

Corporate Governance

JPX Group is committed to developing its corporate governance system appropriately to fulfill its social mission as a core infrastructure of the Japanese market.



Fundamental Views

In order to implement management in line with its corporate philosophy (page 2), JPX Group is aware of the importance of having its stakeholders understand its corporate philosophy and corporate activities. Therefore, JPX Group has established fundamental views on corporate governance from the following four perspectives. Based on these fundamental views, JPX Group is committed to developing its corporate governance system appropriately based on each principle in Japan's Corporate Governance Code.

1

Corporate Philosophy and Social Mission

JPX Group operates markets which are public assets and its social mission is to pursue sustainable development of its markets.

2

Market Operations

JPX Group operates markets with the view that garnering support for and fostering confidence in the markets it establishes are in the common interest of all market users including investors, and that maintaining and enhancing such support and confidence will build the foundations for sustainable development of its markets.

3

Enhanced Corporate Value

In pursuing sustainable development of its markets, JPX Group must continue to accommodate the diverse needs of shareholders and other stakeholders, and through these JPX Group will enhance its corporate value over the medium to long term.

4

Effective Corporate Governance

JPX Group strives to constantly improve its corporate governance system to facilitate more effective and properly functioning systems, so as to support the sustainable development of its markets.

Corporate Governance System

JPX Group clearly segregates the management oversight and supervision functions from the business execution functions, and adopts the structure of a Company with Three Committees to strengthen oversight and supervision functions and raise the transparency of management.

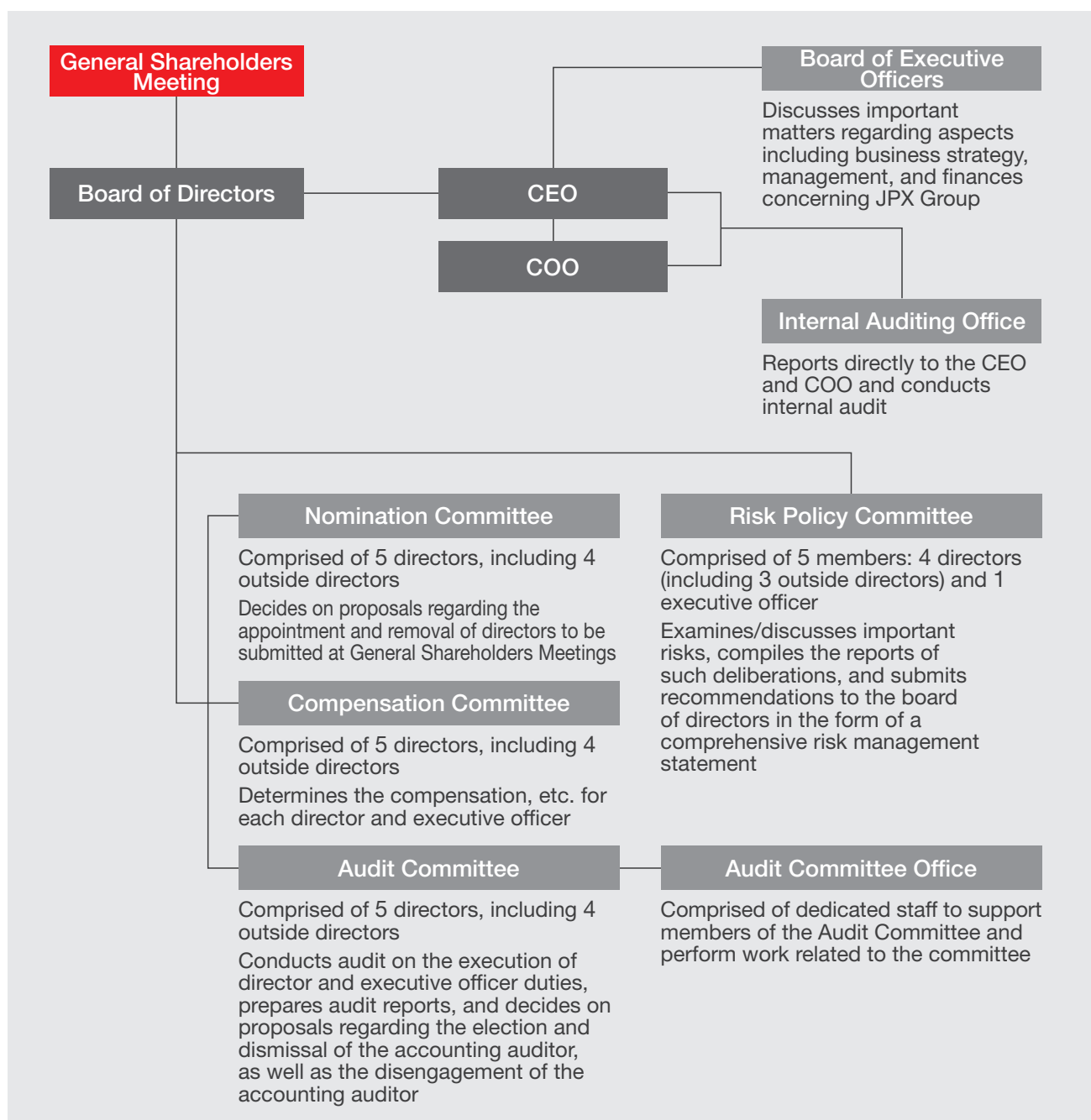
Composition of the Board of Directors

The JPX Board of Directors is comprised of 16 members, including two women. In order to strengthen the board's

functions, namely increasing the transparency and accountability of management and overseeing the soundness of business execution, it includes ten independent directors, constituting a board majority, and is chaired by an independent director who is not involved in business execution.

The independent directors have diverse expertise (corporate management, finance, accounting and auditing, legal affairs and risk management, research and government, and technology), and discussions based on their expertise and keen insight enable multi-faceted, external perspectives to be readily incorporated into the management of JPX. Please refer to P.71 "Directors" for details on the directors and their expertise.

Corporate Governance System Diagram



Nomination, Compensation, and Audit Committees

As required by law, JPX Group has a Nomination Committee and a Compensation Committee for the purpose of ensuring transparency and objectivity in the appointment/removal and compensation of directors and executive officers. Outside directors are in the majority for both of these committees. The appointment and removal of directors and executive officers are thoroughly deliberated and determined by the Nomination Committee and put forth for approval at general shareholders meetings, and the compensation of directors and executive officers is determined by the Compensation Committee. The Group also has an Audit Committee, as required by law, to perform the audit function. This committee is made up of five directors (including one full-time Audit Committee member), of which four, including a certified public accountant, are outside directors. Additionally, there is an Audit Committee Office to assist the committee members in the performance of their duties.

Status of Board of Directors Meetings

Time Spent in Deliberation:	1,186 minutes
Number of Items Approved:	22 items

Risk Policy Committee

JPX Group has a Risk Policy Committee whose aim is to further improve the Group's corporate governance by bringing an outside perspective to risk management. The committee consists primarily of outside directors. For further information on JPX Group's risk management systems, including information on the details of activities of the Risk Policy Committee, please refer to "Risk Management" on page 75.

Independent Directors Committee

JPX Group has an Independent Directors Committee as a corporate organ composed exclusively of part-time independent directors to allow them to exchange information and form consensus among themselves. The committee helps independent directors to better perform management oversight and facilitates active discussion at Board of Directors meetings.

Independent Directors Committee

Objectives	For part-time independent directors to exchange information and form consensus (The chairperson of the board, the Group CEO, and other members of management may participate upon the request of the committee.)
Frequency of meetings	In principle, at least twice a year (The committee chairperson convenes meetings as needed.)

