

# JPX Report 2024

Integrated Report



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Our vision to be achieved by 2030

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# Target 2030

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

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

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## Corporate Philosophy

# Contributing to realizing an affluent society through sustainable market development

We shall contribute to the realization of an affluent society by promoting sustainable development of the market by ensuring reliability and public visibility, laying the foundation of a market which is highly convenient, efficient, and transparent, and providing creative and attractive services.

We believe that these efforts bring rewards in the form of profits resulting from the increased support and confidence of investors and other market users.

## Management Message

05 Message from the CEO

01

## Creating Value at JPX Group

09 Value Creation Process

11 Providing Value with Stakeholders

13 JPX Group's Business Model

15 JPX Group's Unique Points

02

## Strategies for Creating Value

19 History of Value Creation

21 Medium-Term Management Plan 2024

25 Global Strategy/Green Strategy

27 IT Strategy: Message from the CIO

29 Financial Strategy: Message from the CFO

31 Human Resources Strategy: Message from an Executive Officer

33 Approach to Creating New Value

34 Tokyo Stock Exchange

37 Osaka Exchange/Tokyo Commodity Exchange

39 JPX Market Innovation & Research

41 Japan Exchange Regulation

43 Japan Securities Clearing Corporation

03

## Co-creation With Stakeholders

45 Co-creation With Stakeholders

47 Listed Companies

49 Investors

53 Shareholders

55 Society and Environment

61 Employees

65 Trading Participants

66 Business Partners

04

## Foundations for Value Creation

67 Corporate Governance

73 Directors

75 Messages from Independent Directors

79 Risk Management

84 Internal Control Systems and Compliance

05

## Financial and Corporate Data

85 Financial and Non-Financial Highlights

87 Review of Operations and Financial Condition

91 Consolidated Statement of Financial Position

92 Consolidated Statement of Income  
Consolidated Statement of Cash Flows

93 Corporate Data/JPX's Shareholders

## Foreword

At Japan Exchange Group, Inc. (JPX), our corporate philosophy is to contribute to the realization of an affluent society by promoting the sustainable development of the market. We believe that working to realize this corporate philosophy as a market operator is the social responsibility of JPX and that such efforts will enable us to create sustainable value.

The three years beginning from FY2022, covered by the Medium-Term Management Plan 2024, mark the first stage of progress toward our long-term vision Target 2030, and we have been proceeding with the plan.

In JPX Report 2024, we present signs that the Group CEO's focused efforts in his inaugural year to strengthen information dissemination both in Japan and overseas and to increase the corporate value of listed companies have begun to have an effect. We also include a roundtable discussion by the chairpersons of the Nomination Committee, Compensation Committee, and Audit Committee, who assumed their posts in June 2024. In it, they discuss the issues that JPX should address and its future outlook, which are more apparent to them as outside directors.

In addition, we reaffirm that one of JPX's strengths and unique points lies in the human capital that operates the core infrastructure of Japan's financial and capital markets as well as in the various expertise, skills, data, and other intellectual capital that they have accumulated over time.

The messages from the respective President & CEOs of each JPX Group company include each company's strategies and initiatives for realizing our long-term vision from the perspective of "Exchange & beyond," which is the slogan of the Medium-Term Management Plan 2024 and signifies the steady execution of the further stabilization and sophistication of traditional exchange operations and attempts at measures for pioneering into new sectors and fields. Along with our specific initiatives, we also discuss co-creation with various stakeholders toward realizing our corporate philosophy, based on the idea that said philosophy can also lead to the realization of the society aspired to under the Sustainable Development Goals (SDGs).

## Editorial Policy

The JPX Report has been published since the foundation of JPX in 2013. Currently, it is prepared as an integrated report designed to give an overview of JPX's value creation to a broad range of stakeholders by explaining the strategies and co-creation with stakeholders toward realizing our corporate philosophy and considering these in relation to important financial and non-financial information. This report has been compiled with reference to such materials as the "International Integrated Reporting Framework" recommended by the IFRS Foundation and the "Guidance for Collaborative Value Creation" by the Ministry of Economy, Trade and Industry.



## Scope of Report and Other Information

### Scope of Report

Japan Exchange Group, Inc. and JPX Group companies

### Period Covered

April 1, 2023 to March 31, 2024

(This report may contain activities and data from before April 2023 or after March 2024.)

### Accounting Standards

Unless otherwise stated, the presentation of financial data follows the IFRS Accounting Standards.

### Disclaimer

This document is prepared solely for the purpose of providing information regarding JPX and does not constitute an offering or a solicitation of securities whether inside or outside Japan. JPX's 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 document contains forward-looking statements. These statements are based on the information currently available to us as of the date of this document and our assumptions about uncertainties that may affect future results. There is no guarantee that such statements and assumptions will be realized in the future, and they may differ significantly from actual results. In addition, matters concerning the future outlook including business strategy reflect JPX's understanding at the date of this publication and contain certain risks and uncertainties. As a result, future outlooks and actual results do not always coincide. JPX disclaims any obligation to update any of the forward-looking statements contained in these materials to reflect actual future events or developments.

➤ **Information disclosure in line with the Sustainability Accounting Standards Board (SASB) Standards**  
<https://www.jpx.co.jp/english/corporate/sustainability/jpx-esg/sasb/index.html>

## **Message from the CEO**

**Working with our diverse stakeholders to achieve growth of the Japanese market with trust and transparency**



## First, looking back on your first year as CEO of JPX Group, what are your thoughts?

Since I started this role a year ago in April 2023, I have felt a rise in interest in Japan's financial and capital markets. I have personally had meetings with what must be over a hundred Japanese and non-Japanese investors. I gave talks and engaged in question-and-answer sessions in New York, Singapore, and London. Every seat at these venues was filled, and one thing I heard frequently was that people are feeling the changes in the Japanese market, and have high expectations. Against the background of rising expectations for growth among Japanese companies and the more bullish approach to investment in the Japanese market being taken by overseas investors, the stock market has continued to perform strongly since the beginning of 2023. In 2024 we have seen the launch of the new NISA scheme based on the government's Doubling Asset-Based Income Plan, and this is providing additional support for this trend. Given these circumstances, I would say that this past year provided us with a golden opportunity to strive to further enhance the appeal of the Japanese market. We have many opportunities not only to talk about our own initiatives but also to convey the attractiveness of the Japanese market in Japan and overseas, and both officers and employees of JPX are starting to actively direct their awareness to external environments. The idea that proactively incorporating external changes and perspectives in our own work will help us to achieve the sustainable growth of the Japanese market is something that has been in my mind since I was appointed. My sense is that we have taken the first step towards that.

## Amid drastic changes in the external environment, what are your thoughts on JPX Group's mission and social roles?

The mission of JPX Group is to continue to provide markets and services that enable stable, fair, and highly efficient trading. We aim to contribute to realizing an affluent society by supporting the growth of companies and other entities through our role as a platform for fund raising, as well as providing meaningful investment opportunities to investors in Japan and overseas.



Conversation with Bill Emmott on "Addressing the Challenges for the Japanese Economy," hosted by The Japan Society (UK)

the new NISA scheme. It is only a short time since it was launched, but even compared to the previous year we are already seeing an increase in retail investors participating in the Japanese stock markets, and an acceleration of the shift from savings to investment. There have also been huge strides forward in the areas of digital technology innovation and sustainability. From the long-term perspective of achieving sustainable growth, we ourselves need to continue our efforts to tackle these areas. The rising interest in the Japanese market both domestically and overseas makes fulfilling our mission and our social role more important than ever before. It is vital that we also respond to this expectation by continuing to transform ourselves. Our aim is for each and every employee to remain sensitive to their surroundings as they work to fulfill our mission.

## Moving toward the final fiscal year of the Medium-Term Management Plan 2024, what initiatives has JPX Group implemented and what progress has been made?

The Medium-Term Management Plan 2024, which was formulated in March 2022, is the first stage in our preparations for achieving the Target 2030 long-term vision. As expressed by our slogan of "Exchange & beyond," we are moving to strengthen traditional exchange functions while simultaneously taking on challenges in new areas.

For the strengthening of traditional exchange functions, we are promoting user-centric initiatives. In terms of enhancing both the quality and quantity of listed products, we continue to encourage listed companies to address the request for "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" announced by Tokyo Stock Exchange in March 2023. We are visualizing progress and providing case studies that take investor perspectives into account in order to create an environment that allows deeper constructive dialogue between companies and investors. In terms of new products, we have launched active ETFs as well as ETFs and futures linked to the JPX Prime 150 Index, which is focused on corporate earnings power. We are also moving forward with the provision of a wider range of more efficient products, such as by launching short-term interest rate futures in view of expected changes in the interest rate environment. Other initiatives include downsizing investment units, reducing lot sizes, and taking other steps to expand the investor population, as well as working to provide appropriate trading and clearing rules and services. We are also taking a proactive approach to challenges in new areas, such as by utilizing digital technology to develop new services and launching a carbon credit market.

FY2023 was the second year of the three-year plan, but we achieved the financial targets set for the final year of the Medium-Term Management Plan one year ahead of schedule, without waiting for it to finish. The background to this is that the Japanese stock market has experienced favorable trading conditions as a result of heightened interest both in Japan and overseas. While continuing to revitalize people, things, and services related to the market and expand the challenges we are taking on in

new areas, we will redouble our efforts to put in place structures and investment in preparation for the next Medium-Term Management Plan, which will constitute the second stage in achieving the long-term vision.

## How will your engagement with stakeholders change going forward?

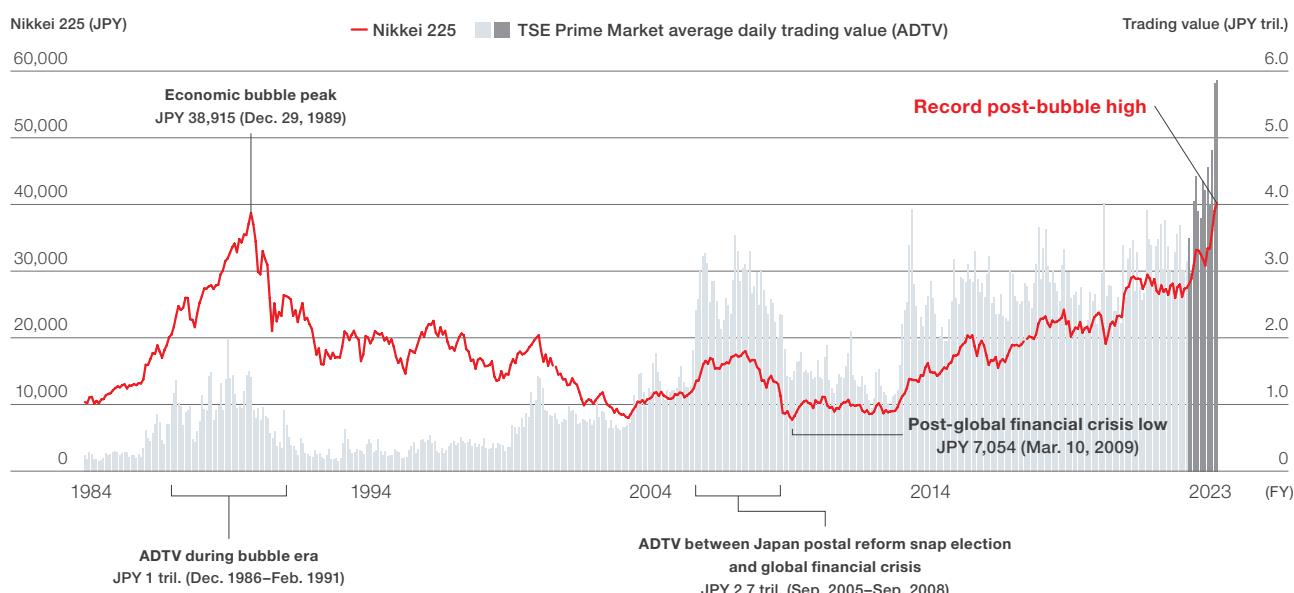
In accordance with its role in society, JPX Group bases its market operations on engagement with a variety of stakeholders. In addition to the shareholders of JPX Group as a listed company, these include various entities with different backgrounds and approaches, such as Japanese and overseas listed companies and investors, trading participants, and government and securities-related organizations. When engaging sincerely with stakeholders and deepening dialogue, what is most important is trust and transparency. I believe it is essential to clearly communicate the three points of where we are now, where we are going, and how we plan to get there. I myself have engaged in continuous dialogue with many others over the past year, focusing on two different perspectives: conveying the attractiveness of the Japanese market as a whole, and conveying the attractiveness of JPX Group as a listed company in my role as CEO. Stakeholders have rising expectations for the growth of JPX Group and in turn the future of the Japanese market. Going forward, I intend to continue our dialogue with stakeholders of different viewpoints, and use this to open the way to building better markets and better services.

## What do you believe to be important for successful engagement with stakeholders?

You need the right people to talk to stakeholders on daily basis. Then you need a governance structure to enable appropriate decision-making that takes such dialogue into account. Both of these support JPX Group's corporate philosophy and role in society.

In particular, for JPX Group, it is people that are one of the most important assets we have for achieving sustainable improvements in corporate value. We have formulated a human resources strategy linked to management strategy, and are moving forward with human capital management. Based on our medium-to long-term vision for JPX Group, we are actively recruiting and developing the human resources needed to strengthen traditional exchange functions, and the human resources needed to take on challenges on new areas, such as those highly skilled in digital technology and those with international experience. By promoting diversity, health management, and other programs, we are also creating an environment in which all employees can demonstrate their abilities. We are also fostering a corporate culture in which every employee approaches our role with a sense of mission, and in which they take on challenges in various fields based on dialogue with a variety of stakeholders. In accordance with our approach to human capital management, we will continue to invest in the human resources who will be responsible for driving further improvements in the corporate value of JPX Group.

## Stock Market Performance



Notes: 1. Trading value up to April 1, 2022 is that of the former TSE 1st Section.  
2. The highest and lowest prices of the Nikkei 225 are based on closing prices.



## What kind of governance system are you laying out for JPX Group?

We are building a corporate governance system that is appropriate to JPX Group's social role. In order to reflect the opinions of a variety of stakeholders, our basic policy is to appoint a diverse range of directors who have expertise and experience in different fields. The JPX board of directors currently includes one or more experienced corporate managers, legal professionals, certified public accountants, academics, and former government officials, and independent directors account for a majority of its members (9 out of a total of 15). In FY2023, we took the opportunity provided by the 10th anniversary of JPX Group and the results of evaluations of the effectiveness of the board of directors for the previous fiscal year to re-examine how the JPX board of directors should look in general. After conducting fact-finding investigations into boards of directors at stock exchanges overseas and at domestic and foreign companies that are considered leaders in corporate governance, the Nomination Committee and the board of directors engaged in repeated discussions. As a result of these, we disclosed the functions that should be fulfilled by the JPX board of directors and the policies relating to the competence and expertise required of directors. It was further decided to revise the composition and number of directors required for the JPX board of directors to fully exercise its supervisory function, as a result of which we formulated and announced an "Action Plan to Raise the Ratio of Female Directors."

It is also essential that we maintain sound and stable business operations to fulfill our public role as a market operator. Our operations involve exposure to a variety of risks. We believe that as well as preventing disruption in the market, it is important to be resilient in the face of such disruption when it occurs. For this reason, we have put in place a system that considers both prevention and resilience in accordance with the Risk Management Policy. Each fiscal year, the Risk Policy Committee

(which is chaired by an outside director) identifies significant risks that require priority action from JPX Group. The results of this process are summarized for the board of directors as recommendations in the form of a Comprehensive Risk Management Statement. By identifying significant risks and other risks in advance in this way and devising countermeasures, we have built a structure that reduces the probability of such risks materializing and enables a flexible response when they do materialize. When a major issue occurs, the Risk Management Committee, which I chair, works to get a grasp of the overall situation and gives instructions for dealing with the issue as quickly as possible.

## Finally, what is your message to stakeholders?

Going forward, JPX Group will continue to fulfill its mission of contributing to the development of the capital markets and economy of Japan in its role as a provider of infrastructure for the financial and capital markets. It is my belief that in order to achieve this the Group itself must achieve sustainable improvements in corporate value. The global situation is changing at remarkable speed, and the needs of our stakeholders are becoming increasingly diverse. As a market operator, we aim not only to continue providing stable market operations that offer a high level of reliability and convenience but also to take on challenges in new fields, and to use this to open the way to our own sustainable growth. We will also promote measures that enhance the appeal of the market, and continue to proactively communicate the appeal of the Japanese market both in Japan and overseas. It is also for this reason that we must engage in open discussions both inside and outside the Group, decide the next actions to take, and commit to them.

JPX Group will work as one together with stakeholders for the creation of better services and the growth of the Group, and in turn for the further development of Japan's financial and capital markets.

# Creating Value at JPX Group

01

## Value Creation Process

JPX Group is working to expand the base of market participants and realize sustainable market growth through continuously providing a robust financial market infrastructure and diverse products and services. By continuously providing society with vibrant financial markets, we support the development of the economy and society as a whole and contribute to realizing an affluent society.

### Sources of value creation

#### INPUT

##### Social capital

Active Japanese financial markets  
■ JPX Group's Unique Point 01 P.15  
■ JPX Group's Unique Point 02 P.16

##### Instrumental capital

Stable IT infrastructure  
■ IT Strategy: Message from the CIO P.27

##### Human capital

Hiring policy and human resource development policy  
■ Human Resources Strategy: Message from an Executive Officer P.31  
■ Employees P.61

##### Intellectual capital

Market-generated data and indices  
■ JPX Group's Unique Point 03 P.17

##### Financial capital

Stable financial base  
■ Financial Strategy: Message from the CFO P.29

##### Natural capital

Environmental policy/Support for TCFD  
■ Society and Environment P.55

### JPX Group's core businesses

#### BUSINESS ACTIVITY

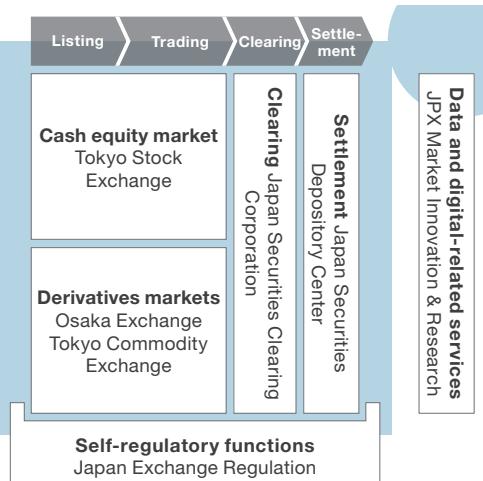
##### Medium-Term Strategy

Medium-Term Management Plan 2024 ■ P.21

### Exchange & beyond

Strengthening the traditional function of the exchange and actively taking on challenges in new areas

### JPX Group's Business Model



### Foundations for Value Creation

Corporate Governance

Risk Management

Internal Control Systems and Compliance

Corporate Philosophy

Contributing to realizing an  
through sustainable market

# Target 2030

Value creation

**OUTCOME**

Achievement of  
our long-term  
vision

## Focus 01

Facilitating cycle of corporate innovation/growth and asset formation

## Focus 02

Achieving market transformation (MX)

## Focus 03

Promoting sustainability that connects society and economy

### JPX Group's Strengths

#### JPX Group's Unique Points

An exchange group that plays a central role in cash equities and derivatives in Japan

P.15

A high global standing

P.16

Unique human and intellectual capital developed in our role as a core infrastructure for the financial and capital markets

P.17

## Providing value with stakeholders



### Social capital

Promoting corporate value enhancement

- Listed Companies P.47
- Non-Financial Highlights P.86

Providing effective asset management opportunities

- Investors P.49

### Instrumental capital

Improving convenience and resilience as a market infrastructure

- IT Strategy: Message from the CIO P.27

### Human capital

Promoting diversity and work style reforms

- Human Resources Strategy: Message from an Executive Officer P.31
- Employees P.61

### Intellectual capital

Providing indices to support the creation of a wide range of investment opportunities

- JPX Group's Unique Point 03 P.17

### Financial capital

Management that is conscious of cost of capital and stock price

- Financial Strategy: Message from the CFO P.29
- Financial Highlights P.85

### Natural capital

Initiatives for achieving carbon neutrality across the Group and in securities market operations (our value chain)

- Green Strategy P.26
- Society and Environment P.55

Utilizing market mechanisms to promote sustainability

- Society and Environment P.55

## Reinvestment in sustainable growth

## affluent society development

P.02

# Providing Value with Stakeholders

## —To Realize an Affluent Society—

Through the markets that it has established, JPX Group is contributing to the realization of an affluent society – its corporate philosophy – by utilizing market mechanisms to provide solutions to a wide range of societal issues together with its diverse stakeholders as well as providing companies and investors, its stakeholders, with financing opportunities and asset management opportunities, respectively.

### Value provided with stakeholders



**JPX**  
JAPAN EXCHANGE  
GROUP



Listed Companies



Investors



Shareholders

- Contributing to the development of the Japanese economy through improvement of corporate value by providing a smooth supply of equity funds and developing a foundation for constructive dialogue with investors

- Contributing to asset formation by providing attractive investment opportunities
- Providing hedging instruments for price fluctuation risk of a wide range of assets and highly transparent price indices (price discovery function)
- Providing instruments for direct investment into the entire market and price indicators

- Disclosing information necessary for investment decisions and incorporating the information acquired through constructive dialogue into management to facilitate market growth and improvement of corporate value
- Providing shareholder returns and making further investments for growth that stem from stable business operations



Employees

- Recruitment and development of human resources
- Enabling all human resources to demonstrate their abilities
- Employee health and safety
- Corporate culture



Trading Participants and Clearing Participants

- Improving market rules for greater convenience and making market functions more sophisticated

# Target 2030

## Our long-term vision to be achieved by 2030

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

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

## Long-term ESG target



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



**Society and Environment**

- Utilizing market mechanisms to promote sustainability
- Maintaining and further developing the capital market into one that can coexist with the environment
- Contributing to a decarbonized economy



**Business Partners**

- Contributing to creating a sustainable society and promoting economic growth through offering enhanced data services and digitalization to address a wide range of societal issues
- Further improving convenience through developing new indices and strengthening infrastructure

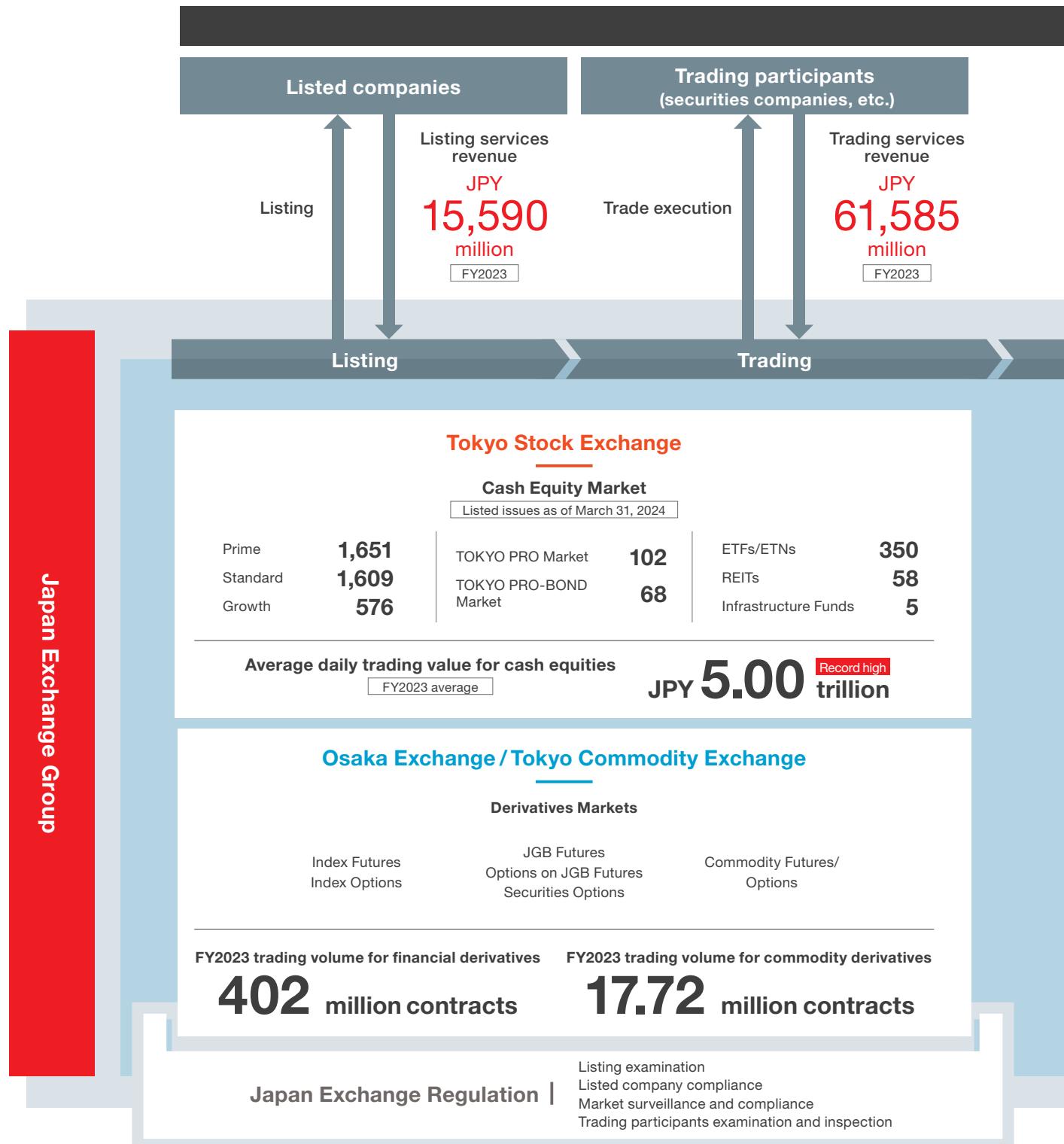


**Government and Securities-related Organizations**

- Working as one industry to promote initiatives and rule frameworks aimed at realizing an affluent society

# JPX Group's Business Model

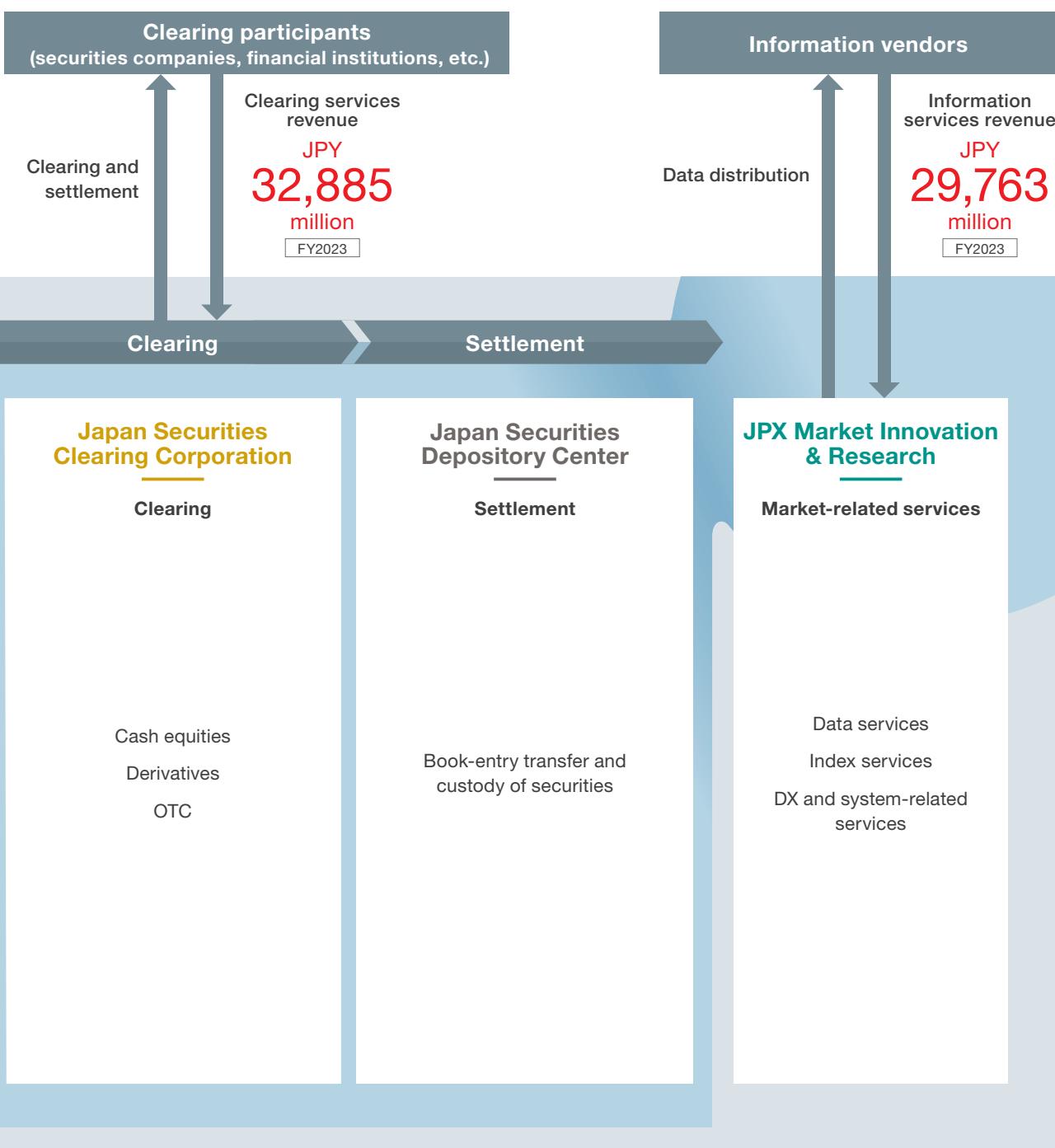
In addition to TSE, which operates the cash equity market, and OSE and TOCOM, which operate derivatives markets, JPX Group also includes a self-regulatory subsidiary which carries out the examination and supervision processes needed to maintain market quality. Our comprehensive services also include clearing and settlement functions. JPX Market Innovation & Research, Inc. (JPXI), which integrates JPX Group's index, data, and digital businesses and unifies provision of various market-related services, is working to advance the diversification of businesses and sophistication of services by strengthening digital and network-related businesses that utilize data and technology.



As consideration for the services it provides, JPX Group receives various types of fees from market users, namely securities companies and other trading participants, information vendors, and listed companies. Specifically, our sources of income are mainly comprised of revenue from trading services, revenue from clearing services, revenue from information services, and revenue from listing services.

■ Financial and Corporate Data P.85

## Investors



# JPX Group's Unique Points

The markets established by JPX Group provide companies with financing opportunities, investors with asset management opportunities, and society as a whole with price discovery functions. By fulfilling these social roles, the Group has received the support and trust of market users in Japan and overseas and has grown as a company.

## 01 Unique Point

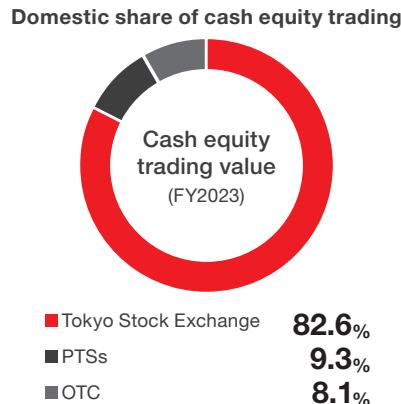
### An exchange group that plays a central role in cash equities and derivatives in Japan

Currently, JPX Group companies operate three markets. Tokyo Stock Exchange (TSE) handles approximately 83% of the trading value for cash equities traded in Japan, and from a global perspective, Osaka Exchange (OSE) handles approximately 81% of the Nikkei 225 Futures trading volume worldwide.

As the core market for cash equities and derivatives in Japan, JPX Group provides vibrant financial markets to users around the globe, based on stable business foundations that have steadily grown together with the Japanese economy.

