

Japan Securities Finance Co., Ltd.

FY2020

Financial Results Presentation

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1 . Executive Summary (Consolidated)

(¥ mil)	FY2020 Full Year		△%	Highlight
		YoY △		
Operating Revenues	30,924	+1,822	+6.3%	<ul style="list-style-type: none"> ✓ Margin Loan Business resulted decrease (2.7%) due to a decrease of balance of Stock Loan ✓ Revenue of subsidiary JSFTB decreased (12.4%)due to a decrease in gains on sales of bonds. ✓ Securities Financing saw a significant increase in revenue driven by Bond Lending (+39.8%)
Operating Income	4,777	+647	+15.7%	<ul style="list-style-type: none"> ✓ Operating expenses increased due to an increase in borrowing fees for securities. ✓ General and administrative expenses increased. The allowance for doubtful accounts was reversed in the previous fiscal year, was transferred.
Recurring Income	5,558	+663	+13.6%	<ul style="list-style-type: none"> ✓ Share of profit of entities accounted for using equity method increased.
Net Income	3,971	+414	+11.7%	

2 . Summary Financial Results for FY2020



(¥ mil)	Consolidated			Parent					
	FY2020 Full Year	YoY.Δ	(%Δ)	JSF		JSF Trust Bank		Nihon Building	
					YoY.Δ		YoY.Δ		YoY.Δ
Operating Revenues	30,924	1,822	(+6.3%)	27,550	2,167	2,624	▲321	1,295	12
<i>Except Premium Charges</i>	23,711	2,864	(+13.7%)	20,337	3,208				
Operating Expenses	18,018	1,182	(+7.0%)	17,647	1,921	526	▲704	19	▲2
<i>Except Premium Charges</i>	10,819	2,233	(+26.0%)	10,448	2,972				
General & Administrative Expenses	8,129	▲7	(△0.1%)	6,990	244	847	▲270	679	17
Operating Income	4,777	647	(+15.7%)	2,912	1	1,251	653	596	▲2
Recurring Income	5,558	663	(+13.6%)	4,484	1,051	1,254	634	715	▲12
<i>Gain or Loss in Equity-Method</i>	395	88	(+28.9%)						
Extraordinary Profit or Loss	43	80	(-)	—	—	—	—	43	80
Net Income	3,971	414	(+11.7%)	3,509	1,019	856	360	500	42

3 . Summary Financial Results for FY2020 (JSF parent)



Japan Securities Finance (parent) *excluding premium charge			
(¥ mil)	FY2020 Full Year	YoY.Δ	(%Δ)
Operating Revenues*	20,337	3,208	(+18.7%)
Margin Loan Business*	4,146	▲116	(Δ2.7%)
Securities Financing	12,369	3,520	(+39.8%)
Others	3,820	▲195	(Δ4.9%)
Operating Expenses*	10,448	2,972	(+39.8%)
General & Administrative Expenses	6,990	244	(+3.6%)
Operating Income	2,912	1	(+0.0%)
Recurring Income	4,484	1,051	(+30.6%)
Extraordinary Profit or Loss	—	—	(—)
Net Income	3,509	1,019	(+40.9%)

Key Points

● Operating Revenues

- ◆ **Up ¥3,208 mil (+18.7%) YoY driven by Securities Financing.**
 - Margin Loan Business decreased 2.7%. Though Margin Loan Balance was almost flat as the same period of the previous year, Stock Loan balance decreased.
 - Securities Financing saw a significant increase in revenue driven by strong Bond Lending Business and outstanding lending to some Financial Instruments Business Operator.
 - Others(Securities investment) dropped due to a decrease of gain on sales of JGBs, etc.

※For details of segments, see "Financial Highlights for FY2020(P6-P8)"

● Operating Expenses

- Up ¥2,972mil (+39.8%) YoY
- Fees on borrowing securities and interest on payables under repurchase agreements in Bond Lending

● Recurring Income/Net Income

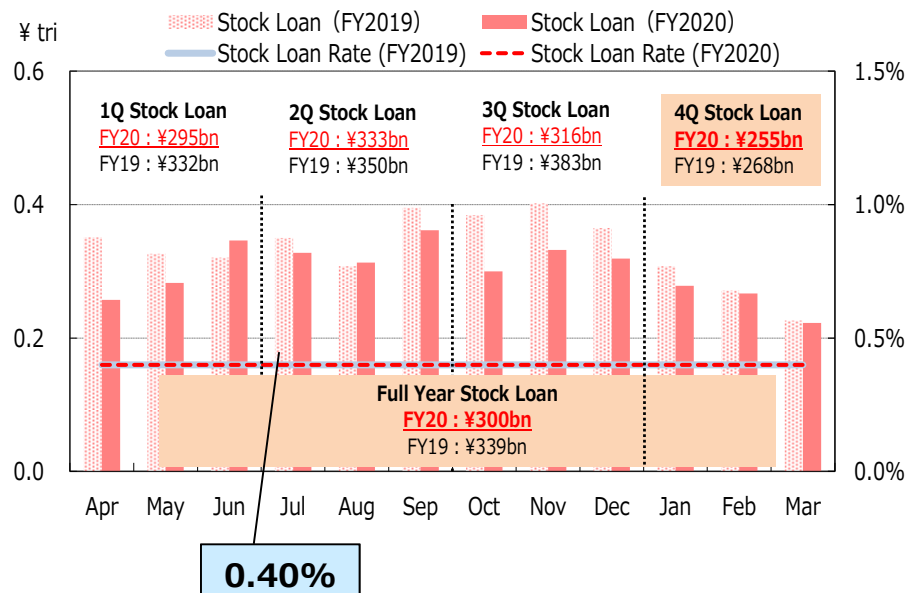
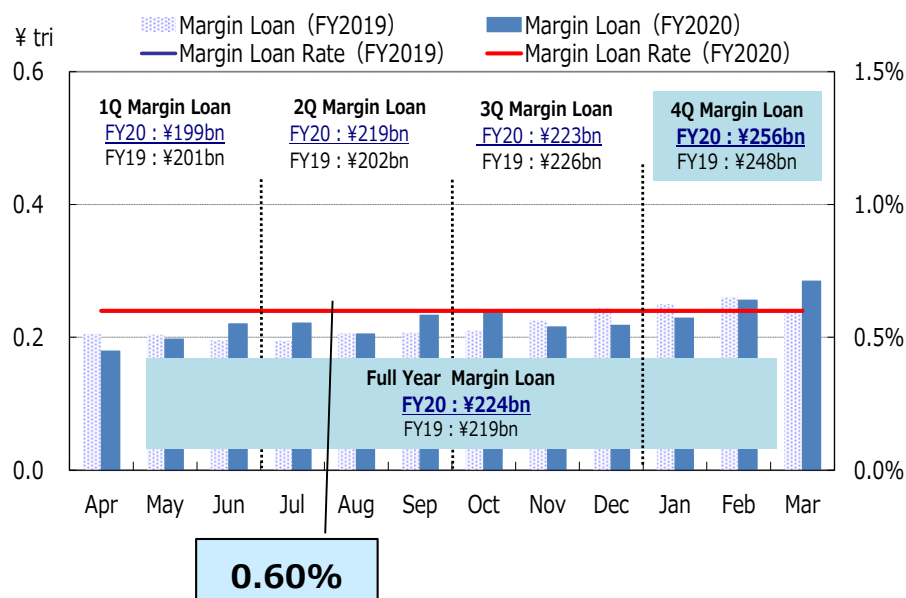
- Significant increase in profit due to increase in dividend income from two consolidated subsidiaries (elimination on consolidated basis).

4 . Financial Highlight (Margin Loan Business)



- While Nikkei recovered to ¥30,000 level, mainly in late February, Margin Loan Balance also recovered to a level higher than the previous year in March.
- Stock Loan Balance remained a gradual downward trend due to position unwinding mainly in the fourth quarter.

(\$ bn, %)	FY2019						FY2020						YoY	
	1Q	2Q	1H	3Q	4Q	full year	1Q	2Q	1H	3Q	4Q	full year	4Q	YTD
Margin Loan	201	202	202	226	248	219	199	219	209	223	256	224	7	4
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	332	350	341	383	268	333	295	333	314	316	255	300	▲12	▲33



5 . Financial Highlight (Securities Financing)

- Strong Bond Lending drive “Securities Financing Business”
- Loan to Securities Companies also steady as a result in the balance of equity repo and loans to FIBOs.

(¥ mil)

	Type of transaction	FY2020 Full Year			
		YoY△	YoY%		
Securities Financing	Loans for Negotiable margin transaction	80	▲0	△0.0%	✓ The balance of loans outstanding bottomed out at the beginning of the fiscal year, but declined slightly on a full-year basis
	Loans to Securities Companies*	785	47	+6.5%	✓ Increased outstanding balance of equity repo denominated in foreign currencies and loans to some FIBOs**.
	Loans to Individual Investors or Firms	468	▲26	△5.3%	✓ Outstanding of COM-STOCK Loan recovered as the stock market recovered, but declined year on year.
	General Stock Lending	950	▲64	△6.4%	✓ Though borrowing demands for mainly fail-cover increased, borrowing demands for stabilising equity positions decreased.
	Bond Lending	10,085	3,561	+54.6%	✓ Both outstanding of Gensaki transactions and Repo transactions increased significantly due to flexible response to clients needs.
	Total Revenues	12,369	3,520	+39.8%	

* Equity Repo, General Loans, Stabilizing funding loan, etc.

** FIBOs : Financial Instruments Business Operators

6 . Financial Highlight (Securities Investment of JSF parent)

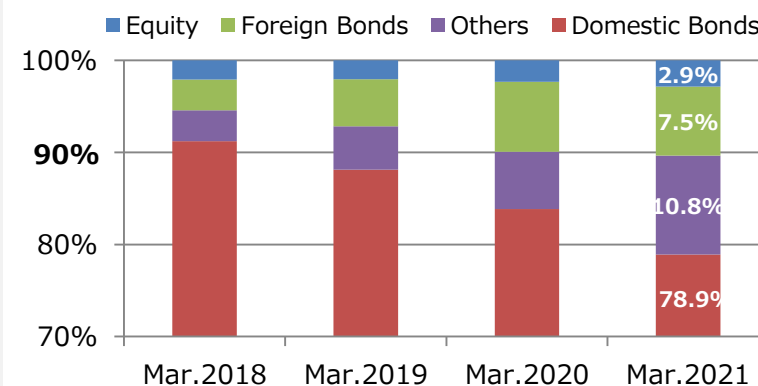
- Resulted in decrease due to decrease in gain on sales of JGBs and the impact of foreign exchange gains concerning foreign currency.

Revenues from securities investment (JSF)

	FY2020	YoY
Yen-based	¥ 3,230 mil	¥ 118 mil
Domestic Bonds	¥ 1,041 mil	▲¥ 284 mil
Others*	¥ 2,188 mil	¥ 402 mil
In foreign currencies	¥ 556 mil	▲¥ 315 mil
Total	¥ 3,786 mil	▲¥ 197 mil

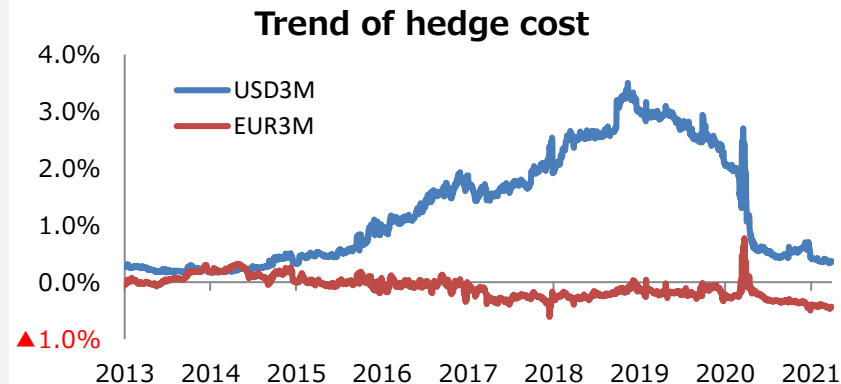
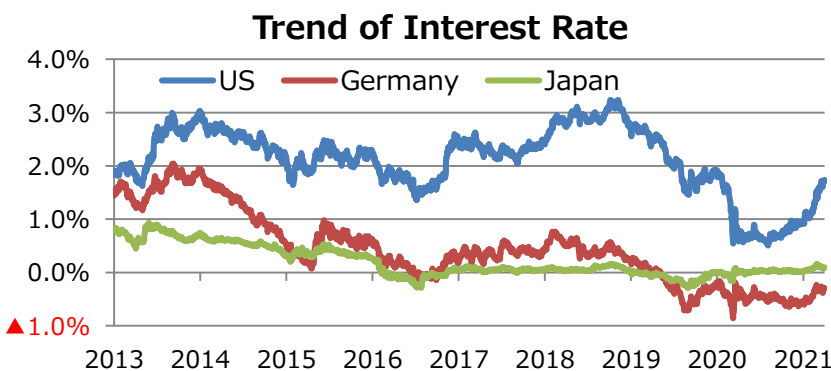
※ Investment Trust, etc.

