

Financial Presentation for 1st Half, FY2016

Japan Securities Finance Co.,Ltd

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Agenda

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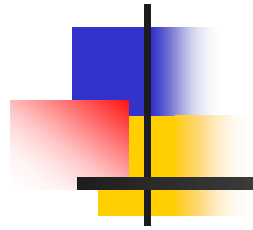
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Financial Summary

Financial Summary for 1st Half, FY2016

¥ mil

	Parent			Consolidated		
	FY2015 1H	FY2016 1H	Change	FY2015 1H	FY2016 1H	Change
Operating Revenues	9,724	8,567	▲1,157	11,492	10,683	▲809
ex Premium charges	6,564	5,974	▲589	8,332	8,090	▲242
Operating Expenses	5,089	4,015	▲1,073	5,747	4,909	▲838
ex Premium charges	1,937	1,425	▲512	2,596	2,319	▲276
General & Administrative Expenses	3,377	3,338	▲39	4,021	3,996	▲24
Operating Income	1,257	1,213	▲44 (▲3.5%)	1,724	1,777	53 (+3.1%)
Gain or Loss in Equity-Method	—	—	—	▲15	▲143	▲127
Recurring Income	1,748	1,705	▲42 (▲2.4%)	2,104	2,049	▲54 (▲2.6%)
Extraordinary Profit or Loss	—	▲2	▲2	—	▲2	▲2
Net Income	1,489	1,552	63 (+4.3%)	1,734	1,747	12 (+0.7%)

<Ref : Change from Estimated Figures released on July 29 >

	Est Figures	Result	Change	Est Figures	Result	Change
Operating Income	900	1,213	+313	1,400	1,777	+377
Recurring Income	1,400	1,705	+305	1,500	2,049	+549
Net Income	1,200	1,552	+352	1,200	1,747	+547

Breakdown of Operating Revenues by business

¥ mil

(): ratio of OR

	Sep-15	Sep-16
Securities Finance Business	9,712	8,563
Margin Loan Business	5,810	4,395
	(50.6%)	(41.1%)
Interest on Loans	1,512	840
Interest on collateral money of securities borrowed	351	305
Fees on Lending Securities	3,704	3,074
Premium Charges	3,160	2,592
Lending Fees	544	482
Bond Financing and General Loans Business	984	457
	(8.5%)	(4.3%)
Bond financing & General Loans	566	349
Loans for Negotiable Margin Transactions	74	38
Securities Lending Business	1,164	1,958
	(10.2%)	(18.4%)
General Stock Lending	513	487
Bond Lending	651	1,471
Others	1,752	1,752
	(15.2%)	(16.4%)
Bond Investment (Parent only)	1,700	1,742
Trust Business	1,388	1,690
	(12.1%)	(15.8%)
Interest on Loans	75	81
Trust Charges	315	321
Bond Investment	984	1,250
Real Estate Management Business	391	428
	(3.4%)	(4.0%)
Operating Revenues	11,492	10,683
(excluded Premium Charges)	8,332	8,090

Margin Loan Business

For details, see 「Financial Highlights for 1H FY2016①」 (P6)

Bond Financing and General Loan Business

- Though balance of Com-STOCK Loan was steady, the revenue resulted in large decrease driven by large decrease in balance of loan to Securities Companies.

Securities Lending Business

- This business resulted in large increase in revenue driven by fees on Bond Lending, despite General Stock Lending saw some decrease.

Others (Bond Investment (Parent Only))

For details, see 「Financial Highlights for 1H FY2016③」 (P9)

Trust Business

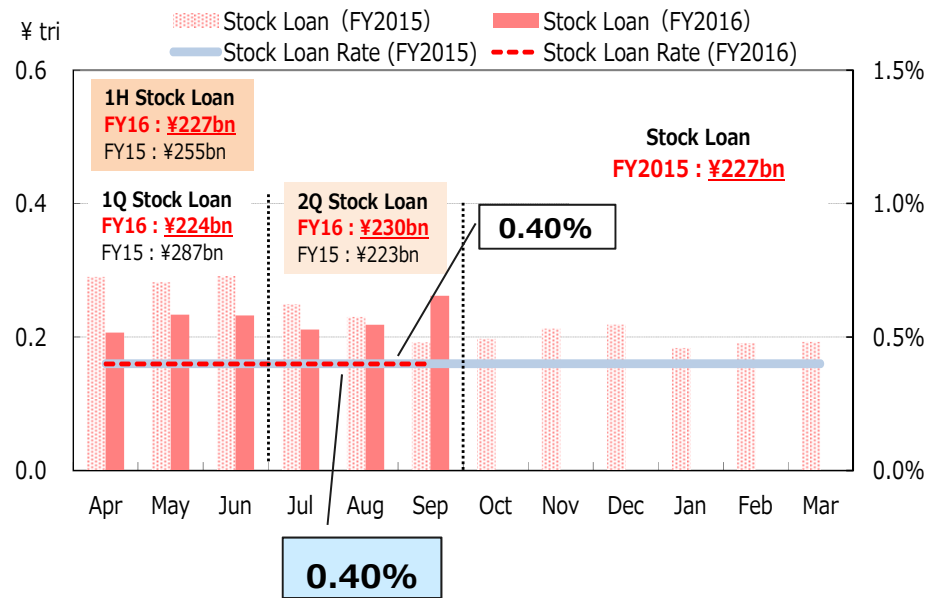
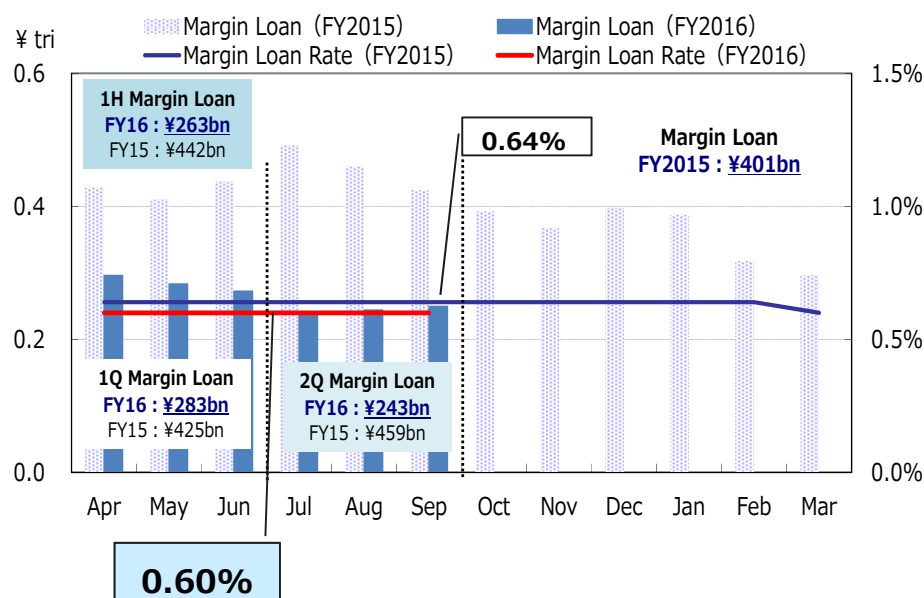
For details, see 「Financial Results of JSF Trust Bank」 (P12)

Financial Highlights for 1st Half, FY2016 ①

1 Margin Loan Balance for 1st Half, FY2016

- ✓ **【First Half】** Though Margin Loan Balance decreased on a year-over-year basis, Stock Loan Balance bottomed out.

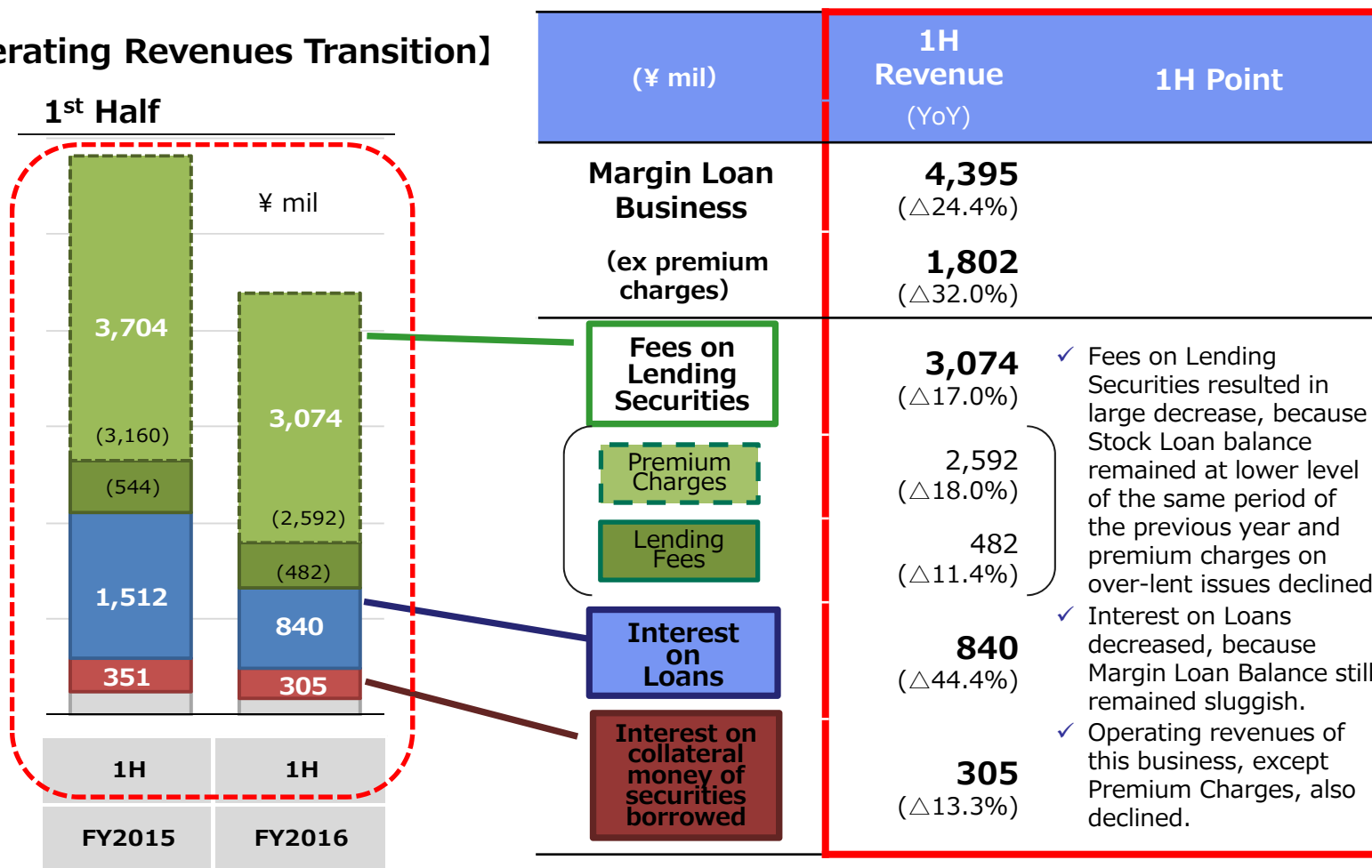
(¥ bn, %)	FY2015						FY2016			2Q YoY	1H YoY
	1Q	2Q	1H	3Q	4Q	full year	1Q	2Q	1H		
Margin Loan	425	459	442	386	334	401	283	243	263	▲215	▲178
Margin Loan Rate	0.64	0.64	-	0.64	0.60	-	0.60	0.60	-	▲0.04	-
Stock Loan	287	223	255	209	188	227	224	230	227	6	▲28



Financial Highlights for 1st Half, FY2016 ①-2

- Margin Loan Business resulted in decrease, driven by decreases in both Margin Loan Balance and Stock Loan Balance.

