



May 14, 2026

To Whom It May Concern:

Company: Japan Securities Finance Co., Ltd.  
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## **“Efforts to Implement Management that is Conscious of Cost of Capital and Stock Price” and “Status of Dialogue with Shareholders”**

We hereby announce that Japan Securities Finance Co., Ltd. (JSF) has compiled the following update as of May this year regarding those matters requested of listed companies by the Tokyo Stock Exchange as of March 31, 2023, and that these initiatives were approved at a meeting of the Board of Directors held today.

### **I. Efforts to Implement Management that is Conscious of Cost of Capital and Stock Price**

#### **1. Analysis of the Current Situation**

##### **(1) JSF's performance for FY2025**

- Based on the Long-term Management Vision and the Seventh Medium-Term Management Plan (through FY2025) formulated under it, as a Prime Market-listed company that supports the infrastructure functions of the securities and financial markets, we have steadily made management efforts toward achieving our management targets (to stably maintain consolidated ordinary profit of more than ¥10.0 billion and an ROE above 5%, while aiming for further improvement). In terms of business strategy, our efforts to diversify revenue sources and develop multiple earnings streams have achieved a certain level of success, and we have also worked to further strengthen corporate governance, including enhancing deliberations by the Board of Directors.
- As a result, in FY2025 our consolidated performance recorded an ordinary profit of ¥14.9 billion and an ROE of 7.81%, significantly exceeding the management targets set out in the Seventh Medium-Term Management Plan.
- We recognize that the impact of rising interest rates in Japan is, in general, positive, including in terms of increased funding demand from our clients and higher lending rates for our stock lending and securities financing businesses. In this environment, both our stock lending business and our securities financing business, including stock repo transactions, remained steady in FY2025. In addition, our subsidiary JSF Trust and Banking also performed steadily, supported by its strengths in management trust banking services and other services.
- In line with our shareholder return policy, and reflecting higher net income, in FY2025 we increased the annual dividend to ¥86 per share and carried out share

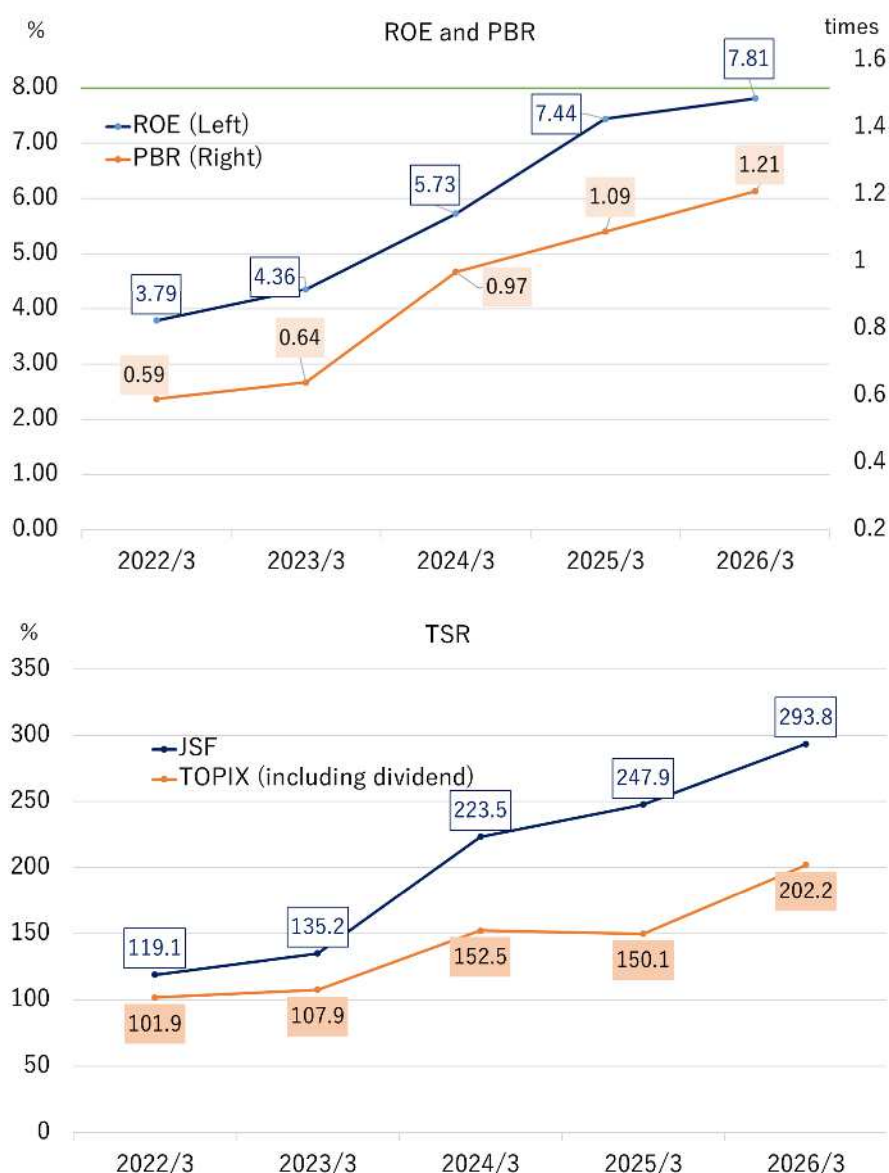
repurchases totaling ¥3.4 billion, which was ¥0.6 billion higher than originally planned, resulting in a total payout ratio of 98.5%.

