

Japan Securities Finance Co., Ltd.

FY2021

Financial Results Presentation

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1. Executive Summary (Consolidated)

(¥ mil)	FY2021 Full Year			Highlights
		YoY Δ	$\Delta\%$	
Operating Revenues	30,138	▲786	$\Delta 2.5\%$	<ul style="list-style-type: none"> ✓ There was a downturn in the margin loan business ($\Delta 46.1\%$) due to a decrease in the balance of stock loans. ✓ Securities financing saw an increase in revenue(+22.4%). Bond lending remained steady and outstanding equity repo transactions also increased. ✓ Revenue of subsidiary JSFTB increased (+10.3%) due to steady trust business.
Operating Income	6,235	+1,458	+30.5%	<ul style="list-style-type: none"> ✓ Operating expenses decreased due to a decrease in borrowing fees accompanying a decrease in the stock loan balance. ✓ General and administrative expenses decreased mainly due to a revision of the method to calculate the allowance for doubtful accounts, etc.
Recurring Income	7,162	+1,606	+28.9%	
Net Income	5,172	+1,203	+30.3%	

2. Summary of Financial Results for FY2021

(¥ mil)	Consolidated			Non-consolidated					
	FY2021 Full Year	YoY.Δ	(%Δ)	JSF		JSF Trust Bank		Nihon Building	
					YoY.Δ		YoY.Δ		YoY.Δ
Operating Revenues	30,138	▲786	(Δ2.5%)	26,586	▲964	2,960	335	1,286	▲8
<i>Except Premium Charges</i>	<i>27,305</i>	<i>3,593</i>	<i>(+15.2%)</i>	<i>23,753</i>	<i>3,416</i>				
Operating Expenses	16,533	▲1,484	(Δ8.2%)	16,335	▲1,312	435	▲90	25	5
<i>Except Premium Charges</i>	<i>13,728</i>	<i>2,908</i>	<i>(+26.9%)</i>	<i>13,529</i>	<i>3,080</i>				
General & Administrative Expenses	7,368	▲760	(Δ9.4%)	6,004	▲985	1,140	293	666	▲12
Operating Income	6,235	1,458	(+30.5%)	4,246	1,334	1,383	132	595	▲1
Recurring Income	7,164	1,606	(+28.9%)	5,928	1,444	1,385	130	707	▲8
<i>Gain or Loss in Equity-Method</i>	<i>446</i>	<i>51</i>	<i>(+13.1%)</i>						
Extraordinary Profit or Loss	▲17	▲61	(—)	▲17	▲17	—	—	—	▲43
Net Income	5,174	1,203	(+30.3%)	4,539	1,029	1,023	166	465	▲35

3. Summary of Financial Results for FY2021

(Non-consolidated)



Japan Securities Finance (Non-consolidated)

*Excluding premium charge

(¥ mil)	FY2021 Full Year	YoY.Δ	(%Δ)
Operating Revenues*	23,753	3,416	(+16.8%)
Margin Loan Business*	3,285	▲860	(Δ20.8%)
Securities Financing	15,391	3,021	(+24.4%)
Others	5,076	1,255	(+32.9%)
Operating Expenses*	13,529	3,080	(+29.5%)
General & Administrative Expenses	6,004	▲985	(Δ14.1%)
Operating Income	4,246	1,334	(+45.8%)
Recurring Income	5,928	1,444	(+32.2%)
Extraordinary Profit or Loss	▲17	▲17	(-)
Net Income	4,539	1,029	(+29.3%)

Key Points

●Operating Revenues

- ◆ Up ¥3,416 mil (+16.8%) YoY driven by Securities Investment ("Others").
 - Margin loan business decreased YoY. The balance of stock loans continued to decline.
 - Securities financing saw an increase in revenue. Bond lending remained steady and outstanding equity repo transactions also increased.
 - Others (securities investment) also saw an increase in revenue due to the steady accumulation of carry income and the recording of gains on sale under portfolio management.

*For details of segments, see "Financial Highlights for FY2021 (P6-P8)"

●Operating Expenses

- Up ¥3,080mil (+29.5%) YoY
- Fees on borrowing securities in bond lending increased.

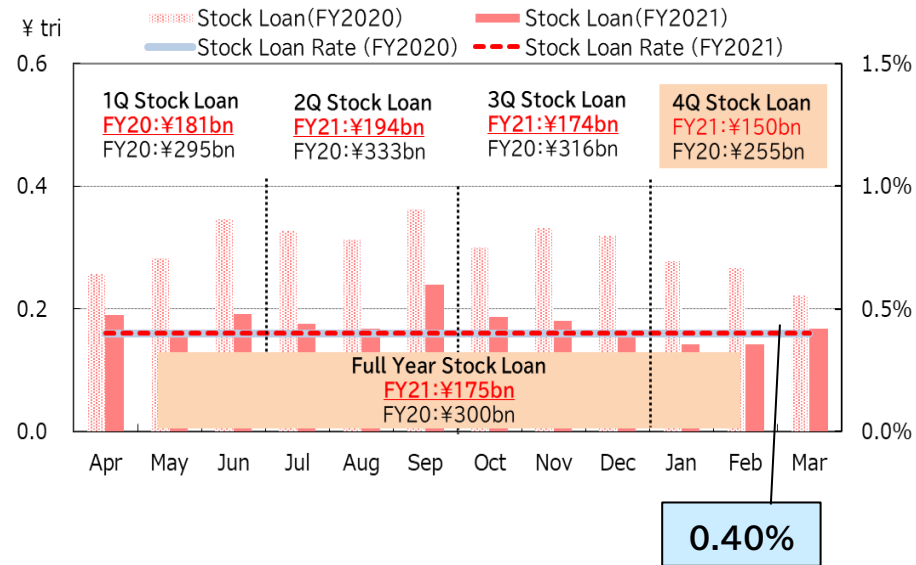
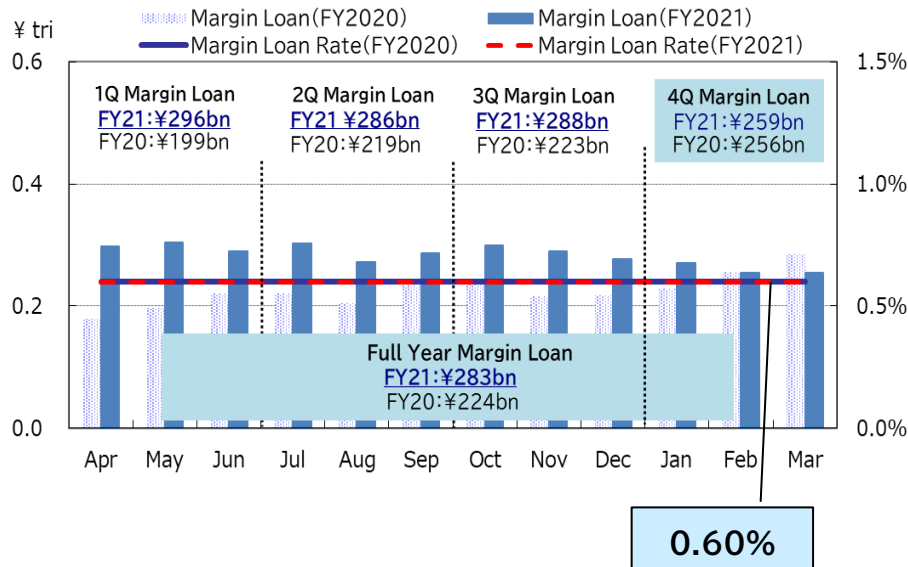
●General & Administrative Expenses

- Decreased ¥985mil (Δ14.1%) YoY
- This was mainly due to a revision of the method to calculate the allowance for doubtful accounts.

4. Financial Highlights (Margin Loan Business)

- Margin loan balance remained steady at a level higher than the same period of the previous fiscal year.
- Stock loans has been on a downward trend and continue to be below the level of the previous year.

(¥ bn, %)	FY2020						FY2021						YoY	
	1Q	2Q	1H	3Q	4Q	full year	1Q	2Q	1H	3Q	4Q	full year	4Q	YTD
Margin Loan	199	219	209	223	256	224	296	286	291	288	259	283	3	58
Stock Loan	295	333	314	316	255	300	181	194	188	174	150	175	▲104	▲125



5. Financial Highlights (Securities Financing)

- Both outstanding balance of Bond Lending and equity repo have been increasing.
- On the other hand, General stock lending was sluggish due to a decrease in borrowing demand.

(¥ mil)

	Type of transaction	FY2021 Full Year	YoY△	YoY%	
Securities Financing	Loans for Negotiable Margin Transactions	156	74	+94.7%	✓ The balance of loans outstanding increased due to a increase in the use of clients.
	Loan to Securities Companies*	1,196	411	+52.4%	✓ Outstanding equity repo transactions have been on increasing.
	Retail	510	42	+9.0%	✓ The mainstay COM-STOCK Loan remained steady.
	General Stock Lending	657	▲292	△30.8%	✓ Although the balance of large-lot transactions is recovering, it was not enough to cover the decline in interest margins. Borrowing demand for use of fail-cover also decreased.
	Bond Lending	12,869	2,784	+27.6%	✓ Both outstanding <i>gensaki</i> transactions and repo transactions have been increasing.
	<i>Total Revenues</i>	<i>15,391</i>	<i>3,021</i>	<i>+24.4%</i>	

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

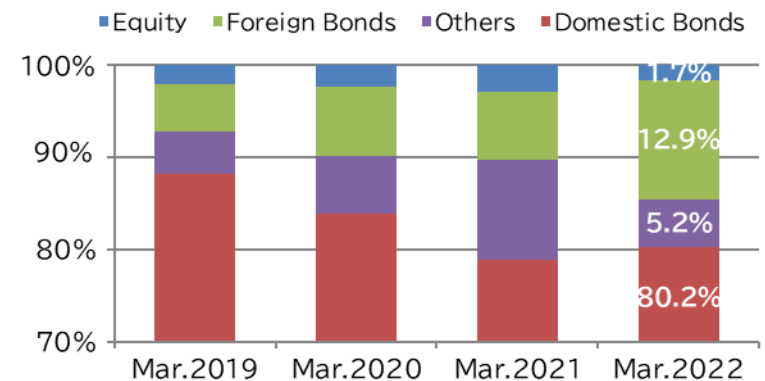
6. Financial Highlights (Securities Investment / Non-consolidated)

- Revenues increased year on year due to the steady accumulation of carry income and the recording of gains on sale under portfolio management.

