

# JPX IR Day 2022



## Cash Equity Market

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### Exchange & beyond

**Yamaji Hiromi**

President & CEO

Tokyo Stock Exchange, Inc.

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# Listing Services

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- Purpose: Support sustainable growth and mid- to long-term corporate value creation at listed companies and provide attractive cash equity markets that have a high level of approval from a variety of investors at home and abroad, thereby contributing to the realization of an affluent society
- Implemented: Monday, April 4, 2022

## New Market Segments (Market Concepts)

### Prime Market

For companies which have appropriate levels of market capitalization (liquidity) to be investment instruments for many institutional investors, keep a higher quality of corporate governance, and commit to sustainable growth and improvement of medium- to long-term corporate value, putting constructive dialogue with investors at the center

### Standard Market

For companies which have appropriate levels of market capitalization (liquidity) to be investment instruments in the open market, keep the basic level of corporate governance expected of listed companies, and commit to sustainable growth and improvement of medium- to long-term corporate value

### Growth Market

For companies which have a certain level of market value by disclosing business plans for realizing high growth potential and their progress towards these appropriately and in a timely manner, but at the same time pose a relatively high investment risk from the perspective of business track record

# Comparison with Major Overseas Markets (1)

	TSE Prime	NYSE	LSE Premium	NASDAQ Global Select	HKEX Main Board	SGX
No. of Shareholders	800	400	N/A	450	300	500
No. of Tradable Shares (mil.)	2	1.1	N/A	1.25	N/A	N/A
Tradable Share Market Cap. (JPY bil.)	10	5.2 (USD 40 mil.)	N/A	5.85 (USD 45 mil.)	2 (HKD 125 mil.)	N/A
Tradable Share Ratio (%)	35	N/A	15	N/A	15-25	12-25

Note: USD 1 = JPY 130; HKD 1 = JPY 16

# Comparison with Major Overseas Markets (2)

	Multiple segments					Single segment	
Exchange	TSE (Old)	TSE (New)	NASDAQ	LSE	Deutsche Börse	NYSE	HKEX
Market	1st Section	Prime Market	Global Select	Premium	Prime	NYSE	Main Board
Concept	—	For companies leading the global economy	World's highest initial listing standards	More rigorous listing requirements	For global investors	For large and medium-sized companies	For companies with a track record
No. of companies	2,177	<b>1,839</b>	1,636	447	312	2,598	2,550
No. of companies in other market segments	475 (2nd Section)	1,466 (Standard)	728 (Global)	215 (Standard)	130 (General)	-	-
Market cap. (median) (JPY bil.)	43.4	<b>59.4</b>	161.9	171.7	138.2	230.8	12.5
Market cap. (average of top 5%) (JPY tril.)	4.1	4.6	28	10	10	19	3.6
Market cap. (average of bottom 5%) (JPY bil.)	4	7.5	6.6	5.2	3.8	8.9	5.7

Note: TSE as of April 1, 2022; Others as of May 9, 2022 (Source: created by TSE using materials announced by respective exchanges)

