



Japan Exchange Group, Inc.

Medium-Term Management Plan Conference

March 27, 2025 15:30 – 16:02

Speaker: Yamaji Hiromi, Director & Representative Executive Officer, Group CEO

Tabata Atsushi, Senior Executive Officer & CFO

Takahashi: Thank you very much for taking the time to join us today. As it is now the scheduled time, we will begin the Japan Exchange Group Medium-Term Management Plan 2027 Conference. As with previous occasions, today's session is being held in hybrid format, with both in-person attendance and live webinar streaming.

First, let me explain how today's event will proceed. We will start with our presentation, followed by a Q&A session. As with past sessions, a full transcript and English translation of both the presentation and the Q&A will be prepared and distributed by our group company, SCRIPTS Asia. The materials will also be made available on our company website. We appreciate your understanding in advance.

Next, let me introduce the speakers from our side. First, Director and Representative Executive Officer, Group CEO, Yamaji Hiromi. Senior Executive Officer & CFO, Tabata Atsushi. Thank you for being here.

Takahashi: I will be serving as the moderator today—my name is Takahashi from the Corporate Communications Department. Thank you for your attention. With that, I would like to hand it over to Yamaji to explain the Medium-Term Management Plan 2027.

Review of Medium-Term Management Plan 2024

Japan Exchange Group, Inc.

Progress has been made in improving the attractiveness of the Japanese stock market, as well as expanding the product lineup for interest rates and energy-related products and expanding business areas, including through M&As in conjunction with the establishment of JPXI.

Results of Main Initiatives

Focus 1

Facilitating cycle of corporate innovation/growth and asset formation



- Requested "action to implement management that is conscious of cost of capital and stock price"
- Developed JPX Prime 150 Index
- Achieved 30% increase¹ in average daily trading value and net assets of ETFs, etc.
- Optimized tick sizes for medium liquidity stocks
- Introduced closing auction session
- Promoted reduction of investment units
- Advanced revisions of TOPIX
- Established TSE Asia Startup Hub
- Launched operation of cash equity trading system "arrowhead 4.0" and extended trading hours

Focus 2

Achieving market transformation (MX)



- Introduced short-term interest rate futures and cross margining with interest rate swap clearing
- Launched Nikkei 225 micro Futures and Nikkei 225 mini Options
- Commenced holiday trading in derivatives markets (highest trading volume so far was over 90% of weekday trading volume²)
- Invested in security token platform
- Launched proof of concept for a generative AI-powered service to disseminate Japanese market information
- Started utilizing DLT technology in delivery by settlement for rubber futures

Focus 3

Promoting sustainability that connects society and economy



- Launched ESG Bond Information Platform
 - Launched JPX ESG Link
 - Launch of JPX Sustainability Information Search Tool
 - Started calculation of ESG-related indices, listed ESG-related index futures
 - Launched permanent listing of electricity futures and trial listing of LNG futures
 - Opened carbon credit market
- ¹ In comparison with FY2021; average daily trading value excluding leveraged/inverse products, net assets excluding BOJ purchases
² April 29, 2024 (Showa Day); in comparison to weekday trading volume in the second half of FY2023

Financial Results

	Financial targets for the final fiscal year set out at the beginning of the plan	Period covered under Medium-Term Management Plan 2024		
		FY 2022	FY 2023	FY 2024 (Forecast) ³
Operating Revenue	JPY 147.0 bil.	JPY 133.9 bil.	JPY 152.8 bil.	JPY 162.0 bil.
Net Income (attributable to owners of the parent company)	JPY 53.0 bil.	JPY 46.3 bil.	JPY 60.8 bil.	JPY 60.5 bil.
ROE	At least 15%	14.7%	19.0%	18.1%

³ Earnings forecast announced on March 25, 2025

3

Yamaji: Beginning next month, we will launch JPX's new Medium-Term Management Plan 2027, and I would like to walk you through the details today.