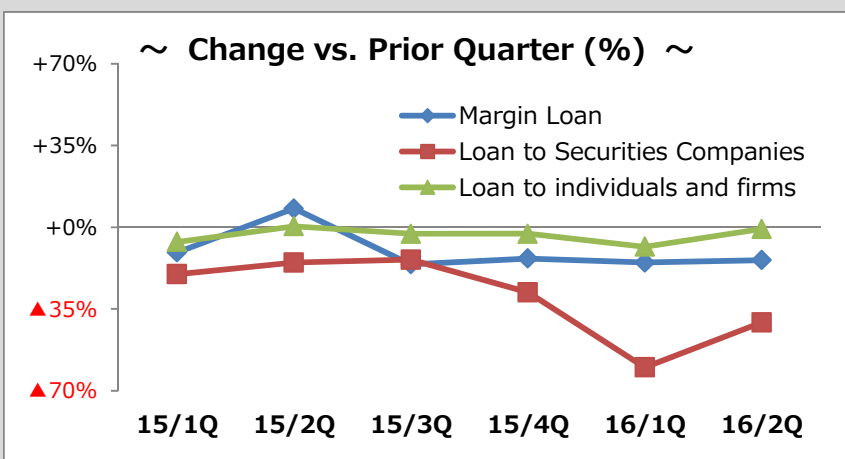
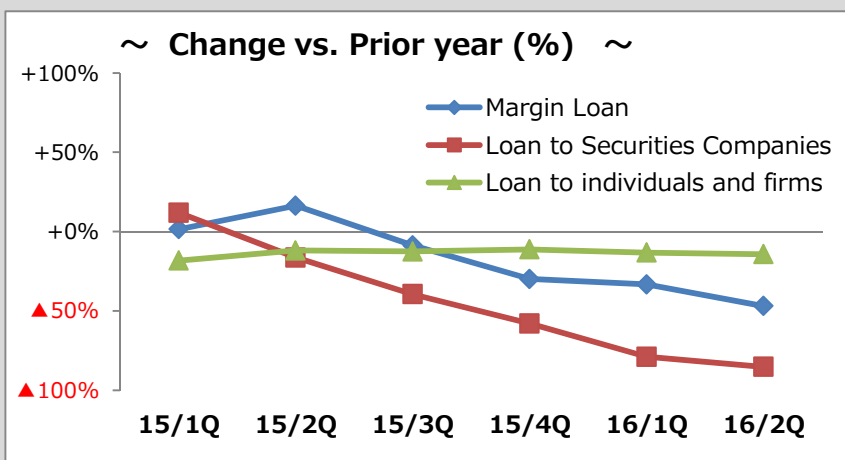
【Operating Revenues Transition】



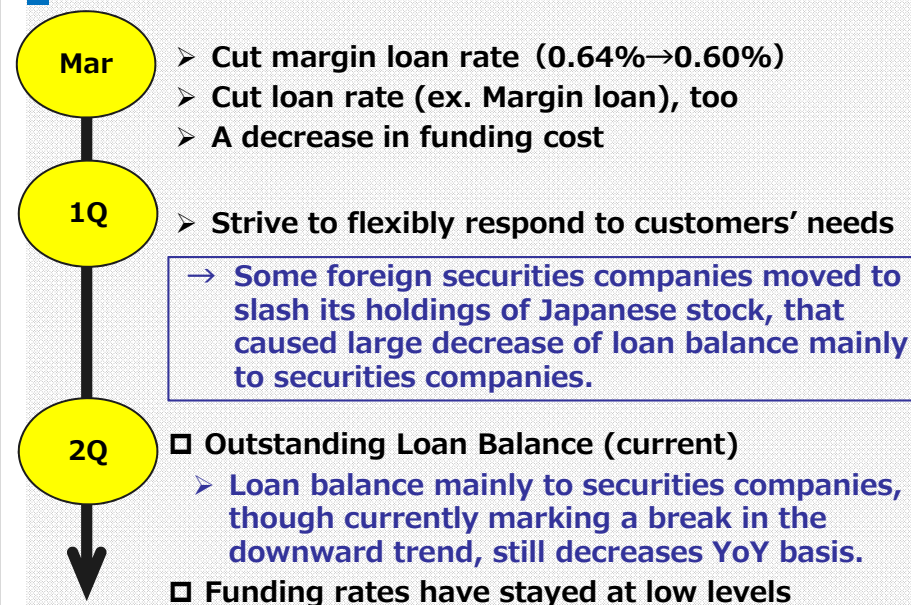
Financial Highlights for 1st Half, FY2016 ②

Impact of Negative Interest Rate Policy of BOJ and Our Initiative ①

Transition of Average Outstanding Loan Balance



Our Initiative for Negative Interest Rate



○ Trend of short-term market rate

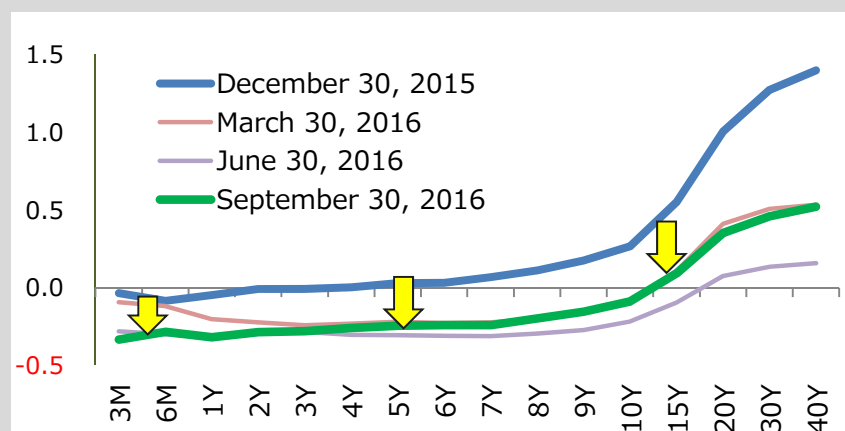
	Dec '15	Mar '16	Jun '16	Sep '16
Mutan rate	0.073%	△0.002%	△0.064%	△0.060%
Repo rate	0.093%	△0.093%	△0.092%	△0.080%
TIBOR3M	0.171%	0.099%	0.060%	0.057%
Ref. Margin Loan Rate	0.64%	0.60%	0.60%	0.60%

Financial Highlights for 1st Half, FY2016 ③

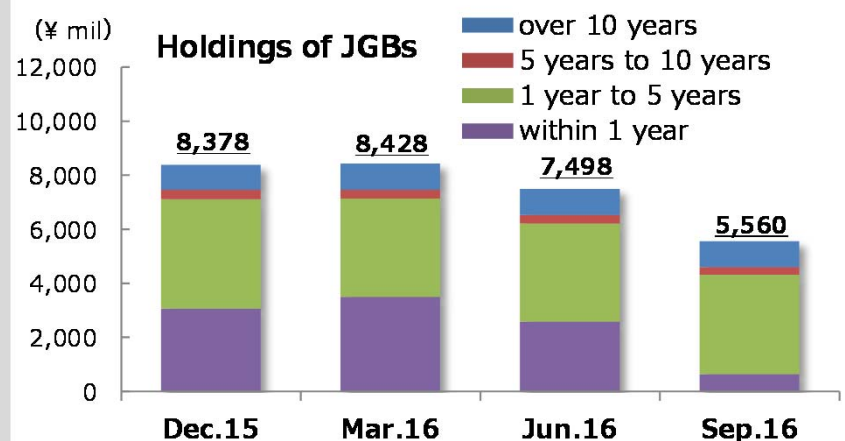


Impact of Negative Interest Rate Policy of BOJ and Our Initiative ②

Change of JGB's yield curve



Source : Bloomberg



Investment of JGBs

- JGBs with maturities around 10 years goes negative.
 - It has been difficult to reinvest principal payments from holdings of JGBs which were used as a collateral.
 - Forwent new purchase of long-term JGBs with IRS (Asset Swap).
- Our holdings of JGBs as of end Sep/16 decreased about ¥280bn compared to end Dec/15.

Diversification of investment portfolio

- Invest to Foreign govt bonds and investment trust, etc. as part of the diversification.
 - Revenue from securities investment in 1st half increased on YoY base.
- We strive to improve investment efficiency by managing risk with usage of derivatives and reviewing investment plan regularly.

Revenue from Securities Investment (JSF)

	2Q 2016	YoY
Domestic Bonds	1,044 mil ¥	△340 mil ¥
Foreign Bonds	497 mil ¥	+181 mil ¥
Others*	200 mil ¥	+200 mil ¥
Total	1,742 mil ¥	+41 mil ¥

* Investment trust, etc.

Financial Results of JSF Trust Bank①

¥mil

	FY2015 1H	FY2016 1H	Change
Recurring Revenues	1,408	1,702	293
Trust charges	321	338	16
Reversal of ADR*	—	—	—
Recurring Expenses	1,143	1,408	265
Provision of ADR*	9	16	7
Recurring Income	264	293	28
Net Income	237	253	16
Net Assets	25,140	23,885	▲1,255
Total Assets	295,330	1,042,510	747,180

Highlights

- ◆ Trust charges remained stable, contributing from strengthening custodian type trust service.
- ◆ Interest on Loans increased somewhat, because loan balance increased. Additionally interest on investment securities increased due to purchase of government guaranteed bond.
- ◆ Gains on sales of bonds increased, on the other hand costs of unwinding IRS increased, too.
- ◆ Recurring Income and Net Income, which decreased compared with the last year in the first quarter, turned into increase in the second quarter.

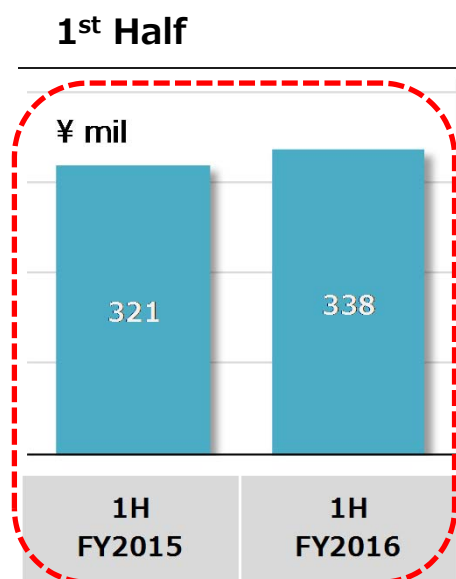
Equity Ratio(estimation) :131.99% (Sep-16)

*ADR: Allowance for Doubtful Receivables

Financial Results of JSF Trust Bank②

Trust charges continued increasing trend.

