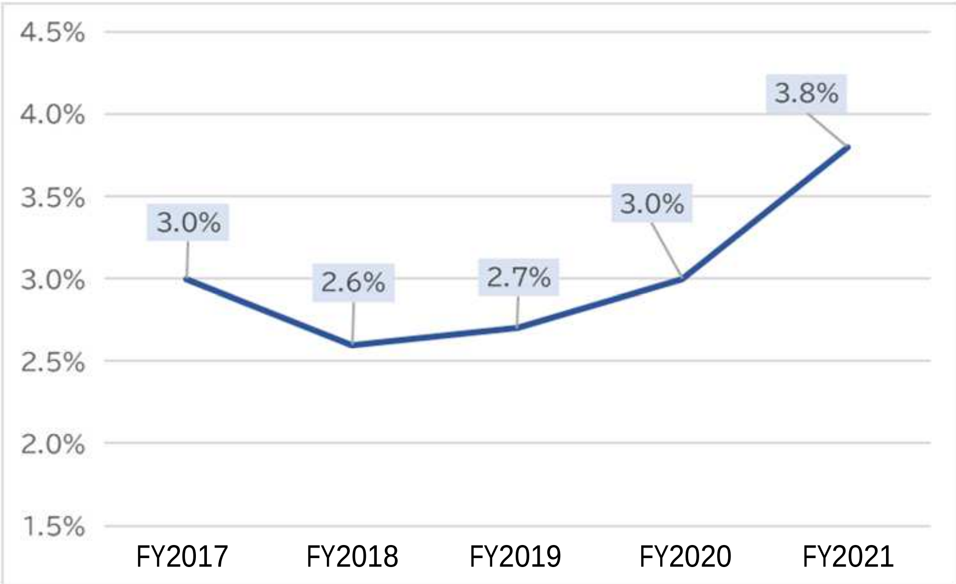


(3) Results of JSF's Efforts to Date

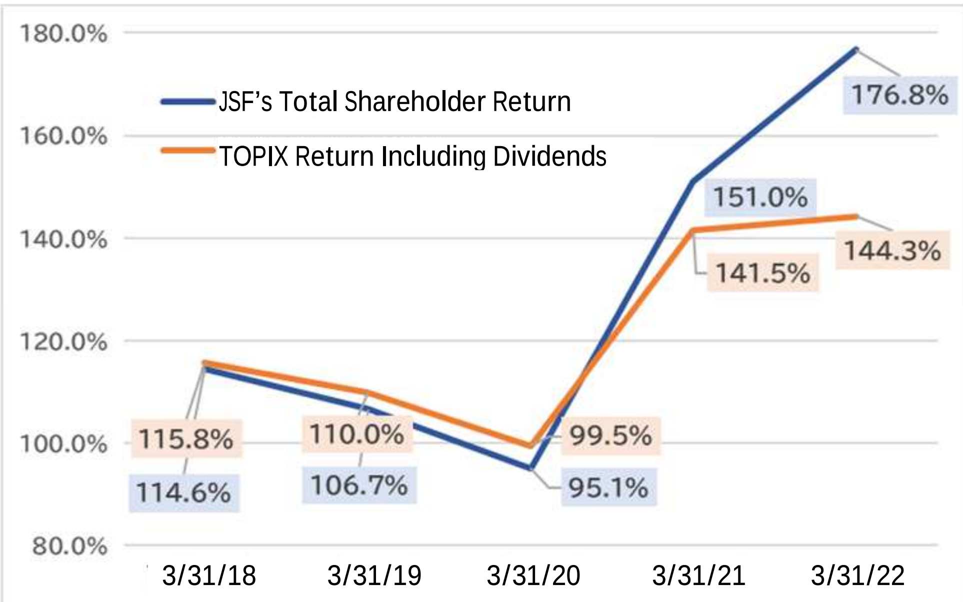
The efforts under the existing medium-term management plan have stacked up to steadily increase our ROE in recent years, reaching 3.8% in FY2021, and making it possible to establish a foothold for achieving our goals under the medium-term management policy of 4% in FY2022 and 5% in FY2025.

Additionally, total shareholder returns at JSF have risen to a level that significantly exceeds the recent TOPIX average.

(Change in ROE at JSF)



(Total Shareholder Return at JSF)



(4) Measures to Realize Management Goals, and Concept of our Business Portfolio

In order to realize the management goals set forth in sections (1) and (2) above, JSF will accelerate its efforts to increase its earning power and capital efficiency by 1) strengthening its securities finance business centered on loans for margin transactions, 2) reinforcing consolidated management of its group, and 3) improving its operational efficiency.

JSF is a licensed securities financing company which is supposed to have business related loans for margin transactions as its main business under applicable law, and has its other business mandatorily restricted within the scope that does not interfere with its operations in loans for margin transactions. As such, the group’s business portfolio, inclusive of its subsidiaries, is limited to a relatively narrow range which is considered to be related and contribute to the execution of JSF’s business, and due to regulations under laws and ordinances as set forth above, the group’s business portfolio is not subject to frequent change arising from M&A or other transactions.

Based on the fundamental nature of this group business and the purport of Corporate Governance Code, the JSF Board of Directors have deliberated, determined and released a fundamental policy for its business portfolio as follows.

- With a strong recognition of the public role it plays as infrastructure in securities markets, the JSF Group will actively respond to diverse needs in the securities and finance sectors to provide a variety of securities and finance related services focused on their licensed business of securities financing centered on loans for margin transactions.
- In addition, in consideration of the large susceptibility of its loans for margin transactions services to market fluctuations and other factors, JSF Group will continue its efforts to diversify the sources of its earnings and to achieve its management goals in each sector with an increased consciousness of enhanced capital efficiency.
- Under this concept, JSF Group will endeavor to realize its vision of the future through a business portfolio consisting of security financing business centered on loans for margin transactions, securities management business, trust banking business and real estate management business.

(5) Shareholder Returns

To further enhance shareholder returns, JSF aims at cumulative total payout ratio of 100% through dividends and the flexible implementation of share buy-backs in the period from FY2021 through FY2025 (achieving the goal of ROE 5%).

Furthermore, with regard to dividends, the amount of our annual dividends reached JPY 30 per share in FY2021, and our aim is to aggressively pay annual dividends in the period from FY2022 through FY2025 at a level that does not fall below the amount of JPY 30 per share.

Under this policy, the shareholder return in FY2022 has been established as annual dividend forecast of JPY 32 (+JPY 2 year-on-year), and a share buy-back up to a maximum of JPY 3,000,000,000 or 3,200,000 shares (3.5% of total number of shares outstanding). Combined, this will result in the total payout ratio of 103.4%.

(6) Efforts in Corporate Governance

(i) Policy on the Composition of Board of Directors, etc.

JSF transitioned to a company with a nominating committee, etc. in 2019 to separate oversight from execution, creating a Board of Directors composed of five directors with three outside directors, and appointing outside directors to serve as the chairs for the Board of Directors and all three committees. Independent outside directors account for the majority of the Nominating Committee and the Remuneration Committee.

Under this system, considerations and deliberations from diverse angles are amassed in the formation of management policies. Additionally, reviews of reports, explanatory meetings on business and other efforts to enhance the information provided to directors are being made to facilitate the appropriate oversight of the execution of business. These efforts are also acclaimed as appropriate in evaluating the effectiveness of the Board of Directors.

Faced with the revision of Corporate Governance Code, transition to a new TSE market segment and environmental changes from factors such as progressing internationalization and digital transformation, as well as the formation and implementation of a management plan for the next period under the medium-term management policy, JSF had its Board of Directors reexamine the composition etc. of its Board of Directors through deliberation by the Nominating Committee from a viewpoint of enhancing the role of the Board of Directors in a company with a nominating committee, etc.

As a result thereof, the Board of Directors reached a recognition that increasing the size of Board of Directors by adding two directors (both outside directors) to the current five directors would be appropriate based on the multifaceted skills required to face the changing environment, the balance of the number of people engaged in the oversight and execution of business, and the importance of diversification in terms of age and gender. In addition, taking into consideration the ability of speedy decision making and the size of JSF's business, the Board of

Directors reached to the conclusion that it is worth reassessing the maximum number of directors while maintaining some leeway in the actual number of members required based on a skill matrix.

