



Japan Securities Finance Co., Ltd.
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

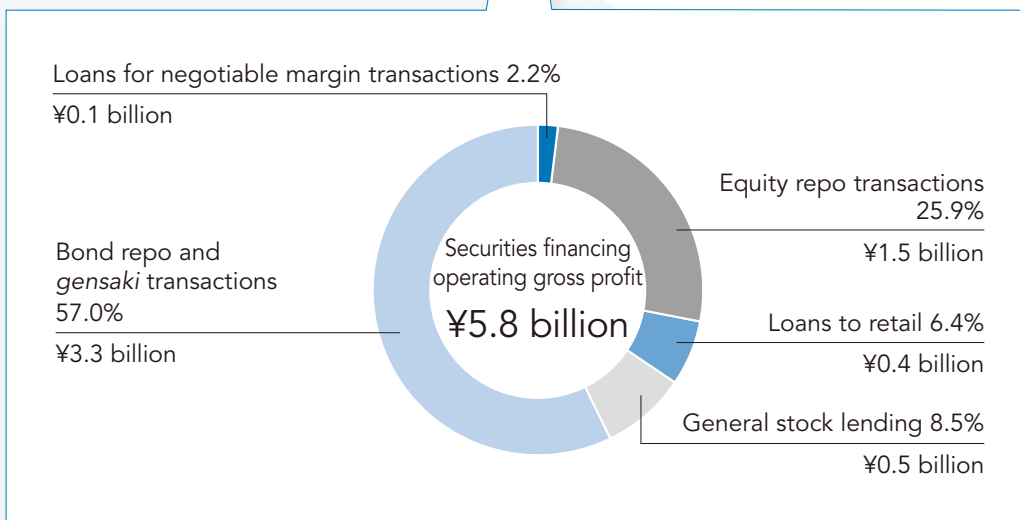
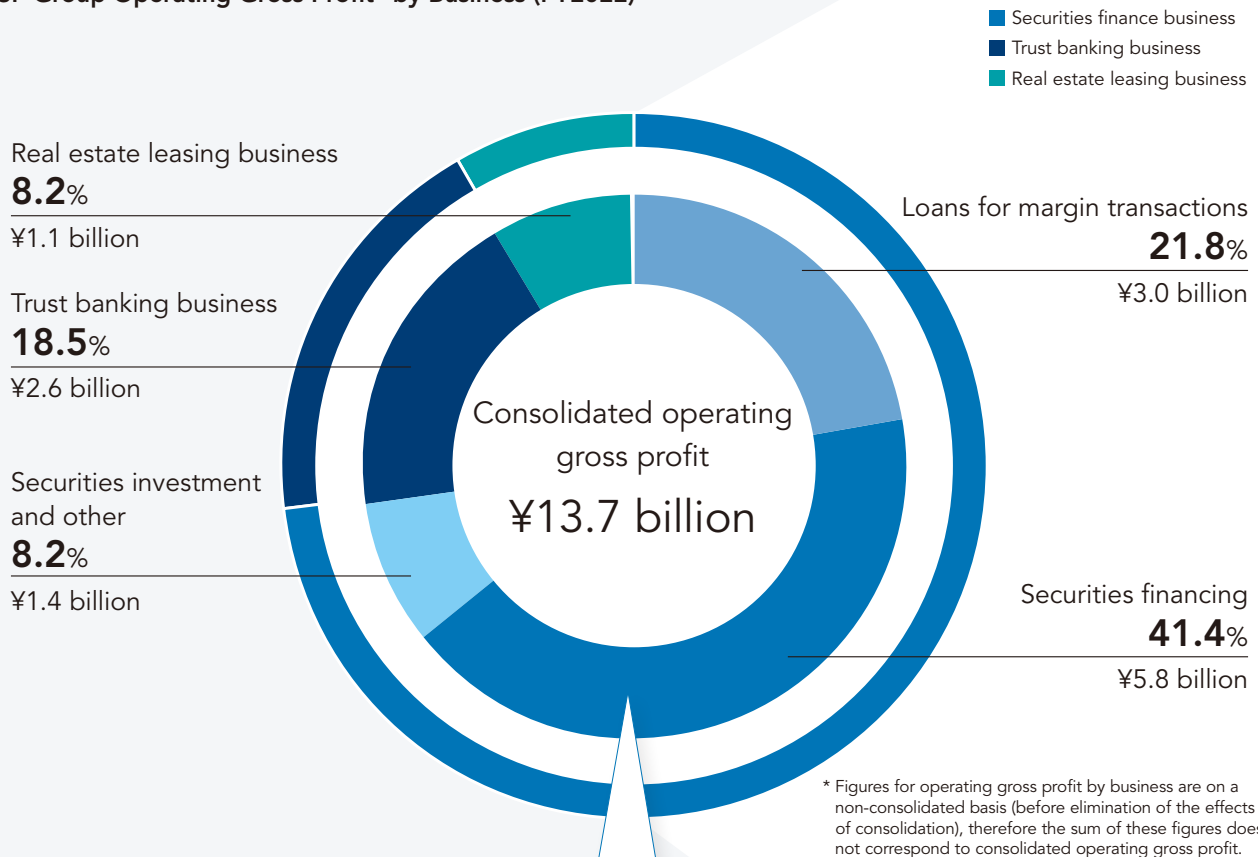
Forward-looking statements such as performance forecasts in this report are made by the Company based on information available at the time of creation and include risks, uncertainties and other factors. Therefore, actual results may differ significantly from forecasts due to changes in various factors.

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.

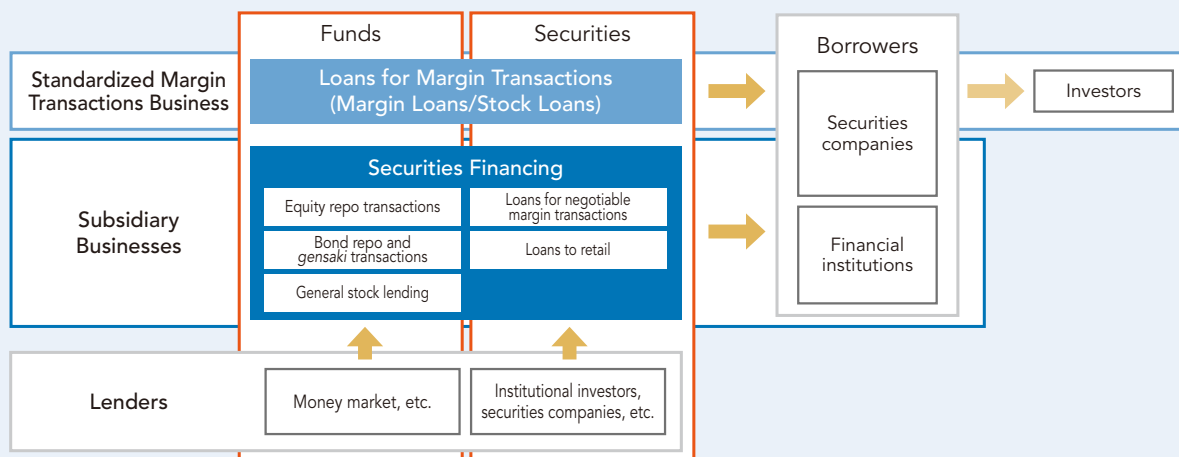
See page 26 for details.

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

Loans for Margin Transactions Business (Margin Loans/Stock Loans)

Standardized margin transaction buying balance

Approx. **¥2,060** billion

Standardized margin selling balance

Approx. **¥600** billion

Source: Publicly available data from domestic stock markets, including proprietary trading systems (as of March 31, 2023)

Bond Repo and *Gensaki* Transactions

Total bond repo and *gensaki* transactions market balance

Approx. **¥285** trillion

Equity Repo Transactions; General Stock Lending and Other

Stock (collateral) lending transactions balance

Approx. **¥17** trillion

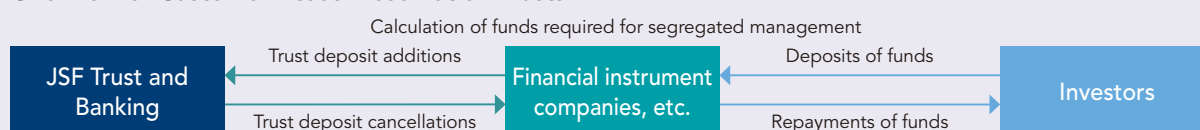
Source: Publicly available data from the Japan Securities Dealers Association (as of March 31, 2023)

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 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.

Medium-Term Management Policy

Sixth Medium-Term Management Plan (through FY2022)

Goal

FY2022 goal

ROE **4.0%**

FY2022 result

ROE **4.36%**

Capital Adequacy Ratio

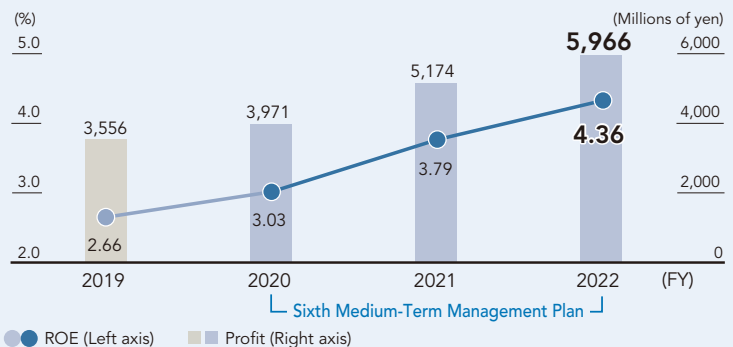
As of March 31, 2023: **496.1%**

(Based on the Financial Instrument and Exchange Act (FIEA), utilizing securities company calculation methods)

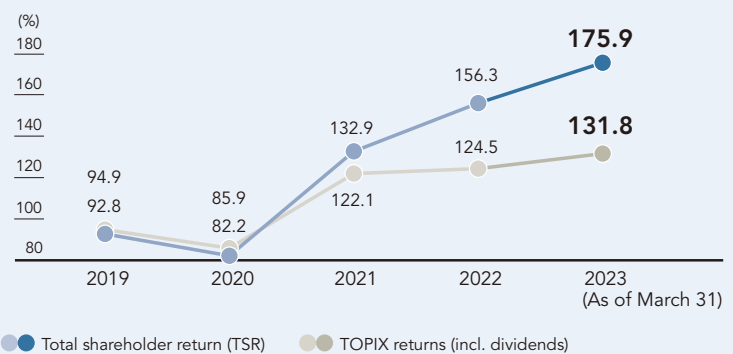
We maintain equity capital at a level that exceeds the standard required for settlement/payment systems.

Results

ROE and Profit



Total Shareholder Return (Index*)



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

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 Management Vision

See page 9 for details.

Seventh Medium-Term Management Plan (through FY2025)

See page 20 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

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.).

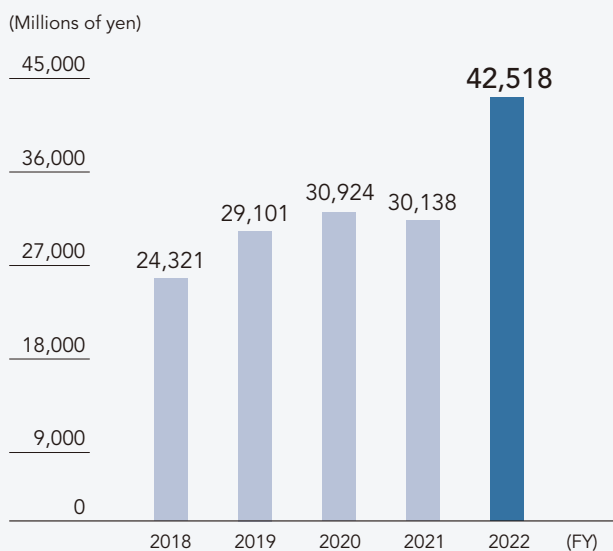
● Operational Efficiency Enhancements and Realization of Diverse Work Styles through Proactive Use of Telework and Other Initiatives

- 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.

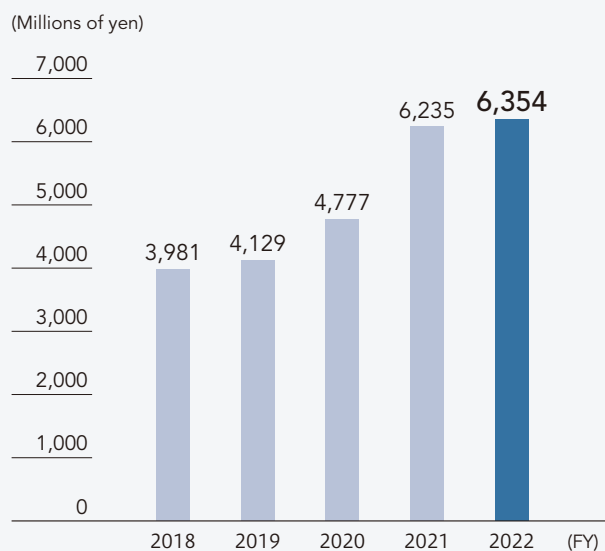
Financial and Non-Financial Highlights

Financial Highlights

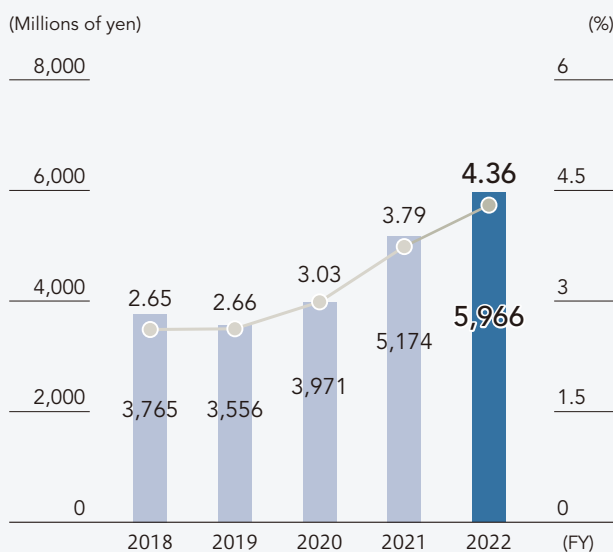
Operating Revenue



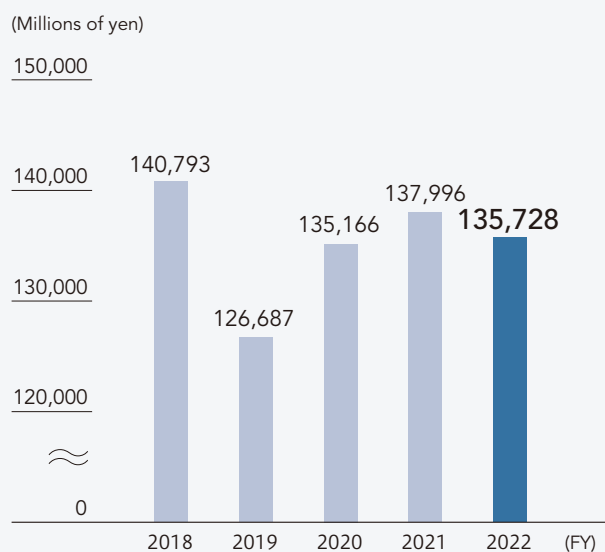
Operating Profit



Profit Attributable to Owners of Parent and ROE



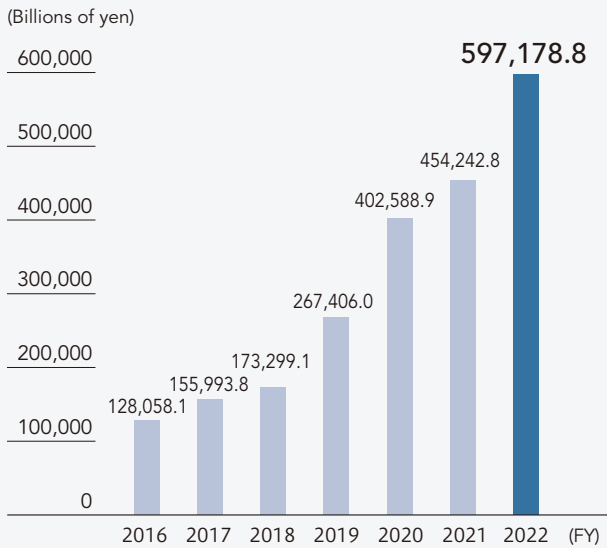
Net Assets



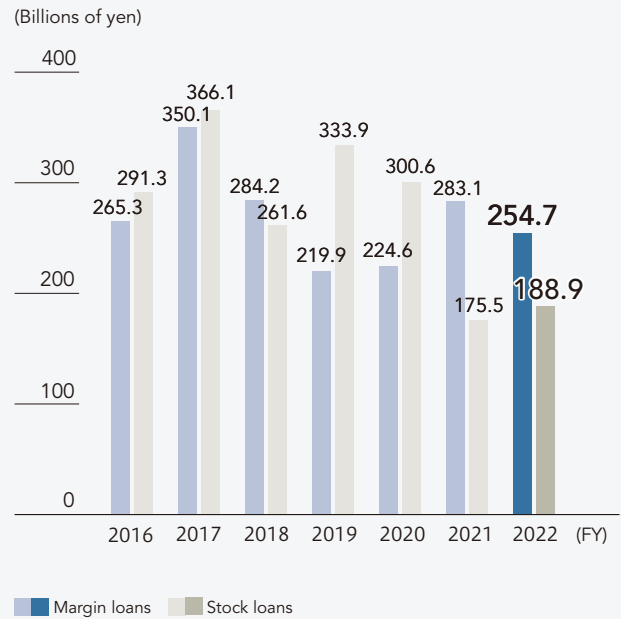
■ Profit attributable to owners of parent (Left axis) ● ROE (Right axis)

Non-Financial Highlights

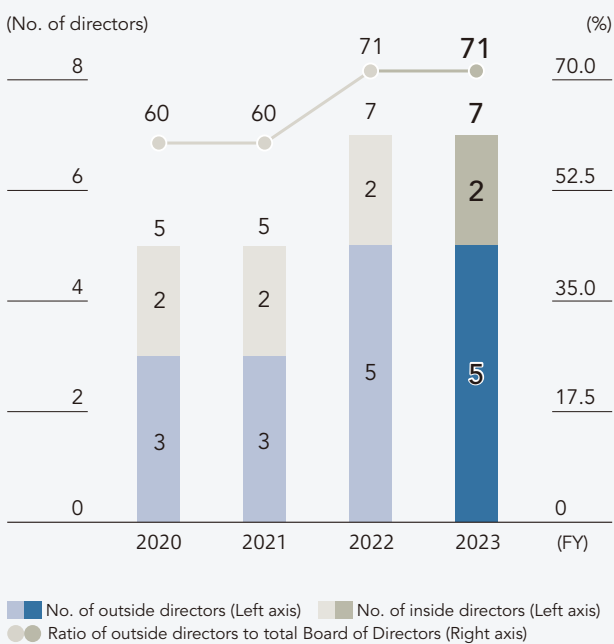
Bond Repo and Gensaki Transaction Value



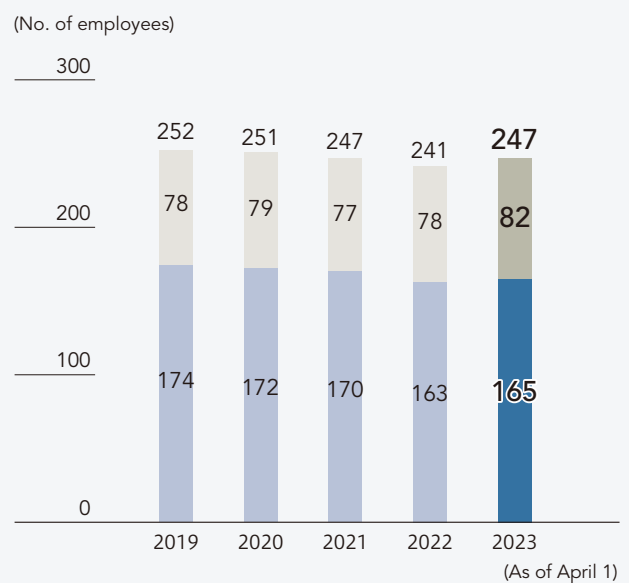
Average Outstanding Balance of Loans for Margin Transactions



Directors and Ratio of Outside Directors to Total Board of Directors



Employees (Non-consolidated, including seconded employees)



Message from the President



As the only securities finance company in Japan, we will contribute to the development of the country's securities and financial markets.

Shigeki Kushida

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

Initiatives to Date Based on the Medium-Term Management Policy

FY2022 Results

In November 2021, the midpoint of the Sixth Medium-Term Management Plan (FY2020–FY2022), we formulated and released a Medium-Term Management Policy that took the Tokyo Stock Exchange market restructuring and other changes as an opportunity to expedite management transformation. In this policy, we set out clear medium-term management goals for ROE (4% by FY2022 and 5% by FY2025), and have since carried out management transformation by mobilizing the full resources of Group companies. As a result, ROE for FY2022, the final year of the Sixth Medium-Term Management Plan, was 4.36%, achieving the intermediate ROE goal of 4% set in the Medium-Term Management

Policy, based on growth in the profit contribution of securities financing, which we have steadily worked on (details on page 22: Message from the Officer Responsible for Corporate Strategy).

FY2023 First-Half Results

For the Seventh Medium-Term Management Plan (FY2023–FY2025), we set the management goals of 5% ROE and consolidated ordinary profit of ¥10 billion by FY2025. Results thus far show that we got off to a good start, led by securities financing. As of the midpoint of FY2023, we are on track to achieve the 5% ROE goal two years ahead of schedule.

Long-Term Management Vision

Given that our management efforts had achieved a certain level of success and we had reached a milestone, we believed it was appropriate to further organize our approach to management going forward. As such, our Board of Directors engaged in thorough discussions on that topic. As a result, we concluded that a two-tiered approach to management would be appropriate, setting out a long-term management vision, and then using that vision as a guide to formulate a medium-term management plan and a shareholder return policy based on specific business strategies. Accordingly, we recently formulated the “Long-Term Management Vision,” and based on that vision, upwardly revised the management goals of the Seventh Medium-Term Management Plan. We also formulated the new “Shareholder Return Policy during the Period of the Seventh Medium-Term Management Plan.” All of these were publicly announced in November 2023.

Long-Term Direction

As its long-term management direction, JSF will continue to agilely and flexibly address the trading needs of securities and financial market participants as Japan’s only securities finance company. 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 the 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 maintain a total payout ratio of 100% during the period of its Seventh Medium-Term Management Plan, 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 of its Board of Directors and respective committees, the further enhancement of information disclosure, and the development of a robust human capital base.

Establishment of Corporate Message

In formulating the Long-Term Management Vision, JSF reaffirmed its targeted vision of the future. To communicate that vision to stakeholders inside and outside the Company, we established a new corporate message: “Be unique. Be a pioneer.” This expresses what we want to be—a company that agilely and flexibly addresses the trading needs of securities and financial market participants, while incorporating advances in financial technology in a constantly changing environment, as Japan’s only securities finance company, thereby pioneering the future of both the market and JSF.

Message from the President

Seventh Medium-Term Management Plan

Set and Revised Management Goals

The Seventh Medium-Term Management Plan originally had the goals of ROE of 5% and consolidated ordinary profit of ¥10 billion by FY2025. However, in light of the Long-Term Management Vision and the JSF Group's performance so far in FY2023, we have revised these goals upward. Specifically, our new goals are to maintain ROE at a stable level above 5% and aim for further improvement, and to maintain consolidated ordinary profit at a stable level of over ¥10 billion and aim for further improvement.

Further Strengthen the Loans for Margin Transactions Business and Securities Financing

In the Seventh Medium-Term Management Plan, we have outlined specific strategies and measures for achieving our management goals (details on page 20: Seventh Medium-Term Management Plan). The main pillar of the plan is to strengthen the loans for margin transactions business and securities financing.

The loans for margin transactions business is where JSF has its origins as infrastructure for Japan's securities and financial markets. It is one of our core businesses, accounting for a consistent portion of gross profit. We have long worked to expand the number of loanable stock issues and strengthen the procurement of stock to be used for stock lending. We will continue working to ensure stable operations and improve convenience in the loans for margin transactions business in line with the changing operating environments of stock markets. In addition, with an accurate grasp of the trading needs of market participants, we will explore measures to promote the use of loans for margin transactions, and work to bolster the foundation of the loans for margin transactions business by enhancing dissemination of information related to standardized margin transactions and loans for margin transactions.

In securities financing, needs for borrowing stock for use as collateral in various financial transactions and for lending stock to increase asset yields have fueled strong demand in recent years for government bond and equity repurchase agreement (repo) transactions. Demand for multi-currency cross-border transactions has also been rising. In securities financing, we have expanded transactions by agilely and flexibly addressing these diverse domestic and international needs as the connection point between markets in Japan and overseas. In recent years, we have actively participated in overseas conferences, which has helped to raise our international

profile, and have also been increasing our roster of clients and the number of transactions. We will continue to effectively utilize our expertise in financial and securities transactions to proactively meet diverse needs for domestic and international transactions and increase the number of clients, as well as the currencies and securities we handle in our transactions. In this way, we will enhance and expand our securities financing business and expand our earnings base (details on page 26: Securities Financing Centered on Loans for Margin Transactions).

Strengthening Our Human Resource Base

In the Seventh Medium-Term Management Plan, one of the key strategies for achieving our management goals is to strengthen human resource development and improve engagement. We will continue to set high management goals, and to make them achievable it is important to create a workplace environment in which diverse employees can fully demonstrate their individuality and strengths, enthusiastically and autonomously exploring and transforming their work, and grow as they accumulate experience and achievements. From this perspective, we established a Human Capital Policy as the basic policy for promoting 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.

The Human Capital Policy sets forth the following vision: (1) 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; (2) We will promote the creation of a comfortable work environment so that employees can engage in their work with peace of mind; and (3) We will improve our corporate vitality and organizational transformation capabilities and achieve more productive work styles by working to improve employee engagement. The policy also sets out our expectations for human resources and clarifies the details and direction of management's efforts going forward toward achieving this vision, in areas including recruitment, and training and career advice (details on page 34: Strengthening Human Resource Development and Improving Engagement).

Capital Management Policy

Up to now, in the Medium-Term Management Policy and the Seventh Medium-Term Management Plan, our management goal for ROE was 5%, based on our estimate of the cost of equity (estimated to be around 4.5%), and management has continued striving to achieve it. As I mentioned above, we are now working toward the new, upwardly revised management goal: maintain ROE at a stable level above 5% and aim for further improvement.

In terms of shareholder returns, during the period of the Seventh Medium-Term Management Plan, we will continue our policy of aiming to maintain a total payout ratio of 100% through dividends and flexible

implementation of share buybacks. We will increase dividends in FY2023, and for the period from FY2024 through FY2025 our policy is to pay dividends with a target payout ratio of 70%.

Through these management efforts, we aim to firmly establish a PBR exceeding 1.0 times.

From FY2026 as well, we will strive to steadily strengthen our earnings base and pursue stable and steady improvement of capital efficiency, while remaining mindful of the cost of equity. In this way, we will strive to continuously improve corporate value and enhance shareholder returns.

Message to Investors and Other Stakeholders

FY2023 is the first year of the Seventh Medium-Term Management Plan, and we have made an auspicious start in terms of performance. We still have many challenges to address in order to sustain growth and enhance our corporate value while maintaining strong financial soundness. However, as a distinct and unique financial

institution that operates with a high degree of agility and flexibility, we remain committed to contributing to the development of the securities and financial markets while holding dear the sentiments in our corporate message in the Long-Term Management Vision: Be unique. Be a pioneer. We look forward to your ongoing support.



History of the JSF Group

70 years of involvement in the development of Japan's securities market

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

1950–1979

Supporting Japan's postwar period of high economic growth with institutional financing

We launched our loans for margin transactions business in 1951 when the margin transaction system was introduced. In 1968, when securities companies became subject to licensing, we established a lending system to meet market needs. As part of this system, we launched a bond financing business to facilitate the underwriting and circulation of public and corporate bonds.

1980–2012

Addressing rapid progress in securities markets, as well as global financial uncertainty and changes amid globalization

In order to fulfill our role as securities market infrastructure, in 1987 we built a network with securities companies and launched trading via our JSF Online System. With the implementation of measures to promote the "Japanese Big Bang" financial system reforms in 1998, we established JSF Trust and Banking Co., Ltd., whose business focuses on preservation trusts for cash segregated as deposits for customers for securities investments.

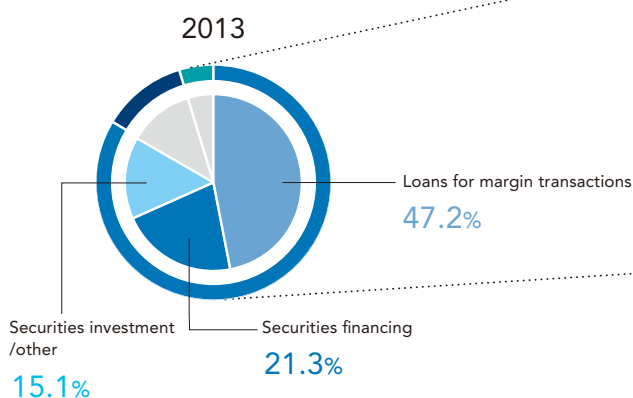
Since 2013

Serving as Japan's only finance and taking on

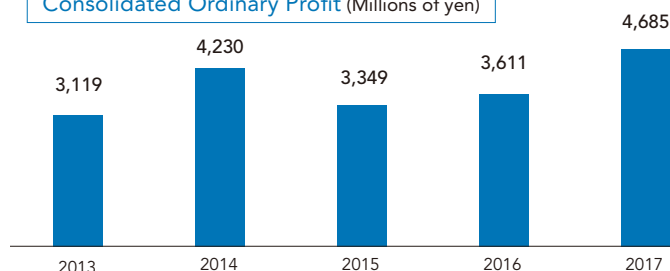
In 2013, following the integration of the cash equity markets of the Tokyo Stock Exchange and Osaka Securities Exchange, we merged with Osaka Securities Finance Co., Ltd. In the loans for margin transactions business, we started handling transactions for Nagoya Stock Exchange in 2017 and for proprietary trading systems (PTS) in 2019. Today, we are Japan's only securities finance company.

Composition of Operating Revenue

- Securities finance business
- Trust banking business
- Real estate leasing business

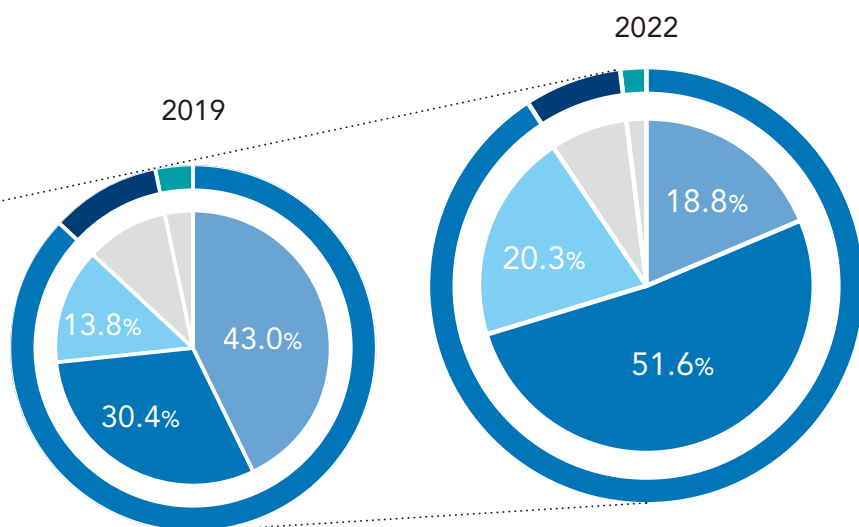


Consolidated Ordinary Profit (Millions of yen)



institution specializing in securities new challenges for growth

In 2019, JSF became a Company with a Nominating Committee, etc., thus separating oversight and execution, with the Board of Directors responsible for making timely management policy decisions and overseeing execution, and the executive side responsible for executing management plans. In 2023, we launched the Seventh Medium-Term Management Plan, covering the period from FY2023 through FY2025 (from April 1, 2023 to March 31, 2026).



The Strengths We Have Built

Loans for Margin
Transactions Business

Only one in Japan

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

Business Partners

Network with domestic and overseas financial institutions

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

Value Creation

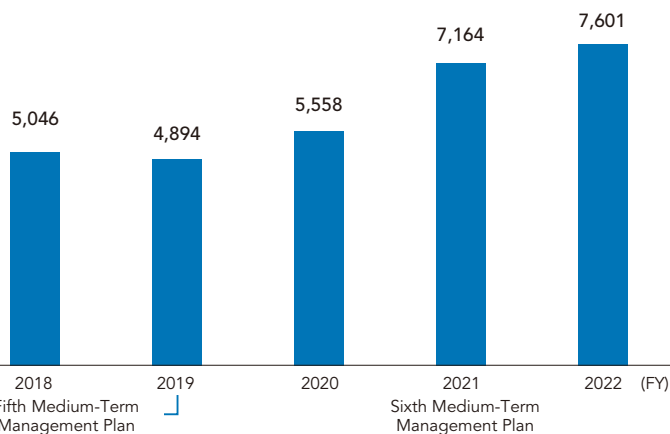
Ability to build services by leveraging JSF strengths

Through many years of providing infrastructure functions in the securities and finance markets, we have cultivated both an accurate understanding of the needs of those engaged in market transactions and stable operational capabilities. In addition, owing to our relatively small size, the transaction services we have built are very agile and flexible.

