

Japan Securities Finance Co., Ltd.

I Q FY2022 Financial Results Presentation

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1. Executive Summary (Consolidated)

(¥ mil)	FY2022 1Q		Highlights	
		YoY Δ	$\Delta\%$	
Operating Revenues	11,092	+3,686	+49.8%	<ul style="list-style-type: none"> ✓ Margin loan revenues decreased on a decline in balances ($\Delta 4.7\%$). ✓ Securities financing saw an increase in revenue(+35.6%). Both bond lending and equity repo increased steadily.
Operating Income	1,783	▲484	$\Delta 21.4\%$	<ul style="list-style-type: none"> ✓ Recorded losses on sales due to the repositioning of held securities to enable future portfolio management. ✓ Increase in general and administrative expenses due to reduction in the allowance for doubtful accounts reversal amount.
Recurring Income	2,199	▲265	$\Delta 10.8\%$	
Net Income	2,063	+285	+16.0%	<ul style="list-style-type: none"> ✓ Recorded extraordinary gains on reduction in retirement benefit liabilities due to change in retirement bonus structure.

2. Summary of Financial Results for 1Q FY2022

(¥ mil)	Consolidated			Non-consolidated					
	FY2022 1Q	YoY.Δ	(%Δ)	JSF		JSF Trust Bank		Nihon Building	
					YoY.Δ		YoY.Δ		YoY.Δ
Operating Revenues	11,092	3,686	(+49.8%)	10,184	3,677	776	49	304	▲19
<i>Except Premium Charges</i>	10,335	3,612	(+53.7%)	9,427	3,603				
Operating Expenses	7,530	3,910	(+108.0%)	7,492	3,940	108	▲2	7	3
<i>Except Premium Charges</i>	6,773	3,836	(+130.6%)	6,734	3,866				
General & Administrative Expenses	1,778	260	(+17.2%)	1,427	227	277	32	173	▲2
Operating Income	1,783	▲484	(Δ21.4%)	1,265	▲490	390	19	123	▲20
Recurring Income	2,199	▲265	(Δ10.8%)	3,573	397	391	19	172	▲17
<i>Gain or Loss in Equity-Method</i>	49	20	(+69.3%)						
Extraordinary Profit or Loss	671	632	(+1,604%)	671	632	—	—	—	—
Net Income	2,063	285	(+16.0)	3,618	951	267	10	114	▲11

3. Summary of Financial Results for 1Q FY2022

(Non-consolidated)



Japan Securities Finance (Non-consolidated)

*Excluding premium charge

(¥ mil)	FY2022 1Q	YoY.Δ	(%Δ)
Operating Revenues*	9,427	3,603	(+61.9%)
Margin Loan Business*	722	▲146	(Δ16.9%)
Securities Financing	4,821	1,268	(+35.7%)
Others	3,883	2,482	(+177.1%)
Operating Expenses*	6,734	3,866	(+134.8%)
General & Administrative Expenses	1,427	227	(+18.9%)
Operating Income	1,265	▲490	(Δ27.9%)
Recurring Income	3,573	397	(+12.5%)
Extraordinary Profit or Loss	671	632	(+1,604%)
Net Income	3,618	951	(+35.7%)

Key Points

●Operating Revenues

- ◆ Revenues increased YoY on firm earnings from securities financing and services other than margin loan business.
 - Revenues increased ¥3,603 mil to ¥9,427 mil (+61.9%).
 - Margin loan business revenues decreased on lower balances for both margin loan and stock loans.
 - Securities financing revenues increased on higher balances for bond lending and equity repo.
 - Other revenues (mainly securities investment) increased from recording gains on repositioning held securities for future portfolio management.

●Operating Expenses

- Expenses increased 3,866 million yen YoY to 6,734 million yen (+134.8%).
- This was mainly due to increased borrowing fees for the favorable Bond Lending business and losses on sales recorded from securities repositioning to enable future portfolio management.

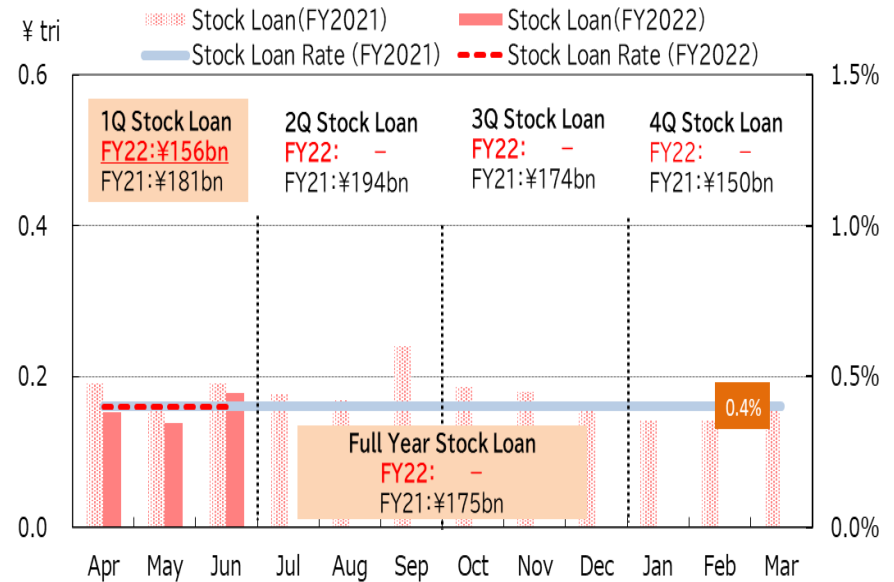
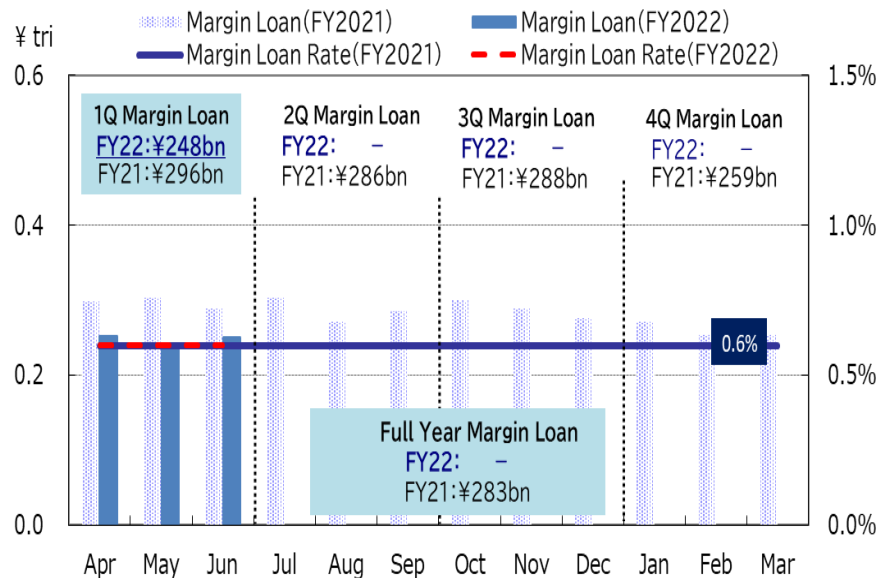
●General & Administrative Expenses

- System depreciation expenses decreased but expenses increased YoY due to the removal of special factors from the previous fiscal year (recorded reversal following revision of the method to calculate the allowance for doubtful accounts)

4. Financial Highlights (Margin Loan Business)

- Margin loan balances low, down YoY.
- Stock loans were down but June monthly average balances recovered to around ¥170 bil.

(¥ bn, %)	FY2021						FY2022	YoY
	1Q	2Q	1H	3Q	4Q	full year	1Q	YTD
Margin Loan	296	286	291	288	259	283	248	▲48
Stock Loan	181	194	188	174	150	175	156	▲25



5. Financial Highlights (Securities Financing)

- Bond lending and equity repo responded to wide range of needs, continued previous FY performance trend of recording a new record high balances.
- General stock lending largely unchanged YoY thanks to recovery of borrowing demand for fail-cover.

(¥ mil)

	Type of transaction	FY2022 1Q	YoY△	YoY%	
Securities Financing	Loans for Negotiable Margin Transactions	31	2	+6.9%	✓ The balance of loans outstanding increased due to a increase in the use of clients.
	Loan to Securities Companies*	369	134	+57.1%	✓ Outstanding equity repo transactions have been on increasing.
	Retail	129	9	+7.7%	✓ The mainstay COM-STOCK Loan remained steady.
	General Stock Lending	175	0	+0.5%	✓ General stock lending largely unchanged YoY thanks to recovery of borrowing demand for fail-cover.
	Bond Lending	4,114	1,121	+37.5%	✓ Both outstanding <i>gensaki</i> transactions and repo transactions have been increasing.
	<i>Total Revenues</i>	<i>4,821</i>	<i>1,268</i>	<i>+35.7%</i>	

* General Loans, stabilizing funding loan, equity repo, etc.

6. Financial Highlights (Securities Investment / Non-consolidated)

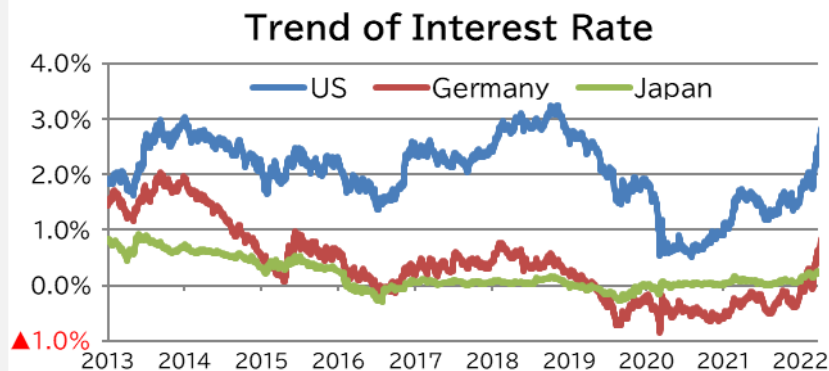
- Repositioned for future portfolio management in response to rising interest rates overseas and other changes in operating environment.
- This resulted in recording gains on sales of domestic bonds and losses on sales of foreign currency bonds.

