26-D-0433
July 21, 2026

JCR's Rating Review of Money Market Brokers

JCR has reviewed the rating for three money market brokers. The rating viewpoints in this review are given below. Please refer to JCR's press releases (26-D-0434 through 26-D-0436) dated today for rating rational for individual companies.

Rating Viewpoints

(1) JCR has reviewed the rating for three money market brokers (the "Companies") and affirmed their respective rating with Stable outlook. Factors reflected in the rating include the importance of the Companies in Japan's overall financial system, the stability of profits and high stress tolerance backed by financial soundness. Even in the midst of the changing trading environment due to the monetary policy of the Bank of Japan ("BOJ"), the Companies are steadily seizing earnings opportunities, partly owing to their own efforts to diversify revenue sources. As they also maintain appropriate cost control and risk management systems, JCR assumes that they will continue securing a certain level of profits and retain financial soundness into the future.

(2) After a long period of the extremely accommodative monetary policy, its framework was revised in March 2024, and an interest rate of 0.1% was applied to current deposits held by financial institutions in BOJ ("BOJ Current Account"). Since then, the rate has been raised four times, reaching 1.0% as of July 2026. With interest rates for the instruments in the short-term money market moving from the negative territory to the positive territory, interest margins the Companies receive have recovered to certain levels and stabilized. Moreover, as the Companies all secure a high level of earnings, mainly from open market transactions such as repos and CPs, by accurately assessing interest rate fluctuations at the time of interest rate hikes and changes in financing and investment needs of the customers, profit levels will likely remain steady going forward, too.

(3) The Companies borrow and lend call funds and mediate related transactions in the interbank market while also engaging in the trading of short-term JGBs, CPs, bond repos, stock repos, etc. in the open market. They mediate numerous transactions in the call market, where fund surpluses or shortages of financial institutions are adjusted, and hence play a role as a node in the market. If their intermediary function were not maintained and their own funds were not settled smoothly, either, the call market could fall into a jumble, and the disorder could spread to the entire financial system. Individual ratings are underpinned by the Companies' such position in the financial system.

(4) In uncollateralized call transactions, which are the core revenue source in the interbank market, the overnight call rate, which had been in the negative territory prior to the monetary policy review, has turned around and is now in the positive territory, staying roughly in the 0.97% range at the moment. As the absolute value of interest rates has risen, the rate of brokerage commissions the Companies receive has gone up to a certain level and stabilized. Given trends in the policy rate, it is hardly likely that the brokerage commission rate will decline. As regards the outstanding balance, it has dropped sharply from 16 trillion yen to the 7 trillion yen range following the monetary policy review, partly owing to a decrease in arbitrage transactions by regional banks and others leveraging the BOJ Current Account. That said, as the shift of interest rates to the positive territory has also created new needs for investment and financing, the balance is improving gradually, now reaching the range of 8 to 10 trillion yen. Despite the decline in the balance, the Companies all continue to attain a certain level of earnings by stabilizing the brokerage commission rate and responding to the intermediary funding needs of financial institutions in different situations for investment and financing, such as those with or without the BOJ Current Account. Although the market balance for collateralized call transactions remains low, as was during the period of the negative interest rate policy, market participants' interest has increased as interest rates have moved into the positive territory, and JCR will keep an eye on future developments.

(5) In the open market, even after the monetary policy review, the Companies are carefully seizing earnings opportunities. In bond repo trading, transactions are made by market players who focus on interest rate differences with the BOJ Current Account and other short-term money market products. The Companies secure earnings by mediating the needs of market players in different situations for investment and financing. In CP transactions, the market balance remains at a high level thanks to

robust corporate performance and interest rates on the uptrend. Earnings have been strong for the Companies alike as gains on sales have improved, and so has carry income thanks to higher issue interest rates. As regards stock repo trading, earnings are growing, helped by the brisk stock market and also by an increase in the transaction balance thanks in part to enhanced responsiveness to customer needs.

(6) In open market operations, managing risks, as well as securing earnings, is important. In CP transactions, the Companies continue to hold relatively large positions partly because of the high level of the market balance. Proper credit risk management is required for CP transactions because the lot size per counterparty is large and transactions are unsecured. Given also that not a small portion of CP and other transactions are financed by unsecured funds, managing liquidity is also vital. Under these circumstances, the Companies are appropriately controlling risks, and JCR views that they have stress tolerance for credit and liquidity risks thanks to capital accumulation, multiple financing means and so forth.

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<Reference>

Issuer: Central Tanshi Co., Ltd.

Long-term Issuer Rating: A Outlook: Stable

Issuer: The Tokyo Tanshi Co., Ltd.

Long-term Issuer Rating: A Outlook: Stable

Issuer: Ueda Yagi Tanshi Co., Ltd.

Long-term Issuer Rating: A Outlook: Stable

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