



Japan Exchange Group, Inc.

Earnings Conference for FY2024

April 30, 2025 11:00 – 11:29

Speaker: Yamaji Hiromi

Director & Representative Executive Officer, Group CEO

Kawai Hiroki

Senior Executive Officer & CFO

Takahashi: Thank you very much for taking time out of your busy schedule to join us today. We will begin the presentation of the FY2024 full-year financial results of Japan Exchange Group, Inc. This event is being held in a hybrid format of face-to-face meeting and webinar distribution.

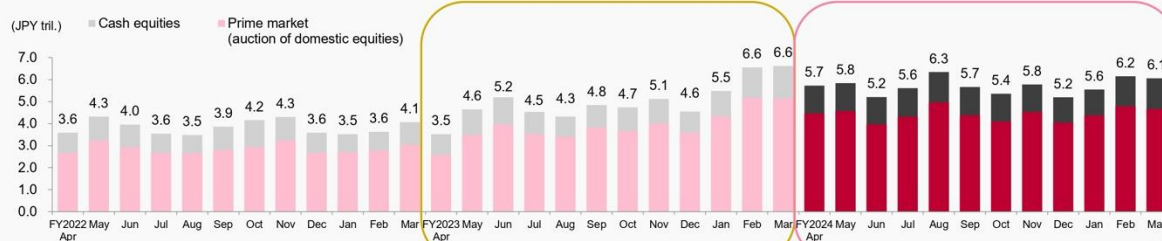
Today, we will begin with an explanation, followed by a question-and-answer session. We will provide a transcription and English translation of the presentation and Q&A session prepared by our group company, SCRIPTS Asia, which will be posted on our website.

I would like now introduce today's speakers. Yamaji Hiromi, Director and Representative Executive Officer, Group CEO. Kawai Hiroki, Senior Executive Officer and CFO. I am Takahashi of the Corporate Communications Department, and I will serve as your moderator.

First, Mr. Yamaji will explain the results for FY2024.

Market Trends (Cash Equities)

Cash Equities Average Daily Trading Value (April 2022 – March 2025)



Average Daily Trading Value by Market Division (JPY)

		FY2022	FY2023	FY2024	
		Annual Ave.	Annual Ave.	Annual Ave.	y/y
Auction	Prime Market Domestic Stocks	2.85 tril.	3.87 tril.	4.42 tril.	+14.1 %
	Standard Market	85.1 bil.	132.0 bil.	128.8 bil.	(2.4 %)
	Growth Market	142.5 bil.	152.0 bil.	129.9 bil.	(14.5 %)
	ETFs / ETNs	251.9 bil.	244.6 bil.	280.1 bil.	+14.5 %
Off-auction		463.8 bil.	556.4 bil.	704.5 bil.	+26.6 %
Cash Equities (auction/off-auction) Total*		3.84 tril.	5.00 tril.	5.70 tril.	+14.1 %

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

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Yamaji: I will give an overview of the financial results for the fiscal year ended March 2025 (FY2024).

Market trends of cash equities were brisk throughout the year, with the Nikkei Stock Average Index hitting a record high in July last year. Trading value in FY2024 was up 14.1% from the previous fiscal year to JPY5.7 trillion, reaching a record high for the fourth consecutive year.

Market Trends (Derivatives)

Monthly Trading Volume (April 2022 – March 2025)



Average Daily Trading Volume/Value of Major Products

(Trading volume : 10,000 contracts)

	FY2022	FY2023	FY2024	
	Annual Ave.	Annual Ave.	Annual Ave.	y/y
TOPIX Futures	10.4	11.1	8.8	(20.6 %)
Nikkei 225 Futures (Large)	8.8	8.7	7.1	(18.6 %)
Nikkei 225 mini	104.6	104.6	88.3	(15.6 %)
Nikkei 225 Options	JPY 25.7 bil.	JPY 26.3 bil.	JPY 21.4 bil.	(18.8 %)
10-year JGB Futures	3.2	4.2	4.8	+15.6 %
Total Trading Volume for Financial Derivatives	352 mil. contracts	402 mil. contracts	436 mil. contracts	+8.6 %
Converted into large-sized contracts*	116 mil. contracts	120 mil. contracts	100 mil. contracts	(16.0 %)
Gold Futures (standard)	2.9	3.3	3.7	+9.9 %
Platts Dubai Crude Oil Futures	0.9	0.7	0.5	(24.5 %)
Total Trading Volume for Commodity Derivatives	1,583	1,772	1,840	+3.9 %

* In line with the contract unit of each, the trading volumes of mini contracts and micro contracts are calculated using factors of 1/10 and 1/100, respectively.

