

TSE Code 8511
January 23, 2023

To Shareholders

Director Representative Executive Officer & President
Shigeki Kushida
JAPAN SECURITIES FINANCE CO., LTD.
1-2-10, Nihonbashi-Kayabacho, Chuo-ku, Tokyo, Japan

**NOTICE OF CONVOCATION OF
THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS**

Notice is hereby given that the Extraordinary General Meeting of Shareholders of Japan Securities Finance Co., Ltd. (the “Company”) will be held as described below.

This Extraordinary General Meeting of Shareholders is to be held in accordance with a request from two shareholders. The presented proposals are all proposed by these two shareholders (the “Proposal Shareholders”). While the details of the proposals are shown in the Reference Materials concerning the General Meeting of Shareholders below, **the Board of Directors of the Company is opposed to all proposals.** For the opposition from the Board of Directors of the Company on the proposals, please see pages 13 to 20.

[When exercising your voting rights in writing (voting right exercise form)]

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and send it back so that it arrives by 5:20 p.m. (JST) on Monday, February 6, 2023.

[When exercising your voting rights via the Internet, etc.]

When exercising your voting rights via the Internet, etc., please carefully read the “Notes on the Execution of Votes, etc.” before exercising your voting rights.

Yours very truly,

Details

1. Date and Time	10:00 a.m. on Tuesday, February 7th, 2023						
2. Venue	Conference Room, JAPAN SECURITIES FINANCE CO., LTD. 1-2-10 Nihonbashi-Kayabacho, Chuo-ku, Tokyo, Japan						
3. Agenda for the Meeting	<p>Matters for Resolution: <Proposal by Shareholders></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; vertical-align: top;">Proposal 1</td> <td style="vertical-align: top;">Election of persons who will be charged to investigate the status of the operations and property of the Stock Company as set forth in Article 316, Paragraph 2 of the Companies Act. (1)</td> </tr> <tr> <td style="vertical-align: top;">Proposal 2</td> <td style="vertical-align: top;">Election of persons who will be charged to investigate the status of the operations and property of the Stock Company as set forth in Article 316, Paragraph 2 of the Companies Act. (2)</td> </tr> <tr> <td style="vertical-align: top;">Proposal 3</td> <td style="vertical-align: top;">Election of persons who will be charged to investigate the status of the operations and property of the Stock Company as set forth in Article 316, Paragraph 2 of the Companies Act. (3)</td> </tr> </table>	Proposal 1	Election of persons who will be charged to investigate the status of the operations and property of the Stock Company as set forth in Article 316, Paragraph 2 of the Companies Act. (1)	Proposal 2	Election of persons who will be charged to investigate the status of the operations and property of the Stock Company as set forth in Article 316, Paragraph 2 of the Companies Act. (2)	Proposal 3	Election of persons who will be charged to investigate the status of the operations and property of the Stock Company as set forth in Article 316, Paragraph 2 of the Companies Act. (3)
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Proposal 2	Election of persons who will be charged to investigate the status of the operations and property of the Stock Company as set forth in Article 316, Paragraph 2 of the Companies Act. (2)						
Proposal 3	Election of persons who will be charged to investigate the status of the operations and property of the Stock Company as set forth in Article 316, Paragraph 2 of the Companies Act. (3)						
4. Notes on the Execution of Votes	Please refer to “ Notes on the Execution of Votes” on next page						

Note: These documents have been translated from part of the Japanese originals for reference purposes only.

In the event of any discrepancies between these translated documents and the Japanese originals, the originals shall prevail. The Company assumes no responsibility for this translation or for direct, indirect, or other forms of damages arising from the translations.

Notes on the Execution of Votes.

1. With regard to the exercise of voting rights via the Internet.
 - (1) Shareholders exercising their voting rights via the Internet can only do so via the website designated by the Company (<https://www.e-sokai.jp>). However, please note that the voting service website is not available from a mobile which the Internet can be connected.
 - (2) If you are exercising your voting rights via the Internet, please enter your “voting code” and “password” indicated on the proxy voting form and follow the instructions on the screen to register whether you approve or disapprove of each proposal, and are kindly requested to exercise your voting rights on or before 5:20 p.m. (Japan standard time) on Monday, February 6, 2023.
 - (3) If you exercise your voting rights via the Internet multiple times, the vote cast last shall prevail.

Inquiries about the Exercise of Voting Rights via the Internet

Transfer Agent : JAPAN SECURITIES AGENTS, LTD.

Agency Department

[Direct Line for Web Support (Toll free)] 0120-707-743

Accessible from 9:00 a.m. to 9:00 p.m. on business days,
Saturdays, Sundays, and national holidays.

2. Platform for the Electronic Exercise of Voting Rights

Management and trust banks or other nominee shareholders as well as standing proxies have the choice of an alternative method for exercising voting rights for the Company’s General Meeting of Shareholders. This is the Electronic Voting Platform for Institutional Investors that is operated by ICJ Inc. to use this Electronic Voting Platform must be made in advance.

