



# Financial Presentation for FY2015

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Japan Securities Finance Co.,Ltd

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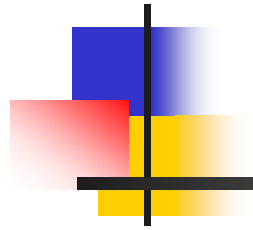
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# Financial Summary

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# Financial Summary for Mar 2016

¥ mil

	Parent			Consolidated		
	Mar-15	Mar-16	Change	Mar-15	Mar-16	Change
Operating Revenues	17,185	17,798	612	20,300	22,035	1,734
except Premium charges	12,741	11,923	▲818	15,856	16,160	303
Operating Expenses	8,288	9,389	1,101	9,450	11,537	2,087
except Premium charges	3,845	3,524	▲321	5,008	5,672	664
General & Administrative Expenses	6,886	6,721	▲165	7,824	7,939	114
Operating Income	2,010	1,686	▲323 (▲16.1%)	3,025	2,558	▲467 (▲15.4%)
Gain or Loss in Equity-Method	-	-	-	▲144	54	198
Recurring Income	2,653	2,508	▲145 (▲5.5%)	4,230	3,349	▲880 (▲20.8%)
Extraordinary Profit or Loss	22	-	▲22	54	-	▲54
Net Income	2,219	1,971	▲247 (▲11.2%)	3,520	2,645	▲875 (▲24.9%)

# Breakdown of Operating Revenues by business

¥ mil

( ): ratio of OR

	Mar-15	Mar-16
<b>Securities Finance Business</b>	17,162	17,776
<b>Margin Loan Business</b>	9,667	10,579
	(47.6%)	(48.0%)
Interest on Loans	3,111	2,720
Interest on collateral money of securities borrowed	611	575
Fees on Lending Securities	5,389	6,840
Premium Charges	4,443	5,874
Lending Fees	945	966
<b>Bond Financing and General Loans Business</b>	2,107	1,753
	(10.4%)	(7.9%)
Bond financing & General Loans	1,279	1,070
Loans for Negotiable Margin Transactions	236	128
<b>Securities Lending Business</b>	2,294	2,241
	(11.3%)	(10.2%)
General Stock Lending	784	907
Bond Lending	1,509	1,334
<b>Others</b>	3,094	3,201
	(15.2%)	(14.5%)
Bond Investment (Parent only)	2,979	3,111
<b>Trust Business</b>	2,269	3,451
	(11.2%)	(15.7%)
Interest on Loans	186	144
Trust Charges	545	627
Bond Investment	1,507	2,645
<b>Real Estate Management Business</b>	868	807
	(4.3%)	(3.7%)
<b>Operating Revenues</b>	20,300	22,035
<b>(excluded Premium Charges)</b>	15,856	16,160

## Margin Loan Business

For details, see 「Financial Highlights for FY2015①」 (P6)

## Bond Financing and General Loan Business

- Due to a decrease in balance of loan to Securities Companies and Individual Investors or Firms, the revenue declined somewhat.

## Securities Lending Business

- General Stock Lending
  - Borrowing demands of stock lending increased, especially aimed at Fail-cover, so fees increased.
  - Expanding the number of loanable issues contributes to the increase.
- Bond Lending
  - Approach for rising profit margin contributed to improvement in earnings, despite a decrease in revenue.

## Others ( Bond Investment ( Parent only ) )

For details, see 「Financial Highlights for FY2015②」 (P8)

## Trust Business

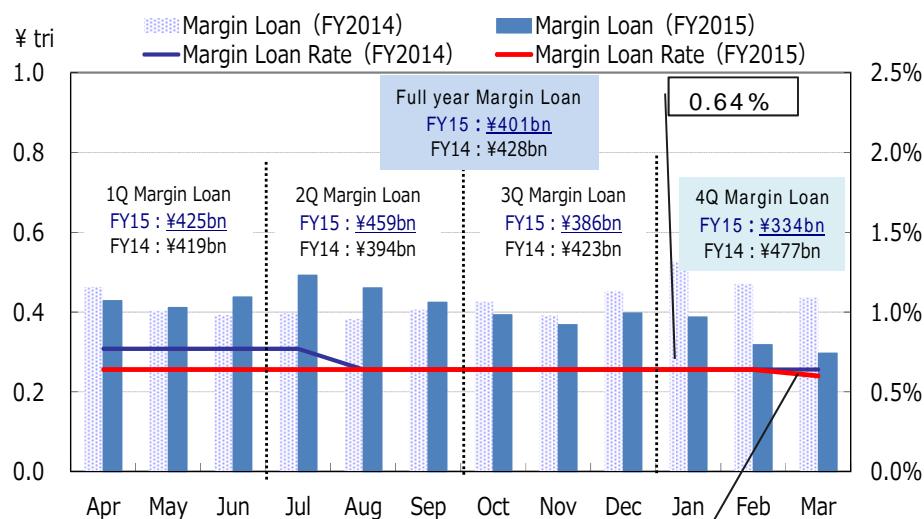
For details, see 「Financial Highlights for FY2015④」 (P10) and 「Financial Result of JST Trust Bank」(P12)

# Financial Highlights for FY2015 ①-1

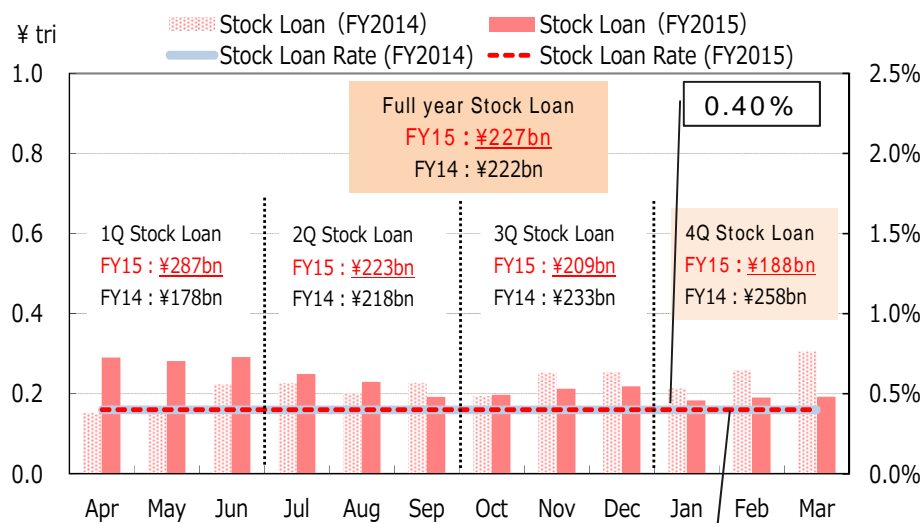
## 1 Margin Loan Balance for FY2015

- ✓ **【Full Year】** Though Margin Loan Balance decreased on a year-to-year basis, Stock Loan Balance increased.

(¥ bn, %)	FY2014						FY2015						4Q YoY	full year YoY
	1Q	2Q	1H	3Q	4Q	full year	1Q	2Q	1H	3Q	4Q	full year		
Margin Loan	419	394	406	423	477	428	425	459	442	386	334	401	▲142	▲26
Margin Loan Rate	0.77	0.64	-	0.64	0.64	-	0.64	0.64	-	0.64	0.60	-	-	-
Stock Loan	178	218	198	233	258	222	287	223	255	209	188	227	▲69	53



09/Mar/2016 0.64% 0.60%

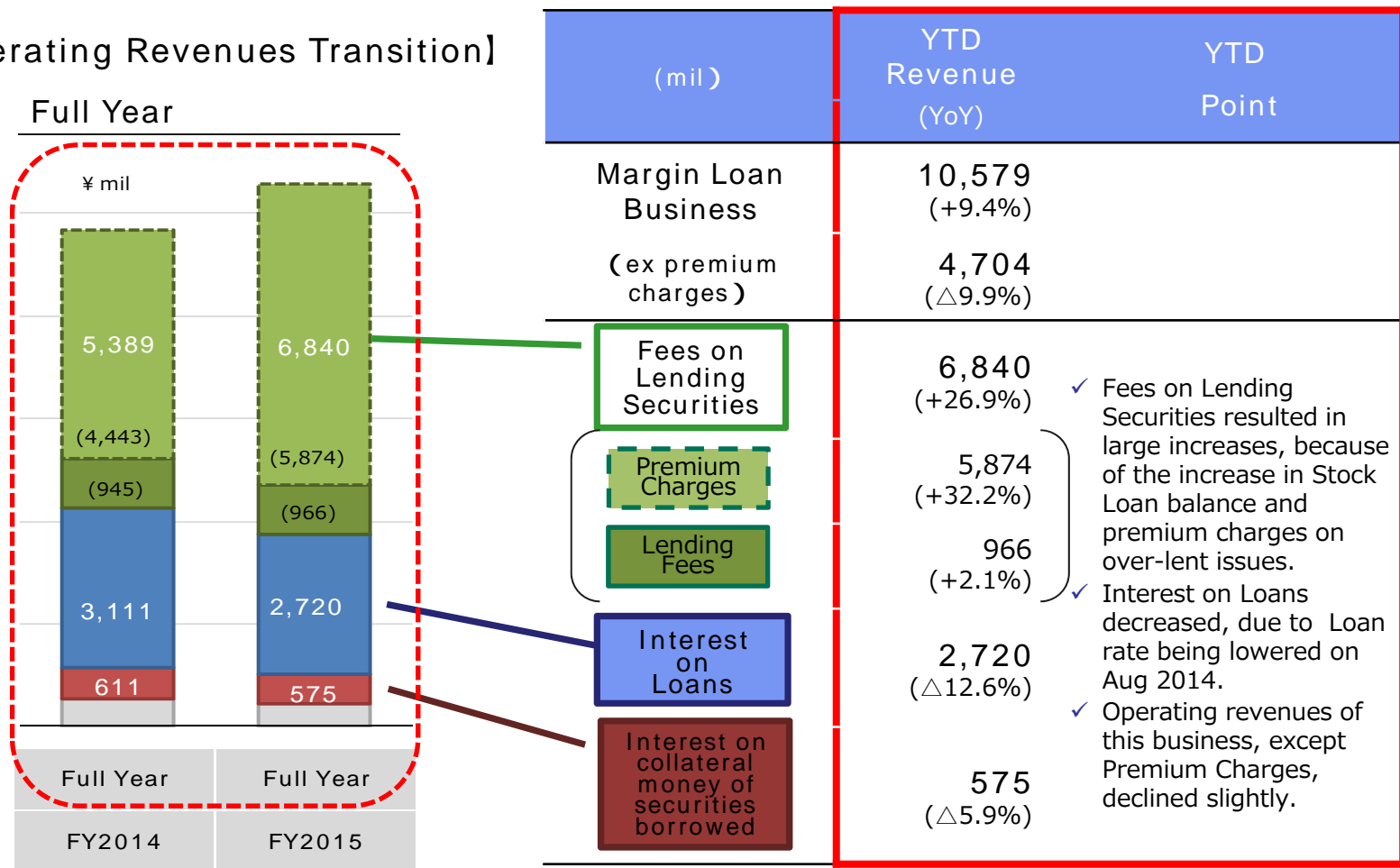


0.40%

# Financial Highlights for FY2015 ①-2

- Margin Loan Business increased in revenue, driven by increased in Fees on Lending Securities