【Trust charges Transition】



(¥ mil)	1H Revenue (YoY)	1H Point
Trust Charges	338 (+5.1%)	Trust charges, though growth declined, posted record level 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

Trust for protecting deposits which securities companies received from customers

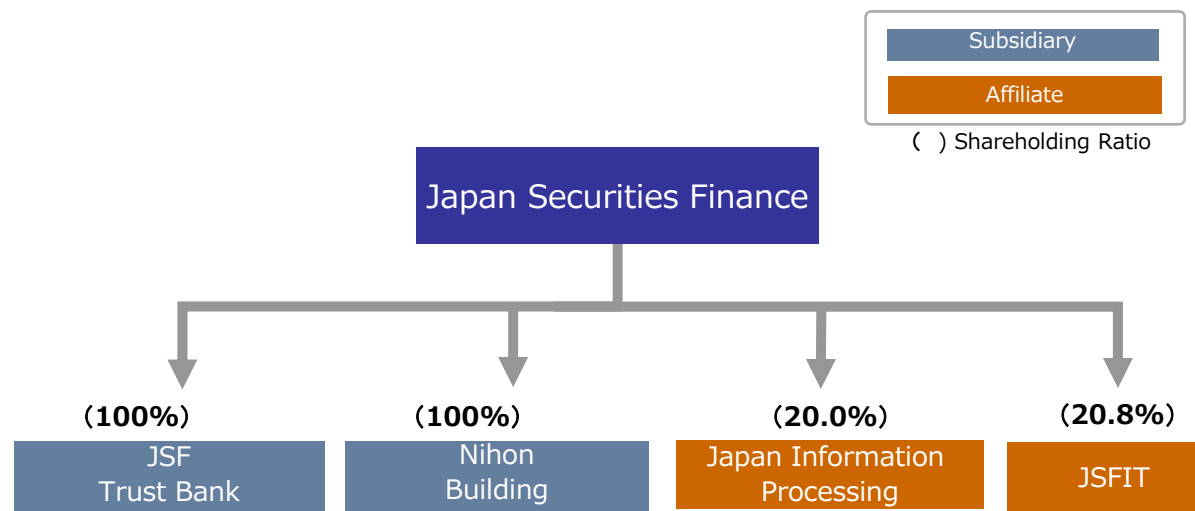
Trusts for currency future trading

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

Asset Backed Loan (ABL) Trust

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

Financial Results of Group Companies



¥ mil

	Shareholding Ratio	FY 2016, 1H Results			(Reference) FY2015 1H Net Income
		Operating Revenues	Recurring Income	Net Income	
Consolidated		10,683	2,049	1,747	1,734
JSF	-	8,567	1,705	1,552	1,489
JSF Trust Bank	100%	* 1,702	293	253	237
Nihon Building	100%	624	328	218	174
Equity-method		Gain or Loss in Equity-Method		▲ 143	▲ 15

* Figure of JSF Trust Bank is Recurring Revenues.

Estimated Figures for FY2016

Precondition Balance of Margin Loans

FY2016 Precondition	
Over-lent Margin Loan ¥130bn	Over-lent Stock Loan ¥110bn
Matching ¥130bn	
Margin Loan ¥260bn	Stock Loan ¥240bn

(Reference)
1H, FY2016 Results

Over-lent Margin Loan ¥137bn	Over-lent Stock Loan ¥101bn
Matching ¥125bn	
Margin Loan ¥263bn	Stock Loan ¥227bn

¥mil

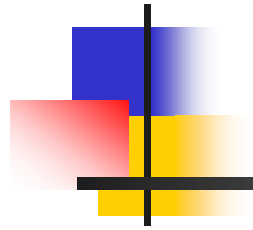
	FY2016 Estimated Figures			(Reference) FY2015 Net Income
	Operating Income	Recurring Income	Net Income	
Consolidated	2,500 (▲58) 【+500】	3,200 (▲149) 【+500】	2,600 (▲45) 【+500】	2,645
JSF	1,600 (▲86) 【+500】	2,300 (▲208) 【+500】	2,000 (+28) 【+500】	1,971
JSF Trust Bank	—	400 (▲70) 【+50】	350 (▲100) 【+50】	450
Nihon Building	510 (+61) 【—】	595 (+77) 【—】	390 (+74) 【—】	315

※() is change from FY2016.

※【】 is change from Estimated Figures released on July 29.

Preconditions

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



Management Matters

Assessment of business performance in 1st Half

- Even though Balance of Margin Loans remained at lower level of the same period of the previous year, we prevented a downturn in the results.
 - Balance of Margin Loans:
 - (Beginning of period) Both Margin Loan and Stock Loan were sluggish.
 - (After July) Margin Loan remained flat, Stock Loan showed recovery.
 - Various measures in business other than loan business contributed to some extent.
 - Negative interest rate policy has both positive and negative effects .

(¥ mil)

【Year-over-year】	Parent			Consolidated		
	FY2015 1H	FY2016 1H	Change	FY2015 1H	FY2016 1H	Change
Operating Income	1,257	1,213	▲44	1,724	1,777	+53
Recurring Income	1,748	1,705	▲42	2,104	2,049	▲54
Net Income	1,489	1,552	+63	1,734	1,747	+12

(¥ 100 mil)

【Margin Loan Balance】	FY2015 1H	FY2016 1H	Change
Margin Loan Balance	4,423	2,636	▲1,787
Stock Loan Balance	2,556	2,273	▲282

Assessment of business performance in 1st Half

■ Trend of Margin Transaction and Loans for Margin Transaction

- After July, although Nikkei Stock Average showed recovery, outstanding purchases on margin remained sluggish. On the other hand, outstanding sales on margin turned into increase.
- Loans for Margin Transaction(LMT) showed similar move as Margin Transaction.

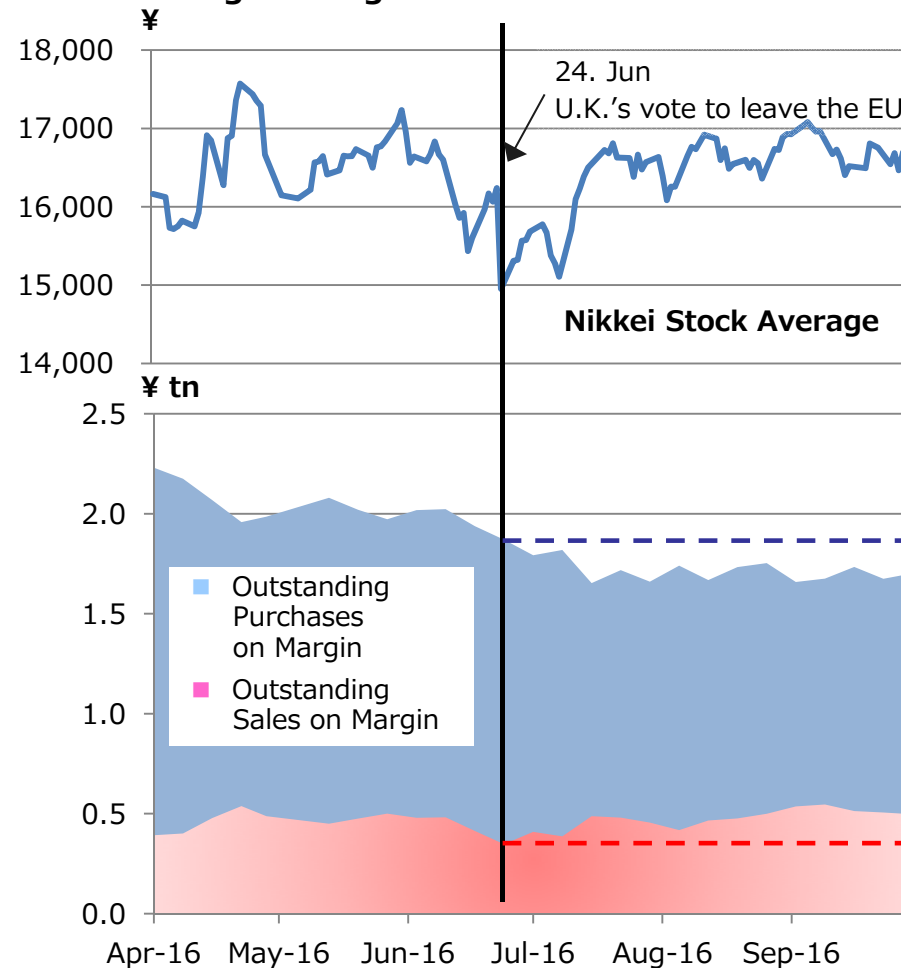
■ Various measures

- Expansion of Securities Lending business (Stock/Bond lending).
- Diversification of securities investment.
- Trust business showed steady growth.

■ Impact of Negative Interest Rate Policy of BOJ

- Balance of loan to securities companies dropped.
- Deterioration of market environment for investing JGBs.
- A decrease in funding cost.

○ Transition of Nikkei Stock Average and Outstanding of Margin Transaction



Outlook for 2nd Half

(¥ mil)

【Estimated figures】	Parent			Consolidated		
	Previous (Jul)	Current	Change	Previous (Jul)	Current	Change
Operating Income	1,100	1,600	+500	2,000	2,500	+500
Recurring Income	1,800	2,300	+500	2,700	3,200	+500
Net Income	1,500	2,000	+500	2,100	2,600	+500

- ◆ Previous estimated figures released on July, since in view of uncertain trend in the interest rate, were slightly conservative.
- ◆ We raise estimated figures due to results for 1st Half and current level of margin loan balance.
 ~ Estimated Margin Loan Balance (change from July)~

Margin Loan balance : 260bn(+10bn¥) / Stock Loan balance : 240bn(+30bn¥)

(¥ mil)

【Estimated figures compared with previous fiscal year】	Parent			Consolidated		
	FY2015 Actual	FY2016 Estimated	Change	FY2015 Actual	FY2016 Estimated	Change
Operating Income	1,686	1,600	▲86	2,558	2,500	▲58
Recurring Income	2,508	2,300	▲208	3,349	3,200	▲149
Net Income	1,971	2,000	+28	2,645	2,600	▲45

- ◆ We forecast each income for the full year will remain almost unchanged.

Our Current Initiatives

1 Raise our profile as a Securities Finance Company

- ◆ Increase usage rate of LMT.
- ◆ Expand trade volume of Margin Transaction and LMT.

2 Expanding our business

- ◆ Expand lineup of “securities” that we deal with : foreign bonds, foreign stocks
 - Expand the scope of coverage in securities lending business.
 - Relaxation of eligible collateral qualification for loan to securities companies.
- ◆ Cultivate partner securities companies of COM-STOCK Loan.

3 Diversification of securities investment

- ◆ Diversification of investment portfolio.

4 Development of business responding to changes in financial regulatory and system

- ◆ Development of service that respond to reducing the settlement interval in the bond and stock market.
- ◆ New business under the Basel III, the Volcker Rule, Margin requirement for OTC derivatives.