END

REFERENCE MATERIALS CONCERNING THE GENERAL MEETING OF SHAREHOLDERS

Proposal by Shareholders	<p>This proposal is proposed by the Proposal Shareholders. The content of the proposal and the reasons for the proposal are stated in original text as notified by the Proposal Shareholders.</p> <p>In 1.(2)(a) (Note 2) below, it is stated that Mr. Eizo Kobayashi was appointed as Senior Advisor or Special Advisor to the Company after retiring from President and Chairman, but Mr. Eizo Kobayashi is currently the Executive Officer and Chairman of the Company and has never been appointed as Senior Advisor or Special Advisor to the Company.</p>
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Proposal 1	Election of persons who will be charged to investigate the status of the operations and property of the Stock Company as set forth in Article 316, Paragraph 2 of the Companies Act. (1)
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1. Description of the Proposal

(1) Persons to Investigate the Status of the Operations and Assets

Kenji Shinjo, Hansen Nels Christian, and Akira Maekawa are hereby elected as persons to investigate the status of operations and assets of the Stock Company (the "Investigators") as set forth in Article 316, Paragraph 2 of the Companies Act for the purpose of investigating the matters stated in the Objectives of the Investigation. The election of the Investigators shall become effective upon passage of this Proposal, and no separate agreement with the Company shall be required to be entered into.

(a) Investigator Candidate 1

[Name]

Kenji Shinjo

[Date of birth]

December 12, 1952

[Career summary]

Apr. 1984: Prosecutor at The Tokyo District Public Prosecutors Office

Apr. 1998: Prosecutor at The Tokyo District Public Prosecutors Office, Public Prosecutor at the Supreme Public Prosecutors Office, and member of the Examination Committee for the Japanese Bar Exam

Apr. 2001: Prosecutor at The Fukuoka District Public Prosecutors Office and Director of General Affairs Department

Apr. 2005: Prosecutor at The Yokohama District Public Prosecutors Office and Director of Special Crimes Department

Oct. 2006: Prosecutor at The Tokyo High Public Prosecutors Office

Apr. 2007: Prosecutor at The Tokyo High Public Prosecutors Office and Special Prosecutor dispatched to Meiji University Law School

May 2010: Registered as a lawyer (Dai-Ichi Tokyo Bar Association), joined IPAX PARTNERS

Jan. 2016: Joined Ueda-Koichi Law Office (present)

[Significant concurrent positions]

Lawyer at Ueda-Koichi Law Office

[Number of Company Shares owned]

0

(b) Investigator Candidate 2

[Name]

Hansen Nels Christian

[Date of birth]

October 27, 1982

[Career summary]

Oct. 2008: Joined Skadden, Arps, Slate, Meagher & Flom LLP

Nov. 2008: Admitted to CA bar

July 2009: Visiting Scholar, Research Institute of Economy, Trade and Industry

Oct. 2009: Joined APEC Office, Trade Policy Bureau, Ministry of Economy, Trade and Industry

Nov. 2010: Joined Skadden, Arps, Slate, Meagher & Flom LLP

May 2011: Admitted to NY bar

Sep. 2015: Adjunct Instructor at Keio University Law School (present)

Feb. 2016: Registered as a Gaikokuho Jimu Bengoshi (Tokyo Bar Association)

June 2017: Local Partner at White & Case Law Offices (Registered Association)

Jan. 2020: Partner at White & Case Law Offices (Registered Association) (present)

Apr. 2020: Member of the Japanese Law Translation Council (present)

[Significant concurrent positions]

Partner at White & Case Law Offices (Registered Association)

Adjunct Instructor at Keio University Law School

Member of the Japanese Law Translation Council

[Number of Company Shares owned]

0

(c) Investigator Candidate 3

[Name]

Akira Maekawa

[Date of birth]

October 9, 1972

[Career summary]

Apr. 1999: Registered as a lawyer (Dai-Ichi Tokyo Bar Association), joined Okamura Law Office

Feb. 2006: Financial Securities Inspector for Kanto Finance Bureau of the Ministry of Finance

Jan. 2008: Joined Masuda & Partners Law Office

Aug. 2009: Established Maekawa Akira Law Office

Feb. 2011: Partner at IOTA Law Offices (present)

Apr. 2016: Vice-president at the Dai-Ichi Tokyo Bar Association.

Mar. 2018: Outside Director at Japan Investment Adviser Co., Ltd. (present)

Apr. 2018: Mediator at Tokyo Summary Court (present)
June 2021: Outside Auditor at TRI bank Kanagawa (present)

[Significant concurrent positions]

Partner at IOTA Law Offices
Outside Director at Japan Investment Adviser Co., Ltd.
Outside Auditor at TRI bank Kanagawa
Mediator at Tokyo Summary Court

[Number of Company Shares owned]

0

(2) The Objectives of Investigation

(a) All matters deemed necessary by the Investigators concerning whether or not the process by which the Company's Board of Directors submitted a proposal to appoint Mr. Shigeki Kushida as a candidate for a new director at the Company's 109th Annual General Meeting of Shareholders held in June 2019 and the process by which he was appointed President one month after being elected as a director (collectively, the "Mr. Kushida Personnel Matter") were based on a fair personnel assessment by the Company without the involvement of a third party.

However, Mr. Shigeki Kushida is the tenth and current President of the Company since the Company went public, and all of the previous presidents of the Company, including Mr. Kushida, have been the BOJ alumnus and have served as Executive Directors of the Bank of Japan since the Company went public in 1950, and there exists an unnatural and significant bias in the career history of successive presidents of the Company. Therefore, in light of the fact that the Mr. Kushida Personnel Matter is only one part of the aforementioned bias, the Investigators may additionally investigate the persons listed in (i) through (x) below ("Presidents, Etc.") only to the extent that the investigators judge necessary in investigating the Mr. Kushida Personnel Matter.

