

# Seventh Medium-Term Management Plan

Japan Securities Finance Co., Ltd. ("JSF," or "the Company") formulated its Seventh Medium-Term Management Plan, which covers the three-year period from FY2023 through FY2025 (April 1, 2023 to March 31, 2026), and announced it in February 2023. The Company later revised the 5% ROE management goal in its Medium-Term Management Policy upward in light of the expected achievement of this goal in FY2023, two years ahead of schedule. (Note that the following data is as of this revision.)

Based on our Management Philosophy, Long-Term Management Vision and Seventh Medium-Term Management Plan, we will continue to focus the collective efforts of JSF and its Group companies on achieving sustainable growth and increasing corporate value over the medium to long term while maintaining strong financial soundness as a securities finance company that performs infrastructure functions for the securities and financial markets.

## Our Vision

### 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.

### Management Goals

- ROE: Maintain a stable level above **5%** and aim for further improvement.
- Consolidated ordinary profit: Maintain a stable level of over **¥10 billion** and aim for further improvement.

## Management Principles

- To practice sound business management by thoroughly implementing compliance, corporate governance, and risk management under a strong governance system, thereby establishing solid credibility, while always maintaining a keen awareness of our social responsibilities as a securities finance company.
- To enhance corporate value while maintaining solid equity capital in order to ensure stability in management and the financial soundness required of a securities finance company that supports the infrastructure functions of the securities and financial markets, and to continue to enhance returns to shareholders.
- To further enhance JSF's core loans for margin transactions business while also striving to strengthen and expand the finance- and securities-related services provided by JSF and Group companies and to further grow and solidify our business base.
- To build a quick and efficient business management structure and strengthen our human resource base in order to address changes in the business environment in a timely and flexible manner, and to improve our corporate vitality and organizational transformation capabilities.

## Strategies

### Nine Strategies and Two Goals



**ROE**  
Maintain a stable level above 5% and aim for further improvement.

**Consolidated ordinary profit**  
Maintain a stable level of over ¥10 billion and aim for further improvement.

#### 1 Enhance the loans for margin transactions business as part of securities market infrastructure

JSF will appropriately respond to changes in the environment facing the stock market and ensure the stable operation and improve the convenience of the loans for margin transactions business. Also, based on our ability to accurately grasp the trading requirements of market participants, we will review measures to promote the use of loans for margin transactions, strengthen the dissemination of information related to standardized margin transactions and loans for margin transactions, and strive to strengthen the foundation of the loans for margin transactions business.

#### 2 Expand and enhance securities financing

JSF will effectively leverage its accumulated expertise in funds and securities transactions to proactively handle diverse transactions with domestic and overseas financial instruments business operators, etc., and expand and enhance securities financing by widening the range of clients, target currencies and securities, etc., to increase revenue opportunities.

#### 3 Reinforce consolidated management of the Group

Pursue greater collaboration among Group companies in the areas of sales, risk management and operational management, and otherwise strengthen the Group's consolidated management.

#### 4 Secure stable revenues through securities investment and increase fund-raising methods

Secure stable revenues from securities investments by reviewing the portfolio in an agile manner in response to changes in the external environment, under appropriate risk control. We will also work to expand stable funding methods, including foreign currency, in order to meet the diverse requirements of our clients.

#### 5 Pursue the development of new business

Leveraging its characteristics as a securities finance company, JSF will work from a long-term perspective to develop and launch new business operations in cooperation with related parties both inside and outside the Company, as well as with Group companies.

#### 6 Strengthen the business management structure

We will proactively meet our social obligations, and reaffirm compliance as 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.

#### 7 Strengthen our competitive base through efficient business operations

As transaction volume increases and operations become more complex, the Company will strive to build an efficient operational structure by reviewing business processes and proactively utilizing digital technology to strengthen its competitive base.

#### 8 Strengthen human resource development and improve engagement

Through our efforts to strengthen human resource development and rebuild our human resource portfolio, centered on ensuring diversity and on strengthening professionalism and independence, as well as by improving employee engagement, JSF will improve its corporate vitality and organizational transformation capabilities.

#### 9 Promote sustainability

In addition to striving to further strengthen our business continuity structure so that we can stably perform infrastructure functions for the securities and financial markets, JSF will also steadily address important issues related to sustainability, such as addressing climate change and environmental preservation.

# Message from the Officer Responsible for Corporate Strategy



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

Yutaka Okada

Senior Managing Executive Officer Responsible for Corporate Strategy

### FY2022 Consolidated Financial Results

In FY2022, the trend toward recovery from the economic stagnation caused by the COVID-19 pandemic continued. However, stock market movement remained stuck in a narrow range due to uncertainties about the future, including the conflict in Ukraine, inflation, and the risk of economic downturn due to tightening of fiscal policies in the United States and Europe.

In these circumstances, consolidated results for FY2022 were operating profit of ¥6,354 million, a 1.9% increase year on year, ordinary profit of ¥7,601 million, a 6.1% increase, and profit attributable to owners of parent of ¥5,966 million, a 15.3% increase.

The driver of the profit increase in FY2022 was the strong performance of securities financing, continuing on from FY2021. Bond repo and *gensaki* transactions increased substantially, driven by rising transaction needs due to firm demand for collateral as well as

tighter supply and demand for government bonds amid expansion of government bond purchases and expectations of policy changes by the Bank of Japan. In addition, our subsidiary JSF Trust and Banking is focusing on custodial trust services including preservation trusts, but asset-backed loan trusts were its main growth driver, and trust fees in FY2022 once again reached a record high. On the other hand, in response to changes in the external environment, including rising interest rates overseas, we adjusted our portfolio of securities holdings in anticipation of operations going forward, and recorded a loss on sales of foreign bonds.

ROE in FY2022 was 4.36%, achieving the medium-term goal of 4% ROE in the Medium-Term Management Policy announced in November 2021.

Based on our estimates of results at the end of the interim period of FY2023, we are expecting ROE of 5.11% for the fiscal year.

### FY2022 Consolidated Results

(Millions of yen)

	FY2021	FY2022	Year-on-year change
Operating revenue	30,138	42,518	+12,380
Operating expenses	16,533	28,765	+12,231
General and administrative expenses	7,368	7,398	+29
Operating profit	6,235	6,354	+119
Ordinary profit	7,164	7,601	+436
Profit attributable to owners of parent	5,174	5,966	+792
ROE	3.79%	4.36%	+0.57%

### Management Strategy

In the Seventh Medium-Term Management Plan, in addition to accelerating and deepening our initiatives to date, we will strengthen the human resource base, and continue management efforts toward the management goal we set for ROE: maintain at a stable level above 5% and aim for further improvement (details on page 20: Seventh Medium-Term Management Plan). Here I will explain our business portfolio, our efforts to implement management with an awareness of the cost of equity and stock price, as well as our growth strategy, shareholder returns, and our initiatives for corporate governance and sustainability.

### Business Portfolio

The JSF Group is keenly aware of its public role as part of the infrastructure of Japan's securities and financial markets, and provides a variety of related services to meet the diverse needs of the securities and financial sectors. These services mainly involve securities financing centered on loans for margin transactions, a licensed business. Since this core business is greatly affected by market fluctuations and other factors, we are continuing our efforts to diversify revenue sources, and will work to achieve our management goals while staying mindful of the importance of further improving capital efficiency in each business. Based on this approach, the JSF Group will seek to achieve the Vision of the Future Targeted by JSF through its business portfolio, which consists of securities financing centered on loans for margin transactions, as well as securities investment, trust banking and real estate leasing.

