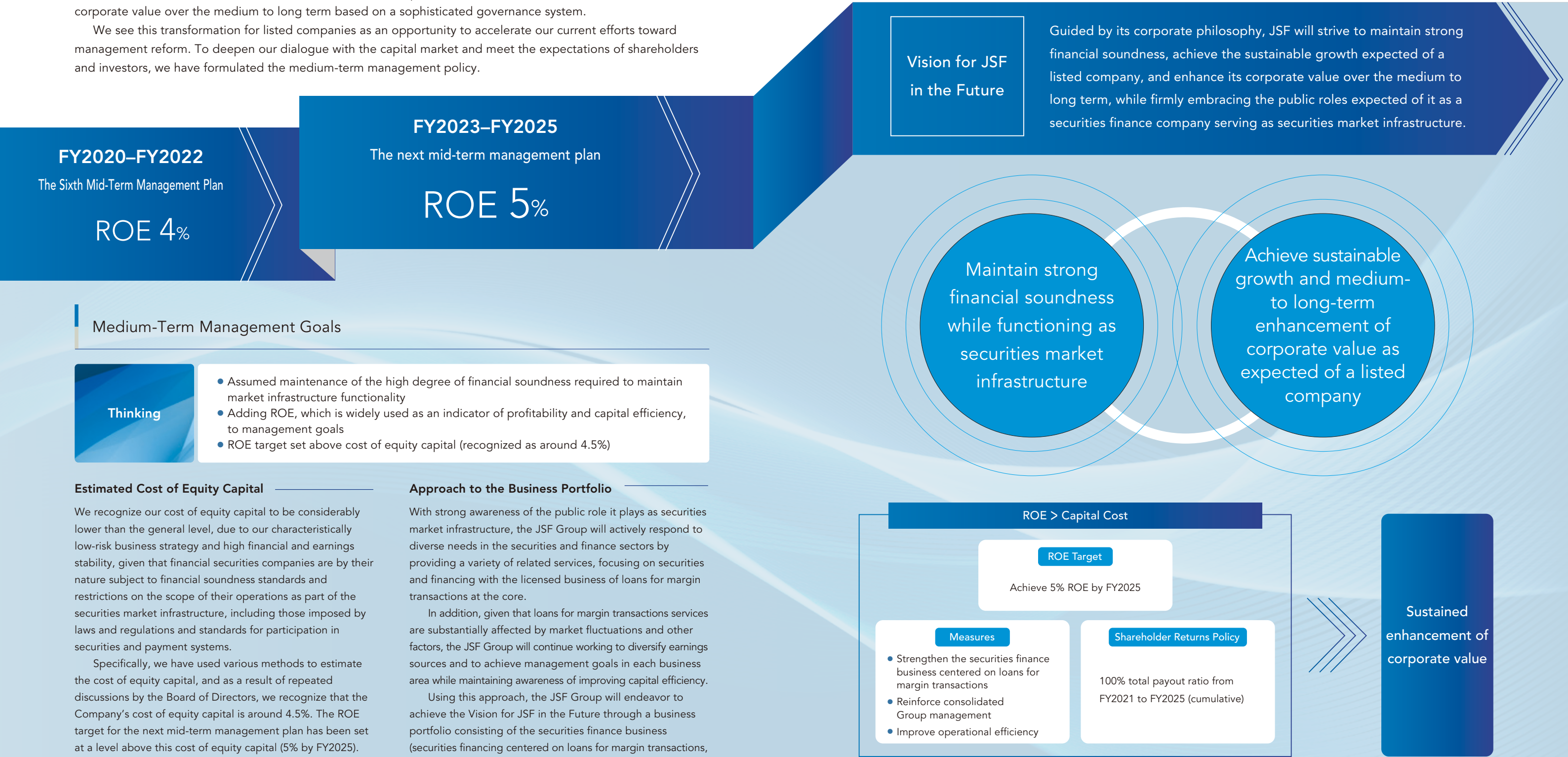


Medium-Term Management Policy

Under the Sixth Mid-Term Management Plan formulated in March 2020, we have been working to steadily increase our earning power under the assumption that we will maintain the high degree of financial soundness required of us as a key player in the securities market infrastructure.

