



Japan Exchange Group, Inc.

Earnings Conference for Q2 FY2025

October 31, 2025 11:00 – 11:31

Speaker : Yamaji Hiromi

Director and Representative Executive Officer, Group CEO

Kawai Hiroki

Senior Executive Officer and CFO

Takahashi: Thank you very much for taking time out of your busy schedule to join us today. We will now begin the presentation of the Japan Exchange Group, Inc.'s financial results for Q2 of FY2025.

This information session is being held in a hybrid format, with an on-site session and a live webinar.

Today, we will begin with an explanation from us, followed by a question-and-answer session.

SCRIPTS Asia, a group company, will provide a transcription and English translation of the presentation and Q&A session. We will also post these on our website.

I will now introduce speakers from the Company. Yamaji Hiromi, Director and Representative Executive Officer, Group CEO.

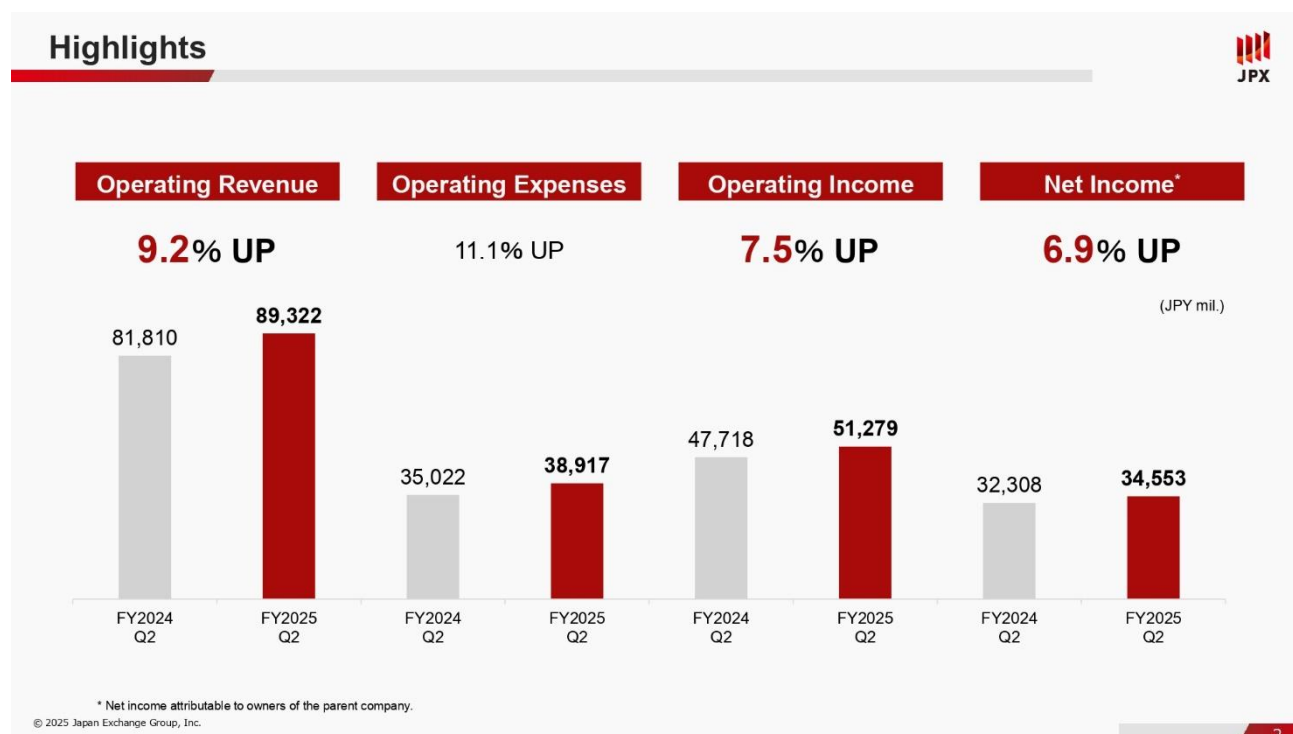
Yamaji: I am Yamaji. Thank you.

Takahashi: Kawai Hiroki, Senior Executive Officer and CFO, Corporate Strategy and Treasury.

Kawai: My name is Kawai. Thank you.

Takahashi: I, Takahashi of Public Relations and IR Department, will be the moderator. Thank you.

Yamaji will begin with an overview of the financial results for Q2 of FY2025.