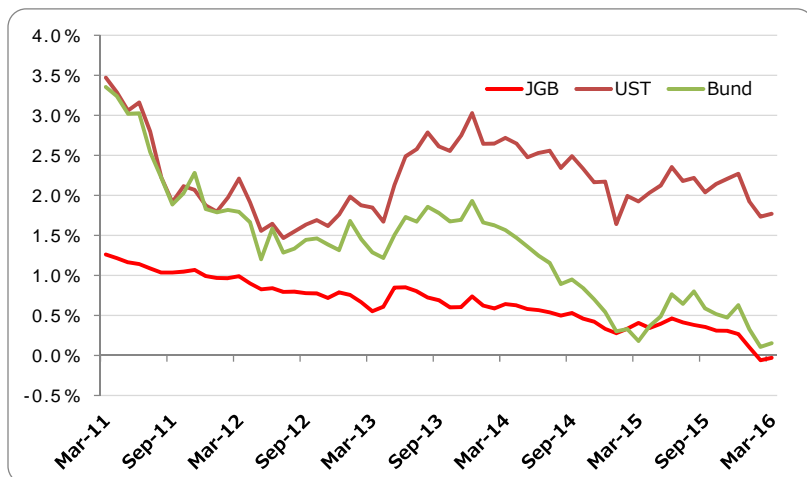
【Operating Revenues Transition】



# Financial Highlights for FY2015 ②

## 6 Diversification of investment portfolio (JSF)

【Trend of 10-year yield (JGB/UST/Bund, month end)】



Source: Bloomberg

### Income from Bond Investment (JSF)

	FY2015	YoY
Domestic Bonds	2,411 mil ¥	△294 mil ¥
Foreign Bonds	699 mil ¥	+428 mil ¥
Others*	0 mil ¥	△2 mil ¥
合計	3,111 mil ¥	+131 mil ¥

\* dividend etc

### 【Recent years】

Return (mainly carry) on holding JGBs had been stable, but easy-money policies led to drop in margins.



### 【Our Action】

- ① Apr 2014 Started investment to foreign govt bond
  - ❑ Main investment targets of sovereign bonds are issued by high-quality Europe and U.S.
  - ❑ In principle, hedging foreign currency risk by foreign exchange forward contracts.
- ② Jan 2015 Stated hedging with interest rate swap (IRS) against the risk of rising interest rates.
  - ❑ Some of JGBs are already hedged.
  - ❑ Established a system for XCCY IRS.
- ③ Strive to secure earnings by diversification of investment portfolio under appropriate risk controls.



# Financial Highlights for FY2015 ③

## Impact of Negative Interest Rate Policy of BOJ

### Impact on operations

- ▣ As market rates declined, JSF cut margin loan rate on Mar 14, 2016 (0.64%→0.60%) .
- ▣ Loan balance decreased due to decline in demand.

### Impact on fund-raising

- ▣ We strive to reduce funding cost by shifting to fund-raising at lower rate.
- ▣ With regard to investment of securities such as JGBs, etc. , we strive to secure earnings by diversification of investment portfolio and hedge transactions that we have already implemented.

Change in outstanding of Standardized Margin Transaction and our loan balance (mil ¥)

	Mar 31, 2016	Dec 30, 2015	change
Purchases on Std. Margin Transaction	2,165,401	2,478,932	△315,531
Margin Loan Balance	324,113	407,087	△82,974
Total Loan Balance	431,659	561,732	△130,072
(reference) Sales on Std. Margin Transaction	415,367	436,584	△21,217
Stock Loan Balance	258,656	212,559	+46,097

[reference] Trend of market rates

	Mar 31, 2016	Dec 30, 2015
Mutan rate	△0.007%	0.073%
Repo rate	△0.093%	0.093%
TIBOR3M	0.099%	0.171%
10year JGB	△0.050%	0.265%

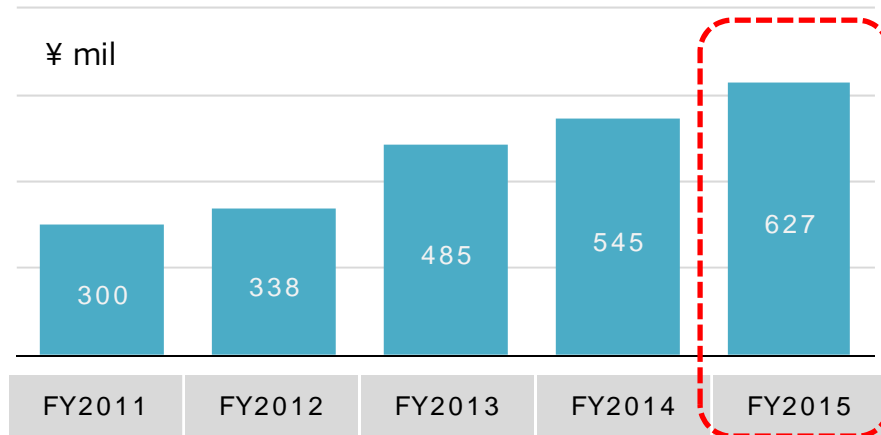
# Financial Highlights for FY2015 ④

## 4 JSF Trust Bank : Trust charges continued to increase

### 【Trust charges Transition】

Full Year

¥ mil



(¥ mil)	YTD Revenue (YoY)	YTD Point
Trust Charges	627 (+15.0%)	Trust charges continued increase, contributing from strengthening custodian type trust service (trusts for the separate management of money and securities, ABL trust, etc).

### 【Trust Lineup】

Trusts for the separate management of money and securities

Trust for protecting deposits which securities companies received from customers

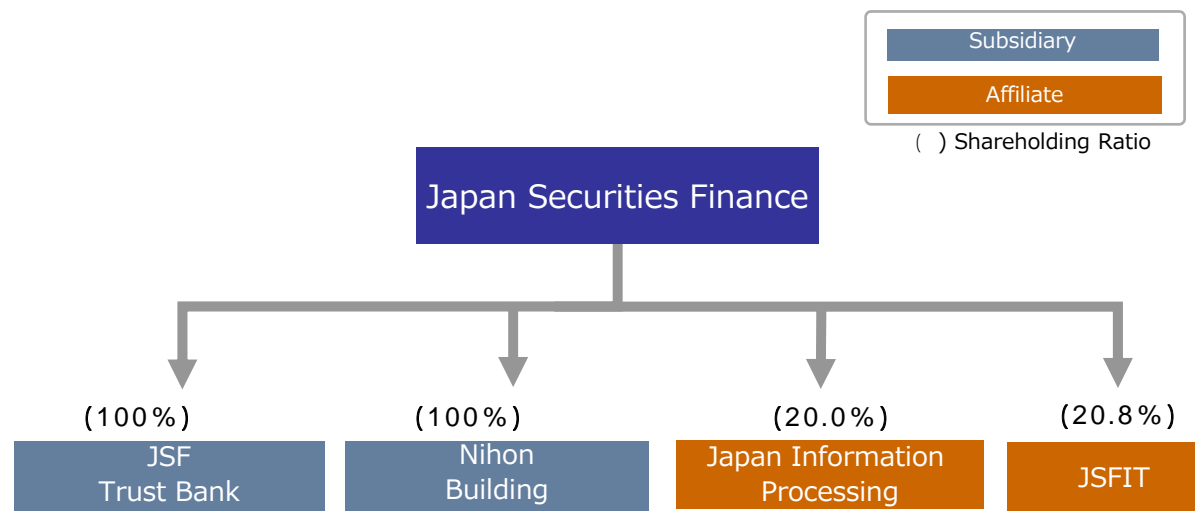
Trusts for currency future trading

Trust for protecting guarantee deposits which FX business operators received from customers

Asset Backed Loan (ABL) Trust

For setting up ABL, which is investment product for institutional investors, JSFTB provides functions as SPC.

# Financial Results of Group Companies



¥ mil

	Shareholding Ratio	FY 2015, 3Q Results			(Reference) FY2014 Net Income
		Operating Revenues	Recurring Income	Net Income	
<b>Consolidated</b>		<b>22,035</b>	<b>3,349</b>	<b>2,645</b>	<b>3,520</b>
<b>JSF</b>	-	17,798	2,508	1,971	2,219
<b>JSF Trust Bank</b>	100%	* 3,549	470	450	1,173
<b>Nihon Building</b>	100%	1,199	466	315	408
<b>Equity-method</b>		Gain or Loss in Equity-Method		54	144

\* Figure of JSF Trust Bank is Recurring Revenues.

# Financial Results of JSF Trust Bank

¥mil

	FY2014	FY2015	Change
Recurring Revenues	3,400	3,549	148
Trust charges	546	646	100
Reversal of ADR	345	55	▲289
Recurring Expenses	2,120	3,079	959
Recurring Income	1,280	470	▲810
Net Income	1,173	450	▲722
Net Assets	24,893	24,755	▲138
Total Assets	649,729	649,148	▲580

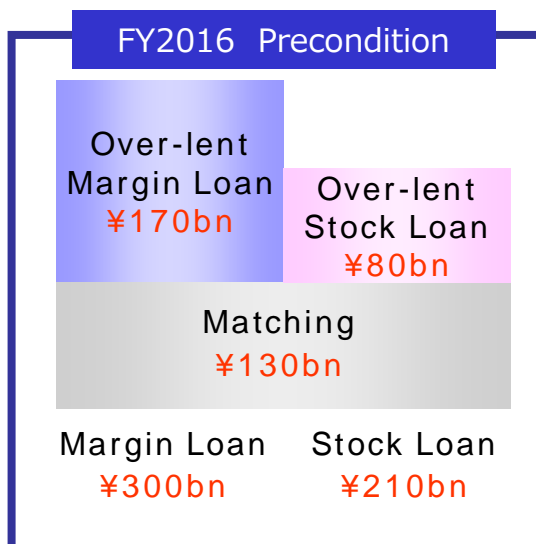
Equity Ratio(estimation) :109.87% (Mar-16)

## Highlights

- ◆ Trust charges steadily increased.
- ◆ Though Gains on sales of bonds increased, interest on investment securities decreased due to the decrease in investment securities.
- ◆ Interest on Loans decreased, because loan balance decreased.
- ◆ Recurring Income and Net Income decreased compared with the last year due to the drop in both reversal of Allowance for Doubtful Receivables and earnings from investment to limited partnership.

