

Japan Securities Finance Co., Ltd.

1Q FY2020

Financial Results Presentation

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1 . Executive Summary (Consolidated)

(¥ mil)	FY2020 1Q			Highlight
		YoY Δ	$\Delta\%$	
Operating Revenues	7,937	+ 325	+ 4.3%	<ul style="list-style-type: none"> ✓ Margin Loan Business resulted decrease (- 2.8%) due to a decrease of balance of Margin Loan and Stock Loan ✓ Securities Financing saw a significant increase in revenue driven by Bond Lending (+80.6%) ✓ Revenue of subsidiary JSFTB decreased (- 52.0%)due to a decrease in gains on sales of bonds.
Operating Income	1,606	+ 66	+ 4.3%	<ul style="list-style-type: none"> ✓ Operating expenses increased due to an increase in borrowing fees for securities, but general and administrative expenses decreased due to an increase in reversal of allowance for doubtful accounts.
Recurring Income	1,759	+ 26	+ 1.5%	
Net Income	1,315	+ 49	+ 3.9%	

1 . Summary Financial Results for 1Q, FY2020



(¥ mil)	Consolidated			Parent					
	FY2020 1Q	YoY.Δ	(%Δ)	JSF		JSF Trust Bank		Nihon Building	
					YoY.Δ		YoY.Δ		YoY.Δ
Operating Revenues	7,937	325	(+4.3%)	7,143	950	623	▲587	322	1
<i>Except Premium Charges</i>	6,287	395	(+6.7%)	5,493	1,020				
Operating Expenses	4,512	394	(+9.6%)	4,435	1,051	133	▲614	4	▲2
<i>Except Premium Charges</i>	2,863	464	(+19.4%)	2,786	1,121				
General & Administrative Expenses	1,818	▲135	(△6.9%)	1,676	30	72	▲172	164	0
Operating Income	1,606	66	(+4.3%)	1,031	▲131	418	200	153	3
Recurring Income	1,759	26	(+1.5%)	2,439	962	419	200	205	▲7
<i>Gain or Loss in Equity-Method</i>	11	31	(-)						
Extraordinary Profit or Loss	—	—	(-)	—	—	—	—	—	—
Net Income	1,315	49	(+3.9%)	2,110	1,005	369	176	137	▲6

2 . Summary Financial Results for 1Q, FY2020 (JSF parent)

Japan Securities Finance (parent) *excluding premium charge			
(¥ mil)	FY2020 1Q	YoY.Δ	(%Δ)
Operating Revenues*	5,493	1,020	(+22.8%)
Margin Loan Business*	1,000	▲7	(Δ0.8%)
Securities Financing	3,487	1,558	(+80.8%)
Others	1,005	▲530	(Δ34.5%)
Operating Expenses*	2,786	1,121	(+67.4%)
General & Administrative Expenses	1,676	30	(+1.9%)
Operating Income	1,031	▲131	(Δ11.3%)
Recurring Income	2,439	962	(+65.2%)
Extraordinary Profit or Loss	—	—	(—)
Net Income	2,110	1,005	(+91.0%)

Key Points

● Operating Revenues

- ◆ **Up ¥1,020 mil (+22.8%) YoY driven by Securities Financing.**
 - Margin Loan Business remained the same level YoY due to the recovery in the balance of Margin loan and Stock Loan through June.
 - Securities Financing saw a significant increase in revenue driven by Bond Lending .
 - Others(Securities investment) dropped due to the absence of the impact of foreign exchange gains concerning foreign currency transaction recorded in the same period of the previous fiscal year.

※For details of segments, see "Financial Highlights for 1Q, FY2020(P6-P8)"

● Operating Expenses

- Up ¥1,121mil (+67.4%) YoY
- Fees on borrowing securities and interest on payables under repurchase agreements in Bond Lending

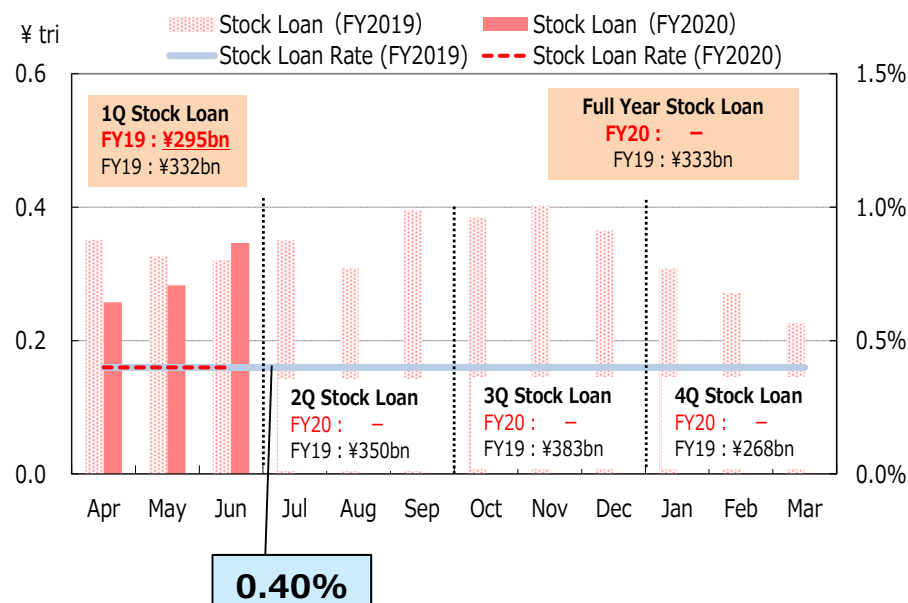
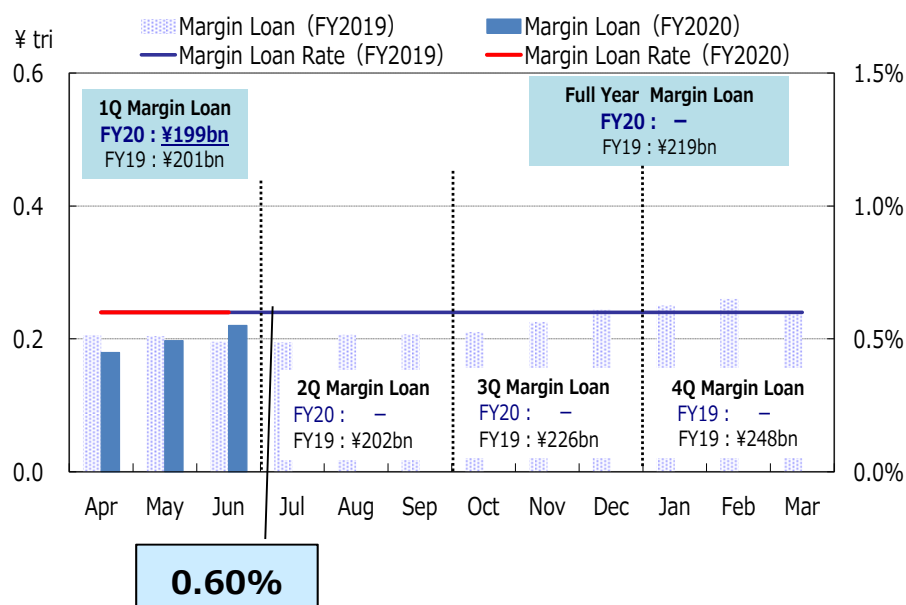
● Recurring Income/Net Income

- Significant increase in profit due to increase in dividend income from two consolidated subsidiaries (elimination on consolidated basis).

3 . Financial Highlight (Margin Loan Business)

- The stock market has been generally firm since the beginning of the fiscal year, and the pace of increase has widened since June.
- Both outstanding of Margin Loan and Stock Loan turned to increase year-on-year in June.

(\\$ bn, %)	FY2019						FY2020	YoY
	1Q	2Q	1H	3Q	4Q	full year	1Q	YTD
Margin Loan	201	202	202	226	248	219	199	▲27
Margin Loan Rate	0.60	0.60	0.60	0.60	0.60	-	0.60	-
Stock Loan	332	350	341	383	268	333	295	▲373



5 . Financial Highlight (Securities Financing)

- Strong Bond Lending drive “Securities Finance Business”
- General Stock Lending and Loans to Securities Companies also steady.

(¥ mil)

	Type of transaction	FY2020			
		1Q	YoY△		YoY%
Securities Financing	Loans for Negotiable margin transaction	15	▲0	△4.2%	✓ The balance of loans outstanding decreased due to the persistent sense of excess funds among users.
	Loan to Securities Companies*	221	74	+50.6%	✓ Increased use of equity repo transactions denominated in foreign currencies contributed.
	Loan to Individual Investors or Firms	112	▲12	△9.8%	✓ Outstanding of COM-STOCK Loan remained sluggish.
	General Stock Lending	295	81	+38.0%	✓ Borrowing demands for mainly fail-cover increased.
	Bond Lending	2,843	1,415	+99.1%	✓ Both outstanding of Gensaki transactions and Repo transactions increased significantly.
	Total Revenues	3,487	1,558	+11.8%	

* General Loans, Stabilizing funding loan, Equity Repo, etc.

