

# Japan Securities Finance Co., Ltd.

## FY2022

## Financial Results Presentation

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## <Part II > Our efforts to achieve management with awareness of our cost of capital and stock price

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# 1. Executive Summary (Consolidated)

(¥ mil)	FY2022 Full Year		Highlights	
		YoY $\Delta$	$\Delta\%$	
Operating Income	6,354	+119	+1.9%	<ul style="list-style-type: none"> <li>✓ Increased year on year by 1.9% mainly thanks to firm earnings from securities financing, particularly from bond lending and equity repo transactions.</li> <li>✓ Repositioned for future portfolio management in response to rising interest rates overseas. This resulted in recording losses on sales of foreign currency bonds.</li> </ul>
Recurring Income	7,601	+436	+6.1%	
Net Income	5,966	+792	+15.3%	<ul style="list-style-type: none"> <li>✓ Recorded extraordinary gains on reduction in retirement benefit liabilities due to change in retirement bonus structure.</li> </ul>

## 2. Summary of Financial Results for FY2022

(¥ mil)	Consolidated			Non-consolidated					
	FY2022 Full Year	YoY.Δ	(%Δ)	JSF	YoY.Δ	JSF Trust Bank	YoY.Δ	Nihon Building	YoY.Δ
<b>Operating Revenues</b>	<b>42,518</b>	12,380	(+41.1%)	38,631	12,044	3,364	403	1,197	▲88
<i>Except Premium Charges</i>	37,806	10,501	(+38.5%)	33,919	10,166				
<b>Operating Expenses</b>	<b>28,765</b>	12,231	(+74.0%)	28,268	11,932	748	312	35	9
<i>Except Premium Charges</i>	24,053	10,325	(+75.2%)	23,556	10,027				
<b>General &amp; Administrative Expenses</b>	<b>7,398</b>	29	(+0.4%)	5,972	▲31	1,202	61	626	▲39
<b>Operating Income</b>	<b>6,354</b>	119	(+1.9%)	4,390	143	1,413	29	536	▲58
<b>Recurring Income</b>	<b>7,601</b>	436	(+6.1%)	10,274	4,346	1,415	30	651	▲55
<i>Gain or Loss in Equity-Method</i>	523	76	(+17.2%)						
<b>Extraordinary Profit or Loss</b>	<b>671</b>	689	(-)	671	689	—	—	—	—
<b>Net Income</b>	<b>5,966</b>	792	(+15.3%)	9,302	4,762	975	▲47	429	▲35

# 3. Summary of Financial Results for FY2022

(Non-consolidated)



Japan Securities Finance (Non-consolidated) *Excluding premium charge			
(¥ mil)	FY2022 Full Year	YoY.Δ	(%Δ)
<b>Operating Revenues*</b>	<b>33,919</b>	10,166	(+42.8%)
Operating Expenses*	23,556	10,027	(+74.1%)
<b>Operating Profit</b>	<b>10,363</b>	111	(+1.1%)
Margin Loan Business*	3,077	263	(+9.4%)
Securities Financing	5,850	2,084	(+55.4%)
Others	1,434	▲2,236	(Δ60.9%)
General & Administrative Expenses	5,972	▲31	(Δ0.5%)
<b>Operating Income</b>	<b>4,390</b>	143	(+3.4%)
<b>Recurring Income</b>	<b>10,274</b>	4,346	(+73.3%)
Extraordinary Profit or Loss	671	689	(-)
<b>Net Income</b>	<b>9,302</b>	4,762	(+104.9%)

## Key Points

### ● Operating Revenues

- Securities financing revenues increased on higher balances for bond lending and equity repo (+42.8%).

### ● Operating Profit

- Operating profit increased by ¥111 million YoY to ¥10,363 million (+1.1%). Although based on firm earnings from securities financing, income from Others (mainly securities investment) decreased due to the repositioning of held securities to enable future portfolio management

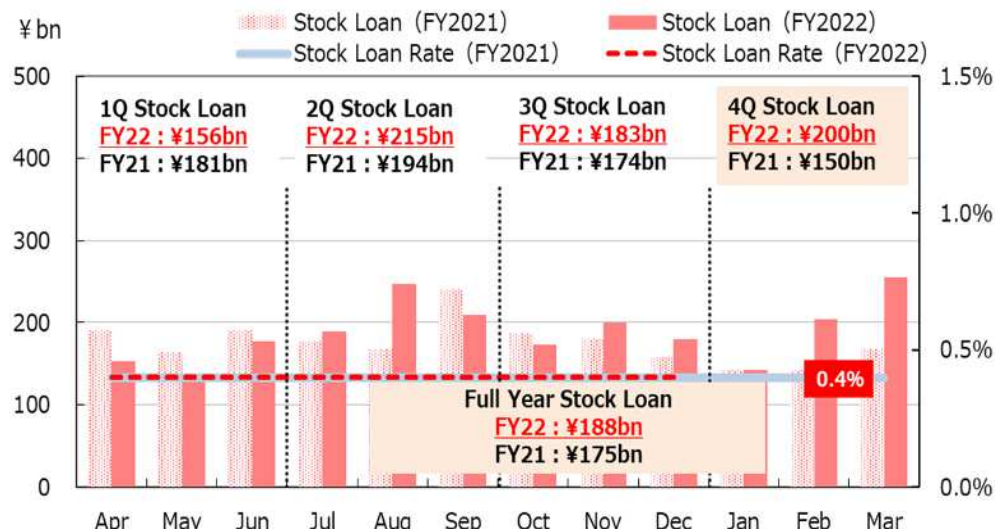
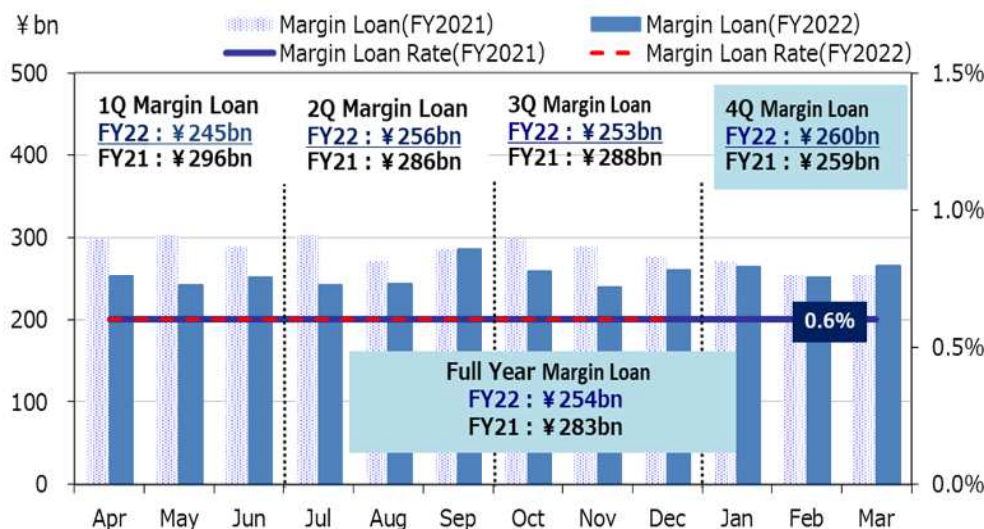
### ● General & Administrative Expenses

- From the perspective of efficient capital allocation within our group companies, dividends paid from two consolidated subsidiaries (up ¥3,952 million YoY). As a result, non-consolidated Net Income increased significantly, but have no impact on consolidated results because of consolidation eliminations.

# 4. Financial Highlights (Margin Loan Business)

- Margin loan balances were slightly higher QoQ in 4Q, but remained low throughout the year
- Stock loan balances remained steady at a level higher than the previous fiscal year. 4Q's average balance recovered to the ¥200 billion level thanks to short sell increased during periods of rising stock prices

(¥ bn)	FY2021						FY2022						YoY	
	1Q	2Q	1H	3Q	4Q	full year	1Q	2Q	1H	3Q	4Q	full year	4Q	YTD
融資平均残高	296	286	291	288	259	283	248	256	252	253	260	254	0	▲28
貸株平均残高	181	194	188	174	150	175	156	215	185	183	200	188	49	13



# 5. Financial Highlights (Securities Financing)

- Bond lending and equity repo benefitted from capturing diverse needs to continue upward trend and General Stock Lending also increased revenues
- Loans for Negotiable Margin Transactions and Retail remained steady YoY

(¥ mil)

	Type of transaction	FY2022 Full Year	YoY△	YoY%	
Securities Financing	Loans for Negotiable Margin Transactions	130	▲5	△4.3%	✓ Remained slightly below the previous year's level
	Loan to Securities Companies*	1,514	335	+28.4%	✓ Outstanding equity repo transactions have been on increasing.
	Retail	377	24	+6.9%	✓ The mainstay COM-STOCK Loan remained steady.
	General Stock Lending	496	140	+39.6%	✓ General stock lending increased YoY thanks to recovery of borrowing demand for fail-cover.
	Bond Lending	3,332	1,589	+91.2%	✓ Both outstanding <i>gensaki</i> transactions and repo transactions have been increasing.
	<i>Total Gross Profit</i>	5,850	2,084	+55.4%	

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



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

- Repositioned for future portfolio management in response to rising interest rates overseas and other changes in operating environment.
- This resulted in recording gains on sales of domestic bonds and losses on sales of foreign currency bonds.