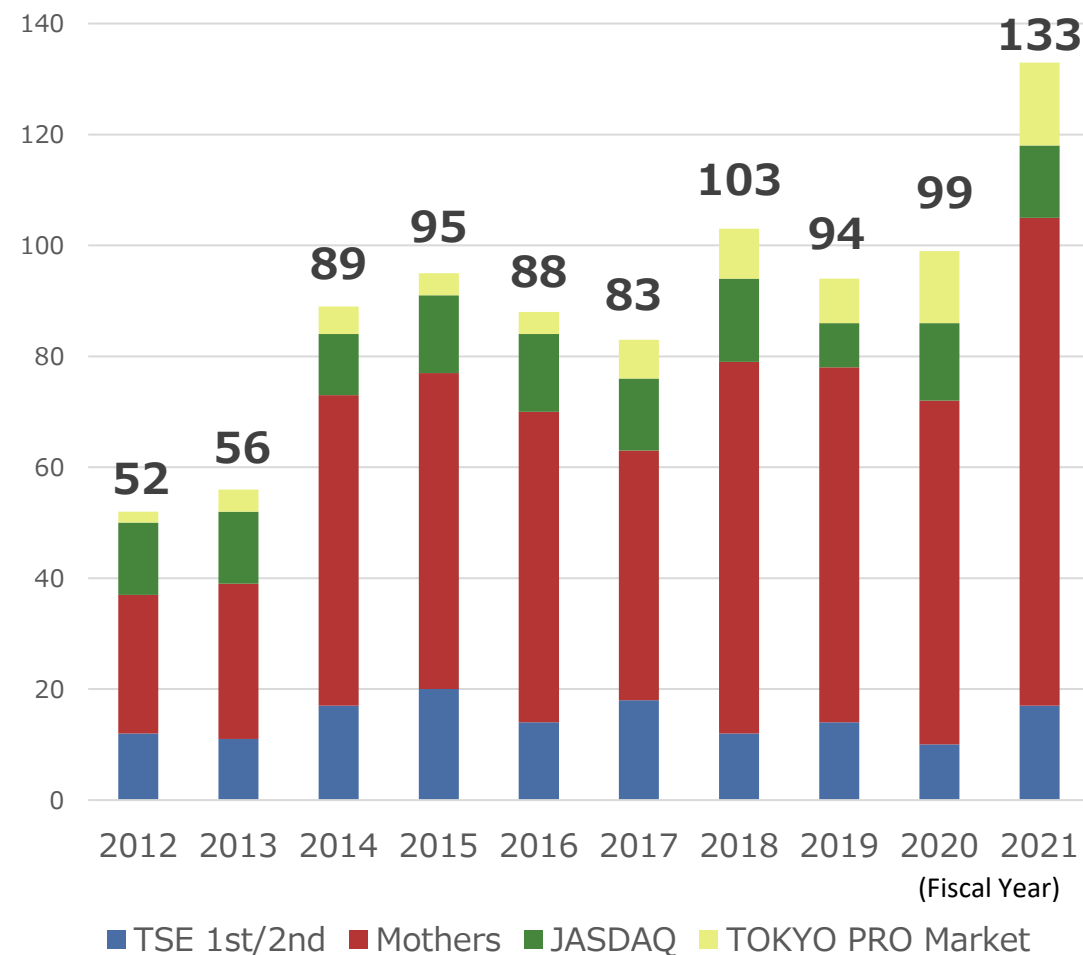
- On April 26, 2022, TSE announced the launch of the "Council of Experts Concerning the Follow-up of Market Restructuring" with the aim of improving the effectiveness of the market restructuring.

## Outline

Purpose	<ul style="list-style-type: none"><li>● The Council will follow up on the progress of restructuring-related measures and feedback from investors on an ongoing basis in order to improve the effectiveness of the market restructuring.</li><li>● The Council will provide TSE advice on additional measures regarding listed companies' efforts to increase corporate value, handling of transitional measures, and supply of capital to start-ups, among other things.</li></ul>
Members	<ul style="list-style-type: none"><li>● The Council consists of economists, institutional investors, listed companies, academic experts, and other market participants.</li><li>● Related government ministries/agencies and organizations are participating as observers as necessary.</li><li>● Guest speakers may be invited as necessary, depending on the topics being discussed.</li></ul>

# Continued Level of IPOs on TSE

- The number of initial listings on TSE in FY2021 hit 133, a record for the last decade.
- There were 3 newly listed cross-border companies. Of those, 2 were foreign companies newly listing through the JDR (Japanese Depositary Receipts) scheme.
- From FY2022, we will focus on the establishment of an IPO ecosystem that contributes to revitalizing regional economies.



## Main listings of Asian cross-border companies

Company Name	Current Listing Market (Listing Month)	Sector
Hybrid Technologies Co., Ltd. (Vietnam)	Growth (Dec. 2021)	Info-comms
YCP Holdings (Global) Limited (Singapore)	Growth (Dec. 2021)	Services
OMNI-PLUS SYSTEM LIMITED (Singapore)	Growth (June 2021)	Wholesale trade
Appier Group, Inc. (Taiwan)	Growth (Mar. 2021)	Info-comms
AXXZIA Inc. (China)	Growth (Feb. 2021)	Chemicals
WA, Inc. (Korea)	Growth (Nov. 2019)	Retail trade
RS Technologies (China)	Prime (Mar. 2015)	Metal products

# Trading Services

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# Action Program for Strengthening the Functions of Cash Equity Market

- The Action Program was put together by a working group consisting of trading participants, institutional investors and others. In order to strengthen market functions and improve resilience, changes will be made at the time of the trading system replacement planned for H2 FY2024.

