

JPX IR Day 2021



Cash Equity Market

Total smart exchange

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President & CEO

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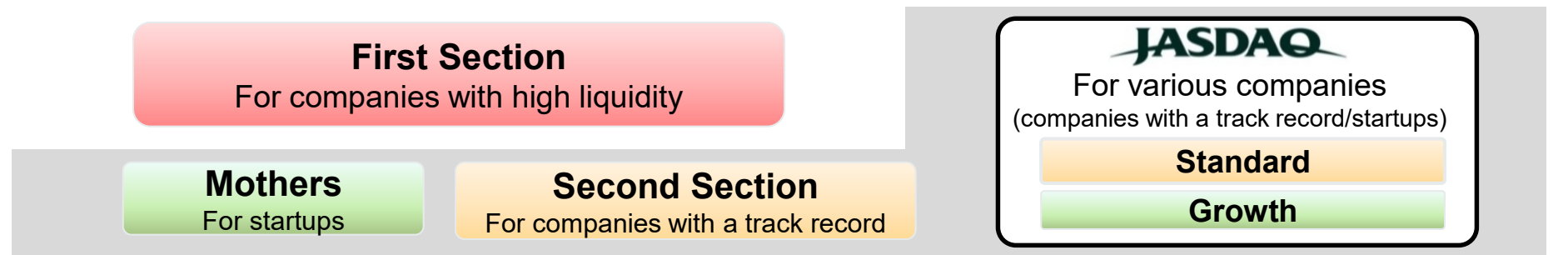
July 6, 2021



Market Restructuring

- TSE will implement a market restructuring on April 4, 2022, with the aim of supporting listed companies' sustainable growth and medium-to long-term corporate value improvement, therefore providing an attractive cash equity market that is highly rated by a diverse range of investors at home and abroad.

Current



New



Revisions to Japan's Corporate Governance Code

- Japan's Corporate Governance Code was revised based on the proposal from the Follow-up Council.
- From April 4, 2022, higher levels of governance will be applied to Prime Market-listed companies.

Main points

Ensuring Board Independence

- For **Prime Market-listed companies**, appoint enough independent directors to account for at least one-third of the board (where necessary, consider appointing enough independent directors to form the majority of the board).
- Establish a nomination committee and a remuneration committee (for **Prime Market-listed companies**, these should be comprised of a majority of independent directors).
- Disclose the skills (knowledge, experience, skills) that the board should have and the combination of skills that each board member possesses, in light of its managing strategies.
- Appoint independent directors with management experience at other companies.

Promoting Diversity in Core Human Resources

- Present policies and voluntary measurable goals for ensuring diversity in management by promoting women, foreign nationals and mid-career hires.
- Present policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation.

Attention to Sustainability and ESG

- For **Prime Market-listed companies**, enhance the quality and quantity of climate-related disclosure based on the TCFD recommendations or an equivalent international framework.
- Develop a basic policy for and disclose the company's sustainability initiatives.

Other Major Points

- For **Prime Market-listed companies with a controlling shareholder**, appoint a majority of independent directors or establish a committee to manage conflicts of interest between the controlling shareholder and minority shareholders.
- Establish an appropriate internal control and risk management system on an enterprise basis and oversee its operation status.
- For **Prime Market-listed companies**, further the use of electronic voting platforms and disclosure in English.
- Disclose basic policies regarding the business portfolio and the status of reviews of said portfolio.

Schedule for Market Restructuring and CG Code Revisions

Date	Revisions	Remarks
Nov. 1, 2020	Implemented the first set of revisions for the market restructuring.	<ul style="list-style-type: none"> Revised the initial listing criteria, etc. in advance.
Dec. 25, 2020	Published the second set of revisions for the market restructuring.	<ul style="list-style-type: none"> Overview of the new market segments (segment names, listing criteria, etc.), transitional measures, and transition process for listed companies
Jun. 11, 2021	Implemented the third set of revisions for the market restructuring.	<ul style="list-style-type: none"> Revised the CG Code. Revised listing-related fees.
Jun. 30, 2021	Base date for the transition	<ul style="list-style-type: none"> Notification sent to listed companies about procedures required for the market segment selection or documents to be submitted, etc. by around Jul. 9, 2021.
Sept. 1 to Dec. 30, 2021	<p>Listed companies to select their new market segments</p> <p>Listed companies to submit their corporate governance reports in accordance with the revised CG Code.</p>	<ul style="list-style-type: none"> Market segments selected in consideration of continued listing criteria for new market segments and the revised CG Code.
In January 2022	Publish results of the market segment selections	<ul style="list-style-type: none"> Publish the results on the JPX official website. Update results as needed when there are segment changes, etc.
Apr. 4, 2022	All companies transition to their new market segments	<ul style="list-style-type: none"> Transition completed