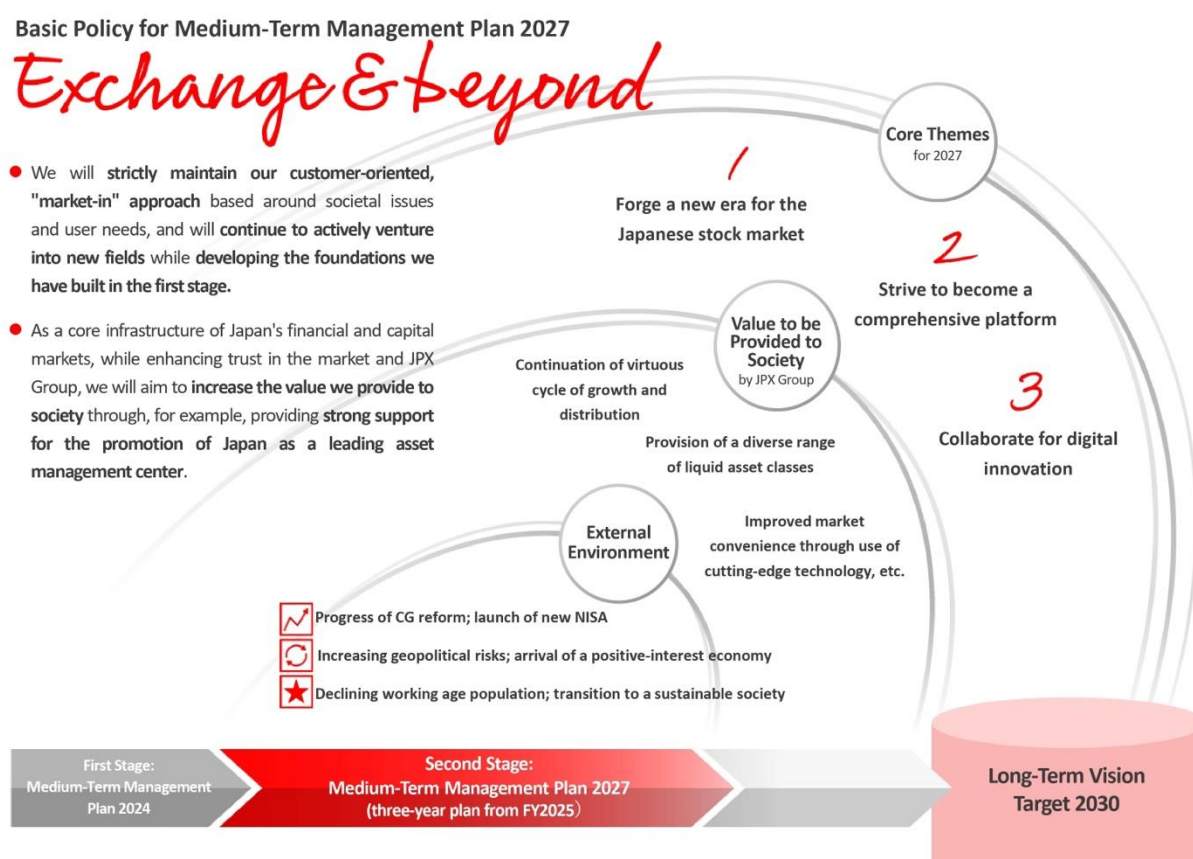
Let's start with page three of the presentation materials, which looks back at the current Medium-Term Management Plan 2024. First, the market segment restructuring was implemented in April 2022, followed by a series of related follow-up measures, and government initiatives such as the new NISA system as part of broader efforts to make Japan a nation focused on asset-based wealth building. Thanks to these developments, the reputation of and expectations for the Japanese equity market have significantly increased over the past three years.

In the derivatives field, we began holiday trading in September 2022, introduced small-lot products for Nikkei 225 futures and options, and launched short-term interest rate futures, thereby improving user convenience and expanding our product lineup.

In addition, with JPX Market Innovation & Research, Inc.—which began operations in April 2022—serving as a core platform, we have made progress in expanding our business domains through investments and M&A. In this way, we have steadily implemented key initiatives as the first stage toward realizing our long-term vision.

On the performance front, we have achieved the financial targets set at the time of the plan's formulation for FY2023. As for FY2024, we are also on track to meet our targets, in line with the revised earnings forecast announced on March 25.

That concludes our review of Medium-Term Management Plan 2024.