Stable Credit Ratings

R&I, JCR S&P
AA- A

Over the years, we have secured high credit ratings, including an AA- rating from two rating agencies based in Japan and an A rating from a rating agency based outside Japan.



Value Creation Process

Social Issues

- Population decline/aging
- Globalization
- Progress of digitalization
- Restructuring of market segments and updates to Japan's Corporate Governance Code and Stewardship Code
- Introduction of a new NISA system by the Japanese government to encourage stable asset formation

Inputs

Financial Capital

- High degree of financial soundness
External credit ratings: R&I: AA-
JCR: AA-
S&P: A
Capital adequacy ratio (based on FIEA)
496% (March 31, 2023)

Intellectual Capital

- Ability to build securities finance services
- Risk management expertise accumulated over many years
- Stable and highly productive operational system

Human Capital

- Talent with knowledge and experience in securities and finance, including operation of systems for loans for margin transactions, building of securities financing and trust banking services, and risk management
- Securing highly diverse human resources through proactive and consistent hiring of experienced talent in addition to new graduates
- Using telework and other methods to create a comfortable work environment that enables diverse work styles
- Talent that can build risk management and securities finance services
Number of employees: 268 (consolidated)

Social and Relationship Capital

- Long track record (73 years) and trust built in operating a securities finance business
- Network with domestic and overseas financial institutions and institutional investors such as securities companies, banks and insurance companies
- Business operations through participation in the settlement systems of central banks and clearing houses

Material Issues

Environmental

- Reduce environmental impact

Social

- Promote academic research activities and financial and economic education activities
- Promote diversity and develop human resources
- Respect human rights and prohibit discrimination
- Enhance functions as infrastructure for Japan's securities and financial markets
- Contribute to overseas securities and financial market infrastructure

Governance

- Strive to enhance governance as a Company with a Nominating Committee, etc.
- Implement the risk appetite framework (RAF)
- Stably operate business that is not affected by disasters, etc. (BCP)
- Operate business based on a high awareness of compliance

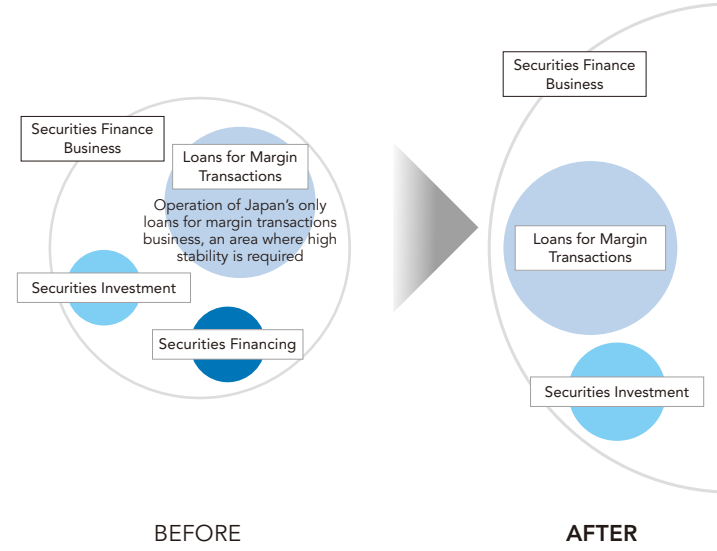
BUSINESS

JSF's Unique

- Japan's only company that handles loans for margin transactions
- Neutrality through not belonging to any particular corporate group

Business Domains

In our loans for margin transactions business, we respond to changes in the environment facing stock markets and to transaction needs. In securities financing, we meet the various liquidity needs of our clients. In our securities investment business, we aim to secure stable earnings through appropriate risk control, and work to expand our fund procurement methods. In the trust banking business, we are working to meet our clients' asset protection needs in new areas.



Establishing a governance system to demonstrate Corporate

Risk appetite framework (RAF)

Cyber

MODEL

Position

- Network with domestic and overseas financial institutions
- Many years of high credit ratings

Outputs

- Provision of liquidity through securities finance functions
- Operational stability and improved convenience of the loans for margin transactions business
- Strengthening and enhancement of securities financing by expanding the range of clients, currencies and securities, etc.
- Securing of stable revenues from securities investments by reviewing the portfolio in an agile manner; expansion of stable funding methods, including using foreign currencies
- Strengthening and enhancement of the lineup of custodial trusts, including customer asset preservation trusts and ABL trusts, and the related transaction network

Trust Banking Business

Enhance our custodial trust business, including customer asset preservation trusts

Securities Financing

Aim for growth by rapidly responding to diversifying securities and finance market needs

Real Estate Leasing Business

our public role and expertise as a financial institution

Governance

Security

Business Continuity Plan (BCP)

Outcomes

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.

Social Value

Contributing to market liquidity

Highly resilient, stable business operations

Responding to client needs according to changes in the securities and financial markets

Economic Value

FY2025 Goals (Consolidated)

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

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

FY2022 Results (Consolidated)

· Operating revenue	¥42.5 billion
· Ordinary profit	¥7.6 billion
· Profit attributable to owners of parent	¥5.9 billion
· ROE	4.36%

Message from the Chairperson of the Board



I will work to improve the board's effectiveness from a long-term perspective to increase corporate value.

Naotaka Obata

Outside Director, Chairperson of the Board, Nomination Committee Chairperson, Remuneration Committee Chairperson

In 2019, JSF transitioned to a "Company with a Nominating Committee, etc." structure, which is designed to clearly separate management supervision and execution. Under this structure, the two main missions of the Board of Directors are to formulate the Company's management policies and to supervise executive officers to ensure that they are executing business appropriately based on those policies. To make sure that the board can effectively fulfill that role, five of the seven members of the board are outside directors who are independent from the Company, and the chairperson of the Board of Directors and the chairpersons of the Nomination Committee, Remuneration Committee and Audit Committee are all outside directors. I have served as the chairperson of the board and as chairperson of the Nomination Committee and Remuneration Committee for the past four years. We outside directors have worked to fulfill our role from an objective standpoint with an outsider's point of view, bearing in mind JSF's corporate philosophy of contributing to the development of the securities market while always maintaining a keen awareness of its public role.

I mentioned in last year's integrated report that as chairperson of the Board of Directors, I have always had a mindset of maximizing its effectiveness as a "monitoring board." Fortunately, JSF's Board of Directors is supported by the diverse knowledge of its directors, and meaningful discussions take place in a free and open atmosphere. Executive management seriously considers the issues raised and opinions pointed out by the Board of Directors, and provides feedback to the board.

Going forward, I want to continue to lead in a way that vitalizes discussion at board meetings.

About the Long-Term Management Vision

JSF adopted its Medium-Term Management Policy at the Board of Directors meeting in November 2021. In the Seventh Medium-Term Management Plan based on that policy, the Company set a management goal of 5% ROE by 2025. Management's efforts since then have produced notable successes. Among these, the Company expects to achieve 5% ROE two years ahead of schedule based on estimates of performance for FY2023. This can be seen as a significant milestone for management. Consequently, the Company recognized the need to further consolidate its approach to management. Following extensive discussions by the Board of Directors from a long-term perspective, in November 2023 the Company formulated and released its Long-Term Management Vision. In this vision, the Company has declared that it will strive to steadily strengthen its earnings base and pursue stable and steady improvement of 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. In addition, more extensive discussions were conducted regarding a corporate message that would clearly communicate the Vision of the

Future Targeted by JSF, which is to be a distinct and unique company that operates with a high degree of agility and flexibility, achieving sustainable growth and enhancing its corporate value, while maintaining strong financial soundness. Guided by the Long-Term Management Vision, we then revised the Seventh Medium-Term Management Plan and formulated a shareholder return policy for the period of the plan, and publicly announced both.

Enhancing and Strengthening Corporate Governance to Improve Corporate Value

Following a review of the composition of the Board of Directors from the viewpoint of creating a diverse board with multiple layers of skills, the number of outside directors was increased by two (net increase) in 2022, and a second woman outside director was appointed in 2023. Backed by their varied careers and knowledge, the newly added outside directors have actively contributed opinions and suggestions, and we are now seeing just how important diversity is.

In the area of sustainability, JSF is focusing on promoting industry-academia collaboration and contributing to the

infrastructure of securities and financial markets, including overseas. I intend to leverage my position as an outside director to support these efforts, in addition to other initiatives such as the Company's initiatives to address climate change.

Improving the Effectiveness of the Board of Directors

To further increase the effectiveness of the Board of Directors, annual evaluations are conducted to identify issues related to the operation of the board, and the board works in cooperation with its secretariat to make improvements. Responses to the questionnaire in the effectiveness evaluation indicated that the two new directors appointed in FY2022 increased the diversity of opinions. Using those opinions for reference, board members have been working with the secretariat of the Board of Directors to create a meeting environment that encourages lively discussions. Initiatives include enhancing training to acquire knowledge of the Company's business, holding regular meetings for outside directors to enable them to share information with one another, and creating opportunities for outside directors and department heads to exchange opinions. In Board of Directors and committee meetings, supervisory and executive sides of management deepen discussion on important matters while mutually making proposals and raising points of contention in a three-step process: (1) issues are delineated and freely discussed, (2) drafts are discussed, and (3) resolutions and disclosure methods are deliberated, which leads to a final conclusion. This approach is of great significance in the sense that it ensures effectiveness in the oversight of business execution.

Initiatives in the Nomination Committee

In FY2022, the Nomination Committee discussed improving the transparency of the nomination process for management executives and in-house human resource development with a view to the selection of management executives.

Among these discussions, for the succession plan for the current Representative Executive Officer & President, in January 2023 the Board of Directors approved and announced a policy that the Company will consider candidates from a preliminary list of internal candidates, including experienced mid-career hires, but not public sector candidates, who possess the requisite qualifications for the position. This policy stemmed from an informal exchange of opinions between the Nomination Committee and executive management in the summer of 2022, in which the Nomination Committee suggested that it would be appropriate to have discussions from the viewpoint that the requisite qualities and qualifications for the president may change depending on the status of the Company's business development. The executive team had similarly become aware of this issue, and because there was a consensus between the supervisory and executive sides regarding a basic approach, subsequent discussions in the Nomination Committee led to approval and announcement of the policy. Since JSF's business portfolio has centered on loans for margin transactions, which are part of the infrastructure supporting the securities market, the Company's management has been led by individuals with public-sector backgrounds. However, given that the Company's business strategy going forward is to pursue business development with securities financing and other businesses positioned as growth areas, it will place greater emphasis on knowledge and experience related to the

securities finance business, including technological innovation, and therefore concluded that considering people from inside the Company was appropriate. Based on this direction, the committee's policy is to move forward with discussions on a specific preliminary list of succession candidates and the requisite qualifications, and to narrow the candidates down to a short list.

To ensure the effectiveness of management succession planning, it is important to develop a pool of internal talent. To that end, the Nomination Committee has discussed a specific approach to cultivation of internal talent, and the results were announced on the Company website. Human resource strategy is one of the pillars of the Seventh Medium-Term Management Plan, and the Nomination Committee has raised issues with the executive side, such as the necessity of developing suitable talent for the Company's lines of business, and these issues have been reflected in the management plan.

Initiatives in the Remuneration Committee

The Remuneration Committee decides on the remuneration of directors and executive officers, as well as officer remuneration policies and other matters. In its officer remuneration system, the Company has been working to enhance the linkage between executive officer remuneration and performance, and has made changes including properly reflecting the degree of progress and achievement of the management goals in the medium-term management plan in bonuses. In FY2023, the Company took the start of the new medium-term management plan as an opportunity to revise the performance-linked remuneration of executive officers to ensure that incentives are consistent with our management policy. Bonuses are a short-term incentive, with consolidated profit attributable to owners of parent used as the reference indicator to clarify management responsibility each fiscal year, while share-based remuneration is positioned as a long-term incentive using ROE and consolidated ordinary profit—the management goals of the Seventh Medium-Term Management Plan—as the reference indicators. With the goal of reflecting both the performance of the Company as a whole and each individual's contribution to that performance, bonuses are divided into a part linked to the Company's performance and a part based on individual evaluations.

The Seventh Medium-Term Management Plan was revised in November 2023, but only necessary changes were made to the reference values for share-based remuneration based on projected progress toward the management goals. No changes were made to the basic structure of the reference indicators for bonuses and share-based remuneration.

Approach of the Board of Directors Going Forward

The recently announced Long-Term Management Vision was the outcome of extensive discussions by the Board of Directors from a long-term perspective on matters such as the direction of our management policy regarding the realization of the Company's corporate philosophy and its targeted vision of the future. The Company will continue to respond flexibly to changes in the securities and financial markets. Through free and open discussions, the Board of Directors will formulate management policies, supervise business execution, and take appropriate steps to strengthen corporate governance, firmly determined to fulfill its role as a "monitoring board."

Dialogue with Newly Appointed Outside Directors



Kensuke Futagoishi
Outside Director

Takayoshi Yamakawa
Outside Director

Q. First, please tell us a little about your backgrounds and experience.

Futagoishi: I have been in the banking industry for many years. After gaining experience in various departments, including corporate sales at a major bank, I moved to IY Bank Co, Ltd. (currently Seven Bank, Ltd.) in 2003, where I served as president from 2010 to 2018. During that time, I focused on expanding the number of ATMs installed as social infrastructure and providing digital services to address changing client needs. I aim to draw on my corporate management and other experience to help supervise the implementation of JSF's management policies and to support the creation of a governance system capable of responding flexibly to changes in the operating environment.

Yamakawa: After working at an IT device manufacturer, I made a career change, joining a consulting firm in 1995. In 2000, I co-founded Dream Incubator, where I served as president from 2006 to 2020. Currently, I provide advice on corporate management and other matters at Business Producer LLC. As digitalization progresses in the financial market, I believe my experience in corporate management and knowledge of digital transformation will be useful in identifying new business opportunities.

Q. How has your impression of JSF changed since your appointment to the board?

Yamakawa: What honestly surprised me was that securities financing, which began as a new business after the global financial crisis of 2008, has grown so large. Previously, I had thought that loans for standardized margin transactions was the Company's core business. Many companies work to

establish new businesses, but achieving success is extremely difficult. I am amazed that JSF's securities financing business, which has only been in operation for 10 years, now accounts for about 40% of the Company's profit.

Futagoishi: My impression of JSF was that it is a solid company with a strong public role, as indicated by its corporate philosophy of contributing to the development of the securities and financial markets. Having attended various meetings, including Board

of Directors meetings, over the past year, I feel that in addition to its solid governance and business execution, the Company takes advantage of its relatively small size to respond agilely to changes in the environment.

Q. Please tell us about the activities and discussions of the Board of Directors and the three statutory committees.

Futagoishi: The focus of activities at Board of Directors meetings in FY2022 was discussion of the Seventh Medium-Term Management Plan. This plan covers one of the most critical periods in JSF's history. The Company needs to transform its corporate culture in order to provide new value as it shifts from its former focus on its public role. In meetings of the Board of Directors and the statutory committees, there have been lively discussions on topics such as how to develop human resources responsive to change, and how to encourage employees to internalize the president's ideas in the management plan. As a result, I feel that a well-thought-out plan has been formulated, especially for human resource strategy. I also think great care is being taken by the secretariat to facilitate these discussions.

Yamakawa: Because the Board of Directors is made up of members with diverse backgrounds, discussion on any given matter involves a multi-faceted approach, enabling comprehensive judgment and decision-making. Having people with a wide range of knowledge giving candid recommendations makes for lively discussion. Also, because the secretariat has explained the points for discussion to members of the board and the committees in advance of each meeting, discussions are well defined and focused. Discussions also lead to quick action. For example, in response to a request from the Tokyo Stock Exchange to listed companies at the end of March 2023, the Board of Directors conducted a series of discussions, leading to the issuance of a news release on May 15 detailing the Company's initiatives.

Q. What points do you think are key for the JSF Group to achieve medium- to long-term growth?

Yamakawa: Looking at the condition of the Company over the last few years, I feel that stronger governance and earnings growth have generated synergy. Internationalization and digitalization have also progressed in Japan's financial market, so it is important that the Company respond agilely to these external changes in its pursuit of sustainable growth. I intend to apply my experience and knowledge for the Company's growth, in ways such as offering suggestions for using digital transformation to develop new businesses and improve business efficiency.

Futagoishi: As I mentioned before, I think the key will be strengthening human resource development and improving engagement, which is one of the strategies in the Seventh Medium-Term Management Plan. To ensure the effectiveness of the management succession plan announced in April 2023, it is necessary to strengthen the human resource base, centered on ensuring diversity and strengthening professionalism and independence. As a member of the Board of Directors, I would like to focus my efforts on building a system that supports the Company in helping employees grow by taking on challenges, thereby enabling further growth.

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

1

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.

2

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.

3

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.

4

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.

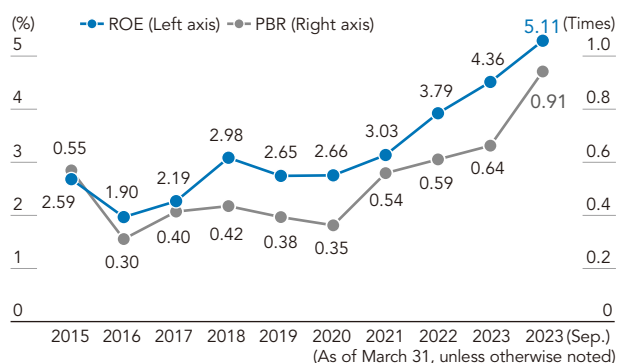
Efforts to Implement Management with an Awareness of the Cost of Equity and the Stock Price

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.

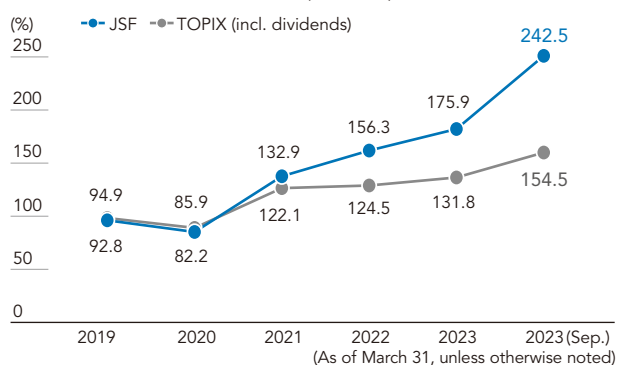
Based on objective data and according to multiple calculation methods, we have estimated our cost of equity to be around 4.5%. As a securities finance company that supports the infrastructure of Japan's securities and financial markets, we are subject to various restrictions in terms of financial

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

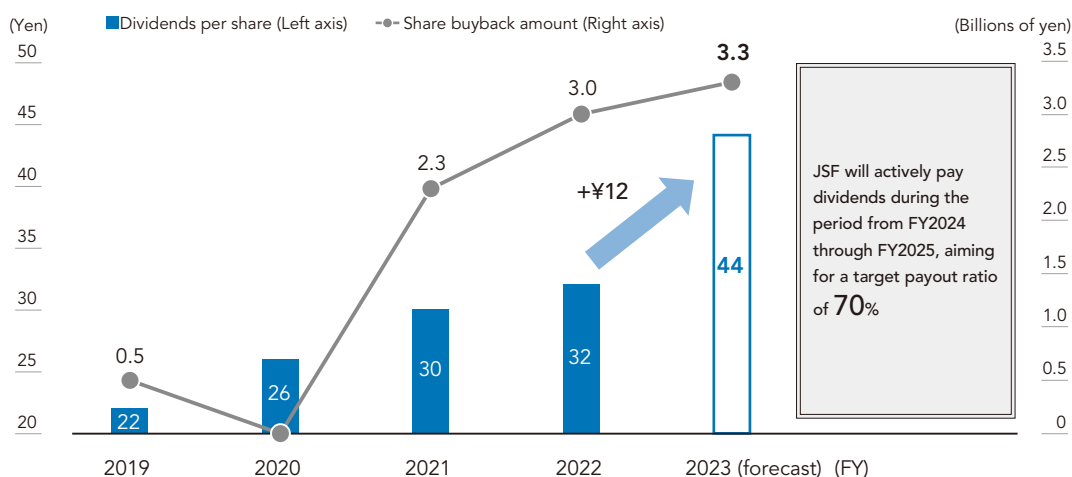
Composition of the Board of Directors

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

Shareholder Returns



Dividends per share (Yen)	22	26	30	32	44
Share buyback amount (Billions of Yen)	0.5	–	2.3	3.0	3.3
Total payout ratio (%)	71.0	60.1	97.6	97.6	101.0

Note: Figure for dividends per share in FY2023 is an estimate, and the share buyback amount is the upper limit of the buyback. The total payout ratio is calculated using the earnings estimates announced on November 6, 2023.

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

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 CO₂ 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.

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

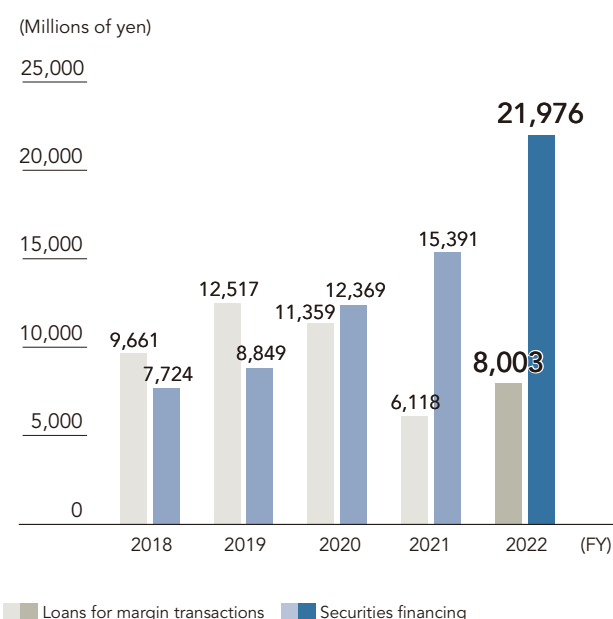
Business Environment and Strengths

Securities Financing

	Service	Details
Securities financing	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 <i>gensaki</i> transactions	This is the business of matching (brokering) various financial institutions' lending and borrowing needs, mainly for Japanese government bond repo and <i>gensaki</i> transactions (transactions in which bonds are exchanged for cash).

Operating Revenue

(Loans for Margin Transactions and Securities Financing)



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.

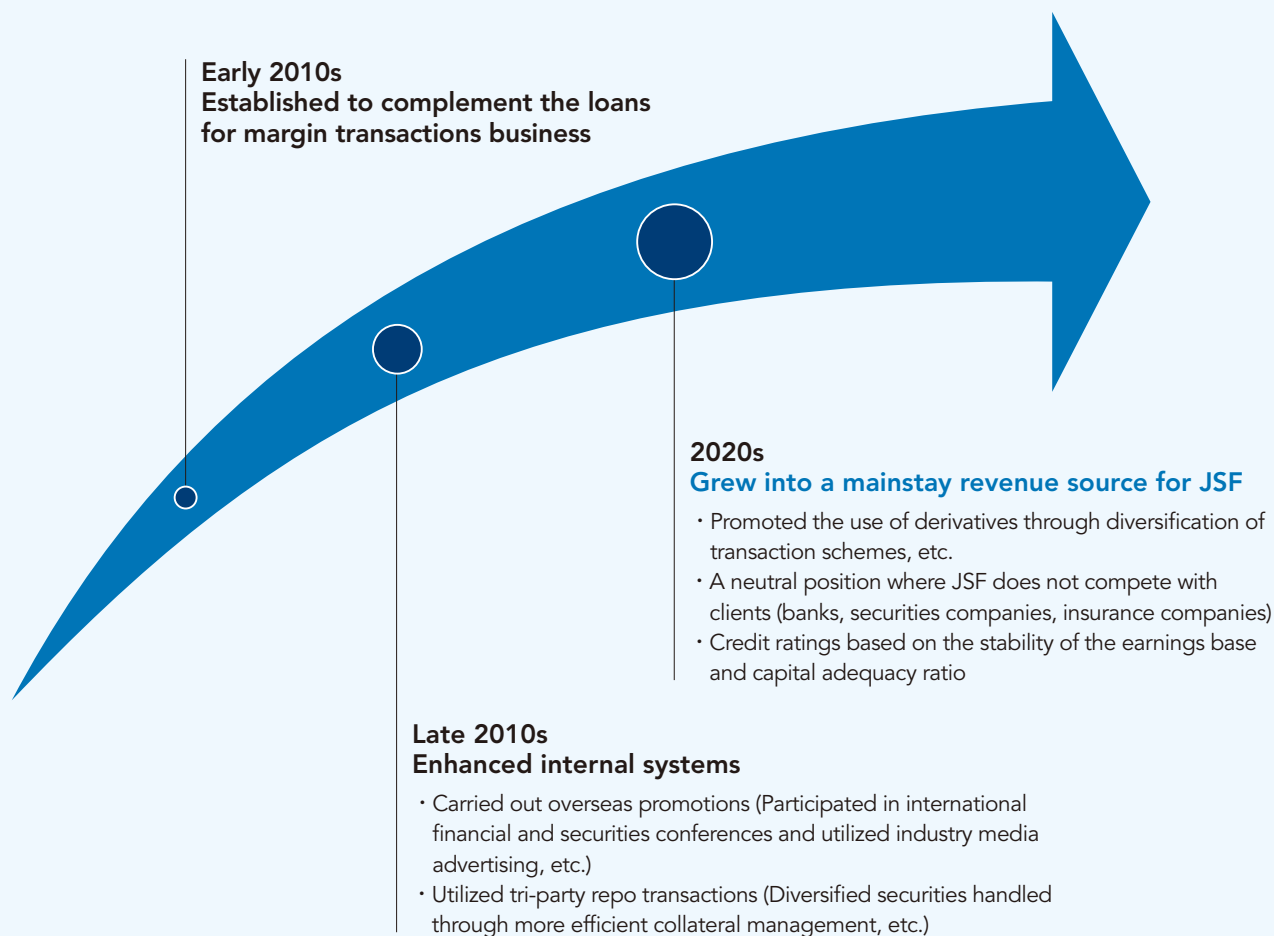
Specifically, we leverage the expertise in handling securities and funds that we have cultivated in our original business of loans for margin transactions. Securities financing itself consists of five businesses—bond repo and *gensaki* transactions, equity repo transactions, general stock lending, loans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

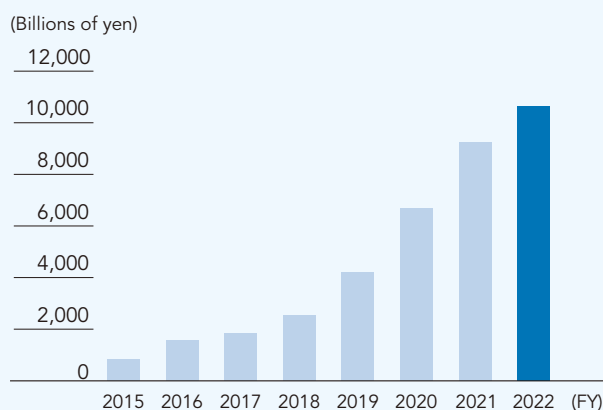
Domestic institutional investors, including regional financial institutions, have investment needs with respect to the Japanese government bonds they hold, but directly lending those bonds to overseas entities such as financial institutions involves the significant burden of establishing business relationships, 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.

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 Bond Repo Transaction Balance



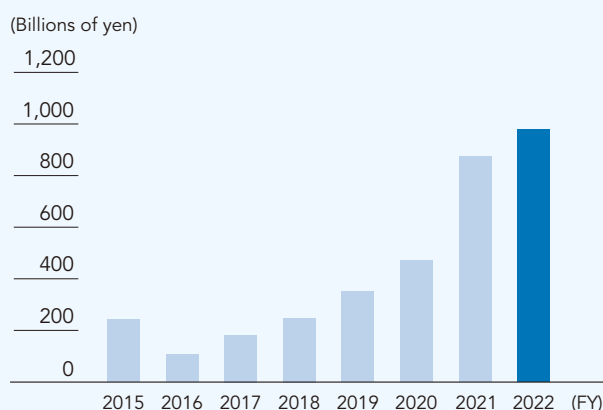
Late 2010s

- 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

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

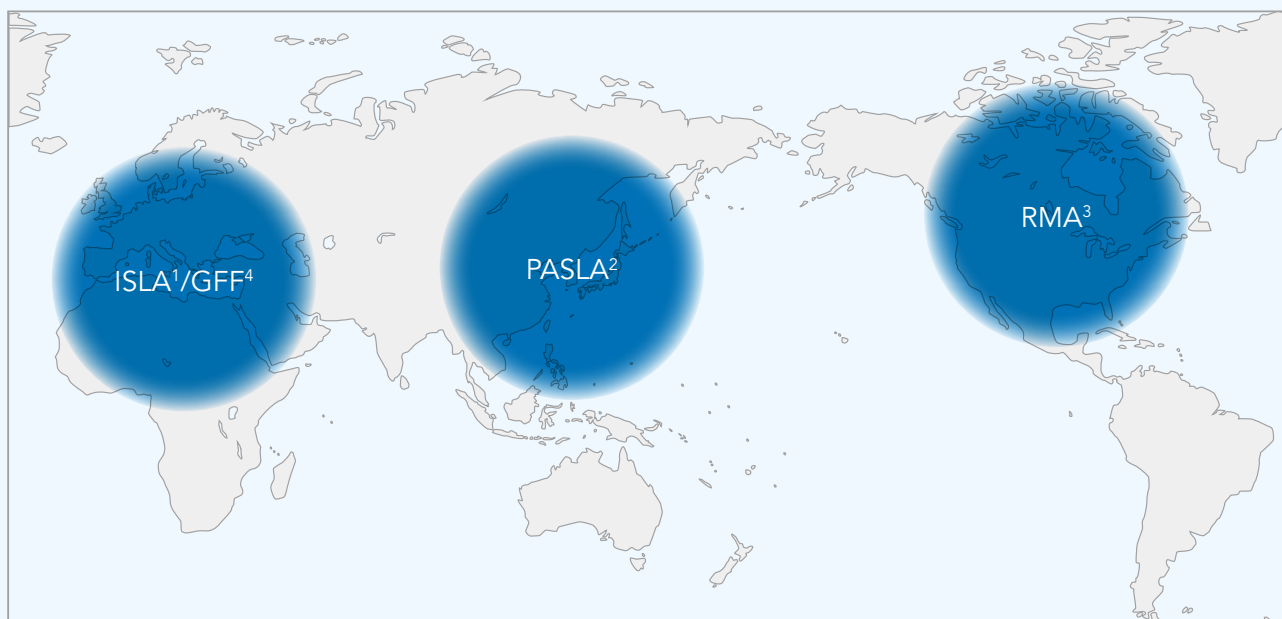
- Launch of TRS trading with Japanese government bonds as eligible securities
- Increased equity repo transactions in which foreign financial institutions purchase Japanese equities for funding purposes

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.

(Billions of yen)			(Billions of yen)		
	March 31, 2023	Details		March 31, 2023	Details
Total assets	14,056.2		Total liabilities	13,920.4	
Cash and deposits	1,598.2	Bank of Japan current account	Borrowings	325.7	Bank of Japan market operation bank loans
Operating loans	955.5	Outstanding balances of margin loans, negotiable margin transactions, bond and general loans, and loans to trust banks	Call money	2,190.4	
Securities purchased under resale agreements	3,561.4		Securities sold under repurchase agreements	4,781.8	
Cash collateral provided for securities borrowed	6,669.8	Collateral deposited (for bond repo and equity repo transactions, etc.)	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

(2)

JSF conducts daily mark-to-market value adjustments (receipt and payment of the difference between the market value and cash collateral), which limits exposure

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.

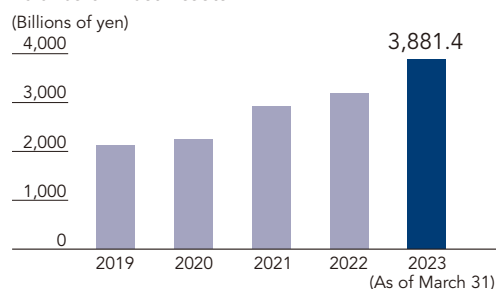
3. We will position treasury services as an important part of efforts to enhance corporate value, and strive to generate stable earnings under appropriate risk management.
4. We will create strong internal control and governance, achieve smooth development and operation of the core systems that support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

Strengths and Opportunities

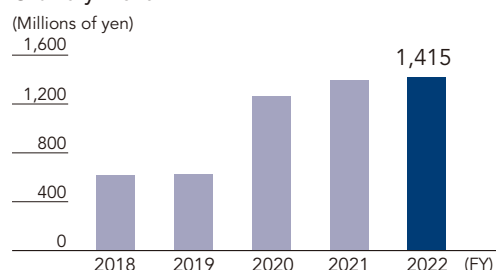
Our strengths are our neutrality as an important member of the JSF Group, our ability to make proposals and our agility based on our expertise in the custodial trust business and our experience and track record in this business since our founding, as well as our meticulous administrative support capabilities. 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.

