



JPX Report 2020

JAPAN EXCHANGE GROUP, INC.

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Editorial Policy

Contributing to realizing an affluent society by promoting sustainable development of the market lies at the heart of JPX's corporate philosophy. We believe that our efforts to realize this corporate philosophy will enable us to both create sustainable value and fulfill our corporate social responsibility. Our goal in publishing JPX Report 2020 is to provide readers with a deeper understanding of this idea and our initiatives in business activities.

This report consists of five chapters. First, "Overview of JPX" illustrates the company's corporate philosophy, role in society, and business model, etc. Second, "Approach to Creating Value —Value Creation Strategies—" explains the progress made under our management plan. Third, "Approach to Creating Value —Value Created with Stakeholders—" introduces our varied initiatives for creating value. Fourth, "Foundations for Sustainability" outlines the foundations of JPX's sustainable growth and value creation. And lastly, "Financial and Corporate Data" provides an overview of the company's business and financial results as well as profile.

September 2020

Reference guidelines

- International Integrated Reporting Council (IIRC) framework
- Guidance for Collaborative Value Creation (METI)



Disclaimer

This publication is prepared solely for the purpose of providing information regarding Japan Exchange Group, Inc., and, as such, it is not intended as any 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 (the "Securities Act"), and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

This publication 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. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate. Given these risks and uncertainties, you are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this publication. We disclaim any obligation to update any of the forward-looking statements contained in this publication to reflect future actual events or developments.

■ 1. Overview of JPX

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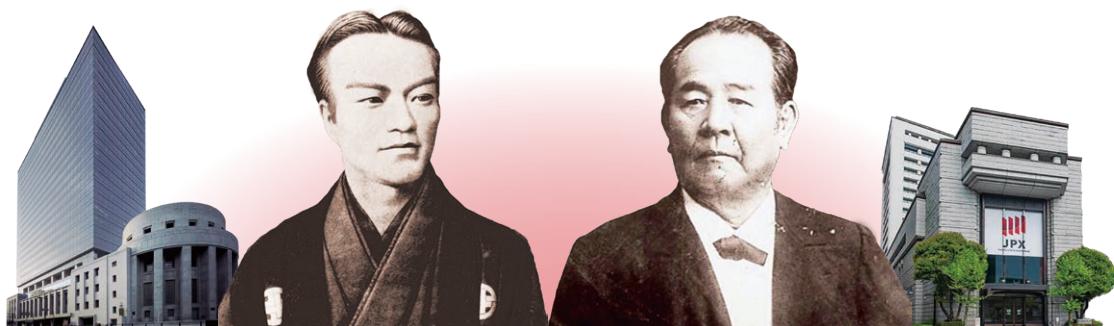
Who we are...

Japan Exchange Group, Inc. (JPX) was formed through the merger between Tokyo Stock Exchange Group and Osaka Securities Exchange in January 2013.

More than 140 years ago in 1878, soon after the Meiji Restoration, Shibusawa Eiichi, who is known as the father of capitalism in Japan, established Tokyo Stock Exchange. In the same year, Godai Tomoatsu, a businessman who was instrumental in the economic development of Osaka, established Osaka Stock Exchange.

In October 2019, JPX acquired Tokyo Commodity Exchange as a subsidiary and began engaging in the establishment and operation of markets essential to commodity futures and other products.

JPX has inherited the will of both Shibusawa Eiichi and Godai Tomoatsu as the pioneers of capitalism in modern Japan, and is determined to contribute to driving sustainable growth in the Japanese economy.



Osaka Exchange

Godai Tomoatsu

Shibusawa Eiichi

Tokyo Stock Exchange

1. Overview of JPX

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—Value Creation Strategies—

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—Value Created with Stakeholders—

4. Foundations for Sustainability

5. Financial and Corporate Data

JPX Organizational Structure



Japan Exchange Group, Inc



Corporate Philosophy

Contributing to realizing an affluent society through sustainable market development

Our mission is to contribute to the realization of an affluent society by promoting sustainable development of the market.

Committed to our public nature and credibility, we build highly convenient, efficient, and transparent markets, and provide creative and attractive services.

Our efforts help us attract the support and confidence of investors and market users and reap the rewards in the form of profits.

Management Policy

Sail to the future. Keep the market secure.

Under rapid innovation and global dynamics, we aim to evolve into a **total smart exchange**, where anyone can trade any product in a secure and easy way, by further cooperating with stakeholders and entering new partnerships. We will also make a more active contribution to building a "sustainable society" in our role as a responsible infrastructure operator.

The Role of Exchange Markets

The markets established by JPX provide companies with business financing methods, investors with asset management opportunities, and society as a whole with price discovery functions. By fulfilling these social roles, we contribute to realizing an affluent society through sustainable market development.



For companies



For investors



For society

Flexible business financing methods

Effective asset management opportunities

Price discovery functions (Economic barometer)



Business Environment

The markets operated by JPX are significantly affected by changes in the external environment, such as the domestic and global economic climates, monetary policies, and geopolitical risks, so we must operate our markets with an eye on domestic and global economic trends and market situations. Besides worries of depressed economic activity and economic decline due to the impact of the Covid-19 pandemic, there are also concerns over the impact of medium- to long-term structural factors in the Japanese economy that are quickly becoming apparent, including the falling birthrate and aging population, fiscal deficit, and prolonged monetary easing.

As for the global economy, we foresee growing risks from monetary policy trends in the U.S. and Europe, economic trends in the U.S. and China, such as the U.S.-China trade dispute, and politics. JPX properly responds to the various risks stemming from uncertainties and unknowns in its business environment, while recognizing that our greatest management challenge is providing market infrastructure that consistently and stably delivers a high level of satisfaction to users.

Impact of Financial Market Trends

The Japanese economy is rapidly slowing down and is in extremely difficult circumstances due to Covid-19. The difficult circumstances caused by this virus are expected to continue for the near future, and we need to keep a close eye on the risks that further damage could be caused to the domestic and overseas economies.

JPX's revenue is greatly affected by trends in the

secondary market for securities and derivatives products as well as the primary market for securities, and furthermore by trends in global financial markets and economic conditions in Japan and overseas. In particular, as most TSE listed companies are Japanese companies, JPX Group's earnings are strongly influenced by economic conditions in Japan.

Competitive Landscape

Competition in cash equities and other markets has been intensifying, and we recognize that competition will continue to increase in various areas, including market liquidity, the speed and cost of trade execution, trading system performance, products provided to trading participants and listed companies, as well as

service diversification and developments in the regulatory environment. The stock trading value at JPX accounted for about 84% of the stock trading value for domestic listed companies from January to December 2019, while off-exchange trading (PTS and OTC, etc.) in Japan accounted for about 16%.

Consolidation in the Exchange Industry

Since the later part of the first decade of the 2000s, there was a clear trend towards consolidation among exchanges mainly in the U.S. and Europe. For example, the 2007 merger between NASDAQ and OMX was followed by the acquisition of NYSE

Euronext by Intercontinental Exchange in 2013. More recently, M&As have also been undertaken for the purpose of strengthening positions in business operation domains, such as the clearing business, information business, and IT business.

Covid-19 Response

Along with the unavoidable slowdown in global economic activity due to the spread of Covid-19, Japan has seen the emergence of a demand for citizens and companies to pull together to curb the spread of the disease. This situation arose in part from the Japanese government declaring a state of emergency across all prefectures in Japan based on the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response (Special Measures Act) in response to the growing number of new infections at the time.

In response, JPX implemented the following measures to ensure business continuity as a means of fulfilling our responsibilities as a market operator to the best of our ability and of ensuring that the impacts of Covid-19 do not affect the stable operation of our markets. This is in addition to various measures to prevent further spread of Covid-19 in line with guidance such as the Japanese government's Basic Policies for Prevention and Control of the Novel Coronavirus.

-
- Established a BCP (Business Continuity Plan) Emergency Headquarters headed by the Group CEO, in line with the JPX Group's BCP;
 - Carefully examined each department's duties and situation, and encouraged remote working as the default for employees whose duties are judged to not require physical attendance at the office based on this;
 - For employees whose duties require physical attendance at the office, actively implemented staggered working hours using the flex time system;
 - Developed and implemented a multi-channel operational structure for employees whose duties require physical attendance at the office, by dividing them into several teams which work at physically different locations, in principle rotating between the office and home but also using nearby back up facilities; and so on.
-

The impact of Covid-19 may be prolonged until the situation finally settles. As we continue to monitor the spread of the disease, JPX will establish a business continuity structure and flexibly address the situation in line with changes in government policies.

JPX will aim to establish a "New Way of Life" and thoroughly implement basic infection prevention measures while exploring new ways of working as a means of continuously striving to secure stable market operations and trading opportunities.

■ 1. Overview of JPX

» Who We Are... Corporate Philosophy The Role of Exchange Markets Business Environment [JPX History](#) JPX Business Model Creating Value at JPX FY2019 Financial and Non-Financial Highlights

JPX History

Since their establishment in 1878 shortly after the Meiji Restoration, both the Tokyo and Osaka exchanges have consistently served as the engine of the Japanese economy, responding to the needs of the times for over 140 years. JPX will continue to contribute to the sustainable growth of the Japanese and the global economies.

1700-1940s	1950-1980s	1990-2000s
<h3>History of the Japanese Economy and Key Global Developments</h3>		
1882 The Bank of Japan is founded.	1952 Japan joins the IMF.	1991 Nikkei 225 Futures becomes the world's most traded contract on a trading value basis.
1929 The Great Depression	1965 First deficit-financing bonds are issued.	1997 Asian currency crisis
1944 Japan pegs yen exchange rate to the U.S. dollar.  Kinroku government securities	1971 Nixon shock	1999 Bank of Japan's zero interest rate policy
	1973 Yen transitions to floating exchange rate. 1st oil crisis	2002 Euro goes into circulation.
	1979 2nd oil crisis	2007 Global financial crisis
	1988 Trading value and market capitalization of TSE both become world's No. 1.	
	1989 Nikkei Stock Average reaches record high of JPY 38,915.87.	

1700

1950

1990

JPX History

1730 World's first securities futures exchange is founded in Dojima, Osaka.



Tokyo Stock Exchange at the turn of the 20th Century

1878 A group including Shibusawa Eiichi, who is known as the father of capitalism in Japan, establishes Tokyo Stock Exchange. That same year, a group including Godai Tomoatsu, a businessman who is instrumental in the economic development of Osaka, establishes Osaka Stock Exchange.



Osaka Stock Exchange during the Meiji Period

1949 Tokyo Stock Exchange (TSE) and Osaka Securities Exchange (OSE) are established as membership organizations and begin equity trading in May of that year.

1951 Tokyo Textile Exchange is founded.

1952 Tokyo Rubber Exchange is founded.

1969 Calculation of Tokyo Stock Price Index (TOPIX) begins.

1973 Foreign stocks are listed in response to internationalization.

1974 TSE's Market Information System goes into operation to deliver the latest information to investors.

1982 TSE launches the Second Section Trading System and promotes systematization in the securities market. Tokyo Gold Exchange is founded.

1984 Tokyo Commodity Exchange (TOCOM) is founded following the merger of the Tokyo Textile Exchange, the Tokyo Rubber Exchange and the Tokyo Gold Exchange.

1985 TSE begins trading of government bond futures.

1988 TSE begins trading of TOPIX Futures and OSE begins trading of Nikkei Stock Average (Nikkei 225) Futures.



Nikkei 225 Futures launch at OSE

1999 TSE launches Mothers, a market for new emerging companies, with OSE following suit in 2000 in the form of Nasdaq Japan (now integrated into JASDAQ).

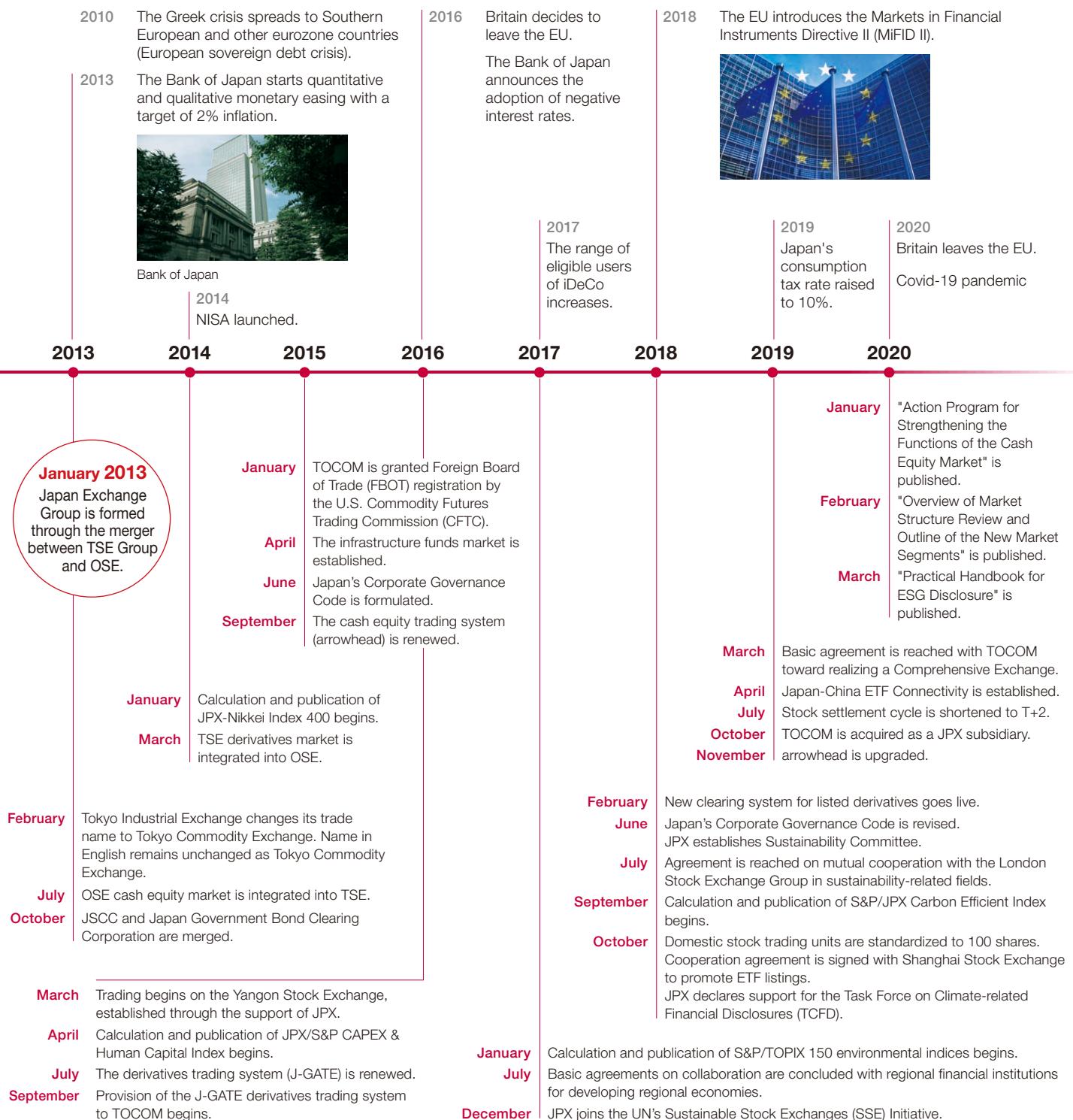
The trading floors at both TSE and OSE are closed. After this, trading of stocks and other listed issues becomes computerized.

2001 TSE and OSE are demutualized. ETF and J-REIT markets are established.

2003 Japan Securities Clearing Corporation (JSCC) goes into operation.

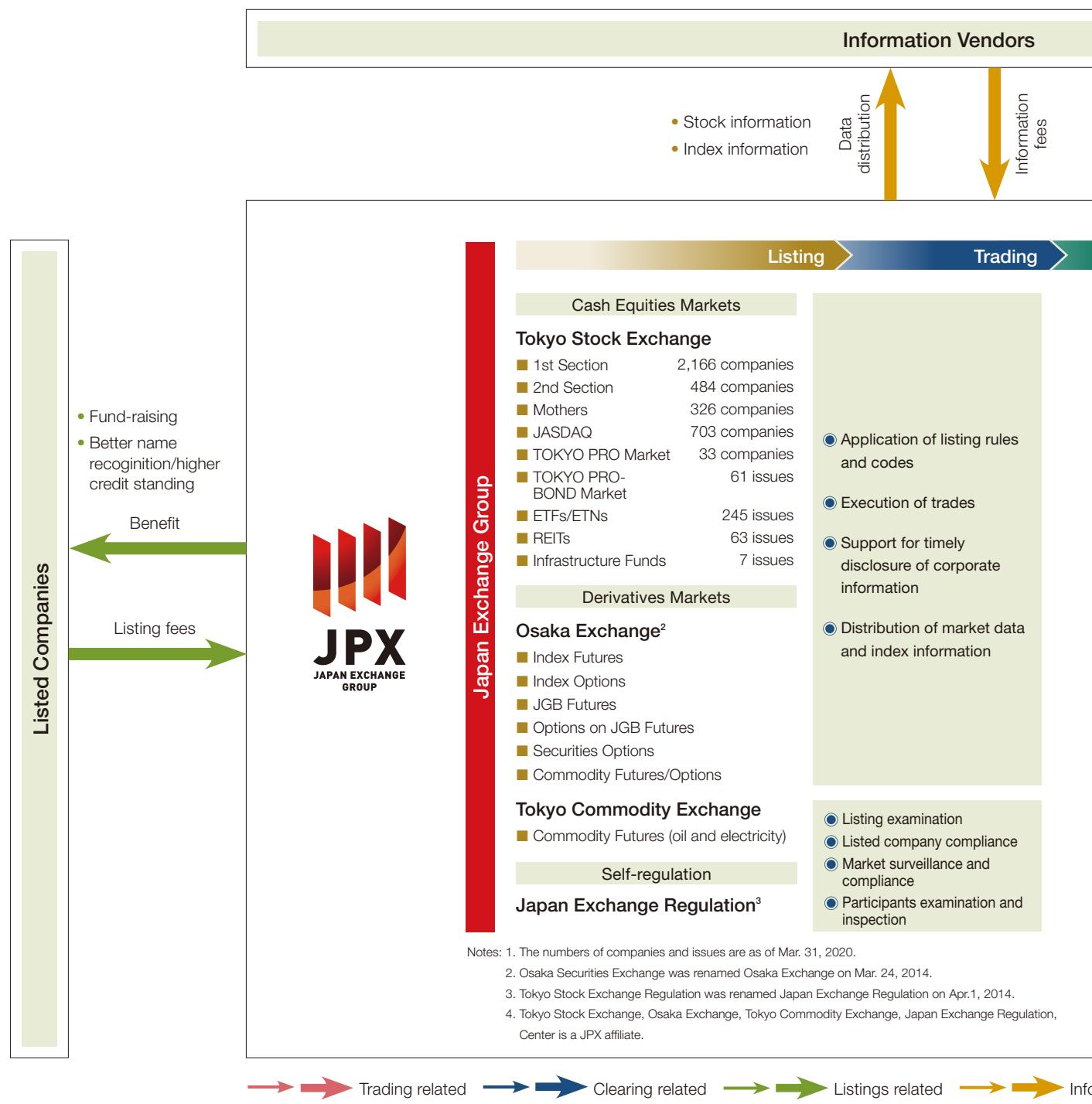
2004 OSE lists on OSE Hercules to become Japan's first public exchange. Japan Commodity Clearing House (JCCH) is founded.

2008 TOCOM is demutualized and transformed into a corporation.

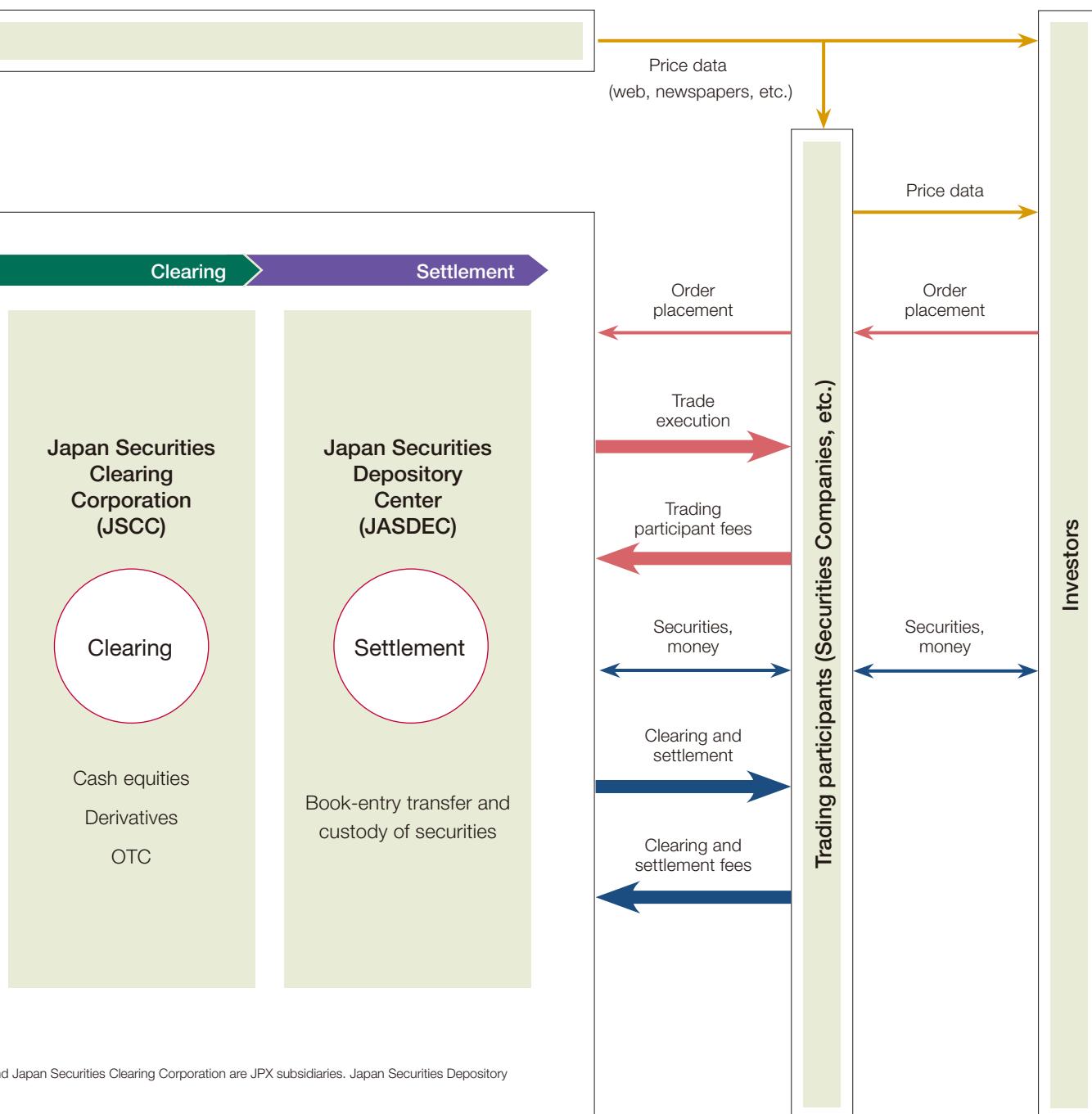
2010-2020s

JPX Business Model

In addition to TSE, which handles cash equities markets, and OSE and TOCOM, which handle derivatives markets, JPX Group also includes a self-regulatory subsidiary, which carries out the examination and supervision processes needed to maintain market quality. Our comprehensive services also encompass clearing and settlement functions.



As consideration for JPX services, we receive various fees from market participants such as securities companies, listed companies, and information vendors. Specifically, our sources of revenues are (1) revenues from trading services, (2) revenues from clearing services, (3) revenues from listing services, and (4) revenues from information services.

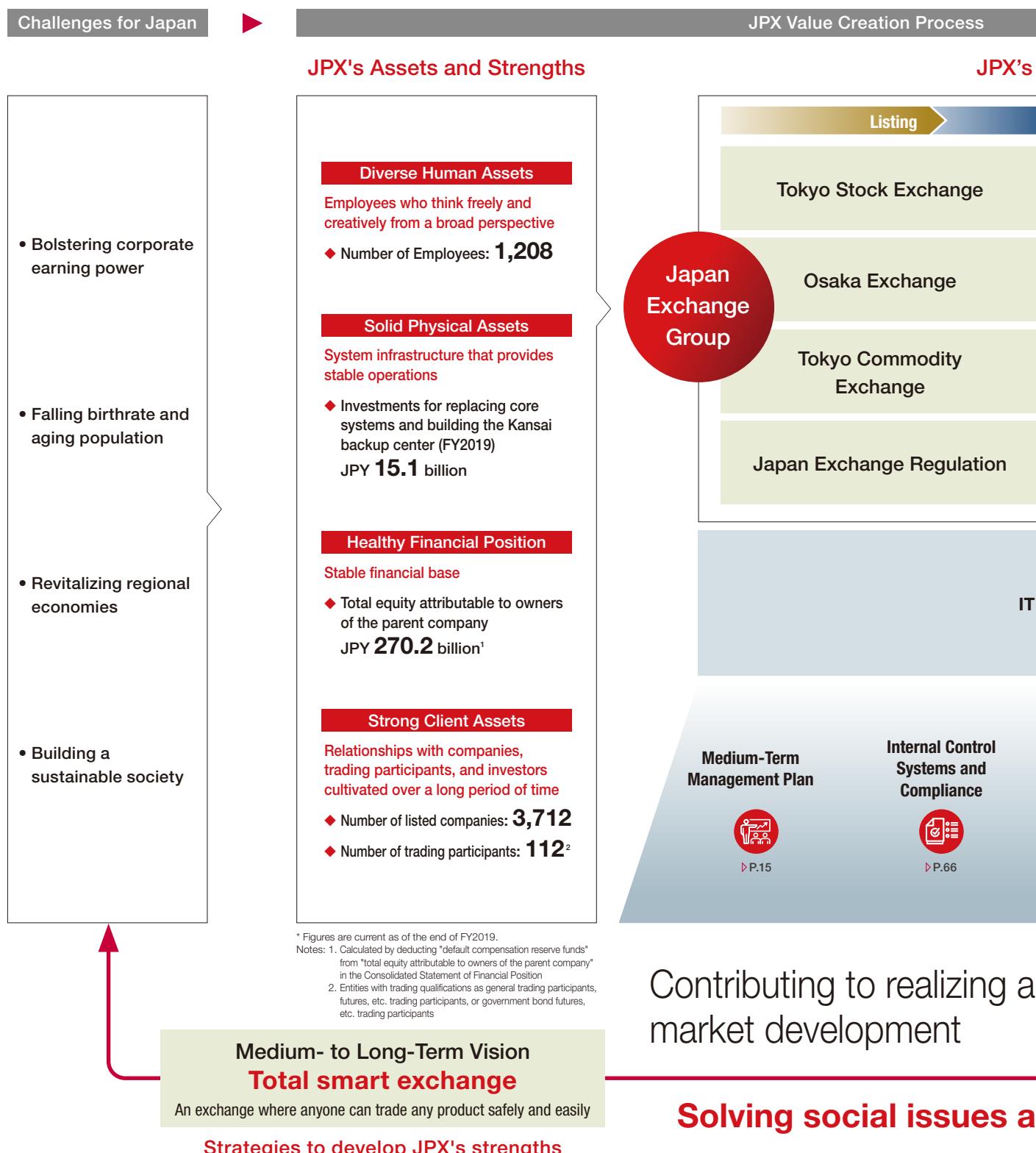


and Japan Securities Clearing Corporation are JPX subsidiaries. Japan Securities Depository

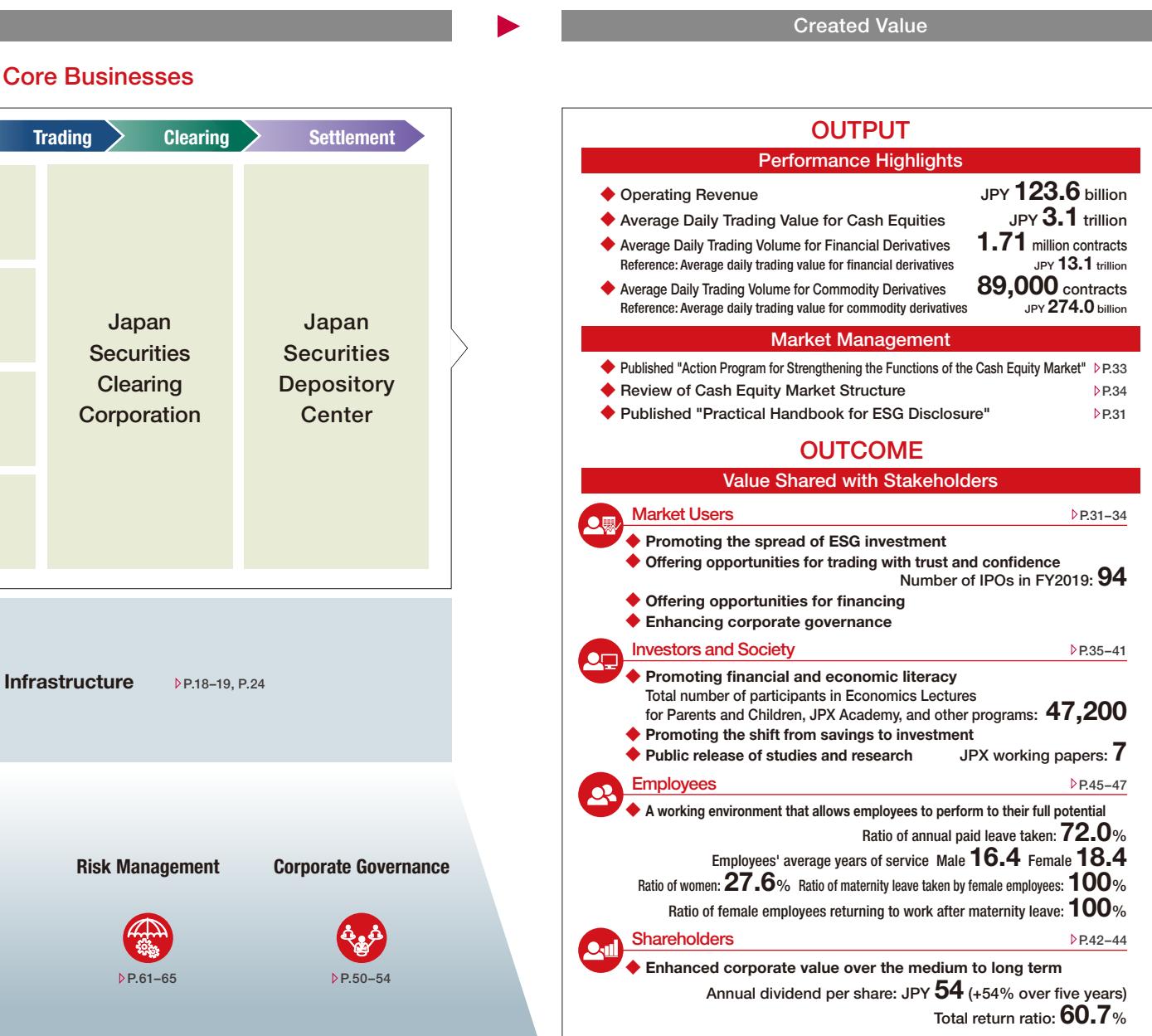
information related

Creating Value at JPX

Vibrant securities markets are essential to economic development and a prosperous society. Expanding the base of market participants is a key factor for sustainable growth, and this requires a robust financial market infrastructure that continuously provides diverse products and services.



JPX contributes to the realization of an affluent society by promoting sustainable development of the market by ensuring our public nature and credibility, constructing a foundation of the market that is highly convenient, efficient and transparent, and providing creative and attractive services.

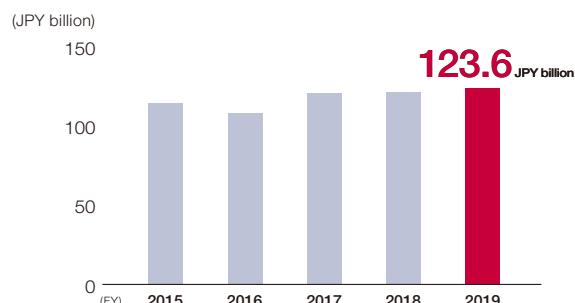


n affluent society through sustainable

nd the growth of JPX

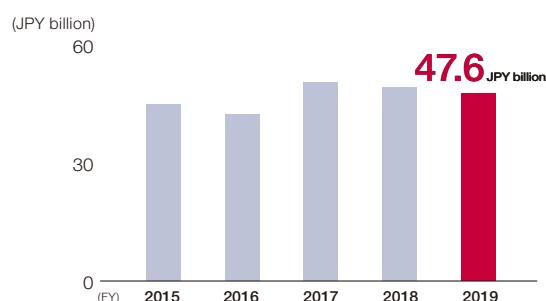
FY2019 Financial and Non-Financial Financial Highlights

Operating Revenue



In addition to growth in clearing services revenue, primarily for OTO-related products, information services revenue, including market data usage fees and index licensing fees, exceeded that of the previous fiscal year, thereby resulting in year-on-year growth of 2.1% to JPY 123.6 billion.

