



# JPX Report 2023



**Mission**

Mission for JPX Group

Our long-term vision to be achieved by 2030

# Target 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)





## Corporate Philosophy

# Contributing to realizing an affluent society through sustainable market development

We shall contribute to the realization of an affluent society by promoting sustainable development of the market by ensuring reliability and public visibility, laying the foundation of a market which is highly convenient, efficient, and transparent, and providing creative and attractive services.

We believe that these efforts bring rewards in the form of profits resulting from the increased support and confidence of investors and other market users.

# Contents

## Editorial Policy

JPX Group's corporate philosophy is to contribute to the realization of an affluent society by promoting sustainable development of the market. We believe that working to realize this corporate philosophy as a market operator is the social responsibility of JPX and that such efforts will enable us to create sustainable value.

The JPX Report has been published since the foundation of JPX in 2013. Currently, the report is prepared as an integrated report designed to convey the overall image of JPX Group's value creation by providing an explanation to a broad range of stakeholders both inside and outside the Group on the strategies and co-creation with stakeholders for realizing our corporate philosophy, while tying that together with important financial and non-financial information.

The three years beginning from FY2022, covered by the Medium-Term Management Plan 2024, are positioned as the first stage of progress toward the long-term vision Target 2030. In JPX Report 2023, we present an interview with the new Group CEO appointed in April 2023 to discuss JPX Group's corporate philosophy and its commitment to realizing the long-term vision. To better explain the appointment process and expectations concerning the new CEO, we also include a message from the Chairperson of the Nomination Committee.

In addition, to enlighten readers on JPX Group's approach to value creation, intended to contribute to the "realization of an affluent society" in line with our corporate philosophy, we have revised the value creation process chart and created a new page dedicated to explaining the provision of value to our stakeholders. In the messages from the respective President & CEOs of each JPX Group company, we include specific examples to present the strategies and initiatives of each company for realizing the long-term vision and, based on the idea that the Group's corporate philosophy can also lead to the realization of the society aspired to under the Sustainable Development Goals, introduce our co-creation with various stakeholders aimed at the realization of this philosophy.

## Scope of Report

Japan Exchange Group, Inc. and JPX Group companies

## Period Covered

April 1, 2022 to March 31, 2023  
(This report may sometimes mention activities and data relating to before April 2022 or after March 2023.)

## Accounting Standards

Unless otherwise stated, the presentation of financial data follows the International Financial Reporting Standards (IFRS).

Information disclosure in line with the Sustainability Accounting Standards Board (SASB) Standards  
<https://www.jpjx.co.jp/english/corporate/sustainability/jpx-esg/sasb/index.html>

## Disclaimer

This document is prepared solely for the purpose of providing information regarding Japan Exchange Group, Inc. (the "Company") and does not constitute an offering or a solicitation of securities whether inside or outside Japan. Our securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

This document contains forward-looking statements. These statements are based on the information currently available to us as of the date of this document and our assumptions about uncertainties that may affect future results. There is no guarantee that such statements and assumptions will be realized in the future and they may differ significantly from actual results. In addition, matters concerning the future outlook including business strategy reflect our understanding at the date of this publication and contain certain risks and uncertainties. As a result, future outlooks and actual results do not always match. We disclaim any obligation to update any of the forward-looking statements contained in these materials to reflect future actual events or developments.

## Reporting Guidelines

- Guidance for Collaborative Value Creation (METI)



- IFRS Foundation "Integrated Reporting Framework"

## Initiatives We Support

As an infrastructure operator that supports Japan's financial and capital markets, JPX Group recognizes the importance of actively contributing to building a sustainable society and believes that this also serves as a source of its corporate value. Based on this concept, JPX Group endorses the following initiatives:



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# Working with our diverse stakeholders to carve out a new future for Japan's markets

## — First, what are your thoughts on taking up the role of CEO of JPX Group?

Ten years have passed since I joined JPX Group. I was appointed President & CEO of Osaka Exchange (OSE) in 2013, and then President & CEO of Tokyo Stock Exchange (TSE) in 2021. During this time, JPX Group has also seen some significant changes, including the launch of the Comprehensive Exchange and the establishment of JPX Market Innovation & Research. Tracing our history back to before the war, it is 145 years since trading sessions first began on TSE and OSE. The times have changed considerably, but we have consistently provided a market where all kinds of investors can trade with confidence. In times to come, we are expected to continue to fulfill our role as a provider of the infrastructure that underpins Japan's securities and financial markets, while engaging with a variety of stakeholders. To achieve this, I believe it is important to be constantly aware of external changes and of opinions that significantly differ from the conventional wisdom and approaches of the past, while remaining open in our discussions, and taking on challenge after challenge. It is also necessary to foster and deepen this kind of culture within the JPX Group. By leveraging my experience at OSE and TSE, I hope that I can boldly take on challenges in new areas to contribute to the growth of JPX Group and the development of Japan's securities and financial markets.

## — Amid drastic changes in the external environment, what are your thoughts on JPX Group's mission and social roles in these circumstances?

Our mission is to achieve sustainable market growth and contribute to the realization of an affluent society by continuously providing investors and companies, both in Japan and overseas, with an attractive market that supports fair and highly reliable trading. We must continue to perform the role that is expected of us, without being swayed by environmental changes. However, I think it is important that we do not become conservative just because our mission stays unchanged. In order for Japanese securities and financial markets to continue to be a preferred choice amid global competition for investment capital, we ourselves must continue to move forward without fearing transformation. Based on the Doubling Asset-Based Income Plan formulated by the government, starting next year the NISA scheme is scheduled to be expanded and made permanent. This should kickstart the full-fledged shift away from savings and towards investments. As technological innovation advances rapidly, we are going to need to take on challenges in new areas, such as our own digital technologies and sustainability. We need to communicate this transformation and our initiatives to stakeholders in Japan and internationally so that people can see the investment appeal of Japanese securities and financial

### Our long-term vision to be achieved by 2030

# Target 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





## Yamaji Hiromi

Director & Representative  
Executive Officer, Group CEO  
Japan Exchange Group, Inc.

markets. I therefore intend to take steps to strengthen our information provision. In order to continue to fulfill our mission, it is vital that each and every employee evolves and continues to generate change.

— Last year, in the Medium-Term Management Plan 2024, for the first time a long-term vision, Target 2030, was established, and a long-term ESG target has been set. What were the thoughts underpinning their formulation?

Recently, we are sensing major changes in the economy and society, partly due to the impact of the COVID-19 pandemic, and even greater changes are expected in the future. In particular, such factors as the rapid transition to a decarbonized society, the tight supply and demand of food and other resources following global population growth, the technological reforms referred to as the Fourth Industrial Revolution, the potential shift of the

global center of economic gravity to Asia, and the progressive super-aging of Japanese society will all have a tremendous impact on the foundation of Japan's securities and financial markets in the long run. We too will be required to adapt along with our stakeholders. First, continuing our efforts to widen the scope and improve the quality of the markets we provide, with a view beyond the short and medium terms to the long term; and second, also over the long term, continuously providing market users and stakeholders with an attractive market: these are the ideas that we incorporated into Target 2030. It is also becoming increasingly important to address the issues surrounding sustainability, including social and environmental problems. Investors are becoming ever more interested in ESG (environmental, social, governance) factors. It is in this context that, by setting a long-term ESG target in addition to the long-term vision, JPX Group is moving to address carbon neutrality. Through these initiatives we will contribute to realizing a sustainable and affluent society, which is exactly our mission.

— The first year of the Medium-Term Management Plan 2024 has come to an end. Please tell us about the initiatives and progress made.

The Medium-Term Management Plan 2024 is the first stage in achieving our long-term vision. In the first year in particular, under the slogan of Exchange & beyond, we adopted a two-pronged approach of strengthening the traditional exchange functions while also taking on challenges in new areas. To strengthen the traditional exchange functions, we have been working to achieve stable market operations based on three points: 1) increasing the quality and volume of listed products, 2) expanding the number and breadth of investors, and 3) appropriately revising the trading rules as well as the clearing rules and services. Using the new start that came with the launch of new market segments in April 2022, JPX Group has been working vigorously as a united force to motivate listed companies to enhance their corporate value. Examples include the request for management that is conscious of cost of capital and stock price, implemented by TSE, and the new JPX Prime 150 Index developed by JPX Market Innovation & Research. In the areas of digital technology and ESG, we are also actively working on initiatives such as issuance of a Digitally Tracked Green Bond and the creation of a carbon credit market. We aim to further accelerate JPX Group's two-pronged approach next year and beyond.

— How will your engagement with stakeholders change going forward?

As a provider of infrastructure that underpins Japan's securities and financial markets, JPX Group engages with investors, companies, and a variety of other stakeholders. Although I used the word "companies," this term covers a wide range of organizations from listed companies seeking access to the capital markets in order to raise funds, to unlisted companies. In terms of those seeking to manage assets, users of JPX Group markets are also a diverse group and include everyone from domestic and overseas institutional investors, to individual investors. I feel that we have an obligation to work together with this group of stakeholders, with their variety of perspectives, in order to explore the direction in which Japan's capital markets should travel and make choices to carve out the future. In order to continue to fulfill this role, I hope that we ourselves will also continue to drive reforms from the viewpoint of market users, creating even better markets and services.

— What are your thoughts about JPX Group's human resources strategy and governance system?

We put great emphasis on human capital management and governance structures in contributing to the realization of JPX Group's mission and social roles. In particular, in order to achieve our mission, it is important that we respond to the diverse needs of stakeholders in Japan and overseas and accept their feedback without flinching, and that we actively seek out and listen to external voices and take a flexible approach in response. It is people that conduct dialogue with stakeholders, which is to say that it is the individual employees of JPX Group that constitute our most important management resource. For that reason, it is essential that we invest in human capital

■ Medium-Term Management Plan P.21

## Basic Policy of the Medium-Term Management Plan 2024

# 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



Facilitating cycle of corporate innovation/  
growth and asset formation



Achieving market transformation  
(MX)



Promoting sustainability that  
connects society and economy



(human resources) in order to enhance JPX Group's corporate value over the medium to long term.

The basis of our human resources strategy, based on our management strategy, is to hire and develop not only people who will underpin the further stabilization and sophistication of traditional exchange operations, but also those who will pioneer into new sectors and fields, as well as creating an environment in which all employees can demonstrate their abilities. We are working on various initiatives for the management of human capital, such as recruitment, skills development, nurturing of digitally- and globally-minded personnel, and promotion of health management.

For our governance system, we are building appropriate corporate governance structures to act as the foundation for achieving our mission. Under the basic policy of appointing diverse directors with different fields of expertise and experience in order to reflect the opinions of diverse stakeholders, JPX Group's board of directors includes experienced corporate managers, a legal professional, a certified public accountant, an academic, and former government officials (16 directors, 10 independent directors). The adequate provision of materials and explanations to outside directors in advance leads to lively discussions at each meeting of the board of directors, in some cases to the point where we run short of time. We face numerous risks in the course of our operations, including those associated with system failures, compensation in the event of clearing participant defaults, and administrative errors. We consider it important not just to avoid these causing disruption in the market, but also to have resilience when disruption does occur. For this reason, in line with JPX Group's Risk Management Policy, as well as understanding risks and developing and

operating response measures from a preventative standpoint, we have put in place systems to enable us to respond flexibly in the event that risks materialize. Each fiscal year, the Risk Policy Committee (which is chaired by an independent director) identifies risks requiring priority action ("significant risks") and shares the results of this process with the board of directors as a Comprehensive Risk Management Statement. When a major issue occurs, the Risk Management Committee, which is chaired by myself, works to get a grasp of the overall situation and gives instructions for dealing with the issue as quickly as possible.

### — Finally, what is your message to stakeholders?

As a market operator, we will continue to fulfill our mission of contributing to the development of Japan's securities and financial markets, and to its economic growth. To achieve this, it is necessary for JPX Group itself to achieve improvements in its corporate value over the medium to long term. We will take on new initiatives and challenges while listening to feedback from stakeholders. We also hope to convey the attraction of Japan's markets and companies to the world. While fulfilling our unchanging mission, I hope that we will be able to carve out a new future for Japan's capital markets in cooperation with all our stakeholders.

- Co-creation with Employees P.59
- Corporate Governance P.65
- Risk Management P.75



# Value Creation Process

JPX Group is working to expand the base of market participants and realize sustainable market growth through continuously providing a robust financial market infrastructure and diverse products and services. By continuously providing society with vibrant financial markets, we support the development of the economy and society as a whole and contribute to realizing an affluent society.

Sources of value creation

## INPUT

### External capitals

#### Social capital

#### Active Japanese financial markets

- Ranked 5th in the world for market capitalization of listed companies
- Abundant household financial assets of over JPY 2 quadrillion

Unique Points 01/02 P.15, 16

#### Natural capital

JPX Group Environmental Policy/  
Support for TCFD

### Internal capitals

#### Financial capital

Stable financial base

#### Human capital

Human Rights Policy/Hiring policy and human resource development policy

#### Instrumental capital

Highly reliable and convenient market infrastructure with IT as the source of competitiveness

#### Intellectual capital

Unique intellectual capital accumulated as core infrastructure of financial and capital markets

Unique Point 03 P.17

Unique Point 04 P.18

Our long-term vision to be achieved by 2030

**Target 2030**

## Corporate Philosophy

JPX Group's Business Model

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Corporate Governance

P.65

Risk Management

P.75

**Reinvestment in sustainable growth**



### External capitals

### Social capital/Natural capital

#### Listed companies

#### Promoting corporate value enhancement

- Market capitalization
- Financing functionality for listed companies
- Strengthening governance of listed companies

#### Investors

#### Providing effective asset management opportunities

- Developing products and rules to contribute to asset formation

■ Non-Financial Highlights P.82

#### Society and environment

#### Utilizing market mechanisms to promote sustainability

- Support for and enhancement of listed companies' ESG information disclosure
- Development of ESG-related indices

■ Green Strategy P.26

#### Initiatives as a corporate entity

- Long-term ESG target
- Working to achieve carbon neutrality by FY2024

■ Society and environment P.51

**Providing value to stakeholders**  
 ■ P.11

### Internal capitals

#### Financial capital

Management that is conscious of cost of capital and stock price

- Message from the CFO P.29
- Financial Highlights P.81

#### Human capital

#### Employees

Promoting diversity and work style reforms

■ Employees P.59

#### Instrumental capital

Capital expenditures JPY 13.1 billion

■ Message from the CIO P.27

#### Intellectual capital

Unique intellectual capital accumulated as core infrastructure of financial and capital markets

■ Unique Point 04 P.18

Contributing to realizing an affluent society through sustainable market development

**Medium-Term Strategy**  
 Medium-Term Management Plan  
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Internal Control Systems and Compliance  
 ■ P.80

## OUTCOME

Value creation

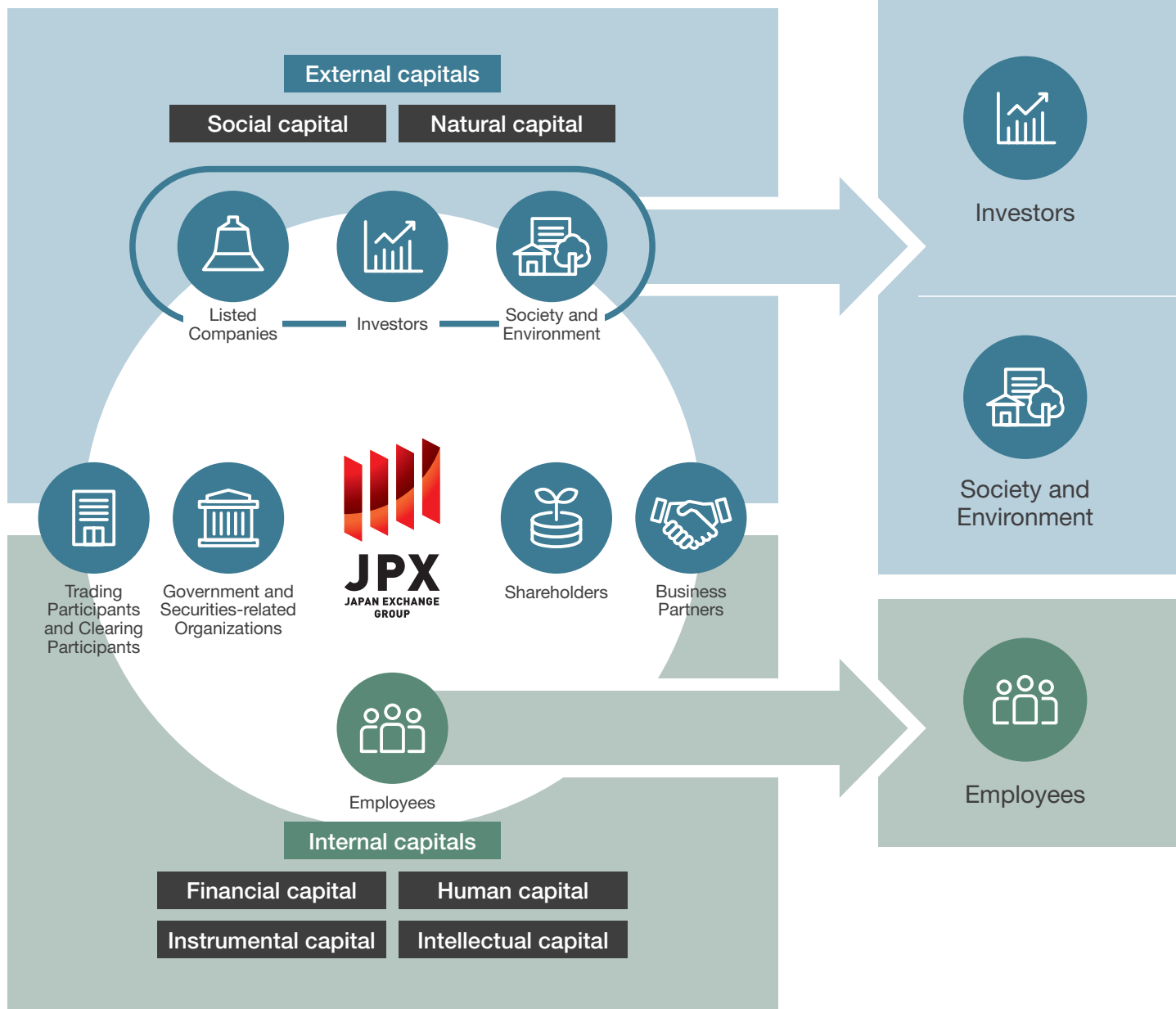
# Providing Value to Stakeholders

—To Realize an Affluent Society—

Through the markets that it has established, JPX Group works together with its diverse stakeholders to carry out its corporate philosophy – contributing to the realization of an affluent society – through utilizing market mechanisms to provide solutions to a wide range of societal issues, as well as providing companies with financing opportunities and investors with asset management opportunities.

## JPX Group's stakeholders

■ Co-creation with Stakeholders P.43



## Providing value to major stakeholders

- Contributing to medium- to long-term improvement of corporate value through the supply of equity funds
- Developing the markets through support activities including development of new indices and increasing corporate value of listed companies
- Contributing to asset formation by providing attractive investment opportunities
- Providing hedging instruments for price fluctuation risk of a wide range of assets and highly transparent price indices (price discovery function)
- Providing instruments for direct investment into the entire market and price indicators
- Utilizing market mechanisms to promote sustainability
- Maintaining and further developing the capital market into one that can coexist with the environment
- Contributing to a decarbonized economy

- Developing human resources
- Promoting diversity
- Employee health and safety

Our long-term vision to be achieved by 2030

# Target 2030

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\*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

## Medium-Term Management Plan 2024

### 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.

■ P.21

- FOCUS 1** Facilitating cycle of corporate innovation/growth and asset formation
- FOCUS 2** Achieving market transformation (MX)
- FOCUS 3** Promoting sustainability that connects society and economy

## Sustainability Policies

Environmental Policy    Human Resource Development and Hiring Policy    Human Rights Policy

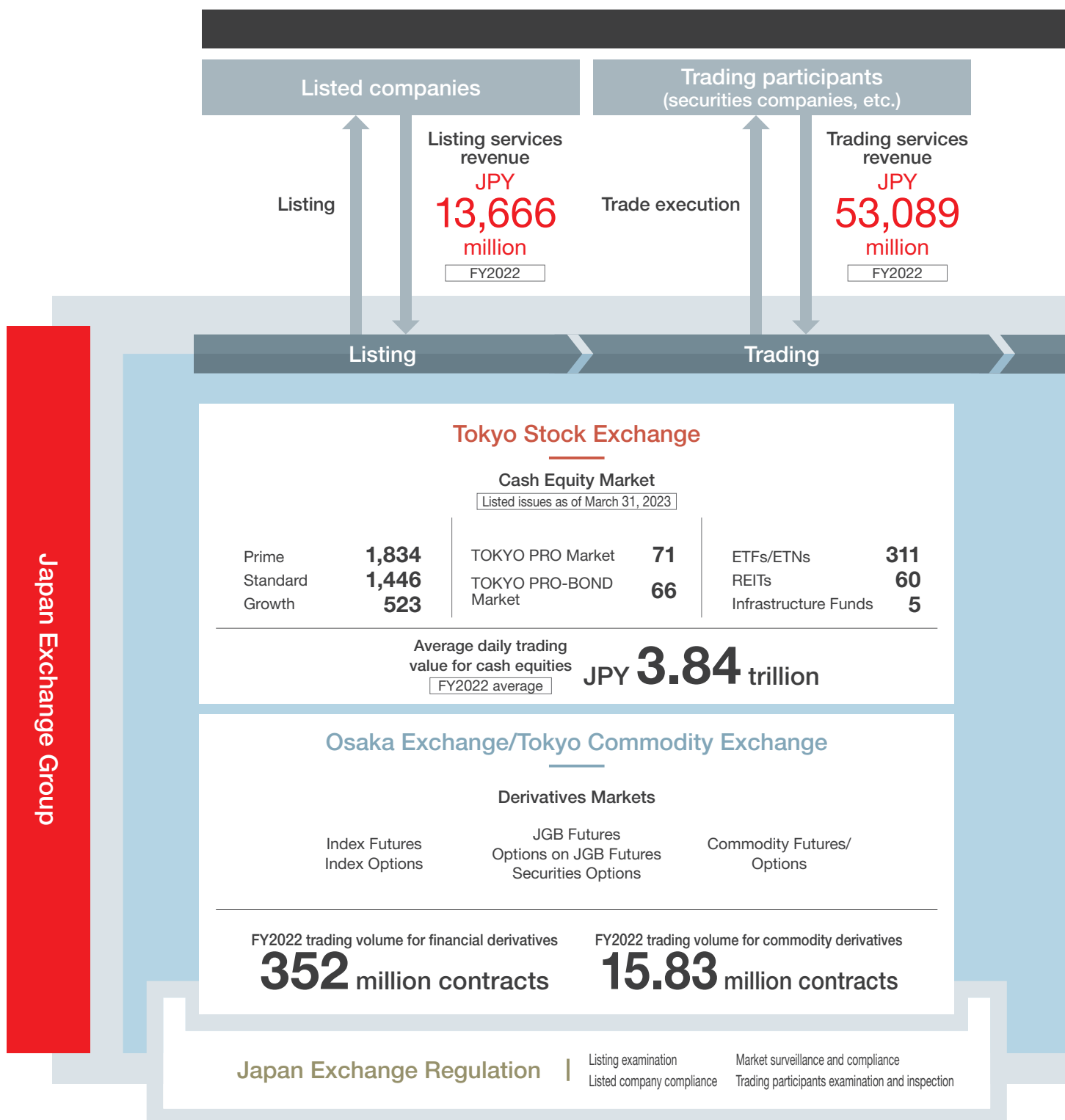
▶ Policies

<https://www.jpx.co.jp/english/corporate/sustainability/our-sustainability/policies/index.html>



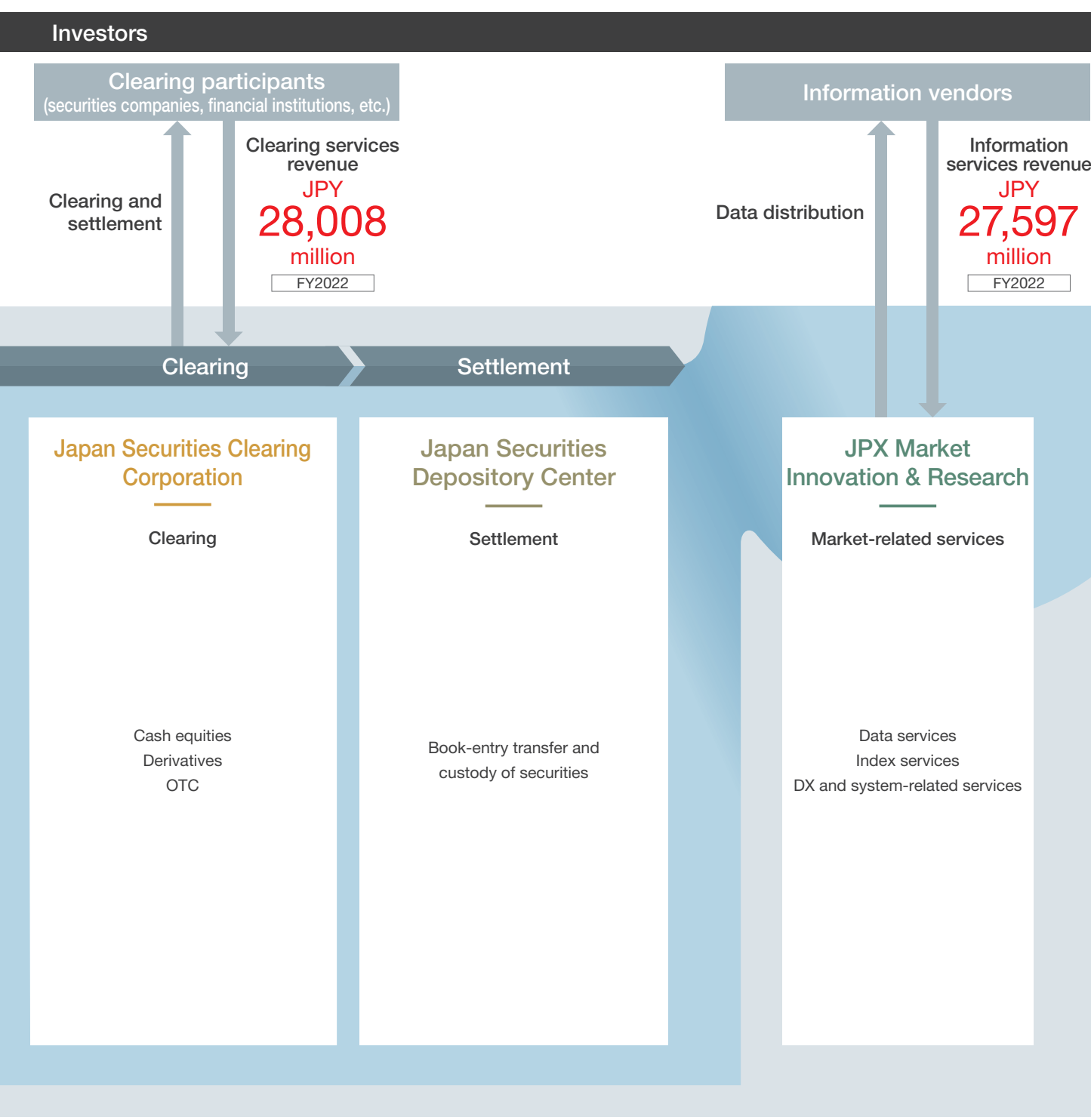
# JPX Group's Business Model

In addition to TSE, which handles the cash equity market, and OSE and TOCOM, which handle derivatives markets, JPX Group also includes a self-regulatory subsidiary which carries out the examination and supervision processes needed to maintain market quality. Our comprehensive services also include clearing and settlement functions. JPX Market Innovation & Research, Inc. (JPXI), which integrates JPX Group's index, data, and digital businesses and unifies provision of various market-related services, is working to advance the diversification of businesses and sophistication of services by strengthening digital and network-related businesses that utilize data and technology.



As consideration for the services it provides, JPX Group receives various types of fees from market users, namely securities companies and other trading participants, information vendors, and listed companies. Specifically, our sources of income are mainly comprised of revenue from trading services, revenue from clearing services, revenue from information services, and revenue from listing services.

Financial and Corporate Data P.81



# JPX Group's Unique Points

The markets established by JPX Group provide companies with financing opportunities, investors with asset management opportunities, and society as a whole with price discovery functions. By fulfilling these social roles, the Group has received the support and trust of market users in Japan and overseas and has grown as a company.

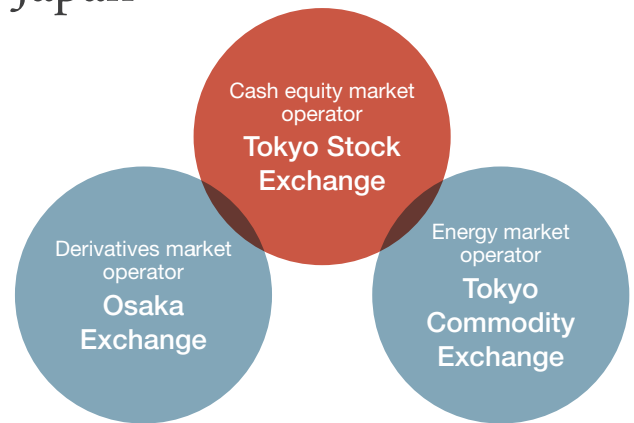
# 01

Japan Exchange Group's Unique Points

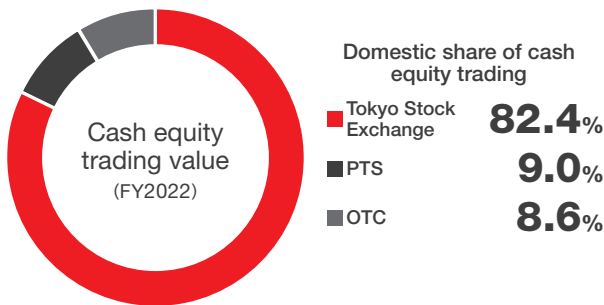
## An exchange group that plays a central role in cash equities and derivatives in Japan

Currently, JPX Group companies operate three markets. Tokyo Stock Exchange (TSE) handles approximately 82% of the trading value for cash equities traded in Japan, and from a global perspective, Osaka Exchange (OSE) handles approximately 80% of the Nikkei 225 Futures trading volume worldwide.

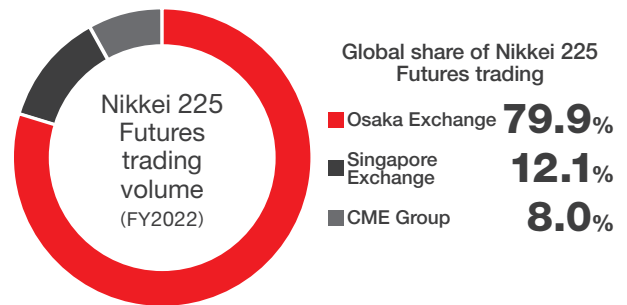
As the core market for cash equities and derivatives in Japan, JPX Group provides vibrant financial markets to users around the globe, based on stable business foundations that have steadily grown together with the Japanese economy.