4 . Financial Highlight (Securities Investment of JSF parent)

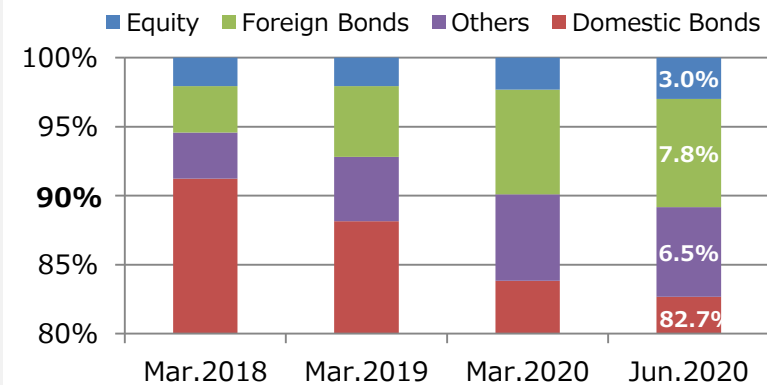
- Resulted in decrease due to the absence of the impact of foreign exchange gains concerning foreign currency transaction recorded in the same period of the previous fiscal year.

Revenues from securities investment (JSF)

	1Q FY2020	YoY
Yen-based	¥ 889 mil	△¥ 243 mil
Domestic Bonds	¥ 269 mil	△¥ 195 mil
Others*	¥ 619 mil	△¥ 48 mil
In foreign currencies	¥ 106 mil	△¥ 290 mil
Total	¥ 995 mil	△¥ 534 mil

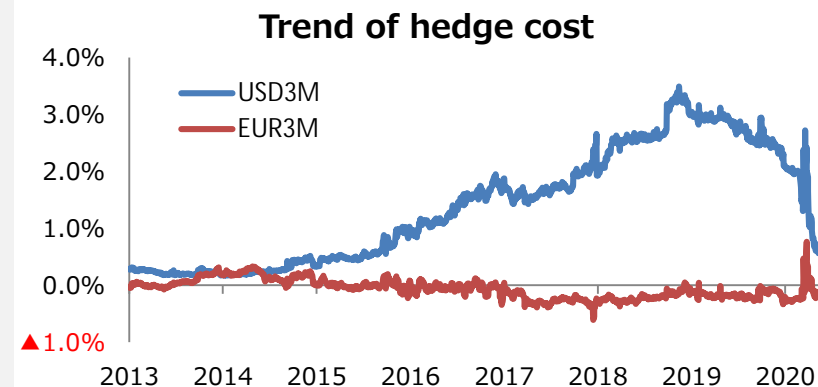
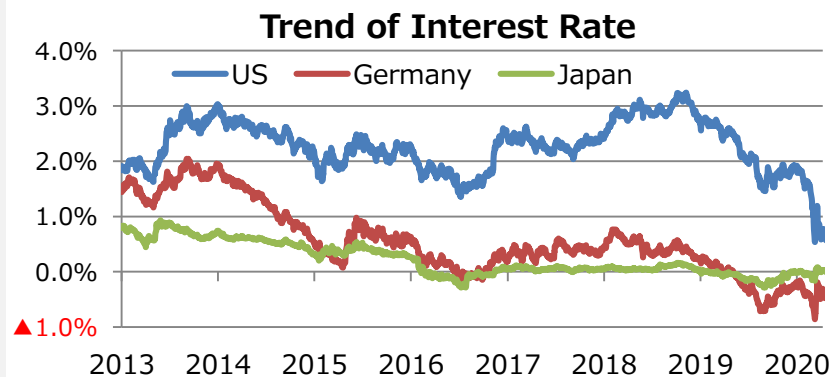
※ Investment Trust, etc.

Transition of investment portfolio



ref. Trend of Interest Rate and Hedge Cost (JPY v.s. USD, EUR)

source) Bloomberg



5 . Summary Financial Results for 1Q, FY2020 (JSF Trust Bank)

Highlights

- Trust charges remained stable, contributing from strengthening custodian type trust service.
- Interest income resulted in a modest increase due to an increase in outstanding of loan balance and investment securities.
- Both gains on sales of bonds and costs of unwinding IRS dropped.
- Increases were posted in Recurring Income and Net Income

JSF Trust Bank			
(¥ mil)	FY2020 1Q	YoY	
			(%)
Recurring Revenue	¥ 797	▲413	(△34.1%)
Trust charges	253	46	(+22.5%)
Gains on sales of bonds	0	▲645	(△100.0%)
Recurring Expenses	378	▲613	(△61.8%)
Losses from derivatives	—	▲558	(△100.0%)
Recurring Income	419	200	(+91.4%)
Net Income	369	176	(+91.7%)

【Point of Trust Charge】

Trust charges increased contributing from strengthening custodian type trust service (trusts for the separate management of money and securities, ABL trust, etc).



6 . Balance Sheet Summary (end of June-2020, consolidated)



¥mil

	Jun-20	Change from Mar-20	
Total assets	9,732,369	▲ 82,125	
Cash & Deposit	1,217,753	▲ 82,182	Deposit at BOJ
Short-term investments	57,770	▲ 10,521	JGB and other bonds (Maturity: 1year or less)
Short-term loans receivable	926,181	238,502	Margin loan / Loans for negotiable margin transactions / General loans / Trust bank loans
Receivables under resale agreements	2,556,319	▲ 191,077	
Collateral money of securities borrowed	3,880,337	2,510	Collateral money of bond borrowing Collateral money of stock borrowing
Investments in securities	810,307	20,125	JGB and other bonds (Maturity: more than 1year), Stock
Total liabilities	9,606,424	▲ 81,383	
Call money	980,800	▲ 195,995	
Short-term borrowings	70,556	▲ 30,917	Bank borrowing Market operation by BOJ
Commercial Paper	294,000	▲ 72,000	
Payables under repurchase agreements	3,801,751	▲ 121,662	
Collateral money received of securities lent	3,174,811	70,782	Collateral money of bond lending Collateral money of stock lending
Borrowed money from trust account	1,129,949	260,461	
Total net assets	125,945	▲ 742	

Features of Assets

Comprise Margin loans (short-term loans receivable) and deposits in current account balance at BOJ (cash and deposits) that are changing by the day, collateral deposited for the procurement of securities (Collateral money of securities borrowed), and securities held for the purpose of efficient use of funds.

Cash and cash equivalents may change significantly depending on the status of standby funds in the trust account of JSF Trust and Banking Co., Ltd. and the status of cash management of the Group as a whole.

Features of Liabilities

In addition to market funding, such as call money and commercial paper, which can be adjusted daily to accommodate assets changing by the day, collateral deposits received when lending securities (collateral money received of securities lent).

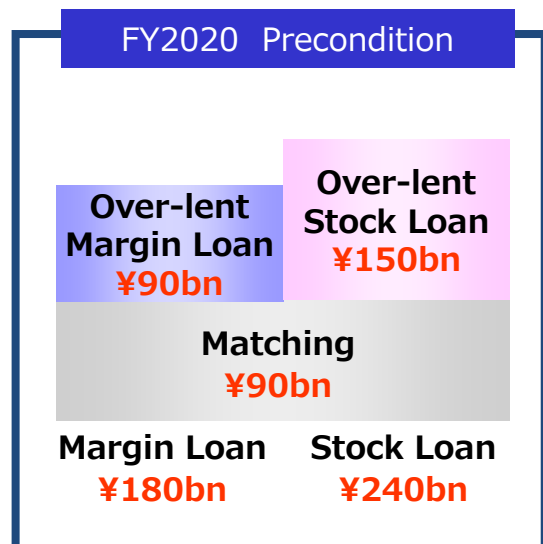
[ref] Capital Adequacy Ratio*

at the end of Jun 2020 : 327%

* based on FIEA

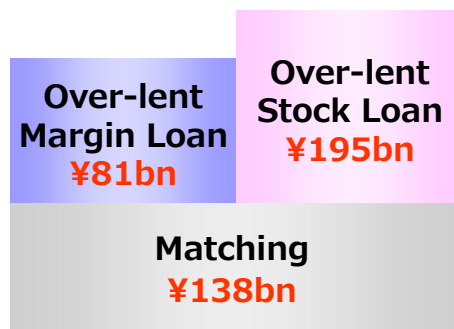
9 . Estimated Figures for FY2020

Precondition Balance of Margin Loans



(Reference)

FY2019 Results



Margin Loan Stock Loan
¥219bn ¥333bn

(¥ mil)		FY2020 Estimated Figures	YoY.Δ	Δ from prev. EF
Operating Income		3,100	▲1,029	—
Recurring Income		3,800	▲1,094	—
Net Income		2,700	▲856	—
JSF	Operating Income	1,800	▲1,111	—
	Recurring Income	3,400	▲32	—
	Net Income	2,700	209	—
JSF Trust and Banking	Recurring Income	740	119	—
	Net Income	510	13	—
Nihon Building	Operating Income	565	▲34	—
	Recurring Income	680	▲48	—
	Net Income	445	▲13	—

Preconditions of Loans for Margin Transactions

● Loan Rate : 0.60%, ● Interest on Collateral Money : 0%, ● Lending Fee : 0.40%

Appendix

- Return to Shareholders
- Dividend and Share Buyback Program (historical)
- The Trend of Financial Result (consolidated)
- Breakdown of Operating Revenues by business (Historical data)
- Breakdown of Operating Revenues by business
- Analysis of YoY Change in Operating Revenue by business (Quarterly)
- Outstanding Balance of Transactions by Group Business
- Margin Transactions & Loans for Margin transactions
- Structure of Margin Transaction & Loans for Margin Transactions
- Revenue structure of Loans for margin transactions
- Margin Loan Rates
- Our Business Field (image chart)
- Features of Balance Sheet (Consolidated)
- Securities Holdings
- JSF Trust Bank (Loan Balance)
- The 6th mid-term Management Plan (FY2020~FY2022) I
- The 6th mid-term Management Plan (FY2020~FY2022) II
- Corporate Vision and Management Policy of JSF Trust Bank
- Our Group Companies
- Rating Information