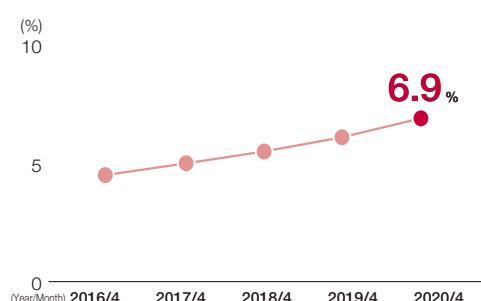
Net Income (attributable to owners of the parent company)



As a result of operating expenses exceeding the increase in operating revenue, net income (attributable to owners of the parent company) decreased 3.0% year on year to JPY 47.6 billion.

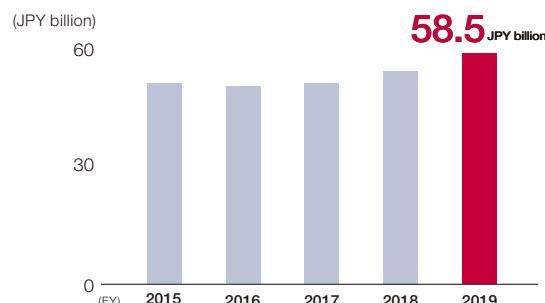
Non-Financial Highlights

Ratio of Women in Managerial Positions



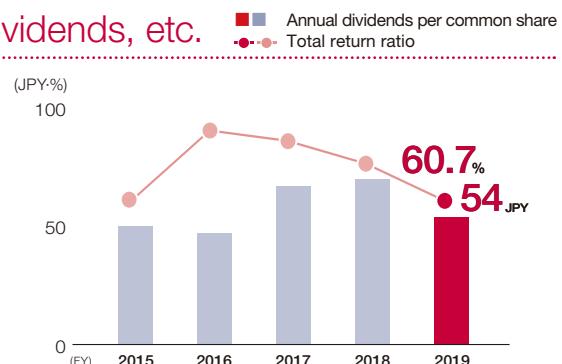
From the viewpoint of boosting female employees' careers by encouraging them to participate and contribute at a higher level, we have advanced a variety of initiatives, including career training programs for female employees and supporting networking with career-minded female employees from other companies. JPX has set a numerical target of at least 8% female employees in managerial positions (6.9% as of April 2020) to be achieved through the above measures by FY2022.

Operating Expenses



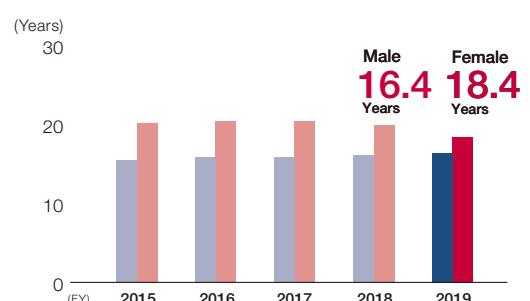
System maintenance and operating expenses, depreciation, and amortization increased due to development of the Kansai backup center and upgrades to arrowhead, the cash equity trading system, in November 2019. As a result of this and recording expenses associated with the Tokyo Commodity Exchange merger, operating expenses increased 8.2% year on year to JPY 58.5 billion.

Dividends, etc.



Based on the basic policy of providing approximately 60% dividend payout ratio, the annual dividend per common share for FY2019 was JPY 54.

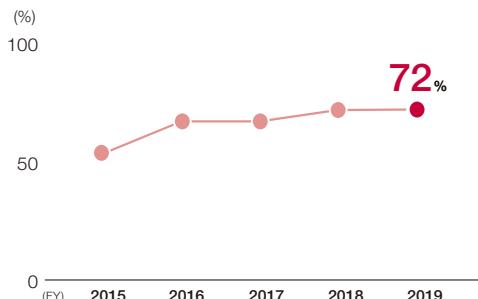
Employees' Average Years of Service



In the 3rd Medium-Term Management Plan, JPX adopts the development of human resources and advancement of work style reforms as a means of strengthening the business foundations. Under this concept, JPX endeavors to enrich training programs and create workplaces where employees find it easy to work in order to bring out the best in each and every employee.

Highlights

Ratio of Annual Paid Leave Taken



JPX undertakes initiatives to create an environment that allows greater flexibility in work styles and creates more time outside of work, defines targets for total working hours and taking annual paid leave for each department, and advances work style reforms as a Group-wide initiative.

Ratio of Outside Directors



The JPX Board of Directors is comprised of 14 members, including two women. To strengthen the board's functions, namely increasing the transparency and accountability of management and supervising the appropriateness of business execution, the composition of the board includes nine independent outside directors, constituting a board majority, and an independent outside director as non-executive Chairperson.

ESG Index Inclusion

JPX is a constituent of the following ESG indices. (As of July 2020)

2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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Endorsed Initiatives

As a responsible infrastructure operator that supports Japan's financial capital markets, JPX recognizes the importance of actively contributing to building a sustainable society and believes that in doing so it also serves as a source of JPX's corporate value. Based on this concept, JPX endorses the following initiatives:



TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES



■ 2. Approach to Creating Value –Value Creation Strategies—

>> [Message from the CEO](#) [Message from the CIO](#) [Message from the CFO](#) [Special Feature](#) [Sail to the Future. Keep the Market Secure: Realizing a Comprehensive Exchange](#)
[Special Feature](#) [Responding to Technology and Innovation](#) [Sources of Value Creation](#)

Message from the CEO



September 2020
Director & Representative Executive Officer,
Group CEO
Japan Exchange Group, Inc.

A handwritten signature in black ink.

Introduction

In March 2019, JPX released its 3rd Medium-Term Management Plan (FY2019 - FY2021), which features the slogan "Sail to the Future. Keep the Market Secure." in line with our belief that providing stability in the operation of the market is our top management priority.

"Sail to the Future" acknowledges the fact that it will be extremely important for us to adapt quickly and act boldly

in the face of increasingly rapid technological change and other developments in the market environment in order to continue to fulfill our duty to the market. Meanwhile, "Keep the Market Secure" encapsulates our intention to remain committed to our fundamental mission of providing a stable market that is both secure and reliable.

Overview of the 3rd Medium-Term Management Plan and a Recap of FY2019

JPX was highly successful in achieving the goal of maximizing synergies through the integration of Tokyo Stock Exchange and Osaka Securities Exchange in our 1st Medium-Term Management Plan, which was launched in 2013, and also the goal of strengthening itself into an entity not heavily dependent on stock market conditions in Japan, a key objective of our 2nd Medium-Term Management Plan, which followed in 2016.

As part of our medium- to long-term vision, the basic policy of our 3rd Medium-Term Management Plan centers on the evolution of JPX into a "total smart exchange," where enhanced cooperation with stakeholders and establishment of new partnerships will allow anyone to trade any product safely and easily, including not only

stocks and related products, but also products in similar and peripheral segments, such as commodities.

Our basic policy includes four core strategies: 1) Pursue "the shape of the market" toward the next generation; 2) Launch and develop a Comprehensive Exchange; 3) Diversify and propel data services into the next generation; and 4) Develop a foundation to support the future of our business and society. In FY2019, JPX continued to implement measures designed to achieve these goals.

With regard to the first strategy, "Pursue the 'shape of the market' toward the next generation," in addition to upgrading the arrowhead cash equity trading system, we shortened the stock settlement period to T+2 and successfully resolved issues to bolster competitiveness.

3rd Medium-Term Management Plan Update for FY2020 (published on March 31, 2020)

Management Policy

Sail to the future. Keep the market secure.

Under rapid innovation and global dynamics, we aim to evolve into a **total smart exchange**, where anyone can trade any product in a secure and easy way, by further cooperating with stakeholders and entering new partnerships. We will also make a more active contribution to building a "sustainable society" in our role as a responsible infrastructure operator.

Four Core Strategies

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

Raise global competitiveness while working on enhancing the appeal of the Japanese market in the pursuit of "the shape of the market" toward the next generation.

II Launch, invigorate, and develop the Comprehensive Exchange

Invigorate the Japanese derivatives market and evolve it into a leading global derivatives market, while swiftly generating synergies from the business combination.

III Diversify and propel data services into the next generation

Explore our new business model as an exchange by creating highly convenient data services emerging from an open and innovative framework.

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

Keep our markets robust as a market infrastructure by means such as developing and managing reliable IT systems and enforcing appropriate self-regulations. Strengthen cyber security measures and improve preparedness for the risk of natural disasters.

■ 2. Approach to Creating Value —Value Creation Strategies—

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[Special Feature](#) [Responding to Technology and Innovation](#) [Sources of Value Creation](#)

We also realized simultaneous ETF listings in Japan and China through the use of Japan-China ETF Connectivity and welcomed 94 IPOs.

With regard to the second strategy, "Launch and develop a Comprehensive Exchange," we achieved business integration with Tokyo Commodity Exchange (TOCOM), a challenge we have pursued over several years. In so doing, we consolidated the administrative and marketing divisions to accelerate the generation of synergies. In pursuit of a Comprehensive Exchange, we shifted some products from TOCOM to Osaka Exchange (OSE), and pulled together across the group to achieve the integration of Japan Securities Clearing Corporation and Japan Commodity Clearing House.

Turning to the third strategy, "Diversify and propel data services into the next generation," we leveraged

innovative technologies and partnerships to conduct seven proof-of-concept tests in FY2019 in line with our aim to create ten new services and acquire 150 new customers. Of these, we were able to turn two such use-cases into new services, including one for providing alternative data for derivatives trading systems.

Finally, with regard to our fourth strategy, "Develop a foundation to support the future of our business and society," we pushed forward on the construction of a Kansai backup center to enhance our BCP and worked to strengthen stability in market operations. Moreover, in addition to launching a project aimed at building infrastructure for the practical application of blockchain technology, we focused our efforts on activities aimed at improving financial literacy among the population as society ages and moves into an era synonymous with "the 100-year life."

Management Focus and Initiatives from FY2020

The markets operated by JPX are highly susceptible to changes in the external environment, including domestic and overseas economic conditions, monetary policies, and geopolitical risks. Since the end of FY2019, the Covid-19 pandemic has raised questions as to the true value of JPX as part of the market infrastructure underpinning the Japanese economy. Despite the pandemic, we continued to undertake a variety of measures aimed at fulfilling our duty to the market while also putting the health and safety of our employees first. Moving forward, we will maintain our awareness that our top management priority is the continued provision of stable market infrastructure that offers market users a high degree of satisfaction.

In addition, JPX will continue to work toward stabilizing and strengthening its financial position so as not to be dependent on earnings that are easily impacted by conditions in the Japanese stock market. Moreover, in light of the rapidly expanding focus on ESG in the financial and capital markets, as part of our responsibility as an infrastructure operator supporting Japan's financial and capital markets, we will strive to make a more active contribution toward building a sustainable society.

With this in mind, JPX is maintaining the overarching framework for the second year of the Plan with regular updates that include: 1) reviewing concrete measures and flexibly managing costs in response to changes in the environment and the pace of progress toward meeting targets in the plan, while at the same time actively developing ways to further diversify the revenue stream, including by increasing activity in the

Comprehensive Exchange and creating new data services, and 2) further strengthening our efforts to promote sustainability by encouraging increased ESG investment and disclosure, as well as improving our own ESG disclosure and ratings.

To promote sustainability, JPX established a Sustainability Committee with the Group CEO as its chair in July 2018, increased awareness of ESG among listed companies through the creation and publication of the "Practical Handbook for ESG Disclosure," participated in international discussions, including those on the Task Force on Climate-Related Financial Disclosures (TCFD), and worked on the listing of ESG-related ETFs and calculating and publishing related indices. We intend to bolster our efforts in this area moving forward.

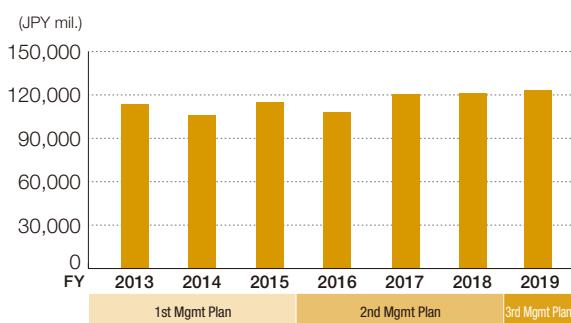
As human behavior and values change as a result of the Covid-19 pandemic, capital markets, corporate value, communication methods, and working arrangements are attracting renewed attention. While we consider how we want such aspects to be at JPX, we will strive to achieve the understanding and cooperation of our domestic and overseas investors, listed companies, trading participants such as securities firms, as well as of regulators and the general public as we contribute to Japan's economic revitalization through sustainable development of the market as a core infrastructure for financial and capital markets at the heart of the country's economy. We deeply appreciate your continued support and ask that you walk alongside us on our journey forward.

Past Medium-Term Management Plans

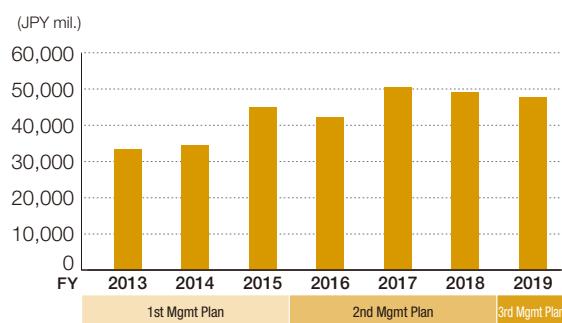
	1st Medium-Term Management Plan FY2013–FY2015	2nd Medium-Term Management Plan FY2016–FY2018
Vision / Concept	<p>Become the most preferred exchange in the Asian region</p> <ul style="list-style-type: none"> Securing an overall competitive advantage in Asian markets Contributing to economic growth in the Asian region 	<p>STEP UP TO THE NEXT</p> <p>Increase investment for sustainable market development based on successful TSE-OSE integration</p> <ul style="list-style-type: none"> Leveraging competencies across JPX Group Aggressively pursuing new business
Core strategies	<ul style="list-style-type: none"> ① Creating a new Japanese stock market ② Expanding the derivatives market ③ Expanding exchange business fields 	<ul style="list-style-type: none"> ① Satisfying diverse investor needs and encouraging medium- to long-term asset building ② Supporting listed companies in enhancing corporate value ③ Fulfilling our social mission by reinforcing the market's structure ④ Creating new horizons in the exchange business
Results	<ul style="list-style-type: none"> ① Creating a new Japanese stock market Introduction of the Corporate Governance Code, launch of JPX-Nikkei 400 index ② Expanding the derivatives market Launch of JPX-Nikkei Index 400 futures, developed next J-GATE derivatives trading system ③ Expanding exchange business fields Expansion of OTC derivatives clearing business ④ Early realization of integration benefits Achievement of JPY 8.5 billion in cost synergies, completed integration of major organizational functions, regulations, and IT infrastructure ⑤ Improving the presence of JPX in Asia Supported the establishment of a stock exchange in Myanmar, cross-listed ETF and futures with exchanges in Taiwan, achieved interconnectivity with SGX co-location facilities 	<ul style="list-style-type: none"> ① Building momentum in asset building An increase of 129,000 ETF holders, introduction of a new ETF market making incentive scheme, new global environmental indices ② Increasing the corporate value of listed companies Revised corporate governance code, annual IPO count steady in the 80s to 90s, 43 new ETFs ③ Reinforcing the market structure Shortened JGB settlement cycle to T+1, enhanced backup capabilities in Tokyo and Osaka, strengthened market surveillance based on HFT registration regime ④ Developing new fields in the exchange business Advanced PoC testing for utilization of blockchain, incorporated AI into market surveillance, listed products related to sustainability

Earnings

Operating Revenue



Net Income (attributable to owners of the parent company)



Message from the CIO



Senior Executive Officer & CIO
Japan Exchange Group, Inc.

Yokoyama Ryusuke

With IT as a source and means to sharpen JPX's competitive edge, we will press forward with highly reliable market operations and initiatives that tackle issues associated with future challenges.

The Path to Computerization of Exchange Operations

At JPX, 1999 was the year that saw the closure of trading floors at both TSE and OSE, and as a result, manual processing of orders and other associated tasks came to an end. What took their place were systems that totally computerized trading, clearing and settlement as well as external distribution of information such as stock prices.

Having advanced from an age of manual processing to computerization in stages, we have arrived at where we are today with more sophisticated systems that we know

need to be of a level that meets the stringent demands of social infrastructure.

Stable systems operations are a mandatory requirement for handling transactions smoothly, as well as for maintaining market stability and reliability. Moreover, it is vital to respond appropriately and with agility to the diversification and sophistication of trading methods that have come about on the back of recent technological advances, in order to accommodate the needs of market users.

JPX's IT Strategy

As its IT strategy, JPX has formulated its IT Master Plan for the purpose of clearly communicating JPX's direction and strategy on IT internally and externally as well as driving business by aligning management and IT policies.

In conjunction with the 3rd Medium-Term Management Plan, and in light of the vision JPX has for its IT departments in the coming decade, we have set the categories of "areas requiring steady implementation"

and "IT agility amid changes." With regard to the former, we will steadily undertake system upgrades and other measures that put an emphasis on stability and reliability. Concerning the latter, to promptly respond to dramatic changes in the environment, importance will be placed on constructing new platforms, utilizing accumulated data and aggressively adopting the latest technologies.

Initiatives Toward "Sail to the Future. Keep the Market Secure"

With an emphasis placed on stability, reliability, and processing capabilities, JPX offers a wide array of systems and networks to users. These include the cash equity trading system "arrowhead," the derivatives trading system "J-GATE," the "clearing system" that handles clearing and settlement tasks, and "arrownet," a dedicated network that connects trading participants and other users.

To achieve stable, consistent provision of services to users, we are enhancing the structure for business continuity with the construction of a new secondary (backup) center in the Kansai region. The goal of maintaining such a system is to get the market back

online as soon as possible, even in the event of a risk that may exert an enormous impact on business continuity, such as a large-scale disaster in the Tokyo region.

Cyber security has been a topic of discussion recently. As a steady stream of new threats emerge, we are constantly striving to make improvements, such as detecting such threats in real time and having external expert organizations conduct security diagnostics.

In addition, amidst rapidly advancing technology, markets are another area where the use of data has come to occupy an extremely important position. JPX already provides diversified market data, and we will continue to intensify our use of data while making full use of technology.

IT is the Cornerstone of JPX's Value Creation

An exchange's IT is the foundation upon which an exchange promotes business, such as market operations, and creates new value. Compared with the past where transactions would have been impossible without physically gathering at an exchange, it is now possible to place orders online, from any location. Looking ahead, introducing and making use of technologies such as cloud computing and AI will more than merely streamline those operations that had until now been performed manually: it will enable a generation of new businesses to emerge with technology as its key.

There is a necessity to push ahead with implementation of digital technology and transformation of IT systems so that the creation and evolution of new

businesses can be realized, and for this reason management is committed to constructing a framework for digital transformation (DX). As a greater challenge in the area of digitization, we are striving to apply agile development and test automation that supports swift system development, and also focus on training to nurture expertise in digital technology and digital business.

In a bid to address issues on both stability in market operations and environmental changes, we will further promote the transformation of IT systems that will enable us to face challenges in the future, while making ongoing enhancements to functions as well as capability improvements.

Specific Measures

Medium-Term Management Plan	Sustainable market operations	IT agility amid changes
I Pursue "the shape of the market" toward the next generation	I -① Improve reliability and convenience via system upgrades	I -② Raise the topline by building new platforms
II Launch, invigorate, and develop the Comprehensive Exchange	II -① Realize flexible launch of new products and functions	
III Diversify and propel data services into the next generation		III -① Use accumulated information resources
IV Develop a foundation to support the future of our business and the society	IV -① Improve BCP measures by building new secondary center IV -③ Optimize operations via cloud and automation	IV -⑤ Proactively adopt advanced technology
	IV -② Enhance stability by using new technology IV -④ Strengthen measures against more complex cyber-attacks	IV -⑥ Train/develop human resources to use technology

Message from the CFO



Executive Officer & CFO
Japan Exchange Group, Inc.

Tabata Atsushi

We will support the sustainable development and evolution of the market by making ongoing investment while keeping a balance between shareholder returns and financial resilience for stable market operations.

JPX's Capital Policy

It is extremely important that JPY maintains a strong financial base to ensure that the market operates stably, and in a manner that is highly satisfactory to users, without being affected by local and global economic conditions, financial policies, geopolitical risks, and other trends. From this perspective, and in order to diversify our business portfolio, one important theme of the 2nd Medium-Term Management Plan (FY2016 - FY2018) was proactively developing areas of business not directly connected with market trading and transitioning to a management structure that does not overly rely on the condition of the Japanese stock market. We understand that as a result of this focus, considerable progress has been made, with peripheral businesses such as co-location and index/information services witnessing growth at a steady rate. While we continue to promote this theme under our 3rd Medium-Term Management Plan (FY2019 - FY2021), the need to confront the

challenge of "keeping the market secure" has been especially marked in 2020, as the market has been shaken severely by the Covid-19 pandemic. This has caused us to reaffirm the critical importance of ensuring our sound financial health and stability.

While actively developing ways to further diversify the revenue stream and flexibly managing costs in response to changes in the environment and progress under the plan, we are cognizant of the critical need to strike a balance between ensuring our financial health and providing adequate returns to shareholders. JPY's basic policy is to maintain ROE of 10% in the medium to long term, that is above the cost of capital, regardless of market conditions, and to continue managing the company with an eye toward capital efficiency. By FY2021, the final year of the 3rd Medium-Term Management Plan, we aim to achieve operating revenue of JPY 130 billion and net income of JPY 50 billion.

Looking Back at FY2019

In FY2019, trading on both the cash equities and derivatives markets continued to be sluggish. However, toward the end of the fiscal year, market conditions fluctuated significantly in response to concerns surrounding the spread of Covid-19. As a result, the derivatives

market was strongly impacted by the sharp increase in volatility, with annual trading volume coming in at 412 million contracts, up 13.1% from the previous fiscal year, exceeding 400 million contracts annually for the first time since the derivatives market was established. Moreover,

and in addition to an increase in revenues from clearing services mainly for OTC-related products, revenues from information services grew due to upswings in market data usage as well as index licensing fees. Taking into account the aforementioned, company-wide operating revenue climbed 2.1% year on year, to JPY 123.6 billion.

Meanwhile, operating expenses grew 8.2% year on year, to JPY 58.5 billion. This was due to a variety of factors including increases in system maintenance and

operation expenses as well as depreciation and amortization owing mainly to the development of the Kansai backup center and an upgrade to the arrowhead cash equity trading system in November 2019, as well as system integration with TOCOM.

In light of the aforementioned, operating income declined 1.4% year on year, to JPY 68.5 billion. Net income (attributable to owners of the parent company) decreased 3.0% year on year, to JPY 47.6 billion.

Shareholder Return Policy

As part of its fundamental shareholder return policy, JPX has announced a dividend payout ratio target of approximately 60%, and continues to aim for this as a general rule.

When the company was first established, JPX targeted a dividend payout ratio of around 40%. In FY2015, however, having secured a certain financial base, we raised the target for the payout ratio to around 60%.

Furthermore, JPX repurchased approximately JPY 20 billion of its own shares for the first time between July 2016 and May 2017 (FY2016: approximately JPY 12.5 billion; FY2017: approximately JPY 7.5 billion). The

company also paid a commemorative dividend of JPY 10 per share (for a total of JPY 5.3 billion) in FY2017 and a special dividend of JPY 15 per share (for a total of JPY 8 billion) in FY2018. In this manner, JPX has adopted a flexible approach toward the return of profits to shareholders in line with its policy.

The impact of Covid-19 has led to an increased focus on the balance between financial health and stability and capital efficiency. With this in mind, JPX will consider the additional return of profits to shareholders after comprehensively considering such factors as investment plans for growth and the external environment.

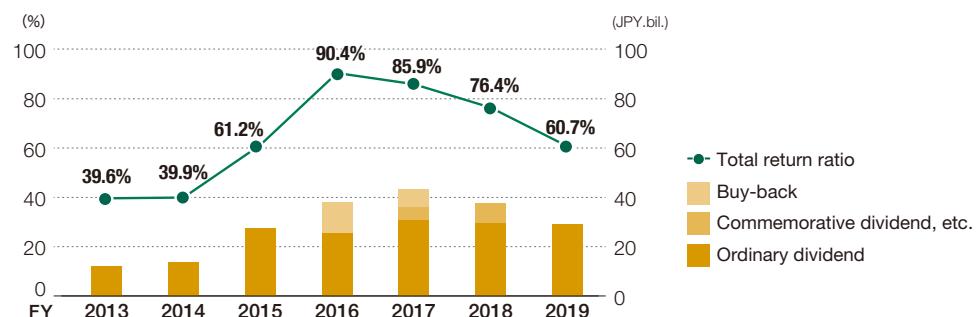
Proactive Engagement with Shareholders and Investors to Enhance Corporate Value

As the executive officer in charge of investor relations, I interact with numerous stakeholders including institutional and retail investors as well as analysts. In FY2019, in addition to earnings and business presentations, we called on overseas investors in Europe, the Americas, and Asia, while also conducting online and other briefings for retail investors around the country. Through these means, we actively engaged in the exchange of ideas on JPX's business and financial strategies.

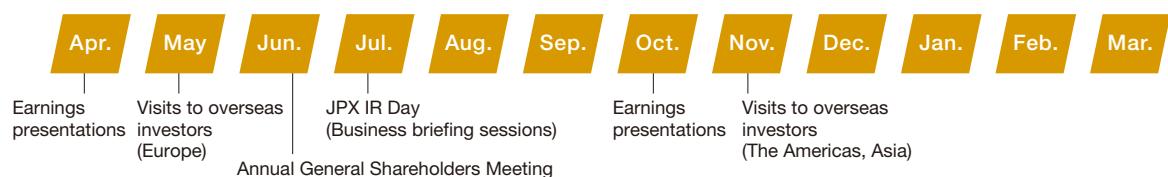
The business environment remains uncertain due to

the spread of Covid-19. Under these circumstances, we recognize the increasing need for stakeholders to have an appropriate understanding of the strengths and resilience of our business model. Some of the comments we receive through these dialogues with stakeholders are difficult to hear, but my goal is to spearhead efforts to further improve JPX's corporate value by giving serious consideration to all these suggestions, and properly reflecting them in the company's management.

Historical Records of Total Return Ratios and Value of Return to Shareholders



Major Initiatives in FY2019 (Institutional Investors and Analysts)



Special Feature

Sail to the Future. Keep the Market

The Aim of a Comprehensive Exchange

Ishizaki: Osaka Exchange (OSE) has taken the first steps toward becoming a Comprehensive Exchange with the transfer of precious metals, rubber, and agricultural commodity derivatives from Tokyo Commodity Exchange (TOCOM) in July 2020. Meanwhile, TOCOM will play an important role as a comprehensive energy market, and as the president of the exchange, this fills me with a great sense of responsibility.

Yamaji: I believe this launch of a full-fledged Comprehensive Exchange as a result of these transfers is likely to produce two effects. The first would be improved convenience for investors. Previously, to trade financial derivatives and commodity derivatives they needed two separate accounts, but now they can trade in a single one-stop account. As a result, investors should find it easier than ever to create diverse portfolios.

The second effect would be improved liquidity in Japan's derivatives market. In short, the ability to invest in a wide range of derivative products under a centralized system of rules and infrastructure will make it easier for investors trading financial derivatives at OSE to also participate in the commodities market, thus improving overall liquidity. Moreover, the consolidation of Japan Commodity Clearing House, which operates as a clearing organization for commodity derivatives, under Japan Securities Clearing Corporation brings about enhanced credibility from the creation of an environment that builds even greater investor confidence in the resilience of the market.

I believe that these efforts have improved the standing of JPX as a transparent market that is open to the world and have contributed significantly to the enhanced international competitiveness of Japan's capital market.

The Path to Further Growth

Ishizaki: Turning to the energy market at TOCOM, the pilot listing of electric power futures was launched only recently, in September 2019, and generating more activity in this area will be our biggest mission moving forward.

The electric power futures market was recognized as a key component for realizing reform in the electric power system in 2018 in the Cabinet Office's "Third Report by the Council for Promotion of Regulatory Reform" and is



considered to be indispensable infrastructure in regard to the risk of price fluctuations associated with market liberalization. In this sense, nurturing the electric power futures market can be considered part of national policy. As such, we would like to put it on track to a full-scale launch as quickly as possible.

Now that the market for electric power has effectively been liberalized, what we need is for electric power utility companies to use electric power futures and fuel futures to hedge risk. In terms of the liberalization of electric power markets, Europe and the U.S. are considered to be about 20 years ahead of Japan. Their electric power companies use the electric power futures market in the course of their daily business, and this has resulted in the size of the market in some regions becoming approximately three times as large as total electricity demand. Japan's electric power market is the fourth largest in the world, and with trading on the spot-market Japan Electric Power Exchange (JEPX) continuing to expand at a brisk pace, this has fueled expectations for considerable growth in the electric power futures market. **Yamaji:** If we look at the world of commodity derivatives,

Secure: Realizing a Comprehensive Exchange



we can see that there are already other huge markets, such as the Chicago Mercantile Exchange (CME) and Intercontinental Exchange (ICE) in the U.S. In comparison to these markets, the market in Japan is still small. While it will not be easy to change this situation quickly, by leveraging the standing of JPX as a financial instruments exchange operating in Asia, I believe we can continue to show leadership as a Comprehensive Exchange offering both financial and commodity products. OSE already has a wide range of financial derivative products, including Nikkei 225 mini, which are the world's fourth most liquid stock index futures contracts, TOPIX futures, and JPX-Nikkei Index 400

Osaka Exchange, Inc.

Yamaji Hiromi, President & CEO

Joined Nomura Securities Co., Ltd. in 1977. Became President & CEO, Osaka Securities Exchange Co., Ltd. (currently Osaka Exchange, Inc.) and Member of the JPX Board of Directors in 2013. Appointed Representative Director & Chair, Chairperson of the Board, Tokyo Commodity Exchange, Inc. in 2019.



futures, as well as 10-year JGB futures. Moreover, with overseas investors accounting for more than 70% of trading, there is already an extensive network of overseas customers in place. By making full use of the overseas investor base that has been nurtured thus far, we can increase activity not only in financial derivatives, but also in our commodities segment as well.

Our Vision for the Future

Ishizaki: TOCOM has great potential as an energy market for Japan. Moving forward, we will look to create a comprehensive energy market that also trades LNG futures in addition to our current offerings of crude oil futures and electric power futures. Japan is currently the largest importer of LNG, which is seeing growing demand around the world as an environmentally friendly fuel for power generation. On a personal note, I have had the pleasure of hosting the LNG Futures Market Council during my time at the Ministry of Economy, Trade and Industry, and from my experience in identifying the need for the market, I believe it is important to establish as quickly as possible an environment in which fuels for power generation and electric power futures can be used in combination with each other.

Yamaji: To further develop Japan's capital market, we need balanced development between financial derivatives and commodity derivatives. As we move forward, we will generate synergies by removing the barriers between OSE and TOCOM and pursuing integrated operations in all aspects from market administration to marketing and promotion. By increasing convenience and providing products with high liquidity in the JPX derivatives market, we believe that we can bolster the earnings capacity of the group as a whole.

We will devote all our energies toward achieving our 3rd Medium-Term Management Plan goal of "evolving into a total smart exchange where anyone can trade any product in a secure and easy way."

Tokyo Commodity Exchange, Inc.

Ishizaki Takashi, Representative Director, President

Joined the Ministry of International Trade and Industry (MITI, now the Ministry of Economy, Trade and Industry (METI)) in 1990. Served as Director of Commerce and Consumer Affairs Policy Division, Commerce and Consumption Economic Policy Department, Commerce and Information Policy Bureau, METI. Became a Director of the Office for the Promotion of Regulatory Reform, Cabinet Office, in 2016. Appointed Representative Director, President of Tokyo Commodity Exchange, Inc. in 2020.



Special Feature

Responding to Technology and Innovation

JPX Puts Digital Technology to Use in Creating Value

In recent years, we have seen a tectonic shift in the business environment surrounding exchanges, brought about by diversification in trading venues and the needs of market participants. Having honed our capability to cope with such dramatic changes in the external environment, JPX is leveraging digital technology to seize upon these developments as new business opportunities.