Balance of Trust Assets



Ordinary Profit



Nihon Building Co., Ltd.

Net assets ¥6.3 billion

Number of employees 15

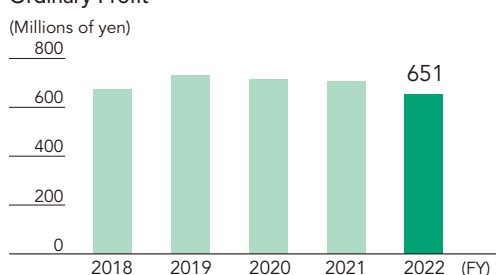
(As of March 31, 2023)

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

Ordinary Profit



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.

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.



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

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.

Vision

- 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.
- We will promote the creation of a comfortable work environment so that employees can engage in their work with peace of mind.
- We will improve our corporate vitality and organizational transformation capabilities and achieve more productive work styles by working to improve employee engagement.

Our Expectations for Human Resources

Ideal	Career Stage
Talent who respect diverse values and work together with other employees to enhance corporate value	Staff/Leaders
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	Managers Specialists
Talent who have expertise in a certain field and are able to lead and contribute within the Company by making use of their expertise	Upper management Experts
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

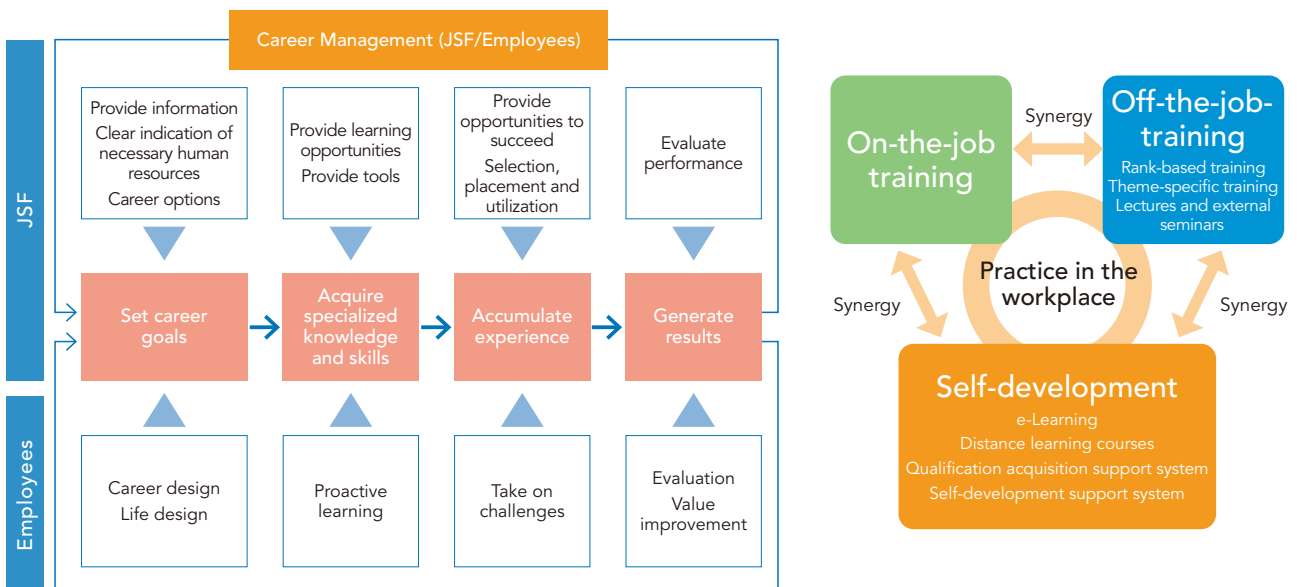
1. Recruitment	<ul style="list-style-type: none"> • In addition to the hiring of new graduates, we actively and continuously hire people with prior experience in order to secure a diverse workforce.
2. Training and career path	<ul style="list-style-type: none"> • We have created environments for autonomous 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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.



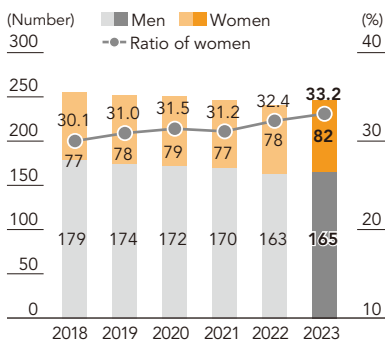
Uran Okutomi
Systems Planning Department

Promoting Active Participation of Women

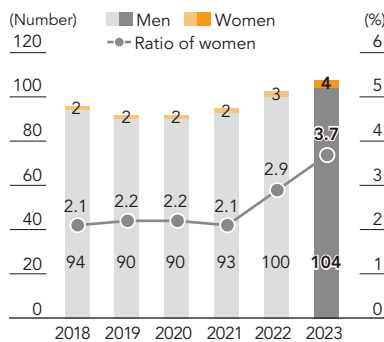
In order to step up the active participation of women, we continue to target a ratio of 40% or higher for women graduate hires to total new graduate hires. In recent years, we have maintained this ratio at 50% or higher. In addition, we provide career development support such as various training opportunities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

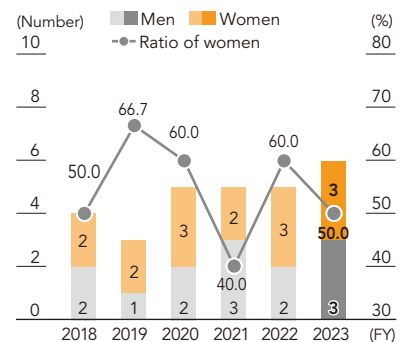
Employees



Managerial Positions



New Graduate Hires



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
Women					
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
Men					
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%

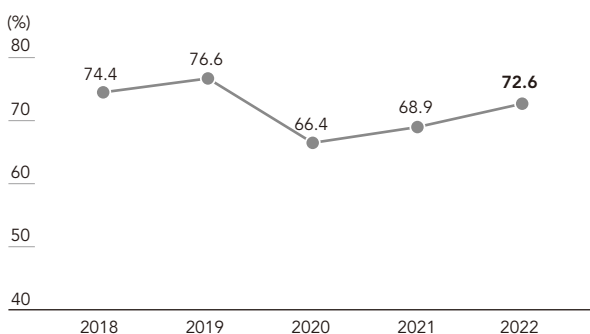
Promoting Work-Life Balance

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.

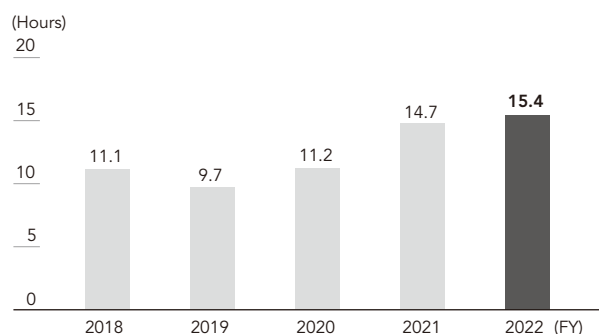
In addition, JSF has set the rate of paid leave taken and overtime hours worked as important indicators, and

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)



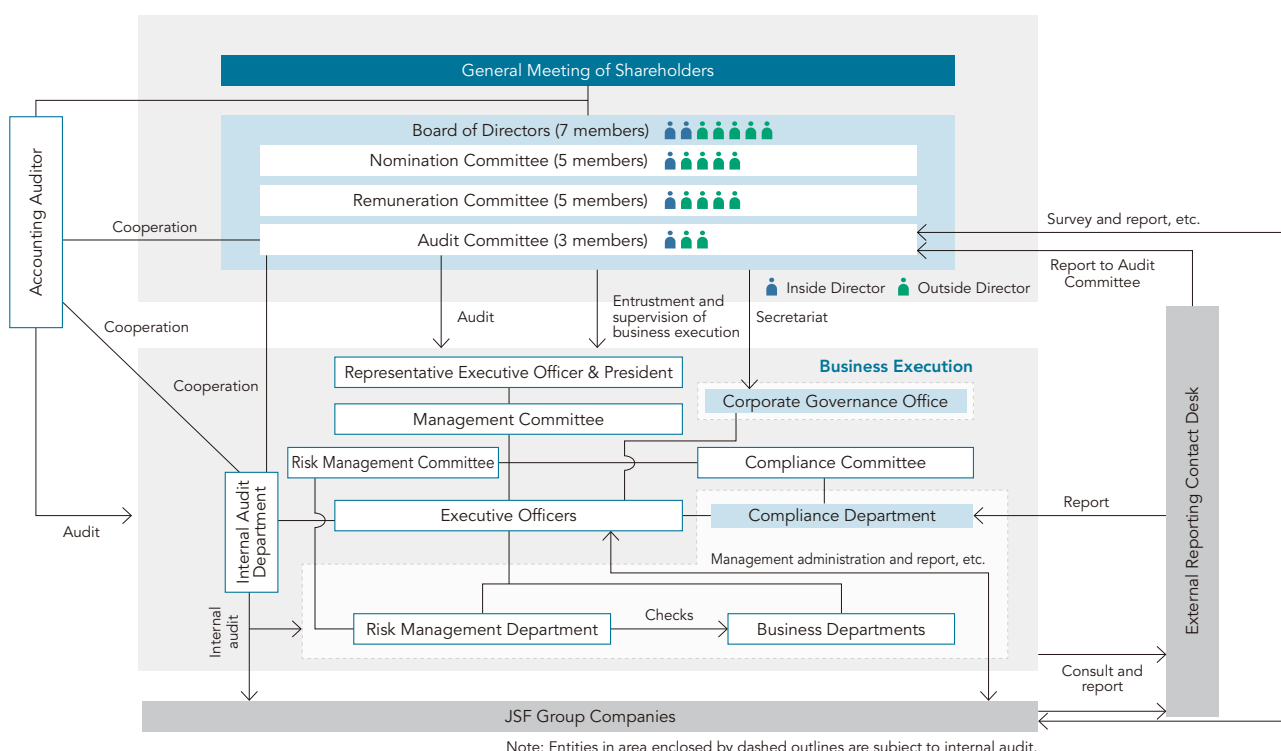
Corporate Governance

Basic Concept

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. Based on this thinking, the Company aims to gain the solid trust of society through sound business operations.

Under this corporate philosophy, the Company has adopted the Company with a Nominating Committee, etc. structure under the Companies Act, based on which it strives to clarify the separation of supervision and execution of business operations, further strengthen supervision by having mainly outside directors to ensure sound management, and achieve prompt business execution that responds quickly to changes in the business environment.

Corporate Governance System



Corporate Governance History

The Company has a history of taking a strong interest in and being proactive about corporate governance since the time it was a Company with a Board of Auditors. For example, in FY2015, the Company appointed a woman outside director, and in FY2016, it established a Nomination Committee and Remuneration Committee, with the majority of the committee members being outside directors and outside Audit & Supervisory Board members. In FY2018, the Company formulated a succession plan for candidates for executive director at the time.

Based on this foundation, JSF transitioned to a Company with a Nominating Committee, etc. in FY2019. The aim of this was to separate supervision from execution to create a system that would enable the Company to push forward with its management policies. The organization would be

comprised of the Board of Directors, responsible for determining and supervising management policies such as medium-term management plans, and an execution side composed of the Executive Committee under the supervision of the Representative Executive Officer & President. This would allow for prompt and effective decision-making. Therefore, from the outset, the chairpersons of the Board of Directors and the three statutory committees were all outside directors, and the majority of the directors were independent outside directors.

Under the basic framework as a Company with a Nominating Committee, etc., JSF has made various efforts to improve its effectiveness accordingly. A summary of key initiatives is presented here.

JSF's Corporate Governance Enhancements in Retrospect

Company with a Board of Auditors	FY2015	<ul style="list-style-type: none"> Appointed a woman outside director 	
	FY2016	<ul style="list-style-type: none"> Established a Nomination Committee and Remuneration Committee <ul style="list-style-type: none"> Made the majority of the committee members outside directors and outside Audit & Supervisory Board members Introduced a share-based remuneration plan 	
	FY2017	<ul style="list-style-type: none"> Began holding an outside officers-only meeting 	
	FY2018	<ul style="list-style-type: none"> Formulated succession plans for candidates for executive director (management executives) 	
Company with a Nominating Committee, etc.	FY2019	<ul style="list-style-type: none"> Transitioned to a Company with a Nominating Committee, etc. <ul style="list-style-type: none"> Separated supervision and execution, with the Board of Directors determining and supervising management policies such as medium-term management plans, and the Executive Committee under the supervision of the Representative Executive Officer & President, for a system to make prompt decisions to realize the management policies Made the chairpersons of the Board of Directors and the three statutory committees all outside directors Independent outside directors come to account for the majority of directors Formulated and announced the Sixth Medium-Term Management Plan <ul style="list-style-type: none"> Pushed to expand and strengthen the securities financing business and trust banking business, promoted the diversification of revenue sources, and enhanced profitability Set and announced management goals (number of loanable stock issues and basic profit) 	
	FY2020	<ul style="list-style-type: none"> Introduced performance-linked remuneration for officers <ul style="list-style-type: none"> Introduced performance-linked remuneration for officers in line with the management goals of the Sixth Medium-Term Management Plan 	
	FY2021	<ul style="list-style-type: none"> Formulated and announced the Medium-Term Management Policy <ul style="list-style-type: none"> Ensured a higher level of transparency and commitment to sustainable growth and medium- to long-term enhancement of corporate value Set a management goal of achieving ROE of 5% by FY2025, above the cost of equity (estimated to be around 4.5%) Aiming to achieve a total payout ratio of 100% on a cumulative basis by FY2025 Formulated and announced our approach to the composition and other aspects of the Board of Directors <ul style="list-style-type: none"> Amid the changing environment of globalization and digital transformation, decided on a policy of structuring the Board of Directors that is attentive to the diversification of skills, balancing the numbers on the supervision and execution sides and diversifying board members in terms of age and gender, in order to formulate medium-term management plans in accordance with the Medium-Term Management Policy and further exercise supervisory functions Formulated and announced our approach to the appointment of executive officers Formulated and publicly announced our basic approach concerning our business portfolio <ul style="list-style-type: none"> Decided on a business portfolio consisting of securities financing centered on loans for margin transactions, as well as securities investment, trust banking and real estate leasing Formulated and announced our basic approach to sustainability <ul style="list-style-type: none"> By providing loans for margin transactions and various other services as infrastructure for securities and financial markets, the JSF Group aims to contribute to the realization of a sustainable society, including by providing support to market participants who are engaged in similar initiatives. Strengthened the functions of the secretariat of the Board of Directors <ul style="list-style-type: none"> A Corporate Governance Office was established from the perspective of promptly addressing corporate governance issues and further strengthening the secretariat functions of the Board of Directors. The office fulfills a secretariat function for deliberations of the Nomination Committee, the Remuneration Committee and the Board of Directors on the various measures mentioned above. 	
		FY2022	<ul style="list-style-type: none"> Improved the transparency of the nomination process for management executives <ul style="list-style-type: none"> Pursuant to decisions by the Nomination Committee and the Board of Directors, in March 2023, publicly announced the operational specifics of the nomination process for management executives, particularly the independent and active involvement of outside directors in the Nomination Committee and other committees, and the approach to in-house human resource development with a view to the selection of management executives (details on pages 43–44) Formulated and publicly announced the Seventh Medium-Term Management Plan (details on page 20) Determined the officer remuneration system in line with the Seventh Medium-Term Management Plan (details on page 45)
		FY2023	<ul style="list-style-type: none"> Announced efforts to respond to the Tokyo Stock Exchange's request to listed companies, as well as the status of dialogue with shareholders Implemented a Company stock incentive program for employees Formulated and announced the Long-Term Management Vision (details on page 9)

Corporate Governance

Composition of the Board of Directors

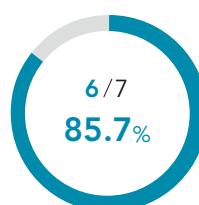
The Board of Directors comprises a variety of directors with diverse expertise, experience and other characteristics, based on a skill matrix formulated by the Company. To the extent stipulated in the Articles of Incorporation, JSF secures the appropriate number of members to maximize the effectiveness and efficiency of the board's functions. In addition, multiple outside directors independent from the Company and possessing

abundant experience and expert knowledge of business management and other matters have been appointed to the board to ensure appropriate business operations while enabling objective and neutral management supervision from external viewpoints. The Board of Directors currently comprises seven members (including five outside directors), with an outside director serving as chairperson.

Overview of the Board of Directors (As of June 22, 2023)

Organization form	Company with a Nominating Committee, etc.
Chairperson of the board	Outside director
Maximum number of directors as stipulated in the Articles of Incorporation	8
Number of directors	7
Number of outside directors [Independent directors]	5 [5]

Non-Executive Directors



Independent Outside Directors



Director Expertise (Skill Matrix), Attendance at Board of Directors and Other Meetings

Name	Outside/ Inside	Area of Expertise							FY2022 Meeting Attendance			
		Corporate management	Finance, securities, economics	International affairs	Legal affairs, compliance	Financial affairs, accounting	Internal control, risk management	ESG	Board of Directors	Nomination Committee	Remuneration Committee	Audit Committee
Naotaka Obata	Outside	●	●	●			●	●	◎ 100% 13/13	◎ 100% 8/8	◎ 100% 7/7	—
Shoko Sugino	Outside				●		●	●	◎ 100% 13/13	◎ 100% 8/8	◎ 100% 7/7	◎ 100% 13/13
Kensuke Futagoishi ¹	Outside	●	●			●	●	●	◎ 100% 10/10	◎ 100% 8/8	◎ 100% 6/6	—
Takayoshi Yamakawa ¹	Outside	●	●	●		●	●	●	◎ 100% 10/10	○	◎ 100% 6/6	◎ 100% 11/11
Setsuko Egami ²	Outside	●			●		●	●	—	—	○	—
Shigeki Kushida Representative Executive Officer & President	Inside	●	●	●			●	●	◎ 100% 13/13	◎ 100% 8/8	◎ 100% 7/7	—
Hiroshi Asakura	Inside		●			●			◎ 100% 13/13	—	—	◎ 100% 13/13

◎ Chairperson ○ Member (As of June 22, 2023) 1. Appointed in June 2022 2. Appointed in June 2023

Status of Board of Director Initiatives

Committed to achieving the Medium-Term Management Policy's medium-term management goal of 5% ROE by FY2025, in FY2022 we compiled the Seventh Medium-Term Management Plan based on discussions of JSF's management policy for the coming three years and the strategies and measures it encompasses. In particular, in order to respond agilely and flexibly to changes in the business environment we need to improve corporate vitality and organizational transformation capabilities by developing human resources and ensuring diversity. We therefore discussed human resource strategies for the Seventh Medium-Term Management Plan, and formulated and publicly announced our Human Capital Policy, which is our basic policy for promoting initiatives related to human capital formation. In addition, in order to increase employee job satisfaction, motivation and interest in improving corporate value, we also discussed and publicly announced our Company stock incentive program for employees under which we will grant JSF stock to employees based on the Company's performance in FY2022, the final year of the Sixth Medium-Term Management Plan.

Among initiatives related to promoting sustainability and ESG, we have clarified and publicly announced our policy with regard to addressing climate change and environmental protection (initiatives to meet the TCFD recommendations).

Namely, JSF will work to realize a sustainable global environment through its business activities and to enhance disclosure of climate-related information in accordance with the TCFD recommendations. The board also received reports from executive officers and discussed various initiatives related to the Company's material issues, such as efforts for carbon neutrality and programs to promote academic research.

Main Agenda Items for FY2022

Corporate Governance

- Formulation of the Seventh Medium-Term Management Plan
- Partial revision of Basic Policy on Corporate Governance
- Examination of sustainability issues (e.g., addressing carbon neutrality)
- Disclosure of climate-related financial information in accordance with the TCFD recommendations
- Examination of implementation of Company stock incentive program for employees
- Evaluation of the effectiveness of the Board of Directors

Risk Management

- Summary report on the risk appetite framework (RAF)
- Examination of risk appetite indicators
- Implementation status of internal audits

Capital and Financial Policy

- Examination of future shareholder returns
- Evaluation of strategic equity holdings
- Status of dialogue with investors

Overview of Each Statutory Committee and Status of Initiatives

Nomination Committee

To ensure that the Board of Directors can adequately determine management policies and supervise execution, the Nomination Committee deliberates and decides on general matters related to the appointment and dismissal of the Company's management executive team (directors, executive officers and corporate officers) such as the composition of the Board of Directors, including the skill matrix; determination of director candidates; consideration of succession plans; qualifications required of executive officers and corporate officers; the policy for their appointment and dismissal; and determination of specific candidates. The committee currently comprises five directors

(including four outside directors), and is chaired by an outside director.

Main Agenda Items for FY2022

- Consideration of management executive team succession plans
- Consideration of the transparency of the selection process and the in-house human resource development policy for management executive team members
- Consideration of the approach to the appointment of executive officers and corporate officers
- Nomination of director, executive officer and corporate officer candidates for FY2023

Remuneration Committee

The Remuneration Committee deliberates and decides on general matters related to amounts of remuneration for senior management (directors, executive officers and corporate officers) for the steady implementation of the Medium-Term Management Policy and management plans based on this policy. These matters include making sure the remuneration system is consistent with the implementation of the management policy and related plans, deciding on remuneration for individual members of

senior management, and the policy for determination thereof. The committee currently comprises five directors (including four outside directors), and is chaired by an outside director.

Main Agenda Items for FY2022

- Determination of FY2022 remuneration amounts for individual directors and executive officers
- Consideration of the officer remuneration system in conjunction with the formulation of the Seventh Medium-Term Management Plan

Corporate Governance

Audit Committee

In addition to carrying out tasks such as auditing the execution of duties of directors and executive officers and preparing audit reports, the Audit Committee deliberates on and determines the content of proposals (including those on appointment and dismissal of the accounting auditor) to be submitted to the General Meeting of Shareholders.

The committee currently comprises three directors (including two outside directors), and is chaired by an outside director.

Main Agenda Items for FY2022

- Business operation status, risk management, compliance, internal auditing
- Reports from the accounting auditor (audit plans, major audit matters, etc.)

Evaluation of the Effectiveness of the Board of Directors

In FY2022, based on an evaluation by each of the directors, the Board of Directors analyzed and evaluated matters related to its effectiveness including the composition and operation of the Board of Directors, the support system for directors and the directors' individual initiatives, as well as an evaluation of the three statutory committees, namely, the Nomination Committee, the Remuneration Committee and the Audit Committee.

For the analysis and evaluation, a questionnaire survey of all directors was conducted. The Company has chosen to

receive recommendations from an external organization regarding the content of the questionnaire and, in principle, to send responses directly to that organization. The board's analysis and evaluation are based on the external organization's report of the aggregated results and an opinion exchange meeting, including with the outside directors, held prior to conducting the questionnaire survey.

Overall Evaluation

The questionnaire responses and other findings confirmed that the composition, operation, support system and other aspects of the Board of Directors and the committees are all appropriate. Board and committee meetings were also highly

evaluated for their free, lively and constructive discussions and exchanges of opinions.

Based on these findings, the Company judged that the effectiveness of its Board of Directors has been ensured.

Initiatives to Address Issues in FY2022

FY2022 was the final year of the Sixth Medium-Term Management Plan, and the main item for discussion was the formulation of the Seventh Medium-Term Management Plan, aimed at achieving the medium-term management goal of 5% ROE by FY2025. We evaluated the process for formulating medium-term management plans, and concluded that follow-up on the progress of the Sixth Medium-Term Management Plan, which is a prerequisite for plan formulation, is being carried out appropriately; and that executive officers explain management issues to the Board of Directors in a timely manner and provide sufficient information related to discussions.

With regard to the constructive dialogue that JSF maintains with shareholders and investors to improve corporate value over the medium to long term, we concluded that feedback to the Board of Directors regarding the status of dialogue with shareholders and investors is being provided appropriately. In addition, in conjunction with the formulation of the Seventh Medium-Term Management Plan, the committees discussed

topics such as the revision of officer remuneration and the approach to in-house human resource development with a view to selecting management executives. We concluded that the committees' discussions regarding nomination and remuneration were carried out in accordance with the management policy. With the addition of two new directors in FY2022, we worked to enhance the provision of information and training, and to improve secretariat functions. Specifically, in addition to continuing to provide advance explanations on important agenda items for Board of Directors meetings, we also worked to enhance the provision of information in ways such as conducting tours of JSF business locations. Based on these initiatives, we concluded that the provision of information and the improvement of the functions of the secretariat were carried out appropriately. However, because we believe that providing various types of information to directors constitutes the basis of discussions at Board of Directors meetings, we will remain cognizant of this issue and work to improve it.

Issues to Address in FY2023

With regard to the way JSF disseminates information, some respondents felt that we should focus more on providing information to shareholders and investors in general, including individual shareholders. Consequently, we recognize this as an issue and are addressing it in FY2023 by enhancing various tools for providing information, such as our website and integrated report.

Furthermore, we will continue working to provide information to directors and enhance opportunities for outside directors to exchange opinions, based on our ongoing awareness that these are issues we need to address.

The Company will work to address all of the aforementioned issues to further improve the effectiveness of the Board of Directors.

Approach to Selecting the Management Executive Team

JSF believes that the roles expected of its management team, centered on the Representative Executive Officer & President, change over time depending on the environment in which the Company operates and its business portfolio. With this

in mind, the appointment of our management team and succession planning are structured based on our approach concerning the Company's business portfolio, as follows:

JSF's aims for business expansion	<ul style="list-style-type: none"> ● Operation of a loans for margin transactions system The loans for margin transactions business is the foundation and raison d'être of the Company as a licensed business under the Financial Instrument and Exchange Act. JSF will continue to maintain and strengthen this business by appropriately responding to the changing business environment surrounding the stock market and properly understanding the trading requirements of market participants.
	<ul style="list-style-type: none"> ● Securities financing and trust banking business In the securities financing business, JSF is actively responding to the expansion of transactions with domestic and overseas market participants by leveraging its background in loans for margin transactions and other services. Specifically, we are expanding the number of clients, and the currencies and securities covered. To achieve this, we are actively engaged in cross-border securities loans through international forums such as PASLA and ISLA. In the trust banking business, we are also expanding by focusing on so-called custodial trusts, such as preservation trusts, and by taking advantage of our agility and flexibility to gain a high market share in niche areas. These operations are expected to make a significant contribution to the Company's future profitability.
Qualities considered important for each business in JSF's portfolio	<ul style="list-style-type: none"> ● Loans for margin transactions system Because loans for margin transactions systems are widely used by securities companies, the qualifications required for their administration emphasize their public role, impartiality, and neutrality. In addition, going forward, JSF must be flexible in responding to the changing business environment and participants' needs, and in uncovering participants' new requirements in this field. For this reason, a project team was established in FY2023 to consider the ideal mechanisms for margin loan transactions from a medium- to long-term perspective.
	<ul style="list-style-type: none"> ● Securities financing and other businesses Since the securities financing business and trust banking business also involve an extensive range of market participants, we believe even more strongly that the above-mentioned qualities are appropriate for JSF, which supports the securities and financial market infrastructure. However, for these businesses, knowledge and experience related to securities and financial business, markets, and technological innovation, as well as international expertise, are even more important qualities.

Approach to the Structure of the Management Team

Based on such future business developments and the required qualifications, the management team is currently being structured as follows:

- **Execution**

JSF will build an overall executive system with the qualities sought by combining the strengths and talents of each individual executive officer so that the above business development can proceed effectively. The required qualities of the entire executive team are having a thorough recognition of their public role; extensive knowledge of the market in general; familiarity with various laws and regulations; knowledge of the Company's highly specialized operations; international

expertise; advanced knowledge of business management, risk management, and financial accounting; and flexibility in responding to the changing business environment.

- **Supervision**

After establishing a skill matrix to enable effective supervision of the above execution, we will structure a team of directors taking into consideration the multi-layering of skills and diversification in age and gender. In recent years, experience in corporate management in the financial and industrial sectors, specialized knowledge such as that relating to law, and expertise in digital transformation and innovative business have been emphasized.

Approach to Succession Planning for the Representative Executive Officer & President

Among the succession plans for the management executive team mentioned above, the Nomination Committee engages on an ongoing basis in discussions of a preliminary list of specific candidates and requisite qualities for the Representative Executive Officer & President, for whom the succession plan is particularly important.

Regarding the preliminary list of candidates, we are taking into consideration the above-mentioned direction for developing JSF's business by positioning securities financing and other areas as growth fields, as well as the composition of the executive officer team as a whole. At the same time, we are mainly considering candidates from within the Company, including experienced mid-career hires, but not candidates

from public sector backgrounds, with more emphasis on knowledge and experience in securities and financial businesses, including technological innovation.

The qualities required of the Representative Executive Officer & President currently under discussion include high ethical standards and a sense of responsibility as a representative of a company with a public role; the ability to accurately understand changes in the operating environment and develop strategies for shaping a vision for JSF's future; both a long-term and a big-picture perspective; decision-making and execution abilities; leadership; and communication skills that contribute to organizational vitality.

Corporate Governance

Management Team Appointment Process and the Roles Played by the Nomination Committee and the Board of Directors

The appointment of the management team is one of the most important missions of the Nomination Committee and Board of Directors, and this committee and the Board of Directors are independently and actively engaged in the following management nomination process:

Appointment Process

1) Deliberation and determination of the basic qualitative requirements

The Nomination Committee and Board of Directors deliberates and determines the "Approach to the structure of the Board of Directors," the skill matrix for directors, and the "Approach to the appointment of Executive Officers," and establishes the required qualities as described on the previous page.

2) Preliminary list discussions

Discussions are held on the preliminary list of candidates. In the case of directors, individuals with corporate management

executive experience, legal and other experts, and those with expertise in digital transformation and innovative business. In the case of executive officers, those from within the Company and outside persons (e.g., those from public sector backgrounds and those from the securities and financial sectors).

3) Narrowing down and finalizing the list to a short list

Following 2), above, the Nomination Committee narrows down the candidates to a short list based on their backgrounds, expertise, and evaluation results. The final decision is then made based on this short list.

Independent and Active Involvement of the Nomination Committee in the Above Process

The Nominating Committee gathers information during various opportunities such as regular briefings and discussions at the Board of Directors, on-site tours, and briefings prior to the Board of Directors meeting from the executive side. The committee also exchanges opinions with outside directors (excluding the director who also serves as the Representative Executive Officer & President) through activities such as outside director liaison committee meetings. Based on this understanding of the Company's operations and candidates, as well as proactive questions from the supervisory side and a review and proposals by the executive side in response to such questions, deliberations and decisions are effectively carried out.

As an example, JSF disclosed its current view regarding succession planning for the current president, which is to consider internal personnel, including employees hired mid-career, but not including those from public sector backgrounds, as was the policy as of January 2023. This point was already raised by the Nomination Committee in the

summer of 2022 during an informal exchange of views between the Nomination Committee and the executive team. Likewise, on the executive side as well, a similar awareness of the issue had emerged during the process of establishing our approach to the business portfolio and our thoughts on appointing executive officers based on this approach since 2021, and a basic understanding was reached between the supervisory and executive sides. Based on these considerations, the succession plan for the Representative Executive Officer & President was discussed and disclosed in January 2023 after being approved by the Nomination Committee and the Board of Directors.

For important matters, including the aforementioned cases, decisions are made after several rounds of discussions, with the supervisory side proposing and raising issues to the executive side, in the form of deliberations on 1) organization of the issues and free discussion, 2) discussions on the draft proposals, and 3) deliberation on the resolutions and disclosure.

	Basic approach	Preliminary list	Short list	Interviews, etc.	Decision
Directors	Skill matrix Approach to board structure	Individuals with corporate management experience, legal and other experts, and those with expertise in digital transformation and innovative business	Nomination Committee narrows the list to a short list.	• Interviews are held for new director candidates.	Candidates for director are determined by the Nomination Committee (Appointed by the General Meeting of Shareholders)
Executive officers	Qualities sought	Individuals from within the Company and individuals from the public sector or the securities and financial sector	• Executive officer candidates are judged on their character and qualifications over the course of regular briefings and discussions at Board of Directors meetings, as well as through interviews, as necessary.		The Board of Directors makes decisions on candidates based on the candidates selected by the Nomination Committee.

Officer Remuneration System

Revision of the Officer Remuneration System in Line with the Seventh Medium-Term Management Plan

The Remuneration Committee revised the design of remuneration for officers to create incentives consistent with the management policy under the Seventh Medium-Term Management Plan, which started in FY2023.