(2) Cost of capital

- We re-estimated our cost of capital using multiple methods and adopting objective, long-term, time series data in setting management targets for our 8th Medium-term Management Plan, and have found it to be in the low 6% range. In addition, as a licensed securities finance company, we are legally required to maintain financial soundness and are subject to restrictions on the scope of our operations. As a result, our financial risk and business strategy risk are relatively low, and we believe this is reflected in our risk premium. Accordingly, we consider our cost of capital to be at a natural level.

(3) JSF's evaluation in the stock market

- With respect to our shares, our price-to-book ratio (PBR) has generally remained above 1.0, with the exception of a brief period in April 2025 when there was heightened uncertainty regarding the economic impact of the U.S. tariff policy announcement. In addition, our total shareholder return (TSR) has remained stable at a level that significantly outperforms the TOPIX index. We believe this indicates that our performance, as described above, has been well received to a certain extent.



## 2. Policies and Targets

### (1) Long-term Management Vision

- Following repeated deliberations by our Board of Directors, we have compiled our desired future vision and corporate message, among other elements, in our “Long-term Management Vision.” We present stakeholders with specific quantitative targets and other details by formulating a Medium-term Management Plan every three years and establishing our shareholder return policy for the relevant period.
- In its long-term management vision, JSF has defined its desired vision for its future as Japan’s only securities finance company supporting the infrastructural functions of securities and financial markets as: aiming to be a distinctive and unique company with a high degree of agility and flexibility that achieves sustainable growth and enhances corporate value, while maintaining strong financial soundness, through its contributions to the development of securities and financial markets. Based on this thinking, our corporate message is “Be unique. Be a pioneer.”
- In November 2025 we reviewed our long-term management outlook, in response to changes in the business environment surrounding JSF and based on our steady progress in strengthening our earnings base. In this review, we clarified that we would work toward achieving ROE of 8% to further enhance profitability and capital efficiency, and that, as our shareholder return policy, we will continue to maintain a total payout ratio of 100% until we achieve ROE of 8%.

### (2) Eighth Medium-Term Management Plan

- We formulated and announced the Eighth Medium-term Management Plan in November 2025, covering the three-year period from FY2026 through FY2028.

#### Management Goals:

JSF aims to achieve a consolidated ordinary profit of 15 billion yen and an ROE of 8% by FY2028.

