

Japan Securities Finance Co., Ltd.

FY2019

Financial Results Presentation

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1 . Executive Summary

(¥ mil)	FY2019 Full Year		YoY Δ	Δ %	Highlight
Operating Revenues	29,101	+ 4,780	+ 19.7%	<ul style="list-style-type: none"> ✓ Margin Loan Business resulted increase due to an increase of Stock Loan Balance (+29.6%) ✓ Bond Lending boosted Securities Lending Business (+12.8%) 	
Operating Income	4,129	+ 148	+ 3.7%	<ul style="list-style-type: none"> ✓ The impact (352 ¥mil) of recording part of dividend income as operating revenues with reviewing on the classification of some stocks hold. 	
Recurring Income	4,894	152	3.0%		
Net Income	3,556	209	5.6%	<ul style="list-style-type: none"> ✓ Loss of sales of securities (36 ¥mil) was recorded by consolidated subsidiary (Nihon Building Co., Ltd.) 	

2 . Summary Financial Results for FY2019



(¥ mil)	Consolidated			Parent					
	FY2019 Full Year	YoY.Δ	(%Δ)	JSF		JSF Trust Bank		Nihon Building	
					YoY.Δ		YoY.Δ		YoY.Δ
Operating Revenues	29,101	4,780	(+19.7%)	25,383	4,142	2,946	407	1,282	7
<i>Except Premium Charges</i>	20,846	2,243	(+12.1%)	17,128	1,875				
Operating Expenses	16,835	4,550	(+37.0%)	15,725	4,321	1,230	286	21	1
<i>Except Premium Charges</i>	8,585	2,018	(+30.7%)	7,476	1,789				
General & Administrative Expenses	8,136	80	(+1.0%)	6,746	▲7	1,118	113	661	▲27
Operating Income	4,129	148	(+3.7%)	2,911	98	597	7	599	33
Recurring Income	4,894	▲152	(△3.0%)	3,432	▲221	620	6	728	54
<i>Gain or Loss in Equity-Method</i>	306	58	(+23.5%)						
Extraordinary Profit or Loss	▲36	4	(-)	—	41	—	—	▲36	▲36
Net Income	3,556	▲209	(△5.6%)	2,490	▲186	496	▲41	458	12

3 . Summary Financial Results for FY2019 (JSF parent)

Japan Securities Finance (parent) *excluding premium charge			
(¥ mil)	FY2019 Full Year	YoY.Δ	(%Δ)
Operating Revenues*	17,128	1,875	(+12.3%)
Margin Loan Business*	4,262	319	(+8.1%)
General Loans Business * ¹	1,312	70	(+5.7%)
Securities Lending Business * ²	7,322	840	(+13.0%)
Others	4,230	644	(+18.0%)
Operating Expenses*	7,476	1,789	(+31.5%)
General & Administrative Expenses	6,746	▲7	(△0.1%)
Operating Income	2,911	98	(+3.5%)
Recurring Income	3,432	▲221	(△6.1%)
Extraordinary Profit or Loss	—	41	(—)
Net Income	2,490	▲186	(△7.0%)

* 1 Loans of funds other than Margin Loan Business

* 2 Securities lending other than Margin Loan Business

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Key Points

● Operating Revenues

◆ **Margin Loan Business resulted in increase due to higher stock loan balance. Business other than Margin Loan also showed solid performance.**

- Recorded ¥17,128mil, up ¥1,875mil (+12.3%) YoY
- In General Loan Business, revenue increased due to an increase in use of Equity repo transactions, though the balance of loans to financial instruments business operators and COM-STOCK loan decreased.
- Securities Lending Business resulted in increase in revenue reflecting strong performance in Bond Lending , though Stock Lending had a hard time .

※For details of each business, see "Financial Highlights for FY2019" (P6-P8)

● Operating Expenses

- ¥7,476 mil , Up ¥1,789mil (+31.5%) YoY
- reflected that fees on borrowing securities related to Securities Lending business, costs on Gensaki transactions and adjustment of investment portfolio increased.

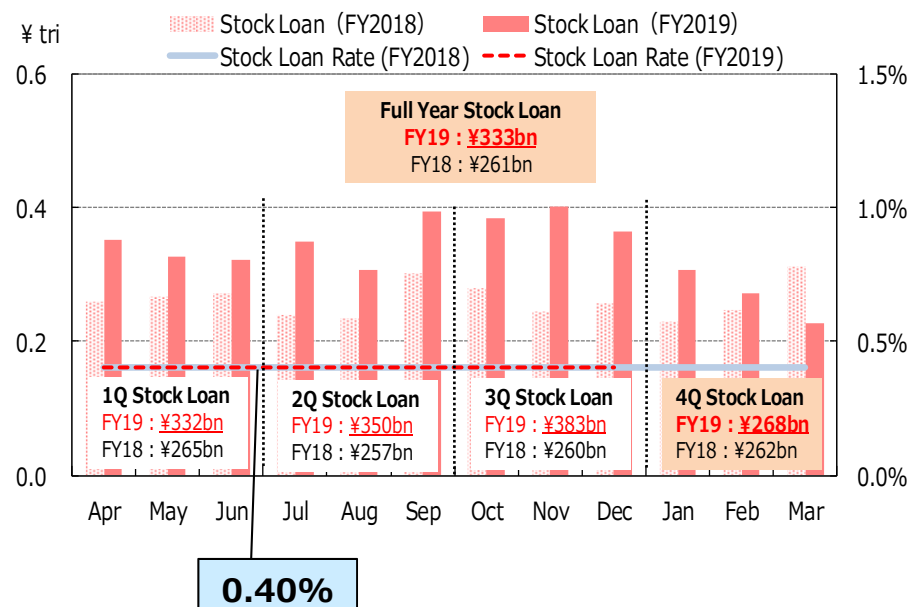
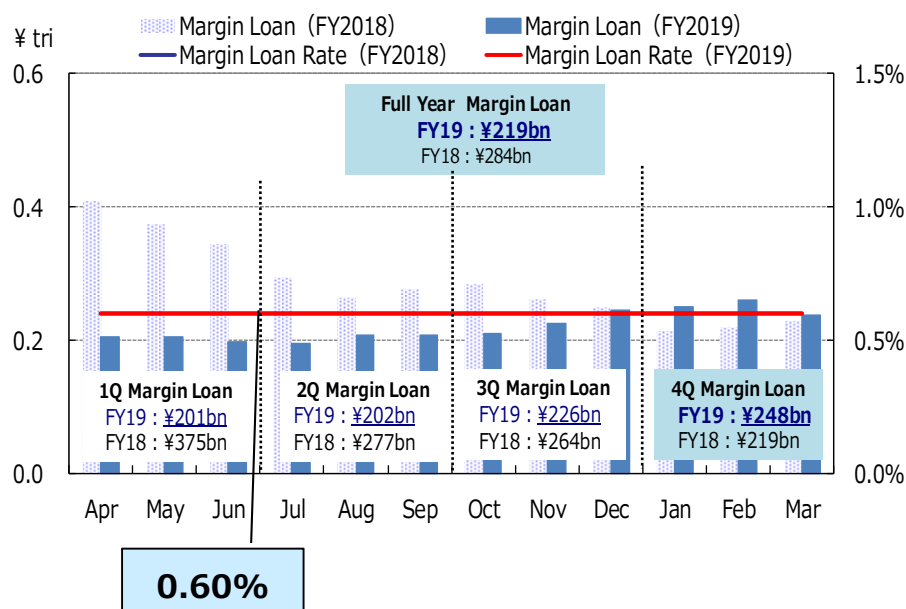
● Factor of increase in operating income(drop in recurring income)

- The impact of recording part of dividend income as operating revenues with reviewing on the classification of some stocks hold.

4 . Financial Highlight (Margin Loan Balance)

- Margin Loan Balance showed recovery trend due to “buy the dip” in a selloff during January to March.
- Stock Loan Balance turned sluggish in 4Q due to profit-taking.

(\$ bn, %)	FY2018						FY2019						YoY	
	1Q	2Q	1H	3Q	4Q	full year	1Q	2Q	1H	3Q	4Q	full year	4Q	YTD
Margin Loan	375	277	326	264	219	284	201	202	202	226	248	219	296	▲642
Margin Loan Rate	0.60	0.60	0.60	0.60	0.60	-	0.60	0.60	0.60	0.60	0.60	-	-	-
Stock Loan	265	257	261	260	262	261	332	350	341	383	268	333	54	723



5 . Financial Highlight (Securities Finance Business)



- In the Securities Lending Business and the General Loan Business, both revenues increased due to the flexible response to the needs of customers

(¥ mil)

	Type of transaction	FY2016	FY2018	FY2019	YoY%	Initiatives under the 5 th mid-term plan (FY2017~FY2019)
		(The final year of 4 th MTP*)				
Securities Finance Business	Loans for Negotiable margin transaction	77	80	80	△0.0%	✓ Expansion of clients, tapping further into the demands of existing clients
	General Loans, Stabilizing funding loan, Equity Repo, etc.	216	634	737	+16.1%	✓ Diversification of type and currency of transaction, eligible collateral
	Loans to Individual Investors or Firms	612	526	494	△6.1%	✓ Sales activity for expanding business partners
	General Stock Lending	941	1,517	1,015	△33.1%	✓ Expansion of channel of stock and bond procurement, transactions with non-residents
	Bond Lending	3,522	4,963	6,307	+27.1%	✓ Responding to reducing the settlement interval, approach to dormant clients, diversification of transaction scheme
	Total Revenues	5,371	7,724	8,635	+11.8%	

* Mid-term Management Plan

We aim to utilize the financial and securities transaction expertise we have cultivated and strive to enhance and expand "Securities Finance" business, increasing opportunities for profit under 6th Mid-term plan.