Overview of the New Remuneration System for Officers

- Regarding performance-linked remuneration, it is divided into short-term and long-term incentives, with bonuses positioned as short-term incentives and share-based remuneration as long-term incentives.
- Regarding bonuses, consolidated current fiscal year profit shall be used as a reference index from the perspective of defining management responsibility for each fiscal year as a short-term incentive. In addition, remuneration is divided into a performance-based component and an individual evaluation component. It may increase or decrease depending on the individual evaluation.
- Regarding share-based remuneration, ROE and consolidated ordinary profit, for which management goals have been set in the Seventh Medium-Term Management Plan, will be used as reference indicators for the long-term incentive.

Policy for Determining the Amount of Remuneration for Officers and the Calculation Method Thereof

Details of Policy and Determination Method

Remuneration for officers shall be based on systems and standards in accordance with the respective roles and expected functions of directors and executive officers, in order to achieve sustained growth and enhancement of corporate value over the medium to long term based on the corporate philosophy and management principles. Specifically, individual amounts of remuneration shall be determined by the Remuneration Committee based on the following policy decided on by the committee.

• Directors

- With a view to having supervisory functions carried out appropriately, directors shall receive only fixed monthly remuneration (base remuneration). Performance-linked remuneration shall not be provided to directors.
- Remuneration for individual directors shall be determined in accordance with the responsibilities of each director, such as whether that person is serving in a full-time or part-time capacity or as a chairperson.
- Directors concurrently serving as executive officers shall not receive remuneration as directors.

• Executive Officers

- With a view to enhancing correlation with the Company's business performance and share value, remuneration for executive officers shall comprise fixed monthly remuneration (base remuneration), performance-linked officer bonuses and share-based remuneration.
- Fixed monthly remuneration (base remuneration) shall be determined in accordance with each executive officer's position.
- Regarding performance-linked remuneration, it is divided into short-term and long-term officer incentives, with bonuses positioned as short-term incentives and share-based remuneration as long-term incentives.
- To clarify the responsibilities of management each fiscal year for short-term incentives, officer bonuses shall be determined after the end of each fiscal year, in accordance with business performance and individual evaluation for the fiscal year, and are paid within three months after being decided.
- As for share-based remuneration, a Board Benefit Trust (BBT) scheme shall be used to award each executive officer points as a long-term incentive. Points shall be determined based on correlation with the achievement of management goals in the medium-term management plan, from the perspective of strengthening the link between medium- to long-term increases in corporate value and shareholder returns. Upon retirement from office, executive officers are issued Company shares corresponding to the number of points they have accumulated.

Overview of the Officer Remuneration System (FY2023)

		Proportion of total remuneration paid	Fixed or variable remuneration	Payment standards	
Basic		65%	Fixed	Position	Chairperson President Senior managing executive officer Managing executive officer
Performance-linked	Bonus	20% (performance-linked component: 15%; individual evaluation component: 5%)	Linked to short-term performance (short-term incentive)	Base calculation amount according to position	× Performance-linked coefficient $\frac{\text{Consolidated profit}}{\text{<YoY change>}}$
	Share-based	15%	Linked to medium- to long-term performance (long-term incentive)	<ul style="list-style-type: none"> • Number of standard points according to position × Performance-linked coefficient • Consolidated ROE and consolidated ordinary profit (Degree of achievement: Actual values in relation to standard values for each fiscal year) 	

Corporate Governance

Total Amount of Remuneration by Officer Classification (FY2022)

Officer classification	Total amount of remuneration paid (Thousands of yen)	Total amount of remuneration paid by type of remuneration (Thousands of yen)			Number of eligible officers
		Basic	Bonus	Non-monetary (Share-based)	
Director (Excluding outside directors)	8,400	8,400	—	—	2
Outside director	61,560	61,560	—	—	5
Executive officer	329,977	219,480	72,230	38,267	7

- Directors concurrently serving as executive officers shall not receive remuneration as directors.
- The indicators for calculating performance-linked bonuses are the number of loanable stock issues, basic profit and consolidated profit, which in FY2022 were 2,702 stock issues, ¥8,610 million and ¥5,966 million, respectively.
- The indicator for calculating performance-linked share-based remuneration is consolidated ordinary profit (3-year average), which in FY2022 was ¥6,774 million.

Status of Dialogue with Shareholders (FY2022)

As a Prime market listed company, JSF, based on Japan's Corporate Governance Code, engages in dialogue with its shareholders in a positive manner, within reasonable limits, in order to contribute to the sustainable growth and the enhancement of corporate value over the medium to long term.

The status of dialogue with shareholders conducted by JSF's management and others during FY2022 is as follows.

Main persons engaging in dialogue	<ul style="list-style-type: none"> The Representative Executive Officer & President and the Senior Managing Executive Officer Responsible for Corporate Strategy engage in dialogue. Depending on the substance of an opportunity for dialogue, outside directors may also participate.
Overview of shareholders with whom dialogue was conducted	Total: 41 times <ul style="list-style-type: none"> Individual interviews: 39 times (Domestic investors: 9; Overseas investors: 4; Total: 13 companies) Information sessions: 2 times (total of 23 companies participated)
Main themes, matters of interest to shareholders, etc.	(1) Initiatives and achievements to enhance corporate value and capital efficiency (2) Officer nomination process and initiatives in governance (3) Information disclosure
Feedback from shareholders to the Board of Directors	<ul style="list-style-type: none"> JSF reports the status of dialogue with shareholders to the Board of Directors promptly after each opportunity for dialogue. Through these initiatives, we strive to ensure that the Board of Directors and the various committees hold discussions that also take into account the feedback of shareholders.

Below, we introduce specific examples of dialogue, including shareholder opinions, matters that were brought to our attention by shareholders and our response to them, and matters that were explained to and understood by shareholders.

Initiatives and achievements to enhance corporate value and capital efficiency

The Company explained that it has been striving to improve profitability and capital efficiency by setting a management goal of achieving ROE of 5%, exceeding the cost of equity (estimated to be around 4.5%), during the period of the Seventh Medium-Term Management Plan in its Medium-Term Management Policy, that JSF's ROE has been steadily increasing in recent years as a result of the initiatives under the Sixth Medium-Term Management Plan, and that JSF is making steady progress toward achieving its ROE target of 4% for FY2022. Many shareholders understand our cost of equity and management goal, given our nature as a securities finance company, and have positively assessed our efforts and accomplishments over the past several years. However, there were differences in perception among a portion of the shareholders regarding the level of the ROE target and the time frame for achieving it.

In addition, we received feedback from shareholders that they would like to see continued efforts to enhance corporate value after the Seventh Medium-Term Management Plan period is over. In light of this, we have indicated that we will further promote our efforts to enhance corporate value, and will continue our management efforts to achieve a higher ROE level in FY2026 and beyond.

Officer nomination process and governance initiatives

The Company transitioned to a Company with a Nominating Committee, etc. in 2019 and is working to further enhance and strengthen its corporate governance. The Company published its policy regarding the composition of the Board of Directors and the appointment of executive officers in FY2021. In our dialogue with shareholders, we provided explanations regarding governance at JSF, focusing on the details of the nomination process for these officers. Many of our shareholders have given JSF favorable evaluations for its governance initiatives.

We also received feedback that, from now on, shareholders expect the disclosure of information to focus on the evolution of governance efforts to date, specifics about the status of the nomination process, the roles played by outside directors, and human capital initiatives. In light of these comments, in March 2023 we disclosed our approach to the appointment of management executives and our internal human resources development policy in anticipation of these appointments (details on page 43).

Specifically, we disclosed the following cases that were proposed as issues raised by outside directors regarding the actual operational aspects of the Nomination Committee, Remuneration Committee and Board of Directors, each of which is led by an outside director.

- Succession planning for the current Representative Executive Officer & President
- Internal human resource development initiatives in response to the business portfolio
- More proactive disclosure of our approach to human capital

Information disclosure

Although many shareholders have stated that dialogue has enabled them to better understand JSF's management policies and the special characteristics of JSF on which they are based, and the Company's various governance initiatives, they also commented that such information should be widely disseminated to the general public. In response to this, in FY2022 JSF formulated and published its first *Integrated Report* incorporating such information. Also, as mentioned above, we disclosed our approach to the appointment of management and our internal human resource development in anticipation of these appointments. Specifically, our report sets out our approach to the appointment of management executives based on the business development we aim to achieve and the qualities considered important for each business in our business portfolio, and explains our approach to the composition of the management executive team and succession planning for the Representative Executive Officer & President. Also, from the perspective that the development of internal human resources is important for ensuring the effectiveness of management succession planning, the report explains the direction of human resource development and specific initiatives. It also describes the specific commitments of the Nomination Committee and the Board of Directors in the above-mentioned initiatives.

We recognize through discussions at Board of Directors meetings that we need to develop tools and systems to enhance information disclosure, and we will continue to proactively disseminate information with regard to this as well.

Policy on Strategic Equity Holdings

The Company has been reducing strategic equity holdings. Between March 2018 and March 2022, it reduced shares of listed issues held by 91% on a market value basis, and shares of total issues held including listed and unlisted issues by 78%. In FY2022 as well, the Board of Directors

received a report on the status of strategic equity holdings. Upon verifying the propriety of all strategic equity holdings, the board determined that they all remained justifiable (the number of stock issues did not change from the previous fiscal year-end).

Policy on Strategic Equity Holdings

Basic Policy

(1) In order to contribute to sustainable growth and an increase in corporate value over the medium to long term, JSF strategically holds other companies' shares it deems necessary for purposes such as strengthening business relationships.

(2) With respect to strategic equity holdings, the Company examines the status of dividends and valuation gains and losses, the status of transactions with investee companies, and the history and the effects of the shareholdings, and based on this examination, reduces the number of strategic equity holdings in shareholdings deemed to be no longer necessary.

	March 31, 2023			
	Number of issues	Carrying amount	Percentage of total assets	Percentage of net assets
Listed shares	2	¥1,254 million	0.009%	0.924%
Unlisted shares	7	¥1,780 million	0.013%	1.311%

Compliance and Internal Audits

Message from the Responsible Executive Officer

We will promote the establishment of a system that reflects our awareness of our public role.

We are always aware of our public role in supporting the infrastructure functions of securities and financial markets. We believe that conducting business in compliance with laws, regulations and rules is crucial, as are honest and fair corporate activities. In order to realize our corporate philosophy, we position compliance as a precondition for management. We have therefore established a system to ensure thorough compliance, and will proactively respond to the social demands placed on the Company. In addition, one of the strategies in the Seventh Medium-Term Management Plan is to strengthen the business management structure, and we are building a robust system to ensure the effectiveness of internal audits and contribute to increased corporate value over the medium to long term.



Shinichi Sugiyama
 Managing Executive Officer
 Responsible for Compliance Department,
 Internal Audit Department

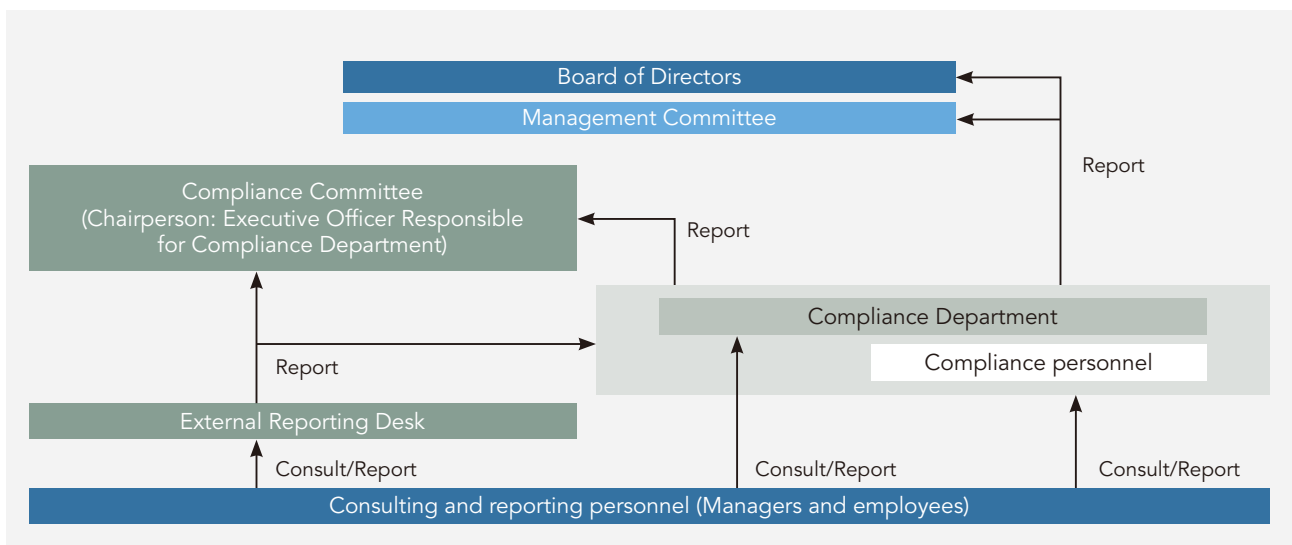
Compliance System

We have established a Compliance Committee, chaired by the executive officer responsible for the Compliance Department, to deliberate on important matters related to compliance, to formulate a compliance program and considering measures to be taken when compliance-related issues arise. In addition to educating officers and employees regarding honest and fair conduct based on high ethical standards, the Compliance Department works to thoroughly implement and promote Company-wide compliance activities. Activities include holding meetings for compliance officers to communicate

and share information with those in charge in each department, and compliance management meetings to share awareness with senior management.

In addition, the Company plays a central role in promoting the establishment and strengthening of the overall compliance system for the JSF Group, in ways such as holding Group compliance liaison meetings and Group compliance officer liaison meetings to promote mutual understanding and information sharing among Group companies.

Compliance System



Formulating Conduct Guidelines and Compliance Program

In addition to formulating and disseminating the JSF Business Conduct Guidelines and the accompanying Compliance Manual, the Company is working to instill compliance awareness by having all officers and employees carry a “compliance self-check card” at all times. In addition, the Company has formulated a Compliance Program as a practical plan for promoting compliance, and the Board of Directors receives regular reports on the program’s implementation status.

The Compliance Program incorporates specific measures related to compliance promotion from the perspectives of

understanding compliance risks and the status of legal compliance (such as the establishment of systems related to laws and regulations and self-inspections using checklists), compliance awareness-raising activities (including training and tests), and cooperation in and promotion of compliance activities (activities aimed at sharing recognition and awareness among Group companies and among officers and employees).

Response to Money Laundering and Other Issues

As Japan’s financial institutions are required to strengthen their response to money laundering within an international framework, we are conducting risk assessments and evaluations of money laundering and other issues with regard to our clients in compliance with the guidelines issued by Japan’s Financial Services Agency. At the same time, we have strengthened

our system for implementing mitigation measures. We will continue to collect information on the changing external environment and trends at other financial institutions, and will continuously review our business practices under the leadership of our management executive team.

Initiatives to Block Relationships with Antisocial Forces

The organization as a whole takes a resolute stance against demands made by antisocial forces that threaten the order and safety of civil society. Our aim is to eliminate any relationships with antisocial forces by working closely with external specialized agencies such as the police, anti-organized crime campaign centers, and attorneys. We are also working to block such relationships through appropriate pre-screening

and organized crime exclusion clauses in contracts and other documents.

The Compliance Department ensures the effectiveness of efforts to block relationships with antisocial forces in various ways, including centrally managing and accumulating information on such groups, building a database, conducting training activities and preparing response manuals.

Initiatives to Protect Clients and Personal Information

Regarding opinions and complaints received from clients, we clarify the relevant facts and responsibilities and work to resolve the situation quickly, honestly, fairly and appropriately, with respect for the client’s position. In the event of a dispute or similar issue, we respond appropriately in accordance with the aims of the financial alternative dispute resolution (ADR) system.

In addition, regarding transactions between Company or Group company businesses and their clients, or between Company or Group company clients, we carry out our duties appropriately, taking necessary measures in accordance with

laws and regulations and our conflict of interest management policy to ensure that the interests of our clients are not wrongfully harmed.

We take appropriate measures to safely and properly manage the personal information of our clients to prevent leakage, loss, damage or other issues, and educate and properly supervise our employees to that same end. In addition, when entrusting the handling of personal information and similar data that we have received, we appropriately supervise the entrusted party.

Internal Audit System

The Company has established an Internal Audit Department as an independent department to conduct audits of all Company businesses and departments. Additionally, the Internal Audit Department conducts Group-wide audits, targeting the operations of consolidated subsidiaries, as necessary.

Specifically, the Internal Audit Department verifies the propriety and effectiveness of the internal control system of each business and department, reports the audit results to the Representative Executive Officer & President and to the

Management Committee, and then makes recommendations for improvements and enhanced conformance to the audited department based on its evaluation. Moreover, important matters such as internal audit plans and audit results are reported to the Audit Committee and the Board of Directors. By establishing this internal audit system, we have strengthened our operational management system and ensure effective, sound corporate activities.

Officers

Directors



Naotaka Obata Director, Chairperson of the Board

- Apr. 1968 Joined The Mitsubishi Bank, Ltd.
- May 1999 Managing Executive Officer of The Bank of Tokyo-Mitsubishi, Ltd.
- Jan. 2004 Senior Managing Executive Officer of The Bank of Tokyo-Mitsubishi, Ltd.
- Jun. 2004 Deputy President of The Bank of Tokyo-Mitsubishi, Ltd.
- Jun. 2005 President and CEO of Diamond Lease Company Limited
- Apr. 2007 President and CEO of Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.)
- Jun. 2010 Chairman of Mitsubishi UFJ Lease & Finance Company Limited
- Jun. 2012 Executive Advisor to the Board, Mitsubishi UFJ Lease & Finance Company Limited
- Apr. 2013 Board member of Japan Pension Service
- Jun. 2018 Special Advisor, Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.)
- Jun. 2019 Director, Chairperson of the Board of Japan Securities Finance Co., Ltd. (current position)
- Jun. 2023 Honorary Advisor, Mitsubishi HC Capital Inc. (current position)

Shoko Sugino Director

- Apr. 1973 Registered as an attorney
Joined Fujibayashi Law Office
- Apr. 1994 Partner Attorney at Fujibayashi Law Office (current position)
- Apr. 1997 Professor for The Legal Training and Research Institute of Japan
- Apr. 2000 Tokyo Family Court Conciliation Committee Member
- Jul. 2005 Environment Dispute Coordination Commission Member
- Mar. 2007 Outside Audit & Supervisory Board Member of Kitoku Shinyo Co., Ltd.
- Jun. 2018 Outside Audit & Supervisory Board Member of Takeei Corporation (current position)
- Jun. 2019 Director of Japan Securities Finance Co., Ltd. (current position)
- Jun. 2022 Outside Director of Janome Corporation (current position)

Significant concurrent positions

- Partner Attorney at Fujibayashi Law Office
- Outside Audit & Supervisory Board Member of Takeei Corporation
- Outside Director of Janome Corporation

Kensuke Futagoishi Director

- Apr. 1977 Joined The Sanwa Bank, Limited
- Apr. 2001 General Manager, Retail Banking Planning Division, UFJ Holdings, Inc.
- Jan. 2002 General Manager, Gotanda Corporate Sales Department and Branch Manager, Gotanda Branch, UFJ Bank Limited
- Oct. 2003 Joined IY Bank Co., Ltd. (currently Seven Bank, Ltd.)
- Jun. 2004 Director of IY Bank Co., Ltd. (currently Seven Bank, Ltd.)
- Jun. 2006 Director, Executive Officer of Seven Bank, Ltd.
- Nov. 2007 Director, Managing Executive Officer of Seven Bank, Ltd.
- Jun. 2009 Director, Senior Managing Executive Officer of Seven Bank, Ltd.
- Jun. 2010 President and Representative Director of Seven Bank, Ltd.
- Jun. 2018 Chairman and Representative Director of Seven Bank, Ltd.
- Jun. 2022 Executive Advisor of Seven Bank, Ltd. (current position)
Director of Japan Securities Finance Co., Ltd. (current position)

Takayoshi Yamakawa Director

- Apr. 1991 Joined Yokogawa Hewlett Packard Co.
- Oct. 1995 Joined The Boston Consulting Group
- Jun. 2000 Founder (co-established), Director and CTO of Dream Incubator Inc.
- Jun. 2005 Vice Representative Director of Dream Incubator Inc.
- Jun. 2006 Representative Director & CEO of Dream Incubator Inc. (retired June 2020)
- Jul. 2020 Representative Partner of Business Producer LLC (current position)
- Jan. 2021 Outside Director of BitStar, Inc. (current position)
- Apr. 2021 Outside Director of Baseconnect Inc. (current position)
- Jun. 2021 Outside Director of Akatsuki Securities, Inc. (current position)
- Jun. 2022 Outside Director of FP Corp. (current position)
Director of Japan Securities Finance Co., Ltd. (current position)

Significant concurrent positions

- Representative Partner of Business Producer LLC
- Outside Director of Akatsuki Securities, Inc.
- Outside Director of FP Corporation

Setsuko Egami
Director

Apr. 1983 Chief Editor of *Travail* of Japan Recruit Center
 Dec. 2001 Head of Frontier Service Development Laboratory of East Japan Railway Company
 Apr. 2006 Visiting Professor of Graduate School of Public Management, Waseda University
 Nov. 2006 Member of Government Tax Commission
 Jun. 2007 Outside Auditor of Taisho Pharmaceutical Co., Ltd.
 Apr. 2009 Professor of Graduate School of Humanities, Musashi University
 Professor of Faculty of Sociology, Musashi University
 Jun. 2011 Outside Auditor of Yusen Logistics Co., Ltd.
 Apr. 2012 Dean of Faculty of Sociology, Musashi University

Jun. 2015 Outside Director of Mitsubishi Estate Co., Ltd.
 Jun. 2018 Outside Director of Mitsubishi Motors Corporation
 Jun. 2020 Outside Director of Resona Holdings, Inc. (current position)
 Apr. 2021 Professor Emeritus, Musashi University (current position)
 Jun. 2023 Director of Japan Securities Finance Co., Ltd. (current position)

Significant concurrent positions

Professor Emeritus, Musashi University
 Outside Director of Resona Holdings, Inc.

Shigeki Kushida
Director

May 2008 Deputy Director-General of Personnel and Corporate Affairs Department (Personnel Management), Bank of Japan (BOJ)
 Mar. 2009 Director-General of Personnel and Corporate Affairs Department, BOJ
 Jun. 2010 Director-General of Monetary Affairs Department, BOJ
 May 2011 General Manager of Nagoya Branch, BOJ
 Mar. 2013 Executive Director of BOJ
 Apr. 2017 Senior Advisor of American Family Life Assurance Company (currently Aflac Japan Ltd.)
 May 2019 Advisor of Japan Securities Finance Co., Ltd.
 Jun. 2019 Director, Representative Executive Officer & President of Japan Securities Finance Co., Ltd. (current position)
 Jun. 2022 Director of JSF Trust & Banking Co., Ltd. (current position)

Significant concurrent positions

Outside Director of Denso Corporation

Hiroshi Asakura
Director

Apr. 1978 Joined Japan Securities Finance Co., Ltd.
 Jun. 2002 General Manager of Planning Department
 Jun. 2005 General Manager of Margin Loan Department
 Jun. 2006 Corporate Officer & General Manager of Margin Loan Department
 Feb. 2008 Corporate Officer & General Manager of Loan Department
 Jun. 2009 Managing Director
 Jun. 2013 Senior Managing Director (retired in June 2016)
 Jun. 2016 President of Nihon Building Co., Ltd. (retired in June 2021)
 Jun. 2021 Director of Japan Securities Finance Co., Ltd. (current position)

Executive Officers



Eizo Kobayashi
Chairperson



Shigeki Kushida
Representative Executive Officer & President



Yutaka Okada
Senior Managing Executive Officer
Responsible for Corporate Governance Office, Business Development Department, Treasury Department, International Relations



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



Masaru Sekiguchi
Managing Executive Officer
Responsible for Risk Management Department, Corporate Planning Department, Settlement & Custody Department, Information Systems Planning Department, Osaka Branch, Group Companies Relations



Shinichi Sugiyama
Managing Executive Officer
Responsible for Internal Audit Department, Compliance Department



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

Corporate Officers

Jun Akabane
General Manager of Osaka Branch

Yuji Yoshimoto

Ken Toda
General Manager of Compliance Department

Hiroyuki Matsui
General Manager of Risk Management Department

Sustainability Initiatives

Basic Approach to Sustainability

The development of infrastructure that serves as the foundation of socio-economic activities is a key element in realizing a sustainable society, and it is also one of the Sustainable Development Goals (SDGs: Goal 9). The JSF Group provides a variety of services, including the loans for margin transactions business, as a company that supports the infrastructure of Japan's securities and financial markets, and works to improve the liquidity of the domestic securities and financial markets, as well as convenience for market participants. Through these activities, we aim to contribute to initiatives to realize a sustainable society, including supporting market participants who are engaged in similar initiatives.

Because it is responsible for the infrastructure of the securities and financial markets, the Group believes it is

important to build a system that provides stable operations regardless of circumstances. To this end, we must not only respond to disasters in a narrow sense, but also ensure the stability and high reliability of our business base.

In addition, we believe that there are issues toward which the Group can also contribute by utilizing the know-how and other resources that it has cultivated over the years. Based on this perspective, we are currently aware of the following material issues. Our Group recognizes the roles expected of it in addressing these material issues and will advance various initiatives while flexibly responding to changes in the social environment.

Material Issues That We Recognize

Classification	Item	Issues
E	Climate change	<ul style="list-style-type: none"> Promote reduction in environmental impact
S	Education	<ul style="list-style-type: none"> Promote financial and economics-themed education activities Promote academic research activities
	Human resources	<ul style="list-style-type: none"> Promote diversity Develop and secure human resources and create a pleasant workplace
	Human rights	<ul style="list-style-type: none"> Respect human rights, prohibit discrimination and respect diversity Prohibit all types of harassment
	Capital market	<ul style="list-style-type: none"> Enhance functions as infrastructure for Japan's securities and financial markets Contribute to overseas securities and financial market infrastructure
G	Corporate governance	<ul style="list-style-type: none"> Continuously improve corporate governance
	Business continuity planning (BCP)	<ul style="list-style-type: none"> Stably operate business that is not affected by disasters, etc.
	Compliance	<ul style="list-style-type: none"> Operate business based on a high awareness of compliance
	Risk management	<ul style="list-style-type: none"> Implement the risk appetite framework (RAF)

Dialogue with Stakeholders

We are promoting the following initiatives in order to gain and maintain the support and trust of our stakeholders.

Shareholders and investors	<ul style="list-style-type: none"> • Hold financial results briefings for analysts and institutional investors (May and November 2022) and individual interviews • Conduct shareholder surveys and share survey responses with the Board of Directors • Introduce hybrid shareholder meetings that enable both online and in-person participation (Live streaming of general meetings for shareholders unable to attend due to remote location or other reasons)
Employees	<ul style="list-style-type: none"> • Hold dialogue sessions between top management and employees to share value (Online meetings for all employees, and regular small group dialogue sessions with voluntary participation) • Conduct employee surveys and DI* surveys to understand employee attitudes and opinions
Business partners and others	<ul style="list-style-type: none"> • Interviews and participation in international conferences • Hold various seminars on margin transactions for securities company employees
Society	<ul style="list-style-type: none"> • Support international cooperation and securities market development, and engage in academic research on securities and financial markets • Make donations for disaster relief

* Diffusion Index: An index based on employee surveys that measures employee job satisfaction, changes in workplace conditions and other conditions

Initiatives

- Improve Company facilities to conserve electricity, and be conscious of environmental impact
- Promote paperless operations in all areas of the Company
- Carry out initiatives to address the TCFD recommendations
- Hold a lecture on “Financial and Securities Markets and Industry-Academia Alliance—Blockchain Case Studies” at the Graduate School of Engineering at the University of Tokyo
- Hold various seminars on margin transactions
- Conduct joint empirical research with the University of Tokyo (Securities Finance Transactions Using Distributed Ledger Technology)
- Provide support for childbirth, childcare and nursing care
 - Introduce telework Company-wide
 - Monitor employee engagement
- Conduct harassment prevention training for new managers
- Establish an Internal Reporting Desk and an External Reporting Desk
- Provide technical assistance and investment in securities finance in Indonesia
- Strive to enhance governance as a Company with a Nominating Committee, etc.
 - Ensure that the majority of directors are independent outside directors
 - Ensure that the chairpersons of the Board of Directors and the three statutory committees are independent outside directors
 - Establish a dedicated department to address various corporate governance issues with a sense of urgency
- Continue to strengthen the BCP system and cyber security system to ensure stable business operations as a part of the infrastructure of securities and financial markets
- Prepare manuals and establish Compliance Enhancement Month
- Implement RAF and establish a system to integrate business management and risk management

Sustainability Initiatives

Empirical Research on Securities Finance Transactions Using Distributed Ledger Technology

JSF and the Graduate School of Engineering of the University of Tokyo (University of Tokyo) have been conducting empirical research since April 2021 to explore the feasibility of using distributed ledger technology to facilitate transactions involving tokenized securities or collateral in repo transactions and securities lending and borrowing transactions. The two parties released a report on the results on May 30, 2023.*

* https://www.jsf.co.jp/english/media/report_dlt_en.pdf

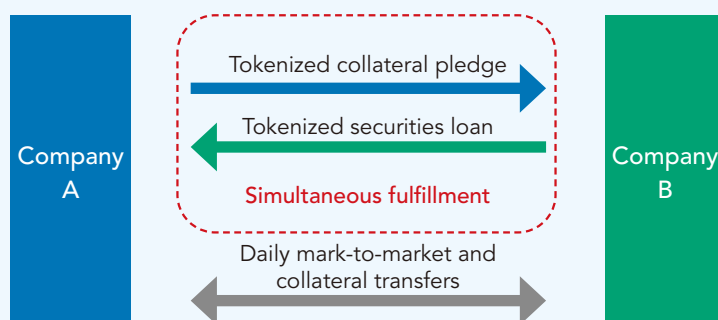
JSF was responsible for conceptualization and scheme planning, research of related market practices, and compilation of the final report, while the University of Tokyo was in charge of data analysis and review of basic technologies and systems concerning distributed ledger technology.

In this research, we evaluated the following three points and identified five implications.

Points Evaluated

- Feasibility of securities finance transactions execution (individual bilateral transactions)
- System performance when processing transactions in market-wide scale
- Impacts of collateralized securities diversification and threshold setting for margin call on net credit amount and necessary liquidity, including the evaluation in the event of market turmoil

Conceptual Diagram of Individual Bilateral Transaction



Implications

(1) Transaction feasibility

Various types of securities finance transactions, including those involving the exchange of assets denominated in different currencies and securities tokens to securities tokens, can be smoothly implemented to the end of the transaction period, from the start of transactions through margin calls.

(2) Reduction of settlement risks, especially in the case of simultaneous execution of transactions denominated in different currencies

Token-to-token exchanges can be automatically conducted simultaneously without any time difference, even if the underlying assets are denominated in different currencies. In addition, margin calls can be automatically implemented without the need for operations by transaction parties.

(3) Flexibility in reducing credit risk and enhancing the economization of liquidity

Automation of margin calls reduces operational burden, making it easier to make margin calls, and credit risk may be reduced.

In addition, the appropriate combination of collateralized securities diversification effect and margin call threshold setting can reduce credit risk and economize liquidity, especially during market turmoil.

(4) Streamlining of operation

Automation of settlement and margin call administration makes it possible for straight through processing (STP) and to improve the efficiency of securities finance transactions administration and the management of operational risk. In particular, this has the potential to significantly reduce operations and time requirements for exchanging transaction information and checking status with counterparties located in other countries, thereby improving the efficiency of transactions.

(5) Utilization of assets with low liquidity

It will become easier to transfer rights of low-liquidity assets by tokenization, providing the potential to not only hold these assets, but also to utilize them as collateral for securities finance transactions (the valuation of the underlying asset itself may improve as the utilization value increases).

We expect the findings of this research to be utilized for social implementation in a number of fields in the future, including the securities industry. In addition, we believe that this research, through industry-academia collaboration, provided positive outcomes that address important sustainability issues recognized by JSF, especially contributions to the promotion of academic research activities and the infrastructure of securities and financial markets.

Cooperative Relationships with Indonesia's Securities Market Infrastructure

Technical Cooperation and Investment in an Indonesian Securities Finance Company

In Indonesia, the government's policy objectives are to strengthen the financial services sector to contribute to medium- to long-term growth and to stabilize the financial system as a basis for sustainable economic development. A project to establish and operate a securities finance company in Indonesia was launched in 2014, and in December 2016, PT Pendanaan Efek Indonesia (PEI) was established with investments by three companies, including the Indonesia Stock Exchange.

As part of the infrastructure of the Japanese securities market, JSF has been actively supporting this project since

its beginning in ways such as providing knowledge of securities financing, and acquired a 10% stake in PEI in August 2020 through an investment of ¥400 million. Going forward, we will further utilize the knowledge we have accumulated in the securities finance business to support PEI and Indonesia Stock Exchange Group in their business development and market infrastructure improvements, and continue to strengthen cooperative relationships with all parties involved as we contribute to the sustainable development of Indonesia's economy as well as its financial and securities markets.