Up until now, IT departments have been the driving force behind taking up the challenge to acquire technologies in areas such as cloud computing, big

data, and AI, and then accumulating the insights gained. However, we have now newly established the DX (Digital Transformation) Promotion Team, and these tasks have also been disseminated to the business operations departments. Digital transformation that unites business and IT has already begun. We see this in business reforms that use digital technologies, as well as in incorporating the expertise that IT departments have, such as agile development, as ways to generate new business.

Initiative: Case 1 Swift Development That Curbs Costs for a New Data Business

In the area of securities investment, there is the fast-rising trend of using what is known as "alternative data" in transactions, going beyond stock prices and other traditional forms of data. Given this, JPX knew it should be offering useful, alternative data as a new product that would be of value to investors and began looking into the launch of a proof of concept (PoC) program. Traditionally, JPX develops new products after conducting interviews to survey user needs. Then, to distribute data, we would

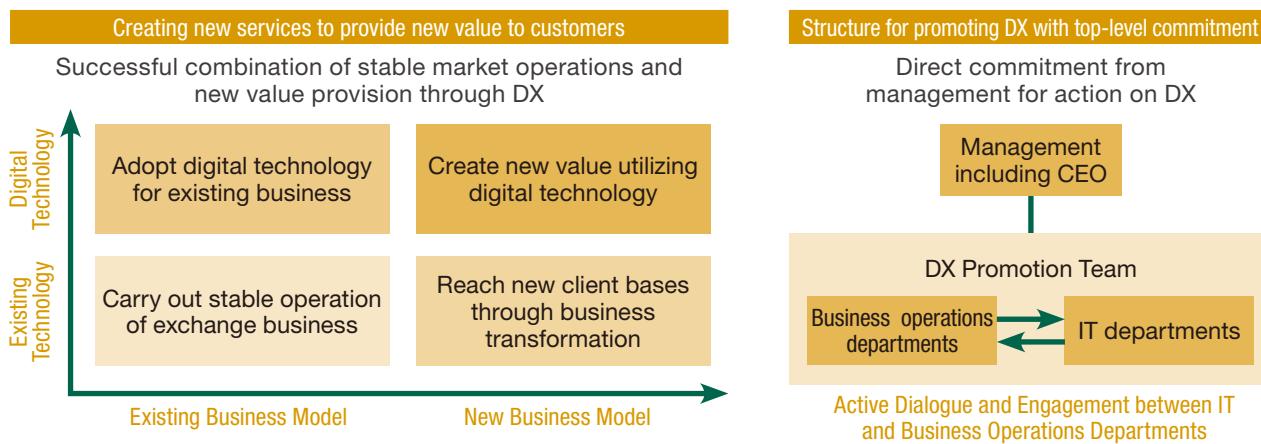
typically construct a system in yearly increments. However, in this PoC program, we adopted an approach whereby we would offer users sample data through the cloud, and upon their use of actual data, would have them determine its usefulness.

At the same time, using the cloud shortened the time required for infrastructure build-out, taking a mere four months from planning to the rollout of services. This also significantly cut start-up cost.

Initiative: Case 2 Solving Issues Using DLT

At JPX, we are conducting research on Distributed Ledger Technology (DLT) and, having garnered the participation of a number of financial institutions, from April 2020 commenced a pilot test of a DLT information sharing platform. "Securities post-trade" refers to all processes after securities transactions are executed. As many of these processes are handled on a one-on-one basis, it has been pointed out that data and operational flow

mismatches between market participants hinder efficiency. Since DLT excels at recording and executing data and operational flows in a synchronized manner, construction of a DLT information sharing platform offers potential solutions to an array of issues in the securities post-trade domain. Through this initiative we hope to contribute to standardization and enhanced efficiency of data and operational flows in the field of securities post-trade.



Sources of Value Creation

Listing Trading Clearing Settlement

JPX will fulfill its mission as a provider of infrastructure which contributes to the resolution of social issues by ensuring the smooth supply of equity to the corporate sector while creating an environment where domestic and overseas investors can invest with confidence.

Hayashi Kentaro

Director, Listing Department
Tokyo Stock Exchange, Inc.



Major Stakeholders	Creating Social Value
 <ul style="list-style-type: none"> Listed companies and those preparing to list Institutional investors, asset owners and their beneficiaries, private equity investors Service providers such as securities companies and auditing firms 	 <ul style="list-style-type: none"> By ensuring appropriate design and operation of the listing rules, we will maintain the trust of investors and fulfill expectations as a provider of infrastructure which contributes to the resolution of social issues.

Growth Strategy Creating Value

The cash equity markets operated by JPX not only provide the corporate sector with opportunities to raise equity through listing securities, but at the same time provide a variety of domestic and overseas investors with the opportunity to manage their funds through investment in listed securities, thereby fulfilling the role of ensuring the smooth circulation of funds throughout society and supporting its sustainable development.

In order to properly fulfill this role, we believe that it is essential to maintain the trust of investors in the market and to assist in the improvement of medium- to long-term corporate value for all listed companies.

The Covid-19 pandemic is not only having a strong impact on the business activities and finances of listed companies in Japan, but is also bringing about significant changes in the country's economy and society. Within this environment, the Listing Department is striving to maintain market credibility and ensure that the channel of funds to the corporate sector remains functional by

requiring all listed companies to disclose information important to investment decisions in a timely and appropriate manner.

In JPX's 3rd Medium-Term Management Plan, within the framework of the core strategy "Pursue 'the shape of the market' toward the next generation," the key goals for the Listing Department were to complete a review of the TSE market structure and to enhance corporate governance. While the Corporate Governance Code was established as a foundation for promoting improved corporate value among listed companies, our goal moving forward is to bolster its effectiveness by further promoting constructive dialogue between listed companies and institutional investors. In addition, with the cooperation of market participants, we will continue with the development of concrete designs for the new market segments, working towards a highly functional, convenient, and reliable infrastructure that can readily adapt to changes in socioeconomic conditions.

Perceived risks

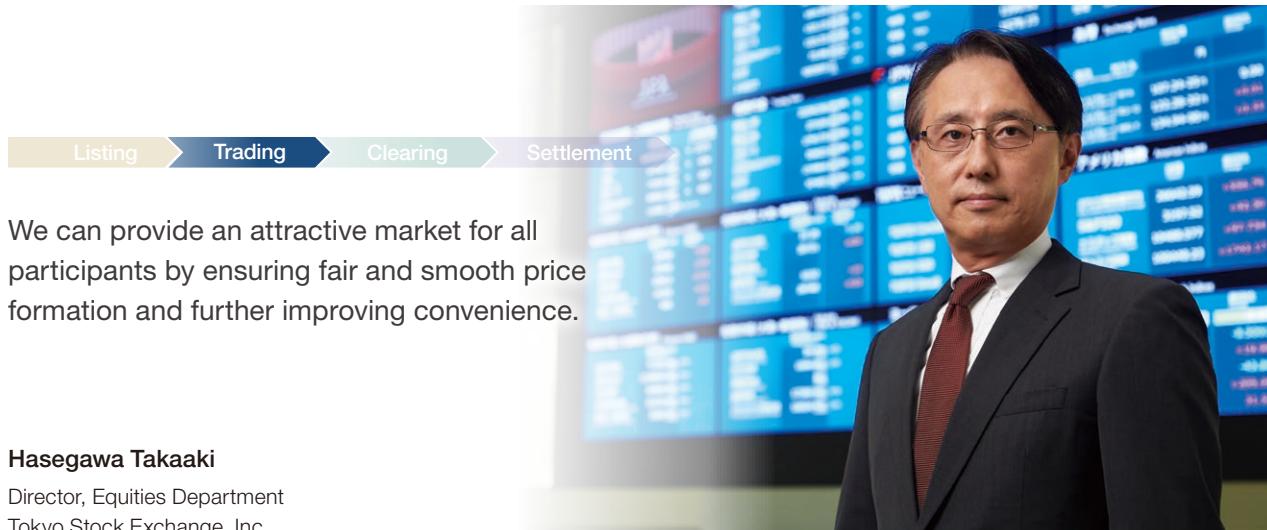
- ◆ A decrease in investor confidence in the market
- ◆ Diversification in corporate sector funding channels
- ◆ Stagnation in global economic activity due to either geopolitical risks or the Covid-19 pandemic continuing longer term

Perceived strengths

- ◆ Having many of Japan's most successful companies listed
- ◆ Enabling effective funding for a large number of venture companies
- ◆ A diverse investor base from both Japan and overseas
- ◆ Long-term and ongoing cooperation with domestic and overseas market participants

■ 2. Approach to Creating Value –Value Creation Strategies—

» Message from the CEO Message from the CIO Message from the CFO [Special Feature] Sail to the Future. Keep the Market Secure: Realizing a Comprehensive Exchange
[Special Feature] Responding to Technology and Innovation [Sources of Value Creation](#)



We can provide an attractive market for all participants by ensuring fair and smooth price formation and further improving convenience.

Hasegawa Takaaki

Director, Equities Department
Tokyo Stock Exchange, Inc.

Major Stakeholders	Creating Social Value
 · Securities companies · Investors	 <ul style="list-style-type: none">Providing people with opportunities for asset formation through the operation and development of marketsEnsuring fair and smooth price formation in the markets through effective trading supervisionImproving market convenience and reliability through various measures to enhance market functions

Growth Strategy **Creating Value**

The Equities Department is in charge of planning in relation to rules for trading of stocks and equity products and regulations for trading participants, among other things. The department is also responsible for trading supervision, which involves monitoring the market in real time for unfair trading or irregular orders.

Given the rapidly changing market environment, we believe it is vital to meet the execution-related needs of a diverse range of investors to ensure the sustainable development of the market. The 3rd Medium-Term Management Plan aims to "Pursue 'the shape of the market' toward the next generation" with the goal of improving the attractiveness of the Japanese market by, for example, strengthening the functions of the cash equity market, creating new communication channels with retail investors, enhancing support for global investors, revitalizing the ETF market, and improving the market to facilitate trading for a wide range of investors.

We are promoting a variety of initiatives aimed at improving market functions based on the Action Program for Strengthening the Functions of the Cash Equity Market announced in January 2020, which include the introduction of flexible settlement dates for the ToSTNeT market in August 2020, and the planned December 2020 launch of a request for quote (RFQ) function for ETF trading. At the same time, we understand that for sound and sustainable market operations, we must continually improve both the transparency and credibility of the market. With that in mind, we will further strengthen our trading supervision moving forward, including real-time monitoring and detection of irregular orders that impair fair price formation and orders that could signal unfair trading. As we move forward, we will continue to work to provide a market that is attractive to all participants by ensuring fair and smooth price formation and by further improving convenience.

Perceived risks

- ◆ A fall in liquidity caused by a downturn in trading volume and a deterioration in the market environment due to economic stagnation in Japan and overseas
- ◆ Reduced efficiency in the price discovery function as a result of lower liquidity on the exchange due to a higher share of off-exchange trading

Perceived strengths

- ◆ One of the world's largest markets, with a diverse investor base that includes individual investors as well as Japanese and overseas institutional investors
- ◆ Trust and cooperation with market participants built over time
- ◆ Stock trading systems that are safe and reliable

Listing > Trading > **Clearing** > Settlement

People choose JPX for clearing backed by an excellent risk management system.

- Potential value creation from the launch of the Comprehensive Exchange -

Yamashita Akio

Director, Listed Products Clearing Service
Director, Clearing Planning Department
Japan Securities Clearing Corporation



Major Stakeholders	Creating Social Value
 <ul style="list-style-type: none"> · Clearing participants · Investors 	 <ul style="list-style-type: none"> · Ensuring reliability, efficiency, and convenience of the financial and commodity markets

Growth Strategy **Creating Value**

We are continually receiving requests for verification and opinions from global regulatory and supervisory organizations, clearing participants, and investors in regard to, for example, whether JPX's clearing house is properly securing collateral or perhaps taking too much, if reasonable procedures will be followed should a clearing participant default, or if safe clearing and settlement can be ensured for trades done through JPX. With this in mind, we are focused on improving all of our rules and processes, in particular for risk management.

Within Japan Securities Clearing Corporation (JSCC), I am responsible for the clearing of derivative and cash equity transactions, which mainly happen on the exchange, and within that framework I am working on a variety of projects, including improvements to the margin rules, the launch of an ETF Creation/Redemption

Platform Service, and adapting to new products and rules in each market.

Among these, our efforts from July 2020 to improve default management procedures, including setting a cap on additional contributions from non-defaulting participants in the case of a default, won strong praise from related parties, mainly those overseas. These measures appear to have greatly bolstered trust in JPX.

With the launch of the Comprehensive Exchange, we hope that by starting commodities clearing at JSCC, a trusted clearing organization, we can strive to create new value by attracting new liquidity from financial institutions and other participants who have been looking for opportunities to enter the market.

Perceived risks

- ◆ A fall in profits caused by a decline in debt assumption volumes and a deteriorating environment for the secondary market due to an economic slump in Japan and overseas
- ◆ Business continuity difficulties due to natural disasters, or operational and system troubles

Perceived strengths

- ◆ A strong degree of credibility as a clearing organization
- ◆ Fit-for-purpose risk management rules and structures
- ◆ Robust business and systems operations
- ◆ Clearing operations for a wide range of products, including cash equities, derivatives, OTC derivatives, and OTC government bonds

■ 2. Approach to Creating Value –Value Creation Strategies—

➤ Message from the CEO Message from the CIO Message from the CFO [Special Feature] Sail to the Future. Keep the Market Secure: Realizing a Comprehensive Exchange
[Special Feature] Responding to Technology and Innovation [Sources of Value Creation](#)

Listing Trading Clearing Settlement

Information Services

We aim to advance as one of JPX's core businesses, encouraging further use of JPX-operated markets through the creation of information services that meet the diversifying and sophisticated needs of our users.

Arai Keisuke

Director, Information Services
Tokyo Stock Exchange, Inc.
Osaka Exchange, Inc.
Tokyo Commodity Exchange, Inc.



Major Stakeholders	Creating Social Value
 <ul style="list-style-type: none">• Securities companies• Information vendors• Institutional investors• Asset management companies• Start-up companies	 <ul style="list-style-type: none">• Providing the market information necessary to ensure fair price formation in the cash equity and derivative markets• Developing and providing stock indices which can be used as indicators of market trends, as benchmarks, and for the composition of ETFs and other financial products• Promoting ESG investment through the development of ESG indices• Contributing to the global standing of the Japanese market in terms of information services, through cooperation with international organizations and compliance with overseas laws and regulations

Growth Strategy Creating Value

In addition to market information on trading in equities and derivatives (e.g., in real time), the Information Services Department provides stock index and other statistical information to users such as information vendors and securities companies. The department also provides information addressing specific user needs, including a search function for timely disclosure by listed companies and a corporate action information service.

In line with the "Diversify and propel data services into the next generation" goal in the company's 3rd Medium-Term Management Plan, the department is focused on making the best use of open and innovative frameworks to create new services and develop a new customer base. More specifically, we launched a Proof of Concept program in April 2019 to test new content for distribution, a data sandbox program in August 2019 to expand the information-user base, and four new services through June 2020.

In terms of stock index operations, we will work to strengthen our tie-ups and partnerships and develop new products leveraging the TSE brand, while for TOPIX, the mainstay JPX index, we will follow the directives outlined in the final report published by the Financial System Council's Expert Study Group on Capital Markets in Japan in December 2019, and shift to an index that properly represents the market as well as performing its function as an investment target. Also, in light of the ongoing expansion in ESG investment across the world over the past few years, we will continue to develop socially meaningful indices that not only support the sustainable development of society and the environment, but also contribute to enhancing the medium- to long-term corporate value of listed companies.

Perceived risks

- ◆ A decrease in the balance of total assets due to reduced attractiveness of the ETF market, and a decline in the number of information users due to reduced attractiveness of the Japanese market, caused by economic deterioration

Perceived strengths

- ◆ Competitive market information fees, even with overseas exchanges
- ◆ A strong ability to develop indices that meet societal demand and the increasingly diverse needs of our users
- ◆ Structures that make the best use of tie-ups and partnerships as well as in-house development to develop innovative products, and structures that provide support for JPX information product users

Listing ➤ **Trading** ➤ **Clearing** ➤ **Settlement**

Self-Regulation

We aim to build a fair and reliable market through market surveillance adapted to an increasingly complex and diverse market.



Suzuki Toru

Director, Department of Market Surveillance and Compliance
Japan Exchange Regulation

Major Stakeholders	Creating Social Value
 <ul style="list-style-type: none"> • Investors • Listed companies • Securities companies 	 <ul style="list-style-type: none"> • Utilizing market surveillance and compliance operations to ensure a fair and trusted market

Growth Strategy **Creating Value**

Japan Exchange Regulation's role is to ensure a market where investors can trade with confidence; in other words, a quality control center for the exchange. The Market Surveillance and Compliance Department maintains a fair and trusted market by monitoring for unfair trading, including insider trading and market manipulation.

One of the core strategies in the 3rd Medium-Term Management Plan is "Develop a foundation to support the future of our business and the society." In order to ensure the self-regulatory function works properly in line with trends in the market environment, the department has built a new trade surveillance system which uses the latest screening methods. With market trading systems becoming increasingly sophisticated as information and communications technology advances, algorithmic and high-frequency trading has emerged, resulting in a sharp increase in buy and sell orders. In light of these changes,

the department introduced artificial intelligence-based technologies into the monitoring and surveillance system to quickly process early-stage investigations and allow us to focus more deeply on detailed investigations afterward, contributing to more precise and in-depth monitoring and surveillance operations. The department is also focused on training for market participants to help eliminate unfair trading, while holding seminars for listed companies and providing support for human resource development among trading participants. The market environment is changing rapidly, and it is crucial that we can respond flexibly to these trends in order to carry out appropriate self-regulatory operations for events that are happening on a daily basis. The department will continue to conduct highly effective market surveillance operations with the goal of building a fair and trusted market that contributes to higher corporate value at JPX.

Perceived risks

- ◆ Emergence of new types of unfair trading
- ◆ Unfair trading off-exchange

Perceived strengths

- ◆ Market surveillance that uses cutting-edge technologies, including artificial intelligence
- ◆ Highly specialized personnel with expert knowledge of the market
- ◆ A neutral position independent of the exchange

Aiming to Realize an Affluent Society

At the UN Sustainable Development Summit in 2015, 17 Sustainable Development Goals (SDGs)—international goals related to the economy, society, and environment—were adopted as a step towards realizing a society that is sustainable, diverse, and inclusive.

JPX's corporate philosophy is to contribute to the realization of an affluent society by promoting the sustainable growth of the market and, by extension, realizing the society envisioned in the SDGs. Under this corporate philosophy and as a member of society, JPX will continue to regularly hold dialogues with a wide range of stakeholders, including listed companies, trading participants such as securities companies, investors, and other related organizations, and aim to contribute to the realization of an affluent society.



■ 3. Approach to Creating Value –Value Created with Stakeholders–

> Aiming to Realize an Affluent Society **Market User-Focused Initiatives** Initiatives for Investors and Society Shareholder-Focused Initiatives Initiatives for Employees
Initiatives for the Environment and Regional Communities Corporate Data: Environment and Employees
► **Promoting the Spread of ESG Investment** Engagement with Trading Participants Listed Company-Focused Initiatives

Market User-Focused Initiatives

Promoting the Spread of ESG Investment

Approach

In recent years, investors have increasingly been taking environment, social and governance (ESG) factors into consideration when evaluating listed companies' sustainability and medium- to long-term corporate value.

As operator of the infrastructure which underpins Japan's financial and capital markets, JPX understands the importance of proactively contributing to the creation of a sustainable society, and believes that this can contribute to JPX's own corporate value. We have positioned the promotion of ESG investment as a pillar of our Medium-Term Management Plan, and we are also endeavoring to enhance our own ESG disclosures.

Initiatives

Practical Handbook for ESG Disclosure

The disclosure of ESG-related information by listed companies is an essential factor in the promotion of ESG investment. JPX has long supported listed companies' voluntary efforts to disclose ESG information, while working to encourage dialogue between listed companies and investors.

The Corporate Governance Code, formulated in 2015, requires listed companies to positively and proactively address sustainability issues, including social and environmental issues. The 2018 update clarifies that ESG-related information is included in "non-financial information" for disclosure purposes, and requires that companies present this information in a valuable and useful way. In June 2019, JPX translated into Japanese the "Model Guidance for Companies on Reporting on ESG Information" published by the Sustainable Stock Exchanges (SSE) Initiative, of which it is a member.

It was in this context that, in March 2020, JPX published its Practical Handbook for ESG Disclosure, with the objective of helping listed companies which choose to begin or improve ESG disclosure as part of their aim to improve corporate value over the medium to long term and achieve sustainable growth. An English translation was published in May 2020 for overseas investors to use.

Some important features of the Handbook are listed below:

- ◆ Rather than simply focusing on specific points to disclose, the Handbook gathers together issues that listed companies come across when looking at ESG disclosure internally and splits these, as well as related processes and other points to consider, into the following four Steps (see the chart on the right): (1) ESG Issues and ESG Investment, (2) Connecting ESG Issues to Strategy, (3) Oversight and Implementation, and (4) Information Disclosure and Engagement.
- ◆ To encourage disclosure of information useful to investors for making investment decisions, the Handbook incorporates investors' points of view (for example on identifying material issues and how to link them to strategy).
- ◆ To make sure the Handbook can be used by listed companies as a practical guide to jump-start preparations towards disclosure, it contains references to existing information disclosure frameworks and examples of actual corporate disclosure.

JPX believes that if a large number of listed companies use this Handbook to work towards better ESG disclosure and improving their engagement with investors, this will translate into higher corporate value for listed companies and increased attractiveness of the market overall, leading to improved corporate value for JPX itself.

Web **Practical Handbook for ESG Disclosure**

<https://www.jpx.co.jp/english/corporate/sustainability/esg-investment/handbook/index.html>

The Four Steps of the Practical Handbook for ESG Disclosure

◆ Step 1

ESG Issues and ESG Investment
As the first step toward ESG information disclosure, understand what ESG is and why investors are carrying out ESG investment.

◆ Step 2

Connecting ESG Issues to Strategy
Based on the understanding gained in Step 1, identify the ESG issues that are the most important (material) in relation to the company's strategy.

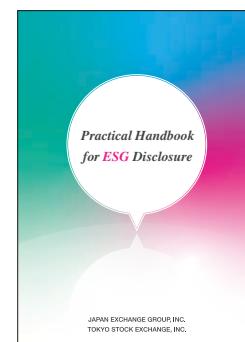
◆ Step 3

Oversight and Implementation
Put in place internal structures so that corporate value can be linked to the material issues identified in Step 2.

- Create governance structures and obtain commitment from top management
- Set metrics and targets

◆ Step 4

Information Disclosure and Engagement
Taking Steps 2 and 3 into account, disclose information about material ESG issues while linking them to corporate value. Based on these disclosures, engage in dialogue with investors and other stakeholders.



Practical Handbook for ESG Disclosure

■ 3. Approach to Creating Value —Value Created with Stakeholders—

> Aiming to Realize an Affluent Society [Market User-Focused Initiatives](#) Initiatives for Investors and Society Shareholder-Focused Initiatives Initiatives for Employees
Initiatives for the Environment and Regional Communities Corporate Data: Environment and Employees
► [Promoting the Spread of ESG Investment](#) Engagement with Trading Participants Listed Company-Focused Initiatives

Listing ESG-Related Products

TSE calculates ESG-related indices, lists ESG-related ETFs, and has set up an infrastructure fund market and an information disclosure platform for green and social bonds.

A total of 10 ESG-related indices are calculated, including the S&P/JPX Carbon Efficient Index. In April 2020, TSE began calculation of the Tokyo Stock Exchange Infrastructure Funds Index covering all infrastructure fund listings on TSE. There are 21 ESG-related ETF listings, and seven listings on the infrastructure fund market following the addition of a Japan Infrastructure Fund Investment Corporation issue in February 2020.

With regard to green and social bonds, which have recently been drawing the interest of investors both inside and outside Japan, information about social bonds listed on the TOKYO PRO-BOND Market from issuer the Japan International Cooperation Agency (JICA) and a green bond issued by the Japan Finance Organization for Municipalities is disclosed on the dedicated platform.

ESG-Related Products

- ◆ Calculation and publication of ESG-related indices (10 indices)
 - We calculate and publish indices such as the JPX-Nikkei Index 400, which focuses on corporate governance, and the S&P/JPX Carbon Efficient Index
- ◆ Listing of ESG-related ETFs (21 listings)
 - We list a wide variety of ESG-related ETFs, including those linked to indices tracking women's empowerment and other issues, in addition to the ESG-related indices mentioned above
- ◆ Listing of infrastructure funds (7 listings)
 - We list funds that invest in renewable energy, such as solar power
- ◆ Listing of green and social bonds (8 listings)
 - We list green and social bonds which use the dedicated information disclosure platform

Listing numbers are as of June 30, 2020

Promoting the Spread of TCFD

The Task Force on Climate-related Financial Disclosures (TCFD) is a private sector-led task force established in 2015 at the request of the G20 Finance Ministers and Central Bank Governors Meeting. Its final recommendations were issued in June 2017 aimed at encouraging individual financial institutions and corporates to ascertain and disclose the possible financial impacts of "risks" and "opportunities" brought about by climate change.

In October 2018, JPX announced its support for the TCFD recommendations, joining over 1,200 companies and organizations around the world that have also voiced their support. Since then, JPX has worked to promote wider take-up of the recommendations. As a member of the TCFD Consortium established in May 2019, JPX has participated in debate about how to make TCFD-based disclosure more effective and how to appropriately reflect disclosed information into investment decisions.

Furthermore, in October 2019, JPX held a joint seminar with the U.S.-based Sustainability Accounting Standards Board (SASB) and Climate Disclosure Standards Board (CDSB) to introduce the SASB-CDSB "TCFD Implementation Guide" with the objective of furthering understanding of the TCFD recommendations among listed companies and investors, and to promote the disclosure of information related to climate change. In December 2019, following on from FY2018, JPX and the Financial Services Agency of Japan (JFSA) held a seminar for institutional investors and listed companies about dialogue between companies and investors on TCFD.



JPX and JFSA's seminar about dialogue between companies and investors on TCFD

Comments from Staff on the Ground

Contributing to the Creation of Sustainable Markets by Promoting ESG Investment

The Sustainability Committee works to promote ESG investment, support ESG disclosure efforts at listed companies, and advance ESG-related products. In March 2020, we created and published our Practical Handbook for ESG Disclosure to provide meaningful information to listed companies that are looking into disclosure of ESG information. With various discussions about ESG taking place around the world, the industry is constantly moving, so it is important to carry out our work while keeping track of the latest discussions and coordinating with related parties inside and outside Japan.

Regarding climate change, a topic which is attracting particular interest, JPX provides information with the cooperation of related parties to help spread wider understanding and take-up of the TCFD recommendations. JPX also connects with other stock exchanges around the world through the Sustainable Stock Exchanges (SSE) initiative and the World Federation of Exchanges. I believe that environment and social issues will become increasingly important for the financial markets in the future. By promoting ESG investment, we can contribute to the creation of a sustainable market.



Torii Natsuho

Manager, Sustainability Committee, Corporate Strategy Department
Japan Exchange Group, Inc.

■ 3. Approach to Creating Value –Value Created with Stakeholders–

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► Promoting the Spread of ESG Investment [Engagement with Trading Participants](#) Listed Company-Focused Initiatives

Engagement with Trading Participants

Approach

By pursuing "the shape of the market" toward the next generation, a core strategy in the 3rd Medium-Term Management Plan, JPX conducts sustainable market operations while working to improve the attractiveness and strengthen the global competitiveness of the Japanese market. Toward this end, it is essential to build relationships of trust and cooperation with trading participants. JPX creates various opportunities to engage in dialogue with trading participants for the purpose of ensuring market transparency and further improving convenience.

Initiatives

Market Operating Committee

TSE and OSE, operators of JPX markets, are each equipped with a Market Operating Committee as an advisory unit to the Board of Directors composed of outsiders from academia, securities companies, institutional investors, and other areas of expertise. With the aim of creating even more convenient markets, outside expert opinions are considered in decisions on important matters, such as listing new products, establishing new markets, and revising rules or frameworks.

Exchanging Views with Representatives of Securities Companies and Others

We believe that communication with securities companies is very important for sustainable exchange operations. JPX makes a concerted effort to facilitate mutual understanding among people in top management by periodically holding events to exchange views with representatives of trading participants. Additionally, we exchange views through close communications with staff in charge at securities firms and institutional investors, and take a dynamic and flexible approach to revising trading rules to adapt to changes in the trading environment.

As a result of these dialogues, in January 2020, TSE released its "Action Program for Strengthening the Functions of the Cash Equity Market" with the objective of sharing with related parties the matters that should be addressed to reinforce the overall functions of securities markets in Japan. Based on this initiative, TSE is advancing measures to improve the convenience of its markets, having already added more flexibility to settlement dates on the ToSTNeT market (August 2020) and moving to start providing RFQ functions for the ETF market (planned for December 2020). Through various measures, JPX aims to further increase convenience and transparency to create an even more attractive market for trading participants and other market users.

Comments from Staff on the Ground

Launch of ETF Market Making Scheme Version 2.0

ETFs are useful products for both retail investors and institutional investors from the standpoint of portfolio diversification, low cost, high transparency, and the flexibility to buy and sell. More investors are taking advantage of ETFs, but there are only a limited number of heavily-traded ETFs, and some are difficult for institutional investors to trade in large lots on stock exchanges. For this reason, in April 2019, TSE introduced Version 2.0 of its ETF market making scheme to require participating market makers to display quotes that exceed JPY 100 million for major ETFs to facilitate more large-lot trading on TSE and thereby make it easier for all investors to execute trades in a more timely manner at more appropriate prices. When designing such schemes or rules, it is important to exchange views with related parties and constantly review the rules based on their feedback. To provide a highly convenient environment for trading ETFs, I will put more effort into exchanging views with market participants for designing and revising the rules.

Mutual Understanding through Dialogue



Providing Markets, Improving Operations



Web

Action Program for Strengthening the Functions of the Cash Equity Market

<https://www.jpx.co.jp/english/corporate/news/news-releases/0060/20200130-01.html>



Omaki Masahiro

Manager
Equities Department
Tokyo Stock Exchange, Inc.

■ 3. Approach to Creating Value —Value Created with Stakeholders—

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Initiatives for the Environment and Regional Communities Corporate Data: Environment and Employees
► Promoting the Spread of ESG Investment Engagement with Trading Participants **Listed Company-Focused Initiatives**

Listed Company-Focused Initiatives

Approach

JPX's vision of sustainable market development and the creation of an affluent society hinges on the participation of a diverse range of investors from around the world in its markets and the medium-to long-term improvement of the corporate value of its listed companies. By pursuing "the shape of the market" toward the next generation, a core strategy in the 3rd Medium-Term Management Plan, JPY aims to create a market foundation that is highly convenient, efficient and transparent, while developing an environment to support listed companies in their efforts to increase corporate value.

Initiatives

Review of Cash Equity Market Structure

The TSE cash equity market open to all investors is currently made up of four market segments – First Section, Second Section, Mothers, and JASDAQ. In April 2022, we plan to change the market structure to incentivize listed companies to improve their corporate value over the medium to long term and thereby garner even higher levels of support from diverse investors in Japan and around the world. In February 2020, TSE disclosed a summary of the new market segments and the transition process, and will continue to work on the listing rules for the transition to the new market segments.

Corporate Governance Code

For many years, TSE has been working to improve the corporate governance of listed companies in Japan with the intention of supporting companies listed on TSE in their endeavors to sustain growth and improve corporate value over the medium to long term. Since the 2018 revision to the Corporate Governance Code, TSE has followed up on the initiatives taken by listed companies and continued with its efforts, such as by introducing case studies of positive examples.

Promoting Management Aimed at Improving Corporate Value

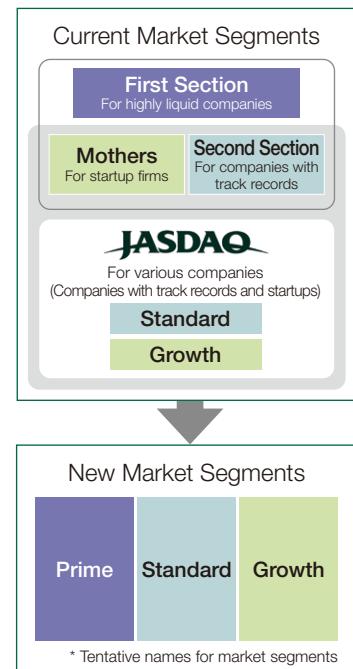
In order to encourage listed companies to engage in management focused on enhancing corporate value, TSE created the "Corporate Value Improvement Award" to showcase listed companies that have sustainably achieved improvements in corporate value under management based on outstanding awareness and solid initiatives. Moving forward, we will continue to disseminate information that will help listed companies take those first steps toward further growth and create an environment that encourages them to proactively engage in management focused on increasing corporate value.