During that time, the Corporate Governance Code was revised in June 2021, and the Tokyo Stock Exchange restructured its market segments in April 2022. As a publicly listed company, we recognize that the current situation calls for us to ensure greater commitment and transparency to achieve sustainable growth and enhance corporate value over the medium to long term based on a sophisticated governance system.

We see this transformation for listed companies as an opportunity to accelerate our current efforts toward management reform. To deepen our dialogue with the capital market and meet the expectations of shareholders and investors, we have formulated the medium-term management policy.



Medium-Term Management Policy

Strategy

Strengthen the Securities Finance Business Centered on Loans for Margin Transactions

- Initiatives such as improving the operational stability and convenience of the loans for margin transactions business, steadily increasing the number of loanable stock issues, and strengthening the dissemination of information related to standardized margin transactions and margin loans
- Use of the financial and securities transaction expertise cultivated thus far to handle diverse transactions in a proactive manner and increase the number of business partners and applicable securities

Reinforce Consolidated Group Management

- Make further use of Group resources to improve overall profitability

Improve Operational Efficiency

- Review business processes and other areas to promote further improvements in operational efficiency
- Maintain awareness of sustainability issues, promote business operations with low environmental impact and diverse employee work styles

Shareholder Returns

To ensure the operational stability and financial soundness required of us as a key player in the securities market infrastructure, we will enhance corporate value while maintaining solid shareholders’ equity. At the same time, we intend to increase returns to shareholders based on comprehensive consideration of the earnings environment, investment plans and other factors.

FY2022 (Forecast)

Dividend (Forecast)	Share Buy-backs	Total Payout Ratio
¥32.0 (+¥2.0 YoY)	3.2 million shares (3.5% of total shares issued and outstanding) ¥3 billion	103.4%

Shareholder Returns Policy

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

We aim to pay annual dividends per share of no less than ¥30.0 during that period.

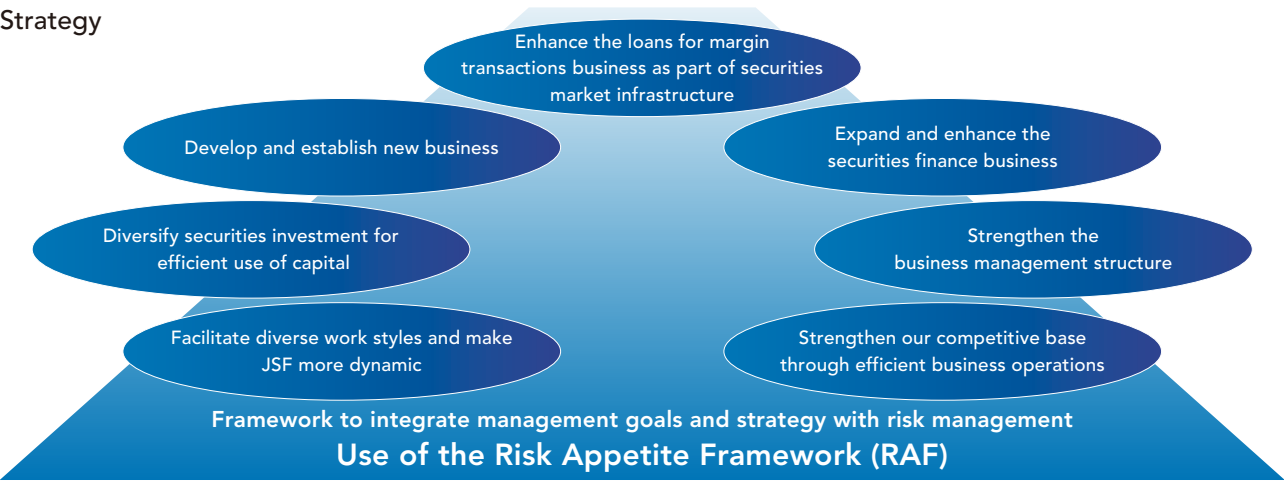
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022 (Forecast*)
Profit	¥4.2 billion	¥3.7 billion	¥3.5 billion	¥3.9 billion	¥5.1 billion	¥5.6 billion
Dividends per Share	¥26.0	¥22.0	¥22.0	¥26.0	¥30.0	¥32.0
Dividend Payout Ratio	58.8%	55.0%	57.2%	60.1%	53.0%	49.2%
Share Buy-back Amount	¥0.9 billion	¥1.2 billion	¥0.5 billion	—	¥2.3 billion	¥3.0 billion
Total Payout Ratio	79.3%	87.8%	71.0%	60.1%	97.6%	103.4%

