

Japan Securities Finance Co., Ltd.

FY2023 1Q Financial Results Presentation

Overview of Financial Results for the 1Q of FY2023

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1. Executive Summary (Consolidated)

(¥ mil)	FY2023 1Q			Highlights
		YoY Δ	$\Delta\%$	
Operating Income	3,068	+1,284	+72.0%	<ul style="list-style-type: none">✓ Showed favorable results in margin loan business and securities financing business against the backdrop of stock market activity.✓ Posted record high quarterly gains in Gensaki transactions and repo transactions and equity repo transactions.
Recurring Income	3,364	+1,165	+53.0%	
Net Income	2,453	+390	+18.9%	

2. Summary of Financial Results for the 1Q of FY2023

(¥ mil)	Consolidated			Non-consolidated					
	FY2023 1Q	YoY.Δ	(%Δ)	JSF		JSF Trust Bank		Nihon Building	
					YoY.Δ		YoY.Δ		YoY.Δ
Operating Revenues	13,682	+2,589	(+23.3%)	12,801	+2,617	722	▲54	300	▲4
<i>Except Premium Charges</i>	10,116	▲219	(Δ2.1%)	9,236	▲190				
Operating Expenses	8,703	+1,172	(+15.6%)	8,718	+1,226	21	▲86	7	▲0
<i>Except Premium Charges</i>	5,137	▲1,635	(Δ24.2%)	5,152	▲1,582				
General & Administrative Expenses	1,910	+131	(+7.4%)	1,574	+146	287	+10	148	▲25
Operating Income	3,068	+1,284	(+72.0%)	2,509	+1,244	413	+22	144	+21
Recurring Income	3,364	+1,165	(+53.0%)	4,259	+686	414	+22	193	+20
<i>Gain or Loss in Equity-Method</i>	76	+26	(+54.6%)						
Extraordinary Profit or Loss	—	▲671	(Δ100.0%)	—	▲671	—	(—)	—	(—)
Net Income	2,453	+390	(+18.9%)	3,540	▲77	286	+18	128	+13

3. Summary of Financial Results for the 1Q of FY2023 (Non-consolidated)

Japan Securities Finance (Non-consolidated)

*Excluding premium charge

(¥ mil)	FY2023 1Q	YoY.Δ	(%Δ)
Operating Revenues*	9,236	▲190	(Δ2.0%)
Operating Expenses*	5,152	▲1,582	(Δ23.5%)
Operating Profit	4,083	+1,391	(+51.7%)
Margin Loan Business*	1,057	+384	(+57.0%)
Securities Financing	1,895	+627	(+49.5%)
Others	1,130	+379	(+50.5%)
General & Administrative Expenses	1,574	+146	(+10.3%)
Operating Income	2,509	+1,244	(+98.3%)
Recurring Income	4,259	+686	(+19.2%)
Extraordinary Profit or Loss	—	▲671	(Δ100.0%)
Net Income	3,540	▲77	(Δ2.1%)

Key Points

●Operating Profit

- ✓ Revenues increased mainly due to higher balances in the margin loan business and securities financing business.
- ✓ Other revenues (mainly securities investment) increased due to the absence of the impact of portfolio replacement implemented in the previous fiscal year (gains on sales of domestic bonds and losses on sales of foreign currency bonds).

●Recurring Income

- ✓ Dividends from two consolidated subsidiaries decreased by ¥447 million YoY but had no impact on consolidated results because of consolidation eliminations.

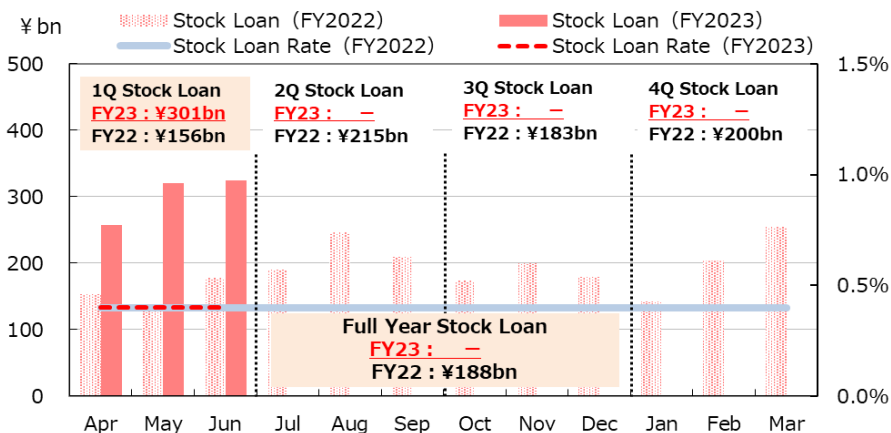
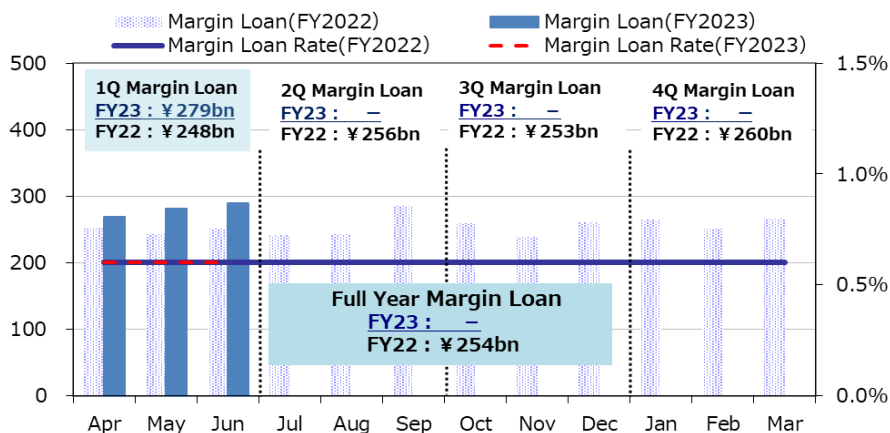
●Net Income

- ✓ Extraordinary gains of ¥671 million due to change in retirement bonus structure recorded in the previous fiscal year have fallen off.

4. Financial Highlights (Margin Loan Business)

- Margin loan balances remained at a level higher than the previous fiscal year.
- Stock loans increased to around ¥300 billion during periods of rising stock prices as new sales were predominant.

