

# Medium-Term Management Plan 2024

Update for FY2024

## Overview of Earnings for FY2023

Japan Exchange Group, Inc.

May 1, 2024



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# I . Medium-Term Management Plan 2024

## Update for FY2024

## Policy Updates Moving Into the Final Year of the Plan

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### Updated Policy

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

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

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

	Review of the First/Second Years of the Plan	Main Activities for the Final Year
Develop an environment that supports sustainable growth at companies	<ul style="list-style-type: none"> <li>• Requested that companies take actions to implement management that is conscious of cost of capital and stock price</li> <li>• Examined ways to make the Growth Market better fulfill its functions</li> <li>• Published outline of specifications for mandatory English disclosure</li> <li>• Published outline of specifications for the revisions to the quarterly disclosure system</li> <li>• Launched JPX Prime 150 Index and listed linked index futures and ETFs</li> <li>• Revised listing rules and other rules regarding IPOs</li> <li>• Conducted capital and business alliance agreement with Minsetsu, Inc. and made SCRIPTS Asia, K.K. a wholly owned subsidiary</li> </ul>	<ul style="list-style-type: none"> <li>• Promoting management that is conscious of cost of capital and constructive dialogue between listed companies and investors</li> <li>• Advancing efforts to make the Growth Market better fulfill its functions</li> <li>• Implementing measures to support efforts by listed companies to enhance their corporate value</li> <li>• Promoting the use and adoption of the JPX Prime 150 Index</li> <li>• Promoting constructive dialogue between listed companies and investors with SCRIPTS Asia, K.K., ICJ, Inc. and Minsetsu, Inc</li> </ul>
Develop products and rules to contribute to asset formation	<ul style="list-style-type: none"> <li>• Listed active ETFs</li> <li>• Optimized tick sizes for medium liquidity stocks</li> <li>• Requested issuers to lower investment units and removed the minimum desired investment unit level</li> <li>• Advanced TOPIX revisions</li> <li>• Launched "JPX Manebu Lab," a comprehensive financial and economic education portal site that provides information from a fair and neutral standpoint</li> </ul>	<ul style="list-style-type: none"> <li>• Exploring further development of active ETFs</li> <li>• Steadily implementing the transition of TOPIX and determining rules for post-transition</li> <li>• In light of the launch of the new NISA among other factors, promoting the appeal of Japanese stocks through collaboration with industry players</li> <li>• Further promoting financial and economic education in cooperation with related organizations</li> </ul>
Further improve convenience and resilience as a market infrastructure	<ul style="list-style-type: none"> <li>• Advanced development for upgrading the cash equity trading system</li> <li>• Completed construction of the secondary data center in the Kansai area in preparation for the predicted large earthquake under Tokyo</li> <li>• Conducted a global drill to simulate the potential default of a large-sized financial institution (Global Fire Drill)</li> </ul>	<ul style="list-style-type: none"> <li>• Upgrading the cash equity trading system and extending trading hours along with the upgrade</li> <li>• Enhancing effectiveness of the BCP system to improve resilience</li> </ul>