Transition of investment portfolio



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

source) Bloomberg



7 . Summary Financial Results for FY2020 (JSF Trust Bank)



Highlights

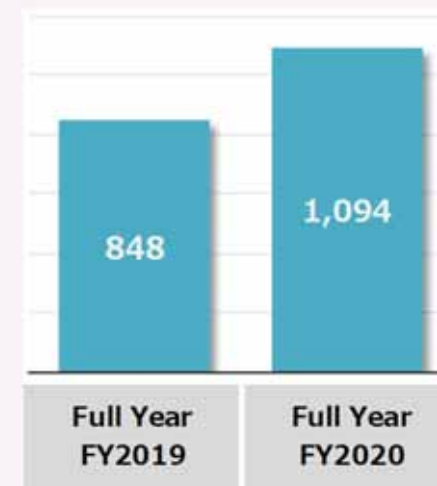
- Trust charges remained stable, contributing from strengthening custodian type trust service.
- Interest income resulted in a modest increase due to an increase in outstanding of loan balance and investment securities.
- Both gains on sales of bonds and costs of unwinding IRS dropped.
- Large increases were posted in Recurring Income and Net Income

JSF Trust Bank			
(¥ mil)	FY2020 Full Year	YoY	
			(%)
Recurring Revenue	2,813	▲155	(△5.2%)
Trust charges	1,094	246	(+29.0%)
Gains on sales of bonds	1	▲665	(△99.7%)
Recurring Expenses	1,558	▲790	(△33.6%)
Losses from derivatives	—	▲632	(△100.0%)
Recurring Income	1,254	634	(+102.2%)
Net Income	856	360	(+72.5%)

【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)



8 . Balance Sheet Summary (end of Mar-2021, consolidated)



¥mil

	Mar-21	Change from Mar-20	
Total assets	12,136,229	2,321,734	
Cash & Deposit	1,421,557	121,621	Deposit at BOJ
Short-term investments	42,967	▲ 25,324	JGB and other bonds (Maturity: 1year or less)
Short-term loans receivable	1,116,353	428,673	Margin loan / Loans for negotiable margin transactions / General loans / Trust bank loans
Receivables under resale agreements	3,001,856	254,460	
Collateral money of securities borrowed	5,325,571	1,447,744	Collateral money of bond borrowing Collateral money of stock borrowing
Investments in securities	935,344	145,162	JGB and other bonds (Maturity: more than 1year), Stock
Total liabilities	12,001,062	2,313,255	
Call money	1,706,600	529,804	
Short-term borrowings	137,594	36,121	Bank borrowing Market operation by BOJ
Commercial Paper	613,000	247,000	
Payables under repurchase agreements	4,191,808	268,394	
Collateral money received of securities lent	4,028,703	924,674	Collateral money of bond lending Collateral money of stock lending
Borrowed money from trust account	1,143,462	273,973	
Total net assets	135,166	8,479	

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

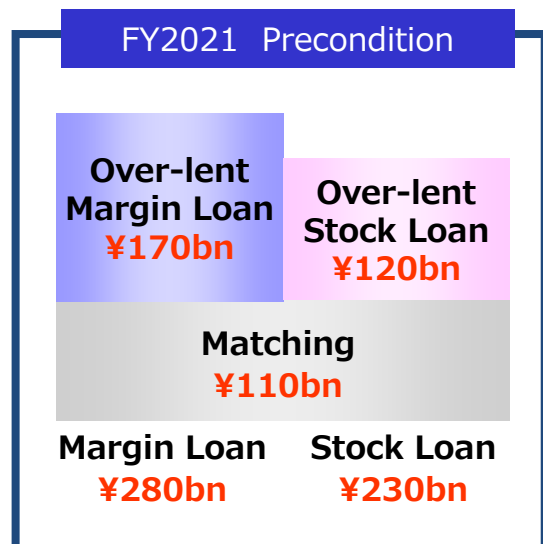
In addition to market funding, such as call money and commercial paper, which can be adjusted daily to accommodate assets changing by the day, collateral deposits received when lending securities (collateral money received of securities lent).

[ref] Capital Adequacy Ratio (FIEA base)
at the end of Mar 2021 : 517%

The increase from the end of Sep,2020 (343%) is due to a partial revision of the calculation method

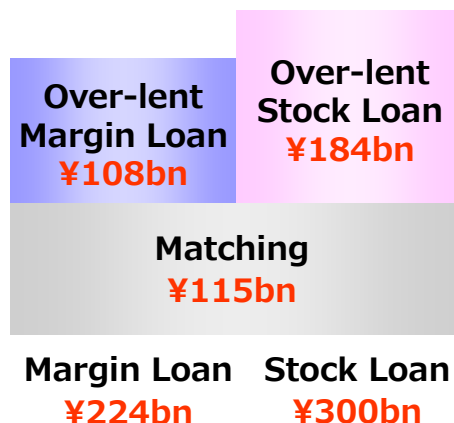
9 . Estimated Figures for FY2021

Precondition Balance of Margin Loans



(Reference)

FY2020 Results



(¥ mil)		FY2021 Estimated Figures		
			YoY.Δ	Δ from prev. EF
Consolidated				
Operating Income		5,000	222	—
Recurring Income		5,700	141	—
Net Income		4,000	28	—
JSF				
Operating Income		3,368	455	—
Recurring Income		5,009	524	—
Net Income		3,839	329	—
JSF Trust and Banking				
Recurring Income		1,042	▲212	—
Net Income		723	▲133	—
Nihon Building				
Operating Income		560	▲36	—
Recurring Income		660	▲55	—
Net Income		430	▲70	—

Preconditions of Loans for Margin Transactions

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

10. Dividend

	FY2020	FY2021 (Forecast)
Annual Dividend	¥ 26 (YoY+¥ 4)	¥ 26 (YoY ¥±0)
Interim	¥ 11	¥ 13
Year-End	¥ 15	¥ 13
DPR	60.1%	59.6%

Our Initiatives under the 6th Mid-term Management Plan and Management Issues

- ◆ *Review of Fiscal 2020*
- ◆ *Outlook for Fiscal 2021*

1. Achievements of the 6th Mid-Term Management Plan (Management Goals)

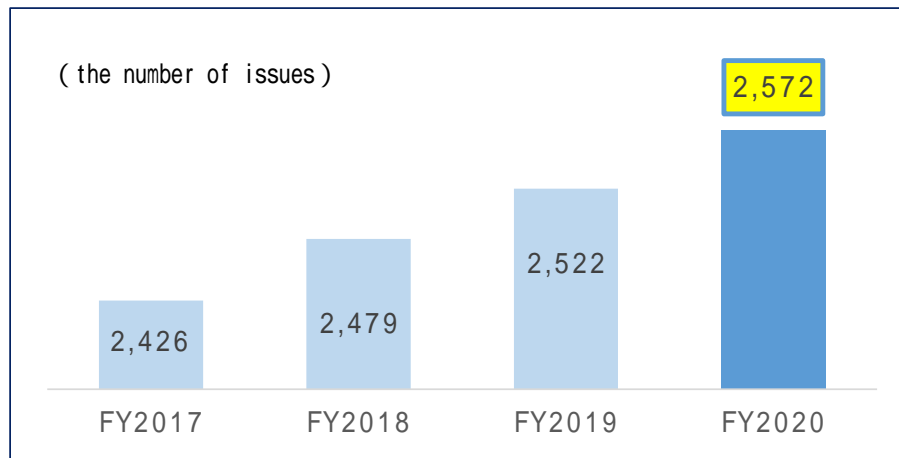


Management Goals

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**

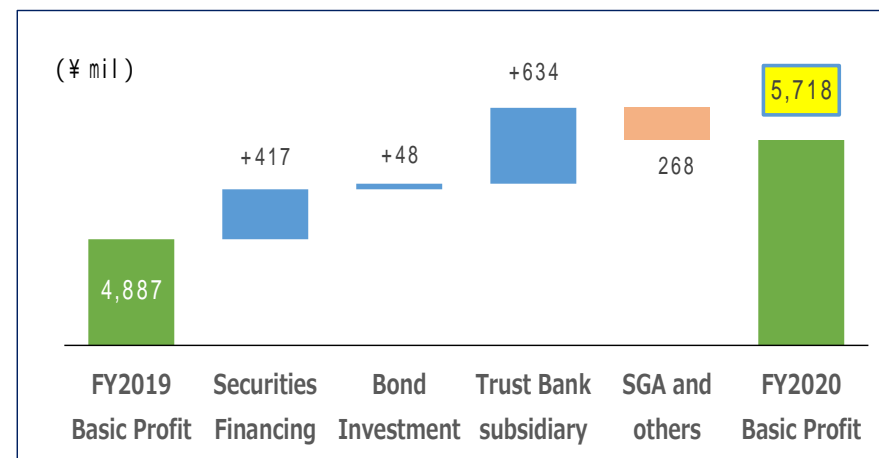
* Recurring income as a trend calculated based on the assumed gross operating profit of margin loan business

● Status of "Number of loanable stock issues"



- Due to the impact of restricted face-to-face sales during the COVID-19 calamity, the company was forced to stagnate its selection activities.
- However, from Q2 onward, as a result of developing a flexible sales system and promoting selection activities through online conferences, the number of loanable stock issues was 2,572 at the end of March 2021, an increase of 50 issues from the end of the previous fiscal year.
- Some of the issuers expected liquidity enhancement effects from their selection of loanable issues.

● Status of the "Basic Profit"



- "Basic Profit" in fiscal 2021 was 5,718 mil yen, up 17.0% from the previous fiscal year.
- Trust fees rose to a record high (for the ninth consecutive year) mainly due to the launch of security trusts related to cryptographic assets, and consequently profit of the trust bank subsidiary doubled to 102.2% y-o-y.
- Profit in the securitization financing, driven by strong Bond Lending, also rose 14.7% YoY.

2. Achievements of the 6th Mid-Term Management Plan (Major Measures)



1. New Initiatives in Securities Financing

- ◆ Development of borrowers for securities (stocks and government bonds)
- ◆ To respond flexibly and promptly to transaction needs
- ◆ Started handling new trading methods (TRS Transactions with Securities Companies)

2. Investment in Indonesian Securities Finance Company

- ◆ JSF has provided operational support (technical cooperation) since 2014 with a view to contributing to the development of the Indonesian securities market
- ◆ In August 2020, JSF acquired a 10% interest (Approx. 0.4 bn yen)
- ◆ With a view to expanding our operations internationally and contributing to SDGs

3. Index business

- ◆ Started daily calculation and publication of the JSF Margin Transaction Prime Index (August 2020)
- ◆ Various information is posted on our website related to Margin Loan

4. Countermeasures to COVID-19 Infectious Disease

- ◆ Focus on establishing a telework environment and establishing stable business operations under it in order to simultaneously prevent employee infections and ensure business continuity as an infrastructure of the securities market

3. Corporate Governance (Review of Executive Remuneration)



	Basic remuneration (fixed)	Performance-based Remuneration	
		Bonus	Stock-based Remuneration
Standard payment ratio	65%	20%	15%
Concept Method of determining remuneration	<ul style="list-style-type: none"> Fixed monthly remuneration Determined according to the position of each executive officer 	<ul style="list-style-type: none"> Determined in conjunction with performance each fiscal year from the viewpoint of clarifying management responsibilities Make a certain percentage of consolidated net income the total amount to be paid Individual payments are determined according to the roles of executive officers, etc. (Profit Sharing Method) 	<ul style="list-style-type: none"> Aim to clarify the linkage between remuneration and our performance and stock value. Points are granted by multiplying the number of points determined according to the position of each executive officer by the performance-linked coefficient See Consolidated Recurring Income (3-Year Average) for the performance-linked coefficient.