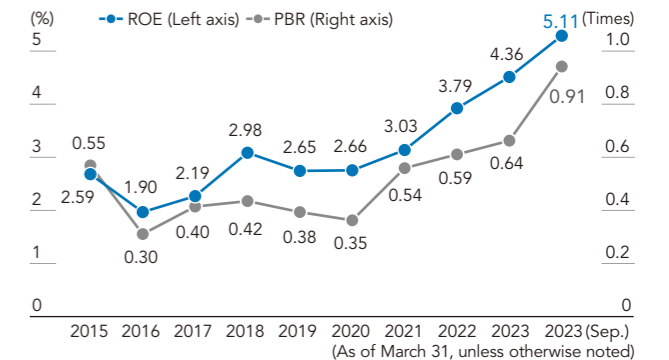
### Efforts to Implement Management with an Awareness of the Cost of Equity and the Stock Price

In our Medium-Term Management Policy and the Seventh Medium-Term Management Plan, we originally set the goal of 5% ROE, which exceeds the cost of equity (around 4.5%), and have been continuing management efforts toward that goal. From the viewpoint of further enhancing shareholder returns, we are aiming for a total payout ratio of 100% on a cumulative basis from FY2021 through FY2025 by paying dividends and flexibly implementing share buybacks. In FY2022, the annual dividend was ¥32.0 per share, and we repurchased approximately ¥3.0 billion in shares.

With these efforts, we project that we will achieve the goal of 5% ROE two years ahead of schedule. In addition, the PBR is now near 1.0 times, and total shareholder return (TSR) has risen to a level that is well above the TOPIX average.

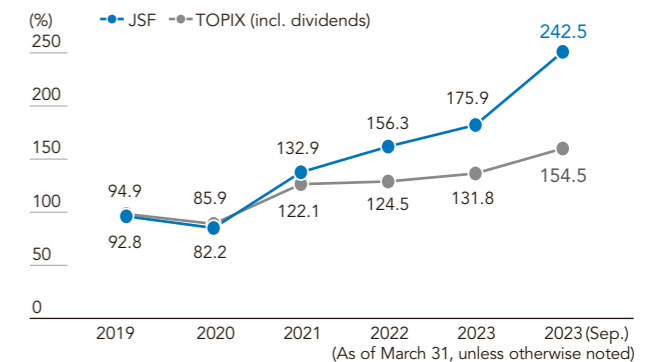
Based on objective data and according to multiple calculation methods, we have estimated our cost of equity to be around 4.5%. As a securities finance company that supports the infrastructure of Japan's securities and financial markets, we are subject to various restrictions in terms of financial

### ROE and PBR



Notes: PBR is the value at the end of each fiscal year (March 31, except for 2023). ROE for 2023 (Sep.) has been calculated using the estimated consolidated results announced on November 6, 2023, and PBR for 2023 (Sep.) has been calculated using the stock price on September 30, 2023.

### Total Shareholder Return (Index\*)



\* Closing stock price on March 31, 2018 = 100%.

soundness and business scope imposed by laws and regulations, and standards for participation in securities and fund settlement systems, among others. As such, I believe that our cost of equity is considerably lower than the general level because our business is characterized by low strategic risk and high financial and earnings stability. We will continue our efforts to steadily strengthen our earnings base and seek the stable and steady improvement of capital efficiency, while remaining mindful of the cost of equity, as we continue to work toward the steady improvement of ROE, with the 8% level in mind.

### Growth Strategy

The other management goal of the Seventh Medium-Term Management Plan is for consolidated ordinary profit: maintain at a stable level of over ¥10 billion and aim for further improvement. To achieve this goal, we must increase our earning power. Our central strategy in sales in the Seventh Medium-Term Management Plan is to further strengthen the loans for margin transactions business and securities financing (details on page 26: Securities Financing Centered on Loans for Margin Transactions), but we will also secure stable revenues in all of the businesses in our portfolio. In the securities investment business, our basic policy is to secure stable earnings by accumulating carry income based on low-interest funding backed by our high

## Message from the Officer Responsible for Corporate Strategy

creditworthiness. Thus, we appropriately control market risk within our risk appetite framework (RAF), expanding stable means of funding, including foreign currencies, as well as focusing efforts on liquidity management. The trust banking business flexibly meets transaction needs for various types of preservation trusts, including trusts for cash segregated as deposits, and custodial trusts such as asset-backed loan (ABL) trusts. The real estate leasing business will continue to steadily promote leasing of buildings owned by the JSF Group (for details of subsidiary businesses, see pages 32–33).

### Shareholder Returns

From the perspective of further enhancing shareholder returns, we are aiming for a total payout ratio of 100% on a cumulative basis from FY2021 to FY2025 through dividends and flexible implementation of share buybacks. Under this policy, dividends for FY2022 were ¥32.0 per share, an increase of ¥2.0 from the previous fiscal year. In addition, we implemented ¥3.0 billion in share buybacks from the market, for a total payout ratio of 97.6%.

For FY2023, we continue to aim for a total payout ratio of 100% through dividends and flexible implementation of share buybacks based on our Shareholder Return Policy during the Period of the Seventh Medium-Term Management Plan formulated in consideration of our Long-Term Management Vision. Accordingly, we plan to increase the dividend to ¥44.0 per share for FY2023, and our policy for FY2024 through FY2025 is to actively pay dividends, aiming for a target payout ratio of 70%. We remain committed to enhancing shareholder returns.

### Corporate Governance Initiatives

#### Composition of the Board of Directors

JSF transitioned to a Company with a Nominating Committee, etc. in 2019, and the Board of Directors currently comprises five outside and two inside directors. Accounting for about 70% of board members, outside directors are central in formulating management policies and in making personnel and remuneration decisions involving executive management. In consideration of the balance between executive and non-executive directors, as well as diversity of age and gender, the composition of the board was further reconsidered, and a second woman director was elected by the General Meeting of Shareholders in June 2023.

#### Initiatives of the Board of Directors and the Nomination Committee

In FY2022, following a series of discussions by the Board of Directors and the Nomination Committee, JSF's approach to the nomination process for management executives and efforts to improve the transparency of that process were disclosed on the Company website. Specifically, the appointment process involves discussion by the Nomination Committee of a preliminary list of candidates, which is narrowed down to a short list from which the final decision is made following interviews with the individual candidates. To improve the transparency of this process, the status of the nomination process, particularly the active involvement of outside directors and the approach to internal talent development with a view to the selection of management executives, have been disclosed (details on page 43). In addition, regarding succession planning for the

Representative Executive Officer & President, the Nomination Committee continues to discuss a preliminary list of candidates and requisite qualities.

#### Officer Remuneration

Along with the formulation of the Seventh Medium-Term Management Plan, JSF revised officer remuneration in FY2023 to ensure that incentives are aligned with our management policy. Performance-linked remuneration is divided into short-term and long-term incentives, with bonuses positioned as short-term incentives and share remuneration as long-term incentives. Following the November 2023 revision of the Seventh Medium-Term Management Plan, necessary changes were also made to remuneration through a resolution of the Remuneration Committee (details on page 45).

#### Status of Dialogue with Shareholders

As a Prime market listed company, JSF, in accordance with Japan's Corporate Governance Code, engages in dialogue with its shareholders in a positive manner, within a reasonable scope, in order to contribute to the sustainable growth and the enhancement of corporate value over the medium to long term. The three main themes and matters of interest that came up in dialogue with shareholders in FY2022 were initiatives to enhance corporate value and capital efficiency, and their results; the officer nomination process and initiatives in governance; and information disclosure. The insights gained from shareholders were discussed by the Board of Directors, after which the board took action on insights that it determined the Company should incorporate (details on pages 46–47).

The status of dialogue with shareholders is promptly reported to the Board of Directors after each such opportunity so that the board and various committees can also take into account the feedback of shareholders in their discussions.

#### Enhancement of Information Disclosure and Support for Outside Directors

In FY2023, JSF continues to focus efforts on providing information to shareholders and investors, clients, and other stakeholders. Specifically, we are taking steps to enhance information tools, such as making improvements to our corporate website. We will maintain a corporate governance system suited to the environment we are in and our business portfolio, and work toward sustainable corporate value improvement.

In FY2023, we continue to work on enhancing support for outside directors, including two appointed in FY2022 and one appointed in FY2023, with the assistance of the secretariat of the Board of Directors, and strive to further improve the effectiveness of the Board of Directors.

#### Initiatives for Sustainability

We also take a proactive approach to key issues related to sustainability.