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

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

	Review of the First/Second Years of the Plan	Main Activities for the Final Year
Strengthen functionality of interest rate-related markets	<ul style="list-style-type: none"> <li>• Listed short term interest rate futures linked to the Bank of Japan's TONA</li> <li>• Introduced cross margining between short-term interest rate futures and interest rate swaps</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancing convenience of interest rate-related derivatives and increasing their liquidity</li> </ul>
Invigorate the derivatives market	<ul style="list-style-type: none"> <li>• Launched holiday trading to enhance investor convenience by providing hedging opportunities</li> <li>• Listed Nikkei 225 micro Futures and Nikkei 225 mini Options</li> <li>• Introduced a new margin calculation method (VaR Method) for futures and options</li> </ul>	<ul style="list-style-type: none"> <li>• Research into further improving convenience of small lot products</li> <li>• Changing derivatives trading hours in light of the extension of cash equity trading hours</li> <li>• Starting development of the next generation derivatives trading system to enhance the derivatives market</li> <li>• Promoting use of single stock options, e.g., improving convenience for retail investors</li> <li>• Considering introduction of new derivatives products</li> </ul>
Advance digitization and enhance information usage	<ul style="list-style-type: none"> <li>• Undertook preparation for creating a digital securities market (Digitally Tracked Green Bond, investment in security token platform, etc.)</li> <li>• Enhanced paid-for data offering and released J-Quants API (an API data distribution service for individuals and corporations)</li> <li>• Started providing information about listed companies using generative AI on a trial basis</li> <li>• Implemented DLT technology for settlement by physical delivery and payment of rubber futures contracts</li> <li>• Launched multiple indices in response to investment demand</li> </ul>	<ul style="list-style-type: none"> <li>• Promoting wider use of Digitally Tracked Green Bonds</li> <li>• Considering provision of services to enhance efficiency of primary market for corporate bonds</li> <li>• Promoting wider use of J-Quants</li> <li>• Further enhancing paid-for data offering and diversifying means of dissemination including by using new channels</li> <li>• Creating a portal site to improve convenience of information and data services provided by the entire JPX Group</li> <li>• Using blockchain technology to further enhance settlement efficiency and future readiness</li> </ul>

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

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

	Review of the First/Second Years of the Plan	Main Activities for the Final Year
Strengthen dissemination of sustainability-related information	<ul style="list-style-type: none"> <li>• Launched ESG Bond Information Platform to improve convenience for market users and visibility of the products</li> <li>• Officially launched “JPX ESG Link,” which provides a list of links to reports containing ESG information</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancing convenience of the ESG Bond Information Platform by strengthening its functions</li> <li>• Considering initiatives on sustainability-related information such as provision of services to support listed companies’ disclosure</li> <li>• Participating in global discussions within the financial sector about climate-related information and transition to a low-carbon economy</li> </ul>
Calculate ESG indices and list related ETFs/futures	<ul style="list-style-type: none"> <li>• With FTSE, launched FTSE JPX Net Zero Japan Index Series, an index series using environmental metrics</li> <li>• Listed futures on ESG-related indices</li> <li>• Reviewed contract unit of Silver Futures and Palladium Futures to enhance convenience of trading</li> </ul>	<ul style="list-style-type: none"> <li>• Raising awareness of ESG-related indices and futures and discussing measures to further increase and enhance their product-lineups</li> </ul>
Vitalize the energy market, advance the creation of an emissions trading market	<ul style="list-style-type: none"> <li>• Launched Electricity Futures as a permanent listing and started trading of weekly contracts</li> <li>• Signed MoU with Japan Electric Power Exchange (JEPX)</li> <li>• Launched LNG Futures as a trial listing</li> <li>• Launched a carbon credit market and trialed a market maker scheme</li> </ul>	<ul style="list-style-type: none"> <li>• Promoting the electricity futures market and collaborating on specific projects with JEPX</li> <li>• Preparing for a permanent listing of LNG Futures</li> <li>• Implementing rules for stimulating the carbon credit market and discussing new products to make available for trading</li> </ul>