Changing the concept and decision method of bonuses

Approach to Review	<ul style="list-style-type: none"> ◆ Be a compensation structure consistent with the medium-term management plan
New method of determination	<ul style="list-style-type: none"> ◆ Determined by multiplying the bonus standard amount according to the position of each executive officer by the performance-linked coefficient ◆ Performance-linked coefficients are determined by multiplying the year-on-year changes in each of the 3 indicators, which reflect the degree of progress and achievement of management targets, by the ratio reflecting each indicator <p>[Reference Indicators]</p> <p>① Number of loanable stock issues, ② Basic Profit, ③ Consolidated net income</p>

4. Outlook for Fiscal 2021

Evaluation of Fiscal 2020

Achieved in the first year of the Sixth Medium-Term Management Plan, including an increase in the number of loanable stock issues, growth in “Securities Financing (business)”, and enhancement of operational efficiency

Direction of Future Initiatives

1. Steady implementation of various measures outlined in the Mid-term Management Plan
2. Reforming Corporate "Culture", reforming both awareness and behavior of executives and employees
 - Awareness of risk-taking Transformation – Main thrust of RAF introduction
 - Toward the idea of “Aggressively taking risks that are acceptable in conjunction with capital allocation and business plans”
 - Develop human resources who will actively engage in new fields and review operations
 - Based on this awareness, we will promote personnel system reforms.
 - Flattening the organization, accelerating the appointment of young employees, and a wage system that more reflects ability and performance, etc.

Targeted Future /Our Vision

To grow into a highly competitive company in the overall “Securities Financing (business)”, which is centered on the licensing business of Margin Loan

Appendix

- Return to shareholders
- The Trend of Financial Result (consolidated)
- Breakdown of Operating Revenues by business (Historical data)
- Breakdown of Operating Revenues by business
- Analysis of YoY Change in Operating Revenue by business (Full Year)
- Outstanding Balance of Transactions by Group Business
- Margin Transactions & Loans for Margin transactions
- Structure of Margin Transaction & Loans for Margin Transactions
- Revenue structure of Loans for margin transactions
- Margin Loan Rates
- Features of Balance Sheet (Consolidated)
- Securities Holdings
- JSF Trust Bank (Loan Balance)
- The 6th mid-term Management Plan I~VI
- Our Group Companies
- Rating Information
- ESG/SDGs Initiatives
- Our Corporate Philosophy and History to Date
- Characteristics of Securities Finance Company
- Our Business Field (image chart)

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 30 Apr 2020)

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

(2) Share Buyback Policy

- ◆ 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.**

Dividend and Share Buyback Program (historical)



	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 Forecast
Annual Dividend per share	¥16	¥18	¥26	¥22	¥22	¥26	¥26*
Share Buyback (shs)	3mil	0.63mil	1.5mil	2.0mil	1.0mil	—	—
(amount)	¥1.9bn	¥0.3bn	¥0.9bn	¥1.2bn	¥0.5bn	—	—
<Consolidated> : Net income	¥2.6bn	¥3.0bn	¥4.2bn	¥3.7bn	¥3.5bn	¥3.9bn	¥4.0bn*
: EPS	¥26.9	¥31.9	¥44.2	¥40.0	¥38.4	¥43.2	¥43.6*
: DPR	59.5%	56.4%	58.8%	55.0%	57.2%	60.1%	59.6%*
(reference) Total Return Ratio	133.1%	66.3%	79.3%	87.8%	71.0%	60.1%	59.6%*

* Net income is a estimated figure released on 30th-Apr. EPS/DPR are calculated base on the estimated figure.

● The Trend of Financial Result (consolidated)



¥ mil


	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Operating Revenues	22,035	23,066	26,333	24,321	29,101	30,924
Ex Premium charges	16,160	16,522	18,383	18,603	20,846	23,711
Operating Expenses	11,537	11,892	13,330	12,284	16,835	18,018
Ex Premium charges	5,672	5,358	5,385	6,566	8,585	10,819
General & Administrative Expenses	7,939	8,371	9,121	8,056	8,136	8,129
Operating Income	2,558	2,802	3,881	3,981	4,129	4,777
Gain or Loss in Equity-Method	54	92	123	248	306	395
Recurring Income	3,349	3,611	4,685	5,046	4,894	5,558
Extraordinary Profit or Loss	—	▲52	131	▲41	▲36	43
Net Income	2,645	3,078	4,225	3,765	3,556	3,971

● Breakdown of Operating Revenues by business
(Historical data)

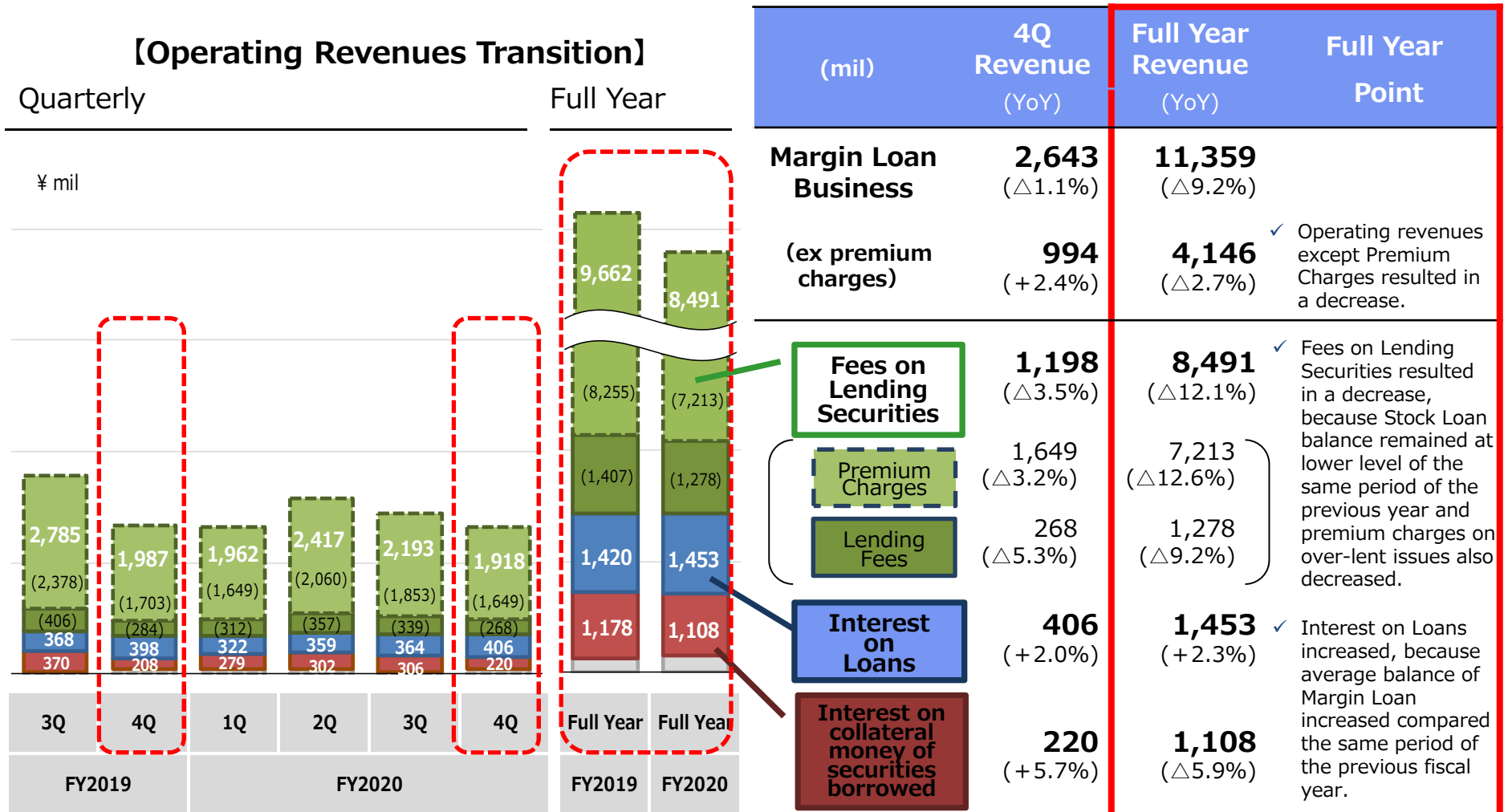



¥ mil

	FY2018	FY2019	FY2020
Securities Finance Business	20,969	25,369	27,534
Margin Loan Business	9,661	12,517	11,359
	(39.7%)	(43.0%)	(36.7%)
Interest on Loans	1,799	1,420	1,453
Interest on collateral money of securities borrowed	708	1,178	1,108
Fees on Lending Securities	6,819	9,662	8,491
Premium Charges	5,717	8,255	7,213
Lending Fees	1,101	1,407	1,278
Securities Financing	7,735	8,835	12,353
	(31.8%)	(30.4%)	(40.0%)
Loans for Negotiable Margin Transactions	80	80	80
Loans to Securities Companies	634	737	785
Loans to Individual Investors or Firms	526	494	468
Stock Lending	1,517	1,015	950
Bond Lending	4,975	6,507	10,069
Others	3,573	4,016	3,820
	(14.8%)	(13.8%)	(12.4%)
Bond Investment (Parent only)	3,530	3,983	3,786
Trust Business	2,467	2,832	2,481
	(10.1%)	(9.8%)	(8.0%)
Interest on Loans	58	50	92
Trust Charges	746	784	1,031
Bond Investment	1,590	1,950	1,319
Real Estate Management Business	884	899	908
	(3.6%)	(3.0%)	(2.9%)
Operating Revenues	24,321	29,101	30,924
(excluded Premium Charges)	18,603	20,846	23,711

