

JPX Investor Day 2024

Cash Equity Market

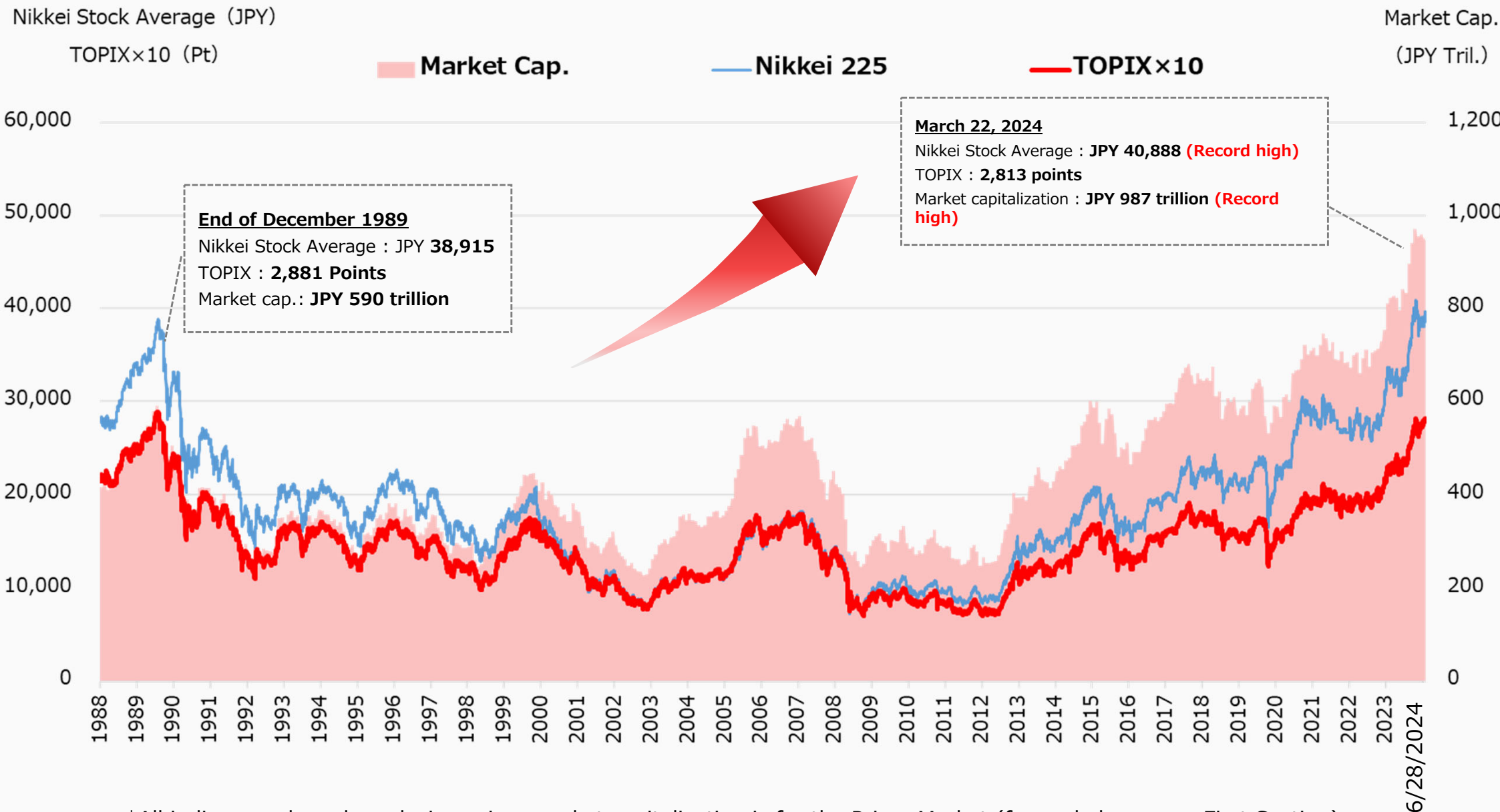
Tokyo Stock Exchange, Inc. President & CEO

Iwanaga Moriyuki

July 2, 2024



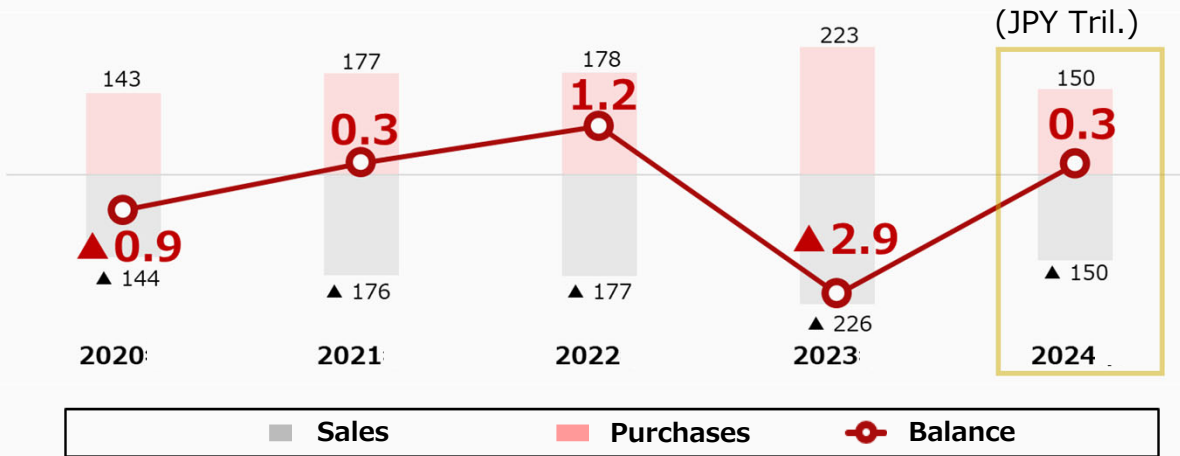
Trends in Stock Indices and Market Capitalization



*All indices are based on closing price, market capitalization is for the Prime Market (formerly known as First Section).

