

Japan Securities Finance Co., Ltd.

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Integrated Report **2022**





# All for the securities market.

## 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, thereby establishing solid credibility, while always maintaining a keen awareness of our social responsibilities as a securities finance company.
2. To enhance corporate value while maintaining solid equity capital in order to ensure stability in management and the financial soundness 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.
3. To further enhance JSF's core loans for margin transactions business while also striving to expand the finance- and securities-related services provided by JSF and Group companies, develop new business, and to further grow and solidify our base.
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.



# Toward the Development of the Securities Market

Established in 1950, Japan Securities Finance (“JSF”) is Japan’s only securities finance company, specializing in lending funds and securities needed for the securities market.

As such, our mission is 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.



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### Editorial Policy

Japan Securities Finance has issued this integrated report so that investors and other stakeholders may gain an understanding of our efforts to create sustainable value.

We hope that this report deepens understanding of the JSF Group, whose mission is to contribute to the development of the securities market.

### Report Coverage

Japan Securities Finance Co., Ltd. and its consolidated subsidiaries

### Reporting Period

April 1, 2021 to March 31, 2022  
(Some sections include information regarding matters occurring before or after the reporting period.)

### Reference Guidelines

· IFRS Foundation, International Integrated Reporting Framework  
· Ministry of Economy, Trade and Industry, *Guidance for Collaborative Value Creation*

### Cautionary Note Regarding Forward-looking Statements

Forward-looking statements such as performance forecasts in this report are forecasts made by the Company based on information available at the time of creation and include risks, uncertainties and other factors. Therefore, actual results may differ significantly from forecasts due to changes in various factors.



## Interview with the President

### Japan Securities Finance, growing in step with the securities industry and supporting its future development

Japan Securities Finance ("JSF") aims to maintain strong financial soundness, achieve the sustainable growth expected of a listed company, and increase corporate value over the medium to long term, while maintaining a keen awareness of the public role expected of it as a securities finance company functioning as infrastructure for the securities market.



TOP INTERVIEW

Shigeki Kushida

Representative Executive Officer & President  
Japan Securities Finance Co., Ltd.

#### Q. Please tell us about JSF's history from its inception to the present.

The Company launched operations as an institution specializing in securities finance in 1950 after considering what kind of mechanism would be necessary to increase the liquidity of the securities market in Japan as it resumed activities following World War II. Looking back on the situation in the securities market at that time, the ability of securities companies to raise funds was poor, and the stock lending market was not as developed as in Europe or the United States. In order to resolve these issues, margin transactions were established along with loans for margin transactions, which constitute the funds and stocks required by securities companies for such transactions. A securities finance company is a company that specializes in providing loans for margin transactions and is licensed by the Prime Minister of Japan. The loans for margin transactions business has been JSF's core business since the Company's founding and has served as infrastructure for the country's securities and financial markets.

Starting from the public business of loans for

margin transactions, we proactively meet the diverse needs of the securities and financial sectors by providing a variety of services that leverage our expertise in handling securities and funds. Specifically, we have expanded the scope of our business to include repurchase (repo) and *gensaki* transactions for the purchase and resale of Japanese government bonds and other bonds, equity repo transactions, general stock lending, and retail loans secured by securities companies.

In 1998, following the introduction of trusts for cash segregated as deposits for customers, we established JSF Trust and Banking, which, since then has made custodial trusts the pillar of its business, and has expanded the scope of its transactions to include crypto assets and foreign exchange (forex) transactions.

In this way, the JSF Group responds to the diverse needs of the securities and financial markets through a business portfolio including a security financing business centered on loans for margin transactions and a trust banking business.

#### Q. What are your thoughts on the role JSF should play as a securities finance company, its corporate philosophy, and the Vision for JSF in the Future?

Based on the Company's original foundation and subsequent development, we set forth our corporate philosophy as follows: "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."

I believe there are two points to be made regarding the Vision for JSF in the Future that we are aiming for based on this corporate philosophy.

The first is that in order to play a public role as

infrastructure for the securities and financial markets, it is necessary to maintain reliable business management and a high level of financial soundness.

The second is that as a company listed on the Prime Market (a new market classification) of the Tokyo Stock Exchange, we must aim to achieve sustainable growth and increase corporate value over the medium to long term based on a strong governance system.

We are in a unique position as a listed company that plays a public role, but we will strive to both maintain sound management and increase corporate value over the medium to long term.

## Interview with the President

### Q. Please tell us about the thinking behind the medium-term management policy formulated and announced in November 2021, and future initiatives based on this policy.