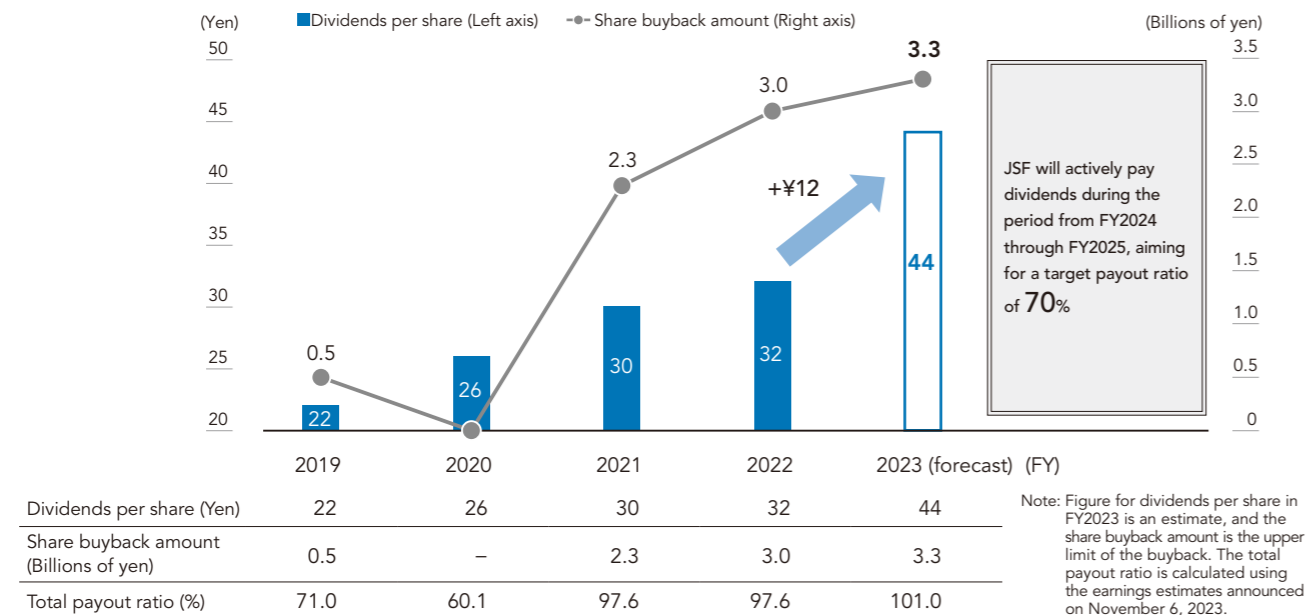
Developing and maintaining the infrastructure that forms the foundation of socioeconomic activity is a key element in realizing a sustainable society. It is also one of the Sustainable

Development Goals (SDGs) adopted by the United Nations, and is an area in which JSF believes it is particularly well positioned to contribute as a company that has long supported infrastructure functions of Japan's securities and financial markets. Based on that belief, in addition to the governance initiatives described above, we are carrying out environmental and social initiatives. Specifically, we provided technical assistance to and invested in an Indonesian securities finance company as a contribution to securities and financial market infrastructure overseas. In addition, as part of our promotion of academic research activities, through an industry-academia alliance we conducted demonstration tests with the University of Tokyo to determine whether decentralized ledger (blockchain) technology developed through joint research could be applied to securities finance transactions, and presented a paper summarizing the research findings (details on pages 54–55). We also recognize that addressing climate change is a critical issue. Although our CO<sub>2</sub> emissions have never been large due to the nature of our businesses, in line with the TCFD recommendations, we disclose information on climate change on our corporate website and elsewhere (details on pages 56–58).

### To Our Stakeholders

Going forward, we ask for your understanding and support for our ongoing efforts to increase corporate value in the medium and long term with our public role in mind, as well as for our measures to further strengthen corporate governance and our initiatives for sustainability.

### Shareholder Returns



**Sixth Medium-Term Management Plan** → **Seventh Medium-Term Management Plan**  
 Aiming for a total payout ratio of 100% on a cumulative basis through dividends and flexible implementation of share buybacks

# Corporate Strategy



## Securities Financing Centered on Loans for Margin Transactions

### Message from the Responsible Executive Officer

#### We will achieve growth by meeting the diverse transaction needs of the securities and financial sectors in Japan and overseas

Our core loans for margin transactions business, licensed under the Financial Instruments and Exchange Act, serves as infrastructure for the securities market as a source of funds and stock certificates for the smooth implementation of standardized margin transactions. Securities financing, which has been the core driver of our earnings in recent years, collectively refers to five business areas including the lending of funds backed by securities and the lending of 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. Recently, assets in the Asian region, including Japanese equities, have been accepted as collateral in transactions. In these transactions, high-quality qualified liquid assets (HQLA) such as Japanese yen and Japanese government bonds are taking the place of other assets. As an institution specializing in transactions related to stocks and bonds, we will continue to provide agile and flexible proposals to meet the diverse transaction needs of the securities and financial sectors in Japan and overseas.



**Morikuni Shimoyamada**  
Senior Managing Executive Officer  
Responsible for  
Margin Loan Department,  
Institutional Sales Department,  
Retail Business Department

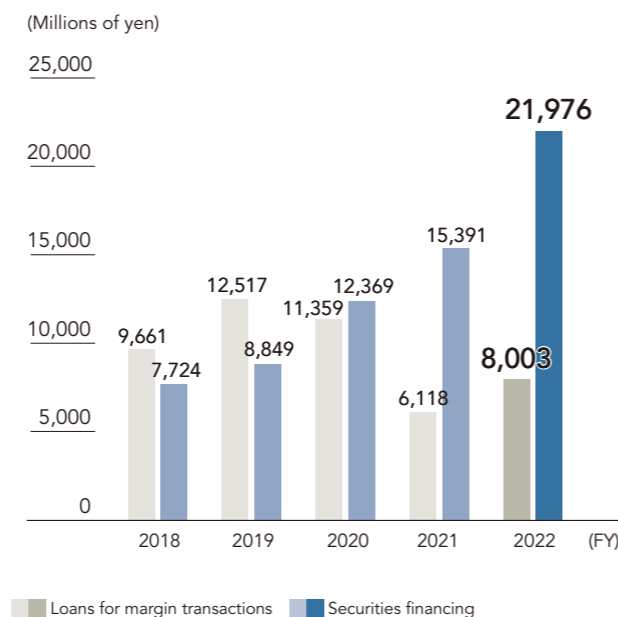
### Business Environment and Strengths

#### Securities Financing

Service	Details
Loans for negotiable margin transactions	While loans for margin transactions 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.
Equity repo transactions	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).
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).
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.
Bond repo and gensaki transactions	This is the business of matching (brokering) various financial institutions' lending and borrowing needs, mainly for Japanese government bond repo and gensaki transactions (transactions in which bonds are exchanged for cash).

#### Operating Revenue

(Loans for Margin Transactions and Securities Financing)



### Strategies and Initiatives in the Medium-Term Management Plan

#### Key Points

##### Business Environment and Recognized Issues

Stock-related businesses, such as loans for margin transactions and general stock lending, are prone to fluctuations in performance due to stock market conditions. Still, demand for stock lending transactions has been increasing due to the brisk pace of stock market trading since the second half of FY2022. In terms of transaction needs, in addition to conventional covering of short sales, there has been a trend toward borrowing Japanese equities for use as collateral. Furthermore, the balance of equity repo transactions continues its uptrend in line with the growing purchases of Japanese stocks by foreign financial institutions and others.

In the bond market, the balance of supply and demand for Japanese government bonds is tightening amid the Bank of Japan's increased purchases of government bonds and expected policy changes as interest rates continue to rise due to monetary tightening policies in Western nations. Attention is also focusing further on the use of HQLA such as Japanese government bonds as collateral for various financial transactions. As a result of this growing demand for Japanese government bonds and other securities among domestic and overseas financial institutions, the market balance of bond repo and gensaki transactions remains high.

We will continue to expand securities financing by making the most of our high credit rating (creditworthiness) backed by solid equity capital and the expertise we have cultivated in financial and securities-related businesses.