### Core market for cash equities and derivatives in Japan

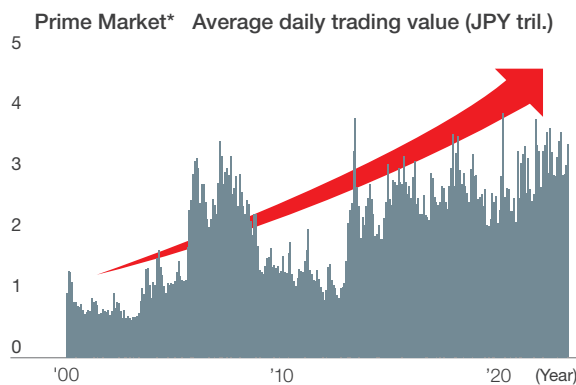


Sources: TSE, SBI Japannext, Chi-X Japan, and JSDA statistics

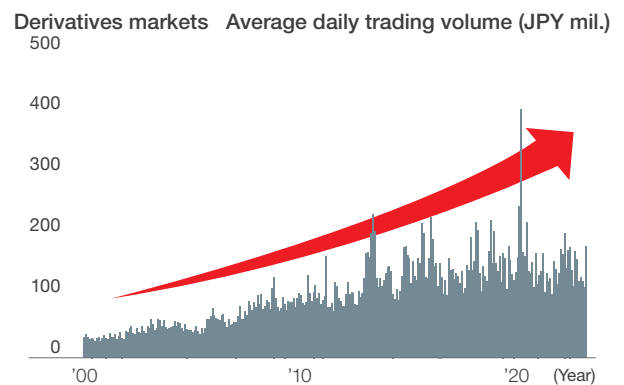


Source: Statistics from each exchange

### Steady growth with the development of the Japanese economy



\*Prior to FY2022, the "First Section"





# 02

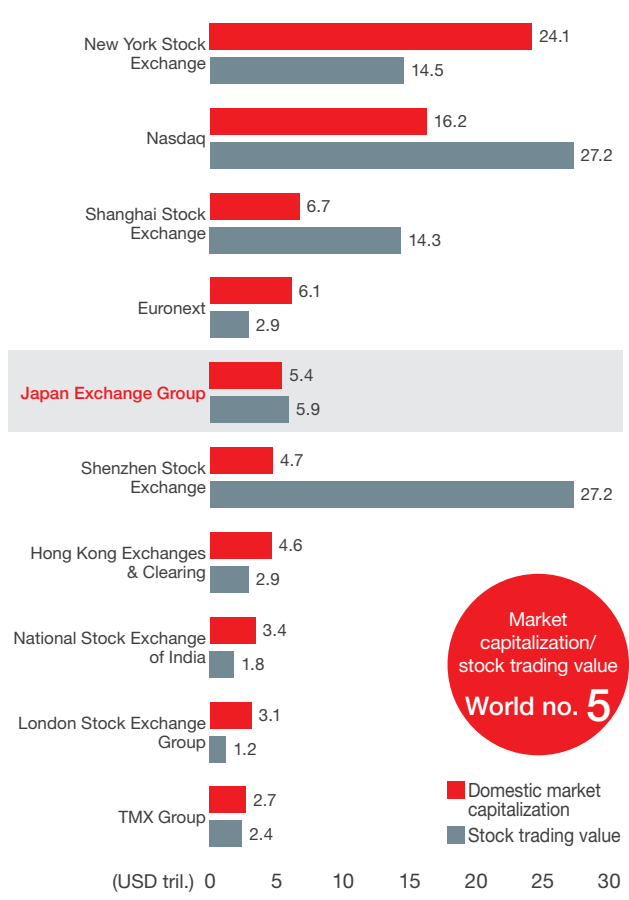
## Japan Exchange Group's Unique Points

### A high global standing

The market capitalization of companies listed on TSE (Japan Exchange Group) was USD 5.4 trillion as of December 31, 2022, ranking number five among exchanges around the world. In addition, JPX Group was ranked 18th in the world in 2022 for derivatives, with a trading volume of 390 billion contracts for the year. In all aspects of its current

business areas, JPX Group has been working with a view to strengthening its global competitiveness and improving the appeal of Japanese markets. In line with this, under the Medium-Term Management Plan 2024 which began in FY2022, the Group aims to continue as a key market on an international level and will strive to further elevate its global standing.

#### Domestic listed market capitalization/ stock trading value rankings



#### Derivatives trading volume rankings



Sources: WFE and Cboe statistics  
 Note: Market capitalization is that of domestic stocks as of the end of Dec. 2022. Stock trading value is that of domestic auction and electronic trading in 2022.

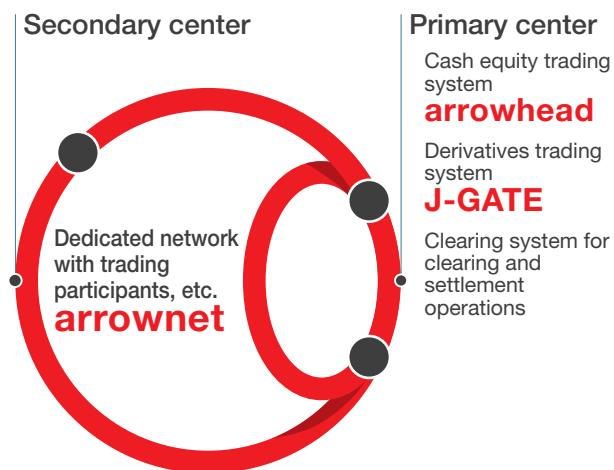
Source: Futures Industry Association statistics  
 Note: Annual trading volume for 2022

## Highly reliable and convenient market infrastructure with IT as the source of competitiveness

JPX Group has developed and operated a large number of systems offering ample capacity, diverse connectivity, and high reliability, such as trading systems including a cash equity trading system (arrowhead) and a derivatives trading system (J-GATE), and a network providing robust connections with market participants (arrownet). These systems are the foundation for creating new value that go beyond the provision of basic market functions such as order placement and execution.

- About arrowhead:  
<https://www.jpx.co.jp/english/systems/equities-trading/01.html>
- About J-GATE:  
<https://www.jpx.co.jp/english/systems/derivatives-trading/01.html>
- About arrownet:  
<https://www.jpx.co.jp/english/systems/network/index.html>

### Main systems of JPX Group



As a part of the market infrastructure that supports society, JPX Group will continue providing Japanese financial instruments exchange market functions that enable everyone to participate daily with confidence and trust. To this end, we will engage in a range of initiatives for building robust systems and networks and reducing various risks that could impact them. At the same time, we will continue striving to create new businesses and value.

Please see the following for specific initiatives.

- Message from the CIO P.27

### Preparation for diverse risks that could impact JPX Group systems



## 04

## Japan Exchange Group's Unique Points

## Unique intellectual capital developed as a core infrastructure of the financial and capital markets

JPX Group has been involved in stable operation of cash equities and derivatives markets for many years. While performing the role of a core infrastructure of the financial and capital markets, we have accumulated unique expertise in exchange operations.

Recently in particular, we been working to strengthen our various types of intellectual capital. These efforts have included using technological innovation and partnerships to diversify our data and index services, strengthening our IT system infrastructure and promoting DX ❶, and acquiring knowledge in the field of digital assets.

In JPX Group's Medium-Term Management Plan 2024, we are aiming to evolve into a global, comprehensive finance and information platform under the slogan "Exchange & beyond." JPX Group will work to provide stable operation of markets based on the proprietary intellectual capital it has accumulated. It will also strive proactively to engage in new business fields, including issuing a Digitally Tracked Green Bond ❷ to help establish a digital

securities market, implementing distributed ledger technology (DLT) for settlement by physical delivery and payment of rubber futures contracts ❸, and the establishment of a carbon credit market ❹.

Moreover, with a view to further developing this intellectual capital and contributing to the realization of a sustainable society and economic development, we will work with external institutions and researchers to conduct surveys and research on the market environment. The results of these initiatives will be communicated to the general public, including market-related entities such as securities companies and investors, through means such as publication in JPX Working Papers and research reports.

### Research and Studies / Policy Recommendations

<https://www.jpx.co.jp/english/corporate/research-study/index.html>

- ❶ Message from the CIO P.27
- ❷ Green Strategy P.26
- ❸ Japan Securities Clearing Corporation P.41
- ❹ Society and Environment P.51





# History of Value Creation

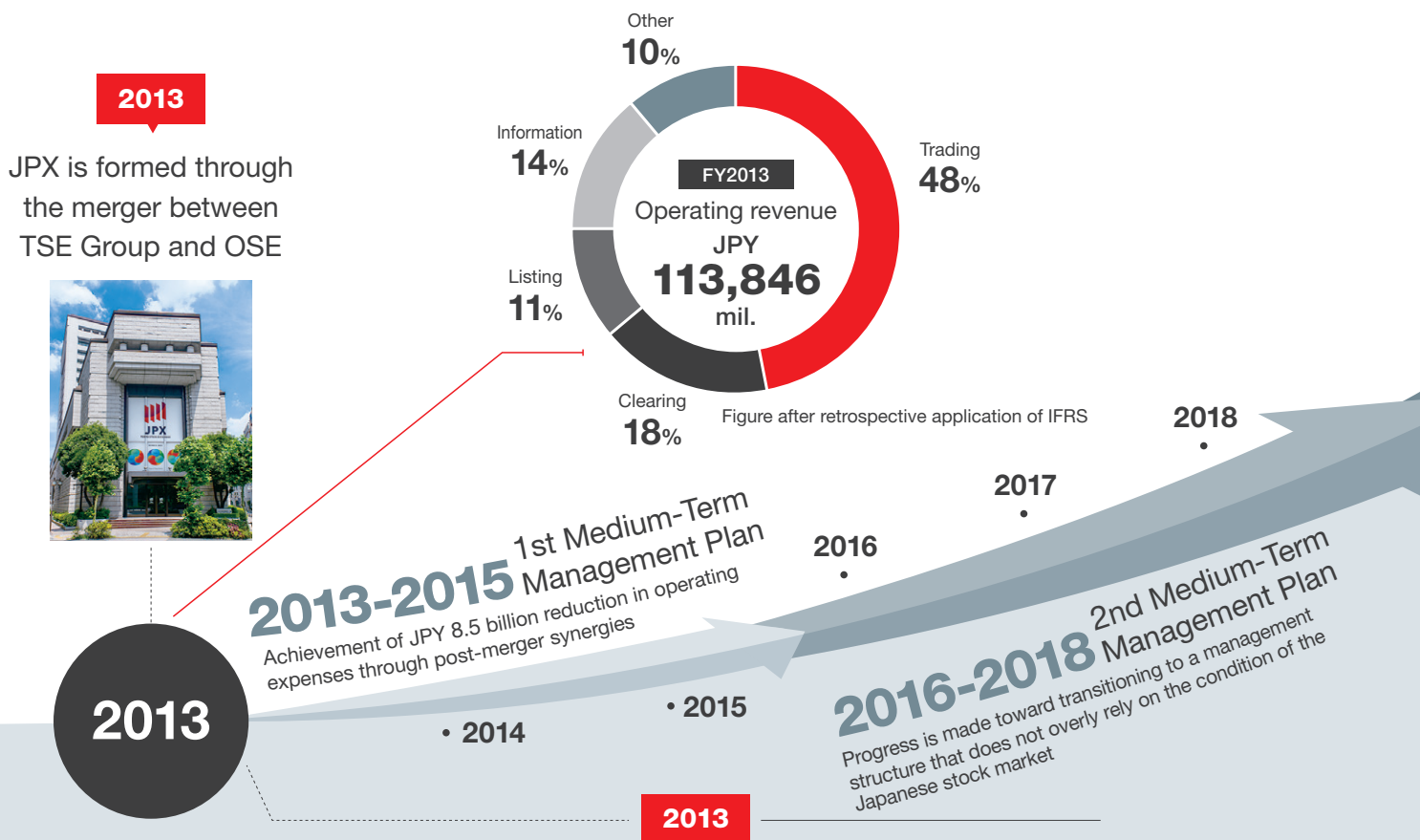
In 1878, soon after the Meiji Restoration, Shibusawa Eiichi, who is known as the "father of Japanese capitalism," established Tokyo Stock Exchange, and Godai Tomoatsu, a businessman who was instrumental in the economic development of Osaka, established Osaka Stock Exchange. Since their establishment, the Tokyo and Osaka exchanges have consistently served as the driving force behind the Japanese economy, responding to the needs of the times for over 140 years.

Japan Exchange Group, Inc. (JPX) is a financial instruments exchange holding company group that was established through the merger between Tokyo Stock Exchange Group and Osaka Securities Exchange on January 1, 2013.

Since its establishment, JPX has engaged in initiatives to expand its business fields to create a Comprehensive Exchange while working to realize post-merger synergies and transform its management structure.

JPX established JPX Market Innovation & Research, Inc. (JPXI) in 2021 as a non-exchange-operating subsidiary, and will continue to strengthen the traditional function of the exchange, that is to maintain stable market operations, while also proactively taking on challenges in new fields without being overly bound by this framework in order to achieve our Medium-Term Management Plan which began in FY2022.

JPX History  
<https://www.jpx.co.jp/english/corporate/about-jpx/history/index.html>

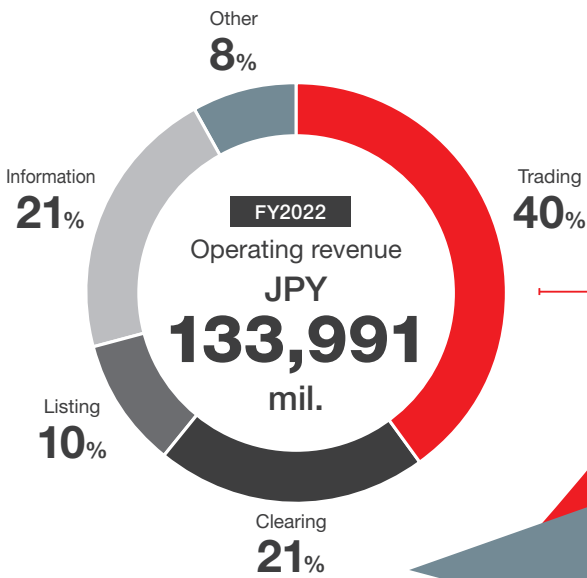


## Expansion of OTC clearing business through clearing house merger

Japan Securities Clearing Corporation (JSCC) and Japan Government Bond Clearing Corporation (JGBCC) merged in 2013. As a result, the clearing operations related to over-the-counter trading for Japanese government bonds which had been carried out by JGBCC were taken over by JSCC, and JSCC became a clearing house that handles a wide range of yen interest rate instruments in addition to clearing operations for Japanese government bond futures trading and interest rate swap trading.

# Exchange & beyond

Strengthening the traditional function of the exchange and actively taking on challenges in new areas



2019-2021  
3rd Medium-Term  
Management Plan

2021

2021

## Establishment of JPXI

JPXI was newly established in 2021 as a non-exchange-operating subsidiary with the aim of pursuing the creation of market services that lead to enhanced functionality and efficiency across the market. JPXI started its operations in April 2022, integrating JPX Group's data and digital operations.



2019

2020

2019

2020

## TOCOM acquired as a subsidiary

JPX merged with Tokyo Commodity Exchange (TOCOM) to create a Comprehensive Exchange that enables one-stop trading for a wide range of instruments from financial instruments to commodities.

## Launch of Comprehensive Exchange

Futures and options on precious metals, rubber, and agricultural commodities which were listed on TOCOM were transferred to Osaka Exchange (OSE). In conjunction with this, JSCC and Japan Commodity Clearing House Co., Ltd. (JCCH) completed their merger and the Comprehensive Exchange commenced full operations.





Focus

1

## Medium-Term Management Plan 2024

# 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

2

Focus

3

### Financial targets, capital expenditures, and capital policy

#### Financial targets for the final fiscal year

Operating revenue

JPY **147.0** bil.

Net income

(Attributable to owners of the parent company)

JPY **53.0** bil.

ROE

At least **15%**

#### Capital expenditures

Total amount over three years

Approx. JPY **50.0** bil.

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

#### Capital policy

Return to shareholders

Dividend payout ratio of approx. **60%**

Flexibly implement further shareholder returns in consideration of future investments, etc.

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 medium to long term



# 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

### 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.

#### Review of the First Year of the Plan

- Summarized discussions of the Council of Experts Concerning the Follow-up of Market Restructuring and set out TSE's future actions
- Released outline of new index focusing on value creation
- Released outline of specifications for a smoother initial listing process and other things
- Concluded capital and business alliance agreement with Minsetsu, Inc. and made SCRIPTS Asia, K.K. a wholly owned subsidiary with the aim of promoting constructive dialogue between listed companies and investors

### 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
- 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 three years of the plan
- Provision of comprehensive financial education including life planning, and strengthening of collaborative activities with industry players etc.

#### Review of the First Year of the Plan

- Released outline of specifications for active ETFs
- Released outline of specifications for optimization of tick sizes for medium liquidity stocks
- Requested issuers to lower investment units
- Launched "JPX Manebu Lab," a comprehensive financial and economic education portal site that provides information from a fair and neutral standpoint
- Published list of TOPIX phased weighting reduction constituents

### Further improve convenience and resilience as a market infrastructure

- Ongoing improvement of systems and their operation, and system upgrades  
**Target** Upgrade of cash equity trading system in the second half of FY2024 and extension of trading hours at the time of upgrade
- Strengthening of BCP function to ensure stable market operations etc.

#### Review of the First Year of the Plan

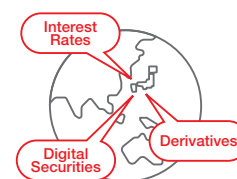
- Started development for upgrading the cash equity trading system
- Completed construction of the secondary data center in the Kansai area in preparation for the predicted large earthquake under Tokyo

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

# 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.

### Strengthen functionality of interest rate-related markets

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

#### Review of the First Year of the Plan

- Released outline of specifications for short term interest rate futures linked to the Bank of Japan's TONA

### Invigorate the derivatives market

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

#### Review of the First Year of the Plan

- Launched holiday trading to enhance investor convenience by providing hedging opportunities
- Released outline of specifications for Nikkei 225 micro Futures and Nikkei 225 mini Options
- Released outline of specifications for the introduction of a new margin calculation method (VaR Method) for listed derivatives

### 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** Three services in the three years of the plan
- 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 three years of the plan **UPDATED**

#### Review of the First Year of the Plan

- With the aim of creating a digital securities market, issued a Digitally Tracked Green Bond, established a study group, joined consortia on digital issues, began joint discussions on establishing Progmatt, and invested in BOOSTRY
- Implemented DLT technology for settlement by physical delivery and payment of rubber futures contracts

# 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.

### 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.

#### Review of the First Year of the Plan

- Launched ESG Bond Information Platform to improve convenience for market users and visibility of the products
- Launched "JPX Listed Company ESG Information WEB (beta version)," which provides a list of links to reports containing ESG information

### Calculate ESG indices and list related ETFs/futures

- Calculation of ESG-related indices, listing of related futures etc.
  - Target** Launch of new ESG indices in FY2022 ▶ **Achieved**  
Listing of futures linked to ESG indices

#### Review of the First Year of the Plan

- With FTSE, launched FTSE JPX Net Zero Japan Index Series, an index series using environmental metrics
- Released outline of specifications for futures contracts based on ESG indices
- Released outline of specifications for the revision to the contract unit of Silver Futures and Palladium Futures to improve trading convenience

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

- Increase in trading of electricity/LNG futures
  - Target** Expand trading volume on electricity futures fivefold by FY2024\*  
Permanent listing of LNG futures by FY2024
- Study and work towards the creation of a Japanese carbon credit market **UPDATED** etc.

#### Review of the First Year of the Plan

- Launched Electricity Futures as a permanent listing and LNG Futures as a trial listing
- Signed MoU with Japan Electric Power Exchange
- Conducted trial trading of carbon credits as part of the "Technical Demonstration Project for Carbon Credit Market" commissioned by the Ministry of Economy, Trade and Industry

\*In comparison with FY2021.





## Global Strategy

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, upgrade of cash equity trading system, launch of derivatives holiday trading, enhancement of functionality in interest rate-related markets and clearing, expansion of English disclosure, etc. **UPDATED**

- **Promotion**

Development of extensive relationships with investors and information vendors and advancement of marketing and sales in trading and information services areas

### 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 mainly in Asia

- **Market/regulation trends**

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

- **International standards, etc.**

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

- **Overseas technical assistance**

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

#### TOPIC

### Strengthening the Foundations of Our Global Business

JPX promotes collaboration with overseas exchanges, governmental organizations, and other entities in order to strengthen its business foundation. It concluded a memorandum of understanding in September 2022 with the New York Stock Exchange regarding support for cross-border investments between Japan and the U.S., a memorandum of understanding in November 2022 with JETRO regarding collaboration on activities such as information dissemination and the promotion of international collaboration and investment in Japan, and a memorandum of understanding in May 2023 with the Asian Development Bank regarding cooperation on activities such as the promotion of sustainable finance in the Asia-Pacific region.

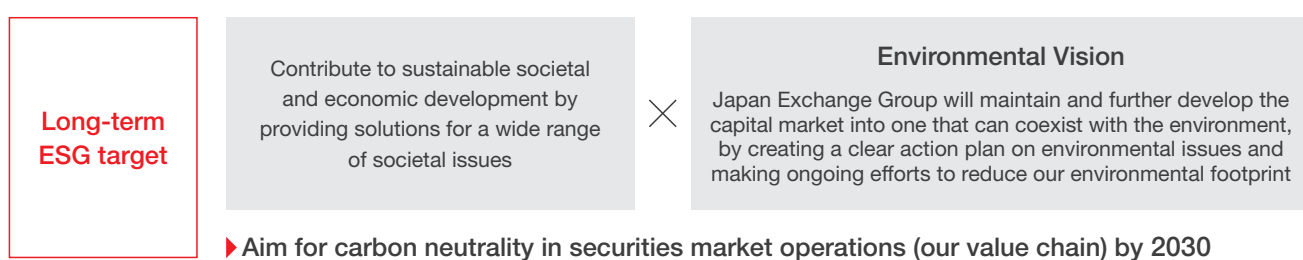
In addition, JPX has joined international organizations such as the World Federation of Exchanges and the SSE Initiative and participates in discussions on international standards and in their development, aiming to promote sustainable investment.

Moreover, through its activities as the Secretariat for the Asian and Oceanian Stock Exchanges Federation, JPX has strengthened its collaboration with exchanges in Asia. It also cooperates with JICA to provide technical assistance abroad by offering training programs on the Japanese securities market for the employees of securities exchanges and other organizations in developing countries.



## Green Strategy

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 Japan's Corporate Governance Code
- Strengthening of sustainability-related information functions (further development of information platform for publicly offered ESG bonds, including functionality enhancement) **UPDATED**
- Calculation of ESG indices and listing of related ETFs/futures
- Vitalization of the energy market, advancement of an emissions trading market (study and work towards the creation of a Japanese carbon credit market) **UPDATED**
- Promotion of use of Digitally Tracked Green Bonds that utilize digital securities **UPDATED**
- 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
- Endorsement of METI's "GX League Basic Concept"

### 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

**TOPIC**

### Promotion of Use of Digitally Tracked Green Bonds

As part of its Green Strategy, JPX Group generates sustainable energy after using the proceeds from the Digitally Tracked Green Bond, which was issued in June 2022, to acquire solar power generation facilities on land that is also used for farming and biomass power generation facilities that use discarded cooking oil for fuel. In order to realize carbon neutrality, JPX Group not only purchases carbon credits but also implements initiatives that create environmental value themselves.

In addition, by issuing the Digitally Tracked Green Bond

as security tokens that utilize digital technologies such as blockchain, JPX Group has made the falsification of greenness indicator data more difficult. It is also enhancing the transparency of data on green investments and increasing the efficiency of its collection by providing a website that displays this data in a timely manner.

JPX Group will contribute to carbon neutrality in society as a whole by improving the convenience of this scheme to encourage broader usage by issuers and investors in the future.



## CIO Message

# Our Persistent Efforts at Stability and Reliability Will Supply Tailwinds for Business Creation and Innovation

## Takura Satoshi

Executive Officer & CIO, Japan Exchange Group, Inc.

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### The Future Role of IT

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JPX Group's systems play a role in the financial markets, and it is our duty to ensure the systems' stable operation. However, as the world continues to rapidly evolve due to new technologies, the growth of JPX Group will slow down if we make this our sole duty. Our solution to this issue is working in an integrated manner on the following two areas: "Areas needing steady progress" and "Areas needing swift responses."

For "Areas needing steady progress," we will intensify and advance efforts to develop and operate extremely reliable systems under rigorous quality control and prioritize the sound implementation of projects such as system upgrades. For "Areas needing swift responses," we will prioritize creating new value with a sense of urgency by actively building new system services and introducing advanced technologies to respond flexibly to business needs.

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### Preparing for Diverse Risks

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In order to provide stable market functions, JPX Group has implemented various measures to reduce business continuity risks that could affect its systems. In promoting these measures,





the Group's IT departments make full use of their knowledge and intellectual capital gained through steady efforts over many years.

### 1 Preparing for system failures

With arrowhead 4.0, the next-generation cash equity trading system that we began developing in 2022, JPX Group aims to strengthen its response to system failure risks and provide even more reliable services by expanding its existing commitment to "Never Stop" to include "Resilience" in order to further ensure that recovery measures are prompt and appropriate.

### 2 Preparing for large-scale natural disasters

In order to minimize the risk of damage to multiple system bases in the event of a large-scale natural disaster, we have been building a backup data center in the Kansai region. Construction of the backup systems that are housed in the Kansai backup data center was completed in December 2022, and they serve as backup systems for the trading and clearing systems of the cash equity and derivatives markets. This will allow uninterrupted market and clearing operations for cash equities and derivatives even if a large-scale disaster, such as an earthquake occurring directly under the Tokyo metropolitan area, makes it impossible to continue operations there.

### 3 Preparing for new threats

In response to the increasing risk of cyberattacks, we are constantly striving to make improvements, such as by establishing an in-house security countermeasure team, detecting incidents in real time, and having experts from external organizations conduct security assessments.

We will continue striving to improve the stability of market operations not only in preparation for system failures but also in preparation for natural disasters and cyberattack risks.

### Using IT Knowledge to Create New Value

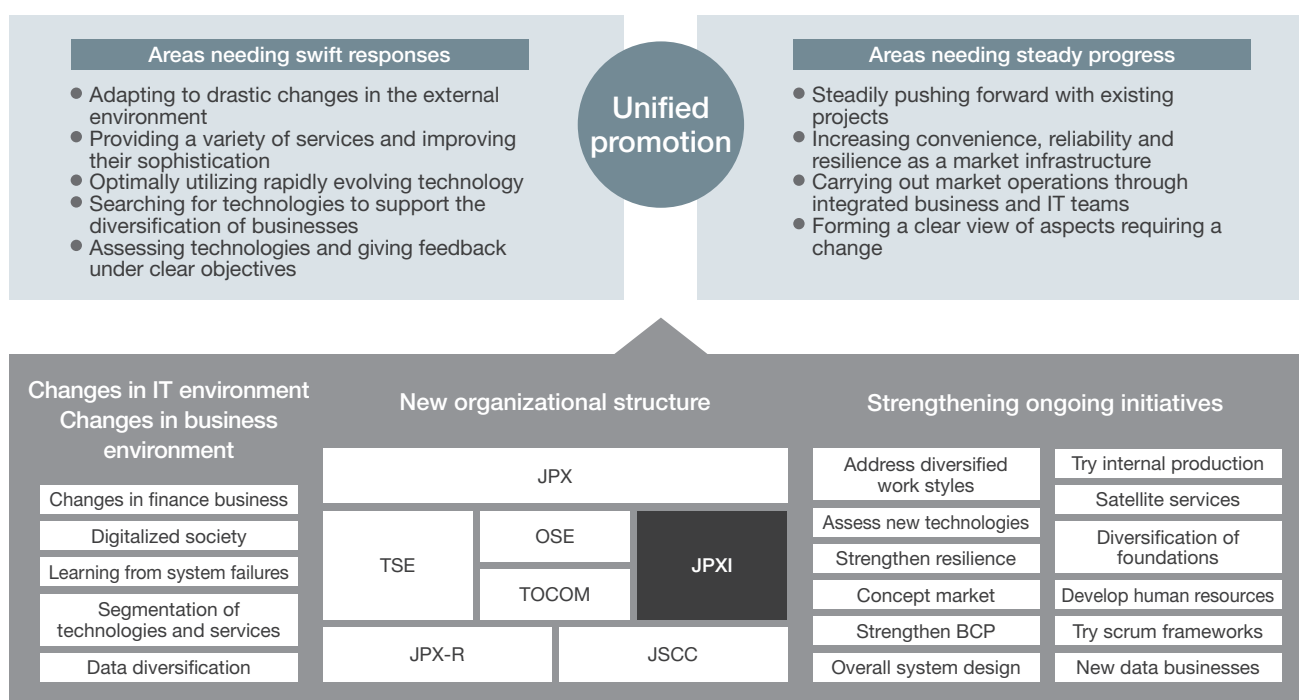
An exchange's IT serves as the foundation for the exchange not only to provide basic market functions such as placing and executing orders but also to create new value.

I believe that we can supply tailwinds for business creation and innovation by utilizing our IT departments' many years of knowledge and promoting the introduction of new technologies and the development of a data use environment that creates links both within and outside the Group.

"Target 2030"—JPX Group's long-term vision for 2030—sets forth the Group's goal of evolving into a global, comprehensive finance and information platform. I believe that using digital technology to create an environment that makes it easier for many stakeholders to use data will create new value.

In order to realize such an environment, JPX Group has created the foundational structures for digital transformation by consolidating its data and digital-related services into JPX Market Innovation & Research (JPXI), which was established in 2021. In addition, JPXI will work on an ongoing basis to strengthen and develop human resources to support the IT of JPX Group. It will strengthen and develop these resources through measures to utilize and develop highly skilled personnel, such as by establishing a recruitment framework to acquire specialists in the field of digital technology.

## IT as a Source and Driver of Competitiveness



## CFO Message

# Supporting the Sustainable Development and Evolution of the Market by Making Constant Investments While Keeping a Balance between Shareholder Returns and Financial Stability for Stable Market Operations

**Tabata Atsushi** Senior Executive Officer & CFO, Japan Exchange Group, Inc.

### Looking Back at FY2022

During FY2022, the tense global situation and other factors affected such things as commodity prices, interest rates, and currency fluctuations, which contributed to brisk trading throughout the year and resulted in the average daily trading value of cash equities hitting JPY 3.84 trillion, a record high for the second year in a row. Meanwhile, as part of a global trend, listing services revenue declined, mainly due to a drop in the amount of funds raised by listed companies. As a result, overall operating revenue decreased 1.1% year on year to JPY 133.9 billion.

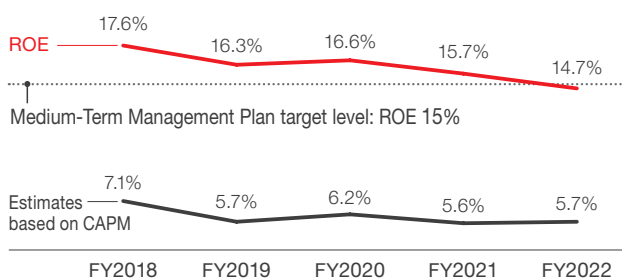
At the same time, operating expenses, particularly in the areas of (1) systems-related costs and (2) expenses related to various measures in the Medium-Term Management Plan 2024 (FY2022-FY2024), increased by 6.8% year on year to JPY 67.5 billion.

As a result, operating income decreased 7.1% year on year to JPY 68.2 billion. Net income (attributable to owners of the parent company) decreased 7.2% year on year to JPY 46.3 billion.

### JPX Group's Capital Policy

It is extremely important that JPX Group maintains a stable financial base in order to ensure that we can always operate our markets stably and with a high level of user satisfaction, without being overly affected by Japanese and global economic conditions and financial policies, geopolitical risks, and other trends. In order to achieve this, we currently anticipate the minimum

### Cost of shareholders' equity and return on equity (ROE)



required equity capital level to be around JPY 250.0 billion. In addition, in our Medium-Term Management Plan 2024 currently underway, we aim to achieve financial targets (operating revenue of JPY 147.0 billion, net income of JPY 53.0 billion, and ROE of at least 15%) by implementing a wide range of measures.

JPX Group recognizes the level of the cost of shareholders' equity at around 6% based on estimates of the CAPM, which is one of the indicators of the cost of shareholders' equity, which is the return expected by a company's shareholders. While we currently achieve an ROE that exceeds the cost of shareholders' equity, we will promote capital-efficient management even more in order to further improve our future ROE.

#### Improving ROE

#### Improving profitability

JPX will improve its overall earning power in various business fields through the revitalization of the Japanese stock market.

In addition, JPX will work to strengthen the functionality of its interest rate-related markets to prepare for future changes in the economic environment, as well as seek M&A opportunities as investments for inorganic growth.

#### Cost control

Operating expenses, which continue to increase, will be suitably controlled by prioritizing projects with an attention to investment efficiency and by conducting business cost-effectively.

#### Balance sheet management/ Shareholder returns

While JPX's basic policy is to maintain a dividend payout ratio of approximately 60%, we will consider the additional return of surplus capital and cash/cash equivalents when appropriate, while taking the feasibility of M&As and other growth investments into account.

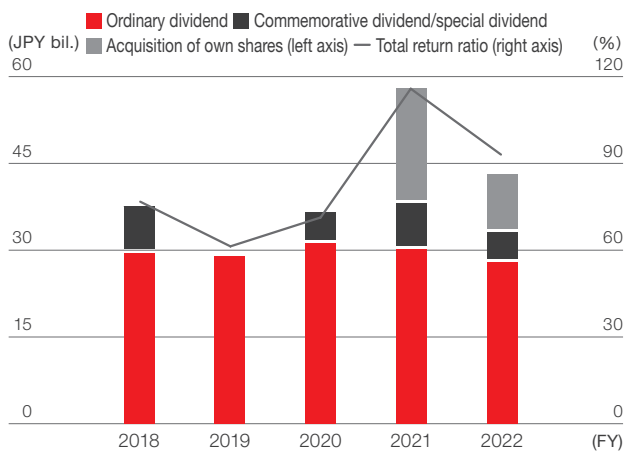
### Shareholder Return Policy

As part of its fundamental shareholder return policy, JPX has announced a dividend payout ratio target of approximately 60% and continues to aim for this as a general rule. On top of that, JPX is considering the implementation of the additional return of profits in the form of surplus capital and cash to shareholders while taking capital efficiency and the feasibility of M&As and other growth investments into account.

In FY2022, JPX acquired approximately JPY 10.0 billion of its



**Past total return ratios & total amount of shareholder returns**



own shares and paid a commemorative dividend of JPY 10 per share that totaled JPY 5.2 billion. The total return ratio exceeded 90%. In line with JPX Group's capital policy, we will continue to flexibly and actively return profits to shareholders while taking the feasibility of growth investments into account.

**Proactive Engagement with Shareholders and Investors to Enhance Corporate Value**

I believe that one of the CFO's most important duties is to hold constructive dialogues with many stakeholders including shareholders, institutional and retail investors, and analysts. At JPX, actual meetings take place with either a director, an executive officer, or the department in charge of IR, depending on the purpose of the meeting or what is requested.