In November 2021, we formulated and announced the new medium-term management policy based on our corporate philosophy and Vision for JSF in the Future. The policy sets forth the medium-term management goals of attaining an ROE of 4% during the term of the current mid-term management plan (FY2020–FY2022), and of 5% during the term of the next plan (FY2023–FY2025). To formulate the ROE target, we estimated the Company's cost of equity capital to be around 4.5% using objective data and multiple calculation methods. Accordingly, we set a target of 5% for the term of the next plan to exceed this figure. The initiatives under the current mid-term management plan are steadily starting to show in earnings and ROE trends, so we intend to accelerate and strengthen them. We have established the following three pillars as specific measures to achieve our medium-term management goals.

The first is strengthening the securities finance business centered on loans for margin transactions. In addition to striving to improve the stable operation and convenience of this business, we will effectively utilize the Company's expertise in securities and fund transactions to proactively meet diverse security financing needs other than loans for

margin transactions, in areas that use bonds and stocks. Here, our strategy is to become the main player in niche market areas by leveraging JSF's strengths, such as its high credit rating, neutrality that comes from not belonging to any corporate group, and the agility of a relatively small enterprise.

The second is reinforcing consolidated management of the Group. JSF's subsidiary, JSF Trust and Banking, has adopted a strategy similar to that of the Company's security finance business. Responding flexibly to customer needs in unique and niche areas has enabled it to acquire a large share of the custodial trust market, including preservation trusts for cash segregated as deposits for customers. As a result, JSF Trust and Banking's profits are trending upward. We are working to improve the profitability of the entire Group, including Nihon Building, another JSF subsidiary.

The third is improving operational efficiency. We will further improve operational efficiency by reviewing business processes such as system operation and RPA.\*

Through the above measures, we aim to achieve our ROE targets while steadily accumulating earnings.

\* RPA (Robotic process automation): Automation of routine tasks by using software robots.

### Q. Please tell us more about strengthening the securities finance business centered on loans for margin transactions, the first pillar for achieving the medium-term management goals.

The loans for margin transactions business is where the Company has its origins as infrastructure for the securities and financial markets. It is one of our core businesses, accounting for about 30% of gross profit. The Company has continuously worked to increase the number of loanable stock issues and strengthen the procurement of stock to be used for stock lending. In addition, for participants in loans for margin transactions we provide JSF Net as the system infrastructure used for transactions, and we are working to improve it. Going forward, we will continue to support standardized margin transactions

for stocks by improving the convenience of loans for margin transactions and addressing transaction needs in various ways.

As for securities finance business other than loans for margin transactions, in recent years we have been increasing our transaction balance by actively responding to the rising demand for repo transactions (with a focus on securities (property)) against the backdrop of collateral transactions and institutional investors' securities investment needs and the rising demand for multi-currency international transactions. We plan to accelerate and strengthen

these efforts by increasing the number of business clients, including through further sophistication and internationalization of trading methods.

Since earnings from the loans for margin transactions business are susceptible to stock

market fluctuations and are relatively volatile, I believe that strengthening the securities finance business will lead to a stronger earnings base for the Company, and is also important from the perspective of stable management of such loans.

### Q. As a securities finance company, JSF is unique in Japan's financial sector. Please tell us about the Company's characteristics and business portfolio.

As a securities finance company, JSF serves as infrastructure for the securities and financial markets. It has three specific characteristics.

The first is being licensed as market infrastructure under the Financial Instruments and Exchange Act of Japan, and being required to be financially sound so as to enable it to supply securities companies with the funds and stock necessary for margin transactions.

The second relates to the imposition of restrictions on so-called concurrent business, meaning that, from a legal standpoint, its foremost obligation is to fulfill market infrastructure functions such as providing loans for margin transactions. Other business is legally permitted only to the extent that it does not hinder the stable execution of the loans for margin transactions business.

Finally, as a key player in the market infrastructure, JSF uses clearing institutions for securities settlements, as well as the central bank system for fund settlements, to ensure the reliability of settlements. The operators of these settlement systems expect the Company to be financially sound.

As already mentioned, we estimated the Company's cost of equity capital to be around 4.5%

using actual objective data and multiple calculation methods. As infrastructure for the securities market, we are subject to various restrictions in terms of financial soundness and business scope imposed by laws and regulations, standards for participation in securities and fund settlement systems, among others. Therefore, I believe that our cost of capital is considerably lower than the general level due to our characteristic low business strategy risk and high financial and earnings stability.

Based on these characteristics, our business portfolio is centered on the securities finance business with the loans for margin transaction business, a licensed business, at its core. However, since this core business is greatly affected by market fluctuations, we will continue making efforts to diversify our revenue sources. In addition, our basic policy is to work to achieve management goals while staying conscious of the importance of further improving capital efficiency in each business. Based on this approach, the JSF Group's business portfolio consists of the securities financing business centered on loans for margin transactions, securities investment, trust banking and real estate leasing.