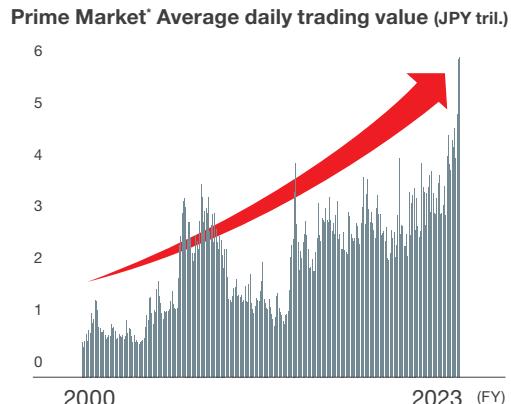


#### Core market for cash equities and derivatives in Japan

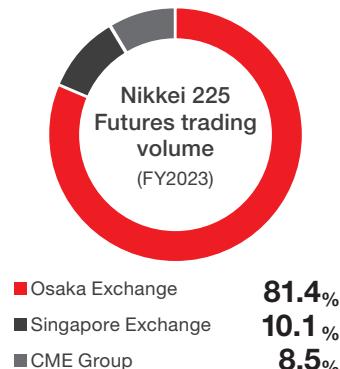


Sources: TSE, SBI Japannext, Chi-X Japan, and JSDA statistics

#### Steady growth with the development of the Japanese economy

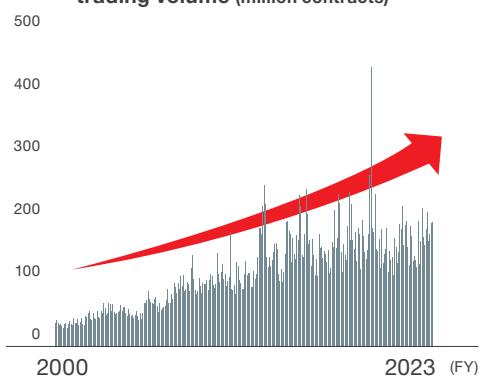


#### Global share of Nikkei 225 Futures trading



Source: Statistics from each exchange

#### Derivatives markets average daily trading volume (million contracts)



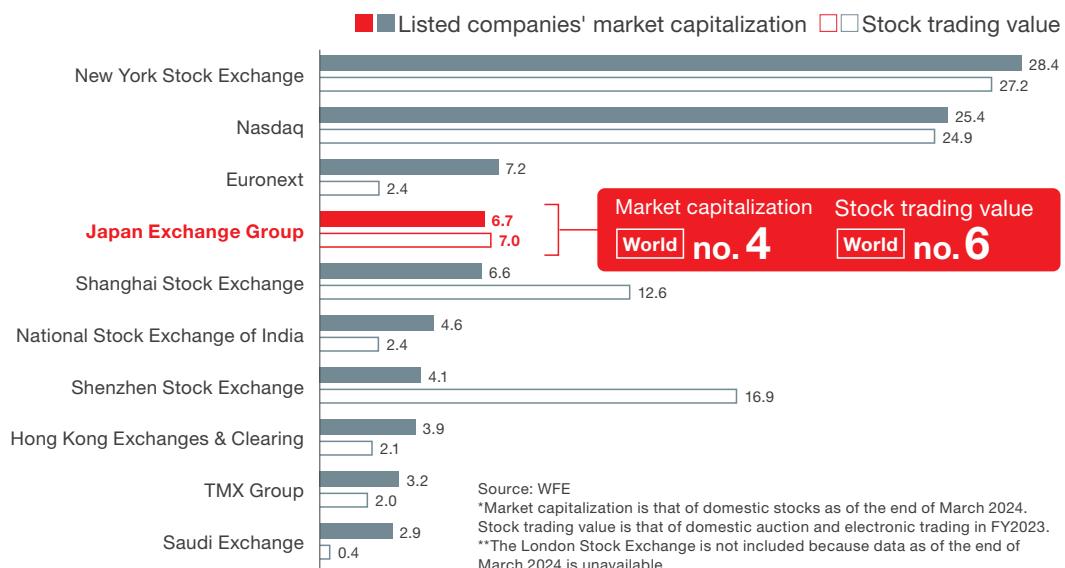
# 02

## Unique Point

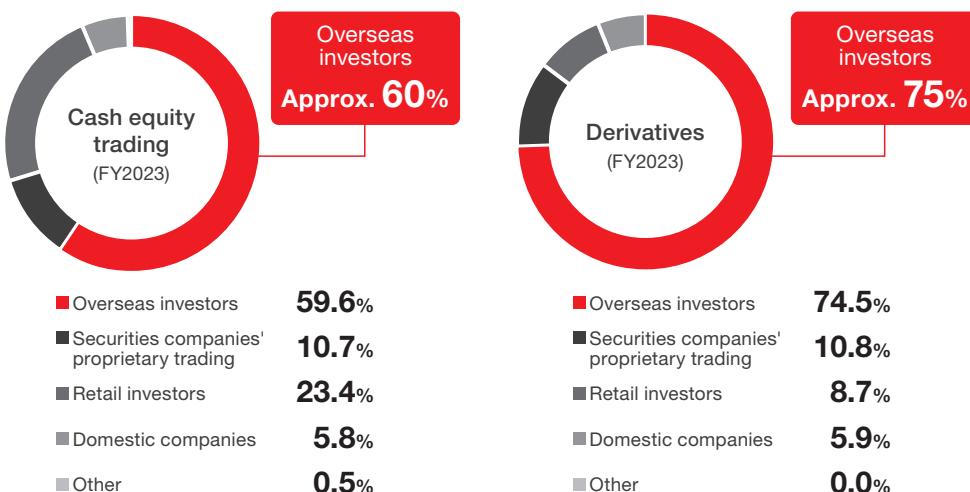
### A high global standing

The market capitalization of companies listed on TSE was approximately USD 6.7 trillion as of March 31, 2024. TSE is the leading stock exchange in Asia and ranked number four among the exchanges around the world. In terms of trading value for FY2023, it was the market with the most participation by overseas investors, which made up approximately 60% of cash equity trading and 75% of derivatives trading. In all aspects of its current business areas, JPX Group has been working with a view to strengthening its global competitiveness and improving the appeal of Japanese markets. In line with this, under the Medium-Term Management Plan 2024 which began in FY2022, the Group aims to continue as a key market on an international level and will strive to further elevate its global standing.

#### Domestic listed market capitalization/Stock trading value rankings [USD tril.]



#### Trading by investor type



# 03

Unique Point

## Unique human and intellectual capital developed as core infrastructure for the financial and capital markets

JPX Group has been involved in the steady operation of cash equities and derivatives markets for many years. While performing the role of an organization providing core infrastructure for the financial and capital markets, we have accumulated a unique expertise in exchange operations. It is exactly that human and intellectual capital, that holds our business aloft, that is the Group's strength.

In order to realize extension into new fields while also improving functionality as an exchange, JPX Group follows a human resources strategy based on hiring and developing personnel who will "underpin the further stabilization and sophistication of traditional exchange operations" as well as personnel to "pioneer new sectors and fields," and prepares an environment in which all employees can demonstrate their abilities.

Utilizing the highly knowledgeable and skilled human capital hired and developed in accordance with this approach as well as the intellectual capital that we have accumulated through traditional market infrastructure operations as a foundation, we work to strengthen a variety of intellectual capital. This includes diversifying our data and index services, strengthening our IT system infrastructure and promoting DX, and acquiring knowledge in the field of digital assets, all of which contribute to sustainable growth and the creation of new value of JPX Group.

Under the slogan of "Exchange & beyond," JPX Group's Medium-Term Management Plan 2024 seeks to create the foundation required to become a global, comprehensive finance and information platform, and expand the range of our services by advancing and investing in new products. As well as working to provide stable operation of markets based on the proprietary intellectual capital it has accumulated, JPX also strives to engage in new business fields, for example by issuing a Digitally Tracked Green Bond for the establishment of a digital securities market, implementing Distributed Ledger Technology (DLT) for settlement by physical delivery and payment of rubber futures contracts, and establishing a carbon credit market.

Moreover, with a view to further developing this intellectual capital and contributing to the realization of a sustainable society and economic development, we will work with external institutions and researchers to conduct surveys and research on the market environment. The results of these initiatives will be communicated to the general public, including market-related entities such as securities companies and investors, through means such as publication in JPX Working Papers and research reports.

### ➤ Research and Studies / Policy Recommendations

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



## Providing indices to support the creation of a wide range of investment opportunities

Stock price indices were born to address the need for indicators of the market direction and indicators (benchmarks) to assess investment performance. These subsequently acquired functionality as investable indices through the use of index funds, futures and other financial instruments, and in today's world their role has expanded, with the emergence of indices to encourage corporate initiatives on certain investment themes such as decarbonization.

For the market capitalization-weighted index TOPIX (Tokyo Stock Price Index), which began calculation in 1969, we have revised the calculation method while ensuring that continuity was maintained, taking into account the expansion of the roles expected of stock price indices. In 2005, we changed the calculation method to a free-float adjusted market capitalization-weighted approach that reflects highly liquid shares by excluding such elements as treasury stock and shares held by major shareholders and corporate officers. Even today, we are using the opportunity presented by the market restructuring of April 2022 to continue initiatives aimed at enhancing its functionality as an investable index and at broadening its coverage of Japan's stock markets. It is through such initiatives that TOPIX, calculated by JPX Market Innovation & Research, Inc. (JPXI), has become established both domestically and overseas as one of Japan's leading stock price indices.

In addition to indices that categorize TOPIX by industry, size, and styles such as value and growth, and stock price indices focused on a variety of investment themes, JPXI calculates derivatives indices, with the total number calculated and published exceeding 250.

As well as underpinning the calculation of these indices with robust systems, we provide detailed support in the form of day-to-day updates on issues and weighting information based on corporate action information disclosed by listed companies, and by implementing regular revisions to weights using shareholder information. The organizational structure that makes all this possible, the meticulous design and operation of index calculations, and the resulting accuracy of index values are the source of JPXI's competitiveness in the index business.

More than one hundred years after the former Tokyo Stock Exchange, which was the predecessor to the current Tokyo Stock Exchange, began calculating the first stock price index for a Japanese stock exchange in 1921, over JPY 100 trillion in assets under management are linked to indices calculated by JPXI, which is the inheritor of that business. The systems, procedures and protocols related to the calculation of these indices, and the human resources with the know-how to design and execute them, are an essential part of the intellectual capital of JPX Group and are contributing to the expansion of information services revenue.



**JPX-NIKKEI 400**



# 02

## Strategies for Creating Value

# History of Value Creation

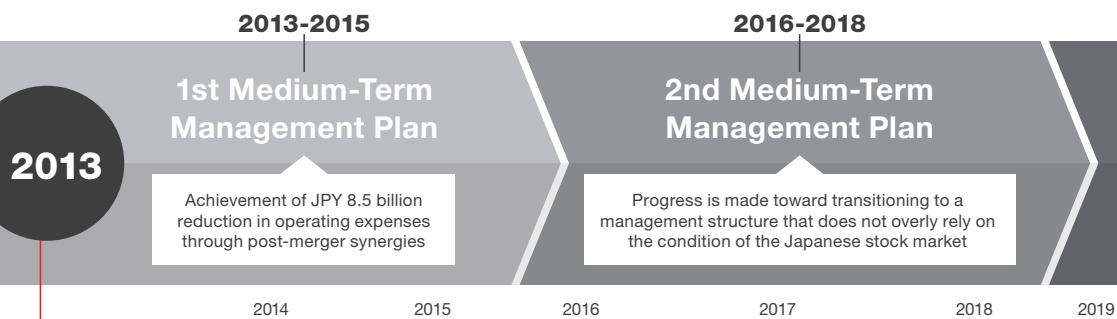
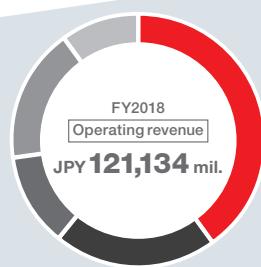
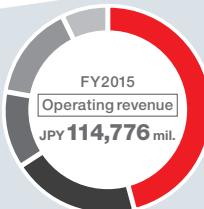
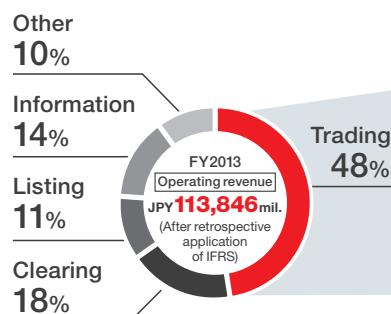
In 1878, soon after the Meiji Restoration, Shibusawa Eiichi, who is known as the "father of Japanese capitalism," established Tokyo Stock Exchange, and Godai Tomoatsu, a businessman who was instrumental in the economic development of Osaka, established Osaka Stock Exchange. Since their establishment, the Tokyo and Osaka exchanges have consistently served as the driving force behind the Japanese economy, responding to the needs of the times for over 140 years.

JPX is a financial instruments exchange holding company that was established through the merger between Tokyo Stock Exchange Group and Osaka Securities Exchange on January 1, 2013. Since its establishment, JPX has engaged in initiatives to expand its business fields to create a Comprehensive Exchange while working to realize post-merger synergies and transform its management structure.

JPX established JPX Market Innovation & Research, Inc. (JPXI) in 2021 as a non-exchange-operating subsidiary, and will continue to strengthen the traditional function of the exchange, that is to maintain stable market operations, while also proactively taking on challenges in new fields without being overly bound by this framework.

For the history of JPX, please view the following webpage.

<https://www.jpx.co.jp/english/corporate/about-jpx/history/index.html>



**2013**

JPX is formed through the merger between TSE Group and OSE



Expansion of OTC clearing business through clearing house merger

Japan Securities Clearing Corporation (JSCC) and Japan Government Bond Clearing Corporation (JGBCC) merged in 2013. As a result, the clearing operations related to over-the-counter trading for Japanese government bonds which had been carried out by JGBCC were taken over by JSCC, and JSCC became a clearing house that handles a wide range of yen interest rate instruments in addition to clearing operations for Japanese government bond futures trading and interest rate swap trading.

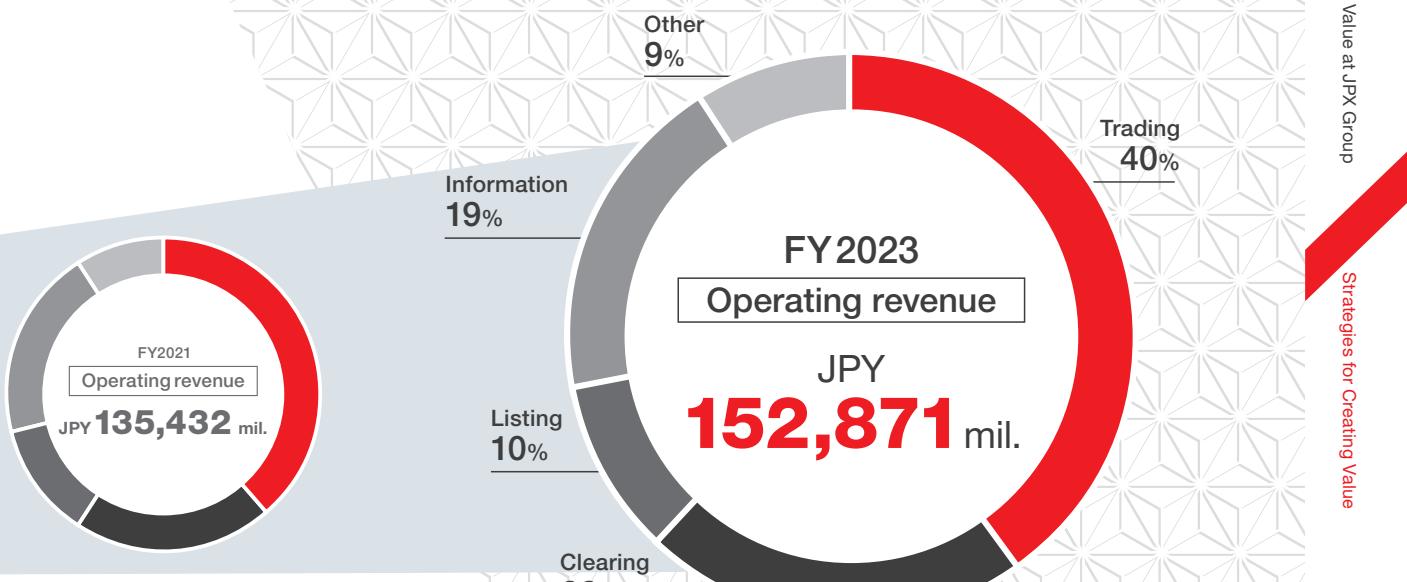
**2019**

TOCOM acquired as a subsidiary

JPX merged with Tokyo Commodity Exchange (TOCOM) to create a Comprehensive Exchange that enables one-stop trading for a wide range of instruments from financial instruments to commodities.

Exchange & beyond

## Strengthening the traditional function of the exchange and actively taking on challenges in new areas



2019-2021

### 3rd Medium-Term Management Plan

2022-2024

### Medium-Term Management Plan 2024

**2024**

2020

#### 2020

##### Launch of Comprehensive Exchange

Futures and options on precious metals, rubber, and agricultural commodities which were listed on TOCOM were transferred to Osaka Exchange (OSE). In conjunction with this, JSCC and Japan Commodity Clearing House Co., Ltd. (JCCH) completed their merger and the Comprehensive Exchange commenced full operations.



2021

#### 2021

##### Establishment of JPXI

JPXI was newly established in 2021 as a non-exchange-operating subsidiary with the aim of pursuing the creation of market services that lead to enhanced functionality and efficiency across the market. JPXI started its operations in April 2022, integrating JPX Group's data and digital operations.



2022

#### 2022

##### Market restructuring

The market structure maintained since the merger was reorganized into the new market segments of the "Prime Market," "Standard Market," and "Growth Market" with the aim of defining clear market concepts and motivating listed companies to improve corporate value through revision of the continued listing criteria.



# Medium-Term Management Plan 2024

## Exchange & beyond

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

Focus

# 01

P.22

Focus

# 02

P.23

Focus

# 03

P.24

### Financial targets, capital expenditures, and capital policy

#### Financial targets for the final fiscal year

Operating revenue

JPY  
**147.0** bil.

Net income

JPY  
**53.0** bil.

ROE

At least  
**15.0** %

(Attributable to owners  
of the parent company)

#### Capital expenditures

Total amount over three years

Approx.  
JPY **50.0** bil.

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

#### Capital policy

Return to shareholders

Dividend payout ratio of  
**60** %

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

### Global Strategy

### Green Strategy

P.25

P.26

### Main strategies

IT Strategy

Message from the CIO

Financial Strategy

Message from the CFO

Human Resources Strategy

Message from an Executive Officer



P.27



P.29



P.31

## Focus 01



# Facilitating Cycle of Corporate Innovation/Growth and Asset Formation

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

## Develop an environment that supports sustainable growth at companies

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

### Major initiatives in the final fiscal year of the plan

- Promote and firmly establish (1) management that is conscious of cost of capital and stock price and (2) constructive dialogue between companies and investors
- Promote responses to enhance the functionality of the Growth Market
- Implement support measures for efforts to enhance listed companies' corporate value
- Promote the wider usage of the JPX Prime 150 Index
- Promote constructive dialogue between listed companies and investors in collaboration with SCRIPTS Asia, ICJ, and Minsetsu

## Develop products and rules to contribute to asset formation

- Expansion of the ETF market

**Target** 30% increase\* in average daily trading value and net assets held in ETFs, etc. in FY2024

\*In comparison with FY2021. Average daily trading value excluding leveraged/inverse products. Net assets excluding BOJ purchases

- Revisions to trading rules to allow smooth execution
- Development of an environment enabling secure and easy investment while considering investor protection
- Promotion of listings of cross-border companies, mainly from Asia

**Target** 20 listings of cross-border companies in the 3 years of the plan

- Promotion of activities to communicate the appeal of Japanese stocks through industry collaboration, expansion of financial and economic education activities **UPDATED** etc.

### Major initiatives in the final fiscal year of the plan

- Study and work towards the further evolution of active ETFs
- Steadily implement the TOPIX transition and determine post-transition rules
- Engage in promotional activities to communicate the appeal of Japanese stocks through industry collaboration in light of such measures as the launch of the new NISA scheme
- Promote financial and economic education in cooperation with related groups and organizations

## Further improve convenience and resilience as a market infrastructure

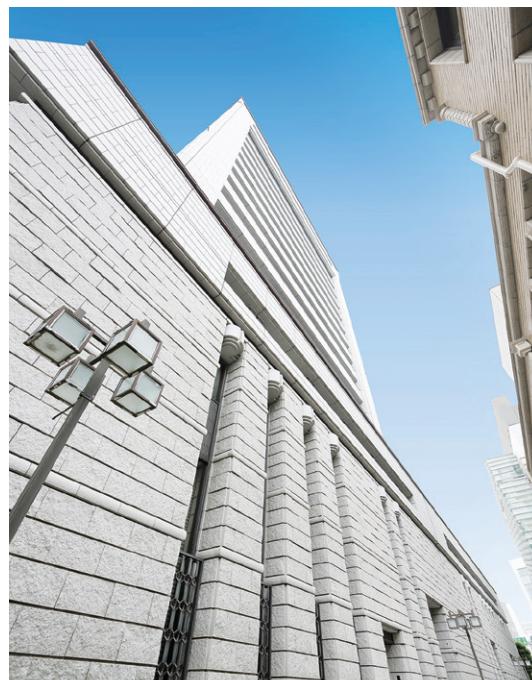
- System upgrades and ongoing improvements to systems and their operation

**Target** Upgrade of cash equity trading system in the second half of FY2024 and extension of trading hours at the time of upgrade

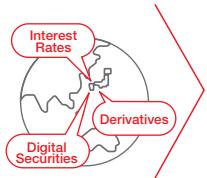
- Strengthening of BCP function to ensure stable market operations etc.

### Major initiatives in the final fiscal year of the plan

- Upgrade the cash equity trading system and extend trading hours at the time of upgrade
- Strengthen the effectiveness of the BCP system to improve resilience



## Focus 02



# Achieving Market Transformation (MX)

In order to serve as a hub for circulating capital in the Asia Pacific region while keeping focused on changes in the interest rate environment, JPX Group aims to enable optimal allocation of risk/return across society by ensuring systems for raising and managing funds function smoothly and sufficiently, not only for stocks but for other products as well.

In addition, to reduce the costs of raising and managing funds, the Group will advance digitization in all corners and enhance information usage.

## Strengthen functionality of interest rate-related markets

- Revitalization of JGB-linked derivatives
- Expansion of the trading of short-term interest rate derivatives **UPDATED**
- Promotion of professional-oriented bond market etc.

## Invigorate the derivatives market

- Expansion of the trading of small lot products linked to index futures and options **UPDATED**
- Improvement of convenience for retail investors
- Expansion of flow from global investors
- Firm establishment of holiday trading etc.

### Major initiatives in the final fiscal year of the plan

- Improve the convenience of interest rate-related derivatives and increase their liquidity

### Major initiatives in the final fiscal year of the plan

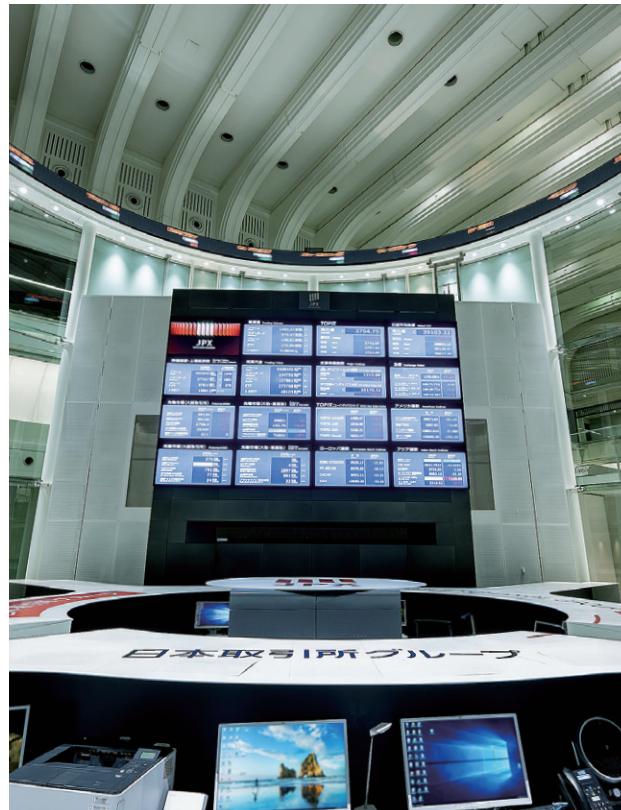
- Study and work towards further improving the convenience of small lot products
- Change the trading hours of the derivatives market due to the extension of the cash equity market's trading hours
- Commence development of the next-generation derivatives trading system for the growth of the derivatives market
- Promote securities options, including improved convenience for retail investors
- Consider introducing new derivative products

## Advance digitization and enhance information usage

- Creation of a digital securities market  
**Target** Creation of a market and start of trading of new products by the end of FY2024
- Development of new services utilizing digital technologies for internal and external use  
**Target** 3 services in the 3 years of the plan **Achieved**
- Strengthening of index businesses and enhancement of investment-related information etc.  
**Target** 280 new clients for information services and 12 cases of creating new information services or updating existing information services and rules in the 3 years of the plan **Achieved**

### Major initiatives in the final fiscal year of the plan

- Promote the wider usage of Digitally Tracked Green Bonds
- Consider the provision of services to improve the efficiency of the primary market for corporate bonds
- Promote the wider usage of J-Quants
- Further expand sales data and diversify distribution through new channels
- Construct a portal site to increase the convenience of information and data services provided by the entire JPX Group
- Use blockchain technology to further improve settlement efficiency and enhance readiness for the future



# Focus 03



## Promoting Sustainability that Connects Society and Economy

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

### Strengthen dissemination of sustainability-related information

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

#### Major initiatives in the final fiscal year of the plan

- Strengthen the functions of the ESG Bond Information Platform to increase convenience
- Consider such measures as providing sustainability-related information disclosure support services for listed companies
- Participate in international discussions by financial institutions on climate change-related information and the transition to a decarbonized society

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

- Increase in trading of electricity/LNG futures
- Target** Expand trading volume on electricity futures fivefold by FY2024\*  
\*In comparison with FY2021.
- Target** Permanent listing of LNG futures by FY2024
- Creation of a Japanese carbon credit market **UPDATED** etc.

#### Major initiatives in the final fiscal year of the plan

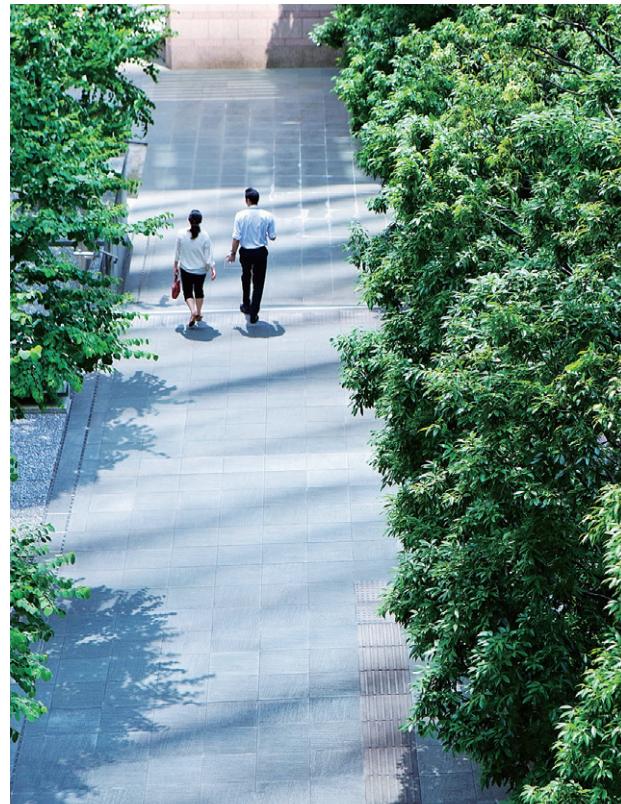
- Promote the electricity futures market and decide on the specifics of cooperation with JEPX
- Prepare for the permanent listing of LNG futures
- Implement a system to stimulate trading in the carbon credit market and consider adding new trading targets

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

- Calculation of ESG-related indices, listing of related futures etc.
- Target** Launch of new ESG-related indices in FY2022 **Achieved**  
Listing of futures linked to ESG-related indices **Achieved**

#### Major initiatives in the final fiscal year of the plan

- While promoting the wider usage of ESG-related indices and futures, consider further product expansion and vitalization measures



# Global Strategy

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

## Attracting Global Investment into Japan

- Market/infrastructure functionality Strengthening of market resilience and convenience through extension of cash equity market trading hours, upgrade of cash equity trading system, launch of derivatives holiday trading, enhancement of functionality in interest rate-related markets and clearing, expansion of English disclosure, etc.
- Information dissemination Establishment of broad relationships with investors and other stakeholders, proactive dissemination of such information as the appeal of the Japanese stock market and the progress of various initiatives, advancement of the sales and promotion of market-related services  
UPDATED



## Enabling One-Stop Investment in Global Products

- Cross-border companies Expansion of campaign to attract cross-border company listings, mainly in Asia
- ETFs/ETNs Proactive work to attract issues linked to indices covering foreign stocks, etc.
- Bonds Promotion of TOKYO PRO-BOND Market, the market for professional investors

## Strengthening the Foundations of Our Global Business

- Human resource investment Creation of an environment and investment to enable obtainment and nurture of diverse human resources, as well as development and demonstration of employee capabilities
- Overseas cooperation Cultivation of business opportunities through collaboration with overseas companies  
UPDATED
- Market/regulation trends Research and analysis of global trends in markets and regulation, etc. through mainly the overseas offices
- International standards, etc. Participation in discussion about and creation of international standards relating to sustainable finance
- Overseas technical assistance Work to contribute to sustainable development and create business opportunities in the countries we assist

### Topic

#### Strengthening the Foundations of Our Global Business

JPX promotes collaboration with organizations including overseas exchanges, government agencies, and overseas companies. For example, JPX is cooperating with JETRO to disseminate information and promote investment in Japan. It is also cooperating with the Asian Development Bank to promote sustainable finance.

In August 2023, JPX signed a memorandum of understanding for cooperation with Blue Ocean Technologies, LLC, a U.S. company that operates a trading market for U.S. stocks during daytime hours in Asia, and subsequently made a 5% minority investment in the company.

In addition, JPX has joined international organizations such as the World Federation of Exchanges, the International Organization of Securities Commissions, and the Sustainable Stock Exchanges Initiative, and participates in discussions on international standards and in their development.

Moreover, through its activities as the Secretariat for the Asian and Oceanian Stock Exchanges Federation, JPX has strengthened its collaboration with exchanges in Asia. It also cooperates with JICA to provide technical assistance abroad by offering training programs on the Japanese securities market for the employees of securities exchanges and other organizations in developing countries.

# Green Strategy

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

## Long-Term ESG target

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

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



## Environmental Vision

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

## Utilizing Market Mechanisms to Promote Sustainability

- Promotion of action on sustainability issues and information disclosure at listed companies, through Japan's Corporate Governance Code
- Strengthening of sustainability-related information functions (further development of information platform for publicly offered ESG bonds, including functionality enhancement)
- Calculation of ESG indices and listing of related ETFs/futures
- Vitalization of the energy market, advancement of an emissions trading market (creation of a Japanese carbon credit market) UPDATED
- Promotion of use of Digitally Tracked Green Bonds that utilize digital securities
- Enhancement of the "JPX ESG Knowledge Hub" to support listed companies' ESG information disclosure

## Aiming for Carbon Neutrality Across Group by FY2024

- Direct contribution to environmental conservation through owning our own renewable energy generation facilities - not just purchasing carbon credits
- Participation in GX League Basic Concept UPDATED

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

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

### Topic

#### 20th Anniversary of the TSE Listing Forest

At JPX, we have long been involved in activities that consider local communities and the natural environment. In June 2004, we established the "TSE Listing Forest" (approximately 7.3 hectares) in Yurihonjo, Akita Prefecture, where we have been carrying out forest conservation activities such as tree planting, clearing underbrush, and installing wraps and covers for protection during winter, in the hope that the Japanese market will grow and prosper along with the planted trees.

Since 2024 marks the 20th anniversary of its establishment, we have applied for certification under Akita Prefecture's "Akita Forestry: Carbon Dioxide Absorption Through Forest Development Certification System" to commemorate the anniversary. We also held a tree planting ceremony, lectures, and other commemorative events in September together with local residents.

Along with forest conservation activities, we cooperate with the local Yashima region in providing financial and economic education. In order to help improve the financial literacy of local children and students, we are providing on-site classes on the structure of stock companies at Yurihonjo Shiritsu Yashima Elementary School, Yurihonjo Shiritsu Yashima Junior High School, and Akita Prefectural Yashima High School.

## Message from the CIO



## Providing highly reliable market systems and creating an environment that facilitates new value creation

### JPX Group's IT Strategy

Continuing to provide a market that enables fair and highly reliable trading is our most important mission. However, with the world evolving rapidly under the influence of new technology, the development of both JPX Group and the Japanese market will be blunted if we were to take this to be our only duty. For that reason, our IT strategy is based on advancing in the two categories of "areas needing steady progress" and "areas needing swift responses" in an integrated manner. While working to build robust systems and networks to provide the market infrastructure that supports society, JPX Group's IT departments also work to lay the foundations for creating new businesses and value through the deployment of cutting-edge technology and creating environments for using data, thus fulfilling their duty to enhance the corporate value of JPX Group and support the development of the Japanese market.