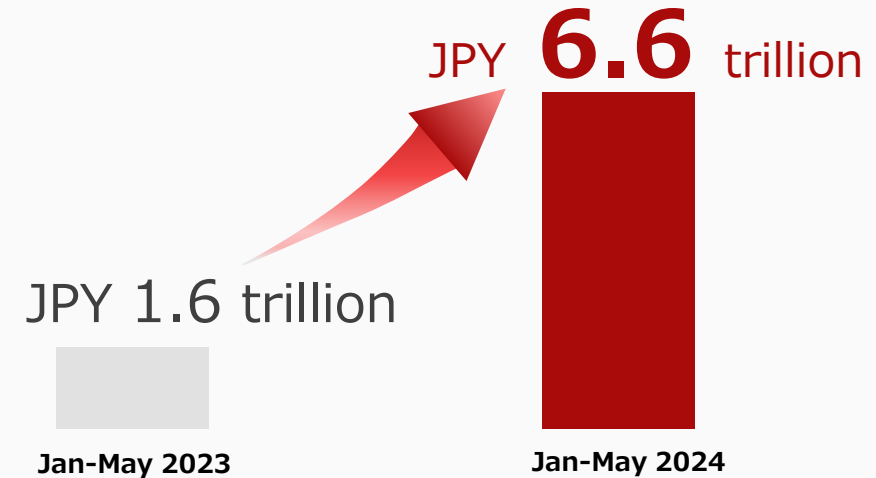
Trends Amongst Individual Investors

Annual Sales and Purchases by Value

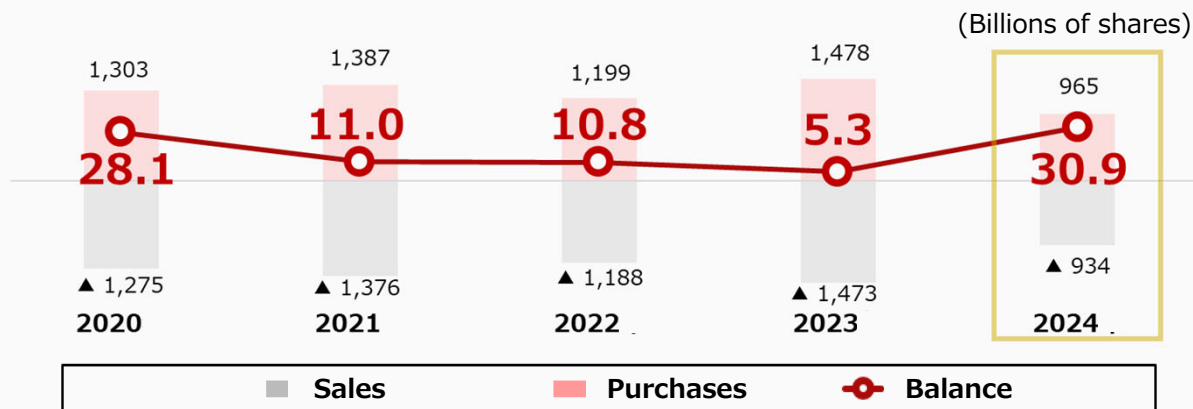


New NISA Postlaunch Statistics

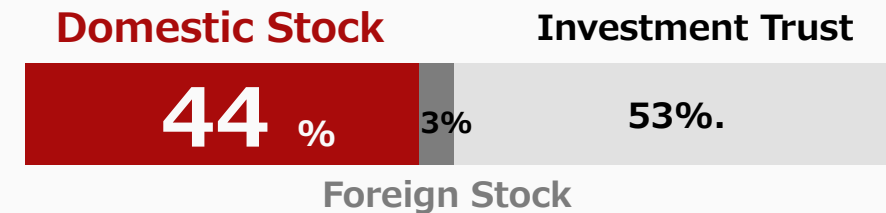
Value of Purchases Made With NISA



Annual Sales and Purchases by Number of Shares



Breakdown of NISA purchases (Jan-May 2024)



(Source: Compiled by JPX based on data from the Japan Securities Dealers Association)