From the following pages onward, I will go over our future management policies and related matters.

Please turn to page five. The Medium-Term Management Plan 2027, which will begin on April 1, will continue to carry the slogan "Exchange & beyond," and is based on two core principles.

The first is to steadily build upon the foundations laid during the first stage—such as corporate governance reform and the launch of new products and services—while continuing to take on new challenges in unexplored areas. And all of this will be pursued while firmly maintaining a customer-oriented, market-in approach.

The second is to further reinforce a business approach that originates from the user's perspective or their needs, with the goal of strengthening trust in the JPX market and our group as a whole, while also aiming to enhance the value we provide to society.

Core Theme



Forge a New Era for the Japanese Stock Market

Japan Exchange Group, Inc.

As a core infrastructure of Japan's financial and capital markets, we will continue to support the growth of listed companies and advance the development of platforms where anyone can invest with confidence to further boost the "virtuous cycle of growth and distribution."

Main Initiatives

Promote self-led corporate value improvement at listed companies	<ul style="list-style-type: none"> ■ Encouraging management that is conscious of cost of capital and stock price ■ Promoting constructive dialogue between listed companies and investors ■ Promoting growth of startup companies after IPO
Make investment environment more convenient and efficient	<ul style="list-style-type: none"> ■ Improving convenience such as lowering trading unit ■ Working on minority shareholder protection ■ Expanding product lineup and investor base in ETF market ■ Smooth transition to next-generation TOPIX ■ Improving financial literacy through investor education and promoting appeal of Japanese equities ■ Strengthening information provision and promotion aimed at overseas investors
Invigorate Japanese equity options market	<ul style="list-style-type: none"> ■ Promoting usage of index options market by diversifying expiration cycles, etc. ■ Revitalizing securities options market through improving market access and increasing liquidity ■ Creating more awareness of options market and promoting investment strategies that utilize options



Strategic Direction in Medium-Term Management Plan 2027

By continuing to work on measures to enhance the Japanese stock market, we will aim for its sustainable growth and expansion as well as wide usage and development of the Japanese equity options market, while aiming to broaden the investor base both in Japan and overseas.

6

Under these core principles, and taking into consideration the current external environment, we have established three key themes.

Please refer to page six. The first key theme, "Forge a New Era for the Japanese Stock Market," focuses on further supporting the virtuous cycle of growth and distribution promoted by the government. To that end, we will continue to encourage listed companies to autonomously enhance their corporate value, while also advancing the development of an investment environment in which anyone—whether domestic or international, individual or institutional investor—can invest with confidence, through various regulatory reforms and information dissemination efforts. In addition, with growing attention being paid to the Japanese equity market, we will also place emphasis on promoting the options market, both in terms of equity indices and individual stocks.

2 Strive to Become a Comprehensive Platform

In this era of rapid change and in order to contribute to the promotion of Japan as a leading asset management center, we will aim for optimization of risk allocation across society by providing internationalized and diversified market functions.

Main Initiatives

Develop further as the central market in Asia	<ul style="list-style-type: none"> ■ Developing environment to facilitate listing of high-growth Asian companies ■ Expanding trading flow from overseas by listing currency futures ■ Entering into new asset classes in response to needs across society
Expand interest rate-related products and services	<ul style="list-style-type: none"> ■ Invigorating listed interest rate derivatives products ■ Promoting expanded usage of OTC clearing services ■ Expanding investor base in light of positive-interest world
Stimulate energy-related products	<ul style="list-style-type: none"> ■ Invigorating electricity futures market through initiatives such as adding new products and improving market access for a range of participants ■ Increasing convenience by strengthening partnership with electricity spot market ■ Research and study aimed at expanding trading of LNG futures and enhancing energy-related derivatives



Strategic Direction in Medium-Term Management Plan 2027

We will expand the market* through active investment in the development of various derivatives products, focusing on interest rate-related products, while aiming for further diversification and internationalization as a platform.

