



Japan Securities Finance Co., Ltd.

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Integrated Report

# 2023



Japan Securities Finance Co., Ltd.  
1-2-10 Nihonbashi-Kayabacho, Chuo-ku, Tokyo 103-0025, Japan



Integrated Report 2023



## Corporate Message

# Be unique. Be a pioneer.

## Management Philosophy

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

## Vision of the Future Targeted by JSF

As Japan's only securities finance company supporting the infrastructure functions of securities and financial markets, JSF aims to be a distinct and unique company that operates with a high degree of agility and flexibility. It will achieve sustainable growth and enhance its corporate value, while maintaining strong financial soundness and contributing to the development of securities and financial markets.

## Long-Term Direction

As Japan's only securities finance company, JSF will continue to agilely and flexibly address the trading needs of securities and financial market participants. Through its contributions to market development, JSF will seek to concentrate the collective efforts of its Group companies to sustain growth and enhance its corporate value, while maintaining strong financial soundness.

Under this management direction, JSF will continue striving to steadily strengthen its earnings base and pursue stable and steady improvement of its capital efficiency, while remaining mindful of the cost of equity, and will continue to work toward the steady improvement of ROE, keeping the 8% level in mind.

At the same time, with regard to shareholder returns, JSF will continue to maintain a total payout ratio of 100% during the period of its Seventh Medium-Term Management Plan (FY2023–FY2025), and strive to enhance shareholder returns thereafter as well.

Through these management efforts, JSF aims to establish a price to book ratio (PBR) exceeding 1.0 times.

In addition, under its organizational design as a Company with a Nominating Committee, etc., JSF will strive to strengthen its corporate governance by tackling sustainability issues while focusing on further improvement of the effectiveness of deliberations by its Board of Directors and respective committees, the further enhancement of information disclosure, and the development of a robust human capital base.

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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 its 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 ("the JSF Group")

### Reporting Period

April 1, 2022 to March 31, 2023  
(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 2.0*

### Cautionary Note Regarding Forward-Looking Statements

Forward-looking statements such as performance forecasts in this report are 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.

