

Japan Securities Finance Co., Ltd.

1st Half of FY2022 Financial Results Presentation

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1. Executive Summary (Consolidated)

(¥ mil)	1H FY2022	YoY Δ	Δ %	Highlights
Operating Income	4,526	+1,083	+31.5%	✓ Increased year on year by 31.5% mainly thanks to firm earnings from securities financing, particularly from bond lending and equity repo transactions.
Recurring Income	5,135	+1,283	+33.3%	
Net Income	4,110	+1,365	+49.7%	✓ Recorded extraordinary gains on reduction in retirement benefit liabilities due to change in retirement bonus structure.

2. Summary of Financial Results for the 1H of FY2022

(¥ mil)	Consolidated			Non-consolidated					
	1H FY2022	YoY.Δ	(%Δ)	JSF		JSF Trust Bank		Nihon Building	
					YoY.Δ		YoY.Δ		YoY.Δ
Operating Revenues	21,081	6,024	(+40.0%)	19,211	5,938	1,616	154	602	▲43
<i>Except Premium Charges</i>	<i>19,069</i>	<i>5,474</i>	<i>(+40.3%)</i>	<i>17,199</i>	<i>5,387</i>				
Operating Expenses	12,973	4,813	(+59.0%)	12,886	4,852	228	2	13	▲12
<i>Except Premium Charges</i>	<i>10,962</i>	<i>4,237</i>	<i>(+63.0%)</i>	<i>10,875</i>	<i>4,276</i>				
General & Administrative Expenses	3,581	127	(+3.7%)	2,919	77	537	51	326	▲16
Operating Income	4,526	1,083	(+31.5%)	3,405	1,007	850	100	262	▲30
Recurring Income	5,135	1,283	(+33.3%)	5,824	1,874	851	100	320	▲28
<i>Gain or Loss in Equity-Method</i>	<i>125</i>	<i>21</i>	<i>(+20.1%)</i>						
Extraordinary Profit or Loss	671	647	(+2,730%)	671	647	—	—	—	—
Net Income	4,110	1,365	(+49.7%)	5,173	1,983	586	66	211	▲18

3. Summary of Financial Results for the 1H of FY2022 (Non-consolidated)

Japan Securities Finance (Non-consolidated)

*Excluding premium charge

(¥ mil)	1H FY2022	YoY.Δ	(%Δ)
Operating Revenues*	17,199	5,387	(+45.6%)
Operating Expenses*	10,875	4,276	(+64.8%)
Operating Profit	6,324	1,085	(+20.7%)
Margin Loan Business*	1,525	150	(+11.0%)
Securities Financing	2,719	991	(+57.4%)
Others	2,079	▲57	(△2.7%)
General & Administrative Expenses	2,919	77	(+2.7%)
Operating Income	3,405	1,007	(+42.0%)
Recurring Income	5,824	1,874	(+47.5%)
Extraordinary Profit or Loss	671	647	(+2,730%)
Net Income	5,173	1,983	(+62.1%)

Key Points

● Operating Revenues

- Excluding margin loan premium charges, revenues increased by ¥5,387 million YoY to ¥17,199 million.

● Gross Profit

- Based on firm earnings from securities financing, gross profit increased by ¥1,085 million YoY to ¥6,324 million (+20.7%).

-Securities financing revenues increased on higher balances for bond lending and equity repo.

-Income from Others (mainly securities investment) decreased slightly due to the repositioning of held securities to enable future portfolio management.

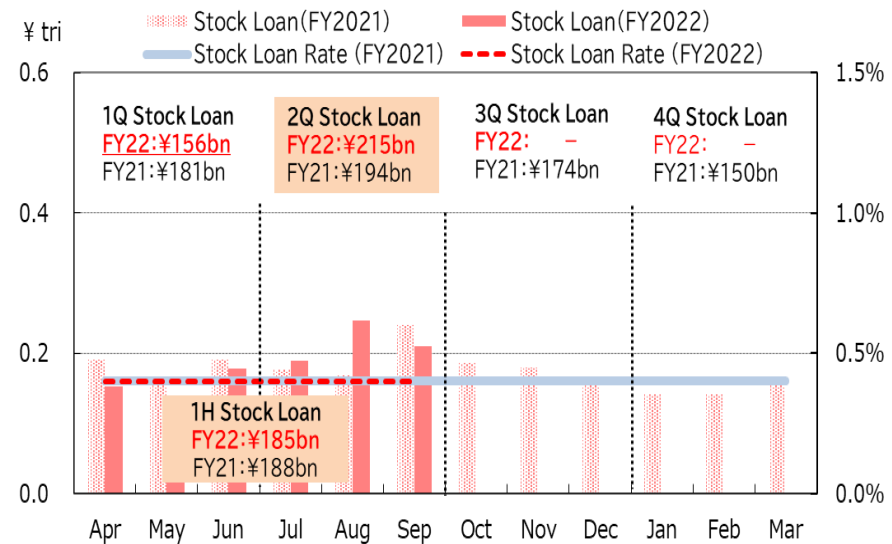
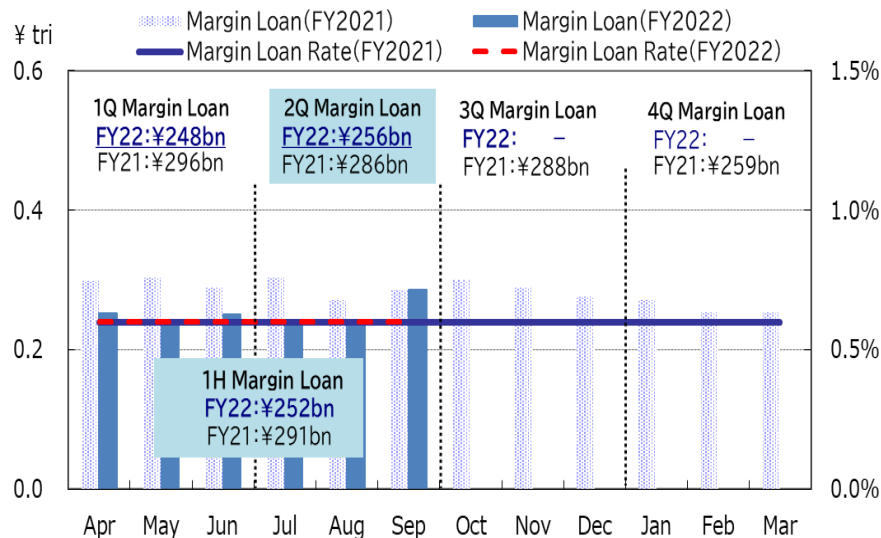
● General & Administrative Expenses

- System depreciation expenses decreased but expenses increased slightly YoY due to the removal of special factors from the previous fiscal year (recorded reversal following revision of the method to calculate the allowance for doubtful accounts) .

4. Financial Highlights (Margin Loan Business)

- First half margin loans and stock loans both decreased YoY
- However, in a market with stock prices recovering, stock loan balances increased on new offerings, with average balances for July to September recovering around ¥200 billion

(¥ bn, %)	FY2021						FY2022			YoY	
	1Q	2Q	1H	3Q	4Q	full year	1Q	2Q	1H	2Q	1H
Margin Loan	296	286	291	288	259	283	248	256	252	▲30	▲39
Stock Loan	181	194	188	174	150	175	156	215	185	21	▲2



5. Financial Highlights (Securities Financing)

- Bond lending and equity repo benefitted from capturing diverse needs to continue upward trend
- Also secured income for Others that was largely unchanged YoY

(¥ mil)

	Type of transaction	1H FY2022	YoY△	YoY%	
Securities Financing	Loans for Negotiable Margin Transactions	56	▲1	▲3.3%	✓ Remained almost the same level as the same period of the previous year.
	Loan to Securities Companies*	747	230	+44.5%	✓ Outstanding equity repo transactions have been on increasing.
	Retail	183	12	+7.6%	✓ The mainstay COM-STOCK Loan remained steady.
	General Stock Lending	196	19	+10.9%	✓ General stock lending largely unchanged YoY thanks to recovery of borrowing demand for fail-cover.
	Bond Lending	1,535	731	+91.0%	✓ Both outstanding <i>gensaki</i> transactions and repo transactions have been increasing.
	<i>Total Gross Profit</i>	<i>2,719</i>	<i>991</i>	<i>+57.4%</i>	

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

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

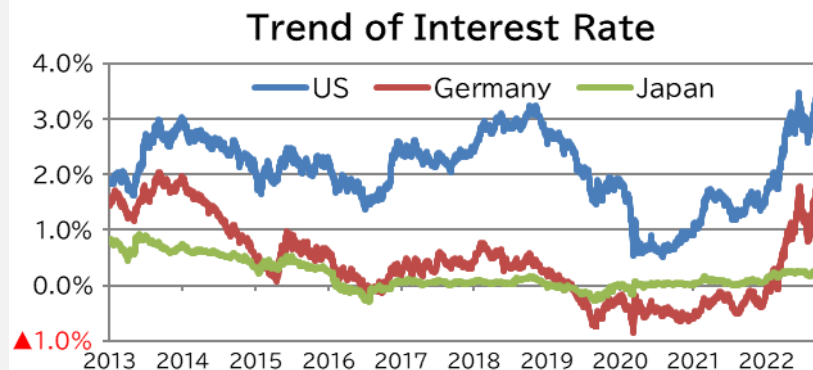
- Repositioned for future portfolio management in response to rising interest rates overseas and other changes in operating environment.
- This resulted in recording gains on sales of domestic bonds and losses on sales of foreign currency bonds.

Gains on management of market assets (JSF)

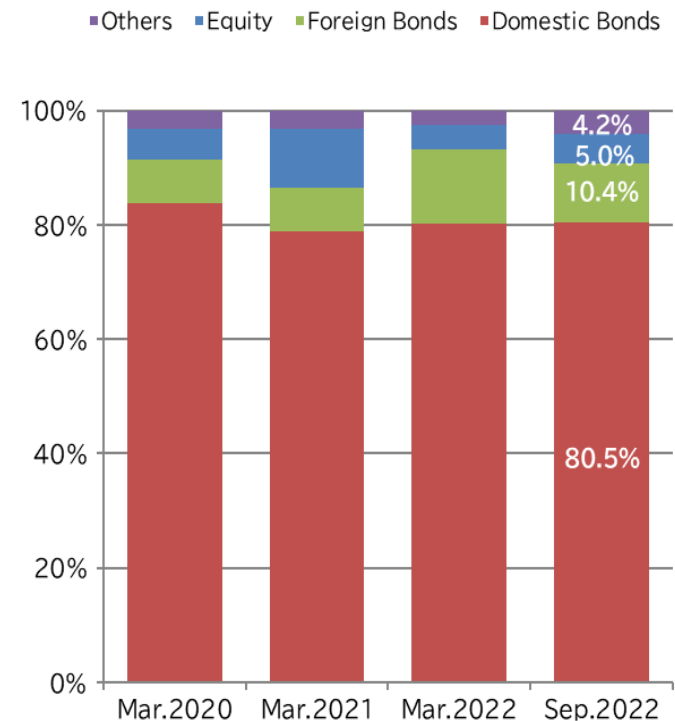
	1H FY2022	YoY
Yen-based	¥ 4,838 mil	¥ 2,983 mil
Domestic Bonds	¥ 3,297 mil	¥ 2,621 mil
Stocks and Others	¥ 1,541 mil	¥ 362 mil
In foreign currencies	△¥ 2,532 mil	△¥ 2,859 mil
Total	¥ 2,079 mil	△¥ 57 mil

Ref. Trend of Interest Rate

Source) Bloomberg



Changes in Investment Portfolio



7. Summary of Financial Results for the 1H of FY2022(JSF Trust Bank)

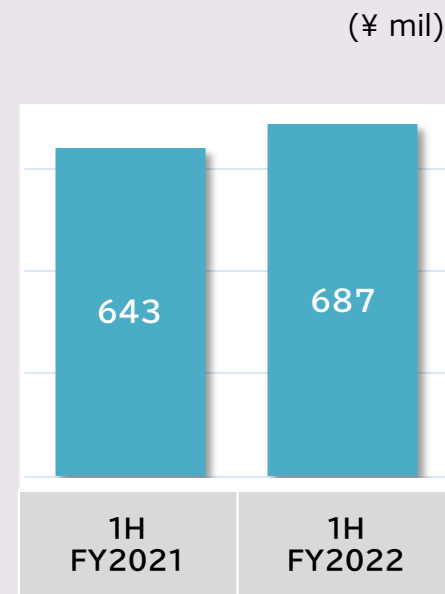
Highlights

- Custodian type trust services, particularly asset-backed loan trusts, drove increased revenues from trust fees.
- Recurring revenues increased on growth in trust fees and having recorded gains on sale of securities.

