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To whom it may concern

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Company's Efforts to Respond to the Tokyo Stock Exchange's  
Request to Listed Companies, etc.

Japan Securities Finance Co., Ltd. (hereinafter "JSF") hereby announces that we have compiled the following information on our efforts, following repeated considerations by our Board of Directors regarding the matters requested of listed companies by the Tokyo Stock Exchange as of March 31, 2023.

We would like to ask our shareholders and investors for their sincere understanding of the Company's efforts, approach, and performance, and for their continued support and cooperation.

**1. Efforts to achieve management with awareness of our cost of capital and stock price, etc.**

(1) Analysis of the current situation

In our Medium-term Management Policy (announced on November 19, 2021) and Seventh Medium-term Management Plan (announced on February 6, 2023), JSF has set a goal of 5% ROE, which is above the Company's cost of equity (mid-4% range), and we continue our management efforts.

Also, from the viewpoint of further enhancing shareholder returns, JSF aims to achieve a total payout ratio of 100% on a cumulative basis by flexibly implementing dividends and share buybacks from FY2021 through FY2025 (when the goal of 5% ROE is achieved). Based on this policy, in FY2022, we declared an annual dividend of 32 yen per share and implemented a share buyback of approximately 3 billion yen in conjunction with the dividend.

As a result of these efforts, the Company's stock price and PBR have been on an upward trend.

(Changes in ROE, etc.)

	FY2018	FY2019	FY2020	FY2021	FY2022
ROE	2.65%	2.66%	3.03%	3.79%	4.36%
Total payout ratio	87.8%	71.0%	60.1%	97.6%	97.6%
PBR *	0.38 times	0.35 times	0.54 times	0.59 times	0.64 times

\*PBR is the value at the end of each fiscal year.

(2) Approach to the cost of capital

The Company's cost of equity is estimated by objective data and multiple methods, perceived to be in the mid-4% range.

As a securities finance company functioning as infrastructure for the securities market, our cost of equity is considered to be considerably lower than the general level due to our low risk business strategy and high financial and earnings stability, also due to the characteristics of a securities finance company, whose financial soundness and restrictions on the scope of their business are imposed by laws and regulations and participation standards for securities and funds settlement systems.

### (3) Approach to improving return on capital

JSF has set a management goal of 5% ROE over cost of equity (mid-4% range) for the period of our Seventh Medium-term Management Plan (FY2023-FY2025).

As a securities finance company functioning as infrastructure for the securities market through a loans for margin transactions system, etc., we are required to maintain financial soundness and are subject to legal restrictions on the scope of our business. In light of such characteristics of the Company, we do not believe that it is appropriate to take measures to rapidly increase ROE by drastically reducing net assets, for example, due to concerns about possible infringement of business regulations and side effects such as higher financing costs, etc. Accordingly, we will first aim to achieve a 5% ROE by FY2025.

In actuality, the level of ROE has steadily increased since FY 2019, when JSF became a company with a nomination committee, etc., mainly due to the increased contribution to earnings from the securities financing business, which the Company has been steadily working on since the Sixth Medium-term Management Plan and before, and has steadily increased from 2.66% in FY2019 to 4.36% in FY2022. We are continuing to make progress, with a view to achieving the 5% goal by FY 2025.

Regarding PBR, it was below 1 times at 0.64 times at the end of FY2022, but it has been steadily increasing from 0.35 times at the end of the FY2019. We believe that our aggressive efforts to enhance shareholder returns, with a total payout ratio of 100% from FY2021 through FY2025, also contributed to this.

The Seventh Medium-term Management Plan outlines our medium-term management policy for the next three years and the strategies and measures that will embody this policy in order to achieve our medium-term management goal of 5% ROE by FY2025. While continuing to accelerate and deepen our management reform efforts that we have undertaken to date, we will further develop an efficient business operation structure to respond flexibly and agilely to changes in the business environment, and striving to enhance corporate vitality and organizational transformation through the development of human resources and the securing of diversity.