### Gains on management of market assets (JSF)

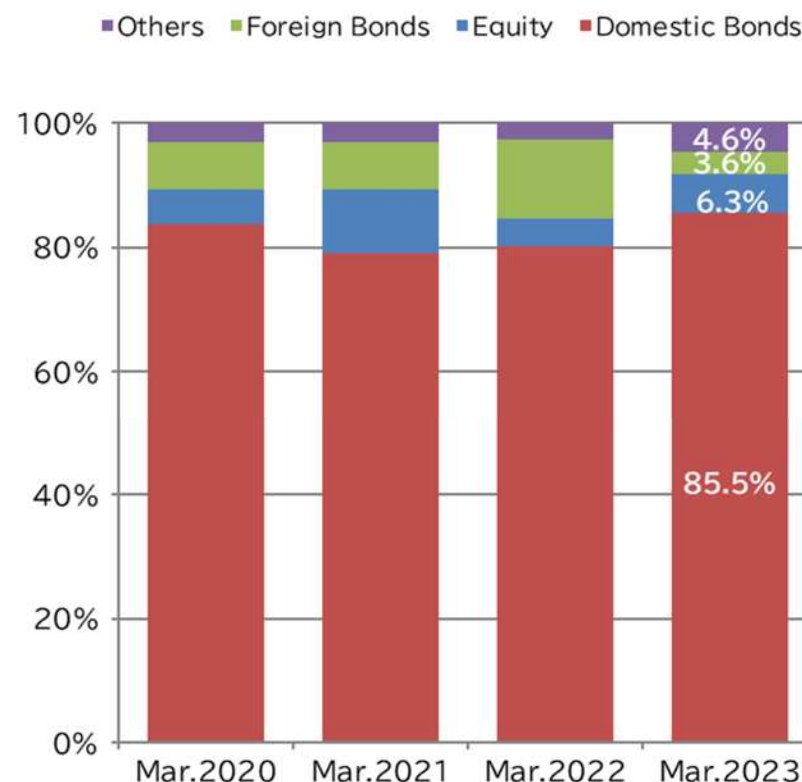
	FY2022	YoY
<b>Yen-based</b>	¥ 8,351 mil	¥ 5,215 mil
Domestic Bonds	¥ 5,955 mil	¥ 4,559 mil
Stocks and Others	¥ 2,395 mil	¥ 655 mil
<b>In foreign currencies</b>	△¥ 6,846 mil	△¥ 7,467 mil
<b>Total</b>	¥ 1,434 mil	△¥ 2,236 mil

### Ref. Trend of Interest Rate

Source) Bloomberg



### Changes in Investment Portfolio





## 7. Summary of Financial Results (JSF Trust Bank)

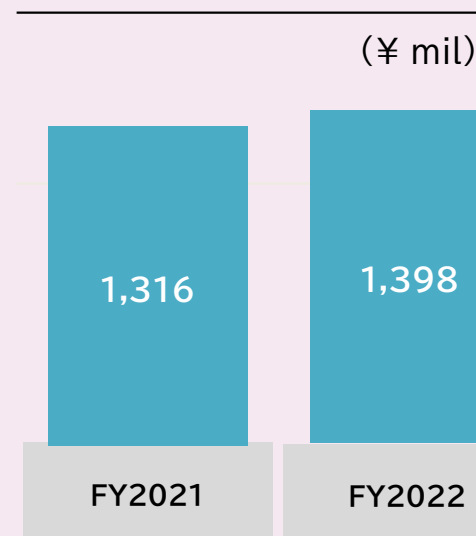
### Highlights

- Custodian type trust services, particularly asset-backed loan trusts, drove increased revenues from trust fees.
- Recurring revenues increased on growth in trust fees and having recorded gains on sale of securities.
- Net income decreased due to an allowance for doubtful accounts and an increase in income taxes.

### JSF Trust Bank (Non-consolidated)

(¥ mil)	FY2022 Full Year	YoY	
			(%)
Recurring Revenue	3,366	404	(+13.6%)
Trust Fees	1,398	81	(+6.2%)
Recurring Expenses	1,951	374	(+23.7%)
Recurring Income	1,415	30	(+2.1%)
Net Income	975	▲47	(△4.6%)

### 【Trust Fees】



# 8. Estimated Figures for FY2023

Precondition	
FY2023 Estimate	
Over-lent Margin Loan ¥160bn	Over-lent Stock Loan ¥110bn
Matching ¥100bn	
Margin Loan ¥260bn	Stock Loan ¥210bn

(Reference)  
FY2022 Results

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

(¥ mil)		FY2023 Estimated Figures	YoY.Δ	Δ from prev. EF
Consolidated				
Operating Income		7,500	+1,145	—
Recurring Income		8,500	+898	—
Net Income		6,100	+133	—
JSF				
JSF	Operating Income	5,523	+1,132	—
	Recurring Income	7,452	▲2,822	—
	Net Income	5,743	▲3,559	—
JSF Trust and Banking				
JSF Trust and Banking	Recurring Income	1,480	+66	—
	Net Income	1,027	+51	—
Nihon Building				
Nihon Building	Operating Income	540	+3	—
	Recurring Income	645	▲6	—
	Net Income	425	▲4	—

Preconditions of Loans for Margin Transactions

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

<Approach to Estimated Figures for FY2023>

- ✓ Securities financing remains at same level, while Securities Investment revenue is expected to improve. Subsidiaries' results are expected to be at same level with the previous fiscal year. Dividends from subsidiaries to JSF are expected to be reduced.

**Our efforts to achieve management  
with awareness of our cost of capital  
and stock price**

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# 1. Efforts to achieve management with awareness of our cost of capital and stock price, etc

## Analysis of the current situation

- ❑ **Management goal:** Setting a management goal for achieving a ROE of 5% in excess of the cost of equity (mid 4% range), during the period of the Seventh Medium-term Management Plan in our Medium-term Management Policy.
- ❑ **Shareholder returns:** 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.

- ❑ **As a result of these efforts, the Company's stock price and PBR have been on an upward**

	FY2018	FY2019	FY2020	FY2021	FY2022
ROE	2.65%	2.66%	3.03%	3.79%	4.36%
Total payout ratio	87.8%	71.0%	60.1%	97.6%	97.6%
PBR*	0.38 times	0.35 times	0.54 times	0.59 times	0.64 times

\*PBR is the value at the end of each fiscal year.

## Approach to the cost of capital

- ❑ Cost of equity is estimated by objective data and multiple methods, perceived to be in the mid-4% range.
- ❑ As infrastructure for the securities market, our risk of business strategy is low and financial stabilities and earnings are high, due to financial soundness and restrictions on the scope of their business are imposed by laws and regulations and participation standards for securities and funds settlement systems.
- ❑ Due to the characteristics of a securities finance company, our cost of equity is considered to be considerably lower than the general level.

# 1. Efforts to achieve management with awareness of our cost of capital and stock price, etc

## Approach to improving return on capital(1)

- ❑ Required to maintain financial soundness and subject to legal restrictions on the scope of our business. In light of such characteristics of the Company, it is not appropriate to take measures to rapidly increase ROE by drastically reducing net assets, for example, due to concerns about possible infringement of business regulations and side effects such as higher financing costs, etc.

➤ **Aim to achieve a 5% ROE by FY2025.**

- ❑ The level of ROE has steadily increased since FY 2019, when JSF became a company with a nomination committee, etc., mainly due to the increased contribution to earnings from the securities financing business.

➤ **ROE has steadily increased from 2.66% in FY2019 to 4.36% in FY2022. We are continuing to make progress, with a view to achieving the 5% goal by FY 2025.**

- ❑ Regarding PBR, it was below 1 times at 0.64 times at the end of FY2022, but it has been steadily increasing from 0.35 times at the end of the FY2019.

➤ **Our aggressive efforts to enhance shareholder returns, with a total payout ratio of 100% from FY2021 through FY2025, also contributed to this.**

# 1. Efforts to achieve management with awareness of our cost of capital and stock price, etc

## Approach to improving return on capital (2)

### ❑ Promotion of The Seventh Medium-term Management Plan(FY2023-2025)

- Continuing to accelerate and deepen our management reform efforts
- Further develop an efficient business operation structure to respond flexibly and agilely to changes in the business environment and striving to enhance corporate vitality and organizational transformation through the development of human resources and the securing of diversity.

### ❑ Continue to make management efforts to further improve our corporate value through sustainable growth and improvement of capital efficiency in FY2026 and beyond.

- Taking into consideration the financial soundness and business characteristics required of a securities finance company.
- Strive to achieve a higher ROE that will ensure a significantly larger spread than the cost of equity.

# 1. Efforts to achieve management with awareness of our cost of capital and stock price, etc

## Approach to improving return on capital (3)

### □ Formulated “Human Capital Policies”

- As our basic approach for promoting initiatives related to the formation of “human capital,” such as human resource development, with the aim of strengthening the foundation of human resource capabilities, which are the source of enterprise value creation.