## Extension of trading hours

- Trading hours are to be extended by 30 minutes** (closing time put back from 15:00 to 15:30 (JST)) to strengthen resilience and given that the current trading hours are relatively short by global standards.

## Revisions to trading rules, etc.

- Closing auctions are to be introduced** to improve transparency of closing price formation among other things, as the afternoon close Itayose has become increasingly important amid the trend toward passive investment.
- A globally-used way of disseminating market information, **Market By Order, is to be introduced** to enhance convenience of trading by providing more detailed order information.

## Strengthening resilience

- The time it takes to reboot the system is to be shortened** (from 3 to 1.5 hours).

## Trading Hours for Each Market (from H2 FY2024)

Trading Hours (JST)	8	9	10	11	12	13	14	15	16	17	18	19 to next morning
<b><u>Cash Equity Market (auction)</u></b>		9:00 - 11:30				12:30 - <u>15:30</u>			Closing Auction (15:25-15:30)			
Cash Equity Market (ToSTNeT)	8:20 - <u>18:00</u>											
Cash Equity Market (Sapporo, Nagoya, and Fukuoka)		9:00 - 11:30				12:30 - 15:30						
<b><u>Index Futures/Options Trading</u></b>		8:45 - <u>15:45</u>									<u>17:00</u> - 6:00	

Note 1: Current auction trading hours for Sapporo Securities Exchange, Nagoya Stock Exchange, and Fukuoka Stock Exchange

Note 2: TSE plans to extend derivatives trading hours and push back the timing of transmission from JSCC the same amount of time as the extension of cash equity trading hours.

Note 3: Trading hours for commodity futures/options will be changed in line with index futures/options. The closing time of securities option trading (currently 15:15) will be pushed back in the same way.

Note 4: For index futures/options and commodity futures/options, the close of the day session and start of the night session for the J-NET (off-auction) market will be pushed back in the same way as the auction market.

Note 5: For JGB futures/options, there will be no change for the auction or J-NET (off-auction) market.

- Considering the ETF ecosystem overall, TSE has improved trading rules, expanded the product lineup, and promoted the market.
  - Approached more than 700 financial institutions (approx. 80% of domestic financial institutions) (as of the end of June 2022)
  - Implemented a cycle whereby the use of ETFs is promoted by creating more awareness of improved liquidity, while ETF management companies are given feedback on demand from investors, which they then use for product development
- Consequently, REITs and ETFs have been expanding steadily and foreign equity and bond-based ETFs have grown substantially.

## Improvements to trading rules and functions

- for even higher liquidity

- **Enhanced Market Making Scheme:** Added ETFs eligible for ETF Market Making Scheme Version 2.0, which chooses specific ETFs which can provide enough liquidity to satisfy demand from institutional investors (TOPIX Sector Indices (TOPIX-17 series) in Apr. 2022, and European equities and German/ French government bonds in June 2022)
- **Development of request-based services:** Gradually enhanced functions of web-based platform "CONNEQTOR"
  - Implemented Request For Quote (RFQ) trading method, whereby institutional investors designate issues and quantities, etc. and market makers directly indicate prices in response
  - In a year and 4 months from the go-live, accumulated trading value has exceeded **JPY 500 billion** with more than 100 institutional investors participating.