6 . Financial Highlight (Securities Investment of JSF parent)

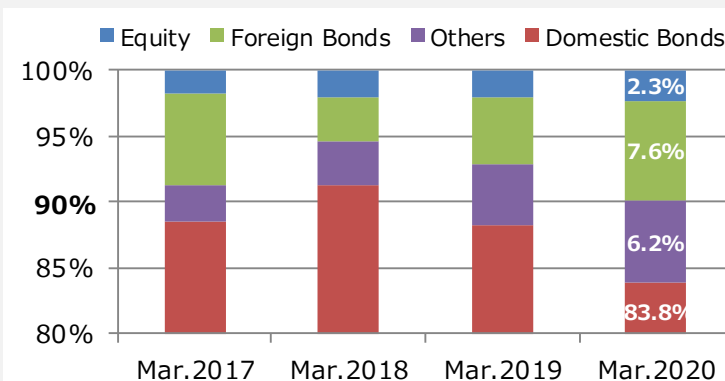
- Revenues from securities investment resulted in increase due to the impact of recording part of dividend income as operating revenues with reviewing on the classification of some stocks and increase of income on investment trust, etc.

Revenues from securities investment (JSF)

	FY2019	YoY
Yen-based	¥ 3,325 mil	¥ 700 mil
Domestic Bonds	¥ 1,326 mil	▲¥ 272 mil
Others*	¥ 1,999 mil	¥ 972 mil
In foreign currencies	¥ 871 mil	▲¥ 33 mil
Total	¥ 4,196 mil	¥ 666 mil

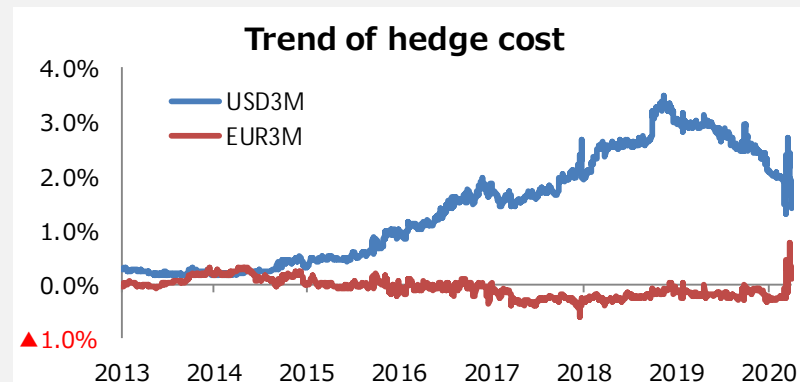
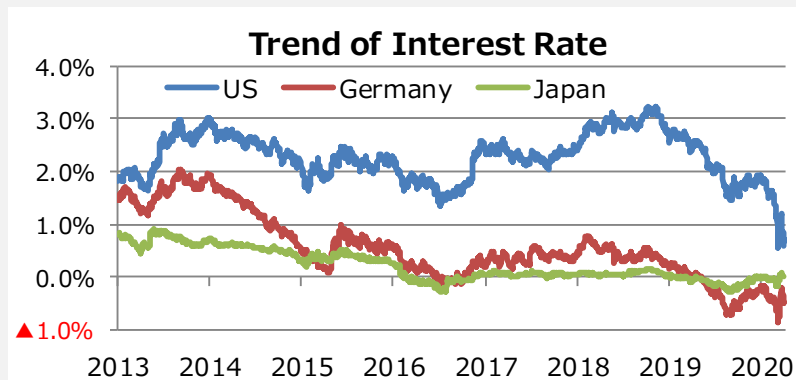
※ Investment Trust, etc.

Transition of investment portfolio



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

source) Bloomberg



7 . Summary Financial Results for FY2019 (JSF Trust Bank)



Highlights

- Trust charges remained stable, contributing from strengthening custodian type trust service.
- Interest on Loans decreased due lower interest rate on loans. Interest on investment securities increased due to an increase in outstanding of investment securities.
- Gains on sales of bonds increased. Costs of unwinding IRS also increased.
- Recurring Income slightly increased compared with the last year, but Net Income decreased due to an increase in income taxes.

JSF Trust Bank			
(¥ mil)	FY2019 Full Year	YoY	
			(%)
Recurring Revenue	¥ 2,969	406	(+15.8%)
Trust charges	848	30	(+3.7%)
Gains on sales of bonds	666	368	(+123.3%)
Recurring Expenses	2,348	400	(+20.5%)
Loss from derivatives	632	426	(+207.6%)
Provision of ADR*	88	75	(+583.5%)
Recurring Income	620	6	(+1.1%)
Net Income	496	▲41	(△7.7%)

【Point of Trust Charge】

Trust charges increased contributing from strengthening custodian type trust service (trusts for the separate management of money and securities, ABL trust, etc).

(¥ mil)



*ADR: Allowance for Doubtful Receivables

8 . Balance Sheet Summary (end of Mar-2020, consolidated)



¥mil

	Mar-20	Change from Mar-19	
Total assets	9,814,494	4,523,122	
Cash & Deposit	1,299,935	309,265	Deposit at BOJ
Short-term investments	68,292	▲ 170,351	JGB and other bonds (Maturity: 1year or less)
Short-term loans receivable	687,679	18,784	Margin loan / Loans for negotiable margin transactions / General loans / Trust bank loans
Receivables under resale agreements	2,747,396	2,200,854	
Collateral money of securities borrowed	3,877,826	1,740,236	Collateral money of bond borrowing Collateral money of stock borrowing
Investments in securities	790,182	285,018	JGB and other bonds (Maturity: more than 1year), Stock
Total liabilities	9,687,807	4,537,228	
Call money	1,176,795	160,335	
Short-term borrowings	101,473	84,926	Bank borrowing Market operation by BOJ
Commercial Paper	366,000	152,000	
Payables under repurchase agreements	3,923,414	2,470,062	
Collateral money received of securities lent	3,104,029	1,540,598	Collateral money of bond lending Collateral money of stock lending
Borrowed money from trust account	869,488	126,158	
Total net assets	126,687	▲ 14,105	

Features of Assets

Comprise Margin loans (short-term loans receivable) and deposits in current account balance at BOJ (cash and deposits) that are changing by the day, collateral deposited for the procurement of securities (Collateral money of securities borrowed), and securities held for the purpose of efficient use of funds.

Cash and cash equivalents may change significantly depending on the status of standby funds in the trust account of JSF Trust and Banking Co., Ltd. and the status of cash management 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 to accommodate assets changing by the day, collateral deposits received when lending securities (collateral money received of securities lent).

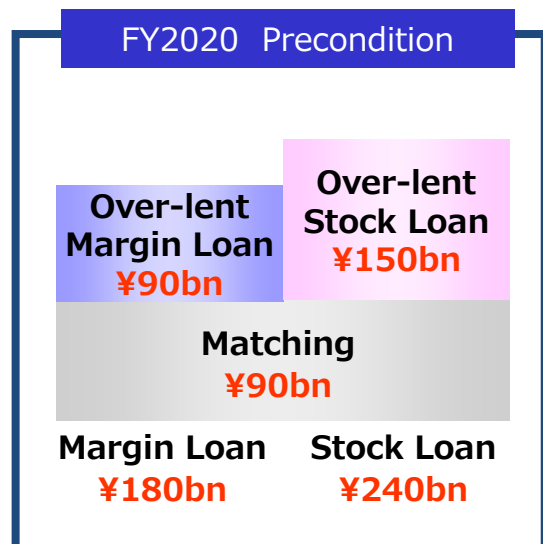
[ref] Capital Adequacy Ratio*

at the end of Mar 2020 : 337%

* based on FIEA

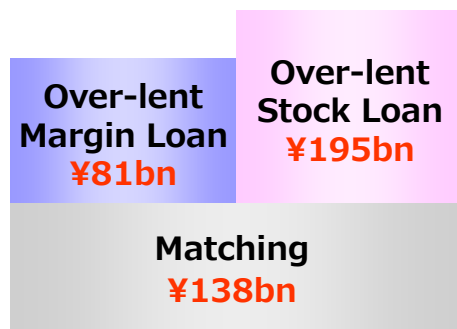
9 . Estimated Figures for FY2020

Precondition Balance of Margin Loans



(Reference)

FY2019 Results



Margin Loan Stock Loan
¥219bn ¥333bn

(¥ mil)		FY2020 Estimated Figures	YoY.Δ	Δ from prev. EF
Operating Income		3,100	▲1,029	—
Recurring Income		3,800	▲1,094	—
Net Income		2,700	▲856	—
JSF	Operating Income	1,800	▲1,111	—
	Recurring Income	3,400	▲32	—
	Net Income	2,700	209	—
JSF Trust and Banking	Recurring Income	740	119	—
	Net Income	510	13	—
Nihon Building	Operating Income	565	▲34	—
	Recurring Income	680	▲48	—
	Net Income	445	▲13	—

Preconditions of Loans for Margin Transactions

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

1 Basic Policy (no change)

- ◆ 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

(1) Dividend Payment

- ◆ 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 strive to provide **stable dividends that are not temporarily affected by earnings fluctuations.**

Before
the
change

- ◆ 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 will strive to pay **stable dividends that are not affected by temporary fluctuations in business performance.**

(2) Share Buyback

- ◆ With a view to offering even more rewarding returns to shareholders, we will buy back shares **as appropriate while comprehensively considering the company's financial situation, equity capital levels, and stock price levels.**

Before
the
change

- ◆ 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.

Our concept behind the change

- ✓ The changes is to clarify the purpose that JSF has referred to DOE from the perspective of providing stable dividends.
- ✓ The "equity capital levels" has been added as an example of factors that JSF has been taking into account in order to clarify as one of factors.
- ✓ With regard to share buyback, JSF has been comprehensively considering the company s financial situation and other factors in determining whether or not to implement such buyback, and do not change policy significantly.
- ✓ For the reason for not setting a share buyback program for FY2021
JSF completed buyback the number of shares issued by the merger with OSF.
While JSF is well aware that our stock price levels are well below PBR1 level, JSF needs to think conservatively about the level of equity capital needed reflecting uncertainty about the impact of the current pandemic of COVID-19 on the financial and securities markets.

