

April 20, 2023

To Whom It May Concern

Strategic Capital, Inc.
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**Re: Shareholder Proposal to JAPAN SECURITIES FINANCE., LTD (8511) and the
Launch of the Campaign Website on the proposal**

Strategic Capital, Inc. (hereinafter referred to as “Strategic Capital” or “SC”) and funds managed by Strategic Capital hold approximately 5% of the shares of Japan Securities Finance Co., Ltd. (hereinafter referred to as "JSF" or the “Company” as the context requires).

The Fund and Strategic Capital are pleased to announce that, on April 17th, 2023, we notified JSF of our execution of the shareholders’ right to make a proposal at the annual shareholder meeting held in the coming June.

For additional details please visit <https://stracap.jp/english/8511-JSF.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 of our proposal as follows.

1. Abstract of the Proposal
2. Background of the Proposal

[1] Abstract of the Proposal

- (1) Abolish the position of “Executive Chairman”
- (2) Prohibit the rehiring etc. of former Company presidents
- (3) Disclose the circumstances of the rehiring etc. of a person who has served as Company president
- (4) Disclose the remuneration of the Representative Executive Officer & President
- (5) Disclose material proposals received from the largest shareholder (Symphony Financial Partners) who owns more than 20% of the Company

[2] Background of the Proposal

<Overview>

JSF is the only securities financing company in Japan. We believe one reason for the depressed stock price is that senior management positions are being monopolized by

*amakudari*¹ from the Bank of Japan, Ministry of Finance and the Tokyo Stock Exchange and have been acting in a manner that is disregarding its shareholders.

<The *amakudari* facts>

◆ *amakudari* by BOJ directors

Since becoming listed in 1950, all 10 presidents of JSF, including the current president, Shigeki Kushida, were former executive directors (ED) of the BOJ

◆ *amakudari* by BOJ director-generals

Since 1980, all seven BOJ director-generals (and lacking ED experience) were appointed as managing executives within one month of joining JSF.

◆ *amakudari* from the MOF

Since 1960, all 10 employees from the MOF were appointed to managing executive or higher positions within one month of joining JSF.

(Note the *amakudari* is expected to end at the end of March 2023 when Shunichiro Higuchi who descended from the MOF will retire from his position as executive vice president.)

◆ *amakudari* from the TSE

Since 1974, there has been 7 *amakudari* from the TSE and since 1994, they have been appointed as “outside” directors of JSF

(Note the *amakudari* is expected to end at the end of June 2023 when Shuya Imura who descended from the TSE will retire from his position as an outside director.)

<Management by Shigeki Kushida, an *amakudari* from the BOJ

The President, Shigeki Kushida, is a BOJ alumni and a board member of the Securities Analysts Association of Japan. Through our dialogue with him, SC finds there is a significant discrepancy between his view of the stock market and shareholder value and that of most stock investors including SC. For example, Kushida has made statements like

“What does ROE have to do with PBR”

“If you use market capitalization for the E in ROE that JSF’s ROE is high”

“JSF’s cost of equity is in the mid 4% range”

Not only in direct meetings with us but even at financial results briefings. The sense is that he is not even bothering to listen to SC.

The fact is that JSF is trading well below a 1x PBR and SC believes that Kushida, as a JSF

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.

executive, should sincerely accept that reality and face it head on. We have repeatedly tried to improve his understanding and have him manage the Company in a way that increases shareholder value.

However, nearly two years after SC began its dialogue with JSF, Kushida's attitude towards the stock market and shareholder value have not changed, and the stock price remains depressed.

We have come to the conclusion that we have no other choice but to ask Shigeki Kushida to step down from his position if he is going to leave the stock price below dissolution value. Despite that, if he is going to remain at JSF, he should at the very least disclose his remuneration and show shareholders that what he is receiving as the Representative Executive Office and President of JSF is appropriate.

In addition, we have submitted other shareholder proposals to address the numerous other governance issues facing JSF.

Disclaimer

This press release is a reference translation of the original announcement in Japanese. In the event of any differences between the original Japanese version and the English translation, the original Japanese version shall prevail.

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