## Product lineup expansion

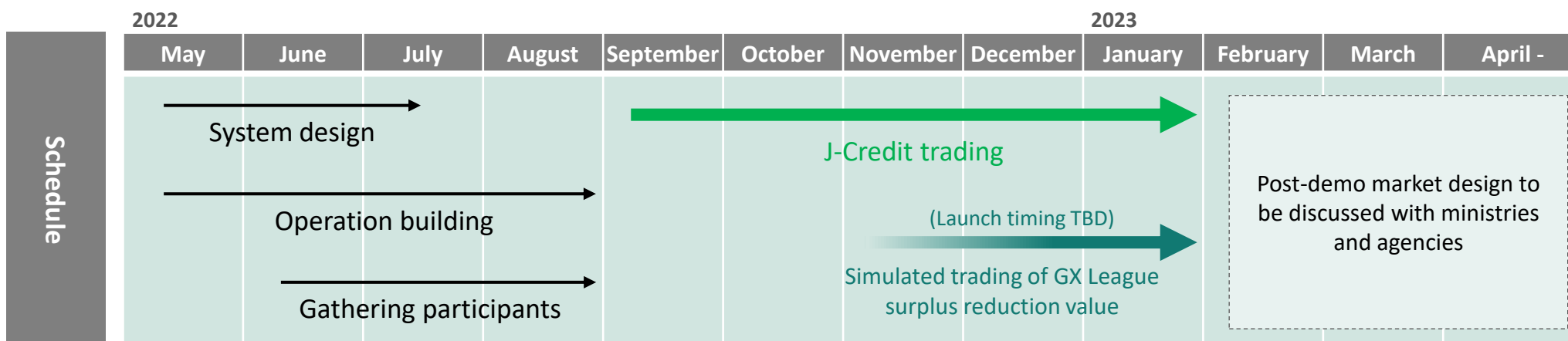
- for more product variety

- Listed 12 foreign equity ETFs and 8 foreign bond ETFs to diversify asset classes (FY2021)
- Calculated ESG-related indices and increased the number of listings of related ETFs, etc.

# Demonstration Project for Carbon Credit Market

TSE has been commissioned to carry out a "Technical Demonstration Project for Carbon Credit Market" as part of a carbon pricing system promoted by the Japanese government. Trading is planned to start in September 2022.

- The first stage will be exchange trading of J-Credits, which are carbon credits based on domestic projects already implemented by the government.
- The second stage will be simulated trading by companies participating in the GX League\*, whose basic concept was announced by the government in February, of surplus emissions reduction value granted to companies which reduced more greenhouse gas emissions than the allocated target.



A dedicated website for the Carbon Credit Market was established on the JPX website in June 2022.

- Information how to register to participate in the Carbon Credit Market is provided.
- Executed prices for carbon credits will be announced after market launch.

\*The GX (green transformation) League is a framework for companies aiming for rapid decarbonization, whereby each company sets an ambitious greenhouse gas emissions reduction target, forms a reduction plan, and acts to execute said plan.

The GX League includes a wide range of initiatives including for supply chains, but trading will be of direct domestic emissions. As of April 2022, 440 companies have announced support for the concept.

## No. of retail investors and trading volume have increased

Changes in statistics on retail investors

	(A) end of Mar. 2016	(B) end of Mar. 2021	(B) - (A) increase
<b>No. of retail investors (by holdings*) (mil.)</b>	49.44	<b>59.81</b>	<b>+10.36 (+21%)</b>
*E.g., one person holding two issues is counted as two people			
<b>No. of NISA accounts (mil.)</b>	10.12	<b>12.24</b>	<b>+2.12 (+21%)</b>
<b>No. of installment-type NISA accounts (mil.)</b>	Started in Jan. 2018	<b>3.61</b>	<b>+3.61 (-)</b>
<b>No. of iDeCo participants (mil.)</b>	0.25	<b>1.94</b>	<b>+1.68 (+653%)</b>

