



# Medium-Term Management Plan 2024

## Exchange & beyond

Japan Exchange Group, Inc.

March 31, 2022

# Review of 3rd Medium-Term Management Plan

We steadily implemented measures based on our core strategies and achieved financial targets before the final year.

Major achievements in the past three years

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

- In response to the system failure, developed a framework to enable quick and smooth trading resumptions. Published the Action Program for Strengthening the Functions of Cash Equity Market
- Revised the cash equity market structure and Japan's Corporate Governance Code
- Achieved IPO count of over 100 per year on average in the past three years
- Started clearing service for ETF creation/redemption

## III. Diversify and propel data services into the next generation

- Launched 12 new services and gained 304 new clients\* utilizing cooperation with external partners. Started API-format distribution of stock prices and other information
- Agreed to develop climate indices with FTSE Russell (launch scheduled for 1H 2022)

\*Target was 10 new services and 150 new clients. Result is as of Feb. 2022

## II. Launch, invigorate and develop a comprehensive exchange

- Launched the comprehensive exchange through business combination with Tokyo Commodity Exchange and subsequent product transfer and clearing house integration
- Launched new derivatives trading platform "J-GATE 3.0"
- Developed rules and frameworks for starting derivatives holiday trading
- Also focused on invigorating the energy market through obtaining approval for permanent listing of Electricity Futures and trial listing of LNG Futures, among other things

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

- Strengthened BCP structures such as by developing the Kansai backup center
- Supported listed companies' ESG disclosure and provided ESG-related products to investors
- Set a target of achieving carbon neutrality across Group by FY2024

Financial targets

Financial targets for the final year set out in the management plan		FY2019	FY2020	FY2021 (forecast***)
Operating Revenue	JPY 130.0 bil.	JPY 123.6 bil.	JPY 133.3 bil.	JPY 135.5 bil.
Net Income**	JPY 50.0 bil.	JPY 47.6 bil.	JPY 51.3 bil.	JPY 50.0 bil.
ROE	At least 15%	16.3 %	16.6 %	15.7%

\*\*Attributable to owners of the parent company

\*\*\*Figures announced on March 22, 2022

# Major Themes in the External Environment and Long-Term Vision



# Major Themes in the External Environment Looking Ahead to 2030

## Worldwide

- Shift to a decarbonized society
- Population growth pushing the limits of supply and demand of food and resource
- Deepening fourth industrial revolution
  - AI
  - Big data
  - IoT etc.



## Japan

- Progression of super-aging society
- Dwindling working-age population
- Mounting social security expenses
- Deteriorating social infrastructure

## Asia

- Population growth
  - Economic growth
- The center of the global economy may shift to Asia.

- Amid these changing times, the world, Asia, and Japan itself must make the shift to a sustainable society and economy.
- In order to support this transition from the financial and capital markets side, our business development will need to focus on providing solutions for societal issues.

# “Target 2030” and Our Long-Term ESG Target

“Target 2030”: our long-term vision to be achieved by 2030

Contribute to sustainable societal and economic development by evolving into a global, comprehensive finance and information platform\* which provides solutions for a wide range of societal issues, centered on the ability to raise and circulate capital

\*Named “G-HUB” (Heighten market integrity, Unlock opportunity, Benefit society)

## Long-term ESG target

Contribute to sustainable societal and economic development by providing solutions for a wide range of societal issues



## Environmental Vision

Japan Exchange Group will maintain and further develop the capital market into one that can coexist with the environment, by creating a clear action plan on environmental issues and making ongoing efforts to reduce our environmental footprint

**Aim for carbon neutrality in securities market operations (our value chain) by 2030**

# Basic Policy and Three “Focus” Areas



# Medium-Term Management Plan 2024: Basic Policy

## Basic Policy of the Medium-Term Management Plan 2024

- A three-year plan from FY2022 has been developed as the first stage of progress towards Target 2030.
- We will utilize new frameworks including JPX Market Innovation & Research to take proactive action on building the foundations of the global, comprehensive finance and information platform “G-HUB”.

## Exchange & beyond

To contribute to improving the attractiveness of the Japanese financial and capital markets as a whole and enhance their global competitiveness, we will prioritize initiatives in three specific “Focus” areas.