Based thereon, JSF proposes a board composition of seven directors, including five outside candidates and two inside candidates, and a maximum number of eight seats of the Board of Directors under its Articles of Incorporation, consisting of seven actual members and one vacant seat.

(ii) Formation and Disclosure of "Policy for Executive Officer Appointments"

As part of the exertion of the Board of Directors' supervisory function, JSF had the Nominating Committee deliberate and determine a policy for the appointment of management. Last year, due to changes in the environment set forth above, a comprehensive reexamination was conducted regarding the criteria on the appointment of executive officers based on the results of the deliberations of the Nominating Committee, and specific appointments are conducted under the following classifications of the talent expected of executive officers in light of the fact that the purpose of their appointment is to create an executive system that facilitates the advancement of the medium-term plan.

- Someone who is able to fully recognize JSF's public role in the execution of JSF's business
- Someone who has extensive knowledge of the overall finance and securities markets
- Someone who is well versed in the Financial Instruments and Exchange Act and other various laws and regulations
- Someone with knowledge and experience involving JSF's highly specialized business
- Someone with the internationality required in the advance of JSF's business
- Someone with a high degree of knowledge and experience in business management and risk management
- Someone with a high degree of knowledge and experience in finance and accounting
- Someone who is able to nimbly respond to the various environmental changes encircling JSF in the finance and securities sectors

In addition, a long list of people from inside the company, from the public sector and from the finance and securities sectors is prepared when making specific appointments. The executive officer appointments released by JSF on February 28, 2022 were based on this policy.

The Proposing Shareholders have a negative assessment of the appointment of people from the Bank of Japan as officers at JSF, but as stated above, in light of the public role and uniqueness of securities financing business which includes loans for margin transactions, JSF focuses on the talent expected of executive offers and management, i.e. the ability to fully recognized JSF's public role in the execution of JSF's business, extensive knowledge of the overall finance and securities markets, the ability to nimbly respond to the various environmental changes encircling JSF in the finance and securities sectors, and other talents, and people from the Bank of Japan are appointed based on a determination that they have these talents. Their benefits are commensurate to their work responsibilities, and the payment status of remunerations is being appropriately disclosed by JSF and its consolidated subsidiaries pursuant to laws and regulations.

(7) Rationale Regarding Remuneration and Incentives

JSF has established a remuneration system that supports the foregoing management policies and governance system which strongly recognized its public role as infrastructure in securities markets and provides incentives that are consistent with JSF's management policy of enhancing its corporate value in the medium and long-term.

Specifically, with an eye towards a high degree of correlation with JSF's earnings and share price, executive officer remuneration is set as monthly remuneration (base remuneration) and officer bonuses and stock remuneration linked to earnings. The set as monthly remuneration (base remuneration) is based on an individual executive officer's position. With an eye towards the clarification of management responsibilities, officer bonuses are determined after the end of a fiscal year, linked to the achievement status of the management goals in the medium-term management plan and performance in each term, and paid within three months after this determination. Stock remuneration utilizes a board benefit trust scheme to award points linked to and determined by medium-term performance, and awards JSF shares based on the number of points at the time of retirement.

From a viewpoint of exerting a supervisory function, directors (excluding those concurrently serving as executive officers) are only paid fixed-amount monthly remuneration (base remuneration) and are not paid performance linked remunerations. The remuneration of an individual director is determined by their classification as fulltime or non-fulltime director, appointment as chair and other positions as a director. Directors who concurrently serve as executive officers are not paid remuneration as a director.

Remuneration for individual directors and executive officers is determined by the Remuneration Committee. Additionally, changes etc. to remuneration categories and the remuneration system are also determined by the Remuneration Committee.

2. Opinion of JSF Board of Directors Regarding Individual Agenda Items in Shareholder Proposal

Agenda Item 1 Partial amendments to the Articles of Incorporation with regard to Disclosure of Individual Remuneration for Representative Executive Officer & President

(1) Content of Proposal

The following Chapter and Article shall be newly established in the existing Articles of Incorporation.

Chapter IX Disclosure of Officer Remuneration

Article 38 (Disclosure of Remuneration for Representative Executive Officer & President)

The Company shall individually disclose the amount (including non-monetary remuneration) paid to the executive officer having the power of representation as remuneration for the preceding fiscal year in the Corporate Governance Report submitted to the Tokyo Stock Exchange by the Company.

(2) Opinion of the Board of Directors

The Board of Directors opposes this Proposal.

JSF, in accordance with laws and regulations, appropriately discloses the policies for determining the content of remunerations of executive officers and directors (hereinafter, “Executive Officers, etc.”) and the total amount of remunerations by officer classification in the business reports and annual securities reports.

In addition, the Proposal is related to the remunerations for Executive Officers, etc., and the Remuneration Committee has deliberated the Proposal and reached the conclusion that governance of the remunerations for Executive Officers, etc. at JSF is being appropriately managed by the Remuneration Committee, that remunerations is being appropriately disclosed, and there is no need for the establishment of a provision such as that of the Proposal in the Articles of Incorporation.

Also, at JSF the Remuneration Committee has the authority to decide the policies on the determination of the content of remunerations for Executive Officers, etc. and the details of individual remunerations for Executive Officers, etc. Moreover, the Remuneration Committee has appropriately exercised this authority to appropriately determine the details of individual remunerations for Executive Officers, etc. Specifically, the remunerations for Executive Officers, etc. is based on the corporate philosophy and management policies, in a system and at a level the coincides with the roles and expected functions of directors and executive officers, with an eye towards sustainable growth and the enhancement of corporate value in the medium to long-term. Among others, the executive officer remuneration is set as monthly remuneration (base remuneration) and officer bonuses and stock remuneration, with an eye towards a high degree of correlation with JSF's earnings and share price.

Furthermore, the Shareholder Proposal states "There is concern that the president from the Bank of Japan losing his incentives to enhance shareholder value since he is earning remuneration that far exceeds his remuneration when he worked at the Bank of Japan, and to dispel this concern we are seeking the disclosure of the president's individual remuneration." However, as addressed above, the remuneration of Executive Officers, etc. is established to work as an incentive consistent with the enhancement of corporate value, and is unrelated to remuneration at the Bank of Japan. The Proposing Shareholders fail to provide a basis as to how JSF's remuneration system is disincentivizing the enhancement of shareholder value, and their allegation is unrelated to the enhancement of shareholder value.

Based on the foregoing the Board of Directors has determined that there is no need to establish a provision such that in the Proposal in the Articles of Incorporation since JSF is appropriately and fully responding in accordance with laws and regulations in both the determination and disclosure of remunerations.

Agenda Item 2 Partial amendments to the Articles of Incorporation with regard to Disclosure of Individual Remuneration for Officers Coming from Bank of Japan

(1) Content of Proposal

The following Article shall be newly established in the existing Articles of Incorporation.

Article 39 (Disclosure of Remuneration for Officers from Bank of Japan)

The Company shall individually disclose the money (including non-monetary remuneration) paid to the executive officers, directors and special advisors who have a history of work at the Bank of Japan and the directors, advisers and counselors of subsidiaries who have a history of work at the Bank of Japan as remuneration for the preceding fiscal year in the Corporate Governance Report submitted to the Tokyo Stock Exchange by the Company.

(2) Opinion of the Board of Directors

<u>The Board of Directors opposes this Proposal.</u>

As set forth in the opinion of the Board of Directors regarding Agenda Item 1, at JSF the policies for determining the content of remunerations of executive officers and directors (hereinafter, “Executive Officers, etc.”) and the details of remunerations for individual Executive Officers, etc. is appropriately determined by the Remuneration Committee based on its authority, and these policies and the total amount of remunerations by officer classification is being appropriately disclosed in the business reports and annual securities reports.

In addition, the commissioning of special advisors is determined by the Board of Directors through deliberation by the Nominating Committee, their remuneration is determined by the Remuneration Committee, and appropriate disclosure on these points is being provided in the Corporate Governance Report.

