



JPX
JAPAN EXCHANGE
GROUP

Medium-Term Management Plan 2024 Update for FY2023

Overview of Earnings for FY2022

Exchange & beyond

Japan Exchange Group, Inc.

April 28, 2023



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I. Medium-Term Management Plan 2024 Update for FY2023



Updated Policy from the Second Year On

Updated Policy

- As there have been no major changes in the business environment that would compel a shift in the basic aims of the Medium-Term Management Plan 2024, JPX will maintain the overall framework of the plan and continue to steadily implement each project while making necessary improvements.
- In particular, with government proposals for a "New Form of Capitalism" including the Doubling Asset-based Incomes Plan taking shape, JPX must recognize that its role in creating a "virtuous cycle of growth and distribution" has become more important than ever.
- On the topic of information provision, JPX will consider ways to further increase awareness and understanding about its initiatives both inside and outside Japan.

Focus 1 | Review of the First Year of the Plan (FY2022) and Planned Activities

- We will support sustainable growth and value enhancement of companies and encourage mid- to long-term asset building among the public through the provision of attractive products as well as financial and economic education, thereby contributing to the "virtuous cycle of growth and distribution" that the Doubling Asset-based Incomes Plan aims for.

Develop an environment that supports sustainable growth at companies

Review of the First Year of the Plan

- Summarized discussions of the Council of Experts Concerning the Follow-up of Market Restructuring and set out TSE's future actions
- Released outline of new index focusing on value creation
- Released outline of specifications for a smoother initial listing process and other things
- Concluded capital and business alliance agreement with Minsetsu, Inc. and made SCRIPTS Asia, K.K. a wholly owned subsidiary with the aim of promoting constructive dialogue between listed companies and investors

Planned Activities

- Establishing a framework to motivate autonomous actions to enhance listed companies' medium- to long-term corporate value
- Examining ways to make the Growth Market better fulfill its functions
- Starting calculation of and promoting use of new index focusing on value creation
- Reviewing TSE's quarterly disclosure rules in light of the legal revisions while promoting proactive disclosure
- Promoting constructive dialogue between listed companies and investors with SCRIPTS Asia, K.K., ICJ, Inc. and Minsetsu, Inc.

Develop products and rules to contribute to asset formation

- Released outline of specifications for active ETFs
- Released outline of specifications for optimization of tick sizes for medium liquidity stocks
- Requested issuers to lower investment units
- Launched "JPX Manebu Lab," a comprehensive financial and economic education portal site that provides information from a fair and neutral standpoint
- Published list of TOPIX phased weighting reduction constituents

- Listing active ETFs and exploring further advancement
- Implementing optimization of tick sizes for medium liquidity stocks
- Further promoting financial and economic education in cooperation with related organizations in line with expansion of NISA scheme
- Steadily implementing the transition of TOPIX and determining rules for post-transition

Further improve convenience and resilience as a market infrastructure

- Started development for upgrading the cash equity trading system
- Completed construction of the secondary data center in the Kansai area in preparation for the predicted large earthquake under Tokyo

- Further developing and launching the next generation cash equity trading system, and extending cash equity trading hours at the time of launch
- Developing an effective BCP system to improve resilience

Focus 2 | Review of the First Year of the Plan (FY2022) and Planned Activities

- We will further invigorate the derivatives market through the enhancement of interest rate derivatives and small lot products, as well as creating new markets and services utilizing digital technology and using information in a more sophisticated way, thereby contributing to the efficiency of asset management.