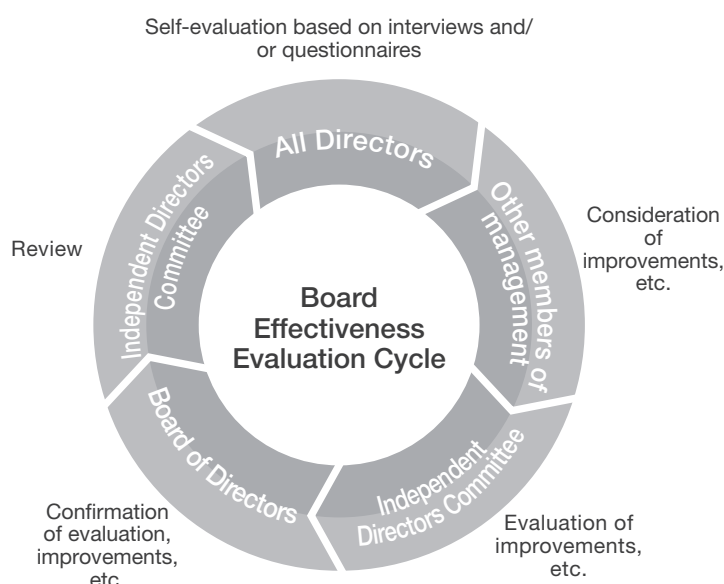
Committee chairperson

The committee chairperson convenes meetings and presides over them. When the committee deems it necessary for ensuring smooth communication, the committee chairperson may report the details of discussions at committee meetings to the chairperson of the board, the Group CEO, and other members of management.

Evaluating the Effectiveness of the Board of Directors

At JPX Group, the Board of Directors analyzes and assesses its own effectiveness based on surveys completed by and interviews with all board members. The Independent Directors Committee is tasked to conduct the evaluation to increase the objectivity and transparency of the evaluation process.

For information on the evaluation process, an overview of evaluation results and other related matters, please refer to JPX's Corporate Governance Report.



Corporate Governance Report

<https://www.jpjx.co.jp/english/corporate/governance/policy/>

Training for Outside Directors

Each of the JPX Group outside directors has sufficient knowledge in regard to management and corporate governance thanks to their expert knowledge and experience. With the goal of helping these outside directors deepen their understanding of JPX Group's business, the Group holds lectures and observation sessions based on rulebooks and other resources, discussion workshops where they can keep up to date on knowledge and information regarding the exchange business, and events to exchange views with external experts on subjects such as the global financial landscape, risk management, and fintech.

Director and Executive Officer Compensation and Factors for Determining Compensation

Based on the below **1** Basic policy of compensation for directors and executive officers, compensation is comprised of **a** basic salary, **b** yearly incentive (bonus), and **c** medium- to long-term incentive (stock compensation and monetary compensation). Note that

compensation awarded to directors who do not concurrently serve as executive officers is limited to **a** basic salary.

1 Basic policy of compensation for directors and executive officers

In order to contribute to the sustainable growth of JPX and the improvement of corporate value over the medium- to long-term, compensation for directors and executive officers shall be determined in accordance with the following policy:

It should be appropriate for the duties and responsibilities of the directors, executive officers, etc.

It should motivate the achievement of the long-term vision and management plan

It should maintain enough competitiveness to secure the human resources necessary to steadily implement JPX's corporate philosophy

In view of our responsibility as a part of social infrastructure, it should be appropriate in light of social conditions, and ensure objectivity and transparency of decision-making procedures, etc.

The details of each type of compensation are as follows.

a Basic salary

The basic salary is determined in accordance with each executive's position and duties as consideration for their participation in management and business execution, and with reference to the level of executive compensation at other companies, based on research by external expert organizations and other sources.

b Yearly incentive (bonus)

The yearly incentive (bonus) is awarded to executive officers in proportion to net income (for the purposes of this section, "net income" refers to net income attributable to owners of the parent company as indicated in the consolidated statement of income). Net income is used as the metric as it is the source of investment aimed at increasing corporate value as well as the capital used in the payment of dividends to shareholders. It is also because it is appropriate to base a yearly incentive (bonus) awarded every fiscal year on the net income reported in that fiscal year. Also, to evaluate the performance of each executive officer in each fiscal

year, a bonus is awarded based on evaluation of that officer's individual performance.

The yearly incentive (bonus) will not be awarded if net income is less than JPY 10 billion for a fiscal year.

c Medium- to long-term incentive (stock compensation and monetary compensation)

The medium- to long-term incentive (stock compensation) is paid to executive officers with the aim of aligning the interests of executives closer to those of shareholders, providing motivation for corporate value enhancement over the medium to long term, and strengthening the link between performance and compensation. JPX stock compensation utilizes a share delivery trust framework and is comprised of a fixed amount and a performance-linked amount.

For the fixed amount, executives are issued points every fiscal year in accordance with their position, etc., and are awarded shares corresponding to these points three years later.

For the performance-linked amount, all executives are given performance-linked base points each fiscal year. Three years later, shares are awarded corresponding to the final tally of performance-linked points, which is calculated by multiplying the performance-linked base points with a performance-linked coefficient based on the degree of achievement of certain performance conditions. The performance-linked coefficient is set within a 0–150% range, based on the following conditions: (i) JPX Group's consolidated ROE exactly three years from the issuance date of the performance-linked base points and (ii) a comparative assessment of Total Shareholder Return (TSR) and the performance of the JPX-Nikkei Index 400 (total return index) for the three-year period from the end of the fiscal year before the performance-linked base points were issued. Consolidated ROE is used as an indicator from the perspective of improving capital efficiency, while TSR is used from the perspective of improving value for shareholders.

In accordance with JPX's rules for executive officers, in principle, shares in JPX acquired through stock compensation, etc. may not be sold until one year has elapsed from the time of departure from JPX. Furthermore, based on the share delivery regulations, in the event of any misconduct on the part of the officer to whom the stock compensation is granted, delivery of shares, etc. not yet delivered shall be canceled, and in the case where delivery has been made, a request for the return of the amount equivalent to the delivery may be made to the officer.

1 Basic policy of compensation for directors and executive officers

The medium- to long-term incentive (monetary compensation) is awarded to executive officers in line with the performance of consolidated ROE and sustainability measures set out in the Medium-Term Management Plan 2024.