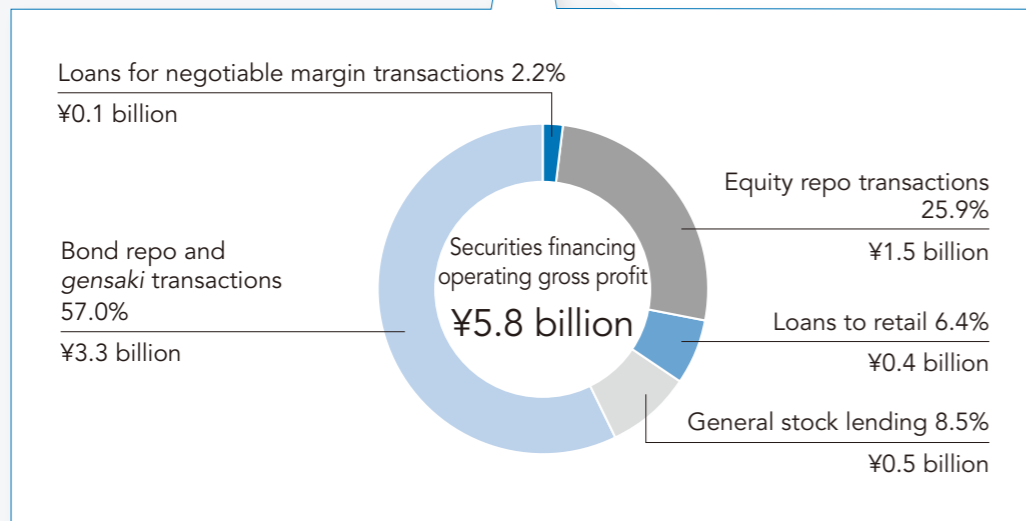
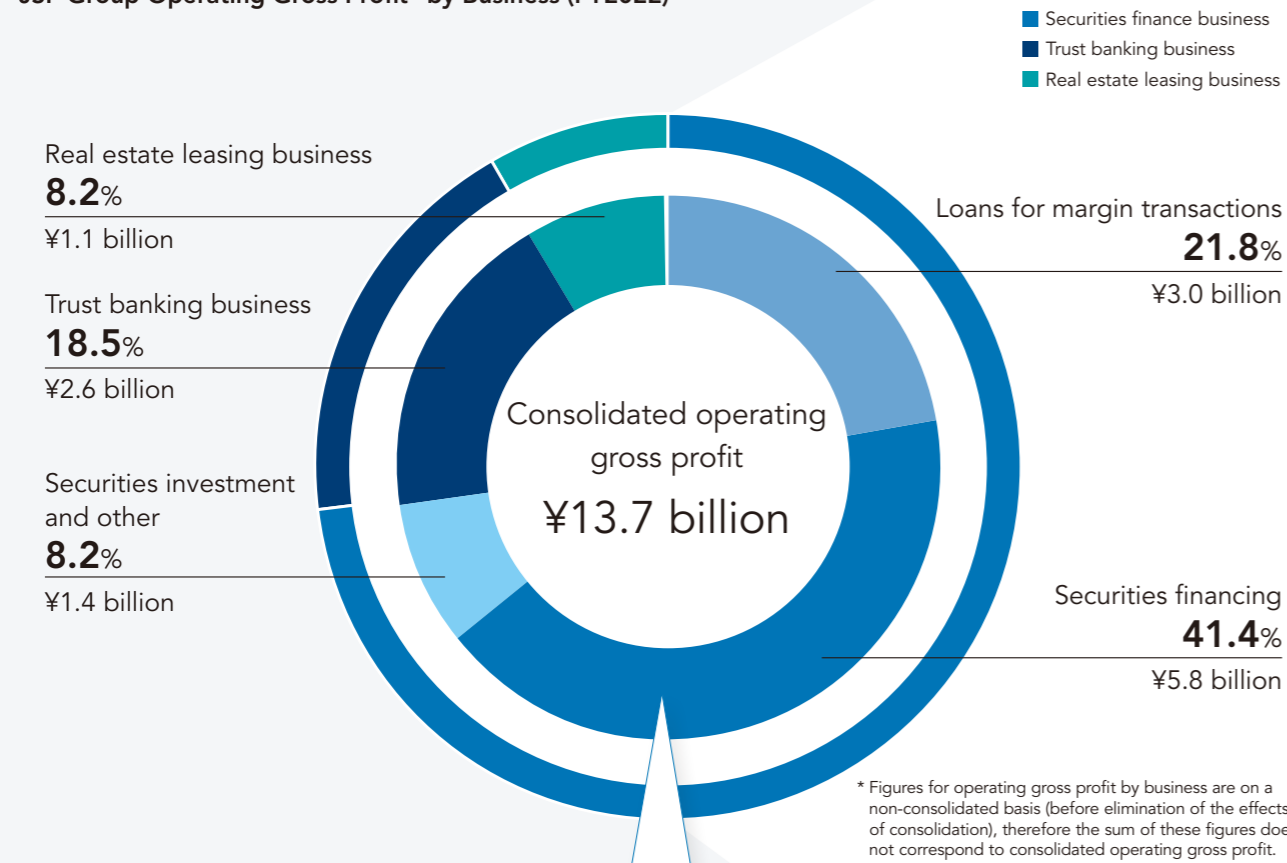


# The JSF Group at a Glance

## Group Composition

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

JSF Group Operating Gross Profit\* by Business (FY2022)



