

JAPAN SECURITIES FINANCE CO., LTD.

Consolidated Financial Results for the Second Quarter ended September 30, 2023

Name : Japan Securities Finance Co., Ltd.

Listing : Tokyo Stock Exchange Prime Market

Stock code number : 8511

Address : 1-2-10, Nihonbashi Kayaba-cho, Chuo-ku, Tokyo, Japan 103-0025

Phone : +81-3-3666-3184

(Millions of yen, rounded down to nearest million)

1. Consolidated Financial Results for the Second Quarter of Fiscal 2023 (April 1, 2023 - September 30, 2023)

(1) Consolidated Results of Operations

(% change from year-on-year for those items)

	Operating Revenues		Operating Income		Recurring Income		Net Income	
	(Millions of Yen)	(% change)	(Millions of Yen)	(% change)	(Millions of Yen)	(% change)	(Millions of Yen)	(% change)
Second Quarter of Fiscal 2023	24,679	17.1	5,944	31.3	6,489	26.4	4,682	13.9
Second Quarter of Fiscal 2022	21,081	40.0	4,526	31.5	5,135	33.3	4,110	49.7

Note: Comprehensive Income Fiscal2023 2Q : ¥8,552million(420.8%) Fiscal2022 2Q : ¥1,642million(△51.3%)

	Net Income per Share		Net Income per Share	
	EPS	(Yen)	(Yen)	(fully diluted)
Second Quarter of Fiscal 2023		54.32		—
Second Quarter of Fiscal 2022		46.09		—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	(Millions of Yen)	(Millions of Yen)	(%)
As of Sep.30, 2023	16,271,887	142,254	0.9
Fiscal 2022	14,056,217	135,728	1.0

Reference: Equity Fiscal2023 2Q : ¥142,254million Fiscal2022 : ¥135,728million

2. Dividends

	Dividends per Share		
	Interim (Yen)	Year-End (Yen)	Annual (Yen)
Fiscal 2022	16.00	16.00	32.00
Fiscal 2023	17.00	/	/
Fiscal 2023 (Forecast)	/	27.00	44.00

Note: Amendment of Forecast Yes

3. Consolidated Estimated Figures for fiscal 2023(April 1,2023— March 31,2024)

(% change from the previous fiscal year)

	Operating Income		Recurring Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	8,900	40.1	9,800	28.9	7,000	17.3	81.48

Note: Amendment of Estimated Figures Yes

* Notes

- (1) Changes in the scope of important consolidation for subsidiaries : None
- (2) Adoption of specified accounting methods for quarterly consolidated financial statements : None
- (3) Changes in accounting policies and changes or restatement of accounting estimates
 - ① Changes in accounting policies caused by revision of accounting standards : None
 - ② Changes in accounting policies other than ① : None
 - ③ Changes in accounting estimates : None
 - ④ Restatement : None
- (4) Number of Issued Shares(common stock)
 - ① Number of issued shares (Including treasury stock)
as of Sep. 30, 2023 : 88,000,000 as of Mar. 31, 2023 : 96,000,000
 - ② Number of Treasury stocks
as of Sep. 30, 2023 : 2,188,616 as of Mar. 31, 2023 : 9,803,815
 - ③ Average number of shares
For six months ended Sep. 30, 2023 : 86,206,105
For six months ended Sep. 30, 2022 : 89,194,627

(Note) The number of treasury stocks to be deducted from the calculation of the number of treasury stocks at the end of the period and the average number of shares outstanding during the period (cumulative quarter) includes our shares held by the Share Benefit Trust (BBT).

Note: Quarterly financial report is not subject to quarterly review by a certified public accountant or auditing firm.

Note: Explanations and other special notes concerning the appropriate use of business performance forecasts.

The Company does not disclose earnings forecasts because the performance of the securities finance business, which is the Group's main business, is significantly affected by trends in the stock market, interest rates, and other factors.

In addition, for the purpose of disclosing information according to the type of business of the Group, the figures calculated on the basis of the outstanding balance of Margin Loan business and other assumptions are presented.