The Sixth Workshop for Participants in Indonesia's Securities Sector

JSF regularly conducts workshops to deepen interaction with people involved in Indonesia's securities sector. We held our sixth workshop at our Company headquarters from September 4-6, 2023. A total of 20 people came to Japan from organizations including the Indonesia Stock Exchange (IDX), PEI, the Indonesia Clearing and Guarantee Corporation (KPEI), the Indonesia Central Securities Depository (KSEI), and the Indonesia Financial Services Authority (OJK) for an exchange of opinions on a wide range of topics including JSF's loans for margin transactions

business, securities financing and trust business, Indonesia's economic and financial situation, capital markets, and an overview of PEI's business. At the workshop, young and mid-career employees played a central role in giving presentations. Expanding networks and facilitating interaction with people from different cultures and business environments is also useful for human resource development, as it helps our people acquire an international perspective.

Collaboration with Indonesia Securities Finance (PEI)

I have been involved in projects in Indonesia since summer 2019. Following the signing of a memorandum of understanding in 2014 to introduce a securities finance system to stimulate Indonesia's securities market, we have met with our Indonesian counterparts many times, shared knowledge face-to-face, and had multiple discussions about investing in Indonesian securities finance. Under these circumstances, the investment project gained momentum at the time of the COVID-19 pandemic in 2020, and JSF made its investment in August 2020. During the pandemic, negotiations were mainly conducted online, and the investment signing ceremony was also held online, and I recall the challenges both parties dealt with. Currently, we continue to collaborate closely by attending general meetings of shareholders and various other meetings, and holding workshops for people from both countries involved in the securities sector.



Yusuke Tamai
Business Development
Department

Winner at the International Finance Awards and the Annual Global Economics Awards

JSF received the following awards sponsored by British financial media outlets International Finance Publications Limited and The Global Economics Limited. These awards recognize outstanding companies in the field of international finance.

- International Finance Awards 2022, Most Innovative Securities Finance Company (second consecutive year)
- The Annual Global Economics Awards 2022 (AGEA), Best Client Services Team in Securities Lending
- The Annual Global Economics Awards 2023 (AGEA), Best Corporate Governance Practices (Finance). This was JSF's first award in a corporate governance-related category.



Addressing Climate Change and Environmental Protection (Initiatives Based on the TCFD Recommendations)

In addition to engaging in initiatives aimed at bringing about a sustainable global environment through its business activities, JSF is working to improve disclosure of climate change information in accordance with the TCFD* recommendations.

* Task Force on Climate-related Financial Disclosures: Established by the Financial Stability Board (FSB) in 2015 at the request of the G20 for the purpose of financial stability. The final report on frameworks for disclosure of climate-related risks and opportunities (TCFD recommendations) published in 2017 calls on companies to assess the risks and opportunities of climate change, reflect them in their business strategy and risk management, understand their financial impact, and disclose this information.

Governance

- To drive Group-wide climate-related efforts, the Board of Directors approved the “Basic Stance on Sustainability,” in which it recognizes climate change as a material issue for its business.
- The Management Committee (chaired by the Representative Executive Officer & President) deliberates and decides on sustainability initiatives, including those concerning climate-related issues, and the Board of Directors oversees the progress on these initiatives.
- Specific sustainability initiatives, including those concerning climate-related issues, are detailed in the action plan for the medium-term management plan, and they are carried out across the organization under the oversight of the Corporate Governance Office.

Strategy

- As a company responsible for Japan’s securities and financial market infrastructure, JSF recognizes the importance of building systems that operate reliably regardless of conditions. Therefore, we believe that realizing a sustainable global environment is crucial for the continuation of our business activities, and that climate change is a material issue for our business.
- After identifying the risks and opportunities of climate change that could impact our business activities, we qualitatively analyze those impacts and verify the resilience of our management strategy.
- In responding to the transformation into a carbon-free society, we support the efforts of the securities and financial markets participants that are grappling with climate-related issues by improving our financial services and the commercial appeal of our products. At the same time, we are aiming to enhance our own corporate value.

Recognized Risks

- Climate change risks are divided into two categories for identification and recognition purposes. These are “transition risks,” which are risks arising from the process of transitioning to a lower-carbon economy to address climate change, and “physical risks,” which are risks of losses arising directly from climate change.
- For recognized risks, assumptions have been made about the type of damage (direct or indirect), the scale of the risk (large, medium or small), and the time frame (short- to medium- to long-term).
- JSF believes that the increase in its credit costs will be limited because most of its lending comprises securities-backed loans to securities firms and banks.

Type of risk	Description	Damage	Scale	Time frame
Transition risks	Higher operating costs due to taxation changes related to climate change, such as stricter regulation and carbon taxes	Direct	Small	Medium- to long-term
	Decline in securities financing balance due to factors such as worsening economic conditions, weak financial and securities markets and declining demand for funding due to the effects of global warming	Indirect	Medium	Medium- to long-term
	Decline in share prices due to stakeholder criticism of JSF’s response to global warming and inadequate disclosure	Direct	Small	Medium- to long-term

Type of risk		Description	Damage	Scale	Time frame
Physical risks	Acute risks	Damage to owned real estate and facilities due to major storm and flood damage, with damage to facilities affecting business continuity	Direct	Medium	Short- to long-term
		Drop in prices of securities held as a result of worsening financial and securities markets due to the effects of extreme weather events			
	Chronic risks	Higher credit costs as a result of damage to counterparty business locations due to major storm and flood damage	Indirect	Small	Short- to long-term
		Business relocation costs incurred due to rising sea levels	Direct	Medium	Long-term
		Higher credit costs as a result of damage to counterparty business locations due to rising sea levels	Indirect	Small	Long-term

Note: Short-term, medium-term and long-term time frames are assumed to be 3 years or less, 3–10 years and 10 years or longer, respectively.

Recognized Opportunities

- JSF anticipates and recognizes the following opportunities associated with tackling climate-related issues.
- Our initiatives with respect to these climate-related issues are incorporated into the action plan for the medium-term management plan, and we are monitoring the progress of their implementation.

Opportunity	Description	Time frame
Resource-efficient energy sources	<ul style="list-style-type: none"> • Promoting resource and energy savings • Utilizing renewable energy 	Short- to long-term
Markets for products and services	<ul style="list-style-type: none"> • Offering financial services that support the transition to a carbon-free society • Contributing to an environmentally sustainable society through investments in green bonds and other instruments • Increased demand for funding due to the expanding market for ESG investment • Gaining the trust of counterparties and capital markets as a result of appropriate initiatives and disclosure in response to climate-related issues 	Short- to long-term
Resilience	<ul style="list-style-type: none"> • Ensuring business continuity in securities market infrastructure such as loans for margin transactions by building a resilient BCP system 	Short- to long-term

Scenario Analysis

- A qualitative analysis of the impact of climate on the JSF Group, based on two scenarios, is presented below. Under the 2°C scenario, global warming is curbed due to strict countermeasures, while under the 4°C scenario, global warming continues to progress in the absence of drastic measures.

		2°C scenario ¹	4°C scenario ²
Assumptions		<ul style="list-style-type: none"> • Greenhouse gas emissions are curtailed through policy measures • There are advances in low-carbon technologies and they are widely adopted • Sudden storm and flood damage occurs at a similar scale and frequency as at present 	<ul style="list-style-type: none"> • Without drastic policy measures, greenhouse gas emissions continue to increase at the current rate • Sudden storm and flood damage occurs more frequently and is larger in scale • Chronic changes, such as rising sea levels, have a significant impact on economic activity
Opportunities		<ul style="list-style-type: none"> • Demand increases for funding in the financial and securities markets due to growing ESG investment • Need increases for financial products and services related to environmental protection 	<ul style="list-style-type: none"> • Demand increases for funding in connection with investment in infrastructure for disaster preparedness
Risks	Transition risks	<ul style="list-style-type: none"> • Stakeholders criticize JSF's response to global warming, causing its share price to decline • Equipment costs rise as a result of measures to cut greenhouse gas emissions and enhance BCP 	<ul style="list-style-type: none"> • Securities financing balances decline as the economy and financial markets deteriorate due to the effects of global warming
	Physical risks	<ul style="list-style-type: none"> • Sudden extreme weather events are similar to those at present, and no major financial impact is expected • There is no irreversible climate change, such as rising sea levels, and no major financial impact is expected 	<ul style="list-style-type: none"> • There is damage to owned real estate and facilities due to major storms and flooding, affecting business continuity (assumes limited increase in credit costs in conjunction with damage to counterparty financial institutions) • Relocation expenses arise from damage to owned real estate due to rising sea levels

1. 2°C Scenario: International Energy Agency (IEA) 2°C Scenario (2DS)

2. 4°C Scenario: Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway (RCP) 8.5

Addressing Climate Change and Environmental Protection

(Initiatives Based on the TCFD Recommendations)

Risk Management

- JSF recognizes that climate change not only poses the risk of a significant impact on the global environment, but it could also affect its financial position in the future.
- Because these climate change risks could cause or amplify financial risks (credit risk and market risk, for example), we manage the risks associated with climate change within an integrated risk management framework.

Metrics and Targets

- We are working to save resources and energy by promoting telework, using web conferencing both inside and outside the Company, introducing an electronic decision-making system and a paperless meeting system, and digitalizing document storage.
- In FY2022, we converted all lighting in our head office building to LED as an energy-saving measure. We also considered initiatives for achieving carbon neutrality and reported the direction of such initiatives to the Board of Directors.
- The JSF Group's CO₂ emissions (combined Scope 1 and Scope 2 emissions*) are shown below. We have steadily reduced CO₂ emissions and are implementing initiatives to reduce them still further.

* Scope 1: Direct emissions (use of gas, gasoline, etc.); Scope 2: Indirect emissions (use of electric power)

(t-CO₂)

	FY2019	FY2020	FY2021	FY2022
CO ₂ emissions	923	874	856	810

Risk Appetite Framework/Risk Management

Message from the Responsible Executive Officer

Risk appetite is the type and total amount of risk that a company takes on in order to achieve its medium-term management plans. JSF's management goals are capital efficiency, profitability and shareholder returns, and we clearly identify risks that we should be willing to take¹ and risks that we should avoid² in order to achieve those goals within the scope of our management capabilities. Our risk appetite framework (RAF) integrates business management and risk management. Determining the management targets for the Seventh Medium-Term Management Plan involved reviewing our risk appetite and relevant indicators, which we are now regularly monitoring.

In addition, the Company plays a public role as a provider of securities market infrastructure, so we are strongly aware that the risks we take on should in no way impact our ability to maintain financial soundness or stably operate our loans for margin transactions business.

We will continue strengthening our monitoring system, promoting a Group-wide RAF management system and taking other steps to improve the sophistication of our RAF in order to increase corporate value over the medium to long term.

1. Risks to be taken: Risks associated with revenue-generating activities

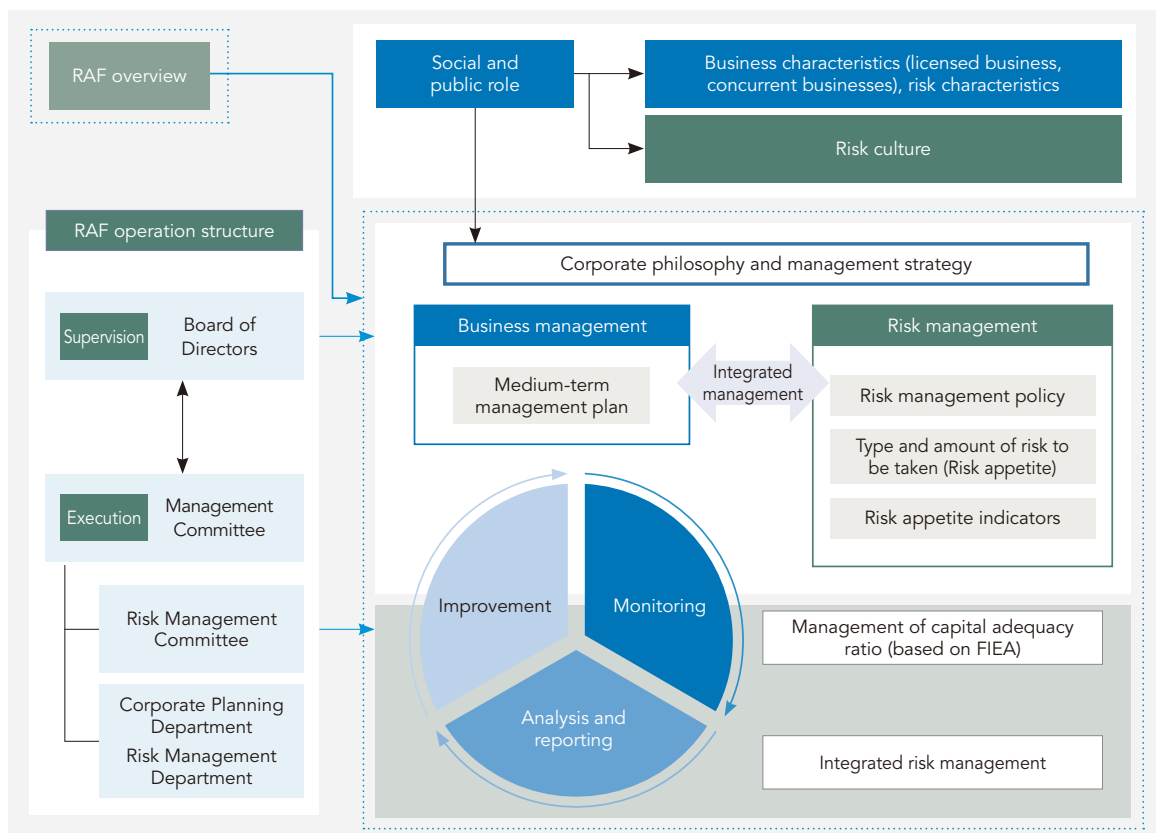
2. Risks to be avoided: Unacceptable risks such as conduct risk



Masaru Sekiguchi

Managing Executive Officer
Responsible for Risk Management
Department

Risk Appetite Framework



Risk Appetite Framework/Risk Management

Basic Policy for Risk Appetite Framework

The Group considers the RAF to be part of its corporate governance framework. Our objective is to maintain the high degree of financial soundness required of a securities finance company responsible for the infrastructure functions of Japan's securities market, while improving medium- to long-term corporate value as expected of a listed company. To this

end, the RAF improves the transparency of the review and decision-making process for establishing the Company's overall risk-taking policy, including capital allocation and strengthening of profitability. Furthermore, the RAF optimizes allocation of management resources and strengthens the monitoring system.

Risk Appetite Framework Governance

In the execution of business management, we set more detailed targets and decide plans for each business as we promote the medium-term management plan, keeping in mind our risk management policy, risk appetite and risk appetite indicators decided by the Board of Directors.

The Board of Directors works to improve and strengthen the effectiveness of the RAF on an ongoing basis by monitoring

risk appetite and risk appetite indicators as it supervises the status of business execution. If risk appetite indicators deviate from set levels, the board analyzes the causes and formulates countermeasures.

Operation

In the operation of the RAF, the Board of Directors establishes a risk management policy for overall management based on the social role that JSF should play as a company responsible for infrastructure functions of Japan's securities market and its medium- to long-term vision for the future. At the same time, the board determines the basic items of the RAF, such as risk appetite and the risk appetite indicators that specifically

reflect its components, in conformance with the medium-term management plan. Risk appetite is set from a wide range of perspectives, including management stability and financial soundness, as well as the social responsibility for the infrastructure functions of and contributing to Japan's securities market.

Process for Setting and Managing Risk Appetite

(1) Confirm premises for management plan formulation

Formulate multiple scenarios that take into account changes in the domestic and overseas environment, and verify premises for formulating medium-term management strategies, including capital and liquidity constraints.

(2) Consider medium-term management plan proposals

Consider business plans that encompass business goals, risk appetite, and business strategies in order to realize the Vision of the Future Targeted by JSF.

(3) Verify risk appetite

Evaluate the propriety of financial plans and risk appetite through stress tests, and revise business plan proposals, as necessary.

Review as appropriate based on verification results

(4) Determine medium-term management plan

The Board of Directors discusses and decides management goals, risk appetite and management strategies.

(5) Monitor risk appetite compliance

Regularly monitor indicators for each aspect of risk appetite and check compliance status.

(6) Reset risk appetite

Reset risk appetite in the case of discrepancies between risk appetite indicators and actual operations, or if significant changes occur in the operating environment.

Upper limit exceeded or other reason

Fostering and Instilling a Risk Culture

We must provide risk management education and training and share risk information to foster and inculcate a risk culture throughout the Group. Therefore, we conduct regular in-house training to help employees deepen their understanding of the RAF and employ it in our business operations. Regarding risk information, we conduct surveys of market trends and monitor business partners as needed, and collaborate with business operations departments to share necessary information.

In addition, risk governance is further strengthened through an ongoing cycle of reminders of risk culture through the operation of the RAF, which further fosters and instills this culture.

We will continue to promote greater sophistication in our risk governance, which constitutes part of our corporate governance, with the aim of achieving sustainable growth and increasing corporate value over the medium to long term.

Risk Management

Basic Policies

JSF plays a public role as a provider of infrastructure for securities and financial markets, so we are strongly aware that the risks we take on should help maintain financial soundness and increase corporate value. Furthermore, we position risk management as one of our most important

management issues, and through the JSF Business Conduct Guidelines and our risk management policy, we instill a mindset and risk culture that emphasizes risk management throughout JSF.

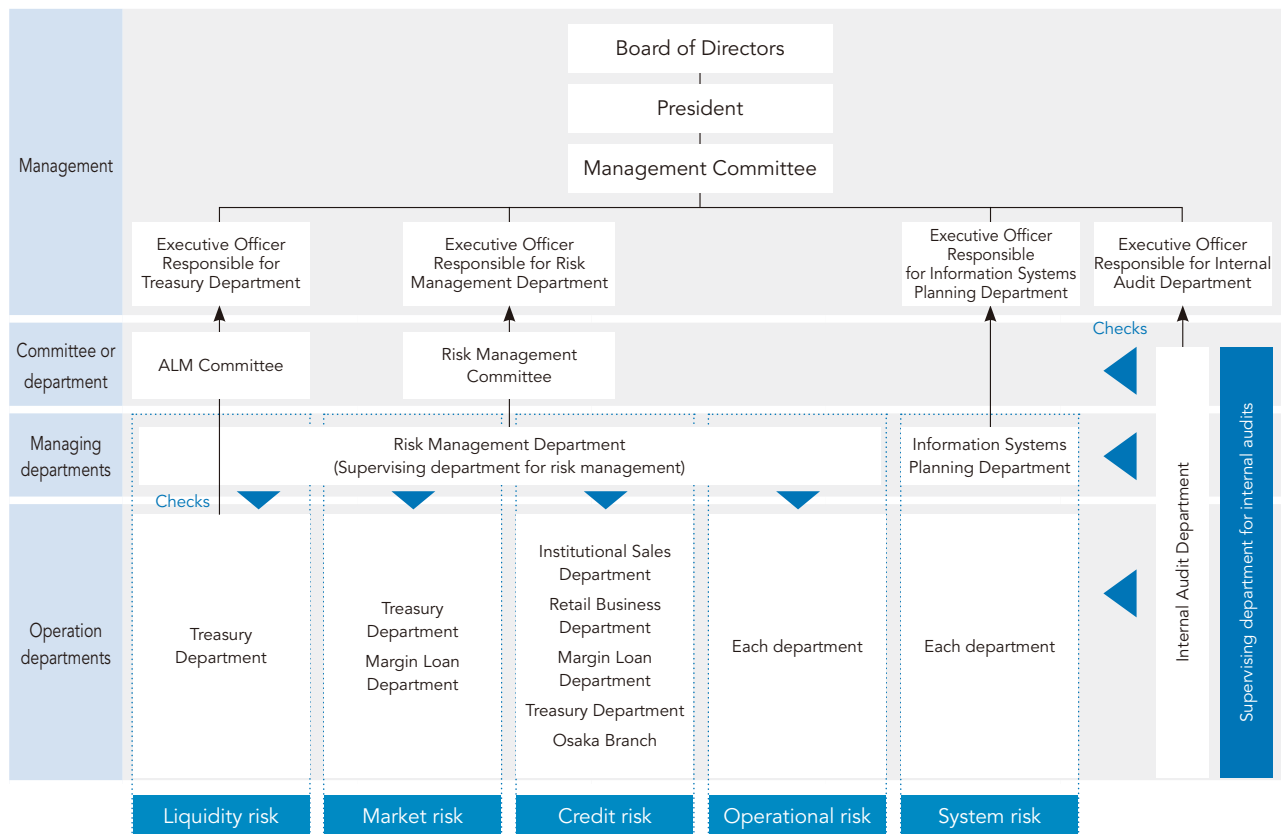
Risk Management System

We broadly classify assumed risks for management as credit risk, market risk, liquidity risk, operational risk and system risk. For credit risk and market risk, we strive to secure profits while quantitatively identifying risks and keeping them within levels that match our financial strength. For liquidity risk, operational risk and system risk, we strive to prevent their manifestation by implementing appropriate management according to risk characteristics.

Regarding reporting, credit risk and market risk are reported to the Management Committee following discussion at the Risk Management Committee, and liquidity risk is reported to the Management Committee following deliberations at the Asset Liability Management (ALM) Committee. The officers responsible for each committee regularly report to the Board of Directors on the status of risks and measures to improve risk management.

Risk Appetite Framework/Risk Management

Risk Management System



Based on this approach to risk management, we have developed a system that supports the expansion of our balance sheet by using the risk appetite framework as described below.

Capital Adequacy Ratio (Adequacy of Equity Capital)

In participating in the Japanese Securities Clearing Corporation (JSCC) clearing and settlement system, we are required to calculate, manage and maintain our capital adequacy ratio above a certain level in accordance with the Financial Instruments and Exchange Act. Specifically, we precisely calculate and manage this ratio on a monthly basis, monitor the impact of daily market fluctuations on equity capital, and quickly report this information to management.

We also verify our capital adequacy by using stress tests to calculate impacts on our equity capital, and formulate action plans, as necessary. We conduct two types of stress tests: monthly tests based on individual credit and market stress scenarios, and semi-annual comprehensive stress tests based on scenarios that reflect the current financial environment.

Integrated Risk Management

Credit Risk Management

JSF quantifies and manages credit risk using default rates for in-house ratings that it has calculated for each of its business partners. For credit management, we screen business partners, securities accepted as collateral, and loans, and set and manage transaction limits for each business partner. For each loan transaction, we reduce exposure by marking to market the

relevant collateral on a daily basis. In the event of borrower bankruptcy, we take steps including selling securities held as collateral to promptly collect receivables. Additionally, we manage large credit positions by calculating the stress exposure for each business partner across our businesses on a daily basis and sharing this information with business departments.

Market Risk Management

JSF quantifies and manages market risks. Furthermore, to validate the reliability of the market risk quantification model we have adopted, we also implement back testing to compare calculated value at risk (VaR) with virtual profit and loss from

Liquidity Risk Management

JSF recognizes liquidity risk as a significant risk, and strives to ensure the funding liquidity necessary for stable business operations by diversifying funding methods and maturities.

For cash flow management, we set a minimum amount of liquidity reserves based on the assumption that certain stress events will occur in financial markets. We monitor the state of liquidity reserves by formulating cash flow forecasts and confirming the amount of funding available, as well as the status of highly liquid asset holdings, while confirming concentrated maturities for large amounts of funds. We also have a system for reporting the status of daily cash flow to

a given portfolio. At the same time, we appropriately control investment losses by setting loss limits based on overall profit and loss.

management. Furthermore, we avoid fund shortages by conducting liquidity stress tests to address risks such as cash outflows when stress occurs in the funding environment.

In addition, we manage liquidity risk on a consolidated basis by receiving daily reports from JSF Trust and Banking that include cash flow forecasts and the status of its liquidity reserves. Furthermore, we prepare for unforeseen circumstances with measures to supplement liquidity, such as holding a certain amount of government bonds that we can immediately convert into cash.

Initiatives for BCP

Basic Concept for BCP

As a securities finance company with a social mission to continue operations that serve as infrastructure for the securities market, such as loans for margin transactions, for the handling of a possible disaster event such as a large-scale earthquake, JSF has established a business continuity plan (BCP) system so that operations can be continued or resumed as soon as possible, and so the impact of the disaster on our business partners and related external organizations is minimized.

The Company has positioned the loans for margin transactions, loans for negotiable margin transactions and fund/securities settlement businesses as operations to be continued on a priority basis. We have established a policy assuming the respective cases of 1) injury (or threat of injury) to officers and employees, and damage to buildings, etc., 2) damage to the Company's main centers, and 3) insufficient personnel.

Comments from the Osaka Branch about the Operational Status of BCP

The Osaka Branch was established as a BCP base in September 2018 with the aim of strengthening business continuity in the event of a large-scale disaster such as an earthquake directly beneath the Tokyo metropolitan area or a wide-area disaster there. In normal times, the two locations conduct operations in parallel with each other, so that in the event of a disaster in the Tokyo metropolitan area, the Osaka Branch can function as a remote backup office for the Tokyo head office, handling important operations centered on loans for margin transactions and their settlement, which are securities market infrastructure.

In addition, in response to the widespread adoption of remote work during the COVID-19 pandemic, we have positioned remote work as a third BCP base, enabling business continuity in collaboration with the Osaka Branch in the event of a disaster.



11-Year Highlights (Consolidated)

	FY2012	FY2013	FY2014	FY2015
Operating revenue	17,675	19,566	20,300	22,035
Operating profit	1,787	2,568	3,025	2,558
Ordinary profit	2,557	3,119	4,230	3,349
Profit attributable to owners of parent	1,777	6,211	3,520	2,645
Comprehensive income	4,257	6,978	8,079	8,410
Net assets	118,590	135,227	137,145	142,030
Total assets	3,433,456	3,914,388	3,482,601	3,249,170
Net assets per share (Yen) ¹	1,274.67	1,260.43	1,373.93	1,467.01
Profit per share (Yen) ¹	19.10	60.35	33.94	26.90
Capital adequacy ratio (%) ²	641.9	459.1	405.5	344.6
Return on equity (%)	1.52	4.89	2.59	1.90
Price-earnings ratio (Times)	37.89	9.91	22.36	16.80
Cash flows from operating activities	106,689	(27,055)	(58,989)	247,148
Cash flows from investing activities	(1,230)	(1,078)	(1,085)	(9,959)
Cash flows from financing activities	(1,310)	(1,610)	(6,207)	(3,604)
Cash and cash equivalents at end of year	114,258	93,069	26,787	260,371
Dividend payout ratio (%)	73.3	23.2	44.2	59.5
Number of employees [Average number of temporary workers] (Number)	258 [2]	295 [3]	289 [3]	282 [5]

1. In calculating net assets per share, Company shares held by the Board Benefit Trust (BBT) are included in the treasury stock deducted from the total number of shares issued and outstanding at the end of the fiscal year. These shares are also included in treasury shares deducted when calculating the average number of shares during the term when calculating profit per share.

2. The capital adequacy ratio (based on FIEA) is calculated for Japan Securities Finance Co., Ltd. only.

(Millions of yen)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
	23,066	26,333	24,321	29,101	30,924	30,138	42,518
	2,802	3,881	3,981	4,129	4,777	6,235	6,354
	3,611	4,685	5,046	4,894	5,558	7,164	7,601
	3,078	4,225	3,765	3,556	3,971	5,174	5,966
	(469)	6,819	935	(11,571)	10,499	7,889	3,491
	139,712	143,811	140,793	126,687	135,166	137,996	135,728
	4,645,051	4,960,161	5,291,372	9,814,494	12,136,229	14,168,656	14,056,217
	1,452.63	1,518.77	1,519.30	1,381.22	1,473.24	1,545.03	1,574.64
	31.90	44.24	40.02	38.47	43.28	56.61	67.76
	444.4	471.0	408.5	332.2	507.5	348.1	496.1
	2.19	2.98	2.65	2.66	3.03	3.79	4.36
	18.55	14.75	14.58	12.81	18.43	16.27	15.01
	818,189	(290,514)	226,351	275,039	164,459	(122,304)	303,546
	(7,507)	(4,440)	(8,652)	(4,794)	2,230	4,907	3,447
	(1,902)	(2,725)	(3,970)	(2,557)	(2,031)	(5,088)	(5,786)
	1,069,150	771,469	985,197	1,252,884	1,417,543	1,295,058	1,596,264
	56.4	58.8	55.0	57.2	60.1	53.0	47.2
	281 [5]	281 [6]	281 [3]	272 [3]	272 [4]	264 [5]	268 [5]

Financial Section

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Disclaimer: This document is a translation of the Japanese original and is an excerpt of the section on consolidated financial statements. The Japanese original has been disclosed in Japan in accordance with the Japanese accounting standards and the Financial Instruments and Exchange Act. This document does not contain or constitute any guarantee and the Company will not compensate any losses and/or damage stemming from actions taken based on this document. In the event of any discrepancy between the Japanese original and this document, the Japanese original shall prevail.

JAPAN SECURITIES FINANCE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Financial Statements

March 31, 2023

1. Preparation Policy of the Consolidated and Non-consolidated Financial Statements

- (1) The consolidated financial statements of the Company are prepared in accordance with the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976).
- (2) The non-consolidated financial statements of the Company are prepared in accordance with the “Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements (Ordinance of the Ministry of Finance No. 59, of 1963).

2. Audit Certification

In accordance with the provisions of Article 193-2 (1) of the Financial Instruments and Exchange Act, the consolidated financial statements and the non-consolidated financial statements for the fiscal and business year (from April 1, 2022 to March 31, 2023) were audited by Crowe Toyo & Co.

3. Special Effort to Ensure the Appropriateness of Consolidated Financial Statements, etc.

The Company is making special effort to ensure the appropriateness of the consolidated financial statements. Specifically, the Company has been a member of the Financial Accounting Standards Foundation and participated in training programs conducted by the organizations which determine accounting standards in order to ensure that the content of accounting standards is properly understood and that changes in accounting standards can be properly addressed.

1. Consolidated Financial Statements
 (1) Consolidated Financial Statements
 (i) Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars (Note)
	2023	2022	2023
ASSETS			
Current assets			
Cash and deposits *1	¥ 1,598,274	¥ 1,299,070	\$ 12,018,912
Securities *1,*5	71,013	109,724	534,019
Operating loans *1,*3	955,550	891,485	7,185,670
Securities purchased under resale agreements	3,561,406	3,928,146	26,781,518
Cash collateral provided for securities borrowed	6,669,821	6,499,422	50,156,574
Other *1	405,951	355,293	3,052,727
Allowance for doubtful accounts	(165)	(133)	(1,244)
Total current assets	13,261,853	13,083,009	99,728,179
Non-current assets			
Property, plant and equipment			
Buildings and structures	9,044	9,039	68,010
Accumulated depreciation	(6,893)	(6,762)	(51,835)
Buildings and structures, net	2,150	2,276	16,174
Tools, furniture and fixtures	1,280	1,478	9,625
Accumulated depreciation	(699)	(1,268)	(5,260)
Tools, furniture and fixtures, net	580	210	4,365
Land *7	3,264	3,264	24,551
Construction in progress	1	304	7
Total property, plant and equipment	5,997	6,056	45,099
Intangible assets	916	960	6,893
Investments and other assets			
Investment securities *1,*4,*5	745,621	1,042,496	5,607,018
Bad debts	81	95	610
Retirement benefit asset	1,180	437	8,873
Other	40,648	35,696	305,676
Allowance for doubtful accounts	(81)	(95)	(610)
Total investments and other assets	787,450	1,078,629	5,921,568
Total non-current assets	794,364	1,085,646	5,973,561
Total assets	¥ 14,056,217	¥ 14,168,656	\$ 105,701,740

Note Method of translation of the financial statements is described in “(7) Financial Statement Translation” in “4. Significant accounting principles”.