(¥ bn)	FY2022						FY2023	YOY
	1Q	2Q	1H	3Q	4Q	full year	1Q	
Margin Loan	248	256	252	253	260	254	279	+31
Stock Loan	156	215	185	183	200	188	301	+145



5. Financial Highlights (Securities Financing)

- Gensaki transactions and repo transactions continues to benefit from capturing diverse investment and financing needs to continue upward trend and increased revenues
- All other businesses also increased profit against the backdrop of stock market activity

(¥ mil)

	Type of transaction	FY2023 1Q	YoY△ YoY%		
Securities Financing	Loans for Negotiable Margin Transactions	52	+25	(+92.3%)	✓ Increased profit due to higher balances on the back of stock market activity.
	Loan to Securities Companies*	418	+59	(+16.5%)	✓ Outstanding equity repo transactions remained at record high levels.
	Retail	102	+13	(+15.0%)	✓ Increased revenues thanks to improved merchantability, including expansion of eligible collateral.
	General Stock Lending	194	+91	(+88.9%)	✓ General stock lending increased YoY thanks to recovery of borrowing demand for fail-cover.
	Bond Lending	1,128	+438	(+63.6%)	✓ Outstanding gensaki transactions and repo transactions remained at high levels.
	<i>Total Gross Profit</i>	1,895	+627	(+49.5%)	

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

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

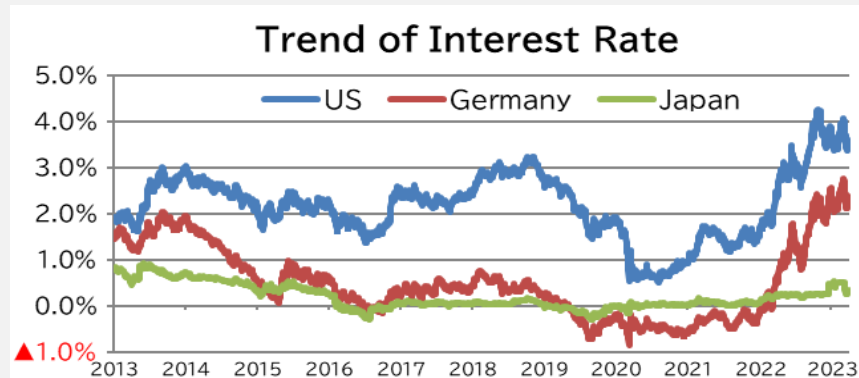
- Securities investment revenues increased due to the absence of the impact of portfolio replacement implemented in the previous fiscal year (gains on sales of domestic bonds and losses on sales of foreign currency bonds).

Gains on management of market assets (JSF)

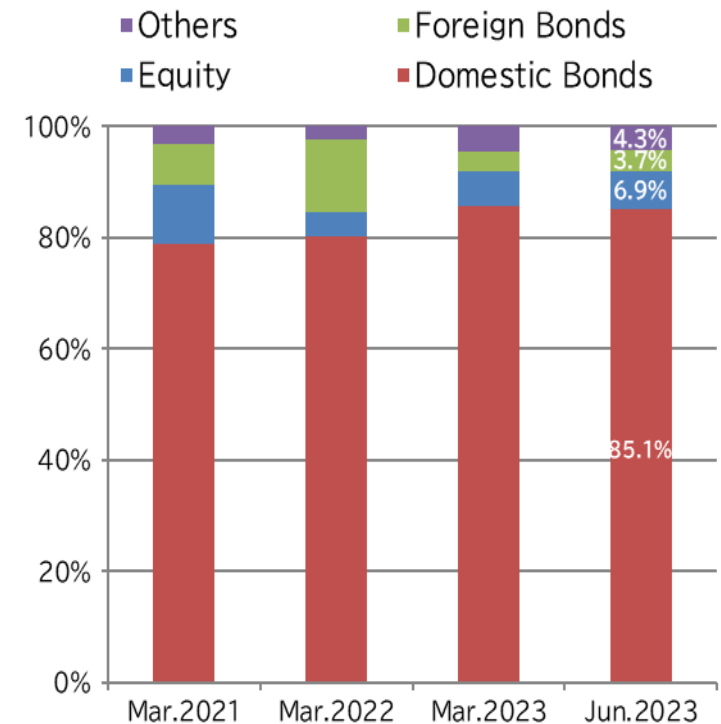
	FY2023 1Q	YoY
Yen-based	1,213 mil	△2,240 mil
Domestic Bonds	655 mil	△1,761 mil
Stocks and Others	558 mil	△479 mil
In foreign currencies	△47 mil	2,633 mil
Total	1,130 mil	379 mil

Ref. Trend of Interest Rate

Source) Bloomberg



Changes in Investment Portfolio



7. Summary of Financial Results for the 1Q of FY2023 (JSF Trust Bank)



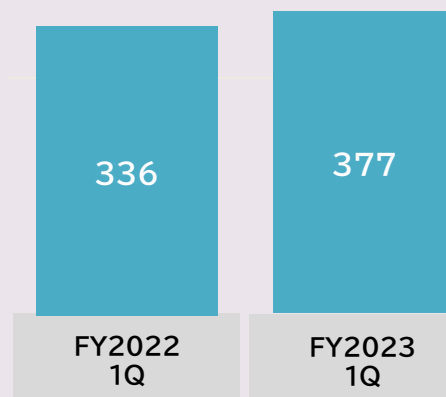
- Custodian type trust services, particularly asset-backed loan trusts, drove increased revenues from trust fees.
- Recurring revenues decreased due to a decrease in interest income resulting from a reduction in the fund management balance.
- Net income increased thanks to lower recurring expenses such as interest on borrowing.

JSF Trust Bank (Non-consolidated)

(¥ mil)	FY2023 1Q	YoY	
			(%)
Recurring Revenue	741	▲59	(△7.4%)
Trust Fees	377	+41	(+12.2%)
Recurring Expenses	327	▲82	(△20.1%)
Recurring Income	414	+22	(+5.8%)
Net Income	286	+18	(+6.8%)

[Trust Fees]

(¥ mil)



8. Estimated Figures for FY2023(Revised on August 2) © JSF

Precondition

FY2023 Estimate

Over-lent
Margin Loan
¥155bn

Over-lent
Stock Loan
¥125bn

Matching
¥105bn

Margin Loan
¥260bn

Stock Loan
¥230bn

(Reference)

FY2022 Results

Over-lent
Margin Loan
¥160bn

Over-lent
Stock Loan
¥94bn

Matching
¥94bn

Margin Loan
¥254bn

Stock Loan
¥188bn

(¥ mil)		FY2023 Estimated Figures	YoY.Δ	Δ from prev. EF
Consolidated				
Operating Income		8,400	+2,045	+900
Recurring Income		9,400	+1,798	+900
Net Income		6,700	+733	+600
JSF	Operating Income	6,381	+1,990	+858
	Recurring Income	8,379	▲1,895	+927
	Net Income	6,408	▲2,894	+665
JSF Trust and Banking	Recurring Income	1,480	+64	—
	Net Income	1,027	+51	—
Nihon Building	Operating Income	550	+13	+10
	Recurring Income	660	+8	+15
	Net Income	435	+5	+10

Preconditions of Loans for Margin Transactions

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

<Approach to Estimated Figures for FY2023(Revised on August 2)>

- ✓ We conducted an upward revision based on strong 1Q results in both the margin loan business and Security Financing Business.
- ✓ Two consolidated subsidiaries are expected to remain at the same level as the previous fiscal year.

Appendix

- Dividend and Share Buyback Program (Historical)
- Financial Result Trends (Consolidated)
- Gross Profit by Business
- Breakdown of Operating Revenues by Business
- Analysis of YoY Change in Operating Revenue by Business (Quarterly)
- Outstanding Balance of Transactions by Group Business
- Securities Holdings
- Balance Sheet Summary, consolidated
- Margin Transactions & Loans for Margin transactions
- Structure of Margin Transactions & Loans for Margin Transactions
- Revenue Structure of Loans for Margin Transactions
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● Dividend and Share Buyback Program (Historical)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY2023 Forecast/ Framework
Annual Dividend per share	¥26	¥22	¥22	¥26	¥30	¥32	¥34 (Interim ¥17 Year-end ¥17)
Share Buyback (shares)	1.5mil	2.0mil	1.0mil	—	2.4mil	3.1mil	3.3mil
(amount)	¥0.9bn	¥1.2bn	¥0.5bn	—	¥2.3bn	¥3.0bn	¥3.3bn
Total Payout Ratio	79.3%	87.8%	71.0%	60.1%	97.6%	97.6%	92.2%
<Consolidated> : Net Income	¥4.2bn	¥3.7bn	¥3.5bn	¥3.9bn	¥5.1bn	¥5.9bn	¥6.7bn
:EPS	¥44.2	¥40.0	¥38.4	¥43.2	¥56.6	¥67.7	¥77.6
(reference) : DPR	58.8%	55.0%	57.2%	60.1%	53.0%	47.2%	43.8%

Note for FY2023 (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 August 2, 2023. Moreover, EPS and DPR have been calculated using this estimated figure.