Also, the Proposal is related to the remunerations for Executive Officers, etc. and special advisors, and the Remuneration Committee has deliberated the Proposal and reached the conclusion that governance of the remunerations for Executive Officers, etc. and special advisors at JSF is being appropriately managed by the Remuneration Committee, that remunerations is being appropriately disclosed, and there is no need for the establishment of a provision such as that of the Proposal in the Articles of Incorporation.

The reason for the proposal is a negative assessment of the appointment of officers from the Bank of Japan at JSF, but in light of the public role and uniqueness of the securities financing business that includes loans for margin transactions, JSF focuses on the talent expected of executive offers and management, i.e. the ability to fully recognized JSF’s public role in the execution of business, extensive knowledge of the overall finance and securities markets, the ability to nimbly respond to the various environmental changes encircling JSF in the finance and securities sectors, and the like, and people from the Bank of Japan are appointed based on a determination that they have these talents. Their benefits are commensurate to their work responsibilities, and the payment status of remunerations is being appropriately disclosed by JSF and its consolidated subsidiaries pursuant to laws and regulations.

Furthermore, the Shareholder Proposal states “It is very possible that people from the Bank of Japan enjoy special treatment within the JSF Group landing cushy positions, and this special treatment is a risk of negating the incentive for enhancing shareholder value. As such, we are seeking the disclosure of individual remuneration for people from the Bank of Japan to clarify any existence of special treatment in terms of remuneration.” However, the remuneration of Executive Officers, etc. is established to work as an incentive consistent with the enhancement of corporate value, and is unrelated to remuneration at the Bank of Japan. The Proposing Shareholders fail to provide a basis as to how JSF's remuneration system is disincentivizing the enhancement of shareholder value, and their allegation is unrelated to the enhancement of shareholder value.

Based on the foregoing the Board of Directors has determined that there is no need to establish a provision such that in the Proposal in the Articles of Incorporation.

Agenda Item 3 Establishment of Special Advisors

(1) Content of Proposal

The following Chapter and Article shall be newly established in the existing Articles of Incorporation.

Chapter X Special Advisors

Article 40 (Special Advisors)

The Company shall be entitled to establish special advisors by resolution of the Board of Directors.

(2) Opinion of the Board of Directors

The Board of Directors opposes this Proposal.

The role of special advisors at JSF centers on business community activities and social contribution activities, and since the commissioning of advisors is determined by the Board of Directors through deliberation by the Nominating Committee and their remuneration is determined by the Remuneration Committee, disclosure on these points is being provided in the Corporate Governance Report. JSF has determined that having a person with past experience as president engage in these activities is expected to contribute in ways such as to the maintenance of relations in its business community as well as having an anticipated PR effect, and that this will lead to the enhancement of corporate value.

If the intent of this Proposal is the establishment of a special advisor system, we fail to understand the reason for proposing the stipulation of an establishment basis provision in the Articles of Incorporation. In consideration of securing objectiveness and transparency in the special advisor system, JSF, as addressed above determines and discloses the commissioning of advisor and their benefits through deliberation by the Nominating Committee, Remuneration Committee and Board of Directors, and in the day to day execution of business as well, the oversight and execution of business is separated by design in the organization of a company with nominating committee, etc. to create an appropriate decision making system, and advisors at JSF are not actually involved in any management decisions. These efforts have secured the objectiveness and transparency of the special advisor system, and there is no need to stipulate a special advisor establishment provision in the Articles of Incorporation.

Furthermore, the Shareholder Proposal states "Governance related issues have been identified with regard to the advisory system itself, and the continued service of a someone who landed a cushy appointment as president after leaving the Bank of Japan as special advisor after retiring, runs contrary to social justice (the "S" of the so-called ESG)," but this allegation is thought unrelated to the enhancement of shareholder value.

As such, we have determined that there is no need to establish a provision such as that of the Proposal in the Articles of Incorporation.

Agenda Item 4 Partial amendments to the Articles of Incorporation with regard to Cross-Shareholdings

(1) Content of Proposal

The following Chapter and Article shall be newly established in the existing Articles of Incorporation.

Chapter XI Securities Held by Company

Article 41 (Validation of Purpose and Disclosure of Results of Cross-Shareholdings)

(1) At least once a year, the Company communicates to the issuers of cross-held shares the desire to sell these shares in order to validate as to whether the purposes of cross-shareholding at the Company, the "strengthening of business relations" and the "undertaking of alliances", are actually effectuated by cross-held shares.

(2) The Company shall disclose the content of the responses from issuing companies have been obtained in response to the request for sale to the issuing companies of the preceding paragraph, by each individual company, in the corporate governance report submitted by the Company to the Tokyo Stock Exchange.

(2) Opinion of the Board of Directors

<u>The Board of Directors opposes this Proposal.</u>

With cross-shareholdings, the status of dividends and valuation gains or losses, the status of transactions with the company invested in, the history of the holdings and the like are validated each year by the Board of Directors, reduction is sought in those holdings the necessity for which is weak, and a determination is made on the reasonableness of the holdings based on the result of this validation. This is disclosed in the Corporate Governance Report, and the status of cross-shareholding is further disclosed in the Annual Securities Report.

Since FY2018, JSF has reduced its cross-held shares, reducing its holding of listed shares by 91% on market price basis and reducing its holding of both listed and unlisted shares by 78% in total in the period from March of 2018 through March of 2022. As of March 2022, JSF holds nine cross-held shares (two listed and seven unlisted) at a value of JPY 2,816,000,000, which accounts for merely 0.02% of its total assets and 2.04% of its total net assets on a consolidated basis. As such, general criticism of cross-shareholding is not warranted at JSF.

Furthermore, this Proposal seeks a provision in the Articles of Incorporation that states “At least once a year, the Company communicate to the issuers of cross-held shares the desire to sell these shares in order to validate as to whether the purposes of cross-shareholding at the Company, the ‘strengthening of business relations’ and the ‘undertaking of alliances’, are actually effectuated by cross-held shares.” But the necessity of selling is an issue that should be validated by JSF, the response policy regarding the intent of holding, economic feasibility and the like is determined through deliberation by the Board of Directors, and JSF has ensured a process for disclosing the results thereof in the Corporate Governance Report.

In addition, the Articles of Incorporation stipulate fundamental policies in the management of JSF, and as such it would not be appropriate to establish provisions on matters related to the individual and specific execution of business. Accordingly we have determined that there is no need to establish a provision such as that of the Proposal in the Articles of Incorporation.

Agenda Item 5 Partial amendments to the Articles of Incorporation with regard to Sale of Shares and Unlisted REIT Held for Net Investment Purposes

(2) Content of Proposal

The following Article shall be newly established in the existing Articles of Incorporation.

Article 42 (Sale of Shares and Unlisted REIT Held for Net Investment Purposes)

The Company shall no longer acquire, and shall sell by the end of March of 2026 all shares and unlisted REIT for which the purpose of holding is net investment.

(2) Opinion of the Board of Directors

<u>The Board of Directors opposes this Proposal.</u>

JSF secures sufficient liquidity from the finance market at low interest rates to facilitate the stable operation of its security financing business that includes loans for margin transactions. It has raised additional revenues by efficiently investing the excess funds arising in the course thereof in securities. In addition, JSF engages in a wide range of financial intermediation business in the finance and securities markets through the lending and the like of securities and funds. This financial intermediation business, due to the nature thereof, does not simply invest its own capital and earn revenues, rather it leverages debt financing, and is touted on the whole as a management goal for achieving ROE in excess of the cost of equity. The concept under the corporate governance code as well that the enhancement of corporate value should be conducted from a medium to long-term point of view, and JSF's ROE goal will be achieved in a medium-term span by FY2025 through the steady earning of profits by each division, including investment in securities.

In addition, JSF's thinking on its business portfolio has been resolved by the Board of Directors and disclosed on its corporate website, all business including investment in securities is expected to improve in medium to long-term profitability, and at present there are no assets which we have determined should be sold.

In addition, the Articles of Incorporation stipulate fundamental policies in the management of a company, and as such it would not be appropriate to establish provisions on matters related to the individual and specific execution of business. Accordingly we have determined that there is no need to establish a provision such as that of the Proposal in the Articles of Incorporation.