<Among the current and past executives of the Company, the names of the main persons who are the BOJ alumni and who have served as Executive Directors of the BOJ, and their main positions and tenure of office in the Company>

- (i) Kiyoka Shirane , President (1950-62)
- (ii) Tsutomu Taniguchi , President (1962-70)
- (iii) Masayoshi Kamata , President (1970-79, 1983-85)
- (iv) Kenichi Okada, President (1979-83)
- (v) Tatsuo Tajima, President (1985-92)
- (vi) Akira Aoki, President (1992-98)
- (vii) Kunio Kojima, President (1998-2004)
- (viii) Minoru Masubuchi, President (2004-12)
- (ix) Eizo Kobayashi, President (2012-19)
- (x) Shigeki Kushida, President (2019 - present)

(Note 1) Masayoshi Kamata, Kenichi Okada, Tatsuo Tajima, Akira Aoki, Kunio Kojima, Minoru Masubuchi, and Eizo Kobayashi were appointed Chairman after retiring as President.

(Note 2) Akira Aoki, Kunio Kojima, Minoru Masubuchi, and Eizo Kobayashi were appointed as Senior Advisor or Special Advisor after retiring from President and Chairman.

(b) All matters deemed necessary by the Investigators concerning whether or not the process by which the Company's Board of Directors submitted a proposal to appoint Mr. Yutaka Okada as a candidate for a new director at the Company's 108th Annual General Meeting of Shareholders held in June 2018 and the process by which he was appointed Managing Executive Director (hereinafter "ME Director") one month after being elected as a director (collectively, the "Mr. Okada Personnel Matter") were based on a fair personnel assessment by the Company without the involvement of a third party, and all matters deemed to contribute to improved transparency in the Company's executive nomination process.

However, among individuals who are Bank of Japan alumnus, those who have served as Director-general of the Bank but have not served as Executive Director ("Director-general-level Personnel"), including Mr. Yutaka Okada, have been appointed to the positions of ME Director or Senior Managing Executive Director (hereinafter "Sr. ME Director") of the Company on an ongoing basis without interruption since 1980 and there exists an unnatural and significant bias in the career history of ME Directors or Sr. ME Directors of the Company. Therefore, in light of the fact that the Mr. Okada Personnel Matter is only one part of the aforementioned bias, additional investigations of personnel matters relating to the persons listed in (i) through (vii) below ("Sr. ME Directors, Etc.") may also be conducted only to the extent that the Investigators judge necessary in investigating the Mr. Okada Personnel Matter.

<Among the current and past executives of the Company, the names of the main persons who are Director-general-level Personnel, and their main positions and tenure of office in the Company>

- (i) Shizuka Sato , Sr. ME Director (1980-85)
- (ii) Fumio Kimura , ME Director (1985-87), Sr. ME Director (1987-92)
- (iii) Toshio Hayashi, ME Director (1992-94), Sr. ME Director (1994-98)
- (iv) Tasuku Horiguchi, ME Director (1998-2002), Sr. ME Director (2002-05)
- (v) Yasuhisa Hashimoto, ME Director (2005-09), Sr. ME Director (2009-12)
- (vi) Toshihiro Oritate, ME Director (2012-16), Sr. ME Director (2016-18)
- (vii) Yutaka Okada, ME Director (2018-22), Senior Managing Executive Officer (2022 - present)

(Note) Toshio Hayashi, Tasuku Horiguchi, Yasuhisa Hashimoto, and Toshihiro Oritate were appointed as President of JSF Trust and Banking Co., Ltd., a subsidiary of the Company, after their retirement.

(3) Method of Investigation and Reporting

(a) The Investigators shall conduct the investigation independently of the Company, and independently of the proposal shareholders, who are requesting this Extraordinary General Meeting of Shareholders.

(b) The investigation period shall be three (3) months from the date of the appointment of the Investigators by this Extraordinary General Meeting of Shareholders.

(c) By the end of the investigation period, the Investigators shall conduct the necessary investigations and deliver the document(s) to the Company describing the results of such investigations (the "Investigation Report") and make a public announcement of the contents thereof. The Investigators shall also report the contents of the Investigation Report at the first General Meeting of Shareholders to be held after this Extraordinary General Meeting of Shareholders.

(d) The Investigators may request that the Company's executives disclose or deliver any documents, etc., that the Investigators deem necessary for the investigation, or may request reports on any matters that the Investigator deem necessary for the investigation. The Company's executives

may not refuse such requests.

(e) If any executive, employee, or any other person of the Company refuses to cooperate with the investigation, or refuses or interferes with the investigation, or when the Investigators or assistants are directly or indirectly pressured, etc. by any officer, employee, or any other person of the Company, the investigator shall state this in the Investigation Report.

(f) The Investigators shall conduct interviews with Company executives and shall determine the scope of facts to be investigated (hereinafter referred to as the "Investigation Scope")

(g) The Investigation Scope shall be sufficiently broad to achieve the aim of the Investigators' appointment, which is to investigate whether or not the nomination and appointment of Presidents, Etc. and Sr. ME Directors, Etc. was conducted in a fair and impartial manner without the involvement or undue influence of a third party. In addition, the Investigators may, at their discretion, expand or change the Investigation Scope as necessary. In such cases, the circumstances of such an expansion or change shall be explained in the Investigation Report.

(h) The Investigators shall set the Investigation Scope, taking into account the Company's cost and resource allocation, so as not to have a significant adverse impact on the Company's corporate value.