In FY2022, we held earnings and business briefings, as well as company briefings for retail investors, including a briefing on the Medium-Term Management Plan that was presented by the CEO. In addition, we exchanged views on JPX Group's growth and financial strategies individually with 136 Japanese and foreign investors and analysts. As FY2022 marks the first year of the Medium-Term Management Plan 2024, we have been engaged in a series of dialogues to carefully communicate our major initiatives for growth over the next three years in an easy-to-understand manner.

In order to increase JPX Group's corporate value, the understanding of its shareholders, investors, and other stakeholders is indispensable. We will listen to their feedback, understand what they need and lack, and use what we learn in our management.

To this end, the feedback that is obtained through dialogues is reported twice a year to the Board of Directors and quarterly to the whole company, including management. We aim to improve the quality of management by utilizing the feedback in JPX Group's growth and financial strategies. In addition, in order to stimulate dialogue with our stakeholders, we will strive to further enhance our disclosure of financial and non-financial information, with the aim of enhancing our corporate value.

Going forward, we look forward to your continued understanding and support as we continue to invigorate market activity to comprehensively boost our various earnings capabilities, while also responding to future changes in the economic environment by strengthening the functions of interest rate-related markets while investing in growth by actively seeking out M&A opportunities.



# Approach to Creating New Value

## JPX Group's Value Creation Strategies

The entire JPX Group, including subsidiaries and affiliates, engages in business related to the establishment and operation of financial instruments exchange markets and commodity markets so that market users can trade securities with confidence at all times. The markets established by the Group provide listed companies with financing opportunities, investors with asset management opportunities, and society as a whole with price discovery functions.

By further enhancing these functions and responding to changes in the global environment, the Group is working to realize its long-term vision "Target 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."



JPX GROUP

## Tokyo Stock Exchange

Cash Equity Market | P.32 |

## Osaka Exchange

Derivatives Market | P.35 |

## Tokyo Commodity Exchange

Derivatives Market | P.36 |

## JPX Market Innovation & Research

Market-Related Services | P.37 |

## Japan Exchange Regulation

Self-Regulation | P.39 |

## Japan Securities Clearing Corporation

Clearing | P.41 |

# Tokyo Stock Exchange, Inc.

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



JPX GROUP

## Iwanaga Moriyuki

Director & Representative Executive Officer, Group COO  
Japan Exchange Group, Inc.  
President & CEO  
Tokyo Stock Exchange, Inc.

### Our Mission

- Realize an affluent society by building a sustainable and strong economic and social infrastructure, as well as by contributing to future asset formation by individuals, as a result of promotion of corporate value improvement at listed companies
- Realize fair and smooth price formation in the markets and contribute to the protection of investors and the sound development of the national economy through effective trading supervision
- In addition to stable market operations, improve market convenience and reliability through various measures that contribute to improving market functions

### Major Stakeholders

- Listed companies\*, investors, trading participants and clearing participants

\*Includes companies that aim to be listed.

### Perceived Strengths

- Listing of many companies representing the Japanese economy and providing funding opportunities to leading start-ups
- One of the world's largest markets, with a diverse investor base that includes retail investors as well as Japanese and overseas institutional investors
- Trust from and cooperation with market participants built over time
- Safe and reliable cash equity trading system

### Perceived Risks

- Diminishing trading volume, decreasing supply of investment funds, and stagnating economic activity among listed companies and start-ups associated with a deteriorating market environment due to factors such as economic downturns in Japan and abroad
- Risk of no progress in enhancing quality of capital markets
- Reduced liquidity on the exchange due to a higher share of off-exchange trading

## Growth Strategy Creating Value

Tokyo Stock Exchange (TSE) operates Japan's leading stock market and serves as a core infrastructure that supports Japan's capital market. In order to increase the value of JPX Group, it is essential to increase the value of TSE, which is the core of the Group. To this end, we will demonstrate our presence as a place to be listed and a place to trade stocks of listed companies.

As a place to be listed, TSE has launched new market segments and is working to create a framework to promote autonomous initiatives by listed companies, including the promotion of management that is conscious of cost of capital and stock price, with the aim of realizing sustainable growth and medium- to long-term corporate value enhancement. We will continue to work closely with listed companies while implementing measures that enhance their corporate value. We will also strengthen growth support initiatives for start-ups so the fruits of these efforts lead to further innovation and growth.

The ability to provide liquidity so investors can buy and sell according to the requirements of their various needs at all times is an essential mission of TSE as a place to trade stocks. We have taken measures to improve the usability of our market including optimization of tick sizes and will continue to work on this.

In addition, the "Doubling Asset-Based Income Plan" formulated by the government included the drastic expansion and permanence of the NISA scheme and the enhancement of financial and economic education. As financial and economic education is positioned as a national strategy, TSE is increasing the significance of our position in this field by leveraging our unique position as a market operator and collaborating with related organizations to expand the NISA scheme.

In addition, the cash equity trading system is to undergo replacement in the latter half of FY2024. We will also continue to work diligently toward enhancing the system's resiliency as a market infrastructure, given TSE's significant responsibility for ensuring consistent access to stable markets.





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## Changes and Reviews Following the Market Restructuring

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In April 2022, the three new market segments of TSE began operations. With the transition to new market segments, positive changes are occurring at many listed companies to improve corporate value, including initiatives based on new growth strategies, action on sustainability issues, and work to enhance corporate governance. To provide backing to these trends, TSE is discussing how to create better markets through the "Council of Experts Concerning the Follow-up of Market Restructuring." In January of this year, TSE published a summary of issues discussed at the Council's meetings along with its future actions in response to these.

The issues summarized and TSE's future actions consist of two main points.

The first point is the need to clarify the end date of transitional measures for the Continued Listing Criteria established for the transition to the new market segments, from the perspective of promoting a healthy industrial metabolism and increasing foresight for companies. Specifically, based on market assessments and the lengths of plans to meet the Continued Listing Criteria disclosed by listed companies, TSE has decided that, as a general rule, the transitional measures will end in March 2025, three years after the transition to the new market segments.

The second point is, from the perspective of revitalizing the Japanese stock market and by extension the Japanese economy, the need to provide motivation for companies, even those not at risk of falling under the transitional measures, to take

### Special Feature

Enhancing the appeal of the Japanese market by boosting the corporate value of listed companies

### Iwanaga Moriyuki

Director & Representative Executive Officer, Group COO  
Japan Exchange Group, Inc.  
President & CEO  
Tokyo Stock Exchange, Inc.

JPX GROUP



proactive measures to improve corporate value. With this in mind, TSE has decided to develop frameworks to promote autonomous initiatives at listed companies including the promotion of management conscious of cost of capital and stock price.

### Increasing Corporate Value of Listed Companies

In order to promote efforts to increase the corporate value of listed companies, in March 2023, TSE issued a request for all listed companies on the Prime Market and Standard Market to take action aimed at implementing management that is conscious of cost of capital and stock price.

Although Japan's Corporate Governance Code has long indicated that management should be conducted with an awareness of the cost of capital from a medium- to long-term perspective, there are still many companies in the Japanese stock market with low return on equity (ROE) and price-to-book ratio (PBR). Against this background, the Council concluded that TSE should make a request to listed companies in hopes of raising awareness among and changing the behavior of listed company management.

Specifically, TSE has requested that listed companies conduct a series of actions on an ongoing basis. This starts with gaining a proper understanding of their cost of capital and profitability based on the balance sheet, and continues with analyzing and assessing the current situation around these and the market valuation at board of directors meetings, preparing and disclosing plans for improvement, and then using dialogue with investors to update these initiatives. Through conducting these actions, it is expected that, based on the basic management policy established by the board of directors, the management team will take the lead in appropriately allocating resources with sufficient consideration of cost of capital and profitability. This could be by pushing forward initiatives such as investment in



R&D and human capital that leads to the creation of intellectual property and intangible assets that contribute to sustainable growth, investment in equipment and facilities, and business portfolio restructuring.

At the same time, we strongly request institutional investors, who are responsible for dialogue with listed companies, to play a role in supporting corporate efforts, including constructive dialogue based on disclosures associated with the request.

Investors support listed companies that make decisive efforts to increase corporate value, which leads listed companies to accelerate these efforts. Through the creation of such a virtuous cycle, TSE will continue to make every effort to enhance the attractiveness of the market, thereby contributing to the sustainable growth of the Japanese economy and the realization of an affluent society.



# Osaka Exchange, Inc.

By pursuing a convenience that takes the needs of Japanese and foreign market participants into account, we can provide efficient and effective hedging and asset management opportunities as a hub for circulating capital in the Asia-Pacific region, develop Japan's markets, and contribute to improving their global presence.

## Our Mission

- Through the proper operation of a convenient and transparent listed derivatives market, we will provide Japanese and foreign market participants with efficient and effective hedging and asset management opportunities, provide solutions in response to societal issues and economic conditions in Japan and abroad, and sustainably develop the listed derivatives market.

## Major Stakeholders

- Investors\*, society and the environment, trading participants and clearing participants

\*Includes business corporations and other commercial traders.

## Perceived Strengths

- Our reliability as a market operator that we have built over time as both a traditional securities exchange and a pioneering derivatives exchange
- Our position as a Comprehensive Exchange that handles a wide range of listed derivative products whose underliers are stock price indices, securities, government bonds, interest rates, and commodities under the Financial Instruments and Exchange Act
- Our diverse base of market participants as typified by Nikkei 225 Futures and its resulting high market liquidity

## Perceived Risks

- Risk of reduced liquidity due to a decrease in trading volume caused by factors such as a diminished demand for the use of hedging against price fluctuation risks, which is prompted by an economic slowdown and/or changes in industrial structures in Japan or abroad
- Risk of reduced liquidity due to competition with Japanese and foreign exchanges and/or alternative markets that handle similar products

## Yokoyama Ryusuke

Director and Executive Officer, Japan Exchange Group, Inc.  
President and CEO, Osaka Exchange, Inc.  
Representative Director and Chair, Tokyo Commodity Exchange, Inc.

## Growth Strategy

### Creating Value

Osaka Exchange (OSE) and Tokyo Commodity Exchange (TOCOM) operate the integrated JPX Group derivatives markets as a "Comprehensive Exchange," which is a single platform that handles a wide range of listed derivative products whose underliers are stock price indices, securities, government bonds, interest rates, and commodities.

In May 2023, OSE began listing smaller-sized products (Nikkei 225 micro Futures and mini Options) in response to those with more detailed risk management needs and in order to increase convenience for retail investors. In addition, amidst a growing focus on the yen interest rate market both in Japan and abroad, OSE has listed 3-Month TONA Futures in order to provide trading opportunities for both long- and short-term interest rates. Both initiatives are aimed at increasing the number of market participants by responding to new needs.

With the launch of LNG futures in April 2022, TOCOM has put together a lineup of major energy-related products, which

also includes crude oil futures, petroleum-related futures, and electricity futures. TOCOM will continue to pursue its goal of being a fair and extremely convenient comprehensive energy market by providing hedging opportunities in response to the energy situation both in Japan and abroad so that it can contribute to the sustainable development of the Japanese economy.

In September 2022, both exchanges began allowing the holiday trading of derivatives to further improve convenience by providing hedging opportunities on holidays. Its use has exceeded our expectations, and we will continue to promote its widespread adoption.

By expanding our product lineup, increasing our investor base, and providing new trading opportunities, we strive to "invigorate the derivatives market" as set forth in JPX Group's Medium-Term Management Plan 2024.



# Tokyo Commodity Exchange, Inc.

As a "comprehensive energy market" that handles major energy products ranging from fuel to electricity and that is closely tied to industrial policies that are promoted by the Japanese government, we provide an extremely convenient market for Japanese and foreign commercial traders and contribute to the stability and development of industries in Japan and Asia.

JPX GROUP

## Our Mission

- Through the proper and sound management of the energy market, we will facilitate the production and distribution of energy-related products by ensuring that they are fairly priced and by providing hedging opportunities.

## Major Stakeholders

- Investors\*, society and the environment, trading participants and clearing participants
- \*Includes business corporations and other commercial traders.

## Perceived Strengths

- Our position as an energy market that is closely tied to industrial policies that are promoted by the Japanese government
- Our knowledge of and experience at managing the market for energy products
- The trust and cooperation that we have built over time with market participants

## Perceived Risks

- Risk of being unable to provide the liquidity that is expected by commercial hedgers due to a decrease in the number of trading participants who engage in the brokering of customer orders and the delivery of commodities
- Risk of reduced liquidity due to competition with foreign exchanges and/or alternative markets handling similar products

## CLOSE-UP

### Revitalization of the comprehensive energy market

TOCOM's energy market, which provides hedging opportunities, plays an important role as an industrial infrastructure as the focus is on securing stable supplies of affordable energy—essential both for industry and for daily life—amidst the recent supply-demand crunch and soaring energy prices.

The trading of electricity futures, which were permanently listed in 2022, has been steadily increasing, with the number of market participants having grown substantially to more than 160 companies, as opposed to 13 companies at the beginning of the trial listing. In January 2023, we concluded an MOU with the Japan Electric Power Exchange to promote the development of the electricity spot and futures markets and their efficient management and to further mutual cooperation for the creation of valuable services. As Japan is the world's fourth largest consumer of electricity, we expect the electricity market here to continue to grow.

With our experience in managing the market in line with industrial policies, TOCOM will continue to promote a sustainability that utilizes market mechanisms by striving to stimulate the market and improve its convenience through close communication with the authorities and market participants and by increasing our value as an industrial infrastructure.

### Ishizaki Takashi

Executive Officer  
Japan Exchange Group, Inc.  
Representative Director, President  
Tokyo Commodity Exchange, Inc.





# JPX Market Innovation & Research, Inc.

As an organization that serves a central role in JPX Group's strategic business development by consolidating JPX Group's index, data and digital-related services, we will contribute to bolstering the competitive strengths and status of Japan's financial and capital markets while actively creating diverse market services that address new demand.

## Miyahara Koichiro

Director and Executive Officer  
Japan Exchange Group, Inc.  
President & CEO  
JPX Market Innovation & Research, Inc.



### Growth Strategy

## Creating Value

Centered on index, data, and digital services, JPX Market Innovation & Research, Inc. (JPXI) engages in initiatives that contribute to enhancing the competitive strengths of Japan's financial and capital markets, while also playing a key role in creating the global, comprehensive finance and information platform "G-HUB" as set out under Target 2030.

JPXI's current operations, specifically calculating and disseminating indices, furnishing various forms of data, and providing infrastructure such as network and information systems, can be considered as the foundation of the reliability of JPX Group's overall market operations. As such, we will continue solidly operating these services given that they serve as key businesses that account for a substantial portion of our revenues. In addition, we will also resolutely continue to take on the challenge of creating new value through projects such as creating a digital securities market, which is a new field for us, and expanding indices and data services that address various societal issues including ESG.

More specifically, in addition to new development of the "JPX Prime 150 Index" for the purpose of further improving the appeal of the Japanese stock market through the promotion of value creation by listed companies, we will also actively explore initiatives including providing financial products and services that utilize new technologies such as security tokens, and enhancement of frameworks and services that support corporate value improvement and enhanced information dissemination, including ESG information, at listed companies. We aim to achieve our objectives in these fields by utilizing cooperative relationships with external partners, including M&A and capital alliances.

## CLOSE-UP

### Advancing into new areas with JPX Market Innovation & Research

Utilizing cooperative relationships with external partners, JPXI is boldly taking on the challenge of creating diverse market services, including in new areas that JPX Group has never explored, to build foundations for the global, comprehensive finance and information platform (G-HUB) looking ahead to 2030 while also strengthening the competitiveness of Japan's financial and capital markets.

In the index field, we announced the outline of the "JPX Prime 150 Index" in March 2023 which selects stocks from among the top-ranked companies listed on the Tokyo Stock Exchange Prime Market by market capitalization based on two measures of value creation, namely "return on capital" based on financial results and "market valuation" which also incorporates future information and non-financial information. Through the JPX Prime 150 Index, we aim to visualize the penetration of value-creating management and the leading Japanese companies that are expected to create value.

## Our Mission

- With the goal of solving various societal issues including those around ESG, provide a varied index lineup and enhance functions related to dissemination of ESG information
- Create an environment that attracts domestic and overseas investors to Japan's financial and capital markets by supporting listed companies in disseminating information and improving their corporate value
- Contribute to the efficiency of the market and the sophistication of information usage through the creation of a digital securities market, the development of new services that utilize digital technology, and the enhancement of investment-related information

## Major Stakeholders

- Listed companies, investors, society and environment, trading participants and clearing participants, business partners\*

\*In addition to collaborating with information vendors for activities such as joint calculation of indices, we are collaborating with start-up companies for new initiatives.

## Perceived Strengths

- A strong client base centered on TOPIX and a highly fair, transparent, and neutral index management system
- Ability to develop market services built on foundations and know-how cultivated as a market infrastructure
- Extensive track record of using AI, blockchain, cloud and other digital technologies and cooperating with external partners

## Perceived Risks

- Intensifying international competition in the data business field
- Decline in the number of service users due to diminishing appeal of Japan's financial and capital markets

JPX GROUP

As for the digital field, to promote the creation and expansion of a digital securities market for Japan, JPX Group invested in BOOSTRY, Co., Ltd. in March 2023, which provides a security token issuance and management platform. As well as this, since December 2022, joint research on establishing a joint venture company for the digital asset business has commenced with six partner companies, including Mitsubishi UFJ Trust and Banking Corporation.

Furthermore, as part of our work to support listed companies in disseminating information and improving their corporate value, in July 2022 we invested and entered into a capital and business alliance with Minsetsu, Inc., which operates the IR communication platform "Minsetsu." In February 2023, we also made SCRIPTS Asia, K.K. a wholly owned subsidiary. This entity prepares the minutes of events held by listed companies for investors, translates them into English, and distributes them to domestic and overseas institutional investors and securities companies. We aim to contribute to the expansion and revitalization of the Japanese stock market by enabling more constructive dialogue through enhancement of the operational efficiency of dialogue between listed companies and investors/shareholders and the amount of information that is shared.



- Operates "Minsetsu," which provides information on earnings briefings and coordinates meeting schedules for listed companies and investors
- July 2022: Capital and business alliance



- Prepares and distributes minutes of events (in Japanese and English) held by listed companies for investors
- February 2023: Became a wholly owned subsidiary

## Our Mission

- Contributing to facilitating the cycle of sustainable corporate growth and asset formation among the public by supporting sustainable development of markets through self-regulatory functions, including maintaining listed company eligibility, preventing unfair trading, and ensuring soundness of securities companies and other trading participants

## Major Stakeholders

- Investors, listed companies, trading participants and clearing participants

# Japan Exchange Regulation

In order to ensure and enhance credibility with respect to markets, as well as market fairness and transparency, we aim to better engage in self-regulatory operations that instill trust in market users by closely cooperating with government authorities and relevant organizations in Japan and abroad, and also by appropriately addressing environmental changes.

## Hosomizo Kiyoshi

President  
Japan Exchange Regulation

JPX GROUP

## Perceived Strengths

- Organizational structure that enables management and operations from a neutral position
- Substantial expertise based on familiarity with market functions and characteristics

## Perceived Risks

- Emergence of new types of unfair trading accompanying shift to more sophisticated and rapid trading methods
- Impairment of market credibility due to incidents of fraudulent accounting among listed companies and companies applying for listing



## Growth Strategy

### Creating Value

Japan Exchange Regulation (JPX-R) is a corporate body that is established under Japan Exchange Group (JPX) to specialize in self-regulatory operations of financial instruments exchanges under the Financial Instruments and Exchange Act of Japan. It is entrusted by the market operators Tokyo Stock Exchange (TSE) and Osaka Exchange (OSE) to take on self-regulatory operations that consist of: "listing examinations" to examine the eligibility of prospective listed companies; "listed company compliance," which involves monitoring information disclosure and corporate conduct; "trading participants examination and inspection" to ensure the reliability of operations of securities companies and other trading participants; and "market surveillance" to monitor the market for unfair trading.

Our mission is to ensure the fairness and transparency of financial instrument exchanges through self-regulatory operations, thereby increasing society's trust in the market. In order to continue fulfilling this mission, we must respond appropriately to various changes surrounding the market. In

FY2022, under the new TSE market segments, we clarified the methods for listing examinations of deep tech companies while steadily implementing effective self-regulatory operations based on the characteristics of each segment. Two years have passed since JPX Group evolved into a Comprehensive Exchange. In addition to initiatives to improve internal control systems such as monitoring, examinations, and seminars for commodity futures trading participants, we also provided a collection of case studies and held Compliance Learning Center (COMLEC) courses for trading management departments of trading participants. Going forward, JPX-R aims to better engage in self-regulatory operations that gain the confidence of market users by working closely with market operators as well as government authorities and related organizations in Japan and abroad.



## CLOSE-UP

### Listing examination and listed company compliance in line with changes in the market and societal environment

Given that fostering start-ups is the key to promoting the dynamism and growth of the Japanese economy and solving societal issues, various measures are being implemented by the government, including the items listed in the Grand Design and Action Plan for a New Form of Capitalism. Amidst these circumstances, TSE has revised the listing system for IPOs to diversify initial listing methods for start-ups, including facilitating a smoother process for initial listings and enabling Direct Listings. The Listing Examination Department, which examines the eligibility of companies that wish to be listed, conducts necessary reviews of practices as needed in order to conduct appropriate listing examinations in line with such changes in the market and societal environment.

In FY2022, we clarified listing examination methods for R&D-type companies (deep tech) aiming to discover new markets utilizing new technologies in innovative industries such as space exploration. These methods included the utilization of investment valuations from institutional investors, based on the recognition that companies in these industries are in the process of developing their technologies and business models, making the evaluation of corporate value relatively challenging.

In addition, given that FY2022 was the first year after the transition to the new market segments, the Listed Company Compliance Department, which checks information disclosure and corporate behavior of listed companies, considered and implemented necessary measures while paying close attention to the discussions regarding the timing to end transitional measures for the Continued Listing Criteria and other related topics. More specifically, in addition to conducting examinations based on the characteristics of each market segment in accordance with revisions to Japan's Corporate Governance Code, in light of the increased risk of fraud associated with the termination of transitional measures, if concerns regarding the internal control systems of listed companies arise, we are also implementing measures to prevent violations of listing rules and encourage early improvement of internal control systems through visits to listed companies, online interviews, or other means.

Going forward, we will continue to implement appropriate listing examinations and listing management in line with changes in the market and social environment while fostering close collaboration between related departments of JPX Group and market stakeholders.



# Japan Securities Clearing Corporation

By utilizing our track record and competitiveness as the leading clearing house in Japan to offer more efficient and trustworthy clearing services to a diversifying market, we provide an environment where clearing participants, and therefore investors, can trade securely and smoothly.

## Konuma Yasuyuki

Director and Executive Officer  
Japan Exchange Group, Inc.  
President & CEO  
Japan Securities Clearing Corporation

JPX GROUP

### Growth Strategy

## Creating Value

By providing clearing services to the market, Japan Securities Clearing Corporation (JSCC) plays an important role behind the scenes, supporting the market through improving settlement efficiency and ensuring transaction security. In order for JSCC to contribute to the creation of value for JPX Group through the development of markets, we believe it is important to strive to continuously improve risk management based on global best practices, in addition to providing clearing services to as many markets as possible. Some examples of these efforts are providing clearing services for new products introduced by the exchanges such as 3-Month TONA Futures, and the introduction of the VaR method for margin which enables more precise risk calculations and is being adopted for futures and options trading globally.

As a social infrastructure that provides services to various markets, the strengthening of JSCC's business continuity framework for emergencies holds even greater significance for JPX Group's value creation in view of future expansion of services.

We are also working to implement new technologies such as distributed ledger technology (DLT) in fields where JSCC provides services. By utilizing these new technologies, we believe that we can contribute to improving convenience for clearing participants and other market stakeholders, as well as to revitalizing the market.

Leveraging our track record and competitiveness as Japan's leading clearing house, JSCC will continue to strive to meet the expectations of clearing participants, as well as a broad spectrum of investors, by augmenting and improving secure and convenient clearing services.



**Our Mission**

- Contributing to sustainable development of the market economy by providing the foundations for abundant liquidity and smooth price formation for diverse markets, whether on exchange or over the counter, through improving settlement efficiency and ensuring trade security

**Major Stakeholders**

- Trading participants and clearing participants, investors

**Perceived Strengths**

- 20 years of experience in providing clearing functions to various markets in Japan
- High-level risk management with an awareness of global standards
- Providing centralized clearing services for various trades
- Highly convenient clearing services through close communications with domestic and international clearing participants

**Perceived Risks**

- Risk of inability to complete an appropriate default settlement of a clearing participant, which has a significant impact on other clearing participants and in turn the entire market, due to inadequate or inappropriate operation of risk management systems
- Risk of difficulty to continue operations as the social infrastructure that supports the market economy due to events such as system failures and natural disasters

**CLOSE-UP**

**Introduction of VaR Margin for futures and options trading**

JSCC guarantees the settlement of trades by clearing participants on exchange and over the counter. However, to prepare for a situation where a clearing participant goes bankrupt, JSCC requires clearing participants to deposit margin as collateral to cover losses pertaining to the bankruptcy.

Although the required amount of margin to be

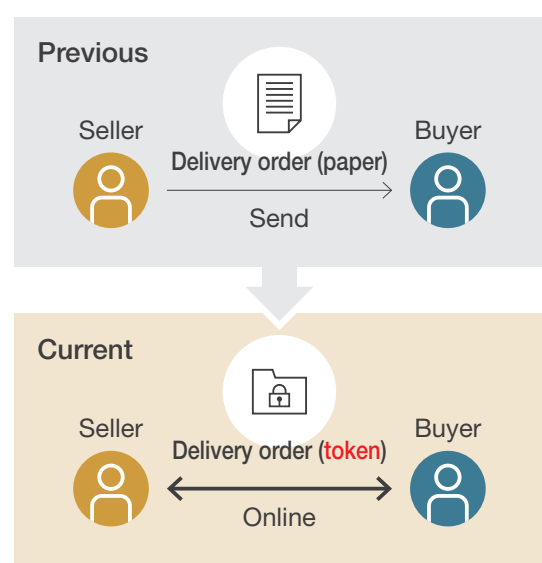
deposited with JSCC for futures and options trading is currently calculated using SPAN, which was developed by CME, we are preparing to introduce the VaR method for calculating margin in November 2023 with the aim of both suppressing rapid fluctuations in margin levels and improving the original function of margin, which is to protect customers and clearing participants through more sophisticated risk management.

**Utilization of DLT technology for settlement by delivery of rubber futures transactions**

JSCC is also working to utilize new technology in the clearing and settlement fields. From January 2023, we have implemented DLT technology for settlement by delivery of rubber futures transactions as the first step in utilizing this technology. In the past, settlement by delivery of rubber futures transactions was carried out through the exchange of documents called delivery orders. Due to the efforts of JSCC, we are shifting to a method of online exchange of tokens that record information on the delivery instructions. As a result, the creation and transportation of delivery orders, which had taken place between seller and buyer for each delivery by settlement of rubber, are no longer necessary and the process can all be completed online.

Going forward, we will strive to expand these methods for improving convenience to futures trading of precious metals such as gold, silver, and platinum, which have higher liquidity than rubber, while also keeping an eye on relevant changes in laws.

**Rubber futures delivery**







# Co-creation with Stakeholders

JPX Group's corporate philosophy is to contribute to realizing an affluent society by promoting sustainable development of the market. At the UN Sustainable Development Summit in 2015, 17 Sustainable Development Goals (SDGs), a set of international goals related to the economy, society, and environment, were adopted as a step towards realizing a society that is sustainable, diverse, and inclusive. JPX Group's corporate philosophy is linked to bringing about the society that the SDGs aim to create.

To achieve its corporate philosophy, JPX Group recognizes corporate governance, corporate ethics and compliance, information security and cyber security, recruiting and developing human resources, and addressing climate change risks to be particularly important issues. Through dialogue with market users such as listed companies and investors as well as other diverse stakeholders, the Group aims to address corporate management with an understanding of social changes from diverse perspectives, thereby contributing to bringing about a sustainable society and economic development by providing solutions to a wide range of societal issues.





Listed Companies



Investors



Society and Environment



Trading Participants and Clearing Participants



Business Partners



Employees



Shareholders



Government and Securities-related Organizations



## Approach

In order to achieve JPX Group's long-term vision of realizing a sustainable society and economic development, it is essential that we create a virtuous cycle in which we promote the innovation and growth of the listed companies that support society and the economy, the fruits of which lead to asset formation for the people of Japan and generate further innovation and growth. JPX Group supports listed companies' efforts to enhance their corporate value by providing a smooth supply of funds and by developing a foundation for dialogue with investors.



## Initiatives

### Raising Awareness of and Literacy about the Cost of Capital and Stock Price

In March 2023, we made a request entitled "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" to all listed companies in the Prime and Standard Markets in order to promote their efforts to enhance their corporate value. The request calls on listed companies to take a series of actions on an ongoing basis: namely, to accurately understand their cost of capital and return on capital, to analyze and evaluate the current situation regarding their cost of capital, return on capital, and market valuation at their board meetings, to formulate and disclose plans for improving those figures, and to update their efforts thereafter through dialogue with investors.

Listed companies are currently making progress in formulating and disclosing their plans for improving those figures, as well as enhancing their dialogue with investors. JPX Group will continue to follow up to ensure that these trends continue and that efforts by listed companies to enhance their corporate value become more effective.

### Improving the Effectiveness of Dialogue with Investors

JPX Group is promoting efforts to enhance the effectiveness of listed companies' dialogue with their investors, as such dialogue can provide opportunities for the companies to gain insights into how to improve their management capabilities. This is especially important for companies that are listed on the Prime Market, since they are expected to focus on constructive dialogue with investors to improve their corporate value.

In March 2023, JPX published "Better Dialogue with Shareholders and Related Disclosure" and called on companies that are listed on the Prime Market (1) to develop systems and initiatives to promote constructive dialogue with shareholders and (2) to disclose information about any dialogues they have. We will follow up with each company about the degree to which it has implemented dialogues and continue to promote efforts to improve their effectiveness.

### Improving the Quality of Corporate Governance

Since the establishment of Japan's Corporate Governance



Code in 2015, significant progress has been made with respect to corporate governance at listed companies, including the appointment of independent outside directors and the establishment of nomination and compensation committees. At the same time, in order to promote listed companies' efforts to enhance their corporate value, it is essential to link these formal changes to substantive progress.

Against this backdrop, there have been cases where we consider the response of some listed companies to be purely surface-level, for instance, leaving their explanations as to why they are not complying with certain principles of the Code as "under consideration" for several years in a row. For this reason, in March 2023, JPX Group put together a document entitled "Using 'Explain' to Contribute to Constructive Dialogue" to reiterate the purpose of the comply-or-explain approach and to clarify adequate and inadequate examples of comply-or-explain explanations. We hope that listed companies will use this as a reference for conducting voluntary reviews of their comply-or-explain explanations and improve the quality of their corporate governance.

In addition, while an increasing number of listed companies have established nomination and compensation committees, the roles and functions of these committees are not always clear. Going forward, we will continue to encourage listed companies to disclose the activities of their nomination and compensation committees, as well as compile a review of the committees' activities and examples of their roles and functions after we have gotten a grasp of their state of affairs.

## Further Expansion of English-Language Disclosure

Lately, the presence of overseas investors in the TSE market has been growing year after year, and they now hold 30% of listed companies' shares (by value). Against this backdrop, the proportion of companies that disclose information in English has also been increasing each year. However, the proportion that disclose corporate governance reports or timely disclosure materials besides financial statements in English tends to be relatively low. Many have called for the speedy timing of English-language disclosure and expect further improvements. In particular, accelerating efforts to enhance English-language disclosure is essential in the Prime Market, where the concept is one of dialogue with global investors.

JPX Group will continue to encourage the further expansion of

English-language disclosure by companies listed on the Prime Market and the elimination of the time lag between Japanese-language and English-language disclosure, while taking into consideration the burden on companies and the level of use by investors. JPX Group will also be considering the specifics with a view to making such disclosure mandatory in the future. In addition, we plan to compile examples of English-language disclosure for each market segment to promote voluntary disclosure in the Standard and Growth Markets.

## Enhancing the Functions of the Growth Market

Nurturing startups is the key to promoting the dynamism and growth of the Japanese economy and to solving societal issues, and as such the Japanese government is promoting various measures, including those set forth in the "Startup Development Five-Year Plan." For JPX Group, the nurturing of startups that will be the driving force of new industries is an important issue, and there is a need to ensure that the Growth Market for companies with a high growth potential functions more as part of an ecosystem that supports startups' growth.

Against this backdrop, since May 2023, JPX Group has been surveying the management of companies that are listed on the Growth Market and is currently considering measures to further enhance the Growth Market's functions based on the survey's results. The environment surrounding startups changes rapidly, and JPX Group will continue to respond in such a way that it can move ahead with its initiatives in a speedy manner.



## Initiatives

### Approach

In order to achieve "Facilitating cycle of corporate innovation/growth and asset formation," a core strategy of the Medium-Term Management Plan 2024, it is important that the fruits of corporate growth lead to asset formation by citizens, and that this links to the next cycle of innovation and growth. By providing comprehensive financial and economic education, including life planning, JPX Group seeks to generate social value by resolving the challenge of improving financial literacy among citizens, and to enhance economic value over the medium to long term by expanding the investor base.

