



# 3rd Medium-Term Management Plan Update for FY2021

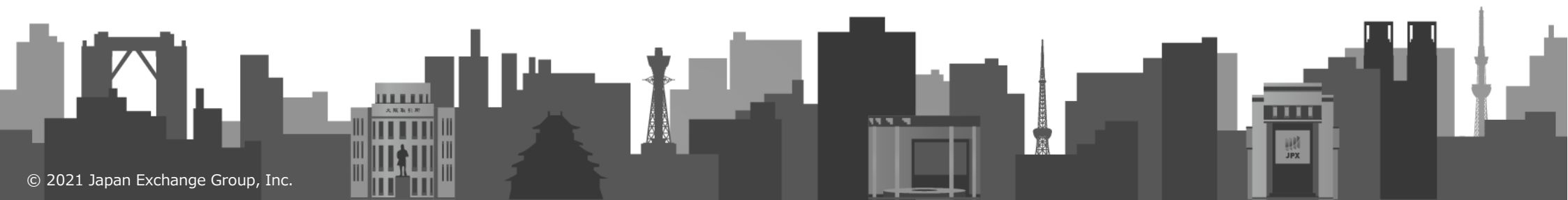
## Overview of Earnings for FY2020

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### Total smart exchange

Japan Exchange Group, Inc.

April 30, 2021



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## **1** 3rd Medium-Term Management Plan Update for FY2021

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## **2** Overview of Earnings for FY2020 [IFRS]

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# I. 3rd Medium-Term Management Plan Update for FY2021

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# Review of FY2020 (Responses to System Failure)

**The arrowhead system failure on October 1, 2020 re-emphasized the heavy responsibility of stable market operations**

**Recurrence prevention measures are being implemented as and when they are ready**

Measure	Contents	Status
<b>System responses and comprehensive checks</b>	<ul style="list-style-type: none"> <li>• Corrections to and comprehensive checks of switchover settings for the Shared Disk Device</li> <li>• Development of procedures for forced switchovers of other hardware</li> <li>• Checks of other key systems</li> <li>• Switchover tests and drills</li> </ul>	<p>Complete</p> <p>Tests/drills to be carried out on an ongoing basis</p>
<b>Enhancement of procedures for failsafe trading suspensions</b>	<ul style="list-style-type: none"> <li>• Confirmation of cases in which a trading halt could fail</li> <li>• Development of a function that halts trading without using the Shared Disk Device</li> </ul>	<p>Complete</p>
<b>Development of rules for trading suspensions and resumptions</b>	<p>Establishment of a "Council for Recurrence Prevention Measures" comprised of trading participants, investors, system vendors, etc., and development of rules, etc. based on its discussions</p> <ul style="list-style-type: none"> <li>• Development of rules/procedures for trading suspensions/resumptions, etc.</li> <li>• Clarification of standards/processes for trading resumptions, etc.</li> <li>• Strengthening of information provision</li> </ul>	<p>Report published on March 25, 2021</p>



Beginning from now, we will be working with trading participants and other market users to enable the necessary responses for a smooth and effective trading resumption, by checking the processes and verifying the effectiveness of the proposed rules and procedures through system failure drills and other means, and carrying out constant revisions.

Through this, we aim to improve the resilience of and restore confidence in the market.

# Review of FY2020 (Overall Plan)

**Through the implementation of measures emphasizing the durability of market operations and the health and safety of employees, etc., we advanced and completed measures based on the four core strategies even during the Covid-19 pandemic, such as the product transfer and clearing house integration**

## Pursue "the shape of the market" toward the next generation



- ✓ Published outlines of listing rules for the new market segments and a framework for the transition process
- ✓ IPO count was stable (94 in FY2019, 99 in FY2020)
- ✓ Started clearing service for ETF creation/redemption

## Diversify and propel data services into the next generation



- ✓ Launched new data services utilizing collaborations with external partners
- ✓ Announced gradual transition process for TOPIX
- ✓ Launched API-format distribution of timely disclosure information and stock prices

## Launch, invigorate and develop a comprehensive exchange



- ✓ Completed product transfer of precious metals futures, etc. and integration of clearing houses
- ✓ Announced the outline of the plan for holiday trading, including the schedule and eligible products
- ✓ Carried out proactive initiatives to diversify products and participants