# Focus 1 | Facilitating Cycle of Corporate Innovation/Growth and Asset Formation

- In our role as a core infrastructure supporting fundraising by companies and asset formation by the public, as well as supporting innovation and growth at companies, we will develop the primary and secondary markets so that the profits stemming from companies' efforts generate asset formation among the general public, leading back to further innovation and growth at companies



## Actions

### ■ Develop an environment that supports sustainable growth at companies

- Enhancement of financing functionality for growth companies
- Promotion of corporate value improvement at listed companies
- Establishment of IPO ecosystem that contributes to revitalizing regional economies
- Provision of trading opportunities for after delisting etc.

### ■ Develop products and rules to contribute to asset formation

- Expansion of the ETF market  
**Target: 30% increase\* in average daily trading value and net assets held in ETFs, etc. in FY2024**  
\*In comparison with FY2021. Average daily trading value excluding leveraged/inverse products. Net assets excluding BOJ purchases
- Revisions to trading rules to allow smooth execution
- Development of an environment enabling secure and easy investment while considering investor protection
- Promotion of listings of cross-border companies, mainly from Asia  
**Target: 20 listings of cross-border companies in the 3 years of the plan**
- Provision of comprehensive financial education including life planning, and strengthening of collaborative activities with industry players etc.

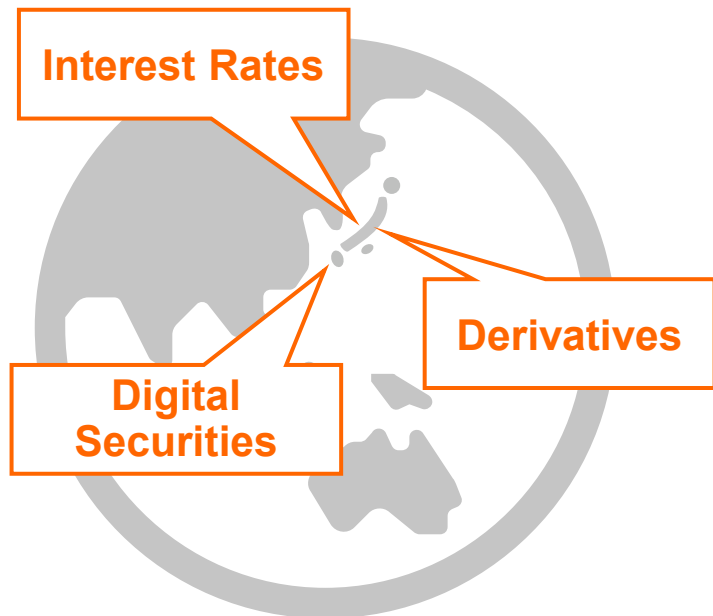
### ■ Further improve convenience and resilience as a market infrastructure

- Ongoing improvement of systems and their operation, and system replacements  
**Target: Replacement of cash equity trading system in 2H FY2024, Extension of trading hours at the time of replacement**
- Strengthening of BCP function to ensure stable market operations etc.



## Focus 2 | Achieving Market Transformation(MX)

- In order to serve as a hub for circulating capital in the Asia Pacific region while keeping focused on changes in the interest rate environment, we aim to enable optimal allocation of risk/return across society by ensuring systems for raising and managing funds function smoothly and sufficiently, not only for stocks but for other products as well.
- In addition, to reduce the costs of raising and managing funds, we will advance digitization in all corners and enhance information usage.



### Actions

#### ■ Strengthen functionality of interest rate-related markets

- Revitalization of JGB-linked derivatives
- Promotion of professional-oriented bond market etc.

#### ■ Invigorate the derivatives market

- Listing of small lot products linked to index futures and options
- Improvement of convenience for retail investors
- Expansion of flow from global investors
- Launch of holiday trading etc.

#### ■ Advance digitization and enhance information usage

- Creation of a digital securities market  
**Target:** Creation of a market and start of trading of new products by the end of FY2024
- Development of new services utilizing digital technologies for internal and external use  
**Target:** 3 services in the 3 years of the plan
- Strengthening of index businesses and enhancement of investment-related information etc.  
**Target:** 200 new clients for information services and 12 cases of creating new information services or updating existing information services and rules in the 3 years of the plan

## Focus 3 | Promoting Sustainability that Connects Society and Economy

- We will assist the creation of a sustainable society by utilizing market mechanisms to provide solutions for a wide range of societal issues, through the provision of an environment where sustainability-related information, products, and services are easily accessible to all.



