



Medium-Term Management Plan 2024

Update for FY2024

Exchange & beyond

Japan Exchange Group, Inc.

April 30, 2024

Major Themes in the External Environment and Long-Term Vision



Major Themes in the External Environment Looking Ahead to 2030

Worldwide

- Shift to a decarbonized society
- Population growth pushing the limits of supply and demand of food and resources
- Deepening fourth industrial revolution
 - AI
 - Big data
 - IoT etc.
- Multipolarization **UPDATED**



Japan

- Progression of super-aging society
- Dwindling working-age population
- Mounting social security expenses
- Deteriorating social infrastructure
- Virtuous cycle between wages and prices **UPDATED**

Asia

- Population growth
 - Economic growth
- The center of the global economy may shift to Asia.

- Amid these changing times, the world, Asia, and Japan itself must make the shift to a sustainable society and economy.
- In order to support this transition from the financial and capital markets side, our business development will need to focus on providing solutions for societal issues.

“Target 2030” and Our Long-Term ESG Target

“Target 2030”: our long-term vision to be achieved by 2030

Contribute to sustainable societal and economic development by evolving into a global, comprehensive finance and information platform* which provides solutions for a wide range of societal issues, centered on the ability to raise and circulate capital

*Named “G-HUB” (Heighten market integrity, Unlock opportunity, Benefit society)

Long-term ESG target

Contribute to sustainable societal and economic development by providing solutions for a wide range of societal issues



Environmental Vision

Japan Exchange Group will maintain and further develop the capital market into one that can coexist with the environment, by creating a clear action plan on environmental issues and making ongoing efforts to reduce our environmental footprint

Aim for carbon neutrality in securities market operations (our value chain) by 2030

Basic Policy and Three “Focus” Areas



Policy Updates Moving Into the Final Year of the Plan

Updated Policy

- While paying attention to various changes in its business environment and signs of such changes, JPX will maintain the overall framework of the **Medium-Term Management Plan 2024** and, moving into the final year of the plan, **complete its initiatives in focus areas.**
- In light of the government’s new policies such as **“Promoting Japan as a Leading Asset Management Center”** and the **launch of the new NISA**, JPX will **expand its activities related to these** in order to play a more proactive role than before in **the realization of government policy and invigoration of the financial and capital markets.**
- JPX will also use this year **to prepare for the second stage** of progress toward our long-term vision **(the next Management Plan from FY2025)** with **various discussions and research and strengthening of internal structures and investment with a mind to further progress in the next plan.**

Medium-Term Management Plan 2024: Basic Policy

Basic Policy of the Medium-Term Management Plan 2024

- A three-year plan from FY2022 has been developed as the first stage of progress towards Target 2030.
- We will utilize new frameworks including JPX Market Innovation & Research to take proactive action on building the foundations of the global, comprehensive finance and information platform “G-HUB.”

Exchange & beyond

To contribute to improving the attractiveness of the Japanese financial and capital markets as a whole and enhance their global competitiveness, we will prioritize initiatives in three specific “Focus” areas.



Focus 1 | Facilitating Cycle of Corporate Innovation/Growth and Asset Formation

- In our role as a core infrastructure supporting fundraising by companies and asset formation by the public, as well as supporting innovation and growth at companies, we will develop the primary and secondary markets so that the profits stemming from companies' efforts generate asset formation among the general public, leading back to further innovation and growth at companies



Actions

■ Develop an environment that supports sustainable growth at companies

- Enhancement of financing functionality for growth companies
- Promotion of corporate value improvement at listed companies
- Establishment of IPO ecosystem that contributes to revitalizing regional economies
- Provision of trading opportunities for after delisting etc.

■ Develop products and rules to contribute to asset formation

- Expansion of the ETF market
Target: 30% increase* in average daily trading value and net assets held in ETFs, etc. in FY2024

*In comparison with FY2021. Average daily trading value excluding leveraged/inverse products. Net assets excluding BOJ purchases

- Revisions to trading rules to allow smooth execution
- Development of an environment enabling secure and easy investment while considering investor protection
- Promotion of listings of cross-border companies, mainly from Asia
Target: 20 listings of cross-border companies in the 3 years of the plan
- Further activities to appeal for investment in Japanese stocks and development of financial and economic education, in collaboration with industry players etc.

UPDATED

■ Further improve convenience and resilience as a market infrastructure

- Ongoing improvement of systems and their operation, and system replacements
Target: Replacement of cash equity trading system in 2H FY2024, Extension of trading hours at the time of replacement
- Strengthening of BCP function to ensure stable market operations etc.