5 Enhancement of business base through globalization

- ◆ Building trade network with overseas office of foreign-affiliated securities companies and foreign investors.
 - Promote and expand the base of LMT and Margin transaction.

6 Expand trust business

- ◆ Development of products reflected new needs.
 - Trust for protecting virtual currency (bitcoin) deposits ,etc.

Stable return to stockholders

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 **provide stable long-term return of profits 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 11 May 2015)

(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 return profits to shareholders while taking into account the consolidated dividend on equity ratio (DOE = ratio of the dividend amount to shareholder equity).
⇒ We strive to maintain stability in dividends payment unaffected by temporary fluctuation in business result.

(2) Share Buyback Policy

- ◆ With a view to offering even more rewarding returns to shareholders, **we will buy back shares as needed in future** while considering the company's financial situation, stock price levels, and so forth.

Dividend and Share Buyback Program for FY2016

【Dividend】

- ◆ Interim : **¥ 8**
- ◆ Year-end (Forecast) : **¥ 8**
- ◆ Annual (Forecast) : **¥16 *** (YoY ± 0)



*Consolidated DPR (forecast) : **59.5%**

Dividend yield : **3.4%**

(calculated based on stock price ¥467 as of 31 Oct 2016)

【Share Buyback】

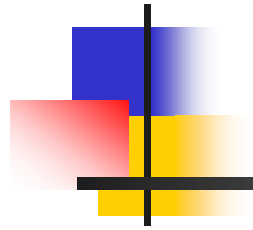
- ◆ Number of shares to be acquired : **up to 2mil shares**
→ Ratio to total shares issued : **2.0%**
- ◆ Total value to be acquired : **Up to ¥1.0bn***
- ◆ Schedule : **from 13 May 2016 to 22 Mar 2017**



*Total Return Ratio : **97.7%**

Dividend and Share Buyback Program (historical)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 Forecast/ Framework
Annual Dividend per share	¥14	¥14	¥14	¥14	¥15	¥16	¥16
Share Buyback (shs)	—	—	—	—	7.46mil	3mil	2mil
(amount)	—	—	—	—	¥4.6bn	¥1.9bn	¥1.0bn
<Consolidated> : EPS	¥37.7	¥8.4	¥19.1	¥60.4	¥33.9	¥26.9	¥26.9
: DPR	37.1%	166.3%	73.3%	23.2%	44.2%	59.5%	59.5%
: DOE	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.1%
(reference) Total Return Ratio	37.1%	166.3%	73.3%	23.2%	173.9%	133.1%	97.7%



Appendix

Share Buyback Program

Resolution of share buyback program (announced on May12, 2016)

- ◆ Number of shares to be acquired : up to 2million shares
- ◆ Ratio to total shares issued : 2.0%
- ◆ Total value to be acquired : Y1.0bn
- ◆ Schedule : from 13May2016 to 22Mar2017

【The past results】

	start	end	total shares purchased		amount		cancellation	shares issued	
			shs	(digestive rate)	¥ mil	(digestive rate)		shs	shs
Result In FY2014	2014/5/13	2015/3/20	7,464,400	-	4,652	-	7,307,063	100,000,000	
Result In FY2015	2015/5/12	2016/3/18	3,000,000	-	1,937	-	0	100,000,000	
Limit for FY2016	2016/5/13	2017/3/22	2,000,000	-	1,000	-	-	-	-
Result	From May-16 to Jul-16		0	(-)	0	(-)	0	100,000,000	
	Aug-16		240,000	(12.0%)	109	(10.9%)	0	100,000,000	
	Sep-16		260,000	(13.0%)	123	(12.3%)	0	100,000,000	
	Oct-16		0	(0.0%)	0	(0.0%)	0	100,000,000	
Total	FY2016		500,000	(25.0%)	232	(23.2%)	0	100,000,000	

Financial Result (Historical data)

¥ mil

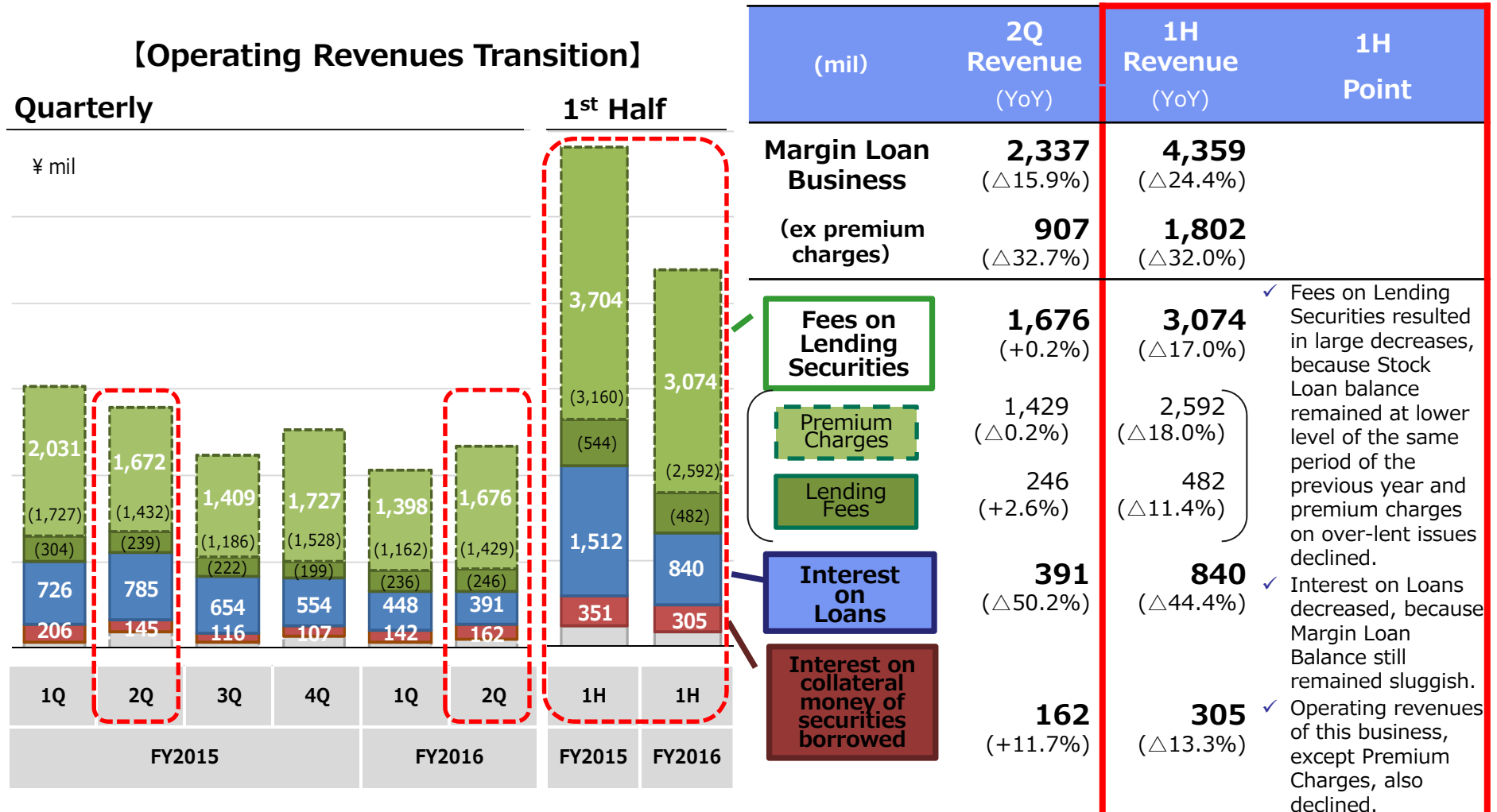
	FY2012	FY2013	FY2014	FY2015 Apr.-Sept.	FY2015	FY2016 Apr.-Sept.
Operating Revenues	17,675	19,566	20,300	11,492	22,035	10,683
Ex Premium charges	14,718	16,195	15,856	8,332	16,160	8,090
Operating Expenses	8,193	8,747	9,450	5,747	11,537	4,909
General & Administrative Expenses	7,694	8,249	7,824	4,021	7,939	3,996
Operating Income	1,787	2,568	3,025	1,724	2,558	1,777
Gain or Loss in Equity-Method	486	179	▲144	▲15	54	▲143
Recurring Income	2,557	3,119	4,230	2,104	3,349	2,049
Extraordinary Profit or Loss	13	3,602	54	—	—	▲2
Net Income	1,777	6,211	3,520	1,734	2,645	1,747

Breakdown of Operating Revenues by business (Historical data)

	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Sep-15	Mar-16	Sep-16
	¥ mil							
Securities Finance Business	17,558	15,186	14,093	16,363	17,162	9,712	17,776	8,563
Margin Loan Business	8,922	6,756	6,625	9,240	9,667	5,810	10,579	4,395
	(39.0%)	(33.4%)	(37.5%)	(47.2%)	(47.6%)	(50.6%)	(48.0%)	(41.1%)
Interest on Loans	2,809	1,783	1,760	4,012	3,111	1,512	2,720	840
Interest on collateral money of securities borrowed	826	639	652	436	611	351	575	305
Fees on Lending Securities	4,807	3,957	3,746	4,132	5,389	3,704	6,840	3,074
Premium Charges	3,811	3,147	2,957	3,371	4,443	3,160	5,874	2,592
Lending Fees	996	809	789	761	945	544	966	482
Bond Financing and General Loans Business	1,047	827	810	1,959	2,107	984	1,753	457
	(4.6%)	(4.1%)	(4.6%)	(10.0%)	(10.4%)	(8.5%)	(7.9%)	(4.3%)
Bond financing & General Loans	659	492	440	1,149	1,279	566	1,070	349
Loans for Negotiable Margin Transactions	200	189	175	323	236	74	128	38
Securities Lending Business	1,754	1,701	1,862	2,217	2,294	1,164	2,241	1,958
	(7.7%)	(8.4%)	(10.5%)	(11.3%)	(11.3%)	(10.2%)	(10.2%)	(18.4%)
General Stock Lending	331	219	289	425	784	513	907	487
Bond Lending	1,422	1,482	1,573	1,791	1,509	651	1,334	1,471
Others	5,834	5,901	4,794	2,946	3,094	1,752	3,201	1,752
	(25.5%)	(29.2%)	(27.1%)	(15.1%)	(15.2%)	(15.2%)	(14.5%)	(16.4%)
Bond Investment (Parent only)	5,754	5,824	4,719	2,838	2,979	1,700	3,111	1,742
Trust Business	4,360	4,224	2,762	2,322	2,269	1,388	3,451	1,690
	(19.1%)	(20.9%)	(15.6%)	(11.9%)	(11.2%)	(12.1%)	(15.7%)	(15.8%)
Interest on Loans	1,079	741	590	317	186	75	144	81
Trust Charges	308	300	338	485	545	315	627	321
Bond Investment	2,657	3,134	1,808	1,494	1,507	984	2,645	1,250
Real Estate Management Business	930	818	819	880	868	391	807	428
	(4.1%)	(4.0%)	(4.7%)	(4.5%)	(4.3%)	(3.4%)	(3.7%)	(4.0%)
Operating Revenues	22,848	20,229	17,675	19,566	20,300	11,492	22,035	10,683
(excluded Premium Charges)	19,037	17,082	14,718	16,195	15,856	8,332	16,160	8,090