## Develop a foundation to support the future of our business and the society

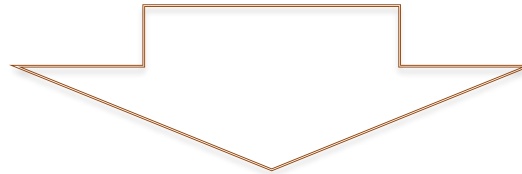


- ✓ Implemented/maintained various Covid-19 response policies, including promotion of remote work and splitting employees into groups
- ✓ Launched a website which collates information on ESG disclosure and ESG investment
- ✓ Practical Handbook for ESG Disclosure was recipient of "ISAR Honours" from UNCTAD

# Policy for Updates Moving Into the Final Year

**We must renew our awareness of the heavy responsibility of being a market operator, after trading on all securities was halted for the entire day after the system failure on October 1, 2020**

**Moving into the final year of the Plan, as well as completing our initiatives based on the core strategies, we must also continue to prepare for mid- to long-term environmental changes**



**While maintaining the overall framework of the 3rd Medium-Term Management Plan, we will:**

- Renew our awareness of the heavy responsibility of a market operator, and put all the Group's efforts into strengthening market function and regaining trust
- Aiming for improved "Resilience" as well as the "Never Stop" ideal, soundly implement the urgent recurrence prevention measures. In addition, in the mid to long term, fulfil the exchange's main mission of stable market operations by promoting exploration of better IT functionality and personnel and the establishment of a research department, for example, on top of the current digital transformation (DX) initiatives.
- As well as finishing implementation of important initiatives such as the market restructure, continue preparation to enable responses to changes in the way capital is raised and invested, such as ESG investment.

-We will also implement the measures necessary to ensure improved stability, durability and effectiveness of market operations in the mid- and post-pandemic environments.

# Financial Targets and Capital Policy

- Achieve financial targets early without waiting for the final year
  - Increase investment into initiatives which take on future challenges, improve resilience, and fully implement stable market operations
- CAPEXs for the 3 years of the plan will be increased from approx.45.0 billion to approx. 50 billion

## Financial targets for the final fiscal year

	Financial targets	FY2020 results
Operating Revenue	JPY 130.0 bil.	JPY 133.3 bil.
Net Income <small>(attributable to owners of the parent company)</small>	JPY 50.0 bil.	JPY 51.3 bil.
ROE	15.0%+	16.6%

## CAPEX

Total CAPEXs for 3 years **Approx. JPY 50 bil.**

## Capital policy

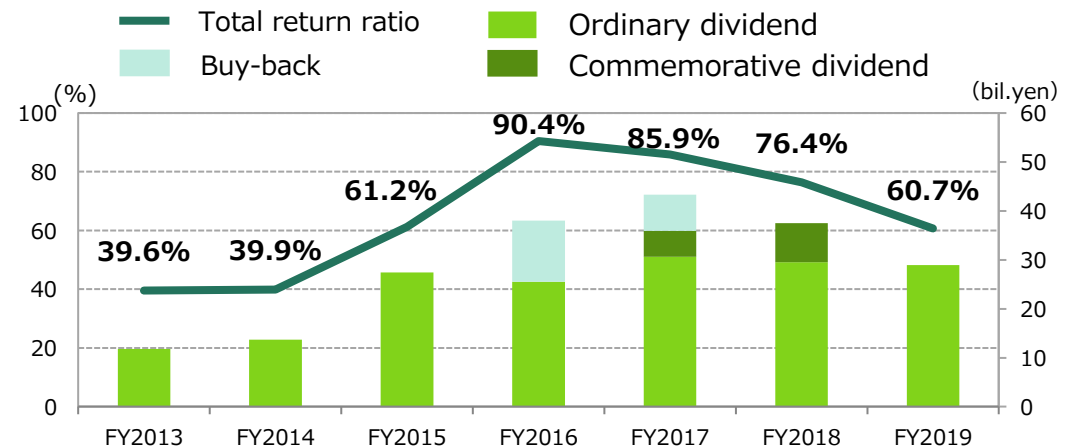
Support the sustainable development and evolution of the market by making constant investment while keeping a balance between shareholder returns and financial resilience for stable market operations

**Maintain ROE of 10% in the mid- to long-term, that is above capital cost, regardless of market conditions**

### Return to shareholders

- Dividend payout ratio of approx. 60%
- Flexibly implement further shareholder returns in consideration of future investments, etc.