### Steady Progress: the arrowhead 4.0 Project

Tokyo Stock Exchange is currently forging ahead with the project to upgrade arrowhead, its cash equity trading system, which is scheduled for November 2024. With more than ten years having passed since the first generation of arrowhead launched, there have been significant changes in the environment in which the cash equity market operates, and in the requirements for trading systems. We have executed major upgrade projects in the past in response to changes in the external environment. With this project, we aim to enhance convenience for market participants and maximize trading opportunities by implementing numerous initiatives, including extending trading hours, introducing a closing session, and launching a Market by Order-type market information distribution service. With the objective of building a more reliable and resilient system, operations and IT are working together as one to move forward with system development based on thorough quality control.



## Responding Swiftly to Change: Carbon Credit Market System

Over the past few years, JPX Group has been building and maintaining digital infrastructures and resources, centered on JPX Market Innovation & Research, Inc. (JPXI), to enable it to respond flexibly to business needs that are becoming more sophisticated and complex by the day. This initiative is beginning to bear fruit. One of these is the carbon credit market that began trading on October 11, 2023. Development of the carbon credit market system was driven by JPXI, and it was successfully released 3.5 months after development began. This was the first time in JPX's history that it had attempted to develop a trading system in such a short period, when the development time under the previous on-premise approach would have been measured in years. The background to this success is the use of J-WS, JPX Group's common cloud infrastructure

platform. Because we constructed our own proprietary cloud environment, we ensured that the security, control, and other functionality required to develop highly reliable systems were built in from the start. Building systems within J-WS results in significant labor savings in the creation of infrastructure and allows the development team to concentrate on the development of applications. Going forward, we will use cloud and a variety of other technologies to work on initiatives that provide tailwinds for the generation of new value that is not bound by existing frameworks. On the other hand, there are governance, security, and other issues that must be resolved for the adoption of such technologies by Japan's financial industry. While taking a proactive approach to the use of technology, we put a priority on conducting careful assessments.

## Preparations for Target 2030

This fiscal year is the last of the Medium-Term Management Plan 2024 and is also a period for cementing the foundation in preparation for the Target 2030 objective of becoming a global, comprehensive finance and information platform. By steadily promoting projects associated with the core systems in parallel with establishing platforms to allow the effective use of data, we are closing in on Target 2030 one step at a time. With the aim of not only achieving our mission of stable system operations but also creating tailwinds for business creation and innovation and contributing to the further development of JPX Group and the Japanese market, we will continue to reform our plans in the next Medium-Term Management Plan and IT Master Plan.



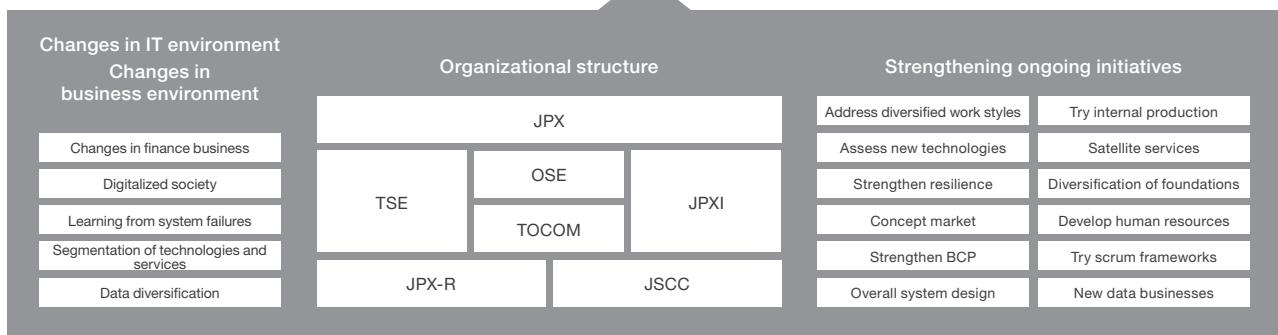
### Areas needing swift responses

- Adapting to drastic changes in the external environment
- Providing a variety of services and improving their sophistication
- Optimally utilizing rapidly evolving technology
- Searching for technologies to support the diversification of businesses
- Assessing technologies and giving feedback under clear objectives

### Unified promotion

### Areas needing steady progress

- Steadily pushing forward with existing projects
- Increasing convenience, reliability and resilience as a market infrastructure
- Carrying out market operations through integrated business and IT teams
- Forming a clear view of aspects requiring a change



## Message from the CFO

# Supporting the sustainable development and evolution of the market by making constant investments while keeping a balance between shareholder returns and financial stability for stable market operations

### Toward the Final Year of the Medium-Term Management Plan 2024

During FY2023, the Nikkei 225 reached an all-time high, and among other factors, this contributed to brisk trading throughout the year on the back of strong stock prices. This resulted in the average daily trading value of cash equities reaching a record high of JPY 6.62 trillion for a single month in March 2024 as well as a record high of JPY 5.00 trillion for the year, thus reaching a record high for the fourth year in a row. Furthermore, factors such as rising stock prices and active trading have led to substantial increases in listing services revenue and information services revenue in addition to trading services revenue and clearing services revenue, resulting in overall operating revenue increasing 14.1% year on year to JPY 152.8 billion.

At the same time, operating expenses, particularly in the areas of (1) personnel expenses due to wage hikes and other factors, (2) systems-related costs, and (3) expenses related to various measures in the Medium-Term Management Plan 2024 (FY2022-FY2024), increased by 6.0% year on year to JPY 71.5 billion.

As a result, operating income increased 28.1% year on year to JPY 87.4 billion. Net income (attributable to owners of the parent company) increased 31.2% year on year to JPY 60.8 billion. Operating revenue, operating income, and net income all reached record highs, and ROE was 19.0%. In our Medium-Term Management Plan

### Financial Targets

	Financial Target for the Final Fiscal Year	FY2023 Results	FY2024 Earnings Forecast
Operating Revenue	JPY 147.0 bil.	JPY 152.8 bil.	JPY 152.0 bil.
Net Income Attributable to Owners of the Parent Company	JPY 53.0 bil.	JPY 60.8 bil.	JPY 53.5 bil.
ROE	At least 15%	19.0%	Approx. 16%

### Capital Expenditures

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

Total Amount over Three Years  
Approx. JPY 50.0 bil.

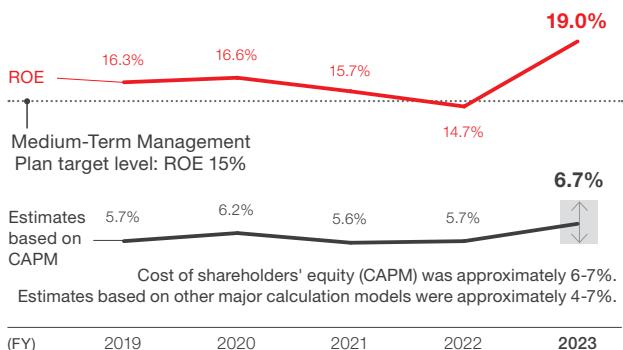
2024, we set financial targets of "operating revenue of JPY 147.0 billion, net income of JPY 53.0 billion, and ROE of at least 15%," and in FY2023 we achieved these targets one year ahead of schedule.

In FY2024, the final year of the Medium-Term Management Plan 2024, we are proceeding as planned with the capital expenditures set out in said Plan, including the upgrade of our cash equity trading system (arrowhead), while steadily implementing other measures. We will also suitably control operating expenses by prioritizing projects with an attention to investment efficiency and by conducting business cost-effectively in order to continually achieve our financial targets.

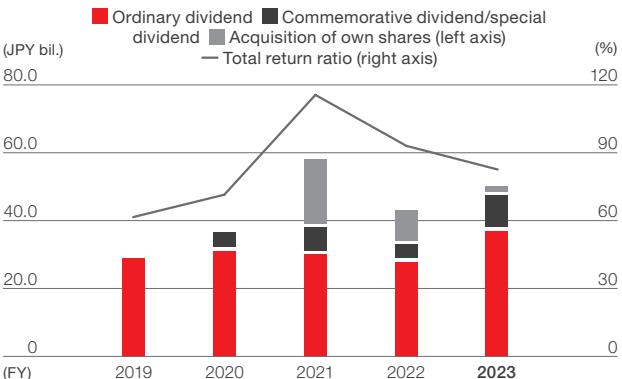


**Tabata Atsushi**  
Senior Executive Officer & CFO

## Cost of shareholders' equity and return on equity (ROE)



## Past total return ratios & total amount of shareholder returns



## JPX Group's Capital Policy

It is extremely important that JPX maintains a stable financial base in order to ensure that we can always operate our markets stably and with a high level of user satisfaction, without being overly affected by Japanese and global economic conditions and financial policies, geopolitical risks, and other trends. In order to achieve this, we currently anticipate the minimum required equity capital level to be around JPY 250.0 billion.

JPX recognizes the level of the cost of shareholders' equity at around 4-7% based on estimates of the CAPM, one of the indicators of the cost of shareholders' equity, which is the return expected by a company's shareholders. Based on this level, we have also set a "hurdle rate (7%)" for capital expenditures. Currently, JPX's ROE is generally more than 15% and consistently exceeds the cost of shareholders' equity. Its price-to-book ratio (PBR) is above 3.0. While actively engaging in dialogue with our shareholders and investors, we will continue to further promote capital-efficient management and invest for growth in order to further enhance our corporate value.

## 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. On top of that, JPX is considering the implementation of the additional return of profits in the form of surplus capital and cash to shareholders while taking capital efficiency and the feasibility of M&As and other growth investments into account.

In FY2023, JPX acquired approximately JPY 2.5 billion of its own shares and paid a special dividend of JPY 20 per share that totaled JPY 10.4 billion. The total return ratio exceeded 80%. In line with JPX Group's capital policy, we will continue to flexibly and actively return profits to shareholders while taking the feasibility of growth investments into account.

## Proactive Engagement with Shareholders and Investors to Enhance Corporate Value

In order to enhance JPX's corporate value as a market operator and listed company, I believe that holding constructive dialogues with many stakeholders including shareholders, institutional and retail investors, and analysts is indispensable. At JPX, actual meetings take place with either the CEO, a director, an executive officer, or the department in charge of IR, depending on the purpose of the meeting or what is requested.

In FY2023, we held earnings briefings presented by the CEO (twice), a business briefing session (JPX Investor Day), and online company briefings for retail investors. We also held meetings with Japanese and overseas investors and analysts from 173 companies primarily through participation in conferences for institutional investors, overseas business trips, and individual meetings. These meetings are a valuable opportunity to hear the opinions of stakeholders directly. In FY2023, we were able to engage in both face-to-face and online dialogues with a greater number of shareholders and investors than in FY2022 due to such factors as the increased attention that the Japanese stock market has been getting. During these dialogues, we received many comments and questions regarding Tokyo Stock Exchange's "Request to Take Action to Implement Management that is Conscious of Cost of Capital and Stock Price" as well as JPX's growth strategy, M&A opportunities, and other issues.

The feedback that is obtained through dialogues is reported twice a year to the board of directors and quarterly to the whole company, including management. We aim to enhance corporate value by utilizing the feedback in JPX Group's future growth and financial strategies.

As CFO, I will continue to take the lead in holding even more dialogues with even more stakeholders in order to deepen the relationship of trust that JPX has with them so that they can better understand JPX's growth strategy and the thinking behind it. We ask for your continued understanding and support as we journey forward.

## Message from an Executive Officer

We believe that human resources are the source of corporate value. It is essential for JPX Group to invest in human resources in order to enhance its corporate value over the medium to long term. This is something that we have constantly been aware of over our many years of market operations. At JPX Group, we are addressing this through various initiatives based on our human resources strategy.

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### Fundamental Thinking Behind Our Human Resources Strategy

We at JPX Group consider human resources to be one of our most important types of capital. We have formulated a human resources strategy that is linked to our management strategy and based on JPX Group's corporate philosophy. In our corporate philosophy, we state that we will ensure reliability and public visibility, lay the foundation of a market which is highly convenient, efficient, and transparent, and provide creative and attractive services. Our Medium-Term Management Plan 2024 is based on this philosophy. Its basic policy is "Exchange & beyond," which expresses our determination to strengthen stable market operations while also advancing in new sectors and fields. The fundamental thinking behind our human resources strategy is to hire and develop people in line with this policy (in other words, not only people who will underpin the further stabilization and sophistication of traditional exchange operations but also those who will pioneer into new sectors and fields) as well as to create an environment in which all employees can demonstrate their abilities.

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### Recruitment and Development of Human Resources

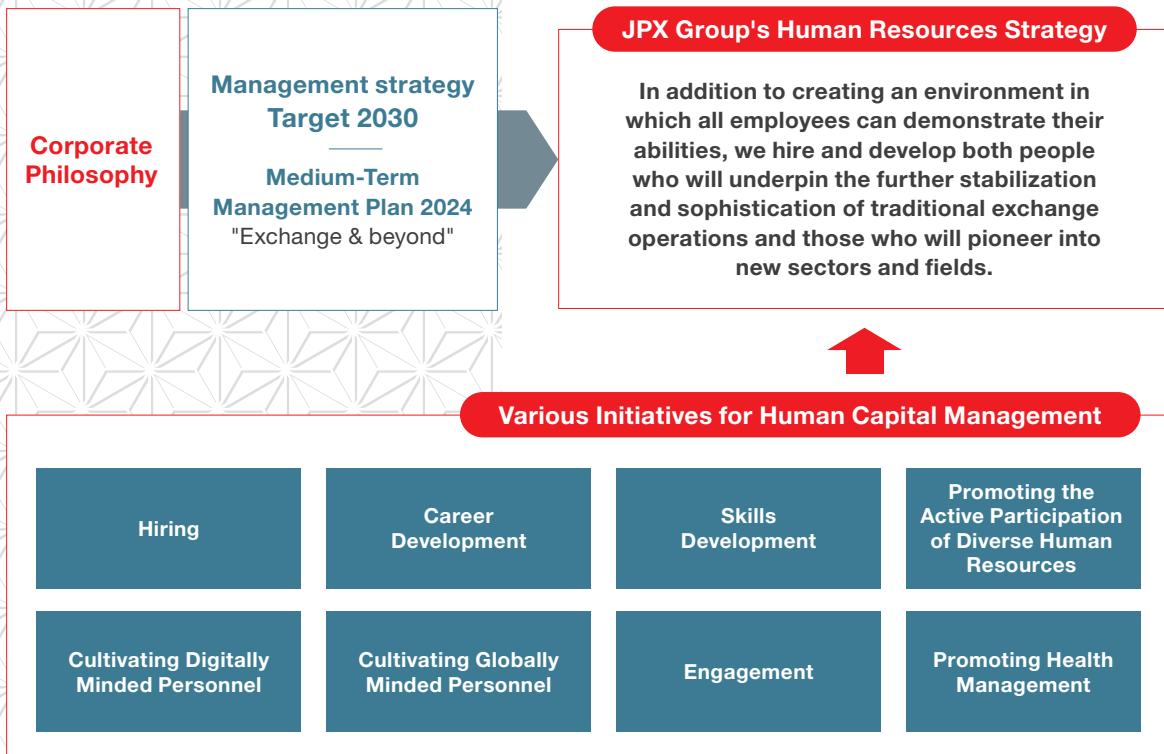
JPX Group hires new graduates and people in mid-career based on an awareness that it is important to hire diverse human resources to sustainably enhance corporate value. Our basic approach is to actively hire human resources with diverse perspectives, sensibilities, abilities, experience, and other attributes regardless of characteristics such as gender or nationality.

Based on the idea that each employee's growth leads to the company's growth, JPX Group provides skill development programs that support employees in the well-balanced acquisition of the techniques, knowledge, and other skills necessary for their work and that are based on the three pillars of (1) practical experience, or opportunities to develop skills through work experience; (2) knowledge sharing, or opportunities to learn from the guidance and shared experiences of supervisors and senior employees; and (3) training, or opportunities to learn through training and other types of education.



**Hasegawa Isao**

Executive Vice President  
(General Administration and Human Resources)



## Enabling All Employees to Demonstrate Their Abilities

In addition to implementing these measures to hire and develop human resources, at JPX Group, we believe that it is important to create an organization where employees from various backgrounds can play an active role and have a high level of well-being.

In particular, in order to enable each employee to play an active role regardless of such characteristics as gender, nationality, and age, we have established a work-life balance support system that exceeds statutory requirements and promotes the creation of an environment that allows for career advancement even when facing various life events such as childcare, nursing care, and illness.

In addition, in order to ensure that JPX Group employees are physically and mentally healthy and can work with passion and vitality, we are strengthening our system for promoting health management through initiatives related to health management, the dissemination of information internally, and other means. We are committed to providing an environment in which all JPX Group employees can maximize their abilities.

## Creating an Organizational Climate that Supports Human Resources

We will share intangible values such as our corporate culture with our employees and create an organizational climate that supports JPX Group's diverse human resources by increasing opportunities for management/employee dialogue and employee-to-employee communication and by conducting evaluations from multiple perspectives. I believe that this will enable each employee to fully demonstrate their abilities and play an active role at JPX Group.

## In Closing

As you can see, we value each of our employees and will continue to invest in human resources to further enhance the corporate value of JPX Group as a whole.

# Approach to Creating New Value



## JPX Group Companies' Value Creation Strategies

The entire JPX Group, including subsidiaries and affiliates, engages in business related to the establishment and operation of financial instruments exchange markets and commodity markets so that market users can trade securities with confidence at all times. The markets established by the Group provide listed companies with financing opportunities, investors with asset management opportunities, and society as a whole with price discovery functions.

By further enhancing these functions and responding to changes in the global environment, the Group is working to realize its long-term vision "Target 2030: Contribute to sustainable societal and economic development by evolving into a global, comprehensive finance and information platform which provides solutions for a wide range of societal issues, centered on the ability to raise and circulate capital."



### Tokyo Stock Exchange



Cash Equity Market P.34



### Osaka Exchange



Derivatives Market P.37



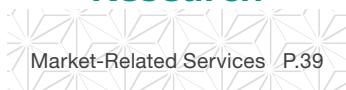
### Tokyo Commodity Exchange



Derivatives Market P.38



### JPX Market Innovation & Research



Market-Related Services P.39



### Japan Exchange Regulation



Self-Regulation P.41



### Japan Securities Clearing Corporation



Clearing P.43

# Tokyo Stock Exchange

In our role as a core infrastructure supporting fundraising by companies and asset formation by the public, as well as supporting sustainable growth at companies, we will develop the primary and secondary markets to realize a virtuous cycle in which the benefits of increased corporate value generate asset formation among the general public, leading back to further innovation and growth at companies

**Iwanaga Moriyuki**

President & CEO Tokyo Stock Exchange, Inc.



## Growth Strategy Creating Value

Tokyo Stock Exchange, Inc. (TSE) operates Japan's leading stock market and serves as a core infrastructure that supports Japan's capital market. In order to increase the value of JPX Group, it is essential to increase the value of TSE, which is the core of the Group. To this end, we will demonstrate our presence as a place to be listed and a place to trade stocks.

As a place to be listed, we are promoting measures to support the medium- to long-term enhancement of corporate value of listed companies centered around improving the effectiveness of dialogue with investors, such as promoting management that is conscious of cost of capital and stock price, and expanding English-language disclosure. Since listed companies face a variety of challenges in pursuing these improvements, we have also established a new team to provide support while working closely with each company. In addition, since IPOs of investable startups and their subsequent growth are essential

for the revitalization of the market, we will promote measures to enhance the functions of the Growth Market as well as provide support to leading Asian companies for business development in Japan, fund raising, IPOs, and other purposes through the newly launched TSE Asia Startup Hub.

As a place to trade stocks, our essential mission is to provide liquidity so investors with various needs can buy and sell whenever necessary. Together with the upcoming replacement of the cash equity trading system in November 2024, measures will be implemented including an extension of trading hours from the perspective of maximizing trading opportunities and the introduction of a closing session to improve transparency in the formation of closing prices. We will also continue to work diligently toward enhancing the system's resiliency as a market infrastructure, given TSE's significant responsibility for ensuring consistent access to stable markets.

## Our Mission

- Realize an affluent society by promoting improvements in corporate value at listed companies, thereby contributing to the building of a sustainable and strong economic and social infrastructure, and asset formation by the public
- Realize fair and smooth price formation in the markets and contribute to the protection of investors and the sound development of the national economy through effective trading supervision
- In addition to stable market operations, improve market convenience and reliability through various measures that contribute to improving market functions

## Major Stakeholders

Listed companies\*, investors, trading participants and clearing participants

\*Includes companies that aim to be listed

- Perceived Strengths**
- Listing of many companies representing the Japanese economy and providing funding opportunities to leading start-ups
  - One of the world's largest markets, with a diverse investor base that includes retail investors as well as Japanese and overseas institutional investors
  - Trust from and cooperation with market participants built over time
  - Safe and reliable cash equity trading system

## Perceived Risks

- Diminishing trading volume, decreasing supply of investment funds, and stagnating economic activity among listed companies and start-ups associated with a deteriorating market environment due to factors such as economic downturns in Japan and abroad
- Risk of no progress in enhancing quality of capital markets
- Reduced liquidity on the exchange due to a higher share of off-exchange trading

# Enhancing the appeal of the Japanese market by supporting corporate value improvements at listed companies

## Two Years Since Market Restructuring

Two years have already passed since the transition to the new market segments was implemented in April 2022. The market restructuring was not the purpose in itself; rather, the purpose was to use the restructuring as an opportunity to promote medium- to long-term improvements of corporate value at listed companies and create an appealing market that is supported by a diverse range of investors from Japan and abroad. In order to achieve this purpose, TSE has been working on various initiatives in reference to the discussions of experts at the Council of Experts Concerning the Follow-up of Market Restructuring.

## Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Prime and Standard Markets)

As one such initiative, in March 2023, TSE made a request for "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" to all listed companies in the Prime and Standard Markets. For many years, TSE has been advising

listed companies to practice management that is conscious of cost of capital through the Corporate Governance Code and other means. However, indicators such as price-to-book ratios (PBR) and return on equity (ROE) are at low levels in the Japanese market compared to overseas markets such as those in Europe and the U.S. In light of this situation as well as discussions at the Follow-up Council, TSE decided to make this request with the belief that it must aim for more substantial changes.

Specifically, TSE is requesting that listed companies conduct a series of actions on an ongoing basis. This starts with gaining an understanding of their cost of capital and profitability based on the balance sheet and market valuation, and continues with analyzing and assessing the current situation around these and the market valuation at board of directors meetings, preparing and disclosing plans for improvement, and then using dialogue with investors to update these initiatives.

As of June 2024, 81% of companies in the Prime Market and 40% of companies in the Standard Market have disclosed their plans based on this request, and investors both in Japan and abroad have expressed a certain level of positivity about these efforts as a first step. However, in order for this trend to be sustainable, it is important that

Iwanaga Moriyuki

President & CEO  
Tokyo Stock Exchange, Inc.



Explaining TSE's efforts to enhance the value of listed companies at an event in Taiwan (image provided by Business Today)

more companies continue to consider and disclose their plans, and that the details of these plans as well as dialogue with investors become even more effective. To inform investors of the status of companies that are taking action and encourage further efforts, TSE has been publishing a list of companies that are disclosing their plans since January 2024. Furthermore, to show companies the details of what investors are expecting and what kinds of initiatives/disclosures have been highly rated, TSE published a collection of key points and case studies based on investors' perspectives in February. We will continue to take measures to increase the effectiveness of this initiative in the future.

In addition, since gaining the understanding of the management of listed companies is the most important factor in moving forward, I have begun visiting locations nationwide to explain the background and true intentions behind this initiative and to engage in an honest exchange of opinions with them. Some management teams have commented that they gained a better understanding of the objectives of the initiative through actual conversations, and in some cases, this has actually led to action to implement management that is conscious of cost of capital and stock price. I believe that it is particularly important to provide direct explanations to management outside of Tokyo, so I will continue to visit various locations to exchange opinions with management. In addition, at the beginning of the year, TSE established a new dedicated group (the Listed Company Support Group) with an assigned section director to lead it in order to work with listed companies to address issues they are facing in improving their corporate value and provide support.

## Measures to Enhance the Functions of the Growth Market

Nurturing startups is the key to promoting the dynamism and growth of the Japanese economy

and to solving societal issues, and as such the Japanese government and other related organizations are implementing various projects based on the "Startup Development Five-Year Plan." Given that startups will be the driving force of new industries, TSE also considers their nurture to be an important issue, and is taking steps to ensure that startups with high growth potential can achieve further growth after listing on the Growth Market.

Based on the policy on measures to enhance the functionality of the Growth Market formulated in January 2024, TSE released "Measures to Expand and Improve the Dissemination of Information to Investors in the Growth Market" in May. In this document, TSE requests that companies disclose the purpose of their IPOs in achieving their post-listing growth strategy at the time of initial listing on the Growth Market. TSE also requests that, after listing, companies disclose the progress of their business plans while paying particular attention to whether they are achieving this purpose, as well as proactively disseminating information through briefings, individual meetings, and the like. Furthermore, as listed companies have also expressed concern that they do not know how to effectively disseminate information, especially to institutional investors, and that they have few points of contact, the aforementioned Listed Company Support Group also provides support by holding IR seminars, providing examples of good practices, and providing a forum for disseminating information to institutional investors.

In addition, some companies that are about to list on the Growth Market refrain from making upfront investments, M&As, or pursuing other growth-oriented initiatives prior to their IPOs based on the understanding that such activities may hinder their IPOs. Therefore, in May, TSE published a "Listing Examination FAQ" in order to accurately explain TSE's approach to listing examinations to the management of companies that are preparing for listing, with respect to topics that we frequently receive questions on or aspects of the handling that are often misunderstood. TSE has also established a contact point for companies considering an IPO to consult directly with TSE regarding any IPO-related questions they may have, and is working to promote the use of this service.

TSE will continue to support the efforts of listed companies in each market segment to improve their corporate value by carefully following up on the situation of each listed company and acting as necessary based on this on an ongoing basis.

# Osaka Exchange

By pursuing a convenience that takes the needs of domestic and overseas market participants into account, we can provide efficient and effective hedging and asset management opportunities as a hub for circulating capital in the Asia-Pacific region, develop Japan's markets, and contribute to improving their global presence.

## Our Mission

- Through the proper operation of a convenient and transparent listed derivatives market, we will provide domestic and overseas market participants with efficient and effective hedging and asset management opportunities, provide solutions in response to societal issues and economic conditions in Japan and abroad, and sustainably develop the listed derivatives market.

## Major Stakeholders

Investors\*, society and the environment, trading participants and clearing participants

\*Includes business corporations and other commercial traders.

## Perceived Strengths

- Our reliability as a market operator that we have built over time as both a traditional securities exchange and a pioneering derivatives exchange
- Our position as a Comprehensive Exchange that handles a wide range of listed derivatives whose underliers are stock price indices, securities, government bonds, interest rates, and commodities under the Financial Instruments and Exchange Act
- Our diverse base of market participants as typified by Nikkei 225 Futures, and the resulting high market liquidity

## Perceived Risks

- Risk of reduced liquidity due to a decrease in trading volume caused by factors such as a diminished demand for the use of hedging against price fluctuation risks, which is prompted by an economic slowdown and/or changes in industrial structures in Japan or abroad
- Risk of reduced liquidity due to competition with Japanese and overseas exchanges and/or alternative markets that handle similar products

## Growth Strategy Creating Value

Osaka Exchange (OSE) and Tokyo Commodity Exchange (TOCOM) operate JPX's derivatives markets in an integrated manner as a "Comprehensive Exchange" for the one-stop trading of a wide range of listed derivatives whose underliers are stock price indices, securities, government bonds, interest rates, and commodities.

Last year, OSE launched short-term interest rate futures (3-Month TONA Futures) in order to provide opportunities for the trading of both short- and long-term interest rate derivatives. With the heightened focus on yen interest rate trends, the trading volume of and open interest in these futures have been increasing steadily as the investor base



**Yokoyama Ryusuke**

President & CEO, Osaka Exchange, Inc.  
Representative Director & Chair, Tokyo Commodity Exchange, Inc.

has gradually expanded, and OSE expects them to have great growth potential depending on future monetary policy.

At the same time, OSE launched Nikkei 225 micro Futures and mini Options in order to attract investors with small-lot trading needs. The trading of these derivatives is also steadily expanding, and as intended, an increasing number of retail investors have used these new products as an opportunity to begin trading OSE's derivatives. In addition, from the perspective of further improving convenience, OSE plans to increase the number of maturity dates for Nikkei 225 mini Options in May 2025. OSE also sees the growing interest in investment by retail investors following the

# Tokyo Commodity Exchange

As a "comprehensive energy market" that handles major energy products ranging from fuel to electricity and that is closely tied to industrial policies that are promoted by the Japanese government, we provide an extremely convenient market for Japanese and overseas commercial traders and contribute to the stability and development of industries in Japan and Asia.

## Our Mission

- Through the proper and sound management of the energy market, we will facilitate the production and distribution of energy-related products by ensuring that they are fairly priced and by providing hedging opportunities.

## Major Stakeholders

Investors\*, society and the environment, trading participants and clearing participants

\*Includes business corporations and other commercial traders.

### Perceived Strengths

- Our position as an energy market that is closely tied to industrial policies that are promoted by the Japanese government
- Our knowledge of and experience at managing the market for energy products
- The trust and cooperation that we have built over time with market participants

### Perceived Risks

- Risk of being unable to provide the liquidity that is expected by commercial hedgers due to a decrease in the number of trading participants who engage in the brokering of customer orders and the delivery of commodities
- Risk of reduced liquidity due to competition with foreign exchanges and/or alternative markets handling similar products

launch of the new NISA scheme as an excellent opportunity to promote securities options.

TOCOM plans to jointly provide JJ-Link, a service to link spot and futures trading related to electricity, with Japan Electric Power Exchange (JEPX). In addition, participation in the electricity market by new clearing brokers is progressing through TOCOM's entry promotion program.

Going forward, OSE and TOCOM will continue their efforts to revitalize existing markets by providing new trading opportunities and improving convenience to meet the diverse needs of investors while proactively developing new asset classes that synergize with existing markets. Through these efforts, they will sustainably grow JPX's derivatives markets.

## CLOSE UP

### Revitalization of the comprehensive energy market

TOCOM's energy market, which provides hedging opportunities, plays an important role as an industrial infrastructure as the focus is on securing stable supplies of affordable energy—essential both for industry and for daily life—amidst the recent supply-demand crunch and soaring energy prices.

In particular, since Japan is the world's fourth largest consumer of electricity, we expect the electricity market here to continue to grow. The trading of electricity futures, which were permanently listed in 2022, has been steadily increasing, and the number of market participants has grown significantly, from 13 companies at the beginning of the trial listing to more than 170 companies. In March 2024, we added weekly contracts to meet the need for short-term risk hedging. In addition, we plan to jointly provide JJ-Link, a service to link spot and futures trading, with Japan Electric Power Exchange (JEPX), which is expected to simplify operations at electric utilities operators and make it easier to apply hedge accounting related to electricity futures.

With our experience in managing the market in line with industrial policies, TOCOM will continue to promote a sustainability that utilizes market mechanisms by striving to stimulate the market and improve its convenience through close communication with the authorities and market participants and by increasing our value as an industrial infrastructure.

Ishizaki Takashi

Representative Director,  
President  
Tokyo Commodity  
Exchange, Inc.



# JPX Market Innovation & Research

By consolidating JPX Group's index, data and digital-related services, as an organization that serves a central role in JPX Group's strategic business development, we will contribute to bolstering the competitive strengths and status of Japan's financial and capital markets while actively creating diverse market services that address new demand.



**Miyahara Koichiro**

President & CEO  
JPX Market Innovation & Research, Inc.

## Our Mission

- To provide and popularize a diverse index lineup and strengthen functions related to the dissemination of ESG and other information with the aim of solving ESG and other societal issues
- To enhance the appeal of the Japanese stock market and encourage investors from Japan and abroad to enter the market by supporting listed companies in disseminating information and improving their corporate value
- To contribute to the efficiency of the market and the sophistication of information usage by developing new services that utilize digital technology and by expanding and improving investment-related information

## Major Stakeholders

Listed companies, investors, society and environment, trading participants and clearing participants, business partners\*

\*In addition to collaborating with index vendors and information vendors in Japan and abroad in activities such as the joint calculation of indices, we are collaborating with start-up companies in new initiatives.

### Perceived Strengths

- A strong client base centered on TOPIX and a highly fair, transparent, and neutral index management system
- Ability to develop market services built on foundations and know-how cultivated as a market infrastructure
- Extensive experience in using AI, blockchain, cloud, and other digital technologies and increased experience in collaborating with external partners
- In-house development capabilities to provide services speedily and to respond quickly to customer needs and societal changes

### Perceived Risks

- Intensifying international competition in the data business field
- Decline in the number of service users due to diminishing appeal of Japan's financial and capital markets
- Decline in the attractiveness of the exchange market due to a decrease in the number of listed companies

## Growth Strategy   Creating Value

Centered on its index, data, and digital services, JPX Market Innovation & Research, Inc. (JPXI) engages in initiatives that contribute to enhancing the competitive strengths of Japan's financial and capital markets, while also playing a key role in creating the global, comprehensive finance and information platform "G-HUB" as set out under Target 2030.