### Actions

#### ■ Strengthen dissemination of sustainability-related information

- Creation and enhancement of information platform  
**Target:** Launch of information platform for publicly offered ESG bonds in FY2022
- Support for sustainability information disclosure from issuers
- Participation in international debate and standard-setting on sustainable finance etc.

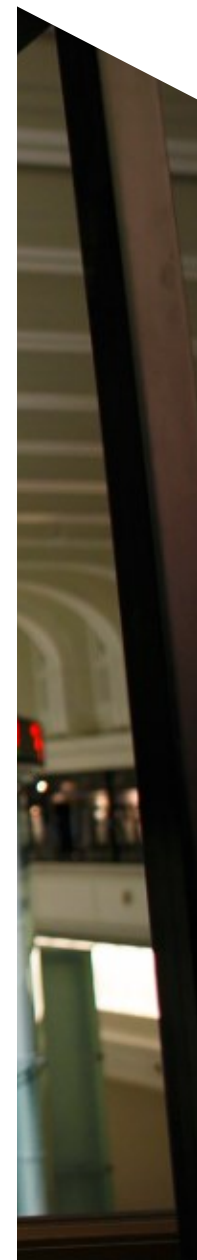
#### ■ Calculate ESG indices and list related ETFs/futures

- Calculation of ESG-related indices, listing of related futures etc.  
**Target:** Launch of new ESG index and Listing of related futures in FY2022

#### ■ Vitalize the energy market, advance the creation of an emissions trading market

- Increase in trading of electricity/LNG futures  
**Target:** Trading volume on electricity futures in FY2024 5 times that of FY2021  
**Target:** Permanent listing of LNG futures by FY2024
- Contribution to the creation of a Japanese carbon credit market etc.

# Global Strategy, Green Strategy



# Global Strategy Initiatives

- We will aim to continue as a central market for the Asia-Pacific region, and a key market globally, by attracting global investment into Japan while creating an environment that enables one-stop investment in stocks and other products from across the globe

## Attracting global investment into Japan

- **Market/infrastructure functionality**

Strengthening of market resilience and convenience through extension of cash equity market trading hours, replacement of cash equity market trading system, launch of derivatives holiday trading, enhancement of functionality in interest rate-related markets and clearing, etc.

- **Promotion**

Development of extensive relationships with investors and information vendors and advancement of marketing and sales in trading and information services areas

## Enabling one-stop investment in global products

- **Cross-border companies**

Expansion of campaign to attract cross-border company listings, mainly in Asia

- **ETFs/ETNs**

Proactive work to attract issues linked to indices covering foreign stocks, etc.

- **Bonds**

Promotion of TOKYO PRO-BOND Market, the market for professional investors

## Strengthening the foundations of our global business

- **Human resource investment**

Creation of an environment and investment to enable obtainment and nurture of diverse human resources, as well as development and demonstration of employee capabilities

- **Overseas cooperation**

Cultivation of business opportunities through collaboration with overseas companies mainly in Asia

- **Market/regulation trends**

Research and analysis of global trends in markets and regulation, etc. through mainly the overseas offices

- **International standards, etc.**

Participation in debate about and creation of international standards relating to sustainable finance

- **Overseas technology assistance**

Work to contribute to sustainable development and create business opportunities in the countries we assist

# Green Strategy Initiatives

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- To support the shift to carbon neutrality in Japan, we will push forward with our environmental strategy both as a market operator and as a business corporation.

## Utilizing Market Mechanisms to Promote Sustainability

- Promotion of action on sustainability issues and information disclosure at listed companies, through the Corporate Governance Code
- Strengthening of sustainability-related information functions (launch of operation of information platform for publicly offered ESG bonds, enhancement of platform's functions)
- Calculation of ESG indices and listing of related ETFs/futures
- Vitalization of the energy market, advancement of an emissions trading market (contribution to building a carbon credit market)
- Research into issuance of a "digitally tracked green bond" utilizing digital securities
- Enhancement of the "JPX ESG Knowledge Hub" to support listed companies' ESG information disclosure