* Expecting interest rate-related revenue to grow at an average annual rate of approx. 12% (excluding the portion of JSCC's revenue from deposited collateral asset which are passed on to clearing participants)

Moving on to page seven, the second key theme is "Strive to Become a Comprehensive Platform." In an era of heightened uncertainty and rapid change, marked by the return of interest rates, rising geopolitical risks, and fluctuations in energy and other prices, we will focus on strengthening our market functions to meet the needs of society and investors. This includes invigorating trading in a range of derivatives centered on interest rate-related services, and further expanding our product offerings.

By actively utilizing rapidly evolving digital technologies, we will improve the convenience of our data and other services as well as seeking solutions to cross-industry issues such as labor shortages caused by the declining population in Japan.

Main Initiatives

Develop the next generation of data services

- Enhancing data, including by utilizing collaboration with partner companies
- Increasing added value such as by increasing the frequency of data dissemination
- Diversifying service provision methods including distribution via external platforms such as that provided by Snowflake

Proactively adopt cutting-edge technologies such as AI

- Utilizing AI and other technologies in listed company services
- Advancing operational efficiency and new value creation through utilizing AI and other technologies
- Applying blockchain technology to further improve settlement efficiency, for example

Contribute to solving industry-wide issues

- Considering solutions that combine data and knowledge to improve operational efficiency
- Discussion of shortening settlement cycles, taking account of international trends



Strategic Direction in Medium-Term Management Plan 2027

We will aim to strengthen the resources dedicated to developing data-related businesses* and increase added value utilizing, among other things, investment and collaboration with external parties, as well as increasing efficiency across the market by utilizing digital technologies.

* Expecting data service revenue to grow at an average annual rate of approx. 8%

Next, on page eight, the key theme of "Collaborate for Digital Innovation" refers to our ongoing efforts to further advance investments and collaborations with external partners. By actively utilizing rapidly evolving digital technologies—such as generative AI—we will explore services that contribute to the next generation of data offerings and improvements in convenience across the industry as a whole.

Main Initiatives

Ongoing buildup of human capital through ambitious investment*



- Strengthening staff acquisitions that respond to external changes
- Developing and maintaining an environment where all staff can demonstrate their abilities
- Strengthening training and other measures for more thorough implementation of professional ethics

Strengthening of self-regulatory function to further improve trust in the market



- Strengthening functionality of market surveillance system
- Strengthening initiatives to prevent unfair trading and inappropriate disclosure

Further pursuit of reliability and resilience of system infrastructure*



- Stable operation and ongoing improvement of current core systems
- Discussing strategy for and starting development of next-generation trading systems
- Strengthening failure tolerance and the BCP across the market through ongoing initiatives such as drills in collaboration with market participants
- Strengthening cybersecurity measures

Development and expansion of resources and operational structures that support new services, etc.



- Strengthening resources and structures to develop data services, etc.
- Strengthening resources and structures for providing information overseas
- Establishing resources and structures for actively utilizing AI
- Developing and maintaining resources and structures for effectively utilizing deposited collateral assets

*Related matters are included as non-financial commitments (see later slide).

Turning to page nine, in this medium-term management plan, we are also consciously addressing the need to strengthen our organizational foundation, as the initiatives undertaken by our group are expected to diversify even further going forward.

Approach to Sustainability

We aim for the "realization of an affluent society" by promoting "sustainable development of the market" and resolving societal issues through the Medium-Term Management Plan 2027.

Medium-Term Management Plan 2027

Core themes

- 1 Forge a new era for the Japanese stock market
- 2 Strive to become a comprehensive platform
- 3 Collaborate for digital innovation

Strengthening organizational foundation that supports promoting core themes

Ongoing buildup of human capital through ambitious investment

Strengthening self-regulatory function to further improve trust in the market

Further pursuit of reliability and resilience of system infrastructure

Development and expansion of resources and operational structures that support new services, etc.

To Realize a Sustainable and Affluent Society

Promotion of Japan as a leading asset management center, Internationalized and diversified market functions, Solutions to cross-industry issues, and more...



On page 10, we have laid out the six priority sustainability issues that we will focus on under this Medium-Term Management Plan 2027, and we have also articulated our group's concept of sustainability management, that is, enhancing corporate value while contributing to the resolution of social issues through our business activities.