JPXI's established businesses of calculating and distributing TOPIX and other indices, furnishing various forms of data, and providing infrastructure such as network and information systems can be said to form the foundation of the reliability of JPX Group's

## Advancing into new areas with JPX Market Innovation & Research

Utilizing cooperative relationships with external partners, JPXI is boldly taking on the challenge of creating diverse market services, including in new areas that JPX Group has never explored, to build foundations for the global, comprehensive finance and information platform (G-HUB) looking ahead to 2030 while also strengthening the competitiveness of Japan's financial and capital markets.

In the index field, we are revising TOPIX to enhance its functionality as an investable index. We plan to complete its transition to an index consisting of stocks that were recognized as having a certain level of liquidity (stocks with a tradable share market capitalization of JPY 10.0 billion or more) as of the evaluation dates (such as the time of the market restructuring) by the end of January 2025. While ensuring the index's continuity, we will continue to work on improvements to extend its coverage so that it more broadly represents the Japanese stock market and to enhance its functionality as an investable index. We also started calculating the JPX Prime 150 Index in July 2023. The index selects Japan's leading, core growth companies with earning power from among the top-ranked companies in terms of market capitalization that are listed on TSE's Prime Market. The companies are selected based on two measures of value creation: "return on capital," which is based on financial results, and "market valuation," which also incorporates future information and non-financial information. In 2024, JPX Prime 150 Index Futures were listed in addition to ETFs and publicly offered investment trusts that are linked to the index. We will work to promote the popularization of the JPX Prime 150 Index in the hope that investment in growth companies

through these means will create a virtuous cycle of further strengthening the companies' earning power and expanding distributions to investors, which in turn will lead to a leap forward in the Japanese economy and the Japanese market.

In the digital field, in March 2024, we launched a PoC of JPX Market Explorer in collaboration with generative AI provider Bridgewise in order to strengthen the dissemination of information related to the Japanese market. JPX Market Explorer allows users to obtain listed company information and analysis in multiple languages. By utilizing generative AI, JPX Market Explorer can quickly analyze and provide large amounts of information, a feat that humans would be unable to accomplish.

In addition, in order to develop and provide services that meet the diverse needs of customers, we have begun building JPX's integrated data service platform J-LAKE, which will be an environment for the centralized management and analysis of various types of data held by JPX, including market data and information on market participants, listed companies, and customers.

We have also been working to strengthen our partnerships as well as our capital relationships with SCRIPTS Asia K.K. and Minsetsu, Inc., which provide services that contribute to improving the operational efficiency of dialogues between listed companies and investors/shareholders and expanding the amount of information that is shared in such dialogues. Going forward, we will continue to contribute to the expansion and revitalization of the Japanese stock market.

overall market operations. Since they are also key businesses that account for a substantial portion of JPX Group's revenues, we will continue to conduct them faithfully. In addition, we will resolutely continue to take on the challenge of creating new value through projects such as creating businesses related to digital assets, which is a new field for us, and expanding indices and data services that address ESG and other societal issues.

Specifically, we will promote the popularization of the JPX Prime 150 Index, which aims to spread value-creating management and further improve the appeal of

the Japanese stock market by showcasing the leading Japanese companies that are presumed to be creating value. We will also actively explore initiatives such as the provision of financial products and services that utilize security tokens and other new technologies, as well as the expansion of frameworks and services that support listed companies in strengthening their dissemination of ESG and other information and improving their corporate value. We aim to achieve our objectives in these fields through cooperative relationships with external partners, including M&As and capital alliances, and through in-house development.

# Japan Exchange Regulation

In order to ensure and enhance credibility with respect to markets, as well as market fairness and transparency, we aim to better engage in self-regulatory operations that instill trust in market users by closely cooperating with government authorities and relevant organizations in Japan and abroad, and also by appropriately addressing environmental changes.

## Our Mission

- To contribute to facilitating the cycle of sustainable corporate growth and asset formation among the public by supporting sustainable development of markets through self-regulatory functions, including maintaining listed company eligibility, preventing unfair trading, and ensuring soundness of securities companies and other trading participants

## Major Stakeholders

Investors, listed companies, trading participants, and clearing participants

### Perceived Strengths

- Organizational structure that enables management and operations from a neutral position
- Substantial expertise based on familiarity with market functions and characteristics

### Perceived Risks

- Emergence of new types of unfair trading accompanying shift to more sophisticated and rapid trading methods
- Impairment of market credibility due to incidents of fraudulent accounting among listed companies and companies applying for listing

## Growth Strategy Creating Value

Japan Exchange Regulation (JPX-R) is a corporate body that is established under Japan Exchange Group (JPX) to specialize in self-regulatory operations of financial instruments exchanges under the Financial Instruments and Exchange Act of Japan. It is entrusted by the market operators Tokyo Stock Exchange (TSE) and Osaka Exchange (OSE) to take on self-regulatory operations that consist of: "listing examinations" to examine the eligibility of prospective listed companies; "listed company compliance," which involves monitoring information disclosure and corporate conduct; "trading participants examination and inspection" to ensure the reliability of operations of securities companies and other trading participants; and "market surveillance" to monitor the market for unfair trading.

Our mission is to ensure the fairness and transparency of financial instruments exchanges through self-regulatory operations, thereby increasing society's trust in the market. In order to continue fulfilling this mission, we must respond



**Hosomizo Kiyoshi**

President  
Japan Exchange Regulation

appropriately to various changes surrounding the market. In FY2023, we improved our operational system in response to the revisions to the rules for Securities on Alert and the quarterly disclosure system in order to ensure that our listed company compliance operations are conducted appropriately and consistently. We also revised the listing examination rules and operations to accommodate a more flexible IPO schedule. In addition, we administered the Fifth Nationwide Listed Company Insider Trading Management Survey in collaboration with stock exchanges throughout Japan. We also engaged in such efforts as holding an in-person seminar for trading participants and offering COMLEC Market Surveillance Courses as ways of reaching out to them. Going forward, JPX-R aims to better engage in self-regulatory operations that gain the confidence of market users by working closely with market operators as well as government authorities and related organizations in Japan and abroad.

## CLOSE UP

### Listed Company Compliance in Response to Revisions to the Listing Rules

The Listed Company Compliance Department consults with TSE and makes suggestions from the standpoint of a self-regulatory organization when there is a revision of TSE's listing rules. It also makes improvements to its operational system so that it can perform its listed company compliance operations appropriately and consistently under the revised rules.

In regards to the establishment of a system to abolish the quarterly securities report system of the Financial Instruments and Exchange Act and integrate it with the quarterly earnings reports of TSE's listing rules, JPX-R decided to: (1) clarify the requirements for the mandatory review of quarterly earnings reports (Q1 and Q3) and (2) strengthen enforcement by TSE (clearly stipulate in the listing rules that TSE may require listed companies to conduct necessary investigations and report the results of such investigations for accurate reporting).

Furthermore, JPX-R consulted with TSE regarding improvements to the rules for Securities on Alert and made suggestions that took into account recent cases of securities that were given the designation. The rules were introduced in 2007 in order to require companies that have committed serious violations of the listing rules to make prompt improvements to their internal management systems. The following revisions were made: (1) clarification of the prerequisites for de-designation (de-designation, which used to take place when no issues could be found in the company's internal management system, now takes place only when it is found to be adequately developed and implemented), (2) establishment of a stricter development period (the maximum development period of one and a half years has been shortened to one year, and companies that have not developed their systems within said period will be delisted), (3) establishment of a new follow-up period (a follow-up period of up to three fiscal years has been established for cases where TSE has concerns about a company's business continuity and profitability or cases where a company does not meet the continued

listing criteria), (4) establishment of a new improvement status report system following de-designation (for a period of five years following their de-designation, TSE may require companies to submit reports detailing the status of the development and implementation of their internal management systems), and (5) renaming of the rules to "Rules for Securities on Special Alert."

### Fifth Nationwide Listed Company Insider Trading Management Survey

The Market Surveillance & Compliance Department administered the Fifth Nationwide Listed Company Insider Trading Management Survey in collaboration with stock exchanges throughout Japan in order to ascertain the status of insider trading prevention systems at listed companies and to promote a greater awareness of legal compliance regarding insider trading by providing an opportunity for each company to self-check its internal system.

Compared with the previous survey held in 2016, the results showed that overall progress had been made in developing prevention systems. For instance, there was an increase in the number of companies that had made improvements in developing and implementing their internal rules to prevent insider trading. Particularly, there was a significant increase in the number of companies whose internal rules clearly stated that providing insider information and recommending trades were prohibited. On the other hand, it was discovered that eight years after its inception, many companies were still not using the "Agreements and Plans Made Before Knowledge of Material Fact" system, which ensures that officers and employees have opportunities to trade their company's stock.

The survey report has been posted on the JPX website.

#### ➤ Survey Report

<https://www.jpx.co.jp/regulation/public/index.html>  
(only in Japanese)

# Japan Securities Clearing Corporation

By utilizing our track record and competitiveness as the leading clearing house in Japan to offer more efficient and trustworthy clearing services to a diversifying market, we provide an environment where clearing participants, and therefore investors, can trade securely and smoothly.

## Our Mission

- To contribute to sustainable development of the market economy by providing the foundations for abundant liquidity and smooth price formation for diverse markets, whether on exchange or over the counter, through improving settlement efficiency and ensuring trade security

## Major Stakeholders

Trading participants and clearing participants, investors

## Perceived Strengths

- Over 20 years of experience in providing clearing functions to various markets in Japan
- High-level risk management with an awareness of global standards
- Providing centralized clearing services for various markets and trades
- Highly convenient clearing services through close communications with clearing participants and investors in Japan and abroad

## Perceived Risks

- Risk of inability to complete an appropriate default settlement of a clearing participant, which has a significant impact on other clearing participants and in turn the entire market, due to inadequate or inappropriate operation of risk management systems
- Risk of difficulty continuing operations as the social infrastructure that supports the market economy due to events such as system failures and natural disasters

## Growth Strategy Creating Value

By providing clearing services to the market, Japan Securities Clearing Corporation (JSCC) plays an important role behind the scenes, supporting the market through improving settlement efficiency and ensuring transaction security. In order for JSCC to contribute to the creation of value for JPX Group through the development of markets, we believe it is important to strive to continuously improve risk management with an awareness of global best practices, in addition to providing highly convenient clearing services to more markets. As part of these efforts, we added 3-Month TONA Futures (short-term interest rate futures), which were listed on Osaka Exchange in May 2023, to the cross margining system for interest rate swap clearing operations and changed the method of calculating margin for listed derivatives from the SPAN method to the VaR method in November 2023.

As a social infrastructure that provides services to various markets, the strengthening of JSCC's business continuity framework for emergencies holds even greater significance for JPX Group's value creation in view of future expansion of services.

We are also working to implement new technologies such as distributed ledger technology (DLT) and artificial intelligence (AI) in fields where JSCC provides services. By utilizing these new technologies, we believe that we can contribute to improving convenience for clearing participants and other market stakeholders, as well as to revitalizing the market.

Leveraging our track record and competitiveness as Japan's leading clearing house, JSCC will continue to strive to meet the expectations of clearing participants, as well as a broad spectrum of investors, by augmenting and improving secure and convenient clearing services.

## Konuma Yasuyuki

President & CEO  
Japan Securities Clearing Corporation



CLOSE UP

### Improved convenience in clearing yen-denominated interest rate-related products

JSCC clears a variety of yen-denominated interest rate-related products, including exchange-traded JGB futures and short-term interest rate futures, as well as interest rate swaps and over-the-counter JGB transactions. Recent monetary policy and other factors have stimulated trading of these yen-denominated interest rate-related products, and the amounts cleared have also been increasing. In order to stimulate further trading, JSCC will focus its sales activities on financial institutions in Japan and abroad in cooperation with Osaka Exchange. In addition, in order to further improve the efficiency of margin deposited with JSCC, the cross margining system for interest rate swap clearing operations was expanded in March 2024 to allow for the offsetting of risks between interest rate swaps and short-term interest rate futures transactions. By continuing these efforts to improve convenience, we aim to further stimulate the market for yen-denominated interest rate-related products.

### Continuous improvement of risk management with an awareness of global best practices

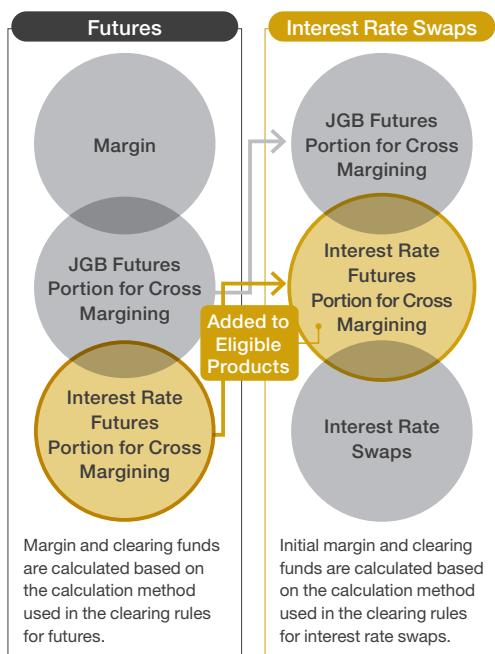
In addition to seeking to improve convenience, we must also continuously work to improve risk management in order to increase market security. In this regard, in November 2023 we introduced the VaR method for calculating margin, which is also being introduced by overseas clearing houses, in order to prevent rapid fluctuations in margin levels. We have also provided tools, including one for making sample margin calculations based on the VaR method, so that

clearing and other market participants can make better estimates.

In addition, in light of the recent yen interest rate market environment, we have alerted clearing participants that there may be a sudden change in the interest rate market and provided them with an estimate of the rate of increase in margin requirements in such an event.

We aim to continuously improve our risk management by continuing our efforts with an awareness of these global best practices.

#### Calculation of margin and clearing funds when applying cross margining

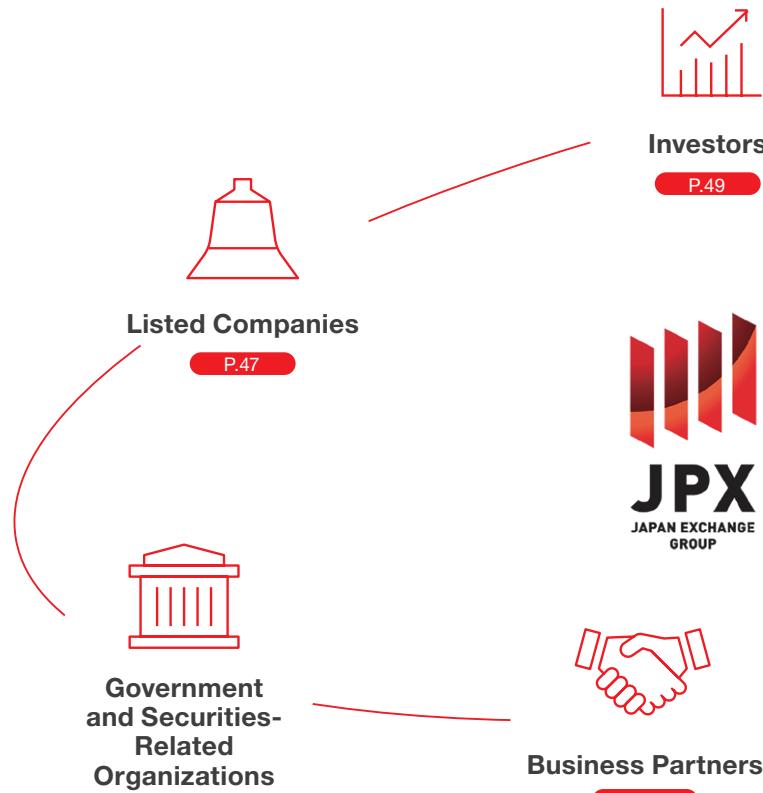


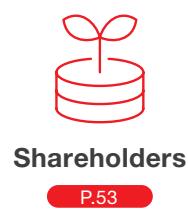
# Co-Creation With Stakeholders

03

JPX Group's corporate philosophy is to contribute to realizing an affluent society by promoting sustainable development of the market. This corporate philosophy is also linked to the realization of the society envisioned in the Sustainable Development Goals (SDGs).

To achieve its corporate philosophy, the Group recognizes corporate governance, corporate ethics and compliance, information security and cyber security, recruiting and developing human resources, and addressing climate change risks to be particularly important issues. Through dialogue with market users such as listed companies and investors as well as other diverse stakeholders, the Group aims to address corporate management with an understanding of social changes from diverse perspectives, thereby contributing to bringing about a sustainable society and economic development by providing solutions to a wide range of societal issues.





# Listed Companies

## Approach

In order to achieve JPX Group's long-term vision of realizing a sustainable society and economic development, it is essential that we create a virtuous cycle in which we promote the innovation and growth of the listed companies that support society and the economy, the fruits of which lead to asset formation for the people of Japan and generate further innovation and growth. JPX Group supports listed companies' efforts to enhance their corporate value by providing a smooth supply of funds and by developing a foundation for dialogue with investors.

### Initiatives

#### **Realization of Management That Is Conscious of Cost of Capital and Stock Price and Enhancement of the Functions of the Growth Market**

In March 2023, we requested all listed companies in the Prime and Standard Markets to take "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" in order to promote their efforts to enhance their corporate value. As of June 2024, 81% of companies in the Prime Market and 40% of companies in the Standard Market are making the disclosures based on this request. Then, in January 2024, we began publishing a list of disclosing companies, and in February, we published a collection of key points and examples considering the investor's point of view.

In addition, in May 2024, we announced "Measures to Expand and Improve the Dissemination of Information to Investors in the Growth Market" in an effort to enhance the functions of the Growth Market. In this document, we requested companies to disclose the purpose of their IPOs in achieving their post-listing growth strategies when they initially list on the Growth Market. We also asked them not only to disclose the progress of their business plans in achieving said purpose after they have listed but also to proactively disseminate this information through briefings, individual meetings, and the like. In addition, we are making efforts to ensure smooth IPOs that contribute to post-listing growth through the publication of a "Listing Examination FAQ" and the provision of a contact point for companies considering an IPO to consult directly with TSE regarding any IPO-related questions they may have.

#### **Further Expansion of English-Language Disclosure**

Overseas investors are important investors in the TSE market, accounting for 30% (in FY2022) of stock holdings and 67% (in 2023) of total stock trading value. The Prime Market in particular is designed to be a "market for companies which center their business on constructive dialogue with global investors." Thus, in order to attract more overseas investment in Prime-listed companies and to encourage improvements in corporate value through dialogue, it is important for us to promote the expansion of English-language disclosures. Recently, the proportion of Prime-listed companies that disclose some documents in English has increased to 98% (as of the end of March 2023); however, in a survey given to overseas investors, many criticized the difference in the amount of information compared to Japanese-language disclosure materials and the delay in the timing of the disclosures.

Against this backdrop, the Council of Experts Concerning the Follow-up of Market Restructuring proceeded with discussions on expanding English disclosures, taking into account the burden on companies and investor usage. Based on their discussions, JPX announced revisions to the rules in February 2024. Specifically, the revisions will require Prime-listed companies to make efforts to disclose material corporate information in Japanese and English simultaneously. They will also require Prime-listed companies to disclose financial information and timely disclosure information in Japanese and English simultaneously because such disclosures have a particularly large impact.

 Details P. 35

on investment decisions and must be made promptly. (The revisions will take effect in April 2025 in principle.) In addition, in order to promote voluntary English disclosure among companies listed on the Standard and Growth Markets, we are expanding the amount of web content that introduces examples of their peers' efforts at English disclosure and holding seminars on English disclosure.

### End of Transitional Measures for the Continued Listing Criteria

Transitional measures for the continued listing criteria, which had been established for the market restructuring, will end in March 2025. In order to promote a healthy market metabolism, each company will be subject to the regular continued listing criteria for its market segment beginning on the first record date (normally the last day of the company's fiscal year) that falls on or after March 1, 2025. Companies that do not conform to the continued listing criteria have been making efforts to conform. As of the end of March 2024, there are 274 companies (at the start of the transition: 492 companies) that are subject to the transitional measures. In addition to these efforts, we imagine some of these companies may also be considering to make or making other moves such as segment transfers (from the Prime or Growth Markets to the Standard Market), M&As, or, in some cases, listing on other exchanges.

Going forward, we will communicate more closely with new and existing companies that do not conform



From a lecture on JPX Group's initiatives at an event attended by many company executives

to the continued listing criteria so that they are aware of the end of the improvement period and can promptly consider efforts to comply with the criteria or take appropriate corporate actions. In addition, we will make sufficient notifications to investors to prevent any confusion from arising in the stock market.

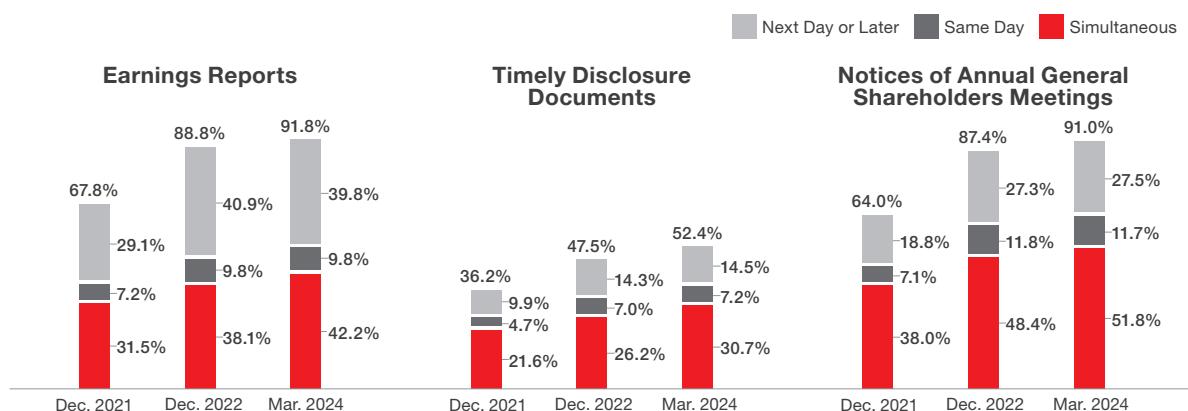
### English Disclosure Implementation Status (By Type of Document, as of the End of March 2024)

Prime Market (n=1,650) <b>English Disclosure Implementation</b>	Implementation Status by Type of Document					
	Earnings Reports (Kessan Tanshin)	Notices of Annual General Shareholders Meetings (Convocation Notices)	IR Presentations	Timely Disclosure Documents (Other Than Earnings Reports)	Corporate Governance Reports	Annual Securities Reports
<b>98.2%</b>	<b>91.8%</b>	<b>91.0%</b>	<b>71.5%</b>	<b>52.4%</b>	<b>32.6%</b>	<b>24.5%</b>

Source: Compiled from TSE's "Availability of English Disclosure Information by Listed Companies."

Note: The English disclosure implementation rate is the percentage of companies that reported making English disclosures for any of the following documents: earnings reports, timely disclosure documents (other than earnings reports), convocation notices of annual general shareholders meetings, corporate governance reports, annual securities reports, IR presentations, and other English disclosure materials. When calculating the English disclosure implementation rate, companies that did not respond to the survey were treated as if they did not make English disclosures and were added to the denominator.

### English Disclosure Implementation Status (By Timing of Disclosure, Changes over Time)



Sources: Compiled from TSE's "Summary Report of the English Disclosure Implementation Status Survey" and "Availability of English Disclosure Information by Listed Companies."

Note: The monthly figures for December 2021 include companies listed on the First Section that chose to move to the Prime Market.

# Investors

## Financial and Economic Education for Retail Investors

### Approach

In order to achieve "Facilitating cycle of corporate innovation/growth and asset formation," a core strategy of the Medium-Term Management Plan 2024, it is important that the fruits of corporate growth lead to asset formation by citizens, and that this links to the next cycle of innovation and growth.

By providing comprehensive financial and economic education for a broad audience, from elementary school students to senior citizens, JPX Group seeks to generate social value by resolving the challenge of improving financial literacy among citizens, and to enhance economic value over the medium to long term by expanding the investor base.

#### Initiatives

##### Role of Financial and Economic Education

In Japan, the amount of household financial assets continues to increase year by year, totaling more than JPY 2.1 quadrillion at the end of 2023, the highest ever level. However, these assets are still not being fully utilized. Statistics on the composition of Japanese household financial assets indicate that cash and deposits account for a high proportion, approximately 53% of the total, while stocks, investment trusts, and similar investment instruments account for only approximately 18%.

Japan faces the problems of a shrinking workforce and the limits of its social security system. How to use its assets as efficiently as possible to generate economic growth for the next generation is a major issue. One way to address this issue is to improve the financial literacy of all individuals and encourage a shift to asset formation.

In its "Doubling Asset-Based Incomes Plan"

that it announced in November 2022, the Japanese government has also stated a "shift from savings to investment" as one of its goals and has specified "enhancing financial and economic education" as one of the pillars by which to achieve it. Financial education is being promoted for the entire country by the public and private sectors in tandem.

JPX Manebu Lab



##### Developing Programs for All Ages Under the JPX Manebu Lab Brand

In view of the importance of financial and economic education, JPX Group has been providing a variety of educational programs to provide support for the promotion of asset formation by individuals that is tailored to a range of different needs.



Upper left: A class at an external venue

Upper right: A tour of Tokyo Stock Exchange

Lower right: An economics lecture for parents and children (Osaka)

The environment surrounding retail investors has changed dramatically in recent years. While asset formation has become more familiar with growing awareness of SDGs and ESG investments, the spread of finance technology, and the popularization of information sharing through social media, it is becoming increasingly important for the stable asset formation of all citizens that they build accurate knowledge and make their own independent decisions.

Out of recognition of these issues, and from its impartial, neutral position as a capital market operator, JPX Group has chosen to strengthen and improve its financial and economic education activities, efforts symbolized by the April 2022 launch of the new "JPX Manebu Lab" brand.

Various programs are being developed under this brand in a unified and systematic manner to provide accurate financial knowledge that aids in an individual's money and life planning.

#### JPX Manebu Lab (JPX Group's Financial and Economic Education)

	Category	Outline	FY2023 Results
For working adults	<b>Seminar Manebu</b>	Seminars for all ages on a variety of themes	<ul style="list-style-type: none"> <li>• Seminar views <b>Approx. 440,000 (approx. 90 videos)</b></li> <li>• Attendees at face-to-face seminars/events <b>Approx. 8,800 (approx. 40 sessions)</b></li> </ul>
	<b>TSE Manebu</b>	JPX's owned media service, launched in December 2016. Articles planned by the editorial team, as well as a wide range of contributions from securities companies, asset management companies, and others	<b>Approx. 1.55 million PVs/month (average)</b>
	<b>Training Manebu</b> (Former Workplace Manebu)	A lecturer dispatch service, launched in August 2017. Dispatch of lecturers well-versed in finance and capital markets to provide support in asset formation for everyone in an organization from a fair and impartial standpoint	<ul style="list-style-type: none"> <li>• Number of attendees: <b>Approx. 6,000</b></li> <li>• Number of lectures held: <b>Approx. 130</b></li> </ul>
For students	<b>School Manebu</b>	Provision of diverse content for children and students, and teachers	<ul style="list-style-type: none"> <li>• Lessons for elementary school through high school: <b>Approx. 6,400 participants (67 sessions)</b></li> <li>• Economics lectures for parents and children: <b>Approx. 1,130 participants (32 sessions)</b></li> <li>• Lessons for teachers: <b>Approx. 660 participants (11 sessions)</b></li> </ul>
	<b>Campus Manebu</b>	Provision of lectures and events for undergraduate and graduate university students	<b>Approx. 5,000 participants (approx. 100 sessions)</b>
Facility tours	<b>Tours</b>	Provision of self-guided tours and guided tours	<b>Approx. 33,000 participants</b>

Notes: 1. For specific details of activities, please see "JPX Manebu Lab" Report 2024.

2. In addition to the above, together with the Ministry of Economy, Trade and Industry (METI), each year we select and announce listed companies that are engaged in superior efforts with regard to specific themes such as digital transformation (DX) and women's empowerment in order to provide individuals with an opportunity to consider stock investing.

↗ "JPX Manebu Lab" Report 2024 <https://www.jpx.co.jp/jpx-manebulab/report2024.html> (only in Japanese)



A session of Seminar Manebu

# Investors

## Japanese and Overseas Institutional Investors

### Approach

Japanese and overseas institutional investors are important players in the Japanese market, accounting for approximately 70% of the trading value at Tokyo Stock Exchange (TSE). In order for the Japanese market to continue to develop into an even more convenient market and for JPX Group to realize its long-term vision of becoming a "global, comprehensive finance and information platform," we believe it is important to promptly reflect the real voices of institutional investors—the main users of the market—in the development of JPX Group market rules and operational improvements, and we are committed to proactive communication.

### Initiatives

#### Japanese Institutional Investors

In order to improve market convenience for investors, we exchange ideas with Japanese institutional investors on a regular basis and use those ideas to revise the market rules and improve system functions. For example, in order to promote the ETF market, we exchange ideas with over 1,000 domestic financial institutions, hold institutional investor seminars every other month, and conduct an annual ETF institutional investor survey. Through these activities, we not only introduce the ETF market, but also conduct interviews about product needs and requests to improve the rules to suit the market environment. In addition, we released CONNEQTOR, an ETF trading platform based on the concept of quicker and cheaper ETFs, in February 2021 in order to meet the needs of institutional investors and established a new ETF Promotion Department in April 2022 in order to further intensify our activities promoting the ETF market.

We also utilize the views of institutional investors in our market operations in the derivatives field. In May 2023, JPX Group listed 3-Month TONA Futures, which is its first short-term interest rate futures product. We exchanged ideas with a wide range of institutional investors during the product and market planning. In addition, in March 2024, JSCC began the margin offsetting (cross margining) of 3-Month TONA Futures and OTC interest rate swaps, which investors had been pushing for, in order to further improve market convenience. As a result of these efforts and monetary policy revisions, various types of Japanese and overseas investors have begun investing in TONA Futures.

In addition, we established the new

"Kitahama Investment Academy Professional" in October 2022 as a platform for providing information to market participants. Through its establishment, we have created an environment where users can systematically learn not only about our initiatives but about a wide range of topics from finance to commodities, gain an overview of derivatives trading, and learn the characteristics of market trends. We intend to further revitalize the derivatives market through these activities.



#### Overseas Institutional Investors

Overseas investors account for more than 60% of the trading value of JPX Group's markets. JPX Group gives explanations to and exchanges ideas with them about its market rules at both its Japanese and overseas offices. There are many types of overseas institutional investors who use a variety of trading strategies, including long-term investing, quantitative, and market making



Communicating the appeal of the Japanese market at an event for Asian investors

strategies. We communicate with these investors on a regular basis to learn of any market-related requests that they have or issues that they face. This data is managed centrally through our client management system and reported to management so that improvements can be made. We are also working in partnership with the relevant internal departments to improve the overall appeal of Japan's financial and capital markets vis-à-vis the world's markets by developing new products that are highly sought-

## JAPAN-SOUTHEAST ASIA ETF SUMMIT 2023

### NAVIGATING NEW POSSIBILITIES

after by investors as well as by considering and launching new data services.

In addition, we are strengthening our English-language information provision for overseas institutional investors. Starting in March 2023, Tokyo Stock Exchange has asked all listed companies on the Prime Market and Standard Market to take actions to implement management that is conscious of cost of capital and stock price. This request has received a great deal of attention from overseas investors, and we have provided many opportunities to directly introduce the details and status of specific initiatives. Furthermore, an internal project team was established in order to enhance our English-language information, and "Market News & Insights," a new dedicated website for overseas investors, was launched in June 2022. By posting articles on this website about market rules, product overviews, market trends, and other news and sharing them via LinkedIn, a mainstream social networking service among overseas market participants, we are intensifying our efforts to communicate the appeal of the Japanese market to overseas investors. Through these efforts, we aim to expand awareness of the Japanese market and arouse investment interest, and in so doing, attract new investors and stimulate trading.

We believe that our efforts to communicate directly with institutional investors on a regular basis and to incorporate the real voices of investors into market operations are essential to creating a market that is preferred both in Japan and abroad. We also believe that the results of these steady efforts can contribute to revitalizing the Japanese market and, in addition, improve Japan's international standing.



Sharing via LinkedIn

# Shareholders

## Approach

JPX is focusing on promoting two-way communication with its shareholders and investors and building relationships of trust based on mutual understanding.

JPX pursues the development of a fair, transparent, and highly convenient market by actively providing investors with the corporate information necessary for their investment decisions and sharing views obtained from shareholders and investors with senior management, thereby further enhancing our corporate value.



### Initiatives

#### Engagement with Institutional Investors and Analysts: IR Meetings and Conferences

JPX engages in dialogue with Japanese and overseas institutional investors and analysts through, for example, individual meetings conducted by members of management, including the CEO and CFO, and the division responsible for investor relations. In FY2023, we worked to increase opportunities for dialogue via both face-to-face and online meetings including participation in IR conferences in Japan and abroad. Feedback obtained through such meetings and other dialogue is periodically presented to the board of directors, management, and employees, and helps shape the management decisions of JPX Group.