Gains on management of market assets*1 (JSF)

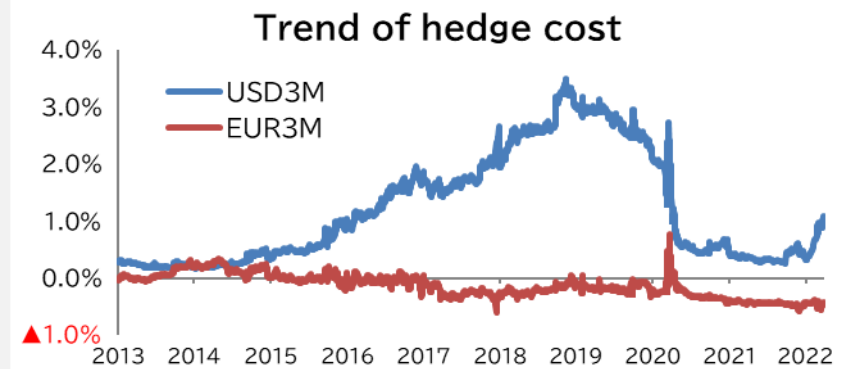
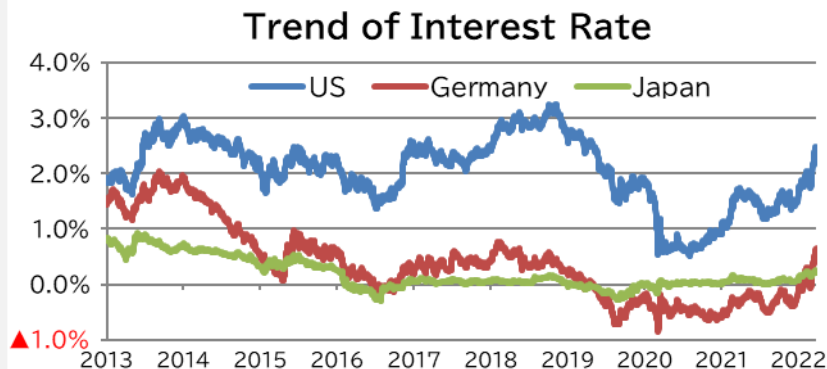
	FY2021	YoY
Yen-based	¥ 3,135 mil	△¥ 95 mil
Domestic Bonds	¥ 1,395 mil	¥ 354 mil
Others*2	¥ 1,739 mil	△¥ 449 mil
In foreign currencies	¥ 620 mil	¥ 64 mil
Total	¥ 3,670 mil	¥ 474 mil

Changes in Investment Portfolio



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

Source) Bloomberg



7. Summary of Financial Results for FY2021(JSF Trust Bank)

Highlights

- Trust fees increased steadily due to the growth of trusted deposits and the asset backed loan trust.
- Though interest expenses decreased, depreciation expenses increased due to an update of the bank accounting system.
- Recurring income and Net Income both increased.

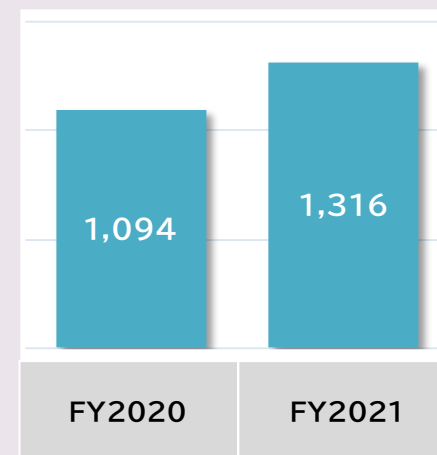
JSF Trust Bank (Non-consolidated)

(¥ mil)	FY2021	YoY	
			(%)
Recurring Revenue	¥ 2,962	148	(+5.2%)
Trust Fees	1,316	221	(+20.2%)
Recurring Expenses	1,576	18	(+1.1%)
Recurring Income	1,385	130	(+10.4%)
Net Income	1,023	166	(+19.4%)

【Growth of Trust Fees】

Trust fees increased contributed to by the strengthening of custodian type trust services (crypt-asset related deposits and segregated cash of customers deposited at the brokers) and ABL trust, etc.

(¥ mil)



*ADR : Allowance for Doubtful Receivables

8. Balance Sheet Summary (FY2021 / Consolidated)

¥mil

Features of Assets

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

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

Features of Liabilities

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

Ref) Capital adequacy ratio*
at the end of Mar 2022: 348%
*Based on FIEA

	Mar-22	Change from Mar-21	
Total assets	14,168,656	2,032,426	
Cash & Deposit	1,299,070	▲ 122,486	Deposit at BOJ
Short-term investments	109,724	66,757	JGB and other bonds (Maturity: 1 year or less)
Short-term loans receivable	891,485	▲ 224,867	Margin loan / Loans for negotiable margin transactions / General loans / Trust bank loans
Receivables under resale agreements	3,928,146	926,289	
Collateral money of securities borrowed	6,499,422	1,173,851	Collateral money of bond borrowing Collateral money of stock borrowing
Investments in securities	1,042,496	107,151	JGB and other bonds (Maturity: more than 1 year), Stock
Total liabilities	14,030,659	2,029,596	
Call money	1,858,400	151,800	
Short-term borrowings	239,210	101,616	Bank borrowing Market operation by BOJ
Commercial Paper	496,000	▲ 117,000	
Payables under repurchase agreements	5,544,898	1,353,090	
Collateral money received of securities lent	4,706,496	677,793	Collateral money of bond lending Collateral money of stock lending
Borrowed money from trust account	1,031,412	▲ 112,050	
Total net assets	137,996	2,829	

9. Estimated Figures for FY2022

Precondition

FY2022 Estimate

Over-lent
Margin Loan
¥200bn

Over-lent
Stock Loan
¥110bn

Matching
¥90bn

Margin Loan
¥290bn

Stock Loan
¥200bn

(Reference)

FY2021 Results

Over-lent
Margin Loan
¥182bn

Over-lent
Stock Loan
¥74bn

Matching
¥101bn

Margin Loan
¥283bn

Stock Loan
¥175bn

(¥ mil)		FY2022 Estimated Figures	YoY.Δ	Δ from prev. EF
Consolidated				
Operating Income		7,200	964	—
Recurring Income		8,000	835	—
Net Income		5,600	425	—
JSF	Operating Income	5,216	969	—
	Recurring Income	8,496	2,567	—
	Net Income	6,726	2,186	—
JSF Trust and Banking	Recurring Income	1,400	14	—
	Net Income	971	▲52	—
Nihon Building	Operating Income	565	▲30	—
	Recurring Income	680	▲27	—
	Net Income	445	▲20	—

Preconditions of Loans for Margin Transactions

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

<Approach to Estimated Figures for FY2022>

- Assumes further expansion of security financing operations and a decrease in system amortization expenses.
- Subsidiary results are expected to be on par with the previous fiscal year.

Our Initiatives and achievements in the 6th Mid-Term Management Plan

1. FY2021 Results

1. Improvement in business performance

- Steady implementation of the Sixth Medium-Term Management Plan has improved both earning power and capital efficiency
- Growth was driven especially by the security finance business and trust banking business

2. Formulation of the "Medium-Term Management Policy" (announced in Nov. 2021)

- The aim of the policy is to become a company that maintains a high degree of financial soundness, and realizes both the sustainable growth expected of us as a listed company and a medium- to long-term enhancement of our corporate value.
- We are aiming to achieve an ROE of 4% in FY2022 and an ROE of 5% by FY2025.
 - ROE target set at a level above costs of equity (recognized as in the mid-4% range)

3. Efforts in Corporate Governance

- In anticipation of the revised CG Code and our transition to the new TSE market classification, we addressed various issues required of us as a listed company, such as a need to fulfill the functions of the board of directors and to address sustainability issues.
- Consider and disclose the composition of the Board of Directors and the appointment of Executive Officers
- Formulate a basic approach to sustainability
- Disclose climate change-related financial information based on the TCFD recommendations

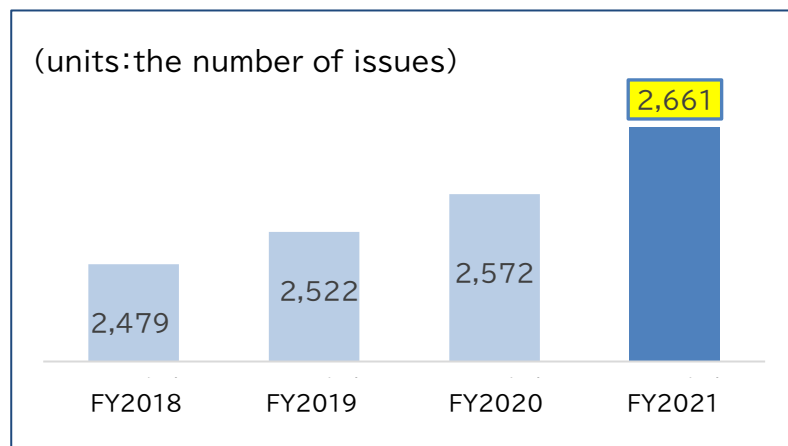
2. Achievements of the 6th Mid-Term Management Plan

Management Goals

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

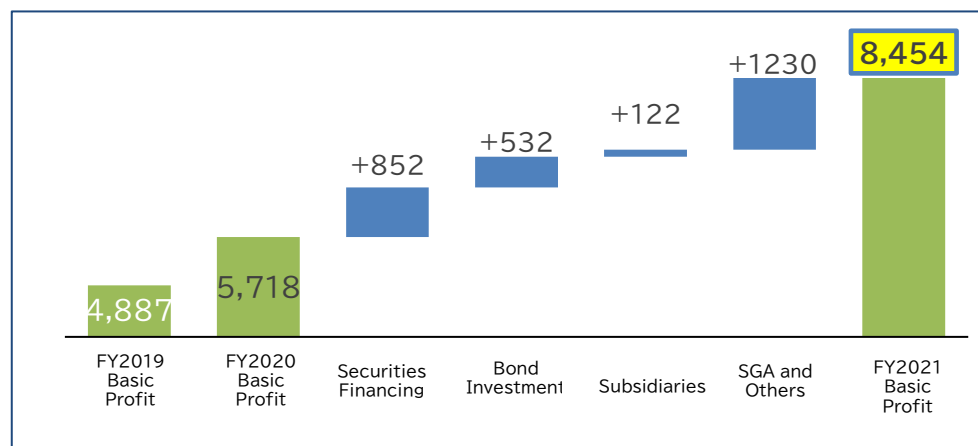
*Recurring income as a trend calculated based on the assumed gross operating profit of the margin loan business

●Status of “Number of Loanable Stock Issues”



- Due to the active use of videoconferencing and prioritization based on past performance, the number of loanable stock issues was 2,661 at the end of March 2021. That was an increase of 89 issues from the end of the previous fiscal year.