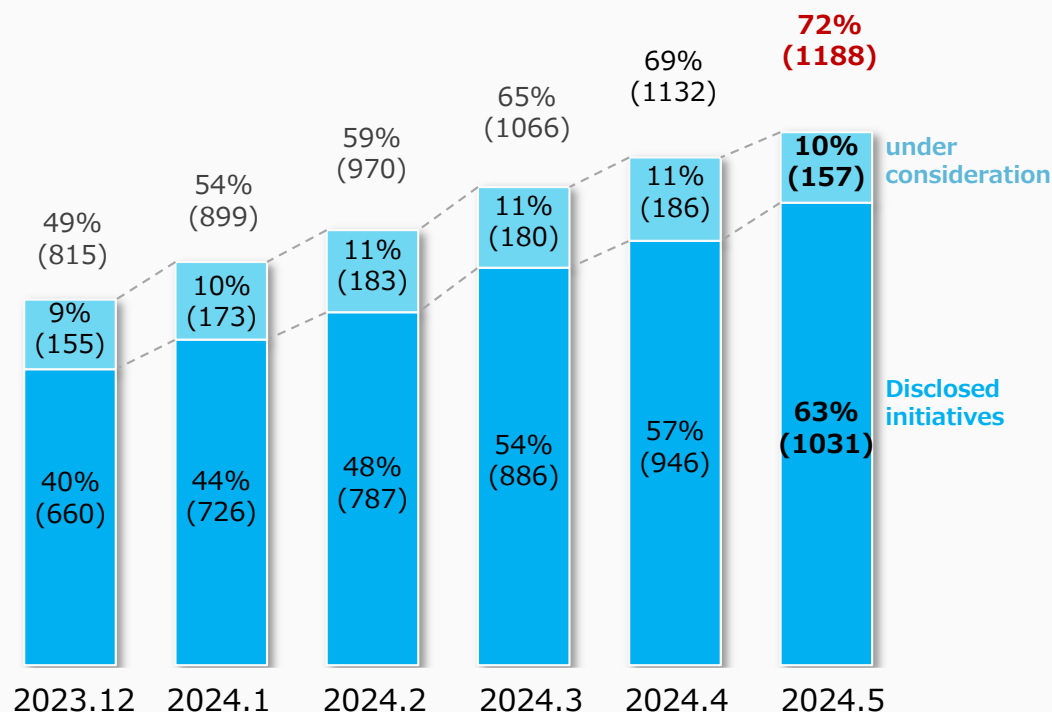
(Note) Total trading values on Tokyo Stock Exchange and Nagoya Stock Exchange. 2024 figures are through the second week of June.

(Source: Compiled by JPX based on the Tokyo Stock Exchange's "Trading by Type of Investor" statistics.)

Status of TSE Requests and Disclosures by Listed Companies

- In March 2023, TSE requested all listed companies on the Prime and Standard Markets to take "Action to Implement Management That is Conscious of Cost of Capital and Stock Price" in order to encourage autonomous efforts by listed companies to enhance their corporate value and promote constructive dialogue with investors.
 - As of May 31, 2024, 72% of companies on the Prime Market (63% already disclosed) and 30% in Standard Market (20% already disclosed) have announced some form of compliance with the request.
- While companies with low P/B ratios and large market capitalizations continue to **disclose more**, companies with P/B ratios of 1x or more and companies with relatively small market capitalizations are also making progress in disclosure.

Disclosure Status of Listed Companies (Prime Market)



Disclosure by P/B Ratio/Market Capitalization (Prime Market)

	P B R	
	Less than 1.0	1.0 or more
Market Cap. JPY 100 billion or more	93% (+16pt) Disclosed initiatives : 86% (+20pt) under consideration : 8% (-5pt) n=284 (-8)	73% (+28pt) Disclosed initiatives : 66% (+26pt) under consideration : 7% (+2pt) n=515 (+33)
JPY 25 billion – 100 billion	76% (+18pt) Disclosed initiatives : 61% (+18pt) under consideration : 15% (+0pt) n=323 (-29)	59% (+28pt) Disclosed initiatives : 48% (+25pt) under consideration : 11% (+3pt) n=341 (+11)
less than JPY 25 billion	56% (+19pt) Disclosed initiatives : 52% (+24pt) under consideration : 4% (-5pt) n=84 (-8)	51% (+29pt) Disclosed initiatives : 42% (+25pt) under consideration : 9% (+4pt) n=98 (-10)

(Source: Tokyo Stock Exchange)

(Note 1) As of May 31, 2024

(Note 2) Figures in parentheses represent changes from December 31, 2023.

(Source: Tokyo Stock Exchange)

Efforts to Enhance Corporate Value and Future Follow-up (1)

- **To encourage more companies to consider and disclose effective measures,** TSE has implemented the following initiatives:

Publication of a list of companies that have disclosed

- ◆ **Publish a list of listed companies that have disclosed the information** in accordance with the request to inform investors of who is taking action, thereby encouraging companies to make a proactive effort. **(Started on Jan. 15, 2024 and updated monthly.)**

Publication of key points from responses/examples of initiatives

- ◆ **Compile and publish several key points based on responses from investors and examples of initiatives that investors deemed as fulfilling these expectations** **(Started on February 1, 2024.)**

Compilation and distribution of companies' response statuses

- ◆ **Compile corporate disclosures** and feedback from investors, etc. approximately once every quarter. **(Started on January 15, 2024.)**

Reminder to listed companies

- ◆ **Inform all listed companies on the Prime and Standard markets about points to keep in mind regarding initiatives and disclosure, and procedures to be included in the list.** Such points and procedures are frequently inquired about by listed companies. **(Started on March 29, 2024.)**

The above documents and data are available on the website page ([Follow-up of Market Restructuring | Japan Exchange Group \(jpx.co.jp\)](https://www.jpx.co.jp))

Efforts to Enhance Corporate Value and Future Follow-up (2)