● Financial Result Trends (Consolidated)

¥ mil

	FY2018	FY2019	FY2020	FY2021	FY2022 1Q	FY2022	FY2023 1Q
Operating Revenues	24,321	29,101	30,924	30,138	11,092	42,518	13,682
Ex Premium charges	18,603	20,846	23,711	27,305	10,335	37,806	10,116
Operating Expenses	12,284	16,835	18,018	16,533	7,530	28,765	8,703
Ex Premium charges	6,566	8,585	10,819	13,728	6,773	24,053	5,137
General & Administrative Expenses	8,056	8,136	8,129	7,368	1,778	7,398	1,910
Operating Income	3,981	4,129	4,777	6,235	1,783	6,354	3,068
Gain or Loss in Equity-Method	248	306	395	446	49	523	76
Recurring Income	5,046	4,894	5,558	7,164	2,199	7,601	3,364
Extraordinary Profit or Loss	▲41	▲36	43	▲17	671	671	—
Net Income	3,765	3,556	3,971	5,174	2,063	5,966	2,453

● Gross Profit by Business

¥ mil

	Operating Revenues (ex. premium charges)			Gross Profit		
	1Q FY2022	FY2022	1Q FY2023	1Q FY2022	FY2022	1Q FY2023
Consolidated	10,335	37,806	10,116	3,562	13,753	4,978
Securities Finance Business	9,427	33,919	9,236	2,692	10,363	4,083
Margin Loan Business (ex. Premium charges)	722	3,292	1,121	673	3,077	1,057
Securities Financing	4,821	21,976	6,633	1,267	5,850	1,895
Loans for Negotiable Margin Transactions	31	149	58	27	130	52
Loans to Securities Companies	369	1,529	422	359	1,514	418
Retail	129	544	146	88	377	102
Stock Lending	175	799	266	102	496	194
Bond Lending	4,114	18,953	5,740	689	3,332	1,128
Others(mainly securities investment)	3,883	8,651	1,480	751	1,434	1,130
Trust Business	776	3,364	722	667	2,616	700
Real Estate Management Business	304	1,197	300	297	1,162	292

Note)

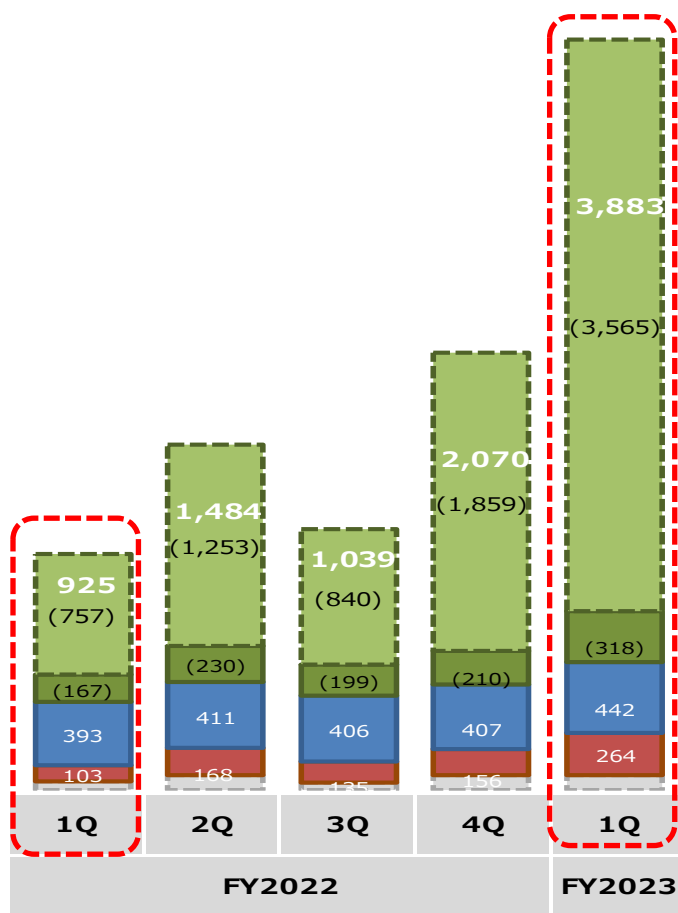
Figures for each Group company are on a non-consolidated basis (before elimination of consolidation), and the sum of these figures does not correspond to the figures for “Operating Revenues (A)” and “Gross Profit (A-B)”.

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

- Both interest on loans and lending fees increased due to an increase in both margin loan and stock loan balances.