Review of the First Year of the Plan

Planned Activities

Strengthen functionality of interest rate-related markets

- Released outline of specifications for short term interest rate futures linked to the Bank of Japan's TONA

- Offering market infrastructure that enables trading, clearing, and settlement of long- and short-term interest rate products at a single venue
- Introducing cross margining between interest rate swaps and short-term interest rate futures

Invigorate the derivatives market

- Launched holiday trading to enhance investor convenience by providing hedging opportunities
- Released outline of specifications for Nikkei 225 micro Futures and Nikkei 225 mini Options
- Released outline of specifications for the introduction of a new margin calculation method (VaR Method) for listed derivatives

- Listing Nikkei 225 micro Futures and Nikkei 225 mini Options
- Changing derivatives trading hours in light of the extension of cash equity trading hours
- Introducing the VaR Method

Advance digitization and enhance information usage

- With the aim of creating a digital securities market, issued a Digitally Tracked Green Bond, established a study group, joined consortia on digital issues, began joint discussions on establishing Prograt, and invested in BOOSTRY
- Implemented DLT technology for settlement by physical delivery and payment of rubber futures contracts

- Collaborating with domestic platform providers to create a digital securities market
- Using blockchain technology to further enhance settlement efficiency and future readiness

Focus 3 | Review of the First Year of the Plan (FY2022) and Planned Activities

- We will contribute to the creation of a sustainable society by promoting sustainable finance through the use of ESG-related information or other means.

Review of the First Year of the Plan

Planned Activities

Strengthen dissemination of sustainability-related information

- Launched ESG Bond Information Platform to improve convenience for market users and visibility of the products
- Launched "JPX Listed Company ESG Information WEB (beta version)," which provides a list of links to reports containing ESG information

- Reviewing the ESG bond information platform and considering further enhancement based on the review

Calculate ESG indices and list related ETFs/futures

- With FTSE, launched FTSE JPX Net Zero Japan Index Series, an index series using environmental metrics
- Released outline of specifications for futures contracts based on ESG indices
- Released outline of specifications for the revision to the contract unit of silver futures and palladium futures

- Listing futures on ESG indices
- Implementing the revision to the contract unit of silver futures and palladium futures

Vitalize the energy market, advance the creation of an emissions trading market

- Launched Electricity Futures as a permanent listing and LNG Futures as a trial listing
- Signed MoU with Japan Electric Power Exchange
- Conducted trial trading of carbon credits as part of the "Technical Demonstration Project for Carbon Credit Market" commissioned by the Ministry of Economy, Trade and Industry

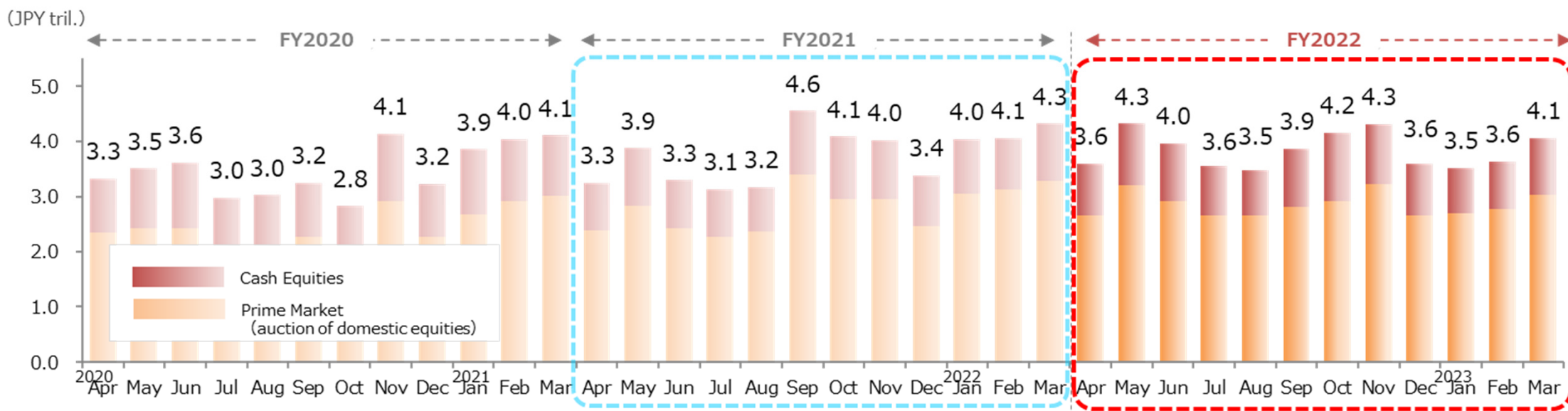
- Enhancing product and service lineups to develop the electricity futures market and streamlining calculation of margin
- Discussing the creation of a Japanese carbon credit market

II. Overview of Earnings for FY2022 [IFRS] (April 1, 2022 – March 31, 2023)

* This document is not subject to the audit procedures required under the Financial Instruments and Exchange Act.
Please note that its contents have not been audited on a consolidated basis in accordance with the Act as of the time of disclosure.

