

# Message from an Outside Director

We will work to further enhance and strengthen corporate governance to improve corporate value.

**Naotaka Obata**  
 Outside Director  
 Chairperson of the Board  
 Nomination Committee Chairperson  
 Remuneration Committee Chairperson



## Roles to Be Fulfilled as an Outside Director and Chairperson of the Board

I was appointed as an outside director in 2019, when Japan Securities Finance (“JSF”) transitioned to a “Company with a Nominating Committee, etc.” structure. For the past three years, I have served as chairperson of the Board of Directors, as well as chairperson of both the Nomination Committee and the Remuneration Committee. A Company with a Nominating Committee, etc. is designed to clearly separate supervision and execution of management. In this structure, the role of the Board of Directors is to determine basic medium- to long-term management policies and to supervise executive officers to ensure that they are executing business appropriately based on those policies.

As chairperson of the Board of Directors of JSF, I have always had a mindset of maximizing its effectiveness as a so-called “monitoring board.” I feel that the diverse knowledge of board members, who are mainly outside directors, has helped deepen and broaden discussions at board meetings.

In supervising the execution of business by the president and other executive officers, outside directors must sometimes give harsh opinions, and at other times encourage management to take on new challenges.

When deliberating on important management matters and overseeing business execution, outside directors are expected to act from an objective standpoint with an outsider’s point of view. At the same time, we must constantly bear in mind JSF’s corporate philosophy of contributing to the development of the securities market while always maintaining a keen awareness of its public role.

In FY2022, the focus of the Board of Directors will be on deliberating and deciding the next mid-term management plan based on the medium-term management policy formulated in 2021. As chairperson, I intend to continue leading those discussions.

## Working to Improve the Effectiveness of the Board of Directors

Three years have passed since JSF transitioned to a Company with a Nominating Committee, etc. structure. During that time, we have been working in cooperation with the secretariat of

the Board of Directors to enhance the effectiveness of the board as a monitoring board by creating an environment that encourages lively discussions at board meetings. Initiatives include enhancing training to acquire knowledge about the Company’s operations, holding regular meetings for outside directors to enable them to share information with one another, and creating opportunities for outside directors and department heads to exchange opinions.

I believe that mutual understanding of each other’s knowledge and expertise and a shared awareness of business execution issues will enable outside directors to speak frankly at board meetings, thereby deepening discussion. Moreover, to facilitate such rich discussion, it is essential to provide a foundation of information and support for directors. To that end, the Corporate Governance Office was established to serve as secretariat of the Board of Directors. I feel this has enhanced support for the board.

We conduct annual evaluations of the effectiveness of the Board of Directors, identifying issues related to the operation of the Board of Directors, and working in cooperation with the secretariat of the board to make improvements. I am happy to say that we have received many candid and forward-looking proposals from directors on various issues, such as expanding opportunities for outside directors to exchange opinions with one another.

## Enhancing and Strengthening Corporate Governance to Improve Corporate Value

With changes in JSF’s operating environment in FY2021, such as revisions to the Corporate Governance Code and the transition to new market segments by the Tokyo Stock Exchange, the Company formulated its medium-term management policy in November 2021.

The Corporate Governance Code includes three new requirements: enhanced Board of Directors’ functions, diversity in core personnel, and response to issues regarding sustainability.

In order to further enhance the functions of the Board of Directors, in 2022 the Company took steps to structure a board with multiple layers of complementary skills by appointing two new outside directors whose backgrounds and expertise differ from those of existing board members. To ensure diversity of core personnel and address issues

regarding sustainability, the Company has been promoting the recruitment of female talent and mid-career hires under a policy of developing and retaining diverse human resources. Meanwhile, it has been steadily working on the formulation of ESG-conscious management strategies and the development of governance systems, including a system for the disclosure of climate change information, based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

As an outside director, I will do my utmost to contribute to the achievement of the Company’s management goals set forth in the medium-term management policy and the realization of its vision for the future by expeditiously addressing diverse issues in order to achieve the level of governance expected of a listed company.

## As Nomination Committee Chairperson

The Nomination Committee decides on director candidates, prepares succession plans for the representative executive officer and president, decides on candidates for the position of executive officer, and considers policies regarding the appointment and dismissal of individuals in these management positions. In FY2021, we discussed how to approach various Board of Directors’ issues, such as its composition, as well as how to approach the appointment of executive officers.

First, with regard to the composition and other aspects of the Board of Directors, since the 2019 transition to a Company with a Nominating Committee, etc., JSF has maintained a system of five directors, including three outside directors. Under this system, I believe that the Board of Directors has been appropriately formulating management policies and supervising the execution of business. It has also been evaluated and confirmed to be effective. However, during that time there have been remarkable changes in the Company’s internal and external environment, such as Corporate Governance Code revisions and the Tokyo Stock Exchange’s transition to new market classifications, as well as further progress of digitalization and internationalization. The Company is also at the stage of formulating and implementing its next mid-term management plan based on its latest medium-term management policy. We therefore examined the composition and other aspects of the Board of Directors from the perspective of further enhancing its functions. We concluded that the Board of Directors was currently made up of directors with the necessary skills and that the board was effectively performing its function of supervising business execution. However, given the importance of having a board with multiple layers of complementary skills to respond to matters including changes in the environment, as well as the need to balance the number of supervisors and executives, and to diversify the board in terms of age and gender, the Company decided at its June 2022 general meeting of shareholders to add two new outside directors.

When deciding on new director candidates, the Nomination Committee first confirmed the skill matrix, discussed and formulated a preliminary list of candidates, and interviewed each candidate on the list with a focus on their experience, and their awareness of issues required of an outside director. Based on the results of the interviews, the final candidates were selected after an evaluation of whether they could be expected to make an adequate contribution to the Company as a director.

The committee also comprehensively examined the approach to appointing executive officers from the perspective

of building an execution system for promoting the mid-term management plan. Based on the public role and special characteristics of the securities finance business, the Company formerly sought executive officer candidates with qualities such as the ability to fully recognize the Company’s public role in the execution of business and extensive knowledge of the overall finance and securities markets, but we have newly broadened the qualities required to include having an international outlook, a high degree of knowledge and experience in business management and risk management, and a high degree of knowledge and experience in finance and accounting.

By organizing our approach in this way, we can select specific candidates based on their character from a preliminary list of qualified candidates from within the Company, the public sector, and the securities and financial sectors. This process, which includes discussions at Board of Directors meetings and prior briefings, enables Nomination Committee members to deepen their understanding of the qualities and character of each executive officer. In addition, we communicate with managerial-level individuals other than officers through various opportunities such as business briefings, and strive to identify their capabilities. In this way, Nomination Committee members work both inside and outside the committee to collect information for the selection of candidates. As the leader among the executive officers who possess these qualities, and the person responsible for management, the representative executive officer and president is required to have the ability to oversee business execution and improve corporate value, and other qualities such as high ethical standards as the representative of a company that plays a public role. Furthermore, the committee regularly arranges opportunities for interviews and discussions with candidates to help create a mental picture while gathering information to make decisions on selection.

## As Remuneration Committee Chairperson

The Remuneration Committee decides on the remuneration of directors and executive officers, and policies regarding the remuneration of officers and other matters. In its officer remuneration system, the Company has been working to further link executive officer remuneration to performance, and has revised bonuses for executive officers to reflect the degree of progress and achievement of the management goals in the mid-term management plan. In FY2021, the first year after this revision, we worked to manage the system appropriately. Going forward, we will consider revising officer remuneration based on the new mid-term management plan, which is aimed at achieving the management goals set out in our medium-term management policy. Moreover, in recent years companies have been expected to actively address sustainability issues, and there have been moves to reflect the results of such efforts in officer remuneration. I would like the Remuneration Committee to discuss officer remuneration from this perspective as well.

## Board of Directors Initiatives and Policies Going Forward

Going forward, as the Company’s management begins to step up efforts to implement the medium-term management policy, I would like the Board of Directors to contribute to the Company’s development by conducting appropriate supervision based on the launch of the mid-term management plan and the monitoring of its progress through free and open discussion among directors with various backgrounds.

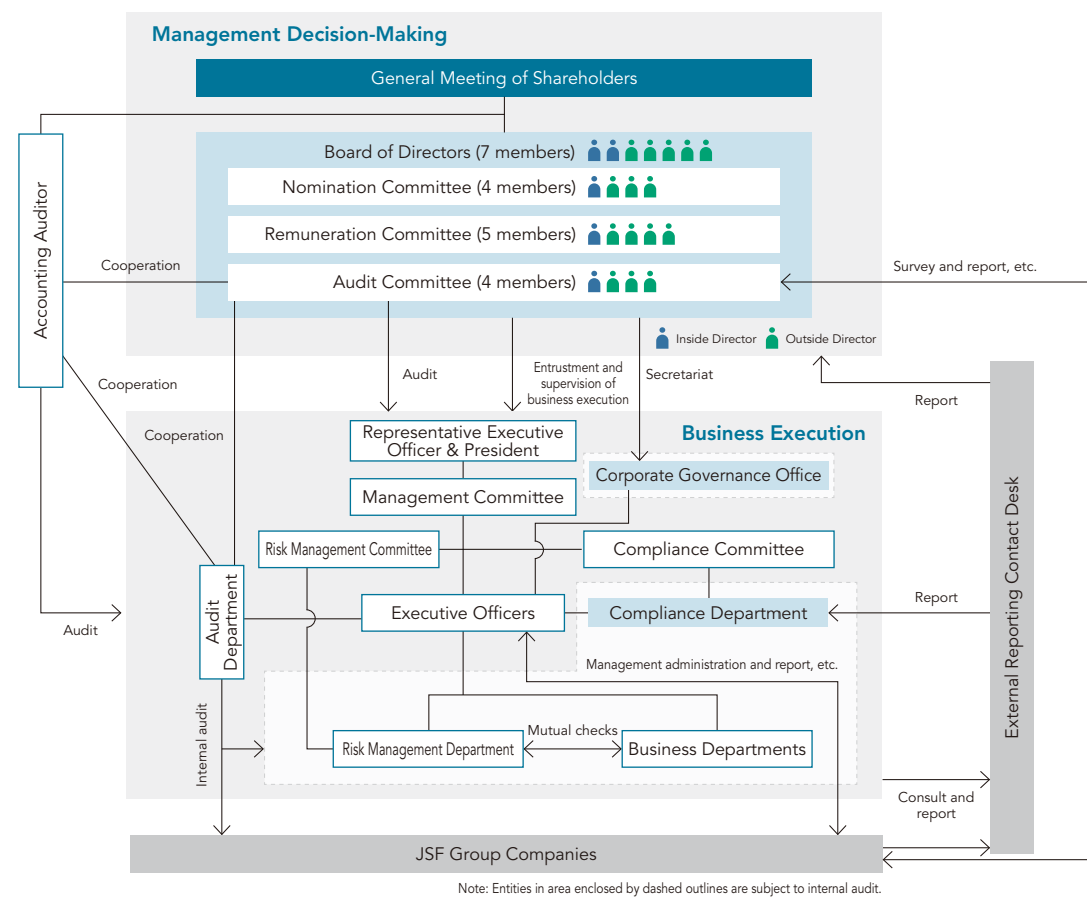
# Corporate Governance

## Basic Concept

As an institution specializing in securities finance, JSF has a mission to contribute to the development of the securities market by proactively meeting the diverse needs of the securities and financial sectors and to enhance the long-term interests of users, while always maintaining a keen awareness of its public role. Based on this thinking, the Company aims to gain the firm trust of society through sound business operations.