12 . Dividend and Share Buyback Program (historical)



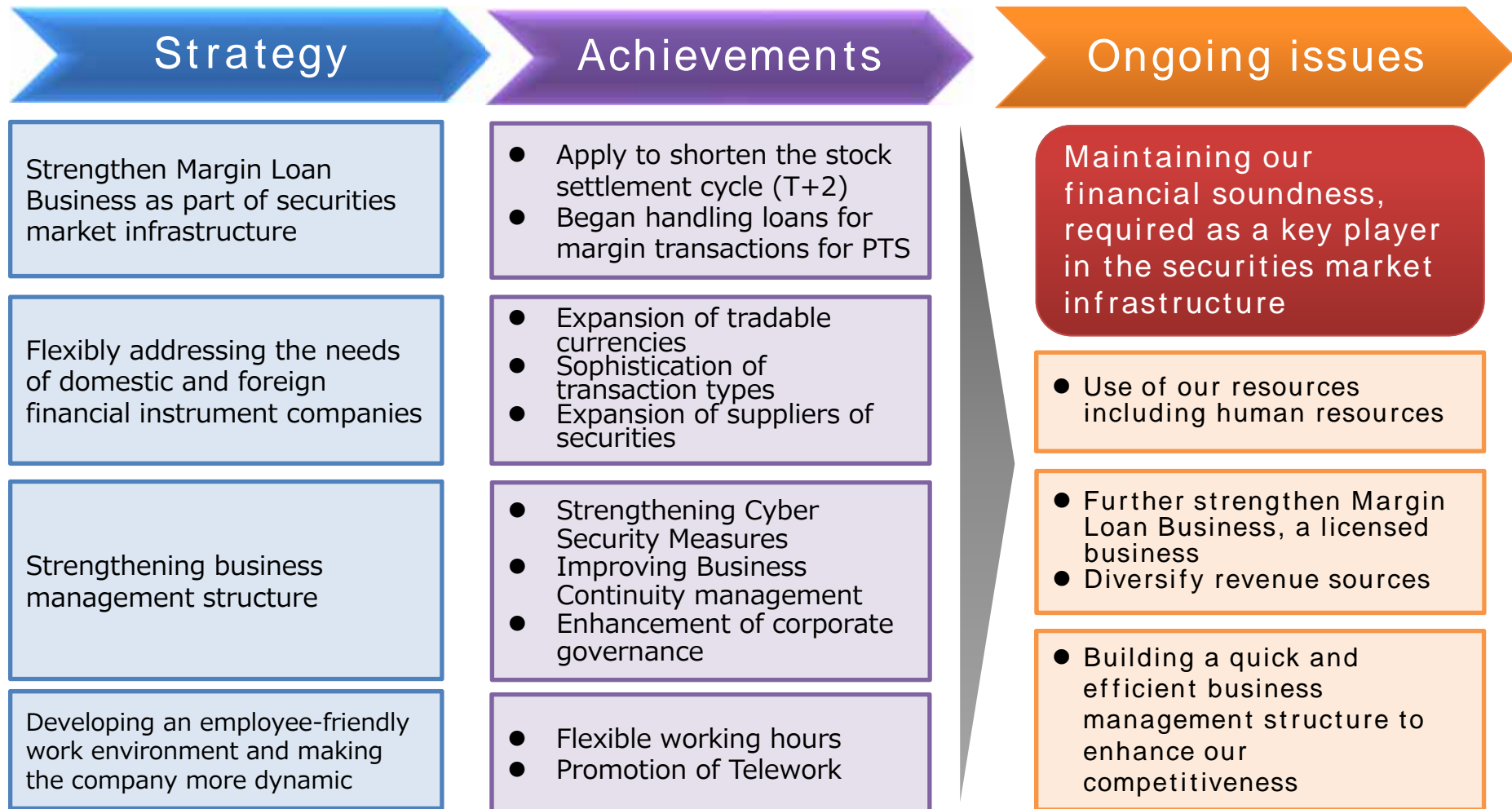
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020 Forecast/ Framework
Annual Dividend per share	¥15	¥16	¥18	¥26	¥22	¥22	¥22 (Interim ¥8 Year-end ¥10)
Share Buyback (shs)	7.46mil	3mil	0.63mil	1.5mil	2.0mil	1.0mil	—
(amount)	¥4.6bn	¥1.9bn	¥0.3bn	¥0.9bn	¥1.2bn	¥0.5bn	—
<Consolidated> : Net Income	¥3.5bn	¥2.6bn	¥3.0bn	¥4.2bn	¥3.7bn	¥3.5bn	¥2.7bn
: EPS	¥33.9	¥26.9	¥31.9	¥44.2	¥40.0	¥38.4	¥29.4
: DPR	44.2%	59.5%	56.4%	58.8%	55.0%	57.2%	74.7%
: DOE	1.2%	1.2%	1.2%	1.8%	1.4%	1.5%	1.6%
(reference) Total Return Ratio	173.9%	133.1%	66.3%	79.3%	87.8%	71.0%	74.7%

The 6th Mid-term Management Plan (FY2020 to FY2022)

● Achievements under the 5th Medium-Term Management Plan
(FY2017 to FY 2019)



- Strengthen Margin Loan Business as part of securities market infrastructure by applying steadily to shortening the settlement cycle (T+2).
- Strengthen the earnings base by expanding operations other than margin loans (security financing)



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

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.

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.

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, develop new business, and to further grow and solidify our base.

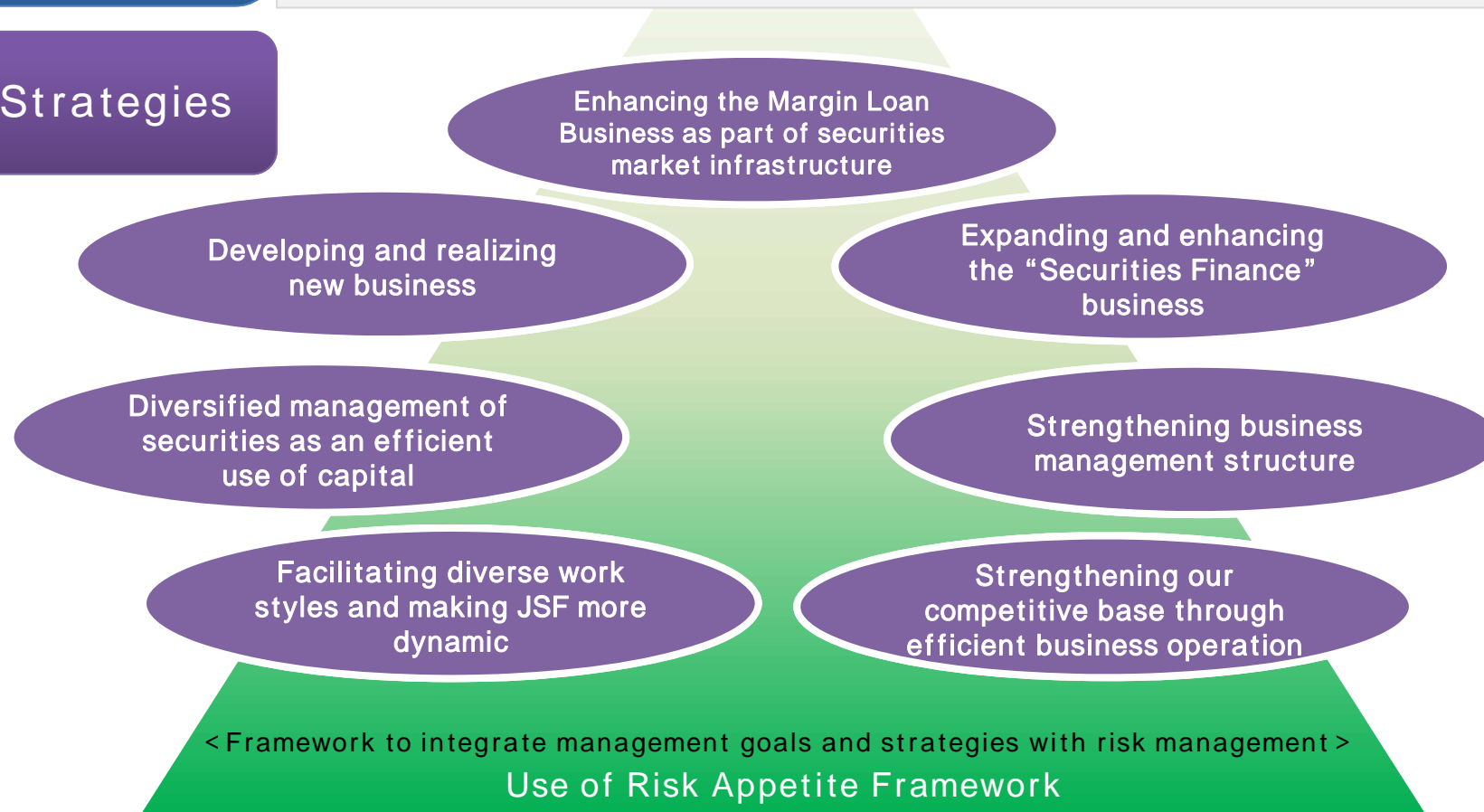
To build a quick and efficient business management structure and strengthen our competitive base in order to address changes in the business environment in a flexible manner.

● The 6th Mid-term Management Plan (FY2020 ~ FY2022) II 

Management Goals

Given that the margin loan business, JSF's core business, is greatly affected by market fluctuation, 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 (recurring income calculated based on the assumed gross operating profit of margin loan business)

Strategies



Management
Goals

Given that the margin loan business, JSF's core business, is greatly affected by market fluctuation, 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** (recurring income calculated based on the assumed gross operating profit of margin loan business).



- We set “Number of loanable stock issues” and “Basic profit” as KPIs under 6th Mid-term Management Plan and will regularly publish the information to the public.