Interview with the President

Q. What is your approach to shareholder returns?

Our management goal is to achieve an ROE of 5%, which exceeds the cost of equity capital, by FY2025. However, we think that we do not need to accumulate any more capital for the time being in order to achieve this goal. Based on this view, for shareholder returns we are aiming for a total payout ratio of 100%

on a cumulative basis from FY2021 through FY2025 including dividend payments and flexible share repurchases. With regard to dividends, our aim is ambitious: to pay annual dividends of at least ¥30 per share from FY2021 through FY2025 (achieving the ROE target of 5%).

Q. What initiatives are you taking for corporate governance?

In 2019, JSF transitioned to a Company with a Nominating Committee, etc. system, thus separating oversight and execution, with the Board of Directors responsible for making management policy decisions and overseeing execution, and executive officers responsible for executing management plans. In addition, the chairpersons of the Board of Directors, the Nomination Committee, the Remuneration Committee and the Audit Committee are all outside directors. I believe that for corporate Japan this is an advanced governance system.

Furthermore, with changes to JSF’s operating environment in recent years, such as revisions to the Corporate Governance Code, the transition to new market segments by the Tokyo Stock Exchange, and further progress in internationalization and digital transformation, and given that we are about to begin formulating and implementing our next mid-term management plan based on the medium-term management policy, we are implementing various initiatives related to corporate governance.

After deliberation by the Nomination Committee, the Board of Directors conducted a review of various aspects of the board, including its composition, and concluded that there was a need to structure a board with multiple layers of complementary skills in light of matters including changes in the financial and economic environment, and recognized the importance of balancing the number of supervisors and executives, and diversifying board members in terms of age and gender.

Based on these thoughts, in June 2022 the number of directors was increased by two, bringing the total number of directors to seven, of whom five are outside directors and two inside directors.

With regard to the appointment of executive officers, after deliberation by the Nomination Committee, the Board of Directors conducted a review, identifying the qualities required of executive officers and making specific appointments.

Furthermore, we established the Corporate Governance Office with improved functions as the

secretariat of the Board of Directors for more effective governance and stronger support for the Board of Directors.

I intend to continue expeditiously addressing diverse issues in order to achieve the level of governance expected of a listed company.

Q. What about initiatives for sustainability?

The development of infrastructure that forms the foundation of socio-economic activities is a key element in realizing a sustainable society, and is also one of the Sustainable Development Goals. The JSF Group provides a variety of services, including the loans for margin transactions business, as a part of the infrastructure of Japan’s securities and financial markets, and works to improve the liquidity of those markets and improve convenience for market participants. Through these activities, we aim to play a part in initiatives to realize a sustainable society, including supporting market participants who are engaged in similar initiatives.

Because it is responsible for the infrastructure of the securities and financial markets, the Group believes it is important to build a system that provides stable operations regardless of circumstances. To this end, we must not only respond to disasters in a narrow sense, but also ensure the stability and high reliability of our business base. In addition, we believe that there are issues in which the Group can also contribute to sustainability by utilizing the know-how and other resources that it has cultivated over the years.

As specific initiatives for the environment (E), we will promote reduction of environmental impact in ways such as improving Company equipment with energy savings and environmental impact in mind and making various in-house operations paperless. We are also working to enhance the disclosure of

information related to climate change in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Regarding social (S) initiatives, we understand that enhancing our functions as infrastructure for the securities and financial markets is necessary for the realization of a sustainable society, so we will build a system for stable business operations under any circumstances. Moreover, to respond to changes in the operating environment of the securities and financial markets, we respect diverse viewpoints and values and are striving to ensure the diversity of our core human resources. In addition, we are engaged in initiatives such as promoting financial and economic education and academic research, contributing to overseas securities and financial market infrastructure, and realizing diverse work styles for employees.

As for governance (G) initiatives, in order to strengthen corporate governance we have adopted the system of a Company with a Nominating Committee, etc., and have established a dedicated department to expeditiously address various corporate governance issues. In addition, we are conducting initiatives for risk management, BCP and compliance.

With constant awareness of our social responsibilities as a securities finance company, we will work in various ways to achieve sustainable growth and increase corporate value, including through sound business practices that establish unwavering social trust.

