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To Whom It May Concern:

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Response, etc. to the Tokyo Stock Exchange's Request to Listed Companies

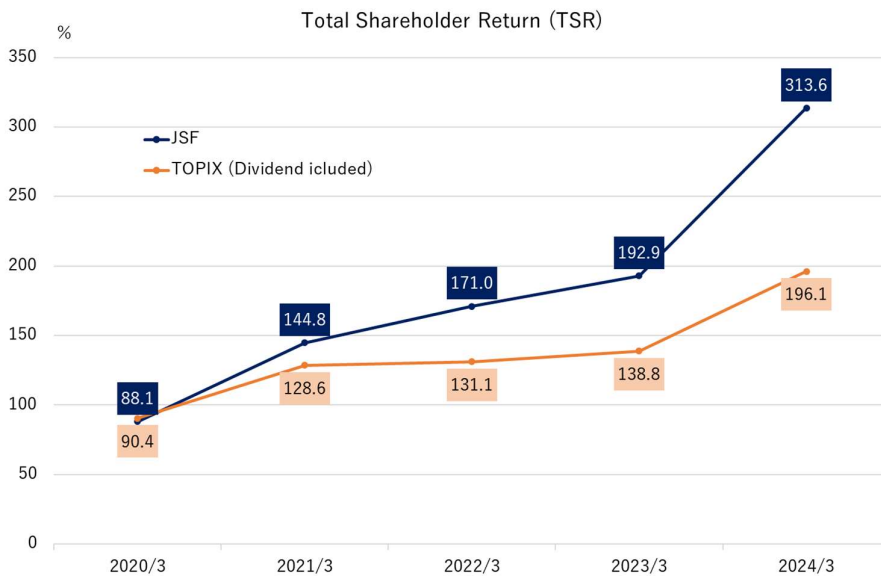
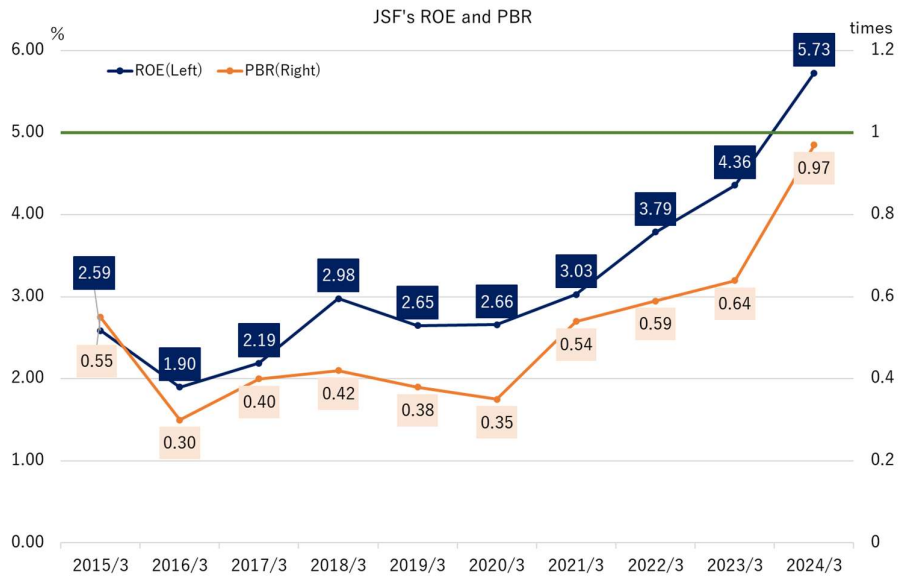
Japan Securities Finance Co., Ltd. (JSF) , upon repeated review by its Board of Directors, has compiled the following information on its efforts regarding the matters required of listed companies by the Tokyo Stock Exchange (TSE) as of March 31, 2023.