Appendix

- 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)
- Operating profit by business (JSF parent)
- 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
- Securities Holdings
- JSF Trust Bank (Loan Balance)
- Corporate Vision and Management Policy of JSF Trust Bank
- Our Group Companies
- Rating Information

● The Trend of Financial Result (consolidated)

¥ mil

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Operating Revenues	20,300	22,035	23,066	26,333	24,321	29,101
Ex Premium charges	15,856	16,160	16,522	18,383	18,603	20,846
Operating Expenses	9,450	11,537	11,892	13,330	12,284	16,835
Ex Premium charges	5,008	5,672	5,358	5,385	6,566	8,585
General & Administrative Expenses	7,824	7,939	8,371	9,121	8,056	8,136
Operating Income	3,025	2,558	2,802	3,881	3,981	4,129
Gain or Loss in Equity-Method	▲144	54	92	123	248	306
Recurring Income	4,230	3,349	3,611	4,685	5,046	4,894
Extraordinary Profit or Loss	54	—	▲52	131	▲41	▲36
Net Income	3,520	2,645	3,078	4,225	3,765	3,556

● Breakdown of Operating Revenues by business
(Historical data)



¥ mil

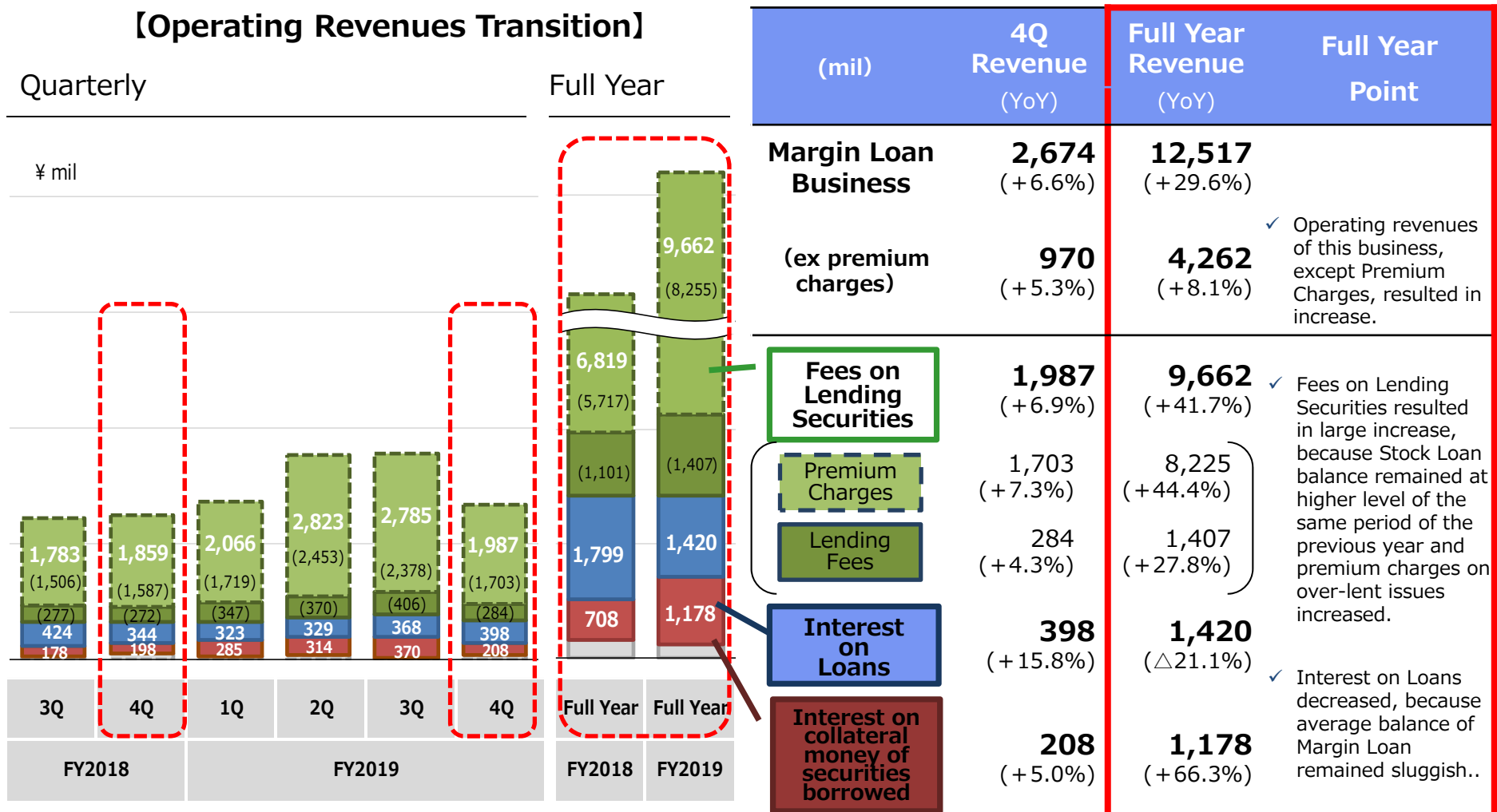
	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20
Securities Finance Business	16,363	17,162	17,776	19,407	22,487	20,969	25,369
Margin Loan Business	9,240	9,667	10,579	10,721	13,253	9,661	12,517
	(47.2%)	(47.6%)	(48.0%)	(46.5%)	(50.3%)	(39.7%)	(43.0%)
Interest on Loans	4,012	3,111	2,720	1,694	2,225	1,799	1,420
Interest on collateral money of securities borrowed	436	611	575	887	1,073	708	1,178
Fees on Lending Securities	4,132	5,389	6,840	7,771	9,481	6,819	9,662
Premium Charges	3,371	4,443	5,874	6,543	7,949	5,717	8,255
Lending Fees	761	945	966	1,227	1,531	1,101	1,407
Business other than Margin Loan Business							
Loan to Securities companies & Investors	1,959	2,107	1,753	907	917	1,242	1,312
	(0.0%)	(0.0%)	(7.9%)	(3.9%)	(3.5%)	(5.1%)	(4.5%)
Securities Lending Business	2,217	2,294	2,241	4,453	5,035	6,480	7,308
	(11.3%)	(11.3%)	(10.2%)	(19.3%)	(19.1%)	(26.7%)	(25.1%)
Stock Lending	425	784	907	941	1,458	1,517	1,015
Bond Lending	1,791	1,509	1,334	3,512	3,576	4,962	6,293
Others	2,946	3,094	3,201	3,325	3,281	3,586	4,230
	(15.1%)	(15.2%)	(14.5%)	(14.4%)	(12.5%)	(14.8%)	(14.5%)
Bond Investment (Parent only)	2,838	2,979	3,111	3,305	3,263	3,530	4,196
Trust Business	2,322	2,269	3,451	2,792	2,971	2,467	2,832
	(11.9%)	(11.2%)	(15.7%)	(12.1%)	(11.3%)	(10.1%)	(9.8%)
Interest on Loans	317	186	144	147	89	58	50
Trust Charges	485	545	627	668	741	746	784
Bond Investment	1,494	1,507	2,645	1,899	2,087	1,590	1,997
Real Estate Management Business	880	868	807	865	873	884	899
	(4.5%)	(4.3%)	(3.7%)	(3.8%)	(3.3%)	(3.6%)	(3.1%)
Operating Revenues	19,566	20,300	22,035	23,066	26,333	24,321	29,101
(excluded Premium Charges)	16,195	15,856	16,160	16,522	18,383	18,603	20,846

● Breakdown of Operating Revenues by business
(Quarterly • Full Year) JSF



Margin Loan Business resulted in large increase due to higher level of Stock Loan Balance, though Margin Loan Balance remained sluggish.