Comments from Staff on the Ground

Toward Realizing an Attractive Cash Equity Market

When the cash equity markets of the exchanges in Tokyo and Osaka were integrated in 2013, we maintained the market structure (market segments) as it was to ease the burden on listed companies and avoid confusion among investors. This resulted in TSE's current four cash equity market segments open to all investors. In recent years, however, we have received a variety of requests concerning the First Section, which is linked to the widely used TOPIX benchmark, along with criticism about the ambiguous concepts of each market segment, and the lack of incentive for listed companies to continuously improve their corporate value. In light of such circumstances, TSE has been re-examining its current listing rules in preparation for the new market segments in April 2022. Although the revision of market segments is expected to have broad-reaching impact, we will re-evaluate the related rules to create a more attractive and broadly-embraced cash equity market in the transition to the new market segments.

Market Structure



Web

Winners of the 8th Corporate Value Improvement Award (FY2019)
<https://www.jpx.co.jp/english/equities/listed-co/award/index.html>



Yamawaki Natsumi
Manager
Listing Department
Tokyo Stock Exchange, Inc.

■ 3. Approach to Creating Value –Value Created with Stakeholders–

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Initiatives for Investors and Society

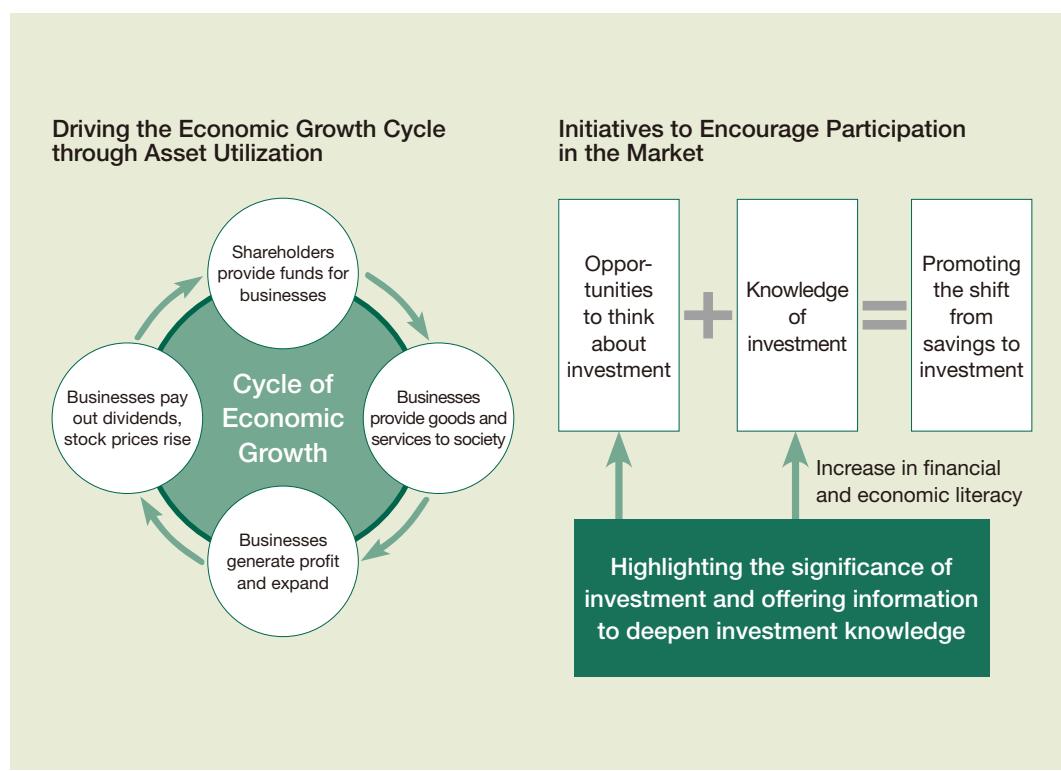
Financial Literacy and Economic Education

Role of Financial Literacy and Economic Education

Faced with problems of a shrinking workforce and the limits of its social security system, the major task at hand for Japan is figuring out how to use its assets as efficiently as possible to generate economic growth for the next generation. JPX believes it can help to address these issues by raising the financial and economic literacy of each and every member of society and by pushing for a shift from savings to investment. To this end, JPX implements various initiatives.

In Japan, households hold ample monetary assets totaling more than JPY 1.9 quadrillion. However, these assets are not being fully utilized. Statistics on the composition of Japanese household assets indicate that cash and deposits account for a high proportion, approximately 53% of the total, while stocks and other investments account for only approximately 14%. In particular, cash and deposits account for more than half of all household assets. If just a portion of this were to be invested in publicly traded companies, companies could increase production and provide new products and services, which will in turn bring about business expansion, create more jobs, and increase wages. We recognize the need to promote the shift from savings to investment to create a virtuous cycle in the Japanese economy.

At the same time, there is no guarantee that the existing social security system will be able to continue providing sufficient financial support for the elderly in the era of "a 100-year life" where more and more people will live for 100 years. Every one of us must each build our own assets in a manner suited to the different phases of our lives.



■ 3. Approach to Creating Value —Value Created with Stakeholders—

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Approach

JPX engages in a variety of educational activities while considering the most effective approach to take for a broad range of age groups, from elementary school students to adults, and for people who have investment experience and those who do not. We believe these activities lay the foundations for supporting the future of businesses and society, by showing the attractiveness of investing to retail investors and improving financial literacy to accommodate an aging society.

Initiatives

Outreach to Schools (Elementary through High School)

Although our daily lives are closely related to the economy and stock companies, there are very few opportunities to learn about these topics in school. To address this situation, JPX sends staff to schools to speak during politics & economics or civics classes. They give lectures on how stock companies work and mix in some roleplay and skits to help students familiarize with financial and economic concepts.

During FY2019, JPX held 85 lectures in schools, reaching out to approximately 3,300 students, and to more than 7,800 students across 375 groups visiting TSE.

Economics Lectures for Parents and Children (Elementary and Junior High School Students)

JPX holds many events, mostly during summer vacation, for elementary and junior high school students and their families to familiarize them with financial and economic concepts. In FY2019, a total of approximately 1,600 persons participated in these events.

OSE held a program called "Learning with Children - Finance and Stocks Summer School," for elementary school students in collaboration with the Osaka prefectural government's finance and public relations committee, Japan Securities Dealers Association, and other organizations. The students learned about finance and stocks as they visited key financial and economic facilities in Osaka.

Financial Lectures for All Generations

School students ¹	About 13,000
Teachers	About 1,200
University students	About 10,000
Adults	About 23,000

Note: 1. Includes parents and guardians of students participating in the programs for elementary and junior high school students.



Economics lecture for parents and children

Lectures for University Students

JPX offers lectures at universities nationwide to substantially deepen the understanding of finance, economics, and securities markets among university students who will soon be deeply involved in the Japanese economy. The students also have an opportunity to visit TSE and OSE to gain first-hand experience and attend lectures. In FY2019, more than 200 lectures were held as part of this program, attracting a cumulative total of more than 10,000 attendees.

To help nurture the next generation of leaders, JPX holds sponsored courses and joint courses at a number of universities. The courses cover the latest developments in law, economics, management and accounting related to the securities market, along with the roles expected of listed companies.



Lecture for university students

Comments from Staff on the Ground

Providing Places for Financial Learning So That People Can Think and Make Decisions on Their Own

I am in charge of guiding visitors on tours of TSE, and I explain finance and economics to university students and young adults. JPX engages in financial education so that everyone can have a proper understanding of these subjects amid the increasing importance of asset building. In a society where there is so much information, I believe people need to develop the ability to think and make decisions on their own.

Through my work of explaining how the economy works and the role of stock exchanges and markets, I hope everyone active in society gains a broader perspective and becomes more interested in economic trends. Some visitors have told me that they gained a deeper understanding of stock companies and will try to look at companies from various angles when they look for a job. I hope everyone who participates in the tours will eventually learn to find the right information they need on their own.



Takasawa Azumi

Financial Literacy Support Department
Tokyo Stock Exchange, Inc.

JPX Entrepreneur Experience Program

The JPX Entrepreneur Experience Program aims to give students the experience of setting up and running a pseudo stock company that operates a bazaar stall. This program allows participants to learn and gain the ability to think on their own and, thereby, contributes to the development of more well-rounded individuals. Carried out in collaboration with schools and regional communities as part of JPX's activities to support financial literacy, in FY2019, the program was held in eight locations across Japan and drew about 990 participants.

JPX was honored to receive the 13th Kids Design Award (organized by non-profit Kids Design Association) in recognition of the JPX Entrepreneur Experience Program's role in enriching children's interaction with the community and deepening children's knowledge of social issues as a part of the Iizuna Future School, a public-private program for community interaction and development implemented in Iizuna Town, Nagano Prefecture.

Economics Lectures for School Teachers

JPX provides seminars for junior high and high school teachers mainly during summer vacation, aiming at equipping teachers with economic knowledge and concepts that will aid them in their teaching. In FY2019, JPX held the Summer Vacation Economics Course for Teachers and the Winter Vacation Economics Seminar for Teachers for a cumulative total of around 1,200 teachers. JPX also sends staff to speak at training and study sessions for teachers.

JPX Academy

Knowledge of finance and economics and asset building is important for everyone, and there is a growing need to create more opportunities for people of all ages to learn about them.

JPX Academy offers information from a neutral position on financial products such as stocks, ETFs, and derivatives, as well as macroeconomic trends, the latest economic theories, and other subjects relevant to asset building and management. In FY2019, a cumulative total of more than 12,000 persons participated in JPX Academy programs, the highest number since it was renamed from TSE Academy in FY2014.



JPX Academy

Joint Projects with Industry Groups

JPX collaborates with groups and organizations in the securities industry to jointly offer ongoing programs to disseminate information and forge a deeper understanding of securities over the long term. Activities include providing schools with educational materials for financial education and holding lectures and seminars for adults.

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+YOU Japanese Economy Support Project

TSE launched the "+YOU Japanese Economy Support Project" in FY2012 to make Japan come alive through the securities market. The objective of this project is to convey to as many people as possible the true meaning and power of investing. To achieve this objective, the project targets those who are not particularly interested in economics or investment and introduces the attractiveness of investment to them.

In FY2019, TSE held 33 seminars, which drew a cumulative total of approximately 5,600 participants.



+YOU seminar

33 seminars held in FY2019

Tohoku/Hokkaido	4
Kanto-Koshinetsu	17: including 4 live radio tapings
Chubu/Hokuriku	5
Kinki/Chugoku/Shikoku	5
Kyushu/Okinawa	2

Sending Speakers to Listed Companies

To provide employees of listed companies and other organizations with opportunities to learn more about securities markets and asset building in training and study sessions, we began a service to send JPX staff well-versed in finance and capital markets as speakers to listed companies. The sessions aim to help attendees build assets in a way best suited to their needs by enhancing their financial literacy and increasing their interest in asset management. Therefore, the lecture contents are flexibly customized to meet individual needs and include topics such as how to use your money to realize your life plan and pointers for using defined contribution pension plans, such as DC/iDeCo, and NISA.

This service was used mainly as part of in-house training and new employee training. The sessions were held for approximately 100 companies and organizations and were attended by more than 4,700 individuals in FY2019.

Visits to JPX Facilities

To give everyone a better first-hand understanding of securities exchanges, JPX opens its facilities to groups and individuals from elementary schools through to university and the general public. In FY2019, a combined total of more than 53,000 persons visited TSE Arrows in Tokyo and OSE Gallery in Osaka.



Visiting JPX

Comments from Staff on the Ground

Working to Enhance Financial Literacy (Understanding and Deciding How Money Works)

In the Financial Literacy Support Department, we aim to get as many people as possible, from children to adults, more interested in investing. To this end, we hold a variety of events and seminars with the cooperation of internal and external parties. While we strengthen and upgrade our operational structure to advance our activities toward this goal, in response to the Covid-19 pandemic, we are putting extra effort into webinars for people to view them whenever they want.

I sometimes give lectures at these seminars, and I have learned, through trial and error, to focus on conveying information from a fair and neutral standpoint, while making the seminars enjoyable and easy to understand for people who have no experience in investing, so they will become more interested in investing.

I will continue to do my best in the belief that these initiatives will not only enrich people's lives but also contribute to the development of Japan's economy.



Hara Ruriko

Financial Literacy Support Department
Tokyo Stock Exchange, Inc.

Special Website: TSE's Money Club

TSE's Money Club (TSE Money-bu) is a website where we publish information daily to promote asset building by retail investors (currently only available in Japanese). The purpose of this website is to help as many people as possible on their way to growing their assets by providing information about the importance of asset building through long-term, diversified investment. The website presents stories about the role of money in familiar situations, using language that is easy to comprehend even for novice investors. The website is designed to be accessible to varied age groups. For example, the website includes explanatory videos, infographics which explain things in an easy-to-understand visual form, and articles for retirees to prepare them for a 100-year life. We intend to deliver information to those who have little to no interest in investing, by reaching out through social networking sites and popular news apps. In FY2019, we published more than 370 articles.



TSE's Money Club website

Special Tool: The "What-if" Investment Returns Calculator

JPX launched a "What-if" investment returns calculator to encourage individuals to think about long-term asset building in an attempt to ease any fears they may have about investing while showing them the outcome of building asset by investing in stocks through a fun and easy game. After entering a certain year to start investing, the user can pick different companies to invest in to better understand how time and asset distributions affect investment returns.

Initiatives to Put Courses and Seminars Online

JPX works to provide opportunities to learn about finance, economics, and asset building to those who are unable to attend seminars due to location or time constraints.

Since 2018, TSE has collaborated with NTT DOCOMO subsidiary DOCOMO gacco to offer online courses on asset building. Around 6,300 signed up for new courses in FY2019. JPX Academy streams live explanations about the basics of investing and videos about market conditions, and it has also released archives of past videos on the Official JPX Group Channel on YouTube. Speaker dispatch services have also shifted to remote meetings based on teleconferencing systems. For schools, we now also offer online lessons and live lectures from TSE Arrows.



JPX Academy: Online Course Website



Web

The "What-if" investment returns calculator website (only in Japanese)

<https://jpx-game.com/simulation>

Web

Online course "Let's Learn the Basics of Asset Building: More ease, more benefits!" (only in Japanese)

<https://gacco.org/jpx/shisankeisei/>

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Promoting International Cooperation

Approach

At JPX, through activities with international organizations, we gather information and express views about trends in international regulations. At the same time, we collaborate with foreign stock exchanges to strengthen our business foundations in other countries.

JPX also provides technological assistance to develop capital markets in other countries, especially in Asia. Through such assistance, we aim to create business synergies over the long term while fulfilling our social responsibility as a corporation.

Initiatives

Contributing to International Organizations

World Federation of Exchanges (WFE)

An industry association composed of members from exchanges and clearing organizations around the world, WFE is engaged in making policy recommendations and conducting surveys and research about capital markets. Recent WFE activities center on important themes including ESG-related issues and the value of the role played by exchanges in generating market data.

JPX supports the work of WFE by actively participating in the activities of the WFE Board of Directors and Working Committee, in particular by serving as vice-chair of the Sustainability Working Group.

Asian and Oceanian Stock Exchanges Federation (AOSEF)

AOSEF is a regional federation of 19 stock exchanges for the Asia-Oceania region. AOSEF aims to facilitate information sharing among member exchanges. JPX serves as the secretariat for AOSEF, promoting research initiatives while also leading the General Assembly and Working Committee.

Recent activities have focused on topics of high interest among members, such as sustainability initiatives by stock exchanges.



AOSEF Working Committee

Trainees from Foreign Exchanges (commissioned by JICA)

Commissioned by the Japan International Cooperation Agency (JICA), JPX accepts trainees from exchanges and related organizations of various countries and provides them with training based on the developmental status of each stock exchange, thereby contributing to the development of their stock markets.

In Myanmar, there is a joint public-private effort from Japan in support of the development of its capital market. In addition to providing training programs with a focus on nurturing the country's securities market, Japan also contributes to the development of Myanmar's securities market by supporting the operation of Yangon Stock Exchange.



JICA seminar

Comments from Staff on the Ground

Fostering Global Connections

Global Strategy consists of several different groups, each handling a different facet of our international relations and collaboration work. We have a team supporting operations at Myanmar's Yangon Stock Exchange, another one helps to prepare English material, while a handful of people are engaged in global business initiatives and representing the exchanges' interests in the international arena. I am involved in preparing English material for publication or external use, and also work with foreign exchanges to explore business opportunities and deepen collaborative ties. Following on from last year's milestone launch of the Japan-China ETF Connectivity scheme, the global business team is monitoring regulatory changes that impact access to the Japanese market in various jurisdictions as we plot the way forward. While we keep an eye on regulatory trends on the global and regional levels, and in the world's leading financial markets, I also introduce developments in Japan to foreign visitors when the chance presents itself.

I hope my work goes toward fostering connections and making meaningful contributions to society on a wider, global level.



Andrew Wong

Manager
Global Strategy Department
Japan Exchange Group, Inc.

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Facilitating Studies and Research

Approach

One of the core strategies in the 3rd Medium-Term Management Plan is to develop a foundation to support the future of our business and the society. As part of this strategy, JPX works with external researchers to assess and study the various factors affecting markets, legal systems, and related changes. The outcomes of these studies are used to inform JPX's measures and are broadly disseminated to society, including related parties such as securities firms and investors.

Initiatives

JPX Working Papers

With a view to enhancing its competitiveness, executives and employees at JPX work with external researchers to assess and study the market environment and publish their findings as JPX Working Papers. We have published papers on fintech-related initiatives at JPX and studied the applicability of blockchain/distributed ledger technology to financial market infrastructure. In addition, we have also announced the introduction of robotic process automation (RPA) throughout JPX Group and the use of machine translation for corporate governance reports.

Joint Research with The University of Tokyo

JPX is working with the research team under Professor Izumi Kiyoshi at the Department of Systems Innovation, School of Engineering of The University of Tokyo to conduct research on technologies and system design for the stable and efficient operation of financial instruments exchange markets. We are driving forward with research into the use of artificial market simulations to virtually create conditions that cannot be observed in the actual market. The results of such joint research are published in the form of JPX Working Papers.

Study Group on the Financial Instruments and Exchange Act

JPX establishes a study group on Japan's Financial Instruments and Exchange Act to provide a platform for making research outcomes on the various legal issues related to the financial instruments and exchange market broadly available in Japan and other countries.

This study group is composed of more than 20 leading researchers, who generally meet once a month to present reports and hold discussions. Along with posting the minutes and reports of this study group on the JPX website, the reports are periodically compiled into publications that are distributed to researchers and respective organizations.

Comments from Staff on the Ground

Studies and Research for Evolving into a Total Smart Exchange

JPX is aiming to become a total smart exchange, where anyone can trade any product in a secure and easy way. Toward this goal, we engage in studies and research into legal systems and changes in the environment surrounding the markets. At the Fintech Laboratory, we coordinate with various related parties to promote the use of cutting-edge technology as a means of realizing this vision.

I conduct studies related to documents disclosed by listed companies. Recent major research topics have included whether machine translation can be used to provide foreign investors with greater access to information on listed companies in Japan.

I believe improving the usability of corporate information is key to realizing our goal of evolving into a total smart exchange. This research would not have been possible without the cooperation of many related parties, including universities and other research institutions, IT firms, and translation companies. I would like to take this opportunity to express our gratitude to everyone who helped. We will continue to contribute to advancing and improving the efficiency of the financial industry.

Web

JPX Working Papers

<https://www.jpx.co.jp/english/corporate/research-study/working-paper/index.html>

JPX Working Papers Published in FY2019

Title	
March 27, 2020	Systemic Risk Analysis using Multiplex Model among Bank, Company and Financial Market
January 30, 2020	Self-Adjusting Mechanism in the Evolving U.S. Listings Market
August 6, 2019	A Case Study of Initiatives at JPX on Experimental Tests toward the RPA Adoption Project and its Promotion
May 8, 2019	Examination of Machine Translation in Corporate Governance Reports
April 9, 2019	Analysis of the Use of Distributed Ledger Technology in Post-Trade Process of Cross-Border Securities Transaction
April 1, 2019	Detection of Factors Influencing Market Liquidity Using an Agent-based Simulation
April 1, 2019	Analysis of Investors' Behavior through Non-Time Series Analysis of Stock Prices

Web

Study Group on the Financial Instruments and Exchange Act (only in Japanese)

<https://www.jpx.co.jp/corporate/research-study/research-group/index.html>



Doi Nobushige

Fintech Laboratory
Corporate Strategy Department
Japan Exchange Group, Inc.

Shareholder-Focused Initiatives

Approach

JPX is focusing on promoting two-way communication with its shareholders and investors and building relationships of trust based on mutual understanding. JPX actively provides investors with the corporate information necessary for their decisions and shares views obtained from shareholders and investors with senior management, thereby further enhancing corporate value.

Initiatives

Engagement with Shareholders

General Shareholders Meeting

JPX held its annual general shareholders meeting (AGM) for FY2019 on June 17, 2020.

The notice of the AGM is sent out three weeks ahead of the meeting to ensure that shareholders are given sufficient time to decide how to exercise their voting rights. With regard to electronic information, the Japanese and English versions of the notice are made available on the JPX website four weeks prior to the meeting and are also simultaneously available to overseas shareholders via the Electronic Voting Platform for Institutional Investors provided by Investor Communications Japan, Inc. (ICJ). In addition, JPX is promoting the use of more images and charts in the AGM notice as part of its efforts to present the information in a more easily understandable form.

The AGM is attended in person not only by the directors and executive officers of JPX, but also the directors of its subsidiaries and affiliates. This is so that the broad range of shareholder questions, which cover the activities of the corporate group, can be appropriately answered by the right people, including those from subsidiaries. We also upload videos of the AGM to the JPX website for those who were unable to attend on the day.

Shareholders can send in their votes via the Internet or the electronic voting platform, as well as by post. At the AGM held on June 17, 2020, approximately 90% of voting rights were exercised.

Web Shareholders meetings

<https://www.jpx.co.jp/english/corporate/investor-relations/shareholders/meeting/index.html>



AGM notice

Comments from Staff on the Ground

Deepening Shareholders' Understanding of JPX

The AGM is an opportunity for us to engage in constructive dialogue with shareholders, and one of our key objectives must be to deepen their understanding of JPX. The AGM notice contains a variety of information, including our medium-term management plan and corporate governance structure, along with visual aids. We make every effort to quickly publish and disseminate the AGM notice so it is available to shareholders at the earliest possible date.

For the AGM held in June 2020, we strongly recommended that shareholders send in their votes by mail or via the Internet as a measure to prevent the spread of Covid-19, and we are grateful for their cooperation. In the future, I look forward to having more constructive dialogue with shareholders as we watch how the Covid-19 situation develops.



Mori Shohei
Manager
General Administration
Department
Japan Exchange Group, Inc.

Engagement with Institutional Investors and Analysts

IR Meetings

JPX senior management reaches out to domestic and foreign institutional investors and analysts through meetings. In FY2019, JPX held investor roadshows across Europe, the U.S., and Asia. We are also striving to increase opportunities for dialogue with institutional investors and analysts, for example by participating in IR conferences both in Japan and abroad. Feedback from institutional investors and analysts obtained through such meetings is presented periodically to the management and related departments, and then reflected into management of the company.



JPX IR Day 2019

Briefings on Earnings and Business Developments

In FY2019, in addition to holding two earnings presentations, JPX held a business briefing (JPX IR Day 2019) to provide opportunities for dialogue between investors and the Group CEO, as well as senior management of Group companies. Video and audio recordings of the briefings are made available in Japanese and English on the day after the event as a part of our commitment to providing domestic and overseas investors with information in a timely manner.

Engagement with Retail Investors

We participated in major domestic IR events, holding a total of 13 JPX outreach events to reach approximately 1,800 retail investors through face-to-face seminars held at securities company branches nationwide and live online seminars.

JPX also actively provides information to retail investors on its IR website. In addition to providing content that offers an easy-to-understand overview of JPX, we deliver documents, videos, and other content on IR events in a timely manner.



Online briefing for retail investors

Web For retail investors (only in Japanese)

<https://www.jpx.co.jp/corporate/investor-relations/individual/index.html>

Web IR E-mail Distribution Service (only in Japanese)

<https://www.jpx.co.jp/corporate/investor-relations/ir-mail/index.html>

Comments from Staff on the Ground

Toward Greater Corporate Value through Meaningful Dialogue with Shareholders and Investors

JPX engages in constructive dialogue with shareholders and investors with the aim of sustaining growth and increasing corporate value over the medium to long term.

To facilitate more meaningful dialogue, we make a concerted effort to provide detailed information in light of the desires and interests of shareholders and investors. Recently, the Covid-19 pandemic has made it very difficult to hold face-to-face meetings with individual shareholders and investors, but we have stepped up efforts to hold conversations over the telephone and online meetings. When we happen to receive criticism of JPX in the course of our dialogues, I do my utmost to have meaningful dialogues with our shareholders and investors with a sense of urgency and the intent to garner even one more JPX supporter over the long term.



Takahashi Hiroyuki

Manager
Corporate Communications Department
Japan Exchange Group, Inc.

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Investor FAQ

Q1 JPX's Medium-Term Management Plan

Once every three years, JPX formulates a Medium-Term Management Plan, and updates it every year based on recent changes in the business environment. Under the 3rd Medium-Term Management Plan, which extends from FY2019 through FY2021, JPX aims to evolve into a "total smart exchange," an exchange where anyone can trade any product in a secure and easy way. In the FY2020 update to the Medium-Term Management Plan, JPX reiterated that its medium- to long-term vision is to make a more active contribution to building a sustainable society as a responsible infrastructure operator. Our four core strategies under the plan are to (1) pursue "the shape of the market" toward the next generation, (2) launch and develop a Comprehensive Exchange, (3) diversify and propel data services into the next generation, and (4) develop a foundation to support the future of our business and the society. [See page 14 for details.](#)

Q2 Promoting Sustainability

In July 2018, JPX established a Sustainability Committee with the Group CEO as its chair and has since strengthened and accelerated its initiatives for promoting sustainability. In March 2020, the Sustainability Committee published the Practical Handbook for ESG Disclosure to provide listed companies with a guide on ESG information disclosure. In addition, we are promoting the use of ESG-related products by calculating and publishing ESG-related indices, and listing ESG-related ETFs. We are also improving and enhancing our own ESG information disclosure as a listed company. [See page 31 for details.](#)

Q3 Market Structure Review

The review of the cash equity market structure is aimed at providing a more attractive market that will enjoy strong support from a diverse base of investors at home and abroad. We will reorganize the current four market segments into three market segments with clear concepts so as to support the sustainable growth and medium- to long-term improvement of corporate value of listed companies. TSE plans to transition to the new market segments in April 2022. [See page 34 for details.](#)

Q4 IPOs

Over the past few fiscal years, the number of IPOs has hovered within the 80 to 100 range. In FY2019, there were 94 successful IPOs.

Q5 Business Combination with TOCOM and Invigoration of Derivatives Markets

In FY2019, JPX effected a business combination with TOCOM toward the realization of a Comprehensive Exchange. We expect this business combination to attract new investment flows into the commodity derivatives market and increase liquidity. While it depends on the market environment, we see the potential for this market to roughly double in size in around three years after the combination, compared with the current TOCOM market on its own.

[See page 22 for details.](#)

Q6 Diversifying and Propelling Data Services into the Next Generation

In FY2019, JPX launched a "Proof of Concept Program for Utilizing Securities Data" as an initiative for distributing new content in the data services field, and a "Data Sandbox Program" as an effort to expand the number of new information service users. Under the 3rd Medium-Term Management Plan, JPX is working to diversify and bring its data services forward into the next generation, such as by building next-generation information distribution systems with APIs and cloud-based services for a diverse range of channels.

[See page 24 for details.](#)

Q7 Capital Expenditures

In its 3rd Medium-Term Management Plan, JPX plans to spend a total of JPY 45 billion over three years to upgrade its J-GATE derivatives trading system and construct a Kansai backup center by FY2021. In FY2019, JPX made about JPY 15.1 billion in capital expenditures as planned.

Q8 Shareholder Returns

Our policy on shareholder returns is to flexibly return value to shareholders while considering future growth investments based on a dividend payout ratio of about 60%. JPX will comprehensively consider additional shareholder returns, taking into account its own capital, cash equivalents and growth investment plans, while monitoring changes in the external environment, including the impact from the Covid-19 pandemic.

[See page 20 for details.](#)

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Initiatives for Employees

Approach

Human resources are one of the most important resources for enabling JPX to sustainably increase its corporate value. Under the 3rd Medium-Term Management Plan, JPX has identified human resources development and implementing work style reforms as keys to strengthening its business foundation. To bring out the best in each and every employee, JPX endeavors to ensure its training programs are enhanced and create comfortable working environments.

Initiatives

Human Resources Development

JPX has created an environment where employees can actively pursue specialized knowledge, assimilate the latest information, and obtain a broad perspective with free and creative thinking. Specifically, depending on an employee's length of service and job responsibilities, the programs provided vary and encompass career training to enhance knowledge and skills, skills improvement training to acquire foreign languages and gain advanced expertise, professional career building support to obtain an MBA or other advanced degrees at overseas universities and more.

Promoting Diversity

For JPX, "promoting diversity" means that each and every employee has mutual respect for other employees with differing values and lifestyles. In short, JPX believes that, by accepting diversity, individual employees will be able to work energetically and create new value (innovation) that leads to overall organizational growth. Based on those beliefs, JPX is promoting the development of a work environment that accepts and supports ways of working which fit in with diverse values and lifestyles. From the viewpoint of supporting employees' desire to continue working, we are advancing initiatives to give impetus to the active participation of a variety of employees. These initiatives include introducing support systems for employees living with illness as well as for maternity, childcare and adult caregiving, promoting women's careers, and enhancing the post-retirement re-employment system to meet diverse workers' needs. By continuously implementing a raft of measures to reform working culture throughout the Group, we are also aiming to create more comfortable workplaces and build a more robust organizational foundation for the future.

Supporting the Balance between Various Lifestyles and Work

Improving Maternity, Childcare and Adult Caregiving Support Systems

At JPX, we are working to create comfortable working environments so that employees with limited time available – for example, due to childcare, adult caregiving or receiving treatment for illness – can make the most of their abilities. In particular, to make it possible for male employees to participate in childcare and share housework, we introduced paternity leave as a type of paid leave, and created an environment where employees feel comfortable using it, in addition to the legal requirement for childcare leave support systems.

We also introduced family care leave and nursing care leave exceeding the legal requirements for adult caregivers, and a system for flexible shortened working hours. Leave for adult caregivers can be taken in daily, half-day or hourly units, and we also hold ongoing "caregiver seminars" in support of balancing both work and caregiving. The caregiver seminars provide information and promote understanding of adult caregiving, so that employees shouldering this burden, the number of which is expected to increase in the future, can continue to balance caregiving with work.

Human Resources Development and Training Programs



Group CEO Kiyota mingles with new employees



Kurumin Mark

Web

Diversity, Employee Advancement, and Work Style Reforms

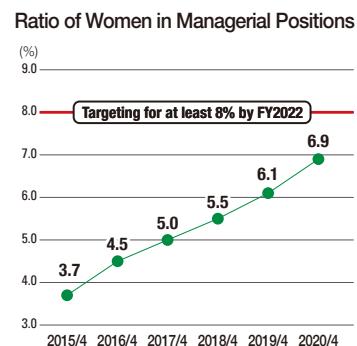
<https://www.jpx.co.jp/english/corporate/sustainability/jpx-esg/employee/index.html>

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Career Advancement for Female Employees

From the viewpoint of boosting female employees' careers by encouraging them to participate and contribute at a higher level, we have advanced a variety of initiatives, including career training programs for female employees and supporting networking with career-minded female employees from other companies. JPX has set a numerical target of at least 8% female employees in managerial positions (6.9% as of April 2020) to be achieved through the above measures by FY2022. In FY2020, JPX promoted two female employees to Department/Section Director. In the years to come, we will continue to increase the ratio of women in managerial positions, with a view to cultivating and securing human resources with the skills needed for director and executive positions.



The Diversified Re-Employment System

JPX has a re-employment system in place that enables employees to select part-time work after reaching retirement. Through this system, JPX is working to keep valuable human resources, while making it possible for re-employed employees to continue working.

Employment of Persons with Disabilities

Under the principle of "Competency (Harnessing Employee Talent)" laid out in the JPX Creed, in addition to encouraging female employees and those of an advanced age to actively participate in the workplace, JPX also offers employment opportunities for persons with disabilities according to the individual's abilities and aptitudes.

JPX Work Style Reforms

In response to internal and external environmental changes, as well as personnel issues, JPX is implementing working style reforms through flexible business operations and working to improve productivity, so that the entire JPX organization can achieve sustainable growth.

