

Japan Securities Finance Co., Ltd.

1st Half FY2018

Financial Results Presentation

■ 1. Financial Summary for 1 st Half FY2018	P 3
■ 2. Financial Summary for 1 st Half FY2018 (JSF parent)	P 4
■ 3. Financial Highlight (Margin Loan Business①)	P 5
■ 4. Financial Highlight (Margin Loan Business②)	P 6
■ 5. Financial Highlight (Bond Lending Business)	P 7
■ 6. Financial Highlight (Securities Investment of JSF parent)	P 8
■ 7. Summary Financial Results for 1H, FY2018 (JSF Trust Bank)	P 9
■ 8. Balance Sheet Summary (Consolidated)	P 1 0
■ 9. Estimated Figures for FY2018	P 1 1
■ 10. Return to Shareholders	P 1 2
■ 11. Dividend and Share Buyback Program for FY2018	P 1 3
■ 12. Review of the Business Operation system and Initiative to Strengthen the Business Continuity Plan	P 1 4
■ Appendix	P 1 6

1. Summary Financial Results for 1st Half FY2018



(¥ mil)	Consolidated			Parent					
	FY2018 1H	YoY.Δ	(%Δ)	JSF		JSF Trust Bank		Nihon Building	
					YoY.Δ		YoY.Δ		YoY.Δ
Operating Revenues	12,052	▲856	(△6.6%)	10,247	▲847	1,395	13	638	6
<i>Except Premium Charges</i>	9,428	541	(+6.1%)	7,622	551				
Operating Expenses	5,748	▲769	(△11.8%)	5,207	▲592	567	▲147	10	▲0
<i>Except Premium Charges</i>	3,124	624	(+25.0%)	2,583	801				
General & Administrative Expenses	4,077	106	(+2.7%)	3,517	143	418	▲39	341	7
Operating Income	2,226	▲194	(△8.0%)	1,522	▲398	408	200	286	▲0
Recurring Income	2,695	▲27	(△1.0%)	2,077	▲289	409	198	348	14
<i>Gain or Loss in Equity-Method</i>	0	+58	(-)						
Extraordinary Profit or Loss	▲41	▲44	(-)	▲41	▲44	—	—	—	—
Net Income	1,946	▲280	(△12.6%)	1,500	▲528	355	190	232	10

2. Summary Financial Results for 1H, FY2018 (JSF parent)

Japan Securities Finance (parent) *excluding premium charge			
(¥ mil)	FY2018 1H	YoY.Δ	(%Δ)
Operating Revenues*	7,622	551	(+7.8%)
Margin Loan Business*	2,083	▲534	(Δ20.4%)
General Loans Business* ¹	659	244	(+58.9%)
Securities Lending Business* ²	3,281	1,037	(+46.2%)
Others	1,598	▲195	(Δ10.9%)
Operating Expenses*	2,583	801	(+45.0%)
General & Administrative Expenses	3,517	143	(+4.2%)
Operating Income	1,522	▲398	(Δ20.7%)
Recurring Income	2,077	▲289	(Δ12.2%)
Extraordinary Profit or Loss	▲41	▲44	(-)
Net Income	1,500	▲528	(Δ26.0%)

* 1 Loans of funds other than Margin Loan Business

* 2 Securities lending other than Margin Loan Business

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Key Points

● Operating Revenues

◆ **Businesses other than Margin Loan showed strong performance, but revenues decreased due to sluggish margin loan balance.**

- Up ¥551mil YoY reflecting strong performance in General Loan Business(higher loan balance mainly to securities companies) and Securities Lending Business(both General Stock Lending and Bond Lending continued solid performance)
- Others(Securities investment) down 10.9% YoY

※For details of Margin Loan Business, Securities Lending Business and Others, see "Financial Highlights for 1H FY2018(P5-P8)"

● Operating Expenses

- Up ¥801mil reflecting higher fees on borrowing securities related to Securities Lending Business

● Extraordinary Loss

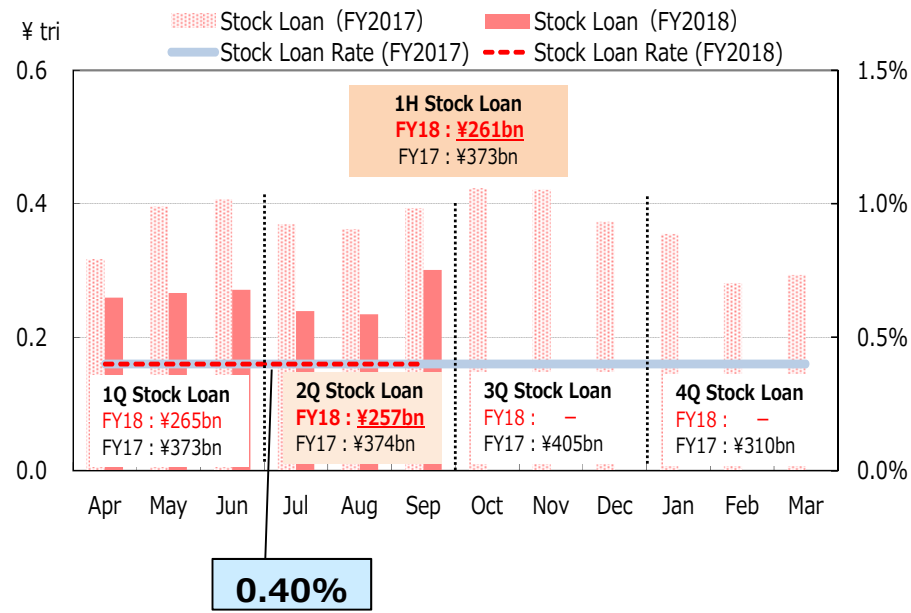
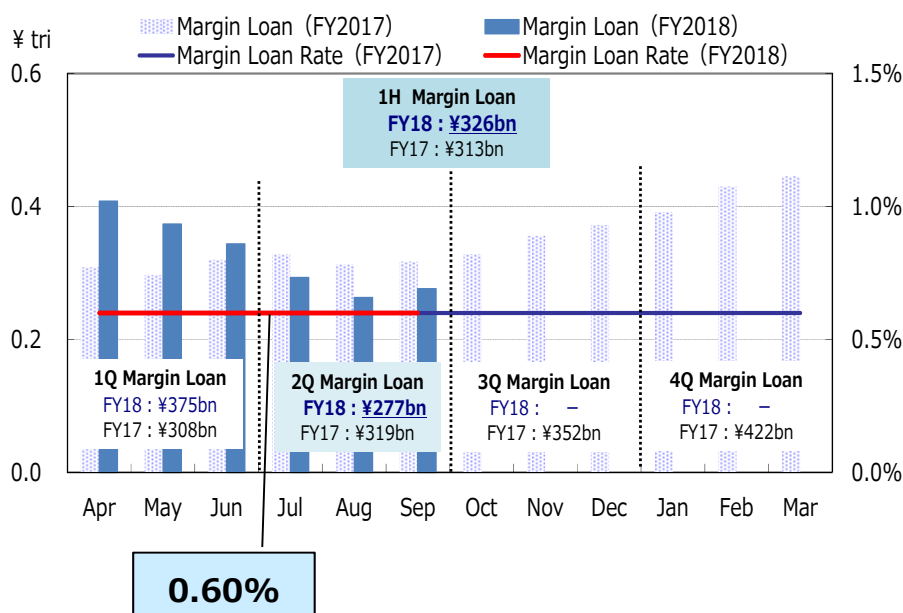
- Recorded disposal loss on old system of Com-Stock Loan

3. Financial Highlight (Margin Loan Business①)



- Margin Loan Balance rose y-o-y in the 1st half, but fell y-o-y in July-September.
- Stock Loan Balance remained at lower level during the 1st half.

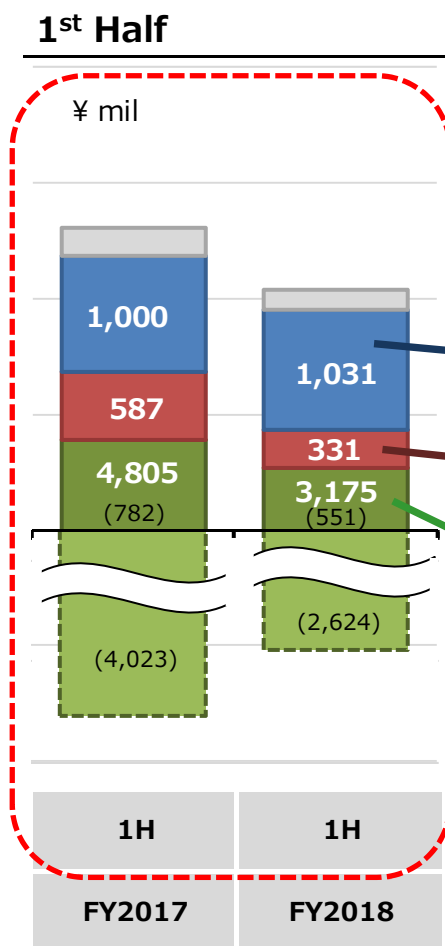
(\$ bn, %)	FY2017						FY2018			2Q YoY	1H YoY
	1Q	2Q	1H	3Q	4Q	full year	1Q	2Q	1H		
Margin Loan	308	319	313	352	422	350	375	277	326	▲41	12
Margin Loan Rate	0.60	0.60	-	0.60	0.60	-	0.60	0.60	-	-	-
Stock Loan	373	374	373	405	310	366	265	257	261	▲116	▲112



4. Financial Highlight (Margin Loan Business②)

- Margin Loan Business resulted in large decrease due to lower level of Stock Loan Balance.