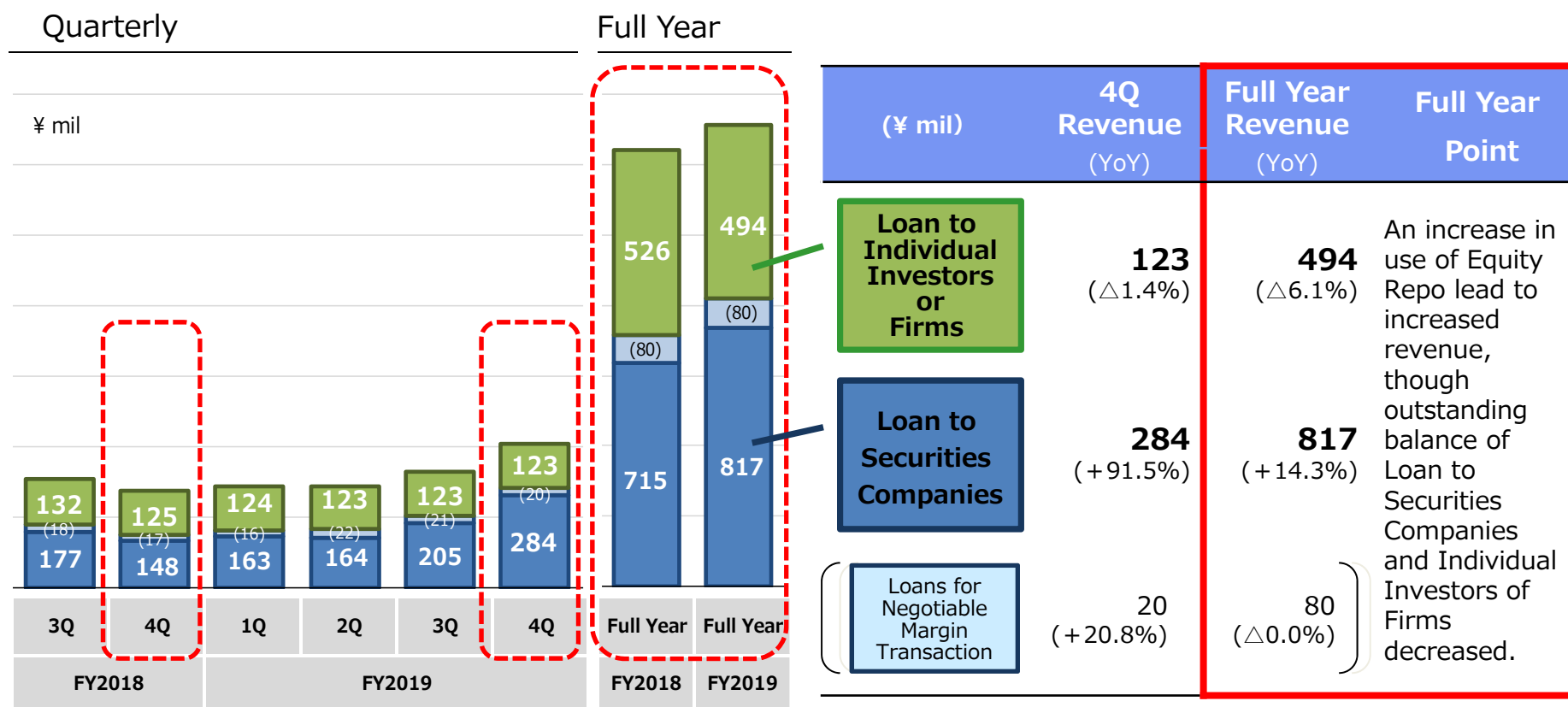
【Operating Revenues Transition】



● Breakdown of Operating Revenues by business
(Quarterly • Full Year) JSF


General Loans Business resulted in increase mainly due to an increase in use of Equity Repo.

【Operating Revenues Transition】



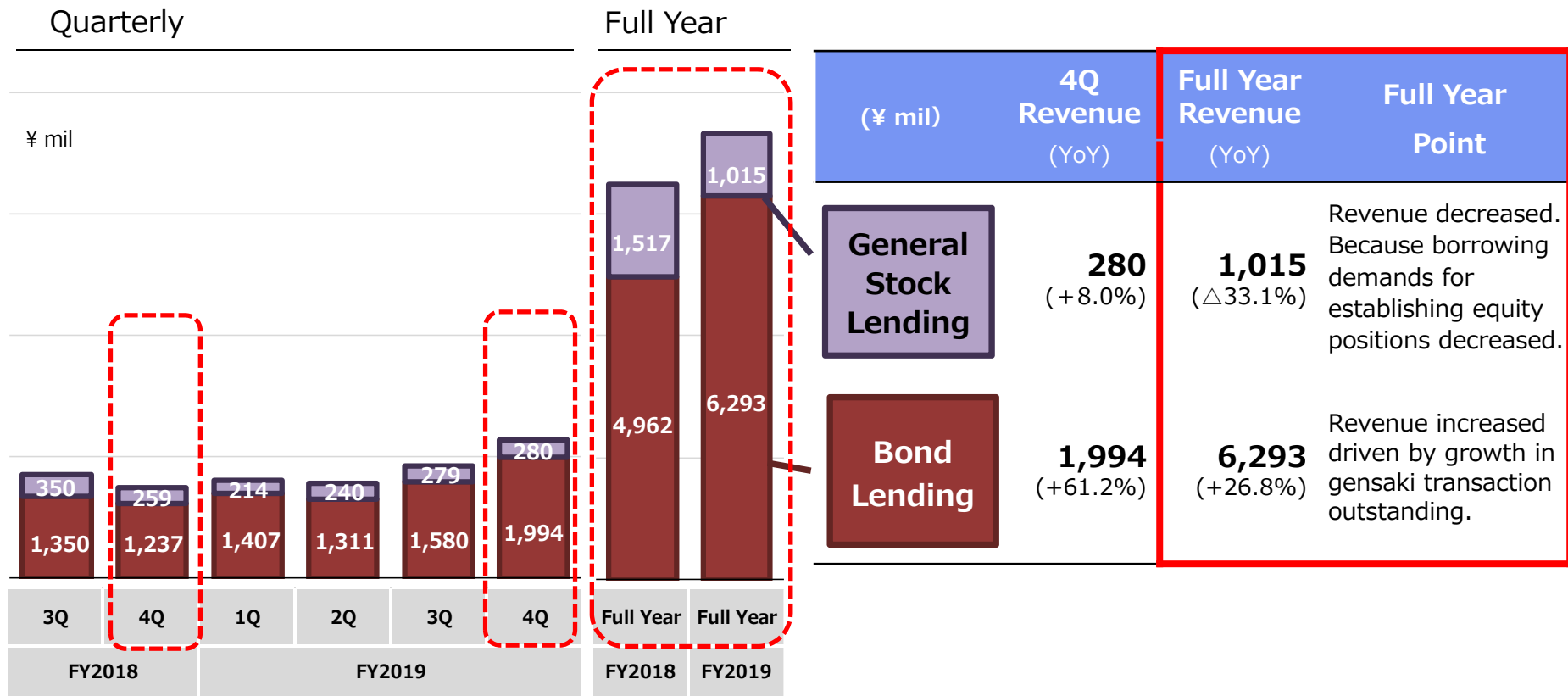
< Loan Lineup >

- ◆ 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 • Full Year) 

Securities Lending Business resulted in increase driven by growth in gensaki transactions outstanding in Bond Lending

【Operating Revenues Transition】



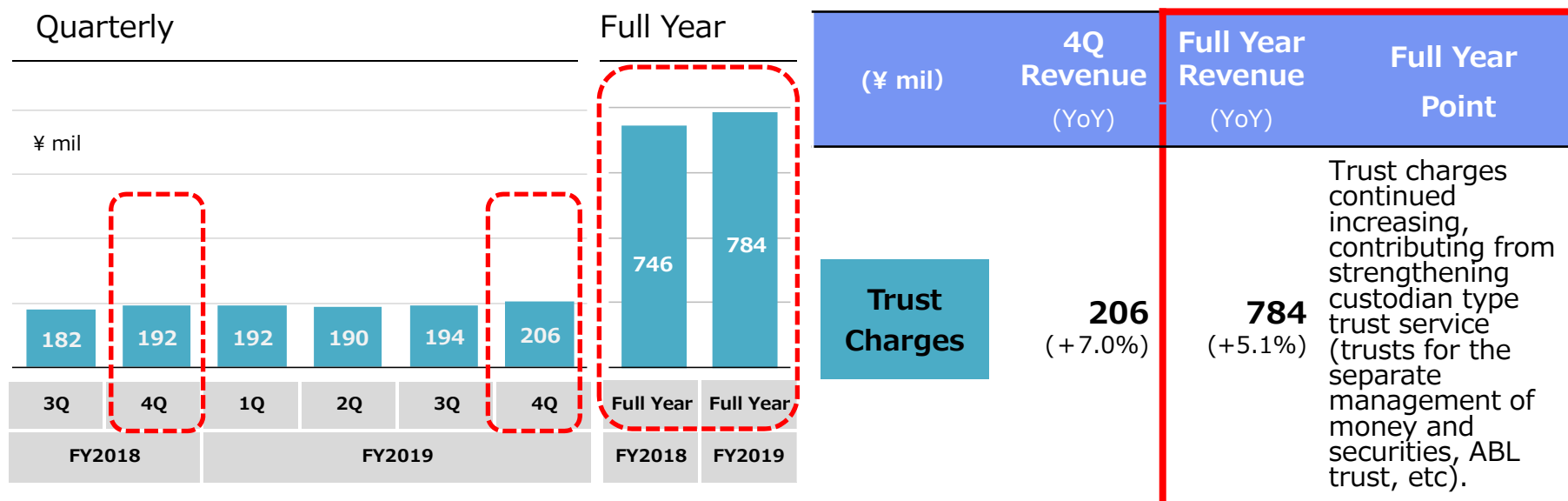
※ Genera Stock Lending is ...

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

● Breakdown of Operating Revenues by business
(Quarterly • Full Year) 

JSF Trust Bank : Trust charges remained steady.

【Trust charges Transition】



【Trust Lineup】

Trusts for the separate management of money and securities

Trust for protecting deposits which securities companies received from customers

Trusts for currency future trading

Trust for protecting guarantee deposits which FX business operators received from customers

Asset Backed Loan (ABL) Trust

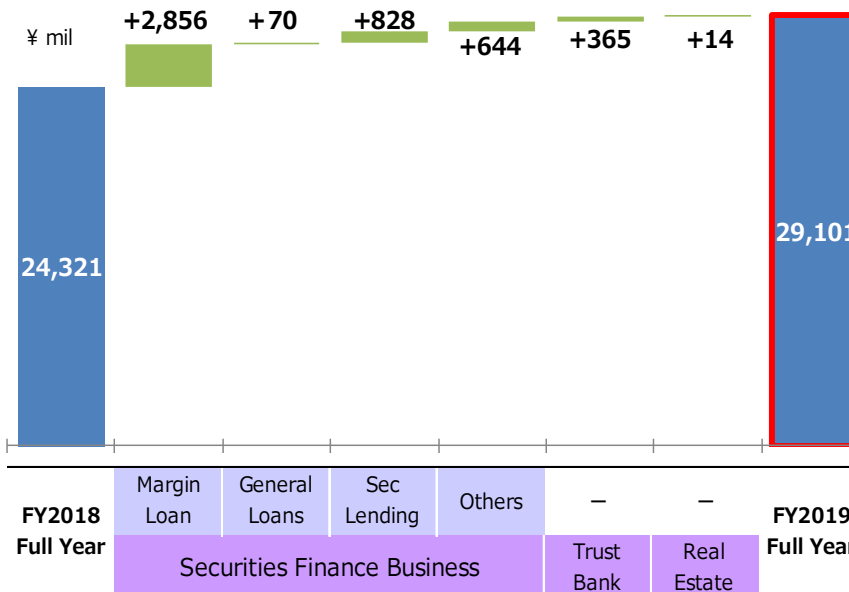
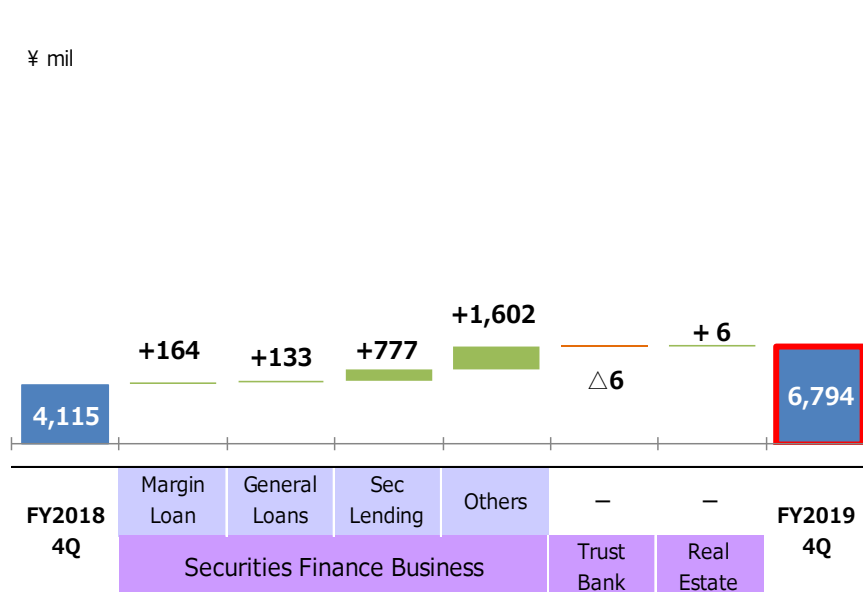
For setting up ABL, which is investment product for institutional investors, JSFTB provides functions as SPC.

