

JPX Investor Day 2023



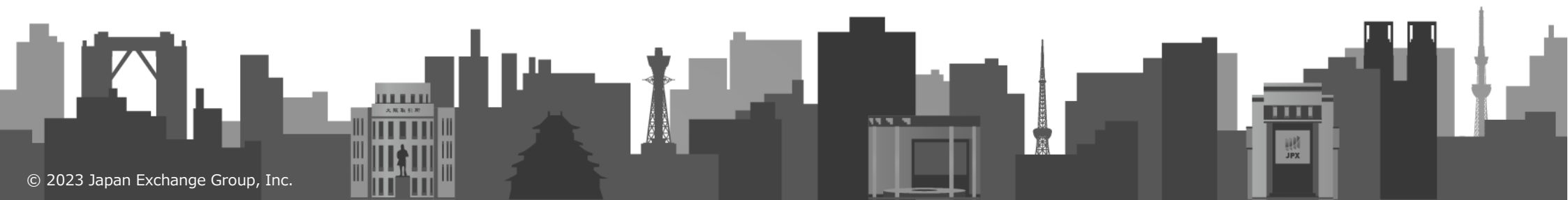
Data and Digital Services

Exchange & beyond

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

Miyahara Koichiro

July 6, 2023



- 1. Measures Related to Index and Data Services**
- 2. Measures Related to DX and Digitalization**



1. Measures Related to Index and Data Services



New index: JPX Prime 150 Index

- Started calculation of the **JPX Prime 150 Index**, a new stock price index focusing on **value creation** from July 3, 2023.
- From **the top 500 companies listed on TSE Prime Market by market capitalization**, which are subject to high corporate governance standards, **150 companies were selected with a focus on their value creation**. Value creation is estimated using two indicators: **equity spread** (ROE – cost of equity capital), which is an evaluation of financial and other fundamentals, and **PBR**, which is a market valuation that includes future information and non-financial information.
- The index is designed to help investors see which of the leading Japanese companies are expected to create value, and to make the index and its constituent stocks the target of medium- to long-term investment by institutional and individual investors in Japan and abroad. This will then contribute to the expansion of value-based management and will increase the appeal of the Japanese stock market.

JPX Prime 150 index concept

Index composed of leading Japanese companies that are estimated to create value

Stock selection method for 150 companies

Screening by market capitalization

- Top 500 stocks by market capitalization among all Prime Market issues as of the rebalance base date.
 - Excludes stocks that do not meet continued listing criteria and stocks designated as Security to Be Delisted.