(1) Overview of TOPIX revisions

- The revisions aim to further improve TOPIX's functionality as an investable index as well as how accurately it represents the market, without being bound to market segments.
- The revisions will be carried out in stages, taking into account the large amounts of capital in TOPIX-based passive funds and the impact on the market.
- Periodic review rules for after the transition will also be created, taking into account opinions from related parties which will be gathered separately.

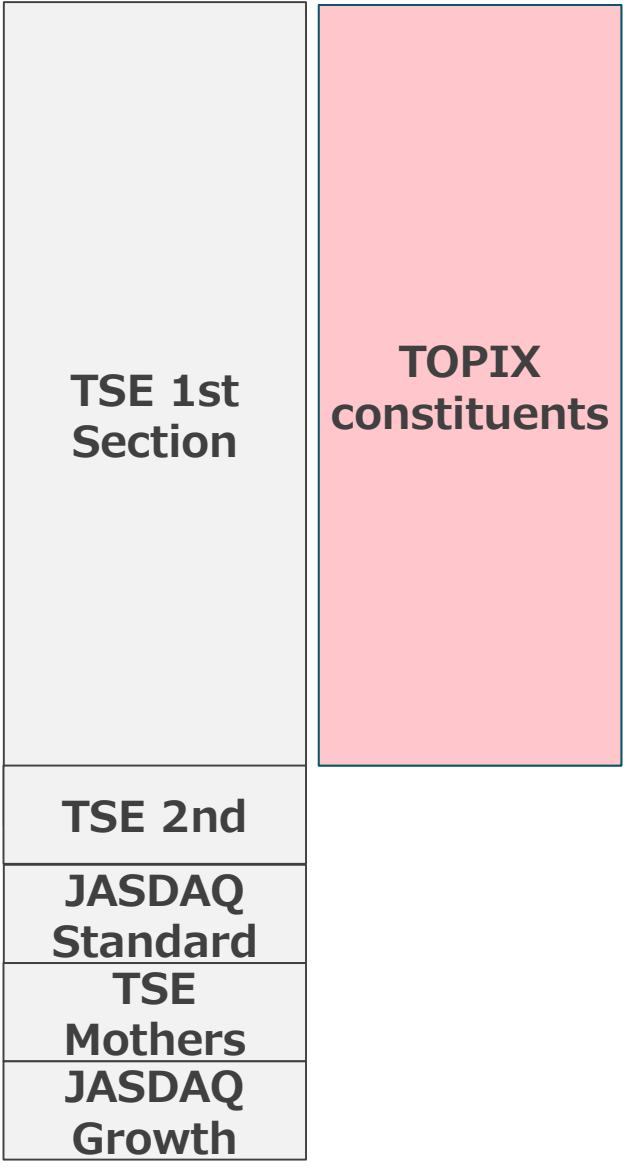
(2) TOPIX calculation, etc. during the transition period

- We introduced the "Index Consultation" system as a method to gather a wide range of comments from market-related parties on TSE's various index-related initiatives. Calculation rules have been determined as follows, through such a consultation.
- We also newly established an "Index Advisory Panel" as a venue to obtain opinions of index users from broad perspectives with the aim of further improving the operation of TSE indices.