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



[Quarterly] YoY + 2,678mil¥ (+65.1%)

[Full Year] YoY + 4,780mil¥ (+19.7%)



~ Summary of the point for quarterly ~

- **Margin Loan Business** : Both Margin Loan Balance and Stock Loan Balance increased.
- **General Loan Business** : Resulted in increase driven by an increase in use of Equity Repo.
- **Securities Lending Business** : Both General Stock Lending Bond Lending resulted in increase.
- **Others** : (Dividend) Income from equities and investment trust ,etc. increased.

~ Summary of the points for Full Year ~

- **Margin Loan Business** : The revenue increased due to increases in Stock Loan Balance.
- **Securities Lending Business** : Resulted in increase driven by solid performance in Bond Lending.
- **Others** : (Dividend) Income from equities and investment trust ,etc. increased.
- **Trust Bank** : Trust Charge remained steady and gains on sales of bonds increased.

● Operating profit by business (JSF parent)



¥ mil		FY2019
Operating Revenues (excluding premium charge) A		17,128
Margin Loan Business		4,262
Securities Finance	Loans for Negotiable Margin Transactions	80
	Loan to Securities Companies	737
	Loan to Individual Investors or Firms	494
	General Stock Lending	1,015
	Bond Lending	6,307
Others (mainly securities investment)		4,230
Operating Expense (excluding premium charge) B		7,476
Operating Profit (A – B)		9,657
Margin Loan Business		3,959
Securities Finance	Loans for Negotiable Margin Transactions	62
	Loan to Securities Companies	611
	Loan to Individual Investors or Firms	354
	General Stock Lending	562
	Bond Lending	911
Others (mainly securities investment)		3,196

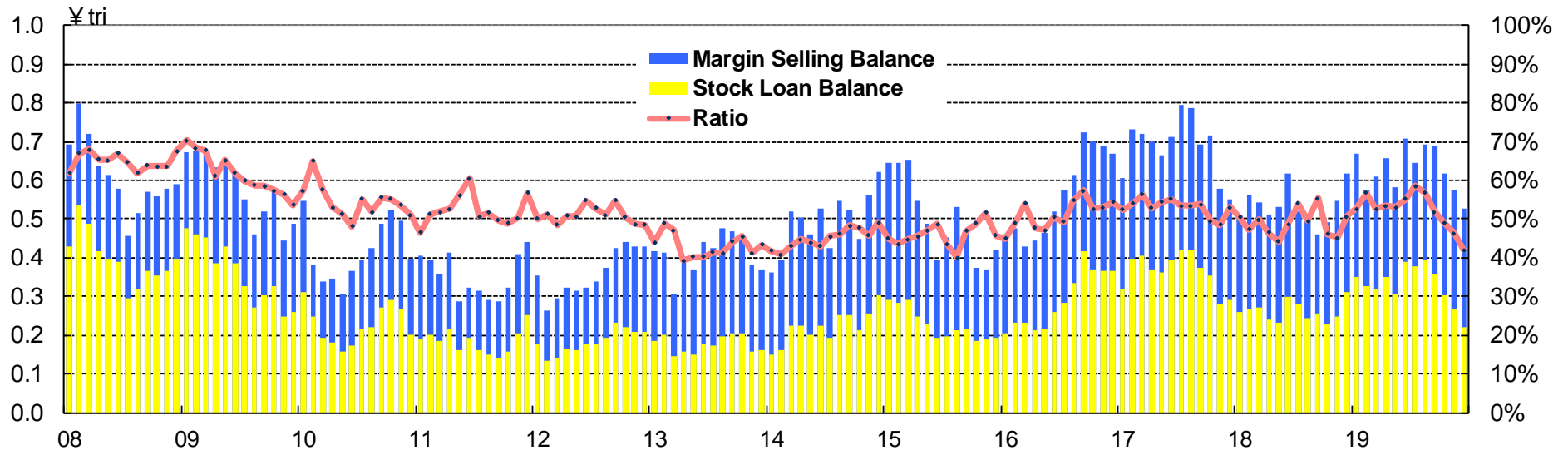
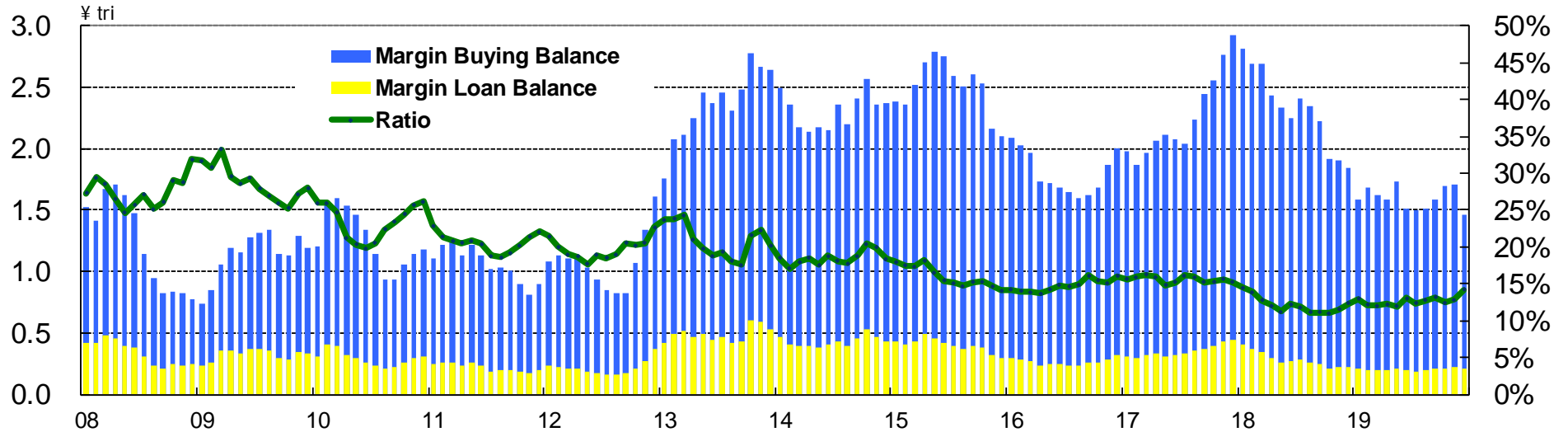
● Outstanding Loan Balance
(Year average and 4Q end balance)