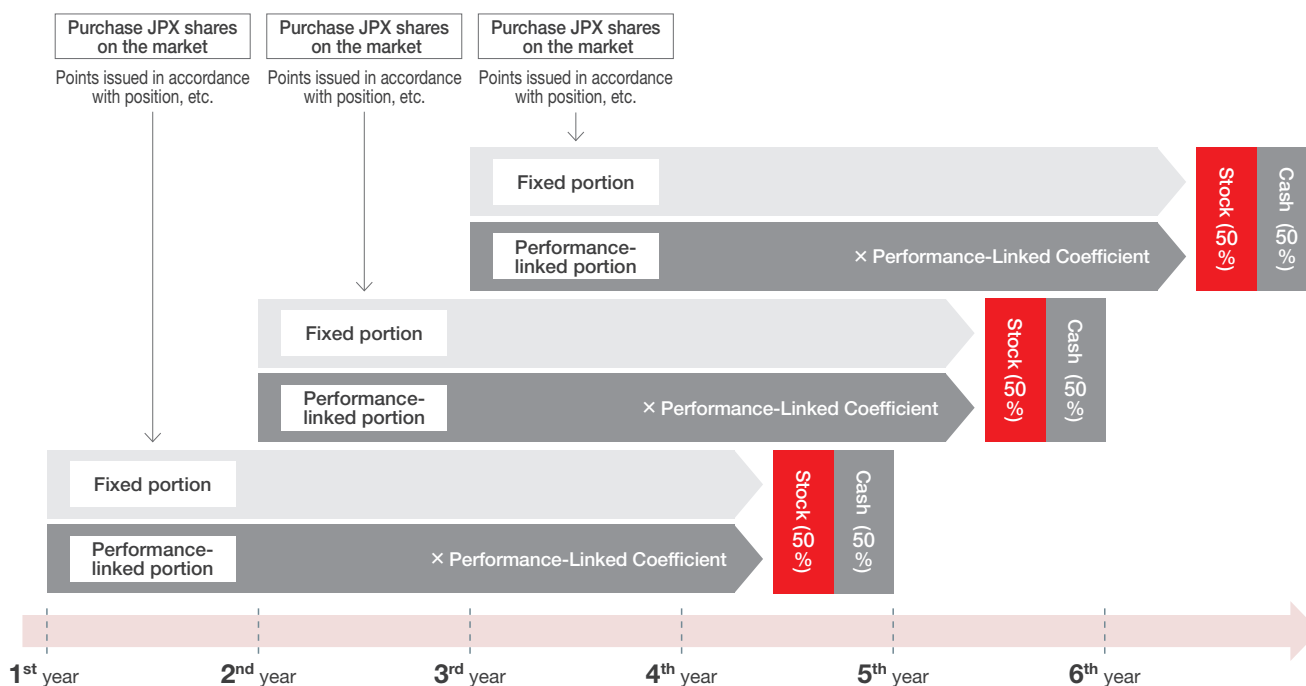
This incentive is awarded on the condition that consolidated ROE is 10% or above for every fiscal year covered within the Medium-Term Management Plan (three years) and will be maximized if either consolidated ROE for the last fiscal year of the Plan or the average consolidated ROE over the three years of the Plan is 15% or higher. In the event both are less than 15%, the amount paid shall be based on the average consolidated ROE over three years, provided that the consolidated ROE for each fiscal year is at least 10%. The amount of incentive for each executive officer will be decided based on their respective positions.

In addition, with respect to the sustainability measures specified in the Medium-Term Management Plan 2024 (promoting sustainability using market mechanisms, achieving carbon neutrality as a corporation, achieving carbon neutrality in securities market operations by 2030, etc.), if the plan has been achieved by the end of the Medium-Term Management Plan 2024, the final incentive amount will be calculated by

multiplying the incentive amount calculated based on the degree of achievement of the aforementioned consolidated ROE by a factor of 2 for the Group CEO and 1.5 for the other executive officers.

JPX is a Company with Three Committees. It has established a statutory Compensation Committee for the purpose of ensuring transparency and objectivity concerning compensation paid to directors and executive officers. JPX's Compensation Committee is made up of a majority of independent directors and chaired by an independent director. Based on laws and regulations, the Compensation Committee has the authority to establish the policy concerning decisions on the details of compensation for each director and executive officer and the authority to decide the details of compensation for each director and executive officer based on said policy. For FY2022, the Compensation Committee decided the details of the compensation for each director and executive officer after appropriate discussion based on the above policy determined by the Compensation Committee. JPX considers the compensation to be in line with the above policy.

Image of Stock Compensation Plan



Terms and conditions regarding performance pertaining to performance-linked portion of medium- to long-term incentives (stock compensation)

		Consolidated ROE		
		Below 10%	10% to under 14%	14% and above
Total Shareholder Returns (TSR) VS JPX-Nikkei 400 (total return)	Outperform	Performance-Linked Coefficient 50%	Performance-Linked Coefficient 100%	Performance-Linked Coefficient 150%
	Underperform	Performance-Linked Coefficient 0%	Performance-Linked Coefficient 50%	Performance-Linked Coefficient 100%

2 Ratio of the components of the executive officers' compensation package

Compensation for executive officers consists of basic salary, yearly incentive (bonus) and medium- to long-term incentive.

The following table shows the ratio of the components of the executive officers' compensation package, assuming the earnings forecast announced on April 27, 2023.

Note: Percentages are based on the assumption that the performance-linked coefficient for stock compensation is 100% and that one year's worth for FY2022 of medium- to long-term incentives related to achievement of the Medium-Term Management Plan has been included.

Ratio of the components of the executive officers' compensation package

	Basic Salary		Annual Incentive		Medium- to Long-term Incentive
CEO	30	:	25	:	45
Executive Officers Excluding CEO	40	:	30	:	30

Compensation paid to directors and executive officers

Director/ Executive Classification	Total Compensation (JPY million)	Total Compensation by Category (JPY million)					Eligible Number of Executives
		Basic Salary	Annual Incentive	Medium- to Long-term Incentive			
		Monetary Compensation	Monetary Compensation (Bonus)	Stock Compensation		Monetary Compensation (Degree of Achievement of the Medium-Term Management Plan)	
				Fixed Portion	Performance-Linked Portion		
Directors (excluding Outside Directors)	38	38	-	-	-	-	2
Executive Officers	608	229	169	132	66	9	7
Outside Directors	184	184	-	-	-	-	10

Notes:

- The Company does not pay director compensation to directors who concurrently serve as executive officers.
- Of the executive officers, those who also serve as representative directors of Tokyo Stock Exchange, Inc., Osaka Exchange, Inc., JPX Market Innovation & Research, Inc., Tokyo Commodity Exchange, Inc., and Japan Securities Clearing Corporation are not included in the Eligible Number of Executives because they are not paid compensation as executive officers.
- The above table includes one director (excluding outside directors) and one outside director who retired at the conclusion of the Annual General Shareholders Meeting held on June 16, 2022.
- It is Company policy that outside directors purchase shares of the Company from their basic salary through the Officers' Shareholding Association.
- Bonuses are paid at, mainly, an amount that is in correlation with the Company's net income for the year under review and are not paid if net income fails to reach JPY 10.0 billion. Net income for the year under review was JPY 46.342 billion.
- Concerning the indicators used for the performance-linked portion of stock compensation, consolidated ROE comprises a two-tier target of 10% or more and 14% or more, and the performance-linked coefficient changes depending on the level of achievement. Concerning Total Shareholder Return (TSR), the target is for TSR to outperform the growth rate of the JPX-Nikkei Index 400 (total return index). The amount of the aforementioned stock compensation is the amount among the stock compensation for FY2019 to FY2022 that is recorded as an expense in the fiscal year. Of that, the indicators for stock compensation granted in FY2019 were as follows: consolidated ROE was 15.7%, and the three-year TSR of the Company's shares underperformed the growth rate of the JPX-Nikkei Index 400 (total return index) over the same period. Accordingly, the performance-linked coefficient was 100%.
- With respect to monetary compensation related to the degree of achievement of the Medium-Term Management Plan, executive officers who retire on March 31, 2023 will be paid an amount commensurate with their tenure. The condition for payment is that the consolidated ROE is 10% or more during their term of office under the current Medium-Term Management Plan. The amount paid based on the consolidated ROE will reach a maximum if the consolidated ROE reaches 15% or more. Since the consolidated ROE was 14.7% in FY2022, the amount to be paid will be calculated in proportion to that percentage. In addition, as the sustainability measures promoted under the Medium-Term Management Plan all made steady progress in FY2022, an additional amount will be added to reflect this.
- The bonus, the performance-linked portion of the stock compensation, and the monetary compensation related to the degree of achievement of the Medium-Term Management Plan fall under "performance-linked compensation, etc." provided for by the Regulation for Enforcement of the Companies Act, and stock compensation falls under "non-monetary compensation, etc." provided for by the same Act.

Directors

Biographies of Directors
<https://www.jpx.co.jp/english/corporate/about-jpx/officer/00-01.html>



Kinoshita Yasushi

Independent Director
 Chairperson of the Board of Directors

It has been deemed that Mr. Kinoshita can be expected to perform his role in a way in which his capacity to identify with JPX's corporate philosophy and social mission, as well as his abundant experience and insight in corporate management and government institutions and insight in financial policy, financing, and economics in general, are reflected in the management of JPX Group.