Market Trends (Cash Equities)

Cash Equities Average Daily Trading Value (April 2020 – March 2023)



Daily Average Trading Value by Market Division (JPY)

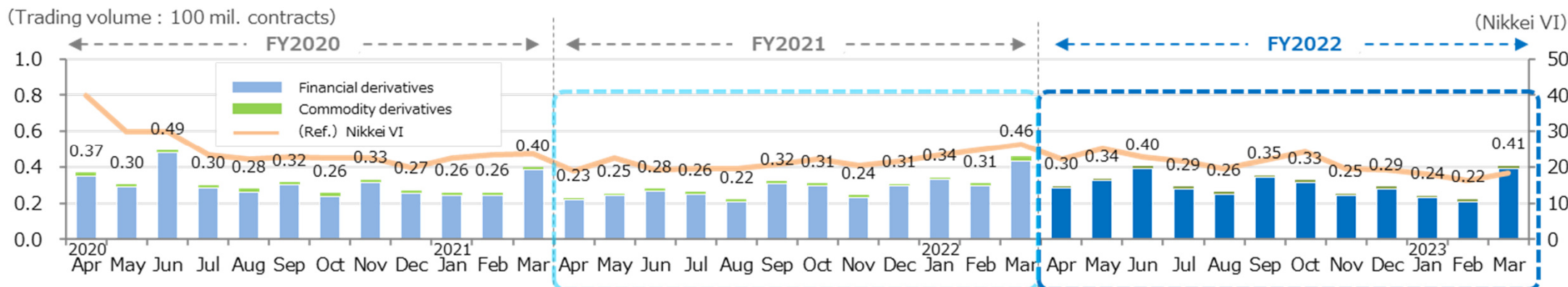
		FY2020	FY2021	FY2022	
		Annual Ave.	Annual Ave.	Annual Ave.	y/y
Auction	Prime Market (prev. 1st Sec.) Domestic Stocks ^{*1}	2.44 tril.	2.78 tril.	2.85 tril.	+2.5 %
	Standard Market (prev. 2nd Sec. + JQ Standard) ^{*1}	100.4 bil.	77.2 bil.	85.1 bil.	+10.3 %
	Growth Market (prev. Mothers + JQ Growth) ^{*1}	210.1 bil.	160.9 bil.	142.5 bil.	(11.5 %)
	ETFs / ETNs	272.9 bil.	261.1 bil.	251.9 bil.	(3.5 %)
Off-auction		402.8 bil.	425.4 bil.	463.8 bil.	+9.0 %
Cash Equities (auction/off-auction) Total ^{*2}		3.48 tril.	3.76 tril.	3.84 tril.	+2.1 %

*1 Trading value from before April 1, 2022 has been reclassified to match the new market segments.

*2 Average daily trading value of auction and off-auction trades of common stock on the Prime, Standard, and Growth Markets (1st/2nd Sections, Mothers, and JASDAQ up to FY2021) and TOKYO PRO Market, as well as ETFs/ETNs/REITs, etc.