# Estimated Figures for FY2016

## Precondition Balance of Margin Loans



(Reference)  
FY2015 Results



¥mil

	FY2016 Estimated Figures			(Reference) FY2015 Net Income
	Operating Income	Recurring Income	Net Income	
Consolidated	2,000 (▲558)	2,700 (▲649)	2,100 (▲545)	2,645
JSF	1,100 (▲586)	1,800 (▲708)	1,500 (▲471)	1,971
JSF Trust Bank	—	350 (▲120)	300 (▲150)	450
Nihon Building	520 (+71)	610 (+92)	400 (+84)	315

※( ) is change from FY2015.

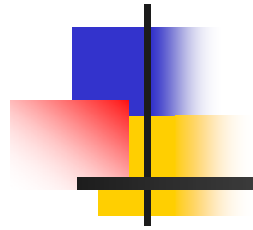
### Preconditions

- Loan Rate : 0.60%
- Interest on Collateral Money : 0%
- Lending Fee : 0.40%

# Estimated Figures for FY2016

¥mil

	Parent			Consolidated		
	FY2016 1H	FY2016 Full Year	FY2015 Results	FY2016 1H	FY2016 Full Year	FY2015 Results
Operating Income	800	1,100	1,686	1,200	2,000	2,558
Recurring Income	1,300	1,800	2,508	1,400	2,700	3,349
Net Income	1,100	1,500	1,971	1,100	2,100	2,645
EPS (Yen)	11.36	15.49	20.05	11.36	21.69	26.90
preconditions	Avg. Margin Loan Balance:¥ 300bn Avg. Stock Loan Balance:¥ 210bn Margin Loan Rate:0.60% Interest on collateral money:0% Lending Fee:0.40%					



# Management Matters

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# Action for growing earnings

Business Strategy	Margin Loan	<ul style="list-style-type: none"> <li>◆ Increase the number of Loanable Issues</li> <li>◆ Improvement for provision of information aiming at expanding use of stock loan.</li> </ul>
	General Stock Lending	<ul style="list-style-type: none"> <li>◆ Diversify procurement method aiming at increasing Loanable Issues.</li> <li>◆ Plan to consider direct deal with overseas office of foreign-affiliated operator</li> </ul>
	Loan to Securities Companies	<ul style="list-style-type: none"> <li>◆ Relaxation of eligible collateral qualifications.</li> </ul>
	Bond Lending	<ul style="list-style-type: none"> <li>◆ Expand bond lending secured by securities</li> <li>◆ Plan to consider handling foreign bonds and direct deal with non-residents.</li> </ul>
	Loan to Individual Investors or Firms	<ul style="list-style-type: none"> <li>◆ Cultivate partner securities companies of COM-STOCK Loan</li> <li>◆ Expand loan to wealthy individuals</li> </ul>
	Investment of securities	<ul style="list-style-type: none"> <li>◆ Boost earnings with diversification of investment portfolio</li> </ul>
	Trust Banking Business (JSF Trust Bank)	<ul style="list-style-type: none"> <li>◆ Focus on trust business such as Customers' Asset Protection Trust and ABL Trust.</li> <li>◆ Increase of product enhancement such as loan, etc. through strengthened partnerships with JSF.</li> </ul>
Business Management	New Information system	<ul style="list-style-type: none"> <li>◆ Release in January, 2017</li> <li>◆ Lead to a significant cost reduction after completion of depreciation (after FY2021)</li> </ul>
	Human resource and payment	<ul style="list-style-type: none"> <li>◆ Reviewed system for further clarifying ability-based in order to Strive to strengthen human resources.</li> </ul>



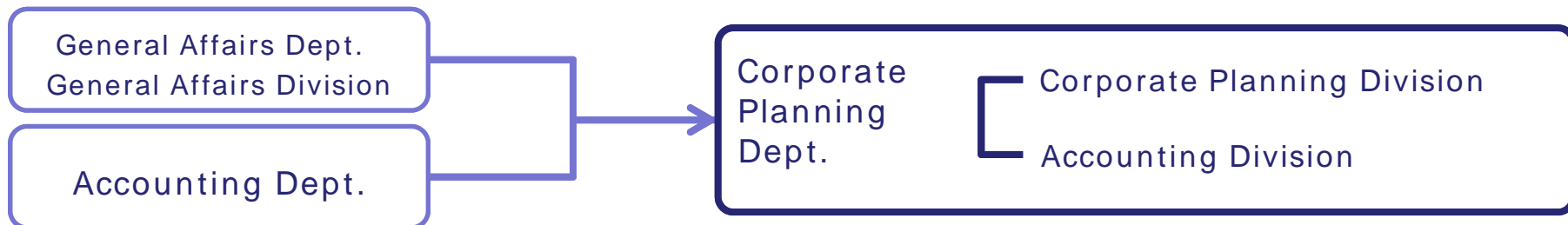
# The implementation of structural reforms

## 1 Establish a new department in charge of business planning ~ Business Development Department ~



- ◆ Focus on new business development and strategy in securities and financial market for enhancing profitability.
- ◆ Carrying out planning of measures in collaboration with sales dept.

## 2 Establish a new department in charge of management planning ~ Corporate Planning Department ~



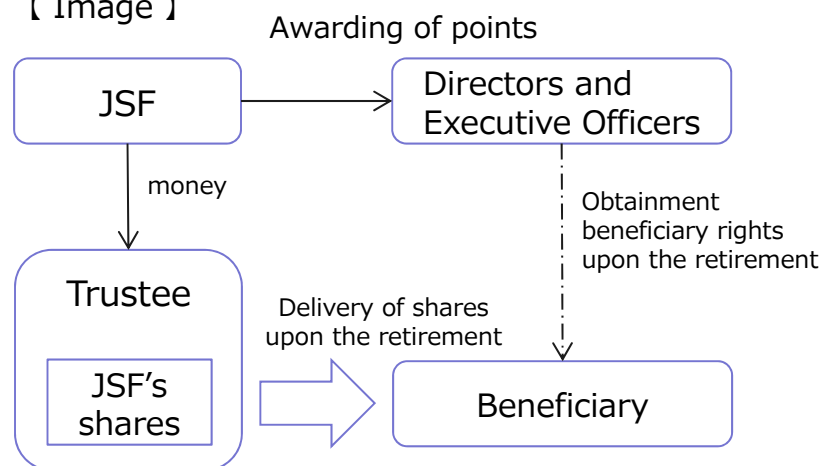
- ◆ In charge of Revenue-management, Capital policy, Investor Relations, operating of the General Meeting of Shareholders and Board of Directors and establishment of the Medium-term Management Plan.

# Corporate Governance

## The Introduction of a new Performance-based Share Remuneration Plan

Purpose	<ul style="list-style-type: none"> <li>◆ To further clarify the linkage between remuneration for directors and executive officers and the share value of JSF.</li> <li>◆ To enhance their awareness of the need to contribute to the efforts to archive improved business performance and greater enterprise value in medium to long term.</li> </ul>
Targets	<ul style="list-style-type: none"> <li>◆ Directors (excluding outside directors) and Executive Officers</li> </ul>
Scheme	<ul style="list-style-type: none"> <li>◆ In each fiscal year, JSF will award points to each target (1 point=1 share of JSF's ordinary stock)</li> <li>◆ Upon the retirement, a director or executive officer will be able to receive JSF's shares from Trust in proportion to the accumulated number of points.</li> </ul>
Points calculation	<ul style="list-style-type: none"> <li>◆ The base point (according to duties, responsibilities, etc.) shall be increased or decreased depending on the level of the consolidated earnings.</li> </ul>
Remuneration cap (annual)	<ul style="list-style-type: none"> <li>◆ Number of points : 160,000 points (equivalent to 160,000 shares)</li> <li>◆ Amounts : 80 million yen</li> </ul>

【 Image 】



### Establishment of Nomination and Remuneration Committee

- ◆ An advisory body concerning Nomination and Remuneration of the management.
- ◆ Composed of a majority of outside directors and outside auditors.
- ◆ Aims to ensure fairness and transparency concerning nomination and remuneration

# Stable return to stockholders

## 1 Basic Policy

- ◆ Retain solid equity capital to secure the financial health and management stability that society demands of the company as the infrastructure of securities market, and **provide stable long-term return of profits to shareholders** by comprehensively considering revenues environment or investment plans. etc. (medium-term management plan, management policy)



- ◆ Based upon this policy, **we will strive to place more importance on shareholder return.**

## 2 Shareholder Return Policy (released on 11 May 2015)

### (1) Dividend Payment Policy

- ◆ Our policy is that **the consolidated payout ratio**, as a standard that reflects our business performance, **shall not fall below the 60% level** and that we shall return profits to shareholders while taking into account the consolidated dividend on equity ratio (DOE = ratio of the dividend amount to shareholder equity).  
⇒ We strive to maintain stability in dividends payment unaffected by temporary fluctuation in business result.

### (2) Share Buyback Policy

- ◆ With a view to offering even more rewarding returns to shareholders, **we will buy back shares as needed in future** while considering the company's financial situation, stock price levels, and so forth.