### [Ref.] Historical records of total return ratios & value of return to shareholders



## **II. Overview of Earnings for FY2020 [IFRS] (April 1, 2020 - March 31, 2021)**

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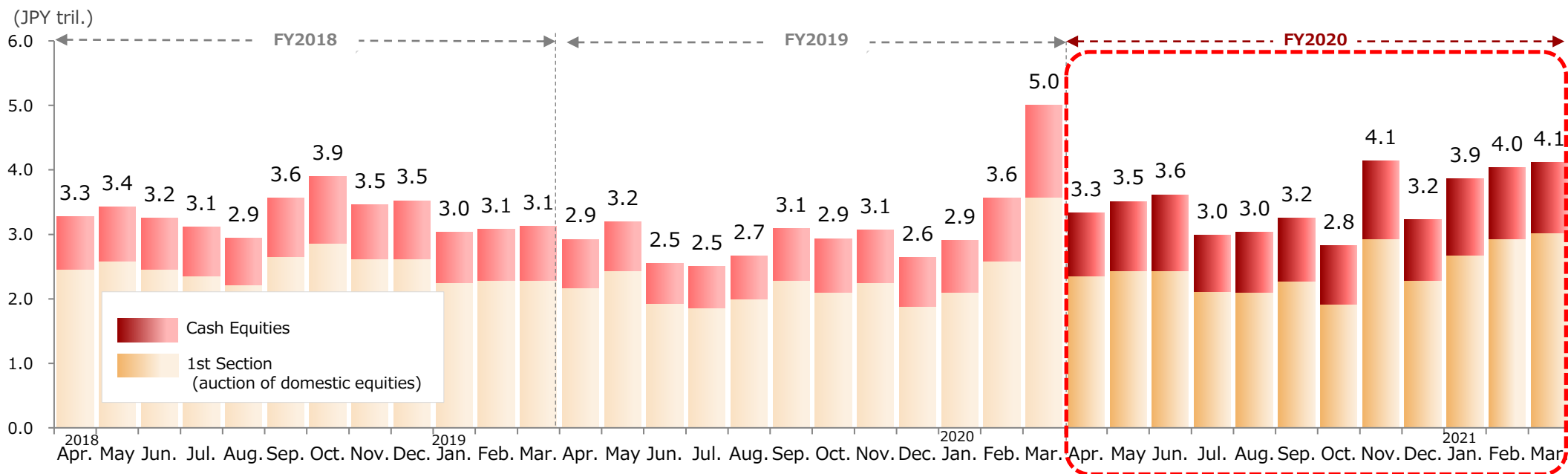
\* This document is not subject to the review procedures required under the Financial Instruments and Exchange Act.  
Please note that its contents have not been reviewed on a consolidated basis in accordance with the Act as of the time of disclosure.





# Market Trends (Cash Equities)

## Cash Equities Average Daily Trading Value (April 2018 – March 2021)



## Average Daily Trading Value by Market Division (JPY)

		FY2018	FY2019	FY2020	
		Annual Ave.	Annual Ave.	Annual Ave.	y/y
Auction	1st Section Domestic Equities	2,461.3 bil.	2,249.9 bil.	<b>2,437.9 bil.</b>	<b>+8.4 %</b>
	ETFs / ETNs	198.0 bil.	211.5 bil.	<b>272.9 bil.</b>	<b>+29.0 %</b>
	Markets for Emerging Companies (JASDAQ & Mothers)	155.4 bil.	135.9 bil.	<b>268.2 bil.</b>	<b>+97.4 %</b>
Off-auction		422.1 bil.	392.4 bil.	<b>402.8 bil.</b>	<b>+2.7 %</b>
<b>Cash Equities (auction/off-auction) Total*</b>		<b>3,306.8 bil.</b>	<b>3,081.1 bil.</b>	<b>3,483.7 bil.</b>	<b>+13.1 %</b>