Market Trends (Derivatives)

Monthly Trading Volume(April 2020 - March 2023)



Average daily trading volume/value of major products

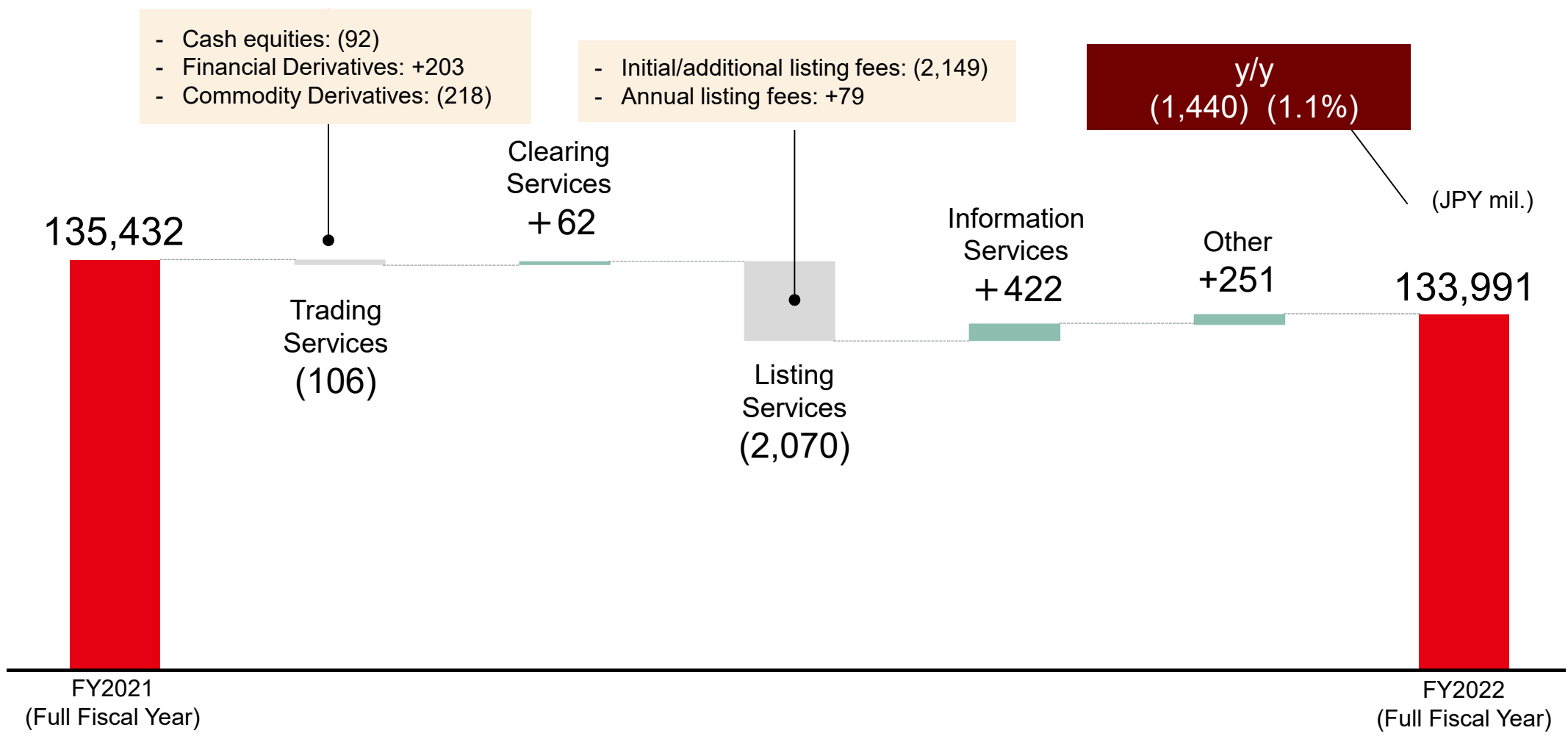
(Trading volume : 10,000 contracts)

