



# Financial Presentation for 1<sup>st</sup> Half, FY2017

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Japan Securities Finance Co.,Ltd

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# Financial Summary for 1<sup>st</sup> Half, FY2017

(¥ mil)	Consolidated			Parent					
	FY2017 1H	YoY.Δ	(%Δ)	JSF		JSF Trust Bank		Nihon Building	
					YoY.Δ		YoY.Δ		YoY.Δ
<b>Operating Revenues</b>	<b>¥ 12,909</b>	2,226	(+20.8%)	11,094	2,527	1,382	▲315	631	7
<i>Except Premium Charges</i>	8,886	795	(+9.8%)	7,071	1,097				
Operating Expenses	6,518	1,608	(+32.8%)	5,800	1,785	715	▲181	10	▲0
<i>Except Premium Charges</i>	2,499	180	(+7.8%)	1,781	356				
General & Administrative Expenses	<b>3,970</b>	▲26	(△0.7%)	3,374	35	458	▲53	333	▲5
<b>Operating Income</b> (Operating Income Ratio)	<b>2,420</b> (18.8%)	643	(+36.2%)	1,920 (17.3%)	706	208 (15.1%)	▲80	287 (45.4%)	13
<b>Recurring Income</b> (Recurring Income Ratio)	<b>2,723</b> (21.1%)	673	(+32.8%)	2,367 (21.3%)	661	210 (15.2%)	▲82	334 (52.9%)	5
<i>Gain or Loss in Equity-Method</i>	57	+85	(-)						
Extraordinary Profit or Loss	3	6	(-)	3	6	—	—	—	—
<b>Net Income</b> (Net Income Ratio)	<b>2,227</b> (17.3%)	479	(+27.4%)	2,028 (18.3%)	476	164 (11.9%)	▲88	222 (35.2%)	3

# Financial Summary for 1<sup>st</sup> Half, FY2017 (JSF parent)

Japan Securities Finance (parent)			
(¥ mill)	FY2017 1H	YoY.Δ	(%Δ)
<b>Operating Revenues</b>	<b>¥ 11,094</b>	2,527	(+29.5%)
Margin Loan Business	<b>6,640</b>	2,245	(+51.1%)
General Loans Business* <sup>1</sup>	<b>414</b>	▲43	(△9.4%)
Securities Lending Business* <sup>2</sup>	<b>2,244</b>	282	(+14.4%)
Others	<b>1,794</b>	42	(+2.4%)
<i>Ex. Premium Charges</i>	7,071	1,097	(+18.4%)
<b>Operating Expenses</b>	<b>5,800</b>	1,785	(+44.5%)
<i>Ex. Premium Charges</i>	1,781	356	(+25.0%)
General & Administrative Expenses	<b>3,374</b>	35	(+1.1%)
<b>Operating Income</b> (Operating Income Ratio)	<b>1,920</b> (17.3%)	706	(+58.3%)
<b>Recurring Income</b> (Recurring Income Ratio)	<b>2,367</b> (21.3%)	661	(+38.8%)
Extraordinary Profit and Loss	3	6	—
<b>Net Income</b> (Net Income Ratio)	<b>2,028</b> (18.3%)	476	(+30.7%)

## Highlights

### ● Operating Revenues

- Margin Loan Business resulted in increase. Stock Loan Balance remained at high level and Margin Loan Balance also increased.  
※For details, see 「Financial Highlights for 1<sup>st</sup> Half FY2017①」(P5)
- General Loans Business decreased. Though balance of Equity Repo increased, balance of loan to individual investors and firms sluggish.
- Securities Lending Business increased driven by fees on Bond Lending. Additionally, revenue in General Stock Lending turned to increase.
- The revenue increased contributing from dividend income on investment trust, etc. (“Others”).  
※For details, see 「Financial Highlights for 1<sup>st</sup> Half FY2017②」(P7)

### ● Operating Expenses

- Fees on borrowing securities with respect to LMT and Bond borrowing and lending transactions increased.

### ● General & Administrative Expenses

- Maintenance cost for old system dropped. On the other hand, depreciation cost for new system increased.

\* 1 Loans of funds other than Margin Loan Business

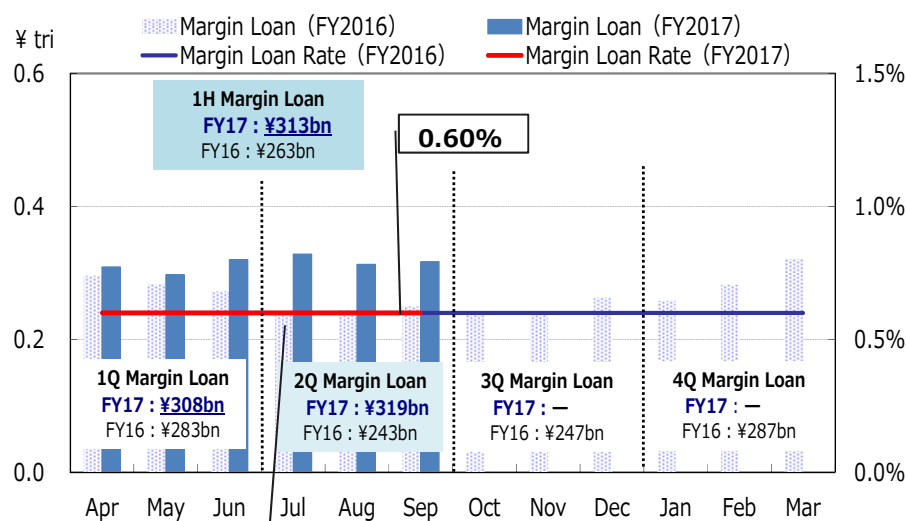
\* 2 Securities lending other than Margin Loan Business

# Financial Highlights for 1<sup>st</sup> Half, FY2017 ①

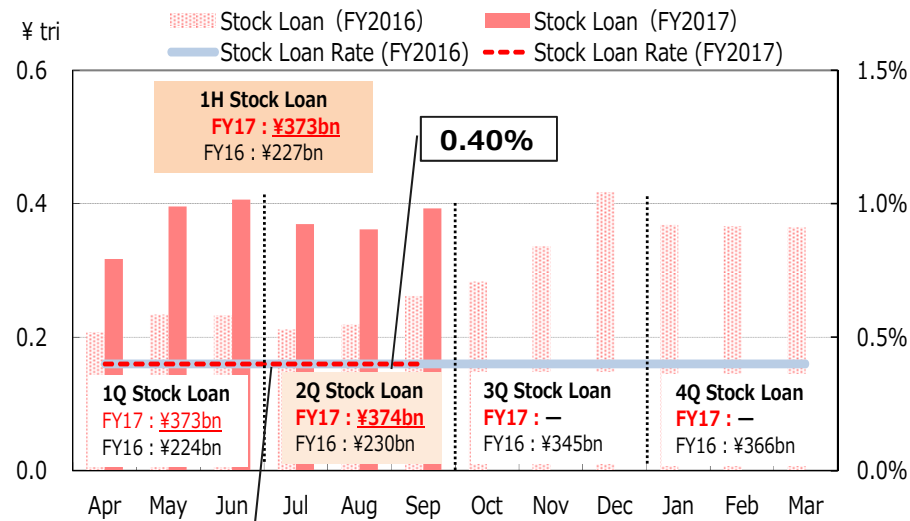
## 1 Margin Loan Balance for 1<sup>st</sup> Half, FY2017

- ✓ **【First Half】 Stock Loan Balance remained at high level and Margin Loan Balance also remained steady.**

(¥ bn, %)	FY2016						FY2017			2Q YoY	1H YoY
	1Q	2Q	1H	3Q	4Q	full year	1Q	2Q	1H		
Margin Loan	283	<b>243</b>	<b>263</b>	247	287	265	308	<b>319</b>	<b>313</b>	75	50
Margin Loan Rate	0.60	<b>0.60</b>	-	0.60	0.60	-	0.60	<b>0.60</b>	-	-	-
Stock Loan	224	<b>230</b>	<b>227</b>	345	366	291	373	<b>374</b>	<b>373</b>	144	146



**0.60%**

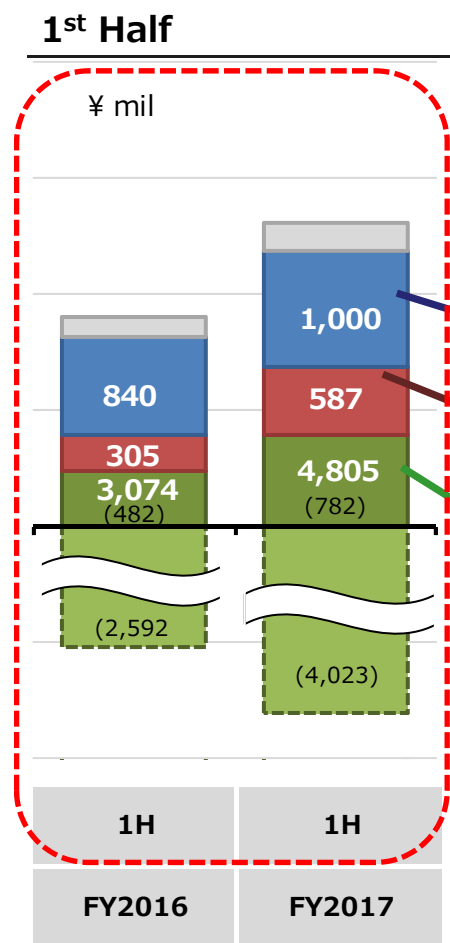


**0.40%**

# Financial Highlights for 1<sup>st</sup> Half, FY2017 ① – 2

Margin Loan Business resulted in large increase driven by high level of Stock Loan Balance.