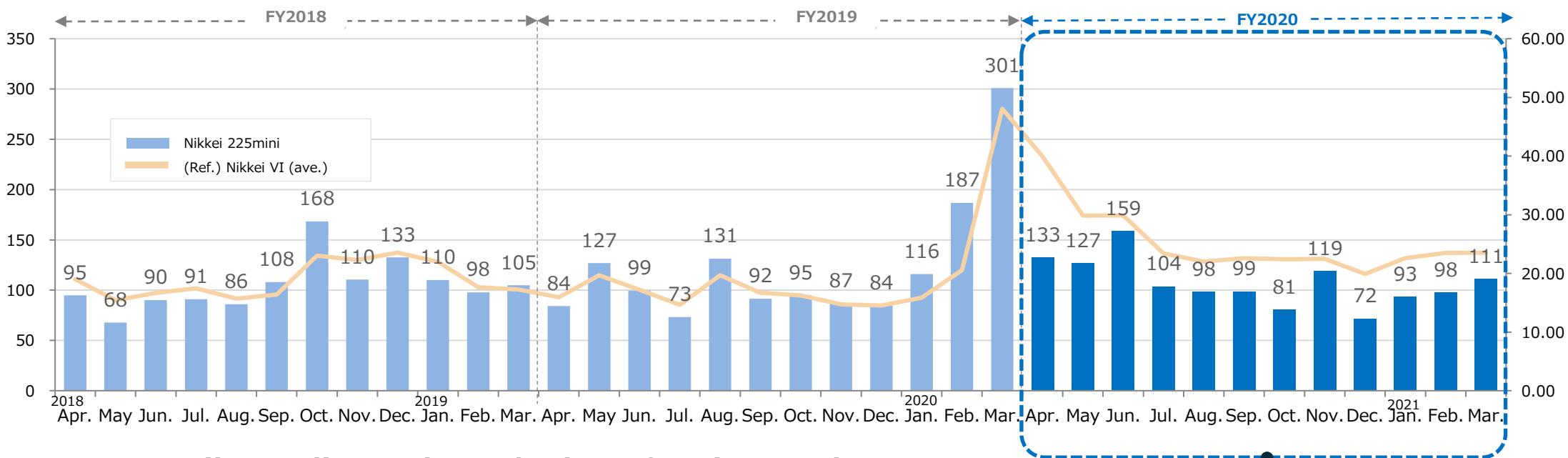
\* Total value of daily averages of auction and off-auction trading of common stocks on 1st/2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs etc.

# Market Trends (Derivatives)

## Nikkei 225mini Average Daily Trading Volume (April 2018 - March 2021)

(Trading volume : 10,000 contracts)

(Nikkei VI)



## Average Daily Trading Volume/Value of Major Products

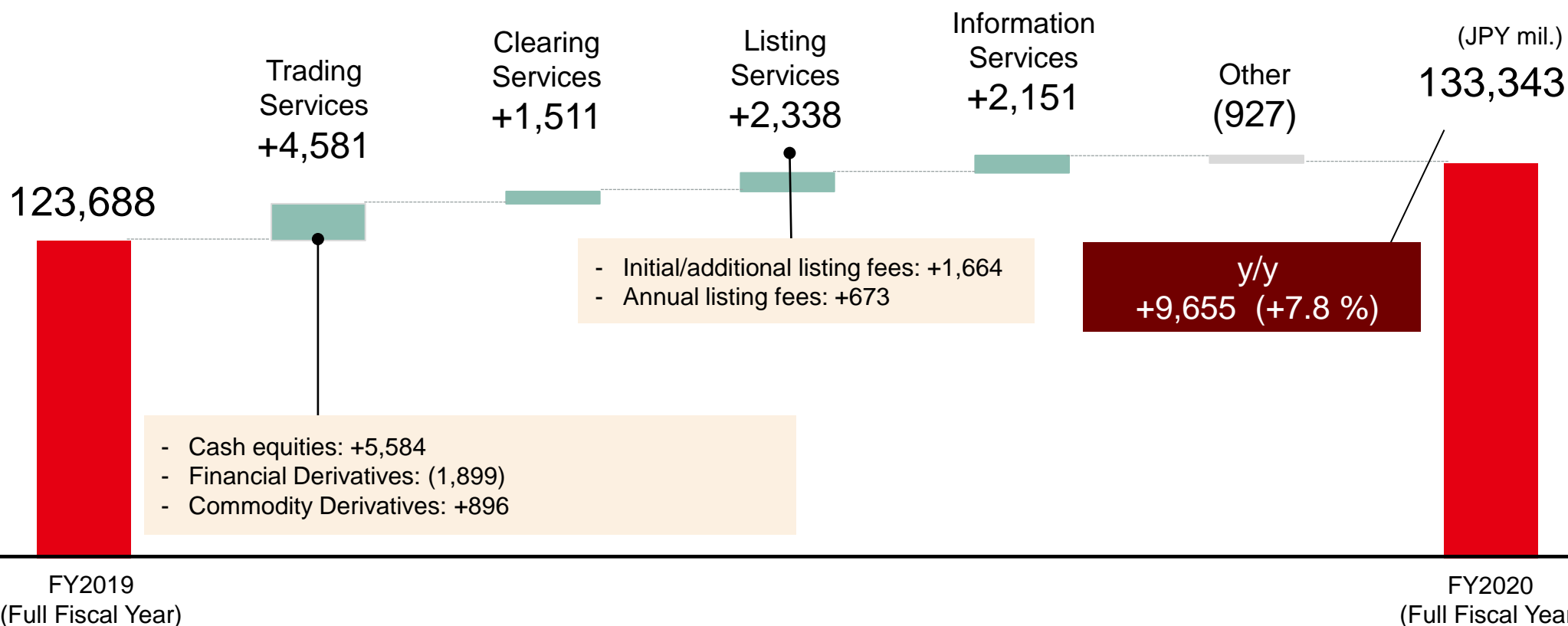
	FY2018	FY2019
	Annual Ave.	Annual Ave.
TOPIX Futures	103,896 contracts	121,034 contracts
Nikkei 225 Futures (Large)	99,939 contracts	110,041 contracts
Nikkei 225 mini	1,051,071 contracts	1,227,800 contracts
Nikkei 225 Options*	JPY 23.0 bil.	JPY 26.8 bil.
10-year JGB Futures	42,087 contracts	39,640 contracts
<b>Total Trading Volume for Financial Derivatives</b>	<b>364 mil. contracts</b>	<b>412 mil. contracts</b>
<b>Total Trading Volume for Commodity Derivatives</b>	<b>21.07 mil. contracts</b>	<b>21.42 mil. contracts</b>

