

Japan Securities Finance Co., Ltd.

**1st Half of FY2023
Financial Results Presentation**

<Part I> Overview of Financial Results for the 1st Half of FY2023

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1. Executive Summary (Consolidated)

(¥ mil)	1H FY2023	YoY Δ	$\Delta\%$	Highlights
Operating Income	5,944	+1,418	+31.3%	<ul style="list-style-type: none"> ✓ Both margin loan and stock loan balances increased. ✓ Showed favorable results in securities financing business mainly in Bond repo and gensaki transactions and Equity repo transactions.
Recurring Income	6,489	+1,354	+26.4%	
Net Income	4,682	+571	+13.9%	

2. Summary of Financial Results for the 1H of FY2023



(¥ mil)	Consolidated			Non-consolidated					
	1H FY2023	YoY.Δ	(%Δ)	JSF	YoY.Δ	JSF Trust Bank	YoY.Δ	Nihon Building	YoY.Δ
Operating Revenues	24,679	+3,598	(+17.1%)	22,898	+3,686	1,450	▲166	606	+3
<i>Except Premium Charges</i>	19,791	+721	(+3.8%)	18,009	+809				
Operating Expenses	15,033	+2,060	(+15.9%)	15,045	+2,158	48	▲179	15	+1
<i>Except Premium Charges</i>	10,145	▲816	(△7.4%)	10,157	▲718				
General & Administrative Expenses	3,701	+119	(+3.3%)	3,084	+165	545	+7	273	▲52
Operating Income	5,944	+1,418	(+31.3%)	4,768	+1,362	856	+5	317	+55
Recurring Income	6,489	+1,354	(+26.4%)	6,587	+763	857	+5	373	+52
<i>Gain or Loss in Equity-Method</i>	249	+123	(+98.3%)						
Extraordinary Profit or Loss	18	▲652	(△97.2%)	18	▲652	—	(—)	—	(—)
Net Income	4,682	+571	(+13.9%)	5,171	▲2	592	+6	246	+34

3. Summary of Financial Results for the 1H of FY2023 (Non-consolidated)



Japan Securities Finance (Non-consolidated) *Excluding premium charge			
(¥ mil)	1H FY2023	YoY.Δ	(%Δ)
Operating Revenues*	18,009	+809	(+4.7%)
Operating Expenses*	10,157	▲718	(△6.6%)
Operating Profit	7,852	+1,528	(+24.2%)
Margin Loan Business *	1,956	+430	(+28.2%)
Securities Financing	3,767	+1,048	(+38.5%)
Others	2,128	+49	(+2.4%)
General & Administrative Expenses	3,084	+165	(+5.7%)
Operating Income	4,768	+1,362	(+40.0%)
Recurring Income	6,587	+763	(+13.1%)
Extraordinary Profit or Loss	18	▲652	(△97.2%)
Net Income	5,171	▲2	(△0.0%)

Key Points

● Operating Profit

- ✓ Revenues increased mainly due to higher balances in the margin loan business and securities financing.
- ✓ Other income (mainly securities investment) was secured at the same level YoY due to the absence of the portfolio substitution implemented in the previous fiscal year (gains on sales of domestic bonds and other securities and losses on sales of foreign currency bonds).

● Recurring Income

- ✓ Dividends from two consolidated subsidiaries decreased by ¥ 447 million YoY due to the drop-off of dividends paid in the previous fiscal year for the efficient capital allocation within the Group. It had no impact on consolidated results because of consolidation eliminations.

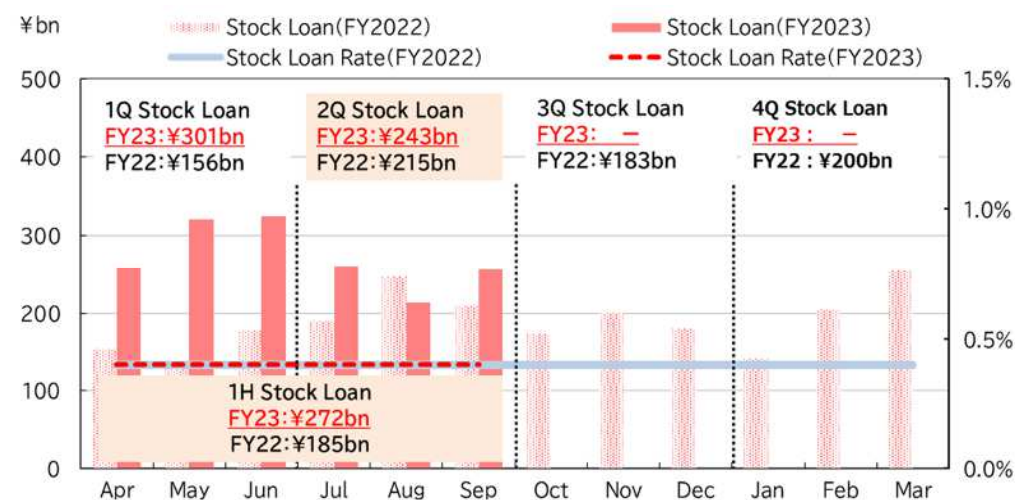
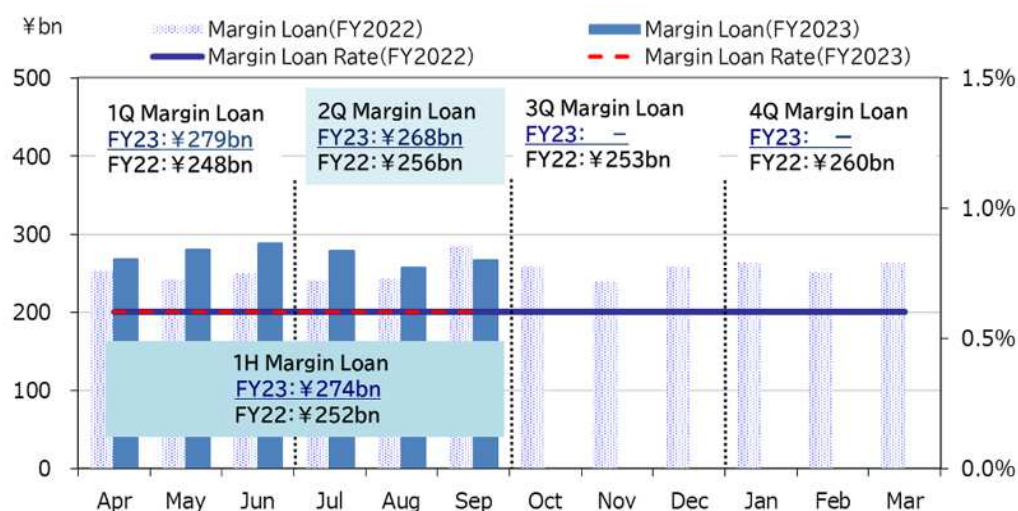
● Net Income

- ✓ Extraordinary gains of ¥671 million due to change in retirement bonus structure recorded in the previous fiscal year have dropped off.

4. Financial Highlights (Margin Loan Business)

- Margin loan and stock loan balances remained at a level higher than the previous fiscal year.
- Stock loans maintained YoY growth in 2Q despite a decline in stock prices since July.

(¥ bn)	FY2022						FY2023			YoY	
	1Q	2Q	1H	3Q	4Q	full year	1Q	2Q	1H	2Q	YTD
Margin Loan	248	256	252	253	260	254	279	268	274	12	21
Stock Loan	156	215	185	183	200	188	301	243	272	27	86



5. Financial Highlights (Securities Financing)

- Bond repo and gensaki transactions continues to benefit from capturing diverse investment and financing needs to continue upward trend and increased revenues
- All other businesses also increased profit against the backdrop of robust stock market development

(¥ mil)

	Type of transaction	1H FY2023	YoY△	YoY%	
Securities Financing	Loans for Negotiable Margin Transactions	116	+59	(+105.7%)	✓ Increased profit due to higher balances on the back of robust stock market development.
	Equity repo transactions *	860	+113	(+15.1%)	✓ Outstanding equity repo transactions remained at high levels.
	Loans to Retail	209	+25	(+14.1%)	✓ Increased revenues thanks to improved merchantability, including expansion of eligible collateral.
	General Stock Lending	373	+176	(+90.0%)	✓ General stock lending increased YoY thanks to recovery of borrowing demand for fail-cover in addition to robust stock market development.
	Bond repo and gensaki transactions	2,207	+672	(+43.8%)	✓ Outstanding Bond repo and gensaki transactions remained at record high levels.
	<i>Total Gross Profit</i>	3,767	+1,048	(+38.5%)	

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

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

- Securities investment revenues secured at the same level YoY.
- Due to the portfolio substitution implemented in the previous fiscal year (gains on sales of domestic bonds and other securities and losses on sales of foreign currency bonds), the composition of gains changed but in total the level of gains remained unchanged.