1 Basic Policy

- ◆ Retain solid equity capital to secure the financial health and management stability that society demands of the company as the infrastructure of securities market, and **to ensure profits are returned to shareholders** by comprehensively considering revenues environment or investment plans. etc. (medium-term management plan, management policy)
- ◆ Based upon this policy, **we will strive to place more importance on shareholder return.**

2 Shareholder Return Policy (released on 30 Apr 2020)

(1) Dividend Payment Policy

- ◆ Our policy is that **the consolidated payout ratio**, as a standard that reflects our business performance, **shall not fall below the 60% level** and that we shall strive to provide **stable dividends that are not temporarily affected by earnings fluctuations.**

(2) Share Buyback Policy

- ◆ With a view to offering even more rewarding returns to shareholders, we will buy back shares **as appropriate** while **comprehensively considering the company's financial situation, equity capital levels, and stock price levels.**

● Dividend and Share Buyback Program (historical)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020 Forecast/ Framework
Annual Dividend per share	¥15	¥16	¥18	¥26	¥22	¥22	¥22 (Interim ¥11 Year-end ¥11)
Share Buyback (shs)	7.46mil	3mil	0.63mil	1.5mil	2.0mil	1.0mil	—
(amount)	¥4.6bn	¥1.9bn	¥0.3bn	¥0.9bn	¥1.2bn	¥0.5bn	—
<Consolidated> : Net Income	¥3.5bn	¥2.6bn	¥3.0bn	¥4.2bn	¥3.7bn	¥3.5bn	¥2.7bn
: EPS	¥33.9	¥26.9	¥31.9	¥44.2	¥40.0	¥38.4	¥29.4
: DPR	44.2%	59.5%	56.4%	58.8%	55.0%	57.2%	74.8%
: DOE	1.2%	1.2%	1.2%	1.8%	1.4%	1.5%	1.6%
(reference) Total Return Ratio	173.9%	133.1%	66.3%	79.3%	87.8%	71.0%	74.8%

● The Trend of Financial Result (consolidated)



¥ mil


	FY2015	FY2016	FY2017	FY2018	FY2019 1Q	FY2019	FY2020 1Q
Operating Revenues	22,035	23,066	26,333	24,321	7,612	29,101	7,937
Ex Premium charges	16,160	16,522	18,383	18,603	5,892	20,846	6,287
Operating Expenses	11,537	11,892	13,330	12,284	4,118	16,835	4,512
Ex Premium charges	5,672	5,358	5,385	6,566	2,399	8,585	2,863
General & Administrative Expenses	7,939	8,371	9,121	8,056	1,953	8,136	1,818
Operating Income	2,558	2,802	3,881	3,981	1,540	4,129	1,606
Gain or Loss in Equity-Method	54	92	123	248	19	306	▲11
Recurring Income	3,349	3,611	4,685	5,046	1,733	4,894	1,759
Extraordinary Profit or Loss	—	▲52	131	▲41	—	▲36	—
Net Income	2,645	3,078	4,225	3,765	1,265	3,556	1,315

● Breakdown of Operating Revenues by business
(Historical data)



¥ mil

	1Q FY2019	FY2019	1Q FY2020
Securities Finance Business	6,191	25,369	7,137
Margin Loan Business	2,727	12,517	2,650
	(35.8%)	(43.0%)	(33.4%)
Interest on Loans	323	1,420	322
Interest on collateral money of securities borrowed	285	1,178	279
Fees on Lending Securities	2,066	9,662	1,962
Premium Charges	1,719	8,255	1,649
Lending Fees	347	1,407	312
Securities Financing	1,927	8,835	3,481
	(25.3%)	(30.4%)	(43.8%)
Loans for Negotiable Margin Transactions	16	80	15
Loans to Securities Companies	147	737	221
Loans to Individual Investors or Firms	124	494	112
Stock Lending	214	1,015	295
Bond Lending	1,426	6,507	2,836
Others	1,535	4,016	1,005
	(20.2%)	(13.8%)	(12.7%)
Bond Investment (Parent only)	1,529	3,983	995
Trust Business	1,194	2,832	573
	(15.7%)	(9.8%)	(7.2%)
Interest on Loans	11	50	13
Trust Charges	192	784	232
Bond Investment	975	1,950	313
Real Estate Management Business	225	899	227
	(3.0%)	(3.0%)	(2.9%)
Operating Revenues	7,612	29,101	7,937
(excluded Premium Charges)	5,892	20,846	6,287

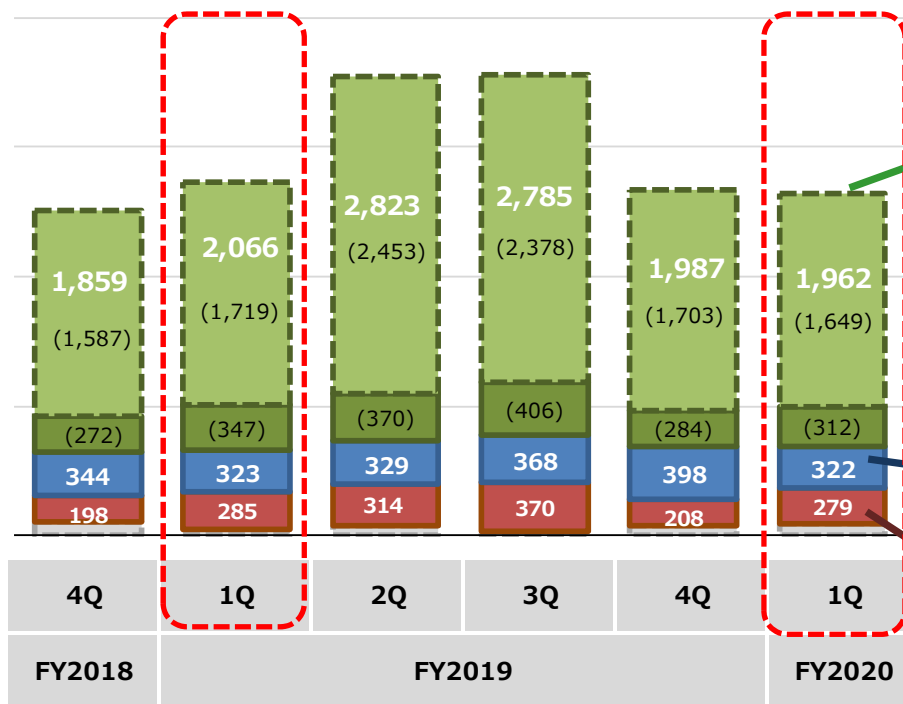
● Breakdown of Operating Revenues by business
(Margin Loan Business) 

Remained the same level YoY due to the recovery in the balance of Margin loan and Stock Loan through June.

【Operating Revenues Transition】

Quarterly

¥ mil



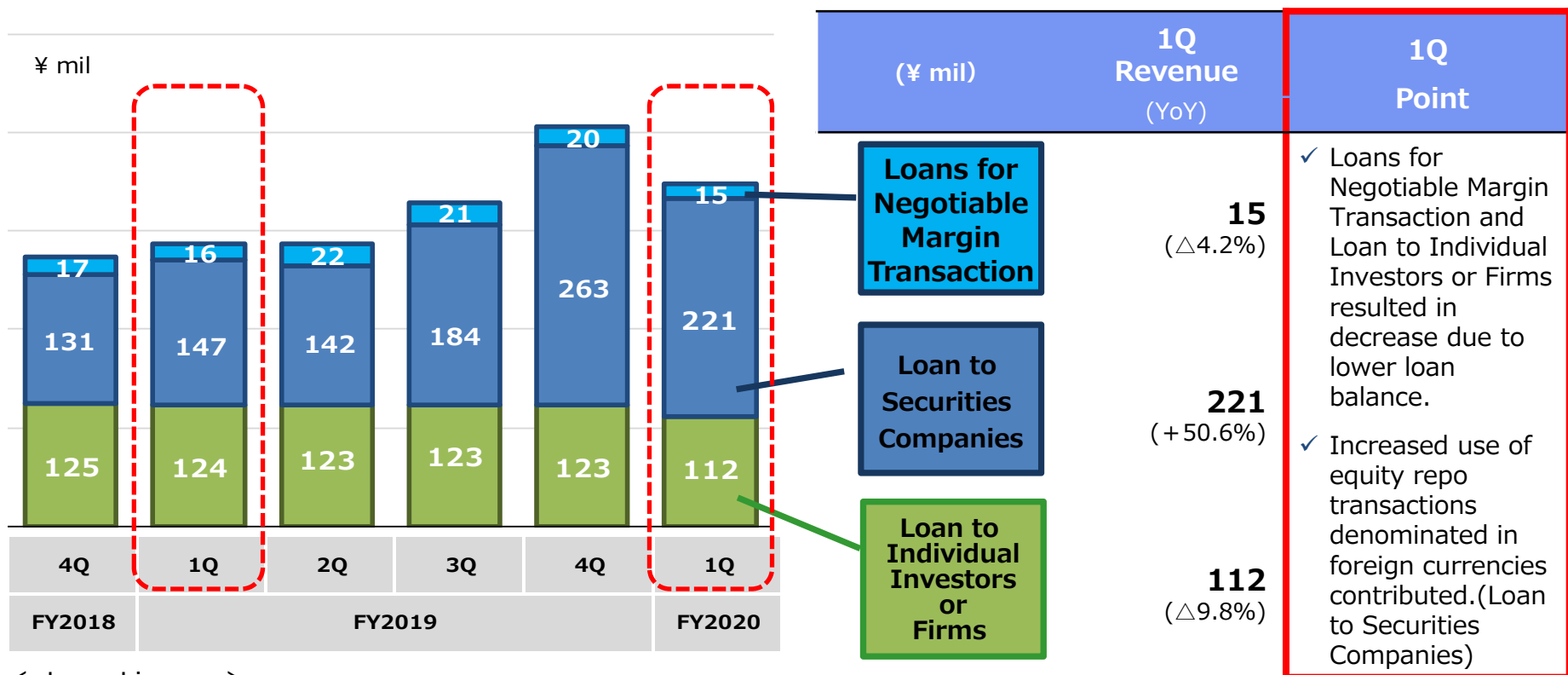
(mil)	1Q Revenue (YoY)	1Q Point
Margin Loan Business	2,650 (Δ 2.8%)	✓ Operating revenues of this business, except Premium Charges, were about the same as in the prev year.
(ex premium charges)	1,000 (Δ 0.8%)	
Fees on Lending Securities	1,962 (Δ 5.0%)	✓ Fees on Lending Securities resulted in decrease, because Stock Loan balance remained at lower level of the same period of the previous year and premium charges on over-lent issues decreased.
Premium Charges	1,649 (Δ 4.0%)	
Lending Fees	312 (Δ 10.0%)	
Interest on Loans	322 (Δ 0.4%)	✓ Interest on Loans decreased, because Margin Loan Balance remained lower.
Interest on collateral of securities borrowed	279 (Δ 2.0%)	