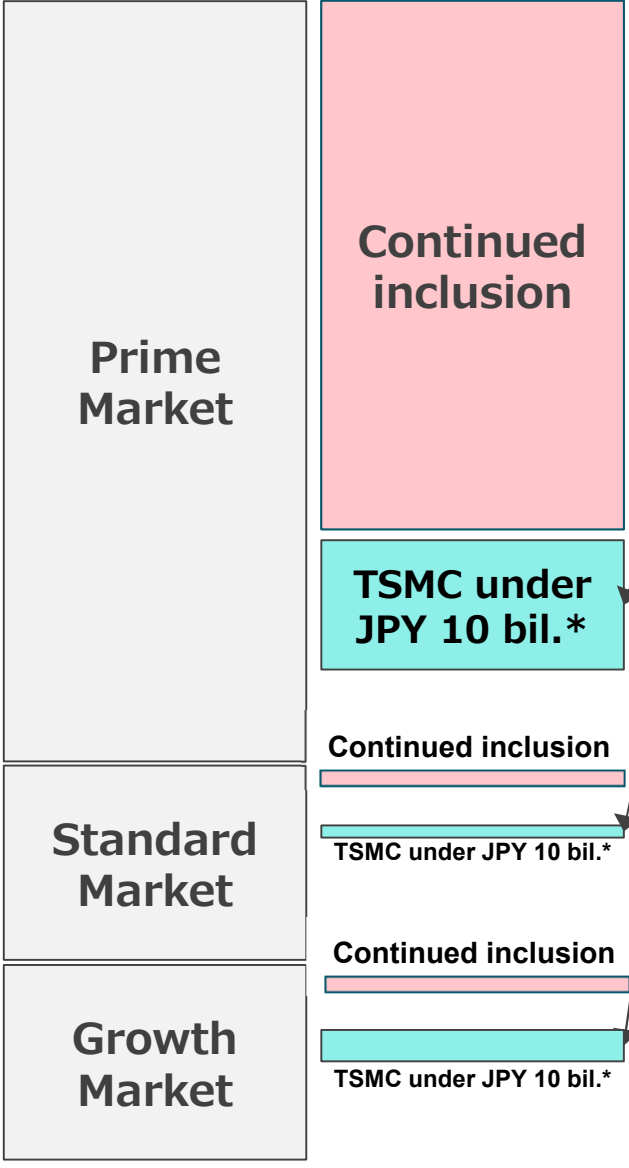
Item	Outline
Existing constituents	<ul style="list-style-type: none">• Constituents as of April 1, 2022 will continue to be included after the market restructure on April 4, 2022, regardless of their selected market segment.• However, constituents with tradable share market capitalization of under JPY 10 billion will be designated as "phased weighting reduction constituents" and their weighting will be gradually reduced every quarter in ten stages from the end of October 2022 to the end of January 2025.
Additions	<ul style="list-style-type: none">• Initial listings on or transfers to the Prime Market.
Removals	<ul style="list-style-type: none">• Designation as Securities to be Delisted, and delistings• Designation as Securities on Alert
Introduction of upper weighting limit	<ul style="list-style-type: none">• 10%

(Ref.) TOPIX Revisions

TOPIX before revisions



Transition period: from October 2022 to end of January 2025



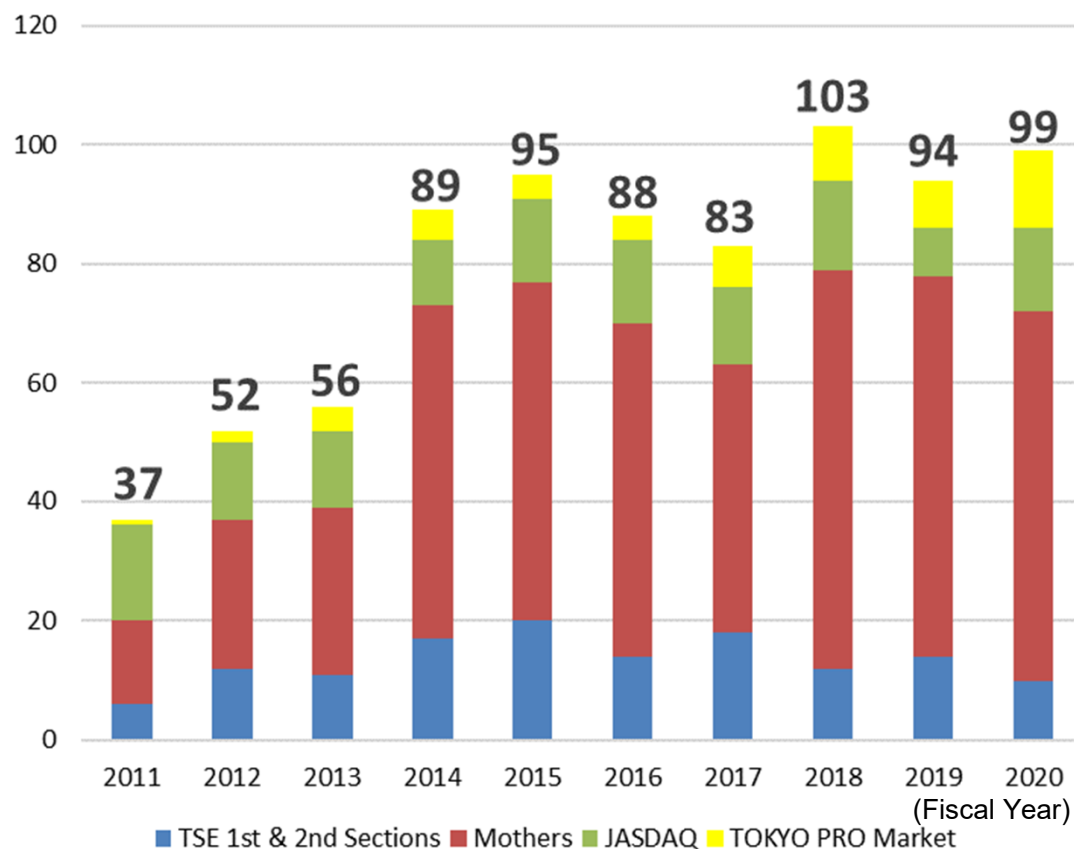
Current constituents to be included, regardless of selected market segments