Focus 1 | Review of the First/Second Years of the Plan and Main Activities for the Final Year

- We will support sustainable growth and value enhancement of companies and encourage mid- to long-term asset building among the public through the provision of attractive products as well as financial and economic education, thereby contributing to the "virtuous cycle of growth and distribution" that the Doubling Asset-based Incomes Plan aims for.

Review of the First/Second Years of the Plan

Develop an environment that supports sustainable growth at companies

- Requested that companies take actions to implement management that is conscious of cost of capital and stock price
- Examined ways to make the Growth Market better fulfill its functions
- Published outline of specifications for mandatory English disclosure
- Published outline of specifications for the revisions to the quarterly disclosure system
- Launched JPX Prime 150 Index and listed linked index futures and ETFs
- Revised listing rules and other rules regarding IPOs
- Conducted capital and business alliance agreement with Minsetsu, Inc. and made SCRIPTS Asia, K.K. a wholly owned subsidiary

Develop products and rules to contribute to asset formation

- Listed active ETFs
- Optimized tick sizes for medium liquidity stocks
- Requested issuers to lower investment units and removed the minimum desired investment unit level
- Advanced TOPIX revisions
- Launched "JPX Manebu Lab," a comprehensive financial and economic education portal site that provides information from a fair and neutral standpoint

Further improve convenience and resilience as a market infrastructure

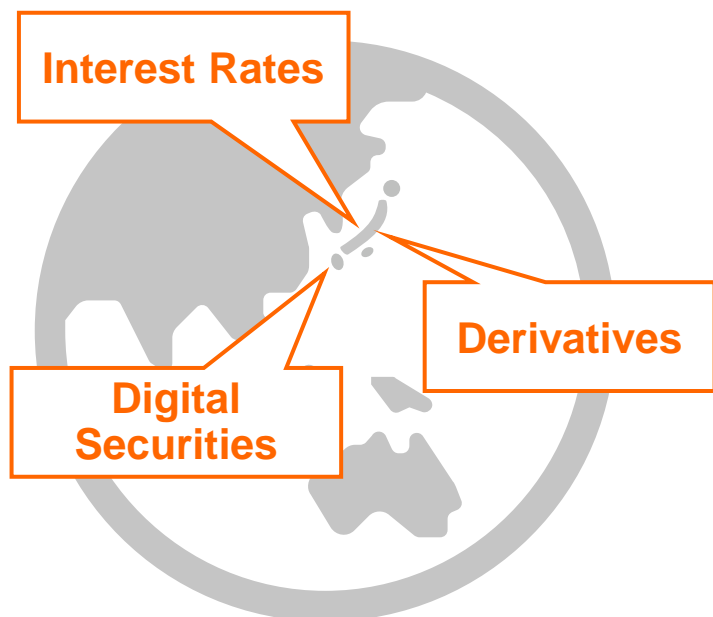
- Advanced development for upgrading the cash equity trading system
- Completed construction of the secondary data center in the Kansai area in preparation for the predicted large earthquake under Tokyo
- Conducted a global drill to simulate the potential default of a large-sized financial institution (Global Fire Drill)

Main Activities for the Final Year

- Promoting management that is conscious of cost of capital and constructive dialogue between listed companies and investors
- Advancing efforts to make the Growth Market better fulfill its functions
- Implementing measures to support efforts by listed companies to enhance their corporate value
- Promoting the use and adoption of the JPX Prime 150 Index
- Promoting constructive dialogue between listed companies and investors with SCRIPTS Asia, K.K., ICJ, Inc. and Minsetsu, Inc
- Exploring further development of active ETFs
- Steadily implementing the transition of TOPIX and determining rules for post-transition
- In light of the launch of the new NISA among other factors, promoting the appeal of Japanese stocks through collaboration with industry players
- Further promoting financial and economic education in cooperation with related organizations
- Upgrading the cash equity trading system and extending trading hours along with the upgrade
- Enhancing effectiveness of the BCP system to improve resilience

Focus 2 | Achieving Market Transformation (MX)

- In order to serve as a hub for circulating capital in the Asia Pacific region while keeping focused on changes in the interest rate environment, we aim to enable optimal allocation of risk/return across society by ensuring systems for raising and managing funds function smoothly and sufficiently, not only for stocks but for other products as well.
- In addition, to reduce the costs of raising and managing funds, we will advance digitization in all corners and enhance information usage.