● Breakdown of Operating Revenues by business
(Securities Financing) JSF

● Loan to Securities Companies resulted in increase.
Increased use of equity repo transactions denominated in foreign currencies contributed


【Operating Revenues Transition】

Quarterly



< Loan Lineup >

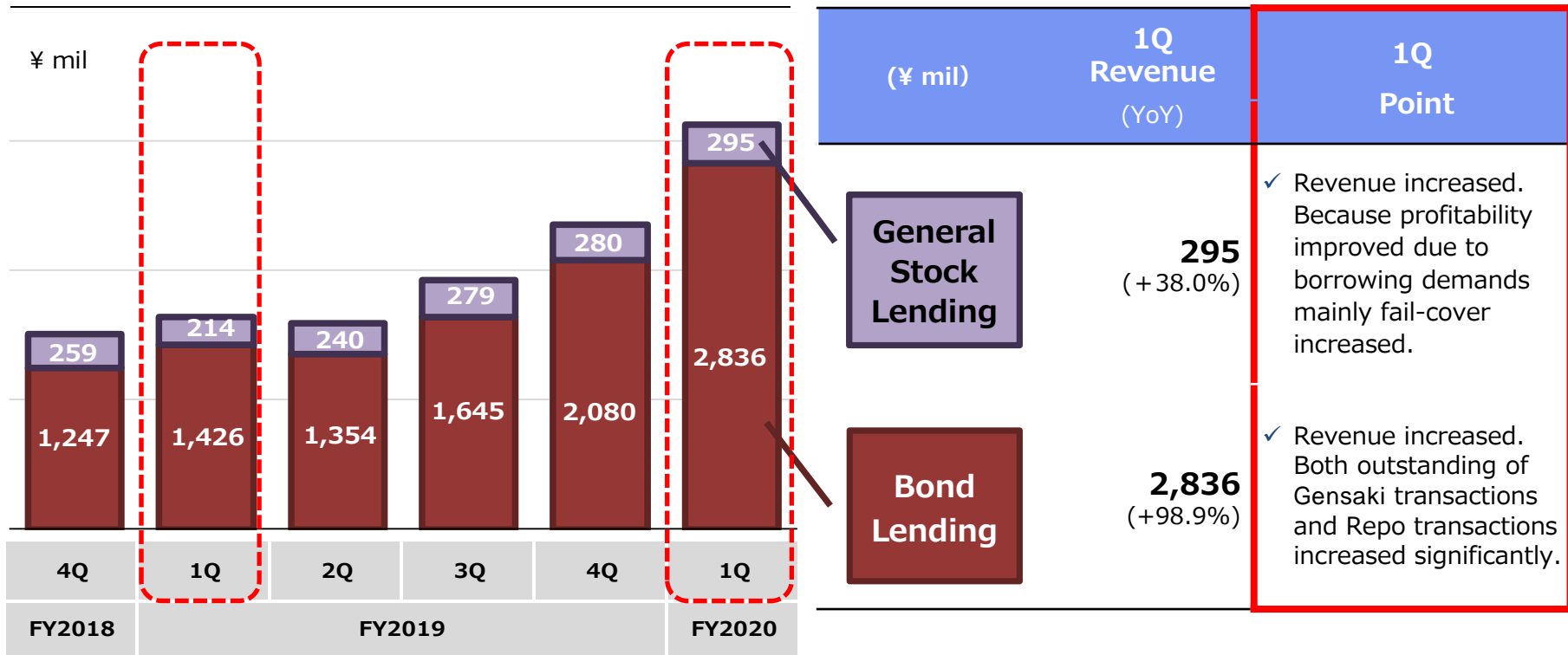
- ◆ Loan to Securities Companies ... General Loans, Bond Financing, Loans for Negotiable margin Transaction, Stabilizing fund loan, Equity Repo(Cash-secured Stock Lending Transaction)
- ◆ Loan to Individual Investors or Firms ... Com-STOCK Loan

● Breakdown of Operating Revenues by business
(Securities Financing) 

- **Bond Lending** : Both outstanding of Gensaki transactions and repo transactions increased significantly.
- **General Stock Lending** : Profitability improved due to borrowing demands mainly fail-cover increased.

【Operating Revenues Transition】

Quarterly



※ Genera Stock Lending is ...

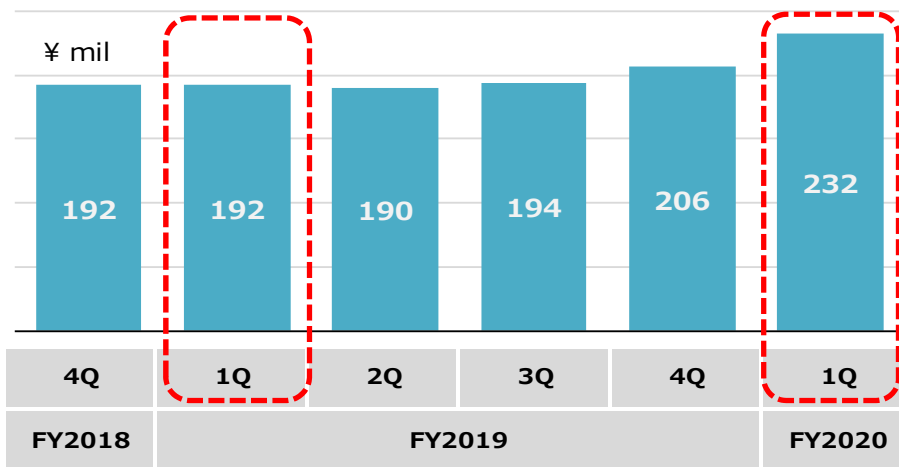
- Lending stock to securities companies depending on their various demands (ex. Fail-cover, arbitrage), except on demand to settle Margin Transaction
- Main business partner – 【Lenders】 Institutional investors, etc 【Borrowers】 Securities Companies

- Breakdown of Operating Revenues by business

Trust charges continued growth trend.

【Trust charges Transition】

Quarterly



(¥ mil)	1Q Revenue (YoY)	1Q Point
Trust Charges	232 (+20.8%)	Trust charges increased contributing from strengthening custodian type trust service (trusts for the separate management of money and securities, ABL trust, etc.).

【Trust Lineup】

- Trusts for the separate management of money and securities
- Trusts for currency future trading
- Asset Backed Loan (ABL) Trust

Trust for protecting deposits which securities companies received from customers

Trust for protecting guarantee deposits which FX business operators received from customers

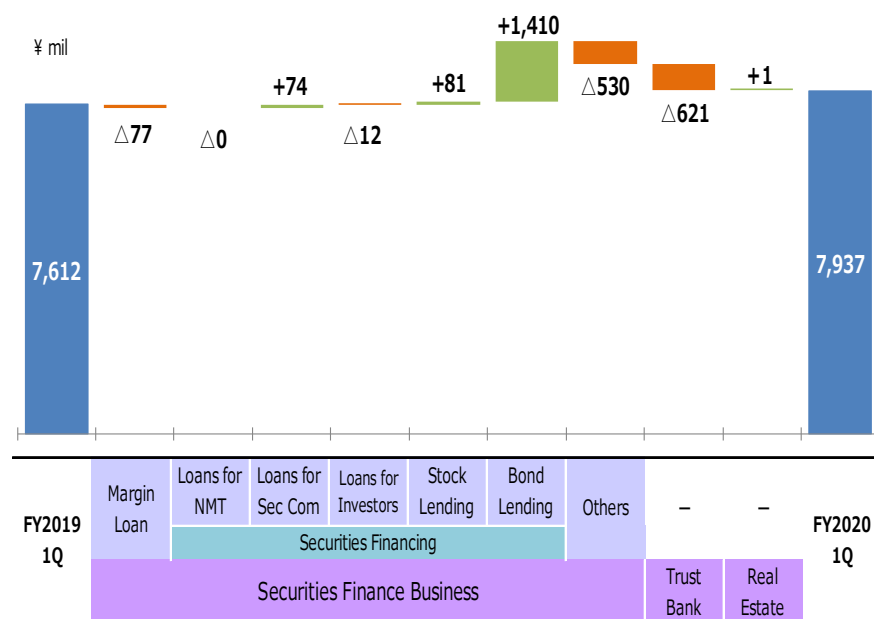
For setting up ABL, which is investment product for institutional investors, JSFTB provides functions as SPC.