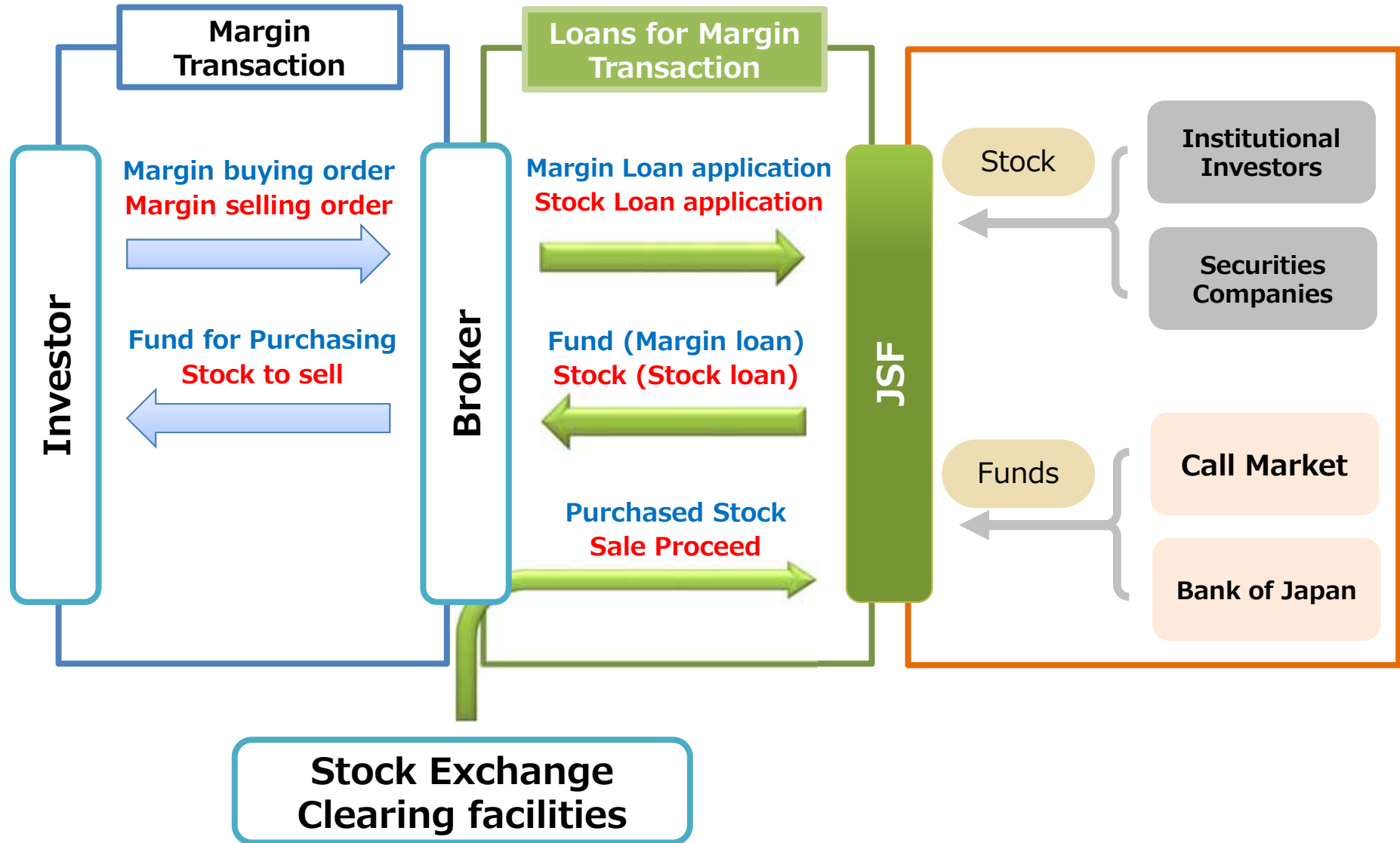
¥ mil

		FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Margin Loans	avg.	428,329	401,400	265,458	350,175	284,225	219,979
	term-end	541,052	324,113	368,508	519,590	249,304	189,194
Loans of funds other than Margin Loans	avg.	223,484	162,347	44,840	46,331	81,133	72,699
	term-end	254,717	95,046	40,872	58,142	54,687	50,584
Trust Bank Loans	avg.	58,677	54,561	149,956	273,561	431,292	473,808
	term-end	54,831	136,089	176,371	425,197	364,903	447,899
Others	avg.	32,500	28,718	7,008	152	-	-
	term-end	32,500	12,500	2,000	-	-	-
Total	avg.	742,991	647,027	467,262	670,220	796,651	766,486
	term-end	883,101	567,748	587,752	1,002,931	668,894	687,679
Stock Loans	avg.	222,031	227,422	291,392	366,147	261,603	333,949
	term-end	316,544	258,656	393,698	369,852	433,072	397,395

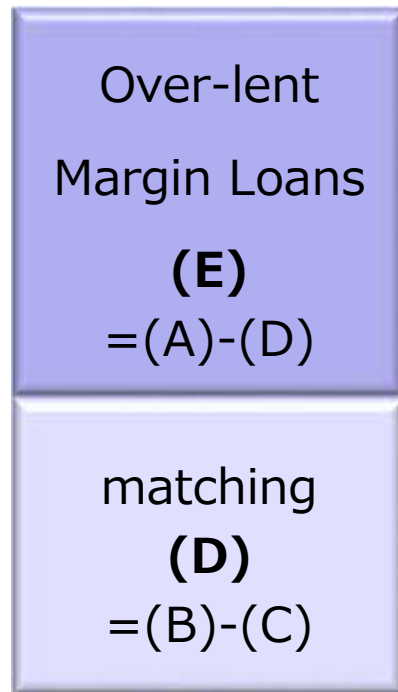
● Margin Transactions & Loans for Margin Transactions



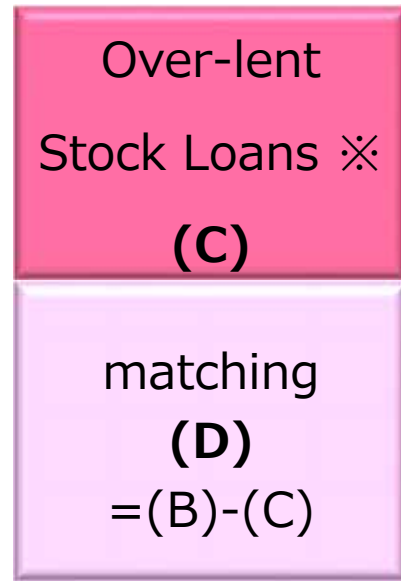
● Structure of Margin Transaction
& Loans for Margin Transaction



● Revenue structure of Loans for margin transactions



Margin Loans
(A)



Stock Loans
(B)

Income statement

【Operating revenues】
Interest on loans = $(A) \times 0.60\%$
Fee on lending securities (lending fees) = $(B) \times 0.40\%$

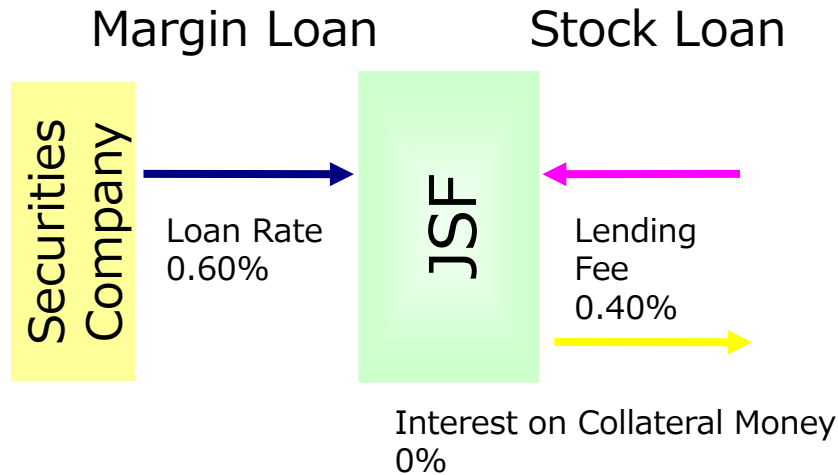
Interest on collateral money of securities borrowed = $(C) \times 0.60\%$

【Operating expenses】
Interest on borrowing = $(E) \times \text{funding rate}$

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

【revenue】 Fees on lending securities (premium charges) = 【expense】 Fees on borrowing securities (premium charges) = $(C) \times \text{rate of Premium charges}$