#### Engagement with Retail Investors

We held an online outreach event for retail investors. JPX also actively provides information to retail investors on its IR website. For example, in addition to providing content that offers an easy-to-understand overview of JPX, we post documents, videos, and other content on IR events in a timely manner.

#### Engagement with Institutional Investors and Analysts: Financial Results and Business Briefings

In FY2023, JPX held two financial results briefings and a business briefing session (JPX Investor Day 2023) to create opportunities for dialogue between investors and senior management of JPX Group companies. Explanatory materials and Q&A sessions from each briefing are made available on the day or thereafter in both Japanese and English in order to enable investors in Japan and abroad to obtain information in a timely manner.

JPX Investor Day 2023



Cash Equity Market

Exchange & beyond  
Takeshi Yamada, Inc. President & CEO  
Yasunaga Moriyuki

July 6, 2023



JPX Investor Day 2023 Cash Equity Market

- For retail investors (only in Japanese)  
<https://www.jpx.co.jp/corporate/investor-relations/individual/index.html>

- IR Email Distribution Service (only in Japanese)  
<https://www.jpx.co.jp/corporate/investor-relations/ir-mail/index.html>

## General Shareholders Meeting

### Policy on holding Annual General Shareholders Meeting

JPX considers the Annual General Shareholders Meeting (AGSM) to be a valuable opportunity to engage in constructive dialogue in order to deepen shareholders' understanding of JPX. For this reason, we normally hold our AGSM early, avoiding the dates that most other companies whose fiscal year ends in March hold their annual general meetings, making it easier for shareholders to attend. JPX held its AGSM for FY2023 on June 19, 2024.

The AGSM is attended in person not only by the directors and executive officers of JPX, but also those of its subsidiaries and affiliates. This is so that the broad range of shareholder questions, which cover the activities of the entire corporate group, can be answered appropriately by those in charge, including those from subsidiaries and affiliates.

In addition, we receive questions in advance regarding matters to be reported and matters to be resolved at the AGSM from shareholders via our website, and provide answers to questions that seem likely to be of high interest to shareholders on the day of the AGSM. Furthermore, we stream the AGSM live on our website so that shareholders who are unable to attend in person can also view the meeting. Shareholders are able to send messages to JPX while viewing the live stream. JPX posts its replies to questions received in advance and messages on its website within a few days following the meeting, and also offers on-demand video recordings of the AGSM on its website so that shareholders can view the meeting later on.

### Policy on the creation and publication of the notice of the AGSM

In creating the notice of the AGSM, we strive to enhance its content, such as by actively updating the Medium-Term Management Plan, corporate governance structure, and various other items, as well as endeavor to provide content that is easy to understand through the use of visual aids such as illustrations and charts. In order to ensure that shareholders can promptly read the notice of the AGSM and have sufficient time to decide how to exercise their voting rights, the Japanese and English versions are published on the JPX website four weeks prior to the meeting and sent out in writing three weeks prior to the meeting.

We further aim to enhance dialogue by simultaneously providing information to our foreign shareholders via the Electronic Voting Platform for Institutional Investors provided by Investor Communications Japan, Inc. (ICJ).

### Improvements to the environment for exercising voting rights

Shareholders can send in their votes via the internet or the electronic voting platform, as well as in writing (by mail).

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

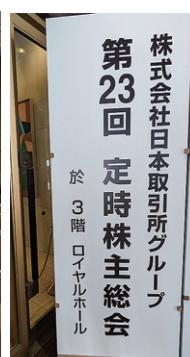


Notice of the Annual General Shareholders Meeting

Annual General Shareholders Meeting page on the JPX website



Photographs from the Annual General Shareholders Meeting



# Society and Environment

## Approach

JPX Group recognizes that to "contribute to the realization of an affluent society by promoting sustainable development of the market" as set out in its Corporate Philosophy, one of the most important management issues is to work on initiatives to improve its corporate value with attention to the surrounding environment and societal issues and the Group's relationship to them.

Given its business model, which is to provide attractive services along with highly convenient, efficient, and transparent markets that ensure fairness and reliability, JPX Group considers it essential to work on initiatives that utilize market mechanisms. Accordingly, in line with its long-term vision, the Group set out "promoting sustainability that connects society and economy" as one of the three Focus areas in its Medium-Term Management Plan 2024 and is working on related initiatives such as enhancing dissemination functions for sustainability-related information, calculating sustainability-related indices and listing of products linked to such indices, and advancing the creation of an emissions trading market.

### Initiatives

#### Promotion of Sustainable Finance

With the growing importance of sustainable finance to realizing a sustainable society, JPX Group looks to improve the accessibility of related information by offering the ESG Bond Information Platform, which aggregates information related to publicly offered ESG bonds, JPX ESG Link, which aggregates ESG-related disclosure information of listed companies in collaboration with DATAZORA Inc., and the Green Tracking Hub, which enables visualization of green indicators of Digitally Tracked Green Bonds in collaboration with Hitachi, Ltd. and others. In addition, JPX is co-hosting a roundtable with the Net-Zero Data Public Utility to ensure that the voice of the Japanese market is heard in international discussions on access to climate change-related data.

Furthermore, in light of the progress of domestic and international discussions on sustainability information disclosure standards, JPX is also focusing on providing information on the JPX ESG Knowledge Hub, including a seminar series with the International Sustainability Standards Board (ISSB), to support listed companies' related initiatives and information disclosure.

In addition, in order to further advance the use of market mechanisms in cooperation with domestic and overseas stakeholders, JPX Group participates in the Expert Panel on Sustainable Finance organized by the Financial Services Agency, the Net Zero Financial Service Providers Alliance, an

international initiative for financial service providers committed to contributing to net zero GHG emissions, and the Sustainable Stock Exchanges Initiative, a forum for collaboration between exchanges in various countries.



JPX joins Net Zero Financial Service Providers Alliance



Carbon Credit Market launch ceremony

### Launch and Development of a Carbon Credit Market

JPX Group has set "Promoting Sustainability that Connects Society and Economy" as one of its key focus areas in the Medium-Term Management Plan 2024, and one of the planned actions under this is "launch of a Japanese carbon credit market." In FY2022, JPX Group was commissioned by the Ministry of Economy, Trade and Industry (METI) to conduct a carbon credit market demonstration project on the Tokyo Stock Exchange, providing a venue for trading carbon credits already in circulation in Japan. Based on the knowledge gained from this demonstration project and experience in market operation, JPX Group opened a carbon credit market on October 11, 2023, in which J-Credits (credits approved through a Japanese government scheme) can be traded. Since the market was established, we have been trying various development initiatives, including the introduction of a market maker scheme to increase liquidity. As of May 2024, 278 entities such as listed companies, unlisted companies, and local governments, regardless of industry, are participating in the market, and over 300,000 tons have been traded since the market was established.

In addition, the first phase (trial implementation) of the government's "GX League" emissions trading system (GX-ETS) began in FY2023, and JPX Group has joined the GX League with the aim of becoming carbon-neutral. In FY2024, TSE has been entrusted

with a part of operations relating to emissions trading by Nomura Research Institute, Ltd., which has been commissioned by METI to carry out its green transformation project for FY2024 (operation of the GX League secretariat and development of frameworks to support voluntary emissions trading by companies participating in the GX League). Accordingly, TSE will add "GX credits" to the items eligible for trading on the market following the introduction of the market maker system during this fiscal year.

Going forward, while taking into account the development of the government's emissions trading system, JPX Group will continue to contribute to achieving the government's goal of carbon neutrality in 2050 by developing the carbon credit market while enhancing its functions from a medium- to long-term perspective.

### JPX Group's Own Carbon Neutrality

JPX Group is investing in new renewable energy generation facilities (solar and biomass) and use of off-site PPAs in order to achieve carbon neutrality by FY2024, and in FY2023, approximately 81% of electricity consumed by JPX Group came from renewable energy sources. The Group will continue to work toward achieving its goal by diversifying its sources of renewable energy, including through collaboration with renewable energy companies and the use of credits.

# Addressing Climate Change-Related Risks and Opportunities Utilizing the TCFD Recommendations

In recognition that climate change may have an impact on the sustainable growth of the Group in terms of both risks and opportunities, JPX Group seeks to achieve greater resiliency and sustainable growth by disclosing information in line with the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations and using those recommendations as guidelines when addressing climate change-related risks and opportunities.

## Governance

Recognizing that addressing climate change is an important management issue, JPX Group has established a Sustainability Committee, with the Group CEO serving as Chair and the Group COO as Vice-Chair. The committee has analyzed how related issues affect business operations and is proceeding to address these. The Group has also established a system to ensure appropriate oversight by the board of directors, whereby basic policies and important matters associated with climate change are reported to the board as required. In addition, sustainability-related risks are identified as a "significant risk" with respect to group-wide risk management, and are reported to the board of directors from a risk management perspective

on a quarterly basis.

Moreover, the Group has appointed an executive officer in charge of sustainability, under whom the Sustainability Department spearheads efforts in analyzing and monitoring the effects of climate change so that risks to and opportunities for the Group's businesses relating to climate change can be identified and appropriately addressed.

The medium- to long-term incentive (monetary compensation) awarded to executive officers is linked to the performance of consolidated ROE and sustainability initiatives set out in the Medium-Term Management Plan 2024.

## Strategy

JPX Group has considered the possible risks and opportunities brought on by climate change and their effects on operations, strategy, and financial planning of the Group. It is accordingly implementing measures to reduce risk and increase corporate value, and has summarized these initiatives as its Green Strategy in the Medium-Term Management Plan 2024.

In addition to this, given that climate change and responses to it are long-term issues with high levels of uncertainty, in order to review the resilience of the Group's strategies, JPX has carried out scenario

analysis with reference to guidance such as technical supplements provided by the TCFD.

In performing this analysis, JPX identified physical risks and transition risks/opportunities related to climate change that are foreseeable within its decided timeframes: short term (to 2025), medium term (to 2030), and long term (to 2050). It then used multiple external scenarios to evaluate their possible impact on strategy and financial planning, as well as the company's responses.

## Analysis of Physical risks

Physical risks are those involving direct damage to assets and business activities caused by natural disasters and other such events attributable to climate change.

### Analytic process

JPX identified which of the main assets held or used by the Group could be most impacted by physical risks from climate change, and used the below process to analyze those risks. However, given that property and equipment assets are only a small proportion of the Group's non-current assets, and that it has a Business Continuity Plan for risks including natural disasters, the analysis was carried out mainly from the perspective of business continuity and not the value of assets.

## A Risks identified

Classification	Possible risks and opportunities brought on by climate change	Time frame
Acute	Instances of suspended operations or damage to facilities caused by intensifying natural disasters could prompt short-term downturns in earnings along with alienation of investors over the medium to long term.	Short to long term
Chronic	Business operations of JPX Group's exchanges could become subject to disruption if changes in long-term weather patterns prompt an increase in instances of suspended operations and related response measures.	Long term

Note: Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods. Chronic physical risks refer to longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea level rise or chronic heat waves.

## B Scope of analysis decided

Subject	Office buildings and data centers within Japan
Hazards considered	Floods, storm surges, sea level rises, landslides
Main scenarios referenced	SSP1-2.6 and SSP5-8.5 from the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC)
Time frame	Long term (to 2050)

## C Analysis performed using scenarios

The first step was to understand the risks connected to each office building and data center in the scope of analysis, based on hazard maps and other national land-related information from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). After this, impacts were analyzed with reference to two scenarios suggested by the IPCC's Sixth Assessment Report: SSP5-8.5, which imagines very high GHG emissions, and SSP1-2.6, which imagines low emissions.

### Analysis results

Based on the above, JPX Group considers that the physical climate change risks that are currently foreseeable are covered by its present Group-wide risk management processes, and that as a result, possible impacts on the Group's business continuity, strategy, and finances are limited.

## Analysis of transition risks and opportunities

Transition risks are those that arise from changes in government policies, legal affairs, technological innovation, market preferences and other such developments that occur in conjunction with transition to a low-carbon economy.

### Analytic process

JPX identified the transition risks that could affect the Group, and used the below process to analyze those risks.

## A Transition risks/opportunities identified

Please refer to the table on page 59 for the identified transition risks and opportunities.

### Transition risks/opportunities identified P. 59

## D Risk response approach and measures confirmed

### ① Response to acute risks

- As part of Group-wide risk management, JPX Group positions business continuity risks, such as the occurrence of a natural disaster that causes tremendous damage, as one type of significant risk that could affect the Group. In response to these kinds of risks, as well as ensuring awareness of the risks and preparing/operating preventative measures, JPX Group has also put in place frameworks that allow it to respond swiftly and appropriately when a risk materializes or is likely to materialize.
- The Group has established a Business Continuity Plan (BCP) and implemented measures to ensure ongoing operations in the event that a natural disaster or other such risks materialize.
- To ensure that natural disasters or other such events do not hinder business continuity, the Group is working to enhance its mutual backup capabilities in the east and west, such as by establishing sites in the Tokyo Metropolitan area and the Kansai region for both business (operations) and systems (data centers). In addition, to prepare for the risk of employees being unable to commute to the office due to suspended public transportation services or other reasons, the Group is proceeding with the development of remote working environments to enable stable market operations, while also promoting the use of and further developing the operation of telework during normal times.
- If a situation arises where trading participants are unable to participate in trading of stocks or other securities because of a natural disaster or other such event, the Group considers the necessity of a trading halt based on the Contingency Plan formulated and published by the Group.

### ② Response to chronic risks

- JPX Group considers the impact of natural disasters, along with other risks, when choosing locations for offices or data centers, and monitors the possible impacts on each facility with reference to the latest hazard maps, weather data, and other information. The Group also enacts dialogue with the providers of infrastructure services that it uses and requests improvements where necessary.

## B Scope of analysis decided

Analysis was focused on revenue related to the cash equity market, as this comprises around 60% of JPX Group's revenue and can also be thought to impact on revenue from other areas (derivatives, market-related services) in the medium to long term.

Subject	Revenue related to the cash equity market
External reference scenarios	Network for Greening the Financial System (NGFS) scenarios (Net Zero 2050, Delayed Transition and Current Policies)
Time frame	Long term (to 2050)

## Transition risks/opportunities identified

Classification	Possible risks brought on by climate change	Time frame	Impacted financial indicator(s)	Related actions
Transition risks	Greenhouse gas emissions costs associated with business activities and costs associated with investments to reduce emissions may increase if government policies and regulations pertaining to reductions in greenhouse gas emissions become more stringent (introduction of carbon tax, fines, etc.).	Medium to long term	Expenses	<ul style="list-style-type: none"> <li>■ JPX Group has been upgrading air conditioning and water heating systems, switching to LED lights, and pushing forward other such measures to comply with relevant laws and regulations currently in effect.</li> <li>■ The Group will switch 100% of electricity consumed to renewable energy by FY2024 and is aiming for carbon neutrality across the Group on the same timeline.</li> </ul>
	Products handled by the Group, markets operated by the Group, and its own business operations would likely be affected if laws and regulations became more stringent regarding ESG information disclosure practices and relevant products and services. For instance, the Group's earnings could be affected if there were products that could not comply with more stringent laws and regulations or if market users moved away from the market having become weary of more stringent regulations.	Short to long term	Revenue (equities)	<ul style="list-style-type: none"> <li>■ In order to enable prompt and appropriate responses to changes in laws and regulation, the Group is focusing on strengthening ties with regulatory authorities, international standard-setting forums, and industry associations (the International Sustainability Standards Board (ISSB), the Sustainable Stock Exchanges Initiative, etc.), sharing opinions inside and outside Japan, and keeping track of global trends.</li> <li>■ For listed companies, tools such as JPX ESG Knowledge Hub are used to promote understanding of ESG information disclosure and to reduce the burden on listed companies.</li> </ul>
	If innovation intensifies around technology creation relating to the drive for decarbonization, costs associated with capital investment could increase as it becomes necessary to incorporate new technologies into IT systems or other areas of business.	Medium to long term	Expenses	<ul style="list-style-type: none"> <li>■ For facilities related to our IT systems, which serve as the infrastructure for JPX Group's business, we utilize the latest technologies to achieve high performance and high quality, and to contribute to high efficiency and low emissions. Even if additional costs are incurred, the Group believes that these efforts will lead to lower running costs over the short term and facilitate the transition to a decarbonized economy over the medium to long term, thereby contributing to improved corporate value.</li> </ul>
	Earnings could be affected by a decrease in demand for products and services provided by JPX Group if investors increase their standards and climate change-related initiatives or information disclosure practices by companies and products listed on markets operated by the Group are deemed inadequate.	Short to long term	Revenue (equities)	<ul style="list-style-type: none"> <li>■ In order to provide products and services aligned with the needs of market users, the Group works closely with related parties to identify these needs and develop products and services. JPX Market Innovation &amp; Research, Inc. was established in April 2022 to further expand ESG-related and other services.</li> <li>■ Under Japan's Corporate Governance Code, listed companies are asked to actively work on addressing sustainability issues and disclosing information in a manner that contributes to increasing corporate value. In cooperation with the ISSB and others, JPX Group also provides information to support listed companies' efforts and disclosures.</li> </ul>
Opportunities	JPX Group could become subject to diminishing business opportunities and rising financing costs if confidence in and evaluation of the Group and the Japanese market overall decline due to the perception that initiatives to address climate change are insufficient in terms of the Group's market operations and commitment, or in terms of management policies of Japanese companies.	Short to long term	Revenue (equities, derivatives and market-related services)	<ul style="list-style-type: none"> <li>■ Under its long-term vision and Medium-Term Management Plan 2024, the Group has been taking an active stance to address climate change and other sustainability issues, and has been pushing forward with related projects while focusing on information disclosure and dialogue with stakeholders.</li> <li>■ The Group has been focusing its efforts on taking part in domestic and international discussions and disseminating information, including participation in the FSA's Expert Panel on Sustainable Finance and participation in the GX League. In December 2023, we joined the Net Zero Financial Services Providers Alliance (NZFSPA), an international initiative for financial service providers committed to contributing to net zero GHG emissions, and are taking part in the activities of the Japan chapter of the Glasgow Financial Alliance for Net Zero (GFANZ).</li> </ul>
	Income related to ESG could increase if JPX Group were to expand its provision of products and services related to climate change and other ESG issues in response to growing ESG investment.	Short to medium term	Revenue (equities, derivatives and market-related services)	<ul style="list-style-type: none"> <li>■ The Group has listed the objective of "promoting sustainability that connects society and economy" as an area of focus under the Medium-Term Management Plan 2024, and is moving forward with various related initiatives.</li> <li>■ With regard to "strengthening dissemination of sustainability-related information," the Group has begun providing the ESG Bond Information Platform, JPX ESG Link, and Green Tracking Hub. In addition, the Group is working to collect and disseminate information through co-hosting a roundtable with the Net-Zero Data Public Utility, an international initiative on access to climate change-related data, and through our membership of the NZFSPA.</li> <li>■ With respect to "calculating ESG indices and listing related ETFs/futures," the Group has begun calculating ESG indices such as the FTSE JPX Net Zero Japan Index Series, which uses environmental metrics, and has listed related futures.</li> <li>■ With regard to "vitalizing the energy market, advance the creation of an emissions trading market," the Group has established a carbon credit market, and is moving forward with discussions on implementing frameworks to increase trading activity and adding new tradable instruments.</li> </ul>
	The Group may be able to reduce financing costs by utilizing green bonds and other forms of sustainable finance.	Short to medium term	Expenses	<ul style="list-style-type: none"> <li>■ In June 2022, JPX issued a Digitally Tracked Green Bond as part of its plan to support the shift to carbon neutrality by generating renewable energy through ownership of its own renewable energy power generation facilities.</li> </ul>
	The Group may be able to reduce its exposure to price volatility related to energy procurement and to potential increases in carbon taxes and other carbon emissions costs by seeking greater diversity in its means of procuring energy, including ownership of renewable energy generation facilities.	Short to medium term	Expenses	<ul style="list-style-type: none"> <li>■ In addition to owning solar power generation facilities and biomass power generation facilities that use waste cooking oil as fuel, the Group aims to achieve carbon neutrality across the entire group by FY2024 by diversifying procurement, including investment in new renewable energy generation facilities through collaboration with renewable energy companies and use of off-site PPAs.</li> </ul>

### C Analysis performed using scenarios

Since the vast majority of companies listed on the equity market that JPX Group operates are domestic companies, a certain level of correlation can be expected to exist between Japanese GDP and the variables (trading value, market capitalization) that impact revenue related to the cash equity market. Based on this, JPX estimated the impact of Japanese GDP figures suggested by three NGFS scenarios (Net Zero 2050, Delayed Transition, and Current Policies) on said revenue.

#### Analysis results

The results of the above analysis showed that there could be negative impact on revenue related to the cash equity market in the short term if emissions reduction policies were to be rapidly implemented. Over the long term, though, more success in avoiding temperature rises in the relevant scenario correlated with less negative impact on JPX Group.

Also, since the differences between the figures calculated from each scenario were at most still less than 5% of the Group's overall revenue related to the cash equity market, the estimated impact is limited. This being said, as JPX sees supporting an orderly transition to a decarbonized society as important for both reducing negative impacts on the Group from climate change and creating business opportunities, it will make sure to complete the projects it is currently working on under its Green Strategy, while also continuing to search for new fields and projects that can contribute even further.

### D Risk response approach and measures confirmed

As transition risks and opportunities hold a high level of uncertainty, JPX works to keep track of changes in the regulatory environment and trends in the market. While doing this, in order to both manage the risks and realize the opportunities, JPX positions them as management issues and has integrated climate change responses into Group-wide risk management and business planning processes to inform its actions. In addition, through participation in the GX League, the Japan chapter of GFANZ, and the roundtable with the Net-Zero Data Public Utility, the Group is working with domestic and international stakeholders on the transition to a decarbonized society.

## Risk Management

JPX Group has established a Risk Policy Committee chaired by an outside director, and a Risk Management Committee chaired by the Group CEO, in order to address the various risks faced by the Group. In line with the Group's Risk Management Policy, these committees are responsible for identifying risks as well as developing and implementing preventative measures, and also form a system which ensures a swift and appropriate response in the case that risks do or are likely to materialize. Under the Risk Management Policy, JPX Group identifies and classifies the risks faced by the company, each of which is managed

by the department with jurisdiction. Information on assessments of these operations and issues to be addressed are periodically brought before the Risk Policy Committee (semiannually) and Risk Management Committee (quarterly) and reported to the board of directors.

The Risk Policy Committee has identified sustainability related risks, including climate change, as a significant risk under business environment and business strategy risk. These risks are managed by the Sustainability Department.

## Metrics and Targets

In preparation for more stringent policies and regulations regarding greenhouse gas emission reductions, JPX Group has reviewed its approach to procuring electricity, which is the primary factor in its emissions. This move aims to switch 100% of electricity consumed throughout the Group to renewable energy by FY2024, and to achieve carbon neutrality (Scopes 1 and 2) across Group companies in the same time frame. The Group also calculates other CO<sub>2</sub> emissions (Scope 3) and works to reduce GHG emissions while appropriately managing emissions throughout the value chain. Also, in its Medium-Term Management Plan 2024, the Group has set "aim for carbon neutrality in securities market operations by 2030" as a long-term ESG target.

To achieve these targets, by combining various methods depending on the electricity demand at each site, including generating renewable energy through JPX-owned facilities, the Group achieved a renewable energy usage rate of approximately 81% in FY2023, reducing CO<sub>2</sub> emissions by approximately 12,000 tons compared to FY2020. In addition, for Scope 1, city gas and gasoline use were also reduced, while FY2023 emissions have been offset with J-Credits.

The capital goods that account for the majority of Scope 3 emissions are connected to the development of the software that supports the Group's IT infrastructure. The Group aims to gradually reduce these emissions through emissions management while maintaining the investment required for stable market operations.

### JPX Group CO<sub>2</sub> Emissions (t-CO<sub>2</sub>)\*\*\*

	FY2021	FY2022	FY2023
Scope 1 (direct GHG emissions)	774	824	0***
Scope 2 (indirect GHG emissions)	11,751	9,041	2,279
From offices	2,110	138	2
From data centers, etc.	9,641	8,903	2,277
Total (Scopes 1 and 2)	12,525	9,865	2,279
Total GHG emissions per FTE (Scopes 1 and 2)****	9.5	7.2	1.7
Electricity usage (kWh)	31,088,511	28,992,676	31,087,476
From offices (kWh)	6,362,674	6,372,003	6,679,419
From data centers, etc. (kWh)	24,725,837	22,620,674	24,408,057

\*Calculated based on the latest Japan Ministry of the Environment's Emissions Intensity Database for Calculating GHG Emissions in Supply Chains and some other coefficients as of the time of calculation for each fiscal year.

\*\*JPX Group operates a biomass energy generation facility. CO<sub>2</sub> emissions from biomass fuel combustion at this facility in FY2023 were 4,106 t-CO<sub>2</sub>.

\*\*\*GHG emissions from the use of city gas and gasoline, as well as non-CO<sub>2</sub> emissions from the combustion of biomass fuels, were 697 t-CO<sub>2</sub>e in FY2023, all of which were offset by J-Credits.

\*\*\*\*FTE refers to "Full-Time Equivalent." It does not include employees on secondment or others not directly employed by JPX.

### Other Related GHG Emissions (Scope 3) (t-CO<sub>2</sub>e)

	FY2021	FY2022	FY2023
Scope 3 (Other related GHG emissions)	44,110	27,916	32,693
Acquired goods and services	2,269	3,126	4,179
Capital goods	37,530	19,545	22,511
Fuel and energy-related activity	2,294	2,160	3,088
Waste generated in operations	118	42	105
Business travel	1,251	2,313	2,031
Employee commuting	484	614	616
Downstream leased assets	164	116	0
Investments*****	-	-	163

\*\*\*\*\*Beginning in FY2023, the emissions of three companies accounted for using the equity method were added to the scope of the calculations for category 15.

# Employees

## Approach

The notions of creating public benefits and contributing to society are embodied in the corporate philosophy of JPX Group and constitute major characteristics of its business. As such, JPX Group attracts human resources who are drawn to its inherent high levels of these characteristics. At the same time, resonance with respect to the corporate philosophy serves as a key driver of its high levels of employee retention and engagement.

Based on the notion that investment in human resources is essential for enhancing corporate value over the medium to long term, and in line with its management strategy, JPX Group's fundamental human resources strategy entails hiring and developing both people who will underpin the further stabilization and sophistication of traditional exchange operations and those who will pioneer into new sectors and fields, as well as creating an environment in which all employees can demonstrate their abilities.

## Corporate Philosophy

We shall contribute to the realization of an affluent society by promoting sustainable development of the market by ensuring reliability and public visibility, laying the foundation of a market which is highly convenient, efficient, and transparent, and providing 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.

## Initiatives

### Recruitment and Development of Human Resources

When it comes to the human resources profile sought by JPX Group, we actively hire talent with our sights set on further stabilization and sophistication of traditional exchange operations with the aim of attaining our long-term vision to be achieved by 2030. As such, we hire people who identify with JPX Group's public mission and are capable of earnestly carrying out tasks necessary for stable market operations with a strong sense of duty and responsibility, people who demonstrate advanced communication skills and see themselves as connectors between the Group and its diverse stakeholders, and people who aim for higher achievements because they are not satisfied with the status quo.

In furthermore seeking to address diversifying market needs accompanying advancements in digital technology, we are now hiring through our newly established "Digital Solutions Track" under which employees specialize in the digital networks field, particularly in terms of developing and operating core systems and information systems.

In addition to people who are to underpin further stabilization and sophistication of traditional exchange operations, we also have a strong need for innovation in terms of taking on bold challenges beyond the

conventional wisdom of the exchange so that we might contribute to improving the attractiveness of Japanese financial and capital markets as a whole.

We value people who have the strength and toughness needed to take on leadership in developing new domains, making it possible to explore and build this new form of next-generation exchange.

To make inroads into new sectors and fields, we need people well versed in both business and digital technology, capable of transforming our businesses enlisting such knowledge and experience.

Our newly established "Digital Solutions Track" will enable us to hire and develop personnel with the advanced expertise needed to respond to rapid technological progress.

Additionally, in order for JPX Group to evolve into a global, comprehensive finance and information platform, we require people equipped not only with foreign language skills, but also with the skills and mindset necessary to drive global business, for example by effectively sharing the Group's work with the outside world.

We consider work experience in a global environment to be extremely important for acquiring such skills and mindset, and will accordingly continue to actively recruit and develop employees equipped with such experience.

From the perspective of skills development, we

provide skills development programs that facilitate well-balanced acquisition of knowledge and other skills needed for JPX Group operations, underpinned by the notion that growth of each and every employee contributes to our corporate growth.

For our programs supporting employees' voluntary studies, we aim for 350 employees in total to be

using these programs in FY2024 (326 employees in FY2023), thereby promoting efforts to create a working environment that enables employees to take the initiative to absorb specialized knowledge and the latest information to acquire a broader perspective and the ability to think more openly.



Event held for acquiring IT skills using a game-based format

### Human Resource Development Programs

		Staff		Management		Executive management
		New graduates	Younger employees to pre-management	New managers	Mid-level managers	Executives
Business experience	General	Introductory and on-the-job training				
	Finance	Secondment to domestic/overseas financial institutions				
	IT	Secondment to system vendors, IT consulting firms, etc.				
	Global	Experience in overseas offices		Secondment to related overseas institutions		
Training	Career nurturing Self-improvement	JPX College (community where employees mutually teach and learn) Career support training*, employee-led training on specific topics, diagonal mentorship program**, discussion community***, etc. "Career design support" program (up to JPY 300,000 annually), incentive program for acquiring qualifications				
	Career development training	Graduate training	Younger employee training	Pre-management training	New manager training	Mid-level manager training
	Legal compliance	Information security training				
	Diversity	Training on harassment and bullying, the JPX Code of Conduct, and compliance				
	Securities	Support for acquisition of securities analyst certification				
	IT	Online training, qualification maintenance training, training for new IT staff, training within IT divisions Group training   Quality control training, IT professional training Training for DX/digital personnel development				
	Global	Intensive language learning programs, support for TOEIC exams				
	Studying abroad	Sponsored MBAs at domestic and overseas universities				
	Others	Healthcare seminars (sleep, diet, exercise, etc.)		Self-care training   Career/life planning seminars		

\*Career support training: training in which an employee lectures on the missions and duties of a particular department and their own career path, for example.

\*\*Diagonal mentorship program: mentoring system designed to foster the building of "diagonal relationships" within the organization regardless of department.

\*\*\*Discussion community: a community where employees can comfortably discuss with other employees about their past experiences on certain projects, how they approach work, or other topics, and gain insights while interacting with other employees.

## Enabling All Employees to Demonstrate their Abilities

JPX Group engages in various initiatives to ensure active participation of a wide range of employees regardless of gender, nationality, age, or other characteristics. With respect to encouraging active participation of women in the workplace, we have set promotion targets with the goal of increasing the number of female managers to at least 50 by FY2025 (approximately 1.5 times the number in FY2021) and to at least 70 by FY2030 (approximately double the number in FY2021).

In April 2022, JPX Group appointed its first internally promoted female officer.

Furthermore, three female employees are serving at the department/section director level, and the number of women in managerial positions has steadily increased in recent years.

There are 48 female managers as of April this year, and the ratio of female managers is 9.0%.

## Employee Health and Safety

JPX Group conducts employee engagement surveys, with the results indicating high levels of employee engagement again in FY2023. The work engagement score reflecting vitality, passion, and immersion in work was 76% (75% in FY2022; percentages reflect positive responses) and the organizational engagement score reflecting attachment and sense of belonging to the company was 78% (78% in FY2022) (based on data from the company contracted to conduct the survey).

In the future, we will keep striving to maintain and improve these engagement scores.

In FY2023, our efforts to promote health management have involved strengthening related systems, for example establishing the cross-departmental Wellness Promotion Committee and the Wellness Promotion Group within the Human Resources Department to engage in initiatives related to health management and disseminate information internally.

In the future, we will focus on carrying out activities to prevent sickness and injury, in order to create an environment in which each and every employee can demonstrate their abilities to the fullest.

## Engagement Survey and Health Management Promotion

Classification	Item	FY2023
Engagement survey	Work engagement score	76%
	Organizational engagement score	78%
Health management promotion	Number of sick or injured employees*	9
	Stress check score (overall health risk**)	83

\*The number of employees with an illness that forced them to take a long-term absence (one month or more) or a leave of absence from work

\*\*The average score is 100 and lower is better; a score of 80 or less is considered good.

## Corporate Culture and Mindset

Premised on the notion that developing the corporate culture and other such underlying shared values is important in ensuring that all employees demonstrate their abilities to the fullest, JPX Group has identified the following elements as "key strengths of corporate culture to uphold going forward" and "mindsets to further encourage going forward."

### Key strengths of corporate culture to uphold going forward

- Permeation and appeal of the corporate philosophy
- Sense of duty for stable market operations
- Openness

### Mindsets to further encourage going forward

- Self-growth
- Pioneering spirit

Personal mindsets

- Contributing to the organization
- Developing subordinates and juniors

Organization/ team mindsets

Given that our corporate culture is one of our strengths, we make absolutely sure it is passed on through, for example, arranging opportunities for dialogue between management and employees and promoting opportunities for communication among employees.