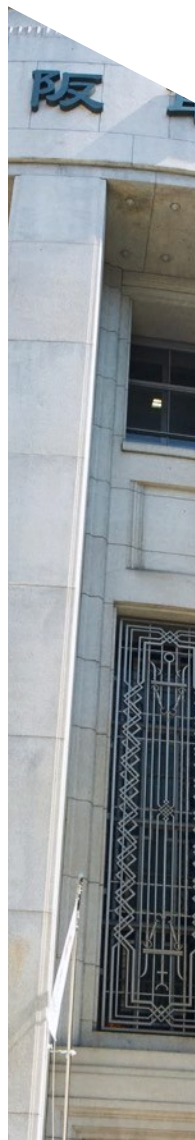
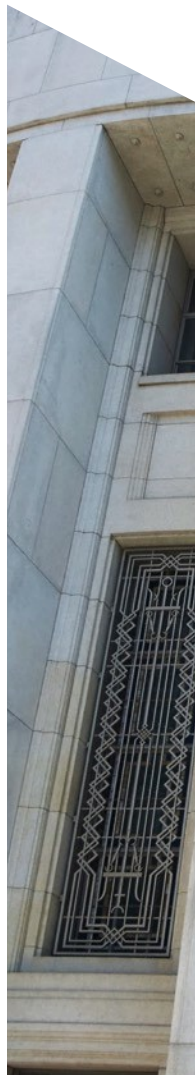
## Aiming for Carbon Neutrality across Group by FY2024

- Direct contribution to environmental conservation through owning our own renewable energy generation facilities - not just purchasing carbon credits
- Endorsement of METI's "GX League Basic Concept"

## Aiming for Carbon Neutrality in Securities Market Operations (Our Value Chain) by 2030

- Working towards securities market operations that underpin a sustainable society by utilizing and implementing JPX's own initiatives in cooperation with market participants

# Financial Policies



# Financial Targets, CAPEX, and Capital Policy

## Financial targets for the final fiscal year

Operating Revenue	<b>JPY 147.0 bil.</b>
Net Income (attributable to owners of the parent company)	<b>JPY 53.0 bil.</b>
ROE	<b>At least 15%</b>

## CAPEX

- While working on enhancing market convenience and resilience, we will invest in building the foundations of a global, comprehensive finance and information platform.

Total CAPEX over 3 years **Approx. JPY 50 bil.**

## Capital policy

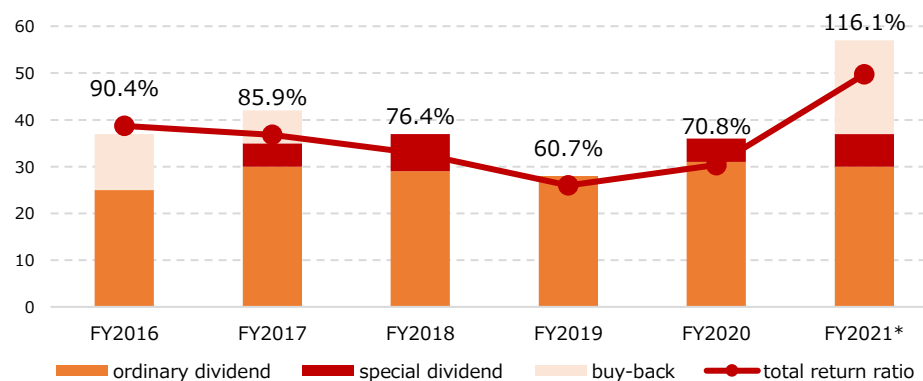
- Support the sustainable development and evolution of the market by making constant investment while keeping a balance between shareholder returns and financial resilience for stable market operations
- Irrespective of market conditions, maintain **ROE of 10%** exceeding capital cost over the mid- to long-term

Return to  
shareholders

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

(Ref.) Past total return ratios & returns to shareholders

(bil.yen)



\*Estimated based on earnings forecast and dividend forecast published on March 22, 2022