No. of JPX shares held 0 shares



Yamaji Hiromi

Director and Representative Executive Officer, Group CEO

It has been deemed that Mr. Yamaji can be expected to perform his role in a way in which his abundant experience of and insight into the securities markets, acquired through working at a securities company, and his experience and knowledge gained from leading JPX Group as Director and Representative Executive Officer, Group CEO are reflected in the management of JPX Group.

Significant Concurrent Position(s)

Director, Tokyo Stock Exchange, Inc.

No. of JPX shares held 44,647 shares



Iwanaga Moriyuki

Director and Representative Executive Officer, Group COO

It has been deemed that Mr. Iwanaga can be expected to perform his role in a way in which his experience and knowledge gained from leading JPX Group as Director and Representative Executive Officer, Group COO are reflected in the management of JPX Group.

Significant Concurrent Position(s)

President & CEO, Tokyo Stock Exchange, Inc.

No. of JPX shares held 46,588 shares



Yokoyama Ryusuke

Director and Executive Officer

It has been deemed that Mr. Yokoyama can be expected to perform his role in a way in which his experience and knowledge in managing and overseeing the overall business and operations of Osaka Exchange, Inc. and Tokyo Commodity Exchange, Inc., core subsidiaries of JPX engaging in operation of derivatives markets, are reflected in the management of JPX Group.

Significant Concurrent Position(s)

President & CEO, Osaka Exchange, Inc.; Representative Director & Chair, Tokyo Commodity Exchange, Inc.

No. of JPX shares held 33,231 shares



Ogita Hitoshi

Independent Director

It has been deemed that Mr. Ogita can be expected to perform his role in a way in which his capacity to identify with JPX's corporate philosophy and social mission, as well as his abundant experience and keen insight in corporate management, are reflected in the management of JPX Group.

No. of JPX shares held 7,200 shares



Kama Kazuaki

Independent Director

It has been deemed that Mr. Kama can be expected to perform his role in a way in which his capacity to identify with JPX Group's corporate philosophy and social mission, as well as his abundant experience and keen insight in corporate management in general and finance and accounting are reflected in the management of JPX Group.

Significant Concurrent Position(s)

Senior Advisor, IHI Corporation; Outside Director, Daiichi Sankyo Company, Limited.

No. of JPX shares held 1,900 shares



Kohda Main

Independent Director

It has been deemed that Ms. Kohda can be expected to perform her role in a way in which her capacity to identify with JPX's corporate philosophy and social mission, as well as her creativity and perception as a novelist, her keen insight in finance, and her experience in serving as a university professor and a member of government advisory councils, are reflected in the management of JPX Group.

Significant Concurrent Position(s)

Novelist; Outside Director, Japan Tobacco Inc.; Outside Director, Mitsubishi Motors Corporation

No. of JPX shares held 5,300 shares



Kobayashi Eizo

Independent Director

It has been deemed that Mr. Kobayashi can be expected to perform his role in a way in which his capacity to identify with JPX's corporate philosophy and social mission, as well as his abundant experience and keen insight in corporate management, are reflected in the management of JPX Group.

Significant Concurrent Position(s)

Director Emeritus, ITOCHU Corporation; Outside Director, Nippon Venture Capital Co., Ltd.; Member of the Supervisory Committee, The Norinchukin Bank

No. of JPX shares held 9,800 shares



Suzuki Yasushi

Director

It has been deemed that Mr. Suzuki's abundant knowledge and experience regarding the exchange business in general, gained through working at a financial instruments exchange, can be expected to benefit the monitoring and supervision of the execution of business at JPX Group.

No. of JPX shares held 25,282 shares



Takeno Yasuzo

Independent Director

It has been deemed that Mr. Takeno can be expected to perform his role in a way in which his capacity to identify with JPX's corporate philosophy and social mission, as well as his keen insight in corporate law from his expert perspective as legal professional, are reflected in the management of JPX Group.

Significant Concurrent Position(s)

Attorney-at-Law/Partner, Mori Hamada & Matsumoto

No. of JPX shares held 3,200 shares



Matsumoto Mitsuhiro

Independent Director

It has been deemed that Mr. Matsumoto can be expected to perform his role in a way in which his capacity to identify with JPX's corporate philosophy and social mission, as well as his abundant experience and keen insight in law enforcement, are reflected in the management of JPX Group.

Significant Concurrent Position(s)

Outside Audit & Supervisory Board Member, Daiichi Sankyo Company, Limited.

No. of JPX shares held 0 shares



Mori Kimitaka

Independent Director

It has been deemed that Mr. Mori can be expected to perform his role in a way in which his capacity to identify with JPX's corporate philosophy and social mission, as well as his keen insight in corporate accounting from the standpoint of an accounting professional, are reflected in the management of JPX Group.

Significant Concurrent Position(s)

Certified Public Accountant; Advisor, The Japanese Institute of Certified Public Accountants; Outside Corporate Auditor, MITSUI & CO., LTD.; Outside Corporate Auditor, East Japan Railway Company; Outside Director, Sumitomo Life Insurance Company

No. of JPX shares held 7,100 shares

Please refer to the following website for information on the composition of the Nomination, Compensation and Audit Committee and the JPX Group's business execution structure (list of executive officers).
<https://www.jpjx.co.jp/english/corporate/about-jpx/officer/index.html>



Miyahara Koichiro
Director and Executive Officer

It has been deemed that Mr. Miyahara can be expected to perform his role in a way in which his experience and knowledge in the management of JPX Market Innovation & Research, Inc., which was newly established as a core entity for the strategic business development of JPX Group, are reflected in the management of JPX Group.

Significant Concurrent Position(s)

President & CEO, JPX Market Innovation & Research, Inc.

No. of JPX shares held 51,355 shares



Konuma Yasuyuki
Director and Executive Officer

It has been deemed that Mr. Konuma can be expected to perform his role in a way in which his experience and knowledge in managing and overseeing the overall business and operations of Japan Securities Clearing Corporation are reflected in the management of JPX Group.

Significant Concurrent Position(s)

President & CEO, Japan Securities Clearing Corporation

No. of JPX shares held 35,071 shares



Endo Nobuhiro
Independent Director

It has been deemed that Mr. Endo can be expected to perform his role in a way in which his capacity to identify with the JPX's corporate philosophy and social mission, as well as his abundant experience and keen insight in corporate management and system networks, are reflected in the management of JPX Group.

Significant Concurrent Position(s)

Executive Advisor, NEC Corporation; Member, Board of Directors (Outside), Sumitomo Pharma Co., Ltd.; Outside Director, Tokio Marine Holdings, Inc.; Outside Director, Nisshin Seifun Group Inc.

No. of JPX shares held 7,900 shares



Ota Hiroko
Independent Director

It has been deemed that Ms. Ota can be expected to perform her role in a way in which her capacity to identify with JPX's corporate philosophy and social mission, as well as her abundant experience in government agencies and keen insight in the economy and financial policy, are reflected in the management of JPX Group.

