

Japan Securities Finance Co., Ltd.

1<sup>st</sup> Half FY2019

Financial Results Presentation

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# 1 . Summary Financial Results for 1<sup>st</sup> Half FY2019



(¥ mil)	Consolidated			Parent					
	FY2019 1H	YoY.Δ	(%Δ)	JSF		JSF Trust Bank		Nihon Building	
					YoY.Δ		YoY.Δ		YoY.Δ
<b>Operating Revenues</b>	<b>14,393</b>	2,341	(+19.4%)	12,223	1,975	1,768	373	641	3
<i>Except Premium Charges</i>	10,221	793	(+8.4%)	8,050	427				
Operating Expenses	7,923	2,174	(+37.8%)	7,073	1,865	893	325	11	1
<i>Except Premium Charges</i>	3,750	626	(+20.0%)	2,900	316				
General & Administrative Expenses	<b>4,102</b>	25	(+0.6%)	3,455	▲61	512	94	336	▲5
<b>Operating Income</b>	<b>2,368</b>	141	(+6.4%)	1,694	172	362	▲46	294	7
<b>Recurring Income</b>	<b>2,758</b>	63	(+2.4%)	2,069	▲8	363	▲46	367	18
<i>Gain or Loss in Equity-Method</i>	148	147	(-)						
Extraordinary Profit or Loss	—	41	(-)	—	41	—	—	—	—
<b>Net Income</b>	<b>2,070</b>	124	(+6.4%)	1,566	65	303	▲52	245	12

## 2 . Summary Financial Results for 1H, FY2019 (JSF parent)

Japan Securities Finance (parent) *excluding premium charge			
(¥ mil)	FY2019 1H	YoY.Δ	(%Δ)
<b>Operating Revenues*</b>	<b>8,050</b>	427	(+5.6%)
Margin Loan Business*	<b>2,107</b>	23	(+1.1%)
General Loans Business* <sup>1</sup>	<b>575</b>	▲83	(△12.6%)
Securities Lending Business* <sup>2</sup>	<b>3,177</b>	▲104	(△3.2%)
Others	<b>2,189</b>	591	(+37.0%)
Operating Expenses*	<b>2,900</b>	316	(+12.3%)
General & Administrative Expenses	<b>3,455</b>	▲61	(△1.8%)
<b>Operating Income</b>	<b>1,694</b>	172	(+11.3%)
<b>Recurring Income</b>	<b>2,069</b>	▲8	(△0.4%)
Extraordinary Profit or Loss	—	41	(—)
<b>Net Income</b>	<b>1,566</b>	65	(+4.4%)

\*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

##### ◆ Up ¥427 mil (+5.6%) YoY , driven by Bond Lending and Securities investment.

- In Margin Loan Business, the increase in Stock loan balance offset negative effects from the decrease in Margin loan balance.
- General Loan Business declined due to lower loan balance.
- The decline in Securities Lending Business as a whole was small supported by Bond Lending.
- Others (Securities investment) showed solid performance contributed from income on investment trust, etc.

※For details of Margin Loan Business, Securities Lending Business and Others, see “Financial Highlights for 1H FY2019(P5-P7)”

#### ● Operating Expenses

- Up ¥316mil (+12.3%) YoY reflecting higher fees on borrowing JGBs related to Bond Lending Business, etc.

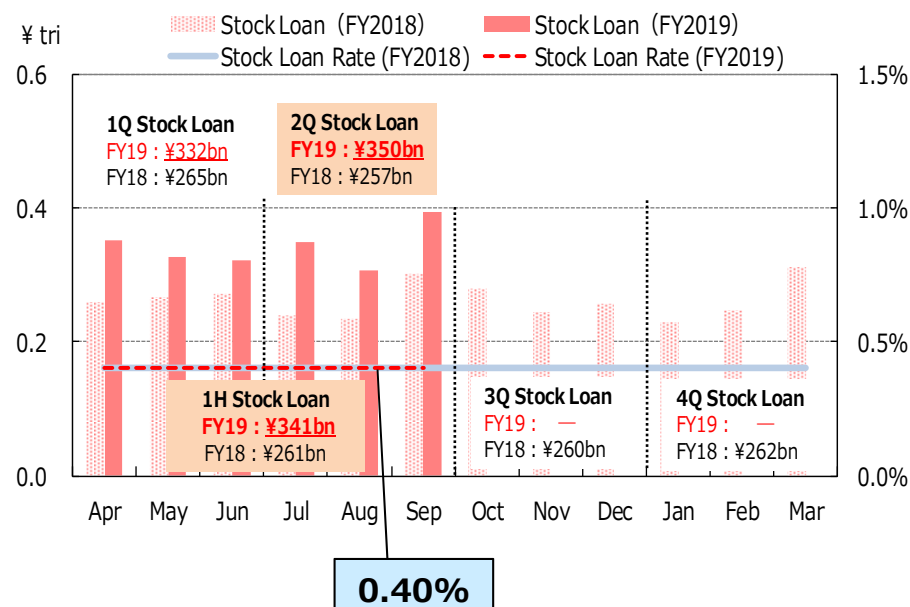
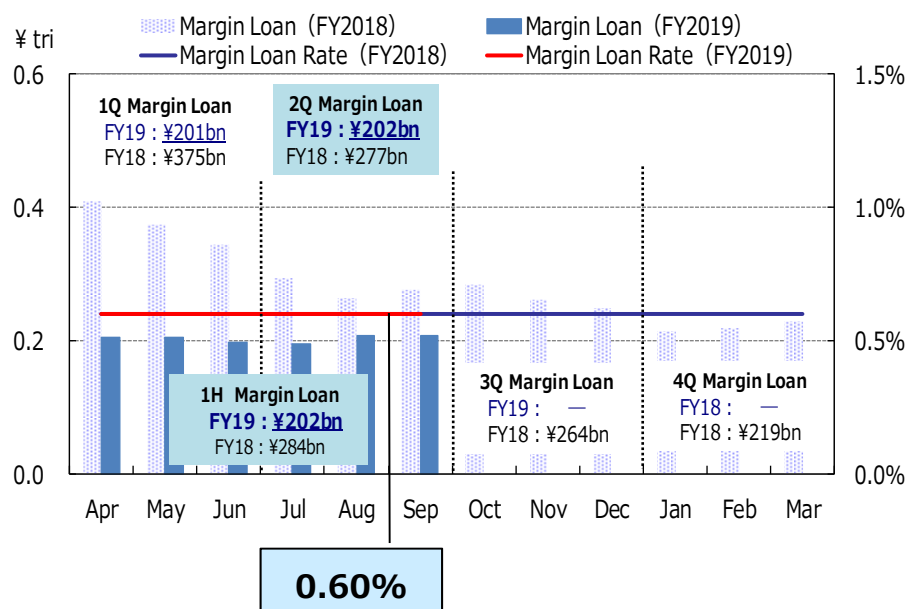
#### ● Operating Income

- Up ¥172 mil (+11.3%) YoY due to the impact of recording part of dividend income as operating revenues with reviewing on the classification of some stocks hold.

# 3 . Financial Highlight ( Margin Loan Business )

- Margin Loan Balance remained around ¥200bn level reflecting weak expectation of an advance in stock price.
- Stock Loan Balance increased mainly during the period when stock price try to return.

(\$ bn, %)	FY2018						FY2019			YoY	
	1Q	2Q	1H	3Q	4Q	full year	1Q	2Q	1H	2Q	1H
Margin Loan	375	<b>277</b>	<b>326</b>	264	219	284	201	<b>202</b>	<b>202</b>	▲74	▲123
Margin Loan Rate	0.60	<b>0.60</b>	<b>0.60</b>	0.60	0.60	-	0.60	<b>0.60</b>	<b>0.60</b>	-	-
Stock Loan	265	<b>257</b>	<b>261</b>	260	262	261	332	<b>350</b>	<b>341</b>	92	79

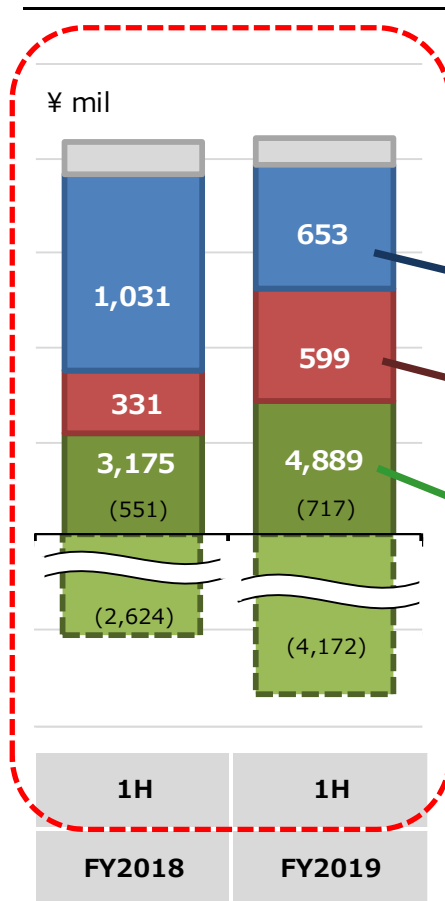


# 4 . Financial Highlight ( Margin Loan Business )

- The increase in revenue driven by higher level of Stock Loan Balance exceeded the decrease in revenue due to lower level of Margin Loan Balance.