Gains on management of market assets*¹ (JSF)

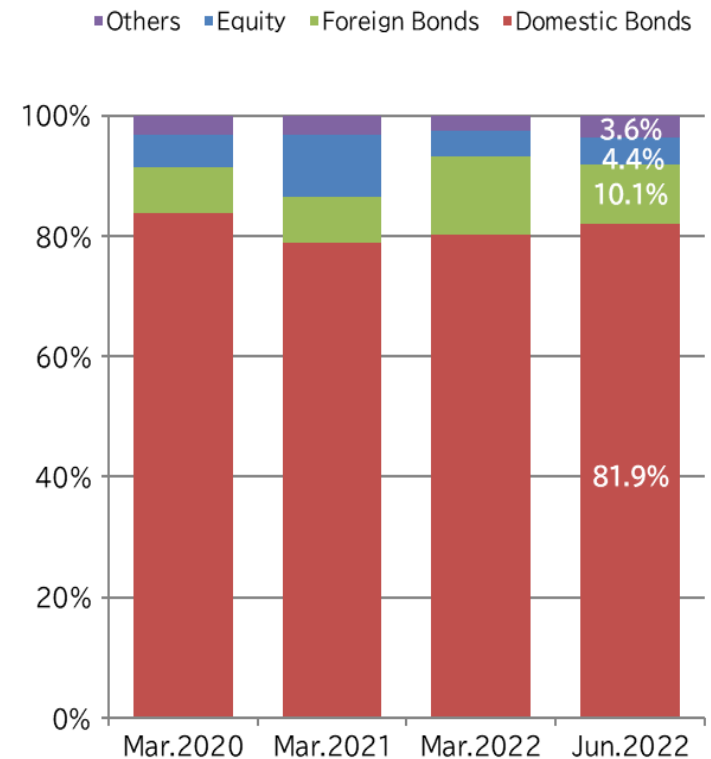
	FY2022	YoY
Yen-based	¥ 3,454 mil	¥ 2,299 mil
Domestic Bonds	¥ 2,417 mil	¥ 2,090 mil
Others* ²	¥ 1,037 mil	¥ 209 mil
In foreign currencies	△¥ 2,681 mil	△¥ 2,844 mil
Total	¥ 751 mil	△¥ 537 mil

Ref. Trend of Interest Rate

Source) Bloomberg



Changes in Investment Portfolio



7. Summary of Financial Results for FY2022(JSF Trust Bank)

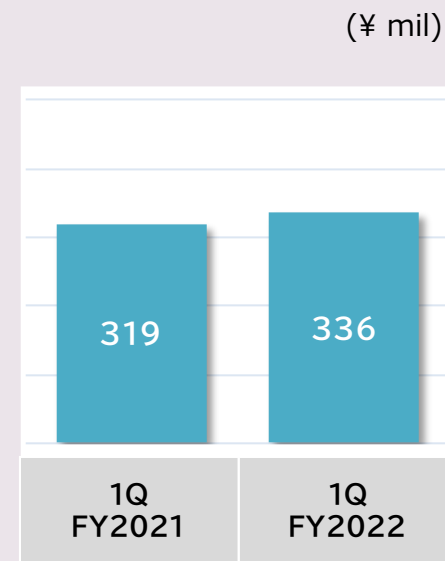
Highlights

- Asset-backed loan trusts drove increased revenues from trust fees.
- Recurring revenues increased on growth in trust fees and having recorded gains on sale of securities.

JSF Trust Bank (Non-consolidated)

(¥ mil)	1Q FY2022	YoY	
			(%)
Recurring Revenue	¥ 800	51	(+6.8%)
Trust Fees	336	16	(+5.2%)
Recurring Expenses	409	32	(+8.4%)
Recurring Income	391	19	(+5.1%)
Net Income	267	10	(+4.2%)

【Trust Fees】



8. Estimated Figures for FY2022

Precondition

FY2022 Estimate

Over-lent
Margin Loan
¥160bn

Over-lent
Stock Loan
¥80bn

Matching
¥90bn

Margin Loan
¥250bn

Stock Loan
¥170bn

(Reference)

FY2021 Results

Over-lent
Margin Loan
¥182bn

Over-lent
Stock Loan
¥74bn

Matching
¥101bn

Margin Loan
¥283bn

Stock Loan
¥175bn

(¥ mil)		FY2022 Estimated Figures	YoY.Δ	Δ from prev. EF
Consolidated				
Operating Income		6,500	264	▲700
Recurring Income		7,400	235	▲600
Net Income		5,600	425	—
JSF	Operating Income	4,479	232	—
	Recurring Income	7,872	1,943	—
	Net Income	6,766	2,226	—
JSF Trust and Banking	Recurring Income	1,400	14	—
	Net Income	971	▲52	—
Nihon Building	Operating Income	560	▲35	▲5
	Recurring Income	675	▲32	▲5
	Net Income	445	▲20	—

Preconditions of Loans for Margin Transactions

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

<Approach to Estimated Figures for FY2022>

- ✓Due to stagnant margin loan balances, we conducted a downward revision to estimated figures for operating income and recurring income.
- ✓We maintained estimated figures for net income due to having recorded extraordinary income during the first quarter.

9. Shareholder Returns

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, 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)

JPY 32

(YoY +JPY 2)



Share Buy-Back

3.2 mil. shares

(3.5% of total number of shares outstanding)

JPY 300 mil.



Total Payout Ratio

103.4%

Appendix

- Dividend and Share Buyback Program (Historical)
- Results of JSF's Efforts to Date
- Financial Result Trends (Consolidated)
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● Dividend and Share Buyback Program (Historical)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY2022 Forecast/ Framework
Annual Dividend per share	¥18	¥26	¥22	¥22	¥26	¥30	¥32 (Interim ¥16 Year-end ¥16)
Share Buyback (shares)	0.63mil	1.5mil	2.0mil	1.0mil	—	2.4mil	3.2mil
(amount)	¥0.3bn	¥0.9bn	¥1.2bn	¥0.5bn	—	¥2.3bn	¥3.0bn
<Consolidated> : Net Income	¥3.0bn	¥4.2bn	¥3.7bn	¥3.5bn	¥3.9bn	¥5.1bn	¥5.6bn
: EPS	¥31.9	¥44.2	¥40.0	¥38.4	¥43.2	¥56.6	¥65.0
: DPR	56.4%	58.8%	55.0%	57.2%	60.1%	53.0%	49.2%
(reference) Total Return Ratio	66.3%	79.3%	87.8%	71.0%	60.1%	97.6%	103.4%

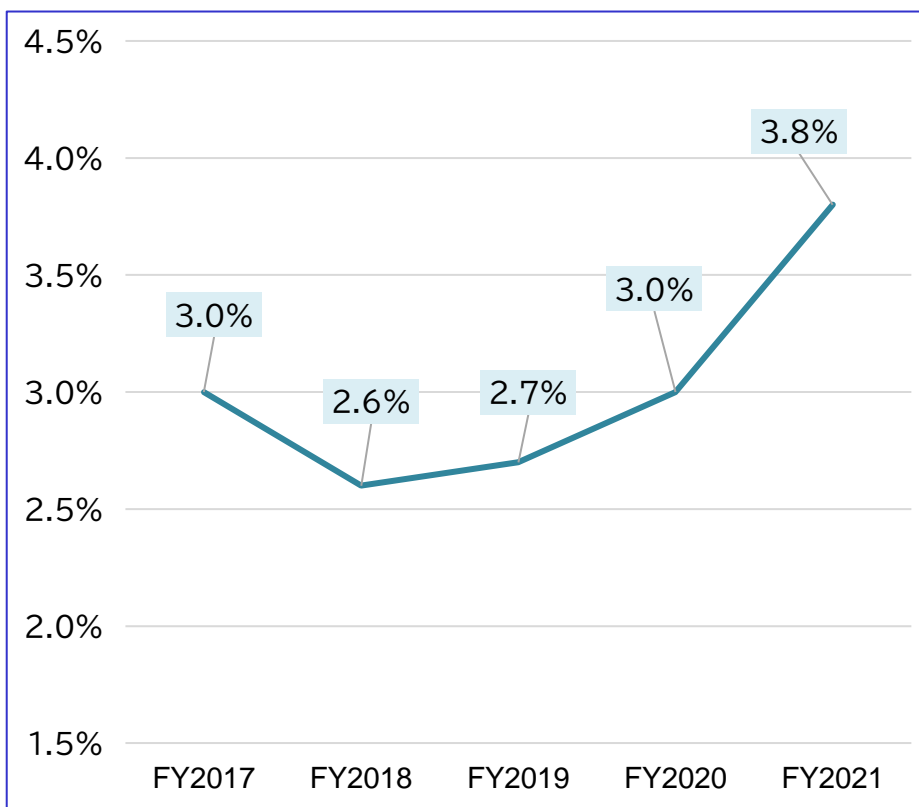
Note for FY2022 (Forecast)

- The number of shares and the amount of the “Share Buyback” are both subject to a repurchase limit
- The “Annual Dividend per share” is a forecast
- “Net income (consolidated)” refers to the estimated figure announced on May 10, 2022. Moreover, EPS and DPR have been calculated using this estimated figure.