Changes in Operating Revenues

Quarterly



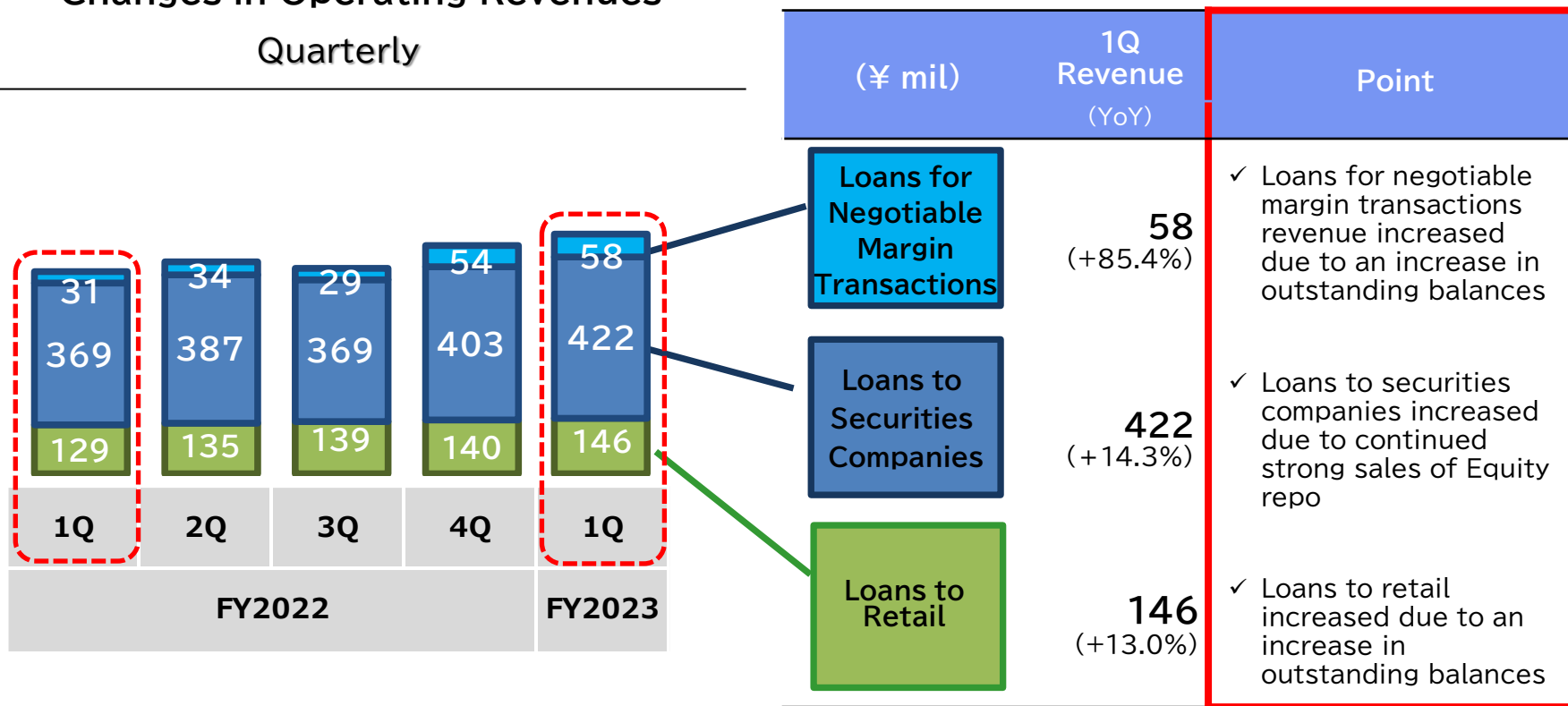
(¥:mil)	1Q Revenue (YoY)	Point
Margin Loan Business	4,687 (+216.7%)	✓ Revenues increased due to higher balances.
(ex premium charges)	1,121 (+55.3%)	
Fees on Lending Securities	3,883 (+319.8%)	✓ Revenues increased due to a large increase in stock loan balances.
Premium Charges	3,565 (+370.7%)	
Lending Fees	318 (+89.9%)	✓ Interest on loans increased due to increased margin loan balances.
Interest on Loans	442 (+12.5%)	✓ Interest on collateral money of securities borrowed increased due to an increase in the balance of over-lent stock loans.
Interest on collateral money of securities borrowed	264 (+154.6%)	

● Breakdown of Operating Revenues by Business (Securities Financing (1)) © JSF

- Loans for negotiable margin transactions revenue increased due to an increase in outstanding balances against the backdrop of stock market activity
- Loans to securities companies increased due to continued strong sales of Equity repo
- Loans to retail increased due to improved merchantability, including expansion of eligible collateral.

Changes in Operating Revenues

Quarterly



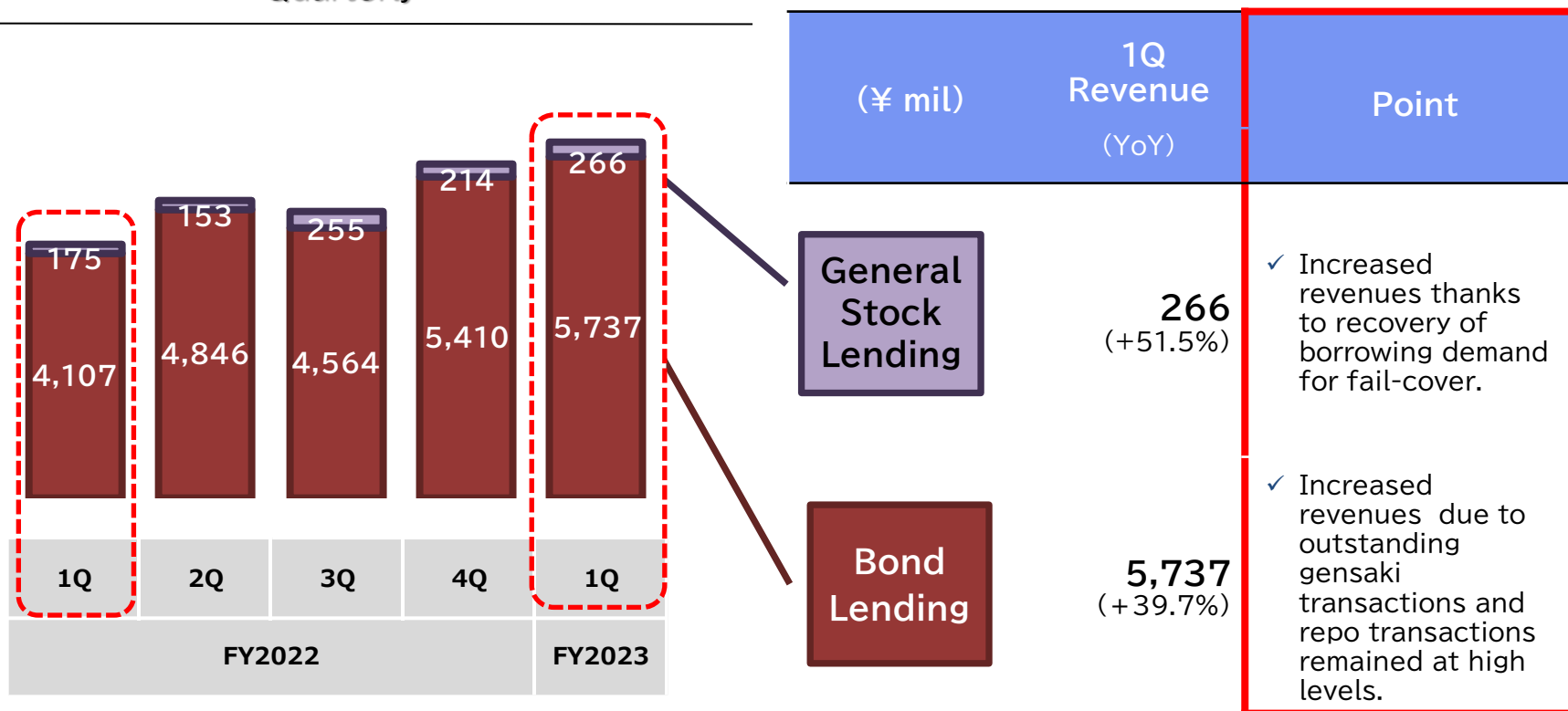
< Loan Lineup >

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

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

- Gensaki transactions and repo transactions increased due to strong trading activity against the backdrop of the Bank of Japan's monetary easing policy, which continued to tighten the supply-demand balance for JGBs.
- General stock lending increased thanks to recovery of borrowing demand for fail-cover.

Changes in Operating Revenues
Quarterly



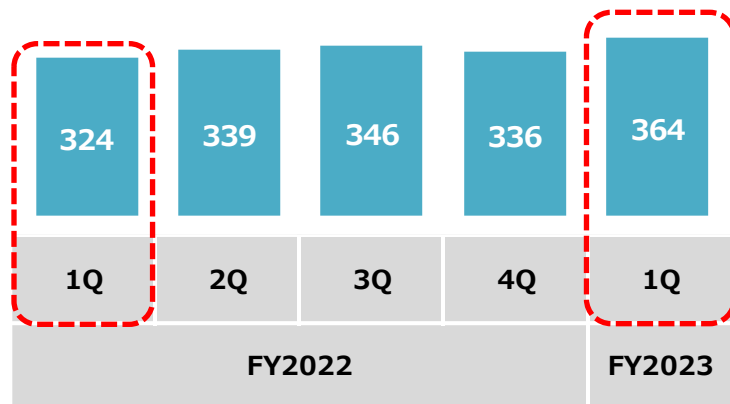
*General stock lending is ...