	FY2020	FY2021	FY2022	
	Annual Ave.	Annual Ave.	Annual Ave.	y/y
TOPIX Futures	10.2	9.6	10.4	+8.4 %
Nikkei 225 Futures (Large)	9.2	7.6	8.8	+15.3 %
Nikkei 225 mini	107.6	98.9	104.6	+5.7 %
Nikkei 225 Options*	JPY 26.5 bil.	JPY 23.6 bil.	JPY 25.7 bil.	+9.2 %
10-year JGB Futures	2.9	3.3	3.2	(3.4 %)
Total Trading Volume for Financial Derivatives	363 mil. contracts	335 mil. contracts	352 mil. contracts	+5.1 %
Gold Futures (standard)	2.8	2.7	2.9	+4.6 %
Gold Futures (mini)	0.7	0.8	0.6	(20.2%)
Platts Dubai Crude Oil	2.5	1.5	0.9	(42.3%)
Total Trading Volume for Commodity Derivatives	1,945	1,692	1,583	(6.4 %)

* Excluding Weekly Options.

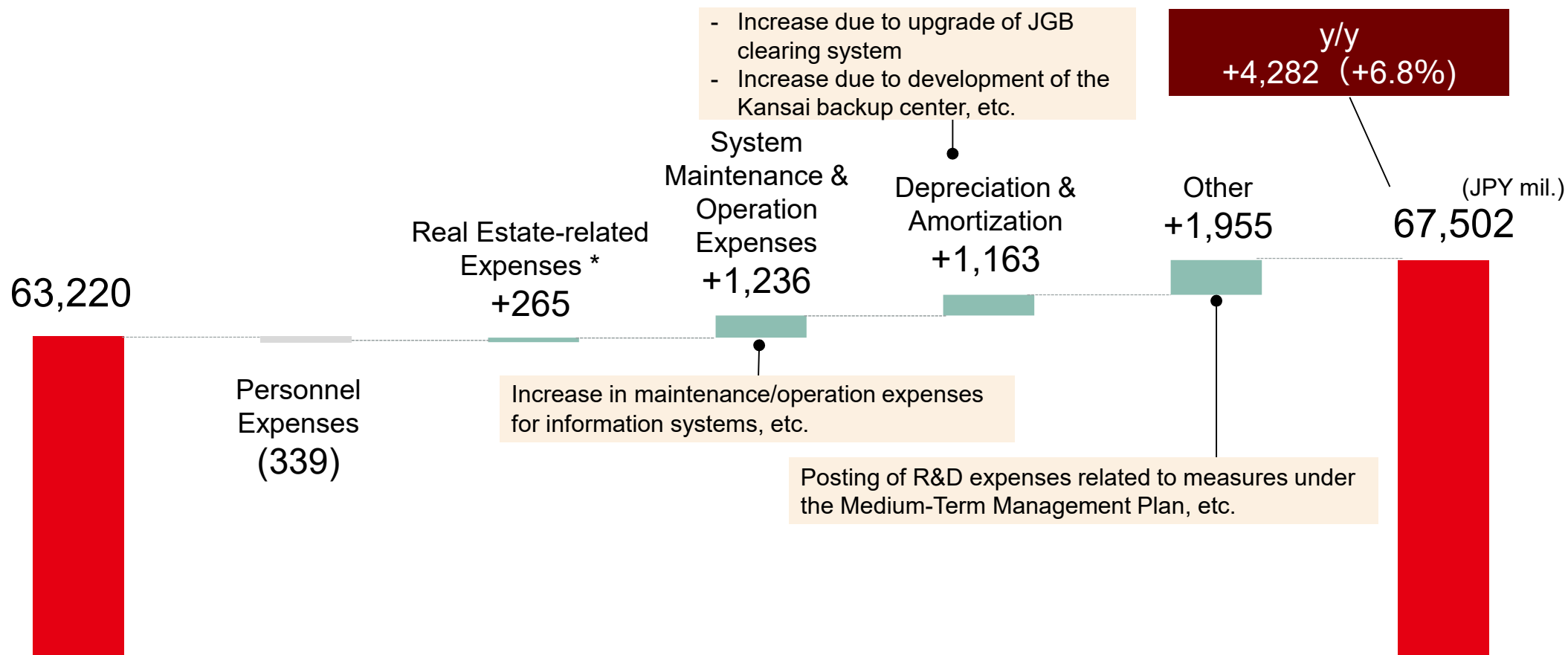
Operating Revenue

- Revenue from trading services decreased due mainly to a decrease in trading of commodity derivatives.
- Revenue from listing services decreased due mainly to a decline in listed company fundraising.



