

# JPX Investor Day 2024

## Data and Digital Services

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July 2, 2024



## **1. Index and Data Service Measures**

## **2. DX and Digitization Measures**

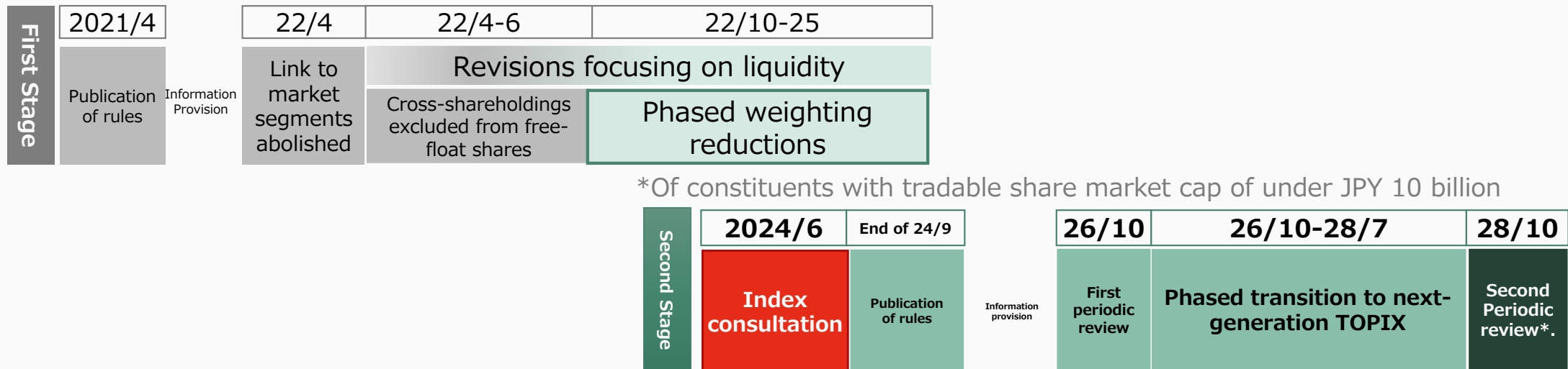
## **1. Index and Data Service Measures**

## 2. DX and Digitization Measures

# TOPIX Revisions

- The first stage of TOPIX revisions are set to be completed by the end of January 2025.
- Index Consultation will be conducted during the second stage of these revisions, which aims to further enhance TOPIX's broad coverage and its functionality as an investable index while ensuring its continuity. This effort is currently under way (opinions will be solicited starting June 19, 2024).
  - Ensure the continuity of the index, taking into account the large amount of assets linked to TOPIX (over JPY 83 trillion (as of March 2023)) and its wide usage.
  - Periodic reviews of issues in all market segments will be conducted with a greater emphasis on liquidity.
- The transition will be conducted in phases and sufficient time will be ensured for public awareness and transitioning in order to smoothly transition to the next-generation TOPIX and mitigate the impact on the market.

## Overall flow of TOPIX review



\*Of constituents with tradable share market cap of under JPY 10 billion

Under way

\*To be conducted annually from this point

..... Ref. Related changes to listing rules

Restructuring of market segments (2022/4)

Request for management that is conscious of cost of capital, etc. (2023/3)

End of improvement period for March FY-end companies subject to market restructuring transition measures (2026/3)

# Next-Generation TOPIX (Main Changes)

- Issues from all market segments (Prime/Standard/Growth) will be selected annually based on liquidity criteria (annual traded value ratio and free-float adjusted market cap) and undergo periodic reviews.