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

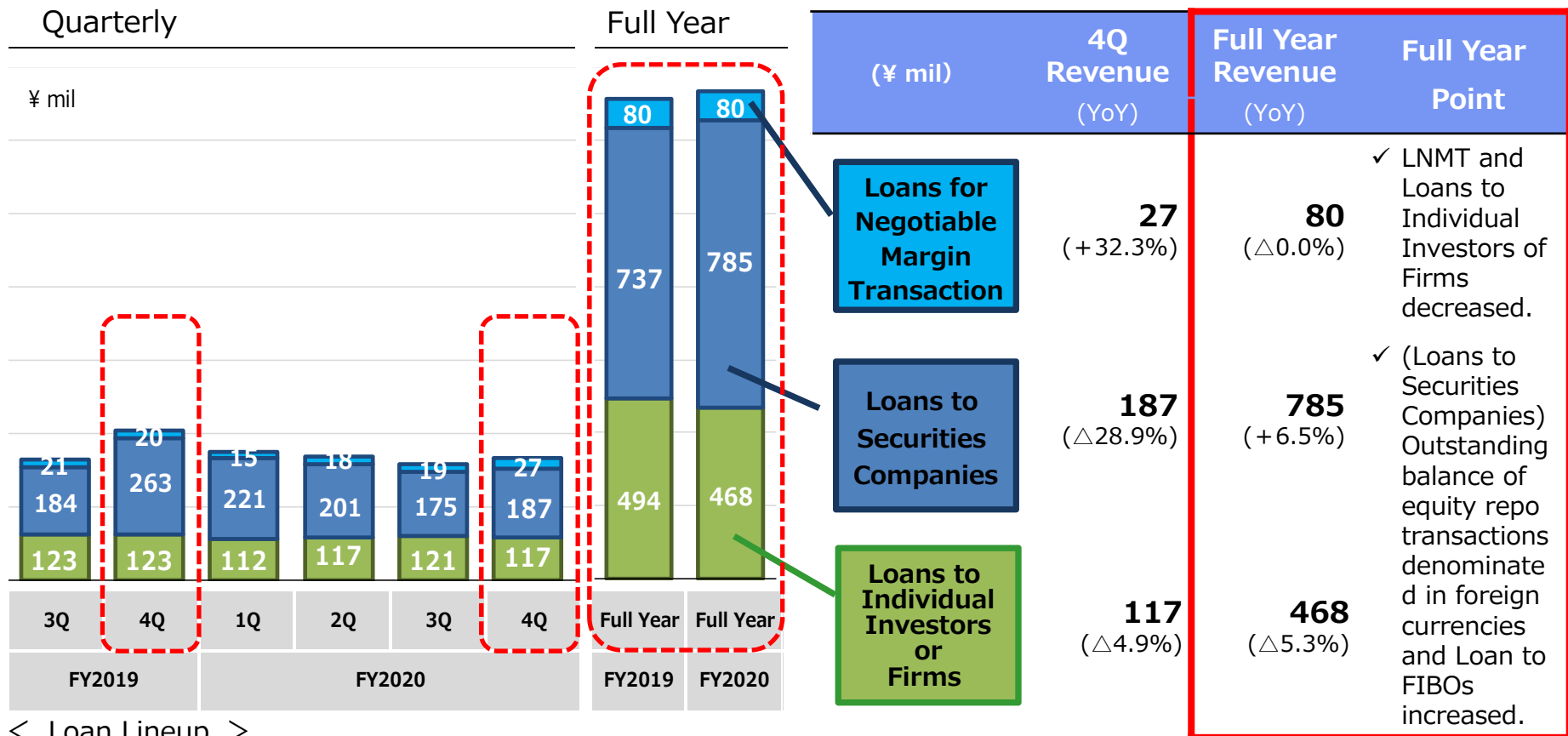
□ (Ex. Premium Charges) Resulted in a decrease due to a decrease of the Stock loan balance, while Margin Loan balance increase slightly.



● Breakdown of Operating Revenues by business
(Securities Financing) 


□ Loans to Securities Companies increased as a result in the balance of equity repo denominated in foreign currencies and loans to FIBOs.

【Operating Revenues Transition】



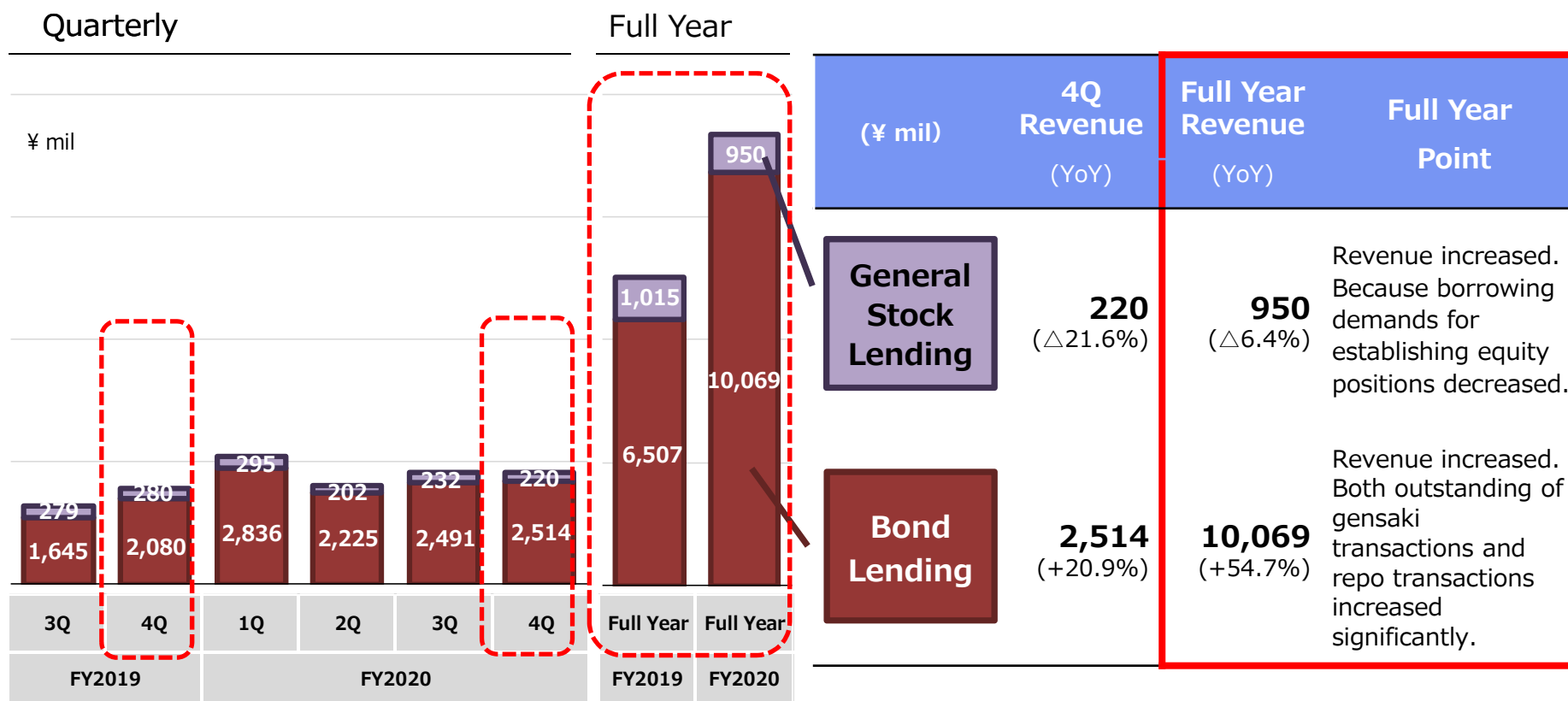
< Loan Lineup >

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

● Breakdown of Operating Revenues by business
(Securities Financing) 

- Bond Lending : Both outstanding of Gensaki transactions and repo transactions increased significantly.
- General Stock Lending : Borrowing demands for establishing equity positions decreased.

【Operating Revenues Transition】



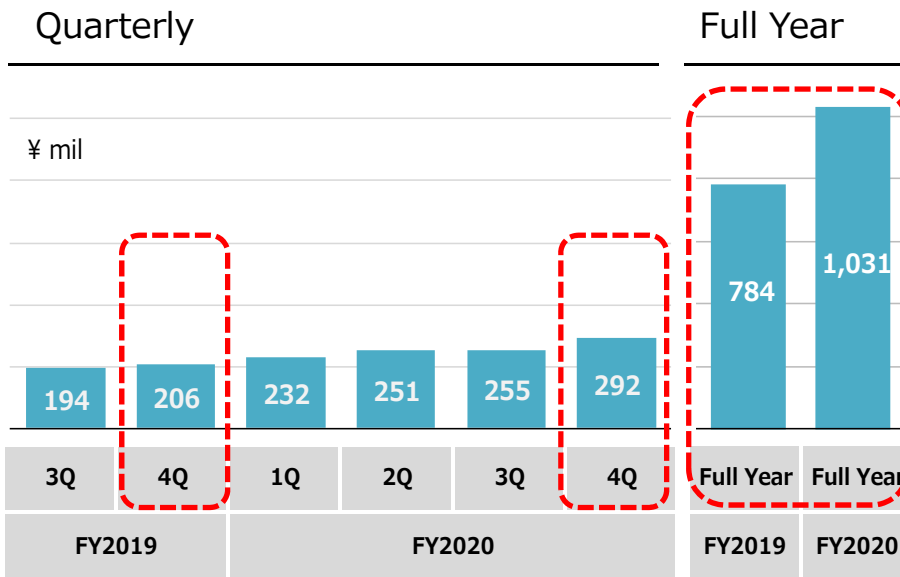
※ Genera Stock Lending is ...

- 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

Trust charges continued growth trend, hitting a record high.

【Trust charges Transition】



(¥ mil)	4Q Revenue (YoY)	Full Year Revenue (YoY)	Full Year Point
Trust Charges	292 (+42.0%)	1,031 (+31.5%)	Trust charges continued increasing, contributing from strengthening custodian type trust service (trusts for the separate management of money and securities, ABL trust, etc).

* Consolidated base

【Trust Lineup】

- Trusts for the separate management of money and securities
- Trusts for currency future trading
- Asset Backed Loan (ABL) Trust

Trust for protecting deposits which securities companies received from customers

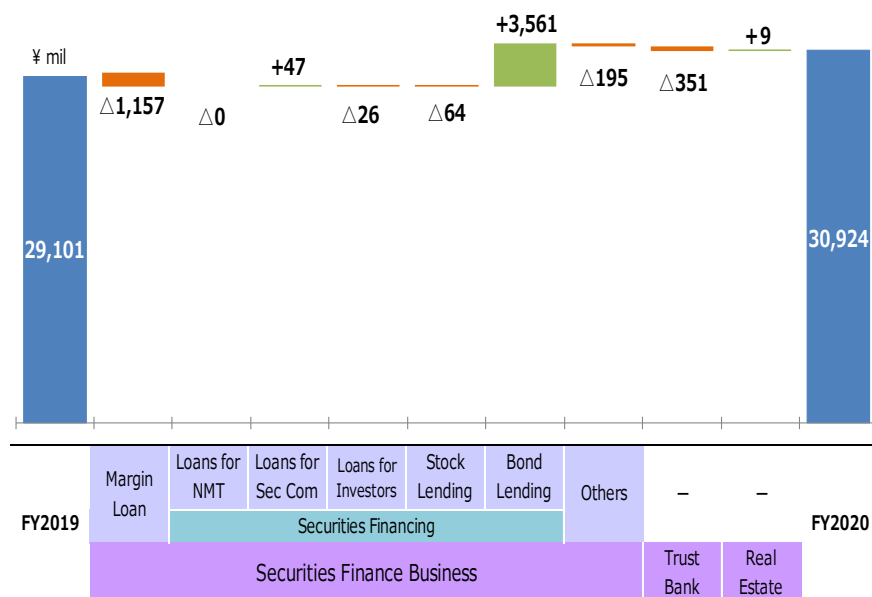
Trust for protecting guarantee deposits which FX business operators received from customers

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
(Full Year)



[Full Year] YoY + ¥ 1,822 mil (+6.0%)



~ Summary of the points for Full Year ~

[Margin Loan Business]

- Resulted in decrease due to a decrease of outstanding balance of Stock Loan.

[Securities Financing]


- **Loan to Securities Companies** : Outstanding balance of equity repo transactions denominated in foreign currencies and Loan to FIBOs increased.
- **Loan to Individual Investors or Firms** : resulted in decrease due to lower loan balance.
- **Bond Lending** : Both outstanding of Gensaki transactions and Repo transactions increased significantly.

[Others]

- Resulted in decrease due to decrease in gain on sales of JGBs and the impact of foreign exchange gains concerning foreign currency.

