

April 25, 2022

To Whom It May Concern

Strategic Capital, Inc.
Tsuyoshi Maruki, President &CEO
Attention: Dan Kato, Director
TEL: 03-6433-5277

**Re: Shareholder Proposal to JAPAN SECURITIES FINANCE., LTD (8511) and
the Launch of the Campaign Website “Stop the Descent – the Bank of Japan’s *Amakudari*
into Japan Securities Finance”**

Strategic Capital, Inc. (hereinafter referred to as "Strategic Capital") is under a discretionary investment contract with INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP (hereinafter referred to as the "Fund") and the Fund and Strategic Capital hold over 300 units of voting right of Japan Securities Finance Co., Ltd. (hereinafter referred to as "JSF" or the "Company" as the context requires) over 6 months.

The Fund and Strategic Capital are pleased to announce that, on April 21st, 2022, we notified JSF of our execution of the shareholders' right to make a proposal at the annual shareholder meeting held in the coming June and confirmed that, on April 22nd, 2022, the Company certainly received the documents of the proposal. We believe that the Bank of Japan's Amakudari into JSF is one of the major reasons for the Company's share price slump.

For additional details please visit https://stracap.jp/english/proposal-for-JSF-from-sc-2022_eng.pdf or by referring to the link "Campaign Websites" found on the upper right corner of our [website](#).

We would like to explain the context our proposal as follows.

1. The reality of the Bank of Japan's (BOJ) *Amakudari*¹ into JSF
2. The Company's Issues
3. Abstract of the Proposal

1. The reality of the BOJ's *Amakudari* into JSF

Our basis of determining that JSF is an *Amakudari* destination for the BOJ is as

¹ Amakudari – (天下り, literally "descent from heaven") is a metaphor for the institutionalized practice where Japanese senior bureaucrats retire to high-profile positions in the private and public sectors.

follows:

- (1) Since JSF was listed in 1950, all 10 Presidents including current President Shigeki Kushida descended from the BOJ, and all had experience as Executive Directors (ex-ED presidents)
- (2) Since at least 1992, ex-ED presidents have seen their role evolve from President to Chairperson to Executive Advisor all while receiving compensation. This includes Minoru Masubuchi, who became President in 2004 and continued to receive compensation as an Executive Advisor to JSF.
- (3) Since at least 1980, for more than 40 years, there has been an uninterrupted flow of BOJ Directors who have descended into a position of Managing Executive or above (ex-D executives) including current Senior Managing Executive, Yutaka Okada
- (4) Since 1998, the year JSF Trust & Bank was established, ex-D executive who was not appointed President at JSF, has been appointed the President of JSF Trust & Bank and after stepping down from the position has been appointed an Advisor to the company.

We also note the average compensation of a JSF Officer is JPY50.27mm, which is considerably higher than the approx. JPY17mm a BOJ Director, JPY22.23mm a BOJ Executive Director or JPY35.3mm the BOJ Governor receive.

We are deeply concerned that ex-BOJ managements lack the incentive to increase shareholder value by receiving a special treatment within the JSF group and a salary that far exceeds the BOJ.

2. The Company's Issues

- (1) The share price has remained well below its dissolution value
- (2) Ineffectual management has resulted in low ROE
- (3) Suspicion that the voting rights attached to approximately JPY 500 bn in stock is being exercised in a matter inconsistent with the Corporate Philosophy

3. Abstract of the proposal

- (1) Revision of the provision of articles with regard to individual remuneration of the Representative Executive Officer & President
Disclose the individual remuneration of the Representative Executive Officer
- (2) Revision of the provision of articles with regard to individual remuneration of the managements who are from the Bank of Japan
Disclose the individual remuneration of the ex-BOJ executives and advisors of JSF and

its consolidated subsidiaries

(3) Establishment of the Executive Advisor

In order to ask shareholders whether the opaque Executive Advisor system is right or wrong, specify the Executive Advisor system in the Articles of Incorporation

We are opposed to the Executive Advisor system and would therefore vote against the proposal.

(4) Revision of the provisions of articles with regard to cross-shareholdings

Once a year, sound the Company's intention to sell its cross-shareholdings with the issuer of the shares and disclose the issuer's response in the CG Report

(5) Revision of the provisions of articles with regard to the divestment of securities for investment purposes and non-traded REITS

Sell securities that are held for pure investment management purposes

(6) Revision of the provisions of articles with regard to the disclosure of voting results

In principal voting rights attached to JPY500bn in securities held in the Margin Loan Business shall not be exercised. When voting rights are exercised, the reason for such exercise shall be disclosed.

Currently, as a general rule, voting rights are exercised favor for a company's proposal and against a shareholder proposal.

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