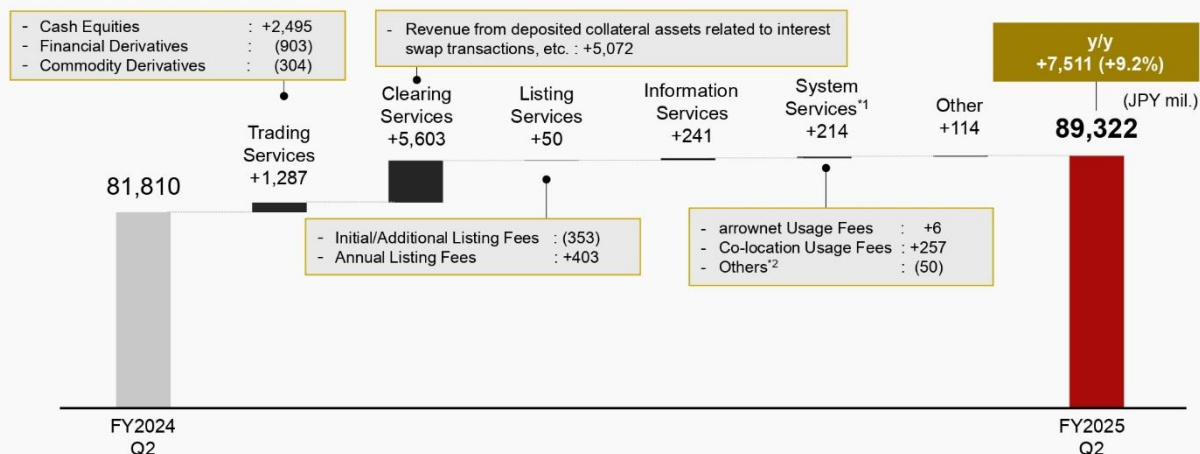
Yamaji: Today, I will present an overview of our financial results for Q2 of FY2025.

First, please see page two of the document, financial highlights. Operating revenue increased JPY7.5 billion, or 9.2%, from the same period last year to JPY89.3 billion. Operating income increased JPY3.5 billion, or 7.5%, to JPY51.2 billion, and net income increased JPY2.2 billion, or 6.9%, to JPY34.5 billion.

Operating Revenue



- All revenue categories increased due to the lively Japanese stock market.
- Revenue from deposited collateral assets related to interest rate swap transactions, etc. contributed significantly to the increase in clearing services revenue.



^{*1} In FY2025, the breakdown of operating revenue was revised to six categories with the addition of "System Services Revenue." "arrownet Usage Fees," "Co-location Usage Fees," and a portion of "Others," which were included under "Other Operating Revenue" until FY2024, are now displayed under "System Services Revenue."

^{*2} Revenue from system development and operations, etc.

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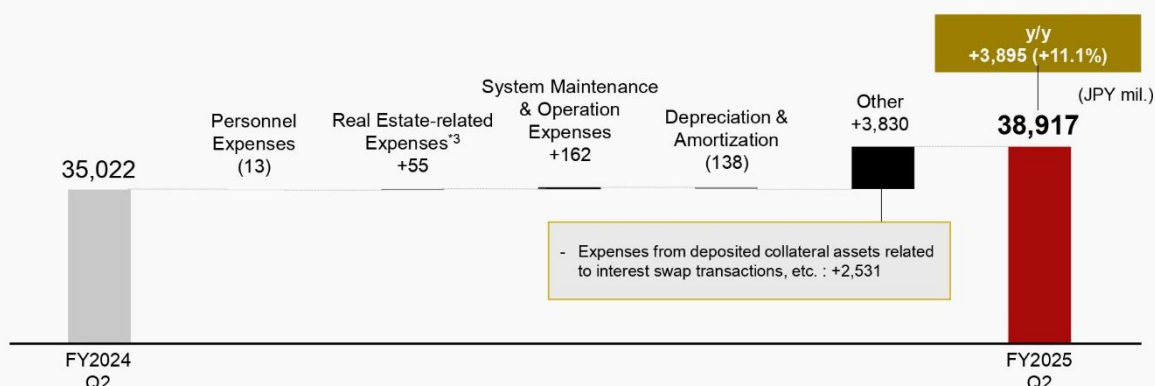
Page three shows the status of operating revenue.

All income items increased due to the buoyant Japanese stock market. In addition, revenue from deposited collateral assets related to interest rate swap transactions, etc., contributed significantly to the increase in clearing services revenue.