\* Excluding Weekly Options.

FY2020	
Annual Ave.	y/y
<b>101,917 contracts</b>	<b>(15.8 %)</b>
<b>91,743 contracts</b>	<b>(16.6 %)</b>
<b>1,076,399 contracts</b>	<b>(12.3 %)</b>
<b>JPY 26.5 bil.</b>	<b>(1.3 %)</b>
<b>29,090 contracts</b>	<b>(26.6 %)</b>
<b>363 mil. contracts</b>	<b>(11.8 %)</b>
<b>19.51 mil. Contracts</b>	<b>(8.9 %)</b>

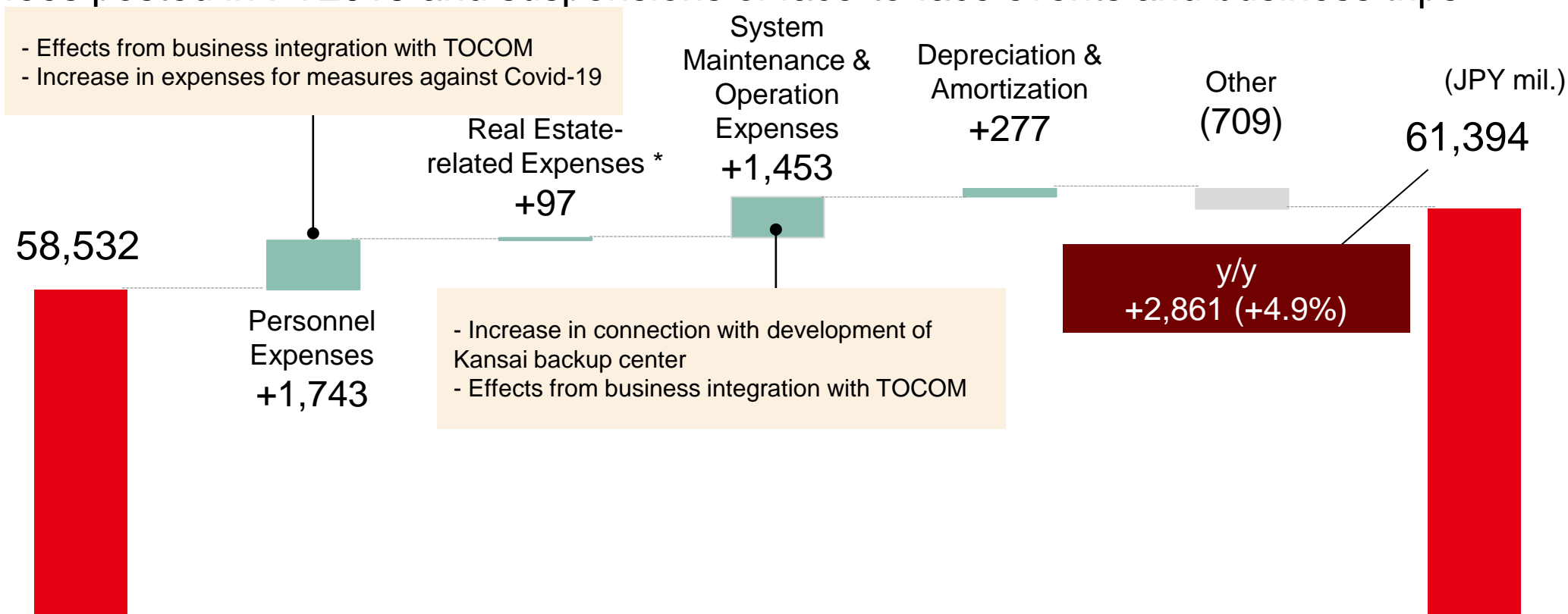
# Operating Revenue

- Revenues from trading services and clearing services increased due to an increase in cash equities trading.
- Listing services revenue grew due to growth in ETF AUM and an increase in the amount raised by listed companies.
- Revenues from information services remained strong due to an increase in market data usage fees resulting from increased market data usage.
- Other operating revenues decreased due to a decline in income from service provision, such as that for trading systems due to the business integration with TOCOM.