#### Vision

- We respect the diverse values of our employees and will strive to provide opportunities and supportive environments so that diverse individuals can maximize their individuality and strengths and grow on their own through the performance of their work.
- We will promote the creation of comfortable work environments so that employees can engage in their work with peace of mind.
- We will improve our corporate vitality and organizational transformation capability, and achieve more productive working styles by working to improve employee engagement.

- Sets forth “Our image of expectations for human resources” clarifies efforts toward these visions, including recruitment, training and career advice, etc.

- ◆ Through the above management initiatives, JSF intends to achieve a PBR of over 1x.



- As a prime market listed company, JSF, based on the Corporate Governance Code, responds to dialogues with its shareholders in a positive manner, within reasonable limits, in order to contribute to the sustainable growth and the enhancement of corporate value over the medium to long term.

【 Main themes, points of shareholder interest.(FY2022) 】

### ① Initiatives and achievements to enhance corporate value and capital efficiency

- JSF explained that it has been striving to improve profitability and capital efficiency by setting a management goal for achieving a ROE of 5% in excess of the cost of equity (mid 4% range), during the period of the Seventh Medium-term Management Plan in our Medium-term Management Policy, and also that JSF's ROE has been steadily increasing in recent years.
- JSF received feedback from shareholders that they would like to see continued efforts to enhance corporate value after the Seventh Medium-term Management Plan period is over.
- JSF have indicated to continue our management efforts to achieve a higher ROE level in FY2026 and beyond.  
( Please refer to the press release issued on May 15, 2023 )

### ② Officer nomination process and governance initiatives

- Provided explanations regarding governance at JSF.
- Based on opinions from shareholders, JSF disclosed the following cases that were proposed as issues raised by outside Directors regarding the actual operational aspects of Nominating and Remuneration Committees and the Board of Directors led by outside Directors.

### ③ Information disclosure

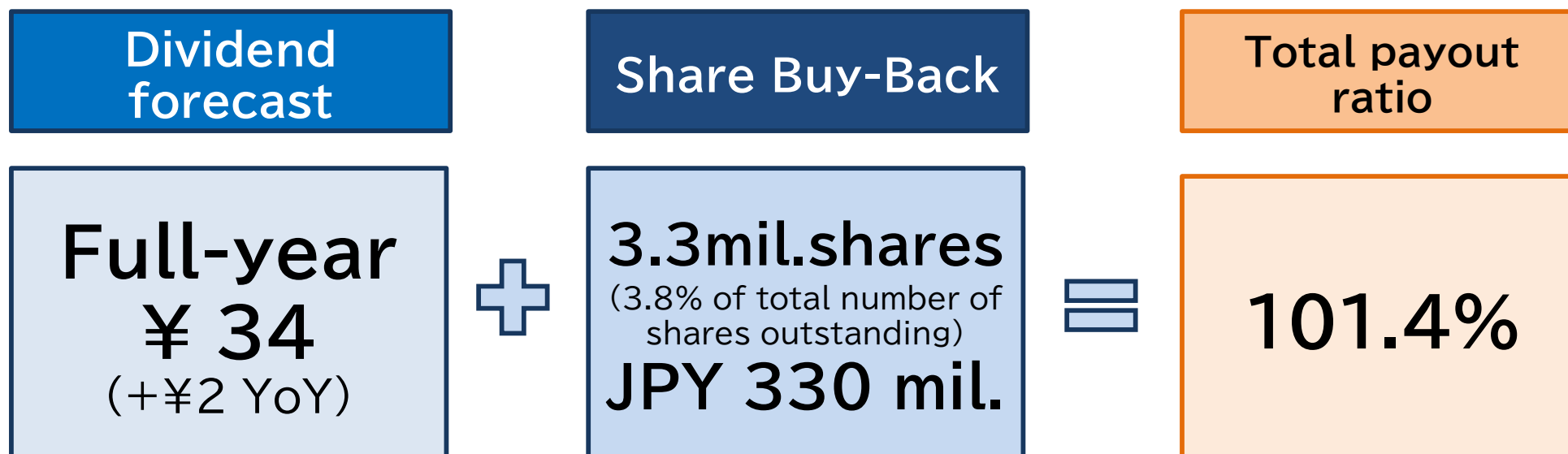
- Published its first Integrated Report incorporating.
- JSF recognize through discussions at the Board of Directors that we need to develop tools and systems to enhance information disclosure

- ❑ We reports the status of dialogues with shareholders to the Board of Directors promptly after each dialogue. we strive to ensure that the Board of Directors and the various committees hold discussions that also take into account the feedback of shareholders

#### Policy for shareholder returns

- 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
  - With regard to dividends, 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 FY2023



# Appendix

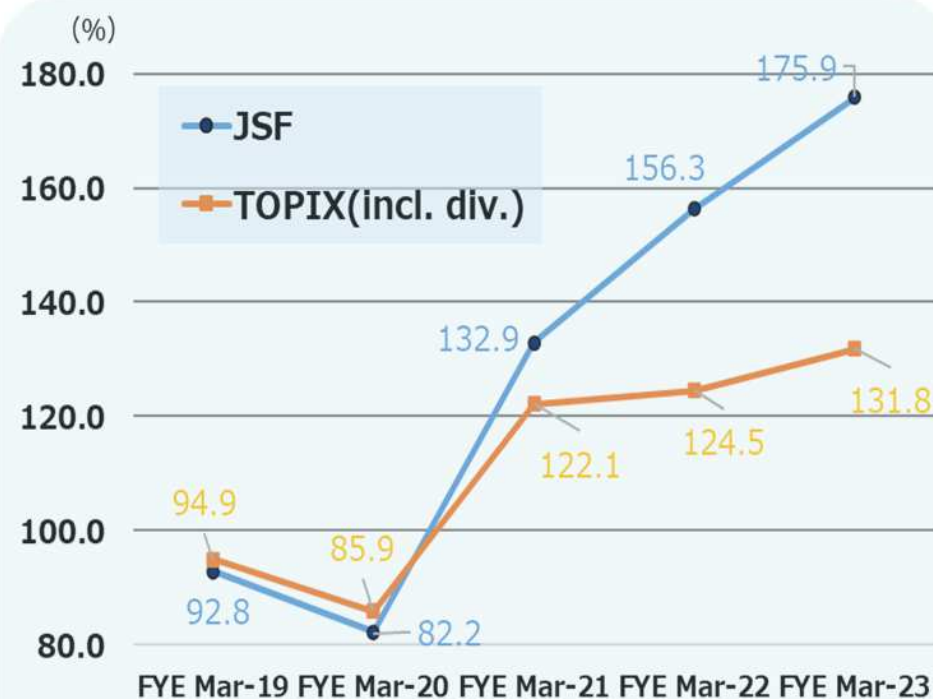
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- Results of financial ratios(ROE、Total Shareholder Return)
- Dividend and Share Buyback Program (Historical)
- Financial Result Trends (Consolidated)
- Gross Profit by Business
- Breakdown of Operating Revenues by Business (Historical Data)
- Breakdown 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
- Balance Sheet Summary ( end of Sep-2022, consolidated )
- About the Margin Loan Rates
- Rate of Loans for Margin Transactions
- Securities Holdings
- JSF Trust Bank (Loan Balance)
- Our Group Companies
- Rating Information
- ESG/SDGs Initiatives
- Our Corporate Philosophy and History to Date
- Our Business Field (image chart)

## ROE



## Total Shareholder Return



# ● Dividend and Share Buyback Program (Historical)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY2023 Forecast/ Framework
Annual Dividend per share	¥26	¥22	¥22	¥26	¥30	¥32	¥34 (Interim ¥17 Year-end ¥17)
Share Buyback (shares)	1.5mil	2.0mil	1.0mil	—	2.4mil	3.1mil	3.3mil
(amount)	¥0.9bn	¥1.2bn	¥0.5bn	—	¥2.3bn	¥3.0bn	¥3.3bn
Total Payout Ratio	58.8%	55.0%	57.2%	60.1%	97.6%	97.6%	101.4%
<Consolidated> : Net Income	¥4.2bn	¥3.7bn	¥3.5bn	¥3.9bn	¥5.1bn	¥5.9bn	¥6.1bn
:EPS	¥44.2	¥40.0	¥38.4	¥43.2	¥56.6	¥67.7	¥72.1
(reference) : DPR	58.8%	55.0%	57.2%	60.1%	53.0%	47.2%	47.1%

Note for FY2023 (Forecast)

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

# ● Financial Result Trends (Consolidated)

¥ mil

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Operating Revenues	26,333	24,321	29,101	30,924	30,138	42,518
Ex Premium charges	18,383	18,603	20,846	23,711	27,305	37,806
Operating Expenses	13,330	12,284	16,835	18,018	16,533	28,765
Ex Premium charges	5,385	6,566	8,585	10,819	13,728	24,053
General & Administrative Expenses	9,121	8,056	8,136	8,129	7,368	7,398
Operating Income	3,881	3,981	4,129	4,777	6,235	6,354
Gain or Loss in Equity-Method	123	248	306	395	446	523
Recurring Income	4,685	5,046	4,894	5,558	7,164	7,601
Extraordinary Profit or Loss	131	▲41	▲36	43	▲17	671
Net Income	4,225	3,765	3,556	3,971	5,174	5,966

# ● Gross Profit by Business

¥ mil

	Operating Revenues (ex. premium charges)			Gross Profit		
	FY2020	FY2021	FY2022	FY2020	FY2021	FY2022
<b>Consolidated</b>	<b>23,711</b>	<b>27,305</b>	<b>37,806</b>	<b>12,906</b>	<b>13,604</b>	<b>13,753</b>
<b>Securities Finance Business</b>	20,337	23,753	33,919	9,903	10,251	10,363
Margin Loan Business (ex. Premium charges)	4,146	3,285	3,292	3,853	2,814	3,077
Securities Financing	12,369	15,391	21,976	2,876	3,766	5,850
Loans for Negotiable Margin Transactions	80	156	149	53	135	130
Loans to Securities Companies	785	1,196	1,529	669	1,179	1,514
Retail	468	510	544	323	352	377
Stock Lending	950	657	799	536	355	496
Bond Lending	10,085	12,869	18,953	1,293	1,742	3,332
Others(mainly securities investment)	3,820	5,076	8,651	3,173	3,670	1,434
<b>Trust Business</b>	2,624	2,960	3,364	2,098	2,524	2,616
<b>Real Estate Management Business</b>	1,295	1,286	1,197	1,275	1,261	1,162

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)”.