(4) Remuneration

(a) The Company shall, within socially reasonable limits, reimburse the expenses incurred by Investigators (including daily allowances for investigators and assistants) in the course of their investigations. When Investigators and assistants are reimbursed based on a reasonable time charge in the ordinary course of their work activities, the compensation calculated on the basis of such time charge shall be deemed to be reasonable under socially recognized norms.

(b) In the event the Company refuses to reimburse all or part of the costs of the investigation in response to the request of the Investigators, the proposal shareholders shall indemnify the Investigators for the costs that were not reimbursed by the Company.

(5) Other Matters

The Investigators may appoint assistants as they deem appropriate and may delegate a part of the Investigators' work activities to such assistants.

However, no executive or employee of the Company may be appointed as an assistant.

2. Reason for the Proposal

Amakudari is considered to be an aspect of "S" of ESG, in that deemed public officials use their positions to obtain high positions and high remuneration, which is antithetical to social justice. It is also an aspect of "G" of ESG, in that it means that appointments to senior management are made irrespective of the qualifications of the individual, and it also means a lack of fairness in the selection of directors, which is the foundation of governance. In other words, the Company, with the presence of many *amakudari*, has, at the same time, a serious issue regarding the "S" and "G" of ESG.

Although the Company's directors deny the existence of *amakudari* and assert there exists fair personnel practices, it has been made clear that their assertion is unreasonable considering the objective status of the Company, such as the fact that all successive presidents have been from the Bank of Japan. The Nomination Committee, which normally is tasked with pursuing such unreasonableness, has tacitly allowed *amakudari* for a long period of time, and the Company's governance cannot be expected to correct itself through self-help efforts.

Accordingly, in order to clarify the circumstances that led to *amakudari* and to achieve true ESG management in the Company, the Company proposes that the Investigators of this Proposal carry out this investigation ("This Investigation").

Proposal by Shareholders	This proposal is proposed by the Proposal Shareholders. The content of the proposal and the reasons for the proposal are stated in original text as notified by the Proposal Shareholders.
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Proposal 2	Election of persons who will be charged to investigate the status of the operations and property of the Stock Company as set forth in Article 316, Paragraph 2 of the Companies Act. (2)
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1. Description of the Proposal

(1) Persons to investigate the status of operations and assets

This shall be as described in "(1) Persons to Investigate the Status of the Operations and Assets" in Proposal 1.

(2) Objectives of the Investigation

All matters deemed necessary by the Investigators concerning whether or not the process by which the Company's Board of Directors submitted a proposal to appoint Mr. Shunichiro Higuchi as a candidate for a new director and the process by which he was appointed Vice President upon being elected as a director at the Company's 106th Annual General Meeting of Shareholders held in June 2016 (collectively, the "Mr. Higuchi Personnel Matter") were based on a fair assessment by the Company without the involvement of a third party (e.g., the Ministry of Finance; the MOF), and all matters deemed to contribute to improved transparency in the Company's executive nomination process.

However, various alumni from the MOF, including Mr. Shunichiro Higuchi, have been appointed to the positions of ME Director, Sr. ME Director, or Vice President or higher at the Company without interruption since 1960 and there exists an unnatural and significant bias in the career history of ME Directors, Sr. ME Directors, or Vice Presidents of the Company. Therefore, in light of the fact that the Mr. Higuchi Personnel Matter is only one part of the aforementioned bias, additional investigations of personnel matters relating to the persons listed in (i) through (x) below ("Vice Presidents, Etc.") may also be conducted only to the extent that the Investigators judge necessary in investigating the Higuchi Personnel Matter.

<Among the current and past executives of the Company, the names of the main persons who are MOF alumni, and their main positions and tenure of office in the Company>.

- (i) Shoji Sasagawa, ME Director (1960-62), Sr. ME Director (1962-71)
- (ii) Yoshisuke Isoda, Sr. ME Director (1971-72), Vice President (1972-77), Chairman (1977-79)
- (iii) Kazumasa Tashiro, Vice President (1979-83)
- (iv) Toshio Iyoda, Sr. ME Director (1984-85), Vice President (1985-92)
- (v) Minoru Monden, Vice President (1992-2000)
- (vi) Tetsuya Hiraoka, Vice President (2000-04)
- (vii) Hiroshi Saito, Vice President (2004-08)
- (viii) Hiromitsu Matsuda, Vice President (2008-13)
- (ix) Takao Hotta, Vice Chairman (2013-16)
- (x) Shunichiro Higuchi, Vice President (2016 - present)

(3) Method of Investigation and Reporting

This shall be as described in "(3) Method of Investigation and Reporting" in Proposal 1, and

"Presidents, Etc." and "Sr. ME Directors, Etc." shall be read as "Vice Presidents, Etc."

(4) Remuneration

This shall be as described in "(4) Remuneration" in Proposal 1.

(5) Other Matters

This shall be as described in "(5) Other Matters" in Proposal 1.

2. Reason for Proposal

In addition to the same reasons as for Proposal 1, there is a concern that the appointment of Mr. Higuchi may be in violation of the National Public Service Act.

For more than 60 years, with the exception of 1983, the Company has had MOF alumni serving as a ME Director, a Sr. ME Director, or a Vice President or higher without interruption. This means that when an executive who is a MOF alumnus retires, another MOF alumnus is appointed as an executive of the Company at the same time, which raises the possibility that personnel information is being exchanged between the MOF and the Company, i.e., that the MOF is "providing the Company with information on persons who were previously executives" for the purpose of "having them assume their positions" as defined in Article 106-2, Paragraph 1 of the National Public Service Act.