Operating Expenses



- Other operating expenses increased due to an increase in the amount returned to clearing participants for deposited collateral assets related to interest rate swap transactions, etc.^{*1} and a decrease in "software carryover" ^{*2} resulting from the launch of new systems such as arrowhead 4.0.



^{*1} The amount of the revenue from deposited collateral assets related to interest rate swap transactions, etc. which has been returned to clearing participants is recorded under other operating expenses.

^{*2} A process in which expenses for system development are transferred to assets. Following the launch of new systems such as arrowhead 4.0 in FY2024, the transfer amount decreased in FY2025, resulting in an increase of other operating expenses.

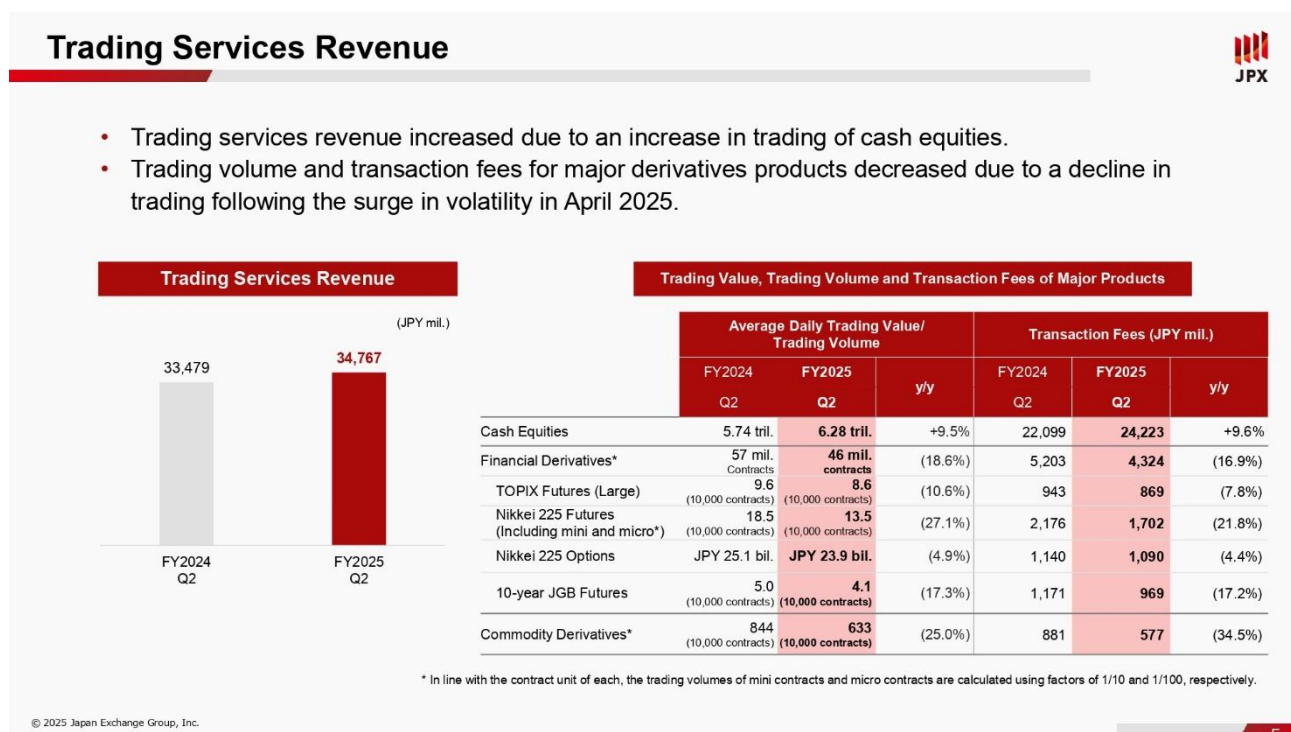
^{*3} A portion of real estate-related expenses, which are reported under depreciation in line with IFRS 16, Leases, is included under "Real Estate-related Expenses" in this chart.

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Page four shows operating expenses.

Other operating expenses increased because, as I mentioned earlier, revenue from deposited collateral assets increased, resulting in an increase in reimbursements to participants that are recorded as expenses, as well as due to a decrease in software carryover resulting from the launch of new systems such as arrowhead 4.0. As a result, overall operating expenses increased JPY3.8 billion, or 11.1%, to JPY38.9 billion compared with the same period last year.



Page five and thereafter provides an overview of each revenue item.

