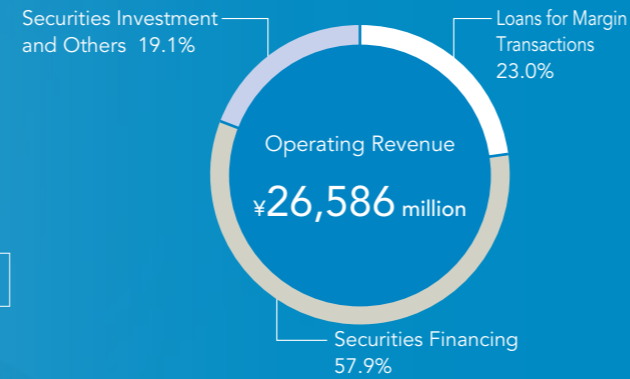


Securities Finance Business

Japan Securities Finance Co., Ltd.

Net assets ¥121.1 billion

Number of employees 207



Business Description and Policy

JSF was established in 1950 as an institution specializing in securities finance that lends the funds and securities needed for the securities market. As the only securities finance company in Japan, its mission is to contribute to the development of the securities market. Our securities finance business comprises operations such as the loans for margin transactions business, securities financing, and the securities investment business for government bonds. The legally licensed loans for margin transactions business is our core business, and serves as securities market infrastructure. In addition, we leverage our expertise in handling securities and funds to expand our business mainly through securities financing such as repo transactions and *gensaki* transactions for Japanese government bonds and other bonds, equity repo transactions, general stock lending and loans to retail secured by securities companies.



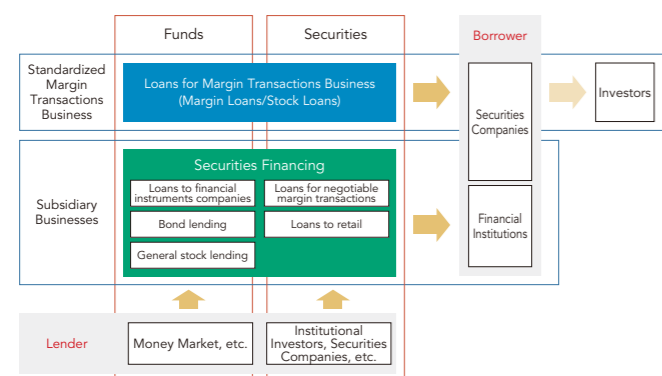
Shigeki Kushida
Representative Executive Officer & President
Japan Securities Finance Co., Ltd.

Business Environment and Recognized Issues

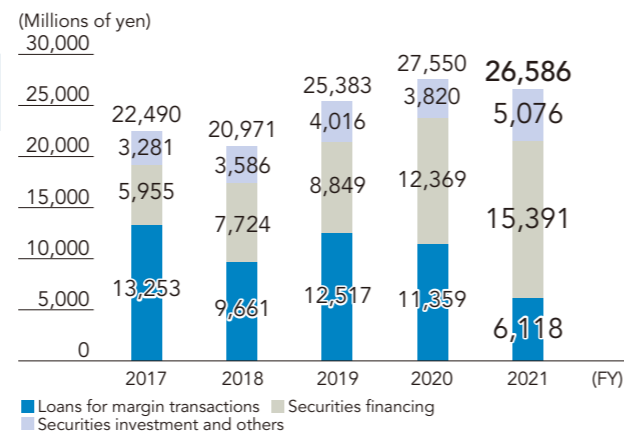
The loans for margin transactions business is characterized by volatile earnings due to stock market conditions and the balance of standardized margin transactions. Even so, securities financing business results in areas such as bond repo and *gensaki* transactions and equity repo transactions have expanded significantly in recent years due to successes in advancement and diversification of offerings based on the

widening range of market needs, including the increase in overseas business partners and transactions using foreign securities. In addition, in the securities investment business, which includes government bonds, we are working to ensure stable earnings while appropriately controlling market risk and other factors.

JSF Business Overview



Operating Revenue



Loans for Margin Transactions Business

Strengths and Opportunities

A securities finance company serves as a source of funds, stocks and other securities for the smooth implementation of standardized margin transactions through loans of funds and stocks necessary for settlement to the securities company after a standardized margin transaction sale and purchase is made. The loans for margin transactions business requires a license under the Financial Instruments and Exchange Act, and JSF's mission as Japan's only securities finance company is to ensure stable operation of loans for margin transactions.