Agenda Item 6 Partial amendments to the Articles of Incorporation with regard to Disclosure of Results of Exercise of Voting Rights

(1) Content of Proposal

The following Article shall be newly established in the existing Articles of Incorporation.

Article 43 (Disclosure of Reasons for Not Voting and Voting)

In principle, the Company shall not exercise voting rights with regard to the shares securing debt held in the name of the Company, shall examine support or non-support and exercise voting rights individually only in exceptional cases where it is evident that the shareholder value for the corresponding shares will be harmed, and shall provide timely disclosure for the reason for voting.

(2) Opinion of the Board of Directors

The Board of Directors opposes this Proposal.

The shares held by securities financing companies in connection with loans on margin transactions are not held for pure investment purposes or cross-shareholding purposes, rather they are held on a temporary and formality basis by securities financing companies in the course of the execution of ordinary business. As such, these shares are exempted from the application of various regulations under the Financial Instruments and Exchange Act (large-volume reporting regulations, tender offer regulations and major shareholder regulations). Due to this construction under the Financial Instruments and Exchange Act, JSF, with regard to the shares it holds with regard to loans on margin transactions, has enacted independent, fair and neutral voting standards conforming to the nature of its business, to limit impact on the business activities of the issue company as much as possible, based on the thinking that it serves a public role as infrastructure in the securities market with regard to voting as well, and this is tied to the enhancement of shareholder value. The disclosure of voting standards and voting rights as proposed in this Proposal may incite issuing companies to manipulate voting at JSF, and ultimately have an effect on the business activities of the issuing company, having the opposite effect on JSF's maintenance of fairness and neutrality, and going against the foregoing intent of the Financial Instruments and Exchange Act.

In addition, the Articles of Incorporation stipulate fundamental policies in the management of JSF, and as such it would not be appropriate to establish provisions on matters related to the individual and specific execution of business. Accordingly we have determined that there is no need to establish a provision such as that of the Proposal in the Articles of Incorporation.

End

(SCHEDULE)

1. Partial amendments to the Articles of Incorporation with regard to Disclosure of Individual Remuneration for Representative Executive Officer & President

(1) Content of Proposal

The following Chapter and Article shall be newly established in the existing Articles of Incorporation.

Chapter IX Disclosure of Officer Remuneration

Article 38 (Disclosure of Remuneration for Representative Executive Officer & President)

The Company shall individually disclose the amount (including non-monetary remuneration) paid to the executive officer having the power of representation as remuneration for the preceding fiscal year in the Corporate Governance Report submitted to the Tokyo Stock Exchange by the Company.

(2) Reason for Proposal

JSF's share price is greatly lower than its dissolution value, and JSF's management has been unable to implement drastic promising measures for the enhancement of shareholder value. Since listing in 1950 all 10 of JSK's presidents have come from the Bank of Japan. The Proposing Shareholders are concerned that the president from the Bank of Japan is losing his incentive to enhance shareholder value since he is earning remuneration that far exceeds his remuneration when at the Bank of Japan, and are seeking the disclosure of the president's individual remuneration to dispel this concern.

Furthermore, last year the average amount of remuneration for each of JSF's six executive officers was JPY 50,270,000, greatly exceeding the annual remuneration of JPY 35,300,000 for the Governor of the Bank of Japan in 2020. JSF President Kushida last served as a director at the Bank of Japan, and the maximum annual remuneration for a director at the Bank of Japan is JPY 22,230,000 in the same year. Doubts persist as to whether it was necessary to provide benefits in excess of the Governor of the Bank of Japan to hire a director from the Bank of Japan to be the president of JSF.

2. Partial amendments to the Articles of Incorporation with regard to Disclosure of Individual Remuneration for Officers Coming from Bank of Japan

(1) Content of Proposal

The following Article shall be newly established in the existing Articles of Incorporation.

Article 39 (Disclosure of Remuneration for Officers from Bank of Japan)

The Company shall individually disclose the amount (including non-monetary remuneration) paid to the executive officers, directors and special advisors who have a history of work at the Bank of Japan and the directors, advisers and counselors of subsidiaries who have a history of work at the Bank of Japan as remuneration for the preceding fiscal year in the Corporate Governance Report submitted to the Tokyo Stock Exchange by the Company.

(2) Reason for Proposal

Since 1992, all presidents at JSF have served as advisors or the like after stepping down as president. In addition, the current special advisor, chairman and senior managing executive officer all came from the Bank of Japan.

In addition, even if limited to the persons who came to JSF after serving as bureau chiefs at the Bank of Japan (hereinafter, “Bureau Chief Level Personnel”), from 1980 until currently reaching Senior Managing Executive Officer Okada has continuously held the post-government post of managing executive officer or higher over 40 years without interruption, and ultimately all Bureau Chief Level Personnel have been appointed senior managing executive officers at JSF. Additionally, since the establishment of JSF Trust and Banking in 1998, all of the Bureau Chief Level Personnel serving as managing executive officers at JSF have been appointed to serve a president of that company, and subsequently a portion thereof were appointed advisors or the like of that company after stepping down as president.

It is highly possible that the people from the Bank of Japan have enjoyed special treatment with the JSF Group after leaving the Bank of Japan, and there is a risk that this special treatment is disincentivizing the enhancement of shareholder value. As such we are seeking the disclosure of the individual remuneration for officers from the Bank of Japan to clarify the existence of any special treatment in terms of remuneration

3. Establishment of Special Advisors

(1) Content of Proposal

The following Chapter and Article shall be newly established in the existing Articles of Incorporation.

Chapter X Special Advisors

Article 40 (Special Advisors)

The Company shall be entitled to establish special advisors by resolution of the Board of Directors.

(2) Reason for Proposal

Minoru Masubuchi, a former president at JSF, was appointed president in 2004, chairman in 2012 and special advisor in 2019 after leaving the Bank of Japan. There are two others who were also appointed president, chairman and special advisor after leaving the Bank of Japan.

Governance related issues have been identified with regard to the advisor system, and the continued service of someone who landed a cushy appointment as president after leaving the Bank of Japan as special advisor after retiring, runs contrary to social justice (the “S” of the so-called ESG).

JSF explains the significance of the special advisor system is to contribute and the like to the enhancement of medium to long-term corporate value through a PR effect in the business community, so this Proposal seeks the establishment of a special advisor system in line with this explanation in the Articles of Incorporation. A Shareholder Proposal that does not acknowledge the significance of the special advisor system would natural go against this proposal. JSF, by rejecting this Proposing Shareholders, would recognize that the shareholders do not acknowledge the significance of the existence of this system, and should immediately discontinue the special advisor system.

4. Partial amendments to the Articles of Incorporation with regard to Cross-Shareholdings

(1) Content of Proposal

The following Chapter and Article shall be newly established in the existing Articles of Incorporation.

Chapter XI Securities Held by Company

Article 41 (Validation of Purpose and Disclosure of Results of Cross-Shareholdings)

(1) At least once a year, the Company communicate to the issuers of cross-held shares the desire to sell these shares in order to validate as to whether the purposes of cross-shareholding at the Company, the “strengthening of business relations” and the “undertaking of alliances”, are actually effectuated by cross-held shares.

(2) The Company shall disclose the content of the responses from issuing companies obtained in response to the request for sale to the issuing companies of the preceding paragraph, by individual company, in the corporate governance report submitted by the Company to the Tokyo Stock Exchange.

(2) Reason for Proposal

As of the end of March 2021, JSF held nine issues of cross-held shares worth JPY 2,777,000,000 on its balance sheet (nonconsolidated).

According to the Annual Securities Report for FYE March 2021, the purpose for holding the two listed issues is disclosed as the "strengthening of business relations" and the "undertaking of alliances" with key subsidiaries and the like of the issuing companies, but it is unclear as to there can be a causal relationship between the holding of shares and any strengthening of business relations and possibility of alliances.

The foregoing two companies are in compliance with Corporate Governance Code Supplementary Principle 1-4-1, so there is no possibility that JSF would suffer a curtailment of business even if it sold the shares.

As such, the Proposing Shareholders are seeking revalidation as to whether the holding of cross-held shares actually fulfills its purpose. The Proposing Shareholders believe that JSF should not engage in any cross-shareholding, but at the very least, those cross-shareholdings that are discovered not to perform the purpose of holding as the result of this validation should be promptly reduced since the holding of these shares cannot found to be reasonable.