### Role of Financial and Economic Education

In Japan, the amount of household financial assets continues to increase year by year, totaling more than JPY 2.0 quadrillion, the highest ever level. However, these assets are still not being fully utilized. Statistics on the composition of Japanese household financial assets indicate that cash and deposits account for a high proportion, approximately 54% of the total, while stocks and other investments account for only approximately 15%.

Japan faces the problems of a shrinking workforce and the limits of its social security system. How to use its assets as efficiently as possible to generate economic growth for the next generation is a major issue. One way to address this issue is to improve the financial literacy of all individuals and encourage a shift to asset formation. In its "Doubling Asset-Based Income Plan" that it announced in November 2022, the Japanese government has

also stated a "shift from savings to investment" as one of its goals and has specified "enhancing financial and economic education" to be one of the pillars by which to achieve it. Going forward, it is planned for this to be promoted by the public and private sectors in tandem.

JPX Manebu Lab



JPX Manebu Lab is a brand that represents JPX Group's financial and economic education as a whole. The name was derived by combining the English word "money" and the Japanese word "manabu" meaning "to learn," such as in a laboratory or a research institute. In short, it is where a wealth of knowledge about money is accumulated.



## Developing Programs for All Ages under the JPX Manebu Lab Brand

In view of the importance of financial and economic education, JPX Group has been providing a variety of educational programs to provide support for the promotion of asset formation by individuals that is tailored to a range of different needs.

The environment surrounding individual investors has changed dramatically in recent years. While asset formation has become more accessible with the growing awareness of SDGs and ESG investments, the spread of fintech, and the popularization of information sharing through social networking sites, it is

becoming increasingly important for the stable asset formation of all citizens that they obtain accurate information about finance and life planning and that they themselves make independent judgments about such issues.

Out of recognition of these issues, and from its impartial, neutral position as a capital market operator, JPX Group has chosen to strengthen and improve its financial and economic education activities, efforts symbolized by the April 2022 launch of the new JPX Manebu Lab brand. Various programs are being developed under this brand in a unified and systematic manner to provide accurate financial knowledge that aids in an individual's money and life planning.

### JPX Manebu Lab (JPX Group's Financial and Economic Education)

For working adults	<b>Workplace Seminars/Training Workplace Manebu</b> Number of Participants Approx. 6,100 people (approx. 100 sessions)	To provide employees of listed companies and other organizations with opportunities to learn more about asset formation and securities markets as part of in-house training and study sessions, we provide a "Workplace Manebu" service whereby JPX Group staff well-versed in financial and capital markets can be deployed to give fair and impartial lectures.
	<b>Website on Asset Formation TSE Manebu</b> Average Monthly Views Approx. 1.4 million page views	The purpose of this website is to help people build assets in a way best suited to their needs by providing information for understanding the importance of asset formation through long-term, diversified investment, including everyday money-related topics that will be easy to grasp even for those who have no investment experience. We provide daily articles on a wide range of themes, such as infographics that explain things in an easy-to-understand visual form, content about post-retirement finance in preparation for a 100-year life, and instructions on how to use ETFs.
	<b>Seminars Seminar Manebu</b> Number of Viewers Approx. 350,000 people (approx. 120 sessions)	By holding seminars and other events, we provide interested adults of all ages with fair and unbiased knowledge and information regarding finance and the economy that is considered necessary for asset formation and asset management. This includes explanations on the role of stocks, ETFs, REITs, derivatives, and other financial products and how they work.
For students	Target: Elementary, Junior High, and High School Students <b>School Manebu</b> Number of Participants Approx. 3,700 students (approx. 50 sessions)	JPX Group sends its staff to schools to speak during home economics, politics & economics, or civics classes. They give lectures on how stock companies work and mix in some role-play and skits to help students familiarize themselves with financial and economic concepts. In addition, we hold two types of economics lectures, one for elementary and junior high school students and their parent/guardians and another for teachers, mostly during summer vacation. We have also developed the JPX Entrepreneur Experience Program for junior high and high school students, where they can experience starting a business from scratch as an entrepreneur.
	Target: Undergraduate and Graduate Students <b>Campus Manebu</b> Number of Participants Approx. 7,500 students (approx. 100 sessions)	Based on the requests of universities nationwide, JPX Group holds courses intended to substantially deepen the understanding of finance, economics, securities markets, and derivatives markets among those university students who will soon be shouldering the responsibility for the Japanese economy. The Group holds sponsored courses and joint courses at a number of universities. The courses cover the latest developments in law, economics, management, and accounting related to the securities market, along with the roles expected of listed companies.
Guided Facility Tours	<b>TSE Arrows and OSE Gallery Tours</b>	To give everyone a better first-hand understanding of exchanges, JPX Group opens its facilities at the Tokyo Stock Exchange and the Osaka Exchange to a wide variety of visitors, from students to working adults. Along with tours of the facilities, we also provide lectures on finance and economics tailored to the needs of our visitors.

#### Enhancements/Improvements during FY2022

- Held the JPX Manebu Lab Kickoff Symposium (June 2022)
- Partnered with the Japan Securities Dealers Association to dispatch instructors to hold workplace seminars on financial education (July 2022)
- Established a new portal site for one-stop access to each of the JPX Group's educational programs (October 2022)
- Held a round-table discussion with experts for effective PDCA for the project as a whole (March 2023)



JPX Manebu Lab Kickoff Symposium



Facility Tour

Notes: 1. Actual figures for FY2022

2. In addition to the above activities, we participate in the Project for Disseminating Knowledge about Securities, which was set up as a joint effort by organizations involved in the securities industry to create and provide financial and economic education materials for schools. Moreover, together with the Ministry of Economy, Trade and Industry (METI), each year we select and announce listed companies that are engaged in superior efforts with regard to specific themes in order to provide individuals with an opportunity to consider stock investing.

### Investors





## Approach

For JPX Group, Japanese and overseas institutional investors are important players in the Japanese market, accounting for approximately 80% of its trading value. In order for the Japanese market to continue to develop into an even more convenient market and for JPX Group to realize its long-term vision of becoming a "global, comprehensive finance and information platform," we believe it is important to promptly reflect the real voices of institutional investors—the main users of the market—in the development of JPX Group market rules and operational improvements, and we are committed to proactive communication.



## Initiatives

### Japanese Institutional Investors

In order to improve market convenience for investors, we exchange ideas with Japanese institutional investors on a regular basis and use those ideas to revise the market rules and improve system functions. For example, in order to promote the ETF market, we exchange ideas with over 1,000 domestic financial institutions, hold institutional investor seminars every other month, and conduct an annual ETF institutional investor survey. Through these activities, we not only introduce the ETF market, but also conduct interviews about product needs and requests to improve the rules to suit the market environment. In addition, we released CONNEQTOR, an ETF trading platform based on the concept of quicker and cheaper ETFs, in February 2021 in order to meet the needs of institutional investors and established a new ETF Promotion Department in April 2022 in order to further intensify our activities promoting the ETF market.

In the derivatives field, JPX Group listed its first short-term interest rate futures product, 3-Month TONA Futures, in May 2023. We exchanged ideas with a wide range of institutional investors concerning the design of this product. In addition, in response to investor feedback, JSCC, which also clears OTC interest rate swaps, is preparing to support margin offset (cross margining) between the two products in order to improve market convenience. As a result of these efforts, various types of Japanese and overseas investors have begun investing in TONA Futures since their initial listing.



In addition, from the viewpoint of continuously providing market participants with information on our initiatives, we established the new "Kitahama Investment Academy Professional" in October 2022 to provide an environment for market participants to systematically learn about various things ranging from an overview of derivatives and commodities trading to the characteristics of market trends. We intend to further revitalize the derivatives market through these activities.

### CONNEQTOR P.57



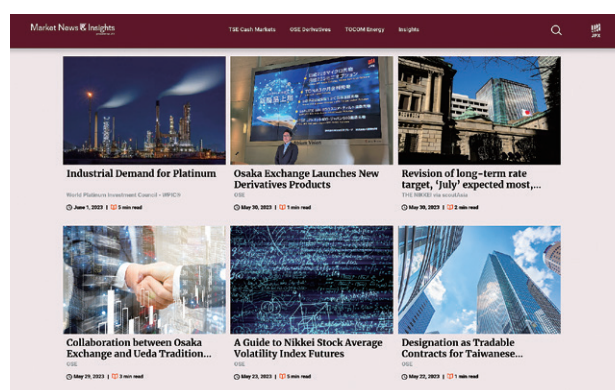
## Overseas Institutional Investors

Overseas investors account for more than 60% of the trading value of JPX Group's markets. JPX Group gives explanations to and exchanges ideas with them about its market rules at both its Japanese and overseas offices. There are many types of overseas institutional investors who use a variety of trading strategies, including long-term investing, quantitative, and market making strategies. We communicate with these investors on a regular basis to learn of any market-related requests that they have or issues that they face. This data is managed centrally through our client management system and reported to management so that improvements can be made. We are also working in partnership with the relevant internal departments to improve the overall appeal of Japan's financial and capital markets vis-à-vis the world's markets by developing new products that are highly sought-after by investors as well as by considering and launching new data services.

In addition, we are strengthening our English-language information provision for overseas institutional investors. For example, JPX Group made SCRIPTS Asia, which distributes the minutes of listed companies' earnings briefings in both Japanese and English, a wholly owned subsidiary in February 2023. In order to enhance information provision related to listed companies, we are introducing institutional investors to the

services that SCRIPTS Asia provides. Furthermore, an internal project team was established in order to enhance our own English-language information, and "Market News & Insights," a new dedicated website for overseas investors, was launched in June 2022. By posting articles on this website about market rules, product overviews, market trends, and other news and sharing them via LinkedIn, a mainstream social networking service among overseas market participants, we are intensifying our efforts to communicate the appeal of the Japanese market to overseas investors. Through these efforts, we aim to expand awareness of the Japanese market and arouse investment interest and in so doing attract new investors and stimulate trading.

### SCRIPTS Asia's services P.58



Market News & Insights  
<https://market-news-insights-jpx.com/>

We believe that our efforts to communicate directly with institutional investors on a regular basis and to incorporate the real voices of investors into market operations are essential to creating a market that is preferred both in Japan and abroad. We also believe that the results of these steady efforts can contribute to revitalizing the Japanese market and, in addition, improve Japan's international standing.

### Approach

In addition to its own ESG issues as a corporate entity, JPX Group is also working on various measures from the perspective of financial and capital markets to support our stakeholders, particularly listed companies and investors, in their efforts to address various societal issues. We aim to provide solutions to a wide range of societal issues by striving to create an environment in which everyone can easily access sustainability-related information, products, and services.

### Promotion of Sustainable Finance

With the growing importance of sustainable finance in achieving a sustainable society, in addition to promoting the disclosure of information by listed companies through clarifying our expectations in Japan's Corporate Governance Code, we are also supporting the dissemination of sustainability-related information from issuers through operation of the "ESG Bond Information Platform," which consolidates information on publicly offered ESG bonds. We hope that these efforts will promote dialogue with investors and other stakeholders and lead to further progress and strengthening of issuers' efforts to address sustainability issues.

In addition to these efforts to support those disseminating their own information, JPX Market Innovation & Research (JPXI), which is responsible for the Group's digital-related business, is strengthening the sharing of sustainability-related information through new partnerships and technologies, including the release of the "JPX Listed Company ESG Information WEB (beta version)" in collaboration with DATAZORA, Inc. and the "Green Tracking Hub," which enables visualization of greenness indicators using security tokens. Going forward, we will continue to contribute to promoting dialogue between issuers and investors through efficient market participation, and will examine a variety of market services to meet a wide range of needs, while appropriately identifying changes in the environment surrounding sustainable finance.

■ Green Strategy P.26

■ JPX Market Innovation & Research P.37

### Indices underlying ESG index futures

Index	Calculated by	Outline
S&P/JPX 500 ESG Score Tilted Index (0.5)	S&P Dow Jones Indices, JPX Market Innovation & Research	A TOPIX 500-based general ESG index
FTSE JPX Net Zero Japan 500 Index	FTSE Russell, JPX Market Innovation & Research	A TOPIX 500-based environmental index
Nikkei 225 Climate Change 1.5°C Target Index	Nikkei Inc., Wilshire	A Nikkei 225-based environmental index

### Listing ESG Index Futures

In light of the growing importance of ESG factors in equity management, to support ESG-based management in Japanese equities through derivatives, we have listed futures on three indices, which JPXI and Nikkei Inc. began calculating with the expectation that they will come to be used in financial products this year.

We will continue to monitor the use of these indices in the market going forward, and work to promote their use so that they can be used as hedging instruments once ESG investment related to the indices grows more widespread.





## Launch of a Carbon Credit Market

TSE was commissioned by the Ministry of Economy, Trade and Industry (METI) to conduct a carbon credit market demonstration in FY2022. The demonstration project saw J-Credits traded by 183 participants across all industries and of various forms (listed and unlisted companies, local governments, etc.), with a cumulative total of approximately 150,000 tons traded over the period. The "Basic Policy for the Realization of GX" approved by the Cabinet in February 2023 includes the introduction of an emissions trading system as part of the design of a carbon pricing scheme, with trial trading scheduled to begin in FY2023 and full-scale operation in FY2026. Given this, there are expectations for the creation of a carbon credit market within FY2023. TSE will establish a carbon credit market, drawing on the knowledge gained from the 2022 demonstration and experience in market operations. TSE started accepting applications for participation in July 2023, when it published the regulations. Products eligible for trading will initially be J-Credits, with trading scheduled to begin around October 2023. Going forward, we will continue to contribute to the development of a carbon credit market with a medium- to long-term perspective, in step with the development of an emissions trading system by the government.



## JPX Group's Own Carbon Neutrality

To address environmental issues, JPX Group is aiming for a sustainable economy where economic development and environmental conservation go hand in hand, underpinned by its Environmental Vision and Environmental Policy. To contribute to a decarbonized society, the Group has also set a goal of becoming carbon neutral by FY2024. In addition to switching electricity contracts to a different mix, from FY2022 the Group has been investing in renewable energy generation facilities in order to create its own environmental value.

■ Green Strategy P.26

### Our targets to achieve carbon neutrality

Autumn 2021:	TSE Building electricity switched to an RE100-compliant contract (completed)
End of FY2024:	Energy consumed by JPX Group to be 100% renewable using self-generated energy; carbon neutrality achieved (rate of achievement: 76.5% (as of end of June 2023); solar and biomass power generation begun)

## Society and Environment

# Addressing Climate Change-related Risks and Opportunities Utilizing the TCFD Recommendations

**JPX Group declared its support for the TCFD in October 2018, recognizing that climate change may have an impact on the sustainable growth of the Group in terms of both risks and opportunities.**

**The Group seeks to achieve greater resiliency and sustainable growth by disclosing information in line with the TCFD Recommendations and using those recommendations as guidelines when addressing climate change-related risks and opportunities.**

## Governance

Recognizing that addressing climate change is an important management issue, JPX Group has established a Sustainability Committee, with the Group CEO serving as Chair and the Group COO as Vice-Chair. The committee has analyzed how related issues affect business operations and is proceeding to address these. The Group has also established a system to ensure appropriate oversight by the Board of Directors, whereby basic policies and important matters associated with climate change are reported to the Board as required. In addition, the Group has designated sustainability-related risks including those involving climate change as a "significant risk" with respect to company-wide risk management, meaning that climate-related information is also reported to the Board of Directors from a risk management perspective, on a quarterly basis.

Moreover, the Group has appointed an executive officer in charge of sustainability, under whom the Sustainability Department spearheads efforts in analyzing and monitoring the effects of climate change so that risks to and opportunities for the Group's businesses relating to climate change can be identified and appropriately addressed.

## Strategy

JPX Group has considered the possible risks and opportunities brought on by climate change and their effects on operations, strategy, and financial planning of the Group. It is accordingly implementing measures to reduce risk and increase corporate value, and has summarized these initiatives as its Green Strategy in the Medium-Term Management Plan 2024.

In addition to this, given that climate change and responses to it are long-term issues with high levels of uncertainty, in order to review the resilience of the Group's strategies, JPX carries out scenario analysis with reference to guidance such as technical supplements provided by the TCFD.

In performing this analysis, JPX identifies physical risks and transition risks/opportunities related to climate change that are foreseeable within its decided timeframes: short term (to 2025), medium term (to 2030), and long term (to 2050). It then uses multiple external scenarios to evaluate their possible impact on strategy and financial planning, as well as the company's responses.

## Analysis of Physical risks

Physical risks are those involving direct damage to assets and business activities caused by natural disasters and other such events attributable to climate change.

### Analytic process

This time, JPX identified which of the main assets held or used by the Group could be most impacted by physical risks from climate change, and used the below process to analyze those

risks. However, given that property and equipment assets are only a small proportion of the Group's non-current assets, and that it has a Business Continuity Plan for risks including natural disasters, the analysis was carried out mainly from the perspective of business continuity and not the value of assets.

## A Risks identified

Classification	Possible risks brought on by climate change	Time frame
Acute	Instances of suspended operations or damage to facilities caused by intensifying natural disasters could prompt short-term downturns in earnings along with alienation of investors over the medium to long term.	Short to long term
Chronic	Business operations of JPX Group's exchanges could become subject to disruption if changes in long-term weather patterns prompt an increase in instances of suspended operations and related response measures.	Long term

Note: Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods. Chronic physical risks refer to longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea level rise or chronic heat waves.

## B Scope of analysis decided

Subjects	Office buildings and data centers within Japan
Hazards considered	Floods, storm surges, sea level rises, landslides
Main scenarios referenced	SSP1-2.6 and SSP5-8.5 from the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC)
Time frame	Long term (to 2050)

## C Analysis performed using scenarios

The first step was to understand the risks connected to each office building and data center in the scope of analysis, based on hazard maps and other national land-related information from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). After this, impacts were analyzed with reference to two scenarios suggested by the IPCC's Sixth Assessment Report: SSP5-8.5, which imagines very high GHG emissions, and SSP1-2.6, which imagines low emissions.

## D Risk response approach and measures confirmed

### ① Response to acute risks

- As part of Group-wide risk management, JPX Group positions business continuity risks, such as the occurrence of a natural disaster that causes tremendous damage, as one type of significant risk that could affect the Group. In response to these kinds of risks, as well as ensuring awareness of the risks and preparing/operating preventative measures, JPX Group has also put in place frameworks that allow it to respond swiftly and appropriately when a risk materializes or is likely to materialize.
- The Group has established a Business Continuity Plan (BCP) and implemented measures to ensure ongoing operations in the event that a natural disaster or other such risks materialize.
- To ensure that natural disasters or other such events do not hinder business continuity, the Group is also working to enhance its mutual backup capabilities in the east and west, such as by establishing sites in the Tokyo Metropolitan area and the Kansai region for both business (operations) and systems (data centers). In addition, to prepare for the risk of employees being unable to commute to the office due to

suspended public transportation services or other reasons, the Group is proceeding with the development of remote working environments to enable stable market operations, while also promoting the use of and further developing the operation of telework during normal times.

- If a situation arises where trading participants are unable to participate in trading of stocks or other securities because of a natural disaster or other such event, the Group considers the necessity of a trading halt based on the Contingency Plan formulated and published by the Group.

### ② Response to chronic risks

- JPX Group considers the impact of natural disasters, along with other risks, when choosing locations for offices or data centers, and monitors the possible impacts on each facility with reference to the latest hazard maps, weather data, and other information. The Group also enacts dialogue with the providers of infrastructure services that it uses and requests improvements where necessary.

## Analysis results

Based on the above, JPX Group considers that the physical climate change risks that are currently foreseeable are covered by its present Group-wide risk management processes, and that as a result, possible impacts on the Group's business continuity, strategy, and finances are limited.

## Analysis of transition risks and opportunities

Transition risks are those that arise from changes in government policies, legal affairs, technological innovation, market preferences and other such developments that occur in conjunction with transition to a low-carbon economy.

## Analytic process

This time, JPX identified the transition risks that could affect the Group, and used the below process to analyze those risks.

### A Transition risks and opportunities identified

Please refer to the table on page 55 for the identified transition risks and opportunities.

### B Scope of analysis decided

Analysis was focused on revenue related to the cash equity market, as this comprises around 60% of JPX Group's revenue and can also be thought to impact on revenue from other areas (derivatives, market-related services) in the medium to long term.

Subject	Revenue related to the cash equity market
External reference scenarios	Network for Greening the Financial System (NGFS) scenarios (Net Zero 2050, Delayed Transition and Current Policies)
Time frame	Long term (to 2050)



## Transition risks/opportunities identified

Classification	Possible risks and opportunities brought on by climate change	Time frame	Impacted financial indicator(s)	Related actions
Policy and legal	Greenhouse gas emissions costs associated with business activities and costs associated with investments to reduce emissions may increase if government policies and regulations pertaining to reductions in greenhouse gas emissions become more stringent (introduction of carbon tax, fines, etc.).	Medium to long term	Expenses	<ul style="list-style-type: none"> <li>JPX Group has been upgrading air conditioning and water heating systems, switching to LED lights, and pushing forward other such measures to comply with relevant laws and regulations currently in effect.</li> <li>The Group will switch 100% of electricity consumed to renewable energy by FY2024 and is aiming for carbon neutrality across the Group on the same timeline.</li> </ul>
	Products handled by the Group, markets operated by the Group, and its own business operations would likely be affected if laws and regulations became more stringent regarding ESG information disclosure practices and relevant products and services. For instance, the Group's earnings could be affected if there were products that could not comply with more stringent laws and regulations or if market users moved away from the market having become weary of more stringent regulations.	Short to long term	Revenue (equities)	<ul style="list-style-type: none"> <li>In order to enable prompt and appropriate responses to changes in laws and regulation, as well as strengthening ties with regulatory authorities and other relevant parties, the Group is focusing on sharing opinions and keeping track of global trends by utilizing international standard-setting forums and industry associations (IIRC, WFE, SSE, etc.).</li> <li>For listed companies, tools such as JPX ESG Knowledge Hub are used to promote understanding of ESG information disclosure and to reduce the burden on listed companies.</li> </ul>
Transition risks	If innovation intensifies around technology creation relating to the drive for decarbonization, costs associated with capital investment could increase as it becomes necessary to incorporate new technologies into IT systems or other areas of business.	Medium to long term	Expenses	<ul style="list-style-type: none"> <li>For facilities related to our IT systems, which serve as the infrastructure for JPX Group's business, we utilize the latest technologies to achieve high performance and high quality, and to contribute to high efficiency and low emissions. Even if additional costs are incurred, the Group believes that these efforts will lead to lower running costs over the short term and facilitate the transition to a decarbonized economy over the medium to long term, thereby contributing to improved corporate value.</li> </ul>
	Earnings could be affected by a decrease in demand for products and services provided by JPX Group if investors increase their standards and climate change-related initiatives or information disclosure practices by companies and products listed on markets operated by the Group are deemed inadequate.	Short to long term	Revenue (equities)	<ul style="list-style-type: none"> <li>In order to provide products and services aligned with the needs of market users, the Group works closely with related parties to identify these needs and develop products and services. Having established JPX Market Innovation &amp; Research, Inc. (JPXI) in 2021, the Group intends to further expand its range of ESG-related services.</li> <li>Under Japan's Corporate Governance Code, listed companies are asked to actively engage in initiatives that involve addressing sustainability issues and disclose information in a manner that increases corporate value.</li> </ul>
	JPX Group could become subject to diminishing business opportunities and rising financing costs if confidence in and evaluation of the Group and the Japanese market overall decline due to the perception that initiatives to address climate change are insufficient in terms of the Group's market operations and commitment, or in terms of management policies of Japanese companies.	Short to long term	Revenue (equities, derivatives, and market-related services)	<ul style="list-style-type: none"> <li>Under its long-term vision and Medium-Term Management Plan 2024, the Group has been taking an active stance to address climate change and other sustainability issues, and has been pushing forward with related projects while focusing on information disclosure and dialogue with stakeholders.</li> <li>The Group has also been focusing its efforts on taking part in and contributing information to discussions in Japan and abroad, participating in forums such as the Financial Services Agency's Expert Panel on Sustainable Finance, and communicating opinions particularly through the SSE and WFE. In addition, JPX established the "Sustainable Finance Platform Development Working Group" and is incorporating this group's practical discussions into its actual activities.</li> </ul>
Opportunities	Income related to ESG could increase if JPX Group were to expand its provision of products and services related to climate change and other ESG issues in response to growing ESG investment.	Short to medium term	Revenue (equities, derivatives and market-related services)	<ul style="list-style-type: none"> <li>Having listed the objective of "promoting sustainability that connects society and economy" as an area of focus under the Medium-Term Management Plan 2024, the Group has been placing emphasis on "strengthening dissemination of sustainability-related information," "calculating ESG indices and listing related ETFs/futures," and "vitalizing the energy market; advancing the creation of an emissions trading market."</li> </ul>
	The Group may be able to reduce financing costs by utilizing green bonds and other forms of sustainable finance.	Short to medium term	Expenses	<ul style="list-style-type: none"> <li>In June 2022, JPX issued a Digitally Tracked Green Bond as part of its plan to support the shift to carbon neutrality by generating renewable energy through ownership of its own renewable energy power generation facilities.</li> </ul>
	The Group may be able to reduce its exposure to price volatility related to energy procurement and to potential increases in carbon taxes and other carbon emissions costs by seeking greater diversity in its means of procuring energy, including ownership of renewable energy generation facilities.	Short to medium term	Expenses	<ul style="list-style-type: none"> <li>The Group aims to achieve carbon neutrality by FY2024 through self-generation of renewable energy using multiple approaches, namely ownership of solar power generation facilities and biomass power generation facilities that use discarded cooking oil for fuel.</li> </ul>

### C Analysis performed using scenarios

Since the vast majority of companies listed on the equity market that JPX Group operates are domestic companies, a certain level of correlation can be expected to exist between Japanese GDP and the variables (trading value, market capitalization) that impact revenue related to the cash equity market. Based on this, JPX estimated the impact of Japanese GDP figures suggested by three NGFS scenarios (Net Zero 2050, Delayed Transition, and Current Policies) on said revenue.

### D Risk response approach and measures confirmed

As transition risks and opportunities hold a high level of uncertainty, JPX works to keep track of changes in the regulatory environment and trends in the market. While doing this, in order to both manage the risks and realize the opportunities, JPX positions them as management issues and has integrated climate change responses into Group-wide risk management and business planning processes to inform its actions.

### Analysis results

The results of the above analysis showed that there could be negative impact on revenue related to the cash equity market in the short term if emissions reduction policies were to be rapidly implemented. Over the long term, though, more success in avoiding temperature rises in the relevant scenario correlated with less negative impact on JPX Group.

Also, since the differences between the figures calculated from each scenario were at most still less than 5% of the Group's overall revenue related to the cash equity market, the estimated impact is limited. This being said, as JPX sees supporting an orderly transition to net zero as important for both reducing negative impacts on the Group from climate change and creating business opportunities, it will make sure to complete the projects it is currently working on under its Green Strategy, while also continuing to search for new fields and projects that can contribute even further.

## Risk Management

JPX Group has established a Risk Policy Committee chaired by an outside director, and a Risk Management Committee chaired by the Group CEO, in order to address the various risks faced by the Group. In line with the Group's Risk Management Policy, these committees are responsible for identifying risks as well as developing and implementing preventative measures, and also form a system which ensures a swift and appropriate response in the case that risks do or are likely to materialize. Under the Risk Management Policy, the Group identifies and classifies the risks faced by the company, each of which is managed by the department with jurisdiction. Information on assessments of these operations and issues to be addressed are periodically brought before the Risk Policy Committee (semiannually) and Risk Management Committee (quarterly) and reported in each case to the Board of Directors.

The Risk Policy Committee has identified sustainability related risks, including climate change, as a significant risk under "business environment and business strategy risk." These risks are managed by the Sustainability Department.

## Metrics and Targets

In preparation for more stringent policies and regulations regarding greenhouse gas emission reductions, JPX Group has

reviewed its approach to procuring electricity, which is the primary factor in its emissions. This move aims to eliminate Scope 2 emissions by switching 100% of electricity consumed throughout the Group to renewable energy by FY2024, and to achieve carbon neutrality (Scopes 1 and 2) across Group companies in the same time frame. The Group began calculating other CO<sub>2</sub> emissions (Scope 3) in FY2020. In this respect, the Group will appropriately manage emissions throughout the value chain while taking the steps required to reduce greenhouse gas emissions. Also, in its Medium-Term Management Plan 2024, the Group set "aim for carbon neutrality in securities market operations by 2030" as a long-term ESG target.

With these targets in mind, for Scope 2, the Group has been switching electricity contracts for several facilities to RE100-compliant or other renewable energy contracts in stages since autumn 2021, and has started generating its own renewable energy through holding its own energy generation facilities in FY2022. Meanwhile, a majority of the Group's Scope 1 emissions are attributable to its consumption of city gas and gasoline, and the Group intends to offset these emissions using J-Credits and similar methods.

The capital goods that account for the majority of Scope 3 emissions are connected to the development of the software that supports the Group's IT infrastructure. The Group aims to gradually reduce these emissions through emissions management while maintaining the investment required for stable market operations.

## JPX Group CO<sub>2</sub> Emissions (t-CO<sub>2</sub>)

	FY2020	FY2021	FY2022
Scope 1 (direct CO <sub>2</sub> emissions)	688	774	824
Scope 2 (indirect CO <sub>2</sub> emissions)	13,500	11,751	9,041
From offices	3,822	2,110	138
From data centers, etc.	9,678	9,641	8,903
Total (Scopes 1 and 2)*	14,188	12,525	9,865
Total CO <sub>2</sub> emissions per FTE (Scopes 1 and 2)**	10.7	9.5	7.2
Electricity usage (kWh)	30,504,690	31,088,511	28,992,676
From offices (kWh)	6,128,439	6,362,674	6,372,003
From data centers, etc. (kWh)	24,376,251	24,725,837	22,620,674

\*Calculated based on the latest Japan Ministry of the Environment's Emissions Intensity Database for Calculating GHG Emissions in Supply Chains and some other coefficients as of the time of calculation for each fiscal year.

\*\*FTE refers to "Full-Time Equivalent." It does not include staff such as full-time operations support staff and employees on secondment.

## Other Related CO<sub>2</sub> Emissions (Scope 3) (t-CO<sub>2</sub>)

	FY2020	FY2021	FY2022
Scope 3* (Other related CO <sub>2</sub> emissions)	24,733	44,110	27,916
Acquired goods and services	2,053	2,269	3,126
Capital goods	18,531	37,530	19,545
Fuel and energy-related activity	2,237	2,294	2,160
Waste generated in operations	95	118	42
Business travel	1,136	1,251	2,313
Employee commuting	471	484	614
Downstream leased assets	211	164	116

\*JPX Group calculates all 15 categories for Scope 3. Categories other than those listed above are omitted because their relevance to the Group's business is extremely low and related emissions are therefore considered to be 0.

# Trading Participants

## Approach

Through "Facilitating Cycle of Corporate Innovation/Growth and Asset Formation," a key focus area in the Medium-Term Management Plan 2024, we will strive to enhance the attractiveness and global competitiveness of the Japanese market and conduct sustainable market operations. Toward this end, it is essential to build trust-based cooperative relationships with trading participants. JPX Group creates various opportunities to engage in dialogue with trading participants for the purpose of ensuring market transparency and further improving convenience.

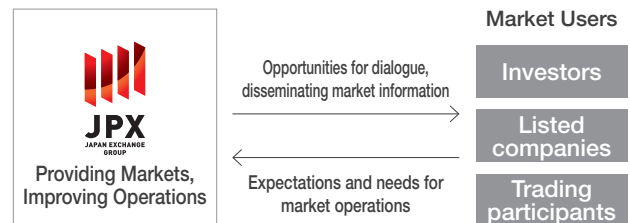


## Initiatives

### Market Operating Committee

Market operator Tokyo Stock Exchange (TSE) has established a Market Operating Committee as an advisory unit to the Board of Directors composed of outsiders from academia, securities companies, institutional investors, and other areas of expertise. With the aim of creating even more convenient markets, outside expert opinions are considered in decisions on important matters, such as listing new products, establishing new markets, and revising rules or frameworks.

### Mutual Understanding through Dialogue



### Development of the "CONNEQTOR" RFQ Platform

ETFs are useful products for both retail investors and institutional investors from the standpoint of portfolio diversification at a low cost, high transparency, and the flexibility to buy and sell them. In relation to ETFs, TSE is working to improve liquidity in auction sessions through measures such as the market making scheme, and is providing "CONNEQTOR," an RFQ platform (a system in which institutional investors, primarily, send out a request for quotes for a particular ETF at a particular quantity, etc. that they wish to trade to multiple market makers at once in order to facilitate trading) to facilitate the smooth execution of large-scale transactions that are difficult to execute in auction sessions.

CONNEQTOR adopts a development approach of improving functions in an agile manner so that it can respond flexibly to users' needs and changes in the market environment. CONNEQTOR has released new functions almost every month since the service was launched in February 2021 to improve usability. This has enabled faster and better-priced trading on a wide range of ETF issues.