For JPX, the work style reform program is a collaboration between the company and its employees. JPX is undertaking initiatives to create an environment that allows greater flexibility in work styles and create more time after work. The reform is expected to change employees' mindset about work hours and productivity, as well as their work styles, and to provide more opportunities for after work activities that will be positively reflected at work.

Targets for Work Style Reforms

To allow employees to spend more time on activities outside of work, JPX is advancing work style reforms on a group-wide scale with numerical targets for reducing overtime hours and using up annual paid leave.

Specific Work Style Reforms at JPX

Overwork Prevention	Every month, we conduct checks into employees' working hours, including those at the managerial level. To prevent long working hours from damaging an employee's health, by our own standards we will try to ascertain their conditions early on.
Diversifying leave systems	JPX has established systems for Professional Development Leave and Leave to Accompany Spouse for cases such as when an employee chooses to study abroad or his/her spouse is given an overseas assignment, allowing for flexible work styles that adapt to employees' diverse life plans.
Re-employing former employees	JPX also has a program in place for re-employing individuals who decided to resign from JPX in the past for such reasons as childcare. The program offers ambitious and talented former employees an opportunity to once again contribute to and excel at JPX.
Increasing opportunities for employees to engage in after work activities	JPX supports employees who would like to engage in activities for personal development during the extra time made available by the work style reforms. JPX is raising the amount and number of subsidies offered and expanding the number of eligible courses for skills development training.
Reforming corporate culture	JPX is working on reforming the corporate culture and encouraging employees to re-evaluate their ethical behavior by offering lectures on work style reforms, running e-learning courses, regularly providing information, making efforts through employee outreach, and so forth.
Joining the <i>Iku-boss</i> <td>Managers or bosses will play a significant role in achieving work style reforms, thereby creating more flexibility in employee work styles and more after work hours. With the workforce becoming more diverse, JPX has joined the <i>Iku-boss</i> Enterprise Alliance in order to help promote our work style reforms and is working on developing executives and managers as <i>Iku-boss</i>, a new generation of ideal bosses.</td>	Managers or bosses will play a significant role in achieving work style reforms, thereby creating more flexibility in employee work styles and more after work hours. With the workforce becoming more diverse, JPX has joined the <i>Iku-boss</i> Enterprise Alliance in order to help promote our work style reforms and is working on developing executives and managers as <i>Iku-boss</i> , a new generation of ideal bosses.

Toward a Positive, Rewarding, and Harassment-Free Work Environment

JPX takes into consideration individual rights and safety in the workplace to create an environment where all employees are able to work as productively as they can. Therefore, JPX stipulates "respect for human rights and antidiscrimination" in its Charter of Corporate Behavior, which prohibits all forms of harassment such as sexual or power harassment including those based on gender, seniority, maternity/paternity, and any other personal attributes, as well as unfair discrimination against those who identify as LGBT. We ensure that all employees can easily and safely consult with the relevant contacts if they are victims of or witness any type of harassment. JPX employees have access to direct consultations with HR and a Compliance Hotline that also accepts anonymous calls. We also provide detailed training to raise understanding of harassment and appropriate actions to take for eliminating harassment. We will continue with these efforts to provide workplaces where employees can work with confidence, be motivated and be free from discrimination or harassment in all its forms.

JPX Health Management Declaration

In order to bring out the best in each and every employee, JPX proactively encourages employees to maintain and improve their mental and physical health.

Health Management

To help employees and their families maintain and improve their health, we make efforts to understand and find early detection from the health conditions of all of our employees. JPX also provides monetary assistance for examinations to facilitate the early detection of a range of cancer types.

Mental Health Care

JPX has made counseling available within and outside the company to ensure that employees can work while maintaining both their physical and mental well-being. In addition to interviews with psychiatrists as needed, we also provide information for prevention of mental illness.

Safety and Health Initiatives

To provide a safe and healthy work environment, JPX organizes a monthly health committee, facilitates workplace inspections by an occupational health physician, conducts management of long working hours and late-night work, and performs stress checks.

Comments from Staff on the Ground

Creating Workplaces Where Every Employee Can Work Safely and to the Best of their Abilities

Since FY2017, the Human Resources Department has allowed all employees to telework, putting in place an environment where employees can have diverse and flexible work styles. With the Covid-19 pandemic, a "new normal" has taken hold where economic activities are balanced against measures to prevent the spread of infections. While prioritizing the health of our employees and their families, we will continue to encourage teleworking and staggered working shifts to fulfill our responsibility to the markets as an infrastructure provider that supports the economy and society. Furthermore, we will listen carefully to the opinions of employees and take care to respond appropriately and in a timely fashion so that they can engage in work without worry, despite these challenging times. While the markets continue to operate amid unpredictable risks, I will do my utmost to create workplaces where all employees can work to the best of their abilities.



Monden Koichiro

Senior Manager
Human Resources Department
Japan Exchange Group, Inc.

Initiatives for the Environment and Regional Communities

Approach

JPX aims to contribute toward the realization of a sustainable society and actively implements initiatives to reduce its environmental footprint. JPX also takes steps to raise environmental awareness among its employees through activities such as forest preservation and community cleanup programs. In addition, JPX actively participates in events to give back to local communities that provide it with invaluable support on a day-to-day basis.

Initiatives

Contributing to the Environment

Reducing Our Environmental Footprint

As a part of activities to reduce its environmental footprint, JPX is cutting down its power consumption for lighting, air conditioning, and is taking other energy saving measures. For example, JPX updated equipment in the TSE building, its main business site, after the securities industry established a voluntary power consumption reduction target for itself in 2008. JPX has also worked to raise environmental awareness among its employees. In response to the greenhouse gas emission targets set for the five years from FY2015 to FY2019 under the Tokyo Metropolitan Environmental Security Ordinance (17% reduction from the average emissions released from FY2005 to FY2007), JPX has continued to strive to reduce power consumption, namely by replacing air-conditioning equipment and hot-water supply equipment, switching to LED lighting, and reducing lighting sources in common areas. As a result, JPX was able to reduce emissions of greenhouse gases from the TSE building in FY2019 by 13% in comparison with the emissions targets. (See page 49 for data.)

In addition, overall use of electricity at JPX, including data centers, has decreased. While the enhancement of backup systems in recent years has led to the need to expand facilities, JPX has improved the energy efficiency of its infrastructure and reduced overall energy use. Going forward, we, as a corporate group, will continue to strengthen our environmental management systems and reduce our environmental footprint in our contributions to the creation of a sustainable society.

Tree Planting Program

The TSE Listing Forest began in June 2004 in Yurihonjo, Akita Prefecture. Conservation activities have been carried out at the five-hectare plot in the hope that the exchange will grow and prosper along with the planted trees. In September 2019, we held a tree planting ceremony and lecture event in Yurihonjo to commemorate the 15th anniversary of the program.

Together with these conservation activities, JPX has worked alongside the local Yashima region, which has cooperated on these activities, in providing financial education. In a typical year, JPX offers on-site courses about how stock companies work at Yurihonjo Shiritsu Yashima Elementary School, Yurihonjo Shiritsu Yashima Junior High School and Akita Prefectural Yashima High School. An NPO established to run the JPX Entrepreneur Program under its own direction has initiated projects - for example at Akita Prefectural University and Akita Prefectural Nishime High School - with the collaboration of industry, academia, government, and financial sectors. The NPO has developed a finance and economics education program integrated throughout the local community, to the extent that in February 2019 it won an award from the Government's Small and Medium Enterprise Agency.

Contributions to Local Communities

Every year, JPX participates in "Chuo City Marugoto Museum" (literally, all of Chuo City is a museum) to make the area that is home to TSE a living museum. For the event, JPX awards original merchandise bearing the JPX logo as prizes in lucky draws. JPX's other contributions to local communities include participating in cleanup programs in Tokyo's Kabutocho district.



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Corporate Data: Environment and Employees

Energy Consumption at TSE Building (electricity and gas)

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Energy consumption at TSE Building												
Total usage												
Electricity (kwh)	8,132,632	7,921,216	7,435,466	6,079,696	6,272,280	6,413,800	6,135,360	5,899,040	5,935,384	6,035,488	5,936,520	5,733,488
City gas (m³)	349,994	343,707	362,622	319,200	341,276	304,248	300,295	306,467	322,579	326,926	311,238	304,359
Per capita												
Electricity (kwh)	10,078	9,660	9,214	7,686	7,715	7,297	7,044	6,989	7,419	7,442	7,302	7,026
City gas (m³)	434	419	449	404	420	346	344	363	403	403	383	373
Emissions of greenhouse gases from TSE Building												
Total emissions												
CO₂	3,943	3,848	3,631	3,020	3,143	3,114	3,001	3,542	3,595	3,656	3,571	3,457
CO₂ emission target (based on Tokyo Metropolitan Environmental Security Ordinance)	—	—	3,585	3,585	3,585	3,585	3,585	3,956	3,956	3,956	3,956	3,956
CO₂ emission result (based on Tokyo Metropolitan Environmental Security Ordinance)	—	—	+1%	-16%	-12%	-13%	-16%	-10%	-9%	-8%	-10%	-13%
Per capita												
CO₂	4.89	4.69	4.5	3.82	3.87	3.54	3.44	4.19	4.49	4.51	4.39	4.24

Note: The volume of greenhouse gas emissions is calculated according to the method specified in the Tokyo Carbon Reduction Reporting Program issued in the Tokyo Metropolitan Environmental Security Ordinance.

Figures for FY2010 through FY2014 were emission targets for the first compliance period of the ordinance. Those for FY2015 through FY2019 were for the second compliance period.

Employees

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
No. of employees by gender						
All	1,001	1,088	1,085	1,093	1,110	1,208
Male	728 (72.7%)	796 (73.2%)	792 (73.4%)	803 (73.4%)	805 (72.5%)	875 (72.4%)
Female	273 (27.3%)	292 (26.8%)	293 (26.5%)	290 (26.5%)	305 (27.4%)	333 (27.6%)
Average years of service						
All	17.3	16.7	17.0	17.1	17.3	17.0
Male	15.9	15.5	15.9	15.9	16.1	16.4
Female	21.0	20.2	20.5	20.5	19.9	18.4
No. of employees in managerial positions						
Total	350	336	339	345	388	422
Female	13 (3.7%)	15 (4.5%)	17 (5.0%)	19 (5.5%)	24 (6.1%)	29 (6.9%)
No. of new hires						
Total	17	12	20	25	26	26
Females/Foreign nationals	6	3	10	7	12	11
Average overtime worked	26 hours and 23 minutes	27 hours and 54 minutes	25 hours and 3 minutes	24 hours and 15 minutes	23 hours and 7 minutes	23 hours and 52 minutes
Ratio of annual paid leave taken	49.9%	53.7%	67.0%	67.0%	71.8%	72.0%
No. of male employees taking time off for childcare (including childcare leave)	8	10	7	30	35	24
Ratio of male employees taking time off for childcare (including childcare leave) ³	26.6%	24.3%	20.6%	71.3%	77.5%	55.8%
No. of female employees returning to work after maternity leave	94.1%	100%	100%	100%	100%	100%
Users of re-employment system	Prior to enactment	Prior to enactment	1	—	1	—

Notes: 1. As a general rule, "employees" refers to number of persons working at JPX. This excludes persons such as those temporarily assigned by JPX to outside entities and those dispatched to JPX from temporary staffing agencies. It does include, however, persons temporarily assigned by an outside entity to JPX and persons on maternity/childcare leave.

2. Only figures for the ratio of women in managerial positions are denoted as of April 1 for the next fiscal year.

3. Calculated by dividing the number of male employees who took time off for childcare by the number of male employees who had a spouse give birth multiplied by 100.

Corporate Governance

JPX is committed to developing its corporate governance system appropriately to fulfill its social mission as the core infrastructure of the Japanese market.

Fundamental Views

In order to implement management in line with its corporate philosophy (page 2), JPX is aware of the importance of having its stakeholders understand its corporate philosophy and corporate activities. Therefore, JPX has established fundamental views on corporate

governance from the following four perspectives.

Based on these fundamental views, JPX is committed to developing its corporate governance system appropriately based on each principle in Japan's Corporate Governance Code.

Corporate Philosophy and Social Mission

JPX Group operates markets which are public assets and fulfills its social mission by pursuing sustainable development of its markets.

Market Operations

JPX Group operates markets with the view that garnering support for and fostering confidence in the markets it establishes are in the common interest of all investors and market users, and that maintaining and enhancing such support and confidence will build the foundations for sustainable development of its markets.

Enhanced Corporate Value

In pursuing sustainable development of its markets, JPX must continue to accommodate the diverse needs of shareholders and other stakeholders, and through these JPX will enhance its corporate value over the medium to long term.

Effective Corporate Governance

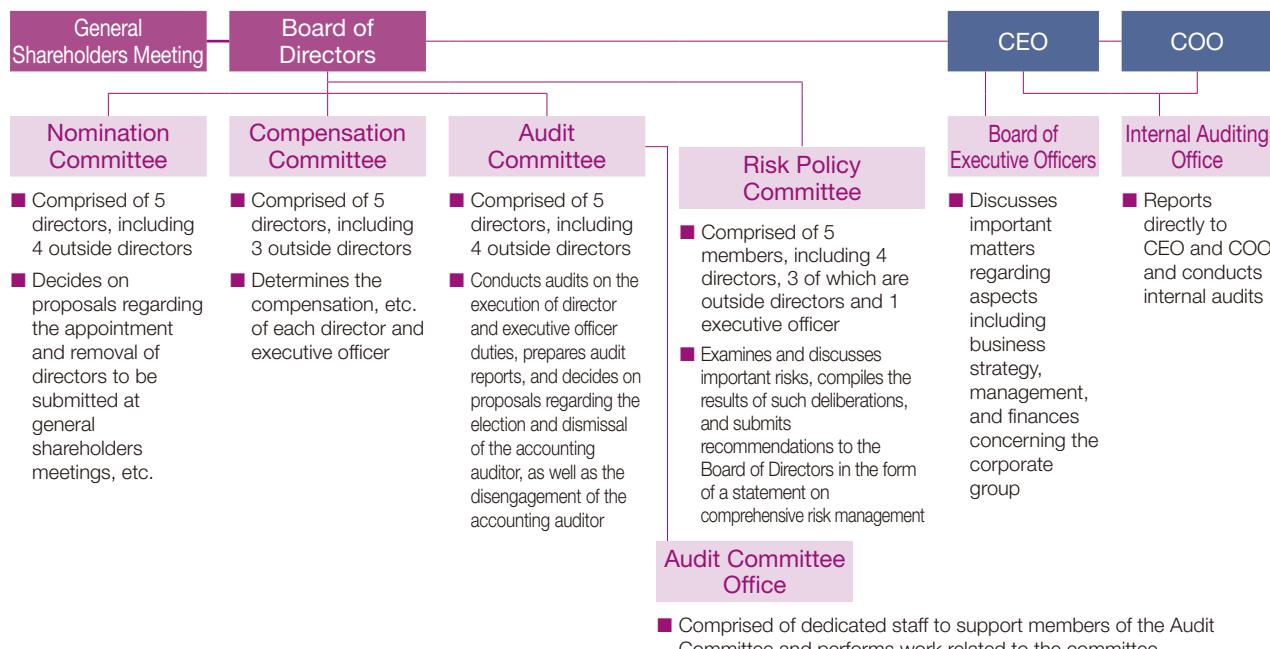
JPX strives to constantly improve its corporate governance system to further facilitate effective and properly functioning systems, so as to support the sustainable development of its markets.

Corporate Governance System

JPX clearly segregates the management oversight and supervision functions with the business execution functions and adopts the structure of a company with

committees to strengthen oversight, supervision functions and raise the transparency of management.

Corporate Governance Organizational Chart



Composition of the Board of Directors

The JPX Board of Directors is comprised of 14 members, including two women. To strengthen the board's functions, namely increasing the transparency and accountability of management and supervising the appropriateness of business execution, the composition of the board includes nine independent outside directors, constituting a board majority, and an independent outside director who is not involved in business execution as Chairperson.

The breakdown of the nine independent outside directors is as follows: three top executives, one legal professional, one certified public accountant, and four academics or former government officials. Each of them has considerable experience and insight in his/her respective field and contributes to a structure that allows for multi-faceted external perspectives to be readily incorporated into the management of JPX.

Board of Directors

Name	Position and Responsibilities	Areas of Expertise of Independent Outside Directors					Board of Directors	Committee Memberships				
		Corporate management	Financial audit	Law	Research/Government Agencies	Technology		Nomination	Compensation	Audit	Independent outside directors	Risk policy
Tsuda Hiroki	Independent Outside Director Chairperson of the Board of Directors				●		100% 11/11 Times					
Kiyota Akira	Director and Representative Executive Officer, Group CEO	—	—	—	—	—	100% 11/11 Times	● 100% 7/7Times	● 100% 5/5Times			●
Miyahara Koichiro	Director and Representative Executive Officer, Group Co-COO President & CEO, Tokyo Stock Exchange, Inc.	—	—	—	—	—	100% 11/11 Times		● 100% 5/5Times			
Yamaji Hiromi	Director and Representative Executive Officer, Group Co-COO President & CEO, Osaka Exchange, Inc. Representative Director & Chair, Chairperson of the Board, Tokyo Commodity Exchange, Inc.	—	—	—	—	—	100% 11/11 Times					
Shizuka Masaki	Director and Executive Officer President & CEO, Japan Securities Clearing Corporation	—	—	—	—	—	Appointed in June 2020					
Christina Ahmadjian	Independent Outside Director				●		91% 10/11 Times	● 100% 5/5Times	● 100% 9/9Times	●		
Endo Nobuhiro	Independent Outside Director	●				●	91% 10/11 Times	● 100% 7/7Times			●	
Ogita Hitoshi	Independent Outside Director	●					100% 11/11 Times	● 100% 7/7Times		●		
Kubori Hideaki	Independent Outside Director			●			100% 11/11 Times	● 100% 7/7Times		●	●	
Kohda Main	Independent Outside Director				●		100% 11/11 Times		● 100% 9/9Times	●	●	●
Kobayashi Eizo	Independent Outside Director	●					100% 11/11 Times	● 100% 7/7Times	● 100% 5/5Times		●	
Minoguchi Makoto	Director	—	—	—	—	—	100% 11/11 Times			● 100% 9/9Times		
Mori Kimitaka	Independent Outside Director			●			100% 11/11 Times	● 100% 5/5Times	● 100% 9/9Times	●		
Yoneda Tsuyoshi	Independent Outside Director				●		100% 11/11 Times			● 100% 9/9Times	●	●

Time Board of Directors
spent on discussions

1,153 minutes

Number of items approved
by the Board of Directors

26

Note: "●" indicates the director is the chairperson of the committee. Figures represent actual performance in FY2019.

Nomination, Compensation, and Audit Committees

As required by law, JPX has a Nomination Committee and a Compensation Committee for the purpose of ensuring transparency and objectivity in the appointment/removal and compensation of directors and executive officers. Outside directors are in the majority for both of these committees. The appointment and removal of directors and executive officers are thoroughly deliberated and determined by the Nomination Committee and put forth for approval at general shareholders meetings, and the compensation of directors and executive officers is determined by the Compensation Committee.

JPX also has an Audit Committee, as required by law, to perform the audit function. This committee is made up of five directors (including one full-time Audit Committee member), of which four, including a certified public accountant, are independent outside directors. JPX also has an Audit Committee Office to assist the committee members in the performance of their duties.

■ 4. Foundations for Sustainability

> **Corporate Governance** Messages from the Chairpersons of the Nomination, Compensation, and Audit Committees Directors Risk Management Internal Control Systems and Compliance
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Independent Outside Directors Committee

JPX has an Independent Outside Directors Committee as a corporate organ composed exclusively of part-time independent outside directors to allow them to exchange information and form consensus among themselves. The

committee helps independent outside directors to better perform management oversight and facilitates active discussion at Board of Directors meetings.

Independent Outside Directors Committee

Objectives	For part-time independent outside directors to exchange information and form consensus *The chairperson of the board, the Group CEO, and other members of management may participate upon the request of the committee.
Frequency of meetings	In principle, at least twice a year *The committee chairperson convenes meetings as needed.
Committee Chairperson	The committee chairperson convenes meetings and presides over them. When the committee deems it necessary for ensuring smooth communication, the committee chairperson may report the content of the discussions of the committee to the chairperson of the board, the Group CEO, and other members of management.

Risk Policy Committee

JPX has a Risk Policy Committee with the aim of further improving its corporate governance. The role of the committee, which consists mainly of outside directors, is to bring an outside perspective to risk management.

For further information on JPX's risk management systems, including information on the content of activities of the Risk Policy Committee, please refer to page 61.

Evaluating the Effectiveness of the Board of Directors

At JPX, the Board of Directors analyzes and assesses its own effectiveness based on interviews with and surveys completed by all board members. The Independent Outside Directors Committee is tasked to conduct the evaluation to increase the

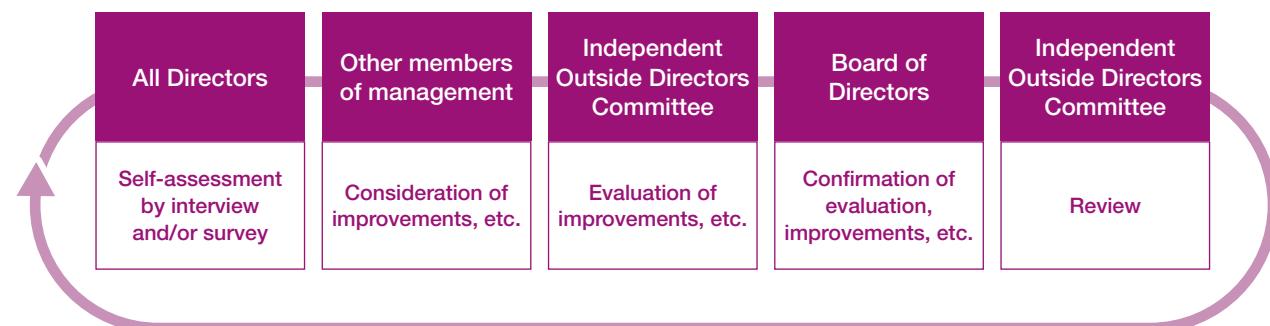
objectivity and transparency of the evaluation process.

For information on the evaluation process, an overview of evaluation results and other related matters, please refer to the Company's Corporate Governance Report.

Web [Corporate Governance Report](https://www.jpx.co.jp/english/corporate/governance/policy/)

<https://www.jpx.co.jp/english/corporate/governance/policy/>

Board Effectiveness Evaluation Cycle



Training for Outside Directors

Each of the JPX outside directors has sufficient knowledge in regard to management and corporate governance thanks to their expert knowledge and experience. With the goal of helping these outside directors deepen their understanding of JPX Group's business, the company runs observation sessions at

company offices and other training based on the rulebook, etc., holds lunchtime discussion workshops where they can keep up to date on knowledge and information regarding the exchange business, and conducts training courses aimed at providing an opportunity to share opinions with external experts.

Director and Executive Officer Remuneration and Factors for Determining Remuneration

Remuneration is comprised of (1) basic salary, (2) bonuses, and (3) JPX stock. The policies, etc. regarding decisions on each type of compensation are as follows:

(1) Basic salary

Basic salary is determined in accordance with each executive's position and duties as consideration for their everyday execution of duties and participation in management, and with reference to the level of executive remuneration at other companies, based on research by external expert organizations and other sources.

(2) Yearly Incentives (Bonuses)

The yearly incentive (bonus) is awarded to executive officers in proportion to net income (for the purposes of this section, "net income" refers to net income attributable to owners of the parent company as announced in the consolidated statement of income). Net income is used as the metric as it is the source of investment aimed at creating corporate value as well as the capital used in the payment of dividends to shareholders. It is also because it is appropriate to base a yearly incentive (bonus) awarded every fiscal year on the net income reported in that fiscal year. Also, to evaluate the performance of each executive officer in each fiscal year, a bonus is awarded based on evaluation of that officer's individual performance.

The yearly incentive (bonus) will not be awarded if net income is less than JPY 10 billion for a fiscal year.

(3) Medium- to long-term incentive (stock remuneration)

The medium- to long-term incentive (stock remuneration) is paid to Executive Officers with the aim of aligning the interests of executives closer to those of shareholders, providing motivation for corporate value creation over the medium to long term, and strengthening the link between performance and compensation. JPX stock remuneration utilizes a share delivery trust framework and is comprised of a fixed amount and a performance-linked amount.

For the fixed amount, executives are issued points every fiscal year in accordance with their position, etc., and are awarded stocks corresponding to these points three years later.

For the performance-linked amount, all executives are given performance-linked base points each fiscal year. Three years later, stocks are awarded corresponding to the final tally of performance-linked points, which is calculated by multiplying the performance-linked base points with a coefficient based on the degree of achievement of certain performance conditions. The above-mentioned coefficient is set within a 0–150% range, based on the following conditions: (i) the Company's consolidated ROE exactly three years from the issuance date of the performance-linked base points and (ii) a comparative assessment of Total Shareholder Return (TSR) and the performance of the JPX-Nikkei Index 400 (total return index) for the three-year period from the end of the fiscal year before the performance-linked base points were issued. Consolidated ROE is used as an indicator from the perspective of improving capital efficiency, while TSR is used from the perspective of improving value for shareholders.

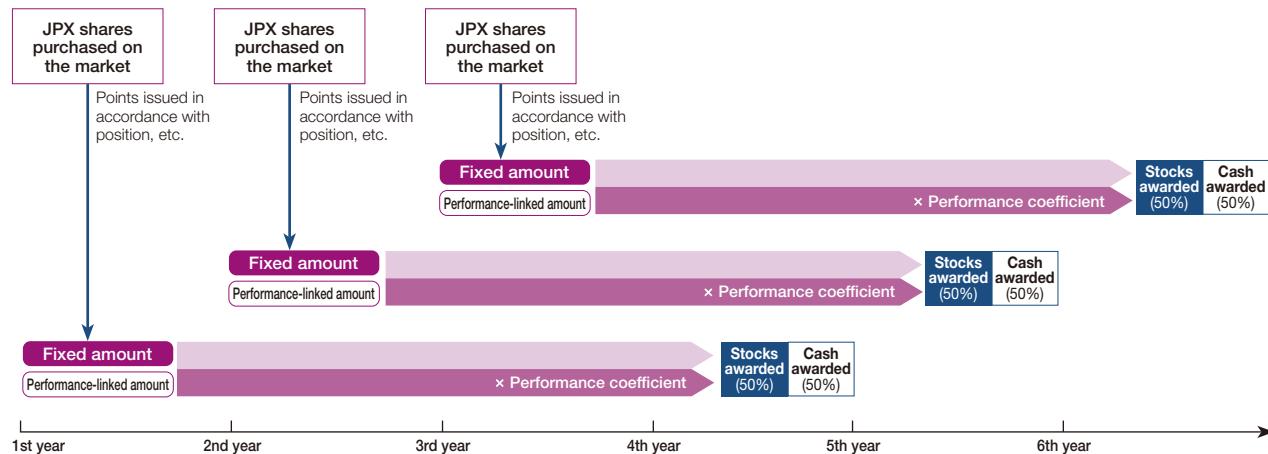
Conditions tied to the performance-linked portion of the medium- to long-term incentive (stock remuneration)

		Consolidated ROE		
		Less than 10%	10% or more, less than 14%	14% or more
Comparison of Total Shareholder Return and the performance of the JPX-Nikkei Index 400 (total return index)	Outperformed	Performance coefficient 50%	Performance coefficient 100%	Performance coefficient 150%
	Underperformed	Performance coefficient 0%	Performance coefficient 50%	Performance coefficient 100%

4. Foundations for Sustainability

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The Stock Remuneration System



The medium- to long-term incentive (cash remuneration) is awarded to executive officers in line with the performance of consolidated ROE as set out in the 3rd Medium-Term Management Plan. This incentive is awarded on the condition that consolidated ROE is 10% or above for every fiscal year covered within the Medium-Term Management Plan (three years), and will

be maximized if either consolidated ROE for the last fiscal year of the Plan or the average consolidated ROE over the three years of the Plan is at 15% or higher. The amount of incentive for each executive officer will be decided based on the consolidated ROE figure and their respective positions.

Total Compensation Paid to Directors and Executive Officers

Classification	Number of recipients	Total amount paid
Directors (of which, outside directors)	10 (9)	JPY 181 million (JPY 153 million)
Executive officers	6	JPY 451 million

Notes: 1. Four Directors serving concurrently as Executive Officers do not receive compensation as Directors and are therefore not included in the number of recipients. Furthermore, one Executive Officer serving concurrently as Director of Tokyo Stock Exchange, Inc., one Executive Officer serving concurrently as Director of Osaka Exchange, Inc. and Director of Tokyo Commodity Exchange Inc., one Executive Officer serving concurrently as Director of Tokyo Commodity Exchange, Inc., and one Executive Officer serving concurrently as Director of Japan Securities Clearing Corporation do not receive compensation as Executive Officers and are therefore not included in the number of recipients.
 2. The payment amounts above include the amount of basic salary, the bonus for Executive Officers, and the expenses recorded as stock remuneration, as indicated below:
 (1) The amount of basic salary awarded is in accordance with the position and duties of each executive, and in consideration of their everyday execution of duties and management participation
 (2) An amount of JPY 148 million in annual incentive (bonus) for Executive Officers was determined at the Compensation Committee meeting held on April 20, 2020
 (3) An amount of JPY 107 million in medium- to long-term incentive (stock remuneration) for Executive Officers has been recorded as expenses in the fiscal year under review.

■ 4. Foundations for Sustainability

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Messages from Chairpersons of the Nomination, Compensation, and Audit Committees



Ogita Hitoshi

Chairperson of the Nomination Committee
Outside Director

JPX plays a role as a societal infrastructure with a highly public nature, while at the same time is required to increase corporate value and the value of its products/services as a listed company. What is expected of us in terms of increasing reliability as a societal infrastructure? Are the available products and services providing the value that customers demand? I judge whether my advice as an outside director ultimately produces tangible results, from a different perspective than that of an executive officer, by asking these kinds of questions.

Executives are responsible for raising corporate value. As Chairperson of the Nomination Committee, it is my duty to select and nominate executives who can achieve this goal. To this end, I believe that it is important to accurately assess each candidate's credentials and personality, and nominate executives who will be open and objective.

Expanding derivatives trading has been considered necessary for JPX to compete in international markets, and the launch of the Comprehensive Exchange is a big step forward. The growth of the Comprehensive Exchange will be a large part of creating a “total smart exchange.”



Kobayashi Eizo

Chairperson of the Compensation Committee
Outside Director

JPX is expected to aim for increased corporate value as a listed company in line with the expectations of stakeholders, while stably and steadily fulfilling its public role as an operator of infrastructure that supports the free economy. JPX's outside directors help to decide JPX's direction by leveraging their diverse experience and expertise to shape a future vision for JPX from various perspectives. The Compensation Committee discusses and determines appropriate compensation packages every year, based on study of the executive board's execution of duties. As part of our efforts to increase JPX's medium- to long-term corporate value in line with stakeholder expectations, we recently introduced a medium- to long-term incentive system to bring executive thinking closer to that of stakeholders.

I believe the role that JPX is expected to fulfil will be even larger after the Covid-19 outbreak is contained. Going forward, I look forward to discussions on the management plan leading to a re-evaluation of JPX's global strategy, capital policy, and management benchmarks, and I intend to do my part through flexible verification of compensation packages in line with any changes.



Yoneda Tsuyoshi

Chairperson of the Audit Committee
Outside Director

JPX's Audit Committee consists of four expert outside directors with diverse backgrounds and one executive director. JPX is required to stably operate financial instruments exchange markets that serve as critical infrastructure for the Japanese economy as well as demonstrate a high level of governance as parent company of TSE, which established Japan's Corporate Governance Code. The Audit Committee carries out its duties based on the understanding that fulfilling these missions forms the basis of JPX's corporate value as well as emphasizing keen risk awareness and proactive risk management. Under the 3rd Medium-Term Management Plan, JPX is entering a new stage of development, having taken a huge step forward on the Comprehensive Exchange as well as progressing on the cash equity market structure review. At the same time, with this development bringing changes in organizational structures and business scope, as well as the new environment of Covid-19 and beyond, we are seeing a shift in business procedures and communication methods. As Chairperson of the Audit Committee, I look forward to JPX developing stably and sustainably and will also fulfill my duties while keeping a close eye on risks arising from internal and external changes.