JSF Trust Bank (Non-consolidated)

(¥ mil)	1H FY2022	YoY	
			(%)
Recurring Revenue	¥ 1,675	156	(+10.2%)
Trust Fees	687	43	(+6.8%)
Recurring Expenses	824	55	(+7.2%)
Recurring Income	851	100	(+13.3%)
Net Income	586	66	(+12.7%)

【Trust Fees】



8. Estimated Figures for FY2022

Precondition

FY2022 Estimate

Over-lent
Margin Loan
¥160bn

Over-lent
Stock Loan
¥80bn

Matching
¥90bn

Margin Loan
¥250bn

Stock Loan
¥170bn

(Reference)

FY2021 Results

Over-lent
Margin Loan
¥182bn

Over-lent
Stock Loan
¥74bn

Matching
¥101bn

Margin Loan
¥283bn

Stock Loan
¥175bn

(¥ mil)		FY2022 Estimated Figures	YoY.Δ	Δ from prev. EF
Consolidated				
Operating Income		6,500	+264	—
Recurring Income		7,500	+335	+100
Net Income		5,700	+525	+100
JSF	Operating Income	4,538	+291	+59
	Recurring Income	7,984	+2,055	+112
	Net Income	6,834	+2,294	+68
JSF Trust and Banking	Recurring Income	1,400	+14	—
	Net Income	971	▲52	—
Nihon Building	Operating Income	525	▲70	▲35
	Recurring Income	640	▲67	▲35
	Net Income	425	▲40	▲20

Preconditions of Loans for Margin Transactions

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

<Approach to Estimated Figures for FY2022>

- ✓ In light of strong securities financing performance for Japan Securities Financing, we conducted an upward revision to previously announced figures.

FY2020-2022

Results and Status of 6th Medium-Term Management Plan

-Looking back on period since FY2020-

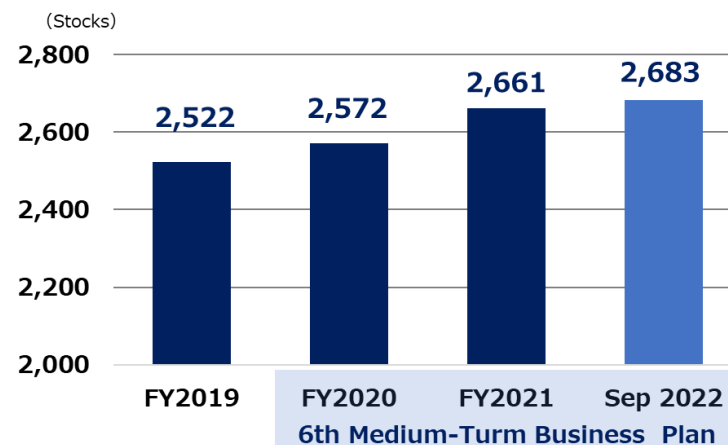
1. Results and Status of Management Goals

Number of loanable stock issues

Goal Strengthen margin loan business base

- Approached issuing companies to make steady increases during period of Medium-Term Management Plan

[Loanable issues] Refers to issues available for standardized margin transactions (standardized margin issues) for which we conduct both capital and stock lending.



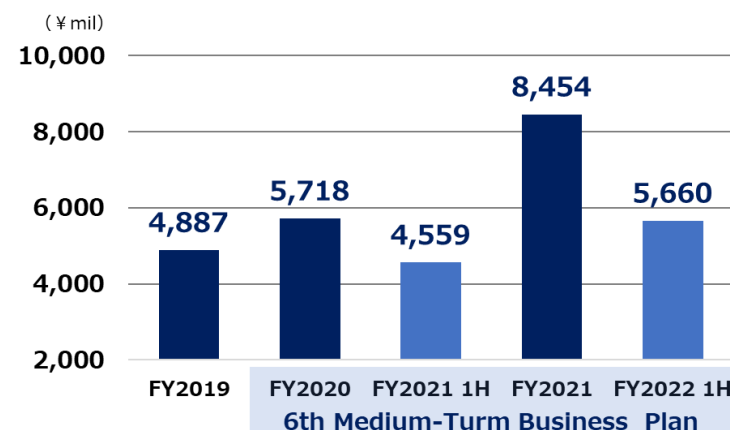
Basic profit

Goal Diversify revenue sources to fulfill function as securities market infrastructure

- Increased on revenue growth from securities financing and trust business as we further diversified revenue sources other than margin loans

[Basic profits] Recurring income estimated based on the assumed gross operating profit of the margin loan business (average over the past three years) and operating revenues for businesses other than margin loans. Margin loans, our core business, are susceptible to market fluctuations and profit fluctuates significantly).

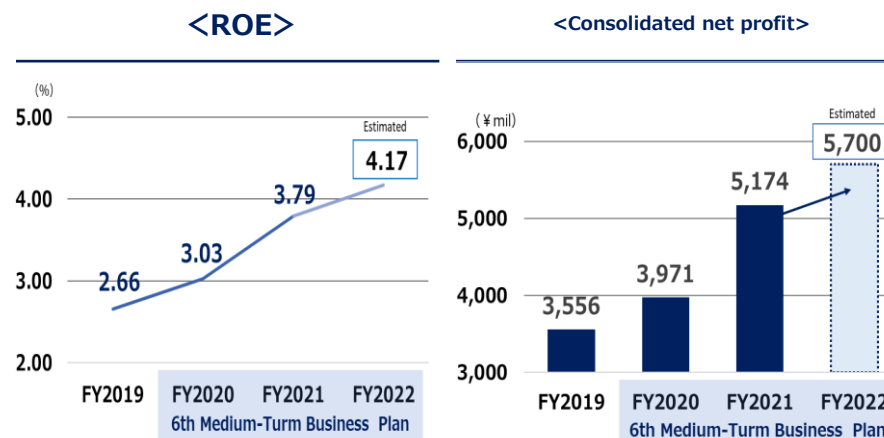
- As such, we indicate basic profit by basing estimates on average margin loan business profits.



1. Results and Status of Management Goals

ROE **Goal** ROE of 4% for FY2022, ROE of 5% by FY2025

- Diversifying revenue sources and strengthening revenue base resulted in continuous increases for consolidated net income. ROE also rose steadily.
- FY2022 full-year consolidated net income of 5.7 billion yen (estimate). Securities financing business is the main driver.
- Aiming for an ROE above 4% for FY2022 and ROE of 5% by FY2025

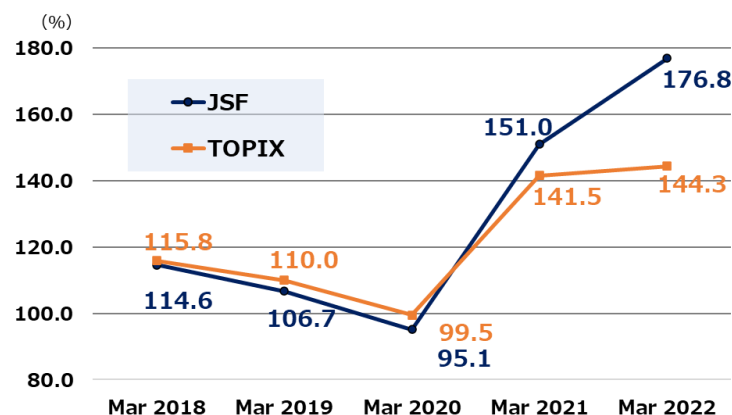


Reference **(TSR) Total Shareholder Return**

- Amid efforts to enhance shareholder returns, TSR have outperformed the TOPIX in recent years

Total Shareholders Return (TSR) is an indicator to measuring total returns for investors (price gains + dividends)

*Graph TSR calculated based on end of March 2017



2. Major Initiatives of Medium-term Management Plan JSF

Expand and strengthen revenue base with focus on securities financing

- ❑ Implement flexible responses to diversification and growth of customer base to establish securities financing as a pillar for profit growth
 - In addition to developing new customers such as foreign financial institutions and funds, we expanded securities services to offer foreign securities and provided flexible responses to customer needs, including offering tri-party repurchasing and utilizing total return swaps (TRS).
- ❑ JSF Trust Bank expanding trust fees by strengthening segregated guarantee services in response to trend of requirements for segregated guarantees for customer assets

Enhance and strengthen corporate governance

- ❑ Establish governance structure to reflect Corporate Governance code revisions and shift to TSE Prime Market
 - Approach to board of directors structure, outline and disclose directors' skills matrix, approach to nomination of executive officers
 - Outline and disclose approach to business portfolio
 - Initiatives related to sustainability issues (international cooperation for Indonesian securities market, TCFD disclosures, etc.)