Significant Concurrent Position(s)

President, National Graduate Institute for Policy Studies

No. of JPX shares held 900 shares

Areas of Expertise of Directors and Attendance at Board and Committee Meetings

Time spent in deliberation: 1,186 minutes
Number of items approved: 22 items

Name	Corporate management	Finance	Accounting/Audit	Legal affairs/Risk management	Research/Government Agencies	Technology	Board of Directors	Committees					
								Nomination	Compensation	Audit	Independent Directors	Risk Policy	
Kinoshita Yasushi	●	●					New						
Yamaji Hiromi	●	●					11/11	●	● 4/4				●
Iwanaga Moriyuki	●	●					11/11						
Yokoyama Ryusuke	●	●					New						
Miyahara Koichiro	●	●					-						
Konuma Yasuyuki	●	●					New						
Endo Nobuhiro	●					●	10/11	● 11/12				●	
Ota Hiroko		●			●		9/9		● 2/2	● 9/10		●	
Ogita Hitoshi	●						11/11	■ 12/12				■	
Kama Kazuaki	●		●				New		●			●	
Kohda Main		●			●		11/11			● 12/12		●	■
Kobayashi Eizo	●						11/11	● 12/12	■ 4/4			●	
Suzuki Yasushi		●					9/9			● 10/10			
Takeno Yasuzo				●			11/11	●		12/12		●	●
Matsumoto Mitsuhiro				●	●		New			●		●	●
Mori Kimitaka			●				11/11		● 4/4	■ 12/12		●	

Note: The figures in the table show meetings attended/meetings held in FY2022.

■ Committee chairperson ● Committee member



Message from an Independent Director

JPX Succession Plan —Selection Process and Expectations for the New CEO—

Ogita Hitoshi

Chairperson of the Independent
Directors Committee

Chairperson of the Nomination
Committee

Since its inception in 2013, JPX Group has had a statutory Nomination Committee for the purpose of ensuring transparency, timeliness, and objectivity concerning appointment and removal of directors and executive officers. Starting in 2018, to further ensure and improve independence, the committee chairperson has been an independent director, and I have served as chairperson of the Nomination Committee since that time.

Last December, JPX Group announced a change of Representative Executive Officer, Group CEO. The new leadership team with Yamaji Hiromi as Group CEO has started from this fiscal year.

The Nomination Committee makes proposals based on basic requirements for considering the appointment of executive officer candidates. For the Representative Executive Officer, Group CEO in particular, the Nomination Committee selects the most suitable person that fits with the ideal model for a CEO that has been clearly set out in advance.

In selecting the CEO, the Nomination Committee, following an adequate period of consideration, established a formal "CEO Personnel Requirements" document in order to further clarify these basic requirements and the ideal model for the role, and formulated the "Succession Plan for the Next CEO" based on this.

Basic Requirements for the Election of Executive Officer Candidates

- 1 Possession of expertise in JPX's business and excellent management judgment and execution skills
- 2 Possession of excellent leadership, decision-making, foresight, and planning capabilities
- 3 Possession of the character and insight appropriate for an executive officer
- 4 Absence of any health issues that could hinder performance of duties as an executive officer

Ideal Model of a Representative Executive Officer, Group CEO

- 1 A person who respects our corporate philosophy and who can practice management based on our corporate philosophy at a high level
- 2 A person of character, insight, and energy who can gain the support and trust of a wide range of people involved in the markets in which JPX Group operates
- 3 A person with a global perspective but also deep knowledge of Japanese society and economy, as well as thorough understanding of the markets the Group operates, and the ability to take the lead on market users, market rules, and other aspects

In implementing the Succession Plan, the Nomination Committee members identify and monitor candidate successors, gradually narrowing down the list of candidates. In this most recent CEO selection process, when holding discussions, we also included external candidates in the list in addition to internal candidates, not ruling out the option of inviting a CEO from outside JPX Group.

Through this process, it was finally decided that then-TSE President Yamaji was the most qualified person to entrust to be the next CEO of JPX Group, with the unanimous opinion of all Nomination Committee members. Mr. Yamaji was appointed primarily for the following three reasons:

First, having served as president of Tokyo Stock Exchange and Osaka Exchange, he possesses the stability, decisiveness, and high-level expertise required of an operator of a securities market infrastructure with high public visibility.

Second, he possesses a global perspective and is familiar with the needs of market users based on his practical experience as the head of Nomura Securities' European and U.S.-based subsidiaries.

Third, above all, he is highly trusted by JPX Group employees, and possesses the leadership to motivate and drive employees with a strong sense of mission.

JPX Group has an unswerving mission to contribute to achieving a sustainable and prosperous society through the operation of infrastructure supporting Japan's financial and capital markets. Under the slogan "Exchange & beyond" in the 2024 Medium-Term Management Plan, we are actively taking on the challenge of new fields in order to realize Target 2030. In this context, as the new CEO, Mr. Yamaji is expected to demonstrate to the fullest extent his sense of stability and immediately bring his leadership abilities to bear to steadily implement each measure with the cooperation of market users and JPX Group employees. Furthermore, as global initiatives such as becoming an international financial center are expected to become increasingly important in the future, we hope that Mr. Yamaji will fully demonstrate his diverse and global business experience and his global mindset based on that experience.



Risk Management

In its approach to risk management, JPX Group recognizes the importance of maintaining sound and stable business operations to fulfill its public role as a market operator and continue raising corporate value.

Risk Management System

JPX Group faces numerous risks in the course of its operations, including risks associated with system glitches, legal matters, compensation in the event of clearing participant defaults, and administrative errors. The Group has established a Risk Policy Committee, chaired by an outside director, and a Risk Management Committee, chaired by the Group CEO, to address risk. In line with the Group's Risk Management Policy, these committees are responsible for identifying risks as well as developing and implementing measures to prevent such risks. The Group also has a system in place to ensure a swift and appropriate response when risks do or are likely to materialize.

The Risk Policy Committee consists of at least five members, the majority of whom are outside directors. As a rule, the committee is chaired by an outside director.

The Risk Management Committee is composed of core members and project members who oversee the risks of specific projects. The Group CEO (who serves as chairperson), the executive officer overseeing the General Administration Department, and the director of the department make up the core members, while the chairperson of the committee assigns project members to specific cases as they arise.

The Risk Management Policy serves to prevent risks by indicating and classifying the risks JPX Group faces. Departments or sections are assigned to handle the classified risks, and information on the assessments of operations and issues to be addressed are periodically brought before the Risk Policy Committee and Risk Management Committee.

Each fiscal year, the Risk Policy Committee identifies the significant risks requiring priority action for the JPX Group and establishes basic policies for responses to each significant risk. The results of this process are submitted

to the Board of Directors as recommendations in the form of a Comprehensive Risk Management Statement. Based on the Comprehensive Risk Management Statement it has formulated, JPX Group responds to significant risks and other risks in advance, thereby reducing the likelihood of risks materializing and enabling flexible responses when risks do materialize. When a major issue occurs, the Risk Management Committee gains an overall grasp of the situation and orchestrates a concerted response by giving directions for dealing with the issues as quickly as possible. The system calls for all necessary information to be reported to management promptly and without fail.