Operating Expenses

- Maintenance & operation expenses and depreciation & amortization for information systems increased. Also, depreciation & amortization increased due to the upgrade of the JGB clearing system (January 2022) and development of the Kansai backup center.
- Other operating expenses increased due mainly to posting of R&D expenses related to measures under the Medium-Term Management Plan.



FY2021
(Full Fiscal Year)

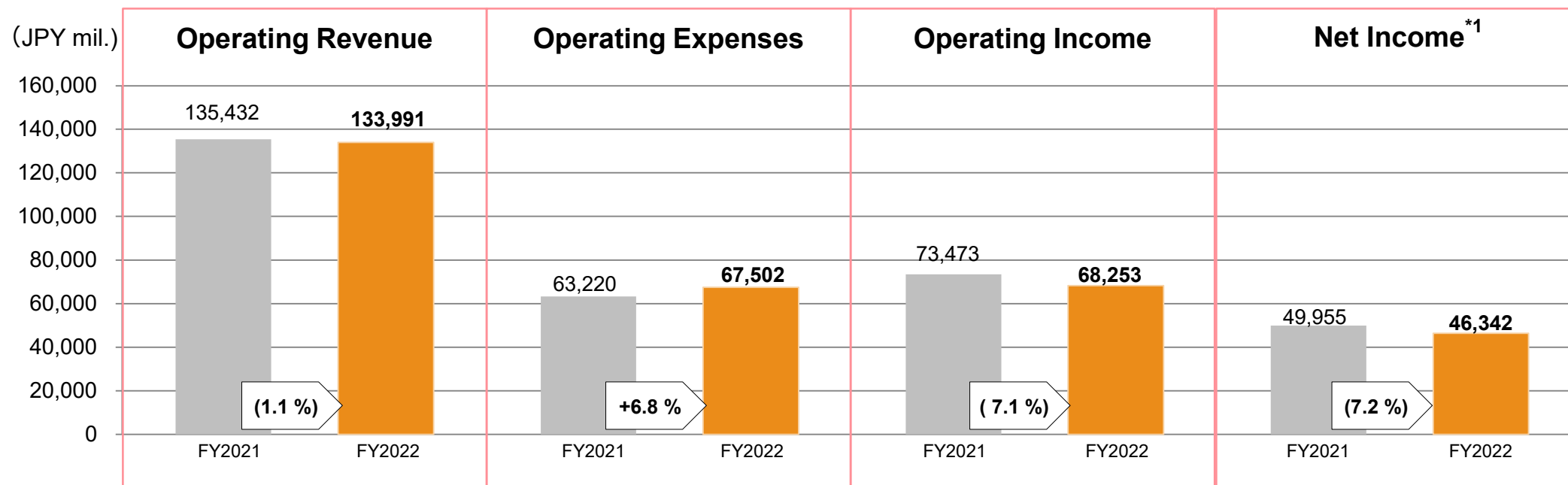
*1 With the new accounting standard for leases under IFRS applied from FY2019, a portion of real estate-related expenses now included under depreciation is included under "Real Estate-related Expenses" in this chart.

*2 Expense recording classifications have been partially changed due to the establishment of JPX Market Innovation & Research, Inc. (System development-related costs previously included in "other" under operating expenses are now included in personnel expenses and system maintenance & operation expenses.) For ease of comparison, the same expenses from the previous year have been reclassified to the new categories.

FY2022
(Full Fiscal Year)

Highlights

- Net income decreased by 7.2% year-on-year due to a decrease in operating revenue, caused mainly by a decline in listing services revenues, and an increase in operating expenses which are mainly system-related expenses.