New business initiatives

Start fund administration service

Empirical research for securities lending transactions using block chain technology

Enable diverse workstyles by optimizing business operation and proactively adopting telecommuting

Medium-term management policy (announced November 2021)

- In light of revisions to the Corporate Governance Code and the restructuring of Tokyo Stock Exchange market segments, we outlined our policy based on the recognition that a listed company is expected to further ensure transparency and to step up its commitment to achieving sustainable growth and medium/long-term enhancement of enterprise value underpinned by a sophisticated system of governance.
- Goal of accelerating and strengthening the Medium-term Management Plan based on changes in the environment

Corporate vision

- ❑ To maintain stability as a company fulfilling infrastructure functions for the securities market while also striving for the sustainable growth and medium- and long-term improvements in corporate value expected of a listed company

Medium-term management goals

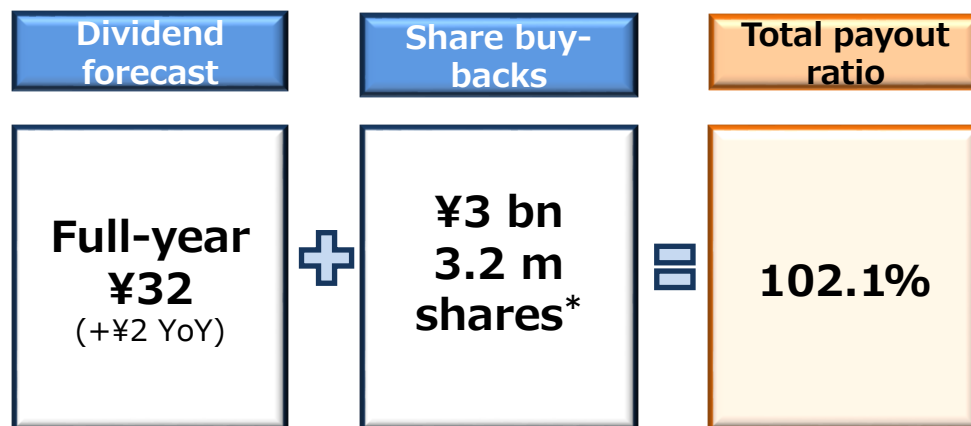
- ❑ ROE of 4% for FY2022, achieve ROE of 5% by FY2025
 - Assumes we will maintain market infrastructure functions while sustaining the strong financial stability expected of us
 - Set ROE target set at a level above costs of equity (recognized as mid-4% range)

**Evaluating 7th Medium-term Management Plan (FY2023 to FY2025)
based on these medium-term management goals**

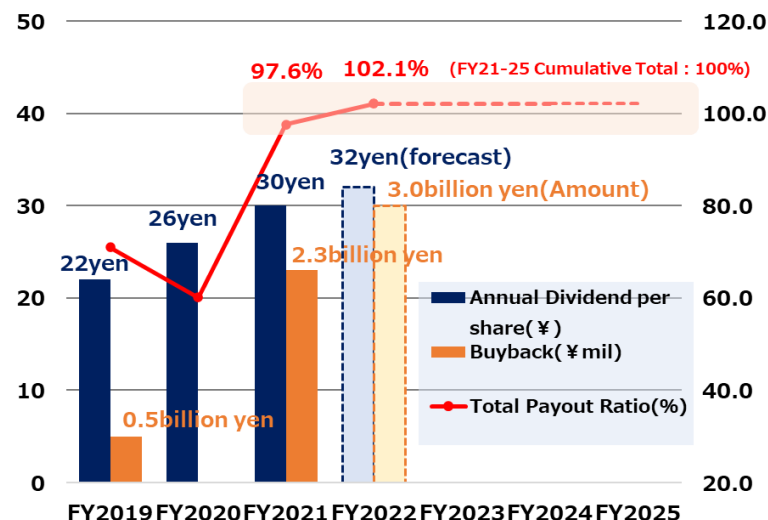
Policy for shareholder returns

- To further enhance shareholder returns, we aim at cumulative total payout ratio of 100% through dividends and the flexible implementation of share buy-backs in the period from FY2021 through FY2025 (achieving the goal of ROE 5%).
 - With regard to dividends, our aim is to aggressively pay annual dividends in the period from FY2022 through FY2025 at a level that does not fall below the amount of JPY 30 per share.

Shareholder returns in FY2022



*Percentage of total shares outstanding: 3.5%



Appendix

- Dividend and Share Buyback Program (Historical)
- Financial Result Trends (Consolidated)
- Gross Profit by Business
- Breakdown of Operating Revenues by Business (Historical Data)
- Breakdown of Operating Revenues by Business
- Analysis of YoY Change in Operating Revenue by Business (Quarterly)
- Outstanding Balance of Transactions by Group Business
- Margin Transactions & Loans for Margin transactions
- Structure of Margin Transactions & Loans for Margin Transactions
- Revenue Structure of Loans for Margin Transactions
- Balance Sheet Summary (end of Sep-2022, consolidated)
- About the Margin Loan Rates
- Rate of Loans for Margin Transactions
- Securities Holdings
- JSF Trust Bank (Loan Balance)
- Medium-term Management Policy: Overview
- Medium-term Management Policy
- Corporate Philosophy/Management Principles(The 6th MMP)
- Management Goals/Strategies(The 6th MMP)
- Management Goals(The 6th MMP)
- Strategies(The 6th MMP)
- Our Group Companies
- Rating Information
- ESG/SDGs Initiatives
- Our Corporate Philosophy and History to Date
- Our Business Field (image chart)

● Dividend and Share Buyback Program (Historical)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY2022 Forecast/ Framework
Annual Dividend per share	¥18	¥26	¥22	¥22	¥26	¥30	¥32 (Interim ¥16 Year-end ¥16)
Share Buyback (shares)	0.63mil	1.5mil	2.0mil	1.0mil	—	2.4mil	3.2mil
(amount)	¥0.3bn	¥0.9bn	¥1.2bn	¥0.5bn	—	¥2.3bn	¥3.0bn
Total Payout Ratio	56.4%	58.8%	55.0%	57.2%	60.1%	53.0%	102.1%
<Consolidated> : Net Income	¥3.0bn	¥4.2bn	¥3.7bn	¥3.5bn	¥3.9bn	¥5.1bn	¥5.7bn
:EPS	¥31.9	¥44.2	¥40.0	¥38.4	¥43.2	¥56.6	¥64.3
(reference) : DPR	56.4%	58.8%	55.0%	57.2%	60.1%	53.0%	49.7%

Note for FY2022 (Forecast)

- The number of shares and the amount of the “Share Buyback” are both subject to a repurchase limit
- The “Annual Dividend per share” is a forecast
- “Net income (consolidated)” refers to the estimated figure announced on May 10, 2022. Moreover, EPS and DPR have been calculated using this estimated figure.

● Financial Result Trends (Consolidated)

¥ mil

	FY2017	FY2018	FY2019	FY2020	1H FY2021	FY2021	1H FY2022
Operating Revenues	26,333	24,321	29,101	30,924	15,056	30,138	21,081
Ex Premium charges	18,383	18,603	20,846	23,711	13,595	27,305	19,069
Operating Expenses	13,330	12,284	16,835	18,018	8,159	16,533	12,973
Ex Premium charges	5,385	6,566	8,585	10,819	6,724	13,728	10,962
General & Administrative Expenses	9,121	8,056	8,136	8,129	3,454	7,368	3,581
Operating Income	3,881	3,981	4,129	4,777	3,442	6,235	4,526
Gain or Loss in Equity-Method	123	248	306	395	104	446	125
Recurring Income	4,685	5,046	4,894	5,558	3,851	7,164	5,135
Extraordinary Profit or Loss	131	▲41	▲36	43	23	▲17	671
Net Income	4,225	3,765	3,556	3,971	2,745	5,174	4,110

● Gross Profit by Business

		¥ mil					
		Operating Revenues (ex. premium charges)			Gross Profit		
		1H FY2021	FY2021	1H FY2022	1H FY2021	FY2021	1H FY2022
Consolidated		13,595	27,305	19,069	6,897	13,604	8,108
Securities Finance Business		11,812	23,753	17,199	5,239	10,251	6,324
Margin Loan Business (ex. Premium charges)		1,754	3,285	1,628	1,375	2,814	1,525
Securities Financing		7,254	15,391	10,385	1,727	3,766	2,719
Loans for Negotiable Margin Transactions		69	156	65	58	135	56
Loans to Securities Companies		541	1,196	757	517	1,179	747
Retail		248	510	264	170	352	183
Stock Lending		321	657	329	177	355	196
Bond Lending		6,073	12,869	8,968	803	1,742	1,535
Others(mainly securities investment)		2,802	5,076	5,185	2,136	3,670	2,079
Trust Business		1,462	2,960	1,616	1,236	2,524	1,387
Real Estate Management Business		645	1,286	602	635	1,261	588

Note)

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

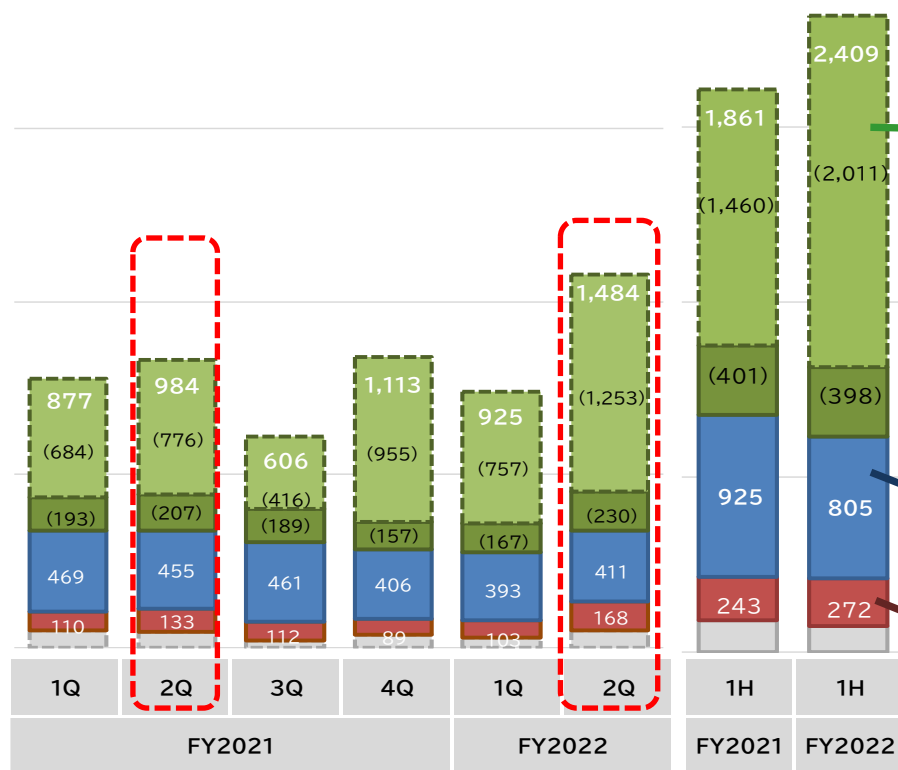
● Breakdown of Operating Revenues by Business (Margin Loan Business) © JSF

- Financing and stock lending balanced both decreased YoY, resulting in decreased revenues when excluding premium charges for over-lent stock loans

Changes in Operating Revenues

Quarterly

mil



(mil)	1H Revenue (YoY)	1H Point
Margin Loan Business	3,640 (+13.2%)	✓ Operating revenues for services decreased even when excluding premium charges.
(ex premium charges)	1,628 (Δ7.2%)	
Fees on Lending Securities	2,409 (+29.4%)	✓ Revenues from lending fees decreased due to YoY decline in stock loan balances.
Premium Charges	2,011 (+37.7%)	
Lending Fees	398 (Δ0.7%)	
Interest on Loans	805 (Δ13.0%)	✓ Revenues from interest on loans decreased due to YoY decline in margin loan balances.
Interest on collateral money of securities borrowed	272 (+11.8%)	