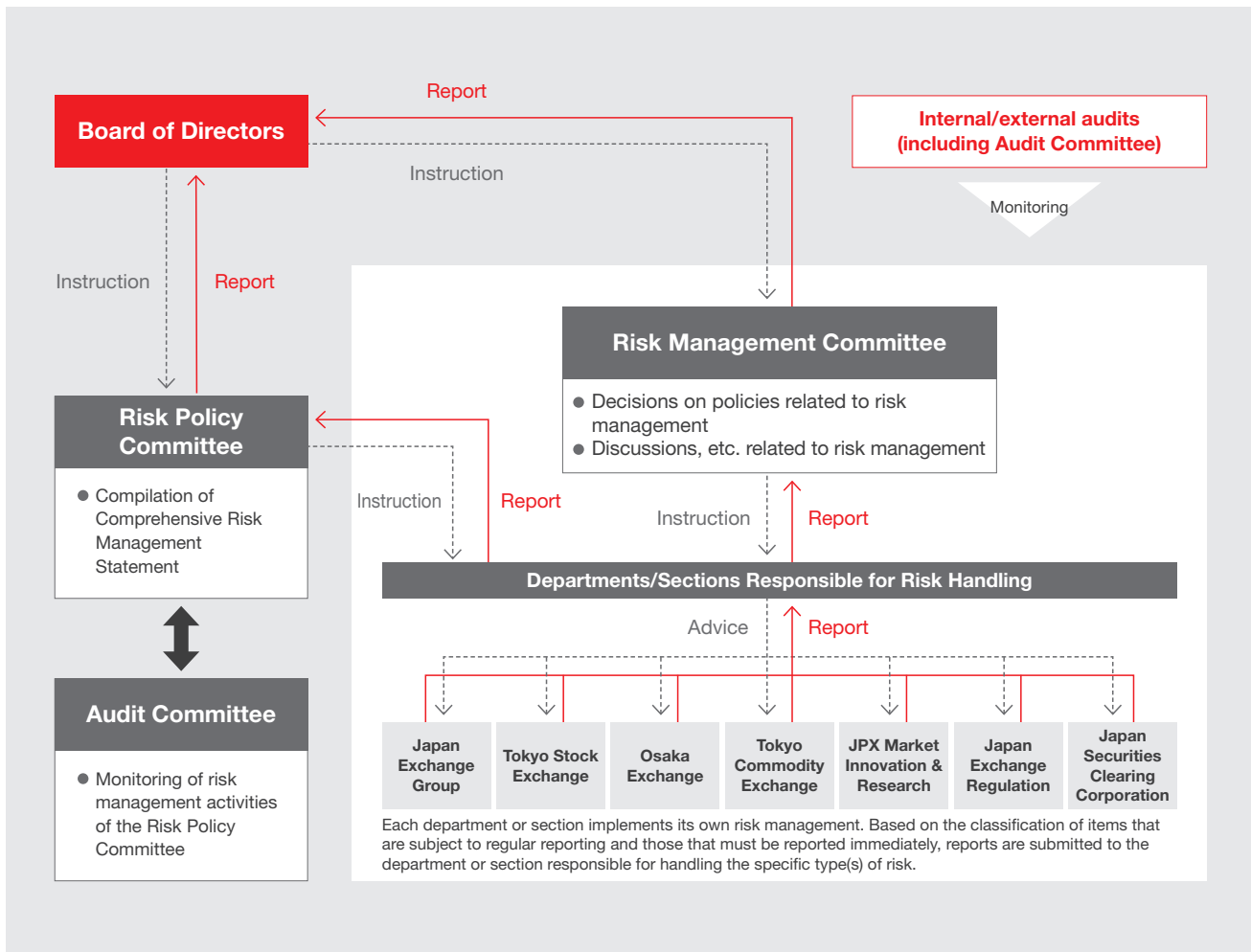
Significant Risks

Each fiscal year, we identify the significant risks that could affect the JPX Group. We control the possibility of the materialization of these risks by implementing necessary preventive measures. We also implement measures to ensure that we are able to respond flexibly in the event that risks materialize.

JPX Group approaches risk management on two levels. First, all group companies work to identify risks in the internal environment. Second, we hold wide-ranging discussion involving the management team about potential risk factors in the external environment, such as geopolitical risks. Based on the results of these discussions, we then consider which are significant risks. Many risks are detected at the discussion stage. We examine these in detail to identify the risks that require the greatest attention in each fiscal year, on the basis of the potential impact on JPX Group if the risk materializes and the frequency with which such risks are likely to arise. We then take preventive measures targeting specific significant risks.

Risk Management System

→ Flow of regular reports and reports submitted when risks occur --> Flow of instructions and advice on response



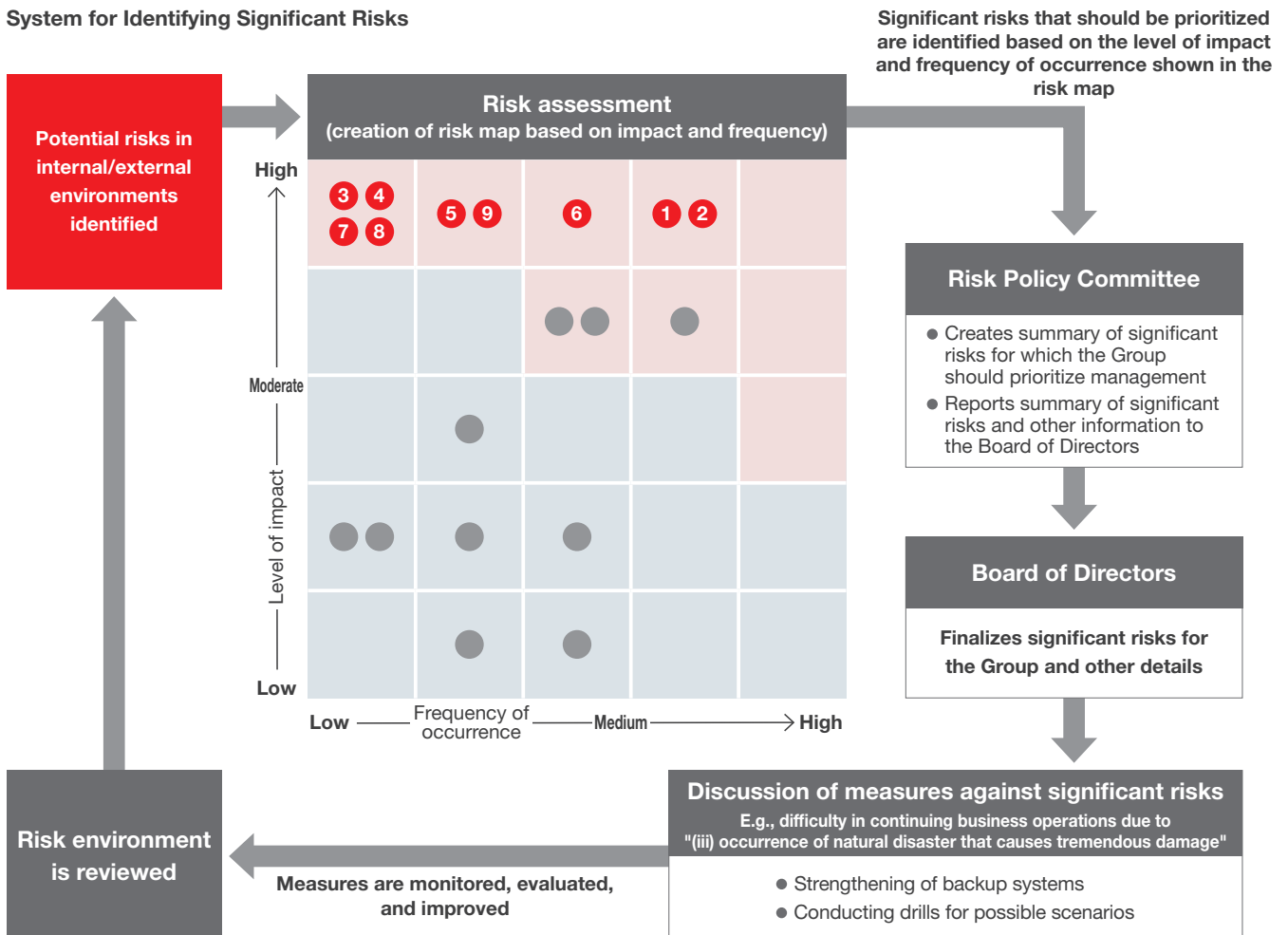
Risk Classification

Types of Risk	Examples
Business environment and business strategy risk	Economic fluctuations, legal and regulatory matters, demographic changes, technological innovation, investor trends, public opinion, and failed business choices
Accidents and disaster risk	Major earthquakes, typhoons, tsunamis, epidemics, terrorism, failure/stoppage of social infrastructure, fires, and accidents
System risk	Inadequate hardware capacity and application errors
Legal risk	Violations of laws and regulations in the course of business, business partner's failure to perform on contracts, and the possibilities of having a relationship with anti-social forces
Financial risk	Undermined reliability of financial reporting, lack of funds, and loss or damage to assets, including deposits
Human risk	Personnel shortage, industrial accidents, and occupational hazards
Information security risk	Information leakage, unauthorized access, and computer viruses
Operational risk	Mistakes in operational procedures and misjudgments
Risk of associated companies	Emergence of risk in group companies
Reputational risk	Decline in public reputation due to acts and statements by employees and/or third parties
Credit risk and liquidity risk arising from obligation assumption business	Emergence of losses due to default, etc. by clearing participants
Other risks	Risks other than those mentioned above