*Weighting of companies with tradable share market capitalization (TSMC) under JPY 10 bil. to be phased out, and said companies removed from the index entirely on the last business day of January 2025

- Rules for periodic reviews after the transition will be decided through a separate index consultation.

Continued level of IPOs on TSE

- The number of initial listings on TSE in FY2020 safely retained its high level at 99.
- Appier Group, Inc., a Taiwanese start-up, was listed in March 2021.
- This fiscal year, too, Singaporean company OMNI-PLUS SYSTEM LIMITED was listed (June 29, 2021).
It is expected that IPOs by what we call “cross-border companies” will continue in the future as well, through corporate inversions (switching company registration to Japan) and the JDR scheme.



Main listings of Asian cross-border companies

Company Name	Listing Market (Listing Month)	Sector	Market Cap (End of Jun. 2021)
OMNI-PLUS SYSTEM (Singapore)	Mothers (Jun. 2021)	Wholesale trade	JPY 27 bil.
Appier Group (Taiwan)	Mothers (Mar. 2021)	Info-comms	JPY 159.3 bil.
AXXZIA (China)	Mothers (Feb. 2021)	Chemicals	JPY 41.9 bil.
WA (Korea)	Mothers (Nov. 2019)	Retail trade	JPY 14.7 bil.
RS Technologies (China)	Mothers (Mar. 2015)	Metal products	JPY 84.5 bil.
W-SCOPE (Korea)	TSE 1st Section (Dec. 2011)	Electrical appliances	JPY 34.6 bil.
NEXON (Korea)	TSE 1st Section (Dec. 2011)	Info-comms	JPY 2.2 tril.

- Implemented initiatives through the below three strategies under the core strategy “Diversify and Propel Data Services into the Next Generation”.
- Achieved the main goals of creating 10 new services and 150 new customers.

Three strategies for diversifying data services

	(1) Utilize JPX’s internal data	(2) Cooperate with external partners	(3) Develop new customer base
Outline	Aim to enhance data business through (1) creating services using unpublished data generated internally and (2) improving and adding value to already distributed data.	Create new content via proactive cooperation with external partners. Aim to provide new investment opportunities and to streamline and enhance business operations.	Encourage fintech companies, domestic and overseas financial instruments business operators and others to generate new services using securities data.
Example	<ul style="list-style-type: none"> - Transaction breakdown data service - TSE API service 	<ul style="list-style-type: none"> - Event transcript service (collaboration with SCRIPTSAsia) - Securities finance data (collaboration with IHS Markit) 	<ul style="list-style-type: none"> - Launch of Promotional Program on Market Data Fees - Data Sandbox Program

Initiatives for Invigorating the ETF Market

- TSE has repeatedly implemented a cycle of research, trading rules and functions improvement and product line-up expansion, and promotion.
- In addition to showing the attractiveness of investing to retail investors, TSE has also implemented improvements of rules and functions and promotion focusing on financial institutions.
- As a result, REIT, foreign equity and bond-based ETFs have grown without relying on ETF purchases by the BOJ and leveraged/inverse products.