#### Strategies:

To achieve the management targets set forth above, we aim to enhance profitability and capital efficiency by focusing on two key pillars: "ensuring stable operations and improving the convenience of our lending and borrowing transaction services;" and, "expanding our securities finance business with a particular emphasis on further strengthening securities lending." Specifically, we will pursue the following measures.

(Stable operations and enhanced accessibility of the loans for margin transactions as part of the securities market infrastructure)

JSF will continue to maintain a system that appropriately responds to changes in the environment surrounding the stock market in an effort to ensure stable operations and improve accessibility to loans for margin transactions. Also, we will proactively disseminate information regarding loans for margin transactions, accurately grasp the trading requirements of market participants, and engage in other efforts to promote the use of loans for margin transactions.

(Expansion of securities financing centered on further strengthening of securities lending)

JSF will effectively leverage its accumulated expertise in funds and securities transactions in an effort to expand revenue opportunities centered on the further strengthening of the security lending segment. JSF will achieve this by expanding

its securities-focused trading, such as in securities-for-securities transactions, and by enhancing its trading scheme development capabilities.

(Enhancing presence and recognition in overseas markets)

With respect to loans for margin transactions and securities financing, JSF will strengthen its position as a major player in Asia by stepping up overseas promotions, actively participating in forums held by international financial market participant associations, and expanding the target markets and product offerings for cross-border transactions.

(Business innovation and operational efficiency through digital technology utilization)

JSF will promote strategic IT investments aligned with changes in its business portfolio and will actively deploy digital technologies centered on strategic IT investments and operational optimization in an effort to strengthen our competitive foundation. Additionally, JSF will continue to pursue mid- to long-term initiatives aimed at business innovation, including the practical implementation of distributed ledger technology (DLT) in transactions.

(Strengthening of group consolidated management)

JSF will strive to strengthen group consolidated management by promoting deeper collaboration with group companies in various areas, including sales, risk management, and administration.

(Strengthening human resource capabilities)

JSF will strengthen its human resource capabilities by strategically recruiting and developing professionals to support these strategies, and by building a talent portfolio focused on diversity, expertise, and independence. By advancing diversity and inclusion, and by fostering a workplace environment conducive to employee engagement, JSF will enhance its corporate vitality and organizational transformation capabilities.

### (3) Shareholder Return Policy During the Period of the 8th Medium-Term Management Plan

- With respect to shareholder returns during the period of the Eighth Medium-term Management Plan, JSF will aim for a total payout ratio of 100% up until achieving an ROE of 8%, by paying dividends and flexibly repurchasing shares. Dividends will be paid proactively, targeting a dividend payout ratio of 70%.

## 3. Efforts

### (1) Strengthening Earnings Base and Business Strategy

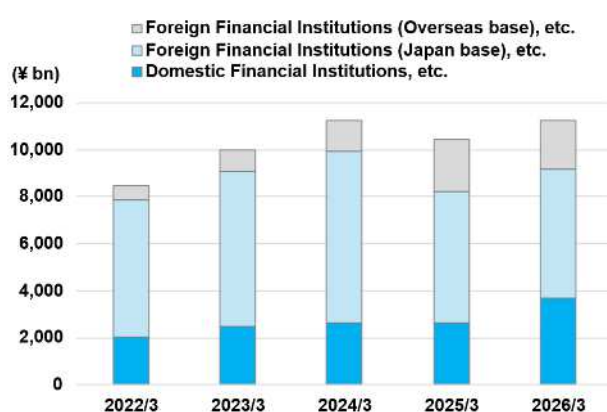
- As Japan's sole securities finance company, JSF fulfills an essential infrastructure role within the securities market by facilitating the smooth circulation of stocks and supporting a proper price discovery process. We play a critical role in enabling standardized margin transactions through our margin lending business operations. This role holds great importance for us, with the loans for margin transactions business serving as a cornerstone of our operations. However, from an earnings perspective, the business has faced notable fluctuations influenced by stock market conditions. In addition, the utilization of standardized margin transactions and loans for margin transactions has declined since the late 1990s when negotiable margin

transactions were introduced.