Breakdown of Operating Revenues by business (Quarterly)

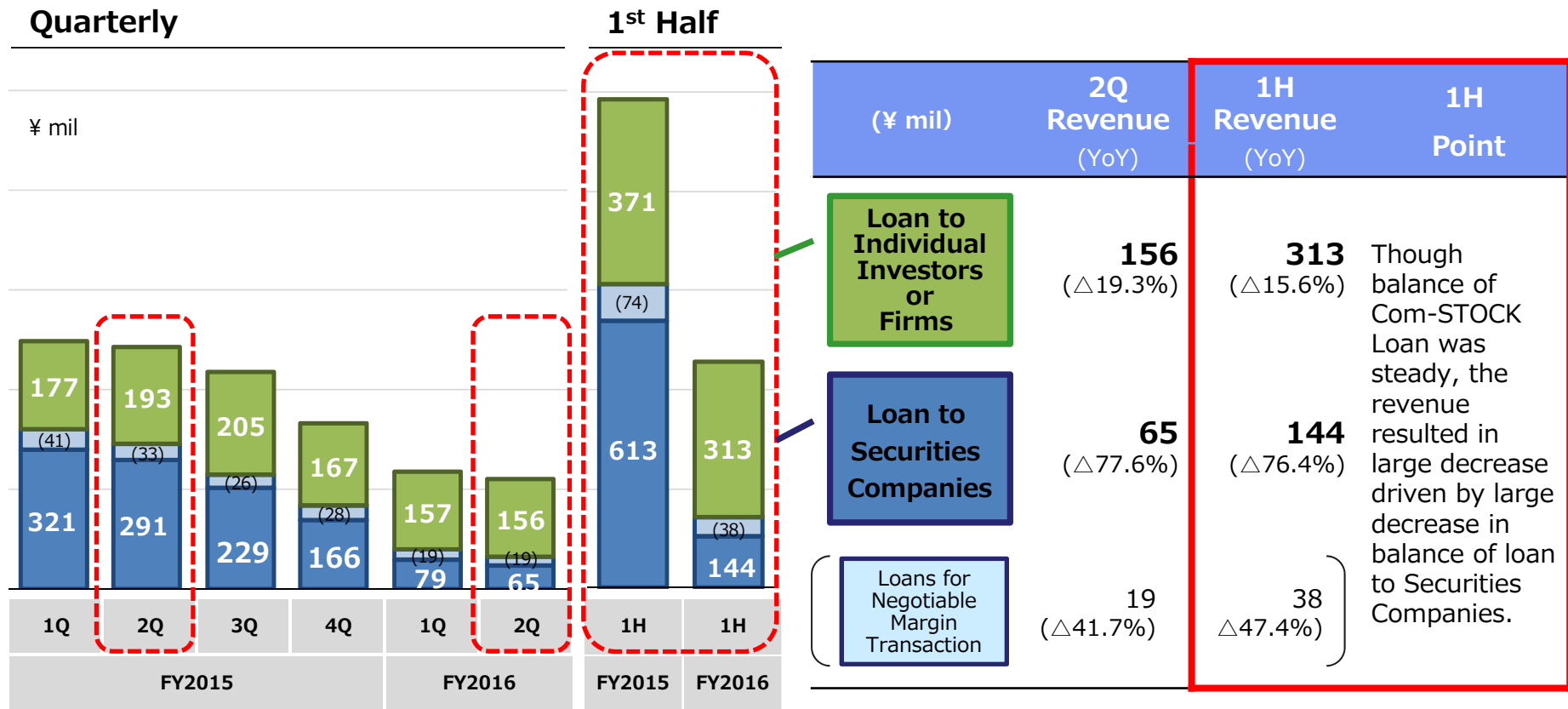
Margin Loan Business resulted in decrease, driven by decreases in both Margin Loan Balance and Stock Loan Balance.



Breakdown of Operating Revenues by business (Quarterly)

● Bond Financing and General Loans Business declined mainly driven by large decrease in balance of loan to Securities Companies.

【Operating Revenues Transition】



< 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

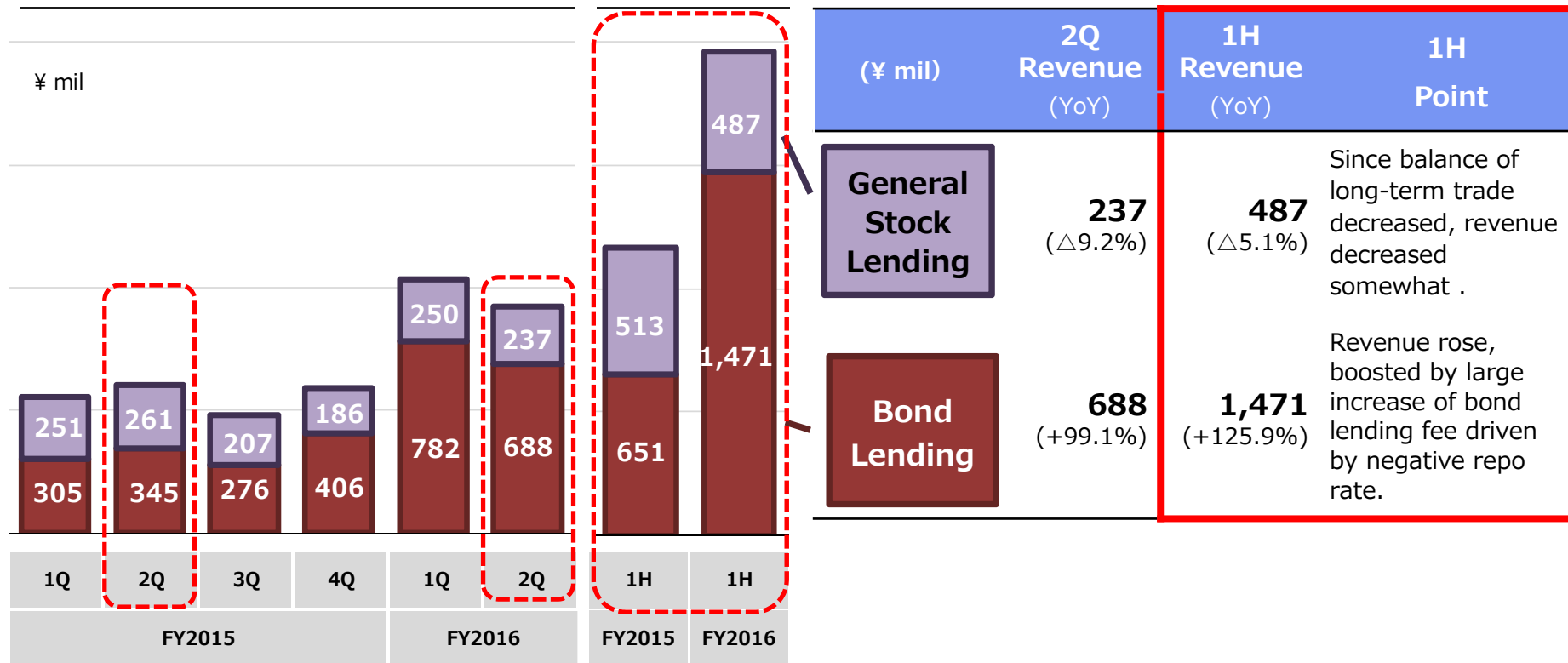
Breakdown of Operating Revenues by business (Quarterly)

Securities Lending Business : Fees in Bond Lending saw large increase.

【Operating Revenues Transition】

Quarterly

1st Half



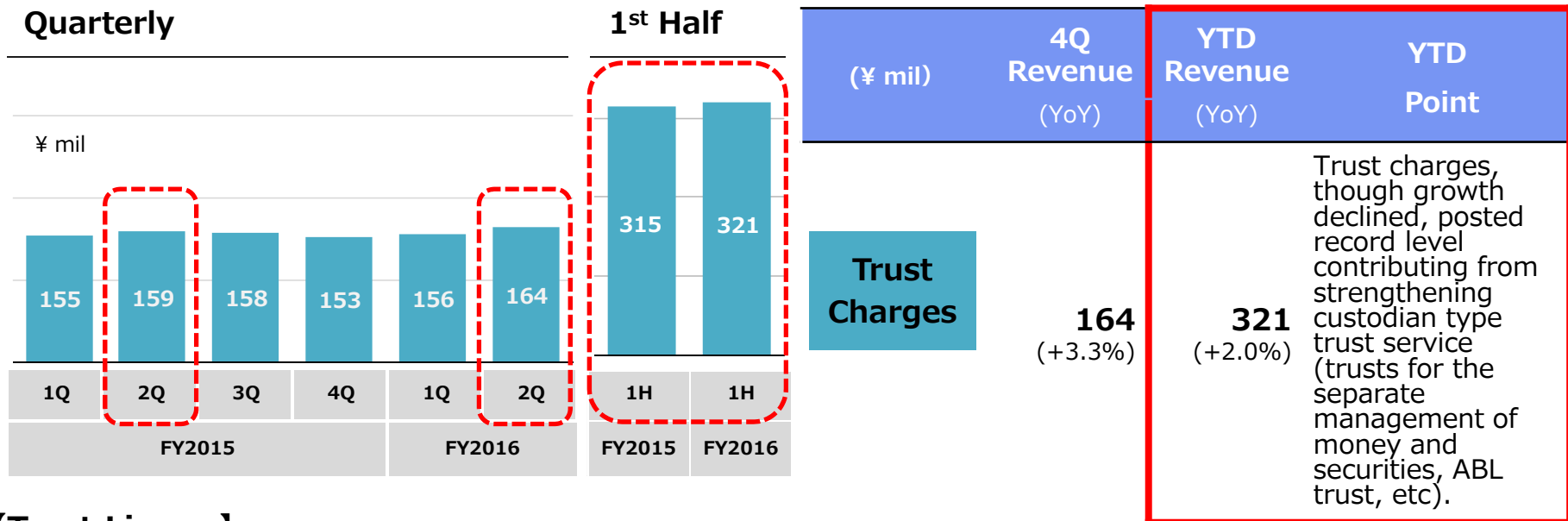
※ Genera Stock Lending is ...

- 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 (Quarterly)

JSF Trust Bank : Trust charges continued increasing trend.