●Status of “Basic Profit”

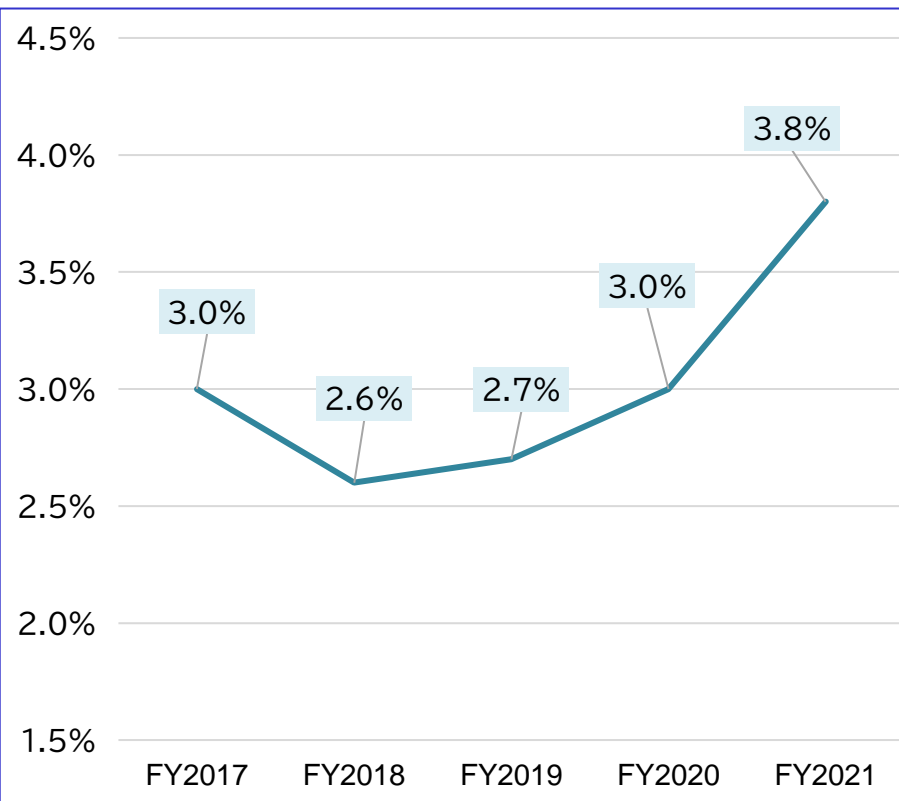


- “Basic Profit” in fiscal 2021 was 8,454 mil yen, up 47.8% from the previous fiscal year.

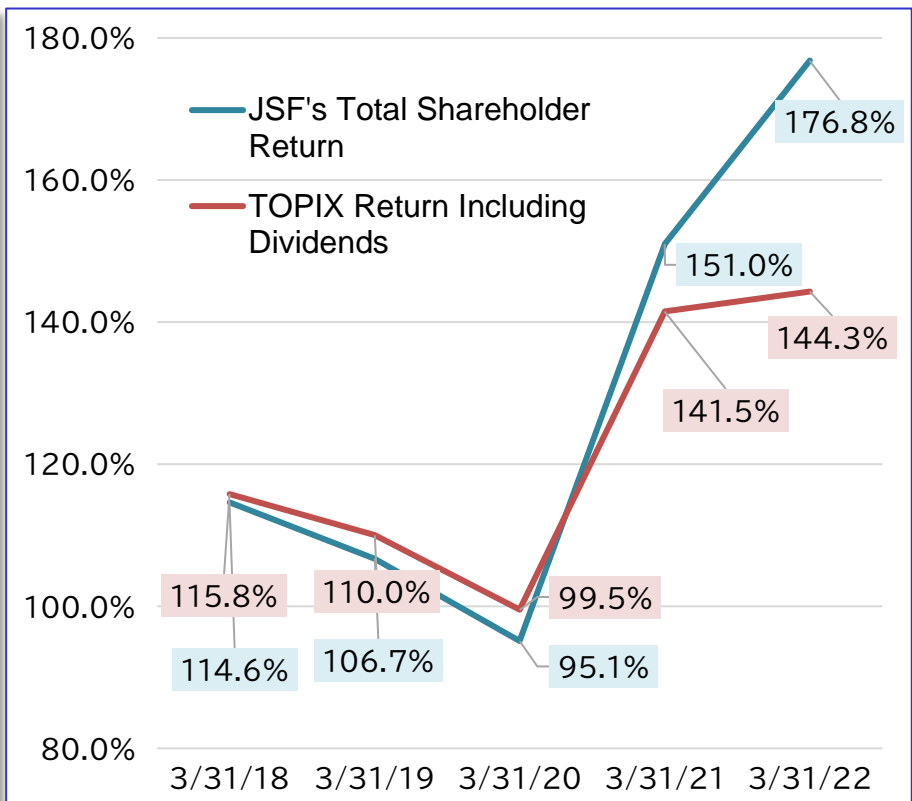
3. Results of JSF's Efforts to Date

- Our efforts under the current Medium-term Management Plan have stacked up and steadily increased our ROE.
- Additionally, Total Shareholder Returns at JSF have risen to a level that exceeds the recent TOPIX average.

ROE



Total Shareholder Return



4. Efforts in FY2021 (Summary)

(1) Further Growth in Securities Financing

- ◆ Sales activities to expand transactions and develop business partners
- ◆ Responded flexibly and promptly to transaction needs
- ◆ Bond lending and equity repo transactions increased

(2) Improvement in JSF Trust & Banking's Profitability

- ◆ Trust fees increased steadily due to the growth of trusted deposits and the asset backed loan trust
- ◆ Trust fees increased contributed to by the strengthening of custodian type trust services

(3) New Business

- ◆ Commencement of fund administration services
- ◆ JSF and University of Tokyo Start Empirical Research on Securities Lending and Borrowing Using Distributed Ledger Technology

(4) Strengthening Corporate Governance

- ◆ Formation and Disclosure of “Policy on the Composition of the Board of Directors” and “Policy for Executive Officer Appointments”
- ◆ Sustainability Issue Initiative
- ◆ Establishment of the Corporate Governance Office

Corporate Philosophy

Long-term direction for realizing corporate philosophy

Medium-term Management Policy

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

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

Vision for JSF in the Future

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

Management Policy through 2025

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

6. Measures to Realize Management Goals & Concept of our Business Portfolio

Measures for Realization of Management Goals

- 1) Strengthening its securities finance business centered on loans for margin transactions
- 2) Reinforcing consolidated management of its group
- 3) Improving its operational efficiency

Accelerate its efforts to increase its earning power and capital efficiency

Policy for Business Portfolio

- JSF is supposed to have business related to loans for margin transactions as its main business under applicable law, and has its other business mandatorily restricted within the scope that does not interfere with its operations in loans for margin transactions.
- The group's business portfolio, inclusive of its subsidiaries, is limited to a relatively narrow range which is considered to be related and contribute to the execution of JSF's business.
- The group's business portfolio is not subject to frequent change arising from M&A or other transaction.
- Based on the fundamental nature of this group business and the purport of Corporate Governance Code, Board of Directors have deliberated and determined a fundamental policy for its business portfolio.

Fundamental Policy for Business Portfolio

- ◆ With a strong recognition of the public role it plays as infrastructure in securities markets, the JSF Group will actively respond to diverse needs in the securities and finance sectors to provide a variety of securities and finance related services focused on their licensed business of securities financing centered on loans for margin transactions.
- ◆ In addition, in consideration of the large susceptibility of its loans for margin transactions services to market fluctuations and other factors, JSF Group will continue its efforts to diversify the sources of its earnings and to achieve its management goals in each sector with an increased consciousness of enhanced capital efficiency.
- ◆ Under this concept, JSF Group will endeavor to realize its vision of the future through a business portfolio consisting of security financing business centered on loans for margin transactions, securities management business, trust banking business and real estate management business.

Overview

- Transitioned to a company with a nominating committee, etc., in 2019 to separate oversight from execution.
- Creating a Board of Directors composed of 5 directors with 3 outside directors.
- Appointing outside directors to serve as the chairs of the Board of Directors and all committees.

Environmental changes

- Revision of the Corporate Governance Code
- Transition to a new TSE market segment
- Internationalization & Digital Transformation
- Formation & Implementation of a next medium-term management plan

Thinking

- Multifaceted skills required to face the changing environment.
- Balance of the number of people engaged in the oversight and execution.
- Diversification in terms of age and gender.

◆ Adding 2 outside directors

⇒ Board Composition of 7 directors :5 outside & 2 inside

- Under an overall skillset package

◆ Proposing 8 seats as a maximum number of the Board of Directors under its Articles of Incorporation.

- Consideration the availability of speedy decision making and the size of JSF.
- Consisting of 7 actual members and one vacant seat.

7. Effort in Corporate Governance (2) Appointment of Executive Officers © JSF

- Comprehensive reexamination was conducted regarding criteria on the appointment of executive officers, due to changes in the environment.
- In the light of the fact that the purpose of their appointment is to create an executive system that facilitates the advancement of the medium-term management plan, specific appointments are conducted to classify the talent expected of executive officers.

【Long list】

People from

- Inside the company

- Public sector

- Finance & Securities sectors

【Talent expected of Executive Officers】

- ◆ Someone who is able to fully recognize JSF's public role in the execution of JSF's business.
- ◆ Someone who has extensive knowledge of the overall finance and securities markets.
- ◆ Someone who is well versed in the Financial Instruments and Exchange Act and other various laws and regulations.
- ◆ Someone with knowledge and experience involving JSF's highly specialized business.
- ◆ Someone with the internationality required in the advance of JSF's business.
- ◆ Someone with a high degree of knowledge and experience in business management and risk management.
- ◆ Someone with a high degree of knowledge and experience in finance and accounting.
- ◆ Someone who is able to nimbly respond to the various environmental changes encircling JSF in the finance and securities sectors.