[Operating Revenues Transition]

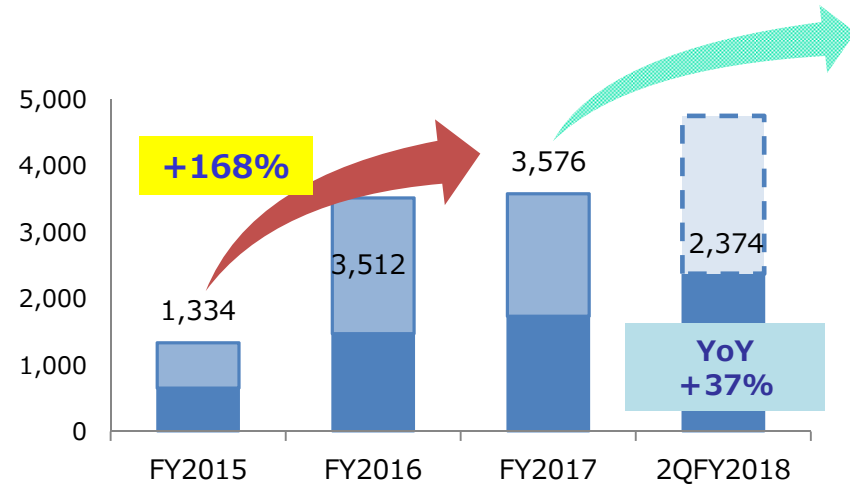


(¥ mil)	1H Revenue (YoY)	1H Point
Margin Loan Business	4,707 (△29.1%)	
(ex premium charges)	2,083 (△20.4%)	✓ Operating revenues of this business, except Premium Charges, resulted in decrease.
Interest on Loans	1,031 (+3.1%)	✓ Interest on Loans increased, because Margin Loan Balance remained steady.
Interest on collateral money of securities borrowed	331 (△43.6%)	
Fees on Lending Securities	3,175 (△33.9%)	✓ Fees on Lending Securities resulted in large decrease, because Stock Loan balance remained at lower level of the same period of the previous year and premium charges on over-lent issues decreased.
Lending Fees	551 (△29.6%)	
Premium Charges	2,624 (△34.8%)	

5. Financial Highlight (Bond Lending Business)

- Revenue increased significantly as a result of solid balance of lending outstanding.
- Pursue further business expansion by increasing the number of bond lenders and borrowers
- Respond to a variety of needs, including the introduction of a repurchase agreement (Gensaki) transaction

Transitions of revenue (¥ mil)

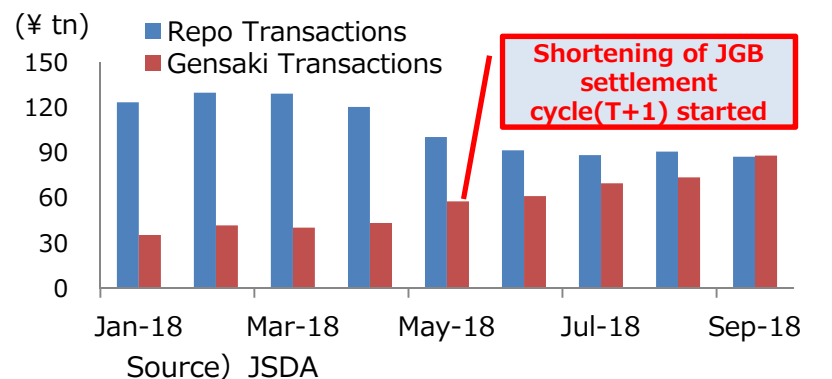


Progress under the 5th Mid-term Management Plan

- Increase the number of bond lenders and borrowers
 - ⋯ Approach to dormant customers, increase the number of new customers, expand automatic extension transactions, etc.

- Revenue increased from FY2016 onwards
- In the 1st Half of the FY under review, revenue increased by 37% YoY, and revenue continued to be strong.

Outstanding of Repo and Gensaki in the Market



6. Financial Highlight (Securities Investment of JSF parent)



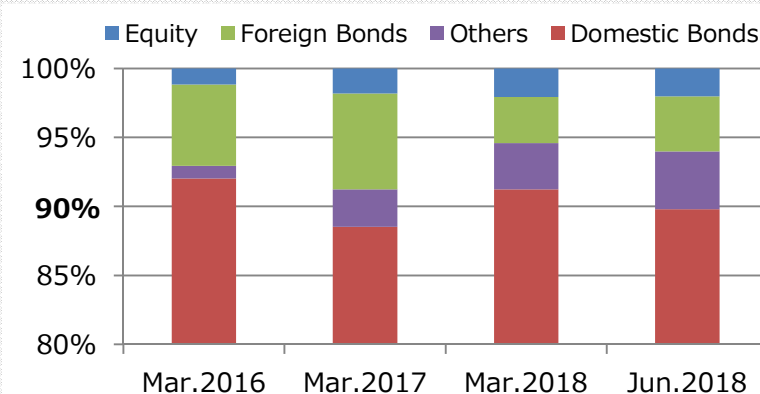
Revenue from foreign bonds and investment trust decreased

Revenue from securities investment (JSF)

	1H FY2018	YoY
Domestic Bonds	¥ 940 mil	+¥ 214 mil
Foreign Bonds	¥ 169 mil	△¥ 404 mil
Others*	¥ 478 mil	△¥ 8 mil
Total	¥ 1,588 mil	△¥ 197 mil

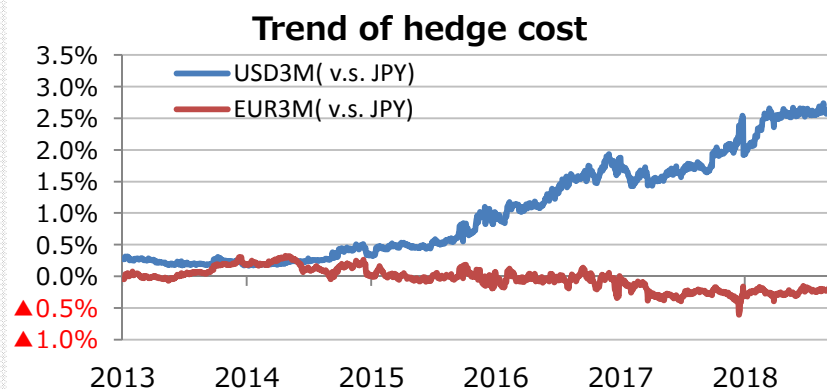
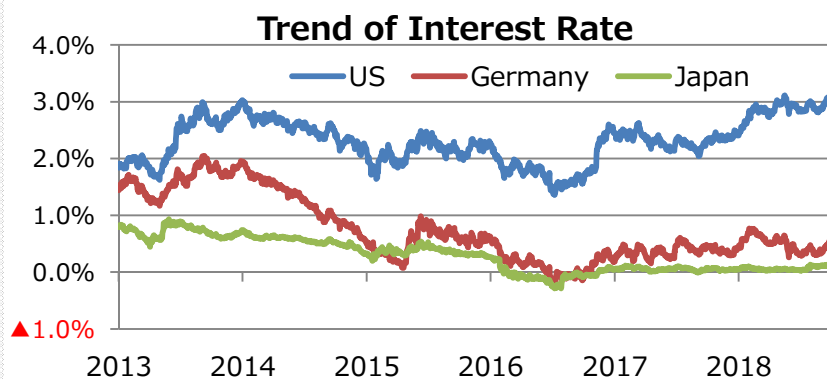
※ Investment Trust, etc.

Transition of investment portfolio



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

source) Bloomberg



7. Summary Financial Results for 1H, FY2018 (JSF Trust Bank)



Highlights

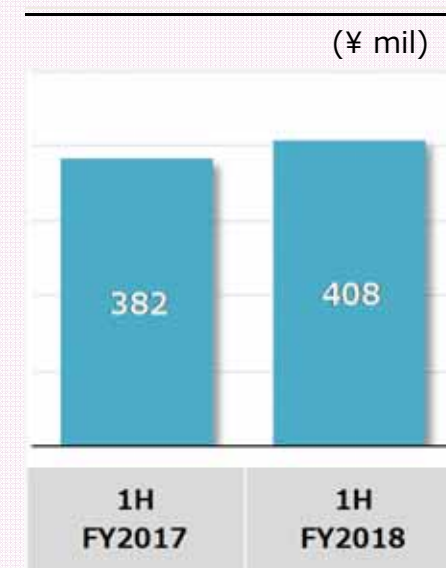
- Trust charges remained stable, contributing from strengthening custodian type trust service.
- Interest on Loans decreased due lower interest rate on loans. Interest on investment securities decreased due to decrease in outstanding of investment securities.
- Gains on sales of bonds increased. Funding costs decreased.
- Recurring Income and Net Income increased compared with the last year.

JSF Trust Bank			
(¥ mil)	FY2018 1H	YoY	
			(%)
Recurring Revenue	¥ 1,452	65	(+4.7%)
Trust charges	408	26	(+6.8%)
Reversal of ADR*	56	53	(+1,919.0)
Recurring Expenses	1,042	▲133	(△11.3%)
Provision of ADR*	—	—	(—)
Recurring Income	409	198	(+94.3%)
Net Income	164	190	(+115.7%)

*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).



8. Balance Sheet Summary (end of Sep-2018, consolidated)



¥mil

	Sep-18	Change from Mar-18	
Total assets	5,460,926	500,764	
Current assets	4,825,059	663,573	
Cash & Deposit	1,042,461	264,566	Deposit at BOJ
Short-term investments	142,437	81,620	JGB and other bonds (Maturity: 1 year or less)
Short-term loans receivable	881,989	▲ 120,941	Margin loan / Loans for negotiable margin transactions / General loans / Trust bank loans
Collateral money of securities borrowed	2,179,271	11,101	Collateral money of bond borrowing Collateral money of stock borrowing
Non-current assets	635,866	▲ 162,808	
Investments in securities	622,400	▲ 164,831	JGB and other bonds (Maturity: more than 1 year), Stock
Total liabilities	5,317,420	501,070	
Current liabilities	5,297,432	504,980	
Call money	1,254,497	483,082	
Short-term borrowings	8,010	▲ 7,500	Bank borrowing Market operation by BOJ
Commercial Paper	194,000	▲ 265,000	
Collateral money received of securities lent	2,392,698	▲ 112,437	Collateral money of bond lending Collateral money of stock lending
Borrowed money from trust account	935,944	▲ 25,666	
Non-current liabilities	19,988	▲ 3,909	
Total net assets	143,505	▲ 305	

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 funding and borrowed money from trust account.

Features of Liabilities

(1) Ensuring variety methods of fund raising

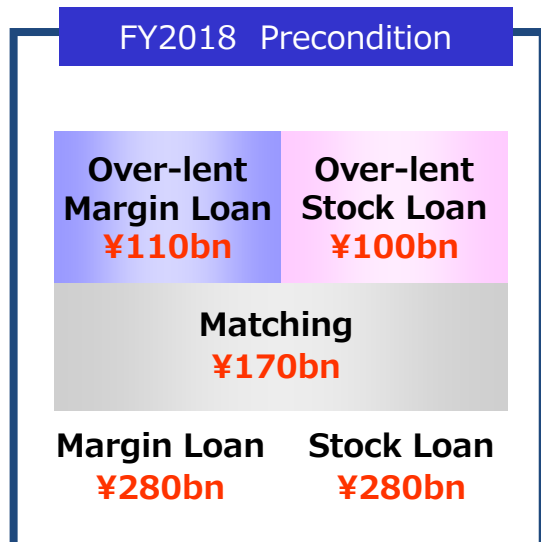
Ensuring varieties of methods of fund raising (Bank borrowing, CP, Call money, Bond repo, etc.) for responding to situations of money market and meeting clients' needs.