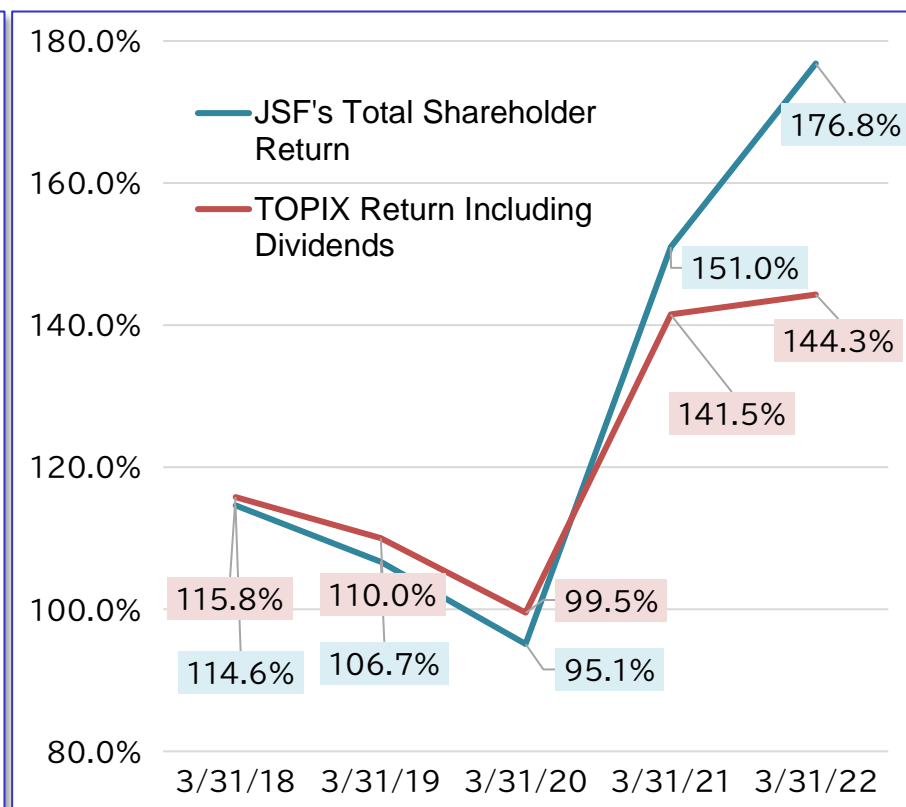
● Results of JSF's Efforts to Date

- 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



● Financial Result Trends (Consolidated)

¥ mil

	FY2017	FY2018	FY2019	FY2020	1Q FY2021	FY2021	1Q FY2022
Operating Revenues	26,333	24,321	29,101	30,924	7,406	30,138	11,092
Ex Premium charges	18,383	18,603	20,846	23,711	6,722	27,305	10,335
Operating Expenses	13,330	12,284	16,835	18,018	3,620	16,533	7,530
Ex Premium charges	5,385	6,566	8,585	10,819	2,936	13,728	6,773
General & Administrative Expenses	9,121	8,056	8,136	8,129	1,517	7,368	1,778
Operating Income	3,881	3,981	4,129	4,777	2,268	6,235	1,783
Gain or Loss in Equity-Method	123	248	306	395	29	446	49
Recurring Income	4,685	5,046	4,894	5,558	2,464	7,164	2,199
Extraordinary Profit or Loss	131	▲41	▲36	43	39	▲17	671
Net Income	4,225	3,765	3,556	3,971	1,778	5,174	2,063

● Gross Profit by Business

¥ mil

	1Q FY2021	FY2021	1Q FY2022
Operating Revenues (ex. premium charges) A	6,722	27,305	10,335
Securities Finance Business	5,823	23,753	9,427
Margin Loan Business (ex. Premium charges)	869	3,285	722
Securities Financing	3,553	15,391	4,821
Loans for Negotiable Margin Transactions	29	156	31
Loans to Securities Companies	235	1,196	369
Retail	120	510	129
Stock Lending	174	657	175
Bond Lending	2,993	12,869	4,114
Others (mainly securities investment)	1,401	5,076	3,883
Trust Business	726	2,960	776
Real Estate Management Business	324	1,286	304
Operate Expense (ex. premium charge) B		13,728	
Gross Profit (A - B)	3,785	13,604	3,562
Securities Finance Business	2,955	10,251	2,692
Margin Loan Business (ex. Premium charges)	817	2,814	673
Securities Financing	849	3,766	1,267
Loans for Negotiable Margin Transactions	24	135	27
Loans to Securities Companies	242	1,179	359
Retail	81	352	88
Stock Lending	103	355	102
Bond Lending	398	1,742	689
Others (mainly securities investment)	1,288	3,670	751
Trust Business	616	2,524	667
Real Estate Management Business	320	1,261	297

Note)

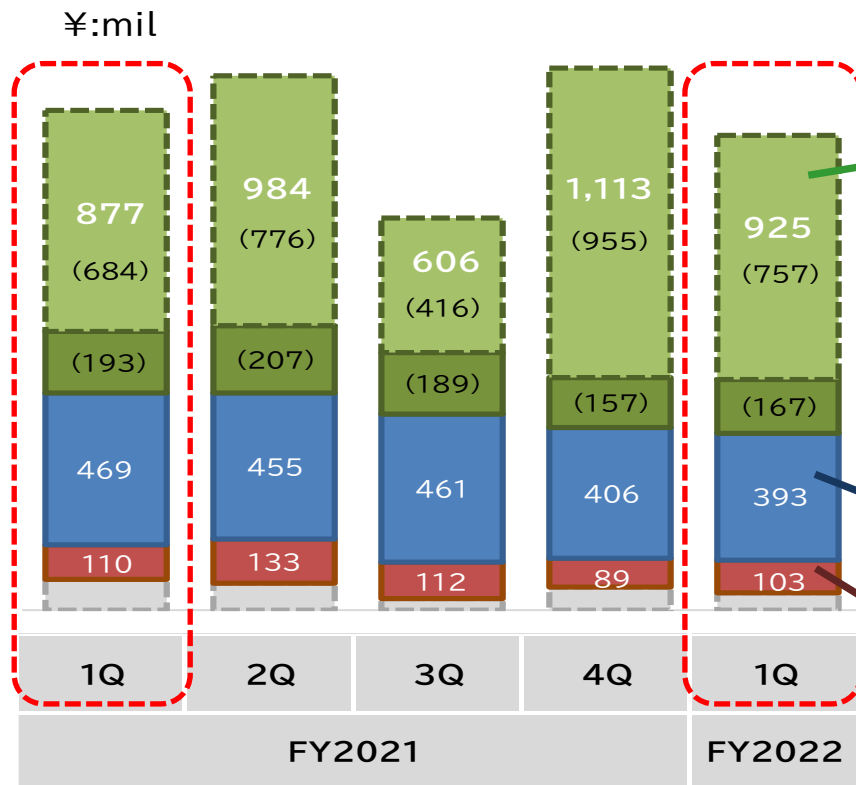
Figures for each Group company are on a non-consolidated basis (before elimination of consolidation), and the sum of these figures does not correspond to the figures for "Operating Revenues (A)" and "Gross Profit (A-B)".

● Breakdown of Operating Revenues by Business (Margin Loan Business) © JSF

❑ Revenues decreased due to stagnant margin loan and stock loan balances.

Changes in Operating Revenues

Quarterly

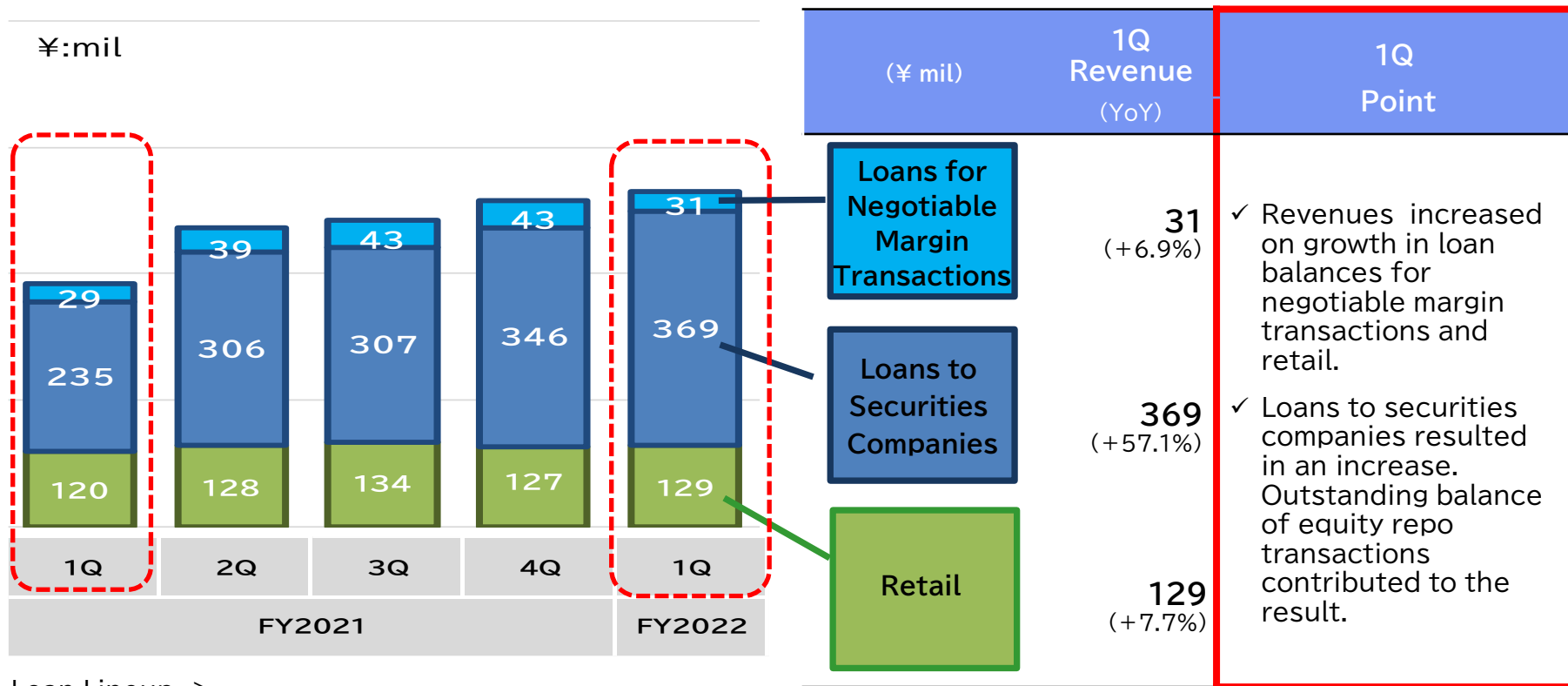


(mil)	1Q Revenue (YoY)	1Q Point
Margin Loan Business	1,480 (Δ4.7%)	✓ Operating revenues for services decreased even when excluding premium charges.
(ex premium charges)	722 (Δ16.9%)	
Fees on Lending Securities	925 (+5.4%)	
Premium Charges	757 (+10.7%)	✓ Revenues from lending fees decreased due to YoY decline in stock loan balances.
Lending Fees	167 (Δ13.4%)	
Interest on Loans	393 (Δ16.1%)	✓ Revenues from interest on loans decreased due to YoY decline in margin loan balances.
Interest on collateral money of securities borrowed	103 (Δ5.9%)	

● Breakdown of Operating Revenues by Business (Securities Financing (I)) © JSF

- Loans to securities companies resulted in an increase.
Outstanding balance of equity repo transactions contributed to the result.