##### Recent Initiatives and Strategies in the Seventh Medium-Term Management Plan

- Main Recent Initiatives
    - Began providing data on loans for margin transactions on Nasdaq Data Link
- Information on margin transactions and loans for margin transactions is key for understanding trends in the Japanese

stock market, especially individual investor trading trends. One of JSF's businesses is the provision of data on loans for margin transactions. As part of this business, we have begun providing data on outstanding balances of loans for margin transactions and stock loans and the premium charge rate for each stock issue through Nasdaq Data Link.

- Improved merchantability of loans to retail
- Formerly, documents for new loan contracts had to be sent by mail. Now, the application process can be completed on JSF's COM-STOCK LOANS website, improving the merchantability of our loans. In addition, efforts to acquire new clients and review eligible collateral resulted in an increase in the loan balance in FY2022.

##### Strategies in the Seventh Medium-Term Management Plan

- Enhance the loans for margin transactions business
- In addition to ensuring the stable operation of the loans for margin transactions business by appropriately responding to changes in the stock market environment in ways such as expanding the number of loanable stock issues and stepping up the procurement of stock certificates, we will review measures to promote the use of loans for margin transactions by accurately grasping the trading requirements of market participants.
- Expand and enhance securities financing
- We will continue working to expand our client base for securities financing. To increase the number of securities borrowers, we will actively attend international conferences and other events to cultivate new business with foreign financial institutions and others. To increase bond procurement sources, we will work to strengthen relationships and expand transactions with regional financial institutions and others. With respect to equity repo transactions, we will continue to flexibly respond to client needs, enhancing our commercial appeal and improving convenience in transactions in various ways, including diversifying types of collateral accepted and currencies handled.

#### Highlights

##### Attending International Conferences (Securities Financing Group)

JSF actively helps domestic and overseas clients meet their securities financing-related needs. As part of this support, we actively participate in international securities finance conferences held in Europe, North America and Asia by organizations such as the International Securities Lending Association (ISLA) and Pan-Asia Securities Lending Association (PASLA). At these conferences, we work to strengthen relationships with financial institutions based in these regions and to develop new clients.

Conferences like these also serve as a valuable training ground for our junior employees, allowing them to gather

knowledge on trends in overseas financial markets and the latest technologies, which they can share with their colleagues. In 2023, the PASLA conference was held in Tokyo, with more than 20 JSF employees participating in meetings with clients. We believe this has contributed to strengthening our relationships with clients and raising JSF's name recognition.



# Securities Financing Centered on Loans for Margin Transactions

## History of Securities Financing

The performance of our licensed loans for margin transactions business is greatly affected by stock market conditions and the balance of standardized margin transactions. As we must maintain stable infrastructure functions for the securities and financial markets even during market downturns, we have been working to ensure our financial soundness by diversifying our revenue sources beyond loans for margin transactions.

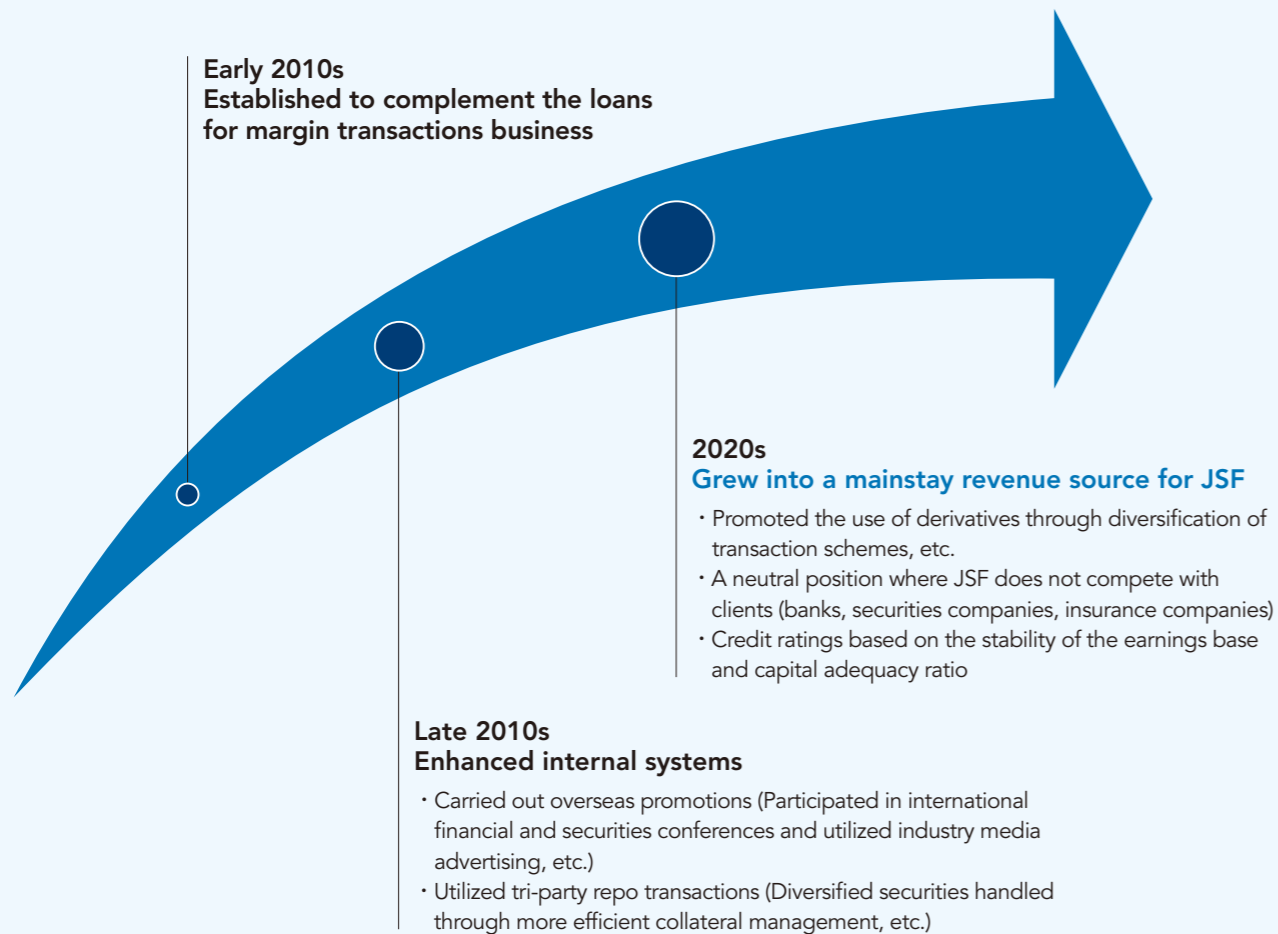
Specifically, we leverage the expertise in handling securities and funds that we have cultivated in our original business of loans for margin transactions. Securities financing itself consists of five businesses—bond repo and *gensaki* transactions, equity repo transactions, general stock lending, loans for negotiable

margin transactions, and loans to retail—and has grown to become a mainstay of our earnings in recent years.

Particularly with regard to bond repo, *gensaki* and equity repo transactions, JSF has grown its business with non-residents of Japan since the 2010s through participation in overseas conferences, and by diversifying its transaction schemes by accepting foreign securities as collateral and utilizing derivatives such as total return swaps (TRSs). These efforts have resulted in a steady uptrend in transaction balances. In this section, we present specific initiatives and risk management for bond repo, *gensaki* and equity repo transactions.

### Evolution of Securities Financing

See pages 12–13 for details on composition of operating revenue.