● Margin Loan Rate



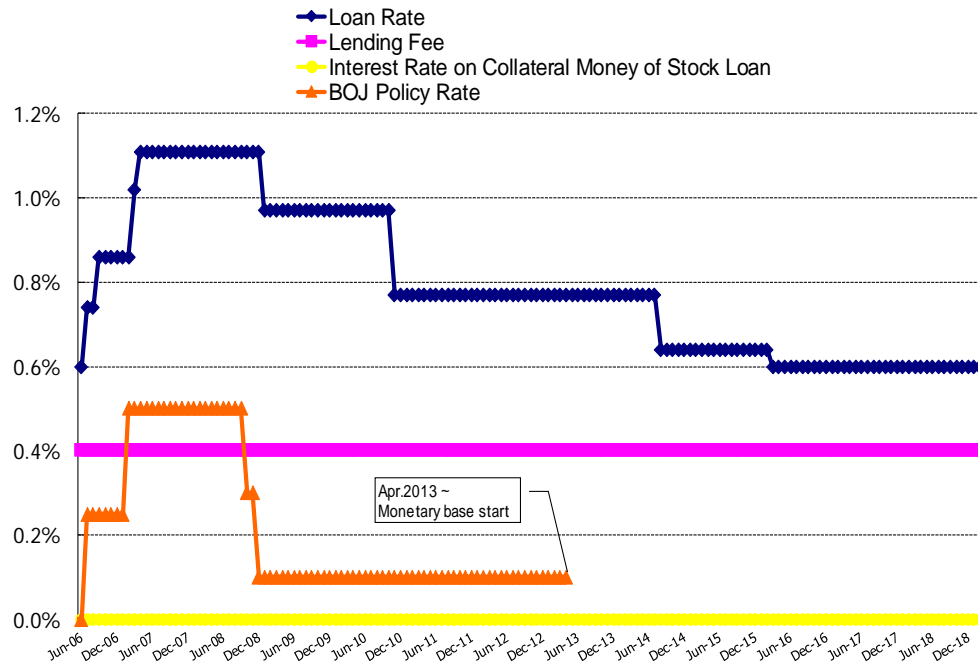
BOJ Policy Interest Rate

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

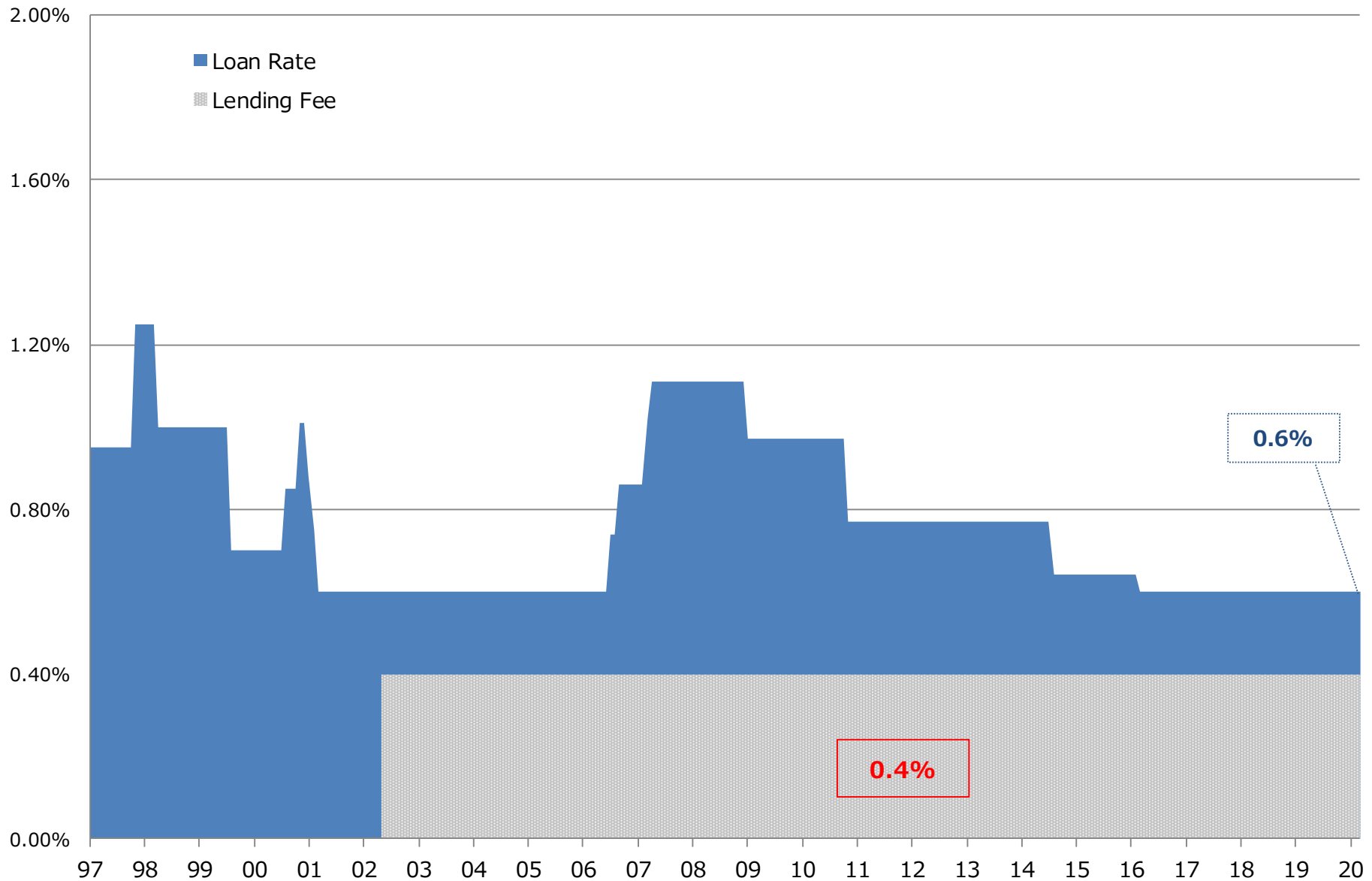
Margin Loan Rate

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

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



● Loan Rate of Loans for Margin Transactions



● Securities Holdings

¥ mil

Securities Holdings	Mar-19		Mar-20		notes
	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	
Equity	13,323	8,118	12,176	7,198	
Bond	694,835	32,715	809,002	24,209	
JGB&Municipal Bond	623,009	33,538	518,829	26,712	
Corporate Bond	41,424	31	253,617	▲567	Government Guaranteed Bond ,etc.
Others	30,402	▲854	36,555	▲1,935	Foreign government bonds
Other Securities	10,926	1,137	13,943	▲1,678	
Total	719,085	41,970	835,121	29,730	
(included the effects of derivatives)	—	(25,714)	—	(6,075)	

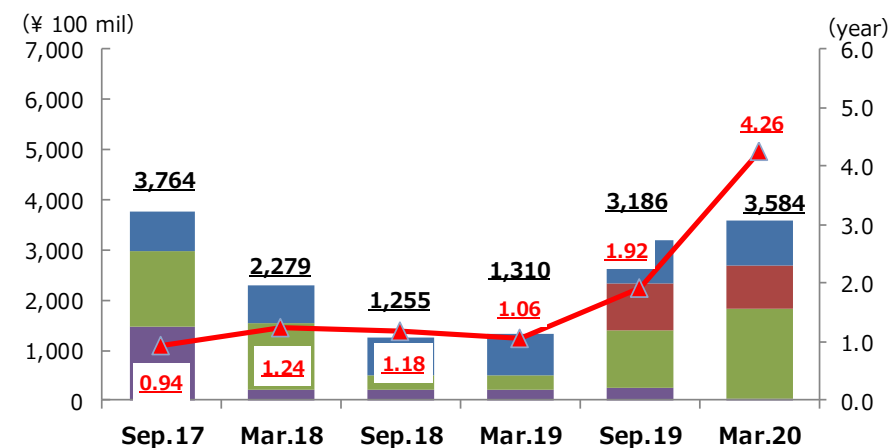
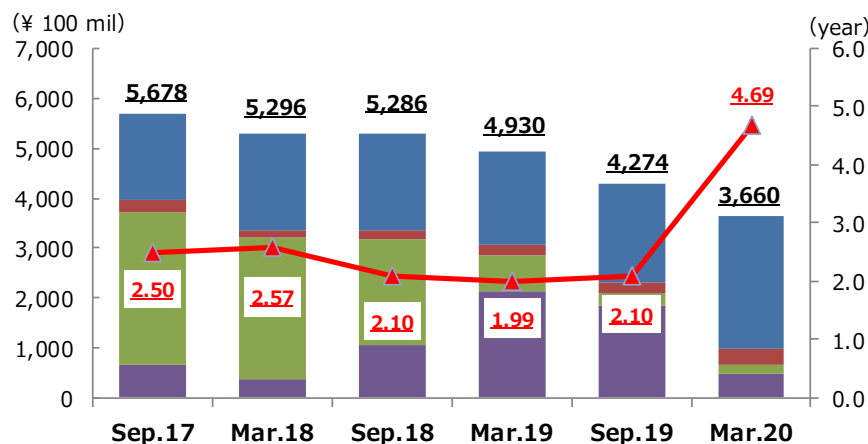
held-to-maturity bonds	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	notes
JGB	1,513	244	1,512	208	

※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-19		Sep-19		Mar-20	
	Loan Balance	ratio	Loan Balance	ratio	Loan Balance	ratio
Manufacturing	2,000	0.5%	2,000	0.4%	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	1,069	0.3%	689	0.1%	689	0.2%
Wholesale	800	0.2%	800	0.2%	800	0.2%
Retail	0	0.0%	0	0.0%	0	0.0%
Finance & Insurance	200	0.1%	0	0.0%	4,100	0.9%
Real Estate	0	0.0%	3,000	0.6%	1,500	0.3%
Service Industries	0	0.0%	0	0.0%	0	0.0%
Governments	360,834	98.9%	495,178	98.7%	440,810	98.4%
Total	364,903		501,667		447,899	

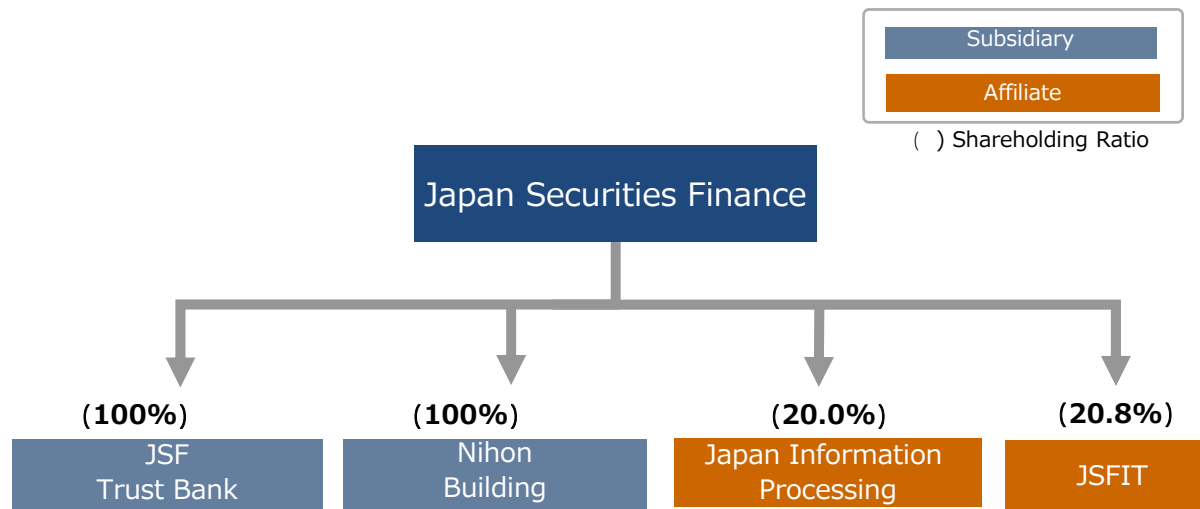
【Corporate Vision】

In addition to playing a part in the JSF Group and providing important infrastructure functions in the financial capital markets, we aim to become a highly specialized trust bank that grows together with its customers through supporting investment and economic activities of various entities by enhancing our unique services centered on the field of managed trusts.

[Management Policy]

- Establish No. 1 position in management-type trusts, such as security trusts and asset-backed loan trusts, and expand the scope of trust business by utilizing the knowledge cultivated in this field
- Banking will be restructured by lending to financial instruments business operators and other financial sectors, while appropriately responding to trends in prudential regulations.
- Securities investment is positioned as an earnings supplement business necessary for the smooth promotion of the above business, and it will be stably operated under appropriate risk management.
- We will enhance our internal control and governance systems, steadily carry out a series of operations under them, realize the smooth development of core systems, and increase our corporate value.

● 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/2020		JCR		R&I		Standard & Poor's	
		Rating	Outlook	Rating	Outlook	Rating	Outlook
Japan Securities Finance	Long-term	AA-	Stable	AA-	Stable	A	Stable
	Short-term	J-1+ (Highest)		a-1+ (Highest)		A-1	
	CP Issue	¥1tri		¥1tri		—	
JSF Trust Bank	Long-term	A+	Stable	A+	Stable	—	—
	Short-term	J-1+ (Highest)		a-1		—	—

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