Changes in Operating Revenues Quarterly



< Loan Lineup >

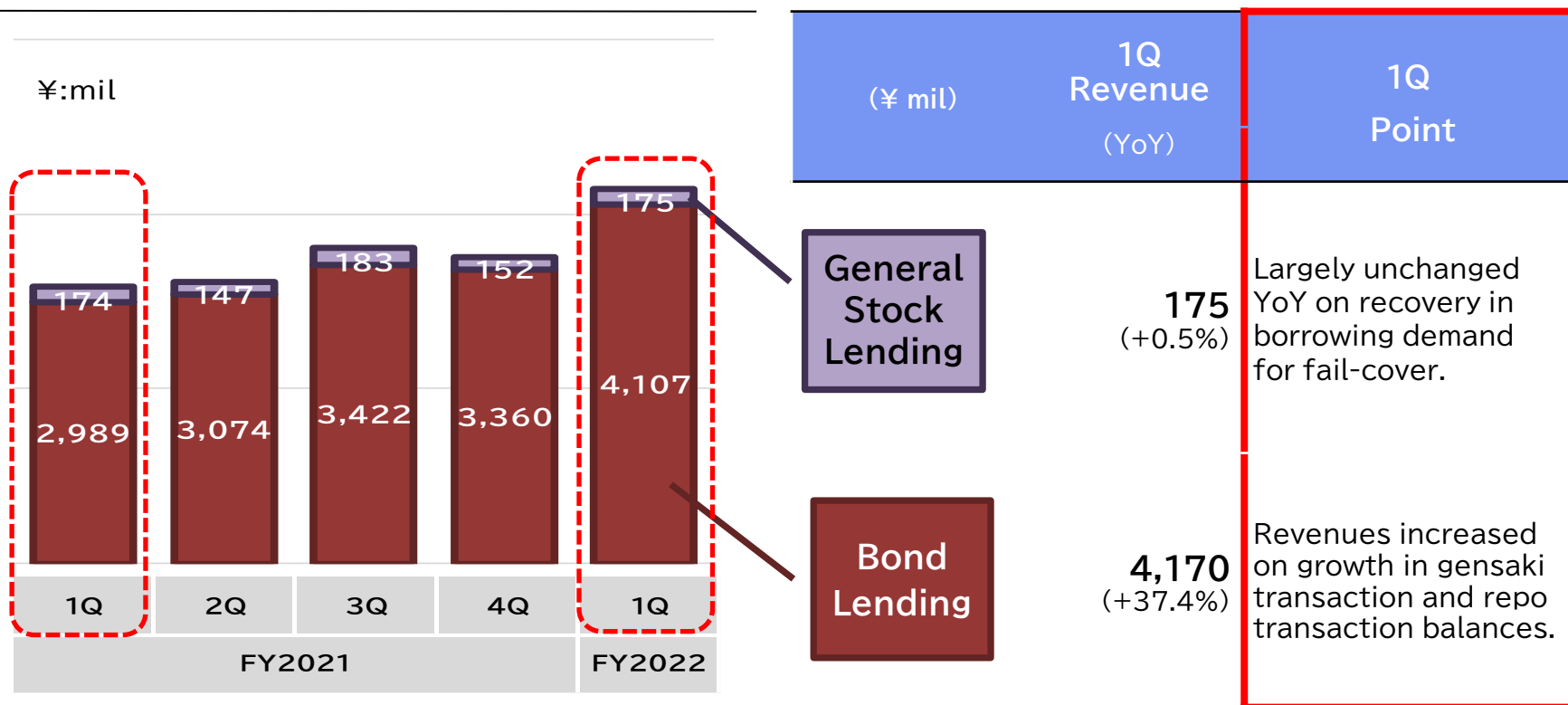
- Loans to securities companies: General loans, bon financing, loans for negotiable margin transactions, stabilizing fund loans, equity repo (cash-secured stock lending transactions)
- Loan to retail: Com-STOCK loans

● Breakdown of Operating Revenues by Business (Securities Financing (2)) © JSF

- Bond lending revenues increased on growth in gensaki transaction and repo transaction balances
- General stock lending largely unchanged YoY thanks to recovery of borrowing demand for fail-cover.

Changes in Operating Revenues

Quarterly



*General stock lending is ...

- Lending stock to securities companies depending on their various demands (ex. fail-cover and arbitrage), except on demand to settle margin transactions.

● Breakdown of Operating Revenues by Business

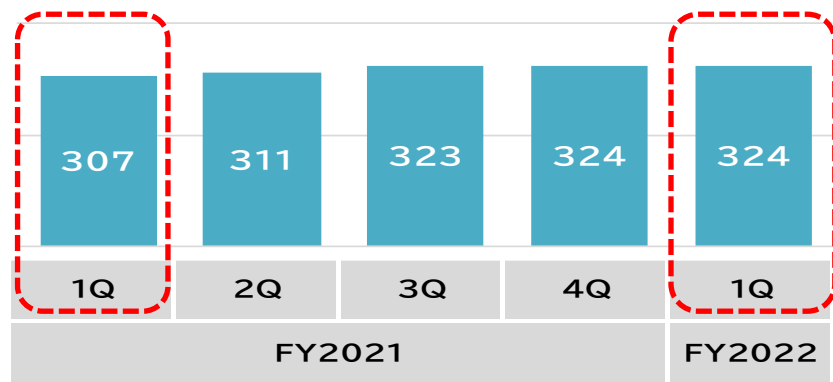
(JSF Trust Bank)

- ❑ Balances for crypto asset related trusts declined due to downturn on crypto asset market but secured increase in trust fees on continued favorable performance of asset-backed loan trusts.

Changes in Trust Fees

Quarterly

¥:mil



*Consolidated base

(¥ mil)	1Q Revenue (YoY)	1Q Point
Trust Charges	324 (+5.4%)	Slowed on revenue-basis but secured revenues outperforming the previous FY.

Trust Lineup

Trusts for the separate management of money and securities

Trust for segregated deposits which securities companies receive from customers

Trusts for currency future trading

Trust for segregated guarantee deposits which FX business operators receive from customers

Crypto-asset related trust

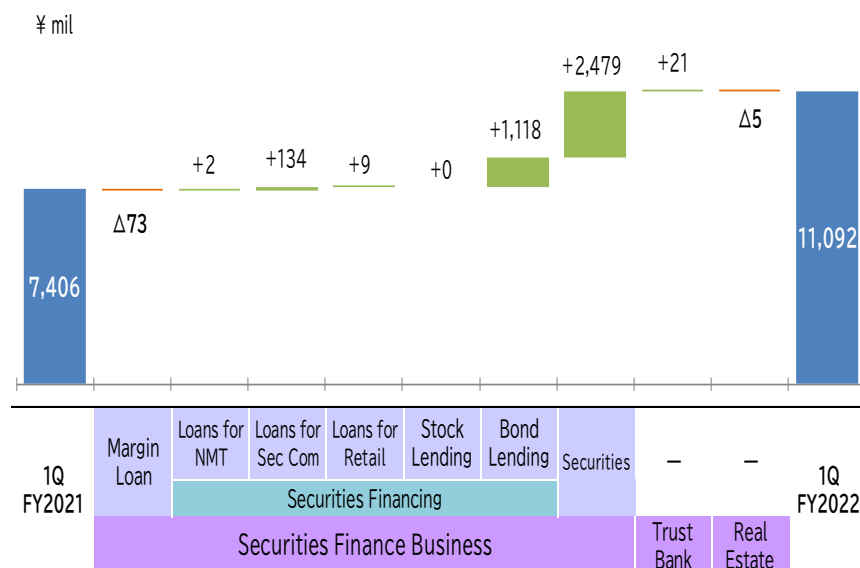
Trust for segregated guarantee deposits which crypt-asset exchangers receive from customers

Asset Backed Loan (ABL) Trust

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

● Analysis of YoY Change in Operating Revenue by Business (Quarterly)

[1Q] YoY ¥ 3,686 mil(+49.8%)



Summary of the Significant Points for quarterly

Margin Loan Business

- Revenues decreased on decline in balances for both margin loans and stock loans.

Securities Financing Business

- Revenues from capital loans to securities companies increased on high balances for equity repo.
- Revenues from loans to retail increased on higher balances for COM-STOCK loans.
- General stock lending largely unchanged YoY thanks to recovery of borrowing demand for fail-cover.
- Bond Lending revenues increased on high balances for gensaki transactions and repo transactions.

Others

- Revenues increased YoY on recording gain on sales of held securities (also recorded loss on sales).