First, the Nikkei Stock Average continued to reach new record highs in September, and we recorded a record high trading value in a single month. As a result of these and other factors, the average daily trading value of cash equities from April to September 2025 was JPY6.28 trillion, an increase of 9.5% from the same period last year.

On the other hand, financial derivatives trading volume, which indicates actual trading volume, declined by 18.6% YoY to 0.46 billion contracts after converting to trading units, as a result of sluggish trading in commodities in general due to a decline in trading appetite in reaction to the rise in volatility in April of this year. Commodity derivatives also fell overall to 6.33 million contracts, down 25% from the same period last year.

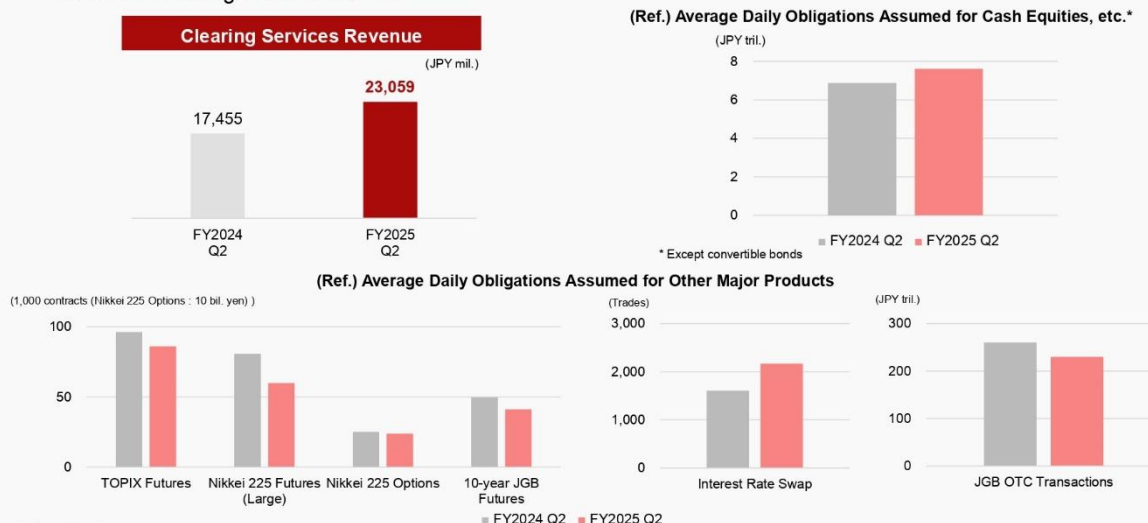
As a result of the above, trading services revenue increased JPY1.2 billion, or 3.8%, YoY to JPY34.7 billion.

Pages six and seven show market trends from April to September 2025, and I will skip the explanation.

Clearing Services Revenue



- Revenue from deposited collateral assets related to interest rate swap transactions, etc. increased significantly.
- In addition, the increase in obligations assumed for cash equities, etc. and interest rate swaps contributed to the increase in clearing services revenue.



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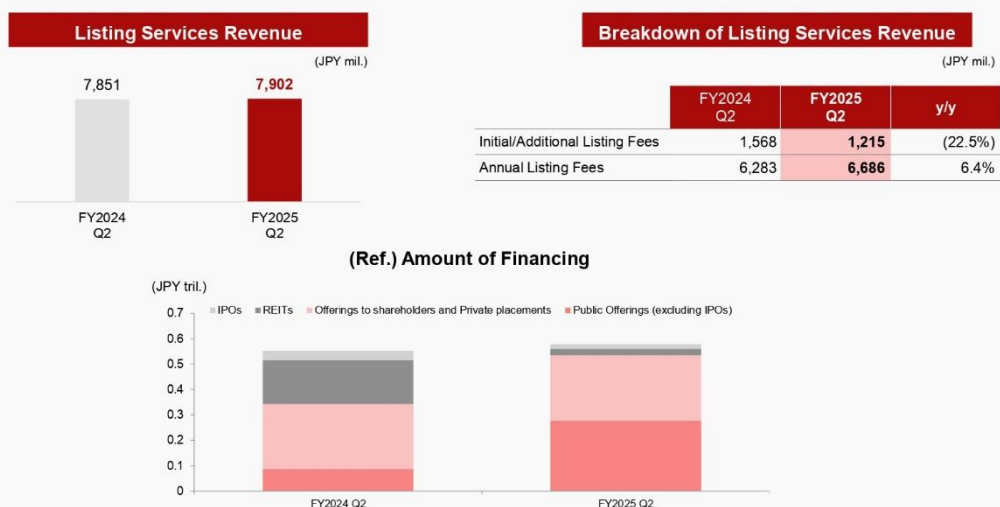
See page eight.