5. Partial amendments to the Articles of Incorporation with regard to Sale of Shares and Unlisted REIT Held for Net Investment Purposes

(1) Content of Proposal

The following Article shall be newly established in the existing Articles of Incorporation.

Article 42 (Sale of Shares and Unlisted REIT Held for Net Investment Purposes)

The Company shall no longer acquire, and shall sell by the end of March of 2026 all shares and unlisted REIT for which the purpose of holding is net investment.

(2) Reason for Proposal

This proposal seeks the sale of all shares and unlisted REIT (hereinafter, “Shares, etc.”) for net investment purposes held by JSF during the current medium-term management plan.

As of the end of March 2021, JSF held shares for net investment purposes totaling JPY 12,900,000,000 and unlisted REIT totaling JPY 14,500,000,000 on its balance sheet. The Shares, etc. are not business assets which are expected to be held in the conduct of JSF’s business, rather they are securities that are purely held for the purpose of investment.

However, the return earned from the holding of the Shares, etc. is less than the cost of capital, and the holding of these Shares, etc. lowers JSF’s capital efficiency and serves as one facture harming its shareholder value.

As such, these Shares, etc. should be sold during the current medium-term management plan to also realize the higher capital efficiency raised by JSF in the current medium-term management plan.

6. Partial amendments to the Articles of Incorporation with regard to Disclosure of Results of Exercise of Voting Rights

(1) Content of Proposal

The following Article shall be newly established in the existing Articles of Incorporation.

Article 43 (Disclosure of Reasons for Not Voting and Voting)

In principle, the Company shall not exercise voting rights with regard to the shares securing debt held in the name of the Company, shall examine support or non-support and exercise voting rights individually only in exceptional cases where it is evident that the shareholder value for the corresponding shares will be harmed, and shall provide timely disclosure for the reason for voting.

(2) Reason for Proposal

As of the end of December 2022, the total amount of shares securing debt held by JSF in connection with its principal business of loans on margin transactions will reach JPY 500,000,000,000, and JSF is within the top 30 shareholders at 384 listed companies.

JSF has explained that, in principle, they vote these shares securing debt to support company proposals, but the random voting of shares held merely as security in support of a company proposal would be an issue in terms of the fairness and neutrality of the business of loans on margin transactions.

Based on the foregoing point of view, the principal at JSF should be not to vote on shares securing debt. Additionally, voting should be conducted after making an individual examination of support and non-support only in exceptional cases where there is clear harm to shareholder value.

The purpose of this Shareholder Proposal is to maintain the fairness and neutrality of the business of loans on margin transactions by asking JSF to make the non-voting of debt securing shares the principal, and seeking the disclosure of the reasons for voting in exceptional cases where voting is conducted after making an individual examination is made regarding support or non-support.

Board of Directors' Opinion on Shareholder Proposal (Supplementary material)

May 2022

Japan Securities Finance Co., Ltd.

1. Board of Directors’ Opinion on Shareholder Proposal

Summary

JSF

Shareholder Proposal

(1) Disclosure of Individual Remuneration for Representative Executive Officer & President
(2) Disclosure of Individual Remuneration for Officers Coming from Bank of Japan
(3) Establishment of Special Advisors
(4) Cross-Shareholdings
(5) Sale of Shares and Unlisted REIT held for Net Investment Purpose
(6) Disclosure of Results of Exercise of Voting Rights in connection with loans for margin transactions

Board of Directors' Opinion

The Board of Directors opposes ALL Proposal

- JSF, as a securities finance company (licensed company under the Financial Instruments and Exchange Act) that takes on an infrastructural function in securities markets, has abides by laws, ordinances and other regulations, and recognize the public role.
- JSF formulated "Medium-term Management Policy", with the aim of becoming a company that maintains a high degree of financial soundness, and realizes both the sustainable growth expected as a listed company and the medium to long-term enhancement of its corporate value.(Nov. 2021)
  - Management goal is to achieve ROE of 5% which exceeds our costs of equity by FY2025.
- Under its Sixth Medium-term Management Plan, JSF has advanced the strengthening of its revenue base and has aggressively worked to address a variety of corporate governance related issues. These efforts are manifesting results, in fact JSF has maintained steady growth in ROE, and TSR has exceeded the average of listed companies in recent years.
- The appointment of the officers from the Bank of Japan (BOJ) has been conducted on personal character basis in an effort to secure the talent required by JSF.
- JSF Board of Directors believes that the maintenance and strengthening of these past efforts will lead to improve corporate value at JSF of the medium to long-tern.

2. Medium-term Management Policy and Efforts in Corporate Governance

Medium-term Management Policy: Overview

JSF

Corporate Philosophy

As an institution specializing in securities finance, JSF has a mission to contribute to the development of the securities market by proactively meeting the diverse needs of the securities and financial sectors and to enhance the long-term interests of users, while always maintaining a keen awareness of its public role.

Long-term direction for realizing corporate philosophy

Vision for JSF in the Future

Be a company that **maintains strong financial soundness, achieves the sustainable growth expected of a listed company, and enhances its enterprise value over the medium to long-term**, while firmly embracing the public roles expected of it as a securities finance company providing infrastructural functions to the securities market.

Medium-term Management Policy

6th Medium-term Management Plan (FY2020-2022)

Management Policy through 2025

Management goals (targets to be achieved)	☐ ROE of 4% during period of 6th Medium-term Business Plan (through FY2022) ☐ ROE of 5% during period of next plan (FY2023-2025)
Strategies	● Strengthen securities finance business centered on loans for margin transactions ● Reinforce consolidated management of the group ● Improve operational efficiency ● Further enhance shareholder returns (aim for total payout ratio of 100%)
Corporate Governance	● Expeditiously tackle the diverse challenges that need to be overcome in order to maintain the level of corporate governance expected of a listed company.

JSF

Management Goals

Aim to achieve the following target

Period of the Current Medium-term Management Plan (until fiscal 2022)	ROE 4%
Period of the Next Medium-term Management Plan (FY2023-FY2025)	ROE 5%