Q. To sum up, do you have a message for readers of this report and stakeholders?

We are now moving toward realization of the Vision for JSF in the Future described in our medium-term management policy. FY2022 is the final year of the Sixth Mid-term Management Plan. As we continue to accelerate the positive trend of existing initiatives to expand and strengthen the securities and finance

business and to develop efficient business operations, I aim to push for results that will lead to achievement of our management target for ROE of 5% by FY2025.

We will continue to increase corporate value as a distinctive and unique financial institution, therefore I ask for your ongoing understanding and support.



# History of the Group

## 70 years of involvement in the development of Japan’s securities market

Established in 1950 as an institution specializing in securities finance, JSF has provided infrastructure functions for Japan’s securities market for more than 70 years through its core loans for margin transactions business. In addition, we have developed various services related to securities finance by keeping abreast with the evolution in customer needs resulting from changing conditions in the securities and financial markets.

1950–1965

1965–1980

1980–1995

1995–2013

2013–

### History of Japan’s Securities Market

#### Postwar period of high economic growth

- 1951
  - Margin transaction system established
- 1954–1961
  - Postwar boom

#### Economic turbulence with successive booms and busts

- 1965–1970
  - Postwar boom continues
- 1966
  - Long-term government bonds issued for the first time after World War II, leading to significant expansion of the public and corporate bond market
- 1968
  - Transition of securities companies to license system
- 1971
  - “Nixon Shock” resulting from suspension of the gold standard for foreign exchange and implementation of surcharges on imports by the United States
- 1973
  - First oil crisis
- 1979
  - Second oil crisis due to the Iranian Revolution

#### Securities market progresses rapidly

- 1985
  - Conclusion of the Plaza Accord aimed at depreciating the strong U.S. dollar
- 1986–1991
  - Japanese asset price bubble
- 1987
  - Global decline in stock prices starting with the Black Monday crash of the New York Stock Exchange
- 1989
  - The Nikkei Stock Average hits a record high of ¥38,915 at the peak of the bubble
- 1991
  - Decline in stock prices and the collapse of the bubble triggered by tension in the Middle East caused by the Iraqi invasion of Kuwait in 1990

#### Globalization of securities and financial markets

- 1997
  - Yamaichi Securities Co., Ltd. and Sanyo Securities Co., Ltd. cease operations
- 1998
  - Implementation of the revised Securities and Exchange Act (current Financial Instruments and Exchange Act)
  - Implementation of the “Japanese Big Bang” financial system reforms, including liberalization of stock brokerage commissions and the approval of negotiable margin transactions
- 2000
  - Dot-com bubble bursts in the United States
- 2001
  - Bank of Japan introduces quantitative easing policy
  - The Dow Jones Industrial Average of the New York Stock Exchange plummets following the 9/11 terrorist attacks

- 2008
  - Global recession due to the collapse of Lehman Brothers triggered by the subprime mortgage crisis
- 2011
  - The Japanese economy suffers a slowdown due to the power shortage caused by the Great East Japan Earthquake and subsequent nuclear power plant disaster
- 2012
  - The Liberal Democratic Party wins a big victory in the House of Representatives election, and the economic policies of then-Prime Minister Abe (“Abenomics”) cause the yen to depreciate and stock prices to rise

#### Toward the realization of a sustainable society and economy

- 2013
  - Establishment of the Japan Exchange Group, Inc. through the market and management integration of the Tokyo Stock Exchange and Osaka Stock Exchange
- 2016
  - Bank of Japan adopts negative interest-rate policy
- 2018
  - Japanese government bond settlement cycle is shortened to T+1 (transaction date plus one day)
- 2019
  - Stock settlement cycle is shortened to T+2 (transaction date plus two days)
- 2020
  - Stagnation of the global economy due to the COVID-19 pandemic
- 2022
  - Restructuring of the Tokyo Stock Exchange market segments

### History of JSF

#### Launching JSF and establishing its foundation

- 1950
  - Launched operations as a specialized securities finance institution
- 1951
  - Launched margin loan business with the establishment of a margin transaction system
- 1955
  - Established branch offices by acquiring entire business operations of securities finance companies in Hokkaido, Niigata, and Fukuoka
- 1956
  - Granted securities finance license under a revision of the Securities and Exchange Act

#### Supporting the securities market during Japan’s period of high economic growth with institutional financing

- 1968
  - Launched bond financing business to facilitate bond underwriting and circulation
- 1977
  - Launched general stock loan business for lending stock to securities companies to cover shortfalls caused by delays in obtaining delivery stock for trading, etc.
  - Completion of head office building

#### Playing a role as a stable source of funds and securities even during periods of market stagnation such as the bursting of the economic bubble and global financial instability, and responding to the reform of the securities and financial trading system