Trading rules and functions improvement

Improved Market Making Incentive Scheme:	Narrowed ETF eligibility to provide liquidity that can accommodate demand from institutional investors in Market Making Incentive Scheme version 2.0. (April 2019)
Improved convenience of ETF creation and redemption:	Launched ETF Creation/Redemption clearing (January 2021)
Development of request-based services:	Launched web-based platform “CONNEQTOR”. (February 2021)
Revisions to tick sizes:	Planning revisions to tick sizes to reduce execution costs (scheduled for October 2021)

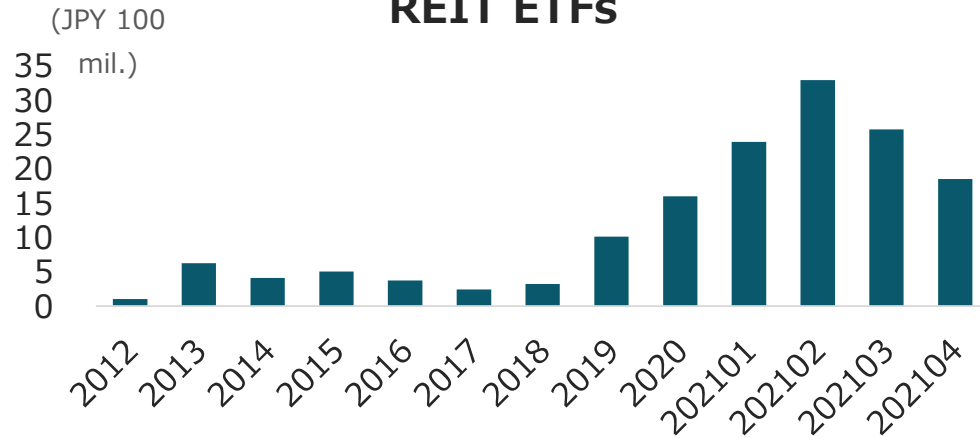
Product lineup expansion

Listed 9 foreign equity ETFs and 4 foreign bond ETFs to diversify asset classes (FY2020)

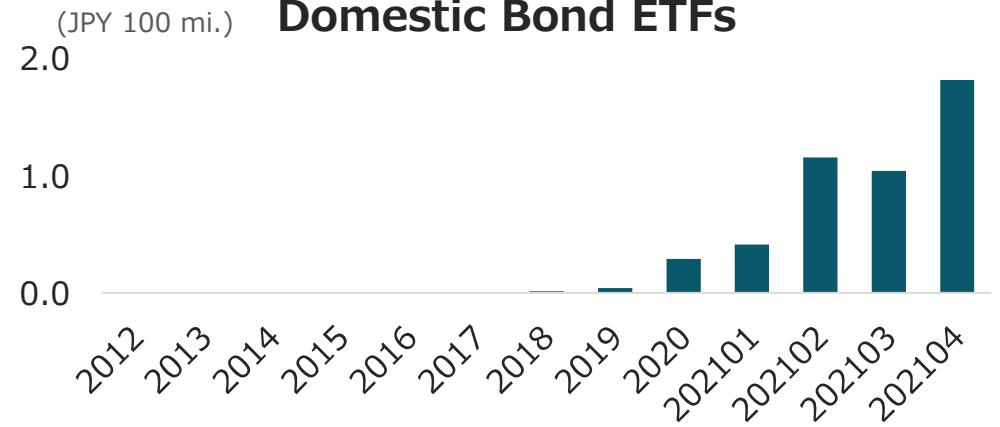
Promotion

Approached more than 500 financial institutions (approx. 75% of domestic financial institutions) (as of the end of June 2021)