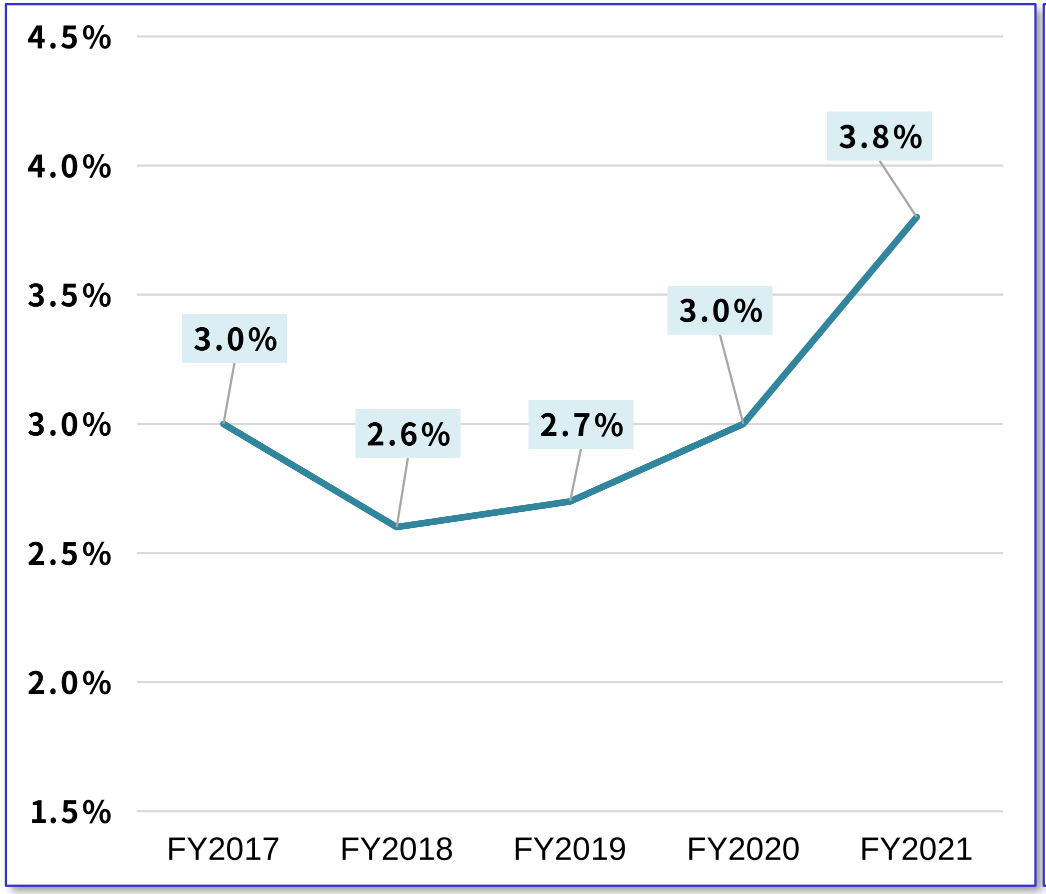
Approach

- ✓ JSF will further commit and secure transparency for sustainable growth and the enhancement of medium to long-term corporate value based on a high degree of governance.
- ✓ JSF targets an ROE of 5% which exceeds our cost of equity (CoE), as a management goal.
  - ➢ JSF estimated the CoE using objective data and several methods to reach acknowledgement of the mid 4% range.
  - ➢ Our CoE is somewhat lower than general level, due to low business strategy risk, and high financial and earnings stability. (JSF is subject to restrictions on financial soundness and scope of business under laws, as infrastructure in securities market.)

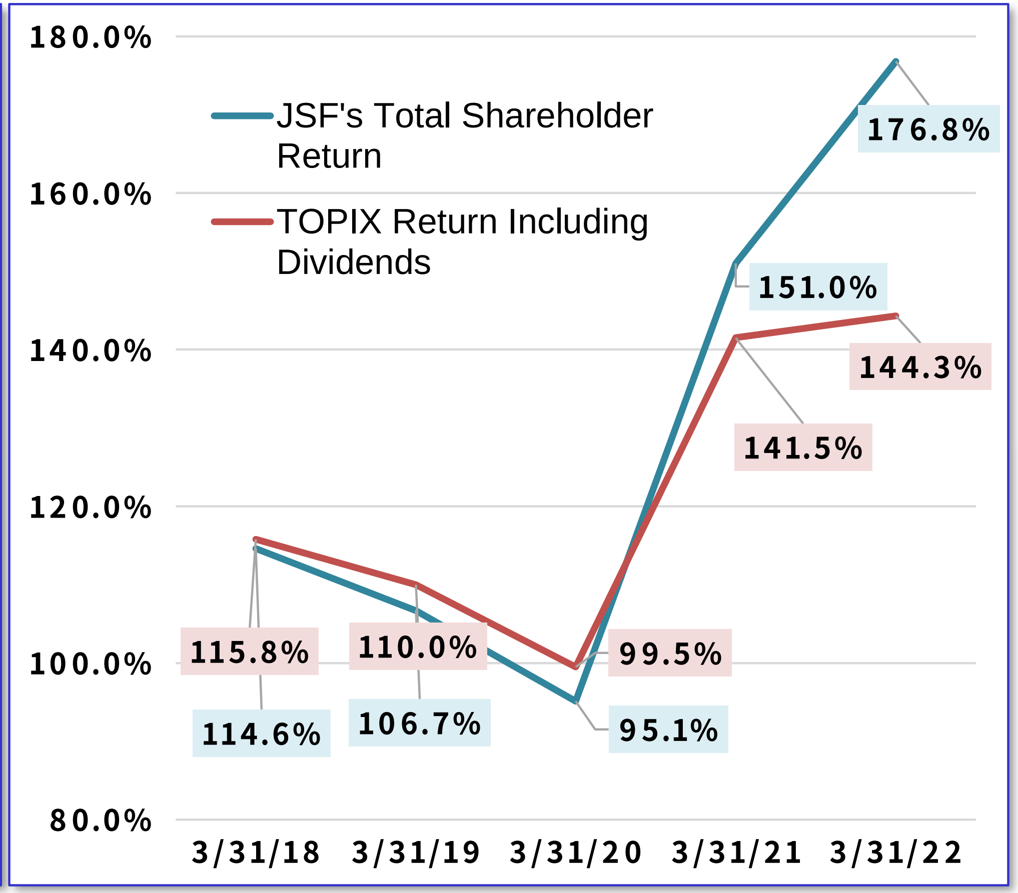
Results of JSF's Efforts to Date

- Our efforts under the current Medium-term Management Plan have stacked up and steadily increased our ROE.
- Additionally, Total Shareholder Returns at JSF have risen to a level that exceeds the recent TOPIX average.

ROE



Total Shareholder Return



Measures to Realize Management Goals & Concept of our Business Portfolio

JSF

Measures for Realization of Management Goals

1) Strengthening its securities finance business centered on loans for margin transactions
2) Reinforcing consolidated management of its group
3) Improving its operational efficiency

Accelerate its efforts to increase its earning power and capital efficiency

Policy for Business Portfolio

- JSF is supposed to have business related to loans for margin transactions as its main business under applicable law, and has its other business mandatorily restricted within the scope that does not interfere with its operations in loans for margin transactions.
- The group's business portfolio, inclusive of its subsidiaries, is limited to a relatively narrow range which is considered to be related and contribute to the execution of JSF's business.
- The group's business portfolio is not subject to frequent change arising from M&A or other transaction.
- Based on the fundamental nature of this group business and the purport of Corporate Governance Code, Board of Directors have deliberated and determined a fundamental policy for its business portfolio.

Fundamental Policy for Business Portfolio

- With a strong recognition of the public role it plays as infrastructure in securities markets, the JSF Group will actively respond to diverse needs in the securities and finance sectors to provide a variety of securities and finance related services focused on their licensed business of securities financing centered on loans for margin transactions.
- In addition, in consideration of the large susceptibility of its loans for margin transactions services to market fluctuations and other factors, JSF Group will continue its efforts to diversify the sources of its earnings and to achieve its management goals in each sector with an increased consciousness of enhanced capital efficiency.
- Under this concept, JSF Group will endeavor to realize its vision of the future through a business portfolio consisting of security financing business centered on loans for margin transactions, securities management business, trust banking business and real estate management business.

Shareholder Returns

JSF

Policy for Shareholder Return

- To further enhance shareholder returns, JSF aims at cumulative total payout ratio of 100% through dividends and the flexible implementation of share buy-backs in the period from FY2021 through FY2025 (achieving the goal of ROE 5%).
  - With regard to dividends, the amount of our annual dividends reached JPY 30 per share in FY2021, and our aim is to aggressively pay annual dividends in the period from FY2022 through FY2025 at a level that does not fall below the amount of JPY 30 per share.

Shareholder Returns in FY 2022

Dividend forecast	+	Share Buy-Back	=	Total Payout Ratio
JPY 32 (YoY +JPY 2)	+	3.2 mil. shares (3.5% of total number of shares outstanding) JPY 300 mil.	=	103.4%

～ All For Securities Market ～

Effort in Corporate Governance (1) Composition of Board of Directors

JSF

Overview

- Transitioned to a company with a nominating committee, etc., in 2019 to separate oversight from execution.
- Creating a Board of Directors composed of 5 directors with 3 outside directors.
- Appointing outside directors to serve as the chairs of the Board of Directors and all committees.

Environmental changes

- Revision of the Corporate Governance Code
- Transition to a new TSE market segment
- Internationalization & Digital Transformation

- Formation & Implementation of a next medium-term management plan

Thinking

- Multifaceted skills required to face the changing environment.
- Balance of the number of people engaged in the oversight and execution.
- Diversification in terms of age and gender.

◆ **Adding 2 outside directors**

⇒ Board Composition of 7 directors :5 outside & 2 inside

- Under an overall skillset package

◆ Proposing 8 seats as a maximum number of the Board of Directors under its Articles of Incorporation.

- Consideration the availability of speedy decision making and the size of JSF.
- Consisting of 7 actual members and one vacant seat.