## Securities Finance Business: Japan Securities Finance Co., Ltd.

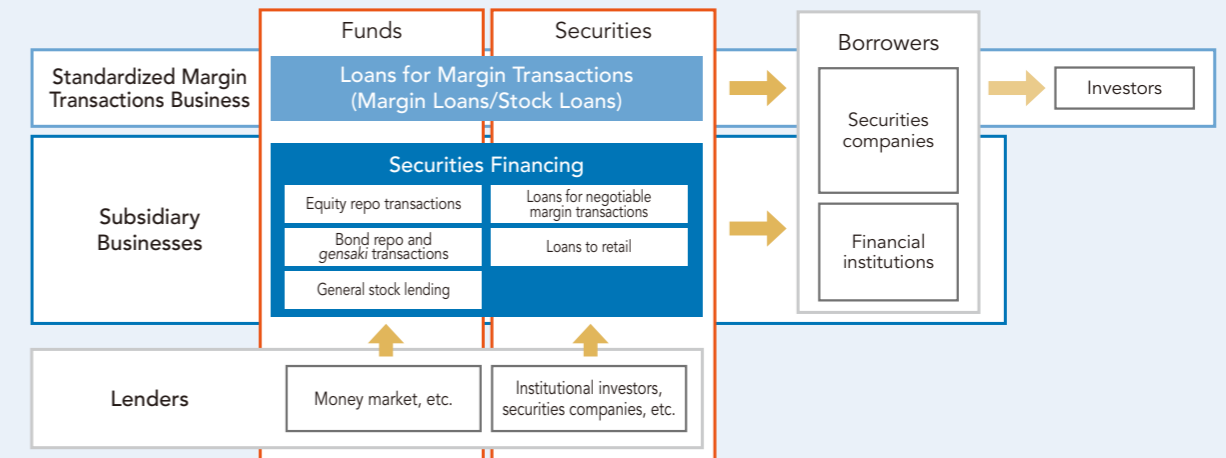
See page 26 for details.

Japan Securities Finance's core business is securities financing (lending funds and securities to financial institutions, etc.), which is centered on loans for margin transactions.

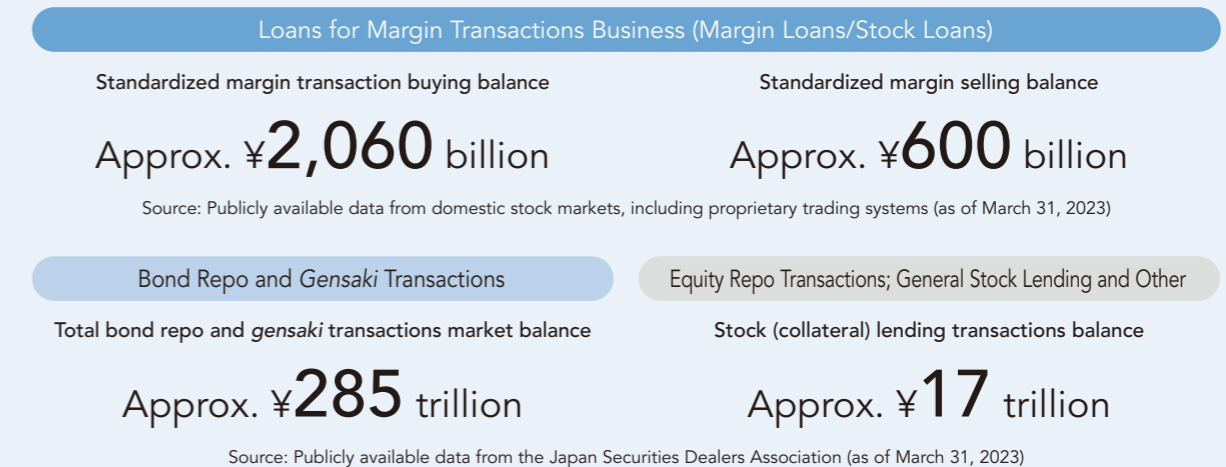
The loans for margin transactions business contributes to the smooth circulation of stocks and the proper price discovery process in the market. We lend securities companies the funds and stocks necessary for standardized margin transaction.

An element of securities financing, bond repo and gensaki transactions is the business of intermediary lending needs and borrowing needs, mainly for government bond repo and gensaki transactions (transactions in which bonds are exchanged for cash). This business also covers equity repo transactions (in which cash is deposited in exchange for borrowing stock certificates held by financial institutions) and general stock lending (in which stock is procured from institutional investors and others, and lent to securities companies that mainly require it for trading).

### JSF Business Overview



### Market Scale by Business

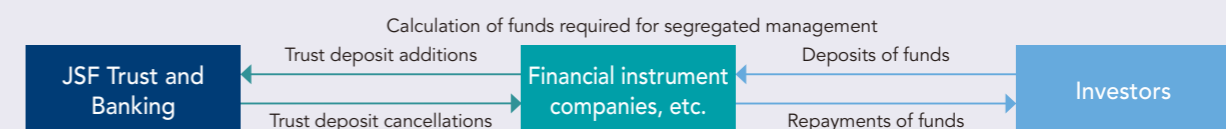


## Trust Banking Business: JSF Trust and Banking Co., Ltd.

See page 32 for details.