【Trust charges Transition】



【Trust Lineup】

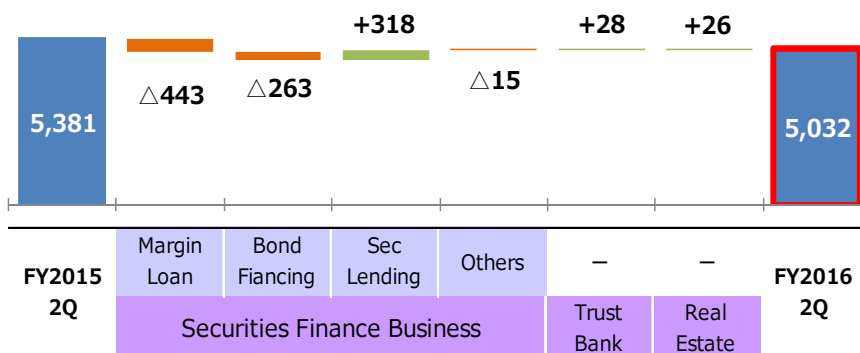
Trusts for the separate management of money and securities	Trust for protecting deposits which securities companies received from customers
Trusts for currency future trading	Trust for protecting guarantee deposits which FX business operators received from customers
Asset Backed Loan (ABL) Trust	For 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, 1st Half)

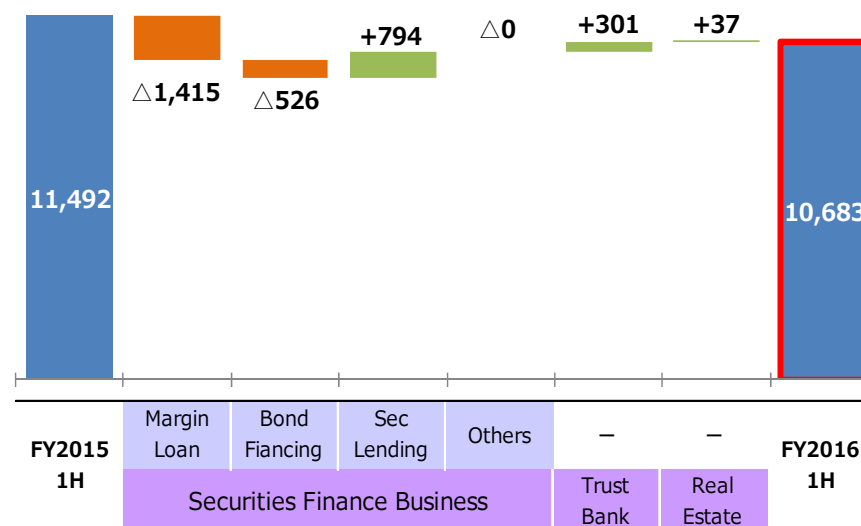
【Quarterly】 YoY Δ 348 mil¥ (Δ 6.5%)

【Full Year】 YoY Δ 809 mil¥ (Δ 7.0%)

¥ mil



¥ mil



~ Summary of the points for quarterly ~

- ✓ **Margin Loan Business** : Stock Loan Balance remained flat, but Margin Loan balance decreased.
- ✓ **Bond Financing and General Loan Business** : Loan balance decreased.
- ✓ **Securities Lending Business** : An increase in revenue in Bond Lending business vastly exceeded a decrease in revenue in General Stock Lending business.
- ✓ **Trust Business** : Trust charges and gains on sales of bonds increased.

~ Summary of the points for 1st Half ~

- ✓ **Margin Loan Business** : Both Margin Loan balance and Stock Loan balance decreased.
- ✓ **Bond Financing and General Loan Business** : Loan balance decreased.
- ✓ **Securities Lending Business** : Resulted in large increase in revenue driven by fees on Bond Lending.
- ✓ **Trust Business** : Trust charges and gains on sales of bonds increased.

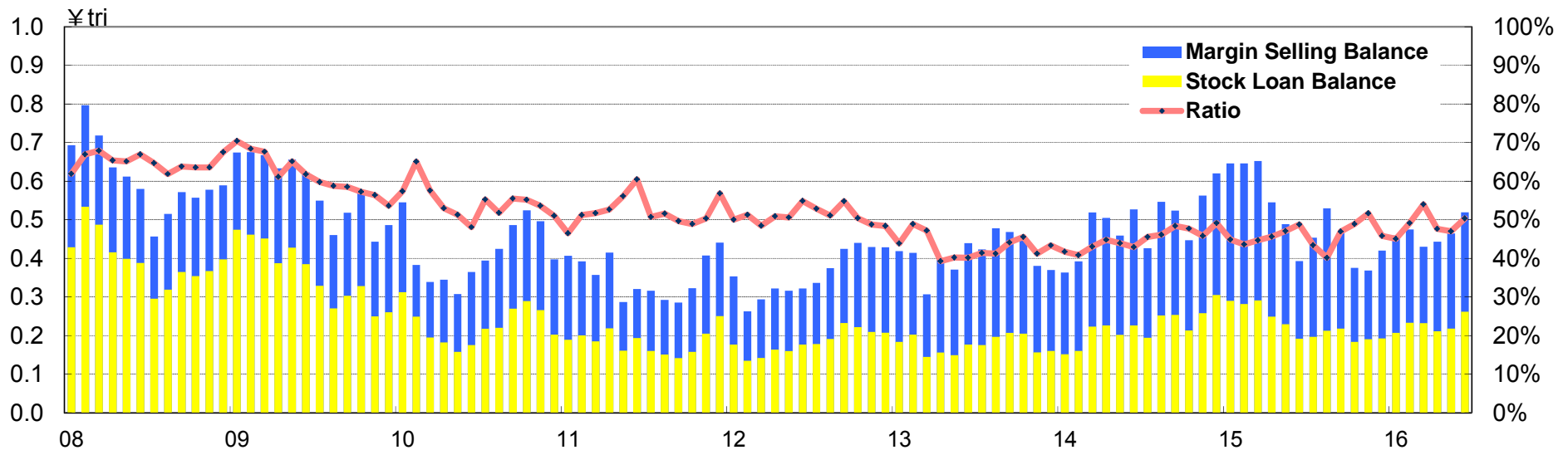
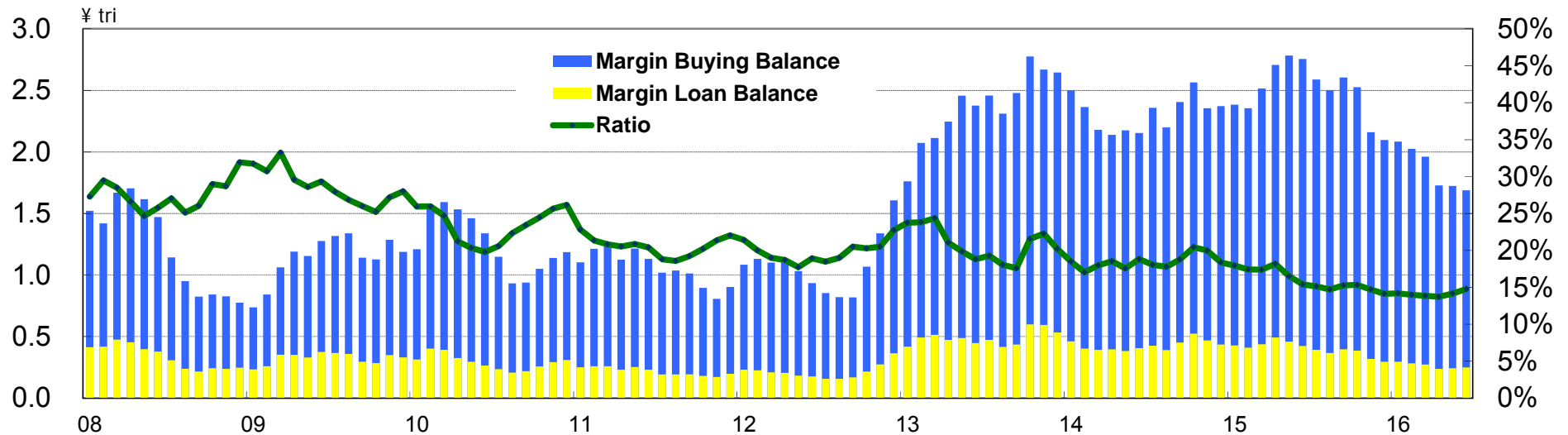
Outstanding Loan Balance

(Year average and year-end balance)