## [Operating Revenues Transition]

1<sup>st</sup> Half



(¥ mil)	1H Revenue (YoY)	1H Point
<b>Margin Loan Business</b>	<b>6,280</b> (+33.4%)	
<b>(ex premium charges)</b>	<b>2,107</b> (+1.1%)	✓ Operating revenues of this business, except Premium Charges, resulted in slightly increase.
<b>Interest on Loans</b>	<b>653</b> (△36.6%)	✓ Interest on Loans decreased, because Margin Loan Balance remained at lower level.
<b>Interest on collateral money of securities borrowed</b>	<b>599</b> (+80.7%)	
<b>Fees on Lending Securities</b>	<b>4,889</b> (+54.0%)	✓ Fees on Lending Securities resulted in large increase, because Stock Loan balance remained higher level of the same period of the previous year and premium charges on over-lent issues increased.
<b>Lending Fees</b>	717 (+30.1%)	
<b>Premium Charges</b>	4,172 (+59.0%)	

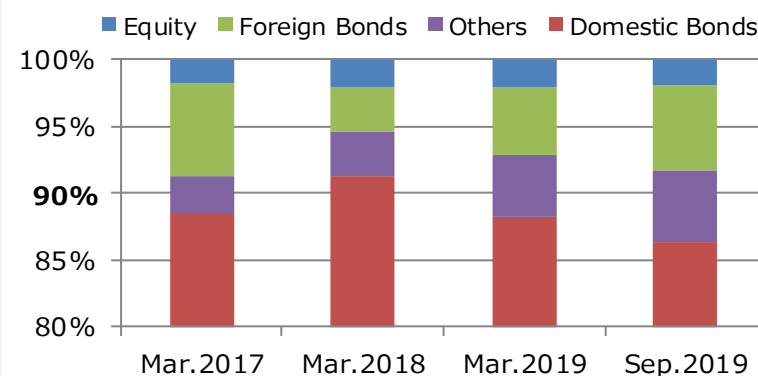
## Revenue from investment trust, etc. increased

### Revenue from securities investment (JSF)

	1H FY2019	YoY
<b>Yen-based</b>	¥ 1,718 mil	+¥ 299 mil
<b>Domestic Bonds</b>	¥ 755 mil	△¥ 185 mil
<b>Others*</b>	¥ 963 mil	+¥ 485 mil
<b>In foreign currencies</b>	¥ 457 mil	+¥ 288 mil
<b>Total</b>	¥ 2,176 mil	+¥ 588 mil

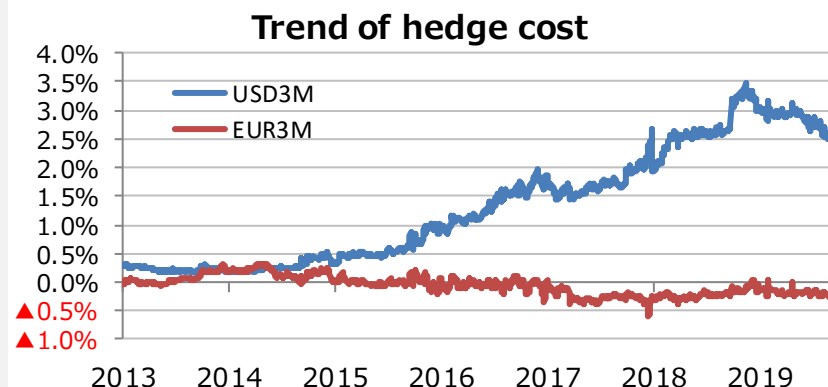
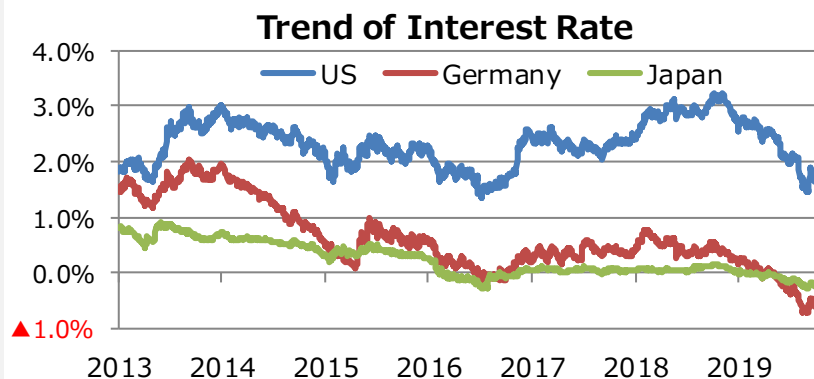
※ Investment Trust, etc.

### Transition of investment portfolio



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

source) Bloomberg



## 6 . Summary Financial Results for 1H, FY2019 (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 increased due to an increase in outstanding of investment securities.
- Both gains on sales of bonds and costs of unwinding IRS increased.
- Recurring Income and Net Income decreased compared with the last year due to the provision of allowance for doubtful receivables

JSF Trust Bank			
(¥ mil)	FY2019 1H	YoY	
			(%)
<b>Recurring Revenue</b>	<b>¥ 1,769</b>	316	(+21.8%)
Trust charges	413	5	(+1.2%)
Gains on sales of bonds	646	349	(+117.6%)
Reversal of ADR*	—	▲56	(△100.0%)
<b>Recurring Expenses</b>	<b>1,406</b>	363	(+34.8%)
Losses from derivatives	558	353	(+172.0%)
Provision of ADR*	20	20	(—)
<b>Recurring Income</b>	<b>363</b>	▲46	(△11.4%)
<b>Net Income</b>	<b>303</b>	▲52	(△14.6%)

\*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).





# 7 . Balance Sheet Summary (end of Sep-2019, consolidated)



¥mil

	Sep-19	Change from Mar-19	
<b>Total assets</b>	<b>7,252,271</b>	<b>1,960,899</b>	
Cash & Deposit	1,063,906	73,236	Deposit at BOJ
Short-term investments	224,282	▲ 14,361	JGB and other bonds (Maturity: 1year or less)
Short-term loans receivable	772,680	103,785	Margin loan / Loans for negotiable margin transactions / General loans / Trust bank loans
Receivables under resale agreements	1,658,914	1,112,371	
Collateral money of securities borrowed	2,589,631	452,041	Collateral money of bond borrowing Collateral money of stock borrowing
Investments in securities	664,363	159,200	JGB and other bonds (Maturity: more than 1year), Stock
<b>Total liabilities</b>	<b>7,112,425</b>	<b>1,961,845</b>	
Call money	1,231,352	214,892	
Short-term borrowings	40,344	23,797	Bank borrowing Market operation by BOJ
Commercial Paper	129,000	▲ 85,000	
Payables under repurchase agreements	2,309,168	855,815	
Collateral money received of securities lent	2,359,889	796,459	Collateral money of bond lending Collateral money of stock lending
Borrowed money from trust account	892,215	148,885	
<b>Total net assets</b>	<b>139,846</b>	<b>▲ 946</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 funding and borrowed money from trust account.

## Features of Liabilities

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

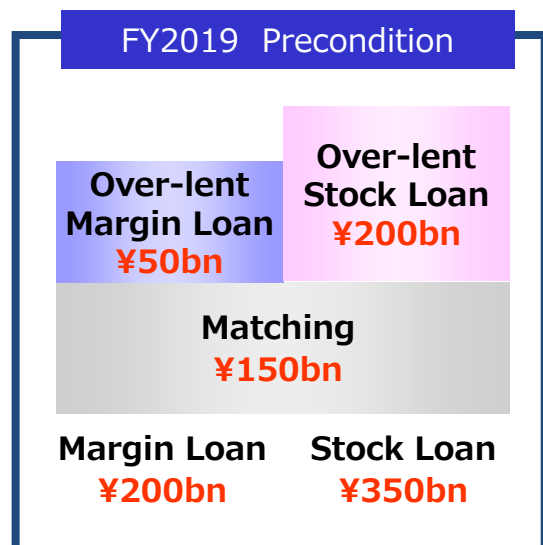
Ensuring varieties of methods of fund raising (Bank borrowing, CP, Call money, Bond repo, etc.) for responding to situations of money market and meeting clients' needs.

### (2) Borrowed money from trust account

Reserved money of trust account of JSF Trust Bank.

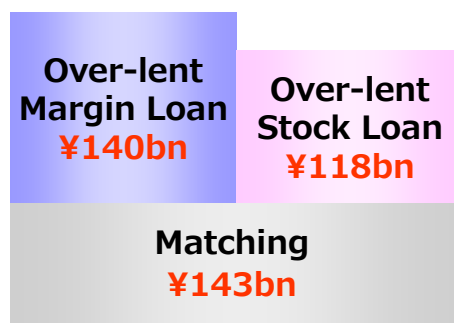
# 8 . Estimated Figures for FY2019

## Precondition Balance of Margin Loans



(Reference)

FY2018 Results



Margin Loan    Stock Loan  
¥284bn        ¥261bn

(¥ mil)		FY2019 Estimated Figures	YoY.Δ	Δ from prev. EF
<b>Consolidated</b>				
Operating Income		3,900	▲81	+ 300
Recurring Income		4,700	▲346	+ 300
Net Income		3,500	▲265	+ 300
<b>Each Group Company</b>				
JSF	Operating Income	2,700	▲112	+ 200
	Recurring Income	3,200	▲454	+ 200
	Net Income	2,300	▲377	+ 200
JSF Trust and Banking	Recurring Income	650	36	+100
	Net Income	550	11	+85
Nihon Building	Operating Income	565	▲0	—
	Recurring Income	680	11	—
	Net Income	450	4	—

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.

# 10 . Dividend and Share Buyback Program for FY2019

		FY2018	FY2019 (Forecast, Framework)
Dividend	Annual	¥ 22 (YoY ▲¥4)	¥ 22 (YoY ±¥0)
	Interim	¥ 11 (YoY +¥2)	¥ 11 (YoY ±¥0)
	Year-end	¥ 11 (YoY ▲¥6)	¥ 11 (YoY ±¥0)
	Consolidated DPR	55.0%	58.2%
Share Buyback	No. of shares to be acquired	2.0mil shs <sup>※</sup>	Up to 1.0mil shs
	Ratio to total shares issued	2.0%	1.1%
	Total Value to be acquired	¥ 1.2bn <sup>※</sup>	Up to ¥ 0.7bn
	Period	①From 6 Jun 2018 to 11 Nov 2018 ②From 18 Dec 2018 to 3 Mar 2019	From 16 May 2019 to 23 Mar 2020
Total Return Ratio		87.8%	78.2%

