



# Financial Presentation for FY2016

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Japan Securities Finance Co.,Ltd

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# Agenda

Financial Summary	■ Financial Summary for Mar 2017	P4
	■ Financial Summary for Mar 2017(JSF parent)	P5
	■ Financial Highlights for FY2016	P6~P8
	■ Financial Results of JSF Trust Bank	P9
	■ Estimated Figures for FY2017	P10
Management Matters	■ Return to Shareholders	P12
	■ Dividend and Share Buyback Program for FY2017	P13
	■ Dividend and Share Buyback Program (historical)	P14
	■ Review of the previous Mid-term Management Plan	P15~P16
	■ Overview of the 5 <sup>th</sup> Mid-term Management Plan	P17
	■ The 5 <sup>th</sup> MMP ~Strategies and Major measures~	P18

## Appendix (P19 ~ P40)

- Financial Result (Historical data)
- Breakdown of Operating Revenues by business (Historical data)
- Breakdown of Operating Revenues by business (Quarterly)
- Analysis of YoY Change in Operating Revenue by business (Quarterly, Full Year)
- Outstanding Loan Balance
- Margin Transactions & Loans for Margin transactions
- Structure of Margin Transaction & Loans for Margin Transactions
- Revenue structure of Loans for margin transactions
- Margin Loan Rates
- Loan Rate of Loans for Margin Transactions
- Features of Balance Sheet (Consolidated)
- Securities Holdings
- JSF Trust Bank (Loan Balance)
- The 5<sup>th</sup> mid-term Management Plan
- Business Strategies and Reinforcing Management System for the 5<sup>th</sup> MMP
- Business Strategies of JSF Trust Bank
- Rating Information

# Financial Summary for Mar 2017

(¥ mil)	Consolidated			Parent					
	Mar-17	YoY.Δ	(%Δ)	JSF		JSF Trust Bank		Nihon Building	
					YoY.Δ		YoY.Δ		YoY.Δ
Operating Revenues	¥ 23,066	1,031	(+4.7%)	19,418	1,620	2,799	▲677	1,258	58
<i>Except Premium Charges</i>	16,522	362	(+2.2%)	12,874	951				
Operating Expenses	11,892	355	(+3.1%)	10,540	1,151	1,356	▲827	22	▲1
<i>Except Premium Charges</i>	5,358	314	( 5.5%)	4,006	481				
General & Administrative Expenses	8,371	432	(+5.4%)	7,009	287	1,022	188	730	4
Operating Income (Operating Income Ratio)	2,802 (12.1%)	243	(+9.5%)	1,868 (9.6%)	181	420 (15.0%)	▲37	505 (40.1%)	56
Recurring Income (Recurring Income Ratio)	3,611 (15.7%)	261	(+7.8%)	2,636 (13.6%)	128	426 (15.2%)	▲43	589 (46.9%)	72
<i>Gain or Loss in Equity-Method</i>	92	38	(+70.3%)						
Extraordinary Profit or Loss	▲52	▲52	—	▲120	▲120	—	—	63	114
Net Income (Net Income Ratio)	3,078 (13.3%)	432	(+16.3%)	2,332 (12.0%)	360	351 (12.6%)	▲99	431 (34.3%)	115

# Financial Summary for Mar 2017 (JSF parent)

Japan Securities Finance (parent)			
(¥ mill)	Mar - 17	YoY.Δ	(%Δ)
<b>Operating Revenues</b>	¥ 19,418	1,620	(+9.1%)
Margin Loan Business	10,721	142	(+1.3%)
Bond Financing and General Loans Business	907	▲846	(△48.3%)
Securities Lending Business	4,464	2,218	(+98.8%)
Others	3,325	106	(+3.3%)
<i>Ex. Premium Charges</i>	12,874	951	(+8.0%)
<b>Operating Expenses</b>	10,540	1,151	(+12.3%)
<i>Ex. Premium Charges</i>	4,006	481	(+13.7%)
General & Administrative Expenses	7,009	287	(+4.3%)
<b>Operating Income (Operating Income Ratio)</b>	1,868 (9.6%)	181	(+10.8%)
<b>Recurring Income (Recurring Income Ratio)</b>	2,636 (13.6%)	128	(+5.1%)
Extraordinary Profit and Loss	120	▲120	—
<b>Net Income (Net Income Ratio)</b>	2,332 (12.0%)	360	(+18.3%)

## Highlights

### Operating Revenues

- Margin Loan Business resulted in increase. Stock Loan Balance showed recovery after last July, in spite of a decline in Margin Loan Balance.  
※For details, see 「Financial Highlights for FY2017①」(P6)
- Bond Financing and General Loans Business declined due to large decrease in balance of loan to securities companies.
- Securities Lending Business resulted in large increase in revenue driven by fees on Bond Lending. Additionally General Stock Lending turned increase.
- The revenue increased contributing from diversification of investment portfolio. (“Others”).  
※For details, see 「Financial Highlights for FY2017②」(P8)

### Operating Expenses

- Funding costs decreased reflecting lower market rate.
- Fees on borrowing securities with respect to LMT and Bond borrowing and lending transactions increased.
- Costs on adjustment of investment portfolio increased.

### General & Administrative Expenses

- Retirement benefit costs increased.

### Extraordinary Profit and Loss

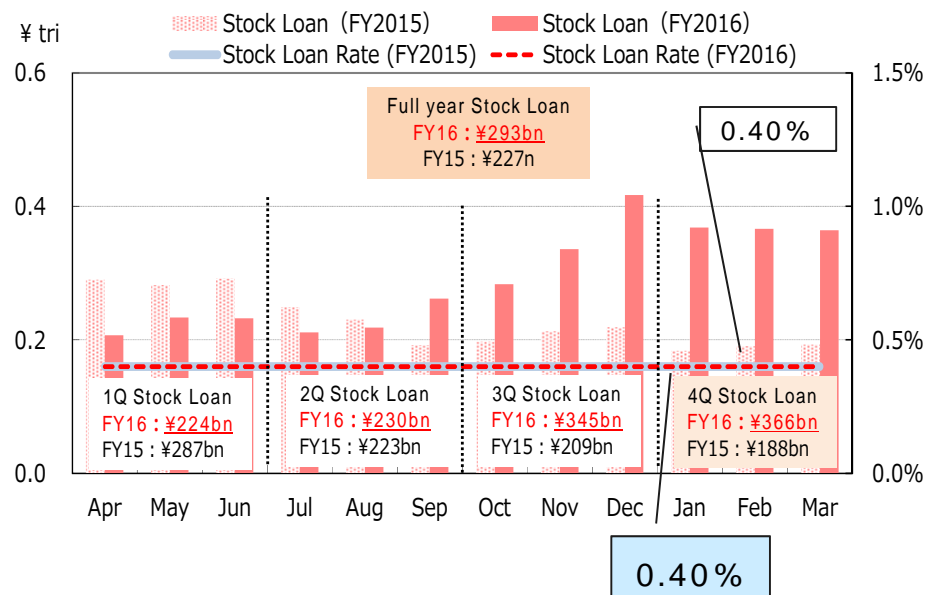
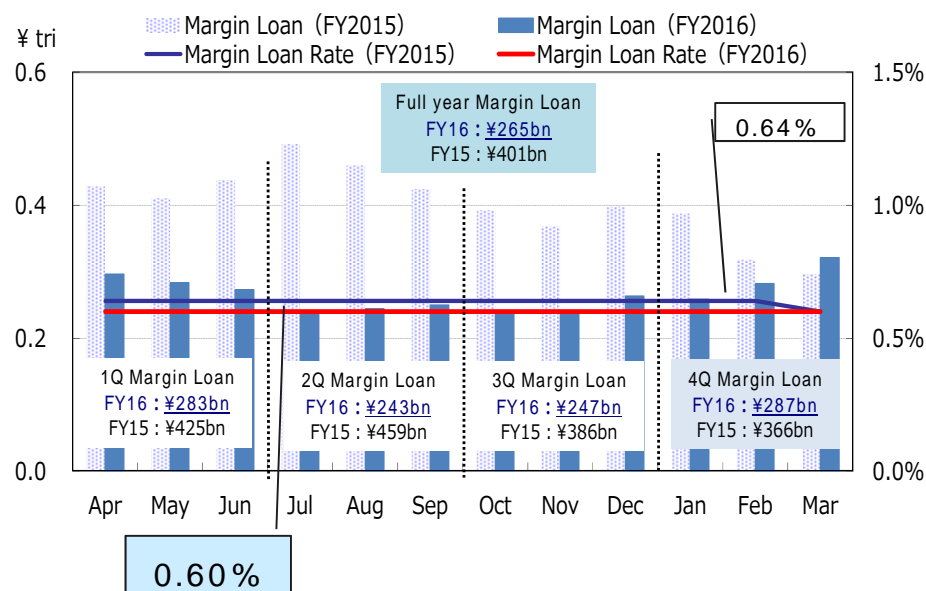
- Recorded disposal loss on old system, etc.

# Financial Highlights for FY2016 ①

## 1 Margin Loan Balance for FY2016

✓ **【Full year】** Though Stock Loan Balance showed a clear recovery trend, Margin Loan Balance remained low.

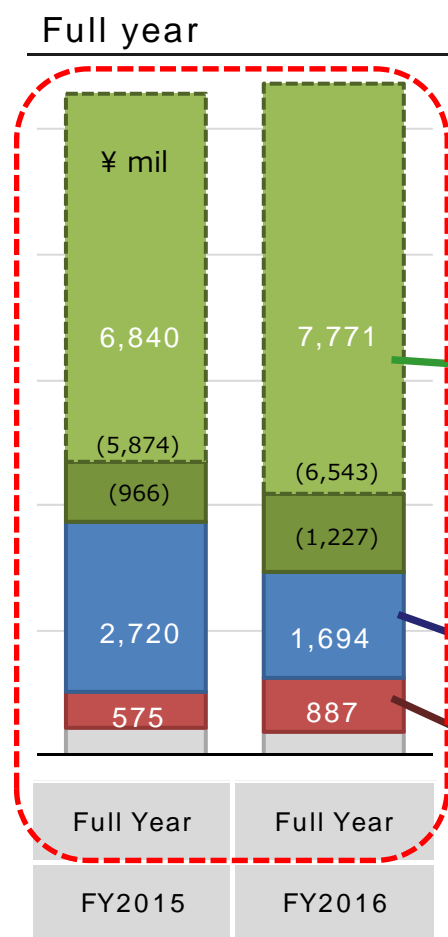
¥ bn. %	FY2015						FY2016						4Q YoY	full year YoY
	1Q	2Q	1H	3Q	4Q	full year	1Q	2Q	1H	3Q	4Q	full year		
Margin Loan	425	459	442	386	334	401	283	243	263	247	287	265	▲46	▲135
Margin Loan Rate	0.64	0.64	-	0.64	0.60	-	0.60	0.60	-	0.60	0.60	-	-	-
Stock Loan	287	223	255	209	188	227	224	230	227	345	366	291	177	63



# Financial Highlights for FY2016 ① – 2

- Margin Loan Business was almost flat as Stock Loan balance growth was offset by decline in Margin Loan Balance.