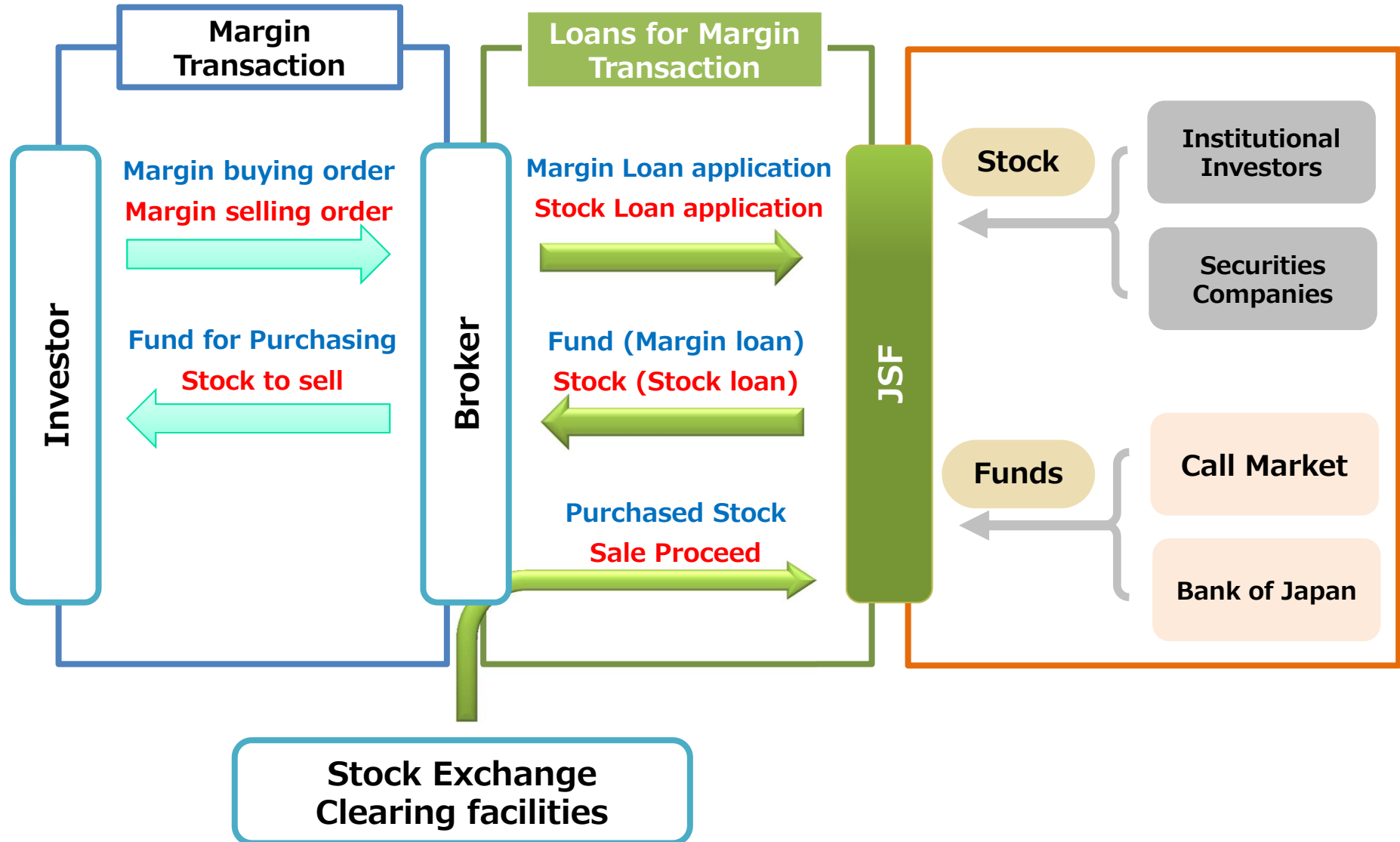
¥ mil

		FY2011	FY2012	FY2013	FY2014	FY2015 Interim	FY2015	FY2016 Interim
Margin Loans	avg.	218,059	214,164	490,635	428,329	442,341	401,400	263,604
	term-end	241,035	502,322	601,206	541,052	453,479	324,113	263,699
Bond Financing & General Loans	avg.	50,893	55,865	157,232	223,484	189,931	162,347	47,556
	term-end	96,488	122,011	201,076	254,717	175,302	95,046	40,150
Loans for negotiable margin transactions	avg.	20,330	18,472	36,223	29,168	18,370	15,512	9,107
	term-end	25,727	34,380	48,103	30,939	12,637	11,499	9,662
Trust Bank Loans	avg.	141,310	101,094	77,612	58,677	50,884	54,561	133,706
	term-end	98,260	78,641	63,043	54,831	42,835	136,089	130,682
Others	avg.	12,530	13,213	23,092	32,500	32,500	28,718	7,500
	term-end	18,000	29,500	32,500	32,500	32,500	12,500	7,500
Total	avg.	422,793	384,338	748,572	742,991	715,657	647,027	452,366
	term-end	453,784	732,475	897,825	883,101	704,116	567,748	442,033
Stock Loans	avg.	184,698	183,013	176,476	222,031	255,644	227,422	227,353
	term-end	259,058	216,206	198,781	316,544	241,102	258,656	284,606

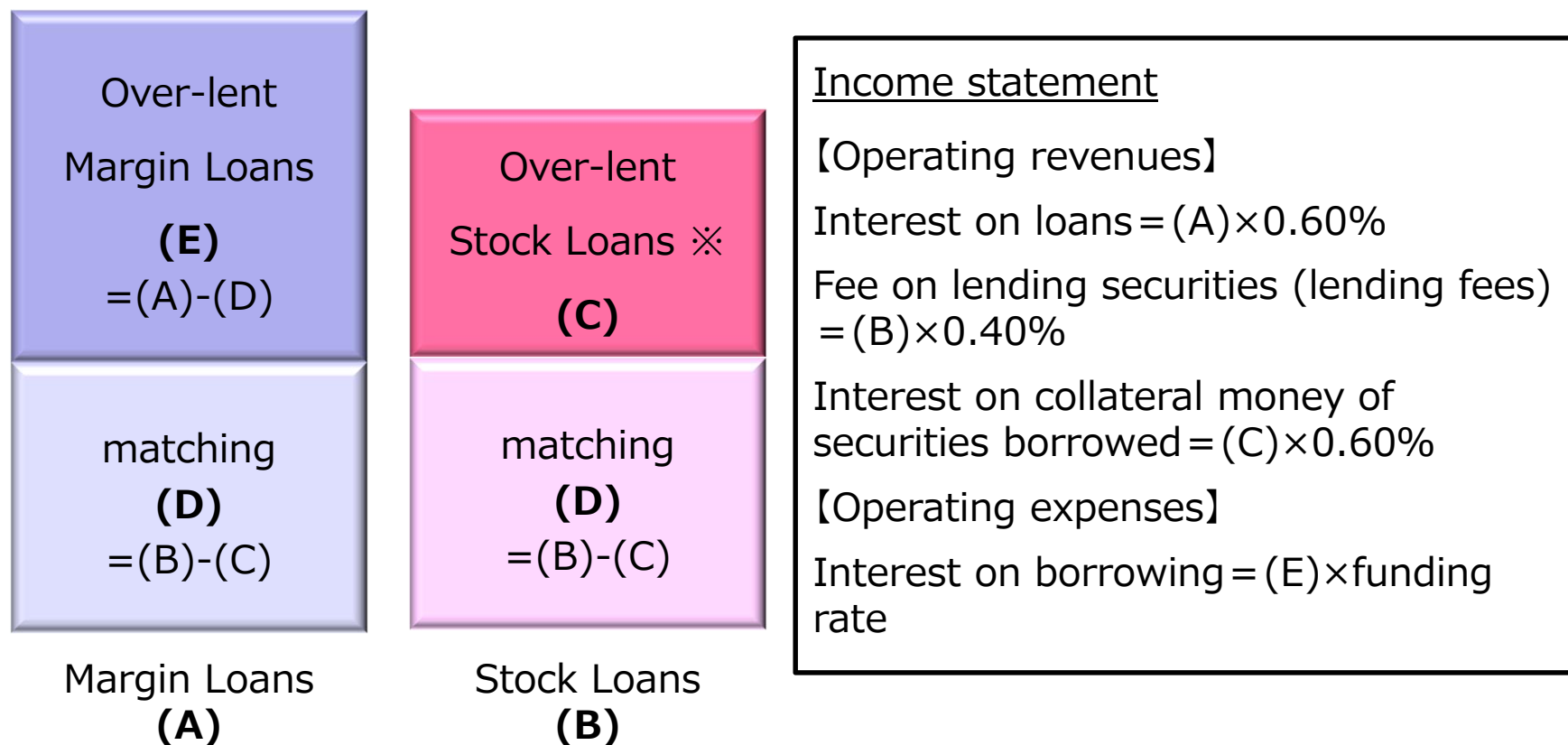
Margin Transactions & Loans for Margin Transactions



Structure of Margin Transaction & Loans for Margin Transaction



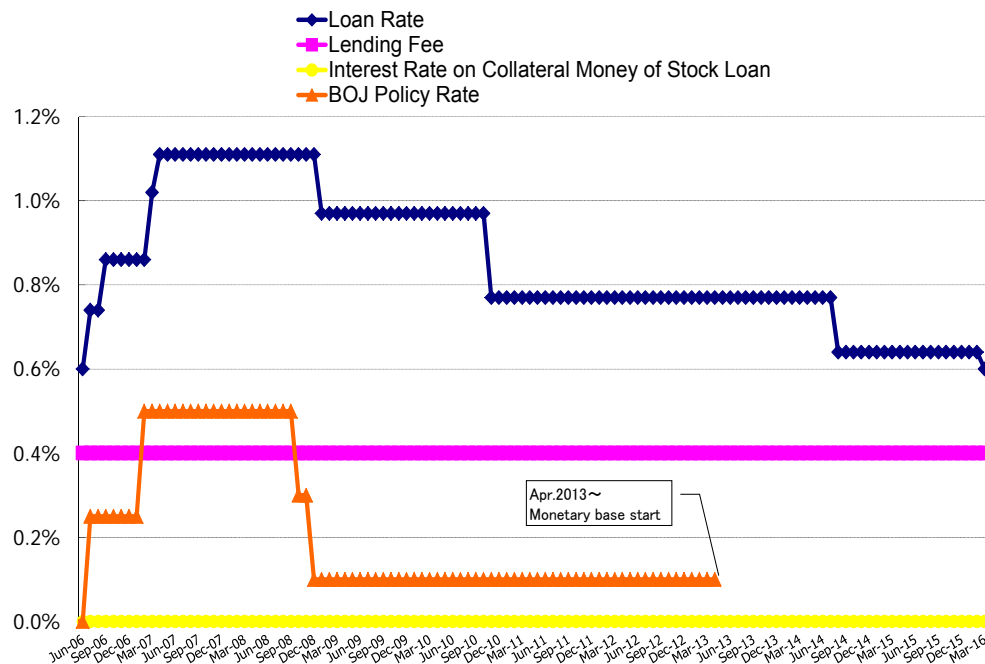
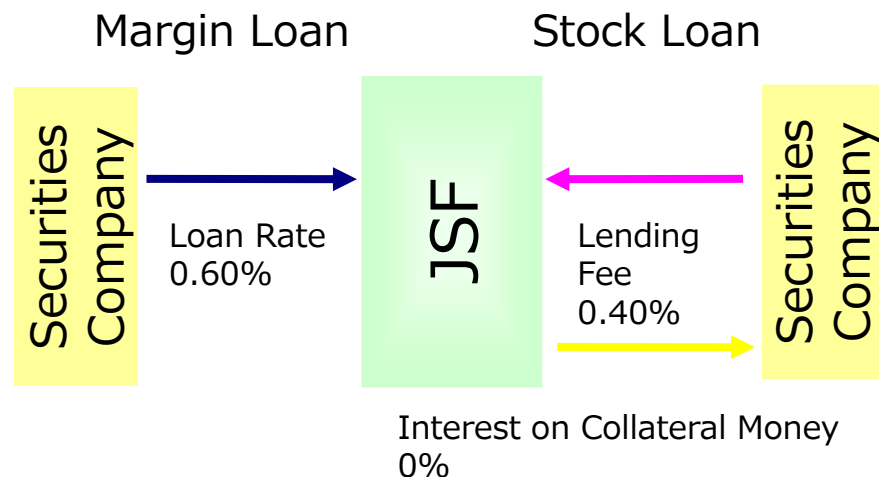
Revenue structure of Loans for margin transactions