* Announced on May 10, 2022

The Sixth Mid-Term Management Plan

Management Goals

Given that the loans for margin transactions business, JSF’s core business, is greatly affected by market fluctuations, we will strengthen its base by increasing the number of loanable stock issues, and stabilize our functions as securities market infrastructure by diversifying revenue sources and steadily increasing basic profit (ordinary profit estimated based on the assumed profit of loans for margin transactions).



Strategy

Strengthen the Loans for Margin Transactions Business as Part of Securities Market Infrastructure

We aim for operational stability and increased profitability in our loans for margin transactions business by appropriately responding to changes in the stock market’s operating environment. In addition, we will carefully identify trends among market participants, steadily increase the number of loanable stock issues, promote the use of loans for margin transactions, step up the dissemination of information relating to margin transactions and loans for margin transactions, and expand our investor base.

Expand and Enhance the Securities Finance Business

We aim to effectively use the financial and securities transaction expertise we have cultivated thus far to proactively handle diverse transactions with domestic and overseas financial instruments businesses and increase the number of business partners and applicable securities to enhance and expand our securities finance business, increasing opportunities for profit.

Develop and Establish New Business

We will leverage our history, background and characteristics as a securities finance company, and take a long-term perspective in developing and establishing new businesses in collaboration with Group companies and domestic and foreign partners.

Diversify Securities Investment for Efficient Use of Capital

We will secure stable revenues by responding to changes in the external environment with agile revisions to our portfolio, based on appropriate risk controls. In addition, we will expand foreign currency funding methods to increase management of

foreign currency-denominated securities such as foreign government bonds, and to support business development using foreign currencies.

Strengthen the Business Management Structure

We will proactively meet our social obligations, and reaffirm that compliance is a management prerequisite for achieving our corporate philosophy.

To establish unwavering public trust in JSF, we aim to ensure 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.

We will further strengthen our business continuity system to enable us to carry out our securities market infrastructure functions even in the event of a major disaster.

Strengthen Our Competitive Base through Efficient Business Operations

Given the increase in transaction volume and complexity of business, we will review our business 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 Make JSF More Dynamic

Amid changes and diversification of work, such as work-style reform and delayed retirement, we will review our employment systems to establish a rewarding and employee-friendly working environment, thereby improving individual productivity and increasing JSF’s vitality.

Message from the Executive Officer in Charge of Corporate Planning

Aiming to be a company that earns the trust of all stakeholders



Senior Managing Executive Officer,
Executive Officer in charge of Corporate Planning **Yutaka Okada**

FY2021 Consolidated Financial Results

In FY2021, the business performance of companies in Japan recovered from the stagnation caused by the impact of the COVID-19 pandemic, and the recovery trend strengthened. However, stock market movement remained stuck in a narrow range due to the impact of circumstances overseas, including concerns about default on debts by the Evergrande Group of China, the implementation of tapering by the Federal Reserve (phasing out quantitative easing) in the United States and soaring crude oil prices due to the situation in Ukraine.

Under these circumstances, consolidated results for FY2021 included operating profit of ¥6,235 million, a 30.5% increase year on year, ordinary profit of ¥7,164 million, a 28.9% increase, and profit of ¥5,174 million, a 30.3% increase, for an increase of about 30% for all three levels of income.

The growth engine of the Group, the securities finance business, drove the increase in profits. In particular, bond lending (repo transactions and *gensaki* transactions for the purchase and resale of Japanese government bonds and other bonds) and equity repo transactions performed strongly, setting a new record-high balance by actively responding to the market's growing need for investment and procurement of securities. In addition, at our subsidiary JSF Trust and Banking, trust fees reached a record high as the trust balance of custodial trust services centered on preservation trusts such as cash segregated as deposits for customers and crypto-asset-related trusts, as well as asset-backed loan trusts, continued to increase. On the other hand, the loans for margin transactions business, which is greatly affected by stock

market conditions, was sluggish, especially stock lending.