## 【Operating Revenues Transition】

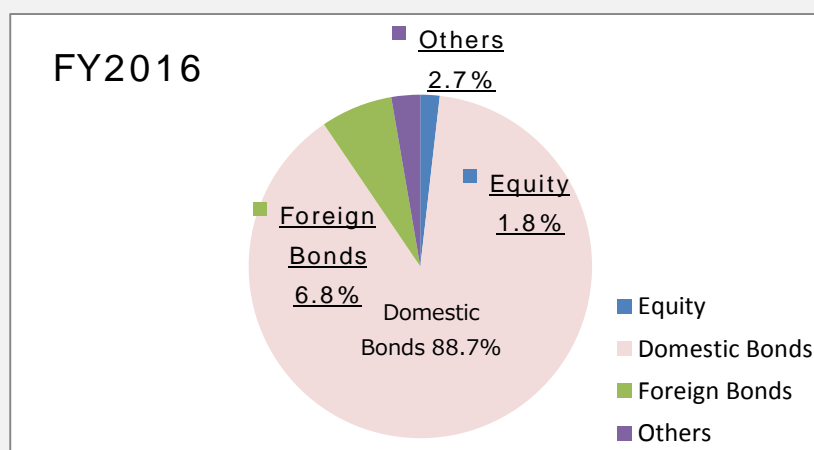
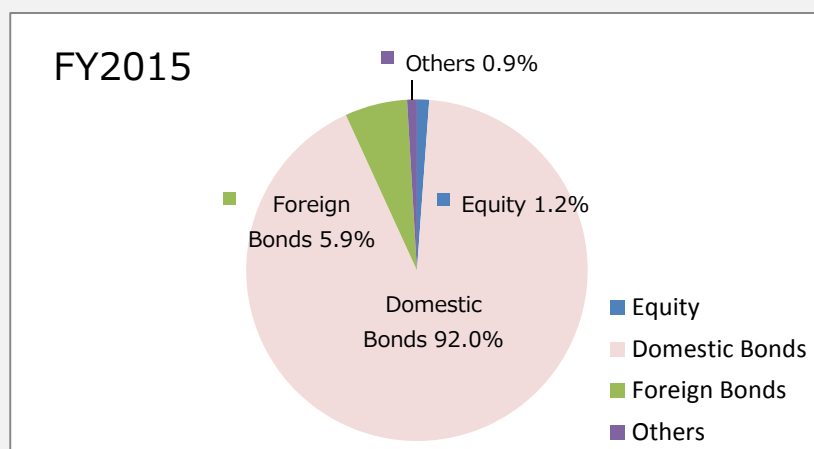


(¥ mil)	YTD Revenue (YoY)	YTD Point
Margin Loan Business	10,721 (+1.3%)	
(ex premium charges)	4,177 (△11.2%)	✓ Operating revenues of this business, except Premium Charges, declined.
Fees on Lending Securities	7,771 (+13.6%)	✓ Fees on Lending Securities resulted in increase, because Stock Loan balance remained at lower level of the same period of the previous year and premium charges on over-lent issues declined.
Premium Charges	6,543 (+11.4%)	
Lending Fees	1,227 (+27.0%)	
Interest on Loans	1,694 (△37.7%)	✓ Interest on Loans decreased, because Margin Loan Balance still remained sluggish.
Interest on collateral money of securities borrowed	887 (+54.3%)	

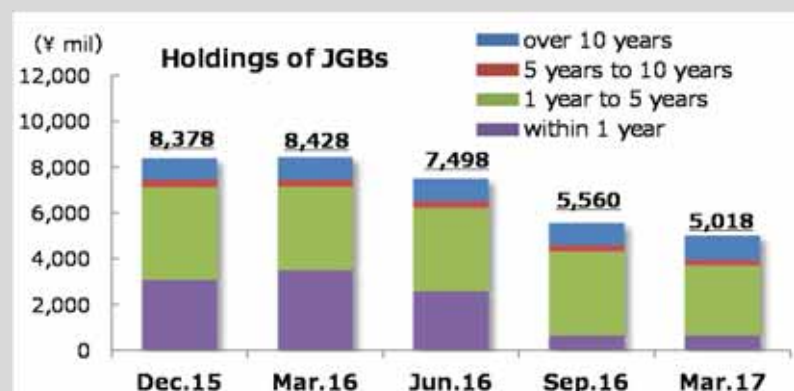
# Financial Highlights for FY2016 ②

## Diversification of investment portfolio

### States of investment portfolio



### Holdings of JGBs has been decreased



### Revenue from securities investment increased

#### Revenue from Securities Investment (JSF)

	FY2016	YoY
Domestic Bonds	¥ 1,830 mil	△¥ 581 mil
Foreign Bonds	¥ 983 mil	+¥ 283 mil
Others	¥ 491 mil	+¥ 491 mil
<b>Total</b>	<b>¥ 3,305 mil</b>	<b>+¥ 194 mil</b>

※ Investment trust, etc.

# Financial Summary of JSF Trust Bank

## Highlights

- Trust charges remained stable, contributing from strengthening custodian type trust service.
- Interest on Loans increased somewhat, because loan balance increased. Interest on investment securities also increased due to purchase of government guaranteed bond.
- Gains on sales of bonds decreased. Costs of unwinding IRS also decreased, too.
- Recurring Income and Net Income decreased compared with the last year.

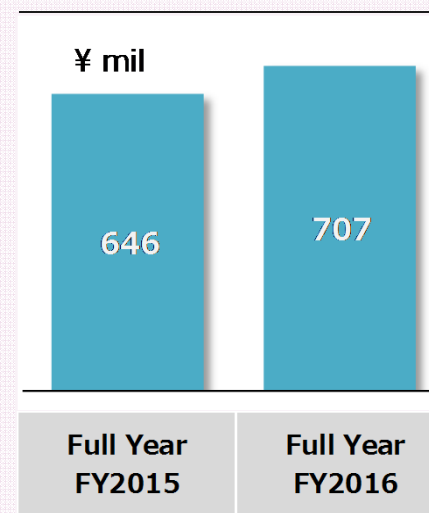
JSF Trust Bank			
(¥ mil)	FY2016	YoY	
			(%)
Recurring Revenue	¥ 2,805	▲744	(△20.9%)
Trust charges	707	61	(+9.4%)
Reversal of ADR	—	▲55	(△100.0)
Recurring Expenses	2,378	▲700	(△22.7%)
Provision of ADR*	92	92	(+100.0%)
Recurring Income (Recurring Income Ratio)	426 (17.7%)	▲43	(△9.2%)
Net Income (Net Income Ratio)	351 (15.5%)	▲99	(△22.0%)

\*ADR: Allowance for Doubtful Receivables

## 【Point of Trust Charge】

Trust charges, though growth declined, posted record level contributing from strengthening custodian type trust service (trusts for the separate management of money and securities, ABL trust, etc).

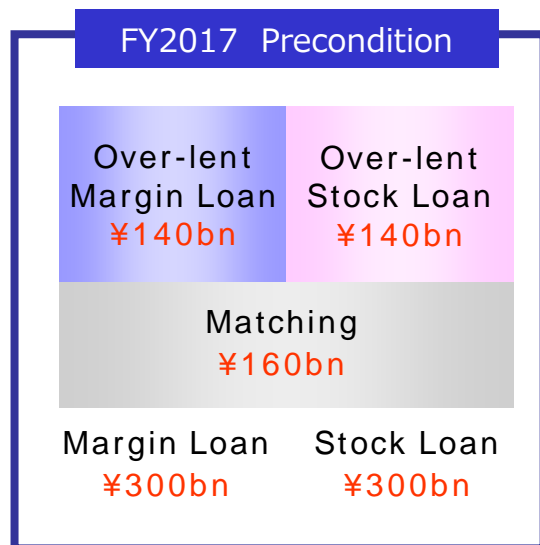
Full Year





# Estimated Figures for FY2017

## Precondition Balance of Margin Loans



(Reference)

FY2016 Results



(¥ mil)		FY2016 Results	FY2017 Estimated Figures	YoY.Δ	Δ from prev. EF
<b>Consolidated</b>					
Operating Income		2,802	2,600	▲202	—
Recurring Income		3,611	3,300	▲311	—
Net Income		3,078	2,600	▲478	—
<b>JSF</b>					
Operating Income		1,868	1,800	▲68	—
Recurring Income		2,636	2,500	▲136	—
Net Income		2,332	2,100	▲232	—
<b>JSF Trust and Banking</b>					
Recurring Income		426	250	▲176	—
Recurring Income		351	220	▲131	—
<b>Nihon Building</b>					
Operating Income		505	540	+34	—
Recurring Income		589	625	+35	—
Net Income		431	410	▲21	—

Preconditions of Loans for Margin Transactions

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

# Return to stockholders

## 1 Basic Policy

- ◆ Retain solid equity capital to secure the financial health and management stability that society demands of the company as the infrastructure of securities market, and **to ensure profits are returned to shareholders** by comprehensively considering revenues environment or investment plans. etc. (medium-term management plan, management policy)



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

## 2 Shareholder Return Policy (released on 11 May 2015)

### (1) Dividend Payment Policy

- ◆ Our policy is that **the consolidated payout ratio**, as a standard that reflects our business performance, **shall not fall below the 60% level** and that we shall return profits to shareholders while taking into account the consolidated dividend on equity ratio (DOE = ratio of the dividend amount to shareholder equity).  
⇒ We strive to maintain stability in dividends payment unaffected by temporary fluctuation in business result.

### (2) Share Buyback Policy

- ◆ With a view to offering even more rewarding returns to shareholders, **we will buy back shares as needed in future** while considering the company's financial situation, stock price levels, and so forth.