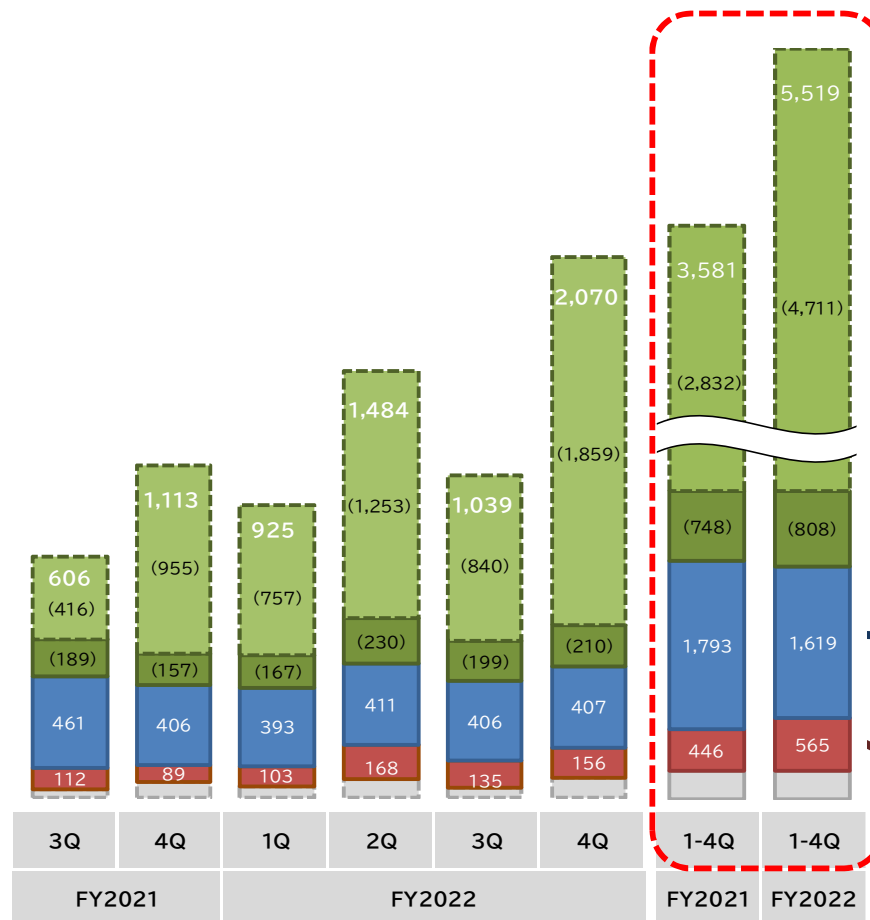
# ● Breakdown of Operating Revenues by Business (Margin Loan Business)

- Lending fees increased, but Margin loan balances decreased YoY, resulting in unchanged revenues when excluding premium charges for over-lent stock loans

## Changes in Operating Revenues

Quarterly

Full year



(¥:mil)

Revenue  
(YoY)

Point

Margin Loan  
Business

**8,003**  
(+30.8%)

✓ Operating revenues for services unchanged when excluding premium charges.

(ex premium charges)

**3,292**  
(+0.2%)

Fees on  
Lending  
Securities

**5,519**  
(+54.1%)

Premium  
Charges

**4,711**  
(+66.3%)

✓ Revenues from lending fees increased due to YoY increased in stock loan balances.

Lending  
Fees

**808**  
(+8.0%)

Interest  
on  
Loans

**1,619**  
(Δ9.7%)

✓ Revenues from interest on loans decreased due to YoY decline in margin loan balances.

Interest on  
collateral  
money of  
securities  
borrowed

**565**  
(+26.6%)

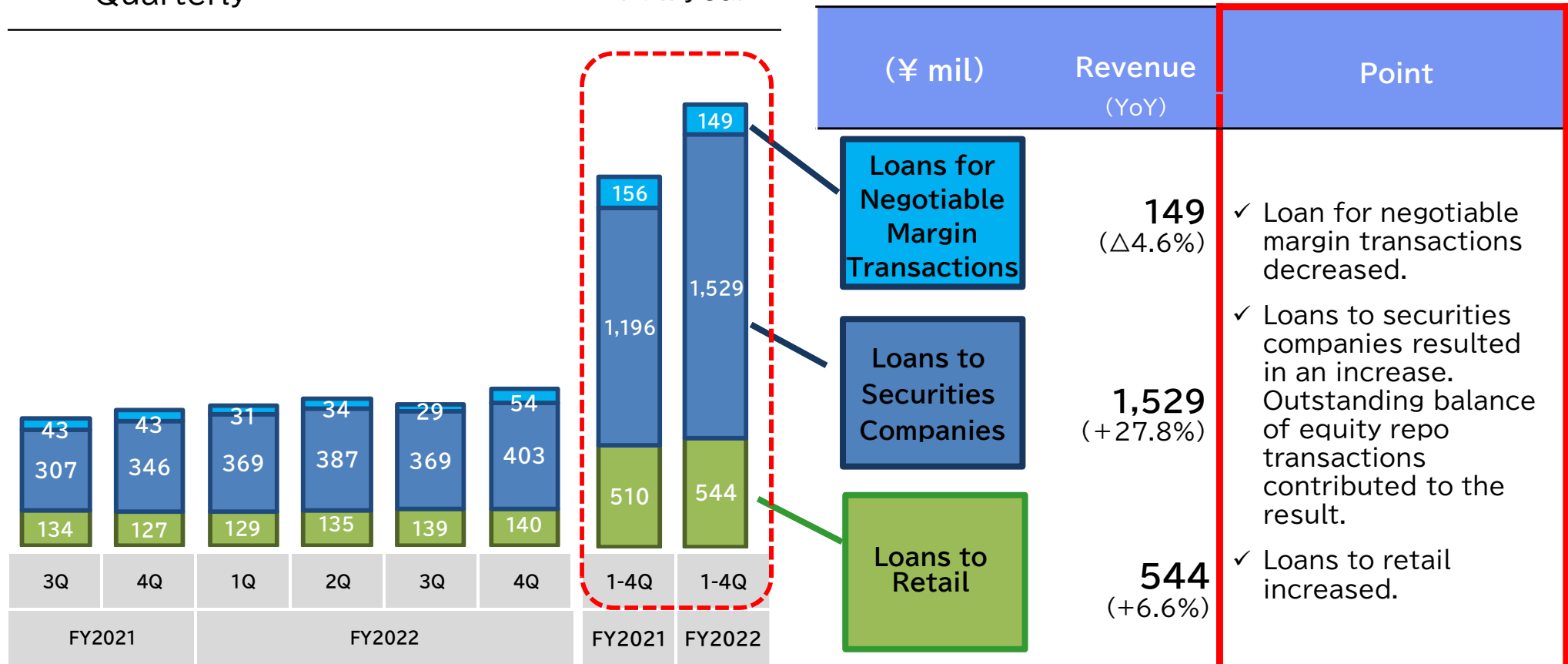
# ● Breakdown of Operating Revenues by Business (Securities Financing (1))

- 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: General loans, bon financing, loans for negotiable margin transactions, stabilizing fund loans, equity repo (cash-secured stock lending transactions)
- Loans to retail: Com-STOCK loans