Under this corporate philosophy, the Company has adopted the Company with a Nominating Committee, etc. structure under the Companies Act, based on which it strives to clarify the separation of supervision and execution of business operations, further strengthen supervision by having mainly outside directors to ensure sound management, and achieve prompt business execution that responds quickly to changes in the business environment.

## Corporate Governance System



## Overview of the Board of Directors and Status of Initiatives

JSF has strengthened the supervisory function of the Board of Directors as a Company with a Nominating Committee, etc., based on which it has separated supervision and execution. Excluding matters to be resolved by the Board of Directors, such as those designated by laws and regulations and the Articles of Incorporation, decisions on business execution are, in principle, delegated to executive officers, thereby building an effective and efficient governance system that enables the Company to respond quickly to changes in its operating environment. The Board of Directors is responsible for determining basic management policies and for supervising the execution of business by executive officers. As a specific example, under this system the chairpersons of the Board of Directors and the three statutory committees, who are all outside directors, engage in extensive study and discussion from various angles in formulating the mid-term management plan. In addition, in order to appropriately supervise the execution of business, the Company strives to enhance the provision of information to directors, in ways such as reviewing report content and holding business briefings.

## Composition of the Board of Directors

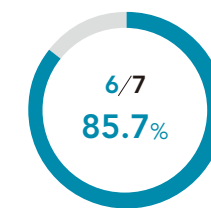
The Board of Directors comprises a variety of directors with diverse expertise, experience and other characteristics, based on a skill matrix formulated by the Company. To the extent designated in the Articles of Incorporation, JSF secures the appropriate number of members to maximize the effectiveness and efficiency of the board's functions. In addition, multiple outside directors independent from the Company and possessing abundant experience and expert knowledge of business management and other matters have been appointed to the board to ensure appropriate business operations while enabling objective and neutral management supervision from external viewpoints.

The Board of Directors currently comprises seven members (including five outside directors), with an outside director serving as chairperson. At the general meeting of shareholders held in June 2022, the number of outside directors was increased from three to five, taking into consideration factors such as balancing the number of people engaged in oversight and execution, diversification in terms of age and gender, and the need for multifaceted skills in light of changes in the operating environment, such as the revisions to the Corporate Governance Code, the transition to new market segments by the Tokyo Stock Exchange, and further progress in internationalization and digital transformation.

## Overview of the Board of Directors (As of June 23, 2022)

Organization Form	Company with a Nominating Committee, etc.
Chairperson of the Board	Outside director
Maximum Number of Directors as Stipulated in the Articles of Incorporation	8
Number of Directors	7
Number of Outside Directors (Independent Directors)	5 (5)

## Non-Executive Directors



## Independent Outside Directors



## Initiatives in FY2021

In light of changes in JSF's operating environment in FY2021, such as the revisions to the Corporate Governance Code and the shift to new market segments by the Tokyo Stock Exchange, the Company announced its medium-term management policy in November 2021 after discussing the Vision for JSF in the Future, medium-term management goals, strategies for achieving those goals, and shareholder returns. Of particular note, the Company decided to use ROE as an indicator for management targets. Having estimated the cost of equity capital to be around 4.5%, the Company set an ROE target of 5% for the next mid-term management plan to exceed this figure, to be achieved by FY2025. The Company also deliberated and announced a basic policy for its business portfolio based on the fundamental nature of the Group's business and the purpose of the Corporate Governance Code.

Moreover, as an initiative for corporate governance, the Board of Directors worked to further enhance its role by deliberating and studying its composition, as well as the qualities required of executive officers. In addition, the Company established a Corporate Governance Office with improved functions as the secretariat of the Board of Directors.

JSF has clarified its basic policy for sustainability promotion and ESG-related initiatives as follows: "The JSF Group provides a variety of services, including the loans for margin transactions business, as a part of the infrastructure of Japan's securities market, and works to improve the liquidity

of the country's securities and financial markets as well as the convenience for market participants. Through these activities, we aim to play a part in initiatives to realize a sustainable society, including supporting market participants who are engaged in similar initiatives."

## Main Agenda for FY2021

- Corporate Governance**
  - Formulation of the medium-term management policy
  - Formulation of a business portfolio policy
  - Examination of sustainability issues (formulation of basic thinking, identification of material issues, etc.)
  - Disclosure of climate-related financial information based on TCFD recommendations
  - Formulation of an approach to the composition and other aspects of the Board of Directors and appointment of executive officers
  - Consideration of response to the new market segments of the Tokyo Stock Exchange (transition to Prime Market)
  - Evaluation of the effectiveness of the Board of Directors
- Risk Management**
  - Status of risk appetite indicators and risk management
  - Implementation status of internal audits
- Capital and Financial Policy**
  - Examination of shareholder returns policy
  - Evaluation of cross-shareholdings
  - Status of dialogue with investors
- Mid-Term Management Plan**
  - Progress of the mid-term management plan

## Corporate Governance

### Overview of Each Statutory Committee and Status of Initiatives

#### Nomination Committee

To ensure that the Board of Directors can adequately determine management policies and supervise execution, the Nomination Committee deliberates and decides on general matters related to the appointment and dismissal of the Company's management team (directors, executive officers and corporate officers) such as the composition of the Board of Directors, including the skill matrix, determination of director candidates, consideration of succession plans, qualifications required of executive officers and corporate officers, the policy for their appointment and dismissal, and

determination of specific candidates. The committee currently consists of four directors (including three outside directors), and is chaired by an outside director.

##### Main Agenda for FY2021

- Consideration of and deliberation on the skill matrix for directors, the composition and other aspects of the Board of Directors
- Consideration of and deliberation on the approach to the appointment of executive officers
- Nomination of director, executive officer and corporate officer candidates for FY2022

#### Remuneration Committee

The Remuneration Committee deliberates and decides on general matters related to amounts of remuneration for senior management (directors, executive officers and corporate officers) for the steady implementation of the medium-term management policy and management plans based on this policy. These matters include making sure the remuneration system is consistent with the implementation of the management policy and related plans, deciding on remuneration for individual members of senior management,

and the policy for determination thereof. The committee currently comprises five directors (including four outside directors), and is chaired by an outside director.

##### Main Agenda for FY2021

- Determination of FY2021 remuneration amounts for individual directors and executive officers
- Future officer remuneration based on the formulation of the medium-term management policy

#### Audit Committee

In addition to carrying out tasks such as auditing the execution of duties of directors and executive officers and preparing audit reports, the Audit Committee deliberates and determines the content of proposals (including those on election and dismissal of the accounting auditor) to be submitted to the general meeting of shareholders.

The committee currently comprises four directors (including three outside directors), and is chaired by an outside director.

##### Main Agenda for FY2021

- Business operation status, risk management, compliance, internal auditing
- Reports from the accounting auditor (audit plans, major audit matters, etc.)

### Director Expertise (Skill Matrix), Attendance at Board of Directors and Other Meetings

Name	Outside/Inside	Area of Expertise							FY2021 Meeting Attendance				
		Corporate management	Finance, securities, economics	International affairs	Legal affairs, compliance	Financial affairs, accounting	Internal control, risk management	ESG	Board of Directors	Nomination Committee	Remuneration Committee	Audit Committee	
Naotaka Obata	Outside	●	●	●				●	●	100% 11/11	100% 8/8	100% 5/5	—
Shoko Sugino	Outside				●			●	●	100% 11/11	100% 8/8	100% 5/5	100% 11/11
Shuya Imura	Outside		●		●	●	●			100% 11/11	—	—	100% 11/11
Kensuke Futagoishi	Outside	●	●			●	●	●		—	○ <sup>1</sup>	○ <sup>1</sup>	—
Takayoshi Yamakawa	Outside	●	●	●		●	●	●		—	—	○ <sup>1</sup>	○ <sup>1</sup>
Shigeki Kushida (Representative Executive Officer & President)	Inside	●	●	●				●	●	100% 11/11	100% 8/8	100% 5/5	—
Hiroshi Asakura	Inside		●			●				100% 9/9 <sup>2</sup>	—	—	100% 9/9 <sup>2</sup>

◎: Chairperson, ○: Member 1. Appointed in June 2022 2. Appointed in June 2021

### Evaluation of the Effectiveness of the Board of Directors

In FY2021, based on an evaluation by each of the directors, the Board of Directors analyzed and evaluated matters related to its effectiveness including the composition and operation of the Board of Directors, the support system for directors and the directors' personal efforts, as well as an evaluation of the three statutory committees, namely, the Nomination Committee, the Remuneration Committee and the Audit Committee.

For the analysis and evaluation, a questionnaire was administered to all directors. The Company has chosen to receive recommendations from an external organization regarding the content of the questionnaire and, in principle, to send responses directly to that organization. The board's analysis and evaluation is based on the external organization's report of the aggregated results and an opinion exchange meeting, including with the outside directors, held prior to administration of the questionnaire.

#### (1) Overall Evaluation

The questionnaire responses and other findings confirmed that the composition, operation, support system and other aspects of the Board of Directors are all appropriate. The statutory committees were also confirmed to be operating appropriately.

Based on these findings, the Company judged that the effectiveness of its Board of Directors has been ensured.