(2) Borrowed money from trust account

Reserved money of trust account of JSF Trust Bank.

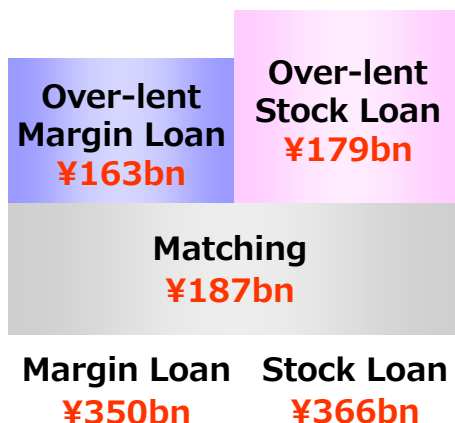
9. Estimated Figures for FY2018

Precondition Balance of Margin Loans



(Reference)

FY2017 Results



(¥ mil)		FY2018 Estimated Figures		
			YoY.Δ	Δ from prev. EF
Consolidated				
Operating Income		2,600	▲281	▲100
Recurring Income		3,300	▲185	—
Net Income		2,600	▲1,125	—
JSF				
Operating Income		2,600	▲305	—
Recurring Income		3,400	▲225	—
Net Income		2,400	▲1,039	—
JSF Trust and Banking				
Recurring Income		590	169	190
Net Income		510	170	170
Nihon Building				
Operating Income		545	▲22	—
Recurring Income		650	1	—
Net Income		430	2	—

Preconditions of Loans for Margin Transactions

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

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.

11. Dividend and Share Buyback Program for FY2018

		FY2017	FY2018 (Forecast, Framework)
Dividend	Annual	¥ 26 (YoY +¥2)	¥ 22 (YoY ▲¥4)
	Interim	¥ 9 (YoY +¥1)	¥ 11 (YoY +¥2)
	Year-end	¥ 17 (YoY +¥7)	¥ 11 (YoY ▲¥6)
	Consolidated DPR	58.8%	67.1%
Share Buyback	No. of shares to be acquired	1.5mil shs	Up to 1.0mil shs*
	Ratio to total shares issued	1.5%	1.0%
	Total Value to be acquired	¥ 0.9bn	Up to ¥ 0.8bn*
	Period	From 12 May 2017 to 16 Mar 2018	From 6 June 2018 to 22 Mar 2019
Total Return Ratio		79.3%	85.0%

*Buyback of Treasury Stock (Jun-Nov 2018) : 1.0mil shares, 6.39mil¥

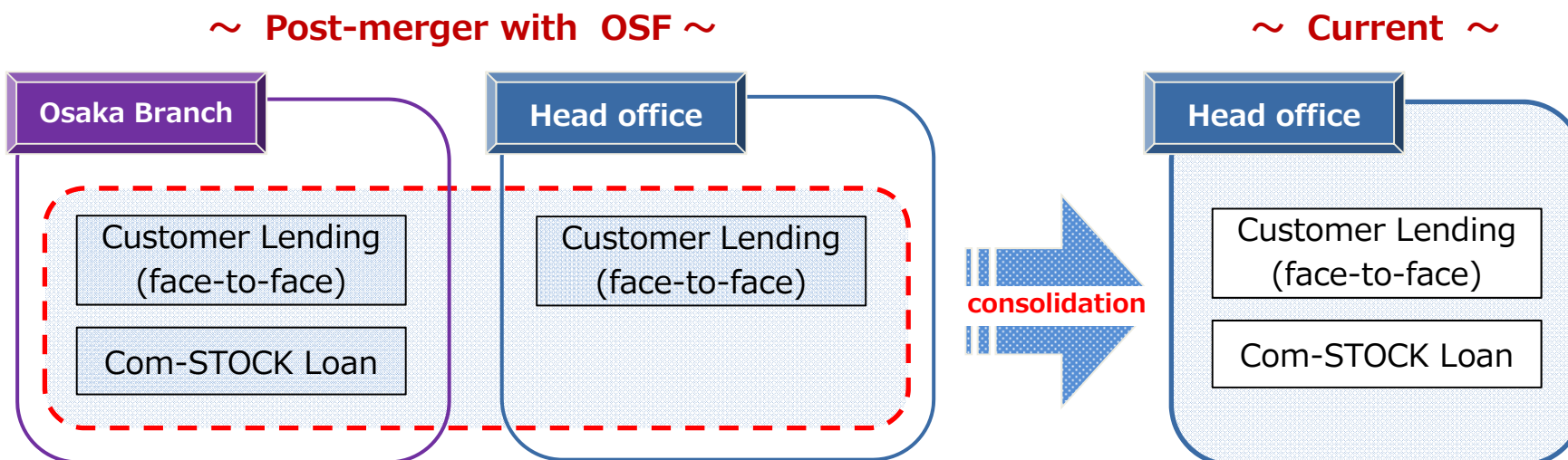
12. Review of the Business Operation system and Initiative to Strengthen the Business Continuity Plan I

Review of the Business Operation (consolidation of the head office of customer loan operations)

- ✓ At the time of the merger with the former OSF in July 2013, both the head office and the Osaka branch started providing customer lending services in parallel in order to ensure smooth transition of customer lending business.
- ✓ Subsequently, efforts had been made to improve the efficiency of customer lending operations, such as the partial abolition of face-to-face lending operations.
- ✓ In May of this year, data center was established in the Kanto region in line with the start of operations of the new Com-STOCK Loan system (formerly in the Kansai region)



- ◆ The business operations were consolidated at the head office on Sep.18 this year to optimize the business operations.

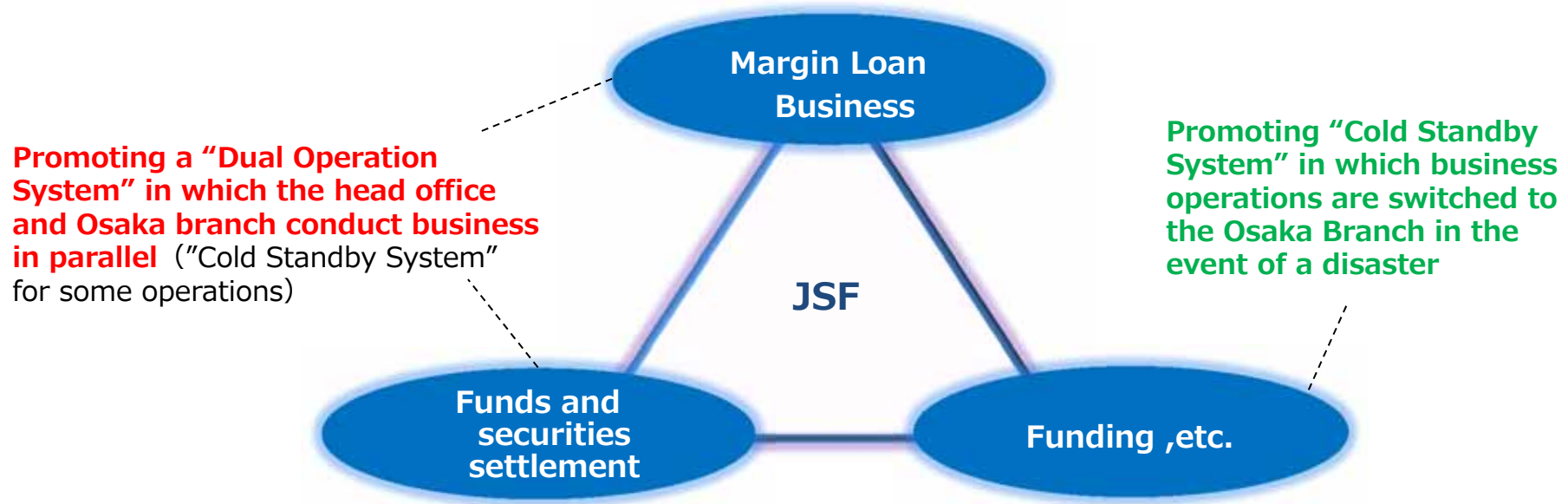


13. Review of the Business Operation system and Initiative to Strengthen the Business Continuity Plan II

Efforts to Strengthen the BCP System (Utilization of the Osaka Branch Office)

Background	<ul style="list-style-type: none">✓ In 2003, the Central Disaster Management Council reviewed damage estimates in the event of an earthquake with an epicenter in western Japan and Tokyo metropolitan area.✓ Review of the BCP system by JPX Group : designated Margin Transactions as one of the operations eligible for continuity in the event of a wide-area disaster
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- ◆ One of the strategies of the 5th Mid-term Management Plan is to establish the Osaka Branch as a base for BCPs in order to continue our core business (Margin Loan Business) even in the event of disaster in Kanto region.
- ◆ At the same time, the Osaka Branch will be used as a sales base in western Japan to further promote sales.



Appendix

- Dividend and Share Buyback Program (historical)
- Share Buyback Results
- Financial Result (Historical data)
- Breakdown of Operating Revenues by business (Historical data)
- Breakdown of Operating Revenues by business (Quarterly)
- Analysis of YoY Change in Operating Revenue by business (Quarterly)
- Outstanding Loan Balance
- Margin Transactions & Loans for Margin transactions
- Structure of Margin Transaction & Loans for Margin Transactions
- Revenue structure of Loans for margin transactions
- Margin Loan Rates
- Features of Balance Sheet (Consolidated)
- Securities Holdings
- JSF Trust Bank (Loan Balance)
- The 5th mid-term Management Plan I
- The 5th mid-term Management Plan II
- The 5th mid-term Management Plan III
- Business Strategies of JSF Trust Bank
- Rating Information

● Dividend and Share Buyback Program (historical) JSF

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018 Forecast/ Framework
Annual Dividend per share	¥14	¥14	¥15	¥16	¥18 (Interim ¥8 Year-end ¥10)	¥26 (Interim ¥9 Year-end ¥17)	¥22
Share Buyback (shs)	—	—	7.46mil	3mil	0.63mil	1.5mil	1.0mil
(amount)	—	—	¥4.6bn	¥1.9bn	¥0.3bn	¥0.9bn	¥0.8bn
<Consolidated> : Net Income	¥1.7bn	¥6.2bn	¥3.5bn	¥2.6bn	¥3.0bn	¥4.2bn	¥3.2bn
: EPS	¥19.1	¥60.4	¥33.9	¥26.9	¥31.9	¥44.2	¥33.9
: DPR	73.3%	23.2%	44.2%	59.5%	56.4%	58.8%	64.9%
: DOE	1.2%	1.2%	1.2%	1.2%	1.2%	1.8%	1.4%
(reference) Total Return Ratio	73.3%	23.2%	173.9%	133.1%	66.3%	79.3%	95.0%

● Share Buyback Results

Resolution of share buyback program (announced on May14, 2018)