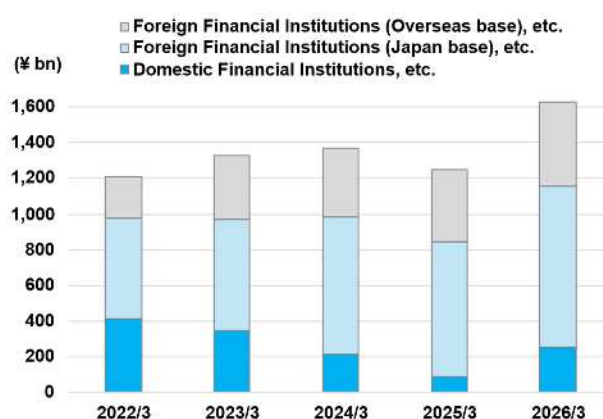
- To this end, in an effort to build a business portfolio that supports stable, consistent growth, we have focused on diversifying our revenue streams as well as the factors affecting revenue,. While we recognize that these initiatives have delivered certain results as described above, we will aim to further enhance our earnings capacity while also improving quality by strengthening our presence in overseas markets—particularly in Asia—and expanding structured transactions focused on demand for securities. Specifically, our initiatives will be as follows.
- (i) Expansion of securities financing
- Securities financing — comprised mainly of equity repo transactions and bond repo and gensaki transactions—provides broad liquidity to securities and financial markets by financing securities inventories and meeting collateral needs. We have promoted securities financing as one of our growth engines.
  - In the bond repo/gensaki transactions, there is particularly high demand from overseas for Japanese government bonds (JGBs) as high-quality liquid assets (HQLAs) against the backdrop of strengthened settlement risk management and international financial regulations. We have acted as an intermediary to connect this with the investment needs of domestic institutional investors and regional financial institutions to drive growth in this business.
  - In our equity repo transactions, we have responded to increased demand for funds and have expanded our outstanding balances amid rising interest rates.
  - We are also working to expand our services by broadening our client base to include foreign financial institutions and diversifying the securities we handle to include foreign equities and foreign government bonds. In particular, we have been expanding the transactions (so-called “upgrade transactions”) in which we accept Asia-region equities, including Japanese equities, as collateral and provide HQLAs such as Japanese government bonds in return. We also participate in securities lender forums in Asia, Europe, and North America to raise a broader awareness of JSF and to appropriately grasp the transactional needs of clients. Going forward, we will continue to respond to a wide range of client needs to further expand transactions.
  - We participated as a sponsor in the PASLA conference held in Bangkok in March 2026. Our aim is to further enhance our presence through such initiatives, , with the goal of becoming one of the leading players in Asia..

Average balances of JSF's bond repo/gensaki transactions and equity repo transactions.

Bond repo/gensaki transactions (Borrowing)



Equity repo transactions (Borrowing)



(ii) Loans for margin transactions

- We have endeavored to ensure stable operations in loans for margin transactions by appropriately responding to changes in the stock market environment—such as by expanding the range of loanable issues and strengthening the procurement of stocks for lending—and by accurately identifying the trading needs of market participants to promote the use of our services.
- In April 2024, we changed our method for setting the interest rates for margin loans. Previously we notified counterparties only when rates were changed, whereas now we disclose the margin loan rate on a monthly basis regardless of whether changes have been made. We will continue to make timely and appropriate adjustments to the system in an effort to improve convenience.
- Additionally, we are enhancing our dissemination of information, both domestically and internationally, regarding the significance and benefits of standardized margin transactions and loans for margin transactions. Our intent is to utilize these activities to further enhance our loans for margin transaction business, which is the JSF's founding business and continues to be one of our core operations.