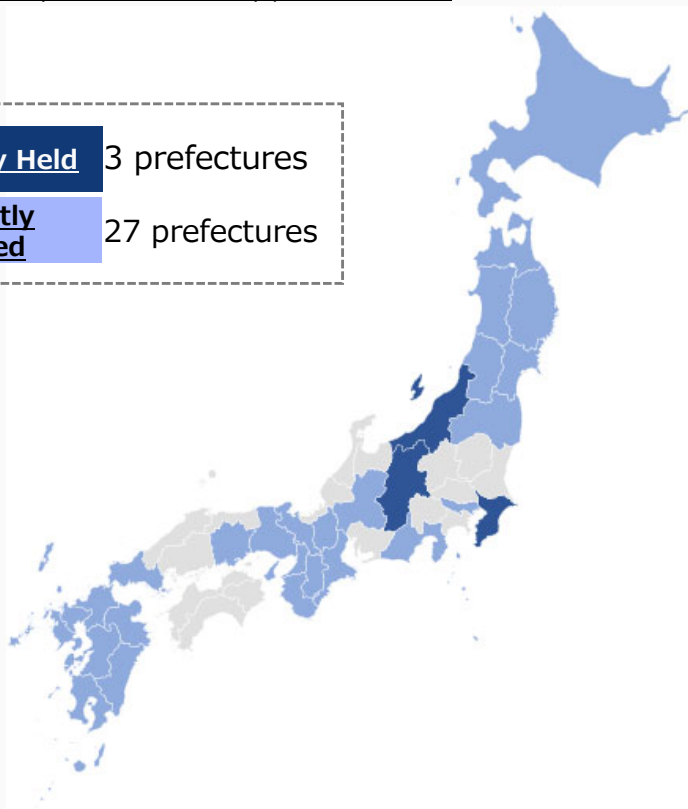
- While requesting various initiatives to enhance corporate value over the medium- to long-term, **a dedicated group will be established to support such initiatives by working closely with each listed company** (January 2024).

Follow-up with Listed Company Management

Hold a program in which the president of TSE explains the background behind the requests from TSE and the purpose of other various initiatives to the **executives of listed companies across the country.**

Summary of previously held and currently planned events.

<u>Previously Held</u>	3 prefectures
<u>Currently planned</u>	27 prefectures



Support for Practicing Managers

- Present and break down the thinking of institutional investors both domestic and foreign, and provide examples of how other listed companies have responded.
- Provide consultation on issues faced by each company.

Primary Measures:

Conducting Individual Visits

Direct visits to 34 companies to date (5 of which are located outside the Kanto region).

Speak at Various Events and Seminars

A total of approx. 1,000 staff members participated.

Efforts to Enhance Corporate Value and Future Follow-Up (2 cont.)

- Promoting constructive dialogue between listed companies and investors
 - Develop measures to **improve IR skills** and **create opportunities for dialogue**

Improve IR Skills

• IR skill acquisition

- **Provide an opportunity to learn about key points to keep in mind for IR activities** (All of these can be viewed online by anyone at any time)

Basics of IR (explanation, points to keep in mind, understanding the other party during dialogue)

Understanding what institutional investors expect from a listed company in terms of IR

Key points regarding the expansion and acceleration of English disclosure

Preparing for overseas IR

- Organize workshops to improve the IR skills of newly listed companies (in the planning stages)

• Provide a forum for IR troubleshooting

- "IR Dialogue Meetings" are scheduled to be held where companies can consult directly with experts on the issues and concerns they face in their IR activities.

• Presentation of other companies' case studies

- Interviews were conducted with companies that have an established a good reputation among institutional investors for their IR activities, including the key points they emphasize when conducting IR activities and how they establish contact with investors (to be published in an article).

Create Contact Points With Institutional Investors

- Create opportunities for dialogue with institutional investors (mainly for Prime and Standard)

- Many listed companies do not have many opportunities to interact with institutional investors due to market capitalization, liquidity, name recognition, etc.

⇒ **Providing opportunities for dialogue with institutional investors from time to time in the form of 1-on-1s and small meetings that allow for two-way communication with institutional investors**

- Conveying the appeal of listed companies to institutional investors (for Growth)

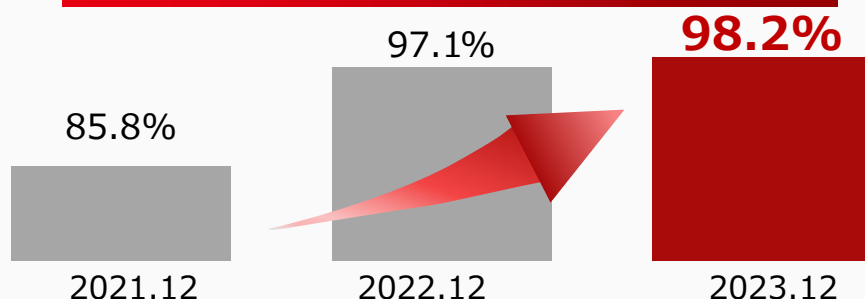
- There are limited opportunities for Growth Market listed companies to interact with institutional investors

⇒ **Create a collection of short videos that convey the appeal of Growth Market listed companies and plan to offer them to institutional investors.**

Expansion of English Disclosure for Prime Market Listed Companies

- The percentage of Prime Market listed companies that disclose information in English is improving. While overseas investors are appreciating the progress, some are still dissatisfied with the volume of information in English disclosure and the time lag between English disclosure and Japanese disclosure.
- From April 1, 2025, simultaneous disclosure in English and Japanese of earnings reports and timely disclosure information will be mandatory in order to attract more overseas investors to Prime Market listed companies and to promote the enhancement of corporate value through dialogue.

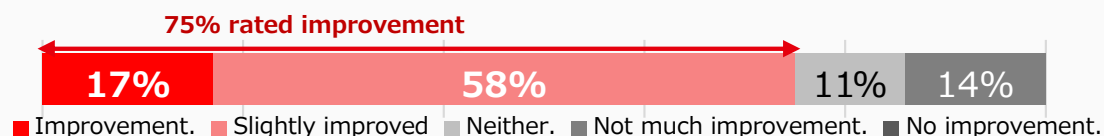
English Disclosure Implementation Rate (Prime Market)



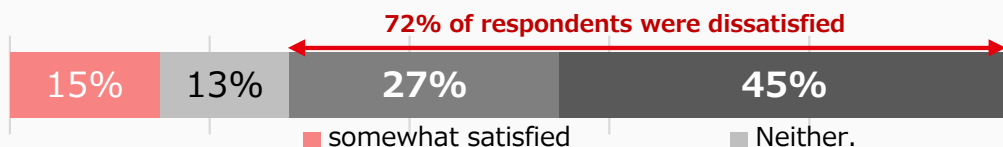
(Source: Compiled by JPX based on the results of "Availability of English Disclosure Information by Listed Companies" Survey.
(Note) The English disclosure rate is calculated as the percentage of respondents who answered that English disclosure is made for any of the following documents: earnings reports, other timely disclosure materials (excluding earnings information), notices of general shareholders meetings, corporate governance reports, annual securities reports, IR briefing materials, and other English disclosure materials.