	Next-Generation TOPIX	Reference: Current TOPIX									
Target Markets	Prime Market, Standard Market, Growth Market	Prime Market* <sup>1</sup>									
Periodic Review	Annually, on the last business day of October (base date: last business day of August)	N/A									
Selection Criteria	<ul style="list-style-type: none"> <li>Periodic review of constituents based on the following liquidity criteria</li> </ul> <table> <tr> <th>Indicator</th><th>Inclusion Criteria</th><th>Continuation Criteria*<sup>2</sup></th></tr> <tr> <td>Annual Traded Value Ratio</td><td>0.2 or more</td><td>0.14 or more</td></tr> <tr> <td>Percentage of Cumulative Free-Float Adjusted Market Capitalization</td><td>In the top 96%</td><td>In the top 97%</td></tr> </table> <ul style="list-style-type: none"> <li>The inclusion criteria will be applied to issues that are not TOPIX constituents. The continuation criteria will be applied to issues that are TOPIX constituents.</li> </ul>	Indicator	Inclusion Criteria	Continuation Criteria* <sup>2</sup>	Annual Traded Value Ratio	0.2 or more	0.14 or more	Percentage of Cumulative Free-Float Adjusted Market Capitalization	In the top 96%	In the top 97%	N/A
Indicator	Inclusion Criteria	Continuation Criteria* <sup>2</sup>									
Annual Traded Value Ratio	0.2 or more	0.14 or more									
Percentage of Cumulative Free-Float Adjusted Market Capitalization	In the top 96%	In the top 97%									
Non-periodic Inclusion	New listings on the Prime, Standard, and Growth Markets whose free-float adjusted market capitalization exceeds the minimum for issues with a percentage of cumulative free-float adjusted market capitalization in the top 95%	New listings on or transferred to the Prime Market									

\*1 Includes constituent issues who, at the time of the restructuring of market segments, selected the Standard Market and Growth Market.

\*2 Continuation criteria (buffer rule) introduced for index stability and investment efficiency

# Results of Estimations<sup>\*1</sup> (Based on August 2023 data)

- Broad coverage and functionality as an investable index are improved, while ensuring the index's continuity.

	Current TOPIX	Next-Gen TOPIX	Comparison with current TOPIX
Number of constituents	Approx. 1,700 <sup>2</sup>	Approx. 1,200	Approx. 50 constituents from the Standard and Growth Markets
Total free-float adjusted market capitalization	JPY 434 tril.	JPY 430 tril.	No notable change
Market coverage <sup>*3</sup>	97.5%	96.6%	No notable change
Free-float adjusted market capitalization (median)	Approx. JPY 35 bil.	Approx. JPY 73 bil.	Approx. 2-fold increase
Daily trading value (median) <sup>*4</sup>	Approx. JPY 250 mil.	Approx. JPY 590 mil.	Approx. 2-fold increase

<sup>\*1</sup> Estimated using the last business day of August 2023 as the record date. Please note that the closing value at the time of the first rebalance base date (record date: last business day of August 2026) is different.

<sup>\*2</sup> Includes TOPIX constituent issues at the time of market segment revision (listed on the former TSE First Section) for which the Standard Market or Growth Market was selected.

<sup>\*3</sup> Market coverage is the ratio of the total free-float adjusted market capitalization of TOPIX constituents to the total free-float adjusted market capitalization of all listed companies.

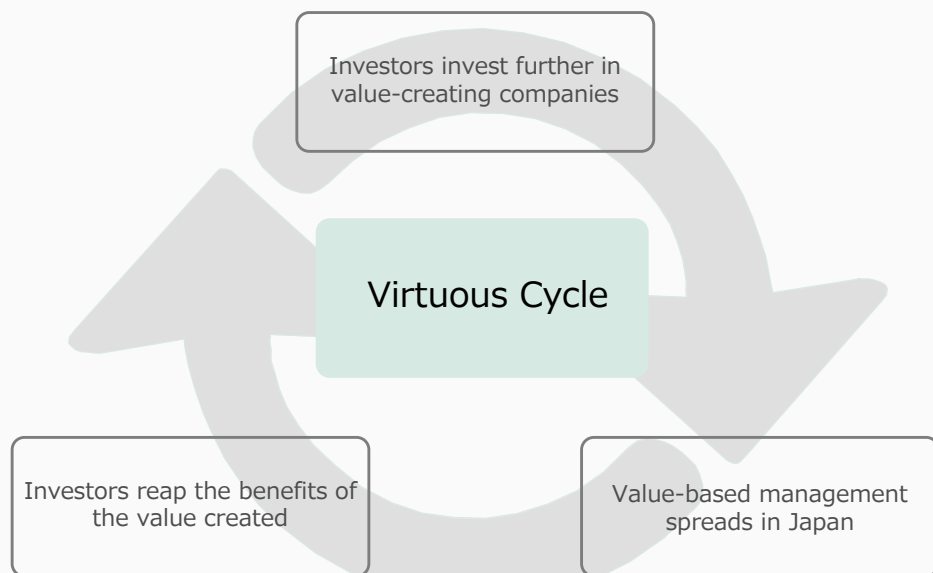
<sup>\*4</sup> Six-month average from March to August 2023

# Promote the use of the JPX Prime 150 Index

- Started calculating the JPX Prime 150 Index, which focuses on a company's earning power (July 2023).
  - 150 of Japan's leading value-creating companies are selected using P/B ratios and equity spreads.
- In addition to the listing and setting date of three index-linked products, index futures were listed on the Osaka Exchange on March 18, 2024.
- JPX Group will work together to promote the use of this Index, which is expected to drive the Japanese economy by encouraging the increase of value-creating companies in Japan and helping them achieve further growth.