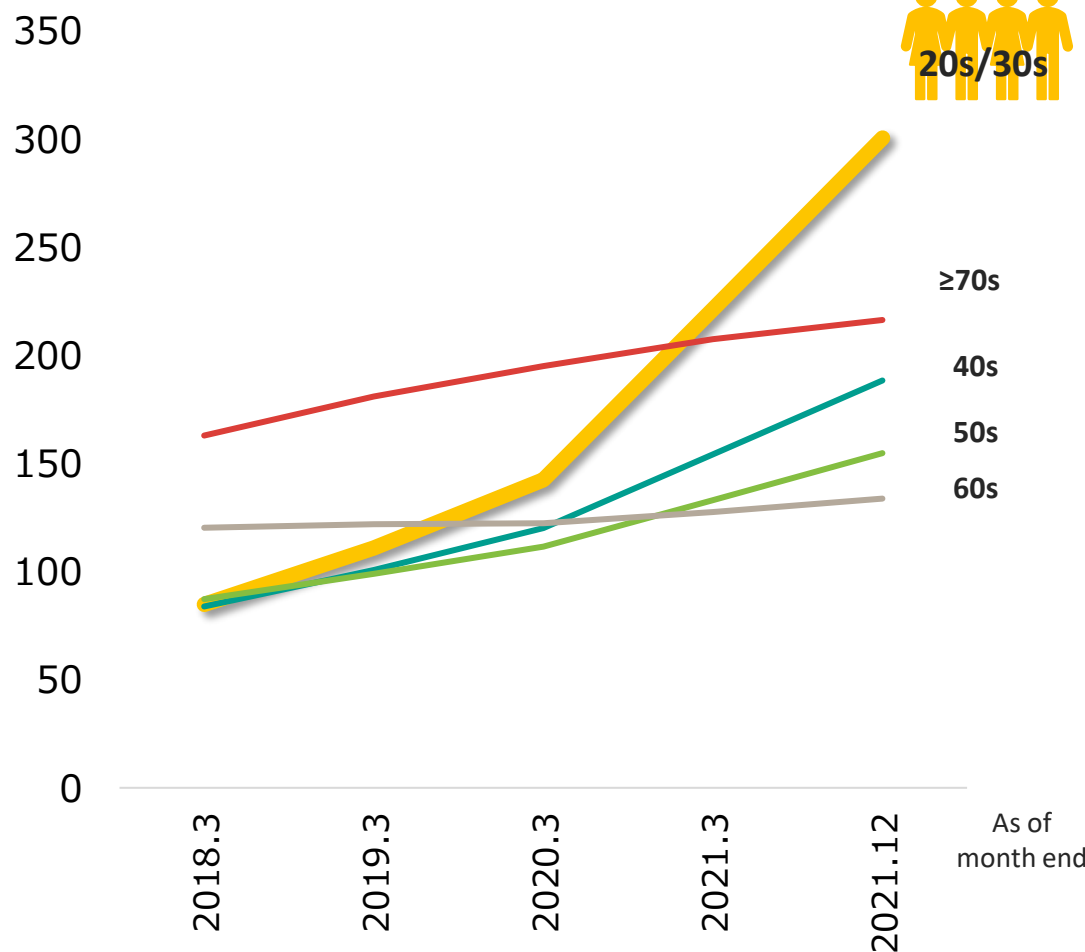
Sources: Share ownership Survey and Investment Trends by Investor Category from JPX; Statistics on NISA and Junior NISA Accounts from FSA; and statistics on defined contribution pension from the Liaison Council for Operational Management Institution

	(A) 2016	(B) 2021	(B) - (A)
<b>Retail investor trading ratio</b> (Share of brokerage trading volume on TSE 1st Section)	16.7%	<b>21.8%</b>	<b>+5.1%</b>

## Increase particularly notable for 20s and 30s age group

No. of NISA accounts set up (ordinary/installment-type) by age group (all securities companies)

Accounts: 10,000



Source: Created by TSE based on Statistics on NISA and Junior NISA Accounts (all securities companies) from JSDA

# Approach to Financial Literacy and Economic Education



**3rd Medium-Term Management Plan**  
(to FY2021)

## Focus and Topics for Communication

- ✓ Focus on those who have little interest in investment
- ✓ Communication mainly on the importance of long-term regular and diversified investment and the tax system for NISAs

### Examples of outreach to those who have little interest in investment

**Ex. 1: TSE's Money Club**  
(Website to learn about asset building)



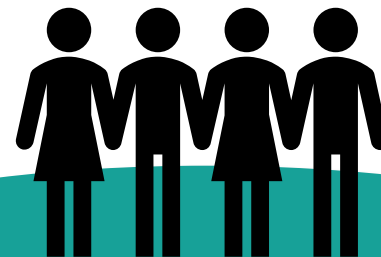
**Ex. 2: External lectures**  
(Training for workplaces)



While staying aware of the need to respond to changes in the external environment, JPX will strengthen and improve its financial and economic education, thereby connecting the recent growing interest in investment to real asset building

Rapid changes in environment surrounding retail investors

- ✓ Widely available information dissemination tools due to the spread of social networks
- ✓ The spread of fintech and diversified investment products including digital assets etc.



This new era will require the attainment of the right knowledge for proactive decision making



**Medium-Term Management Plan 2024**  
(from FY2022)

## Approach



**JPX Money Club: Integrated brand of TSE (cash equities) and OSE (derivatives) for financial literacy and economic education**