#### (2) Initiatives in FY2021 to Address Issues Raised in FY2020

The FY2020 evaluation yielded feedback that we should increase opportunities for directors to exchange opinions in order to further enhance discussions at Board of Directors meetings. Another issue recognized by participants in the evaluation was the need to strengthen support for the Board of Directors and statutory committees in order to improve their effectiveness.

Responding to this feedback, in FY2021 the Company provided multiple opportunities for outside directors to exchange opinions and established the Corporate Governance Office. This office serves as a dedicated secretariat to strengthen support for the Board of Directors and the statutory committees in ways such as providing directors with appropriate information on corporate governance and on execution of Company business. These initiatives were judged to be appropriate.

#### (3) Issues Raised in FY2022

The Company concluded that the effectiveness of the Board of Directors has been ensured. However, given that the number of directors was increased in FY2021, efforts will continue to further improve the effectiveness of the Board of Directors, including by enhancing the provision of information and training and by improving the functions of the secretariat.

In FY2022, the Board of Directors will focus on consideration of the next mid-term management plan toward the realization of the medium-term management policy announced in November 2021. Accordingly, the Company will work to enhance board discussions through a proper understanding of the progress of the current mid-term management plan, which is the premise of discussions, and by providing accurate information on trends inside and outside the Company. In addition, since various considerations regarding nomination and remuneration will take place in relation to the formulation of the next mid-term management plan, the Company will work to further improve the effectiveness of the statutory committees.

The Company will work to address these issues to further improve the effectiveness of the Board of Directors.

### Policy on the Composition of the Board of Directors and Appointment of Executive Officers

#### Composition and Other Aspects of the Board of Directors

The situation in the securities and financial markets affecting the Company is undergoing major changes due to factors such as the progress of globalization and digitalization, as well as the prolonged COVID-19 pandemic. In addition, revisions to the Corporate Governance Code and the transition by the Tokyo Stock Exchange to the Prime Market necessitate the establishment of a more advanced governance system. As a listed company, JSF is expected to further enhance profitability and address new issues such as sustainability.

In light of issues related to this situation both inside and outside the Company, the Nomination Committee and the Board of Directors deliberated and reviewed the composition and other aspects of the board from the perspective of further enhancing the roles of the Board of Directors in regard to determining basic management policies and carrying out supervisory functions. Their conclusions were as follows.

- As of the end of FY2021, the Company's Board of Directors comprises directors with the necessary skillsets, and is effectively performing its function of supervising execution.



## Corporate Governance

- It is appropriate to appoint directors who have multiple layers of skills, given the Company's steady growth in recent years centered on the securities finance business, progress in the diversification and sophistication of operations, the need to respond to changes in the operating environment such as further progress in globalization and digital transformation, and the desirability of having a system that allows members with diverse backgrounds to engage in multifaceted consideration.
- It is also important to balance the number of people engaged in oversight and execution, and to diversify in terms of age and gender.
- Based on these conclusions, the number of directors was increased by two at the general meeting of shareholders held in June 2022.
- To enable speedy decision-making, and taking the size of the Company into account, the upper limit on the number of directors based on the skill matrix was revised to allow a certain amount of leeway relative to the actual number of directors.

### Qualities Required of Executive Officers

In light of the public role and special characteristics of securities finance services such as loans for margin transactions, the Company believes that in addition to the generally required knowledge and leadership in areas such as corporate governance, legal affairs and finance, executive officers should have the following qualities.

- The ability to fully recognize JSF's public role in the execution of business
- Extensive knowledge of the overall securities and finance markets
- Well versed in the Financial Instruments and Exchange Act and other various laws and regulations
- Knowledge and experience involving JSF's highly specialized business
- The internationality required in the advance of JSF's business
- A high degree of knowledge and experience in business management and risk management
- A high degree of knowledge and experience in finance and accounting
- Ability to flexibly respond to the various changes affecting JSF in the securities and finance sectors

## Officer Remuneration System

### Policy for Determining the Amount of Remuneration for Officers and the Calculation Method Thereof

#### Details of Policy and Determination Method

Remuneration for Company officers shall be based on systems and standards in accordance with the respective roles and expected functions of directors and executive officers, in order to achieve sustained growth and enhancement of corporate value over the medium to long term based on the corporate philosophy and management principles. Specifically, individual amounts of remuneration shall be determined by the Remuneration Committee based on the following policy decided on by the committee.

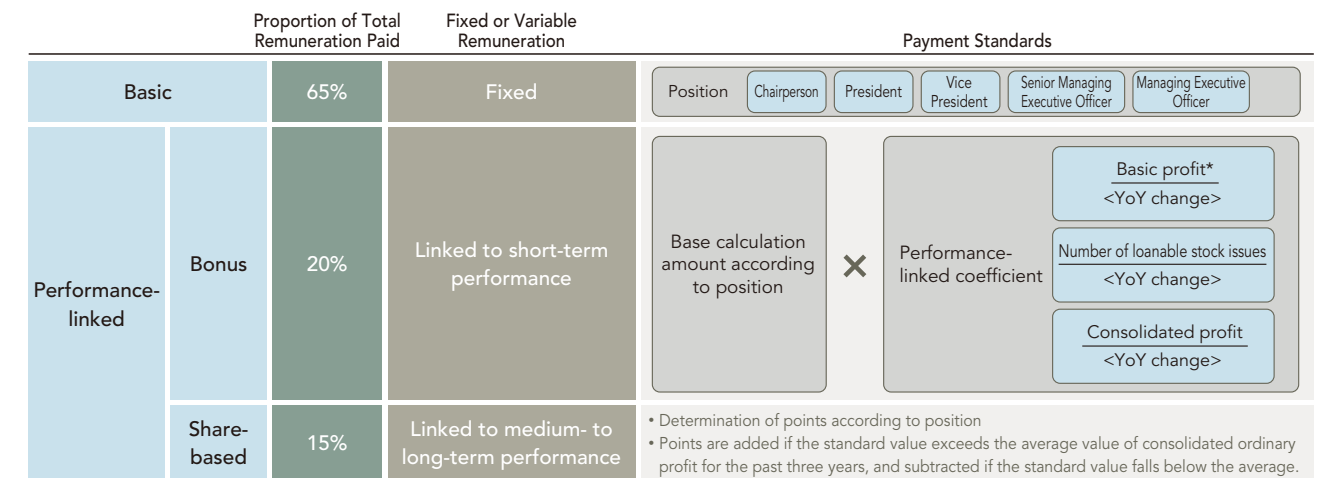
#### Directors

- With a view to having supervisory functions carried out appropriately, directors shall receive only fixed monthly remuneration (base remuneration). Performance-linked remuneration shall not be provided to directors.
- Remuneration for individual directors shall be determined in accordance with the responsibilities of each director, such as whether that person is serving in a full-time or part-time capacity or as chairperson.
- Directors concurrently serving as executive officers shall not receive remuneration as directors.

#### Executive Officers

- With a view to enhancing correlation with the Company's business performance and share value, remuneration for executive officers shall comprise fixed monthly remuneration (base remuneration), performance-linked officer bonuses and share-based remuneration.
- Fixed monthly remuneration (base remuneration) shall be determined in accordance with each executive officer's position.
- To clarify the responsibilities of management, officer bonuses shall be determined after the end of each fiscal year, in accordance with the degree of achievement of management goals under the mid-term management plan and business performance for the fiscal year, and are paid within three months after being decided.
- As for share-based remuneration, a Board Benefit Trust (BBT) scheme shall be used to award each executive officer points, which are determined based on correlation with the Company's medium- to long-term business performance. Upon retirement from office, executive officers are issued Company shares corresponding to the number of points they have accumulated.

### Overview of the Officer Remuneration System



\* Basic profit is defined as ordinary profit estimated based on the assumed gross operating profit of the loans for margin transactions business (average over the past three years) and the gross operating profit of businesses other than loans for margin transactions business. The loans for margin transactions business, which is our main business, is susceptible to market fluctuations, and earnings fluctuate significantly.

### Total Amount of Remuneration by Officer Classification

Officer Classification	Total Amount of Remuneration Paid (Thousands of yen)	Total Amount of Remuneration Paid by Type of Remuneration (Thousands of yen)			Number of Eligible Officers
		Basic	Bonus	Non-monetary (Share-based)	
Director (Excluding outside directors)	8,400	8,400	—	—	2
Outside Director	46,560	46,560	—	—	3
Executive Officer	298,873	194,160	75,250	29,463	6

1. Directors concurrently serving as executive officers shall not receive remuneration as directors.
2. Performance indicators for performance-linked remuneration (bonuses) are the number of loanable stock issues, basic profit and consolidated profit, which in FY2021 were 2,661 stock issues, ¥8,454 million and ¥5,174 million, respectively.
3. The business performance index for calculating performance-linked share-based remuneration is consolidated ordinary profit (3-year average), which in FY2021 was ¥5,872 million.

## Policy on Cross-Shareholdings

The Company has been reducing cross-shareholdings. Between March 2018 and March 2022, it reduced shares of listed issues held by 91% on a market value basis, and shares of total issues held including listed and unlisted issues by 78%.

### Basic Policy

- (1) In order to contribute to sustainable growth and an increase in corporate value over the medium to long term, JSF strategically holds other companies' shares it deems necessary for purposes such as strengthening business relationships.
- (2) With respect to cross-shareholdings, the Company examines the status of dividends and valuation gains and losses, the status of transactions with investee companies, the history and the effects of the shareholdings, and based on this examination, reduces the number of shares in shareholdings for which cross-holding is not necessary.