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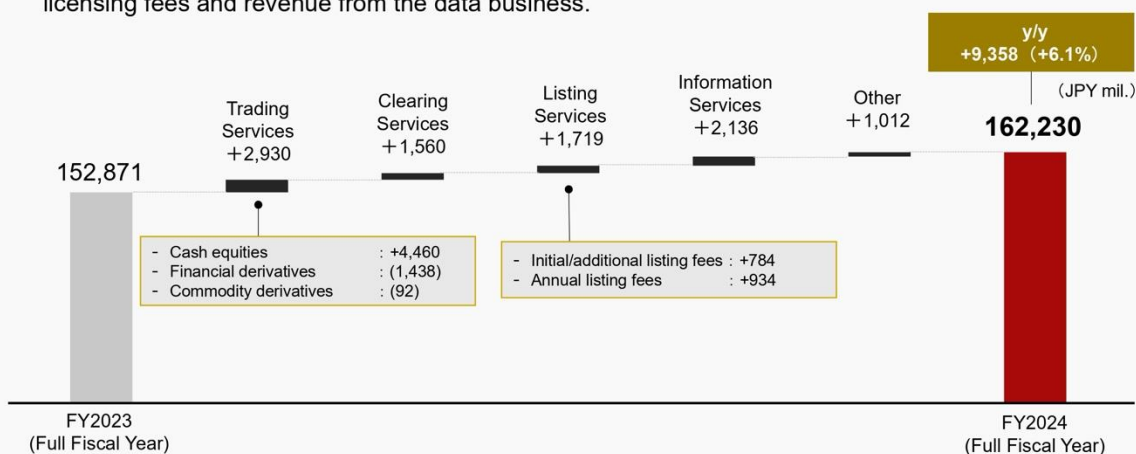
Here you see market trends of derivatives. As for the trading volume of financial derivatives, trading of JGB futures increased. On the other hand, trading in equity-related futures was sluggish, resulting in a 16% YoY decline in trading volume converted into large-sized contracts, which indicates real trading volume, to 100 million contracts.

As for trading volume of commodity derivatives, overall trading volume increased by 3.9% YoY to 18.4 million contracts as a result of strong performance in gold futures, despite a decline in Platts Dubai crude oil futures.

Operating Revenue



- Revenue from trading services and clearing services increased due to an increase in cash equity trading.
- Revenue from listing services increased due mainly to an increase in the AUM of ETFs.
- Revenue from information services increased due mainly to increases in revenue from index licensing fees and revenue from the data business.



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I will report on the status of operating revenue in these market trends. As I mentioned earlier, revenue from trading services and clearing services increased due to an increase in cash equity trading.

Revenue from listing services also increased, mainly due to an increase in assets under management of ETFs as a result of higher stock prices.

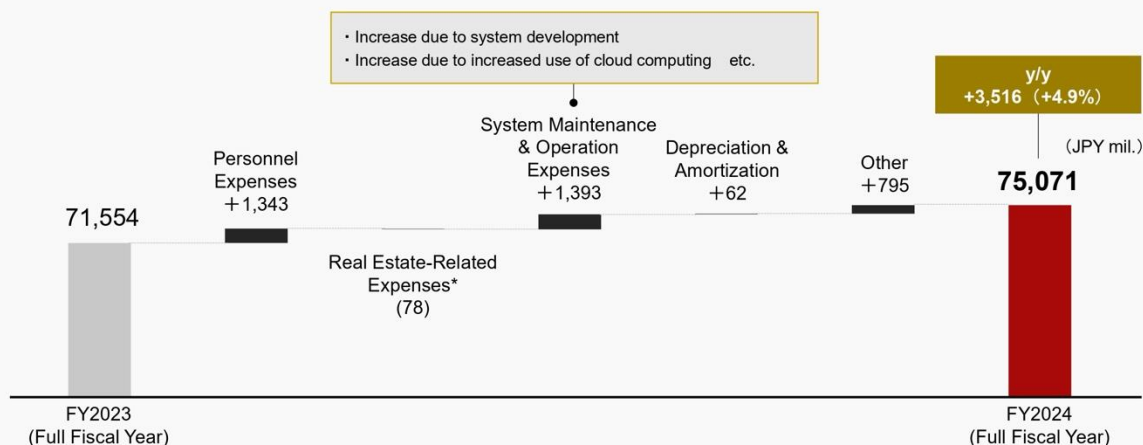
Revenue from information services also increased due to higher revenue from index license fees and data business revenues. In addition, other operating revenues increased.