Based on its management philosophy of contributing to the development of the securities and financial markets, JSF Trust and Banking Co., Ltd., focuses on providing custodial trust banking services, such as segregated management of customer assets required by securities companies. With the increasing range of sectors in which customer asset preservation trusts are obligatory, JSF Trust and Banking offers a wide range of trust products for customers in different industries.

### Overview of Customer Asset Preservation Trusts



## Real Estate Leasing Business: Nihon Building Co., Ltd.

See page 33 for details.

# JSF Group Highlights

We aim to achieve both stability and growth as we support the infrastructure of the securities and financial markets.

Under the Medium-Term Management Policy announced in November 2021, we set ROE goals of 4% and 5%, respectively, for the Sixth Medium-Term Management Plan (FY2020–FY2022) and Seventh Medium-Term Management Plan (FY2023–FY2025). In FY2022, the final year of the Sixth Medium-Term Management Plan, we achieved ROE of 4.36%, thereby meeting our intermediate goal. Under the Seventh Medium-Term Management Plan, our goal for ROE is to maintain it at a stable level above 5% by FY2025 and aim for further improvements. Likewise, our goal for consolidated ordinary profit is to maintain it at a stable level over ¥10 billion and aim for further improvements as well. To achieve the new management goals, we plan to accelerate and enhance management reform initiatives that we have implemented, but we will also strive to improve our corporate vitality and organizational transformation capabilities by training personnel and securing diversity.

## Vision of the Future Targeted by JSF

As Japan's only securities finance company supporting the infrastructure functions of securities and financial markets, JSF aims to be a distinct and unique company that operates with a high degree of agility and flexibility. It will achieve sustainable growth and enhance its corporate value, while maintaining strong financial soundness and contributing to the development of securities and financial markets.

Medium-Term Management Policy

Sixth Medium-Term Management Plan (through FY2022)

Seventh Medium-Term Management Plan (through FY2025)

Long-Term Management Vision

See page 20 for details.

See page 9 for details.

### Goals

By FY2025, maintain

ROE of **5.0%**

Consolidated ordinary profit over **¥10 billion**

and aim for further improvements.

### Management Principles

1. Develop a strong governance system
2. Maintain solid equity capital and enhance returns to shareholders
3. Strengthen and expand finance- and securities-related services
4. Strengthen the human resource base

### Goal

FY2022 goal

ROE **4.0%**

FY2022 result

ROE **4.36%**

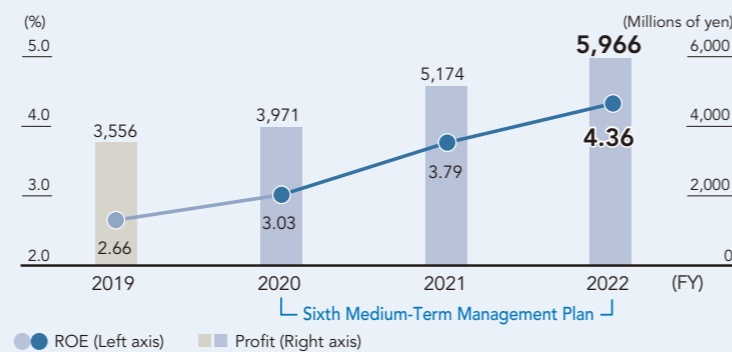
### Capital Adequacy Ratio

As of March 31, 2023: **496.1%**  
(Based on the Financial Instrument and Exchange Act (FIEA), utilizing securities company calculation methods)

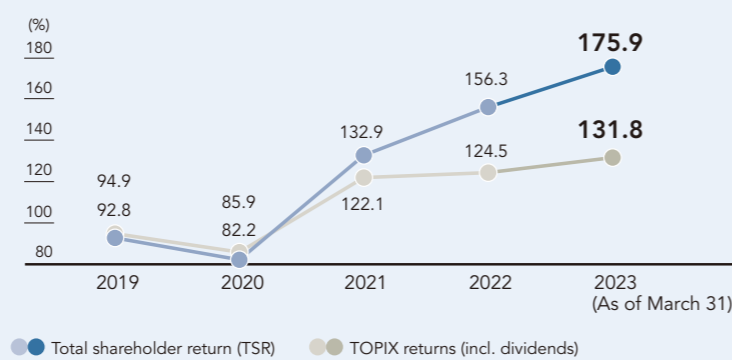
We maintain equity capital at a level that exceeds the standard required for settlement/payment systems.