In addition, we will continue to make management efforts to further improve our corporate value through sustainable growth and improvement of capital efficiency in FY2026 and beyond. Specifically, while taking into consideration the financial soundness and business characteristics required of a securities finance company as described above, we will strive to achieve a higher ROE that will ensure a significantly larger spread than the cost of equity, which is estimated to be in the mid-4% range, while paying attention to avoiding rapid pace.

Through the above management initiatives, we intend to achieve a PBR of over 1x.

### (4) Business model and efforts towards sustainability, etc.

- JSF's approach to our business portfolio and business model

The Company's Group will proactively respond to the diverse requirements of the securities and financial industry and provide a variety of securities and financial related services, focusing on the securities financing business, with our core business of lending

and borrowing, which is our licensed business, while maintaining a keen awareness of our public role expected of us as a securities finance company functioning as infrastructure for the securities market.

We will also continue to strive to diversify our revenue sources, given that our margin loan business is significantly affected by market fluctuations, and we will work to achieve our management targets while being more conscious than ever of improving capital efficiency in each of our businesses.

Under this approach, the Group aims to achieve the future vision of the Company through our business portfolio, which consists of securities financing, securities investment, the trust business, and real estate management, with loans for margin transactions as our core business.

Loans for margin transactions contribute to the smooth distribution of stocks and the formation of appropriate prices by lending the funds and stock certificates necessary for standardized margin transactions with securities companies.

Since securities financing is the generic term we use for the business of lending securities and the business of lending of funds backed by securities, we are promoting this as one of the growth engines of the Company, and are working to expand our services by increasing the number of clients, such as foreign financial institutions, and diversifying the securities we handle, such as foreign stocks and foreign government bonds.

In the trust business, focusing on segregated cash of customers deposited at the brokers and the securities business, we are developing and providing trust products for asset protection by utilizing the specialized knowledge and technical information we have accumulated through these businesses.

- Efforts towards sustainability

For the realization of a sustainable society, it is also a critical factor to improve the infrastructure that serves as the foundation for social and economic activities, which is one of the SDGs (Sustainable Development Goals) (Goal 9). The Group is striving to improve the liquidity of securities and financial markets and enhance convenience for market participants by providing various services, including the margin loan business, as an enterprise supporting the securities and financial market infrastructure. Through these activities, JSF aims to play a part in the realization of a sustainable society, including the providing of support to market participants who are making similar efforts.

Based on these basic policies, the Company is promoting environmental (E) and social (S) initiatives. Our main initiatives in FY2022 included the promotion of academic research activities through industry-academia collaboration, in which we conducted a joint research project with the University of Tokyo to conduct empirical research on security finance transactions using distributed ledger technology. We plan to publish a paper summarizing the results of this research in the near future.

In other areas, we are continuing our efforts to contribute to overseas securities and financial market infrastructure (technical cooperation and funding for an Indonesian securities finance company).

We also recognize that addressing climate change is a critical management issue, and in line with TCFD recommendations, we have disclosed information on climate change on the Company's website and in our Integrated Report.

- Human capital policy

In our Seventh Medium-term Management Plan, we newly adopted the strategy to

“strengthen human resource development and improve engagement” and established the “human capital policy” as a basic policy for promoting initiatives related to the formation of “human capital,” including human resource development, with the aim of strengthening the foundation of human resource capabilities, which are the source of corporate value creation.

The Human Capital Policy sets forth three “visions” of (1) Respecting the diverse values of our employees and strive to provide opportunities and a supportive environments so that diverse individuals can maximize their individuality and strengths and grow on their own through the performance of their work, (2) Promoting the creation of comfortable work environments so that employees can engage in their work with peace of mind, and (3) Improving corporate vitality and organizational transformation capability, and achieve more productive working styles by working to improve employee management, and sets forth “image of expectation for human resources” and clarifies efforts toward these visions, including recruitment, training and career advice, etc.

#### (5) Executive remuneration

Based on our corporate philosophy and management policy, the system and level of executive remuneration are designed to match the roles and expected functions of directors and executive officers, with a viewpoint of achieving sustainable growth and increasing corporate value over the medium to long term. The Remuneration Committee considered the design of executive remuneration based on the approach of corporate governance, in order to create incentives consistent with the management policies under the Seventh Medium-term Management Plan, and decided to set the officer remuneration from FY2023 as follows.