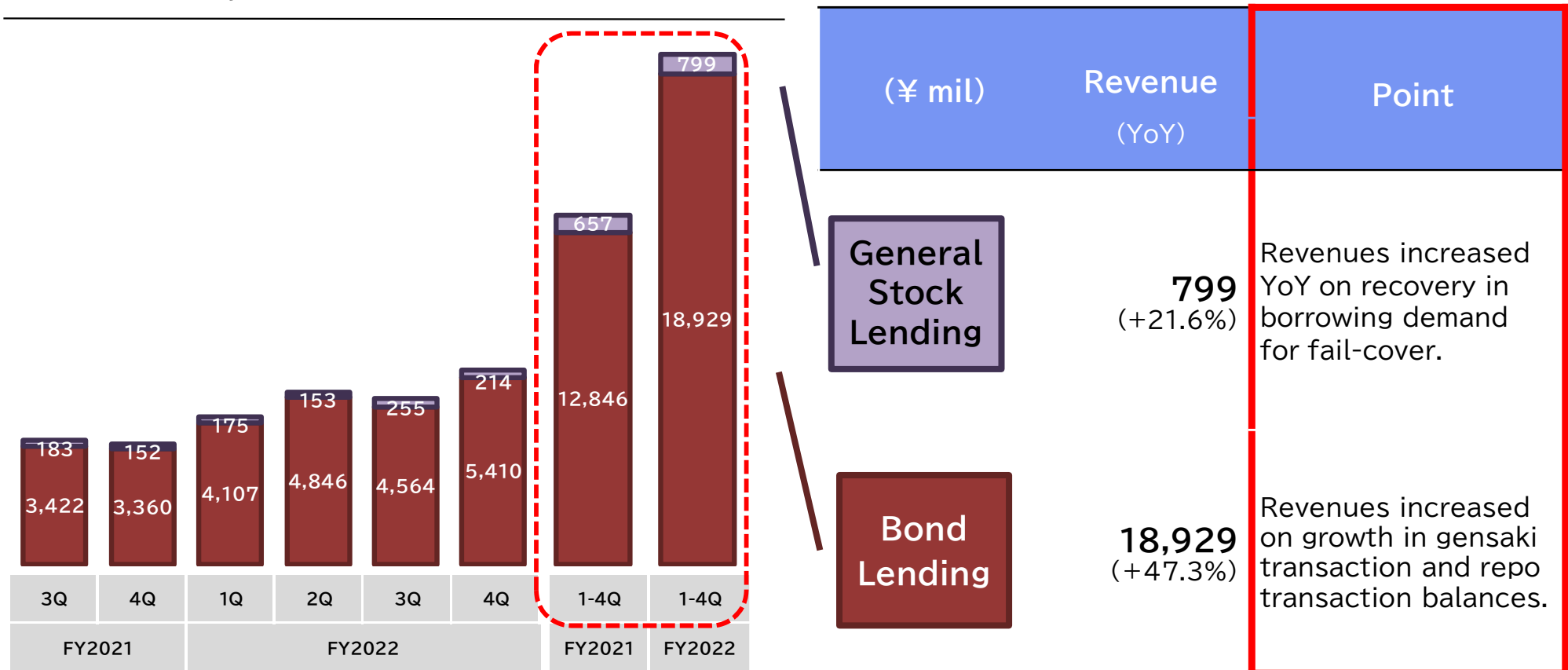
# ● Breakdown of Operating Revenues by Business (Securities Financing (2))

- Bond lending revenues increased on growth in gensaki transaction and repo transaction balances
- General stock lending increased YoY thanks to recovery of borrowing demand for fail-cover.

## Changes in Operating Revenues

Quarterly

Full year



\*General stock lending is ...

- Lending stock to securities companies depending on their various demands (ex. fail-cover and arbitrage), except on demand to settle margin transactions.

# ● Breakdown of Operating Revenues by Business (JSF Trust Bank)

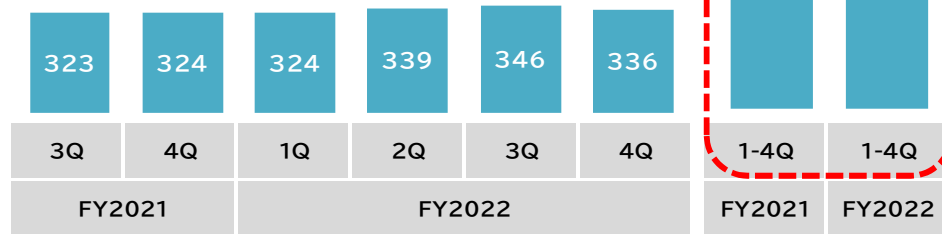
- Balances for crypto asset related trusts declined due to downturn on crypto asset market but secured increase in trust fees on continued favorable performance of asset-backed loan trusts.

## Changes in Trust Fees

\*Consolidated base

Quarterly

Full year



(¥ mil)	Revenue (YoY)	Point
Trust Charges	1,347 (+6.4%)	Asset-backed loans driving continued increase

## 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

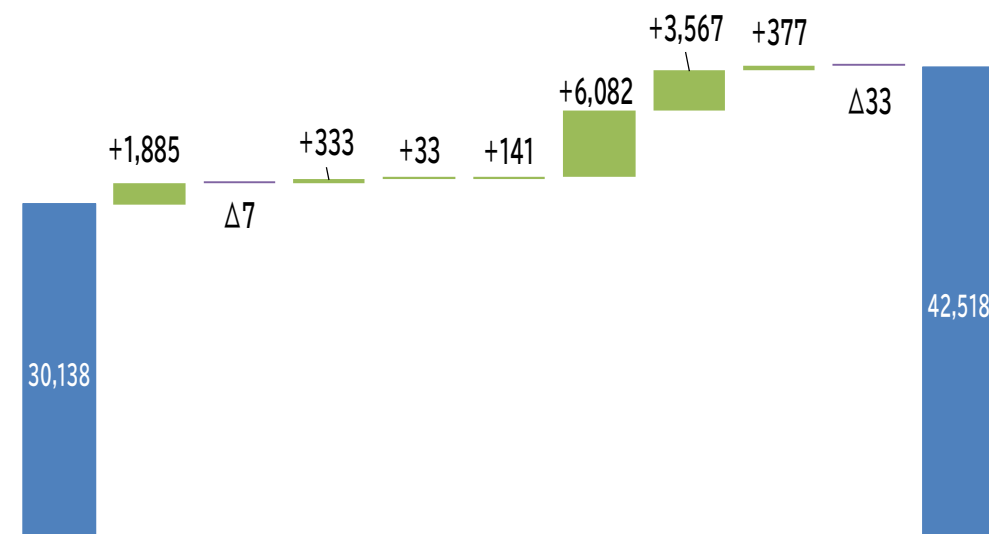
Trust for segregated guarantee deposits which crypt-asset exchangers receive from customers

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 JSF

**【Full year】 YoY ¥ 12,380 mil(+41.1%)**



FY2021	Margin Loan	Loans for NMT	Loans for Sec Com	Loans for Retail	Stock Lending	Bond Lending	Securities	—	—	FY2022
	Securities Financing									
	Securities Finance Business							Trust Bank	Real Estate	

## Summary of the Significant Points for quarterly

### Margin Loan Business

- Margin loan revenues increased but revenues unchanged when excluding premium charges for over-lent stock loans due to a decline in margin loan balances.

### Securities Financing Business

- Revenues from capital loans to securities companies increased on high balances for equity repo.
- Revenues from loans to retail increased on higher balances for COM-STOCK loans.
- General stock lending increased YoY thanks to recovery of borrowing demand for fail-cover.
- Bond Lending revenues increased on high balances for gensaki transactions and repo transactions.

### Others

- Revenues increased YoY on recording gain on sales of held securities (also recorded loss on sales).

### Trust Business

- Revenues increased on growth in trust fees.

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



¥:mil

Transaction Type	FY2020	FY2021	FY2022
Margin Loans	224,615	283,118	254,701
Stock Loans	300,638	175,578	188,918
Securities Financing	7,099,013	9,969,762	11,473,992
Loans for Negotiable Margin Transaction	9,910	21,509	18,856
Loans to Securities Companies	327,444	585,974	697,788
Retail	13,092	14,993	16,759
General Stock Lending	47,126	47,509	63,342
Bond Lending	6,701,439	9,299,775	10,677,245
Trust Bank Loans	571,109	682,499	539,931

# ● Balance Sheet Summary ( end of Mar-2023, consolidated )

¥mil

	Mar-23	Change from Mar-22	
<b>Total assets</b>	<b>14,056,217</b>	<b>▲ 112,438</b>	
Cash & Deposit	1,598,274	299,204	Deposit at BOJ
Short-term investments	71,013	▲ 38,711	JGB and other bonds (Maturity: 1year or less)
Short-term loans receivable	955,550	64,064	Margin loan / Loans for negotiable margin transactions / General loans / Trust bank loans
Receivables under resale agreements	3,561,406	▲ 366,739	
Collateral money of securities borrowed	6,669,821	170,398	Collateral money of bond borrowing Collateral money of stock borrowing
Investments in securities	745,621	▲ 296,874	JGB and other bonds (Maturity: more than 1year), Stock
<b>Total liabilities</b>	<b>13,920,489</b>	<b>▲ 110,169</b>	
Call money	2,190,400	332,000	
Short-term borrowings	93,010	▲ 146,200	Bank borrowing Market operation by BOJ
Commercial Paper	451,000	▲ 45,000	
Payables under repurchase agreements	4,781,801	▲ 763,097	
Collateral money received of securities lent	5,073,776	367,279	Collateral money of bond lending Collateral money of stock lending
Borrowed money from trust account	871,335	▲ 160,077	
Long-term borrowings	232,700	228,700	Market operation by BOJ
<b>Total net assets</b>	<b>135,728</b>	<b>▲ 2,268</b>	