	March 31, 2022			
	Number of Issues	Carrying Amount	Percentage of Total Assets	Percentage of Net Assets
Listed Shares	2	¥1,057 million	0.007%	0.766%
Unlisted Shares	7	¥1,759 million	0.012%	1.275%

# Officers (As of June 23, 2022)

## Directors



Director, Chairperson of the Board  
**Naotaka Obata**

Apr. 1968 Joined The Mitsubishi Bank, Ltd.  
May 1999 Managing Executive Officer of The Bank of Tokyo-Mitsubishi, Ltd.  
Jan. 2004 Senior Managing Executive Officer of The Bank of Tokyo-Mitsubishi, Ltd.  
Jun. 2004 Deputy President of The Bank of Tokyo-Mitsubishi, Ltd.  
Jun. 2005 President and CEO of Diamond Lease Company Limited  
Apr. 2007 President and CEO of Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.)  
Jun. 2010 Chairman of Mitsubishi UFJ Lease & Finance Company Limited  
Jun. 2012 Executive Advisor to the Board, Mitsubishi UFJ Lease & Finance Company Limited  
Apr. 2013 Board member of Japan Pension Service  
Jun. 2018 Special Advisor, Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.) (current position)  
Jun. 2019 Director, Chairperson of the Board of Japan Securities Finance Co., Ltd. (current position)



Director  
**Shoko Sugino**

Apr. 1973 Registered as an attorney  
Joined Fujibayashi Law Office  
Apr. 1994 Partner Attorney at Fujibayashi Law Office (current position)  
Apr. 1997 Professor for The Legal Training and Research Institute of Japan  
Apr. 2000 Tokyo Family Court Conciliation Committee Member  
Jul. 2005 Environment Dispute Coordination Commission Member  
Mar. 2007 Audit & Supervisory Board Member of Kitoku Shinryo Co., Ltd. (current position)  
Jun. 2018 Audit & Supervisory Board Member of Takeei Corporation (current position)  
Jun. 2019 Director of Japan Securities Finance Co., Ltd. (current position)

**Significant concurrent positions**  
Partner Attorney at Fujibayashi Law Office  
Audit & Supervisory Board Member of Kitoku Shinryo Co., Ltd.  
Audit & Supervisory Board Member of Takeei Corporation  
Outside Director of Janome Corporation



Director  
**Shuya Iimura**

Apr. 1987 Joined Tokyo Stock Exchange (TSE)  
Jul. 2001 Chief of Public Relations Office of General Affairs Department, TSE  
Jun. 2010 Director of Derivatives Department, TSE  
Mar. 2014 Director of Market Planning Department, Osaka Exchange  
Apr. 2016 Human Resources Department, Japan Exchange Group  
Jun. 2016 Audit & Supervisory Board Member of Japan Securities Finance Co., Ltd.  
Aug. 2018 Audit & Supervisory Board Member of Intellex Co., Ltd. (current position)  
Jun. 2019 Director of Japan Securities Finance Co., Ltd. (current position)

**Significant concurrent positions**  
Audit & Supervisory Board Member of Intellex Co., Ltd.



Director  
**Kensuke Futagoishi**

Apr. 1977 Joined The Sanwa Bank, Limited (currently MUFJ Bank, Limited)  
Apr. 2001 General Manager, Retail Banking Planning Division, UFJ Holdings, Inc. (currently Mitsubishi UFJ Financial Group, Inc.)  
Jan. 2002 General Manager, Gotanda Corporate Sales Department and Branch Manager, Gotanda Branch, UFJ Bank Limited (currently MUFJ Bank, Ltd.)  
Oct. 2003 Joined IY Bank Co., Ltd. (currently Seven Bank, Ltd.)  
Jun. 2004 Director of IY Bank Co., Ltd. (currently Seven Bank, Ltd.)  
Jun. 2006 Director, Executive Officer of Seven Bank, Ltd.  
Nov. 2007 Director, Managing Executive Officer of Seven Bank, Ltd.  
Jun. 2009 Director, Senior Managing Executive Officer of Seven Bank, Ltd.  
Jun. 2010 President and Representative Director of Seven Bank, Ltd.  
Jun. 2018 Chairman and Representative Director of Seven Bank, Ltd.  
Jun. 2022 Executive Advisor of Seven Bank, Ltd. (current position)  
Director of Japan Securities Finance Co., Ltd. (current position)



Director  
**Takayoshi Yamakawa**

Apr. 1991 Joined Yokogawa Hewlett Packard Co.  
Oct. 1995 Joined The Boston Consulting Group  
Jan. 1997 Project Manager of The Boston Consulting Group  
May 1999 Principal of The Boston Consulting Group  
Jun. 2000 Founder (co-established), Director and CTO of Dream Incubator Inc.  
Jun. 2005 Vice Representative Director of Dream Incubator Inc.  
Jun. 2006 Representative Director & CEO of Dream Incubator Inc. (retired June 2020)  
Jul. 2020 Representative Partner of Business Producer LLC (current position)



Director  
**Shigeki Kushida**

Jan. 2021 Outside Director of BitStar, Inc. (current position)  
Apr. 2021 Outside Director of Baseconnect Inc. (current position)  
Jun. 2021 Outside Director of Akatsuki Securities, Inc. (current position)  
Jun. 2022 Director of Japan Securities Finance Co., Ltd. (current position)

**Significant concurrent positions**  
Representative Partner of Business Producer LLC  
Outside Director of Akatsuki Securities, Inc.  
Outside Director of FP Corporation



Director  
**Shigeki Kushida**

May 2008 Deputy Director-General of Personnel and Corporate Affairs Department (Personnel Management), Bank of Japan (BOJ)  
Mar. 2009 Director-General of Personnel and Corporate Affairs Department, BOJ  
Jun. 2010 Director-General of Monetary Affairs Department, BOJ  
May 2011 General Manager of Nagoya Branch, BOJ  
Mar. 2013 Executive Director of BOJ  
Apr. 2017 Senior Advisor of American Family Life Assurance Company (currently Aflac Japan Ltd.)  
May 2019 Advisor of Japan Securities Finance Co., Ltd.  
Jun. 2019 Director, Representative Executive Officer & President of Japan Securities Finance Co., Ltd. (current position)  
Jun. 2022 Director of JSF Trust & Banking Co., Ltd. (current position)

**Significant concurrent positions**  
Director of Denso Corporation



Director  
**Hiroshi Asakura**

Apr. 1978 Joined Japan Securities Finance Co., Ltd.  
Jun. 2002 General Manager of Planning Department  
Jun. 2005 General Manager of Margin Loan Department  
Jun. 2006 Corporate Officer & General Manager of Margin Loan Department  
Feb. 2008 Corporate Officer & General Manager of Loan Department  
Jun. 2009 Managing Director  
Jun. 2013 Senior Managing Director (retired in June 2016)  
Jun. 2016 President of Nihon Building Co., Ltd. (retired in June 2021)  
Jun. 2021 Director of Japan Securities Finance Co., Ltd. (current position)

## Executive Officers



Chairperson  
**Eizo Kobayashi**



Representative Executive Officer & President  
**Shigeki Kushida**



Executive Vice President  
**Shunichiro Higuchi**  
Responsible for Internal Audit Department, Compliance Department



Senior Managing Executive Officer  
**Yutaka Okada**  
Responsible for Corporate Governance Office, Business Development Department, Treasury Department, International Relations



Managing Executive Officer  
**Masaru Sekiguchi**  
Responsible for Risk Management Department, Human Resources Department, Corporate Planning Department, Group Companies Relations



Managing Executive Officer  
**Morikuni Shimoyamada**  
Responsible for Margin Loan Department, Institutional Sales Department, Retail Business Department



Managing Executive Officer  
**Shinichi Sugiyama**  
Responsible for Settlement & Custody Department, Information System Planning Department, Osaka Branch

## Corporate Officers

General Manager of Compliance Department  
**Yutaka Osonoi**

General Manager of Osaka Branch  
**Jun Akabane**

General Manager of Human Resources Department  
**Wataru Sato**

General Manager of Business Development Department  
**Yuji Yoshimoto**

General Manager of Risk Management Department  
**Ken Toda**

# ESG Initiatives

## Initiatives and Basic Approach to Sustainability

The development of infrastructure that forms the foundation of socio-economic activities is a key element in realizing a sustainable society, and it is also one of the Sustainable Development Goals (SDGs: Goal 9). The JSF Group provides a variety of services, including loans for the margin trading business, as a part of the infrastructure of Japan's securities market, and works to improve the liquidity of the domestic securities and financial markets, as well as convenience for market participants. Through these activities, we aim to contribute to initiatives to realize a sustainable society, including supporting market participants who are engaged in similar initiatives.

Because it is responsible for the infrastructure of the securities and financial markets, the Group believes it is

important to build a system that provides stable operations regardless of circumstances. To this end, we must not only respond to disasters in a narrow sense, but also ensure the stability and high reliability of our business base. In addition, we believe that there are issues toward which the Group can also contribute by utilizing the know-how and other resources that it has cultivated over the years. Based on this perspective, we are currently aware of the following material issues. Our Group recognizes the roles expected of it in addressing these material issues and will advance various initiatives while flexibly responding to future changes in the social environment.


### Material Issues That We Recognize

E: Environmental S: Social G: Governance

Classification	Item	Issues
E	Climate change	<ul style="list-style-type: none"> <li>Promote reduction in environmental impact</li> </ul>
	Education	<ul style="list-style-type: none"> <li>Promote financial and economic education activities</li> <li>Promote academic research activities</li> </ul>
S	Human resources	<ul style="list-style-type: none"> <li>Promote diversity</li> <li>Develop and secure human resources and create a pleasant workplace</li> </ul>
	Human rights	<ul style="list-style-type: none"> <li>Respect for human rights, non-discrimination and diversity</li> <li>Prohibit all types of harassment</li> </ul>
	Capital market	<ul style="list-style-type: none"> <li>Enhance functions as infrastructure for Japan's securities and financial markets</li> <li>Contribute to overseas securities and financial market infrastructure</li> </ul>
G	Corporate Governance	<ul style="list-style-type: none"> <li>Continuously improve corporate governance</li> </ul>
	Business continuity plan (BCP)	<ul style="list-style-type: none"> <li>Stably operate business that is not affected by disasters, etc.</li> </ul>
	Compliance	<ul style="list-style-type: none"> <li>Operate business based on a high awareness of compliance</li> </ul>
	Risk management	<ul style="list-style-type: none"> <li>Implement the Risk Appetite Framework (RAF)</li> </ul>