Overseas Investor Evaluation

Evaluation of Improvement



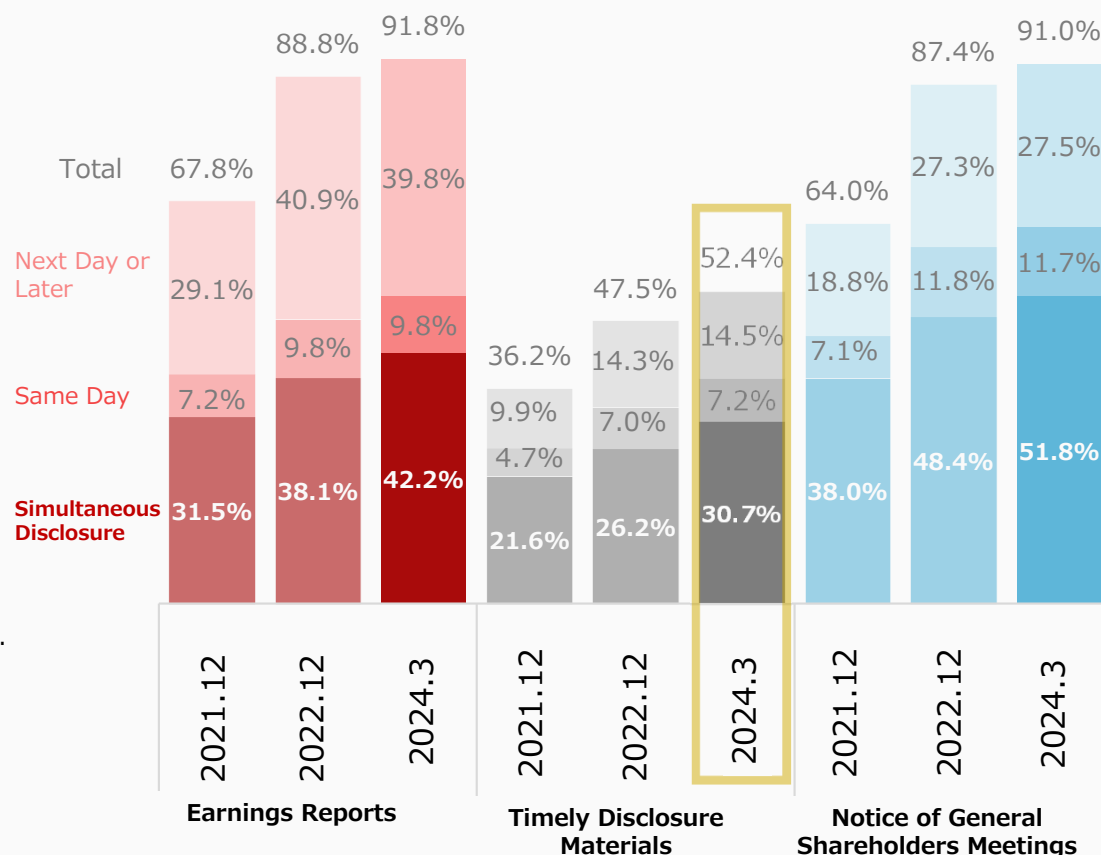
Satisfaction with Current English Disclosure



(Source: Compiled by JPX based on the results of a survey of overseas investors regarding English disclosure.

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Percentage of companies that have made English disclosures (by disclosure timing)