■ 4. Foundations for Sustainability

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Directors



Tsuda Hiroki

Independent Director,
Outside Director
Chairperson of the Board of Directors

Apr. 1972	Joined Ministry of Finance
Aug. 2002	Director-General, Tokyo Customs
Jan. 2003	Deputy Vice Minister for Policy Planning and Co-ordination
Jul. 2004	Deputy Vice Minister
Jul. 2006	Director-General of the Budget Bureau
Jul. 2007	Administrative Vice Minister of Finance
Jul. 2008	Retired
Sep. 2008	Professor, Graduate School of Public Management, Waseda University
Jun. 2015	Outside Director and Chairperson of the Board of Directors of the Company (current position)

No. of Company shares held:
2,000 shares



Kiyota Akira

Director and Representative Executive Officer, Group CEO

Member of the Nominating Committee

Member of the Compensation Committee

Member of the Risk Policy Committee

Apr. 1969	Joined Daiwa Securities Co. Ltd. (currently Daiwa Securities Group Inc.)
Jun. 1994	Director, Head of Tobu Area Sales Division
May 1996	Director, Head of Bond & Finance Division
Jun. 1997	Managing Director, Head of Bond & Finance Division
Oct. 1997	Deputy President
Apr. 1999	President, Daiwa Securities SB Capital Markets Co. Ltd. (currently Daiwa Securities Co. Ltd.)
Jun. 2004	Deputy Chairman of the Board and Corporate Executive Officer, Daiwa Securities Group Inc. Chairman of the Institute, Daiwa Institute of Research Ltd.

Jun. 2008	Chairman of the Board and Corporate Executive Officer, Daiwa Securities Group Inc.
Apr. 2011	Director and Honorary Chairman
Jun. 2011	Honorary Chairman
Jun. 2013	Director of the Company (current position) President & CEO, Tokyo Stock Exchange, Inc.
Jun. 2015	Representative Executive Officer, Group CEO of the Company (current position) Director, Tokyo Stock Exchange, Inc. (current position)

Significant Concurrent Position:
Director, Tokyo Stock Exchange, Inc.

No. of Company shares held:
82,485 shares



Miyahara Koichiro

Director and Representative Executive Officer, Group Co-COO

Member of the Compensation Committee

Apr. 1979	Joined Electric Power Development Co., Ltd.
Apr. 1988	Joined Tokyo Stock Exchange
Jun. 2002	Director, General Administration Department, Tokyo Stock Exchange, Inc.
Jun. 2004	Director, Information Services Department
Jun. 2005	President, Representative Director, ICJ, Inc.
Dec. 2005	Executive Officer, Tokyo Stock Exchange, Inc.
Oct. 2007	Standing Governor, Tokyo Stock Exchange Regulation (currently Japan Exchange Regulation)
Jun. 2009	Senior Executive Officer, Tokyo Stock Exchange Group, Inc.
Jan. 2013	Senior Executive Officer of the Company Senior Executive Officer, Tokyo Stock Exchange, Inc.

Jun. 2014	Executive Vice President of the Company
Jun. 2015	Director of the Company (current position) President & CEO, Tokyo Stock Exchange, Inc. (current position)
Nov. 2015	Executive Officer of the Company
Jun. 2020	Representative Executive Officer, Group Co-COO of the Company (current position)

Significant Concurrent Position:
President & CEO, Tokyo Stock Exchange, Inc.

No. of Company shares held:
37,777 shares

**Yamaji Hiromi**

Director and Representative
Executive Officer, Group Co-OO

Apr. 1977	Joined The Nomura Securities Co., Ltd. (currently Nomura Holdings, Inc.)
Jun. 1997	General Manager, Personnel Department
Jun. 1998	Member of the Board in charge of Investment Banking Products Division
Jun. 2000	Managing Director, Head of Global Investment Banking Division
Apr. 2002	President & CEO, Nomura Europe Holdings plc (London) and Chairman, Nomura Holding America Inc. (New York)
Apr. 2007	Executive Vice President, Global Investment Banking, in charge of Corporate Finance Division, Nomura Securities Co., Ltd.
Jun. 2013	Director of the Company (current position) President & CEO, Osaka Securities Exchange Co., Ltd. (currently Osaka Exchange, Inc.) (current position)

Nov. 2015	Executive Officer of the Company
Oct. 2019	Representative Executive Officer, Tokyo Commodity Exchange, Inc.
Dec. 2019	Representative Director & Chair, Chairperson of the Board (current position)
Jun. 2020	Representative Executive Officer, Group Co-OO of the Company (current position)
Significant Concurrent Position: President & CEO, Osaka Exchange, Inc.	
Representative Director & Chair, Chairperson of the Board, Tokyo Commodity Exchange, Inc.	
No. of Company shares held: 24,217 shares	

**Shizuka Masaki**

Director and
Executive Officer

Apr. 1982	Joined Tokyo Stock Exchange
Jun. 2004	Director, Treasury Department, Tokyo Stock Exchange, Inc.
Jun. 2005	Director, Corporate Strategy Department
Jun. 2007	Executive Officer
Aug. 2007	Executive Officer, Tokyo Stock Exchange Group, Inc.
Jun. 2008	Executive Officer, Tokyo Stock Exchange, Inc.
Jun. 2011	Senior Executive Officer
Jun. 2013	Managing Director
Jun. 2014	Director & Senior Executive Officer
Apr. 2016	Director & Executive Vice President
Apr. 2017	Senior Executive Vice President, Japan Securities Clearing Corporation

Jun. 2017	Director & Senior Executive Vice President
Apr. 2020	Executive Officer of the Company (current position) President & CEO, Japan Securities Clearing Corporation (current position)
Jun. 2020	Director of the Company (current position)
Significant Concurrent Position: President & CEO, Japan Securities Clearing Corporation	
No. of Company shares held: 27,447 shares	

**Christina Ahmadjian**

Independent Director,
Outside Director

Member of the
Compensation Committee

Member of the
Audit Committee

Jan. 1995	Assistant Professor, Columbia Business School (Graduate School of Business, Columbia University)
Oct. 2001	Associate Professor, Graduate School of International Corporate Strategy, Hitotsubashi University
Jan. 2004	Professor, Graduate School of International Corporate Strategy
Apr. 2010	Dean, Graduate School of International Corporate Strategy
Apr. 2012	Professor, Graduate School of Commerce and Management
Jun. 2012	Outside Director, Mitsubishi Heavy Industries, Ltd. (current position)
Jun. 2014	Outside Director of the Company (current position)

Apr. 2018	Professor, Graduate School of Business Administration, Hitotsubashi University (current position)
Jun. 2018	Outside Director, Sumitomo Electric Industries, Ltd. (current position)
Mar. 2019	Outside Director, Asahi Group Holdings, Ltd. (current position)
Significant Concurrent Positions: Professor, Graduate School of Business Administration, Hitotsubashi University Outside Director, Mitsubishi Heavy Industries, Ltd. Outside Director, Sumitomo Electric Industries, Ltd. Outside Director, Asahi Group Holdings, Ltd.	
No. of Company shares held: 2,000 shares	

■ 4. Foundations for Sustainability

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Endo Nobuhiro

Independent Director,
Outside Director

Member of the
Nomination Committee

Apr. 1981 Joined NEC Corporation
Apr. 2006 Associate Senior Vice President,
Executive General Manager of
Mobile Network Operations Unit
Apr. 2009 Executive Vice President
Jun. 2009 Executive Vice President and
Member of the Board
Apr. 2010 President (Representative Director)
Apr. 2016 Chairman of the Board
(Representative Director)
Jun. 2018 Outside Director of the Company
(current position)

Jun. 2019 Member, Board of Directors (Outside),
Sumitomo Dainippon Pharma Co., Ltd.
(current position)
Chairman of the Board, NEC Corporation
(non-executive) (current position)
Outside Director, Tokio Marine
Holdings, Inc. (current position)

Significant Concurrent Positions:
Chairman of the Board, NEC Corporation (non-executive)
Member, Board of Directors (Outside),
Sumitomo Dainippon Pharma Co., Ltd.
Outside Director, Tokio Marine Holdings, Inc.

No. of Company shares held:
2,800 shares



Ogita Hitoshi

Independent Director,
Outside Director

Member of the
Nomination Committee
(Chairperson)

Member of the
Independent Outside
Directors Committee
(Chairperson)

Apr. 1965 Joined Asahi Breweries, Ltd.
(currently Asahi Group Holdings, Ltd.)
Mar. 1997 Director, General Manager of
Fukuoka Branch
Mar. 2000 Managing Corporate Officer,
Senior General Manager of
Kyushu Regional Headquarters
Mar. 2002 Senior Managing Corporate Officer,
Senior General Manager of
Kanshin-etsu Regional Headquarters
Sep. 2002 Corporate Officer, Vice President,
Asahi Soft Drinks Co., Ltd.
Mar. 2003 President and Representative Director
Mar. 2006 President and Representative Director,
Asahi Breweries, Ltd.
Mar. 2010 Chairman of the Board and
Representative Director

Mar. 2014 Senior Adviser, Asahi Group Holdings, Ltd.
(current position)
Jun. 2016 Outside Director of the Company
(current position)

Significant Concurrent Positions:
Senior Adviser, Asahi Group Holdings, Ltd.
No. of Company shares held:
5,000 shares



Kubori Hideaki

Independent Director,
Outside Director

Member of the
Nomination Committee

Member of the Risk
Policy Committee
(Chairperson)

Apr. 1971 Registration as Attorney-at-Law
(current position)
Joined Mori Sogo
(currently Mori Hamada & Matsumoto)
Apr. 1998 Representative, HIBIYA PARK LAW
OFFICES (current position)
Apr. 2001 President, Daini Tokyo Bar Association,
and Vice President,
Japan Federation of Bar Associations
Jun. 2011 Outside Director,
Tokyo Stock Exchange Group, Inc.
Outside Governor,
Tokyo Stock Exchange Regulation
(currently Japan Exchange Regulation)
Jan. 2013 Outside Director of the Company
(current position)

Jun. 2014 Outside Director, SOURCENEXT
CORPORATION (current position)
Apr. 2015 Professor, Toin Law School
(current position)
Apr. 2018 Outside Director, Coincheck, Inc.
(current position)

Significant Concurrent Positions:
Attorney-at-law
Representative, HIBIYA PARK LAW OFFICES
Outside Director, SOURCENEXT CORPORATION
Professor, Toin Law School
Outside Director, Coincheck, Inc.
No. of Company shares held:
1,700 shares



Kohda Main

Independent Director,
Outside Director

Member of the
Audit Committee

Member of the Risk
Policy Committee

Sep. 1995 Started independently as novelist,
to the present
Jan. 2003 Member of Fiscal System Council,
Ministry of Finance Japan
Apr. 2004 Visiting professor, Faculty of
Economics, Shiga University
Mar. 2005 Member of the Council for Transport
Policy, Ministry of Land, Infrastructure,
Transport and Tourism
Nov. 2006 Member of the Tax Commission,
Cabinet Office, Government of Japan
Jun. 2010 Member of the Board of Governors,
Japan Broadcasting Corporation
Jun. 2012 Outside Director, Japan Tobacco Inc.
(current position)

Jun. 2016 Outside Director of the Company
(current position)
Jun. 2018 Outside Director, MITSUBISHI
MOTORS CORPORATION
(current position)

Significant Concurrent Positions:
Novelist
Outside Director, Japan Tobacco Inc.
Outside Director, MITSUBISHI MOTORS
CORPORATION
No. of Company shares held:
3,200 shares

**Kobayashi Eizo**Independent Director,
Outside DirectorMember of the
Nomination CommitteeMember of the
Compensation Committee
(Chairperson)

Apr. 1972	Joined C. Itoh & Co., Ltd. (currently ITOCHU Corporation)	Apr. 2018	Senior Representative for Business Community Relations
Jun. 2000	Executive Officer	Apr. 2020	Director Emeritus (current position)
Apr. 2002	Managing Executive Officer		Significant Concurrent Positions:
Jun. 2003	Representative Director, Managing Director		Director Emeritus, ITOCHU Corporation
Apr. 2004	Representative Director, Senior Managing Director		Chairman, ITOCHU Foundation
Jun. 2004	President & Chief Executive Officer		Outside Director, OMRON Corporation
Apr. 2010	Representative Director, Chairman		External Director, Japan Airlines Co., Ltd.
Jun. 2011	Director, Chairman		Outside Director, Nippon Venture Capital Co., Ltd.
Jun. 2013	Outside Director, OMRON Corporation (current position)		Chairman, National Federation of Corporate Taxpayers Associations
Jun. 2015	External Director, Japan Airlines Co., Ltd. (current position)		Administrative Director, The Public Interest Incorporated Foundation Tohoren Mutual Benefit Association for Specific Retirement Allowance
Jun. 2016	Outside Director of the Company (current position)		Chairperson, Japan Overseas Educational Services
	Chairman, ITOCHU Corporation	No. of Company shares held:	5,200 shares

**Minoguchi Makoto**

Director

Member of the
Audit Committee

Apr. 1984	Joined Tokyo Stock Exchange	Apr. 2017	Managing Director and Executive Officer
Jun. 2007	Director, General Administration Department, Tokyo Stock Exchange, Inc.	Jun. 2017	Director of the Company (current position) Statutory Auditor, Tokyo Stock Exchange, Inc.
Aug. 2007	Director, General Administration Department, Tokyo Stock Exchange Group, Inc.	No. of Company shares held:	8,100 shares
Jun. 2009	Director, Corporate Strategy Department		
Oct. 2010	Director, Listing Examination Department, Tokyo Stock Exchange Regulation (currently Japan Exchange Regulation)		
Jun. 2011	Standing Governor		
Jun. 2015	Managing Director, Japan Securities Clearing Corporation		

**Mori Kimitaka**Independent Director,
Outside DirectorMember of the
Compensation CommitteeMember of the
Audit Committee

Apr. 1980	Joined Shirwa Accountants (currently KPMG AZSA LLC)	Jun. 2017	Outside Corporate Auditor, MITSUI & CO., LTD. (current position)
Jun. 2000	Representative Partner, Asahi & Co. (currently KPMG AZSA LLC)		Outside Corporate Auditor, East Japan Railway Company (current position)
Jun. 2004	Director of financial services, KPMG AZSA & Co. (currently KPMG AZSA LLC)	Jul. 2017	Outside Director, SUMITOMO LIFE INSURANCE COMPANY (current position)
Jun. 2006	Board Member, KPMG AZSA & Co.		Significant Concurrent Positions:
Jul. 2011	Chairman, KPMG FS Japan		Certified Public Accountant
Jun. 2013	Retired from KPMG AZSA LLC		Advisor, The Japanese Institute of Certified Public Accountants
Jul. 2013	Established Mori Certified Public Accountant Office		Outside Corporate Auditor, MITSUI & CO., LTD.
	Chairman and President, The Japanese Institute of Certified Public Accountants		Outside Corporate Auditor, East Japan Railway Company
Jul. 2016	Advisor, The Japanese Institute of Certified Public Accountants (current position)		Outside Director, SUMITOMO LIFE INSURANCE COMPANY
	Outside Director of the Company (current position)	No. of Company shares held:	4,000 shares

**Yoneda Tsuyoshi**Independent Director,
Outside DirectorMember of the
Audit Committee
(Chairperson)Member of the Risk
Policy Committee

Apr. 1976	Joined National Police Agency		External Audit & Supervisory Board Member, Marubeni Corporation
Sep. 2001	General Manager, Criminal Affairs Department, Metropolitan Police Department	No. of Company shares held:	4,100 shares
Aug. 2003	General Manager, Kyoto Prefectural Police Headquarters		
Sep. 2007	Commissioner, Criminal Affairs Bureau		
Jun. 2009	Commissioner-General's Secretariat		
Oct. 2011	Deputy Director-General		
Jan. 2013	Commissioner General		
Jan. 2015	Retired		
Jun. 2015	Outside Director of the Company (current position)		
Jun. 2017	External Audit & Supervisory Board Member, Marubeni Corporation (current position)		

4. Foundations for Sustainability

» Corporate Governance Messages from the Chairpersons of the Nomination, Compensation, and Audit Committees [Directors](#) Risk Management Internal Control Systems and Compliance
 PICK UP Toward ESG Disclosure based on International Debate

Japan Exchange Group, Inc. Executive Officers

Kiyota Akira Director & Representative Executive Officer, Group CEO	Yamaji Hiromi Director & Representative Executive Officer, Group Co-COO (Management of Derivatives Markets)	Isaka Yoshihiro Senior Executive Officer (Global Strategy)	Futagi Satoshi Senior Executive Officer (Corporate Strategy)	Shizuka Masaki Director & Executive Officer (Management of Japan Securities Clearing Corporation)
Miyahara Koichiro Director & Representative Executive Officer, Group Co-COO (Management of Cash Equities Markets)	Yokoyama Ryusuke Senior Executive Officer & CIO (IT Planning)	Hasegawa Isao Senior Executive Officer (General Administration and Human Resources)	Ishizaki Takashi Executive Officer (Management of Tokyo Commodity Exchange, Inc.)	Tabata Atsushi Executive Officer & CFO (Treasury, Corporate Communications and Investor Relations)

Tokyo Stock Exchange, Inc.

Miyahara Koichiro President & CEO	Yokoyama Ryusuke Director & Senior Executive Officer (IT Administration, IT Development (Equities Trading, Information and Clearing) and IT Services)	Kama Kazuaki ¹ Statutory Auditor	Hasegawa Isao Senior Executive Officer (General Administration)	Kawai Hiroki Executive Officer (Equities, Equities Business Development and Financial Literacy Support)
Konuma Yasuyuki Director & Executive Vice President (Listing, New Listings, Equities (Client Relationship) Management), Equities Business Development and Financial Literacy Support)	Kiyota Akira Director (part-time)	Kuroda Katsushi ¹ Statutory Auditor	Kamiki Tatsuya Executive Officer (IT Services and Tokyo Site Contingency)	Takura Satoshi Executive Officer (IT Development (Information))

Osaka Exchange, Inc.

Yamaji Hiromi President & CEO	Kamiki Tatsuya Director & Executive Officer (IT Services)	Matsuji Syunsuke ¹ Statutory Auditor	Hasegawa Isao Senior Executive Officer (General Administration)	Takura Satoshi Executive Officer (IT Development (Derivatives))
Ichimoto Hiroyasu Director & Senior Executive Officer (Market Planning, Derivatives Business Development, Financial Literacy Support, Development of Comprehensive Exchange and Osaka Site Contingency)	Maruyama Masahiko Standing Statutory Auditor	Yokoyama Ryusuke Senior Executive Officer (IT Administration, IT Development (Derivatives) and IT Services)	Tagaya Akira Executive Officer (Market Planning, Derivatives Business Development, Financial Literacy Support and Development of Comprehensive Exchange)	Hinoide Mikio Executive Officer (Market Operations)

Tokyo Commodity Exchange, Inc.

Yamaji Hiromi Representative Director & Chair, Chairperson of the Board	Ichimoto Hiroyasu Director & Senior Executive Officer (Development of Comprehensive Exchange, General Administration, Business Operations)	Peter L. Jaeger Statutory Auditor	Yamada Kazuhiko ¹ Statutory Auditor	Hinoide Mikio Executive Officer (Business Operations (Market Operations))
Ishizaki Takashi Representative Director, President	Ohishi Etsuji Standing Statutory Auditor	Kuroda Katsushi ¹ Statutory Auditor	Onosato Mitsuhiro Executive Officer (Business Operations (excluding Market Operations) and Self-Regulation)	

Japan Exchange Regulation

Hosomizo Kiyoshi ² President	Hirano Takeshi Standing Governor (Listed Company Compliance, General Administration)	Kawakita Hidetaka ² Governor	Fujinawa Kenichi ² Governor	Matsuzaki Hiroyuki Auditor
Fukuda Kazuo Managing Governor (Trading Participants Examination and Inspection, Market Surveillance and Compliance)	Kagiwada Hiroshi Standing Governor (Listing Examination)	Kanda Hideki ² Governor	Shimomura Shosaku Standing Auditor	

Japan Securities Clearing Corporation

Shizuka Masaki President & CEO	Asai Kunihiro ³ Director (part-time)	Sakata Hideki ³ Director (part-time)	Suzuki Yoshihiko ¹ Standing Statutory Auditor	Hosomura Takehiro Executive Officer (Clearing Planning and OTC Derivatives Clearing Services)
Iwanaga Moriyuki Director & Senior Executive Vice President (JGB Clearing Services and Comprehensive Exchange Development)	Izawa Nobuhiko ³ Director (part-time)	Futagi Satoshi Director (part-time)	Morishita Kunihiko ¹ Statutory Auditor	Hinoide Mikio Executive Officer (Tokyo Site Contingency)
Suzuki Yasushi Director & Senior Executive Officer (Listed Products Clearing Services and General Administration)	Ohashi Kazuhiko ³ Director (part-time)	Yoshihara Masatoshi ³ Director (part-time)	Yanaga Masao ¹ Statutory Auditor	

Note:.. 1. Statutory Auditor (Outside)
 2. Governor (Outside)
 3. Director (Outside)

■ 4. Foundations for Sustainability

» Corporate Governance Messages from the Chairpersons of the Nomination, Compensation, and Audit Committees Directors Risk Management Internal Control Systems and Compliance
[PICK UP] Toward ESG Disclosure based on International Debate

Risk Management

In its approach to risk management, JPX recognizes the importance of maintaining sound and stable business operations to fulfill its public role as a market operator and continue raising corporate value.

Risk Management Systems

JPX faces numerous risks in the course of its operations, including risks associated with system glitches, legal matters, compensation in the event of clearing participant defaults, and administrative errors. JPX has established a Risk Policy Committee, chaired by an outside director, and a Risk Management Committee, chaired by the Group CEO, to address risk. In line with JPX's Risk Management Policy, these committees are responsible for identifying risks as well as developing and implementing measures to prevent such risks. JPX also has a system in place to ensure a swift and appropriate response when risks do or are likely to materialize.

The Risk Policy Committee consists of at least five members, the majority of whom are outside directors. As a rule, the committee is chaired by an outside director.

The Risk Management Committee is composed of core members and project members who oversee the risks of specific projects. The Group CEO (who serves as chairperson), the executive officer overseeing the General Administration Department, and the director of the department make up the core members, while the chairperson of the committee assigns project members to specific cases as they arise.

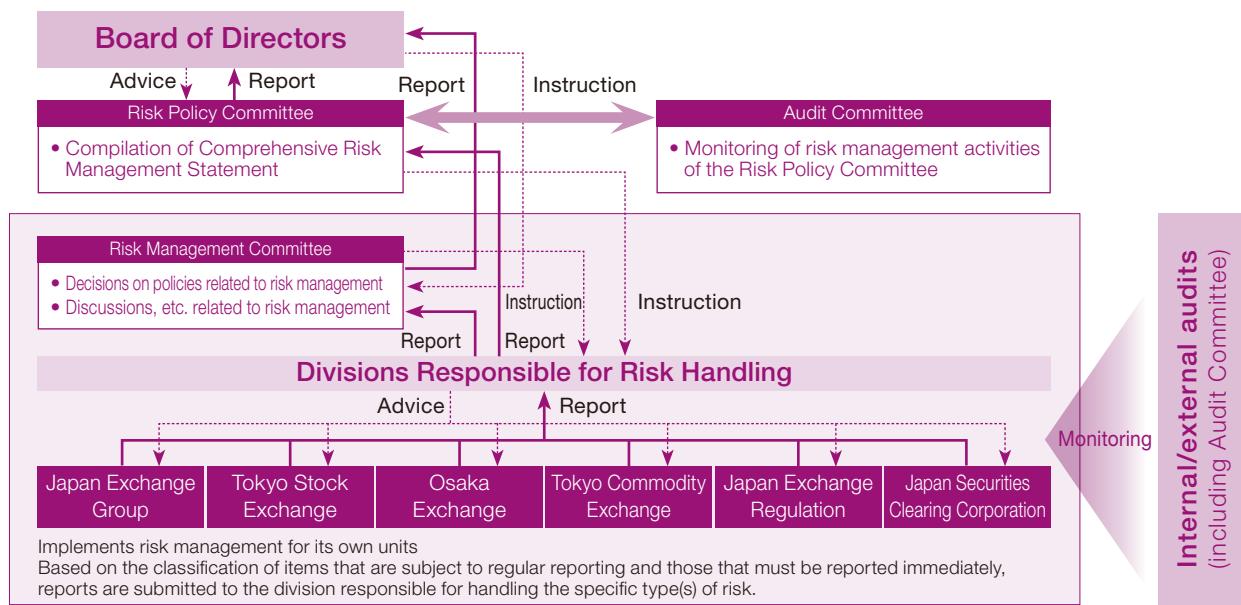
The Risk Management Policy serves to prevent risks by indicating and classifying the risks JPX faces.

Departments or sections are assigned to handle the classified risks, and information on the assessments of operations and issues to be addressed are periodically brought before the Risk Policy Committee and Risk Management Committee.

Each fiscal year, the Risk Policy Committee identifies the significant risks requiring priority action in JPX.

The results of this process are submitted to the Board of Directors as recommendations in the form of a Comprehensive Risk Management Statement. JPX works to reduce the possibility of realization of the risks based on the Comprehensive Risk Management Statement and responds flexibly to risks that materialize. When a major issue occurs, the Risk Management Committee gains an overall grasp of the situation and orchestrates a concerted response by giving directions for dealing with the issues as quickly as possible. The system calls for all necessary information to be reported to management promptly and without fail.

Risk Management System



■ 4. Foundations for Sustainability

> Corporate Governance Messages from the Chairpersons of the Nomination, Compensation, and Audit Committees Directors [Risk Management](#) Internal Control Systems and Compliance
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Risk Classification

Types of Risk	Examples
Business environment and business strategy risk	Economic fluctuations, legal and regulatory matters, demographic changes, technological innovation, investor trends, public opinion, and failed business choices
Accidents and disaster risk	Major earthquakes, typhoons, tsunami, epidemics, terrorism, failure/stoppagge of social infrastructure, fires, and accidents
System risk	Inadequate hardware capacity and application errors
Legal risk	Violations of laws and regulations in the course of business, business partner's failure to perform on contracts, and the possibilities of having a relationship with anti-social forces
Financial risk	Undermined reliability of financial reporting, lack of funds, and loss or damage to assets, including deposits
Human risk	Personnel shortage, industrial accidents, and occupational hazards
Information security risk	Information leakage, unauthorized access, and computer viruses
Operational risk	Mistakes in operational procedures and misjudgments
Risk of associated companies	Emergence of risk in group companies
Reputational risk	Decline in public reputation due to acts and statements by employees and/or third parties
Credit risk and liquidity risk arising from obligation assumption business	Emergence of losses due to default, etc. by clearing participants
Other risks	Risks other than those mentioned above

Significant Risks

Each fiscal year, we identify the significant risks that could affect JPX. We control the possibility of the materialization of these risks by implementing necessary preventive measures. We also implement measures to ensure that we are able to respond flexibly in the event that risks materialize.

JPX approaches risk management on two levels.

First, all group companies work to identify risks in the internal environment.

Second, there is wide-ranging discussion involving the management team about potential risk factors in the

external environment, including geopolitical risk. Based on the results of these discussions, we then examine significant risks.

Many risks are detected at the discussion stage. We examine these in detail to identify the risks that require the greatest attention in each fiscal year, on the basis of the potential impact on JPX if the risk materializes and the frequency with which such risks are likely to arise.

We then take preventive measures targeting specific significant risks.

Significant Risks

Risk Phenomena	Risk Scenarios
Risks that could impact JPX business continuity and business operations	<ul style="list-style-type: none"> Risk to business continuity resulting from damage to social infrastructure, including power grid failure, such as in the event of a wide-area disaster Risk that could affect market operations, etc. due to cyberattacks on JPX's systems Risk to trading continuity due to pressure on system capacity caused by abnormal market fluctuations in response to sudden short-term exchange rate movements caused by economic or political events in Japan or overseas Risk of an impact on market operations, etc. as a result of workers being infected or being unable to commute to work due to the spread of a novel virus.
Risks that could affect JPX business performance and financial position	<ul style="list-style-type: none"> Risk of a decline in trading due to medium- to long-term market stagnation resulting from changes in political and economic conditions in the U.S., the EU, or other major economies Risk that the financial position of JPX will be impacted by a clearing participant default

Systems Capacity Management

In recent years, with faster systems and the growing prevalence of co-location services, there has been an increase in the number of orders processed by JPX trading systems. In view of these changes, JPX is monitoring market trends and system usage and working to manage overall system capacity across the corporate group by utilizing projections to prepare for and prevent any system capacity issues that may arise.

Capacity management is not conducted by IT departments alone, but also by the Capacity Management Committee chaired by the CIO. The cross-

divisional committee is made up of executive officers and departments involved in market operations. Geared toward realizing even better systems, the committee monitors, analyzes, and assesses system operation conditions, works on improvements for current systems, and provides feedback on the design and development of next-generation systems. The committee employs the PDCA cycle in its activities, while reporting to management periodically and on an as-needed basis to make swift and appropriate decisions on priority or emergency issues related to system capacity.

Contingency Plan

Alongside the need for exchanges to provide opportunities for trading, in order to maintain fair price formation in the market, it is also necessary for securities companies and other market participants who place orders to the exchange market to maintain a certain level of preparedness. JPX formulates contingency plans for disseminating and publishing its basic response policies when it becomes difficult to continue trading, such as

when there is a glitch in a JPX or external system, a natural disaster or terrorist act, or when parts of the social infrastructure cease to function. For example, when trading participants that account for approximately 50% or more of securities trading can no longer participate in the market, the policy is to decide whether to suspend trading after comprehensively considering the impact on liquidity and fair and reliable price formation.

Actions on Cybersecurity

As JPX holds responsibility for key financial market infrastructure, it views cybersecurity as a significant management risk, and accordingly actively advances cybersecurity measures, as well as implementing a variety of measures to provide safe and secure services to investors and other market participants. As an example, we have built a multi-layered security system that detects and blocks any and all cyberattacks against JPX, including unauthorized access to the website and targeted emails. We have also constructed a 24-hour monitoring and response system, centered mainly around the in-house Computer Security Incident Response Team (CSIRT). This system conducts regular diagnostic checks looking for vulnerabilities in JPX security and works to improve our countermeasures to these threats.

In addition, we are working to strengthen our corporate group's capabilities in cybersecurity through the creation of cybersecurity manuals and procedures, as well as response drills held multiple times a year for a range of scenarios. At the same time, to raise awareness of

cybersecurity among employees, we are providing education through regular e-learning courses and training to combat targeted email attacks. We are also committed to working in a timely and appropriate manner with public institutions such as the Financial Services Agency, the National center of Incident readiness and Strategy for Cybersecurity, the Tokyo Metropolitan Police Department's association for responses to cyberterrorism, and the Information-technology Promotion Agency, Japan. At the same time, we have created a system to keep track of and share information on the latest trends in cybersecurity based threats, which includes sharing in-depth information with the Nippon CSIRT Association and security companies.

Cyberattacks are becoming increasingly sophisticated and precise with each passing year, so we will continue to be vigilant, conducting regular checks of our security measures and revising and reinforcing them whenever necessary.

■ 4. Foundations for Sustainability

>> Corporate Governance Messages from the Chairpersons of the Nomination, Compensation, and Audit Committees Directors Risk Management Internal Control Systems and Compliance
PICK UP Toward ESG Disclosure based on International Debate

Business Continuity in Emergencies

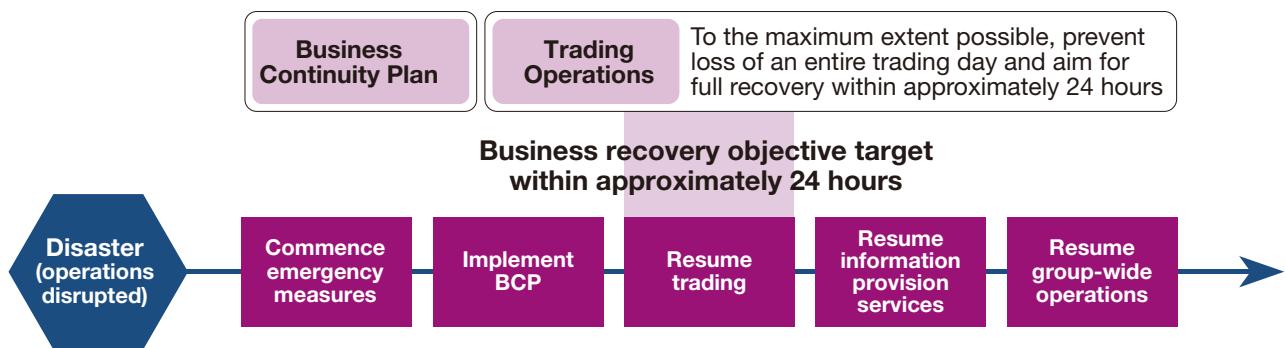
JPX's core responsibility as a market operator within the social infrastructure is to provide reliable markets for market users to trade with confidence. Therefore, even when major risks do materialize, such as in the form of natural disasters or terrorist acts, JPX must be prepared to answer the call of society and continue operations. To be ready for such situations, JPX established its Business Continuity Plan (BCP) to define its response to materialized risks.