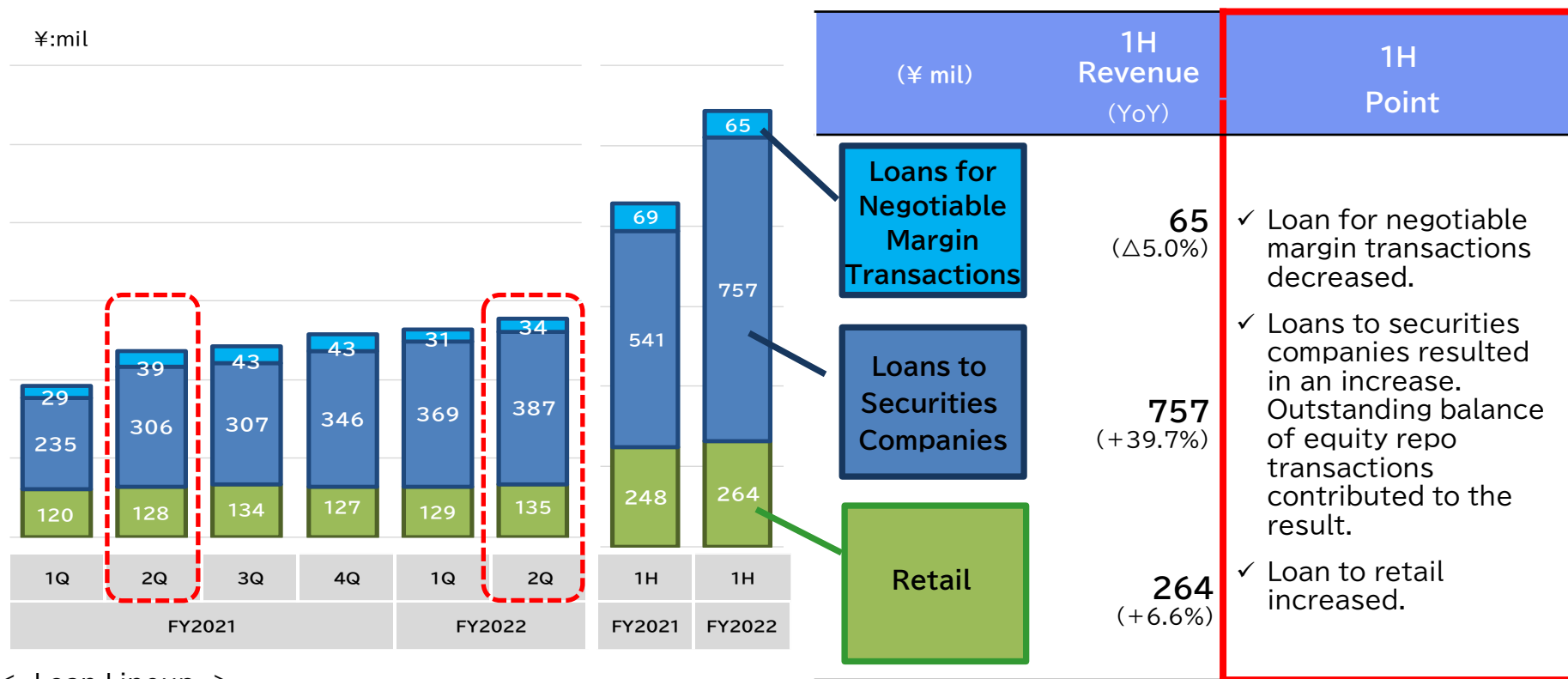
● Breakdown of Operating Revenues by Business (Securities Financing (I)) © JSF

- Loans to securities companies resulted in an increase.
Outstanding balance of equity repo transactions contributed to the result.

Changes in Operating Revenues

Quarterly

¥:mil



< Loan Lineup >

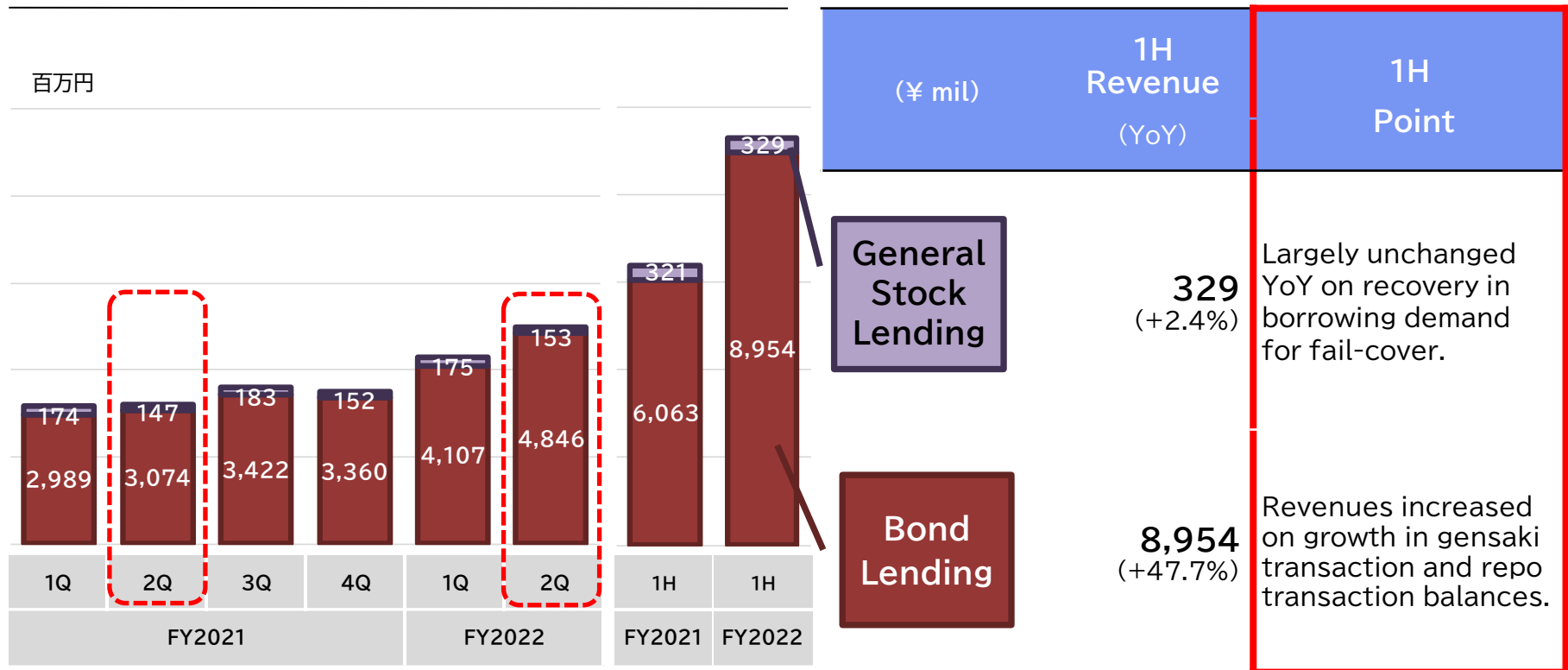
- Loans to securities companies: General loans, bon financing, loans for negotiable margin transactions, stabilizing fund loans, equity repo (cash-secured stock lending transactions)
- Loan to retail: Com-STOCK loans

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

- Bond lending revenues increased on growth in gensaki transaction and repo transaction balances
- General stock lending largely unchanged YoY thanks to recovery of borrowing demand for fail-cover.

Changes in Operating Revenues

Quarterly



*General stock lending is ...

- Lending stock to securities companies depending on their various demands (ex. fail-cover and arbitrage), except on demand to settle margin transactions.

● Breakdown of Operating Revenues by Business

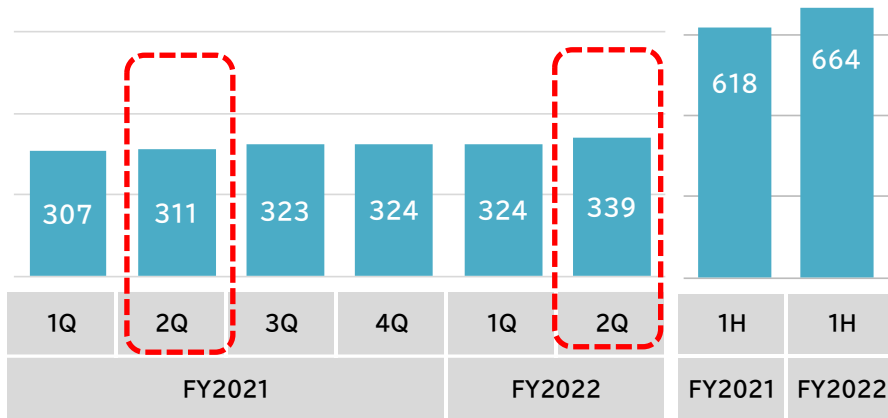
(JSF Trust Bank)

- ❑ Balances for crypto asset related trusts declined due to downturn on crypto asset market but secured increase in trust fees on continued favorable performance of asset-backed loan trusts.

Changes in Trust Fees

Quarterly

百万円



*Consolidated base

(¥ mil)	1H Revenue (YoY)	1H Point
Trust Charges	664 (+7.4%)	Favorable asset-backed loans driving continued increase

Trust Lineup

Trusts for the separate management of money and securities

Trust for segregated deposits which securities companies receive from customers

Trusts for currency future trading

Trust for segregated guarantee deposits which FX business operators receive from customers

Crypto-asset related trust

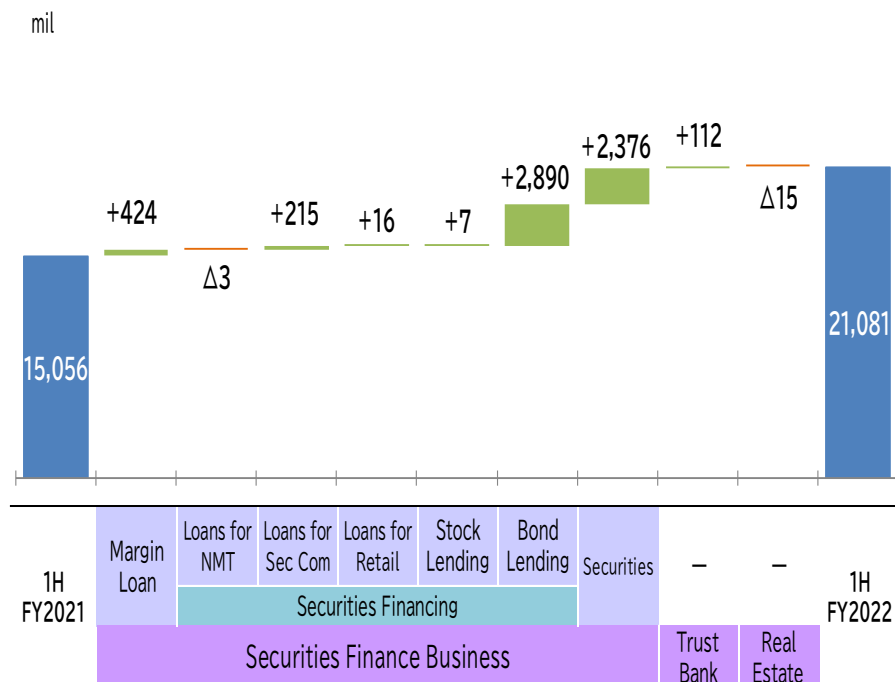
Trust for segregated guarantee deposits which crypt-asset exchangers receive from customers

Asset Backed Loan (ABL) Trust

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

● Analysis of YoY Change in Operating Revenue by Business (Quarterly)

[1H] YoY ¥ 6,024 mil(+40.0%)



Summary of the Significant Points for quarterly

Margin Loan Business

- Margin loan revenues increased but revenues decreased when excluding premium charges for over-lent stock loans due to a decline in financing and stock loan balances

Securities Financing Business

- Revenues from capital loans to securities companies increased on high balances for equity repo.
- Revenues from loans to retail increased on higher balances for COM-STOCK loans.
- General stock lending largely unchanged YoY thanks to recovery of borrowing demand for fail-cover.
- Bond Lending revenues increased on high balances for gensaki transactions and repo transactions.

Others

- Revenues increased YoY on recording gain on sales of held securities (also recorded loss on sales).