## 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.

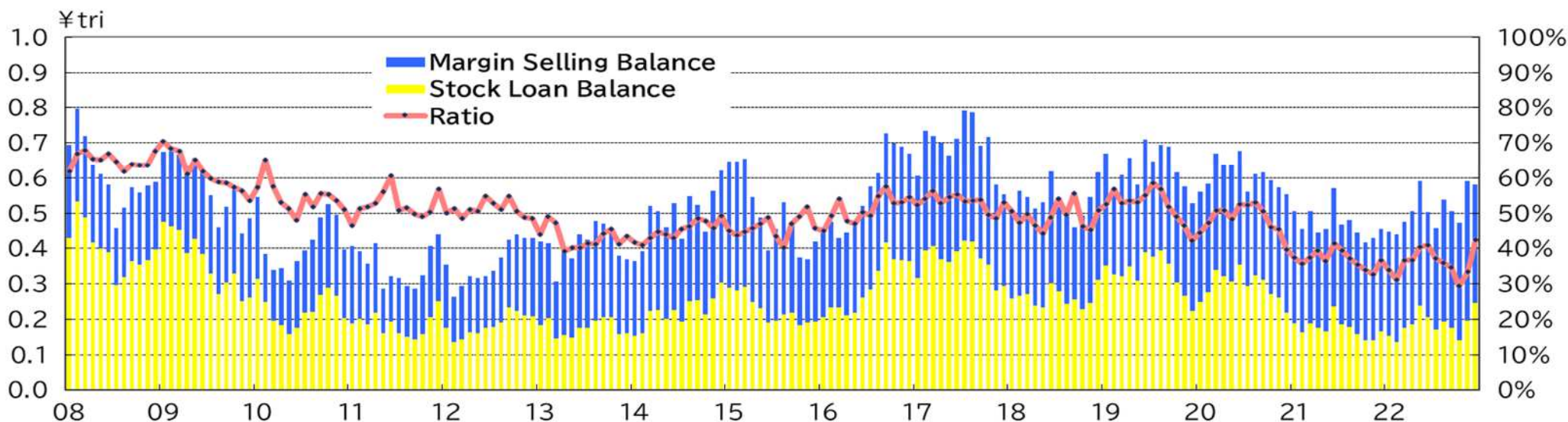
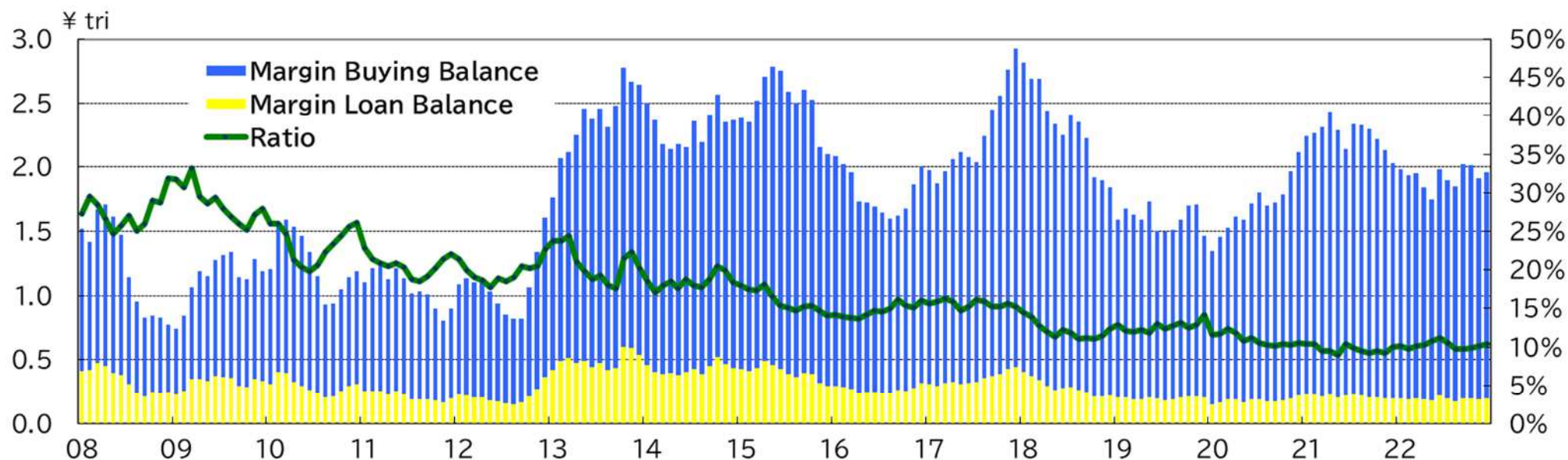
## Features of Liabilities

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).

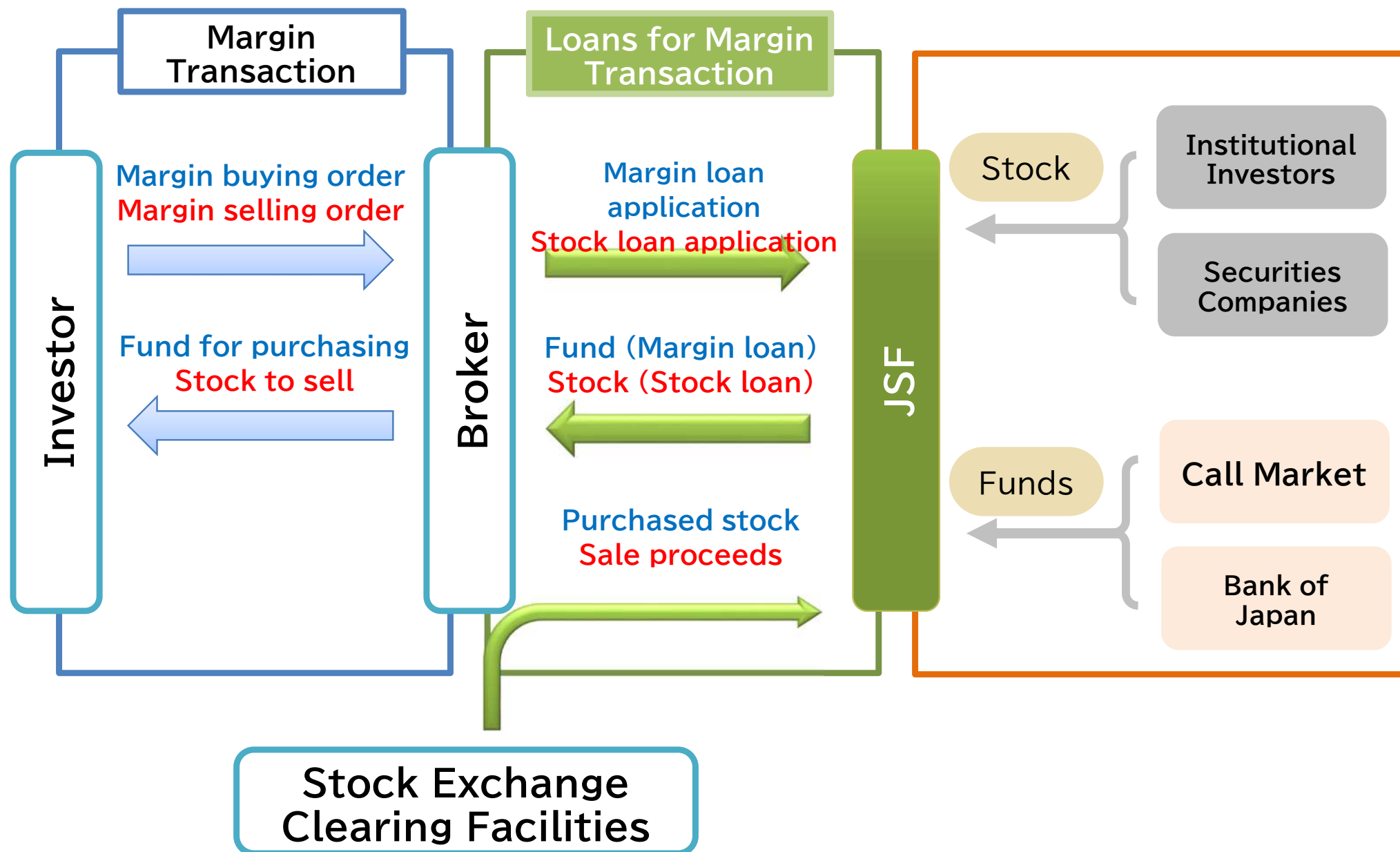
Ref) Capital adequacy ratio\*  
at the end of Mar 2023: 496%  
\*Based on FIEA