# Operating Expenses

- Personnel expenses increased due to effects from the business integration with TOCOM, as well as implementation of various measures against Covid-19.
- System maintenance & operation expenses and depreciation & amortization increased due mainly to development of the Kansai backup center and effects from the business integration with TOCOM.
- Other operating expenses decreased due mainly to the decrease from financial advisor fees posted in FY2019 and suspensions of face-to-face events and business trips.

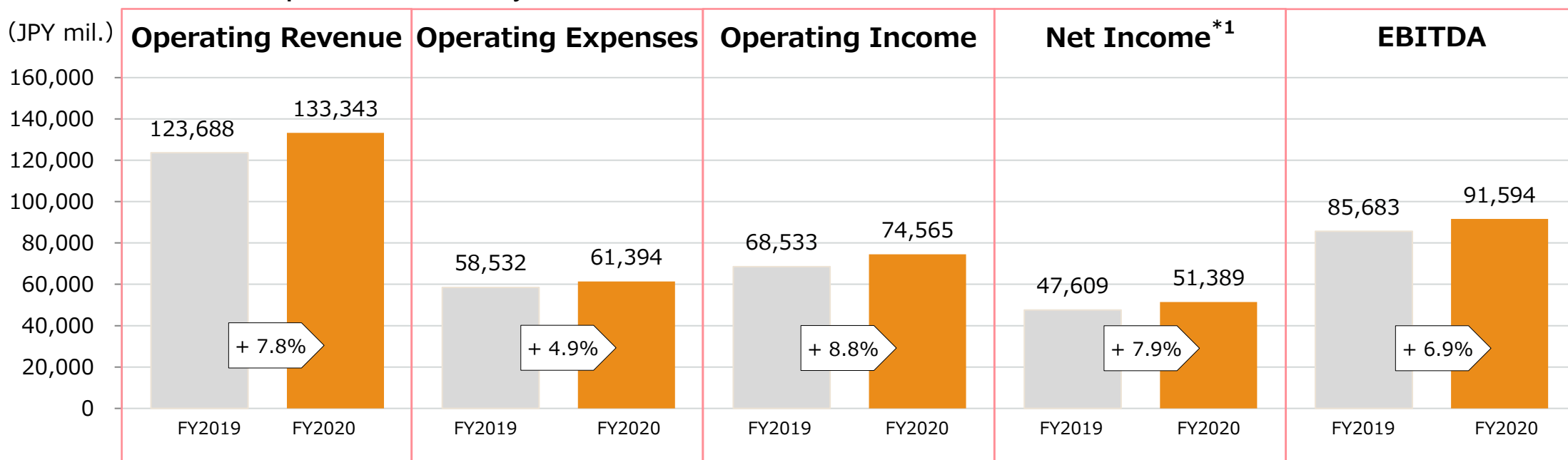


FY2019  
(Full Fiscal Year)

\*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.

FY2020  
(Full Fiscal Year)

- Operating expenses increased due mainly to increases in system maintenance & operation expenses and depreciation & amortization. However, this was surpassed by growth in operating revenue associated with an increase in cash equities trading. As a result, net income increased by 7.9% from the previous fiscal year.