As a result of the above, total operating revenue increased JPY9.3 billion, or 6.1%, to JPY162.2 billion, a new record high.

Operating Expenses



- Personnel expenses increased due to factors such as wage increases.
- System maintenance & operation expenses increased due to system development and increased use of cloud computing.



* A portion of real estate-related expenses, which are reported under depreciation in line with IFRS 16, Leases, is included under "Real Estate-related Expenses" in this chart.

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I will discuss the status of operating expenses. Personnel expenses increased due to wage increases, including bonuses.

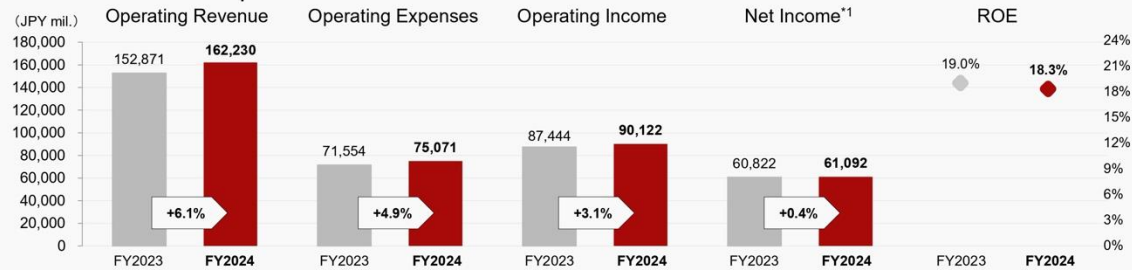
System maintenance and operation expenses increased due to an increase in outsourced system development and the use of cloud computing for each system.

As a result, total operating expenses increased JPY3.5 billion, or 4.9%, to JPY75 billion.

Highlights



- While there was an increase in operating expenses, such as personnel expenses and system maintenance & operation expenses, this was more than offset by an increase in operating revenue due mainly to increases in the trading of cash equities, resulting in a 0.4% 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

	FY2023	FY2024	
			y/y
Cash Equities ^{*1} (trading value)	JPY 4,997.3 bil.	JPY 5,703.2 bil.	+14.1 %
TOPIX Futures (trading volume)	111,051 contracts	88,182 contracts	(20.6 %)
Nikkei 225 Futures ^{*2} (trading volume)	192,001 contracts	159,443 contracts	(17.0 %)
Nikkei 225 Options (trading value)	JPY 26.3 bil.	JPY 21.4 bil.	(18.8 %)
10-year JGB Futures (trading volume)	41,737 contracts	48,267 contracts	+15.6 %

^{*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} Includes Nikkei 225 mini contracts (calculated using a factor of 1/10).

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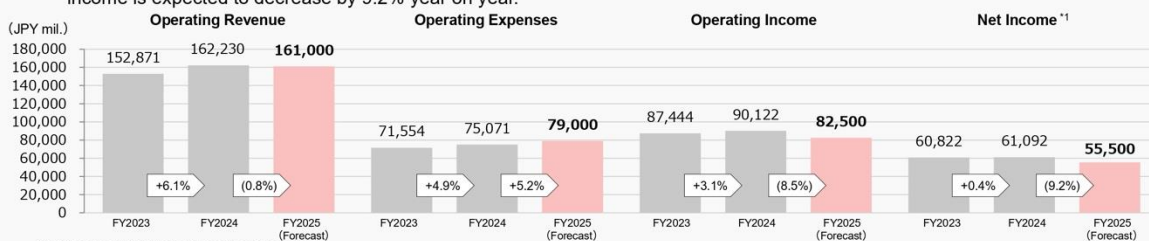
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Here you see performance highlights. As I mentioned earlier, operating expenses increased, mainly personnel costs and system maintenance and operation costs. However, this was more than offset by an increase in operating revenue due to the brisk Japanese stock market and other factors, resulting in an operating income of JPY90.1 billion, up JPY2.6 billion, or 3.1%, from the previous year. Net income increased JPY0.2 billion, or 0.4%, to JPY61 billion, marking the second consecutive fiscal year of record earnings, following FY2023.