- ◆ Number of shares to be acquired : up to 1.0million shares
- ◆ Ratio to total shares issued : 1.0%
- ◆ Total value to be acquired : ¥0.8bn
- ◆ Schedule : from 6 Jun 2018 to 22 Mar 2019

【The past results】

	start	end	total shares purchased		amount		cancellation	shares issued
			shs	(digestive rate)	¥ mil	(digestive rate)		
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
Result In FY2017	2017/5/12	2018/3/16	1,500,000	-	890	-	0	100,000,000
Limit for FY2018	2018/6/6	2019/3/22	1,000,000	-	800	-	-	-
Result	Jun-18		200,000	(20.0%)	126	(15.8%)	0	100,000,000
	From Jul-18 to Sep-18		80,000	(8.0%)	50	(6.3%)	0	100,000,000
	Oct-18		0	(0.0%)	0	(0.0%)	0	100,000,000
	6-Nov-18		720,000	(72.0%)	462	(57.8%)	0	100,000,000
Total	FY2018		1,000,000	(100.0%)	639	(79.9%)	0	100,000,000

● The Trend of Financial Result (consolidated)

¥ mil

	FY2013	FY2014	FY2015	FY2016	FY2017 2Q	FY2017	FY2018 2Q
Operating Revenues	19,566	20,300	22,035	23,066	12,909	26,333	12,052
Ex Premium charges	16,195	15,856	16,160	16,522	8,886	18,383	9,428
Operating Expenses	8,747	9,450	11,537	11,892	6,518	13,330	5,748
Ex Premium charges	5,413	5,008	5,672	5,358	2,499	5,385	3,124
General & Administrative Expenses	8,249	7,824	7,939	8,371	3,970	9,121	4,077
Operating Income	2,568	3,025	2,558	2,802	2,420	3,881	2,226
Gain or Loss in Equity-Method	179	▲144	54	92	▲57	123	0
Recurring Income	3,119	4,230	3,349	3,611	2,723	4,685	2,695
Extraordinary Profit or Loss	3,602	54	—	▲52	3	131	▲41
Net Income	6,211	3,520	2,645	3,078	2,227	4,225	1,946

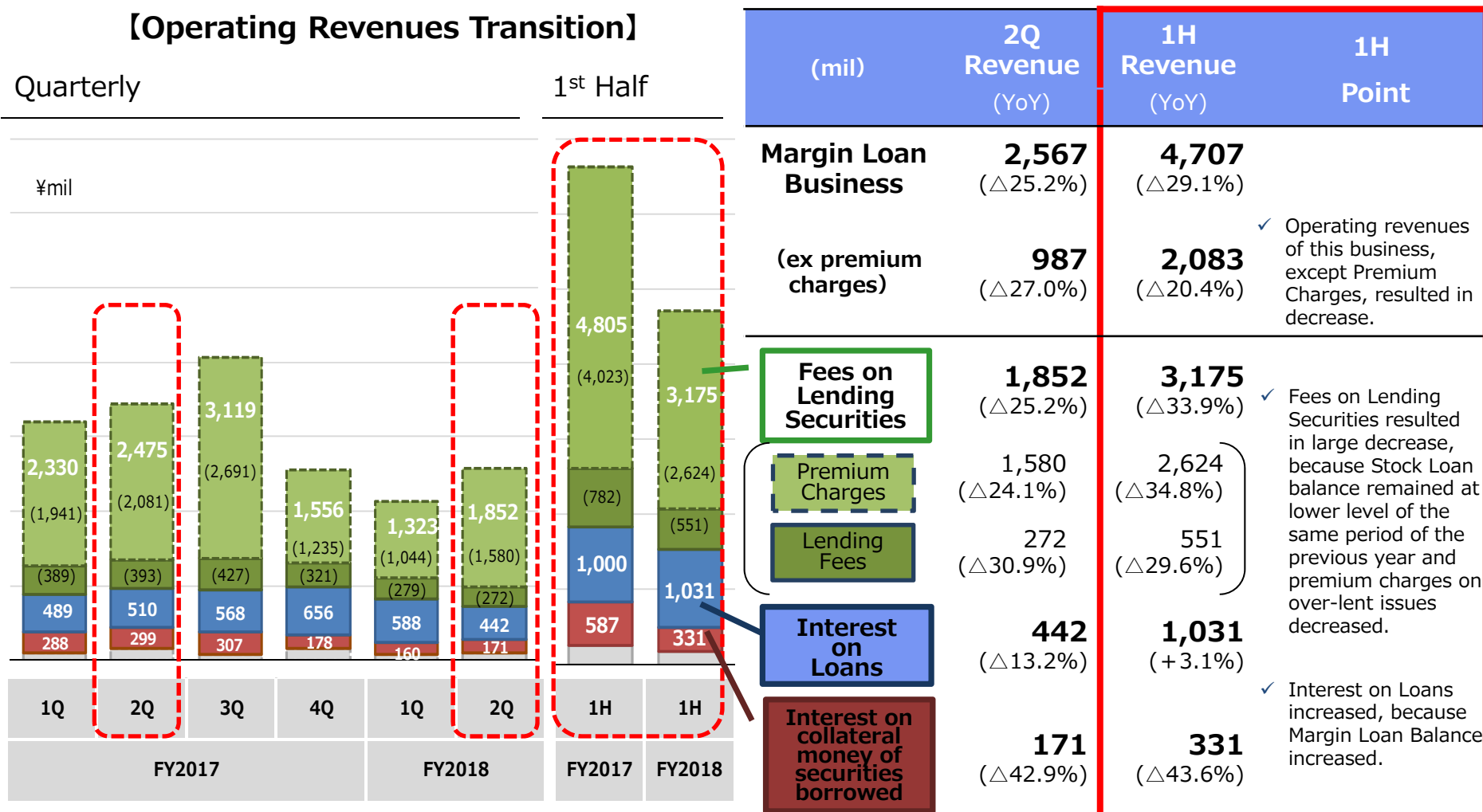
● Breakdown of Operating Revenues by business (Historical data)

	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Sep-17	Mar-18	Sep-18
	¥ mil							
Securities Finance Business	14,093	16,363	17,162	17,776	19,407	11,092	22,487	10,247
Margin Loan Business	6,625	9,240	9,667	10,579	10,721	6,640	13,253	4,707
	(37.5%)	(47.2%)	(47.6%)	(48.0%)	(46.5%)	(51.4%)	(50.3%)	(39.1%)
Interest on Loans	1,760	4,012	3,111	2,720	1,694	1,000	2,225	1,031
Interest on collateral money of securities borrowed	652	436	611	575	887	587	1,073	331
Fees on Lending Securities	3,746	4,132	5,389	6,840	7,771	4,805	9,481	3,175
Premium Charges	2,957	3,371	4,443	5,874	6,543	4,023	7,949	2,624
Lending Fees	789	761	945	966	1,227	782	1,531	551
Business other than Margin Loan Business								
Loan to Securities companies & Investors	810	1,959	2,107	1,753	907	414	917	658
	(0.0%)	(0.0%)	(0.0%)	(7.9%)	(3.9%)	(3.2%)	(3.5%)	(5.5%)
Securities Lending Business	1,862	2,217	2,294	2,241	4,453	2,242	5,035	3,281
	(10.5%)	(11.3%)	(11.3%)	(10.2%)	(19.3%)	(17.4%)	(19.1%)	(27.2%)
Stock Lending	289	425	784	907	941	508	1,458	907
Bond Lending	1,573	1,791	1,509	1,334	3,512	1,734	3,576	2,374
Others	4,794	2,946	3,094	3,201	3,325	1,794	3,281	1,598
	(27.1%)	(15.1%)	(15.2%)	(14.5%)	(14.4%)	(13.9%)	(12.5%)	(13.2%)
Bond Investment (Parent only)	4,719	2,838	2,979	3,111	3,305	1,785	3,263	1,588
Trust Business	2,762	2,322	2,269	3,451	2,792	1,380	2,971	1,364
	(15.6%)	(11.9%)	(11.2%)	(15.7%)	(12.1%)	(10.7%)	(11.3%)	(11.3%)
Interest on Loans	590	317	186	144	147	50	89	33
Trust Charges	338	485	545	627	668	360	741	371
Bond Investment	1,808	1,494	1,507	2,645	1,899	944	2,087	923
Real Estate Management Business	819	880	868	807	865	435	873	219
	(4.7%)	(4.5%)	(4.3%)	(3.7%)	(3.8%)	(3.4%)	(3.3%)	(3.7%)
Operating Revenues	17,675	19,566	20,300	22,035	23,066	12,909	26,333	12,052
(excluded Premium Charges)	14,718	16,195	15,856	16,160	16,522	8,886	18,383	9,428

● Breakdown of Operating Revenues by business (Quarterly)

Margin Loan Business resulted in large decrease due to lower level of Stock Loan Balance