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

## ➤ Average Daily Trading Volume/Value of Major Products

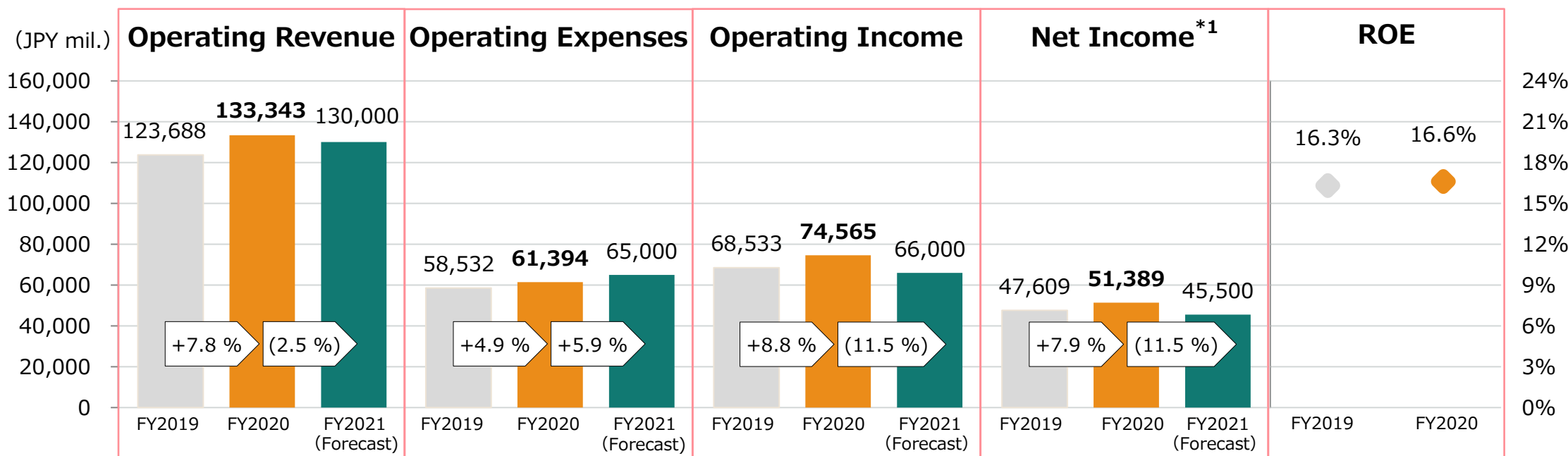
	FY2019	FY2020	
			y/y
Cash Equities (trading value) *1	JPY 3,081.1 bil.	JPY 3,483.8 bil.	+13.1 %
TOPIX Futures (trading volume)	121,034 contracts	101,917 contracts	(15.8 %)
Nikkei 225 Futures (trading volume) *2	232,821 contracts	199,383 contracts	(14.4 %)
Nikkei 225 Options (trading value) *3	JPY 26.8 bil.	JPY 26.5 bil.	(1.3 %)
10-year JGB Futures (trading volume)	39,640 contracts	29,090 contracts	(26.6 %)

\*1 Total value of daily averages of auction and off-auction trading of common stocks on 1st/2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs etc.

\*2 Contracts of Nikkei 225 mini are calculated using a factor of 1/10. \*3 Excluding Weekly Options.

# FY2021 Forecast

- The market conditions for cash equities average daily trading value, which serves as a base for the forecast, is assumed to be consistent with the previous year. Thus, operating revenue is forecast the same level as that in FY2020.
- Operating expenses are expected to increase by 5.9% year on year due to measures for stable market operation and medium- to long-term growth. As a result, operating income and net income are forecast to decrease by 11.5% from FY2020.