I. Efforts to Achieve Management with an Awareness of Cost of Equity and Stock Price (Analysis of the Current Situation and Efforts in FY2023)

1. Analysis of the Current Situation

- Pursuant to the Medium-Term Management Policy formulated and publicly announced on November 19, 2021, and the Seventh Medium-Term Management Plan based thereon, JSF, in its capacity as a TSE Prime-listed company that supports the infrastructure of securities and financial markets, set a management goal of achieving an ROE of 5% by the end of FY2025, while strengthening its corporate governance. Additionally, JSF has focused management efforts on increasing its earning power and improving its capital efficiency.
- As a result of efforts directed towards the achievement of these goals, we achieved an ROE of 5.73% in FY2023, two years ahead of our target.
- In addition, the market's evaluation of JSF's corporate value has steadily improved, with the price to book ratio (PBR) recently hovering around 1.0. Our total shareholder return (TSR) has also consistently outperformed the TOPIX index by a significant margin.
- JSF determines its cost of equity, which serves as the basis for the setting

targets and evaluation of performance as mentioned above, by referencing multiple methods that employ objective, long-term chronological data. Our fundamental understanding is that our cost of equity remains in the mid-4% range, even when taking into account the current market environment. JSF is licensed as a securities finance company, and as such it is legally required to maintain financial soundness, and is restricted in its scope of its operations. As a result, our financial and business strategy risks are relatively low, and we believe this to be reflected in our risk premium. We therefore believe our cost of equity is at its natural level.



2. Efforts in FY2023

(1) Formulation and Announcement of the Long-Term Management Vision

(i) Long-Term Management Vision

- In November 2023, JSF formulated and announced its Long-Term Management Vision. The decision to do so was influenced by the Board of Directors' recognition that it was the appropriate time to rethink our future management strategy given that we expected to achieve our goal of 5% ROE in FY2023 two years ahead of schedule—an indicator that JSF had reached a turning point after achieving positive outcomes from its management initiatives. After repeated discussions, the Board resolved that it would be appropriate to establish and release a two-tiered structure that gave consideration to future management by (i) defining a long-term vision for JSF management, and (ii) based on this long-term vision, formulating a medium-term management plan (based on specific business strategies) and a shareholder return policy.
- Our Long-Term Management Vision expresses JSF's targeted vision of the future and its ideals over the long term. First, regarding our vision of the future, we have reaffirmed that as Japan's only securities finance company supporting the infrastructure functions of the securities and financial markets, JSF will continue to aim to be a distinct and unique company, with a high degree of agility and flexibility, that achieves sustainable growth and enhances its corporate value, while maintaining strong financial soundness, through its contributions to the development of securities and financial markets.
- Next, we established a new corporate message: "Be unique. Be a pioneer." This expresses what we want to be—a company that, as Japan's only securities finance company, is capable of agilely and flexibly addressing the trading needs of participants in the securities and financial markets, while incorporating advances in financial technology in an ever-changing environment to pioneer the future of both the markets and JSF.

Corporate message

Be unique. Be a pioneer.

- The direction of our long-term management is as follows:
 - JSF will continue to address the trading needs of participants in the securities and financial markets in an agile and flexible manner. Through its contributions to market development, JSF will seek to concentrate the collective efforts of its Group companies to sustain growth and enhance its corporate value, while maintaining strong financial soundness.
 - JSF will continue to steadily strengthen its earnings base and to seek the stable and steady improvement of its capital efficiency, while remaining mindful of the cost of equity, and will continue to work toward the steady improvement of ROE, keeping the 8% level in mind.
 - With regard to shareholder returns, JSF will maintain a total payout ratio of 100% throughout the duration of its Seventh Medium-Term Management Plan, and strive to enhance shareholder returns thereafter as well.
 - Through these management efforts, JSF aims to establish a market valuation with a PBR exceeding 1.0.
 - Under its organizational design as a company with a Nominating Committee, etc., JSF will strive to strengthen its corporate governance by tackling sustainability issues while focusing on the further improvement of the effectiveness of deliberations by its Board of Directors and its respective committees, the further enhancement of information disclosure, and the development of a robust human capital base.