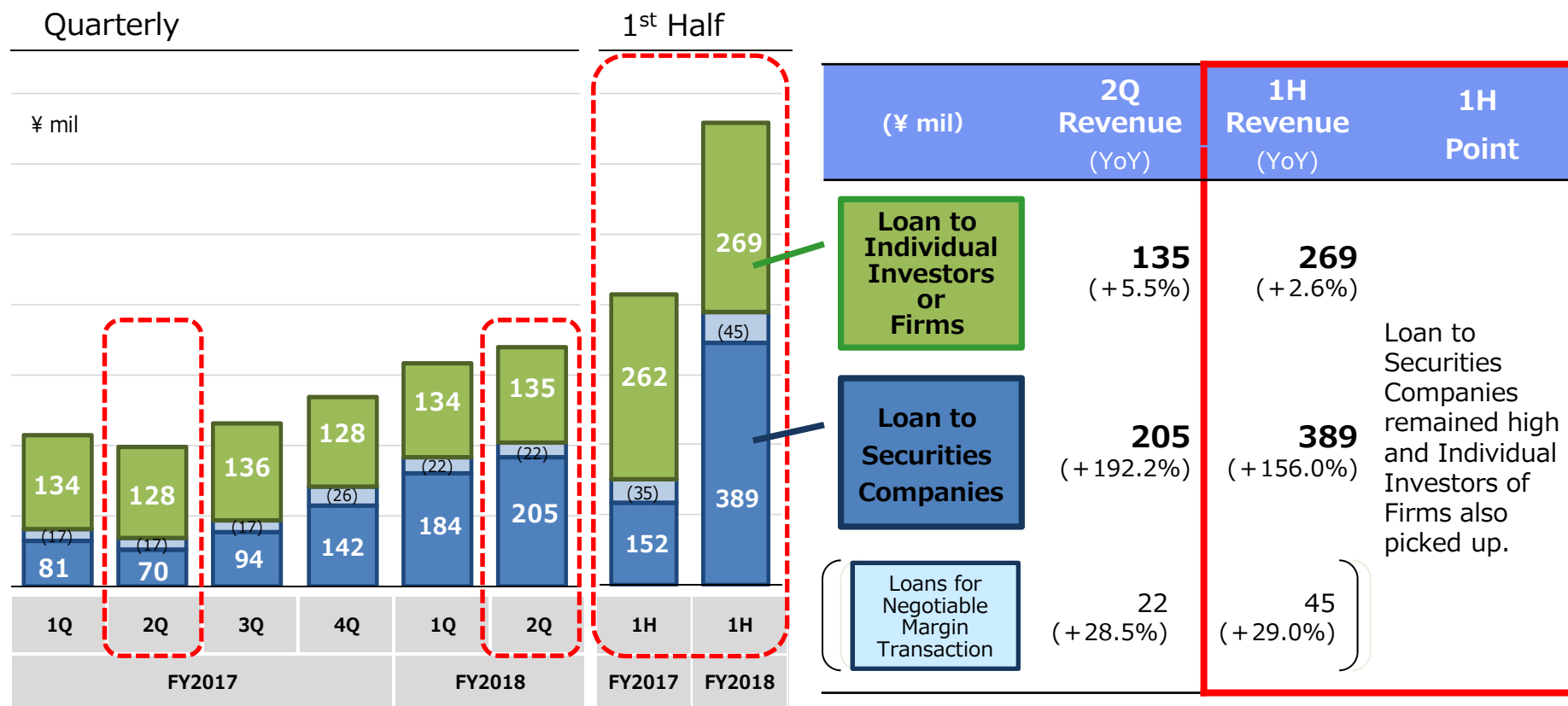
【Operating Revenues Transition】



● Breakdown of Operating Revenues by business (Quarterly) JSF

General Loans Business resulted in increase due to higher loan balance.

【Operating Revenues Transition】



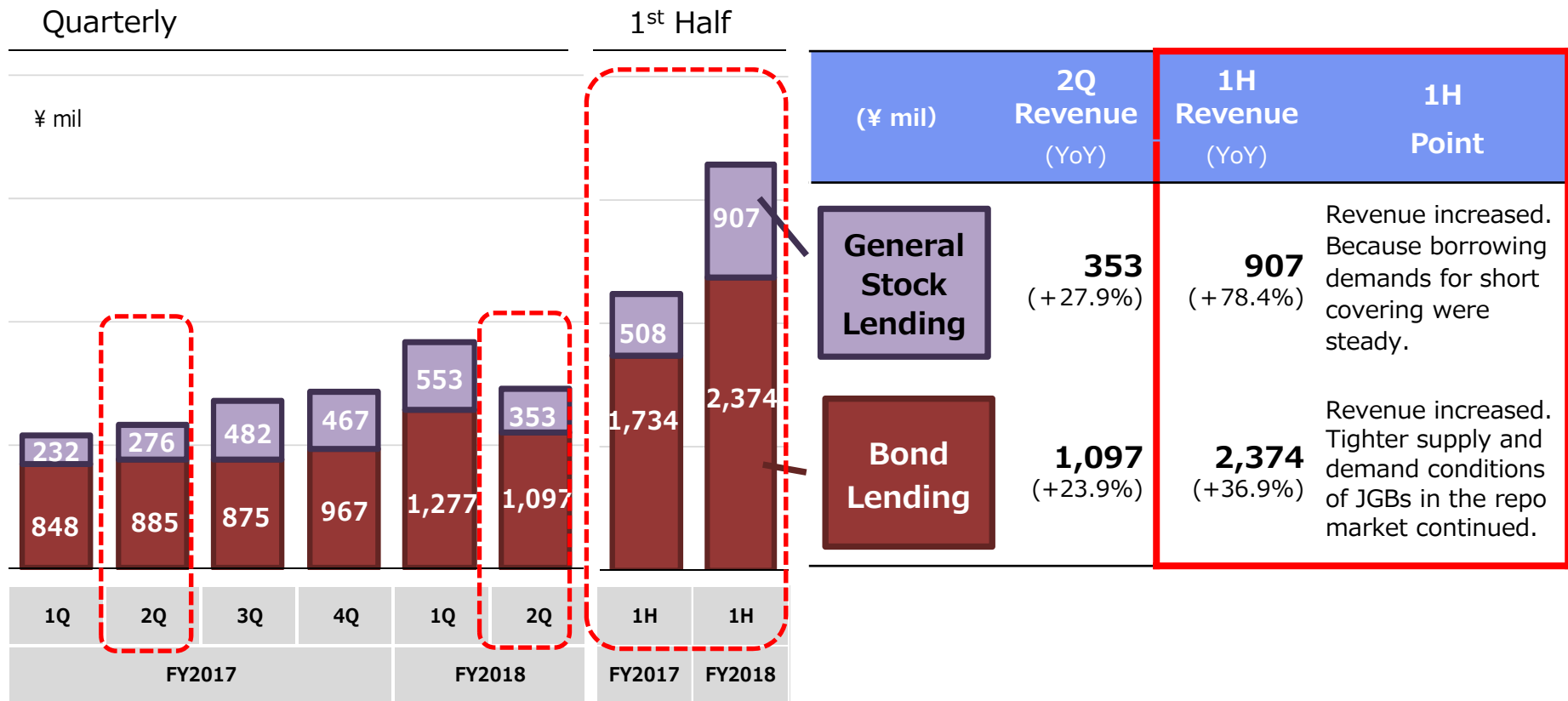
< Loan Lineup >

- ◆ 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 continued solid performance

【Operating Revenues Transition】



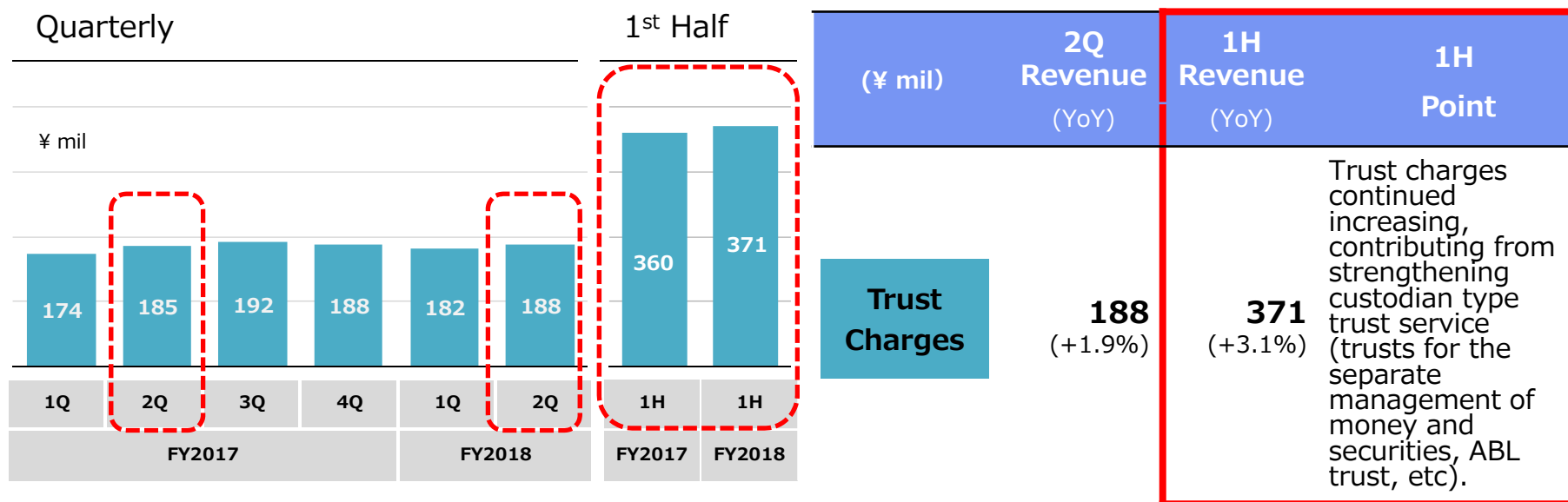
※ General Stock Lending is ...

- 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

JSF Trust Bank : Trust charges remained steady.

【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

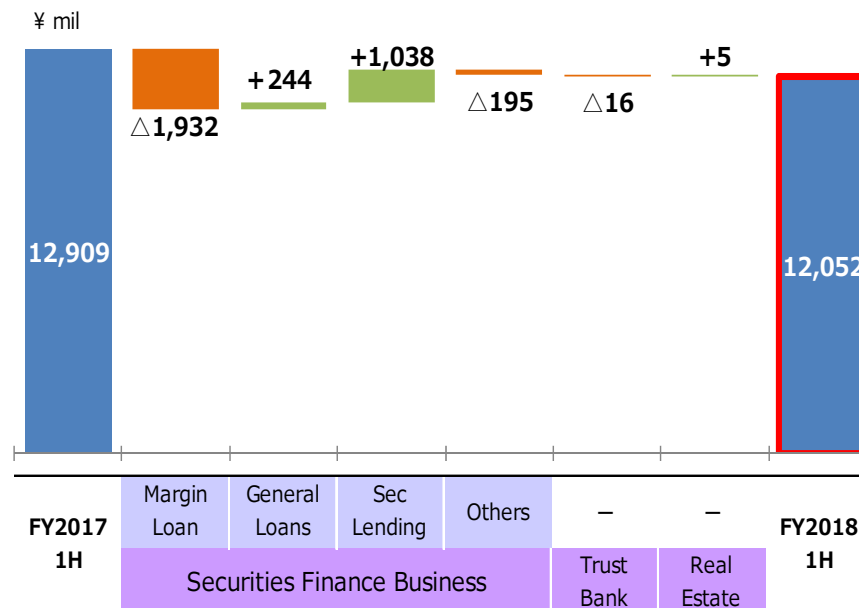
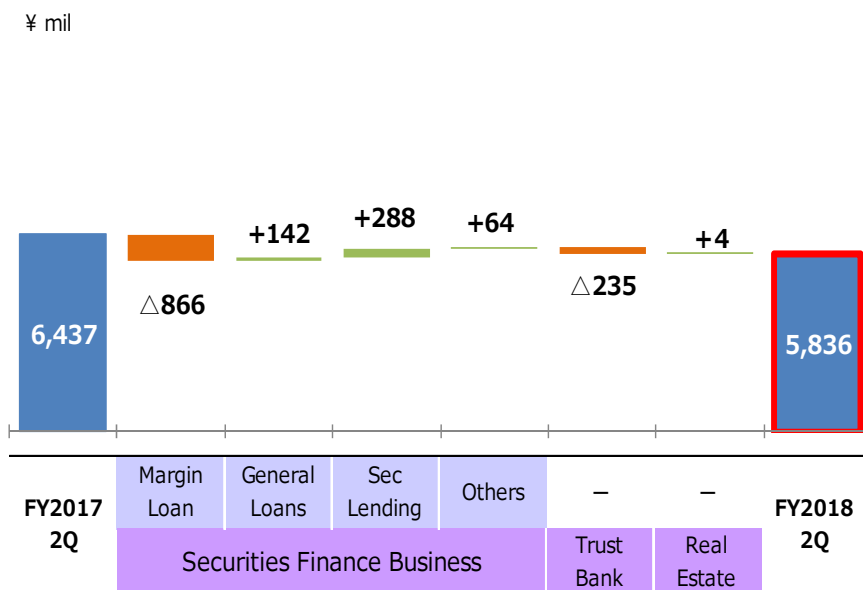
Asset Backed Loan (ABL) Trust

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 601mil¥ (Δ 9.3%)

[First Half] YoY Δ 856mil¥ (Δ 6.6%)



~ Summary of the point for quarterly ~

- **Margin Loan Business** : Revenue decreased due to a decrease of Margin Loan Balance
- **General Loan Business** : Resulted in increase driven by higher balance.
- **Securities Lending Business** : Both General Stock Lending and Bond Lending showed solid performance.
- **Trust Bank** : Gains on sales of bonds decreased.