[Trust Business]

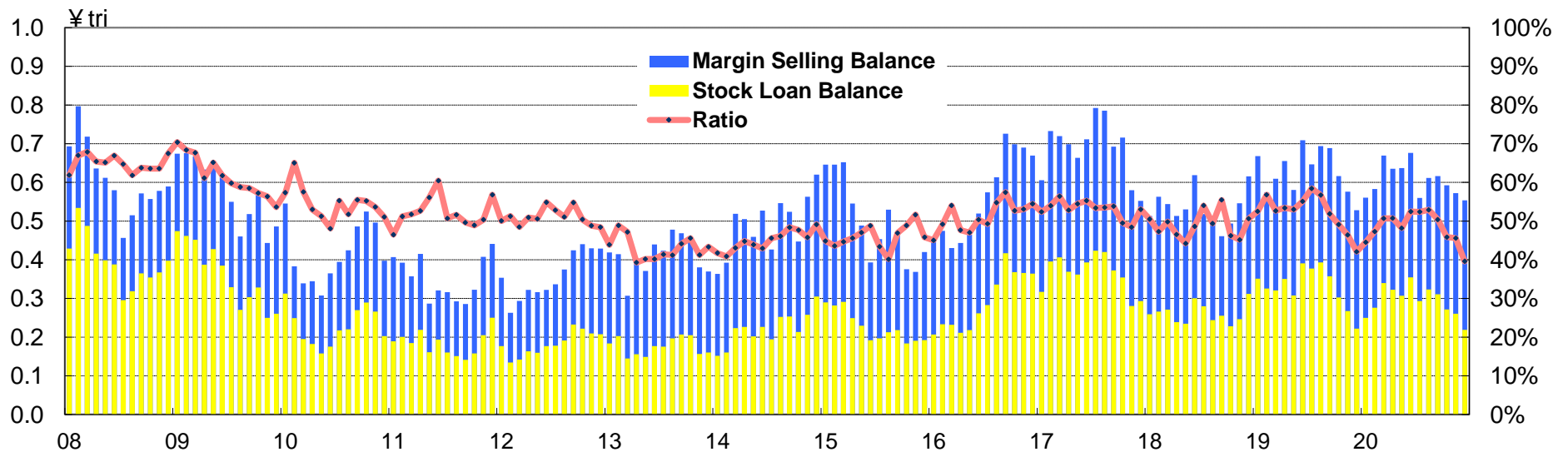
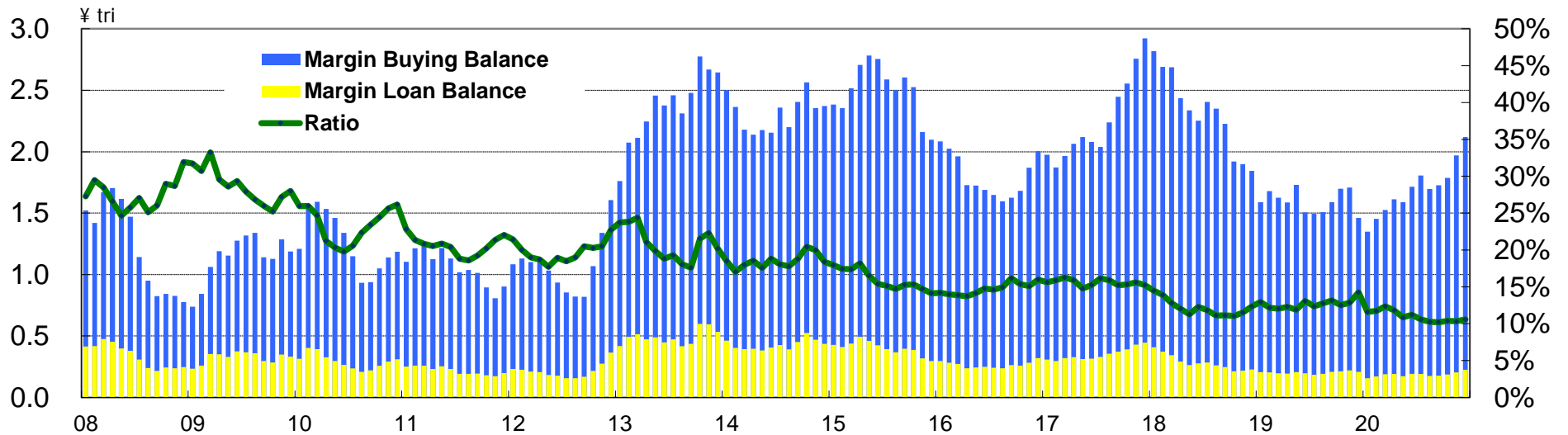
- Despite Trust Charge remained steady, gains on sales of bonds largely decreased.

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

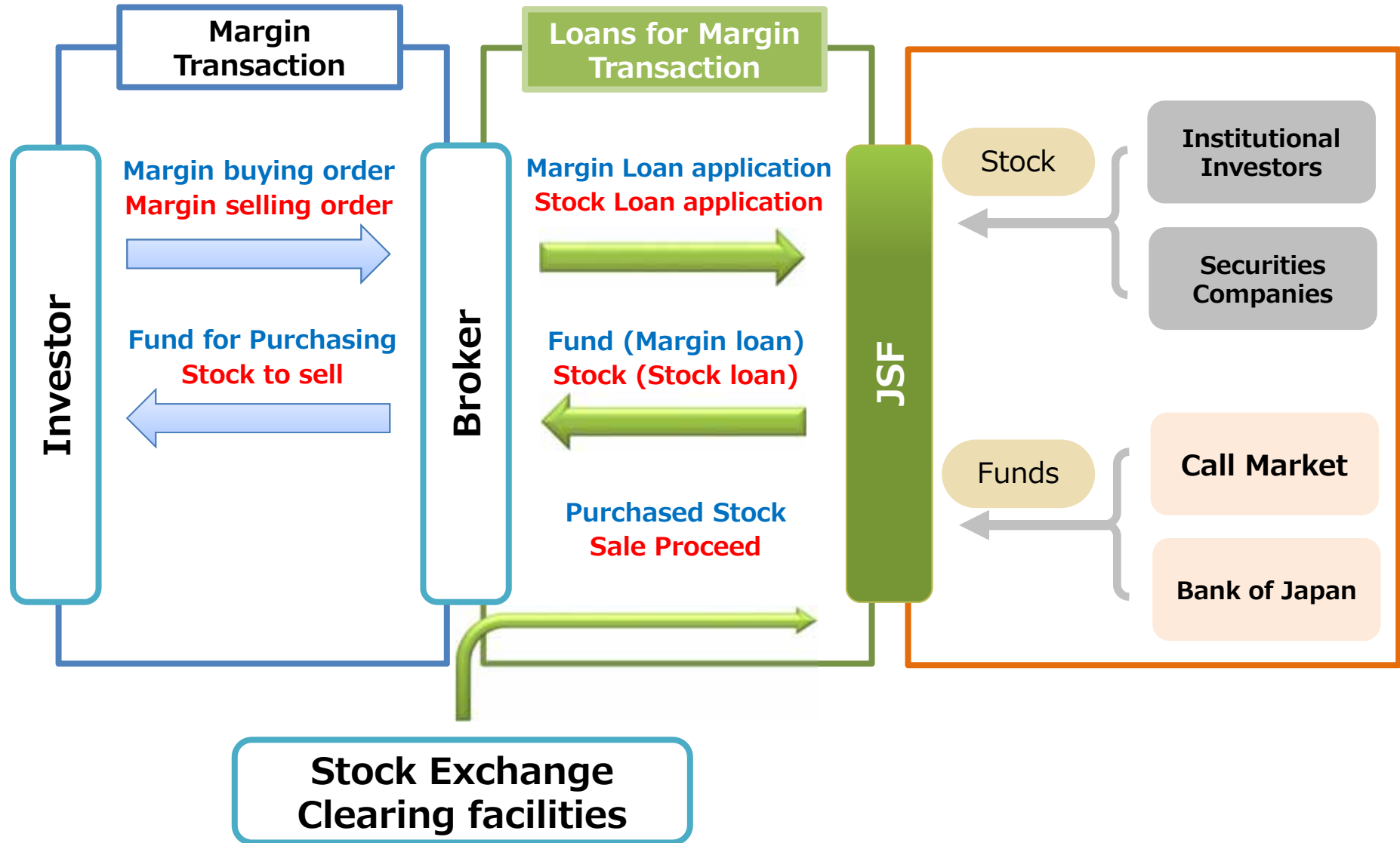
¥ mil

Transaction type	FY2018	FY2019	FY2020
Margin Loans	284,225	219,979	224,615
Stock Loans	261,603	333,949	300,638
Securities Financing	2,931,473	4,609,077	7,099,013
Loans for Negotiable Margin Transaction	10,624	10,434	9,910
Loans to Securities Companies	299,945	309,033	327,444
Loans to Individual Investors or Firms	14,256	13,934	13,092
General Stock Lending	63,112	60,859	47,126
Bond Lending	2,543,534	4,214,817	6,701,439
Trust Bank Loans	431,292	473,808	571,109

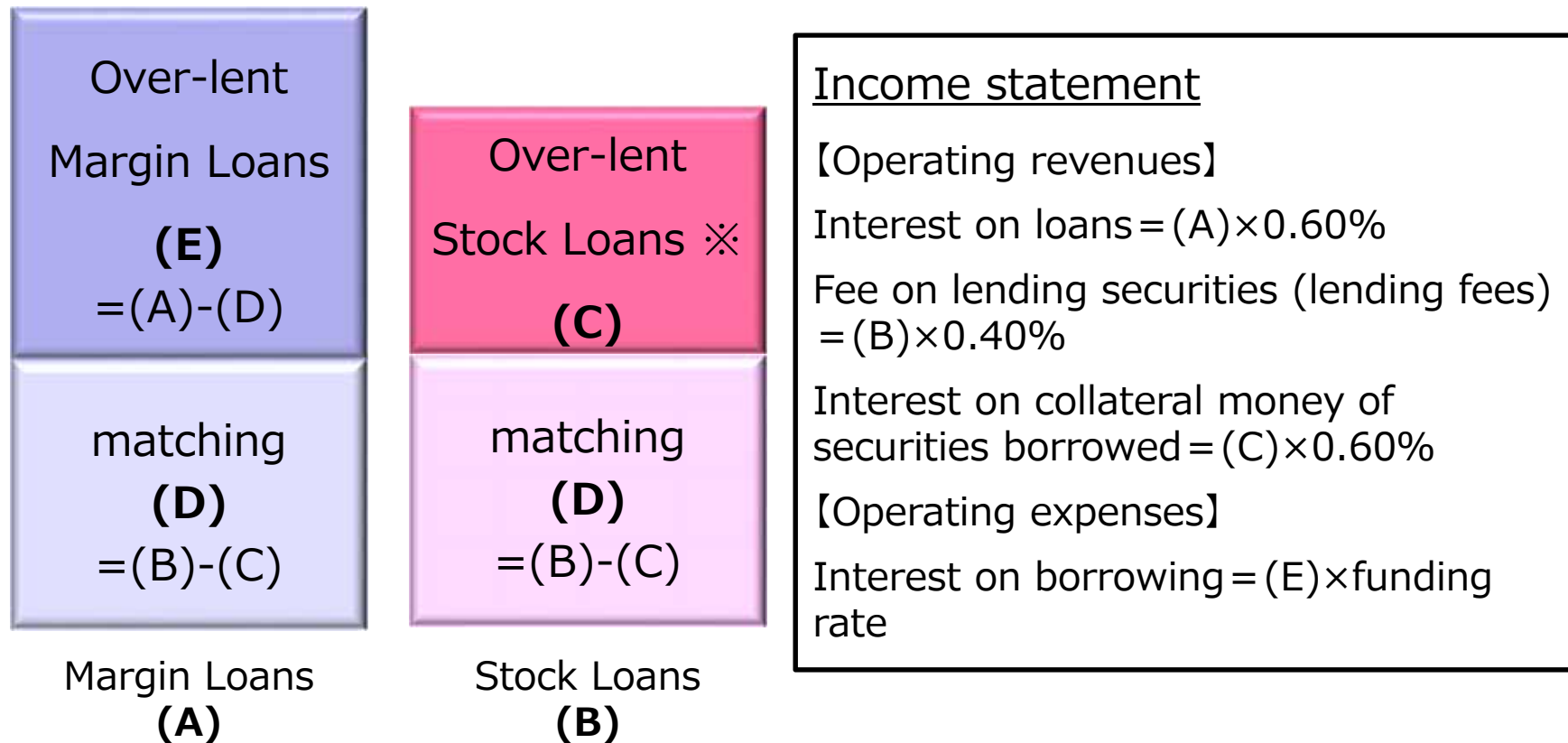
● Margin Transactions & Loans for Margin Transactions