Trust Business

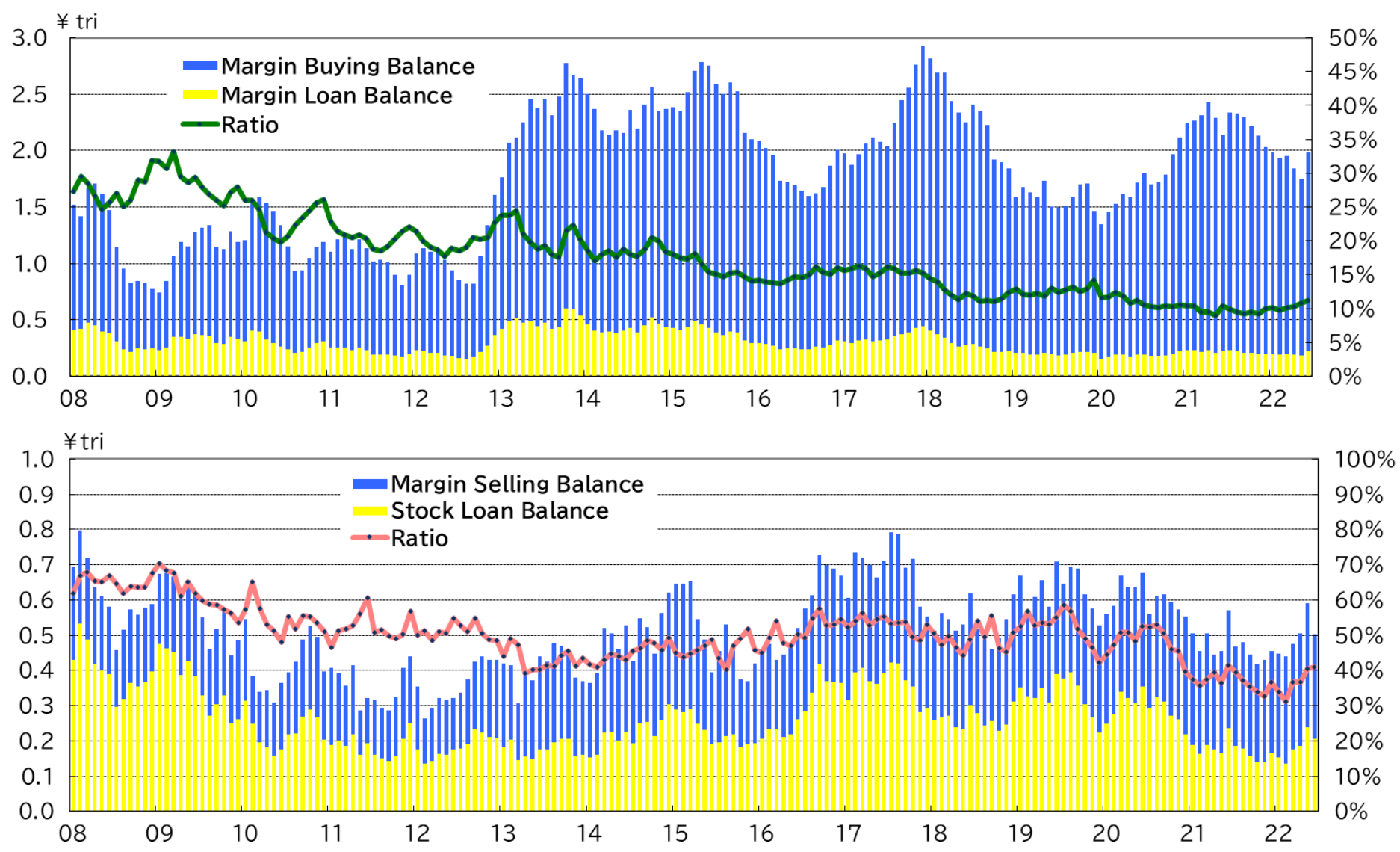
- Revenues increased on growth in trust fees.

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

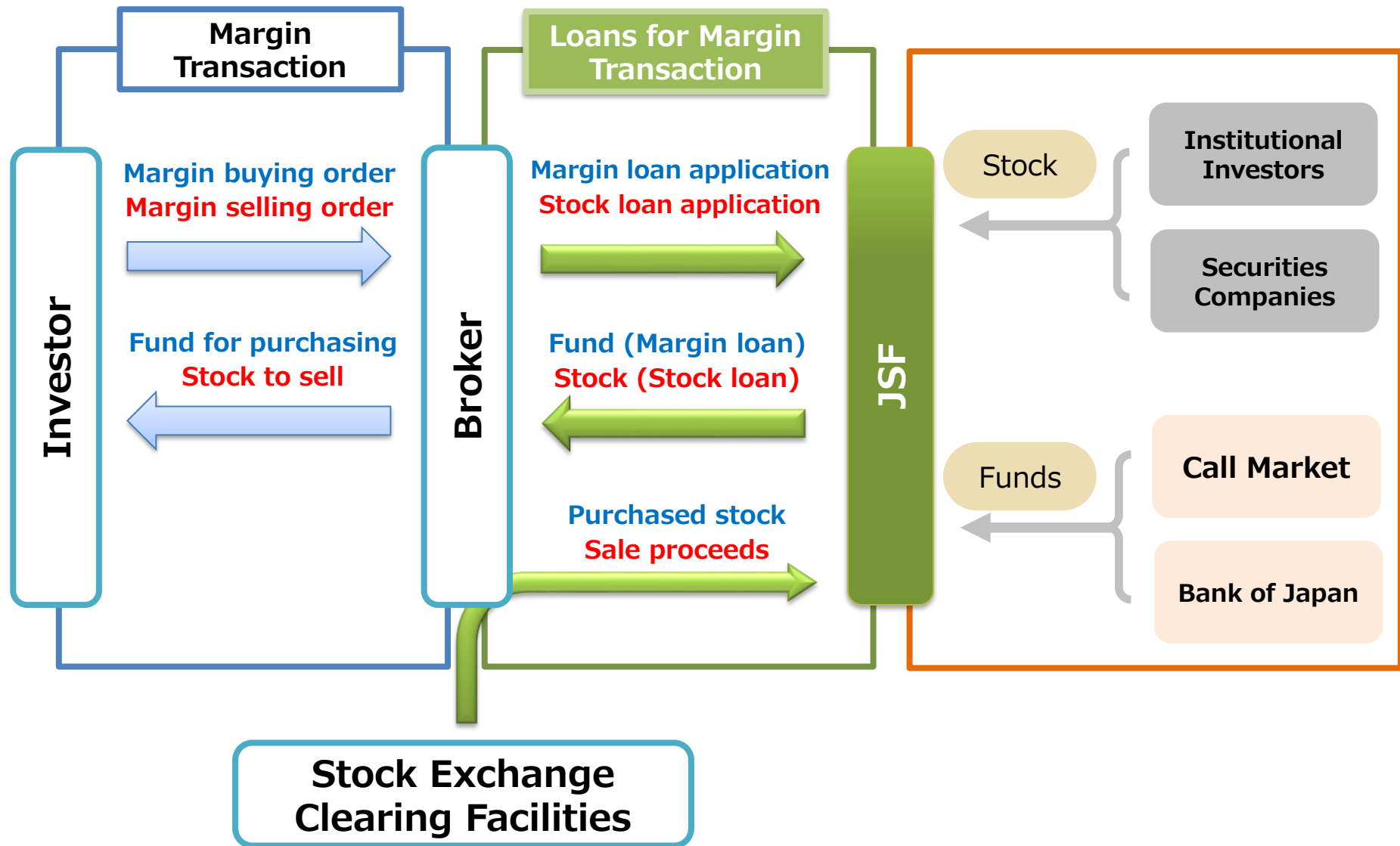
¥ mil

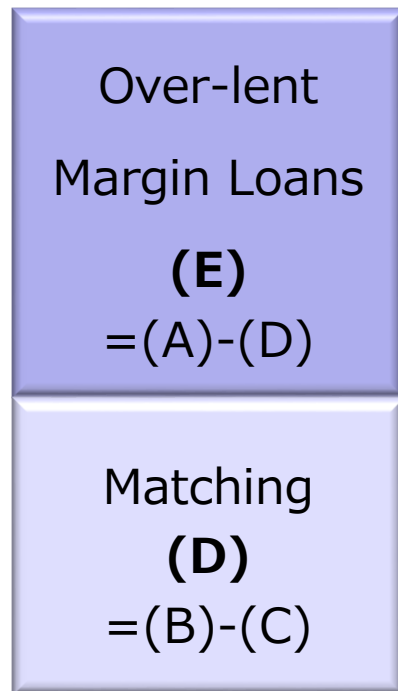
Transaction Type	1H FY2021	FY2021	1H FY2022
Margin Loans	291,826	283,118	252,436
Stock Loans	188,040	175,578	185,951
Securities Financing	9,246,011	9,969,762	11,558,679
Loans for Negotiable Margin Transaction	18,288	21,509	17,431
Loans to Securities Companies	484,143	585,974	695,236
Retail	14,252	14,993	16,096
General Stock Lending	33,891	47,509	34,006
Bond Lending	8,695,434	9,299,775	10,795,907
Trust Bank Loans	698,389	682,499	555,906

● Margin Transactions & Loans for Margin Transactions © JSF

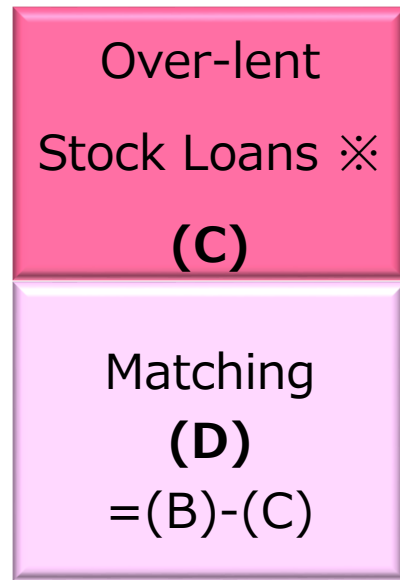


● Structure of Margin Transactions & Loans for Margin Transactions





Margin Loans
(A)



Stock Loans
(B)

Income Statement

Operating revenues:

Interest on loans $= (A) \times 0.60\%$

Fee on lending securities (lending fees)
 $= (B) \times 0.40\%$

Interest on collateral money of
securities borrowed $= (C) \times 0.60\%$

Operating expenses:

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

◆ Besides the above, premium charges are posted in operating revenues (fees on lending securities) in part of over-lent stock loans. However, the same amount is posted in operating expenses (fees of borrowing charges), so the amount of premium charges does not affect our profit.

Revenue: Fees on lending securities (premium charges) = Expenses: Fees on borrowing securities (premium charges) $= (C)' \times \text{rate of premium charges}$

● Balance Sheet Summary (end of Sep-2022, consolidated)

¥mil

	Sep-22	Change from Mar-22	
Total assets	15,059,474	890,818	
Cash & Deposit	1,681,902	382,832	Deposit at BOJ
Short-term investments	63,130	▲ 46,594	JGB and other bonds (Maturity: 1year or less)
Short-term loans receivable	940,539	49,053	Margin loan / Loans for negotiable margin transactions / General loans / Trust bank loans
Receivables under resale agreements	4,756,391	828,245	
Collateral money of securities borrowed	6,284,149	▲ 215,273	Collateral money of bond borrowing Collateral money of stock borrowing
Investments in securities	855,100	▲ 187,395	JGB and other bonds (Maturity: more than 1year), Stock
Total liabilities	14,922,027	891,368	
Call money	2,358,000	499,600	
Short-term borrowings	82,010	▲157,200	Bank borrowing Market operation by BOJ
Commercial Paper	505,500	9,500	
Payables under repurchase agreements	5,909,427	364,528	
Collateral money received of securities lent	4,923,879	217,382	Collateral money of bond lending Collateral money of stock lending
Borrowed money from trust account	983,171	▲ 48,240	
Total net assets	137,447	▲ 549	

Features of Assets

The major components of assets are margin loans (short-term loans receivable), deposits in current account balance at the BOJ (cash and deposits), both of which are subject to daily fluctuations, collateral deposited for the procurement of securities (collateral money of securities borrowed/receivables under resale agreements), and securities held for investment.