Actions

■ Strengthen functionality of interest rate-related markets

- Revitalization of JGB-linked derivatives
- Increase in trading of short-term interest rate derivatives **UPDATED**
- Promotion of professional-oriented bond market etc.

■ Invigorate the derivatives market

- Increase in trading of small lot products linked to index futures and options **UPDATED**
- Improvement of convenience for retail investors
- Expansion of flow from global investors
- Entrenchment of holiday trading etc.

■ Advance digitization and enhance information usage

- Creation of a digital securities market
Target: Creation of a market and start of trading of new products by the end of FY2024
- Development of new services utilizing digital technologies for internal and external use
Target: 3 services in the 3 years of the plan **Achieved**
- Strengthening of index businesses and enhancement of investment-related information etc.
Target: 280 new clients for information services and 12 cases of creating new information services or updating existing information services and rules in the 3 years of the plan **Achieved**

Focus 2 | Review of the First/Second Years of the Plan and Main Activities for the Final Year

- We will further invigorate the derivatives market through the enhancement of interest rate derivatives and small lot products, as well as creating new markets and services utilizing digital technology and using information in a more sophisticated way, thereby contributing to the efficiency of asset management.

Review of the First/Second Years of the Plan

Strengthen functionality of interest rate-related markets

- Listed short term interest rate futures linked to the Bank of Japan's TONA
- Introduced cross margining between short-term interest rate futures and interest rate swaps

Invigorate the derivatives market

- Launched holiday trading to enhance investor convenience by providing hedging opportunities
- Listed Nikkei 225 micro Futures and Nikkei 225 mini Options
- Introduced a new margin calculation method (VaR Method) for futures and options

Advance digitization and enhance information usage

- Undertook preparation for creating a digital securities market (Digitally Tracked Green Bond, investment in security token platform, etc.)
- Enhanced paid-for data offering and released J-Quants API (an API data distribution service for individuals and corporations)
- Started providing information about listed companies using generative AI on a trial basis
- Implemented DLT technology for settlement by physical delivery and payment of rubber futures contracts
- Launched multiple indices in response to investment demand

Main Activities for the Final Year

- Enhancing convenience of interest rate-related derivatives and increasing their liquidity
- Research into further improving convenience of small lot products
- Changing derivatives trading hours in light of the extension of cash equity trading hours
- Starting development of the next generation derivatives trading system to enhance the derivatives market
- Promoting use of single stock options, e.g., improving convenience for retail investors
- Considering introduction of new derivatives products
- Promoting wider use of Digitally Tracked Green Bonds
- Considering provision of services to enhance efficiency of primary market for corporate bonds
- Promoting wider use of J-Quants
- Further enhancing paid-for data offering and diversifying means of dissemination including by using new channels
- Creating a portal site to improve convenience of information and data services provided by the entire JPX Group
- Using blockchain technology to further enhance settlement efficiency and future readiness

Focus 3 | Promoting Sustainability that Connects Society and Economy

- We will assist the creation of a sustainable society by utilizing market mechanisms to provide solutions for a wide range of societal issues, through the provision of an environment where sustainability-related information, products, and services are easily accessible to all.



Actions

■ Strengthen dissemination of sustainability-related information

- Creation and enhancement of information platform
Target: Launch of information platform for publicly offered ESG bonds in FY2022 **Achieved**
- Support for sustainability information disclosure from issuers
- Participation in international debate and standard-setting on sustainable finance etc.

■ Calculate ESG indices and list related ETFs/futures

- Calculation of ESG-related indices, listing of related futures etc.
Target: Launch of new ESG index **Achieved**
and listing of related futures in FY2022 **Achieved**

■ Vitalize the energy market, advance the creation of an emissions trading market

- Increase in trading of electricity/LNG futures
Target: Trading volume on electricity futures in FY2024 5 times that of FY2021
Target: Permanent listing of LNG futures by FY2024
- Launch of a Japanese carbon credit market etc. **UPDATED**

Focus 3 | Review of the First/Second Years of the Plan and Main Activities for the Final Year

- We will contribute to the creation of a sustainable society by promoting sustainable finance through the use of ESG-related information or other means.