In order to provide a highly convenient trading environment for ETFs going forward, we will continue to improve our rules and systems while placing importance on communication with market stakeholders.



**Approach**

We will proactively expand into new fields in order to evolve G-HUB into a global, comprehensive finance and information platform which provides solutions for a wide range of societal issues. Cooperation with the parties involved that possess the necessary skills and expertise is essential for entering new fields, and through collaboration with a wide range of business partners, we will create markets and services that contribute to achieving a sustainable society and economic development.



Initiatives

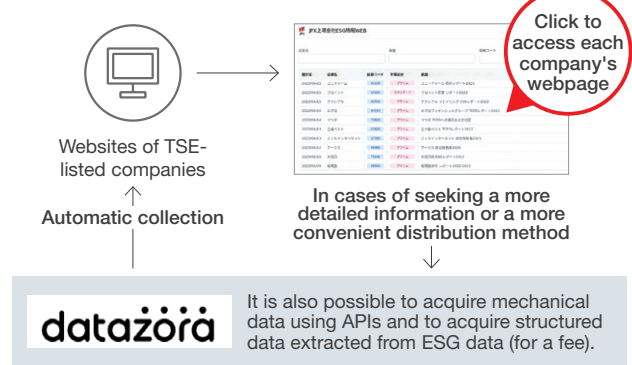
**Collaboration With SCRIPTS Asia, K.K. and Minsetsu, Inc., to Promote Dialogue Between Investors and Listed Companies**

In July 2022, we invested in and concluded a capital and business alliance with Minsetsu, Inc., which operates an IR communication platform called "Minna no Setsumeikai" (everyone's briefing) that provides information on earnings briefings and opportunities for individual meetings between investors and listed companies. In February 2023, we made SCRIPTS Asia, K.K., which provides a service that prepares minutes of investor events conducted by listed companies and rapidly translates them into English for mass distribution, a wholly-owned subsidiary. By creating an environment that provides efficient opportunities for dialogue, improving the efficiency of IR operations, and expanding the volume of information, we aim to promote constructive dialogue between investors and listed companies, and to expand the scope and activity of the Japanese equity market.

**Collaboration With DATAZORA, Inc. to Consolidate and Centralize ESG-Related Information**

In October 2022, in collaboration with DATAZORA, Inc. which collects and provides a wide range of IR and other information on listed companies, we launched a beta version of "JPX Listed Company ESG Information WEB," which consolidates and centralizes integrated reports, sustainability reports, and other ESG-related information published by TSE-listed companies on their websites. By improving the accessibility of companies' ESG-related information and reducing the burden on investors of gathering information, we aim to further drive ESG investment.

**JPX Listed Company ESG Information WEB**



## Approach

Creating public benefits and contributing to society are major characteristics of JPX Group's business. Under our Medium-Term Management Plan 2024, in order to strengthen stable market operations while also advancing into new fields, our fundamental approach to human resources is to hire and develop not only people who will underpin the further stabilization and sophistication of traditional exchange operations, but also those who will pioneer into new sectors and fields, as well as creating an environment in which all employees can demonstrate their abilities.



## Initiatives

### Recruitment and Development of Human Resources

Recognizing the importance of hiring diverse human resources to sustainably improve corporate value, our basic approach is to actively hire human resources with diverse perspectives, sensibilities, abilities, and experience, regardless of characteristics such as gender or nationality.

In order to bring the best out of each and every employee, JPX Group has created a working environment where employees can actively gain expertise, access the latest information, and pursue free and creative thinking from a broad perspective. We strive to develop employees' abilities and discover their individual aptitudes through various training and business experience opportunities, in addition to introductory training and on-the-job training in the Group's highly unique operations which is provided by each department. In this way, along with people who will underpin the further stabilization and sophistication of exchange operations, we are also developing human resources who will pioneer into new sectors and fields.

Based on the need for more diverse work styles, namely the desire to build a career on the strength of advanced expertise in specific fields, starting in the current fiscal year, we have also established a "Digital Solutions Track" where employees specialize in IT fields such as digital networks. This course is intended to strengthen the development of employees who can bring about change through being well versed in both business and digital technology. We intend for this to also lead to the hiring and development of personnel with the advanced expertise needed to respond to rapid technological progress.

### Enabling All Employees to Demonstrate their Abilities

#### ● Promoting Women's Participation and Advancement in the Workplace

In April 2022, JPX Group appointed its first internally promoted female executive officer. Furthermore, four female employees are serving at the department/section director level, and the number of women in managerial roles has steadily increased in recent years. There are 45 female managers as of April this year, and the ratio of female managers is 8.6%. We have now set new promotion targets, with the goal of increasing the number of female managers to at least 50 by FY2025 (approximately 1.5 times the number in FY2021) and to at least 70 by FY2030 (approximately double the number in FY2021).



Based on the idea that increasing men's participation in childcare will promote women's participation in society as a whole, we are also actively encouraging male employees to use childcare support schemes such as by holding paternity leave seminars. In FY2022, 20 male employees took childcare leave, and the average number of days taken was 21.3 days.

● **Promoting the Active Participation of Diverse Human Resources**

We are also working to create a workplace environment in which employees from diverse backgrounds can flourish, such as by promoting understanding of people with disabilities and the LGBTQ+ community.

This fiscal year, we extended the mandatory retirement age from 60 to 65 in order to promote the active participation of senior employees. This will create an environment in which employees can work with a sense of security through age 65 while maintaining their strong sense of duty and responsibility. The Group intends to capitalize on the ample operational experience and knowledge of our senior employees to promote further

stability and sophistication of our functionality as a traditional exchange, namely stable market operations.

**Well-Being Initiatives**

In order for all employees to demonstrate their abilities to the fullest, it is important not only to be physically and mentally healthy, but to also experience a state of social well-being by working with passion and vitality. JPX Group conducts employee engagement surveys, and the results for FY2022 showed a high level of employee engagement, with a work engagement score of 75% which reflects vitality, passion, and immersion in work, and an organizational engagement score of 78% which reflects attachment and sense of belonging to the company (percentages reflect positive responses).

In the future, we will strive to maintain our organizational engagement score and improve our work engagement score, which has relatively more room for improvement.

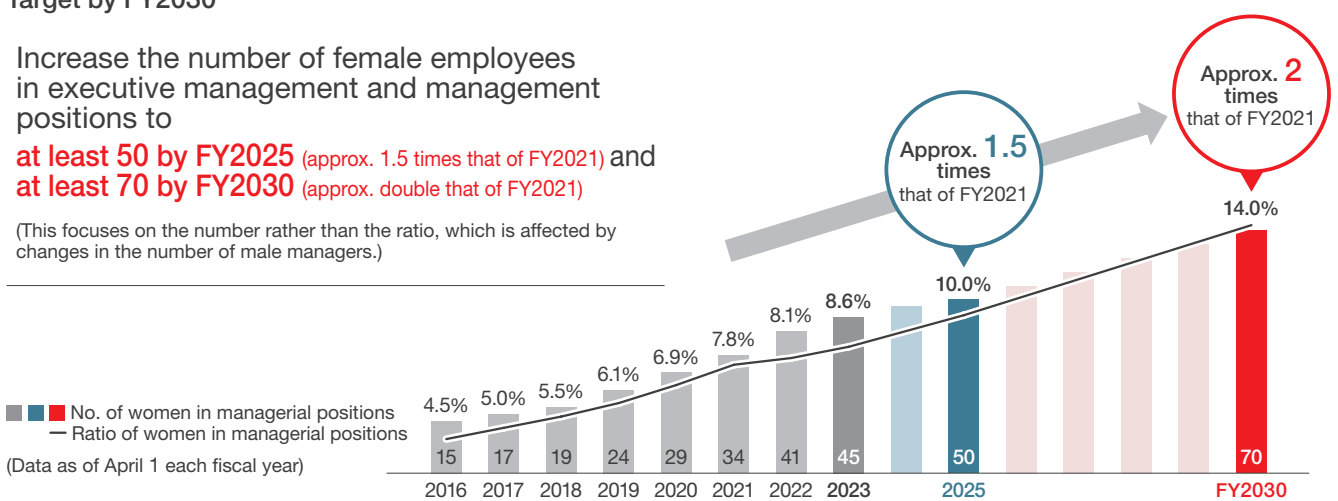
Efforts to promote health management have so far focused on

**Target by FY2030**

Increase the number of female employees in executive management and management positions to

**at least 50 by FY2025** (approx. 1.5 times that of FY2021) and **at least 70 by FY2030** (approx. double that of FY2021)

(This focuses on the number rather than the ratio, which is affected by changes in the number of male managers.)



Employees



Initiatives

collaboration with occupational physicians, such as providing appropriate care and return-to-work support for sick and injured employees. In FY2022, however, we also hired a public health nurse. In the future, we will focus on further strengthening our system for promoting health management and carrying out activities to prevent sickness and injury, in order to create an environment in which each and every employee can demonstrate their abilities to the fullest.

Classification	Item	FY2022
Engagement survey	Work engagement score	75%
	Organizational engagement score	78%
Stress check score	Percentage of workers with high stress levels	6.4%
	Stress check overall health risk*	81

\*The average score is 100 and lower is better; a score of 80 or less is considered good.

➤ Ensuring the active participation of all employees

<https://www.jpx.co.jp/english/corporate/sustainability/jpx-esg/employee/index.html>

Column

Messages from JPX Group's Female Employees



Staff level, 30s



**Did you have any concerns about balancing your career and raising children?**



Across the company, there are many senior employees who have experienced pregnancy and childbirth, so I did not feel too anxious about my physical condition or career. Since I was returning to work in the department and position I originally had, it was easier to grasp the image of how my career would unfold after coming back, so I did not feel overly concerned.



**Did you have any anxiety when returning to work?**



Before a pre-return to work meeting had been set up, I was able to discuss my child-rearing circumstances and see if my vision of my career and work style after childcare leave was aligned with my boss's. This facilitated my smooth return to work. When I met with my boss in the meeting, I felt that he conveyed not only his understanding of my wishes but also the current circumstances of the department and the specific roles that I would be expected to play within this, which increased my motivation on returning.



**About the working environment at JPX Group**



JPX Group has a system in place to support female employees during pregnancy and after returning to work, and I believe that this has created an atmosphere in which we can easily utilize the support system, making it easier for us to strike a balance between work and private life. Also, when we think about support for female employees we tend to focus on women during pregnancy and the first few years after returning to work (and actually I myself am still at that stage), but you could argue that we need to take a long-term view of balancing work with other aspects of life. In that sense, I think I am very fortunate to be in an environment where all employees can use flextime and telework systems that make work easier, not just specific categories of people like those in maternity and post-maternity, or female employees.



Management level, 40s



**Did you have any anxiety during your pregnancy?**



After I consulted them about my pregnancy, a person in charge from the Human Resources Department immediately set up a one-on-one meeting for me. I was relieved to know that the system would allow me to continue working while giving priority to my physical condition.



**About the working environment at JPX Group**



Over a little more than a decade, JPX Group has established, reviewed, and improved various systems to support childcare. The number of female employees balancing childcare and work has increased. The Group is also aware of the ratio of male employees taking childcare leave, and my own boss has also taken paternity leave. I feel that the company is fostering an environment in which we are able to work sustainably while respecting each other in light of the circumstances of individual employees, not just regarding childcare but also other situations such as nursing care.

➤ Ensuring the active participation of all employees

<https://www.jpx.co.jp/english/corporate/sustainability/jpx-esg/employee/index.html>

## HR-related Data

	FY2019	FY2020	FY2021	FY2022
Ratio of employees undergoing annual health check	80.2%	65.1%	92.3%	96.5%
Ratio of employees who exercise regularly	76.4%	75.7%	78.6%	80.0%
Ratio of employees who smoke	12.1%	11.9%	9.8%	10.6%
Ratio of employees answering annual stress check survey	91.4%	91.1%	90.6%	95.2%
Number of sick or injured employees	6	6	3	1
Average overtime hours*	23 hours and 52 minutes	27 hours and 35 minutes	28 hours and 15 minutes	27 hours and 46 minutes
Average days of paid leave taken (usage rate)**	14.4 days (72%)	12.0 days (60%)	12.2 days (61%)	12.6 days (63%)

\*Hours worked outside of contracted working hours

\*\*Annual paid leave (excluding other types of leave)

## Employee data

	FY2019	FY2020	FY2021	FY2022
<b>No. of employees</b> (some employees may be counted in more than one category)				
Total	1,208	1,197	1,193	1,224
Male	875 (72.4%)	859 (71.8%)	843 (70.7%)	861 (70.3%)
Female	333 (27.6%)	338 (28.2%)	350 (29.3%)	363 (29.7%)
Non-Japanese	16 (1.3%)	19 (1.6%)	18 (1.5%)	17 (1.4%)
Mid-career hires	331 (27.4%)	336 (28.1%)	393 (32.9%)	389 (31.8%)
<b>No. of hires</b>				
New graduates	26	25	25	27
Female	12	11	11	12
Non-Japanese	1	1	0	0
Mid-career hires	15	13	18	25
Female	3	0	4	10
Non-Japanese	2	0	0	0
<b>No. of voluntary resignations</b>				
All (% of all employees)	11 (0.9%)	10 (0.8%)	18 (1.5%)	9 (0.7%)
Male	7	8	14	7
Female	4	2	4	2
<b>Average years of service</b>				
All	17.1	17.4	17.4	17.6
Male	16.4	16.9	16.9	17.3
Female	18.4	18.7	18.6	18.3

Notes: 1. All figures are as of the respective ends of the fiscal year.

2. Individual measures related to human capital management and data related to human capital pertain to JPX and its core subsidiaries (excluding persons such as those temporarily assigned by JPX or any of its core subsidiaries to outside entities and those dispatched from temporary staffing agencies, but including persons temporarily assigned by outside entities to JPX or any of its core subsidiaries, employees on non-regular contracts such as those rehired after mandatory retirement, and persons on maternity/childcare leave).

## Employees

**Approach**

JPX is focusing on promoting two-way communication with its shareholders and investors and building relationships of trust based on mutual understanding. JPX actively provides investors with the corporate information necessary for their investment decisions and shares views obtained from shareholders and investors with senior management, thereby further enhancing corporate value.

**Engagement with Institutional Investors and Analysts/IR Meetings and Conferences**

JPX engages with Japanese and overseas institutional investors and analysts through, for example, individual meetings conducted by the management. In FY2022, we worked to increase opportunities for dialogue while taking the COVID-19 situation into account by conducting meetings, including those at IR conferences in Japan and abroad, either face-to-face or online. Feedback obtained through such meetings and other dialogues is presented periodically to the Board of Directors and management and helps shape the management decisions of JPX Group.

**Engagement with Institutional Investors and Analysts/Earnings and Business Briefings**

In FY2022, JPX held two earnings briefings, a Medium-Term Management Plan briefing, and a business briefing session (JPX IR Day 2022) to provide opportunities for dialogue between investors and the executives of JPX Group companies. Explanatory materials and Q&A sessions from each briefing are made available on the day or thereafter in both Japanese and English in order to enable investors in Japan and abroad to obtain information in a timely manner.



JPX IR Day 2022 Cash Equity Market





## Engagement with Retail Investors

We held a total of three online outreach events for retail investors. JPX also actively provides information to retail investors on its IR website. For example, in addition to providing content that offers an easy-to-understand overview of JPX, we post documents, videos, and other content on IR events in a timely manner.

- **For retail investors (only in Japanese)**  
<https://www.jpx.co.jp/corporate/investor-relations/individual/index.html>
- **IR Email Distribution Service (only in Japanese)**  
<https://www.jpx.co.jp/corporate/investor-relations/ir-mail/index.html>

## General Shareholders Meeting

### ● Policy on holding Annual General Shareholders Meeting

JPX considers the Annual General Shareholders Meeting (AGSM) to be a valuable opportunity to engage in constructive dialogue in order to deepen shareholders' understanding of JPX. For this reason, we normally hold our AGSM early, avoiding the dates that most other companies whose fiscal year ends in March hold their AGSMs, in order to make it easier for shareholders to attend. JPX held its AGSM for FY2022 on June 16, 2023.

The AGSM is attended in person not only by the directors and executive officers of JPX, but also those of its subsidiaries and affiliates. This is so that the broad range of shareholder questions, which cover the activities of the entire corporate group, can be answered appropriately by those in charge, including those from subsidiaries and affiliates.

In addition, the AGSM is streamed live on our website so that shareholders who are unable to attend in person can also view the meeting. Shareholders are able to send messages to JPX while viewing the live stream, and JPX posts its replies on its website within a few days following the meeting. JPX also offers on-demand video recordings of the AGSM on its website so that shareholders can view the meeting later on.

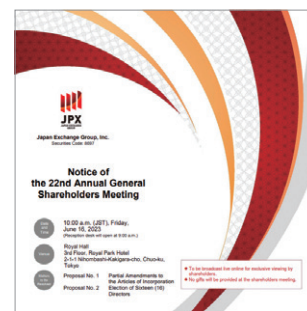
### ● Policy on the creation and publication of the notice of the AGSM

In creating the notice of the AGSM, we strive to enhance its content, such as by actively updating the Medium-Term

Management Plan, corporate governance structure, and various other items, as well as endeavor to provide content that is easy-to-understand through the use of visual aids such as illustrations and charts.

In order to ensure that shareholders can promptly read the notice of the AGSM and have sufficient time to decide how to exercise their voting rights, the Japanese and English versions are published on the JPX website four weeks prior to the meeting and sent out in writing three weeks prior to the meeting.

We further aim to enhance dialogue by simultaneously providing information to our foreign shareholders via the Electronic Voting Platform for Institutional Investors provided by Investor Communications Japan, Inc. (ICJ).



The 22nd Annual General Shareholders Meeting

- **General Shareholders Meeting**  
<https://www.jpx.co.jp/english/corporate/investor-relations/shareholders/meeting/index.html>

### ● Improvements to the environment for exercising voting rights

Shareholders can send in their votes via the Internet or the electronic voting platform, as well as in writing (by mail). At the AGSM for FY2022, approximately 90% of voting rights were exercised.

# Corporate Governance

JPX Group is committed to developing its corporate governance system appropriately to fulfill its social mission as a core infrastructure of the Japanese market.



## Fundamental Views

In order to implement management in line with its corporate philosophy (page 2), JPX Group is aware of the importance of having its stakeholders understand its corporate philosophy and corporate activities. Therefore, JPX Group has established fundamental views on corporate governance from the following four perspectives. Based on these fundamental views, JPX Group is committed to developing its corporate governance system appropriately based on each principle in Japan's Corporate Governance Code.

1

### Corporate Philosophy and Social Mission

JPX Group operates markets which are public assets and its social mission is to pursue sustainable development of its markets.

2

### Market Operations

JPX Group operates markets with the view that garnering support for and fostering confidence in the markets it establishes are in the common interest of all market users including investors, and that maintaining and enhancing such support and confidence will build the foundations for sustainable development of its markets.

3

### Enhanced Corporate Value

In pursuing sustainable development of its markets, JPX Group must continue to accommodate the diverse needs of shareholders and other stakeholders, and through these JPX Group will enhance its corporate value over the medium to long term.

4

### Effective Corporate Governance

JPX Group strives to constantly improve its corporate governance system to facilitate more effective and properly functioning systems, so as to support the sustainable development of its markets.

## Corporate Governance System

JPX Group clearly segregates the management oversight and supervision functions from the business execution functions, and adopts the structure of a Company with Three Committees to strengthen oversight and supervision functions and raise the transparency of management.

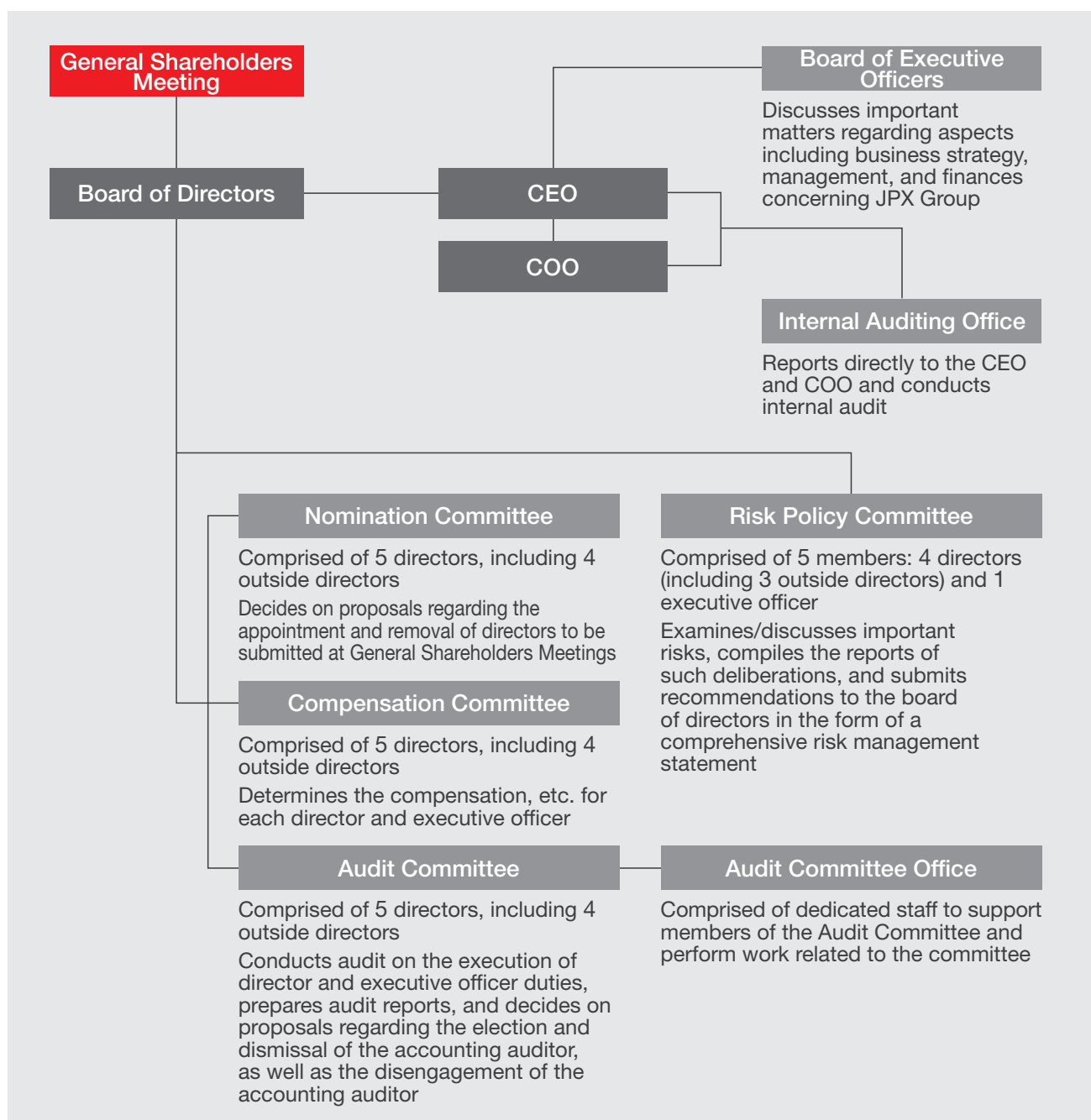
### Composition of the Board of Directors

The JPX Board of Directors is comprised of 16 members, including two women. In order to strengthen the board's

functions, namely increasing the transparency and accountability of management and overseeing the soundness of business execution, it includes ten independent directors, constituting a board majority, and is chaired by an independent director who is not involved in business execution.

The independent directors have diverse expertise (corporate management, finance, accounting and auditing, legal affairs and risk management, research and government, and technology), and discussions based on their expertise and keen insight enable multi-faceted, external perspectives to be readily incorporated into the management of JPX. Please refer to P.71 "Directors" for details on the directors and their expertise.

### Corporate Governance System Diagram





## Nomination, Compensation, and Audit Committees

As required by law, JPX Group has a Nomination Committee and a Compensation Committee for the purpose of ensuring transparency and objectivity in the appointment/removal and compensation of directors and executive officers. Outside directors are in the majority for both of these committees. The appointment and removal of directors and executive officers are thoroughly deliberated and determined by the Nomination Committee and put forth for approval at general shareholders meetings, and the compensation of directors and executive officers is determined by the Compensation Committee. The Group also has an Audit Committee, as required by law, to perform the audit function. This committee is made up of five directors (including one full-time Audit Committee member), of which four, including a certified public accountant, are outside directors. Additionally, there is an Audit Committee Office to assist the committee members in the performance of their duties.

### Status of Board of Directors Meetings

Time Spent in Deliberation:	<b>1,186</b> minutes
Number of Items Approved:	<b>22</b> items

## Risk Policy Committee

JPX Group has a Risk Policy Committee whose aim is to further improve the Group's corporate governance by bringing an outside perspective to risk management. The committee consists primarily of outside directors. For further information on JPX Group's risk management systems, including information on the details of activities of the Risk Policy Committee, please refer to "Risk Management" on page 75.

## Independent Directors Committee

JPX Group has an Independent Directors Committee as a corporate organ composed exclusively of part-time independent directors to allow them to exchange information and form consensus among themselves. The committee helps independent directors to better perform management oversight and facilitates active discussion at Board of Directors meetings.

### Independent Directors Committee

Objectives	For part-time independent directors to exchange information and form consensus (The chairperson of the board, the Group CEO, and other members of management may participate upon the request of the committee.)
Frequency of meetings	In principle, at least twice a year (The committee chairperson convenes meetings as needed.)

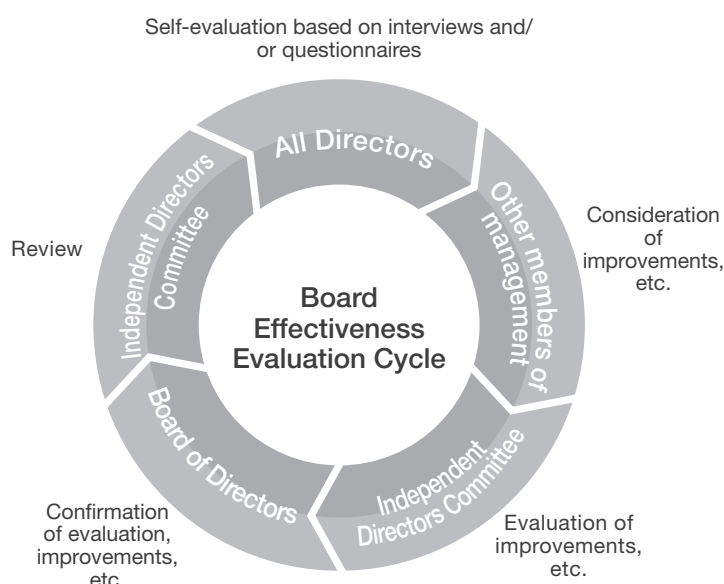
### Committee chairperson

The committee chairperson convenes meetings and presides over them. When the committee deems it necessary for ensuring smooth communication, the committee chairperson may report the details of discussions at committee meetings to the chairperson of the board, the Group CEO, and other members of management.

## Evaluating the Effectiveness of the Board of Directors

At JPX Group, the Board of Directors analyzes and assesses its own effectiveness based on surveys completed by and interviews with all board members. The Independent Directors Committee is tasked to conduct the evaluation to increase the objectivity and transparency of the evaluation process.

For information on the evaluation process, an overview of evaluation results and other related matters, please refer to JPX's Corporate Governance Report.



Corporate Governance Report  
<https://www.jpjx.co.jp/english/corporate/governance/policy/>

## Training for Outside Directors

Each of the JPX Group outside directors has sufficient knowledge in regard to management and corporate governance thanks to their expert knowledge and experience. With the goal of helping these outside directors deepen their understanding of JPX Group's business, the Group holds lectures and observation sessions based on rulebooks and other resources, discussion workshops where they can keep up to date on knowledge and information regarding the exchange business, and events to exchange views with external experts on subjects such as the global financial landscape, risk management, and fintech.

# Director and Executive Officer Compensation and Factors for Determining Compensation

Based on the below **1** Basic policy of compensation for directors and executive officers, compensation is comprised of **a** basic salary, **b** yearly incentive (bonus), and **c** medium- to long-term incentive (stock compensation and monetary compensation). Note that

compensation awarded to directors who do not concurrently serve as executive officers is limited to **a** basic salary.

## 1 Basic policy of compensation for directors and executive officers

In order to contribute to the sustainable growth of JPX and the improvement of corporate value over the medium- to long-term, compensation for directors and executive officers shall be determined in accordance with the following policy:

It should be appropriate for the duties and responsibilities of the directors, executive officers, etc.

It should motivate the achievement of the long-term vision and management plan

It should maintain enough competitiveness to secure the human resources necessary to steadily implement JPX's corporate philosophy

In view of our responsibility as a part of social infrastructure, it should be appropriate in light of social conditions, and ensure objectivity and transparency of decision-making procedures, etc.

The details of each type of compensation are as follows.

### **a** Basic salary

The basic salary is determined in accordance with each executive's position and duties as consideration for their participation in management and business execution, and with reference to the level of executive compensation at other companies, based on research by external expert organizations and other sources.

### **b** Yearly incentive (bonus)

The yearly incentive (bonus) is awarded to executive officers in proportion to net income (for the purposes of this section, "net income" refers to net income attributable to owners of the parent company as indicated in the consolidated statement of income). Net income is used as the metric as it is the source of investment aimed at increasing corporate value as well as the capital used in the payment of dividends to shareholders. It is also because it is appropriate to base a yearly incentive (bonus) awarded every fiscal year on the net income reported in that fiscal year. Also, to evaluate the performance of each executive officer in each fiscal

year, a bonus is awarded based on evaluation of that officer's individual performance.

The yearly incentive (bonus) will not be awarded if net income is less than JPY 10 billion for a fiscal year.

### **c** Medium- to long-term incentive (stock compensation and monetary compensation)

The medium- to long-term incentive (stock compensation) is paid to executive officers with the aim of aligning the interests of executives closer to those of shareholders, providing motivation for corporate value enhancement over the medium to long term, and strengthening the link between performance and compensation. JPX stock compensation utilizes a share delivery trust framework and is comprised of a fixed amount and a performance-linked amount.

For the fixed amount, executives are issued points every fiscal year in accordance with their position, etc., and are awarded shares corresponding to these points three years later.

For the performance-linked amount, all executives are given performance-linked base points each fiscal year. Three years later, shares are awarded corresponding to the final tally of performance-linked points, which is calculated by multiplying the performance-linked base points with a performance-linked coefficient based on the degree of achievement of certain performance conditions. The performance-linked coefficient is set within a 0–150% range, based on the following conditions: (i) JPX Group's consolidated ROE exactly three years from the issuance date of the performance-linked base points and (ii) a comparative assessment of Total Shareholder Return (TSR) and the performance of the JPX-Nikkei Index 400 (total return index) for the three-year period from the end of the fiscal year before the performance-linked base points were issued. Consolidated ROE is used as an indicator from the perspective of improving capital efficiency, while TSR is used from the perspective of improving value for shareholders.

In accordance with JPX's rules for executive officers, in principle, shares in JPX acquired through stock compensation, etc. may not be sold until one year has elapsed from the time of departure from JPX. Furthermore, based on the share delivery regulations, in the event of any misconduct on the part of the officer to whom the stock compensation is granted, delivery of shares, etc. not yet delivered shall be canceled, and in the case where delivery has been made, a request for the return of the amount equivalent to the delivery may be made to the officer.

## 1 Basic policy of compensation for directors and executive officers

The medium- to long-term incentive (monetary compensation) is awarded to executive officers in line with the performance of consolidated ROE and sustainability measures set out in the Medium-Term Management Plan 2024.

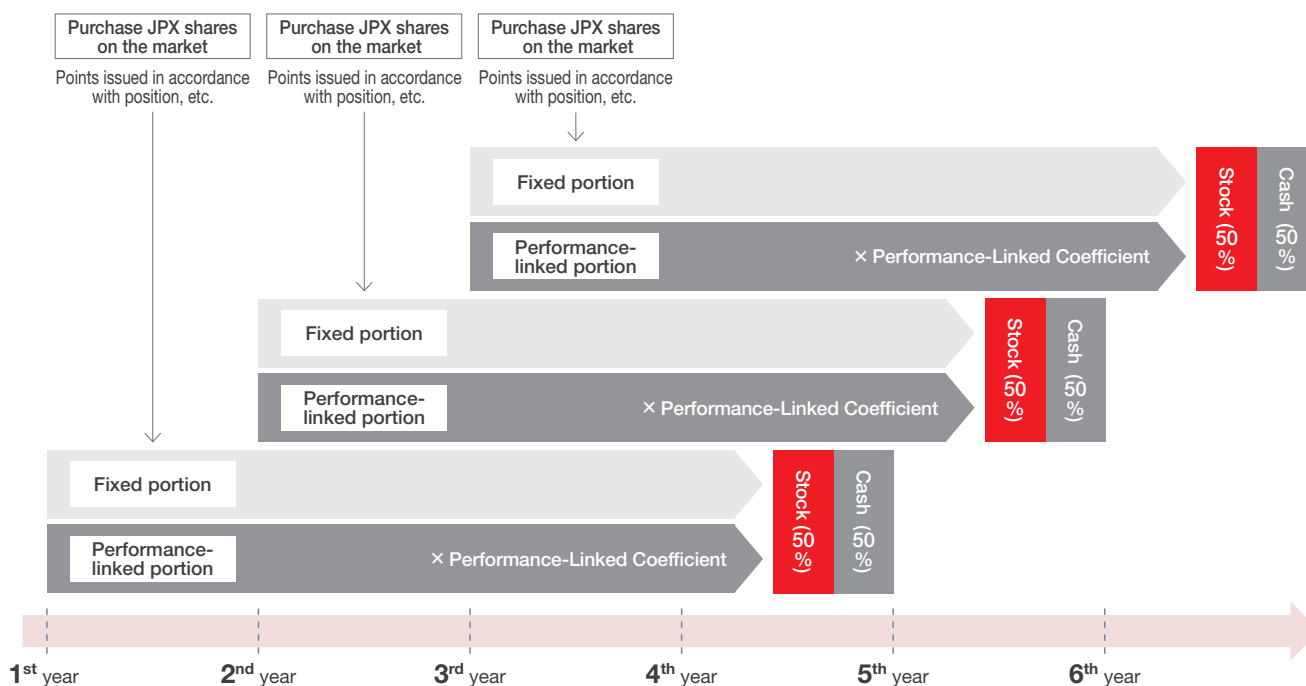
This incentive is awarded on the condition that consolidated ROE is 10% or above for every fiscal year covered within the Medium-Term Management Plan (three years) and will be maximized if either consolidated ROE for the last fiscal year of the Plan or the average consolidated ROE over the three years of the Plan is 15% or higher. In the event both are less than 15%, the amount paid shall be based on the average consolidated ROE over three years, provided that the consolidated ROE for each fiscal year is at least 10%. The amount of incentive for each executive officer will be decided based on their respective positions.