Clearing services revenue increased JPY5.6 billion, or 32.1%, to JPY23 billion due to an increase in revenue from deposited collateral assets and an increase in obligations assumed for cash equities, etc., and interest rate swaps.

Listing Services Revenue



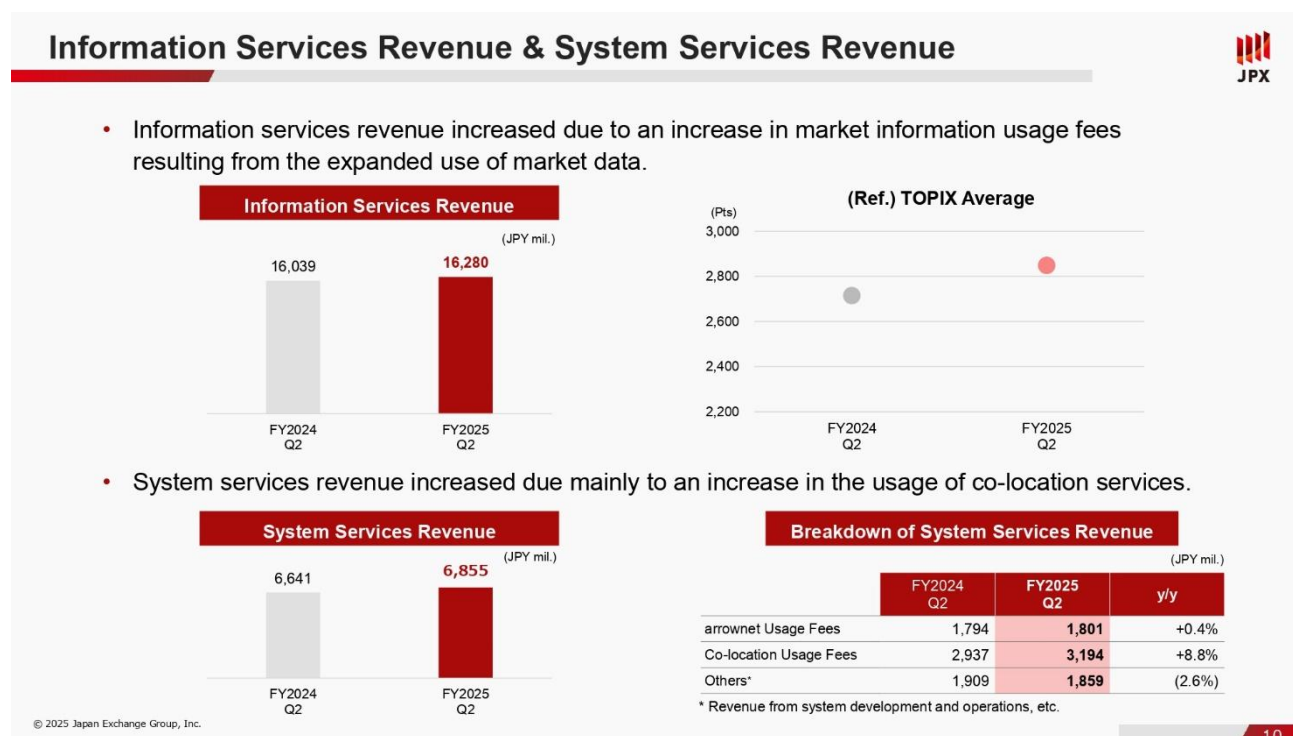
- Annual listing fees increased due to an increase in assets under management resulting from domestic ETF prices exceeding the previous years' prices as of the calculation of annual listing fees (end of each year).



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See page nine.

Listing services revenue increased JPY0.5 billion, or 0.6%, to JPY7.9 billion due to an increase in assets under management resulting from higher domestic ETF prices.



See page 10.

Information services revenue increased JPY0.2 billion, or 1.5%, to JPY16.2 billion due to an increase in market information fees resulting from expanded use of market data.

System services revenue increased JPY0.2 billion, or 3.2%, YoY to JPY6.8 billion, mainly due to increased use of co-location services.