The basic concept of the BCP is to continue operations as far as possible even in times of emergency. If suspension is unavoidable, then the affected operations should be resumed as soon as

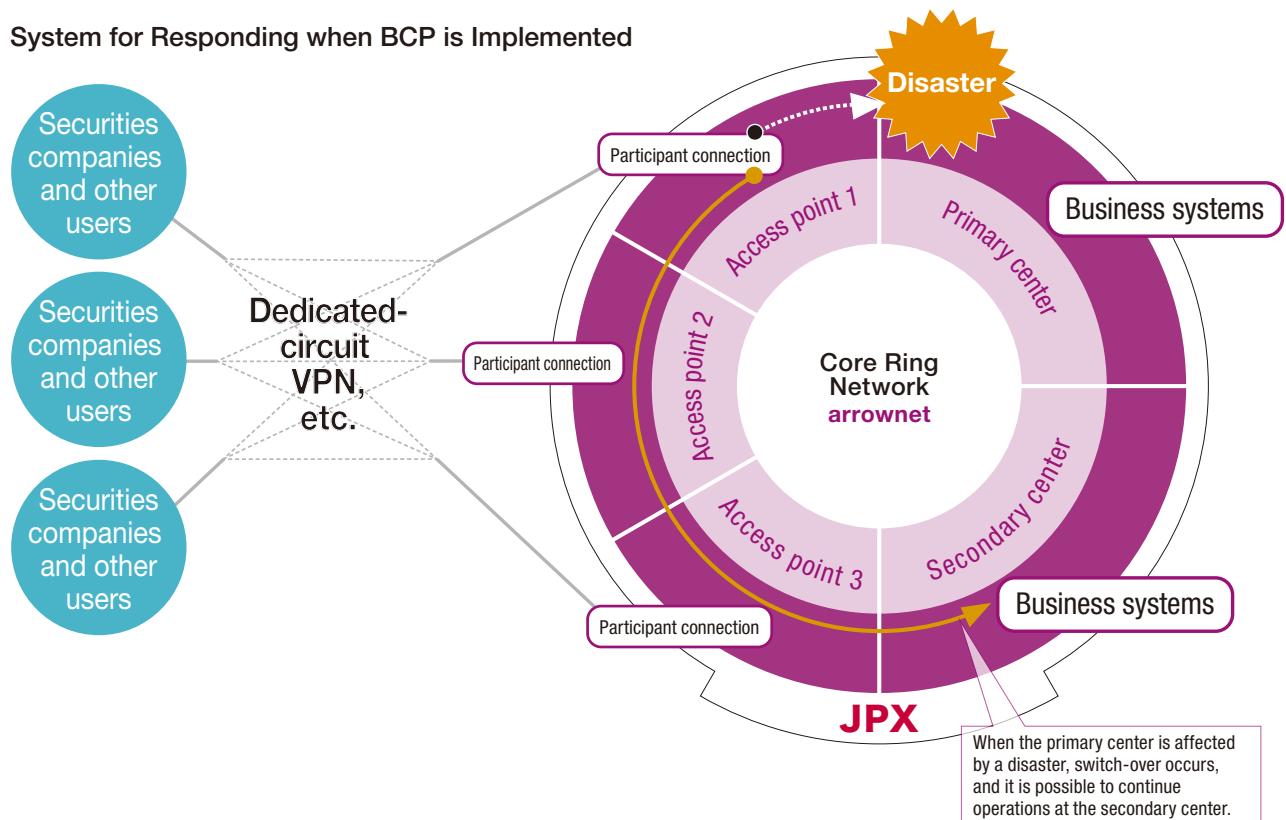
possible. For instance, even if a serious incident, such as a major earthquake, occurs and operations are suspended, in principle, JPX aims to resume clearing operations in about two hours and trading operations within 24 hours to prevent the loss of a trading day to the greatest extent possible.

To achieve said targets, in addition to its primary data center where operations normally take place, JPX also maintains a secondary (backup) center, which is located in a different area to avoid having both centers be simultaneously affected. If the primary center is affected by a disaster and cannot continue operations, operations are switched over to trading and other core

Procedures for Restoring Trading Operations based on BCP after Disaster Occurs



System for Responding when BCP is Implemented



systems in the backup center to allow trading to resume as quickly as possible. Furthermore, in a bid to help further enhance the reliability of the Japanese market, the decision was made to construct a new secondary (backup) center away from Tokyo in the Kansai region, where in the case of a disaster such as a major large-scale earthquake in the Tokyo Metropolitan area, there would be little or no fear of damage to societal infrastructure causing a shortage of essential services such as electricity. The new secondary (backup) center is scheduled to come online progressively from FY2021.

Furthermore, in preparation for a large-scale earthquake and other wide-area disasters, the core

telecommunications network, arrownet, is designed as an optical ring network that surrounds the Tokyo metropolitan area. Even if a part of the network is severed by a disaster, transmissions will be re-routed immediately, ensuring that connections are maintained. The BCP also defines the response policy for each type of identified risk, as well as detailed plans for establishing the BCP emergency headquarters and securing personnel and communication methods. JPX reviews its BCP at least once a year and revises it accordingly in light of changes in the environment.

Web Business Continuity Plan

<https://www.jpx.co.jp/english/corporate/governance/risk/bcp/index.html>

Internal Control Systems and Compliance

Besides maintaining well-designed business operating systems for stable and appropriate execution of business, all officers and employees observe laws and regulations and demonstrate a strong sense of ethics in the performance of their daily tasks.

Internal Control Systems

JPX has a Basic Policy on Establishment of Internal Control System and develops internal control systems based on this policy. To ensure the proper operation of business processes throughout the Group, JPX creates systems for ensuring compliance with laws and regulations, safeguarding and managing information,

managing risk of loss, ensuring efficient operations, and for internal controls. To ensure that these systems are functioning properly, the Internal Auditing Office, an independent unit that reports directly to the Group CEO, periodically confirms and assesses the status of internal controls.

Web [Basic Policy on Establishment of Internal Control System](#)

<https://www.jpx.co.jp/english/corporate/governance/internal-control/index.html>

Compliance Program

JPX has a Charter of Corporate Behavior in place as a set of standards for ethics and morals, which clearly states the expected corporate behavior. In order to ensure the effectiveness of internal controls, JPX

continues to increase awareness of compliance among management and employees by continually renewing internal systems, as well as through education and training.

Web [Compliance Program](#)

<https://www.jpx.co.jp/english/corporate/governance/compliance/index.html>

Charter of Corporate Behavior

The Charter of Corporate Behavior serves to make clear JPX's social responsibilities as an open and transparent corporation positioned in harmony with society.

The Charter states the basic policies for corporate behavior in terms of ethics and morals. It also clearly indicates JPX's investor-centric stance and reflects our commitment to being an open company.

the hotline makes it possible to detect such acts promptly from an incoming call and introduce measures and frameworks to address them.

Activities for Continued Awareness

JPX engages in a number of activities to maintain awareness of compliance issues. These include cross-divisional meetings among all staff in charge of compliance matters, distributing compliance handbooks, communicating knowledge on compliance through the intranet, and holding e-learning courses.

Organizational System

The Group CEO assumes responsibility for compliance and oversees all compliance-related matters. The Group CEO is assisted by the officer responsible for compliance and the Compliance Secretariat. JPX has a Compliance Hotline in place to provide a channel for reporting information and making inquiries regarding clear or suspected violations of laws and internal rules, including against the Charter of Corporate Behavior. When certain behavior involving JPX officers or employees is suspected to be in violation of compliance,

PICK UP Toward ESG Disclosure based on International Debate

JPX is committed to disclosing ESG information that can be used in decision-making by investors and other stakeholders. The company considers that it will be most useful to disclose with reference to frameworks which have been formulated based on international debate: in particular, the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), for which JPX has expressed its support, and the standards of the Sustainability Accounting Standards Board (SASB), which set out disclosure points for separate industries from an investor's point of view.

JPX has only just started to disclose ESG information. However, we aim to enhance our disclosure by enacting dialogue with investors and other stakeholders to understand what kind of ESG-related information is necessary, while at the same time enhancing our responses to ESG issues in a way that leads to improved corporate value for the company.

For additional information on sustainability initiatives at JPX and ESG information, please visit the JPX website.

Web Sustainability

<https://www.jpx.co.jp/english/corporate/sustainability/index.html>

TCFD Recommendations

Below are JPX's sustainability initiatives disclosed in line with the TCFD Recommendations published in June 2017.

Governance/ Risk Management	JPX has established a Sustainability Committee, headed by the Group CEO, and is progressing with analysis of the impact of ESG issues, including climate change, on the company's business and how to respond to those issues. In FY2019, the Risk Policy Committee included discussion on climate change within the process of identifying "significant risks" which are addressed by JPX Group as a priority. The Committee reported the results of this discussion to the Board of Directors.
Strategy	JPX is currently studying and discussing the possible impact of climate change on its business over the medium to long term. As part of the Medium-Term Management Plan update carried out for FY2020, we revised our core strategies based on the importance of sustainability issues including climate change.

SASB Standards

Below are JPX's sustainability initiatives in line with the Standards for Security and Commodity Exchanges as published by SASB in November 2018.

Topics for Disclosure as Recommended by the SASB Standards	Examples of JPX Initiatives
Promoting transparent and efficient capital markets	<ul style="list-style-type: none">Corporate philosophy (p. 2)Trading rules based on the principles of time priority and price priority https://www.jpx.co.jp/english/equities/trading/index.htmlDistribution of market information and provision of a timely disclosure information service (TDnet) https://www.jpx.co.jp/english/markets/index.html https://www.release.tdnet.info/index_e.htmlPublication of the Practical Handbook for ESG Disclosure (p. 31)
Managing conflicts of interest	<ul style="list-style-type: none">Self-regulatory operations carried out by Japan Exchange Regulation https://www.jpx.co.jp/english/regulation/index.htmlJPX Corporate Governance system (p. 50)
Managing business continuity and technology risks	<ul style="list-style-type: none">System capacity management and actions on cybersecurity (p. 63)Maintenance of backup centers (p. 64)Formulation of the Business Continuity Plan (p. 64)

■ 5. Financial and Corporate Data

> [Review of Operations and Financial Condition](#) [Consolidated Statement of Financial Position](#) [Consolidated Statement of Income/Consolidated Statement of Comprehensive Income](#)
[Consolidated Statement of Changes in Equity](#) [Consolidated Statement of Cash Flows](#) [Economic Data/Market Data](#) [Corporate Data](#)

Review of Operations and Financial Condition

Financial Highlights of FY2019 (IFRS)

	FY2015	FY2016	FY2017	FY2018	(JPY mil.) FY2019
Operating Revenue	114,776	107,885	120,711	121,134	123,688
Operating Expenses	50,925	50,185	50,902	54,111	58,532
Operating Income	66,271	59,377	71,791	69,535	68,533
Net Income Attributable to Owners of the Partner Company	44,877	42,124	50,484	49,057	47,609
EBITDA	77,791	71,595	82,505	82,568	85,683
Dividends per Share ¹ (JPY)	50.0	47.0	67.0	70.0	54.0
ROE	18.2%	16.4%	19.0%	17.6%	16.3%

Note: 1. The amounts shown reflect the stock split (2 for 1) that became effective on October 1, 2015. The dividend figure for FY2017 includes a commemorative dividend of JPY 10 per share, and the dividend figure for FY2018 includes a special dividend of JPY 15 per share.

Average Daily Trading Value/Volume of Main Products

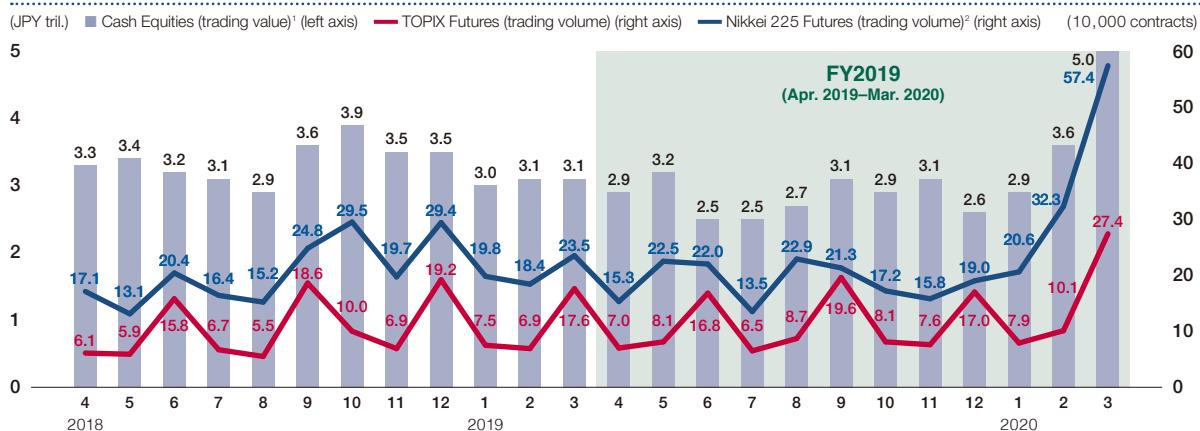
	FY2015	FY2016	FY2017	FY2018	FY2019
Cash Equities (trading value) ¹	JPY 3,412.6 billion	JPY 2,998.7 billion	JPY 3,446.2 billion	JPY 3,306.8 billion	JPY 3,081.1 billion
TOPIX Futures (trading volume)	93,824 contracts	89,966 contracts	105,287 contracts	103,896 contracts	121,034 contracts
Nikkei 225 Futures ² (trading volume)	230,435 contracts	184,250 contracts	200,646 contracts	205,046 contracts	232,821 contracts
Nikkei 225 Options ³ (trading value)	JPY 30.7 billion	JPY 24.8 billion	JPY 27.0 billion	JPY 23.0 billion	JPY 26.8 billion
10-year JGB Futures (trading volume)	34,658 contracts	28,569 contracts	35,978 contracts	42,087 contracts	39,640 contracts

Notes: 1. Average daily trading value of common stocks on TSE 1st/2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs, etc. in auction and off-auction trading.

2. Includes trading volume of Nikkei 225 mini, which is calculated using a conversion factor of 1/10.

3. Excludes weekly options.

Monthly Average Daily Trading Value/Volume of Main Products



Notes: 1. Average daily trading value of common stocks on TSE 1st/2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs, etc. in auction and off-auction trading.

2. Includes trading volume of Nikkei 225 mini, which is calculated using a conversion factor of 1/10.

Adoption of IFRS

JPX has adopted the International Financial Reporting Standards (IFRS) to facilitate comparisons of financial results of JPX with those of other exchanges located overseas and to increase investor convenience.

Summary of Performance

In FY2019 (from April 1, 2019 to March 31, 2020), JPX recorded operating revenue of JPY 123,688 million (up 2.1% year on year) and operating expenses were JPY 58,532 million (up 8.2% year on year). As a result, JPX recorded operating income of JPY 68,533 million (down 1.4% year on year) and income before income tax of JPY 69,095 million (down 2.4% year on year).

In addition, net income attributable to owners of the parent company after tax was JPY 47,609 million (down 3.0% year on year).

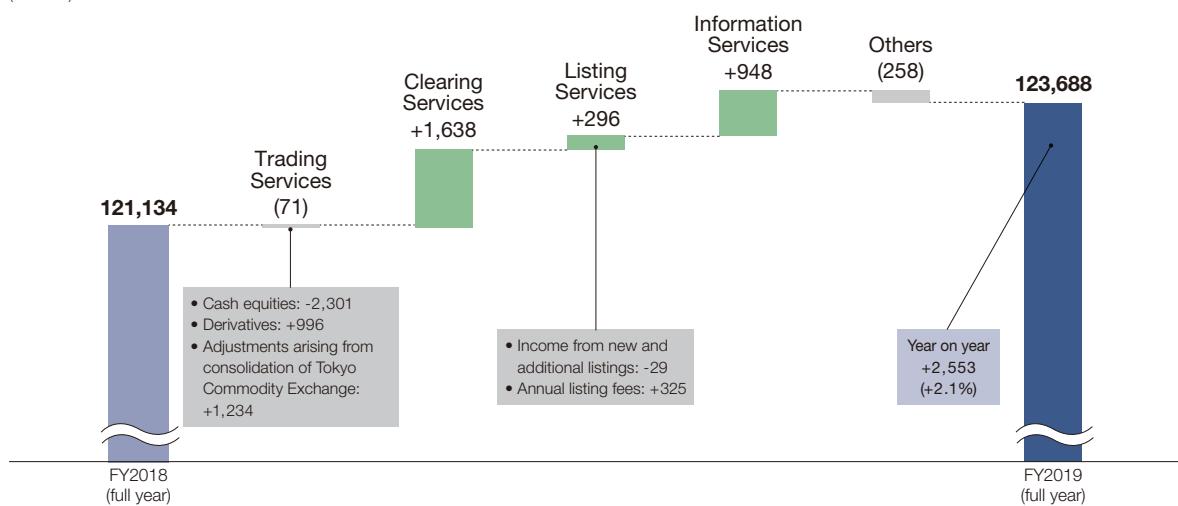
Overview of Performance

Operating Revenue

Operating revenue in FY2019 increased by 2.1% from FY2018 to JPY 123,688 million.

Breakdown of Changes in Operating Revenue

(JPY mil.)



■ 5. Financial and Corporate Data

>> [Review of Operations and Financial Condition](#) [Consolidated Statement of Financial Position](#) [Consolidated Statement of Income/Consolidated Statement of Comprehensive Income](#)
[Consolidated Statement of Changes in Equity](#) [Consolidated Statement of Cash Flows](#) [Economic Data/Market Data](#) [Corporate Data](#)

Operating Revenue

	FY2015	FY2016	FY2017	FY2018	FY2019	
	Amount (JPY mil.)	Ratio				
Trading Services Revenue	52,471	45,703	51,766	48,660	48,589	39%
Transaction Fees	43,294	36,523	42,430	39,248	39,118	
Cash Equities	30,783	26,168	30,652	28,084	25,757	66%¹
Financial derivatives	12,510	10,354	11,777	11,163	12,255	31%¹
TOPIX Futures	1,934	1,841	2,106	2,031	2,254	
Nikkei 225 Futures (incl. Nikkei 225 mini)	5,136	4,231	4,691	4,523	5,101	
Nikkei 225 Options	3,543	2,834	3,149	2,563	2,888	
10-year JGB Futures	1,597	1,329	1,672	1,945	1,811	
Others	298	117	157	99	200	
Commodity derivatives	-	-	-	-	1,104	3%¹
Basic Fees	1,061	1,044	1,043	1,017	1,020	
Access Fees	5,165	4,985	4,851	4,800	4,701	
Trading System Facilities Usage Fees	2,854	3,066	3,341	3,499	3,646	
Others	95	84	98	95	101	
Clearing Services Revenue	23,140	21,454	23,473	24,788	26,427	21%
Listing Services Revenue	13,250	12,903	14,547	14,025	14,322	12%
Initial/Additional Listing Fees	5,330	4,317	5,002	3,994	3,965	
Annual Listing Fees	7,919	8,586	9,544	10,030	10,356	
Information Services Revenue	17,706	18,112	19,878	21,029	21,977	18%
Others	8,208	9,711	11,045	12,630	12,371	10%
Total	114,776	107,885	120,711	121,134	123,688	100%

Note: 1. Figures indicate percentage of Transaction Fees.

Reference: Major Stock Indices

As of March 31	FY2015	FY2016	FY2017	FY2018	FY2019
TOPIX	1,347.20 pts.	1,512.60 pts.	1,716.30 pts.	1,591.64 pts.	1,403.04 pts.
Nikkei 225	JPY 16,758.67	JPY 18,909.26	JPY 21,454.30	JPY 21,205.81	JPY 18,917.01
JPX-Nikkei 400	12,161.79 pts.	13,522.45 pts.	15,180.09 pts.	14,176.82 pts.	12,573.18 pts.

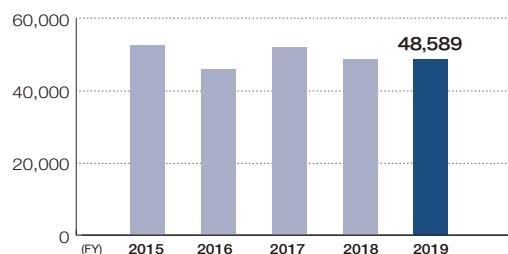
1. Trading services revenue

Trading services revenue consists of “Transaction Fees” based on the value of securities traded or the volume of financial and commodity derivatives traded, “Basic Fees” based on the trading participant’s type of trading qualification, “Access Fees” based on the number of orders, “Trading System Facilities Usage Fees” based on the types of trading system facilities used, and other similar fees.

For the fiscal year ended March 31, 2020, trading services revenue maintained the same level year on year at JPY 48,589 million.

Trading services revenue

(JPY mil.)



2. Clearing services revenue

Clearing services revenue is comprised of clearing fees related to the assumption of obligations of financial instrument transactions carried out by Japan Securities Clearing Corporation, the assumption of obligations of commodity transactions carried out by Japan Commodity Clearing House Co., Ltd., and other similar fees.

For the fiscal year ended March 31, 2020, JPX recorded clearing services revenue of JPY 26,427 million (up 6.6% year on year).

Clearing services revenue

(JPY mil.)



3. Listing services revenue

Listing services revenue is comprised of “Initial/Additional Listing Fees” that are received based on the issue amount when a company initially lists or when a listed company issues additional shares, and “Annual Listing Fees” which are made up of fees received from listed companies based on their market capitalization and other similar fees.

For the fiscal year ended March 31, 2020, listing services revenue increased 2.1% year on year to JPY 14,322 million due to an increase in annual listing fees.

Listing services revenue

(JPY mil.)



■ 5. Financial and Corporate Data

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4. Information services revenue

Information services revenue consists of market information fees, which are comprised of revenue related to the provision of market information to information vendors, etc., as well as revenue related to the index business, and revenue related to the provision of corporate action information and other information.

For the fiscal year ended March 31, 2020, JPX recorded information services revenue of JPY 21,977 million (up 4.5% year on year) due mainly to increases in market information fees and index business revenue.

Information services revenue

(JPY mil.)



5. Other operating revenue

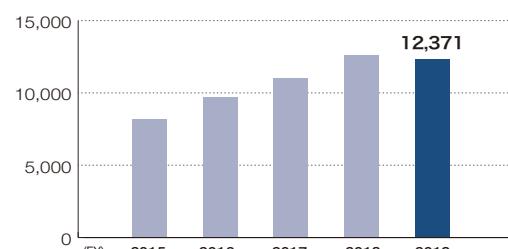
Other operating revenue includes the following main items:

- Usage fees for arrownet, which connects trading, market information, and other systems to trading participants and other users;
- Usage fees related to co-location services that allow trading participants, information vendors, and other users to install devices in the system center for the purpose of improving trade execution efficiency by shortening order transmission time, etc.;
- Revenue from provision of services including trading systems; and
- Revenue from system development and operations conducted by consolidated subsidiary TOSHO SYSTEM SERVICE CO., LTD.

For the fiscal year ended March 31, 2020, JPX recorded other operating revenue of JPY 12,371 million (down 2.1% year on year) due mainly to a decrease in revenue from provision of services including trading systems.

Other operating revenue

(JPY mil.)



Operating Expenses^{*1*2}

During FY2019, personnel expenses increased to JPY 17,512 million (up 5.6% year on year).

Real estate-related expenses increased to JPY 4,275 million (up 8.6% year on year).

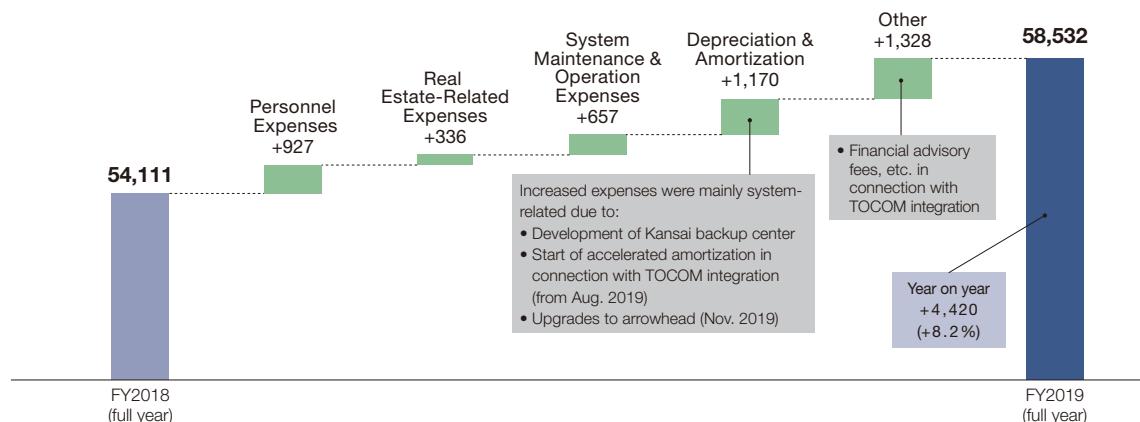
System maintenance and operation expenses include expenses related to maintenance and management/operations of various systems including the cash equities and derivatives trading systems. System maintenance and operation expenses increased to JPY 12,071 million (up 5.8% year on year).

Depreciation and amortization increased to JPY 13,354 million (up 9.6% year on year).

Other operating expenses increased to JPY 11,318 million (up 13.3% year on year).

Breakdown of Changes in Operating Expenses

(JPY mil.)



Operating Expenses

(JPY mil.)

	FY2015 ^{*3}	FY2016	FY2017	FY2018	FY2019
Personnel Expenses	16,437	15,614	16,329	16,584	17,512
Real Estate-Related Expenses	4,620	4,062	3,904	3,939	4,275
System Maintenance and Operation Expenses	11,923	10,813	12,100	11,413	12,071
Depreciation and Amortization	9,973	10,983	9,431	12,184	13,354
Other	7,970	8,711	9,136	9,989	11,318
Total	50,925	50,185	50,902	54,111	58,532

Notes: 1. The new accounting standard for leases under IFRS is applied from Q1 FY2019, and consequently, an amount previously included under "Real estate-related expenses" is now included under depreciation. For the purpose of comparison, this amount is included under "Real estate-related expenses" in these columns.

2. In March 2019, the OTC clearing system was transferred from TOSHO SYSTEM SERVICE to Tokyo Stock Exchange. With that, an amount which was previously recorded as system maintenance and operation expenses is now recorded as depreciation and amortization expenses. For ease of comparison, the corresponding expenses from the same period the previous year have also been reclassified into depreciation and amortization expenses.

3. Starting FY2015, a portion of expenses relating to subsidiary TOSHO SYSTEM SERVICE Co., Ltd. is included under "System Maintenance & Operation Expenses" rather than "Other."

Basic Policy for Allocation of Profit

JPX adopts a dividend policy with a target payout ratio of about 60% tied to business performance while giving due consideration to the importance of internal reserves for the following purposes:

- Maintaining sound financial health as a financial instruments exchange group;
- Preparing for risks as a clearing organization; and
- Enabling the corporate group to pursue investment opportunities to raise the competitiveness of its markets as they arise.

In line with this policy, the dividends for FY2020 are expected to be JPY 48 per share (JPY 24 per share at the end of the second quarter). (As of April 2020)

5. Financial and Corporate Data

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Consolidated Statement of Financial Position

				(JPY mil.)		
		As of March 31, 2019	As of March 31, 2020			(JPY mil.)
				As of March 31, 2019	As of March 31, 2020	
Assets						
Current assets						
Cash and cash equivalents	63,891	71,883				
Trade and other receivables	11,402	16,686				
1 Clearing business financial assets	49,886,377	60,329,672				
2 Specified assets for deposits from clearing participants	3,795,086	6,549,099				
3 Specified assets for legal guarantee funds	490	762				
Income tax receivables	6,311	5,922				
Other financial assets	113,100	117,400				
Other current assets	1,979	1,837				
Total current assets	53,878,639	67,093,263				
Non-current assets						
Property and equipment	7,293	14,798				
Goodwill	67,374	67,374				
Intangible assets	33,435	35,045				
Retirement benefit assets	5,872	5,642				
Investments accounted for using the equity method	12,474	14,703				
5 Specified assets for default compensation reserve funds	27,948	27,948				
Other financial assets	26,634	18,156				
Other non-current assets	6,071	6,049				
Deferred tax assets	3,661	3,321				
Total non-current assets	190,766	193,039				
Total assets	54,069,405	67,286,302				
Liabilities and equity						
Liabilities						
Current liabilities						
Trade and other payables			4,421	6,643		
Bonds and loans payable			32,500	32,500		
1 Clearing business financial liabilities			49,886,377	60,329,672		
2 Deposits from clearing participants			3,795,086	6,549,099		
3 Legal guarantee funds			490	762		
4 Trading participant security money			8,384	8,248		
Income tax payables			9,676	10,289		
Other current liabilities			7,136	10,062		
Total current liabilities			53,744,073	66,947,278		
Non-current liabilities						
Bonds and loans payable			19,946	19,953		
Retirement benefit liabilities			7,964	8,866		
Other non-current liabilities			2,914	2,162		
Deferred tax liabilities			3,055	2,665		
Total non-current liabilities			33,882	33,648		
Total liabilities			53,777,955	66,980,926		
Equity						
Share capital			11,500	11,500		
Capital surplus			39,716	39,716		
Treasury shares			(1,213)	(1,548)		
Other components of equity			7,688	5,602		
6 Retained earnings			227,317	242,958		
Total equity attributable to owners of the parent company			285,009	298,228		
Non-controlling interests			6,441	7,146		
Total equity			291,450	305,375		
Total liabilities and equity			54,069,405	67,286,302		

- 1** Assets and liabilities assumed by Japan Securities Clearing Corporation (JSCC) and Japan Commodity Clearing House (JCCH) for derivatives trading, etc. as of the end of the fiscal year.
- 2** Collateral that JSCC and JCCH require clearing participants to deposit to cover any loss JSCC or JCCH incur in the event a clearing participant defaults.
- 3** Collateral that TSE, OSE and TOCOM require trading participants to deposit to cover any loss incurred by an entrustor of securities trading, etc. in the event a trading participant defaults.
- 4** Collateral that TSE and OSE require trading participants to deposit to cover any loss TSE and OSE incur in the event a trading participant defaults.
- 5** Reserve funds to cover losses resulting from the clearing business.
- 6** This figure includes the amount of reserve funds in the above 5.