In this way, we were able to achieve solid results in our securities finance business, centered on bond lending and equity repo transactions, which I believe is not only a result of efforts on the sales side, but also of the increased efficiency of business operations resulting from reviewing business processes, utilizing RPA and promoting telework amid the increase in transactions and growing complexity of operations.



Outlook for FY2022

In the loans for margin transactions business, we will steadily promote measures such as increasing the number of loanable stock issues and stepping up the dissemination of information related to margin transactions and loans for margin transactions. In the securities finance business, we aim to utilize our financial and securities transaction expertise to proactively expand our handling of diverse transactions with

financial institutions in Japan and overseas, and increase business partners and applicable securities to further expand the business.

We aim to achieve ROE of 4% for FY2022, which together with further promotion of the trust business at JSF Trust and Banking is one of the milestones of our medium-term management policy.

About Shareholder Returns

We will comprehensively consider the earnings environment and investment plans as we strive to return profits to our shareholders while maintaining financial soundness.

In FY2021, based on our shareholder return policy, we paid annual dividends of ¥30.0 per share, an increase of ¥4.0 compared with the previous fiscal year, and carried out share

buy-backs in the market totaling ¥2.3 billion for a total payout ratio of 97.6%. ▶ See page 20 for details.

In FY2022, we are aiming for a total payout ratio of 100% through dividends and the flexible implementation of share buy-backs in accordance with our shareholder return policy.

Shareholder Returns

		FY2021	FY2022 (Forecast)
Dividends per share	Annual	¥30.0 (+¥4.0 vs. FY2020)	¥32.0 (+¥2.0 vs. FY2021)
	Interim	¥15.0	¥16.0
	Year-end	¥15.0	¥16.0
	Dividend payout ratio	53.0%	49.2%
Share buy-backs	Aggregate no. of shares to be repurchased	¥2.3 billion 2.80 million	¥3.0 billion 3.2 million
	Result	¥2.3 billion 2.48 million	—
	Repurchase period	December 21, 2021 to March 11, 2022	May 11, 2022 to March 31, 2023
Total payout ratio		97.6%	103.4%

Message from the Executive Officer in Charge of Corporate Planning

Features of the Consolidated Balance Sheet

The loans for margin transactions business, securities finance and securities investments are the pillars of the Company's earnings and features of its balance sheet.

Funds lending transactions are recorded under assets as loans while the collateral for those loans is off-balance-sheet. In securities lending transactions, while the securities lent are off-balance-sheet, collateral deposits received in connection with such lending are recorded under liabilities as collateral money received for securities lent.

In addition, in the security finance business, bond repo and *gensaki* transactions are brokerage transactions that match the needs of lenders and borrowers. As a result, the balance sheet is expanded in both assets (collateral money for securities borrowed) and liabilities (collateral money received for securities lent), but financial soundness is ensured as both are secured transactions.

Road to Achieving the Management Goals

The Company aims to ensure the financial soundness required of a company that is a key part of Japan's securities market infrastructure while achieving the sustainable growth expected of a listed company and increasing corporate value over the medium to long term. To make these management policies clear, we are aiming for ROE of 4% during the term of the current mid-term management plan (FY2020–FY2022), and 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. Characteristic of a securities finance company, we are subject to 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, as a key part of Japan's securities market infrastructure. Therefore, I believe that our cost of equity 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, we are going to take a steady and stable approach to achieving ROE of 5% by FY2025.

ROE has steadily increased in recent years, reaching 3.79% in FY2021 due to ongoing efforts under the mid-term management plan. I believe that we have built a foothold for achieving our medium-term management policy targets of 4% for FY2022 and 5% for FY2025.

To Our Stakeholders

In FY2021, despite the impact of the COVID-19 pandemic and the situation overseas on market conditions, we were able to build earnings centered on the securities finance business, which is crucial to enhancing profitability. Results surpassed the estimates we made at the beginning of the fiscal year. In addition, due to a dividend increase and share buy-backs, we were able to return profits to shareholders at a total payout ratio of close to 100%.