### Specific Initiatives Related to Material Issues

E: Environmental S: Social G: Governance

Classification	Issues	Initiatives
E	Reduce environmental impact	<ul style="list-style-type: none"> <li>Improve Company facilities to conserve electricity, and be conscious of environmental impact</li> <li>Promote paperless operations in all areas of the Company</li> </ul>
S	Promote financial and economic education activities	<ul style="list-style-type: none"> <li>Hold a lecture on "Financial and Securities Markets and Industry-Academia Alliance—Blockchain Case Studies" at the Graduate School of Engineering at the University of Tokyo <a href="#">▶ See page 25 for details.</a></li> <li>Hold various seminars on margin transactions</li> <li>Hold seminars for investors and training for securities company employees, etc.</li> </ul>
	Promote academic research activities	<ul style="list-style-type: none"> <li>Conduct joint empirical research with the University of Tokyo (Securities Lending and Lending Transactions Utilizing Distributed Ledger Technology) <a href="#">▶ See page 31 for details.</a></li> </ul>
G	Contribute to overseas securities and financial market infrastructure	<ul style="list-style-type: none"> <li>Provide technical assistance and investment in securities finance in Indonesia <a href="#">▶ See page 25 for details.</a></li> </ul>
	Realize diverse work styles for employees	<ul style="list-style-type: none"> <li>Provide support for childbirth, childcare and caregiving</li> <li>- Introduce Company-wide teleworking</li> <li>- Understand employee engagement</li> </ul> 
G	Enhance corporate governance	<ul style="list-style-type: none"> <li>Strive to enhance governance as a Company with a Nominating Committee, etc.</li> <li>- Ensure that the majority of directors are independent outside directors</li> <li>- Ensure that the chairpersons of the Board of Directors and the three statutory committees are independent outside directors</li> <li>Establish a dedicated department to address various corporate governance issues with a sense of urgency</li> </ul>
	Implement risk management	<ul style="list-style-type: none"> <li>Implement RAF and establish a system to integrate business management and risk management</li> </ul>
	Implement BCP	<ul style="list-style-type: none"> <li>Continue to strengthen the BCP system and cyber security system to ensure stable business operations as a part of the infrastructure of securities and financial markets</li> </ul>
G	Compliance	<ul style="list-style-type: none"> <li>Prepare manuals and establish Compliance Enhancement Month</li> </ul>

## Dialogue with Stakeholders

We are promoting the following initiatives in order to gain and maintain the support and trust of our stakeholders.

Shareholders and Investors	<ul style="list-style-type: none"> <li>Hold financial results briefings for analysts and institutional investors (May and November 2021) and individual interviews</li> <li>Conduct shareholder surveys and share survey responses with the Board of Directors</li> <li>Introduction of hybrid shareholder meetings that enable both online and in-person participation (Live streaming of general meetings for shareholders unable to attend due to remote location or other reasons)</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Hold dialogue sessions between top management and employees to share value (Online meetings for all employees, and regular small group dialogue sessions with voluntary participation)</li> <li>Conduct employee surveys and DI* surveys to understand employee attitudes and opinions</li> </ul>
Business Partners and Others	<ul style="list-style-type: none"> <li>Interviews and participation in international conferences</li> <li>Hold various seminars on margin transactions for securities company employees</li> </ul>
Society	<ul style="list-style-type: none"> <li>Support international cooperation and securities market development, and engage in academic research on securities and financial markets</li> <li>Donations for disaster relief</li> </ul>

\* Diffusion Index: An index based on employee surveys that measures employee job satisfaction, changes in workplace conditions and other conditions



## Addressing Climate Change and Environmental Protection (Initiatives Based on the TCFD Recommendations)

In addition to engaging in initiatives aimed at bringing about a sustainable global environment through its business activities, JSF is working to improve disclosure of climate change information in accordance with the TCFD\* recommendations.

\* Task Force on Climate-related Financial Disclosures: Established by the Financial Stability Board (FSB) in 2015 at the request of the G20 for the purpose of financial stability. The final report on frameworks for disclosure of climate-related risks and opportunities (TCFD recommendations) published in 2017 calls on companies to assess the risks and opportunities of climate change, reflect them in their business strategy and risk management, understand their financial impact, and disclose this information.

### Governance

- To drive Group-wide climate-related efforts, the Board of Directors approved the "Basic Stance on Sustainability," in which it recognizes climate change as a material issue for its business.
- The Management Committee (chaired by the representative executive officer & president) deliberates and decides on sustainability initiatives, including those concerning climate-related issues, and the Board of Directors oversees the progress on these initiatives.
- Specific sustainability initiatives, including those concerning climate-related issues, are detailed in the action plan for the mid-term management plan, and they are carried out across the organization under the oversight of the Corporate Governance Office.

### Strategy

- As a company responsible for Japan's securities and financial market infrastructure, JSF recognizes the importance of building systems that operate reliably regardless of conditions. Therefore, we believe that realizing a sustainable global environment is crucial for the continuation of our business activities, and that climate change is a material issue for our business.
- After identifying the risks and opportunities of climate change that could impact our business activities, we qualitatively analyze those impacts and verify the resilience of our management strategy.
- In responding to the transformation into a carbon-free society, we support the efforts of the securities and financial markets participants that are grappling with climate-related issues by improving our financial services and the commercial appeal of our products. At the same time, we are aiming to enhance our own corporate value.

#### Recognized Risks

- Climate change risks are divided into two categories for identification and recognition purposes. These are "transition risks," which are risks arising from the process of transitioning to a lower-carbon economy to address climate change, and "physical risks," which are risks of losses arising directly from climate change.
- For recognized risks, assumptions have been made about the type of damage (direct or indirect), the scale of the risk (large, medium or small), and the time frame (short- to medium- to long-term).
- JSF believes that the increase in its credit costs will be limited because most of its lending comprises securities-backed loans to securities firms and banks.

Type of Risk	Description	Damage	Scale	Time Frame
Transition Risks	Higher operating costs due to taxation changes related to climate change, such as stricter regulation and carbon taxes	Direct	Small	Medium- to long-term
	Decline in securities financing balance due to factors such as worsening economic conditions, weak financial and securities markets and declining demand for funding due to the effects of global warming	Indirect	Medium	Medium- to long-term
	Decline in share prices due to stakeholder criticism of JSF's response to global warming and inadequate disclosure	Direct	Small	Medium- to long-term

Type of Risk	Description	Damage	Scale	Time Frame
Physical Risks	Damage to owned real estate and facilities due to major storm and flood damage, with damage to facilities affecting business continuity	Direct	Medium	Short- to long-term
	Drop in prices of securities held as a result of worsening financial and securities markets due to the effects of extreme weather events			
	Higher credit costs as a result of damage to counterparty business locations due to major storm and flood damage	Indirect	Small	Short- to long-term
	Business relocation costs incurred due to rising sea levels	Direct	Medium	Long-term
Chronic risks	Higher credit costs as a result of damage to counterparty business location due to rising sea levels	Indirect	Small	Long-term

Note: Short-term, medium-term and long-term time frames are assumed to be 3 years or less, 3-10 years and 10 years or longer, respectively.

#### Recognized Opportunities

- JSF anticipates and recognizes the following opportunities associated with tackling climate-related issues.
- Our initiatives with respect to these climate-related issues are incorporated into the action plan for the mid-term management plan, and we are monitoring the progress of their implementation.

Opportunity	Description	Time Frame
Resource-efficient Energy Sources	<ul style="list-style-type: none"> <li>• Propelling resource and energy savings</li> <li>• Utilizing renewable energy</li> </ul>	Short- to long-term
Markets for Products and Services	<ul style="list-style-type: none"> <li>• Offering financial services that support the transition to a carbon-free society</li> <li>• Contributing to an environmentally sustainable society through investments in green bonds and other instruments</li> <li>• Increased demand for funding due to the expanding market for ESG investment</li> <li>• Gaining the trust of counterparties and capital markets as a result of appropriate initiatives and disclosure in response to climate-related issues</li> </ul>	Short- to long-term
Resilience	<ul style="list-style-type: none"> <li>• Ensuring business continuity in securities market infrastructure such as lending and borrowing transactions by building a resilient BCP system</li> </ul>	Short- to long-term

#### Scenario Analysis

- A qualitative analysis of the impact of climate on the JSF Group, based on two scenarios, is presented below. Under the 2°C scenario, global warming is curbed due to strict countermeasures, while under the 4°C scenario, global warming continues to progress in the absence of drastic measures.

	2°C Scenario <sup>1</sup>	4°C Scenario <sup>2</sup>
Assumptions	<ul style="list-style-type: none"> <li>• Greenhouse gas emissions are curtailed through policy measures</li> <li>• There are advances in low-carbon technologies and they are widely adopted</li> <li>• Sudden storm and flood damage occurs at a similar scale and frequency as at present</li> </ul>	<ul style="list-style-type: none"> <li>• Without drastic policy measures, greenhouse gas emissions continue to increase at the current rate</li> <li>• Sudden storm and flood damage occurs more frequently and is larger in scale</li> <li>• Chronic changes, such as rising sea levels, have a significant impact on economic activity</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>• Demand increases for funding in the financial and securities markets due to growing ESG investment</li> <li>• Need increases for financial products and services related to environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>• Demand increases for funding in connection with investment in infrastructure for disaster preparedness</li> </ul>

1. 2°C Scenario: International Energy Agency (IEA) 2°C Scenario (2DS)

2. 4°C Scenario: Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway (RCP) 8.5

		2°C Scenario <sup>1</sup>	4°C Scenario <sup>2</sup>
Risks	Transition risks	<ul style="list-style-type: none"> <li>Stakeholders criticize JSF's response to global warming, causing its share price to decline</li> <li>Equipment costs rise as a result of measures to cut greenhouse gas emissions and enhance BCP</li> </ul>	<ul style="list-style-type: none"> <li>Securities financing balances decline as the economy and financial markets deteriorate due to the effects of global warming</li> </ul>
	Physical risks	<ul style="list-style-type: none"> <li>Sudden extreme weather events are similar to those at present, and no major financial impact is expected</li> <li>There is no irreversible climate change, such as rising sea levels, and no major financial impact is expected</li> </ul>	<ul style="list-style-type: none"> <li>There is damage to owned real estate and facilities due to major storms and flooding, affecting business continuity (assumes limited increase in credit costs in conjunction with damage to counterparty financial institutions)</li> <li>Relocation expenses arise from damage to owned real estate due to rising sea levels</li> </ul>

1. 2°C Scenario: International Energy Agency (IEA) 2°C Scenario (2DS)  
 2. 4°C Scenario: Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway (RCP) 8.5

## Risk Management

- JSF recognizes that climate change not only poses the risk of a significant impact on the global environment, but it could also affect our financial position in the future.
- Because these climate change risks could cause or amplify financial risks (credit risk and market risk, for example), we manage the risks associated with climate change within an integrated risk management framework.