While this corporate culture is passed on, we believe it is important to instill awareness of and further cultivate the mindsets of "self-growth," "pioneering," "contributing to the organization," and "developing subordinates and juniors," and we encourage the firm establishment and extension of these through the employee evaluation system, among other things.

### → Toward the Success of All Employees

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

## HR-Related Data

	FY2019	FY2020	FY2021	FY2022	FY2023
Ratio of employees undergoing annual health check	80.2%	65.1%	92.3%	96.5%	94.0%
Ratio of employees who smoke	12.1%	11.9%	9.8%	10.6%	9.5%
Ratio of employees answering annual stress check survey	91.4%	91.1%	90.6%	95.2%	97.2%
Number of sick or injured employees	6	6	3	1	9
Average overtime hours*	23 hours and 52 minutes	27 hours and 35 minutes	28 hours and 15 minutes	27 hours and 46 minutes	24 hours and 55 minutes
Average days of paid leave taken (usage rate)**	14.4 days (72%)	12.0 days (60%)	12.2 days (61%)	12.6 days (63%)	14.0 days (70%)

\*Hours worked outside of contracted working hours

\*\*Annual paid leave (excluding other types of leave)

## Employee Data

	FY2019	FY2020	FY2021	FY2022	FY2023
<b>No. of employees</b> (some employees may be counted in more than one category)					
Total	1,208	1,197	1,193	1,224	1,236
Male	875 (72.4%)	859 (71.8%)	843 (70.7%)	861 (70.3%)	863 (69.8%)
Female	333 (27.6%)	338 (28.2%)	350 (29.3%)	363 (29.7%)	373 (30.2%)
Non-Japanese	16 (1.3%)	19 (1.6%)	18 (1.5%)	17 (1.4%)	16 (1.3%)
Mid-career hires	331 (27.4%)	336 (28.1%)	393 (32.9%)	389 (31.8%)	388 (31.4%)
<b>No. of hires</b>					
New graduates	26	25	25	27	30
Female	12	11	11	12	12
Non-Japanese	1	1	0	0	0
Mid-career hires	15	13	18	25	13
Female	3	0	4	10	3
Non-Japanese	2	0	0	0	1
<b>No. of voluntary resignations</b>					
All (% of all employees)	11 (0.9%)	10 (0.8%)	18 (1.5%)	9 (0.7%)	21 (1.7%)
Male	7	8	14	7	16
Female	4	2	4	2	5
<b>Average years of service</b>					
All	17.1	17.4	17.4	17.6	17.7
Male	16.4	16.9	16.9	17.3	17.5
Female	18.4	18.7	18.6	18.3	18.2

Notes: 1. All figures are as of the respective ends of the fiscal year.

2. Individual measures related to human capital management and data related to human capital pertain to JPX and its core subsidiaries (excluding persons such as those temporarily assigned by JPX or any of its core subsidiaries to outside entities and those dispatched from temporary staffing agencies, but including persons temporarily assigned by outside entities to JPX or any of its core subsidiaries, employees on non-regular contracts such as those rehired after mandatory retirement, and persons on maternity/childcare leave).

# Trading Participants

## Approach

Through "Facilitating Cycle of Corporate Innovation/Growth and Asset Formation," a key focus area in the Medium-Term Management Plan 2024, we will strive to enhance the attractiveness and global competitiveness of the Japanese market and conduct sustainable market operations. Toward this end, it is essential to build trust-based cooperative relationships with trading participants.

JPX Group 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

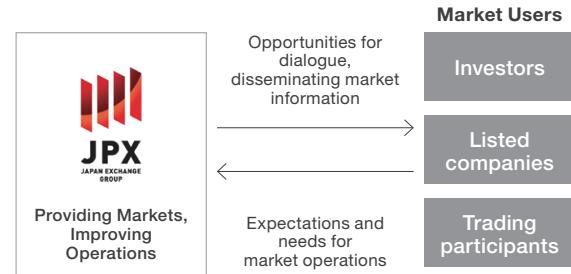
Market operator Tokyo Stock Exchange (TSE) has established a Market Operating Committee as an advisory unit to the board of directors composed of outsiders from academia, securities companies, institutional investors, and other areas of expertise. With the aim of creating even more convenient markets, outside expert opinions are considered in decisions on important matters, such as listing new products, establishing new markets, and revising rules or frameworks.

#### Trading Hours Extension

Furthermore, in order to respond to changes in the environment surrounding the market and the diversifying needs of investors, TSE established a "Working Group for Strengthening the Functions of the Cash Equity Market" and held discussions with market users on measures for strengthening the functions of the cash market from May 2021 to October 2021.

Based on the discussions with the working group, TSE plans to extend trading hours by 30 minutes (change the closing time of the cash market session from 3.00 p.m. to 3.30 p.m.) in conjunction with the upgrade of the cash equity trading system (arrowhead) on November 5, 2024, to maximize investors' trading opportunities.

#### Mutual Understanding through Dialogue



The trading hours extension will have an impact on post-session follow-up operations of investment trusts and others. Therefore, to enable smooth implementation of the new rules, TSE will strive to assess the impact on operations and status of preparations by establishing a regular meeting body with the Investment Trusts Association, Japan (JITA) and the Trust Companies Association of Japan to share information regarding the status of their response and by conducting interviews with market users.

TSE will continue to implement a range of initiatives to realize a more convenient trading environment while placing importance on communication with market users.

# Business Partners

## Approach

We will proactively expand into new fields in order to evolve G-HUB into a global, comprehensive finance and information platform which provides solutions for a wide range of societal issues.

Through collaboration with a wide range of business partners possessing the necessary skills and expertise, we will work to expand data services and advance digitalization to create a diverse range of market services that contribute to achieving a sustainable society and economic development.



### Initiatives

#### Collaboration With SCRIPTS Asia, K.K. and Minsetsu, Inc. to Promote Dialogue Between Investors and Listed Companies

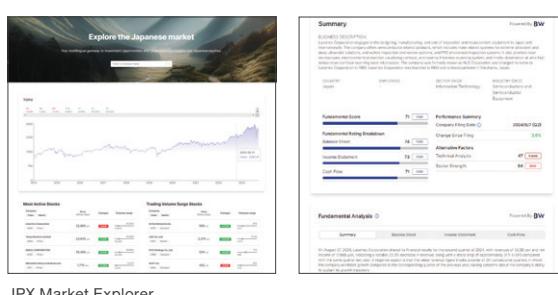
In July 2022, we concluded a capital and business alliance with Minsetsu, Inc., which operates an IR communication platform called "Minna no Setsumeikai" ("Everyone's Briefing") that provides opportunities for individual meetings between investors and listed companies. In February 2023, we made SCRIPTS Asia, K.K., which prepares minutes of investor events conducted by listed companies and rapidly translates them into English for mass distribution, into a wholly-

owned subsidiary. By creating an environment that efficiently allows for opportunities for dialogue, and by improving operational efficiency of and expanding the volume of information used in IR, we will promote constructive dialogue between investors and listed companies, and in so doing contribute to medium- to long-term improvements in corporate value and corporate governance of listed companies.

#### Collaboration With Bridgewise to Assist Listed Companies in Disseminating Information

In March 2024, in collaboration with Bridgewise, a generative AI service provider, we began offering on a trial basis JPX Market Explorer, which provides corporate information and financial analysis reports on TSE-listed companies in English and ten other languages. There are currently more than 3,900 companies listed on TSE, and it is difficult for human analysts to cover all of them. However, by utilizing the technology of generative AI, it is possible to quickly analyze and provide an overwhelming volume of information. By disseminating this information in multiple languages, we aim to help investors in Japan and overseas gather information, thereby improving the

attractiveness and competitiveness of the Japanese stock market.



# Corporate Governance

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

## Fundamental Views

In order to implement management in line with its corporate philosophy (page 2), JPX Group is aware of the importance of having its stakeholders understand its corporate philosophy and corporate activities. Therefore, JPX Group has established fundamental views on corporate governance from the following four perspectives. Based on these fundamental views, JPX Group is committed to developing its corporate governance system appropriately based on each principle in Japan's Corporate Governance Code.

### 1. Corporate Philosophy and Social Mission

JPX Group operates markets which are public assets and its social mission is to pursue sustainable development of its markets.

### 2. Enhanced Corporate Value

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

### 3. 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 market users including investors, and that maintaining and enhancing such support and confidence will build the foundations for sustainable development of its markets.

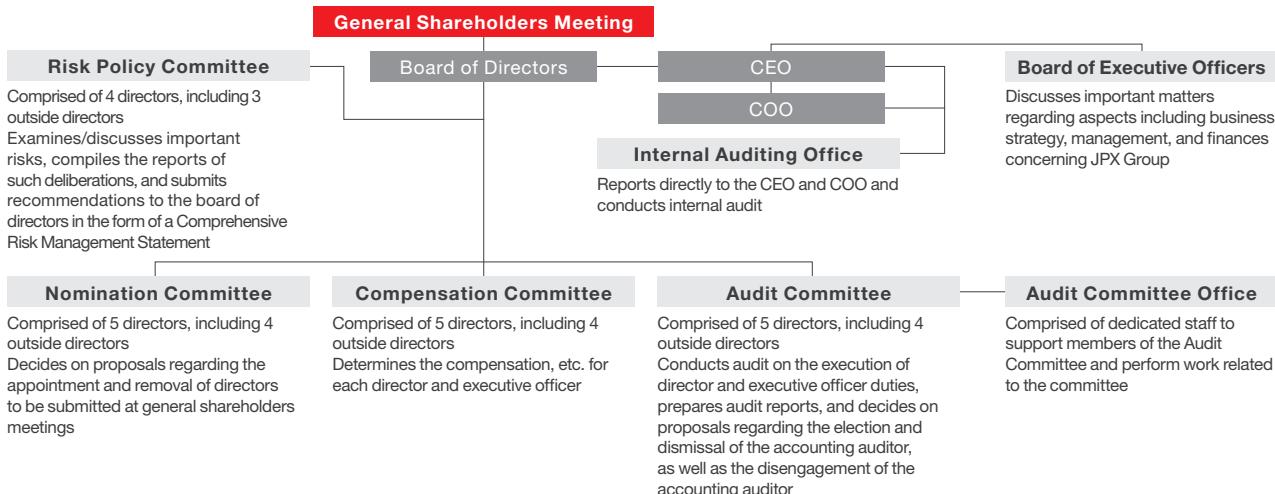
### 4. Effective Corporate Governance

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

## Corporate Governance System

JPX Group clearly segregates the management oversight and supervision functions from the business execution functions, and adopts the structure of a Company with Three Committees to strengthen oversight and supervision functions and raise the transparency of management.

Corporate Governance System Diagram



## Supervisory Matters of the Board of Directors

In addition to making decisions on basic management policies and important matters, the board of directors is composed of a majority of outside directors in order to improve management transparency and accountability and enhance supervision of the appropriateness of business execution, and is mainly responsible for the following supervisory functions.

### (i) Management strategy

The board of directors monitors whether the Group's management strategies, including the Medium-Term Management Plan, are consistent with the Group's goal of increasing corporate value while fulfilling its social mission as a core infrastructure of the Japanese market based on JPX's corporate philosophy. In order to enhance the effectiveness of this, the board of directors discusses updates to the Medium-Term Management Plan for each fiscal year, monitors progress, and holds regular discussions with the Group CEO, as well as the president & CEOs of major business subsidiaries.

### (ii) Risk management

The board of directors supervises JPX's risk management in recognition that maintaining sound and stable business operations is crucial for JPX Group to continue raising corporate value while fulfilling its public role as a market operator. In order to enhance the effectiveness of this, the Risk Policy Committee, which consists primarily of outside directors, identifies the significant risks such as system risk and accident/disaster (BCP) risk for each fiscal year and establishes basic policies for responses to each significant risk in a Comprehensive Risk Management Statement. This is then brought to a resolution by the board of directors. In addition, JPX receives reports on the status of company-wide risk management through the Risk Management Committee, which has been established on the executive side.

### (iii) ESG (sustainability)

The board of directors monitors the status of initiatives regarding ESG (sustainability) based on the belief that, in addition to responding to JPX Group's own ESG issues as a Group, by supporting the initiatives of the listed companies and investors that are its stakeholders from the perspective of financial and capital markets, the Group is contributing to the sustainable development of the market and the realization of a prosperous society. Specifically, the board of directors passes resolutions on environmental policies and human rights policies and receives reports on the status of responses and important matters in line with those policies.

## Composition of the Board of Directors

In order to reflect the opinions of diverse stakeholders in management and market operations, JPX has a basic policy of appointing directors with a diversity of expertise and experience, and in addition to appointing a majority of independent directors, striving to increase its proportion of female directors to at least 30%.

In addition, considering JPX's management strategy and the characteristics of JPX's business as a core infrastructure of the Japanese market, JPX identifies the following as expertise required of its directors: experience as a corporate manager; knowledge of JPX's business (finance, technology, etc.); expertise in financial accounting or auditing; expertise in law or risk management; and advanced academic experience or knowledge of government agencies, etc.

From the viewpoint of fully exercising the management oversight and business execution functions and ensuring appropriate and efficient operations as a board of directors, the board of directors consists of 15 members, of whom three are women and nine are independent. The breakdown of the nine independent directors of JPX is as follows: four corporate managers, one legal expert, one certified public accountant, and three researchers

or former officials of administrative bodies. Each director has considerable experience and insight in his/her respective field and contributes to a structure that allows for multifaceted external perspectives to be readily incorporated into the management of JPX. The ratio of female directors is 20%, but we aim to increase this to at least 30% by 2025. Please refer to P. 73 "Directors" for details on the directors and their expertise.

Expertise	Our Views
Corporate Management	We believe that in order to practice management oversight of the Group with a high degree of sensitivity, it is necessary to have directors with experience as corporate managers. Since listed companies in particular are among the Group's key stakeholders, we believe it is necessary for the board of directors to include directors who have experience in the management of listed companies.
Finance	We believe that directors with broad financial expertise are necessary to oversee the management of the Group, whose business is the operation of the core infrastructure of financial and capital markets.
Accounting, Audit	We believe that directors with expertise in financial accounting and auditing are necessary to oversee the proper and efficient execution of the Group's business.
Legal Affairs, Risk Management	Within the rapidly changing business environment surrounding the Group, we believe that directors with expertise in law and risk management are necessary to oversee appropriate risk management.
Researcher, Government Agencies	We believe that directors with advanced academic experience or knowledge of government agencies or similar organizations are necessary to oversee the management of the Group, in aiming to create new services and achieve more sophisticated use of information while operating financial and capital markets in consideration of public visibility and public interest.
Technology	We believe that the stability and reliability of trading systems and other systems are essential for the stable operation of financial and capital markets, and that directors with broad knowledge of technology are necessary to oversee the management of the Group, which is oriented toward the expansion of data and digital businesses.

## Nomination, Compensation, and Audit Committees

As required by law, JPX Group 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. The Group 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 outside directors. Additionally, there is an Audit Committee Office to assist the committee members in the performance of their duties.

Time Spent in Deliberation:

1,053 minutes

Number of Items Approved:

18

## Risk Policy Committee

JPX Group has a Risk Policy Committee with the aim of further improving its corporate governance by bringing an outside perspective to risk management. The committee consists mainly of outside directors. For further information on JPX Group's risk management systems, including

information on the details of activities of the Risk Policy Committee, please refer to "Risk Management" on page 79.

## Independent Directors Committee

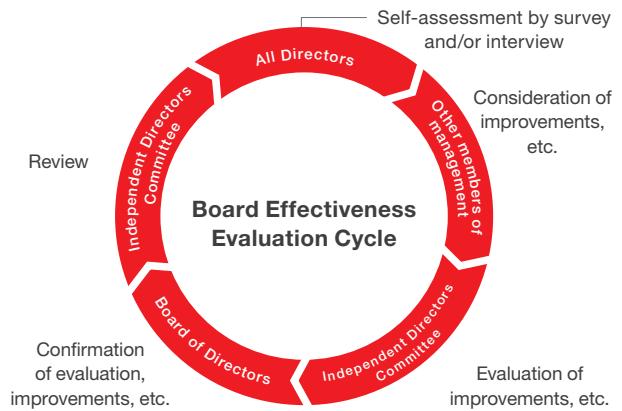
JPX has an Independent Directors Committee as a corporate organ composed exclusively of part-time independent directors to allow them to exchange information and form consensus among themselves. The committee helps independent directors to better perform management oversight and facilitates active discussion at board of directors meetings.

Objectives	For part-time independent 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 details of discussions at committee meetings to the chairperson of the board, the Group CEO, and other members of management.

## Evaluating the Effectiveness of the Board of Directors

As an annual process, JPX carries out a cycle of analysis and evaluation of the board of directors' effectiveness, as well as that of the Nomination, Compensation, and Audit Committees. To increase the objectivity and transparency of the evaluation process, we utilize the Independent Directors Committee, enabling us to actively incorporate the opinions of independent directors in our efforts to improve governance.

For information on the evaluation process, an overview of evaluation results and other related matters, please refer to JPX's Corporate Governance Report (<https://www.jpx.co.jp/english/corporate/governance/policy/index.html>).



## Training for Outside Directors

Each of the JPX Group 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 Group holds lectures and observation sessions based on rulebooks and other resources, discussion workshops where they can keep up to date on knowledge and information regarding the exchange business, and events to exchange views with external experts on subjects such as the global financial landscape, risk management, and fintech.

## Succession Plan

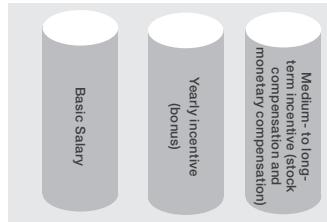
The Representative Executive Officer, Group CEO of JPX is selected by a resolution of the board of directors based on a proposal by the Nomination Committee, which is in accordance with predetermined CEO Personnel Requirements. In terms of the actual selection process, the Nomination Committee makes its selection in accordance with the Succession Plan, which is based on the CEO Personnel Requirements. In implementing the Succession Plan, the Nomination Committee members monitor multiple candidates for succession, narrow down the list of candidates, and make a final decision on the candidates for the next CEO. JPX's policy is for the Nomination Committee to work with the board of directors on an ongoing basis to consider how to make the Succession Plan more appropriate.

## Director and Executive Officer Compensation and Factors for Determining Compensation

Based on the below ① Basic policy of compensation for directors and executive officers, compensation is comprised of a. basic salary, b. yearly incentive (bonus), and c. medium- to long-term incentive (stock compensation and monetary compensation).

### Components of Compensation for Directors and Executive Officers

Note: The ratio of the components of the CEO and executive officers' compensation package is as indicated in ② Ratio of the components of the CEO and executive officers' compensation package.



Note that compensation awarded to directors who do not concurrently serve as executive officers is limited to a. basic salary.

### 1 Basic policy of compensation for directors and executive officers

In order to contribute to the sustainable growth of JPX and the improvement of corporate value over the medium to long term, compensation for directors and executive officers shall be determined in accordance with the following policy:

It should be appropriate for the duties and responsibilities of the directors and executive officers, etc.

It should motivate the achievement of the long-term vision and management plan

It should maintain enough competitiveness to secure the human resources necessary to steadily implement JPX's corporate philosophy

In view of our responsibility as a part of social infrastructure, it should be appropriate in light of social conditions, and ensure objectivity and transparency of decision-making procedures, etc.

The details of each type of compensation are as follows.

#### a Basic salary

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

#### b Yearly incentive (bonus)

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

indicated in the consolidated statement of income). Net income is used as the metric as it is the source of investment aimed at increasing 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.

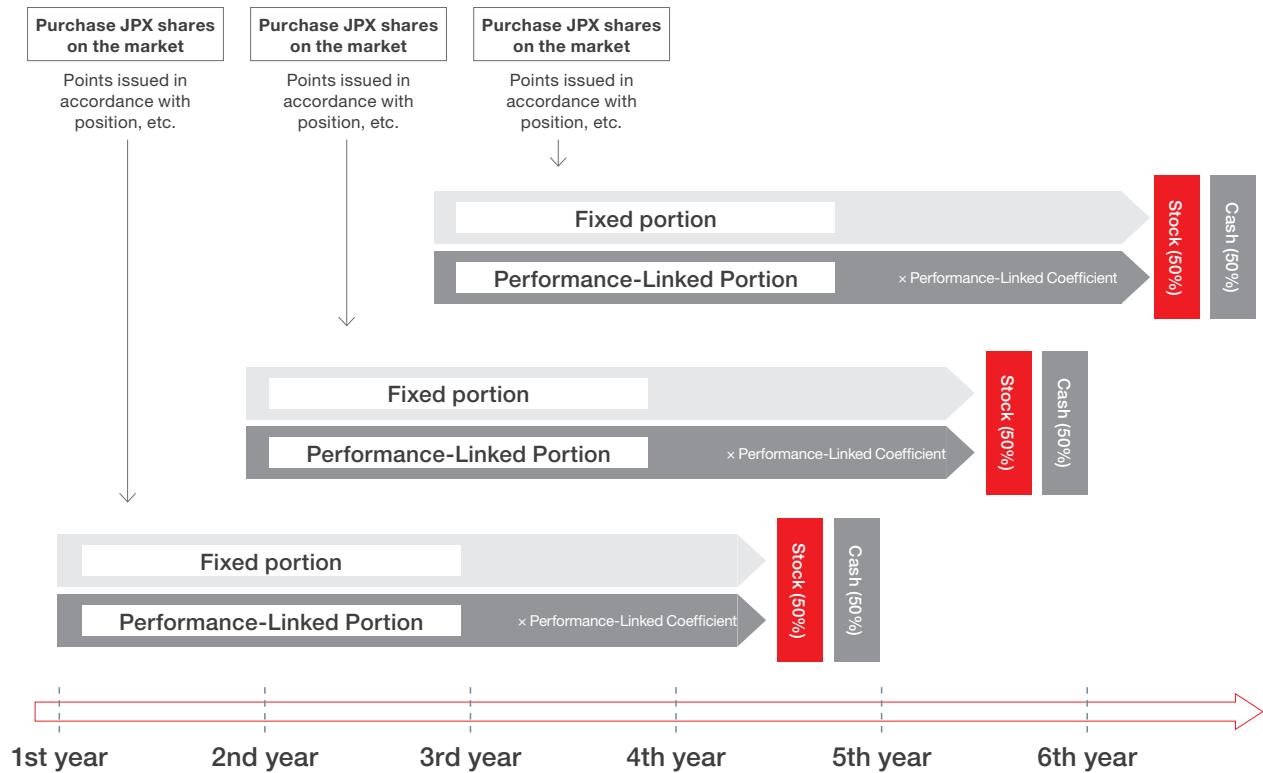
#### c Medium- to long-term incentive (stock compensation and monetary compensation)

The medium- to long-term incentive (stock compensation) is paid to executive officers with the aim of aligning the interests of executives closer to those of shareholders, providing motivation for corporate value enhancement over the medium to long term, and strengthening the link between performance and compensation. JPX stock compensation 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 shares 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, shares are awarded corresponding to the final tally of performance-linked points, which is

## Image of Stock Compensation Plan



## Terms and conditions regarding performance pertaining to performance-linked portion of medium- to long-term incentive (stock compensation)

	Consolidated ROE			
	Below 10%	10% to under 14%	14% and above	
Total Shareholder Returns (TSR) VS JPX-Nikkei 400 (total return)	<b>Outperform</b>	Performance-Linked Coefficient <b>50%</b>	Performance-Linked Coefficient <b>100%</b>	Performance-Linked Coefficient <b>150%</b>
	<b>Underperform</b>	Performance-Linked Coefficient <b>0%</b>	Performance-Linked Coefficient <b>50%</b>	Performance-Linked Coefficient <b>100%</b>

calculated by multiplying the performance-linked base points with a performance-linked coefficient based on the degree of achievement of certain performance conditions. The performance-linked coefficient is set within a 0–150% range, based on the above conditions: (i) JPX Group'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.

In accordance with JPX's rules for executive officers, in principle, shares in JPX acquired through stock compensation, etc. may not be sold until one year has elapsed from the time of departure from JPX. Furthermore, based on the share delivery regulations, in

the event of any misconduct on the part of the officer to whom the stock compensation is granted, delivery of shares, etc. not yet delivered shall be canceled, and in the case where delivery has been made, a request for the return of the amount equivalent to the delivery may be made to the officer.

The medium- to long-term incentive (monetary compensation) is awarded to executive officers in line with the performance of consolidated ROE and sustainability measures set out in the Medium-Term Management Plan 2024.

This incentive will be maximized if either consolidated ROE for the last fiscal year of the Medium-Term Management Plan or the average consolidated ROE over the three years of the Plan is 15% or higher. In the event both are less than 15%, the amount paid shall be based on the average consolidated ROE over three years, provided that the consolidated ROE for each fiscal year is at least 10%. The amount of incentive for each executive officer will be decided based on their respective positions.

In addition, with respect to the sustainability measures specified in the Medium-Term Management Plan 2024 (promoting sustainability using market mechanisms, achieving carbon neutrality as a corporation, achieving carbon neutrality in securities market operations by 2030, etc.), if the plan has been achieved by the end of the Medium-Term Management Plan 2024, the final incentive amount will be calculated by multiplying the incentive amount calculated based on the degree of achievement of the aforementioned consolidated ROE by a factor of 2 for the Group CEO and 1.5 for the other executive officers.

JPX is a Company with Three Committees. It has established a statutory Compensation Committee for the purpose of ensuring transparency and objectivity concerning compensation paid to directors and

executive officers. JPX's Compensation Committee is made up of a majority of independent directors and chaired by an independent director. Based on laws and regulations, the Compensation Committee has the authority to establish the policy concerning decisions on the details of compensation for each director and executive officer and the authority to decide the details of compensation for each director and executive officer based on said policy. For FY2023, the Compensation Committee decided the details of the compensation for each director and executive officer after appropriate discussion based on the above policy determined by the Compensation Committee. JPX considers the compensation to be in line with the above policy.

## 2 Ratio of the components of the CEO and executive officers' compensation package

Compensation for the CEO and executive officers consists of basic salary, yearly incentive (bonus) and medium- to long-term incentive. The right table shows the ratio of the components of the CEO's and executive officers' compensation packages, assuming the earnings forecast announced on April 30, 2024.

### Ratio of the components of the executive officers' compensation package

	Basic Salary	Annual Incentive	Medium- to Long-Term Incentive
CEO	30	25	45
Executive Officers Excluding CEO	40	30	30

Note: Percentages are based on the assumption that the performance-linked coefficient for stock compensation is 100% and that one year's worth for FY2023 of medium- to long-term incentive related to achievement of the Medium-Term Management Plan has been included.

### Compensation paid to directors and executive officers

Director/ Executive Classification	Total Compensation (JPY million)	Total Compensation by Category (JPY million)					Eligible Number of Executives	
		Basic Salary	Annual Incentive	Medium- to Long-Term Incentive				
				Stock Compensation	Performance- Linked Portion	Monetary Compensation (Degree of Achievement of the Medium-Term Management Plan)		
Directors (excluding Outside Directors)	55	55	-	-	-	-	2	
Executive Officers	590	219	181	126	56	6	7	
Outside Directors	204	204	-	-	-	-	12	

Notes:

1. JPX does not pay director compensation to directors who concurrently serve as executive officers.
2. Of the executive officers, those who also serve as representative directors of Tokyo Stock Exchange, Inc., Osaka Exchange, Inc., JPX Market Innovation & Research, Inc., Tokyo Commodity Exchange, Inc., and Japan Securities Clearing Corporation are not included in the Eligible Number of Executives.
3. The above table includes one director (excluding outside directors) and two outside directors who retired at the conclusion of the Annual General Shareholders Meeting held on June 16, 2023.
4. It is company policy that outside directors purchase shares of JPX from their basic salary through the Officers' Shareholding Association.
5. Bonuses are paid at, mainly, an amount that is in correlation with JPX's net income for the year under review and are not paid if net income fails to reach JPY 10.0 billion. Net income for the year under review was JPY 60,822 million.
6. Concerning the indicators used for the performance-linked portion of stock compensation, consolidated ROE comprises a two-tier target of 10% or more and 14% or more, and the performance-linked coefficient changes depending on the level of achievement. Concerning Total Shareholder Return (TSR), the target is for TSR to outperform the growth rate of the JPX-Nikkei Index 400 (total return index). The amount of the aforementioned stock compensation is the amount among the stock compensation for FY2020 to FY2023 that is recorded as an expense in the fiscal year. Of that, the indicators for stock compensation granted in FY2020 were as follows: consolidated ROE was 14.7%, and the three-year TSR of JPX's shares underperformed the growth rate of the JPX-Nikkei Index 400 (total return index) over the same period. Accordingly, the performance-linked coefficient was 100%.
7. With respect to monetary compensation related to the degree of achievement of the Medium-Term Management Plan, executive officers who retire on March 31, 2024 will be paid an amount commensurate with their tenure. The amount paid based on consolidated ROE will reach a maximum if consolidated ROE reached 15% or more during their term of office under the current Medium-Term Management Plan. Since consolidated ROE was 19.0% in FY2023, the maximum payment amount was reached. In addition, as the sustainability measures promoted under the Medium-Term Management Plan all made steady progress in FY2023, an additional amount will be added to reflect this.
8. The bonus, the performance-linked portion of the stock compensation, and the monetary compensation related to the degree of achievement of the Medium-Term Management Plan fall under "performance-linked compensation, etc." provided for by the Regulations for Enforcement of the Companies Act, and stock compensation falls under "non-monetary compensation, etc." provided for by the same Act.

# Directors



Director and Representative Executive Officer, Group CEO  
**Yamaji Hiromi**

It has been deemed that Mr. Yamaji can be expected to perform his role in a way in which his abundant experience of and insight into the securities markets, acquired through working at a securities company, and his experience and knowledge gained from leading JPX Group as Director and Representative Executive Officer, Group CEO are reflected in the management of JPX Group.

Significant Concurrent Position(s)  
Director, Tokyo Stock Exchange, Inc.  
No. of JPX shares held 72,720 shares



Director and Executive Officer  
**Yokoyama Ryusuke**

It has been deemed that Mr. Yokoyama can be expected to perform his role in a way in which his experience and knowledge in management and oversight of the overall business and operations of Osaka Exchange, Inc. and Tokyo Commodity Exchange, Inc., core subsidiaries of JPX engaging in operation of derivatives markets, are reflected in the management of JPX Group.

Significant Concurrent Position(s)  
President & CEO, Osaka Exchange, Inc.; Representative Director & Chair, Tokyo Commodity Exchange, Inc.  
No. of JPX shares held 41,424 shares



Director and Executive Officer  
**Konuma Yasuyuki**

It has been deemed that Mr. Konuma can be expected to perform his role in a way in which his experience and knowledge in management and oversight of the overall business and operations of Japan Securities Clearing Corporation, which is a clearing house for listed stocks, derivatives, and other products, are reflected in the management of JPX Group.

Significant Concurrent Position(s)  
President & CEO, Japan Securities Clearing Corporation  
No. of JPX shares held 42,259 shares



Independent Director  
**Endo Nobuhiro**

It has been deemed that Mr. Endo can be expected to perform his role in a way in which his capacity to identify with JPX's corporate philosophy and social mission, as well as his abundant experience and keen insight in corporate management and system networks, are reflected in the management of JPX Group.

Significant Concurrent Position(s)  
Executive Advisor, NEC Corporation; Member, Board of Directors (Outside), Sumitomo Pharma Co., Ltd.; Outside Director, Tokio Marine Holdings, Inc.; Outside Director, Nisshin Seifun Group Inc.; Outside Director, Kikkoman Corporation  
No. of JPX shares held 9,500 shares



Independent Director  
**Kama Kazuaki**

It has been deemed that Mr. Kama can be expected to perform his role in a way in which his capacity to identify with JPX's corporate philosophy and social mission, as well as his abundant experience and keen insight in corporate management and finance and accounting are reflected in the management of JPX Group.

Significant Concurrent Position(s)  
Honorary Advisor, IHI Corporation; Outside Director, Daiichi Sankyo Company, Limited.  
No. of JPX shares held 2,700 shares



Independent Director  
Chairperson of the Board of Directors  
**Kinoshita Yasushi**

It has been deemed that Mr. Kinoshita can be expected to perform his role in a way in which his capacity to identify with JPX's corporate philosophy and social mission, as well as his abundant experience and insight in corporate management and government institutions and insight in financial policy, financing, and economics in general, are reflected in the management of JPX Group.

No. of JPX shares held 600 shares



Director and Representative Executive Officer, Group COO  
**Iwanaga Moriyuki**

It has been deemed that Mr. Iwanaga can be expected to perform his role in a way in which his experience and knowledge gained from leading JPX Group as Director and Representative Executive Officer, Group COO are reflected in the management of JPX Group.