- 1985
  - Launched secured loans using a revolving credit line format that accepts securities deposited by customers at securities companies as collateral
- 1987
  - Launched trading via JSF Online System after developing a network with securities companies
- 1989
  - Launched bond borrowing and lending transaction brokerage business with securities companies and financial institutions as customers
  - First commercial paper (CP) issued as a financial institution
- 1996
  - Launched bond repo transactions
- 1998
  - Established JSF Trust and Banking Co., Ltd.
- 2003
  - Launched securities-backed “COM-STOCK LOANS” through the internet

- 2004
  - Launched loans for margin transactions business for the JASDAQ market
  - Renewed JSF Online System and launched trading via JSFNET
- 2005
  - Launched loans to securities companies required for negotiable margin transactions

#### Taking on new challenges for the future of the securities market

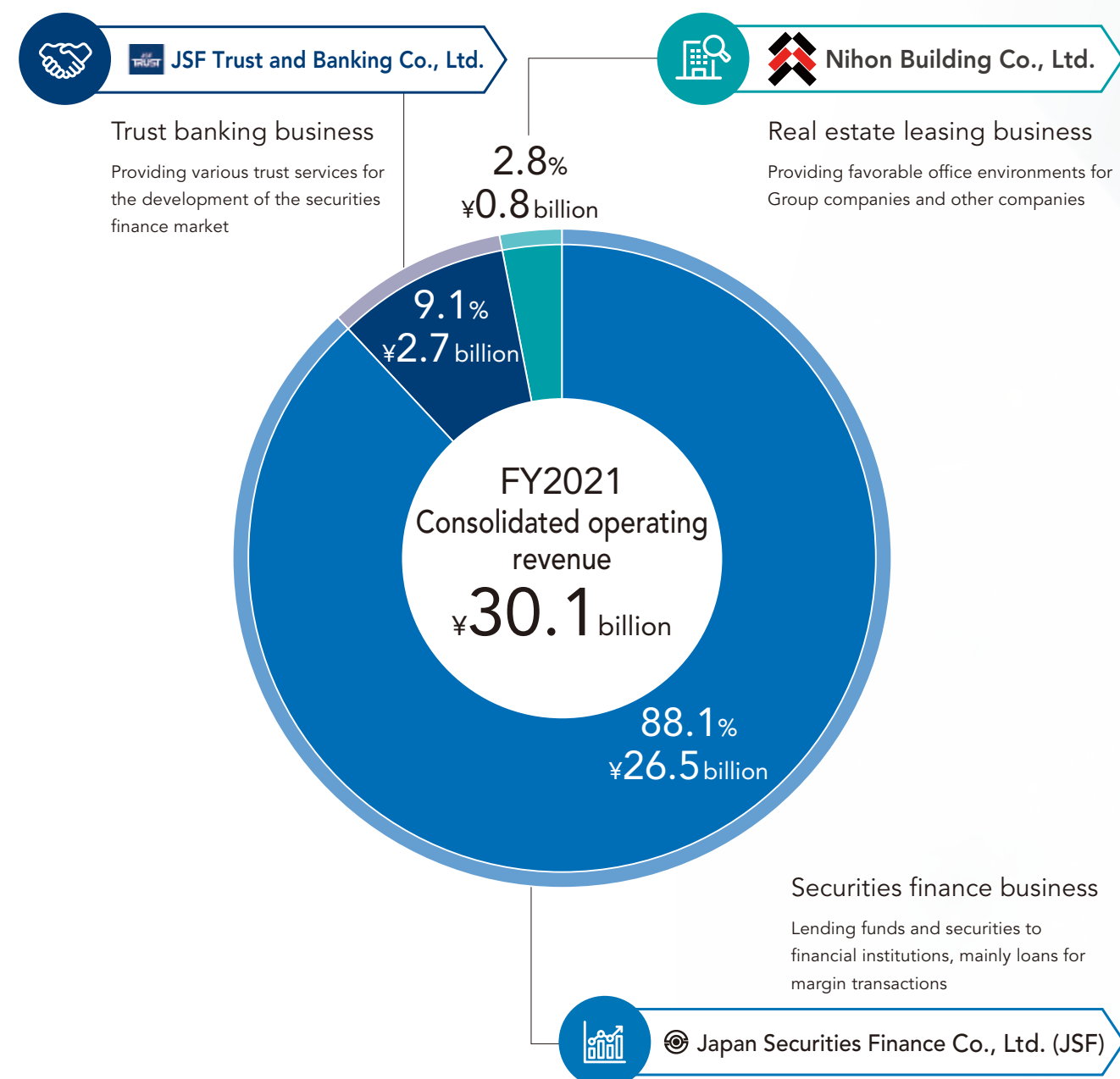
- 2013
  - Merged with Osaka Securities Finance Co., Ltd.
- 2019
  - Transitioned to a Company with a Nominating Committee, etc.
  - Launched loans for margin transactions business for proprietary trading systems (PTS)
- 2020
  - Investment in an Indonesian securities finance company
  - Start of the Sixth Mid-Term Management Plan (FY2020–FY2022)
- 2022
  - Moved from the Tokyo Stock Exchange First Section to the Prime Market
  - Launched fund administration services