- Comprehensive reexamination was conducted regarding criteria on the appointment of executive officers, due to changes in the environment.
- In the light of the fact that the purpose of their appointment is to create an executive system that facilitates the advancement of the medium-term management plan, specific appointments are conducted to classify the talent expected of executive officers.

【Long list】

People from

- Inside the company
- Public sector
- Finance & Securities sectors

【Talent expected of Executive Officers】

◆ Someone who is able to fully recognize JSF's public role in the execution of JSF's business.
◆ Someone who has extensive of knowledge of the overall finance and securities markets.
◆ Someone who is well versed in the Financial Instruments and Exchange Act and other various laws and regulations.
◆ Someone with knowledge and experience involving JSF's highly specialized business.
◆ Someone with the internationality required in the advance of JSF's business.
◆ Someone with a high degree of knowledge and experience in business management and risk management.
◆ Someone with a high degree of knowledge and experience in finance and accounting.
◆ Someone who is able to nimbly respond to the various environmental changes encircling JSF in the finance and securities sectors.

Appointment of 7 Executive Officers

People from the BOJ have been appointed based on a determination that they have these talents

Rationale Regarding Remuneration and Incentives

- JSF has established a remuneration system of Directors & Executive Officers that supports the foregoing management policies and governance system which strongly recognized its public role as infrastructure in securities markets and provides incentives that are consistent with JSF's management policy of enhancing its corporate value in the medium and long-term.
- Remuneration for individual directors and executive officers is determined by the Remuneration Committee. Additionally, changes and the like to remuneration categories and the remuneration system are also determined by the Remuneration Committee.

【Policy regarding determining of remuneration】

Executive Officers	● With an eye towards a high degree of correlation with JSF's earnings and share price, executive officer remuneration is set as monthly remuneration (base remuneration) and officer bonuses and stock remuneration linked to earnings. ● The set as monthly remuneration (base remuneration) is based on an individual executive officer's position. ● With an eye towards the clarification of management responsibilities, officer bonuses are determined after the end of a fiscal year, linked to the achievement status of the management goals in the medium-term management plan and performance in each term, and paid within three months after this determination. ● Stock remuneration utilizes a board benefit trust scheme to award points linked to and determined by medium-term performance, and awards JSF shares based on the number of points at the time of retirement.
Directors	● From a viewpoint of exerting a supervisory function, directors (excluding those concurrently serving as executive officers) are only paid fixed-amount monthly remuneration (base remuneration) and are not paid performance linked remunerations. ● The remuneration of an individual director is determined by their classification as fulltime or non-fulltime director, appointment as chair and other positions as a director. ● Directors who concurrently serve as executive officers are not paid remuneration as a director.

3. Opinion of JSF Board of Directors Regarding Individual Agenda Items in Shareholder Proposal

JSF

Proposal	Opinion of the Board of Directors
The following Chapter and Article shall be newly established in the existing Articles of Incorporation. Chapter IX Disclosure of Officer Remuneration Article 38(Disclosure of Remuneration for Representative Executive Officer & President) The Company shall individually disclose the amount (including non-monetary remuneration) paid to the executive officer having the power or representation as remuneration for the preceding fiscal year in the Corporate Governance Report submitted to the Tokyo Stock Exchange by the Company.	**The Board of Directors opposes this Proposal.** JSF, in accordance with laws and regulations, appropriately discloses the policies for determining the content of remunerations of executive officers and directors (hereinafter, "Executive Officers, etc.") and the total amount of remunerations by officer classification in the business reports and annual securities reports. In addition, the Proposal is related to the remunerations for Executive Officers, etc., and the Remuneration Committee has deliberated the Proposal and reached the conclusion that governance of the remunerations for Executive Officers, etc. at JSF is being appropriately managed by the Remuneration Committee, that remunerations is being appropriately disclosed, and there is no need for the establishment of a provision such as that of the Proposal in the Articles of Incorporation. Also, at JSF the Remuneration Committee has the authority to decide the policies on the determination of the content of remunerations for Executive Officers, etc. and the details of individual remunerations for Executive Officers, etc. Moreover, the Remuneration Committee has appropriately exercised this authority to appropriately determine the details of individual remunerations for Executive Officers, etc. Specifically, the remunerations for Executive Officers, etc. is based on the corporate philosophy and management policies, in a system and at a level the coincides with the roles and expected functions of directors and executive officers, with an eye towards sustainable growth and the enhancement of corporate value in the medium to long-term. Among others, the executive officer executive officer remuneration is set as monthly remuneration (base remuneration) and officer bonuses and stock remuneration, with an eye towards a high degree of correlation with JSF's earnings and share price. Furthermore, the Shareholder Proposal states "There is concern that the president from the Bank of Japan losing his incentives to enhance shareholder value since he is earning remuneration that far exceeds his remuneration when he worked at the Bank of Japan, and to dispel this concern we are seeking the disclosure of the president's individual remuneration." However, as addressed above, the remuneration of Executive Officers, etc. is established to work as an incentive consistent with the enhancement of corporate value, and is unrelated to remuneration at the Bank of Japan. The Proposing Shareholders fail to provide a basis as to how JSF's remuneration system is disincentivizing the enhancement of shareholder value, and their allegation is unrelated to the enhancement of shareholder value. Based on the foregoing the Board of Directors has determined that there is no need to establish a provision such that in the Proposal in the Articles of Incorporation since JSF is appropriately and fully responding in accordance with laws and regulations in both the determination and disclosure of remunerations.

JSF

Proposal	Opinion of the Board of Directors
The following Article shall be newly established in the existing Articles of Incorporation. Article 39(Disclosure of Remuneration for Officers from Bank of Japan) The Company shall individually disclose the money (including non-monetary remuneration) paid to the executive officers, directors and special advisors who have a history of work at the Bank of Japan and the directors, advisers and counselors of subsidiaries who have a history of work at the Bank of Japan as remuneration for the preceding fiscal year in the Corporate Governance Report submitted to the Tokyo Stock Exchange by the Company.	**The Board of Directors opposes this Proposal.** As set forth in the opinion of the Board of Directors regarding Agenda Item 1, at JSF the policies for determining the content of remunerations of executive officers and directors (hereinafter, “Executive Officers, etc.”) and the details of remunerations for individual Executive Officers, etc. is appropriately determined by the Remuneration Committee based on its authority, and these policies and the total amount of remunerations by officer classification is being appropriately disclosed in the business reports and annual securities reports. In addition, the commissioning of special advisors is determined by the Board of Directors through deliberation by the Nominating Committee, their remuneration is determined by the Remuneration Committee, and appropriate disclosure on these points is being provided in the Corporate Governance Report. Also, the Proposal is related to the remunerations for Executive Officers, etc. and special advisors, and the Remuneration Committee has deliberated the Proposal and reached the conclusion that governance of the remunerations for Executive Officers, etc. and special advisors at JSF is being appropriately managed by the Remuneration Committee, that remunerations is being appropriately disclosed, and there is no need for the establishment of a provision such as that of the Proposal in the Articles of Incorporation. The reason for the proposal is a negative assessment of the appointment of officers from the Bank of Japan at JSF, but in light of the public role and uniqueness of the securities financing business that includes loans for margin transactions, JSF focuses on the talent expected of executive offers and management, i.e. the ability to fully recognized JSF’s public role in the execution of business, extensive knowledge of the overall finance and securities markets, the ability to nimbly respond to the various environmental changes encircling JSF in the finance and securities sectors, and the like, and people from the Bank of Japan are appointed based on a determination that they have these talents. Their benefits are commensurate to their work responsibilities, and the payment status of remunerations is being appropriately disclosed by JSF and its consolidated subsidiaries pursuant to laws and regulations. Furthermore, the Shareholder Proposal states “It is very possible that people from the Bank of Japan enjoy special treatment within the JSF Group landing cushy positions, and this special treatment is a risk of negating the incentive for enhancing shareholder value. As such, we are seeking the disclosure of individual remuneration for people from the Bank of Japan to clarify any existence of special treatment in terms of remuneration.” However, the remuneration of Executive Officers, etc. is established to work as an incentive consistent with the enhancement of corporate value, and is unrelated to remuneration at the Bank of Japan. The Proposing Shareholders fail to provide a basis as to how JSF’s remuneration system is disincentivizing the enhancement of shareholder value, and their allegation is unrelated to the enhancement of shareholder value. Based on the foregoing the Board of Directors has determined that there is no need to establish a provision such that in the Proposal in the Articles of Incorporation.