✓ Selection of value-creating companies from two aspects: equity spread and PBR

Selection 1 Estimated equity spread Criteria

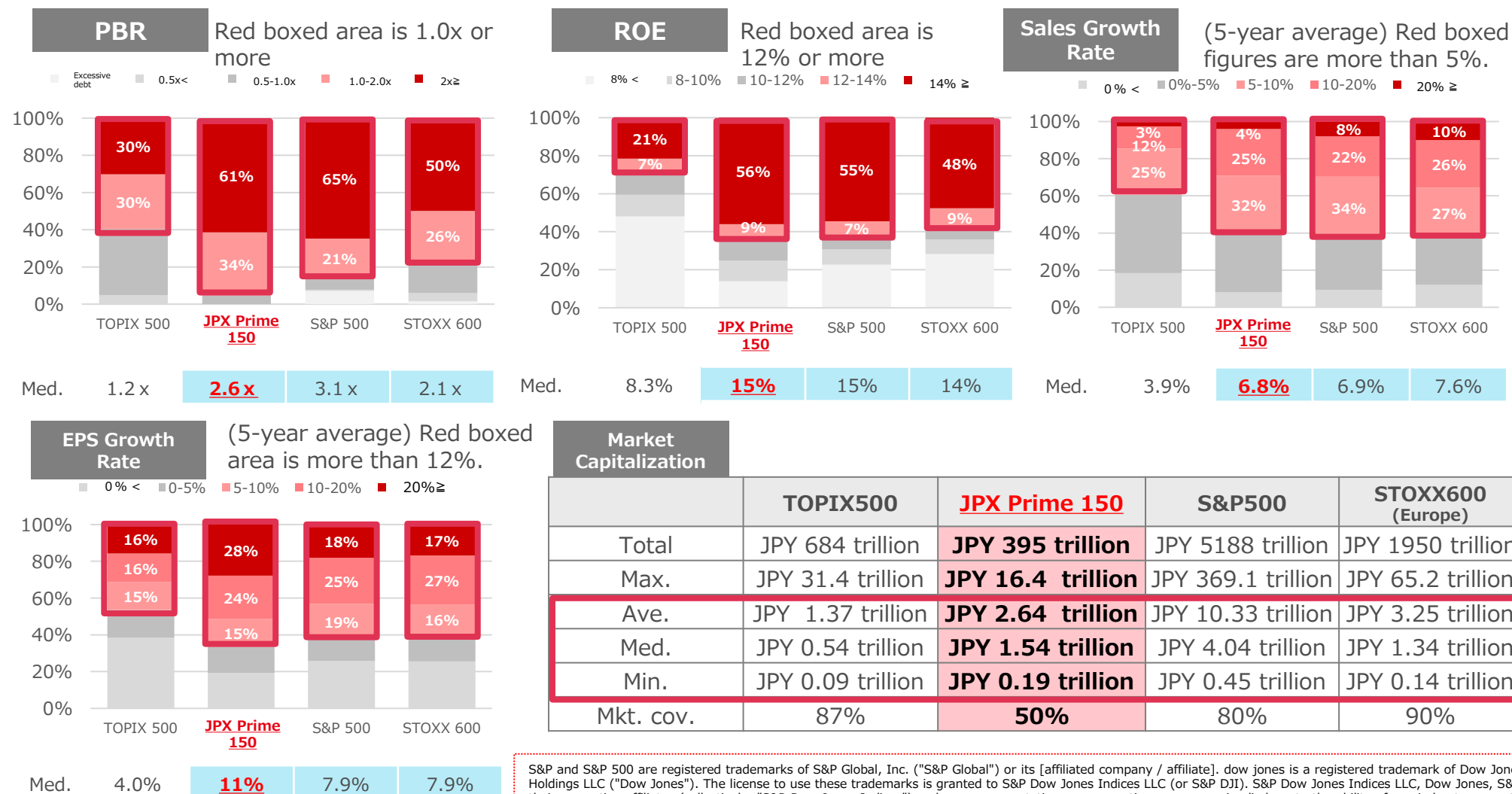
- Select companies that are estimated to create value based on their financial performance
 - Top 75 companies in terms of estimated equity spread (= ROE – Cost of Capital)

Selection 2 PBR Criteria

- Select companies that are estimated to create value based on market valuation
 - The top 75 companies by market capitalization among stocks with P/B over 1x, excluding those selected based on selection 1 above.

Comparison of the new index with U.S. and European indices

- Distribution of component stocks in terms of PBR, ROE, growth ratio, and market capitalization, are globally comparable to the major U.S. and European indices (S&P 500, STOXX 600)