# Dividend and Share Buyback Program for FY2017

		FY2016 (Forecast, Results)	FY2017 (Forecast, Framework)
Dividend	Annual	¥ 18 (YoY +¥2)	¥ 16 (YoY ▲¥2)
	Interim	¥ 8 (YoY ±0)	¥ 8 (YoY ±0)
	Year-end	¥ 10 (YoY +¥2)	¥ 8 (YoY ▲¥2)
	Consolidated DPR	56.4%	59.2%
Share Buyback	No. of shares to be acquired	0.63mil shs	Up to 1.5mil shs
	Ratio to total shares issued	0.6%	1.5%
	Total Value to be acquired	¥ 0.3bn	Up to ¥ 1bn
	Period	From 13 May 2016 to 22 Mar 2017	From 12 May 2017 to 16 Mar 2018
Total Return Ratio		66.3%	97.7%

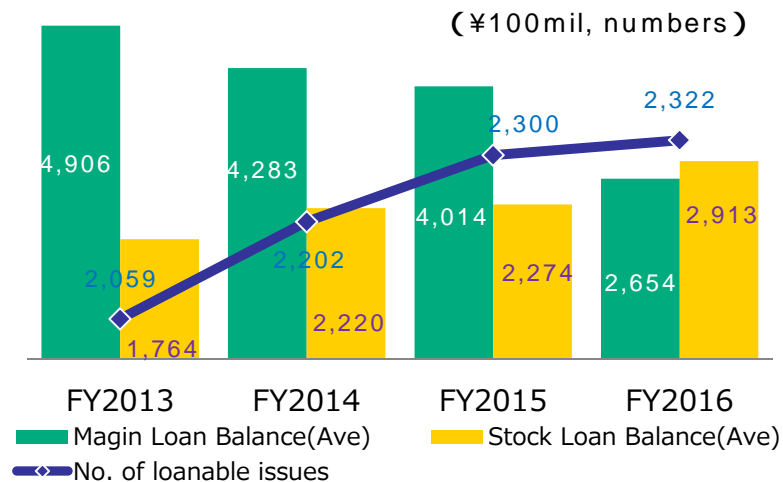
# Dividend and Share Buyback Program (historical)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Forecast/ Framework
Annual Dividend per share	¥14	¥14	¥14	¥15	¥16	¥18 ( Interim ¥8 Year-end ¥10 )	¥16
Share Buyback (shs)	—	—	—	7.46mil	3mil	0.63mil	1.5mil
(amount)	—	—	—	¥4.6bn	¥1.9bn	¥0.3bn	¥1.0bn
<Consolidated> : Net Income	¥0.7bn	¥1.7bn	¥6.2bn	¥3.5bn	¥2.6bn	¥3.0bn	¥2.6bn
: EPS	¥8.4	¥19.1	¥60.4	¥33.9	¥26.9	¥31.9	¥27.0
: DPR	166.3%	73.3%	23.2%	44.2%	59.5%	56.4%	59.2%
: DOE	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.1%
(reference) Total Return Ratio	166.3%	73.3%	23.2%	173.9%	133.1%	66.3%	97.7%

# Review of the previous Medium-term Management Plan

## Business Strategy I

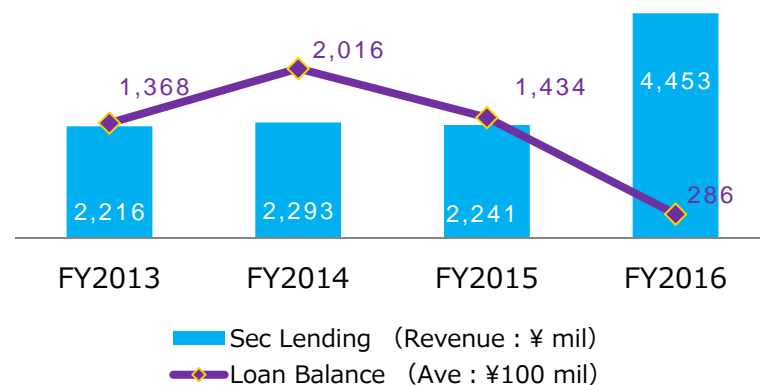
- Expand the Loans for Margin Transactions Business as key Infrastructure for the Securities Market



- Increasing the number of loanable issues and enhancing information outreach activities went according to plan  
(information outreach activities)
  - Seminars held for securities companies
  - Video distribution on securities company's website
  - Launched e-mail service for investors
  - Launched new website about LMT
- Stock Loan Balance showed recovery trend. On the other hand, Margin Loan Balance decreased affected by stock market trend and BOJ's policy.

## Business Strategy II

- Respond to the Diversifying needs of Financial Instruments Companies and Other Customers



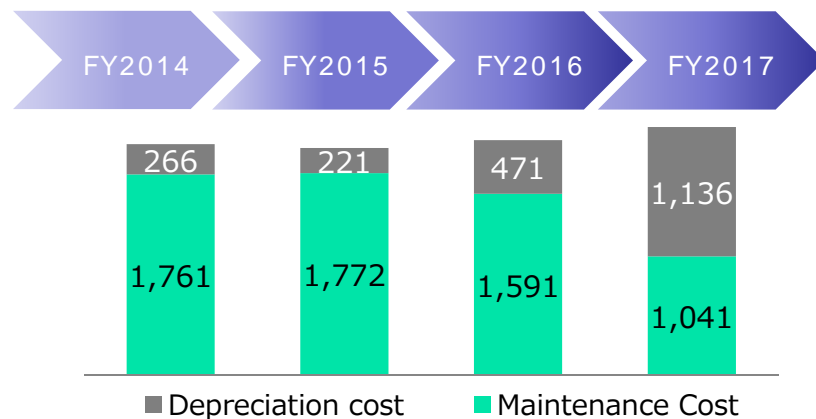
- Revenues on General Loans picked up contributing from our flexible responses to loan conditions or schemes. But after negative interest rate policy of BOJ, revenue dropped.
- Revenues on Securities Lending remained steady even after negative interest rate policy of BOJ.

# Review of the previous Medium-term Management Plan

## Business Strategy III

- Strengthening System Infrastructure

Estimated system cost (¥ mil)

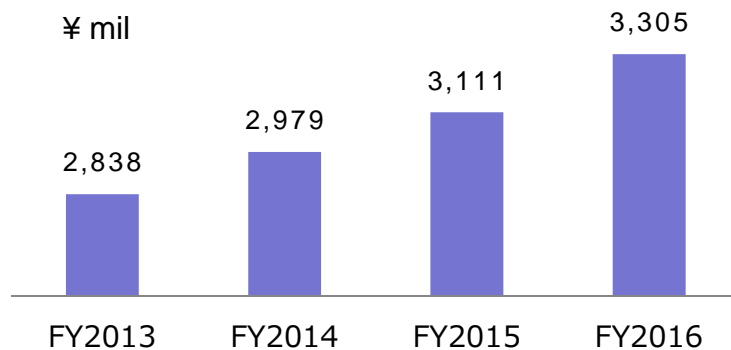


- Developed the new system (total ¥4.5bn) for enhancing convenience for business partners and supporting all our business strategies. (enhancing convenience)
  - Connecting via the internet supports the BCP system of our clients.
  - Expanding data supply function.
  - Our clients can acquire historical data.
- New system will bring cost savings over the medium-to-long term.

## Business Strategy IV

- Improving the efficiency of fund management

Transition of income from securities investment



- Income from diversification of investment portfolio increased.

# Overview of the 5th Mid-term Management Plan (FY2017~FY2019)

2020

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

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

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

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

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

New financial transaction needs are emerging.

Major changes in the environment

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

Business Strategies

- Enhancing the Margin Loan Business as part of securities market infrastructure
- Flexibly addressing the needs of domestic and foreign financial instrument companies
- Developing new business
- Diversified management of securities as an efficient use of capital

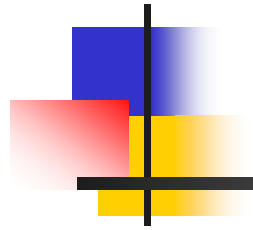
Reinforcing Management Systems

- Enhancing collaboration with Group companies
- Strengthening business management structure
- Developing an employee-friendly work environment and making the company more dynamic

# The 5th Mid-term Management Plan ~Strategies and Major measures~

Strategies	Major measures
Enhancing the Margin Loan Business as part of securities market infrastructure	<ul style="list-style-type: none"> <li>● Increasing the number of loanable issues and enhance procurement capability.</li> </ul>
Flexibly addressing the needs of domestic and foreign financial instrument companies	<ul style="list-style-type: none"> <li>● Participating Study Group concerning reducing the settlement interval (T+2) in the stock market.</li> <li>● Promoting direct transactions with non-resident and transactions with foreign securities (securities loan transaction, accepting as collateral).</li> </ul>
Developing new business	<ul style="list-style-type: none"> <li>● Supporting the establishment of Securities Finance Company in Indonesia.</li> </ul>
Diversified management of securities as an efficient use of capital	<ul style="list-style-type: none"> <li>● Securing stable revenues.</li> </ul>
Enhancing collaboration with group companies	<ul style="list-style-type: none"> <li>● Bolstering coordination in terms of sales and IT system.</li> </ul>
Strengthening business management structure	<ul style="list-style-type: none"> <li>● Reinforcement of compliance system</li> <li>● Improvement of our risk management in response to diversification of risks.</li> <li>● Promoting cyber security management system</li> </ul>
Developing an employee-friendly work environment and making the company more dynamic	<ul style="list-style-type: none"> <li>● Increasing the productivity of individual personnel and make the company more dynamic</li> </ul>





# Appendix

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# Financial Result (Historical data)