~ Summary of the points for 1st Half ~

- **Margin Loan Business** : The revenue decreased largely affected from a decrease in Stock Loan Balance.
- **General Loans Business** : Resulted in increase driven by higher balance of loans mainly to securities companies.
- **Securities Lending Business** : Both revenue of General Stock Lending and Bond Lending increased.
- **Others** : The revenue from foreign bonds and investment trust decreased.

● Outstanding Loan Balance

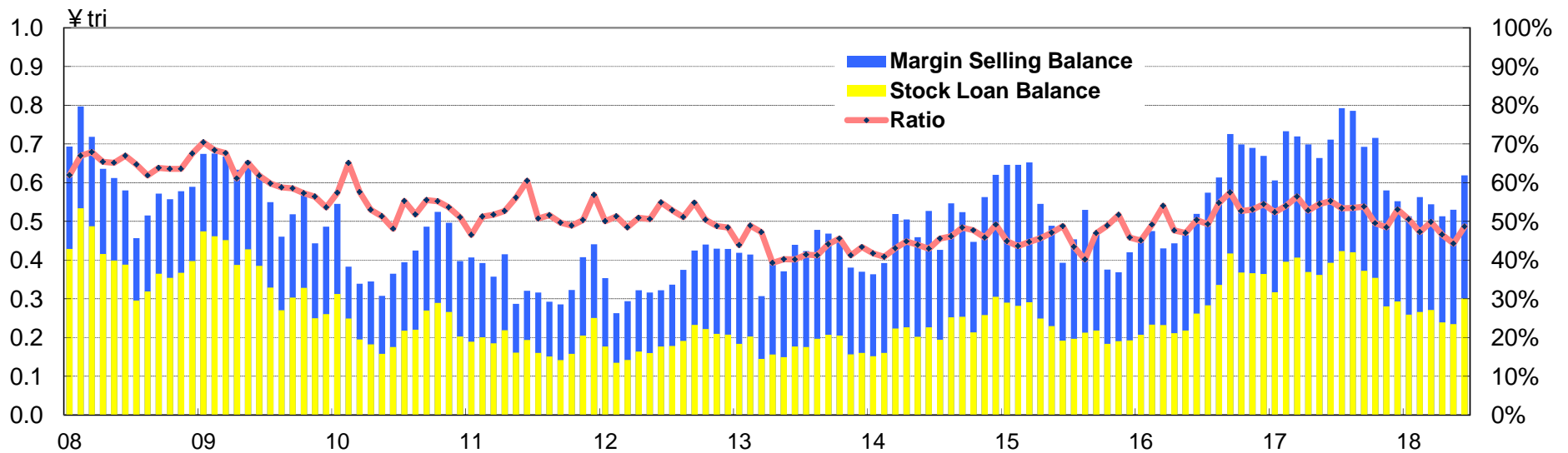
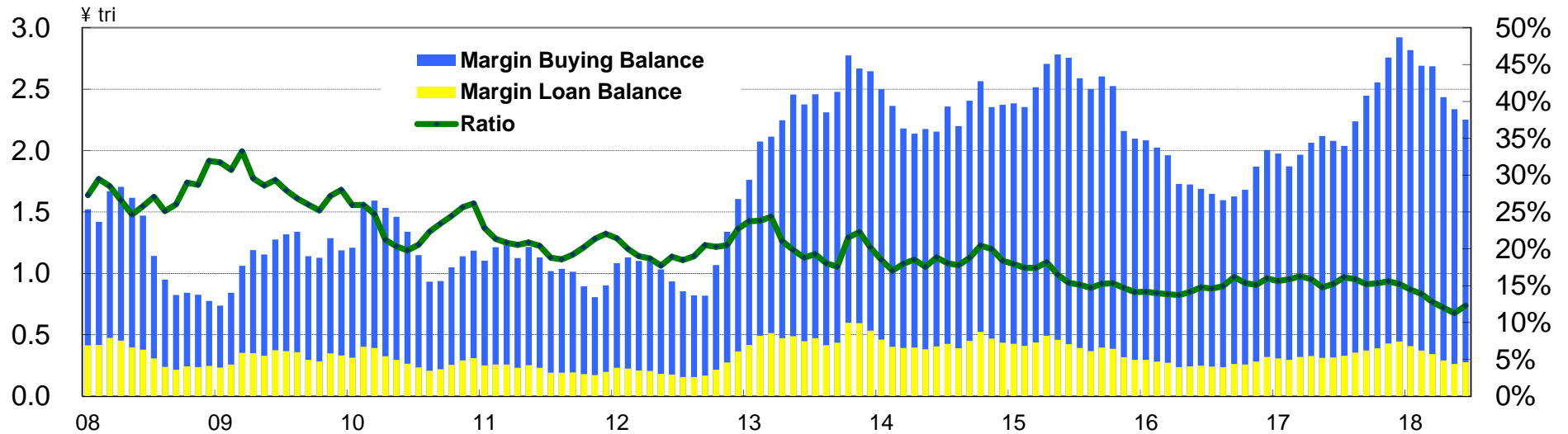
(Year average and Interim balance)



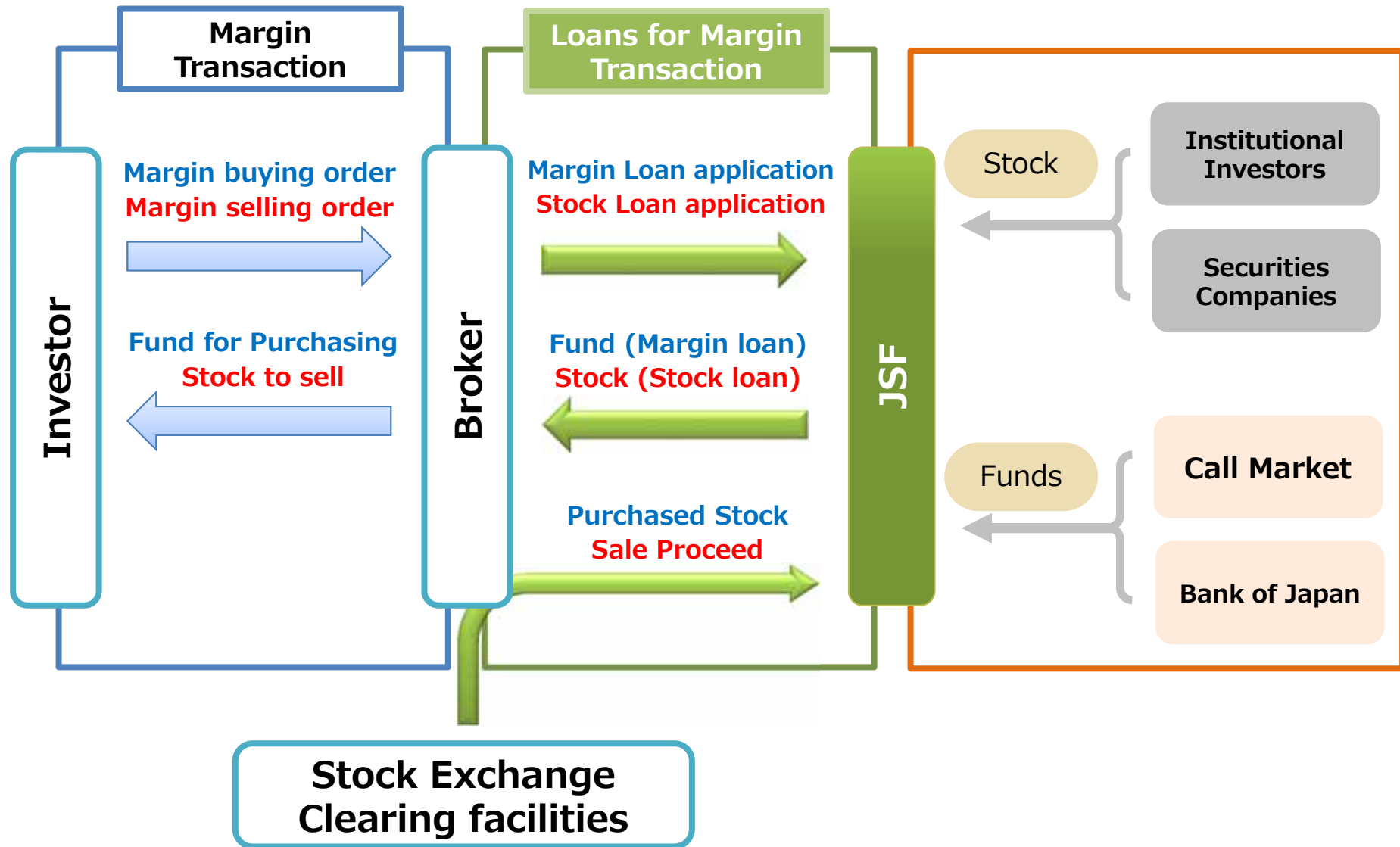
¥ mil

		FY2013	FY2014	FY2015	FY2016	FY2017 Interim	FY2017	FY2018 Interim
Margin Loans	avg.	490,635	428,329	401,400	265,458	313,843	350,175	326,076
	term-end	601,206	541,052	324,113	368,508	389,331	519,590	305,360
Loans of funds other than Margin Loans	avg.	157,232	223,484	162,347	44,840	36,216	46,331	94,091
	term-end	201,076	254,717	95,046	40,872	41,084	58,142	76,471
Trust Bank Loans	avg.	77,612	58,677	54,561	149,956	186,347	273,561	413,546
	term-end	63,043	54,831	136,089	176,371	204,041	425,197	500,157
Others	avg.	23,092	32,500	28,718	7,008	303	152	-
	term-end	32,500	32,500	12,500	2,000	-	-	-
Total	avg.	748,572	742,991	647,027	467,262	536,710	670,220	833,714
	term-end	897,825	883,101	567,748	587,752	634,457	1,002,931	881,989
Stock Loans	avg.	176,476	222,031	227,422	291,392	373,888	366,147	261,650
	term-end	198,781	316,544	258,656	393,698	454,434	369,852	415,901