### Results

#### ROE and Profit



#### Total Shareholder Return (Index\*)



\* Capital gain + Dividends. Figure for March 31, 2018 = 100%.

### Main Initiatives

#### Strengthen and Expand the Earnings Base Centered on Securities Financing

- As a result of our policy of approaching issuing companies, the number of loanable stock issues has steadily increased from 2,522 at the end of FY2019 to 2,702 at the end of FY2022.
- As a result of diversifying revenue sources, basic profit\* rose from ¥4,887 million in FY2019 to ¥8,610 million in FY2022.
- \* Estimated ordinary profit calculated as the sum of assumed average gross operating profit of the loans for margin transactions business (over the previous three years) and the gross operating profit of businesses other than the loans for margin transactions business (in FY2022).
- By increasing the number of clients and flexibly responding to transaction needs, we have made securities financing a pillar of revenue growth.
  - In addition to cultivating new clients, such as foreign financial institutions or funds, we have expanded the range of securities we handle (including foreign securities), and flexibly responded to client needs, such as by using tri-party services for repo transactions, and total return swaps (TRS).
- JSF Trust and Banking diversified its preservation trust product lineup in response to the obligation to preserve customer assets. Also, it expanded its asset-backed loan (ABL) trusts to meet the funding needs of regional financial institutions.

#### Initiatives for New Business

- Started fund administration services
  - JSF acquired regulatory approval to provide fund administration services for private equity concurrently to its current operations, and now offers services ranging from fund set-up support for fund management companies, to operational support, such as post-investment accounting.
- We started empirical research with the University of Tokyo into securities financing transactions using blockchain technology.
  - In June 2021, JSF started joint empirical research with the School of Engineering of the University of Tokyo to verify the applicability of blockchain technology to securities financing transactions.
  - In January 2022, lectures on the financial and securities markets and industrial-academic collaboration were held at the school.
  - In May 2023, a report was published summarizing the results of the empirical research.

#### Enhancement and Strengthening of Corporate Governance

- JSF has established a governance system in consideration of Japan's updated Corporate Governance Code and the transition to the Tokyo Stock Exchange Prime market.
  - We have formulated and disclosed approaches to the composition and other aspects of the Board of Directors (such as increasing the number of outside directors), as well as a director skill matrix.
- We have disclosed our cost of equity and formulated and disclosed approaches related to our business portfolio.
  - We have taken action to address sustainability issues (international cooperation with the Indonesian securities industry, TCFD disclosure, etc.).

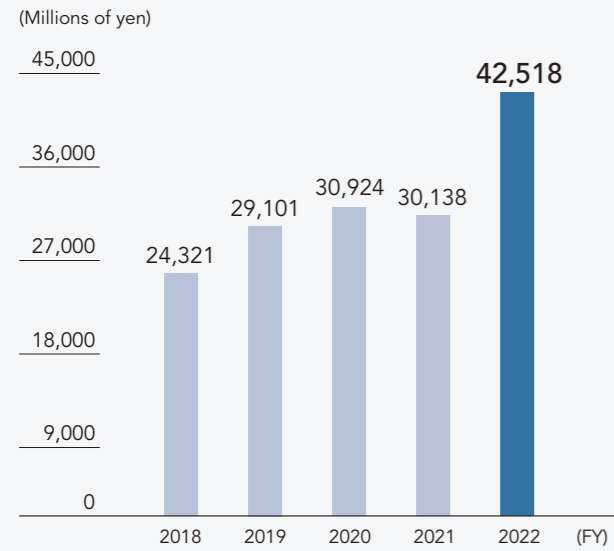
#### Operational Efficiency Enhancements and Realization of Diverse Work Styles through Proactive Use of Telework and Other Initiatives

- In addition to the active promotion of the use of digital technologies such as robotic process automation (RPA), the establishment of telework has helped us to achieve more efficient business operations and flexible work styles.
- To respond to developments in our business that we intend to make more diverse going forward, we are promoting flexibility in employee training, and hiring experienced personnel.
- We have enhanced our childcare and nursing care support system to promote work-life balance.