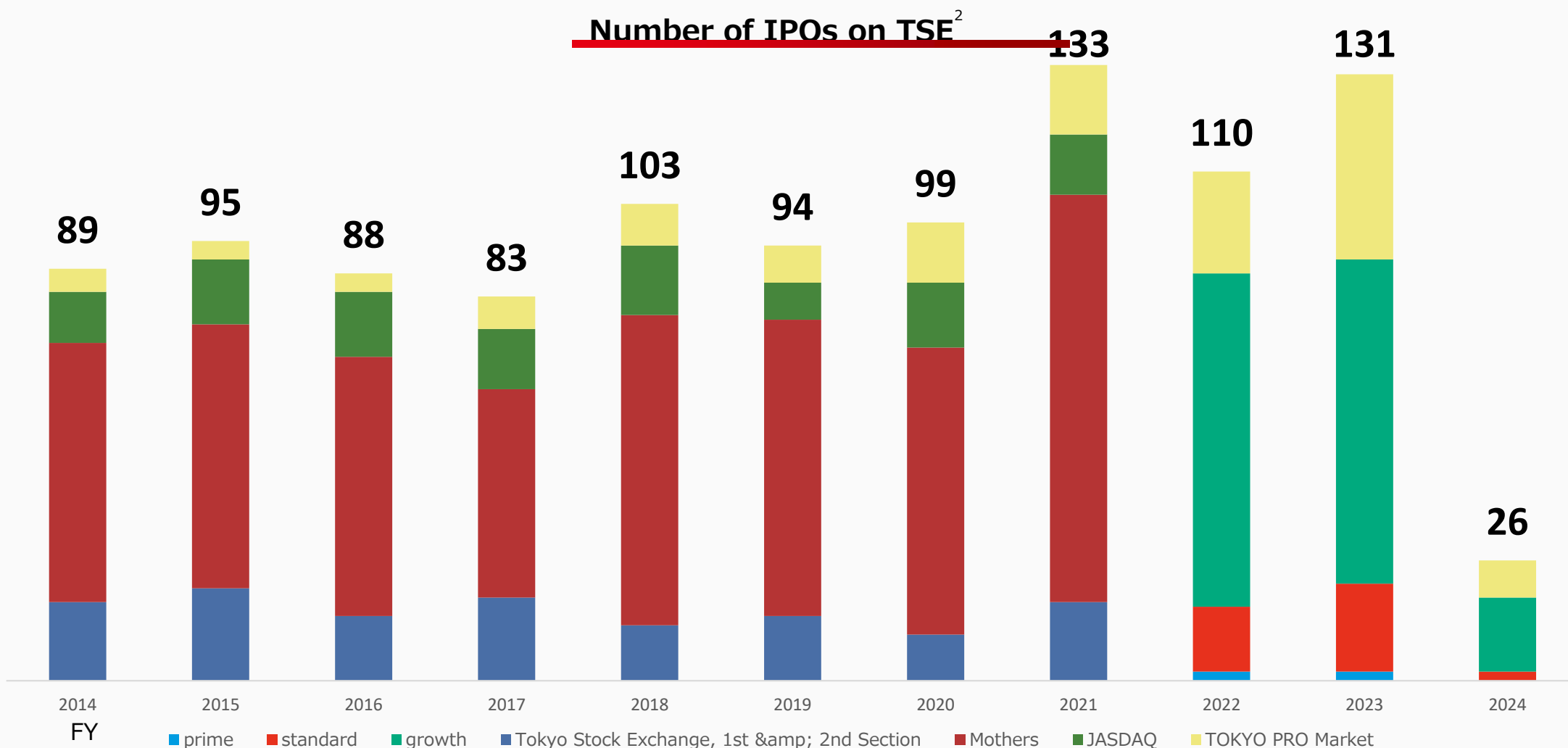


(Source: Compiled by JPX based on Tokyo Stock Exchange data.

(Note) The figures for December 2021 were calculated for First Section listed companies that chose to move to the Prime Market.

Number of IPOs on TSE

- The number of initial listings on TSE in FY2023¹ remains high at 131 companies.
- Launched the "TSE Asia Startup Hub" and programs for management in each region of Japan to establish an ecosystem conducive to the initial listing of domestic and overseas companies.



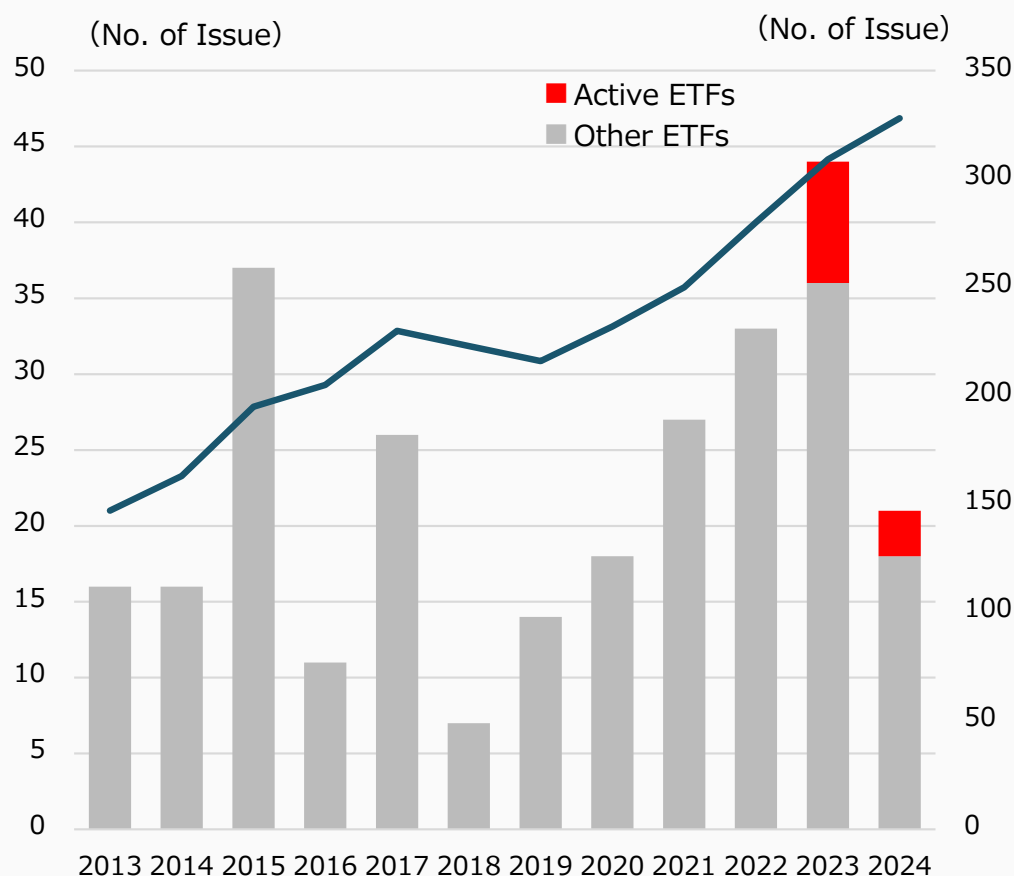
(Note 1) Includes initial listings on TOKYO PRO Market and does not include listings via TOKYO PRO Market.