In addition, with respect to the sustainability measures specified in the Medium-Term Management Plan 2024 (promoting sustainability using market mechanisms, achieving carbon neutrality as a corporation, achieving carbon neutrality in securities market operations by 2030, etc.), if the plan has been achieved by the end of the Medium-Term Management Plan 2024, the final incentive amount will be calculated by

multiplying the incentive amount calculated based on the degree of achievement of the aforementioned consolidated ROE by a factor of 2 for the Group CEO and 1.5 for the other executive officers.

JPX is a Company with Three Committees. It has established a statutory Compensation Committee for the purpose of ensuring transparency and objectivity concerning compensation paid to directors and executive officers. JPX's Compensation Committee is made up of a majority of independent directors and chaired by an independent director. Based on laws and regulations, the Compensation Committee has the authority to establish the policy concerning decisions on the details of compensation for each director and executive officer and the authority to decide the details of compensation for each director and executive officer based on said policy. For FY2022, the Compensation Committee decided the details of the compensation for each director and executive officer after appropriate discussion based on the above policy determined by the Compensation Committee. JPX considers the compensation to be in line with the above policy.

### Image of Stock Compensation Plan



### Terms and conditions regarding performance pertaining to performance-linked portion of medium- to long-term incentives (stock compensation)

		Consolidated ROE		
		Below 10%	10% to under 14%	14% and above
Total Shareholder Returns (TSR) VS JPX-Nikkei 400 (total return)	Outperform	Performance-Linked Coefficient 50%	Performance-Linked Coefficient 100%	Performance-Linked Coefficient 150%
	Underperform	Performance-Linked Coefficient 0%	Performance-Linked Coefficient 50%	Performance-Linked Coefficient 100%



## 2 Ratio of the components of the executive officers' compensation package

Compensation for executive officers consists of basic salary, yearly incentive (bonus) and medium- to long-term incentive.

The following table shows the ratio of the components of the executive officers' compensation package, assuming the earnings forecast announced on April 27, 2023.

Note: Percentages are based on the assumption that the performance-linked coefficient for stock compensation is 100% and that one year's worth for FY2022 of medium- to long-term incentives related to achievement of the Medium-Term Management Plan has been included.

### Ratio of the components of the executive officers' compensation package

	Basic Salary		Annual Incentive		Medium- to Long-term Incentive
CEO	30	:	25	:	45
Executive Officers Excluding CEO	40	:	30	:	30

### Compensation paid to directors and executive officers

Director/ Executive Classification	Total Compensation (JPY million)	Total Compensation by Category (JPY million)					Eligible Number of Executives
		Basic Salary	Annual Incentive	Medium- to Long-term Incentive			
		Monetary Compensation	Monetary Compensation (Bonus)	Stock Compensation		Monetary Compensation (Degree of Achievement of the Medium-Term Management Plan)	
				Fixed Portion	Performance-Linked Portion		
Directors (excluding Outside Directors)	38	38	-	-	-	-	2
Executive Officers	608	229	169	132	66	9	7
Outside Directors	184	184	-	-	-	-	10

#### Notes:

- The Company does not pay director compensation to directors who concurrently serve as executive officers.
- Of the executive officers, those who also serve as representative directors of Tokyo Stock Exchange, Inc., Osaka Exchange, Inc., JPX Market Innovation & Research, Inc., Tokyo Commodity Exchange, Inc., and Japan Securities Clearing Corporation are not included in the Eligible Number of Executives because they are not paid compensation as executive officers.
- The above table includes one director (excluding outside directors) and one outside director who retired at the conclusion of the Annual General Shareholders Meeting held on June 16, 2022.
- It is Company policy that outside directors purchase shares of the Company from their basic salary through the Officers' Shareholding Association.
- Bonuses are paid at, mainly, an amount that is in correlation with the Company's net income for the year under review and are not paid if net income fails to reach JPY 10.0 billion. Net income for the year under review was JPY 46.342 billion.
- Concerning the indicators used for the performance-linked portion of stock compensation, consolidated ROE comprises a two-tier target of 10% or more and 14% or more, and the performance-linked coefficient changes depending on the level of achievement. Concerning Total Shareholder Return (TSR), the target is for TSR to outperform the growth rate of the JPX-Nikkei Index 400 (total return index). The amount of the aforementioned stock compensation is the amount among the stock compensation for FY2019 to FY2022 that is recorded as an expense in the fiscal year. Of that, the indicators for stock compensation granted in FY2019 were as follows: consolidated ROE was 15.7%, and the three-year TSR of the Company's shares underperformed the growth rate of the JPX-Nikkei Index 400 (total return index) over the same period. Accordingly, the performance-linked coefficient was 100%.
- With respect to monetary compensation related to the degree of achievement of the Medium-Term Management Plan, executive officers who retire on March 31, 2023 will be paid an amount commensurate with their tenure. The condition for payment is that the consolidated ROE is 10% or more during their term of office under the current Medium-Term Management Plan. The amount paid based on the consolidated ROE will reach a maximum if the consolidated ROE reaches 15% or more. Since the consolidated ROE was 14.7% in FY2022, the amount to be paid will be calculated in proportion to that percentage. In addition, as the sustainability measures promoted under the Medium-Term Management Plan all made steady progress in FY2022, an additional amount will be added to reflect this.
- The bonus, the performance-linked portion of the stock compensation, and the monetary compensation related to the degree of achievement of the Medium-Term Management Plan fall under "performance-linked compensation, etc." provided for by the Regulation for Enforcement of the Companies Act, and stock compensation falls under "non-monetary compensation, etc." provided for by the same Act.

# Directors

Biographies of Directors  
<https://www.jpx.co.jp/english/corporate/about-jpx/officer/00-01.html>



## Kinoshita Yasushi

Independent Director  
 Chairperson of the Board of Directors

It has been deemed that Mr. Kinoshita can be expected to perform his role in a way in which his capacity to identify with JPX's corporate philosophy and social mission, as well as his abundant experience and insight in corporate management and government institutions and insight in financial policy, financing, and economics in general, are reflected in the management of JPX Group.

No. of JPX shares held 0 shares



## Yamaji Hiromi

Director and Representative Executive Officer, Group CEO

It has been deemed that Mr. Yamaji can be expected to perform his role in a way in which his abundant experience of and insight into the securities markets, acquired through working at a securities company, and his experience and knowledge gained from leading JPX Group as Director and Representative Executive Officer, Group CEO are reflected in the management of JPX Group.

Significant Concurrent Position(s)

Director, Tokyo Stock Exchange, Inc.

No. of JPX shares held 44,647 shares



## Iwanaga Moriyuki

Director and Representative Executive Officer, Group COO

It has been deemed that Mr. Iwanaga can be expected to perform his role in a way in which his experience and knowledge gained from leading JPX Group as Director and Representative Executive Officer, Group COO are reflected in the management of JPX Group.

Significant Concurrent Position(s)

President & CEO, Tokyo Stock Exchange, Inc.

No. of JPX shares held 46,588 shares



## Yokoyama Ryusuke

Director and Executive Officer

It has been deemed that Mr. Yokoyama can be expected to perform his role in a way in which his experience and knowledge in managing and overseeing the overall business and operations of Osaka Exchange, Inc. and Tokyo Commodity Exchange, Inc., core subsidiaries of JPX engaging in operation of derivatives markets, are reflected in the management of JPX Group.

Significant Concurrent Position(s)

President & CEO, Osaka Exchange, Inc.; Representative Director & Chair, Tokyo Commodity Exchange, Inc.

No. of JPX shares held 33,231 shares



## Ogita Hitoshi

Independent Director

It has been deemed that Mr. Ogita can be expected to perform his role in a way in which his capacity to identify with JPX's corporate philosophy and social mission, as well as his abundant experience and keen insight in corporate management, are reflected in the management of JPX Group.

No. of JPX shares held 7,200 shares



## Kama Kazuaki

Independent Director

It has been deemed that Mr. Kama can be expected to perform his role in a way in which his capacity to identify with JPX Group's corporate philosophy and social mission, as well as his abundant experience and keen insight in corporate management in general and finance and accounting are reflected in the management of JPX Group.

Significant Concurrent Position(s)

Senior Advisor, IHI Corporation; Outside Director, Daiichi Sankyo Company, Limited.

No. of JPX shares held 1,900 shares



## Kohda Main

Independent Director

It has been deemed that Ms. Kohda can be expected to perform her role in a way in which her capacity to identify with JPX's corporate philosophy and social mission, as well as her creativity and perception as a novelist, her keen insight in finance, and her experience in serving as a university professor and a member of government advisory councils, are reflected in the management of JPX Group.

Significant Concurrent Position(s)

Novelist; Outside Director, Japan Tobacco Inc.; Outside Director, Mitsubishi Motors Corporation

No. of JPX shares held 5,300 shares



## Kobayashi Eizo

Independent Director

It has been deemed that Mr. Kobayashi can be expected to perform his role in a way in which his capacity to identify with JPX's corporate philosophy and social mission, as well as his abundant experience and keen insight in corporate management, are reflected in the management of JPX Group.

Significant Concurrent Position(s)

Director Emeritus, ITOCHU Corporation; Outside Director, Nippon Venture Capital Co., Ltd.; Member of the Supervisory Committee, The Norinchukin Bank

No. of JPX shares held 9,800 shares



## Suzuki Yasushi

Director

It has been deemed that Mr. Suzuki's abundant knowledge and experience regarding the exchange business in general, gained through working at a financial instruments exchange, can be expected to benefit the monitoring and supervision of the execution of business at JPX Group.

No. of JPX shares held 25,282 shares



## Takeno Yasuzo

Independent Director

It has been deemed that Mr. Takeno can be expected to perform his role in a way in which his capacity to identify with JPX's corporate philosophy and social mission, as well as his keen insight in corporate law from his expert perspective as legal professional, are reflected in the management of JPX Group.

Significant Concurrent Position(s)

Attorney-at-Law/Partner, Mori Hamada & Matsumoto

No. of JPX shares held 3,200 shares



## Matsumoto Mitsuhiro

Independent Director

It has been deemed that Mr. Matsumoto can be expected to perform his role in a way in which his capacity to identify with JPX's corporate philosophy and social mission, as well as his abundant experience and keen insight in law enforcement, are reflected in the management of JPX Group.

Significant Concurrent Position(s)

Outside Audit & Supervisory Board Member, Daiichi Sankyo Company, Limited.

No. of JPX shares held 0 shares



## Mori Kimitaka

Independent Director

It has been deemed that Mr. Mori can be expected to perform his role in a way in which his capacity to identify with JPX's corporate philosophy and social mission, as well as his keen insight in corporate accounting from the standpoint of an accounting professional, are reflected in the management of JPX Group.

Significant Concurrent Position(s)

Certified Public Accountant; Advisor, The Japanese Institute of Certified Public Accountants; Outside Corporate Auditor, MITSUI & CO., LTD.; Outside Corporate Auditor, East Japan Railway Company; Outside Director, Sumitomo Life Insurance Company

No. of JPX shares held 7,100 shares

Please refer to the following website for information on the composition of the Nomination, Compensation and Audit Committee and the JPX Group's business execution structure (list of executive officers).  
<https://www.jpx.co.jp/english/corporate/about-jpx/officer/index.html>



**Miyahara Koichiro**  
Director and Executive Officer

It has been deemed that Mr. Miyahara can be expected to perform his role in a way in which his experience and knowledge in the management of JPX Market Innovation & Research, Inc., which was newly established as a core entity for the strategic business development of JPX Group, are reflected in the management of JPX Group.

Significant Concurrent Position(s)

President & CEO, JPX Market Innovation & Research, Inc.

No. of JPX shares held 51,355 shares



**Konuma Yasuyuki**  
Director and Executive Officer

It has been deemed that Mr. Konuma can be expected to perform his role in a way in which his experience and knowledge in managing and overseeing the overall business and operations of Japan Securities Clearing Corporation are reflected in the management of JPX Group.

Significant Concurrent Position(s)

President & CEO, Japan Securities Clearing Corporation

No. of JPX shares held 35,071 shares



**Endo Nobuhiro**  
Independent Director

It has been deemed that Mr. Endo can be expected to perform his role in a way in which his capacity to identify with the JPX's corporate philosophy and social mission, as well as his abundant experience and keen insight in corporate management and system networks, are reflected in the management of JPX Group.

Significant Concurrent Position(s)

Executive Advisor, NEC Corporation; Member, Board of Directors (Outside), Sumitomo Pharma Co., Ltd.; Outside Director, Tokio Marine Holdings, Inc.; Outside Director, Nisshin Seifun Group Inc.

No. of JPX shares held 7,900 shares



**Ota Hiroko**  
Independent Director

It has been deemed that Ms. Ota can be expected to perform her role in a way in which her capacity to identify with JPX's corporate philosophy and social mission, as well as her abundant experience in government agencies and keen insight in the economy and financial policy, are reflected in the management of JPX Group.

Significant Concurrent Position(s)

President, National Graduate Institute for Policy Studies

No. of JPX shares held 900 shares

Areas of Expertise of Directors and Attendance at Board and Committee Meetings

Time spent in deliberation: 1,186 minutes  
Number of items approved: 22 items

Name	Corporate management	Finance	Accounting/Audit	Legal affairs/Risk management	Research/Government Agencies	Technology	Board of Directors	Committees					
								Nomination	Compensation	Audit	Independent Directors	Risk Policy	
Kinoshita Yasushi	●	●					New						
Yamaji Hiromi	●	●					11/11	●	● 4/4				●
Iwanaga Moriyuki	●	●					11/11						
Yokoyama Ryusuke	●	●					New						
Miyahara Koichiro	●	●					-						
Konuma Yasuyuki	●	●					New						
Endo Nobuhiro	●					●	10/11	● 11/12				●	
Ota Hiroko		●			●		9/9		● 2/2	● 9/10		●	
Ogita Hitoshi	●						11/11	■ 12/12				■	
Kama Kazuaki	●		●				New		●			●	
Kohda Main		●			●		11/11			● 12/12		●	■
Kobayashi Eizo	●						11/11	● 12/12	■ 4/4			●	
Suzuki Yasushi		●					9/9			● 10/10			
Takeno Yasuzo				●			11/11	●		● 12/12		●	●
Matsumoto Mitsuhiro				●	●		New			●		●	●
Mori Kimitaka			●				11/11		● 4/4	■ 12/12		●	

Note: The figures in the table show meetings attended/meetings held in FY2022.

■ Committee chairperson ● Committee member





## Message from an Independent Director

# JPX Succession Plan —Selection Process and Expectations for the New CEO—

## Ogita Hitoshi

Chairperson of the Independent  
Directors Committee

Chairperson of the Nomination  
Committee

Since its inception in 2013, JPX Group has had a statutory Nomination Committee for the purpose of ensuring transparency, timeliness, and objectivity concerning appointment and removal of directors and executive officers. Starting in 2018, to further ensure and improve independence, the committee chairperson has been an independent director, and I have served as chairperson of the Nomination Committee since that time.

Last December, JPX Group announced a change of Representative Executive Officer, Group CEO. The new leadership team with Yamaji Hiromi as Group CEO has started from this fiscal year.

The Nomination Committee makes proposals based on basic requirements for considering the appointment of executive officer candidates. For the Representative Executive Officer, Group CEO in particular, the Nomination Committee selects the most suitable person that fits with the ideal model for a CEO that has been clearly set out in advance.

In selecting the CEO, the Nomination Committee, following an adequate period of consideration, established a formal "CEO Personnel Requirements" document in order to further clarify these basic requirements and the ideal model for the role, and formulated the "Succession Plan for the Next CEO" based on this.

### Basic Requirements for the Election of Executive Officer Candidates

- 1 Possession of expertise in JPX's business and excellent management judgment and execution skills
- 2 Possession of excellent leadership, decision-making, foresight, and planning capabilities
- 3 Possession of the character and insight appropriate for an executive officer
- 4 Absence of any health issues that could hinder performance of duties as an executive officer

### Ideal Model of a Representative Executive Officer, Group CEO

- 1 A person who respects our corporate philosophy and who can practice management based on our corporate philosophy at a high level
- 2 A person of character, insight, and energy who can gain the support and trust of a wide range of people involved in the markets in which JPX Group operates
- 3 A person with a global perspective but also deep knowledge of Japanese society and economy, as well as thorough understanding of the markets the Group operates, and the ability to take the lead on market users, market rules, and other aspects

In implementing the Succession Plan, the Nomination Committee members identify and monitor candidate successors, gradually narrowing down the list of candidates. In this most recent CEO selection process, when holding discussions, we also included external candidates in the list in addition to internal candidates, not ruling out the option of inviting a CEO from outside JPX Group.

Through this process, it was finally decided that then-TSE President Yamaji was the most qualified person to entrust to be the next CEO of JPX Group, with the unanimous opinion of all Nomination Committee members. Mr. Yamaji was appointed primarily for the following three reasons:

First, having served as president of Tokyo Stock Exchange and Osaka Exchange, he possesses the stability, decisiveness, and high-level expertise required of an operator of a securities market infrastructure with high public visibility.

Second, he possesses a global perspective and is familiar with the needs of market users based on his practical experience as the head of Nomura Securities' European and U.S.-based subsidiaries.

Third, above all, he is highly trusted by JPX Group employees, and possesses the leadership to motivate and drive employees with a strong sense of mission.

JPX Group has an unwavering mission to contribute to achieving a sustainable and prosperous society through the operation of infrastructure supporting Japan's financial and capital markets. Under the slogan "Exchange & beyond" in the 2024 Medium-Term Management Plan, we are actively taking on the challenge of new fields in order to realize Target 2030. In this context, as the new CEO, Mr. Yamaji is expected to demonstrate to the fullest extent his sense of stability and immediately bring his leadership abilities to bear to steadily implement each measure with the cooperation of market users and JPX Group employees. Furthermore, as global initiatives such as becoming an international financial center are expected to become increasingly important in the future, we hope that Mr. Yamaji will fully demonstrate his diverse and global business experience and his global mindset based on that experience.



# Risk Management

In its approach to risk management, JPX Group recognizes the importance of maintaining sound and stable business operations to fulfill its public role as a market operator and continue raising corporate value.

## Risk Management System

JPX Group faces numerous risks in the course of its operations, including risks associated with system glitches, legal matters, compensation in the event of clearing participant defaults, and administrative errors. The Group has established a Risk Policy Committee, chaired by an outside director, and a Risk Management Committee, chaired by the Group CEO, to address risk. In line with the Group's Risk Management Policy, these committees are responsible for identifying risks as well as developing and implementing measures to prevent such risks. The Group also has a system in place to ensure a swift and appropriate response when risks do or are likely to materialize.

The Risk Policy Committee consists of at least five members, the majority of whom are outside directors. As a rule, the committee is chaired by an outside director.

The Risk Management Committee is composed of core members and project members who oversee the risks of specific projects. The Group CEO (who serves as chairperson), the executive officer overseeing the General Administration Department, and the director of the department make up the core members, while the chairperson of the committee assigns project members to specific cases as they arise.

The Risk Management Policy serves to prevent risks by indicating and classifying the risks JPX Group faces. Departments or sections are assigned to handle the classified risks, and information on the assessments of operations and issues to be addressed are periodically brought before the Risk Policy Committee and Risk Management Committee.

Each fiscal year, the Risk Policy Committee identifies the significant risks requiring priority action for the JPX Group and establishes basic policies for responses to each significant risk. The results of this process are submitted

to the Board of Directors as recommendations in the form of a Comprehensive Risk Management Statement. Based on the Comprehensive Risk Management Statement it has formulated, JPX Group responds to significant risks and other risks in advance, thereby reducing the likelihood of risks materializing and enabling flexible responses when risks do materialize. When a major issue occurs, the Risk Management Committee gains an overall grasp of the situation and orchestrates a concerted response by giving directions for dealing with the issues as quickly as possible. The system calls for all necessary information to be reported to management promptly and without fail.

## Significant Risks

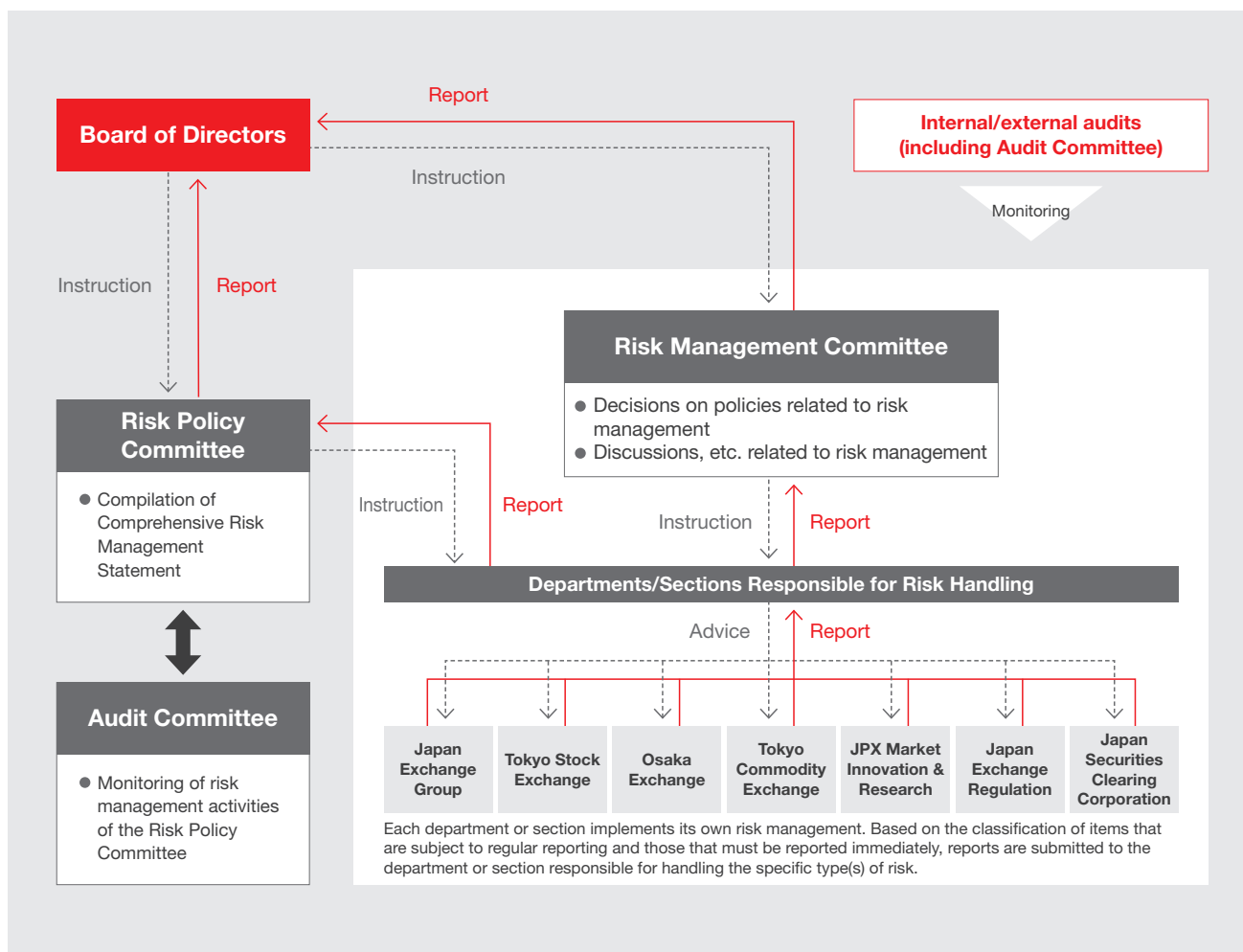
Each fiscal year, we identify the significant risks that could affect the JPX Group. We control the possibility of the materialization of these risks by implementing necessary preventive measures. We also implement measures to ensure that we are able to respond flexibly in the event that risks materialize.

JPX Group approaches risk management on two levels. First, all group companies work to identify risks in the internal environment. Second, we hold wide-ranging discussion involving the management team about potential risk factors in the external environment, such as geopolitical risks. Based on the results of these discussions, we then consider which are significant risks. Many risks are detected at the discussion stage. We examine these in detail to identify the risks that require the greatest attention in each fiscal year, on the basis of the potential impact on JPX Group if the risk materializes and the frequency with which such risks are likely to arise. We then take preventive measures targeting specific significant risks.



## Risk Management System

→ Flow of regular reports and reports submitted when risks occur    --> Flow of instructions and advice on response



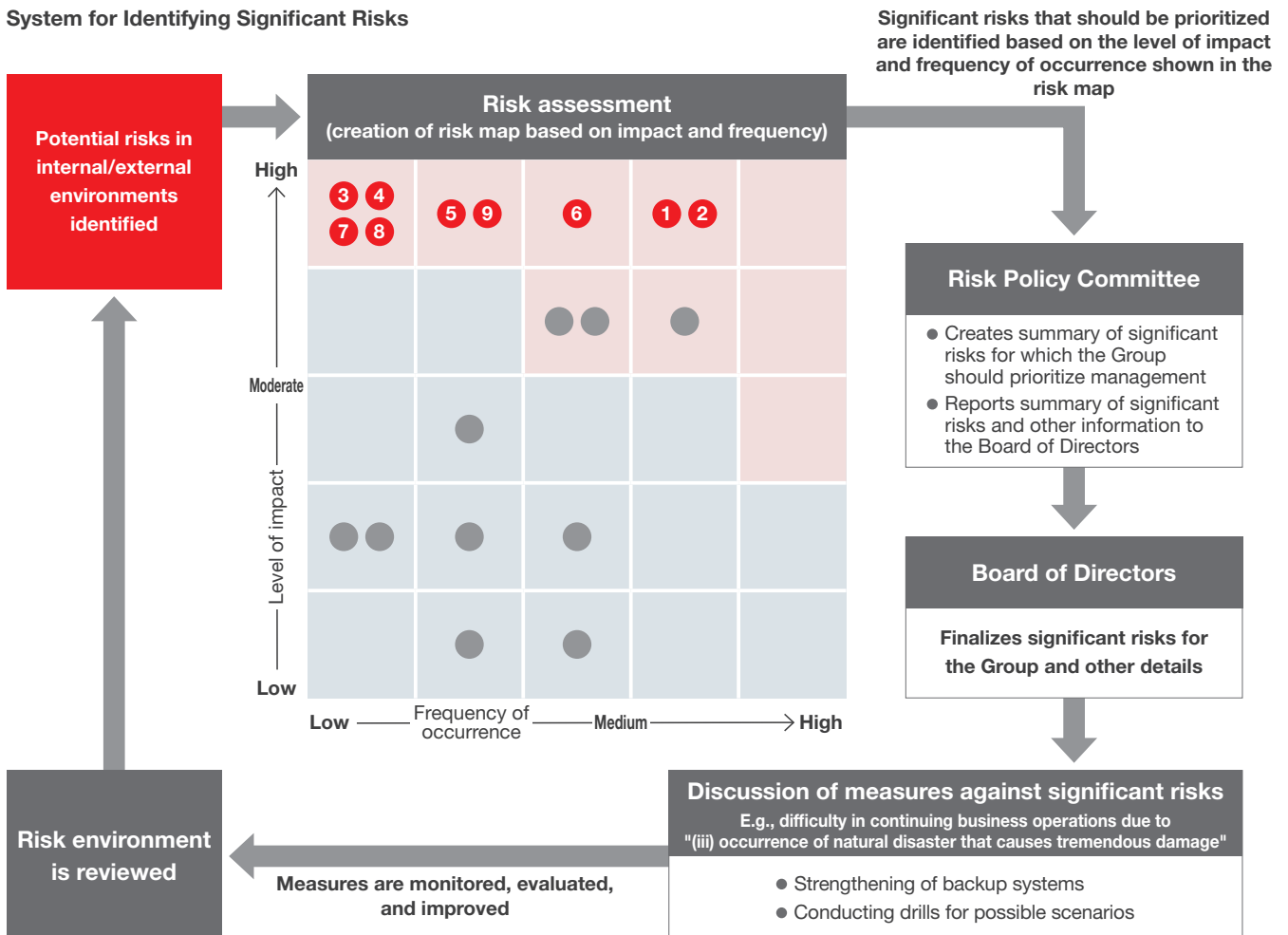
## Risk Classification

Types of Risk	Examples
Business environment and business strategy risk	Economic fluctuations, legal and regulatory matters, demographic changes, technological innovation, investor trends, public opinion, and failed business choices
Accidents and disaster risk	Major earthquakes, typhoons, tsunamis, epidemics, terrorism, failure/stoppage of social infrastructure, fires, and accidents
System risk	Inadequate hardware capacity and application errors
Legal risk	Violations of laws and regulations in the course of business, business partner's failure to perform on contracts, and the possibilities of having a relationship with anti-social forces
Financial risk	Undermined reliability of financial reporting, lack of funds, and loss or damage to assets, including deposits
Human risk	Personnel shortage, industrial accidents, and occupational hazards
Information security risk	Information leakage, unauthorized access, and computer viruses
Operational risk	Mistakes in operational procedures and misjudgments
Risk of associated companies	Emergence of risk in group companies
Reputational risk	Decline in public reputation due to acts and statements by employees and/or third parties
Credit risk and liquidity risk arising from obligation assumption business	Emergence of losses due to default, etc. by clearing participants
Other risks	Risks other than those mentioned above

## Major Significant Risks and Our Responses to Them

Types of Risk	Risk Phenomena	Responses to Risk Phenomena
System risk	1 System failures	<ul style="list-style-type: none"> <li>● Implementing standardized development methods and adequate operational tests</li> <li>● Maintaining thorough quality control pertaining to development and operations</li> <li>● Implementing regular drills for system failure</li> <li>● Implementing recurrence prevention measures in response to system failure (improving resilience)</li> </ul>
Information security risk	2 Cyberattacks	<ul style="list-style-type: none"> <li>● Implementing regular information security diagnostics by external vendors</li> <li>● Implementing regular drills</li> <li>● Implementing E-learning</li> </ul>
Business continuity risks	3 Occurrence of natural disaster that causes tremendous damage	<ul style="list-style-type: none"> <li>● Building of eastern and western backup capabilities (for both business operations and systems)</li> </ul>
	4 Occurrence of terrorist attack	<ul style="list-style-type: none"> <li>● Implementing regular drills (for disaster and terrorism responses)</li> <li>● Reviewing contingency plans, etc.</li> </ul>
	5 Occurrence of pandemic	<ul style="list-style-type: none"> <li>● Recommending and adopting telework and staggered working hours</li> <li>● Using nearby backup offices, etc.</li> </ul>
Operational risk	6 Administrative error in business operations related to market operations (system operations, etc.), listing services or clearing services	<ul style="list-style-type: none"> <li>● Implementing regular operation drills</li> <li>● Continuous review of operational manuals and processes (including promotion of automation)</li> <li>● Inspections of operational methods premised on telework, etc.</li> </ul>
Credit risk and liquidity risk arising from obligation assumption business	7 Default, etc. by clearing participants	<ul style="list-style-type: none"> <li>● Ensuring adequacy of margin and other sources of funds</li> <li>● Daily monitoring of clearing participants and regular holding of drills in case of participant bankruptcy</li> </ul>
Business environment and business strategy risk	8 Changes in operating environment (impact on market from changes in regulations or rules due to laws, etc.)	<ul style="list-style-type: none"> <li>● Performing regular monitoring of progress of business strategies and changes in the business environment, etc., and reviewing priority strategies corresponding to proper budgetary operation and changes in the operating environment</li> <li>● Reviewing market rules and structures in fitting with discussion and debate among market stakeholders, etc. (strengthening of market functions, provision of fair and highly convenient trading services, etc.)</li> </ul>
	9 Delayed or insufficient response to promoting sustainability	<ul style="list-style-type: none"> <li>● Formulating Environmental Vision and Environmental Policy</li> <li>● Disclosing information based on the TCFD Recommendations</li> </ul>

## System for Identifying Significant Risks



## Systems Capacity Management

In recent years, with faster systems and the growing prevalence of co-location services, there has been an increase in the number of orders processed by JPX Group trading systems. In view of these changes, the JPX Group is monitoring market trends and system usage and working to manage overall system capacity across the corporate group by utilizing projections to prepare for and prevent any system capacity issues that may arise. Capacity management is not conducted by IT departments alone, but also by the Capacity Management Committee chaired by the CIO. The cross-divisional committee is made up of executive officers and departments involved in market operations.