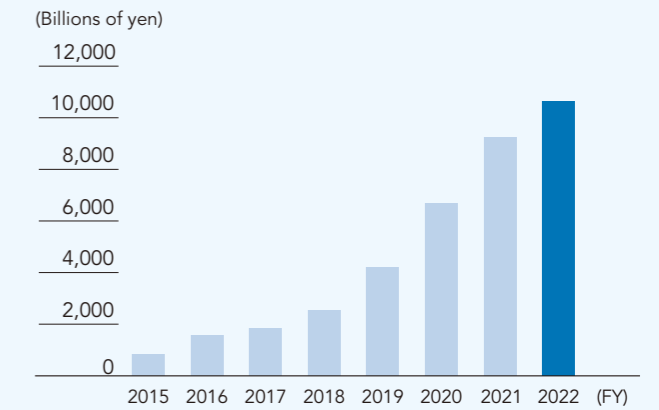


### Bond Repo and *Gensaki* Transactions

Bond repo and *gensaki* transactions mainly involve the exchange of Japanese government bonds for cash. In recent years, there has been an increase in transactions in which these bonds are procured from institutional investors in Japan and lent to overseas financial institutions and hedge funds. Factors driving this increase include the globalization of Japan's bond market due to the increased entry of foreign-affiliated financial institutions, and the significant increase in the ratio of overseas financial institutions in the repo market due to increased demand for collateral to reduce settlement risk and for HQLA to comply with financial regulations. Amid these circumstances, transactions now include the exchange of equities for government bonds, not only securities for cash.

Domestic institutional investors, including regional financial institutions, have investment needs with respect to the Japanese government bonds they hold, but directly lending those bonds to overseas entities such as financial institutions involves the significant burden of establishing business relationships, including creating credit lines and handling international contracts. We are in a unique position in that we can leverage our accumulated expertise in international contracts and cross-border transactions to serve as an intermediary between the investment needs of domestic institutional investors and the procurement needs of overseas financial institutions from a relatively neutral standpoint. Going forward, we will continue to increase bond repo and *gensaki* transactions both domestically and internationally.

### Outstanding Bond Repo Transaction Balance



#### Late 2010s

- Bond repo needs increased with the Bank of Japan's adoption of a negative interest rate policy in January 2016
- Number of clients increased due to successful cultivation of new clients in Japan
- Repo transactions (lending of Japanese government bonds with equities and other securities as collateral) using tri-party services increased amid growing demand for collateral

#### 2020s

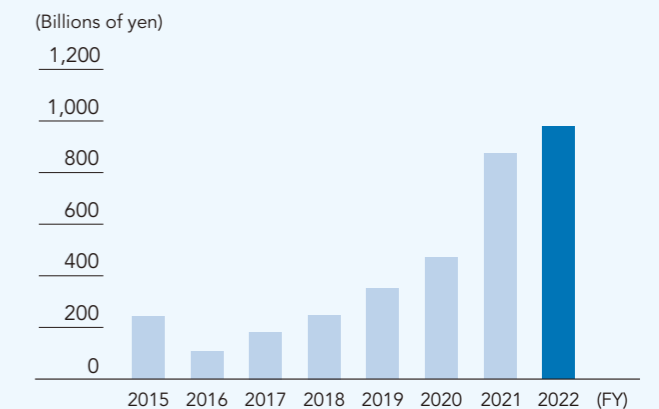
- Increased transactions with overseas clients (foreign banks and hedge funds) and diversified transactions
- Supply-demand balance for Japanese government bonds has tightened amid the Bank of Japan's increased purchases of these bonds and expectations of policy changes

### Equity Repo Transactions

In order to meet the diverse needs of our domestic and overseas clients for purposes including fund procurement and fund management mainly using domestic and overseas equities, we are increasing the number of contract-based transactions (such as stock loan agreements, Global Master Securities Lending Agreements (GMSLAs), TRSs, and loan agreements). Amid the recent trend toward stronger corporate governance, market expectations for awareness of the cost of equity in management has led to widespread purchases of Japanese stocks by overseas financial institutions and other investors. Against this backdrop, equity repo transactions for funding purposes have increased, and our transaction balance has been trending upward.

In addition, we are actively meeting the needs of overseas financial institutions for funding in Japanese yen collateralized by Asian equities. Going forward, we will continue to leverage our neutral position, high credit ratings and accumulated transaction expertise to flexibly meet the needs of our clients in ways such as diversifying the types of collateral accepted and currencies handled.

### Outstanding Equity Repo Transaction Balance



#### Late 2010s

- Needs for funding in Japanese yen temporarily decreased due to the Bank of Japan's adoption of a negative interest rate policy
- Using tri-party services to enable funding in Japanese yen collateralized by Asian equities
- Began equity repo transactions collateralized by government bonds or U.S. dollars

#### 2020s

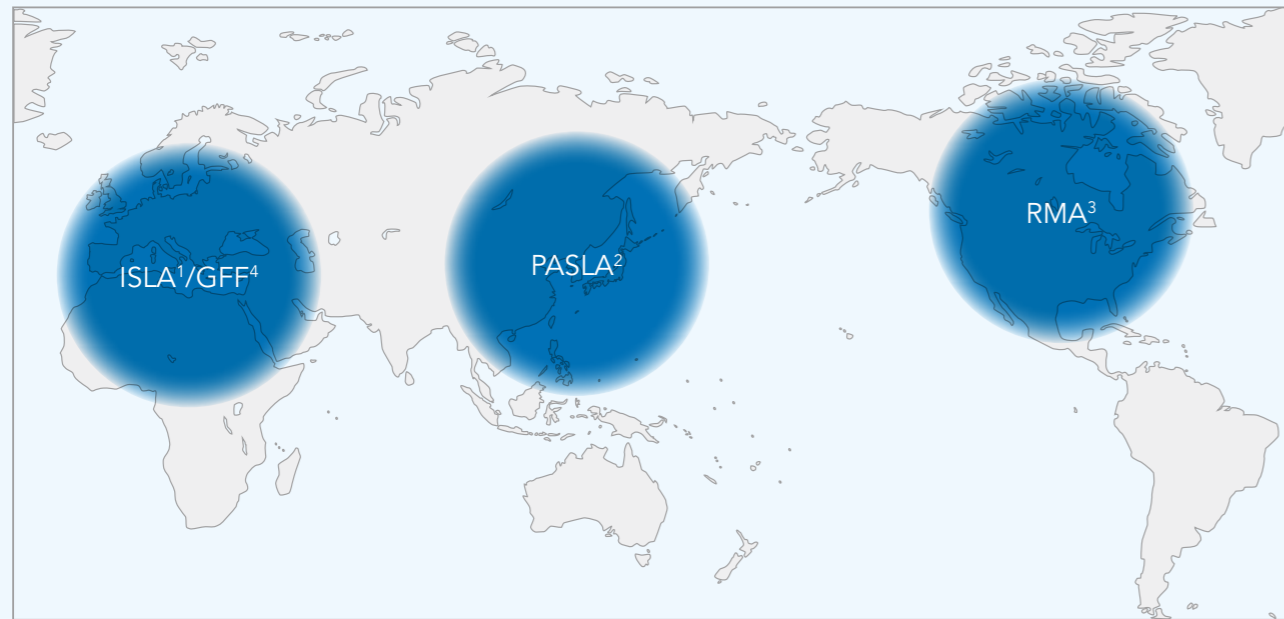
- Launch of TRS trading with Japanese government bonds as eligible securities
- Increased equity repo transactions in which foreign financial institutions purchase Japanese equities for funding purposes

## Securities Financing Centered on Loans for Margin Transactions

### Expanding Overseas Transactions through Participation in International Conferences and Other Events

For JSF, international conferences provide a valuable point of contact with potential new clients. We have been actively participating in international conferences since the PASLA conference in Taiwan in 2012, and have expanded our scope

from Asia to include Europe and the United States, participating for the first time in the ISLA conference in Europe in 2018 and the RMA conference in North America in 2019.



#### 1. International Securities Lending Association

Industry association representing the common interests of securities lending and financing market participants across Europe, the Middle East and Africa (established in 1989)

#### 2. Pan Asia Securities Lending Association

APAC market equivalent to ISLA (established in 1995)

#### 3. Risk Management Association

Industry association dedicated to research and education on various regulatory responses and topics in the financial services industry (established in 1914)

#### 4. Global Funding and Financing

International conference on securities finance, organized by Clearstream

When attending conferences, we meet with a diverse group of clients based outside Japan, including securities firms, banks, tri-party agents and other financial institutions, as well as stock exchanges, platform operators and magazines and other media outlets based in various countries. These meetings enable us to acquire information about the latest

technologies and overseas market trends and regulations in the finance sector, which we then share within our organization. In addition, the number of new transactions concluded has increased as a result of our participation in overseas conferences, which has contributed to the diversification of our revenue.