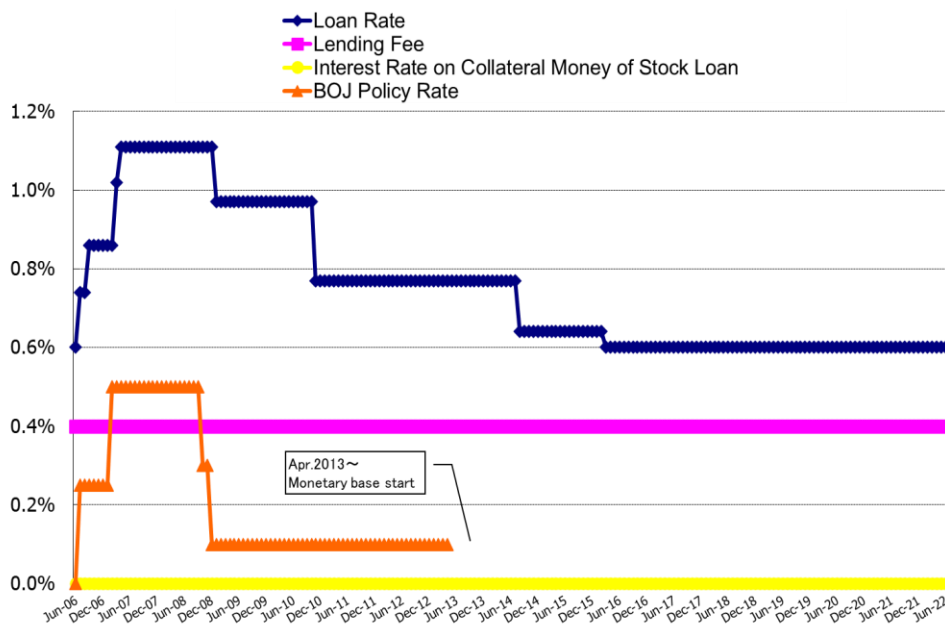
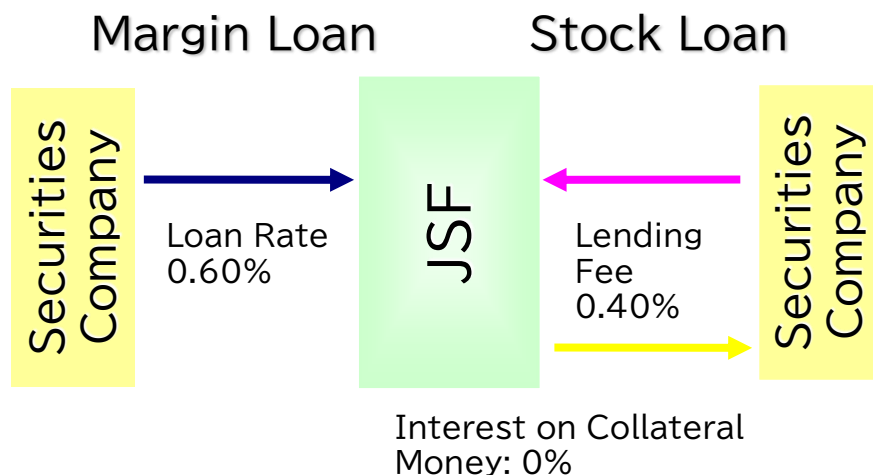
Cash and cash equivalents may change significantly depending on the amount of standby funds in the trust account of JSF Trust and Banking Co., Ltd. and the surplus of cash position of the Group as a whole.

Features of Liabilities

In addition to market funding, such as call money and commercial paper, which can be adjusted daily in order to address daily changes in assets, major liabilities are collateral deposits received against lending securities (collateral money received of securities lent/payables under repurchase agreements).

Ref) Capital adequacy ratio*
at the end of Sep 2022: 354%
*Based on FIEA

● About the Margin Loan Rate



BOJ Policy Interest Rate

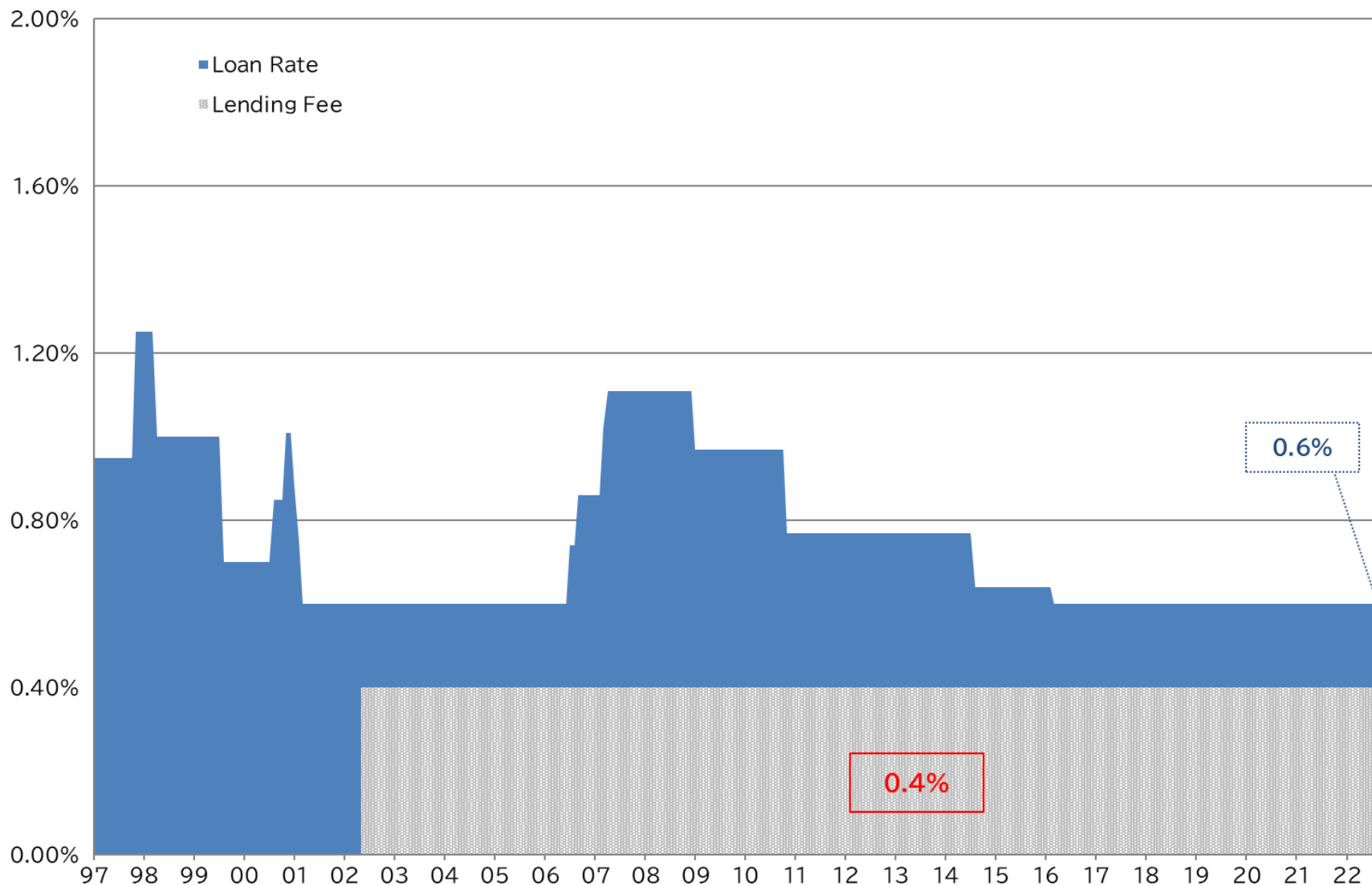
- Jul 2006 Uncollateralized O/N Call Rate: **0.25%**
- Feb 2007 Uncollateralized O/N Call Rate: **0.50%**
- Oct 2008 Uncollateralized O/N Call Rate: **0.30%** (▲0.20%)
- Dec 2008 Uncollateralized O/N Call Rate: **0.10%** (▲0.20%)
- Oct 2010 Uncollateralized O/N Call Rate: **0~0.10%** (▲0.10~0%)
- Apr 2013 Switched from an interest rate to monetary base
- Jan 2016 Embraced negative interest rates
- Sep 2016 Introduced QQE with yield curve control

Margin Loan Rate

- 27/Jul/2006 **0.74%** (+0.14%)
- 22/Sep/2006 **0.86%** (+0.12%)
- 15/Mar/2007 **1.02%** (+0.16%)
- 05/Apr/2007 **1.11%** (+0.09%)
- 29/Jan/2009 **0.97%** (▲0.14%)
- 22/Nov/2010 **0.77%** (▲0.20%)
- 06/Aug/2014 **0.64%** (▲0.13%)
- 09/Mar/2016 **0.60%** (▲0.04%)

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

● Rate of Loans for Margin Transactions



¥ mil

Securities Holdings	Mar-22		Sep-22		Notes
	B/S Amount	Unrealized Profits and Losses	B/S Amount	Unrealized Profits and Losses	
Equity	26,955	12,207	21,738	8,854	
Bond	1,100,835	3,587	870,786	▲15,467	
JGB&Municipal Bond	527,826	4,267	398,129	▲9,436	
Corporate Bond	447,409	▲786	368,013	▲971	Government guaranteed bonds etc.
Others	125,600	106	104,643	▲5,059	Foreign government bonds etc.
Other Securities	14,571	0	17,240	2,670	
Total	1,142,362	15,794	909,765	▲3,942	
(included the effects of derivatives)	—	(11,290)	—	(7,669)	

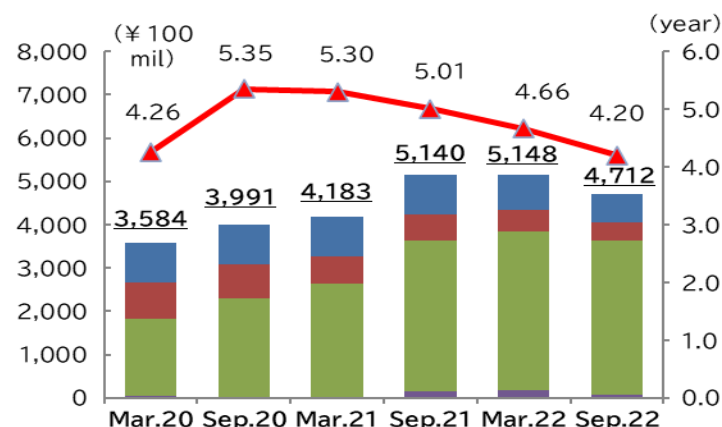
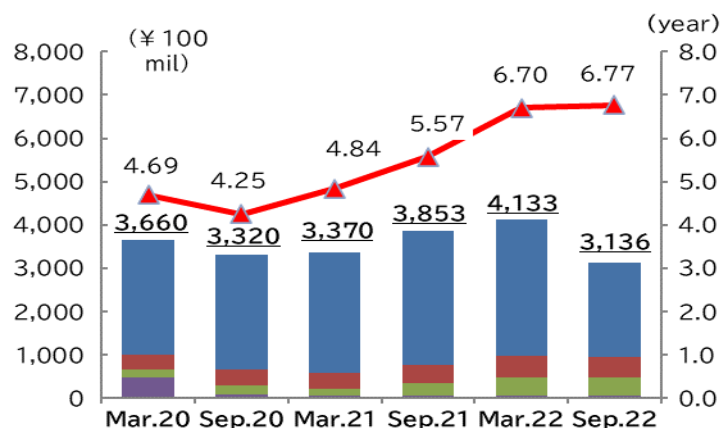
Held-to-maturity bonds	B/S Amount	Unrealized Profits and Losses	B/S Amount	Unrealized Profits and Losses	Notes
JGB	1,511	162	—	—	