Financial results are disclosed as soon as reasonable estimates can be made quarterly.

1. Qualitative Information on the Current Quarter Results

(1) Qualitative Information on Consolidated Operating Results

(Financial and Economic Environment)

During the current second quarter consolidated cumulative period (from April 1, 2023 to September 30, 2023), the economic environment was characterized by concerns about a slowdown in the economy due to the observation of prolonged monetary tightening in various countries in Europe and the United States, as well as a slowdown in the Chinese economy. However, the economy continued to recover, supported by improvements in corporate earnings and inbound demand.

Looking at the stock market, the Nikkei 225 (closing price) started at 28,188 yen at the beginning of the period, but fell to its lowest point of the period at 27,472 yen on April 6 due to concerns about a slowdown in the economy leading to a decline in US stocks. However, it rose due to expectations for the Bank of Japan's continued monetary easing policy and various initiatives by listed companies to realize capital costs and stock prices, and reached its highest point of the period at 33,753 yen on July 3. After that, it struggled to gain further ground and closed at 31,857 yen at the end of September.

Looking at the balance of standardized margin transactions buying on the Tokyo market and other markets (TSE, NSE, and PTS) during this period, the balance gradually decreased from the beginning of the period from the 2.17 trillion yen range as stock prices rose, and reached its bottom for the period in the 1.96 trillion yen range on May 19. However, it subsequently increased due to expectations for a rise in stock prices, and reached its peak for the period in the 2.54 trillion yen range at the end of September. On the other hand, the balance of standardized margin transaction sales increased from the beginning of the period in the 530 billion yen range to reach its peak for the period in the 780 billion yen range on May 19, but then decreased to 590 billion yen at the end of September.

(Results for the Second Quarter of Fiscal Year Ending March 2024)

Under such a market environment, the performance of our group during the current second quarter consolidated cumulative period posted an increase in consolidated operating revenue to 24.679 billion yen (up 17.1% year-on-year), consolidated operating income to 5,944 million yen (up 31.3% year-on-year), and consolidated ordinary income to 6,489 million yen (up 26.4% year-on-year), due to an increase in margin transaction balances for both loans and securities lending, and continued strong performance in securities financing business, mainly in bond repurchase / gensaki transactions and equity repo etc. Although net income attributable to parent company's shareholders for the quarter decreased due to the drop in special profits accompany a change to the retirement benefit system recorded in the previous period, it increased to 4,682 million yen (up 13.9% year-on-year).

The business overview for each segment during the current second quarter consolidated cumulative period is as follows:

- Securities Finance Business

Operating revenues for securities finance business reached 22,888 million yen (up 19.3% year-on-year). Looking at operating revenues by business segment, operating revenues for margin transactions reached 69.67 billion yen (up 91.4% year-on-year). Due to an increase in margin transaction balances, with loan balances averaging 274.1 billion yen during the period (an increase of 21.6 billion yen year-on-year) and securities lending balances averaging 272.1 billion yen during the period (an increase of 86.1 billion yen year-on-year), both interest on loans and securities lending fees increased, resulting in increased revenues.

Operating revenue for the securities financing business reached 13.454 billion yen (up 29.7% year-on-year). Among these, bond repurchase / gensaki transactions (11.626 billion yen, up 29.8% year-on-year) increased significantly due to strong transaction needs caused by tight supply and demand for government bonds. Equity repo, etc. (875 million yen, up 15.6% year-on-year) increased as balances remained at high levels. General stock lending (523 million yen, up 59.0% year-on-year) and loans for negotiable margin transactions (128 million yen, up 95.9% year-on-year) increased due to increased activity in stock market. Loans to retail (299 million yen, up 13.0% year-on-year) increased due to the active stock market and success in the improvement of product quality.

Other revenues came in at 2,466 million yen (down 52.4% year-on-year). In our securities investment business which is conducted from a standpoint of securing liquidity and strengthening the revenue base

for our margin transaction business and securities financing business, revenues decreased due to a decline in profits from the sale of government bonds held as part of the portfolio replacement carried out in the previous period. However, operating expenses also decreased due to a decline in losses from the sale of foreign bonds held.