I would like to express my heartfelt gratitude to our shareholders, investors, business partners and other

stakeholders, whose support has made this possible.

In addition to business and financial issues such as enhancing profitability and improving capital efficiency, from the perspective of sustainability I will work to gain a broad understanding of non-financial information centered on ESG factors and expand disclosure.

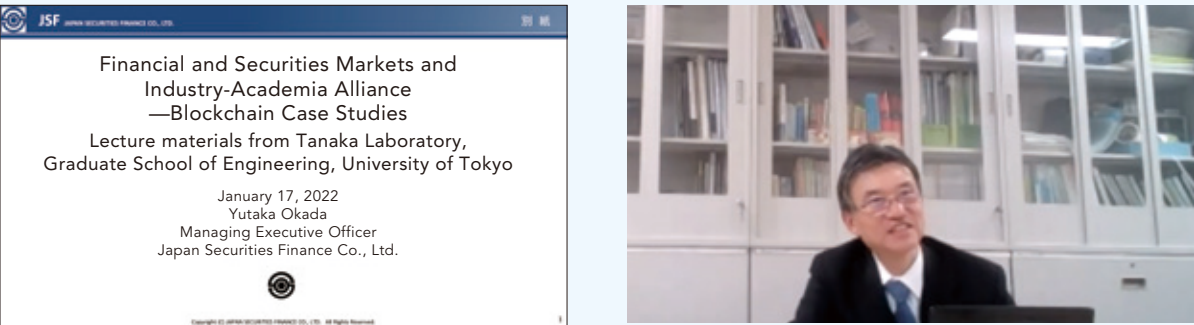
Company officers and employees will continue to work together for sustainable growth in corporate value so that JSF achieves wide recognition from society as a valuable presence.

ESG Initiatives as the Executive Officer in Charge of Sustainability

Lecture on Financial and Securities Markets and Industry-Academia Alliance to the Graduate School of Engineering, University of Tokyo

Distributed ledger technology (blockchain) has drawn increasing attention in recent years, and discussions about its applicability in the securities field are progressing. Since June 2021, JSF has been conducting empirical research jointly with the University of Tokyo on the applicability of blockchain technology, with a focus on the Company's main business area, securities lending.

On January 17, 2022, as JSF's Managing Executive Officer at the time, I delivered a lecture regarding this empirical research to students of the Graduate School of Engineering at the University of Tokyo on the topic "Financial and Securities Markets and Industry-Academia Alliance—Blockchain Case Studies." All students in attendance were keenly aware of recent trends in finance and securities, as well as the latest technologies such as blockchain, and industry-academia collaboration. Lively discussion ensued, not only on current issues, but also on the future of the securities finance industry and how it should ideally evolve.



Cooperative Relationships with Indonesia's Securities Market Infrastructure

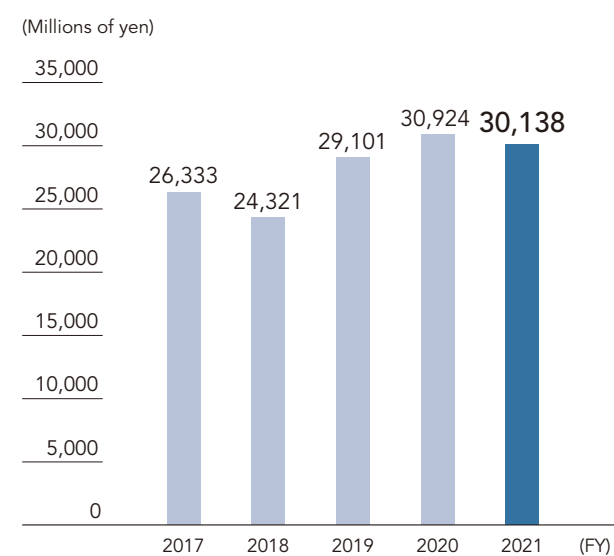
In Indonesia, the government's policy objectives are to strengthen the financial services sector to contribute to medium- to long-term growth and to stabilize the financial system as a basis for sustainable economic development. In the securities sector, one measure for achieving an efficient, highly liquid and stable securities market is to enhance the efficiency of securities transactions and settlements using securities finance. A project to establish and operate a securities finance company in Indonesia was launched in 2014, and in December 2016, PT Pendanaan Efek Indonesia (PEI) was established with investments by three companies, including the Indonesia Stock Exchange.