(2) Corporate Governance Initiatives

(i) Enhancing the effectiveness of the Board of Directors

- The Board of Directors recognizes its key tasks are to appropriately oversee the initiatives undertaken by the executive side and to further enrich discussions aimed at enhancing corporate value going forward, including an examination of the Eighth Medium-term Management Plan. From a mid- to long-term perspective, we have worked to further enhance the matters brought before the Board of Directors and the contents of reports, while ensuring that deliberations are conducted with clear differentiation and focus according to their importance. We have also worked to support outside directors in obtaining information they need for such deliberations and to create an environment conducive to substantive discussions.
- The Board of Directors have engaged in discussions aimed at the formulation of the 8th Medium-term Management Plan, and have otherwise endeavored to set appropriate agenda items aimed at enhancing corporate value over the medium to long term, taking into account the results of the annual evaluation of the

effectiveness of the Board of Directors. In doing so, we have worked to enrich discussions and improve the effectiveness of both the Board of Directors and its Committees.

(ii) Initiatives of the Nominating, Compensation, and Audit Committees

- The Nominating Committee, in addition to determining candidates for directors, executive officers, and corporate officers, engages in deliberations on a variety of topics related to the appointment of the JSF's directors, executive officers, and corporate officers. Specifically, the Committee discusses and determines whether the skill matrix for the Board of Directors is appropriate from the perspective of ensuring that the Board of Directors adequately oversees the determination and execution of management policies, taking into account internal and external circumstances. The Committee is also ongoing and active deliberations regarding issues such as whether the Board of Director's composition is appropriate from the perspectives of developing multi-layered skills, and diversity in age and gender.
- In January 2026, JSF made changes to its representative executive officers, and made decisions on personnel matters regarding executive officers and corporate executive officers. In making these appointments, the Nominating Committee, taking into account discussions on the Eighth Medium-term Management Plan as well as the approach to the selection of the management team—including the succession plan for the representative executive officer and president discussed and decided to date—and the qualities required to enhance JSF's corporate value in fulfilling its public role, engaged in deliberations and made decisions after reviewing a long list of candidates and narrowing this down to a short list. In addition, with respect to the candidates for directors to be submitted to the 116th Ordinary General Meeting of Shareholders scheduled to be held in late June 2026, the Nominating Committee deliberated the composition of the Board of Directors and other matters from the perspectives of ensuring highly effective oversight to achieve the 8th Medium-term Management Plan and appropriately formulating future management policies, and determined the candidates based on the Board of Director's skills matrix.
- The Compensation Committee, in addition to making decisions on individual compensation for directors and executive officers, actively engages in deliberations regarding the optimal compensation system aligned with the Long-Term Management Vision to facilitate the steady implementation of the management plan. In August 2025, JSF resolved to partially revise its performance-linked stock compensation plan and to introduce restricted stock compensation.
- The Audit Committee, in addition to auditing the execution of duties by directors and executive officers and preparing audit reports, works to improve the effectiveness of audits in coordination with the internal audit department and the Accounting Auditor.

(3) Other Initiatives

(i) Enhanced disclosure of information (Creation of Integrated Report 2025)

- As part of our commitment to enhanced disclosure, we have published annual Integrated Reports since FY2022. Among other topics, our Integrated Reports cover our business model, management policies, corporate governance, and initiatives on sustainability issues, and the content is updated each year based on feedback from shareholders and other stakeholders.
- The Integrated Report 2025 highlights and clearly sets out the key points of our

management strategy and specific initiatives under the Eighth Medium-Term Management Plan. It also presents our efforts to strengthen our earnings base and the internal management framework that supports our business operations, including initiatives to enhance human capital in line with our Human Capital Policy and to reinforce our Risk Appetite Framework (RAF) management structure that encompasses front-office revenue generation and risk management. Regarding enhanced corporate governance, the report explains that by transitioning to a company with Nominating Committee, etc., we have clearly separated the execution of business from oversight, and have successfully strengthened the Board of Director's supervisory function and enhanced transparency. The report also addresses our sustainability initiatives.