Significant Concurrent Position(s)  
President & CEO, Tokyo Stock Exchange, Inc.  
No. of JPX shares held 56,135 shares



Director and Executive Officer  
**Miyahara Koichiro**

It has been deemed that Mr. Miyahara can be expected to perform his role in a way in which his experience and knowledge in management and oversight of JPX Market Innovation & Research, Inc., which is the core of the strategic business development of JPX Group centered on index, data, and digital services, are reflected in the management of JPX Group.

Significant Concurrent Position(s)  
President & CEO, JPX Market Innovation & Research, Inc.  
No. of JPX shares held 62,018 shares



Independent Director  
**Philippe Avril**

It has been deemed that Mr. Avril can be expected to perform his role in a way in which his capacity to identify with JPX's corporate philosophy and social mission, as well as his experience and insight in domestic and international financial and capital markets, and his experience in holding key posts at financial institutions and industry associations in various countries, are reflected in the management of JPX Group.

Significant Concurrent Position(s)  
Senior Executive Officer, International Bankers Association of Japan; Board Member, The Organization of Global Financial City Tokyo  
No. of JPX shares held 0 shares



Independent Director  
**Ota Hiroko**

It has been deemed that Ms. Ota can be expected to perform her role in a way in which her capacity to identify with JPX's corporate philosophy and social mission, as well as her abundant experience in government agencies and keen insight in the economy and financial policy, are reflected in the management of JPX Group.

Significant Concurrent Position(s)  
President, National Graduate Institute for Policy Studies  
No. of JPX shares held 1,700 shares



Independent Director  
**Sumida Sayaka**

It has been deemed that Ms. Sumida can be expected to perform her role in a way in which her capacity to identify with JPX's corporate philosophy and social mission, as well as her keen insight in corporate accounting from the standpoint of an accounting professional, are reflected in the management of JPX Group.

Significant Concurrent Position(s)  
Outside Director, Audit and Supervisory Committee Member, Advantest Corporation; Outside Audit & Supervisory Board Member, Furukawa Electric Co., Ltd.  
No. of JPX shares held 0 shares



**Independent Director  
Takeno Yasuzo**

It has been deemed that Mr. Takeno can be expected to perform his role in a way in which his capacity to identify with JPX's corporate philosophy and social mission, as well as his keen insight in corporate law from his expert perspective as legal professional, are reflected in the management of JPX Group.

Significant Concurrent Position(s)

Attorney-at-Law/Partner, Mori Hamada & Matsumoto

No. of JPX shares held 4,800 shares



**Independent Director  
Teshirogi Isao**

It has been deemed that Mr. Teshirogi can be expected to perform his role in a way in which his capacity to identify with JPX's corporate philosophy and social mission, as well as his abundant experience and keen insight in corporate management, are reflected in the management of JPX Group.

Significant Concurrent Position(s)

Representative Director, President and CEO, Shionogi & Co., Ltd.; Outside Director, Sumitomo Mitsui Banking Corporation; Outside Director, AGC Inc.

No. of JPX shares held 0 shares



**Independent Director  
Matsumoto Mitsuhiro**

It has been deemed that Mr. Matsumoto can be expected to perform his role in a way in which his capacity to identify with JPX's corporate philosophy and social mission, as well as his abundant experience and keen insight in law enforcement, are reflected in the management of JPX Group.

Significant Concurrent Position(s)

Outside Audit & Supervisory Board Member, Daiichi Sankyo Company, Limited.

No. of JPX shares held 400 shares



**Director  
Lin Kay**

It has been deemed that Ms. Lin's abundant knowledge and experience regarding all aspects of the exchange business and her experience working at other companies can be expected to benefit the monitoring and supervision of the execution of business at JPX Group.

No. of JPX shares held 11,968 shares

Biographies of Directors

<https://www.jpx.co.jp/english/corporate/about-jpx/officer/00-01.html>

Information on the composition of the Nomination, Compensation and Audit Committees and JPX Group's business execution structure (list of executive officers)

<https://www.jpx.co.jp/english/corporate/about-jpx/officer/index.html>

**Areas of Expertise of Directors and Attendance at Board and Committee Meetings**

Time spent in deliberation: 1,053 minutes  
Number of items approved: 18

Name	Corporate management	Finance	Accounting/Audit	Legal affairs/Risk management	Research/Government Agencies	Technology	Board of Directors	Committees				
								Nomination	Compensation	Audit	Risk Policy	Independent Directors
Kinoshita Yasushi	●	●			●		9/9					
Yamaji Hiromi	●	●					11/11	● 6/6	● 3/3		●	
Iwanaga Moriyuki	●	●					11/11					
Yokoyama Ryusuke	●	●					9/9					
Miyahara Koichiro	●	●					9/9					
Konuma Yasuyuki	●	●					9/9					
Philippe Avril	●	●					New	●	●			●
Endo Nobuhiro	●				●		10/11	■ 8/8				■
Ota Hiroko		●			●		11/11		● 3/3	■ 13/13		●
Kama Kazuaki	●		●				9/9		■ 2/2	●		●
Sumida Sayaka			●				New			●	●	●
Takeno Yasuzo				●			11/11	● 6/6		2/2	■	●
Teshirogi Isao	●						New	●	●			●
Matsumoto Mitsuhiro				●	●		9/9			● 11/11	●	●
Lin Kay		●					New			●		

Note: The figures in the table show meetings attended/meetings held in FY2023.

■ Committee chairperson ● Committee member



**Endo Nobuhiro**

Chairperson of the Nomination Committee

**Ota Hiroko**

Chairperson of the Audit Committee

**Kama Kazuaki**

Chairperson of the Compensation Committee

- Independent Director Discussion -

Aiming to increase our corporate value  
in line with the expectations of our  
stakeholders

This fiscal year, we spoke with the three independent directors who were newly appointed as the chairpersons for the Nomination Committee, Audit Committee, and Compensation Committee.

## Role of Independent Directors in JPX

**Endo** As an independent director, I place emphasis on discussing medium-term policies from the perspective of "business continuity" as well as checking the appropriateness of current operations. There are two perspectives on continuity that companies should be aware of: "the continuing ability to create value" and "the continuity of platforms for value creation." The term "business continuity" is inextricably linked to the sustainability of wider society. Companies should draw up their own visions of how well-being should look in future society, and based on this, strive to contribute value to society by creating solutions that support the sustainability that it really needs. I believe that, going forward, new business areas related to energy and the green transition could also grow into the core of the exchange, and that solutions with reliable real-time capabilities will be a source of value.

In addition to discussing these areas of value creation, I would also like to proceed with parallel discussions about free and open communication venues that companies should provide as platforms for value creation, and ensuring psychological safety.

**Ota** Because I have no business experience, I was initially hesitant to accept the role of independent director. However, after serving as an independent director for manufacturing companies and financial institutions, I came to realize that companies need diverse, independent perspectives and that utilizing these perspectives can improve the quality of management.

Even the best companies have a kind of "accepted knowledge" within the company or industry, which can sometimes lead to unexpected pitfalls. Therefore, I think it is extremely important for independent directors to speak frankly in their role as the independent perspective without trying to fit in to the consensus, even if they have opposing opinions.

Independent directors all utilize their respective backgrounds to actively voice opinions at each JPX board of directors meeting, fulfilling their role as the independent perspectives. JPX has also made operational improvements such as providing detailed explanations beforehand to allow more time for discussion.

**Kama** I have been involved in management at a heavy industry company. During my term as company president, there were times when market trust was lost, but we got the company back on track by focusing on transforming the corporate culture and emphasizing "honesty, reliability, and integrity."

I also represented the Financial Accounting Standards Foundation and was involved in discussions on how international accounting standards should look in the future.

I was appointed as an independent director of JPX

last year, but prior to that I served as an independent auditor for TSE and JPX Market Innovation & Research, where I filled the role of managing and supervising the business execution of both companies mainly from the perspectives of compliance and legality.

As an independent director at JPX, I believe that my role is to contribute to strategy and decision-making and to manage and supervise business execution.

Based on my experience in management at a company and my background in accounting and finance that I have cultivated over many years, I will actively participate in discussions on strategy and decision-making at board of directors meetings while also fulfilling my management and supervisory roles.

## My Aspirations as a Chairperson

**Kama** This fiscal year I was appointed as the chairperson of the Compensation Committee. In addition to keeping track of the work that the JPX top management carries out, the Compensation Committee also discusses and determines appropriate compensation structures and systems. Debate continues over metrics used to calculate performance-linked compensation.

JPX fulfills an important role in the social infrastructure of Japanese capitalism, but is also expected to continually improve its corporate value as a listed company. In addition, JPX is expected to serve as a role model for listed companies in improving corporate value. In tandem with discussions on the Medium-Term Management Plan for the current fiscal year, we also want to review compensation systems and structures.

Additionally, as a member of the Audit Committee, I will continue to perform management and supervisory functions based on my own skills.

**Endo** The Nomination Committee, of which I am the new chairperson, will be deepening its discussions on the ideal type of people to support the future growth of the company and take on executive roles, as well as human resource development systems for achieving this growth. In particular, as Japan strives to become a global financial center in the future, the handling of information from global markets will become increasingly important, and strengthening the human resources required to handle this task is an urgent issue. The committee has many points to discuss, but we will move forward with support from the Nomination Committee secretariat.

**Ota** In addition to one full-time member, the Audit Committee has four independent directors with diverse backgrounds, including an accounting professional.

In order to provide a high quality independent perspective, I would like to enhance my sensitivity to risk and thoroughly examine the operations of JPX.



## Management Issues for JPX, and Future Outlook

**Ota** I am in my third year as an independent director of JPX. At first, I was disoriented because JPX is different from other companies in that it has two distinct roles: being a social infrastructure with high public visibility, and at the same time, being a listed company supported by shareholders. Before becoming an independent director, I was primarily aware of the first of these roles.

However, these roles are not entirely separate from each other. Both have in common the importance of seeing things from the perspective of users of the financial and capital markets. Developing and providing valuable products and services from the user's perspective will also increase the corporate value of JPX Group as a listed company. We believe that "Exchange & beyond," the basic policy of our Medium-Term Management Plan 2024, aims to achieve exactly this.

I think our future issues are, first, creation of a securities and finance platform that is widely attractive to Asian companies, and second, to strengthen energy-related trading in expected future growth sectors such as electricity and LNG.

Human resources are key to breaking into new fields. Although JPX has many talented employees, it is undeniable that the company is somewhat homogeneous. It is important to create an organizational culture where diverse talent can fully thrive, and to diversify the quality of our talent. In this

regard, I am pleased to see that JPX Group finally has an inside female director who will serve as a full-time member of the Audit Committee.

The Audit Committee aims to ensure that a high level of governance is exercised from both the perspective of enhancing the reliability and transparency of the exchange functions, and the perspective of continued ventures into new business fields. Since Tokyo Stock Exchange is the formulator of the Corporate Governance Code, we aim to create governance functions that can serve as a model for other companies.

Furthermore, because each business in JPX Group has different characteristics, I would like to find ways to understand as much as possible the on-site situation and issues that face each type of operation.

**Endo** As a Comprehensive Exchange, JPX Group provides a platform on which customers can trade with confidence, and ongoing reliability and security, including the trading process, is an important value that JPX provides.

I recognize that one of the roles expected of me in increasing provided value is to provide an ICT perspective, and therefore I pay close attention to daily activities that ensure the reliability and stability of trading systems, such as updating of various systems, process operations, and the design of redundancy into systems. We also discuss the possibilities for new uses of data, which we hold as a valuable asset.

**Kama** Our financial results for FY2023 reached an all-time high, achieving the final year targets of our current Medium-Term Management Plan by the second year of the plan. The projects included in medium-term management are largely progressing according to the plan, and we have a positive view of management efforts. I am also aware that JPX Market Innovation & Research is moving forward with new policies and initiatives.

I believe that the market restructuring, improving corporate governance, and JPX's efforts to strengthen management initiatives that are conscious of cost of capital as well as external communication on this, are having a positive impact on listed companies and the market, and are contributing to the vitality of the Japanese economy and, ultimately, the revival of the country's strength. I think this will also help make the Japanese market more attractive to overseas investors.

As an independent director, I am conscious of the following three issues: ① ensuring stable system operations and achieving rapid recovery in the unlikely event of a failure are essential in order to constantly improve resilience; ② further enhancing our own corporate governance and carrying out reviews and improvements in response to disclosure requests – for sustainability disclosures, for example – are essential in order to become a role model for listed companies; and ③ the markets that JPX operates are an important part of social infrastructure, and therefore we must always be mindful of two aspects when supervising management: the public visibility of JPX and our

profitability as a listed company.

I hope that these issues will be addressed in greater depth during discussions on the next Medium-Term Management Plan, and that efforts towards realizing Target 2030 will progress.

## Expectations for JPX Group

**Endo** During my six years as an independent director, I have been impressed by the caliber of human resources within the Group. As someone who has been involved in corporate management, this is quite enviable. Our recent financial results have also improved significantly thanks to changes in overseas investment trends and the revitalization of the market due to the weak yen. We have high expectations for the future.

At the same time, we will need to put even more effort into creating new businesses that support growth, and into developing business in new areas. There is a saying that describes "instability of stability and stability of instability" within companies. This is because companies in a state of stability tend to forget the inherent instability due to the current stability, and therefore may unknowingly invite an unstable situation by not increasing efforts to maintain stability. On the other hand, companies that conduct business with a constant awareness of instability will be able to continue their business in a stable manner.

I have seen many companies that have suffered from the "instability of stability." I personally keep these words in mind when expressing my opinions at board of directors meetings, and I hope that each and every employee will ponder the meaning of these words



and engage in meaningful discussions with the aim of establishing solid stability through growth. It is my great hope that through these activities a culture will be built in which employees proactively propose ways to contribute value to wider society.

I too will do my best to ensure that the superior human resources within JPX Group are utilized to their full potential.

**Ota** We are currently at a major turning point in the financial and capital markets in light of stock prices overcoming many years of stagnation, a return to a world with interest, and young people beginning to take an interest in stock investment due to the expansion of NISA. Even in Japanese companies, capital costs appear to be rapidly shifting toward operations that focus on stock prices. We would like to seize this opportunity to accelerate our efforts to create a "global, comprehensive finance and information platform" within our next Medium-Term Management Plan.

**Kama** To reiterate, JPX plays a key role as social infrastructure in the Japanese economy. To that end, we must accomplish that role as a company that is responsible for and operates that infrastructure in a stable and reliable manner, and as a listed company, we must strive to increase our corporate value in line with the expectations of our stakeholders and as a role model for listed companies.

I also think it is important to continue dialogue with shareholders, stakeholders, market players, and relevant authorities while strengthening external communication.

# Risk Management

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

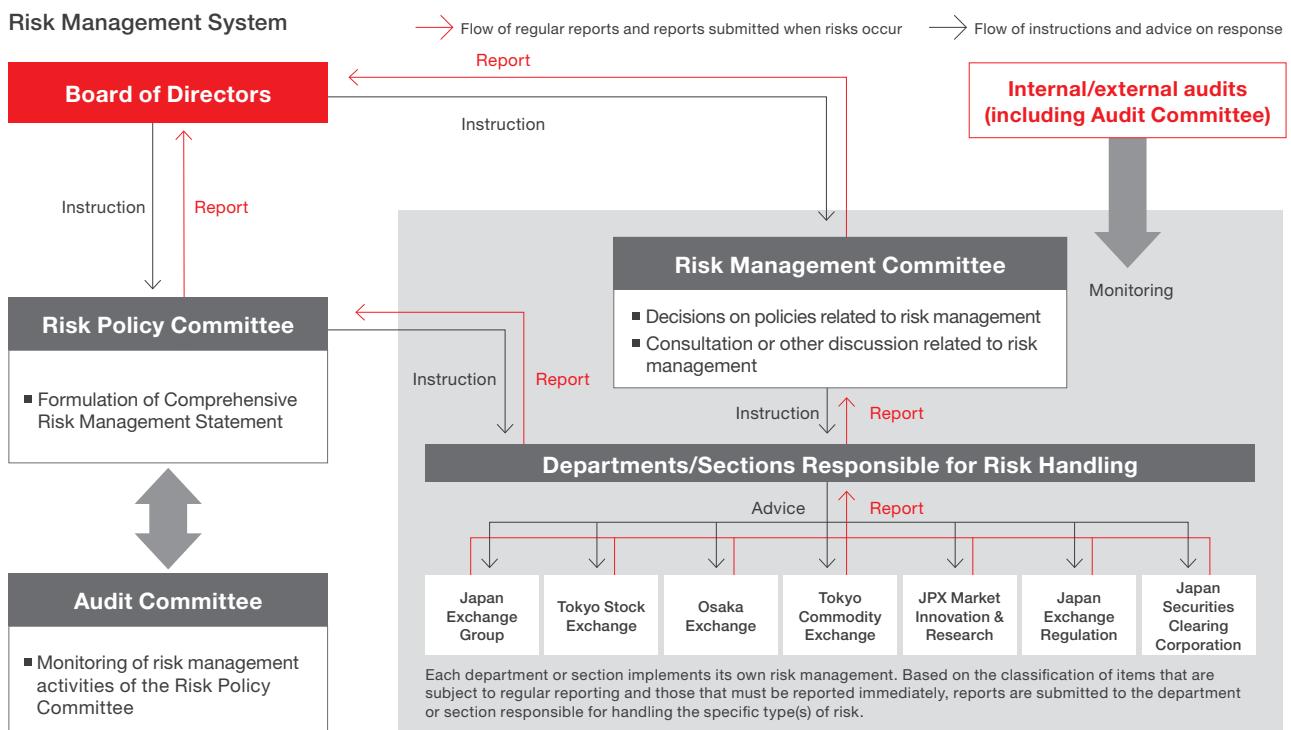
## Risk Management System

JPX Group faces numerous risks in the course of its operations, including risks associated with system glitches, compensation in the event of defaults by clearing participants, and administrative matters. The Group 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 the Group's Risk Management Policy, these committees are responsible for identifying risks as well as developing and implementing measures to prevent such risks. The Group 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 Group 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 for JPX Group and establishes basic policies for responses to each significant risk. The results of this process are submitted to the board of directors as recommendations in the form of a Comprehensive Risk Management Statement.

Based on the Comprehensive Risk Management Statement it has formulated, JPX Group responds to significant risks and other risks in advance, thereby reducing the likelihood of risks materializing and enabling flexible responses when risks do materialize. In the event of a major issue, the role of the Risk Management Committee is to assemble a comprehensive understanding of the situation and give directions for solving the issue as quickly as possible, and a system has been established to ensure that all necessary information is reported to management promptly and without fail.



## Significant Risks

Each fiscal year, we identify the significant risks on a Group-wide basis. 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 Group approaches risk management on two levels: first, the Group as a whole works to identify risks in the internal environment, and second, we hold wide-ranging discussion involving the management team

about potential risk factors in the external environment, such as geopolitical risks. Based on the results of these discussions, we then consider which are 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 the whole Group if the risk materializes and the frequency with which such risks are likely to arise. We then take preventive measures targeting specific significant risks.

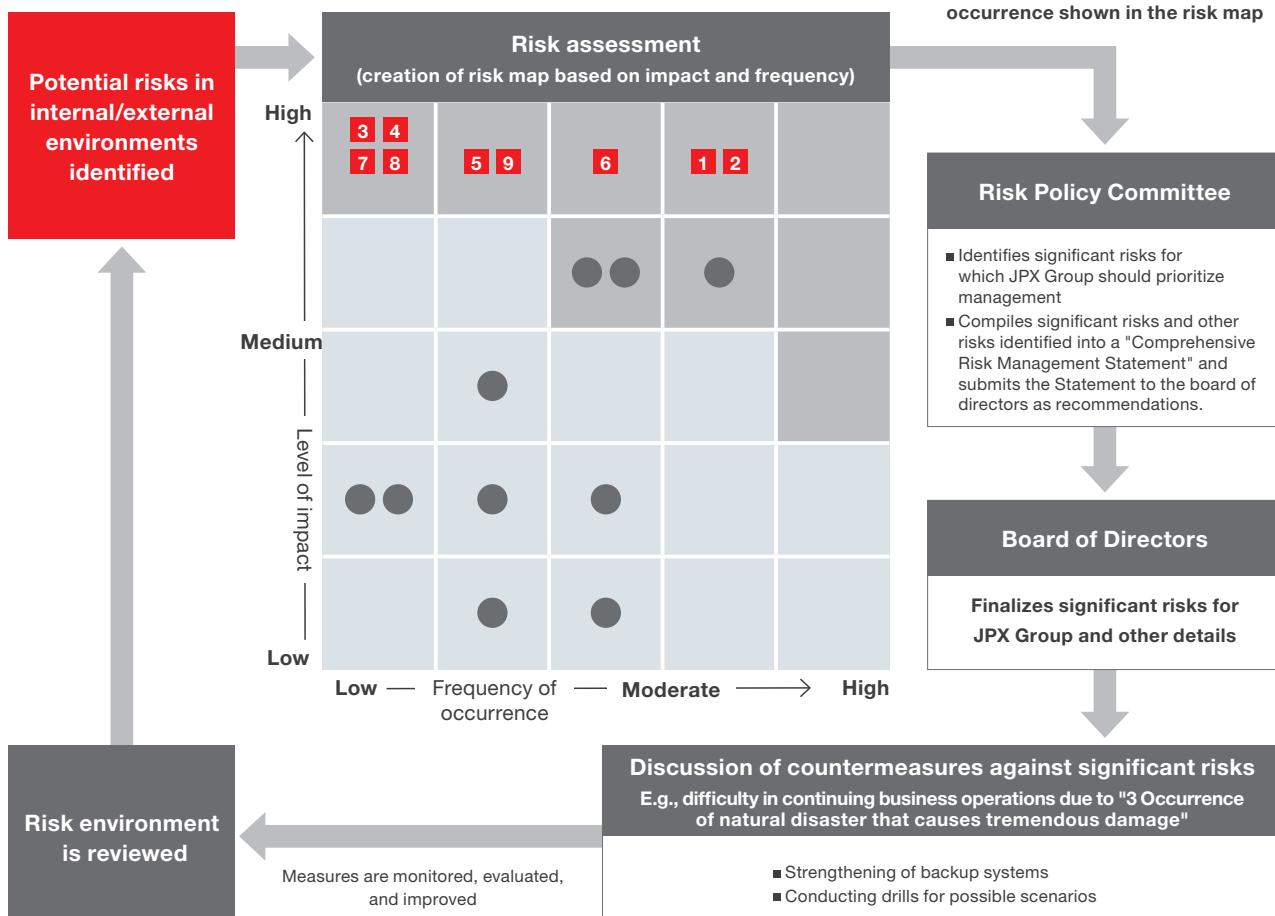
### Risk Classification

Types of Risk	Examples
Business strategy/ environment 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/stoppage 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	Losses incurred or failure to perform clearing obligations resulting from default or other causes instigated by clearing participants
Other risks	Risks other than those mentioned above

## Major Significant Risks and Our Responses to Them

Types of Risk	Risk Phenomena	Responses to Risk Phenomena
System risk	① System failures	<ul style="list-style-type: none"> <li>■ Implementing standardized development methods and adequate operational tests</li> <li>■ Maintaining thorough quality control pertaining to development and operations</li> <li>■ Implementing regular drills for system failure</li> <li>■ Implementing recurrence prevention measures in response to system failure (improving resilience)</li> </ul>
Information security risk	② Cyberattacks	<ul style="list-style-type: none"> <li>■ Implementing regular information security diagnostics by external vendors</li> <li>■ Implementing regular drills</li> <li>■ Implementing e-learning</li> </ul>
Business continuity risks	③ Occurrence of natural disaster that causes tremendous damage ④ Occurrence of terrorist attack ⑤ Occurrence of pandemic	<ul style="list-style-type: none"> <li>■ Building of eastern and western backup capabilities (for both business operations and systems)</li> <li>■ Implementing regular drills (for disaster and terrorism responses)</li> <li>■ Reviewing contingency plans, etc.</li> <li>■ Recommending and adopting telework and staggered working hours</li> <li>■ Using nearby backup offices, etc.</li> </ul>
Operational risk	⑥ Administrative or similar errors in business operations related to market operations (system operations, etc.), listing services, or clearing services	<ul style="list-style-type: none"> <li>■ Implementing regular operation drills</li> <li>■ Continuous review of operational manuals and processes (including promotion of automation)</li> </ul>
Credit risk and liquidity risk arising from obligation assumption business	⑦ Default, etc. by clearing participants	<ul style="list-style-type: none"> <li>■ Ensuring adequacy of margin and other sources of funds</li> <li>■ Daily monitoring of clearing participants and regular holding of drills in case of participant bankruptcy</li> </ul>
Business environment and business strategy risk	⑧ Changes in operating environment (impact on market from changes in regulations or rules due to laws, etc.)  ⑨ Delayed or insufficient response to promoting sustainability	<ul style="list-style-type: none"> <li>■ Performing regular monitoring of progress of business strategies and changes in the business environment, etc., and reviewing priority strategies corresponding to proper budgetary operation and changes in the operating environment</li> <li>■ Reviewing market rules and structures in fitting with discussion and debate among market stakeholders, etc. (strengthening of market functions, provision of fair and highly convenient trading services, etc.)</li> <li>■ Formulating Environmental Vision and Environmental Policy</li> <li>■ Disclosing information based on the TCFD Recommendations</li> </ul>

## System for Identifying Significant Risks



## 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 Group trading systems. In view of these changes, JPX Group 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 Group 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 an internal or external system, a natural disaster or terrorist act, or when parts of the social infrastructure cease to

function. For example, in the case of a natural disaster, we consider the necessity of trading suspension after taking fully into account past market share based on the trading value of trading participants that are unable to participate in trading (generally above 50% of overall trading value), the extent of disasters and the state of system failure (including the number of trading participants, etc. that are unable to participate in trading, their attributes, the status of the entire financial market), and social demands.

## Actions on Cybersecurity

As JPX Group 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 users.

As an example, we have built a multi-layered security system that detects and blocks any and all cyberattacks against JPX Group, including unauthorized access to the website and targeted emails. We have also built systems to look for vulnerabilities in JPX Group security and improve our countermeasures to these threats. These include conducting regular diagnostic checks, as well as constructing a 24-hour monitoring and response system, centered around the in-house Computer Security Incident Response Team (CSIRT).

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 securities companies.

As cyberattacks are becoming increasingly sophisticated and precise with each passing year, we will formulate cybersecurity response plans, conduct regular checks of our security measures and revise and reinforce them whenever necessary.

## Business Continuity in Emergencies

JPX Group'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, the Group must be prepared to answer the call of society and continue operations. To be ready for such situations, JPX Group established our Business Continuity Plan (BCP) to define our 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 Group 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, the Group 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 systems in the backup center to allow trading to resume as quickly as possible. In a bid to help further enhance the reliability of the Japanese market, we have constructed a secondary (backup) center in the Kansai region away from Tokyo, where there would be little to no fear of shortages of electricity and other essential services in the event that a major large-scale earthquake or other disaster occurred in the Tokyo Metropolitan area and caused damage to its social infrastructure.

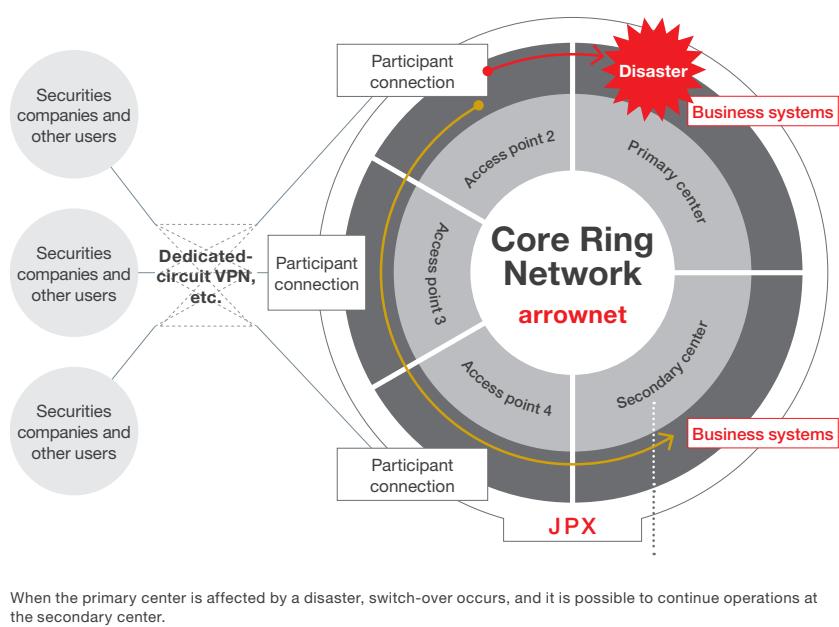
Furthermore, in preparation for a large-scale earthquake and other wide-area disasters, the core telecommunications network, arrownet, is designed as an optical ring network that surrounds the Tokyo Metropolitan area. Even if a part of the network is severed by a disaster, transmissions will be re-routed 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 Group reviews its BCP at least once a year and revises it accordingly in light of changes in the environment.

↗ **Business Continuity Plan**  
<https://www.jpx.co.jp/english/corporate/governance/risk/bcp/index.html>

### Procedures for Restoring Trading Operations Based on BCP after Disaster Occurs



### System for Responding When BCP is Implemented



# Internal Control Systems and Compliance

## Internal Control Systems

JPX Group 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, we create 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 and COO, periodically confirms and assesses the status of internal controls.

- Basic Policy on Establishment of Internal Control System  
<https://www.jpx.co.jp/english/corporate/governance/internal-control/index.html>

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.

## Compliance Program

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

- 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 Group'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 the Group's investor-centric stance and reflects our commitment to being an open company.

## Activities for Continued Awareness

JPX Group 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

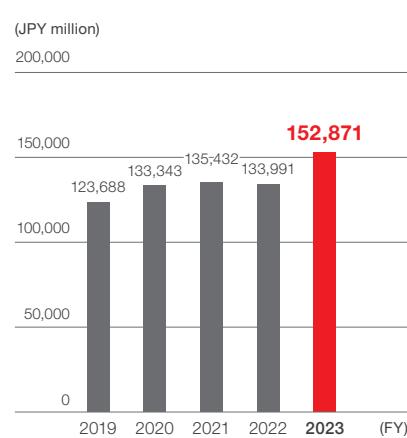
The Group CEO assumes responsibility for compliance and oversees all compliance-related matters. The Group CEO is assisted by the officer responsible for compliance and the Compliance Secretariat. The Group has a Compliance Hotline in place to provide a channel for reporting information and making inquiries regarding clear or suspected violations of laws and internal rules, including against the Charter of Corporate Behavior. When certain behavior involving Group officers or employees is suspected to be in violation of compliance, the hotline makes it possible to detect such acts promptly from an incoming call and introduce measures and frameworks to address them.