- Trust and Banking Business

Operating revenues for our trust banking business came in at 1,381 million yen (down 6.8% year-on-year). Although custodian type trust services continued to perform well and trust fees increased, interest income from securities investment decreased.

- Real Estate Leasing Business

Operating revenues for our real estate leasing business reached 410 million yen (up 0.6% year-on-year).

(2) Qualitative Information on Consolidated Financial Condition

(Status of Assets, Liabilities, and Net Assets)

As of the end of the second quarter of the consolidated accounting period (September 30, 2023), total assets amounted to 16,271.8 billion yen (an increase of 2,215.6 billion yen year-on-year), total liabilities amounted to 16,129.6 billion yen (an increase of 2,209.1 billion yen year-on-year), and total net assets amounted to 142.2 billion yen (an increase of 6.5 billion yen year-on-year).

The main factors are as follows:

- Assets:

Cash and deposits: decreased by 669.3 billion yen year-on-year due to a decrease in deposits to the current account at the Bank of Japan.

Operating loans: increased by 161.6 billion yen year-on-year due to an increase in loans for margin transactions and loans at JSF Trust and Banking Co., Ltd.

Securities purchased under resale agreements: increased by 2,381.7 billion yen year-on-year due to an increase in bond gensaki transactions.

Cash collateral provided for securities borrowed: increased by 140.6 billion yen year-on-year due to an increase in bond repurchase transactions.

- Liabilities:

Call money and commercial paper: decreased by 835.0 billion yen and increased by 14.2 billion yen, respectively, year-on-year as the result of flexible funding in response to changes in loans and the like on the asset side.

Securities sold under repurchase agreements: increased by 3,535.4 billion yen year-on-year due to an increase in bond gensaki transactions.

Cash collateral received for securities lent: decreased by 810.0 billion yen year-on-year due to a decrease in bond repurchase transactions.

Borrowed money from trust accounts: increased by 163.3 billion yen year-on-year due to an increase in standby funds in the trust accounts at JSF Trust and Banking Co., Ltd.

- Net assets:

Shareholders' equity: increased by 2.6 billion yen year-on-year due to the recognition of quarterly net income and other factors. Furthermore, both capital reserves and treasury stock, which is a deduction item (Δ), decreased by 6.5 billion yen each due to the cancellation of treasury stock implemented in the first quarter, but there was no impact on the total.

Other accumulated comprehensive income: while the valuation difference on other securities declined due to price fluctuations in securities and other holdings, this income increased by 3.8 billion yen year-on-year due to an improvement in deferred gains or losses on hedges.

[Reference]

Status of the Group's Business-by-Business Operating Revenues

	Previous Second Quarter (from April 1, 2022 to September 30, 2022)		Current Second Quarter (from April 1, 2023 to September 30, 2023)		Previous Consolidated Fiscal Year (Full Year) (from April 1, 2022 to March 31, 2023)	
	Amount (Millions of yen)	Composition Ratio (%)	Amount (Millions of yen)	Composition Ratio (%)	Amount (Millions of yen)	Composition Ratio (%)
Securities finance business	19,191	91.1	22,888	92.7	38,594	90.8
Loans for margin transactions	3,640	17.3	6,967	28.2	8,003	18.8
Interest on loans	805	3.8	875	3.5	1,619	3.8
Interest on collateral money of securities borrowed	272	1.3	452	1.8	565	1.3
Premium charges	2,011	9.5	4,888	19.8	4,711	11.1
Lending fees	398	1.9	579	2.3	808	1.9
Securities financing	10,371	49.2	13,454	54.5	21,952	51.6
Loans for negotiable margin transactions	65	0.3	128	0.5	149	0.4
Equity repo etc.	757	3.6	875	3.5	1,529	3.6
Loan to retail	264	1.3	299	1.2	544	1.3
General stock lending	329	1.6	523	2.1	799	1.9
Bond repurchase / gensaki transactions	8,954	42.5	11,626	47.1	18,929	44.5
Others	5,179	24.6	2,466	10.0	8,638	20.3
Trust and banking business	1,482	7.0	1,381	5.6	3,115	7.3
Interest on loans	20	0.1	18	0.1	32	0.1
Trust fees	664	3.2	744	3.0	1,347	3.2
Others	797	3.8	619	2.5	1,734	4.1
Real estate management business	407	1.9	410	1.7	808	1.9
Total	21,081	100.0	24,679	100.0	42,518	100.0