● Structure of Margin Transaction
& Loans for Margin Transaction



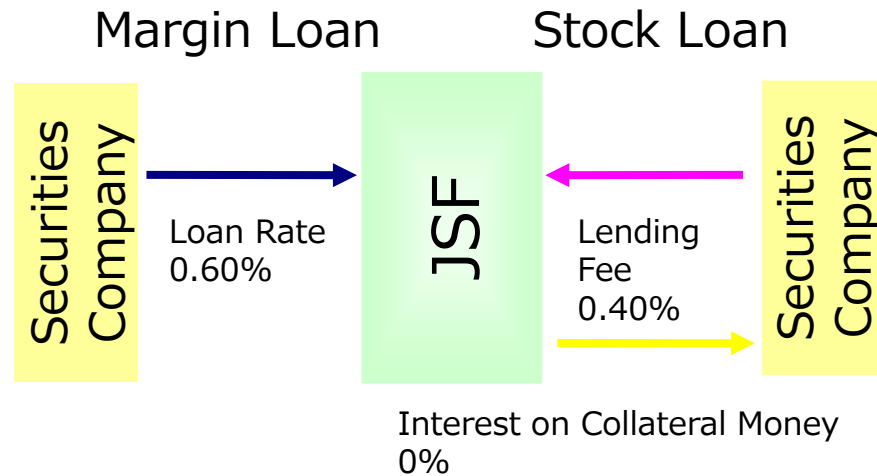
● Revenue structure of Loans for margin transactions



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

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

● Margin Loan Rate



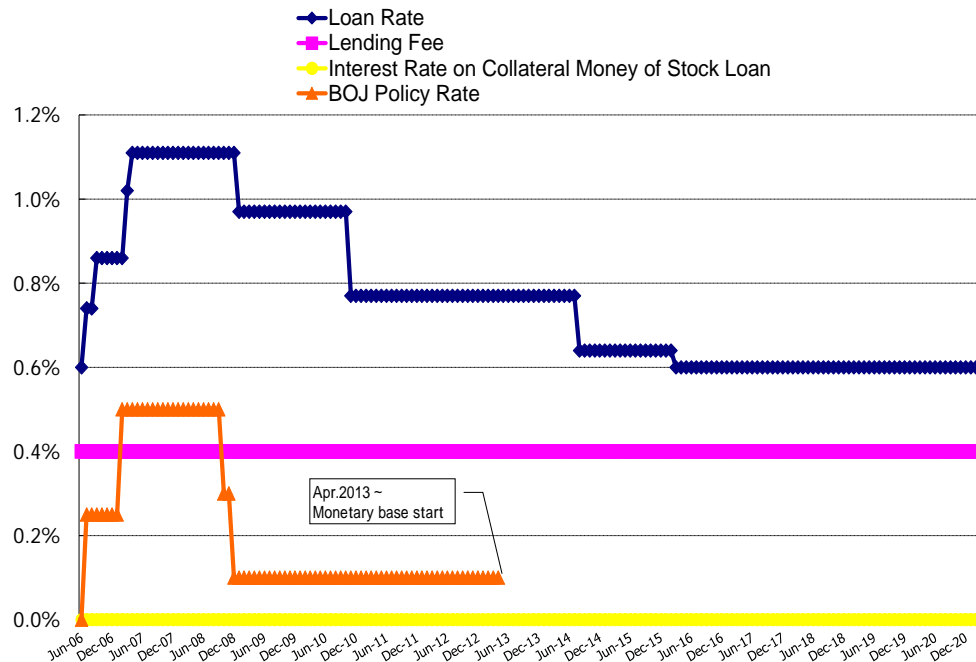
BOJ Policy Interest Rate

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

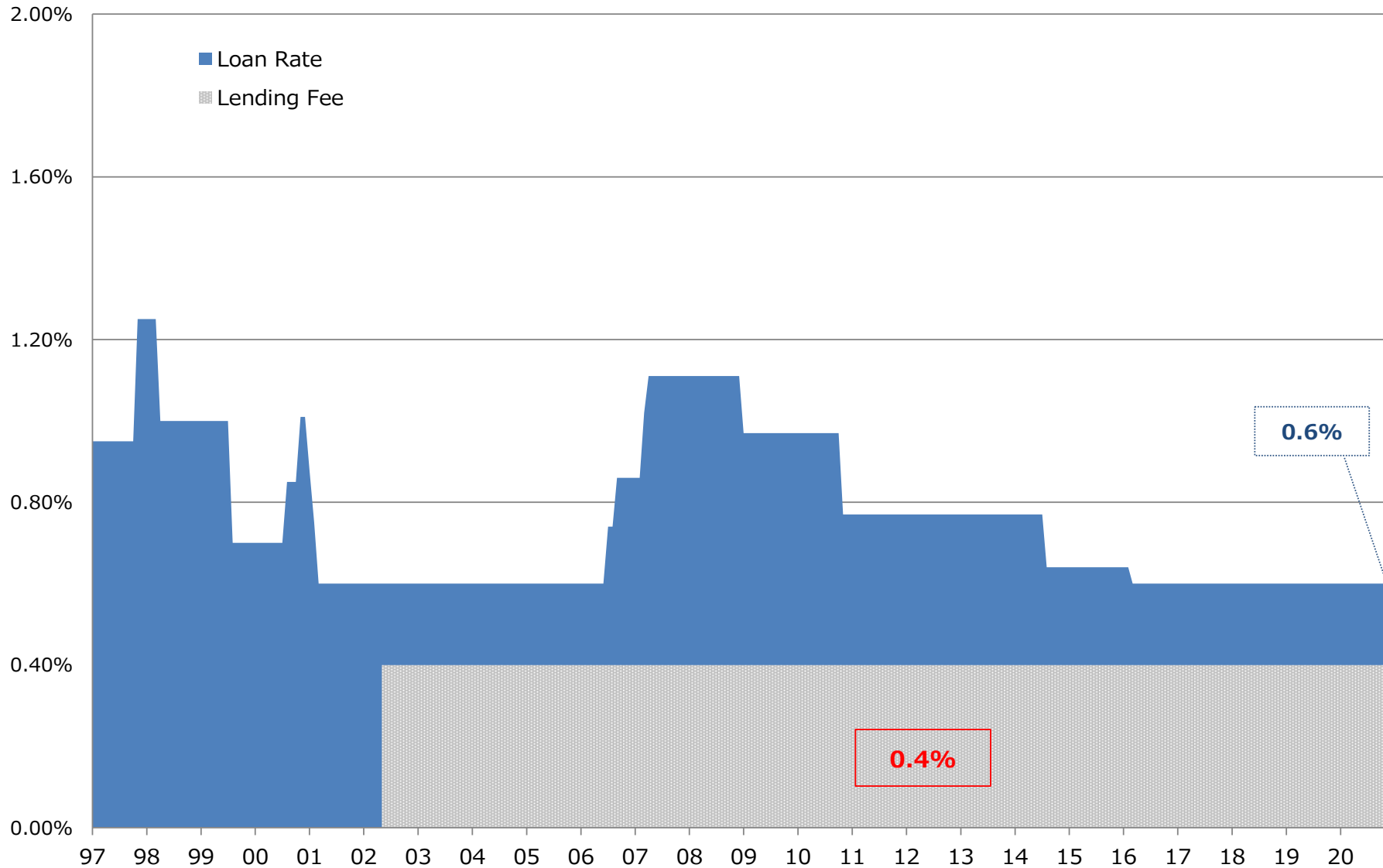
Margin Loan Rate

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

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



● Loan Rate of Loans for Margin Transactions



● Securities Holdings

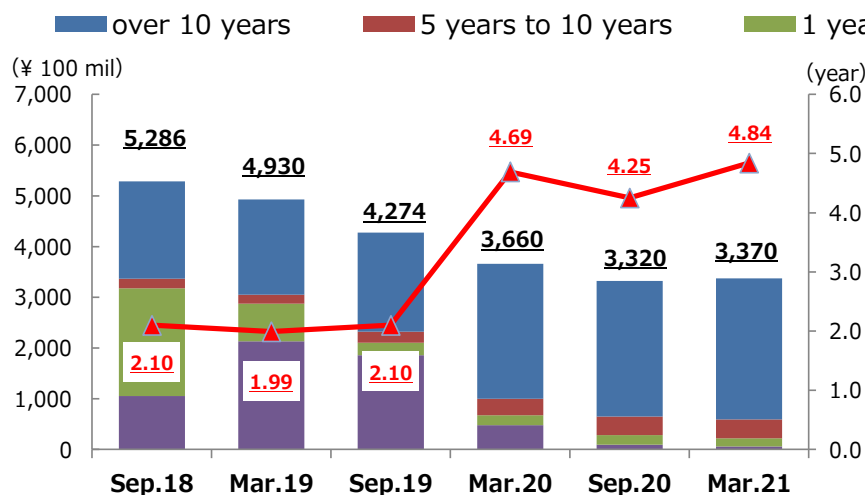
¥ mil

Securities Holdings	Mar-20		Mar-21		notes
	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	
Equity	12,176	7,198	15,338	10,610	
Bond	809,002	24,209	921,896	18,858	
JGB&Municipal Bond	518,829	26,712	510,390	17,593	
Corporate Bond	253,617	▲567	355,499	▲326	Government Guaranteed Bond ,etc.
Others	36,555	▲1,935	56,006	1,591	Foreign government bonds
Other Securities	13,943	▲1,678	17,506	3,539	
Total	835,121	29,730	954,741	33,007	
(included the effects of derivatives)	—	(6,075)	—	(14,359)	

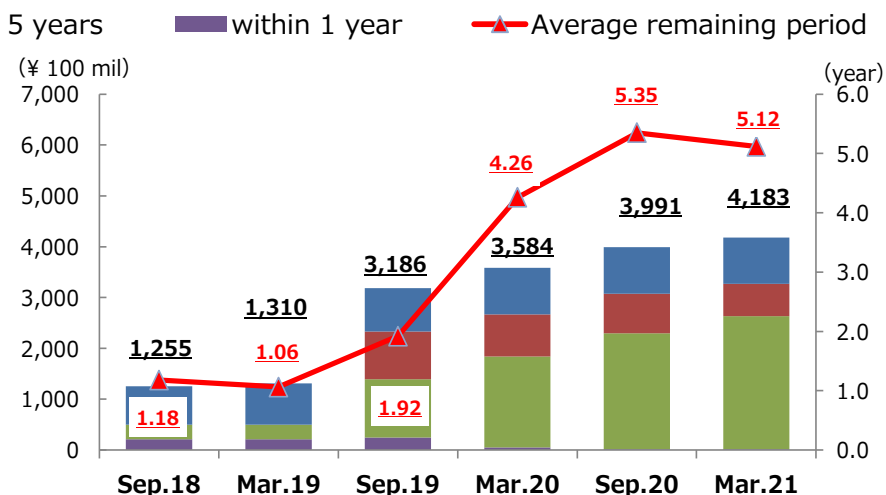
held-to-maturity bonds	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	notes
JGB	1,512	208	1,512	194	

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

Yen Bond Portfolio (JSF)



Yen Bond Portfolio (JSF Trust Bank)



(Note) Average remaining period is calculated excluding held-to-maturity bonds, bonds for which hedge-accounting are applied

● JSF Trust Bank (Loan Balance)