# At a Glance

## JSF Group's Business

The JSF Group is a corporate group that operates in sync with the securities and financial markets. The Group comprises Japan Securities Finance, which responds to the diverse needs of financial institutions and investors as a provider of securities market infrastructure, JSF Trust and Banking, which deploys highly distinctive trust services, and Nihon Building, which provides favorable office environments for Group companies and other companies.



### Loans for Margin Transactions Business

## Only one in Japan

JSF is the only securities finance company in Japan that has been licensed to conduct a loans for margin transactions business under the Financial Instruments and Exchange Act.

### Stable Credit Ratings

R&I, JCR S&P  
**AA- A**

Over the years, we have secured high credit ratings, including an AA rating from two Japanese rating agencies and an A rating from foreign rating agencies.

### Business Partners

## Network with domestic and overseas financial institutions

We are building business relationships with domestic and overseas financial institutions and institutional investors such as securities companies, banks and insurance companies. We also provide financial services for general businesses and individual investors.

### Shareholder Returns

**97.6%** (FY2021)

We are aiming for a total payout ratio of 100% on a cumulative basis from FY2021 through FY2025 (achieving the ROE target of 5%) through dividend payments and flexible implementation of share buy-backs.

### Characteristics of a Securities Finance Company

#### • Role as an Administrator of Loans for Margin Transactions

A securities finance company serves in an institutional role of accepting loan applications from securities companies, and therefore must maintain a strong financial base and a high credit rating to ensure it has the fund-raising capabilities necessary for lending funds and securities.

#### • Restrictions as a Company Licensed under the Financial Instruments and Exchange Act

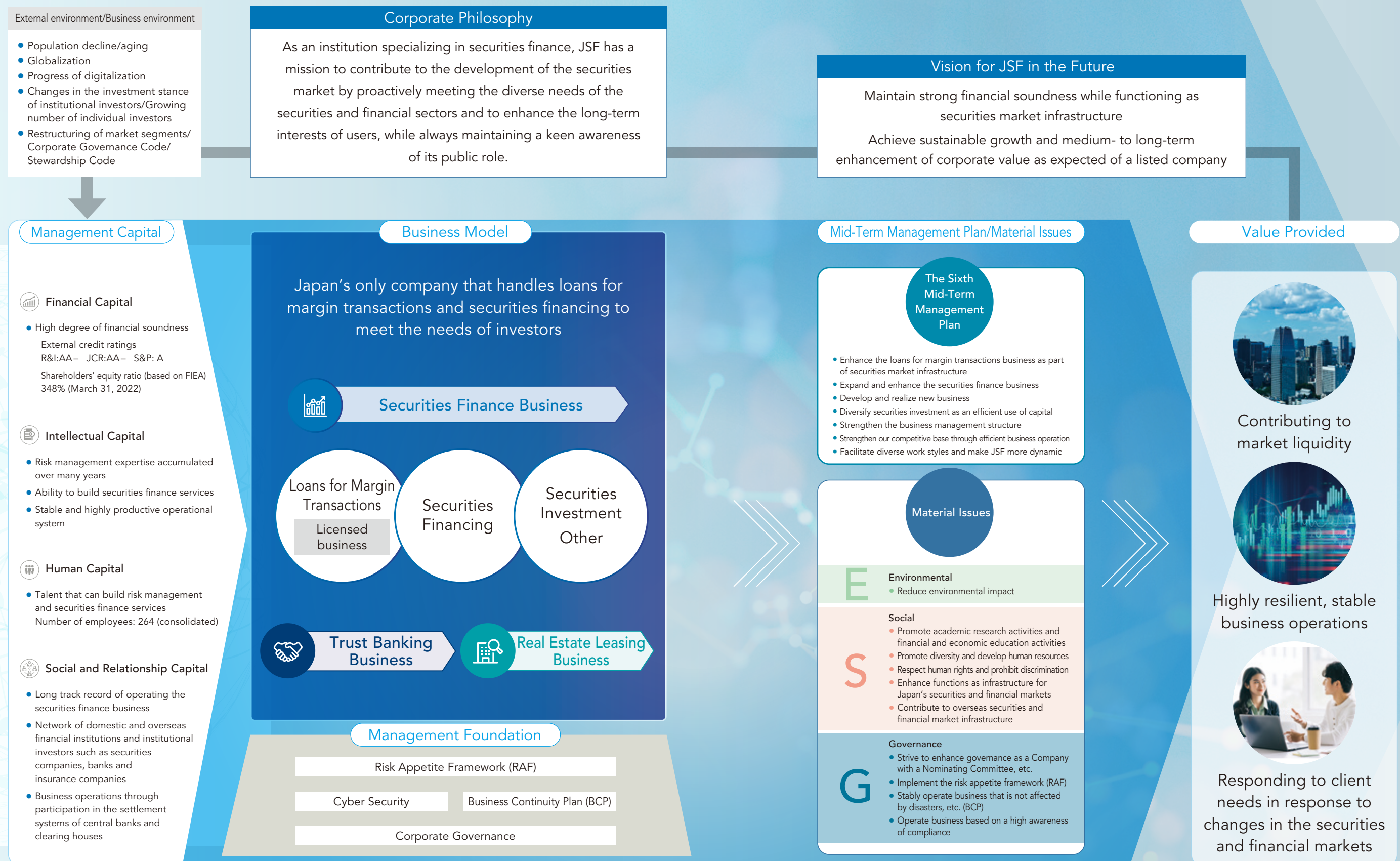
Aside from the loans for margin transactions business, a securities finance company is legally permitted to operate other businesses only to the extent that they do not impair the operation of the loans for margin transactions business and the risk of such businesses is small. Other restrictions include those on M&A.