# Dividend and Share Buyback Program

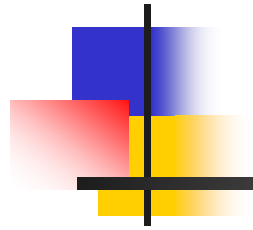
## 【Dividend】

- ◆ Annual ¥16 [Interim・year-end each ¥8] (YoY ¥ ± 0)

## 【Share Buyback Program】

- ◆ Number of shares to be acquired : up to 2million shares  
\*Ratio to total shares issued : 2.0%
- ◆ Total value to be acquired : up to Y1.0bn
- ◆ Schedule : from 13May2016 to 22Mar2017

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 Forecast/ Framework
Annual Dividend per share	¥14	¥14	¥14	¥14	¥15	¥16	¥16
Share Buyback (shs)	—	—	—	—	7.46mil	3mil	2mil
(amount)	—	—	—	—	¥4.6bn	¥1.9bn	¥1.0bn
<Consolidated> : EPS	¥37.7	¥8.4	¥19.1	¥60.4	¥33.9	¥26.9	¥21.7
: DPR	37.1%	166.3%	73.3%	23.2%	44.2%	59.5%	73.8%
: DOE	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.1%
(reference) Total Return Ratio	37.1%	166.3%	73.3%	23.2%	173.9%	133.1%	121.4%



# Appendix

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# Financial Result (Historical data)

¥ mil

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Operating Revenues	<b>22,848</b>	<b>20,229</b>	<b>17,675</b>	<b>19,566</b>	<b>20,300</b>	<b>22,035</b>
Ex Premium charges	19,037	17,082	14,718	16,195	15,856	16,160
Operating Expenses	11,327	9,634	8,193	8,747	9,450	11,537
General & Administrative Expenses	7,865	7,554	7,694	8,249	7,824	7,939
Operating Income	<b>3,655</b>	<b>3,039</b>	<b>1,787</b>	<b>2,568</b>	<b>3,025</b>	<b>2,558</b>
Gain or Loss in Equity-Method	▲484	▲868	486	179	▲144	54
Recurring Income	<b>3,345</b>	<b>2,387</b>	<b>2,557</b>	<b>3,119</b>	<b>4,230</b>	<b>3,349</b>
Extraordinary Profit or Loss	1,250	▲452	13	3,602	54	—
Net Income	<b>3,492</b>	<b>779</b>	<b>1,777</b>	<b>6,211</b>	<b>3,520</b>	<b>2,645</b>

# Breakdown of Operating Revenues by business (Historical data)

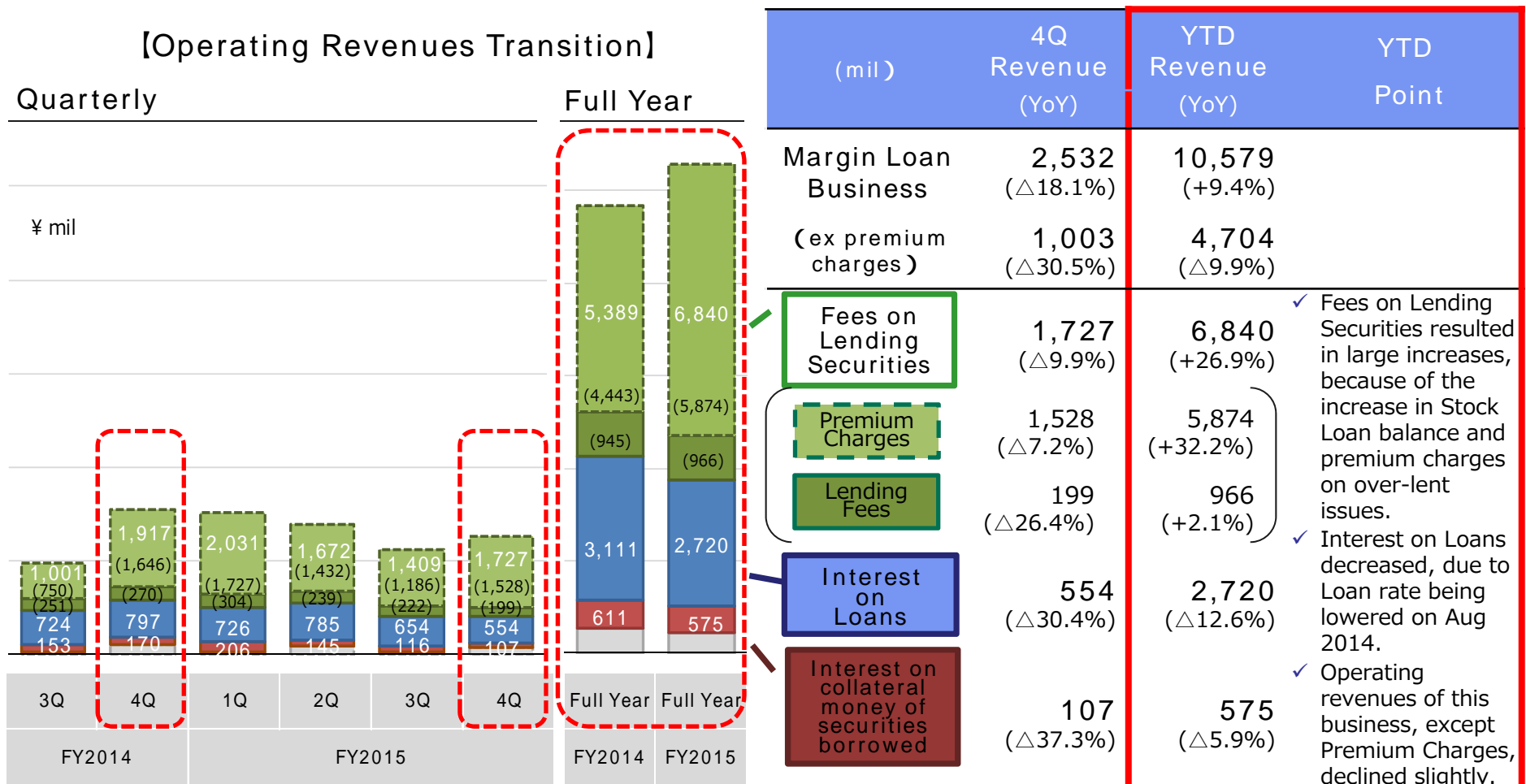
¥ mil

	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16
<b>Securities Finance Business</b>	<b>17,558</b>	<b>15,186</b>	<b>14,093</b>	<b>16,363</b>	17,162	17,776
<b>Margin Loan Business</b>	<b>8,922</b>	<b>6,756</b>	<b>6,625</b>	<b>9,240</b>	9,667	10,579
	(39.0%)	(33.4%)	(37.5%)	(47.2%)	(47.6%)	(48.0%)
Interest on Loans	2,809	1,783	1,760	4,012	3,111	2,720
Interest on collateral money of securities borrowed	826	639	652	436	611	575
Fees on Lending Securities	4,807	3,957	3,746	4,132	5,389	6,840
Premium Charges	3,811	3,147	2,957	3,371	4,443	5,874
Lending Fees	996	809	789	761	945	966
<b>Bond Financing and General Loans Business</b>	<b>1,047</b>	<b>827</b>	<b>810</b>	<b>1,959</b>	2,107	1,753
	(4.6%)	(4.1%)	(4.6%)	(10.0%)	(10.4%)	(7.9%)
Bond financing & General Loans	659	492	440	1,149	1,279	1,070
Loans for Negotiable Margin Transactions	200	189	175	323	236	128
<b>Securities Lending Business</b>	<b>1,754</b>	<b>1,701</b>	<b>1,862</b>	<b>2,217</b>	2,294	2,241
	(7.7%)	(8.4%)	(10.5%)	(11.3%)	(11.3%)	(10.2%)
General Stock Lending	331	219	289	425	784	907
Bond Lending	1,422	1,482	1,573	1,791	1,509	1,334
<b>Others</b>	<b>5,834</b>	<b>5,901</b>	<b>4,794</b>	<b>2,946</b>	3,094	3,201
	(25.5%)	(29.2%)	(27.1%)	(15.1%)	(15.2%)	(14.5%)
Bond Investment (Parent only)	5,754	5,824	4,719	2,838	2,979	3,111
<b>Trust Business</b>	<b>4,360</b>	<b>4,224</b>	<b>2,762</b>	<b>2,322</b>	2,269	3,451
	(19.1%)	(20.9%)	(15.6%)	(11.9%)	(11.2%)	(15.7%)
Interest on Loans	1,079	741	590	317	186	144
Trust Charges	308	300	338	485	545	627
Bond Investment	2,657	3,134	1,808	1,494	1,507	2,645
<b>Real Estate Management Business</b>	<b>930</b>	<b>818</b>	<b>819</b>	<b>880</b>	868	807
	(4.1%)	(4.0%)	(4.7%)	(4.5%)	(4.3%)	(3.7%)
<b>Operating Revenues</b>	<b>22,848</b>	<b>20,229</b>	<b>17,675</b>	<b>19,566</b>	20,300	22,035
<b>(excluded Premium Charges)</b>	<b>19,037</b>	<b>17,082</b>	<b>14,718</b>	<b>16,195</b>	15,856	16,160

# Breakdown of Operating Revenues by business (Quarterly)

Margin Loan Business increased in revenue, driven by increased in Fees on Lending Securities

【Operating Revenues Transition】







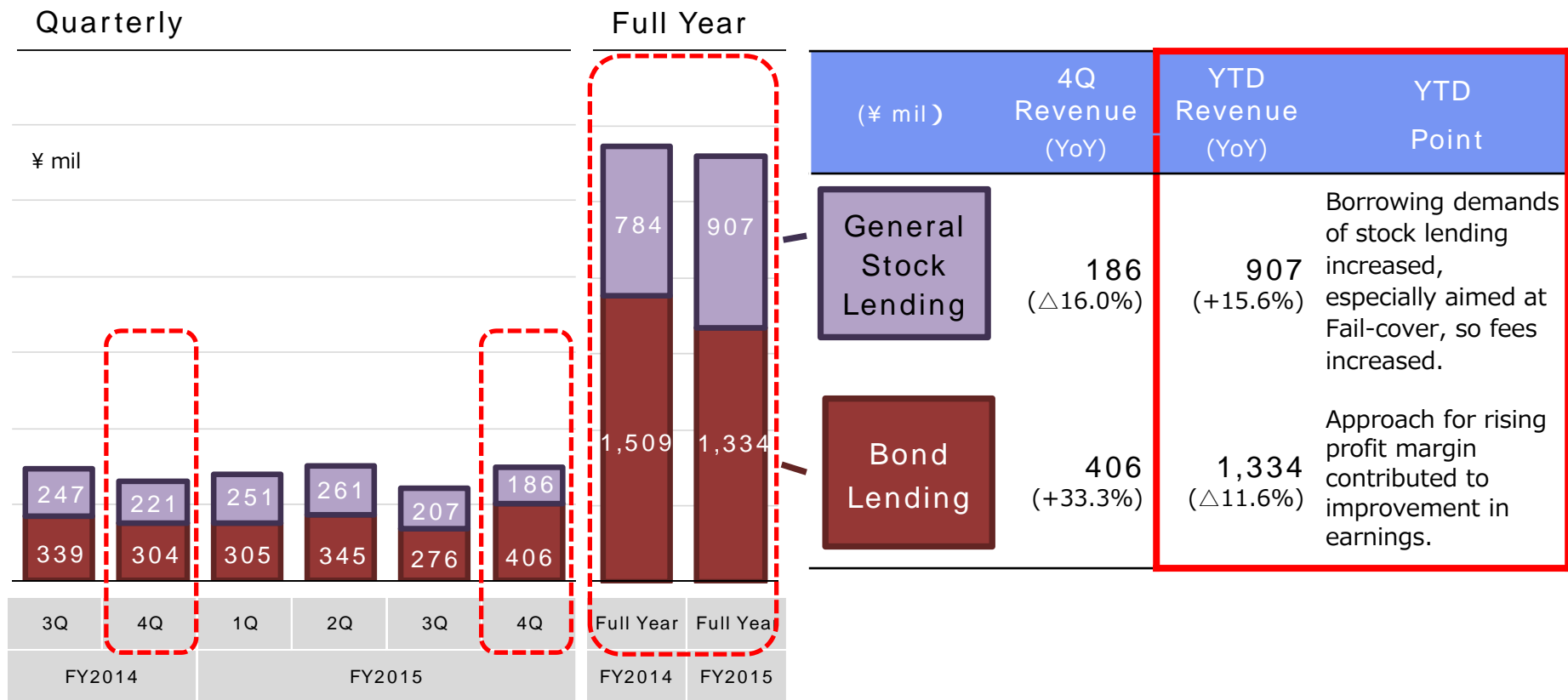
# Breakdown of Operating Revenues by business (Quarterly)