### Risk Management for Securities Financing

Within securities financing, bond repo and *gensaki* transactions account for large transaction lots, and their balances have increased significantly in line with the growth of the business. This tends to inflate the balance sheets. Following here is an explanation of the structure and risk management in this business.

Bond repo and *gensaki* transactions are brokerage transactions that match the needs of lender and borrower. As a result, on the balance sheets both assets (cash collateral for securities borrowed and securities purchased under resale agreements) and liabilities (cash collateral received for securities lent and securities sold under repurchase agreements) expand, as shown in (1) below. As of March 31, 2023, the balance sheets had expanded significantly as the balance of bond

repo and *gensaki* transactions reached a record high level. However, we reduce net exposure through a series of measures, including receiving and paying cash equivalent to the market value of the bonds as collateral for the bonds involved in these transactions, marking the bonds to market during the transaction period, and executing margin calls (receiving/paying the difference between the cash collateral and the market value of the bonds) as appropriate (see (2) below). In addition, most of our clients are eligible for debt assumption by financial institutions with relatively high credit ratings or by the Japanese Securities Clearing Corporation (JSCC).

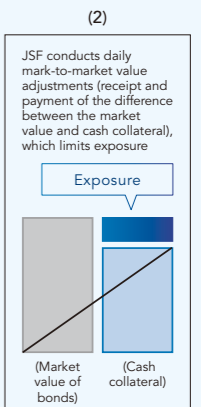
These risk controls have helped limit increases in net exposure and credit risk even as the balance sheets and transaction balances have grown.

	March 31, 2023	Details
Total assets	14,056.2	
Cash and deposits	1,598.2	Bank of Japan current account
Operating loans	955.5	Outstanding balances of margin loans, negotiable margin transactions, bond and general loans, and loans to trust banks
Securities purchased under resale agreements	3,561.4	
Cash collateral provided for securities borrowed	6,669.8	Collateral deposited (for bond repo and equity repo transactions, etc.)

	March 31, 2023	Details
Total liabilities	13,920.4	
Borrowings	325.7	Bank of Japan market operation bank loans
Call money	2,190.4	
Securities sold under repurchase agreements	4,781.8	
Cash collateral received for securities lent	5,073.7	Cash received as collateral (for bond repo transactions, etc.)

(1)  
Entered in both assets and liabilities  
Entered in both assets and liabilities



The balance of transactions in other securities financing, such as equity repo transactions, is also on an uptrend. In equity-related transactions, JSF applies the same risk control measures as for bond repo and *gensaki* transactions, and also sets appropriate haircuts (value markdowns) based on the volatility and market liquidity of the equity involved in the transactions to limit the increase in exposure.

As with other securities finance businesses, such as loans for margin transactions, securities financing is managed within an integrated risk management framework by measuring the amount of credit risk on a daily basis and keeping it within the limit for risk capital set based on JSF's financial strength. In addition, we monitor the counterparty exposure for each client on a daily basis to ensure that exposure in times of stress is within a certain limit, thereby preventing excessive exposure for specific clients.

# Corporate Strategy



## JSF Trust and Banking Co., Ltd.

Net assets	¥27.9 billion
Balance of trust assets	¥3,881.4 billion
Number of employees	42

(As of March 31, 2023)

### 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 the development of financial and capital markets as the JSF Group’s trust business. Since its establishment, JSF Trust and Banking has been enhancing and expanding its investment service systems and evolving its financial technologies to meet needs that become more diverse year by year. Through these efforts, it has built, deepened and enhanced a proprietary business model for its custodial trust banking business that includes preservation trusts for securities companies and other financial instruments companies.



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

### Strategies and Initiatives in the Medium-Term Management Plan

One of the main management goals of the Sixth Medium-Term Management Plan (FY2020–FY2022) was further evolution of custodial trust services in response to market developments and technological innovations. Over the plan period, in the area of preservation trusts, our core product, regulatory authorities introduced a series of systemic enhancements for crypto asset deposits and crowdfunding payments with investor protection. In response, we worked to build a new business base by establishing a network of major dealers and related organizations, which yielded reasonable results. We also worked to address growing investment needs in our asset-backed loan (ABL) trust business, where we hold funds managed by institutional investors. By enhancing our trusteeship system, we successfully increased the trust balance. As a result, the number of JSF Trust and Banking trustees has steadily increased. The balance of trust assets increased from ¥2.2 trillion as of March 31, 2020 to ¥3.8 trillion as of

March 31, 2023, and JSF’s trust fees have increased for 11 consecutive years.

In the Seventh Medium-Term Management Plan (FY2023–FY2025), which began on April 1, 2023, the custodial trust business continues to serve as a core business. However, market trends indicate that new business needs are emerging due to the combination of systemic enhancements in the financial and capital markets and the advancement of digital transformation. As a result of its activities to date, JSF Trust and Banking is gaining recognition in the marketplace, and accurately addressing these new needs will be an important task going forward.

During the plan period, in the banking business we will continue to expand credit services in a manner consistent with the Group’s philosophy and manage securities appropriately based on market trends that are expected to change, while conducting adequate risk management.

### Basic Policy in the Seventh Medium-Term Management Plan (FY2023–FY2025)

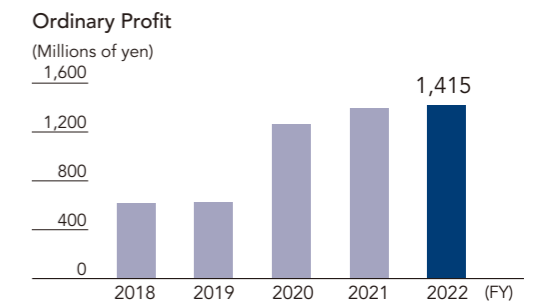
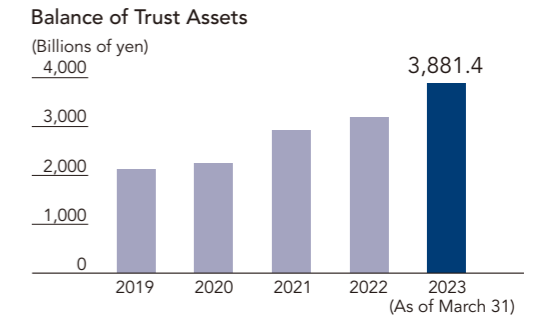
1. In trust operations, we will further strengthen our transaction network for various types of preservation trusts and custodial trusts, such as ABL trusts, to ensure a self-driven mechanism for expansion, and clearly establish the trust business as one of the JSF Group’s core businesses.
2. In loan services, we will focus on providing fund management support to the JSF Group’s clients and meeting the funding needs of blue-chip companies in capital markets, while also strengthening our transaction network from a credit operations standpoint.

3. We will position treasury services as an important part of efforts to enhance corporate value, and strive to generate stable earnings under appropriate risk management.
4. We will create strong internal control and governance, achieve smooth development and operation of the core systems that support it, and enhance human resources.

### Strengths and Opportunities

Our strengths are our neutrality as an important member of the JSF Group, our ability to make proposals and our agility based on our expertise in the custodial trust business and our experience and track record in this business since our founding, as well as our meticulous administrative support capabilities. The system-side measures connected to these strengths are also important points. In addition to the key core system upgrades in the Sixth Medium-Term Management Plan (banking account system upgrade) and Seventh Medium-Term Management Plan (trust account system upgrade), we will also build a stable and efficient business management system and improve productivity in terms of system support, including the use of RPA and other technologies in peripheral operations, with the aim of enhancing services to trustees and improving our corporate value.