# Financial Targets, CAPEX, and Capital Policy

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

## Financial targets

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

## CAPEX

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

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

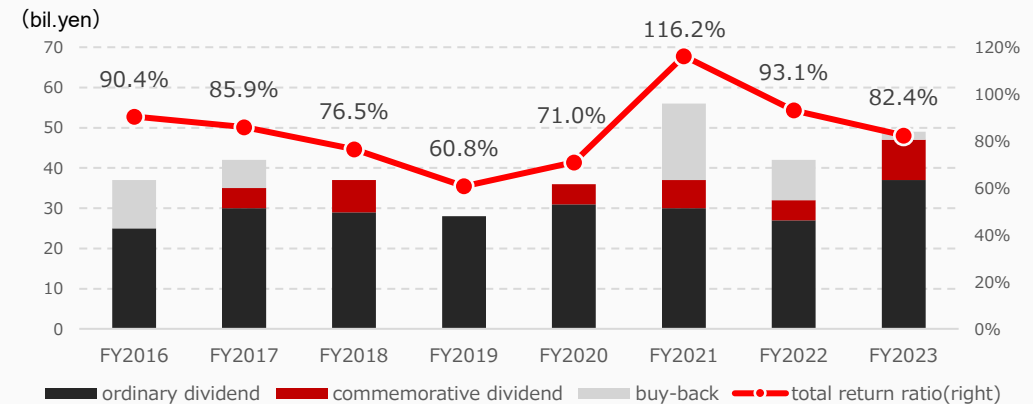
## Capital policy

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

Return to shareholders

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

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

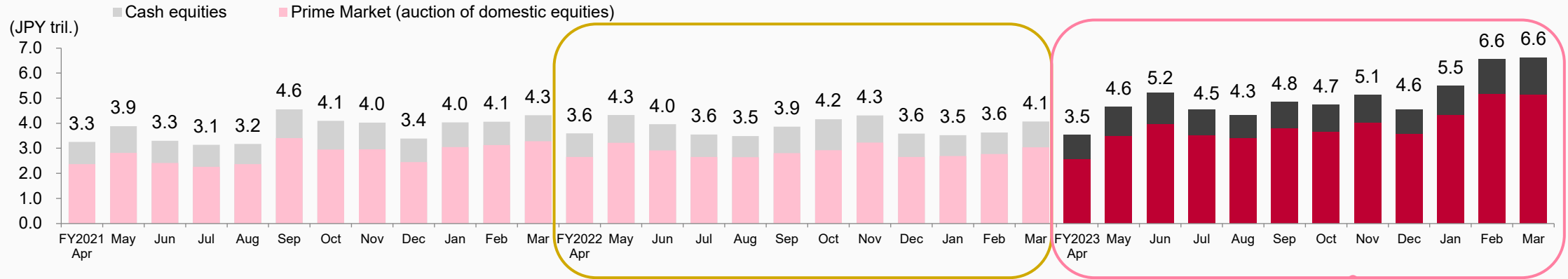




## Ⅱ . Overview of Earnings for FY2023〔IFRS〕 (April 1, 2023 – March 31, 2024)

\* This document is not subject to the audit procedures required under the Financial Instruments and Exchange Act.  
Please note that its contents have not been audited on a consolidated basis in accordance with the Act as of the time of disclosure.

## Cash Equities Average Daily Trading Value (April 2021 – March 2024)



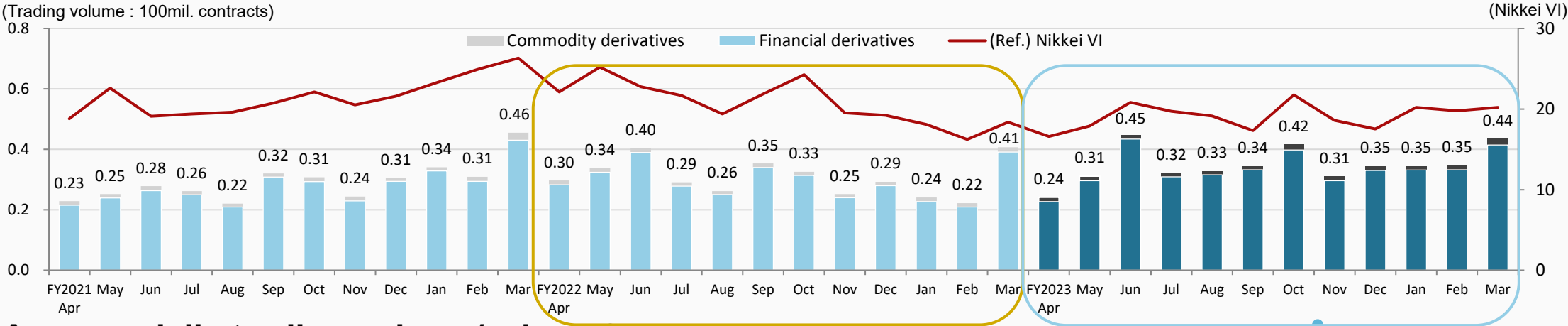
## Daily Average Trading Value by Market Division (JPY)