	Millions of yen		Thousands of U.S. dollars
			(Note)
	2023	2022	2023
LIABILITIES			
Current liabilities			
Call money *1	¥ 2,190,400	¥ 1,858,400	\$ 16,471,649
Short-term borrowings *1	92,010	239,210	691,908
Current portion of long-term borrowings	1,000	—	7,519
Commercial papers	451,000	496,000	3,391,487
Securities sold under repurchase agreements	4,781,801	5,544,898	35,958,799
Cash collateral received for securities lent	5,073,776	4,706,496	38,154,429
Income taxes payable	750	879	5,640
Provision for bonuses	495	466	3,723
Provision for bonuses for directors and other officers	107	106	806
Borrowed money from trust account	871,335	1,031,412	6,552,376
Other	219,774	137,585	1,652,685
Total current liabilities	13,682,448	14,015,456	102,891,027
Non-current liabilities			
Long-term borrowings *1	232,700	4,000	1,749,887
Deferred tax liabilities	2,196	3,011	16,519
Deferred tax liabilities for land revaluation *7	74	74	557
Provision for share awards for directors and other officers	240	228	1,805
Retirement benefit liability	217	213	1,633
Asset retirement obligations	56	55	425
Derivatives liabilities	2,013	7,054	15,142
Other	542	563	4,076
Total non-current liabilities	238,040	15,202	1,790,047
Total liabilities	13,920,489	14,030,659	104,681,074
NET ASSETS			
Shareholders' equity			
Share capital	10,000	10,000	75,199
Capital surplus	8,878	8,878	66,769
Retained earnings	118,702	115,521	892,631
Treasury shares	(7,655)	(4,680)	(57,566)
Total shareholders' equity	129,925	129,719	977,033
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	(4,300)	9,920	(32,338)
Deferred gains or losses on hedges	9,782	(1,967)	73,561
Revaluation reserve for land *7	168	168	1,263
Remeasurements of defined benefit plans	152	156	1,145
Total accumulated other comprehensive income	5,802	8,277	43,632
Total net assets	135,728	137,996	1,020,665
Total liabilities and net assets	14,056,217	14,168,656	105,701,740

Note Method of translation of the financial statements is described in “(7) Financial Statement Translation” in “4. Significant accounting principles”.

(ii) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

	Millions of yen		Thousands of U.S. dollars
	2023	2022	(Note) 2023
Operating revenue			
Interest on loans receivable	¥ 2,486	¥ 2,708	\$ 18,700
Interest income on securities purchased under resale agreements	10,683	5,714	80,339
Interest income on cash collateral provided for securities borrowed	2,553	2,250	19,204
Securities lending fees	12,844	9,457	96,592
Other operating revenue	13,949	10,006	104,899
Total operating revenue	42,518	30,138	319,737
Operating expenses			
Interest expenses	1,033	747	7,774
Interest expenses on securities sold under repurchase agreements	6,015	3,614	45,236
Securities borrowing fees	13,456	9,357	101,195
Other operating expenses	8,258	2,814	62,106
Total operating expenses	28,765	16,533	216,312
Operating gross profit	13,753	13,604	103,425
General and administrative expenses			
Remuneration, salaries and allowances	2,897	3,008	21,787
Retirement benefit expenses	169	248	1,270
Provision for bonuses	495	466	3,723
Provision for bonuses for directors and other officers	107	106	806
Provision for share awards for directors and other officers	49	36	368
Depreciation	682	1,195	5,128
Provision of allowance for doubtful accounts	17	—	133
Reversal of allowance for doubtful accounts	—	(571)	—
Other	2,981	2,876	22,419
Total general and administrative expenses *1	7,398	7,368	55,637
Operating profit	¥ 6,354	¥ 6,235	\$ 47,787

	Millions of yen		Thousands of U.S. dollars
			(Note)
	2023	2022	2023
Non-operating income			
Interest income	¥ 247	¥ 294	\$ 1,859
Dividend income	207	186	1,561
Share of profit of entities accounted for using equity method	523	446	3,938
Gain on investments in investment partnerships	156	—	1,173
Miscellaneous income	122	31	924
Total non-operating income	1,257	959	9,457
Non-operating expenses			
Interest expenses	0	0	0
Commission for purchase of treasury shares	8	6	63
Loss on investments in money held in trust	—	14	—
Loss on investments in investment partnerships	2	4	15
Miscellaneous expenses	0	4	2
Total non-operating expenses	10	29	81
Ordinary profit	7,601	7,164	57,162
Extraordinary income			
Gain on sale of non-current assets *2	—	40	—
Gain on revision of retirement benefit plan	671	—	5,050
Total extraordinary income	671	40	5,050
Extraordinary losses			
Loss on retirement of non-current assets *3	—	41	—
Branch office relocation expenses	—	16	—
Total Extraordinary losses	—	58	—
Profit before income taxes	8,273	7,147	62,212
Income taxes - current	1,965	2,071	14,784
Income taxes - deferred	340	(98)	2,559
Total income taxes	2,306	1,972	17,343
Profit	¥ 5,966	¥ 5,174	\$ 44,869
Profit attributable to non-controlling interests	—	—	—
Profit attributable to owners of parent	¥ 5,966	¥ 5,174	\$ 44,869

Note Method of translation of the financial statements is described in “(7) Financial Statement Translation” in “4. Significant accounting principles”.

Consolidated Statement of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars	
	2023	2022	(Note)	
Profit	¥ 5,966	¥ 5,174	\$ 44,869	
Other comprehensive income				
Valuation difference on available-for-sale securities	(14,213)	(12,534)	(106,888)	
Deferred gains or losses on hedges	11,749	15,010	88,357	
Remeasurements of defined benefit plans, net of tax	(56)	206	(424)	
Share of other comprehensive income of entities accounted for using equity method	45	32	342	
Total other comprehensive income *	(2,474)	2,714	(18,611)	
Comprehensive income	¥ 3,491	¥ 7,889	\$ 26,257	
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent	¥ 3,491	¥ 7,889	\$ 26,257	
Comprehensive income attributable to non-controlling interests	¥ —	¥ —	\$ —	

Note Method of translation of the financial statements is described in “(7) Financial Statement Translation” in “4. Significant accounting principles”.

(iii) Consolidated Statement of Changes in Equity

Previous Fiscal Year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity					Total shareholders' equity
	Share capital	Capital surplus	Retained earnings	Treasury shares		
Balance at April 1, 2021	¥ 10,000	¥ 8,878	¥ 113,133	¥ (2,407)		129,604
Cumulative effects of accounting changes			0			0
Restated balance at April 1, 2021	10,000	8,878	113,133	(2,407)		129,605
Changes arising during year						
Cash dividends			(2,786)			(2,786)
Net income attributable to owners of parent			5,174			5,174
Purchase of treasury share				(2,301)		(2,301)
Disposal of treasury share		0		28		28
Net changes other than stockholders' equity						
Total changes during the year	—	0	2,387	(2,272)		114
Balance at March 31, 2022	¥ 10,000	¥ 8,878	¥ 115,521	¥ (4,680)		129,719

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at April 1, 2021	¥ 22,432	¥ (16,978)	¥ 168	¥ (59)	¥ 5,562	135,166
Cumulative effects of accounting changes						0
Restated balance at April 1, 2021	22,432	(16,978)	168	(59)	5,562	135,167
Changes arising during year						
Cash dividends						(2,786)
Net income attributable to owners of parent						5,174
Purchase of treasury share						(2,301)
Disposal of treasury share						28
Net changes other than stockholders' equity	(12,512)	15,010	—	216	2,714	2,714
Total changes during the year	(12,512)	15,010	—	216	2,714	2,829
Balance at March 31, 2022	¥ 9,920	¥ (1,967)	¥ 168	¥ 156	¥ 8,277	137,996

Current Fiscal Year (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity					Total shareholders' equity
	Share capital	Capital surplus	Retained earnings	Treasury shares		
Balance at April 1, 2022	¥ 10,000	¥ 8,878	¥ 115,521	¥ (4,680)		129,719
Changes arising during year						
Cash dividends			(2,786)			(2,786)
Net income attributable to owners of parent			5,966			5,966
Purchase of treasury share				(3,000)		(3,000)
Disposal of treasury share				26		26
Net changes other than stockholders' equity						
Total changes during the year	—	—	3,180	(2,974)		206
Balance at March 31, 2023	¥ 10,000	¥ 8,878	¥ 118,702	¥ (7,655)		129,925

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at April 1, 2022	¥ 9,920	¥ (1,967)	¥ 168	¥ 156	¥ 8,277	137,996
Changes arising during year						
Cash dividends						(2,786)
Net income attributable to owners of parent						5,966
Purchase of treasury share						(3,000)
Disposal of treasury share						26
Net changes other than stockholders' equity	(14,220)	11,749	—	(4)	(2,474)	(2,474)
Total changes during the year	(14,220)	11,749	—	(4)	(2,474)	(2,268)
Balance at March 31, 2023	¥ (4,300)	¥ 9,782	¥ 168	¥ 152	¥ 5,802	135,728

Current Fiscal Year (From April 1, 2022 to March 31, 2023)

(Thousands of U.S. dollars)

	Shareholders' equity					Total shareholders' equity
	Share capital	Capital surplus	Retained earnings	Treasury shares		
Balance at April 1, 2022	\$ 75,199	\$ 66,769	\$ 868,712	\$ (35,198)	\$	975,482
Changes arising during year						
Cash dividends			(20,950)			(20,950)
Net income attributable to owners of parent			44,869			44,869
Purchase of treasury share				(22,566)		(22,566)
Disposal of treasury share				198		198
Cancellation of treasury share						
Net changes other than stockholders' equity						
Total changes during the year	—	—	23,919	(22,368)		1,551
Balance at March 31, 2023	\$ 75,199	\$ 66,769	\$ 892,631	\$ (57,566)	\$	977,033

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at April 1, 2022	\$ 74,598	\$ (14,795)	\$ 1,263	\$ 1,177	\$ 62,243	1,037,726
Changes arising during year						
Cash dividends						(20,950)
Net income attributable to owners of parent						44,869
Purchase of treasury share						(22,566)
Disposal of treasury share						198
Cancellation of treasury share						
Net changes other than stockholders' equity	(106,937)	88,357	—	(32)	(18,611)	(18,611)
Total changes during the year	(106,937)	88,357	—	(32)	(18,611)	(17,060)
Balance at March 31, 2023	\$ (32,338)	\$ 73,561	\$ 1,263	\$ 1,145	\$ 43,632	1,020,665

Note Method of translation of the financial statements is described in “(7) Financial Statement Translation” in “4. Significant accounting principles”.

(iv) Consolidated Statement of Cash Flows

	Millions of yen		Thousands of U.S. dollars
	2023	2022	(Note) 2023
Cash flows from operating activities			
Profit before income taxes	¥ 8,273	¥ 7,147	\$ 62,212
Depreciation	682	1,195	5,128
Loss (gain) on sale and retirement of non-current assets	5	(17)	45
Loss (gain) related to securities	1,530	251	11,512
Increase (decrease) in allowance for doubtful accounts	17	(571)	130
Increase (decrease) in provision for bonuses	28	7	212
Increase (decrease) in provision for bonuses for directors and other officers	0	(11)	2
Increase (decrease) in provision for share awards for directors and other officers	11	(3)	85
Increase (decrease) in retirement benefit liability	(739)	(346)	(5,560)
Interest and dividend income	(20,347)	(15,866)	(153,009)
Interest expenses	7,049	4,361	53,011
Share of loss (profit) of entities accounted for using equity method	(523)	(446)	(3,938)
Decrease (increase) in operating loans receivable	(64,064)	224,867	(481,761)
Net decrease (increase) in call loans	—	2,500	—
Net decrease (increase) in securities purchased under resale agreements	366,739	(926,289)	2,757,857
Net decrease (increase) in cash collateral provided for securities borrowed	(170,398)	(1,173,851)	(1,281,387)
Net increase (decrease) in call money	332,000	151,800	2,496,616
Net increase (decrease) in short-term borrowings	(147,200)	101,616	(1,106,933)
Net increase (decrease) in commercial papers	(45,000)	(117,000)	(338,396)
Net increase (decrease) in securities sold under repurchase agreements	(763,097)	1,353,090	(5,738,439)
Net increase (decrease) in cash collateral received for securities lent	367,279	677,793	2,761,912
Net increase (decrease) in cash collateral received for margin transactions	(19,829)	(15,407)	(149,116)
Net increase (decrease) in borrowed money from trust account	(160,077)	(112,050)	(1,203,768)
Net increase (decrease) in long-term borrowings	229,700	1,000	1,727,327
Purchase of short-term and long-term investment securities	(228,058)	(466,887)	(1,714,980)
Proceeds from sale and redemption of short-term and long-term investment securities	539,458	267,505	4,056,688
Other, net	62,003	(93,766)	466,263
Subtotal	295,443	(129,379)	2,221,716
Interest and dividends received	21,016	15,362	158,043
Interest paid	(6,999)	(4,171)	(52,631)
Income taxes paid	(11,911)	(8,191)	(89,570)
Income taxes refund	5,995	4,074	45,086
Net cash provided by (used in) operating activities	¥ 303,546	¥ (122,304)	\$ 2,282,644

	Millions of yen		Thousands of U.S. dollars
	2023	2022	(Note) 2023
Cash flows from investing activities			
Purchase of investment securities	¥ (317)	¥ (645)	\$ (2,385)
Proceeds from sale and redemption of investment securities	4,402	6,296	33,103
Purchase of property, plant and equipment	(353)	(641)	(2,656)
Proceeds from sale of property, plant and equipment	—	48	—
Purchase of intangible assets	(285)	(153)	(2,144)
Other, net	1	2	9
Net cash provided by (used in) investing activities	3,447	4,907	25,926
Cash flows from financing activities			
Dividends paid	(2,786)	(2,786)	(20,950)
Purchase of treasury shares	(3,000)	(2,301)	(22,566)
Other, net	—	0	—
Net cash provided by (used in) financing activities	(5,786)	(5,088)	(43,516)
Effect of exchange rate change on cash and cash equivalents	—	—	—
Net increase (decrease) in cash and cash equivalents	301,206	(122,485)	2,265,053
Cash and cash equivalents at beginning of period	1,295,058	1,417,543	9,738,743
Cash and cash equivalents at end of period *	1,596,264	1,295,058	12,003,797

Note Method of translation of the financial statements is described in “(7) Financial Statement Translation” in “4. Significant accounting principles”.

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2023

(Basis of Presentation of the Consolidated Financial Statements)

1. Scope of consolidation

Number of consolidated subsidiaries: 2 companies

All two subsidiaries are consolidated.

Names of consolidated subsidiaries

JSF Trust and Banking Co., Ltd.

Nihon Building Co., Ltd.

2. Application of the equity method

Number of affiliates accounted for by the equity method: 2 companies

Name of the companies

Japan Information Processing Service Co., Ltd.

JSF Information Technology Co., Ltd.

3. Accounting periods of consolidated subsidiaries

The fiscal year end of consolidated subsidiaries is the same as the consolidated fiscal year end.

4. Significant accounting principles

(1) Valuation standards and methodology for material assets

(i) Securities

Available-for-sale-securities:

Securities other than for which there are no fair value:

Stated at fair value based on the quoted market price at the fiscal year end (with any unrealized gains or losses being reported directly as a component of shareholders' equity and the cost of any securities sold being computed by the moving average method)

Securities for which there are no fair value:

Stated at cost determined by the moving average method

(ii) Derivatives

Stated at fair value

(2) Depreciation and amortization methods for material depreciable assets

(i) Property, plant and equipment

The Company and its subsidiaries provided depreciation principally by the declining-balance method based on the estimated useful lives, except for the buildings acquired on or after April 1, 1998 and the equipment attached to buildings and structures acquired on or after April 1, 2016, which are depreciated based on the straight-line method.

The estimated useful lives are as follows:

Buildings and structures 3-50 years

(ii) Intangible assets

Straight-line method is applied.

Software for internal use is amortized by the straight-line method over the estimated useful life (5 to 7 years).

(3) Basis of material allowances

(i) Allowance for doubtful accounts

Allowance for doubtful accounts is measured at estimated recoverable amounts. For general receivables, the recoverable amounts are estimated by historical write-off ratio and for individual receivables such as receivables with default risk, the recoverable amounts are estimated individual basis.

(ii) Provision for bonuses

Provision for bonuses is measured based on estimated amount of payment for employee bonuses.

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2023

(iii) Provision for bonuses for directors and other officers

Provision for bonuses for directors and other officers is measured based on estimated amount of payment for directors (including executive officers) bonuses.

(iv) Provision for share awards for directors and other officers

Provision for share awards for directors and other officers is measured based on estimated amount of stock benefit obligation as of the end of the current fiscal year based on internal regulations for the payment of the Company's stock.

(4) Accounting treatment for retirement benefits

(i) The method of attributing expected retirement benefit

For calculating benefit obligation, the method of attributing expected retirement benefit to periods up to the end of current fiscal year is the benefit formula basis.

(ii) The method of amortizing actuarial gains and losses, and past service costs

Actuarial gains and losses are amortized using the declining balance method within over average remaining years of service of the employees (15 years) from the following year in which the gains or losses are recognized.

Past service costs are recorded as expenses at the year in which the costs are recognized.

Consolidated subsidiaries apply a simplified method to calculate liabilities for retirement benefits and retirement benefit expenses, using required payment assuming retirement for personal reason at the end of the fiscal year as retirement benefit obligation.

(5) Significant method of hedge accounting

(i) Hedge accounting

In principle, deferral hedge accounting is applied. For Interest rate swaps, if they satisfy the requirements for treatment that incorporates swaps into underlying accounting items, they are accounted for by incorporating swaps into underlying accounting items.

(ii) Hedge methods and hedged items

Hedge methods Interest rate swaps, foreign exchange contracts, etc.

Hedged items Securities, investment securities, borrowings, etc.

(iii) Hedge policy

In accordance with the Group's internal rules for risk management, Hedging is used to hedge against the risk of future fluctuations in interest rates and foreign currency exchange rates, etc.

(iv) Evaluation of hedge effectiveness

The Group compares market fluctuations of hedged items with those of hedge methods and evaluates the effectiveness of hedge based on the amount of fluctuation of both. However, for interest rate swaps which incorporating swaps into underlying accounting items, the evaluation of the effectiveness of hedge is omitted.

(Hedge relationships to which "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" is applied)

Among the above hedge relationships, the exceptional treatment prescribed in the PITF is applied to all hedge relationships included in the scope of application of "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF No. 40, March 17, 2023). The details of hedging relationships to which the PITF is applied are as follows.

Hedge accounting Deferral hedge accounting and for interest rate swaps, accounting for by incorporating swaps into underlying accounting items

Hedge methods Interest rate swaps

Hedged items Securities, investment securities, borrowings, etc.

Hedging transactions Offsetting market fluctuations or fixing cash flows

(6) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents as stated in the consolidated statements of cash flows consist of cash in hand, readily available deposits, and any short-term liquid investments with a maturity not exceeding three months at the time of purchase whose value is not subject to significant fluctuation risk.

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

(7) Financial Statement Translation

The translations of the yen amounts into U.S. dollars are included solely for the convenience of the reader, using the prevailing exchange rate as of March 31, 2023, which was ¥132.98 to U.S. \$1. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate.

(Significant Accounting Estimates)

Recoverability of deferred tax assets

(1) Deferred tax assets and liabilities in the accompanying consolidated balance sheet as of March 31, 2023 are as follows:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Deferred tax assets	¥ 13,809	¥ 16,595	\$ 103,846
Deferred tax liabilities	16,006	19,607	120,366
Deferred tax liabilities (Net)	¥ 2,196	¥ 3,011	\$ 16,519

(2) Information on the nature of significant accounting estimates for identified items

Deferred tax assets before offsetting with deferred tax liabilities are estimated based on the timing and amount of reversal of future deductible temporary difference in future consolidated financial year. These estimates may be affected by changes in uncertain economic conditions in the future, and if the actual timing and amount of the reversal of temporary differences differ from the estimates, it may have a significant impact on the amount of deferred tax assets in the consolidated financial statements for the following fiscal year.

(Changes in Accounting Policies)

(Application of "Implementation Guidance on Accounting Standards for Fair Value Measurement")

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021. Hereinafter referred to as the "Implementation Guidance") have been applied from the beginning of the year ended March 31, 2023, and in accordance with the transitional treatment stipulated in paragraph 27-2 of the Implementation Guidance, the new accounting policy stipulated by the Implementation Guidance will be prospectively applied.

As a result, investment securities, deferred tax liabilities, and valuation difference on available-for-sale securities increased by ¥2,623 million (\$19,729 thousand), ¥809 million (\$6,087 thousand), and ¥1,814 million (\$13,641 thousand), respectively, in the consolidated balance sheets for the current fiscal year.

In accordance with Paragraph 27-3 of the Implementation Guidance, in the note "Financial Instruments" the items regarding investment trusts with regard to the breakdown of the fair value of financial instruments by level, etc., are not presented those for the previous fiscal year.

(Accounting Standards Not Yet Adopted)

"Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)

"Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)

"Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, ASBJ)

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

(1) Overview

In February 2018, ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting", etc. (Hereinafter referred to as the "ASBJ Statement No. 28, etc."), which completed the transfer of practical guidelines on tax effect accounting at the JICPA to the ASBJ Accounting Standards Board. In the course of deliberation, the following two issues, which were to be reviewed again after the release of ASBJ Statement No. 28, etc., were discussed and published.

- (i) Accounting section of tax expenses (taxation on other comprehensive income)
- (ii) Tax effect on the sale of shares of subsidiaries, etc., (shares of subsidiaries or affiliates) when the group corporate taxation system is applied

(2) Scheduled date of adoption

This accounting standard will be applied from the beginning of the fiscal year ending March 31, 2025.

(3) Effect of adoption

The amounts of the impact of applying "Accounting Standard for Current Income Taxes", etc., are under evaluation at this time.

(Reclassification)

(Consolidated Balance Sheets)

"Accounts payable-other" under "Current liabilities," which was independently presented in the previous fiscal year, is included in "Other" in the current consolidated fiscal year because it has become insignificant in terms of amount. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥128 million (\$963 thousand) presented as "Accounts payable-other" under "Current liabilities" in the consolidated balance sheet for the previous fiscal year has been reclassified as "Other."

(Additional Information)

(Transactions of Delivering the Company's Own Stock to Directors through Trust)

The Company has introduced a performance-based share remuneration plan called "Board Benefit Trust (BBT)" in order to further clarify the linkage between remuneration for directors (other than outside directors) and executive officers (collectively "directors") and the performance and share value of the Company, thereby enhancing their awareness of the need to contribute to the efforts to archive improved business performance and greater enterprise value in the medium to long term.

1. Outline of the plan

The Plan is a performance-based share remuneration plan under which the Company's shares will be acquired through a trust using money contributed by the Company and the Company's shares and the money equivalent to the market value of the shares will be delivered by the Trust to directors pursuant to the "Rules for Delivery of Shares to Directors" to be established by the board of directors.

In principle, the Shares, etc. will be delivered when he/she resigns as director.

2. Stock remaining in the trust

In accordance with the "Practical Solution on Transactions of delivering the Company's Own Stock to Employees etc. through Trust (ASBJ Practical Issue Task Force (PITF) No. 30, March 26, 2015)", the Company recorded assets and liabilities of the trust on the Company's balance sheet as assets and liabilities of the Company. The Company recorded own stocks in the trust as treasury stocks under net assets at book value in the trust excluding associated costs. The book value of the own stocks was ¥484 million (\$3,646 thousand) and the number of the stocks was 1,022 thousand shares as of March 31, 2023, and ¥511 million and the number of the stocks was 1,077 thousand shares as of March 31, 2022.

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

(Notes to the Consolidated Balance Sheets)

*1 Assets pledged as collateral and secured debt

Assets pledged as collateral are as follows:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Securities	¥ 65,607	¥ 86,459	\$ 493,362
Operating loans	502,453	526,090	3,778,410
Investment securities	293,024	370,156	2,203,521

The above assets are pledged as collateral for the following obligations:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Call money	¥ 280,000	¥ 250,000	\$ 2,105,579
Short-term borrowings	—	137,200	—
Long-term borrowings	229,700	—	1,727,327

For call money, short-term borrowings and long-term borrowings, in addition to the assets pledged as collateral above, a portion of the collateral according to 2 and 6 below is also pledged.

In addition, the following items are pledged as collateral for the clearing funds of Japan Securities Clearing Corporation and JASDEC DVP Clearing Corporation.

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Cash and deposits	¥ 25	¥ 25	\$ 187
Current assets (other)	378,375	230,004	2,845,359
Investment securities	5,875	1,222	44,183

2 Collateralized financial assets with rights of free disposal are as follows:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Fair value of the securities receivable as collateral	¥ 2,904,598	¥ 2,519,083	\$ 21,842,371
Securities lent	147,985	182,137	1,112,838
Collateral provided	682,509	358,707	5,132,424
On hand	2,074,103	1,978,237	15,597,108

*3 Credit line for financial instruments dealers and customers, and undrawn amount related to overdraft agreements, of the Company and JSF Trust and Banking Co., Ltd. are as follows:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Total credit line	¥ 956,058	¥ 957,858	\$ 7,189,487
Drawn amount	97,300	63,680	731,688
Undrawn amount	¥ 858,758	¥ 894,178	\$ 6,457,798

Since some of these contracts expire without the rights exercised, the undrawn amount itself does not necessarily affect future cash flows.

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

*4 Items related to affiliated companies are as follows:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
			2023
Investment securities (stocks)	¥ 5,060	¥ 4,595	\$ 38,056

*5 Balance sheet amount of securities lent under loan for consumption agreement, etc. are as follows:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
			2023
Securities	¥ 2,007	¥ 8,764	\$ 15,094
Investment securities	180,608	424,126	1,358,160

6 The fair value of the securities borrowed under loan for consumption agreement, etc. are as follows:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
			2023
The fair value of the securities borrowed	¥ 10,287,704	¥ 10,092,917	\$ 77,362,795
Securities loaned	9,613,304	9,565,616	72,291,352
Securities pledged as collateral	641,815	478,582	4,826,408
On hand	32,584	48,717	245,034

*7 The Company revaluated its land at fair value, pursuant to the Law Concerning Land Revaluation (Law No.34 March 31, 1998) and its amendments (Law No.19 March 31, 2001) (the “Law”), and for net unrealized gain, tax equivalent is presented as “Deferred tax liabilities for land revaluation” under LIABILITIES and the amounts net of the tax equivalent is presented as “Revaluation reserve for land” under NET ASSETS.

Date of revaluation: March 31, 2002

Revaluation method to be prescribed on Article3, paragraph3 of the Law Concerning Land Revaluation:

The revaluation is calculated by making reasonable adjustments to the value calculated by the method specified and announced by the Commissioner of the National Tax Agency for calculating the value of land as the basis for calculating the taxable value of land as stipulated in Article 16 of the Land Value Tax Law based on Article 2, clause 4 of the Enforcement Order for the Law Concerning Revaluation of Land (Ordinance No. 119 March 31, 1998).

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

(Notes to the Consolidated Statements of Income)

*1 Research and development expenses included in general and administrative expenses and manufacturing costs for the year are as follows:

Millions of yen		Thousands of U.S. dollars
2023	2022	2023
¥ 0	¥ 40	\$ 0

*2 Breakdown of gain on sale of non-current assets are as follows:

Millions of yen		Thousands of U.S. dollars	
2023	2022	2023	
Tools, furniture and fixtures	¥ —	¥ 40	\$ —

*3 Breakdown of loss on retirement of non-current assets are as follows:

Millions of yen		Thousands of U.S. dollars	
2023	2022	2023	
Buildings and structures	¥ —	¥ 2	\$ —
Demolition and removal expenses	—	39	—

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

(Notes to the Consolidated Statements of Comprehensive Income)

*1 Reclassification adjustments and tax effects related to other comprehensive income

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Valuation difference on available-for-sale securities:			2023
Arising during the year	¥ (22,004)	¥ (18,641)	\$ (165,475)
Reclassification adjustment	1,530	251	11,512
Before tax effect adjustment	(20,473)	(18,390)	(153,962)
Tax effect	6,260	5,855	47,074
Valuation difference on available-for-sale securities	(14,213)	(12,534)	(106,888)
Deferred gains or losses on hedges:			
Arising during the year	16,935	15,362	127,353
Reclassification adjustment	—	—	—
Before tax effect adjustment	16,935	15,362	127,353
Tax effect	(5,185)	(352)	(38,995)
Deferred gains or losses on hedges	11,749	15,010	88,357
Remeasurements of defined benefit plans:			
Arising during the year	(93)	319	(703)
Reclassification adjustment	(43)	1	(330)
Before tax effect adjustment	(137)	321	(1,034)
Tax effect	81	(115)	610
Remeasurements of defined benefit plans	(56)	206	(424)
Share of other comprehensive income of entities accounted for using equity method:			
Arising during the year	38	25	290
Reclassification adjustment	6	6	51
Share of other comprehensive income of entities accounted for using equity method	45	32	342
Total other comprehensive income	¥ (2,474)	¥ 2,714	\$ (18,611)

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

(Notes to the Consolidated Statements of Changes in Net Assets)

Previous fiscal year (From April 1, 2021 to March 31, 2022)

1 Type and number of issued shares and treasury shares

Type of share	Number of shares at the beginning of the year	Increase	Decrease	(Thousands of shares)
				Number of shares at the end of the year
Shares outstanding				
Common stock	96,000	—	—	96,000
Treasury shares				
Common stock (Note)	4,252	2,490	59	6,683

Notes:

- 1 Number of shares include shares which are held by the “Board Benefit Trust (BBT)” (1,137 thousands of shares at the beginning of the fiscal year and 1,077 thousands of shares at the end of the fiscal year)
- 2 Increase of 2,489 thousands of shares is due to purchase of treasury shares and 1 thousands of shares is due to purchase of shares less than one unit.
- 3 Decrease of 59 thousands of shares is due to delivery of treasury shares from the “Board Benefit Trust (BBT)” to respective person and 0 thousands of shares is due to sale of treasury shares less than one unit.

2 Stock acquisition rights, etc.

No items to report.

3 Dividends

(1) Dividends paid

(a) Dividends paid during the year ended March 31, 2022

The following was approved by the Board of Directors held on May 17, 2021.

(a) Total dividends	¥1,393 million
(b) Cash dividends per common share	¥15
(c) Record date	March 31, 2021
(d) Effective date	June 3, 2021

Note Total dividends include dividends of ¥17 million to shares which are owned by “Board Benefit Trust (BBT)”

The following was approved by the Board of Directors held on November 2, 2021.

(a) Total dividends	¥1,393 million
(b) Cash dividends per common share	¥15
(c) Record date	September 30, 2021
(d) Effective date	December 3, 2021

Note Total dividends include dividends of ¥16 million to shares which are owned by “Board Benefit Trust (BBT)”

(2) Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2022

The following was approved by the Board of Directors held on May 16, 2022.

(a) Total dividends	¥1,356 million
(b) Cash dividends per common share	¥15
(c) Record date	March 31, 2022
(d) Effective date	June 2, 2022

Note Total dividends include dividends of ¥16 million to shares which are owned by “Board Benefit Trust (BBT)”

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

Current fiscal year (From April 1, 2022 to March 31, 2023)

1 Type and number of issued shares and treasury shares

Type of share	Number of shares at the beginning of the year	Increase	Decrease	(Thousands of shares)
				Number of shares at the end of the year
Shares outstanding				
Common stock	96,000	—	—	96,000
Treasury shares				
Common stock (Note)	6,683	3,175	55	9,803

Notes:

1 Number of shares include shares which are held by the “Board Benefit Trust (BBT)” (1,077 thousands of shares at the beginning of the fiscal year and 1,022 thousands of shares at the end of the fiscal year)

2 Increase of 3,174 thousands of shares is due to purchase of treasury shares and 0 thousands of shares is due to purchase of shares less than one unit.

3 Decrease of 55 thousands of shares is due to delivery of treasury shares from the “Board Benefit Trust (BBT)” to respective person.

4 The Company resolved at the Board of Directors meeting held on March 20, 2023 to cancel treasury stock in accordance with Article 178 of the Companies Act, but has not completed the cancellation procedures for the following treasury stock as of the end of the current fiscal year.

Book value ¥6,532 million (\$49,126 thousand)

Type of share Common stock

Number of share 8,000 thousands of shares

The cancellation procedures for the above treasury stock was completed on April 20, 2023.

2 Stock acquisition rights, etc.

No items to report.

3 Dividends

(1) Dividends paid

(a) Dividends paid during the year ended March 31, 2023

The following was approved by the Board of Directors held on May 16, 2022.

(a) Total dividends	¥1,356 million (\$10,197 thousand)
(b) Cash dividends per common share	¥15 (\$ 0.11)
(c) Record date	March 31, 2022
(d) Effective date	June 2, 2022

Note Total dividends include dividends of ¥16 million (\$123 thousand) to shares which are owned by “Board Benefit Trust (BBT)”

The following was approved by the Board of Directors held on November 7, 2022.

(a) Total dividends	¥1,429 million (\$10,752 thousand)
(b) Cash dividends per common share	¥16 (\$0.12)
(c) Record date	September 30, 2022
(d) Effective date	December 7, 2022

Note Total dividends include dividends of ¥16 million (\$123 thousand) to shares which are owned by “Board Benefit Trust (BBT)”

(2) Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2023

The following was approved by the Board of Directors held on May 15, 2023.