The appointment of MOF alumni as executives at the Company is strongly suspected to be the result of a violation of the National Public Service Act, which is a serious issue pertaining to the fundamentals of the "S" and the "G" in ESG. We, therefore, propose this Investigation in order to dispel such suspicions through this Investigation and to realize highly transparent and true ESG management at the Company.

Proposal by Shareholders	This proposal is proposed by the Proposal Shareholders. The content of the proposal and the reasons for the proposal are stated in original text as notified by the Proposal Shareholders.
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Proposal 3	Election of persons who will be charged to investigate the status of the operations and property of the Stock Company as set forth in Article 316, Paragraph 2 of the Companies Act. (3)
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1. Description of the Proposal

(1) Persons to Investigate the Status of Operations and Assets

This shall be as described in "(1) Persons who Investigate the Status of Operations and Assets" in Proposal 1.

(2) Objectives of the Investigation

All matters deemed necessary by the Investigators concerning whether or not the process by which the Company's Board of Directors submitted a proposal to appoint Mr. Shuya Imura as a candidate for a new Auditor at the Company's 106th Annual General Meeting of Shareholders held in June 2016 and the process by which the proposal was submitted at the Company's 109th Annual General Meeting of Shareholders held in June 2019 to nominate him as a candidate for director (collectively, the "Mr. Imura Personnel Matter") were based on a fair personnel assessment by the Company without the involvement of a third party, and all matters deemed to contribute to improved transparency in the Company's executive nomination process.

However, persons from the TSE, including Mr. Shuya Imura, have been appointed as Directors or Auditors without interruption since 1974 and there exists an unnatural and significant bias in the career history of Directors or Auditors of the Company. Therefore, in light of the fact that the Mr. Imura Personnel Matter is only one part of the aforementioned bias, additional investigations of personnel matters relating to the persons listed in (i) through (vii) below ("Executives In Charge of Audit, Etc.") only to the extent that the investigators judge necessary in investigating the Mr. Imura Personnel Matter.

<Among the current and past executives of the Company, the names of the main persons who are TSE alumni, and their main positions and tenure of office in the Company>

- (i) Yukio Uehara, Director (1974-80)
- (ii) Atsushi Yasui, Director (1980-84), Auditor (1984-89)
- (iii) Masataka Takahashi, Auditor (1989-94), Outside Auditor (1994-98)
- (iv) Koji Takahashi, Outside Auditor (1998-2004)
- (v) Yoshiyasu Arai, Outside Auditor (2004-08)
- (vi) Ushio Mizuno, Outside Auditor (2008-16)
- (vii) Shuya Imura, Outside Auditor (2016-19), Outside Director (Audit Committee) (2019-present)

(3) Method of Investigation and Reporting

This shall be as described in "(3) Method of Investigation and Reporting" in Proposal 1, and "Presidents, Etc." and "Sr. ME Directors, Etc." shall be read as "Executives In Charge of Audit, Etc."

(4) Remuneration

This shall be as described in “(4) Remuneration” in Proposal 1.

(5) Other Matters

This shall be as described in “(5) Other Matters” in Proposal 1.

2. Reason for Proposal

Mr. Shuya Iimura, a TSE alumnus, is an independent Outside Director of the Company and serves as the Chairman of the Audit Committee.

However, TSE alumni have held positions as officers of the Company without interruption over the past 48 years, and it is strongly suspected that personnel information may have been exchanged between the Company and the TSE in the process of such exchange. Irrespective of his qualifications and abilities, when Mr. Shuya Iimura is in the position of Chairman of the Audit Committee, a position that requires a high degree of independence as a result of familiarity between the Company and the TSE, there are concerns over his independence and suitability for the position.

The independence and suitability of outside Directors are the cornerstone of governance in ESG, and through This Investigation, it should be made clear whether or not the appointment of Mr. Shuya Iimura was the result of fair personnel practices by the Company.

Once past actions have been verified through This Investigation, it is essential that the Company reassess the pros and cons of continuing to appoint executives from certain organizations, as well as the process of appointing outside personnel, in order to practice true ESG management.

Opinion of the Board of Directors regarding the Shareholder Proposals

As the result of careful consideration of the matters for resolutions of the extraordinary general meeting of shareholders, the Company's board of directors **opposes all the matters for resolutions.**

Since 2019, in response to the environmental changes surrounding the Company in recent years, the Company has positioned the enhancement and strengthening of corporate governance and the strengthening of profitability / improvement of capital efficiency as two urgent issues for management, and has amassed sincere managerial efforts, and while these efforts are still in development, they have been tied to certain results.

We absolutely ask for the deep understanding of all shareholders regarding the Company's policies, way of thinking and achievements.

Hereunder we will provide a specific explanation regarding the Company's opinion.

1. Company's efforts regarding the appointment of a management team

In 2019, as a company with a nominating committee, etc., we introduced a system that separated oversight and execution in an effort to further enhance and strengthen corporate governance. Efforts as follows centered on the nominating committee have also been made to improve the effectiveness of the appointment of the management team related to the matters for resolution at the Extraordinary General Meeting of Shareholders.

(1) Thinking regarding composition, etc. of the board of directors and process for nomination of candidates

Last year, the Company revalidated the composition, etc. of its board of directors. As a result thereof, based on the changing environment it has sought multifaceted skills from directors such as digitalization and internationalization, and has reached the conclusion that it is important to have a balance between the number of people engaged in oversight and execution and to have diversity in age and gender, so at the 112th ordinary general meeting of shareholders convened in June of 2022, it added two new outside directors, adopting a system where the board of directors is comprised of a total of seven directors; five outside directors and two internal directors. Besides adding such important skills such as knowledge of business management especially industry, knowledge of in fields of technological innovation such as DX and unique financial services, efforts have also been made to diversify age composition.