(Note 2) Number of companies by the end of June for FY2024

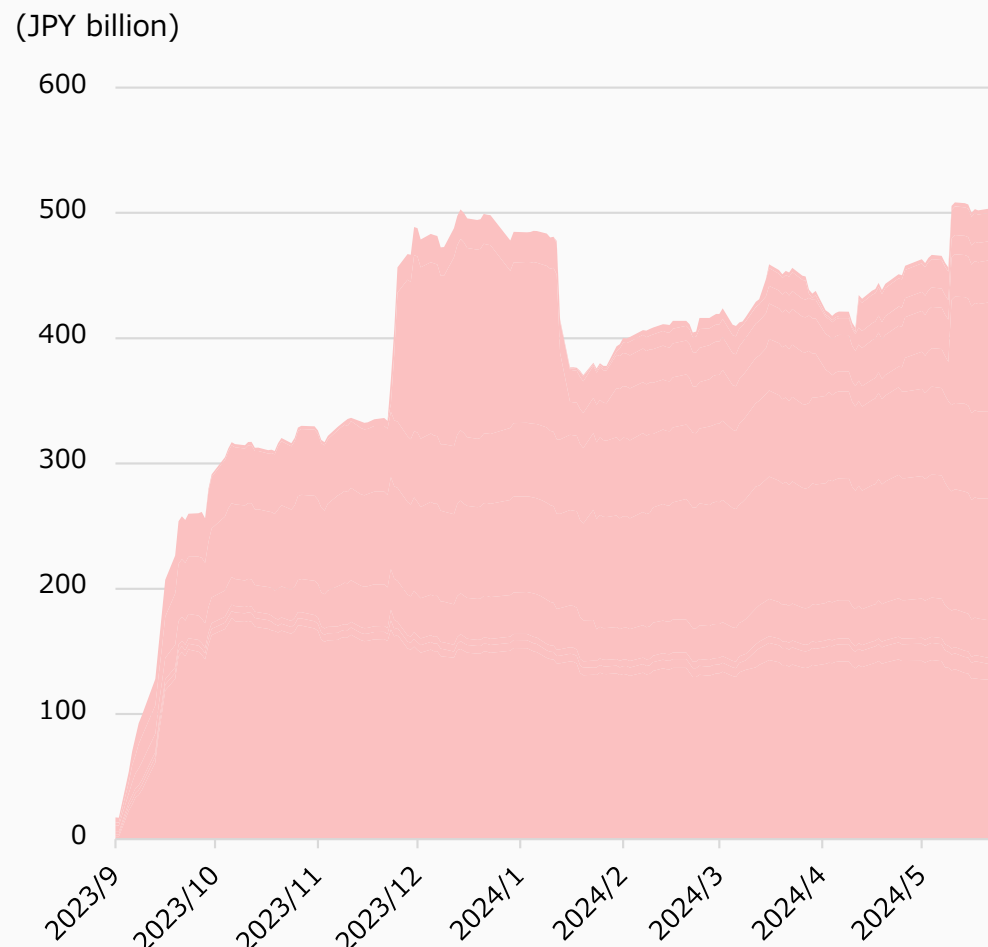
Listing System for Actively Managed ETFs (Exchange Traded Funds)

- Established a listing system for actively managed ETFs, which do not track underlying indicators, in June 2023 in order to provide of a variety of products to investors.
- Since the listing date of the first group of issues on September 7, 2023, 11 are currently listed. TSE is working to raise awareness of actively managed ETFs through various events, etc., and currently have approximately JPY 50 billion in AUM.

Number of Newly Listed Issues



Net Assets of TSE Actively Managed ETFs



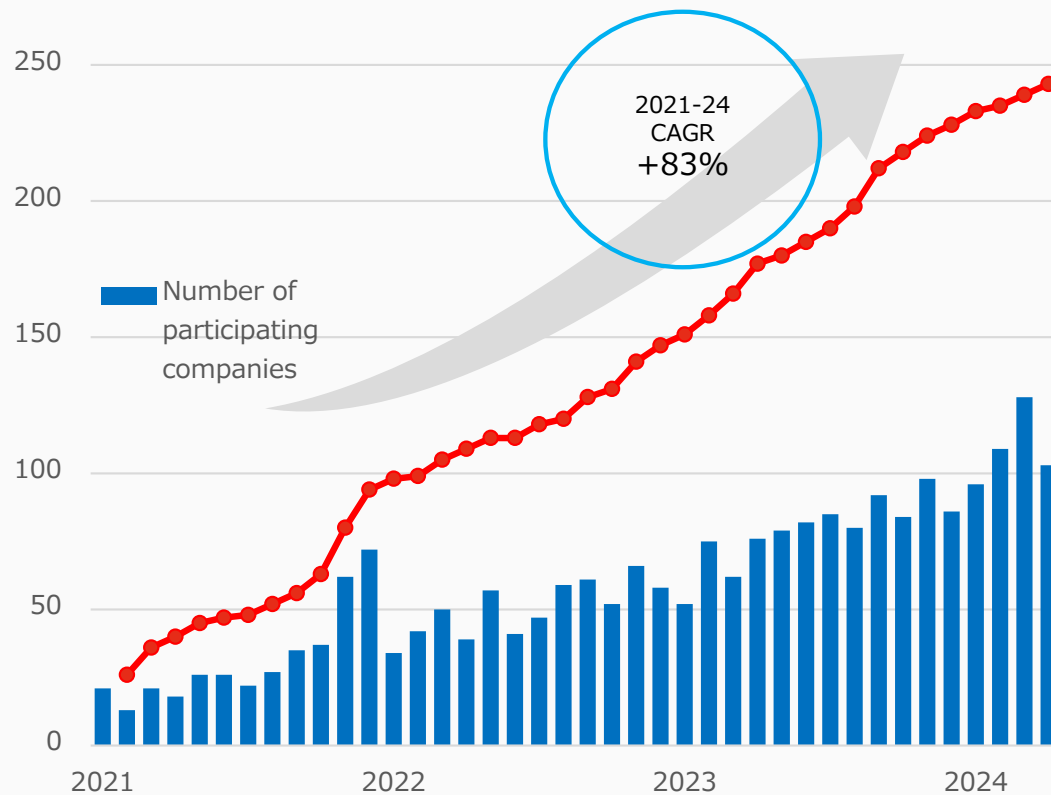
(left axis: number of newly listed issues; right axis: total number of listed issues)