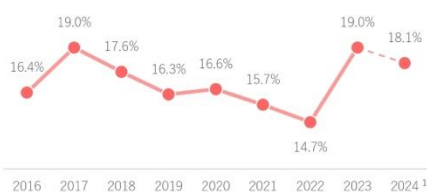
Financial Targets And Non-Financial Commitments

Japan Exchange Group, Inc.

Financial Targets for Final Fiscal Year

ROE
18.0% or more

(Reference) ROE trends



¹ Estimated based on earnings forecast announced on March 25, 2025

(Ref.) Projected financial indicators in final year of Medium-Term Management Plan 2027:
Operating Revenue Approx. JPY 179 bil.²
Net Income Approx. JPY 63 bil. (attributable to owners of the parent company)

² Including the portion of JSCC's revenue from deposited collateral asset which are passed on to clearing participants

Non-financial Commitments

Strengthening human resources through ongoing investment in human capital

Key KPIs

Monitor the following three indicators from the results of the engagement survey and aim to achieve a consistently high level.



³ A unique JPX indicator that scores questions selected from the overall survey to measure employee development and permeation of the corporate philosophy

⁴ An average value of other companies calculated by the engagement survey contractor used by JPX

Stable provision of core systems and demonstration of resilience

Core systems: the cash equity trading system (arrowhead, ToSTNeT), derivatives trading system (J-GATE), clearing system, and integrated network (arrownet).

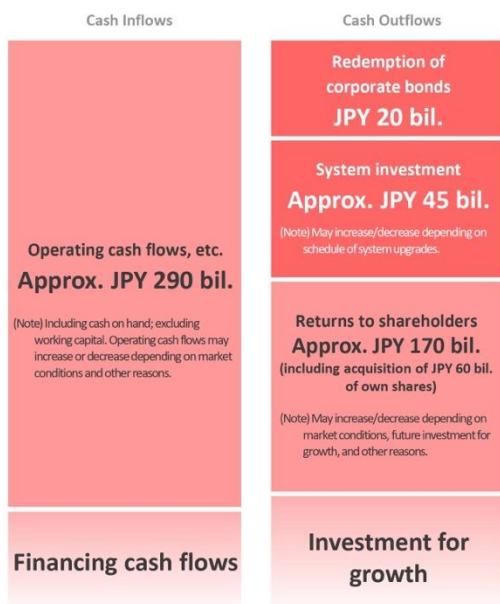
Resilience: Even when there is no choice but to suspend operations due to system failure or other reasons, minimize the impact on market users by quickly and smoothly resuming operations, including through back-up operations.

Finally, regarding financial targets, as shown on page 12, we have set a financial goal of achieving an ROE of over 18% in the final year of the plan. At the same time, in light of the recent insider trading violation involving a former employee, as well as the Tokyo Stock Exchange system failure a few years ago, we recognize that securing resources for both personnel and systems is of utmost importance for our group, in order to ensure market reliability and enable sustainable growth. Therefore, we are presenting our so-called non-financial targets in tandem with our financial goals.

Capital Policy

Japan Exchange Group, Inc.

Cash Allocation for Three Years of Plan



Capital Policy

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

Returns to shareholders

Dividend payout ratio of at least 60%

Total of approx. JPY 170 bil. for three years (including acquisition of approx. JPY 60 bil. of own shares)

Note: May increase/decrease depending on market conditions, future investment for growth, and other reasons

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



Returns for the three years of each Plan

2nd Medium-Term Management Plan
JPY 119 bil.

3rd Medium-Term Management Plan
JPY 123.4 bil.

Medium-Term Management Plan 2024
JPY 140.7 bil.*

* Estimated based on earnings forecast and dividend forecast announced on March 25, 2025

13

On page 13, we have outlined our assumptions regarding cash allocation for the next three years. Our basic approach is to actively return to shareholders the portion of operating cash flow remaining after subtracting bond redemptions and system investments. At the same time, we intend to remain flexible, taking into account the funds required for growth investments such as equity stakes and M&A activity.

This time, we have revised our dividend payout ratio from the previous level of around 60% to 60% or higher. Each fiscal year, the specific payout ratio will be determined by the Board of Directors at the beginning of the period and publicly announced, with the possibility that it may be set above 60%.