◆ 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 Rates



BOJ Policy Interest Rate

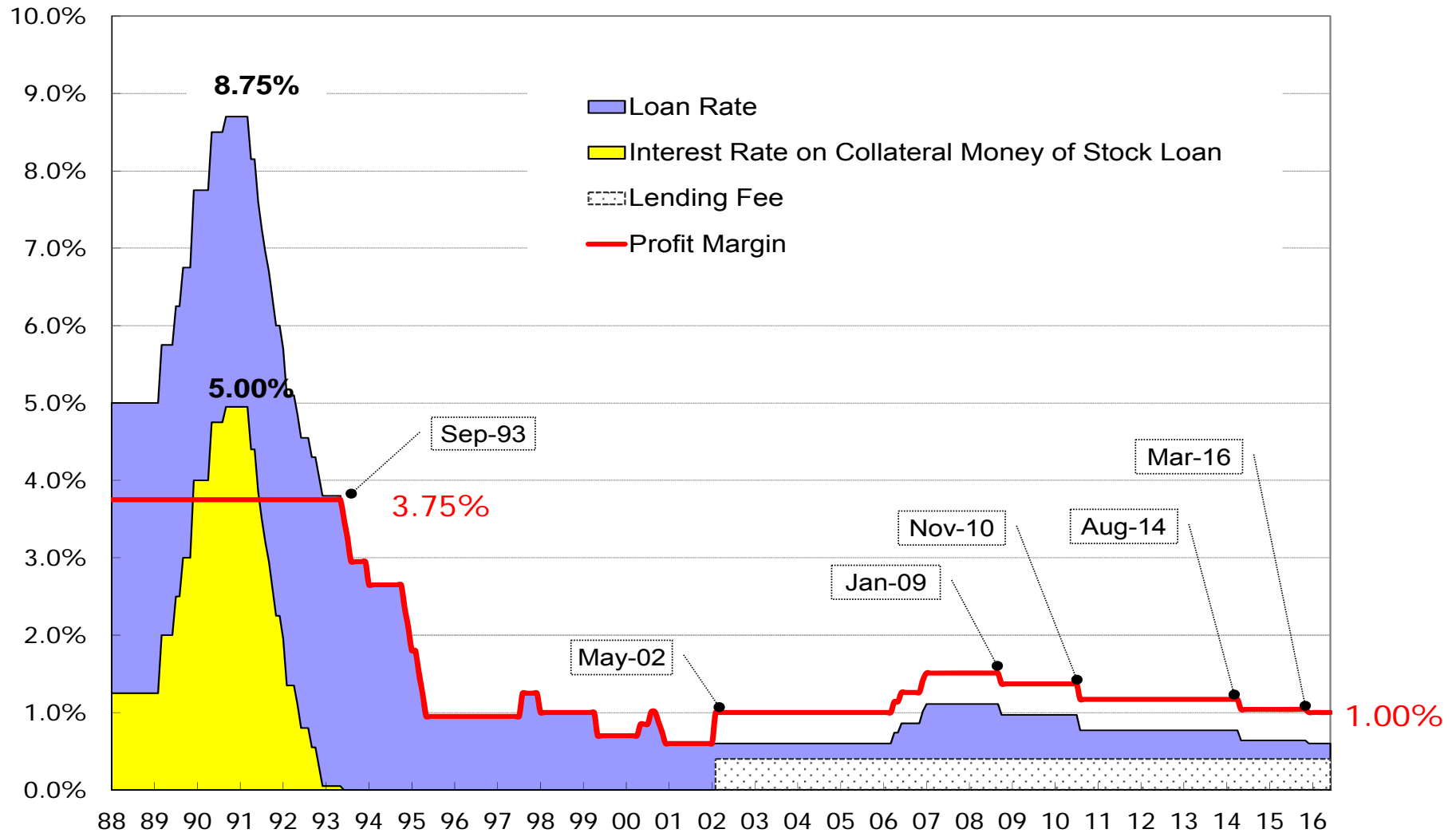
- Jul 2006 Uncollateralized O/N Call Rate: **0.25%**
- Feb 2007 Uncollateralized O/N Call Rate: **0.50%**
- Oct 2008 Uncollateralized O/N Call Rate: **0.30%** (▲0.20%)
- Dec 2008 Uncollateralized O/N Call Rate: **0.10%** (▲0.20%)
- Oct 2010 Uncollateralized O/N Call Rate: **0~0.10%** (▲0.10~0%)
- Apr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



Features of Balance Sheet (Consolidated)

¥mil

	Sep-16	Change from Mar-16	
Total assets	3,328,200	79,029	
Current assets	2,436,241	99,877	
Cash & Deposit	770,748	504,370	Deposit at BOJ
Short-term investments	102,391	▲ 329,173	JGB and other bonds (Maturity: 1year or less)
Short-term loans receivable	442,033	▲ 125,715	Margin loan / Loans for negotiable margin transactions / General loans / Trust bank loans
Collateral money of securities borrowed	1,063,947	38,330	Collateral money of bond borrowing Collateral money of stock borrowing
Non-current assets	891,959	▲ 20,847	
Investments in securities	878,550	▲ 21,616	JGB and other bonds (Maturity: more than 1year), Stock
Total liabilities	3,187,137	79,997	
Current liabilities	3,151,944	76,490	
Call money	464,800	▲ 256,100	
Short-term borrowings	13,010	▲ 185,000	Bank borrowing Market operation by BOJ
Commercial Paper	7,500	▲ 114,500	
Collateral money received of securities lent	1,741,257	191,604	Collateral money of bond lending Collateral money of stock lending
Borrowed money from trust account	891,932	439,159	
Non-current liabilities	35,192	3,506	
Total net assets	141,063	▲ 967	

Features of Assets

(1) Fluctuation of Loan Balance

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

(2) Holding JGBs for flexible cash funding

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

Features of Liabilities

(1) Fluctuation of money funding amount

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

(2) Dependent on market

Cash funding structure is not stable and depends on money market

(3) Funding with low rate

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

Securities Holdings

¥ mil

Securities Holdings	Sep-15		Mar-16		Sep-16		notes
	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	
Equity	12,171	7,228	12,079	6,550	11,184	5,687	
Bond	1,041,739	14,423	1,264,085	32,820	908,525	29,285	
JGB&Municipal Bond	936,836	13,110	1,003,869	32,628	670,116	33,606	
Corporate Bond	63,101	31	204,474	217	184,818	356	Mainly Government Guaranteed Bond
Others	41,801	1,281	55,741	▲26	53,590	▲4,677	Foreign government bonds
Other Securities	1,597	661	2,615	675	4,660	631	
Total	1,055,509	22,314	1,278,780	40,045	924,370	35,603	

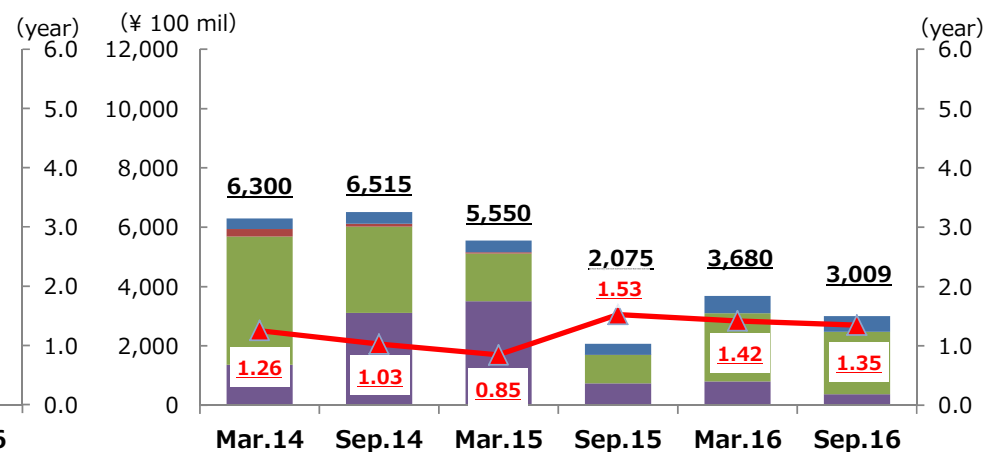
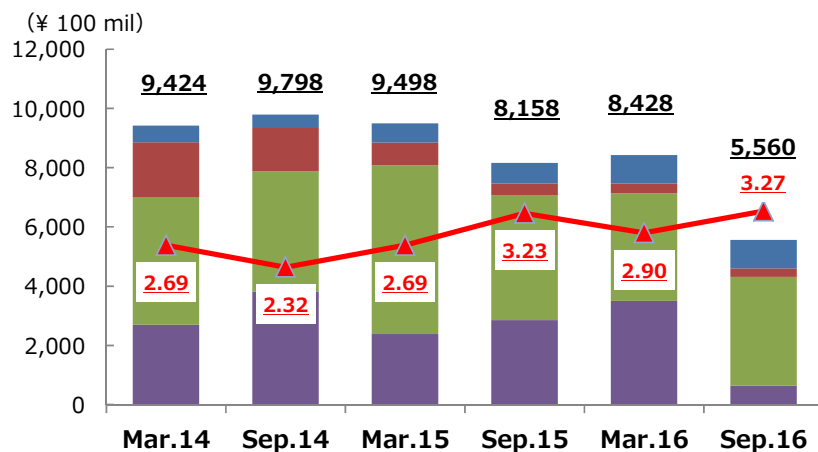
held-to-maturity bonds	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	notes
JGB	41,347	197	41,454	583	41,460	623	

※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) 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

	Sep-15		Mar-16		Sep-16	
	Loan Balance	ratio	Loan Balance	ratio	Loan Balance	ratio
Manufacturing	10,283	23.9%	8,578	6.3%	8,078	6.2%
Fishery	0	0.0%	0	0.0%	0	0.0%
Mining	48	0.1%	-	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	5,574	12.9%	5,309	3.9%	5,119	3.9%
Wholesale	800	1.9%	800	0.6%	800	0.6%
Retail	0	0.0%	0	0.0%	0	0.0%
Finance & Insurance	3,001	7.0%	3,851	2.8%	3,150	2.4%
Real Estate	6,393	14.8%	3,335	2.4%	2,092	1.6%
Service Industries	1,600	3.7%	1,600	1.2%	800	0.6%
Governments	15,364	35.7%	112,841	82.8%	110,869	84.7%
Total	43,066		136,316		130,909	

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

Corporate identity

- As an institution specializing in the securities finance business, Japan Securities Finance has a mission, while always maintaining a keen awareness of our public role
- Contribute to the development of the securities industry by proactively meeting the diverse needs of securities and financial circles
- Working to boost the long-term interests of securities market users and participants

Management Policy

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

Business Strategies for the 4th MMP

1. Expand the Loans for Margin Transactions Business as Key Infrastructure for the Securities Market

- Increase the number of loanable issues and improve both the system and operation of loans for margin transactions
- Enhance our informational outreach activities concerning the system of margin transactions and loans for margin transaction
- Expand the use of loans for negotiable margin transactions

2. Responding to the Diversifying Needs of Financial Instruments Companies and Other Customers

- Further strengthen our network of financial instruments companies and other partners
- Respond proactively to the diversifying needs for funding and securities
- Work to expand our customer loans business in collaboration with financial instruments companies

3. Strengthening System Infrastructure

- Implement a complete rebuild of business system (JSF-Net)
- Reinforce our capacity on the system side to support all of our business strategies

4. Other Business Strategies

- Strengthen coordination among our Group companies
- Monitor trends in rapidly developing Asia and other foreign markets
- Improve the efficiency of our fund management under appropriate risk controls

Reinforcing Management Systems for the 4th MMP

① Enhancing Internal Controls

- Enhance the effectiveness of our compliance and internal auditing
- Work ever harder to improve our risk management in view of the increasingly diverse and complex risks associated

② Strengthening Our Business Management Structure

- Enhance the role and functions of our Business Promotion Meetings
- Maintenance of the system to oversee the implementation of business plans
- Thoroughgoing cost management

③ Promote Human Resources Development

- Train the human resources needed to increase our corporate value and make possible the creation of future opportunities for long-term growth

Business Strategies of JSF Trust Bank

Management Policy (Outline)

As a trust bank supporting the business infrastructure of securities companies, etc., JSF Trust and Banking Co., Ltd. provides customers with finely-tuned services that cannot be expected from other banks, including mega banks, and aims at the establishment of the business model mainly on the following duties.

- Make efforts in trust services and plan expansion of it, mainly on products or service for securities industry
- Deals with products and service such as the loan to securities companies and performs banking functions that are commensurate with its management capacity
- View the role of the securities investment as complementing profit
- Offer financial services in connection with JSF

Rating Information

As of 30/Sep/2016		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		—	—

Notice

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.