FY2025 Forecast



- As operating revenue, operating income, and net income for the period are expected to exceed those in the earnings forecast announced on September 24, 2025, the earnings forecast has been revised as follows.

	FY2024	FY2025 (Forecast)		
		(Revised on Sep. 24)	Revised on Oct. 29	Change from the Sep. 24 forecast
Operating Revenue (JPY mil.)	162,230	175,000	176,000	+0.6%
Operating Expenses (JPY mil.)	75,071	80,500	80,500	No change
Operating Income (JPY mil.)	90,122	95,500	96,500	+1.0%
Net Income (JPY mil.) (Attributable to owners of the parent company)	61,092	64,500	65,000	+0.8%
Earnings Per Share	JPY 58.72	JPY 62.80	JPY 63.09	-
Dividend Per Share ^{*1}	JPY 45.5	JPY 50.0	JPY 50.0	No change
Dividend Payout Ratio	77.5%	Approx. 80%	Approx. 80%	-

Average daily trading volume/value of major products

	FY2024	FY2025 (Forecast)		
		(Revised on Sep. 24)	Revised on Oct. 29	Change from the Sep. 24 forecast
Cash Equities (trading value) ^{*2}	JPY 5,7032 tril.	JPY 6 tril.	JPY 6 tril.	No change
TOPIX Futures (trading volume)	88,182 contracts	87,000 contracts	88,000 contracts	+1.1%
Nikkei 225 Futures (trading volume) ^{*3}	164,642 contracts	148,000 contracts	147,000 contracts	(0.7%)
Nikkei 225 Options (trading value)	JPY 21.4 bil.	JPY 24.0 bil.	JPY 24.0 bil.	No change
10-year JGB Futures (trading volume)	48,267 contracts	44,000 contracts	44,000 contracts	No change

^{*1} A 2-for-1 stock split was conducted effective October 1, 2024. To facilitate comparison with the dividend per share forecast for FY2025, the dividend per share for FY2024 has been calculated with the interim dividend amount for FY2024 divided by two.
^{*2} 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.
^{*3} 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 volume for FY2024.

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See page 11.

In light of Q2 results, we announced revisions to our FY2025 forecast again on October 29, following the September announcement. Specifically, we increased operating revenue forecast by JPY1 billion, or 0.6%, to JPY176 billion, and net income forecast by JPY0.5 billion, or 0.8%, to JPY65 billion, compared with the forecasts announced in September.

The dividend forecast remains unchanged from the previous forecast, and is expected to be JPY50 per share for the full-year.

That is all I have to say.

Takahashi: Thank you very much.

Question & Answer

Takahashi: We will now move on to the Q&A session.

If you have any questions, please raise your hand if you are at the venue. If you are participating via Zoom, please press the raise your hand symbol. The moderator will call your registered name. Please mention your affiliation and name and ask your question.

If you have more than one question, please state the number of questions first. After a question is answered by us, please move on to the next one.

Now, please ask your questions.

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

First, with respect to the management of deposited collateral, the profit contribution after returns increased significantly from July to September compared to April to June. This is a significant increase, even excluding the three-month contribution from exchange trades. Could you please explain the reasons for this in terms of scale of operation and yield?

Kawai: As you pointed out, revenue from collateral management was JPY710 million in Q1 and JPY1.92 billion in Q1.

There are several reasons for this. In the first place, the start of collateral management associated with exchange trades was June 1, and there were no operations for the two months of April and May in Q1. This factor contributed significantly to the increase in revenue observed in Q2.

Before the start of the program, we could not predict how many participants would join, but there were more companies that wanted to participate the program than we expected. Currently, about one-third of the companies wish to operate in exchange-traded transactions. About 60% of the companies are using OTC derivatives operations, probably due to rising interest rates. I think these two points are the background for the revenue expansion in Q2 compared to Q1.

Watanabe: Thank you. Let me ask an additional question to the first point. I believe there is a 20-basis cap on the investment yield of OTC derivatives. With interest rate levels going up, is there any discussion of raising or eliminating the level of this cap?

Kawai: We are aware that this is an issue for the future, and I am sure that participants will ask what we are going to do about it. We have not yet discussed what to do at this stage.

Watanabe: Okay, thank you. My second question is regarding the volume of market transactions. Cash equities are at historically high levels, while derivatives are soft. Looking back over the past decade or so, cash equity trading has steadily increased while derivatives have been weak. What is your analysis of the causes?