Consolidated Statement of Income/ Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	(JPY mil.)
Revenue			
Operating revenue	121,134	123,688	
Other revenue	248	975	
Total revenue	121,383	124,663	
Expenses			
Operating expenses	54,111	58,532	
Other expenses	16	54	
Total expenses	54,127	58,587	
Share of income of investments accounted for using the equity method	2,279	2,457	
Operating income	69,535	68,533	
Financial income	1,333	665	
Financial expenses	82	103	
Income before income tax	70,786	69,095	
Income tax expense	21,253	20,781	
Net income	49,533	48,314	
Net income attributable to			
Owners of the parent company	49,057	47,609	
Non-controlling interests	476	705	
Net income	49,533	48,314	
Earnings per share			
Basic (JPY)	91.58	88.91	
Diluted (JPY)	—	—	

Consolidated Statement of Comprehensive Income

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	(JPY mil.)
Net income	49,533	48,314	
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	87	1,930	
Remeasurements of defined benefit plan	(102)	(49)	
Share of other comprehensive income of investments accounted for using the equity method	(0)	0	
Other comprehensive income, net of tax	(14)	1,881	
Comprehensive income	49,518	50,195	
Comprehensive income attributable to			
Owners of the parent company	49,042	49,490	
Non-controlling interests	476	705	
Comprehensive income	49,518	50,195	

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Consolidated Statement of Changes in Equity

						(JPY mil.)
Equity attributable to owners of the parent company						
						Other components of equity
	Share capital	Capital surplus	Treasury shares			Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
						Remeasurements of defined benefit plan
Balance as of April 1, 2018	11,500	39,716	(953)	10,816	—	
Net income	—	—	—	—	—	
Other comprehensive income, net of tax	—	—	—	87	(102)	
Total comprehensive income	—	—	—	87	(102)	
Acquisitions of treasury shares	—	—	(264)	—	—	
Dividends paid	—	—	—	—	—	
Transfer from other components of equity to retained earnings	—	—	—	(3,215)	102	
Other	—	—	4	—	—	
Total transactions with the owners	—	—	(260)	(3,215)	102	
Balance as of March 31, 2019	11,500	39,716	(1,213)	7,688	—	
Net income	—	—	—	—	—	
Other comprehensive income, net of tax	—	—	—	1,930	(49)	
Total comprehensive income	—	—	—	1,930	(49)	
Acquisitions of treasury shares	—	—	(350)	—	—	
Dividends paid	—	—	—	—	—	
Transfer from other components of equity to retained earnings	—	—	—	(4,016)	49	
Other	—	—	15	—	—	
Total transactions with the owners	—	—	(334)	(4,016)	49	
Balance as of March 31, 2020	11,500	39,716	(1,548)	5,602	—	

						(JPY mil.)
Equity attributable to owners of the parent company						
Other components of equity						
	Total	Retained earnings	Total		Non-controlling interests	Total equity
Balance as of April 1, 2018	10,816	212,691	273,771	5,965	279,736	
Net income	—	49,057	49,057	476	49,533	
Other comprehensive income, net of tax	(14)	—	(14)	—	(14)	
Total comprehensive income	(14)	49,057	49,042	476	49,518	
Acquisitions of treasury shares	—	—	(264)	—	(264)	
Dividends paid	—	(37,544)	(37,544)	—	(37,544)	
Transfer from other components of equity to retained earnings	(3,113)	3,113	—	—	—	
Other	—	—	4	—	4	
Total transactions with the owners	(3,113)	(34,430)	(37,805)	—	(37,805)	
Balance as of March 31, 2019	7,688	227,317	285,009	6,441	291,450	
Net income	—	47,609	47,609	705	48,314	
Other comprehensive income, net of tax	1,881	—	1,881	—	1,881	
Total comprehensive income	1,881	47,609	49,490	705	50,195	
Acquisitions of treasury shares	—	—	(350)	—	(350)	
Dividends paid	—	(35,935)	(35,935)	—	(35,935)	
Transfer from other components of equity to retained earnings	(3,966)	3,966	—	—	—	
Other	—	—	15	—	15	
Total transactions with the owners	(3,966)	(31,968)	(36,270)	—	(36,270)	
Balance as of March 31, 2020	5,602	242,958	298,228	7,146	305,375	

Consolidated Statement of Cash Flows

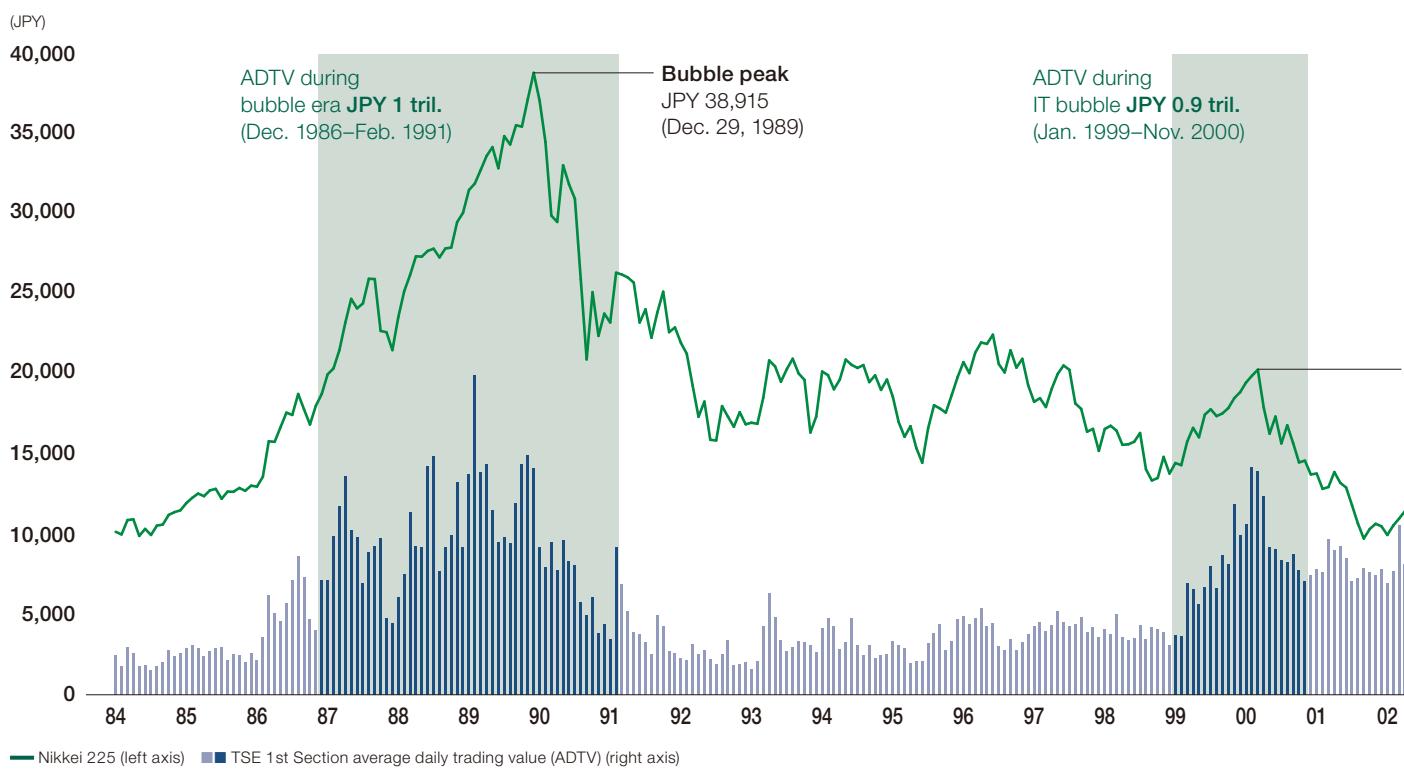
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	(JPY mil.)
Cash flows from operating activities			
Income before income tax	70,786	69,095	
Depreciation and amortization	12,196	16,499	
Financial income	(1,333)	(665)	
Financial expenses	75	96	
Share of income of investments accounted for using the equity method	(2,279)	(2,457)	
(Increase) decrease in trade and other receivables	439	(5,246)	
Increase (decrease) in trade and other payables	(628)	420	
(Increase) decrease in retirement benefit assets	83	230	
Increase (decrease) in retirement benefit liabilities	339	12	
Other	(1,073)	(424)	
Subtotal	78,606	77,560	
Interest and dividends received	1,546	899	
Interest paid	(75)	(96)	
Income taxes paid	(27,298)	(21,482)	
Cash flows generated from operating activities	52,778	56,881	
Cash flows from investing activities			
Payments into time deposits	(147,300)	(117,400)	
Proceeds from withdrawal of time deposits	120,100	113,100	
Purchase of property and equipment	(4,143)	(1,199)	
Purchase of intangible assets	(9,542)	(12,379)	
Proceeds from sales of investment securities	9,741	11,585	
Proceeds from redemption of investment securities	1,000	—	
Payments for acquisition of subsidiaries	—	(3,165)	
Other	77	23	
Cash flows used in investing activities	(30,066)	(9,434)	
Cash flows from financing activities			
Proceeds from loans payable	9,000	9,000	
Repayments of loans payable	(9,000)	(9,000)	
Repayments of lease liabilities	—	(3,125)	
Dividends paid	(37,544)	(35,935)	
Purchase of treasury shares	(264)	(350)	
Cash flows used in financing activities	(37,809)	(39,411)	
Net increase (decrease) in cash and cash equivalents	(15,097)	8,035	
Cash and cash equivalents at the beginning of the year	78,999	63,891	
Effect of changes in exchange rate on cash and cash equivalents	(10)	(43)	
Cash and cash equivalents at the end of the year	63,891	71,883	

■ 5. Financial and Corporate Data

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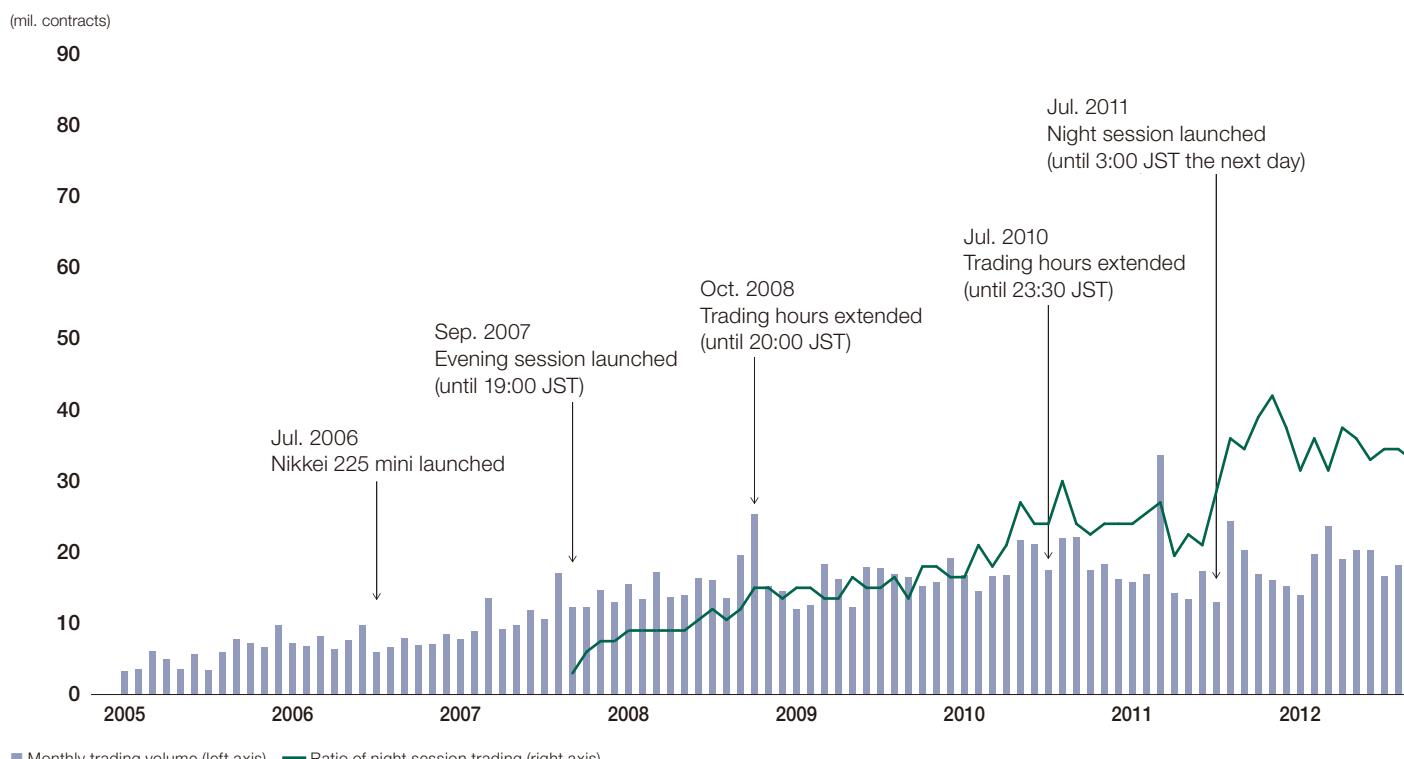
Economic Data/Market Data

Stock Market Performance

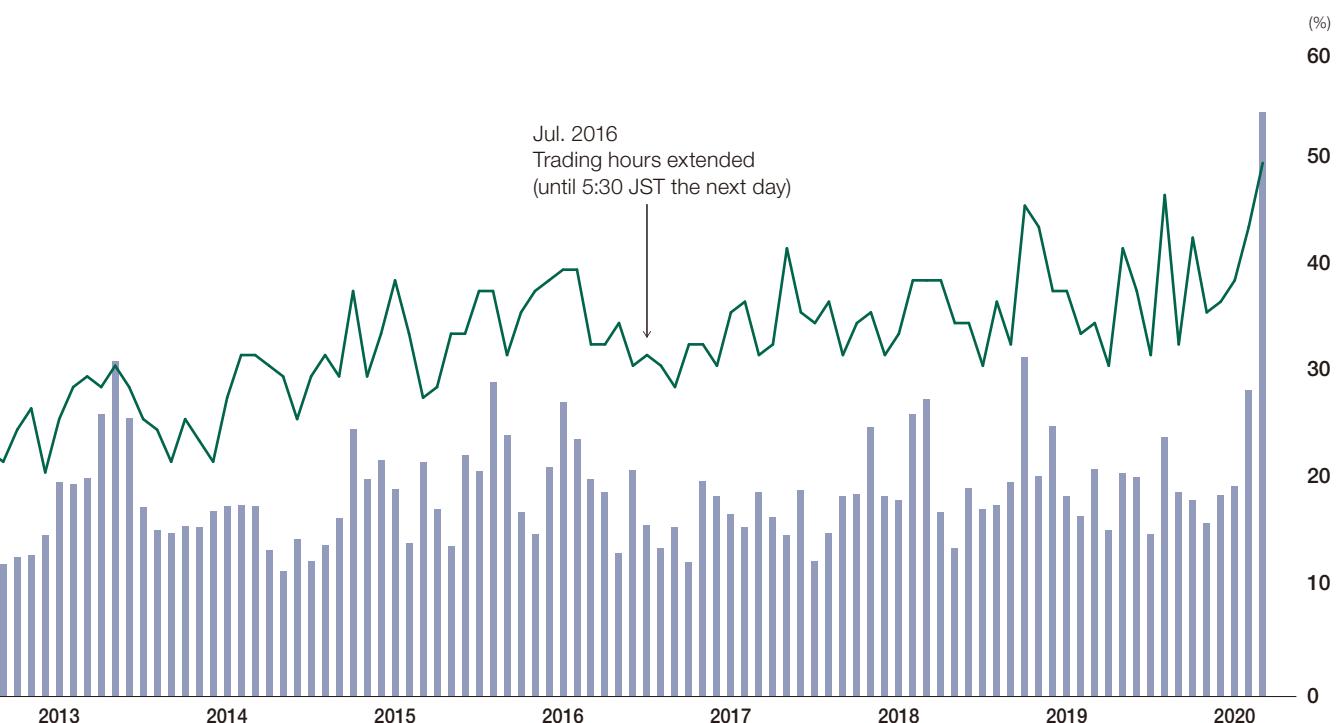
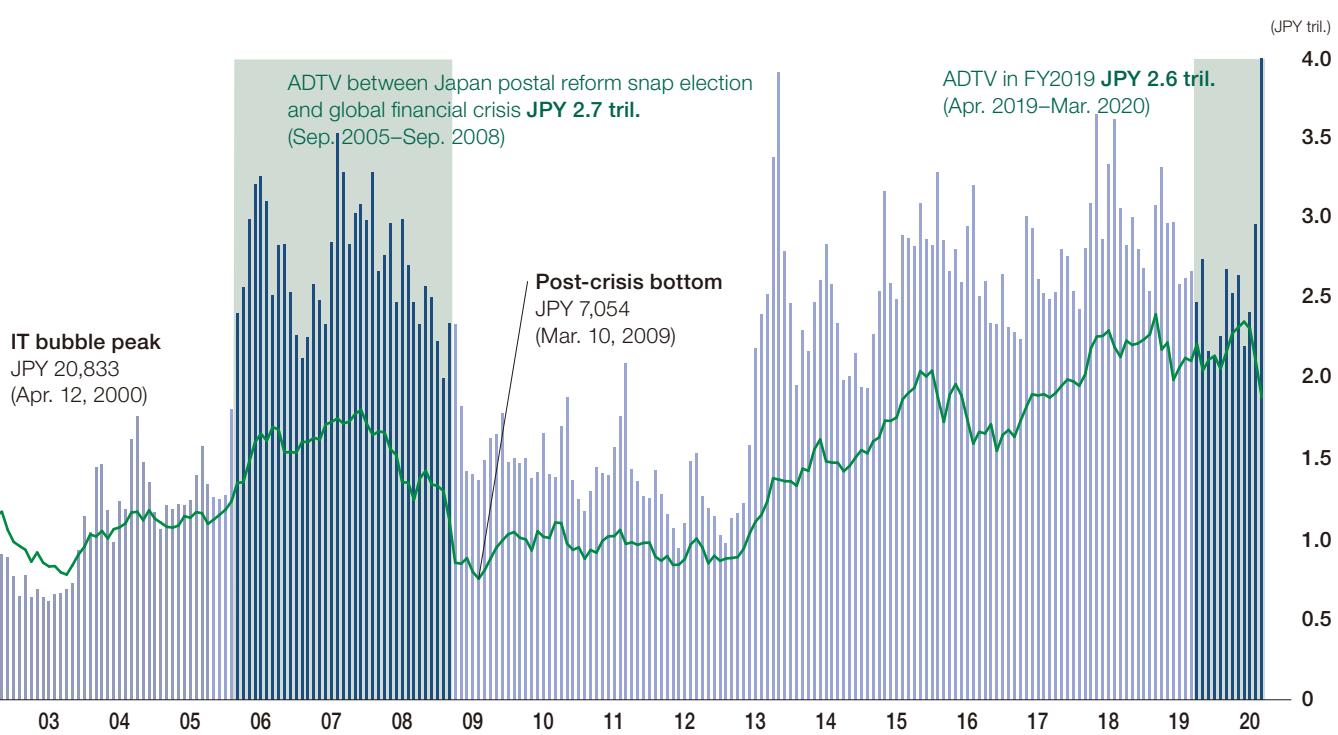


Note: The highest and lowest prices of the Nikkei 225 are based on closing prices.

Derivatives Trading Volume and Ratio of Night Session Trading



Note: Total trading volume for all financial derivatives



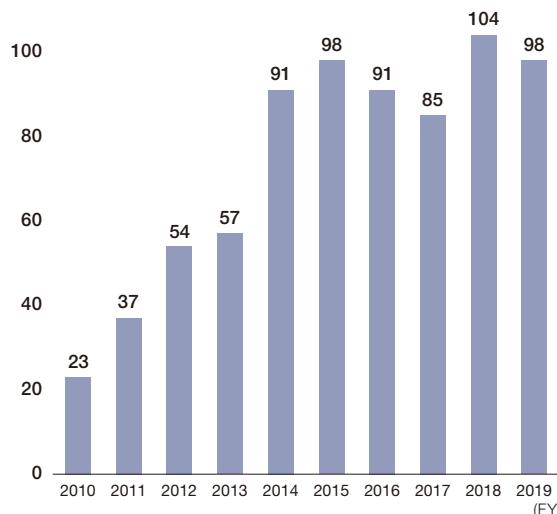
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IPOs in Japan

(companies)

120

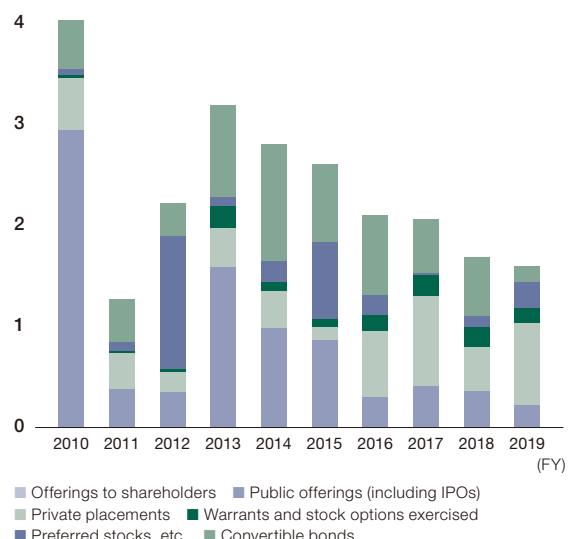


Financing by Listed Companies

(JPY tril.)

5

FY2010 saw an increase in large financing deals by financial institutions looking to strengthen their capital bases.



Note: Excluding straight bonds (domestic and foreign)

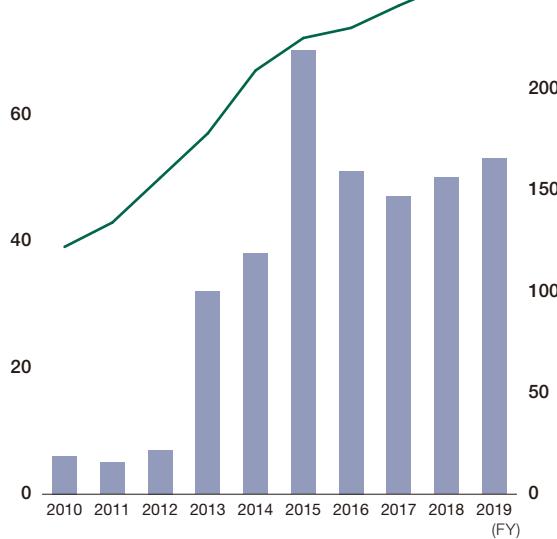
ETF/ETN Trading Value

(JPY tril.)

80

(issues)

250



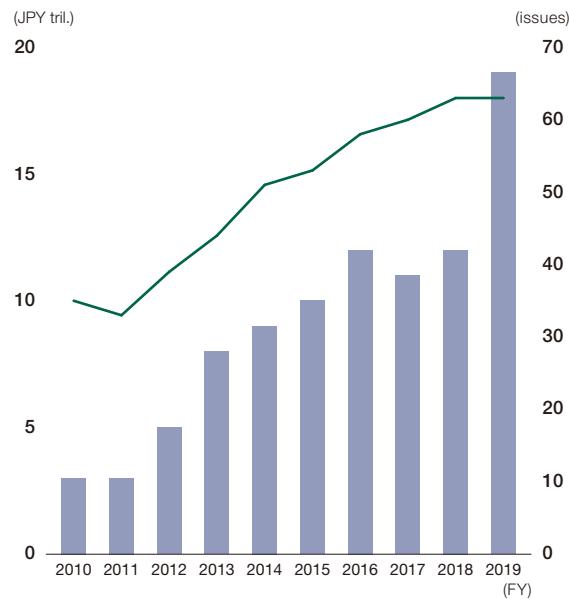
REIT Trading Value

(JPY tril.)

20

(issues)

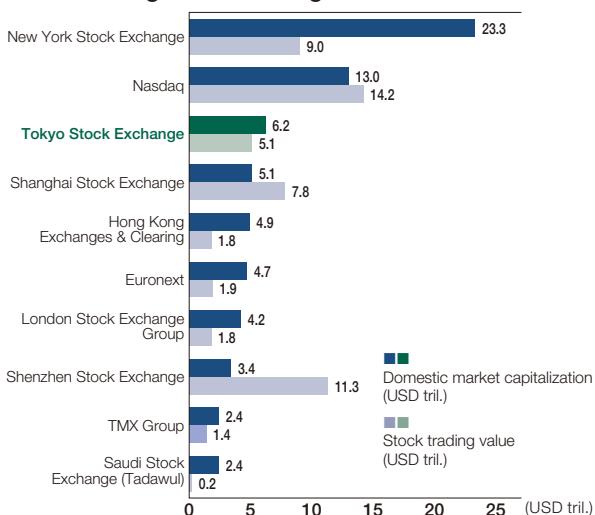
70



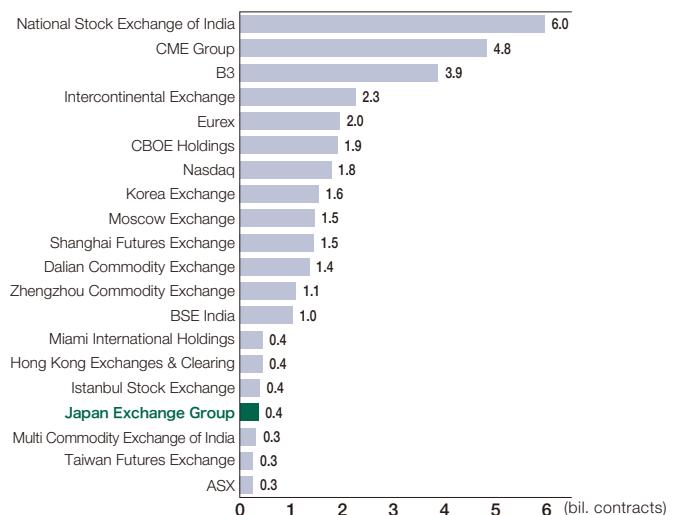
■ Trading value (left axis) — Number of REITs (right axis)

Market Position

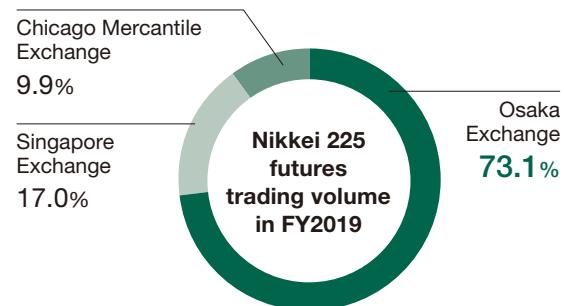
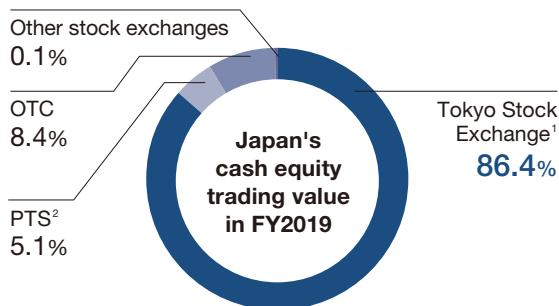
Domestic Market Capitalization, Stock Trading Value Rankings



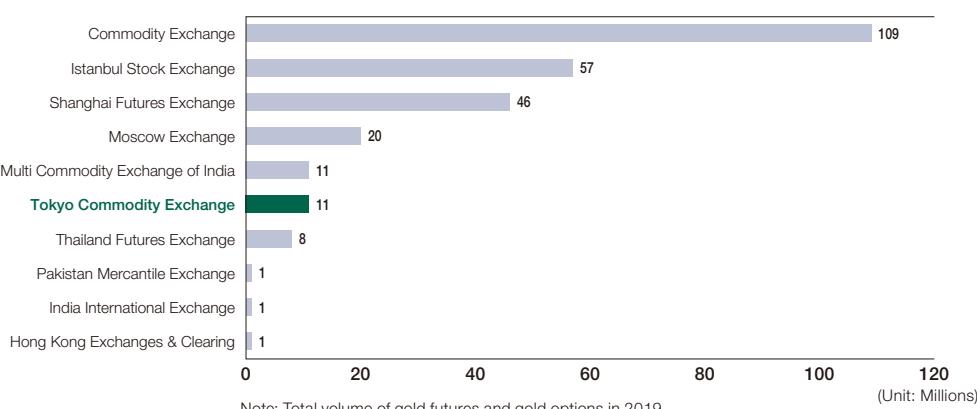
Derivatives Volume Rankings



Competitive Landscape of Main Products



Gold Derivatives Volume Ranking



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Corporate Data

(as of March 31, 2020)

Corporate Information

Company Name: Japan Exchange Group, Inc.
Number of Directors: 14 directors, 10 executive officers (as of June 17, 2020)
Location of Head Office: 2-1 Nihombashi-kabuto-cho, Chuo-ku, Tokyo 103-8224, Japan
Foundation: April 1, 1949
Amount of Capital: JPY 11,500 mil.

Number of Employees: 1,208 (consolidated)
Japan Exchange Group, Inc. 223
Tokyo Stock Exchange, Inc. 420
Osaka Exchange, Inc. 142
Tokyo Commodity Exchange, Inc. 50
Japan Exchange Regulation 188
Other consolidated subsidiaries 185
Business Description: Management and administration of a financial instruments exchange holding company group, and other ancillary businesses

Information on the Corporate Group

JPX consists of seven subsidiaries and three companies accounted for under the equity method, and its primary operations are the provision and operation of exchange-traded financial instruments markets.

Specifically, these include operations such as (i) providing market facilities for securities trading, securities index futures trading, securities options trading, commodity futures trading, and commodity index futures trading, (ii) publishing market quotations and ensuring the fairness of securities trading, etc. and (iii) providing financial instruments obligation assumption services, etc.



Notes: 1. Percentages indicate share of voting rights.

2. Class A shares: 99.2% / Class B shares: 100.0% / Class C shares: 60.4% / Class D shares: 52.9%

3. On July 27, 2020, Japan Commodity Clearing House Co., Ltd. (JCCH) merged with Japan Securities Clearing Corporation (JSCC) and JCCH was dissolved accordingly.

Website



About JPX

<https://www.jpx.co.jp/> (Japanese)

<https://www.jpx.co.jp/english/> (English)



Investor Relations

<https://www.jpx.co.jp/corporate/investor-relations/> (Japanese)

<https://www.jpx.co.jp/english/corporate/investor-relations/> (English)

Stock Information

Stock Code: 8697

Listed Market: Tokyo Stock Exchange (1st Section)

Business Year: April 1 to March 31

Annual General Shareholders Meeting: June

Record Date: March 31 for Annual General Shareholders Meeting and for Year-end dividend and September 30 for Interim dividend

Number of Shares per Share Unit:

100 shares

Number of Shares:

Total number of shares authorized to be issued: 2,180,000,000 shares

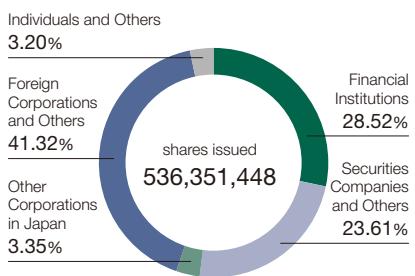
Total number of shares issued:

536,351,448 shares

Number of Shareholders: 55,147

JPX's Shareholders

Distribution of Shareholders

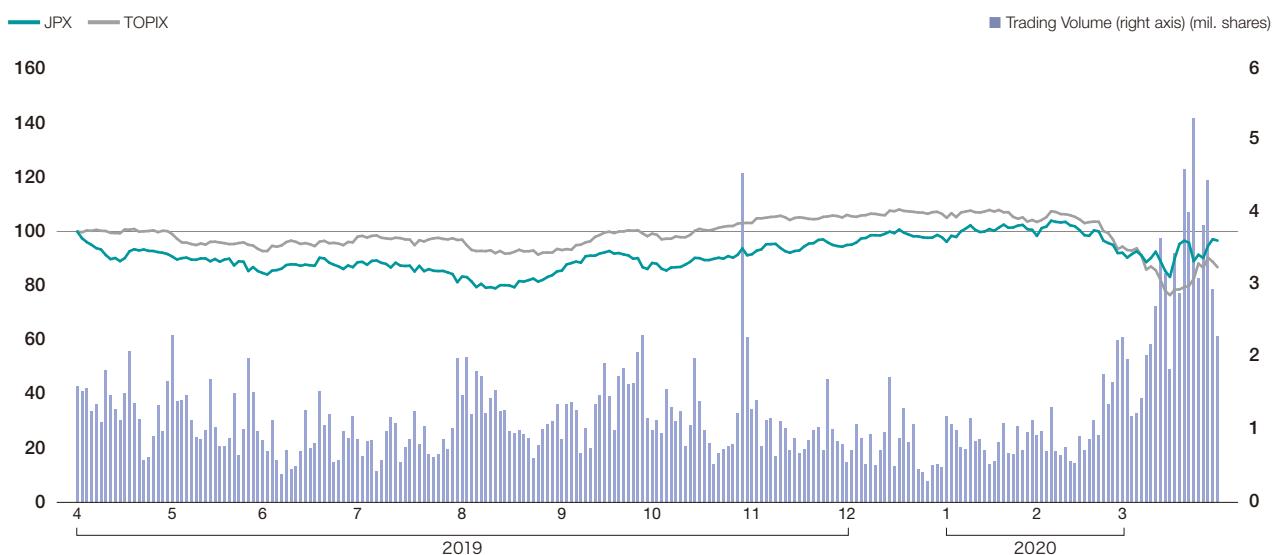


Major Shareholders

	No. of Shares Held	Shareholding Ratio (%)
1 The Master Trust Bank of Japan, Ltd. (Trust Account)	32,784,300	6.11
2 Japan Trustee Services Bank, Ltd. (Trust Account)	23,489,500	4.38
3 SMBC Nikko Securities Inc.	19,228,400	3.59
4 Japan Trustee Services Bank, Ltd. (Trust Account 7)	14,572,600	2.72
5 NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	14,424,513	2.69
6 THE BANK OF NEW YORK 134104	13,157,100	2.45
7 Japan Trustee Services Bank, Ltd. (Trust Account 5)	11,527,700	2.15
8 JP MORGAN CHASE BANK 385151	9,431,300	1.76
9 STATE STREET CLIENT OMNIBUS ACCOUNT OM02	7,687,200	1.43
10 MUFG Bank, Ltd.	7,557,000	1.41

Note: JPX does not hold any treasury shares

JPX Stock Price (rebased to 100 on April 1, 2019)



About JPX Logo

The Logo expresses dynamic and global growth and development.

The four rising bars represent the Four C's of our creed—adopting a "Customer First" approach of prioritizing customer needs, building "Credibility" and public confidence, pursuing "Creativity" in innovative solutions, and achieving "Competency" by harnessing employee potential.



JAPAN EXCHANGE GROUP

TOKYO STOCK EXCHANGE
OSAKA EXCHANGE
TOKYO COMMODITY EXCHANGE
JAPAN EXCHANGE REGULATION
JAPAN SECURITIES CLEARING CORPORATION

JAPAN EXCHANGE GROUP, INC.

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