FY2025 Forecast



- Operating revenue is expected to decrease by 0.8% year on year based on the assumption that the average daily trading value of cash equities will be JPY 5 trillion.
- Operating expenses are expected to increase by 5.2% year on year due to the advancement of the core themes in the Medium-Term Management Plan 2027 and other factors.
- Operating income is expected to decrease by 8.5% year on year due to factors including an increase in operating expenses. Net income is expected to decrease by 9.2% year on year.



^{*1} Net Income attributable to owners of the parent company.

■Average Daily Trading Volume/Value of Major Products

	FY2023	FY2024		FY2025 (Forecast)	
			y/y		y/y
Cash Equities (trading value) ^{*1}	JPY 4,997.3 bil.	JPY 5,703.2 bil.	+14.1 %	JPY 5 trnl.	(12.3 %)
TOPIX Futures (trading volume)	111,051 contracts	88,182 contracts	(20.6 %)	91,000 contracts	+3.2 %
Nikkei 225 Futures (trading volume) ^{*2}	228,146 contracts	164,642 contracts	(17.0 %)	170,000 contracts	+3.3 %
Nikkei 225 Options (trading value)	JPY 26.3 bil.	JPY 21.4 bil.	(18.8 %)	JPY 24.0 bil.	+12.2 %
10-year JGB Futures (trading volume)	41,737 contracts	48,267 contracts	+15.6 %	50,000 contracts	+3.6 %

^{*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} Includes Nikkei 225 mini contracts (calculated using a factor of 1/10) and Nikkei 225 Micro Futures contracts (calculated using a factor of 1/100). As Nikkei 225 Micro Futures contracts have been included from the FY2025 forecast, they have been added into the trading value for FY2023 and FY2024.

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With respect to the market conditions on which the forecast for FY2025 is based, we assume a daily average trading value of JPY5 trillion for cash equities based on the level of FY2024 results and the current external

environment. Based on this assumption, operating revenue is expected to be JPY161 billion, the same level as the previous year.

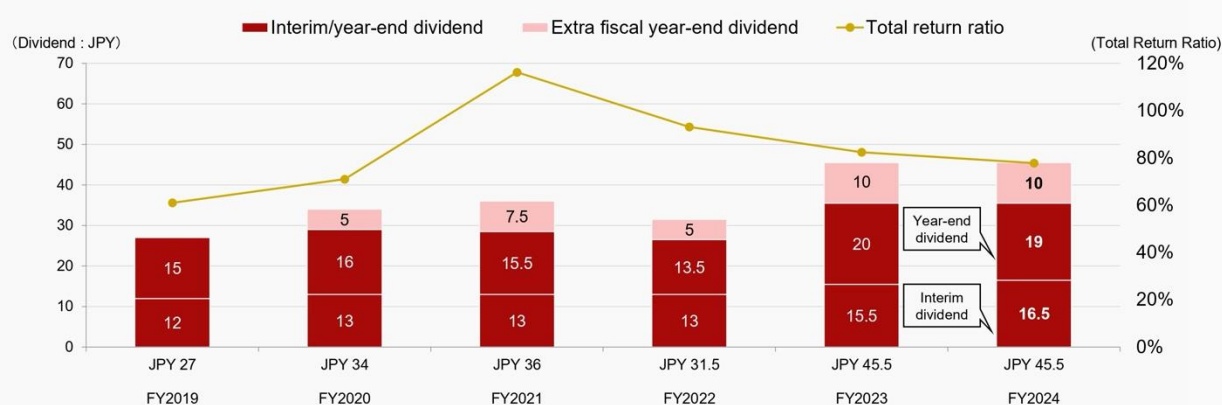
On the other hand, operating expenses are expected to increase 5.2% YoY to JPY79 billion, mainly due to an increase in operating expenses in line with the promotion of the core themes in the Medium-Term Management Plan 2027.