## Securities Lending Business :

General Stock Lending remains solid, Bond Lending has been improving in earnings

### 【Operating Revenues Transition】



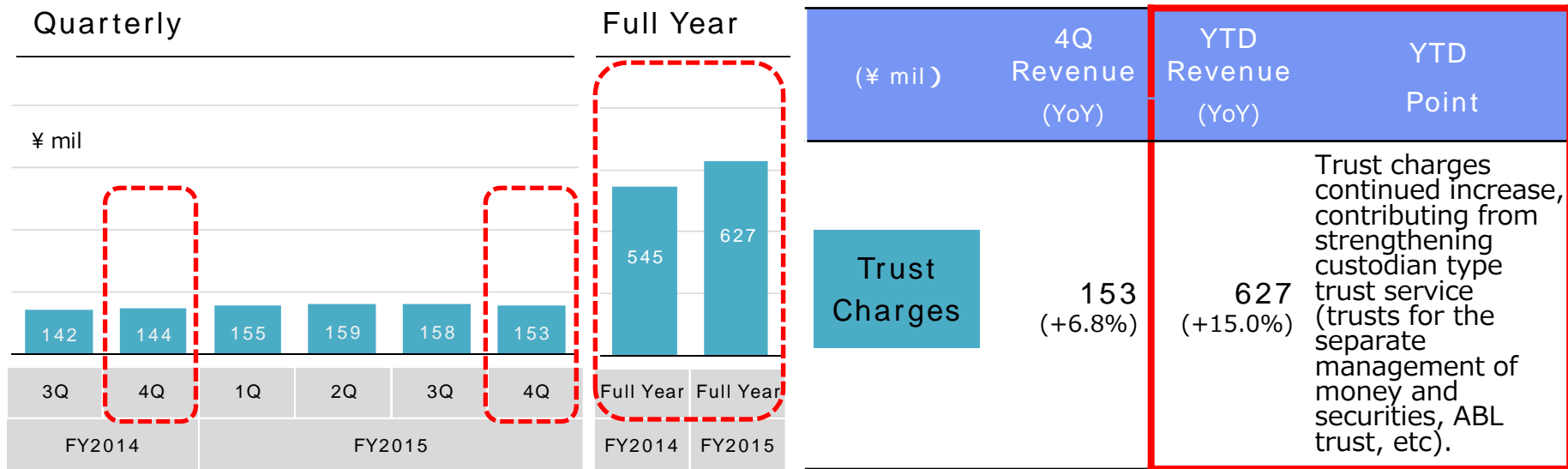
General Stock Lending is ...

- Lending stock to securities companies depending on their various demands (ex. Fail-cover, arbitrage), except on demand to settle Margin Transaction
- Main business partner – 【Lenders】 Institutional investors, etc    【Borrowers】 Securities Companies

# Breakdown of Operating Revenues by business (Quarterly)

JSF Trust Bank : Trust charges continued to increase

【Trust charges Transition】



【Trust Lineup】

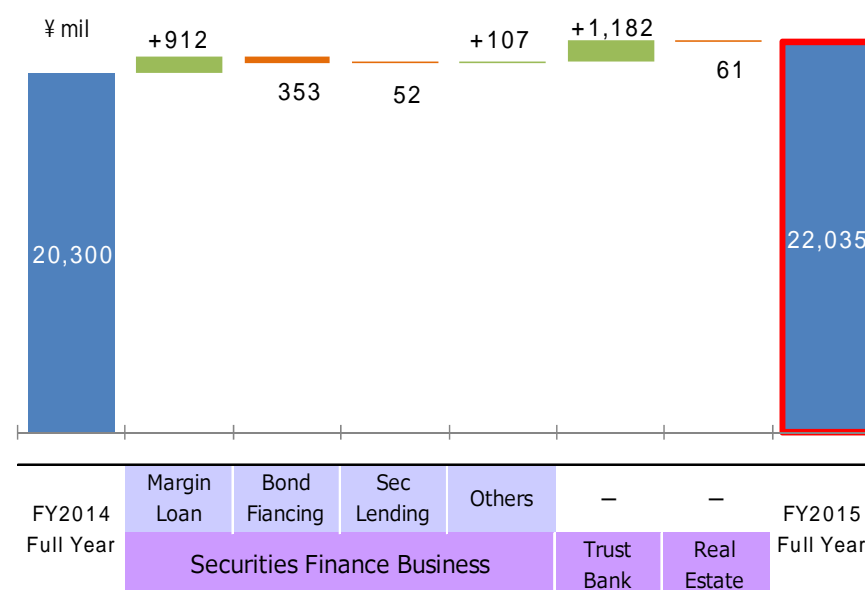
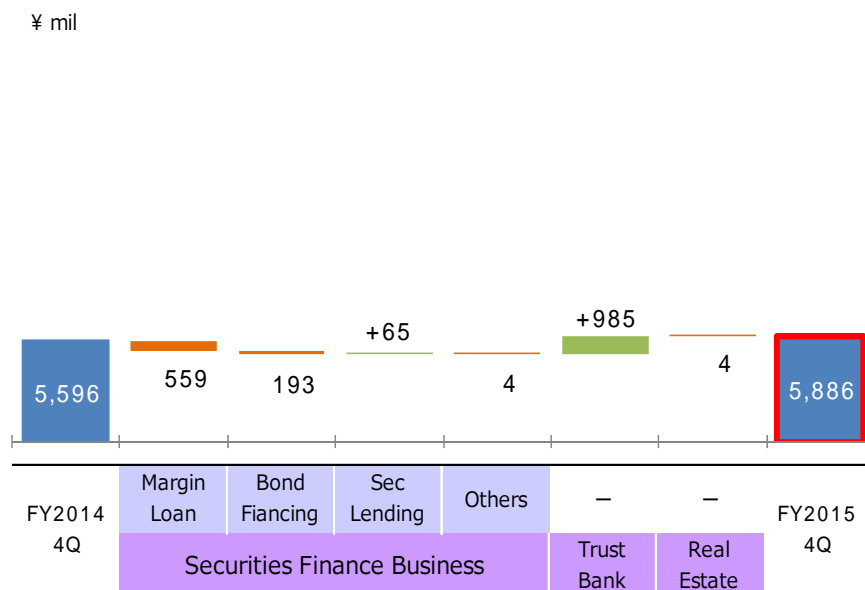
Trusts for the separate management of money and securities	Trust for protecting deposits which securities companies received from customers
Trusts for currency future trading	Trust for protecting guarantee deposits which FX business operators received from customers
Asset Backed Loan (ABL) Trust	For setting up ABL, which is investment product for institutional investors, JSFTB provides functions as SPC.

# Analysis of YoY Change in Operating Revenue by business (Quarterly, Full Year)

**[Quarterly] YoY +290 mil¥ (+5.2%)**

**[Full Year] YoY +1,734 mil¥ (+8.5%)**

¥ mil



## ~ Summary of the points for quarterly ~

- ✓ Margin Loan Business : Both Margin Loan balance and Stock loan balance decreased.
- ✓ Bond Financing and General Loan Business : Loan balance decreased.
- ✓ Securities Lending Business : The increase in revenue from Bond lending exceeded the decrease in revenue from General Stock Lending.
- ✓ Trust Business : Gains on sales of bonds increased.

## ~ Summary of the points for Full Year ~

- ✓ Margin Loan Business : Both Premium charges and Lending fees increased.
- ✓ Bond Financing and General Loan Business : Loan balance decreased.
- ✓ Others: Investment in foreign government bond contributed.
- ✓ Trust Business : Trust charges and gains on sales of bonds increased.