## 【Operating Revenues Transition】

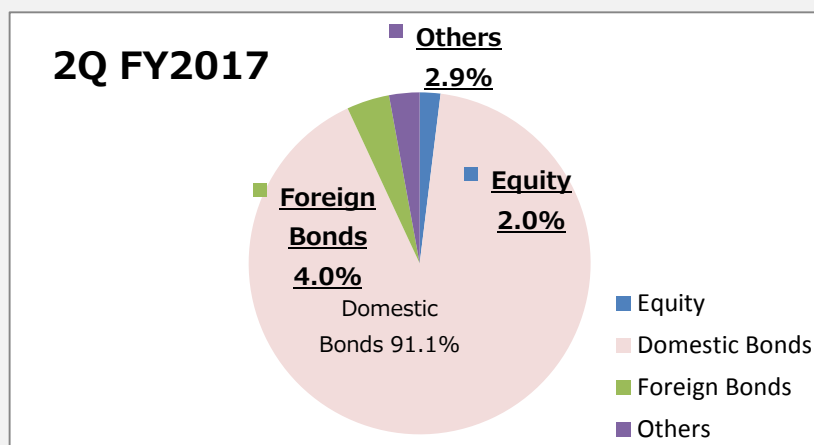
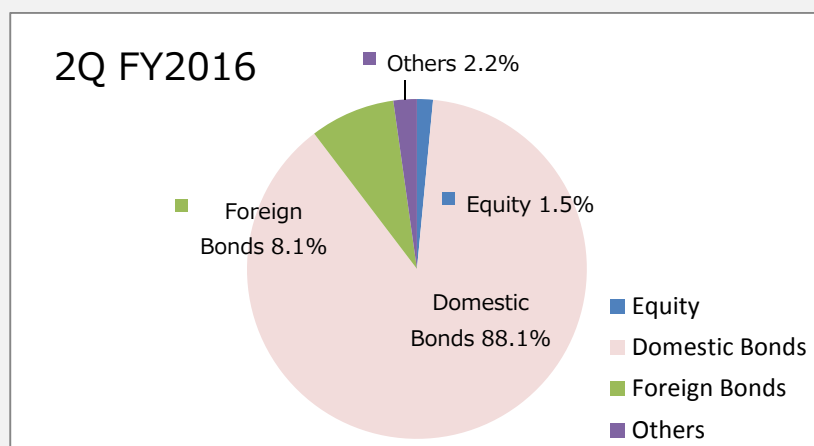


(¥ mil)	1H Revenue (YoY)	1H Point
<b>Margin Loan Business</b>	<b>6,640</b> (+51.1%)	
<b>(ex premium charges)</b>	<b>2,617</b> (+45.2%)	✓ Operating revenues of this business, except Premium Charges, resulted in increase.
<b>Interest on Loans</b>	<b>1,000</b> (+19.0%)	✓ Interest on Loans increased, because Margin Loan Balance increased somewhat.
<b>Interest on collateral money of securities borrowed</b>	<b>587</b> (+92.6%)	
<b>Fees on Lending Securities</b>	<b>4,805</b> (+56.3%)	✓ Fees on Lending Securities resulted in increase, because Stock Loan balance remained at higher level of the same period of the previous year and premium charges on over-lent issues increased.
<b>Lending Fees</b>	<b>782</b> (+62.4%)	
<b>Premium Charges</b>	<b>4,023</b> (+55.2%)	

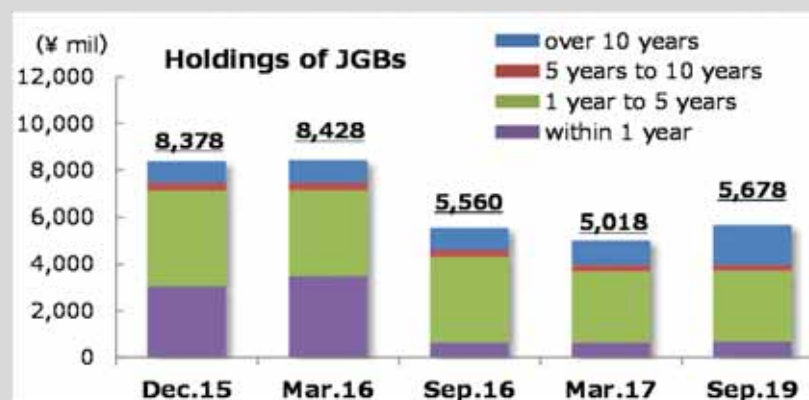
# Financial Highlights for 1<sup>st</sup> Half, FY2017 ②

## Diversification of investment portfolio

### Status of investment portfolio



### Trend of Holdings of JGBs



### Revenue from securities investment increased

#### Revenue from Securities Investment (JSF)

	1H FY2017	YoY
Domestic Bonds	¥ 726 mil	△¥ 318 mil
Foreign Bonds	¥ 573 mil	+¥ 75 mil
Others*	¥ 486 mil	+¥ 286 mil
<b>Total</b>	<b>¥ 1,785 mil</b>	<b>+¥ 43 mil</b>

\* Investment trust, etc.

# Financial Summary of JSF Trust Bank

## Highlights

- Trust charges remained stable, contributing from strengthening custodian type trust service.
- Though interest on Loans decreased, interest on investment securities increased due to purchase of JGBs (hedged with IRS).
- Gains on sales of bonds decreased. Costs of unwinding IRS also decreased, too.
- Recurring Income and Net Income decreased compared with the last year.

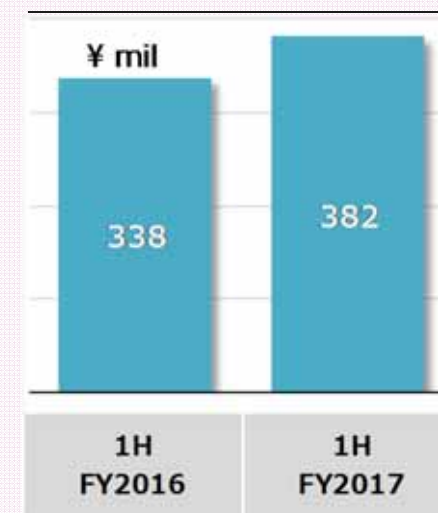
JSF Trust Bank			
(¥ mil)	FY2017 1H	YoY	
			(%)
<b>Recurring Revenue</b>	<b>¥ 1,387</b>	<b>▲315</b>	<b>(△18.5%)</b>
Trust charges	382	44	(+13.0%)
Reversal of ADR*	2	2	(-)
<b>Recurring Expenses</b>	<b>1,176</b>	<b>▲232</b>	<b>(△16.5%)</b>
Provision of ADR*	—	▲16	(△100.0%)
<b>Recurring Income</b> (Recurring Income Ratio)	<b>210</b> (15.2%)	<b>▲82</b>	<b>(△28.1%)</b>
<b>Net Income</b> (Net Income Ratio)	<b>164</b> (11.9%)	<b>▲88</b>	<b>(△35.0%)</b>

\*ADR: Allowance for Doubtful Receivables

## 【Point of Trust Charge】

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

## First Half





# Features of Balance Sheet (end of Sep-2017, Consolidated)

¥mil

	Sep-17	Change from Mar-17	
<b>Total assets</b>	<b>4,835,853</b>	<b>190,801</b>	
<b>Current assets</b>	<b>4,003,878</b>	<b>61,437</b>	
Cash & Deposit	1,339,661	262,899	Deposit at BOJ
Short-term investments	218,001	▲ 20,496	JGB and other bonds (Maturity: 1year or less)
Short-term loans receivable	634,457	46,705	Margin loan / Loans for negotiable margin transactions / General loans / Trust bank loans
Collateral money of securities borrowed	1,666,706	▲ 264,016	Collateral money of bond borrowing Collateral money of stock borrowing
<b>Non-current assets</b>	<b>831,974</b>	<b>129,363</b>	
Investments in securities	819,957	129,749	JGB and other bonds (Maturity: more than 1year), Stock
<b>Total liabilities</b>	<b>4,693,333</b>	<b>187,994</b>	
<b>Current liabilities</b>	<b>4,668,760</b>	<b>191,319</b>	
Call money	963,206	336,307	
Short-term borrowings	14,010	1,000	Bank borrowing Market operation by BOJ
Commercial Paper	263,000	78,000	
Collateral money received of securities lent	2,244,111	▲ 248,466	Collateral money of bond lending Collateral money of stock lending
Borrowed money from trust account	1,108,001	12,946	
<b>Non-current liabilities</b>	<b>24,572</b>	<b>▲ 3,325</b>	
<b>Total net assets</b>	<b>142,519</b>	<b>2,807</b>	

## Features of Assets

### (1) Fluctuation of Loan Balance

Loan period including Margin Loan is mainly short-term (from over-night to 1 month). And outstanding of loans moves responding to trend of stock market, etc.

### (2) Holding JGBs for flexible cash funding

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

### (3) Cash and Deposit

Balance moves responding to situation of borrowed money from trust account.

## Features of Liabilities

### (1) Ensuring variety methods of fund raising

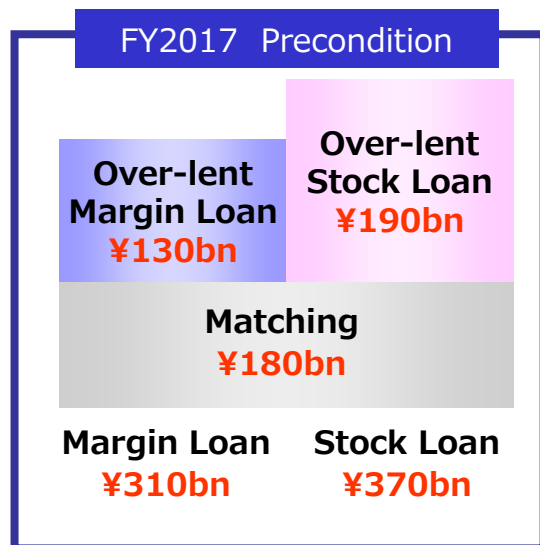
Ensuring varieties of methods of fund raising (Bank borrowing, CP, Call money, Bond repo, etc.) for responding to situations of money market and meeting clients' needs.

### (2) Borrowed money from trust account

Reserved money of trust account of JSF Trust Bank.