Status of the Group's Business-by-Business Transaction Balances (Average Balance)

	Previous Second Quarter (from April 1, 2022 to September 30, 2022)	Current Second Quarter (from April 1, 2023 to September 30, 2023)	Previous Consolidated Fiscal Year (Full Year) (from April 1, 2022 to March 31, 2023)
	(billions of yen)	(billions of yen)	(billions of yen)
Loans for margin transactions	252.4	274.1	254.7
Securities lent for margin transactions	185.9	272.1	188.9
Securities financing	11,558.6	12,027.4	11,473.9
Loans for negotiable margin transactions	17.4	35.7	18.8
Equity repo, etc	695.2	787.3	697.7
Loans to retail	16.0	19.1	16.7
General stock lending	34.0	122.8	63.3
Bond repurchase / gensaki transactions	10,795.9	11,062.4	10,677.2
Trust Bank Loans	555.9	546.8	539.9

(3) Qualitative Information on Consolidated Performance Forecasts

As the performance of our main business, securities financing, is greatly influenced by stock market conditions and trends in interest rates and the like, we do not disclose performance forecasts. Instead, in order to provide disclosure appropriate for our group's business conditions, we have decided to post estimated values that are calculated based on the prerequisites for margin transaction balances and the like.

As the margin transaction business and securities finance business for the current second quarter cumulative period are performing at levels exceeding our expectations, we have revised our estimated values for operating income, ordinary income, and net income attributable to parent company's shareholders upwards from the previous estimates (announced on August 2023).

[Estimated Values, etc.]

Note: Have the consolidated performance estimated values and the like been revised in this quarter: Yes

[Estimated Values for Consolidated Performance]

(Full Year)

	Operating Income	Ordinary Income	Net Income Attributable to Parent Company Shareholders	Net Income Per Share
	(millions of yen)	(millions of yen)	(millions of yen)	(yen)
Previous Estimate (A)	8,400	9,400	6,700	77.65
Revised Estimate (B)	8,900	9,800	7,000	81.48
Increase/Decrease (B-A)	500	400	300	
Increase/Decrease Rate (%)	6.0	4.3	4.5	

(Reference) Actual Results in Previous Period (C)	6,354	7,601	5,966	67.76
Increase/Decrease (B-C)	2,545	2,198	1,033	
Increase/Decrease Rate (%)	40.1	28.9	17.3	

[Balances for Margin Transaction Business Serving as Premise for Estimated Values]

Average Balance of Margin Transactions: Loans 260 billion yen (± 0 billion yen), Securities Lending 240 billion yen (+10 billion yen)

Margin Transaction Interest Rates, etc. : Loan Interest Rate 0.6% per annum, Securities Borrowing Fees 0% per annum, Securities Lending Fees 0.4% per annum

(Note: Figures in parentheses are compared to the premised balances in the previously announced estimates.)