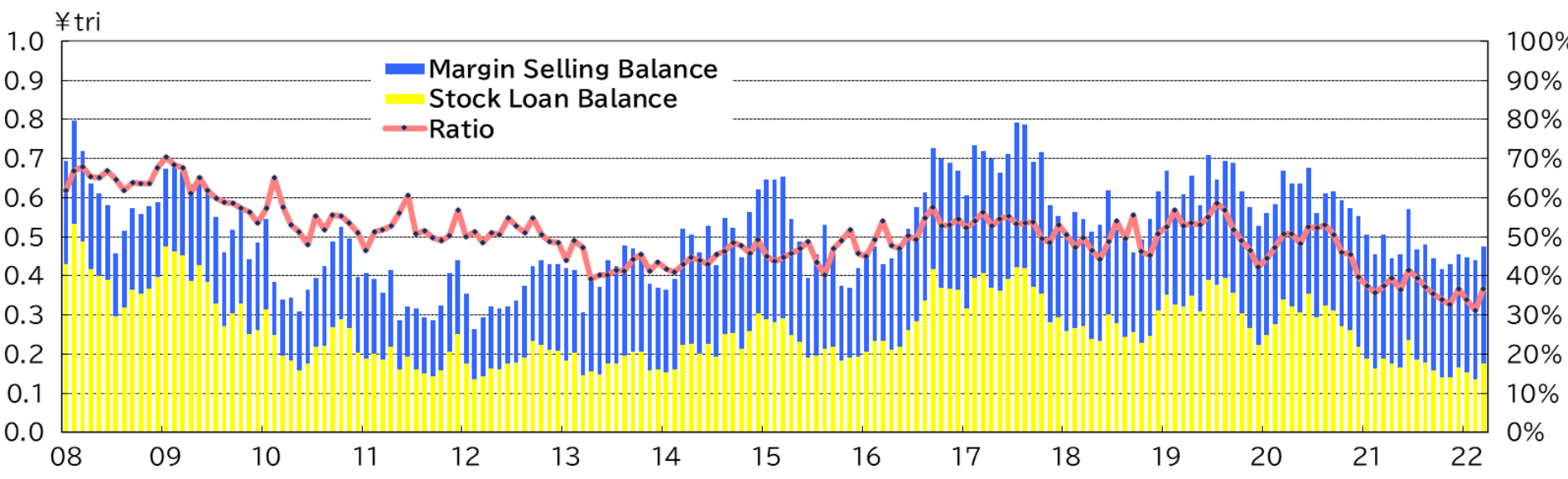
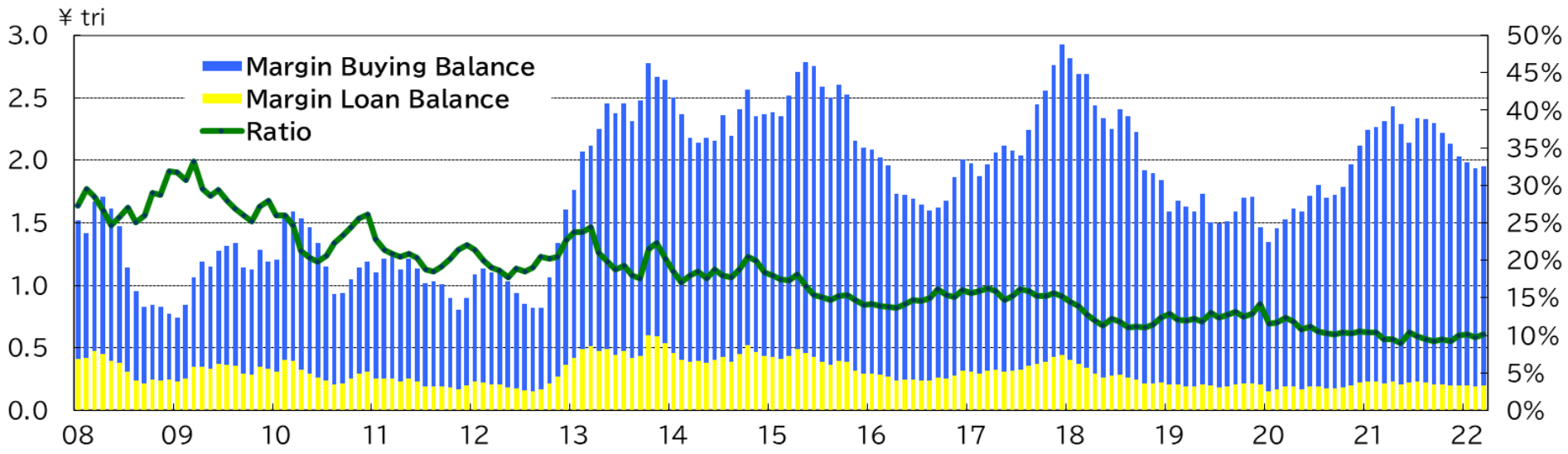
Trust Business

- Revenues increased on growth in trust fees.

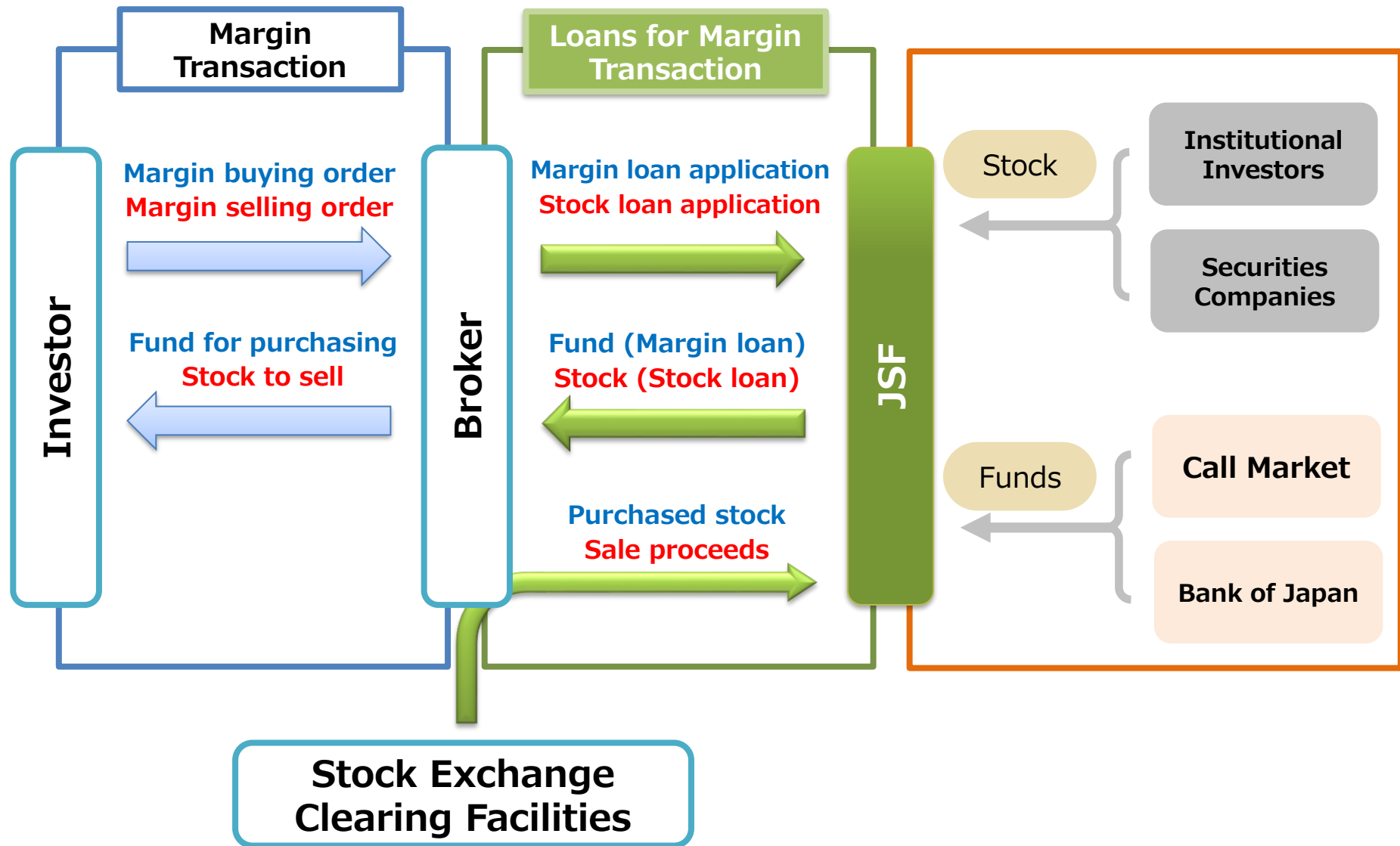
● Outstanding Balance of Transactions by Group Business (Average Balance) © JSF

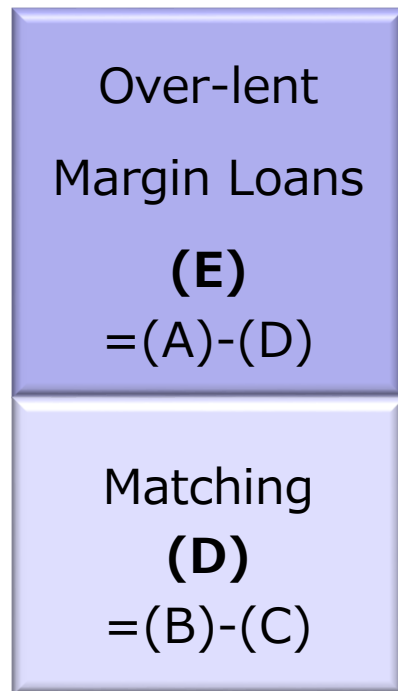
Transaction Type		FY2021 1Q	FY2022	FY2022 1Q
Margin Loans		296,923	283,118	248,573
Stock Loans		181,656	175,578	156,110
Securities Financing		8,873,270	9,969,762	11,318,568
	Loans for Negotiable Margin Transaction	16,715	21,509	18,282
	Loans to Securities Companies	402,643	585,974	682,635
	Retail	13,609	14,993	15,586
	General Stock Lending	15,520	47,509	36,283
	Bond Lending	8,424,780	9,299,775	10,565,780
Trust Bank Loans		723,263	682,499	552,120

● Margin Transactions & Loans for Margin Transactions

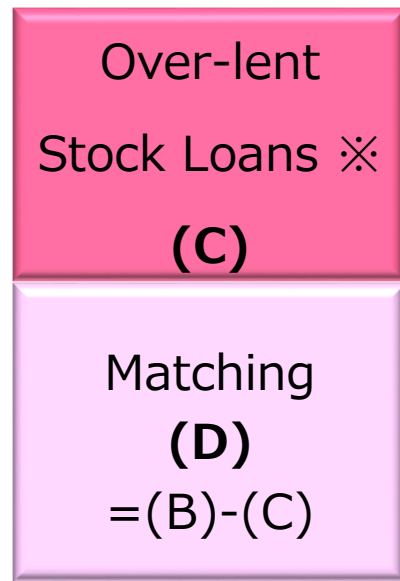


● Structure of Margin Transactions & Loans for Margin Transactions





Margin Loans
(A)



Stock Loans
(B)

Income Statement

Operating revenues:

Interest on loans $= (A) \times 0.60\%$

Fee on lending securities (lending fees)
 $= (B) \times 0.40\%$

Interest on collateral money of
securities borrowed $= (C) \times 0.60\%$

Operating expenses:

Interest on borrowing $= (E) \times \text{funding rate}$

◆ Besides the above, premium charges are posted in operating revenues (fees on lending securities) in part of over-lent stock loans. However, the same amount is 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) = Expenses: Fees on borrowing securities (premium charges) $= (C)' \times \text{rate of premium charges}$

● Balance Sheet Summary (end of June-2022, consolidated) ◎ JSF

¥mil

	Jun-22	Change from Mar-22	
Total assets	14,263,073	94,417	
Cash & Deposit	1,280,055	▲ 19,014	Deposit at BOJ
Short-term investments	119,650	9,925	JGB and other bonds (Maturity: 1year or less)
Short-term loans receivable	941,499	50,013	Margin loan / Loans for negotiable margin transactions / General loans / Trust bank loans
Receivables under resale agreements	4,923,323	995,176	
Collateral money of securities borrowed	5,638,717	▲ 860,704	Collateral money of bond borrowing Collateral money of stock borrowing
Investments in securities	905,809	▲ 136,687	JGB and other bonds (Maturity: more than 1year), Stock
Total liabilities	14,125,828	95,169	
Call money	1,811,000	▲ 47,400	
Short-term borrowings	168,010	▲ 71,200	Bank borrowing Market operation by BOJ
Commercial Paper	461,500	▲ 34,500	
Payables under repurchase agreements	6,465,606	920,707	
Collateral money received of securities lent	4,234,477	▲ 472,018	Collateral money of bond lending Collateral money of stock lending
Borrowed money from trust account	874,660	▲ 156,751	
Total net assets	137,245	▲ 751	

Features of Assets

The major components of assets are margin loans (short-term loans receivable), deposits in current account balance at the BOJ (cash and deposits), both of which are subject to daily fluctuations, collateral deposited for the procurement of securities (collateral money of securities borrowed/receivables under resale agreements), and securities held for investment.