Geared toward realizing even better systems, the committee monitors, analyzes, and assesses system operation conditions, works on improvements for current systems, and provides feedback on the design and development of next-generation systems. The committee employs the PDCA cycle in its activities, while reporting to management periodically and on an as-needed basis to make swift and appropriate decisions on priority or emergency issues related to system capacity.

## Contingency Plan

Alongside the need for exchanges to provide opportunities for trading, in order to maintain fair price formation in the market, it is also necessary for securities companies and other market participants who place orders to the exchange market to maintain a certain level of preparedness. JPX Group formulates contingency plans for disseminating and publishing its basic response policies when it becomes difficult to continue trading, such as when there is a glitch in an internal or external system, a natural disaster or terrorist act, or when parts of the social infrastructure cease to function. For example, in the case of a natural disaster, we consider the necessity of trading suspension after taking fully into account past market share based on the trading value of trading participants that are unable to participate in trading (generally above 50% of overall trading value), the extent of disasters and the state of system failure (including the number of trading participants, etc. that are unable to participate in trading, their attributes, the status of the entire financial market), and social demands.

## Actions on Cybersecurity

As JPX Group holds responsibility for key financial market infrastructure, it views cybersecurity as a significant management risk, and accordingly actively advances cybersecurity measures, as well as implementing a variety of measures to provide safe and secure services to investors and other market users.

As an example, we have built a multi-layered security system that detects and blocks any and all cyberattacks against the JPX Group, including unauthorized access to the website and targeted emails. We have also built systems to look for vulnerabilities in JPX Group security and improve our countermeasures to these threats. These include conducting regular diagnostic checks, as well as constructing a 24-hour monitoring and response system, centered around the in-house Computer Security Incident Response Team (CSIRT).

In addition, we are working to strengthen our corporate group's capabilities in cybersecurity through the creation of cybersecurity manuals and procedures, as well as response drills held multiple times a year for a range of scenarios. At the same time, to raise awareness of cybersecurity among employees, we are providing education through regular e-learning courses and training to combat targeted email attacks.

We are also committed to working in a timely and appropriate manner with public institutions such as the Financial Services Agency, the National center of Incident readiness and Strategy for Cybersecurity, the Tokyo Metropolitan Police Department's association for responses to cyberterrorism, and the Information-technology Promotion Agency, Japan. At the same time, we have created a system to keep track of and share information on the latest trends in cybersecurity-based threats, which includes sharing in-depth information with the Nippon CSIRT Association and security companies.

As cyberattacks are becoming increasingly sophisticated and precise with each passing year, we will formulate cybersecurity response plans, conduct regular checks of our security measures and revise and reinforce them whenever necessary.

## Business Continuity in Emergencies

JPX Group's core responsibility as a market operator within the social infrastructure is to provide reliable markets for market users to trade with confidence. Therefore, even when major risks do materialize, such as in the form of natural disasters or terrorist acts, the Group must be prepared to answer the call of society and continue operations. To be ready for such situations, JPX Group established our Business Continuity Plan (BCP) to define our response to materialized risks.

The basic concept of the BCP is to continue operations as far as possible even in times of emergency. If suspension is unavoidable, then the affected operations should be resumed as soon as possible. For instance, even if a serious incident, such as a major earthquake, occurs and operations are suspended, in principle, JPX Group aims to resume clearing operations in about two hours and trading operations within 24 hours to prevent the loss of a trading day to the greatest extent possible.



To achieve said targets, in addition to its primary data center where operations normally take place, the Group also maintains a secondary (backup) center, which is located in a different area to avoid having both centers be simultaneously affected. If the primary center is affected by a disaster and cannot continue operations, operations are switched over to trading and other core systems in the backup center to allow trading to resume as quickly as possible. In a bid to help further enhance the reliability of the Japanese market, we are constructing a secondary (backup) center in the Kansai region away from Tokyo, where there would be little to no fear of shortages of electricity and other essential services in the event that a major large-scale earthquake or other disaster occurred in the Tokyo Metropolitan area and caused damage to its

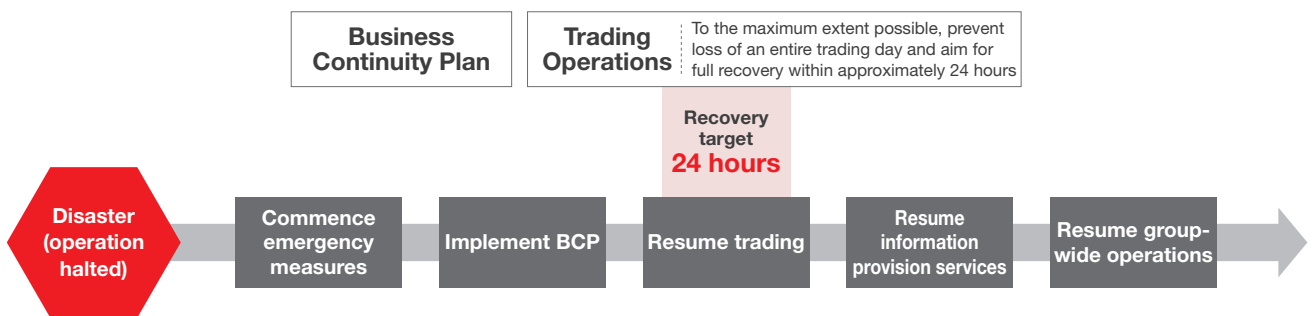
social infrastructure.

Furthermore, in preparation for a large-scale earthquake and other wide-area disasters, the core telecommunications network, arrownet, is designed as an optical ring network that surrounds the Tokyo Metropolitan area. Even if a part of the network is severed by a disaster, transmissions will be re-routed immediately, ensuring that connections are maintained. The BCP also defines the response policy for each type of identified risk, as well as detailed plans for establishing the BCP emergency headquarters and securing personnel and communication methods. JPX Group reviews its BCP at least once a year and revises it accordingly in light of changes in the environment.

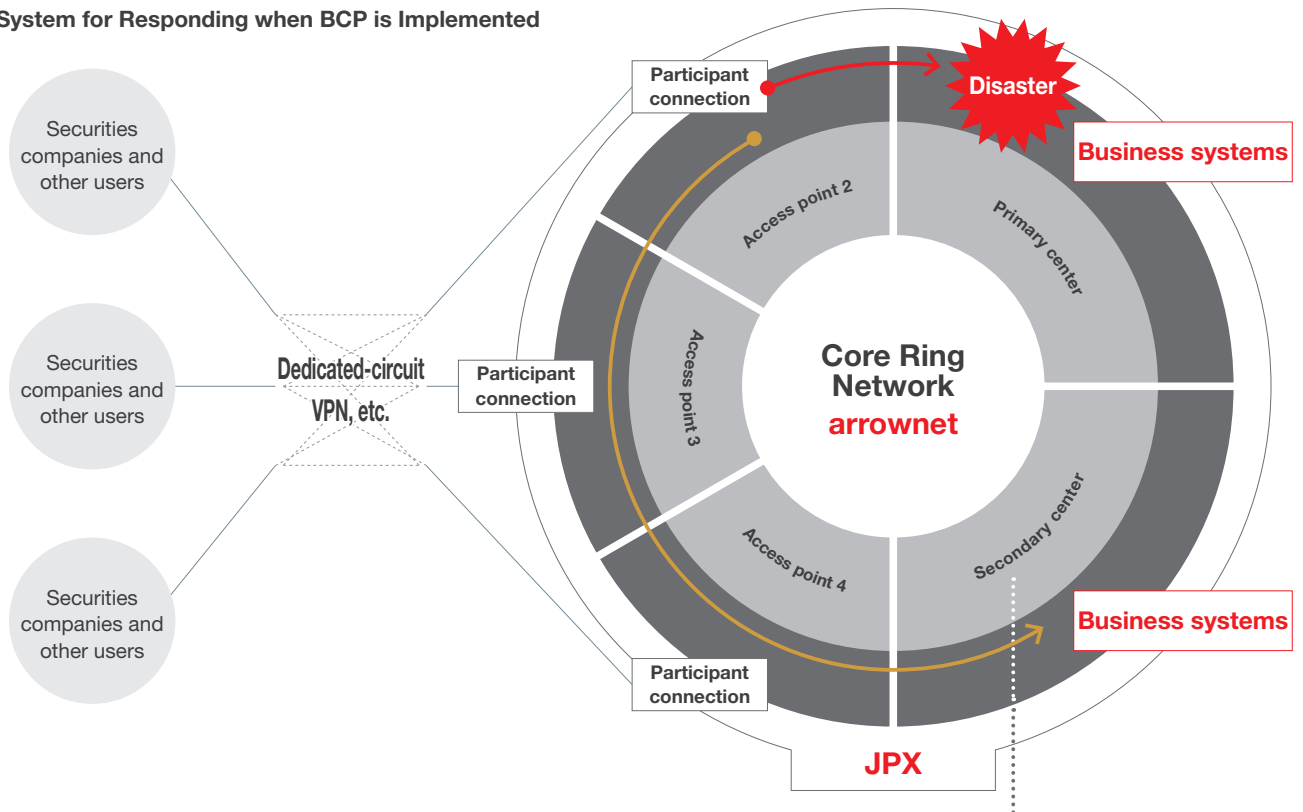
**Business Continuity Plan**

<https://www.jpx.co.jp/english/corporate/governance/risk/bcp/index.html>

**Procedures for Restoring Trading Operations based on BCP after Disaster Occurs**



**System for Responding when BCP is Implemented**



When the primary center is affected by a disaster, switch-over occurs, and it is possible to continue operations at the secondary center.

# Internal Control Systems and Compliance

Besides maintaining well designed business operating systems for stable and appropriate execution of business, all officers and employees observe laws and regulations and demonstrate a strong sense of ethics in the performance of their daily tasks.

## Internal Control Systems

JPX Group has a Basic Policy on Establishment of Internal Control System and develops internal control systems based on this policy. To ensure the proper operation of business processes throughout the Group, we create systems for ensuring compliance with laws and regulations, safeguarding and managing information, managing risk of loss, ensuring efficient operations, and for internal controls. To ensure that these systems are

functioning properly, the Internal Auditing Office, an independent unit that reports directly to the Group CEO and COO, periodically confirms and assesses the status of internal controls.

▶ **Basic Policy on Establishment of Internal Control System**  
<https://www.jpx.co.jp/english/corporate/governance/internal-control/index.html>

## Compliance Program

JPX Group has a Charter of Corporate Behavior in place as a set of standards for ethics and morals, which clearly states the expected corporate behavior. In order to ensure the effectiveness of internal controls, the Group continues to increase awareness of compliance among management and employees by continually renewing internal systems,

as well as through education and training.

▶ **Compliance Program**  
<https://www.jpx.co.jp/english/corporate/governance/compliance/index.html>

### Charter of Corporate Behavior

The Charter of Corporate Behavior serves to make clear JPX Group's social responsibilities as an open and transparent corporation positioned in harmony with society. The Charter states the basic policies for corporate behavior in terms of ethics and morals. It also clearly indicates the Group's investor-centric stance and reflects our commitment to being an open company.

### Activities for Continued Awareness

JPX Group engages in a number of activities to maintain awareness of compliance issues. These include cross-divisional meetings among all staff in charge of compliance matters, distributing compliance handbooks, communicating knowledge on compliance through the intranet, and holding e-learning courses.

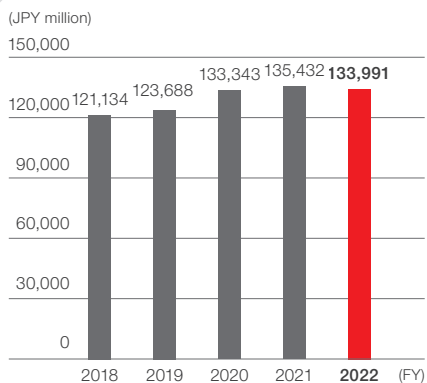
### Organizational System

The Group CEO assumes responsibility for compliance and oversees all compliance-related matters. The Group CEO is assisted by the officer responsible for compliance and the Compliance Secretariat. The Group has a Compliance Hotline in place to provide a channel for reporting information and making inquiries regarding clear or suspected violations of laws and internal rules, including against the Charter of Corporate Behavior. When certain behavior involving Group officers or employees is suspected to be in violation of compliance, the hotline makes it possible to detect such acts promptly from an incoming call and introduce measures and frameworks to address them.

# Financial Highlights

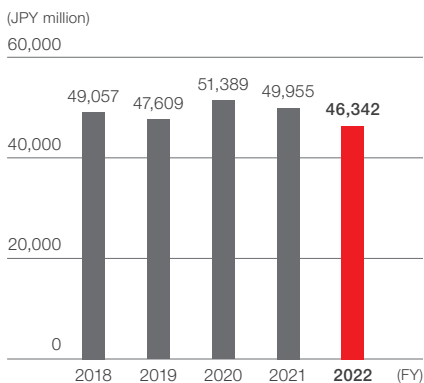
## Operating Revenue

JPY **133,991** million



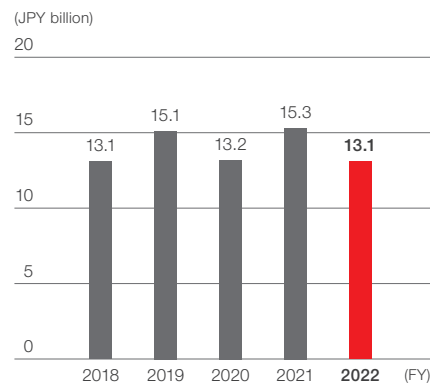
## Net Income (attributable to owners of the parent company)

JPY **46,342** million



## Capital Expenditures

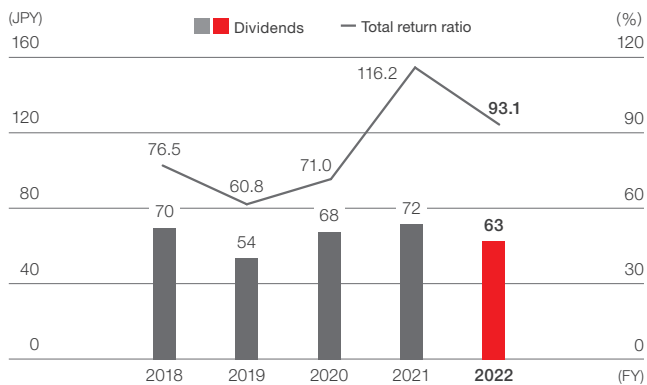
JPY **13.1** billion



## Dividends, etc.

Dividends  
JPY **63**

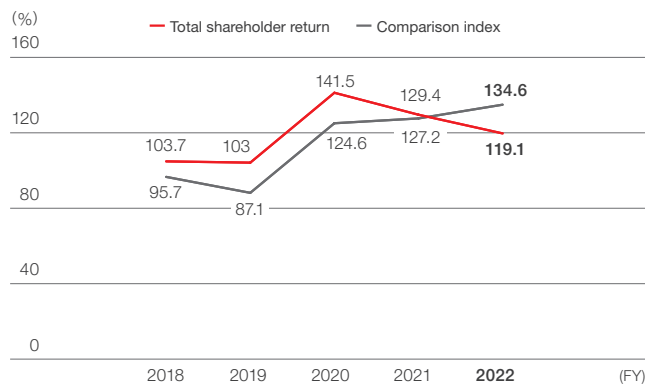
Total return ratio  
**93.1%**



## TSR

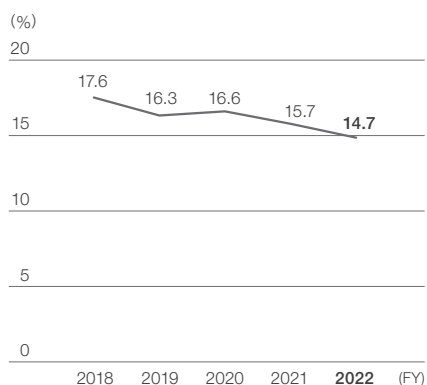
Total shareholder return  
**119.1**

Comparison index: JPX-Nikkei Index 400 (total return index)  
**134.6%**



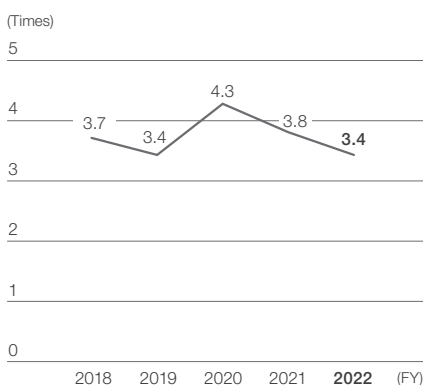
## ROE

**14.7%**



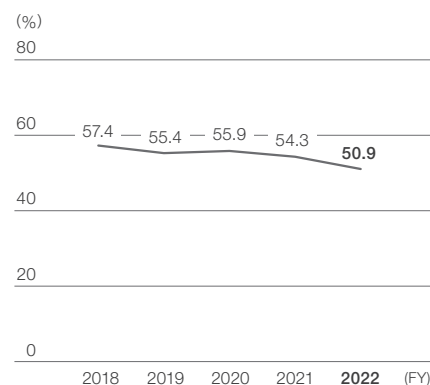
## PBR

**3.4** times



## Operating Profit Margin

**50.9%**



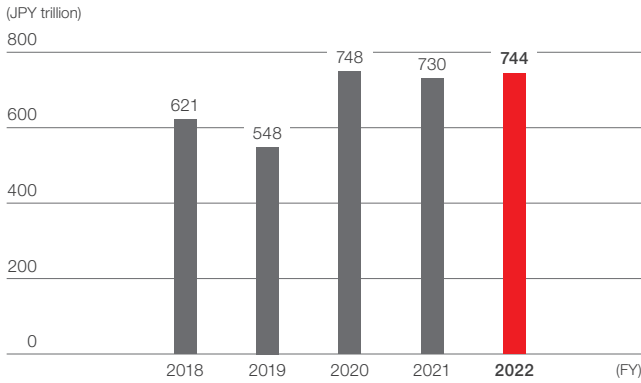


# Non-Financial Highlights

## Listed companies - Promotion of corporate value improvement

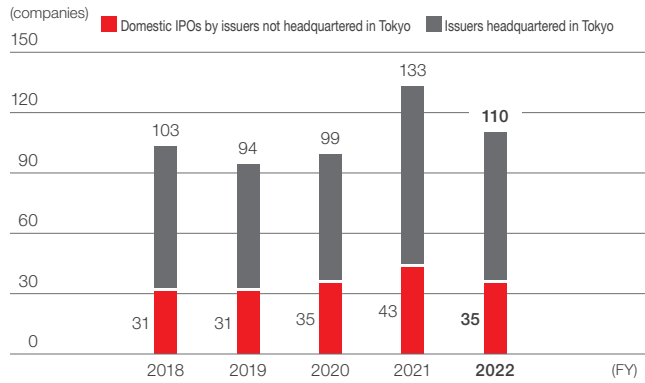
Market Capitalization of TSE-listed Companies (as of FY-end)

JPY **744** trillion



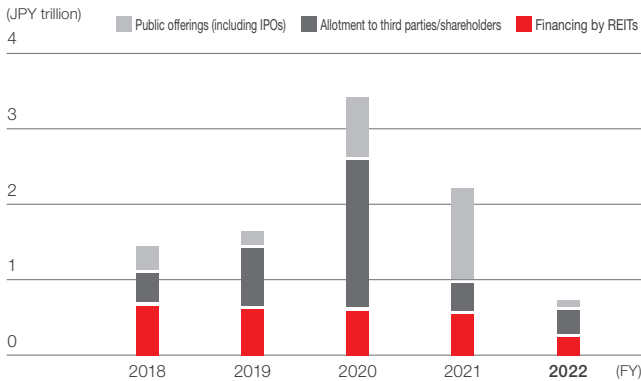
TSE IPOs

**110** companies



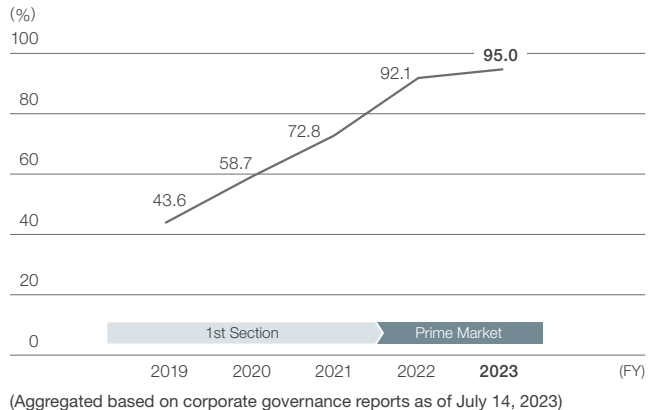
Financing by Listed Companies and REITs

JPY **73.7** billion



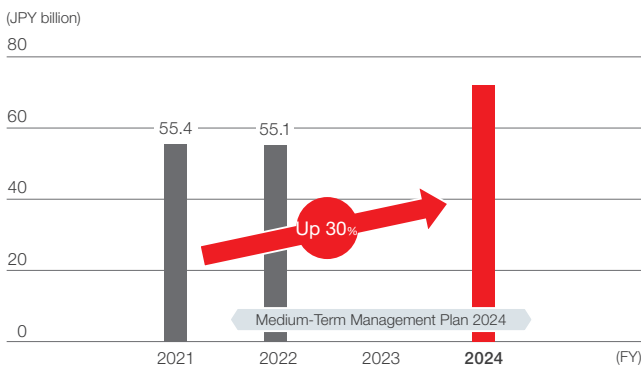
Listed Companies (Prime) Appointing At Least One-third Independent Directors

**95.0%**

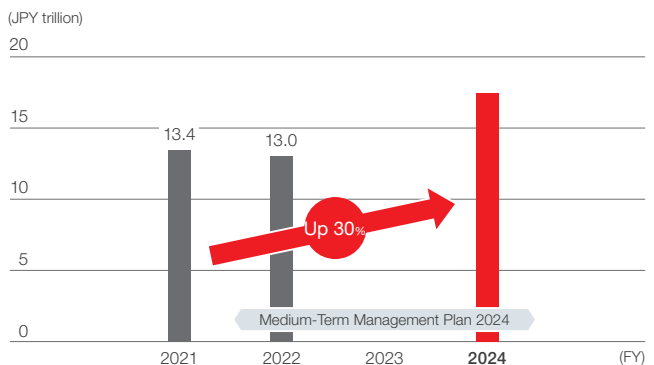


## Investors - Providing effective asset management opportunities

Average Daily Trading Value of ETFs, etc. (excluding leveraged/inverse products)



Net Asset Balance of ETFs, etc. (excluding BOJ purchases)



# Review of Operations and Financial Condition

## Financial Highlights (IFRS)

(JPY mil.)

	FY2018	FY2019	FY2020	FY2021	FY2022
Operating Revenue	121,134	123,688	133,343	135,432	133,991
Operating Expenses	54,111	58,532	61,394	63,220	67,502
Operating Income	69,535	68,533	74,565	73,473	68,253
Net Income Attributable to Owners of the Parent Company	49,057	47,609	51,389	49,955	46,342
EBITDA	82,568	85,683	91,594	91,025	87,275
Dividends per Share* (JPY)	70.0	54.0	68.0	72.0	63.0
ROE	17.6%	16.3%	16.6%	15.7%	14.7%

\*The dividend figures for FY2018, FY2020, FY2021 and FY2022 include a special dividend of JPY 15 per share, a special dividend of JPY 10 per share, a special dividend of JPY 15 per share, and a commemorative dividend of JPY 10 per share, respectively.

## Average Daily Trading Value/Volume of Main Products

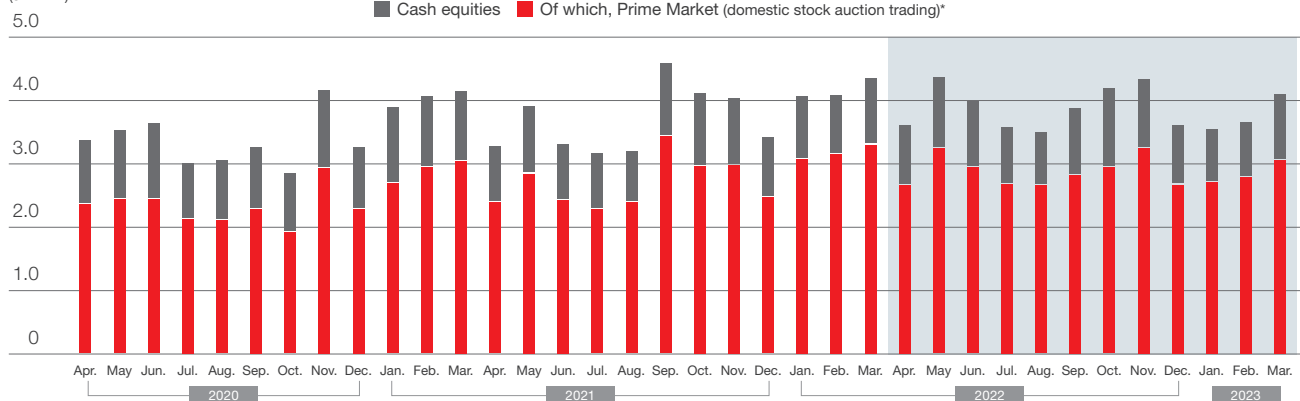
	FY2018	FY2019	FY2020	FY2021	FY2022
Cash Equities (trading value)*	JPY 3.31 trillion	JPY 3.08 trillion	JPY 3.48 trillion	JPY 3.76 trillion	JPY 3.84 trillion
TOPIX Futures (large)	104,000 contracts	121,000 contracts	102,000 contracts	96,000 contracts	104,000 contracts
Nikkei 225 Futures (large)	100,000 contracts	110,000 contracts	92,000 contracts	76,000 contracts	88,000 contracts
Nikkei 225 Futures (mini)	1,051,000 contracts	1,228,000 contracts	1,076,000 contracts	989,000 contracts	1,046,000 contracts
Nikkei 225 Options**	JPY 23.0 billion	JPY 26.8 billion	JPY 26.5 billion	JPY 23.6 billion	JPY 25.7 billion
10-year JGB Futures	42,000 contracts	40,000 contracts	29,000 contracts	33,000 contracts	32,000 contracts

\* Average daily trading value of common stocks on Prime, Standard and Growth Markets (up to FY2021: TSE 1st/2nd Sections, Mothers, and JASDAQ), TOKYO PRO Market, and ETFs/ETNs, REITs, etc. in auction and off-auction trading.

\*\*Excludes weekly options.

## Average Daily Trading Value for Cash Equities (Apr. 2020 – Mar. 2023)

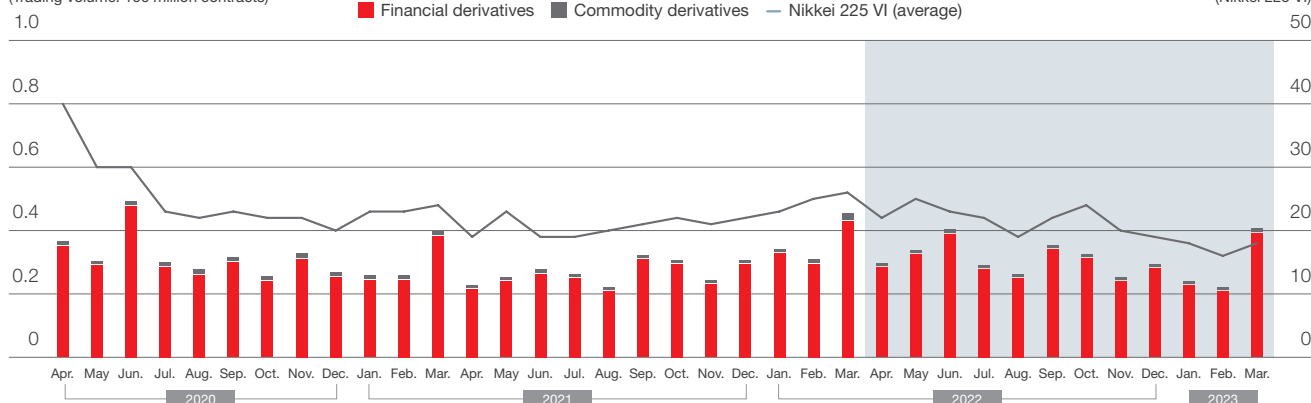
(JPY tril.)



\* Trading value up to April 1, 2022 is that of old TSE 1st Section

## Monthly Trading Volume for Derivatives (Apr. 2020 – Mar. 2023)

(Trading volume: 100 million contracts)



## Adoption of IFRS

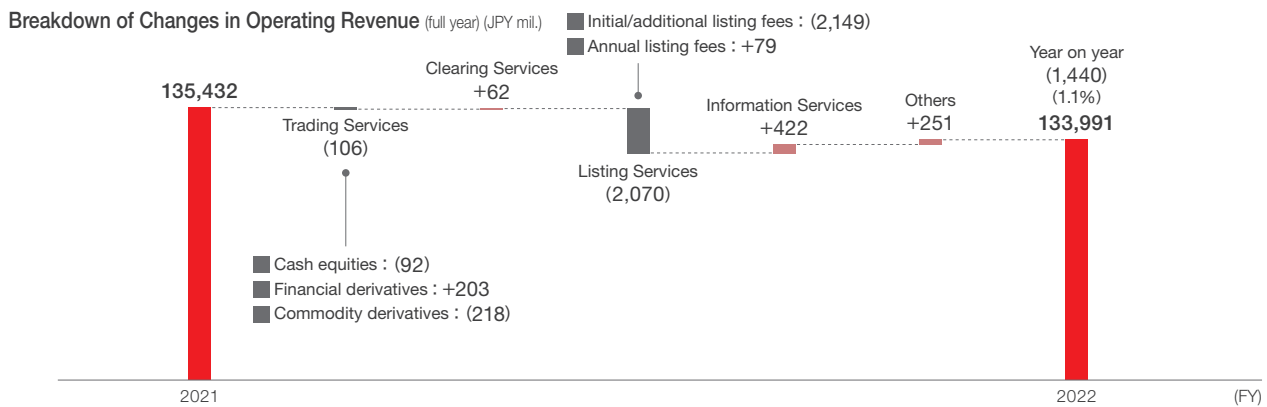
JPX Group has adopted the International Financial Reporting Standards (IFRS) to facilitate comparisons of financial results of the Group with those of other exchanges located overseas and to increase investor convenience.

## Overview of Operating Results for FY2022

In FY2022, JPX Group recorded operating revenue of JPY 133,991 million (down 1.1% year on year) and operating expenses were JPY 67,502 million (up 6.8% year on year). As a result, the Group recorded operating income of JPY 68,253 million (down 7.1% year on year) and income before income tax of JPY 68,207 million (down 7.1% year on year).

In addition, net income attributable to owners of the parent company after income tax was JPY 46,342 million (down 7.2% year on year).

## Operating Revenue



## Operating Revenue

	FY2018	FY2019	FY2020	FY2021	FY2022	Ratio
	Amount (JPY mil.)	Amount (JPY mil.)	Amount (JPY mil.)	Amount (JPY mil.)	Amount (JPY mil.)	
Trading Services Revenue	48,660	48,589	53,171	53,196	53,089	39.6%
Trading Fees	39,248	39,118	43,463	43,298	43,143	
Cash Equities	28,084	25,757	31,056	31,563	31,414	73%*
Financial Derivatives	11,163	12,255	10,393	10,168	10,361	24%*
TOPIX Futures	2,031	2,254	1,933	1,885	2,027	
Nikkei 225 Futures (incl. Nikkei 225 mini)	4,523	5,101	4,380	4,071	4,306	
Nikkei 225 Options**	2,563	2,888	2,555	2,460	2,291	
10-year JGB Futures	1,945	1,811	1,353	1,544	1,498	
Others	99	200	170	205	237	
Commodity Derivatives	—	1,104	2,014	1,567	1,366	3%*
Basic Fees	1,017	1,020	1,018	1,000	986	
Access Fees	4,800	4,701	5,047	5,141	5,165	
Trading System Facilities Usage Fees	3,499	3,646	3,544	3,647	3,691	
Others	95	101	96	108	103	
Clearing Services Revenue	24,788	26,427	27,939	27,945	28,008	20.9%
Listing Services Revenue	14,025	14,322	16,660	15,736	13,666	10.2%
Initial/Additional Listing Fees	3,994	3,965	5,630	4,171	2,021	
Annual Listing Fees	10,030	10,356	11,029	11,565	11,644	
Information Services Revenue	21,029	21,977	24,128	27,175	27,597	20.6%
Others	12,630	12,371	11,443	11,378	11,630	8.7%
<b>Total</b>	<b>121,134</b>	<b>123,688</b>	<b>133,343</b>	<b>135,432</b>	<b>133,991</b>	<b>100%</b>

\* Figures indicate percentage of Trading Fees.