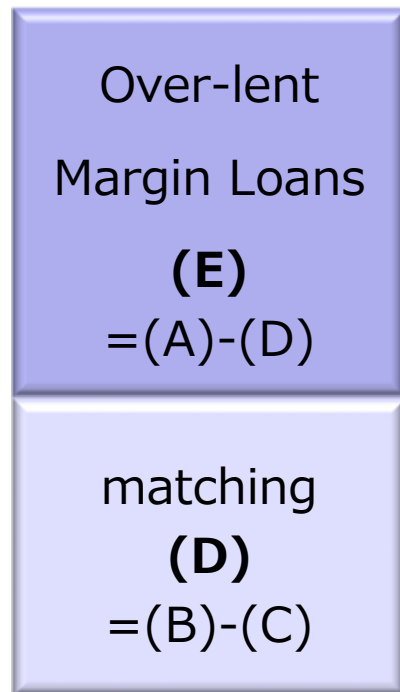
● Margin Transactions & Loans for Margin Transactions



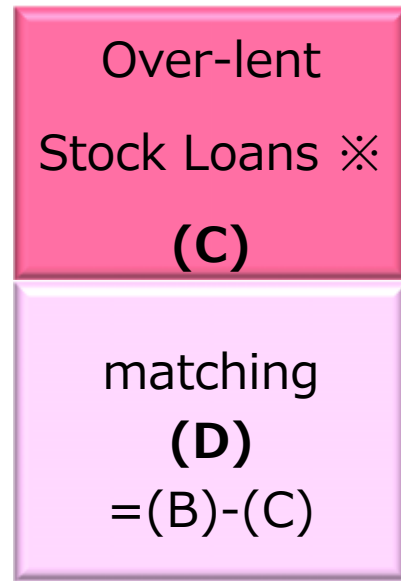
● Structure of Margin Transaction & Loans for Margin Transaction



● Revenue structure of 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 = $(C) \times 0.60\%$

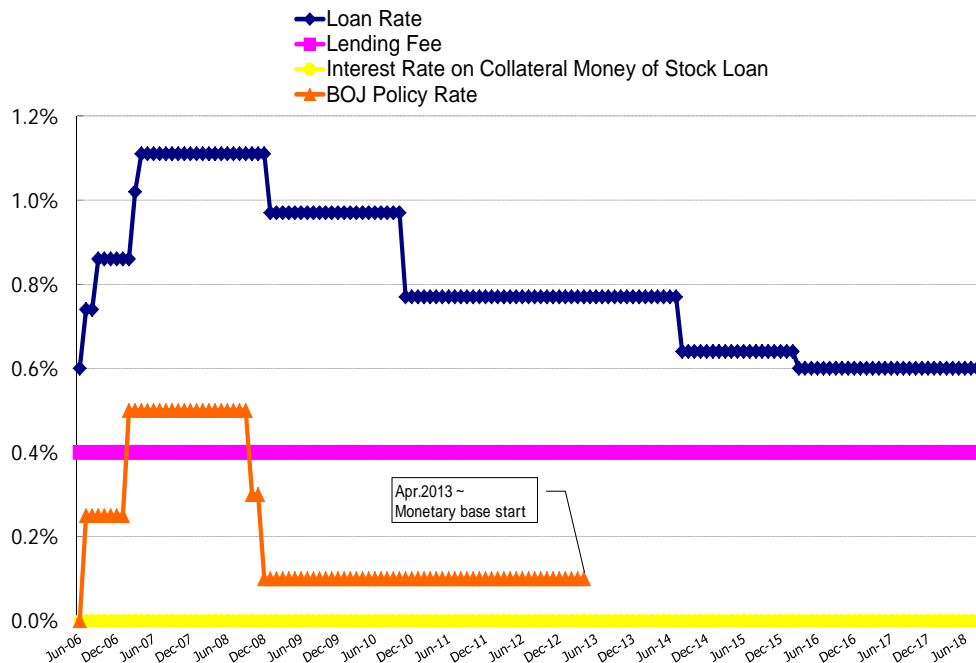
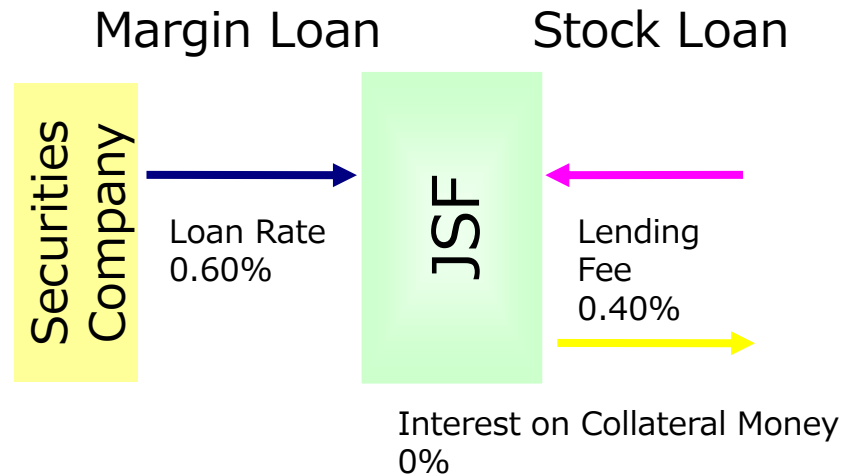
【Operating expenses】

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

◆ Besides the above, Premium Charges are posted in Operating Revenues (Fees on Lending Securities) in 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) = $(C) \times \text{rate of Premium charges}$

● Margin Loan Rate



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BOJ Policy Interest Rate

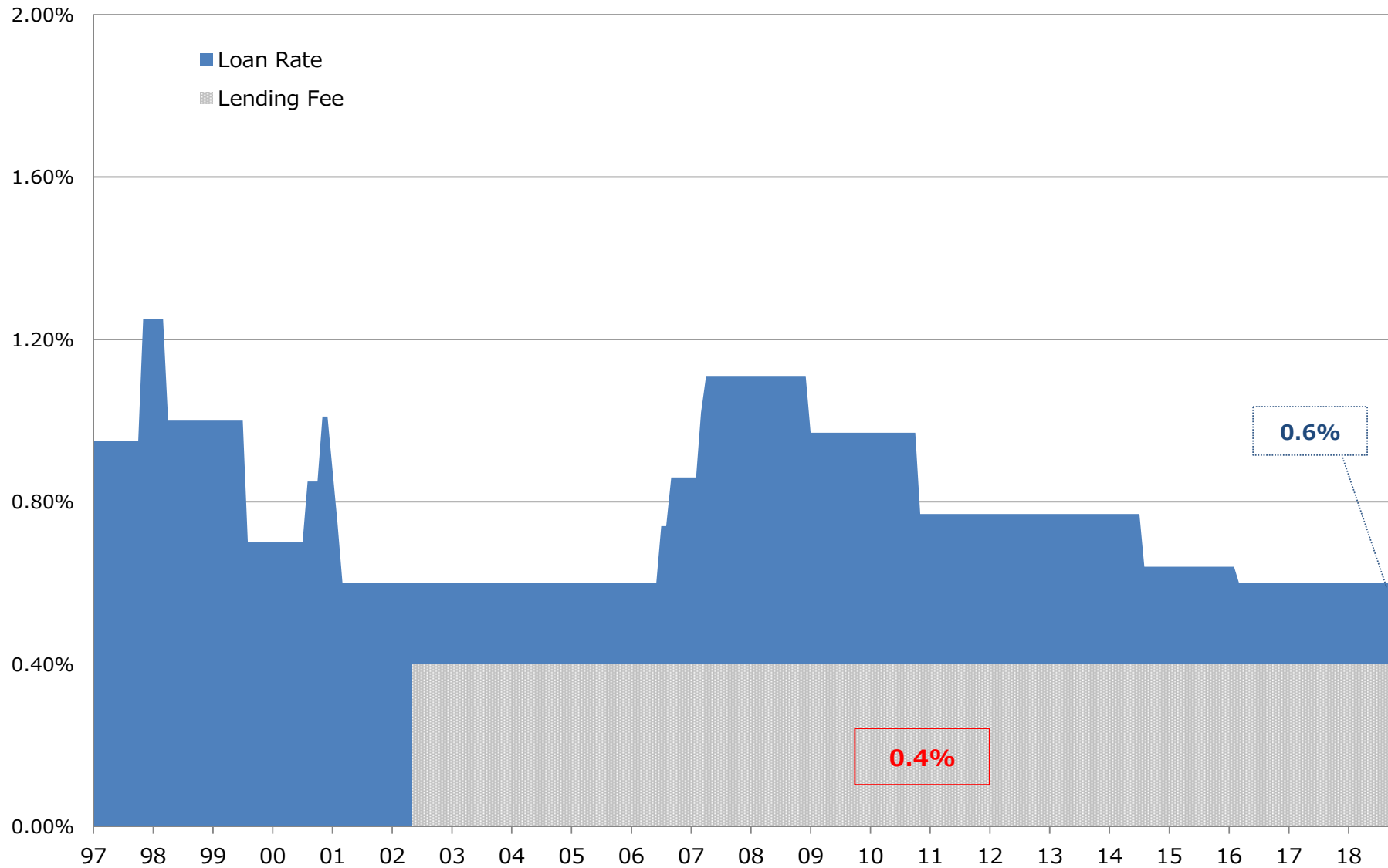
- Jul 2006 Uncollateralized O/N Call Rate: **0.25%**
- Feb 2007 Uncollateralized O/N Call Rate: **0.50%**
- Oct 2008 Uncollateralized O/N Call Rate: **0.30%** (**0.20%**)
- Dec 2008 Uncollateralized O/N Call Rate: **0.10%** (**0.20%**)
- Oct 2010 Uncollateralized O/N Call Rate: **0 ~ 0.10%** (**0.10~0%**)
- 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-18		Sep-18		notes
	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	
Equity	13,741	8,461	13,905	8,626	
Bond	806,526	25,412	716,055	18,076	
JGB&Municipal Bond	640,687	25,631	636,899	18,083	
Corporate Bond	145,665	8	54,274	42	Government Guaranteed Bond ,etc.
Others	20,173	▲227	24,881	▲49	Foreign government bonds
Other Securities	6,255	1,328	10,588	1,333	
Total	826,522	35,203	740,549	28,035	
(included the effects of derivatives)	—	(27,584)	—	(26,118)	