## Index Concept

An index composed of leading Japanese companies that are estimated to **create value**.



## ETF/Investment Trust

Management company	Linked products	Listing date/ Setting date	Net assets*
Daiwa AM	ETF	1/24	JPY 13.9 bil.
Daiwa AM	Investment trust	1/31	JPY 5.7 bil.
Nomura AM	ETF	3/18	JPY 2.4 bil.

\* As of May 20, 2024

## Index Performance (price return index)



# Expansion of Index Lineup

- In order to meet the diverse needs for indices, such as benchmarks and indicators for financial products, 14 new indices have been calculated since fiscal year 2023 for a total of over 250 indices offered.
- Continue to focus on promotion of existing indices and promote development of indices that meet investors' needs.

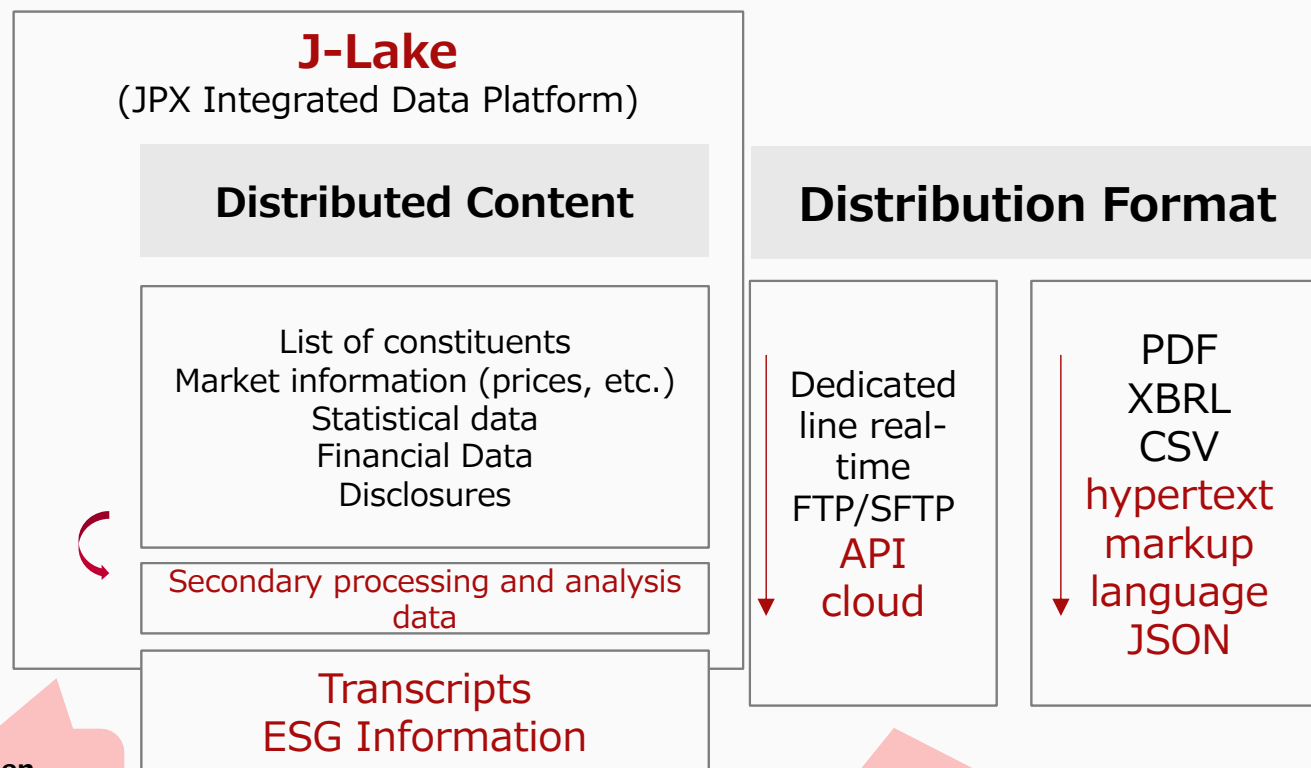
## List of indices newly calculated in the past year