		FY2021	FY2022	FY2023	
		Annual Ave.	Annual Ave.	Annual Ave.	y/y
Auction	Prime Market (prev. 1st Sec.) Domestic Stocks* <sup>1</sup>	2.78 tril.	2.85 tril.	3.87 tril.	+35.8 %
	Standard Market (prev. 2nd Sec. + JQ Standard) * <sup>1</sup>	77.2 bil.	85.1 bil.	132.0 bil.	+55.0 %
	Growth Market (prev. Mothers + JQ Growth ) * <sup>1</sup>	160.9 bil.	142.5 bil.	152.0 bil.	+6.7 %
	ETFs / ETNs	261.1 bil.	251.9 bil.	244.6 bil.	(2.9 %)
Off-auction		425.4 bil.	463.8 bil.	556.4 bil.	+20.0 %
Cash Equities (auction/off-auction) Total* <sup>2</sup>		3.76 tril.	3.84 tril.	5.00 tril.	+30.2 %

\*1 Trading value from before April 1, 2022 has been reclassified to match the new market segments.

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

## Monthly Trading Volume (April 2021 – March 2024)



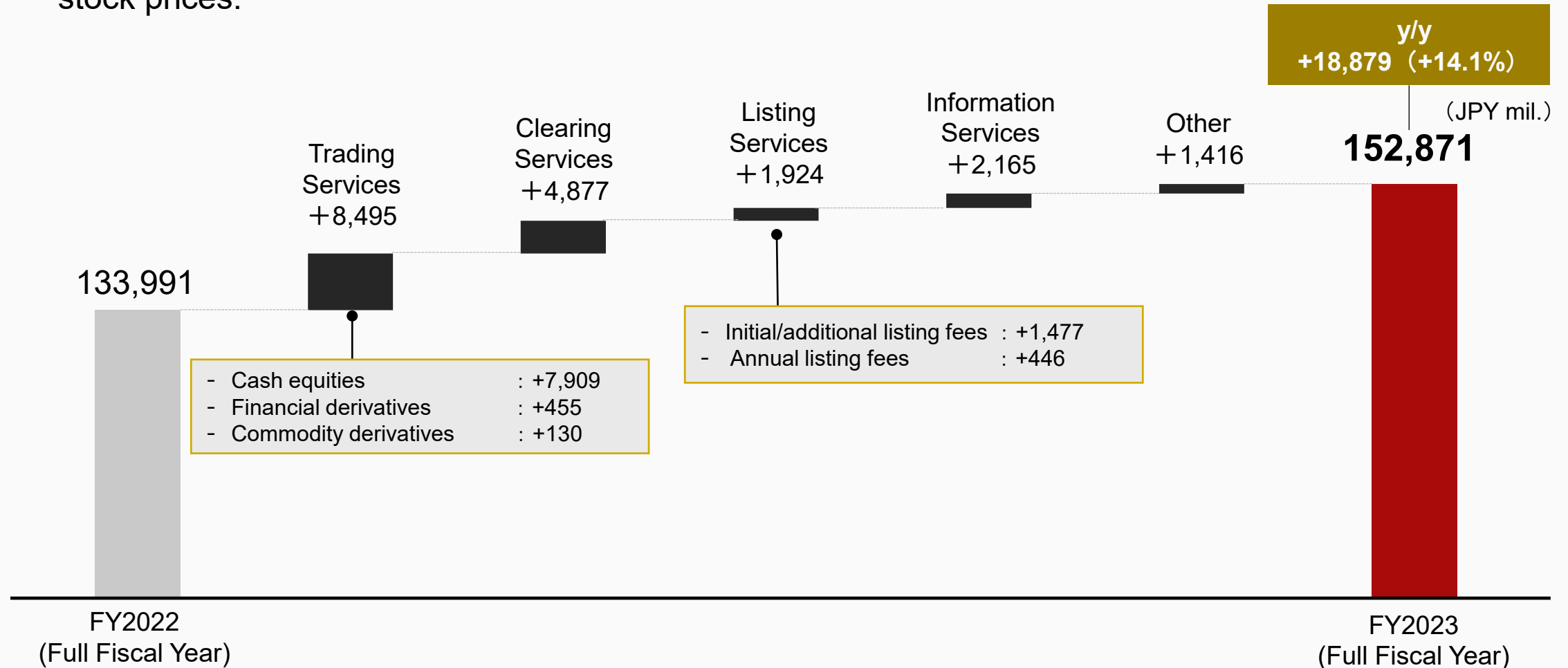
## Average daily trading volume/value of major products