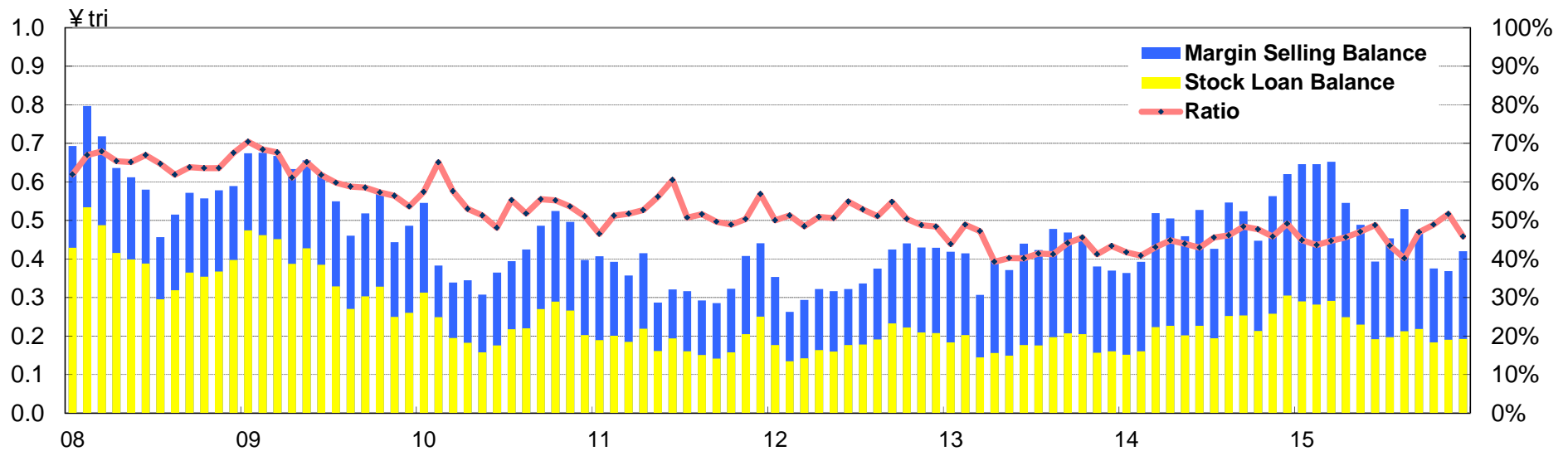
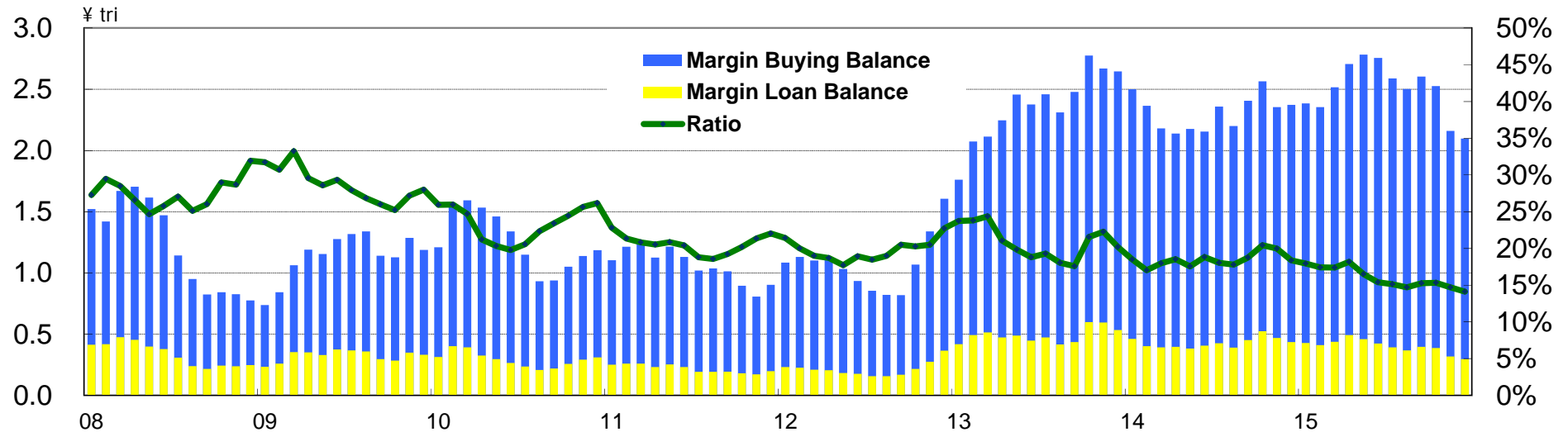
# Outstanding Loan Balance

(Year average and year-end balance)

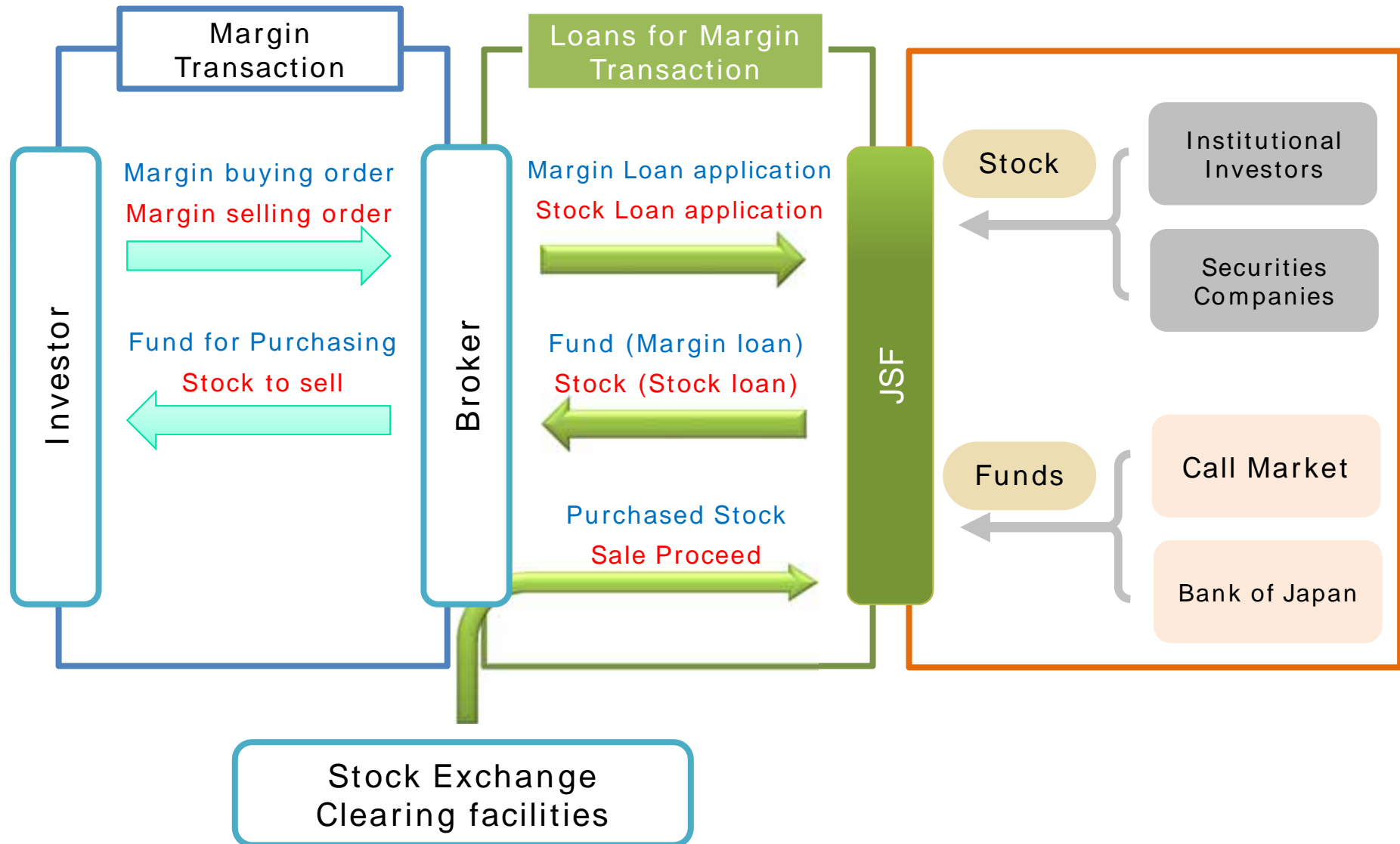
¥ mil

		FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Margin Loans	avg.	293,429	218,059	214,164	490,635	428,329	401,400
	term-end	305,083	241,035	502,322	601,206	541,052	324,113
Bond Financing & General Loans	avg.	45,850	50,893	55,865	157,232	223,484	162,347
	term-end	39,782	96,488	122,011	201,076	254,717	95,046
Loans for negotiable margin transactions	avg.	18,405	20,330	18,472	36,223	29,168	15,512
	term-end	18,143	25,727	34,380	48,103	30,939	11,499
Trust Bank Loans	avg.	303,778	141,310	101,094	77,612	58,677	54,561
	term-end	211,527	98,260	78,641	63,043	54,831	136,089
Others	avg.	14,423	12,530	13,213	23,092	32,500	28,718
	term-end	12,500	18,000	29,500	32,500	32,500	12,500
Total	avg.	657,481	422,793	384,338	748,572	742,991	647,027
	term-end	568,893	453,784	732,475	897,825	883,101	567,748
Stock Loans	avg.	228,050	184,698	183,013	176,476	222,031	227,422
	term-end	196,442	259,058	216,206	198,781	316,544	258,656

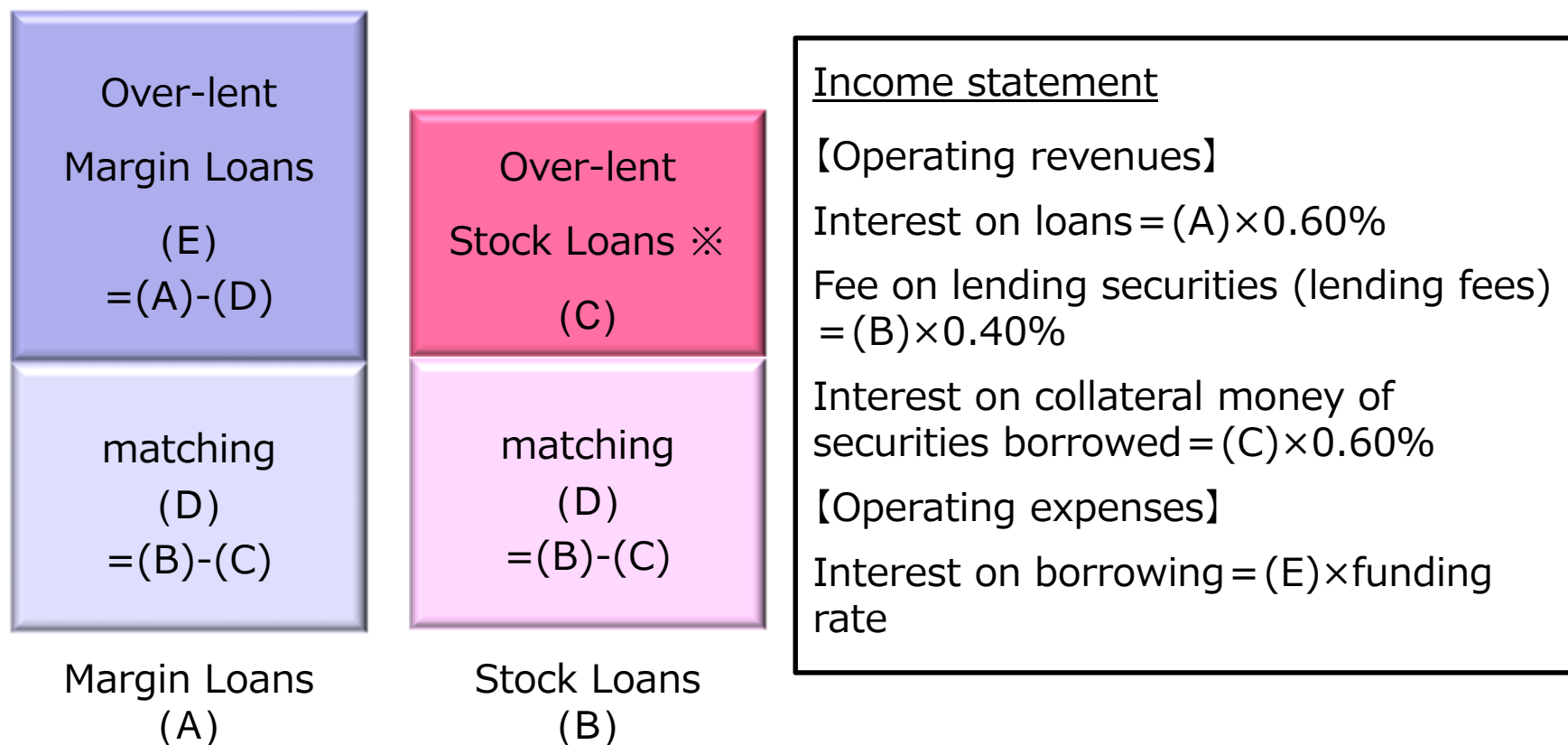
# Margin Transactions & Loans for Margin Transactions