(2) Thinking regarding appointment of executive officers and appointment process

The thinking on the appointment of executive officers was comprehensively verified last year from the perspective of building an executive system for moving forward with the Medium-Term Management Plan. From the past the Company, based on the public role and uniqueness of securities finance services, has marshalled such talents as "someone who is fully aware of the public role and capable of executing business" and "someone who has wide knowledge of the overall securities and financing market," but has newly added "internationalism," "extensive knowledge and experience regarding business administration and risk management" and "extensive knowledge and experience regarding finance and accounting" as expected talents.

Under this arrangement, in the nomination of specific candidates for executive officers, nominations of persons with the required talents have been made on an individual basis from a long list of candidates who come from inside the Company, who come from the public sector, and who come from the securities and finance sectors, and in this process the respective members of the nominating committee gain a deep understanding of the qualities and character of the respective executive officers through deliberations at the board of directors and in the preceding explanations.

Under this framework, efforts were made in the past to appoint executive officers from internal personnel and to develop human resources to that end, but in executive personnel matters for 2022, a person from a private financial institution who gain experience as a department manager and executive officer at the Company after joining the Company was promoted to managing executive officer. In the future as well, in addition to aggressive efforts to foster and promote internal personnel, including persons hired mid-career, the policy will be to endeavor to appoint people from the outside who are capable of expanding our security finance services and otherwise enhancing corporate value.

Under the next Medium-Term Management Plan currently be considered by the board of directors, the enhancement of organizational transformation power through the development of human resources, the securing of diversity and the like is positioned as one important topic to be addressed, as a strategic issue to facilitated the advancement of the Company's continued growth and improved corporate value. The diversification of management personnel is also considered to be greatly significant in the advancement of this organizational transformation.

(3) Succession plan for president and representative executive officer

A succession plan has been established for the Company's officers with regard to these qualities required of officers. In particular, the president and representative executive officer who takes charge of management as the leader of the executive officers, must be able to oversee the execution of business and improve corporate value, and as the representative of a corporation that plays a public role, is required to have high ethical standards and other qualities. Moreover, the nominating committee and board of directors have established opportunities, and have ongoing discussions, regarding efforts to collect information on candidates and others, and to conduct interviews or discussions as needed.

Based on the efforts of foregoing sections (1) through (3), from the perspective of committing to continued improvement in corporate value, the further strengthening of corporate governance and the strengthening of the Company's stability, at the time of the start of the 7th Medium-Term Management Plan from FY 2023, our thinking at the current stage is as follows regarding the consideration of a future successor for Shigeki Kushida, the current Representative Executive Officer & President.

First, as our basic point of view are the following two points, founded on our thinking regarding the Company's business portfolio:

- With a strong awareness of the Company's public role as infrastructure for the securities market, position the licensed margin trading business as the pillar of the business portfolio; and,
- Based on the fact that the margin trading business is highly impacted by market fluctuations, etc., continuously strive to improve security finance services and trust services and otherwise diversify sources of income, and make efforts to achieve management goals with the awareness that capital efficiency can be better than in the past.

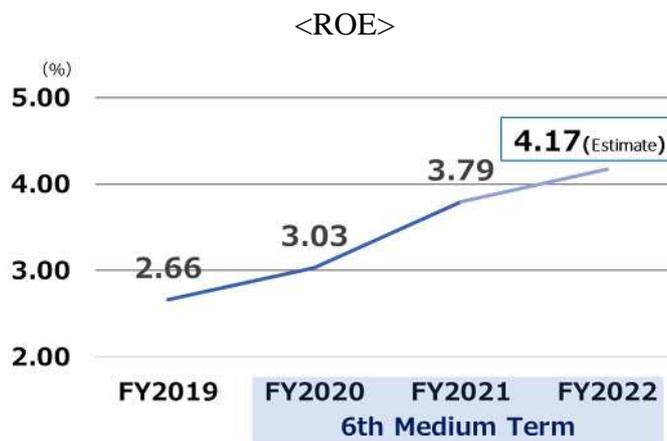
Moreover, in the future development of the Company’s business, of the foregoing two points, our public role will continued to be important, but at the same time, we have heightened the importance of knowledge and experience related to securities and finance business which in recent years has included technological innovation and the like.

As such, due to the characteristics of the Company’s business and under the Company’s future vision of what it wants to become, the nominating committee will consider as the future successor Shigeki Kushida, the current Representative Executive Officer & President, someone who satisfies the qualities of foregoing section (3) based on a long list centering on people from within the Company, include those have been hired mid-career, and the policy at this time is not to include persons from the public sector. Furthermore, since the company will continue to play an important public role, with the overall composition of the executive officer team, as addressed above in foregoing section (2), we will nominate people who have the required qualities, on an individual basis, from a long list of candidates who come from inside the Company, who come from the public sector, and who come from the securities and finance sectors. In addition, premised on this sense of direction, through the process of executing the medium-term management plans in the following and subsequent terms, the policy in the future will be to seek a sustainable and smooth succession while taking the time required develop the executive officer team inclusive of the representative executive officer and president. Additionally, the policy will also call for continued consideration to be given to ensuring transparency in the nominating process.