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

Features of Liabilities

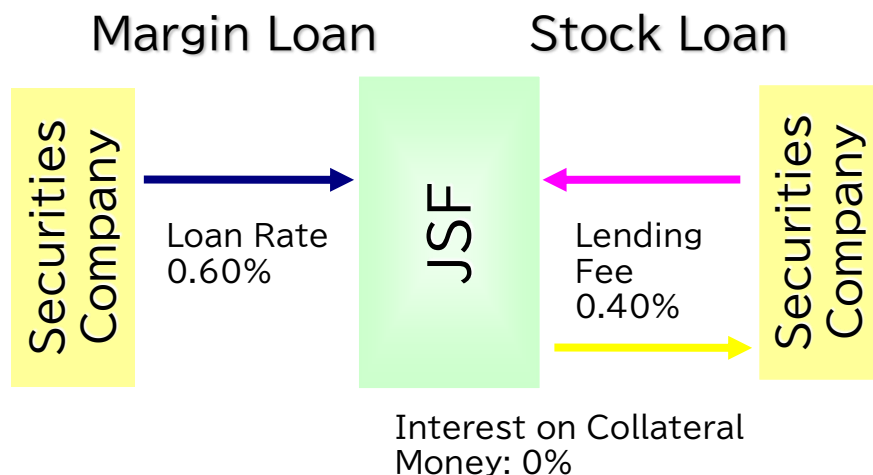
In addition to market funding, such as call money and commercial paper, which can be adjusted daily in order to address daily changes in assets, major liabilities are collateral deposits received against lending securities (collateral money received of securities lent/payables under repurchase agreements).

Ref) Capital adequacy ratio*

at the end of Jun 2022: 343%

*Based on FIEA

● About the Margin Loan Rate



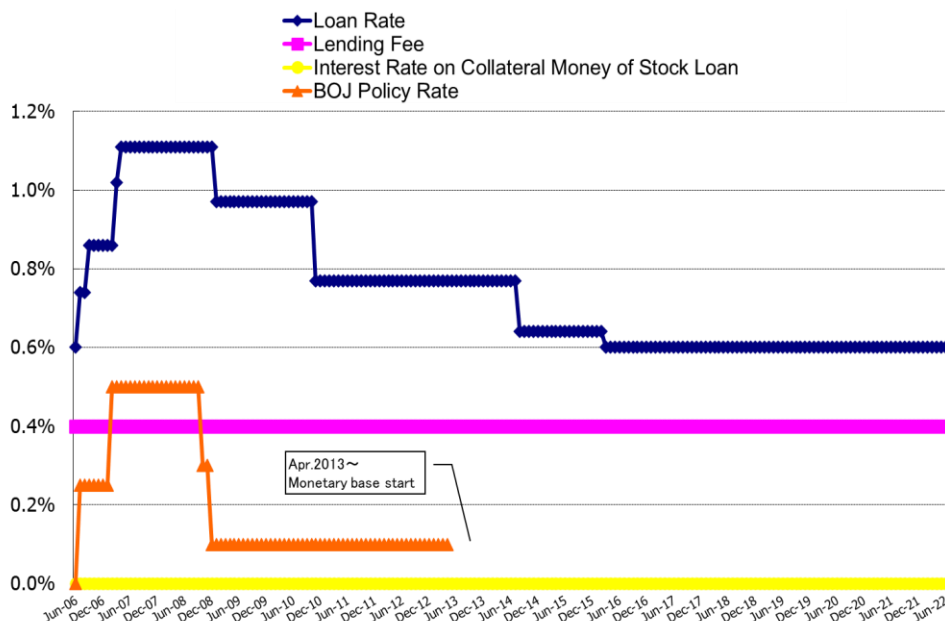
BOJ Policy Interest Rate

- 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 an interest rate to monetary base
- Jan 2016 Embraced negative interest rates
- Sep 2016 Introduced QQE with yield curve control

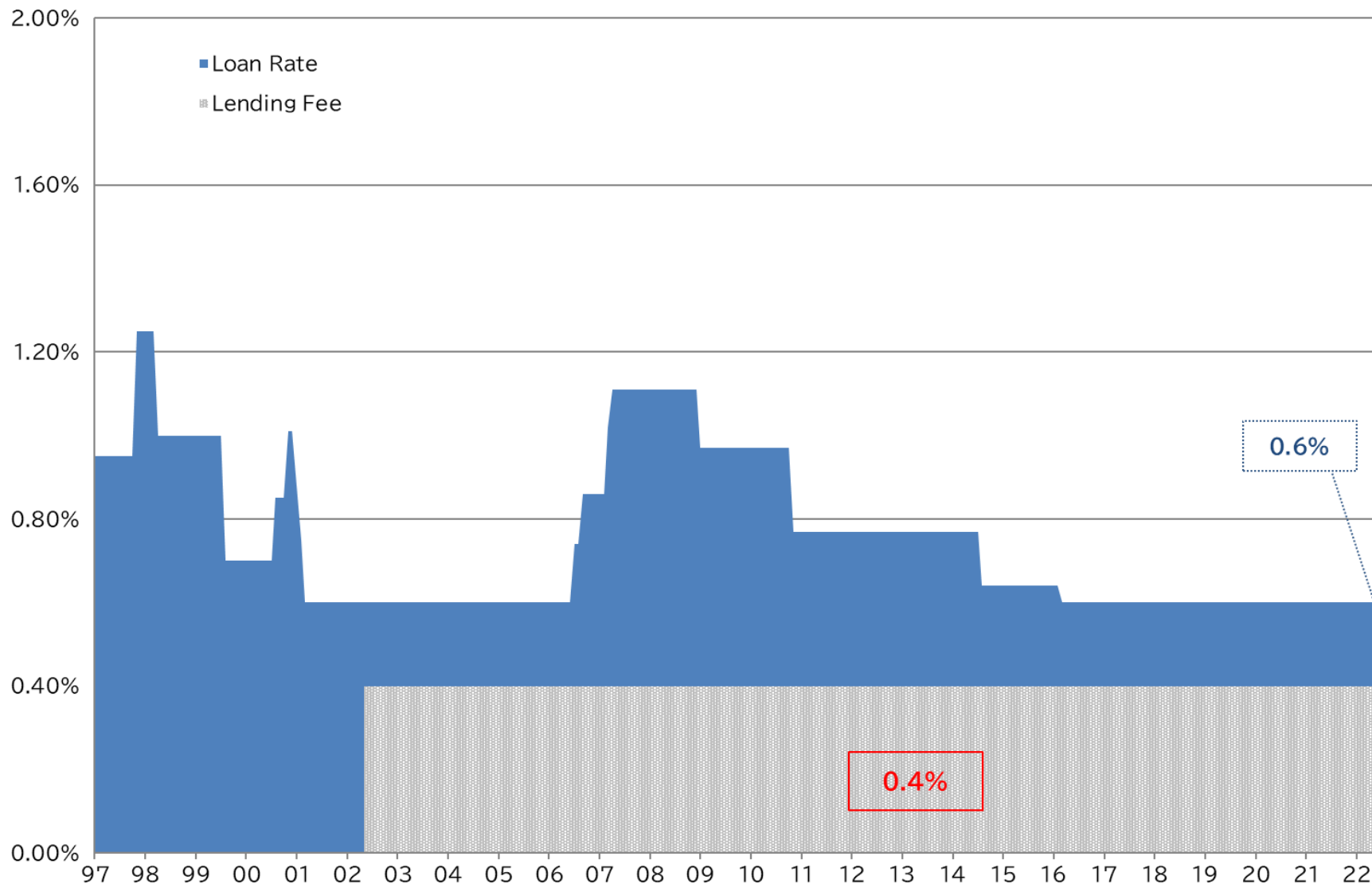
Margin Loan Rate

- 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%)

◆ The margin loan rate is decided by reflecting the changes in market rates and the BOJ's Policy Interest Rate.



● Rate of Loans for Margin Transactions



¥ mil

Securities Holdings	Mar-22		Jun-22		Notes
	B/S Amount	Unrealized Profits and Losses	B/S Amount	Unrealized Profits and Losses	
Equity	26,955	12,207	22,341	9,268	
Bond	1,100,835	3,587	976,062	▲9,119	
JGB&Municipal Bond	527,826	4,267	446,862	▲7,005	
Corporate Bond	447,409	▲786	426,525	▲689	Government guaranteed bonds etc.
Others	125,600	106	102,674	▲1,425	Foreign government bonds etc.
Other Securities	14,571	0	17,104	2,534	
Total	1,142,362	15,794	1,015,509	2,682	
(included the effects of derivatives)	—	(11,290)	—	(9,093)	

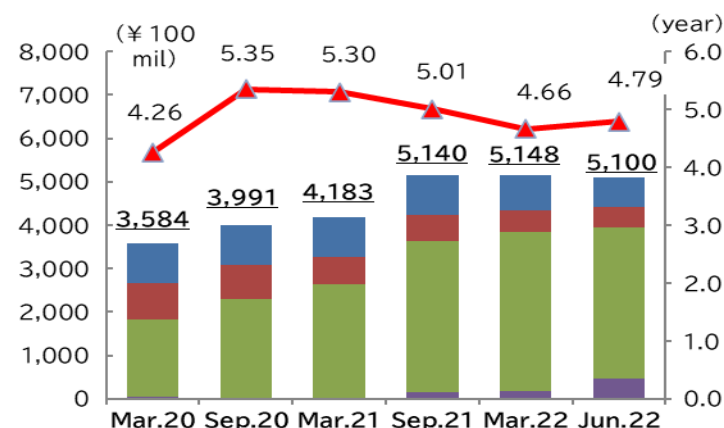
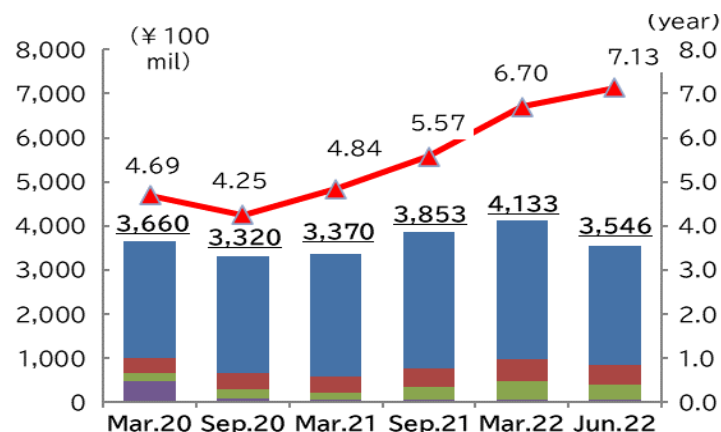
Held-to-maturity bonds	B/S Amount	Unrealized Profits and Losses	B/S Amount	Unrealized Profits and Losses	Notes
JGB	1,511	162	1,510	133	