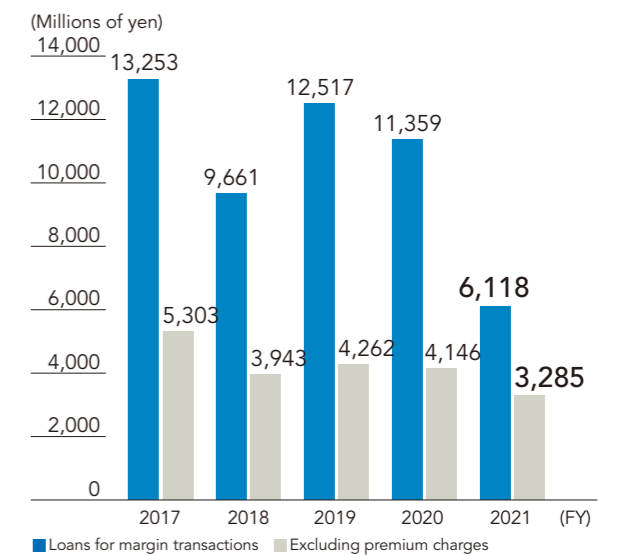
The ability of securities companies to procure funds and stocks has improved since financial liberalization in the late 1990s, and in recent years the utilization ratio for margin loans (the ratio of the margin loan balance to the standardized margin transaction balance) has declined. However, given the support for the convenience of loans for margin transactions, which provide the necessary funds and stocks in a standardized form without to the need to check the inventory of stocks in advance, loans for margin transactions continue to occupy an important position in securities market infrastructure.

FY2021 Initiatives

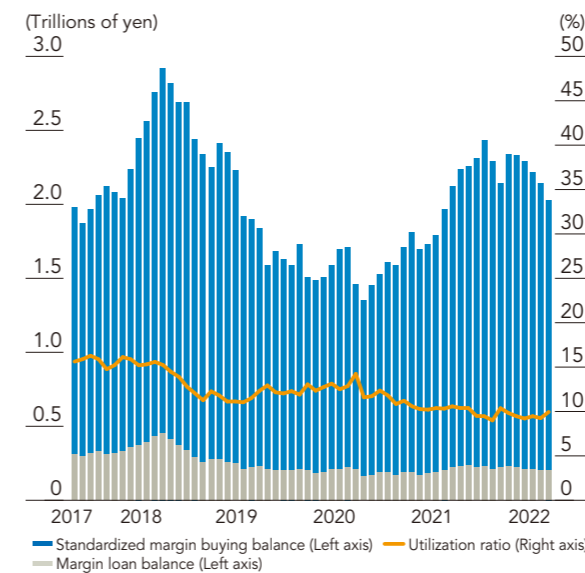
In FY2021, the margin loan balance increased year on year, recovering in line with the recovery of the standardized margin buying balance. On the other hand, the balance of stock loans for margin transactions was significantly lower than in the previous fiscal year, due to a slump in the standardized margin transaction selling balance.

* The graph on the right includes data for operating revenue on an actual basis, excluding premium charges, which do not affect profits.

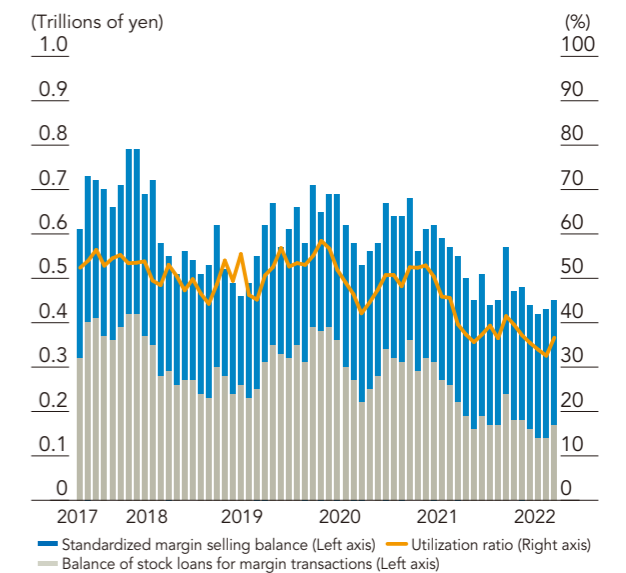
Operating Revenue (Loans for Margin Transactions Business)*



Margin Loan Balance and Standardized Margin Transaction Buying Balance



Balance of Stock Loans for Margin Transactions/ Standardized Margin Selling Balance



Securities Financing

Strengths and Opportunities

Consisting of five business areas, securities financing is the generic term we use for the lending of funds backed by securities and the lending of securities other than in the loans for margin transactions business.