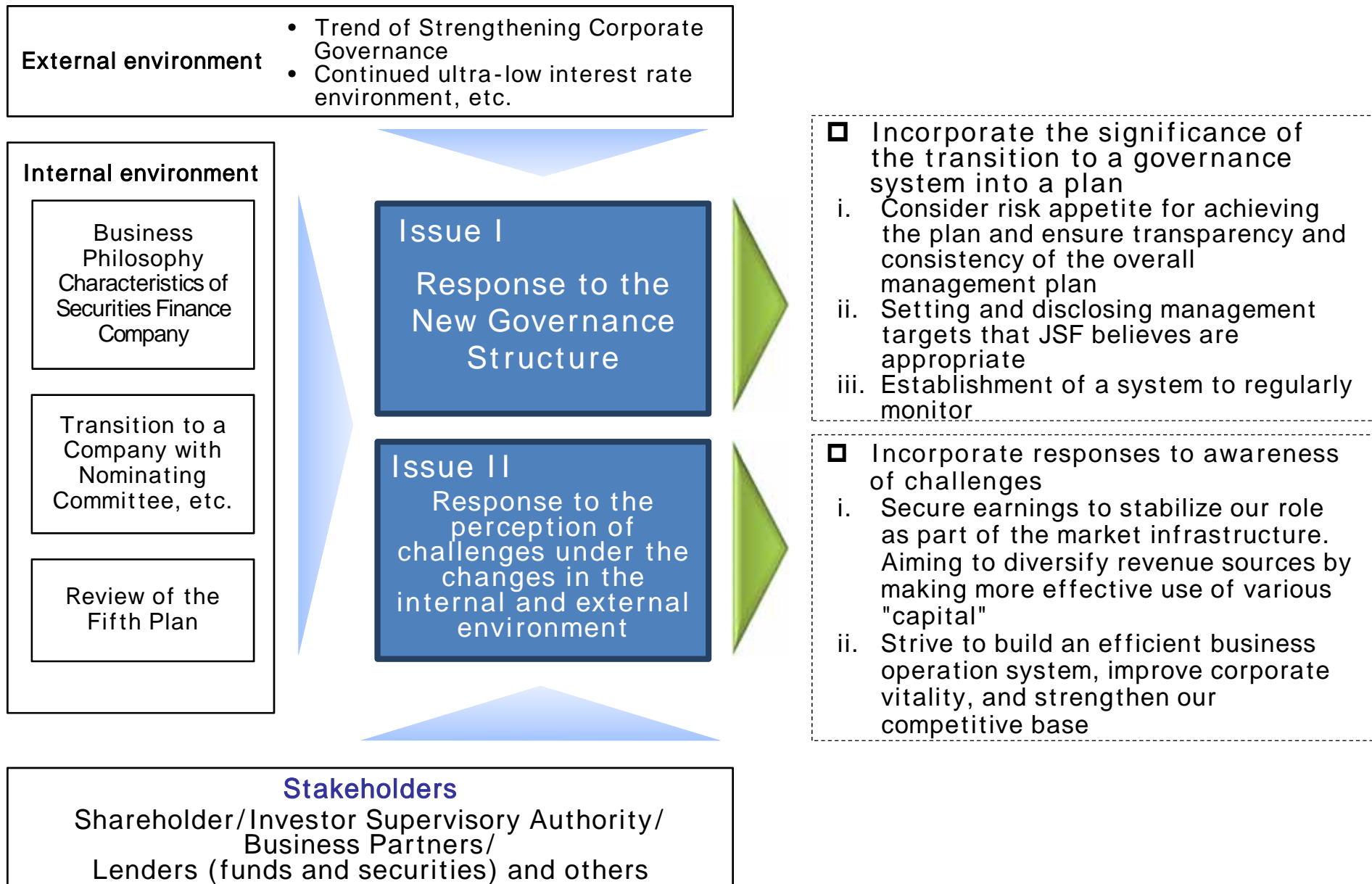
● Loan Banance by Industry

¥mil

	Mar-20		Sep-20		Mar-21	
	Loan Balance	ratio	Loan Balance	ratio	Loan Balance	ratio
Manufacturing	0	0.0%	0	0.0%	0	0.0%
Fishery	0	0.0%	0	0.0%	0	0.0%
Mining	0	0.0%	0	0.0%	0	0.0%
Construction	0	0.0%	0	0.0%	0	0.0%
Energy & Utilities	0	0.0%	0	0.0%	0	0.0%
Communication	0	0.0%	0	0.0%	0	0.0%
Transportation	689	0.2%	689	0.1%	689	0.1%
Wholesale	800	0.2%	0	0.0%	0	0.0%
Retail	0	0.0%	0	0.0%	0	0.0%
Finance & Insurance	4,100	0.9%	2,100	0.3%	2,100	0.3%
Real Estate	1,500	0.3%	500	0.1%	1,120	0.2%
Service Industries	0	0.0%	0	0.0%	0	0.0%
Governments	440,810	98.4%	615,762	99.5%	723,947	99.5%
Total	447,899		619,051		727,856	

● Major Issues in Formulating the Plan

(The 6th Mid-term Management Plan)



● Our Vision for the Future (The 6th Mid-term Management Plan) 

Targeted Future/Our Vision

To grow into a highly competitive company in the overall Security Finance Business, which is centered on the licenced Margin Loan Business

Awareness of issues

- Aim to further expand and strengthen the earnings base by making more effective use of capital
- Establishment of an efficient business operation system and an appropriate risk-taking management system
- Maintaining our core competence “Fairness and Neutrality”, “Financial Soundness”, and “High creditworthiness”.

External environment

- Trends in Strengthening Corporate Governance
- Increasing Awareness of Capital Efficiency
- Continued ultra-low interest rate environment
- On the other hand, attention should be paid to the possibility of a global financial stress event.
- Risk of intensifying competition in the securities lending market under current financial environment of difficulty in fund management
- (Changes occurring after formulation)
- Economic Activity and Social Impact of the COVID-19 pandemic

- (Review of the 5th mid-term management plan)
- Revenues from Margin Loan Business fluctuate
 - Develop the ability to cover earnings other than Margin Loan Business and fund management
 - Increasing complexity and volume of business
 - ✓ Handling of foreign securities, foreign currencies, and direct transactions with overseas bases
 - ✓ New transaction methods (evergreen provisions, etc.)
 - Sophistication of fund management (expansion of investment target assets and hedging methods)

Internal environment

● Corporate Philosophy / Management Principles

(The 6th Mid-term Management Plan)



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.

Basic Concept as the 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.

Solid equity capital
Financial health

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.

Future business development

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

Business management structure

● Management Goals / Strategies

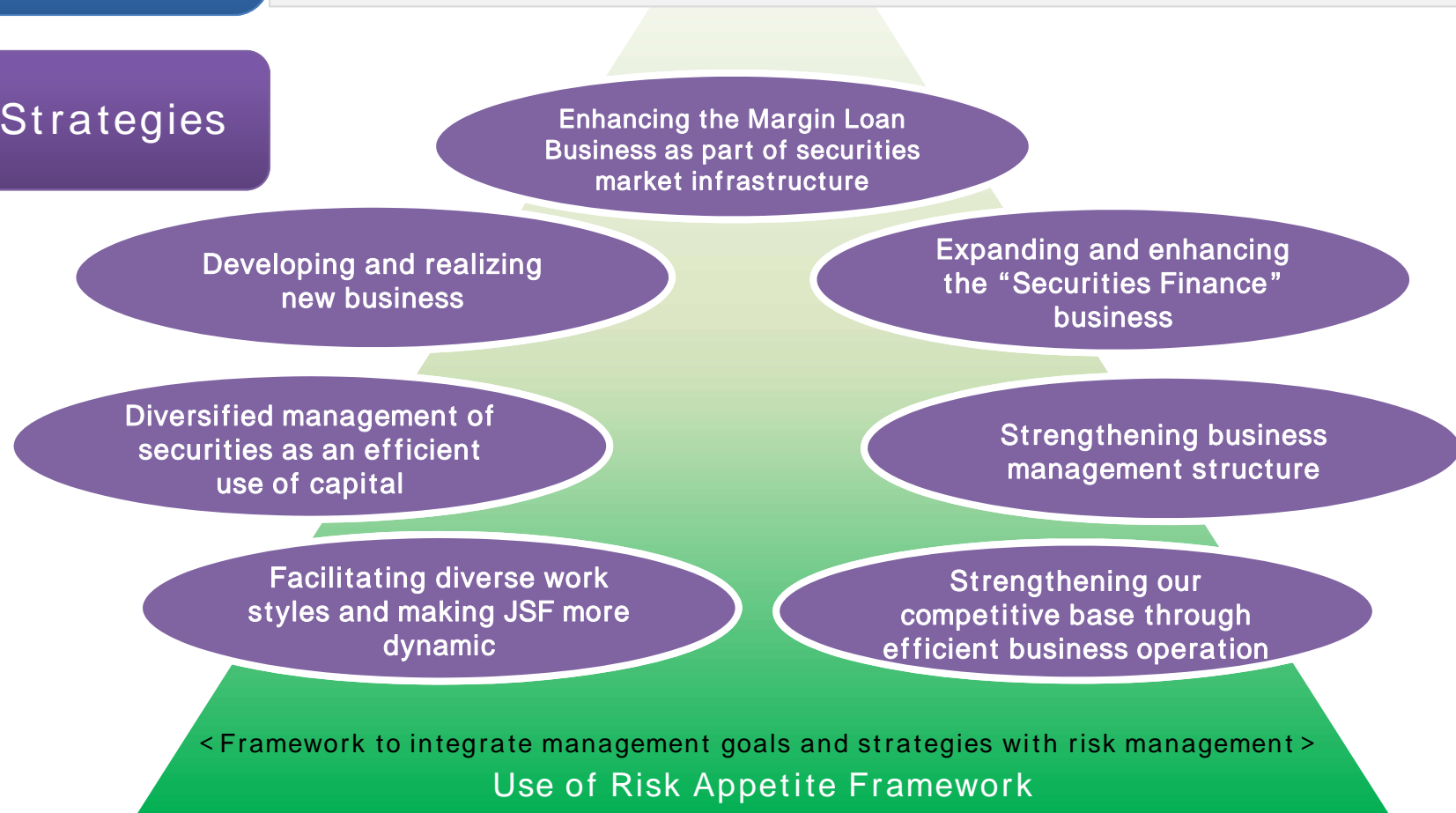
(The 6th Mid-term Management Plan)



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**

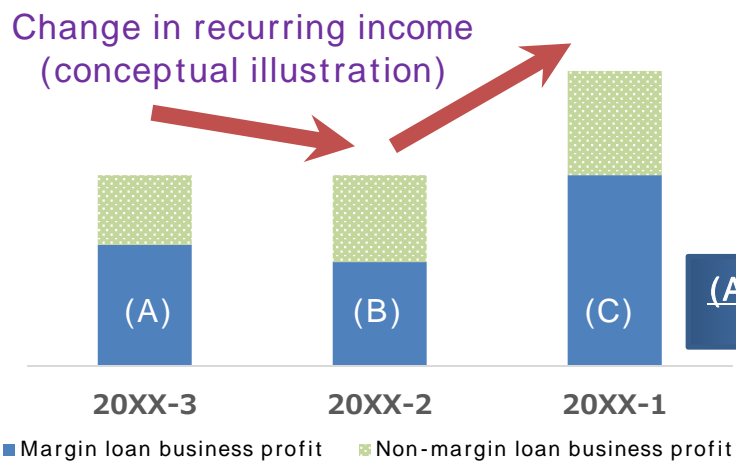
Strategies



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

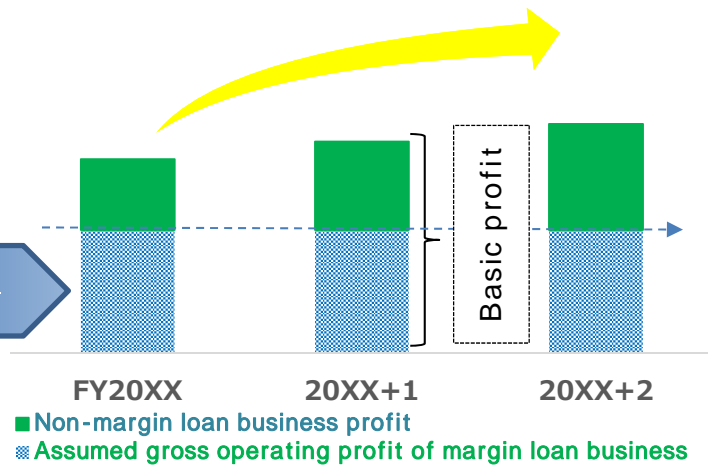
Definition of "basic profit"
 Recurring income as a trend calculated based on the assumed gross operating profit of margin loan business (average over the past three years)