\*\*Excludes weekly options.

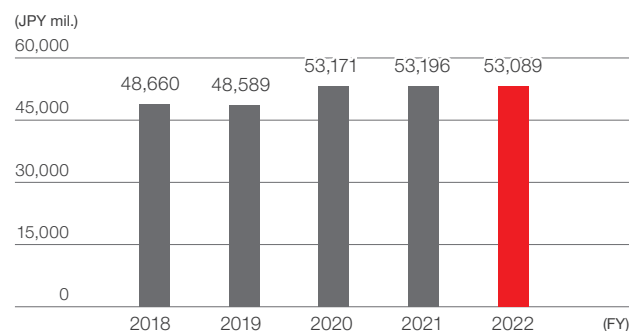


## Operating Revenue in FY2022

### 1. Trading services revenue

Trading services revenue consists of "Trading Fees" based on the value of securities traded and the volume of financial and commodity derivatives traded, "Basic Fees" based on the trading participant's type of trading qualification, "Access Fees" based on the number of orders, "Trading System Facilities Usage Fees" based on the types of trading system facilities used, and other similar fees.

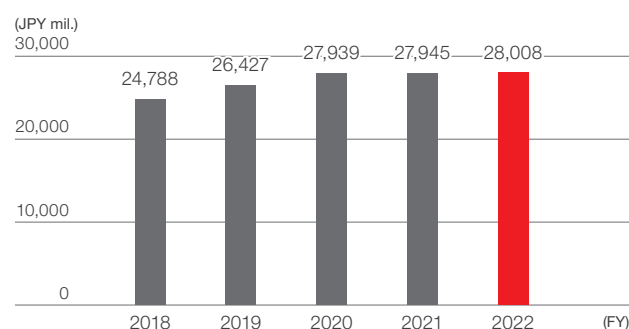
For the fiscal year ended March 31, 2023, JPX Group recorded trading services revenue of JPY 53,089 million (down 0.2% year on year) due mainly to decreased trading fees with the value of securities traded falling short of the level of the previous fiscal year.



### 2. Clearing services revenue

Clearing services revenue is comprised of mainly clearing fees related to the financial instruments obligation assumption business carried out by Japan Securities Clearing Corporation.

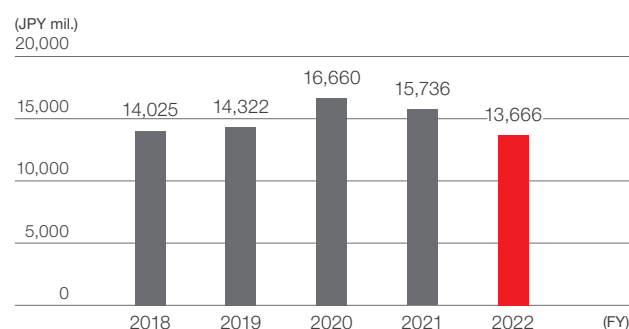
For the fiscal year ended March 31, 2023, JPX Group recorded clearing services revenue of JPY 28,008 million (up 0.2% year on year).



### 3. Listing services revenue

Listing services revenue is comprised of "Initial/Additional Listing Fees" that are received based on the issue amount when a company initially lists or when a listed company issues additional shares, and "Annual Listing Fees" which are made up of fees received from listed companies based on their market capitalization and other similar fees.

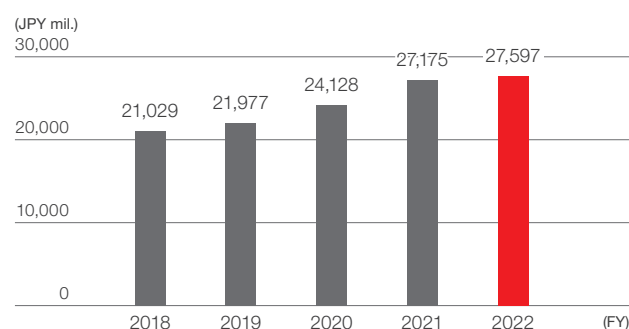
For the fiscal year ended March 31, 2023, JPX Group recorded listing services revenue of JPY 13,666 million (down 13.2% year on year) due mainly to a decrease in revenue from initial and additional listing fees.



### 4. Information services revenue

Information services revenue consists of market information fees, which are comprised of revenue related to the provision of market information to information vendors, etc., as well as revenue related to the index business and others.

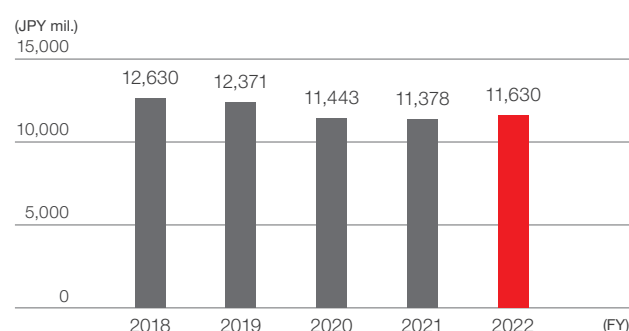
For the fiscal year ended March 31, 2023, JPX Group recorded information services revenue of JPY 27,597 million (up 1.6% year on year) due mainly to an increase in revenue from market information fees.



### 5. Other operating revenue

Other operating revenue includes mainly usage fees for arrownet, which connects trading, market information, and other systems to trading participants and other users, and usage fees related to co-location services that allow trading participants, information vendors, and other users to install devices in the system center for the purpose of improving trade execution efficiency by shortening order transmission time and other processes.

For the fiscal year ended March 31, 2023, JPX Group recorded other operating revenue of JPY 11,630 million (up 2.2% year on year).

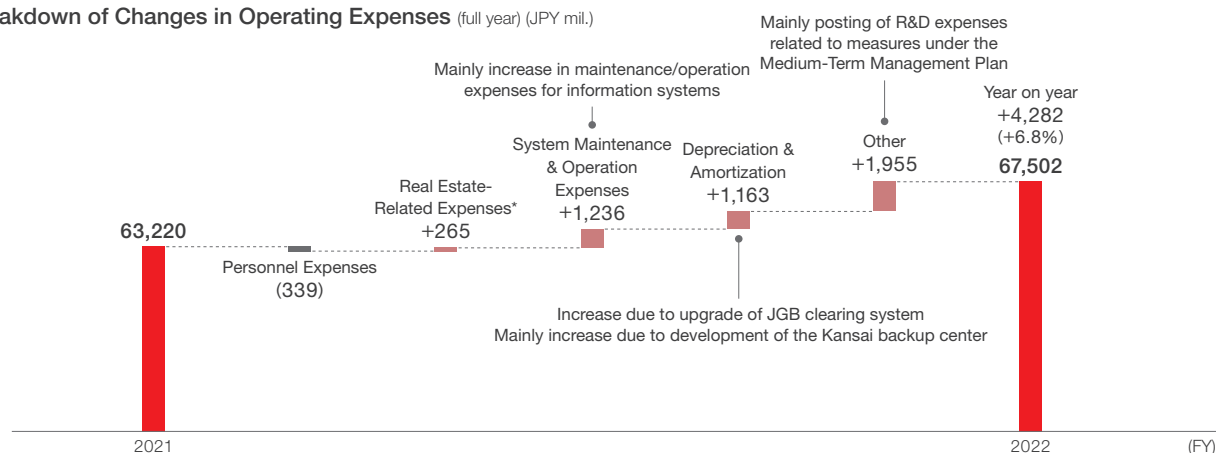


## Operating Expenses in FY2022

During the fiscal year ended March 31, 2023, personnel expenses increased to JPY 19,599 million (up 2.9% year on year). System maintenance and operation expenses include expenses related to maintenance and operation management of various systems including the cash equities and derivatives trading systems.

System maintenance and operation expenses increased to JPY 16,931 million (up 13.0% year on year). Depreciation and amortization increased to JPY 18,971 million (up 8.4% year on year). Other operating expenses increased to JPY 12,000 million (up 2.6% year on year).

### Breakdown of Changes in Operating Expenses (full year) (JPY mil.)



\*The new accounting standard for leases under IFRS was applied from FY2019. This involved changing a portion of real estate-related expenses to depreciation. To facilitate comparisons, however, that portion has been restated and presented under Real Estate-Related Expenses.  
 Note: With the establishment of JPX Market Innovation & Research, there have been partial changes to expense classifications (System development-related costs previously recorded in "Other" under operating expenses are now recorded under Personnel Expenses and System Maintenance and Operation Expenses).  
 To facilitate comparisons, these expenses in the previous fiscal year have been restated under their current classification.

### Operating Expenses

(JPY mil.)

	FY2018	FY2019*	FY2020*	FY2021*	FY2022*, **
Personnel Expenses	16,584	17,512	19,255	19,048	19,599
System Maintenance and Operation Expenses	11,898	12,071	13,524	14,984	16,931
Depreciation and Amortization	11,699	13,354	13,632	14,364	15,557
Real Estate-Related Expenses	3,939	4,275	4,372	4,391	4,687
Other	9,989	11,318	10,609	10,431	10,727
Total	54,111	58,532	61,394	63,220	67,502

\* The new accounting standard for leases under IFRS was applied from FY2019. This involved changing a portion of real estate-related expenses to depreciation. To facilitate comparisons, however, that portion has been restated and presented under Real Estate-Related Expenses.

\*\*With the establishment of JPX Market Innovation & Research, there have been partial changes to expense classifications. (System development-related costs previously recorded in "Other" under operating expenses are now recorded under Personnel Expenses and System Maintenance and Operation Expenses.)

## Basic Policy for Allocation of Profit

JPX Group adopts a dividend policy with a target payout ratio of approximately 60% tied to business performance while giving due consideration to the importance of internal reserves for the following purposes:

- Maintaining sound financial health as a financial instruments exchange group;
- Preparing for risks as a clearing house; and
- Enabling the corporate group to pursue investment

opportunities to raise the competitiveness of its markets as they arise.

In line with this policy, the dividend for FY2023 is expected to be JPY 57 per share (JPY 28 per share at the end of the second quarter).  
(As of July 2023)

# Consolidated Statement of Financial Position

(JPY mil.)

		As of March 31, 2022	As of March 31, 2023		
<b>Assets</b>	Current assets	Cash and cash equivalents	93,354	98,812	
		Trade and other receivables	15,305	16,023	
		Clearing business financial assets	64,368,444	72,108,539	1
		Specified assets for deposits from clearing participants	6,679,236	9,655,223	2
		Specified assets for legal guarantee funds	637	616	3
		Income tax receivables	2,022	5,359	
		Other financial assets	118,000	112,400	
		Other current assets	2,910	3,582	
	<b>Total current assets</b>	<b>71,279,910</b>	<b>82,000,557</b>		
	Non-current assets	Property and equipment	13,029	11,041	
		Goodwill	67,374	72,043	
		Intangible assets	37,734	36,109	
		Retirement benefit assets	9,035	10,025	
		Investments accounted for using the equity method	17,650	18,593	
		Specified assets for default compensation reserve funds	27,948	27,948	5
		Other financial assets	2,418	3,068	
		Other non-current assets	6,030	6,253	
	Deferred tax assets	2,303	1,751		
	<b>Total non-current assets</b>	<b>183,524</b>	<b>186,834</b>		
<b>Total assets</b>	<b>71,463,434</b>	<b>82,187,392</b>			

		As of March 31, 2022	As of March 31, 2023			
<b>Liabilities and equity</b>	Liabilities	Current liabilities	Trade and other payables	4,813	8,883	
			Bonds and loans payable	32,500	33,000	
			Clearing business financial liabilities	64,368,444	72,108,539	1
			Deposits from clearing participants	6,679,236	9,655,223	2
			Legal guarantee funds	637	616	3
			Trading participant security money	8,731	8,757	4
			Income tax payables	3,800	9,963	
			Other current liabilities	10,003	8,274	
	<b>Total current liabilities</b>	<b>71,108,167</b>	<b>81,833,258</b>			
	Non-current liabilities	Bonds and loans payable	19,967	19,973		
		Retirement benefit liabilities	8,985	8,485		
		Other non-current liabilities	2,361	3,795		
		Deferred tax liabilities	101	69		
	<b>Total non-current liabilities</b>	<b>31,415</b>	<b>32,324</b>			
<b>Total liabilities</b>	<b>71,139,582</b>	<b>81,865,583</b>				
Equity	Share capital	11,500	11,500			
	Capital surplus	38,844	38,841			
	Treasury shares	(1,912)	(13,575)			
	Other components of equity	445	445			
	Retained earnings	266,776	275,523	6		
	Total equity attributable to owners of the parent company	315,653	312,734			
	Non-controlling interests	8,198	9,075			
<b>Total equity</b>	<b>323,852</b>	<b>321,809</b>				
<b>Total liabilities and equity</b>	<b>71,463,434</b>	<b>82,187,392</b>				

1  
Clearing business financial assets and liabilities assumed as a clearing house

2  
Deposits from clearing participants deposited by clearing participants as collateral

3 4 5  
Deposits and reserve funds based on the rules for securing the safety of financial instruments transactions and other transactions

6  
Including "5 Default compensation reserve funds"



## Consolidated Statement of Income

(JPY mil.)

		Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Revenue	Operating revenue	135,432	133,991
	Other revenue	205	504
	Total revenue	135,637	134,496
Expenses	Operating expenses	63,220	67,502
	Other expenses	11	59
	Total expenses	63,232	67,562
Share of income of investments accounted for using the equity method		1,067	1,319
Operating income		73,473	68,253
Financial income		58	49
Financial expenses		103	96
Income before income tax		73,429	68,207
Income tax expense		22,598	20,987
Net income		50,830	47,219
Net income attributable to	Owners of the parent company	49,955	46,342
	Non-controlling interests	874	876
	Net income	50,830	47,219
Earnings per share	Basic (JPY)	94.35	88.03
	Diluted (JPY)	—	—

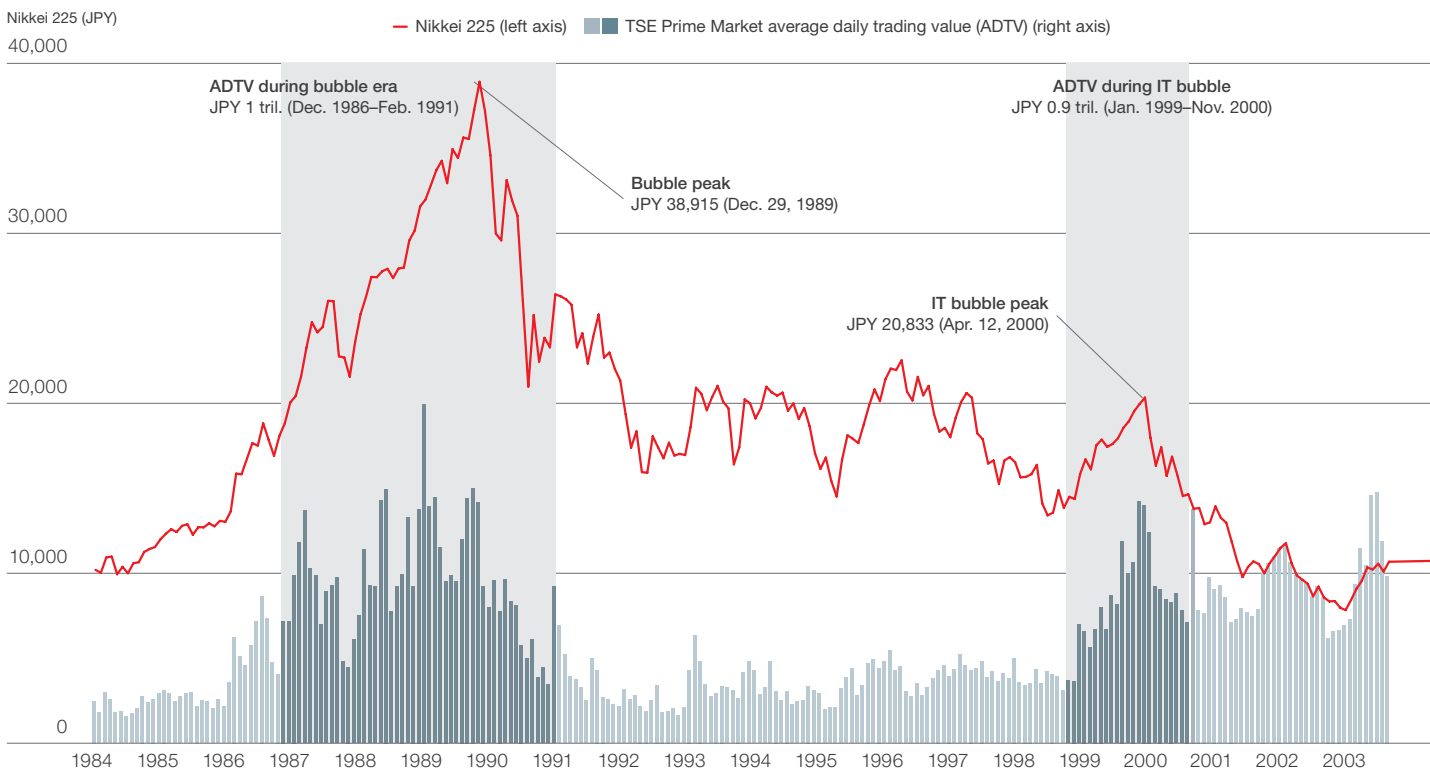
## Consolidated Statement of Cash Flows

(JPY mil.)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities	58,191	66,878
Cash flows from investing activities	(13,299)	(8,522)
Cash flows from financing activities	(59,747)	(52,898)
Net increase (decrease) in cash and cash equivalents	(14,855)	5,457
Cash and cash equivalents at the beginning of the year	108,209	93,354
Effect of changes in exchange rate on cash and cash equivalents	0	0
Cash and cash equivalents at the end of the year	93,354	98,812

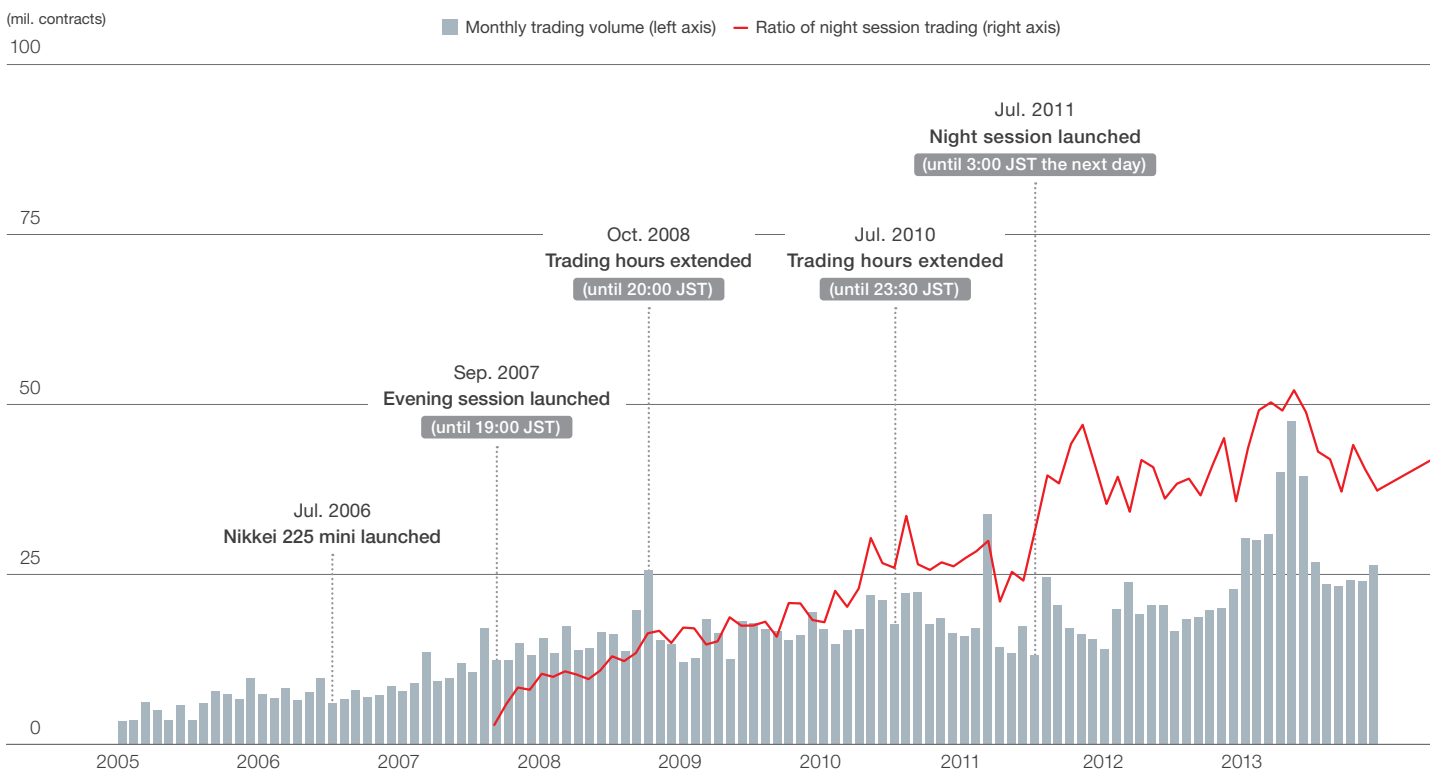
# Economic Data/Market Data

## Stock Market Performance

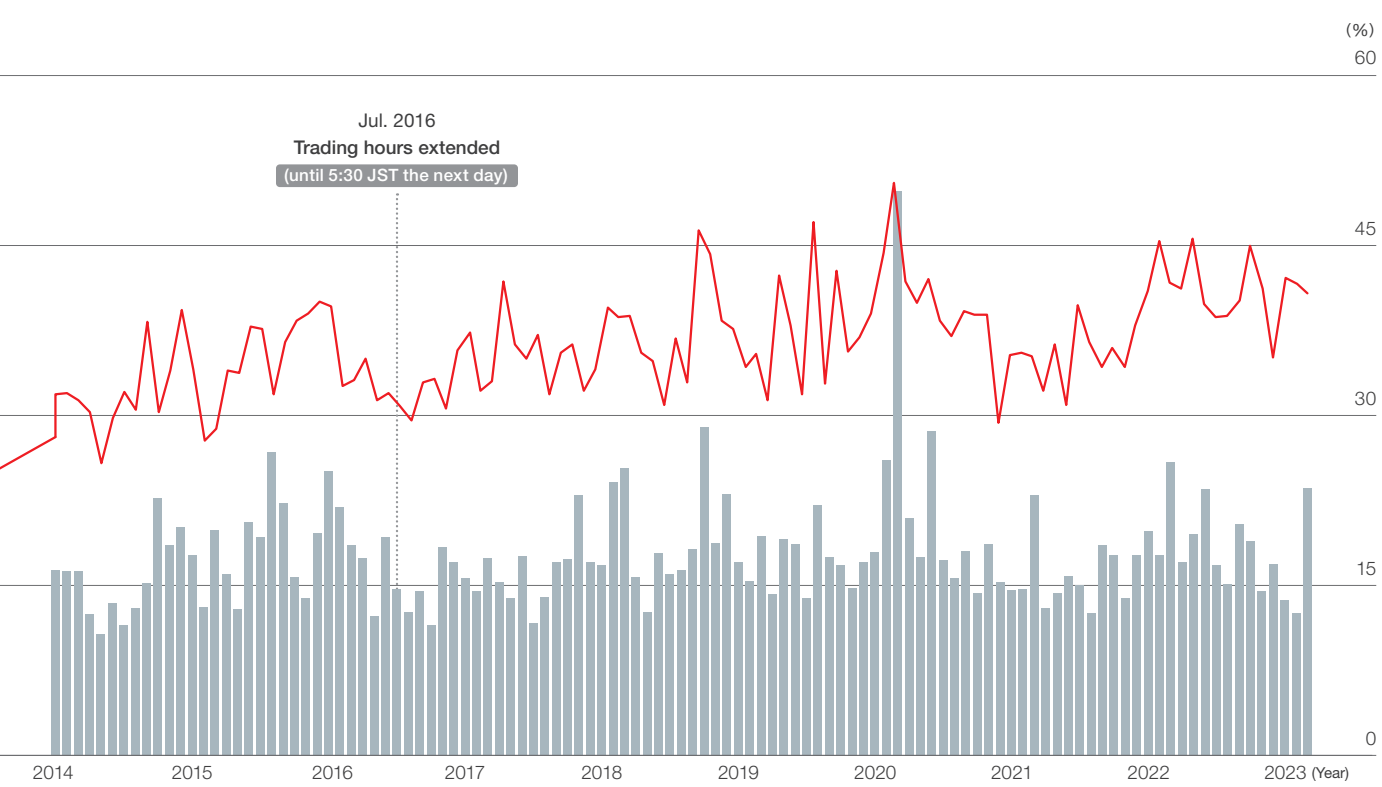
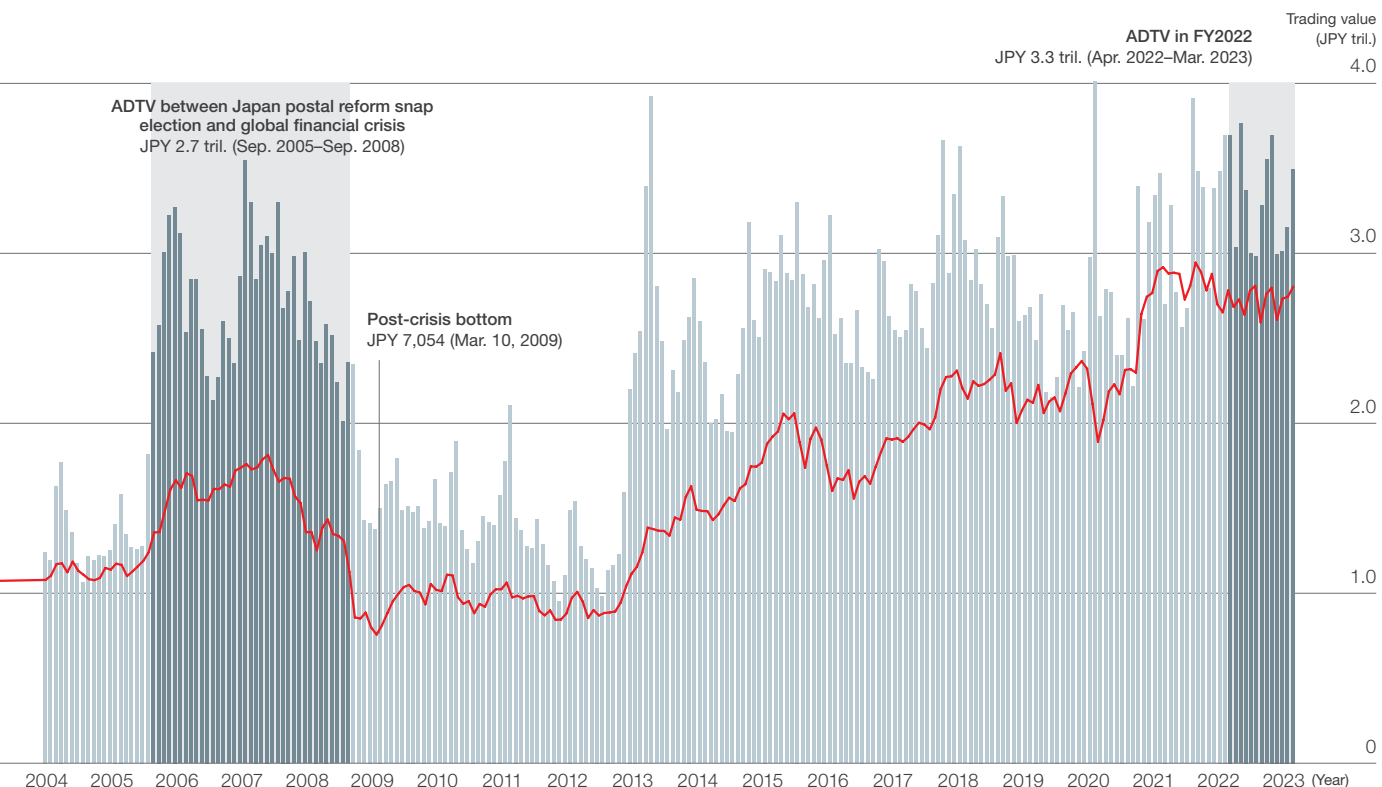


Notes: 1. The highest and lowest prices of the Nikkei 225 are based on closing prices.  
2. Trading value up to April 1, 2022 is that of old TSE 1st Section

## Derivatives Trading Volume and Ratio of Night Session Trading



Note: Total trading volume for all financial derivatives





# Corporate Data (as of June 16, 2023)

## Corporate Information

<b>Company Name</b>	Japan Exchange Group, Inc.	
<b>Number of Directors</b>	16 directors, 12 executive officers	
<b>Location of Head Office</b>	Head Office 2-1 Nihombashi-kabuto-cho, Chuo-ku, Tokyo 103-8224, Japan Osaka Head Office 8-16, Kitahama 1-chome, Chuo-ku, Osaka 541-0041, Japan	
<b>Foundation</b>	January 1, 2013	
<b>Amount of Capital</b>	JPY 11.5 billion	
<b>Number of Employees (as of March 31, 2023)</b>	1,224 (consolidated)	
	Japan Exchange Group, Inc.	204
	Tokyo Stock Exchange, Inc.	312
	Osaka Exchange, Inc.	154
	Tokyo Commodity Exchange, Inc.	9
	JPX Market Innovation & Research, Inc.	255
	Japan Exchange Regulation	192
	Japan Securities Clearing Corporation	98
<b>Business Description</b>	Management and administration of a financial instruments exchange holding company group, and other ancillary businesses	

## Stock Information

<b>Stock Code</b>	8697
<b>Listed Market</b>	Tokyo Stock Exchange Prime Market
<b>Business Year</b>	April 1 to March 31
<b>Annual General Shareholders Meeting</b>	June
<b>Record Dates</b>	March 31 for Annual General Shareholders Meeting and for year-end dividend and September 30 for interim dividend

## Website

### About JPX

(Japanese) <https://www.jpx.co.jp/>

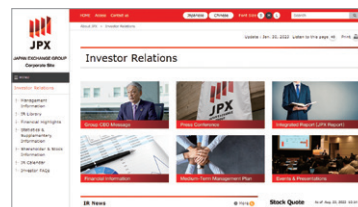
(English) <https://www.jpx.co.jp/english/>



### Investor Relations

(Japanese) <https://www.jpx.co.jp/corporate/investor-relations/>

(English) <https://www.jpx.co.jp/english/corporate/investor-relations/>

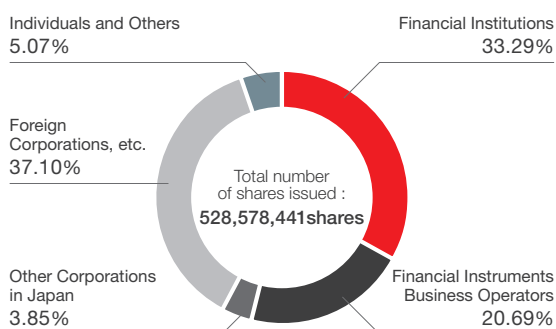


<b>Number of Shares per Share Unit</b>	100 shares	
<b>Number of Shares</b>	Total number of shares authorized to be issued:	2,180,000,000 shares
	Total number of shares issued: (including 5,035,800 treasury shares)	528,578,441 shares
<b>Number of Shareholders (as of March 31, 2023)</b>	135,834	

# JPX's Shareholders (as of March 31, 2023)

Note: Shareholding ratios are calculated excluding treasury shares (5,035,800 shares).

## Distribution of Shareholders



## Major Shareholders

	No. of Shares Held	Shareholding Ratio (%)
1 The Master Trust Bank of Japan, Ltd. (Trust Account)	99,706,700	19.04
2 Custody Bank of Japan, Ltd. (Trust Account)	34,053,800	6.50
3 Northern Trust Co. (AVFC) Re Non Treaty Clients Account	12,730,436	2.43
4 SMBC Nikko Securities Inc.	12,012,725	2.29
5 The Bank of New York 134104	10,654,600	2.04
6 State Street Bank West Client – Treaty 505234	8,785,836	1.68
7 MUFG Bank, Ltd.	7,557,000	1.44
8 JP Morgan Chase Bank 385781	7,062,571	1.35
9 Tachibana Securities Co., Ltd.	6,888,000	1.32
10 Okachi Securities Co., Ltd.	6,500,000	1.24



### About the JPX Group Logo

The logo expresses our aspirations toward dynamic and international growth in our ambition to become Asia's No. 1 market.

The four rising bars represent the four Cs of our creed: adopting a "Customer First" approach of prioritizing customer needs, pursuing "Creativity" in innovative solutions, building "Credibility" and public confidence, and achieving "Competency" by harnessing employee potential.



## JAPAN EXCHANGE GROUP

TOKYO STOCK EXCHANGE  
OSAKA EXCHANGE  
TOKYO COMMODITY EXCHANGE  
JPX MARKET INNOVATION & RESEARCH  
JAPAN EXCHANGE REGULATION  
JAPAN SECURITIES CLEARING CORPORATION

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