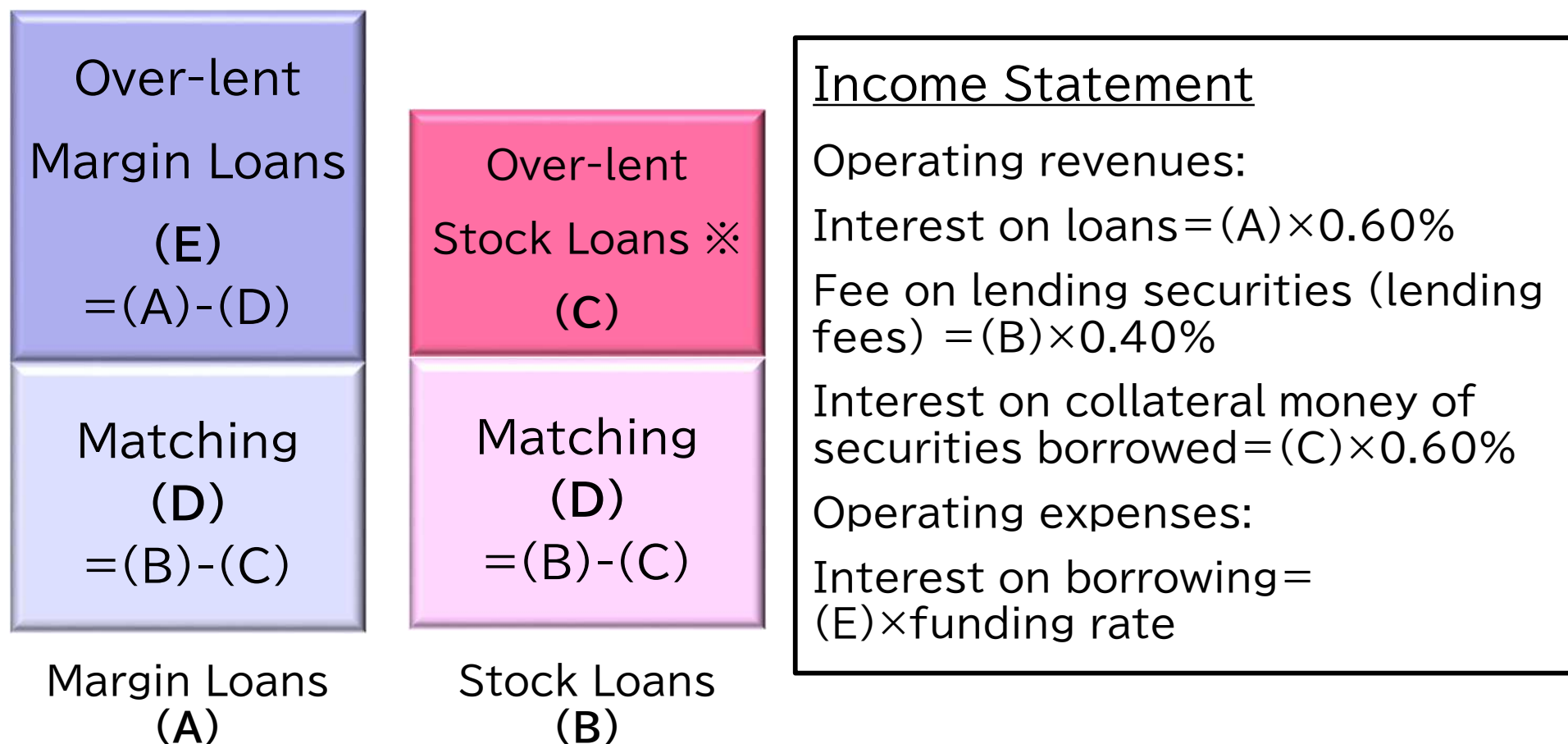


# ● Margin Transactions & Loans for Margin Transactions



- Structure of Margin Transactions  
& Loans for Margin Transactions

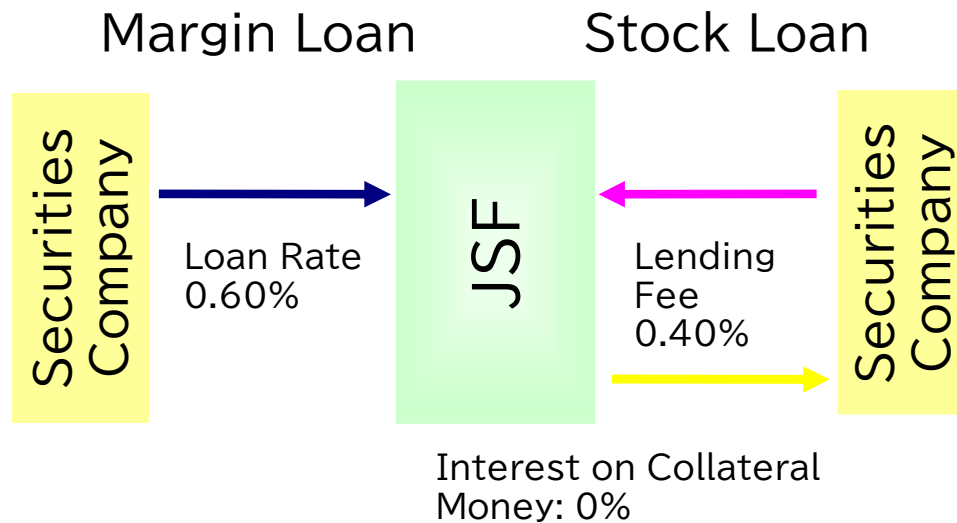




◆ Besides the above, premium charges are posted in operating revenues (fees on lending securities) in part of over-lent stock loans. However, the same amount is posted in operating expenses (fees of borrowing charges), so the amount of premium charges does not affect our profit.

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

# ● About the Margin Loan Rate



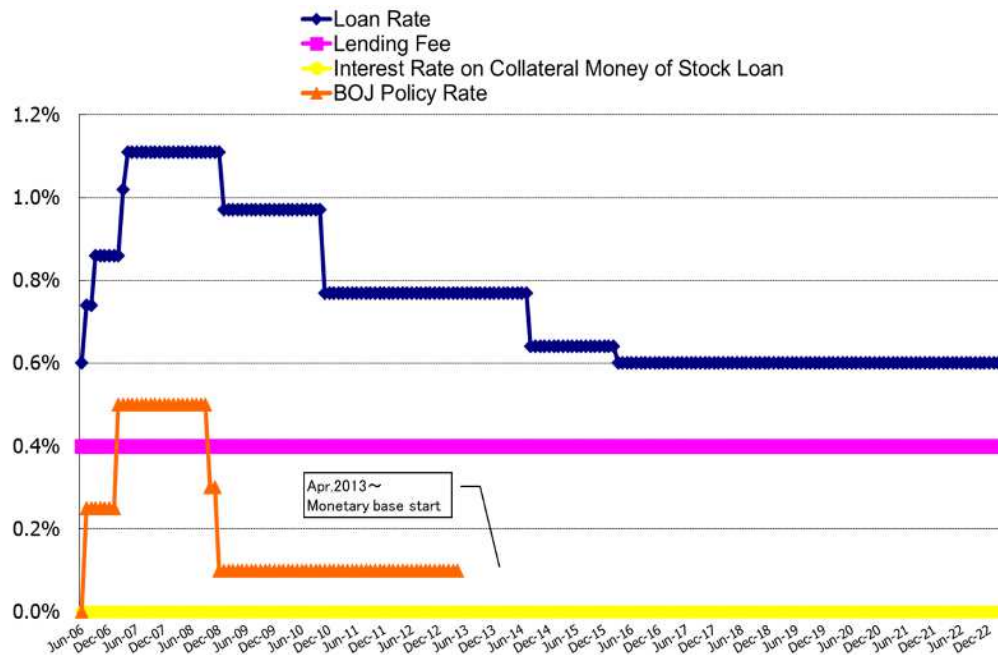
## BOJ Policy Interest Rate

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

## Margin Loan Rate

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

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



# ● Securities Holdings

Securities Holdings	Mar-22		Mar-23		Notes
	B/S Amount	Unrealized Profits and Losses	B/S Amount	Unrealized Profits and Losses	
<b>Equity</b>	26,955	12,207	23,233	10,349	
<b>Bond</b>	1,100,835	3,587	768,722	▲ 16,048	
JGB&Municipal Bond	527,826	4,267	356,081	▲ 11,630	
Corporate Bond	447,409	▲ 786	340,053	▲ 536	Government guaranteed bonds etc.
Others	125,600	106	72,587	▲ 3,881	Foreign government bonds etc.
<b>Other Securities</b>	14,571	0	16,167	2,623	
<b>Total</b>	1,142,362	15,794	808,123	▲ 3,075	
(included the effects of derivatives)	—	(11,290)	—	(7,416)	

Held-to-maturity bonds	B/S Amount	Unrealized Profits and Losses	B/S Amount	Unrealized Profits and Losses	Notes
JGB	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)