Appointment of 7 Executive Officers

People from the BOJ have been appointed based on a determination that they have these talents

Basic Stance on Sustainability

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

Key Initiatives

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- Disclosure of climate change-related financial information based on the TCFD recommendations
- Promote a reduction in our environmental impact (Improve company facilities to conserve electricity and be conscious of our environmental impact and promote paperless operations in all areas of the company, etc.)

S

- Conduct joint empirical research with the University of Tokyo (Securities Lending and Lending Transactions Utilizing Distributed Ledger Technology)
- Hold a lecture on “Financial and Securities Markets and Industry-Academia Alliance” at the Faculty of Engineering in the University of Tokyo

8. Shareholder Returns

Policy for Shareholder Return

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

Shareholder Returns in FY 2022

Dividend (forecast)

JPY 32

(YoY +JPY 2)



Share Buy-Back

3.2 mil. shares

(3.5% of total number of shares outstanding)

JPY 300 mil.



Total Payout Ratio

103.4%

● Shareholder Returns (Results for the previous term and planned for this term)

« Policy for Shareholder Return »

To strive for a total payout ratio of 100% on a cumulative basis from FY2021 through FY2025 through dividend payments and agile implementation of share repurchases.

		FY2021	FY2022 (Forecast)
Dividends		¥30 (YoY+¥4)	¥32 (YoY+¥2)
	Interim	¥15	¥16
	Year-End	¥15	¥16
	DPR	53.0%	49.2%
Share repurchase	Aggregate shares to be repurchased	2.3 billion yen 2.8 million shares	3.0 billion yen 3.2 million shares
	Result	2.3 billion yen 2.4million shares	—
	Repurchase period	December 21, 2021 — March 11, 2022	May 11, 2022 — March 31, 2023
Total Payout Ratio		97.6%	103.4%

1. Vision for JSF in the Future

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

2. Medium-term management Goals

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

3. Strategies

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

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

4. Commitment to Corporate Governance

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

Appendix

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

● Dividend and Share Buyback Program (Historical)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY2022 Forecast/ Framework
Annual Dividend per share	¥18	¥26	¥22	¥22	¥26	¥30	¥32 (Interim ¥16 Year-end ¥16)
Share Buyback (shares)	0.63mil	1.5mil	2.0mil	1.0mil	—	2.4mil	3.2mil
(amount)	¥0.3bn	¥0.9bn	¥1.2bn	¥0.5bn	—	¥2.3bn	¥3.0bn
<Consolidated> : Net Income	¥3.0bn	¥4.2bn	¥3.7bn	¥3.5bn	¥3.9bn	¥5.1bn	¥5.6bn
: EPS	¥31.9	¥44.2	¥40.0	¥38.4	¥43.2	¥56.6	¥65.0
: DPR	56.4%	58.8%	55.0%	57.2%	60.1%	53.0%	49.2%
(reference) Total Return Ratio	66.3%	79.3%	87.8%	71.0%	60.1%	97.6%	103.4%

Note for FY2022 (Forecast)

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

● Financial Result Trends (Consolidated)

¥ mil

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Operating Revenues	23,066	26,333	24,321	29,101	30,924	30,138
Ex Premium Charges	16,522	18,383	18,603	20,846	23,711	27,305
Operating Expenses	11,892	13,330	12,284	16,835	18,018	16,533
Ex Premium Charges	5,358	5,385	6,566	8,585	10,819	13,728
General & Administrative Expenses	8,371	9,121	8,056	8,136	8,129	7,368
Operating Income	2,802	3,881	3,981	4,129	4,777	6,235
Gain or Loss in Equity-Method	92	123	248	306	395	446
Recurring Income	3,611	4,685	5,046	4,894	5,558	7,164
Extraordinary Profit or Loss	▲52	131	▲41	▲36	43	▲17
Net Income	3,078	4,225	3,765	3,556	3,971	5,174

● Gross Profit by Business

	¥ mil		
	FY2020	FY2020	FY2021
Operating Revenues (ex. premium charges) A	20,846	23,711	27,305
Securities Finance Business	17,128	20,337	23,753
Margin Loan Business (ex. Premium charges)	4,262	4,146	3,285
Securities Financing	8,849	12,369	15,391
Loans for Negotiable Margin Transactions	80	80	156
Loans to Securities Companies	737	785	1,196
Retail	494	468	510
Stock Lending	1,015	950	657
Bond Lending	6,521	10,085	12,869
Others (mainly securities investment)	4,016	3,820	5,076
Trust Business	2,946	2,624	2,960
Real Estate Management Business	1,282	1,295	1,286
Operate Expense (ex. premium charge) B	8,585	10,819	13,728
Gross Profit (A - B)	12,266	12,906	13,604
Securities Finance Business	9,657	9,903	10,251
Margin Loan Business (ex. Premium charges)	3,959	3,853	2,814
Securities Financing	2,502	2,876	3,766
Loans for Negotiable Margin Transactions	62	53	135
Loans to Securities Companies	611	669	1,179
Retail	354	323	352
Stock Lending	562	536	355
Bond Lending	911	1,293	1,742
Others (mainly securities investment)	3,196	3,173	3,670
Trust Business	1,716	2,098	2,524
Real Estate Management Business	1,261	1,275	1,261

Note)

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

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

❑ Revenues decreased YoY. Though Margin Loan balance increased, Stock Loan balance continued to decline.

Changes in Operating Revenues

Quarterly

Full Year



(mil)	4Q Revenue (YoY)	Full Year Revenue (YoY)	Full Year Point
Margin Loan Business	1,684 (Δ36.3%)	6,118 (Δ46.1%)	✓ Operating revenues except premium charges resulted in a decrease.
(ex premium charges)	802 (Δ26.7%)	3,285 (Δ20.8%)	
Fees on Lending Securities	1,113 (Δ42.0%)	3,581 (Δ57.8%)	✓ Fees on lending securities resulted in a decrease, because the stock loan balance remained at a lower level than in the same period of the previous year and premium charges on over-lent issues also decreased.
Premium Charges	955 (Δ42.1%)	2,832 (Δ60.7%)	
Lending Fees	157 (Δ41.3%)	748 (Δ41.4%)	
Interest on Loans	406 (Δ0.0%)	1,793 (+23.4%)	✓ Interest on loans increased, because the average balance of margin loans remained steady during 1Q-3Q.
Interest on collateral money of securities borrowed	89 (Δ59.1%)	446 (Δ59.7%)	

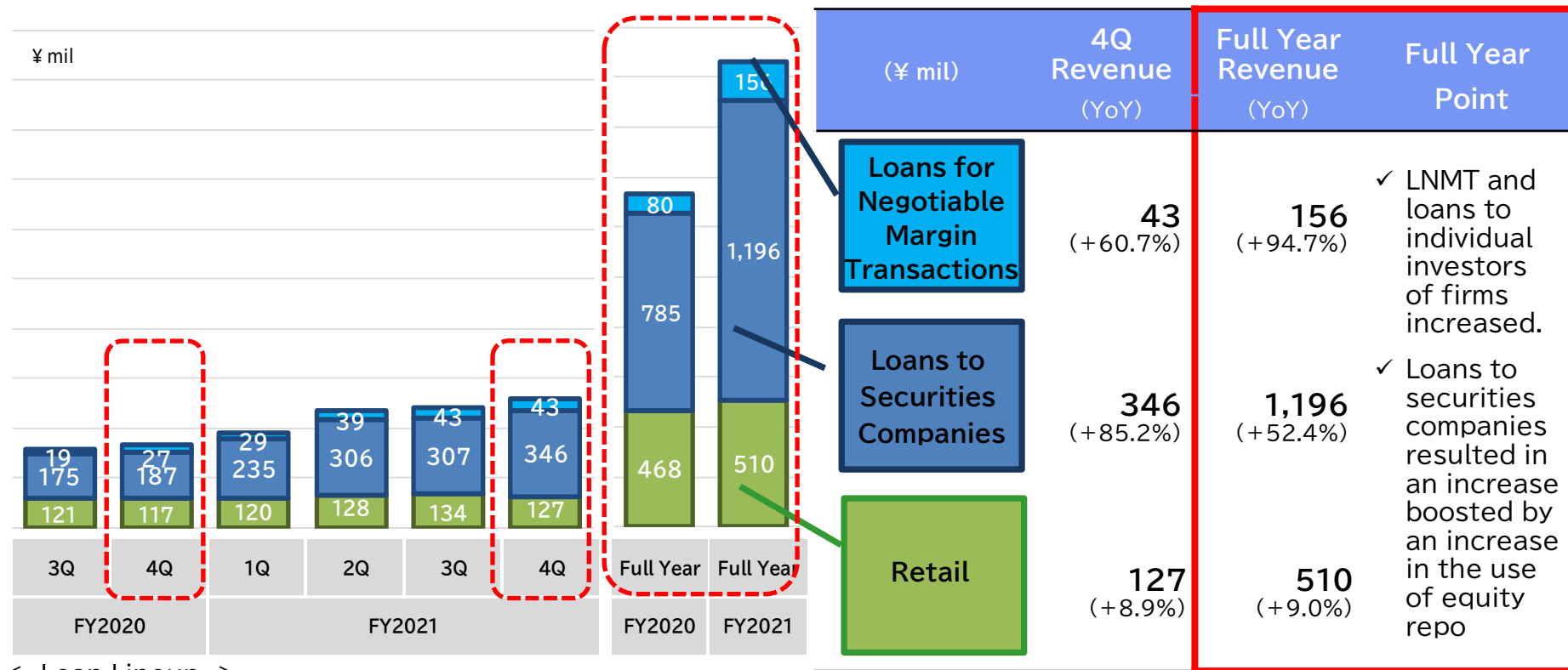
● Breakdown of Operating Revenues by Business (Securities Financing (I)) © JSF

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

Changes in Operating Revenues

Quarterly

Full Year



< Loan Lineup >

◆ Loans to securities companies:

◆ Loan to individual investors or firms:

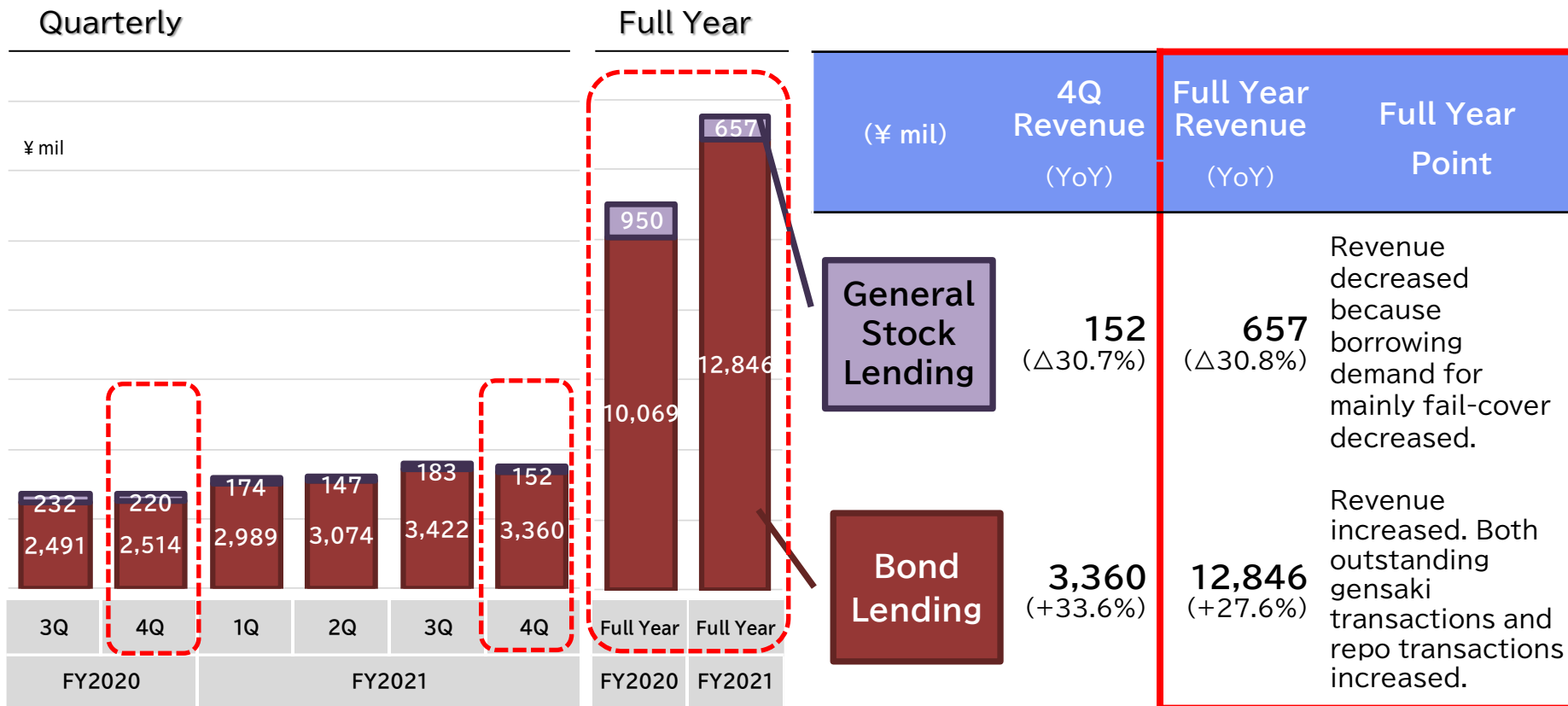
General loans, bon financing, loans for negotiable margin transactions, stabilizing fund loans, equity repo (cash-secured stock lending transactions)

Com-STOCK loans

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

- Bond lending: Both outstanding *gensaki* transactions (repurchase agreement) and repo transactions increased.
- General stock lending: Borrowing demand for mainly fail-cover decreased.

Changes in Operating Revenues



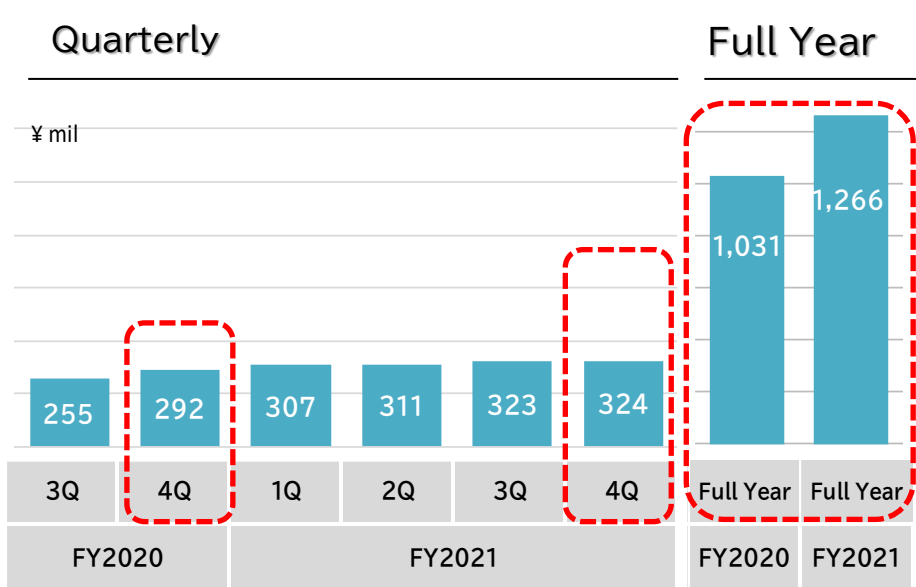
*General stock lending is ...

- Lending stock to securities companies depending on their various demands (ex. fail-cover and arbitrage), except on demand to settle margin transactions
- Main business partners: Lenders – Institutional investors, etc. / Borrowers – Securities companies

□ Trust fees grew steadily, reaching record highs on a quarterly basis.

Changes in Trust Fees

*Consolidated base



(¥ mil)	4Q Revenue (YoY)	Full Year Revenue (YoY)	Full Year Point
Trust Charges	324 (+10.7%)	1,266 (+22.8%)	Trust fees continued increasing contributed to by strengthening of custodian type trust services and ABL trust, etc.

Trust Lineup

Trusts for the separate management of money and securities

Trust for segregated deposits which securities companies receive from customers

Trusts for currency future trading

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

Crypto-asset related trust

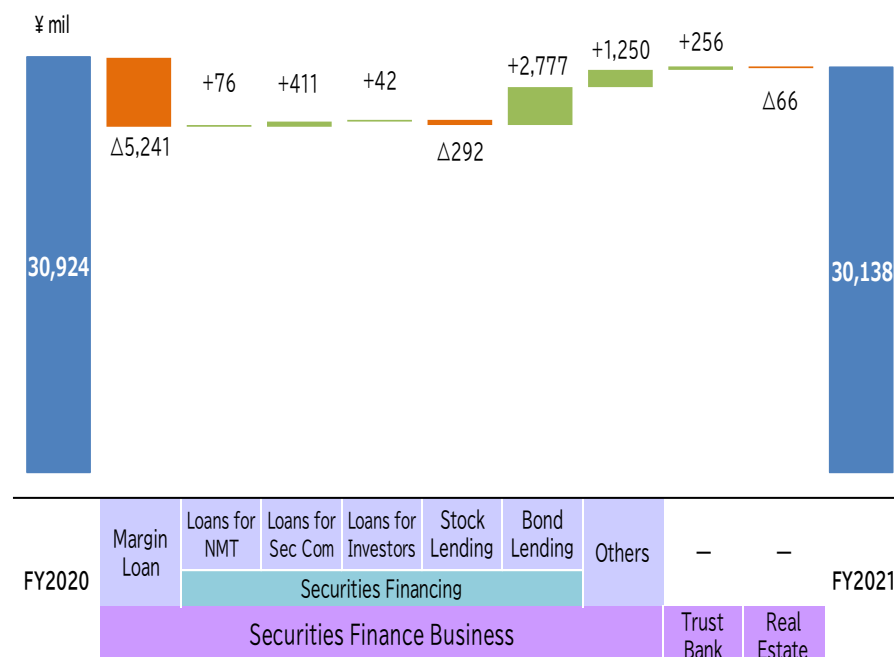
Trust for segregated guarantee deposits which crypt-asset exchangers receive from customers

Asset Backed Loan (ABL) Trust

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

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

【Full Year】 YoY ▲ ¥ 786 mil(Δ2.5%)



Summary of the Significant Points for Full Year

Margin Loan Business

- Results decreased due to a decrease in outstanding of stock loans.

Securities Financing

- Loans to Securities Companies: Revenues increased due to an increase of outstanding equity repo transactions, etc.
- Loan to Individual Investors or Firms: Revenues increased due to an increase of outstanding Com-STOCK loans.
- General Stock Lending: Borrowing demand for use of fail-cover decreased.
- Bond Lending: Both outstanding gensaki transactions and repo transactions increased.

Others

- Revenues increased due to steady accumulation of carry income and recording of gains on sale under portfolio management.