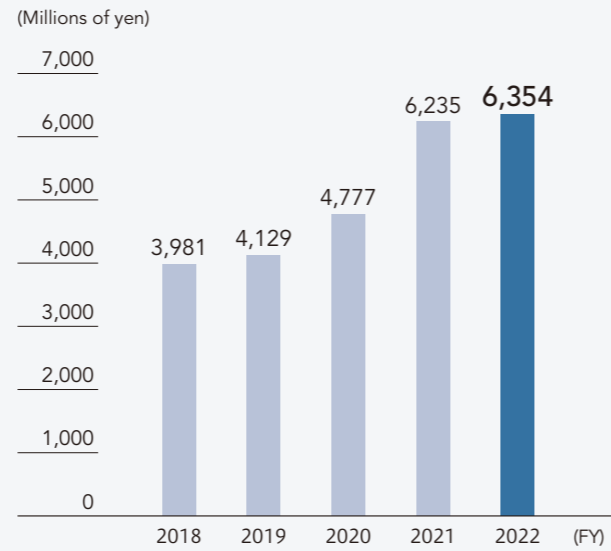
# Financial and Non-Financial Highlights

## Financial Highlights

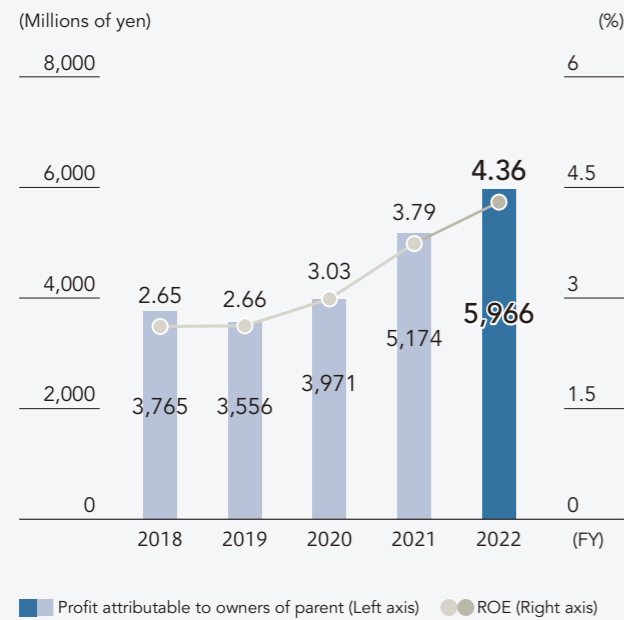
### Operating Revenue



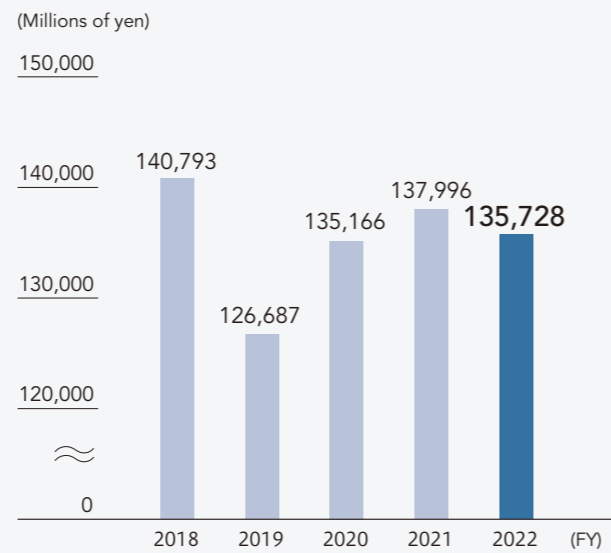
### Operating Profit



### Profit Attributable to Owners of Parent and ROE

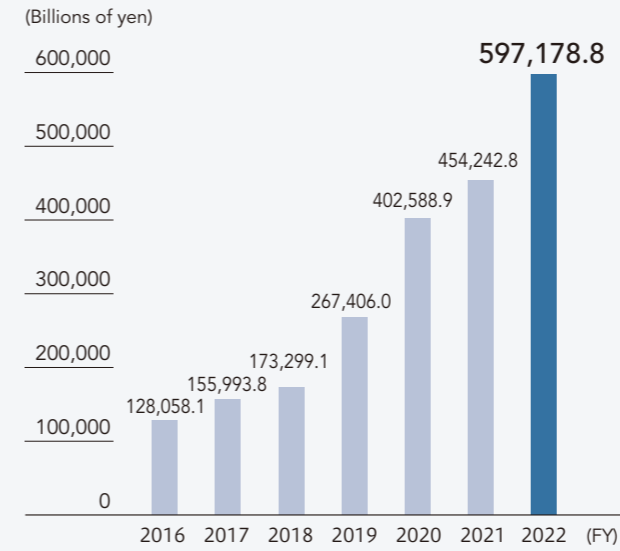