¥ mil

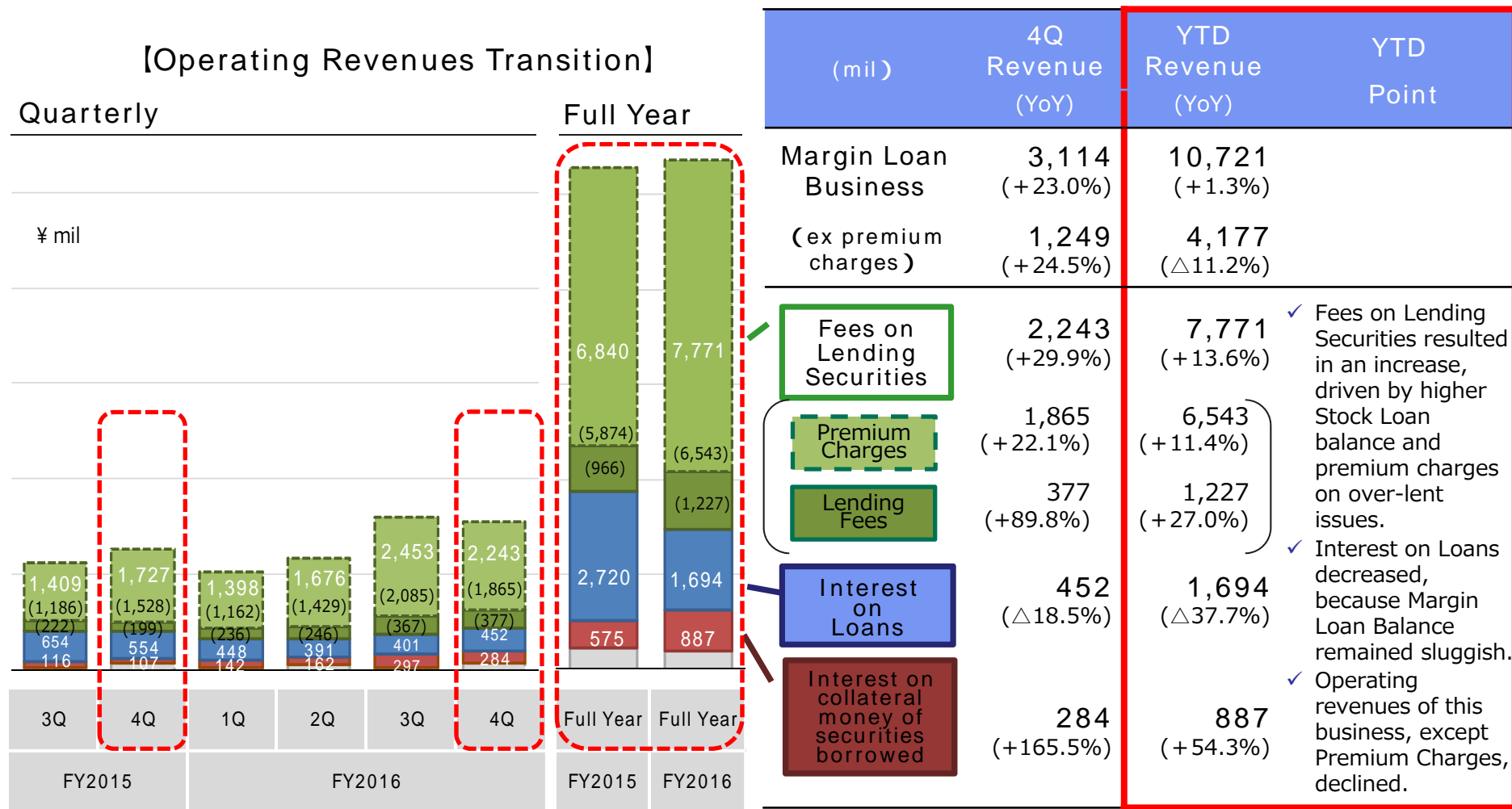
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Operating Revenues	<b>20,229</b>	<b>17,675</b>	<b>19,566</b>	<b>20,300</b>	<b>22,035</b>	<b>23,066</b>
Ex Premium charges	17,082	14,718	16,195	15,856	16,160	16,522
Operating Expenses	9,634	8,193	8,747	9,450	11,537	11,892
General & Administrative Expenses	7,554	7,694	8,249	7,824	7,939	8,371
Operating Income	<b>3,039</b>	<b>1,787</b>	<b>2,568</b>	<b>3,025</b>	<b>2,558</b>	<b>2,802</b>
Gain or Loss in Equity-Method	▲868	486	179	▲144	54	92
Recurring Income	<b>2,387</b>	<b>2,557</b>	<b>3,119</b>	<b>4,230</b>	<b>3,349</b>	<b>3,611</b>
Extraordinary Profit or Loss	▲452	13	3,602	54	—	▲52
Net Income	<b>779</b>	<b>1,777</b>	<b>6,211</b>	<b>3,520</b>	<b>2,645</b>	<b>3,078</b>

# Breakdown of Operating Revenues by business (Historical data)

	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17
	¥ mil						
<b>Securities Finance Business</b>	<b>17,558</b>	<b>15,186</b>	<b>14,093</b>	<b>16,363</b>	17,162	17,776	19,407
<b>Margin Loan Business</b>	<b>8,922</b>	<b>6,756</b>	<b>6,625</b>	<b>9,240</b>	9,667	10,579	10,721
	(39.0%)	(33.4%)	(37.5%)	(47.2%)	(47.6%)	(48.0%)	(46.5%)
Interest on Loans	2,809	1,783	1,760	4,012	3,111	2,720	1,694
Interest on collateral money of securities borrowed	826	639	652	436	611	575	887
Fees on Lending Securities	4,807	3,957	3,746	4,132	5,389	6,840	7,771
Premium Charges	3,811	3,147	2,957	3,371	4,443	5,874	6,543
Lending Fees	996	809	789	761	945	966	1,227
<b>Bond Financing and General Loans Business</b>	<b>1,047</b>	<b>827</b>	<b>810</b>	<b>1,959</b>	2,107	1,753	907
	(4.6%)	(4.1%)	(4.6%)	(10.0%)	(10.4%)	(7.9%)	(3.9%)
Bond financing & General Loans	659	492	440	1,149	1,279	1,070	691
Loans for Negotiable Margin Transactions	200	189	175	323	236	128	77
<b>Securities Lending Business</b>	<b>1,754</b>	<b>1,701</b>	<b>1,862</b>	<b>2,217</b>	2,294	2,241	4,453
	(7.7%)	(8.4%)	(10.5%)	(11.3%)	(11.3%)	(10.2%)	(19.3%)
General Stock Lending	331	219	289	425	784	907	941
Bond Lending	1,422	1,482	1,573	1,791	1,509	1,334	3,512
<b>Others</b>	<b>5,834</b>	<b>5,901</b>	<b>4,794</b>	<b>2,946</b>	3,094	3,201	3,325
	(25.5%)	(29.2%)	(27.1%)	(15.1%)	(15.2%)	(14.5%)	(14.4%)
Bond Investment (Parent only)	5,754	5,824	4,719	2,838	2,979	3,111	3,305
<b>Trust Business</b>	<b>4,360</b>	<b>4,224</b>	<b>2,762</b>	<b>2,322</b>	2,269	3,451	2,792
	(19.1%)	(20.9%)	(15.6%)	(11.9%)	(11.2%)	(15.7%)	(12.1%)
Interest on Loans	1,079	741	590	317	186	144	147
Trust Charges	308	300	338	485	545	627	668
Bond Investment	2,657	3,134	1,808	1,494	1,507	2,645	1,899
<b>Real Estate Management Business</b>	<b>930</b>	<b>818</b>	<b>819</b>	<b>880</b>	868	807	865
	(4.1%)	(4.0%)	(4.7%)	(4.5%)	(4.3%)	(3.7%)	(3.8%)
<b>Operating Revenues</b>	<b>22,848</b>	<b>20,229</b>	<b>17,675</b>	<b>19,566</b>	20,300	22,035	23,066
<b>(excluded Premium Charges)</b>	<b>19,037</b>	<b>17,082</b>	<b>14,718</b>	<b>16,195</b>	15,856	16,160	16,522

# Breakdown of Operating Revenues by business (Quarterly)

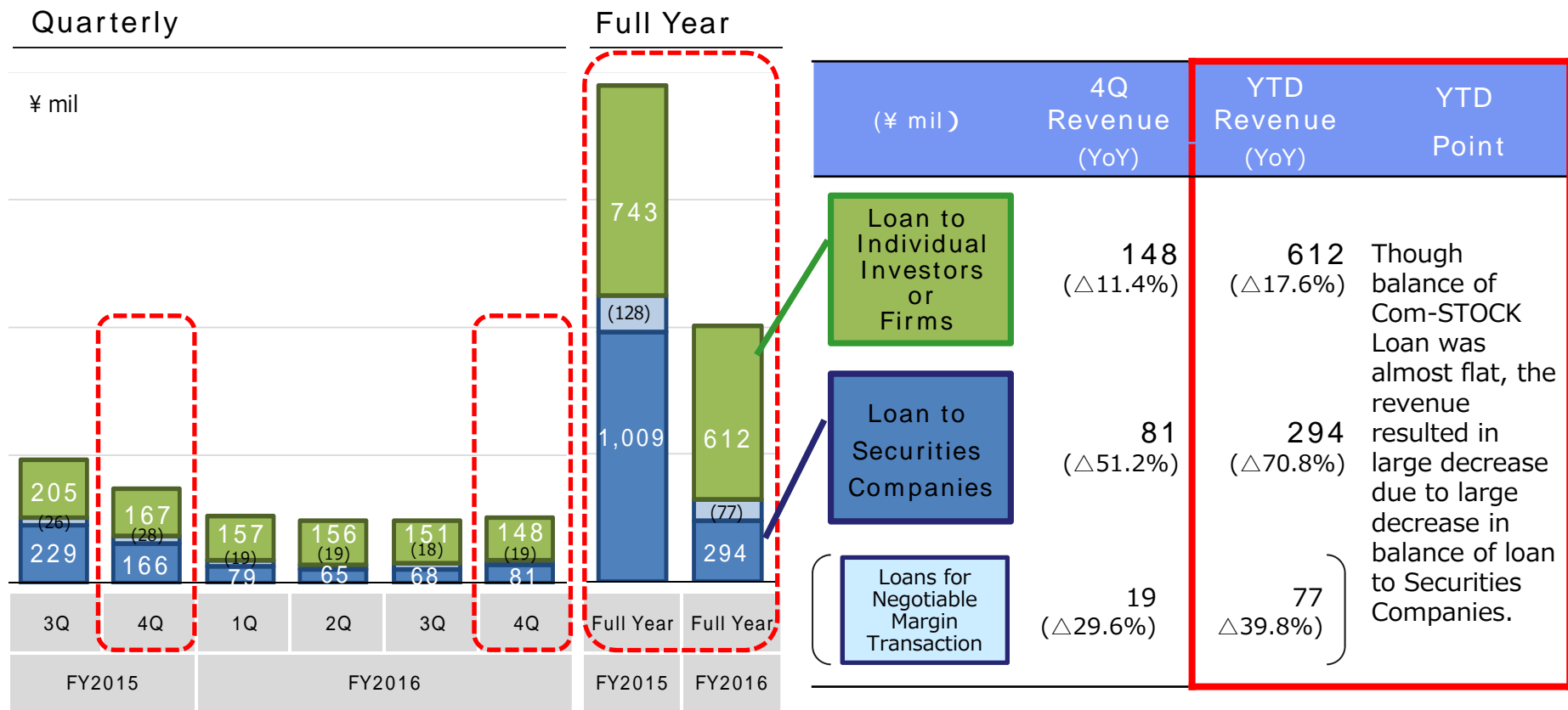
Margin Loan Business resulted in some increase, driven by increase in Stock Loan Balance.



# Breakdown of Operating Revenues by business (Quarterly)

● Bond Financing and General Loans Business declined mainly due to large decrease in balance of loan to Securities Companies.