## Metrics and Targets

- We are working to save resources and energy by promoting telework, using web conferencing both inside and outside the Company, introducing an electronic decision-making system and a paperless meeting system, and digitalizing document storage.
- The JSF Group's CO<sub>2</sub> emissions (combined Scope 1 and Scope 2 emissions<sup>3</sup>) are shown below. The Group is working to further reduce CO<sub>2</sub> emissions.

	FY2018	FY2019	FY2020	FY2021
CO <sub>2</sub> emissions (t-CO <sub>2</sub> )	868	853	809	770

3. Scope 1: Direct emissions (use of gas, gasoline, etc.); Scope 2: Indirect emissions (use of electric power)

## Diversity and Inclusion

### Human Resource Development

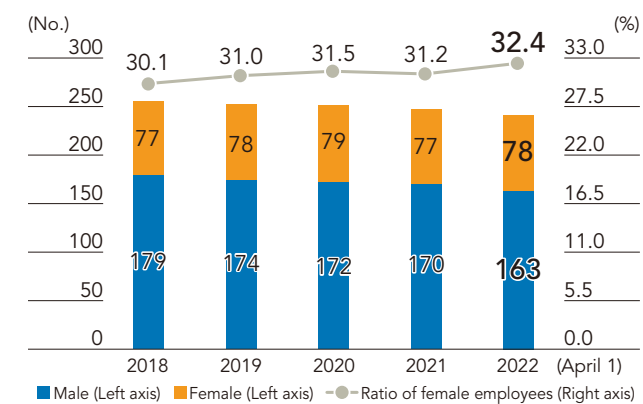
JSF believes that it is important to respect diverse perspectives and values in order to flexibly respond to changes in the operating environment of the securities and financial markets. That is why we support further growth and active participation of our diverse employees while leveraging their individual characteristics. In order to provide a work environment where all employees can actively participate over the long term with peace of mind and a sense of purpose, we will step up initiatives such as promoting health and productivity management and providing flexible work styles.

We need to respond to changes in the business environment and to address the demands and maintain the trust of stakeholders. To do so, we are working to improve productivity through human resource development. Initiatives include establishing various highly flexible training systems, such as a support system that enables employees to independently develop their abilities and improve their skills (for example, at a language school or graduate school, or through an overseas trainee assignment program).

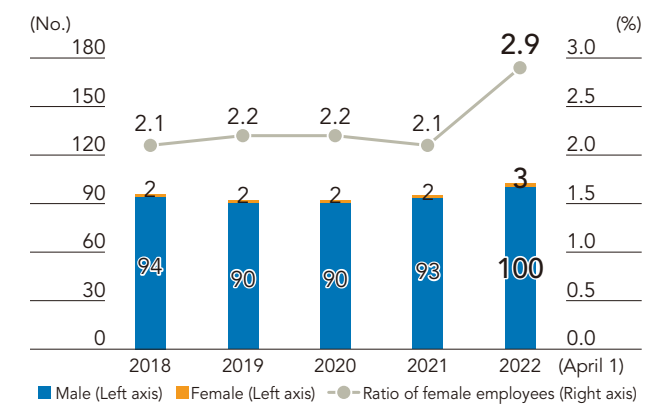
### Promoting Active Participation of Female Employees

In order to step up the active participation of female employees, we have set our target ratio for female graduate hires to total new graduate hires at 40% or higher. In recent years, we have maintained this ratio at 50% or higher. In addition, we provide career development support such as various training opportunities so that female employees can take on leadership roles at an early stage of their careers. We also fully leverage the abilities and individuality of all of our employees by maintaining an environment in which they can balance active participation in work with childcare and nursing care. Through such measures, we plan to increase the ratio of women in managerial positions.

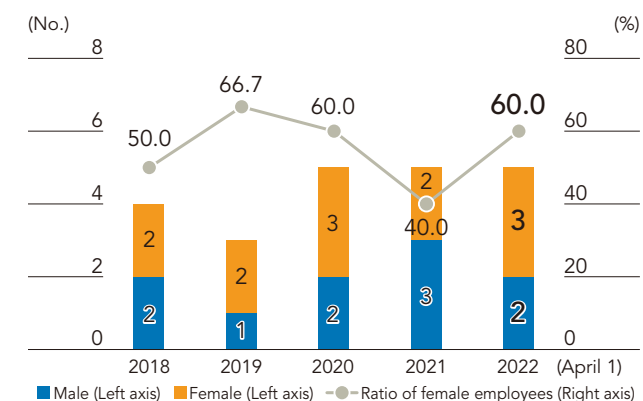
#### Employees



#### Managerial Positions



#### New Graduate Hires





## Promoting Active Participation of Mid-Career Hires

In aiming for sustainable growth and improved corporate value, we will flexibly recruit talent from a wide range of industries in accordance with business development. This will include people who can supply diversified financial services, people who can help us enter new fields and people with specialized expertise, all regardless of nationality. We also support employees hired mid-career so that they can maximize their abilities in the workplace. We provide them with opportunities to acquire knowledge both in their specialized fields and in our main business areas.

## Supporting Work-Life Balance

We have established various systems to support childcare and nursing care, as well as a framework for disseminating information about changes in Company systems due to revisions of laws and regulations and other matters, and for addressing employee requests by providing individual consultations. Together, these systems help employees balance work with childcare and nursing care. For employees who wish to take a leave of absence to care for young children or another family member, we hold individual interviews to get a grasp of their concerns, anxieties and needs, and create a plan that will facilitate their return to work.

Childcare and Nursing Care Support System				
<ul style="list-style-type: none"> <li>• Childcare and nursing care leave of absence</li> <li>• Child and adult nursing care leave</li> <li>• Reduced working hours</li> <li>• Exemption from overtime work</li> <li>• Childbirth support leave</li> <li>• Subsidies for babysitting expenses</li> <li>• Creation of support plan and implementation of measures for returning to work after taking childcare leave</li> <li>• Support for returning to work and for continuing work</li> <li>• Distributing pamphlets and raising awareness within the Company regarding in-house systems related to nursing care</li> </ul>				
	FY2018	FY2019	FY2020	FY2021
<b>Female Employees</b>				
Number taking childcare leave (half-day, hourly)	10	10	8	13
Number taking a childcare leave of absence	3	6	8	6
Rate of female employees returning to work after taking a childcare leave of absence	100%	100%	100%	100%
Number on reduced working hours system (childcare)	10	9	10	13
<b>Male Employees</b>				
Number taking childcare leave (half-day, hourly)	14	15	11	12
Number taking special leave (childbirth support leave)	7	10	6	7
Rate of male employees taking special leave (childbirth support leave)	100%	100%	100%	89%

## Promoting Work-Life Balance

We believe that the mental and physical health of our employees is an important foundation of management. We are therefore working to establish a safe and healthy work environment.

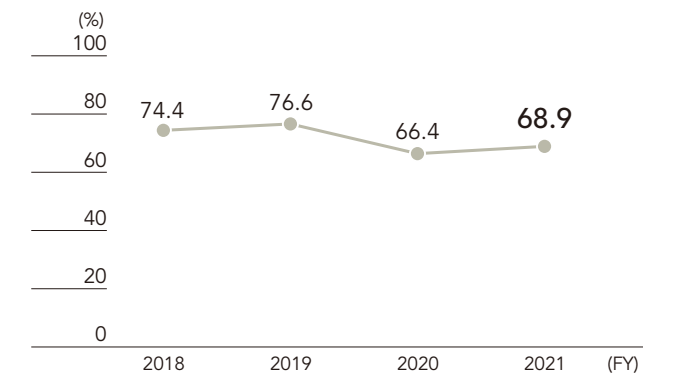
Detailed analysis of stress caused by the work environment enables early identification of employees who are having issues and individual follow-ups to help improve their situations.

We are striving to achieve both improved productivity and happiness for our employees at home and at work by creating an environment in which all employees can choose flexible work styles. We support work styles that match individual circumstances such as marriage, childcare and nursing care, and encourage employees to minimize overtime work and take leave at an appropriate frequency and duration.

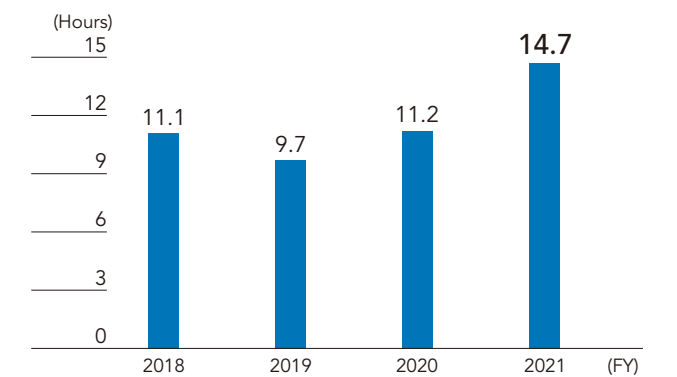
We consider the rate of paid leave taken and the number of overtime hours worked to be important indicators of employees' work situation and pay attention to any changes, as we use this information as a basis for making decisions when planning policy.

Furthermore, by developing a telework environment, we have enabled efficient and flexible working styles that are not restricted by time or location. This has helped lighten the burden on employees raising children or taking care of other family members. Telework is used by all employees, with the average annual implementation rate remaining between 50% and 59%.

### Rate of Paid Leave Taken



### Overtime Hours Worked (Monthly Average per Employee)



# Risk Appetite Framework

## Positioning

The JSF Group has made the risk appetite framework (RAF) part of its corporate governance framework, defining it as “a framework that, based on the JSF Group’s social role and management philosophy, clarifies the types and amounts of risks that should be willingly taken (risk appetite)<sup>1</sup> and the risks to be avoided<sup>2</sup> in order to achieve the mid-term management plan within the scope of the Group’s financial strength, and integrates business management and risk management.”

1. Risks to be taken: Risks associated with revenue-generating activities  
 2. Risks to be avoided: Unacceptable risks such as conduct risk

The main purpose of the Company’s RAF is to maintain the high degree of financial soundness required of a securities finance company licensed under the Financial Instruments and Exchange Act, and of a company responsible for the infrastructure functions of Japan’s securities market, while achieving medium- to long-term corporate value as expected of a listed company. To this end, the RAF improves the transparency of the review and decision-making process for establishing the Company’s overall risk-taking policy, including capital allocation and strengthening of profitability. Furthermore, the RAF optimizes allocation of management resources and strengthens monitoring.