- Performance-linked compensation will be divided into short-term and long-term incentives, with bonuses positioned as a short-term incentive and stock remuneration as a long-term incentive.
- With respect to bonuses, consolidated current fiscal year net income shall be used as a reference index with a viewpoint of defining management responsibility for each fiscal year as a short-term incentive.
- For stock remuneration, ROE and consolidated recurring profit, which are the management targets of the Seventh Medium-term Management Plan, will be used as reference indicators as a long-term incentive.

### 【Overview of the Executive Remuneration System】

#### I Executive Officers

##### 1. Composition

- Based on our management philosophy of playing a public role in supporting the infrastructure functions of the securities and financial markets, maintaining financial soundness, and performing stable operations, while at the same time achieving sustainable growth and medium- to long-term corporate value enhancement, the ratio of fixed remuneration to performance-linked remuneration shall be as follows.

Basic remuneration (Fixed)	Bonuses	Stock remuneration
65%	20%	15%

## 2. Performance-linked remuneration (change)

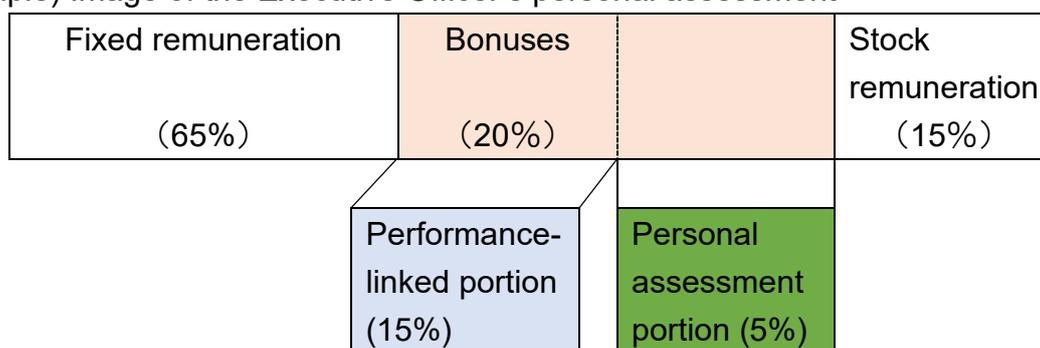
### (1) Approach

- Performance-linked remuneration is divided into short-term and long-term incentives, with bonuses positioned as short-term incentives and stock remuneration as long-term incentives.

### (2) Bonuses

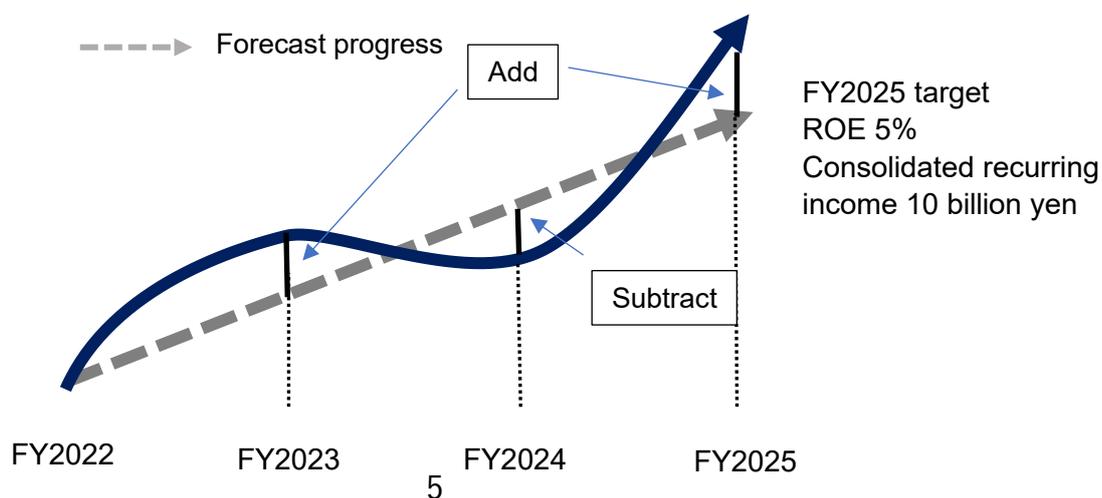
- Consolidated current fiscal year net income will be used as a reference index with a viewpoint of clarifying management responsibility for each fiscal year as a short-term incentive.
- As a method of reflecting this, the performance-linked coefficient shall be the ratio of the current fiscal year's consolidated net income to the previous year's consolidated net income, and shall be multiplied by the standard calculation amount according to the position.
- Officer Bonuses shall be divided into the performance-linked portion and the personal assessment portion, and the personal assessment portion shall be increased or decreased according to the personal assessment.