# Estimated Figures for FY2017

## Precondition Balance of Margin Loans



(Reference)

FY2016 Results



(¥ mil)		FY2017 Estimated Figures	YoY.Δ	Δ from prev. EF
Operating Income		3,400	597	800
Recurring Income		4,100	488	800
Net Income		3,300	221	700
JSF	Operating Income	2,500	631	700
	Recurring Income	3,200	563	700
	Net Income	2,700	367	600
JSF Trust and Banking	Recurring Income	340	▲86	90
	Net Income	280	▲71	60
Nihon Building	Operating Income	545	+39	5
	Recurring Income	625	+35	5
	Net Income	415	▲16	5

Preconditions of Loans for Margin Transactions

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

# 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 **to ensure profits are returned to shareholders** by comprehensively considering revenues environment or investment plans. etc. (medium-term management plan, management policy)



- ◆ Based upon this policy, **we will strive to place more importance on shareholder return.**

## 2 Shareholder Return Policy (released on 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 FY2017

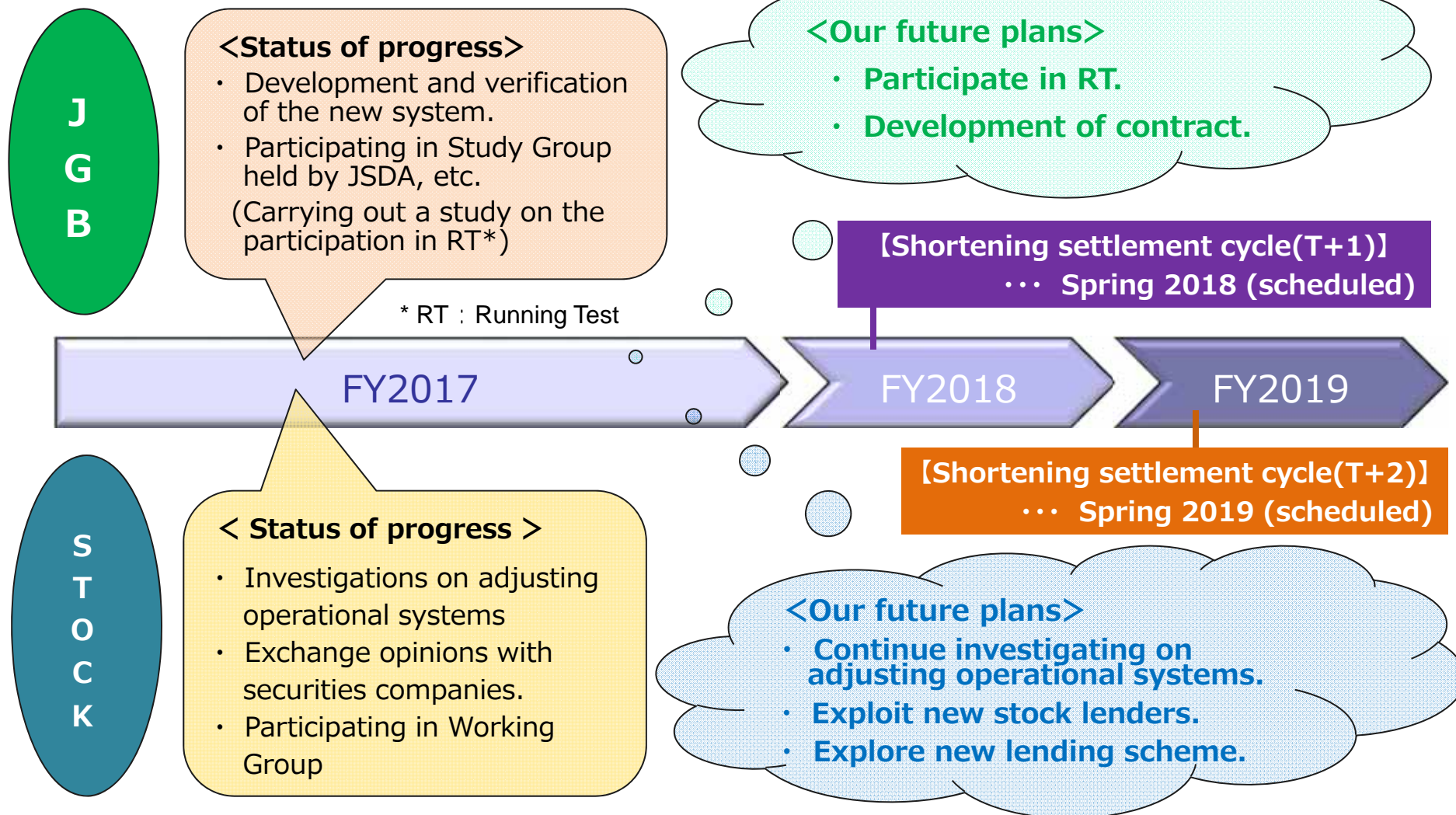
		FY2016 (Forecast, Results)	FY2017 (Forecast, Framework)
Dividend	Annual	¥ 18 (YoY +¥2)	¥ 18 (YoY ±0)
	Interim	¥ 8 (YoY ±0)	¥ 9 (YoY +¥1)
	Year-end	¥ 10 (YoY +¥2)	¥ 9 (YoY ▲¥1)
	Consolidated DPR	56.4%	52.2%
Share Buyback	No. of shares to be acquired	0.63mil shs	Up to 1.5mil shs
	Ratio to total shares issued	0.6%	1.5%
	Total Value to be acquired	¥ 0.3bn	Up to ¥ 1bn
	Period	From 13 May 2016 to 22 Mar 2017	From 12 May 2017 to 16 Mar 2018
Total Return Ratio		66.3%	82.5%

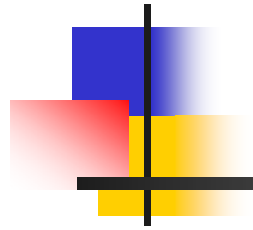
# Status of progress under the 5<sup>th</sup> Mid-term Management Plan (1H FY2017)

Business	Our initiatives	
Margin Loan Business <b>1H Revenue</b> <b>6.6bn (YoY+51.1%)</b>	<ul style="list-style-type: none"> <li>◆ Improve our approach method to issuing companies.</li> <li>◆ Exploit new stock lenders.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Promote the use of Stock Loan.</li> <li>◆ Enhance the provision of information.</li> </ul>
General Loan Business <b>1H Revenue</b> <b>0.4bn (YoY△9.4%)</b>	<p>&lt;For Securities Companies&gt;</p> <ul style="list-style-type: none"> <li>◆ Respond to the new needs.</li> <li>◆ Flexible responses such as relaxation of eligible collateral qualification, etc.</li> </ul>	<p>&lt;For Individual Investors or Firms&gt;</p> <ul style="list-style-type: none"> <li>◆ Cultivate partner securities companies of COM-STOCK Loan.</li> </ul>
Securities Lending Business <b>1H Revenue</b> <b>2.2bn (YoY+14.5%)</b>	<p>&lt;General Stock Lending&gt;</p> <ul style="list-style-type: none"> <li>◆ Exploit new stock lenders.</li> <li>◆ Expand non-Japanese stock lending transaction.</li> </ul> <p>&lt;Bond Lending&gt;</p> <ul style="list-style-type: none"> <li>◆ Flexible responses to transaction conditions.</li> <li>◆ Start transactions using foreign bonds.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Address new transaction needs corresponding to shortening settlement cycle of securities.               <ul style="list-style-type: none"> <li>□ JGB(T+1)・・・Spring 2018 (scheduled)</li> <li>□ Stock(T+2)・・・Spring 2019 (scheduled)</li> </ul> </li> </ul>

# Status of progress under the 5<sup>th</sup> Mid-term Management Plan (1H FY2017)

## ~ Our initiatives related to shortening settlement cycle of securities (JGB, Stock) ~





# Appendix

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# Dividend and Share Buyback Program (historical)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Forecast/ Framework
Annual Dividend per share	¥14	¥14	¥14	¥15	¥16	¥18 (Interim ¥8 Year-end ¥10)	<b>¥16</b> (Interim <b>¥9</b> ) (Year-end <b>¥9</b> )
Share Buyback (shs)	–	–	–	7.46mil	3mil	0.63mil	<b>1.5mil</b>
(amount)	–	–	–	¥4.6bn	¥1.9bn	¥0.3bn	<b>¥1.0bn</b>
<Consolidated> : Net Income	¥0.7bn	¥1.7bn	¥6.2bn	¥3.5bn	¥2.6bn	¥3.0bn	<b>¥3.3bn</b>
: EPS	¥8.4	¥19.1	¥60.4	¥33.9	¥26.9	¥31.9	<b>¥34.4</b>
: DPR	166.3%	73.3%	23.2%	44.2%	59.5%	56.4%	<b>52.2%</b>
: DOE	1.1%	1.1%	1.1%	1.1%	1.1%	1.2%	<b>1.2%</b>
(reference) Total Return Ratio	166.3%	73.3%	23.2%	173.9%	133.1%	66.3%	<b>82.5%</b>



# Share Buyback Results

## Resolution of share buyback program (announced on May11, 2017)

- ◆ Number of shares to be acquired : up to 1.5million shares
- ◆ Ratio to total shares issued : 1.5%
- ◆ Total value to be acquired : ¥1.0bn
- ◆ Schedule : from 12May 2017 to 16Mar 2018

## 【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	
Result In FY2016	2016/5/13	2017/3/22	635,800	-	297	-	0	100,000,000	
<b>Limit for FY2017</b>	<b>2017/5/12</b>	<b>2018/3/16</b>	<b>1,500,000</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Result</b>	<b>From May-17 to Jun-17</b>		<b>300,000</b>	<b>(20.0%)</b>	<b>170</b>	<b>(17.0%)</b>	<b>0</b>	<b>100,000,000</b>	
	<b>From Jul-17 to Sep-17</b>		<b>400,000</b>	<b>(26.7%)</b>	<b>225</b>	<b>(22.5%)</b>	<b>0</b>	<b>100,000,000</b>	
	<b>Oct-17</b>		<b>0</b>	<b>(-)</b>	<b>0</b>	<b>(-)</b>	<b>0</b>	<b>100,000,000</b>	
<b>Total</b>	<b>FY2017</b>		<b>700,000</b>	<b>(46.7%)</b>	<b>396</b>	<b>(39.6%)</b>	<b>0</b>	<b>100,000,000</b>	

# Financial Result (Historical data)

¥ mil

	FY2012	FY2013	FY2014	FY2015	FY2016 Apr.-Sept.	FY2016	FY2017 Apr.-Sept.
Operating Revenues	<b>17,675</b>	<b>19,566</b>	<b>20,300</b>	<b>22,035</b>	<b>10,683</b>	<b>23,066</b>	<b>12,909</b>
Ex Premium charges	14,718	16,195	15,856	16,160	8,090	16,522	8,886
Operating Expenses	8,193	8,747	9,450	11,537	4,909	11,892	6,518
Ex Premium charges	5,236	5,413	5,008	5,672	2,319	5,358	2,499
General & Administrative Expenses	7,694	8,249	7,824	7,939	3,996	8,371	3,970
Operating Income	<b>1,787</b>	<b>2,568</b>	<b>3,025</b>	<b>2,558</b>	<b>1,777</b>	<b>2,802</b>	<b>2,420</b>
Gain or Loss in Equity-Method	486	179	▲144	54	▲143	92	▲57
Recurring Income	<b>2,557</b>	<b>3,119</b>	<b>4,230</b>	<b>3,349</b>	<b>2,049</b>	<b>3,611</b>	<b>2,723</b>
Extraordinary Profit or Loss	13	3,602	54	—	▲2	▲52	3
Net Income	<b>1,777</b>	<b>6,211</b>	<b>3,520</b>	<b>2,645</b>	<b>1,747</b>	<b>3,078</b>	<b>2,227</b>