(Trading volume : 10,000 contracts)

	FY2021	FY2022	FY2023	
	Annual Ave.	Annual Ave.	Annual Ave.	y/y
TOPIX Futures	9.6	10.4	11.1	+6.4 %
Nikkei 225 Futures (Large)	7.6	8.8	8.7	(0.3 %)
Nikkei 225 mini	98.9	104.6	104.6	+0.1 %
Nikkei 225 Options *Excluding Weekly Options.	JPY 23.6 bil.	JPY 25.7 bil.	JPY 26.3 bil.	+2.4 %
10-year JGB Futures	3.3	3.2	4.2	+29.7 %
<b>Total Trading Volume for Financial Derivatives</b>	335 mil. contracts	352 mil. contracts	402 mil. contracts	+13.9 %
Gold Futures (standard)	2.7	2.9	3.3	+16.3 %
Platts Dubai Crude Oil	1.5	0.9	0.7	(16.7 %)
<b>Total Trading Volume for Commodity Derivatives</b>	1,692	1,583	1,772	+11.9 %

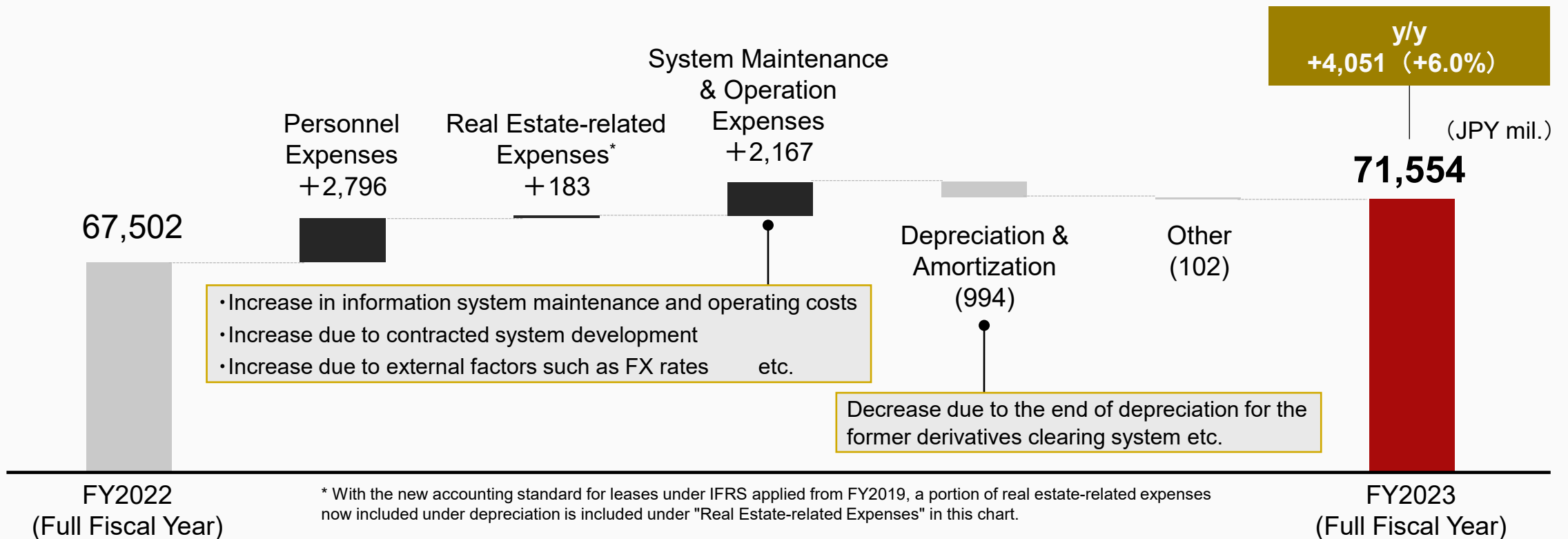
# Operating Revenue

- All revenue items increased due to the lively Japanese stock market. In particular, revenue from trading services and clearing services increased significantly.