(ii) Granting of company stock incentives to employees

- In November 2025, we resolved to grant JSF's shares to our employees as an incentive based on our performance in FY2025.
- The purpose of this initiative is to enhance employee motivation and engagement to achieve management goals, and to heighten our employees' interest in corporate value enhancement and promote value-sharing with shareholders through the ownership of JSF stock. Our goal is to enhance corporate value over the medium to long term.

(iii) Initiatives on sustainability issues

- We are proactively addressing sustainability challenges.

Joint Research with the University of Tokyo:

- Since April 2021, JSF and the Prof. Kenji Tanaka Laboratory at the Graduate School of Engineering at the University of Tokyo have jointly conducted a proof-of-concept study to assess whether it is possible to use distributed ledger technology (DLT) to enable smooth transactions for tokenized securities and collateral in repo and securities lending transactions, and we published a report on the results. Building on the results of this research, we are currently engaged in discussions with overseas financial institutions and platform providers regarding the practical application of DLT.

International Cooperation with the Asian Securities Industry:

- As one of our key initiatives aimed at the realization of a sustainable society, we have promoted activities that contribute to and support the infrastructure of overseas securities and financial markets. A concrete example of this is our ongoing collaboration with the Asian securities industry.
- In our capacity as an institution that supports the infrastructure of Japan's securities and financial markets, we have provided Indonesian securities-related organizations with know-how on the operation and administration of loans for margin transactions, and have repeatedly emphasized the importance of securities finance in improving market liquidity in Indonesia. Through these efforts, we contributed to the establishment of an Indonesian securities finance company (PT Pendanaan Efek Indonesia) at the end of 2016. Even after this company's establishment, we continued to provide practical support in areas such as risk management and funding, and in August 2020, we made an equity investment in the company.

- Currently, by participating in advisory committees and shareholders' meetings comprised of JSF, other shareholders such as the Indonesia Stock Exchange , and the Indonesian securities finance company, we are actively contributing to discussions on the company's management policies and business operations. Also, from time to time we have organized seminars in Jakarta and Tokyo for members of Indonesia's securities industry (including regulatory authorities, exchange officials, and securities firms).
  - Additionally, JSF has signed memoranda of understanding (MOUs) with the Korea Securities Finance Corporation (KSFC) and the Thailand Securities Finance Corporation (TSFC), and we exchange views through meetings and other interactions. In September 2025, at KSFC's 70th anniversary ceremony, we participated in a panel discussion together with international organizations such as the European Bank for Reconstruction and Development and the Asian Development Bank, and concluded a cooperation agreement on collaboration among Asian securities finance companies (Japan, We intend to further leverage our accumulated expertise in securities finance operations to contribute to the sustainable development of Asia's economy and its financial and securities markets going forward.South Korea, China, Thailand, and Indonesia).
  - We intend to further leverage our accumulated expertise in securities finance operations to contribute to the sustainable development of Asia's economy and its financial and securities markets going forward.
- (iv) Formulating the Japan Securities Finance Human Rights Policy
- With a longstanding recognition of the importance of respecting human rights, prohibiting discrimination, valuing diversity, and prohibiting the various types of harassment, the JSF Group has consistently striven to uphold human rights. In October 2024, we formulated and announced the Japan Securities Finance Human Rights Policy, and we will continue to promote efforts to respect the human rights of all people involved in our business activities.

## II. Status of Dialogue with Shareholders

As a company listed on the Prime Market, in accordance with Japan's Corporate Governance Code, we actively engage in dialogue with our shareholders, to a reasonable extent, and to contribute to JSF's sustainable growth and enhancement of its corporate value over the medium to long-term.

The status of dialogue with shareholders and investors conducted by JSF's management during FY2025 is as follows.

Dialogue Participation Policy:

- As a general rule, the Representative Executive Officer & President and the Senior Managing Executive Officer responsible for Corporate Strategy (currently the Representative Executive Officer & Co-CEO) engage in dialogue, and depending on the content of the dialogue, outside directors may also participate.