Gains on management of market assets (JSF)

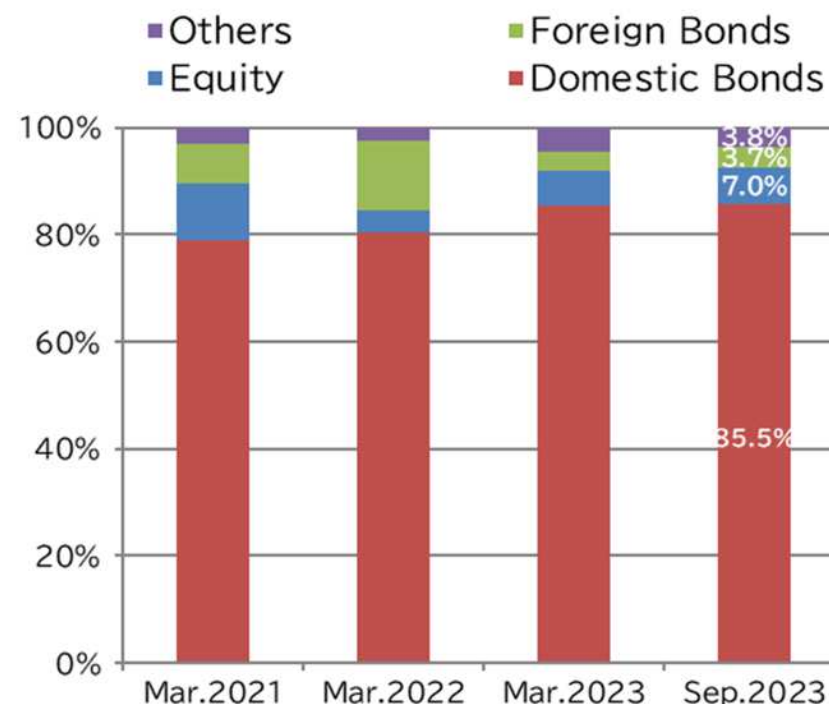
	1H FY2023	YoY
Yen-based	2,217 mil	△2,621 mil
Domestic Bonds	994 mil	△2,303 mil
Stocks and Others	1,223 mil	△318 mil
In foreign currencies	10 mil	2,542 mil
Total	2,128 mil	49 mil

Ref. Trend of Interest Rate

Source) Bloomberg



Changes in Investment Portfolio

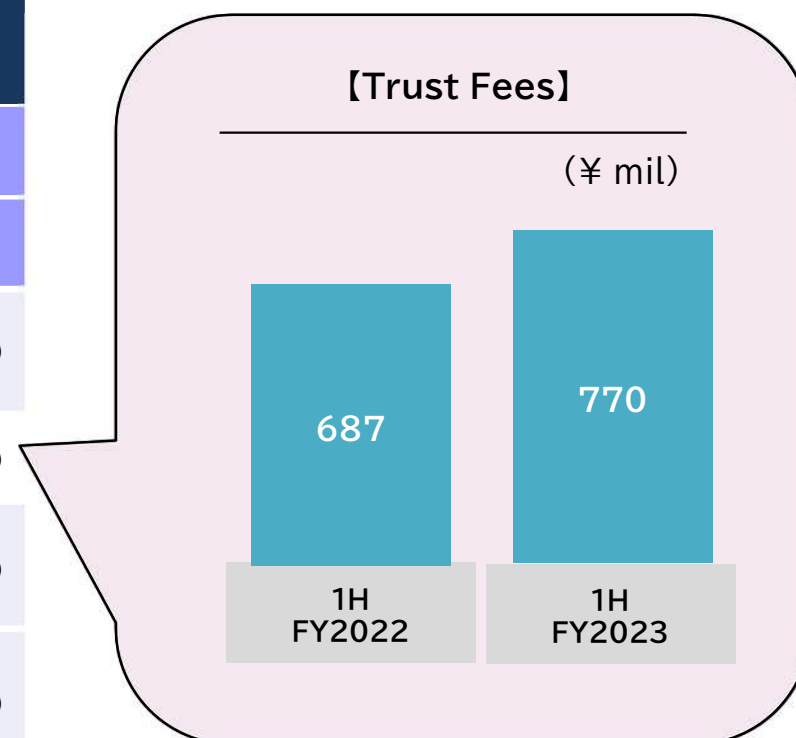


7. Summary of Financial Results for the 1H of FY2023 (JSF Trust Bank)



- Custodian type trust services, particularly asset-backed loan trusts, drove increased revenues from trust fees.
- Recurring revenues decreased due to a decrease in interest income resulting from a reduction in the investment portfolio balances.
- Net income increased thanks to lower recurring expenses such as interest on borrowing.

JSF Trust Bank (Non-consolidated)			
(¥ mil)	1H FY2023	YoY	
			(%)
Recurring Revenue	1,508	▲166	(△9.9%)
Trust Fees	770	+83	(+12.1%)
Recurring Expenses	651	▲172	(△20.9%)
Recurring Income	857	+5	(+0.6%)
Net Income	592	+6	(+1.1%)



8. Estimated Figures for FY2023(Revised on November 6)

Precondition	
FY2023 Estimate	
Over-lent Margin Loan ¥150bn	Over-lent Stock Loan ¥130bn
Matching ¥110bn	
Margin Loan ¥260bn	Stock Loan ¥240bn

(Reference)
FY2022 Results

Over-lent Margin Loan ¥160bn	Over-lent Stock Loan ¥94bn
Matching ¥94bn	
Margin Loan ¥254bn	Stock Loan ¥188bn

(¥ mil)		FY2023 Estimated Figures	YoY.Δ	Δ from prev. EF
Consolidated				
Operating Income		8,900	+2,545	+500
Recurring Income		9,800	+2,198	+400
Net Income		7,000	+1,033	+300
JSF	Operating Income	6,803	+2,412	+422
	Recurring Income	9,370	▲904	+991
	Net Income	7,274	▲2,028	+866
JSF Trust and Banking	Recurring Income	1,530	+114	+50
	Net Income	1,061	+85	+34
Nihon Building	Operating Income	550	+13	—
	Recurring Income	660	+8	—
	Net Income	435	+5	—

Preconditions of Loans for Margin Transactions

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

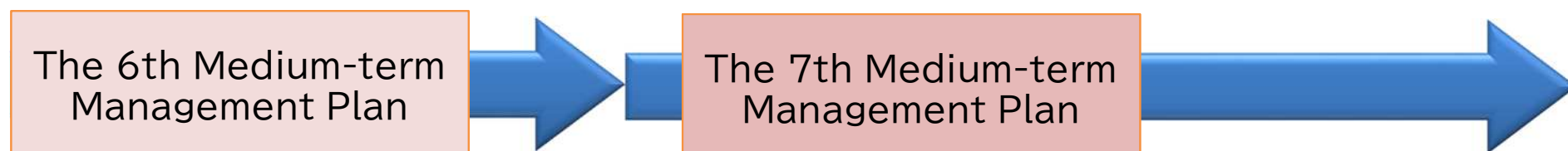
<Approach to Estimated Figures for FY2023(Revised on November 6)>

✓ We conducted an upward revision based on strong 1H results in both the margin loan business and Security Financing Business.

Long-term Management Vision Targeted by JSF



- Establishment of sophisticated governance system
- Improvement of profitability and capital efficiency



- Further accelerating current initiatives, such as enhancing the margin loan business, expanding and strengthening securities financing business
- Formulating “Human Capital Policies” as our basic approach for promoting initiatives related to the formation of “human capital,” such as human resource development, with the aim of strengthening the foundation of human resource capabilities, which are the source of enterprise value creation

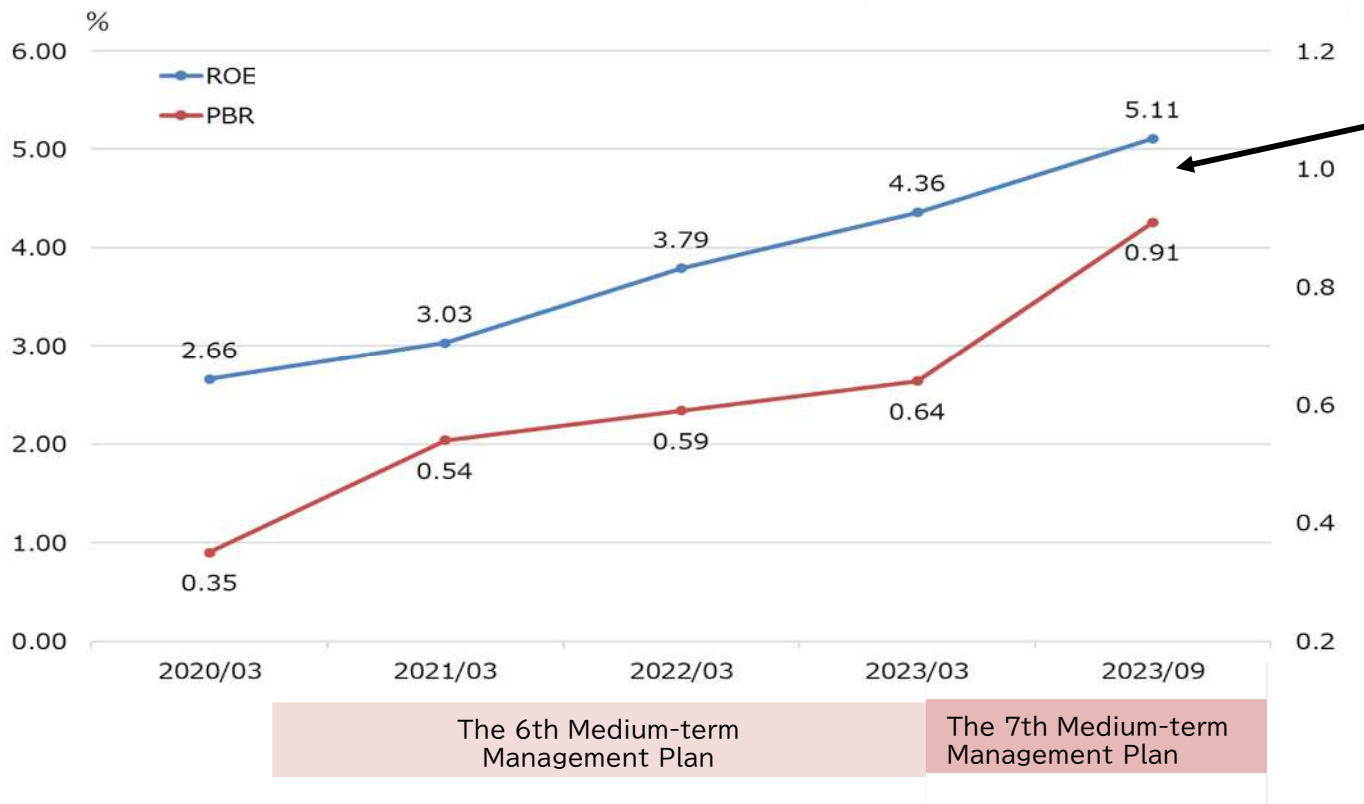
□ Management Goals

Achievement 4% ROE by FY2022

Achievement 5% ROE by FY2025

- **Shareholder returns** : Seeking 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.