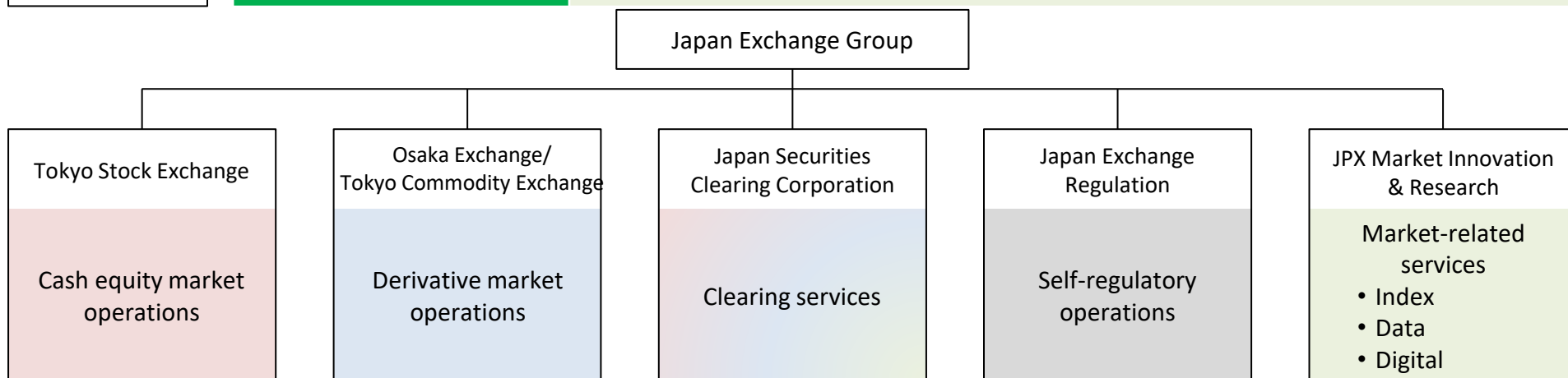
# Reference | Organizational Structure from FY2022 onward

Aims

- With Target 2030 as the goal, in our role as a core infrastructure of Japan’s financial and capital markets, JPX Group companies will work as one to consistently provide the functions fundamental to market operations, from listing and trading to clearing and settlement as well as data services.
- Furthermore, we will increase the added value we provide to society while working to create new services, stabilize profits, and maintain robust financial foundations.

Current status of and outlook for business

<b>Cash equity market operations</b>	<ul style="list-style-type: none"> <li>• We have been seeing stable revenue growth in this area</li> <li>• We will continue to focus on stable development as one of the world’s prominent markets</li> </ul>
<b>Derivative market operations</b>	<ul style="list-style-type: none"> <li>• We have been working on expanding the market in this area</li> <li>• With continued anticipation of the latent growth potential of the market, reflecting the situation overseas and other factors, we will continue to act determinedly</li> </ul>
<b>Market-related services</b>	<ul style="list-style-type: none"> <li>• We have increased revenue in this area that is not affected by Japanese stock market movements</li> <li>• We will work towards entering new fields in addition to developing the existing index, data, and IT services, by nurturing a company culture that encourages more positive, proactive action and leveraging M&amp;As</li> </ul>





# Reference | JPX Market Innovation & Research, Inc.

- JPX Group has established JPX Market Innovation & Research, Inc. (JPXI) as a new subsidiary parallel to the exchanges, the self-regulatory organization, and the clearing house. It will start business on April 1, 2022.
- As well as taking on JPX Group's index, data, and digital-related services, thereby enabling us to provide all market-related services from under one roof, JPXI will play a key role in creating the global, comprehensive financial and information platform "G-HUB" as set out under Target 2030.
- Furthermore, JPXI will contribute to bolstering the competitiveness and status of Japanese financial and capital markets by enriching services on ESG, listed company, and others considered necessary to enhance the attractiveness of the market, as well as envisioning how financial and capital markets should look with the use of new technologies.

## Bolstering the competitiveness of Japanese financial and capital markets

- Through the development of new indices and support for information provision and corporate value enhancement at listed companies, we will facilitate companies' capital raising by creating an environment where domestic and overseas funds flow easily into the Japanese financial and capital markets, thereby supporting proactive investment and business development among listed companies.
- We will contribute to the efficiency of asset management by providing an environment that enables efficient investment in an array of products, including digital assets, green financial products, bonds, and foreign assets.
- We will contribute to making the financial and capital market more sophisticated by enriching data services, advancing digitalization, and providing infrastructure such as refined network and IT solutions, thereby supporting the operations of investors, securities companies, asset management companies, financial institutions, and information vendors.

## Proactive creation of various market services

Expansion of index lineup, enrichment of data services, advancement of digitalization

Provision of refined network and IT solutions

Expansion of listed company services

Responses to new needs, including green-related services

## Hub for new partnerships

- We will aim to become a hub for new partnerships through the utilization and nurture of highly skilled personnel, as well as M&As and capital investment.

## Drawing on experience gained as a market infrastructure

- We will proactively create markets and services that have connections and commonalities with exchange market operations, built on the foundations and know-how we have gained as a market infrastructure.



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