- 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)

- Rising stock prices have led to an increase in Trusts for the separate management of money and securities, while the favorable performance of asset-backed loan trusts continues to drive up trust fees.

Changes in Trust Fees Quarterly



*Consolidated base

(¥ mil)	1Q Revenue (YoY)	Point
Trust Charges	364 (+12.5%)	✓ Asset-backed loans driving continued increase

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

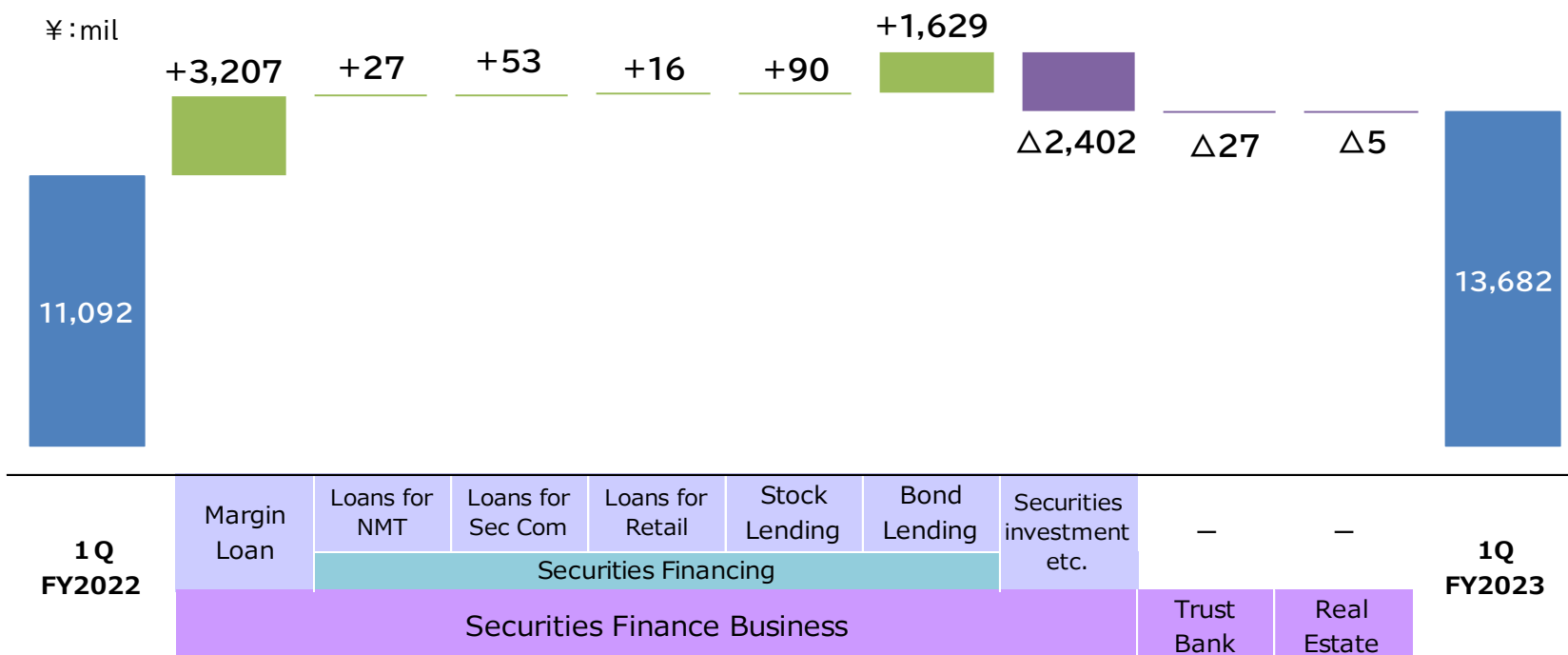
Asset Backed Loan (ABL) Trust

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 © JSF

《Summary of the Significant Points for 1Q》

- Operating revenue increased by ¥2,589 million (+23.3%) YoY
- In the Margin Loan Business, revenues increased due to an increase in both margin loan and stock loan balances.
- In the Securities Finance Business, revenues increased in all operations against the backdrop of strong transaction needs and other factors.
- In Others, revenues decreased due to the absence of gains on sales of JGBs, etc. in securities investment resulting from portfolio replacement implemented in the previous fiscal year (operating expenses also decreased due to the absence of losses on sales of foreign bonds holdings).
- In the Trust Business, trust fees remained strong, while interest income from securities investment decreased.



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



¥ : mil

Transaction Type	FY2022 1Q	FY2022	FY2023 1Q
Margin Loans	248,573	254,701	279,882
Stock Loans	156,110	188,918	301,249
Securities Financing	11,318,568	11,473,992	11,540,958
Loans for Negotiable Margin Transaction	18,282	18,856	33,083
Loans to Securities Companies	682,635	697,788	796,377
Retail	15,586	16,759	18,566
General Stock Lending	36,283	63,342	125,628
Bond Lending	10,565,780	10,677,245	10,567,302
Trust Bank Loans	552,120	539,931	503,160

¥ :mil

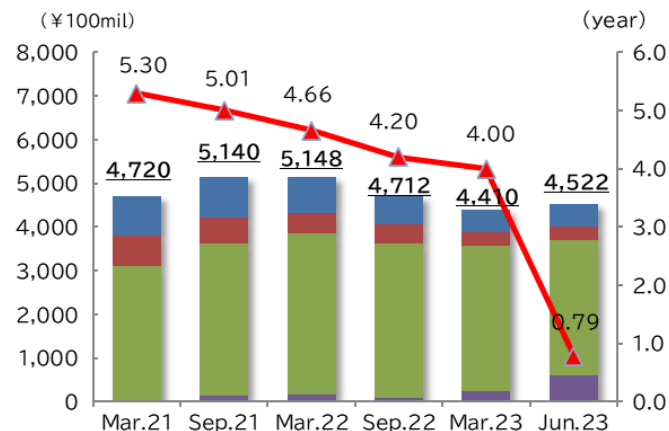
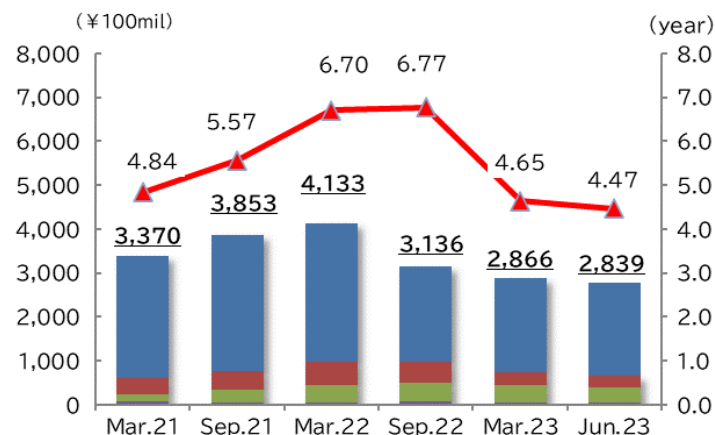
Securities Holdings	Mar-23		Jun-23		Notes
	B/S Amount	Unrealized Profits and Losses	B/S Amount	Unrealized Profits and Losses	
Equity	23,233	10,349	27,071	14,187	
Bond	768,722	▲ 16,048	795,188	▲ 10,772	
JGB&Municipal Bond	356,081	▲ 11,630	352,464	▲ 8,305	
Corporate Bond	340,053	▲ 536	369,163	▲ 283	Government guaranteed bonds etc.
Others	72,587	▲ 3,881	73,560	▲ 2,184	Foreign government bonds etc.
Other Securities	16,167	2,623	16,288	2,745	
Total	808,123	▲ 3,075	838,549	6,160	
(included the effects of derivatives)	—	(7,416)	—	(10,627)	