2. Quarterly Consolidated Financial Statements and Notes
(1) Quarterly Consolidated Balance Sheets

	(millions of yen)	
	Fiscal 2022 as of Mar. 31, 2023	Current 2Q as of Sep. 30, 2023
Assets		
Current assets		
Cash and deposits	1,598,274	928,887
Call loans	—	10,000
Securites	71,013	189,448
Operating loans	955,550	1,117,156
Securities purchased under resale agreements	3,561,406	5,943,123
Cash collateral provided for securities borrowed	6,669,821	6,810,521
Other	405,951	499,925
Allowance for doubtful accounts	△ 165	△ 119
Total current assets	13,261,853	15,498,944
Non-current assets		
Property, plant and equipment	5,997	5,906
Intangible assets	916	791
Investments and other assets		
Investment securities	745,621	712,122
Bad debts	81	76
Retirement benefit asset	1,180	1,264
Other	40,648	52,858
Allowance for doubtful accounts	△ 81	△ 76
Total investments and other assets	787,450	766,245
Total non-current assets	794,364	772,942
Total Assets	14,056,217	16,271,887
Liabilities		
Current liabilities		
Call money	2,190,400	1,355,400
Short-term borrowings	92,010	102,010
Current portion of long-term borrowings	1,000	1,000
Commercial papers	451,000	465,254
Securities sold under repurchase agreements	4,781,801	8,317,232
Cash collateral received for securities lent	5,073,776	4,263,685
Income taxes payable	750	941
Provision for bonuses	495	516
Provision for bonuses for directors and other officers	107	—
Borrowed money from trust account	871,335	1,034,719
Other	219,774	149,923
Total current liabilities	13,682,448	15,690,684

(millions of yen)

	Fiscal 2022 as of Mar. 31, 2023	Current 2Q as of Sep. 30, 2023
Non-current liabilities		
Long-term borrowings	232,700	433,800
Deferred tax liabilities	2,196	3,943
Deferred tax liabilities for land revaluation	74	74
Provision for share awards for directors and other officers	240	186
Retirement benefit liability	217	232
Asset retirement obligations	56	57
Derivatives liabilities	2,013	97
Other	542	557
Total non-current liabilities	238,040	438,949
Total Liabilities	13,920,489	16,129,633
Net Assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	8,878	5,181
Retained earnings	118,702	119,163
Treasury shares	△ 7,655	△ 1,763
Total shareholders' equity	129,925	132,581
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△ 4,300	△ 9,444
Deferred gains or losses on hedges	9,782	18,806
Revaluation reserve for land	168	168
Remeasurements of defined benefit plans	152	143
Total accumulated other comprehensive income	5,802	9,672
Total net assets	135,728	142,254
Total liabilities and net assets	14,056,217	16,271,887

(2) Quarterly Consolidated Income Statements and Quarterly Consolidated Comprehensive Income Statements

(Quarterly Consolidated Income Statements)

	(millions of yen)	
	Previous 2Q Apr.1,2022- Sep.30,2022	Current 2Q Apr.1,2023- Sep.30,2023
Operating revenue		
Interest on loans receivable	1,229	1,398
Interest income on securities purchased under resale agreements	5,019	6,699
Interest income on cash collateral provided for securities borrowed	1,309	1,503
Securities lending fees	5,792	9,914
Other operating revenue	7,731	5,162
Total operating revenue	21,081	24,679
Operating expenses		
Interest expenses	440	620
Interest expenses on securities sold under repurchase agreements	3,052	3,299
Securities borrowing fees	5,895	10,625
Other operating expenses	3,584	488
Total operating expenses	12,973	15,033
Operating gross profit	8,108	9,645
General and administrative expenses	3,581	3,701
Operating profit	4,526	5,944
Non-operating income		
Interest income	134	113
Dividend income	125	149
Share of profit of entities accounted for using equity method	125	249
Gain on investments in investment partnerships	144	12
Other	81	33
Total non-operating income	612	558
Non-operating expenses		
Commission for purchase of treasury shares	2	2
Loss on investments in investment partnerships	0	11
Other	0	0
Total non-operating expenses	3	13
Ordinary profit	5,135	6,489
Extraordinary income		
Gain on sale of investments in securities	—	18
Gain on revision of retirement benefit plan	671	—
Total extraordinary income	671	18
Profit before income taxes	5,806	6,508
Income taxes - current	1,415	1,803
Income taxes - deferred	280	22
Total income taxes	1,696	1,826
Profit	4,110	4,682
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	4,110	4,682