# Structure of Margin Transaction & Loans for Margin Transaction



# Revenue structure of Loans for margin transactions

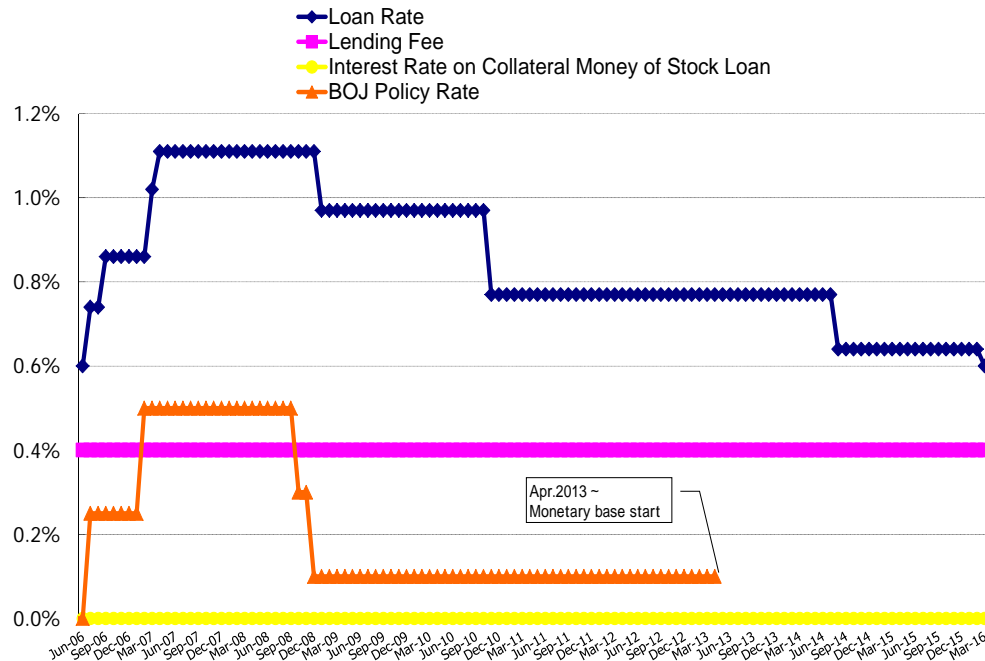
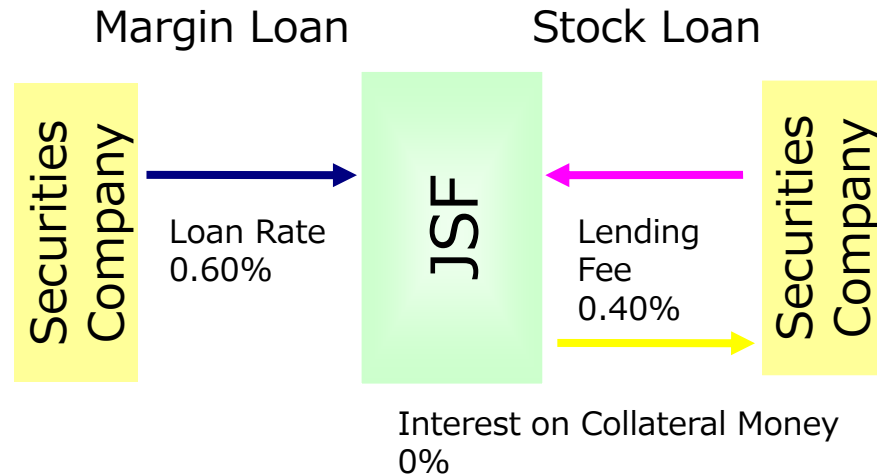


◆ Besides the above, Premium Charges are posted in Operating Revenues (Fees on Lending Securities) in a part of Over-lent Stock Loan. But the same amount are posted in Operating Expenses (Fees of Borrowing Charges), so the amount of Premium Charges does not affect our profit.

【revenue】 Fees on lending securities (premium charges) = 【expense】 Fees on borrowing securities (premium charges) = (C) × rate of Premium charges



# Margin Loan Rates



## BOJ Policy Interest Rate

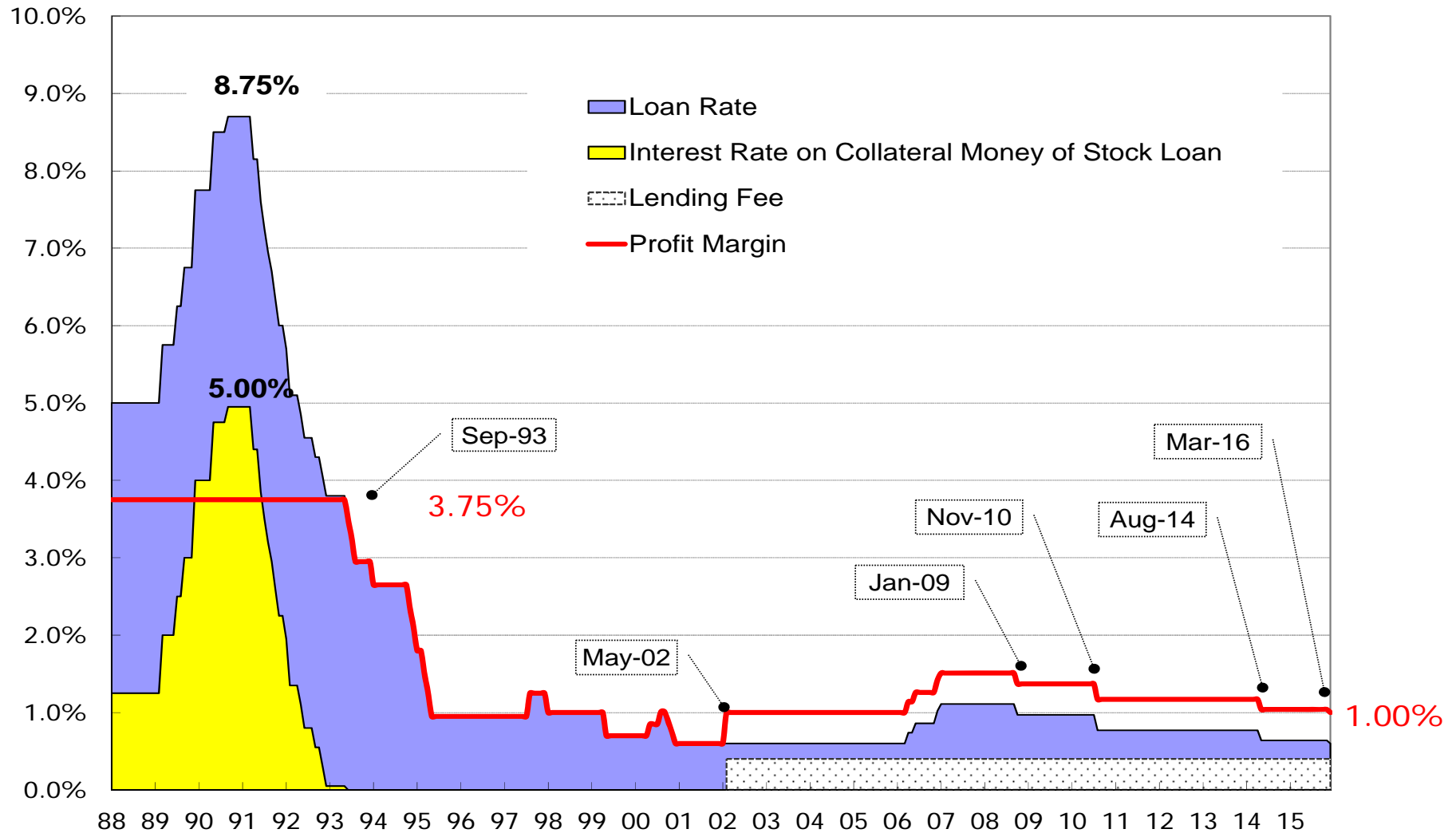
- Jul 2006 Uncollateralized O/N Call Rate: 0.25%
- Feb 2007 Uncollateralized O/N Call Rate: 0.50%
- Oct 2008 Uncollateralized O/N Call Rate: 0.30% ( 0.20%)
- Dec 2008 Uncollateralized O/N Call Rate: 0.10% ( 0.20%)
- Oct 2010 Uncollateralized O/N Call Rate: 0 ~ 0.10% ( 0.10~0%)
- Apr 2013 Switched from interest rate to monetary base
- Jan 2016 Embraced negative interest rates

## Margin Loan Rate

- 27/Jul/2006 0.74% (+0.14%)
- 22/Sep/2006 0.86% (+0.12%)
- 15/Mar/2007 1.02% (+0.16%)
- 05/Apr/2007 1.11% (+0.09%)
- 29/Jan/2009 0.97% ( 0.14%)
- 22/Nov/2010 0.77% ( 0.20%)
- 06/Aug/2014 0.64% ( 0.13%)
- 09/Mar/2016 0.60% ( 0.04%)

◆ Margin Loan Rates are decided by reflecting the change of market rates and BOJ's Policy Interest Rate.