ROE, PBR (Historical)



- Expecting to achieve the 5% ROE goal set out in our Medium-term Management Policy in the current fiscal year, two years ahead of our expectation.
- P/B ratios recently hovering around 1x.

Given that JSF's management efforts to date have achieved a certain level of success and that we have reached a milestone, JSF now believes it is appropriate to reorganize its approach to future management, and its Board of Directors has engaged in repeated discussions with regard thereto.

As a result, JSF has reached the conclusion

- ①Setting out the long-term management vision targeted by JSF
- ②Formulating, in line with this long-term management vision, a Medium-term Management Plan and a shareholder return policy based on specific business strategies.

* ROE as of the end of 2023/09 was calculated based on the FY2023 estimated performance figures.

Formulation and Public Release of the Long-term Management Vision Targeted by JSF (November 6, 2023)

□ Formulation of "Long-term Management Vision Targeted by JSF"

□ Upward revision of Management Goals under the 7th Medium-Term Management Plan through FY2025.

□ Formulation of "Shareholder Return Policy During the Period of the 7th Medium-term Management Plan"

Vision of the Future Targeted by JSF

As Japan's only securities finance company supporting the infrastructural functions of securities and financial markets, JSF aims to be a distinct and unique company, with a high degree of agility and flexibility, that achieves sustainable growth and enhances its corporate value, while maintaining strong financial soundness, through its contributions to the development of securities and financial markets.

Corporate Message (Newly Formulated)

Be unique. Be a pioneer.
唯一をつくる、開拓者であれ。

This message represents the image of what we want to become, which is to pioneer the future by contributing to the market as a distinctive and unique company.

A company that responds agilely and flexibly to the trading needs of participants in the securities and finance markets while bridging domestic and international markets in an environment of constant change, including the evolution of financial technologies and internationalization.

Long-term Direction

- ❑ As Japan's only securities finance company, in the future as well, JSF will continue to agilely and flexibly address the trading needs of securities and financial market participants. Through its contributions to market development, JSF will seek to concentrate the collective efforts of its Group companies to sustain growth and enhance its corporate value, while maintaining strong financial soundness.
- ❑ Under this management direction, in the future as well, JSF will strive to steadily strengthen its earnings base and seek the stable and steady improvement of its capital efficiency, while remaining mindful of the cost of capital, and will continue to work towards the steady improvement of its ROE, keeping the 8% level in mind.
- ❑ At the same time, with regard to shareholder returns, JSF will continue to maintain a total payout ratio of 100% during the period of its 7th Medium-Term Management Plan (the three fiscal years from FY2023 through FY2025), and will fully strive to enhance shareholder returns thereafter as well.
- ❑ Through these management efforts, JSF aims to establish a market valuation with a PBR in excess of 1x.
- ❑ In addition, under its organizational design as a company with a nomination committee, etc., JSF will strive to strengthen its corporate governance by tackling sustainability issues while focusing on the further improvement of the effectiveness of the deliberations by its Board of Directors and respective committees, the further enhancement of the disclosure of information, and the formation of a deep human capital base.

3. Revision of Management Goals under the 7th Medium-Term Management Plan

Based on its long-term vision and its performance in FY2023, JSF has upwardly revised its management goals, as follows, under the 7th Medium-Term Management Plan

ROE: Maintain a stable level above 5% and aim for further improvement.

Consolidated recurring income:
Maintain a stable level of over 10 billion yen and aim for further improvement.

4. Shareholder Return Policy During the Period of the 7th Medium-term Management Plan

Shareholder returns

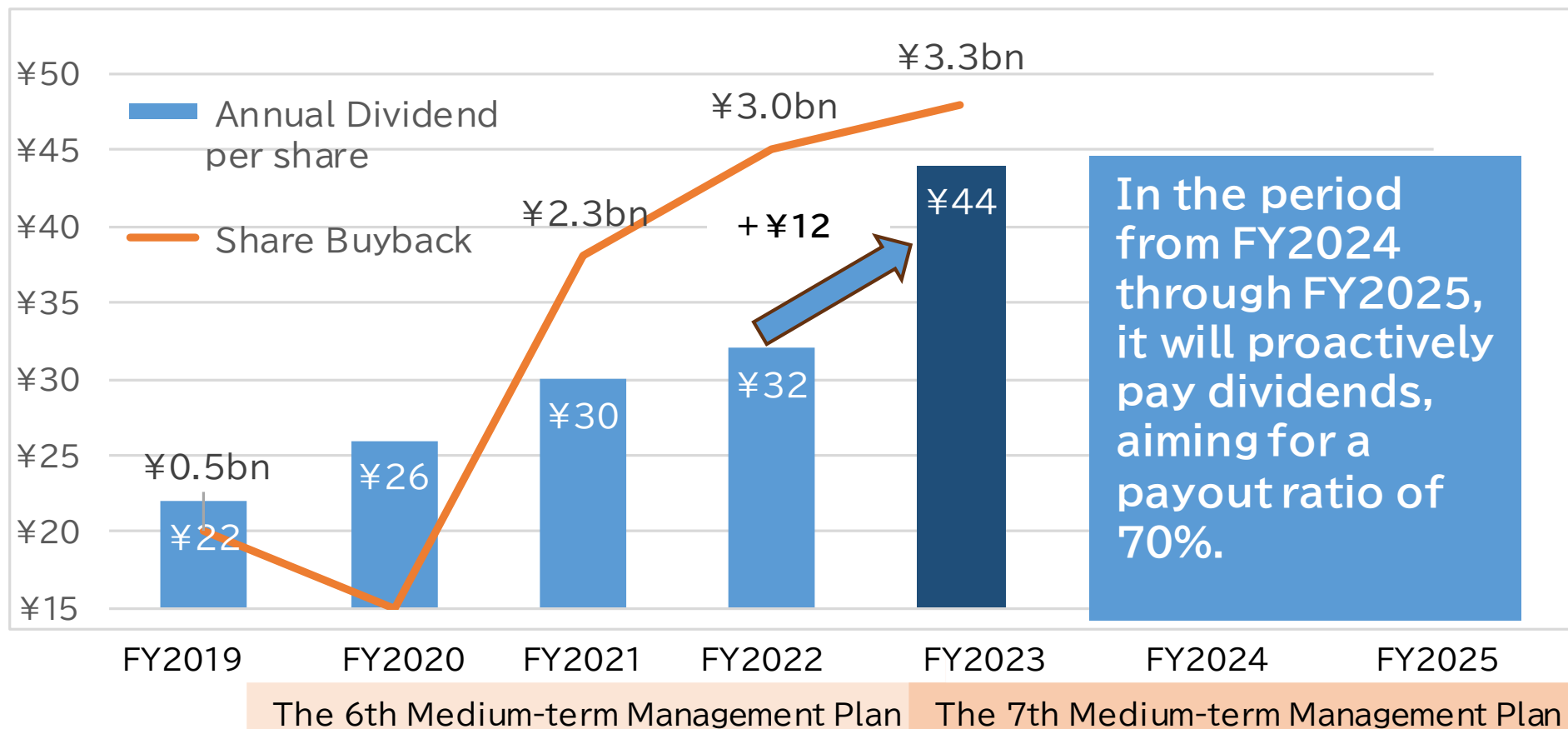
With respect to shareholder returns, from a viewpoint of further enhancement, **JSF will continue its policy of aiming for a total payout ratio of 100% on a cumulative basis** in the years from FY2023 through FY2025, through the payment of dividends and the flexible implementation of share repurchases.

Dividends

With regard to the payment of dividends, traditionally JSF has been very proactive, and for FY2023 it will increase its dividend to **JPY44**, and in the period from FY2024 through FY2025, **it will proactively pay dividends, aiming for a payout ratio of 70%.**

4. Shareholder Return Policy During the Period of the 7th Medium-term Management Plan

Annual Dividend per share and Share Buyback (Historical)



FY2023 Estimated Figures

Recurring Income	¥9.8bn
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Net Income	¥7.0bn
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Striving for a total payout ratio of 100% on a cumulative basis through dividend payments and agile implementation of share repurchases.

※Estimated Figures for FY2023 were revised on November 6, 2023.
Annual dividend per share in FY2023 is a forecast.
The amount of share buyback in FY2023 is subject to a repurchase limit.

Appendix

- Dividend and Share Buyback Program (Historical)
- Financial Result Trends (Consolidated)
- Gross Profit by Business
- Breakdown of Operating Revenues by Business
- Analysis of YoY Change in Operating Revenue by Business
- Outstanding Balance of Transactions by Group Business
- Securities Holdings
- Balance Sheet Summary, consolidated
- Margin Transactions & Loans for Margin transactions
- Structure of Margin Transactions & Loans for Margin Transactions
- Revenue Structure of Loans for Margin Transactions
- About the Margin Loan Rates
- Our Group Companies
- Rating Information
- Our Business Field (image chart)

● Dividend and Share Buyback Program (Historical)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY2023 Forecast/ Framework
Annual Dividend per share	¥26	¥22	¥22	¥26	¥30	¥32	¥44 Interim ¥17 Year-end ¥27
Share Buyback (shares)	1.5mil	2.0mil	1.0mil	—	2.4mil	3.1mil	3.3mil
(amount)	¥0.9bn	¥1.2bn	¥0.5bn	—	¥2.3bn	¥3.0bn	¥3.3bn
Total Payout Ratio	79.3%	87.8%	71.0%	60.1%	97.6%	97.6%	101.0%
<Consolidated> : Net Income	¥4.2bn	¥3.7bn	¥3.5bn	¥3.9bn	¥5.1bn	¥5.9bn	¥7.0bn
:EPS	¥44.2	¥40.0	¥38.4	¥43.2	¥56.6	¥67.7	¥81.4
(reference) : DPR	58.8%	55.0%	57.2%	60.1%	53.0%	47.2%	54.0%

Note for FY2023 (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 November 6, 2023. Moreover, EPS and DPR have been calculated using this estimated figure.

