

Summary of Q&A at JPX IR Day 2022

Japan Exchange Group, Inc.

(Held on July 5, 2022)

(1)

Q: How much do you expect the Demonstration Project for the Carbon Credit Market will contribute to revenue?

A: (Yamaji) The Demonstration Project for the Carbon Credit Market will be the first step towards the future, and we are currently unsure how much the trading volume will be. So, it is difficult for us to know how it will contribute to revenue from a quantitative perspective at this point.

As other countries have committed to becoming carbon neutral by 2050, it is essential for Japan to create an effective domestic carbon credit market as a national strategy. Therefore, rather than pushing forward and setting up revenue targets at this stage, we would like to verify the trading volume, effectiveness, frequency, and other things in order to lay the foundation for the demonstration project.

(2)

Q: If regulations are relaxed with respect to the upper limits for trading volume of proprietary trading systems (PTSs), what kind of changes do you expect to see in the outlook for the competitive environment and trading shares of Tokyo Stock Exchange, Inc. (TSE)?

A: (Yamaji) We understand that the deregulation of PTS will be discussed at the Financial System Council. It will be good if a more competitive environment revitalizes the Japanese market as a whole.

We believe that better services for investors and listed companies are in demand, so we are working on various initiatives for this.

(3)

Q: Some companies listed on TSE's new market segment, the Prime Market, just barely satisfy the listing requirements from a practical point of view. Please tell us your thoughts on how you will operate the market going forward.

A: (Yamaji) The transition to the new market segments on April 4 was not the end of our efforts; it was just the beginning. As such, we have established a follow-up council to discuss various matters.

In this market restructuring, we have clarified the concepts of each market, and companies have selected a market segment on which to be listed with their board of directors' resolution. Therefore, a company listed on the Prime Market is supposed to operate its business and take actions with global investors in mind. We believe increasing the standards of listed companies will revitalize the entire market, so we will take different approaches depending on the situation for each listed company.

(4)

Q: Initial public offering (IPO) prices in Japan and the price-setting process were discussed by an external group. Considering recent plummeting stock prices on the market for growth companies, I think such prices might have been overestimated. Could you give us your comments on this?

A: (Yamaji) As the IPO price is determined by a listed company and a securities company based on the demand for the IPO, we are not in a position to give any comments about this matter.

IPO conditions are influenced by market conditions, but listing is an important fundraising tool for startups. As a market operator, we have to provide options for businesses and investors.

(5)

Q: For the three months leading up to June following the market restructuring, there seems to be little difference between the trading value of the TSE 1st Section and the Prime Market within the cash equity market. Could you provide any comments regarding whether the trading value of the Prime Market and its presence are what JPX expected?

A: (Yamaji) Although we are paying attention to the trading value, we have not set a target for the recent months. It is a transitional period, and currently, the difference between the number of companies listed on the TSE 1st Section and Prime Market is only about 300, as those companies chose to move from the TSE 1st Section to the Standard Market. Therefore, we did not expect a large difference in trading value for the first three months.

(6)

Q: Do you intend to increase the number of listed ETFs to have more ETF product variety in the future, or have you already done this?

A: (Yamaji) With respect to ETFs, we have heard various demands from various parties including local financial institutions. Obviously, it is not enough to simply increase the number of ETFs. So, we would like to continue working on the creation of new ETFs with asset management companies while assessing substantial demands.

(7)

Q: Concerning "Strengthen functionality of interest rate-related markets" indicated in the presentation material, may I ask about your strategies for introducing interest rate products?

A: (Iwanaga) As we have short-term interest rate products on the market, by using the settlement functions of the Group's Japan Securities Clearing Corporation (JSCC), it is possible to offset risks between long-term and short-term interest rate products and carry out cross margining for JGBs and interest rate swaps. We endeavor to list highly functional products such as these.

(8)

Q: If the trading volume of electricity futures increases five-fold, how will that contribute to revenue? Also, could you comment on any progress in discussions concerning the consolidation of Tokyo Commodity Exchange, Inc. (TOCOM) and Osaka Exchange, Inc. (OSE)?

A: (Iwanaga) Expanding the trading volume five-fold is a challenging task, but the target number of contracts is still limited. As we intend to restore profitability to TOCOM as early as possible, we will continue increasing the number of contracts for electricity trading while reducing costs.

Given the position of TOCOM as an energy market, TOCOM and OSE will maintain their current organizational structures for the time being. Still, our aim for effective market operations through early integration remains the same.

(9)

Q: What do you think are the competitive advantages of the JPX Group in the digital securities market? How many years do you predict it will take to establish a secondary market?

A: (Miyahara) One of the competitive advantages that the JPX Group has is neutrality. After announcing the establishment of JPX Market Innovation & Research, Inc. (JPXI) and setting forth the creation of a digital securities market, contrary to our expectations, we have been approached by many external parties. I believe this is because our activities as a market infrastructure so far have been appreciated. Using this advantage, we will create a digital securities market in cooperation with many parties.

Concerning the timeline, we have set out to launch in three years as established in the Medium-Term Management Plan 2024. We will advance this initiative according to the Plan.

(10)

Q: What business areas does JPXI expect to target with the M&A?

A: (Miyahara) At this time we have nothing in particular to tell you regarding which areas we intend to focus on, as we are still exploring the possibilities for various businesses with several external organizations.

(11)

Q: What are JPXI's numerical targets in terms of its contribution to the JPX Group, for instance, revenue and efficiency?

A: (Miyahara) We have integrated the JPX Group's data and digital businesses. For example, new technologies may be used throughout the entire JPX Group going forward.

Information services currently account for approximately 20% of all revenue. We will raise this percentage to contribute to revenue across the entire JPX Group.