Another of our strengths is our collaboration with JSF, our parent company. In the Sixth Medium-Term Management Plan, we promoted collaboration in the areas of sales, risk management and operational management, while striving to enhance not only our own but also the entire Group’s human resources through systematic personnel exchanges. In the Seventh Medium-Term Management Plan, we will strive to strengthen this kind of collaboration in a way that leads to the mutual enhancement of the operational management capabilities and human resources of both companies.



## Nihon Building Co., Ltd.

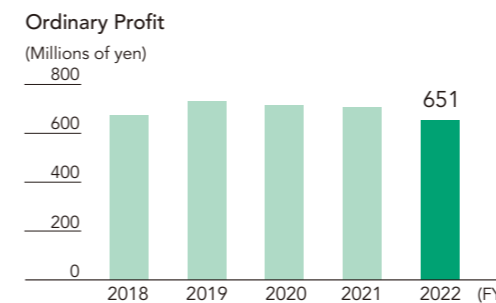
Net assets	¥6.3 billion
Number of employees	15

(As of March 31, 2023)

### Business Description and Basic 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 offices and various facilities to a range of clients, including those in the securities and financial sectors.

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 mainly in the Nihonbashi-Kayabacho district, Nihon Building will continue to improve its services in cooperation with parent company JSF, while responding to changes in the business environment, including the redevelopment projects under way in the Nihonbashi and Kabutocho districts.



Kazuhiro Maeda  
President  
Nihon Building Co., Ltd.

Corporate Strategy

# Strengthening Human Resource Development and Improving Engagement

## Message from the Responsible Executive Officer

By supporting the growth of each employee, we will improve our corporate vitality and organizational transformation capabilities.

Since our business structure has long been centered on our licensed business of loans for margin transactions, teamwork is a strength we have relied on to maintain the accurate and steady execution of ongoing operations. However, there have been dramatic changes in our environment in recent years. To respond to these changes, we believe an important management issue is to create a workplace environment in which diverse employees can fully demonstrate their individuality and strengths, enthusiastically and autonomously explore and transform their work, and grow as they accumulate experience and achievements. Based on this belief, the new human resource strategy that we formulated as part of the Seventh Medium-Term Management Plan is a compilation of a policy (our human capital policy) and measures (a human resource development program) for strengthening our base of human resources, which are the source of corporate value creation.



**Wataru Sato**  
Managing Executive Officer  
Interim General Manager of  
Human Resources Department

Through the implementation and effective operation of specific measures that we formalize going forward, we will encourage our valued employees—our human capital—to exercise initiative. Furthermore, by continuously supporting the growth of each and every employee, we will improve engagement, thereby improving Company-wide vitality and organizational transformation capabilities.

## Our Human Capital Policy

Our human capital policy serves as the basic policy for human resource development and other initiatives related to human capital formation. The aim of this policy is to strengthen our human resource base, which is the source of corporate value creation. It comprises our vision, criteria describing the ideal human resources that the Company wants to cultivate and strengthen, and initiatives for achieving the vision. These initiatives will be formalized one by one in each area of recruitment, training and career path, evaluation and remuneration, and environment.

<p><b>Vision</b></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• We will promote the creation of a comfortable work environment so that employees can engage in their work with peace of mind.</li> <li>• We will improve our corporate vitality and organizational transformation capabilities and achieve more productive work styles by working to improve employee engagement.</li> </ul>										
<p><b>Our Expectations for Human Resources</b></p>	<table border="1"> <thead> <tr> <th>Ideal</th> <th>Career Stage</th> </tr> </thead> <tbody> <tr> <td>Talent who respect diverse values and work together with other employees to enhance corporate value</td> <td rowspan="5"> </td> </tr> <tr> <td>Talent who are able to accurately and steadily perform highly complex tasks, and contribute to maintaining the reliability of the Company's infrastructure functions</td> </tr> <tr> <td>Talent who are able to strive to gain a deeper and broader understanding of their assigned work, and who are able to lead business transformation while enhancing their expertise in their respective fields</td> </tr> <tr> <td>Talent who have expertise in a certain field and are able to lead and contribute within the Company by making use of their expertise</td> </tr> <tr> <td>Individuals who take the initiative, set high goals and work independently to achieve those goals with the involvement of the people around them</td> </tr> <tr> <td>Talent who are able to take a leading role in management strategy from a broad perspective</td> </tr> </tbody> </table>	Ideal	Career Stage	Talent who respect diverse values and work together with other employees to enhance corporate value		Talent who are able to accurately and steadily perform highly complex tasks, and contribute to maintaining the reliability of the Company's infrastructure functions	Talent who are able to strive to gain a deeper and broader understanding of their assigned work, and who are able to lead business transformation while enhancing their expertise in their respective fields	Talent who have expertise in a certain field and are able to lead and contribute within the Company by making use of their expertise	Individuals who take the initiative, set high goals and work independently to achieve those goals with the involvement of the people around them	Talent who are able to take a leading role in management strategy from a broad perspective
Ideal	Career Stage									
Talent who respect diverse values and work together with other employees to enhance corporate value										
Talent who are able to accurately and steadily perform highly complex tasks, and contribute to maintaining the reliability of the Company's infrastructure functions										
Talent who are able to strive to gain a deeper and broader understanding of their assigned work, and who are able to lead business transformation while enhancing their expertise in their respective fields										
Talent who have expertise in a certain field and are able to lead and contribute within the Company by making use of their expertise										
Individuals who take the initiative, set high goals and work independently to achieve those goals with the involvement of the people around them										
Talent who are able to take a leading role in management strategy from a broad perspective										

## Efforts toward Our Vision

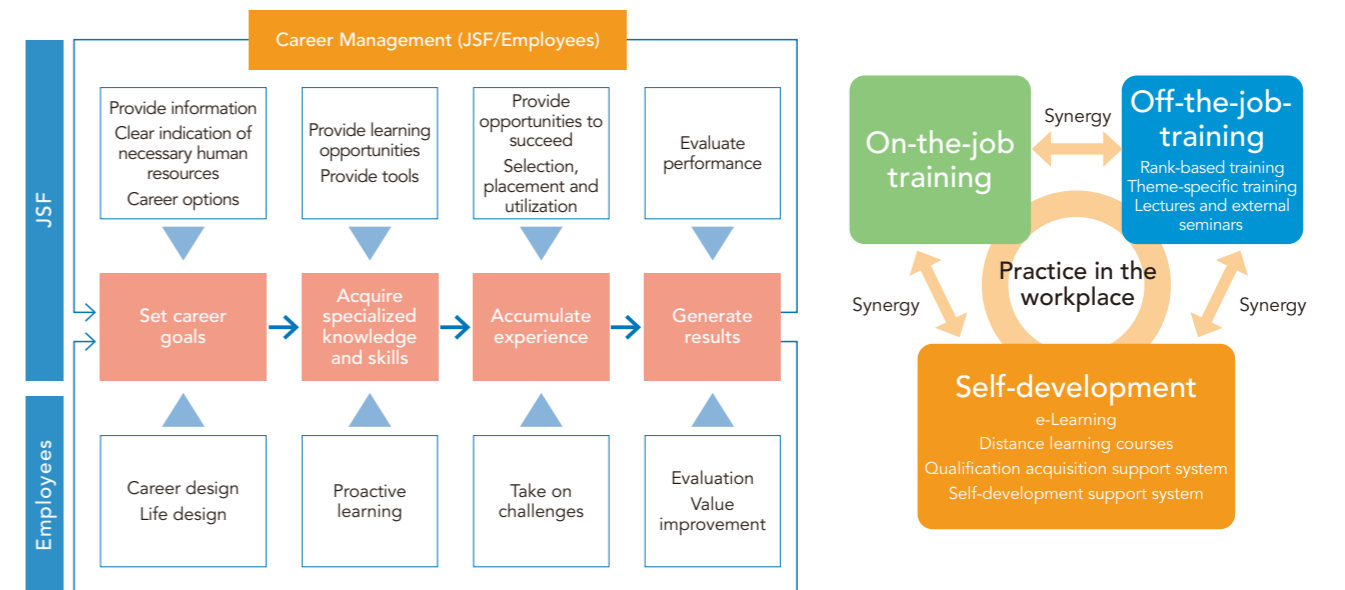
- 1. Recruitment**
  - In addition to the hiring of new graduates, we actively and continuously hire people with prior experience in order to secure a diverse workforce.
- 2. Training and career path**
  - We have created environments for autonomous career development that allow employees to maximize their individuality and strengths and grow on their own through the performance of their work.
  - In order to support autonomous career development and taking on challenges, we have established new human resources development programs, including revised and new training programs.
  - We are building a stronger talent pool that can take a leading role in management strategy based on diversity, expertise, and independence.
- 3. Evaluation and remuneration**
  - We will appropriately assess the contribution of employees' performance of their work, including the degree to which they have developed their abilities, demonstrated their performance, and fulfilled their expected roles.
  - We will assess our employees' independent approach and actions toward their work, such as work reform, work efficiency improvement, and voluntary efforts to achieve ambitious goals.
- 4. Environment**
  - We will create a workplace environment that ensures work-life balance by promoting the use of various leave systems to help employees balance childcare or nursing care with their work.
  - We will promote the creation of a comfortable workplace environment that enables diverse work styles through the utilization of telework.