## Operation

In the operation of the RAF, the Board of Directors establishes a risk management policy for overall management based on the social role that JSF should play as infrastructure for Japan’s securities market and its medium- to long-term vision for the future. At the same time, the board determines the basic items of the RAF, such as risk appetite and the risk appetite indicators that specifically reflect its components, in conformance with the mid-term management plan. Risk appetite is set from a wide range of perspectives, including management stability and financial soundness, as well as the social responsibility of serving as infrastructure for and contributing to Japan’s securities market.

In the execution of business management, we set more detailed targets and decide plans for each business as we promote the mid-term management plan, keeping in mind the risk management policy, risk appetite and risk appetite indicators decided by the Board of Directors.

The Board of Directors works to improve and strengthen the effectiveness of the RAF on an ongoing basis by monitoring risk appetite and risk appetite indicators as it supervises the status of business execution. If risk appetite indicators deviate from set levels, the board analyzes the causes and formulates and implements countermeasures.

## Fostering and Instilling a Risk Culture and Risk Governance

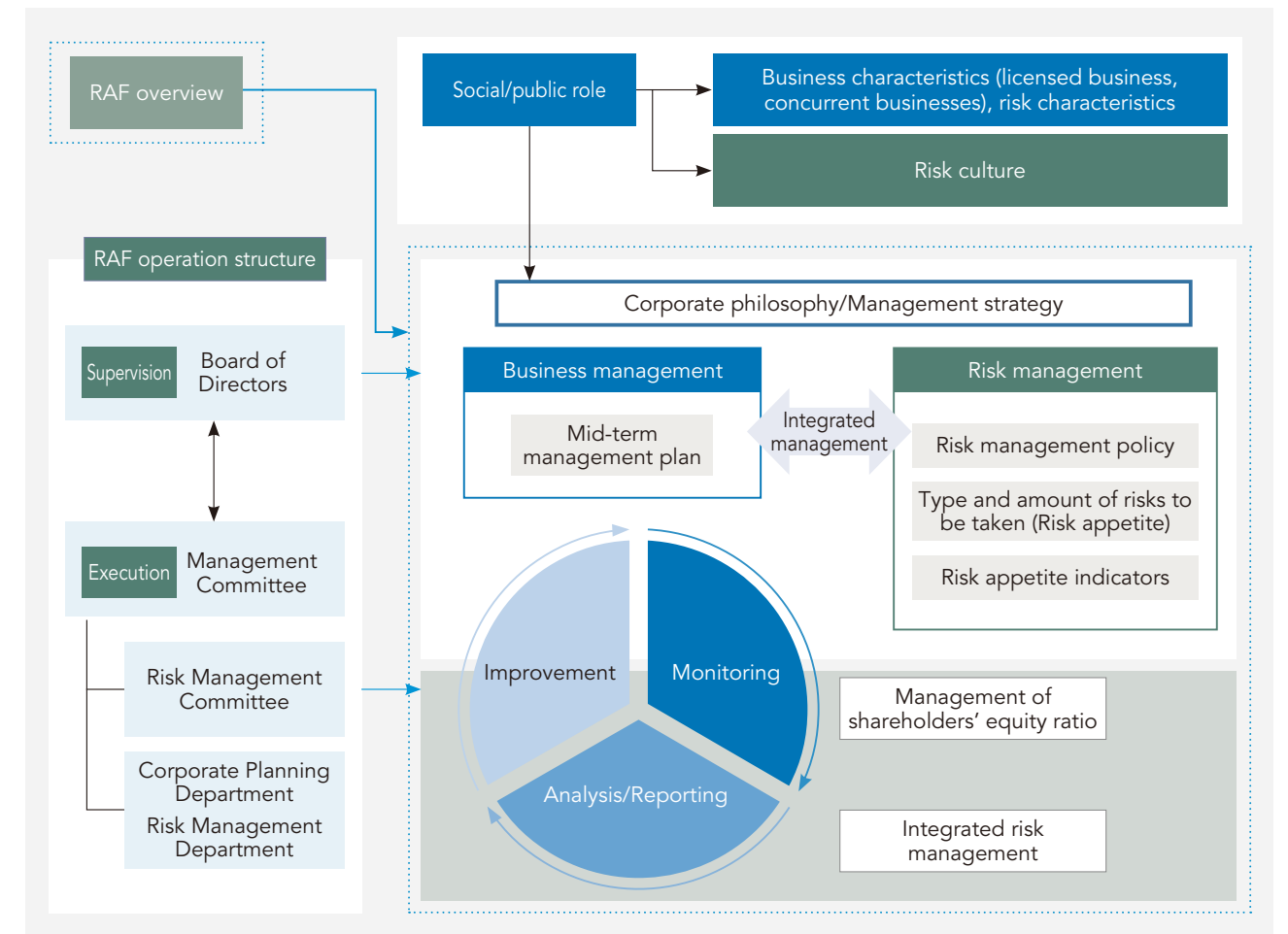
In order to play a public role as part of the infrastructure of Japan’s securities market, we take risks with a keen awareness of maintaining financial soundness and ensuring that concurrent businesses such as securities finance do not affect the stable operation of our licensed loans for margin transactions business. In addition, through regular training and interviews we strive to stay apprised of the status of employees’ compliance awareness and the work environment, and take care to reduce conduct risk.

The risk culture fostered by JSF’s identity is firmly instilled throughout the Company through adherence to the Code of

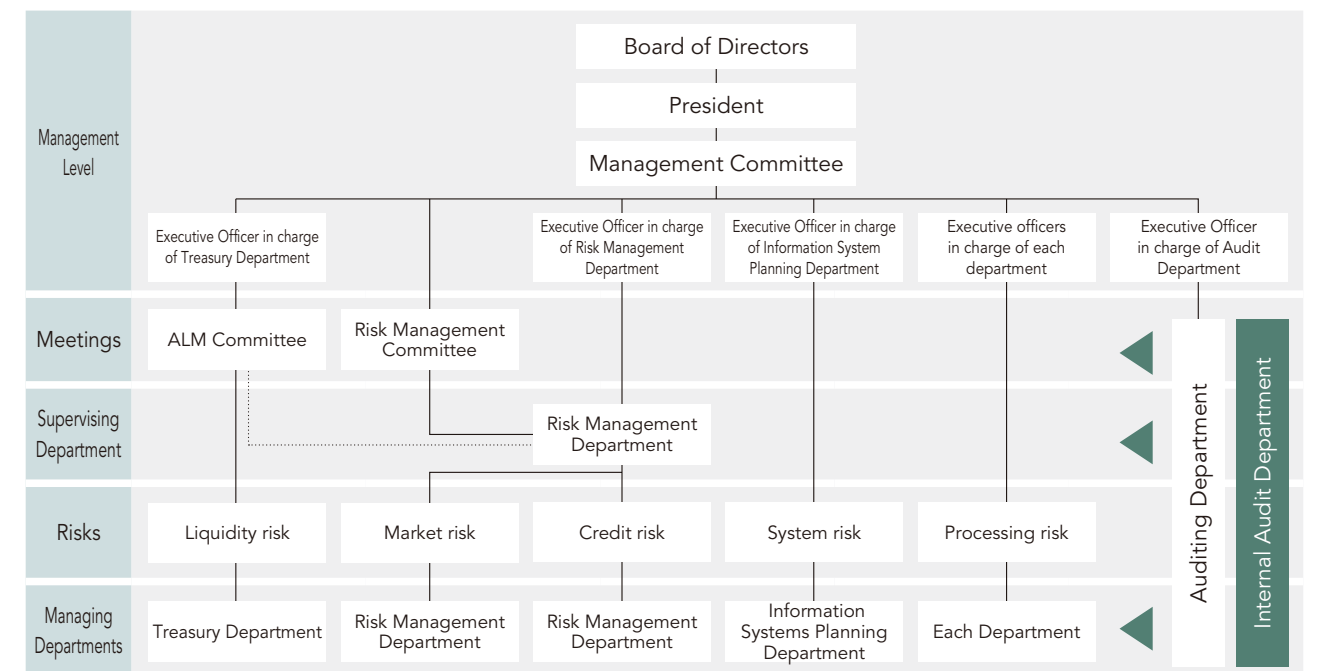
Conduct for Officers and Employees and the risk management policy, and serves as the operational foundation of the RAF. In addition, risk governance is further strengthened through the cyclical effect of continuously raising awareness of risk culture through the operation of the RAF, which further fosters and instills this culture.

We will continue to increase the sophistication of our risk governance, which constitutes part of our corporate governance, and aim to achieve sustainable growth and increase our corporate value over the medium to long term.

## Risk Appetite Framework



## Integrated Risk Management System



# Risk Management

## Basic Concept

We broadly classify assumed risks for management as credit risk, market risk, liquidity risk, processing risk and system risk. For credit risk and market risk, we strive to secure profits while quantitatively identifying risks and using integrated risk management to keep them within levels that match our financial strength. For liquidity risk, processing risk and system risk, we strive to prevent their manifestation by implementing appropriate management according to risk characteristics.

## Integrated Risk Management

We use integrated risk management to quantify various risks with unified methodology and to keep the total amount of risk within the bounds of management strength.

For credit risk and market risk, we allocate risk capital to each risk category within the bounds of our equity capital, then quantify risks using the Value at Risk (VaR) method to keep the calculated volume of each risk within the bounds of the risk capital allocated to it.

To measure operational risk, which comprises processing risk and system risk, we use basic methods and set the necessary risk capital amounts accordingly.

Amounts of risk capital to be allocated are determined by

the Management Committee following deliberation by the Risk Management Committee at its regular annual meeting.

Each risk operation department keeps the risks within the bounds of the risk capital allocated to them. The Risk Management Department, which is independent of the risk operation departments, quantifies the risks, monitors the status of risk operations, and reports its findings to the board members.

In the event that a risk may exceed the allocated amount of risk capital, the Risk Management Committee holds an extraordinary meeting to deliberate how to respond and then consults with the Management Committee.

## Credit Risk Management

Credit risk is the risk of loss due to a decrease or loss in value of assets resulting from credit events such as deterioration in the financial condition of a counterparty. We work to sustain and improve the soundness of assets by strictly managing overall credit risk.

More precisely, the Risk Management Department assesses credit risk according to in-house ratings, quantifying and managing this risk using these ratings. As a supplementary measure, we also implement stress tests. For credit control, the Risk Management Department screens client companies and loan proposals and sets limits on transaction amounts for

each client. Business operation departments keep said amounts within these limits. In addition, business operation departments implement rigorous assessments of the assets for which they hold jurisdiction.