Major Significant Risks and Our Responses to Them

Types of Risk	Risk Phenomena	Responses to Risk Phenomena
System risk	1 System failures	<ul style="list-style-type: none"> ● Implementing standardized development methods and adequate operational tests ● Maintaining thorough quality control pertaining to development and operations ● Implementing regular drills for system failure ● Implementing recurrence prevention measures in response to system failure (improving resilience)
Information security risk	2 Cyberattacks	<ul style="list-style-type: none"> ● Implementing regular information security diagnostics by external vendors ● Implementing regular drills ● Implementing E-learning
Business continuity risks	3 Occurrence of natural disaster that causes tremendous damage	<ul style="list-style-type: none"> ● Building of eastern and western backup capabilities (for both business operations and systems)
	4 Occurrence of terrorist attack	<ul style="list-style-type: none"> ● Implementing regular drills (for disaster and terrorism responses) ● Reviewing contingency plans, etc.
	5 Occurrence of pandemic	<ul style="list-style-type: none"> ● Recommending and adopting telework and staggered working hours ● Using nearby backup offices, etc.
Operational risk	6 Administrative error in business operations related to market operations (system operations, etc.), listing services or clearing services	<ul style="list-style-type: none"> ● Implementing regular operation drills ● Continuous review of operational manuals and processes (including promotion of automation) ● Inspections of operational methods premised on telework, etc.
Credit risk and liquidity risk arising from obligation assumption business	7 Default, etc. by clearing participants	<ul style="list-style-type: none"> ● Ensuring adequacy of margin and other sources of funds ● Daily monitoring of clearing participants and regular holding of drills in case of participant bankruptcy
Business environment and business strategy risk	8 Changes in operating environment (impact on market from changes in regulations or rules due to laws, etc.)	<ul style="list-style-type: none"> ● Performing regular monitoring of progress of business strategies and changes in the business environment, etc., and reviewing priority strategies corresponding to proper budgetary operation and changes in the operating environment ● Reviewing market rules and structures in fitting with discussion and debate among market stakeholders, etc. (strengthening of market functions, provision of fair and highly convenient trading services, etc.)
	9 Delayed or insufficient response to promoting sustainability	<ul style="list-style-type: none"> ● Formulating Environmental Vision and Environmental Policy ● Disclosing information based on the TCFD Recommendations

System for Identifying Significant Risks



Systems Capacity Management

In recent years, with faster systems and the growing prevalence of co-location services, there has been an increase in the number of orders processed by JPX Group trading systems. In view of these changes, the JPX Group is monitoring market trends and system usage and working to manage overall system capacity across the corporate group by utilizing projections to prepare for and prevent any system capacity issues that may arise. Capacity management is not conducted by IT departments alone, but also by the Capacity Management Committee chaired by the CIO. The cross-divisional committee is made up of executive officers and departments involved in market operations.

Geared toward realizing even better systems, the committee monitors, analyzes, and assesses system operation conditions, works on improvements for current systems, and provides feedback on the design and development of next-generation systems. The committee employs the PDCA cycle in its activities, while reporting to management periodically and on an as-needed basis to make swift and appropriate decisions on priority or emergency issues related to system capacity.

Contingency Plan

Alongside the need for exchanges to provide opportunities for trading, in order to maintain fair price formation in the market, it is also necessary for securities companies and other market participants who place orders to the exchange market to maintain a certain level of preparedness. JPX Group formulates contingency plans for disseminating and publishing its basic response policies when it becomes difficult to continue trading, such as when there is a glitch in an internal or external system, a natural disaster or terrorist act, or when parts of the social infrastructure cease to function. For example, in the case of a natural disaster, we consider the necessity of trading suspension after taking fully into account past market share based on the trading value of trading participants that are unable to participate in trading (generally above 50% of overall trading value), the extent of disasters and the state of system failure (including the number of trading participants, etc. that are unable to participate in trading, their attributes, the status of the entire financial market), and social demands.

Actions on Cybersecurity

As JPX Group holds responsibility for key financial market infrastructure, it views cybersecurity as a significant management risk, and accordingly actively advances cybersecurity measures, as well as implementing a variety of measures to provide safe and secure services to investors and other market users.

As an example, we have built a multi-layered security system that detects and blocks any and all cyberattacks against the JPX Group, including unauthorized access to the website and targeted emails. We have also built systems to look for vulnerabilities in JPX Group security and improve our countermeasures to these threats. These include conducting regular diagnostic checks, as well as constructing a 24-hour monitoring and response system, centered around the in-house Computer Security Incident Response Team (CSIRT).

In addition, we are working to strengthen our corporate group's capabilities in cybersecurity through the creation of cybersecurity manuals and procedures, as well as response drills held multiple times a year for a range of scenarios. At the same time, to raise awareness of cybersecurity among employees, we are providing education through regular e-learning courses and training to combat targeted email attacks.

We are also committed to working in a timely and appropriate manner with public institutions such as the Financial Services Agency, the National center of Incident readiness and Strategy for Cybersecurity, the Tokyo Metropolitan Police Department's association for responses to cyberterrorism, and the Information-technology Promotion Agency, Japan. At the same time, we have created a system to keep track of and share information on the latest trends in cybersecurity-based threats, which includes sharing in-depth information with the Nippon CSIRT Association and security companies.

As cyberattacks are becoming increasingly sophisticated and precise with each passing year, we will formulate cybersecurity response plans, conduct regular checks of our security measures and revise and reinforce them whenever necessary.

Business Continuity in Emergencies

JPX Group's core responsibility as a market operator within the social infrastructure is to provide reliable markets for market users to trade with confidence. Therefore, even when major risks do materialize, such as in the form of natural disasters or terrorist acts, the Group must be prepared to answer the call of society and continue operations. To be ready for such situations, JPX Group established our Business Continuity Plan (BCP) to define our response to materialized risks.

The basic concept of the BCP is to continue operations as far as possible even in times of emergency. If suspension is unavoidable, then the affected operations should be resumed as soon as possible. For instance, even if a serious incident, such as a major earthquake, occurs and operations are suspended, in principle, JPX Group aims to resume clearing operations in about two hours and trading operations within 24 hours to prevent the loss of a trading day to the greatest extent possible.