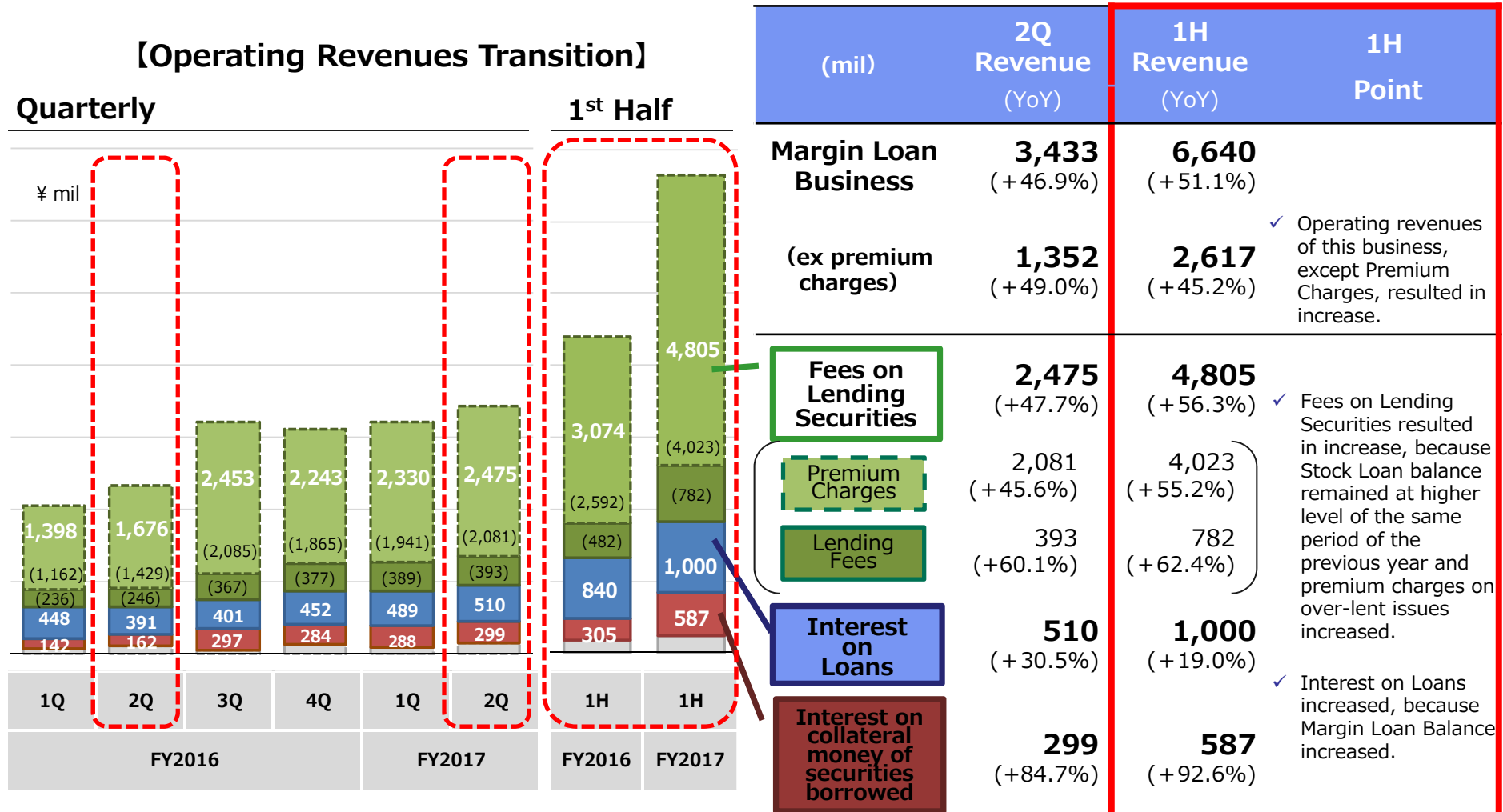
# Breakdown of Operating Revenues by business (Historical data)

¥ mil

	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Jun-16	Sep-16	Mar-17	Sep-17
<b>Securities Finance Business</b>	<b>15,186</b>	<b>14,093</b>	<b>16,363</b>	<b>17,162</b>	<b>17,776</b>	<b>17,776</b>	<b>8,563</b>	<b>19,407</b>	<b>11,092</b>
<b>Margin Loan Business</b>	<b>6,756</b>	<b>6,625</b>	<b>9,240</b>	<b>9,667</b>	<b>10,579</b>	<b>10,579</b>	<b>4,395</b>	<b>10,721</b>	<b>6,640</b>
	(33.4%)	(37.5%)	(47.2%)	(47.6%)	(48.0%)	(48.0%)	(41.1%)	(46.5%)	(51.4%)
Interest on Loans	1,783	1,760	4,012	3,111	2,720	2,720	840	1,694	1,000
Interest on collateral money of securities borrowed	639	652	436	611	575	575	305	887	587
Fees on Lending Securities	3,957	3,746	4,132	5,389	6,840	6,840	3,074	7,771	4,805
Premium Charges	3,147	2,957	3,371	4,443	5,874	5,874	2,592	6,543	4,023
Lending Fees	809	789	761	945	966	966	482	1,227	782
<b>Business other than Margin Loan Business</b>									
<b>Loan to Securities companies &amp; Investors</b>	<b>827</b>	<b>810</b>	<b>1,959</b>	<b>2,107</b>	<b>1,753</b>	<b>1,753</b>	<b>457</b>	<b>907</b>	<b>414</b>
	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(7.9%)	(7.9%)	(4.3%)	(3.9%)	(3.2%)
<b>Securities Lending Business</b>	<b>1,701</b>	<b>1,862</b>	<b>2,217</b>	<b>2,294</b>	<b>2,241</b>	<b>2,241</b>	<b>1,958</b>	<b>4,453</b>	<b>2,242</b>
	(8.4%)	(10.5%)	(11.3%)	(11.3%)	(10.2%)	(10.2%)	(18.4%)	(19.3%)	(17.4%)
Stock Lending	219	289	425	784	907	907	487	941	508
Bond Lending	1,482	1,573	1,791	1,509	1,334	1,334	1,471	3,512	1,734
<b>Others</b>	<b>5,901</b>	<b>4,794</b>	<b>2,946</b>	<b>3,094</b>	<b>3,201</b>	<b>3,201</b>	<b>1,752</b>	<b>3,325</b>	<b>1,794</b>
	(29.2%)	(27.1%)	(15.1%)	(15.2%)	(14.5%)	(14.5%)	(16.4%)	(14.4%)	(13.9%)
Bond Investment (Parent only)	5,824	4,719	2,838	2,979	3,111	3,111	1,742	3,305	1,785
<b>Trust Business</b>	<b>4,224</b>	<b>2,762</b>	<b>2,322</b>	<b>2,269</b>	<b>3,451</b>	<b>3,451</b>	<b>1,690</b>	<b>2,792</b>	<b>1,380</b>
	(20.9%)	(15.6%)	(11.9%)	(11.2%)	(15.7%)	(15.7%)	(15.8%)	(12.1%)	(10.7%)
Interest on Loans	741	590	317	186	144	144	81	147	50
Trust Charges	300	338	485	545	627	627	321	668	360
Bond Investment	3,134	1,808	1,494	1,507	2,645	2,645	1,250	1,899	944
<b>Real Estate Management Business</b>	<b>818</b>	<b>819</b>	<b>880</b>	<b>868</b>	<b>807</b>	<b>807</b>	<b>428</b>	<b>865</b>	<b>435</b>
	(4.0%)	(4.7%)	(4.5%)	(4.3%)	(3.7%)	(3.7%)	(4.0%)	(3.8%)	(3.4%)
<b>Operating Revenues</b>	<b>20,229</b>	<b>17,675</b>	<b>19,566</b>	<b>20,300</b>	<b>22,035</b>	<b>22,035</b>	<b>10,683</b>	<b>23,066</b>	<b>12,909</b>
<b>(excluded Premium Charges)</b>	<b>17,082</b>	<b>14,718</b>	<b>16,195</b>	<b>15,856</b>	<b>16,160</b>	<b>16,160</b>	<b>8,090</b>	<b>16,522</b>	<b>8,886</b>

# Breakdown of Operating Revenues by business (Quarterly)

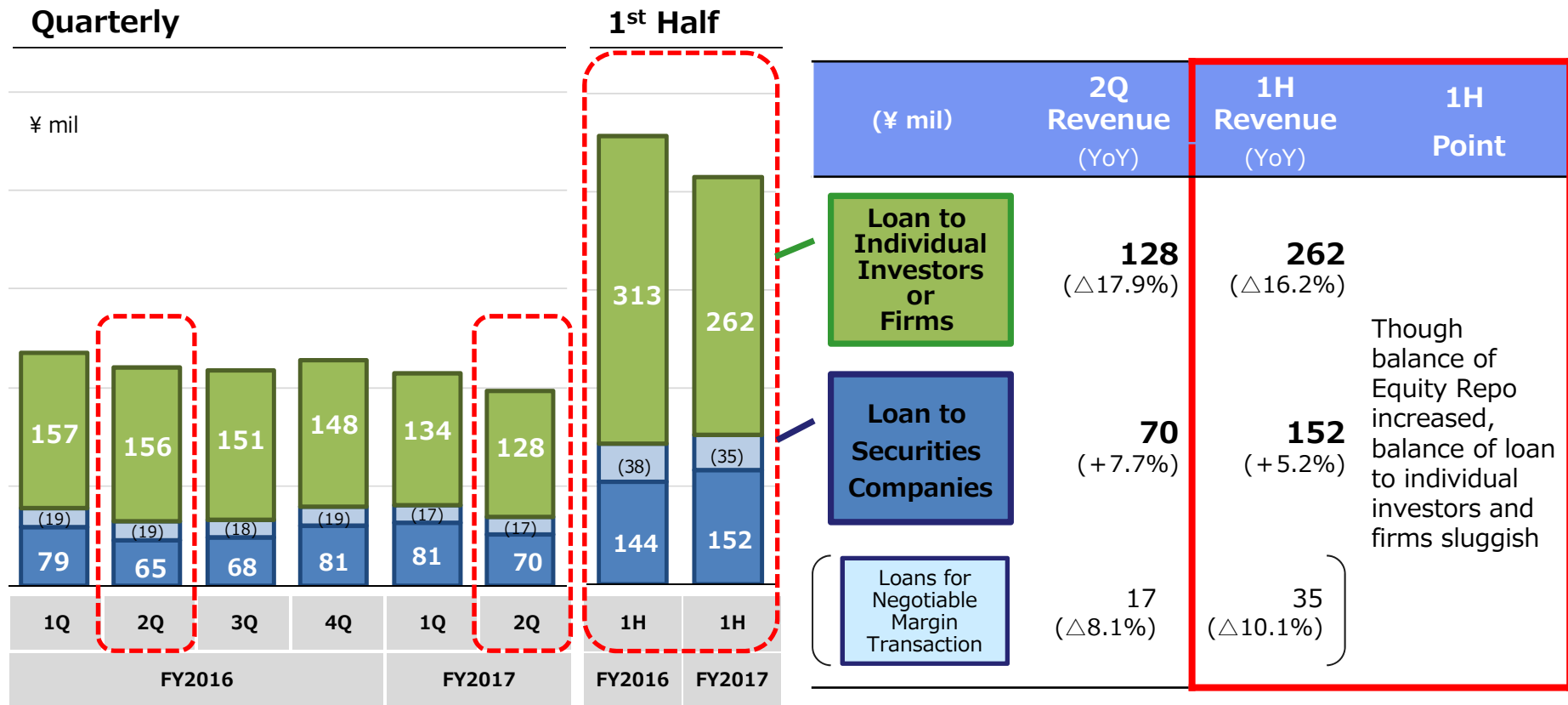
Margin Loan Business resulted in large increase driven by high level of Stock Loan Balance.