*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

● Balance Sheet Summary (consolidated)

¥mil

	Jun-23	Change from Mar-23	
Total assets	13,981,306	▲ 74,911	
Cash & Deposit	977,883	▲ 620,391	Deposit at BOJ
Short-term investments	127,255	56,241	JGB and other bonds (Maturity: 1year or less)
Short-term loans receivable	899,856	▲ 55,694	Margin loan / Loans for negotiable margin transactions / General loans / Trust bank loans
Receivables under resale agreements	3,833,638	272,231	
Collateral money of securities borrowed	6,948,217	278,395	Collateral money of bond borrowing Collateral money of stock borrowing
Investments in securities	719,733	▲ 25,887	JGB and other bonds (Maturity: more than 1year), Stock
Total liabilities	13,842,062	▲ 78,426	
Call money	1,116,200	▲ 1,074,200	
Short-term borrowings	83,010	▲ 10,000	Bank borrowing Market operation by BOJ
Commercial Paper	487,145	36,145	
Payables under repurchase agreements	6,218,698	1,436,897	
Collateral money received of securities lent	4,364,092	▲ 709,683	Collateral money of bond lending Collateral money of stock lending
Borrowed money from trust account	1,187,608	316,273	
Long-term borrowings	232,700	—	Market operation by BOJ
Total net assets	139,243	3,515	

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.

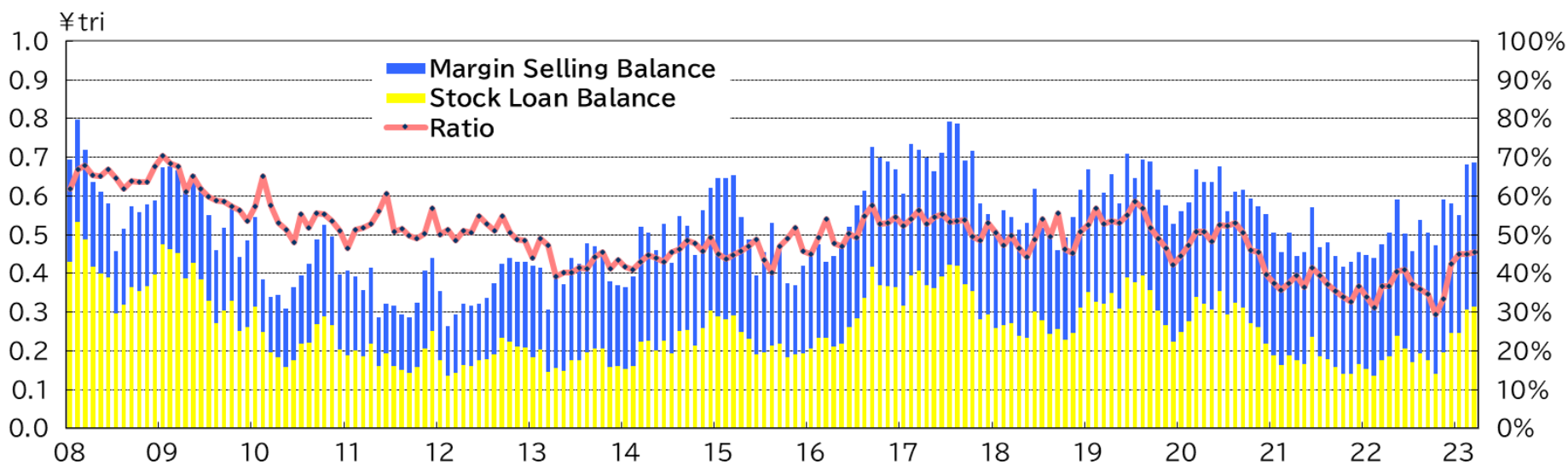
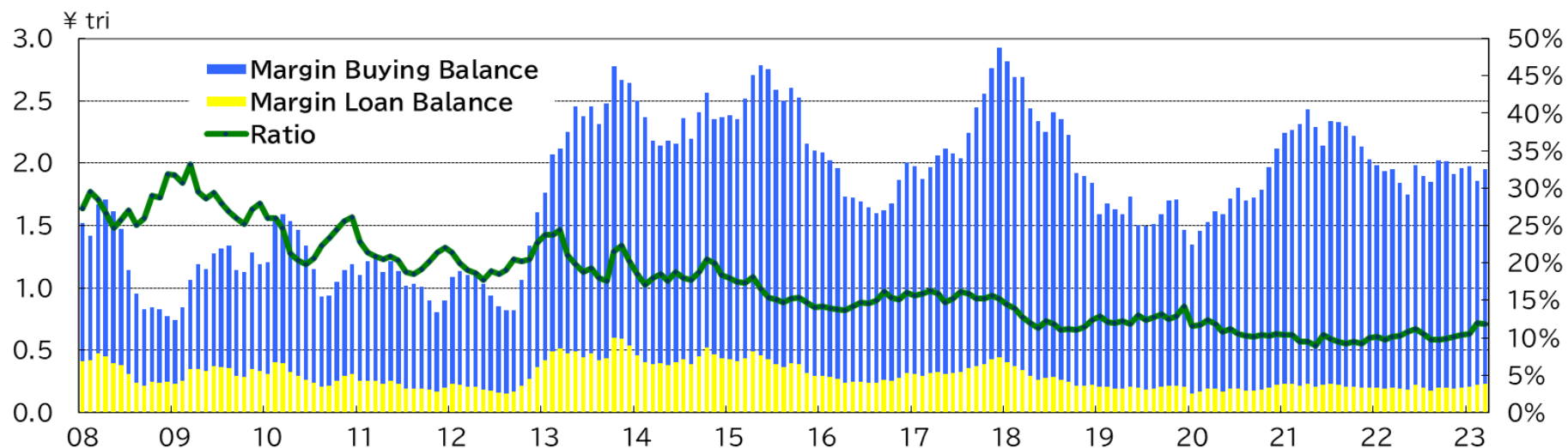
Features of Liabilities

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).