To achieve said targets, in addition to its primary data center where operations normally take place, the Group also maintains a secondary (backup) center, which is located in a different area to avoid having both centers be simultaneously affected. If the primary center is affected by a disaster and cannot continue operations, operations are switched over to trading and other core systems in the backup center to allow trading to resume as quickly as possible. In a bid to help further enhance the reliability of the Japanese market, we are constructing a secondary (backup) center in the Kansai region away from Tokyo, where there would be little to no fear of shortages of electricity and other essential services in the event that a major large-scale earthquake or other disaster occurred in the Tokyo Metropolitan area and caused damage to its

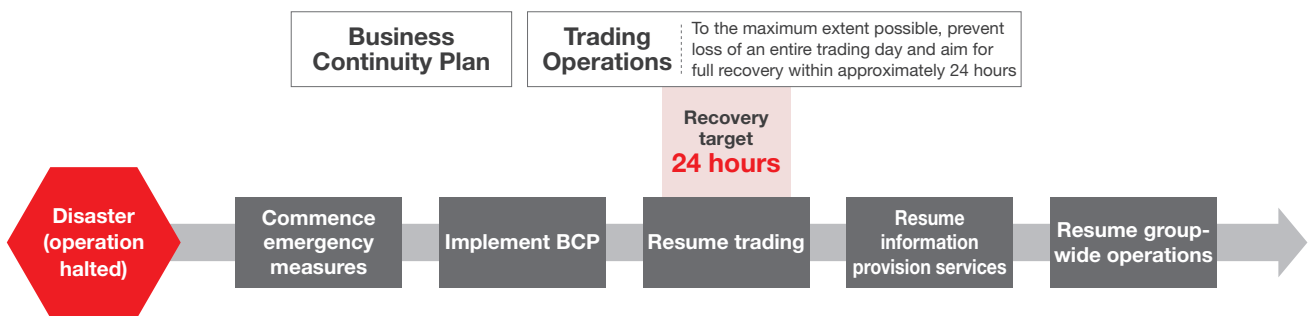
social infrastructure.

Furthermore, in preparation for a large-scale earthquake and other wide-area disasters, the core telecommunications network, arrownet, is designed as an optical ring network that surrounds the Tokyo Metropolitan area. Even if a part of the network is severed by a disaster, transmissions will be re-routed immediately, ensuring that connections are maintained. The BCP also defines the response policy for each type of identified risk, as well as detailed plans for establishing the BCP emergency headquarters and securing personnel and communication methods. JPX Group reviews its BCP at least once a year and revises it accordingly in light of changes in the environment.

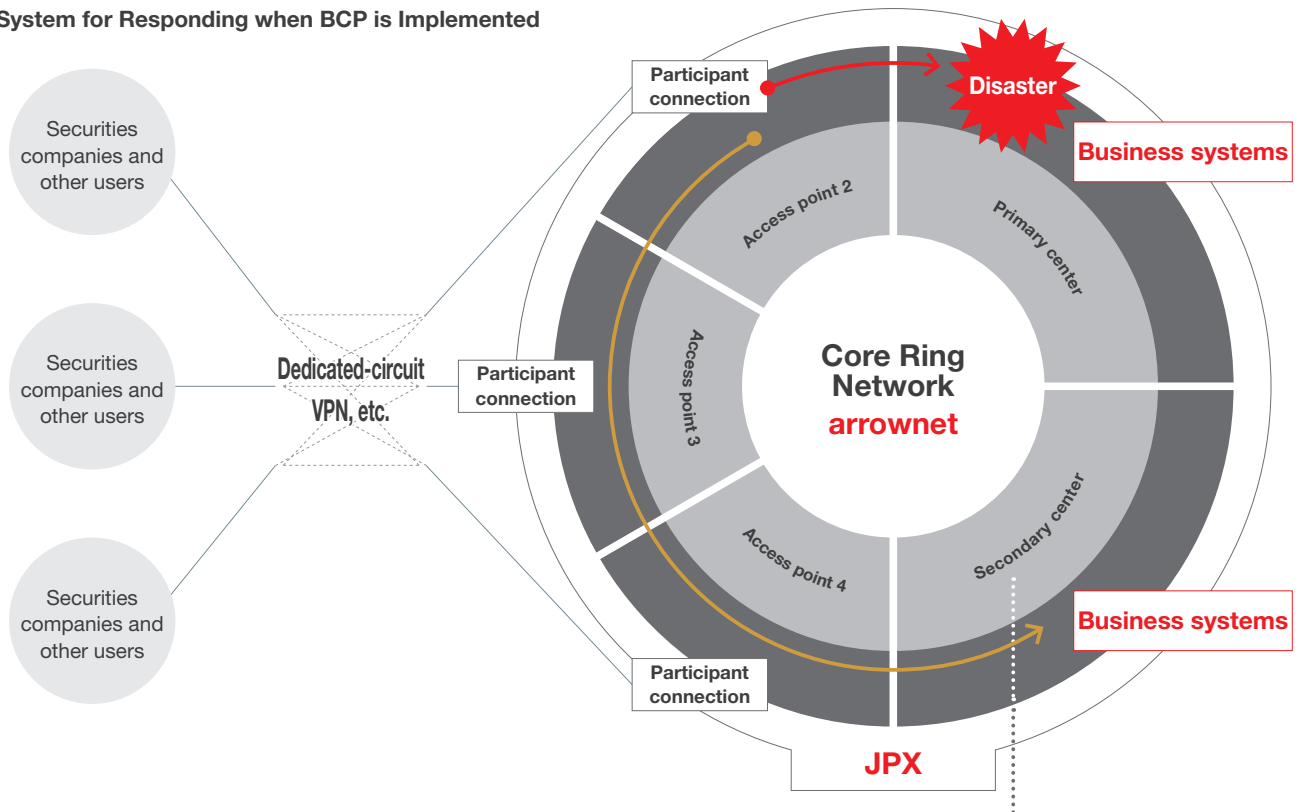
Business Continuity Plan

<https://www.jpx.co.jp/english/corporate/governance/risk/bcp/index.html>

Procedures for Restoring Trading Operations based on BCP after Disaster Occurs



System for Responding when BCP is Implemented



When the primary center is affected by a disaster, switch-over occurs, and it is possible to continue operations at the secondary center.

Internal Control Systems and Compliance

Besides maintaining well designed business operating systems for stable and appropriate execution of business, all officers and employees observe laws and regulations and demonstrate a strong sense of ethics in the performance of their daily tasks.

Internal Control Systems

JPX Group has a Basic Policy on Establishment of Internal Control System and develops internal control systems based on this policy. To ensure the proper operation of business processes throughout the Group, we create systems for ensuring compliance with laws and regulations, safeguarding and managing information, managing risk of loss, ensuring efficient operations, and for internal controls. To ensure that these systems are

functioning properly, the Internal Auditing Office, an independent unit that reports directly to the Group CEO and COO, periodically confirms and assesses the status of internal controls.

▶ **Basic Policy on Establishment of Internal Control System**
<https://www.jpx.co.jp/english/corporate/governance/internal-control/index.html>

Compliance Program

JPX Group has a Charter of Corporate Behavior in place as a set of standards for ethics and morals, which clearly states the expected corporate behavior. In order to ensure the effectiveness of internal controls, the Group continues to increase awareness of compliance among management and employees by continually renewing internal systems,

as well as through education and training.

▶ **Compliance Program**
<https://www.jpx.co.jp/english/corporate/governance/compliance/index.html>

Charter of Corporate Behavior

The Charter of Corporate Behavior serves to make clear JPX Group's social responsibilities as an open and transparent corporation positioned in harmony with society. The Charter states the basic policies for corporate behavior in terms of ethics and morals. It also clearly indicates the Group's investor-centric stance and reflects our commitment to being an open company.

Activities for Continued Awareness

JPX Group engages in a number of activities to maintain awareness of compliance issues. These include cross-divisional meetings among all staff in charge of compliance matters, distributing compliance handbooks, communicating knowledge on compliance through the intranet, and holding e-learning courses.

Organizational System

The Group CEO assumes responsibility for compliance and oversees all compliance-related matters. The Group CEO is assisted by the officer responsible for compliance and the Compliance Secretariat. The Group has a Compliance Hotline in place to provide a channel for reporting information and making inquiries regarding clear or suspected violations of laws and internal rules, including against the Charter of Corporate Behavior. When certain behavior involving Group officers or employees is suspected to be in violation of compliance, the hotline makes it possible to detect such acts promptly from an incoming call and introduce measures and frameworks to address them.