Review of the First/Second Years of the Plan

Strengthen dissemination of sustainability-related information

- Launched ESG Bond Information Platform to improve convenience for market users and visibility of the products
- Officially launched “JPX ESG Link,” which provides a list of links to reports containing ESG information

Calculate ESG indices and list related ETFs/futures

- With FTSE, launched FTSE JPX Net Zero Japan Index Series, an index series using environmental metrics
- Listed futures on ESG-related indices
- Reviewed contract unit of Silver Futures and Palladium Futures to enhance convenience of trading

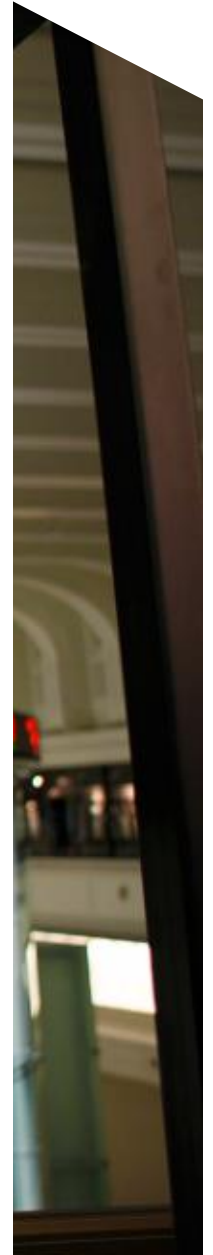
Vitalize the energy market, advance the creation of an emissions trading market

- Launched Electricity Futures as a permanent listing and started trading of weekly contracts
- Signed MoU with Japan Electric Power Exchange (JEPX)
- Launched LNG Futures as a trial listing
- Launched a carbon credit market and trialed a market maker scheme

Main Activities for the Final Year

- Enhancing convenience of the ESG Bond Information Platform by strengthening its functions
- Considering initiatives on sustainability-related information such as provision of services to support listed companies’ disclosure
- Participating in global discussions within the financial sector about climate-related information and transition to a low-carbon economy
- Raising awareness of ESG-related indices and futures and discussing measures to further increase and enhance their product-lineups
- Promoting the electricity futures market and collaborating on specific projects with JEPX
- Preparing for a permanent listing of LNG Futures
- Implementing rules for stimulating the carbon credit market and discussing new products to make available for trading

Global Strategy, Green Strategy



Global Strategy Initiatives

- We will aim to continue as a central market for the Asia-Pacific region, and a key market globally, by attracting global investment into Japan while creating an environment that enables one-stop investment in stocks and other products from across the globe

Attracting global investment into Japan

- **Market/infrastructure functionality**

Strengthening of market resilience and convenience through extension of cash equity market trading hours, replacement of cash equity market trading system, derivatives holiday trading, enhancement of functionality in interest rate-related markets and clearing, expansion of English disclosure, etc.

- **Information provision** UPDATED

Development of extensive relationships with investors and information vendors, proactive provision of information on topics such as the merits of the Japanese stock market and progress of initiatives, and advancement of marketing and sales of market-related services

Enabling one-stop investment in global products

- **Cross-border companies**

Expansion of campaign to attract cross-border company listings, mainly in Asia

- **ETFs/ETNs**

Proactive work to attract issues linked to indices covering foreign stocks, etc.

- **Bonds**

Promotion of TOKYO PRO-BOND Market, the market for professional investors

Strengthening the foundations of our global business

- **Human resource investment**

Creation of an environment and investment to enable obtainment and nurture of diverse human resources, as well as development and demonstration of employee capabilities

- **Overseas cooperation**

Cultivation of business opportunities through collaboration with overseas companies UPDATED

- **Market/regulation trends**

Research and analysis of global trends in markets and regulation, etc. through mainly the overseas offices

- **International standards, etc.**

Participation in debate about and creation of international standards relating to sustainable finance

- **Overseas technology assistance**

Work to contribute to sustainable development and create business opportunities in the countries we assist

Green Strategy Initiatives

- To support the shift to carbon neutrality in Japan, we will push forward with our environmental strategy both as a market operator and as a business corporation.