#### • Business Operation through Participation in Settlement Systems

Delivery of securities, including loans for margin transactions, is legally permitted at clearing houses, and settlement of funds is conducted through the central bank system. Therefore, in order to remain eligible to participate in these settlement systems, it is necessary to maintain a shareholders' equity ratio above a certain level.



# Value Creation Process



# Business Model

## Securities Finance Business ▶ See page 28 for details.

Operating the loans for margin transactions business, which is one of the infrastructure functions of the securities market, and developing securities financing to meet customer needs

### Loans for Margin Transactions Business

The loans for margin transactions business contributes to the smooth circulation of stocks and the formation of appropriate prices. We lend securities companies the funds and stock certificates necessary for margin transactions.

#### Margin Transactions

In margin transactions, an investor pledges a certain amount of security deposit (brokerage margin) to a securities company as collateral (1), borrows the funds required for purchase or the stock required for sale from the securities company (2), and buys or sells shares. Under this system, it is possible to buy stocks with an amount exceeding the amount of funds on hand and sell stock certificates that are not held, adding depth to transactions and contributing to the smooth circulation of stocks and the formation of appropriate prices.

There are two types of margin transactions: standardized margin transactions and negotiable margin transactions. In standardized margin transactions, the premium charges and repayment deferral deadline are stipulated by the stock exchange, and the securities company can borrow the stocks to be sold and the funds to be purchased from a securities finance company (loans for margin transactions). In negotiable margin transactions, the term terms can be freely determined between the customer and the securities company, but the securities company cannot use loans for margin transactions to settle negotiable margin transactions.

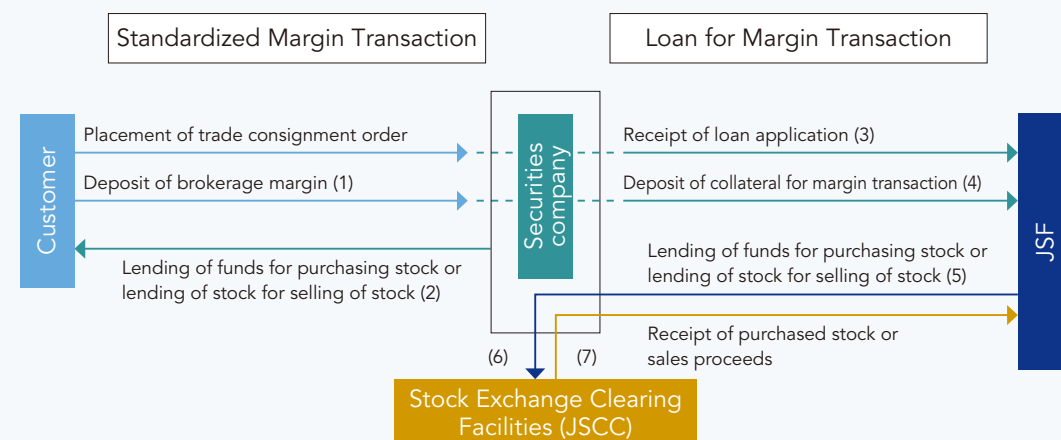
#### Loans for Margin Transactions

Loans for margin transactions are a financing scheme in which a securities finance company lends funds and stock certificates necessary for standardized margin transactions to securities companies that participate in trading on a stock exchange. These margin loans are conducted through clearing facilities such as a stock exchange.