(Quarterly Consolidated Comprehensive Income Statements)

	(millions of yen)	
	Previous 2Q Apr.1,2022- Sep.30,2022	Current 2Q Apr.1,2023- Sep.30,2023
Profit	4,110	4,682
Other comprehensive income		
Net unrealized valuation difference on available-for-sale securities	△ 15,003	△ 5,172
Deferred gains or losses on hedges	12,522	9,023
Remeasurements of defined benefit plans, net of tax	23	△ 8
Share of other comprehensive income of entities accounted for using equity method	△ 11	26
Total other comprehensive income	△ 2,468	3,870
Comprehensive income	1,642	8,552
Comprehensive income attributable to owners of parent	1,642	8,552
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements
 (Notes to Going Concern Assumptions)
 Not applicable.

(Notes to Significant Changes in Shareholders' Equity)

Based on the resolution of the Board of Directors meeting held on March 20, 2023, the Company cancelled 8,000,000 shares of treasury stock on April 20, 2023, resulting in a decrease of 6,532 million yen in capital surplus and a decrease of 6,532 million yen in treasury stock.

Furthermore, based on the resolution of the Board of Directors meeting held on May 9, 2023, the Company disposed of 48,600 shares of treasury stock through third-party allocation to JSF Employees Stock Ownership Plan, with June 30, 2023 as the payment deadline, resulting in an increase of 9 million yen in capital surplus and a decrease of 39 million yen in treasury stock.

In addition, at the Board of Directors meeting held on May 9, 2023, the Company resolved to acquire up to 3,300,000 shares of its own stock for a total acquisition cost of 3.3 billion yen between May 10, 2023 and March 31, 2024, and has acquired 511,200 shares for 716 million yen between May and September 2023.

As a result of these actions, among others, the Company's capital surplus was 5,181 million yen, retained earnings were 119,163 million yen, and treasury stock was 1,763 million yen at the end of the second quarter of the current fiscal year.

(Segment Information)

I. Consolidated cumulative period up to the end of the second quarter of the previous year (from April 1, 2022 to September 30, 2022)

1. Information on the amount of operating revenue and profit or loss for each reporting segment
 Securities and Financial Services Trust Banking Real Estate Rental Total

(million of yen)

	Securities finance business	Trust and banking business	Real estate management business	Total
Operating Revenue				
Revenue from external customers	19,191	1,482	407	21,081
Internal operating revenue or transfer amount between segments	20	134	194	349
Total	19,211	1,616	602	21,430
Segment profit (ordinary profit)	5,824	851	320	6,996

2. The difference between the total amount of profit or loss for each reporting segment and the amount recorded in the quarterly consolidated income statement, and the main contents of such difference (matters related to adjustment of differences)

(million of yen)

Profit	Amount
Total for reporting segments	6,996
Elimination of inter-segment transactions	△1,987
Equity in earnings of affiliates	125
Other adjustment amount	—
Ordinary profit in the quarterly consolidated income statement	5,135

II. Consolidated cumulative period up to the end of the second quarter of the current year (from April 1, 2023 to September 30, 2023)

1. Information on the amount of operating revenue and profit or loss for each reporting segment

(million of yen)

	Securities finance business	Trust and banking business	Real estate management business	Total
Operating Revenue				
Revenue from external customers	22,888	1,381	410	24,679
Internal operating revenue or transfer amount between segments	10	68	196	274
Total	22,898	1,450	606	24,954
Segment profit (ordinary profit)	6,587	857	373	7,818

2. The difference between the total amount of profit or loss for each reporting segment and the amount recorded in the quarterly consolidated income statement, and the main contents of such difference (matters related to adjustment of differences)

(million of yen)

Profit	Amount
Total for reporting segments	7,818
Elimination of inter-segment transactions	△1,578
Equity in earnings of affiliates	249
Other adjustment amount	—
Ordinary profit in the quarterly consolidated income statement	6,489

(Significant subsequent events)

Not applicable.