● Financial Result Trends (Consolidated)

¥ mil

	FY2018	FY2019	FY2020	FY2021	1H FY2022	FY2022	1H FY2023
Operating Revenues	24,321	29,101	30,924	30,138	21,081	42,518	24,679
Ex Premium charges	18,603	20,846	23,711	27,305	19,069	37,806	19,791
Operating Expenses	12,284	16,835	18,018	16,533	12,973	28,765	15,033
Ex Premium charges	6,566	8,585	10,819	13,728	10,962	24,053	10,145
General & Administrative Expenses	8,056	8,136	8,129	7,368	3,581	7,398	3,701
Operating Income	3,981	4,129	4,777	6,235	4,526	6,354	5,944
Gain or Loss in Equity-Method	248	306	395	446	125	523	249
Recurring Income	5,046	4,894	5,558	7,164	5,135	7,601	6,489
Extraordinary Profit or Loss	▲41	▲36	43	▲17	671	671	18
Net Income	3,765	3,556	3,971	5,174	4,110	5,966	4,682

● Gross Profit by Business

¥ mil

		Operating Revenues (ex. premium charges)			Gross Profit		
		1H FY2022	FY2022	1H FY2023	1H FY2022	FY2022	1H FY2023
Consolidated		19,069	37,806	19,791	8,108	13,753	9,645
Securities Finance Business		17,199	33,919	18,009	6,324	10,363	7,852
Margin Loan Business (ex. Premium charges)		1,628	3,292	2,078	1,525	3,077	1,956
Securities Financing		10,385	21,976	13,458	2,719	5,850	3,767
Loans for Negotiable Margin Transactions		65	149	128	56	130	116
Equity repo transactions		757	1,529	875	747	1,514	860
Loans to Retail		264	544	299	183	377	209
General Stock Lending		329	799	523	196	496	373
Bond repo and gensaki transactions		8,968	18,953	11,630	1,535	3,332	2,207
Others(mainly securities investment)		5,185	8,651	2,472	2,079	1,434	2,128
Trust and Banking Business		1,616	3,364	1,450	1,387	2,616	1,401
Real Estate Management Business		602	1,197	606	588	1,162	591

Note)

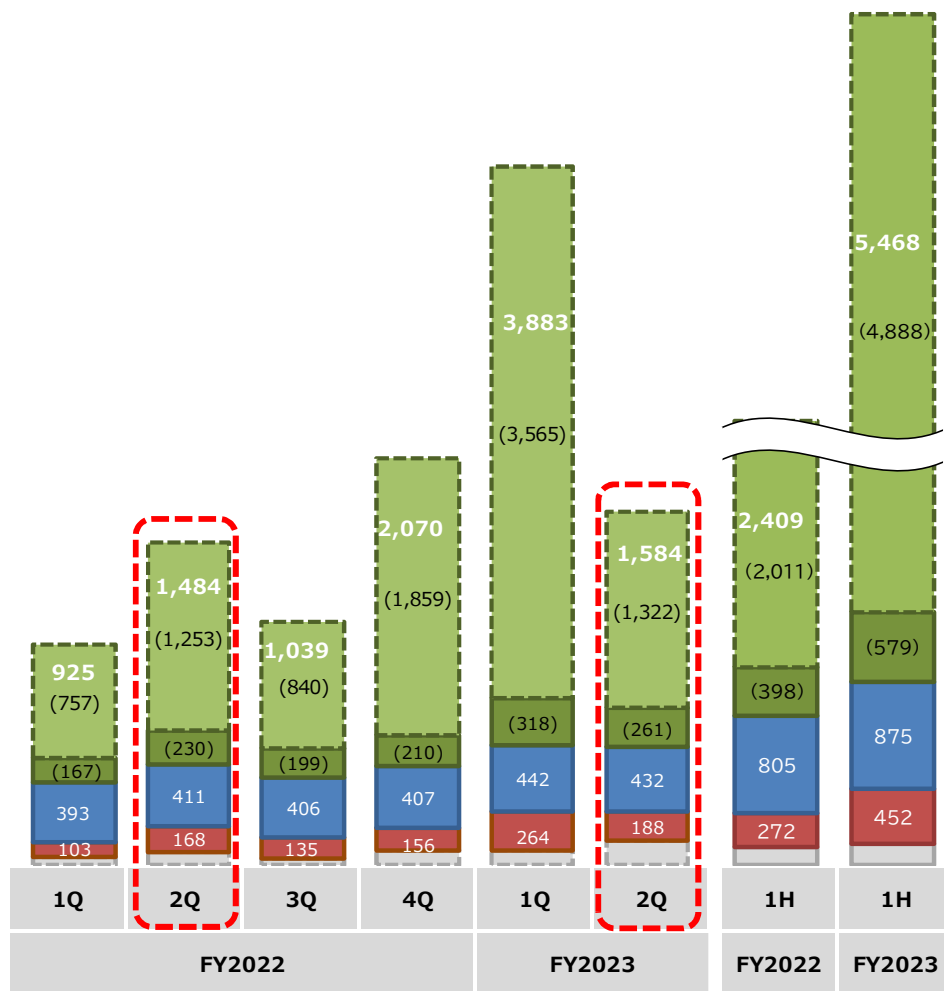
Figures for each Group company are on a non-consolidated basis (before elimination of consolidation), and the sum of these figures does not correspond to the figures for “Operating Revenues (A)” and “Gross Profit (A-B)”.

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

- Both interest on loans and lending fees increased due to an increase in both margin loan and stock loan balances.

Changes in Operating Revenues

Quarterly

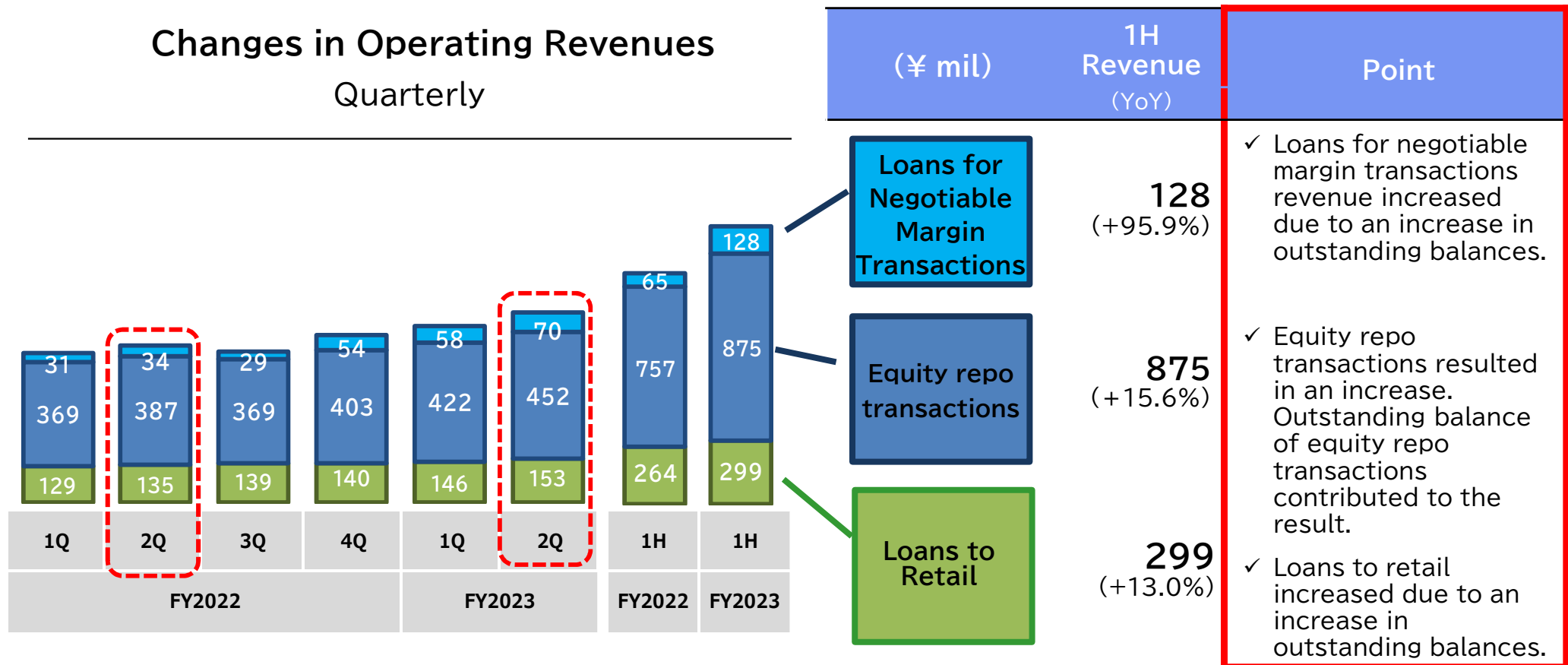


(¥:mil)	1H Revenue (YoY)	Point
Margin Loan Business	6,967 (+91.4%)	✓ Revenues increased due to higher balances.
(ex premium charges)	2,078 (+27.6%)	
Fees on Lending Securities	5,468 (+126.9%)	✓ Revenues increased due to a large increase in stock loan balances.
Premium Charges	4,888 (+143.0%)	
Lending Fees	579 (+45.6%)	✓ Interest on loans increased due to increased margin loan balances.
Interest on Loans	875 (+8.7%)	✓ Interest on collateral money of securities borrowed increased due to an increase in the balance of over-lent stock loans.
Interest on collateral money of securities borrowed	452 (+66.1%)	

● Breakdown of Operating Revenues by Business (Securities Financing (1))

- Loans for negotiable margin transactions revenue increased due to an increase in outstanding balances against the backdrop of robust stock market development.
- Equity repo transactions increased due to a continued increase in Equity repo balances.
- Loans to retail increased due to improved merchantability, including expansion of eligible collateral.