As a result, operating income is projected at JPY82.5 billion, down 8.5% from the previous year, and net income at JPY55.5 billion, down 9.2% from the previous year.

Dividends, etc.



- JPX acquired approx. JPY 20 billion worth of its own shares between April and September 2021. It then acquired JPY 12.6 billion worth of its own shares between January and April 2023.
- For FY2024, as JPX achieved the management and financial figures in the Medium-Term Management Plan 2024 for the second consecutive fiscal year and made steady progress in its initiatives in the Plan's focus areas, a special dividend of JPY 10 per share will be paid in addition to the ordinary dividend of JPY 35.5 per share.



* The figure for dividend per share accounts for the 2-for-1 stock split which was conducted effective October 1, 2024.

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Our previous dividend policy for the ordinary dividend for the fiscal year ended March 31, 2025 was a dividend payout ratio of approximately 60%. Based on this, and in light of the stock split last October, we have decided to pay a full-year dividend of JPY35.5 per share.

In addition, we will pay a special dividend of JPY10 per share in FY2024, in conjunction with the achievement of the management and financial targets of the Medium-Term Management Plan 2024 for two consecutive fiscal years, as well as steady progress in key measures. As a result, we will pay a total dividend of JPY45.5 per share for the full year.

Shareholder Return for FY2025



- To further enhance capital efficiency and shareholder returns in accordance with the capital policy set forth in the Medium-Term Management Plan 2027, JPX will pay ordinary dividends and acquire own shares as shown below. As a result, the total return ratio is expected to be approx. 116%*¹.
- Ordinary dividend
 - ✓ The forecasted dividend amount is JPY 43² per share.
 - ✓ Forecasted ordinary dividend payout ratio is **80.6%***³.
- Acquisition of own shares
 - ✓ Implementation shall be as follows:

Details of acquisition of own shares	
Acquisition amount	Maximum of JPY 20 billion
No. of shares to be acquired	Maximum of 40 million shares (3.8% of total no. of issued shares)
Acquisition period	April 30, 2025 – October 28, 2025
Acquisition method	Purchase on the auction market

*1 Estimate calculated based on JPX achieving the net income amount announced in the FY2025 forecast and acquiring JPY 20 billion in own shares.

*2 The forecasted interim dividend is JPY 21, and the forecasted year-end dividend is JPY 22.

*3 Estimate that does not take the acquisition of own shares into consideration.

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Regarding shareholder returns in the current fiscal year, we intend to further improve capital efficiency and further enhance shareholder returns in accordance with the capital policy of the Medium-Term Management Plan 2027.

The Company's basic policy on dividend payout ratio is 60% or more for ordinary dividends. The forecast dividend payout ratio for FY2025 is 80.6%, and the dividend forecast for the full year is JPY43 per share.

In addition, as announced the day before yesterday, JPX's Board of Directors resolved to repurchase its own shares. The amount of the share repurchase will be up to JPY20 billion, and the repurchase will be made on the TSE's auction market with a deadline of six months from today, April 30, 2025.

The JPY20 billion amount is equivalent to 1.2% of the Company's market capitalization based on the recent share price level.

That is all from me.

Question & Answer

Watanabe: I am Watanabe from Daiwa Securities. Thank you for your explanation. Let me ask two questions.

First is the revenue from collateral management in the FY2025 earnings forecast on page nine. How much IRS and JGB contribution do you anticipate and factor into your forecasts? Also, you expect costs to increase by JPY4 billion; I would like to know the breakdown of this increase.

Kawai: First, we have factored into our earnings forecast the revenue related to collateral management based on the current policy interest rate of 0.5%.

However, the design of the system itself is now in its final phase and will be ready for publication soon. So, I would like to refrain from explaining the figures and the system itself today. I will only say how the institutional design is going now. This can probably be announced around early May.