Utilizing Market Mechanisms to Promote Sustainability

- Promotion of action on sustainability issues and information disclosure at listed companies, through the Corporate Governance Code
- Strengthening of sustainability-related information functions (further development of information platform for publicly offered ESG bonds, including functionality enhancement)
- Calculation of ESG indices and listing of related ETFs/futures
- Vitalization of the energy market, advancement of an emissions trading market (launch of carbon credit market) **UPDATED**
- Promotion of use of Digitally Tracked Green Bonds that utilize digital securities
- Enhancement of the "JPX ESG Knowledge Hub" to support listed companies' ESG information disclosure

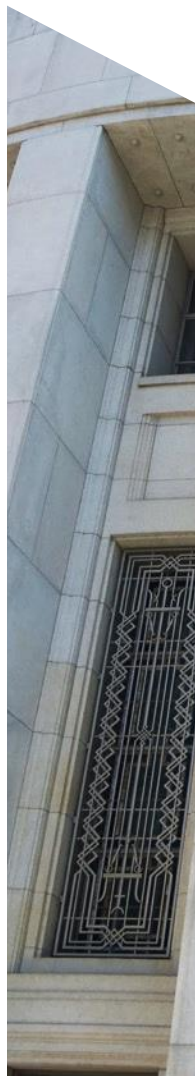
Aiming for Carbon Neutrality across Group by FY2024

- Direct contribution to environmental conservation through owning our own renewable energy generation facilities - not just purchasing carbon credits
- Participation in METI's "GX League Basic Concept" **UPDATED**

Aiming for Carbon Neutrality in Securities Market Operations (Our Value Chain) by 2030

- Working towards securities market operations that underpin a sustainable society by utilizing and implementing JPX's own initiatives in cooperation with market participants

Financial Policies



Financial Targets, CAPEX, and Capital Policy

- We have achieved our financial targets before the final year begins.
- We will maintain appropriate management of expenses by prioritizing projects, while continuing to invest for stable market operations and future growth.

Financial targets

	Financial targets for the final fiscal year	FY2023 results	FY2024 forecast
Operating Revenue	JPY 147.0 bil.	JPY 152.8 bil.	JPY 152.0 bil.
Net Income <small>(attributable to owners of the parent company)</small>	JPY 53.0 bil.	JPY 60.8 bil.	JPY 53.5 bil.
ROE	At least 15%	19.0%	Approx. 16%

CAPEX

- While working on enhancing market convenience and resilience, we will invest in building the foundations of a global, comprehensive finance and information platform.

Total CAPEX over 3 years **Approx. JPY 50 bil.**

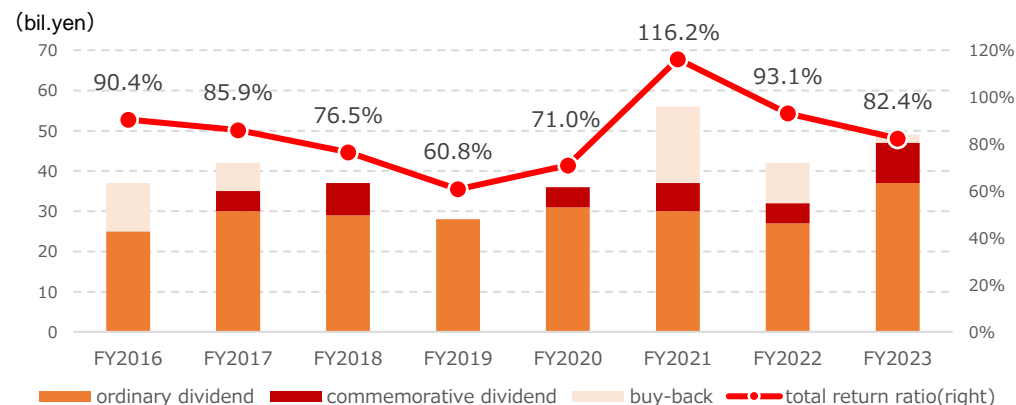
Capital policy

- Support the sustainable development and evolution of the market by making constant investment while keeping a balance between shareholder returns and financial resilience for stable market operations
- Irrespective of market conditions, maintain **ROE of 10%** exceeding capital cost over the mid- to long-term

Return to shareholders

- **Dividend payout ratio of approx. 60%**
- Flexibly implement further shareholder returns in consideration of future investments, etc.