*Unrealized profits and losses is not included the effects of hedging with derivatives

Yen Bond Portfolio(JSF)

Yen Bond Portfolio (JSF Trust Bank)

Over 10 years 5 years to 10 years 1 year to 5 years Within 1 year ▲ Average remaining period



(Note) The average remaining period is calculated excluding held-to-maturity bonds and bonds for which hedge-accounting is applied

● Loan Balance by Industry

¥mil

	Sep-21		Mar-22		Sep-22	
	Loan Balance	Ratio	Loan Balance	Ratio	Loan Balance	Ratio
Manufacturing	0	0.0%	0	0.0%	0	0.0%
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	689	0.1%	689	0.1%	0	0.0%
Wholesale	0	0.0%	0	0.0%	0	0.0%
Retail	0	0.0%	0	0.0%	0	0.0%
Finance & Insurance	1,000	0.2%	4,650	0.9%	4,500	0.9%
Real Estate	1,200	0.2%	1,196	0.2%	1,229	0.2%
Service Industries	0	0.0%	0	0.0%	0	0.0%
Governments	660,382	99.6%	526,090	98.8%	518,824	98.9%
Total	663,271		532,625		524,553	

Corporate Philosophy

Long-term direction for realizing corporate philosophy

Medium-term Management Policy

6th Medium-term Management Plan (FY2020-2022)

As an institution specializing in securities finance, JSF has a mission to contribute to the development of the securities market by proactively meeting the diverse needs of the securities and financial sectors and to enhance the long-term interests of users, while always maintaining a keen awareness of its public role.

Vision for JSF in the Future

Be a company that **maintains strong financial soundness, achieves the sustainable growth expected of a listed company, and enhances its enterprise value over the medium to long-term**, while firmly embracing the public roles expected of it as a securities finance company providing infrastructural functions to the securities market.

Management Policy through 2025

Management goals (targets to be achieved)	<ul style="list-style-type: none">❑ ROE of 4% during period of 6th Medium-term Business Plan (through FY2022)❑ ROE of 5% during period of next plan (FY2023-2025)<ul style="list-style-type: none">— ROE target set at a level above costs of equity (recognized as mid-4% range)
Strategies	<ul style="list-style-type: none">● Strengthen securities finance business centered on loans for margin transactions● Reinforce consolidated management of the group● Improve operational efficiency● Further enhance shareholder returns (aim for total payout ratio of 100%)
Corporate Governance	<ul style="list-style-type: none">● Expeditiously tackle the diverse challenges that need to be overcome in order to maintain the level of corporate governance expected of a listed company.

1. Vision for JSF in the Future

JSF, guided by its corporate philosophy, will strive to be a company that maintains strong financial soundness, achieves the sustainable growth expected of a listed company, and enhances its enterprise value over the medium and longer term, while firmly embracing the public roles expected of it as a securities finance company providing infrastructural functions to the securities market.

2. Medium-term management Goals

For its new medium-term management goals, JSF will aspire to attain an ROE of 4% during the period of the current medium-term management plan (ending with FY2022), and of 5% during the period of the next plan (FY2023-2025).

3. Strategies

JSF will endeavor to attain the medium-term management goals by increasing its earning power and capital efficiency through diverse actions such as: 1) strengthening its securities finance business centered on loans for margin transactions, 2) reinforcing consolidated management of the group, and 3) improving operational efficiency.

With regard to shareholder returns, JSF will seek to further enhance them by striving for a total payout ratio of 100% on a cumulative basis in the years from FY2021 through FY2025 (achievement of 5% ROE target) through dividend payments and agile implementation of share repurchases. In the case of dividends, the annual per-share amount for FY2021 is, as announced on November 2, 2021, expected to be JPY30; as for the period from FY2022 through FY2025 (achievement of 5% ROE target), since JSF has set the aforementioned total payout ratio target, it will replace its established dividend policy (consolidated payout ratio of 60%) with a policy of actively aiming to pay an annual dividend per share of no less than JPY30.

4. Commitment to Corporate Governance

We will expeditiously tackle the diverse challenges that need to be overcome in order to maintain the level of corporate governance expected of a listed company.

Corporate Philosophy

As an institution specializing in securities finance, JSF has a mission to contribute to the development of the securities market by proactively meeting the diverse needs of the securities and financial sectors and to enhance the long-term interests of users, while always maintaining a keen awareness of its public role.

Management Principles

(1) To practice sound business management by thoroughly implementing compliance, corporate governance, and risk management under a new governance structure and thereby establish solid credibility, while always maintaining a keen awareness of our social responsibilities as a securities finance company.

Basic concept as
a securities
finance company

(2) To enhance enterprise value while maintaining solid equity capital in order to ensure stability in management and the financial health required of a company that is a key player in securities market infrastructure, to give comprehensive consideration to the earnings environment, investment plans, etc., and to ensure profits are returned to shareholders.

Solid equity
capital
Financial health

(3) To further enhance JSF's core margin loan business while also striving to expand the finance- and securities-related services provided by JSF and Group companies, to develop new business, and to further grow and solidify our base.

Future business
development

(4) To build a quick and efficient business management structure and strengthen our competitive base in order to address changes in the business environment in a flexible manner.

Business
management
structure

● Management Goals / Strategies

(The 6th Medium-term Management Plan)



Management Goals

Given that the margin loan business, JSF's core business, is greatly affected by market fluctuations, we will strengthen its base by **steadily increasing our number of loanable stock issues** and stabilize our role as part of the securities market infrastructure by diversifying revenue sources and **steadily increasing our basic profit**

Strategies

Enhance the margin loan business as part of securities market infrastructure

Develop and realize new business

Expand and enhance the securities finance business

Diversify management of securities as an efficient use of capital

Strengthen the business management structure

Facilitate diverse work styles and make JSF more dynamic

Strengthen our competitive base through efficient business operation

<Framework to integrate management goals and strategies with risk management>

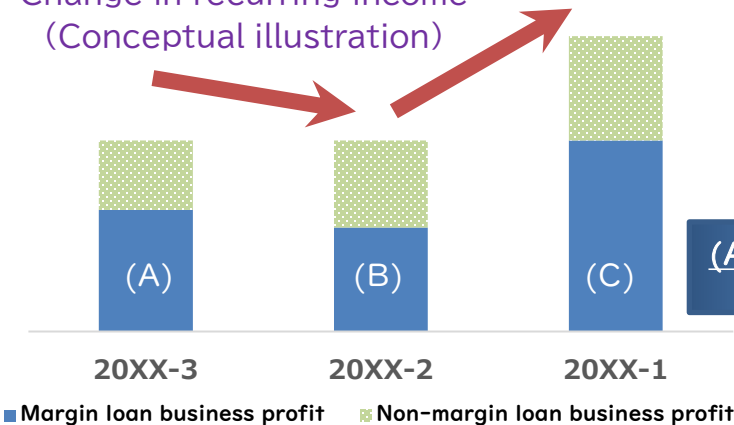
Use of the Risk Appetite Framework

- ❑ Number of loanable stock issues: We will aim to increase our number of loanable stock issues steadily to strengthen our margin loan business base
 - ❑ Basic profit: We will aim to diversify revenue sources and steadily increase our basic profit to stabilize our role as part of the securities market infrastructure
- ⇒ Actual results on the base of fiscal years will be disclosed (at the announcement of the financial results)

◆ Definition of “basic profit”
Recurring income as a trend calculated based on the assumed gross operating profit of the margin loan business (average over the past three years)

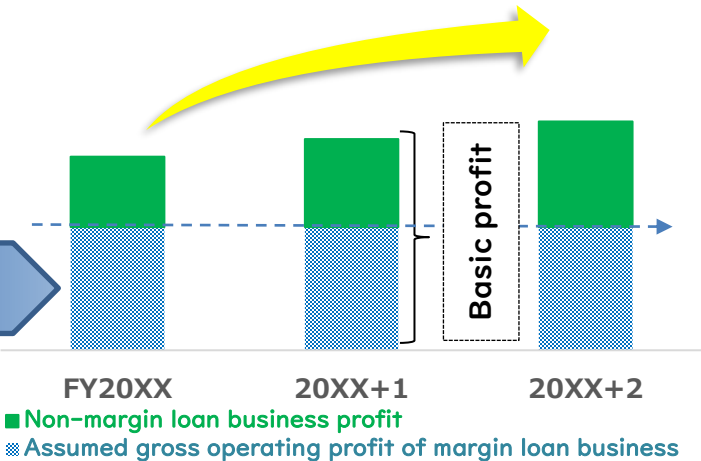
1. Characteristics of Our Recurring Income

Change in recurring income
(Conceptual illustration)



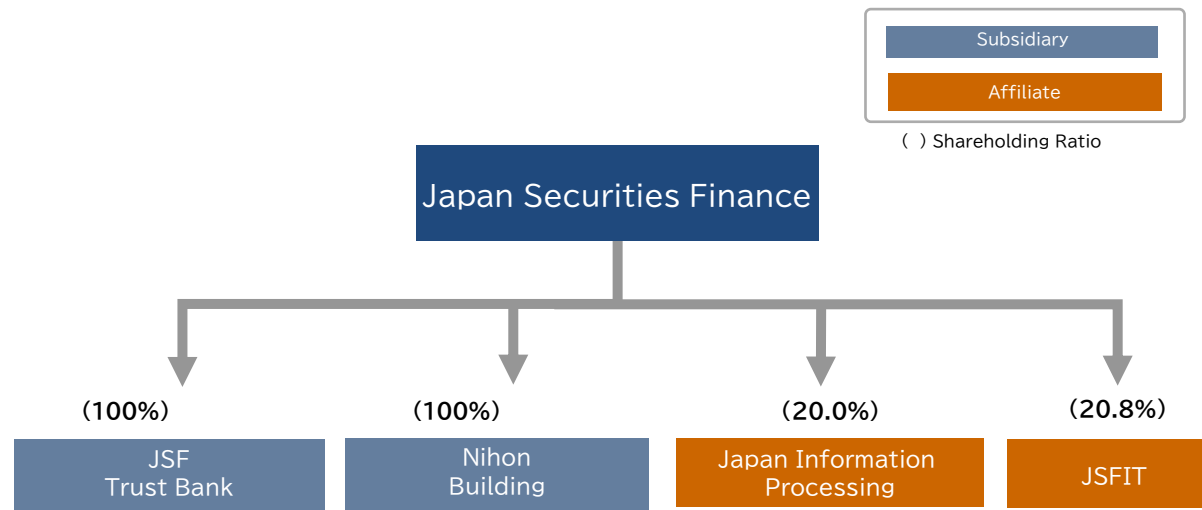
- ❖ Margin loans, JSF’s core business, are susceptible to market fluctuations (profit fluctuates significantly)
- ❖ It is difficult to understand the changes in our basic earnings