[Operating Revenues Transition]



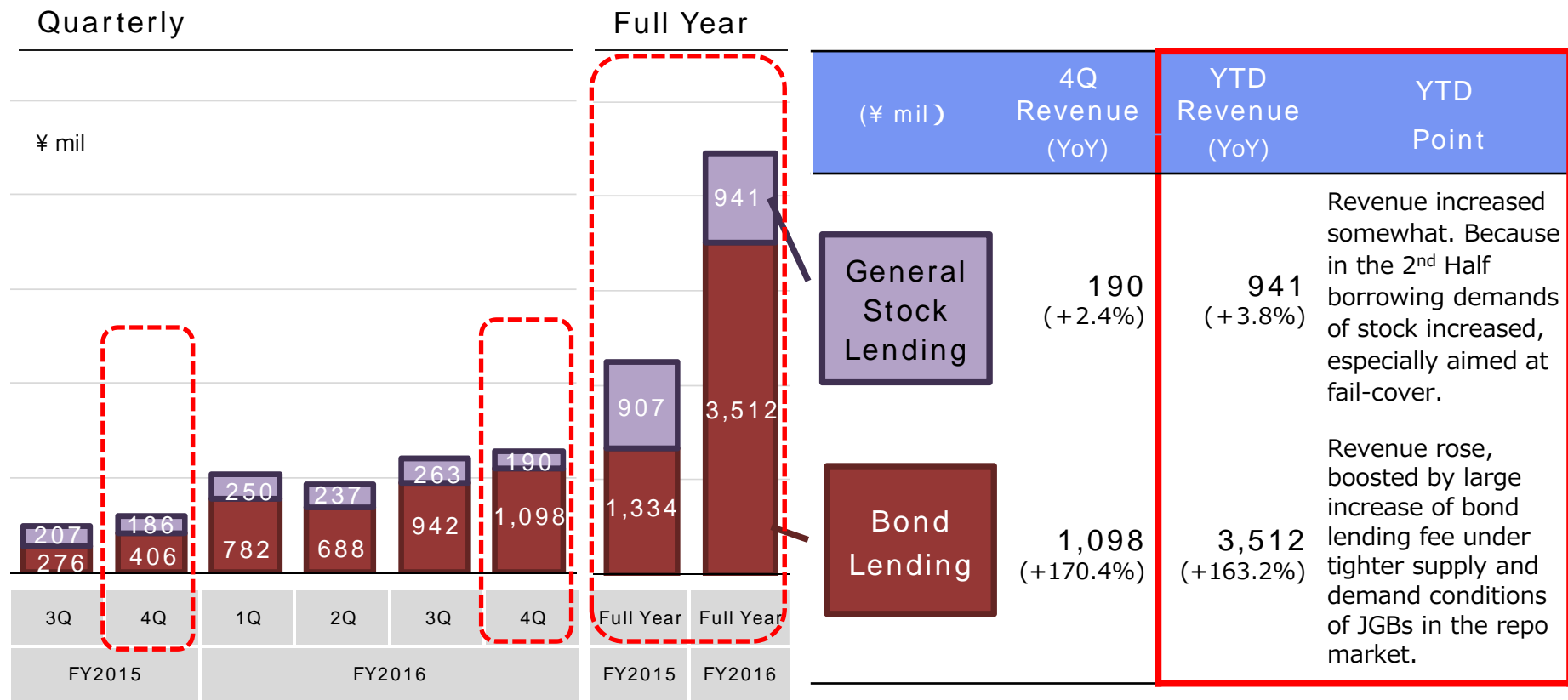
< Loan Lineup >

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

# Breakdown of Operating Revenues by business (Quarterly)

Securities Lending Business : Fees in Bond Lending saw large increase.

【Operating Revenues Transition】



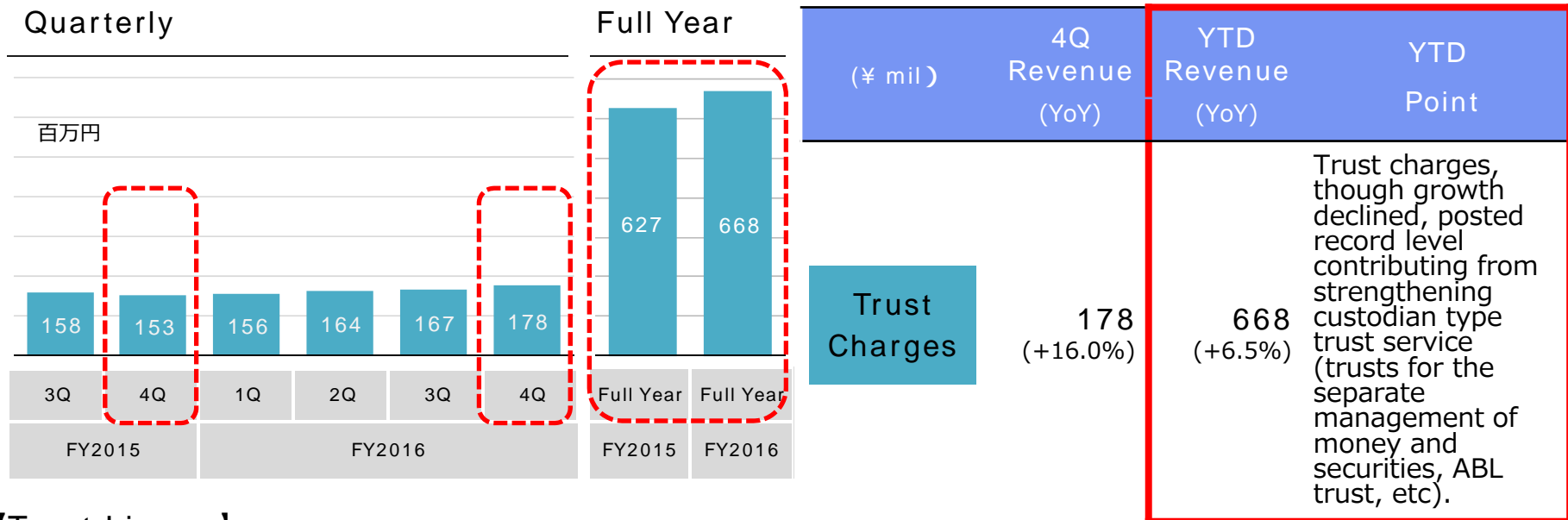
General Stock Lending is ...

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

# Breakdown of Operating Revenues by business (Quarterly)

JSF Trust Bank : Trust charges continued increasing trend.

【Trust charges Transition】



【Trust Lineup】

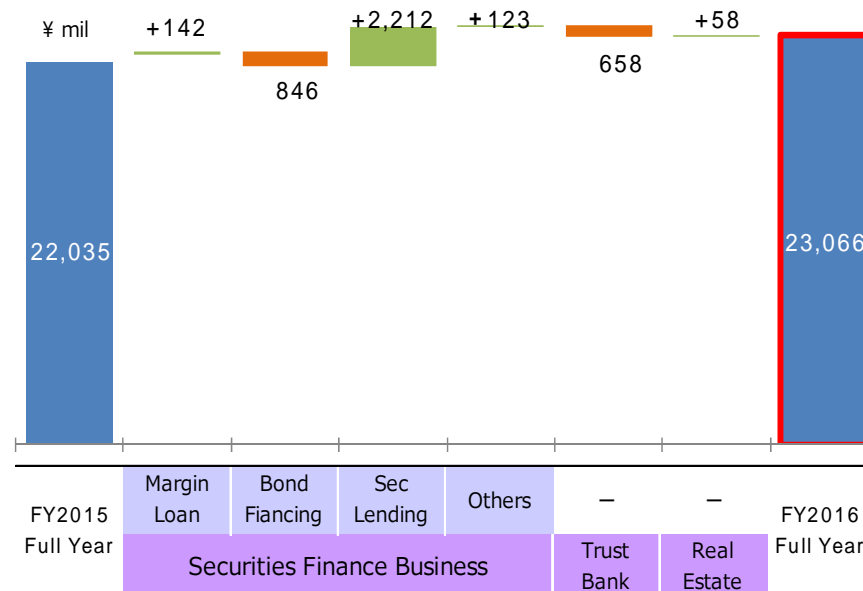
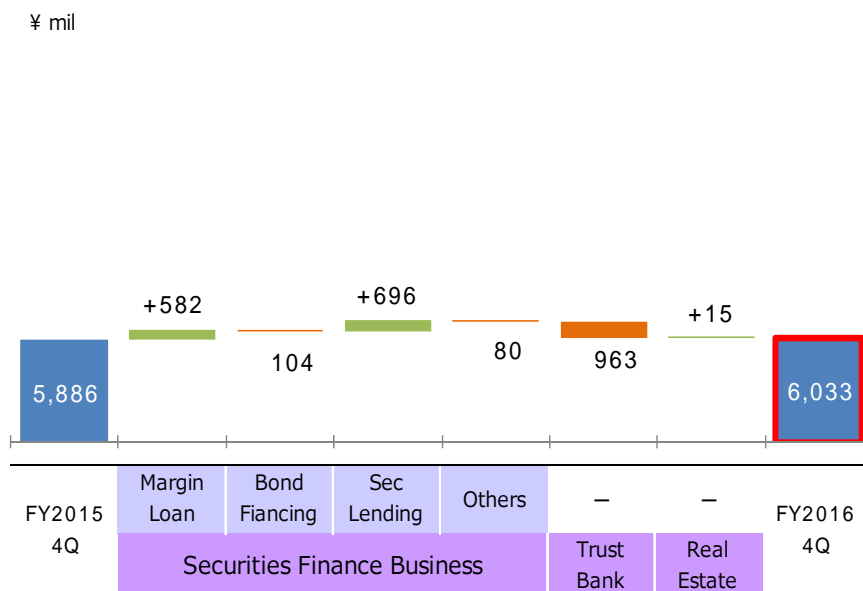
Trusts for the separate management of money and securities	Trust for protecting deposits which securities companies received from customers
Trusts for currency future trading	Trust for protecting guarantee deposits which FX business operators received from customers
Asset Backed Loan (ABL) Trust	For setting up ABL, which is investment product for institutional investors, JSFTB provides functions as SPC.

# Analysis of YoY Change in Operating Revenue by business (Quarterly, Full Year)

**[Quarterly] YoY + ¥ 147 mil (+2.5%)**

**[Full Year] YoY + ¥ 1,031 mil (+4.7%)**

¥ mil



## ~ Summary of the points for quarterly ~

- Margin Loan Business : Revenue increased driven by an increase of Stock Loan Balance.
- Bond Financing and General Loan Business : Loan balance decreased.
- Securities Lending Business : Fees on Bond Lending increased. General Stock Lending Business was also steady.
- Trust Bank : Gains on sales of bonds dropped.

## ~ Summary of the points for Full Year ~

- Margin Loan Business : Resulted in increase driven by an increase in Stock Loan Balance.
- Bond Financing and General Loan Business : Loan balance decreased.
- Securities Lending Business : Resulted in large increase in revenue boosted by fees on Bond Lending. General Stock Lending Business was also steady.
- Trust Bank : Gains on sales of bonds dropped.