# Breakdown of Operating Revenues by business (Quarterly)

● General Loans Business declined mainly driven by a decrease in balance of loan to individual investors and firms.

## 【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

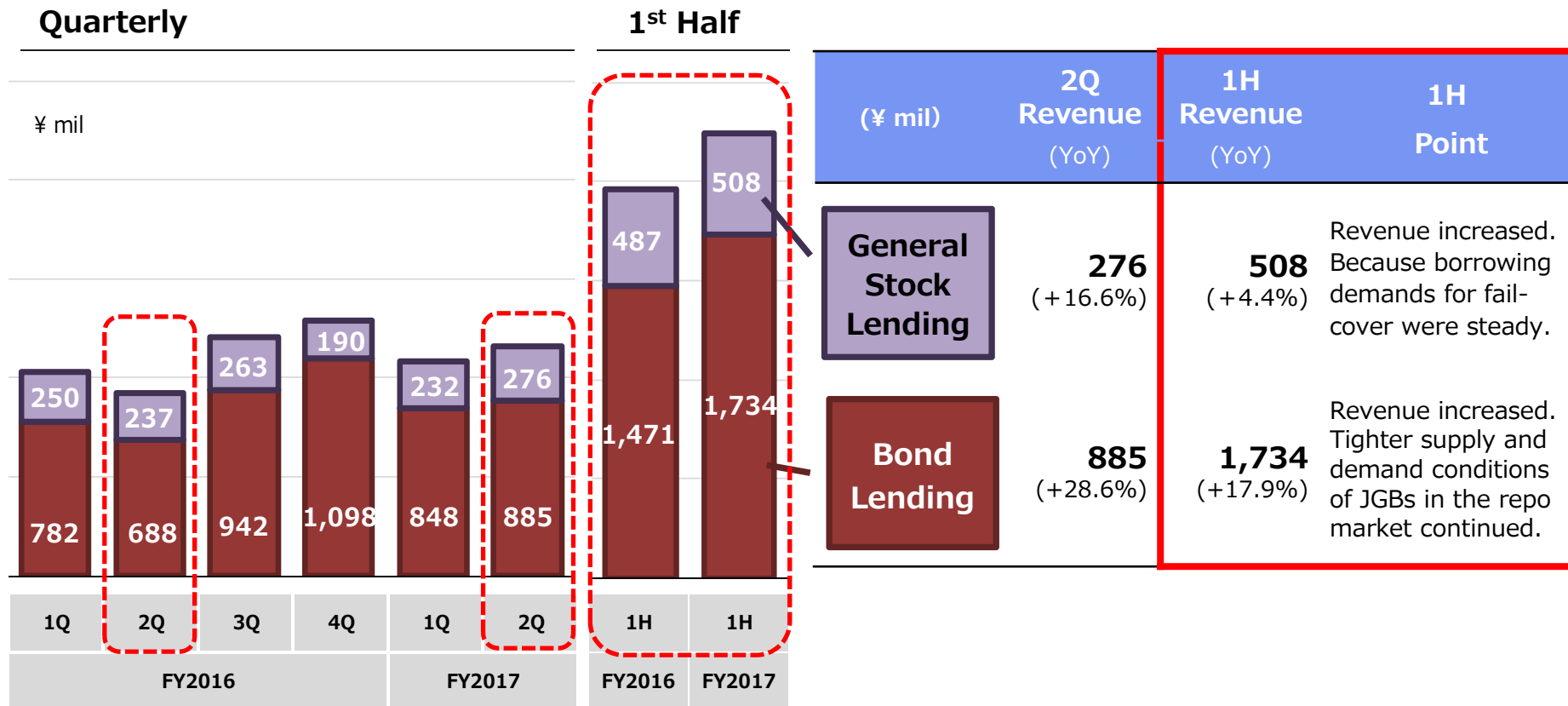
# Breakdown of Operating Revenues by business (Quarterly)



## Securities Lending Business :

Both General Stock Lending and Bond Lending were steady.

### 【Operating Revenues Transition】



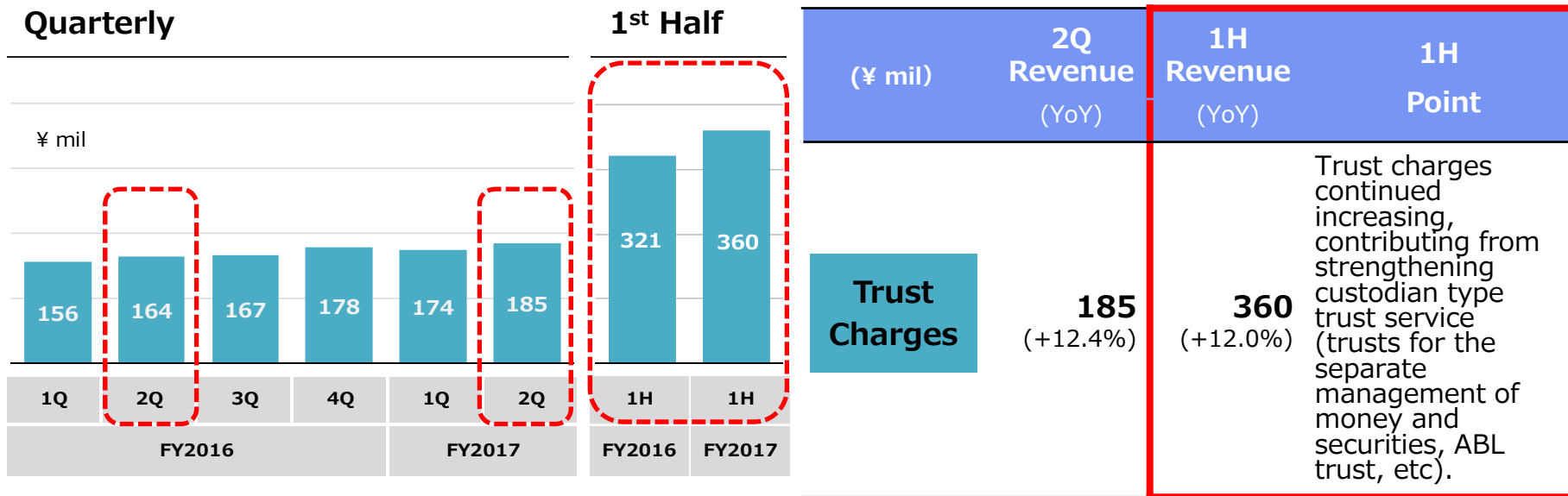
### ※ Genera Stock Lending is ...

- 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

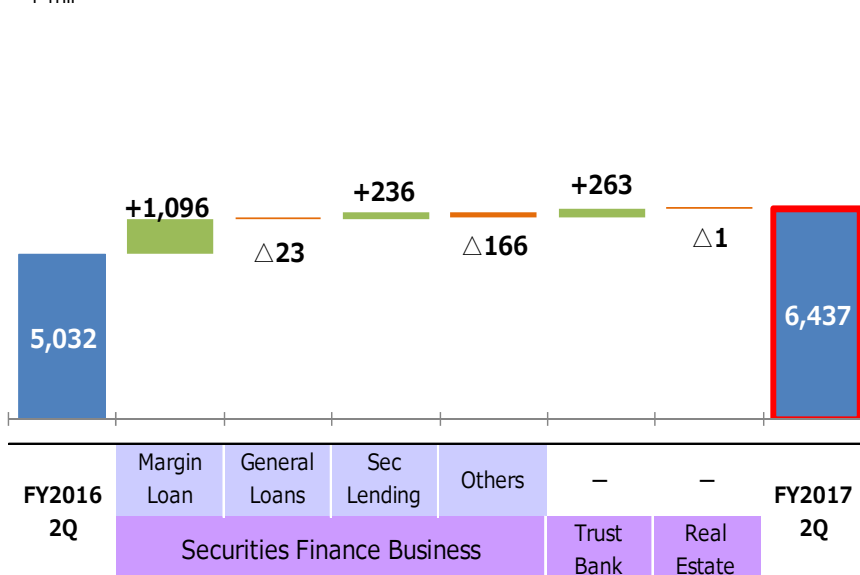
Asset Backed Loan (ABL) Trust

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, 1<sup>st</sup> Half)

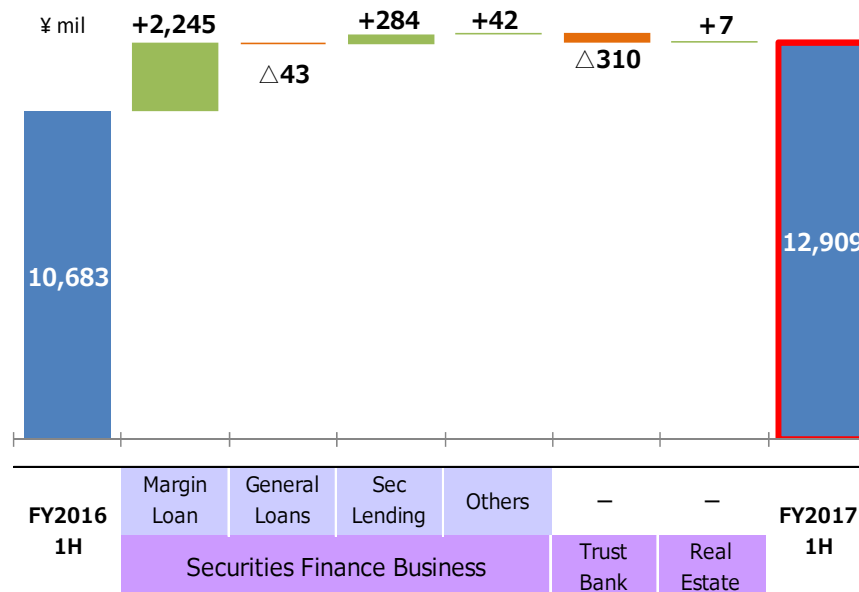
**[Quarterly] YoY +1,404 mil¥ (+27.9%)**

¥ mil



**[First Half] YoY +2,226 mil¥ (+20.8%)**

¥ mil



## ~ Summary of the points for quarterly ~

- **Margin Loan Business** : Stock Loan Balance remained high level, Margin Loan balance also increased.
- **General Loans Business** : Loan to Individual Investors or Firms was sluggish.
- **Securities Lending Business** : Both revenue of General Stock Lending and Bond Lending increased.
- **Trust Business** : Trust charges and gains on sales of bonds increased.