2. Calculation of Basic Profit



- ❖ We calculate the basic profit to visualize our profitability based on our average margin loan business profit.
- ❖ This makes the changes in our basic earnings easier to understand

Enhance the margin loan business as part of securities market infrastructure.	We aim to pursue stable management of our margin loan business and improve profitability by appropriately responding to changes in the stock market environment. Moreover, we aim to monitor trends among market participants carefully, increase our number of lending issues steadily, promote the use of margin loans, enhance the provision of information relating to margin transactions and margin loans, and expand the range of investors.
Expand and enhance the securities finance business	We aim to utilize the financial and securities transaction expertise we have cultivated thus far to handle diverse transactions with domestic and overseas financial instruments businesses in a proactive manner and increase business partners and applicable securities to enhance and expand our securities finance business, increasing opportunities for profit.
Develop and realize new business	We will leverage our strengths as a company with a history in the securities finance field, and develop and realize new business based on a long-term perspective in collaboration with Group companies and domestic and foreign partners.
Diversify management of securities as an efficient use of capital	We will secure stable revenues by responding to changes in the external environment and revising our portfolio in a flexible manner while maintaining appropriate risk controls. Moreover, we will move forward with expanding management based on foreign currency-denominated securities such as foreign government bonds and establishing funding methods for foreign currencies in order to support the development of business using foreign currencies.
Strengthen business management structure	We will proactively address our social obligations and ensure that compliance is positioned as a prerequisite of management in order to achieve our corporate philosophy. To establish unwavering social trust in our company, we aim to secure the effectiveness of our internal auditing and further enhance our risk management in response to the increasingly diverse and complex risks associated with the finance business. In order to fulfill our role as part of the securities market infrastructure even in the event that a major disaster occurs, we will continue to upgrade our business continuity system.
Strengthen our competitive base through efficient business operation	As our transaction volume increases and our business becomes more complex, we will review our processes and actively promote the use of digital technologies such as robotic process automation (RPA) to build an efficient business operation structure and strengthen our competitive base.
Facilitate diverse work styles and making JSF more dynamic	As work changes and diversifies with work-style reform, delayed retirement and more, we will increase the productivity of individual personnel and make the company more dynamic by reviewing our employment system and developing a rewarding and employee-friendly workplace.



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

As of 30/Sep/2022		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	AA-	Stable	AA-	Stable	—	—
	Short-term	J-1+ (Highest)		a-1+ (Highest)		—	—

The development of infrastructure that forms the foundation of socio-economic activities is a key element to realize a sustainable society. It is also one of the Sustainable Development Goals (SDGs: Goal 9). Our Group provides a variety of services, including the Margin Loan Business, as a part of the infrastructure of the securities market and strives to improve the liquidity of securities and financial markets and to improve convenience for market participants. Through these activities, we aim to play a role that includes supporting market participants who are engaged in similar initiatives to realize a sustainable society.

Our Group believes that it is important to build a system that ensures stable operations even under various circumstances as it assumes responsibility for the infrastructure of securities and financial markets. To this end, it is important not only to respond to disasters in a narrow sense, but also to ensure the stability and high reliability of our business base.




In addition, we believe that there are issues to which we can contribute by utilizing the know-how and other resources that our Group has cultivated over the years.

Based on this perspective, we are currently aware of the following material issues (materialities). Our Group recognizes the roles expected of our Group in addressing these material issues (materialities) and will advance various initiatives while flexibly responding to future changes in the social environment.

Important issues we recognize

Classification	Item	Challenges
E S	Climate change	<ul style="list-style-type: none"> Promote a reduction in environmental impact
	Education	<ul style="list-style-type: none"> Promote financial and economic education activities Promote academic research activities
	Human resources	<ul style="list-style-type: none"> Promote diversity Develop and secure human resources and create a pleasant workplace
	Human rights	<ul style="list-style-type: none"> Respect human rights, non-discrimination and diversity Prohibit various types of harassment
	Capital market	<ul style="list-style-type: none"> Enhance functions as infrastructure for securities and financial markets Contribute to overseas securities and financial market infrastructure
G	Corporate governance	<ul style="list-style-type: none"> Continuously improve corporate governance
	BCP	<ul style="list-style-type: none"> Stably operate business that is not affected by disasters etc.
	Compliance	<ul style="list-style-type: none"> Operate business based on a high awareness of compliance
	Risk management	<ul style="list-style-type: none"> Implement the Risk Appetite Framework (RAF)

Specific Initiatives on Key Issues

Classification	Challenges	Initiatives
E S  	Reduce environmental impact	<ul style="list-style-type: none"> ● Improve company facilities to conserve electricity and be conscious of environmental impact ● Promote paperless operations in all areas of the company
	Promote financial and economic education activities	<ul style="list-style-type: none"> ● Hold various seminars on margin transactions ● Hold seminars for investors and training for securities company employees, etc.
	Promote academic research activities	<ul style="list-style-type: none"> ● Conduct joint empirical research with the University of Tokyo (Securities Lending and Lending Transactions Utilizing Distributed Ledger Technology) ● Collaborate with Kyoto University in Index Development Utilizing Margin and Credit/Debit Transaction Data
	Contribute to overseas securities and financial market infrastructure	<ul style="list-style-type: none"> ● Provide technical assistance and investment in Indonesian Securities Finance
	Realize diverse work styles for employees	<ul style="list-style-type: none"> ● Provide support for childbirth, childcare, and nursing care <ul style="list-style-type: none"> – Introduce company-wide teleworking – Understand employee engagement 
G	Enhance corporate governance	<ul style="list-style-type: none"> ● Strive to enhance governance as a company with a Nominating Committee etc. <ul style="list-style-type: none"> – Ensure that the majority of directors are independent outside directors – Ensure that the Chairman of the Board of Directors and Chairman of the 3 Committees are Independent Outside Directors ● Establish dedicated departments to address various corporate governance issues with a sense of urgency
	Implement risk management	<ul style="list-style-type: none"> ● Implement RAF and establish a system to integrate business management and risk management
	Implement BCP	<ul style="list-style-type: none"> ● Continue to strengthen the BCP system and cyber security system to ensure stable business operations as a part of the infrastructure of securities and financial markets
	Implement compliance	<ul style="list-style-type: none"> ● Prepare manuals and establish Compliance Enhancement Month

Corporate Philosophy

As an institution specializing in securities finance, JSF has a mission to contribute to the development of the securities market by proactively meeting the diverse needs of the securities and financial sectors and to enhance the long-term interests of users, while always maintaining a keen awareness of its public role.

Our History to Date

- Focus on stable management of the margin loan business and improving convenience as infrastructure for securities markets
- We will also engage in new operations that meet market needs.

1950

1951

1977

1989

1998

2019

Established as an institution specializing in securities finance in response to requests from the securities industry with the aim of stabilizing and promoting the securities market

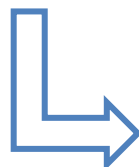
■ Launched the margin loan business

■ Launched the general stock lending business

■ Launched the brokerage business for bond lending

■ Established JSF Trust Bank

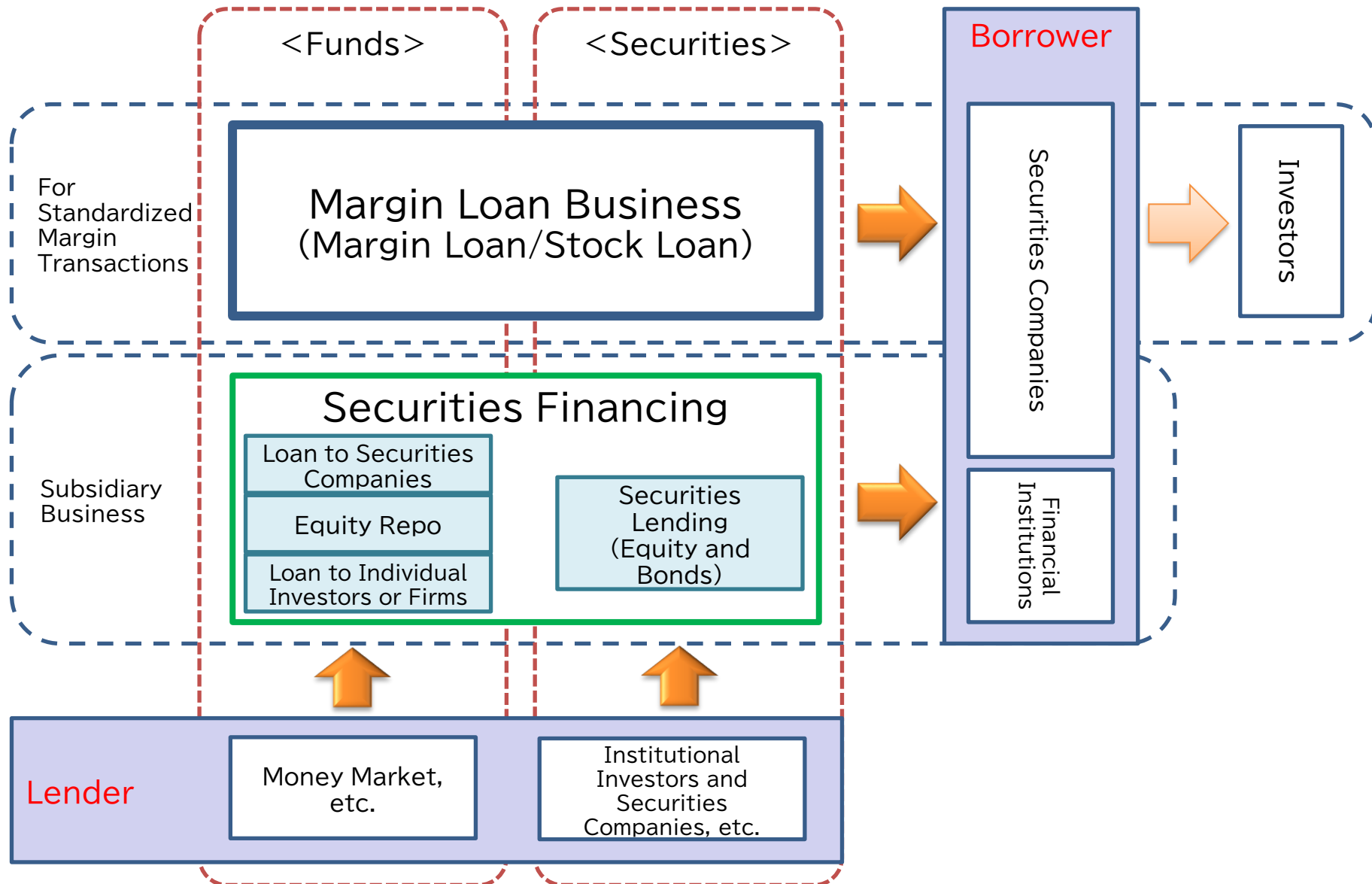
■ Launched loans for margin transactions for PTS



In conjunction with the establishment of the margin transaction system, commenced the margin loan business of lending funds or stock certificates, etc. necessary for the settlement of margin transactions to securities companies.

⇒ Roots as a licensed company stipulated in the Financial Instruments and Exchange Law

● Our Business Field (Image Chart)



This document includes statements relating to business forecasts. These statements do not guarantee future business performance; they contain risks and uncertainties. Future business performance may vary significantly depending on the stock market and financial conditions or other factors.