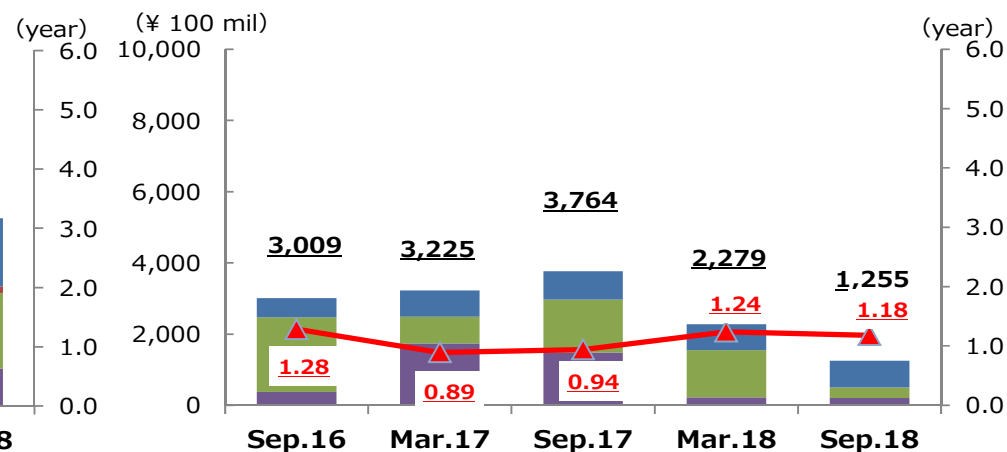
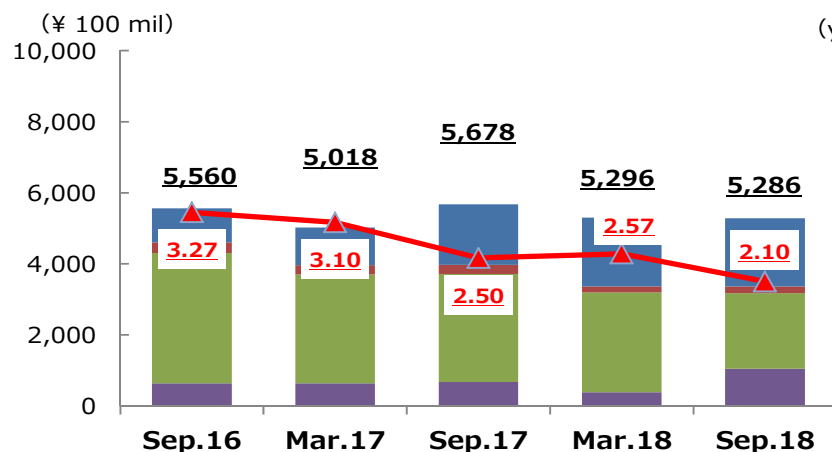
held-to-maturity bonds	BS計上額	評価損益	BS計上額	評価損益	notes
JGB	1,514	208	1,514	175	

※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

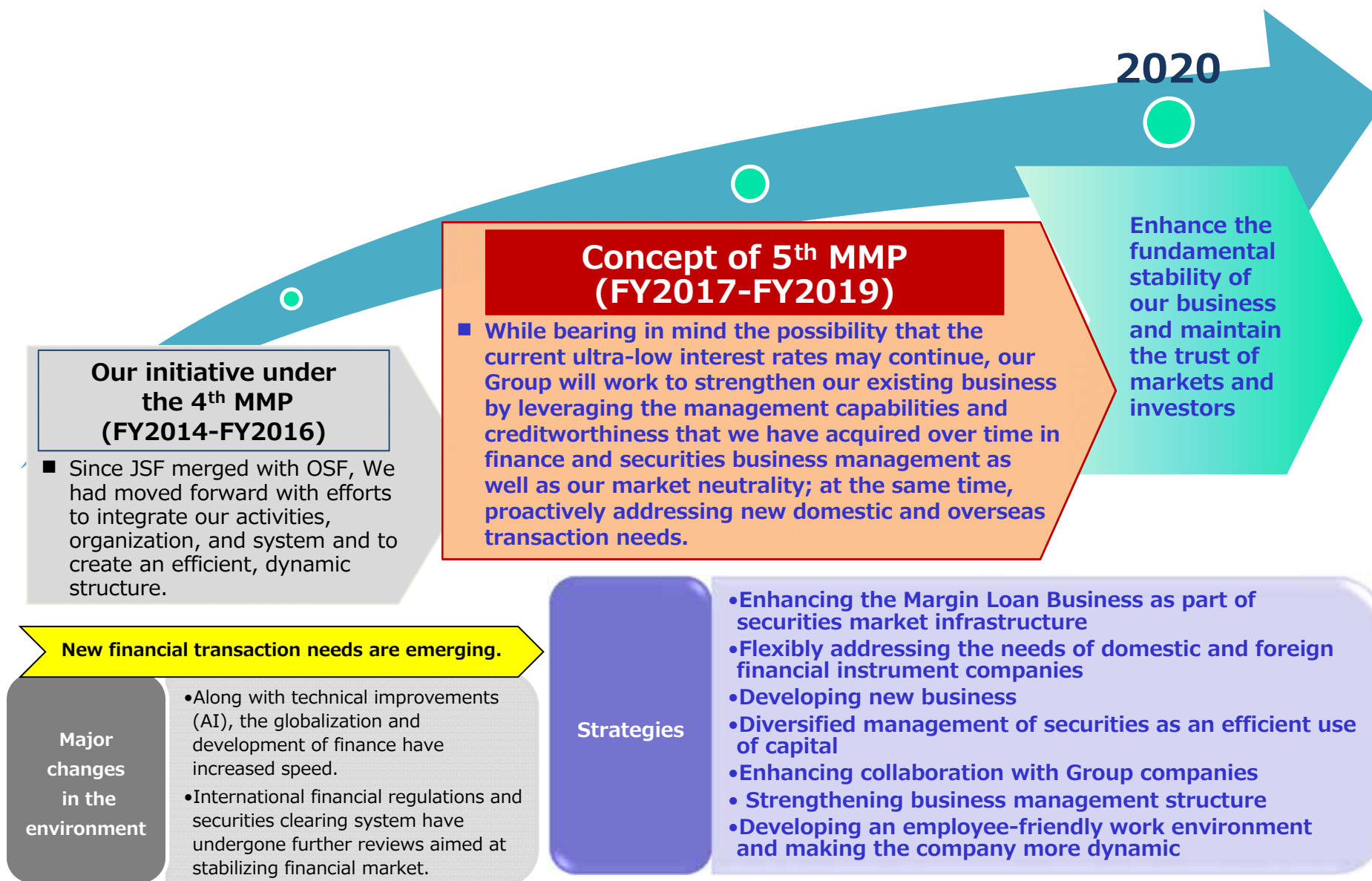
	Sep-17		Mar-18		Sep-18	
	Loan Balance	ratio	Loan Balance	ratio	Loan Balance	ratio
Manufacturing	5,022	2.5%	4,800	1.1%	4,800	1.0%
Fishery	0	0.0%	0	0.0%	0	0.0%
Mining	0	0.0%	0	0.0%	0	0.0%
Construction	0	0.0%	0	0.0%	0	0.0%
Energy & Utilities	0	0.0%	0	0.0%	0	0.0%
Communication	0	0.0%	0	0.0%	0	0.0%
Transportation	1,769	0.9%	1,769	0.4%	1,769	0.4%
Wholesale	800	0.4%	800	0.2%	800	0.2%
Retail	0	0.0%	0	0.0%	0	0.0%
Finance & Insurance	650	0.3%	1,650	0.4%	-	0.0%
Real Estate	500	0.2%	500	0.1%	500	0.1%
Service Industries	800	0.4%	800	0.2%	-	0.0%
Governments	194,720	95.3%	414,877	97.6%	492,287	98.4%
Total	204,263		425,197		500,157	

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) 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

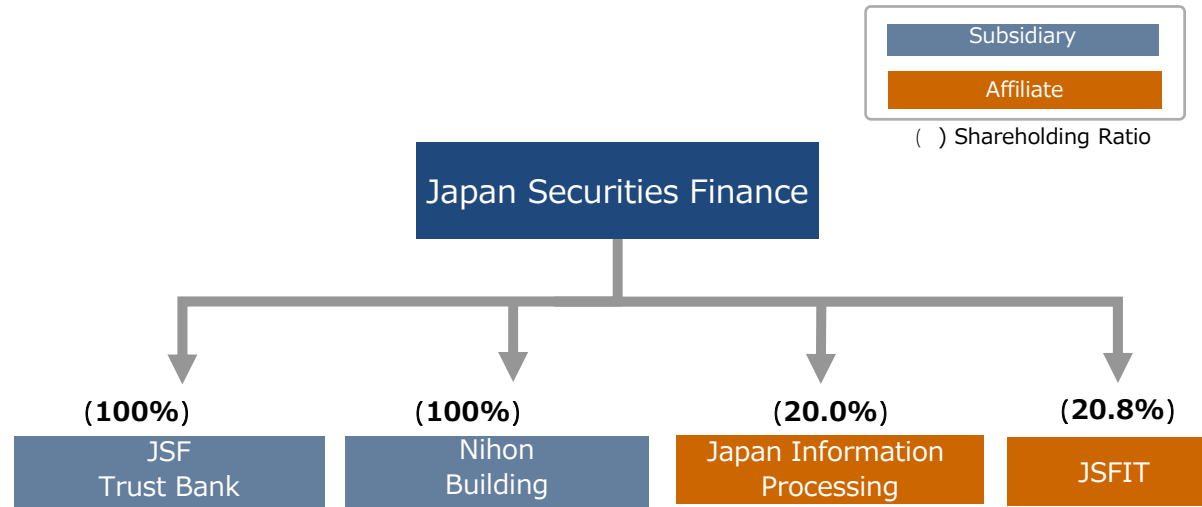
- Increasing the productivity of individual personnel and make the company more dynamic

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/2018		JCR		R&I		Standard & Poor's	
		Rating	Outlook	Rating	Outlook	Rating	Outlook
Japan Securities Finance	Long-term	AA-	Stable	AA-	Stable	A	Stable
	Short-term	J-1+ (Highest)		a-1+ (Highest)		A-1	
	CP Issue	¥1tri		¥1tri		—	
JSF Trust Bank	Long-term	A+	Stable	A+	Stable	—	—
	Short-term	J-1+ (Highest)		a-1		—	—

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