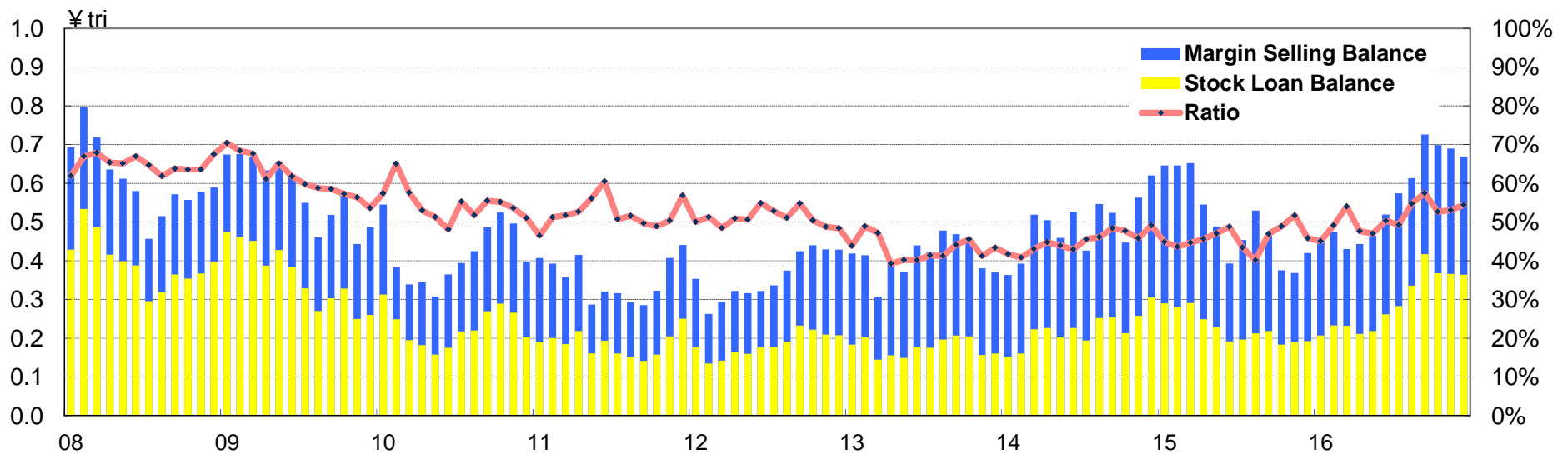
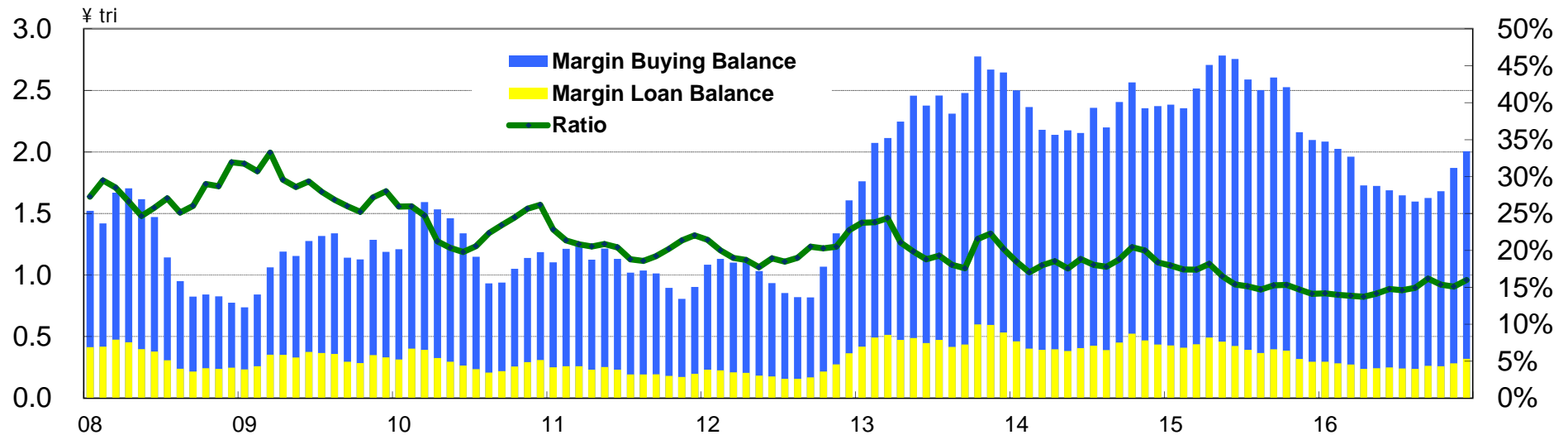
# Outstanding Loan Balance

(Year average and year-end balance)

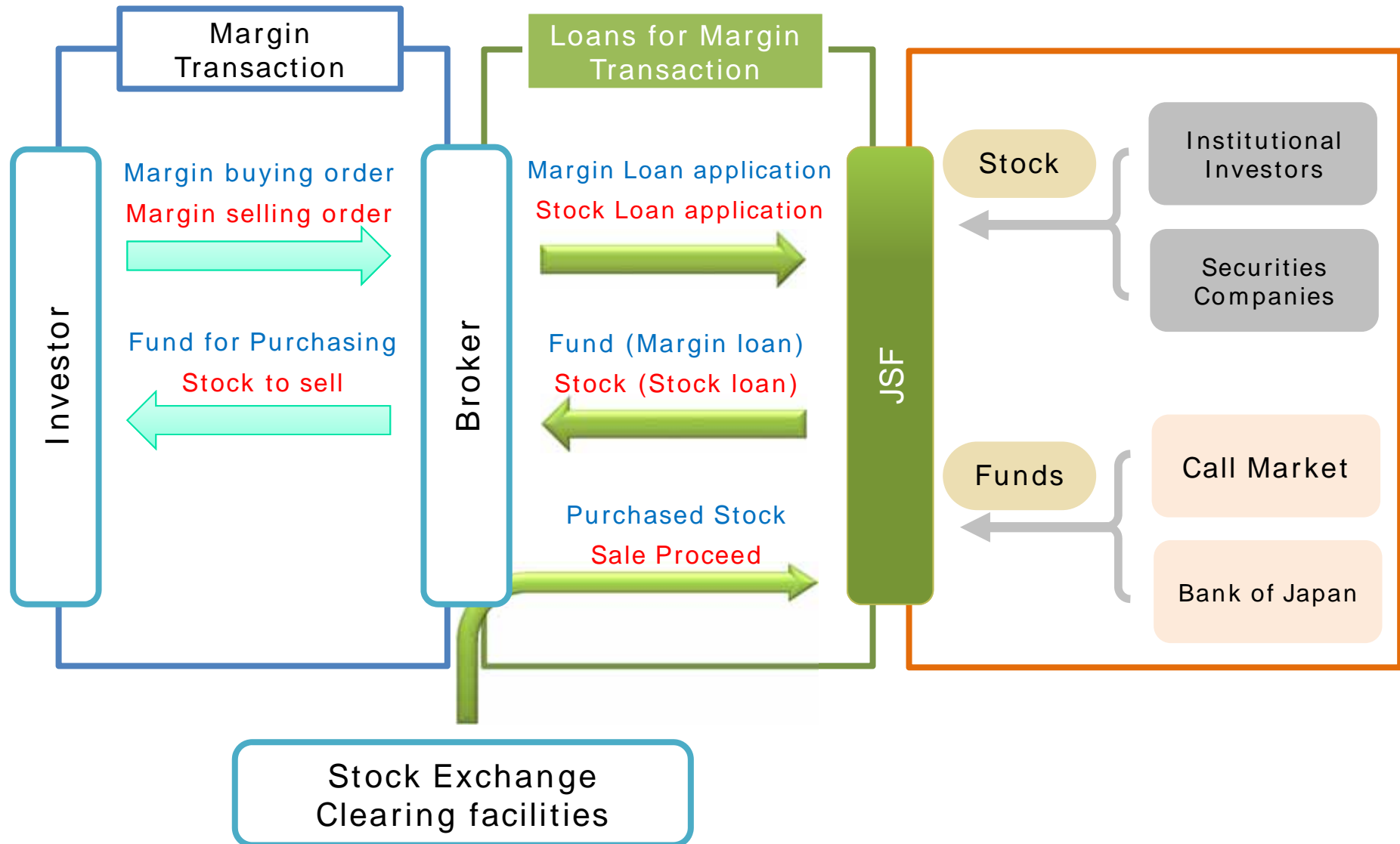
¥ mil

		FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Margin Loans	avg.	218,059	214,164	490,635	428,329	401,400	265,458
	term-end	241,035	502,322	601,206	541,052	324,113	368,508
Bond Financing & General Loans	avg.	50,893	55,865	157,232	223,484	162,347	44,840
	term-end	96,488	122,011	201,076	254,717	95,046	40,872
Loans for negotiable margin transactions	avg.	20,330	18,472	36,223	29,168	15,512	9,568
	term-end	25,727	34,380	48,103	30,939	11,499	11,334
Trust Bank Loans	avg.	141,310	101,094	77,612	58,677	54,561	149,956
	term-end	98,260	78,641	63,043	54,831	136,089	176,371
Others	avg.	12,530	13,213	23,092	32,500	28,718	7,008
	term-end	18,000	29,500	32,500	32,500	12,500	2,000
Total	avg.	422,793	384,338	748,572	742,991	647,027	467,262
	term-end	453,784	732,475	897,825	883,101	567,748	587,752
Stock Loans	avg.	184,698	183,013	176,476	222,031	227,422	291,392
	term-end	259,058	216,206	198,781	316,544	258,656	393,698