That concludes my presentation.

Question & Answer

Takahashi: We will now begin the Q&A session. I'll call the names of the individuals who registered to speak. Please state your name and affiliation before asking your question. If you have multiple questions, please let us know the number of questions at the start. Then, please ask your first question, and after we provide our response, you may proceed with the next one. With that, we welcome your questions.

Niwa : My name is Niwa from Citigroup Global Markets. I have two questions today—one regarding profit growth and the other regarding capital policy.

First, on the topic of profit growth. I believe this medium-term plan is being viewed as projecting a more or less flat profit trajectory. Now, of course, I understand that your ROE is already high, and that profit levels compared to the past are significantly elevated. But speaking as someone asking this question, I would like to see the Company aim for further profit growth. So, in the context of your long-term vision toward 2030, would it be fair to say that these next three years are positioned more like a plateau phase? And after that, do you expect profits to grow again? Or should we, realistically, not expect too much in the way of profit growth from the Exchange Group? I would appreciate it if you could share your thoughts on profit growth, Mr. Yamaji, and also describe the kind of discussion that took place within the Board of Directors when developing this medium-term plan in relation to growth. That's all for my first question.

Yamaji: Thank you. Each year, when we formulate our medium-term management plan or our earnings forecast for the beginning of the fiscal year, I must say—it really is a source of considerable headache. As you all know, in our case, a large portion of our performance still depends quite heavily on daily volumes in the equity market and in the derivatives market, so providing a precise forecast is difficult. That said, if you look back over the past three years, you'll see that average daily transaction volumes have undoubtedly increased.

This isn't solely due to our own efforts—in fact, I'd say it's largely attributable to external factors such as Japan moving out of deflation and entering into an inflationary environment, or interest rates shifting from a long-standing state of low or zero or even negative interest rates to a positive territory. And within that shift, I believe we're also seeing a backdrop of renewed growth expectations being placed on listed companies.

Now, as we look ahead over the next three years, the fact is that uncertainties are increasing. So, taking that into account, we decided to frame this plan around a target focused specifically on ROE—of course, we've still provided reference-level earnings figures, but the focus is ROE. As you know, ROE is a function of both the numerator and the denominator—the numerator being earnings, and the denominator being the equity base. Which means we can adjust the equity figure, and that flexibility allows us to respond to market conditions without locking ourselves into hard targets like operating profit or net income. That was our intention in choosing this approach.

People often say that Japanese equities are currently in a plateau—this is something we hear from those looking at the market in the short term. But what we're aiming for isn't about what happens today or tomorrow, or whether the market goes up or down over the next month or two. Rather, our focus is on how we can make this market more attractive, how we can draw capital from around the world, how we can bring in more investors. That's what truly matters. And these are the types of initiatives we've been pursuing in lockstep with the government, the Financial Services Agency, the Ministry of Economy, Trade and Industry, and so forth over the past three years. So, in that sense, I believe—with a medium- to long-term perspective—the global attention toward Japan will only grow stronger from here.

That said, when you look at it from a shorter-term viewpoint, it's hard to say exactly how much of that will show up in the numbers. That's why, as I mentioned earlier, rather than fixating only on the absolute amount

of profit, we've designed this plan in a way that allows us to achieve our financial goals by adjusting the size of the equity base as well. That's the reasoning behind this approach.

As for my views on medium- to long-term profit growth—I personally believe that the Japanese market is still seen by global investors, particularly in Asia, as a major investment destination. I think that perception still holds true. But going forward, with the rise of India, for example, and even though there are geopolitical risks with China, when you look at the market size and the growth potential, those markets will continue to command global attention. And I want our market to be one that can stand toe-to-toe with such emerging powers—or with China, for that matter. Of course, that's not something we can achieve on our own. It will require the efforts of all our listed companies—whether through their own growth or profit generation. But we want to encourage that, and ultimately, work together toward achieving that vision.

Niwa: That was very clear—thank you. My second question relates to capital policy and M&A. I looked at page 13 with those topics in mind. Doing a simple calculation, if you take the combined amount of dividends and share buybacks over the next three years and divide that by profits, it looks like the total shareholder return is approaching 90%.