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

Yen Bond Portfolio(JSF)

Yen Bond Portfolio (JSF Trust Bank)

Over 10 years 5 years to 10 years 1 year to 5 years Within 1 year ▲ Average remaining period



(Note) The average remaining period is calculated excluding held-to-maturity bonds and bonds for which hedge-accounting is applied

● Loan Balance by Industry

¥mil

	Jun-21		Mar-22		Jun-22	
	Loan Balance	ratio	Loan Balance	Ratio	Loan Balance	Ratio
Manufacturing	0	0.0%	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	0.1%	689	0.1%
Wholesale	0	0.0%	0	0.0%	0	0.0%
Retail	0	0.0%	0	0.0%	0	0.0%
Finance & Insurance	1,650	0.2%	4,650	0.9%	4,650	0.8%
Real Estate	1,200	0.2%	1,196	0.2%	1,194	0.2%
Service Industries	0	0.0%	0	0.0%	0	0.0%
Governments	691,613	99.5%	526,090	98.8%	577,455	98.9%
Total	695,152		532,625		583,988	

Corporate Philosophy

Long-term direction for realizing corporate philosophy

Medium-term Management Policy

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

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.

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.

Management Policy through 2025

Management goals (targets to be achieved)	<ul style="list-style-type: none">❑ ROE of 4% during period of 6th Medium-term Business Plan (through FY2022)❑ ROE of 5% during period of next plan (FY2023-2025) — ROE target set at a level above costs of equity (recognized as mid-4% range)
Strategies	<ul style="list-style-type: none">● 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	<ul style="list-style-type: none">● Expeditiously tackle the diverse challenges that need to be overcome in order to maintain the level of corporate governance expected of a listed company.

1. Vision for JSF in the Future

JSF, guided by its corporate philosophy, will strive to 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 and longer term, while firmly embracing the public roles expected of it as a securities finance company providing infrastructural functions to the securities market.

2. Medium-term management Goals

For its new medium-term management goals, JSF will aspire to attain an ROE of 4% during the period of the current medium-term management plan (ending with FY2022), and of 5% during the period of the next plan (FY2023-2025).

3. Strategies

JSF will endeavor to attain the medium-term management goals by increasing its earning power and capital efficiency through diverse actions such as: 1) strengthening its securities finance business centered on loans for margin transactions, 2) reinforcing consolidated management of the group, and 3) improving operational efficiency.

With regard to shareholder returns, JSF will seek to further enhance them by striving for a total payout ratio of 100% on a cumulative basis in the years from FY2021 through FY2025 (achievement of 5% ROE target) through dividend payments and agile implementation of share repurchases. In the case of dividends, the annual per-share amount for FY2021 is, as announced on November 2, 2021, expected to be JPY30; as for the period from FY2022 through FY2025 (achievement of 5% ROE target), since JSF has set the aforementioned total payout ratio target, it will replace its established dividend policy (consolidated payout ratio of 60%) with a policy of actively aiming to pay an annual dividend per share of no less than JPY30.

4. Commitment to Corporate Governance

We will expeditiously tackle the diverse challenges that need to be overcome in order to maintain the level of corporate governance expected of a listed company.

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

(1) 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.

Basic concept as
a securities
finance company

(2) 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.

Solid equity
capital
Financial health

(3) 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, to develop new business, and to further grow and solidify our base.

Future business
development

(4) 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.

Business
management
structure

Management Goals

Given that the margin loan business, JSF's core business, is greatly affected by market fluctuations, 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**

Strategies

Enhance the margin loan business as part of securities market infrastructure

Develop and realize new business

Expand and enhance the securities finance business

Diversify management of securities as an efficient use of capital

Strengthen the business management structure

Facilitate diverse work styles and make JSF more dynamic

Strengthen our competitive base through efficient business operation

<Framework to integrate management goals and strategies with risk management>

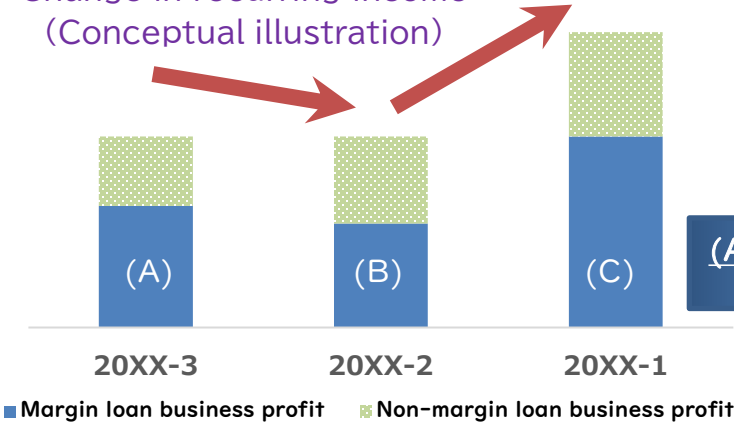
Use of the Risk Appetite Framework

- ❑ Number of loanable stock issues: We will aim to increase our number of loanable stock issues steadily to strengthen our margin loan business base
 - ❑ Basic profit: We will aim to diversify revenue sources and steadily increase our basic profit to stabilize our role as part of the securities market infrastructure
- ⇒ Actual results on the base of fiscal years will be disclosed (at the announcement of the financial results)

◆ Definition of “basic profit”
Recurring income as a trend calculated based on the assumed gross operating profit of the margin loan business (average over the past three years)

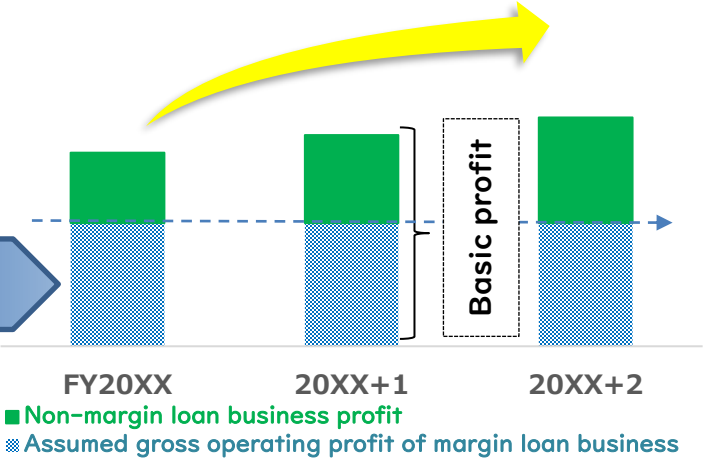
1. Characteristics of Our Recurring Income

Change in recurring income
(Conceptual illustration)



- ❖ Margin loans, JSF’s core business, are susceptible to market fluctuations (profit fluctuates significantly)
- ❖ It is difficult to understand the changes in our basic earnings

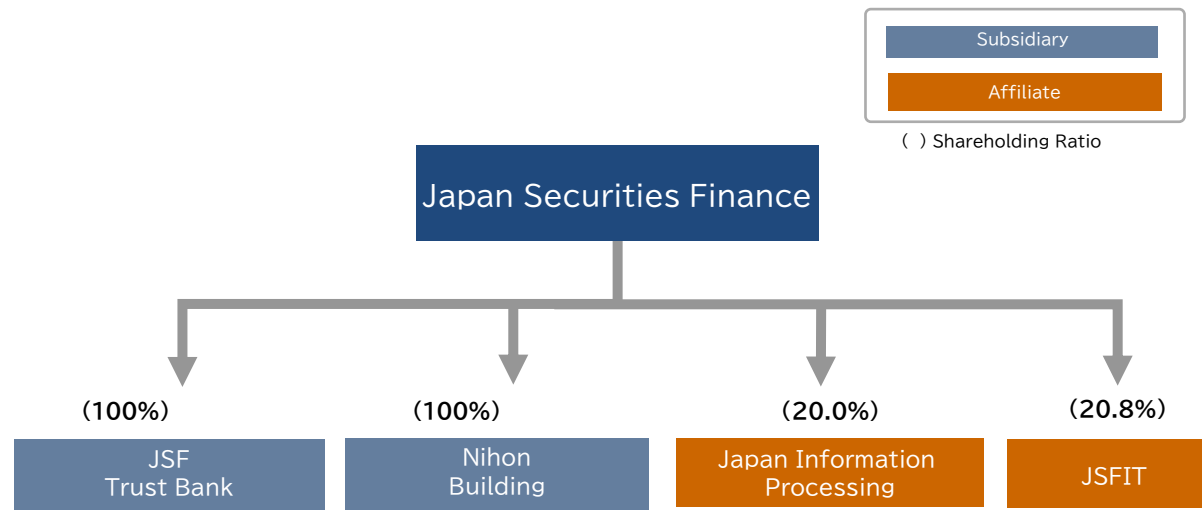
2. Calculation of Basic Profit



- ❖ We calculate the basic profit to visualize our profitability based on our average margin loan business profit.
- ❖ This makes the changes in our basic earnings easier to understand

Enhance the margin loan business as part of securities market infrastructure.	We aim to pursue stable management of our margin loan business and improve profitability by appropriately responding to changes in the stock market environment. Moreover, we aim to monitor trends among market participants carefully, increase our number of lending issues steadily, promote the use of margin loans, enhance the provision of information relating to margin transactions and margin loans, and expand the range of investors.
Expand and enhance the securities finance business	We aim to utilize the financial and securities transaction expertise we have cultivated thus far to handle diverse transactions with domestic and overseas financial instruments businesses in a proactive manner and increase business partners and applicable securities to enhance and expand our securities finance business, increasing opportunities for profit.
Develop and realize new business	We will leverage our strengths as a company with a history in the securities finance field, and develop and realize new business based on a long-term perspective in collaboration with Group companies and domestic and foreign partners.
Diversify management of securities as an efficient use of capital	We will secure stable revenues by responding to changes in the external environment and revising our portfolio in a flexible manner while maintaining appropriate risk controls. Moreover, we will move forward with expanding management based on foreign currency-denominated securities such as foreign government bonds and establishing funding methods for foreign currencies in order to support the development of business using foreign currencies.
Strengthen business management structure	We will proactively address our social obligations and ensure that compliance is positioned as a prerequisite of management in order to achieve our corporate philosophy. To establish unwavering social trust in our company, we aim to secure the effectiveness of our internal auditing and further enhance our risk management in response to the increasingly diverse and complex risks associated with the finance business. In order to fulfill our role as part of the securities market infrastructure even in the event that a major disaster occurs, we will continue to upgrade our business continuity system.
Strengthen our competitive base through efficient business operation	As our transaction volume increases and our business becomes more complex, we will review our processes and actively promote the use of digital technologies such as robotic process automation (RPA) to build an efficient business operation structure and strengthen our competitive base.
Facilitate diverse work styles and making JSF more dynamic	As work changes and diversifies with work-style reform, delayed retirement and more, we will increase the productivity of individual personnel and make the company more dynamic by reviewing our employment system and developing a rewarding and employee-friendly workplace.