## ~ Summary of the points for 1<sup>st</sup> Half ~

- **Margin Loan Business** : Both Margin Loan balance and Stock Loan balance increased.
- **General Loans Business** : Loan to Individual Investors or Firms was sluggish.
- **Securities Lending Business** : Both revenue of General Stock Lending and Bond Lending increased.
- **Trust Business** : Gains on sales of bonds dropped largely.



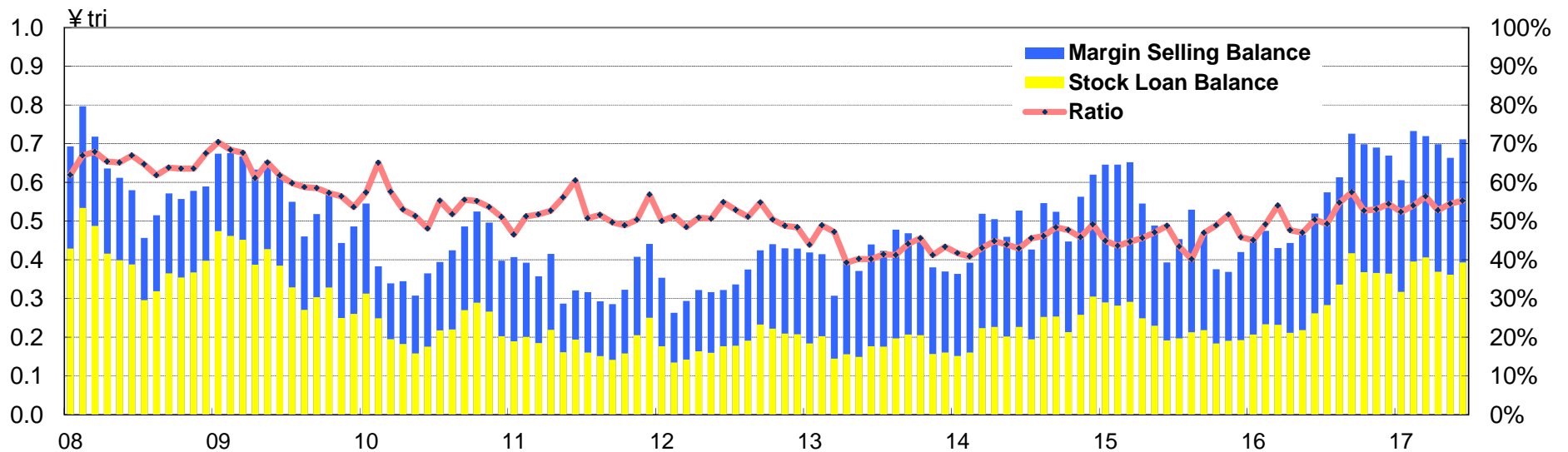
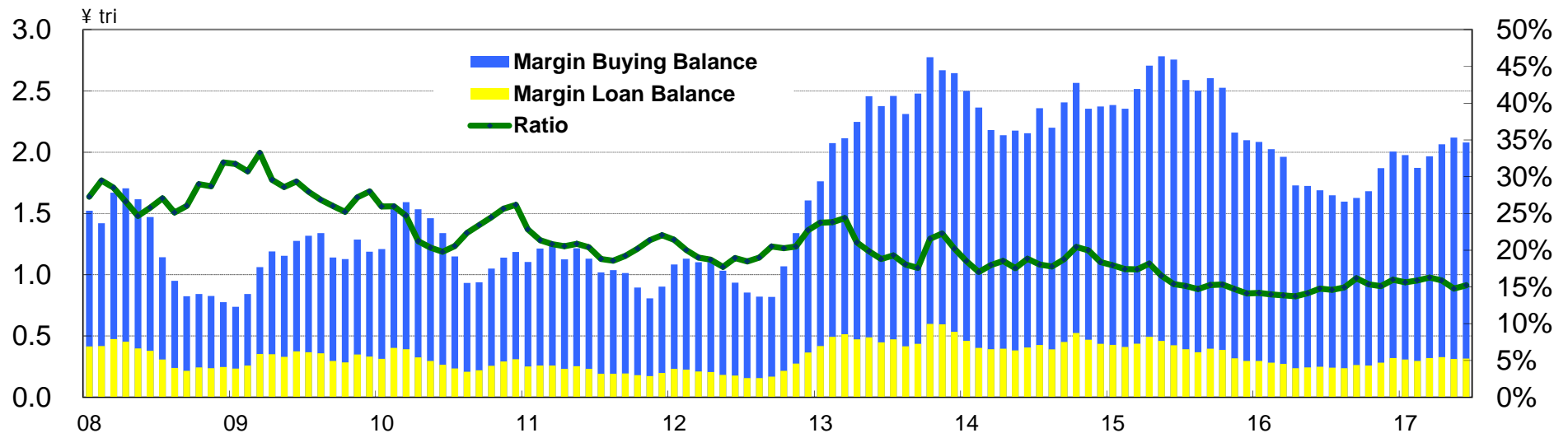
# Outstanding Loan Balance

(Year average and year-end balance)

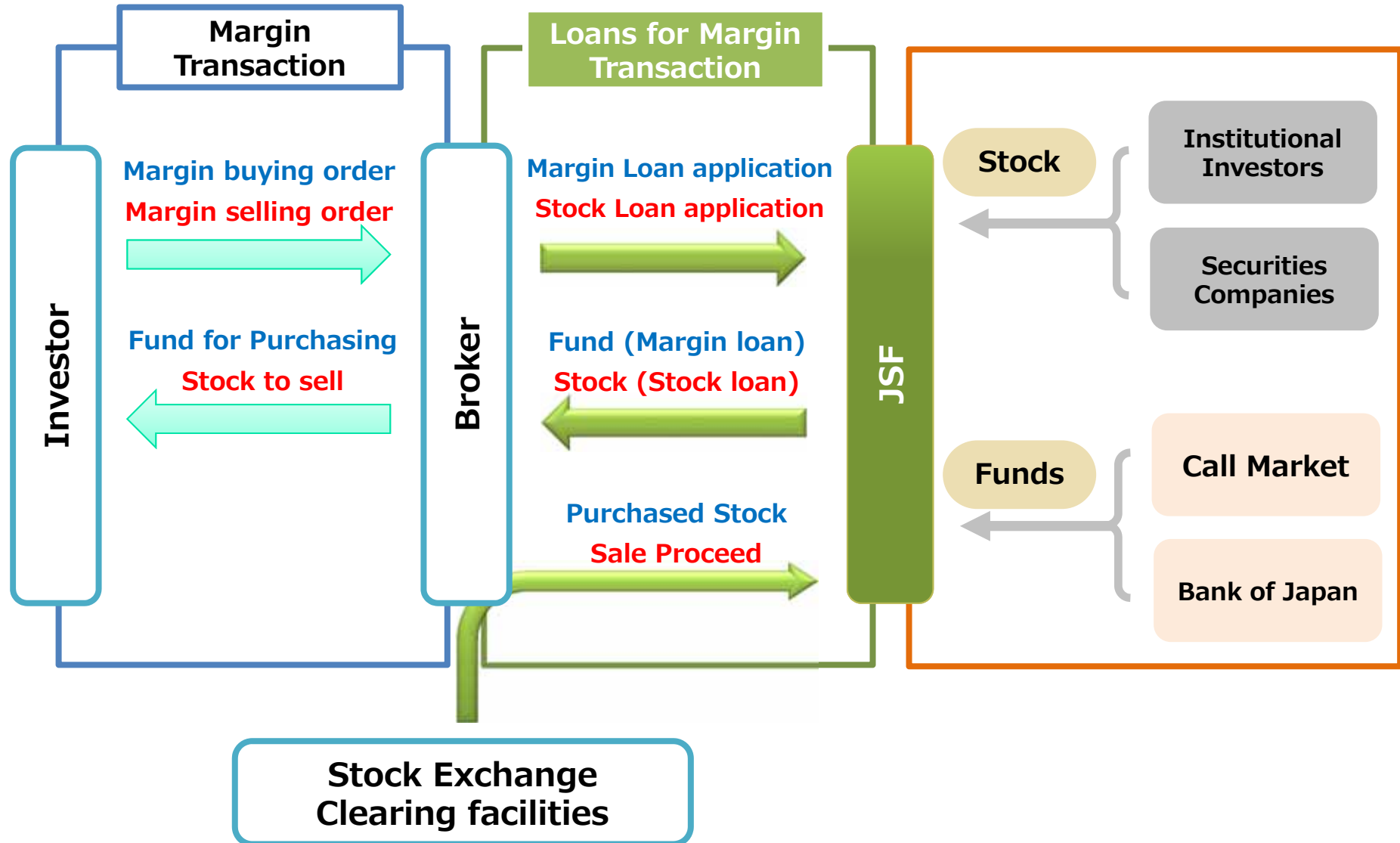
¥ mil

		FY2012	FY2013	FY2014	FY2015	FY2016 Interim	FY2016	FY2017 Interim
Margin Loans	avg.	214,164	490,635	428,329	401,400	263,604	265,458	313,843
	term-end	502,322	601,206	541,052	324,113	263,699	368,508	389,331
Loans of funds other than Margin Loans	avg.	55,865	157,232	223,484	162,347	47,556	44,840	36,162
	term-end	122,011	201,076	254,717	95,046	40,150	40,872	36,084
Trust Bank Loans	avg.	101,094	77,612	58,677	54,561	133,706	149,956	186,347
	term-end	78,641	63,043	54,831	136,089	130,682	176,371	204,041
Others	avg.	13,213	23,092	32,500	28,718	7,500	7,008	357
	term-end	29,500	32,500	32,500	12,500	7,500	2,000	5,000
Total	avg.	384,338	748,572	742,991	647,027	452,366	467,262	536,710
	term-end	732,475	897,825	883,101	567,748	442,033	587,752	634,457
Stock Loans	avg.	183,013	176,476	222,031	227,422	227,353	291,392	373,888
	term-end	216,206	198,781	316,544	258,656	284,606	393,698	454,434