So, I have two questions here. First—is it correct to understand that the plan is to use the surplus capital over the course of about three years for shareholder returns? That's part one. And part two—when I look at the cash-out and cash-in on the left-hand side of the page, it appears that for M&A, a significant portion might be funded using debt. Is that the right interpretation?

And if possible, since you've been exploring various M&A opportunities up to now, and you've once again described your stance as "flexible" in this plan, I would really appreciate it if you could comment on what kinds of opportunities or what kind of "missing pieces" you're currently looking to fill. That's all from me.

Tabata: Let me take the first part. I believe you're referring to the figure of approximately JPY170 billion on page 13. This includes, as noted in parentheses, around JPY60 billion earmarked for share buybacks. So, unless something sudden or exceptional comes up that requires unexpected cash—some unforeseen development—we're essentially assuming that the surplus capital you mentioned will be used for buybacks, as you indicated. On the other hand, if there's an unanticipated need for cash, or if the market takes a serious turn for the worse—something we hadn't initially factored in—then of course we would need to respond accordingly. But absent such events, yes, our thinking is largely aligned with what you've described.

As for the second part regarding growth investment, as Mr. Yamaji has explained to you before, we've been exploring M&A possibilities for quite some time. But as we've often mentioned, our business is subject to fairly strict regulatory constraints. And what's more, in our case, hostile takeovers are likely not feasible—we would need the other party's consent. That raises the hurdle even higher, which makes it hard to foresee exactly when we might be able to pursue a large-scale M&A deal. That's why we've worded it the way we did in the materials this time.

If an opportunity does arise, we would evaluate the situation at that time, and if necessary, we're prepared to raise funds—including debt—depending on the cash conditions at that moment. So yes, we'll make that decision based on the specific circumstances when the time comes.

Takahashi: Thank you very much. Next, Mr. Watanabe Kazuki, please go ahead.

Watanabe: This is Watanabe from Daiwa Securities. Thank you for the presentation. I have two main questions. The first concerns page 13 of the materials—specifically, shareholder returns. Earlier, Mr. Yamaji mentioned that only ROE targets were being set, and that there is some room to adjust the denominator—that is, equity. So, in the event that profit levels were to decline, would the amount of shareholder returns increase or decrease? Which way would it go?

Also, there was a reference to buybacks this time around—does this suggest a shift in appetite toward prioritizing buybacks over special dividends? I'd appreciate it if you could share your thoughts on that point as well. Thank you.

Yamaji: Thank you. As performance trends change—well, I think I mentioned this during my presentation as well—but at the start of each fiscal year, we publicly announce the approximate dividend payout ratio we're aiming for that year. But naturally, that will vary depending on how performance actually plays out. And as a result, whether we actively pursue share buybacks in addition to dividends as part of overall shareholder returns—that would, of course, be one of the options.

Now, when exactly that might happen, and in what form—it's difficult to say definitively at this stage. But it's something we always keep in mind—and by that, I mean, if equity capital were to keep growing unnecessarily large, then naturally, achieving that 18% ROE target would become increasingly difficult. So, we are always keeping an eye on that and managing with an awareness of what the optimal amount of equity capital should be.

Watanabe: In that sense, let's say the R in ROE—the numerator, your return—was expected to fall by half. Would that lead to an incentive to try to shrink E—the denominator—as much as possible in order to maintain something close to 18%?

Yamaji: That's not something we're thinking of doing. In that case, it would more likely be an adjustment in the payout ratio. For instance, even if we had initially indicated at the beginning of the year that we were aiming for 70%, we might shift that target down from 70% to 60% instead because we are saying that the payout ratio will be more than 60%. That would be the direction we'd look to adjust in.

Watanabe: Thank you. And what about your appetite for buybacks?

Yamaji : That's something we're always considering—so when I refer to our "appetite," I mean that buybacks are always one of the options we keep on the table. That said, whether or not we actually execute on that depends on the amount involved and the situation at the time. So, while the appetite is always there, as for when and under what conditions we would actually trigger it—that's hard to say with any certainty under current circumstances. I'd ask that you consider it as one of the options we're constantly evaluating.