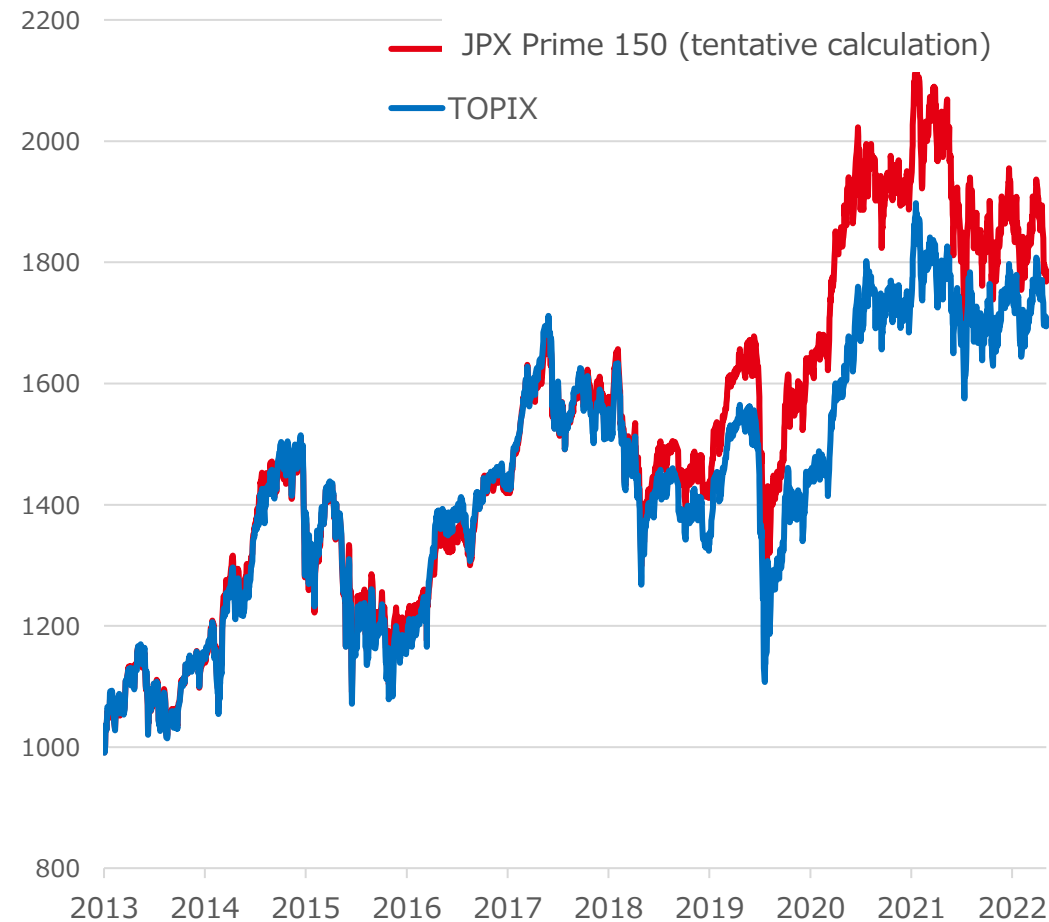


S&P and S&P 500 are registered trademarks of S&P Global, Inc. ("S&P Global") or its [affiliated company / affiliate]. Dow Jones is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"). The license to use these trademarks is granted to S&P Dow Jones Indices LLC (or S&P DJI). S&P Dow Jones Indices LLC, Dow Jones, S&P Global, and their respective affiliates (collectively, "S&P Dow Jones Indices") make no representations or warranties, express or implied, as to the ability of any index to accurately represent the asset classes or market sectors it purports to represent, and S&P Dow Jones Indices and its third party licensors make no representations or warranties whatsoever as to the accuracy of any index or the data contained therein. S&P Dow Jones Indices and its third-party licensors shall not be liable for any errors, omissions, or interruptions in the Index or the data contained therein. Past performance is not an indication or guarantee of future results. STOXX Limited ("STOXX"), Deutsche Borse Group and its licensors, research partners or data providers make no warranties or representations regarding the timeliness, sequence, accuracy, completeness, currentness, merchantability, quality or fitness for a particular purpose of its index data and exclude any related Neither STOXX, Deutsche Borse Group nor its licensors, research partners or data providers are providing investment advice through or in connection with the publication of the Index. In particular, the inclusion of companies in the index, their weighting, or the exclusion of companies from the index does not reflect the opinion of STOXX, Deutsche Borse Group and its licensors, research partners or data providers as to the performance of such companies. Financial instruments based on the STOXX or DAXR indices are not sponsored, endorsed or promoted by STOXX, Deutsche Borse Group, its licensors, research partners or data providers in any way.

(Source: Bloomberg, as of May 16, 2023)

Reference performance of the new index, etc.

Reference Performance (Aug. 2013 – Dec. 2022)



(Note 1) Record date August 29, 2013 at 1,000 points.

(Note 2) The "JPX Prime 150 (tentative calculation)" is an estimation model based on the assumption that the initial selection was made in 2013 and the priority rule for the stocks used in the previous year was applied in the rebalance. It does not have continuity with the "JPX Prime 150 Index," which will be initially selected with May 26, 2023 as the base date and will be calculated from July 3, 2023.