- Revenue from listing services and information services increased due mainly to the impact of higher stock prices.

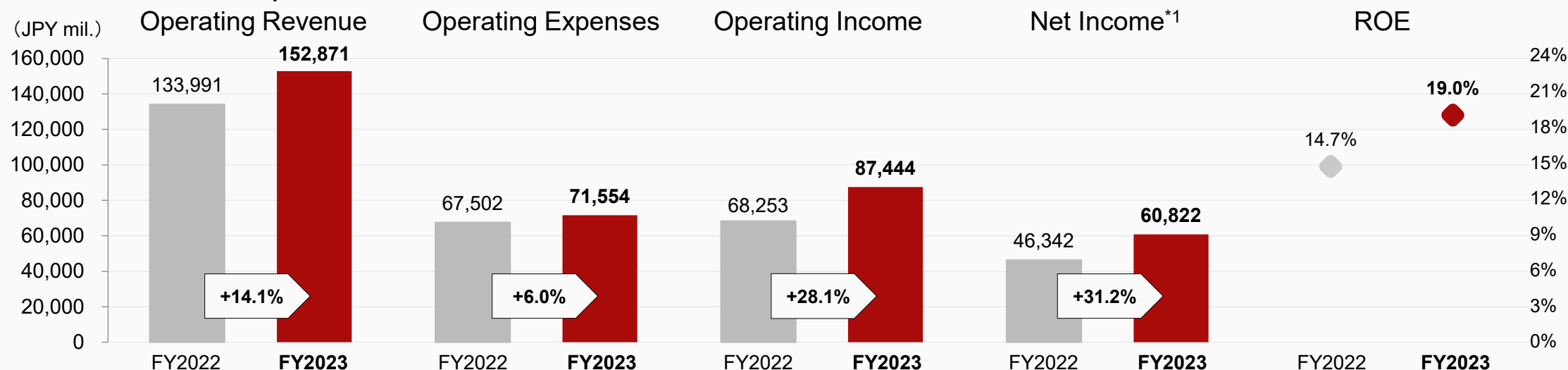


# Operating Expenses

- Personnel expenses increased due to factors such as wage increases.
- System maintenance and operation expenses increased due to an increase in maintenance and operation expenses for information systems, as well as contracted system development and external factors such as FX rates.
- On the other hand, depreciation & amortization decreased due to the end of depreciation for the former derivatives clearing system.



- While there was an increase in operating expenses such as personnel and system maintenance and operation expenses, this was more than offset by an increase in operating revenue due to the lively Japanese stock market, among other things, resulting in a 31.2% year-on-year increase in net income for the period.