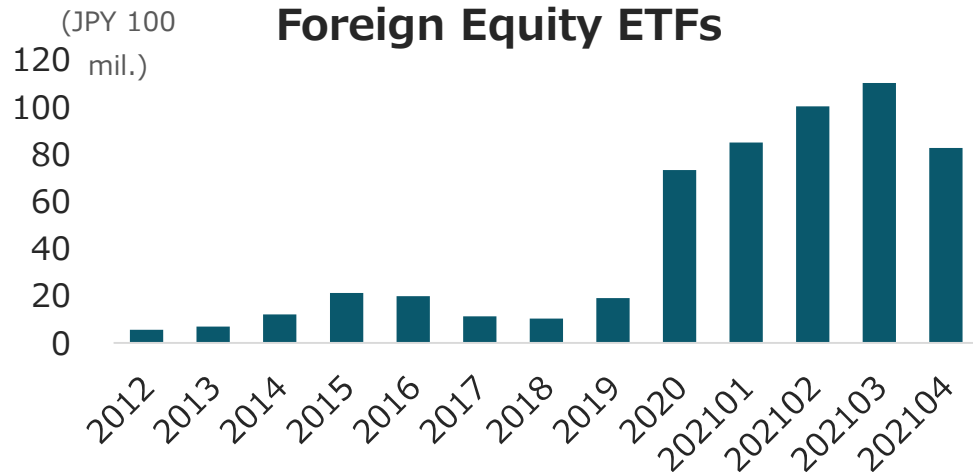
REIT ETFs



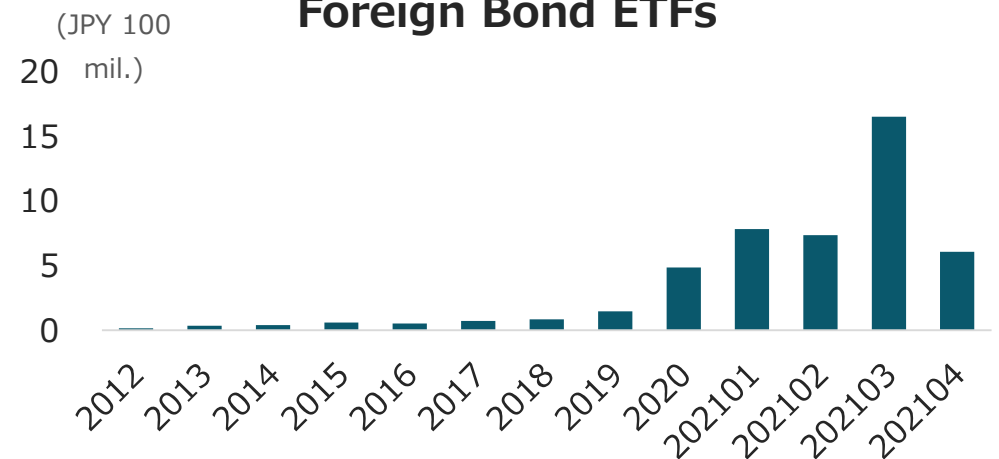
Domestic Bond ETFs



Foreign Equity ETFs



Foreign Bond ETFs



- CONNEQTOR is an ETF trading platform for institutional investors.
- A Request For Quote (RFQ) trading method is employed, which means institutional investors designate issues and quantities (or monetary amounts), etc. and market makers indicate prices in response.
- As block trades can be made smoothly, this enables easier trading of bond ETFs, etc.
- In 5 months from the go-live, accumulated trading value has exceeded JPY 10 billion.

Allows offers with monetary amounts
(no. of units is automatically adjusted to fit)

Only the best price is displayed. Market makers can
change this as many times as they wish, and it is updated
in real time according to market conditions



The screenshot shows the CONNEQTOR trading platform interface. On the left, there is a sidebar with navigation options: '機関投資家' (Institutional Investor), '気配提示依頼' (Request for Quote), '取引履歴' (Trade History), and 'お知らせ' (Notice). The main area displays a list of ETFs under the heading '追加された銘柄一覧' (List of Added Stocks). The selected ETF is '1306 TOPIX連動型上場投資信託' (1306 TOPIX-linked listed investment trust). The right panel shows the RFQ details for this ETF, including the '野村アセットマネジメント' (Nomura Asset Management) logo, a '売' (Sell) button, and a '買' (Buy) button. The '金額または口数' (Amount or Number of Shares) is set to 310,000,000. The '利用証券会社' (Brokerage Firm) is '三菱UFJ モルガン・スタンレー証券' (Mitsubishi UFJ Morgan Stanley Securities). The RFQ ID is 00000. The '最良提示価格' (Best Bid Price) is 1,012.9, and the 'サイド' (Side) is '投資家 買い' (Investor Buy). The '約定代金' (Settlement Amount) is 3億998万6,433円 (399,864,333 JPY), the '数量' (Quantity) is 168,590口 (lots), and the '決済日' (Settlement Date) is 12月30日 (T+4). A blue '取引実行' (Execute Trade) button is visible. The bottom of the screen shows '提示 2社 | 拒否 0社 | 待ち 8社' (2 quotes, 0 rejections, 8 pending) and the time 4:50.

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