- (ii) Revision of Management Goals under the Seventh Medium-Term Management Plan
 - In light of the Long-Term Management Vision, as well as performance in FY2023, JSF has upwardly revised the management goals for the Seventh Medium-Term Management Plan, as follows.

ROE

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

Consolidated ordinary profit

Maintain at a stable level of over 10 billion yen and aim for further improvement.

In conjunction with the abovementioned revisions, only necessary changes have been made to the reference values for share-based remuneration that are based on our projected progress toward goals. No changes have been made to the basic structure of reference indicators and method of reflection in officers' bonuses and share-based remuneration.

(iii) Shareholder Return Policy during the Period of the Seventh Medium-Term Management Plan

- With respect to shareholder returns, we have formulated a Shareholder Return Policy for the Period of the Seventh Medium-Term Management Plan that is in line with the Long-Term Management Vision.

Specifically, from the viewpoint of the further enhancement of returns, JSF will continue to aim for a total payout ratio of 100% on a cumulative basis for the three-year period from FY2023 through FY2025, through dividends and flexible implementation of share buybacks. With regard to dividends, our policy for FY2024 through FY2025 is to actively pay dividends, aiming for a target payout ratio of 70%.

(2) Other Efforts

(i) Enhanced Information Disclosure (Revision of Integrated Reports)

- We are actively enhancing information disclosure in an effort to provide shareholders and various other stakeholders with a deeper understanding of JSF. This includes the production of integrated reports, starting from FY2022. The integrated reports cover matters including our business model, management policy, corporate governance, and sustainability initiatives.
- In the integrated report for FY2023, we enhanced reporting on the abovementioned Long-Term Management Vision, the background and reasoning behind our deliberations, and the newly formulated corporate message in an effort to gain broader understanding and recognition. We also reported on our Human Capital Policy, which is one of our key measures

under the Seventh Medium-Term Management Plan.

- Furthermore, since the publication of the FY2022 report, we have endeavored to enhance content based on the opinions we have received from stakeholders. Specifically, with regard to corporate governance, we have published our approach to the appointment of management executives and our internal human resources development policy, providing not only procedural information on the selection of our management team, but also information on the specific functions of the Board of Directors and Nomination Committee, both of which primarily comprised of outside directors, in the actual nomination process. In addition, we have provided explanations on special features related to the details of our operations, the initiatives we are focusing on, and risk management regarding the securities finance business that has driven our growth in recent years.

(ii) Clarifying the Responsibilities of Executive Officers

- As a company with a Nominating Committee, etc., JSF is structured so that its executive officers execute business under the leadership and direction of the Representative Executive Officer & President, and under the highly effective supervision of the Board of Directors, based on the management policies formulated by a Board of Directors which is primarily comprised of outside directors.
- In order to explain the duties of executive officers in a way that is easier for all stakeholders to understand, we have restated and disclosed the duties of each executive officer, as reflected in the discussions by the Nomination Committee for the selection of executive officers and corporate officers in FY2024.

(iii) Company Stock Incentive Program

- As in FY2022, we will continue to grant employees JSF stock in FY2023, based on overall business performance, through the Company's stock incentive program. The purpose of the Company's stock incentive program is to raise the motivation of employees for the achievement of management goals, and enhance their job satisfaction and their interest in the improvement of corporate value by providing them with an opportunity to own JSF shares. The program aims to enhance our medium- to long-term corporate value by promoting the sharing of value among all shareholders.

(iv) Efforts to Address Sustainability Issues

- We also take a proactive approach to key issues related to sustainability. The two main efforts in FY2023 were as follows.