(a) Total dividends	¥1,395 million (\$10,495 thousand)
(b) Cash dividends per common share	¥16 (\$0.12)
(c) Record date	March 31, 2023
(d) Effective date	June 1, 2023

Note Total dividends include dividends of ¥16 million (\$123 thousand) to shares which are owned by “Board Benefit Trust (BBT)”

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

(Note to the Consolidated Statements of Cash Flows)

The reconciliation between year-end balance of cash and cash equivalents and amounts stated in the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash and deposits	¥ 1,598,274	¥ 1,299,070	\$ 12,018,912
Time deposits with maturities of over three months	(10)	(10)	(75)
Certificate of deposits with maturities of over three months	(2,000)	(4,002)	(15,039)
Cash and cash equivalents	¥ 1,596,264	¥ 1,295,058	\$ 12,003,797

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2023

(Financial Instruments)

1. Conditions of Financial instruments

(1) Management policy

The Company and a consolidated subsidiary, JSF Trust and Banking Co., Ltd. (“JSFTB”) mainly deal in financial instruments. The Company is engaged in providing loan services, mainly loans for margin transactions. The loans for margin transaction are loan services which are money lending or stock loan for settlement of standardized margin transactions. The transaction is strongly effected by security market condition, therefore, the Company raises money flexibly from short-term finance market, primarily from call market. The Company manages securities such as Japanese Government Bonds to manage the funds efficiently.

A consolidated subsidiary, JSFTB is engaged in providing credit services such as loans as banking business and finance and securities activities. JSFTB invests in highly liquid and safe-and-secure securities such as government bonds, local government bonds, public corporation bonds and government-backed bonds as securities investment activities and usually raises money through a trust account.

(2) Financial instruments and risks

Main financial instrument that the Company holds are trade loans receivable, collateral money for securities borrowed, short-term investments and investments in securities such as government bonds and equity securities. Collateral money for securities borrowed is the collateral for cash-secured bond lending transaction, cash-secured stock lending transaction and securities borrowed of loan on margin transactions. Main financial instrument that JSFTB holds are loans to government, other credit granting and securities such as government bonds, local government bonds, public corporation bonds and government-backed bonds. Trade loans receivable held by the Company and JSFTB are exposed to credit risks that caused from counterparties’ default of contract. Securities are exposed to market risks. Regarding raising money such as call money and short-term borrowings of the Company and JSFTB, the liabilities are exposed to liquidity risks that caused from turmoil in the financial markets or a credit rating down.

The Company has entered into forward exchange contract for hedging currency exchange risk of bonds denominated in foreign currency and interest rate swaps for hedging interest rate risk of fixed-rate bonds. Hedge accounting is applied to the derivatives and the Company regularly monitors the hedge effectiveness whether the relationship between hedging derivatives and hedged assets are appropriate and the currency exchange risk and the interest rate risk of hedged items are offset by hedging derivatives.

JSFTB has entered into interest rate swaps for hedging fixed-rate loans, bonds and borrowings as a part of interest risk control (ALM). Hedge accounting is applied to the derivatives held for ALM purpose, and the Company regularly monitors the hedge effectiveness whether the relationship between hedging derivatives and hedged assets or liabilities are appropriate.

(3) Financial instruments risk management

The Company places risk management as top priority of management. Basic policy of risk management is approved at the Board of Directors, and various rules for risk management according to the basic policy are established for concrete risk management method or system. The Company regularly receives a report from JSFTB concerning its risk management.

(i) Integrated risk management

The Company quantizes the risk by Value at Risk (VaR) approach after allocating risk capital within equity capital, and controls the quantized risk amount within the allocated risk capital. Each business operation department controls a risk within the allocated risk capital, risk management department that is independent from each operational section quantizes the risk, monitors the risk management and reports to the management.

(ii) Credit risk

The Company manages all of the credit risk strictly to maintain and improve assets quality. The Risk Management Department evaluates credit risks according to the in-house rating and quantizes and controls the credit risk using the default rate by each in-house rating category. Stress tests are also performed for compensating the quantization control. The Risk Management Department evaluates customers or loans, and sets up the credit limits, while business operation department monitors the credit limit. Assets owned by business operation departments are assessed by themselves strictly. The Company receives collateral securities for each loan and reevaluates the securities daily to mitigate the collectability

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

issues, and the Company collects the claims quickly through sale of the collaterals when the customer bankrupts.

(iii) Market risk

The Risk Management Department quantizes and controls market risks, and performs stress tests to compensate the quantization control. Back-testing which is the test compared calculated VaR and estimated profit or loss by using the fixed portfolio is performed to test the reliability of the Company's market risk quantization model.

(iv) Quantitative information of market risk

The Company calculates VaR of short-term investments and investments in securities by using Delta method (confidence interval: 99%, holding period: 10-240 days, observation period: 20 days-1 year (holding period and observation period are depending on purposes in holding)). Market risk amount (possible losses) of the Company is ¥6,220 million (\$46,774 thousand) as of March 31, 2023.

Because VaR is a statistical estimate of market risk amount at a particular probability using past market movement data, VaR may not capture the risk during radical market movements that are extreme in nature.

(v) Liquidity risk

The Treasury Department of the Company seeks to diversify financing channels and to secure stable financing sources. For sound cash flow management, the Company develops cash flow forecast, understands the amount can be raised or future liquidity and also understands dates of a large payment concentration, the Company has a system to report to the management with daily cash flow status. The Company tries to hold enough liquidity, for example, to possess a certain amount of government bonds, makes a contingency plan and builds a company-wide emergency response system against contingencies. Liquidity stress tests are performed monthly for ascertaining whether consolidated liquidity held by the Company and JSFTB is adequate. At the "ALM Committee" held in every quarter, the Company develops cash flow forecast based on estimates of loans outstanding, studies policies for ALM (Asset Liability Management) such as revenue management for assets and liabilities of the Company and the Company has a system to report to the management.

(vi) Subsidiary's risk control system

JSFTB basic policy of risk management is approved at the Board of Directors, and various rules for risk management according to the basic policy are established for concrete risk management method or system, and the Risk Management Department controls the risks totally. The Risk Management Department measures and monitors the risk quantity, collects and analyzes information and reports the risk condition to the management for maintaining the proper risk management.

JSFTB calculates market risk amount for all market transactions. Interest rate risk amount which is a major risk variable is calculated by VaR (Delta method; holding period: 1 year, confidence interval: 99%, observation period: 5 years). JSFTB market risk amount is ¥5,228 million (\$39,311 thousand) as of March 31, 2023.

(4) Supplemental explanation regarding fair value of financial instruments

The fair value might differ if different assumptions are used because to measure fair value of financial instruments, variable factors are considered. In addition, the contract amounts of derivative transactions in the Notes to "Derivative" are not in themselves indicative of the market risk associated with derivative transactions.

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

2. Fair value of financial instruments, etc.

Carrying amount in the consolidated balance sheets, fair values and differences are as follows:

Previous fiscal year (As of March 31, 2022)

	Millions of yen			
	Carrying amount	Fair value	Differences	
(1) Operating loans	¥ 891,485			
Allowance for doubtful accounts *2	(90)			
	¥ 891,395	¥ 891,396	¥	1
(2) Securities and investment securities *3				
Held-to-maturity securities	1,511	1,673		162
Available-for-sale securities	1,142,362	1,142,362		—
Assets total	¥ 2,035,268	¥ 2,035,432	¥	164
Long-term borrowings	¥ 4,000	¥ 3,998	¥	(1)
Liabilities total	¥ 4,000	¥ 3,998	¥	(1)
Derivative transactions *4	¥ 5,686	¥ 5,686	¥	—

Notes:

*1 Cash is omitted and deposits, call loans, securities purchased under resale agreements, cash collateral provided for securities borrowed, call money, short-term borrowings, commercial papers, securities sold under repurchase agreements and cash collateral received for securities lent are also omitted as most of these are settled in the short term and their fair value approximates their carrying amount.

*2 General and specific allowance for operating loans is deducted.

*3 The following financial instruments with no market prices are not included in “(2) Securities and investment securities”. Carrying amount of those financial instruments are as follows:

Millions of yen	
Unlisted equity securities	
Other securities	¥ 1,765
Investments in affiliates	4,595
Investments in investment limited partnership	1,986

*4 Net receivables and payables, which were derived from derivative transactions, are presented in net amounts, and any item for which the total becomes a net liability is indicated in parentheses.

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2023

Current fiscal year (As of March 31, 2023)

	Millions of yen			
	Carrying amount	Fair value	Differences	
(1) Operating loans	¥ 955,550			
Allowance for doubtful accounts *2	(121)			
	¥ 955,429	¥ 955,426	¥	(2)
(2) Securities and investment securities *3				
Available-for-sale securities	808,123	808,123		—
Assets total	¥ 1,763,553	¥ 1,763,550	¥	(2)
Long-term borrowings *4	¥ 233,700	¥ 232,763	¥	(936)
Liabilities total	¥ 233,700	¥ 232,763	¥	(936)
Derivative transactions *5	¥ 15,839	¥ 15,839	¥	—

	Thousands of U.S. dollars			
	Carrying amount	Fair value	Differences	
(1) Operating loans	\$ 7,185,670			
Allowance for doubtful accounts *2	(910)			
	\$ 7,184,760	\$ 7,184,738	\$	(22)
(2) Securities and investment securities *3				
Available-for-sale securities	6,077,030	6,077,030		—
Assets total	\$ 13,261,791	\$ 13,261,769	\$	(22)
Long-term borrowings *4	\$ 1,757,407	\$ 1,750,363	\$	(7,043)
Liabilities Total	\$ 1,757,407	\$ 1,750,363	\$	(7,043)
Derivative transactions *5	\$ 119,109	\$ 119,109	\$	—

Notes:

*1 Cash is omitted and deposits, call loans, securities purchased under resale agreements, cash collateral provided for securities borrowed, call money, short-term borrowings, commercial papers, securities sold under repurchase agreements and cash collateral received for securities lent are also omitted as most of these are settled in the short term and their fair value approximates their carrying amount.

*2 General and specific allowance for operating loans is deducted.

*3 The following financial instruments with no market prices are not included in “(2) Securities and investment securities”. Carrying amount of those financial instruments are as follows:

	Millions of yen	Thousands of U.S. dollars
Unlisted equity securities		
Other securities	¥ 1,786	\$ 13,436
Investments in affiliates	5,060	38,056
Investments in investment limited partnership	1,664	12,513

*4 Current portion of long-term borrowings are included in long-term borrowings.

*5 Net receivables and payables, which were derived from derivative transactions, are presented in net amounts, and any item for which the total becomes a net liability is indicated in parentheses.

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

Note 1. Projected future redemption of monetary claim and securities with maturities after the end of the fiscal year

Previous fiscal year (As of March 31, 2022)

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 1,299,070	¥ —	¥ —	¥ —
Operating loans	870,912	19,916	656	—
Securities purchased under resale agreements	3,928,146	—	—	—
Cash collateral provided for securities borrowed	6,349,422	150,000	—	—
Securities and investments securities				
Held-to-maturity securities (Government bonds)	—	—	—	1,500
Available-for-sale securities with maturities				
Bond securities				
1) Government bonds	6,000	65,767	51,400	395,000
2) Corporate bonds	100,319	311,619	34,275	—
3) Other	3,326	¥ 57,175	¥ 39,709	¥ 29,511
Total	¥ 12,557,196	¥ 604,477	¥ 126,040	¥ 426,011

Current fiscal year (As of March 31, 2023)

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 1,598,274	¥ —	¥ —	¥ —
Operating loans	930,245	25,127	177	—
Securities purchased under resale agreements	3,561,406	—	—	—
Cash collateral provided for securities borrowed	6,469,821	200,000	—	—
Securities and investments securities				
Available-for-sale securities with maturities				
Bond securities				
1) Government bonds	7,400	54,767	37,000	266,500
2) Corporate bonds	58,429	277,965	3,000	—
3) Other	3,094	40,964	20,529	14,369
Total	¥ 12,628,671	¥ 598,824	¥ 60,707	¥ 280,869

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

	Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	\$ 12,018,912	\$ —	\$ —	\$ —
Operating loans	6,995,379	188,957	1,333	—
Securities purchased under resale agreements	26,781,518	—	—	—
Cash collateral provided for securities borrowed	48,652,589	1,503,985	—	—
Securities and investments securities				
Available-for-sale securities with maturities				
Bond securities				
1) Government bonds	55,647	411,843	278,237	2,004,060
2) Corporate bonds	439,381	2,090,276	22,559	—
3) Other	23,271	308,053	154,382	108,053
Total	\$ 94,966,700	\$ 4,503,117	\$ 456,513	\$ 2,112,114

Note 2. Repayments schedule of long-term borrowings and other interest-bearing liabilities after the end of the fiscal year

Previous fiscal year (As of March 31, 2022)

	Millions of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Call money	¥ 1,858,400	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term borrowings	239,210	—	—	—	—	—
Commercial paper	496,000	—	—	—	—	—
Securities sold under repurchase agreements	5,544,898	—	—	—	—	—
Cash collateral received for securities lent	4,706,496	—	—	—	—	—
Long-term borrowings	—	1,000	—	—	—	3,000
Total	¥ 12,845,005	¥ 1,000	¥ —	¥ —	¥ —	¥ 3,000

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

Current fiscal year (As of March 31, 2023)

	Millions of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Call money	¥ 2,190,400	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term borrowings	92,010	—	—	—	—	—
Commercial paper	451,000	—	—	—	—	—
Securities sold under repurchase agreements	4,781,801	—	—	—	—	—
Cash collateral received for securities lent	5,073,776	—	—	—	—	—
Long-term borrowings	1,000	149,800	—	—	79,900	3,000
Total	¥ 12,589,987	¥ 149,800	¥ —	¥ —	¥ 79,900	¥ 3,000

	Thousands of U.S. dollars					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Call money	\$ 16,471,649	\$ —	\$ —	\$ —	\$ —	\$ —
Short-term borrowings	691,908	—	—	—	—	—
Commercial paper	3,391,487	—	—	—	—	—
Securities sold under repurchase agreements	35,958,799	—	—	—	—	—
Cash collateral received for securities lent	38,154,429	—	—	—	—	—
Long-term borrowings	7,519	1,126,485	—	—	600,842	22,559
Total	\$ 94,675,791	\$ 1,126,485	\$ —	\$ —	\$ 600,842	\$ 22,559

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

3. Breakdown of financial instruments by each fair value level

The fair value of financial instruments is classified into the following three levels, depending on the observability and materiality of the inputs used to measure fair value.

Level 1: Fair value based on quoted market prices for assets or liabilities that are the subject of the calculation of such fair value in an active market amongst the inputs to the measurement of observable fair value

Level 2: Fair value measured using inputs for the calculation of fair value other than Level 1 inputs amongst the inputs to the measurement of observable fair value

Level 3: Fair value measured using unobservable inputs for fair value calculations

Fair value is classified at the lowest priority level in the measurement of fair value among the levels to which each of those inputs belong where multiple inputs are used that have a significant impact on the measurement of fair value.

(1) Financial instruments that are stated at fair value in the accompanying consolidated balance sheets
Previous fiscal year (As of March 31, 2022)

Classification	Millions of yen			
	Fair value			Total
	Level 1	Level 2	Level 3	
Securities and investment securities				
Available-for-sale securities				
Equity securities	¥ 12,022	¥ —	¥ —	¥ 12,022
Bonds				
Government and local bonds, etc.	467,407	60,418	—	527,826
Corporate bonds	—	447,409	—	447,409
Other	80,764	44,836	—	125,600
Derivative transactions				
Currency-related	—	11	—	11
Interest-related	—	12,736	—	12,736
Debt-related	114	—	—	114
Assets total	¥ 560,308	¥ 565,412	¥ —	¥ 1,125,720
Derivative transactions				
Currency-related	¥ —	¥ 122	¥ —	¥ 122
Interest-related	—	6,111	—	6,111
Equity securities-related	943	—	—	943
Liabilities total	¥ 943	¥ 6,233	¥ —	¥ 7,176

Note Investment trusts of ¥29,504 million recorded on the consolidated balance sheets at fair value are not included in the table above in accordance with Paragraph 26 of the “Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019).

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

Current fiscal year (As of March 31, 2023)

Classification	Millions of yen			
	Fair value			Total
	Level 1	Level 2	Level 3	
Securities and investment securities				
Available-for-sale securities				
Equity securities	¥ 11,493	¥ —	¥ —	¥ 11,493
Bonds				
Government and local bonds, etc.	295,746	60,335	—	356,081
Corporate bonds	—	340,053	—	340,053
Other	13,317	59,270	—	72,587
Other	11,740	16,167	—	27,907
Derivative transactions				
Currency-related	—	1	—	1
Interest-related	—	17,866	—	17,866
Assets total	¥ 332,297	¥ 493,693	¥ —	¥ 825,991
Derivative transactions				
Currency-related	¥ —	¥ 28	¥ —	¥ 28
Interest-related	—	1,946	—	1,946
Equity securities-related	53	—	—	53
Liabilities total	¥ 53	¥ 1,974	¥ —	¥ 2,028

Classification	Thousands of U.S. dollars			
	Fair value			Total
	Level 1	Level 2	Level 3	
Securities and investment securities				
Available-for-sale securities				
Equity securities	\$ 86,428	\$ —	\$ —	\$ 86,428
Bonds				
Government and local bonds, etc.	2,223,995	453,715	—	2,677,710
Corporate bonds	—	2,557,174	—	2,557,174
Other	100,144	445,709	—	545,853
Other	88,287	121,575	—	209,863
Derivative transactions				
Currency-related	—	8	—	8
Interest-related	—	134,358	—	134,358
Assets total	\$ 2,498,855	\$ 3,712,542	\$ —	\$ 6,211,397
Derivative transactions				
Currency-related	\$ —	\$ 211	\$ —	\$ 211
Interest-related	—	14,639	—	14,639
Equity securities-related	405	—	—	405
Liabilities total	\$ 405	\$ 14,851	\$ —	\$ 15,257

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

(2) Financial instruments other than that are stated at fair value in the accompanying consolidated balance sheets

Previous fiscal year (As of March 31, 2022)

Classification	Millions of yen							
	Fair value							
	Level 1	Level 2	Level 3	Total				
Operating loans	¥	—	¥	526,090	¥	365,306	¥	891,396
Securities and investment securities								
Held-to-maturity securities								
Government and local bonds, etc.		1,673		—		—		1,673
Assets total	¥	1,673	¥	526,090	¥	365,306	¥	893,070
Long-term borrowings	¥	—	¥	3,998	¥	—	¥	3,998
Liabilities total	¥	—	¥	3,998	¥	—	¥	3,998

Current fiscal year (As of March 31, 2023)

Classification	Millions of yen							
	Fair value							
	Level 1	Level 2	Level 3	Total				
Operating loans	¥	—	¥	502,453	¥	452,973	¥	955,426
Assets total	¥	—	¥	502,453	¥	452,973	¥	955,426
Long-term borrowings (Note)	¥	—	¥	232,763	¥	—	¥	232,763
Liabilities total	¥	—	¥	232,763	¥	—	¥	232,763

Note Current portion of long-term borrowings are included in long-term borrowings.

Classification	Thousands of U.S. dollars							
	Fair value							
	Level 1	Level 2	Level 3	Total				
Operating loans	\$	—	\$	3,778,410	\$	3,406,328	\$	7,184,738
Assets total	\$	—	\$	3,778,410	\$	3,406,328	\$	7,184,738
Long-term borrowings (Note)	\$	—	\$	1,750,363	\$	—	\$	1,750,363
Liabilities total	\$	—	\$	1,750,363	\$	—	\$	1,750,363

Note Current portion of long-term borrowings are included in long-term borrowings.

Note Explanation of valuation methods and inputs used to calculate fair value

Securities and investment securities

Securities and investment securities for which unadjusted quoted market prices in active markets are available are classified as Level 1 fair value. This mainly includes listed equities, listed mutual funds, and government bonds. If the market is not active, even if published quoted market prices are used, the market value is classified as Level 2 fair value. This mainly includes municipal bonds and corporate bonds. For mutual funds for which no market trading prices exist, reference prices are used as fair value and classified as Level 2 fair value if there are no material restrictions that would require compensation for the risk from market participants with respect to cancellation or repurchase requests.

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

Operating loans

For operating loans with variable interest rates, the carrying amounts are used as the fair value because the fair value approximates the carrying amounts if the credit conditions of the borrowers have not changed significantly since the loans were made, as the variable interest rate reflects the market interest rates in a short period of time. For long-term loans with fixed interest rates, the fair value is calculated for each category based on the term by discounting the total amount of principal by the market interest rate. For short-term loans with fixed interest rates, the carrying amounts are used as the fair value because the fair value approximates the carrying amounts. The fair value of doubtful receivables is calculated based on the estimated amount of collection from collateral and guarantees, etc. and the fair value approximates the balance sheet amount on the end of consolidated fiscal year less the current estimated uncollectable amount, and such amounts are used as the fair value. Credit risk is considered in calculating these fair values, and if the impact of unobservable inputs is significant, the fair value is classified as Level 3; otherwise, the fair value is classified as Level 2.

Long-term borrowings

For long-term loans with variable interest rates, the carrying amount are used as fair value because the fair value approximates the carrying amount since the variable interest rate reflects the market interest rate in a short period of time and the Company's credit status has not changed significantly since the execution of the loans. For those with fixed interest rates are calculated using the discounted present value method based on the total amount of principal and interest rate that takes into account the remaining term of the debt and credit risk. When unobservable inputs are not used in the calculation of these fair values, or when the effect of such inputs is not significant, the fair value is classified as Level 2.

Derivative transactions

Stock index futures transactions are valued using quoted market prices and are classified as Level 1 because they are traded in active markets. The fair values of interest rate swaps and foreign exchange contracts are determined using the discounted present value method with observable inputs such as interest rates and foreign exchange rates, and are classified as Level 2.

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

(Securities)

1. Held-to-maturity debt securities with market value

Previous fiscal year (As of March 31, 2022)

	Type	Millions of yen		
		Carrying amount	Fair value	Differences
Fair value exceeds the carrying amount	(1) Government bonds, local bonds, etc.	¥ 1,511	¥ 1,673	¥ 162
	(2) Corporate bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	¥ 1,511	¥ 1,673	¥ 162
Fair value not exceed the carrying amount	(1) Government bonds, local bonds, etc.	¥ —	¥ —	—
	(2) Corporate bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	¥ —	¥ —	—
Total	¥ 1,511	¥ 1,673	¥ 162	

Current fiscal year (As of March 31, 2023)

No items to report.

2. Available-for-sale securities with market value

Previous fiscal year (As of March 31, 2022)

	Type	Millions of yen		
		Carrying amount	Acquisition cost	Differences
Carrying amount exceeding acquisition cost	(1) Equity securities	¥ 11,708	¥ 3,890	¥ 7,818
	(2) Bonds			
	Government bonds, municipal bonds, etc.	266,390	250,879	15,511
	Corporate bonds	11,733	11,700	32
	Other	42,943	40,264	2,679
	(3) Others	14,829	10,407	4,421
	Subtotal	¥ 347,606	¥ 317,142	¥ 30,463
Carrying amount not exceeding acquisition cost	(1) Equity securities	¥ 313	¥ 345	(32)
	(2) Bonds			
	Government bonds, local bonds, etc.	261,435	272,679	(11,243)
	Corporate bonds	435,675	436,495	(819)
	Other	82,656	85,229	(2,573)
	(3) Others	14,674	14,674	(0)
	Subtotal	¥ 794,756	¥ 809,424	¥ (14,668)
Total		¥ 1,142,362	¥ 1,126,567	¥ 15,794

Note Consolidated balance sheet carrying amounts of ¥1,765 million for unlisted equity securities, and ¥1,986 million for investments in investment limited partnership are not included above because they do not have market prices and their fair value is extremely difficult to measure.

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

Current fiscal year (As of March 31, 2023)

	Type	Millions of yen		
		Carrying amount	Acquisition cost	Differences
Carrying amount exceeding acquisition cost	(1) Equity securities	¥ 11,493	¥ 4,235	¥ 7,257
	(2) Bonds			
	Government bonds, municipal bonds, etc.	83,370	77,456	5,913
	Corporate bonds	82,512	82,490	21
	Other	3,811	3,276	534
	(3) Others	27,380	21,648	5,732
	Subtotal	¥ 208,567	¥ 189,107	¥ 19,460
	(1) Equity securities	¥ —	¥ —	¥ —
	(2) Bonds			
	Government bonds, local bonds, etc.	272,711	290,256	(17,544)
Corporate bonds	257,540	258,099	(558)	
Other	68,776	73,192	(4,416)	
(3) Others	526	542	(16)	
Subtotal	¥ 599,555	¥ 622,091	¥ (22,535)	
Total	¥ 808,123	¥ 811,199	¥ (3,075)	

Note Consolidated balance sheet carrying amounts of ¥1,786 million (\$13,436 thousand) for unlisted equity securities, and ¥1,664 million (\$12,513 thousand) for investments in investment limited partnership are not included above because they do not have market prices and their fair value is extremely difficult to measure.

	Type	Thousands of U.S. dollars		
		Carrying amount	Acquisition cost	Differences
Carrying amount exceeding acquisition cost	(1) Equity securities	\$ 86,428	\$ 31,854	\$ 54,574
	(2) Bonds			
	Government bonds, local bonds, etc.	626,936	582,463	44,472
	Corporate bonds	620,486	620,323	163
	Other	28,662	24,639	4,022
	(3) Others	205,902	162,796	43,105
	Subtotal	\$ 1,568,416	\$ 1,422,077	\$ 146,338
	(1) Equity securities	\$ —	\$ —	\$ —
	(2) Bonds			
	Government bonds, local bonds, etc.	2,050,774	2,182,710	(131,935)
Corporate bonds	1,936,687	1,940,886	(4,198)	
Other	517,191	550,402	(33,210)	
(3) Others	3,961	4,082	(121)	
Subtotal	\$ 4,508,614	\$ 4,678,081	\$ (169,466)	
Total	\$ 6,077,030	\$ 6,100,158	\$ (23,127)	

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

3. Available-for-sale securities sold during the fiscal year
Previous fiscal year (From April 1, 2021 to March 31, 2022)

	Millions of yen					
	Proceeds from sale		Gross realized gains		Gross realized losses	
(1) Equity securities	¥	2,778	¥	1,344	¥	300
(2) Bonds						
Government bonds, local bonds, etc.		7,412		7		2
Corporate bonds		—		—		—
Other		7,869		57		277
(3) Others		3,832		46		1,127
	¥	21,892	¥	1,456	¥	1,707

Current fiscal year (From April 1, 2022 to March 31, 2023)

	Millions of yen					
	Proceeds from sale		Gross realized gains		Gross realized losses	
(1) Equity securities	¥	—	¥	—	¥	—
(2) Bonds						
Government bonds, local bonds, etc.		155,348		4,854		101
Corporate bonds		47,904		52		212
Other		59,991		116		6,846
(3) Others		4,402		605		—
	¥	267,646	¥	5,629	¥	7,160

	Thousands of U.S. dollars					
	Proceeds from sale		Gross realized gains		Gross realized losses	
(1) Equity securities	\$	—	\$	—	\$	—
(2) Bonds						
Government bonds, local bonds, etc.		1,168,205		36,506		762
Corporate bonds		360,236		394		1,597
Other		451,134		878		51,484
(3) Others		33,103		4,552		—
	\$	2,012,680	\$	42,331	\$	53,844

4. Reclassified securities for which the purpose of holding has changed

In the current fiscal year, the entire amount of government bonds (consolidated balance sheet amount: ¥1,510 million (\$11,362 thousand)), which were previously held to maturity, were changed to available-for-sale securities. This was due to a change in fund management policy. The impact of this change on the consolidated financial statements is immaterial.

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

(Derivative Transactions)

1. Derivative transactions for which hedge accounting is not applied

Currency-related

Previous fiscal year (As of March 31, 2022)

Category	Nature of transaction	Millions of yen			
		Contract amounts	Of which within one year	Fair value	Gains or losses on valuation
	Forward exchange contract:				
	Sell:				
Non-market transactions	U.S. dollars	¥ 1,024	¥ —	¥ (34)	¥ (34)
	Euro	1,375	—	(61)	(61)
	Australian dollars	640	—	(24)	(24)
	Buy:				
	U.S. dollars	182	—	9	9

Current fiscal year (As of March 31, 2023)

Category	Nature of transaction	Millions of yen			
		Contract amounts	Of which within one year	Fair value	Gains or losses on valuation
	Forward exchange contract:				
	Sell:				
Non-market transactions	U.S. dollars	¥ 14	¥ —	¥ (0)	¥ (0)
	Euro	293	—	(8)	(8)
	Buy:				
	U.S. dollars	686	—	(4)	(4)

Category	Nature of transaction	Thousands of U.S. dollars			
		Contract amounts	Of which within one year	Fair value	Gains or losses on valuation
	Forward exchange contract:				
	Sell:				
Non-market transactions	U.S. dollars	\$ 109	\$ —	\$ (1)	\$ (1)
	Euro	2,204	—	(67)	(67)
	Buy:				
	U.S. dollars	5,165	—	(37)	(37)

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

2. Derivative transactions for which hedge accounting is applied

(1) Currency derivatives

Previous fiscal year (As of March 31, 2022)

No items to report.

Current fiscal year (As of March 31, 2023)

Hedge accounting method	Nature of transaction	Hedged items	Millions of yen		
			Contract or notional amounts	Of which over one year	Fair value
*1	Forward exchange contract: Sell Euro	Investments securities	¥ 501	¥ —	¥ (12)

Note:

*1 Deferred hedge accounting is applied.

Hedge accounting method	Nature of transaction	Hedged items	Thousands of U.S. dollars		
			Contract or notional amounts	Of which over one year	Fair value
*1	Forward exchange contract: Sell Euro	Investments securities	\$ 3,768	\$ —	\$ (96)

Note:

*1 Deferred hedge accounting is applied.

(2) Interest rate derivatives

Previous fiscal year (As of March 31, 2022)

Hedge accounting method	Nature of transaction	Hedged items	Millions of yen		
			Contract or notional amounts	Of which over one year	Fair value
*1	Interest rate swaps: Variable rate received for fixed rate	Securities and Investments securities	¥ 825,668	¥ 808,349	¥ 6,625
*2	Interest rate swaps: Variable rate received for fixed rate	Operating loans	¥ 98,427	¥ 19,180	¥ *3
	Variable rate paid for fixed rate	Long-term borrowings	¥ 3,000	¥ 3,000	¥ *3

Notes:

*1 Deferred hedge accounting is applied.

*2 The difference in amounts to be paid or received on interest rate swaps is recognized over the life of the agreements as an adjustment to interest expense.

*3 For the assets and liabilities for which interest rate swap contracts are used to hedge the interest rate fluctuations, fair value of derivative financial instrument is included in fair value of the respective assets and liabilities as hedged items.

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

Current fiscal year (As of March 31, 2023)

Hedge accounting method	Nature of transaction	Hedged items	Millions of yen		
			Contract or notional amounts	Of which over one year	Fair value
*1	Interest rate swaps: Variable rate received for fixed rate	Securities and Investments securities	¥ 682,371	¥ 655,543	¥ 15,523
	Variable rate paid for fixed rate	Long-term borrowings	¥ 126,000	¥ 126,000	¥ 396
*2	Interest rate swaps: Variable rate received for fixed rate	Operating loans	¥ 14,385	¥ 14,385	¥ *3
	Variable rate paid for fixed rate	Long-term borrowings	¥ 29,100	¥ 29,100	¥ *3

Notes:

*1 Deferred hedge accounting is applied.

*2 The difference in amounts to be paid or received on interest rate swaps is recognized over the life of the agreements as an adjustment to interest expense.

*3 For the assets and liabilities for which interest rate swap contracts are used to hedge the interest rate fluctuations, fair value of derivative financial instrument is included in fair value of the respective assets and liabilities as hedged items.

Hedge accounting method	Nature of transaction	Hedged items	Thousands of U.S. dollars		
			Contract or notional amounts	Of which over one year	Fair value
*1	Interest rate swaps: Variable rate received for fixed rate	Securities and Investments securities	\$ 5,131,382	\$ 4,929,638	\$ 116,734
	Variable rate paid for fixed rate	Long-term borrowings	\$ 947,510	\$ 947,510	\$ 2,984
*2	Interest rate swaps: Variable rate received for fixed rate	Operating loans	\$ 108,174	\$ 108,174	\$ *3
	Variable rate paid for fixed rate	Long-term borrowings	\$ 218,829	\$ 218,829	\$ *3

Notes:

*1 Deferred hedge accounting is applied.

*2 The difference in amounts to be paid or received on interest rate swaps is recognized over the life of the agreements as an adjustment to interest expense.

*3 For the assets and liabilities for which interest rate swap contracts are used to hedge the interest rate fluctuations, fair value of derivative financial instrument is included in fair value of the respective assets and liabilities as hedged items.

(3) Bond derivatives

Previous fiscal year (As of March 31, 2022)

Hedge accounting method	Nature of transaction	Hedged items	Millions of yen		
			Contract or notional amounts	Of which over one year	Fair value
*1	Bond futures: Sell	Investments securities	¥ 3,053	—¥	114

Note *1 Deferred hedge accounting is applied.

Current fiscal year (As of March 31, 2023)

No items to report.

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

(4) Stock derivatives

Previous fiscal year (As of March 31, 2022)

Hedge accounting method	Nature of transaction	Hedged items	Millions of yen		
			Contract or notional amounts	Of which over one year	Fair value
*1	Stock index futures:				
	Sell	Investments securities	¥ 8,984	¥ —	(943)

Note *1 Deferred hedge accounting is applied.