Yamaji: There was a phase of considerable volatility, especially between last year and this year, with Japanese stocks falling sharply in early August last year and rebounding the next day. In such situations, individuals often suffer losses because they are unable to pay additional margin. Volatility was so great that even professional investors appeared to be holding back.

Although there has been some recovery since then, the Trump tariffs, as you know, caused significant market volatility again in mid-April. As you know, leverage on derivatives, especially futures, etc., is quite high, roughly 15 times to 16 times leverage now. In other words, I think that investors who are taking a wait-and-see approach are not only in Japan but also abroad.

You pointed out that, looking back in the past, we have not seen much growth in transaction volume. As you know, 225 futures are listed not only on the Osaka Exchange but also on Singapore and CME. Looking at market share, the Osaka Exchange's share has increased considerably more than before.

Thus, in terms of competitiveness for the same product, the market share has rather increased. It is not so much that the demand for derivatives as a whole itself has fallen, but rather that their characteristics have led to increased volatility due to their rising market share. In addition, the contract size of a single large 225 futures contract, for example, used to be JPY20 million for JPY20,000, 1,000 times. That has recently been JPY50 million. This is talking about a one-lot contract size.

In the past, the contract size for JGB futures was JPY100 million per lot, which was said to be extremely large. What a surprise, in the large 225 futures contract, the contract size has already exceeded half of that. Naturally, investors are drifting toward the smaller ones. In the mini 225 futures contract, the contract size is JPY5 million, one-tenth of the size of the large, and in the micro 225 futures contract, the contract size is JPY500,000, one-hundredth of the size of the large. The situation where institutional investors have abundant financial resources and this does not matter much is gradually changing.

As a result, earnings per lot will inevitably fall. This is the reason why revenue from derivatives is weak.

Meanwhile, we are back in the world of interest rates. In the past, in interest rate-related products on the Osaka Exchange, almost the only major products were 10-year long-term futures, although JGB futures were available. By comparison, short-term TONA futures are already listed, and open balances are steadily accumulating. As you know, the level of short-term interest rates is still low, so we have not yet reached a situation where active trading is taking place, but I believe open balances are steadily building up.

Another thing is very long-term futures. This is also returning to a situation where transactions are priced daily. Therefore, I believe that the volume of transactions in interest rate-related products will also increase, although, of course, I do not think it will increase all at once.

The other is the single stock options, which I have mentioned for some time. This daily trading volume recently recorded the highest volume since the JPX was formed by the merger of the Osaka Securities Exchange and the Tokyo Stock Exchange in 2013. It is still not as high as 225 futures, though.

However, due to the constant market making of market makers, the number of stocks that make bids and offers has now expanded to 32. As the base of individual investors expands, especially with the NISA program, I believe that there will be demand for derivatives, especially for covered calls, which is the original use of options. We will continue to focus on this.

Watanabe : Thanks for the details. Let me confirm one thing. Regarding financial derivatives, for example, is there any possibility of revising the fee structure as the price of the Nikkei 225 goes up and up?

Yamaji: We are always considering incentives for liquidity providers and various other things. We do not intend to revise it right now, but we would like to think on this, including market promotion measures, in the future.

Watanabe: I understand very well. Thank you very much.

Takahashi: Thank you very much. Our next question comes from Tsujino Natsumu, who is joining us online.

Tsujino: I am Tsujino from BofA Securities. I would like to ask you to explain a few details about the collateral management.

You mentioned earlier that 60% of companies want to invest in deposits in OTC derivatives, and one-third want to invest in deposits in of exchange trades. What is the size of the deposits? Is there still a possibility that the scale of this operation will grow even larger in the future?

One more thing, I believe that reverse repos and savings accounts are used for investment now. If possible, please let us know their distribution.

Kawai: Okay. I don't know if I can give you a direct answer, though. The amount of the operation has already been explained at the IR Day. Overall, the deposited collateral amounted to approximately JPY6 trillion for exchange-traded transactions and JPY3 trillion for CDS and IRS. However, this is the total and includes securities in lieu.

The actual operation is cash collateral. The ratio is also mentioned in that document. Because of the zero interest rates in the past, there was a desire to deposit cash in the JSCC for the time being, considering the operational costs of daily transactions. Therefore, cash accounted for approximately 70% of the total.

However, with interest rates coming on last year and this year, this is now in the 50% range. This fluctuates, though, when there is a major turnover. In terms of the amount invested, the proportion of cash is on a declining trend. I do not know what will happen in the future, but I would like to share this fact with you. Currently, between 60% and 30% of participants wish to use cash collateral. That is how much of the cash collateral is desired.