Changes in Operating Revenues Quarterly



< Loan Lineup >

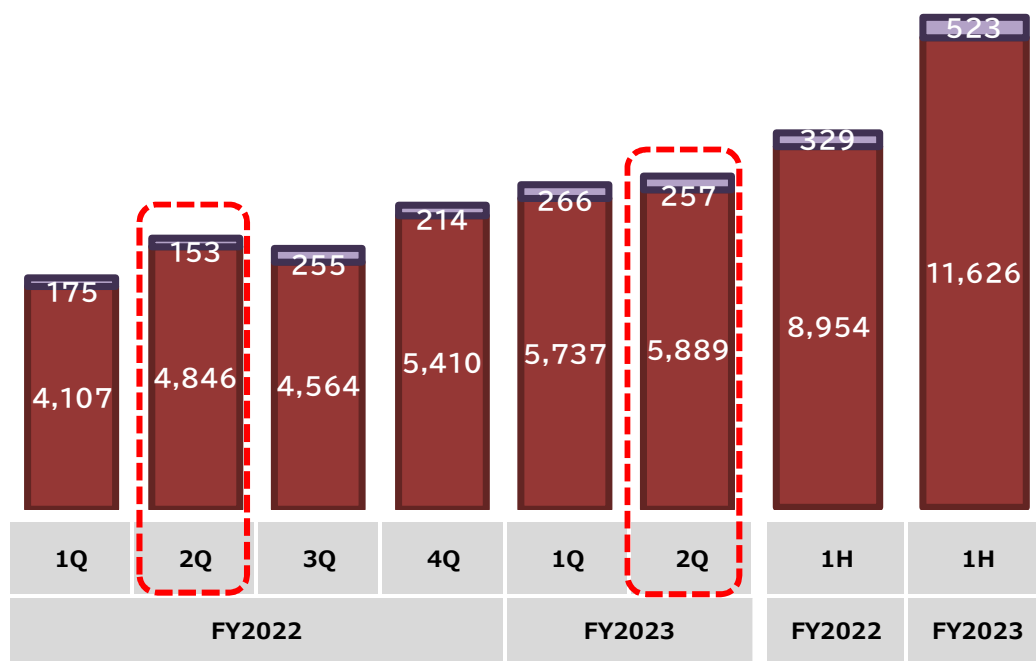
- ◆ Equity repo transactions: General loans, stabilizing fund loans, Equity repo(cash-secured stock lending transactions)
- ◆ Loans to retail: Com-STOCK loans

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



- Bond repo and gensaki transactions increased due to strong demand of the backdrop of JGBs as HQLA.
- General stock lending increased thanks to recovery of borrowing demand against the backdrop of robust stock market development.

Changes in Operating Revenues
Quarterly



(¥ mil)	1H Revenue (YoY)	Point
General Stock Lending	523 (+59.0%)	<ul style="list-style-type: none"> ✓ Increased revenues thanks to recovery of borrowing demand for fail-cover.
Bond repo and gensaki transactions	11,626 (+29.8%)	<ul style="list-style-type: none"> ✓ Increased revenues due to outstanding Bond repo and gensaki transactions remained at high levels.

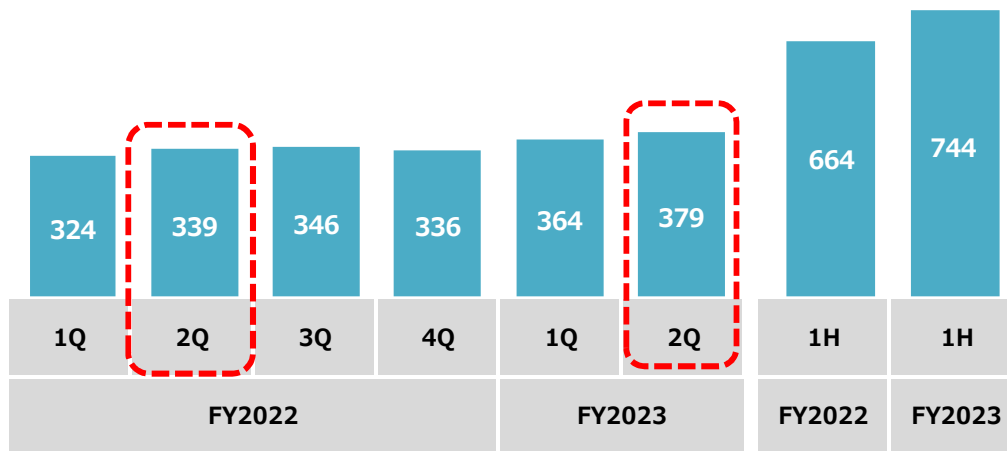
*General stock lending is ...

- 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)

- Rising stock prices have led to an increase in Trusts for the separate management of money and securities, while the favorable performance of asset-backed loan trusts continues to drive up trust fees.

Changes in Trust Fees Quarterly



(¥ mil)	1H Revenue (YoY)	Point
Trust Fees	744 (+12.0%)	✓ Asset-backed loans driving continued increase.

*Consolidated base

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

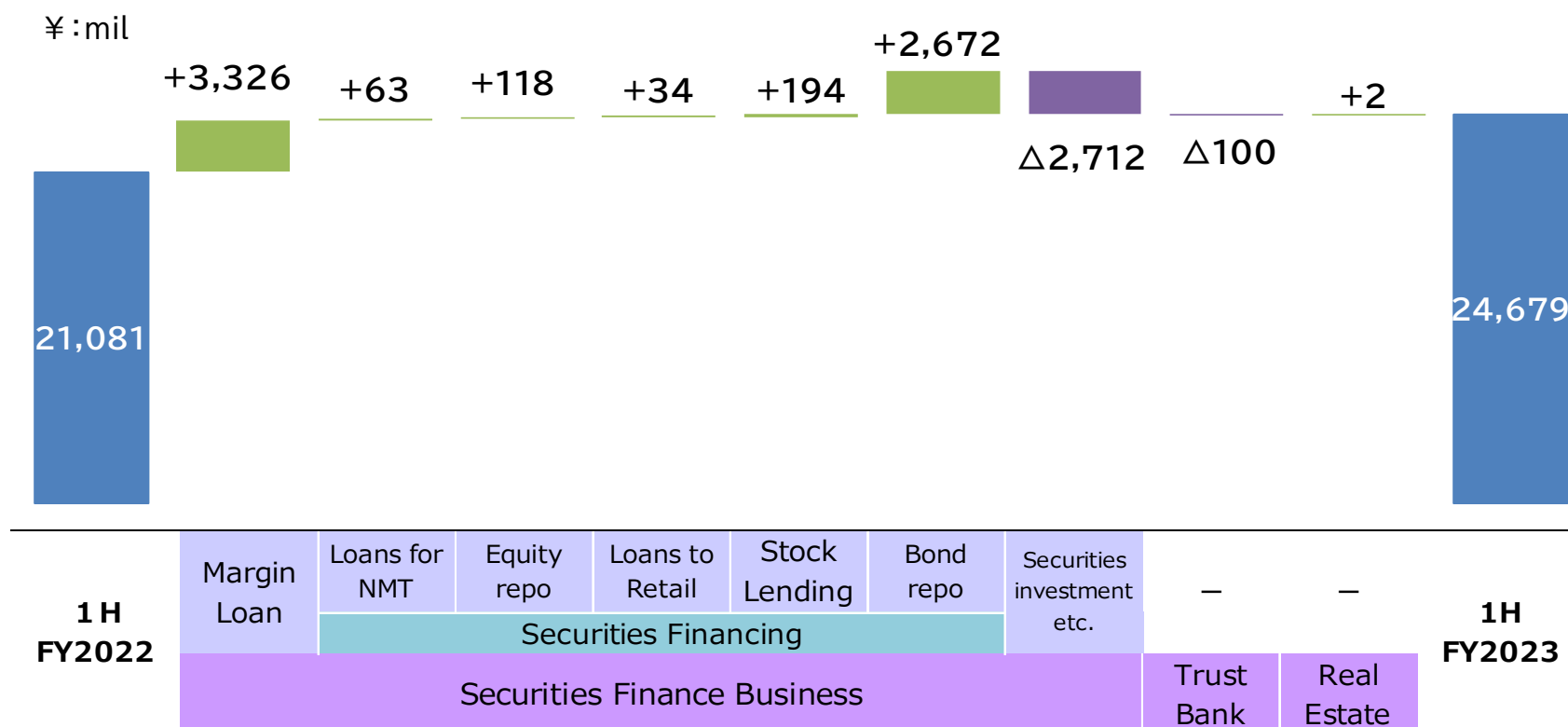
Trust for segregated guarantee deposits which crypt-asset exchangers receive from customers

Asset Backed Loan (ABL) Trust

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

《Summary of the Significant Points for 1H》

- Operating revenue increased by ¥3,598 million (+17.1%) YoY
- In the Margin Loan Business, revenues increased due to an increase in both margin loan and stock loan balances.
- In the Securities Finance Business, revenues increased in all operations against the backdrop of strong transaction needs and other factors.
- In Others, revenues decreased due to the absence of gains on sales of JGBs, etc. in securities investment resulting from portfolio substitution implemented in the previous fiscal year (operating expenses also decreased due to the absence of losses on sales of foreign bonds holdings).
- In the Trust Business, trust fees remained strong, while interest income from securities investment decreased.