Based on the foregoing, the Company’s board of directors believes there is no need to appoint a person to investigate the status of the operations and property of the stock company as set forth in Article 316, Paragraph 2 of the Companies Act (hereinafter, “Investigator”) to again investigate circumstances leading up to the appointment of officers in the past.

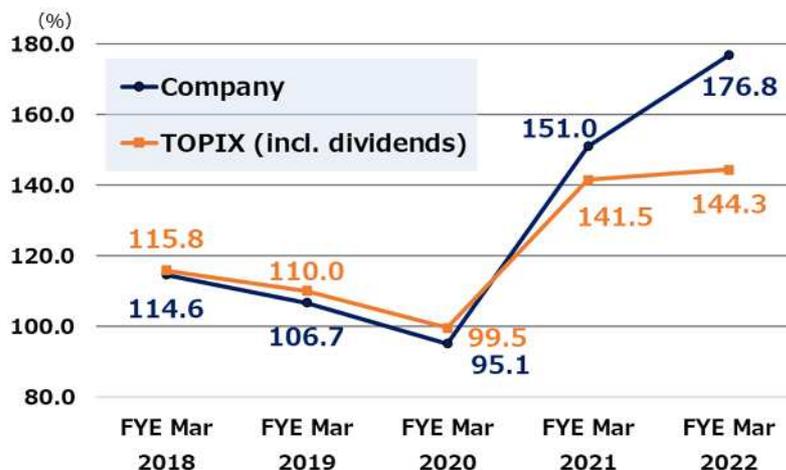
2. Achievements and results

In recent years, the Company, pursuant to various managerial measures, has steadily increased its ROE through the accumulation of efforts under the current Medium-Term Management Plan. This fiscal year (2022), the management goal is to achieve an ROE of 4%, the interim goal under the medium-term management policy, and at present the estimated ROE based on the provisional calculation of the current fiscal year’s earnings is 4.17%, which is steadily progressing towards the achievement of the interim goal, and we believe that we have been able to establish a foothold for achieving the 2025 fiscal year goal of 5%. Please see the “<Remarks> Company’s efforts” Section at the end hereof for the details of the measures undertaken by the Company.



Also, in addition to the increase in the Company's ROE, in our efforts to enhance shareholder returns, the Company's total shareholder return has increased to a level that significantly outperforms the current TOPIX average.

<Total Shareholder Return (TSR)>



The Company believes it will be difficult to rapidly increase its ROE, based on its need to maintain financial soundness and the restrictions placed on the scope of its business under laws and regulations as a security finance company that is considered to serve as market infrastructure through margin trading services and the like, and as such, first it will achieve an ROE of 5% along the time axis up to FY 2025.

Naturally, the policy for FY 2026 and after is to further advance the efforts for improving corporate value, and to keep making managerial efforts to realize a higher ROE level.

3. It is appropriate to evaluate the Company's directors and officers based on their performance after appointment and there is no need to make an issue of their careers prior to appointment

It is appropriate to evaluate the directors and officers based on their performance after appointment in consideration of the management philosophy, and not evaluate them based on past information prior to appointment in 2018 and 2019 as stipulated in the proposed matters for resolution, and as such there is no need to examine such information. The current management team is making efforts to improve the ROE and enhance shareholder returns, and has steadily maintained total shareholder return.

In fact, the Company's current directors were elected with the support of nearly all shareholders other than the Proposing Shareholder at the 112th ordinary general meeting of shareholders convened in June of 2022. This is considered an extensive acknowledgement of the Company's various efforts to date and the results thereof by the shareholders.

4. Regarding the necessity for background investigations for candidates

In the election of the management team, a candidate's background and other matters that should be stated in the notice of the convening of a general meeting of shareholders are prescribed in detail in the Companies Act and the Regulations for Enforcement of the Companies Act, and the Company has appropriately disclosed the information required under such laws and regulations. In addition, at present the Company is a company with a nominating committee, etc., and the nominating committee holds the authority to nominate the management team. The nominating committee's ways of thinking in making nominations, the qualifications required of the management team, the nomination process at the nominating committee and other information which may be of value in determinations by shareholders have been voluntarily disclosed by an integrated report, etc. in addition to the corporate governance report.

Furthermore, in the appointment of officers, including this case as well, the Company has appropriately engaged in the responses required in corporate governance as a listed company, and has confirmed that people from the public sector are in compliance with the rules imposed on the Company and individuals when they are appointed as officers of the Company.

As such, the Company's directors believe that the information required in the election of the management team has already been widely disclosed, and there is no need to appoint an Investigator to again investigate backgrounds, etc.

In addition, with regard to the election of candidates for directors, information other than the foregoing information and the discussion process may include internal and external character evaluations of individual candidates that cover both the positives and the negatives, information that falls under privacy such as medical history and other extremely confidential information, and if this were to become public through an investigation, the private information of those investigated would become public, and not only the Company but other listed companies would be forced to nominate candidates on the premise that all information and discussion process will become public, and this may interfere with the free exchange of opinions and decision making.

Also, the policy at the Company, as stated above, is to make an effort to perceive the development and diversification of human resources and organizational transformation as important management issues for the future improvement of corporate value, but there are concerns that in the appointment of outside personnel for this purpose, previous examples where highly classified information have been investigated and made public will have chilling effect, and as a result it will become extremely difficult to secure human resources, and this may hinder the improvement of corporate value.