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

➤ Average Daily Trading Volume/Value of Major Products

	FY2021	FY2022	
			y/y
Cash Equities (trading value) *1	JPY 3,757.7 bil.	JPY 3,836.9 bil.	+2.1 %
TOPIX Futures (trading volume)	96,293 contracts	104,415 contracts	+8.4 %
Nikkei 225 Futures (trading volume) *2	174,933 contracts	192,187 contracts	+9.9 %
Nikkei 225 Options (trading value) *3	JPY 23.6 bil.	JPY 25.7 bil.	+9.2 %
10-year JGB Futures (trading volume)	33,320 contracts	32,191 contracts	(3.4%)

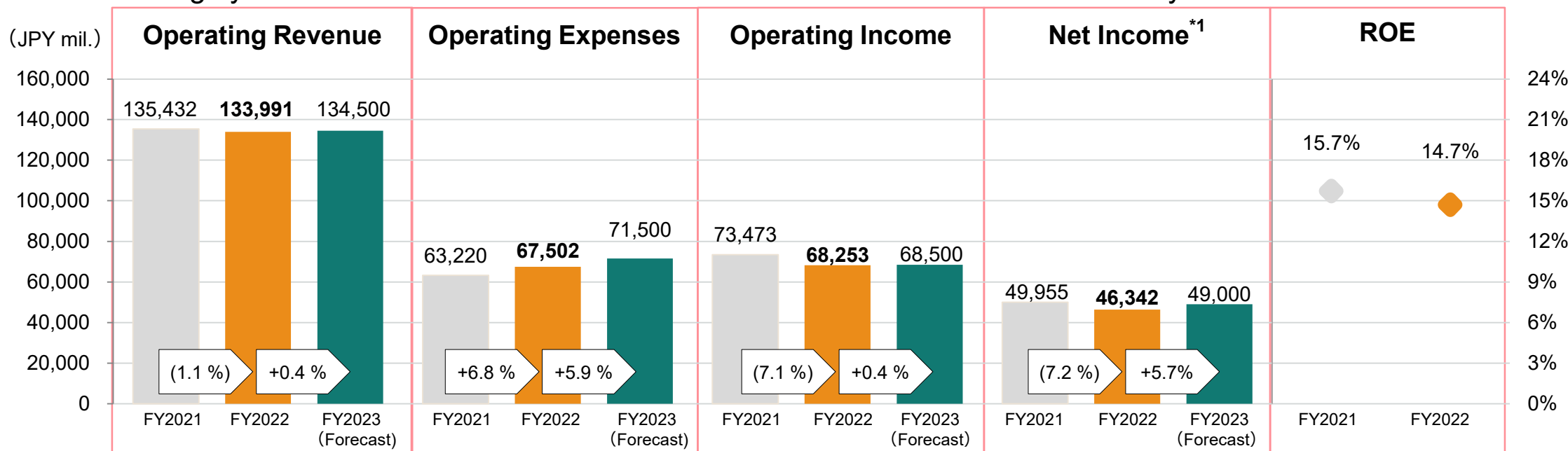
*1 Average daily trading value of auction and off-auction trades of common stock on the Prime, Standard, and Growth Markets (1st/2nd Sections, Mothers, and JASDAQ for FY2021 data) and the TOKYO PRO Market, as well as ETFs/ETNs/REITs, etc.

*2 Contracts of Nikkei 225 mini are calculated using a factor of 1/10.

*3 Excluding Weekly Options.

FY2023 Forecast

- Operating revenue is forecast to be on the same level as FY2022 as the underlying market condition, average daily trading value for cash equities, is assumed to be consistent with the previous fiscal year.
- Operating expenses are expected to increase by 5.9% year-on-year due to implementation of measures for stable market operation and those under the Medium-Term Management Plan, but operating income is forecast to be roughly the same level as in FY2022 and net income is forecast to increase by 5.7%.