### Net Assets

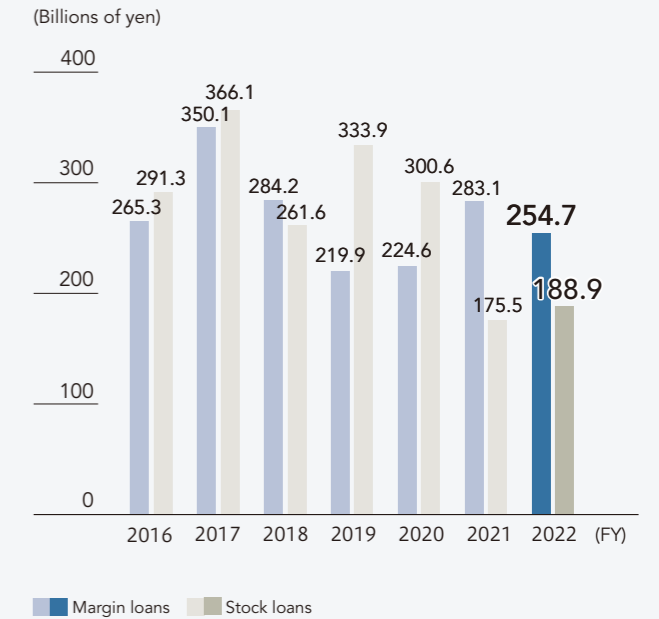


## Non-Financial Highlights

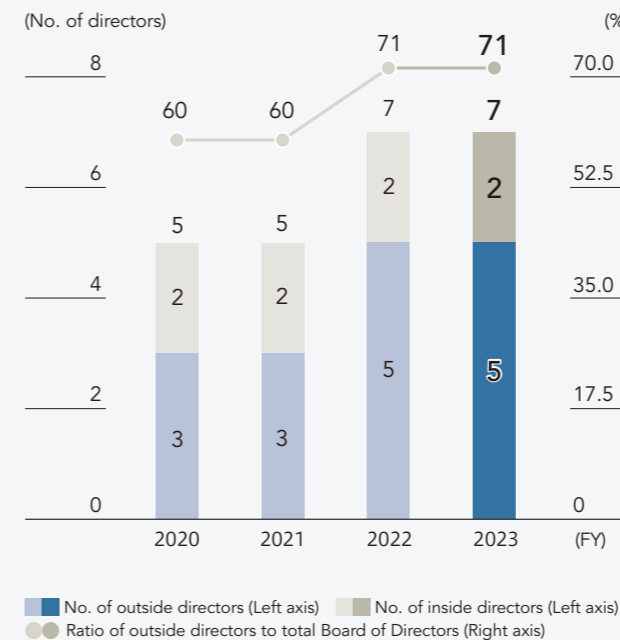
### Bond Repo and Gensaki Transaction Value



### Average Outstanding Balance of Loans for Margin Transactions



### Directors and Ratio of Outside Directors to Total Board of Directors



### Employees (Non-consolidated, including seconded employees)