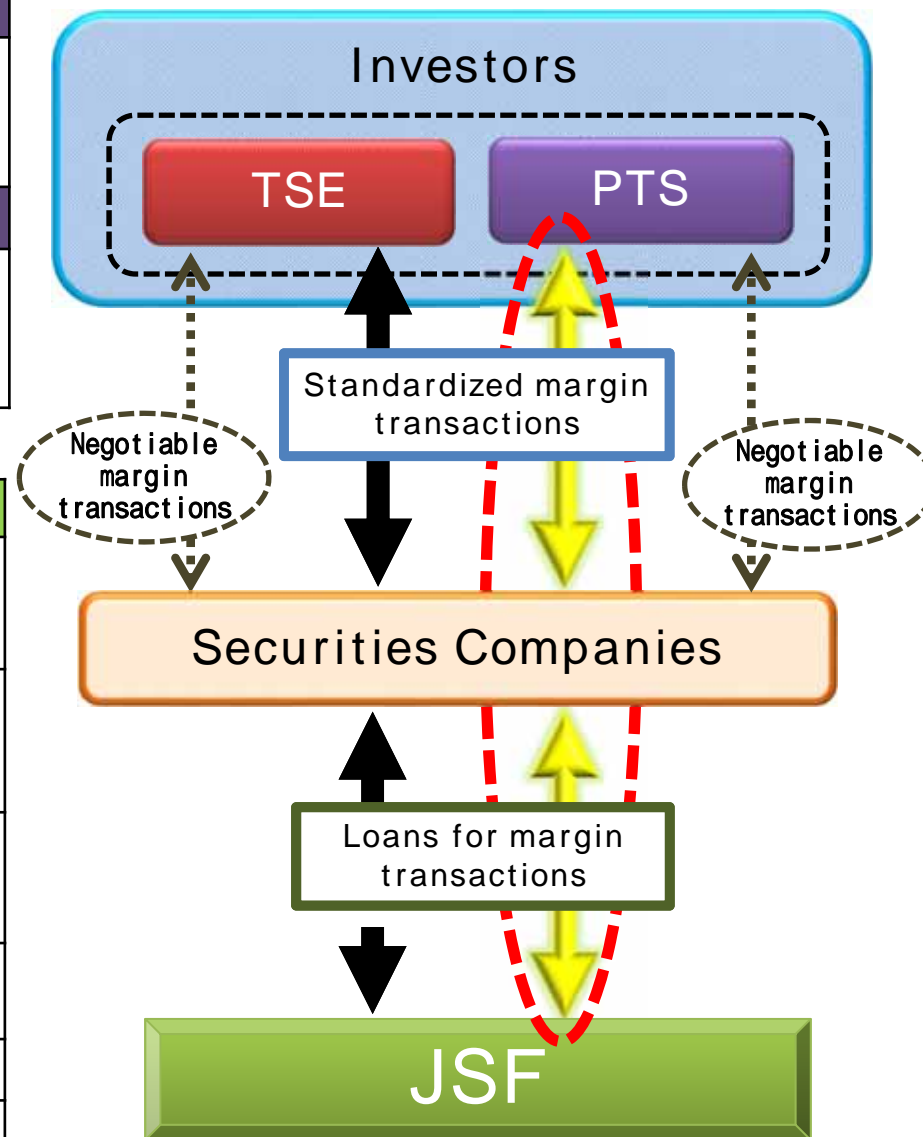
※based on actual results

# 11 . Launched loans for margin transactions for PTS

PTS operating company	
❑	SBI Japannext Co., Ltd. (JNX)
❑	Chi-X Japan Limited (CXJ) scheduled to start on Dec 2019
Customers (Securities Companies)	
❑	Currently One customer
❑	Numbers are expected to increase in the near future.

~ Loans for margin transaction for each Market ~

Year	Outline
1951	Launched loans for margin transactions (LMTs) for TSE with the establishment of a margin transaction system
1955	Launched LMTs for Sapporo, Fukuoka, Niigata* <i>Ended on Mar 2000 (Close of Niigata exchange)</i>
2004	Launched LMTs for JASDAQ <i>Ended on Oct 2010 (Integration the management of the OSE and JASDAQ)</i>
2013	The merger of TSE and OSE (JSF Merged with OSF)
2017	Launched LMTs for NSE
2019	Launched LMTs for PTS



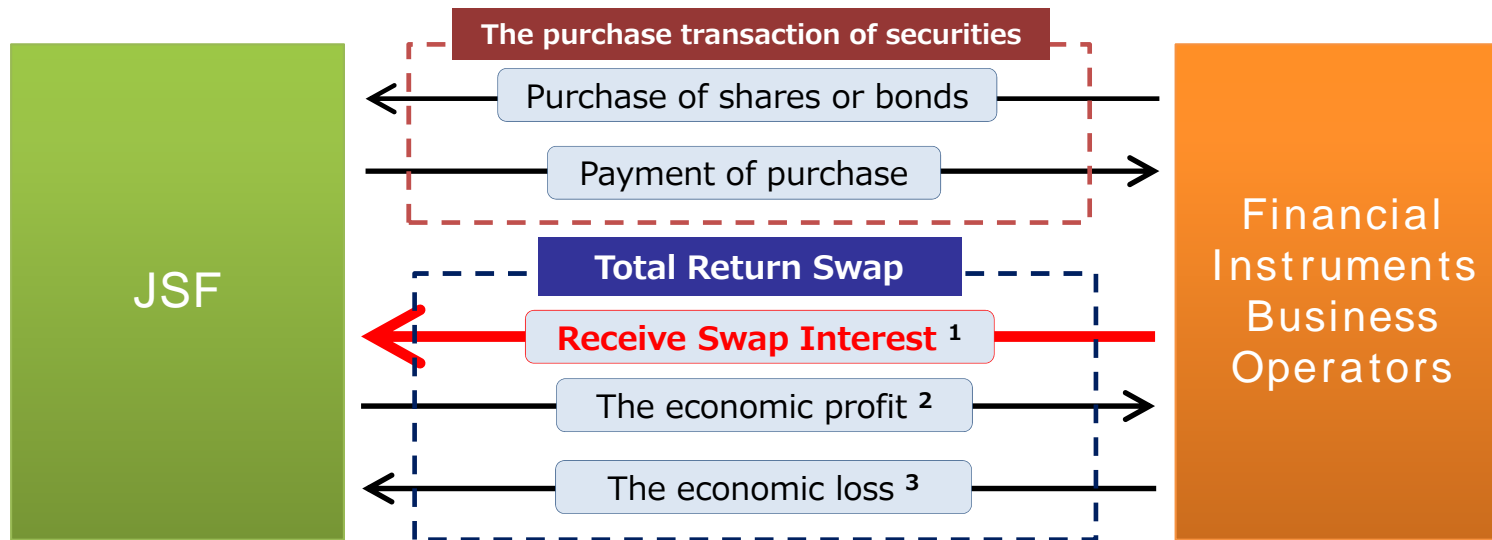
# 12 . The introduction of a New Business Operation

- We established an in-house system to conduct a combination of the sales/purchase of securities and Total Return Swap (one of derivative transactions that transfer the economic profit and loss of the securities) with domestic and overseas financial instruments business operators, etc.

(ref.) An example of this transaction scheme  
~ Purchase of securities and Total Return Swap ~

Point

In the case of the following example, we hold a position in securities by purchase but not bear the risk of price fluctuation of such securities due to derivative transactions executed simultaneously.



<sup>1</sup> source of our revenues   <sup>2</sup> capital gains, dividends and interest   <sup>3</sup> capital loss

# Appendix

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- Dividend and Share Buyback Program (historical)
- Share Buyback Results
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- Breakdown of Operating Revenues by business (Historical data)
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- Analysis of YoY Change in Operating Revenue by business (Quarterly, 1<sup>st</sup> Half)
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# ● Dividend and Share Buyback Program (historical)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019 Forecast/ Framework
Annual Dividend per share	¥14	¥15	¥16	¥18	¥26	¥22	<b>¥22</b> (Interim ¥11 Year-end ¥11)
Share Buyback (shs)	—	7.46mil	3mil	0.63mil	1.5mil	2.0mil	<b>1.0mil</b>
(amount)	—	¥4.6bn	¥1.9bn	¥0.3bn	¥0.9bn	¥1.2bn	<b>¥0.7bn</b>
<Consolidated> : Net Income	¥6.2bn	¥3.5bn	¥2.6bn	¥3.0bn	¥4.2bn	¥3.7bn	<b>¥3.5bn</b>
: EPS	¥60.4	¥33.9	¥26.9	¥31.9	¥44.2	¥40.0	<b>¥37.8</b>
: DPR	23.2%	44.2%	59.5%	56.4%	58.8%	55.0%	<b>58.2%</b>
: DOE	1.2%	1.2%	1.2%	1.2%	1.8%	1.4%	<b>1.4%</b>
(ref) Total Return Ratio	23.2%	173.9%	133.1%	66.3%	79.3%	87.8%	<b>78.2%</b>



# ● Share Buyback Results



◆ Resolution of share buyback program	Current
Announcement date	May 15, 2019
Number of shares to be acquired	Up to 1.0 million shares
Ratio to total shares issued*	1.1%
Total value to be acquired	Up to 7 million yen
Period	From May 16, 2019 to Mar 23, 2020

\* Excluding treasury stock

## 【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	2015/3/5	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	2018/2/26	1,500,000	-	890	-	0	100,000,000	
Result In FY2018	2018/6/6	2019/3/14	2,000,000	-	1,267	-	0	100,000,000	
<b>Limit for FY2019</b>	<b>2019/5/16</b>	<b>2020/3/23</b>	<b>1,000,000</b>	<b>-</b>	<b>700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Result</b>	<b>From May-19 to Jun-19</b>		<b>0</b>	<b>(0.0%)</b>	<b>0</b>	<b>(0.0%)</b>	<b>0</b>	<b>100,000,000</b>	
	<b>From Jul-19 to Sep-19</b>		<b>200,000</b>	<b>(10.0%)</b>	<b>97</b>	<b>(13.9%)</b>	<b>0</b>	<b>100,000,000</b>	
	<b>Oct-19</b>		<b>0</b>	<b>(-)</b>	<b>0</b>	<b>(-)</b>	<b>0</b>	<b>100,000,000</b>	
<b>Total</b>			<b>200,000</b>	<b>(10.0%)</b>	<b>97</b>	<b>(13.9%)</b>	<b>0</b>	<b>100,000,000</b>	

# ● The Trend of Financial Result (consolidated)



¥ mil

	FY2014	FY2015	FY2016	FY2017	FY2018 2Q	FY2018	FY2019 2Q
Operating Revenues	<b>20,300</b>	<b>22,035</b>	<b>23,066</b>	<b>26,333</b>	<b>12,052</b>	<b>24,321</b>	<b>14,393</b>
Ex Premium charges	15,856	16,160	16,522	18,383	9,428	18,603	10,221
Operating Expenses	9,450	11,537	11,892	13,330	5,748	12,284	7,923
Ex Premium charges	5,008	5,672	5,358	5,385	3,124	6,566	3,750
General & Administrative Expenses	7,824	7,939	8,371	9,121	4,077	8,056	4,102
Operating Income	<b>3,025</b>	<b>2,558</b>	<b>2,802</b>	<b>3,881</b>	<b>2,226</b>	<b>3,981</b>	<b>2,368</b>
Gain or Loss in Equity-Method	▲144	54	92	123	0	248	148
Recurring Income	<b>4,230</b>	<b>3,349</b>	<b>3,611</b>	<b>4,685</b>	<b>2,695</b>	<b>5,046</b>	<b>2,758</b>
Extraordinary Profit or Loss	54	—	▲52	131	▲41	▲41	—
Net Income	<b>3,520</b>	<b>2,645</b>	<b>3,078</b>	<b>4,225</b>	<b>1,946</b>	<b>3,765</b>	<b>2,070</b>

● Breakdown of Operating Revenues by business  
(Historical data)