This business may only be carried out by a securities finance company licensed by the Prime Minister. JSF conducts the loans for margin transactions business on each stock exchange market (Tokyo, Nagoya, Sapporo, Fukuoka) and on proprietary trading systems (PTS).

JSF receives a loan application (3) and collateral for the margin transaction (4) for each stock issue from the securities companies. To execute the loan (5), JSF, in place of the securities company, delivers the loaned funds or stocks to the clearing facilities of the stock exchange (6) and in return, the stock purchased (collateral stock for loan) or proceeds from the sale (collateral money for stock loans) is received by JSF (7) and then the collateral for each is appropriated.

### Structure of Margin Transactions and Margin Loans



### Securities Financing

Consisting of five business areas, securities financing is the generic term we use for the business of lending securities and the business of lending of funds backed by securities. We are promoting securities financing as one of our growth engines, and are also working to expand our services by increasing the number of business partners we work with, including foreign financial institutions, and by diversifying securities handled to include foreign stocks and foreign government bonds.

#### Loans to Financial Instrument Companies

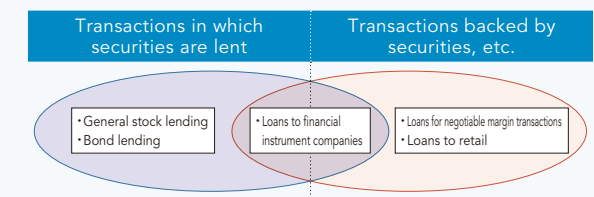
We are responding to the diversification of financing methods of securities companies through transactions such as those in which stocks are used as collateral when lending funds to securities companies (general loans), and those in which cash is deposited in exchange for borrowing stock held by a securities company (equity repo transactions).

#### Bond Lending

Bond lending is the business of matching (brokering) various financial institutions' lending needs and borrowing needs, mainly for government bond repo and *gensaki* transactions (transactions in which bonds are exchanged for cash).

#### General Stock Lending

General stock lending is the business of procuring stock from institutional investors and others, and lending it to securities companies that mainly require it for trading, thus contributing to the stability of the settlement system.



#### Loans for Negotiable Margin Transactions

While margin loans provide funds and stocks necessary for the settlement of standardized margin transactions, the business of loans for negotiable margin transactions involves lending funds to securities companies to enable them to purchase stocks in negotiable margin transactions.

#### Loans to Retail

These are transactions that involve lending funds to individual investors and others, using stock as collateral. The main service in this business is COM-STOCK loans (securities-backed loans that can be transacted online). We make effective use of our assets to help meet the financial needs of our customers.

## Trust Banking Business ▶ See page 32 for details.

Providing services such as segregated management of customer assets required by securities companies, based on a management philosophy of contributing to the development of the securities market

#### Trusts for Cash Segregated as Deposits

Under the Financial Instruments and Exchange Act, securities companies are obliged to manage customer assets separately. Since its establishment, the trust banking business has been a focus based on JSF Trust and Banking's management philosophy of contributing to the securities market as a trust bank in the JSF Group closely connected with the securities industry. The number of customers is among the highest in the industry in Japan, with many securities companies using the service.

#### ABL Trusts (Loans for Trust Accounts)

We function as a segregated portfolio company (SPC) for trusts when an asset-backed loan (ABL) is arranged as an investment product for institutional investors by a securities company acting as an arranger. Since we started handling this service in 2009, a wide variety of investment products have been created through arrangements by multiple arrangers, and are used by many institutional investors.

#### Other Customer Asset Preservation Trusts

Segregated management of customer assets is required in various fields outside the securities industry. Utilizing the expertise cultivated in trusts for cash segregated as deposits for customers, we offer a wide range of products which are available to customers across industries, such as foreign exchange margin trusts, contract for difference (CFD)/overseas futures margin trusts, crypto asset-related trusts, crowdfunding payment trusts, specified joint real estate venture trusts and performance security deposit trusts.

#### Securities Trusts

We provide securities management trusts and investment trusts to customers, mainly financial institutions and general businesses that hold securities. These trusts are used to save labor and reduce costs related to the management and custody of customers' stocks and other holdings, and to improve investment performance through stock lending operations.

## Real Estate Leasing Business ▶ See page 33 for details.