# Financial and Corporate Data

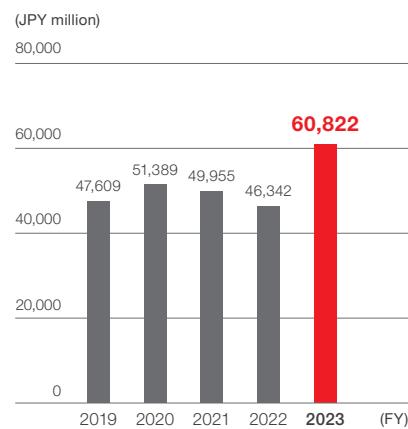
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## Financial Highlights

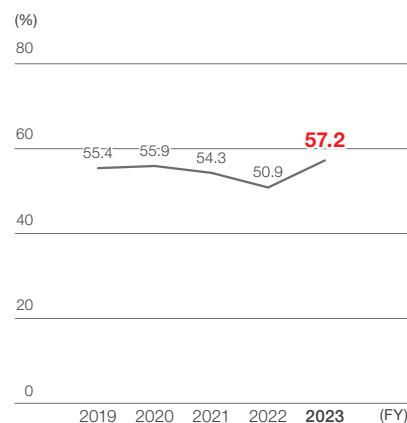
### Operating Revenue



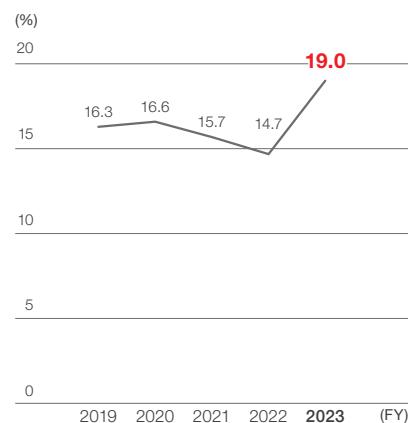
### Net Income (attributable to owners of the parent company)



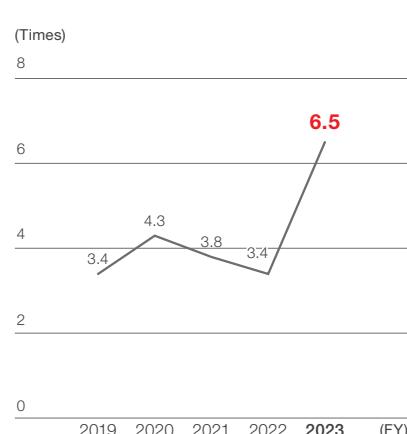
### Operating Profit Margin



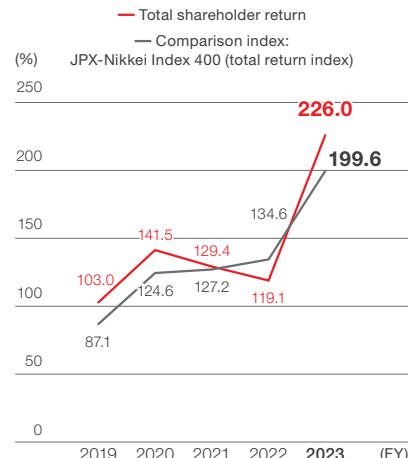
### ROE



### PBR

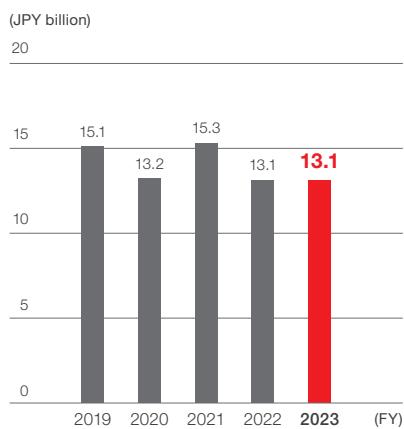


### TSR

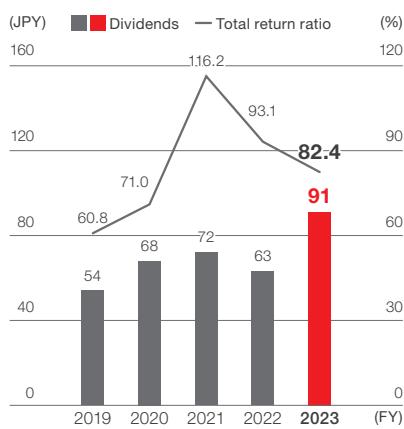


## Non-Financial Highlights

### Capital Expenditures

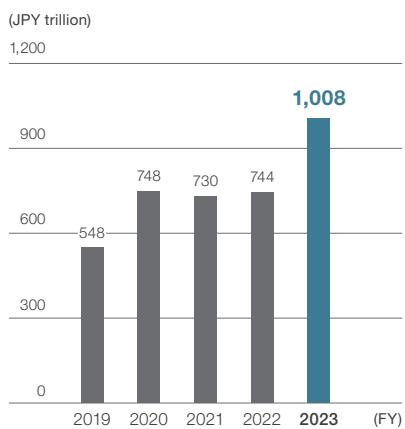


### Dividends, etc.

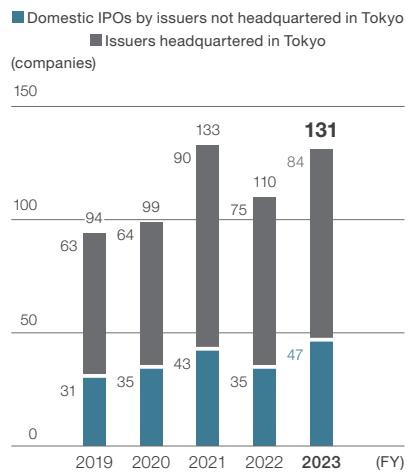


**Listed Companies** Promotion of corporate value improvement

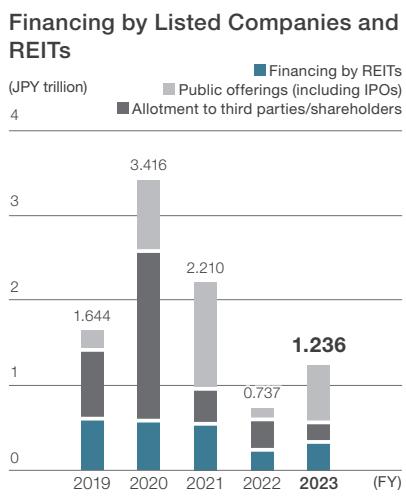
### Market Capitalization of TSE-Listed Companies (as of FY-end)



### IPOs on TSE



### Listed Companies (Prime) Appointing At Least One-Third Independent Directors



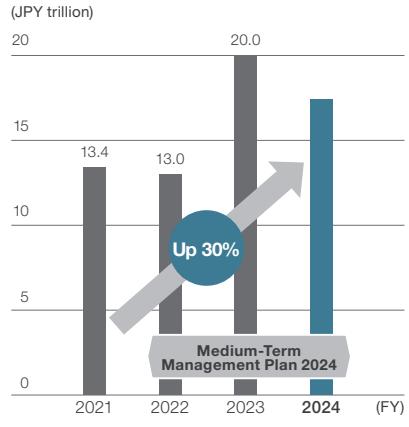
(Aggregated based on corporate governance reports as of July 12, 2024)

**Investors** Providing effective asset management opportunities

### Average Daily Trading Value of ETFs, etc. (excluding leveraged/inverse products)



### Net Asset Balance of ETFs, etc. (excluding BOJ purchases)



## Review of Operations and Financial Condition

### Financial Highlights (IFRS Accounting Standards)

(JPY mil.)

	FY2019	FY2020	FY2021	FY2022	FY2023
Operating Revenue	123,688	133,343	135,432	133,991	152,871
Operating Expenses	58,532	61,394	63,220	67,502	71,554
Operating Income	68,533	74,565	73,473	68,253	87,444
Net Income Attributable to Owners of the Parent Company	47,609	51,389	49,955	46,342	60,822
EBITDA	85,683	91,594	91,025	87,275	105,811
Dividends per Share* (JPY)	54.0	68.0	72.0	63.0	91.0
ROE	16.3%	16.6%	15.7%	14.7%	19.0%

\*The dividend figures for FY2020, FY2021, FY2022, and FY2023 include a special dividend of JPY 10 per share, a special dividend of JPY 15 per share, a commemorative dividend of JPY 10 per share, and a special dividend of JPY 20 per share, respectively.

### Average Daily Trading Value/Volume of Main Products

	FY2019	FY2020	FY2021	FY2022	FY2023
Cash Equities (trading value)*	JPY 3.08 trillion	JPY 3.48 trillion	JPY 3.76 trillion	JPY 3.84 trillion	JPY 5.00 trillion
TOPIX Futures (large)	121,000 contracts	102,000 contracts	96,000 contracts	104,000 contracts	111,000 contracts
Nikkei 225 Futures (large)	110,000 contracts	92,000 contracts	76,000 contracts	88,000 contracts	87,000 contracts
Nikkei 225 Futures (mini)	1,228,000 contracts	1,076,000 contracts	989,000 contracts	1,046,000 contracts	1,046,000 contracts
Nikkei 225 Options**	JPY 26.8 billion	JPY 26.5 billion	JPY 23.6 billion	JPY 25.7 billion	JPY 26.3 billion
10-year JGB Futures	40,000 contracts	29,000 contracts	33,000 contracts	32,000 contracts	42,000 contracts

\*Average daily trading value of common stocks on Prime, Standard and Growth Markets (up to FY2021: TSE 1st/2nd Sections, Mothers, and JASDAQ), TOKYO PRO Market, and ETFs/ETNs, REITs, etc. in auction and off-auction trading.

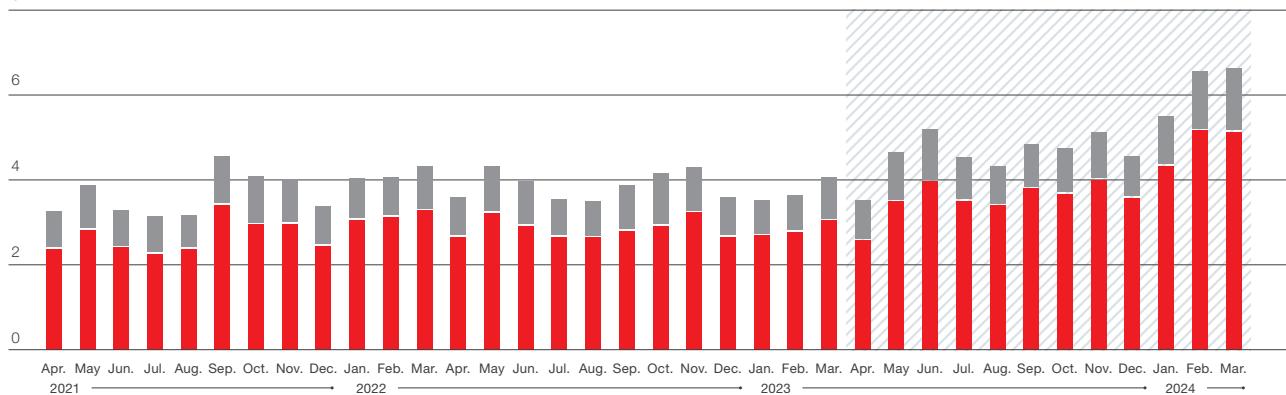
\*\*Excludes weekly options.

### Average Daily Trading Value for Cash Equities (Apr. 2021 – Mar. 2024)

(JPY tril.)

■ Prime Market (domestic stock auction trading) ■ Non-Prime Market (domestic stock auction trading) Cash Equities

8



\*Trading value up to April 1, 2022 is that of old TSE 1st Section

### Monthly Trading Volume for Derivatives (Apr. 2021 – Mar. 2024)

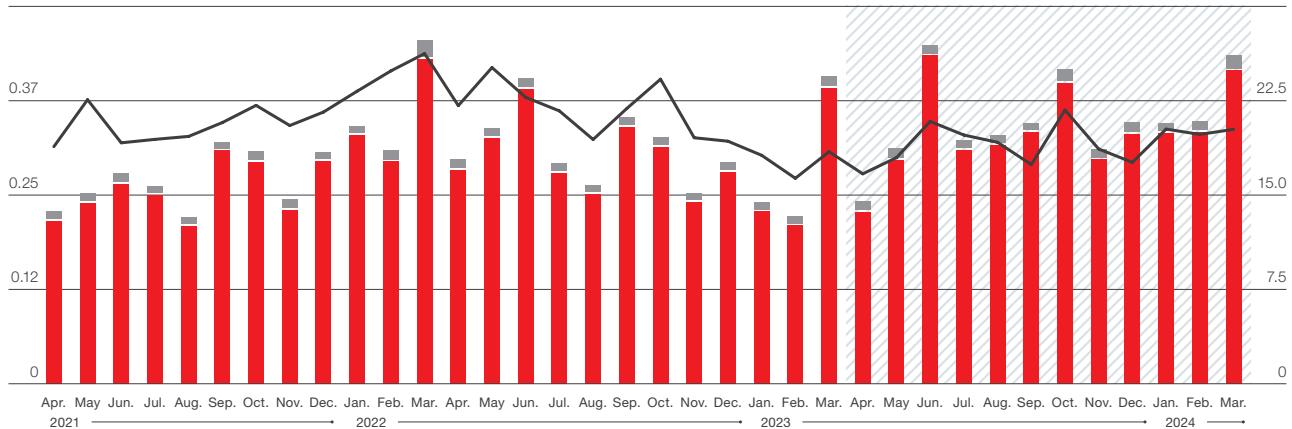
(Trading volume: 100 million contracts)

■ Financial derivatives ■ Commodity derivatives — Nikkei 225 VI (average)

(Nikkei 225 VI)

0.50

30.0



## Adoption of the IFRS Accounting Standards

JPX Group has adopted the IFRS Accounting Standards to facilitate comparisons of financial results of the Group with those of other exchanges located overseas and to increase investor convenience.

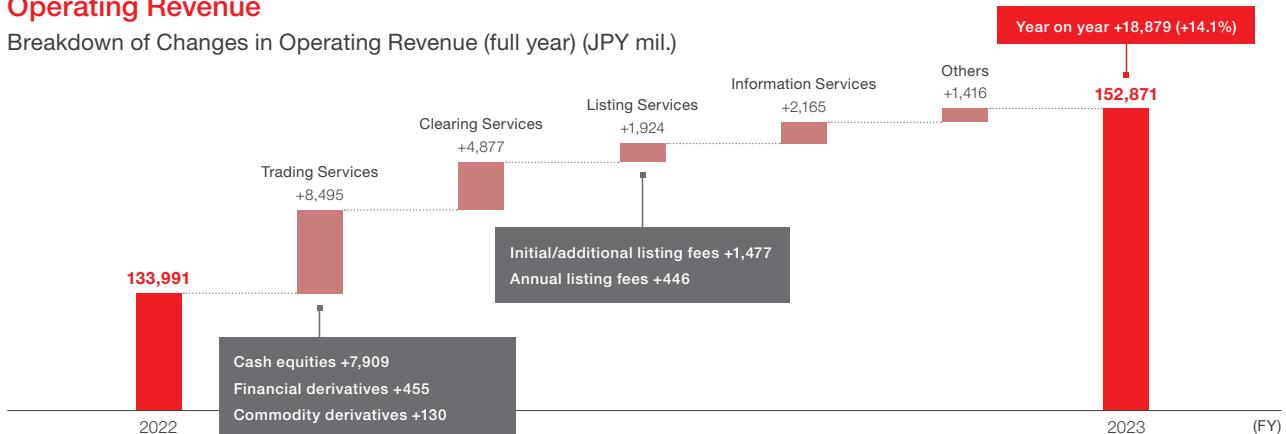
## Overview of Operating Results for FY2023

In FY2023, JPX Group recorded operating revenue of JPY 152,871 million (up 14.1% year on year) and operating expenses were JPY 71,554 million (up 6.0% year on year). As a result, the Group recorded operating income of JPY 87,444 million (up 28.1% year on year) and income before income tax of JPY 87,404 million (up 28.1% year on year).

In addition, net income attributable to owners of the parent company after income tax was JPY 60,822 million (up 31.2% year on year).

### Operating Revenue

Breakdown of Changes in Operating Revenue (full year) (JPY mil.)



### Operating Revenue

	FY2019	FY2020	FY2021	FY2022	FY2023	Ratio
	Amount (JPY mil.)					
Trading Services Revenue	48,589	53,171	53,196	53,089	61,585	<b>40.3%</b>
Trading Fees	39,118	43,463	43,298	43,143	51,477	
Cash Equities	25,757	31,056	31,563	31,414	39,163	<b>76.1%*</b>
Financial Derivatives	12,255	10,393	10,168	10,361	10,838	<b>21.1%*</b>
TOPIX Futures	2,254	1,933	1,885	2,027	2,135	
Nikkei 225 Futures (incl. Nikkei 225 mini)	5,101	4,380	4,071	4,306	4,316	
Nikkei 225 Options**	2,888	2,555	2,460	2,291	2,395	
10-year JGB Futures	1,811	1,353	1,544	1,498	1,934	
Others	200	170	205	237	55	
Commodity Derivatives	1,104	2,014	1,567	1,366	1,476	<b>2.9%*</b>
Basic Fees	1,020	1,018	1,000	986	978	
Access Fees	4,701	5,047	5,141	5,165	5,269	
Trading System Facilities Usage Fees	3,646	3,544	3,647	3,691	3,746	
Others	101	96	108	103	113	
Clearing Services Revenue	26,427	27,939	27,945	28,008	32,885	<b>21.5%</b>
Listing Services Revenue	14,322	16,660	15,736	13,666	15,590	<b>10.2%</b>
Initial/Additional Listing Fees	3,965	5,630	4,171	2,021	3,499	
Annual Listing Fees	10,356	11,029	11,565	11,644	12,090	
Information Services Revenue	21,977	24,128	27,175	27,597	29,763	<b>19.5%</b>
Others	12,371	11,443	11,378	11,630	13,047	<b>8.5%</b>
<b>Total</b>	<b>123,688</b>	<b>133,343</b>	<b>135,432</b>	<b>133,991</b>	<b>152,871</b>	<b>100.0%</b>

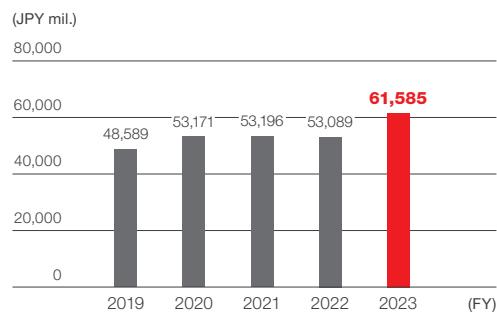
\*Figures indicate percentage of Trading Fees. \*\*Excludes weekly options.

# Operating Revenue in FY2023

## 1 Trading services revenue

Trading services revenue consists of "Trading Fees" based on the value of securities traded and 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.

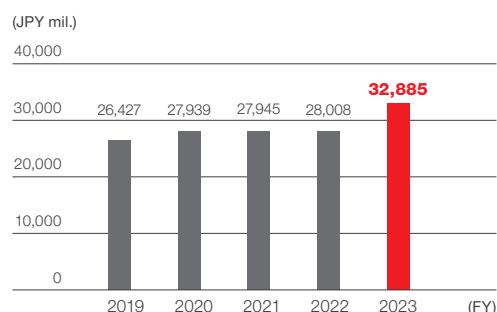
For the fiscal year ended March 31, 2024, JPX Group recorded trading services revenue of JPY 61,585 million (up 16.0% year on year) due mainly to increased trading fees with the value of securities traded and the volume of derivatives traded surpassing the levels of the previous fiscal year.



## 2 Clearing services revenue

Clearing services revenue is comprised of mainly clearing fees related to the financial instruments obligation assumption business carried out by Japan Securities Clearing Corporation.

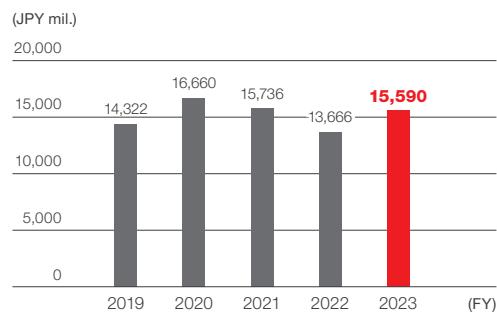
For the fiscal year ended March 31, 2024, JPX Group recorded clearing services revenue of JPY 32,885 million (up 17.4% year on year).



## 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.

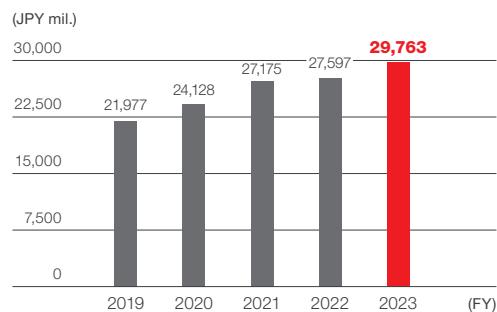
For the fiscal year ended March 31, 2024, JPX Group recorded listing services revenue of JPY 15,590 million (up 14.1% year on year) due mainly to an increase in revenue from initial and additional listing fees.



## 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 others.

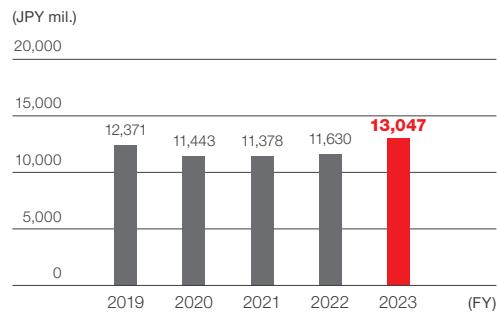
For the fiscal year ended March 31, 2024, JPX Group recorded information services revenue of JPY 29,763 million (up 7.8% year on year) due mainly to an increase in revenue related to the index business, in addition to an increase in revenue from market information fees.



## 5 Other operating revenue

Other operating revenue includes mainly usage fees for arrownet, which connects trading, market information, and other systems to trading participants and other users, and 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 and other processes.

For the fiscal year ended March 31, 2024, JPX Group recorded other operating revenue of JPY 13,047 million (up 12.2% year on year).



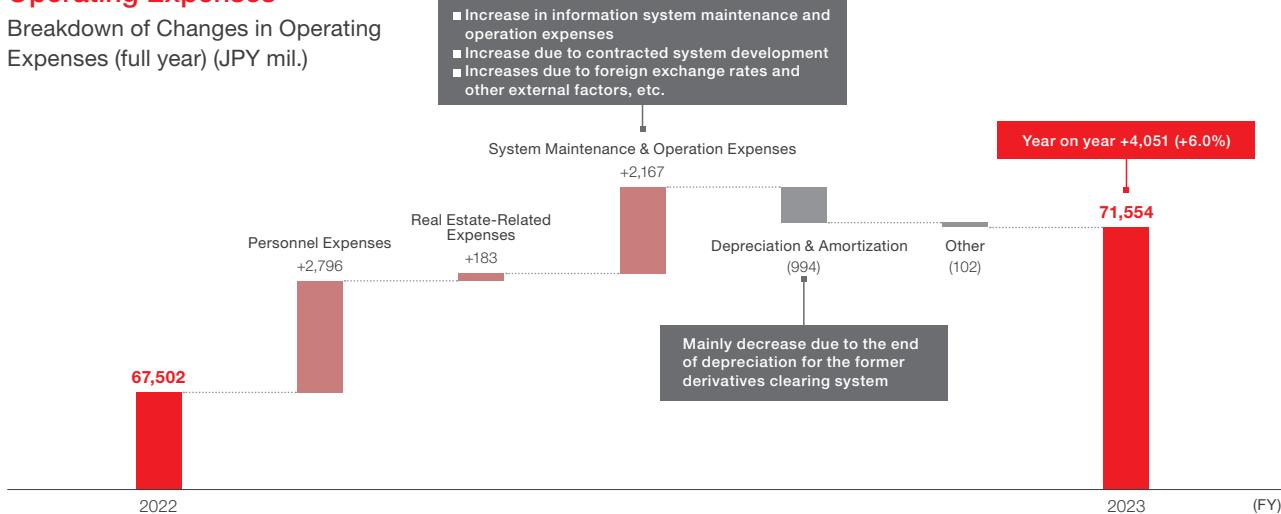
## Operating Expenses in FY2023

During the fiscal year ended March 31, 2024, personnel expenses increased to JPY 22,396 million (up 14.3% year on year). System maintenance and operation expenses include expenses related to maintenance and operation management of various systems including the cash equities and derivatives trading

systems. System maintenance and operation expenses increased to JPY 19,099 million (up 12.8% year on year). Depreciation and amortization decreased to JPY 18,298 million (down 3.5% year on year). Other operating expenses decreased to JPY 11,759 million (down 2.0% year on year).

### Operating Expenses

Breakdown of Changes in Operating Expenses (full year) (JPY mil.)



\*A portion of real estate-related expenses recorded under depreciation based on IFRS 16 "Leases" has been restated and presented under Real Estate-Related Expenses

### Operating Expenses

(JPY mil.)

	FY2019*	FY2020*	FY2021*	FY2022**	FY2023**
Personnel Expenses	17,512	19,255	19,048	19,599	22,396
System Maintenance and Operation Expenses	12,071	13,524	14,984	16,931	19,099
Depreciation and Amortization	13,354	13,632	14,364	15,557	14,562
Real Estate-Related Expenses	4,275	4,372	4,391	4,687	4,871
Other	11,318	10,609	10,431	10,727	10,624
<b>Total</b>	<b>58,532</b>	<b>61,394</b>	<b>63,220</b>	<b>67,502</b>	<b>71,554</b>

\*A portion of real estate-related expenses recorded under depreciation based on IFRS 16 "Leases" has been restated and presented under Real Estate-Related Expenses.

\*\*With the establishment of JPX Market Innovation & Research, there have been partial changes to expense classifications effective from the financial results for FY2022. (System development-related costs previously recorded in "Other" under operating expenses are now recorded under Personnel Expenses and System Maintenance and Operation Expenses.)

### Basic Policy for Allocation of Profit

JPX Group adopts a dividend policy with a target payout ratio of approximately 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 house; 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 dividend for FY2024 is expected to be JPY 62 per share (JPY 31 per share at the end of the second quarter; JPY 31 per share at the end of the fiscal year). (As of July 2024)

Note: JPX plans to conduct a 2-for-1 stock split with an effective date of October 1, 2024, and for the year-end dividend per share for FY2024, the amount shown is the amount before taking into account the stock split. If the stock split is taken into account, the year-end dividend for FY2024 would be JPY 15.5 per share.

# Consolidated Statement of Financial Position

(JPY mil.)

			As of March 31, 2023	As of March 31, 2024
<b>Assets</b>	<b>Current assets</b>	Cash and cash equivalents	98,812	128,019
		Trade and other receivables	16,023	19,550
		Clearing business financial assets	72,108,539	70,741,262
		Specified assets for deposits from clearing participants	9,655,223	9,490,971
		Specified assets for legal guarantee funds	616	620
		Income tax receivables	5,359	7,374
		Other financial assets	112,400	110,810
		Other current assets	3,582	2,619
	<b>Total current assets</b>		82,000,557	80,501,228
<b>Non-current assets</b>	Property and equipment		11,041	13,199
	Goodwill		72,043	71,184
	Intangible assets		36,109	32,768
	Retirement benefit assets		10,025	791
	Investments accounted for using the equity method		18,593	19,619
	Specified assets for default compensation reserve funds		27,948	27,948
	Other financial assets		3,068	3,449
	Other non-current assets		6,253	5,897
	Deferred tax assets		1,751	6,539
	<b>Total non-current assets</b>		186,834	181,398
<b>Total assets</b>			82,187,392	<b>80,682,627</b>

			As of March 31, 2023	As of March 31, 2024
<b>Liabilities and equity</b>	<b>Liabilities</b>	<b>Current liabilities</b>		
		Trade and other payables	8,883	4,233
		Bonds and loans payable	33,000	32,500
		Clearing business financial liabilities	72,108,539	70,741,262
		Deposits from clearing participants	9,655,223	9,490,971
		Legal guarantee funds	616	620
		Trading participant security money	8,757	8,885
		Income tax payables	9,963	17,143
		Other current liabilities	8,274	14,165
		<b>Total current liabilities</b>	81,833,258	80,309,783
	<b>Non-current liabilities</b>	Bonds and loans payable	19,973	19,980
		Retirement benefit liabilities	8,485	8,462
		Other non-current liabilities	3,795	5,834
		Deferred tax liabilities	69	—
		<b>Total non-current liabilities</b>	32,324	34,277
	<b>Total liabilities</b>		81,865,583	80,344,060
<b>Equity</b>		Share capital	11,500	11,500
		Capital surplus	38,841	38,840
		Treasury shares	(13,575)	(3,839)
		Other components of equity	445	522
		Retained earnings	275,523	281,336
		Total equity attributable to owners of the parent company	312,734	328,359
		Non-controlling interests	9,075	10,206
	<b>Total equity</b>		321,809	338,566
<b>Total liabilities and equity</b>			82,187,392	<b>80,682,627</b>

<sup>1</sup> Clearing business financial assets and liabilities assumed as a clearing house

<sup>2</sup> Deposits from clearing participants deposited by clearing participants as collateral

<sup>3</sup> <sup>4</sup> <sup>5</sup> Deposits and reserve funds based on the rules for securing the safety of financial instruments transactions and other transactions

<sup>6</sup> Including <sup>5</sup> Default compensation reserve funds

## Consolidated Statement of Income

(JPY mil.)

		Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Revenue	Operating revenue	133,991	152,871
	Other revenue	504	4,932
	Total revenue	134,496	157,804
Expenses	Operating expenses	67,502	71,554
	Other expenses	59	233
	Total expenses	67,562	71,787
Share of income of investments accounted for using the equity method		1,319	1,427
Operating income		68,253	87,444
Financial income		49	69
Financial expenses		96	108
Income before income tax		68,207	87,404
Income tax expense		20,987	25,451
Net income		47,219	61,953
Net income attributable to	Owners of the parent company	46,342	60,822
	Non-controlling interests	876	1,131
	Net income	47,219	61,953
Earnings per share	Basic (JPY)	88.03	116.89
	Diluted (JPY)	—	—

## Consolidated Statement of Cash Flows

(JPY mil.)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities	66,878	79,566
Cash flows from investing activities	(8,522)	(7,166)
Cash flows from financing activities	(52,898)	(43,195)
Net increase (decrease) in cash and cash equivalents	5,457	29,205
Cash and cash equivalents at the beginning of the year	93,354	98,812
Effect of changes in exchange rate on cash and cash equivalents	0	2
Cash and cash equivalents at the end of the year	98,812	128,019

# Corporate Data (as of June 20, 2024)

## Corporate Information

Company Name	Japan Exchange Group, Inc.
Number of Directors	15 directors, 11 executive officers
Location of Head Office	Head Office: 2-1 Nihombashi-kabutocho, Chuo-ku, Tokyo 103-8224, Japan Osaka Head Office: 8-16, Kitahama 1-chome, Chuo-ku, Osaka 541-0041, Japan
Foundation	January 1, 2013
Amount of Capital	JPY 11.5 billion
Number of Employees (as of March 31, 2024)	1,236 (consolidated)
	Japan Exchange Group, Inc. 214
	Tokyo Stock Exchange, Inc. 331
	Osaka Exchange, Inc. 153
	Tokyo Commodity Exchange, Inc. 9
	JPX Market Innovation & Research, Inc. 241
	Japan Exchange Regulation 191
	Japan Securities Clearing Corporation 97
Business Description	Management and administration of a financial instruments exchange holding company group, and other ancillary businesses

## Stock Information

Stock Code	8697
Listed Market	Tokyo Stock Exchange Prime Market
Business Year	April 1 to March 31
Annual General Shareholders Meeting	June
Record Dates	March 31 for Annual General Shareholders Meeting and for year-end dividend and September 30 for interim dividend

## Sustainability-Related Initiatives in Which JPX Participates or Has Joined

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



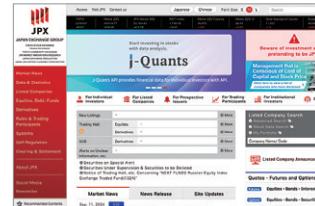
Net Zero Financial Service Providers Alliance (NZFSPA)

GX League

## Website

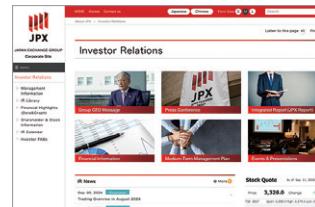
### About JPX

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



### Investor Relations

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



### Number of Shares per Share Unit

100 shares

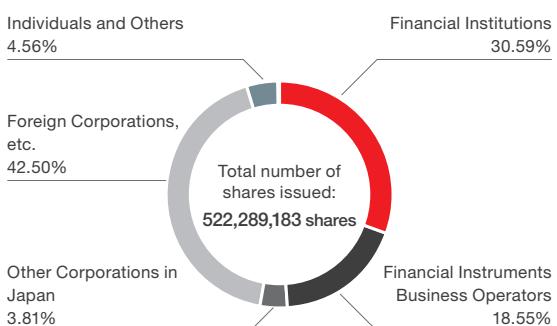
Number of Shares	Total number of shares authorized to be issued: 2,180,000,000 shares
	Total number of shares issued: 522,289,183 shares

### Number of Shareholders (as of March 31, 2024)

127,879

## JPX's Shareholders (as of March 31, 2024)

### Distribution of Shareholders



### Major Shareholders

		No. of Shares Held	Shareholding Ratio (%)
1	The Master Trust Bank of Japan, Ltd. (Trust Account)	89,594,100	17.15
2	Custody Bank of Japan, Ltd. (Trust Account)	32,053,100	6.14
3	SMBC Nikko Securities Inc.	12,281,825	2.35
4	State Street Bank West Client – Treaty 505234	10,122,036	1.94
5	State Street Bank and Trust Company 505001	8,545,455	1.64
6	Northern Trust Co. (AVFC) Re Non Treaty Clients Account	8,207,701	1.57
7	BNY GCM Client Account JPRD AC ISG (FE-AC)	7,707,408	1.48
8	MUFG Bank, Ltd.	7,557,000	1.45
9	SSBTC Client Omnibus Account	7,280,613	1.39
10	JP Morgan Chase Bank 385781	7,265,071	1.39



### About the JPX Group Logo

The logo expresses our aspirations toward dynamic and international growth in our ambition to become Asia's No. 1 market. The four rising bars represent the four Cs of our creed: adopting a "Customer First" approach of prioritizing customer needs, pursuing "Creativity" in innovative solutions, building "Credibility" and public confidence, and achieving "Competency" by harnessing employee potential.



## JAPAN EXCHANGE GROUP

TOKYO STOCK EXCHANGE  
OSAKA EXCHANGE  
TOKYO COMMODITY EXCHANGE  
JPX MARKET INNOVATION & RESEARCH  
JAPAN EXCHANGE REGULATION  
JAPAN SECURITIES CLEARING CORPORATION

## JAPAN EXCHANGE GROUP, INC.

2-1 Nihombashi-kabutocho, Chuo-ku, Tokyo 103-8224, Japan  
Corporate Communications Tel: +81-33666-1361 (Operator)