¥ mil

	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Sep-18	Mar-19	Sep-19
<b>Securities Finance Business</b>	<b>16,363</b>	<b>17,162</b>	<b>17,776</b>	<b>19,407</b>	<b>22,487</b>	<b>10,247</b>	<b>20,969</b>	<b>12,219</b>
<b>Margin Loan Business</b>	<b>9,240</b>	<b>9,667</b>	<b>10,579</b>	<b>10,721</b>	<b>13,253</b>	<b>4,707</b>	<b>9,661</b>	<b>6,280</b>
	(47.2%)	(47.6%)	(48.0%)	(46.5%)	(50.3%)	(39.1%)	(39.7%)	(43.6%)
Interest on Loans	4,012	3,111	2,720	1,694	2,225	1,031	1,799	653
Interest on collateral money of securities borrowed	436	611	575	887	1,073	331	708	599
Fees on Lending Securities	4,132	5,389	6,840	7,771	9,481	3,175	6,819	4,889
Premium Charges	3,371	4,443	5,874	6,543	7,949	2,624	5,717	4,172
Lending Fees	761	945	966	1,227	1,531	551	1,101	717
<b>Business other than Margin Loan Business</b>								
<b>Loan to Securities companies &amp; Investors</b>	<b>1,959</b>	<b>2,107</b>	<b>1,753</b>	<b>907</b>	<b>917</b>	<b>658</b>	<b>1,242</b>	<b>575</b>
	(0.0%)	(0.0%)	(7.9%)	(3.9%)	(3.5%)	(5.5%)	(5.1%)	(4.0%)
<b>Securities Lending Business</b>	<b>2,217</b>	<b>2,294</b>	<b>2,241</b>	<b>4,453</b>	<b>5,035</b>	<b>3,281</b>	<b>6,480</b>	<b>3,173</b>
	(11.3%)	(11.3%)	(10.2%)	(19.3%)	(19.1%)	(27.2%)	(26.7%)	(22.0%)
Stock Lending	425	784	907	941	1,458	907	1,517	454
Bond Lending	1,791	1,509	1,334	3,512	3,576	2,374	4,962	2,718
<b>Others</b>	<b>2,946</b>	<b>3,094</b>	<b>3,201</b>	<b>3,325</b>	<b>3,281</b>	<b>1,598</b>	<b>3,586</b>	<b>2,189</b>
	(15.1%)	(15.2%)	(14.5%)	(14.4%)	(12.5%)	(13.2%)	(14.8%)	(15.2%)
Bond Investment (Parent only)	2,838	2,979	3,111	3,305	3,263	1,588	3,530	2,176
<b>Trust Business</b>	<b>2,322</b>	<b>2,269</b>	<b>3,451</b>	<b>2,792</b>	<b>2,971</b>	<b>1,364</b>	<b>2,467</b>	<b>1,724</b>
	(11.9%)	(11.2%)	(15.7%)	(12.1%)	(11.3%)	(11.3%)	(10.1%)	(12.0%)
Interest on Loans	317	186	144	147	89	33	58	21
Trust Charges	485	545	627	668	741	371	746	383
Bond Investment	1,494	1,507	2,645	1,899	2,087	923	1,590	1,292
<b>Real Estate Management Business</b>	<b>880</b>	<b>868</b>	<b>807</b>	<b>865</b>	<b>873</b>	<b>219</b>	<b>884</b>	<b>450</b>
	(4.5%)	(4.3%)	(3.7%)	(3.8%)	(3.3%)	(3.7%)	(3.6%)	(3.1%)
<b>Operating Revenues</b>	<b>19,566</b>	<b>20,300</b>	<b>22,035</b>	<b>23,066</b>	<b>26,333</b>	<b>12,052</b>	<b>24,321</b>	<b>14,393</b>
<b>(excluded Premium Charges)</b>	<b>16,195</b>	<b>15,856</b>	<b>16,160</b>	<b>16,522</b>	<b>18,383</b>	<b>9,428</b>	<b>18,603</b>	<b>10,221</b>

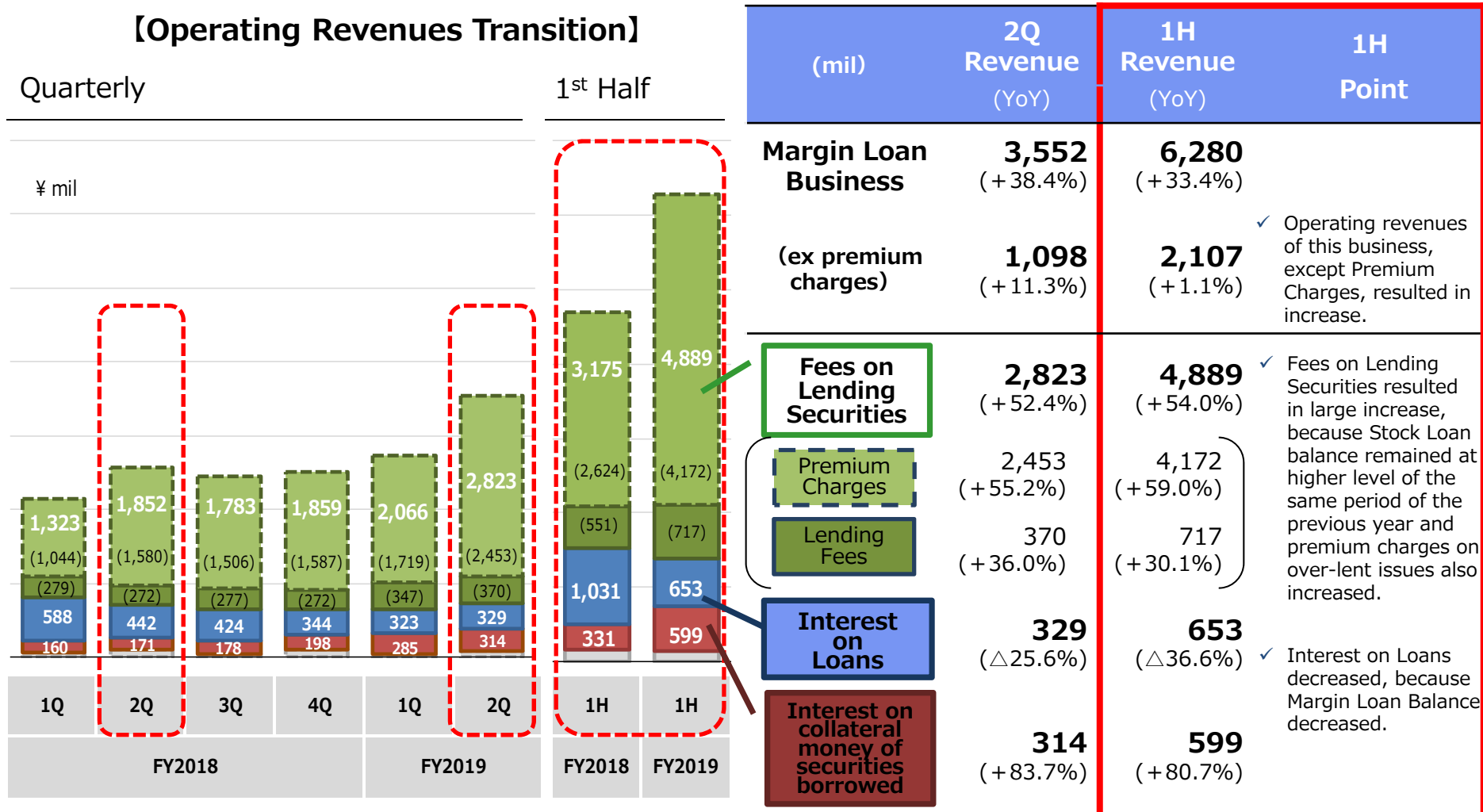
● Breakdown of Operating Revenues by business

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



The increase in revenue driven by higher level of Stock Loan Balance exceeded the decrease in revenue due to lower level of Margin Loan Balance