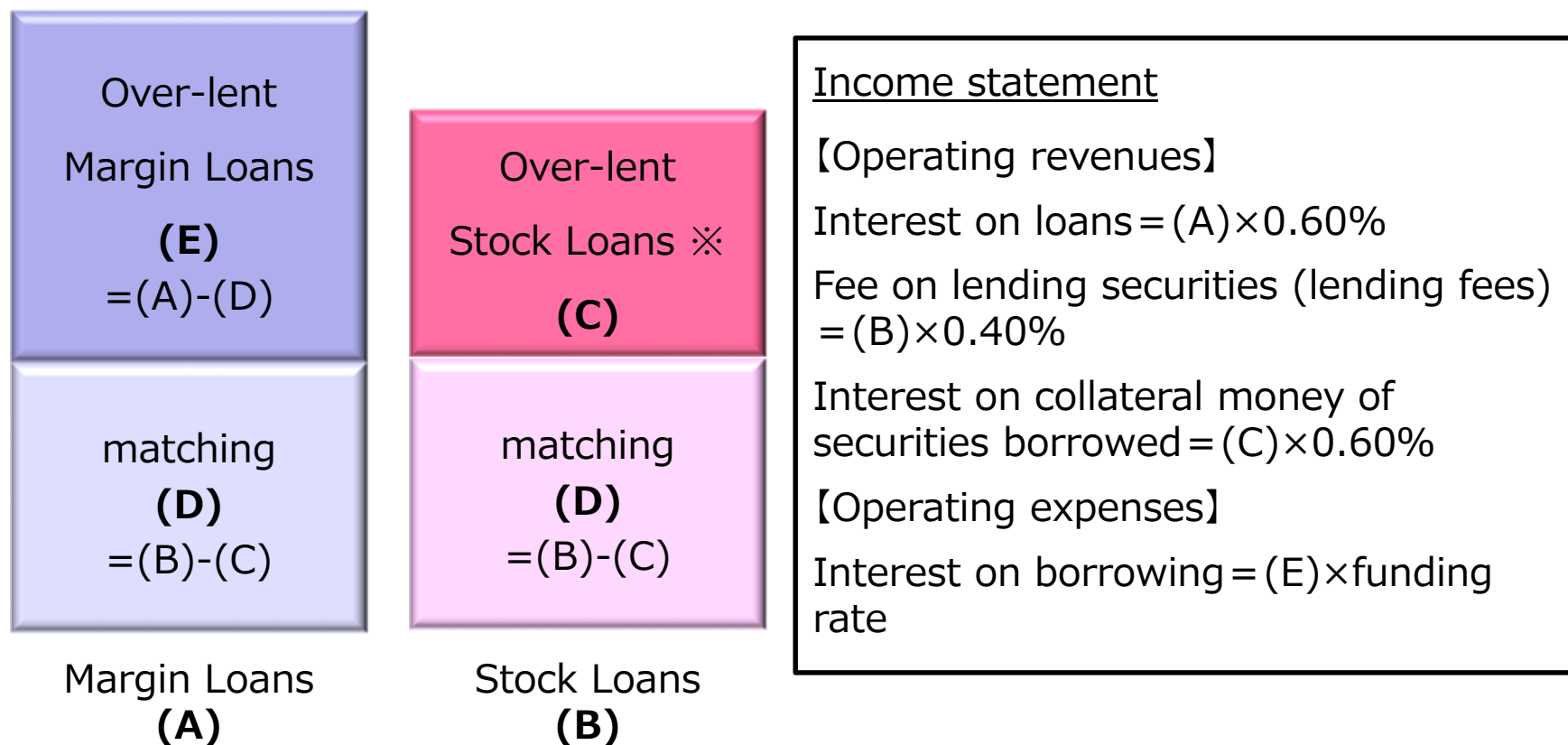
# Margin Transactions & Loans for Margin Transactions



# Structure of Margin Transaction & Loans for Margin Transaction



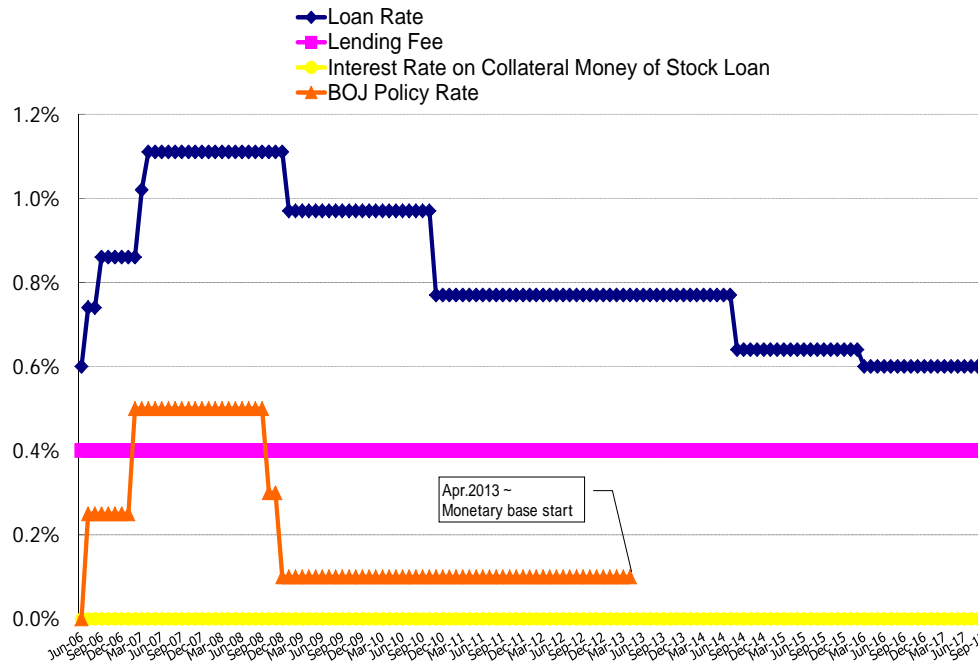
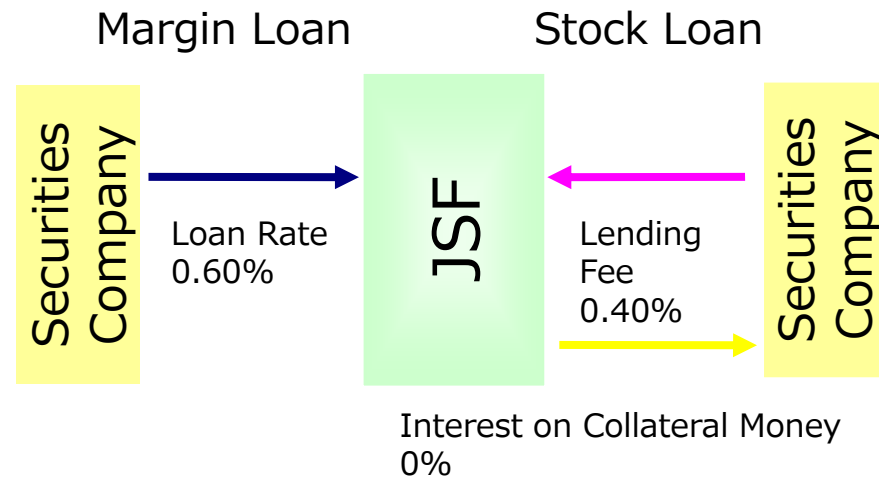
# Revenue structure of Loans for margin transactions



◆ 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

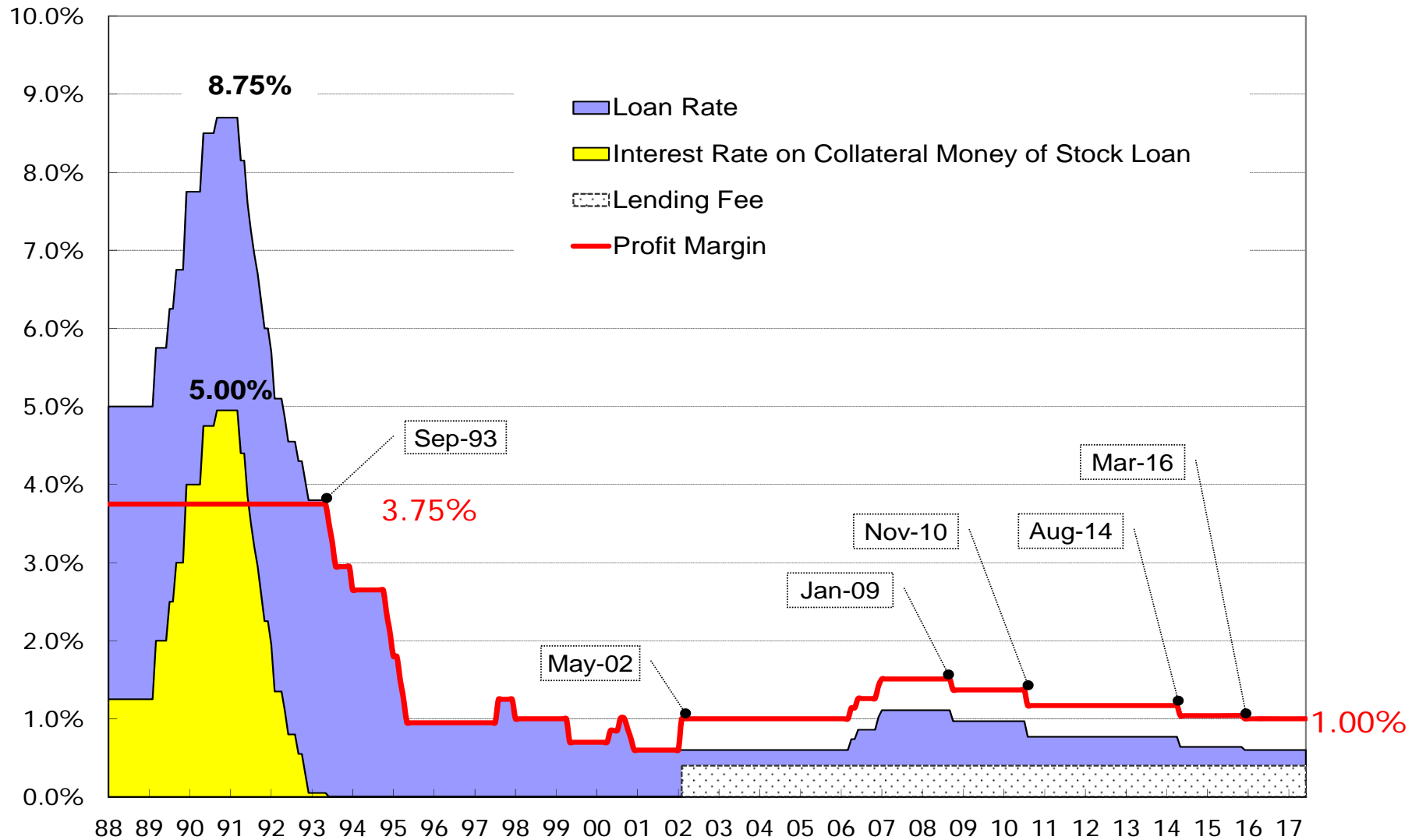
- Jul 2006 Uncollateralized O/N Call Rate: **0.25%**
- Feb 2007 Uncollateralized O/N Call Rate: **0.50%**
- Oct 2008 Uncollateralized O/N Call Rate: **0.30%** ( 0.20%)
- Dec 2008 Uncollateralized O/N Call Rate: **0.10%** ( 0.20%)
- Oct 2010 Uncollateralized O/N Call Rate: **0 ~ 0.10%**  
( 0.10~0%)
- 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