● Analysis of YoY Change in Operating Revenue by Business

(Quarterly)



[Quarterly] YoY + ¥ 325 mil (+4.3%)



~ Summary of the points for quarterly ~

【Margin Loan Business】

- Resulted in decrease due to a decrease of outstanding of Margin Loan and Stock Loan.

【Securities Financing】


- **Loans to Securities Companies** : increased use of equity repo transactions denominated in foreign currencies contributed
- **Loan to Individual Investors or Firms** : resulted in decrease due to lower loan balance.
- **General Stock Lending** : Borrowing demands for mainly fail-cover increased.
- **Bond Lending** : Both outstanding of Gensaki transactions and Repo transactions increased significantly.

【Others】

- The increase was due to the absence of the impact of foreign exchange gains concerning foreign currency transaction recorded in the same period of the previous fiscal year.

【Trust Business】

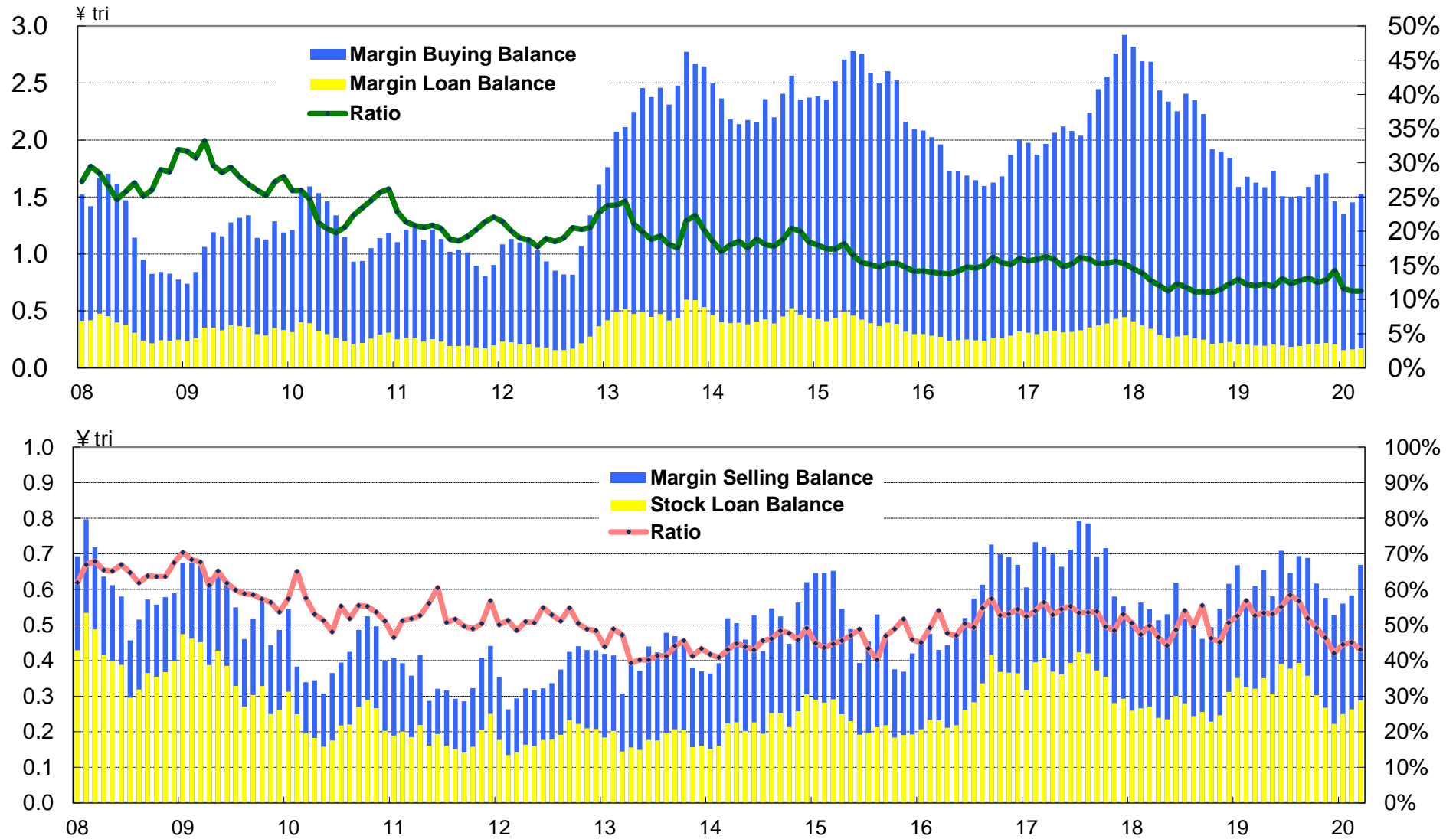
- Despite Trust Charge remained steady, gains on sales of bonds largely decreased.

● Outstanding Balance of Transactions by Group Business
(Average balance) 

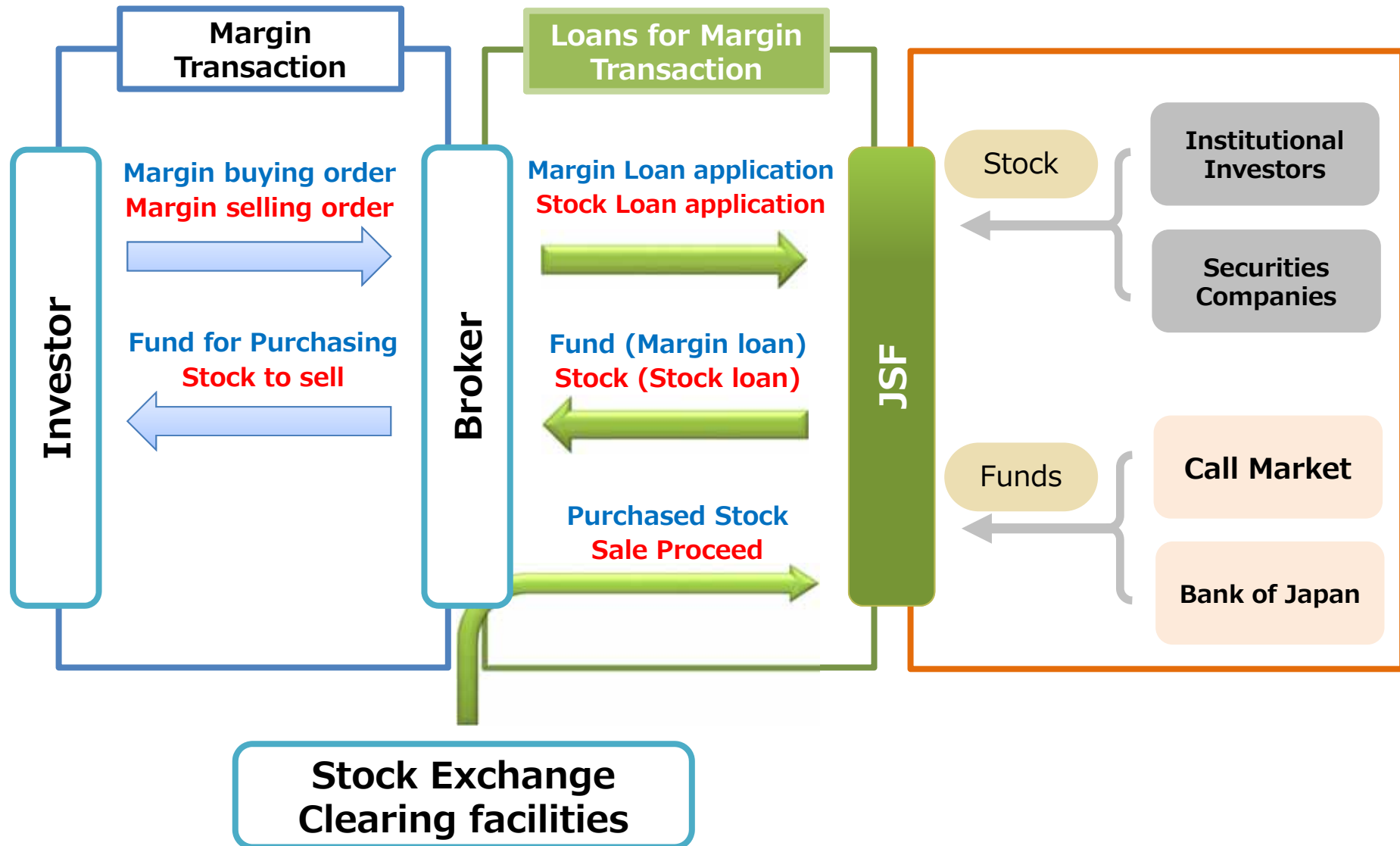
¥ mil

Transaction type	FY2019 1Q	FY2019	FY2020 1Q
Margin Loans	201,842	219,979	199,092
Stock Loans	332,536	333,949	295,232
Securities Financing	3,761,997	4,609,077	6,731,207
Loans for Negotiable Margin Transaction	9,025	10,434	7,575
Loan to Securities Companies	318,379	309,033	288,702
Loan to Individual Investors or Firms	14,230	13,934	12,610
General Stock Lending	68,716	60,859	64,011
Bond Lending	3,351,647	4,214,817	6,358,309
Trust Bank Loans	464,873	473,808	473,120