**【Operating Revenues Transition】**

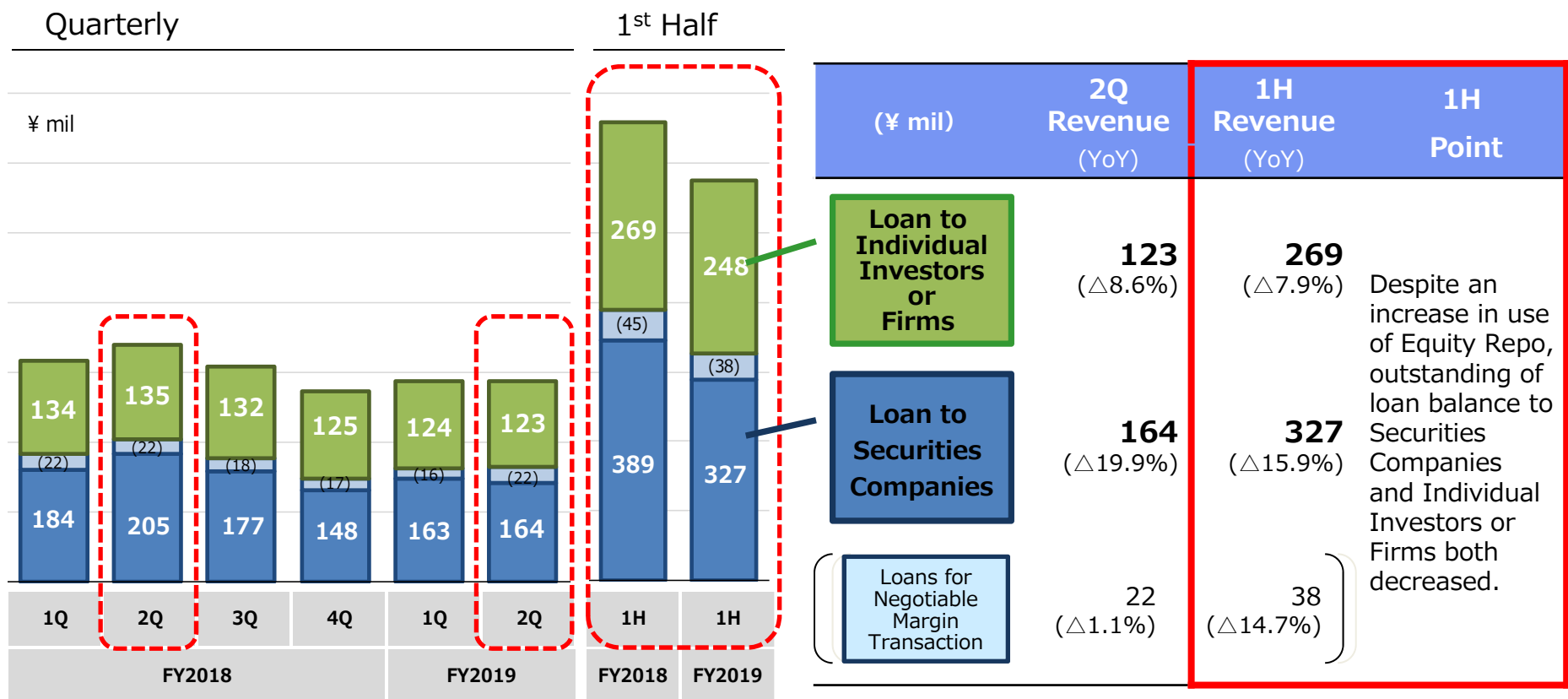


● Breakdown of Operating Revenues by business

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

**General Loans Business resulted in decrease due to lower loan balance.**

**【Operating Revenues Transition】**



< Loan Lineup >

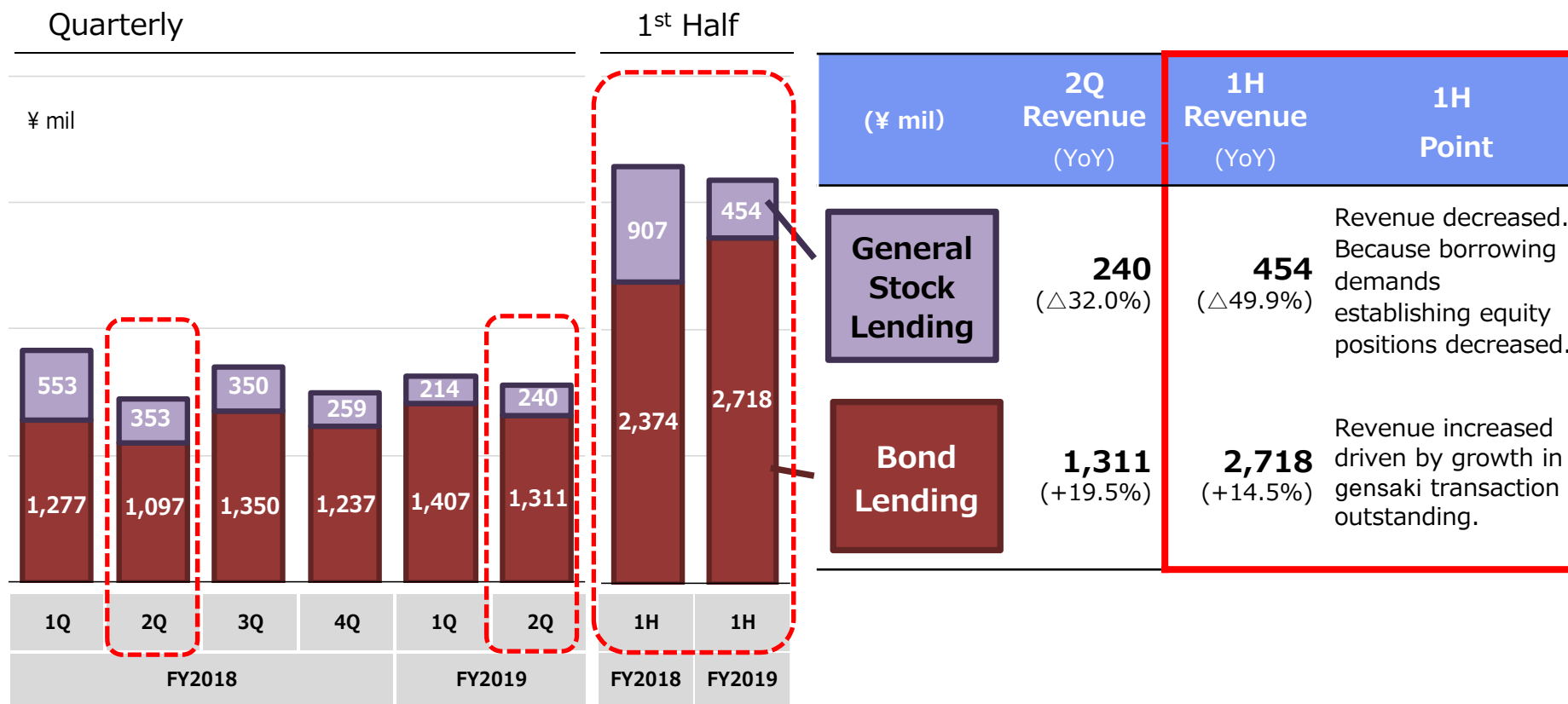
- ◆ Loan to Securities Companies ... General Loans, Bond Financing, Loans for Negotiable margin Transaction, Stabilizing fund loan, Equity Repo(Cash-secured Stock Lending Transaction)
- ◆ Loan to Individual Investors or Firms ... Com-STOCK Loan

● Breakdown of Operating Revenues by business

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

**The decline in Securities Lending Business as a whole was limited supported by Bond Lending**

**【Operating Revenues Transition】**



※ Genera Stock Lending is ...

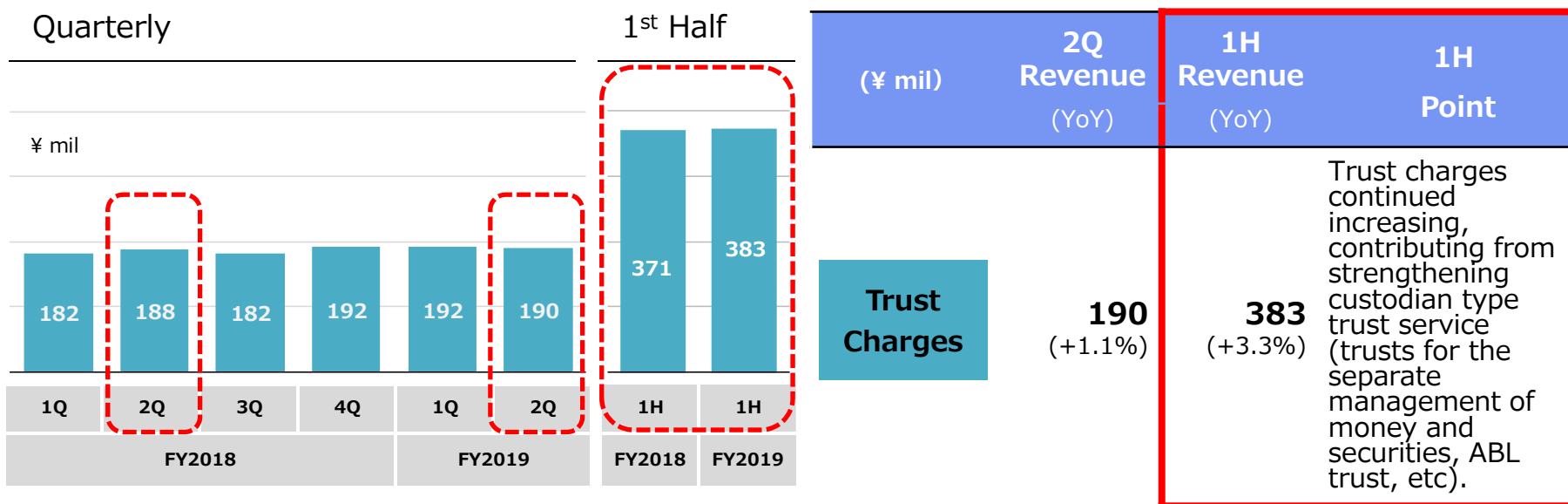
- Lending stock to securities companies depending on their various demands (ex. Fail-cover, arbitrage), except on demand to settle Margin Transaction
- Main business partner – 【Lenders】 Institutional investors, etc    【Borrowers】 Securities Companies

- Breakdown of Operating Revenues by business

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

**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

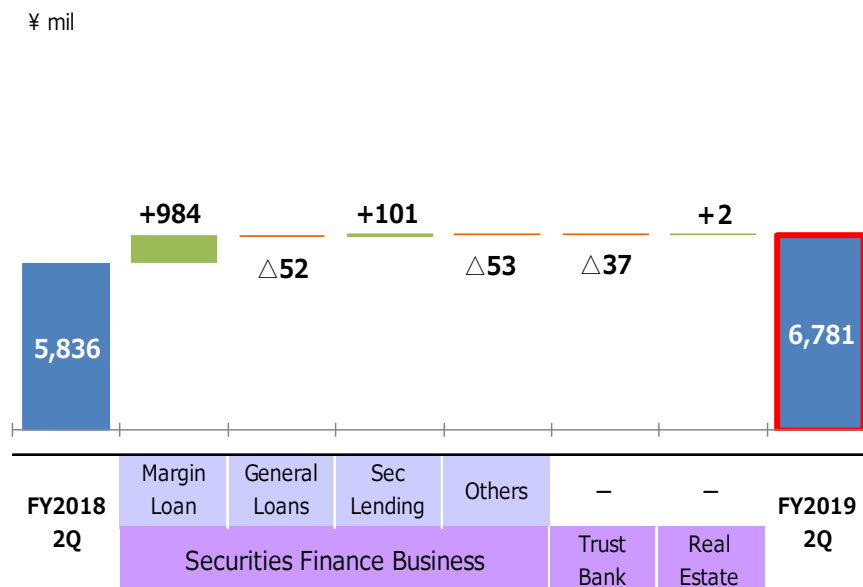
Asset Backed Loan (ABL) Trust

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

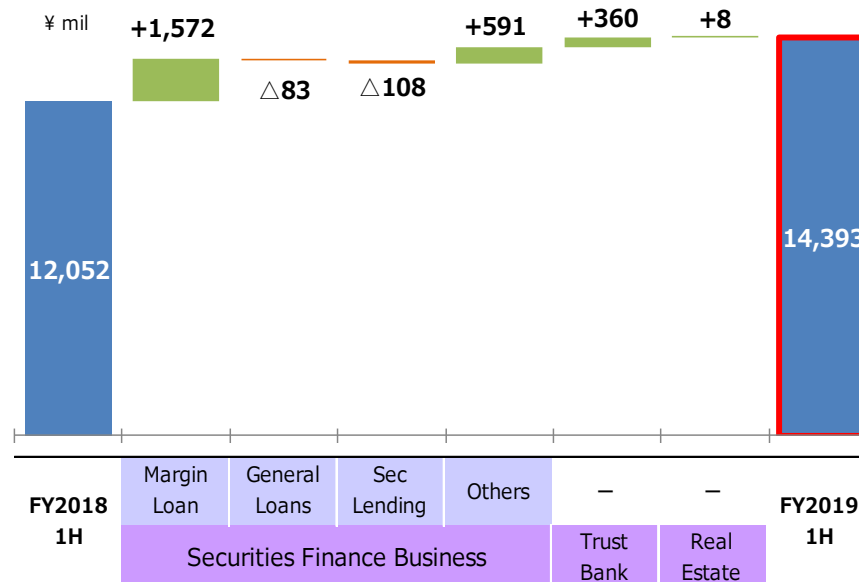
● Analysis of YoY Change in Operating Revenue by Business  
(Quarterly, 1<sup>st</sup> Half)



**【Quarterly】 YoY +945mil¥ (+16.2%)**



**【First Half】 YoY +2,341mil¥ (+19.4%)**



~ Summary of the point for quarterly ~

- **Margin Loan Business** : Revenue increased due to an increase of Stock Loan Balance
- **General Loan Business** : Resulted in decrease due to a decrease of loan balance.
- **Securities Lending Business** : The increase in Bond Lending exceeded the decrease in General Stock Lending.
- **Trust Bank** : Gains on sales of bonds decreased.