# Securities Holdings

¥ mil

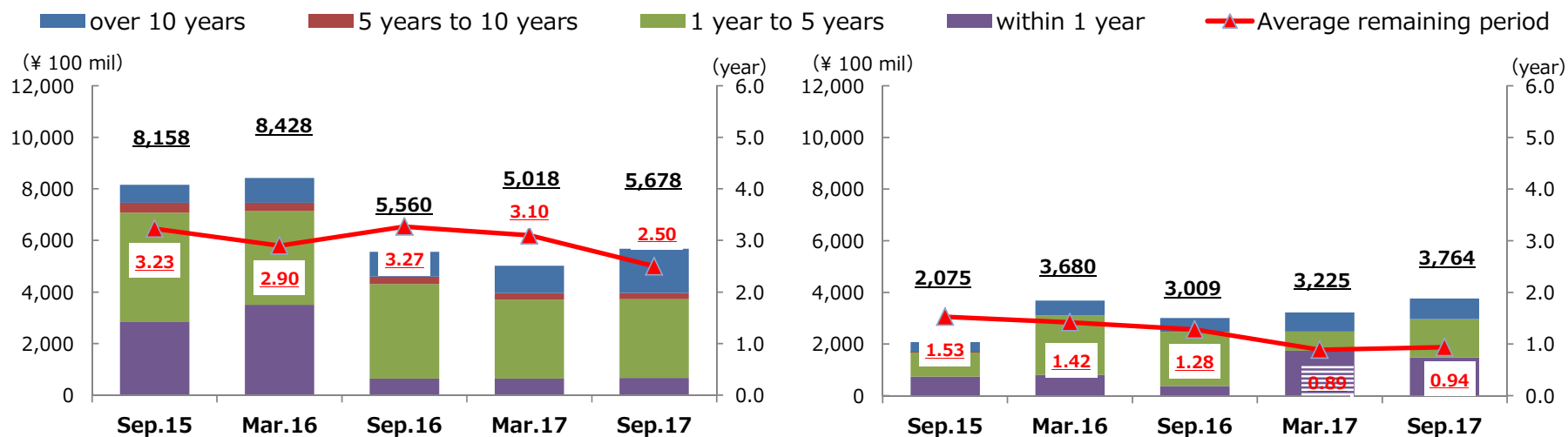
Securities Holdings	Mar-17		Sep-17		notes
	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	
<b>Equity</b>	<b>11,824</b>	<b>6,516</b>	<b>13,873</b>	<b>8,593</b>	
<b>Bond</b>	<b>893,715</b>	<b>20,900</b>	<b>998,266</b>	<b>24,855</b>	
JGB&Municipal Bond	655,082	24,524	685,060	24,048	
Corporate Bond	197,558	166	287,195	5	Mainly Government Guaranteed Bond
Others	41,073	▲3,791	26,010	801	Foreign government bonds
<b>Other Securities</b>	<b>5,791</b>	<b>880</b>	<b>6,662</b>	<b>1,227</b>	
<b>Total</b>	<b>911,330</b>	<b>28,297</b>	<b>1,018,802</b>	<b>34,676</b>	
(included the effects of derivatives)	—	(24,161)	—	(26,722)	

held-to-maturity bonds	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	notes
<b>JGB</b>	<b>1,515</b>	<b>179</b>	<b>1,515</b>	<b>194</b>	

## Yen Bond Portfolio (JSF)

## Yen Bond Portfolio (JSF Trust Bank)



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

# JSF Trust Bank ( Loan Balance)

- Loan Banance by Industry

¥mil

	Sep-16		Mar-17		Sep-17	
	Loan Balance	ratio	Loan Balance	ratio	Loan Balance	ratio
Manufacturing	8,078	6.2%	5,022	2.8%	5,022	2.5%
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	5,119	3.9%	3,941	2.2%	1,769	0.9%
Wholesale	800	0.6%	800	0.5%	800	0.4%
Retail	0	0.0%	0	0.0%	0	0.0%
Finance & Insurance	3,150	2.4%	5,150	2.9%	650	0.3%
Real Estate	2,092	1.6%	1,350	0.8%	500	0.2%
Service Industries	800	0.6%	800	0.5%	800	0.4%
Governments	110,869	84.7%	159,528	90.3%	194,720	95.3%
<b>Total</b>	<b>130,909</b>		<b>176,593</b>		<b>204,263</b>	



# The 5th Mid-term Management Plan (FY2017~FY2019) ①

## 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
- Maintaining solid equity capital, ensure return of profits to shareholders
- Further solidify the profit base
- Further improve the efficiency of organizational and business management

# The 5th Mid-term Management Plan (FY2017~FY2019) ②

2020

## Concept of 5<sup>th</sup> MMP (FY2017-FY2019)

- While bearing in mind the possibility that the current ultra-low interest rates may continue, our Group will work to strengthen our existing business by leveraging the management capabilities and creditworthiness that we have acquired over time in finance and securities business management as well as our market neutrality; at the same time, proactively addressing new domestic and overseas transaction needs.

Enhance the fundamental stability of our business and maintain the trust of markets and investors

### Our initiative under the 4<sup>th</sup> MMP (FY2014-FY2016)

- Since JSF merged with OSF, We had moved forward with efforts to integrate our activities, organization, and system and to create an efficient, dynamic structure.

New financial transaction needs are emerging.

Major changes in the environment

- Along with technical improvements (AI), the globalization and development of finance have increased speed.
- International financial regulations and securities clearing system have undergone further reviews aimed at stabilizing financial market.

Strategies

- Enhancing the Margin Loan Business as part of securities market infrastructure
- Flexibly addressing the needs of domestic and foreign financial instrument companies
- Developing new business
- Diversified management of securities as an efficient use of capital
- Enhancing collaboration with Group companies
- Strengthening business management structure
- Developing an employee-friendly work environment and making the company more dynamic

# The 5th Mid-term Management Plan (FY2017~FY2019) ③

## Business Environment

- Along with technical improvements (AI), the globalization and development of finance have increased speed.
- International financial regulations and securities clearing system have undergone further reviews aimed at stabilizing financial market.

## ~ Reinforcing Management Systems ~

### Enhancing the Margin Loan Business as part of securities market infrastructure

- Increasing the number of loanable issues and enhance procurement capability
- Pursuing stable management of ML business
- Promoting and expand the base of MT & LMT
- Expanding the use of loans for negotiable margin transactions

### Flexibly addressing the needs of domestic and foreign financial instrument companies

- Expanding general loans to financial instrument companies
- Expanding securities lending business
- Expanding loans to individuals

### Developing new business

- Developing new business in Japan and foreign countries
- Promoting effective utilization of resources

### Diversified management of securities as an efficient use of capital

- Securing stable revenues
- Establishing foreign currency funding methods

### Enhancing collaboration with Group companies

- Bolstering coordination in terms of sales and system
- Strengthening profit management

### Strengthening business management structure

- Ensuring that compliance is positioned as a prerequisite of management
- Securing the effectiveness of our internal auditing
- Upgrading our backup arrangements in the event that a major disaster occurs.
- Making corporate governance better

### Developing an employee-friendly work environment and making the company more dynamic

- Increasing the productivity of individual personnel and make the company more dynamic

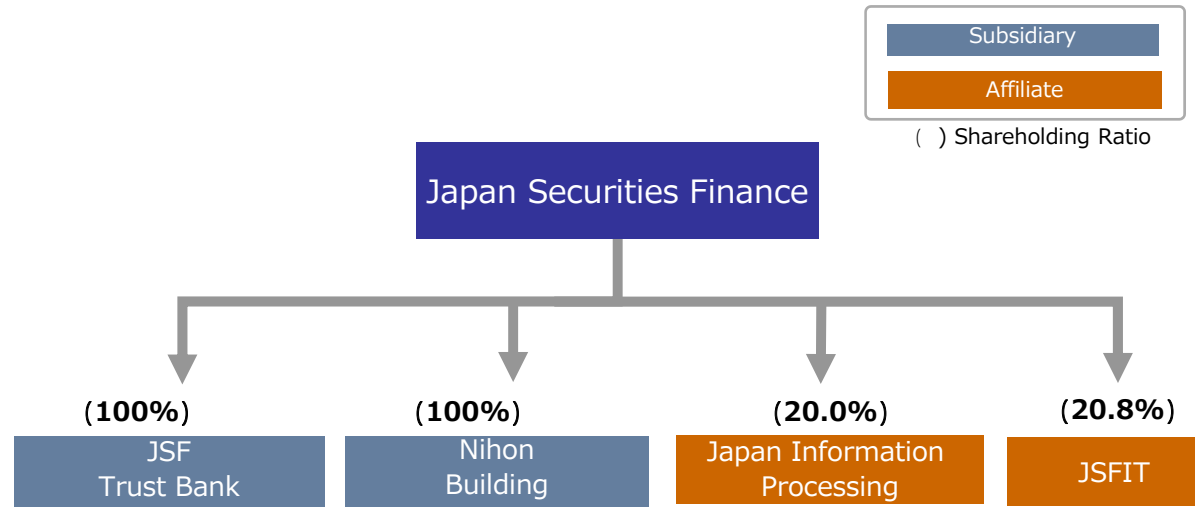
# Business Strategies of JSF Trust Bank

## 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

# Our Group Companies



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

# Rating Information

As of 30/Sep/2017		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.