(Example) Image of the Executive Officer's personal assessment



### (3) Stock remuneration

- As a long-term incentive, the ROE and consolidated recurring income, which are our management goals of the 7th Medium-term Management Plan, will be used as a reference indicator.
- As a method of reflecting this, the forecast progress for each fiscal year through FY2025 will be used as the reference value, and the performance-linked coefficient will be the comparison with the actual results for each fiscal year.



## II Directors (continuing as at present)

- Directors will receive only a fixed monthly remuneration (basic remuneration) from the perspective of exercising their supervisory function, and performance-linked remuneration, etc. will not be paid.
- Remuneration of individual Directors shall be determined in accordance with their responsibilities as Directors, such as being full-time or part-time and their being appointed as Chairperson.
- Directors who also serve as Executive Officers shall not be paid remuneration as a Director.

## 2. Status of Dialogue with Shareholders (FY2022)

As a prime market listed company, JSF, based on the Corporate Governance Code, responds to dialogues 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 the dialogues with shareholders conducted by JSF's management and others during FY2022 is as follows.

[Main counterparts]

- The Representative Executive Officer & President and the Senior Managing Executive Officer in charge of Corporate Planning are providing responses.
- Depending on the substance of the dialogue, outside Directors may also respond.

[Overview of shareholders with whom dialogue was held]

Total 41 times

- Individual interviews: 39 times

(Domestic investors: 9, Foreign investors: 4, Total: 13 companies)

- Information sessions: 2 times (total of 23 companies participated)

[Main themes, points of shareholder interest, etc.]

- The three main themes and matters of interest in dialogues with shareholders are as follows.

(1) Initiatives and achievements to enhance corporate value and capital efficiency

(2) Officer nomination process and initiatives in governance

(3) Information disclosure

Below, we introduce specific examples of dialogues, 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.

### (1) 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 for achieving a ROE of 5% in excess of the cost of equity (mid 4% range), during the period of the Seventh Medium-term Management Plan in our Medium-term Management Policy, and also 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 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.

### (2) Officer nomination process and governance initiatives

The Company transitioned to a company with a Nomination 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 dialogues 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 appreciated JSF's governance initiatives.

We also received feedback that, from now on, they expect the disclosure of information to focus on the evolution of governance efforts to date, the specific 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 on our website our approach to the appointment of JSF's management and our internal human resources development policy in anticipation of these appointments.

<https://www.jsf.co.jp/about/corporate-governance/senninkangaekata/>

On this webpage, we disclosed the following cases that were proposed as issues raised by outside Directors regarding the actual operational aspects of Nomination and Remuneration Committees and the Board of Directors led by outside Directors.

- ◆ 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

### **(3) Information disclosure**

Although many shareholders have stated that the dialogue has made it possible for them to understand JSF's management policies and the special characteristics of JSF on which they are based, and our 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, in March 2023, we disclosed on our website in March 2023 our approach to the appointment of JSF's management and our internal human resource development in anticipation of these appointments. Specifically, the website sets out JSF's approach to the appointment of management based on the business development JSF aims to achieve and the qualities considered important for each of its business portfolios, and explains its 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. Together, 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 the Board of Directors that we need to develop tools and systems to enhance information disclosure, and JSF will continue to proactively disseminate information with regard to this as well.

[Feedback from shareholders to the Board of Directors]

- JSF reports the status of dialogues with shareholders to the Board of Directors promptly after each 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.

End.