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



¥ : mil

Transaction Type	1H FY2022	FY2022	1H FY2023
Margin Loans	252,436	254,701	274,116
Stock Loans	185,951	188,918	272,110
Securities Financing	11,558,679	11,473,992	12,027,482
Loans for Negotiable Margin Transaction	17,431	18,856	35,701
Equity Repo transactions	695,236	697,788	787,394
Loans to Retail	16,096	16,759	19,151
General Stock Lending	34,006	63,342	122,816
Bond repo and gensaki transactions	10,795,907	10,677,245	11,062,417
Trust Bank Loans	555,906	539,931	546,806

● Securities Holdings

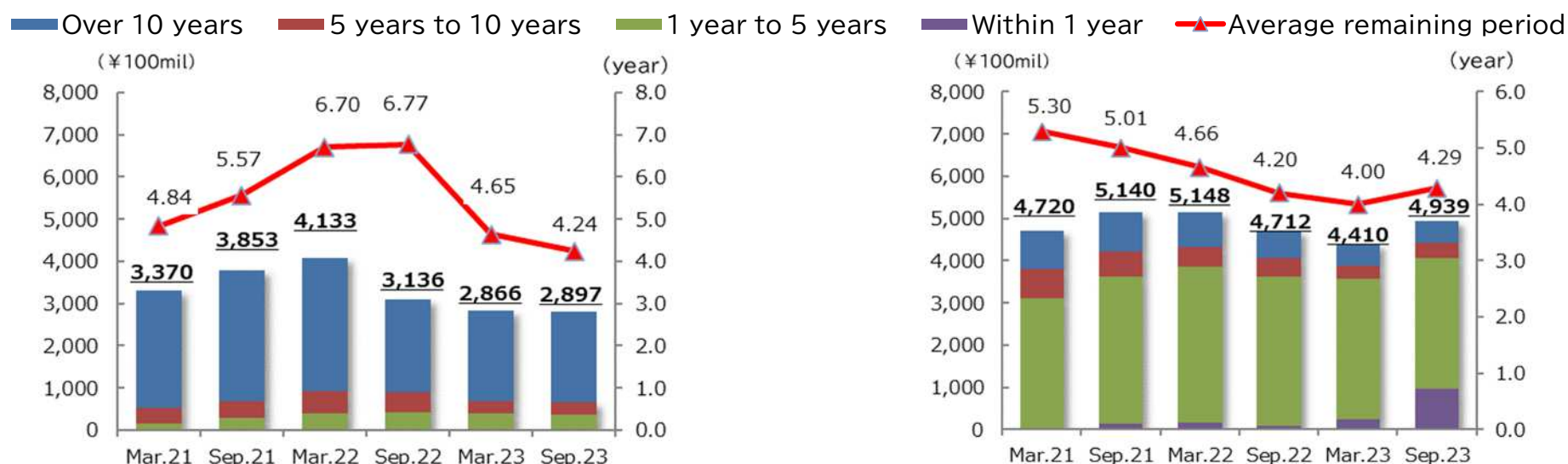
¥:mil

Securities Holdings	Mar-23		Sep-23		Notes
	B/S Amount	Unrealized Profits and Losses	B/S Amount	Unrealized Profits and Losses	
Equity	23,233	10,349	28,900	16,156	
Bond	768,722	▲ 16,048	849,194	▲ 27,656	
JGB&Municipal Bond	356,081	▲ 11,630	338,616	▲ 22,540	
Corporate Bond	340,053	▲ 536	435,141	▲ 974	Government guaranteed bonds etc.
Others	72,587	▲ 3,881	75,436	▲ 4,141	Foreign government bonds etc.
Other Securities	16,167	2,623	14,914	2,495	
Total	808,123	▲ 3,075	893,009	▲ 9,004	
(included the effects of derivatives)	—	(7,416)	—	(13,377)	

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

Yen Bond Portfolio(JSF)

Yen Bond Portfolio (JSF Trust Bank)



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

● Balance Sheet Summary (consolidated)



¥mil

	Sep-23	Change from Mar-23	
Total assets	16,271,887	+2,215,670	
Cash & Deposit	928,887	▲669,386	Deposit at BOJ
Short-term investments	189,448	+118,434	JGB and other bonds (Maturity: 1year or less)
Short-term loans receivable	1,117,156	+161,606	Margin loan / Loans for negotiable margin transactions / General loans / Trust bank loans
Receivables under resale agreements	5,943,123	+2,381,717	
Collateral money of securities borrowed	6,810,521	+140,699	Collateral money of bond borrowing Collateral money of stock borrowing
Investments in securities	712,122	▲33,498	JGB and other bonds (Maturity: more than 1year), Stock
Total liabilities	16,129,633	+2,209,144	
Call money	1,355,400	▲835,000	
Short-term borrowings	103,010	+10,000	Bank borrowing Market operation by BOJ
Commercial Paper	465,254	+14,254	
Payables under repurchase agreements	8,317,232	+3,535,431	
Collateral money received of securities lent	4,263,685	▲810,090	Collateral money of bond lending Collateral money of stock lending
Borrowed money from trust account	1,034,719	+163,384	
Long-term borrowings	433,800	+201,100	Market operation by BOJ
Total net assets	142,254	+6,526	

Balance sheet characteristics and risk management

In recent years, within the securities financing business, which has been our focus, Bond repo and gensaki transactions have seen their balances increase significantly in line with the growth of the business due to the large transaction lots involved. As a result, the balance sheet tends to become larger.

Since Bond repo and gensaki transactions are transactions that match the needs of lenders and borrowers, they increase both assets (collateral money of securities borrowed, receivables under resale agreements) and liabilities (collateral money of securities lent, payables under repurchase agreements) on the balance sheet, as shown on the left. In such transactions, we receive and pay cash equivalent to the market value of the bonds as collateral for the bonds to be traded, and during the term of the transaction, we evaluate the market value of the bonds on a daily basis and appropriately implement margin calls (i.e., receiving and paying the difference between the cash collateral and the market value of the bonds) to control our exposure. In addition, most of our clients are subject to debt assumption by relatively high credit and quality financial institutions or central clearing houses. Through this type of risk control, even while the balance sheet and transactions outstanding balance expanded, the increase in exposure and margin transactions risk remained under control.

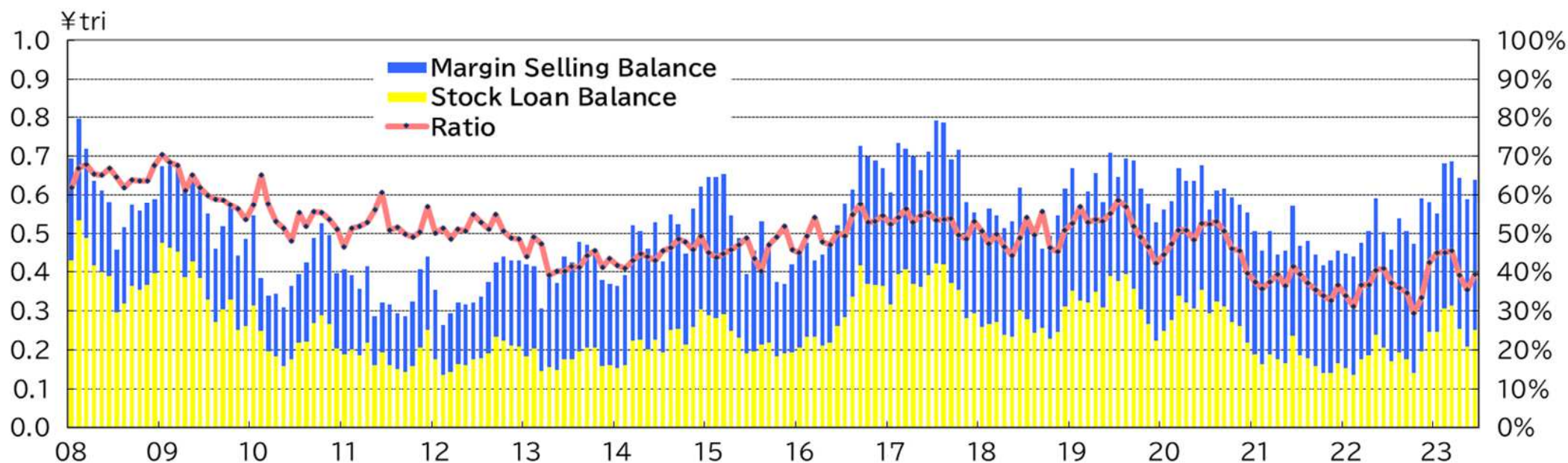
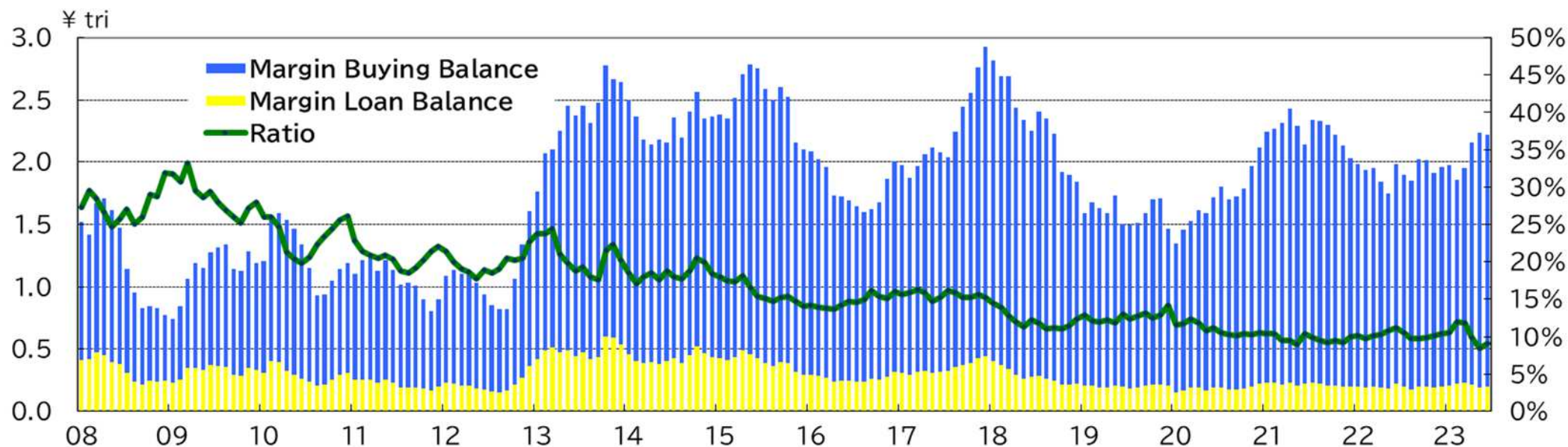
For other securities financing business, in addition to the same risk control measures as Bond repo and gensaki transactions, we set appropriate haircut rates (margins) based on the volatility and market liquidity of the equities involved in the transactions to control the expansion of exposure.