*Through June 12, 2024.

ETF (exchange traded fund) Liquidity Supply Initiatives

- Introduced a market making system in 2018 and CONNEQTOR, a platform for institutional investors to request quotes directly from market makers, in 2021.
- The number of CONNEQTOR users continues to expand, mainly among regional financial institutions such as regional banks and credit unions. Currently, 243 institutional investors are using the service as of the end of May 2024, and has seen average daily trading values exceeding JPY 10 billion in 2024.

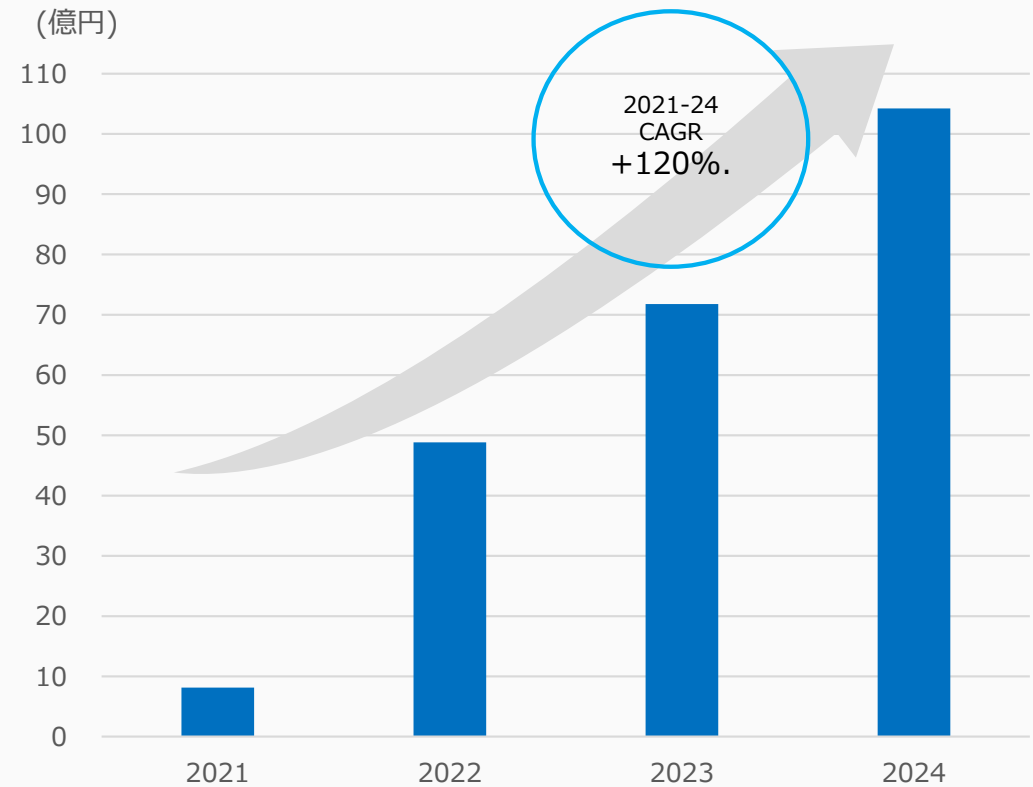
Monthly and Cumulative Numbers of Participating Companies⁽²⁾



(Note 1) Through May 31, 2024

(Note 2) The number of participating companies is the number of companies that presented RFQs in the relevant month, and the cumulative number of companies is the total number of companies that have registered IDs to connect to CONNEQTOR.

Average Daily Trading Value for CONNEQTOR



(Note: May 31 for 2024)

Cash Equities Trading System Upgrades and Improvements

- TSE aims to improve resilience and convenience for market participants, in conjunction with the trading system upgrade on November 5, 2024, TSE plans to revise the trading system by extending the trading day by 30 minutes and introducing a Closing Auction.
- Preparations are going smoothly, and TSE is continuing efforts to distribute information to market users and test the system.

Extension of Trading Hours

- **Extension of auction hours by 30 minutes, etc.**, in order to expand trading opportunities for investors and improve the convenience of the market to improve resilience and strengthen international competitiveness.

	8	9	10	11	12	13	14	15	16	17	18
Auction Trading Hours		9:00-11:30				12:30-15:30					
Off-Auction Trading Hours	8:20-18:00										

Trading System Revision, Etc.

- As the importance of the afternoon session closing auction increases due to the increase in passive management, etc., **a Closing Auction of** the auction market afternoon session **was introduced** to further improve transparency in the closing price formation.
- In order to provide more detailed order information and to improve trading convenience for investors, we have **introduced Market By Order**, a well known market information delivery system..

Improved Resilience

- **Shortened time required for restarting the system** (3 hours → 1.5 hours)

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