Index Name	Index Overview	Calculation Start Date
<b>JPX Prime 150 Index</b>	✓ 150 of Japan's leading value-creating companies are selected using P/B ratios and equity spreads.	July 3, 2023
<b>TSE REIT Index Leveraged Index</b> <b>TSE REIT Inverse Index</b> <b>TSE REIT Double Inverse Index</b>	✓ Index that is 2x, -1x, or -2x the daily fluctuation rate of the TSE REIT Index.	July 3, 2023
<b>TSE REIT Sector Focus Index Series</b> <b>(3 indexes)</b>	✓ Indices composed of REITs which mainly invest in investment properties in specific sectors, etc.	September 4, 2023
<b>TOPIX Micro Cap</b>	✓ Small-cap index which includes TOPIX constituents but excludes constituents of TOPIX1000.	March 4, 2024
<b>TOPIX large-cap stock and mid-cap stock style indexes</b> <b>(6 indices)</b>	✓ TOPIX large cap and mid-cap stock indices classified by style (value/growth)	March 4, 2024

# Initiatives Related to Data Service Business

- Diversification of distribution methods and content to meet the growing demand for automated data processing.
- Efforts to further enhance investment-related information and promote its utilization based on cooperation with various stakeholders.
- Enhancement of ESG-related information, for which demand is expected to increase

## Main Initiatives



### J-Quants

- Provides financial data on the Japanese market
- BtoC
- Corporate and Individual
- Distribution method and format catered to data processing

### JPX Market Explorer

- Simplified listed company analysis
- Wide coverage
- Generative AI Utilization

### Detail Breakdown Trading Data

- Margin transaction analysis data

### Scheduled date of earnings releases

- Demand for event data

Next-gen  
business  
infrastructure

Data Expansion

Support for methods and  
formats suitable for automated  
processing

Examples of new  
data and services

1. Index and Data Service Measures

**2. DX and Digitization Measures**

# Initiatives Related to Digital Assets

- Strengthen relationships with key players in the digital asset ecosystem
- Aim to create digital asset-related businesses in the area of digital bonds for institutional investors.

## Strengthen Relationships With Key Ecosystem Players

**iBet**  
(BOOSTRY)

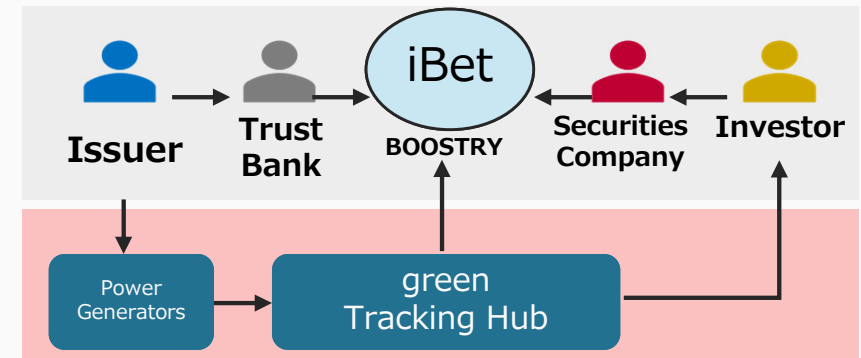
**Progmat**  
(Progmat)

- ✓ In FY2023, the security token market is expected to see approximately JPY 100 billion in issuance (5.8 times larger than the previous fiscal year).
- ✓ Invest 5% in each of the two largest security token platforms in Japan (over 90% of the issuance market share)

➤ **Strengthen relationships with each platform operator and related parties to understand the business environment and explore the possibility of contributing to the Company**

- ✓ Efforts regarding digital currencies are also underway, including participation in forums on privately issued digital currencies and the Bank of Japan's CBDC to gather information on business impact. Full-scale use is expected to take time.

## Moving Toward the Use of Digital Bonds



- ✓ Characteristics of the current security token market: Most are commodities for individuals, with real estate as the target asset. Turnover is low due to the asset nature of the products, and secondary trading is minimal.
- ✓ Our target: digital green bonds for institutional investors

- **It is necessary to integrate different types of business with traditional exchanges, similar to our Green Tracking Hub**
- **To expand issuance, the primary market must become more efficient and digitized.**

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