Under the framework of integrated risk management, we quantify the amount of credit risk on a daily basis and manage it to keep it within the risk capital limit set based on our company's management strength. We also monitor daily on a client-by-client basis to ensure that their exposure is within a certain limit assuming times of stress, thereby reducing excessive exposure to certain clients.

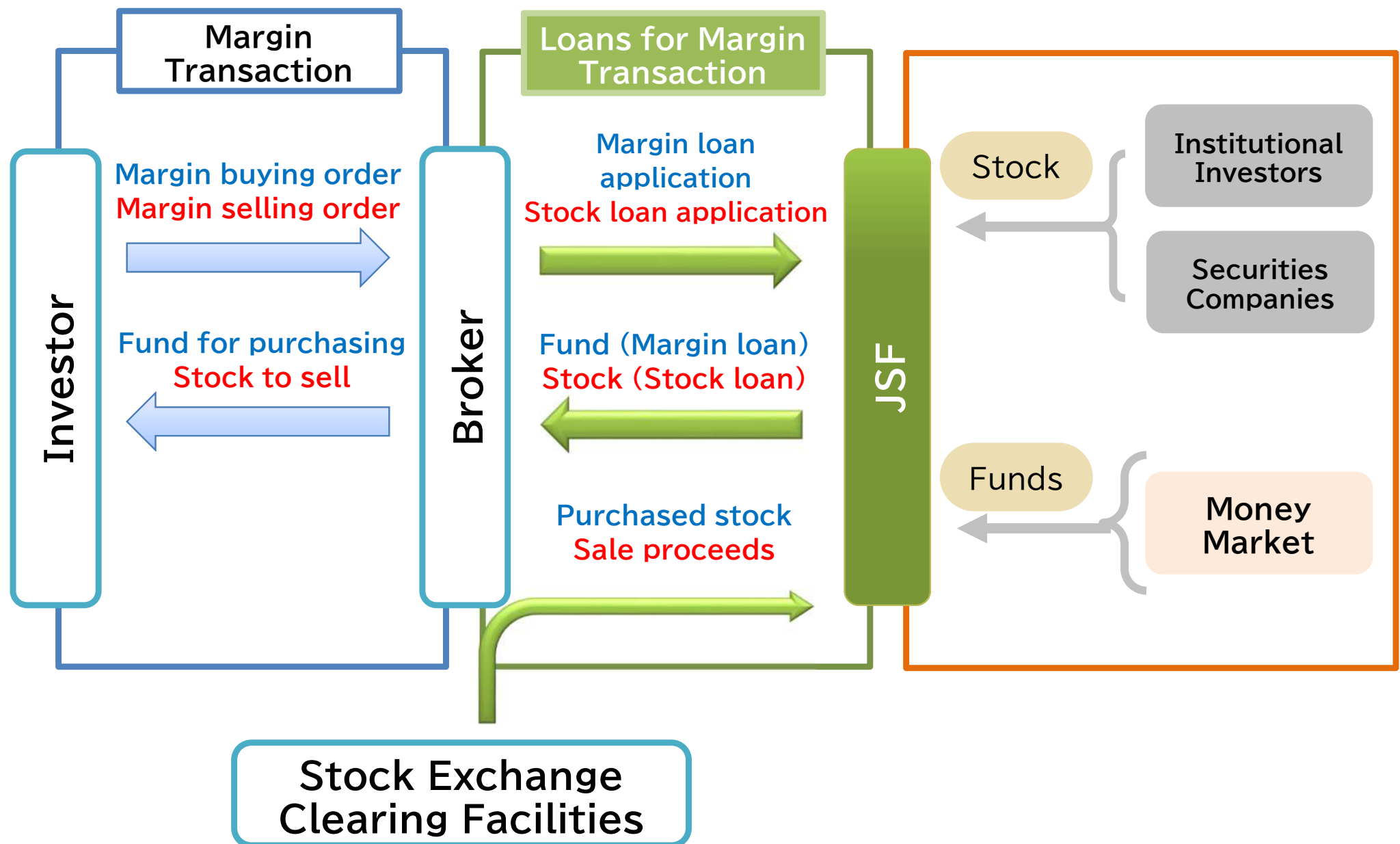
Ref) Capital adequacy ratio* at the end of Sep 2023: 370%