There are a few points that we would like to bring to your attention. First, due to the nature of funds, those must be managed in a safe and conservative manner. Second, the level of interest rates is far lower than in other countries.

In addition, clearing participants who actually deposit collateral have varying stances on the operation. Due to low interest rates environment, there are a considerable number of voices calling for risk-free management if returns are minimal. With that in mind, we are now considering whether we need to manage any portion or whether we need to design a system that allows participants to make choices.

There is also a need from participants who want us to prepare for any losses that may occur. Therefore, we are now in the process of finalization based on the idea that the management revenue generated will need to be allocated to the loss compensation fund. We expect to be able to announce this in about a week or two.

The first factor behind the rise in operating expenses is that arrowhead has successfully gone live last November, and the overall impact of depreciation and other expenses will be felt in FY2025. Second, this year is the first year of the Medium-Term Management Plan 2027, and we will incur expenses to promote the various measures we have announced.

Third, the next derivatives trading system, originally scheduled to go live in FY2026, will go live in late FY2028, as presented in the IT Master Plan. However, even though it will be in H2 of FY2028, it will take a reasonable amount of time and effort to plan and prepare for it. Another factor for the increase is the cost of research and verification of what kind of system should be developed for the next derivatives trading system.

This may overlap with the first question: the revenue and expense projections also factor in a certain amount of assumed profits from the management of deposited funds, including exchange trades, which will occur in the future, as well as withdrawals to be returned to clearing participants. However, this is only an assumption, and we would like to refrain from disclosing the figures.

Watanabe: Is the withdrawal classified as a cost or a negative component of revenue?

Kawai: That will be included in the cost.

Watanabe: My second question is about capital policy on page 11. The dividend payout ratio for the current fiscal year is expected to be 80%. This is much higher than the 60% or more assumed in the medium-term

management plan. What is the background to this? You also explained that the minimum capital level has been JPY250 billion, but you also indicated that the standard may change in the medium-term management plan. Please let us know if there is anything to update at this time.

Kawai: First, I would like to talk about the background behind the major change from about 60% in the previous medium-term management plan to 80%. As indicated in the financial management policy of the medium-term management plan, we, as a publicly listed company, are of the opinion that we should show the figures for growth investment and shareholder returns as cash allocation, and if excess capital is recognized, we should actively return it to shareholders. Based on this, we have presented such an overall picture in this medium-term management plan.

The dividend payout ratio was also discussed internally, including by the Board of Directors, in light of current funding and other factors, and was set at 80% or higher this time. We would like to continue to make this decision at the beginning of each fiscal year, based on the funding needs of the time.

Another point is that the capital requirement is regularly calculated from the safety of settlement and various other perspectives. There is currently no change to the JPY250 billion forecast that we explained last month.

Watanabe: I have an additional question regarding the first point. If profits were to exceed your forecast, would you apply a dividend payout ratio of 80% to increase DPS? Or would you consider an upward revision of the dividend when EPS exceeds about JPY72 and the dividend payout ratio is less than 60%?

Kawai: Our cash-in and cash-out will vary greatly depending on our business performance, and I think we will consider on a case-by-case basis whether to allocate profits to dividends, taking into account the balance with capital.

Basically, however, we will return profits to shareholders as long as our business performance improves and we are in a position to return profits, and there are no problems with major growth investments or capital at that time.

Tsujino: I am Tsujino from Bank of America. Thank you.

I would like to further inquire about shareholder returns. First, you say you will decide in each case whether or not to set the rate at 80% when you revise the forecast upward in the future. This is a new way of thinking. Until now, special dividends, etc., have been determined later. I am not sure how you are making that decision. Will the use of special dividends change in the future?

In addition, although buybacks have not been done for some time, this time the Company executed a JPY20 billion share buyback. At what point do you decide to buy back? It seems to be a total return of 100% when equalized. Since it is difficult to do this every year and small buy-backs don't make much of an impact, does your company intend to do this every 3 years or 4 years, or every 2 or 3 years?

Yamaji : Thank you.

As you mentioned, we have paid two special dividends in a row, last year and this year, and we certainly get questions about the concept. In the medium-term management plan presented here, we have considered how to allocate cash inflows from operating cash flow over the next three years to bond redemptions, system investments, and shareholder returns.