Watanabe : Thank you. My second major question is about the investment policy for deposited collateral. Have there been any updates on that front recently?

Also, in terms of the assumptions underlying your operating income by the final year of the plan—looking at page seven of the materials, I see a note stating that you're projecting an average annual growth of 12% in interest-related revenue, and it looks like that translates into an incremental increase of about JPY6 billion by FY2027. Of that total, how much is attributable to investment income on deposited collateral? If you're able to comment, I'd appreciate it.

Tabata : Let me take this question. The area you're referring to is in the lower right of page seven. We state there that we are assuming an average annual growth of approximately 12% in interest-related revenue. And in the parentheses, we've noted that this excludes the portion of the Japan Securities Clearing Corporation's collateral management income that is returned to clearing participants. So, to clarify—the interest-related revenue figure does include collateral management income. However, since some of that is returned to the clearing participants, we're showing the net figure and targeting average growth of 12% annually for the interest-related business as a whole.

So, what that means, in effect, is that income from managing deposited collateral is indeed factored into the plan, as an actual number. That said, when it comes to the breakdown—the specific figures—we've pretty

much settled on the investment policy side of things, but we haven't yet finalized it in terms of a formal internal decision. So, at this stage, I'd like to ask for your understanding that we can't provide precise numbers just yet.

As for what's next—we're aiming to finalize the policy in Q1, and once that's done, we intend to provide an update in some form. At that point, we expect to be able to offer a more concrete explanation. That's all from me.

Takahashi: Thank you very much. Now, Ms. Tsujino Natsumi, may we have your question, please?

Tsujino: This is Tsujino from BofA Securities. Thank you for taking the time.

First, what I see as an important point is that, up to now, I believe you've explained that the required capital is around JPY250 billion. If that's the case, it seems that currently, you already have a substantial amount in excess of that. In the materials this time—particularly on page 13—you're presenting a plan based on the operating cash flow to be generated over the next three years, but there doesn't seem to be any discussion around the portion that's already in surplus as a stock. Of course, I understand that you've had the intention to use that for M&A for some time. But the question is: are you planning to continue holding on to that excess while looking for M&A opportunities? I know "hoarding" may not be the right word, but are you planning to essentially keep it on standby? And under what circumstances—what kind of trigger—would lead you to decide to return a large portion of that to shareholders?

Second, regarding interest income—you've stated that an average annual growth rate of 12% is built into the target. But looking at the figures, I recall that in the interest rate swap framework you currently use, you return more than 20 basis points to depositors, correct? So, can we interpret this forecast as being based on a similar kind of method?

Tabata: Let me start with your second question. On the interest rate swap and the 20 basis points you mentioned—yes, that's correct. As for the largest area, which would be exchange-traded transactions—as I briefly touched on earlier—the plan is more or less finalized, but we have yet to complete the final internal decision-making process. So once that's done—around Q1—we plan to make some sort of announcement. Since we haven't finalized it yet, we're not in a position to say definitively, "This is how it's reflected in the forecast," so I hope you'll understand that we can't provide precise figures at this stage.

As for the required capital amount—yes, you're right, JPY250 billion is the figure we've mentioned. But that is the number as of now, and there is a possibility that it may change in the future. Additionally, to clarify about the JPY290 billion in operating cash flow shown on page 13—the font is quite small, and I apologize for that—but the figure includes cash on hand, excluding working capital. So, it already incorporates the portion that is currently in surplus. I hope that helps clarify things.

I'm not sure if this fully answers your questions, but I'll leave it there for now.

Tsujino: So then, does that mean—if we're talking rough numbers—about JPY70 billion or even JPY100 billion of surplus is included in that JPY290 billion?

Tabata : To be a bit more precise, by the end of March—or after the year-end dividend payment—we expect to have a surplus of about JPY60 billion. And that JPY60 billion is included in the JPY290 billion figure you see here.

Tsujino: Understood. So, in that sense, it sounds like your assumptions around operating income are somewhat conservative.

Tabata: That's correct.

Takahashi: Thank you. It appears we've received all the questions, so we'll now conclude the Q&A session. That brings us to the end of today's briefing. Thank you all very much for your participation.

[END]