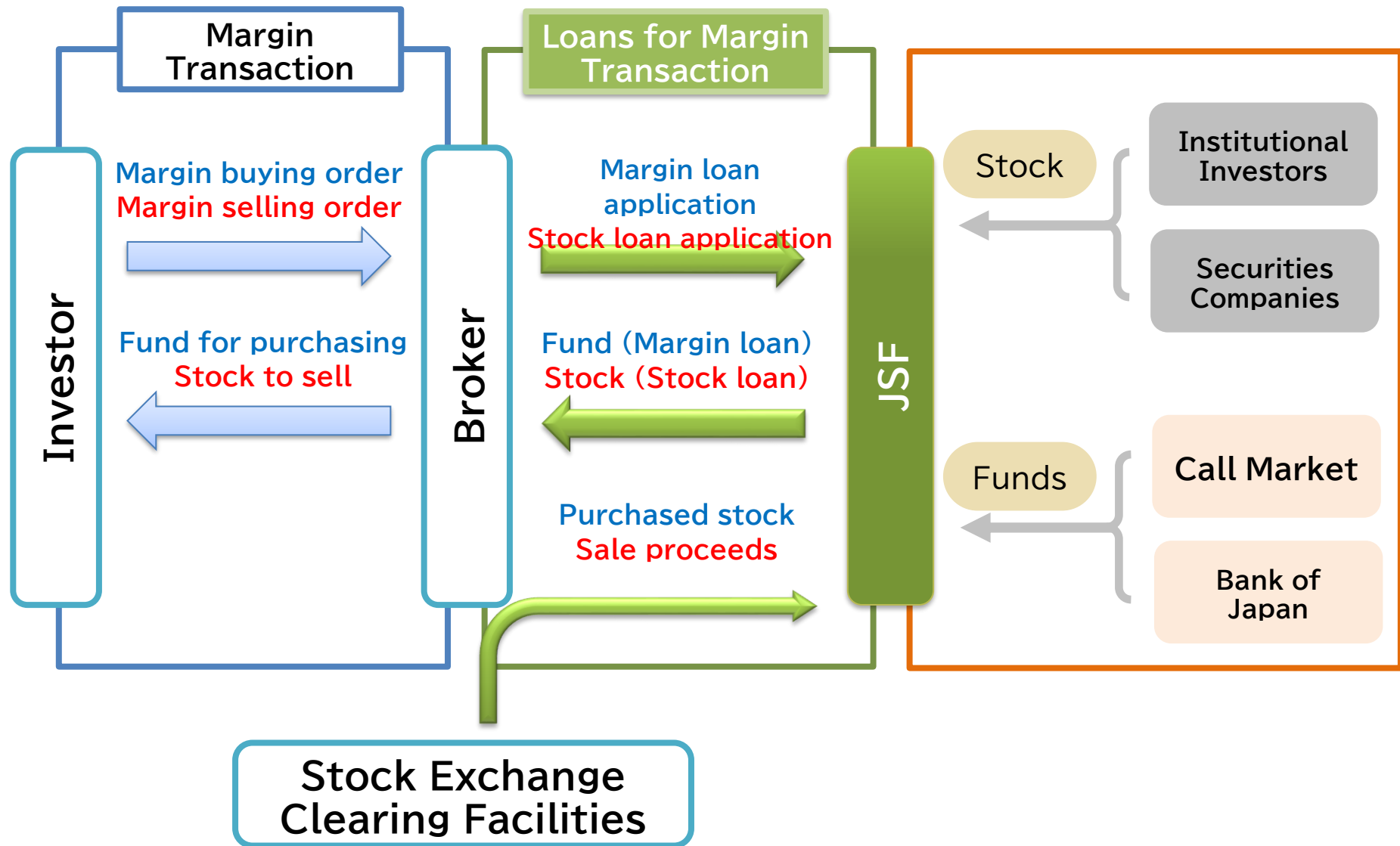
Ref) Capital adequacy ratio*

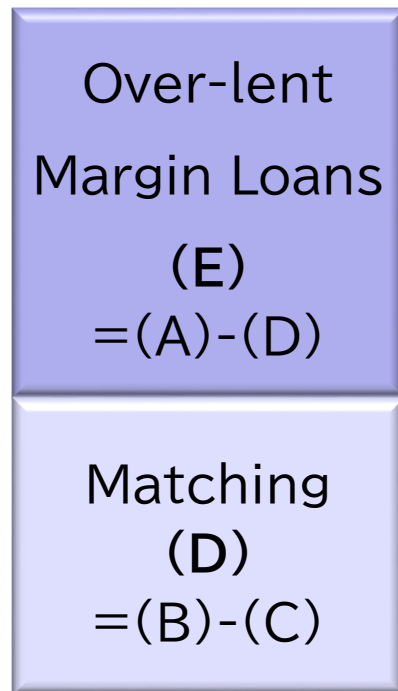
at the end of Jun 2023: 507%

*Based on FIEA

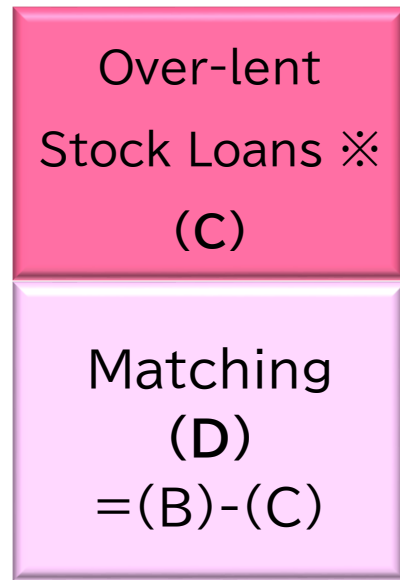


● Structure of Margin Transactions & Loans for Margin Transactions





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 $= (C) \times 0.60\%$

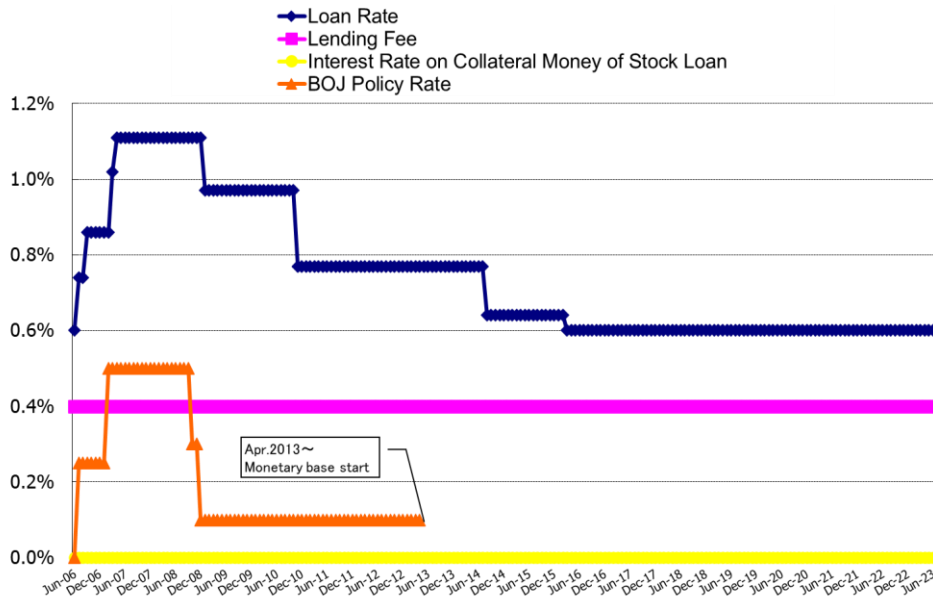
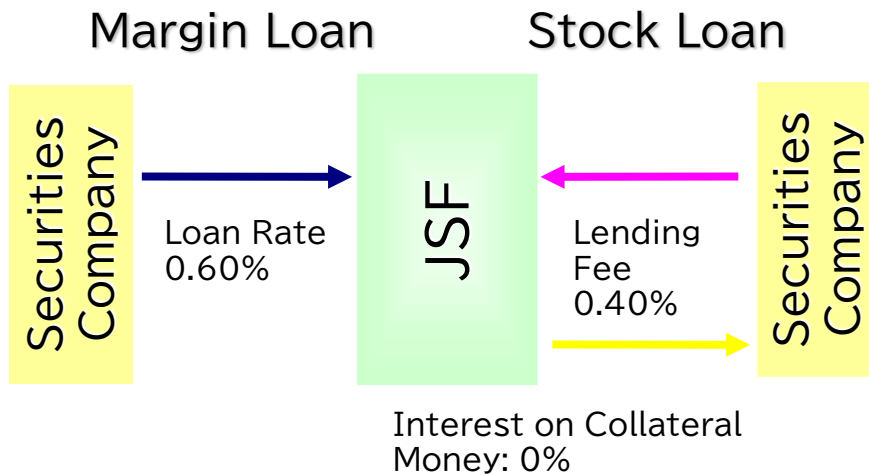
Operating expenses:

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) '×rate of premium charges

● About the Margin Loan Rate



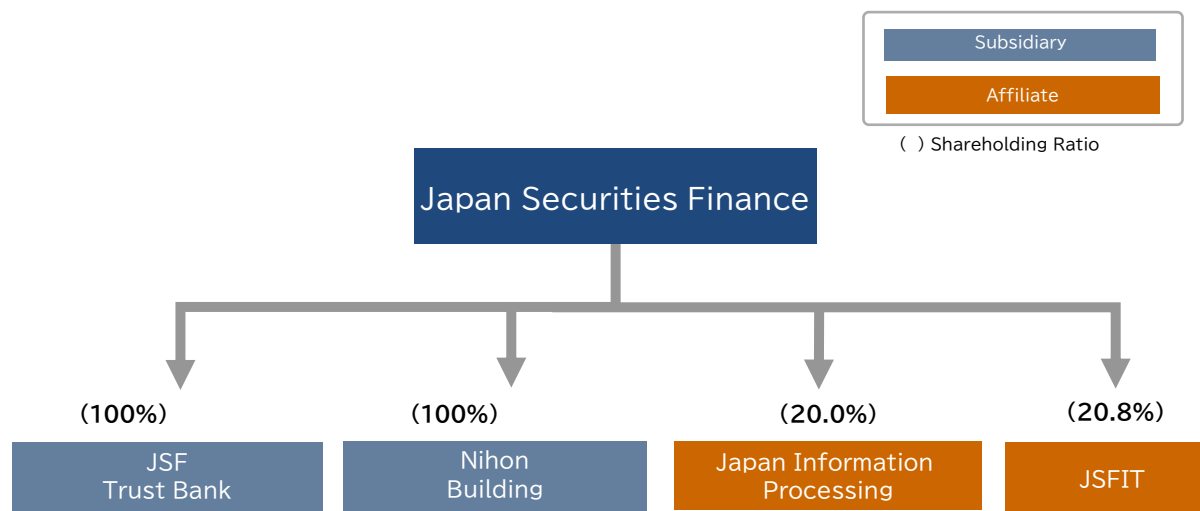
BOJ Policy Interest Rate

- 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%)

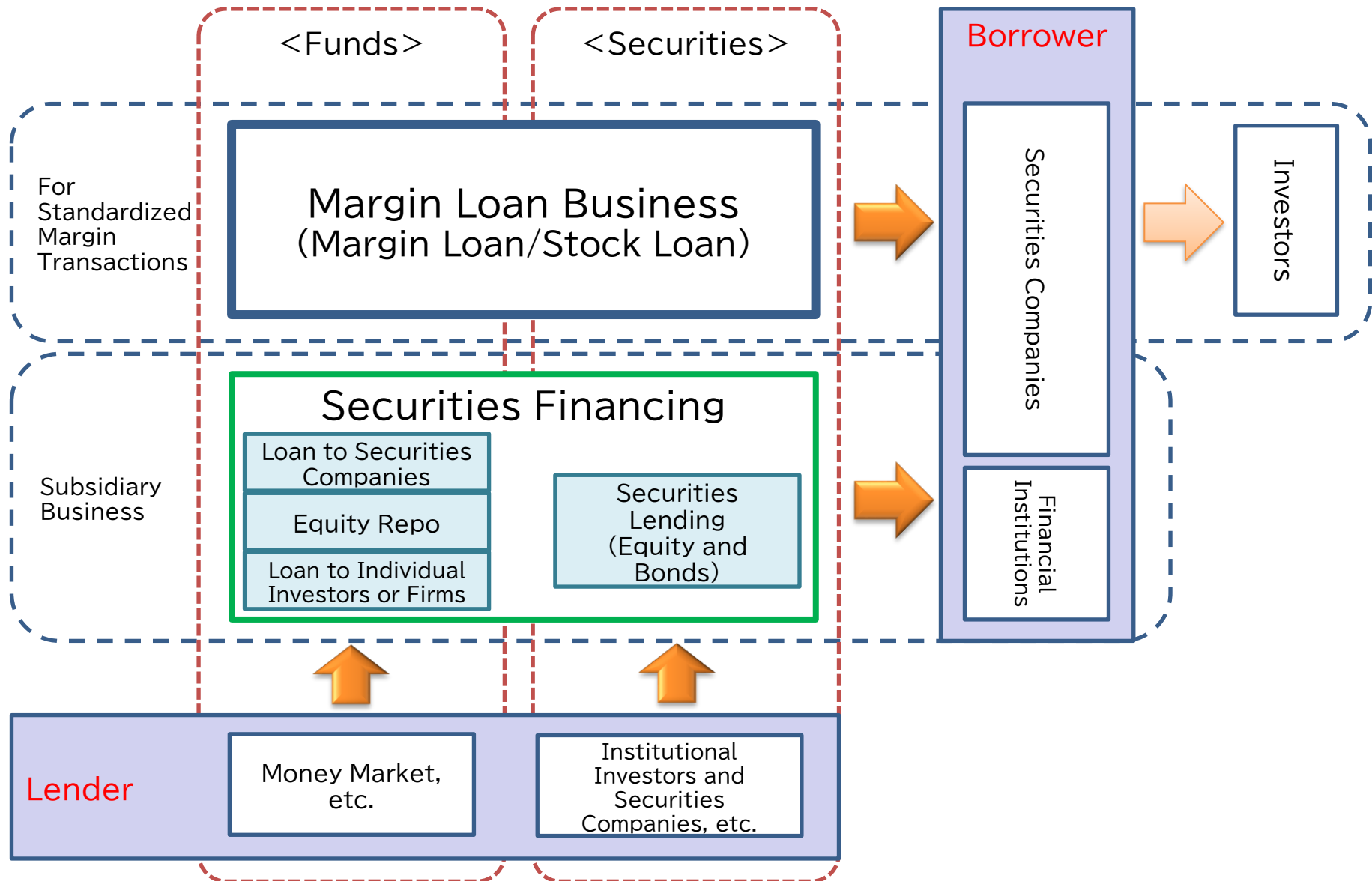
◆ The margin loan rate is decided by reflecting the changes in market rates and the BOJ's Policy Interest Rate.



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/Jun/2023		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		—	
※Euro-yen CP issuance limit set at US\$3 billion (S&P)							
JSF Trust Bank	Long-term	AA-	Stable	AA-	Stable	—	—
	Short-term	J-1+ (Highest)		a-1+ (Highest)		—	—

● 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.