Since earnings from the loans for margin transactions business are easily impacted by market conditions and the balance of standardized margin transactions, we have worked to ensure financial soundness by expanding and enhancing our other businesses so that we can keep the loans for margin transactions business stable even when market conditions are sluggish. In order to ensure JSF continues to grow sustainably and carry out its market infrastructure functions, we are making the most of our high credit ratings (creditworthiness) backed by solid equity capital and the expertise in securities and finance-related businesses we have cultivated over the years as we work to expand our securities financing business.

As measures common to all of these businesses, we are working to increase the number of business partners, including foreign financial institutions, and to expand our securities for transactions in foreign currency-denominated securities such as foreign government bonds and foreign stocks. To this end, we actively participate in international securities lending business conferences such as PASLA¹ and ISLA.²

1. Pan Asia Securities Lending Association: An industry group that promotes sound development of the securities lending business by developing market practices for securities lending in Asian markets.
2. International Securities Lending Association: An industry group that promotes the growth of the securities lending and financial industries by developing market practices related to securities lending in global markets and a legal framework for the Global Master Securities Lending Agreement (GMSLA).

FY2021 Initiatives

Loans to Financial Instruments Companies

The balance of equity repo transactions reached a record high in FY2021 as transactions with major Japanese securities companies and foreign financial institutions expanded due to the successful diversification of transactions such as those targeting foreign stocks and those secured by government bonds. We will continue to flexibly respond to customer needs, diversify the collateral we accept and the currencies we handle to improve the commercial appeal of our products and improve transaction convenience.

Bond Lending

The balance of bond lending transactions remains at a record high, due to an increase in the balance of loans to foreign financial institutions. In addition to trust banks and insurance companies, we are working to expand our bond procurement sources to include regional financial institutions and others.

General Stock Lending

In the general stock lending business, the demand for loan stock to avoid failed transactions is decreasing. Going forward, we will focus on identifying transaction needs and demand, mainly from foreign financial institutions, and will work to further increase our stock procurement sources.

Loans for Negotiable Margin Transactions

Loans for negotiable margin transactions help finance negotiable margin transactions by securities companies. The balance of loans for negotiable margin transactions was on a recovery trend in FY2021 due to the acquisition of new business partners and the identification of dormant business partners.

Loans to Retail

The balance of securities-backed loans to individual investors or firms increased year on year due to meticulous improvement of the commercial appeal of mainstay COM-STOCK loans (securities-backed loans that can be traded online) and an increase in business partners. In face-to-face transactions, we are focusing on identifying transaction needs in cooperation with securities companies and independent financial advisors.

Highlights

International Finance Awards

At the International Finance Awards 2021, JSF received awards in two categories relating to work in Japan—Most Innovative Securities Lending Services Provider and Most Innovative Financing Company. Sponsored by British financial media company International Finance Publications, the awards recognize outstanding companies in 11 categories in the field of international finance, including banking and brokerage. This is the first time JSF has received these awards.



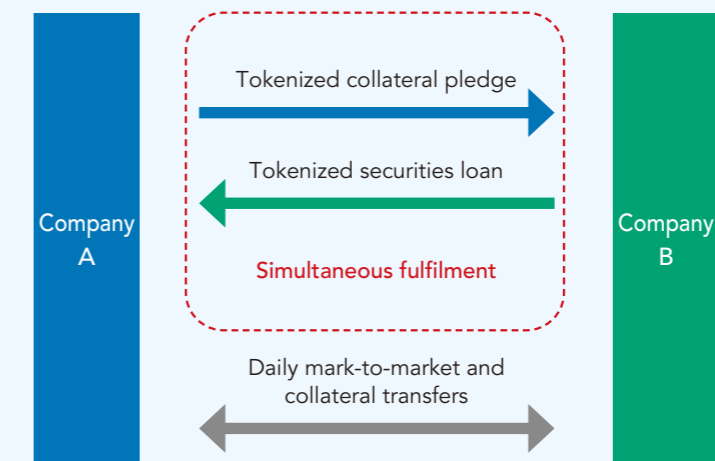
Empirical Research on Securities Transactions Using Blockchain Technology (Joint Research with the University of Tokyo)

In recent years, awareness of distributed ledger technology (blockchain) has been increasing, and discussions about its potential use in the securities field are progressing.