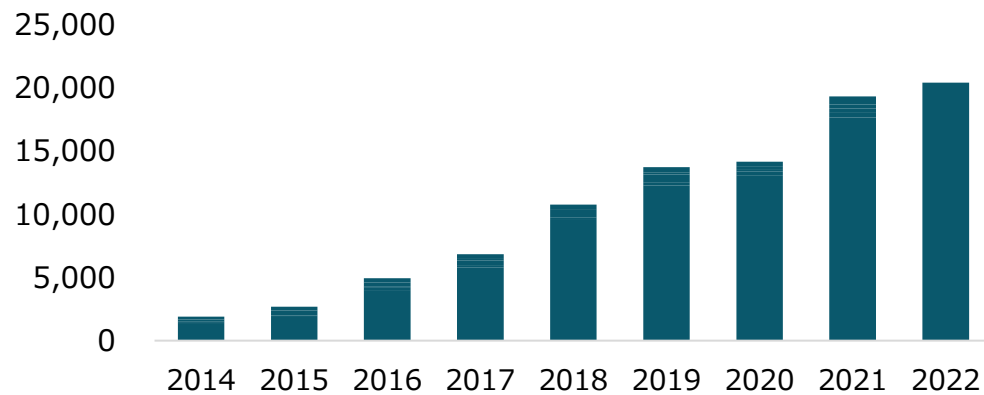
## Vigorous promotion

(Topics to be particularly focused on and improved)

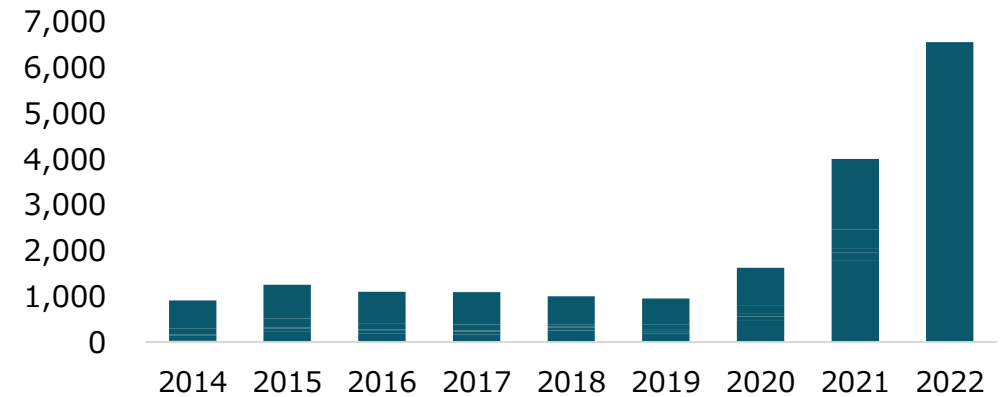
1. Provision of comprehensive financial literacy and economic education contributing to life planning
2. Strengthening financial education in schools
3. Strengthening financial education in the workplace
4. Activities which take into account external knowledge and views

# (Ref.) REITs, Foreign Equity, and Foreign Bond-based ETFs

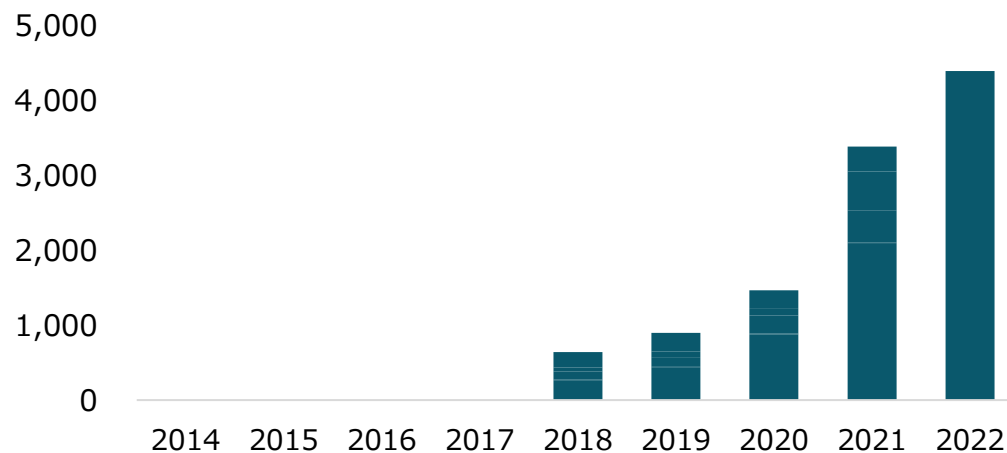
## REIT ETFs (JPY 100 mil.)



## Foreign Equity ETFs (JPY 100 mil.)



## Bond ETFs (JPY 100 mil.)



\*As of year-end up to 2021, as of June 10 for 2022

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