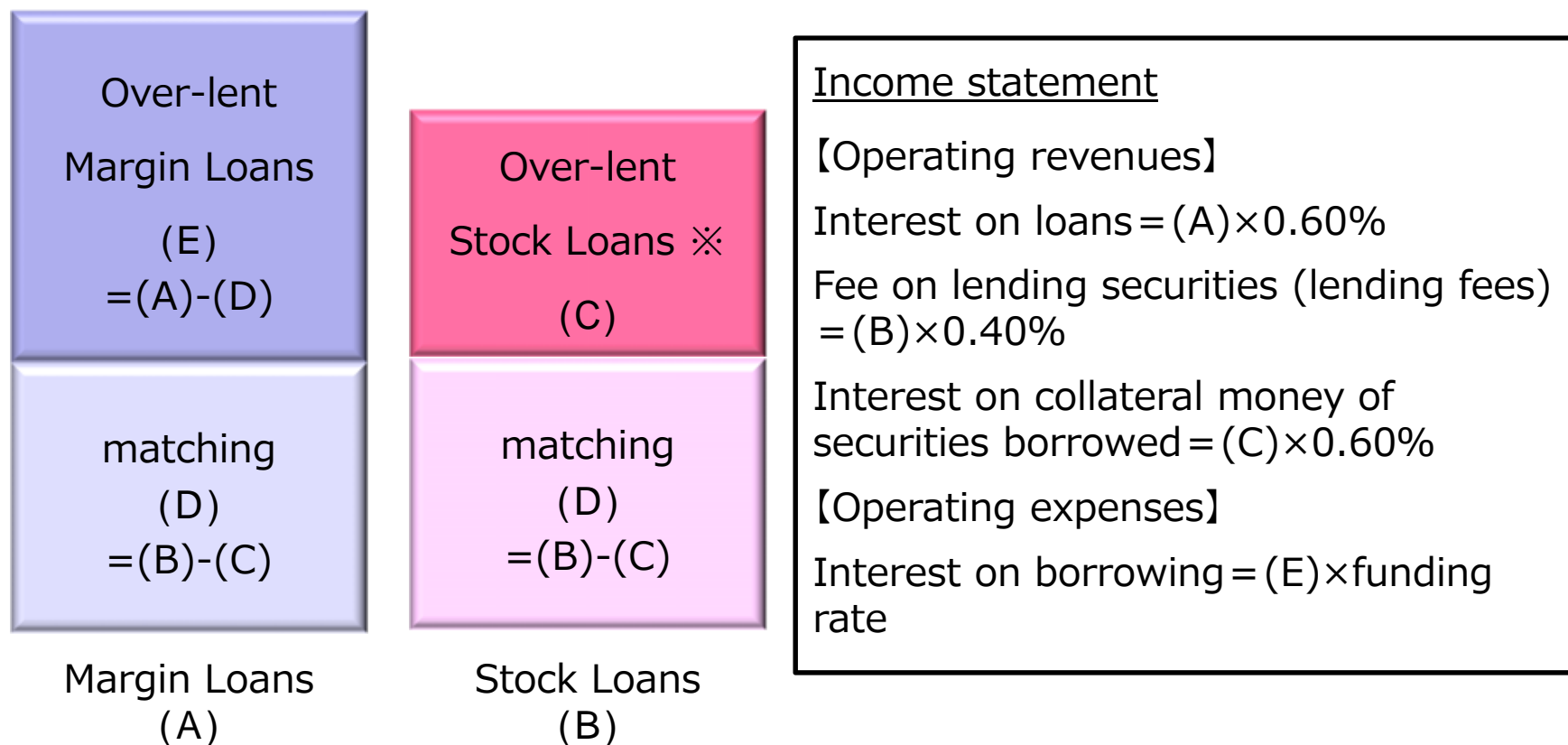
# Margin Transactions & Loans for Margin Transactions



# Structure of Margin Transaction & Loans for Margin Transaction



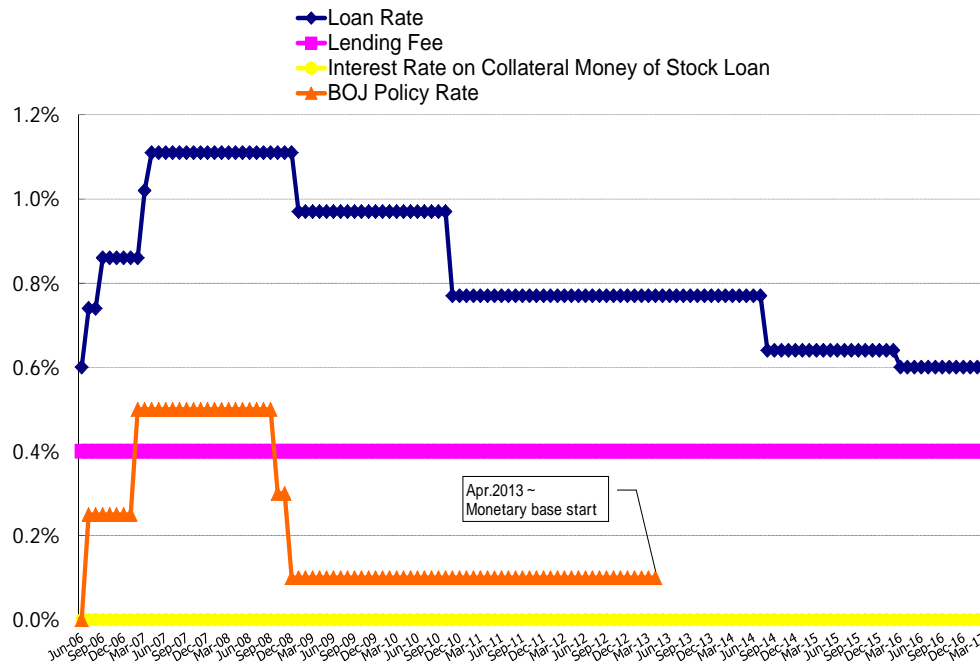
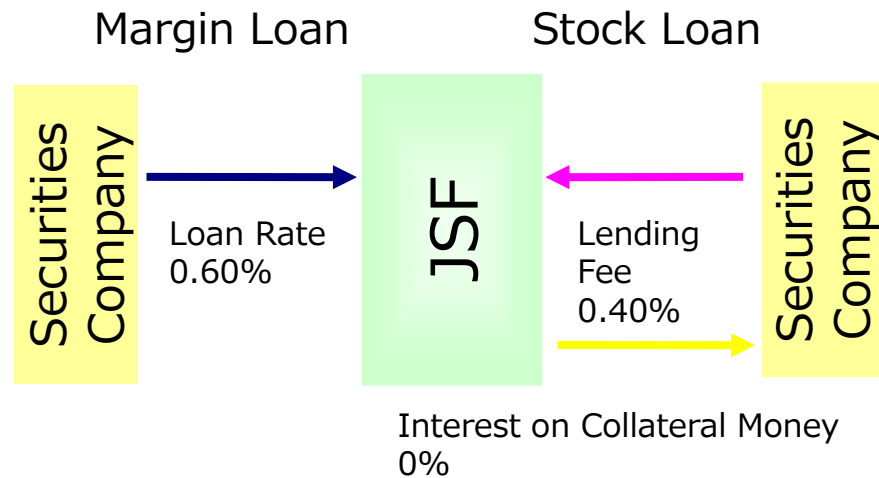
# Revenue structure of Loans for margin transactions



◆ Besides the above, Premium Charges are posted in Operating Revenues (Fees on Lending Securities) in a part of Over-lent Stock Loan. But the same amount are posted in Operating Expenses (Fees of Borrowing Charges), so the amount of Premium Charges does not affect our profit.

【revenue】 Fees on lending securities (premium charges) = 【expense】 Fees on borrowing securities (premium charges) = (C) × rate of Premium charges

# Margin Loan Rates



## BOJ Policy Interest Rate

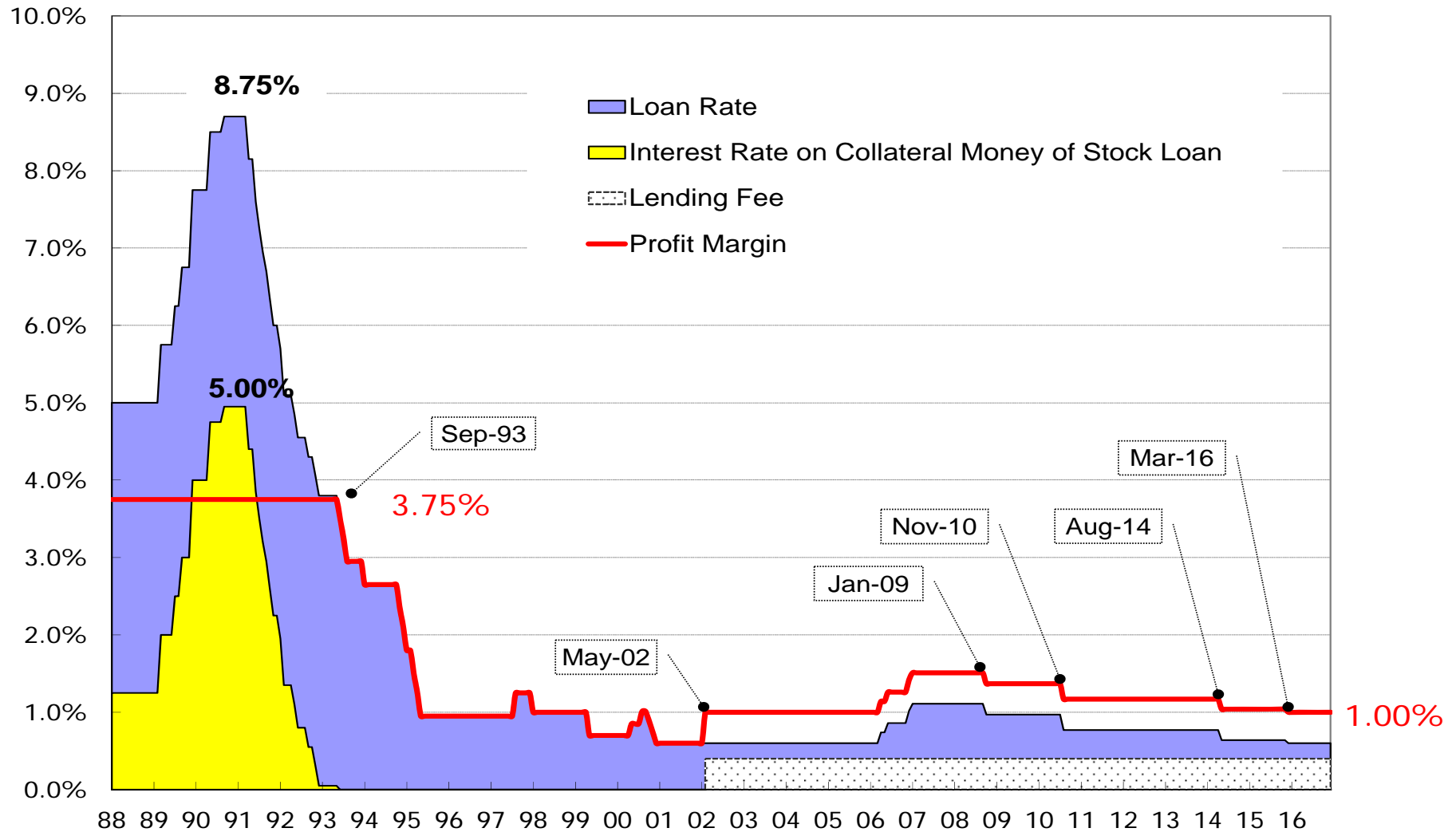
- Jul 2006 Uncollateralized O/N Call Rate: **0.25%**
- Feb 2007 Uncollateralized O/N Call Rate: **0.50%**
- Oct 2008 Uncollateralized O/N Call Rate: **0.30%** ( -0.20%)
- Dec 2008 Uncollateralized O/N Call Rate: **0.10%** ( -0.20%)
- Oct 2010 Uncollateralized O/N Call Rate: **0 ~ 0.10%** ( -0.10~0%)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

## Margin Loan Rate

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

◆ Margin Loan Rates are decided by reflecting the change of market rates and BOJ's Policy Interest Rate.