OTC derivatives are invested in reverse repos and savings accounts. The percentage of savings accounts is about one-third of reverse repos.

Tsujino: So, you are saying that almost all exchange trades are reverse repo.

Kawai: Yes, that's right. The policy rate is now 50 basis points, and we are operating in a rate just below that. The yield on the reverse repo portion of OTC derivatives is slightly less than 50 basis points.

Tsujino: Does the interest rate on savings accounts come in twice a year?

Kawai: Yes.

Tsujino: I understand. Thank you very much.

Takahashi: Thank you very much. Please ask the following questions.

Niwa: My name is Niwa from UBS Securities. We have two questions. The topic is a little off the subject of financial results.

The first is about commissions in kind. I am interested in the sustainability of the current trading volume. Is this currently considered to be at the peak of the cycle? Or, given the structural changes you mentioned earlier in your answer to Mr. Watanabe's question, is it possible that the current JPY7 trillion per day could increase to, say, JPY8 trillion or JPY9 trillion per day? I would like to get some qualitative comments on what kind of view you are taking.

Second, the topic changes to the growth investment pipeline. I think you have a great vision of creating a global information platform. To the extent possible, I would appreciate your comments on areas you would like to focus on.

Yamaji : First of all, as a market operator, we do not have a clear picture of the future outlook for trading value. Indeed, the Prime market alone generated JPY10 trillion in trading value yesterday. In such an environment, what we really need to strive for is to provide fair and equitable trading opportunities and stable market operations.

However, I think there are a lot of arguments being made right now about the current situation in Japan. Especially in the last four to five years, foreign investors have begun to diversify their portfolio allocations, which had been heavily weighted toward the US, and this will continue. At such times, it is true that Japan is one of the markets in Asia that attracts a high degree of attention in various ways, such as democratic systems, liberal systems, and rule under law, and in this sense, foreign investors have high expectations for Japan.

Meanwhile, as for investors in Japan, through NISA, individual investors have accumulated JPY65 trillion over the past 11 years. About half of this amount, JPY30 trillion, has accumulated in less than two years. Considering such a situation, with the stock market at its current level, the trading value would naturally rise if the same amount of trading volume were available. We believe this is one of the benchmarks that has attracted the attention of both domestic and foreign investors to the Japanese market.

Of course, we need to make sure that domestic and foreign investors understand exactly what is going on. Since it is up to individual investors to make investment decisions, we will continue to make efforts to ensure that they have a correct understanding of the current situation in Japan. I think it would be very good to see an increase in trading value as a result. But rather than aiming to do so, our goal is to help people understand the current situation correctly.

There is always a lot of talk about growth investments. From minority investments to to minority investments with a larger percentage. There are not many one-shot outright acquisitions like SCRIPTS Asia, for example, but we are constantly receiving various offers, and we are seriously considering them.

We would like to focus on market operations or businesses related to market operations. Nowadays, we are eager to provide more advanced services in the information-related area, especially AI-related services and other services using AI. Rather than going for it, we would like to invest in a company that matches the direction we are aiming for and work together with them.

Takahashi: Thank you very much. Mr. Tsujino of BofA Securities, who is joining us online, please ask your question.

Tsujino: On the last such occasion, you mentioned buybacks of JPY20 billion per year, or about JPY60 billion over three years. On the other hand, you have long said that the required capital is about JPY250 billion. The current level is considerably higher than that, with shareholders' equity of JPY340 billion. Even if you do a buyback of JPY20 billion per year, I don't see much capital being spent on a stock basis. Could you please explain again your thinking on this?

Kawai: Let me explain. First, as you mentioned, we regularly calculate our capital requirements. We had previously stated that the amount would be around JPY250 billion, but since collateral management for exchange-traded transactions has started and a loss reserve has been systematically set aside for this purpose, we have added this to the current figure of around JPY260 billion.

The medium-term management plan states that the Company will systematically reduce its excess capital by JPY60 billion each year over three years in terms of share buybacks, ultimately improving B/S efficiency.

However, the current market environment is very positive. Based on this, we will consider how to further improve efficiency in the next fiscal year and beyond, without making any assumptions.

Tsujino: Thank you very much.

Takahashi: Thank you very much. It appears that we have received all of your questions, so we will now conclude the Q&A session.

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

Yamaji: Thank you very much.

Kawai: Thank you very much.

[END]