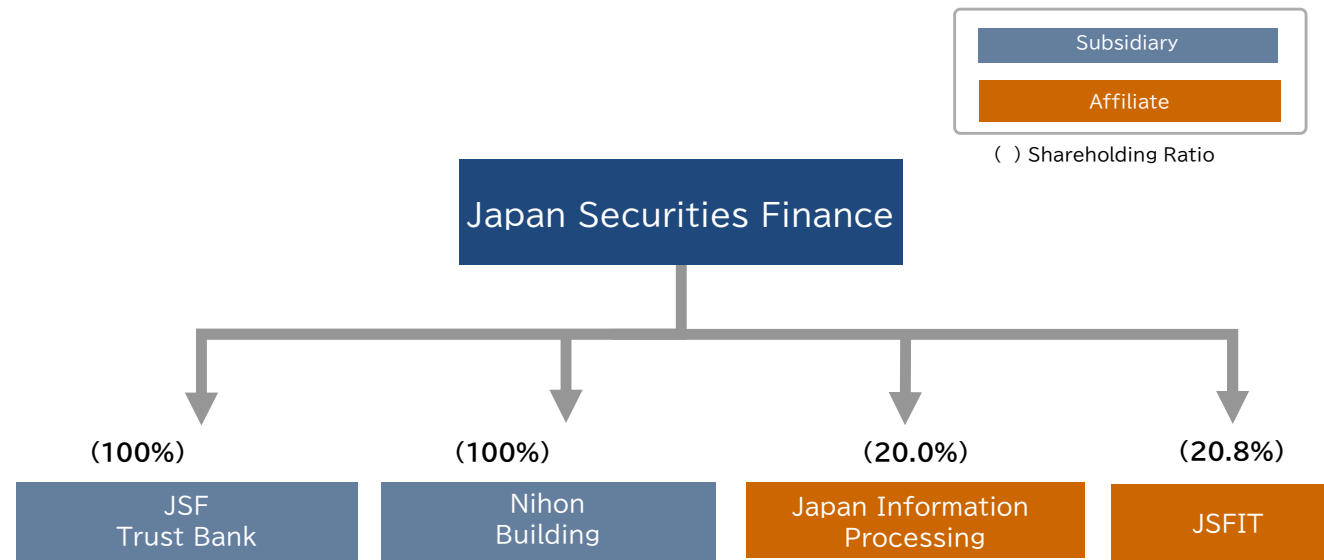
Over 10 years    5 years to 10 years    1 year to 5 years    Within 1 year    ▲ Average remaining period



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



# ● 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

# ● Rating Information

As of 31/Mar/2023		JCR		R&I		Standard & Poor's	
		Rating	Outlook	Rating	Outlook	Rating	Outlook
Japan Securities Finance	Long-term	AA-	Stable	AA-	Stable	A	Stable
	Short-term	J-1+ (Highest)		a-1+ (Highest)		A-1	
	CP Issue	¥1tri		¥1tri		—	
※Euro-yen CP issuance limit set at US\$3 billion (S&P)							
JSF Trust Bank	Long-term	AA-	Stable	AA-	Stable	—	—
	Short-term	J-1+ (Highest)		a-1+ (Highest)		—	—



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

## Specific Initiatives on Key Issues

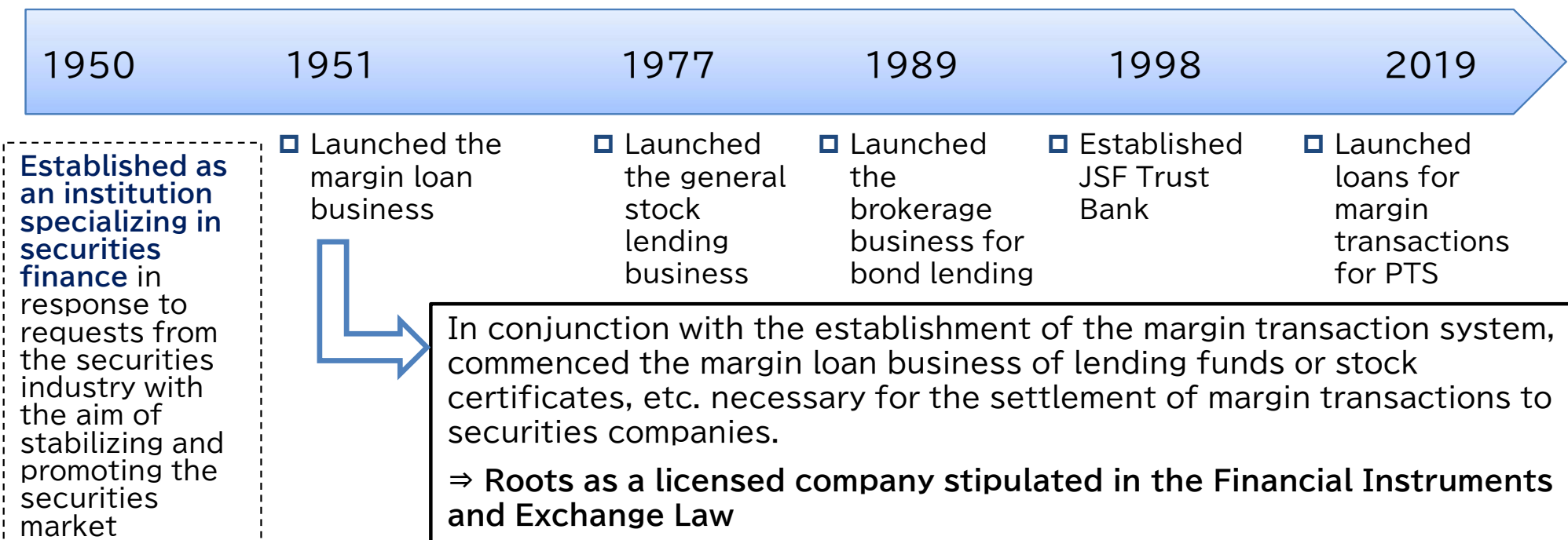
Classification	Challenges	Initiatives
<div>E</div> <div>S</div> <div>G</div> <div>   </div>	Reduce environmental impact	<ul style="list-style-type: none"> <li>● Improve company facilities to conserve electricity and be conscious of environmental impact</li> <li>● Promote paperless operations in all areas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

## Corporate Philosophy

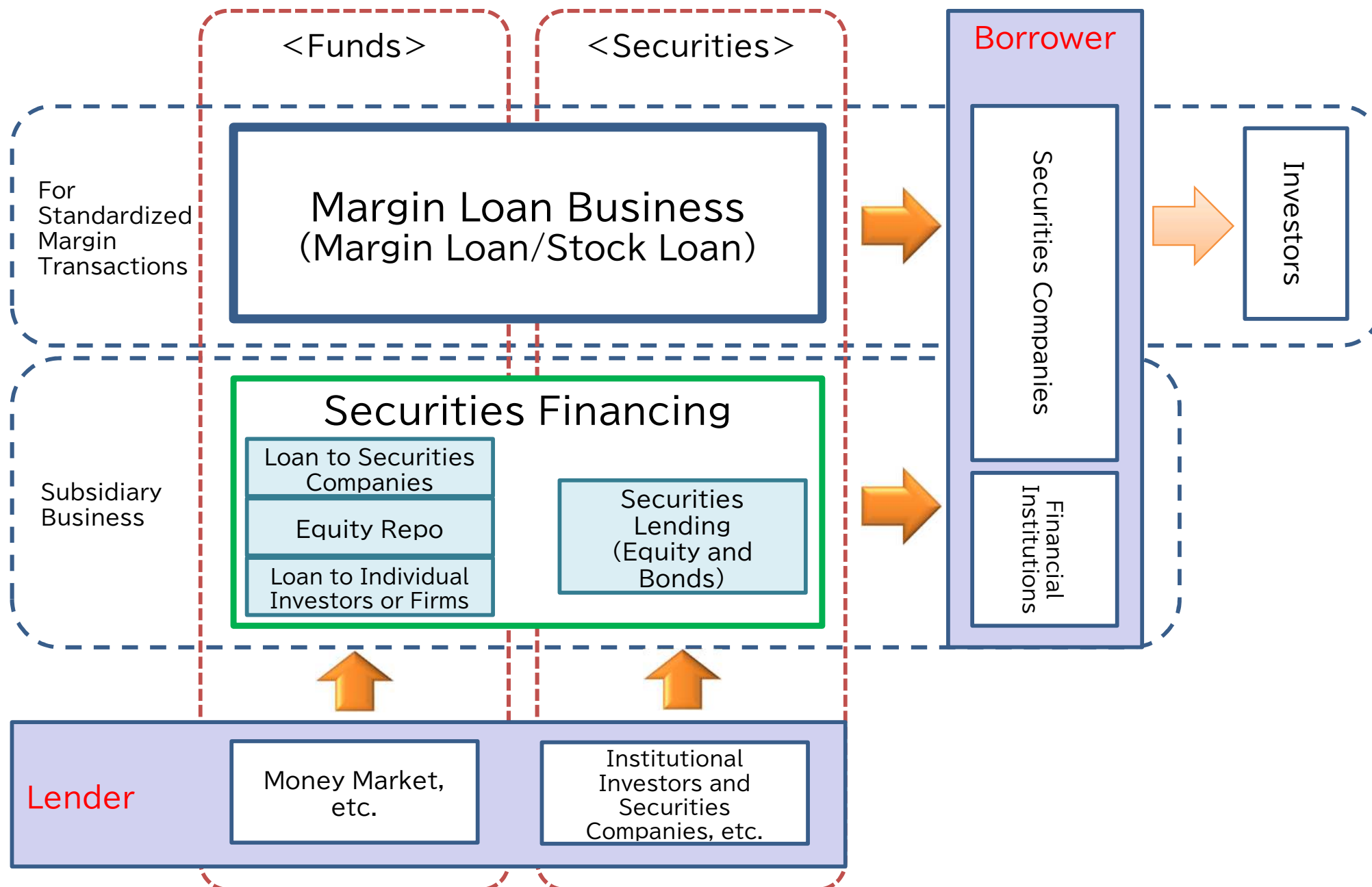
As an institution specializing in securities finance, JSF has a mission to contribute to the development of the securities market by proactively meeting the diverse needs of the securities and financial sectors and to enhance the long-term interests of users, while always maintaining a keen awareness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



# ● 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.*