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

## ➤ Average Daily Trading Volume/Value of Major Products

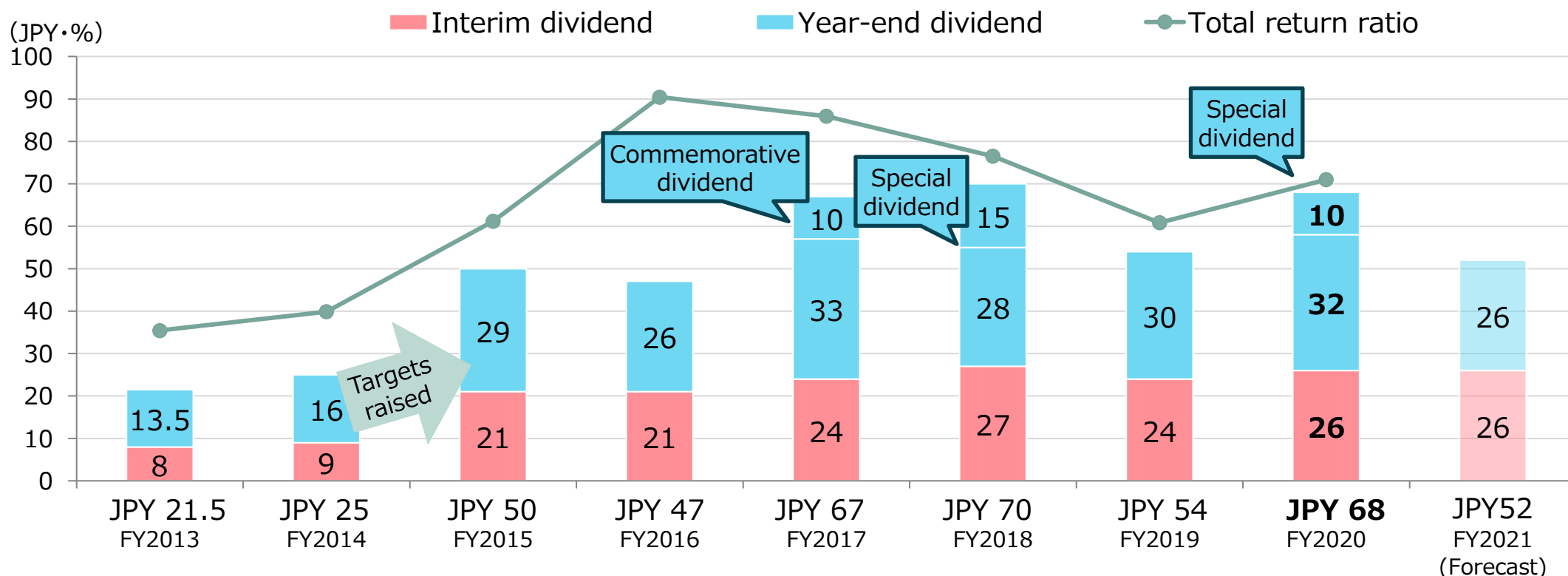
	FY2019	FY2020		FY2021 (Forecast)	
			y/y		y/y
Cash Equities (trading value) *1	JPY 3,081.1 bil.	JPY 3,483.8 bil.	+13.1 %	JPY 3,450.0 bil.	(1.0 %)
TOPIX Futures (trading volume)	121,034 contracts	101,917 contracts	(15.8 %)	108,000 contracts	+6.0 %
Nikkei 225 Futures (trading volume) *2	232,821 contracts	199,383 contracts	(14.4 %)	213,000 contracts	+6.8 %
Nikkei 225 Options (trading value) *3	JPY 26.8 bil.	JPY 26.5 bil.	(1.3 %)	JPY 26.5 bil.	(0.0 %)
10-year JGB Futures (trading volume)	39,640 contracts	29,090 contracts	(26.6 %)	36,000 contracts	+23.8 %

\*1 Total value of daily averages of auction and off-auction trading of common stocks on 1st/2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs etc.

\*2 Contracts of Nikkei 225 mini are calculated using a factor of 1/10. \*3 Excluding Weekly Options.

# Dividends, etc.

- Since FY2015, JPX has raised its target dividend payout ratio from approx. 40% to approx. 60%.
- Between July 2016 and May 2017, JPX acquired approx. JPY 20 billion worth of its own shares (approx. JPY 12.5 billion in FY2016 and approx. JPY 7.5 billion in FY2017).
- In FY2020, in addition to an ordinary dividend of JPY 58 per share, JPX will pay a special dividend of JPY 10 per share considering, among others, performance exceeding the financial targets set out in the 3rd Medium-Term Management Plan and the support of shareholders amid the Covid-19 pandemic.



\*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.

- Acquire own shares to enhance shareholder returns by implementing a swift and flexible capital measure

<b>Details of Acquisition of Own Shares</b>	
Total value of shares to be acquired (max.)	JPY 20 bil.
Total no. of shares to be acquired (max.)	20 mil. shares (3.7% of total no. of shares issued)
Acquisition Method	Purchase in the market of Tokyo Stock Exchange
Acquisition Period	Apr. 30, 2021 – Oct. 26, 2021



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