(Ref.) Past total return ratios & returns to shareholders



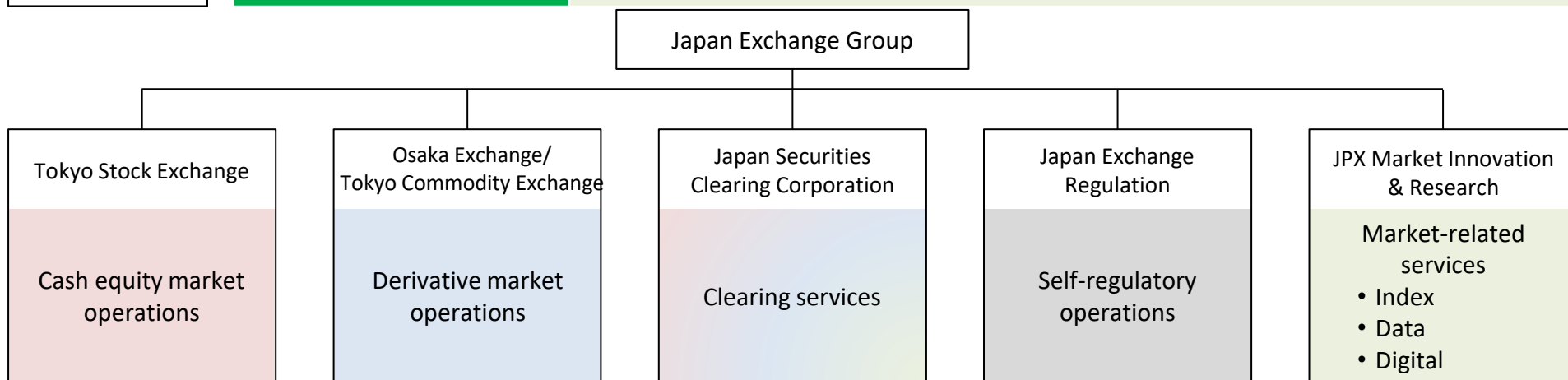
Reference | Organizational Structure from FY2022 onward

Aims

- With Target 2030 as the goal, in our role as a core infrastructure of Japan’s financial and capital markets, JPX Group companies will work as one to consistently provide the functions fundamental to market operations, from listing and trading to clearing and settlement as well as data services.
- Furthermore, we will increase the added value we provide to society while working to create new services, stabilize profits, and maintain robust financial foundations.

Current status of and outlook for business

Cash equity market operations	<ul style="list-style-type: none"> • We have been seeing stable revenue growth in this area • We will continue to focus on stable development as one of the world’s prominent markets
Derivative market operations	<ul style="list-style-type: none"> • We have been working on expanding the market in this area • With continued anticipation of the latent growth potential of the market, reflecting the situation overseas and other factors, we will continue to act determinedly
Market-related services	<ul style="list-style-type: none"> • We have increased revenue in this area that is not affected by Japanese stock market movements • We will work towards entering new fields in addition to developing the existing index, data, and IT services, by nurturing a company culture that encourages more positive, proactive action and leveraging M&As



Reference | JPX Market Innovation & Research, Inc.

- JPX Group has established JPX Market Innovation & Research, Inc. (JPXI) as a new subsidiary parallel to the exchanges, the self-regulatory organization, and the clearing house. It started business on April 1, 2022.
- As well as taking on JPX Group's index, data, and digital-related services, thereby enabling us to provide all market-related services from under one roof, JPXI will play a key role in creating the global, comprehensive financial and information platform "G-HUB" as set out under Target 2030.
- Furthermore, JPXI will contribute to bolstering the competitiveness and status of Japanese financial and capital markets by enriching services on ESG, listed company, and others considered necessary to enhance the attractiveness of the market, as well as envisioning how financial and capital markets should look with the use of new technologies.

Bolstering the competitiveness of Japanese financial and capital markets

- Through the development of new indices and support for information provision and corporate value enhancement at listed companies, we will facilitate companies' capital raising by creating an environment where domestic and overseas funds flow easily into the Japanese financial and capital markets, thereby supporting proactive investment and business development among listed companies.
- We will contribute to the efficiency of asset management by providing an environment that enables efficient investment in an array of products, including digital assets, green financial products, bonds, and foreign assets.
- We will contribute to making the financial and capital market more sophisticated by enriching data services, advancing digitalization, and providing infrastructure such as refined network and IT solutions, thereby supporting the operations of investors, securities companies, asset management companies, financial institutions, and information vendors.

Proactive creation of various market services

Expansion of index lineup, enrichment of data services, advancement of digitalization

Provision of refined network and IT solutions

Expansion of listed company services

Responses to new needs, including green-related services

Hub for new partnerships

- We will aim to become a hub for new partnerships through the utilization and nurture of highly skilled personnel, as well as M&As and capital investment.

Drawing on experience gained as a market infrastructure

- We will proactively create markets and services that have connections and commonalities with exchange market operations, built on the foundations and know-how we have gained as a market infrastructure.



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