## Formulating Our Human Resource Development Program

In the initiatives for achieving the vision within our human capital policy, we state that we will develop a new human resource development program to support each employee's autonomous career development and taking on challenges toward personal growth. Through the following initiatives and other efforts, we aim to diversify our human resource portfolio and strengthen the foundation of our human resource capabilities.

- Visualization of human resource portfolio using IT
- Support for medium- to long-term and autonomous career development based on career ownership
- Wider range of self-development options through blended learning
- Introduction of an in-house trainee system and mentor system
- Enhanced experiences outside of the Company

## Human Resource Development Program





# Corporate Strategy

## Diversity and Inclusion

### Promoting Active Participation of Experienced Hires

In aiming for sustainable growth and improved corporate value, we will flexibly recruit talent from a wide range of industries in accordance with the evolution of our business. This will include people who can supply diversified financial services, people who can help us enter new fields and people

with specialized expertise, all regardless of nationality. We also provide support for experienced personnel we hire so that they can maximize their abilities in the workplace. We provide them with opportunities to acquire knowledge both in their specialized fields and in our main business areas.

### Leveraging Previous Career Experience and Finding Fulfillment at JSF

I started my career in the systems department of a megabank, followed by a position in a consulting firm with strengths in IT, after which I joined JSF in August 2022.

My current responsibilities range from system implementation to information security management and arranging LAN installation. Before joining JSF, I was on my guard for the possibility that it was an exclusionary company not used to hiring experienced personnel. Contrary to my fears, I received a warm, unreserved welcome. Even in my early days at JSF, I received positive encouragement for my improvement proposals, as well as significant discretionary authority, which helped me loosen up and settle into my work. I feel there is still quite a lot I can do to help JSF, and I intend to continue making the best of my experience and skills and engaging in my work free of cares.

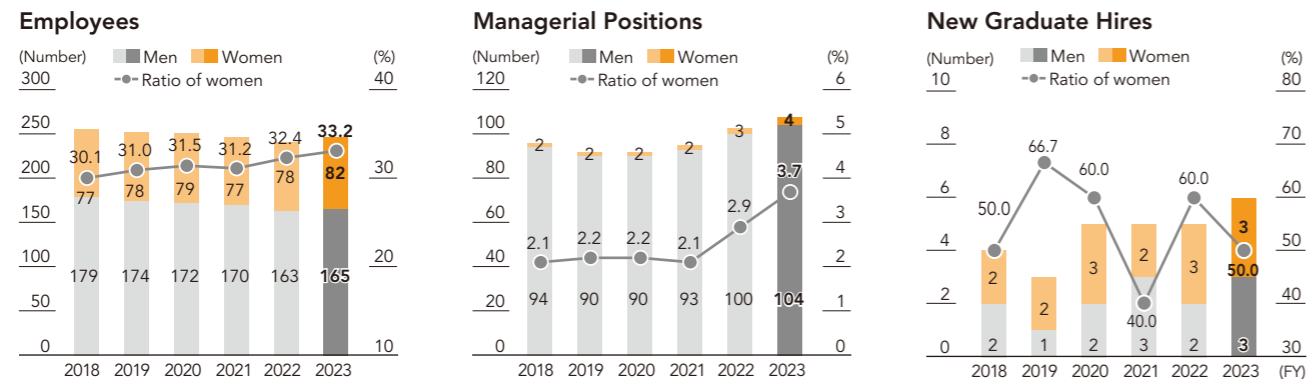


Uran Okutomi  
Systems Planning Department

## Promoting Active Participation of Women

In order to step up the active participation of women, we continue to target a ratio of 40% or higher for women graduate hires to total new graduate hires. In recent years, we have maintained this ratio at 50% or higher. In addition, we provide career development support such as various training opportunities so that women can take on leadership

roles at an early stage of their careers. We also fully leverage the abilities and individuality of all of our employees by maintaining an environment in which they can balance active participation in work while providing childcare or nursing care. Through such measures, we plan to increase the ratio of women in managerial positions.



## Supporting Work-Life Balance

As stated earlier, one of our initiatives for achieving the vision is to help employees balance work with childcare or nursing care. We do this by establishing various support systems, as well as by informing employees of system changes in line with legal or regulatory revisions and by establishing and operating a system for providing individual consultation and

support. For employees who apply for childcare or nursing care leave, we conduct individual interviews to understand their various concerns, worries and needs, and then create a plan to facilitate their smooth return to the workplace after taking leave.

### Childcare and Nursing Care Support System

- Childcare and nursing care leave of absence
- Child and adult nursing care leave
- Option of reduced working hours
- Exemption from overtime work
- Childbirth support leave
- Subsidies for babysitting expenses
- Creation of support plan and implementation of measures for returning to work after taking childcare leave
- Support for returning to work and for continuing work
- Distributing pamphlets and raising awareness within the Company regarding in-house systems related to childcare and nursing care
- Distributing pamphlets about childbirth to expecting employees

	2018	2019	2020	2021	2022
<b>Women</b>					
Number taking childcare leave (half-day, hourly)	10	10	8	13	25
Number taking a childcare leave of absence	3	6	8	6	5
Rate of women returning to work after taking a childcare leave of absence	100%	100%	100%	100%	100%
Number on reduced working hours system (childcare)	10	9	10	13	13
<b>Men</b>					
Number taking childcare leave (half-day, hourly)	14	15	11	12	13
Number taking special leave (childbirth support leave)	7	10	6	7	3
Rate of men taking special leave (childbirth support leave)	100%	100%	100%	77%	100%

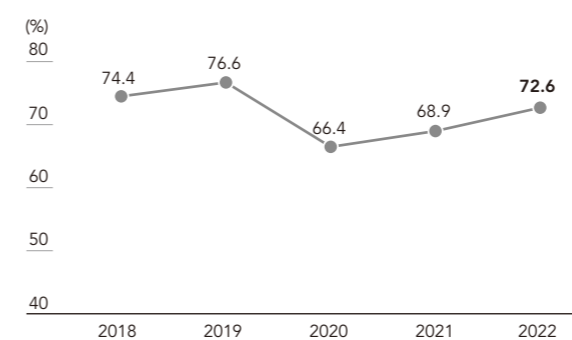
## Promoting Work-Life Balance

Through the use of telework and other means, we will achieve efficient and diverse work styles unrestricted by time and place and promote the creation of a comfortable work environment. Telework is available to all employees, and accounts for about 40% of days worked per week on average, post-pandemic.

In addition, JSF has set the rate of paid leave taken and overtime hours worked as important indicators, and

encourages employees to reduce overtime work and take leave at an appropriate frequency and duration. We also pay attention to changes in employees' work conditions, such as the psychological burden of work and stress caused by the work environment. Employees who are dealing with issues are identified and followed up with quickly to help improve conditions.

### Rate of Paid Leave Taken



### Overtime Hours Worked (Monthly Average per Employee)