1. Characteristics of Our Recurring Income



- ❖ Margin loans, JSF's core business, are susceptible to market fluctuation (profit fluctuates significantly)
- ❖ It is difficult to understand change in our basic earnings

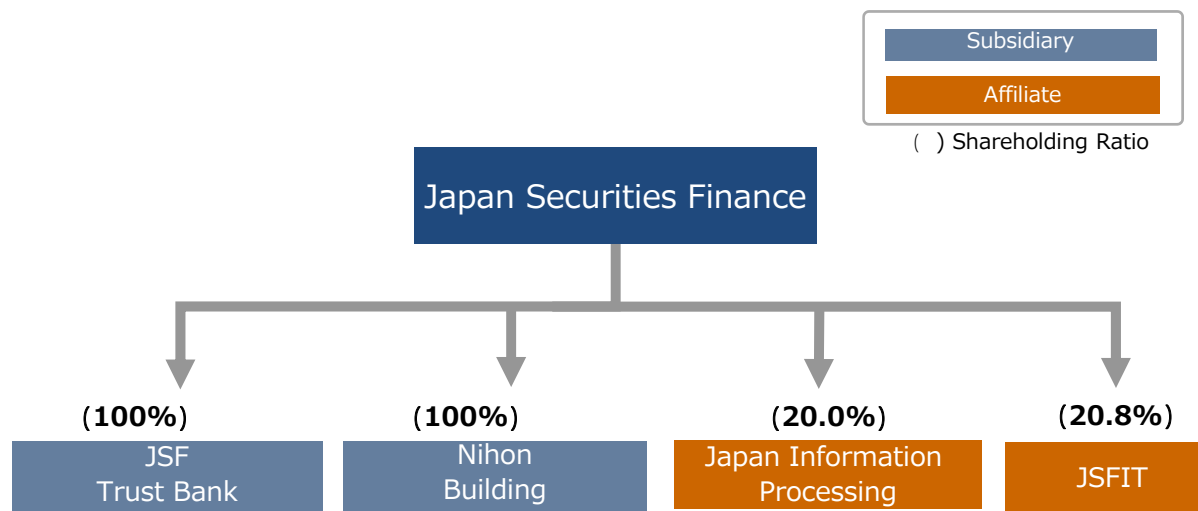
2. Calculation of Basic Profit



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

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

● 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/2021		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		—	—

● ESG/SDGs Initiatives

As an institution specializing in securities finance as a key player in securities market infrastructure, JSF has a mission of contributing to the development of the securities market, which is the foundation of our economic and social activities.

We are committed to contributing to the development of a sustainable society through the promotion of operations centered Margin Loan Business and the following initiatives, while maintaining a keen awareness of its public role. At the same time, we are committed to maintain our social responsibilities by enhancing corporate governance, compliance, and risk management.

E

- Minimize environmental impact
 - Improving company facilities to conserve electricity and be conscious of environmental impact
 - Promote paperless operations in all areas of the company

S

- Contribution to the development of overseas securities markets
 - Technical assistance and investment in Indonesian Securities Finance
- Realization of diverse work styles for employees
 - Support for childbirth, childcare, and nursing care
 - Introduction of company-wide telework
 - Understanding Employee Engagement



G

- Further improve governance as a company with nominating committees, etc.
 - Majority of directors are independent outside directors.
 - Chairperson of the Board of Directors and Chairperson of the 3 Committees are Independent Outside Directors

Corporate Philosophy

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

Our History to Date

- Focus on stable management of Margin Loan Business and improving convenience as an infrastructure for securities markets
- We will also engage in new operations that meet market needs.



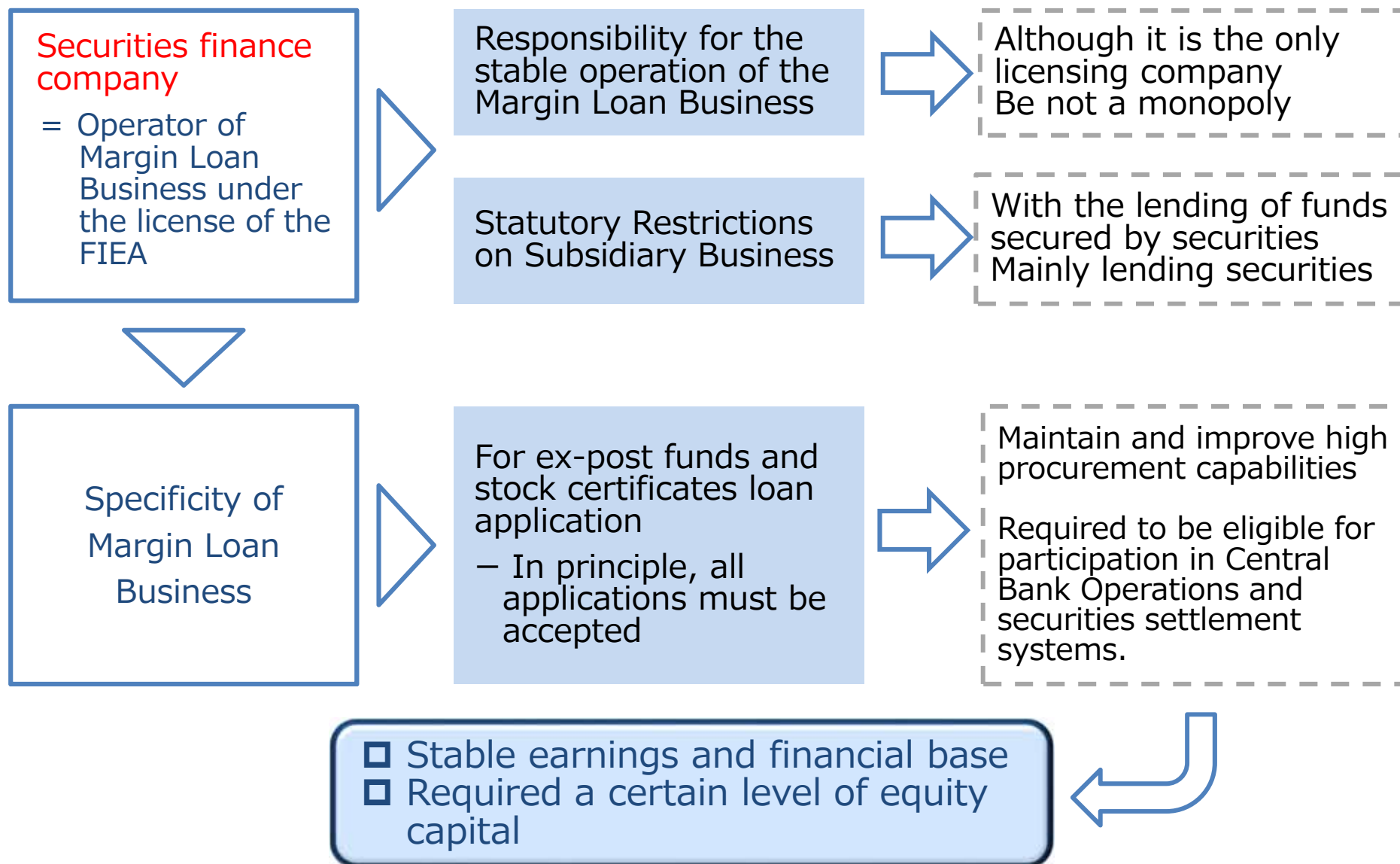
Established as an institution specializing in securities finance in response to requests from the securities industry with the aim of stabilizing and promoting the securities market

- 1950: Launched Margin Loan business
- 1951: Launched general stock lending business
- 1977: Launched brokerage business for bond lending
- 1989: Establishment of JSF Trust Bank
- 1998: Launched loans for margin transactions for PTS

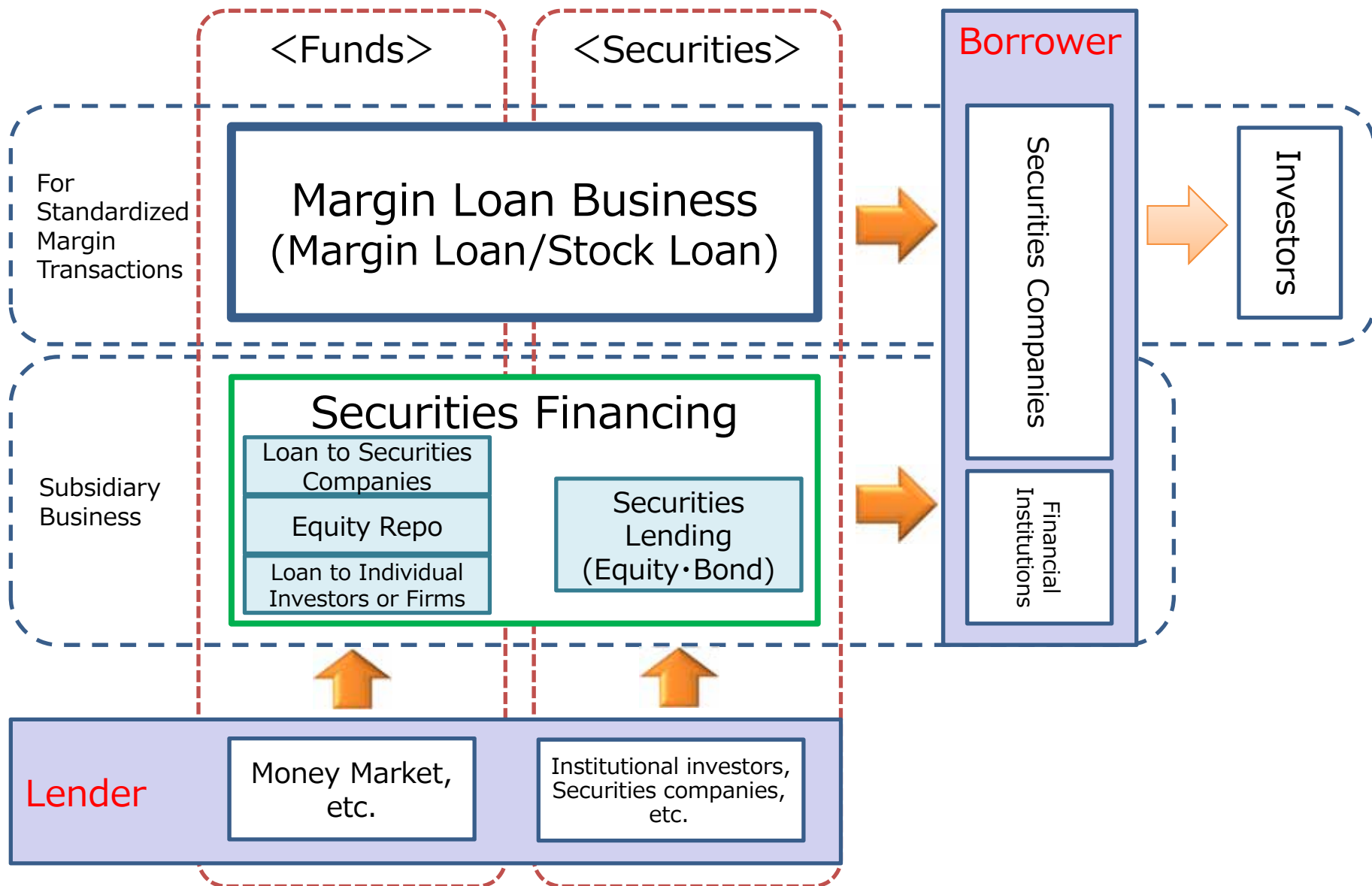


In conjunction with the establishment of the margin transaction system, commenced the Margin Loan Business of lending funds or stock certificates, etc. necessary for the settlement of margin transactions to securities companies.
 ⇒ **Roots as a licensed company stipulated in the Financial Instruments and Exchange Law**

● Characteristics of Securities Finance Company



Our Business Field (image chart)



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.