Trust Business

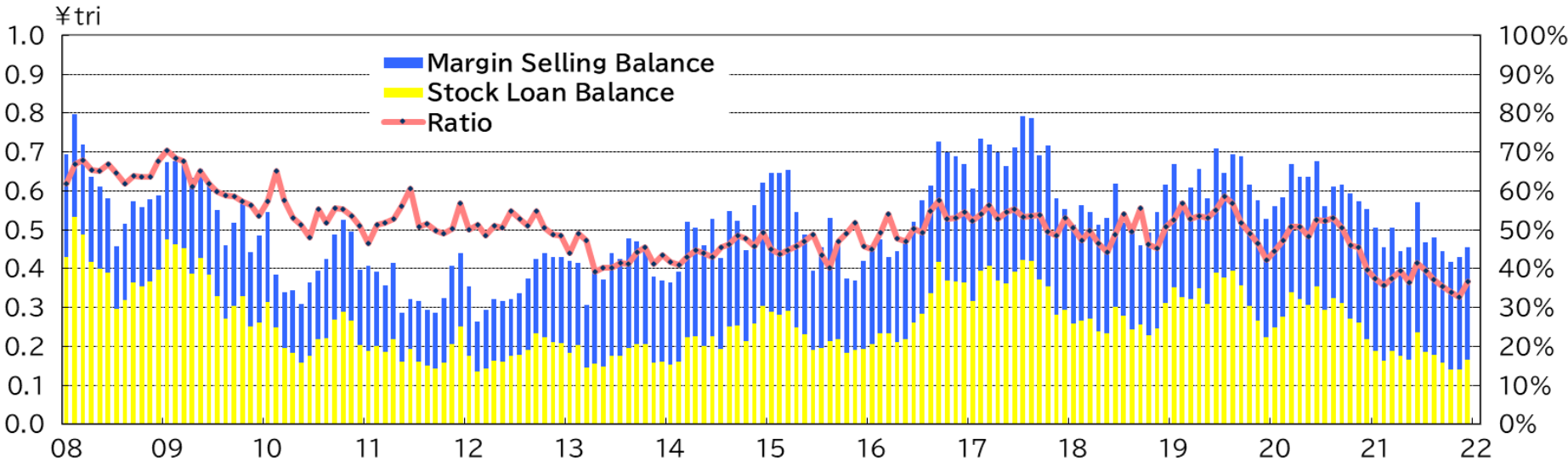
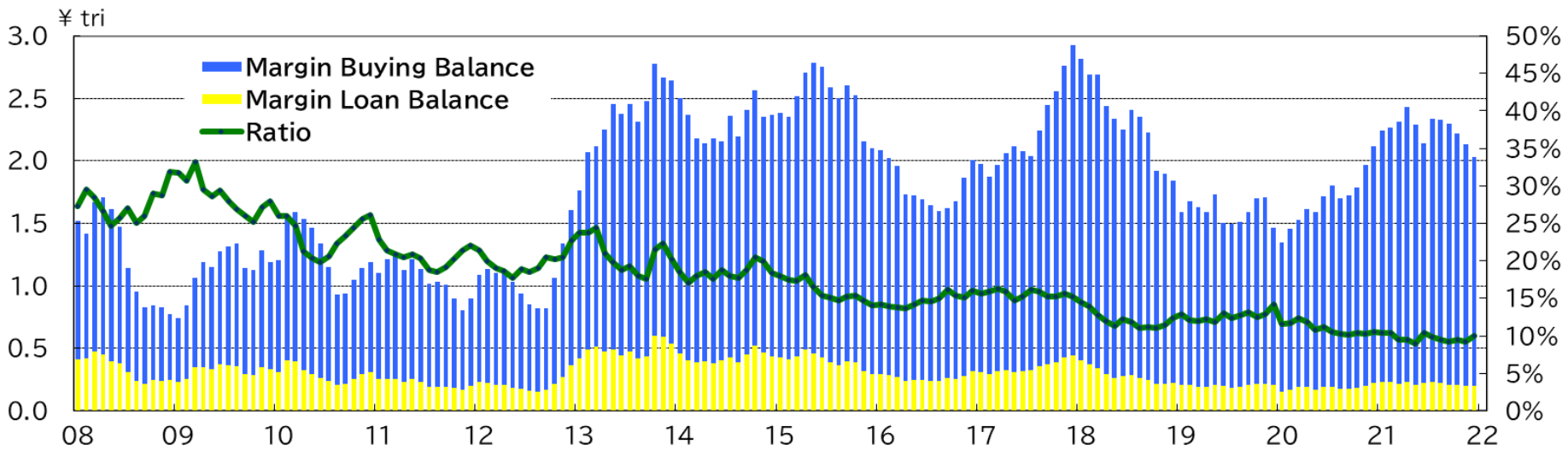
- Trust fees grew steadily.

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

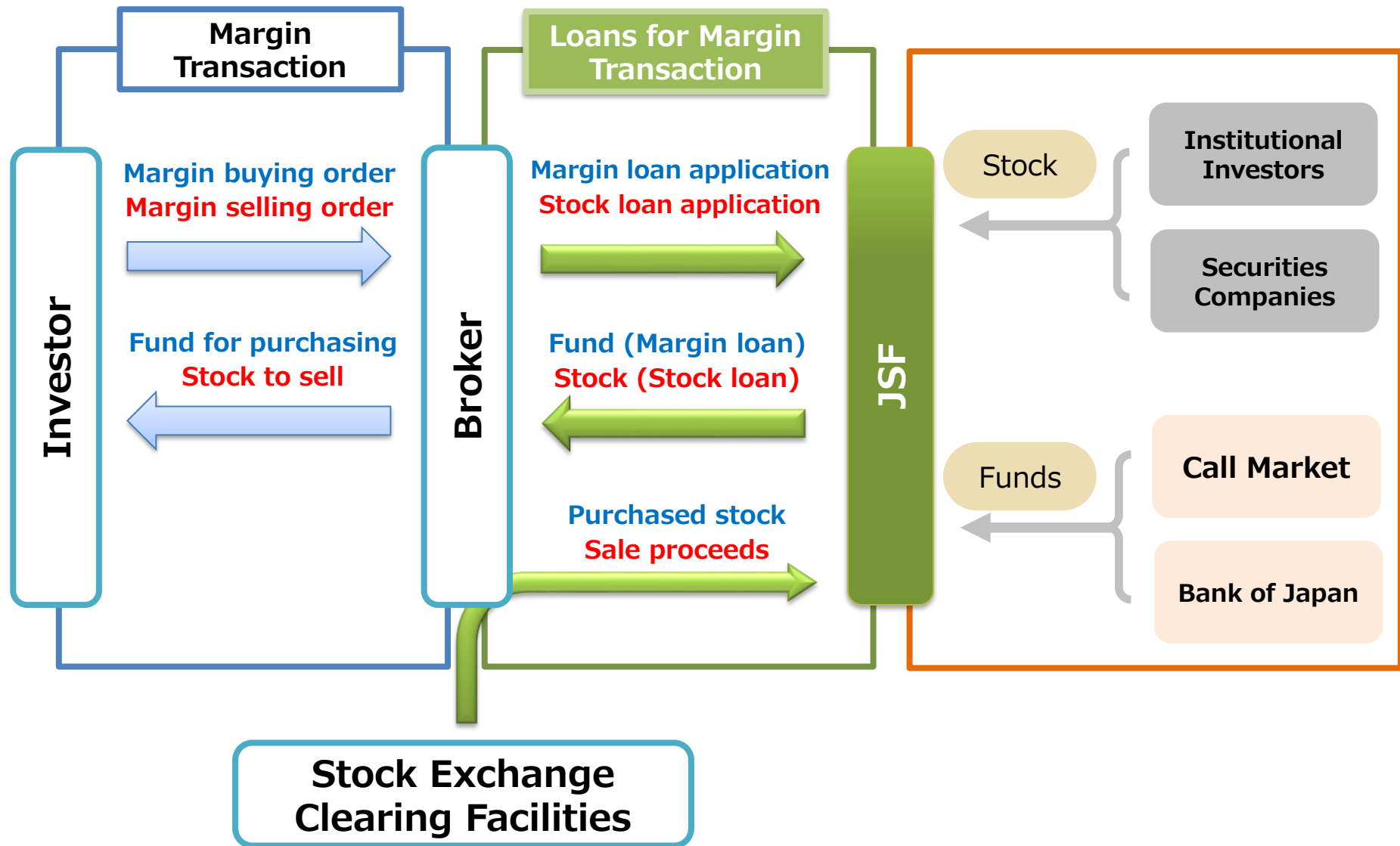
¥ mil

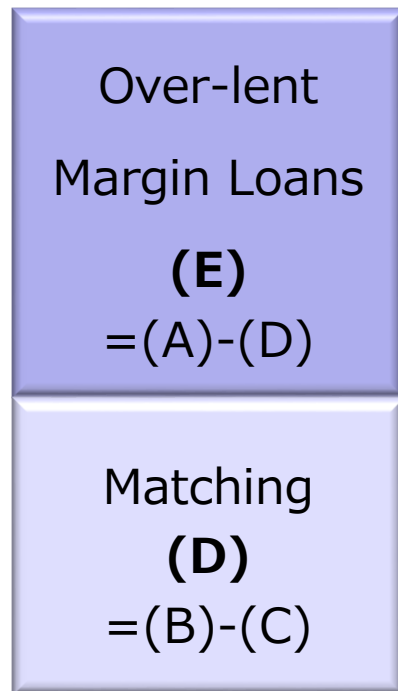
Transaction Type	FY2019	FY2020	FY2021
Margin Loans	219,979	224,615	283,118
Stock Loans	333,949	300,638	175,578
Securities Financing	4,609,077	7,099,013	9,969,762
Loans for Negotiable Margin Transaction	10,434	9,910	21,509
Loans to Securities Companies	309,033	327,444	585,974
Retail	13,934	13,092	14,993
General Stock Lending	60,859	47,126	47,509
Bond Lending	4,214,817	6,701,439	9,299,775
Trust Bank Loans	473,808	571,109	682,499

● Margin Transactions & Loans for Margin Transactions

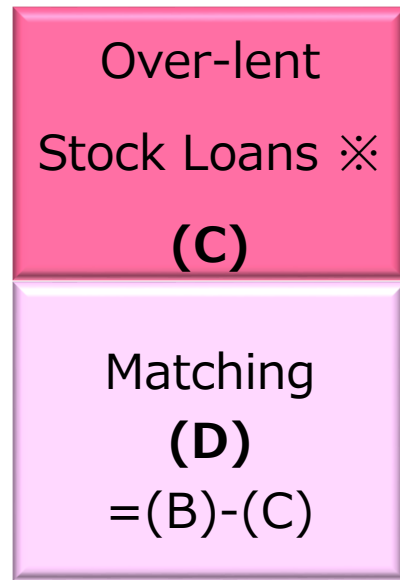


● Structure of Margin Transactions & Loans for Margin Transactions





Margin Loans
(A)



Stock Loans
(B)

Income Statement

Operating revenues:

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

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

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

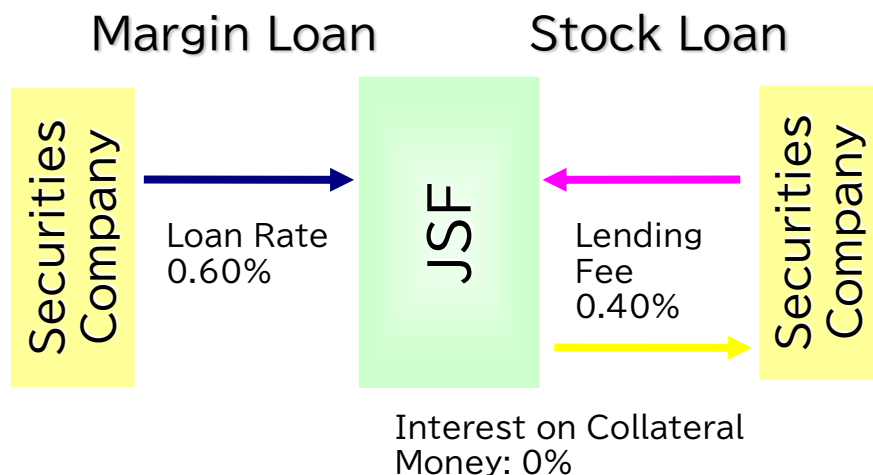
Operating expenses:

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

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

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

● About the Margin Loan Rate



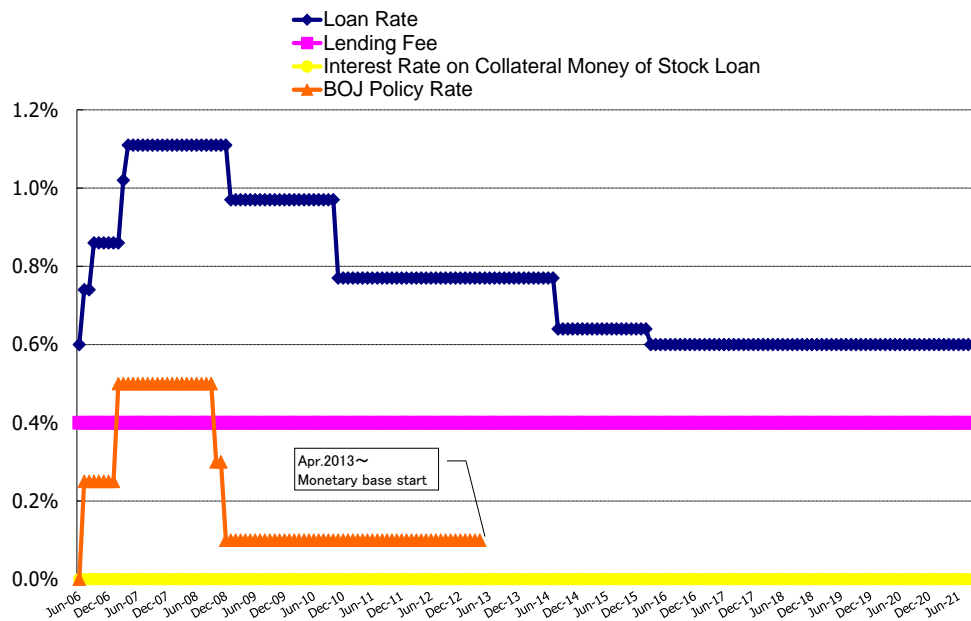
BOJ Policy Interest Rate

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

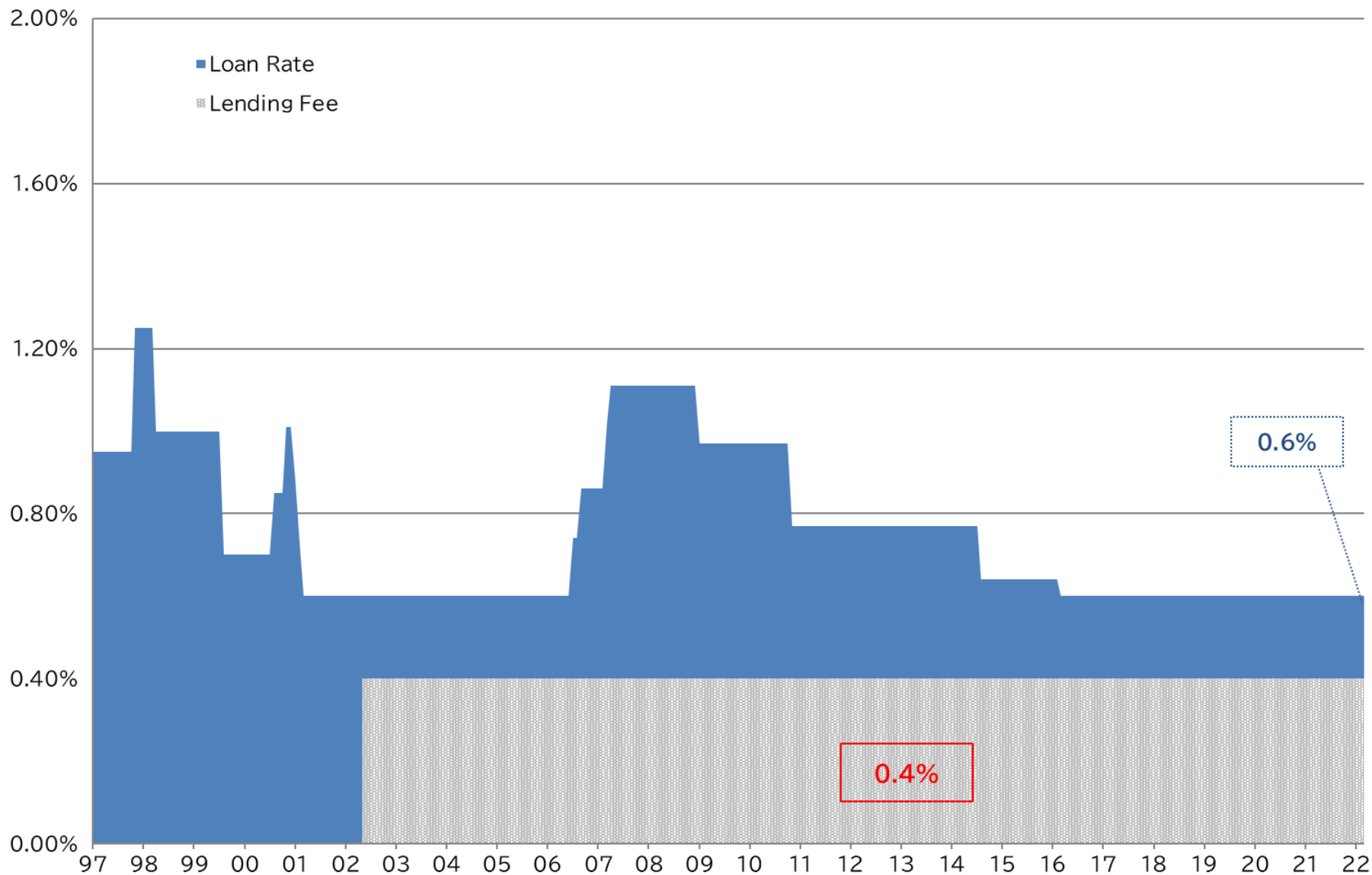
Margin Loan Rate

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

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



● Rate of Loans for Margin Transactions



¥ mil

Securities Holdings	Mar-21		Mar-22		Notes
	B/S Amount	Unrealized Profits and Losses	B/S Amount	Unrealized Profits and Losses	
Equity	15,338	10,610	12,022	7,786	
Bond	921,896	18,858	1,100,835	3,587	
JGB&Municipal Bond	510,390	17,593	527,826	4,267	
Corporate Bond	355,499	▲326	447,409	▲786	Government guaranteed bonds etc.
Others	56,006	1,591	125,600	106	Foreign government bonds
Other Securities	17,506	3,539	14,933	4,421	
Total	954,741	33,007	1,127,790	15,794	
(included the effects of derivatives)	—	(14,359)	—	(11,290)	

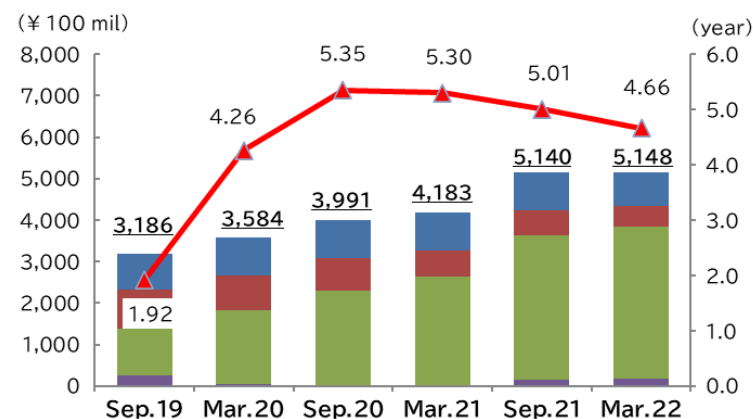
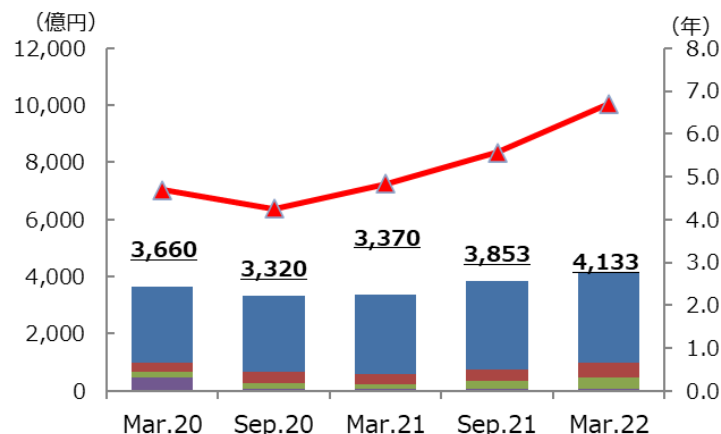
Held-to-maturity bonds	B/S Amount	Unrealized Profits and Losses	B/S Amount	Unrealized Profits and Losses	Notes
JGB	1,512	194	1,511	162	

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

Yen Bond Portfolio(JSF)

Yen Bond Portfolio (JSF Trust Bank)

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



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

● Loan Balance by Industry

¥mil

	Mar-21		Sep-21		Mar-22	
	Loan Balance	Ratio	Loan Balance	Ratio	Loan Balance	Ratio
Manufacturing	0	0.0%	0	0.0%	0	0.0%
Fishery	0	0.0%	0	0.0%	0	0.0%
Mining	0	0.0%	0	0.0%	0	0.0%
Construction	0	0.0%	0	0.0%	0	0.0%
Energy & Utilities	0	0.0%	0	0.0%	0	0.0%
Communication	0	0.0%	0	0.0%	0	0.0%
Transportation	689	0.1%	689	0.1%	689	0.1%
Wholesale	0	0.0%	0	0.0%	0	0.0%
Retail	0	0.0%	0	0.0%	0	0.0%
Finance & Insurance	2,100	0.3%	1,000	0.2%	4,650	0.9%
Real Estate	1,120	0.2%	1,200	0.2%	1,196	0.2%
Service Industries	0	0.0%	0	0.0%	0	0.0%
Governments	723,947	99.5%	660,382	99.6%	526,090	98.8%
Total	727,856		663,271		532,625	