We have been conducting empirical research jointly with the University of Tokyo to verify whether smooth transactions can be carried out through the use of blockchain technology. The focus of this research is securities lending, one of our main business areas.

Specifically, we are conducting hypothetical transactions in which tokenized securities (cryptographic assets issued using blockchain technology) and collateral are exchanged virtually between limited parties. We are examining the possibility of (1) enabling the near-simultaneous real-time transfer of securities and collateral denominated in foreign currencies, which normally involves time differences, (2) obtaining benefits from increasing both system availability and the efficiency of administrative processing, and (3) utilizing various assets, including illiquid assets, as collateral backed by these advantages.

Overview of Empirical Research

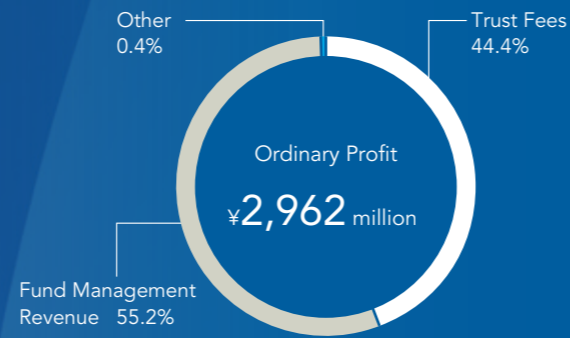


Trust Banking Business

JSF Trust and Banking Co., Ltd.

Net assets ¥30.4 billion

Number of employees 41



Ordinary Profit
¥2,962 million

Business Description and Policy

JSF Trust and Banking Co., Ltd. was established in 1998 amid financial system reforms known as the "Japanese Big Bang." A wholly owned subsidiary of JSF, it aims to contribute to JSF's securities market functions through its trust business. As times change and financial technology becomes increasingly sophisticated, JSF Trust and Banking provides trust services to meet needs that get more diverse by the year and contribute broadly to the development of Japan's financial market.

Business Policy

In light of its founding philosophy of being a trust bank that supports the business infrastructure of securities companies and other financial instruments companies, JSF Trust and Banking aims to deepen and expand its business model through financial and securities-related services that only it can provide.

- As a highly specialized trust bank, JSF Trust and Banking works to expand its business through a focus on securities market-related operations.
- We handle lending to securities companies and others, and carry out banking functions in accordance with our size.
- We contribute to the sound development of the financial and securities markets by providing comprehensive financial services in cooperation with our parent company, JSF.

Business Environment and Recognized Issues

Since its founding, JSF Trust and Banking has been engaged in the trust business, focusing on trusts for cash segregated as deposits for customers and securities trusts. In recent years, laws and regulations have been established for various financial products such as forex transactions, overseas futures trading and CFD transactions, investment crowdfunding, and crypto asset transactions, making the protection of customer assets mandatory. In response, JSF Trust and Banking has leveraged the expertise and technical information it has cultivated through trusts for cash segregated as deposits for customers and securities trusts to increase trust products for financial instruments businesses, commodity futures traders and crypto asset exchange traders.

We will continue to develop asset preservation trust products. In addition to trust services, we are focusing on banking services such as business development support loans for financial instruments businesses and other business partners.