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

- **Margin Loan Business** : Revenue increased driven by an increase in Stock Loan Balance.
- **Securities Lending Business** : The increase in Bond Lending could not cover the decrease in General Stock Lending.
- **Others** : The revenue from investment trust, etc. increased.
- **Trust Bank** : Gains on sales of bonds increased.



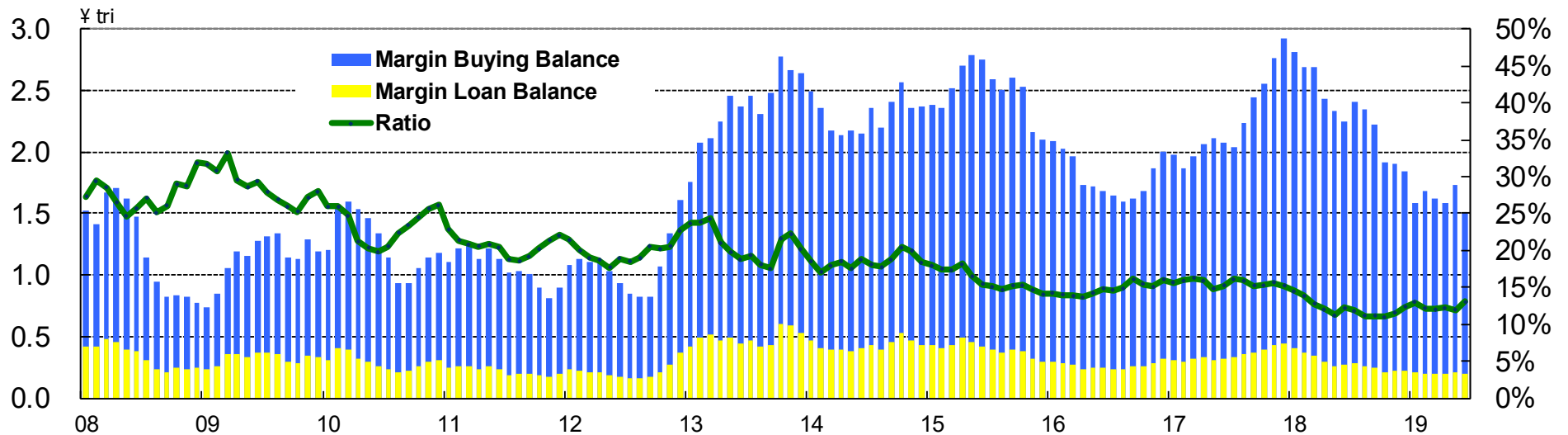
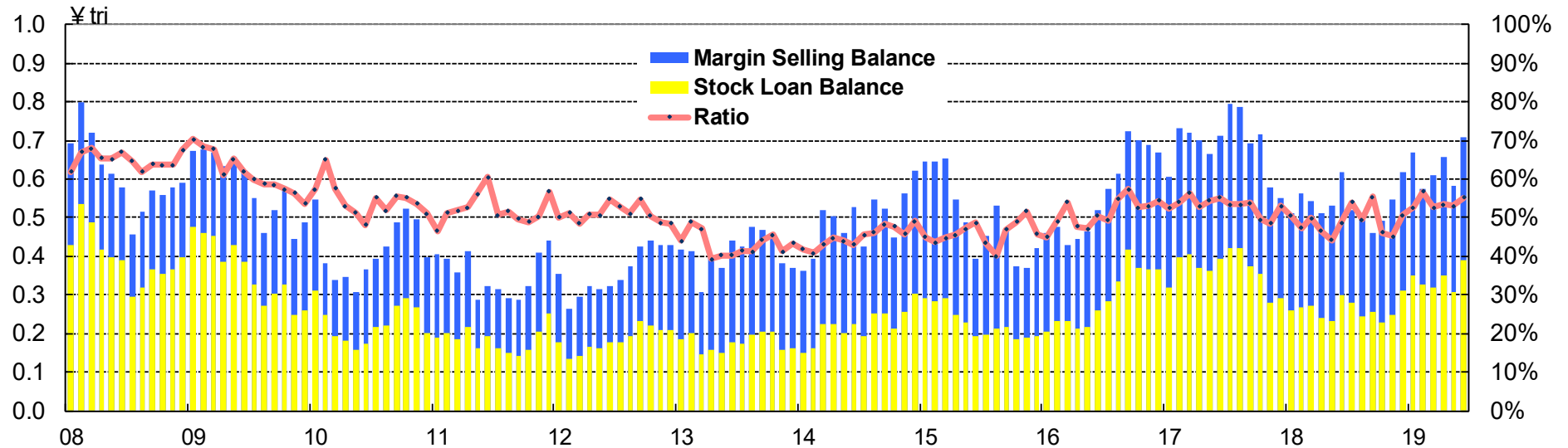
● Outstanding Loan Balance  
(Year average and Interim balance)



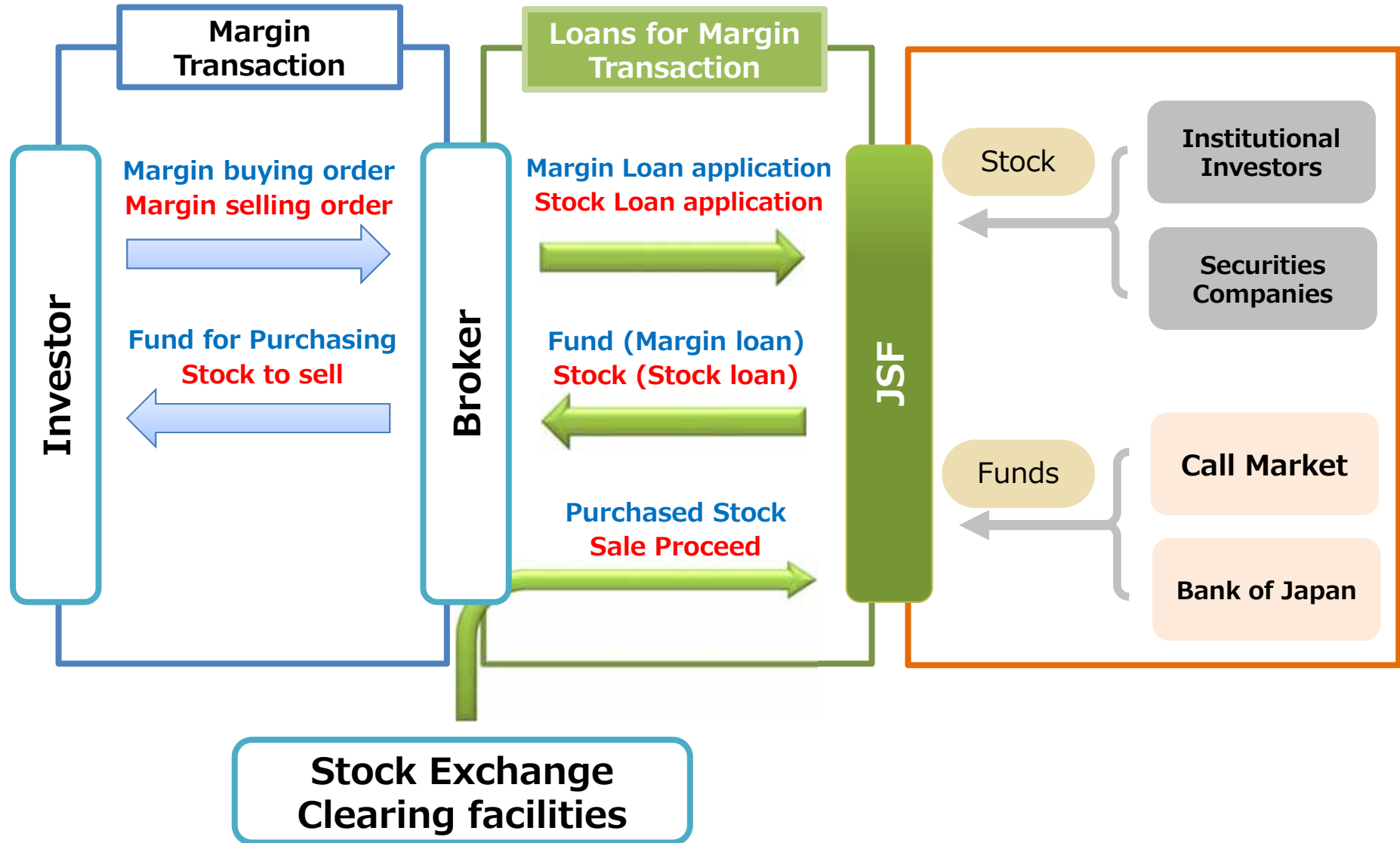
¥ mil

		FY2014	FY2015	FY2016	FY2017	FY2018 Interim	FY2018	FY2019 Interim
Margin Loans	avg.	428,329	401,400	265,458	350,175	326,076	284,225	202,338
	term-end	541,052	324,113	368,508	519,590	305,360	249,304	220,060
Loans of funds other than Margin Loans	avg.	223,484	162,347	44,840	46,331	94,091	81,133	88,963
	term-end	254,717	95,046	40,872	58,142	76,471	54,687	50,951
Trust Bank Loans	avg.	58,677	54,561	149,956	273,561	413,546	431,292	496,933
	term-end	54,831	136,089	176,371	425,197	500,157	364,903	501,667
Others	avg.	32,500	28,718	7,008	152	-	-	-
	term-end	32,500	12,500	2,000	-	-	-	-
Total	avg.	742,991	647,027	467,262	670,220	833,714	796,651	788,235
	term-end	883,101	567,748	587,752	1,002,931	881,989	668,894	772,680
Stock Loans	avg.	222,031	227,422	291,392	366,147	261,650	261,603	341,623
	term-end	316,544	258,656	393,698	369,852	415,901	433,072	522,566