Empirical Research on Securities Finance Transactions Using Distributed Ledger Technology

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

* Published on JSF's website

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

Cooperative Relationships with Indonesia's Securities Market

- JSF is advancing activities that contribute to and support the infrastructure of overseas securities and financial markets, which are key issues in the realization of a sustainable society. As a specific initiative, we are collaborating internationally with the Indonesian securities industry.
- Drawing on our position of supporting the infrastructure of Japan's securities and financial markets, we have providing securities-related organizations in Indonesia with administrative and management related expertise in lending and borrowing operations. We have also conducted numerous briefings on the critical role of securities finance in market revitalization, with the aim of contributing to the establishment of a securities finance company in Indonesia. Following the establishment of PT Pendanaan Efek Indonesia (PEI) at the end of 2016, we have continued to provide practical support in such areas as risk management

and financing. We invested in PEI in August 2020, and began receiving dividends from 2022.

- Currently, we are energetically contributing to discussions regarding PEI's management policies and business operations through participation in an advisory committee and the general meeting of shareholders comprised of JSF and other shareholders such as the Indonesia Stock Exchange Group, and PEI. From time to time, we also hold seminars in Jakarta and Tokyo directed at the Indonesian securities industry, including supervisory authorities, stock exchange personnel, and securities companies.
- Going forward, we will make greater use of the knowledge we have accumulated in the securities finance business to contribute to the sustainable development of Indonesia's economy as well as its financial and securities markets.

II. Status of Dialogue with Shareholders

As a Prime market listed company, JSF, based on Japan's Corporate Governance Code, actively engages in dialogue with its shareholders, within reasonable limits, to gain their understanding on the Company's management policies, business activities and characteristics, so to contribute to sustainable growth of the Company and enhancement of its corporate value over the medium to long-term.

The status of dialogue with shareholders conducted by JSF's management and others during FY2023 is as follows.

1. Persons engaging in dialogue

- The Representative Executive Officer & President and the Senior Managing Executive Officer Responsible for Corporate Strategy engaged in dialogue.
- Depending on the content of the dialogue, sometimes outside directors may also participated.

2. Overview of shareholders with whom dialogue was conducted

Total: 30 times

- Individual interviews: 27 times (domestic investors: 10; overseas investors: 6)
- Information sessions: 3 times (total of 42 companies participated)
 - In FY2023, in addition to regular briefings for full-year and interim financial results, in April 2024, we held an information session on the Seventh Medium-Term Management Plan and Human Capital Policy which were launched at the start of FY2024.

3. Feedback from shareholders to the Board of Directors

- Executive officers report the status of dialogue with shareholders to the Board of Directors promptly after each opportunity for dialogue.
- Through these initiatives, we strive to ensure that the Board of Directors and the various committees will engage in discussions that also take into account feedback of shareholders.

4. Main themes, matters of interest to shareholders, etc.

Themes	Main matters of interest
(1) Management Strategy	<ul style="list-style-type: none"> • Seventh Medium-Term Management Plan • Human Capital Policy • Long-Term Management Vision
(2) Governance	<ul style="list-style-type: none"> • Efforts to enhance corporate governance
(3) Disclosure of information	<ul style="list-style-type: none"> • Disclosure of information enhanced through Integrated Reports, etc.

5. Specific examples of dialogue

(1) Management Strategy

(i) Long-Term Management Vision; Seventh Medium-Term Management Plan

- In November 2023, JSF formulated its new Long-Term Management Vision, and upwardly revised the management goals of the Seventh Medium-Term Management Plan. We also formulated and announced the Shareholder Return Policy for the duration of the Seventh Medium-Term Management Plan. (Note: Please refer to page 3 of this press release.)
- Additionally, in May 2023, in response to a request made by TSE to listed companies, we disclosed our efforts directed towards the realization of management that is aware of cost of equity and stock price, and disclosed the status of the dialogue with shareholders in FY2022.
- In FY2023, we explained to shareholders the details of our initiatives and policies, and the processes behind their formulation. We also reported on our strong business performance, especially in the securities finance business, and our steady progress toward achieving our 5% ROE target.
- Many shareholders have expressed their understanding regarding the Long-Term Management Vision, the corporate message included therein, the content of the Seventh Medium-Term Management Plan and the Shareholder Return Policy, and shareholders have also given high regard to our initiatives and corresponding outcomes over the past few years. In addition, many shareholders have praised the timing of the November 2023 announcement of our Long-Term Management Vision after having projected that we would achieve our 5% ROE target in FY2023.