\*1 Net Income attributable to owners of the parent company.

## ■Average Daily Trading Volume/Value of Major Products

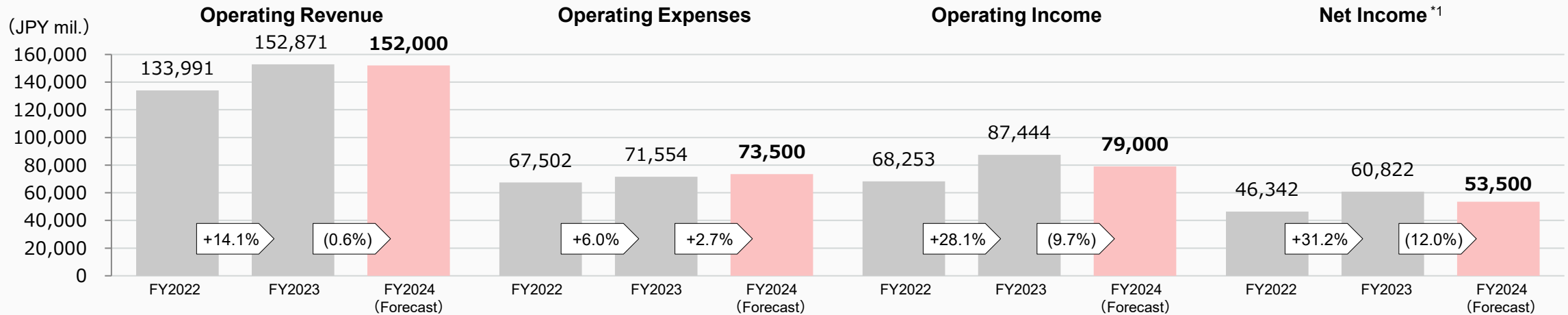
	FY2022	FY2023	
			y/y
Cash Equities <sup>*1</sup> (trading value)	JPY 3,836.9 bil.	JPY 4,997.3 bil.	+30.2 %
TOPIX Futures (trading volume)	104,415 contracts	111,051 contracts	+6.4 %
Nikkei 225 Futures <sup>*2</sup> (trading volume)	192,187 contracts	192,001 contracts	(0.1 %)
Nikkei 225 Options <sup>*3</sup> (trading value)	JPY 25.7 bil.	JPY 26.3 bil.	+2.4 %
10-year JGB Futures (trading volume)	32,191 contracts	41,737 contracts	+29.7 %

\*1 Average daily trading value of auction and off-auction trades of common stock on the Prime, Standard, and Growth Markets and the TOKYO PRO Market, as well as ETFs/ETNs/REITs, etc.

\*2 Contracts of Nikkei 225 mini are calculated using a factor of 1/10.

\*3 Excluding Weekly Options.

- Operating revenue is expected to be at roughly the same level as the previous year, based on the assumption that the average daily trading value of cash equities will be at the same level as the previous year.
- Operating expenses increased by 2.7% year-on-year, mainly because the next-generation cash equities trading system is scheduled to go live in November 2024.
- Operating income decreased by 9.7% year-on-year due to a decrease back down from the previous year, when income was recorded from the sale of some assets, and an increase in operating expenses. Net income decreased by 12.0% year-on-year.



<sup>\*1</sup> Net Income attributable to owners of the parent company.