Top 10 Companies (May 16, 2023)

	JPX Prime 150			TOPIX		
	Code	Issue	Weight	Code	Issue	Weight
1	6758	Sony Group	5.6%	7203	Toyota	3.5%
2	6861	Keyence	4.2%	6758	Sony Group	3.0%
3	9432	NTT	3.3%	6861	Keyence	2.2%
4	4568	Daiichi Sankyo	2.6%	8306	Mitsubishi UFJ	1.8%
5	4502	Takeda	2.5%	9432	NTT	1.8%
6	6501	Hitachi	2.4%	4568	Daiichi Sankyo	1.4%
7	7974	Nintendo	2.3%	8316	Sumitomo Mitsui Financial Group	1.4%
8	8035	Tokyo Electron	2.2%	4502	Takeda	1.3%
9	9433	KDDI	2.1%	6501	Hitachi	1.3%
10	7741	HOYA	2.1%	7974	Nintendo	1.2%

Tracking Error vs TOPIX *

Index	Tracking Error (TE)
TOPIX	—
TOPIX500	0.66%
JPX Prime 150	3.2%

* Degree of deviation of returns from TOPIX (annualized standard deviation of return differences. Estimates by JPXI)

■ Revision status

- Breakdown of TOPIX constituents by market segment

(May 31, 2023)

	All	Prime	Standard	Growth
The Number of TOPIX Constituents	2,157	1,831	326	0

- The transition accompanying the revision of the calculation method for the free-float weight will be implemented and completed in three stages in April, May, and June 2022.
- Actions to TOPIX phased weighting reduction constituents **is progressing on schedule**
 - In October 2022, published phased weighting reduction constituents (stocks with tradable share market capitalization of under JPY 10 billion) .
Implementing a gradual weighting reduction from the end of October 2022 to the end of January 2025.
 - October 2023, the results of the re-evaluation of TOPIX phased weighting reduction constituents are scheduled to be announced.

■ Future initiatives

- The rules for selecting TOPIX constituents after the completion of this transition will be decided by the end of this year, after soliciting a wide range of opinions during the Index Consultation, and **by the summer of next year.**

Development of new indexes, etc.

- Launched the S&P/JPX 500 ESG Score Tilt Index, an index based on the TOPIX 500 and using an ESG score determined by comprehensively considering ESG factors, and the FTSE JPX Net Zero Japan 500 Index, an index specializing in the environment.
- Began calculating the Kyodai Kawakita/JPX Japan Index as an index designed to contribute to long-term investment in Japanese equities.
- We will continue to focus on the promotion and creation of financial products for these indices, as well as developing indices that meet the needs and current trends of the market.

	S&P/JPX 500 ESG Score Tilt Index	FTSE JPX Net Zero Japan 500 Index	Kyodai Kawakita/JPX Japan Index
Feature	ESG Composite	Environment-specific	For long-term investment
Universe	TOPIX 500	TOPIX 500	All companies listed on the TSE
Concept	<ul style="list-style-type: none"> ✓ Based on the S&P DJI ESG score, the objective is to improve the ESG score compared to the underlying index. ✓ The composition ratio will be weighted according to the score while maintaining industry and sector neutrality. 	<ul style="list-style-type: none"> ✓ In line with the EU's Climate Transition Benchmark (CTB) standards, aiming to achieve "net zero" in assets under management by 2050. ✓ The weights of constituents are adjusted to meet the respective targets for carbon emissions, fossil fuel reserves, green revenues, etc. 	<ul style="list-style-type: none"> ✓ Developed to contribute to long-term investment in Japanese equities with the goal of achieving above-market average performance. ✓ Kyoto University selects constituents based on sales growth rate, profitability of products and services (uniqueness), efficiency of invested capital, efficiency of shareholders' equity, capital structure, level of overseas development capability, and stability of these criteria. ✓ Equal weighting
Calculation Commence Date	March 28, 2022	April 21, 2022	January 30, 2023

■ Approach policy

- Challenge ourselves to diversify dissemination content and methods to meet the growing demand for automated data processing.
- Aiming to further enhance investment-related information and promote its utilization based on cooperation with various stakeholders.
- Enhance ESG-related information, for which demand is expected to increase.

■ Main initiatives

1	Diversification of Dissemination Contents and Methods	Release of API Distribution Service J-Quants API (Paid Version) for Retail Investors (April 2023)
		Promote the use of HTML for earnings reports (from Dec. 2021)
2	Expansion and Improvement of Listed Company Information	Capital and business alliance with Minsetsu, an IR communication platform called "Minna no Setsumeikai" (everyone's briefing) (October 2022)
		SCRIPTS Asia, a Japanese-English event transcript provider, became a wholly-owned subsidiary (February 2023)
3	Creation of ESG-related Services	Launch of ESG Bond Information Platform (July 2022)
		Launch of "JPX Listed Company ESG Information Web" (October 2022)

2. Measures related to DX and Digitalization



Approach policy

- Strengthen relationships with key players in the digital asset ecosystem
- Aiming to create digital asset-related businesses in the area of digital bonds for institutional investors.