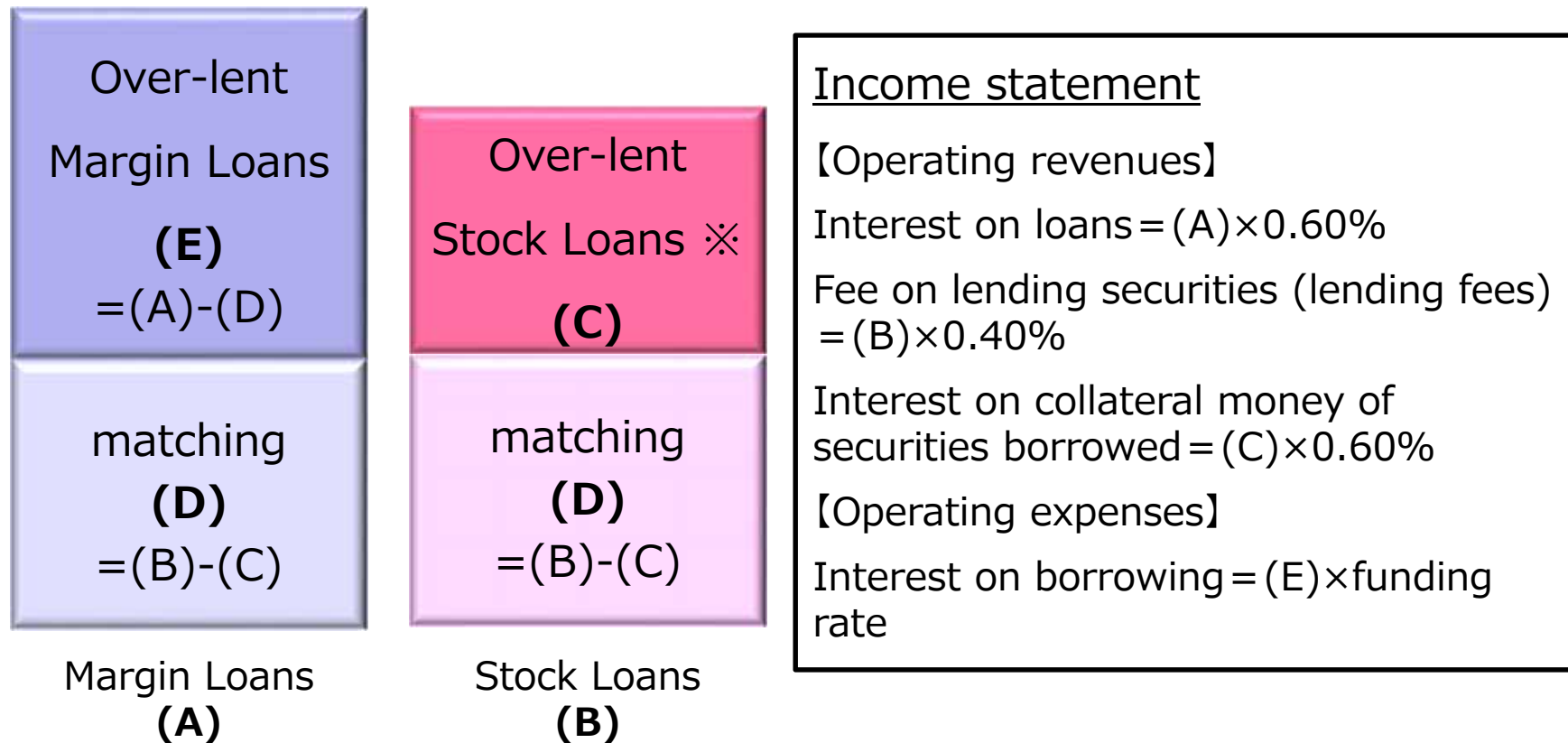
● Margin Transactions & Loans for Margin Transactions



● Structure of Margin Transaction
& Loans for Margin Transaction



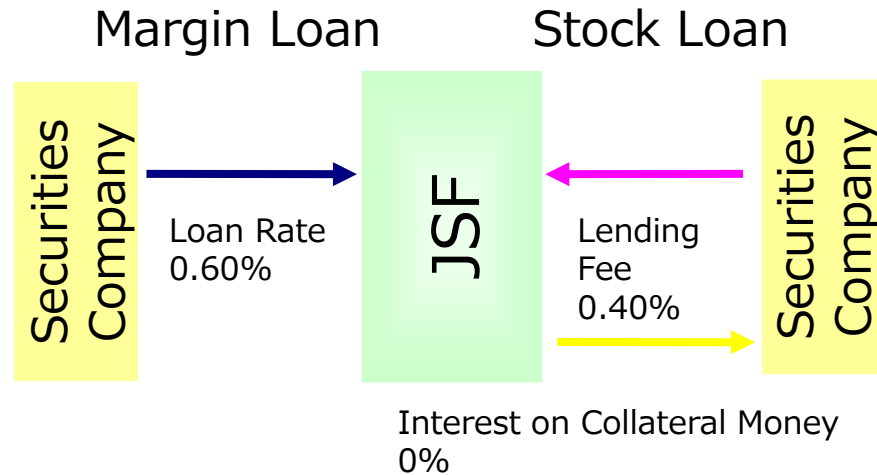
● Revenue structure of Loans for margin transactions



◆ 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.

【revenue】 Fees on lending securities (premium charges) = 【expense】 Fees on borrowing securities (premium charges) = (C) × rate of Premium charges

● Margin Loan Rate



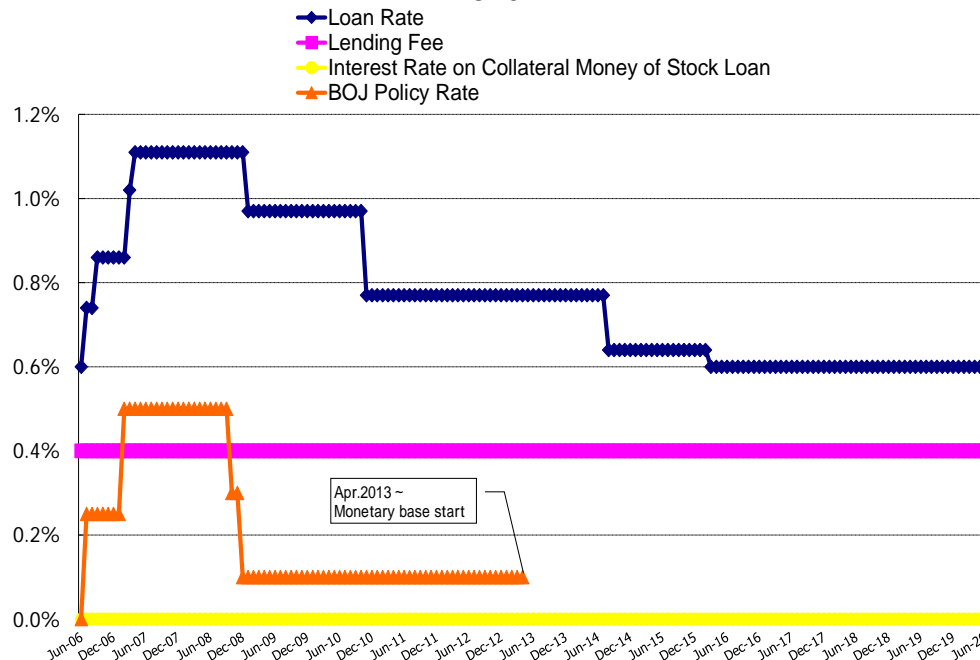
BOJ Policy Interest Rate

- 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
- Jan 2016 Embraced negative interest rates
- Sep 2016 Introduced QQE with Yield Curve Control