In addition to the foregoing, the Proposing Shareholder has expressed their intent to conduct a forensic investigation that exhaustively investigates the emails and the like of people related to the Company, but if such an investigation is conducted, matters unrelated to the process for nominating directors (for example, trade secrets and the exchange of confidential information with clients, etc.) would be revealed to the Investigator, and would damage the Company's credibility with clients and others, and impede the execution of the Company's business.

5. Circumstances differ between the Company and the other companies that have been required to appoint Investigators

There are case to date in which other listed companies have been required to appoint Investigators, but these cases are based on suspicions of violations of laws, regulations , etc. by the companies. However, since no such circumstances exist at all at the Company, we believe that there is no reasonable basis for the appointment of the Investigator. Furthermore, the Proposing Shareholder with regard to the No. 2 Matter for Resolution, asserts that there is a suspicion of the violation of the National Public Service Act in the Company's determination of candidates for director, but the Company has confirmed that people from the public sector are in compliance with the rules imposed on the Company and individuals when they are appointed as officers of the Company.

The Company will continue in the future to persist in making considerations based on the thinking on corporate governance, and enacting necessary measures with regard to how officers are appointed, remunerated and incentivized, to realize the improvement of its medium- to long-term corporate value while supporting the market infrastructure.

END

<Remarks> Company's efforts

(1) Fundamental point of view and goals regarding management

The Company is strongly aware of the public role required thereof as a securities finance company that shoulders the infrastructure for the securities market, and its fundamental point of view on management is to target becoming an enterprise that maintains strong financial soundness and realizes the continuous growth and the enhancement of medium and long-term corporate value required as a listed company.

Under this point of view, the Company recognizes that it is required to ensure further commitment and transparency towards continuous growth and the enhance of corporate value in the medium to long-term based on a strong governance system, and because thereof it formulated and publicly released its "Medium Term Management Policy" in November of 2021. Based on this policy, the Company's management goal is to achieve an ROE of 4% in during the current Medium-Term Management Plan (up through FY 2022), and to achieve an ROE of 5% in during the next Medium-Term Management Plan (FY 2023 through FY 2025). Since the efforts under the current Medium-Term Management Plan have steadily been manifested in earnings and ROE trends, we will seek to hasten and strengthen the efforts we have made to date.

In the formulation of these ROE goals, from the perspective of engaging in management that is conscious of the capital costs that are also in the Corporate Governance Code, estimations of the Company's shareholder's cost of equity was made using objective data and multiple methods, and since the mid-4% range is now recognized, the ROE goal was set above that at 5%. Furthermore, since securities finance companies, in their capacity as infrastructure for the securities market, are unique in that they are subject to restrictions on financial soundness and their scope of business under laws, regulations and standards for participation in securities and funds settlement systems, with low business strategy risk and high financial and earnings stability, and such the cost of equity of the Company is considered to be somewhat lower than the general level.

(2) Thinking regarding business portfolio

As a premise of the formulation of a management strategy, etc., the Company deliberates and determines the fundamental thinking on its business portfolio in the board of directors, and then publicly releases this thinking.

Specifically, with a strong awareness of its public role as infrastructure for the securities market, the Company's group provides a variety of securities and finance related services that aggressively meet the diverse needs of the securities sector and finance sector, centering around securities finance services which serve as the core of the licensed margin trading business.

In addition, based on the fact that the margin trading business is highly impacted by market fluctuations, etc., we continuously strive to diversify our sources of income, and efforts are made to achieve management goals with the awareness that each business can become more efficient than it has been in the past.

Based on the analysis noted above, the Company's group will strive to realize the vision of the future targeted by the Company through a business portfolio consisting of securities finance business (securities finance business serving as the core of margin trading and negotiable securities investment business), trust banking business, and real estate leasing business.

(3) Efforts addressing sustainability issues

To realize a sustainable society, the establishment of an infrastructure that serves as the basis for social economic activities is also a key factor, and is also listed as one of the sustainable development goals (SDGs) (Goal 9). The Company's group provides margin trading services as infrastructure for the securities market and a variety of other services, it is making efforts to improve liquidity on the securities and finance markets and enhance convenience for market participants, and through these activities it seeks to play a part in the realization of a sustainable society, including also support for the market participants who are making similar efforts.

The Company is advancing its efforts in the environment (E) and society (S) based on this fundamental policy. Recent efforts include the promotion of academic research activities through industry-academia collaboration (empirical research on negotiable securities margin trading through joint research with the University of Tokyo utilizing distributed ledger technology), Contributions to overseas securities and finance market infrastructure (technological cooperation with and investment in Indonesian securities finance company), and the promotion of financial and economic educational activities (implementation of lectures under the theme of "Finance and Securities Markets and Industry-academia Collaboration" by the Faculty of Engineering at the University of Tokyo), etc.

In addition, the response to climate change is also recognized as a key managerial issue, and information related to climate change is disclosed on the Company's homepage and integrated reports in line with the recommendations of the TCFD.

(4) Enhanced disclosure of information

In order to deepen the understanding of the Company by shareholders and other various stakeholders, efforts to enhance the disclosure of information are recognized to be a major issue. In the current year, the Company prepared its first integrated report. The integrated report contains information on the Company's business model, management policy, features as a securities finance company, the activity status of the board of directors and various committees, and other corporate governance related information, and addresses the status, etc. of the efforts being made on the issue of sustainability.

In addition, explanatory meetings for analysts and investors are convened upon the settlement of accounts and interim settlement of accounts, and settlement explanatory materials are publicly released, etc. on quarterly results.

We will continue to make efforts to enhance the disclosure of information in the future.

End