Corporate Philosophy

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

Management Principles

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

Basic concept as a securities finance company

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

Solid equity capital
Financial health

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

Future business development

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

Business management structure

Management Goals

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

Strategies

Enhance the margin loan business as part of securities market infrastructure

Develop and realize new business

Expand and enhance the securities finance business

Diversify management of securities as an efficient use of capital

Strengthen the business management structure

Facilitate diverse work styles and make JSF more dynamic

Strengthen our competitive base through efficient business operation

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

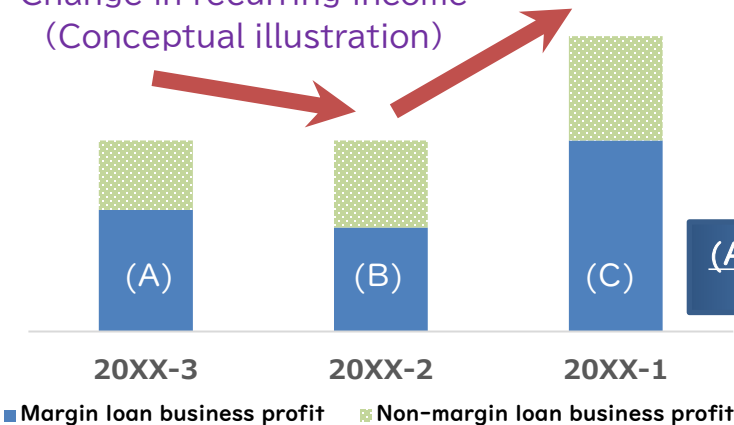
Use of the Risk Appetite Framework

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

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

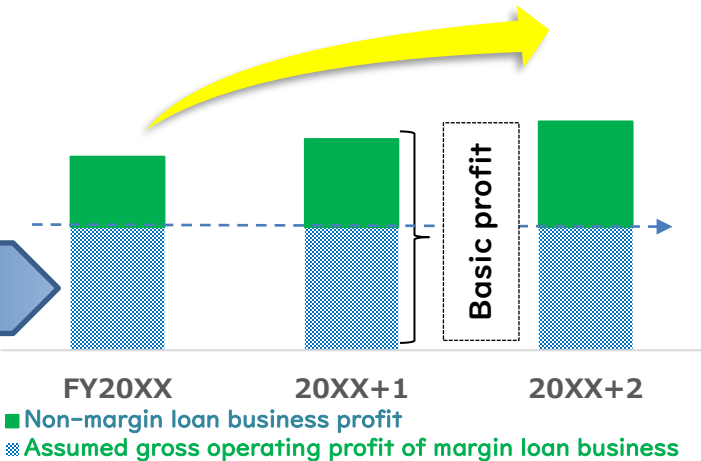
1. Characteristics of Our Recurring Income

Change in recurring income
(Conceptual illustration)



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

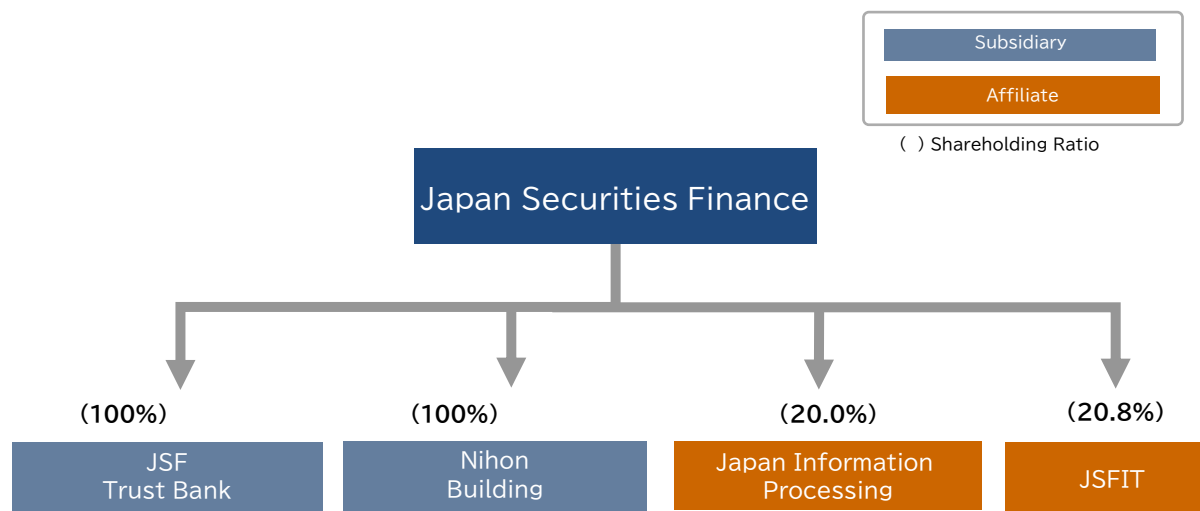
2. Calculation of Basic Profit



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

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

● Our Group Companies



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

As of 17/May/2022		JCR		R&I		Standard & Poor's	
		Rating	Outlook	Rating	Outlook	Rating	Outlook
Japan Securities Finance	Long-term	AA-	Stable	AA-	Stable	A	Stable
	Short-term	J-1+ (Highest)		a-1+ (Highest)		A-1	
	CP Issue	¥1tri		¥1tri		—	
JSF Trust Bank	Long-term	AA-	Stable	AA-	Stable	—	—
	Short-term	J-1+ (Highest)		a-1+ (Highest)		—	—

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

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




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

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

Important issues we recognize

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

Specific Initiatives on Key Issues

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

Corporate Philosophy

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

Our History to Date

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

1950

1951

1977

1989

1998

2019

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

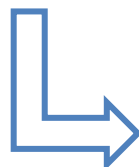
■ Launched the margin loan business

■ Launched the general stock lending business

■ Launched the brokerage business for bond lending

■ Established JSF Trust Bank

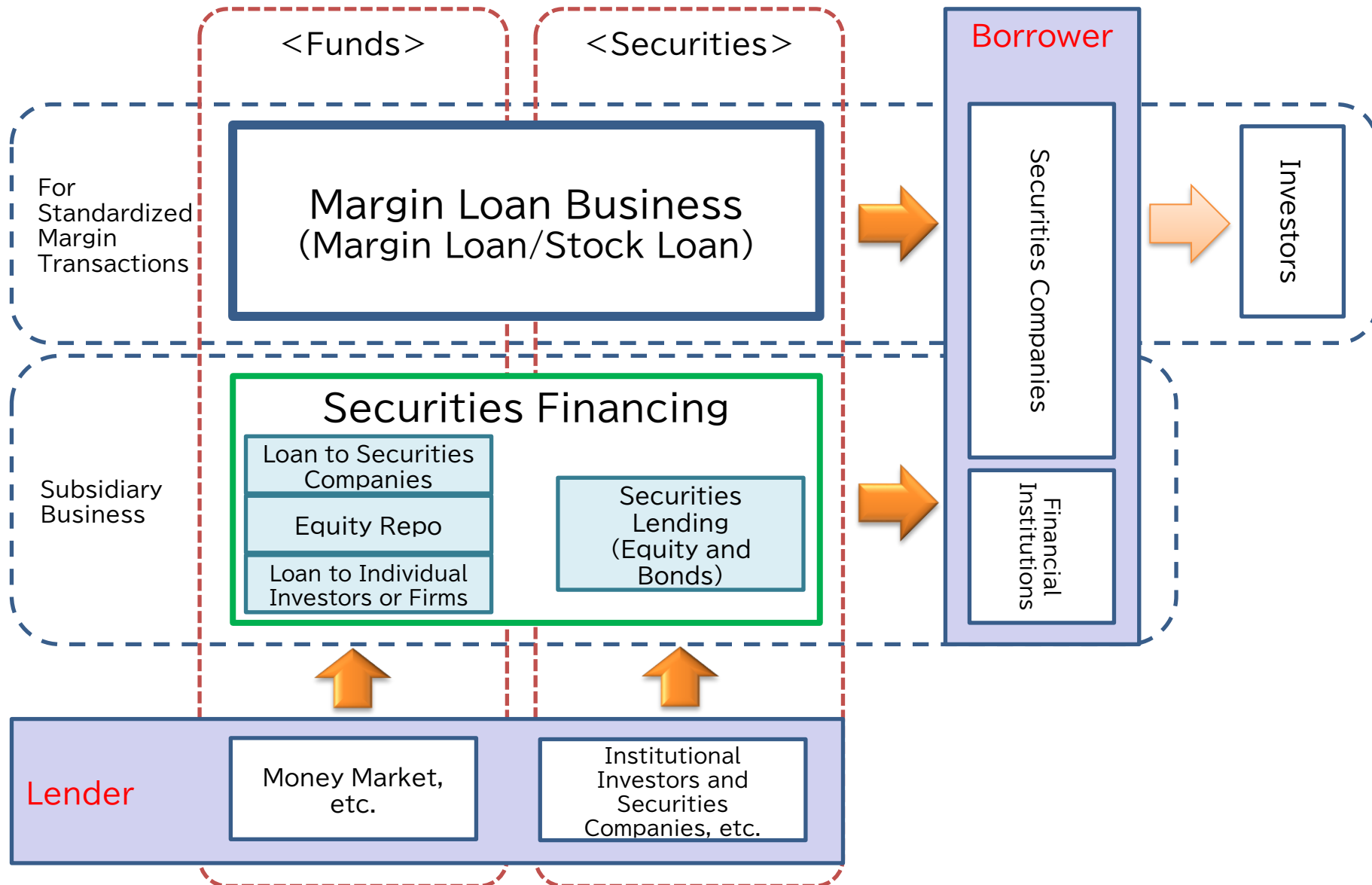
■ Launched loans for margin transactions for PTS



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

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

● Our Business Field (Image Chart)



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