(ii) Human Capital Policy

- In order to achieve sustainable growth and enhance corporate value, we recognize that strengthening our human resource foundation is a critical issue, and we are promoting initiatives related to the development of human capital, including human resource development. To that end, we established the Human Capital Policy as our basic policy for the future. In addition to explaining this policy during individual interviews with shareholders, we also emphasized the Human Capital Policy in the explanation provided at the information session for the Seventh Medium-Term Management Plan held in April 2023.
- Many shareholders have assessed the content of our Human Capital Policy and future initiatives to be appropriate. In addition, some shareholders have told us they would like JSF to disclose the story of how these initiatives will lead to increased corporate value.

(2) Governance

- JSF transitioned to a company with a Nominating Committee, etc. in 2019 and is working to further enhance and strengthen its corporate governance. In March 2023, in an effort to improve the transparency of the nomination process for management executives, we disclosed the specific operational status of the nomination process, particularly regarding the independent and active involvement of outside directors in the Nomination Committee and other committees.
- Furthermore, our initiatives to strengthen governance have been recognized as advanced in comparison to other companies in Japan.
- Opinions regarding JSF's executive structure include a desire for simpler explanation of the role of JSF's chairperson. Pursuant to discussions by the Nomination Committee, we redefined the duties of executive officers and corporate officers for appointments in FY2024, and disclosed this in a February 2024 press release regarding the appointment of executive officers and corporate officers.

(3) Disclosure of Information

- JSF began producing and publishing integrated reports in FY2022 to disclose information regarding initiatives and results relevant to enhanced corporate value and corporate governance.

- Regarding the FY2022 report, shareholders commented that the explanations of the nomination process for management executives and the governance system otherwise were substantial, but also expressed a desire for information on specific initiatives centered on outside directors. They also commented that the messages from the Representative Executive Officer & President and the Chairperson of the Board of Directors were useful, and were of the opinion that additional comments from a greater number of people, including outside directors and employees, would make it easier to understand JSF's initiatives from a more realistic view.
- Based on the opinions received from shareholders, the FY2023 report included our approach to the appointment of management executives, as well as internal personnel training measures to that end which were originally disclosed in March 2023. This content not only provides information on the procedures for selecting management executives, but also describes the specific roles of the Board of Directors and Nomination Committee, both of which are primarily comprised of outside directors, in the actual nomination process. We have also added details to the explanation of the securities finance business, which has seen significant growth in recent years, and to the explanations of focused initiatives and risk management. Furthermore, we included dialogue with outside directors and comments from employees hired mid-career, and otherwise significantly revised the content to reflect the opinions of shareholders.
- In addition, the FY2023 report referenced the Long-Term Management Vision formulated and announced in November 2023, and the details, approach, and formulation process thereof were explained in the message from the Representative Executive Officer & President and in other sections.
- Many shareholders have praised these initiatives. In addition, from the perspective of further improving the disclosure of information,

we received opinions and the like regarding the need for further efforts to better convey JSF's vision for the future and its mindset regarding its corporate message. We will keep these opinions in mind in our ongoing considerations regarding the active sharing of information via the integrated reports and other various media.

As Japan's only securities finance company supporting the infrastructure functions of securities and financial markets, JSF will continue working to maintain its position as a distinct and unique company that operates with a high degree of agility and flexibility. Our goal is to achieve sustainable growth and enhance corporate value, while maintaining strong financial soundness and contributing to the development of securities and financial markets.

We would like to ask our shareholders and other stakeholders for their sincere understanding of our efforts and for their continued support and cooperation.

End of Document

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