As part of the infrastructure of the Japanese securities market, JSF has been actively supporting this project since its beginning, and has acquired a 10% stake in PEI (about ¥400 million). Going forward, we will further utilize the knowledge we have accumulated in the securities finance business to support PEI and Indonesia Stock Exchange Group in their business development and market infrastructure improvements, and continue to strengthen cooperative relationships with all parties involved as we contribute to the sustainable development of Indonesia's economy as well as its financial and securities markets.

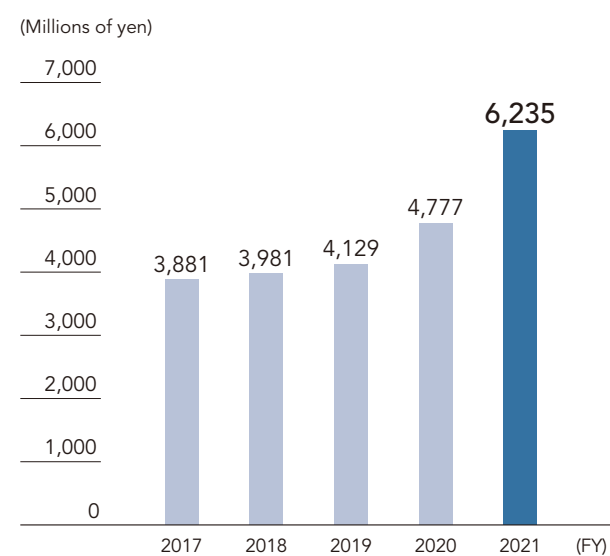