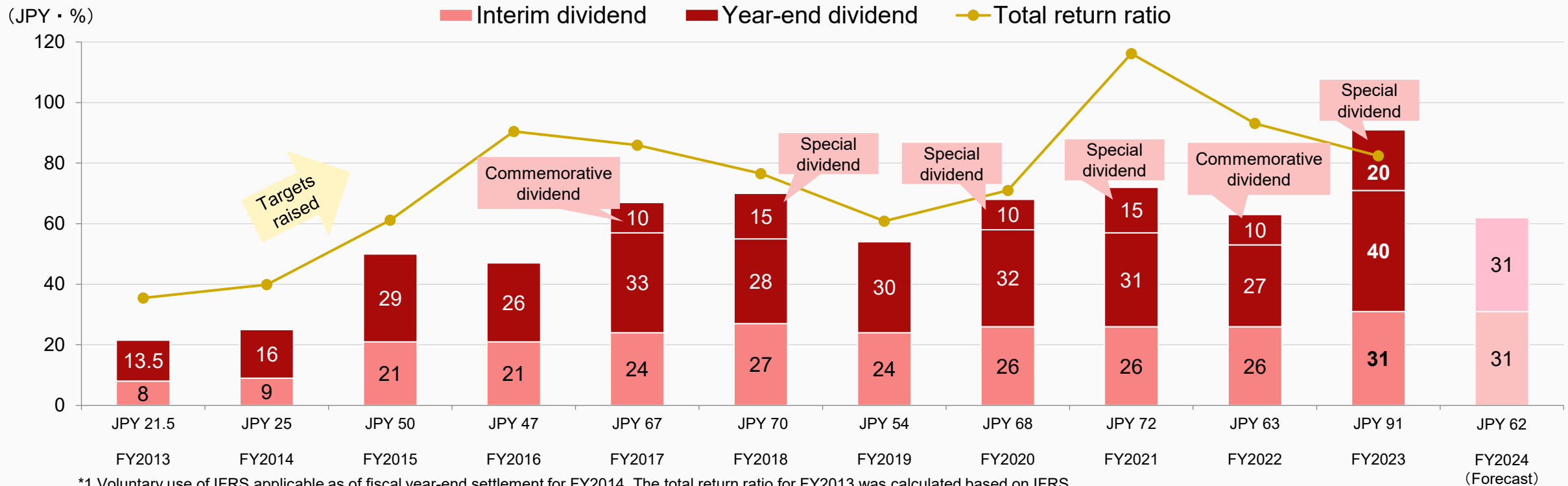
## ■Average Daily Trading Volume/Value of Major Products

	FY2022	FY2023		FY2024 (Forecast)	
			y/y		y/y
Cash Equities (trading value) <sup>*1</sup>	JPY 3,836.9 bil.	JPY 4,997.3 bil.	+30.2 %	JPY 5 tril.	+0.1 %
TOPIX Futures (trading volume)	104,415 contracts	111,051 contracts	+6.4 %	108,000 contracts	(2.7 %)
Nikkei 225 Futures (trading volume) <sup>*2</sup>	192,187 contracts	192,001 contracts	(0.1 %)	189,000 contracts	(1.6 %)
Nikkei 225 Options (trading value) <sup>*3</sup>	JPY 25.7 bil.	JPY 26.3 bil.	+2.4 %	JPY 24.5 bil.	(7.0 %)
10-year JGB Futures (trading volume)	32,191 contracts	41,737 contracts	+29.7 %	45,000 contracts	+7.8 %

<sup>\*1</sup> Average daily trading value of auction and off-auction trades of common stock on the Prime, Standard, and Growth Markets and the TOKYO PRO Market, as well as ETFs/ETNs/REITs, etc.

<sup>\*2</sup> Contracts of Nikkei 225 mini are calculated using a factor of 1/10. <sup>\*3</sup> Excluding Weekly Options.

- Since FY2015, JPX has raised its target dividend payout ratio from approx. 40% to approx. 60%.
- JPX acquired approx. JPY 20 billion worth of its own shares between each of a) July 2016 and May 2017 and b) April and September 2021. It then acquired JPY 12.6 billion worth of its own shares between January and April 2023.
- For FY2023, as JPX achieved its highest ever net income and achieved the management and financial figures set forth in the Medium-Term Management Plan 2024 one year ahead of schedule, a special dividend of JPY 20 per share will be paid in addition to the ordinary dividend of JPY 71 per share.





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