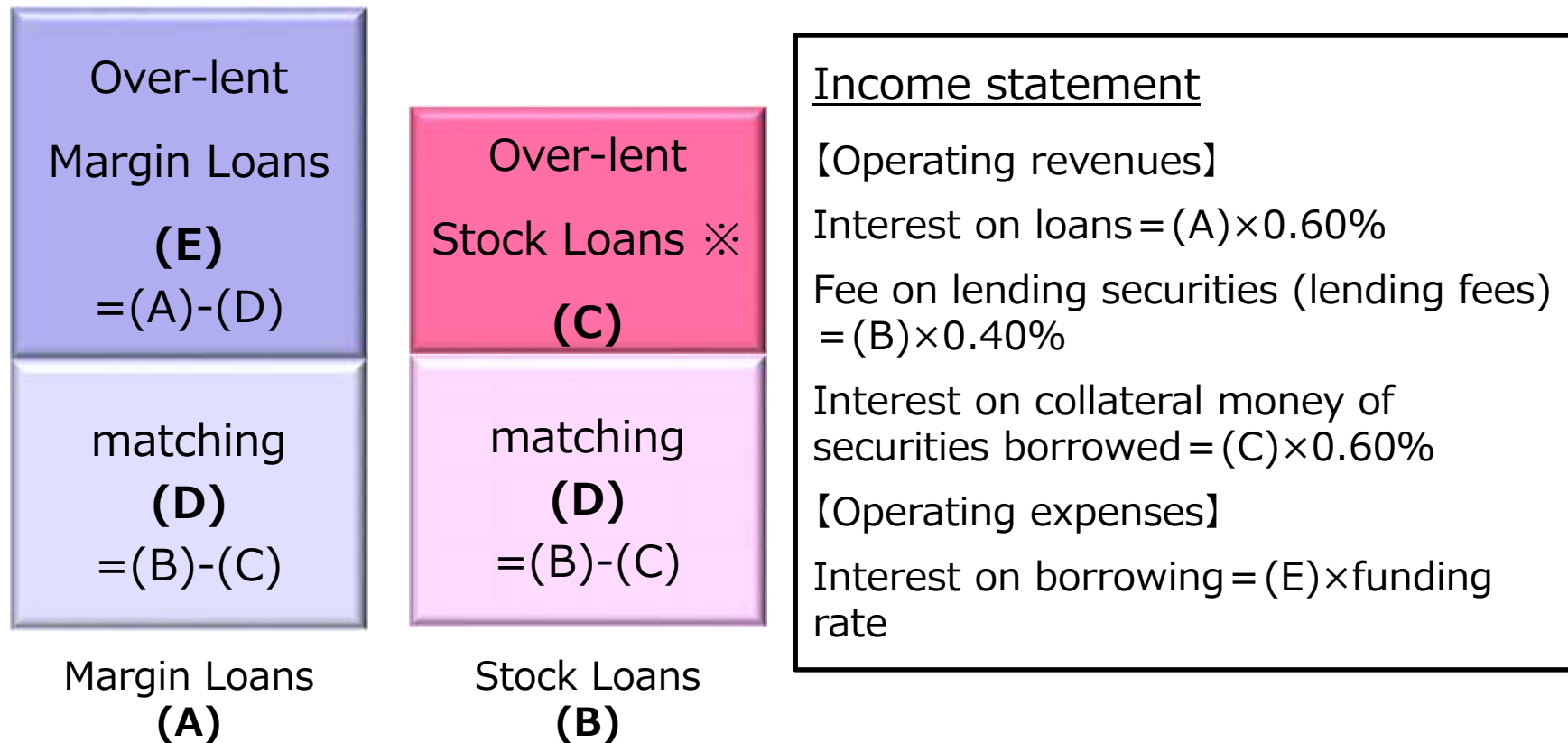
# ● Margin Transactions & Loans for Margin Transactions



● Structure of Margin Transaction  
& Loans for Margin Transaction



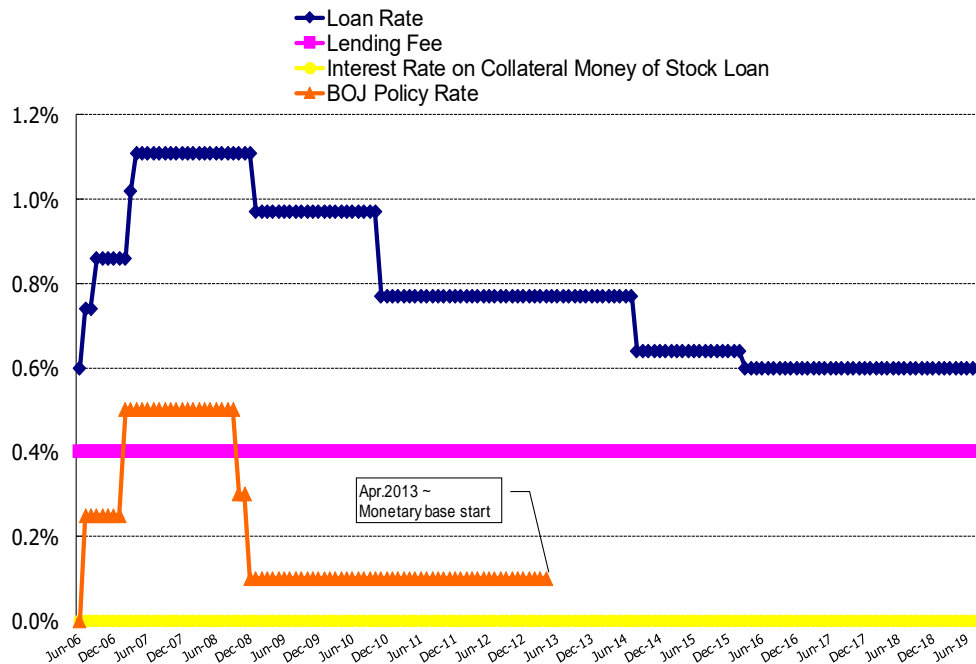
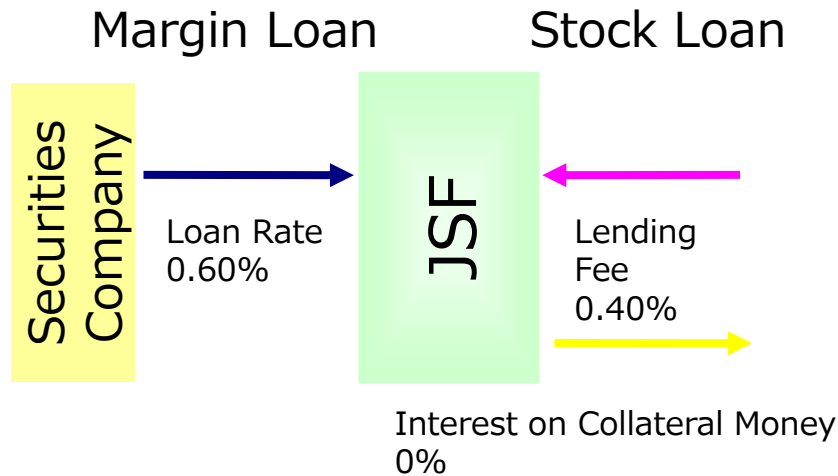
● Revenue structure of Loans for margin transactions



◆ 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 Rate



## BOJ Policy Interest Rate

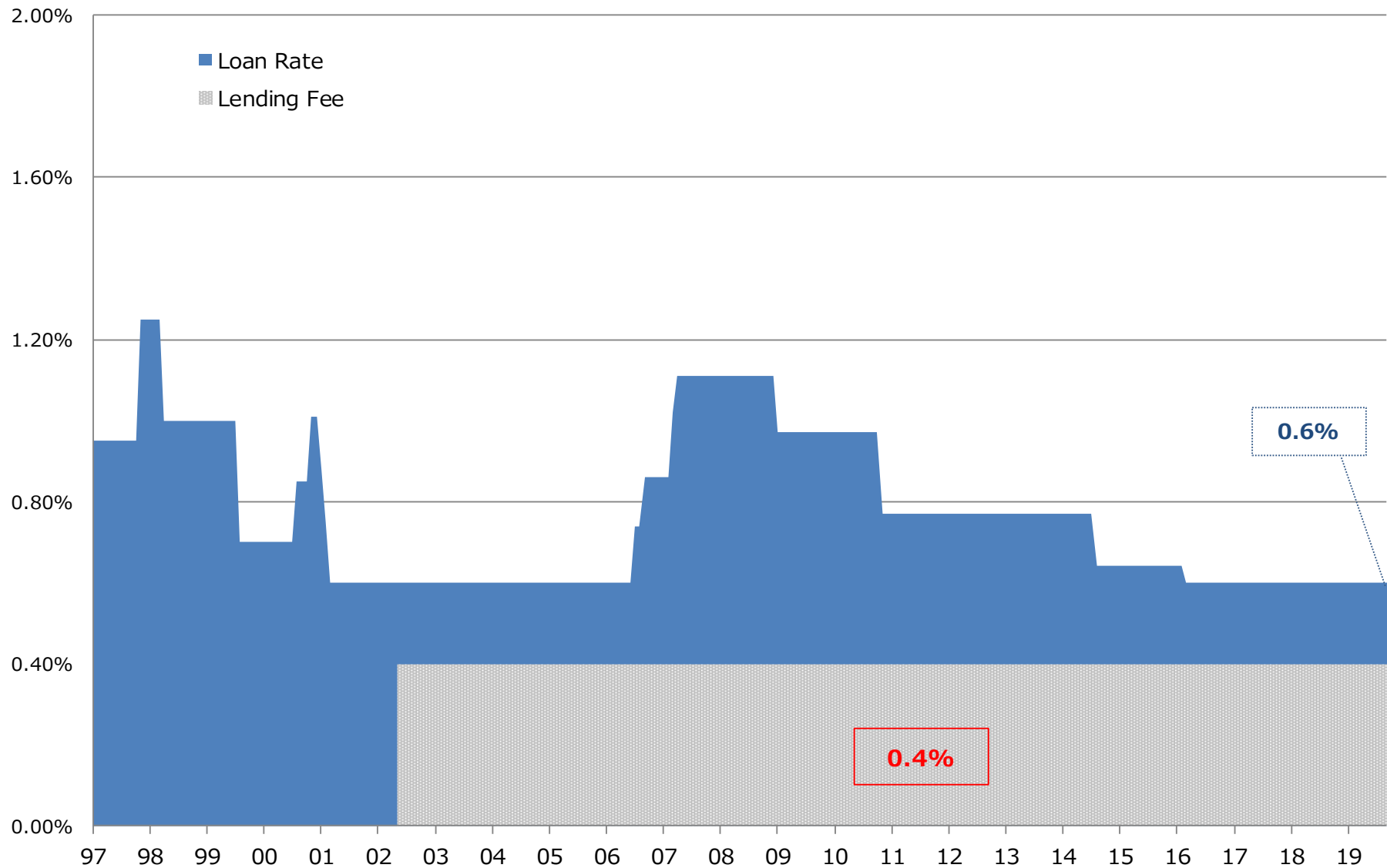
- Jul 2006 Uncollateralized O/N Call Rate: **0.25%**
- Feb 2007 Uncollateralized O/N Call Rate: **0.50%**
- Oct 2008 Uncollateralized O/N Call Rate: **0.30%** ( 0.20%)
- Dec 2008 Uncollateralized O/N Call Rate: **0.10%** ( 0.20%)
- Oct 2010 Uncollateralized O/N Call Rate: **0 ~ 0.10%** ( 0.10~0%)
- Apr 2013 Switched from 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-19		Sep-19		notes
	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	
<b>Equity</b>	<b>13,323</b>	<b>8,118</b>	<b>11,775</b>	<b>6,691</b>	
<b>Bond</b>	<b>694,835</b>	<b>32,715</b>	<b>838,979</b>	<b>37,145</b>	
JGB&Municipal Bond	623,009	33,538	567,742	38,320	
Corporate Bond	41,424	31	236,655	304	Government Guaranteed Bond ,etc.
Others	30,402	▲854	34,581	▲1,479	Foreign government bonds
<b>Other Securities</b>	<b>10,926</b>	<b>1,137</b>	<b>14,094</b>	<b>1,396</b>	
<b>Total</b>	<b>719,085</b>	<b>41,970</b>	<b>864,848</b>	<b>45,233</b>	
(included the effects of derivatives)	—	(25,714)	—	(23,532)	