Financial and Non-Financial Highlights

Financial Highlights

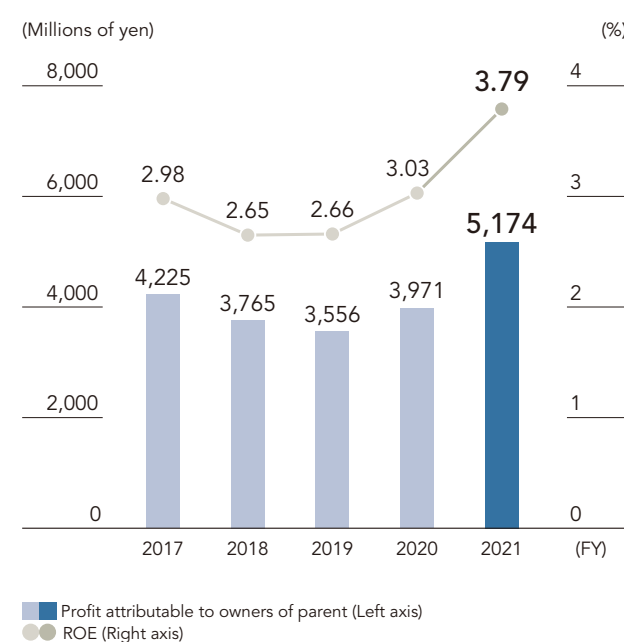
Operating Revenue



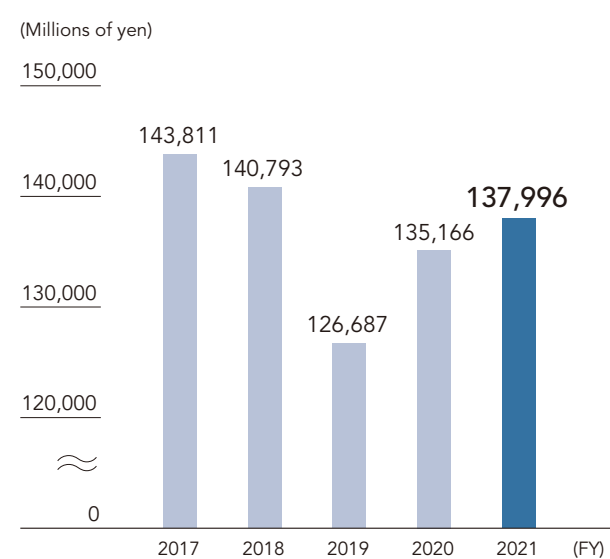
Operating Profit



Profit Attributable to Owners of Parent and ROE

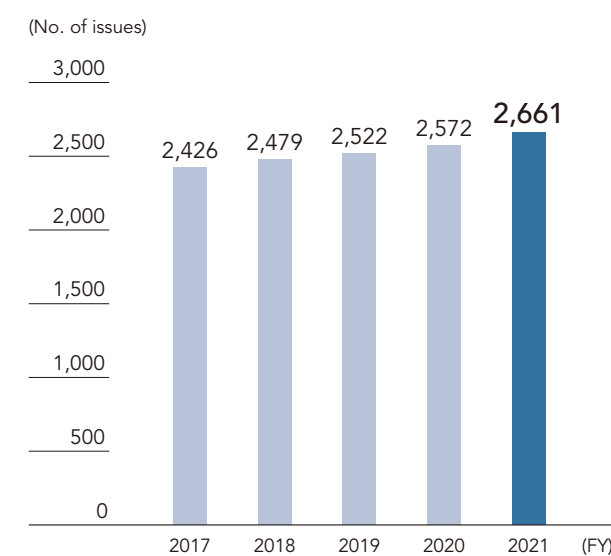


Net Assets

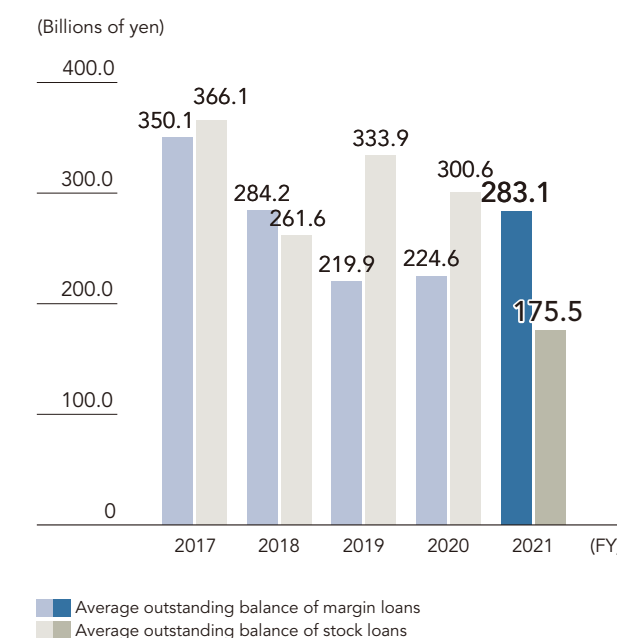


Non-Financial Highlights

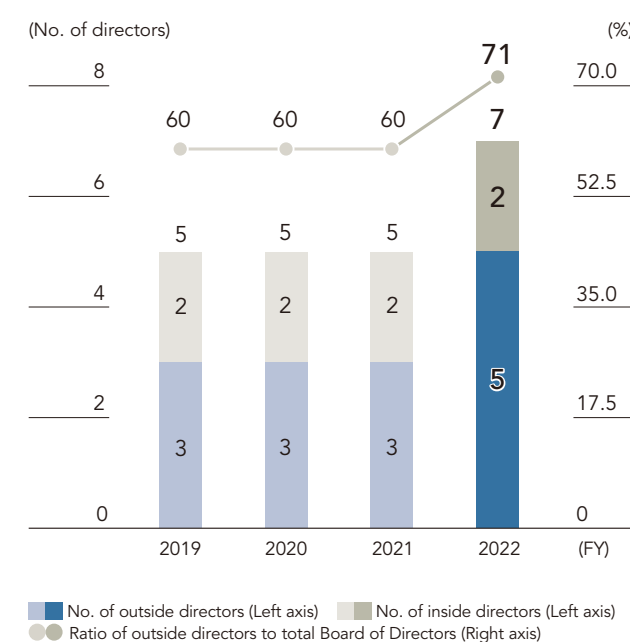
Loanable Stock Issues



Average Outstanding Balance of Margin Loans and Stock Loans



Directors and Ratio of Outside Directors to Total Board of Directors



Employees (Non-consolidated, including seconded employees)