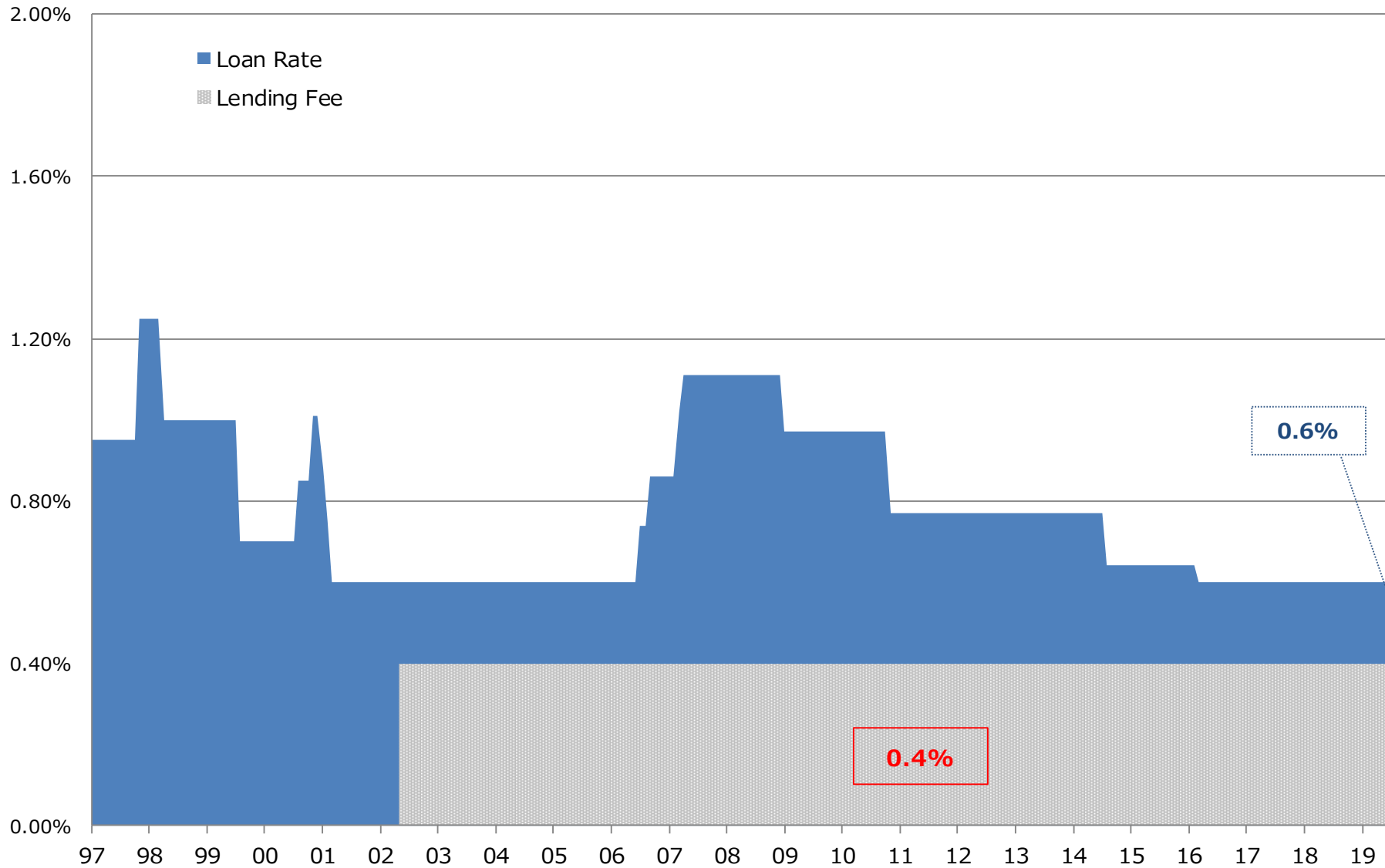
Margin Loan Rate

- 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%)
- 06/Aug/2014 **0.64%** (0.13%)
- 09/Mar/2016 **0.60%** (0.04%)

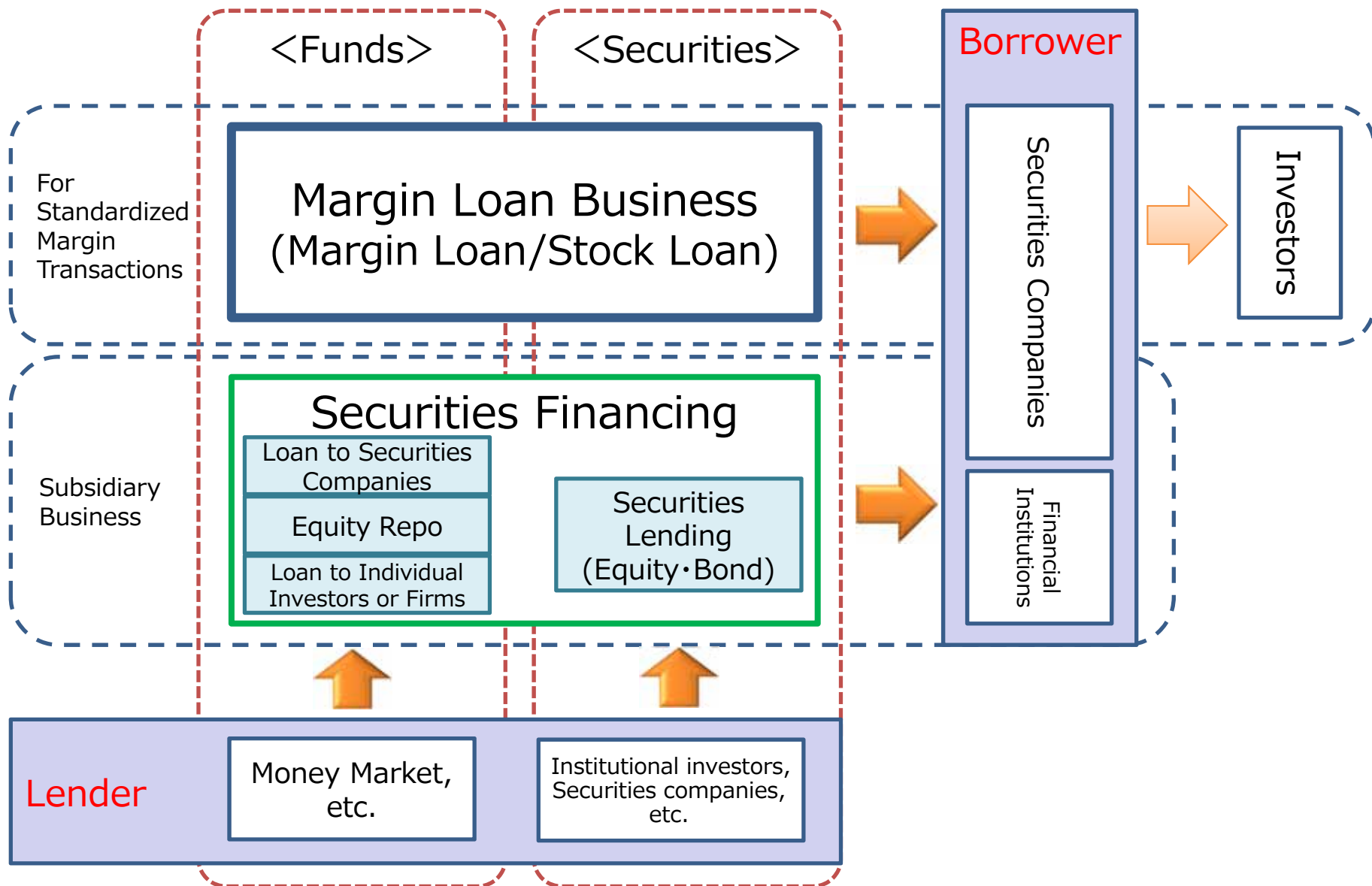
◆ Margin Loan Rates are decided by reflecting the change of market rates and BOJ's Policy Interest Rate.



● Loan Rate of Loans for Margin Transactions



Our Business Field (image chart)



● Securities Holdings

¥ mil

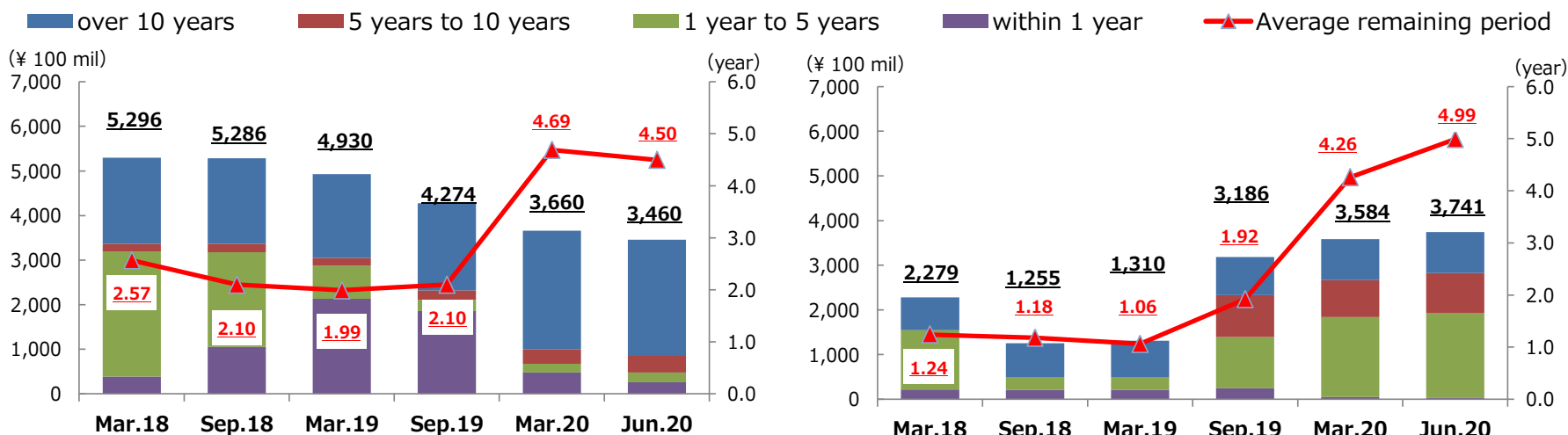
Securities Holdings	Mar-20		Jun-20		notes
	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	
Equity	12,176	7,198	15,368	10,390	
Bond	809,002	24,209	814,600	20,089	
JGB&Municipal Bond	518,829	26,712	506,795	21,673	
Corporate Bond	253,617	▲567	270,449	▲470	Government Guaranteed Bond ,etc.
Others	36,555	▲1,935	37,354	▲1,113	Foreign government bonds
Other Securities	13,943	▲1,678	14,860	▲581	
Total	835,121	29,730	844,829	29,898	
(included the effects of derivatives)	—	(6,075)	—	(6,062)	

held-to-maturity bonds	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	notes
JGB	1,512	208	1,512	208	

※Unrealized profits and losses is not included the effects of hedging with derivatives

Yen Bond Portfolio (JSF)

Yen Bond Portfolio (JSF Trust Bank)



(Note) Average remaining period is calculated excluding Floating JGB, held-to-maturity bonds, bonds for which hedge-accounting is applied

● JSF Trust Bank (Loan Balance)



● Loan Banance by Industry

¥mil

	Jun-19		Mar-20		Jun-20	
	Loan Balance	ratio	Loan Balance	ratio	Loan Balance	ratio
Manufacturing	2,000	0.4%	0	0.0%	0	0.0%
Fishery	0	0.0%	0	0.0%	0	0.0%
Mining	0	0.0%	0	0.0%	0	0.0%
Construction	0	0.0%	0	0.0%	0	0.0%
Energy & Utilities	0	0.0%	0	0.0%	0	0.0%
Communication	0	0.0%	0	0.0%	0	0.0%
Transportation	689	0.1%	689	0.2%	689	0.1%
Wholesale	800	0.1%	800	0.2%	800	0.1%
Retail	0	0.0%	0	0.0%	0	0.0%
Finance & Insurance	0	0.0%	4,100	0.9%	1,000	0.2%
Real Estate	-	0.0%	1,500	0.3%	500	0.1%
Service Industries	0	0.0%	0	0.0%	0	0.0%
Governments	539,060	99.4%	440,810	98.4%	594,645	99.5%
Total	542,549		447,899		597,634	

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.