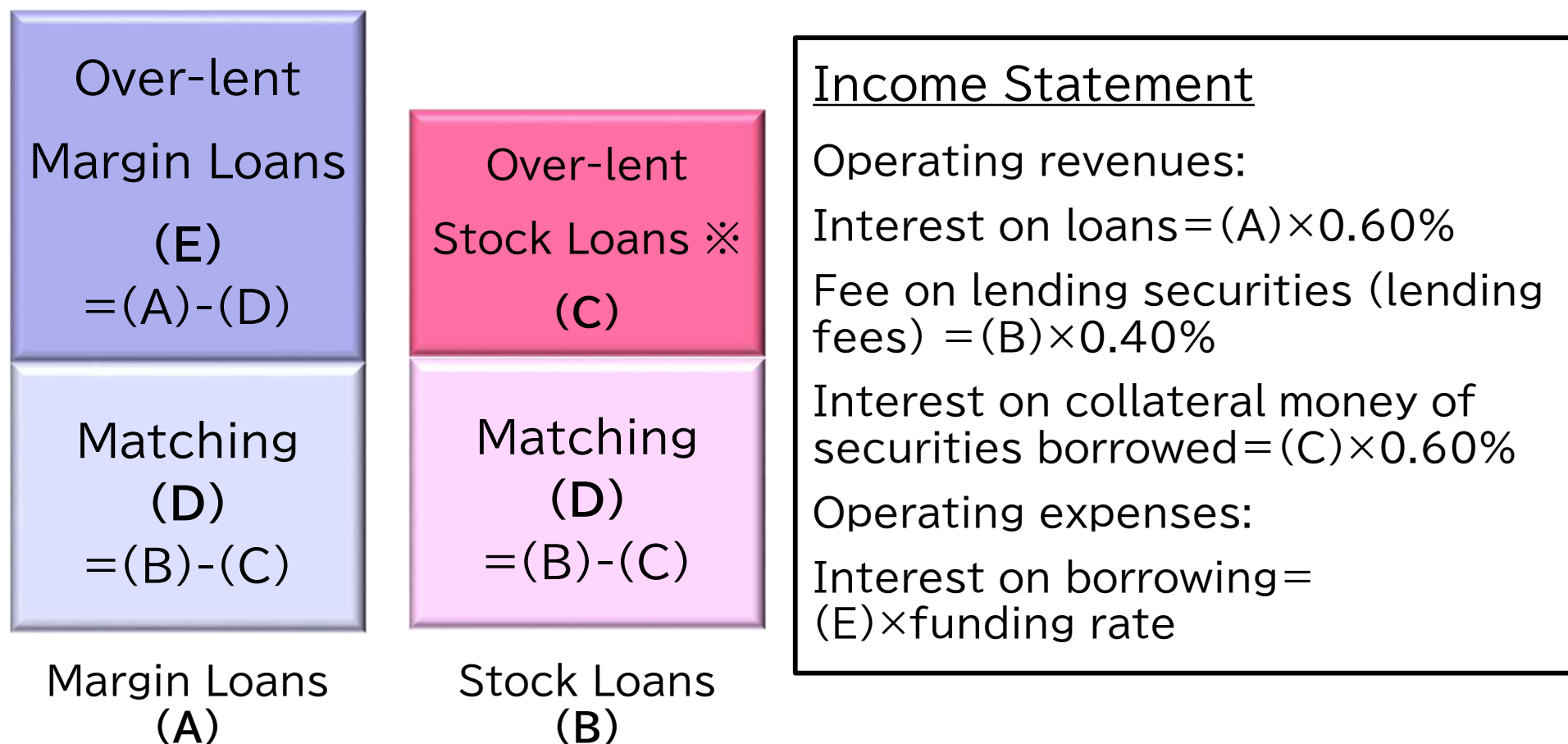
*Based on FIEA

● Margin Transactions & Loans for Margin Transactions



- Structure of Margin Transactions
& Loans for Margin Transactions

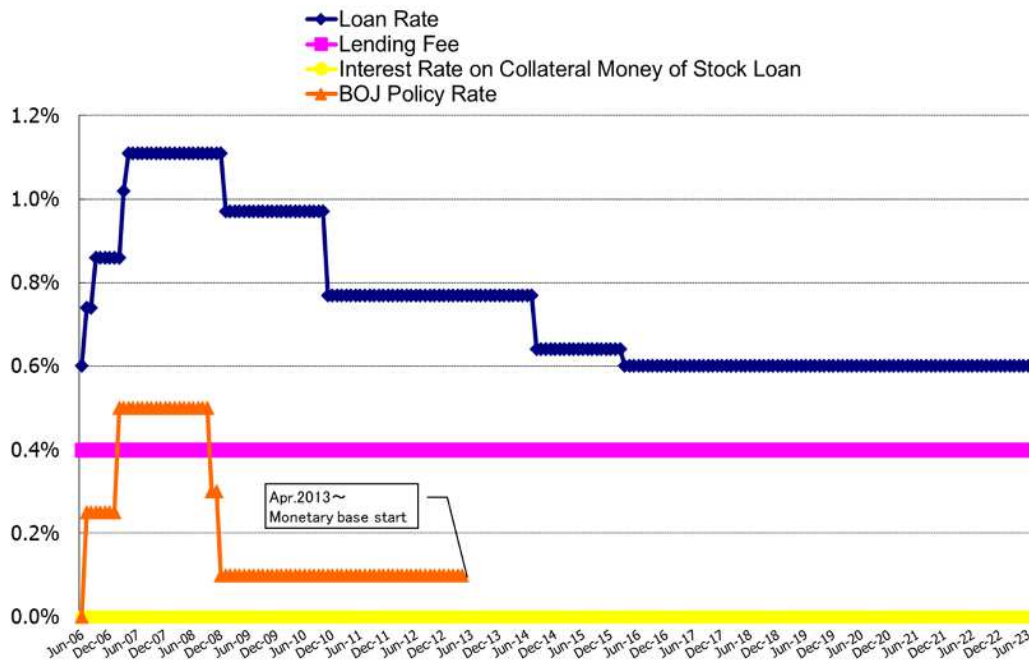
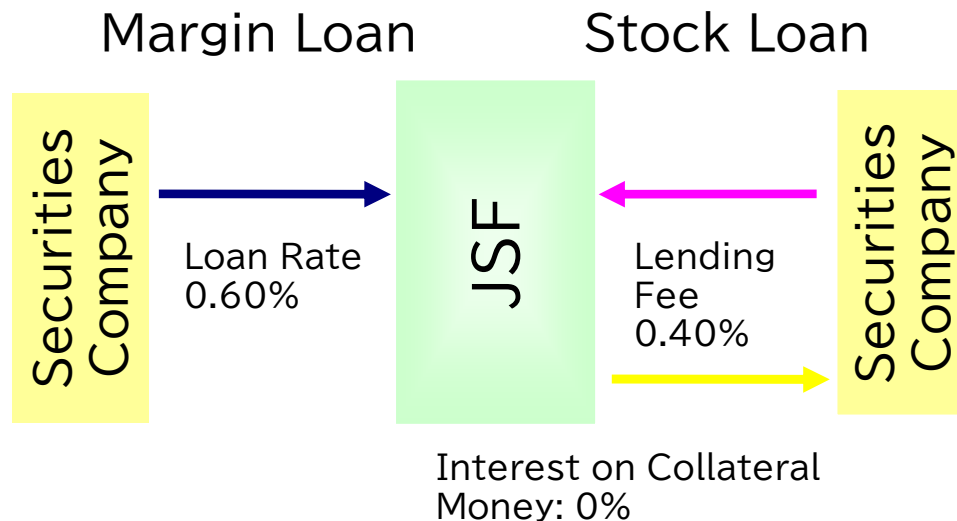




◆ Besides the above, premium charges are posted in operating revenues (fees on lending securities) in part of over-lent stock loans. However, the same amount is posted in operating expenses (fees of borrowing charges), so the amount of premium charges does not affect our profit.

Revenue: Fees on lending securities (premium charges) = Expenses: Fees on borrowing securities (premium charges) = (C) '×rate of premium charges

● About the Margin Loan Rate



BOJ Policy Interest Rate

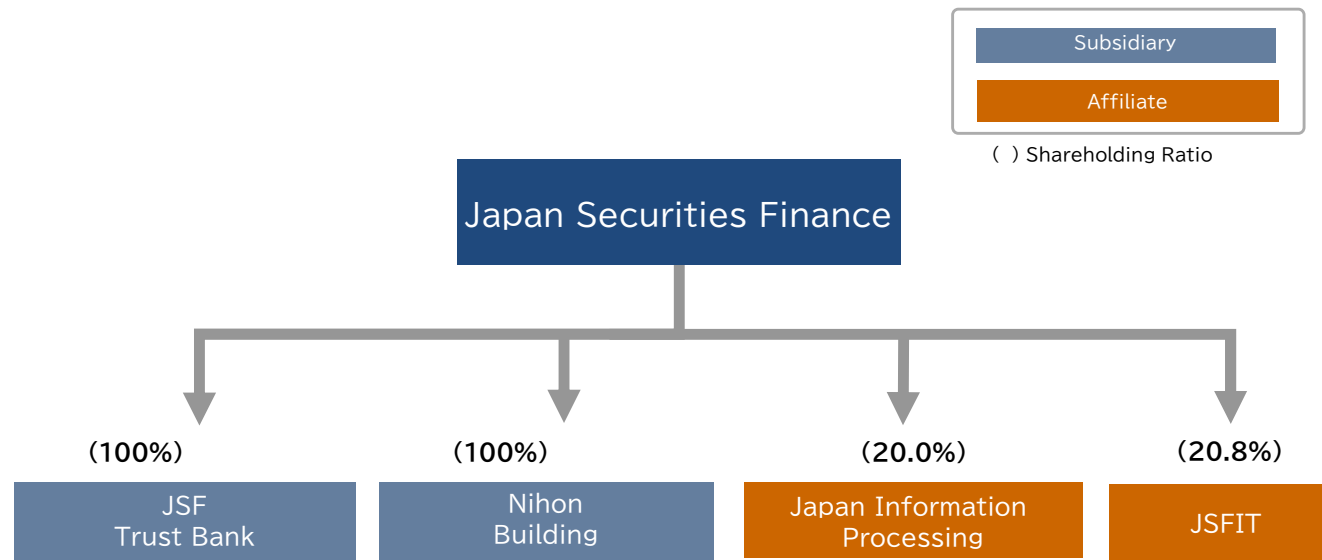
- Jul 2006 Uncollateralized O/N Call Rate: 0.25%
- Feb 2007 Uncollateralized O/N Call Rate: 0.50%
- Oct 2008 Uncollateralized O/N Call Rate: 0.30% (▲0.20%)
- Dec 2008 Uncollateralized O/N Call Rate: 0.10% (▲0.20%)
- Oct 2010 Uncollateralized O/N Call Rate: 0~0.10% (▲0.10~0%)
- Apr 2013 Switched from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

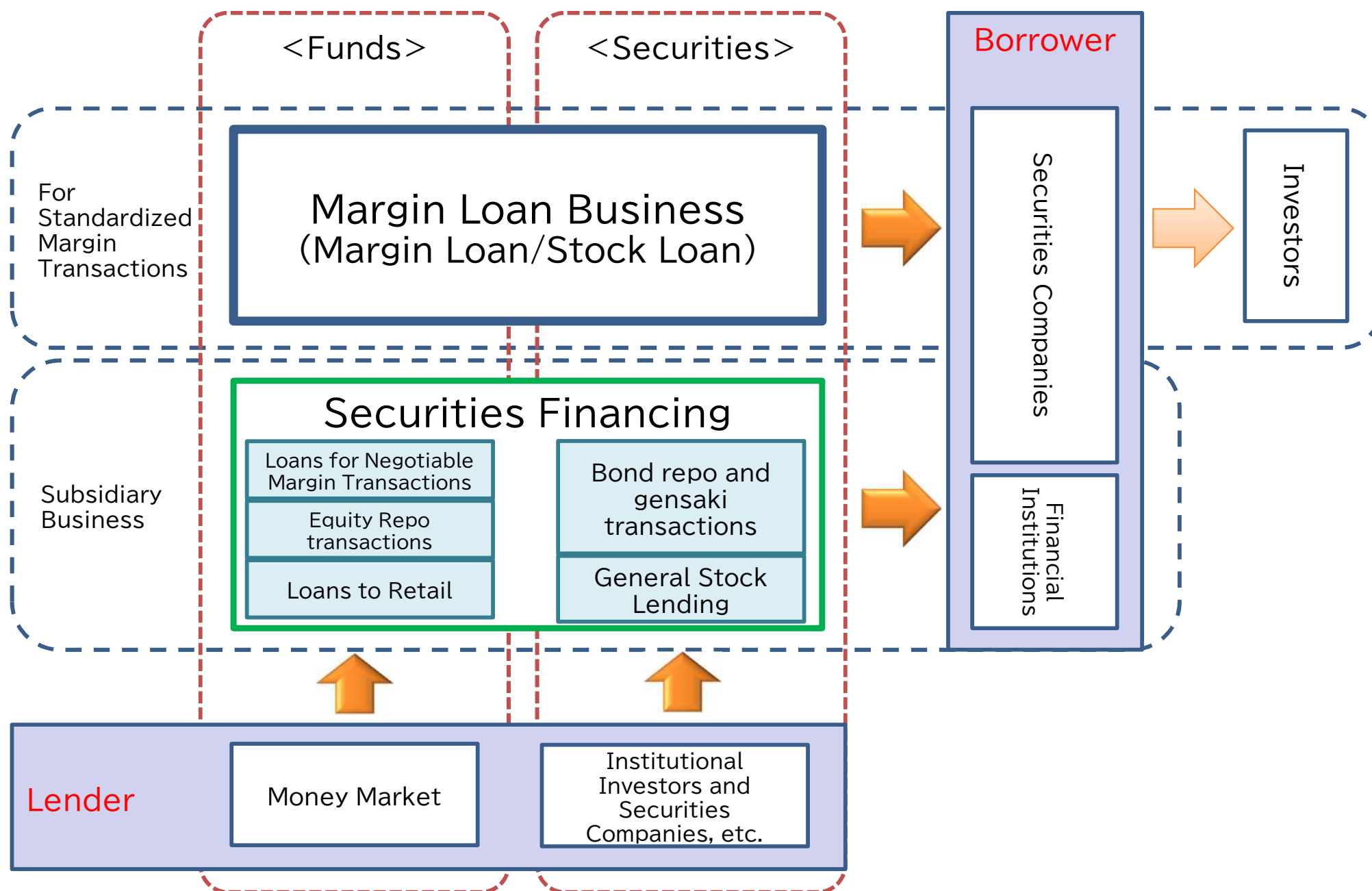
● Our Group Companies



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/2023		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		—	
※Euro-yen CP issuance limit set at US\$3 billion (S&P)							
JSF Trust Bank	Long-term	AA-	Stable	AA-	Stable	—	—
	Short-term	J-1+ (Highest)		a-1+ (Highest)		—	—

● 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.