Additionally, as a general rule we assure collateral equivalent to the amount of each loan transaction. By marking relevant collateral to the market on a daily basis, we limit the possibility of impaired loans. In the event of borrower bankruptcy, we take steps including selling securities held as collateral to promptly collect receivables.

## Market Risk Management

Market risk is the risk of loss caused by fluctuations in the value of assets held due to fluctuations in various market risk factors such as interest rates, prices of securities and exchange rates.

The Risk Management Department quantifies and

manages market risks, and supplements quantification by implementing stress tests. Furthermore, to validate the reliability of the market risk quantification model we have adopted, we also implement back testing to compare calculated VaR with portfolio-fixed virtual profit and loss.

## Liquidity Risk Management

Liquidity risk is the risk of loss caused by failure to raise necessary funds or by procurement of funds with unusually high interest rates, or the risk of loss caused by a halt of transactions due to market disruptions or by forced transactions at unusually unfavorable prices.

The Treasury Department has jurisdiction over the management of liquidity risks. As such, it strives to diversify procurement methods and secure stable suppliers. To manage cash flow, it formulates cash flow projections to grasp the amount that can be procured and the liquidity of assets while paying attention to concentrated settlement dates for

large amounts of funds. There is also a system for reporting the status of daily cash flow to Company management. Furthermore, to be prepared for unforeseeable circumstances, measures are taken to supplement liquidity, such as holding a certain amount of highly liquid government bonds.

In addition, at its quarterly meetings the ALM Committee develops cash flow projections based on forecasts of loans outstanding, deliberates policies for asset liability management, such as revenue management for assets and liabilities of the Company as a whole, and reports on these matters to the Management Committee.

## Processing Risk Management

Processing risk is risk of loss in processing due to negligence, accidents or fraud by officers or employees.

Each department has jurisdiction over the management of processing risks. To lessen processing risks, officers and employees are familiarized with proper operational

procedures through regulations, manuals and training. In addition, to prevent accidents and improve the business processing system, each department implements its own voluntary inspections on a regular basis.

## System Risk Management

System risk is risk of loss due to system defects such as failures or malfunction of computer systems, or to unauthorized use of computer systems.

The Systems Planning Department has jurisdiction over management of system risks. To ensure stable operation of our computer systems, the department takes measures to prevent system failures, such as duplicating networks and equipment. For the system's safe and effective development

and operation, clear operational procedures and a monitoring system have been put in place. In addition, to protect the Company's own information assets (its information and information systems), necessary regulations have been established and officers and employees have been familiarized with the handling of such assets. Furthermore, measures to minimize the effects of system failures include providing various manuals and drills.

## Initiatives for BCP

### Basic Concept for BCP

As a securities finance company with a social mission to continue operations that serve as infrastructure for the securities market, such as loans for margin transactions, for the handling of a possible disaster event such as a large-scale earthquake JSF has established a business continuity plan (BCP) system so that operations can be continued or resumed as soon as possible in order to minimize the impact of the disaster on our business

partners and related external organizations. The Company has positioned the loans for margin transactions, general credit financing and fund/securities settlement businesses as operations to be continued on a priority basis. We have established a policy assuming the respective cases of (i) injury (or threat of injury) to officers and employees, and damage to buildings etc., (ii) damage to the Company's main centers, and (iii) insufficient personnel.



# Compliance

## Compliance System

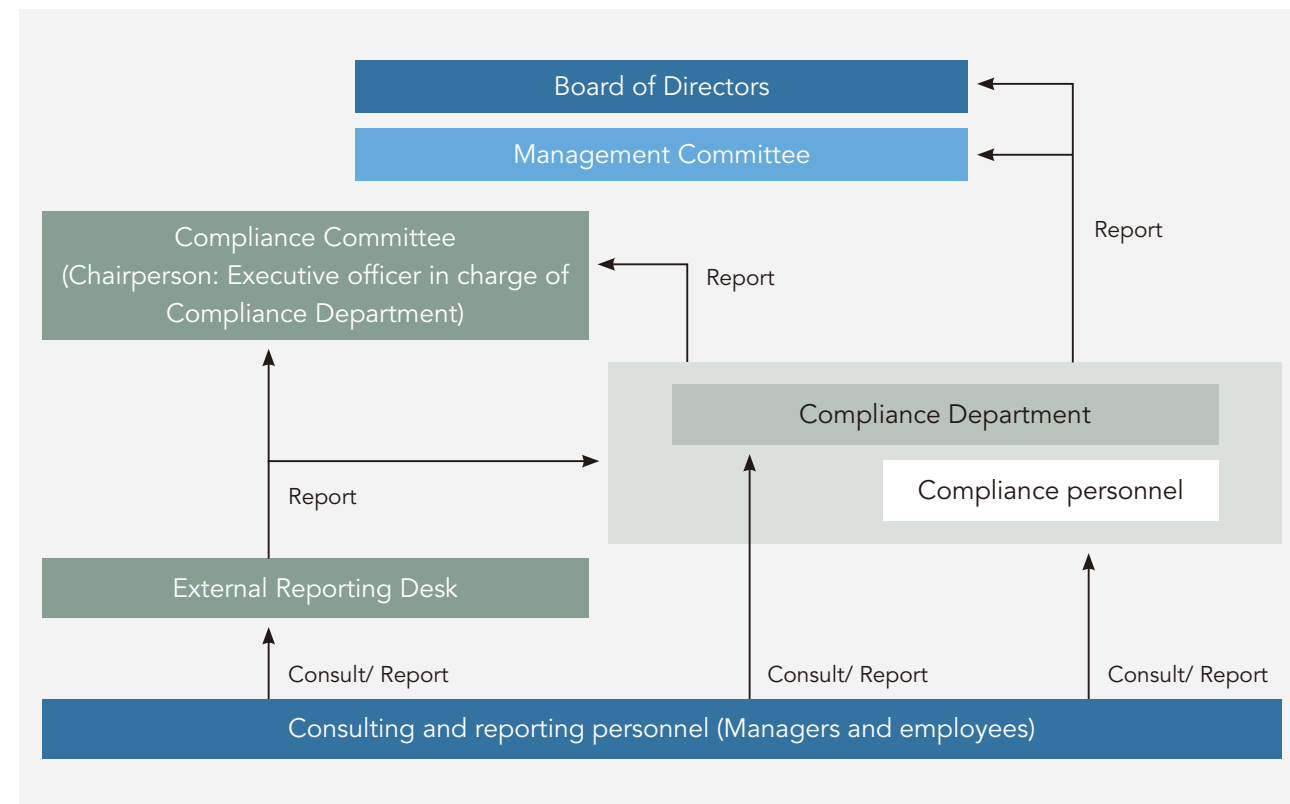
We believe that it is important to comply with all laws, regulations and rules in conducting business as a company and in one's daily life (as a private citizen), and to carry out honest and fair corporate activities in line with social norms. We have therefore made compliance the basic premise of our management and the foundation of all of our operations, and have established a compliance system to ensure compliance throughout the Company.

Specifically, we have established a Compliance Committee, chaired by the executive officer in charge of the Compliance Department, to deliberate on important matters related to compliance, such as formulating a compliance program and considering measures to be taken when compliance-related issues arise. In addition to educating officers and employees

regarding honest and fair conduct based on high ethical standards, the Compliance Department works to thoroughly implement and promote Company-wide compliance activities. Activities include holding meetings for compliance officers to communicate and share information with those in charge in each department, and compliance management meetings to share awareness with senior management.

In addition, the Company plays a central role in promoting the establishment and strengthening of the overall compliance system for the JSF Group, in ways such as holding the Group compliance liaison meetings and Group compliance officer liaison meetings to promote mutual understanding and information sharing among Group companies.

### Compliance System



## Formulating Conduct Guidelines and Compliance Program

In addition to formulating and disseminating the JSF Business Conduct Guidelines and the accompanying Compliance Manual, the Company is working to instill compliance awareness by having all officers and employees carry a "compliance self-check card" at all times.

In addition, the Board of Directors formulates the Compliance Program as a practical plan for promoting compliance, and regularly reports on its implementation status. The Compliance Program incorporates specific measures

related to compliance promotion from the perspectives of understanding compliance risks and the status of legal compliance (such as the establishment of systems related to laws and regulations and self-inspections using checklists), compliance awareness-raising activities (including training and tests), and cooperation in and promotion of compliance activities (activities aimed at sharing recognition and awareness among Group companies and among officers and employees).

## Establishment of an External Reporting Desk

In addition to the Compliance Committee, the Compliance Department and compliance officers, the Company has established an external consulting and reporting desk staffed by legal advisors to further strengthen the compliance system.

This external consulting and reporting desk guarantees the complete anonymity of any person consulting or reporting matters regarding the Company, thereby reducing the psychological burden on those persons and making consulting and reporting easier.

## Initiatives to Block Relationships with Antisocial Forces

The organization as a whole takes a resolute stance against unreasonable demands made by antisocial forces that threaten the order and safety of civil society. Our aim is to eliminate any relationships with antisocial forces by working closely with external specialized agencies such as the police, anti-organized crime campaign centers, and attorneys. We are also working to block such relationships through

appropriate pre-screening and organized crime exclusion clauses in contracts and other documents. The Compliance Department ensures the effectiveness of efforts to block relationships with antisocial forces in various ways, including centrally managing and accumulating information on such groups, building a database, conducting training activities and preparing response manuals.

## Initiatives to Protect Customers and Personal Information

Regarding opinions and complaints received from customers, we clarify the relevant facts and responsibilities and work to resolve the situation quickly, honestly, fairly and appropriately, with respect for the customer's position. In the event of a dispute or similar issue, we respond appropriately in accordance with the aims of the financial alternative dispute resolution (ADR) system.

In addition, regarding transactions between Company or Group company businesses and their customers, or between Company or Group company customers, we carry out our duties appropriately, taking necessary measures in accordance

with laws and regulations and our conflict of interest management policy to ensure that the interests of our customers are not wrongfully harmed.

We take appropriate measures to safely and properly manage the personal information of our customers to prevent leakage, loss, damage or other issues, and educate and properly supervise our employees to that same end. In addition, when entrusting the handling of personal information and similar data that we have received, we appropriately supervise the entrusted party.