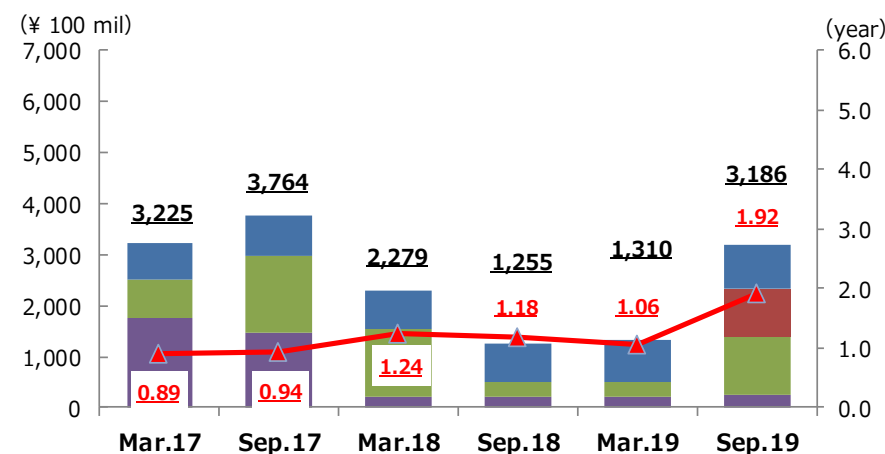
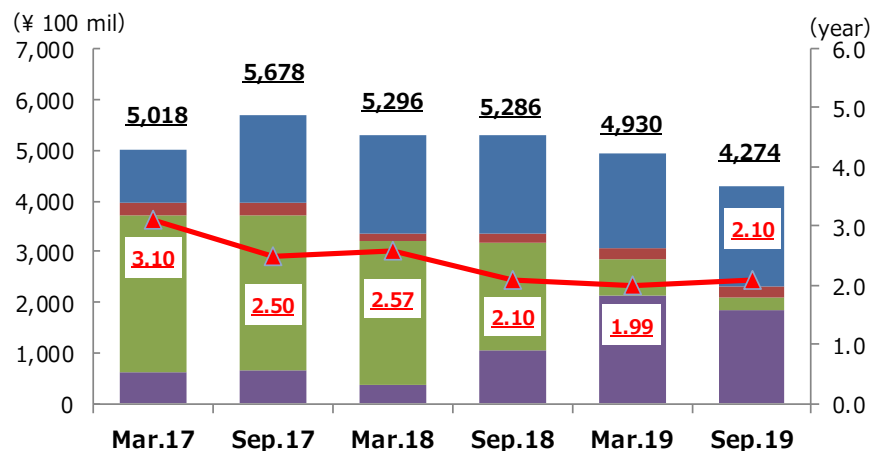
held-to-maturity bonds	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	notes
<b>JGB</b>	<b>1,513</b>	<b>244</b>	<b>1,513</b>	<b>272</b>	

※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-18		Mar-19		Sep-19	
	Loan Balance	ratio	Loan Balance	ratio	Loan Balance	ratio
Manufacturing	4,800	1.0%	2,000	0.5%	2,000	0.4%
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	0.4%	1,069	0.3%	689	0.1%
Wholesale	800	0.2%	800	0.2%	800	0.2%
Retail	0	0.0%	0	0.0%	0	0.0%
Finance & Insurance	0	0.0%	200	0.1%	0	0.0%
Real Estate	500	0.1%	-	0.0%	3,000	0.6%
Service Industries	0	0.0%	0	0.0%	0	0.0%
Governments	492,287	98.4%	360,834	98.9%	495,178	98.7%
<b>Total</b>	<b>500,157</b>		<b>364,903</b>		<b>501,667</b>	

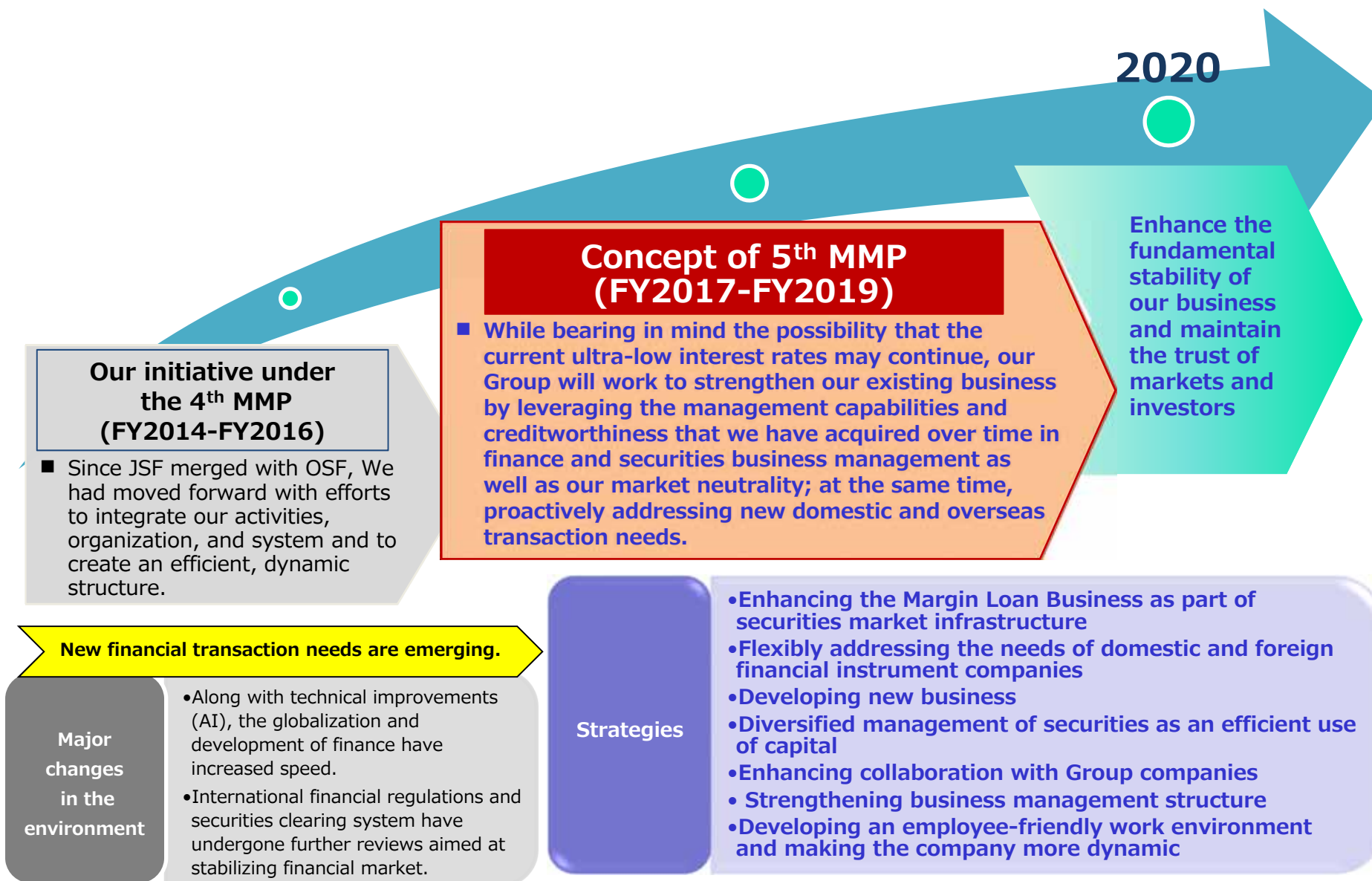


Corporate  
identity

- 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



**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

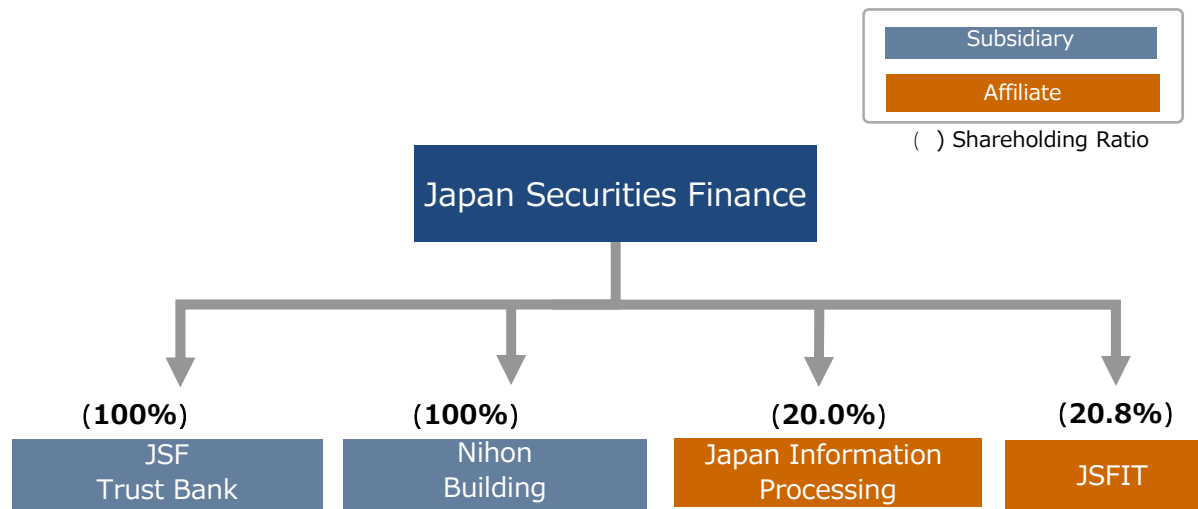
- Increasing the productivity of individual personnel and make the company more dynamic

## 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 31/Oct/2019		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.