Management
Principles

To practice sound business management by thoroughly implementing compliance, corporate governance, and risk management under a new governance structure and thereby establish solid credibility, while always maintaining a keen awareness of our social responsibilities as a securities finance company.

To enhance enterprise value while maintaining solid equity capital in order to ensure stability in management and the financial health required of a company that is a key player in securities market infrastructure, to give comprehensive consideration to the earnings environment, investment plans, etc., and to ensure profits are returned to shareholders.

To further enhance JSF's core margin loan business while also striving to expand the finance- and securities-related services provided by JSF and Group companies, develop new business, and to further grow and solidify our base.

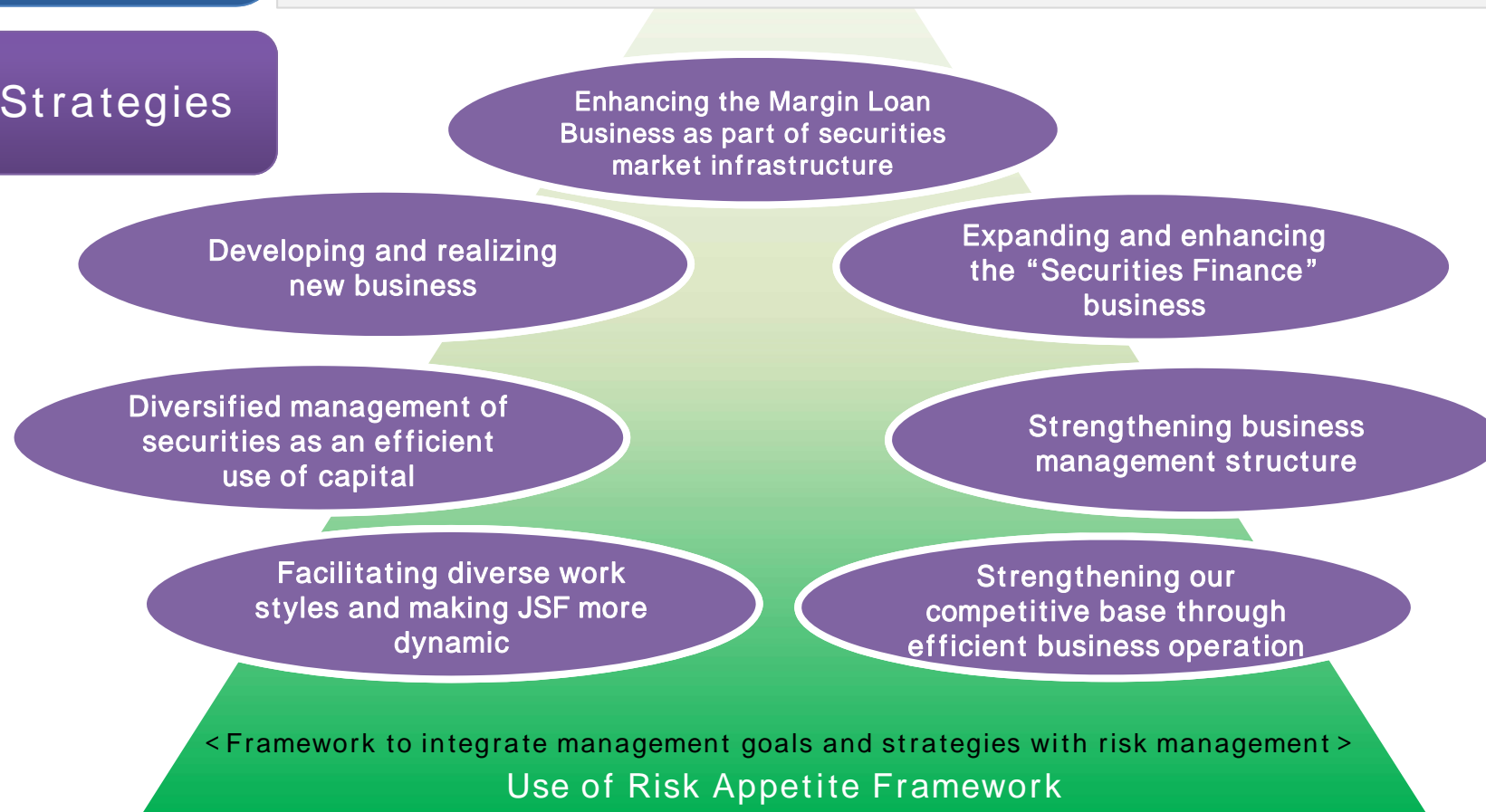
To build a quick and efficient business management structure and strengthen our competitive base in order to address changes in the business environment in a flexible manner.

● The 6th Mid-term Management Plan (FY2020 ~ FY2022) II 

Management Goals

Given that the margin loan business, JSF's core business, is greatly affected by market fluctuation, we will strengthen its base by steadily increasing our number of loanable stock issues and stabilize our role as part of the securities market infrastructure by diversifying revenue sources and steadily increasing our basic profit (recurring income calculated based on the assumed gross operating profit of margin loan business)

Strategies



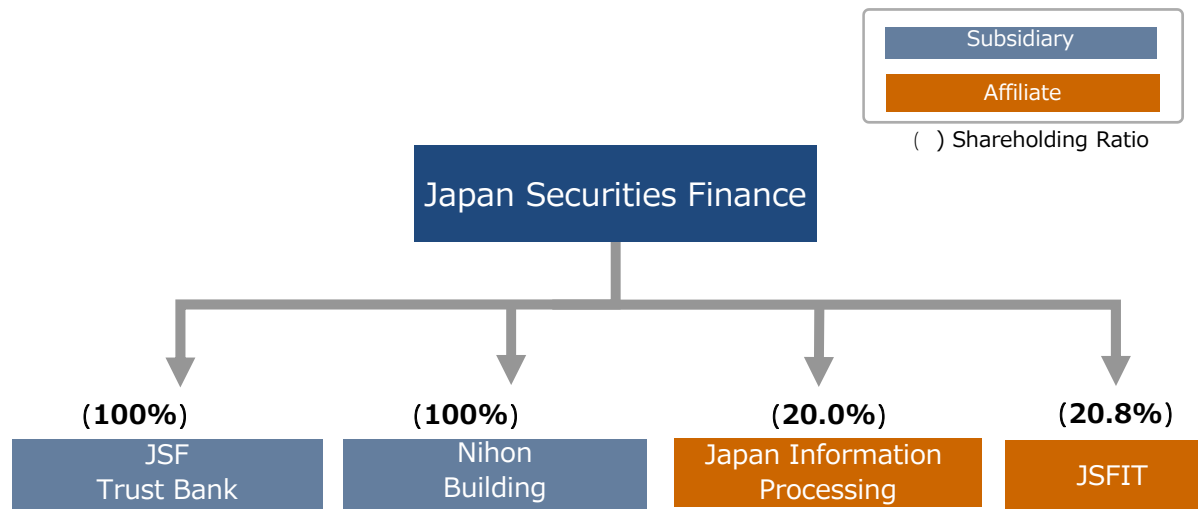
【Corporate Vision】

In addition to playing a part in the JSF Group and providing important infrastructure functions in the financial capital markets, we aim to become a highly specialized trust bank that grows together with its customers through supporting investment and economic activities of various entities by enhancing our unique services centered on the field of managed trusts.

[Management Policy]

- Establish No. 1 position in management-type trusts, such as security trusts and asset-backed loan trusts, and expand the scope of trust business by utilizing the knowledge cultivated in this field
- Banking will be restructured by lending to financial instruments business operators and other financial sectors, while appropriately responding to trends in prudential regulations.
- Securities investment is positioned as an earnings supplement business necessary for the smooth promotion of the above business, and it will be stably operated under appropriate risk management.
- We will enhance our internal control and governance systems, steadily carry out a series of operations under them, realize the smooth development of core systems, and increase our corporate value.

● Our Group Companies



Shareholding Ratio	Name	Capital (mill yen)	Business overview
100%	JSF Trust and Banking Co., Ltd.	14,000	Trust service, Banking service
100%	Nihon Building Co., Ltd.	100	Real estate ownership and leasing Real estate trading and brokerage
20.0%	Japan Information Processing Service Co., Ltd	2,460	Information processing services Software development and sales
20.8%	JSF Information Technology Co., Ltd	100	Information processing services Software development and sales

● Rating Information

As of 30/Jun/2020		JCR		R&I		Standard & Poor's	
		Rating	Outlook	Rating	Outlook	Rating	Outlook
Japan Securities Finance	Long-term	AA-	Stable	AA-	Stable	A	Stable
	Short-term	J-1+ (Highest)		a-1+ (Highest)		A-1	
	CP Issue	¥1tri		¥1tri		—	
JSF Trust Bank	Long-term	A+	Stable	A+	Stable	—	—
	Short-term	J-1+ (Highest)		a-1		—	—

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