# Loan Rate of Loans for Margin Transactions



# Features of Balance Sheet (Consolidated)

¥mil

	Mar-16	Change from Mar-15	
<b>Total assets</b>	3,249,170	233,431	
<b>Current assets</b>	2,336,363	148,054	
Cash & Deposit	266,377	234,585	Deposit at BOJ
Short-term investments	431,565	▲ 157,247	JGB and other bonds (Maturity: 1year or less)
Short-term loans receivable	567,748	▲ 315,352	Margin loan / Loans for negotiable margin transactions / General loans / Trust bank loans
Collateral money of securities borrowed	1,025,617	50,643	Collateral money of bond borrowing Collateral money of stock borrowing
<b>Non-current assets</b>	912,806	85,376	
Investments in securities	900,167	▲ 87,730	JGB and other bonds (Maturity: more than 1year), Stock
<b>Total liabilities</b>	3,107,139	238,317	
<b>Current liabilities</b>	3,075,453	253,671	
Call money	720,900	▲ 866,100	
Short-term borrowings	198,010	▲ 241,500	Bank borrowing Market operation by BOJ
Commercial Paper	122,000	▲ 318,000	
Collateral money received of securities lent	1,549,653	760,936	Collateral money of bond lending Collateral money of stock lending
<b>Non-current liabilities</b>	31,686	15,354	
<b>Total net assets</b>	142,030	4,885	

## Features of Assets

### (1) Fluctuation of Loan Balance

Loan balance moves everyday because margin loan is over-night loan

### (2) Holding JGBs for flexible cash funding

Holding certain amount of JGBs to fund money flexibly in short-term money market

## Features of Liabilities

### (1) Fluctuation of money funding amount

Need to response flexibly to fluctuating cash demands, because of the fluctuation of margin loan balance

### (2) Dependent on market

Cash funding structure is not stable and depends on money market

### (3) Funding with low rate

Required to fund in low cost to supply money for securities market stably and flexibly

# Securities Holdings

¥ mil

Securities Holdings	Mar-14		Mar-15		Mar-16		notes
	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	
Equity	9,238	4,643	11,951	7,356	12,079	6,550	
Bond	1,548,702	7,787	1,516,245	13,651	1,264,085	32,820	
JGB&Municipal Bond	1,410,019	7,766	1,383,045	12,442	1,003,869	32,628	
Corporate Bond	138,682	20	98,932	▲19	204,474	217	
Others	0	0	34,267	1,228	55,741	▲26	Foreign government bonds
Other Securities	1,372	435	1,750	813	2,615	675	
<b>Total</b>	<b>1,559,313</b>	<b>12,866</b>	<b>1,529,947</b>	<b>21,821</b>	<b>1,278,780</b>	<b>40,045</b>	

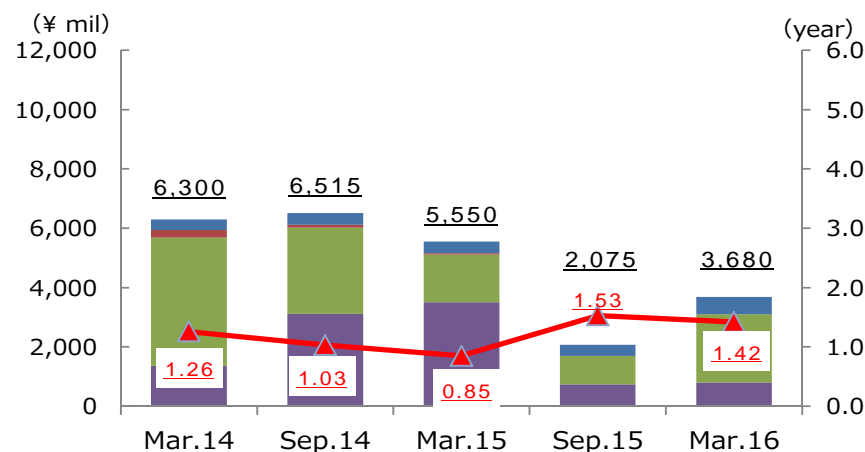
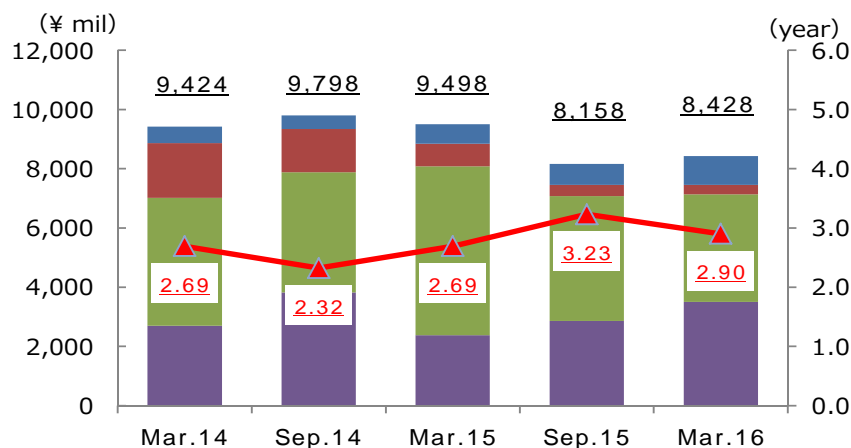
held-to-maturity bonds	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	B/S Amount	Unrealized profits and losses	notes
JGB	39,915	300	40,736	135	41,454	583	

※Unrealized profits and losses is not included the effects of hedging with derivatives

## Yen Bond Portfolio (JSF)

## Yen Bond Portfolio (JSF Trust Bank)

■ over 10 years   
 ■ 5 years to 10 years   
 ■ 1 year to 5 years   
 ■ within 1 year   
 ▲ Average remaining period



(Note) Average remaining period is calculated excluding Floating JGB, held-to-maturity bonds, bonds for which hedge-accounting is applied

# JSF Trust Bank ( Loan Balance)

- Loan Banance by Industry

¥mil

	Mar-15		Sep-15		Mar-16	
	Loan Balance	ratio	Loan Balance	ratio	Loan Balance	ratio
Manufacturing	11,284	20.5%	10,283	23.9%	8,578	6.3%
Fishery	0	0.0%	0	0.0%	0	0.0%
Mining	96	0.2%	48	0.1%	-	0.0%
Construction	0	0.0%	0	0.0%	0	0.0%
Energy & Utilities	0	0.0%	0	0.0%	0	0.0%
Communication	0	0.0%	0	0.0%	0	0.0%
Transportation	6,790	12.3%	5,574	12.9%	5,309	3.9%
Wholesale	1,500	2.7%	800	1.9%	800	0.6%
Retail	0	0.0%	0	0.0%	0	0.0%
Finance & Insurance	5,602	10.2%	3,001	7.0%	3,851	2.8%
Real Estate	6,407	11.6%	6,393	14.8%	3,335	2.4%
Service Industries	1,600	2.9%	1,600	3.7%	1,600	1.2%
Governments	21,781	39.6%	15,364	35.7%	112,841	82.8%
Total	55,062		43,066		136,316	

# The 4th Mid-term Management Plan (FY2014~FY2016)

## Corporate identity

- As an institution specializing in the securities finance business, Japan Securities Finance has a mission, while always maintaining a keen awareness of our public role
- Contribute to the development of the securities industry by proactively meeting the diverse needs of securities and financial circles
- Working to boost the long-term interests of securities market users and participants

## Management Policy

- Establish solid credibility
- Retain solid equity capital, stable return of profits to shareholders
- Further solidify the profit base
- Further improve the efficiency of organizational and business management

# Business Strategies for the 4th MMP

## 1. Expand the Loans for Margin Transactions Business as Key Infrastructure for the Securities Market

- Increase the number of loanable issues and improve both the system and operation of loans for margin transactions
- Enhance our informational outreach activities concerning the system of margin transactions and loans for margin transaction
- Expand the use of loans for negotiable margin transactions

## 2. Responding to the Diversifying Needs of Financial Instruments Companies and Other Customers

- Further strengthen our network of financial instruments companies and other partners
- Respond proactively to the diversifying needs for funding and securities
- Work to expand our customer loans business in collaboration with financial instruments companies

## 3. Strengthening System Infrastructure

- Implement a complete rebuild of business system (JSF-Net)
- Reinforce our capacity on the system side to support all of our business strategies

## 4. Other Business Strategies

- Strengthen coordination among our Group companies
- Monitor trends in rapidly developing Asia and other foreign markets
- Improve the efficiency of our fund management under appropriate risk controls

# Reinforcing Management Systems for the 4th MMP

## ① Enhancing Internal Controls

- Enhance the effectiveness of our compliance and internal auditing
- Work ever harder to improve our risk management in view of the increasingly diverse and complex risks associated

## ② Strengthening Our Business Management Structure

- Enhance the role and functions of our Business Promotion Meetings
- Maintenance of the system to oversee the implementation of business plans
- Thoroughgoing cost management

## ③ Promote Human Resources Development

- Train the human resources needed to increase our corporate value and make possible the creation of future opportunities for long-term growth



# Business Strategies of JSF Trust Bank

## Management Policy (Outline)

As a trust bank supporting the business infrastructure of securities companies, etc., JSF Trust and Banking Co., Ltd. provides customers with finely-tuned services that cannot be expected from other banks, including mega banks, and aims at the establishment of the business model mainly on the following duties.

- Make efforts in trust services and plan expansion of it, mainly on products or service for securities industry
- Deals with products and service such as the loan to securities companies and performs banking functions that are commensurate with its management capacity
- View the role of the securities investment as complementing profit
- Offer financial services in connection with JSF

# Rating Information

As of 31/Mar/2016		JCR		R&I		Standard & Poor's	
		Rating	Outlook	Rating	Outlook	Rating	Outlook
Japan Securities Finance	Long-term	AA-	Stable	AA-	Stable	A	Stable
	Short-term	J-1+ (Highest)		a-1+ (Highest)		A-1	
	CP Issue	¥1tri		¥1tri		—	
JSF Trust Bank	Long-term	A+	Stable	A+	Stable	—	—
	Short-term	J-1+ (Highest)		a-1		—	—

# Notice

This document includes statements for business forecast. These statements don't guarantee company's future achievement and that involve risk or uncertain factors. Company's future achievement may be changed drastically up to stock market or financial conditions.