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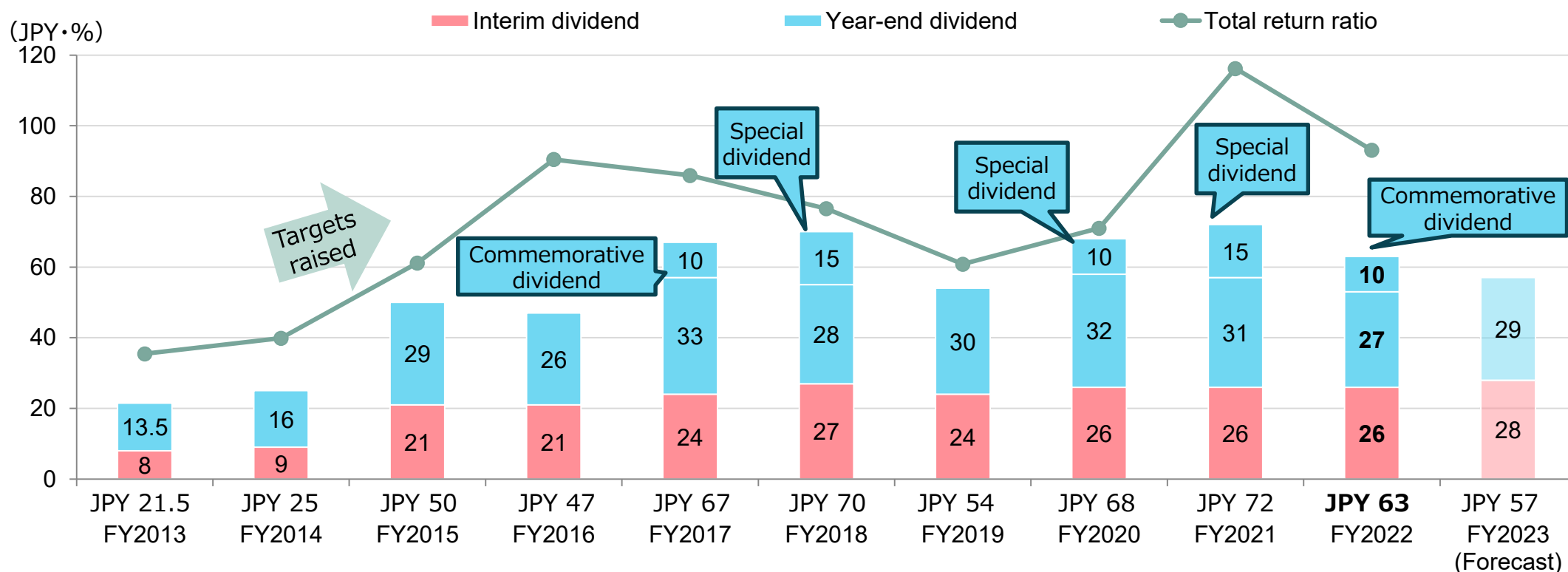
➤ Average Daily Trading Volume/Value of Major Products

	FY2021	FY2022		FY2023 (Forecast)	
			y/y		y/y
Cash Equities (trading value) *1	JPY 3,757.7 bil.	JPY 3,836.9 bil.	+2.1 %	JPY 3,800.0 bil.	(1.0 %)
TOPIX Futures (trading volume)	96,293 contracts	104,415 contracts	+8.4 %	104,000 contracts	(0.4 %)
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Dividends, etc.

- Since FY2015, JPX has raised its target dividend payout ratio from approx. 40% to approx. 60%.
- JPX acquired approx. JPY 20 billion worth of its own shares between a) July 2016 and May 2017 and b) April 2021 and September 2021 respectively. Since January 2023, JPX is in the process of acquiring its own shares up to a total of JPY 20 billion.
- In FY2022, in addition to the ordinary dividend of JPY 53 per share, as JPX celebrated its 10th anniversary on January 1, 2023, a commemorative dividend of JPY 10 per share will be paid to express gratitude to shareholders for their support.



*1 Voluntary use of IFRS applicable as of fiscal year-end settlement for FY2014. The total return ratio for FY2013 was calculated based on IFRS.

*2 The figure for dividend per share accounts for the 5-for-1 stock split which was conducted effective October 1, 2013 and the 2-for-1 stock split which was conducted effective October 1, 2015.

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