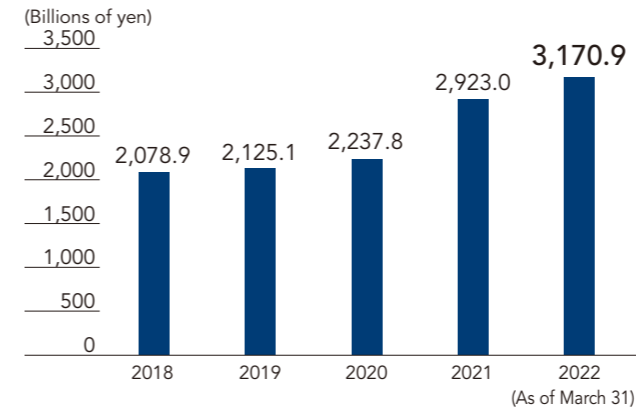
Strengths and Opportunities

The strength of JSF Trust and Banking lies in its ability to make proposals based on its extensive experience and track record, its flexibility, and the meticulous administrative support it provides. In recent years, as well as building a track record of handling ABL trusts through referrals from securities companies, we have received many inquiries, mainly from other financial institutions and fund management companies, about investment trusts managed under instructions from the trustor and securitized receivables trusts that help customers manage their assets. In cooperation with its parent company, JSF Trust and Banking will work to meet market needs as a trust bank that contributes to the improvement of market functions and investor convenience.

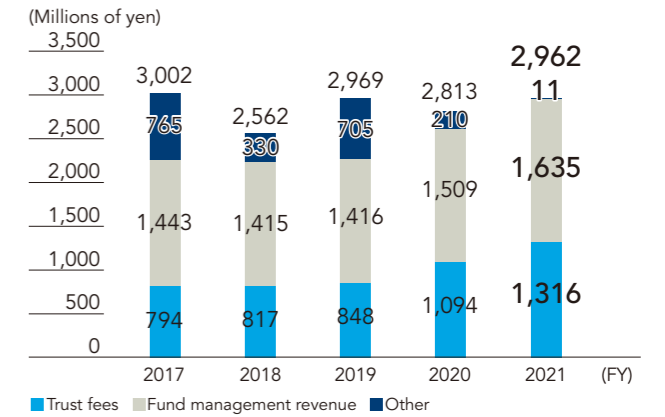


Toshihiro Oritate
President
JSF Trust and Banking Co., Ltd.

Balance of Trust Assets



Ordinary Profit (Non-consolidated)

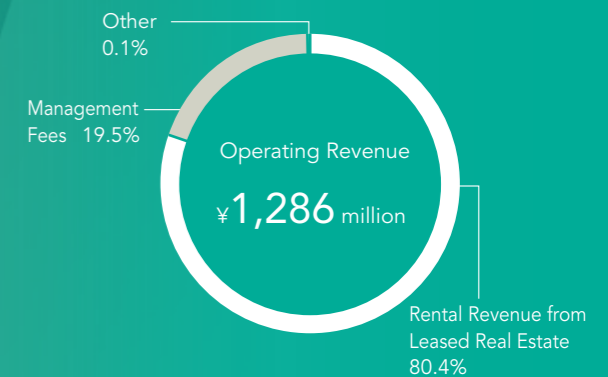


Real Estate Leasing Business

Nihon Building Co., Ltd.

Net assets ¥8.2 billion

Number of employees 16



Operating Revenue
¥1,286 million

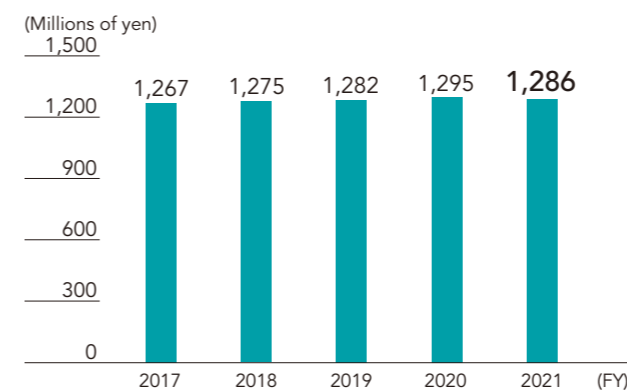
Business Information and Policy

A wholly owned subsidiary of JSF, Nihon Building Co., Ltd. was established in 1958. As the JSF Group's real estate leasing company, Nihon Building is tasked with providing suitable, comfortable office space to tenants and customers, especially members of the Group. In addition to working for the Group, such as managing the JSF head office building, and steadily promoting the leasing business for buildings owned by the Group in Nihonbashi-kayabacho, Nihon Building will continue to improve its services in cooperation with Group companies while responding to changes in the business environment, including redevelopment under way in the Nihonbashi area.



Kazuhiro Maeda
President
Nihon Building Co., Ltd.

Operating Revenue



Nihon Building No. 3