At that time, we determined from the outset that a payout ratio of 80% would be feasible based on our current projections for this year's performance, the first year of our three-year medium-term management plan. Of course, we do not know what will happen in the current market environment, so we will be flexible in case we see a completely different trend.

In addition, the only financial goal in this medium-term management plan is an ROE of 18%. Naturally, one must always be aware of the size of the capital in the capital policy, and if no returns are made, the capital will grow and grow, and the 18% hurdle will become higher and higher.

Given this situation, our current thinking is to implement a buyback of JPY20 billion per year, totaling JPY 60 billion over three years. And one-third of our benchmark shareholder return in the first year of the plan.

Naturally, as time goes on, perhaps this will need to be revisited. However, this year, the first year, we will buy back JPY20 billion of our own stock, and if business progresses as planned, we intend to achieve JPY60 billion in three years.

Tsujino: Do you have any plans for special dividends in the future?

Yamaji: It's not that we don't think about it, but we may implement it. Based on our current assumptions, we have set our target dividend payout ratio at 80% this year, instead of 60% or more.

Niwa: My name is Niwa from Citigroup Global Markets. Let me ask you two questions.

First, I would like to know the message behind this term's guidance. The medium-term management plan targets ROE of 18% and operating revenue of about JPY180 billion or thereabouts. Since the revenue forecast for this fiscal year is around JPY160 billion, I am interested in whether you will be able to achieve this medium-term management plan.

I understand that you present this guidance based on the current situation. Can you tell us what factors are expected to cause an increase or decrease in the next fiscal year and beyond?

Yamaji: We are quite cautious about our earnings forecast for this fiscal year, especially since the uncertainty of the US trend has increased considerably since the beginning of April.

However, unlike in the past, the policy rate is positive, albeit at 0.5%. Therefore, the volume of interest rate instruments, e.g., derivatives, IRS cleared by JSCC, or OTC Japanese Government Bonds underwriting has been steadily increasing over the past three years and will continue to do so.

In such a situation, I don't think the stock market will continue to be in the same situation as it is now for all three years. It is conceivable that someday the reputation for the growth potential of Japanese companies will recover again. With that in mind, I think it is probably possible to achieve an ROE of 18% over the next three years of the medium-term management plan.

However, I feel that it is quite difficult to predict how the top line will move.

Niwa: Secondly, I would like to move away from the financial results for a moment and ask a question regarding the recent fraudulent trading cases. I would like to ask if this should be viewed as a broker issue or if the Exchange Group can issue some guidance.

Regarding the background, there is no doubt that this area is a product that is difficult to generate revenue from a broker's perspective. However, the fairness of the transaction is probably something that the exchange would like to ensure. I would appreciate your comments on how you view this issue.

Yamaji: The spread of so-called phishing scams is a serious problem that shakes the fairness and impartiality of capital markets, and we view it with grave concern.

At the same time, as I mentioned at the regular press conference on Monday, the equity department is already conducting real-time monitoring. This is a system that checks for so-called erroneous orders, etc. When a

transaction is detected that appears to be a phishing scam, the relevant securities company is immediately notified.

In addition, the self-regulatory organization has set up a special team in the trading and examination department. In cooperation with brokerage firms, we have had some success in exposing accounts that appear to be phishing scams. So, we are working on everything we can do as an exchange.

However, one thing is clear: we can only discover things after the fact. After we receive the order, we find out that the order is strange. So, when we think something is strange, the order itself may have been executed.

The reason we do not know instantly is that, as you know, the direct connect to us is orders from brokerage firms, which are called participants. When we receive an order, we do not always know the intent of the order. We also do not know who placed the order that we received through a certain brokerage firm.

That is something that only the brokerage firms can know. So, as Mr. Morita, chairman of the Japan Securities Dealers Association, mentioned last weekend, perhaps a more immediate measure would be to make fraud less likely to occur by means of something like multi-factor authentication.

However, as I have said many times, there is much we can learn even after the fact. So, whenever possible, we work with the Japan Securities Dealers Association, the Securities and Exchange Surveillance Commission, or individual securities companies.

Takahashi: Thank you very much. This concludes the question-and-answer session.

This concludes today's briefing. Thank you for your participation today.

[END]