Current fiscal year (As of March 31, 2023)

Hedge accounting method	Nature of transaction	Hedged items	Millions of yen		
			Contract or notional amounts	Of which over one year	Fair value
*1	Stock index futures:				
	Sell	Investments securities	¥ 9,602	¥ —	(53)

Note *1 Deferred hedge accounting is applied.

Hedge accounting method	Nature of transaction	Hedged items	Thousands of U.S. dollars		
			Contract or notional amounts	Of which over one year	Fair value
*1	Stock index futures:				
	Sell	Investments securities	\$ 72,213	\$ —	(405)

Note *1 Deferred hedge accounting is applied.

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

(Retirement Benefits)

1. Outline of retirement benefit plans

The Company has defined benefit plans which consist of a defined benefit corporate pension plan and a lump-sum retirement benefit plan, and a defined contribution pension plan. The Company has established retirement benefit trust for the defined benefit corporate pension plan and the lump-sum retirement benefit plan.

Consolidated subsidiaries' main retirement plan is a defined benefit lump-sum retirement plan and the simplified method has been adopted for the calculation of retirement benefit liability and retirement benefit expenses for the plans.

2. Defined benefit plan

(1) Reconciliation of changes in retirement benefit obligation (the following table excludes certain plans mentioned in (3))

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Retirement benefit obligation at beginning of year	¥ 9,187	¥ 9,421	\$ 69,089
Service cost	282	320	2,122
Interest cost	51	28	384
Actuarial gains and losses	(211)	(213)	(1,587)
Benefits paid	(308)	(369)	(2,321)
Past service costs incurred	(671)	—	(5,050)
Retirement benefit obligation at end of year	¥ 8,329	¥ 9,187	\$ 62,636

(2) Reconciliation of changes in plan assets (the following table excludes certain plans mentioned in (3))

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Plan assets at beginning of year	¥ 9,624	¥ 9,482	\$ 72,376
Expected return on plan assets	192	189	1,447
Actuarial gains and losses	(304)	106	(2,290)
Employer contributions	278	119	2,091
Benefits paid	(281)	(273)	(2,114)
Plan assets at end of year	¥ 9,509	¥ 9,624	\$ 71,510

(3) Reconciliation of changes in retirement benefit liability whose plans adopted the simplified method

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Retirement benefit liability at beginning of year	¥ 213	¥ 184	\$ 1,608
Retirement benefit expenses	36	51	275
Benefits paid	(32)	(22)	(247)
Contributions	(0)	(0)	(2)
Retirement benefit liability at end of year	¥ 217	¥ 213	\$ 1,633

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

(4) Reconciliation between retirement benefit obligation and plan assets and liability for retirement benefit and asset for retirement benefit recognized in consolidated balance sheets

	Millions of yen		Thousands of
	2023	2022	U.S. dollars 2023
Funded retirement benefit obligation	¥ 8,329	¥ 9,187	\$ 62,636
Plan assets	(9,509)	(9,624)	(71,510)
	(1,180)	(437)	(8,873)
Unfunded retirement benefit obligation	217	213	1,633
Net liability and asset recognized in consolidated balance sheets	¥ (962)	¥ (223)	\$ (7,239)
	217	213	1,633
Liability for retirement benefit	¥ (1,180)	¥ (437)	\$ (8,873)
Net liability and asset recognized in consolidated balance sheets	¥ (962)	¥ (223)	\$ (7,239)

(5) The components of retirement benefit expenses

	Millions of yen		Thousands of
	2023	2022	U.S. dollars 2023
Service cost	¥ 282	¥ 320	\$ 2,122
Interest cost	51	28	384
Expected return on plan assets	(192)	(189)	(1,447)
Amortization of actuarial gains or losses	(43)	1	(330)
Past service costs recorded as expenses*1	(671)	—	(5,050)
Retirement benefit expenses calculated by the simplified method	36	51	275
Retirement benefit expenses	¥ (538)	¥ 212	\$ (4,046)

Note *1 Past service costs recorded as expenses was recognized as a result of revision of the Company's retirement benefit plan, and is recorded as "Gain on revision of retirement benefit plan" in extraordinary income.

(6) Remeasurements of retirement benefit plans before related tax effects

	Millions of yen		Thousands of
	2023	2022	U.S. dollars 2023
Actuarial gains or losses	¥ (137)	¥ 321	\$ (1,034)
Total	¥ (137)	¥ 321	\$ (1,034)

(7) Accumulated remeasurements of retirement benefit plans before related tax effects

	Millions of yen		Thousands of
	2023	2022	U.S. dollars 2023
Unamortized actuarial gains or losses	¥ (172)	¥ (309)	\$ (1,294)
Total	¥ (172)	¥ (309)	\$ (1,294)

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2023

(8) Plan assets

(a) Percentage by major category of plan assets

	2023	2022
Debt securities	26.9%	39.1%
Equity securities	33.7	34.3
General account	9.5	9.4
Other	29.9	17.2
Total	100.0%	100.0%

Note Plan assets as of March 31, 2023 and 2022 include the retirement benefit trust contributed for the years ended March 31, 2023 and 2022 which are 9.0% and 9.4% of total plan assets, respectively.

(b) Determination procedure of long-term expected rate of return on plan assets

In determining long-term expected rate of return on plan assets, the Company considers the current and projected asset allocation, as well as current and future long-term rate of returns for various categories of the plan assets.

(9) Basis for calculation of actuarial assumptions

The assumptions used in accounting for the above plans as of March 31, 2023 and 2022 are as follows:

	2023	2022
(a) Discount rate	0.9%	0.5%
(b) Long-term expected rate of return on plan assets	2.0%	2.0%
(c) Expected salary increase rate	5.2%	5.2%

3. Defined contribution plans

For the years ended March 31, 2023 and 2022, the amount to be paid by the Company and its consolidated subsidiaries to the defined contribution plans was ¥35 million (\$267 thousand) and ¥36 million, respectively.

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

(Tax Effect Accounting)

1. The principal components of deferred tax assets and deferred tax liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Accrued business tax	¥ 84	¥ 103	\$ 633
Accrued bonuses	152	143	1,145
Retirement benefit liability	575	843	4,325
Allowance for doubtful accounts	35	24	267
Deferred losses on hedges	4,876	10,259	36,672
Net unrealized loss on available-for-sale securities	7,907	5,003	59,464
Other	276	305	2,077
Subtotal	13,907	16,682	104,585
Valuation allowance	(98)	(87)	(738)
Deferred tax assets total	13,809	16,595	103,846
Deferred tax liabilities:			
Gain on evaluation of subsidiaries' assets	(154)	(154)	(1,165)
Net unrealized gain on other securities	(6,024)	(9,379)	(45,301)
Gain on evaluation of acquired assets by merger	(452)	(452)	(3,404)
Deferred loss on hedges	(9,193)	(9,390)	(69,137)
Other	(180)	(229)	(1,357)
Deferred tax liabilities total	(16,006)	(19,607)	(120,366)
Net deferred tax liabilities	¥ (2,196)	¥ (3,011)	\$ (16,519)

2. The reconciliation of the statutory tax rate and the effective tax rate when there is a significant difference

	2023	2022
Statutory tax rate	30.6%	30.6%
Equity in gains of affiliates	(1.9)	(1.9)
Expenses not deductible for tax purposes	0.5	0.5
Valuation allowance	0.1	(1.0)
Income not credited for tax purposes	(21.5)	(6.9)
Elimination of dividend income	19.5	5.6
Other	0.6	0.7
Effective tax rate	27.9%	27.6%

(Revenue Recognition)

Information on the revenue recognition is omitted as revenue subject to the "Account Standards for Revenue Recognition" is immaterial for "Securities finance business", "Trust banking business" and "Real estate leasing business" which are conducted by the Group.

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

(Segment Information)

1. Outline of the reportable segments

The reportable segments of the Group are the business units for which the Group is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results.

“Securities finance business” conducted by the Company, “Trust banking business” conducted by JSF Trust and Banking Co., Ltd., a consolidated subsidiary and “Real estate leasing business” conducted by Nihon Building Co., Ltd., a consolidated subsidiary, are the Group’s reportable segments.

“Securities finance business” is engaged in providing loan services, government and corporate bond financing and general loans, bond lending and stock lending. “Trust banking business” is engaged in providing trust services such as securities trust and banking services such as deposit or loan. “Real estate leasing business” is mainly engaged in providing services for leasing and managing real estate owned by the Group.

2. Calculation methods of operating revenue, profit or loss, assets, liabilities and other items for each reportable segment.

As the methods of accounting treatment for the reported business segments are the same as description in the “Basis of Presentation of the Consolidated Financial Statements”.

Profits by reportable segments are based on ordinary profit base. Intersegment revenue and transfer are based on arms-length transactions.

3. Information on operating revenue, profit or loss, assets, liabilities and other items for each reportable segment

Previous fiscal year (From April 1, 2021 to March 31, 2022)

	Millions of yen							
	Securities finance		Trust banking		Real estate leasing		Total	
Revenues:								
Revenues to third parties	¥	26,558	¥	2,737	¥	841	¥	30,138
Intersegment revenues and transfers		28		222		445		696
Total	¥	26,586	¥	2,960	¥	1,286	¥	30,834
Segment profit	¥	5,928	¥	1,385	¥	707	¥	8,021
Segment assets	¥	12,714,123	¥	1,557,744	¥	9,614	¥	14,281,482
Others:								
Depreciation and amortization	¥	993	¥	104	¥	96	¥	1,194
Interest income		294		—		16		311
Extraordinary income		40		—		—		40
(Gain on sale of non-current assets)		(40)		(—)		(—)		(40)
Income taxes		1,371		361		241		1,974

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

Current fiscal year (From April 1, 2022 to March 31, 2023)

	Millions of yen						
	Securities finance		Trust banking		Real estate leasing		Total
Revenues:							
Revenues to third parties	¥	38,594	¥	3,115	¥	808	¥ 42,518
Intersegment revenues and transfers		36		249		389	675
Total	¥	38,631	¥	3,364	¥	1,197	¥ 43,194
Segment profit	¥	10,274	¥	1,415	¥	651	¥ 12,342
Segment assets	¥	12,482,291	¥	1,758,123	¥	7,788	¥ 14,248,203
Others:							
Depreciation and amortization	¥	482	¥	105	¥	94	¥ 681
Interest income		247		—		13	260
Extraordinary income		671		—		—	671
(Gain on revision of retirement benefit plan)		(671)		(—)		(—)	(671)
Income taxes		1,644		439		221	2,306

	Thousands of U.S. dollars						
	Securities finance		Trust banking		Real estate leasing		Total
Revenues:							
Revenues to third parties	\$	290,231	\$	23,428	\$	6,078	\$ 319,737
Intersegment revenues and transfers		274		1,873		2,930	5,078
Total	\$	290,505	\$	25,301	\$	9,008	\$ 324,815
Segment profit	\$	77,267	\$	10,642	\$	4,902	\$ 92,812
Segment assets	\$	93,865,932	\$	13,220,959	\$	58,568	\$ 107,145,460
Others:							
Depreciation and amortization	\$	3,625	\$	793	\$	707	\$ 5,126
Interest income		1,859		—		99	1,958
Extraordinary income		5,050		—		—	5,050
(Gain on revision of retirement benefit plan)		(5,050)		(—)		(—)	(5,050)
Income taxes		12,364		3,307		1,669	17,341

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

4. Reconciliation between total amounts of reportable segments and consolidated financial statements

Operating profit	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Total segment profit	¥ 43,194	¥ 30,834	\$ 324,815
Elimination of intersegment transactions	(675)	(696)	(5,078)
Other	—	—	—
Operating profit in consolidated financial statements	¥ 42,518	¥ 30,138	\$ 319,737

Ordinary profit	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Total segment profit	¥ 12,342	¥ 8,021	\$ 92,812
Elimination of intersegment transactions	(5,264)	(1,303)	(39,587)
Share of profit of entities accounted for using equity method	523	446	3,938
Other	—	—	—
Ordinary profit in consolidated financial statements	¥ 7,601	¥ 7,164	\$ 57,162

Assets	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Total segment assets	¥ 14,248,203	¥ 14,281,482	\$ 107,145,460
Elimination of intersegment credits	(172,025)	(91,221)	(1,293,621)
Elimination of investments and capital	(24,913)	(26,268)	(187,349)
Other	4,953	4,664	37,250
Total assets in consolidated financial statements	¥ 14,056,217	¥ 14,168,656	\$ 105,701,740

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

	Millions of yen			Amounts in the consolidated financial statements		
	Other items	Segment total	Adjustments			
<u>March 31, 2022</u>						
Depreciation and amortization	¥	1,194	¥	0	¥	1,195
Interest income		311		(16)		294
Extraordinary income		40		—		40
(Gain on sale of non-current assets)		(40)		(—)		(40)
Income taxes		1,974		(2)		1,972
<u>March 31, 2023</u>						
Depreciation and amortization	¥	681	¥	0	¥	682
Interest income		260		(13)		247
Extraordinary income		671		—		671
(Gain on revision of retirement benefit plan)		(671)		(—)		(671)
Income taxes		2,306		0		2,306

	Thousands of U.S. dollars			Amounts in the consolidated financial statements		
	Other items	Segment total	Adjustments			
<u>March 31, 2023</u>						
Depreciation and amortization	\$	5,126	\$	2	\$	5,128
Interest income		1,958		(99)		1,859
Extraordinary income		5,050		—		5,050
Gain on revision of retirement benefit plan		(5,050)		(—)		(5,050)
Income taxes		17,341		1		17,343

[Related information]

Previous fiscal year (From April 1, 2021 to March 31, 2022)

1. Information by products and services

	Millions of yen							
	2022							
	Loans for margin transaction	Bond lending	Other	Total				
Operating revenue to external customers	¥	6,118	¥	11,985	¥	12,033	¥	30,138

2. Geographic information

(1) Operating revenue

Because revenues from external customers inside Japan are over 90% of operating revenue in the consolidated statement of income, the geographic information is not disclosed.

(2) Property, plant and equipment

Because there are no property, plant and equipment outside Japan, the geographic information is not disclosed.

3. Information by major customers

Because no particular customer whose operating revenue is over 10% of operating revenue in the consolidated statement of income exists, the information by major customers is not disclosed.

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

Current fiscal year (From April 1, 2022 to March 31, 2023)

1. Information by products and services

	Millions of yen			
	2023			
	Loans for margin transaction	Bond lending	Other	Total
Operating revenue to external customers	¥ 8,003	¥ 18,037	¥ 16,477	¥ 42,518

	Thousands of U.S. dollars			
	2023			
	Loans for margin transaction	Bond lending	Other	Total
Operating revenue to external customers	\$ 60,187	\$ 135,638	\$ 123,911	\$ 319,737

2. Geographic information

(1) Operating revenue

Because revenues from external customers inside Japan are over 90% of operating revenue in the consolidated statement of income, the geographic information is not disclosed.

(2) Property, plant and equipment

Because there are no property, plant and equipment outside Japan, the geographic information is not disclosed.

3. Information by major customers

Because no particular customer whose operating revenue is over 10% of operating revenue in the consolidated statement of income exists, the information by major customers is not disclosed.

[Information of impairment losses on fixed assets by reportable segments]

No items to report.

[Amortization and unamortized balance of goodwill by reportable segments]

No items to report.

[Negative goodwill incurred by reported segments]

No items to report.

[Information of related parties]

1. Business transactions with related parties

No items to report.

2. Note to significant affiliate companies

No items to report.

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

(Per Share Information)

	Yen		U.S. dollars	
	2023	2022	2023	
Net assets per share	¥ 1,574.64	¥ 1,545.03	\$	11.84
Profit per share	67.76	56.61		0.5

Notes:

1. Diluted profit per share for the previous and current fiscal year are not stated as there are no potential shares that have dilutive effect.

2. The basis for calculating net assets per share is as follows:

	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	
Total net assets	¥ 135,728	¥ 137,996	\$	1,020,665
Amount deducted from total net assets	—	—		—
Net assets applicable to common shareholders	¥ 135,728	¥ 137,996	\$	1,020,665

	Number of shares (Thousands)	
	2023	2022
Number of common shares outstanding	96,000	96,000
Number of common treasury shares	9,803	6,683
Number of common shares outstanding on which net assets per share is calculated	86,196	89,316

3. The basis for calculating profit per share is as follows:

	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	
Profit attributable to owners of parent	¥ 5,966	¥ 5,174	\$	44,869
Profit not attributable to common shareholders	—	—		—
Profit applicable to common shareholders of the parent company	¥ 5,966	¥ 5,174	\$	44,869

	Number of shares (Thousands)	
	2023	2022
Weighted average number of common shares	88,051	91,401

4. For calculating “Net assets per share”, the Company’s own stocks which are held by the trust (BBT) (1,077 and 1,022 thousands shares for previous and current fiscal year, respectively) are included in the treasury stocks which are excluded from the calculation of number of shares outstanding at end of year.

For calculating “Profit per share”, the Company’s own stocks which are held by the trust (BBT) (1,086 and 1,035 thousands shares for previous and current fiscal year, respectively) are included in the treasury stocks which are excluded from the calculation of weighted average number of shares.

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

(Subsequent Event)

(Acquisition of treasury shares)

The Company's Board of Directors held on May 9, 2023 has resolved to acquire treasury shares pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, paragraph (3) of the same Act.

1. Reasons for the acquisition of treasury shares

The Company acquires treasury shares in accordance with Shareholder Return Policy, aim for a total return ratio of 100% on a cumulative basis from FY2021 through FY2025 by the flexible payment of dividends and acquisition of treasury shares.

2. Details of matters related to acquisition

(1) Class of shares to be acquired

Common shares of the Company

(2) Total number of shares that can be acquired

Up to 3,300,000 shares (3.8% of the total number of issued shares excluding treasury shares)

(3) Total amount of share acquisition costs

UP to ¥3,300 million (\$24,815 thousand)

(4) Acquisition period

From May 10, 2023 to March 31, 2024

(Disposal of treasury shares)

The Company's Board of Directors held on May 9, 2023 has resolved to dispose of treasury shares through a third-party allotment.

1. Purpose and reasons for the disposal of treasury shares

The Company will grant the Company's common shares to its employees in accordance with the Company's performance in fiscal 2022, in an attempt to increase the job satisfaction and motivation of its employees and to provide incentives to increase the Company's corporate value over the medium to long term.

2. Details of matters related to disposal

(1) Date of disposal

June 30, 2023

(2) Class and number of shares to be disposed

Common shares of the Company 49,000 shares *1

(3) Disposal price

¥1,018 (\$7.65) per share

(4) Total amount of shares to be disposed

¥49,882,000 (\$375 thousand) *1

(5) Method of disposal of treasury shares

Third-party allotment

(6) Recipient of treasury shares to be disposed of

Employee stock ownership plan of the Company

(7) Other

With respect to this disposal of treasury shares, the Company has filed a securities registration statement in accordance with the Financial Instruments and Exchange Act.

Notes to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2023

Note *1 The number and the total amount of shares to be disposed of are maximum values, and the actual number and the total amount of shares to be disposed of are expected to be fixed according to the number of members of the employee stock ownership plan of the Company after the completion of the promotion for admission to the employee stock ownership plan.

Supplementary Information to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

(v) Supplementary Statements

[Detailed Schedule of Bonds]

No items to report.

[Detailed Schedule of Borrowings]

Classification	Millions of yen				
	2023				
	At the beginning of the fiscal year	At the end of the fiscal year	Average interest rates	Repayment due	
Short-term borrowings	¥ 239,210	¥ 92,010	0.020 %	—	
Long-term borrowings due within one year	—	1,000	0.120 %	—	
Lease obligation due within one year	—	—	—	—	
Long-term borrowings (except for due within one year)	4,000	232,700	0.049 %	—	From January 2025 To April 2031
Lease obligation (except for due within one year)	—	—	—	—	—
Other interest-bearing liabilities:					
Call money (due within one year)	1,858,400	2,190,400	(0.013)%	—	
Commercial papers (due within one year)	496,000	451,000	0.004 %	—	
Total	¥ 2,597,610	¥ 2,967,110	—	—	

Notes:

1 Average interest rates are calculated based on the interest rates at the end of the fiscal year.

2 Cash collateral received for securities lent is excluded from other interest-bearing liabilities.

3 The amounts of long-term borrowings (except for due within one year) due within five years of the end of the fiscal year are as follows:

	Millions of yen			
	2023			
	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term borrowings	¥ 149,800	¥ —	¥ —	¥ 79,900

Supplementary Information to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

Classification	Thousands of U.S. dollars			
	2023			
	At the beginning of the fiscal year	At the end of the fiscal year	Average interest rates	Repayment due
Short-term borrowings	\$ 1,798,841	\$ 691,908	0.020 %	—
Long-term borrowings due within one year	—	7,519	0.120 %	—
Lease obligation due within one year	—	—	—	—
Long-term borrowings (except for due within one year)	30,079	1,749,887	0.049 %	From January 2025 To April 2031
Lease obligation (except for due within one year)	—	—	—	—
Other interest-bearing liabilities:				
Call money (due within one year)	13,975,033	16,471,649	(0.013)%	—
Commercial papers (due within one year)	3,729,884	3,391,487	0.004 %	—
Total	\$ 19,533,839	\$ 22,312,453	—	—

Notes:

1 Average interest rates are calculated based on the interest rates at the end of the fiscal year.

2 Cash collateral received for securities lent is excluded from other interest-bearing liabilities.

3 The amounts of long-term borrowings (except for due within one year) due within five years of the end of the fiscal year are as follows:

	Thousands of U.S. dollars			
	2023			
	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term borrowings	\$ 1,126,485	\$ —	\$ —	\$ 600,842

[Detailed Schedule of Asset Retirement Obligations]

Pursuant to Article 92-2 of the Regulations for Consolidated Financial Statements, this information has been omitted because the balance of asset retirement obligations at the beginning and at the end of the fiscal year ended March 31, 2023 was less than 1/100th of the balance of liabilities and net assets at the beginning and at the end of the fiscal year ended March 31, 2023.

Supplementary Information to Consolidated Financial Statements

Japan Securities Financial Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2023

(2) Other

Quarterly information for the current fiscal year

Cumulative period	Millions of yen							
	2023							
	First quarter		Second quarter		Third quarter		Fourth quarter	
Operating revenue	¥	11,092	¥	21,081	¥	31,638	¥	42,518
Profit before income taxes		2,870		5,806		8,256		8,273
Profit attributable to owners of parent		2,063		4,110		5,911		5,966

	Yen							
	2023							
	First quarter		Second quarter		Third quarter		Fourth quarter	
Profit per share (Cumulative period)	¥	23.10	¥	46.09	¥	66.71	¥	67.76
Profit per share (Quarterly period)		23.10		22.98		20.59		0.64

Cumulative period	Thousands of U.S. dollars							
	2023							
	First quarter		Second quarter		Third quarter		Fourth quarter	
Operating revenue	\$	83,418	\$	158,531	\$	237,919	\$	319,737
Profit before income taxes		21,588		43,665		62,087		62,212
Profit attributable to owners of parent		15,518		30,911		44,457		44,869

	U.S. dollars							
	2023							
	First quarter		Second quarter		Third quarter		Fourth quarter	
Profit per share (Cumulative period)	\$	0.17	\$	0.34	\$	0.50	\$	0.50
Profit per share (Quarterly period)		0.17		0.17		0.15		0.00



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Independent Auditor's Report

To the Board of Directors
 Japan Securities Finance Co., Ltd.

Opinion

We have audited the consolidated financial statements of Japan Securities Finance Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2023, and the consolidated statement of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the annexed consolidated detailed schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Assessment of the effectiveness of hedge accounting</p> <p>As of March 31, 2023, Japan Securities Finance Co., Ltd. (hereinafter referred to as "the Company") holds assets under management of 71,013 million yen of short-term investments on current assets, and 745,621 million yen of investments in securities on investments and other assets. Since these securities are exposed to interest rates risk, currency exchange risk, and various other risks, the Company monitors market conditions and endeavors to reduce market risk by hedging operations through derivatives transactions and others.</p> <p>In addition, the Company applies hedge accounting using a variety of hedging instruments to hedge the risk as described in</p>	<p>In regard to examining the effectiveness of hedge accounting, we mainly performed the following audit procedures based on the "Accounting Standards for Financial Instruments" and the "Practical Guidelines for Accounting for Financial Instruments".</p> <ol style="list-style-type: none"> 1. In order to evaluate the risk management policy and internal control design and operational related to hedging transactions, we discussed with management based on domestic and overseas economic and financial conditions. Additionally, we evaluated the results of the company's examination by inspecting the minutes of the board of directors and the management meeting. 2. At the start of implementation of hedging, we evaluated the effectiveness of hedging

<p>[Notes] (Derivative Transactions). Among derivative transactions, hedge accounting is applied to a wide range of transactions such as exchange contract transactions, interest rate swap transactions, bond futures transactions, and stock index futures transactions, and the diversification of hedging methods is progressing.</p> <p>Since the Company is a specialized institution of securities finance and functions as an infrastructure in the securities market, there is a high demand for maintaining financial soundness and high creditworthiness by applying hedge accounting against various risks faced. For the qualitative point of view, evaluating the effectiveness of hedge accounting is highly important.</p> <p>Based on the risk management policy set by the management, various hedging transactions are composed by advanced schemes using many inputs such as interest rates, currency exchange rates and stock indexes, and these are highly dependent on the judgment of the management. In addition, in order to apply hedge accounting, it is determined in accordance with "Accounting Standards for Financial Instruments" (Corporate Accounting Standard No. 10) and "Practical Guidelines for Accounting for Financial Instruments" (Accounting System Committee Report No. 14), and requirements of effectiveness of hedge accounting are needed to be satisfied. However, the cases applied are diverse and complex. The decision requires careful judgment in the market and valuation methods.</p> <p>Based on the above, we determined the assessment of the effectiveness of hedge accounting is particularly important in the consolidated financial statements for the current fiscal year and constitutes a key audit matter.</p>	<p>accounting mainly focusing on the following points.</p> <ul style="list-style-type: none"> • Compliance with risk management policies and others in accordance with the terms of hedging implementation. • Documentation of hedging instruments, hedged items and methods for determining the effectiveness of hedge accounting, and evaluation of internal approval. • Examination of applicability of hedge accounting by evaluating the correlation between hedged items and hedging instruments. <p>3. We evaluated whether the high effectiveness of hedge accounting was continuously maintained, mainly focusing on the following points, by taking regular measures after the start of hedging transactions.</p> <ul style="list-style-type: none"> • Assessing whether the validity is judged and documented once every 6 months in accordance with the "Practical Guidelines for Accounting for Financial Instruments" according to the same method established at the start of hedging transactions. • Identification of inputs such as interest rates used in determining the effectiveness of hedge accounting and comparison with available external information. • Examining the effectiveness of hedge accounting by assessing the correlation between hedged items and hedging instruments.
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Other Information

The other information comprises the information included in the Report and Accounts that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.



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Responsibilities of Management, the Audit Committee

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern using the going concern basis of accounting, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit Committee is responsible for overseeing the execution of the duties of Directors related to designing and operating the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosure of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note to the consolidated financial statements. Such United States dollar amounts are presented solely for the convenience of readers outside Japan.



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Crowe Toyo & Co.
Tokyo, Japan
June 29, 2023

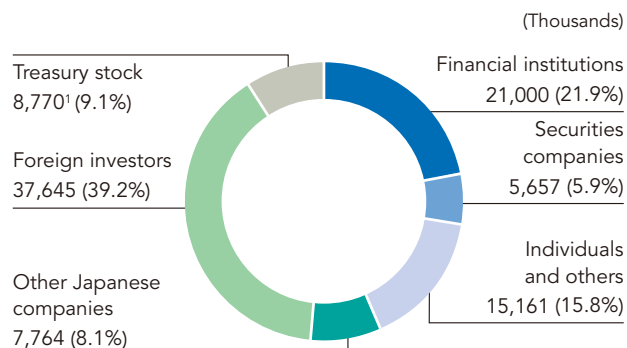
Shareholder and Investor Information (As of March 31, 2023)

Share Information

Total number of authorized shares	200,000,000
Total number of issued and outstanding shares	96,000,000 ¹
Number of shareholders	10,561

1. Total before the retirement of 8,000,000 shares of treasury stock on April 20, 2023, upon which the total became 88,000,000 shares issued and outstanding.

Shares Held by Shareholder Type

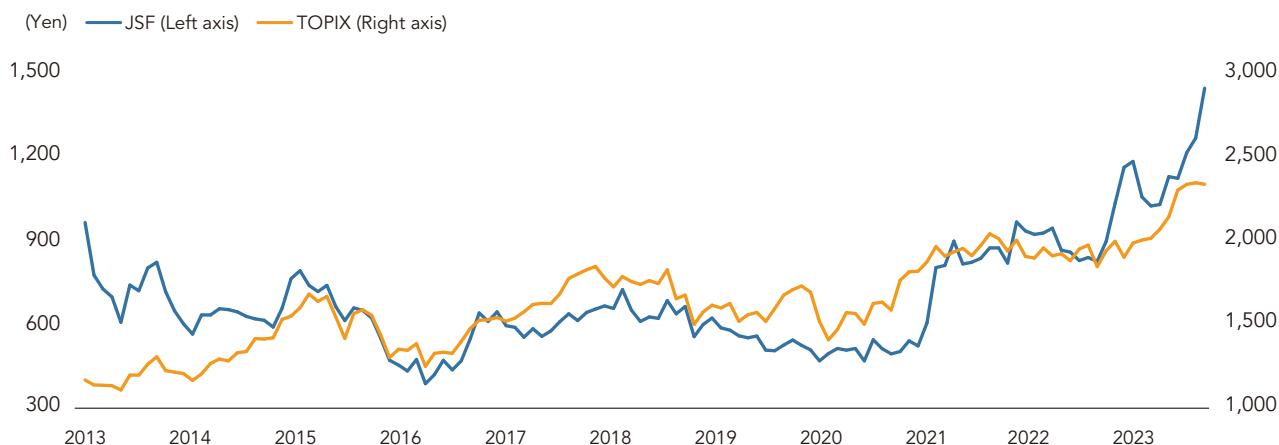


Major Shareholders (Top 10)

	Number of shares held (Thousands)	Shareholding ratio ² (%)
THE SFP VALUE REALIZATION MASTER FUND LTD.	12,624	14.47
The Master Trust Bank of Japan, Ltd. (Trust account)	10,214	11.70
Capital Market Promotion Foundation	4,654	5.33
THE CHASE MANHATTAN BANK, N.A. LONDON SPECIAL OMNIBUS SECS LENDING ACCOUNT	4,307	4.93
Mizuho Bank, Ltd.	3,536	4.05
Custody Bank of Japan, Ltd. (Trust account)	3,480	3.99
INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP	3,109	3.56
INTERTRUST TRUSTEES CAYMAN LIMITED AS TRUSTEE OF JAPAN-UP UNIT TRUST	1,725	1.97
STATE STREET BANK WEST CLIENT - TREATY 505234	1,670	1.91
BNYM AS AGT/CLTS 10 PERCENT	1,479	1.69

2. The shareholding ratio has been calculated based on the total number of shares issued and outstanding less the total number of shares of treasury stock held by the Company as of March 31, 2023 (8,770,527).

Share Price



Company Information (As of March 31, 2023)

Company Profile

Name	Japan Securities Finance Co, Ltd.
Representative	Shigeki Kushida, Representative Executive Officer & President
Head office	1-2-10 Nihonbashi-Kayabacho, Chuo-ku, Tokyo 103-0025, Japan
Established	July 1927
Incorporated	February 1950 (Newly launched as a securities finance company)
Capital	¥10 billion
Stock listing	Tokyo Stock Exchange Prime Market
Main business	Securities finance business based on the Financial Instruments and Exchange Act (Loans for margin transactions, securities financing, and securities investment)

Website

A variety of information about the JSF Group, including Company profile, news releases, financial details and IR information, is available on our website, which is optimized for smartphone viewing.

We also offer an e-mail notification service for registered users, providing timely updates on news releases and IR announcements.

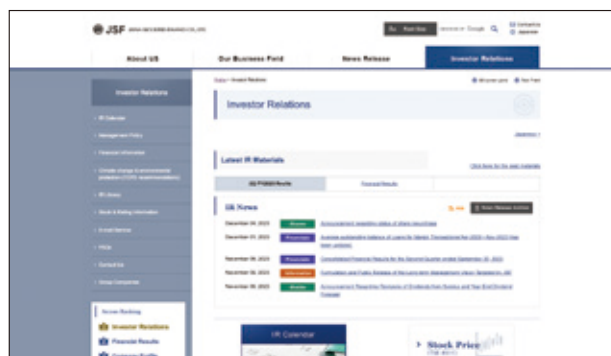
▶ <https://www.jsf.co.jp/english/about/>

Corporate Website



<https://www.jsf.co.jp/english/>

Investor Relations



<https://www.jsf.co.jp/english/ir/>

E-mail Notification Service



<https://www.jsf.co.jp/english/ir/mail/>

Loans for Margin Transactions



<https://www.taisyaku.jp/english/>



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