Overview of shareholders and investors with whom dialogue was conducted:

Total: 30 times

- Individual meetings: 25 times (domestic investors: 5; overseas investors: 14)
- Briefings: 5 (total of 54 companies participated)
  - In FY2025, in addition to our regular financial results briefings for full-year and interim results, we also held investor briefings in response to external requests.

Feedback from shareholders to the Board of Directors:

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

Main themes and matters of interest to shareholders:

| Themes                              | Main matters of interest   |
|-------------------------------------|--|
| (1) Management strategy             | <ul style="list-style-type: none"><li>Medium-term management plan</li><li>Shareholders return policy</li></ul>   |
| (2) Business model                  | <ul style="list-style-type: none"><li>Revenue structure for the loans for margin transaction business and securities financing business</li><li>Background of growth of the securities financing business</li><li>Recent changes in our business portfolio</li></ul> |
| (3) Changes in external environment | <ul style="list-style-type: none"><li>Impact of the financial environment such as interest rate increases on our earnings</li></ul>  |

Specific Examples of Dialogue:

### (1) Management Strategy

#### (i) Medium-Term Management Plan

- We have achieved our management targets under the Seventh Medium-Term Management Plan (FY2023–FY2025) and are steadily delivering results.

- We explained to shareholders the Eighth Medium-Term Management Plan (FY2026–FY2028) and that, with performance remaining strong mainly in our securities financing business, improvements in profitability and capital efficiency are steadily making progress.
- We have received positive feedback from shareholders on our efforts in recent years to strengthen our earnings base and improve capital efficiency, with ROE reaching nearly 8% as a result.
- At the same time, we have received opinions and inquiries from shareholders asking us to clearly present the next targets in order to achieve the further enhancement of corporate value beyond the current level, as well as our business strategies for achieving the next targets and our thoughts on investments in human capital and systems to support future growth.
- We aim to achieve the goals of the Eighth Medium-Term Management Plan by building on the progress made in enhancing profitability and capital efficiency through the development of our business portfolio, as well as our significant progress in strengthening corporate governance.

(ii) Future Shareholder Return Policy

- With regard to shareholder returns, as stated above, our basic shareholder return policy during the Eighth Medium-Term Management Plan is to aim for a total payout ratio of 100% through agile execution of dividends and share buybacks up until achieving an ROE of 8%. In addition, for dividends in FY2026 through FY2028, our policy is to pay dividends with a target payout ratio of 70%.
- Shareholders appreciate our approach to shareholder returns. We have also received feedback requesting that we continue to maintain our high total payout ratio, and opinions that requests that we formulate our future capital policy and shareholder return policy after thoroughly discussing the level of capital needed for future growth.

(2) Business Model

- We have explained to shareholders our efforts in strengthening our business foundation through diversification of revenue sources and the creation of multiple factors affecting revenue, as addressed in I.3.(1).
- Many shareholders and investors commented that although they had strongly associated JSF with the loans for margin transactions, they now recognize that our business portfolio is evolving as securities financing grows.
- Taking these opinions into account, we have reviewed our earnings presentation materials—for example, by adding explanatory diagrams as reference information—so that shareholders and investors are more easily able to understand our business model and form a concrete picture of our operations, and we have received positive feedback from shareholders and investors.

(3) Changes in External Environment

- As noted above, securities financing, a significant source of our revenues, has the characteristic of being influenced not only by trends in the securities market but also by movements in interest rates. In Japan's financial markets, interest rates have been rising. the negative interest rate policy has eased, and this has created an environment in which interest rate mechanisms are now functioning.

In this environment, our lending rates have risen, and we have seen an increase in funding demand from our clients. We view the overall environment surrounding JSF as generally positive.

- Shareholders and investors have expressed a strong interest in learning just how specifically rising interest rates are contributing to our earnings.
- In light of these inquiries, as with our business model, we will continue our efforts to disclose information regarding our revenue structure in as clear and accessible a manner as possible.

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