● Our Group Companies



Shareholding Ratio	Name	Capital (mill yen)	Business Overview
100%	JSF Trust and Banking Co., Ltd.	14,000	Trust service and 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

As of 30/June/2022		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	AA-	Stable	AA-	Stable	—	—
	Short-term	J-1+ (Highest)		a-1+ (Highest)		—	—

The development of infrastructure that forms the foundation of socio-economic activities is a key element to realize a sustainable society. It is also one of the Sustainable Development Goals (SDGs: Goal 9). Our Group provides a variety of services, including the Margin Loan Business, as a part of the infrastructure of the securities market and strives to improve the liquidity of securities and financial markets and to improve convenience for market participants. Through these activities, we aim to play a role that includes supporting market participants who are engaged in similar initiatives to realize a sustainable society.

Our Group believes that it is important to build a system that ensures stable operations even under various circumstances as it assumes responsibility for the infrastructure of securities and financial markets. To this end, it is important not only to respond to disasters in a narrow sense, but also to ensure the stability and high reliability of our business base.




In addition, we believe that there are issues to which we can contribute by utilizing the know-how and other resources that our Group has cultivated over the years.

Based on this perspective, we are currently aware of the following material issues (materialities). Our Group recognizes the roles expected of our Group in addressing these material issues (materialities) and will advance various initiatives while flexibly responding to future changes in the social environment.

Important issues we recognize

Classification	Item	Challenges
E S	Climate change	<ul style="list-style-type: none"> Promote a reduction in environmental impact
	Education	<ul style="list-style-type: none"> Promote financial and economic education activities Promote academic research activities
	Human resources	<ul style="list-style-type: none"> Promote diversity Develop and secure human resources and create a pleasant workplace
	Human rights	<ul style="list-style-type: none"> Respect human rights, non-discrimination and diversity Prohibit various types of harassment
	Capital market	<ul style="list-style-type: none"> Enhance functions as infrastructure for securities and financial markets Contribute to overseas securities and financial market infrastructure
G	Corporate governance	<ul style="list-style-type: none"> Continuously improve corporate governance
	BCP	<ul style="list-style-type: none"> Stably operate business that is not affected by disasters etc.
	Compliance	<ul style="list-style-type: none"> Operate business based on a high awareness of compliance
	Risk management	<ul style="list-style-type: none"> Implement the Risk Appetite Framework (RAF)

Specific Initiatives on Key Issues

Classification	Challenges	Initiatives
E  	Reduce environmental impact	<ul style="list-style-type: none"> ● Improve company facilities to conserve electricity and be conscious of environmental impact ● Promote paperless operations in all areas of the company
	Promote financial and economic education activities	<ul style="list-style-type: none"> ● Hold various seminars on margin transactions ● Hold seminars for investors and training for securities company employees, etc.
	Promote academic research activities	<ul style="list-style-type: none"> ● Conduct joint empirical research with the University of Tokyo (Securities Lending and Lending Transactions Utilizing Distributed Ledger Technology) ● Collaborate with Kyoto University in Index Development Utilizing Margin and Credit/Debit Transaction Data
	Contribute to overseas securities and financial market infrastructure	<ul style="list-style-type: none"> ● Provide technical assistance and investment in Indonesian Securities Finance
	Realize diverse work styles for employees	<ul style="list-style-type: none"> ● Provide support for childbirth, childcare, and nursing care <ul style="list-style-type: none"> – Introduce company-wide teleworking – Understand employee engagement 
G	Enhance corporate governance	<ul style="list-style-type: none"> ● Strive to enhance governance as a company with a Nominating Committee etc. <ul style="list-style-type: none"> – Ensure that the majority of directors are independent outside directors – Ensure that the Chairman of the Board of Directors and Chairman of the 3 Committees are Independent Outside Directors ● Establish dedicated departments to address various corporate governance issues with a sense of urgency
	Implement risk management	<ul style="list-style-type: none"> ● Implement RAF and establish a system to integrate business management and risk management
	Implement BCP	<ul style="list-style-type: none"> ● Continue to strengthen the BCP system and cyber security system to ensure stable business operations as a part of the infrastructure of securities and financial markets
	Implement compliance	<ul style="list-style-type: none"> ● Prepare manuals and establish Compliance Enhancement Month

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.

Our History to Date

- Focus on stable management of the margin loan business and improving convenience as infrastructure for securities markets
- We will also engage in new operations that meet market needs.

1950

1951

1977

1989

1998

2019

Established as an institution specializing in securities finance in response to requests from the securities industry with the aim of stabilizing and promoting the securities market

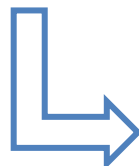
■ Launched the margin loan business

■ Launched the general stock lending business

■ Launched the brokerage business for bond lending

■ Established JSF Trust Bank

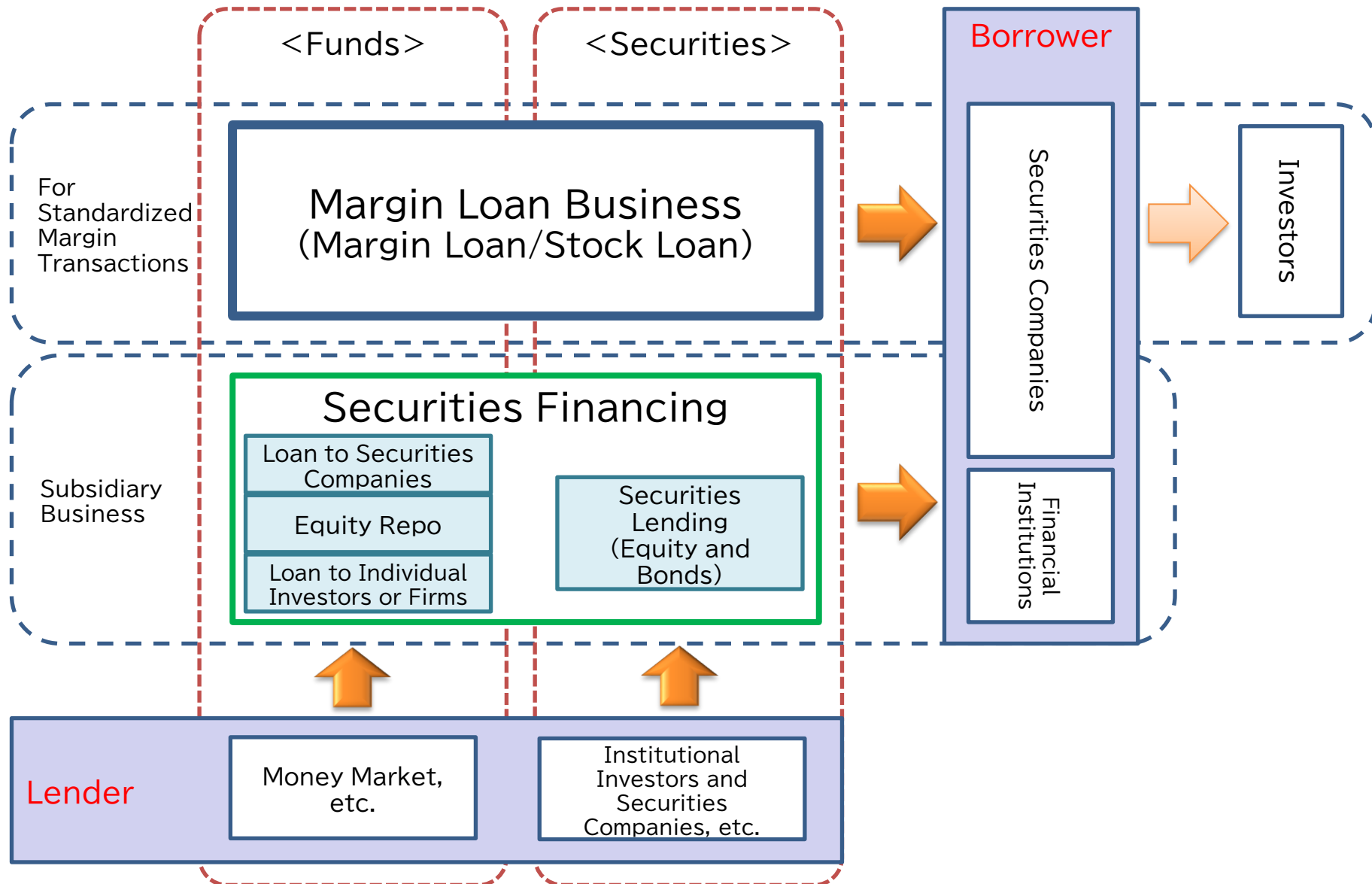
■ Launched loans for margin transactions for PTS



In conjunction with the establishment of the margin transaction system, commenced the margin loan business of lending funds or stock certificates, etc. necessary for the settlement of margin transactions to securities companies.

⇒ Roots as a licensed company stipulated in the Financial Instruments and Exchange Law

● Our Business Field (Image Chart)



This document includes statements relating to business forecasts. These statements do not guarantee future business performance; they contain risks and uncertainties. Future business performance may vary significantly depending on the stock market and financial conditions or other factors.