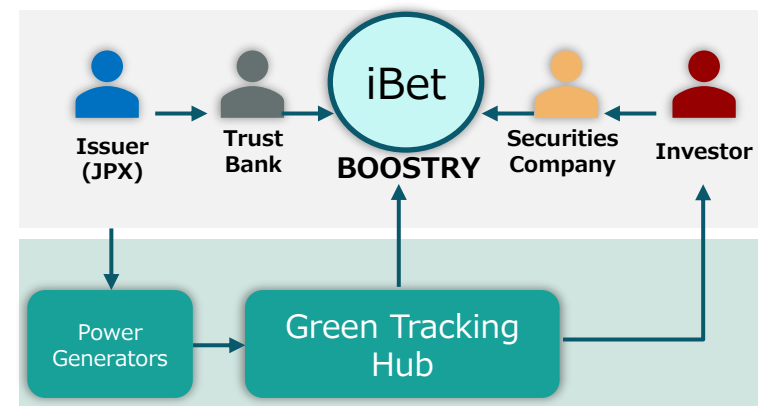
Main initiatives

Strengthen relationships with key ecosystem players

Area	Target	Initiative
Security Tokens	iBet (BOOSTRY)	<ul style="list-style-type: none"> • Digitally Tracked Green Bond issued (June 2022) • Capital Participation (March 2023)
	Progmatt (Mitsubishi UFJ Trust and Banking)	<ul style="list-style-type: none"> • Consortium participation (June 2022) • Start considering establishing a JV (from December 2022)
Digital Currency	Digital Currency Forum (DeCurret DCP)	<ul style="list-style-type: none"> • Forum participation (June 2022)

Moving Toward the Use of Digital Bonds

- Issued Japan's first institutional x security token x ESG investment bond, **Digitally Tracked Green Bond** (June 2022)
- Establish a green tracking hub that discloses automatically measured data from power generation facilities to investors (August 2022).



- Study panel on the use of digital bonds in ESG investment held from September 2022 (64 companies/organizations participated). Final report was published in April 2023.

- Sustainability promotion is something that should be addressed by JPX as a market operator and as an operating company as a whole, but the measures that JPX Market Innovation & Research, Inc. will focus on will include strengthening functions related to the **dissemination and collection of ESG-related information and ESG-related index providers**.

ESG Bond Information Platform

- Developed the “**ESG Bond Information Platform**”, which compiles information on ESG bonds issued through public offerings.
- Establishment of “**JPX Listed Company ESG Information Web**”, a centralized collection of ESG-related information on listed company.

ESG Investment Products Enhancement

- Issuance of **Digitally Tracked Green Bonds**.
 - Providing a “**Green Tracking Hub**” website for visualization of greenness indicators.
-
- Calculate and publish **stock price indexes that incorporate ESG factors**
 - Listing of ETFs and ETNs linked to ESG-related stock indices
 - Developing an “infrastructure fund market” to invest in renewable energy generation facilities.

- This English version is not an official translation of the original Japanese materials. In cases where any differences occur between the English version and the original Japanese version, the Japanese version shall prevail. Japan Exchange Group, Inc. (“JPX”) and its subsidiaries, including Tokyo Stock Exchange, Inc., accept no responsibility or liability for damage or loss caused by any error, inaccuracy or misunderstanding with regard to this translation. This translation may be used for reference purposes only. JPX and its subsidiaries maintain the right to claim compensation for any damage or loss it may suffer from the violation of these conditions.
- This document is prepared solely for the purpose of providing information regarding JPX and its subsidiaries, and as such, it is not intended as an offer or sale of securities or other similar action whether inside or outside Japan. Our securities have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.
- This document contains forward-looking statements. These statements are based on our assumptions and beliefs in light of the information currently available to us and are subject to risks and uncertainties. These statements, including those on our business strategies, also reflect our current views or expectations, and thus they consider certain risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may vary materially from those we currently anticipate. As such, you are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of these materials. We disclaim any obligation to update the forward-looking statements contained in this material to reflect future events or developments.