Proposal	Opinion of the Board of Directors
The following Chapter and Article shall be newly established in the existing Articles of Incorporation. Chapter X Special Advisors Article 40(Special Advisors) The Company shall be entitled to establish special advisors by resolution of the Board of Directors.	**The Board of Directors opposes this Proposal.** The role of special advisors at JSF centers on business community activities and social contribution activities, and since the commissioning of advisors is determined by the Board of Directors through deliberation by the Nominating Committee and their remuneration is determined by the Remuneration Committee, disclosure on these points is being provided in the Corporate Governance Report. JSF has determined that having a person with past experience as president engage in these activities is expected to contribute in ways such as to the maintenance of relations in its business community as well as having an anticipated PR effect, and that this will lead to the enhancement of corporate value. If the intent of this Proposal is the establishment of a special advisor system, we fail to understand the reason for proposing the stipulation of an establishment basis provision in the Articles of Incorporation. In consideration of securing objectiveness and transparency in the special advisor system, JSF, as addressed above determines and discloses the commissioning of advisor and their benefits through deliberation by the Nominating Committee, Remuneration Committee and Board of Directors, and in the day to day execution of business as well, the oversight and execution of business is separated by design in the organization of a company with a nominating committee, etc., to create an appropriate decision making system, and advisors at JSF are not actually involved in any management decisions. These efforts have secured the objectiveness and transparency of the special advisor system, and there is no need to stipulate a special advisor establishment provision in the Articles of Incorporation. Furthermore, the Shareholder Proposal states "Governance related issues have been identified with regard to the advisory system itself, and the continued service of a someone who landed a cushy appointment as president after leaving the Bank of Japan as special advisor after retiring, runs contrary to social justice (the "S" of the so-called ESG)," but this allegation is thought unrelated to the enhancement of shareholder value. As such, we have determined that there is no need to establish a provision such as that of the Proposal in the Articles of Incorporation.

Proposal	Opinion of the Board of Directors
The following Chapter and Article shall be newly established in the existing Articles of Incorporation. Chapter XI Securities Held by Company Article 41 (Validation of Purpose and Disclosure of Results of Cross-Shareholdings) (1)At least once a year, the Company communicates to the issuers of cross-held shares the desire to sell these shares in order to validate as to whether the purposes of cross-shareholding at the Company, the "strengthening of business relations" and the "undertaking of alliances", are actually effectuated by cross-held shares. (2)The Company shall disclose the content of the responses from issuing companies have been obtained in response to the request for sale to the issuing companies of the preceding paragraph, by each individual company, in the corporate governance report submitted by the Company to the Tokyo Stock Exchange.	**The Board of Directors opposes this Proposal.** With cross-shareholdings, the status of dividends and valuation gains or losses, the status of transactions with the company invested in, the history of the holdings and the like are validated each year by the Board of Directors, reduction is sought in those holdings the necessity for which is weak, and a determination is made on the reasonableness of the holdings based on the result of this validation. This is disclosed in the Corporate Governance Report, and the status of cross-shareholding is further disclosed in the Annual Securities Report. Since FY2018, JSF has reduced its cross-held shares, reducing its holding of listed shares by 91% on market price basis and reducing its holding of both listed and unlisted shares by 78% in total in the period from March of 2018 through March of 2022. As of March 2022, JSF holds nine cross-held shares (two listed and seven unlisted) at a value of JPY 2,816,000,000, which accounts for merely 0.02% of its total assets and 2.04% of its total net assets on a consolidated basis. As such, general criticism of cross-shareholding is not warranted at JSF. Furthermore, this Proposal seeks a provision in the Articles of Incorporation that states "At least once a year, the Company communicate to the issuers of cross-held shares the desire to sell these shares in order to validate as to whether the purposes of cross-shareholding at the Company, the 'strengthening of business relations' and the 'undertaking of alliances', are actually effectuated by cross-held shares." But the necessity of selling is an issue that should be validated by JSF, the response policy regarding the intent of holding, economic feasibility and the like is determined through deliberation by the Board of Directors, and JSF has ensured a process for disclosing the results thereof in the Corporate Governance Report. In addition, the Articles of Incorporation stipulate fundamental policies in the management of JSF, and as such it would not be appropriate to establish provisions on matters related to the individual and specific execution of business. Accordingly we have determined that there is no need to establish a provision such as that of the Proposal in the Articles of Incorporation.

JSF

Proposal	Opinion of the Board of Directors
The following Article shall be newly established in the existing Articles of Incorporation. Article 42(Sale of Shares and Unlisted REIT Held for Net Investment Purposes) The Company shall no longer acquire, and shall sell by the end of March of 2026 all shares and unlisted REIT for which the purpose of holding is net investment.	**The Board of Directors opposes this Proposal.** JSF secures sufficient liquidity from the finance market at low interest rates to facilitate the stable operation of its security financing business that includes loans for margin transactions. It has raised additional revenues by efficiently investing the excess funds arising in the course thereof in securities. In addition, JSF engages in a wide range of financial intermediation business in the finance and securities markets through the lending and the like of securities and funds. This financial intermediation business, due to the nature thereof, does not simply invest its own capital and earn revenues, rather it leverages debt financing, and is touted on the whole as a management goal for achieving ROE in excess of the cost of equity. The concept under the corporate governance code as well that the enhancement of corporate value should be conducted from a medium to long-term point of view, and JSF’s ROE goal will be achieved in a medium-term span by FY2025 through the steady earning of profits by each division, including investment in securities. In addition, JSF’s thinking on its business portfolio has been resolved by the Board of Directors and disclosed on its corporate website, all business including investment in securities is expected to improve in medium to long-term profitability, and at present there are no assets which we have determined should be sold. In addition, the Articles of Incorporation stipulate fundamental policies in the management of a company, and as such it would not be appropriate to establish provisions on matters related to the individual and specific execution of business. Accordingly we have determined that there is no need to establish a provision such as that of the Proposal in the Articles of Incorporation.

Agenda Item 6: Partial amendments to the Articles of Incorporation with regard to Disclosure of Results of Exercise of Voting Rights

JSF

Proposal	Opinion of the Board of Directors
The following Article shall be newly established in the existing Articles of Incorporation. Article 43(Disclosure of Reasons for Not Voting and Voting) In principle, the Company shall not exercise voting rights with regard to the shares securing debt held in the name of the Company, shall examine support or non-support and exercise voting rights individually only in exceptional cases where it is evident that the shareholder value for the corresponding shares will be harmed, and shall provide timely disclosure for the reason for voting.	**The Board of Directors opposes this Proposal.** The shares held by securities financing companies in connection with loans on margin transactions are not held for pure investment purposes or cross-shareholding purposes, rather they are held on a temporary and formality basis by securities financing companies in the course of the execution of ordinary business. As such, these shares are exempted from the application of various regulations under the Financial Instruments and Exchange Act (large-volume reporting regulations, tender offer regulations and major shareholder regulations). Due to this construction under the Financial Instruments and Exchange Act, JSF, with regard to the shares it holds with regard to loans on margin transactions, has enacted independent, fair and neutral voting standards conforming to the nature of its business, to limit impact on the business activities of the issue company as much as possible, based on the thinking that it serves a public role as infrastructure in the securities market with regard to voting as well, and this is tied to the enhancement of shareholder value. The disclosure of voting standards and voting rights as proposed in this Proposal may incite issuing companies to manipulate voting at JSF, and ultimately have an effect on the business activities of the issuing company, having the opposite effect on JSF's maintenance of fairness and neutrality, and going against the foregoing intent of the Financial Instruments and Exchange Act. In addition, the Articles of Incorporation stipulate fundamental policies in the management of JSF, and as such it would not be appropriate to establish provisions on matters related to the individual and specific execution of business. Accordingly we have determined that there is no need to establish a provision such as that of the Proposal in the Articles of Incorporation.