# Loan Rate of Loans for Margin Transactions



# Features of Balance Sheet (Consolidated)

¥mil

	Mar-17	Change from Mar-16	
<b>Total assets</b>	4,645,051	1,395,881	
<b>Current assets</b>	3,942,440	1,606,077	
Cash & Deposit	1,076,761	810,383	Deposit at BOJ
Short-term investments	238,498	▲ 193,067	JGB and other bonds (Maturity: 1year or less)
Short-term loans receivable	587,752	20,003	Margin loan / Loans for negotiable margin transactions / General loans / Trust bank loans
Collateral money of securities borrowed	1,930,722	905,105	Collateral money of bond borrowing Collateral money of stock borrowing
<b>Non-current assets</b>	702,610	210,195	
Investments in securities	690,208	▲ 209,958	JGB and other bonds (Maturity: more than 1year), Stock
<b>Total liabilities</b>	4,505,339	1,398,200	
<b>Current liabilities</b>	4,477,440	1,401,987	
Call money	626,898	▲ 94,001	
Short-term borrowings	13,010	▲ 185,000	Bank borrowing Market operation by BOJ
Commercial Paper	185,000	63,000	
Collateral money received of securities lent	2,492,578	942,925	Collateral money of bond lending Collateral money of stock lending
Borrowed money from trust account	1,095,054	642,281	
<b>Non-current liabilities</b>	27,898	3,787	
<b>Total net assets</b>	139,712	2,318	

## Features of Assets

- (1) Fluctuation of Loan Balance  
Loan balance moves everyday because margin loan is over-night loan
- (2) Holding JGBs for flexible cash funding  
Holding certain amount of JGBs to fund money flexibly in short-term money market

## Features of Liabilities

- (1) Fluctuation of money funding amount  
Need to response flexibly to fluctuating cash demands, because of the fluctuation of margin loan balance
- (2) Dependent on market  
Cash funding structure is not stable and depends on money market
- (3) Funding with low rate  
Required to fund in low cost to supply money for securities market stably and flexibly

# Securities Holdings

¥ mil

Securities Holdings	Mar-15		Mar-16		Mar-17		notes
	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	
Equity	11,951	7,356	12,079	6,550	11,824	6,516	
Bond	1,516,245	13,651	1,264,085	32,820	893,715	20,900	
JGB&Municipal Bond	1,383,045	12,442	1,003,869	32,628	655,082	24,524	
Corporate Bond	98,932	▲19	204,474	217	197,558	166	Mainly Government Guaranteed Bond
Others	34,267	1,228	55,741	▲26	41,073	▲3,791	Foreign government bonds
Other Securities	1,750	813	2,615	675	5,791	880	
<b>Total</b>	<b>1,529,947</b>	<b>21,821</b>	<b>1,278,780</b>	<b>40,045</b>	<b>911,330</b>	<b>28,297</b>	

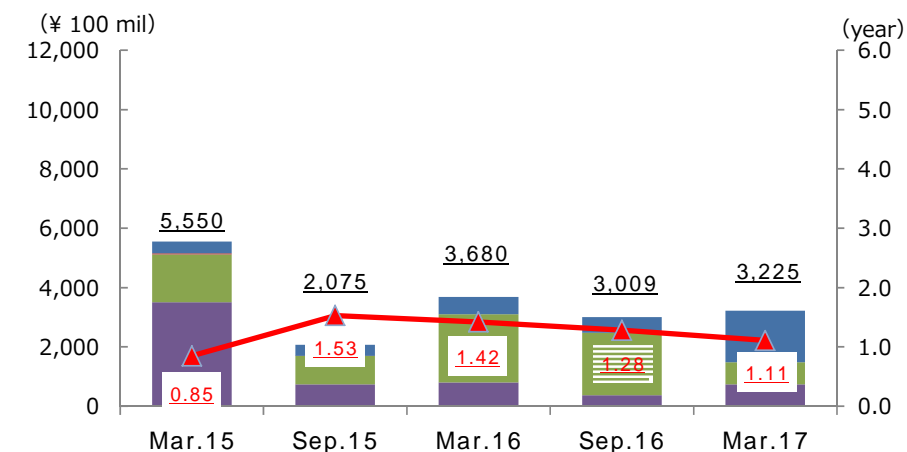
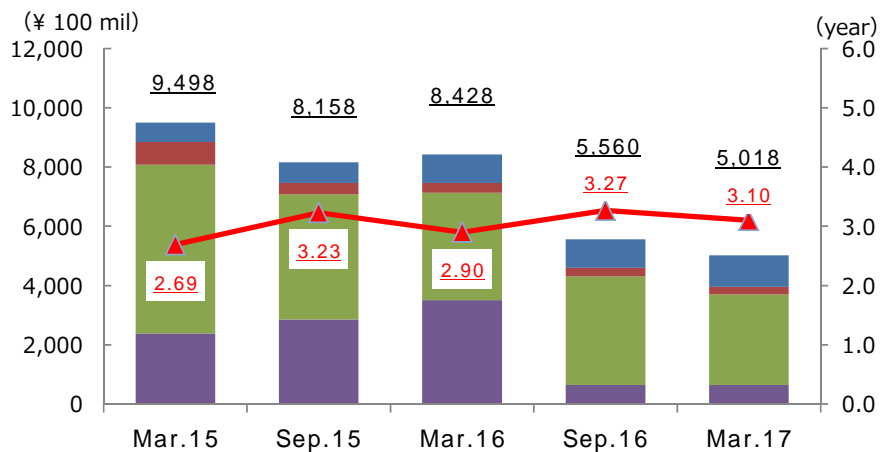
held-to-maturity bonds	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	notes
JGB	40,736	135	41,454	583	1,515	179	

※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

	Mar-16		Sep-16		Mar-17	
	Loan Balance	ratio	Loan Balance	ratio	Loan Balance	ratio
Manufacturing	8,578	6.3%	8,078	6.2%	5,022	2.8%
Fishery	0	0.0%	0	0.0%	0	0.0%
Mining	-	0.0%	-	0.0%	-	0.0%
Construction	0	0.0%	0	0.0%	0	0.0%
Energy & Utilities	0	0.0%	0	0.0%	0	0.0%
Communication	0	0.0%	0	0.0%	0	0.0%
Transportation	5,309	3.9%	5,119	3.9%	3,941	2.2%
Wholesale	800	0.6%	800	0.6%	800	0.5%
Retail	0	0.0%	0	0.0%	0	0.0%
Finance & Insurance	3,851	2.8%	3,150	2.4%	5,150	2.9%
Real Estate	3,335	2.4%	2,092	1.6%	1,350	0.8%
Service Industries	1,600	1.2%	800	0.6%	800	0.5%
Governments	112,841	82.8%	110,869	84.7%	159,528	90.3%
Total	136,316		130,909		176,593	

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

## Corporate identity

- As an institution specializing in the securities finance business, Japan Securities Finance has a mission, while always maintaining a keen awareness of our public role
- Contribute to the development of the securities industry by proactively meeting the diverse needs of securities and financial circles
- Working to boost the long-term interests of securities market users and participants

## Management Policy

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

# The 5th Mid-term Management Plan

## ~Business Strategies and Reinforcing Management Systems~

### 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.

## ~ Business Strategies ~

### 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

## ~ Reinforcing Management Systems ~

### Enhancing collaboration with Group companies

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

### Strengthening business management structure

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

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

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

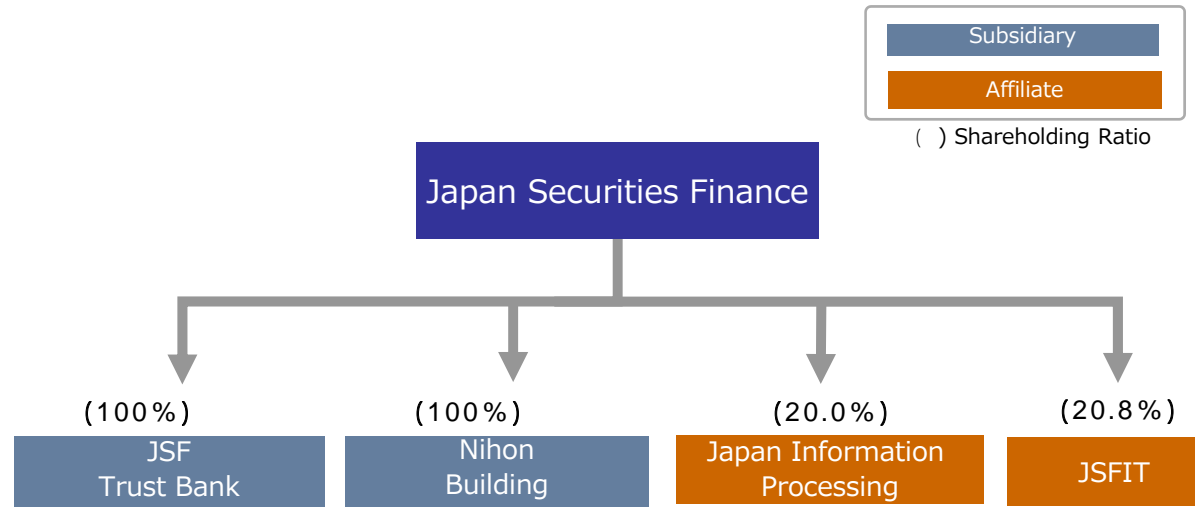
# Business Strategies of JSF Trust Bank

## Management Policy (Outline)

As a trust bank supporting the business infrastructure of securities companies, etc., JSF Trust and Banking Co., Ltd. provides customers with finely-tuned services that cannot be expected from other banks, including mega banks, and aims at the establishment of the business model mainly on the following duties.

- Make efforts in trust services and plan expansion of it, mainly on products or service for securities industry
- Deals with products and service such as the loan to securities companies and performs banking functions that are commensurate with its management capacity
- View the role of the securities investment as complementing profit
- Offer financial services in connection with JSF

# Our Group Companies



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

# Rating Information

As of 31/Mar/2017		JCR		R&I		Standard & Poor's	
		Rating	Outlook	Rating	Outlook	Rating	Outlook
Japan Securities Finance	Long-term	AA-	Stable	AA-	Stable	A	Stable
	Short-term	J-1+ (Highest)		a-1+ (Highest)		A-1	
	CP Issue	¥1tri		¥1tri		—	
JSF Trust Bank	Long-term	A+	Stable	A+	Stable	—	—
	Short-term	J-1+ (Highest)		a-1		—	—

# Notice

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